EMERGING MARKETS – SPOTLIGHT ON AFRICA

CHARLES ROBERTSON
GDP GROWTH KNOWS NO RELIGIOUS, ETHNIC, CLIMATE OR CONTINENTAL BARRIERS

Catching up is a global phenomenon - per capita GDP since 1820

- United Kingdom
- France
- Germany
- United States
- Argentina
- Chile
- Japan
- South Korea
- Thailand
- Singapore
- India
YET 10 AFRICAN COUNTRIES ACHIEVED AT LEAST 7% GROWTH SINCE 2000 (ENOUGH TO DOUBLE GDP IN A DECADE)

Over 2003-12 - each of these grew by an average 7.0%
WHY NOW?
CUTTING AFRICAN DEBT IN HALF

Public debt as % of GDP

- SSA
- G-7

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BANKING STILL HAS ROOM TO BOOM

Private sector debt in 2011 (household and corporate) as % of GDP (Source, IMF)

High debt in rich countries and ... China

African countries have low debt levels
THE RISE OF FOREIGN DIRECT INVESTMENT BEGAN BEFORE CHINA
ACTUALLY MOST GROWTH HAS COME FROM SERVICES

Sector share of change in real GDP, 2002-2009

- Services: 53
- Agriculture: 16
- Mining and quarrying: 14
- Construction: 8
- Manufacturing: 7
- Gas, electricity and water: 1
EASE OF DOING BUSINESS REFORMS – DAYS TO START A BUSINESS (WB, 2014)
PERHAPS IT IS DEMOGRAPHICS

15-24 years olds (source UN)
EDUCATION IS A CRUCIAL FACTOR

Secondary school enrolment (UN)

- Brazil
- South Africa
- Russia
- Mexico
- Turkey
- China
- Indonesia
- India
- Africa
- SSA excl SA
- Nigeria
- Kenya

- Around 1975
- Around 1990
- Around 2005
AFRICA GDP IN 2012

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Morocco
Tunisia
Algeria Egypt
Libya
W.S Niger
Mauritania Chad
Mali Sudan
C.V
Burkina Faso
Eritrea
Gambia
Senegal
South Sudan
Djib.
Guinea
Nigeria
S-L Ghana Ethiopia
Benin
Lib.
Somalia
Togo Uganda
Cote D'Ivoire
CAR Kenya
Rw.
B.
Cameroon
South Africa $419bn and Nigeria $370bn we assume after the GDP revision, compared with Thailand ($377bn), Colombia $378bn and Venezuela $337bn
Egypt at $257bn and Nigeria at $273bn before the GDP revision, compared with Singapore at $270bn and Greece at $271bn
Angola at $121bn or Morocco at $100bn compared with Bangladesh at $118bn, Hungary at $129bn or Vietnam at $135bn

LEGEND
Strong autocracy
Weak democracy
Weak democracy

Nigeria - as per Renaissance assumptions post the 2012 GDP revision

Box = US$1bn
Box = total GDP less than US$0.5bn
Blank box = No available GDP data

Gabon
Nigeria - as per Renaissance assumptions post the 2012 GDP revision

DRC

Les.

Moz.

Mauritius

Angola

Zimbabwe

Botswana

Namibia

South Africa

Les.

Moz.

Mauritius

Angola

Zimbabwe

Botswana

Namibia

South Africa

Les.
AFRICA IN 2010 BY POPULATION
CORRUPTION LINKED TO PER CAPITA GDP
WHAT HAPPENS NEXT?
A TYPICAL FORECAST WOULD BE THIS

Real GDP % change and 10-year moving average (IMF)

- SSA GDP
- SSA 10 year rolling average GDP
Real GDP % change 1960-2043 (IMF, Renaissance, Reserve Bank of India)
FASTEST BILLION - NIGERIA

When will Nigeria overtake the 2012 GDP of the following?

- Germany
- Brazil / UK
- Russia / Italy
- India
- Indonesia
- Spain
- Saudi Arabia
- Japan
CONCLUSIONS

• SSA has been following the Indian growth trajectory for 30 years, with a 20 year lag. This tells us that the next 20 years will be even better for SSA. Moreover India has itself been following Developing Asia with a ten year lag, implying good African growth out until the 2040s.

• In constant prices, and assuming Africa does no better than India/Developing Asia, this means the continent should grow from $2 trillion in 2012 to $29 trillion by 2050.

• With higher growth should come a deepening and widening of democracy across the continent. Corruption will decrease as per capita incomes grow.

• Africa will move up the value-added curve, from resources and services which help drive growth today, to service exports, textiles and increasingly heavy industry from the 2020s. Assuming a rise in private sector debt/GDP to 100% by 2050 implies a 30-40 fold rise in the stock of bank credit in constant 2012 dollars. An agriculture productivity boom is possible if Cerrado techniques are adopted across the Guinea Savannah.

• Infrastructure needs are affordable – SSA oil production revenues of over $220bn easily exceed the annual $90-100bn estimated infrastructure needs. India tells us that however much is invested, still it may not fully meet demand. But in addition, governments will want to boost domestic savings, widen and improve education systems, yet try to ensure budget and external deficits do not widen so much that there is risk of a 1980s debt crash.

• There is a great opportunity to deliver a better performance in the coming 40 years than Asia achieved over the last 40 years.
AFRICA GDP IN 2050

GDP of AFRICA in 2050 (US$bn, in 2012 dollars) with each box representing $20bn of GDP - as forecast by Renaissance Capital, with colours reflecting Renaissance Capital forecasts of political change.
THE FASTEST BILLION

www.fastestbillion.com
Available also on Amazon
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Twitter : @RencapMan
@NdebeleNothando
@YvonneMhango

Charles Robertson
Global chief economist
crobertson@rencap.com
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