Angola’s economic freedom score is 54.2, making its economy the 140th freest in the 2021 Index. Its overall score has increased by 2.0 points, primarily because of an improvement in judicial effectiveness. Angola is ranked 30th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

This year, Angola made further progress, reinforcing its escape from the ranks of the repressed in 2019. However, economic growth has stagnated in the past five years, and the country’s economic prospects remain poor. Burdensome regulations, restrictions, and weak institutions are barriers to entry both for informal workers and for international investors. To achieve greater economic freedom, the government also needs to strengthen the rule of law.

IMPACT OF COVID-19: As of December 1, 2020, 350 deaths had been attributed to the pandemic in Angola, and the economy was forecast to contract by 4.0 percent for the year.

BACKGROUND: When President José Eduardo dos Santos stepped down in 2017 after 38 years in power, former Defense Minister João Manuel Gonçalves Lourenço from dos Santos’s ruling Popular Movement for the Liberation of Angola was elected to succeed him. Lourenço quickly moved to terminate the dos Santos family’s control of the Sonangol state oil company and Angola’s sovereign wealth fund. Angola is one of Africa’s largest oil producers, but because of production problems and the long global oil price slump, exports of crude oil have fallen to their lowest level in more than a decade. Despite the country’s oil, diamonds, hydroelectric potential, and rich agricultural land, most Angolans remain poor and dependent on subsistence farming.
All land belongs to the state, which also reserves the right to expropriate land from any settlers, often without compensation. Protection of real property rights is weakened by difficulties involved in competing land claims, land grabbing, and the lack of reliable government records. Corruption and political pressure undermine the inefficient judiciary’s independence. Corruption, patronage, and bribery are entrenched in nearly all segments of public and private life.

The top individual income tax rate is 17 percent, and the top corporate tax rate is 30 percent. The overall tax burden equals 9.2 percent of total domestic income. Government spending has amounted to 20.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.1 percent of GDP. Public debt is equivalent to 109.8 percent of GDP.

Electricity outages have become more common and tend to last longer. The cost of starting a business has decreased. Most people work in subsistence agriculture, but Angola still imports over half of its food. The value added per worker relative to the minimum wage has declined. As a result of lower world oil prices and a consequent drop in state oil revenues, the government ended fuel subsidies in March 2020.

Angola has two preferential trade agreements in force. The trade-weighted average tariff rate is 7.4 percent, and nontariff measures further undermine trade flows. Government-maintained sectoral restrictions on foreign ownership continue to limit foreign investment. Access to credit remains difficult despite some progress, and the equity market is underdeveloped. In 2020, the central bank introduced an electronic platform for foreign exchange transactions.