

# How Angolans get by in expensive Luanda

*By Lula Ahrens on December 2, 2012* — Angola's capital Luanda is the world's most expensive city for expatriates, according to research bureau Mercer. Yet somewhere between 75% and 85% of its residents live in slums. How do Angolans get by with such skyrocketing prices?



*Luanda Bay, Angola (Photo credit: Miguel Costa Photography)*



A well-paid expat keen to empty his or her deep pockets has a vast array of choices in Angola's bustling seaside capital. Probably Luanda's most breathtaking asset is its huge horse-shoe shaped bay. It was transformed from a waterfront in disrepair to a promenade with manicured lawns, palm trees, flowers, benches and playgrounds at a cost of 135 million US dollars.

The expensive facelift came right before President Jose Eduardo dos Santos was re-elected this summer after 33 years in power. The waterfront leads on to the city's peninsula (Ilha), dotted with glamorous clubs and restaurants boasting views of Luanda's rapidly evolving skyline.

## **Slums**

Let's assume our expat is a man. He may want to spend the night in Club Lookal's new 'Pescaderia' [fish restaurant], where expats and rich Angolans easily spend over 150 US dollars a head. On his way there, he will encounter countless shiny four-wheel drives. He will also notice numerous potholes and slums. Slum dwellers will be right next door when he sits down to lobster and wine. That's the easily visible flipside to Luanda's glamour.

The next day, he might decide to go shopping. The small, luxury supermarket Casa dos Frescos will offer him imported goods he knows from home: French and Italian cheeses, iceberg lettuce (\$11 USD a piece) and Brussels sprouts or mangetouts (13 USD for a handful). One box of Nespresso will set him back \$14 USD, almost four times the European price.

If he has yet to find a decent rental home, he will probably spend a few weeks in a comfortable hotel that offers fast internet access, a restaurant and a gym. The current place to be is the new 5-star Epic Sana Hotel in the city centre, which offers single rooms, including breakfast, for \$450 USD a night, \$200 USD less than you would have spent two years ago at Hotel Tropico and therefore a fairly a good deal.





*Luanda Sul*

## **Home from home**

To offer his children a safe and clean environment, he may decide to rent a house in one of Luanda's new distant suburbs, Luanda Sul. A 3-bedroom house with garden in a guarded condominium will cost his oil company at least \$12,000 per month. Another good deal. In 2008, the price would have been \$23,000 USD. His children's international school, \$40,000 USD per child per year, will also be at his employers' expense. It reportedly costs an average international company operating in Angola \$1 million USD a year to settle an expat in Luanda.

To stay fit, you may opt for a 6-month gym membership at Hotel Tropico in the city centre, at \$1,500 USD. For the fastest internet connection available – still a lot slower than in Europe, Asia or the US – he will pay up to 100 times more for his subscription than he would back home.

Despite all this, his stay will be worthwhile. With 130,000 Portuguese, 30,000 Brazilians, 230,000 Chinese and thousands more from elsewhere, you can safely state that Angola, and particularly Luanda, is an expat magnet. With a population of

around 20 million, Angola is Africa's fifth-biggest and fastest-growing economy, and the continent's second-largest oil producer after Nigeria.

Since the end of Angola's civil war [1975-2002], Chinese oil-backed credit lines – Angola is China's No. 1 oil supplier – have fueled an impressive

building and infrastructure boom. Angola's 8% growth rate this year is lower than usual, but the country is expecting to return to double-digit growth rates in the foreseeable future while European markets decline. On top of that, Angola has a huge demand for skilled labor.

### **The have-nots**

The large majority of Angolans, however, have not profited from Angola's growth. According to economist Manual Rocha, around 2.5% of Angolans are (extremely) rich, and around 10% can be considered middle class. The rest struggle to make ends meet.





*A musseque, Luanda (Photo credit: Curioso)*

Single mother of four Maria Jose Fransisco (30) sells fruit and vegetables every day together with her female colleagues outside one of Luanda's cheaper supermarkets, Martal. "Sometimes we earn something, sometimes we don't," Maria told This is Africa. "There are days when we make 10 or 15 dollars." They sleep on a mattress, on the floor. "I pay \$100 USD rent per month for one room." "We buy our products far from here, in Viana," Lucinda Domingo (23) adds. "Taking them and us here by candungeiro [minivan taxi] costs 10 dollars per person."

A little further down the road, Victor Vieiras Alfonso Jose (28) and his friend sell cheap clothes outside, at the edge of a slum. He studies Engineering at a private university, paid by his parents. "I usually don't work here," he said. "I'm a candungeiro driver. Per month, I earn \$100 USD." Victor works from 5:30 till 18:00 and studies at night.

There are very few jobs for people his age, his says. He rents a room in a slum for \$80 USD per month, including water and electricity. “Per day, I spend more than \$10 USD on food alone. Life is very difficult,” he said.

### **Facts and statistics**

Angola ranks 148 out of 187 countries on the UN Development Index. More than a quarter of the population is officially unemployed. The official minimum wage, around \$120 USD, is comparatively speaking extremely low. Especially given the fact that although inflation is decreasing rapidly, it still stands at 10%. Around 87% of urban Angolans live in shanty towns. In Luanda, “only” 1 in 12 live below the poverty line of around \$47 USD per month (in rural areas, poverty reaches 58%). The question is what this poverty line means in a country where prices are up to 4 times as high as in Western Europe, and how on earth Luanda’s poor manage to get by.

A brief look at costs and incomes may provide a clue. According to UNICEF, Luanda’s poor earn a monthly income of between \$17 USD and \$328 USD. The average Angolan, of course, does not shop at Casa dos Frescos. Around 87% of Angolans reportedly buy their groceries in the informal sector, but prices at local markets are also significantly higher than those in other sub-Saharan capital cities.

In Europe and the US, people spend between 10 and 15% of their income on food. In Angola’s urban areas, people have to spend a staggering 50% of their income on food, 12% on rent and 9% on water, electricity and gas. Four percent is spent on health and 5% on transport. Only 1% is spent on alcoholic drinks, tobacco and education. (Note: beer at \$1 USD a can and cigarettes at \$1.50 USD a packet are among the cheapest items you can get in Angola).

At Most ordinary people buy their food from the informal sector. Typical prices: Eggplant: \$1 USD; four onions: \$2; five or six small tomatoes: \$; head of lettuce: \$4 USD. Lunch in a cheap musseque eatery costs about \$4.00 USD

### **Not all bad news**

Despite the disappointing figures, not everything in Angola is bad news for the poor. Primary education, secondary education, basic healthcare and public universities are freely accessible, in principle. But public hospital services are rather limited, administrative school and university costs can be a heavy burden, and following a

nighttime course costs \$150 USD per month. Luanda's poor often have to resort to local, private clinics and pharmacies scattered throughout town, including in the slum areas. And they aren't cheap.

At these clinics, Angolans pay \$80 to \$150 USD for a simple malaria treatment, \$200 to 300 USD for a complicated malaria treatment and about the same for the treatment of typhoid fever. Do these hospitals offer quality care? Perhaps the figures speak for themselves. Infant and maternal mortality rates are among the highest in the world, and average life expectancy at 51 still among the lowest even though Angola's (official) 2% HIV prevalence rate is extremely low compared to its neighbouring countries.

Housing situations offers more clues. A rental home in a musseque [slum] in or near the city centre costs \$250 to \$300 USD, about the entire salary of a cleaner or guard. Houses in slums outside the city centre, where most of Luanda's residents live, cost \$150 to \$200 USD a month. Some people in the musseques build and own their own stone house. To do that, they have to cough up \$10,000 to \$15,000 USD, which few can afford.

### **Driving prices up**

Recent history, a lack of national agriculture and industry, a skewed housing market, oil and the role of image in Angolan society together form the answer to the question why Luanda is so expensive.

Luanda was once a thriving agricultural exporter and possesses some of the most fertile of African soils. But the independence war [1961-1974] and civil war [1975-2002] destroyed both its farms and infrastructure, and large parts of its countryside are still littered with land-mines. That means that almost everything has to be imported. There's lots of red tape involved in these procedures and expensive bribes to speed them up at will, inflating prices further. Transparency International ranks Angola 168th out of 183 countries on its corruption perception index.

Expats never take long to find out that corruption and related monopolies are an important factor in Angola's impressive price levels. The same goes for the poor. The candungueiros they use for transport are owned by [politically] well-connected Angolan businessmen, as do the lucrative – read: expensive – water trucks that come



to people's rescue when drought hits the capital. The business is too lucrative for those involved for them to want to improve the city's running water supply, an anonymous embassy source told *This is Africa*.



Angola's president Jose Eduardo dos Santos. The billboard reads: "Distributing better".  
(Photo credit: Lula Ahrens)

## Reconstruction

Angola's economy is heavily dependent on oil. Oil production of almost 2 million barrels per day plus related activities constitute approximately 85% of Angolan GDP. (By comparison agriculture, while growing rapidly with a 13% growth forecast for 2012 accounts for just over 10% of GDP.) International oil companies have deep pockets, and their willingness to splash out pushes Luanda's prices up further.



This mineral-rich, post-war country in reconstruction also offers smart or corrupt Angolan entrepreneurs plenty opportunities to get rich fast, due to high demand for goods and services and lack of competition. Luanda's happy few look at brands, not prices, keeping them high up there. Only now that competition is on the rise are prices starting to drop.

A skewed housing market is another major factor in Luanda's price levels. When the Portuguese left after Angolan independence in 1975, many of their homes were squatted by Angolans. An estimated 50% of home owners in Luanda never bought the house or apartment they live in. During Angola's consequent civil war between the Russian and Cuban-supported MPLA and the American and South African-supported UNITA [1975-2002], many of the 4 million displaced Angolans fled the countryside for the relative safety of Luanda city. Most of them stayed. The capital now counts around 7 million residents, while it was originally built for around 250,000. Only recently has the building craze begun to take some strain off demand, lowering prices as a result.

### **No choice**

According to both UNICEF and Mr Rocha, Angola's chronic though improving inflation has disproportionately affected the poor. "People pay more than triple the amount for transport in candungueiros compared to 10 years ago," Mr Rocha told This is Africa. He is not worried about the expats, as their already high salaries are constantly evaluated and adjusted. He even believes that one of the causes of Angola's inflation are in fact expats' high salaries. By contrast, "Life for Luanda's poor population has become much more expensive over the last 10 years compared to their income."

Expats with generous salary packages including free private education for their children, a four-wheel drive plus driver and two flights home per annum have little reason to complain about Luanda's prices, and luckily not many of them do. For years up until 2012, Luanda used to be the number one most expensive city in the world. Prices are going down in some sectors thanks to reconstruction, increasing agricultural production, rising competition, new customs tariffs and decreasing red tape.

Besides, what an expat spends in Luanda is largely up to him or her. A hamburger can cost \$23 USD at a posh hotel, or \$5 to \$7.50 USD in the street. A pair of shoes in a 'posh' boutique cost up to \$350 USD, while lovely, good-quality new shoes sold in the street will only cost \$25 USD. Exchange your Lookal Pescaderia dinner for one of the Ilha's local, sometimes illegal, shabby-looking fish restaurants, and you will get simple

but arguably tastier seafood for one fifth of the price. The extremely basic but centrally located Hotel Globo, right next to the 5-star Epic Sana, offers rooms at an amazing \$60 USD per night.

Luanda’s poor do not have these choices. They face an uphill battle every day to meet their most basic needs, and according to Mr Rocha their buying power deteriorates with inflation. Perhaps it is time for an annual report on the world’s most expensive cities for local have-nots.

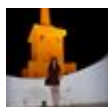
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**Rob Crawford** · Cape Town, South Africa

I know expats who beat expensive Luanda almost exactly in the manner outlined in the end of this article. I was actually hoping that it would be brought up, and I'm glad that it is.

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Was looking up for more info after reading about the high cost of living in Luanda and landed here.. very informative.. Thanks!

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