The rapid expansion of Angola's middle class

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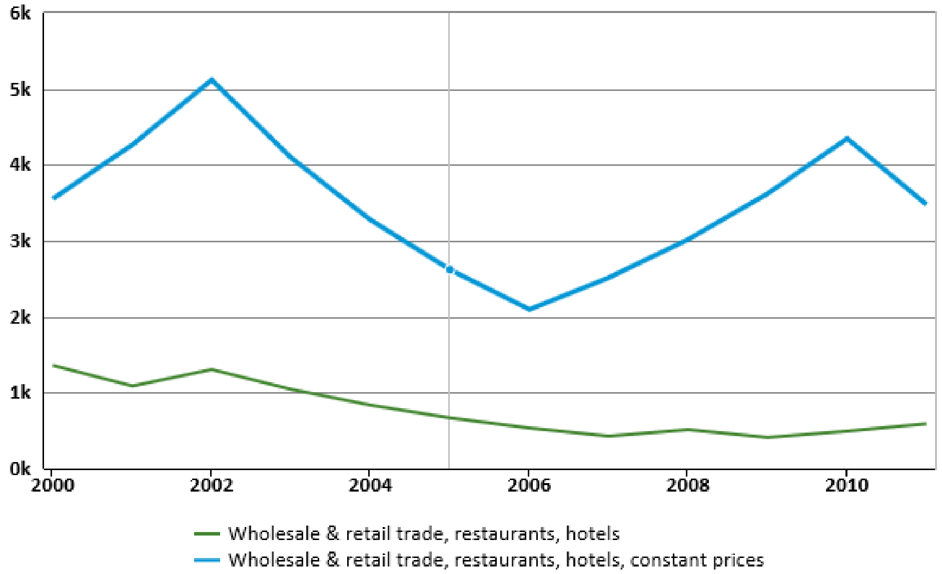
Angola's retail sector is set to grow by eight per cent in 2015 due to the country's rapidly expanding middle class.



This is according to investment bank, Eaglestone, who have estimated that the Angolan retail sector will increase from 28 billion US dollars in 2014 to 30 billion US dollars next year, making up 21.3 per cent of the country's GDP, up from 15 per cent in 2002.

Eaglestone's research indicated that Angola's favourable demographics, economic growth prospects and political stability has led to an increase in investments from new and existing retailers, resulting in the rapid growth of the retail sector.
"Significant foreign investment is already being attracted into the retail sector but we expect more foreign players to enter as the market grows," said Guido Varatojo dos Santos, an analyst at Eaglestone.

Previously, Angola's retail sector lagged behind other areas of the economy due to a high percentage of shopping being done at informal marketplaces, which were characterised by tax evasion and poor health standards.

However, Eaglestone said that a boom in Angola's oil industry led to the rapid development of the country's other sectors.
"While Angola continues to rebalance its economy away from an overdependence on high oil prices, oil has started to transform the Angolan economy and in turn the retail sector. There is a considerable inflow of people moving from regional areas to city centres looking for new jobs," said dos Santos.

Eaglestone added that the Angolan government has also taken steps to close or relocate informal market places, making the shift for consumers to formal retailers even more favourable.

“Consumers in Angola are also changing. As the labour force becomes more skilled and disposable incomes increase, consumers are becoming more sophisticated. They are demanding, more brand conscious and willing to spend more on aspirational purchases.”

Currently, two supermarket giants, Shoprite and Spar, as well as Portuguese group Teixeira Duarte are already present in Angola with other brands such as Portuguese food and FMCG retailer, Sonae, expected to open in 2015.

Despite these developments, Eaglestone explained that the Southern African country still faces a number of challenges.

Around 60 per cent of the food consumed in Angola is imported, meaning that there is still a high dependence on imported goods.

The country also continues to suffer from poor infrastructure, making it difficult for retailers to penetrate certain regions as well as complex legislation around the importation of goods, leading to lengthy and costly processes.

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