



Economic and Social Reports of Angola 2010 – Summary

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Preliminary note:

The Economic report of Angola has been prepared by the Catholic University of Angola for the 9th consecutive year, whereas the Social Report is released for the first time. This shows the ongoing and ever increasing importance of an in-depth analysis of the economic and social realities in the country.

At the same time it is essential to notice that little official and reliable data is available in Angola. Many of the following figures are based on own calculations made by CEIC according to various sources.

Economic activity in general:

ANGOLA'S ECONOMY RELIES ON CRUDE PETROLEUM AND IS THE MOST EXPENSIVE ECONOMY OF THE WORLD.

- The Angolan GDP has seen increases since 2003; however since 2008 the increase slowed down due to the worldwide financial crisis.
- The economic growth rate in Angola in 2010 was aprox. 4.5% (2009: aprox. 2.7%).
- The GDP consists of these sectors (selection):
Crude petroleum 50%; Agriculture, forestry and fishing: 10%; Manufacturing: 5%. These figures show the limitation of existing value adding capacities.
- The Construction Sector's share (incl. public construction) of the GDP has seen a decline of more than 10% in the year 2010; however growth rates are predicted for the years 2011/12.
- The overall importance of petroleum as major contributor to the GDP is slightly decreasing as other sectors are gaining strength.
- A continued diversification of the economic sectors is extremely important.
The CEIC study emphasises the importance of further growth rates of the sectors Agriculture and Manufacturing (n.b. the manufacturing sector is currently composed of 64% production of beverages, 22% production of food products and 14% others. Back in the year 2001, the production of food products was still as high as 65% whereas the production of beverages counted only for 32%).
- The general economic climate is very discouraging compared to worldwide standards. Extremely high location-related costs lead to very poor investment incentives.

National Budget:

ANGOLA'S BUDGET IS CHARACTERIZED BY HUGE SECTORAL AND REGIONAL DISPARITIES.

- Since 2006, the financial balance of the Government of Angola has shown positive results. Only the year 2009 ended with a deficit due to the low crude oil price worldwide. 2010, however, saw a positive financial balance again.
- According to public spending figures, the Education sector receives aprox. 8% of the total budget, Health 5%, Defense 15% and Agriculture 1%.
- In addition to that, there are considerable regional differences: Every inhabitant of Luanda receives, on average, three times the public budget than the national average.



- The public spending in 2010 amounts to aprox. 770 USD per capita (compared to 248 USD in the year 2000)
- The private consumption has been steadily increasing since 2006 (now aprox. 30% of GDP).
That leads to the fact that private consumption per capita is currently higher than public spending (aprox. 1050 USD compared to 770 USD per capita/year)
- Public revenues result mainly from the crude petroleum sector.
- Exports 2010 amount to a total of aprox. 50 Billion USD (of which 96% comes from crude petroleum, 2% diamonds, 2% others).
- Imports 2010 amount to a total of aprox. 20 Billion USD (60% consumer goods, 30% capital goods, 10% others).

Labor market and productivity:

EDUCATION IS THE BASIS FOR STRENGTHENING LABOR MARKET AND PRODUCTIVITY

- The sector Mining and Quarrying (crude petroleum, diamonds) is, although economically very important, not labor-intensive and counts for only 2.5% of Angola's jobs.
- The Angolan productivity is very low:
The average productivity of each worker sums up to aprox. 12,500 USD/year (which represents 40% of South Africa's productivity and only 8% of the European Union's average productivity).
- The Angolan Government promised in 2008 to create 1.2 Million new jobs in the public sector. At the moment it seems very unlikely to achieve this result. Thus, efforts to create jobs in the private sector have to be made.
- At the same time, employees have to be better trained. According to the CEIC study, the employability rate of Angolans is relatively low.
- The CEIC study suggests striving for an active labor market policy in the following sectors: Construction, Agriculture, Manufacturing, Mining, Transportation and other Service.

Population, living conditions and poverty:

ECONOMIC GROWTH DOES NOT LEAD TO SOCIAL DEVELOPMENT. POVERTY IS STILL A WIDE-SPREAD REALITY.

- Economic growth does not yet lead to an improvement in the living conditions in Angola. On the contrary: Social injustices are increasing.
- Currently, the population grows at an average 3% per year.
- The population is very much concentrated in urban areas, especially in Luanda with 30% of all Angolans living there. 10 years ago, only 20% of all Angolans lived in the capital.
- The wealth distribution is extremely unequal: 20% of the population possesses 60% of all means, with only 2.5% of these holding the majority of all wealth.
- Salaries in the public sector are constantly losing their purchasing power.
- Education is still a challenge: On average, children attend school for only 4.4 years (compared to Botswana: 8.9 years). Although for a while more children have been attending primary school, very few proceed to secondary school (only 10% of all pupils) and fewer to university (4%).
- The level of poverty is slightly decreasing: 53% of the population is considered poor (compared to 68% in the year 2002). This figure is based on the UN definition of poverty with poverty being defined as a daily income of less than 2 USD.
- The CEIC study draws the conclusion that **better Education, especially Professional Formation**, should be the focus of poverty alleviation measures.