

African wealth will double every decade for generations to come

Charles Robertson says that there will be no stopping Africa's economic boom for decades to come.

Africa's billion people have just experienced 15 years of massive growth, and the continent is on a trajectory that will see African wealth double every decade for generations to come. Why?

First, governments are managing their finances in an impressive way. Sub-Saharan Africa was burdened with debt until the early 2000s, when thanks to good fiscal policies, and a debt forgiveness programme, debt levels halved to less than 40% of GDP. Private sector debt too is very low, at 10-30% of GDP in many countries, compared to 200% of GDP in Spain, the US or UK.



The increasing use of mobile phones in African countries is a factor in the continent's economic growth Photograph PA

African exports have boomed, but contrary to the general impression, only 1 in 6 of Africa's exports go to China. Africa sells its products to everyone. And Africa now attracts everyone too. It is India and Canada that invest nearly as much in Africa as China. More FDI has flown into Africa as a share of Africa's GDP, than into China itself.

A lot of this is energy related. In the late 1990s, sub-Sahara's oil production was worth \$35bn a year, but today it has boomed to over \$200bn. Africa today produces 10m barrels of oil a day – that's as much as Russia or Saudi Arabia – but it will rise above both this decade and bring in revenues of \$300bn a year. This and other commodity exports are helping to provide the funds needed to build roads, invest in health care and education. But over half the growth in the largest African economies has come from services, not commodities. Half a billion SIM cards sold in seven years and explosive rises in internet usage are just two parts of this service-led boom.

Life expectancy is again on the rise in Africa, as malaria and HIV are in retreat. And the story's going to get better.

Another key element to consider is demography. A shrinking workforce of young labour in East Asia means that wages in China are rising 10-15% a year. Meanwhile south Asia's demographics have flattened out. If you want young labour, Africa offers the solution for decades to come. And this is the most educated workforce Africa has ever had.

But isn't Africa destined for poverty because of corruption? When people condemn African countries for corruption, they are really condemning them for being poor. Transparency International's corruption perceptions index shows that rich countries have good scores, and poor countries have low scores. The best way to end corruption is to invest, so that a rising middle class can demand the institutional changes that will stamp out corruption.

What we expect in the future is a continuation of the past. The past 30 years has seen sub-Saharan growth echo India to an uncanny degree. No growth for 20 years followed by explosive growth. SSA over 1980-2010 looks identical to India over 1960-1990. If we draw out the comparison for the next 20 years, we can expect Africa's growth rates to accelerate. Nigeria will be as big as Germany is today by 2037 and be as big as Japan, a \$5 trillion economy in today's money by 2050. We see air travel across SSA rising 17-fold and car sales exceeding those of US today by 2030 and those of China today by 2040.

And by 2050, Africa as a whole will be a \$29 trillion economy, in today's money, bigger than the EU and the US combined GDP of 2012, and nearly all will be strong democracies. This will be one of the great transformations of the 21st century.

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