This article argues that Angola’s “golden age” of tremendous post-war growth (2002-2008) has come to an end. Growth will at best be at a much lower level. Given the rapid population growth, annual gains in GDP per capita will be low. It also hypothesizes that with the current pattern of unequal national income redistribution, these gains will be absorbed by the richest.

**THE MINI GOLDEN AGE OF ANGOLAN GROWTH**

Between 2002 and 2008 Angola experienced some of its highest real GDP growth in history. The internal climate during this period facilitated economic growth and the external environment was the best since independence:

- The country’s military conflict came to a resolution after 27 years (probably the longest war in Africa).
- The first positive results were seen from a macroeconomic stabilization programme, designed by the government economic team after 1999 (the rate of inflation, at the beginning of the new recovering policy of the macroeconomic fundamentals, was 105.6% and in 2008 settled at 13.2%). These successes were stimulated and aided by excellent tax revenues (4.5 billion dollars in 2002 and 42.4 billion dollars in 2008).
- The world economy saw rapid growth, not only in most developed economies, but also in emerging economies like China, India, Brazil, South Korea, and Russia.
- The oil price generally rose throughout the period, reaching, in 2008, the value of 93.7 dollars per barrel. The average price between 2002 and 2008 was $52.6 per barrel.

Although the government’s actions were consistent with these new political and social-economic conditions, it could also be said that growth happened naturally. Military instability was always the worst scenario for economic growth, because it increased the uncertainty and risk of public and private investments, constrained the free circulation of production factors and goods, decreased performance among companies and state institutions and negatively influenced productivity.

On the other hand, in an economy so dependent on the international oil market, strong performance in the reference period helped leverage public investments projects and stimulate private investments.
Without growth nothing more can happen: no new jobs, no further income distribution, no improvement in living conditions.

Putting momentarily aside considerations about the effective and real absorption capacity of the national economy, the question is whether all the financial potential afforded by the oil revenue was actually used for the benefit of the economic and social system.\(^1\) In this period, Angola has been identified as one of the economies with the highest growth in the world, becoming one of the most sought-after countries for private investment.

**Figure 1.** Mini golden age

![Graph showing economic growth between 2002 and 2008](image)

*Source: CEIC Balance of Government Programs and the Economic Reports*

Between 2002 and 2008 the average annual rate of growth of GDP was 14.9%. Excluding 2003, the average annual rate reached 17.2%. The rate of 5.3% recorded in 2003 was due, on the one hand, to the heavy weight of the oil sector in the economy (50.5%) and, secondly, to the break in the production growth rhythm of oil compared to the preceding year (from 20.8% to -2%).\(^2\)

The extraordinary environment of the new economy in Angola provided a considerable increase in tax incomes, via oil taxes, with an increase of more than 53%. Non-oil tax incomes were, at the same time, not beyond 8-9% of GDP. On the other hand, the average percentage of government revenue related to the general level of economic activity was almost 43%, increasing year on year.

Growth has persistently been one of the most compelling research topics in economics. This fascination comes from several social expectations projected in the concept. Without growth nothing more can happen: no new jobs, no further income distribution, no improvement in living conditions.

Whichever perspective one takes, growth refers primarily to the evolution of production.\(^3\) Until the industrial revolution, growth mainly referred to agricultural production, and was an indicator of survivability linked to a natural cycle of good and bad harvests.

Per capita growth is still used to compare countries in terms of living standards, where demographics play a role in weighting the evolution of production. However, other indicators are much better for understanding that stage of development in which a country finds itself. One of them is “development” – a much wider focus than growth, which includes not only aspects related to income and wealth distribution, but also cultural differences and value patterns.

How should we view the sustainability of economic growth in Angola? There are reservations raised about the universal validity of the Kuznets curve – the thesis that during growth inequality will first rise, then fall. There are no studies on this subject, but it is certain that the lack of transparency and widespread corruption have limited further extension of the spillover effects of economic growth.

The following analysis of the national economy, from the sustainability standpoint of its growth, is supported by the statistical report of the International Monetary Fund entitled “Angola - 2012 Article IV Consultation and Post Program Monitoring” August 2012. The evaluation period is 18 years, between 2000 and 2017.

**THE TRENDS IN GDP EVOLUTION BETWEEN 2000 AND 2017**

What has been the route of Angola’s long-term economic growth? Between 2000 and 2011 the average annual GDP growth was almost 10%. Adding the period between 2012 to 2017 one can see that the line of long-term trend settles at around 8.5%. The loss of a growth dynamic in the national economy is thus evident. The following chart is instructive.

**Figure 2.** The trends of the Angolan economy

![Graph showing GDP growth trends](image)

sub-periods to better assess the average pace breakdown of the GDP growth.

**Figure 3.** The phases of sustainability

![Graph showing the phases of sustainability](image)


The influence of the international financial and economic crises 2008/2009 on the capability of long-term growth is evident in the sub-period 2009/2011. However, in 2008 there had been a fall of 38.8% in the growth rate compared to 2007. The line segment 2009/2011 situated between 0 and 5% rates, represents the temporal sequence with the lowest record since independence. The straight line portion of 2012/2017 shows a decline in the national economy growth capacity, being the repetitive gradient more inferior to the one verified in the mini-golden age. These are signs that have to be taken into consideration to understand the limits of growth sustainability.

Unfolding the economy by looking at the two sectors discussed above, we can verify two different behaviours:

- The oil-based GDP growth shows itself to be prone to international market variations, in terms of price and quantities. The behavior of this growth is relatively chaotic, without a clearly defined variation trend, asserting the external dependence of this activity and accidental character of the generated revenues.

- A decline in the growth capacity of the non-oil sector. This may show the effects of construction and public works projects running out after 2007.

The world financial crisis of 2008/2009 accentuated the regressing trend of the non-oil GDP. New growth capacities must therefore be found in agriculture and manufacturing industries.

The domestic market does not, for the time being, have sufficient size to leverage diversification. So it is in the non-oil tradable exports that the basis for the reduction of this sectoral dependence must be found. For this to occur institutional de-bureaucratization, good governance, and transparency measures are essential. In a word, long-term competitiveness must be found in lowering production and context costs, in improving product quality for export, and in nurturing companies with real and effective export capacity, meaning the competence to retain external customers.

**Figure 5.** Annual rate of growth of non-oil GDP

![Graph showing annual rate of growth of non-oil GDP](image)


It is mainly after 2011 that trends come into view of a lower growth capacity in the national economy. The uncertainty as to the possibility of a new international crisis, the situation of financial discomfort in Europe’s single currency, the probability of the retraction of foreign private investments, the reduction in oil production, and the limited prevalence of efficient and competitive economic activity, help explain the stabilization of the GDP growth rate at nearly 5%, with oil GDP below 3% and the non-oil economy around 6%.

**THE TREND PERFORMANCE OF GDP PER CAPITA**

From the standpoint of the populations’ living conditions, the indicator used in my own observations is GDP per capita in the absence of the Gini coefficient (in a temporal perspective) and other indicators related to social disparities. It is evident that the evolution of this indicator does not point, necessarily, to an improvement in national income sharing nor to improvements in the overall living conditions of the population. Beyond intentional state policies directed towards the ex-ante and ex-post mechanisms
Notes

1. A related salient question is through what process have the political elites accumulated the extraordinary fortunes they have and what kind of sources were used?

2. Which resulted in a -1.7 percentage point contribution to the overall rate of GDP variation.


4. Although there are no estimates or studies on the actual size of the flow effect ("spillover effect"), it can be assumed to have a relatively low profile, precisely because of the nature of the national distribution and redistribution of national income.

The value of per capita GDP has risen over time (2000-2008), rising from 635 dollars to 4671 dollars. If this income were equally distributed (Gini coefficient equal to zero), it would give each Angolan a daily income of 12.8 dollars, which would be incompatible with a basic and decent quality of life.

Figure 6. Annual and trend performance of GDP per capita

Source: IMF, op.cit.

However, the annual increases recorded in the GDP per capita variation trend line, point to negative annual marginal gains after 2009. This is explained, between 2008 and 2009, by impacts from the international crisis and, between 2011 and 2017, by the reduced capacity of economic growth, to a constant variation of the demographic factor.

Even if a better distribution of national income could be achieved, existing inequalities are so deep that several decades would be required to help mitigate them. By 2017 it will not be possible to reduce the dependence structure of the average income per capita on oil revenue, given the weakness of the non-oil sector, as shown above. The prospects for per capita GDP growth between 2011 and 2017 are weak and, consequently, lessen the economy’s capacity to distribute.

The chart above shows that just after 2011 and until 2017 - a period during which annual low prices changes are expected in the price of oil per barrel and in its production - the annual increment of per capita average income could be around only $ 200 a year.

But the issue is not merely the dwindling income to distribute. The current system of national income redistribution is structured around a minority of citizens and procedures are structured not around clear rules, but are based on a network of knowledge and influence which is difficult to penetrate. There are no guarantees, therefore, that the largest share of annual increment of $ 200 will not captured by the richest.

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