



Sonangol profits slide again

March 2nd 2016 | Angola | Oil and gas | Sonangol

Event

Sonangol's net profits slumped by 68% to US\$278m in 2015, according to results published by the state-owned oil company at end-February.

Analysis

Angola's oil production rate increased by 6% during 2015 to an average of 1.78m barrels/day (b/d) and output at Sonangol's refinery in Luanda rose by 15%. However, owing to depressed oil prices, revenue fell by one-third and profits slumped for the third consecutive year. The company is still in profit overall, but losses of US\$3bn across Sonangol Pesquisa e Producao (Sonangol's exploration arm) and Sonangol Natural Gas will be a concern.

Given the pressures on oil firms globally, these results are not a surprise, but they will bring little cheer to the government. For many years Sonangol—which has more than a dozen subsidiaries across the aviation, construction, telecommunications and shipping sectors, in addition to its core business as oil concessionaire and producer—has been the engine room of Angola's economy, turning billion-dollar profits and employing thousands. However, low oil prices and falling asset values in Portugal (where it has a significant investment portfolio) have eaten into its profit margins. Overstaffing, wasteful management and overexpansion into sectors such as real estate have also been blamed for the worsening fortunes of the notoriously opaque parastatal, which is due to be restructured, [in a process led by Isabel dos Santos](#), the president's eldest daughter and billionaire businesswoman.

Unusually, Sonangol did not hold a news conference to announce its results, but instead emailed a statement to journalists. In the statement the company acknowledged it was "under pressure" and said it had "quite a difficult year ahead". It claimed that savings would continue to be made—although no details were provided—and said that some non-core activity might be reduced. It did not provide any updates on the status of the company's big investment projects, such as the long-planned refinery in the port city of Lobito, or a likely restart date for the liquefied natural gas plant in Soyo, which was shut down in 2014 owing to technical difficulties. Similarly, it did not provide any updates on the ongoing auction for licences for ten onshore oil blocks in the Kwanza and Lower Congo basins. The deadline for pre-qualified companies to bid was September 2015, but no awards have been announced to date.

Impact on the forecast

We maintain our existing forecast that official projections of 3.3% GDP growth in 2016 are unlikely to be achieved.

Source: The Economist Intelligence Unit

