

FLASH NOTE

Nº 08.2023 | 6 Jun 2023

Export diversification remains very low

Green shoots on non-oil exports for 4 different sectors, but still nascent

A. DESCRIPTION

1| The Angolan economy remains highly dependent on oil exports, as they are the source of almost all foreign exchange. In this sense, its influence on the external balance of the economy, and therefore on the exchange rate, make economic diversification imperative. Such diversification has begun, but mainly through the development of a domestic non-tradable services economy, together with some import substitution in recent years, which has increased the resilience of economic activity to future downturns. However, true economic diversification also requires new sources of foreign exchange, exports in places other than the oil sector.

2| In 2020, according to the Atlas of Economic Complexity, Angola was the economy with the least economic complexity among the 133 evaluated, dictated by the huge concentration of exports in some goods, namely crude oil, refined fuels and diamonds (to which another oil product would be added in these recent years, liquefied natural gas). In fact, even in recent years exports outside this sector have not yet increased significantly. However, there are some indications that they may do so in some sectors. There are a series of goods that have started to register increases in exports in recent years, but still at low values, in what we can call the possible first origins of export diversification. In this note we present these developments. **It should be noted that this collection of data is not exhaustive and has an assumed bias of trying to find positive cases that may, in the future, become the basis for a more concrete diversification of exports and foreign exchange earnings.**

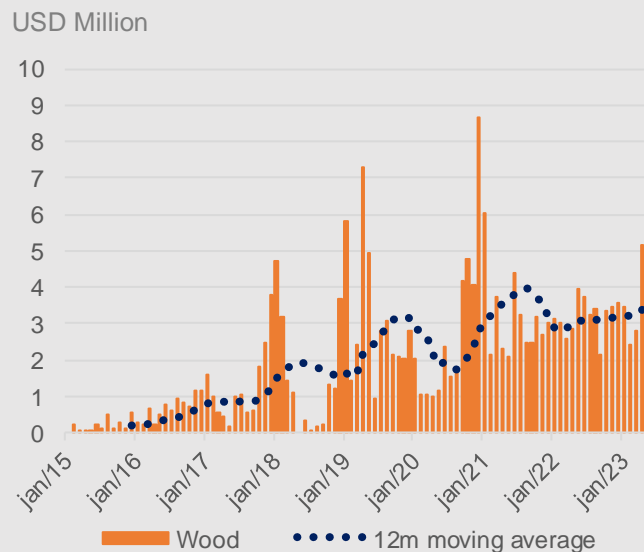
B. ANALYSIS

1| According to tax authority data, in addition to oil and diamond goods, and also excluding sales of machines and their parts that may very likely be attributed to the resale of products used by the oil industry that are re-exported, there are 3 goods that have figured for some time now in the largest non-oil exports.

Firstly, wood, which continues to be a good with significant exports: in 2022 USD 38.5 million were exported, and in 2023 USD 13.8 million had already been sold by April. But note the graph, these exports have not shown sustainable growth, on the contrary, and have also been subject to regulatory instability.

Next, we also have exports of fish and crustaceans in category 0306, which mainly include sales of shrimp: USD 32.7 million in

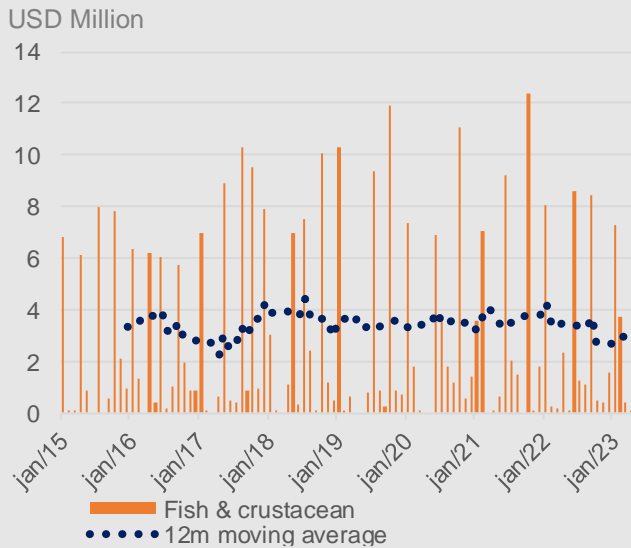
Exports of wood subject to regulatory volatility



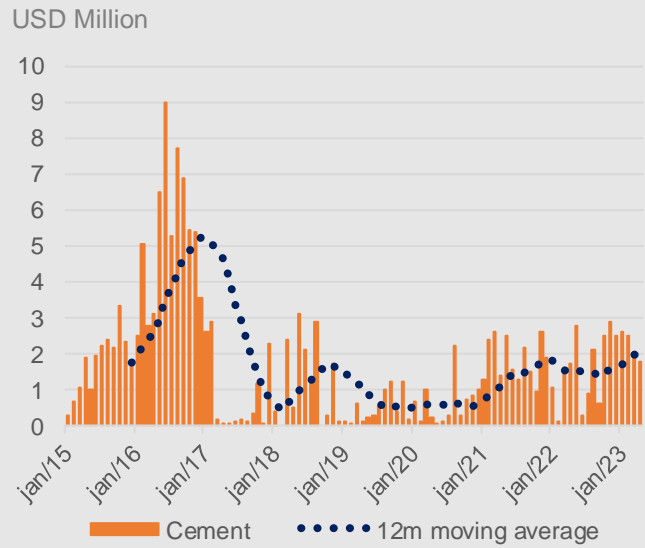
2022, USD 11.4 million by April 2023, but there is a constant level of exports in recent years, probably related to fishing quotas imposed by the Angolan State.

Closing these 3 typical goods, we have cement, in particular clinker exports: in 2022, exports were USD 18.9 million, accumulating already USD 8.9 million in 2023; here, despite values still well below the peaks reached in 2016, the recent trend is a gradual increase in exports.

Shrimp exports are the 2nd most exported products outside of oil, gas & diamonds



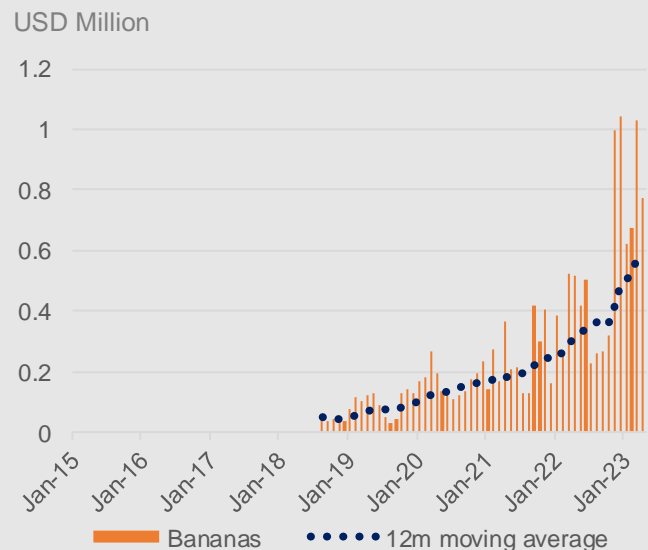
Cement exports amounted to USD 8.9 million in 2022

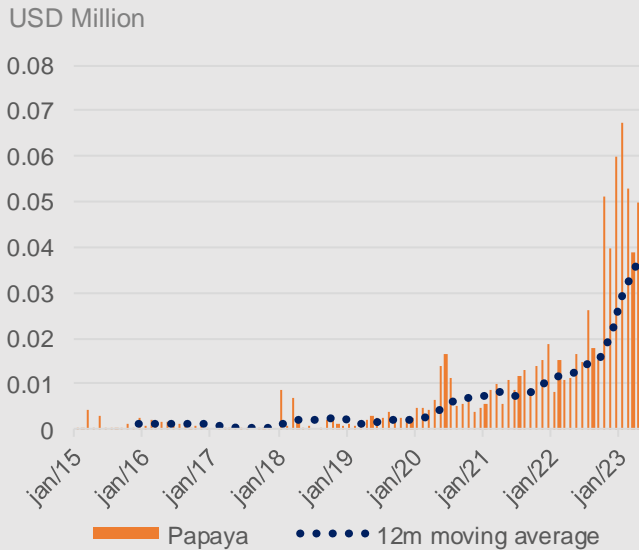
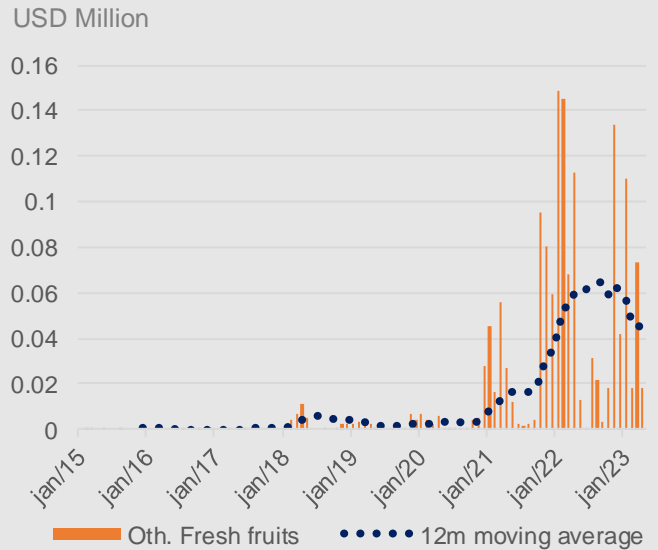


2| Looking at entirely new exports, or ones that have grown a lot, we can start with the Agriculture sector.

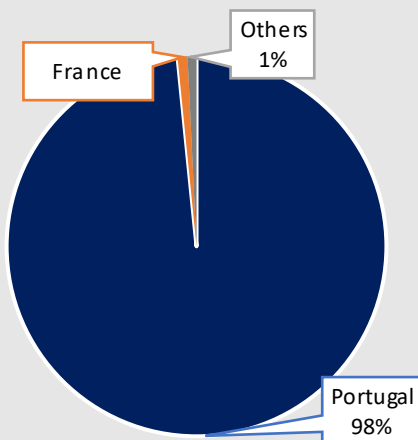
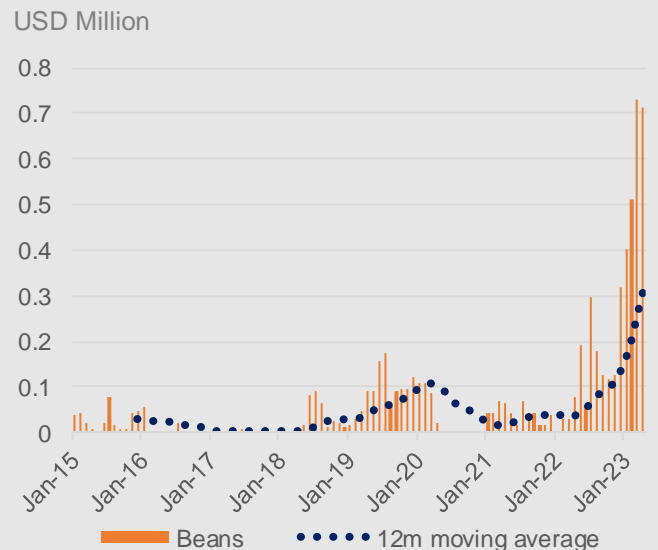
In particular, banana exports have grown significantly: in 2022, a maximum of USD 5.7 million exported was reached, well above the previous maximum of USD 2.9 million, in the previous year. This year, up to April, USD 3.1 million had already been exported, and the graph shows the relative sustainability of this increase. In this case, this growth takes place in a more general dynamic of increased fruit sales abroad, which totaled USD 7.6 million in 2022, the highest value in this series that occurs since 2015, and this year already accumulated USD 3, 6 million in exports. Note the increases in papaya exports, and in tariff category 0810, which includes “other exotic fruits”; none of these has yet accumulated USD 1 million in 2022, but both register sustainable growth, accumulating, together, already USD 442 thousand until April 2023.

Banana exports begun in 2019 and are visibly growing



Papaya exports haven't reached USD 100 thousand per month, but they're growing fast

Exotic fruits have also seen a beginning of export flows


On the other hand, bean exports are also growing rapidly: in 2022, USD 1.6 million of this product were exported, and this amount has already been largely exceeded in the first 4 months of the year alone, with USD 2.4 million in bean sales abroad. Despite some dynamic growth in the vegetable segment in general, growth has been mainly based on the export of this good.

Portugal leads largest banana buyers in 2022

Bean exports are on their way to values close to USD 1 million per month


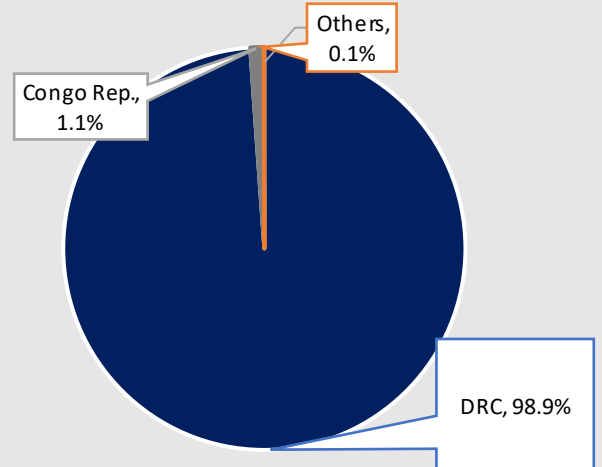
And what export markets are being explored for these goods? In the case of the various fruits exported so far, Portugal is clearly the biggest market. In the case of bananas, 98.4% of exports went to the Portuguese economy in 2022, but it should be noted that this percentage dropped to 95.9% in the first 4 months of 2023 – the French market is also opening up, representing 4.1% of exports this year, compared to just 0.8% in 2022.

In the case of beans, the figure is completely different – 98.9% of exports in 2022, and 99.5% of exports in 2023, are for the Democratic Republic of Congo.

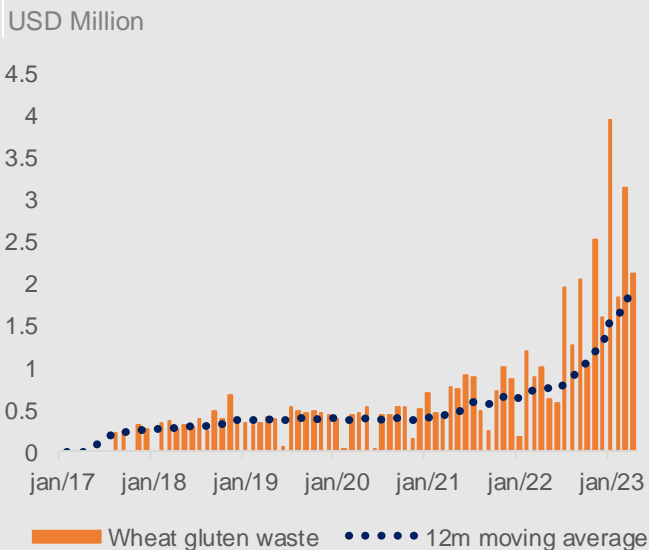
3| With the development of Agriculture in recent years, there was an opportunity to start using production surpluses in small food processing industries, which have shown some growth, albeit from a very low base.

We begin by highlighting the wheat derivatives production sector, whose exports are testimony to its development. See the following: exports of wheat gluten residues totaled USD 14.9 million in 2022, a series high, and have already accumulated USD 11.0 million in the first 4 months of 2023, surpassing, for example, exports cement or shrimp. The graph shows the sustainable growth of this type of exports, a by-product of wheat flour production.

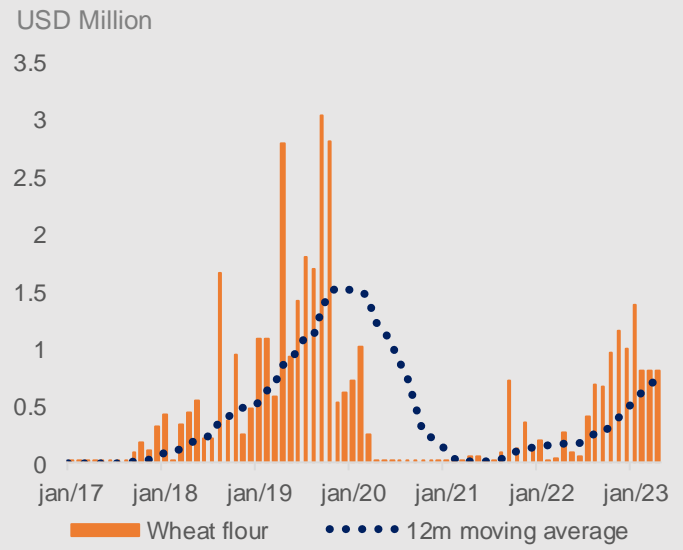
In 2022, about 98.9% of bean exports were to the DRC



Wheat gluten waste exports amounted to USD 14.9 million in 2022

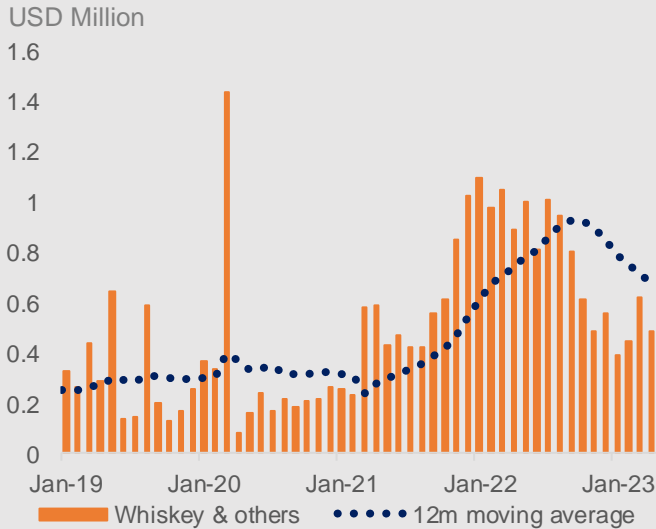
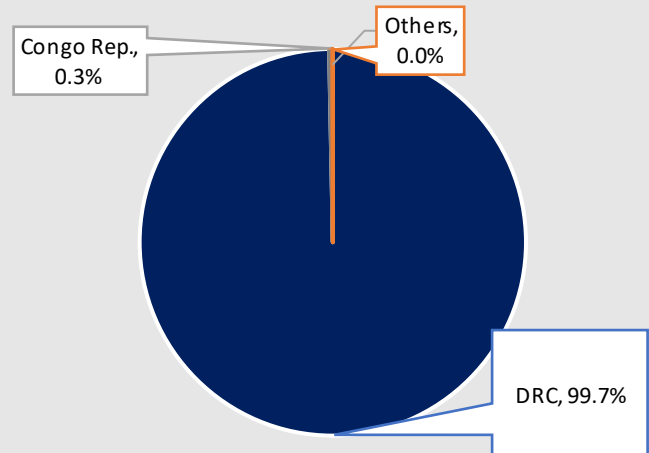


Wheat flour exports are recovering, following a drop in the pandemic

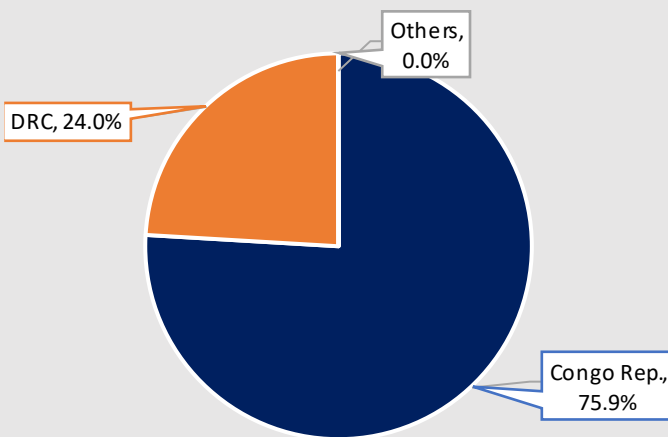
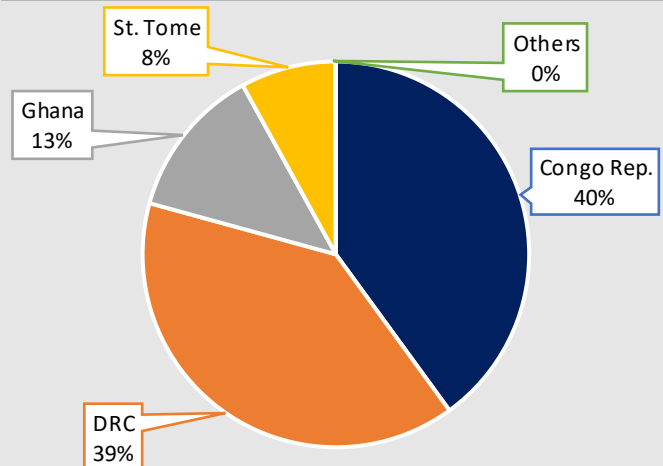


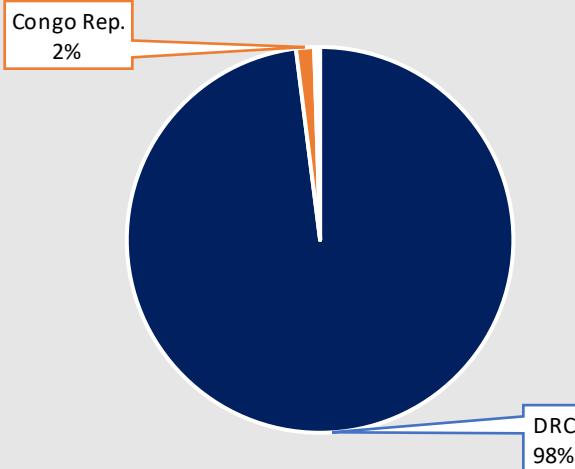
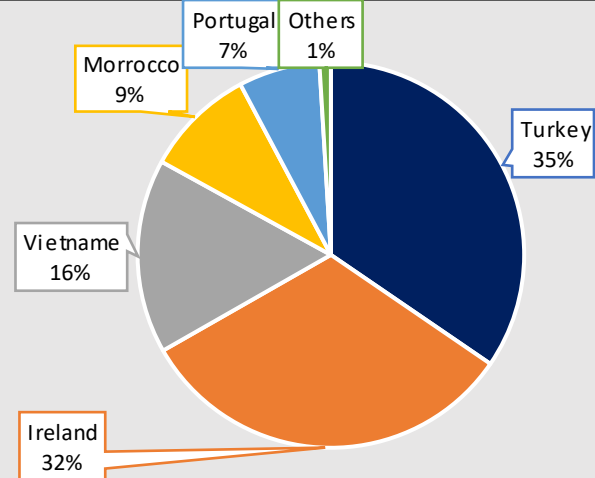
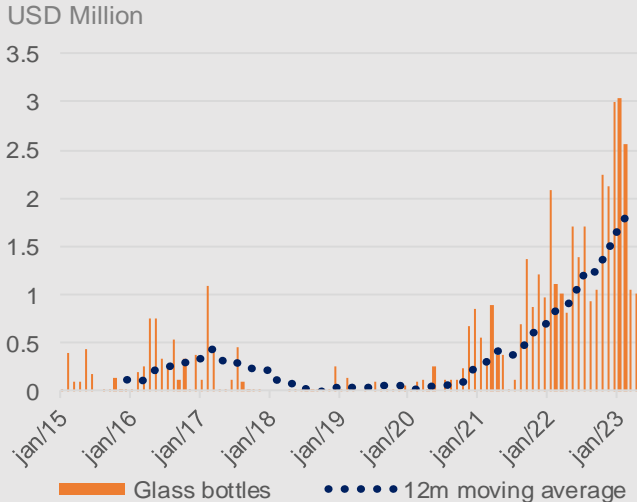
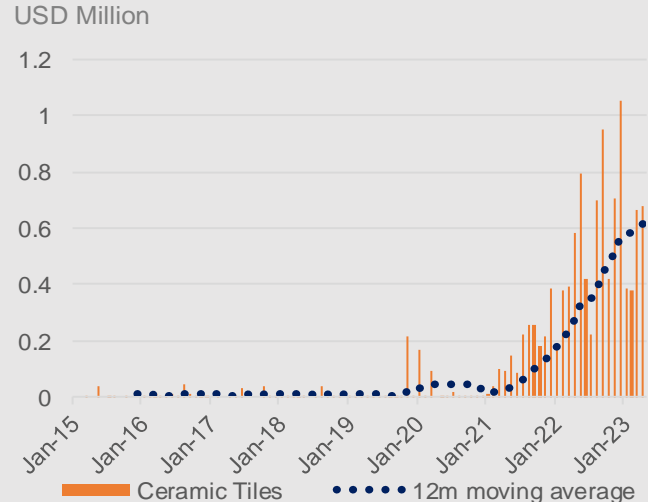
At the same time, wheat flour exports have also grown since 2020, reaching USD 5.6 million in 2022, but are still below the peaks reached in 2019, of USD 18.4 million. Here, it is possible that a significant part of the production has started to be distributed internally. In 2023, exports already accumulated USD 3.8 million until April, evidence of the rapid growth in recent years.

In the beverage industry, despite a decline in sector exports as a whole, in particular beers and table water, whiskey exports have risen, registering a maximum of USD 10.3 million in 2022, and accumulating USD 2.0 million by April 2023. Note also the recent growth in exports of pasta, both prepared/stuffed and unprepared, with lower total values, but whose evolution can be witnessed in the graphs.

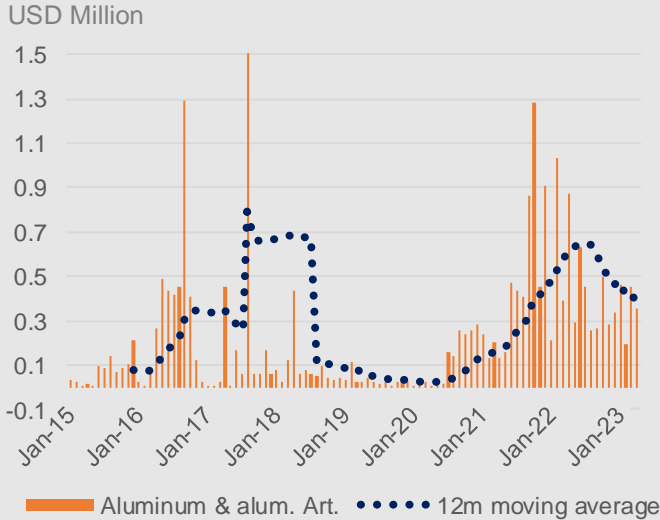
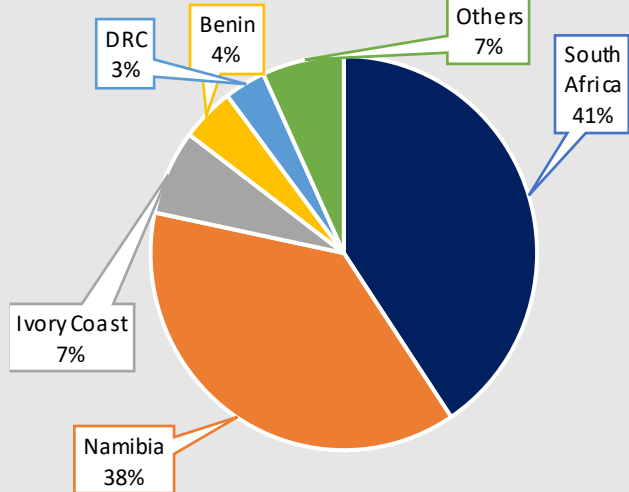
Whiskey exports increased a lot in 2022, but seem to be moderating in 2023

DRC is main market for Angolan wheat flour


And what markets are being explored in this case? More than 99% of wheat flour is exported to the DRC, while in the case of pasta there is a division between the two Congos, adding a new market in São Tomé, which acquired 58% of exports of unprepared pasta between January and April 2023. Also in the case of whiskey, 98% of exports went to the DRC in 2022. In the case of wheat gluten residues, the biggest customer, with around 35%, is Turkey, but there are a number of from countries that buy this by-product, including Ireland, Vietnam, Morocco, Portugal, and Senegal.

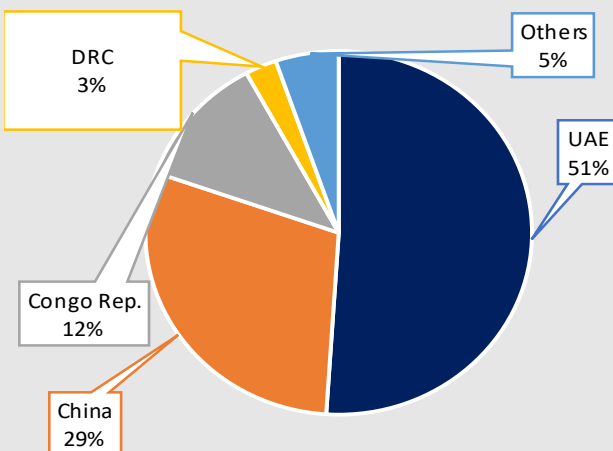
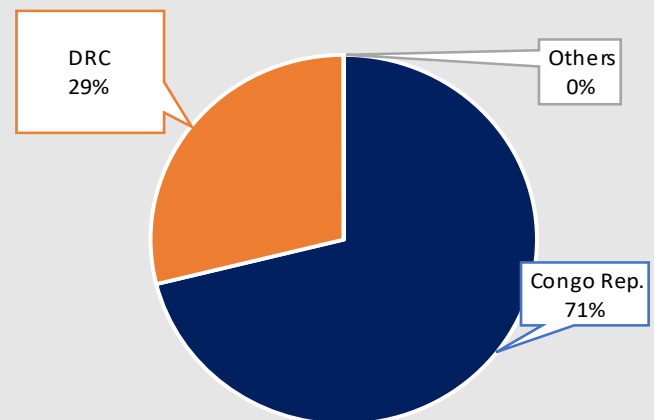
Congo Rep. and DRC are main destinations for uncooked pasta

Prepared/stuffed pasta is being exported to various African economies


Almost all whiskey exports are directed to DRC

Wheat Gluten Waste is exported to markets all around the globe

4| Industry not directly linked to the agricultural sector has also seen some developments in terms of exports.
Glass bottle exports have grown quite rapidly in the last 2 years

Ceramic tile exports have grown since mid-2021


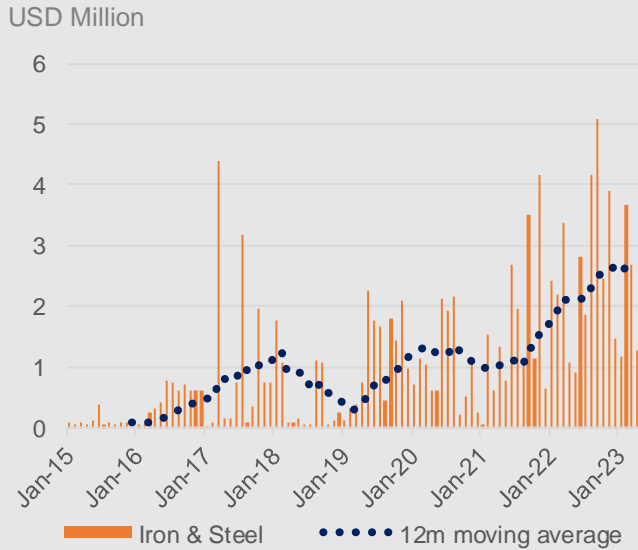
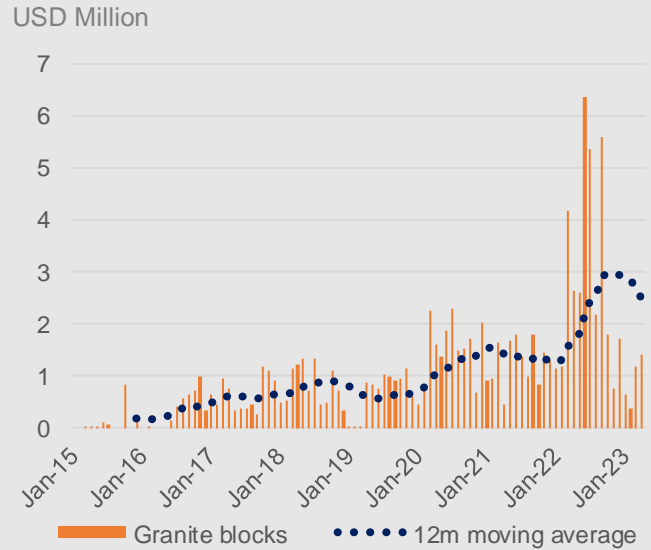
See the export of glass bottles, which reached USD 19.2 million in 2022, a maximum since at least 2015, and which already accumulates USD 7.7 million in 2023. Note the relatively sustainable evolution shown in the graph. There is also a significant increase in exports of ceramic products, especially ceramic tiles, which reached a maximum of USD 6.8 million in 2022, and already accumulate USD 2.1 million until April 2023. A 3rd set of goods with exports on the way up is the "Aluminium and its articles" group; although still below the maximum of USD 8.0 million in 2017 (mainly due to the month of August 2017, far above all others), exports have remained high since 2021, with clear growth from the end 2020, and maintenance at an interesting level since then.

Aluminum and aluminum articles are also being exported in significant amounts recently

Glass bottle exports have already found several export markets in Africa


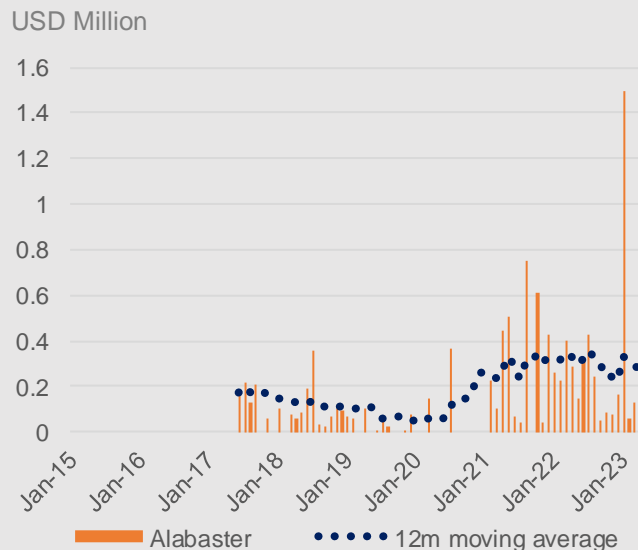
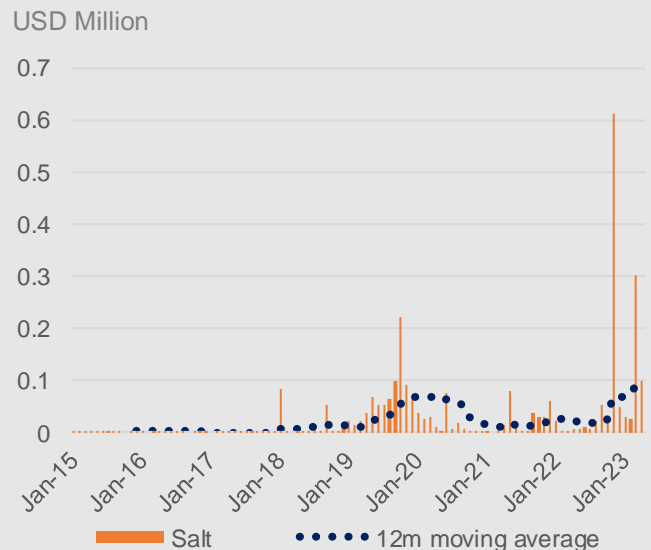
The markets that are resulting in the demand for these goods are several: in the case of glass bottles, in 2022, almost 80% of the demand was divided between South Africa and Namibia, also being sold to other markets, mainly African, and in 2023 the markets of Guinea-Conakry, DRC and Burkina-Faso gained particular weight. Ceramic tiles are being exported mainly to Congo (Brazzaville), around 70% and to the DRC, around 30%. Aluminum is mostly exported to the United Arab Emirates, with the Chinese economy and Congo (Brazzaville) also being important customers.

Aluminum is exported for several markets, even outside the African continent

Ceramic tiles are mostly exported to the DRC and Congo Rep.


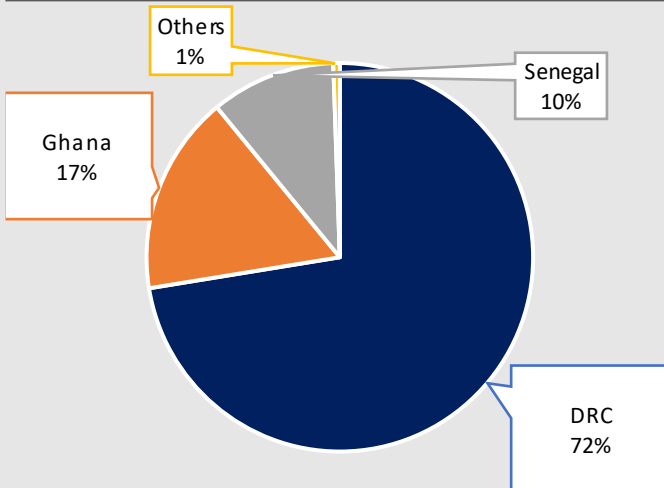
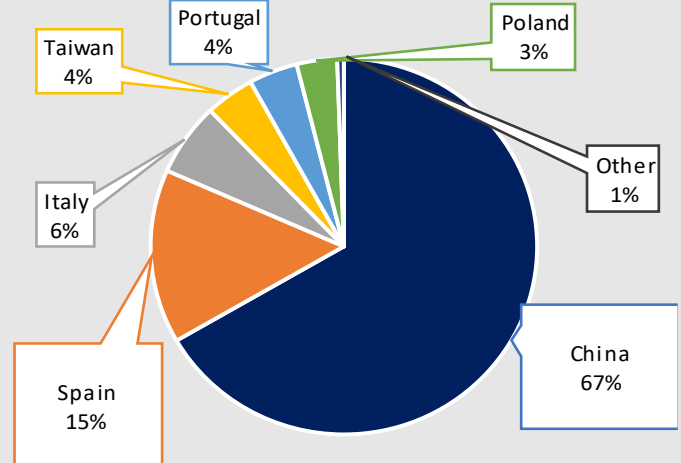
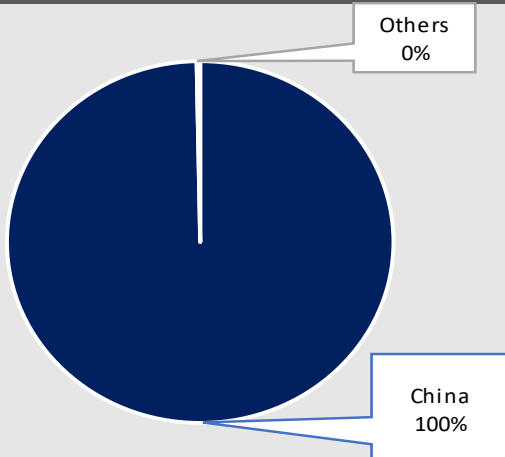
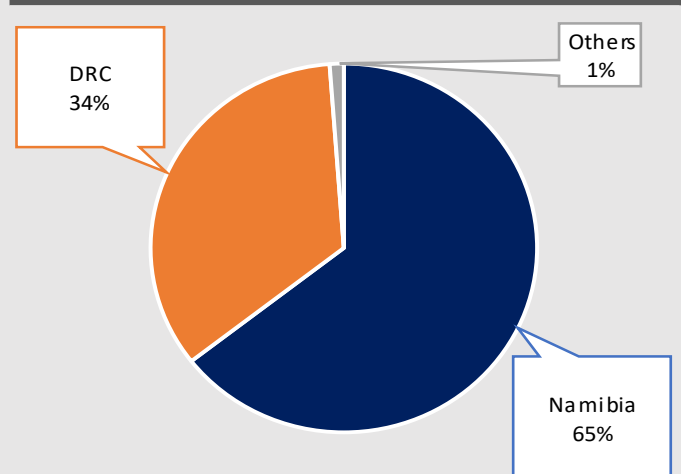
5|Finally, there are also some significant developments in mining, a sector that could prove to be fundamental outside what is already exploited for diamonds. Exports of iron, steel, and their articles, totaled USD 31.8 million in 2022, the highest since 2015, reaching USD 8.8 million by April 2023, and the sustained growth of these sales is relatively clear. On the other hand, we also have the export of granite blocks, which also reached a maximum in 2015, of USD 35.5 million, although in 2023 it seems to be a little more moderate, accumulating only USD 3.6 million until April. Alabaster exports, on the other hand, peaked at USD 3.2

Iron & steel with sustainable export growth since 2019

Granite sales saw very significant peaks during 2022


million in 2021, dropping to USD 2.7 million in 2022, but already accumulating USD 1.8 million in exports by April 2023, showing new breath in growth. And finally, the export of salt, also relatively typical in Angola, has started to grow a little more, although the maximum of 2022 was still below a million dollars, at USD 821 thousand – until April of this year, it already exported more half of that amount.

Alabaster exports are recent, but they could become significant in the future

Salt exports saw recent peaks, which could hint at future growth in the short term


And to which markets are these exports heading? There is a lot of variation: in the case of iron and steel, most of these exports go to the DRC (+70% in 2021 and 2022), with Ghana and Senegal also being relatively important markets. Granite is mostly exported to China (66.7% in 2022), but Spain (15.0% in that year) and Italy (6.2%) are also important markets. In the case of alabaster, China was almost the only customer between 2019 and 2022, but an entirely new market opened up in Poland in 2023, which until April was the destination for 59.8% of exports of this good. In the case of salt, the main customers are Namibia (64.5% in 2022) and the DRC (34.3% in that year, but 99.2% in the previous year).

Iron & Steel exports are towards various African markets

Granite exports are mainly to China, but there are various other interested markets

Almost all alabaster exports are to the Chinese economy

Salt exports are destined mainly to Namibia and the DRC


C. CONCLUSION

1| The diversification of exports is not yet a reality: adding all the goods mentioned, in 2022 they represented only 7.3% of diamond sales abroad, and only 0.4% of all crude oil exports.

2| Even so, we were able to list a series of goods whose exports have grown significantly and undeniably in recent years. If some of these continue to grow at the rate they have been growing, and these are joined by a series of goods to be exported, then the diversification of exports can truly take place and this can be the beginning.

3| For this, it will be important to maintain the exchange rate reform, which allowed stability and an exchange rate that is not overvalued, allowing competition with imported goods. But above all, it is necessary to accelerate the creation of effective conditions for a better business environment for these exporting companies: more access to energy, more access to water, better transport, better legal security, and less bureaucracy. Simple to say, hard to do.

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