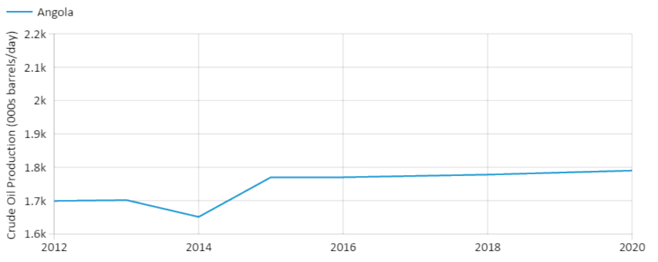
OVERVIEW

Overall Country Risk Rating : DB5d R

Level of Risk: High risk

Rating Outlook: Deteriorating

Crude Oil Production



Source: Dun & Bradstreet

Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
Inflation, annual avge %	7.7	7.5	10.1	14.0	12.0	10.0	9.0	9.0
C/A balance % GDP	6.7	-2.9	-7.0	-8.1	-6.6	-5.7	-4.4	-4.2
Real GDP Growth, %	6.8	4.8	2.8	3.0	4.0	4.5	4.8	5.0
Govt balance, % GDP	-0.3	-6.4	-4.3	-5.5	-4.4	-3.2	-2.2	-1.9
Oil Price, USD/b	108.6	99.2	52.5	49.3	68.8	75.0	80.0	90.0

Source: Haver Analytics/Dun & Bradstreet Selected Economic Indicators

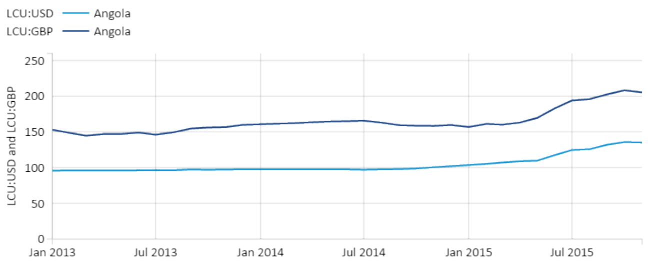
Trade and Commercial Environment

The environment of low oil prices is undermining export earnings and fiscal revenues. The kwanza is under pressure and the official exchange rate is being managed lower against the US dollar, while CPI inflation is edging higher, interest rates are rising and credit conditions are tightening. Angola's real GDP growth is expected to remain subdued in 2016 and pick up slightly in 2017, while the government takes on more external borrowing to fund its current and development expenditure plans. Foreign firms will continue to face a high risk of project and order cancellation, restricted access to FX and a rising risk of payment delay or default. Firms across a wide range of sectors including construction, retail and logistics face poor trading conditions. We recommend a minimum of CLC terms and firms should err on the side of caution.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: CLC
Recommended Terms: CLC
Usual Terms: 30-45 days
Local Delays: 0-2 months
FX/Bank Delays: 1-2 months

Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet LCU = Local Currency Unit

Risks and Opportunities

Short-Term Economic Outlook

Parliament approves 2016 budget

The government's spending plans for its 2016 budget were approved by parliament in December 2015 based on an average oil price of USD45 per barrel and an average oil production level of 1.8m barrels per day. The government anticipates real GDP growth of 3.3% in 2016 and has projected a budget deficit of 5.5% of GDP, despite cutting back sharply on public expenditure on current and capital projects. The government has highlighted various downside risks to its economic outlook, which include the persistence of low oil prices, the ongoing slide of the kwanza and the rising cost of servicing its external debt obligations. Currently, we forecast real GDP growth of just 3.0% in 2016 and 4.0% in 2017, and these forecasts remain at risk of downwards revisions given the pressures on the oil sector. The financial constraint created by low oil prices and a weakening currency is creating problems for foreign firms in terms of project delays, cancelled orders and late or non-payment of invoices.

Market Potential

Import demand slows sharply

Import demand slowed considerably in 2015 as a result of the financial stress caused by low oil prices and the depreciating local currency, which together have undermined public and private spending plans. The government, consumers and local businesses are spending less and are faced by increased difficulties in paying foreign suppliers. The construction boom of recent years has been dampened, leading to a reduction in demand for cement and other building materials. Also, some international oil companies have reduced budgets on their Angola ventures, which is having a knock on effect on related goods and service imports. The national shipping body, the Conselho Nacional de Carregadores (CNC), has reported that goods imports were down by as much as 33% y/y year in volume terms in Q3 2015, and drew attention to a sharp slowdown of activity in the Port of Luanda. Demand for goods imports is likely to remain subdued in 2016 as the government, businesses and consumers continue to struggle with impact of low oil prices.

FX Risk

External debt burden rises

Angola is facing a growing external debt burden, caused by greater levels of foreign debt taken on by the government, higher lending costs demanded by creditors and the continued depreciation of the kwanza, raising the value of FX-denominated debt. The government launched its first (ten-year) Eurobond in October 2015 and raised USD1.5bn with a coupon of 9.5%. The finance minister indicated that the funds would be used to finance long-term economic development projects, but is seems likely that some of the funds will be used to boost shrinking FX reserves, which stood at a five-year low of USD24bn in October, and for balance of payments support. China agreed to increase its credit to Angola from around USD14bn to USD20bn following an Angolan state visit to Beijing in June 2015. Also, the two countries are negotiating agreements on currency conversion and reciprocal protection of investments to strengthen trade and investment ties over the next few years.