

Africa's new number one economy

BY GRAEME CODRINGTON ON APRIL 8, 2014

Six of the world's top ten fastest growing economies over the past decade are in sub Saharan Africa. The country of my birth and my heart, South Africa, is not one of them. This is a travesty, and a direct comment on the policies that the last ten governments or so have had. South Africa should be doing much better considering all it has going for it: an abundance of natural resources, a demographic dividend (a large population that is nevertheless fairly stable in growth with many – but not an overwhelming number of – new job entrants each year), a good mix of primary, secondary and tertiary industries, a solid currency and good investment opportunities for FDI (foreign direct investment), one of the world's most understandable English accents and reasonable literacy, and the continent's best tax base. The scandal of the current ANC government is how South Africa's growth rate is about half of the region's.

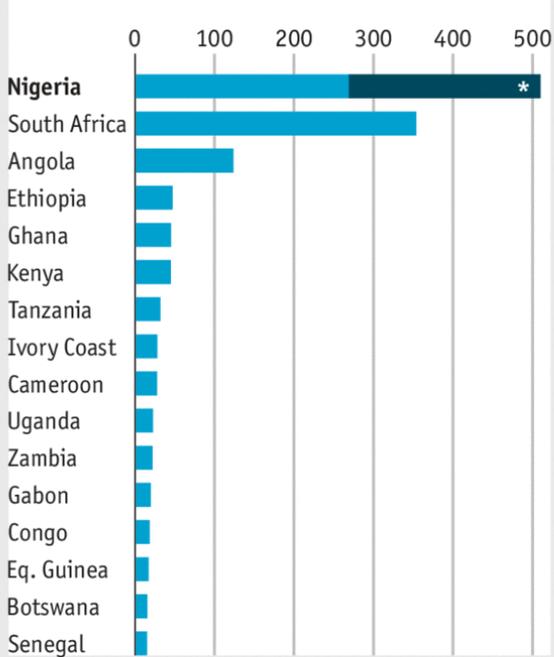
Under apartheid, economic growth was stifled because the Afrikaner-led governments only really cared about enriching a small fraction of society (white Afrikaners). Under the early ANC government, the economy was released and government became an employer of note, but the social and developmental lag meant that productivity became a drag on the economy, and there was a tremendous backlog in education infrastructure and systems. At the same time, bad labour laws were enacted that seemingly protected workers but actually only served to stifle employment and hiring. It doesn't help that the current ANC government seems to be focused on self-enrichment and corruption. That's an unfair statement about many committed government ministers, but when the ANC's National Executive Committee fail to deal decisively with obvious self-enrichment and corruption they bring this indictment on themselves, whether they were personally involved or not.

The reason for this little reflection on the sad state of South Africa's economic development is that this past weekend, Nigeria's statisticians rebased their economy. Up until now, Nigeria has calculated the size of its economy based on 1990 prices. They updated this over the weekend and Nigeria's economy has now overtaken South Africa as the largest in Africa. There was no trickery in this – it is something every country does periodically, and Nigeria's rebasing has been long overdue. It is also a fair reflection of reality. Nigeria is much more populous, has lots of oil revenue and has done a better job of releasing its economy to operate in the 21st century.

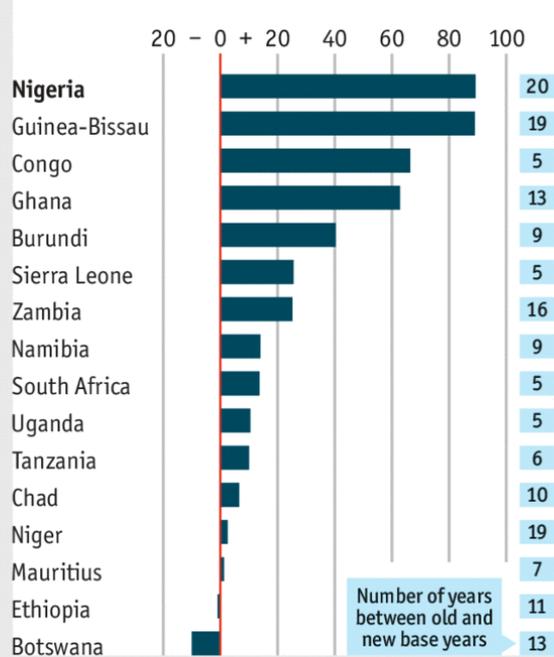
Read The Economist's brief summary and a chart of other African economies [here](#). There's also a [good analysis from Management SA here](#).

Sub-Saharan Africa's GDP

Biggest economies, 2013 estimates, \$bn



Selected revisions, % change after rebasing



Sources: National statistics; African Development Bank; "The Dawning of a Statistical Renaissance in Africa" by B. Kiregyera; IMF; World Bank; press reports

*After revision

Economist.com/graphicdetail

With an election due in a months' time, the issue of the economy and how to generate both employment and economic growth, is one of the key issues facing South Africa's leaders right now. Prof Nick Binedell, of GIBS, a leading business school based in Johannesburg, has long been saying that a key missing element of the South African landscape is the involvement of big business in engaging with government and influencing policy and direction. Part of that has to do with clashing styles (big business has historically been in the hands of white people with a certain approach and culture, who have battled to engage the new black-led government that has a much more consensus driven approach), but part of it is also historical (South African business leaders who were not part of the ruling elite have never engaged with their governments). This must change. Prof Binedell often expresses exasperation at this missing piece of South Africa's political and economic puzzle. He's right to do so. And now we can see why.

South Africa has slipped from its number one position in Africa. It will slip further if things don't change.

The good news is that GDP growth in excess of 5% per annum is within easy grasp for all sub Saharan countries over the next few decades. It just requires a change in heart and mind. And maybe that requires a change in leadership and government too.

Here's an interesting video to get you thinking. South Africa has all of the characteristics required to be a great developing economy. We just need to activate them and make the most of them:

This video is about The Developing World, and is by Fredrik Haren, renowned innovation speaker and author of The Developing World sharing why he thinks that regarding countries as "developed" is a bad idea. In it, he suggests a few keys to future growth:

1. The ability to see change
2. Learning to copy right (yes, copying well and learning from the best around the world, rather than protecting IP)
3. Continuous improvement
4. Being curious
5. Developing, rather developed – in mindset, attitude and actions

We also need individuals throughout South Africa to take on these characteristics. And never stop developing.