



# Now is the time to invest in Angola

Investors should quickly refresh their analysis of the Angolan market to anticipate their time of entry into the market and optimize their returns. In this article, find 10 reasons to invest and 3 risks to monitor.

I have been involved in consulting to the Angolan market uninterrupted since 2005, and occasionally much before that date. Never, as at the present time, have I been so convinced that Angola is ripe and increasingly attractive for serious investors. In all

economic sectors, but mostly in agriculture and industrialization, energy and telecommunications.

I have just returned from my regular visits to Angola, where I monitored our several current projects, engaged with existing and prospective clients and with our local office team and analyzed the market prospects. In this article I will share with you 10 reasons why I believe that investors should quickly refresh their analysis of the Angolan market to anticipate their time of entry into the market and optimize their returns. I will also refer 3 risks that should be monitored.

## **10 reasons to invest in Angola**

As in most cases, there is not one single reason, but a combination of reasons, which I present sequentially below.

### **1. Tip of the learning curve**

It is widely recognized that Angola has the potential to be one of the largest and most vibrant economies of Africa. And it will. So why has it not yet achieved this potential?

Mostly because development takes time and because of the necessary learning curve. Its independence, in 1975, is one of the most recent in Africa, followed by a prolonged and widespread civil war which lasted until 2003. From 2004 to 2014, in just ten years, Angola achieved one of the most impressive economic and social modernization processes, building from a base characterized by almost no physical, economic, legal, and institutional infrastructures, absence of a relevant private sector and a weak civil society. However, during this period, the inexperience and the enthusiasm of the Government and society in general, led to several mistakes. The sharp drop in oil prices during 2014, led to the end of this vibrant era and a prolonged economic crisis. The COVID-19 pandemic postponed the economic recovery.

Now, at the start of 2024, the Government, key institutions, and Angolan society have favorable conditions and a wealth of learning from which they can build a more

sustained and vibrant economic development. The foundations have been built. The new cycle of growth will bring quicker and bigger results for all stakeholders.

## 2. **Political stability and credible development plans**

The Government was elected recently and has four stable years ahead to show its worth. Angola has been a beacon of stability since the end of the civil war in 2003. The conditions are there – ethnic harmony, stable democracy, peaceful society with low levels of crime, strong coercive power of the State, favorable regional geographical location, and others – for this stability to continue.

The Government has just approved a series of very well-structured economic development plans, for long term (2050), for medium term (next five years) and for key economic sectors, developed with the participation of credible international institutions, such as the World Bank, and international consulting firms (we are proud to be one of them, with more than 300 projects done in Angola and 12 current projects on economic development).

## 3. **Increasing expectations and demand from civil society**

Civil society is more outspoken and prevalent in the official media and social media. The youth are most impatient for results. The private sector is more mature, more organized and demanding bolder economic policies. Contrary to the past, the government is very aware that it has to run fast to deliver results before the next elections and to keep the level of social stability.

So, we can expect a greater focus on economic policies that deliver results, a more responsive attitude, and better decisions.



#### **4. Private-led economic development and wide gaps (opportunities) to be filled**

The main characteristic of the new economic policy is its unconditional focus on private-led economic development and openness to investors, local and international. This is the new mantra, which is not totally new, but is now fully assumed with unwavering conviction.

The privatization of large inefficient incumbent companies and infra-structure and productive assets has been running with credibility. Successful engagement of the private sector is not just a promise, it is happening fast with international investors, with local entrepreneurs, with local rural cooperatives and innovative start-ups. I witnessed a confident and dynamic attitude by young entrepreneurs in an event for start-ups organized by INAPEM – an entity tasked to promote small and medium enterprises (SME) development; the content and the energy were not only with INAPEM, but mostly with the very motivated, confident, and proactive audience.

Business opportunities abound, and many are already identified in agriculture, industrialization, energy, telecommunications and technology, water and environment, health, education, consumer goods, mining, and in urban, real estate and economic infrastructure development.

#### **5. New legislation favorable to investment and greater contractual security**

The government has been enacting new legislation very amicable to private and foreign investors. This legislation is broad-range and includes investment incentives, contractual guarantees, repatriation of capital invested and dividends, visas for key staff, among others key themes.

In addition, great strides have been made in improving the business environment, with the reduction of State and administrative bureaucracies, digitalization of public services and new laws regarding property, investment, data, consumer, and environmental protection.

## 6. **Macroeconomic conditions**

Angola is in the middle of an International Monetary Fund (IMF)-led macroeconomic restructuring, which adds much credibility to the macroeconomic environment. During 2023, the national currency, the kwanza, has been strongly devalued to its real value, which reduces the likelihood of future hard and sudden exchange rate movements. If all goes well, the mid-term tendency might even be a stronger Kwanza.

Inflation is a challenge, given the geopolitical instability and the continuous reduction of internal national subsidies to fuel, which, on the other hand, will reduce the fiscal pressure. However, inflationary pressure has been manageable and will decrease as soon as this geopolitical instability eases up. Nevertheless, Angola has a strong economic hedge against geopolitical instability because it contributes to increase its revenue from oil exports, its main source of exchange reserves and budget capacity.

## 7. **Endogenous potential, wide market and geopolitical context**

Angola has the endogenous conditions to be one of the agricultural baskets of Africa, feeding its population and exporting to the world. It is not “if” but “when”. It is just a matter of time. Strong strides have been made in the last years creating the conditions for higher and better agricultural production and stronger agroindustry. The next ten years will witness large increases in production. This is indeed the best area to invest.



Angola also offers a large market of a fast-growing population, middle class and young consumers. In addition, it offers free access to the Southern African Development Community (SADC) market of 350 million consumers, mostly to Democratic Republic of the Congo and South Africa. The African Union's policy for the creation of a strong internal African market is another market opportunity.

## **8. Increasing international integration**

Angola has moved fast from a country regarded with some caution, given its political position in the cold war, to a country that is now not only fully integrated in the international economy, but a country placed high in the bilateral priorities of most leading economies as well as in the top priorities of multilateral institutions. Larger and larger amounts of investment in Angola have been approved and made available by several countries and by multilaterals.

Angola is also slowly but steadily integrating with GVC – Global Value Chains. In addition, Angola is seen as a reliable force for stability and peace in Africa. Angola has been home of several international conventions. During my recent stay in Angola, it hosted the General Assembly of the Interparliamentary Union, with 1.400 delegates from more than 140 parliaments. Angola has also rapidly adopted new economic development approaches based on a carbon-free economy. It is attentive and creating the conditions for adoption of the digital technologies of the 4<sup>th</sup> industrial revolution. The Angolan satellite, already operational, the existing underwater cable telecommunication connections with Europe, Brazil and the USA and the national digitalization program are strong foundations.

## **9. The Angolan mindset**

Different people have different cultures. Now that there is an unwavering bet on private-led growth, the Angolan economy will benefit from a very strong cultural foundation, which is, the pragmatic, creative, resilient business mindset of the Angolans.

In addition, the Angolan people are cosmopolitan and open to the world. This is very important, as we have seen in Silicon Valley culture relative to other parts of the USA.



#### 10. **Strong and sustainable bottom-up movement with a distributive concern**

Lastly, contrary to the 2004-2014 growth era, in which the bet was on large investments, with little concern for bottom-up adherence and sustainability or for distributive effects, the future growth era will be different.

The country is very much focused on wide stakeholder involvement, economic integration, inclusiveness and leaving no one behind. It is very socially conscious and with a strong concern that the benefits of economic development reach all citizens in urban and rural areas.

## Why invest now!

The potential and the foundations for a new cycle of sustainable economic growth in Angola are there. Either you see it, or you don't.

Early entrants will grab the best opportunities and the best deals. In addition, asset prices will increase as economic development becomes more robust and expectations rise. At this early stage of a new growth era, early entrants will pick up and eventually lock up economic relationships with the best local partners.

You might not see this emerging growth era in economic indicators yet, but when you see it, it might be a bit late for the best deals and returns. Others will have been the architects and the beneficiaries of what those economic stats will be showing in coming years.

## Risks of the Angolan market

No market is without risks. Each economic sector will have different risks. In regards country risks, three risks should be carefully analyzed.

### 1. **Volatile exchange rate**

If you want to remunerate the capital invested, sharp negative changes to the exchange rate can turn into negative the returns of your foreign investment, even if you do well in the country. Angola has a high debt, which puts its currency under pressure. This risk appears to have been mitigated for the future by the devaluation of the kwanza during 2023.

### 2. **International geopolitics**

This risk is difficult to anticipate. Sharp changes in commodity prices resulting from geopolitical instability affect the Angolan economy, which imports most of its goods. However, Angola has a strong hedge in the rising oil prices that accompany unstable



geopolitics, its main source of foreign exchange and budget capacity. In addition, pressure on international agricultural products is also a stimulus to the large potential of Angola as an exporter of agricultural products in substitution of other exporting markets.

### 3. **Social dissatisfaction**

A young population with large expectations, macroeconomic policies to adjust the financial and economic structure (such as diminishing subsidies to fuel), historic corruption, high inflation, and the natural slow time for some policies to produce results, might increase social dissatisfaction. Opposition parties and social media might make it more vocal. Together with new economic prospects, new expectations are also emerging in the Angolan society. This risk is mitigated by a more responsive speech by government, legislation limiting politically exposed persons in business, a responsible main opposition party, social and religious cohesion, strong coercive power, and resilience of the population to past hardships.



## Main conclusion and call for action

I finish this article as I started it.

Grounded on 20 years of continuous engagement with the Angolan market and my reading of the current conditions, my view of the future prospect of the Angolan economy is very positive.

However, each investor should make their own analysis.

What is evident is that Angola should become a top priority for investor evaluation. Investors should quickly refresh their analysis of the Angolan market to anticipate their time of entry into the market and optimize their returns.

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LBC is an international strategy consulting and digital transformation company with experience in more than 1.100 projects in 17 countries and an innovation lab in Silicon Valley. LBC can provide strategic guidance to executives challenged by the pace of rapid transformation and support with implementation of digital transformation.

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