

FLASH NOTE

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Unemployment rate reaches highest value since Q4 2021

Agriculture, Industry, and Education generated 252 thousand new jobs

A. DESCRIPTION

1| In the fourth quarter of 2023, the unemployment rate rose 2.3 percentage points (pp) compared to the same quarter of 2022, standing at 31.9%, the highest since the 4Q 2021. This increase represents a setback compared to the pace of deceleration that the unemployment rate has been experiencing since Q1 2022, which by the way will be in line with the performance of economic activity, especially non-oil activity. The employment rate stood at 60.7%, the lowest value since Q3 2021, around 2.5pp less than in Q4 2022.

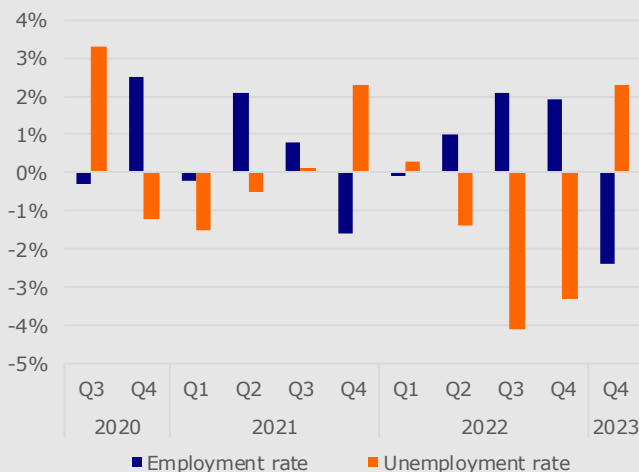
2| The unemployment rate in Angola remains persistently around 30%, making it one of the highest in the world, with only a few countries with higher rates, such as Namibia and South Africa, 34% and 32.4 %, respectively, according to updated data from Bloomberg. Among SADC, although the data varies depending on the sources consulted, data from the International Labor Organization show other economies with unemployment rates above 20%, with emphasis on the Democratic Republic of Congo and Botswana.

B. ANALYSIS

1|The slowdown in non-oil economic activity will have contributed to the acceleration of the unemployment rate and a reduction in the employment rate: the unemployment rate began to decelerate in Q1 2022 in line with the expansion of non-oil economic activity, but rose in Q4 2023, by the way, when the non-oil economy was already performing significantly worse compared to 2022. According to our calculation, the 2.3pp increase in the unemployment rate represents an absolute growth of around 543 thousand people in the economically active population without employment. Regarding

Unemployment rate stood at 31.9% in Q4 2023, an acceleration of 2.2pp yoy

Yoy variation



Source: INE

The employment rate stood at 60.7%, the lowest value since Q3 2021

Percentage



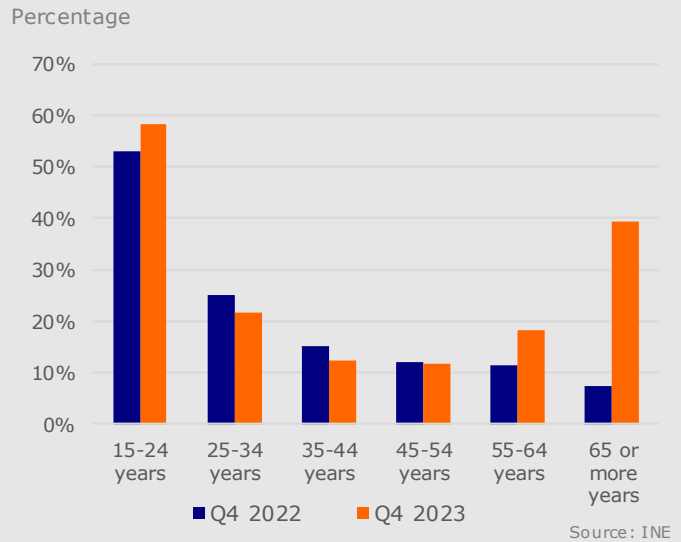
Source: INE

employment numbers, the trend is in the same direction as economic activity. Our calculations indicate that around 10 thousand jobs were created between Q4 2022 and Q4 2023. The employment rate, by contracting around 2.5pp to 60.7%, led the market to not absorb and maintain a number total of 327 thousand people unemployed.

2|Looking at the incidence of unemployment between age groups, it is noted that in Q4 2023 the rate for the group aged 55 or over rose significantly, remaining only below the group aged 15 to 24, which is This is, by the way, the first time this has happened since there has been data. We have observed that unemployment is greater the younger the age group, however, there was a sudden change in the Q4, which indicates that during the period under analysis unemployment was a little more prevalent among citizens aged 55 and over. On the other hand, the unemployment rate appears to be low in the age groups between 25 and 54 years old.

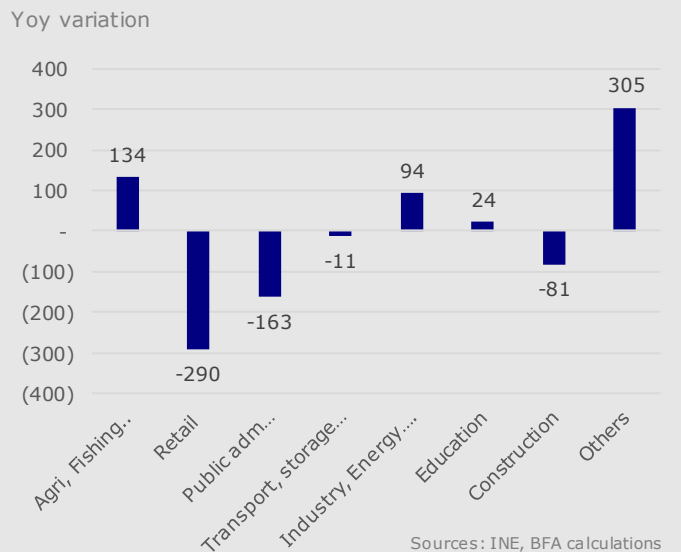
The unemployment rate for the youngest age group, as can be seen in the graph, increased significantly, 5.4pp to 58%, interrupting a downward cycle that had been running for four consecutive quarters. In the last note, we predicted that if economic activity improved, unemployment in this specific group that contains the largest number of unemployed people would reduce, which was not the case, since non-oil economic activity also slowed down.

Unemployment increased significantly in the group aged 55 and over



3|The urban and rural labor markets closed the Q4 in the opposite direction, with the first registering an unemployment rate close to 41.9% (+3.4pp), while the second fell 2.1pp to 11.4%, the lowest value since there are records. On the employment side, the rate in the rural labor market stood at 76% (-3.5pp yoy) and continues to be quite high. With Agriculture, animal production, hunting, forestry, and fishing absorbing a total of 50% of the entire economy's workforce, and since they are naturally activities carried out in rural areas, it is understandable why the employment rate in the rural sector is much higher than in the urban sector. However, we observe that 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 will be related to the effects of the migratory flow from rural to urban areas, where more qualified opportunities are concentrated, at the same time as there is a higher unemployment rate.

Agriculture and fishing, Industry and Education together generated 252 thousand new jobs in the Q4



4| The overall job growth rate in Q4 was 0.1%, with sectoral data showing that the sectors that contributed most were agriculture and fishing, as well as industry, energy, and water. Primary activity, which absorbs around 52% of the total workforce, had the greatest contribution to employment growth, adding around 1.1pp to the general employment growth rate and in absolute terms created +133 thousand jobs of work compared to the same period last year. The industry, energy, and water sector, which employs 4.7% of the workforce, saw the number of jobs grow by around 20% (+94 thousand jobs), adding around 0.08pp to the overall employment growth rate.

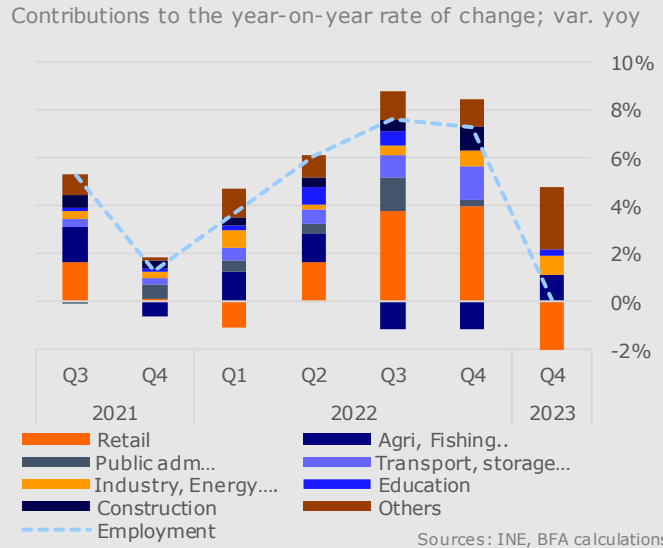
The commerce, transport, public administration, and construction sectors together saw the number of jobs reduce by around 545 thousand, having contributed negatively to the general rate of job creation.

5| The informality of the Angolan economy remains very relevant - in Q4 2023, the number of people employed in the informal market increased slightly by 8.8 thousand (+0.1% compared to 7% in Q4 2022) to 9.4 million, representing approximately 81% of the total number of employees in Angola.

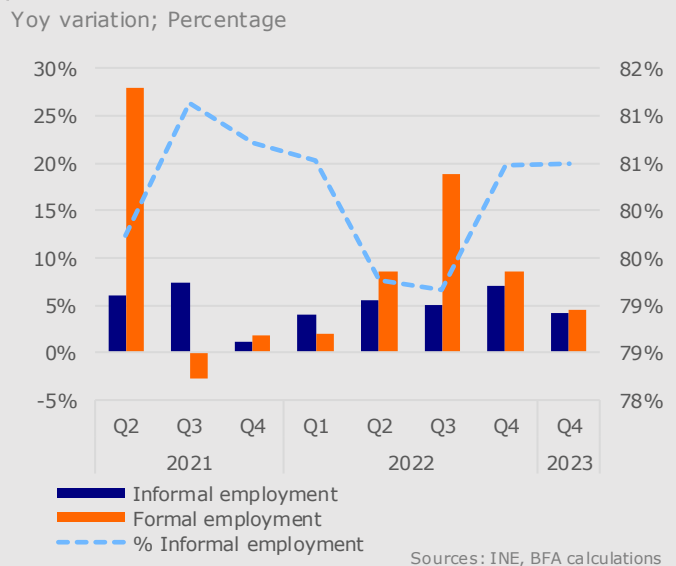
The informal sector has grown by an average of 5% per year, employing an average of 383 thousand additional people each year, therefore providing a real buffer to the unemployment rate – it would be much higher without this contribution. The average ratio between informal employment and formal employment remains close to 4.2, indicating that only one in five employed people works in the formal sector. The degree of informality continues to be a worrying factor, which is clearly on the agenda of the Government of Angola with the Economic Formalization Program, in which the Government plans to spend around AOA 12 billion in 2024. If we introduce the concept of quality employment, that is, one that, for example, guarantees access to social protection and security, we can make an approximate calculation that would give us 11.8%, which would be the effective rate of quality employment.

6|Our outlook for 2024 is that the situation in the labor market will continue to be very difficult, with limited improvements. The employment rate by the end of the year is expected to remain close to 60%-62%, still below the maximum reached in Q4 2019. In 2024, as a whole, the job market is expected to continue to be challenging - we generally expect growth of 2.6% of non-oil economic activity, below 4%, the trend average, which will not have very significant impacts on job

Agriculture and fishing contributed most to the employment growth rate in Q4



Level of informality remains robust and even increased slightly in Q4 2023



creation, considering the usual lagged effects of the improvement in companies' economic conditions on job creation.

C. CONCLUSION

1| In Q4 2023, there was a deterioration in labor market conditions, signaled in advance by the slowdown in economic activity in 2023. At the same time, the labor market in the Angolan economy remains very fragile, with an unemployment rate among the highest worldwide, and with almost 81% of people employed in the informal sector. The situation in the job market for younger people is particularly complicated, having worsened in Q4 2023.

2| For Q4 2024, we predict that the situation will remain challenging, in line with the below-trend evolution of the level of economic activity, especially in the non-oil economy, which may also be somewhat at the mercy of the possible continuation of fuel subsidy reforms and above all, exchange rate stability, which, like last year, almost led the economy into a technical recession.

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