EAGLESTONE SECURITIES

The Angolan Economy

Many More Hills to Climb

Research

22 November 2013

Banking
Tiago Bossa Dionísio
(+351) 211 214 431
tiago.dionisio@eaglestone.eu

Stable macroeconomic environment

Angola has been one of the fast-growing economies in the world in the last decade, with GDP expanding at an annual 11% and per capita income rising more than eight-fold during this period. Today, GDP per capita stands above US$ 5,000, considered a middle-income level. Like its oil-exporting peers, Angola has benefited from high commodity prices in recent years. The country currently has a positive fiscal balance and low public debt. On top of this, it has a more comfortable level of international reserves (covering nearly eight months of imports) as well as a stable exchange rate, which helped lower inflation to single-digits for the first time in over two decades.

Long-term national development strategy "Angola 2025"

Following the strong efforts to rebuild a country devastated by decades of war, the Angolan authorities are now focused on implementing a development strategy that will ensure stability, growth and employment in the long-run. "Angola 2025" is also targeted at reducing the poverty levels and improving the literacy and skill levels of the local population. The National Development Plan 2013-17 is part of the "Angola 2025" vision and aims to promote economic diversification. Authorities hope that it will help double the number of investment projects approved every year by ANIP, the national private investment agency, and create many jobs. Moreover, officials are committed to the recovery of national production, including the revitalization of the agricultural sector in order to reduce the country's reliance on imported goods.

Angola Sovereign Wealth Fund starts with US$5 billion

Angolan officials hope that the new mining code introduced in December 2011 will encourage investment in the exploitation of untapped mineral reserves and help the country become an important player in the mining industry. Production at a LNG plant began this year, with the first export shipment taking place in June followed by the shipment of another four cargoes since then should help boost economic growth in the short-term. A sovereign wealth fund has also been announced in order to create buffers against future commodity price shocks. It will reportedly amount to US$5 billion and will have an even balance between liquid and long-term assets.

Tremendous challenges ahead

Economic activity in Angola should expand at 5-7% in 2013-14 while inflation is likely to remain at single-digits, as the current level of foreign exchange reserves should guarantee the Central Bank enough firepower to avoid inflationary risks. That said, the country faces tremendous challenges ahead, namely in terms of improving its infrastructures, human capital, business climate and the social conditions of its population. One can say that Angola has climbed a steep hill in the last decade, but one also finds that now this great country and its people have many more hills to climb in the future.

EXECUTIVE SUMMARY

Political stability in the last decade

Angola has faced political stability in the last decade after the end of the civil war in 2002. The last legislative elections in August 2012 saw the Movimento Popular de Libertação de Angola (MPLA) securing an absolute majority with 72% of the votes (82% in the 2008 elections) and 175 of the 220 seats in parliament.

The succession of the President of Angola is the biggest challenge for the political future of the country

The adoption of a new constitution in January 2010 has established a presidential-parliamentary system under which the president is no longer elected by popular vote but instead is the head of the party with the most seats in parliament. Although a limit of two five-year presidential terms was set under this new constitution, this does not apply retroactively, which means that the current President could remain in office until 2022. The succession of President José Eduardo dos Santos is the biggest challenge for the political future of Angola, with Vice-President Manuel Vicente (former head of oil company Sonangol) being referred as a likely candidate to succeed.

The government has been focused on diversifying the economy away from the oil and gas sector

Angola's GDP structure has slowly changed in the last decade, but the oil and gas sector remains the largest contributor to GDP, accounting for 46% of the total last year (vs. 56% in 2002). Revenues from the oil and gas sector have spilled over to the non-oil economy, specifically in the infrastructure and construction sectors, which doubled their joint market share (from 7% to 14% in 2012), fuelled by the Public Investment Program (PIP) in the country. The government is giving priority to areas such as roads, railways and housing. Increased social awareness has also led local authorities to increase the proportion of the 2013 budget that is allocated to the social sector, in particular to health and education. Additionally, Angola is focused on projects targeted at the recovery of national production, less supported in external intermediate consumption. This also includes diversifying in agriculture, livestock, fishing, energy/water and logistics.

Authorities hope that the new mining code can help Angola become an important mining player

LNG production has started in June

Angolan officials hope that the new mining code will encourage investment in the exploitation of largely untapped reserves of minerals like iron, copper, gold and uranium, helping to diversify the economy away from oil and gas. However, improvements in infrastructure and labor skills will be crucial if Angola is to achieve its objective of becoming an important player in the mining industry. Moreover, production at a US$10 billion LNG plant in Soyo began in early June, with the first shipments already taking place. The plant is one of the largest of its kind in the world and is targeting 5.2 million tons annually of LNG, natural gas, propane, butane and condensate.

The SWF will reportedly have assets amounting to US$5 billion

Angola has presented the investment strategy for its sovereign wealth fund (SWF) that will start with US$ 5 billion. The SWF will reportedly have an even balance between liquid and long-term assets, which will help create buffers against future commodity price shocks.

Doing business in Angola remains challenging

Doing business in the country remains challenging. Private sector development is hindered by high transaction costs, with Luanda often ranking as the most expensive city in the world for expatriates. Unreliable electricity, poor transportation networks and weak human capital across the country increase the cost of local production, meaning that it is often cheaper to import goods than to produce them locally.

Angola ranks poorly in terms of corruption, despite the recent improvements

Angola also ranks poorly in terms of corruption, which is often a reality in oil-rich countries. The country is about the same level as the Democratic Republic of Congo and Zimbabwe in the Corruption Perceptions Index for 2012 of the corruption watchdog Transparency International. However, Angola has shown some improvements in recent years, as the government increased efforts to improve transparency, namely by publishing annual audits of the Central Bank as well as disclosing quarterly budget execution reports. The President has also declared zero tolerance on corruption by passing key legislation on this subject.

Per capita income has increased eight-fold in the last decade, but a lot remains to be done in Angola

In a nutshell, Angola has been one of the fastest-growing economies in the world over the last decade and is considered today as a middle-income country, with per capita income above the US$5,000 level. However, a lot remains to be done in terms of improving infrastructures, human capital, business climate and the social conditions of the population. Local authorities have worked arduously to achieve macroeconomic stability, but the future of the country will be challenging.

TABLE OF CONTENTS

ANGOLA AT A GLANCE

Language: Portuguese;

Population (2013E): 20.8 million;

Democracy: Stable since 2002. Presidential regime where, according to the new constitution, the president is appointed by the most voted party;

GDP (2013E): US$124 billion (Africa's fifth largest economy and third in Sub-Saharan Africa);

GDP per Capita (2013E): US$5,956;

Integrated in the SADC: A potential market of 300 million consumers;

Ratings: S&P's LT rating of BB- (stable outlook), Moody's LT rating of Ba3 (positive outlook);

Stronger Non-Oil Economy: 56.0% of total GDP in 2012 vs. 43.9% in 2002;

Vast Natural Resources: 35 of the 45 most important minerals in world trade;

Improvements in Business Climate: Approval of several fiscal and customs incentives to private investment, anti-money laundering and anti-corruption legislation;

Capital Markets: Stock exchange expected to open in 2016. Angolan interbank market has its own reference rate, LUIBOR, and regulators are now developing a domestic yield curve.

ECONOMIC INDICATORS	2009	2010	2011	2012	2013F
Gross Domestic Product					
Real GDP (% change)	2.4%	3.4%	3.9%	5.2%	5.3%
Gross Domestic Product (current prices, AOA bn)	5,989	7,580	9,780	10,998	12,050
Gross Domestic Product (current prices, US$ bn)	75.5	82.5	104.1	115.2	124.0
Gross Domestic Product per capita (US$)	4,081	4,329	5,305	5,700	5,956
Investment and Savings (% of GDP)					
Total Investment	16.1%	13.5%	12.9%	15.1%	13.8%
Gross National Savings	6.2%	21.6%	25.5%	24.3%	20.9%
General Government Finances (% of GDP)					
Revenues	34.6%	43.5%	48.8%	46.0%	41.1%
Expenditures	42.9%	38.9%	40.2%	41.5%	40.0%
Budget Balance	-8.3%	4.6%	8.7%	4.5%	1.2%
Gross Debt	36.5%	37.6%	31.5%	30.2%	33.2%
External Sector					
Volume of Exports of Goods and Services (% change)	-2.6%	-3.2%	-3.1%	4.3%	2.7%
Volume of Imports of Goods and Services (% change)	6.7%	-21.2%	9.9%	15.7%	7.0%
Current Account (% of GDP)	-9.9%	8.1%	12.6%	9.2%	7.1%
Population (mn)	18.5	19.1	19.6	20.2	20.8
Consumer Price Inflation					
Consumer Prices (period average)	13.7%	14.5%	13.5%	10.3%	9.2%
Consumer Prices (end of period)	14.0%	15.3%	11.4%	9.0%	8.9%
International Reserves					
Net International Reserves (US$ mn)	13,664	19,749	28,786	33,415	37,178
Net International Reserves (in months of imports)	3.2	5.9	7.1	7.4	8.4
Exchange Rate					
Exchange Rate (period average, AOA/USD)	79.8	92.2	94.1	95.6	95.5
Exchange Rate (end of period, AOA/USD)	89.6	92.9	95.5	95.7	95.2
Nominal Exchange Rate (change)	6.1%	15.6%	2.1%	1.6%	-0.1%

Source: Angolan authorities, World Bank (June 2013), EIU (July 2013), IMF (WEO October 2013) and Eaglestone Securities.

ANGOLA - NOT JUST AN OIL GROWTH ECONOMY

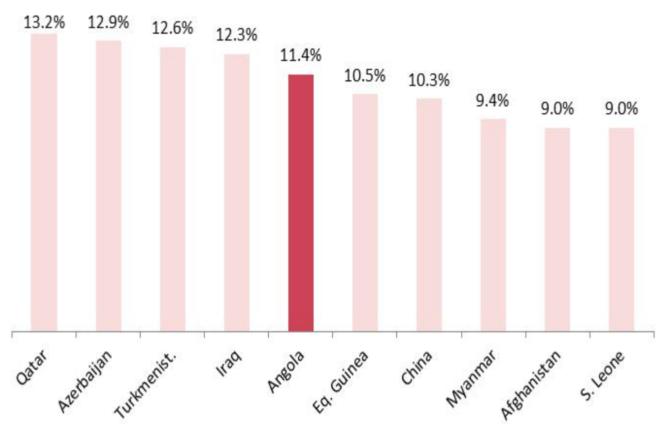
For a decade Angola has been one of the fastest growing economies in the world, with its real GDP expanding at an average annual rate of 11% in this period. The country has become Africa's second largest oil exporter after Nigeria and its third largest economy following nearly three decades of war, which decimated its infrastructure, weakened its institutions and brought the economy to a halt.

Angola has expanded at an annual rate of 11% in the last decade

However, with peace, Angola has taken advantage of the oil boom in the mid-2000s to rebuild its infrastructure and enhance its democratic institutions. A strong performance in both the oil and non-oil sectors (mostly construction and retail) has allowed per capita income to reach middle-income levels above US$ 5,000, well above the average of Sub-Saharan African countries.

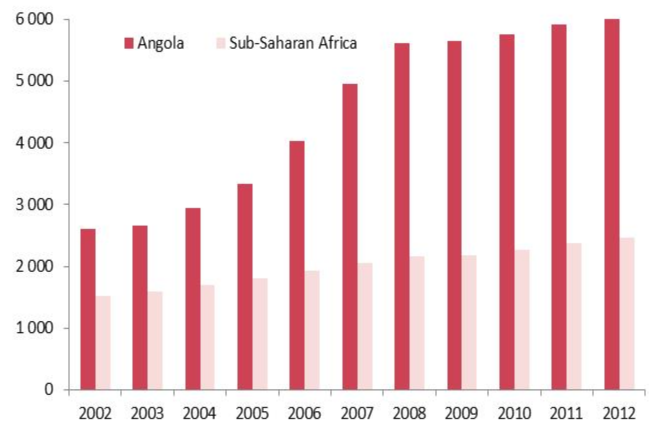
GDP per capita has reached middle-income levels above US$ 5,000

AVERAGE GDP GROWTH (2002-12)



Source: IMF.

GDP BASED ON PPP PER CAPITA GDP (US$)



Source: IMF.

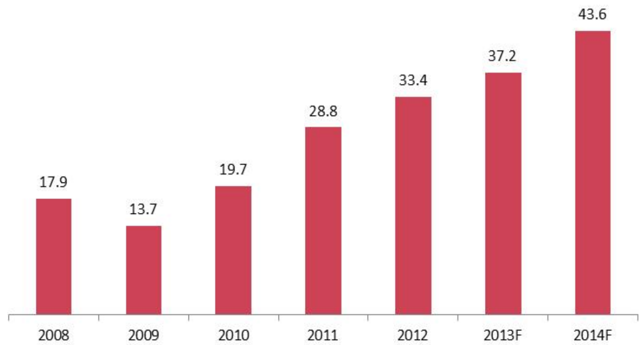
Angola was vulnerable when the global financial crisis hit in 2009, as fiscal and monetary policies in the country were highly expansionary to support its reconstruction efforts at the time. With the collapse of world oil prices in 2008-09 as well as production problems in the domestic oil sector, the country saw a sharp contraction in oil revenues, its main source of foreign exchange, and faced increasing macro instability. Real GDP growth fell sharply to 2.4% from 13.8% in 2008 while inflation levels increased after a sustained decline in previous years. The slowdown was exacerbated by the accumulation of arrears by the government, highlighting the vulnerability of the country to oil-related shocks. With international reserves falling by one-third during the first half of 2009, Angola sought support from the IMF.

The collapse of global oil prices in 2008-09, coupled with production problems in the domestic oil industry led to a sharp contraction in oil revenues

The stabilization program supported by the IMF's Stand-By Arrangement (2009-12) achieved its key objectives. Three years following the abrupt decline in world oil prices, Angola has achieved (1) an improved fiscal position, (2) a more comfortable level of international reserves (covering almost 8 months of imports), (3) a stable exchange rate and (4) lower inflation.

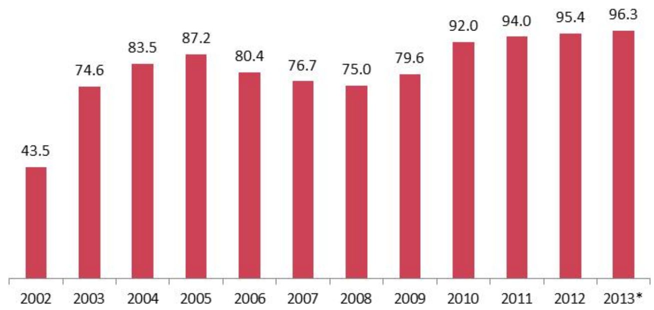
The support of the IMF during 2009-12 helped Angola recover

NET INTERNATIONAL RESERVES (US$ BN)



Source: BNA and IMF.

AVERAGE EXCHANGE RATE (USD/AOA)



* Year-to-date. Source: BNA.

The Angolan economy has recovered in 2012, with a healthy performance in both the oil and non-oil sectors

The Angolan economy has improved since 2011, witnessing a recovery in oil production and a continued robust performance in the non-oil sector. Real GDP growth reached over 5% in 2012 (vs. 3.9% in the previous year) following a healthy expansion in the non-oil sector. We note the robust performance witnessed in the construction segment during this period after an already strong 12% in 2011. This came on the back of increased liquidity for construction companies as higher proceeds from the oil sector and tighter fiscal policies from the local government enabled the clearance of arrears accumulated in the 2008-09 crisis.

Apart from construction, the retail and services sectors also recorded a healthy performance

Rising income per capita levels supported private consumption and, as a result, led to strong investments in the retail sector, which expanded at an average of about 8% in the last three years and accounts for 20% of GDP. Service sectors such as telecommunications and finance have also witnessed healthy growth rates. For instance, the use of both mobile phone and internet services continue to expand rapidly, currently reaching an estimated 64% and 12% of the Angolan population, respectively.

The agricultural sector expanded below its 10-year average in 2012, as drought conditions had an impact on production

Moreover, the agricultural sector, which employs more than two-thirds of the country's workforce but represents less than 10% of Angola's GDP, expanded at about 5% in 2012 from 9.1% in the previous year. Despite this robust growth in the last couple of years, it is below its 10-year average of about 13%. On one hand drought conditions last year had a severe impact on the production of several cereals and crops while on the other productivity in the sector remains low. This makes Angola very much dependent of food imports (c15% of total imports). Still, with less than 30% of the country's arable land currently being cultivated and climate conditions usually highly favorable, the agricultural sector has great growth potential going forward.

The oil sector accounts for 46% of the Angolan GDP and 96% of its exports

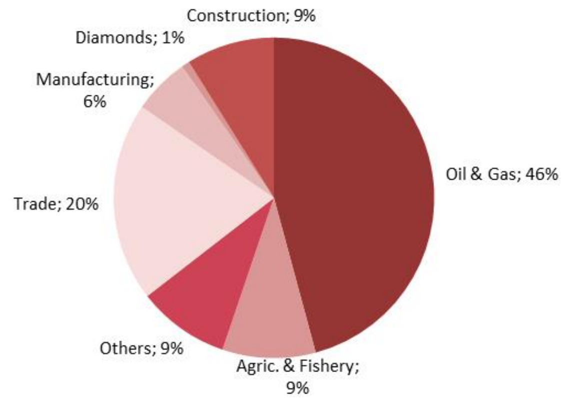
Having said that, we note that oil remains the largest contributor to the economy, accounting for about 46% of the country's GDP (vs. 56% in 2002) and 96% of its exports. Growth in the sector rebounded to over 3% last year after a decline of 5.6% in 2011, contributing 1.8% to the overall GDP growth.

REAL GDP GROWTH RATES

	2009	2010	2011	2012
Agriculture and Fishing	27.8%	5.4%	9.1%	4.7%
Extractive Industry	-4.4%	-3.5%	-5.3%	3.3%
Petroleum	-5.1%	-3.0%	-5.6%	3.3%
Diamonds and other	4.6%	-10.3%	-0.7%	3.0%
Manufacturing	5.3%	10.7%	13.0%	0.8%
Electricity	21.3%	10.9%	3.5%	5.3%
Construction	23.7%	16.1%	12.0%	14.0%
Commerce	-1.5%	8.9%	9.8%	6.0%
Services	6.0%	4.7%	9.5%	4.8%
Import Duties	3.3%	4.3%	-10.3%	8.0%
Real GDP	**2.4%**	**3.4%**	**3.9%**	**5.2%**

Source: Angolan authorities and Eaglestone Securities.

GDP STRUCTURE (2012)



Source: Angolan authorities and Eaglestone Securities.

A steady rise in oil production and historically high global oil prices should continue to drive real GDP growth in 2013-14. Crude output is expected to increase from an average of 1.75 million barrels/day in 2012 to about 2 million barrels/day during this period. However, given the recent history of technical delays and a slight possibility that the OPEC may try to enforce a stricter oil quota on Angola, there is some risk that production may increase at a slower pace. Meanwhile, economic prospects should also improve after the start of production at the LNG plant at Soyo (capacity of 5.2 million metric tons/year) took place in June of this year.

Continued increases in oil output and historically high global oil prices should continue to drive GDP growth

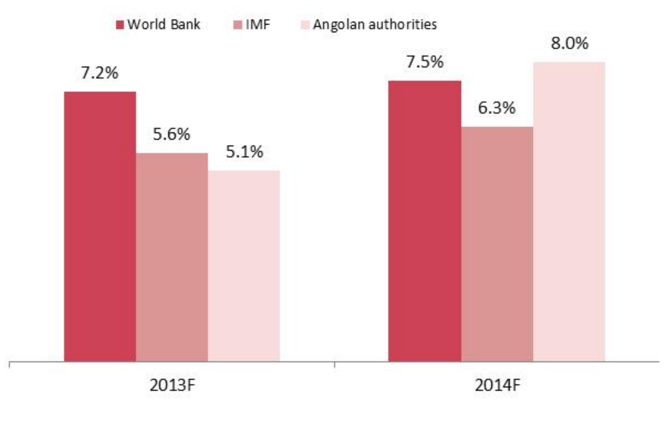
The non-oil sector (namely transport, light industry, commerce and services) is expected to expand rapidly, but the lack of reform and a somewhat overvalued exchange rate could hinder a more business friendly environment in the country. On top of this, the development of a more dynamic private sector will be further penalized by weak human capital as well as the need to improve the judicial and regulatory environments in the country.

Economic expansion should also remain supported by robust growth in the non-oil sector

All in all, we note that the Angolan government recently cut its real GDP forecast for this year to 5.1% (vs. a previous estimate of 7.1%). This figure is more in line with the IMF's latest forecasts (October 2013) suggesting that Angola should record real GDP growth of 5.6% this year and 6.3% in 2014.

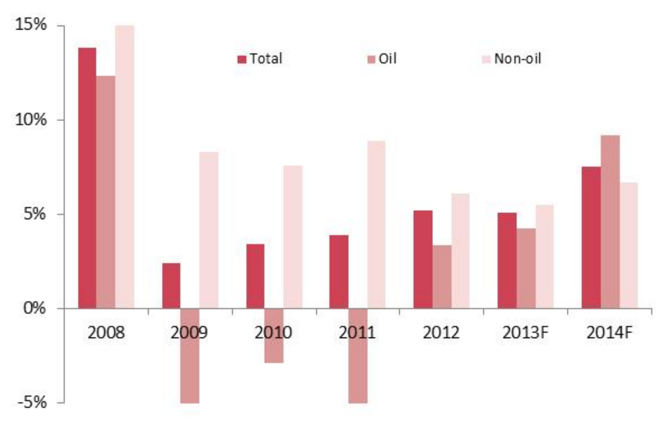
The Angolan authorities recently cut their growth forecasts for this year to 5.1%

REAL GDP GROWTH ESTIMATES



Source: Angolan authorities (Oct13), IMF (Oct13) and World Bank (Jun13).

REAL GDP GROWTH (OIL AND NON-OIL)



Source: Angolan authorities and World Bank (Jun13).

INFLATION AT SINGLE-DIGITS

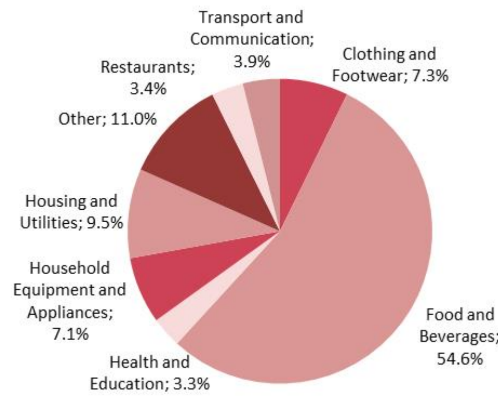
Inflation dipped to 9.87% in August 2012, reaching single-digits for the first time in over two decades and eventually ended the year at 9.02%. This evolution has been partly due to the Central Bank's (BNA) ability to support the exchange rate and its key role as a monetary anchor, which improved markedly with the recovery in the level of international reserves. That said, structural inflationary pressures persist mainly due to Angola's continued reliance on food imports and weak infrastructure, which is an impediment to the normal flow of goods. Data from the National Statistics Institute (INE) showed that the increase in the prices of food and beverages were the main contributors to consumer price inflation in 2012. In other words, inflation in Angola continues to be strongly reliant on the evolution of global food prices.

Inflation reached single-digits in 2012 for the first time in over two decades, but inflationary pressures could persist

CONSUMER PRICE INFLATION (YoY)

Source: INE.

CONTRIBUTION TO CHANGE IN INFLATION (2012)



Source: INE.

Moreover, a new foreign exchange law for oil and gas operations (see Annex II of the report) is expected to increase liquidity from the second half of 2013 onwards and could exert some upward pressure on prices. This new law states that oil companies operating in Angola and their domestic and foreign partners will be obliged to process all of their payments through accounts domiciled at local banks. As a result, the funds related to the transactions involving these companies that did not pass through the domestic banking system will now be internalized.

New FX Law for the oil sector is expected to increase liquidity and could exert some pressure on consumer prices

Despite the potential impact of this law, the BNA's Monetary Policy Committee is expected to adopt a relatively cautious monetary policy stance in order to avoid inflationary risks. As a result, consumer price growth is likely to remain in single-digits during the foreseeable future.

Cautious monetary policy to avoid inflationary risks

FISCAL POLICY

Angolan authorities made significant efforts to improve fiscal accounts, allowing for the repayment of domestic arrears incurred since 2009

The Angolan government made significant efforts to tighten fiscal policy and strengthen public financial management under the IMF's Stand-By Arrangement (2009-12). The rationalization of current expenditures led to fiscal surplus in 2012 and allowed local authorities to repay domestic arrears of US$7.5bn that had been incurred since 2009. We note that current expenditures continue to represent roughly three-quarters of total public spending, with about half of these allocated to the procurement of goods and services and to transfer payments. Spending on subsidies also remains very high (about 20% of current expenditures) while fuel subsidy costs are estimated to represent about 5% of GDP, the highest rate in Sub-Saharan Africa.

Fuel and electricity subsidies are likely to be removed in a gradual manner

In this regard, it is still unclear whether the government is committed to a progressive phasing-out of these fuel subsidies or the removal of the subsidies altogether, although we believe that the former option is more likely to occur. The government is also likely to take a similar gradual approach when it comes to electricity subsidies. Having said that, we do not see the gradual removal of subsidies as a scenario that will happen in the short-term.

The establishment of a sovereign wealth fund is seen as an initial step toward creating a buffer against commodity price shocks

The Angolan government has taken advantage of persistently high oil prices to accumulate a large amount of international reserves aimed at insulating the economy from the volatility of oil prices and external shocks. The establishment of a sovereign wealth fund of US$ 5 billion in October 2012 is seen as a first step toward creating a buffer against commodity price shocks and ensuring sustainability in the management of oil income. The local authorities are also moving ahead with the Executive Program for Tax Reform (*Programa Executivo para a Reforma Tributária*, PERT) by extending the tax base and increasing collection. This should help to ease the existing burden of taxation on the oil sector.

Angola may issue a Eurobond in the foreseeable future

Authorities may decide to take advantage of Angola's improved macroeconomic environment, the progress that it has made on many fronts and the interest among investors in gaining exposure to Angola to issue a Eurobond of US$1-2 billion in the foreseeable future. We note a recent report published by Moody's suggesting that Angola may be one of six countries in Sub-Saharan Africa that may issue sovereign debt in international markets in 2014 (the other five countries were Mozambique, Cameroon, Kenya, Tanzania and Uganda).

The 2013 budget foresaw the first fiscal deficit since 2009 due to (1) the incorporation of quasi-fiscal operations of Sonangol and (2) high expenditures on social sectors

Specifically looking at the government accounts, the 2013 budget foresaw the first fiscal deficit since 2009, as the local authorities incorporated the quasi-fiscal operations of Sonangol into the central budget, a move encouraged by the IMF to improve transparency. It also forecasted a strong increase of 47% (in local currency) in total expenditures from the previous year's budget. Under the theme of "Grow More to Distribute Better", the 2013 budget was part of the authorities' five-year plan (National Development Plan 2013-17) to focus on social infrastructure and the provision of better public services. Spending on social sectors represented about a third of total expenditures: education (8.8%), health (5.6%), social protection (11.1%), housing (4.7%) and other (3.4%). The latest estimates point nevertheless toward a balanced (or even slightly positive) budget account for this year since spending on several projects has reportedly not been executed as initially planned.

The budget for 2014 assumes a cut in spending on social sectors, but an increase in investment

Meanwhile, the 2014 budget proposal was announced at the end of October and its details are presented in the table below. Although it assumes a further increase in total spending, the figures presented by the government foresee a cut in spending on social sectors for next year (except in housing, where it is expected to increase 83%). However, it assumes a surge of 49.6% in capital expenditures from the 2013 estimated figures while revenues are also anticipated to rise (4.9%) mostly on the back of non-oil income. All in all, the budget forecasts a total fiscal deficit of AOA630 billion for 2014, representing 4.9% of GDP.

Non-oil primary balance should continue to improve

Moreover, the non-oil primary deficit, which had surpassed 100% of non-oil GDP during the 2009 crisis, dropped to 55.5% of non-oil GDP last year. This improvement was driven by solid growth in non-oil revenues and by moderate increases in the public wage bill and public procurement costs. The 2014 budget assumes a continued decline on the non-oil primary balance to 45.1% of non-oil GDP.

GOVERNMENT EXPENDITURES AOA BILLION	2012	Budget 2013	2014	2014 / 2013	% of Total Expenditure 2012	2013	2014
Social Sector	1,492	2,226	2,175	-2.3%	33.1%	33.6%	30.0%
Education	377	586	448	-23.6%	8.4%	8.8%	6.2%
Health	231	369	316	-14.5%	5.1%	5.6%	4.3%
Social Protection	570	737	697	-5.4%	12.7%	11.1%	9.6%
Housing	183	312	572	83.2%	4.1%	4.7%	7.9%
Other	130	223	143	-35.9%	2.9%	3.4%	2.0%
Economic Sector	449	1,218	1,424	16.9%	10.0%	18.4%	19.6%
Defense, Security and Social Order	681	1,171	1,194	1.9%	15.1%	17.7%	16.5%
General Public Services	1,879	2,020	2,465	22.1%	41.7%	30.4%	34.0%
Total Expenditure	**4,501**	**6,636**	**7,258**	**9.4%**	**100.0%**	**100.0%**	**100.0%**

Source: Angolan authorities (Budget for 2014).

GOVERNMENT ACCOUNTS AOA BILLION	2012 Executed	2013 Budget	2013 Estimate	2014 Budget	2014 Budget / 2013 Estimate	2014 Budget / 2013 Budget
Revenues and Grants	**5,054**	**4,570**	**4,536**	**4,745**	**4.6%**	**3.8%**
Tax Revenues	4,826	4,401	4,365	4,540	4.0%	3.2%
Oil Revenues	4,103	3,282	3,448	3,313	-3.9%	1.0%
Non-oil Revenues	723	1,119	917	1,227	33.9%	9.6%
Of which: Income Taxes	325	497	463	527	13.8%	6.1%
Non-tax Revenues	228	170	171	205	19.8%	20.8%
Expenditures	**4,329**	**5,021**	**4,505**	**5,375**	**19.3%**	**7.1%**
Current Expenditures	3,185	3,341	3,368	3,674	9.1%	10.0%
Wages	1,031	1,296	1,203	1,369	13.8%	5.6%
Goods and Services	1,297	1,156	1,480	1,431	-3.3%	23.8%
Interests	106	65	93	128	37.8%	96.9%
Transfers	752	824	593	746	25.9%	-9.4%
Capital Expenditure	1,145	1,680	1,137	1,701	49.6%	1.2%
Primary Fiscal Balance	**1,869**	**1,230**	**1,168**	**1,071**	**-8.3%**	**-12.9%**
% of GDP	*17.2%*	*10.3%*	*9.9%*	*8.4%*		
Overall Fiscal Balance	**725**	**-451**	**31**	**-630**	**n.a.**	**39.9%**
% of GDP	*6.7%*	*-3.8%*	*0.3%*	*-4.9%*		
Non-oil Primary Balance	**-3,276**	**-3,668**	**-3,325**	**-3,816**	**14.8%**	**4.0%**
% of non-oil GDP	*-55.5%*	*-50.0%*	*-48.1%*	*-45.1%*		
Non-oil Current Primary Balance	**-2,128**	**-1,987**	**-2,188**	**-2,115**	**-3.4%**	**6.4%**
% of non-oil GDP	*-36.1%*	*-27.1%*	*-31.7%*	*-25.0%*		

Source: Angolan authorities (Budget for 2014).

INTERNATIONAL TRADE AND INVESTMENT

Angola's external position has improved in recent years and although favorable at the moment the balance of payments remains vulnerable to external shocks. The country's current account balance has gone from a deficit of 10.4% of GDP in 2009 to a surplus of 11.2% in 2011 mostly owed to higher oil and gas exports. However, this surplus is narrowing due to rising consumer and capital goods imports and services related to the petroleum sector. The balance of payments has followed a similar path and should continue to benefit from favorable terms of trade. The trade surplus has witnessed an impressive performance (25.2% in 2009 to an expected 40.7% of GDP last year), but should gradually drop in our forecast period due to rising imports required in the government's infrastructure rehabilitation.

Angola currently has a favorable external position, but its balance of payments remains vulnerable to external shocks

BALANCE OF PAYMENTS						% of GDP
	2009	2010	2011	2012E	2013F	2014F
Current Account	-10.4%	9.0%	11.2%	6.7%	5.1%	5.0%
Trade Balance	25.2%	41.0%	46.4%	40.7%	35.1%	33.7%
Exports, f.o.b.	56.4%	61.1%	66.4%	61.9%	55.9%	54.0%
Imports, f.o.b.	-31.2%	-20.1%	-20.0%	-21.2%	-20.8%	-20.3%
Services (net)	-25.7%	-21.6%	-22.9%	-22.4%	-20.7%	-20.2%
Income (net)	-9.4%	-9.9%	-11.8%	-11.2%	-8.9%	-8.0%
Transfers (net)	-0.5%	-0.5%	-0.5%	-0.4%	-0.4%	-0.4%
Capital and Financial Account	3.2%	-1.6%	-2.8%	-2.7%	-0.6%	0.1%
Overall Balance of Payments Balance	**-7.2%**	**7.4%**	**8.4%**	**4.0%**	**4.5%**	**5.1%**

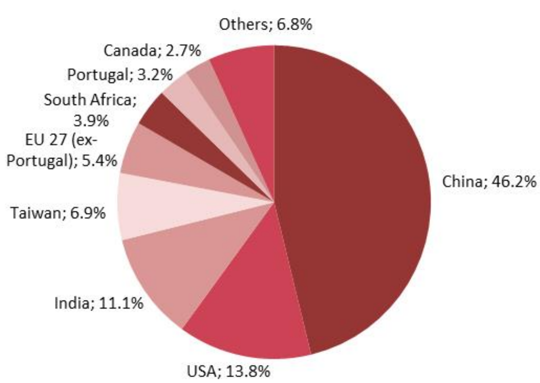
Source: Angolan authorities and World Bank (estimates).

The country's exports are mainly oil-related (98% in 2012), but also include (1) minerals, (2) coffee, (3) commodities, (4) fish, (5) sisal, (6) timber and (7) cotton. Imports include (1) machinery and electric equipment, (2) vehicles and spare parts, (3) medicines, (4) food, (5) textiles and (6) military goods. China and the US are the main destination of Angolan goods, representing a combined two-thirds of total exports. On the other hand, Angola continues to import a large part of its goods from Portugal with China being the second supplier. These goods mainly include (1) transport materials, (2) vehicles and (3) metal equipment.

Oil represented 98% of total exports in 2012

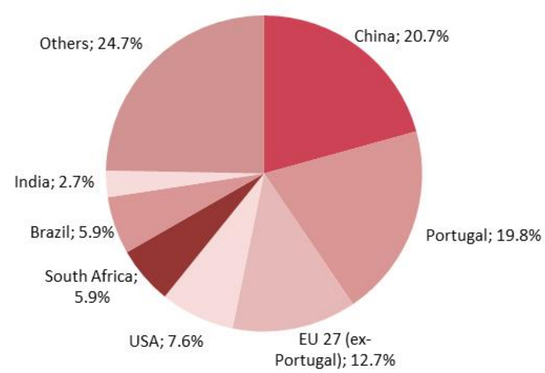
China and the US were the main exporting markets

EXPORTS 2012 (US$ 69.7bn)



Source: UNComtrade.

IMPORTS 2012 (US$ 23.8bn)

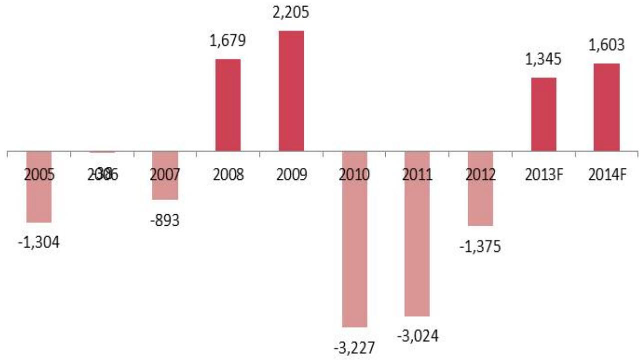


Source: UNComtrade.

The global economic crisis has had an impact on foreign direct investment (FDI) levels in Angola during the last three years, as evidenced in the chart below on the left. However, FDI inflows are expected to rebound in the period 2013-14 partly due to the country's strong ties to fast growing emerging markets, namely China. The chart on the right depicts the net direct investment, as it also includes the investments made by Angola in overseas markets.

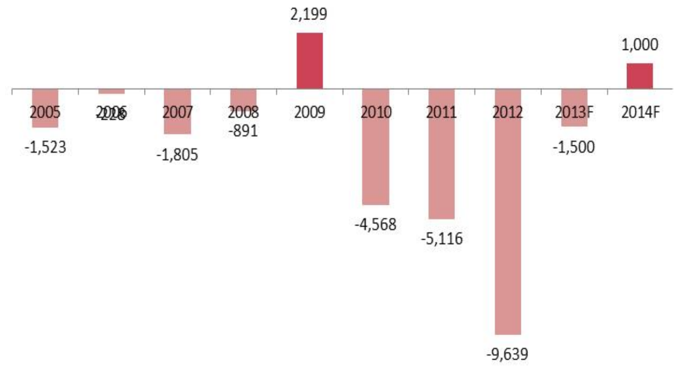
FDI levels were impacted by the global crisis of 2008-09

FOREIGN DIRECT INVESTMENT INFLOWS (US$ MN)



Source: Angolan authorities and World Bank (estimates).

NET FOREIGN DIRECT INVESTMENT (US$ MN)



Source: Angolan authorities and World Bank (estimates).

In the future, Angola should continue to consolidate relations with its key strategic partners, namely China, Portugal and Brazil. Angolan and Chinese relations should remain centered on large trade and investment deals in oil, construction and agriculture. Strong ties with Portugal are expected to continue, particularly as Portugal remains highly keen on attracting Angolan investment.

Angola should continue to consolidate relations with its main strategic partners

BUSINESS CLIMATE

A lot remains to be done in order to increase economic diversification away from the oil sector

Angola has made significant progress in the last decade since the end of the war, largely benefitting from favorable conditions in global commodity markets. This performance is not only a result of favorable oil prices, but reflects as well the country's improved macroeconomic and political landscapes during this period, as described above. Although the government has taken important steps to use the wealth created in the oil sector in other areas of the economy, a lot remains to be done in order to increase economic diversification to other sectors.

Angola ranks 179th out of 189 economies in the latest World Bank Doing Business report

Against this backdrop, we note that business environment remains challenging in the country and provides significant hurdles for private sector participation in the economy. Angola ranks 179th out of 189 economies in the World Bank's Doing Business Report for 2014, below many other Sub-Saharan African (SSA) countries. It also ranks poorly on dealing with construction permits, getting access to electricity, registering property, access to credit, paying taxes, contract enforcement, resolving insolvency and trading across borders.

High transaction costs hurt the development of local production

Private sector development is hindered by high transaction costs, with Luanda often ranking as the most expensive city in the world for expatriates. Unreliable electricity, poor transportation networks and weak human capital across the country increase the cost of local production, meaning that it is often cheaper to import goods than to produce them locally. For example, it is estimated that two-thirds of local businesses still rely on their own power generators while the development of infrastructure has been hindered by the country's long-lasting civil war. This notwithstanding, we note that, when compared to other countries in SSA, importing in Angola remains expensive and at the same time is full of bureaucracy and is time consuming.

Banking penetration remains relatively low in Angola

Moreover, local companies indicate that access to financial services remains limited and a key impediment to their business activity. This is partially explained by the complex administrative procedures when opening bank accounts and obtaining loans. Banks allege that it is difficult to identify borrowers with good credit risk due to lack of reliable accounting principles and credit information. Weak contract enforcement and lack of collateral are also key hurdles to further credit expansion.

Despite the improvement from 2011, Angola still ranks poorly when it comes to corruption

Angola also ranks poorly when it comes to corruption, which is often a reality in oil-rich countries. According to corruption watchdog Transparency International, Angola ranked 157th out of 176 countries in the Corruption Perceptions Index 2012. This is about the same level as the Democratic Republic of Congo (160) and Zimbabwe (163). However, it shows an improvement from the previous year's survey where Angola ranked 168th out of 178 countries.

Local authorities are improving transparency levels

This better performance is largely owed to the Angolan authorities' increased efforts to improve transparency, namely by publishing annual audits of the Central Bank and Sonangol as well as disclosing quarterly budget execution reports. The President has also declared zero tolerance on corruption in the government by launching two laws in 2010: one defining and establishing penalties for money laundering and another on public integrity. This latter one establishes criminal penalties for using public goods for private gains and accepting bribes and it defines conflicts of interest and disclosure regulation.

Report on Doing Business in Angola (2014)

We present in the table below the main indicators of the latest report on Doing Business in Angola for 2014 published by the World Bank. We compare these indicators with the ones in other countries in SSA. We also include in the table below the results of the 2013 report for Angola for comparison purposes, as comparing the indicator for an economy in two points in time shows how much the economy's regulatory environment has changed over time. However, the ranking may also change as a result of developments in other economies, as these may have had a greater impact than the ones that were implemented in that country.

DOING BUSINESS INDICATORS	Angola 2014	Angola 2013	Botswana	Mozambique	Namibia	Nigeria	South Africa
Ease of Doing Business (rank of 189 countries)	**179**	**172**	**56**	**139**	**98**	**147**	**41**
Starting a Business (rank out of 189 countries)	**178**	**171**	**96**	**95**	**132**	**122**	**64**
Procedures (number)	8	8	9	9	10	8	5
Time (days)	66	68	60	13	66	28	19
Cost (% of income per capita)	130.1	105.4	1.2	18.7	14.7	58.3	0.3
Paid-in Min. Capital % of income per capita)	21.8	24.6	0.0	0.0	0.0	0.0	0.0
Dealing with Construction Permits (rank out of 189 countries)	**65**	**124**	**69**	**77**	**31**	**151**	**26**
Procedures (number)	12	12	21	12	12	18	16
Time (days)	204	348	111	130	123	116	78
Cost (% of income per capita)	690	154	18	258	31	3,505	10
Getting Electricity (rank out of 189 countries)	**170**	**113**	**107**	**171**	**72**	**185**	**150**
Procedures (number)	7	7	5	7	6	8	5
Time (days)	145	55	121	107	37	260	226
Cost (% of income per capita)	690	755	389	2,858	396	961	1,432
Registering Property (rank out of 189 countries)	**132**	**131**	**41**	**152**	**178**	**185**	**99**
Procedures (number)	7	7	4	8	8	13	7
Time (days)	191	184	15	39	54	77	23
Cost (% of property value)	3.0	3.1	5.1	7.7	13.8	20.8	6.1
Getting Credit (rank out of 189 countries)	**130**	**129**	**73**	**130**	**55**	**13**	**28**
Strength of legal rights index (0-10)	3	3	6	3	7	9	7
Depth of credit information index (0-6)	4	4	4	4	4	5	6
Public registry coverage (% of adults)	2.4	1.8	0.0	4.3	0.0	0.1	0.0
Private bureau coverage (% of adults)	0.0	0.0	60.7	0.0	66.2	4.9	55.6
Protecting Investors (rank out 189 countries)	**80**	**70**	**52**	**52**	**80**	**68**	**10**
Extent of disclosure index (0-10)	4	5	7	5	5	5	8
Extent of director liability index (0-10)	6	6	8	4	5	7	8
Ease of shareholder suits index (0-10)	6	6	3	9	6	5	8
Strength of investor protection index (0-10)	5.3	5.7	6.0	6.0	5.3	5.7	8.0
Paying Taxes (rank out of 189 countries)	**155**	**154**	**47**	**129**	**114**	**170**	**24**
Payments (number per year)	30	31	34	37	37	47	7
Time (hours per year)	282	282	152	230	314	956	200
Total tax rate (% of profit)	52.1	53.2	25.4	37.5	21.8	33.8	30.1
Trading Across Borders (rank out of 189 countries)	**169**	**164**	**145**	**131**	**141**	**158**	**106**
Documents to export (number)	10	11	6	7	8	9	5
Time to export (days)	40	48	27	21	25	22	16
Cost to export (US$ per container)	1,860	1,850	3,045	1,100	1,750	1,380	1,705
Documents to import (number)	9	8	6	9	7	13	6
Time to import (days)	43	45	35	25	20	33	21
Cost to import (US$ per container)	2,700	2,690	3,610	1,600	1,905	1,695	1,980
Enforcing Contracts (rank out of 189 countries)	**187**	**183**	**86**	**145**	**69**	**136**	**80**
Time (days)	1,296	1,011	625	950	460	447	600
Cost (% of claim)	44.4	44.4	39.8	119.0	35.8	92.0	33.2
Procedures (number)	46	46	28	30	33	40	29
Resolving Insolvency (rank out of 189 countries)	**189**	**162**	**34**	**148**	**85**	**107**	**82**
Time (years)	n.a.	6.2	1.7	5.0	2.5	2.0	2.0
Cost (% of estate)	n.a.	22	18	9	15	22	18
Recovery rate (cents on the dollar)	0.0	8.0	61.9	16.6	34.9	27.9	35.5

Source: World Bank Doing Business Report (2014).

According to the WEF's Global Competitiveness Report, Angola should use receipts from the oil sector to improve its competitiveness

We also present below the results of the World Economic Forum's Global Competitiveness Report for 2013-14 in several SSA countries. We note that Angola ranks 142nd out of 148 countries in the Global Competitiveness Index. Despite having a stable macro backdrop, with a positive fiscal balance and low public debt, these results suggest that Angola has a lot to do in order to improve its competitiveness. In particular, the report adds that the country has a unique opportunity to invest revenues in competitiveness-enhancing measures given its favorable fiscal stance. Moreover, Angola's infrastructure is one of the least developed globally while its population would be well served by improvements in the educational and health systems.

GLOBAL COMPETITIVENESS INDEX	Angola	Botswana	Mozambique	Namibia	South Africa	Tanzania	Zambia	Zimbabwe
Global Competitiveness Index 2013-2014 (out of 148 countries)	**142**	**74**	**137**	**90**	**53**	**125**	**93**	**131**
Global Competitiveness Index 2012-2013 (out of 144 countries)	n.a.	79	138	92	52	120	102	132
Global Competitiveness Index 2011-2012 (out of 142 countries)	139	80	133	83	50	120	113	132
Basic requirements (out of 148 countries)	**139**	**66**	**133**	**85**	**95**	**129**	**104**	**124**
Institutions	145	34	120	48	41	97	51	101
Infrastructure	145	94	130	60	66	134	118	126
Macroeconomic environment	54	24	98	70	95	131	81	114
Health and primary education	137	115	138	125	135	114	126	116
Efficiency enhancers (out of 148 countries)	**143**	**93**	**135**	**99**	**34**	**115**	**101**	**138**
Higher education and training	147	99	143	115	89	138	119	124
Goods market efficiency	146	92	125	91	28	118	38	130
Labor market efficiency	134	47	125	59	116	49	93	140
Financial market development	145	53	132	39	3	99	46	109
Technological readiness	138	104	123	90	62	126	115	112
Market size	65	101	104	121	25	75	111	136
Innovation and sophistication factors (out of 148 countries)	**148**	**106**	**131**	**102**	**37**	**109**	**61**	**126**
Business sophistication	143	102	135	99	35	116	66	126
Innovation	147	102	128	94	39	89	60	127

Source: World Economic Forum's Global Competitiveness Report (2013-14).

FOREIGN INVESTMENT PROCESS IN ANGOLA

The Angolan National Private Investment Agency (ANIP) was created in 2003 and is the government entity in charge of implementing private investment policy in the country. It also oversees the promotion, co-ordination, guidance and supervision of private investments. The Private Investment Law of 2011 defines and governs private investment, as well as the principles for eligibility for the incentives and benefits granted by the Angolan state.

ANIP is the government agency responsible for overseeing private investment in Angola

The Private Investment Law generally applies to investment projects made by private entities (foreign residents or non-residents) in a minimum authorized amount of US$1 million, being excluded those in which the capital is financed by 50% or more by public funds. Although there are alternative channels to get an investment approved, only those projects approved by ANIP allow for the repatriation of profits for foreign investments, tax deductions and exemption from certain taxes and duties.

The Private Investment Law applies to projects with a minimum authorized amount of US$1 million

The Law states that the private investment proposal and allocation of incentives and fiscal benefits will have to be negotiated with and approved by the Angolan government. This process includes three approval requirement levels depending on the investment amount:

Approval process includes three requirement levels

INVESTMENT AMOUNT	APPROVAL COMPETENCE
US$ 1-10 million	ANIP, with the legal opinion of the Ministry of Finance and in continuous act with the President of Angola
US$ 10-50 million	President of Angola, after approval of the Council of Ministers
> US$ 50 million	President of Angola who can nominate an *ad hoc* committee

Source: Angolan authorities.

It also defines several priority areas when granting approval as well as incentives for private investment. These include (1) agriculture/fisheries, (2) manufacturing industry, (3) transport infrastructure, (4) utilities, (5) social housing, (6) health and education and (7) hospitality and tourism. The Private Investment Law does not apply to investments in the petroleum, diamond mining and financial services sectors, as these are subject to sector-specific legislation.

The Private Investment Law defines several priority areas

After approval of the investment and once the Private Investment Registration Certificate (CRIP) has been issued, ANIP shall immediately forward by official letter to BNA, with copy to the investor, a copy of the CRIP and all other relevant details in order for BNA to license the capital importation operations requested by the respective investors. A commercial bank is mandatory to execute the money transfers.

A Private Investment Registration Certificate is issued once the project has been approved and signed

Meanwhile, once the capital importation license is issued, repatriation of capital and dividends is possible, without any major bureaucratic or regulatory issues. The biggest constraint is related to the foreign exchange convertibility risk of the operation, namely the need to purchase foreign currency within the local banking system to perform the capital transfer abroad.

Repatriation of capital and dividends is possible once capital importation license is issued

In this regard, the Law states that the repatriation of dividends is done in a gradual and proportionate manner, taking into account the size of the investment and whether the immediate repatriation would have an adverse impact on the country's balance of payments. The repatriation of profits is also restricted in time. Profits may not be repatriated earlier than two or three years after the completion of the project, depending on the value of the investment and the region where it is made.

This process is done in a gradual and proportionate manner depending on the size of the investment and the impact on the BoP

INVESTMENT PROPOSAL MILESTONES

Phase	Responsability	Timing
Investment application	ANIP	depending on investor
Investment contract negotiation	ANIP	1 to 2 months
Investment contract approval	ANIP / Government	1 to 2 months
Importation of funds	Central Bank (BNA)	15 days to 1 month
Repatriation of funds (dividends/divestment)	Central Bank (BNA)	2 to 3 months

Note: timing is subject to the complexity of each investment project and approval from the Government. Source: Angolan authorities.

SECTORS

1 - INDUSTRY SERVICES

1.1 - BANKING

The Angolan banking system has grown substantially in the last decade, in part reflecting the robust economic expansion that the country has witnessed during this period. It currently comprises 23 banks from nine a decade ago. Portuguese banks are well represented while three of the banks are state-owned. The sector is highly concentrated, with the five largest banks accounting for 75-80% of total assets, loans and deposits.

The banking system is made up of 23 banks, with the top-five banks representing 75-80% of total assets

ANGOLAN BANKING SYSTEM (2012)

	Start of Operations	Majority Shareholder	Assets (mn US$)	Rank by Assets	Loans (mn US$)	Deposits (mn US$)	Net Profit (mn US$)	Branches
Banco de Poupança e Crédito	1976	State-owned	7 864	4	4 219	6 063	141	265
Banco de Comércio e Indústria	1991	State-owned	866	11	398	619	2	n.a.
Banco de Fomento Angola	1993	Portuguese bank	7 944	3	1 427	6 972	220	167
Banco Caixa Geral Totta de Angola	1993	Portuguese bank	1 582	8	548	1 176	59	26
Banco Africano de Investimentos	1996	Domestic	10 784	1	2 973	8 507	180	112
Banco Comercial Angolano	1999	Domestic Retail	383	14	44	310	10	23
Banco Sol	2001	Domestic	1 397	9	365	1 252	25	97
Banco Espirito Santo Angola	2002	Portuguese bank	10 514	2	7 100	2 891	74	41
Banco Regional do Keve	2003	Domestic	646	13	257	534	7	32
Banco BAI Micro Finanças	2004	Domestic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Banco BIC	2005	Domestic (including Board)	6 931	5	2 356	5 487	168	184
Banco Millennium Angola	2006	Portuguese bank	1 832	7	680	1 174	51	85
Banco Privado Atlântico	2006	Domestic	2 342	6	1 216	1 852	50	26
Banco de Negócios Internacional	2006	Domestic (including Board)	1 214	10	651	905	34	50
Banco VTB África	2007	Russian Bank	118	17	41	67	15	n.a.
Banco de Desenvolvimento de Angola	2007	State-owned	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Banco Angolano de Negócios e Comércio	2007	Domestic	146	16	36	96	3	16
Finibanco Angola	2008	Portuguese bank	299	15	104	202	11	12
Banco Kwanza de Investimento	2008	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Standard Bank Angola	2009	South African bank	647	12	99	543	-10	15
Banco Comercial do Huambo	2010	Domestic (including Board)	33	19	4	18	0	3
Banco Valor	2010	Domestic (including Board)	73	18	22	65	-12	3
Banco para Promoção e Desenvolvimento	2010	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: data in shaded color relates to 2011.
Source: Annual Reports and Eaglestone Securities.

According to the Central Bank, the total number of branches stood at 1,087 in 2012. This is almost double the size of the branch network at the end of 2008. The majority of the branches continue to be located in Luanda (55%), something that is likely to change over the next decade as banks try to speed up the expansion process towards other provinces of the country and increase their banking services to the less urban (and unbanked) population of the country.

The number of branches stood at more than 1,000 in 2012 (55% of them located in Luanda)

However, there are a few relevant handicaps toward implementing this strategy. The most important is the labor force, namely the increasing demand of skilled labor in Angola. The other handicap has to do with the expensive real estate prices and with the fact that opening a new branch outside of Luanda usually takes twice as long to reach the breakeven point (i.e., at least three years) than opening a branch in the capital city.

There are several hurdles in the expansion strategy of the banks in the local market

BRANCH NETWORK DISTRIBUTION BY PROVINCE (2012)

Source: BNA.

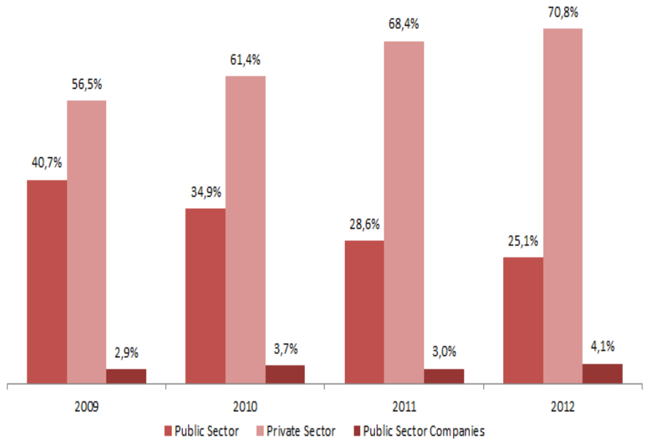
Key balance sheet indicators show robust growth of the Angolan banking sector

The latest available balance sheet data evidences that the total assets, loans and deposits of the Angolan banking system advanced at an average annual rate of 24%, 31% and 29% in the period 2008-12, respectively. Moreover, it shows that the private sector is becoming increasingly more relevant as opposed to the public sector and that appetite for loans and deposits in kwanzas has clearly increased over the years.

Loans to the private sector have become increasingly more important as have been loans denominated in kwanzas

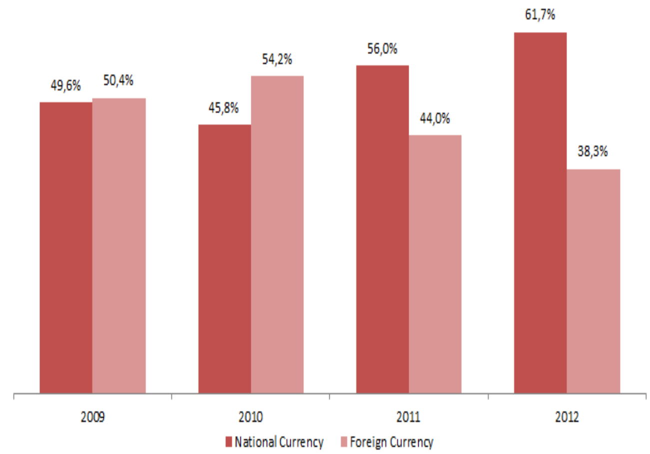
Specifically, loans to the private sector represented more than 70% of the loan book of the financial system at the end of 2012 while close to 62% were in the national currency. Going back to 2009, we note that over the years we have witnessed a shift from loans to the public (43% of total in 2009 to 29% now) to the private sector. This should not come as a surprise considering the developing process that the country is undergoing, where the private sector plays an increasingly predominant role. The same could be said regarding loans by type of currency, with loans in kwanzas accounting for about 50% of total loans whereas nowadays they represent more than 60%.

LOAN BREAKDOWN – SECTOR (2009-12)



Source: BNA/DES.

LOAN BREAKDOWN – CURRENCY (2009-12)

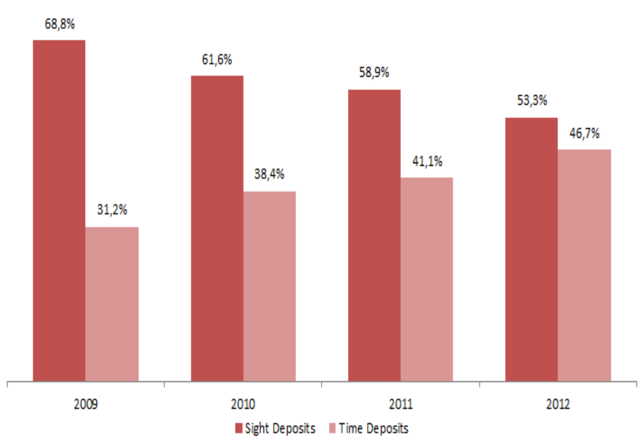


Source: BNA/DES.

As for deposits, data from the Central Bank points toward an increasing appetite for time deposits (currently 47% of total vs. 31% in 2009) rather than sight deposits. On the other hand, we have also witnessed a shift from deposits in foreign currency to deposits in kwanzas in the last three years. The latter today represents nearly 55% of total deposits whereas in 2009 they accounted for 44%.

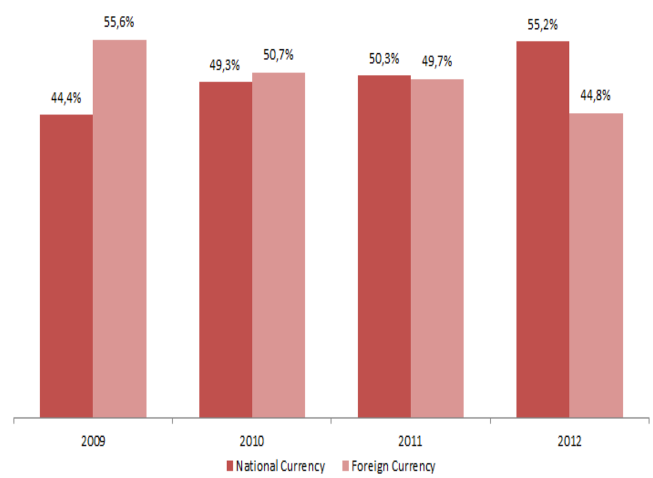
Appetite for time deposits has increased while deposits in kwanzas represent 55% of total deposits

DEPOSIT BREAKDOWN – MATURITY (2009-12)



Source: BNA/DES.

DEPOSIT BREAKDOWN – CURRENCY (2009-12)



Source: BNA/DES.

Meanwhile, we note that banking levels remain low in Angola considering that domestic credit represents just over 20% of GDP while intermediation levels measured by the loans-to-deposits ratio stand at 59.5%. This is also the case in pretty much all of the countries in Sub-Saharan Africa (apart from South Africa) when compared with the levels in developed countries. We also highlight that access to finance remains limited, as a significant number of firms mention this as a major constraint to their business operations.

Banking levels in Angola remain low when compared to developed countries

Angolan banks are generally well capitalized, with the solvency ratio for the system above the statutory required minimum of 10%, while ROE exceeds 20%, comparing favorably with other Sub-Saharan African countries. Banks in Angola also stand out in terms of efficiency levels, as

Angolan banks are well capitalized and have impressive ROE and

efficiency levels

despite the aggressive expansion in the branch network witnessed in recent years, the cost-to-income ratio for the sector stands below 40%.

BANKING	Angola	Botswana	Dem. Rep. Congo	Mozambique	Namibia	South Africa	Tanzania	Zambia	Zimbabwe
Financial System Network									
Commercial bank branches (per 100,000 adults)	11	9	1	4	7	11	2	4	5
ATMs (per 100,000 adults)	16	27	1	7	48	60	5	8	5
Point-of-sale terminals (per 100,000 adults)	25	n.a.	n.a.	35	217	n.a.	11	11	n.a.
Banking Sector Indicators									
Domestic credit to private sector (% of GDP)	20.9	23.3	6.6	26.8	49.9	145.6	16.2	11.5	44.5
Access to finance (% identifying this as a major constraint)	38.5	25.5	73.3	50.1	18.4	15.5	40.6	20.1	n.a.
Loan to deposit ratio	59.5	60.8	n.a.	76.0	82.2	92.3	65.9	53.3	85.2
Regulatory capital (% of RWA)	14.8	20.5	15,0	17.1	14.0	14.9	18.5	19.2	12.9
NPL ratio	2.4	2.4	10.6	1.9	1.5	4.7	7.5	11.4	7.9
ROE	24.2	5.9	4.2	21.9	15.0	13.3	13.1	25.5	21.7
Cost to income ratio	37.4	47.8	68.0	61.2	52.3	57.5	62.4	64.8	88.0

Source: Angolan authorities and World Bank.

1.2 - TELECOMMUNICATIONS

Mobile penetration rates have increased markedly in recent years, standing above 60%

Angola's telecommunications infrastructures were severely affected by the long-lasting civil war. Despite the improvements in the last decade, the country's fixed line network remains far from its potential with a penetration rate below 3%. In this context, Angola has witnessed a significant rise in mobile phone ownership and usage as about two-thirds of its population already has a mobile phone subscription. It is worth noting that despite this increased demand, there are only two mobile phone operators (Unitel and Movicel) and so the actual level of competition in the sector is relatively low while communication prices remain expensive.

Unitel is the leading mobile phone operator with over 8 million subscribers

Unitel was established in 2001 and is the leading mobile phone operator in Angola with over 8 million subscribers. Today, it is roughly twice the size of Movicel. The company offers the full spectrum of mobile phone services, including GPRS, EDGE, UMTS, 3G (launched in 2007) and international roaming. Unitel is owned by Mercury (a subsidiary of Sonangol), Group GENI, Vidatel and Portugal Telecom, each holding a 25% stake.

Movicel targets the lower end of the market, and has 5 million clients

Movicel was created in 2003 as the mobile phone arm of the national telecoms company, Angola Telecom. The company has a subscriber base of about 5 million and has targeted the lower end of the market, offering entry level mobile handsets retailing at about US$30.

Internet users continue to increase, though penetration rates remain below other countries in SSA

Meanwhile, internet usage has also improved, with the number of users surpassing two million at the end of last year (vs. 320,000 in 2009). In part, this has been due to the fact that a major submarine cable following Angola's coastline has boosted the coastal cities' access to internet and communications. Having said that, as with telephone communications, the potential to increase internet services to the local population is significant, as penetration rates remain below other countries in SSA.

The Ministry of Telecommunications and Information Technology oversees the sector while INACOM acts as an independent regulator

The Ministry of Telecommunications and Information Technology is responsible for overseeing the sector while the Angolan Institute of Communications (Inacom) sets prices for telecoms services and acts as an independent regulator. Angola Telecom is the state-owned telecoms and internet service provider. Its subsidiaries include (1) TV Cabo (a television programming house offering broad band cable service for television and radio broadcasting), (2) Multitel (a portal offering several internet services and (3) Elta (an online phone and web directory). There are four fixed-line operators, namely Mercury, Nexus, Mundo Startel and Wezacom, as well as several internet providers. Finally, as mentioned above, there are two mobile operators: Unitel (partly owned by Portugal Telecom) holds about 70% of the market and Movicel is owned by Angola Telecom.

COMMUNICATION	Angola	Botswana	Mozambique	Namibia	South Africa	Tanzania	Zambia	Zimbabwe
Telephone								
Fixed telephone lines	552 870	160 488	88 140	171 249	4 031 000	176 367	82 542	301 650
Fixed telephone lines (per 100 people)	2.7	7.8	0.4	7.2	7.9	0.4	0.6	2.3
Mobile phones	12 465 078	3 081 726	8 108 480	2 435 442	68 394 000	27 219 283	10 524 676	12 613 935
Mobile cellular subscriptions (per 100 people)	64	150	33	103	135	57	76	97
Internet								
Internet users	2 220 000	230 450	1 222 138	292 397	20 987 616	6 250 174	1 895 662	2 345 596
Internet users (per 100 people)	11.5	11.5	4.8	12.9	41.0	13.1	13.5	17.1
Fixed broadband internet subscribers	31 300	16 054	20 484	65 719	1 107 200	3 900	14 794	71 445
Fixed broadband internet subscribers (per 100 people)	0.15	0.78	0.08	2.78	2.18	0.01	0.11	0.55
Internet host computers	20 703	1 806	89 737	78 280	4 761 000	26 074	16 571	30 615
Secure internet servers	72	23	38	45	4 287	36	33	41
Secure internet servers (per 1 million people)	3.6	10.7	1.4	19.0	84.6	0.8	2.4	3.2

Source: Angolan Authorities and World Bank.

Angola ranked 140th out of 142 countries in the World Economic Forum's NRI for 2012

Despite the sector's fast development over the last decade, Angola still has a long way to go in order for its information and communication technology (ICT) indicators to reach the levels of its closest peers. Specifically, we note that Angola ranked 140th out of 142 countries in the World Economic Forum's Networked Readiness Index (NRI) for 2012. This index measures the degree to which economies across the world leverage on ICT for enhanced competitiveness. In the last decade, this index has been helping policymakers and relevant stakeholders to track their economies' strengths and weaknesses as well as their progress over time. Moreover, it has identified best practices in networked readiness and designed roadmaps and strategies for establishing optimal ICT diffusion to boost competitiveness.

The NRI is composed of four sub-indexes

The structure of the NRI is composed of four sub-indexes, namely (1) environment, (2) readiness, (3) usage and (4) impact. We provide in the table below more detail about this structure and, in particular, the ranking of Angola compared with the ranking of other SSA countries.

ICT INDICATORS	Angola	Botswana	Mozambique	Namibia	South Africa	Tanzania	Zambia	Zimbabwe
Networked Readiness Index (out of 142 countries)	**140**	**89**	**120**	**105**	**72**	**123**	**109**	**124**
Environment Subindex (out of 142 countries)	**141**	**52**	**108**	**44**	**34**	**102**	**51**	**127**
Political and regulatory environment	133	40	97	33	23	65	70	111
Business and innovation environment	141	79	116	87	50	129	34	132
Readiness Subindex (out of 142 countries)	**139**	**98**	**134**	**113**	**94**	**125**	**116**	**110**
Infrastructure and digital content	137	93	136	97	82	125	120	126
Affordability	121	101	105	126	94	128	115	107
Skills	137	85	134	104	101	117	110	98
Usage Subindex (out of 142 countries)	**130**	**96**	**121**	**106**	**76**	**124**	**113**	**125**
Individual usage	127	102	138	111	96	131	123	122
Business usage	137	87	115	68	34	114	90	112
Government usage	112	72	91	108	89	114	101	125
Impact Subindex (out of 142 countries)	**137**	**98**	**108**	**119**	**81**	**127**	**121**	**130**
Economic impacts	135	113	104	116	59	133	122	124
Social impacts	139	91	109	118	98	123	116	137

Source: World Economic Forum (2012).

Angolan authorities remain committed to improving the quality and availability of telecoms infrastructures

All in all, and in what regards the Angolan authorities' policies toward this sector, they remain committed to expanding the telecommunications infrastructure to all of the regions of the country while at the same time ensuring the quality of the network and that services are provided at accessible prices for the population.

1.3 - RETAIL

Angola's retail sector has benefitted from a booming economy

The rapid growth of the Angolan economy has opened up numerous opportunities in the retail sector. This expansion has been mostly supported by (1) the significant potential size of the internal market, (2) an increase in purchasing power and (3) a natural increase in the middle-class. The latest GDP data shows that the contribution of this sector rose from 15% in 2002 to 20% of Angola's GDP last year.

The informal retail market remains sizeable

The Angolan retail market remains divided into the formal and the informal sectors. The informal retail market remains sizeable and mainly refers to the traditional formats of low-cost retailing like local shops managed by the shop-owner and street vendors. The famous Roque Santeiro market was closed and relocated in 2010, which had a significant impact on the informal sector.

The local authorities have invested heavily on improving overall conditions to operate in the retail sector

In the last few years, Angola has benefitted from strong investments by the government that has allowed for an improvement in logistics infrastructures, distribution networks (road, rail and maritime links to other countries) and retail markets (namely stores close to the population and municipal markets). In addition, numerous investments by the private sector continue to emerge, as investors take advantage of the change in the consumer profile and demographics, higher urbanization levels as well as the improving infrastructures in the country.

Private sector investors like Portugal's Teixeira Duarte have a strong presence

We note private sector investments by the Portuguese group Teixeira Duarte, which has operated its distribution arm, "Maxi", in the country since 1996. It currently has 10 stores located in Luanda, Porto Amboim, Sumbe and Lobito. The group is vertically integrated and is present in both the food retail segment under the "Bom Preço" brand and in the non-food segment through "Casa de Coração".

South Africa's Shoprite is also well recognized

South Africa's Shoprite opened its first store in Angola in 2003 and, along with Teixeira Duarte's Maxi, also has a strong market presence with a widely recognized network of stores located in Luanda, Benguela and Kwanza Sul.

Score Distribuição is 100% owned by Angolan capital and operates in Luanda

Score Distribuição is a company within the group Score Investments and is 100% owned by Angolan capital. Its project in the distribution sector is centered on the implementation of retail supermarkets and cash & carry's in Luanda. Score Distribuição opened its first "Deskontão" store in July of this year, which is a large distribution center that relies mostly on local suppliers for its products. The company also plans to open 37 supermarkets in Luanda alone under the name "Mel". Score has established a partnership with Portugal's Jerónimo Martins that is mostly focused on job training.

Kero is held by local investors and has the largest hypermarket in the country

Kero is owned by Angola's Zahara group and currently has the largest hypermarket in the country with 7,500 squared-meters of retail space. Its retail network comprises seven hypermarkets, supermarkets and convenience stores in the provinces of Luanda and Benguela, all under the brand "Kero". French group Auchan operates the "Jumbo" brand, which had the largest hypermarket in Angola until Kero opened its doors. Auchan holds a 30% stake in the local hypermarket with the rest being held by local investors.

Portugal's biggest retailer, Sonae, could reportedly start operations in 2015

Finally, we highlight that Portugal's largest retail group, Sonae, is also expected to start operating in Angola after the local authorities approved its entry in December 2011. The total investment is expected to be US$100 million and includes the opening of at least four hypermarkets in Luanda under the Continente Angola brand by the year 2015.

2 – EDUCATION

Angolan authorities are rehabilitating the whole education infrastructure

Angola's long-lasting civil war shattered the country's education infrastructure. However, in recent years and with the backing of international institutions, foreign investment and local and international NGOs, the Angolan government is rehabilitating the whole education infrastructure. Thousands of schools are also being rebuilt throughout the country, curriculums are being revised and teachers are receiving high-quality training. This process will be crucial to ensure that the gap in skills created by the war is narrowed and that human capital in Angola, which has been referred by many as a major handicap for the future growth of the country, improves in the long-run.

Literacy rates and primary school enrollment in Angola are below the rates in other Sub-Saharan African countries

The table below depicts the key education indicators for Angola and compares them with other countries in Sub-Saharan Africa. For instance, the literacy rate for an adult (ages 15 and above) in Angola is 70.1% while for a youth (ages 15-24) is 73.1%. These figures are below the average for the other countries shown below (76.1% and 82.3% respectively). Moreover, primary school in Angola begins at the age of six and lasts for eight years. The first four years are free and compulsory. The enrolment rate stands at 85.7% (78.2% for females and 93.1% for males), which is about 3 p.p. below the average of other countries. However, we note that the completion rate for primary school in Angola stands at only 46.6% (40% for females). This is well below the average of 79.5% in other countries in Sub-Saharan Africa.

The ratio of females to males enrolled in primary and secondary schools is well below those in other countries

Secondary education lasts another three years for general education and four years for vocational and technical education students in Angola. The enrolment rate in secondary school stands at 13.5% while the ratio of females to males enrolled in secondary school stands at 68.6%, well below the average in other countries. Finally, those students aiming for a university degree are required to undergo an additional two-three year "pre-university" course.

Public spending on education is still modest when compared to other countries

Meanwhile, public spending on education represents 3.5% of the Angolan GDP and 8.5% of total government expenditure. Despite the efforts of local authorities in rehabilitating the education system, these figures remain well below the ones seen in other countries like Botswana, Namibia, South Africa and Tanzania.

EDUCATION INDICATORS	Angola	Botswana	Dem. Rep. Congo	Mozambique	Namibia	South Africa	Tanzania	Zambia	Zimbabwe	Average (ex-Angola)
Literacy rate										
Adult female (% of females ages 15 and above)	58.1	84.9	57.0	42.8	88.5	n.a.	67.5	61.7	89.9	70.3
Adult male (% of males ages 15 and above)	82.7	84.0	76.9	70.8	89.0	n.a.	79.0	80.7	94.7	82.2
Adult total (% of people ages 15 and above)	70.1	84.5	66.8	56.1	88.8	n.a.	73.2	71.2	92.2	76.1
Youth female (% of females ages 15-24)	65.8	96.9	61.8	65.1	95.1	n.a.	76.5	67.1	99.6	80.3
Youth male (% of males ages 15-24)	80.5	93.6	68.3	78.5	91.1	n.a.	78.2	81.7	98.5	84.3
Youth total (% of people ages 15-24)	73.1	95.3	65.0	71.8	93.1	n.a.	77.3	74.4	99.0	82.3
School enrollment (%)										
Primary, female	78.2	87.6	n.a.	88.1	87.2	84.9	n.a.	96.5	n.a.	88.9
Primary, male	93.1	86.5	n.a.	92.6	83.1	85.3	n.a.	94.5	n.a.	88.4
Primary, total	85.7	87.1	n.a.	90.4	85.1	85.1	n.a.	95.5	n.a.	88.6
Secondary, female	12.1	n.a.	n.a.	17.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Secondary, male	14.9	n.a.	n.a.	18.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Secondary, total	13.5	n.a.	n.a.	17.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ratio of female to male (%)										
Primary enrollment	81.3	96.5	86.6	91.0	98.6	95.8	103.2	99.4	n.a.	95.9
Secondary enrollment	68.6	n.a.	58.7	89.2	n.a.	104.8	87.5	n.a.	n.a.	85.1
Primary and secondary	78.9	n.a.	78.6	90.6	n.a.	99.3	99.6	n.a.	n.a.	92.0
Primary completion rate (% of relevant age group)										
Female	40.0	97.8	51.0	49.1	85.0	n.a.	85.2	108.3	n.a.	79.4
Male	53.2	96.6	70.8	57.2	77.3	n.a.	77.2	98.3	n.a.	79.6
Total	46.6	97.2	60.9	53.2	81.1	n.a.	81.2	103.3	n.a.	79.5
Repeaters, primary (% of relevant group)										
Female	11.7	3.6	12.6	7.2	13.2	n.a.	2.5	5.7	n.a.	7.5
Male	10.2	5.5	12.1	7.8	18.0	n.a.	2.8	6.2	n.a.	8.7
Total	10.8	4.6	12.3	7.5	15.6	n.a.	2.6	5.9	n.a.	8.1
Pupil-teacher ratio (%)										
Primary	45.6	25.4	37.4	54.8	29.8	30.7	45.6	62.6	n.a.	40.9
Secondary	38.7	n.a.	15.2	33.1	n.a.	25.0	26.4	n.a.	n.a.	24.9
Public spending on education										
Total (% of GDP)	3.5	7.8	2.5	n.a.	8.4	6.0	6.2	n.a.	2.5	5.6
Total (% of government expenditure)	8.5	16.2	8.9	n.a.	n.a.	19.2	18.3	n.a.	8.3	14.2

Source: World Bank.

Local authorities are also taking relevant steps to increase the resources allocated to the training of Angolan rather than expatriate teachers. A formalized structure for training and evaluation of human capital was announced by the Education minister earlier this year. This plan involves training staff to a higher level in addition to training teachers and researchers in higher education and national system of science, technology and innovation. The initiative also includes staff training for entrepreneurship and business development, as well as scholarships.

Authorities are increasingly allocating resources to the training of Angolan teacher

The Angolan university system has suffered under the perception that graduates are not sufficiently prepared and the quality of their education cannot be assured. There are also reports indicating a lack of resources in universities and that faculty staff members were often absent since they are forced to hold multiple jobs. However, more recently, some reports suggested a marked improvement in the country's higher education system, with also an increase in the number of enrolled students. For instance, the Education minister reported that 2012 saw 45,000 new Angolan students entering higher education bringing the total figure to about 195,000. The Agostinho Neto University is the only public university, but numerous new private institutions have opened since 1991, including the Catholic University of Angola and the Independent University of Angola.

The Angolan university system is gradually improving, with the number of enrolled students reportedly increasing by 45,000 to 195,000 last year

Employment opportunities for Angolans in the oil and gas sector remain scarce, as the shortage of technical skills has meant that international companies prefer to pay hefty sums of money to relocate talent and expertise from other oil hubs. However, the local authorities have passed legislation requiring international oil companies to employ and to train Angolans to replace expatriate workers, the so-called government policy of "Angolanisation." Indeed, this law introduced targets and a new system of recruitment, integration, training and development of Angolan staff in the oil industry and the hiring of foreign personnel to the oil operations.

The government policy of "Angolanisation" requires oil companies to hire and train natives to replace expatriate workers

Angolan authorities also announced that US$0.15 from every barrel of oil produced in the country is ring fenced for the development of human capital. Specifically, US$0.09 goes to the Ministry of Petroleum (1/3 of this amount is allocated to university funding reportedly for the development of courses relevant to the oil industry) while the other US$0.06 is used by oil companies for staff training.

US$0.15 from every barrel of oil produced in Angola is ring fenced for the development of human capital

3 – HEALTH

Angola has a long way to go in order to improve most of its health indicators

A key challenge facing the Angolan government is the improvement of the country's healthcare system and, at the same time, to increase life expectancy and reduce the infant mortality rate of the population. As depicted in the table below, Angola has a long way to go in order to improve most of its health indicators to at least the standards seen in other countries in Sub-Saharan Africa. Although the political will for reform exists in the country, the government is under more pressure than ever to provide healthcare services, which remain inadequate and are inaccessible to the majority of the population.

Mortality rates amongst infants remains high while the number of doctors per 10,000 stands below two

Life expectancy at birth in Angola is 51 years, which is about the same for the average of other countries in Sub-Saharan Africa. However, when we look at the mortality rate of children under five years, we see that Angola compares far worse than its peers (164 deaths per 1,000 births vs. an average of 76 deaths in other countries). There are also fewer physicians per 10,000 people, as the country has suffered from brain drain with an estimated 70% of Angolan doctors living overseas. As a result, it is crucial that Angola starts attracting its skilled personnel back to the country so it also contributes toward the ongoing progress of the healthcare system.

Most of the spending on healthcare is done by the public sector

In contrast with other African countries, Angola is less dependent on donor funding for its healthcare system. Figures from the World Bank show that more than 60% of the spending on healthcare services comes from the public sector, which is far more than the average of 48.5% in other countries. However, despite a strong improvement over the years, healthcare spending remains relatively lower at US$186 per capita and 3.5% as a percentage of GDP. This compares with an average of US$226 and 6.8% for its peers. In addition, only about half of the Angolan population has access to safe drinking water. This figure is particularly poor when we look at the rural population (34.7% vs. 61% in other countries).

Angola has a relatively low prevalence of HIV when compared to other countries in Sub-Saharan Africa

More positively, estimates suggest that Angola has a relatively low prevalence of HIV at only 2.1% of the adult population (vs. an average of 14.1% in other countries) while a lower percentage of the population is undernourished. Also, a larger proportion of the population has access to improved sanitation facilities, although we note that this only happens in the urban population as still very few people living in rural areas have access to such facilities.

HEALTH INDICATORS

	Angola	Botswana	Dem. Rep. Congo	Mozambique	Namibia	South Africa	Tanzania	Zambia	Zimbabwe	Average (ex-Angola)
Life expectancy at birth, female (years)	53	46	51	50	66	57	61	57	56	56
Life expectancy at birth, male (years)	50	47	48	49	61	53	59	54	55	53
Life expectancy at birth, total (years)	51	47	49	49	63	55	60	56	56	54
Mortality rate, infant (per 1,000 live births)	100	41	100	63	28	33	38	56	56	52
Mortality rate, under-5 (per 1,000 live births)	164	53	146	90	39	45	54	89	96	76
Incidence of tuberculosis (per 100,000 people)	310	455	327	548	723	993	169	444	603	533
Tuberculosis case detection rate (%, all forms)	78.0	71.0	50.0	34.0	64.0	69.0	76.0	73.0	50.0	60.9
Prevalence of HIV, total (% of population ages 15-49)	2.1	23.4	n.a.	11.3	13.4	17.3	5.8	12.5	14.9	14.1
Women's share of population ages 15+ living with HIV (%)	59.7	56.9	n.a.	62.9	59.1	56.2	56.7	58.2	57.8	58.3
Prevalence of undernourishment (% of population)	27.4	27.9	n.a.	39.2	33.9	5.0	38.8	47.4	32.8	32.1
Physicians (per 10,000 people)	1.7	3.4	n.a.	0.3	3.7	7.6	0.1	0.7	0.6	2.3
Health expenditure per capita (current US$)	186	432	20	35	283	689	37	87	n.a.	226
Health expenditure, private (% of GDP)	1.3	2.0	5.7	3.8	2.3	4.5	4.4	2.5	n.a.	3.6
Health expenditure, public (% of GDP)	2.2	3.1	2.9	2.7	3.0	4.1	2.9	3.7	n.a.	3.2
Health expenditure, public (% of government expenditure)	6.1	8.7	10.8	7.7	6.5	12.7	11.1	16.0	n.a.	10.5
Health expenditure, public (% of total health expenditure)	61.5	60.8	33.7	41.7	57.1	47.7	39.5	59.8	n.a.	48.6
Health expenditure, total (% of GDP)	3.5	5.1	8.5	6.6	5.3	8.5	7.3	6.1	n.a.	6.8
Improved sanitation facilities (% of population with access)	58.7	64.0	30.7	19.1	32.3	74.0	11.9	42.1	40.2	39.3
Improved sanitation facilities, rural (% of rural population with access)	19.4	41.8	31.5	9.2	16.9	57.1	7.4	33.2	33.0	28.8
Improved sanitation facilities, urban (% of urban population with access)	85.8	77.9	29.2	40.9	57.1	84.3	24.2	55.8	51.7	52.6
Improved water source (% of population with access)	53.4	96.8	46.2	47.2	93.4	91.5	53.3	64.1	80.0	71.6
Improved water source, rural (% of rural population with access)	34.7	92.8	28.9	33.2	90.3	79.3	44.1	50.1	69.2	61.0
Improved water source, urban (% of urban population with access)	66.3	99.3	79.6	78.0	98.5	99.0	78.7	86.0	97.1	89.5

Source: World Bank.

4 - ENVIRONMENT

4.1 - AGRICULTURE

The agricultural sector in Angola provides great potential, despite the devastating impact that the civil war had on the sector

Agriculture is a sector that offers great potential in Angola. The country has 58 million hectares of agricultural land including more than 4 million hectares of arable land (less than 30% of this land is currently under cultivation). The country's different climatic zones enable farmers to grow a wide variety of crops, including cassava, yams, maize, bananas, beans, cotton, manioc, palm oil, potatoes, sunflowers, citrus and numerous vegetables. On top of this, and unlike most other countries in Sub-Saharan Africa, Angola has abundant water resources.

Today, Angola does not produce enough food to meet the growing needs of its population

Angola was self-sufficient in all major food crops (except wheat) prior to gaining its independence from Portugal in 1975. However, the country's civil war led to the collapse of the agricultural sector and the displacement of a large part of the rural population, with many of them still living in cities and towns. Today, and despite its huge natural wealth, Angola does not produce enough food to meet the growing needs of its population and relies heavily on food imports, mainly from South Africa and Portugal. Moreover, agricultural output and prices are often affected by droughts in the country.

Angolan authorities have been implementing several measures aimed at improving output and productivity

Agriculture plays a huge part in the lives of the local population as it accounts for over two-thirds of total employment. The sector saw its contribution to GDP increase from 8.0% in 2007 to 9.4% in 2012 following an expansion of over 5% from a robust 9.1% in 2011. This performance came on the back of the government's ongoing efforts to implement several programs aimed at increasing agricultural output and promoting locally produced goods. It is also thanks to the rehabilitation of rural infrastructure, the removal of land mines and the return of the rural population that was displaced by the civil war.

GEOGRAPHY AND AGRICULTURE

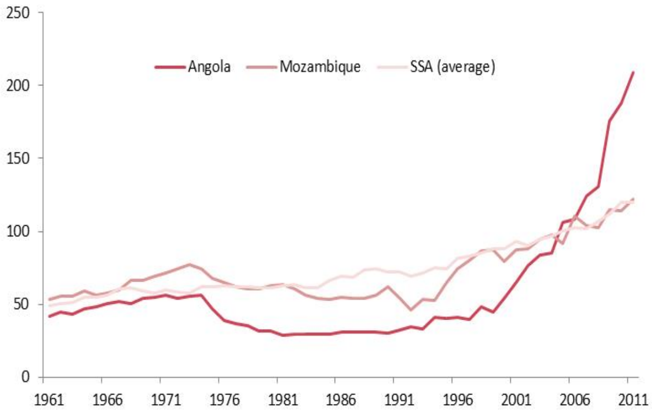
	Angola	Botswana	Dem. Rep. Congo	Mozambique	Namibia	South Africa	Tanzania	Zambia	Zimbabwe
Area									
Area (sq. km)	1,246,700	581,730	2,344,860	799,380	824,290	1,219,090	947,300	752,610	390,760
Land area (sq. km)	1,246,700	566,730	2,267,050	786,380	823,290	1,213,090	885,800	743,390	386,850
Agricultural Area									
Agricultural area (sq. km)	583,900	258,610	257,550	494,000	388,090	963,740	373,000	234,350	163,200
Agricultural area (% of land area)	46.8	45.6	11.4	62.8	47.1	79.4	42.1	31.5	42.2
Arable land (hectares)	4,100,000	259,000	6,800,000	5,200,000	800,000	12,033,000	11,600,000	3,400,000	4,100,000
Arable land (% of land area)	3.3	0.5	3.0	6.6	1.0	9.9	13.1	4.6	10.6
Arable land (hectares per person)	0.21	0.13	0.10	0.22	0.34	0.24	0.25	0.25	0.32
Permanent cropland (% of land area)	0.2	0.0	0.3	0.3	0.0	0.3	1.9	0.0	0.3
Agriculture Productivity									
Agriculture value added per worker (constant 2005 US$)	867	n.a.	285	307	2,398	5,967	301	592	234
Cereal production (metric tons)	1,350,655	68,381	1,762,377	2,846,177	101,330	12,918,562	7,779,297	2,761,387	1,592,414
Cereal yield (kg per hectare)	694	393	766	1,110	354	4,024	1,361	2,359	820
Crop production index (2004-2006 = 100)	208.8	101.9	113.9	122.2	110.7	103.8	135.5	148.9	105.6
Food production index (2004-2006 = 100)	188.2	127.6	113.6	119.5	91.3	116.1	128.2	141.6	100.6
Land under cereal production (hectares)	1,945,139	173,868	2,301,496	2,563,441	286,142	3,210,412	5,716,338	1,170,694	1,942,061
Livestock production index (2004-2006 = 100)	124.6	132.8	116.5	102.9	83.7	130.8	114.5	117.5	104.1

Source: World Bank and FAOSTAT.

Agricultural production has improved in recent years, but productivity remains low vs. other countries in the region

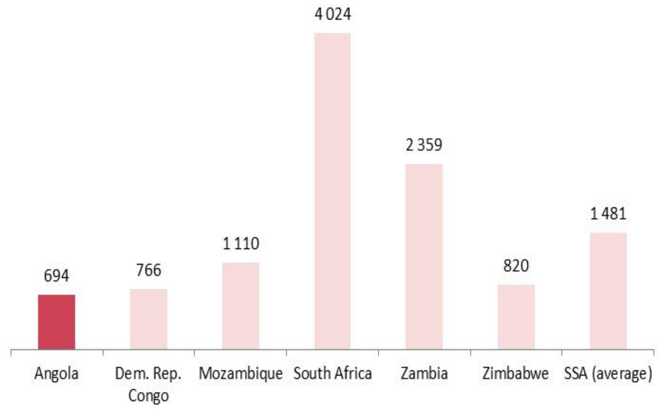
As expected, crop production dropped during the war years, but has since then showed a remarkable recovery as evidenced in the World Bank's crop production index. Total production of the main crops amounted to about 27 million tons in 2011 (an 8% increase from the previous year), with more than half of these being cassava. This notwithstanding, a lot of the production is for the subsistence of local farmers while productivity levels measured by the cereal yield remains very low relatively to other countries in the region.

CROP PRODUCTION INDEX (2004-2006=100)



Source: World Bank.

CEREAL YIELD (KG PER HECTARE)



Source: World Bank.

Local authorities will remain committed to revitalizing the sector

All in all, the Angolan authorities remain committed to the revitalization of the agricultural sector by (1) developing a competitive market that gradually shifts away from being mostly family oriented and into being business oriented, (2) rehabilitating and expanding the infrastructure that supports local produce, (3) reaching self-sufficiency in terms of basic food goods, (4) reducing reliance on imported goods and (6) diversifying the economy away from the oil sector.

4.2 – ENERGY AND WATER

Only 40% of the Angolan population has access to electricity, with this figure being much lower amongst the rural population

According to the World Bank, only 40% of the Angolan population currently has regular access to electricity. This figure is above the average in other Sub-Saharan African countries, but still well below the 75% seen in South Africa, for instance. On top of this, only a very marginal part of the rural population has access to electricity, something that the local authorities hope will eventually change in the medium-term with the implementation of a national program of rural electrification.

Over 70% of the electricity produced comes hydroelectric sources

Angola currently does not have a national electricity grid, with 70% of the electricity produced being generated at three independent hydroelectric facilities: the Northern, Central and Southern Systems. The Northern System is connected to the Kwanza river basin and is the country's largest, serving Luanda. The Central and Southern Systems are linked to the Catumbela and Cunene river basins, respectively. The government hopes to link the three independent grids as part of a national grid system. Although Angola's hydroelectric-generating capacity may be far from its potential, some suggest that thermal generation is likely to gain increasing importance in the future, particularly given the existing vast natural gas reserves in the country.

The government is expected to spend close to US$20 billion in the electricity sector by 2017

The government announced earlier this year that it intends to invest close to US$20 billion in the electricity sector by 2017 in an effort to improve the country's transmission and distribution networks and to help bring electricity to Angola's remote rural regions. The plan also proposes to increase electricity supplies in order to help meet rising domestic demand. Overall, Angolan authorities expect that 55% of the population will have access to electricity by 2017.

Freshwater resources are abundant from Angola's huge network of rivers

Meanwhile, the local government is also focused on improving access to clean water for its population, as it hopes that water will reach 85% of the population by 2017 (vs. 56% currently). Angola has abundant freshwater resources coming from its huge network of rivers when compared with other countries in Sub-Saharan Africa, as depicted in the table below. Angolan rivers, flowing into the Atlantic, to the mighty Congo River, and into the world's largest inland delta, the Okavango swamp in Botswana, should provide the country with sufficient clean drinking water. However, lack of extraction and purification infrastructure, coupled by soil erosion continues to frustrate the efforts of local authorities and international organizations to ensure access to clean water. Outbreaks of cholera in urban areas and high rates of child mortality and malnutrition also reflect the country's poor management of its water. Significant investment in water infrastructure is therefore necessary for both human development and environmental sustainability.

ENERGY AND WATER INDICATORS

	Angola	Botswana	Dem. Rep. Congo	Mozambique	Namibia	South Africa	Tanzania	Zambia	Zimbabwe	Average (ex-Angola)
Energy										
Access to electricity (% of population)	40.2	45.4	15.2	15.0	43.7	75.8	14.8	18.5	36.9	33.2
Alternative and nuclear energy (% of total energy use)	2.5	0.0	2.8	14.2	7.7	2.7	1.1	11.6	6.1	5.8
Combustible renewables and waste (% of total energy)	58.2	22.3	93.1	79.2	13.3	10.3	88.2	80.2	64.2	56.3
Electric power consumption (kWh per capita)	248	1,603	105	447	1,549	4,694	92	599	757	1,231
Electricity production (million Wh)	5,651,000	372,000	7,882,000	16,830,000	1,430,000	259,576,000	5,302,000	11,454,000	8,925,000	38,971,375
Electricity production (% of total)										
Coal sources	0.0	100.0	0.0	0.0	1.4	93.8	1.1	0.0	25.3	27.7
Hydroelectric sources	70.9	0.0	99.6	99.9	98.2	0.8	49.3	99.7	73.6	65.1
Natural gas sources	0.0	0.0	0.4	0.1	0.0	0.0	48.8	0.0	0.0	6.2
Nuclear sources	0.0	0.0	0.0	0.0	0.0	5.2	0.0	0.0	0.0	0.7
Oil sources	29.1	0.0	0.1	0.0	0.4	0.1	0.8	0.3	0.3	0.2
Oil, gas and coal sources	29.1	100.0	0.4	0.1	1.8	93.8	50.7	0.3	25.6	34.1
Renewable sources, excluding hydroelectric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.1
Energy production (kt of oil equivalent)	92,160	979	24,751	12,774	334	162,577	19,265	7,770	8,608	29,632
Energy use (kt of oil equivalent)	13,576	2,215	24,497	10,202	1,589	141,372	20,747	8,462	9,312	27,300
Water										
Annual freshwater withdrawals (% of total)										
Agriculture	32.8	41.2	17.7	73.9	71.0	62.7	89.4	75.9	78.9	63.8
Domestic	38.4	40.7	62.6	22.8	24.3	31.2	10.2	16.7	14.0	27.8
Industry	28.8	18.0	19.8	3.3	4.7	6.0	0.5	7.5	7.1	8.4
Renewable internal freshwater resources per capita (cubic meters)	7,334	1,208	14,078	4,080	2,778	886	1,812	5,882	918	3,955
Renewable internal freshwater resources, total (billion cubic meters)	148	2	900	100	6	45	84	80	12	154
Water productivity, total (constant 2005 US$ GDP per cubic meter of total freshwater withdrawal)	81.7	66.4	16.2	13.2	31.4	24.0	4.0	6.0	1.3	20.3

Source: World Bank.

5 - INFRASTRUCTURE

Angola's population of around 20 million is unequally distributed across the country. The most densely populated areas are around Luanda and a few other major cities (Cabinda, Benguela, Lubango and Huambo). Overall, the coast and the southern and eastern parts of the country are less populated than the interior highlands. The distribution of the population is influenced by the presence of vast natural resources and agricultural potential.

The distribution of the population is influenced by the presence of vast natural resources and agricultural potential

The interior highlands are abundant in water resources and are therefore well suited for agriculture. The south and southeast are dry savanna while the far north is covered by rain forest. Angola's oil fields are located in the coastal region in the north and west. Angola is also rich in various minerals that are found in the western and central parts of the country. The distribution of Angola's infrastructure networks largely follows the pattern of its population and natural resource distribution, with a greater density of transport, power as well as information and communication technology (ICT) infrastructure along the western half of the country.

The infrastructure networks largely follows the pattern of the Angolan population

Angola's transport infrastructure suffered extensive damage during the civil war years, with destruction and neglect leading to the closure of most of the road and rail networks. However, over the last decade, the Angolan authorities have undertaken huge investments in the rehabilitation of the road, railway, port and air infrastructure, most of it financed by Chinese loans and credit lines that are transforming the country's infrastructure.

Angolan authorities have undertaken considerable investments to rebuild transport networks

PUBLIC INVESTMENTS BY SECTOR				US$ billion
	2003 - 2010	2011 - 2012 (P)	Total	% of Total
Roads and Bridges	9.7	3.0	12.7	30.8%
Energy	2.0	1.4	3.4	8.2%
Water / Sanitation	1.0	0.5	1.5	3.6%
Housing / Urbanisation	6.8	1.3	8.1	19.6%
Health & Education	4.7	0.3	5.0	12.1%
Transport	2.4	0.9	3.3	8.0%
Other	4.8	2.4	7.2	17.4%
Total	**31.5**	**9.8**	**41.3**	**100.0%**
Angolan GDP (PPP)	719.2	238.2	957.4	
Roads and Bridges (% of GDP)	1.3%	1.3%	1.3%	

Source: Angolan authorities and IMF (World Economic Outlook, October 2013).

5.1 - ROAD TRANSPORT

Angola has invested a tremendous amount of money over the last few years to reconstruct its dilapidated road infrastructure. Specifically, the level of public spending for roads and bridges has amounted to US$12.7 billion in the last decade, or over 30% of total public investments. This makes the country one of the highest spenders on road infrastructure in Africa.

Angola has been one of the highest spenders on road infrastructure in Africa

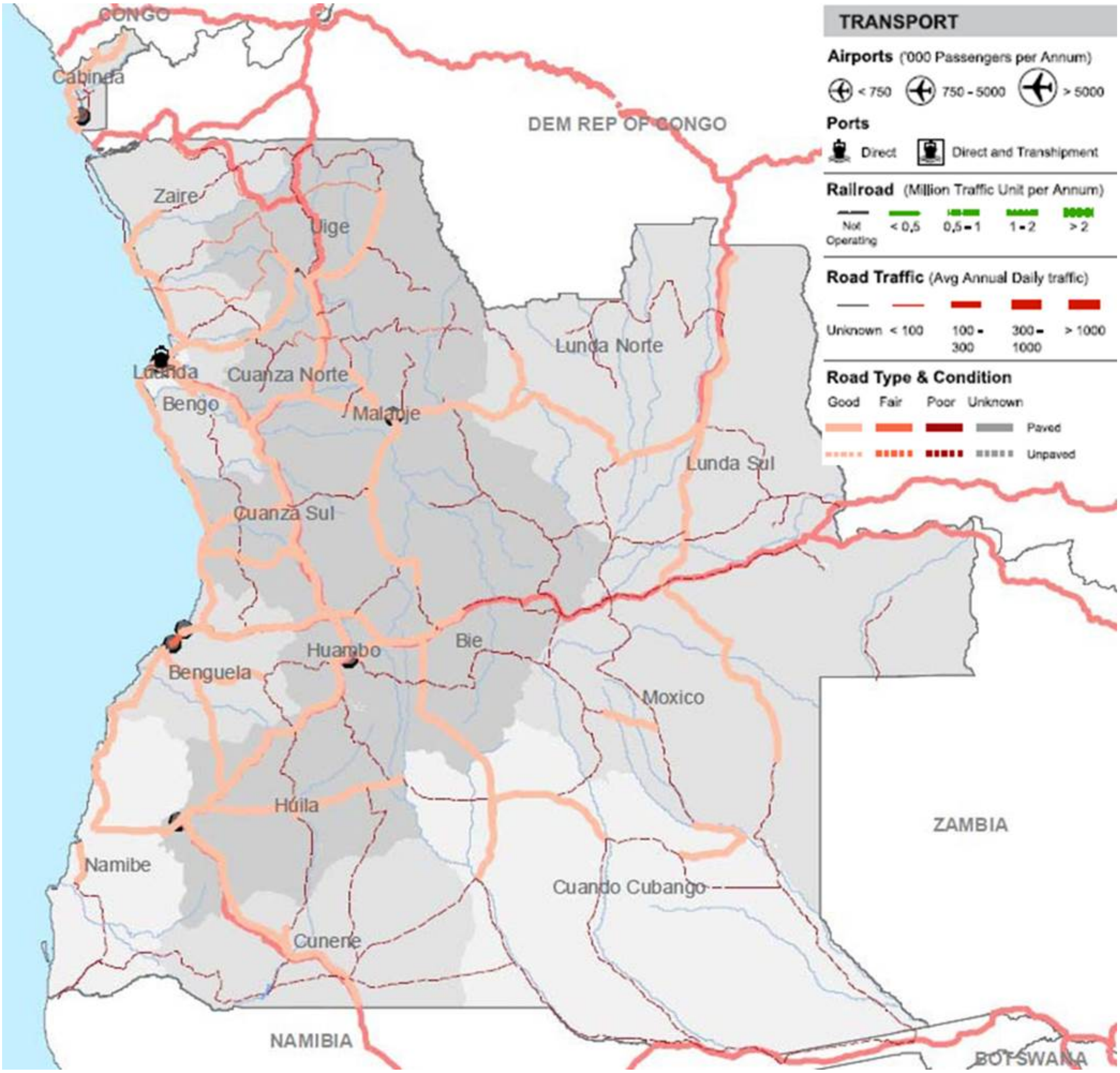
Angola has quite an extensive road network that, according to the World Bank, covers 62,560km. Of this distance, the classified network (primary, secondary and tertiary) accounts for 58%, or 36,399km. The rest is the urban network of 11,057km and the unclassified network of 15,104km. The main links in the western half of the country appear to be in reasonable condition, while roads on the eastern side are scarcer and more dilapidated. In terms of regional integration, Angola's most salient international road corridor connects the country to the Democratic Republic of Congo (DRC) and Zambia in the east.

The country has quite an extensive road network

The country's road infrastructure is in very poor condition. Most of the traffic is concentrated in the area surrounding Luanda, but overall traffic levels are comparatively low. The inadequate condition of the roads caused by years of destruction and lack of maintenance is one of the factors contributing to the low traffic levels. Only about 17% of classified and urban roads are paved, which compares poorly with other countries in Sub-Saharan Africa. Poor road quality, combined with very low road density and lack of bridges (as many were destroyed or imbedded with mines during the war) makes some of the provincial capitals impossible to access by road.

However, roads are in very poor condition as a result of the destruction caused by the civil war as well as lack of maintenance

TYPE AND CONDITION OF ROADS, RAIL AND PORTS



Source: World Bank Africa Infrastructure Country Diagnostic (2011).

Regional integration is also hindered by the poor conditions of road infrastructure

The quality of the country's road corridors is also rather poor, making regional connectivity with the broader Southern Africa Development Community (SADC) economic area difficult. This situation both prevents Angola from developing regional trade with surrounding countries and limits these countries from making greater use of the Ports of Luanda and Lobito.

The Angolan government has taken considerable steps in order to improve road conditions

In a nutshell, road transportation represents an important bottleneck for Angola's economy and the reason why the government has taken significant steps in recent years to gradually change this picture. Spending in the rehabilitation of roads and bridges has taken the lion's share of the authorities' Public Investment Program (PIP), accounting for nearly 30% of total spending in the last decade. These investments are financed by the government's budget and/or public debt.

YEARLY INVESTMENTS					US$ million
	2013 - 2015	2016 - 2020	2021 - 2025	Total	Average / Year
Construction of new roads	850	1,281	1,945	18,678	1,437
Rehabilitation	102	131	178	1,851	142
Maintenance	118	151	204	2,129	164
Total	**1,070**	**1,563**	**2,327**	**22,658**	**1,743**

Source: Angolan authorities.

5.2 - RAIL TRANSPORT

Angola has three railway systems, namely the Luanda, Benguela and Moçamedes Railways

Angola has three railway systems run by public companies that comprise a total network of 2,722km. These were built eastwards from the coast in colonial times, linking the country's key Atlantic ports (Luanda, Lobito and Namibe) to the interior. First, Luanda Railways connects Luanda to the inland province of Malange (424km). The line is fully operational, with access to the Port of Luanda. Luanda Railways operates another line (55km) from Zenza to Dondo, which are cities in the Kwanza-Norte province. This railway is used for the transport of container cargo from the Port of Luanda to the Port of Viana. The company is also focused on the transport of petrol and gas from Dondo to Malange, while also transporting other goods such as cement, construction material, machinery and vehicles.

The railway system totals 2,722km

Second, the Benguela Railways connects Lobito to the eastern border-town of Luau and to the rail networks of south-eastern DRC, Zambia and beyond. This line is currently being rehabilitated and only runs to Huambo, but the latest press reports suggest that the connection is due to become operational by the end of this year. It is expected to be mostly used for the transport of minerals coming from DRC and Zambia to be exported through the Port of Lobito. Lastly, Moçamedes Railways links Namibe to the eastern province of Kuando Kubango. This line was rehabilitated and has been operational since the second half of 2012. It is expected to be mostly used for the transport of iron coming from Cassinga and to be exported through the Port of Namibe.

RAILWAY SYSTEM			
Company	**Port**	**Region**	**Railway (km)**
Caminhos de Ferro de Luanda (CFL, Luanda Railways)	Luanda	Northern	479
Caminhos de Ferro de Benguela (CFB, Benguela Railways)	Lobito	Central	1,337
Caminhos de Ferro de Moçâmedes (CFM, Moçamedes Railways)	Namibe	Southern	906
Total			**2,722**

Source: World Bank and Eaglestone Securities.

The government has made considerable investments to rehabilitate the rail network

At their height in 1973 these railway systems carried 9.3 million metric tons of freight to these ports. However, as with other transport infrastructure, most of Angola's railways were destroyed during the civil war. Considerable investments were undertaken by the Angolan authorities in order to rehabilitate the country's rail network system as in most cases this process included the removal of mines and the full replacement of the obsolete or deteriorated rails.

Sectors like agriculture and mining stand to benefit from an operating rail network

The rail network is extremely important as a means to reach the interior of the country, as the inland towns and cities have been cut off from the developments that have been taking place in the coastal regions for many years. Sectors like agriculture and diamond extraction, which is focused in the interior of Angola, will clearly benefit from a functioning rail system.

The private sector is expected to have the concession of the operation of the rail

Meanwhile, the government of Angola plans to promote greater private sector involvement in the rail network system as it intends to merge the three railway companies into one and to concession their operation to the private sector. The commercial and operational aspects would be sold to private companies whilst the state would keep a controlling stake in the new company called

Caminhos de Ferro de Angola. The public sector would retain ownership of the infrastructure.

network

The Angolan authorities also plan to extend the northern and southern lines further east as well as build three new north-south lines that interconnect those three east-west lines. A new Congo Railways is also planned to be constructed, which will link the Luanda Railways line from the Baía Station to the provinces of Uíge, Zaire and Cabinda.

The government plans to extend the rail network

All in all, this will represent an ambitious plan by the government to build about 5,144km of new railway lines that would put Angola as the second country in Africa with the largest railway system and would make the country a true hub in the SADC region.

Angola would become the second country in Africa with the largest rail network

PLANNED EXTENSIONS/CONSTRUCTION OF RAILWAY SYSTEM

	Railway (km)
2 connections further east to DRC, Zambia and south of Namibia	649
2 extensions of Luanda Railways to Saurimo and Moçamedes Railways to Kuito Cuanaval	707
2 interconnections north/south and east	2,249
1 connection between the three existing lines	589
Construction of the Congo Railways connecting Luanda Railways (from Baía station) to the Provinces of Uíge, Zaire and Cabinda	950
Total	**5,144**

Source: Angolan Authorities and Eaglestone Securities.

5.3 - SEA TRANSPORT

Luanda, Lobito, Namibe and Cabinda are the main cargo ports in Angola, although the Port of Soyo (located in the Zaire Province) has become relevant as well since LNG has been exported via this port since mid-2013. In particular, the Port of Luanda is the main route for international trade, handling over 80% of Angola's imports. It is also the main center for ongoing food product import operations, the energy industry and general-cargo and container operations. As a major transit port not only for Angolan goods but also for the DRC, Zambia and Zimbabwe, Luanda is one of the fastest-growing ports in Africa. This growth created handling constraints leading to port congestion for both general cargo and container traffic.

The Port of Luanda is not only the major transit port for Angola, but also serves the DRC, Zambia and Zimbabwe

The Port of Luanda offers natural deep-sea access to Angola and consists of 1,150 meters of quays (six berths), with an additional five berths on a finger pier. The current draft at the port is 10.5 meters, allowing a maximum vessel size of about 30,000 deadweight tons. However, the depth in Luanda exceeds 20 meters, which potentially allows vessels larger than 150,000 deadweight tons to enter the bay as long as dredging activities are sustained.

The Port offers natural deep-sea access to Angola

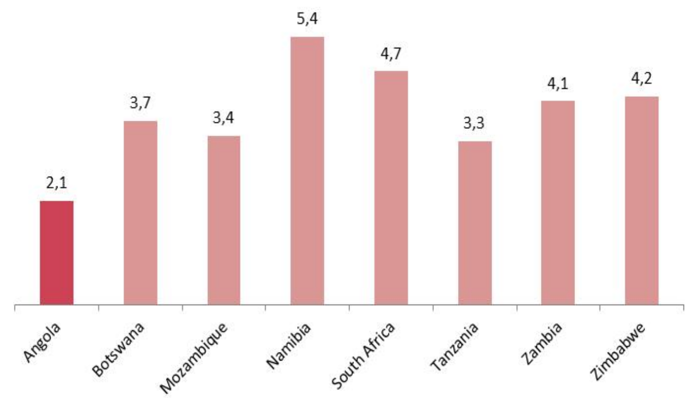
In recent years, the Port of Luanda has benefited from investments in rehabilitation, expansion and upgrading financed by a number of investors, namely Sogester. This has eased some of the congestion pressure the port suffered in the past and improved competitiveness and efficiency. Nevertheless, the Port is still known for the long delays and poor performance relative to other ports in Africa.

Investments have been undertaken to improve competitiveness and efficiency of the Port of Luanda

PORT OF LUANDA - KEY STATISTICS	
Traffic (2011)	
TEU throughput	676.493
General-cargo throughput (tons)	9 700 034
Total vessel calls per year	4 589
Performance	
Container dwell time - average (days)	12
Truck time for receipt and delivery of cargo (hours)	14
Container crane productivity (container per hour)	7
Costs/Tariffs (US$)	
Import (TEU)	320
General cargo (ton)	9

Source: Port of Luanda.

QUALITY OF PORT INFRASTRUCTURE*



* 1=extremely underdeveloped to 7=well developed and efficient by international standards. Source: World Bank.

5.4 - AIR TRANSPORT

Angola's main international airport is located in Luanda and is served by several international and regional airlines, namely TAAG (the national carrier), TAP Portugal, British Airways, South African Airways, Air France, Lufthansa, among others. Flights from and to Portugal and Brazil are very common and reflect the cultural ties between these countries.

The Luanda international airport is served by several international airlines

The international terminal of the Luanda airport was renovated in 2010 before the African Cup of Nations, which was hosted by Angola. According to the Angolan authorities, the newly refurbished airport can handle about four million passengers per year. Many provincial airports have also recently been renovated or are undergoing renovation.

Many regional airports have been renovated in recent years

Meanwhile, work continues on Luanda's new international airport located 40km east of the capital. The new airport is expected to open in 2015/16 and authorities hope it will become a regional air transport hub, with four runways and a capacity of more than 10 million passengers per year.

Authorities hope that the new international airport will become a regional hub

6 - MINING

Diamonds represent the lion's share of the Angolan mining sector. The country's diamonds have been known for 100 years and are famed for their high quality and value. They have attracted expert buyers from all over the world, from the giants De Beers (the exclusive buyer for many decades) and Russia's Alrosa to the small scale traders. While exploration is increasing less than 50% of Angola's diamond fields are being explored.

Angolan diamonds are famed for their high quality and value and are the lion's share of the mining sector

Diamond reserves are divided into two types: kimberlite and alluvial. Kimberlite diamond deposits come directly from the volcanic rock, kimberlite. When the diamonds from kimberlite are washed away, alluvial diamond deposits can be found in ancient or contemporary river systems. The areas with the highest diamond concentration are in the Lunda Norte and Lunda Sul provinces. The Luzamba project, in the Cuango Valley, is Angola's largest alluvial mining operation. Kimberlite mines have been discovered along the borders with the Democratic Republic of Congo. Catoca Mine is one of the world's largest kimberlites and represents over half of the country's total production.

The country has both kimberlite and alluvial diamond reserves

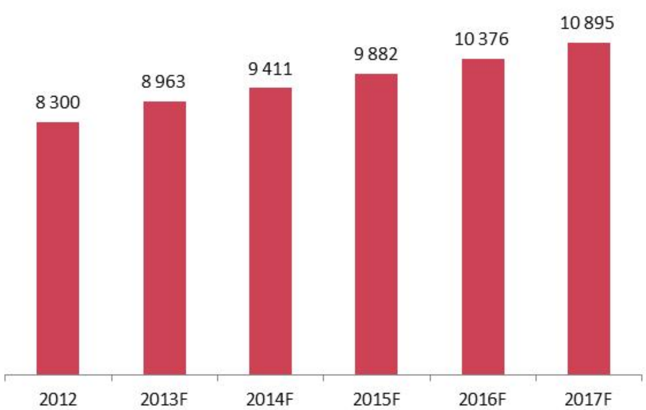
Endiama is the diamond company of the Angolan State and the main source of power and knowledge in the country's diamond industry. According to Endiama, Angola produced 8.3 million carats in 2012 (the same amount as in the previous year) that were valued at US$1.16 billion, making the country the fifth largest diamond producer by value in the world. The top producers by value were Botswana, Russia, Canada and South Africa. Despite its importance for Angola's mining sector, we note that diamond production accounted for a very modest 1% of the country's GDP in 2012.

Angola is the fifth largest diamond producer by value

The Angolan authorities expect the production of diamonds to continue to increase in the next few years, with production likely to reach close to 11 million carats by 2017. The government's National Development Plan for 2013-17 also foresees gross revenues of US$1.3 billion at the end of this period.

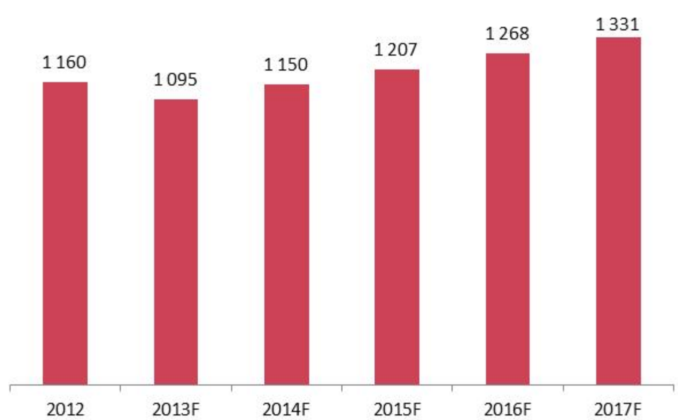
Diamond production is expected to reach 11m carats in 2017, with gross revenues of US$1.3 billion

DIAMOND PRODUCTION (THOUSAND CARATS)



Source: ENDIAMA.

GROSS REVENUES (US$ MILLION)



Source: ENDIAMA.

Angola remains an extremely attractive target for the discovery and development of other minerals resources like gold, copper, iron ore, lead, lignite, manganese, mica, nickel, phosphate rock, quartz, silver and zinc.

The country has other underdeveloped minerals

The Ministry of Geology and Mines is the government entity that is responsible for the negotiation of mineral rights contracts, for enforcing mining laws and for executing the government's policy regarding geologic and mining activities.

The Ministry of Geology and Mines oversees the sector

Angola has a new Mining Code in effect since September 2011. This new law is the result of the Angolan authorities' efforts to consolidate the majority of the rules and regulations applicable to the mining industry and governing mineral operations into a single piece of legislation and to

Angola has a new Mining Code since September 2011

update the legal framework that was in force for almost two decades. The government hopes that the new Mining Code will encourage investment in the exploitation of largely untapped reserves of minerals like iron, copper, gold and uranium and will help to diversify the economy away from oil and gas.

The Mining Code tackles concerns of international investors

The Mining Code also addresses a number of the common concerns of the international mining industry players. For instance, the former double-contract model was replaced by a single-contract model, according to which exploration, mining and marketing rights are granted from the outset under the same instrument, thus ensuring a seamless transition between the exploration and the mining phases. Moreover, under this new legislation, it is now possible for investors to take a majority stake in mining companies (State participation is set at a minimum of 10% from 50% under the previous regime), to reduce their tax burden from 35% to 25% and allow a single contract to be signed covering exploration and mining.

Sodiam is the subsidiary of Endiama responsible for the marketing and exporting of Angolan diamonds

Meanwhile, Sodiam was founded in 1999 and is the subsidiary of Endiama responsible for the marketing and exporting of Angolan diamonds. It is also the channel through which Endiama expanded its interests into diamond polishing with the creation of a factory, APD. It was also through Sodiam that Endiama increased the internationalization of its activity with the establishment of offices or centers for the sale of Angolan diamonds in the main diamond centers such as Israel, Belgium, USA, UAE, India and China.

Besides buying Angolan production, Sodiam sorts, grades and certifies the stones

Sodiam buys Angolan production directly from industrial operations or indirectly from the informal sector through ASCORP or the Sodiam/LKI operation. In addition to sorting and grading the stones, Sodiam carries out all of the practical tasks involved in certifying the stones under the Kimberley Process. The actual certificate gets pro-forma final approval by the Ministry of Geology and Mines.

The company's performance has been exemplary

As far as Angola's formal Diamond production is concerned, Sodiam's performance has been exemplary. The diamonds from each mine are brought to Sodiam's Luanda facility in run-of-mine parcels, where Sodiam personnel sort the stones. An Angolanization policy combined with an aggressive training program has enabled Sodiam to employ exclusively Angolan sorters. The stones are then valued three times, once by Sodiam, once by the producer and once by an independent valuator. Once the price has been agreed, the package is sealed and the Kimberley Certificate attached. The designated signatories are the Deputy Minister of Trade and the Deputy Minister of Geology and Mines.

7 - REAL ESTATE

The Angolan real estate sector has expanded rapidly in recent years, reflecting the post-war reconstruction efforts, a booming economy and the improved living standards of the country's population. The capital city Luanda is home to about a third of the Angolan population and has one of the highest urbanization levels in Africa. It is therefore no surprise that demand for real estate in Luanda has also been enormous. Although the main property market boom remains centered in the capital, demand is increasing in other cities such as Lobito, Benguela, Soyo, Cabinda and Namibe.

The real estate sector has expanded rapidly on the back of the post-war reconstruction efforts, a booming economy and better living standards of the population

The real estate sector is gradually attracting the interest of international investors. Portuguese and Brazilian companies are leading players in construction and real estate projects. The ongoing investment in infrastructure and the government's commitment to increase the supply of houses to cope with a growing population means that international investors should continue to play an important role in the sector.

International investors should continue to play an important role in the real estate sector

Angola still has a long way to go in order to improve the bureaucratic and many times complex procedures that characterize its real estate sector. For instance, the World Bank estimates in its Doing Business Report (2014) that it takes 204 days to obtain a construction permit in Angola, much longer than in other countries of Sub-Saharan Africa. We detail below the twelve procedures required to obtain a construction permit and the number of days that it takes for each procedure.

Bureaucracy and complex procedures continue to characterize the real estate sector

DEALING WITH CONSTRUCTION PERMITS

Number	Procedure	Number of Days
1	Obtain a proof of title of property for the land	7
2	Obtain a permission to build from the fire department	5
3	Obtain approval from telephone provider (Angola Telecom)*	1
4	Submit an environmental impact study to Ministry of Environment*	15
5	Obtain environment impact study clearance	30
6	Request license to build from the provincial governor	90
7	Receive on-site inspection from the provincial government*	1
8	Request and receive final inspection by provincial authorities	30
9	Request and obtain occupancy permit	30
10	Obtain telephone connection*	15
11	Obtain water and sewage connection*	10
12	Register the building with the real estate registry*	21

* Takes place simultaneously with another procedure. Source: Doing Business in Angola (2014).

According to Abacus, a real estate consultant, other features that characterize the Angolan real estate sector include: (1) certain segments have witnessed an increase in supply; (2) few pieces of land with a registered colonial deed (with full possession); (3) legal uncertainty in the transfer of ownership, particularly of land; (4) lack of licensed plots in the city center; (5) lack of general town planning and master plans for the cities; (6) need for basic infrastructures and (7) reduction in the amount of illegal construction in city centers.

Despite this, Angola continues to make progress on several fronts. The World Bank stated in the same report that the country ranks among the 10 economies in the world making the biggest improvements in terms of registering property since 2005. As an example, in 2010, the land registry in Angola was digitized and split into two units covering half of the land, accelerating procedures necessary to transfer property in Luanda. The country also made transferring property less costly by reducing transfer taxes in 2012.

Angola has made progress on several fronts, namely in terms of the procedures required for registering a property

DOING BUSINESS INDICATORS	Angola	Botswana	Mozambique	Namibia	Nigeria	South Africa
Dealing with Construction Permits (rank out of 189 countries)	**65**	**69**	**77**	**31**	**151**	**26**
Procedures (number)	12	21	12	12	18	16
Time (days)	204	111	130	123	116	78
Cost (% of income per capita)	690	18	258	31	3,505	10
Getting Electricity (rank out of 189 countries)	**170**	**107**	**171**	**72**	**185**	**150**
Procedures (number)	7	5	7	6	8	5
Time (days)	145	121	107	37	260	226
Cost (% of income per capita)	690	389	2,858	396	961	1,432
Registering Property (rank out of 189 countries)	**132**	**41**	**152**	**178**	**185**	**99**
Procedures (number)	7	4	8	8	13	7
Time (days)	191	15	39	54	77	23
Cost (% of property value)	3.0	5.1	7.7	13.8	20.8	6.1

Source: World Bank Doing Business Report (2014).

Real estate prices in Luanda are expensive when compared to other cities in the world

Luanda is often ranked as the most expensive city in the world and its real estate prices are no different. This comes from a combination of several issues, namely a surge in domestic demand for housing that is far outgrowing the supply of new homes and the fact that construction materials are mostly imported (at high prices). Despite this, authorities have significantly reduced custom duties for many construction materials in an effort to encourage housing projects.

The residential market remains dynamic in Luanda, with demand from international business clients that prefer renting to buying a home

The residential market remains quite dynamic in the capital city especially when compared to other international markets. However, the business model for the sector has changed. Banks are increasingly more demanding when granting loans to a real estate developer (and the eventual buyer of the home), which means that the latter is putting in more equity in projects than in the past. Also, an increasing number of buyers want to see the final project as opposed to seeing it on paper. Demand is gradually becoming dominated by international business customers that prefer renting to buying a home and this rental market apparently remains underdeveloped.

Demand for office space is also increasing as multinationals look to settle or increase their presence in Luanda

Meanwhile, demand for office building space has also been strong in Luanda, as several multinationals are looking for office space or to increasing their presence in the capital. For instance, a number of companies in the diamond sector are reportedly looking to settle in Luanda this year while, over the medium term, we could also see a larger presence of international banks that will need office space.

We list below the buying and renting prices of new and used homes (apartments and villas) as well as office buildings in several locations in Luanda. This data was provided in the most recent report produced by Abacus for the Angolan real estate sector (2013).

RESIDENTIAL MARKET VALUES (US$)		Apartments		Villas	
Location	**State**	**Sale (sqm)**	**Rent/Month**	**Sale (sqm)**	**Rent/Month**
Luanda Sul / Talatona	New	4,000 - 6,000	4,000 - 8,500	4,800 - 8,000	8,000 - 20,000
	Used	n.a.	3,500 - 7,500	n.a.	6,000 - 18,000
Luanda Velha / Ingombotas / Marginal / Miramar / Cruzeiro	New	8,000 - 12,000	12,000 - 25,000	n.a.	n.a.
	Used	3,300 - 8,500	5,000 - 13,000	n.a.	12,000 - 25,000
Luanda Cidade - Malanga, Alvalade, Vila Alice, Bairro Azul, Maculusso	New	4,800 - 8,000	9,500 - 17,000	n.a.	n.a.
	Used	2,700 - 4,500	2,500 - 12,000	2,500 - 5,500	8,000 - 21,000
Viana	New	1,900 - 2,750	1,500 - 3,000	2,000 - 3,000	2,500 - 5,000
	Used	n.a.	n.a.	n.a.	1,000 - 2,500
North Zone	New	2,000 - 3,500	2,500 - 4,500	n.a.	n.a.
	Used	n.a.	n.a.	n.a.	n.a.
Camama and Benfica	New	1,500 - 3,500	2,000 - 4,000	2,000 - 4,500	3,000 - 6,000
	Used	n.a.	n.a.	n.a.	n.a.

Source: Abacus in association with Savills.

OFFICE BUILDINGS MARKET VALUES (US$)		Offices	
Location	State	Sale (sqm)	Rent/Month
Prime (downtown and seafront)	New	8,000 - 10,000	140 - 200
	Used	5,000 - 9,000	90 - 160
Central (surrounding areas of downtown and seafront)	New	6,400 - 8,500	110 - 165
	Used	4,000 - 5,000	80 - 110
Praia do Bispo	New	n.a.	n.a.
	Used	n.a.	n.a.
Talatona	New	5,000 - 8,500	110 - 120
	Used	n.a.	95 - 100

Source: Abacus in association with Savills.

The tax system for real estate has suffered numerous and profound changes

The Angolan tax system has been subject to numerous and profound changes particularly when it comes to its real estate market. There are currently four types of taxes in this market: (1) urban property tax (IPU); (2) property purchase tax (SISA); (3) stamp duty; and (4) land registration and notary's fees. We describe in the table below the key points of the urban property tax.

URBAN PROPERTY TAX	Rental	Ownership
Value	15% of the value of the rent to be paid	0% for property values up to AOA 5 million; 0.5% for property values exceeding AOA 5 million attributed by the tax authorities
Objective	Tax rental income	Tax the ownership of the property
Payment	In the month following the signing of the rental contract (independent of the first rental payment)	The tax is assessed annually and must be paid in January and July of the following year
Taxable person	The landlord is liable, although it is the tenant who pays the tax. The tenant must send a copy of the tax payment to the landlord no later than a month after the payment was done	The owner of the property, its user or the person who receives income from the property

Source: Abacus in association with Savills.

The purchase property tax is 2% of the transaction value

Regarding the property purchase tax (SISA), the buyer of the real estate property will have to pay 2% of the purchase price to the tax authorities before the acquisition effectively takes place. There are several entities that are exempt of this tax, namely the Angolan and foreign states, religious organizations or those properties with a transaction value below AOA 5 million.

A stamp duty of 0.3% of the transaction value must be paid by the buyer

There is also a stamp duty of 0.3% on the purchase or sale price of the property that must be paid by the buyer before the acquisition of the property. On top of this, in case the buyer has a mortgage contract with a bank, an additional stamp duty of 0.1% must be paid by the bank on behalf of its client. Finally, there are also other costs and fees to be paid in property transactions in relation to land registration and notaries.

ANNEX I – ANGOLAN TAX SYSTEM

The Angolan tax system is currently being reformed with the aim of improving tax collection and broadening the tax base. We present below the main taxes and their respective rates.

The Angolan tax system is currently being reformed

INDUSTRIAL TAX

An industrial tax is levied on all profits derived from Angola. All of the income obtained by an Angolan company operating overseas will be fully taxable. Taxpayers paying industrial tax are divided into three groups of which Group A is the most important.

An industrial tax is due on all profits derived in Angola

Group A includes joint stock companies, public companies with capital greater than 35 UCFs, financial and insurance institutions, Angolan companies operating abroad, foreign entities having a permanent establishment in Angola and other taxpayers that had an average turnover in the last three years of over 70 UCFs. A UCF is a reference value used to establish a taxpayer's tax liability. The UCF is periodically adjusted by the Minister of Finance based on oil prices, exchange rate against the US dollar and the consumer price index.

Group A is the most important group of taxpayers

Group B comprises the taxpayers that do not fall under Groups A or C, as well as those who carry out a one-off activity of a commercial or industrial nature.

Group B incl. who carry out a one-off activity

Group C includes an individual who (1) is included in a trade list, (2) does not keep a set of accounts, (3) works for himself and does not have more than three employees or collaborators, (4) does not make use of more than two vehicles and (5) whose annual gross turnover is not exceeding 13 UCFs.

Group C is the third group of taxpayers

The tax rate applicable for Groups A and C is 35%. Group B is taxed at 25% (on gross turnover). The new tax reform foresees a reduction of the industrial tax rate to 30%, but it is still uncertain when this will effectively take place. Moreover, there are other proposed changes aimed at closing the loopholes on the tax structure and limit cost discounts for tax purposes. This means that, despite the reduction in the tax rate, local companies will not necessarily pay less tax.

Groups A and C pay a tax rate of 35% while group B is taxed at 25%

CAPITAL GAINS TAX

Capital gains obtained by resident companies are included in taxable income and taxed at the standard flat rate of 35%.

Capital gains are taxed at 35%

CONSUMPTION TAX

This tax is levied on the supply of goods and services as well as on the goods imported into Angola. The tax rate ranges from 2% to 30%, depending on the good or service. The standard rate of VAT is 10%, with a reduced rate of 2% on essential foods and medical supplies. Increased rates of 20% and 30% apply to certain luxury items.

The VAT ranges from 2% to 30%, depending on the good or service

With the recently approved changes to the consumption tax regulation, several types of services that were not subject to taxation are now subject to consumption tax at a rate of 5% to 10%. These include consultant services, rental of motor vehicles, tourism and travel services and port, airport and forwarding services. As a general rule it is established that the payment of consumption tax falls on the entity supplying the goods and services, rather than the final consumer. However, if these services are acquired to a non-resident entity, the Angolan company shall self-assess consumption tax over the acquisition price and deliver it to the Angolan tax authorities.

Several types of services are now also subject to a consumption tax at a rate of 5% to 10%

STAMP DUTY

The tax reform has published a new stamp duty code which provides the taxation on a wide range of facts, including (1) leasing operations (0.3%-0.4%), (2) rental and sub-rental (0.4%), (3) transfer of business units (0.2%), (4) bills of exchange and other securities (0.1%-1.0%), (5) credit utilization (0.1%-0.5%), (6) guarantees (0.1%-0.3%), (7) fees (0.5%-0.7%) and (8) insurance (0.1%-0.4%).

The tax reform includes a new stamp duty code

A new territoriality rule was also introduced that makes all the operations within Angolan territory subject to stamp duty. The tax incidence is also extended to cover the following operations: (1) documents, acts or contracts issued or celebrated outside the national territory whenever presented in Angola for any legal purpose, (2) credit operations and guarantees issued outside the country to entities domiciled in Angola, (3) interest, commissions and other compensations charged by credit or financial institutions headquartered out of Angola or by foreign subsidiaries or branches of Angolan credit institutions, to any entities domiciled in Angola and (4) insurance policies celebrated out of the country but related to risk located in Angola.

All of the operations done within the Angolan territory are subject to stamp duty

PETROLEUM INDUSTRY TAX REGIME

Oil companies are subject to a specific tax regime. The petroleum income tax is levied on the income obtained from the exercise of petroleum transactions and any other income derived from other activities of a non-commercial or industrial nature. The tax rates are (1) 65.75% in relation to a joint venture agreement and (2) 50% for a cost share agreement.

Income from oil operations is taxed at 50% or 65.75%

A petroleum transaction tax of 70% is due on all of the income derived from petroleum transactions carried out under a joint venture agreement. Surface fees are also calculated based on production areas at a rate of US$ 300 per square kilometer per year. A production royalty is due on non-profit-sharing agreements (PSA) total hydrocarbons production less hydrocarbons used in field operations at a rate of 20% with possible reduction to 10%.

Other taxes include (1) a petroleum transaction tax, (2) a surface fee and (3) a production royalty

TRAINING CONTRIBUTION

Oil companies are required to pay a training contribution to the Angolan State to assist in the financing for training Angolan individuals. The training contribution is imposed differently for oil companies (depending on the phases of the petroleum activities carried out) and for the suppliers of goods and services to oil companies. The contributions are (1) US$100,000 for oil companies that only have research licenses, (2) US$300,000 for oil companies that are carrying out research activities, (3) US$0.15 per oil barrel for companies that carry forward oil production activities, (4) 0.5% of annual turnover for those that carry out storage, transportation, distribution and commercialization activities of crude oil and (5) 0.5% of the values of contracts for companies that render services to oil companies on a regular basis.

Oil companies pay a training contribution to the Angolan State to help train local citizens

MINING INDUSTRY TAXATION

Mining companies are also subject to a specific tax regime. The mining corporate income tax is the same as corporate income tax with specific adjustments such as depreciation. The tax rate is 40% and is payable in the same manner as corporate income tax.

The mining corporate income tax is 40%

A mining surface fee is due based on the surface area licensed during the prospecting and exploration periods. The tax rate varies between US$1 to US$4 per squared kilometer. A mining royalty is charged *ad valorem* on the market value of the annual mineral ore output at various rates between 2% and 5%.

A mining surface fee and a mining royalty are also due

DIVIDEND TAX

Companies are generally subject to tax on the gross amount of dividends received. Dividends received from Angolan companies subject to industrial tax are exempt from tax if, at the time of the distribution, the recipient owns at least 25% of the capital of the paying company and has held the shares for at least two years or since the incorporation of this company. Whenever the dividends are distributed by a local company and the conditions mentioned above are not foreseen, the tax rate is 10%. Dividends received from a foreign company are considered to be normal business income and taxed at an effective rate of 35%.

Companies are subject to tax on the dividends received

WITHHOLDING TAX

Dividends, including income from PSA, paid to resident and non-resident individuals and companies are subject to withholding tax at a general rate of 10% on the gross amount of the dividends.

A 10% withholding tax is levied on dividends

Interest payments to resident and non-resident companies are subject to withholding tax at (1) 10% on corporate bond interest, withheld by the payer and (2) 15% on any other type of taxable interest, assessed by the competent local tax office (this interest relates to ordinary loans other than domestic bank loans and credit facilities, current accounts, sales on credit and late payment thereof and participators' advance loans to their company.

Interest payments to resident and non-resident companies are subject to withholding tax

Domestic and foreign-source royalties received by taxpayers subject to business income tax are taxed as ordinary business income at a rate of 35%. Royalties paid for intellectual works to the original creator are treated as self-employment income and subject to earned income tax at a flat rate of 10%.

A 10% withholding tax is due on royalties paid to a resident or non-resident

Services provided to Angolan entities by resident or non-resident entities attract withholding tax at (1) 3.5% in case of construction, improvement, repair or conservation of immovable property assets and (2) 5.25% for other services.

Payments for several services are also subject to withholding tax

PERSONAL INCOME TAX

Personal income tax will be payable by all Angolan residents and non-residents on all the income obtained from an activity in the country. Income taxes are levied on a sliding scale at rates that range from 0% to 17%. Non-residents are liable for tax on income earned in Angola. They are not liable for tax on income brought into Angola or received from a source outside Angola.

Employment income is taxed at progressive rates up to a maximum rate of 17%

Taxable income includes all employment income such as wages, salaries, leave payments, fees, gratuities, bonuses and premiums or allowances paid or granted by reason of employment, in cash or kind.

Taxable income includes all employment income

ANGOLAN TAX SYSTEM - SUMMARY	Tax Rate
Industrial Tax	25% or 35%
Capital Gains Tax	35%
Consumption Tax	2% - 30% (1)
Stamp Duty	0.1% - 1%
Petroleum Industry Tax	50% or 65.75%
Mining Industry Tax	40% (2)
Training Levy	0.5%
Dividend Tax	10% or 35%
Withholding Tax	10%, 15% or 35%
Personal Income Tax	0% - 17%

(1) Standard VAT of 10%; (2) Additional mining surface fee of US$ 1 to US$ 4 per sq. Km + mining royalty charged ad valorem of 2%-5%.
Source: Angolan authorities and Eaglestone Securities.

ANNEX II – NEW FX LAW FOR OIL & GAS OPERATIONS

DESCRIPTION

The Angolan authorities introduced a new foreign exchange law for the oil and gas sectors (Law 2/2012) at the beginning of 2012. The aim of this law is to establish the foreign exchange regime for the settlement of operations for goods, services and capital that result from crude oil and natural gas prospecting, exploration, appraisal, development and production activities. This law applies to the national concessionaire and the national and foreign investing companies in the settlement of oil sector foreign exchange operations.

A new foreign exchange law for the oil and gas sectors was introduced at the beginning of 2012

The law defines as a foreign exchange operation (1) the purchase or sale of foreign currency, (2) the opening and operation of foreign currency accounts domiciled in Angola by residents and non-residents, (3) the opening and operation of national currency accounts by non-residents and (4) the settlement of all transactions for goods, services and capital operations. The national concessionaire (or the entity to which the State grants mining rights, i.e. Sonangol) and the investing companies (operators and non-operators), either national or foreign, must make the settlement of foreign exchange transactions through a banking financial institution domiciled in Angola authorized to conduct foreign exchange business under the existing law.

Under this law, oil companies are required to transfer by end-2013 a large part of their offshore revenues to domestic banks

The implementation of Law 2/2012 will be phased out according to the following calendar set by the BNA:

The implementation of this Law will phased out according to a calendar set by the BNA

October 2012 – Sonangol and the investing companies (national and foreign) must start paying local and foreign suppliers from Angolan domiciled banks;

13 May 2013 – the payment of taxes and other fiscal obligations must be carried out using a foreign currency account at Angolan domiciled banks;

1 July 2013 – Sonangol and the investing companies (national and foreign) must start paying local suppliers in local currency;

1 October 2013 – operators must start paying foreign suppliers from Angolan domiciled accounts in foreign currency.

In a nutshell, Sonangol and its domestic and foreign partners will be obliged to process all of their payments through accounts domiciled at local banks, regardless of the home country of the investing company, operator and non-operator. The Law requires the opening of two accounts, namely one in foreign currency for the payment of goods and services supplied by foreign entities, and another in local currency for the payment of goods and services supplied by local companies.

The Law requires the opening of two accounts namely one in local currency and another in US$

The new Law also establishes that (1) overseas payments for goods and services do not require prior licensing and will only need to be registered at the BNA, (2) foreign investors can hold and use their profits and dividends at overseas banks and (3) loans granted by local banks to foreign investing companies require the prior approval of the BNA.

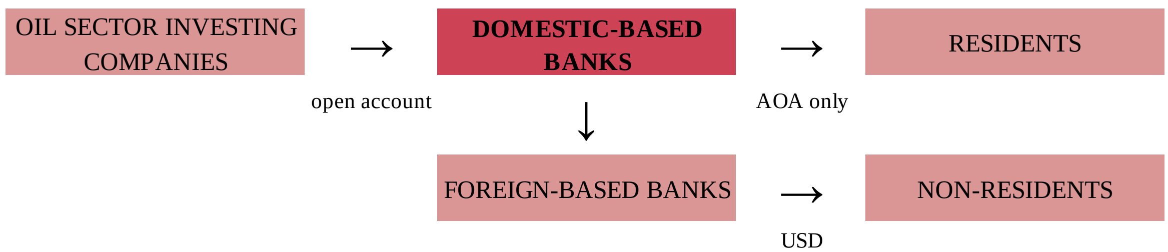
IMPACT ON THE BANKING SECTOR

The real impact of this new law on the banking sector is difficult to quantify given that information on the oil industry remains rather opaque. At first glance, one can assume that this new law will imply that funds related to the transactions involving companies operating in the oil and gas industry that did not pass through the domestic banking system will now be internalized. In other words, players in the oil industry will start using local banks for the payment of (1) taxes and other fiscal obligations and (2) foreign suppliers of oil-related goods and services.

Players in the oil industry will now start using local banks for the payment of (1) taxes and (2) foreign suppliers of goods and services

BEFORE NEW LEGISLATION

AFTER NEW LEGISLATION



Source: Angolan authorities and Eaglestone Securities.

Having said that, we note the following on the Angolan oil industry. First, annual revenues exceeded US$ 70bn in 2012, but more than 98% of production of crude oil went to the external market. Second, figures from the Ministry of Finance show that taxes related to the oil sector amounted to US$ 40bn in the same period (US$ 13bn if excluding taxes from Sonangol). And third, the latest current account estimates suggest that imports in the oil sector stood at US$ 5bn last year while payments of services to foreign suppliers reached US$ 15bn.

Latest current account estimates suggest that oil imports amounted to US$ 5bn while payment of oil-related services reached US$ 15bn

As a result, based on the above mentioned and on the calculations presented in the table below, we believe this new law means that new funds likely to pass through the local banking system could reach as much as US$ 20-30bn. Still, we highlight that these funds are only likely to pass through local banks for a very short period of time due to the nature of the oil business and, as a result, should have a limited impact on their balance sheets.

In our view, about US$ 20-30bn in new funds could briefly pass through local banks

ANGOLA - OIL INDUSTRY				Million US$
	2009	**2010**	**2011**	**2012**
Production and Revenues:				
Production (million bpd)	1.80	1.76	1.66	1.75
Average Price (USD pb)	60.9	77.9	110.1	111.0
Total Revenues	40 011	50 043	66 710	70 908
Taxes (Oil Sector):				
Total	17 251	25 396	30 360	39 820
Taxes (excl. Sonangol)	6 697	9 006	10 020	13 337
Current Account (Oil Sector)*:				
Exports of Crude Oil	39 803	49 352	65 591	69 844
Imports	4 326	3 158	3 475	5 269
Payment of Services Abroad	7 114	6 158	9 173	14 646
Total Funds to pass through Angolan Banks	**18 137**	**18 322**	**22 668**	**33 252**

* Estimates for 2012. Source: Angolan authorities, IMF and Eaglestone Securities.

This law should also lead to a more active role of commercial banks in the foreign exchange market, as the BNA will no longer be the only player providing foreign currency to the financial system. The increase in the number of foreign exchange transactions in the local market will

Increase in the number of foreign exchange transactions in the local

require greater efficiency from the banking sector, mainly from October onwards when the impact from this law should be fully reflected.

market will require greater efficiency from the financial sector

We believe a greater influx of US$ in the local financial system (greater supply of US$) could temporarily put some pressure for an appreciation of the kwanza. However, and bearing in mind that most of the payments of oil-related services are done to overseas companies in US$ (therefore increasing the demand for US$), an equilibrium between supply and demand should be rapidly reestablished with no major impact on the exchange rate, or the interest rates in the domestic financial system, and ultimately on inflation.

Despite the greater influx of US$ in the system, we believe that the new Law should not have any major impact on the exchange rate

Finally, this law should present great opportunities for the local banking sector, namely in what concerns cross-selling and product innovation. We did some back of the envelope calculations in order to see the potential impact of this law on the P&L account of the local banks. In our view, the potential new fees that banks could charge the clients in the oil and gas sector could represent about 10% of the total existing fees and 1-2% of the total revenues of the system. Our calculations assume that banks will charge fees on FX operations (25bps) and money transfers (we believe these could reach 10-15bp) on the new funds that will pass through the local banking system excluding those related to tax payments Still, we note that this impact (US$ 70mn in 2012E) is likely to be mostly reflected on just four or five banks, which will be the ones more active in the oil business.

Banks are likely to use this new law to improve cross-selling and innovation levels

We estimate the impact on the P&L to represent about 10% and 1-2% of total existing fees and revenues, respectively

ANGOLAN BANKS - IMPACT ON THE P&L ACCOUNT

Million US$	2009	2010	2011	2012E
Total Funds to pass through Angolan Banks excluding Taxes	**11 440**	**9 316**	**12 648**	**19 915**
Additional Banking Fees with new FX Law:				
FX Operations (25bps)	28.6	23.3	31.6	49.8
Money Transfers (10bps)	11.4	9.3	12.6	19.9
Total	**40.0**	**32.6**	**44.3**	**69.7**
Total Existing Fees for the Banking Sector	386.2	379.8	469.7	612.5
Total Revenues	**2 930**	**3 120**	**3 438**	**3 593**
% of Total Existing Fees	10.4%	8.6%	9.4%	11.4%
% of Total Revenues	**1.4%**	**1.0%**	**1.3%**	**1.9%**

Source: Angolan authorities, IMF and Eaglestone Securities.

ANNEX III - ECONOMIC INDICATORS

FORECAST SUMMARY	2009	2010	2011	2012	2013F	2014F
Gross Domestic Product (annual growth)						
Real GDP	2.4%	3.4%	3.9%	5.2%	5.3%	7.1%
Oil Sector	-5.1%	-2.9%	-5.6%	4.3%	2.6%	4.7%
Non-oil sector	8.3%	7.6%	8.9%	5.6%	6.5%	8.3%
Gross Domestic Product (current prices, AOA bn)	5,989	7,580	9,780	10,998	12,050	13,367
Gross Domestic Product (current prices, US$ bn)	75.5	82.5	104.1	115.2	124.0	133.5
Population (million)	18.5	19.1	19.6	20.2	20.8	21.4
Gross Domestic Product per capita (US$)	4,081	4,329	5,305	5,700	5,956	6,227
Investment (% of GDP)						
Total Investment	16.1%	13.5%	12.9%	15.1%	13.8%	14.5%
Gross National Savings	6.2%	21.6%	25.5%	24.3%	20.9%	19.0%
External Sector						
Exports of Goods & Services (annual growth)	-2.6%	-3.2%	-3.1%	4.3%	2.7%	3.1%
Imports of Goods & Services (annual growth)	6.7%	-21.2%	9.9%	15.7%	7.0%	7.6%
Current Account Balance (% of GDP)	-9.9%	8.1%	12.6%	9.2%	7.1%	4.6%
Oil Sector						
Production	1.80	1.76	1.66	1.73	1.78	1.87
Price	60.9	77.9	110.9	112.0	108.7	104.6
Consumer Price Inflation						
Consumer Prices (period average)	13.7%	14.5%	13.5%	10.3%	9.2%	8.5%
Consumer Prices (end of period)	14.0%	15.3%	11.4%	9.0%	8.9%	8.0%
General Government (% of GDP)						
Revenues	34.6%	43.5%	48.8%	46.0%	41.1%	39.8%
Expenditures	42.9%	38.9%	40.2%	41.5%	40.0%	40.6%
Fiscal Balance	-8.3%	4.6%	8.7%	4.5%	1.2%	-0.8%
Gross Debt	36.5%	37.6%	31.5%	30.2%	33.2%	35.1%
Foreign Investment and Reserves						
Foreign Direct Investment (US$ mn)	2,199	-4,568	-5,116	-9,639	-1,500	1,000
Net International Reserves (US$ mn)	13,664	19,749	28,786	33,415	37,178	43,573
Net International Reserves (in months of imports)	3.2	5.9	7.1	7.4	8.4	9.3
Exchange Rate						
Exchange Rate (period average, AOA/USD)	79.8	92.2	94.1	95.6	96.3	103.5
Exchange Rate (end of period, AOA/USD)	89.6	92.9	95.5	95.7	100.9	105.8
Nominal Exchange Rate (change)	6.1%	15.6%	2.1%	1.6%	-0.1%	5.1%

Source: Angolan authorities, World Bank (June 2013), EIU (July 2013), IMF (WEO October 2013) and Eaglestone Securities.

ANNEX IV – MAP OF ANGOLA

Source: United Nations.

* Kensani Eaglestone Capital Advisory.

EAGLESTONE

LUANDA—Rua Marechal Brós Tito nº 35/37 – 9th Floor B- Kinaxixi, Ingombotas—T: +244 222 441 362

LISBON—Av. da Liberdade , 131, 6th Floor- T: +351 21 121 44 00

CAPE TOWN—22 Kildare Road Newlands 7700- T: +27 21 674 0304

MAPUTO—Rua dos Desportistas Edifício JAT 5, 4th Floor -T: +258 82 055 17 04

AMSTERDAM—Leidsegracht 10 1016 CK - T: +31 20 521 89 90

Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities — financial advisory services, asset manage- ment and brokerage — and currently has offices in Amsterdam, New York, Cape Town London, Lisbon, Luanda and Maputo

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Services Authority. The first of its six Luxembourg based funds has received approval from la Commission de Surveillance du Secteur Financier.

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

EAGLESTONE SECURITIES

Business Intelligence

Business Intelligence
Caroline Fernandes Ferreira
(+351) 211 214 430
caroline.ferreira@eaglestone.eu

Research
Tiago Bossa Dionísio
(+351) 211 214 431
tiago.dionisio@eaglestone.eu