



# Current Path

Economic size, population and growth rates

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## Economic size, population and growth rates

Chart 3 shows the gross domestic product (GDP) per capita for Africa and the rest of the world, from 1960 to 2043.

In absolute numbers the increase in the absolute size of the African economy is impressive. In 1960 it was US\$319 million, and, by 1990, had increased to US\$939 billion and to US\$2.7 trillion in 2023. On the Current Path, it will grow to US\$6.4 trillion in 2043. But Africa's share of the global economy has remained stagnant at around 3% from 1960 to the present day, despite the continent's population nearly doubling from 283 million (9% of the global population) in 1960, to 1.47 billion (16%) in 2023 and likely to 2.3 billion in 2043 (25%). The total African economy will marginally increase to 3.3% of the world economy by 2043 although its share of the global population is much larger. This contrasts with regions like East Asia, which saw its share of global economic output increase from about 9% in 1960 to over 25% today, with further growth anticipated.

For several decades South Africa had the largest economy in Africa, followed by Nigeria and Algeria but in 1990 the Egyptian economy replaced Algeria as third-largest economy and the Nigerian economy is now the largest, measured in market exchange rates. By 2043, Nigeria, Egypt, South Africa, Ethiopia and Kenya will constitute the five largest economies in Africa. In contrast to these large countries, the economies of 21 countries were below US\$10 billion each in 2023, offering little opportunity for attracting large inflows of foreign direct investment or the growth of businesses given limited market size.

The contribution of the informal economy ranges from 54% of GDP in Zimbabwe, followed by Tanzania at 45%. As expected, Seychelles has the smallest informal sector, contributing less than 9% to GDP given its status as Africa's only high-income economy. The size of the informal sector and the size of the labour force engaged in that sector is difficult to measure and data needs to be treated with care, even in those countries with well-established national statistics departments.

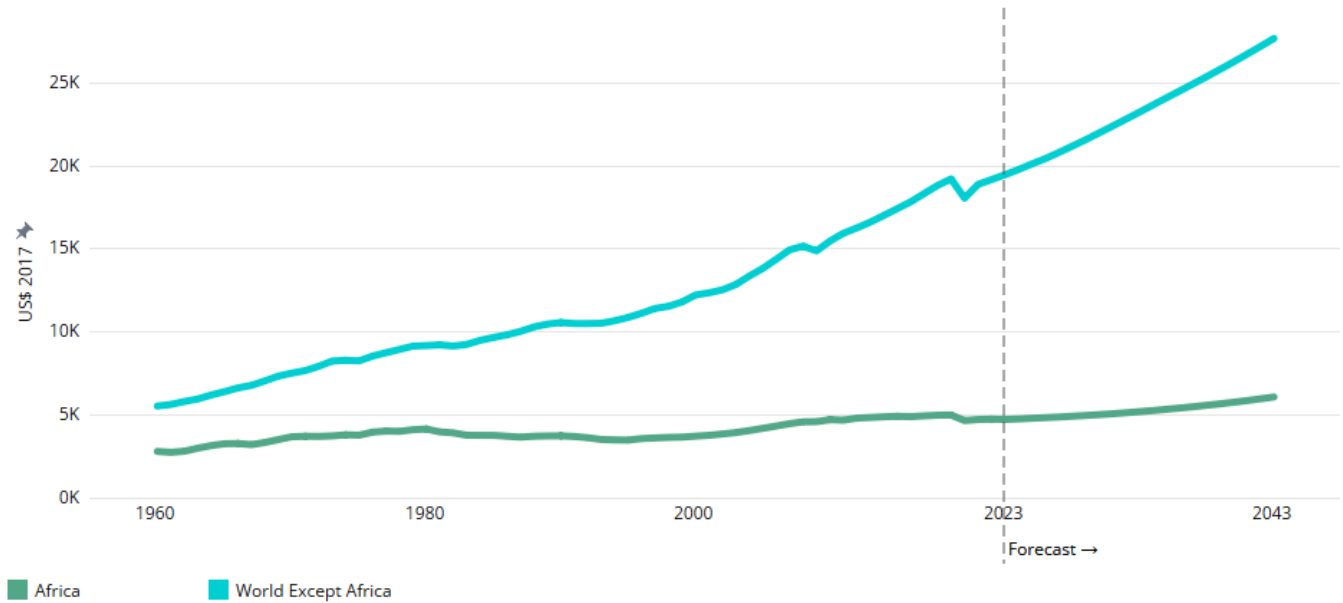
Nigeria, Ethiopia, Egypt and the Democratic Republic of Congo (DR Congo) are the most populous countries in Africa. Nigeria had a population of more than 200 million people in 2023, while the other three had populations of more than 100 million people. In 2043, Nigeria's population size will overtake the United States to become the country with the third largest population in the world. Most African countries have much smaller populations. In 2023 the continent includes 21 countries each with a population below 10 million. Comoros, Cape Verde, Sao Tome and Principe, and Seychelles had less than a million people each in 2023.

In the Current Path, the African economy will grow at an average of about 4.4% from 2024 to 2043, while the population increases at a rate of 2.2%, resulting in slow per capita income growth at an average of only 1.3%, translating into modest reductions in poverty, discussed separately below. Growth in the size of the labour force generally outstrips the supply of formal employment, leading to a dependence on the informal sector for survival.

Similar to real GDP, GDP per capita (using purchasing power parity) is a blunt measure of development progress. It often comes in for criticism because it does not take the quality of life or the distribution of economic output among the population into account. But it remains popular given its simplicity and reliance upon readily available data. It also allows for easy comparisons between different countries and regions.

In 1960, GDP per capita in Africa was about half of the average in the rest of the world. More than half a century later, in 2023, it had declined to only 28% of the average in the rest of the world. It will likely further decline to 27% over the next two decades. In absolute terms, the gap is forecast to increase from US\$12 080 in 2023 to US\$16 391 in 2043, as shown in Chart 3.

Chart 3: GDP per capita for Africa and the rest of the world, 1960–2043



Source: IFs 8.34 initialising from WDI data

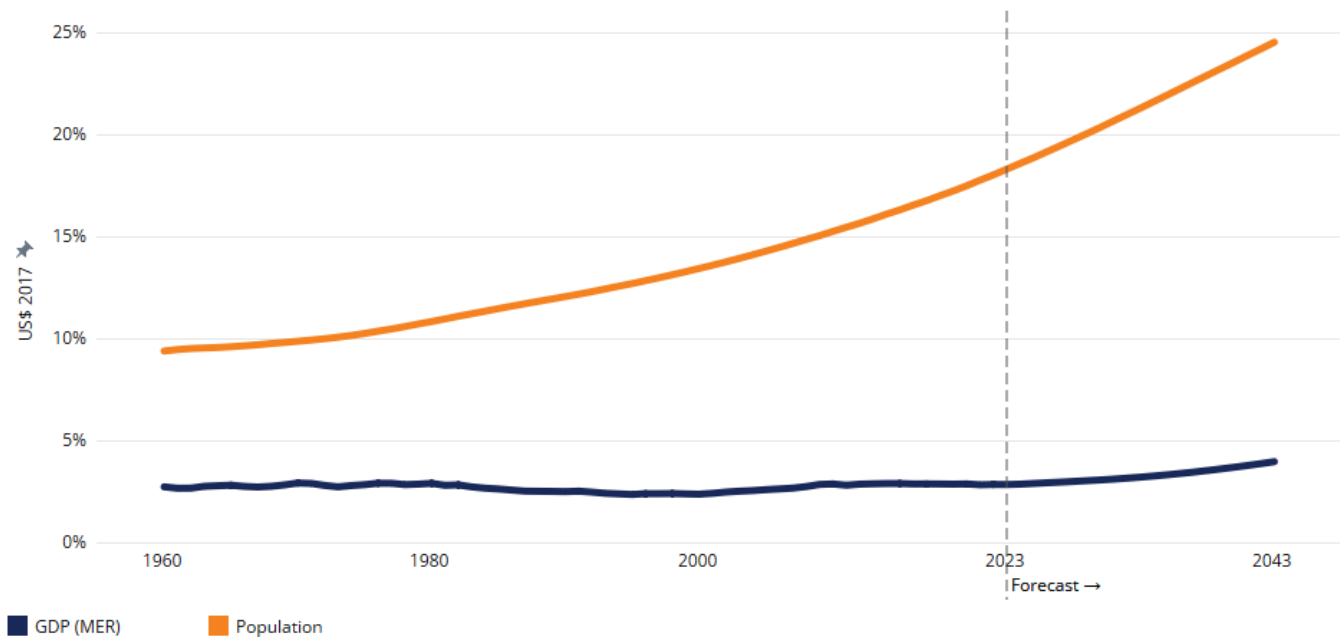
Chart 4 depicts the size of the African economy and population as a percentage of the world's, from 1960 to 2043.

Africa's comparative developmental performance has been dismal even when considering other developing regions around the world, such as South America<sup>[x]</sup> and South Asia.<sup>[x]</sup> In 1960, the GDP per capita of Africa was more than double that of South Asia and 44% of South America. But by 2023, Africa had lagged behind these regions, putting its GDP per capita at only 73% of South Asia and 32% of South America's GDP.

The challenge of the growing divergence between Africa and the rest of the world is reflected in Africa's marginal role in the global economy (Chart 4). In 1960, Africa accounted for 3% of the global economy. Sixty years later, that share remains unchanged, even though Africa's share of the global population has almost doubled. By 2043, Africa's population will account for a quarter of the world's population but represent just 4% of the global economy.

There are, of course, significant country variations. Some countries, such as the DR Congo and Zimbabwe, through poor governance have seen a generational loss of wealth and prosperity in both. In contrast, Botswana's current GDP per capita is 20 times larger than it was in 1960 and Equatorial Guinea has similarly seen a large increase due to its oil wealth, much of it going to a single family.

Chart 4: Size of African economy and population as a % of the world's, 1960–2043



Source: IFs 8.34 initialising from IMF and UNPD data

The increasing divergence between the trend in GDP per capita in Africa versus the average for the rest of the world correlates with many other indices of human development or well-being, such as average levels of education and various health measures.

Compare this to East Asia<sup>[x]</sup>, a region that increased its share of global economic output from about 7% in 1960 to more than 26% today and is set to increase that portion to 29% by 2043. However, East Asia's share of the global population has shrunk from 27% in 1960 to 21% in 2023. It will decline to below 17% by 2043, pointing to its much more productive economies.

Historically, Africa's economic structure has been heavily oriented towards the export of raw materials and natural resources, largely a legacy of colonial policies designed to serve the needs of imperial powers but also because of poor policies and bad domestic governance. This reliance on exporting unprocessed goods (and the extent to which Africans allowed these arrangements) limited the development of local industries and value chains, restricting economic diversification and the continent's ability to capture added value from its natural resources. As a result, African economies have often been vulnerable to fluctuations in global commodity prices, impacting growth and development. In addition, countries that receive a large portion of their incomes from resources suffer from a "resource curse", where natural resource wealth consolidates elite bargains in weakly institutionalised contexts through exacerbating inequality (driving down median income levels). These rents also fund the suppression of civil liberties and undermine citizens' abilities to hold their governments accountable. As a result Africa's high levels of commodity dependence **negatively affect democracy**.

The fact that much of Africa's recent growth since 1996 was enabled by the commodities supercycle instead of the more productive (re)structuring of its economies has therefore taken the continent backward in terms of governance and the quality of growth.

What made this commodities cycle so powerful was that the prices for oil, base metals and agricultural produce all started to increase at roughly the same time. It was, therefore, generally a stronger and more uniform up and down than previous supercycles, lifting economic growth across all regions in the world, including in Africa, resulting in rapid growth until the 2007/08 global financial crisis. Shortly thereafter the Arab Spring caused a brief spike in oil prices.

In recent years, COVID-19 has had a particularly devastating impact on well-being. On average, Africans will only recover to their 2019 pre-pandemic income levels in 2027. The rest of the world did so in 2022. Thus, COVID-19 cost the continent eight years of income growth, with many people still scrambling to make ends meet. Starved of vaccines and with limited financial means to alleviate its impact, Africa recovered more slowly from the impact of COVID-19 than other regions and the slow recovery is fueling instability.

We, therefore, find ourselves in a situation where things are improving in Africa but slower than in other comparable developing regions, such as South America and South Asia.

Something drastic is needed to change this rather dismal forecast. Doing more of the same will not lead to tangible progress. Some health indicators—such as declining rates of infant mortality, improvements in life expectancy and so on—show that Africa is experiencing a broad-based improvement in human well-being and is even catching up with global averages to some extent. However, this is largely because rapid improvements at lower levels of development are easier to achieve, while continued improvements in rich countries are more difficult at their much higher levels. On most other well-being indicators, the gap between Africa and the rest of the world is either static or widening.

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## About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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