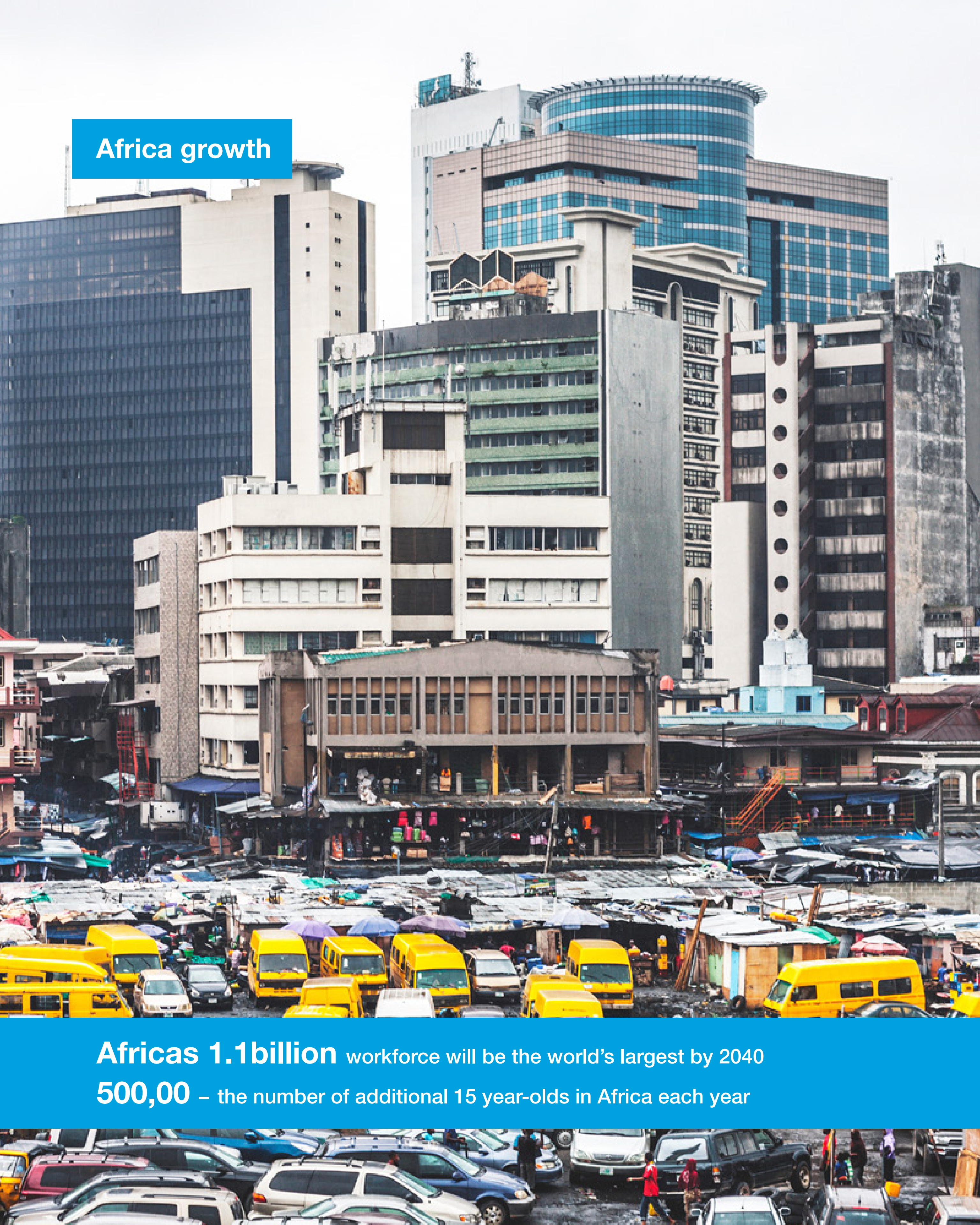


Africa growth

Africas 1.1billion workforce will be the world’s largest by 2040

500,00 – the number of additional 15 year-olds in Africa each year

Africa growth

With a land mass bigger than India, China, the US and Europe combined, few doubt the scale of the African continent and its resources. However, until recently only some have seen it as the growth market that it is fast becoming.

With a steadily growing population heading towards 2bn, Africa's 1.1bn workforce will be the world's largest by 2040. Equally, with a collective GDP of $2.6 trillion by 2020 and $1.4 trillion of consumer spending, many see the impact of around 500m new middle class consumers. Africa as a continent has, on average, grown its economy by at 5% per annum over the last decade. It is already as urbanized as China and has as many cities of over 1m populations as Europe.

However clearly there are many 'Africas', with varied economies: from the oil exporters of Nigeria, Angola, Libya and Algeria to the already more diversified economies found in Egypt, South Africa and Morocco, there is a host of nations already with GDP per capita well over $2000. Elsewhere there are many countries such as Kenya, Tanzania, Ghana and Cameroon in transition from agricultural to manufacturing and service economies.

For years, Africa's growth has been shaped by commodity prices – the continent has a third of the planet's mineral resources, 10% of the world's oil reserves and produces nearly 70% of the global diamond trade. While this has clearly been good for growth in the past, the dependency on a few key commodities, and hence their global price, has led to high levels of market uncertainty – especially around many of Africa's currencies: at least ten African currencies, for example, lost more than 10% of their value in 2014. Although oil prices are volatile, oil and gas will however continue to be an important factor in the future of Africa – Africa will remain an important producer of oil and natural gas, accounting for 10% of global oil and 9% of natural gas production in 2035.

In a bid to diversify away from resources, several nations have been pushing hard to grow other sectors of the economy. To date, manufacturing, services and tourism in particular have all shown growth (although, whether from ebola, localized terrorism or national political change, growth from the latter source is evidently volatile). For example, while Nigeria is still very much an oil exporting economy, its service sector now accounts for 60% of its GDP - and 'Nollywood', its $3 billion film industry, is now the second largest in the world – bigger than Hollywood and just behind Bollywood in Mumbai. Likewise in Angola, Africa's second largest oil exporter, where fishing, agriculture and manufacturing growth now means that a third of government revenue comes from non-oil sources. On the back of the success of m-pesa mobile payments that kicked off in Kenya in 2007, many African states, from Nigeria to the DRC, are seen as world leaders in adapting mobile technology and social networks to deliver potentially life-changing new financial platforms – many of which operate across borders and so engender greater transparency and cooperation. Older, protected, and often niche, monopolies are being superseded by collaborative, mass-market platforms from IT-enabled and, most importantly, more trusted, challengers.

Africa's growth has been shaped by commodity prices – the continent has a third of the planet's mineral resources.

Power and influence

Although the growth is occurring across several key economies including Nigeria, Ethiopia, Kenya, Angola, Ghana, Zambia and Mozambique, there is little doubt that South Africa continues to be a major driver in the region. It is the country that many see as economically representative of the continent as a whole – or at least Sub Saharan Africa. However, South Africa is not a proxy for the way that Africa as a whole will play out. South Africa's GDP growth has fluctuated and averaged around 2% over the past decade and is likely to continue on a similar trajectory for the next.

Other experts see that maybe the focus on GDP growth is only part of the view and one highly dependent on statistical data that is, when compared to other regions, very poor. They see that other measures are better indicators of the real progress that is taking place in Africa and highlight things such as life expectancy, infant mortality and energy consumption.

'Nollywood', its $3 billion film industry, is now the second largest in the world.

As global life expectancy has averaged 70 for the last decade, in Africa as a whole major improvement has been seen with a more than 10% rise from 49 to 55. This includes significant change in countries such as Zimbabwe where, despite economic turmoil, life expectancy has risen from 37 to 46. By 2030, average life expectancy across the continent will have climbed to 64 years. Meanwhile, infant mortality remains high at 81 deaths per 1000 population (compared to a global average of 42) – but this has dropped from 177 in 1990. At the same time, energy use per capita has grown significantly, from 500KWh in 1990 to around 600 KWh per capita in 2014. This, a key metric, is not far behind Asia but still at only 20% of Europe's use.

Despite longstanding commercial ties with Europe, Africa now conducts half its trade with developing economic regions - the so-called "South–South" trade. China has the main doubled its share of trade to 17% over the last decade, and wider connections across Asia, South America and via the Middle East are all being developed. India has a 6% share of Africa's trade and Brazil 3%. Both are expected to grow significantly and, with rising suspicion over China's business practice, take over a chunk of China's land-grab. Many see the significance of increased intra-African trade; bilateral agreements between nations with differing political standpoints but common growth agendas are linking with emergent cross-continent agreements, the growth of trading zones and increased investment in infrastructure. Many African nations remain flawed democracies or authoritarian regimes, but over the next few years, a number of breakaway countries will show economic and political progress, and barriers to trade will be lifted as infrastructure is improved.

By 2030, half the African population is projected to live in urban environments and the continent's top 18 cities will have a combined consumer spending of around $1.3 trillion. In many African countries, urbanisation is boosting productivity (which rises as workers move from agricultural work into urban jobs), demand, and hence investment. Half of the region's population is under 25 years of age. Each year between 2015 and 2035, there will be 500,000 more 15-year-olds than the year before. The challenge will be to transform this youth bulge into an opportunity.

Africa will undoubtedly become one of the world's primary growth markets, the question here is one of timescales. Despite years of rapid economic growth, Africa's middle class is still relatively tiny. The key question is; will there be significant change in the next decade or, like India, is it a longer period of transition?

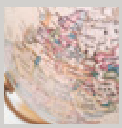
By 2030, average life expectancy across the continent will have climbed to 64 years.

Related insights

Imbalanced Population Growth

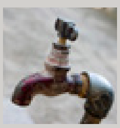
A growing population adds another billion people but it is also rapidly ageing: a child born next year will live 6 months longer than one born today. While migration helps to rebalance, increasing dependency ratios challenge many.

Shifting power and influence



The centre of gravity of economic power continues shifting eastwards, back to where it was 200 years ago. Recent superpowers seek to moderate the pace of change but the realities of population and resource locations are immoveable.

Key resource constraints



Economic, physical and political shortages of key resources increase and drive increasing tension between and within countries. As we exceed the Earth's natural thresholds, food and water receive as much focus as oil and gas.

Standards driving trade

International regulation is progressively aimed at freeing up trade and making it simpler and less bureaucratic – but there are a number of agreements, standards and protocols that some are seeing as increasingly constraining.