Angola - Becoming a key hub for the African continent

In recent decades, Angola, Africa's second-biggest oil producer, has been one of the fastest-growing economies on the continent. However, behind the impressive numbers the country has had strong indicators of growth and progress towards addressing many of the challenges and problems that it has faced. Since becoming Angola's president in 2017, João Lourenço has launched an anti-corruption drive that has made significant strides in cleaning up the country. In an interview with the Financial Times last October, Lourenço pointed out the importance of reform efforts currently underway in Angola. “Our reform must have two main objectives, which are to strengthen the democratic rule of law and implement a true market economy,” he said, adding that a rolling programme of privatisations can function as an economic engine. In January, Fitch Ratings upgraded its economic forecast for the country, based on significant improvement in Angola’s fiscal and external metrics “underpinned by a return to positive economic growth, sound fiscal management and higher oil prices.” The ratings agency upgraded GDP growth of 0.1% in 2021, after five years of economic contraction, to positive economic growth, sound fiscal management and higher oil prices. The ratings agency also predicted that Angola will reach a GDP growth rate of 5.9% in 2022, driven primarily by the non-oil sector.

Cabschip

Angola’s logistics partner of choice for companies and investors

Angola, Africa’s third-biggest oil producer, is looking towards a period of sustained growth, with the economy expected to expand by 2.4% in 2022, aided by higher oil prices and a gradual recovery in investment in the country. In the first quarter of 2021, the country was going into the petrochemical sector, according to the Angolan government.

One company hoping to ride future economic expansion is Cabschip, which owns and operates the country’s first ever commercial shipping company. The company owns and manages logistics and supply chain management company, Cabschip, and the logistics partner of choice for many companies and investors in the country. With more than 12 years of experience delivering unique logistics solutions in project cargo and petrochemicals, Cabschip is expanding its services.

Cabschip’s Founder and CEO, Filipe, says “once you want to start a business in Angola, you must have clients that are familiar with the country. The Angolan market is not yet ready for foreign companies to enter. We are working towards the goal of making Angola a destination for foreign companies.”

Cabschip provides service-driven solutions to industries including oil and gas, mining, energy, and construction. “We are also a branch or a subsidiary of a big multinational company, but a local company owned and managed by Angolans,” Filipe says. “The advantages that we offer is that we understand the local legislation framework and we are the local leaders of warehouse and material management for the oil & gas sector in Angola.”

At the same time, Cabschip has embarked on new technologies, utilizing track and trace technologies to ensure that the company’s clients are able to track their cargo live, while also looking for tech and IT partners to further its digitalization process. “We also have a warehouse management system commissioned specifically for us that helps manage plans and inventory and warehousing space for the local companies.”

While the pandemic has led to challenges, in general the business environment has been open to investment opportunities in Angola. If you’re willing to open doors and attract foreign investment, you’ll see that we’re trying to open doors and attract foreign investors who now no longer require a licence from the central bank to bring foreign currency into the country or to repatriate any capital or profits related to their investments.

The National Bank of Angola (NBA), which is its central bank, is at the heart of Angola’s economic transformation, underpinning its macroeconomic policy and building an environment in which commercial banks can power long-term growth. In October 2021, Angola’s parliament announced the country’s Constitution, so as to make the NBA independent from the political power, a crucial move in strengthening the framework for the management of inflation giving the central bank the autonomy to define and implement the most adequate monetary policy measures towards preserving the buying power of domestic currency at a time of high inflation in the country, in line with the international community’s expectations.

Continued political progress is key to Angola’s future success, especially when it comes to improving the country’s international reputation. “We are working to attract greater investment in oil production, but especially in the production of non-associated gas,” Lourenço told the Financial Times last year. Meanwhile, privatisation remains a central policy plank. “We want to make all those assets that are under the state more efficient, and transfer them to the private sector so that they produce more and better goods and services,” he said.

John Lourenco, President of Angola:

It’s a good moment to speak about Angola as it is undergoing huge reforms in different sectors, on a political, economic and social side,” says Antonio Henrique Dias Da Silva, CEO of APIMEX. “We are now part of the African Continental Free Trade Area, and it is a huge opportunity for us to play a role as a hub in the region,” he adds. “By playing this role we are going to be able to deliver a new direction that could accelerate our own aspirations to become a strong country with significant influence and to prove to much of the world that it is a modern, forward-looking economy.”

The country’s openness to investment was also highlighted by the World Bank, which in its recent report on Angola, described it as having “a high dynamism and a strong desire to attract foreign investment,” adding that Angola was already “attracting a significant amount of foreign investment.”

It is also important to note the work that has been done in the financial sector, with measures such as the introduction of a new exchange rate, fiscal consolidation, and privatisation. The country is undergoing a “transition to a more sustainable and inclusive growth model.” The international financial institution has given its support to this remarkable transition, announcing a $700m funding package in March 2021 and another $250m the following month.
I n September 2021, ratings agency Fitch said that this macroeconomic climate would lead to Angolan banks seeing an improvement in asset quality and capitalisation through the year. Non-performing loans in the sector were slashed by nearly half between April 2020 and April 2021, and further reductions are as the authorities reduce the capital buffer requirement, with bank assets rising by 185% between 2012 and 2020, according to business data platform Statista. With 50% of adults still not having their own bank account, the scope for growth is huge.

As the country’s largest private bank, Banco BIC is at the forefront of this growth, helping to shape the continent’s bank of choice for foreign businesses and investors in Angola, one of the world’s most promising economies.

“Our goal is to provide clients with a good banking service, with the ultimate goal of making the economy grow; we’re a lender for economic growth,” says Hugo Teles, Banco BIC’s CEO.

In 2021, we’ve seen the economy turn around, and companies start to make the best use of the support measures in place. This is partly thanks to Covid-19 has led to many changing their way of doing business, and we are here to help them. We expect 2021 to see double 2000’s figures for our bank,” says Teles. Banco BIC was established in 2005 but is already a reference bank in Angola, setting benchmarks of quality service, technology, and internationalisation for the sector. It also has one of the lowest NPL ratios in the country, testament to its excellent risk-management. 

With more than 220 branches nationwide, it has the benefit of proximity to consumers, giving it a unique understanding of the market that makes it the ideal partner as a gateway to Angola for international counterparts.

“We are in every province, we’re the bank that knows more about this country,” says Teles. “Branch networks are important in Angola as they give us proximity. We are in close relationship with clients, but commercially aggressive.”

Banco BIC is particularly well-placed for the increasing range of investors looking to participate in Angola’s economic diversification drive, which seeks to broaden the country’s economic base and reduce reliance on hydrocarbons. The bank is one of the leading institutions backing projects under the government’s Programme to Support Production, Export Diversification and Import Substitution (PRODESI). It has financial approval for 47 projects under PRODESI, which has the fundamental objective of increasing domestic production in priority sectors including agriculture and manufacturing.

The Programme supports projects to accelerate economic diversification and strengthen Angola’s competitive advantages, reduce use of foreign exchange resources on imports, and increase and diversify sources of foreign direct investment and exchange.

Teles sees potential in a wide range of productive sectors including agriculture and manufacturing. He notes that Angola spends 60-65% of its foreign exchange earnings on food imports, despite having huge agricultural potential.

The country’s superb beaches, natural diversity, and welcoming culture also point towards bountiful opportunities in the tourism industry.

“We believe in the diversification of this country - it has many more resources than minerals,” says Teles. “I would like to see the bank as a major lender to everyone producing something in Angola - industry, mining, fishing, farming - we’d like to be close to everyone that produces. And I’d like to see the bank growing as one of the banks that helped Angola stop importing food and start producing it.”

Welcoming international investors will be central to not only bringing capital, but enhancing knowledge transfer that can drive the development of value-added sectors in Angola. Teles notes that the government’s reform programme has hugely strengthened Angola’s ability to attract these sorts of investments. Key changes include more liberal rules for repatriation of capital, stronger protection of investment in real estate and land, and enhanced ability to use property as collateral.

Investors from as far afield as the Americas and China are showing increasing interest in this hugely promising economy, one of the ten biggest in Africa.

“We need time and investment to enhance Angola’s international image, but it’s an issue of communication,” says Teles. “Angola is a great country to invest - it’s a hidden gem.”

The government’s reform programme is enhancing Angola’s position in the eyes of investors. Despite the pandemic, foreign direct investment (FDI) grew by $2.58bn in 2020, according to the US State Department’s 2021 investment climate statement on Angola. The statement noted that the government is committed to “ensuring investors of a clean and transparent environment for investment” and noted opportunities created by a new law facilitating public-private partnerships.

The Agency for Private Investment and Promotion of Exports of Angola (APIEX) is at the forefront and centre of the country’s efforts to work with a growing range of international investors and trading partners.

“With the President’s vision of repositioning Angola, it was key to establish an entity to play a more active role in bringing investment into the country,” says Antonio Henriquez Da Silva, AIPEX’s Executive Chairman.

“The aim is to accelerate the positive effects of the diversification in the real economy.”

Through its newly-established investment gateway, APIEX has enhanced its relations and interactions with both the public and private sector. Whether dealing with existing or new investors, the agency can play an active role in overcoming obstacles and challenges using a pragmatic and consistent framework.

APIEX’s establishment has gone hand-in-hand with a warrant African champion, the future is bright indeed. “This is a good moment to speak about Angola,” says Da Silva. “It is undergoing huge reforms in different sectors; on the economic, social and political fronts. APIEX is enhancing Angola’s position in the eyes of investors. Despite the pandemic, foreign direct investment (FDI) grew by $2.58bn in 2020, according to the US State Department’s 2021 investment climate statement on Angola. The statement noted that the government is committed to “ensuring investors of a clean and transparent environment for investment” and noted opportunities created by a new law facilitating public-private partnerships.

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