Sub-Saharan Africa on cusp of major global economic boom

Professor John Sutton of the International Growth Centre (IGC) and LSE pinpoints the factors necessary for long-term job creation and economic growth in selected African countries.

Sub-Saharan Africa could be on the threshold of becoming a major global economy, according to one of the world’s most respected economic authorities on the region.

Professor John Sutton, who spoke at Growth Week 2013 in London said that several leading economies in sub-Saharan Africa will become middle income countries if they sustain their rapid growth rates of the past decade.

The Sir John Hicks Professor of Economics at the London School of Economics and Political Science has spent the past few years mapping a detailed economic profile of industries in Ethiopia, Ghana, Tanzania, Zambia and Mozambique.

“These countries are big news in terms of globalisation. Agriculture has played a large role in their economic growth over the past 10 years, as well as increases in the international price of raw materials, but there has also been a doubling of real growth in their industrial sectors,” Professor Sutton said.

To build on this success, however, global companies operating in sub-Saharan Africa need to integrate closely with local firms to bring these economies forward, he added.

“The snapshot picture of these economies is that there are some world class firms scattered across sub-Saharan Africa but the weak link is middle ground manufacturing. An injection of direct foreign investment from international manufacturing companies is needed to make that transition.”

Professor Sutton said there was no scarcity of entrepreneurs in Africa, but experienced middle managers with the right market intelligence were thin on the ground.

Africa had lost potential foreign investment opportunities since the 1990s due to the attraction of China and India, he said, although there were signs of that trend reversing.
China’s textile industry is waning due to rising wages and firms are increasingly moving from Pakistan to Ethiopia to achieve lower unit costs, facilitated by the rise of air freight in sub-Saharan Africa.

“Tanzania is also about to enjoy a boom with the offshore gas industry. A lot of multinational companies are injecting money into the country, however the right frameworks need to be in place for the economy to reap the benefits long term.”

His enterprise mapping books are designed to do just that – provide governments, local firms and overseas companies with a comprehensive profile of the industries operating in each sub-Saharan country.

The books, produced by LSE’s International Growth Centre, describe the existing capabilities of major firms in Ethiopia, Ghana, Tanzania and Zambia, highlighting the factors needed for large-scale, long-term job creation and economic growth. An enterprise map of Mozambique is in the planning stages.

“There is huge excitement in sub-Saharan African countries that if they can sustain existing growth rates for another decade, they will become middle-income countries. That would provide a beacon for all other African countries and help make the continent a global power,” Professor Sutton said.