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FLASH NOTE

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Unemployment rate maintains downward trend in Q4

Transport and construction with the greatest impact on job growth

A. DESCRIPTION

1| In the fourth quarter of 2022, the unemployment rate fell by 3.3 percentage points (pp) compared to the same quarter of 2021, settling at 29.6%, the lowest rate since Q2 2019. The drop was a little less pronounced than in the previous quarter, in which the rate decreased by 4.1pp year-on-year, mainly due to the higher growth of the economically active population (+2.3% yoy, compared to +1.3% yoy in the third quarter of 2022). In fact, the employed population increased by 7.3% yoy in the last quarter of last year, just below the 7.6% yoy increase in Q3 2022.

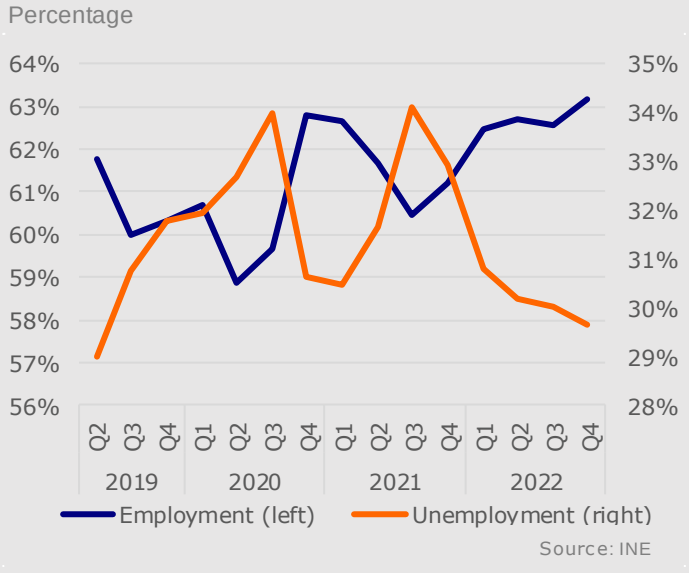
2| The unemployment rate in Angola remains among the highest in the world – there are only a few countries with higher rates, such as Nigeria and South Africa, 33.3% and 32.7%, respectively, according to the updated data from Bloomberg. Among SADC, although data vary depending on the sources consulted, data from the International Labor Organization showed many other economies with unemployment rates above 20%, with emphasis on Namibia, Rwanda and Botswana.

B. ANALYSIS

1|The recovery of economic activity continues to contribute to the persistent reduction of the unemployment rate in Angola, as we can see in the graph – the rate fell in year-on-year terms for the 3rd consecutive quarter, and recorded the 5th quarterly drop in a row. The year-on-year drop of 3.3pp in the unemployment rate represents, in absolute terms, around 427,183 people who left unemployment. On the employment side, year-on-year increases continue, with the rate increasing quarterly, after a drop in Q3 compared to Q2. In Q4 2022, the employment rate stood at 63.1%, representing a year-on-year increase of around 1.9pp, and according to our calculations, it amounts to around 794,261 jobs created.

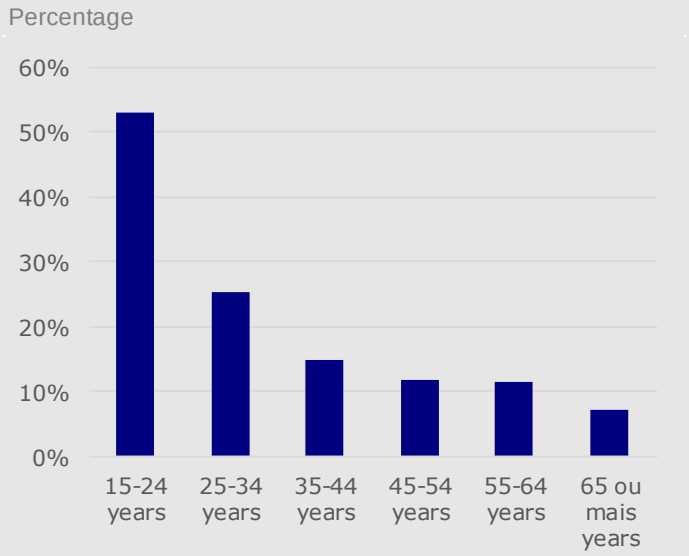
Unemployment rate in 4Q 2022 fell again compared to the same period

Employment rose and unemployment fell again, in line with the usual effect of seasonality in 4Q



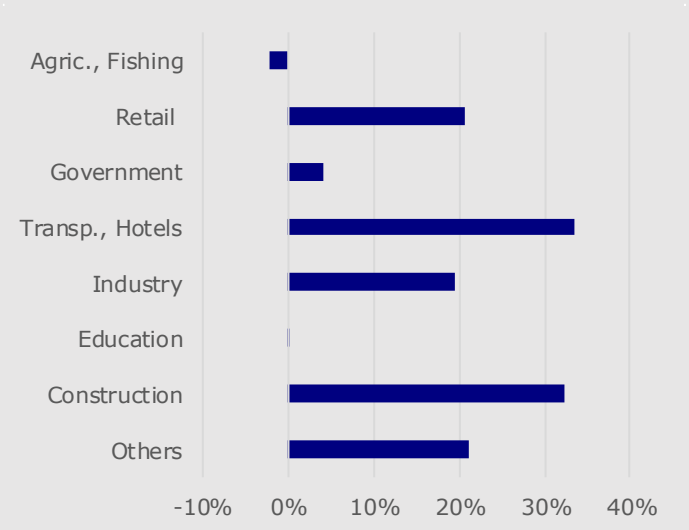
2|Looking at the differences between age groups, the unemployment rate for the group aged 65 or over recorded the biggest year-on-year drop (-7.8pp) in Q4 2022, followed by the younger age group (-6.9pp) whose age ranges between 15-24 years. Despite this, the unemployment rate for the youngest age group remains very high at 52.9%, although it has been falling since Q22022, and if the job market continues to improve in line with economic growth, it will be It is exactly to be expected that the greatest declines will be found in that age group, since this is where the greatest number of unemployed people is concentrated. The employment rate for that group also appears to be on a cycle of continuous increases, but we must wait for more data to see consistency. In the remaining age groups, greater improvements are also noted among those aged 25-34 and declines between those aged 35-44 and 45-54 years.

Unemployment rate is much higher in younger ages



3|The urban and rural labor markets reinforced the trend of improvements in Q4, with the unemployment rate falling year-on-year on both sides for the fourth consecutive quarter. Unemployment in the Urban area stood at 38.5% and contracted 4.5pp yoy, while in the rural area it stood at 13.5%, falling 5.3pp yoy, the biggest year-on-year drop in the statistical series. Despite the improvement in the rural unemployment rate, the rate is still above the minimums ever recorded, even if we take seasonality into account and look only at the 4th quarters of the various years. On the employment side, the rural labor market continues to register more employment and less unemployment than in urban areas; however, in year-on-year terms, employment has grown faster in the urban sector than in the rural sector. Part of the explanation for these phenomena is related to the effects of the migratory flow from rural to urban areas, where more qualified opportunities are concentrated, while there is a higher unemployment rate.

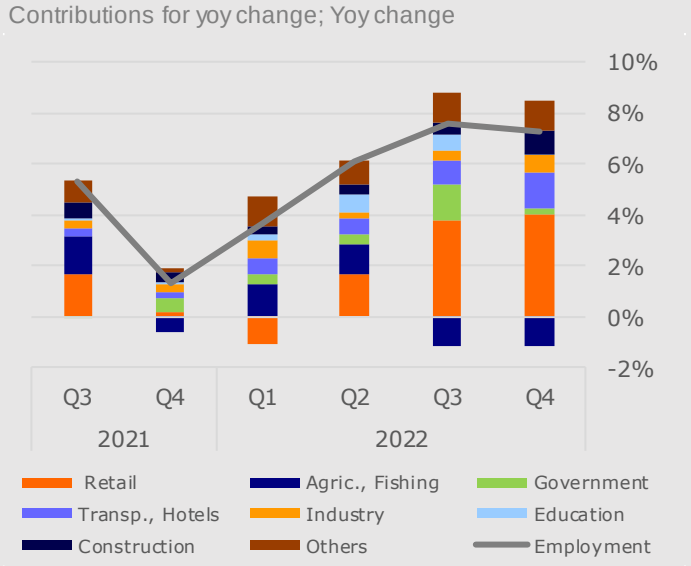
Employment grew in almost all sectors, when compared to same quarter of 2021



4| Sectoral data show that the sectors that most contributed to employment growth were Commerce, Transport & Accommodation, Construction, and other sectors. In general, the primary sector employs the most; however, according to our calculations, a year-on-year decline in employment close to 2% was observed for the second consecutive time, taking 1.2 percentage points off the employment growth rate; that is, employment, which grew by 7.3% compared to Q4 2021, would have grown by at least 8.4% if not for the drop in Agriculture, Fishing, Hunting, Livestock & Forestry. The biggest contribution to the increase in employment came from the Commerce sector, adding 4.0 percentage points to the year-on-year increase. The sector that grew the most was Transport & Accommodation, where employment increased by 33.5% yoy – according to our calculations, at least

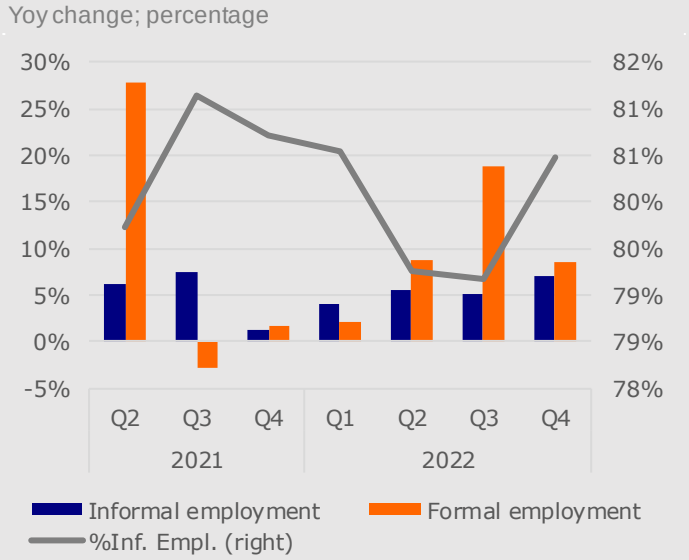
25% of people working in this sector were employed during the year 2022; employment growth in the sector contributed 1.4pp to the year-on-year increase in employment in the country. Other sectors that had relevant growth were Construction and Industry, which grew by 32% and 20%, respectively, and together they contributed 1.7pp to the year-on-year growth rate of employment.

Retail sector contributed more to the employment rate in 4Q 2022



5| The informality of the Angolan economy remains very relevant - in the 4th quarter of the current year, the number of people employed in the informal market increased by 614.0 thousand (+7.0%yoy) to 9.4 million, representing approximately 80% of the total of the number of employees in Angola. It should be noted that, in Q42022, most employees in the informal economy were self-employed (50.3%), family workers (29.5%) and workers for own consumption (10.7%).

informality level remains robust and even increased slightly in 4Q 2022

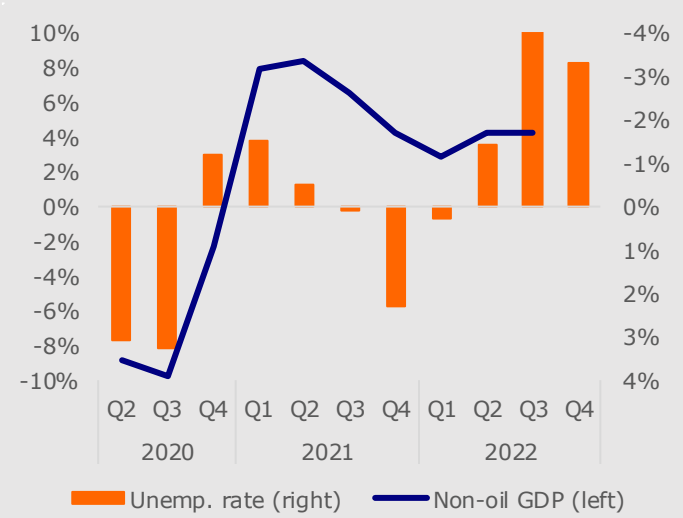


The informal sector has grown by an average of 5% a year, employing an additional 400,000 people each year, thus being a real buffer for the unemployment rate – this would be much higher without this contribution. According to our calculations, in a hypothetical scenario in which the informal sector stagnates since the beginning of the pandemic, for example, in Q4 2022 we would have had an unemployment rate of approximately 38%, that is, 8pp more than the official rate. The average ratio between informal employment and formal employment increased slightly to 4.2, indicating that only one in five employed people work in the formal sector. Informality continues to be a worrying factor about the quality of employment and the inclusion of workers in Social Security. The degree of informal employment increased slightly in Q4, compared to the previous quarter, to 80.5% (79.2% in Q3), stabilizing compared to the same quarter of 2015. Also, in year-on-year terms, formal employment in Q4 2022 grew by 9% (-10pp than in Q3 2022), while informal employment grew by 7% (+2pp compared to the immediately previous quarter).

6|Our forecast is that the situation in the labor market will continue to improve, with the unemployment rate standing at between 28-29%, below the minimum of 29.0% recorded at the beginning of the statistical series, in the Q2 2019. The employment rate in Q1 2023 is expected to be between 63.5-64.5%, still below the current maximum, also recorded in Q2 2019, of 64.8%. In 2023 as a whole, the labor market will continue to improve, possibly at the same average pace as in 2022, as there are usually lagged effects of the improvement in the economic conditions of companies

on job creation; furthermore, despite an expected slowdown in overall GDP growth, our expectation is that the non-oil sector will continue to grow at a similar pace, with the non-oil economy far more important in job creation.

Evolution of the unemployment rate predicts acceleration of economic growth in the 4Q



C. CONCLUSION

1| In the Q4 2022 there was a new improvement in the situation in the labor market, consolidating a trend that started between the end of 2021 and the beginning of 2022. At the same time, despite the improvement, the Angolan labor market remains very fragile, with an unemployment rate among the highest in the world, and with almost 80% of people employed in the informal sector. The situation in the labor market for younger people is particularly complicated, although it also shows improvements, with more young people out of the labor market, probably studying.

2| For the Q1 2023, we forecast that unemployment will record minimums since the beginning of the statistical series, in 2019, and that this improvement will continue throughout the year, at a similar pace, to what happened in 2022, on average

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