

Economic Analysis - The Landscape In 2021

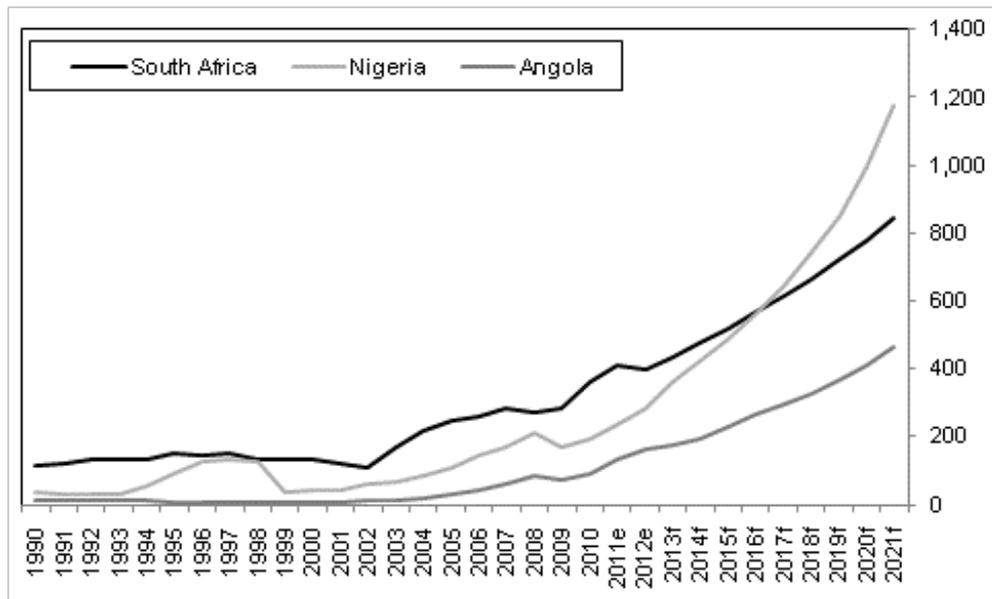
Africa - Regional Strategy - 28 Jun 2012

BMI View: Using our long-term economic and demographic projections, **BMI** has sketched an outline of how Sub-Saharan Africa's (SSA) economic landscape is likely to change over the next 10 years. While a long-term forecast is fraught with difficulty, we are able to highlight the markets which we believe have the potential to outperform over the long run. Based on our current models we forecast SSA's economy to be almost three times as large in US dollar terms in 2021, and that South Africa's time as the region's largest economy will be long gone.

We predict robust economic growth for Sub-Saharan African (SSA) economies over the next 10 years. After decades of economic underperformance, we believe that by 2021 SSA will be recognised as one of the emerging markets that will drive global growth. With a total economy of US\$3.84trn, the region will have a larger GDP than France, and will be closing the gap with Brazil. SSA as a whole will, according to **BMI**'s projections, rank among the top 10 largest economies in the world. By using our economic and demographic forecasts, **BMI** has identified the individual economies which we predict will be the best performing over the next decade, highlighting how the continent's economic centre will move north and east.

Racing For Number One

SSA - Largest Economies, Nominal GDP (US\$bn)



Source: BMI

The biggest trend to change the African economic landscape over the next decade is likely to be the relative decline of South Africa within SSA. While **BMI** predicts that South African economic growth will average 3.4% over the next 10 years (slightly slower than the 3.6% it posted from 2002-2011), we expect the country to be overtaken by Nigeria as the region's largest economy in 2016. Powered by booming oil wealth and a rapidly expanding population (**BMI** estimates 208mn by 2021) Nigeria will firmly establish itself as the region's largest economy. Ghana, jumping from 6th to 4th, will be the only other West African economy among SSA's largest economies in 2021. For the first time in 30 years no Francophone nations will place among the region's largest economies.

Topping The Table

SSA- Largest Economies, Nominal (US\$ bn)

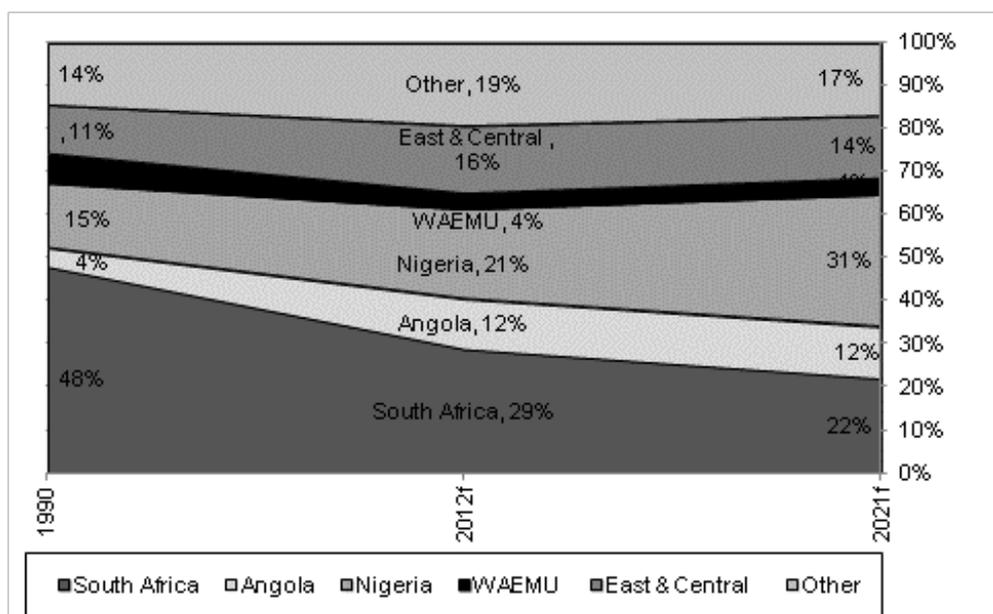
	1990	2012f	2021f
1st	South Africa, US\$112.0bn	South Africa, US\$399.3bn	Nigeria, US\$1175.6bn
2nd	Nigeria, US\$35.0bn	Nigeria, US\$285.0bn	South Africa, US\$845.0bn
3rd	Cameroon, US\$12.0bn	Angola, US\$161.3bn	Angola, US\$461.7bn
4th	Kenya, US\$11.0bn	Sudan, US\$60.2bn	Ghana, US\$119.3bn
5th	Angola, US\$10.3	Kenya, US\$40.4bn	Sudan, US\$112.3bn
6th	Ethiopia, US\$8.1bn	Ghana, US\$38.5bn	Uganda, US\$111.1bn
7th	Senegal, US\$6.3bn	Ethiopia, US\$35.8bn	Ethiopia, US\$108.7bn
8th	Tanzania, US\$5.5bn	Tanzania, US\$28.5bn	Kenya, US\$102.7bn
9th	Zambia, US\$3.7bn	Cameroon, US\$26.5bn	Zambia, US\$83.7bn
10th	Gabon, US\$3.4bn	Cote d'Ivoire, US\$25.5bn	Tanzania, US\$65.4bn

Source: BMI

Structurally, **BMI** expects the share of SSA's economy represented by South Africa to decline from 29% in 2012 to 22% in 2021. Nigeria, meanwhile, will expand to represent 31% of the economy of SSA. This is a larger share of SSA's GDP than South Africa represents today. The Francophone countries of the West African Monetary Union (WAEMU) will struggle to hold their share of regional GDP at 4%, while Eastern and Central Africa will fall to 14%. This is largely due to slow growth in Central Africa and Sudan - but we expect robust growth in the core East African countries of Kenya, Tanzania, and Uganda. It is clear that SSA's economic centre of gravity is moving away from South Africa and towards faster-growing markets, many of them resource exporters.

The Shifting Centre

SSA - Share Of Regional GDP



Source: BMI

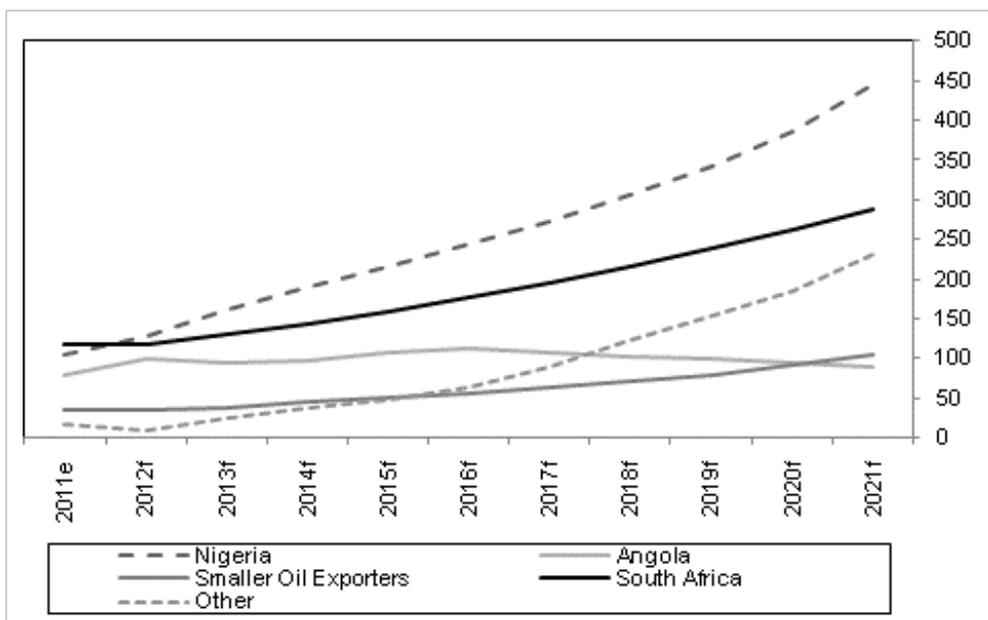
Based on our projections, we expect Nigeria to overtake South Africa as the region's largest exporter in 2012. Over the next 10 years Nigeria will see the value of its exports increase on the back of higher oil prices, increased agricultural exports, and the development of downstream

industries such as plastics and rubber. Unlike Nigeria, however, we believe that SSA's other oil exporters will not be so successful at diversifying their exports as oil production levels off. Angola and the continent's smaller oil exporters such as Gabon, Equatorial Guinea and the Republic of the Congo will suffer from stagnating exports as mature oil fields begin to decline and alternate industries remain in their infancy.

The dramatic growth of some countries in the 'other' category (notably Kenya, Uganda, and Tanzania) will be caused by the creation of oil and gas industries in nations that are not currently oil exporters. Strong export growth will also occur in the mineral exporters such as the Democratic Republic of the Congo (DRC), which will see the value of its exports more than double to a forecast US\$23.8bn in 2021. Among non-resource exporters, Ethiopia will see the value of its goods sold abroad almost triple to a forecast US\$14.3bn in 2021.

Some Being Left Behind

SSA -Exports, US\$bn



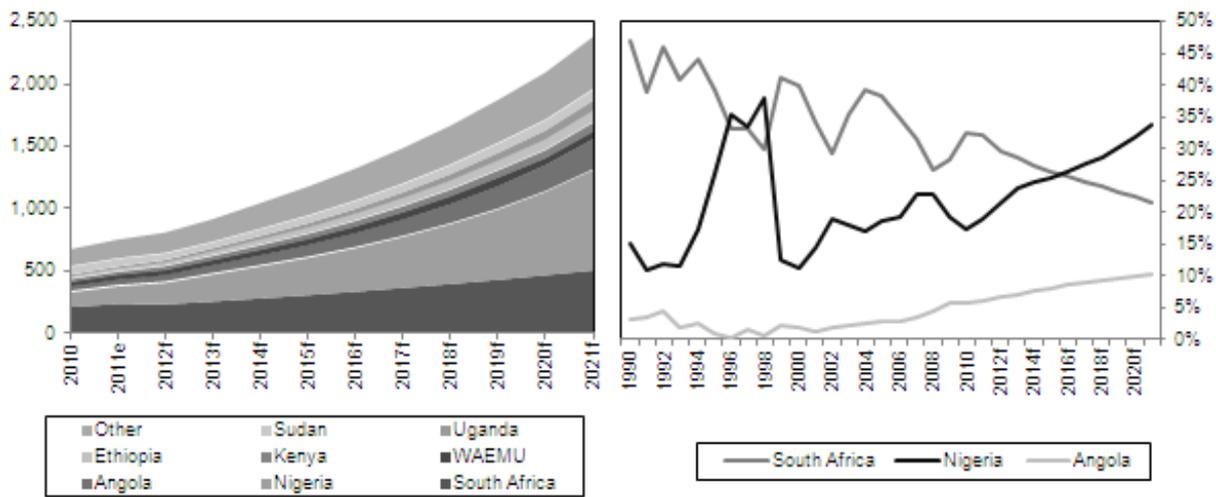
Source: BMI

It would be incorrect, however, to attribute SSA's dramatic economic growth to exports alone. While some smaller economies will remain dependent on a single key export, **BMI** predicts that rising consumer spending will widen the economic base in the region's larger economies. As we have reported before, SSA is a booming market for consumer goods, with the telecoms sector predicted to be a notable outperformer.

Nigeria, with its large population, will represent the largest share of this new market, but there will also be growth elsewhere. By 2021 **BMI** projects that Kenya will have a larger domestic market than the entire WAEMU as East Africa experiences broad-based economic growth. Ethiopia and Sudan, with their relatively large populations will also develop sizeable internal markets. Rising incomes will see Angola's domestic consumption increase to a forecast US\$240.6bn, almost half the size of South Africa's domestic market. Despite strong growth, **BMI** estimates that South Africa's share of the region's domestic spending will continue to slide, with Nigeria again coming up ahead.

Buying The Store

SSA - Domestic Consumption, US\$bn (Left) & Regional Share (Right)

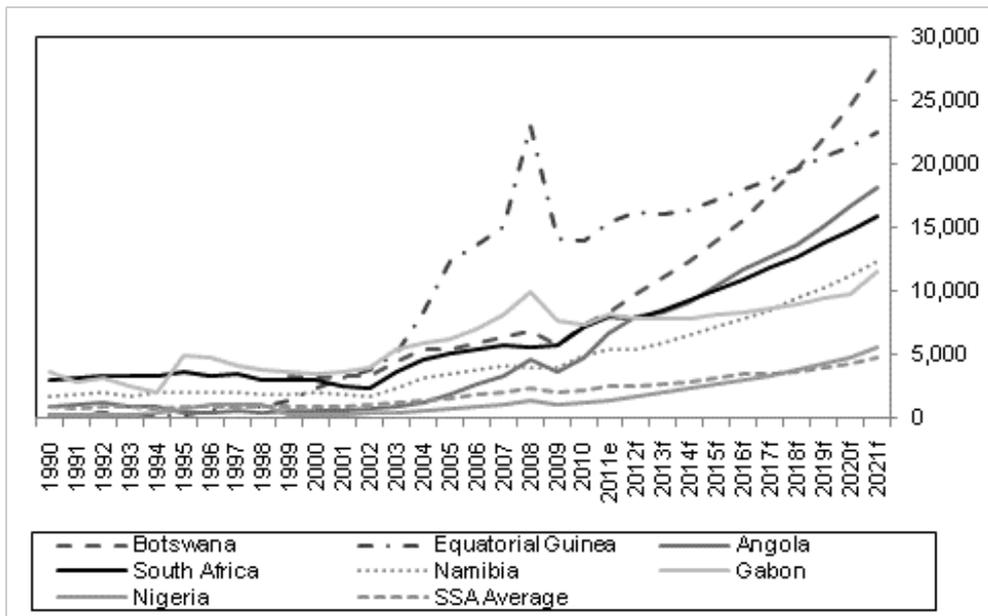


Source: BMI

The growing number of consumers in other parts of the continent will limit the utility of using South Africa as a gateway to the African market. Even so, South Africa will remain almost three times richer per person than Nigeria, and its large middle class will continue to attract business. By 2021 we estimate that the richest SSA country per head will remain the Seychelles, which will be comfortably ranked among lower middle income countries. Among mainland African states, Botswana will be the richest per person in 2021, with its GDP per capita doubling to US\$22,481. Even in countries with a relatively low GDP per capita, Africa will be home to a growing number of middle class people demanding imported goods and services.

Getting Comfortable

SSA - GDP Per Capita, US\$



Source: BMI

While SSA as a whole is likely to outperform most other world regions, **BMI** notes the different speeds at which African countries are emerging economically. We highlight Nigeria, and the East African states of Kenya, Uganda, and Tanzania as key outperformers. Regional giant South Africa, Francophone West Africa, and the continent's smaller oil producers are likely to underperform. Even so, we stress that even the worst performing African countries are likely to post growth rates much higher than those in Europe or elsewhere.

Risks To Outlook

As this forecast covers almost 50 countries over a 10-year time horizon it is highly vulnerable to relatively small forecast revisions in any of the countries surveyed. While we predict that African economies will begin to rebalance towards domestic consumption, most will remain heavily dependent on exports over the duration of our forecast period. **BMI** highlights the eurozone crisis, an economic slowdown in China, and fluctuating resource prices as posing a threat to export growth across SSA. Many countries face domestic political and security risks, notably the DRC, Nigeria, and the West African countries of the Sahel. At a regional level, we note that rapid

population growth could pose a threat to social stability if employment growth does not keep up with a surging number of job-seekers. Climate change also poses a threat to many SSA countries, notably the Sahel and the Horn of Africa. As this forecast is denominated in US dollars, changing exchange rates could alter our projections substantially.

Geography: [Africa](#) : [Angola](#), [Benin](#), [Botswana](#), [Burkina Faso](#), [Cameroon](#), [Cape Verde](#), [Central African Rep.](#), [Chad](#), [Congo](#), [Congo, Dem. Rep.](#), [Cote d'Ivoire](#), [Djibouti](#), [Equatorial Guinea](#), [Eritrea](#), [Ethiopia](#), [Gabon](#), [Gambia](#), [Ghana](#), [Guinea](#), [Guinea-Bissau](#), [Kenya](#), [Malawi](#), [Mali](#), [Mauritania](#), [Mauritius](#), [Namibia](#), [Niger](#), [Rwanda](#), [Senegal](#), [Seychelles](#), [South Africa](#), [Sudan](#), [Swaziland](#), [Togo](#), [Zambia](#), [Zimbabwe](#)

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Source: Emerging Markets Monitor

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