

Angola: West Africa's Rising Star | Alroya

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Substantial economic growth in Africa is not just the dream of emerging market enthusiasts; it's an inevitable force as global demand continues to increase.

With varied political landscapes, diverse inhabitants, multiple exchanges, and 53 autonomous countries, it becomes difficult to decipher which countries in Africa are poised to be the most influential to the continent's economic development.

According to the African Economic Outlook 2010 report created by the African Development Bank, the United Nations Economic Commission for Africa and the Organization for Economic Co-operation and Development, Africa will grow 4.5 per cent in 2010 and 5.2% in 2011.

Aside from South Africa, there are a multitude of countries that look to become significant contributors to the economic growth of the continent. Over the past few years, Angola, located in the western portion of Sub-Saharan Africa, is gradually becoming the continent's rising star.

The previously mentioned African Economic Outlook 2010 report also forecasts that the Angolan economy will have indicated growth of around 7 percent. The IMF maintained this estimated prediction in a new publication "Regional Outlook" for Africa, available at the end of May.

Angola's economy is heavily dependent upon oil demand as this particular commodity makes up over 90% of the country's exports. Angola is currently Africa's second largest oil producer with an output of about 1.92 million barrels of oil per day in the first quarter, according to the International Energy Agency. Further, it is theorized that by 2011 Angola could possibly overtake Nigeria, which is currently generating an estimated output of 2.3 million barrels of oil per day.

Who is most of this oil going to? China. The economic bond between Angola and China has grown much stronger within the past years. This strengthening connection is largely due to China's increase in overseas oil production. According to a recent article in Bloomberg, as Chinese state-owned companies purchased and swapped loans for supply, overseas oil output increased to roughly 1.5 million barrels a day from 1.1 million barrels a day.

"Chinese oil companies are now operating in the upstream sector of 31 countries and have equity production in 20," the IEA said. "Their equity shares are overwhelmingly concentrated in only four: Kazakhstan, Sudan, Venezuela and Angola. Last year, the country imported 47 percent of its oil from the Middle East with Saudi Arabia, Angola and Iran the largest suppliers"

Aside from oil, Angola's diamond industry is another staple of the country's economy. Companies like De Beers, the world's largest diamond producer, and Alrosa have invested millions of dollars to transform Angola into one of the world's biggest diamond exporters. According to an article from Reuters, Angola is now the world's fifth largest diamond producer. Northeastern Angola, mostly in the provinces of Lunda Norte and Lunda Sul, is known for its bountiful diamond reserves and is an abundant source of the finest quality stones. Roughly 70% of the diamonds discovered in this region are of great quality.

In the wake of this relatively newfound influx of foreign investment, the Angolan government has slowly begun to implement laws to bring revenue to the community. The most recent of which is a law that will require diamond companies to use 50 percent of their revenues to pay for operational costs and the remaining 50 percent to pay taxes, investors and help the local community.

"The goal is to make the mining sector more attractive for investors and also contribute to the development of local communities," says Sebastiao Panzo, an official for Endiama, a state-run diamond company.

Angola's promising future is a far cry from its troubling past. From 1975 until 2002 Angola endured a civil war between its Government, with support from the Cuban military, and Angolan rebels. This conflict has left at least 500,000 Angolans dead and over 4 million displaced. Poor infrastructure and corrupt governments have been liabilities previously, and Angola must stay clear of these problems if she wishes to prosper and improve.

Since the civil war there have been significant strides towards improving the quality of life for Angolan citizens. The Angolan Government has been able to gain capital due to taxes on oil and diamond extraction profits. This has allowed them to increase the governmental budget and improve the Angolan infrastructure and educational system. This economic optimism should ultimately improve the conditions of Angola and the returns of its investors.

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