Africa's five major trends for potential growth

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Population growth, rapid urbanisation, adoption of new technologies, unlocking of abundant resources and the deepening of the financial sector are the five major trends that are set to drive Africa's economic growth, Simon Freemantle, Standard Bank Africa senior analyst, told a media roundtable in Johannesburg, South Africa, yesterday, Thursday 6 October 2011.

The rising population

With the continent's population expected to increase from the current 1 billion to 2 billion by 2050, the continent - already under a huge influence of youth - will have more young and well-heeled people than any other place in the world, according to Freemantle.

"The swelling population, including the rise of the youth, will not only push for private consumption growth, but also provides an array for opportunities and challenges for economic growth prospects, which will depend on how the continent leverages its advantages," he said.

Sub-Saharan Africa's private consumption has grown by 152% in the past decade - the third-fastest only behind China and India, followed by Latin America, Western Europe and the rest of the world, according to the Standard Bank's Economic Intelligence Unit.

A rising population will support the emergence of the continent's consumer base by providing support to local firms and inspiring foreign investment, he argued.

However, while there is an absolute advantage of having a younger population and youthful workforce, there is a risk of social instability if the disgruntled youth feel left out of the economic boom.

"I call on the political command to put mechanisms in place to ensure that those young people are incorporated in the employment sector," said Goolam Ballim, Standard Bank chief economist and global head of research.

The working age is a positive dynamic for Africa, but unless the youth have jobs and social betterment is achieved, the risk of social uprising is profound, Freemantle reiterated, echoing Ballim's sentiments.

Rapid urbanisation

One of major factors set to swell the youth population is urbanisation - people living rural areas and flocking to urban areas

to look for work and better living conditions.

Africa is currently the world's fastest urbanised continent, with mega-cities and mega-regions such as Lagos, Kinshasa and Cairo flourishing. Kinshasa, DRC capital city, is currently the continent's fastest urbanised city. According to the UN Habitat and Standard Bank Research, two to three Africans (60% of the population) will to live in cities by 2050.

Elaborating on the link between economic growth and urbanisation, Freemantle said urban-based enterprises are more generally productive than the rural - and dormant - equivalents, thus contributing to a greater share of GDP," he explained.

Africa's urban poverty stands at about 35%, while rural poverty is estimated at 52%, Freemantle revealed.

"The urban-based workforce is more productive and does send money (remittances) back home to their rural counterparts," he said, also stressing the importance of an emerging robust civil society.

Technology in Africa

Technology, Freemantle said, is helping Africans to connect and uplift. The adoption of new technologies, including cellphone revolution, rising attachment to social media and new cable linkages broadening access, have helped pioneered a lot of innovation and allowed for deeper commercial activities, he said.

The following list reflects Africa's top 20 countries by Facebook users:

1. Egypt
2. South Africa
3. Morocco
4. Nigeria
5. Tunisia
6. Algeria
7. Kenya
8. Ghana
9. DR Congo
10. Senegal
11. Cameroon
12. Ethiopia
13. Tanzania
14. Uganda
15. Mauritius
16. Angola
17. Madagascar
18. Zambia
19. Mozambique
20. Botswana

Source: Facebook, Standard Bank Research - June 2011

Abundant resources

Regarding the unlocking of abundant resources, Freemantle declared that while Africa is known for its dominant share in a number of core commodities, such as platinum, chrome, cobalt and oil, which are in great demand, agriculture is also expected to feature prominently as a key driving force in the continent's resurgence.

Africa is believed to boast at least 60% of the world's arable land, most of which is untapped. The United Nations

Organisation for Food and Agriculture (FAO) estimates that US$80 billion needs to be injected every year in the continent's agriculture sector to help it develop and feed a high number of hungry Africans.

The following is the list of Africa's untapped agricultural bounty (in terms of cultivable area and cultivated area and irrigation RHS):

1. Sudan
2. DRC
3. Nigeria
4. Mali
5. Tanzania
6. Algeria
7. Mozambique
8. Angola
9. Namibia
10. Cote d'Ivoire

Lastly, the deepening of Africa's financial sector has been forging new commercial bridges, according to Freemantle. "Banks penetrate as incomes grow," he said, adding that even Africa's smaller banks have been showing mettle by actively playing a critical in the lending industry.

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