Navigating Africa's Demographic Boom
Challenges and Opportunities

AFRAE VIEWPOINTS SERIES

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#1

Executive **Summary**

AFRAE **Viewpoints #1**

Navigating Africa's Demographic Boom — **Challenges and Opportunities**

The African continent is at a crucial juncture in its history. It is poised to undergo a remarkable demographic transformation, characterized by its youthful, tech-savvy nature.

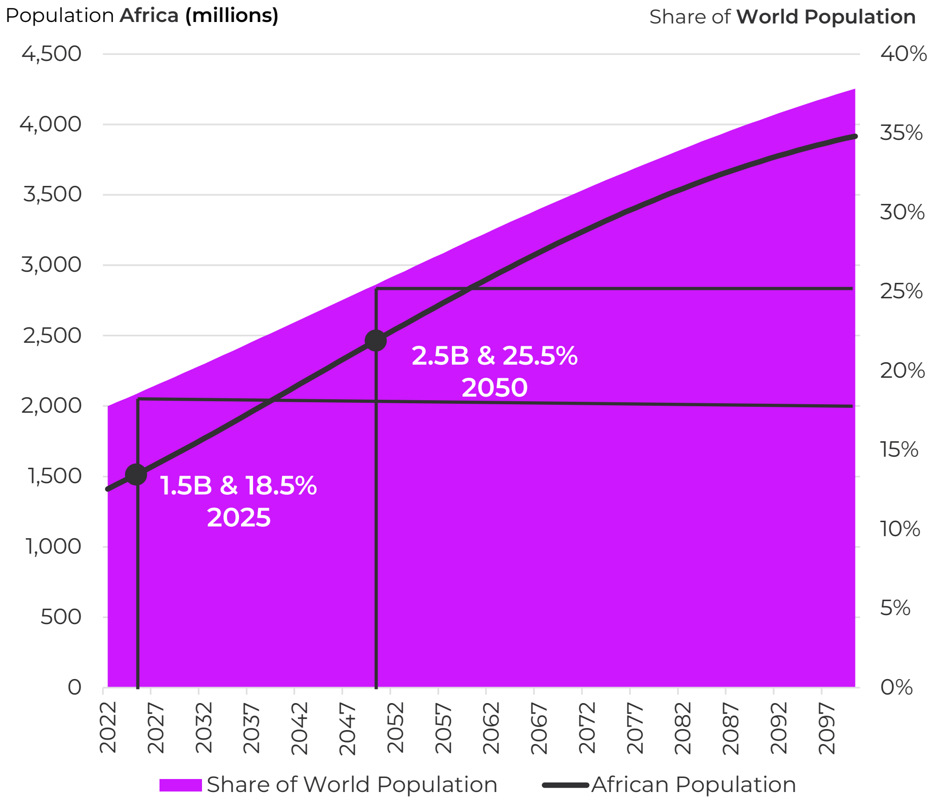
This demographic boom will transform Africa into the world's largest workforce capable of driving economic growth and playing a vital role in advancing the digital revolution in areas such as fintech.

In addition, urbanization towards Africa's megacities is set to accelerate, fueling the creation of wealthier consumer markets.

Navigating this demographic boom is fraught with challenges, however.

Now and **Future**

A Growing Workforce **and The Rise of a Youthful Population**



Navigating Africa's Demographic Boom — **Challenges and Opportunities**

One of the most important consequences of Africa's demographic explosion is its rapidly expanding workforce. Over the next decade, the global population will grow at 9.9% annually; Africa's population will grow by 11.3%.

By 2050, the continent's population is expected to double, making Africa home to the world's largest workforce. This growing pool of workers offers tremendous economic opportunities. Treaties like the Africa Continental Free Trade Area (AfCFTA) can drive structural transformation and industrialization, providing opportunities for skilled workers.

Sources: United Nations, Department of Economic and Social Affairs, Population Division (2024). World Population Prospects 2024: Data Sources. (UN DESA/POP/2024), AFRAE AM

Now and Future

A Growing Workforce **and The Rise of a Youthful Population**

Additionally, investors and the international business community are starting to recognize this potential and are already increasing their exposure to the continent.

In recent days, Coca-Cola has pledged to invest USD 1 billion into its Nigerian operations over the next five years to improve its production capacity and improve its supply chain.

The emerging middle class, boosted by higher incomes, will drive domestic consumer demand for housing, healthcare and tech among others, contributing to the continent's economic growth.

This demographic explosion will also be increasingly youthful.

Africa already boasts the world's youngest population. According to United Nations Population Fund, about 60 % of Africa's population is under 25. At current fertility rates, this part of the population is projected to increase in the coming decades, rising from 721 million in 2015 to 1.4 billion by 2063. Nigeria and Kenya, two of Africa's most prominent economies have median ages of just 19.2 and 20.9 respectively.

Beyond just adding numbers to the workforce, Africa's youth can shape the future of the continent.

"60 %

of Africa's population is under 25.
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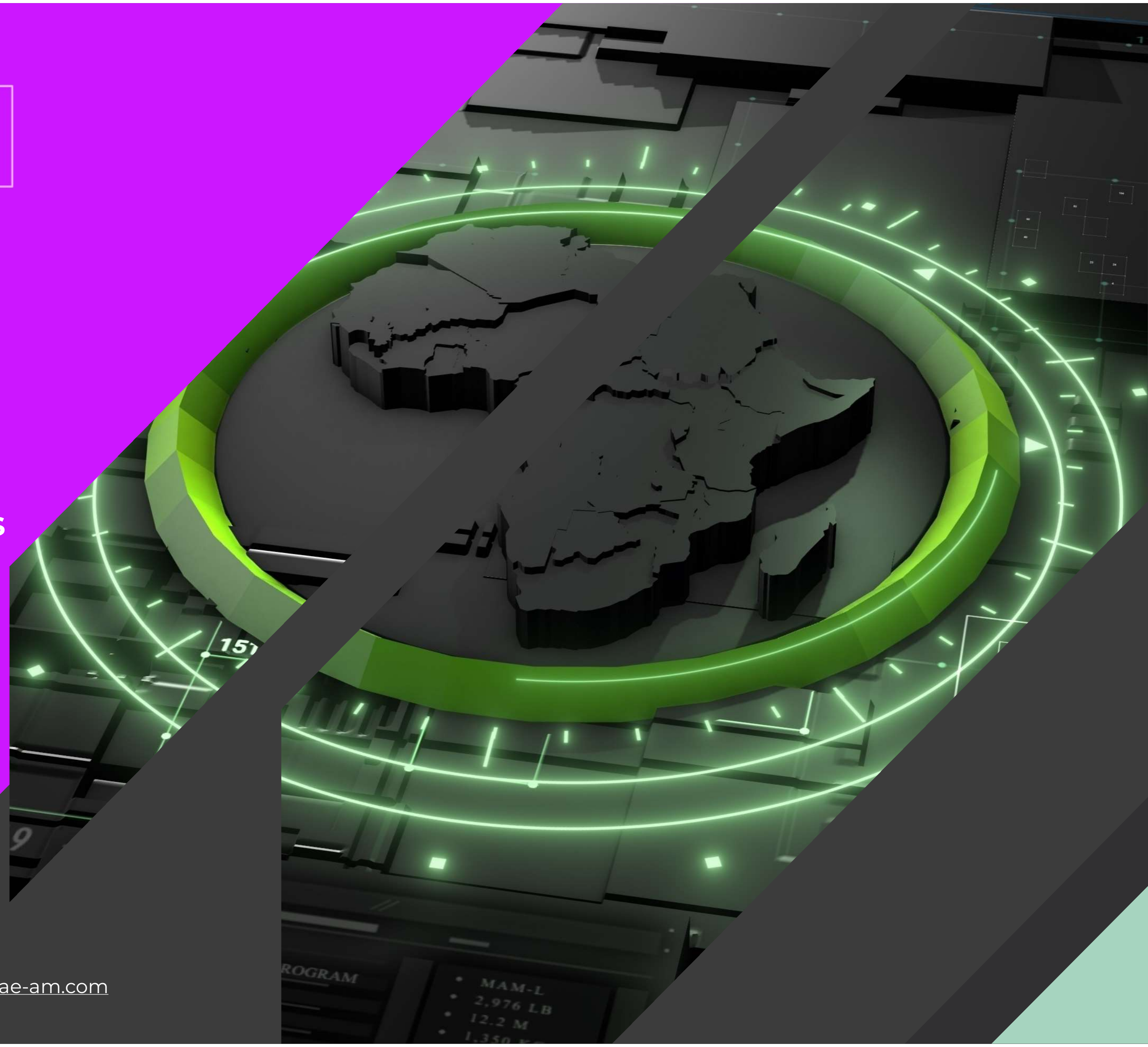
UNITED NATION POPULATION FUND

Now and Future

African Innovations

from Challenges to Opportunities

Mobile technology has become one of the principal factors influencing the continent's growth. Innovations like mobile money has provided financial inclusion to millions who were previously unbanked.
The continent's tech-savvy youth has proven faster to embrace such technologies, catapulting it into the mainstream.



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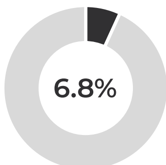
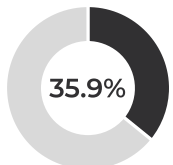
African Innovations **from Challenges to Opportunities**



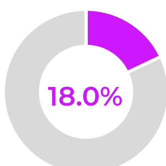
Internet Users **in 2012**

Median Penetration Rate in Africa



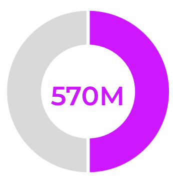
Internet Users **in 2022**

Median Penetration Rate in Africa



Last 10 Y **Annual Growth (CAGR)**

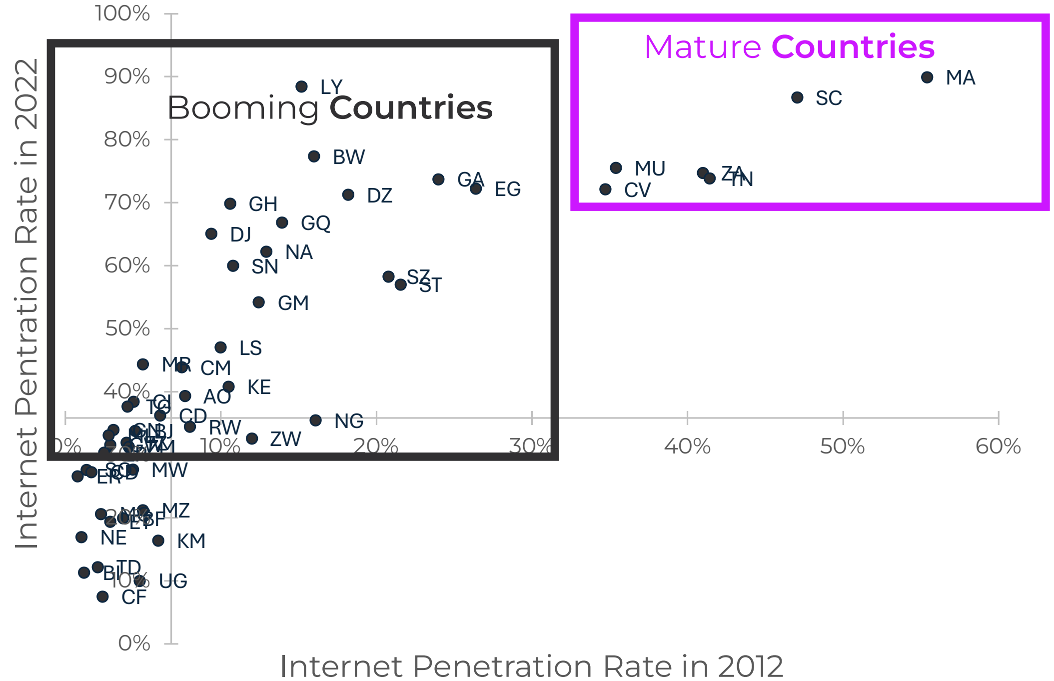
Internet Penetration in Africa grew at a 18% annual rate over the last 10 years



570 M **Internet Users**

The continent had around 570 million internet users in 2022, a number that more than doubled compared to 2015.

Internet Penetration Rate



Sources: International Telecommunication Union (ITU), World Bank, Statista, AFRAE AM

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African Innovations **from Challenges to Opportunities**

They are also leading the charge, not only as consumers, but also as innovators and creators. In countries like Nigeria and South Africa, young entrepreneurs are providing solutions to local problems, using technology to bridge gaps in areas like healthcare, education and agriculture, improving livelihoods along the way.

The rise of digital payments in many African economies has allowed millions to join the formal economy. Tech-based agricultural solutions are improving crop yields and increasing access to food for millions of Africans.

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African Innovations **from Challenges to Opportunities**

Improved mobile and internet penetration rates allow African startups access to global markets without requiring large infrastructural investments. The emergence of businesses like these are helping to position Africa as a growing tech and agritech hub, attracting significant attention from investors.

In 2023, Africa attracted a combined USD 4.5 billion in venture capital and debt investment across 603 deals. Sizeable investments in the African startup industry are creating environments where young African entrepreneurs can thrive.

Now and Future

African Innovations **from Challenges to Opportunities**

A failure to **properly engage this growing youth population can have dire consequences**

Despite the immense potential inherent in this youthful demographic boom, there will be challenges ahead to fully harness it. Many African countries face high youth unemployment rates. Millions of young Africans enter the labor market and are unable to find meaningful jobs. This can be due to mismatches in skills, where education systems are not aligned with the needs of the domestic labor market. Graduates lack the practical skills required, especially in industries where technical expertise is required. The disconnect between education and employment opportunities stifles the potential of Africa's young emerging workforce and exacerbates underemployment, with many young people stuck in low-paying jobs. A failure to properly engage this growing youth population can have dire consequences. A disillusioned youth population can become a source of social unrest. Some turn to protests as seen by the rise of youth-led protests in some African regions.

Now and Future

African Innovations **from Challenges to Opportunities**

The informal sector, which dominates many African economies, is another challenge. While it provides employment for a significant portion of the population, the informal economy is characterized by low wages, job insecurity and limited access to social protections. Many young Africans are forced into informal work due to a lack of formal employment opportunities, which limits upward mobility and potential contributions to economic growth.

To be able to fully reap the potential of Africa's workforce, significant investments are needed in education, especially in science, technology, engineering and mathematics (STEM fields) and skills development through vocational training. This would help to ensure that young people are equipped with the skills required for the jobs that will help to shape Africa's future like digital technology.

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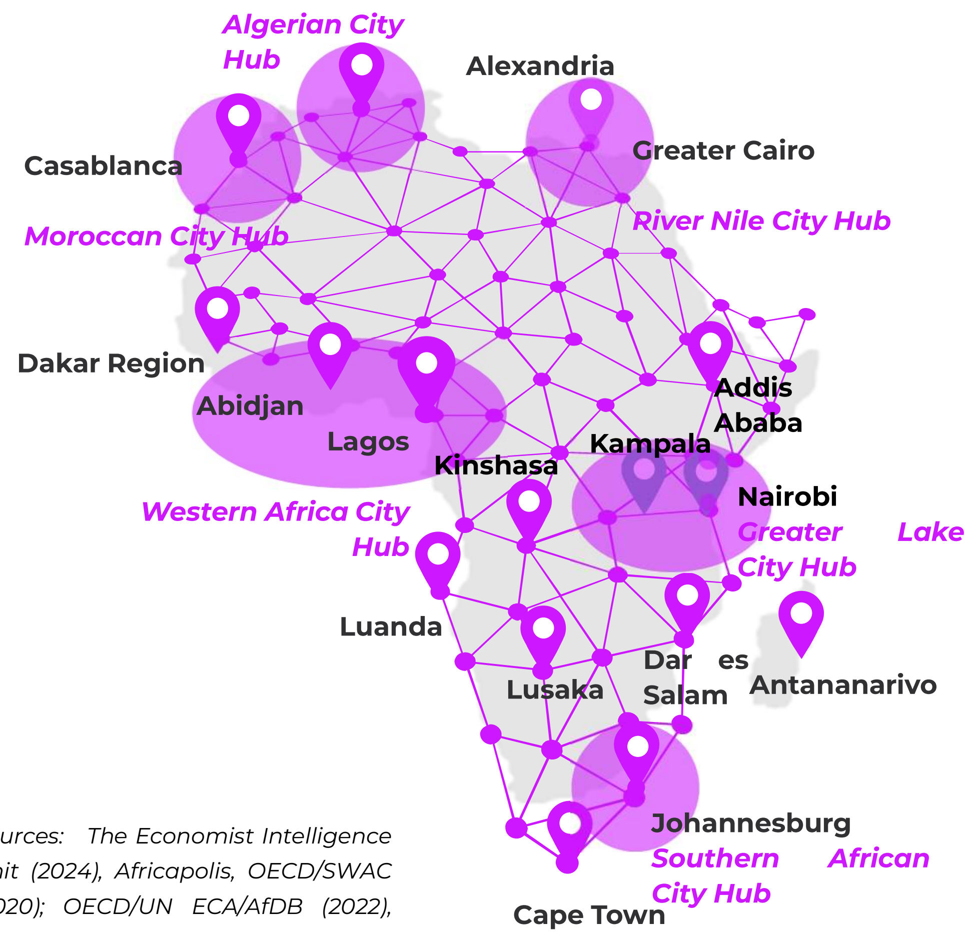
Africa's **Rapid Urbanization**

Alongside Africa's demographic expansion, the continent is also experiencing a rapid wave of rarely seen urbanization, driven by healthy population growth rates and urban-rural migration. Africa's urban population will generate 60% of its GDP.

African cities are expected to record some of the fastest rates of population growth, leading to some of the world's largest megacities.

"We expect Africa's top 100 cities — Africa 100 [...] be home to about 21% of the continent's population yet to generate more than 60% of Africa's GDP by 2035"

The Economist Intelligence Units (2024)



Sources: The Economist Intelligence Unit (2024), Africapolis, OECD/SWAC (2020); OECD/UN ECA/AfDB (2022), EIU, AFRAE AM

Now and Future

Africa's **Rapid Urbanization**

Major urban centers **are poised to become crucial to future economic prosperity**

By 2035, the continent will have six: Greater Cairo, Kinshasa, Lagos, Greater Johannesburg, Luanda and Dar Es Salaam. While already the focal points of Africa's economic potential, these major urban centers are poised to become even more essential to future economic prosperity. Africa's cities are becoming hubs of economic activity. The emerging African middle class, as mentioned previously, should fuel greater consumer demand, but this will be felt even more keenly in urban areas. Furthermore, the strong urbanization trend is leading to a concentration of resources in these urban centers. Allied with the strong potential demonstrated by the African youth, future African megacities are ideal places for the development of tech and startup ecosystems, which foster creativity and collaboration. Already, cities like Nairobi, Lagos and Cape Town are seen as hotbeds of innovation.

Now and Future

African Innovations **from Challenges to Opportunities**

Moreover, the urbanization trend will require and spur large-scale infrastructure development. Investments in education, housing, healthcare and energy are essential to accommodate its rising urban population. Governments need to invest in roads, rail networks and energy grids to support the expansion of cities.

Rapid urban expansion is not without its challenges. The investment in infrastructure has so far lagged its demand, even struggling to keep up with it.

Many African cities currently face shortages in matters of housing, healthcare and public transportation. The result is overcrowded and under-resourced cities. In some places, millions of people live in precarious conditions where access to basic services like clean water is limited, and where housing insecurity is high. Many African cities exhibit chaotic development and inefficient use of land as they expand, issues which are exacerbated by urban sprawl or unplanned growth.

Now and Future

Africa’s **Rapid Urbanization**

This is largely due to ineffective urban planning and zoning regulations. In addition, as cities grow, quality of life is affected. Traffic congestion and pollution tend to increase with rapid urban expansion. Air pollution in some major urban centers has reached dangerous levels, possibly endangering citizen life. Urbanization also puts pressure on a city's natural resources.

Water scarcity is a growing concern, where rapidly increasing populations are depleting resources faster than they can be replenished. Affordable housing is another problem. If demand continues to outpace supply, families, especially lower income ones, will find it difficult to afford decent housing.

Key Takeaways

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Africa's demographic boom presents both an unprecedented challenge and a unique opportunity. With a young and rapidly growing population, the continent has the potential to become a driving force of global economic growth. However, unlocking this potential requires addressing several significant obstacles, such as unplanned and uncontrolled urbanization, gaps in infrastructure, and the mismatch between education and labor market needs.

Key Takeways

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Investing in education, infrastructure, and sustainable development initiatives is crucial to ensure that Africa's youth can actively contribute to their economies. By also fostering the growth of a vibrant tech sector and encouraging innovation, African economies can transform their cities into thriving economic hubs.

By taking a proactive approach to these challenges, Africa's leaders can not only improve the quality of life for its people but also position the continent as a key player on the global stage.

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