Current Path

Sectoral Forecasts

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Sectoral Forecasts

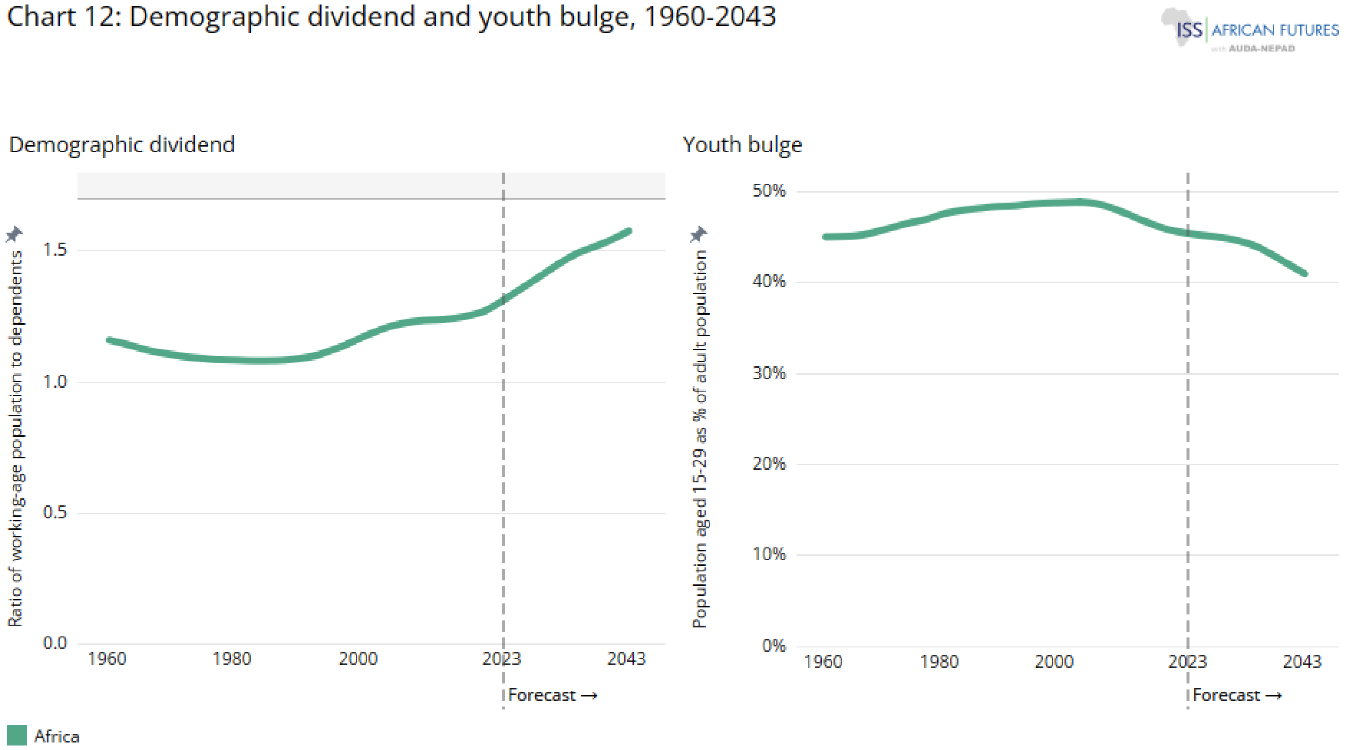
Against the background of Africa's historical development trajectory and key challenges since independence that were discussed in the preceding sections, separate themes on this website provide context and explore Africa's likely and possible trajectory in different economic sectors. These themes are Demographics, Agriculture, Health and WaSH, Education, Manufacturing, the AfCFTA, Leapfrogging, Financial Flows, Large Infrastructure and Governance. Each theme presents the Current Path for that sector and includes a scenario to explore what could be possible in an ambitious, positive scenario that is benchmarked against countries at similar development levels. The modelling is done at an individual country-level. The Combined theme then consists of the combination of the eight associated sectoral scenarios (some themes share scenarios). The comparisons are across key development indicators, including economic size, GDP per capita and effect on poverty reductions. Where appropriate, comparisons extend to levels of education, infant mortality, life expectancy, etc.

Four subsequent themes explore the impact of the various sectoral scenarios on employment, the effect of climate change , examine Africa's likely energy transition and the impact that gender equity has on development. Additionally, we review the impact of global scenarios on Africa's overall developments in the theme called Africa in the World

The story of Africa's youthful population is well known. Whereas the median age in Africa is 20 years, the average for the rest of the world is 35 years and even higher in a region such as the EU (45 years). Because of this, Africa only enters a potential demographic window of opportunity shortly after mid-century, although regions and countries obviously differ from one another. For example, North Africa enters a potential dividend much earlier, in 2029, and sub-Saharan Africa will only do so in 2055. At that point, the ratio of working-age persons to dependents will be 1.7 to one (the minimum ratio for a demographic dividend) and Africa's larger labour force (aged 15 to 64 years) relative to children and the elderly will accelerate economic growth although other factors such as education also play a role. As associated rural-urban migration accelerates, driven by search for employment and opportunities, cities are expanding rapidly. This shift requires infrastructure development to prevent informal settlements, improve service delivery and support economic stability in urban areas. Overarching migration, both internal and cross-border, has economic implications that are shaping labour markets, remittance flows and urban growth patterns. Managing migration flows effectively can boost economic development, support demographic transitions and create opportunities in urban hubs.

The contribution that labour makes to economic growth is very important for Africa, which does not have deep pockets of capital and does not benefit from high levels of technology—the other two sources of productivity improvements. Africa's developmental future will be shaped by many factors, but particularly by how effectively high-fertility countries such as Niger, Chad, Somalia, DR Congo, Mali and Nigeria can transition from their current high fertility and youthful population to a more balanced age structure that supports sustained economic growth and development.

Chart 12: Demographic dividend and youth bulge, 1960-2043



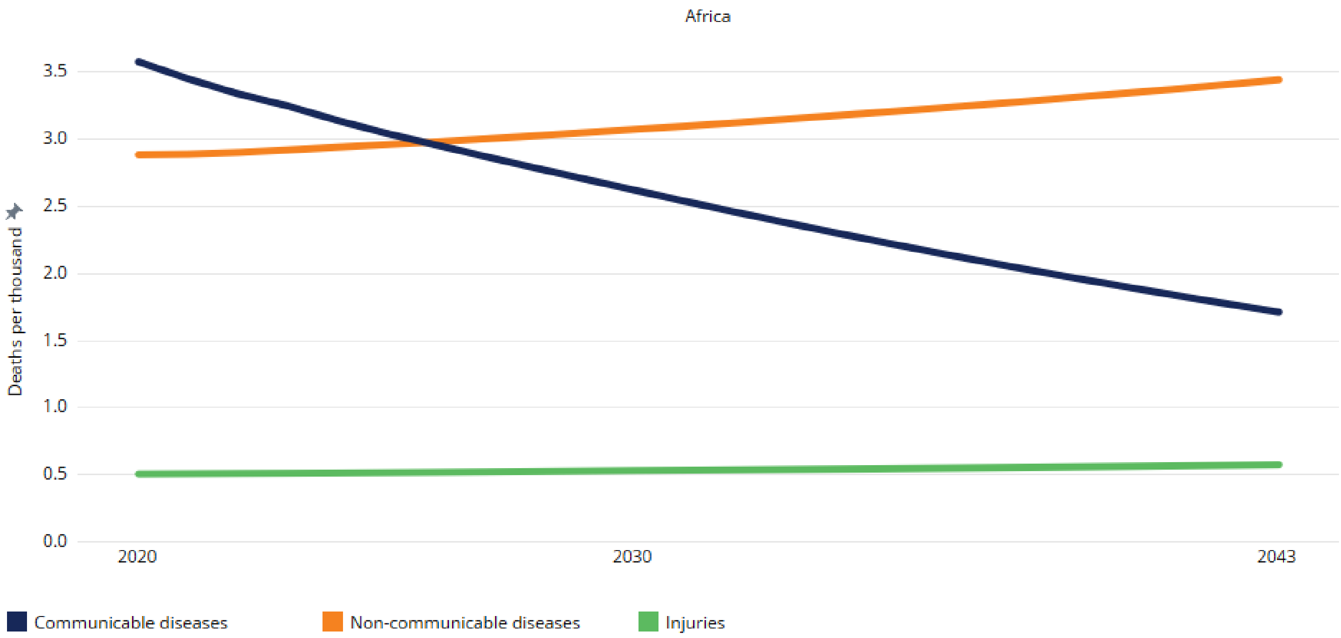
Source: IFs 8.34 initialising from UNPD WPP data

Africa's declining youth bulge will also play a role. In 2023, 45% of Africa's adult population was in the age bracket 19 to 29 years which is higher and declining more slowly than in other regions to 41% in 2043. The average for the rest of the world is much lower at 28%, 35% in India and 21% in China, which is ageing rapidly. The EU only has 19%. As this shift progresses it will slowly reduce political volatility. Generally, a youth bulge below 40% indicates greater stability and enhanced prospects for democracy. The role of governance in shaping a stable future is essential, particularly by ensuring youth inclusion in decision-making. With almost half of Africa's population under 25, creating platforms for political participation and economic empowerment of the youth is critical.

To fully harness the demographic dividend, Africa must implement strategic reforms and investments that improve the quality of its growing labour force, particularly by investing in its health and WaSH systems. That includes the provision of clean water, sanitation and better hygiene. For example, only 53% of sub-Saharan Africa's population has access to improved sanitation (65% in 2043) and 36% to piped water (49% in 2043). Additionally, there have been reductions in mortality rates associated with both communicable and non-communicable diseases. Life expectancy will increase, while infant mortality is expected to decrease significantly. Interventions aimed at providing basic infrastructure and reducing the incidence of diseases like HIV/AIDS and malaria are expected to yield substantial health benefits. Much more needs to be done, however.

The continent is also facing an emerging challenge of non-communicable diseases, leading to a "double burden of disease" during which it still experiences high rates of infectious diseases in addition to a growing non-communicable disease burden. This epidemiological transition in Africa is happening at lower levels of income and urbanisation compared to the history in other regions, further straining the already limited healthcare resources.

Chart 13: Deaths per thousand by Main ICD categories, 2020-2043



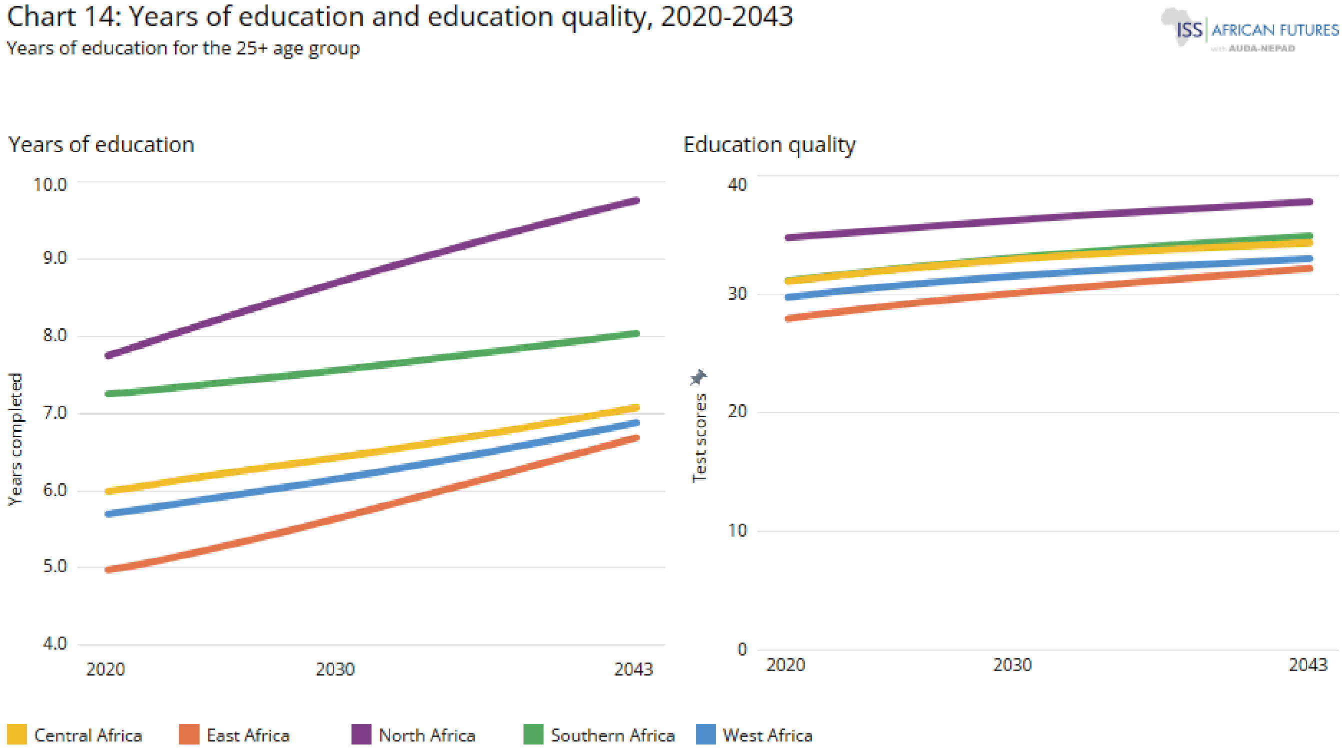
Source: IFs 8.34 initialising from IHME data

In addition to better health and WaSH, the second investment in improved human capital is in education, generally considered the foundation of human development and self-actualisation. Education allows people to lead a self-determined existence, increase professional performance and improve health. Investments in education aligned to employment demand increase the talent in the labour pool, raise productivity and boost economic growth and incomes. The potential for social stability depends heavily on governance that is inclusive, transparent and responsive to diverse community needs, particularly in resource management and political reform.

Education in Africa faces several significant challenges such as the large annual influx of children into educational systems that are already struggling with overcrowding and inefficient use of resources. Many African countries also face difficulties in retaining students within the education system, which affects overall educational attainment. In the Current Path, the gap in educational attainment between Africa and other developing regions is expected to widen (in the case of South Asia) or modestly decline (in the case of South America), particularly at higher education levels - pointing to the need for much more determined efforts in this sector. This divergence is influenced by economic growth rates, the use of non-African languages as the medium of instruction, and often, government inefficiencies.

Chart 14: Years of education and education quality, 2020-2043

Years of education for the 25+ age group

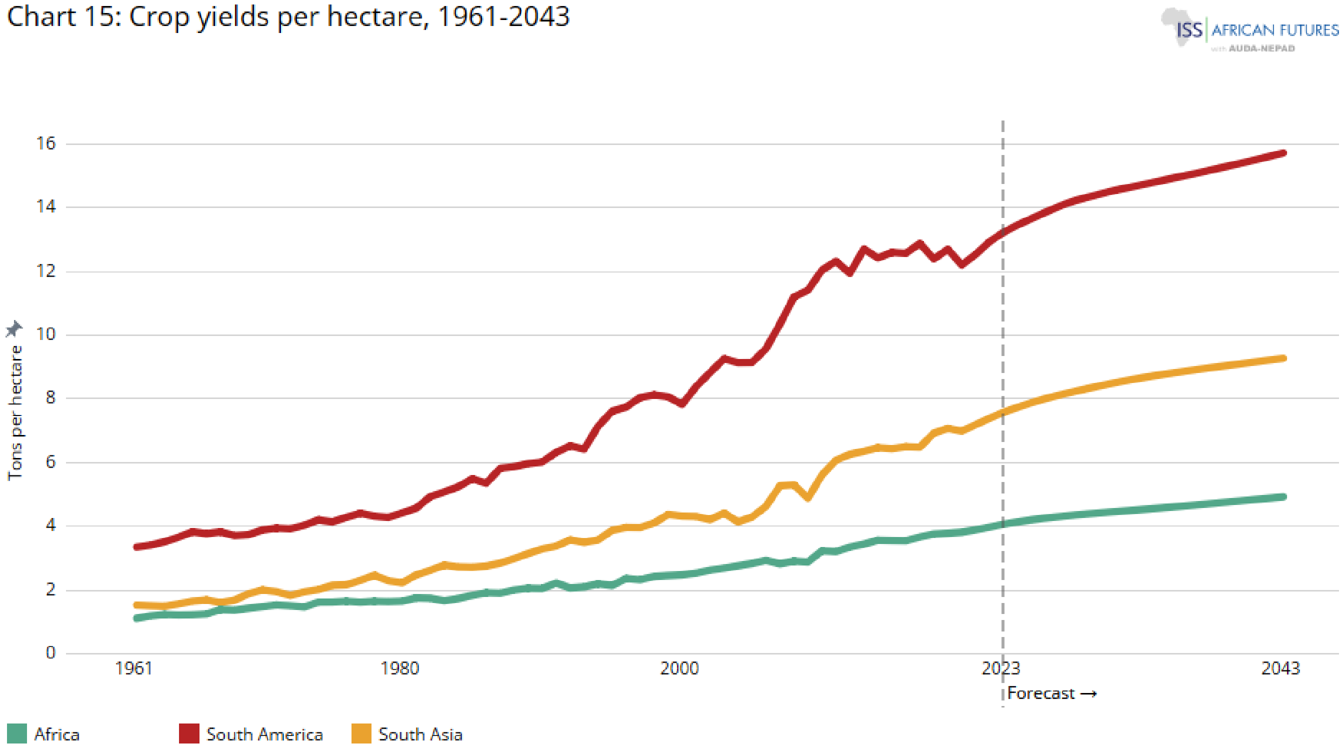


Source: IFs 8.34 initialising from WIC data

The quality of education varies widely across the continent, and there is a growing trend towards private education. Gender parity in education and the balance between vocational and academic teaching are also important considerations. In 2023, the mean years of education for the 25-years and older age group in North and Southern Africa was 8 and 7 years, respectively. Looking to 2043, North Africa will continue to improve its education endowment on the Current Path (to 9.7 years), while the improvement in Southern Africa will only be to 7.9 years, with Mozambique doing particularly poorly.

Agriculture plays a central role in many African economies, accounting for more than 60% of the labour force yet, contrary to most other regions, Africa has yet to experience a modern agricultural revolution. Generally, lack of investment and land reform, the continued use of traditional farming methods, ineffective agricultural policies, fragmented agricultural supply chains, and lack of access to fair markets, modern equipment, financial services and essential information have left Africa with the lowest agricultural yields in the world. In 2023, average crop yields in Africa were at 4.3 tons per hectare and will modestly increase to 5.9 tons by 2043. Crop yields per hectare in Africa are therefore low and improving more slowly than in other developing regions such as South America and South Asia. Today, Africa is the most food-insecure region globally in spite of its huge potential. In the Current Path, Africa's agricultural import bill will likely grow from US$51 billion in 2023 to US$188 billion in 2043.

Chart 15: Crop yields per hectare, 1961-2043



Source: IFs 8.34 initialising from FAO data

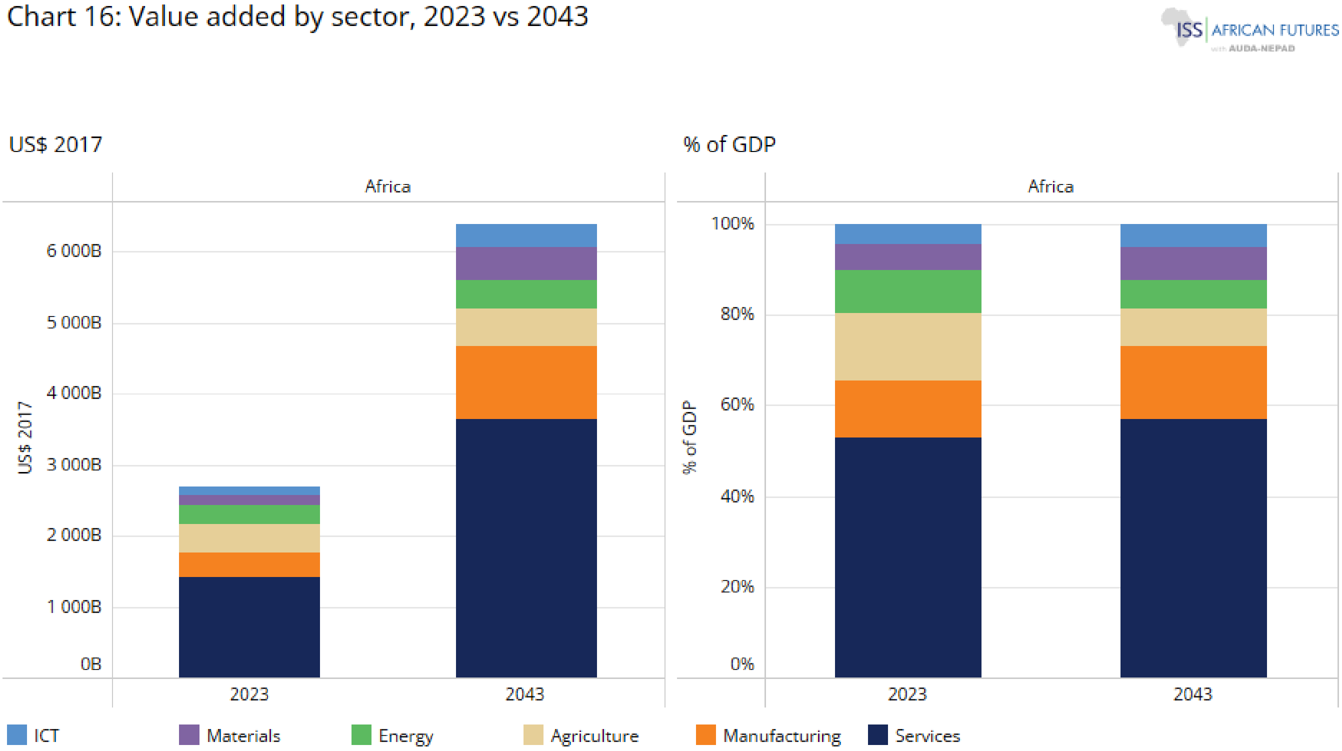
African countries with large agricultural sectors also mainly export raw commodities such as cocoa, coffee and cashew nuts with little value addition and limited diversification. Successive efforts such as the Comprehensive Africa Agricultural Development Programme (CAADP) have had limited impact.

Emphasising food self-sufficiency and focusing on indigenous crops well suited to the local climate and conditions is an essential step for a successful agricultural transition. Investing in critical enablers such as irrigation, infrastructure, support for smallholder farmers, and agricultural research is also crucial. Further, climate resilience is increasingly urgent for African agriculture, which must adapt to extreme weather patterns. Investments in climate-smart agriculture and indigenous crops are key to ensuring food security and environmental sustainability.

Africa has also not been able to industrialise. Since independence, the contribution of manufacturing to sub-Saharan Africa's GDP has been either stagnant or declining and the trend as from the 1970s is that African economies have experienced a limited form of structural transformation from low-productivity agriculture to low-end services, with manufacturing and industrial development never truly taking off despite the continent's manufacturing potential (exemplified by its fast-growing internal markets, abundant raw materials and large labour force). In fact, the slow growth of manufacturing in Africa has given way to the notion that Africa is de-industrialising. Thus, Africa's share of global manufacturing has declined from about 3% in the 1970s to less than 2% currently - largely reflecting the declining contribution that the African economy makes to the global economy. North Africa is the most industrialised region on the continent, with a manufacturing sector contributing 22% to GDP in 2023.

Manufacturing production on the continent is also heavily concentrated in low-technology products such as food, textiles, clothing and footwear.

Chart 16: Value added by sector, 2023 vs 2043



Source: IFs 8.34 initialising from World Bank and OECD data

Whereas manufacturing is often called the automatic escalator that lifts countries to higher productivity levels, Africa appears to be embarking on a low-productivity, service and commodity escalator.

Currently, Africa's service sector (i.e. lending, recreation, tourism, transport, food) constitutes the most significant economic sector by value and is significantly larger than any other sector, including agriculture and manufacturing. Much of it is, however, of low value and often part of the informal economy, meaning it does little in the structural transformation of African economies to higher productivity.

With limited exceptions, most African countries are not part of global value chains and do not benefit from the benefits of the associated knowledge transfer. For example, considering exports plus imports (generally a good indicator of the extent of globalisation), the average for Africa in 2023 was 47% of GDP compared to an average of 55% for the Rest of the World. By 2043 these percentages will be 57% and 62%, respectively. The key requirement in improving these low levels is the full implementation of the African Continental Free Trade Area that will boost intra-African trade from its low levels, attract multinationals (given the opportunity of larger markets) and facilitate higher value trade.

In terms of digitalisation and leapfrogging, Africa lags behind the rest of the world but has clear potential. Currently, the average internet penetration in sub-Saharan Africa is 25%, which is half the global average. The rapid adoption of new technologies (such as mobile money and broadband via satellite coverage) will provide lots of opportunities for Africa's tech-savvy, youthful population. Africa's tech hubs, such as Kenya's Silicon Savannah and Nigeria's booming startup ecosystem, exemplify the continent's potential for technological innovation. These hubs are catalysing advancements in fintech, agritech and healthtech, offering models for scaling digital infrastructure and creating high-value jobs.

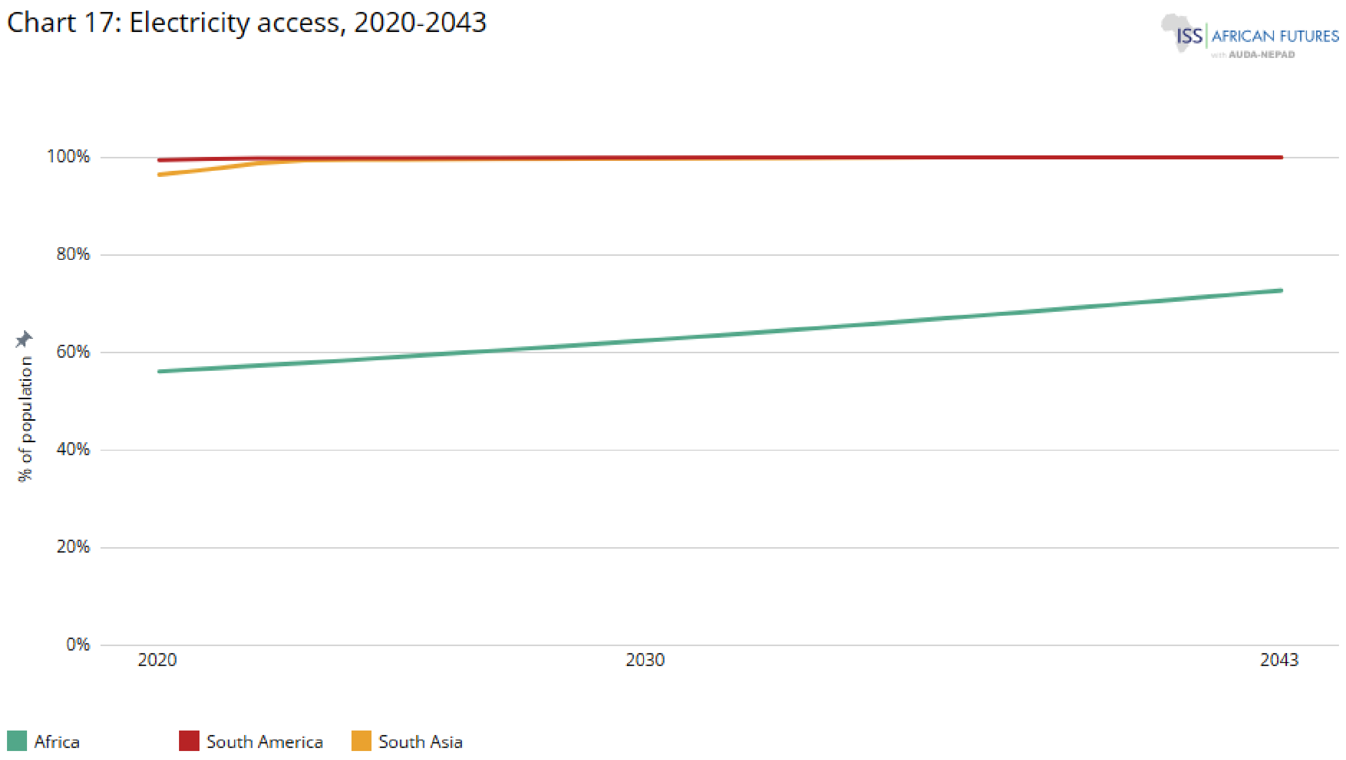
Rapid growth in broadband internet access can spur economic transformation but it requires progress with electricity access which is possible when investing in renewable, off-grid energy solutions to provide electricity to rural areas that currently trail behind. In 2043, rural electricity access was below 10% in Liberia, Burkina Faso, Angola, Equatorial Guinea, Mauritania, Mozambique, Malawi, South Sudan, Sierra Leone, DR Congo, Burundi, CAR and Chad. By 2043 only the CAR should still be at below 10% on the Current Path, reflecting rapid progress even on the Current Path.

Infrastructure investment in Africa has been steadily increasing over the past 15 years, predominantly funded by national governments, with China playing a particularly important complementary role. Investing in infrastructure projects, both basic and advanced, has the potential to result in substantial improvement in economic growth, employment and poverty reduction. Better rail, road and port infrastructure would enable Africa to engage more effectively in global markets and drive economic growth, particularly as part of regional trade

Historical deficits due to underinvestment and poor maintenance persist, however. This is partly a legacy of colonialism, which left Africa with fragmented infrastructure but, until recently, little subsequent investment in maintenance or new building has accentuated the challenge, causing the continent to lag behind the rest of the world.

In early 2022, the AfDB estimated Africa's infrastructure investment gap to be more than US$100 billion per year, affecting Africans' living conditions and the continent's global competitiveness. A separate AfDB report estimates that inadequate water and sanitation infrastructure is costing the continent about 5% of GDP and that high transport costs add 75% to the price of Africa's goods.

Chart 17: Electricity access, 2020-2043

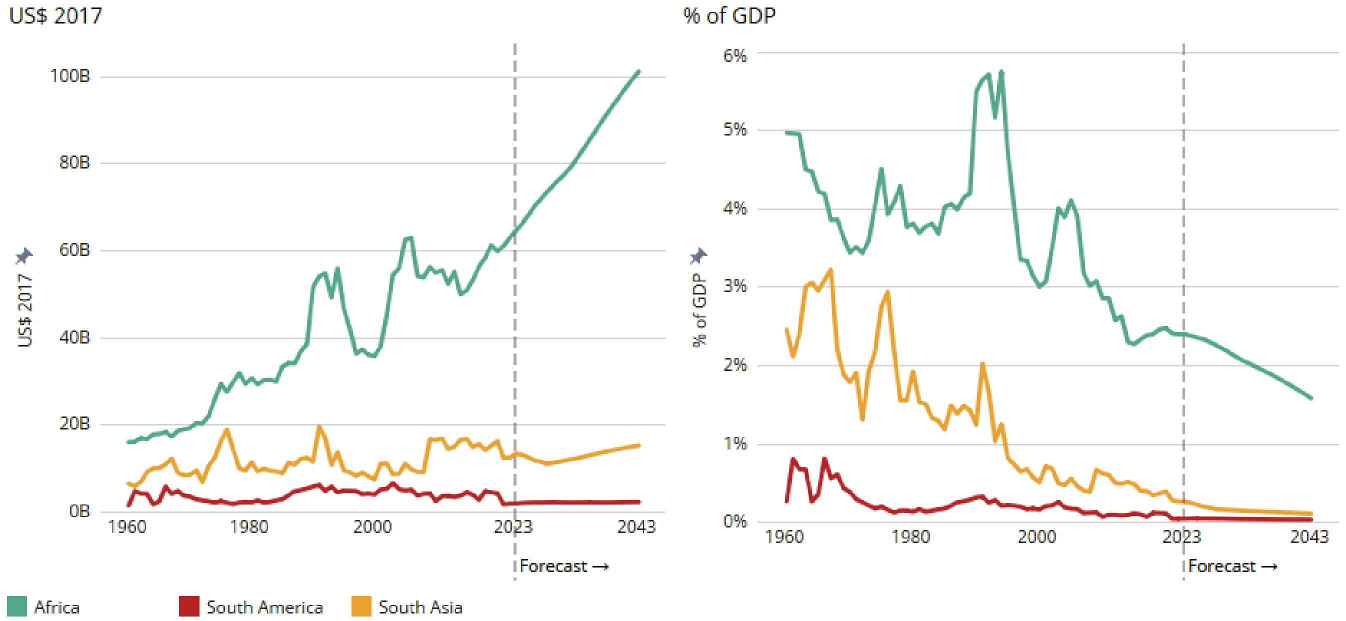


Source: IFs 8.34 initialising from WDI data

Africa needs lots of finance to fund its infrastructure requirements. It has the world's most rapidly growing population that requires more schools, hospitals, roads, harbours, railway lines and other infrastructure every year. Instead the continent has experienced rising debt and limited fiscal space while many countries need fiscal stimulus to ignite growth. In addition to more domestic revenue, spending efficiently and adopting growth-enhancing reforms, Africa needs more aid and foreign direct investment, to increase remittance inflows and curb illicit financial outflows. We examine these four components in the financial flows theme and model the impact of ambitious improvements in inward financial flows on indicators such as extreme poverty, growth and average incomes. Africans must be able to afford much higher debt levels (at least 50% to 60% of GDP), which is only possible at very low concessional rates. This means someone somewhere needs to offset the additional risk premium as Africans work to improve stability and reduce risk through better governance.

Aid flows, which were once the largest share of capital inflows in the 1980s, have decreased as a percentage of GDP however, but are still significant, especially in low-income and fragile states. Whereas aid accounted for 2.5% of Africa's GDP in 2023, it will decline to 1.6% in 2043 as African economies become larger and aid amounts stagnate. Remittances follow roughly the same trendline but the potential and story of FDI holds significantly greater promise. On the Current Path, FDI will increase from 2.7% of GDP in 2023 to 3.6% of GDP in 2043. Nothing less than a global compact, the entire restructuring of IFIs and a significant amount of funding from rich countries are required to unlock the huge amounts of private capital required for Africa's development. In addition, the African private sector can be a critical driver for economic diversification, job creation and growth. Strengthening governance and reducing corruption will help attract more foreign direct investment, allowing Africa to build more robust financial systems and foster resilience.

Chart 18: Foreign aid, 1960-2043

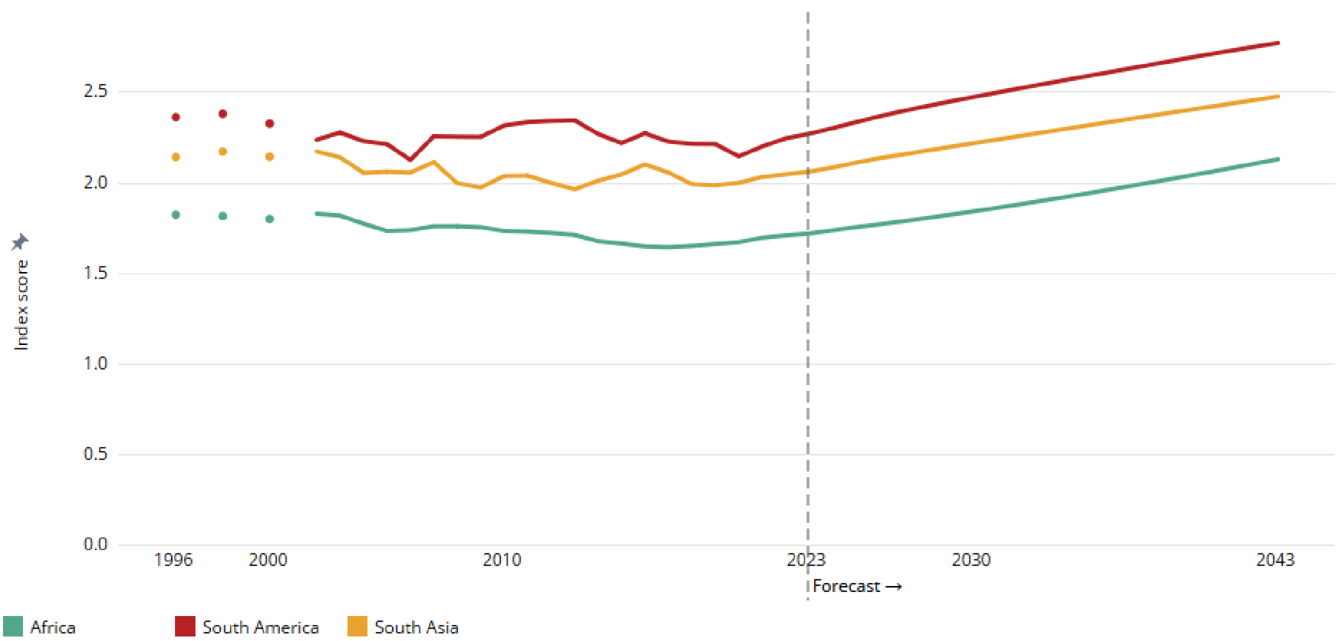


Source: IFs 8.34 initialising from World Bank and OECD data

Governance is a critical factor in the continent's development. While the quality of governance in Africa has essentially remained unchanged for more than a decade, better governance can significantly accelerate poverty reduction and improve macroeconomic outcomes. A 2022 study by the IMF found that the governance dividend for the average sub-Saharan African country is two to three times larger than the rest of the world. Poor governance and higher corruption are associated with lower growth, worsened fiscal performance, higher inflation, and lower levels of development in sub-Saharan Africa. The push for democracy, while important, is not a solution to Africa's development challenges without stability and more state capacity.

Sub-Saharan Africa struggles with government capacity weakened by neo-patrimonialism, while North Africa faces a significant democratic deficit. The challenges are summarised when viewing the World Bank government effectiveness measure.

Chart 19: World Bank Government effectiveness, 1996-2043



Source: IFs 8.34 initialising from WGI data

Four subsequent themes explore Africa's energy transition, the impact of climate change, the future of employment and gender and development. A final theme examines how global developments facilitate or constrain Africa's development.

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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 oce 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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