Angola

Angola: Current Path

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Last updated 13 December 2023 using IFs v7.63

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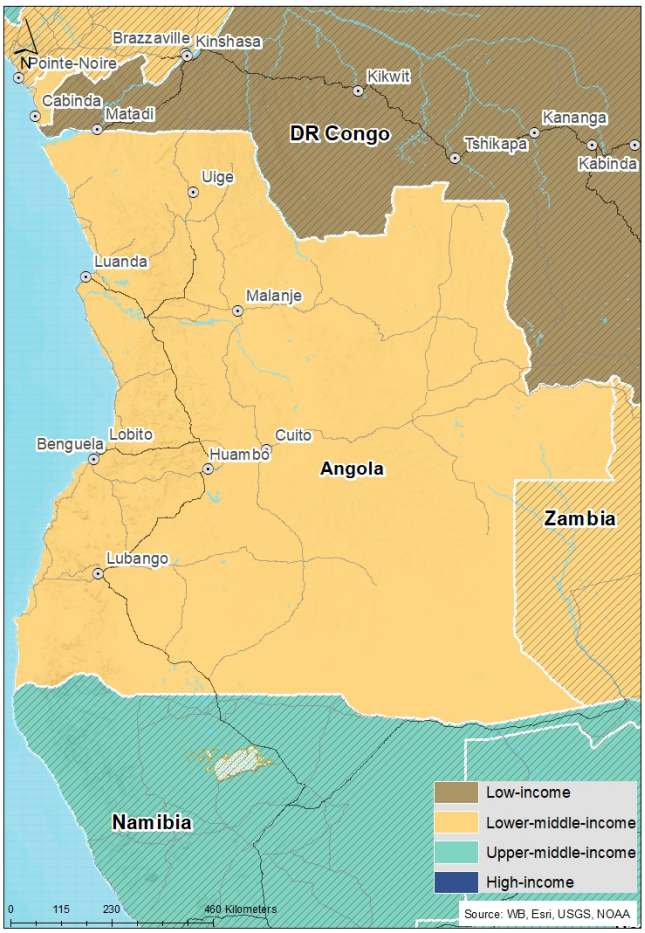
Angola: Current Path forecast

Chart 1: Political map of Angola



This page provides an overview of the key characteristics of Angola along its likely (or Current Path) development trajectory. The Current Path forecast from the International Futures forecasting (IFs) platform is a dynamic scenario that imitates the continuation of current policies and environmental conditions. The Current Path is therefore in congruence with historical patterns and produces a series of dynamic forecasts endogenised in relationships across crucial global systems. We use 2019 as a standard reference year and the forecasts generally extend to 2043 to coincide with the end of the third ten-year implementation plan of the African Union's Agenda 2063 long-term development vision.

Until recently, one of the fastest growing economies in Africa, the People's Republic of Angola — one of Africa's 23 low

middle-income countries — has long committed to diversifying its economy to achieve and sustain growth beyond oil. And its potential is great: covering roughly 1.25 million km^2 next to Namibia, Zambia and the Democratic Republic of the Congo (DR Congo), Angola boasts a long shoreline with several key ports and owns the massive oil fields off Cabinda Province — an exclave just north of Angola nestled in the DR Congo over which the two nations and local political groups have fought bitterly. But the legacies of Angola's 27-year civil conflict, political turmoil from 2002 to 2008 and, more recently, poor economic growth following the collapse of oil prices in 2014 have hindered progress.

Despite substantial improvements since the end of the civil war in 2002, Angola's human development outcomes are low, even compared to the rest of Africa. In the United Nations Development Programme's Human Development Index, Angola ranks 148th of 189 countries, suggesting that a long, healthy life, quality education and good standard of living are out of reach for most Angolans. [1] One out of three people in Angola experiences multidimensional poverty — a phenomenon largely driven by struggling education and health systems that most families cannot afford to participate in.

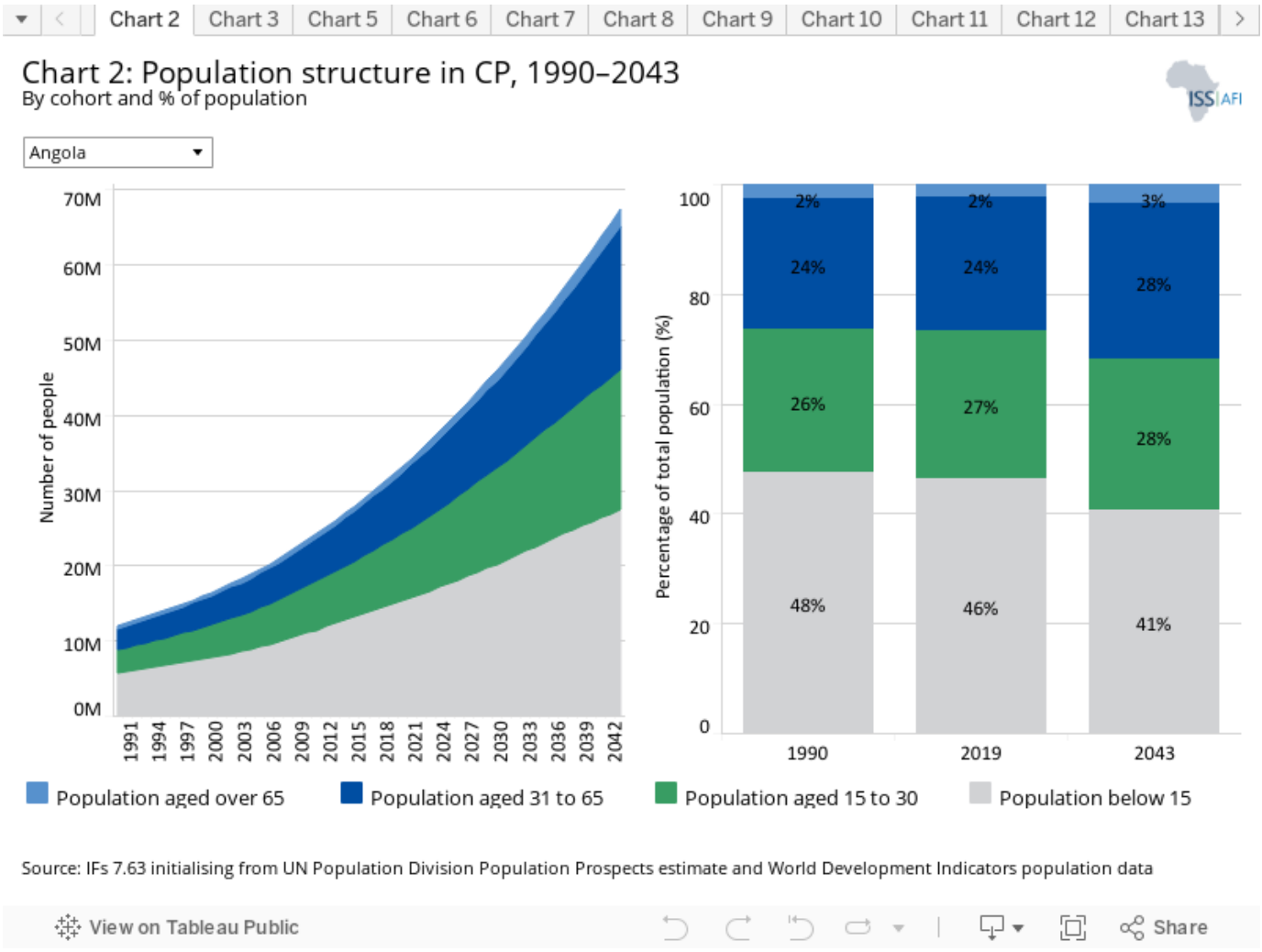
While Angola's rapid urbanisation rates and natural resources bode well for medium- and long-term economic prospects, the next several years are more uncertain. Crude oil prices have partially recovered since 2014, but the Angolan economy remains extremely vulnerable to the volatility of the oil market while the huge potential of its agricultural sector is very susceptible to the impact of climate change.

Angola's vast natural resources, ranging from large tracts of fertile land to immense hydropower potential, can help Angola become a stable economy and a peaceful, inclusive society. But for these resources to translate into sustainable growth, the government must commit to prioritising human development — a departure from the economic mismanagement of decades past.

The main thrust of President Lourenço's administration since assuming the presidency in 2017 has been on restoring the credibility of the People's Movement for the Liberation of Angola (MPLA) after decades of central state control and massive corruption under former President Dos Santos and his family and associates. Frustration is mounting, however, and during the most recent elections in September 2022 the ruling party only narrowly managed to stave off the challenge from the National Union for the Total Independence of Angola (UNITA) opposition.

Angola is a member of the Southern African Development Community (SADC) and the Economic Community of Central African States (ECCAS).

Demographics: Current Path

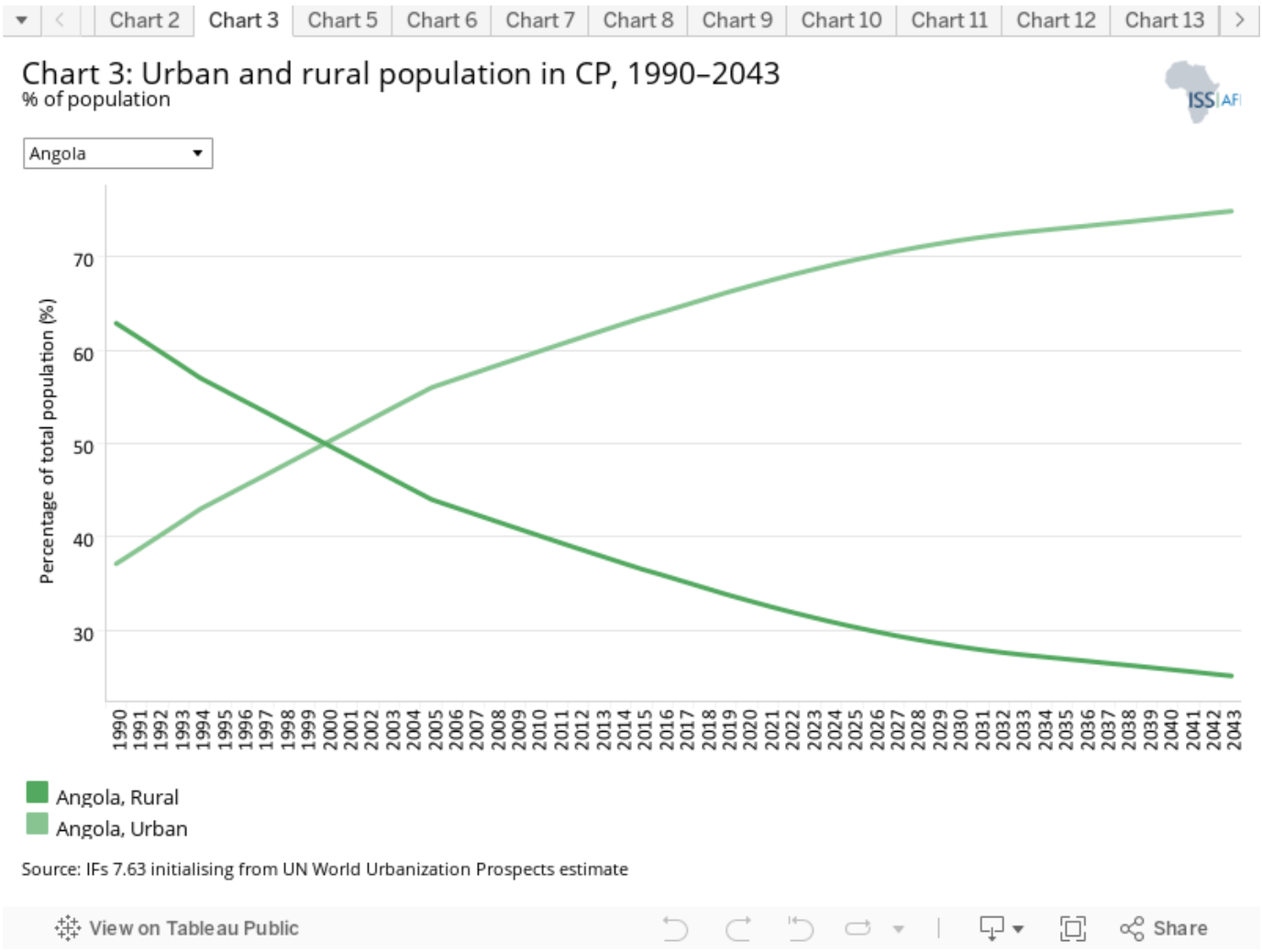


In 2019, Angola was home to 32 million people, making it the 12th largest population in Africa, behind Morocco (36.5 million) and Algeria (43.1 million). However, unlike these other countries, Angola's population is incredibly young: in 2019, 14.9 million Angolans were under the age of 15. Meanwhile, 16.4 million people in Angola are of working age, (between the ages of 15 and 65). Fewer than one million were 65 or older.

Since 1990, when the nation had a population of 11.9 million people, the number of Angolans has nearly tripled owing to sustained high birth rates. Looking into the future, the population of Angola is forecast to nearly double by 2043 in the Current Path forecast, reaching 67.4 million.

Similar to most sub-Saharan countries, Angola's population is almost equally divided between the working-age population, who are those between 15 and 64 years of age (16.3 million people), and dependants, who are those under 15 years of age and 65 years or older (15.6 million people). For the entire forecast horizon to 2043, Angola's large youthful population will present a drag on growth and development.

More specifically, children (those under 15 years of age) currently comprise an estimated 46% of the population, making Angola the fourth youngest nation in the world, next to Mali and Somalia (also 46%) and Niger (49%). Angola's workforce, defined as those between the ages of 15 and 65, is estimated at 17.7 million, representing 52% of the population. On the Current Path, the workforce's share of the population will increase to 53% by 2030 and 56% by 2043.



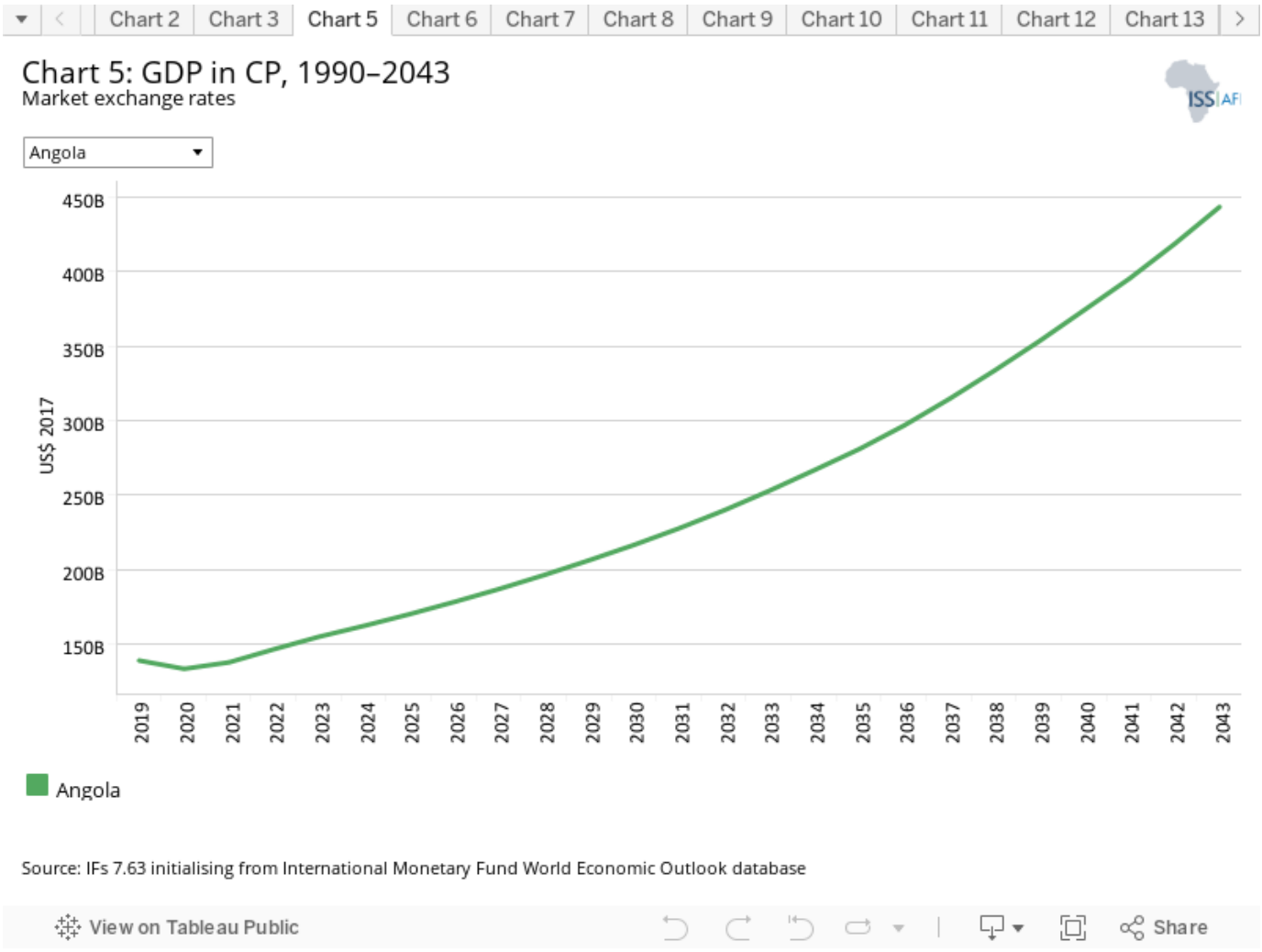
The flight of rural populations to Luanda and other cities during the civil war has driven the country's rapid rates of urbanisation. Most Angolans lived in rural areas up until the turn of the century. Since then, the number of people living in cities has outnumbered those living in rural areas. At present, nearly seven out of ten Angolans (23 million people) live in urban areas. This makes Angola the 11th most urban country in Africa and comparable to South Africa and Tunisia. Although urbanisation is associated with many challenges, which in Angola have included the growth of large slums around Luanda, it also brings about opportunities: providing basic services such as education and healthcare are more affordable in urban than in rural settings.

On the Current Path, nearly 80% of Angola's population, or 50 million people, will be urban by 2043.

Chart 4: Population density map for 2019

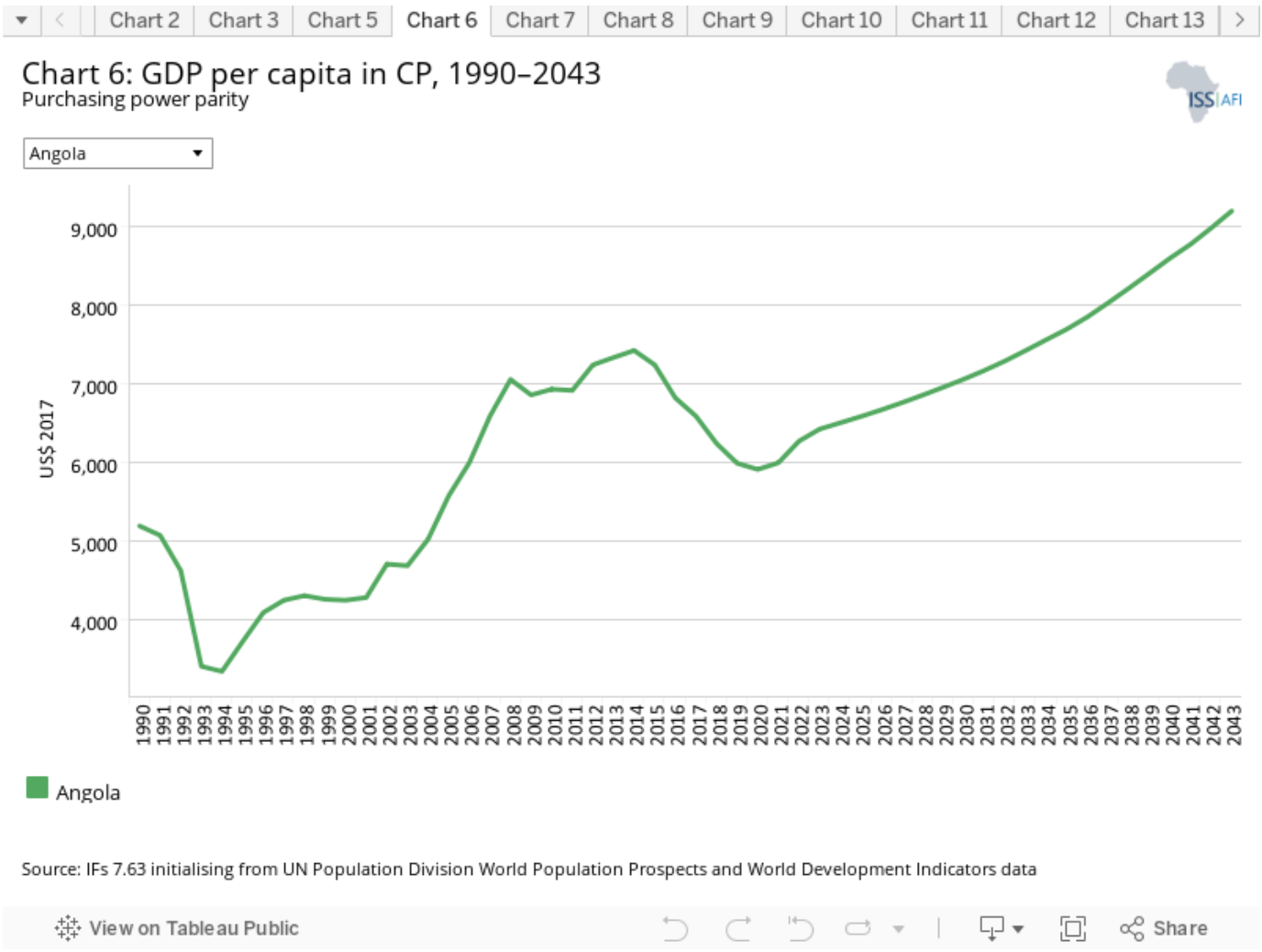
At present, an estimated seven out of ten Angolans live in the country's cities, primarily in Luanda, the nation's sprawling capital city. The large majority of the nation's economic activity, both formal and informal, occurs in this coastal metropolis. In the country's expansive rural interior, much of which is densely forested (in fact, half of Angola's land area is forested, making it the most densely forested nation in the Zambezi River Basin), an estimated nine out of ten people are extremely poor and food insecure.

Economics: Current Path



With an estimated gross domestic product (GDP) of US$138.8 billion in market exchange rates, Angola was the sixth largest economy in Africa in 2019, behind Morocco, Algeria, Egypt, South Africa and Nigeria. But the heft of the Angolan economy obscures its vulnerability to the volatile global oil market, which has wreaked havoc on its economy since the advent of large-scale shale oil production in the United States. In fact, the Angolan economy recorded negative growth from 2016 to 2020.

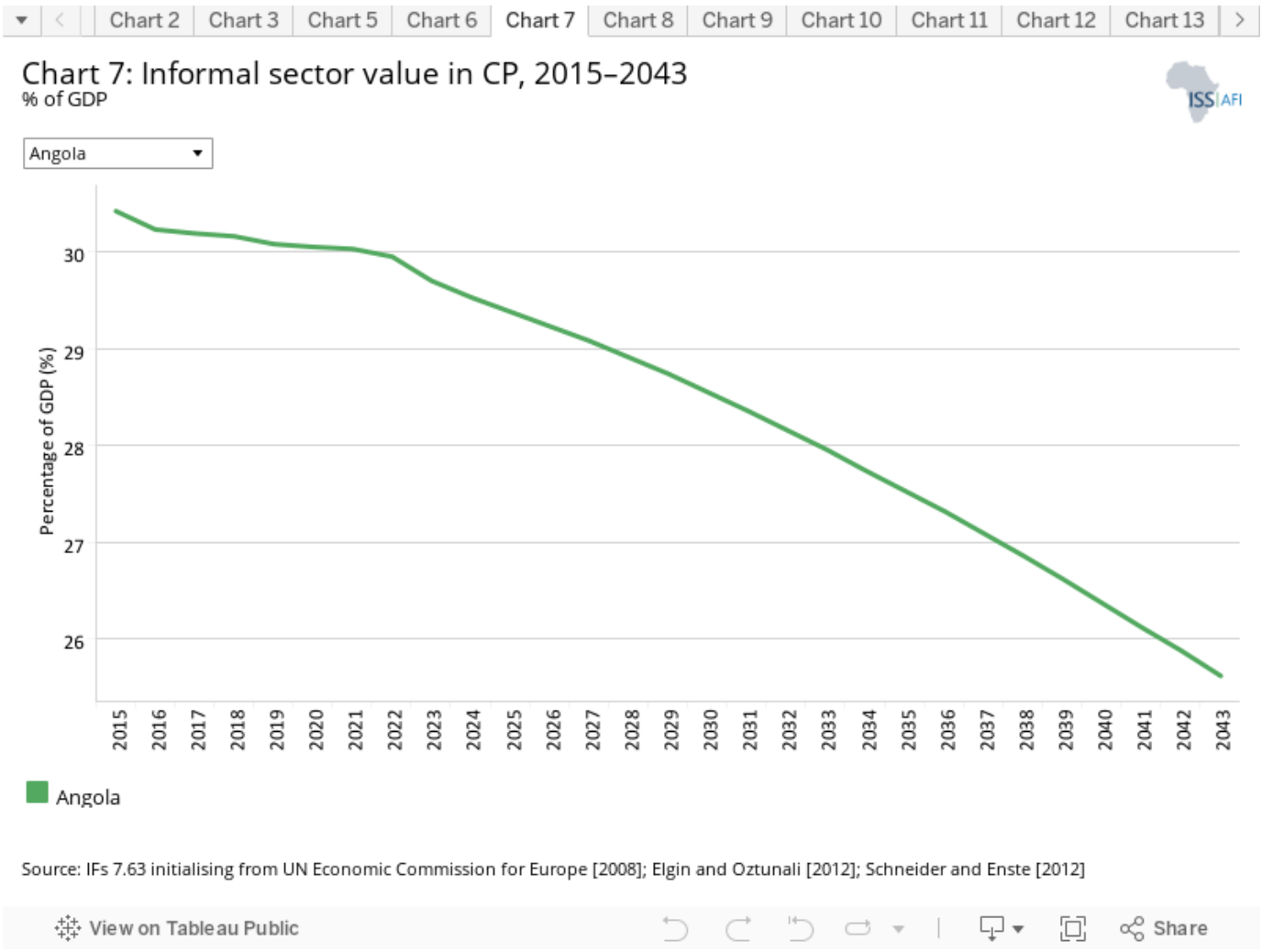
Medium- to long-term economic prospects are optimistic, reflecting rapid future population growth and further urbanisation on top of an already large urban population — phenomena that tend to generate increased economic output and are closely linked to economic growth within IFs. In the Current Path forecast, the Angolan economy will grow to US$216.5 billion by 2030 and US$443.3 billion by 2043.



Although many of the charts in the sectoral scenarios also include GDP per capita, this overview is an essential point of departure for interpreting the general economic outlook of Angola.

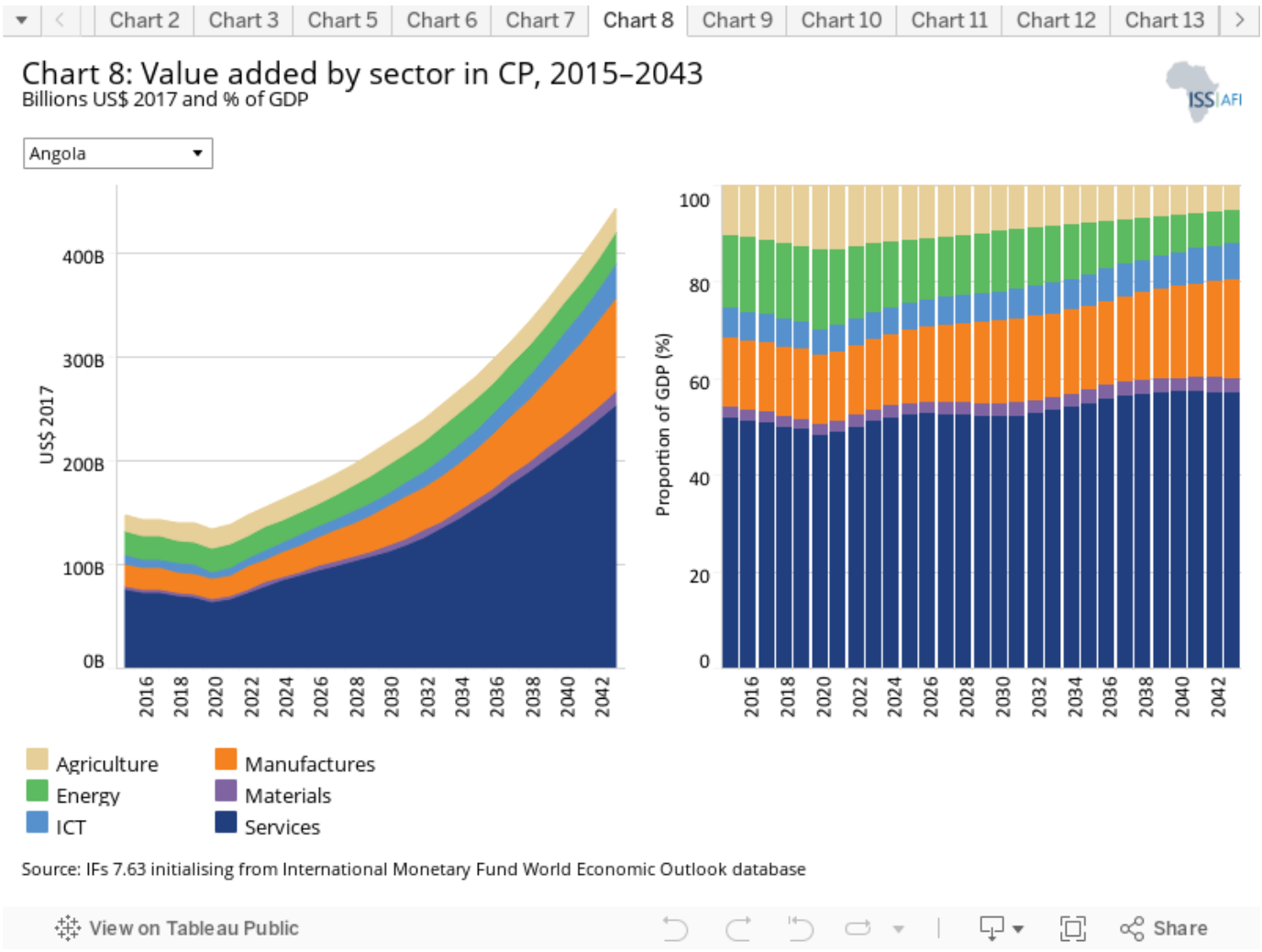
Average incomes in Angola, measured using GDP per capita in purchasing power parity, were lower by the end of the civil war in 2002 than they were at independence in 1975 owing to decades of conflict and central state control. The nation's newfound peace and growing oil revenues led to a high average growth rate of 8.8% per year between 2001 and 2010. However, the impact of the shale oil revolution in the US on global oil supply caused the economy to contract by almost -3% in 2016.

In 2019, the GDP per capita was estimated at US$5 988, the 15th highest in Africa and similar to Nigeria and Cape Verde. In the Current Path forecast, Angola's average incomes will outpace those of other lower middle-income countries in Africa and reach roughly US$7 060 by 2030 and US$9 205 by 2043.



The onerous requirements of doing business in Angola are among the many barriers to formalising Angola's informal economy, an extraordinarily resourceful sector that Angola's National Statistics Institute estimates employs nearly three out of every four Angolan adults. It permeates Angolan society: informal businesses pave roads, provide transportation and fuel, fish and agriculture services as well as undertake mining and vehicle repairs, among many other goods and services. In fact, the provision of water is the largest subsector of Luanda's informal economy. Although reliable data on informal economies is scarce, IFs estimates that the informal economy generated nearly one-third of Angola's GDP in 2019, similar to the average of other lower middle-income African countries.

On the Current Path, the informal sector's share of GDP will decline only slightly by 2043 to comprise one-quarter of GDP. Every effort should be made to reform laws and regulations to lower barriers of entry into the formal sector. Community enterprise models can also play an important role in providing livelihood opportunities and basic services. Indeed, Luanda's extraordinary informal water supply network would not exist if the government fulfilled its basic infrastructure duties.

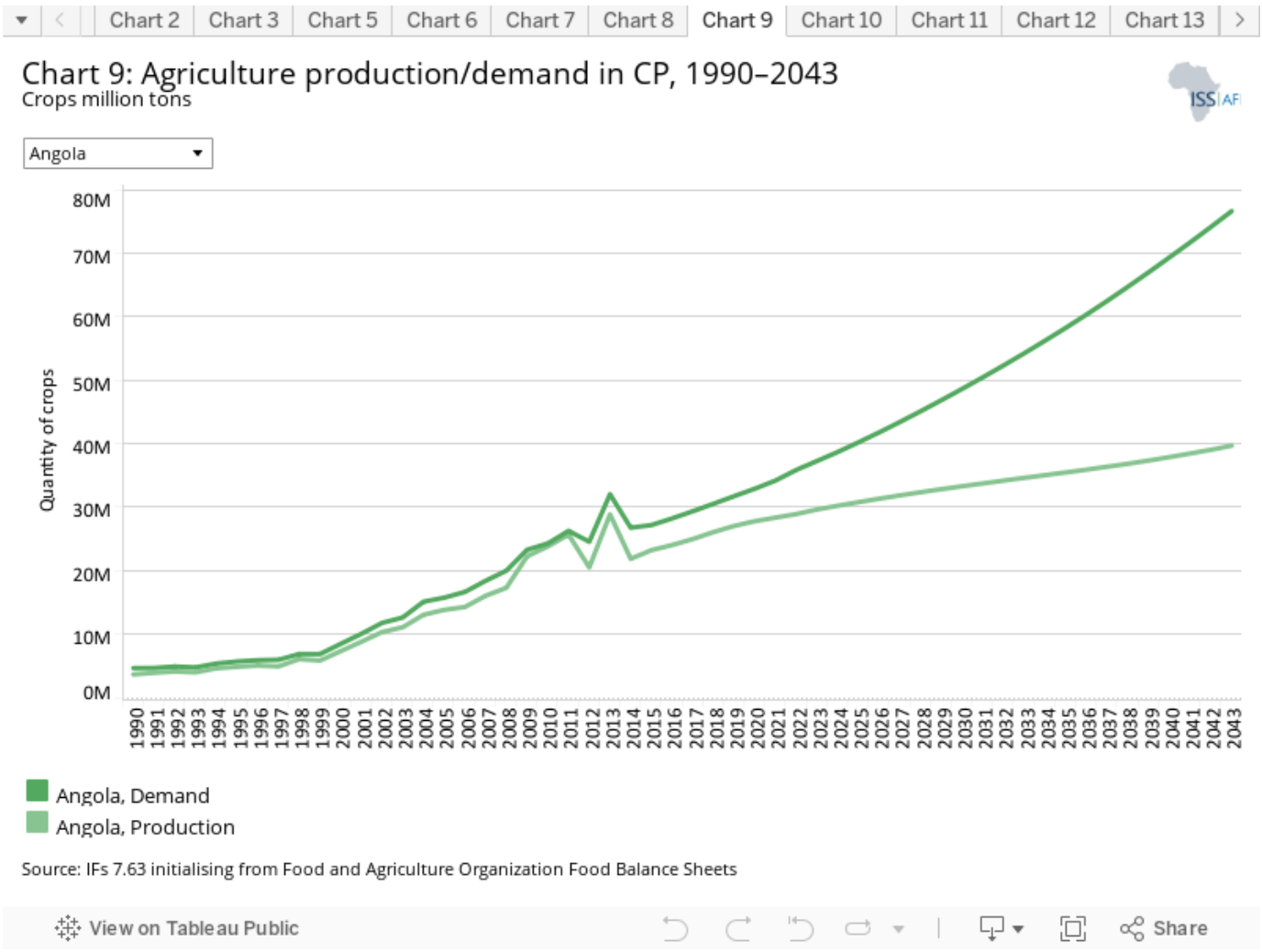


The IFs platform uses data from the Global Trade and Analysis Project (GTAP) to classify economic activity into six sectors: agriculture, energy, materials (including mining), manufactures, services and information and communications technology (ICT). Most other sources use a threefold distinction between only agriculture, industry and services with the result that data may differ.

Of all six sectors, services contribute the most to the Angolan economy, comprising an estimated 48.9% (US$67 billion) in 2019. The next largest sectors are energy and manufactures, which contribute an estimated 15.9% (US$22 billion) and 14.5% (US$20 billion), respectively. Agriculture follows, making up an estimated 13% (US$18 billion) of the economy.

In the Current Path forecast, the value-added contributions of services, manufacturing, materials and ICT will continue to increase in both relative and absolute terms. Conversely, the absolute contributions to the economy of agriculture and energy will increase, but their value added as a per cent of GDP will decrease.

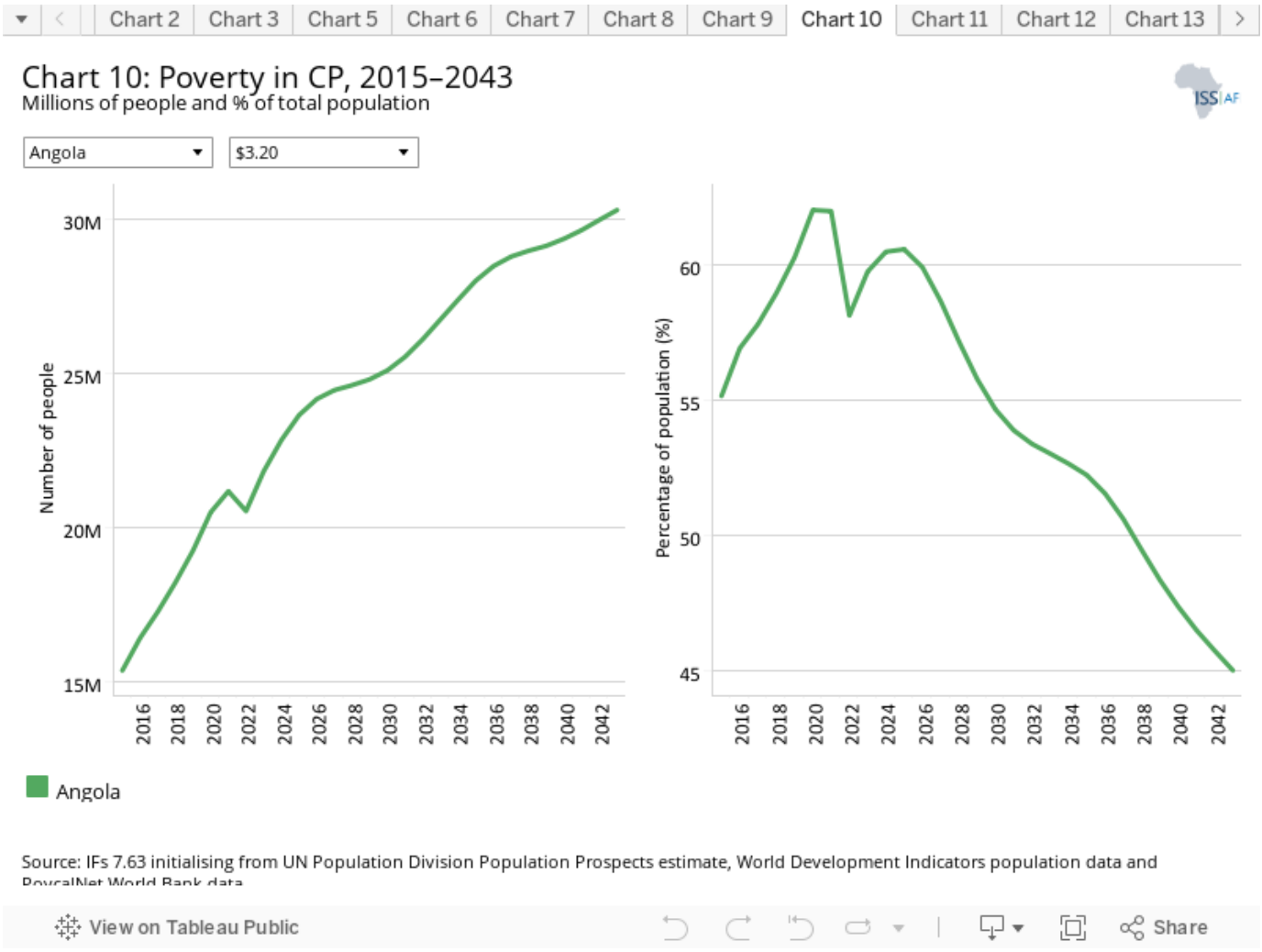
Moving forward, it will be important for Angola to encourage and support growth in agriculture, manufacturing, and tourism to improve the livelihoods of the country's rapidly growing population.



The data on agricultural production and demand in the IFs forecasting platform initialises from data provided on food balances by the Food and Agriculture Organization (FAO). IFs contains data on numerous types of agriculture but aggregates its forecast into crops, meat and fish, presented in million metric tons. Chart 9 shows agricultural production and demand as a total of all three categories.

Angola is the third largest sub-Saharan African country and has large swathes of arable land. However, the agricultural sector — once among the most productive on the continent — performs far below its potential. At present, 95% of the roughly 5 million hectares of cropland that cover 4% of the country is used by families for small-scale and subsistence farming. Meanwhile, between 60% and 75% of the population depends on subsistence agriculture for income and food. Given the sector's low productivity, food demand exceeds food production. In the Current Path forecast, Angola's rapidly growing population will translate into quick and dramatic growth in food demand, reaching 77 million metric tons by 2043. Conversely, production is projected to stagnate, increasing only to 40 million metric tons by 2043.

Poverty: Current Path



There are numerous methodologies for and approaches to defining poverty. We measure income poverty and use GDP per capita as a proxy. In 2015, the World Bank adopted the measure of US$1.90 per person per day (in 2011 international prices), also used to measure progress towards the achievement of Sustainable Development Goal 1 of eradicating extreme poverty. To account for extreme poverty in richer countries occurring at slightly higher levels of income than in poor countries, the World Bank introduced three additional poverty lines in 2017:

- US$3.20 for lower middle-income countries
- US$5.50 for upper middle-income countries
- US$22.70 for high-income countries.

Poverty is among Angola's most pervasive challenges: in 2019, three out of every five Angolans — over 19 million people — were living under the extreme poverty line for lower middle-income countries (US$3.20 per day). Two out of five Angolans are living on less than US$1.90 per day, the income level used to measure global progress towards the United Nations' first Sustainable Development Goal to eliminate extreme poverty by 2030.

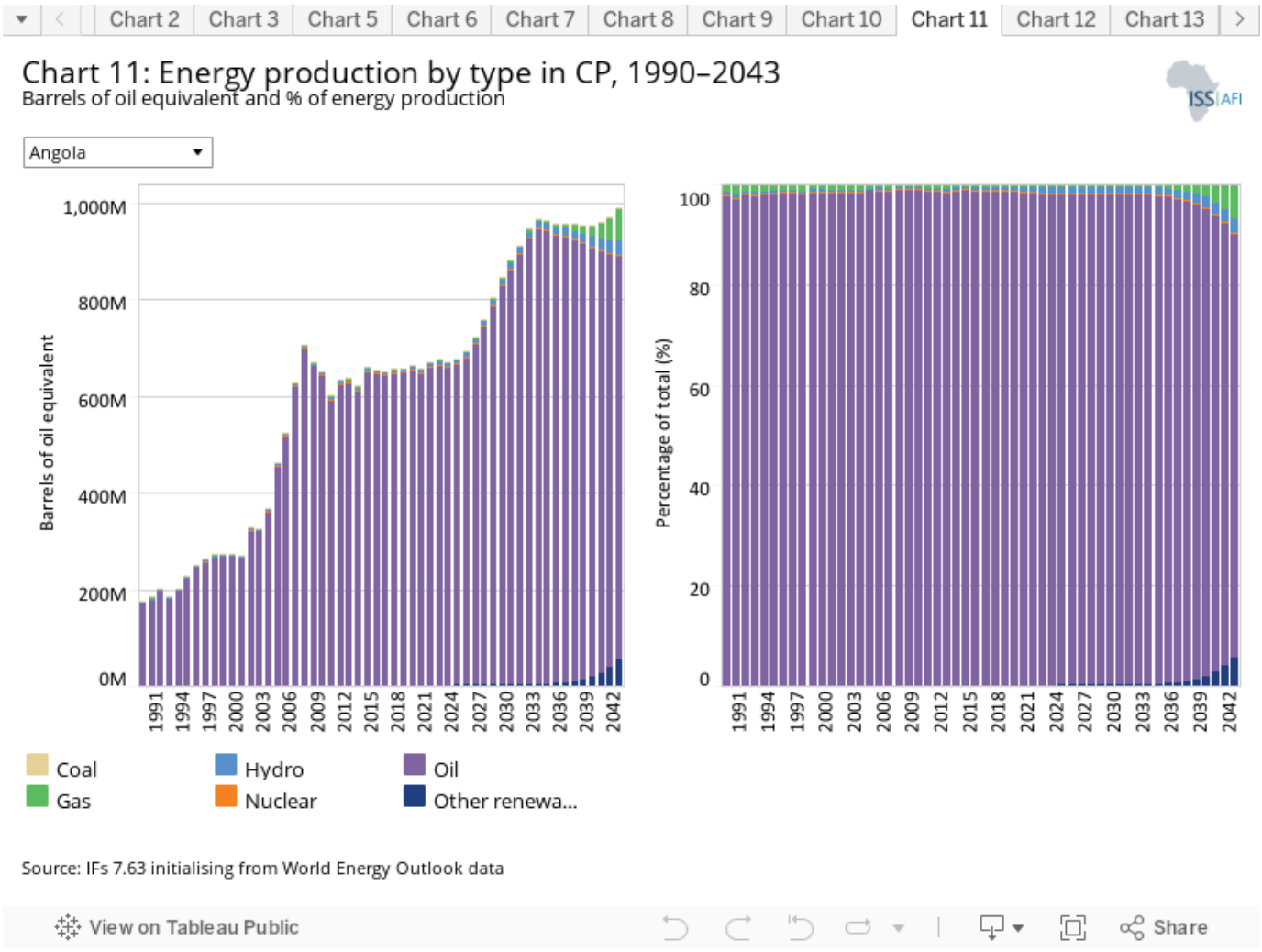
Meanwhile, one out of every three Angolans is living in severe poverty according to the Multidimensional Poverty Index,

which is based on 10 indicators measuring education, health and standard of living.

In the Current Path forecast, the share of the population living under the lower middle-income poverty line will fall slightly from the current estimate of 60% to 45% by 2043. However, owing to rapid population growth, the number of Angolans living on less than US$3.20 per day will continue to grow, reaching over 25 million by 2030 and over 30 million by 2043. Because Angola has relatively high inequality (third highest among Africa's 23 lower middle-income countries), economic growth does not readily translate into poverty reduction.

It is important to note that Angola's national poverty rates fail to capture the prevalence of poverty in the country's rural areas, where nine out of ten people are poor. [2]

Carbon Emissions/Energy: Current Path



The IFs platform forecasts six types of energy, namely oil, gas, coal, hydro, nuclear and other renewables. To allow comparisons between different types of energy, the data is converted into billion barrels of oil equivalent (BBOE). The energy contained in a barrel of oil is approximately 5.8 million British thermal units (MBTUs) or 1 700 kilowatt-hours (kWh) of energy.

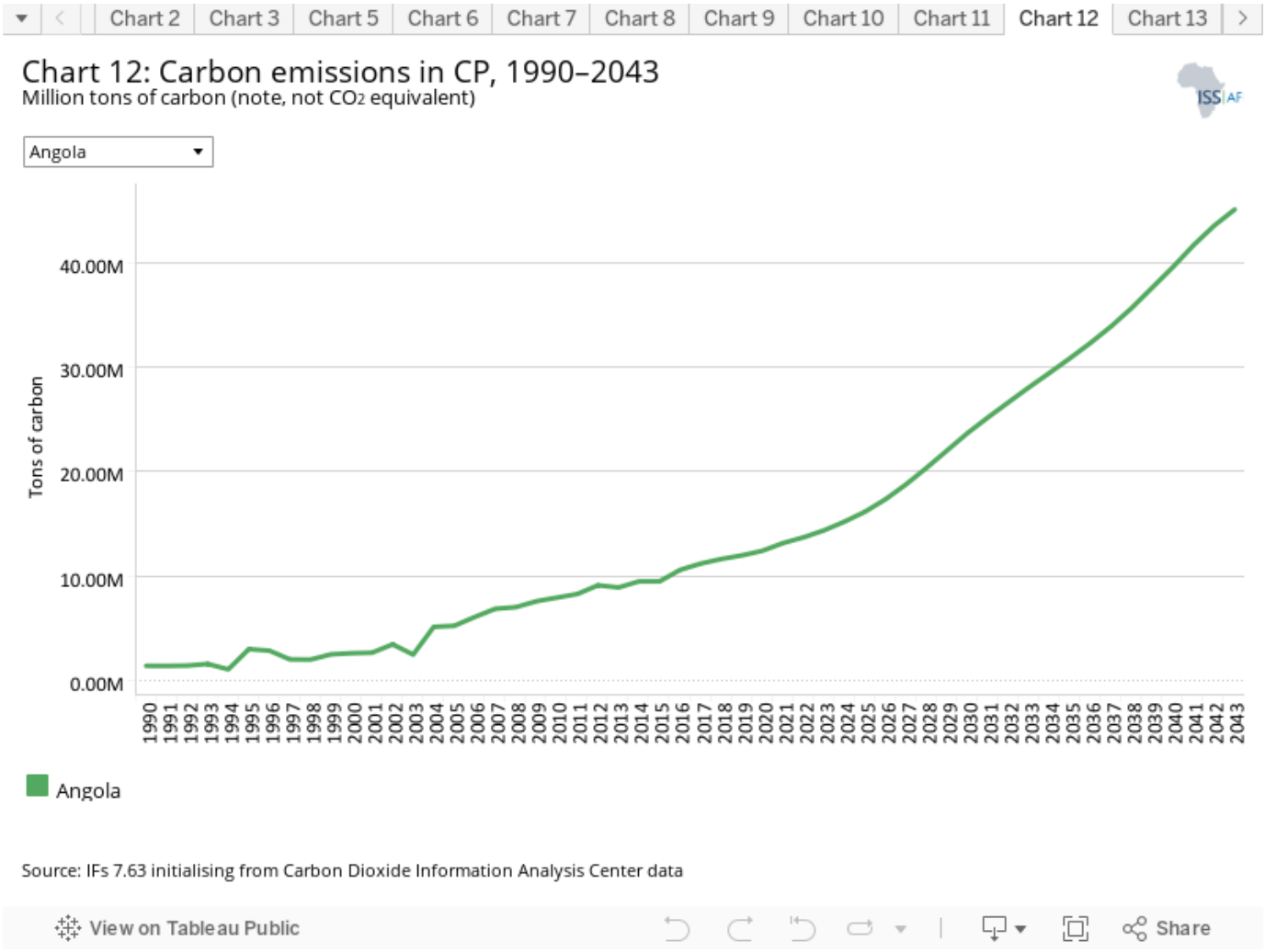
Oil dominates energy production — and the economy — in Angola, where nearly all reserves are in deepwater oil fields off the Cabinda Province, a small yet geopolitically critical Angolan coastal exclave in the DR Congo that countries and separatist groups have been fighting over for decades. In 2019, Angola produced an estimated 65 million barrels of oil equivalent (MBOE) of oil, which includes crude oil, condensates and natural gas liquids. The 1.57 million barrels of oil per day that Angola sent abroad in 2017 accounted for more than 95% of export earnings.

With over 8.2 billion barrels of proven oil reserves, and 13.5 trillion cubic meters of natural gas, Angola has the potential to be energy self-sufficient, but spends more than US$1.7 billion annually on oil imports due to infrastructure deficits. To address this imbalance refinery development is an important priority with upgrades to the country's only operating refinery (Luanda Refinery) and three new projects (Lobito, Cabinda and Soyo) in the pipeline by mid-2022.[3]

Although there have been recent investments in oil and gas exploration, Angola's proven oil reserves are expected to run out by the mid-2030s. The decrease in oil production reflects this expectation. If new reserves are discovered, whether

they will be financially viable in an era of relative oil abundance is far from certain.

As the Angolan population grows and its economy intensifies, Angola will require more energy for domestic use. The country's renewable energy potential — primarily hydropower and solar — is among the most significant opportunities available. Moving forward, accelerating the transition away from hydrocarbons and towards renewables will be an indispensable component of a self-sufficient and economically stable Angola.



Carbon is released in many ways, but the three most important contributors to greenhouse gases are carbon dioxide (CO2), carbon monoxide (CO) and methane (CH4). Since each has a different molecular weight, IFs uses carbon. Many other sites and calculations use CO2 equivalent.

In 2019, Angola emitted an estimated 12 million tons of carbon. Although the energy sector is primarily responsible for greenhouse gas emissions, land-use change (such as deforestation), forestry and agriculture also contribute. In the Current Path forecast, Angola will steadily emit more carbon: in 2030, the nation is projected to emit 24 million tons. In 2043, Angola is projected to emit 45 million tons of carbon making the country Africa's fifth largest producer of carbon emissions behind Algeria, South Africa, Egypt, and Nigeria.

From an African perspective, the continent's largest producer of carbon emissions, South Africa, emitted 133 million tons that same year. Meanwhile, China — the world's largest emitter of carbon — produced 2.9 billion tons in 2019, followed by the United States (1.4 billion tons) and India (676 million tons).

As the climate continues to warm, Angola's water and food resources, infrastructure and human settlements will be increasingly threatened. Climate change projections vary across the country. At the national level, annual rainfall is projected to decrease by roughly 1% from 1990 levels by 2050. Generally, the northern areas will become warmer and experience a slight decrease in rain, while the southern areas will become hotter more quickly and suffer a more dramatic decrease in rain.

Conversely, the central coastal region is expected to experience a slow increase in rainfall. Floods and droughts will also continue to intensify and become more frequent, causing further soil degradation and endangering vulnerable communities.

Like the rest of southern Africa and other arid climates, Angola is feeling climate change's effects primarily through food and water insecurity. In fact, Angola is one of seven countries globally that will inevitably suffer decreased yields of key crops (cassava, maize, sorghum, rice, wheat and millet) by 2030 because of climate change.

To help mitigate the effects of climate change, Angola needs to sustainably manage the forests that cover half of the country. Sustainable management of forests and other ecosystems will be critical to helping adapt to and mitigate climate change. Angola is the most densely forested country in the Zambezi River Basin and unusually diverse: 'It occupies only 4% of the terrestrial area of Africa, yet it possesses the highest diversity of biomes and is second only to mega-diverse South Africa in terms of the number of ecoregions found within its borders.' [4]

Endnotes

1. I Leao & S Shetty, 7 September 2022, Towards improved water and food security: Angola's potential as a future agriculture powerhouse of Africa, World Bank blogs
2. Oxford Poverty and Human Development Initiative, Multidimensional Poverty in Angola 2020
3. Staff writer, 24 June 2022, Fertilizer production complex will cost more than USD two billion, AngolaTelegraph
4. BJ Huntley and N Ferrand, Angolan biodiversity: Towards a modern synthesis, in B Huntley, V Russo, F Lages And N Ferrand (eds0), *Biodiversity of Angola*, Springer Nature, 3, 2019

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Cite this research

Jakkie Cilliers (2024) Angola. Published online at futures.issafrica.org. Retrieved from https://futures.issafrica.org/geographic/countries/angola/ [Online Resource] Updated 13 December 2023.

About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria oce of the ISS. His 2017 best-seller Fate of the Nation addresses South Africa's futures from political, economic and social perspectives. His three most recent books, Africa First! Igniting a Growth Revolution (March 2020), The Future of Africa: Challenges and Opportunities (April 2021), and Africa Tomorrow: Pathways to Prosperity (June 2022) take a rigorous look at the continent as a whole.

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