

# Angola's investment in non-oil sectors starts to pay off

By Miguel Damião Gago 21 Aug 2017

With forecasts of rising commodity prices, investors must now bear in mind that we are moving towards a sellers' rather than buyers' market. A shift that signals good news for many of Africa's national economies, including Angola.

Looking ahead to the remainder of 2017, energy and non-energy commodity prices are likely to continue to rise. The World Bank, in its April 2017 *Commodity Markets Outlook* predicted that Opec output controls will steady the price per barrel at around \$55, with a marginal improvement to \$60 in 2018 (although US shale oil output growth poses a downside risk). Natural gas and coal prices however, are forecast to rise dramatically, with projections of 26% for 2017 and close to 10% next year.

## Growth in non-energy commodities

For Africa's major oil exporting nations, the worst-case scenario is oil price stability – and for those that export some of the fastest growing non-energy commodities, the outlook is encouraging. Agriculture, fertilisers, metals and minerals are forecast to rise for the first time in five years in 2017, with metal prices set to increase by more than 16% by year end.

This shift comes after several years of low prices, and will pay off for countries such as Angola, which has invested in non-oil industries that offer long-term sustainable growth.

### Catalysts for future growth

Over the recent period of economic turbulence, we have seen stakeholders come together, including the government, private equity funds and the country's sovereign wealth fund, the Fundo Soberano de Angola (FSDEA). Right across the region, the focus has been on developing non-oil infrastructure with a twofold objective of diversifying the economy and creating jobs for the local population.

The fund has invested in various business critical industries such as agriculture, timber & forestry and infrastructure that will act a as a catalyst for future growth in Angola and the wider continent.

#### Public private partnerships

In fact, several countries have embraced new funding models, notably by entering into public private partnerships (PPPs). Nigeria presents a promising pipeline of PPP projects, at state and federal levels all overseen by the PPP governing body, the Infrastructure Concession Regulatory Commission (ICRC). Nigeria currently has 37 active PPP projects worth around \$10.5bn.

Similarly, Angola's first PPP project, the deep-water port, the Porto do Caio in the Cabinda Province, is a game-changing piece of national infrastructure. It will transform the entire continent's trade and logistics routes, and is indicative of the nation's confidence in embracing private equity.

These large-scale projects are a critical component in Angola's drive towards economic diversification and, for Cabinda, a major cash injection that supports immediate and long-term job creation. At the same time, the Angolan government has adjusted the minimum capital requirements for FDI as an added incentive to foreign investors.

#### **Agriculture and forestry**

Foreign money is also continuing to flow towards fast-growing industries such as agriculture. Grain traders in East and Southern Africa are set to benefit from trade deals with \$100m, which were signed in Zambia in 2017. The deals will see the export of 383,640 tonnes of commodities and strengthen intra-African trade flow across the southern and eastern part of the continent: Zambia, Malawi, South Africa, Zimbabwe, Kenya, Uganda, Rwanda and Burundi.

In the west, the Angolan government is supporting sustainable wood fibre industries through its granting of a concession for 80,000 hectares of plantations and additional land bank areas to a private equity fund. The project exploits existing but underutilised plantations, in addition to developing new forests to support the nation's wood exporting and local processing capabilities. Multiplier industries will thrive as the project matures, jobs will be created and it will also serve to reduce Angola's reliance on imported wood products.

#### Healthcare and tourism

The healthcare and hospitality industries also provide opportunities because they form part of the region's business-critical infrastructure. These sectors fortuitously offer opportunities at a time of continued financial sector reform, indeed there is huge scope for growth in almost every sector.

### Foreign direct investment

Angola's new law for foreign investment ensures that the local business environment is more transparent for external investors. Strict enforcement of anti-money laundering laws, which came into place in 2016, have helped to build a greater level of confidence in the country and in October 2015 we saw Angola launch \$1.5bn worth of sovereign debt bonds in a bid to broaden the range of external finance. Many African countries are currently undergoing structural reform, including

in Nigeria where the Presidential Enabling Business Environment Council (Pebec) is working to make the country more attractive to local and foreign investors.

Looking ahead, the remainder of the year and beyond offers increasing opportunities, buoyed by commodity price rises and a continued push towards attracting foreign investors, right across the region. There is clear political will and clear momentum, particularly in fast-growing industries and in important areas of public investment. Given this progress, investors should be confident that despite the challenges right across the African continent, the region is one of the world's most promising markets for the foreseeable future.

#### ABOUT THE AUTHOR

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