

# Angola expected to return to budget surpluses only in the medium term

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The implementation of Angola's state budget for 2015 presents some uncertainty due to a drop in oil prices, according to Eaglestone Securities, which expects the country to return to budget surpluses only in the medium term.

The Angolan state budget for 2015 outlines an increase in public debt, of US\$37.9 billion to US\$48.3 billion, or 35.5 percent of GDP, with the government having to resort to financing to bridge the revenue shortfall caused by the drop in oil prices on the international market.



"The Angolan government will continue to depend on a significant contribution from tax revenue, especially taxes on the oil sector, to finance its spending," at a time when it needs to spend money on infrastructure and social projects, said the Eaglestone analysts.

With a deficit of 7.6 percent of GDP expected in 2015, the next few months will require "special attention from the Angolan authorities regarding management of the country's public accounts," although prospects for Angola's economic growth, "remain favourable," Eaglestone said.

"As in the 2008/09 crisis, in which Angola had two consecutive record deficits and sought IMF help in 2009, we expect that the significant deterioration in the budget deficit forecast for 2015 is episodic and the country will quickly return to budget surpluses in the medium term," said the consultancy's report.

In 2015, despite an increase in oil production, Angola will have to manage on 16.3 percent lower tax revenues from oil, a sector that accounts for almost two-thirds of total revenues.

The average price of a barrel of oil expected in the next year is US\$81, significantly below the US\$104 initially planned for 2015, but well above the current price of the barrel in international markets – between US\$50 and US\$60.

"This shows how Angolan accounts remain highly dependent on the oil sector and that the risks to the oil price scenario may affect revenue collection in the period," the report said.

By contrast, tax revenues from the non-oil sector are expected to rise 27.1 percent, reflecting "the structural reforms that the authorities are carrying out to increase tax collection outside the oil sector," it said.

On 1 January, 2015 new income, industrial and general tax codes started operating in Angola, concluding a restructuring process that began in 2011.

One of the Budget trends for this year is an increase in funding for the social sector – education, health and social security – in contrast to cuts in security and defence.

The largest share of the budget will go to current expenditure (74 percent of total), including salaries and goods and services, both with increases in excess of 20 percent over the previous year.