Contents

Angola was recommended for graduation meeting income-only criteria in 2015. The GNI per capita is now almost three times higher than the threshold in 2021, but the progress in improving HAI (still 20% below the threshold) and EVI (40% above the threshold) has been slow. Angola lags the LDC average in the overall productive capacity index

Inflation is expected to accelerate in 2020, especially as the kwanza depreciates sharply, reaching a 21 per cent rate. The Banco Nacional de Angola (the central bank) may well keep interest rates unchanged in 2020 (at 15.5 per cent) to avoid any additional negative impact on the economy activity. Inflation is expected to abate in 2021-24, creating space for interest rate cuts.

Table 1.

As global oil prices and overall external demand trended lower in 2020, due to the Covid-19 pandemic, Angolan exports are expected to plummet further, by about 40 per cent. As a result, the current is expected to register a deficit of 1.3 per cent of GDP in 2020, after a surplus of 5.7 per cent in 2019. In a post-Covid-19 global environment, the external sector will recover and the current account is expected to improve slightly, registering small surpluses between 0 and 1 per cent of GDP, in the next few years.

an increasing share of agriculture in GDP, increasing agricultural instability, a rising number of victims of disasters, and an increase in the population living in drylands have been behind the worsening EVI score. To reduce the vulnerability of Angola and enhance the resilience, the Government is taking steps towards the transformation of a state-led oil economy to a private-sector-led growth model, but such transfer would be a long-term process and the oil sector will continue to play an important role during the transition period. In the short term, owing to the limited fiscal resources, in August 2020 the government announced a scaling back of its National Development Plan 2018-22 (PDN). Even though the diversification of the economy remains a major priority under the revised PDN, investment into the non-oil economy is expected to remain weak in 2021.

Despite being on the verge of graduation, the scores of Angola in the PCI overall and on the different dimensions of the PCI reaffirm the patterns of growth based on natural resources – especially when it relies virtually on just one product – and the slanted development patterns that result. These features are also reflected in the process of graduation based on income-only. The main consequences are two-fold. First, Angola lags other developing countries (ODCs) by far in terms of overall productive capacity development, with a score in the total PCI which corresponds to just half of that of ODCs (see table 3). A similar pattern is true for the PCI sub-indices, with the only exception of natural capital.

Table 3. Productive Capacity Index, Selected Countries, 2018 value

Country	PCI	Energy	Human capital	ICT	Institutions	Natural capital	Private sector	Structural change	Transport
Angola	14.5	34.1	23.8	5.0	30.2	48.1	57.6	21.5	0.3
Bhutan	28.5	49.7	37.9	13.8	62.4	43.7	72.0	35.3	2.4

Figure 2: Productive Capacity Index 2018, Angola