

LACK OF LIQUIDITY AFFLICTING ANGOLA AND MOZAMBIQUE - CAIADO GUERREIRO

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A shortage of finance is causing economic slowdown in Angola and Mozambique, but agricultural and tourism sectors offer potential for growth

How African countries that are heavily reliant on commodities will be able to engineer economic recoveries is difficult to predict, according to Caiado Guerreiro & Associados partner João Caiado Guerreiro.

"The lower oil prices in Angola and Mozambique have not only created an economic crisis, they have harmed the prospects for these economies," Caiado Guerreiro says. He adds that – while the consumer, retail, technology, banking and finance sectors are rapidly developing – there is uncertainty as to what will happen to these sectors if oil prices continue to remain low. "Take away the money from commodities, and I have no idea how these sectors can keep growing at the rate they are," Caiado Guerreiro says.

Such is the dependency on one commodity, low oil prices have resulted in a lack of liquidity across

all business sectors. "For economies that have been very much driven by oil revenues, the lack of money – in terms of everyone getting paid, for example – is also slowing things down," explains Caiado Guerreiro. However, he remains confident that despite these "short-term problems", the economies in question will continue to develop after absorbing these shocks. "We are adopting a long-term view as Caiado Guerreiro has been in Angola and Mozambique for 15 years," Caiado Guerreiro says. "We have seen this before and from our experience, the first shock is the hardest and then things get going again – countries still find ways to grow."

One possible strategy for growth would be diversification into other areas not traditionally tied to commodities, such as agriculture or tourism. However, Caiado Guerreiro believes that, long after commodities recover, the growth potential of these economies will be leveraged by another valuable natural commodity – their people. He adds: "Ultimately it is the people who find ways to get the economy moving again. However, what the recovery will look like, at this stage, remains uncertain."