



Allianz Demographic Pulse



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2010: bright prospects for Africa

Africa – population prospects inspire hope of economic upswing

From a demographic point of view, African countries will have a historical opportunity in the coming years to defeat poverty – provided that the right actions are taken.

In soccer, African hopes will be pinned on the African teams competing in the World Cup: South Africa, Algeria, Ivory Coast, Ghana, Cameroon and Nigeria. These same countries also serve as prime examples of the challenges facing the African continent as well as the opportunities opening up for them.

The six African countries competing in the World Cup are among the most populous states in Africa. However, they differ immensely in size: Nige-

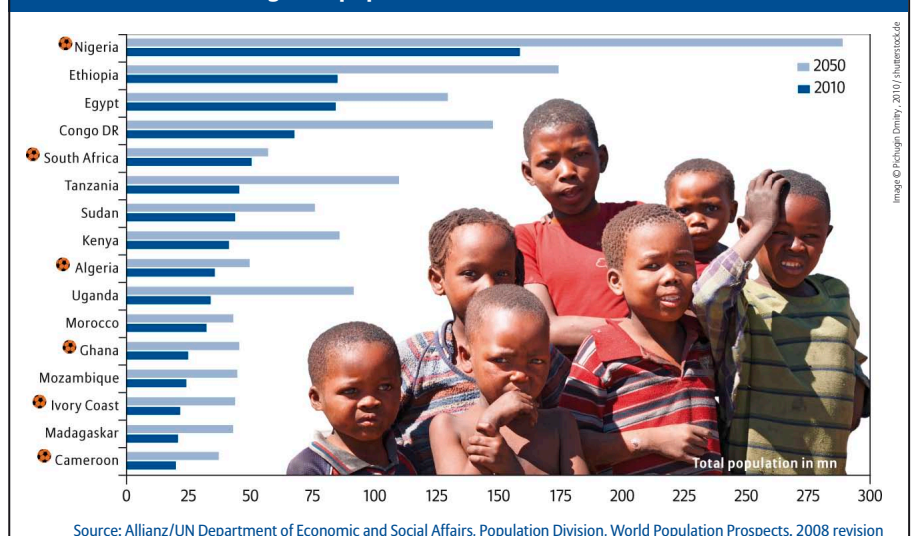
ria's population is more than three times as large as that of the host country South Africa, which according to the last census has just under 50 million inhabitants. Cameroon, with 20 million inhabitants, is the

least populous of the African World Cup countries.

Heterogeneous Africa

The predicted population development in Africa spotlights the growing

2050: one fifth of the global population lives in Africa



Source: Allianz/UN Department of Economic and Social Affairs, Population Division, World Population Prospects, 2008 revision

The most populous countries of Africa.

Forecast 2050: Africa will have 2 billion inhabitants.

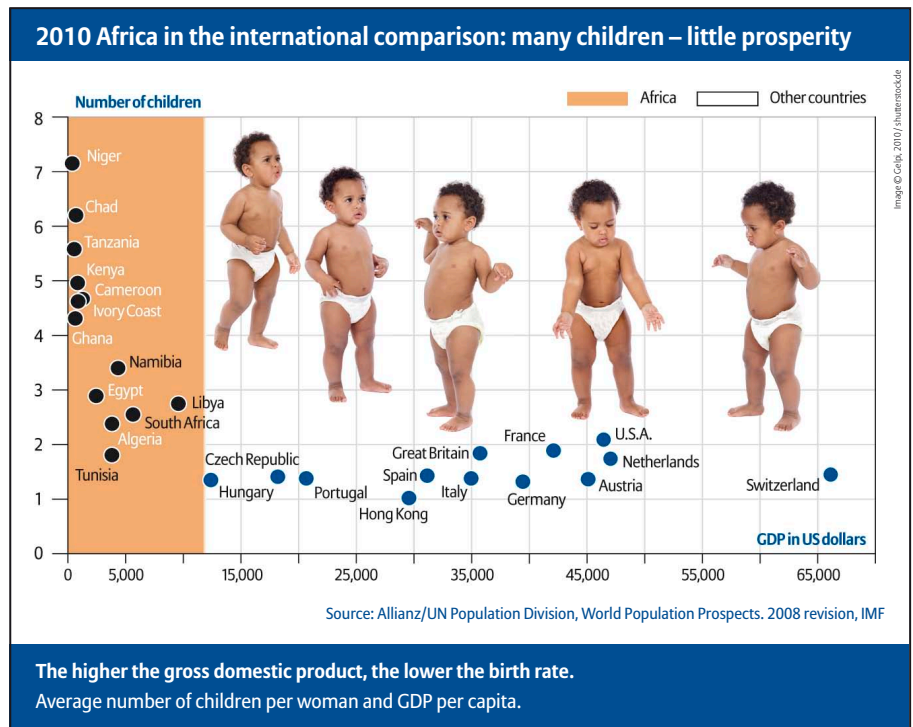
Countries represented in the World Cup

regional disparity between countries in the north and south of the African continent on the one hand and the central African nations on the other. Whereas the birth rates in central African countries like Nigeria and Niger remain among the highest in the world, those in the north and south of the continent have declined significantly since the 1990s. According to the UN, average birth rates in Algeria and South Africa are now, respectively, 2.4 and 2.5 children per woman. By contrast, in Nigeria each woman has on average 5.3 children, in Ghana 4.3 and in Cameroon and Ivory Coast 4.7. As a result, the population of Nigeria is expected to nearly double in the next forty years. The same applies to Ghana, Cameroon and Ivory Coast. By contrast, in South Africa and Algeria population growth will slow significantly.

At the same time the six countries illustrate the differences in economic power in the regions. According to the IMF, the 2009 gross domestic product per capita was 5635 US dollars in South Africa and 3816 US dollars in Algeria. In Nigeria, Cameroon and Ivory Coast it was only around 1100 US dollars, and in Ghana just 639 US dollars. This disparity in prosperity is obviously linked to demographic trends.

Economic growth vs children

Comparison of the prosperity of the individual African countries with their birth rates shows a negative correlation: the higher the GDP per capita, the lower the average birth rate. Whereas most African countries in which the GDP is less than 1000 US dollars per capita have birth rates of



more than five children per woman, in the wealthier northern and southern African countries such as Egypt, Algeria, Morocco, Botswana and South Africa it is less than three children per woman. In Tunisia and on Mauritius birth rates have now fallen to as low as 1.9 and 1.8 children per woman. Angola and Equatorial Guinea are exceptions to the rule: in those countries economic growth in recent years has been driven largely by petroleum exploration.

Interestingly, this negative correlation between birth rates and prosperity does not only apply to developing countries. We find the same relationship when we compare GDP per capita and birth rates of countries worldwide – but even more sharply defined. The wealthiest countries in the world such as Switzerland, Germany and Japan also have the lowest birth rates. In most industrialized countries the birth rate has now fallen below the reproduction rate of 2.1 children per woman, which will ultimately result in a decline of the population in these countries. At the other end of the scale are the African countries with the highest birth rates in the world and a GDP that, for half

of them, is less than 1000 US dollars per capita.

More prosperity = fewer children?

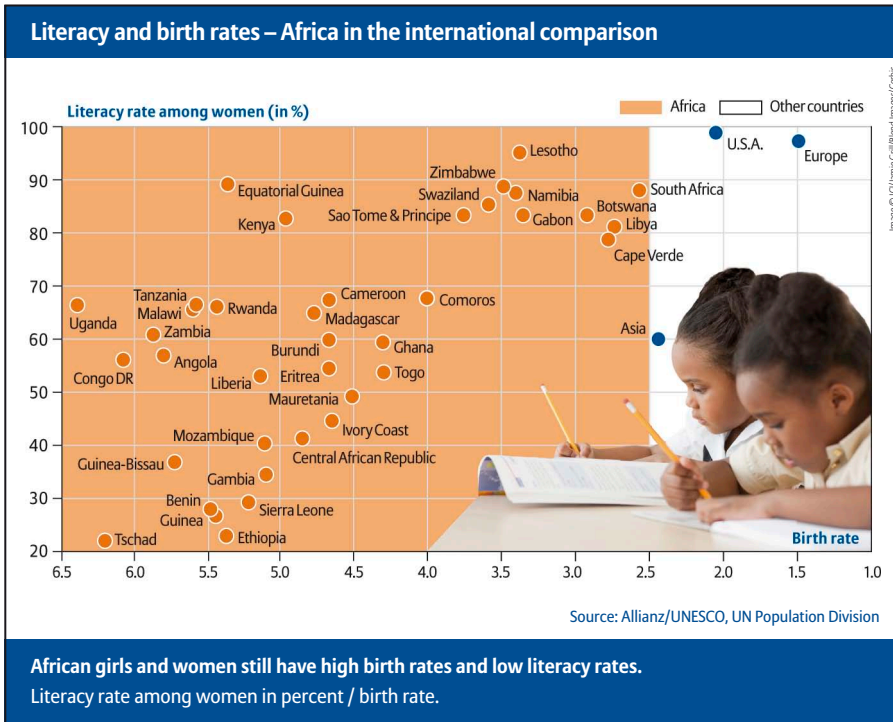
Is there a clear causal relationship between these two parameters and if so, what direction does it take? Is not having children the key to more prosperity? Or does more prosperity make having children superfluous? A review of the recent past favors the latter explanation. Birth rates often track economic development with a time lag. Once the standard of living is raised, life expectancy usually increases, while birth rates remain at a high level. The result is that population growth accelerates. Only after a sustained decline in child mortality thanks to better medical care and a higher standard of living as well as rising child-care costs do birth rates drop. These expenses include not only costs for educating children but also what are known as opportunity costs, for example income loss due to one parent having to give up gainful employment in whole or in part in order to care for the children.

Education for women

Because child care remains the domain of women in most countries.

the higher the educational level of women, the lower the birth rate tends to be. The key to lowering birth rates and boosting economic growth lies in the education of girls and women and thus the professional opportunities open to them. UNESCO data on female literacy and UN population statistics confirm this impression. Women in African countries with a high literacy rate tend to have fewer children than their counterparts in countries where the literacy rate among women is lower. In South Africa, where around 90% of women can read and write, the birth rate is 2.5 children per woman, whereas in Chad, where around 80% of women are illiterate, it is 6.3 children per woman.

In recent years most African countries have increasingly invested in the



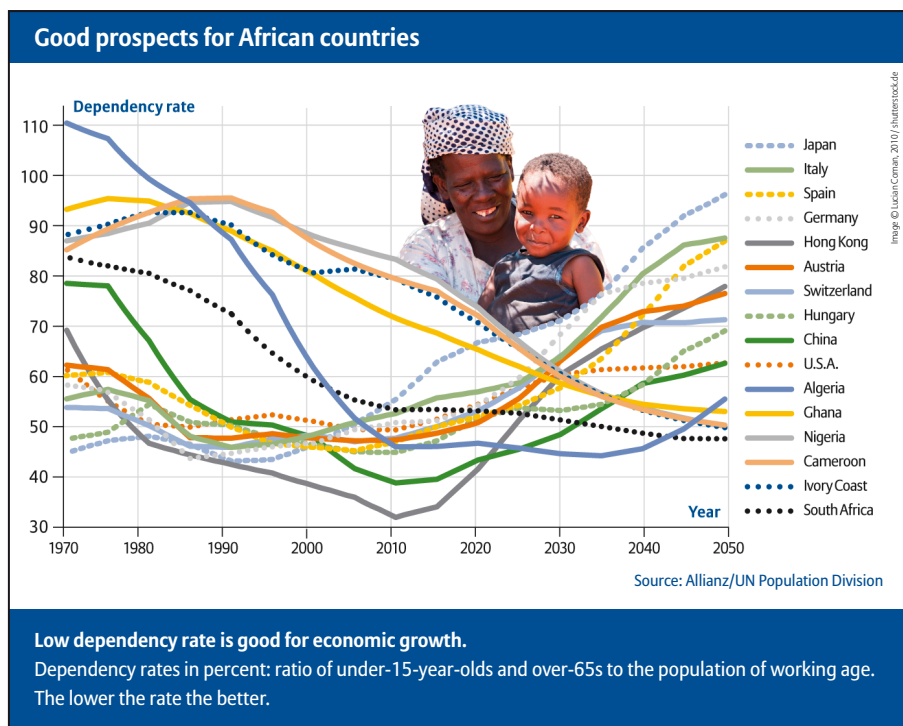
education of girls and young women. However, Africa remains the continent with the highest illiteracy rate and the greatest discrepancy between the educational levels of men and women. UNESCO uses the gender parity index (GPI) to measure this discrepancy. The GPI is defined as the number of women who can read and write per 100 literate men. In 2000, the last year for which UNESCO has published

data, it was 0.73. The GPI is 0.85 in Asia and 0.99 in Latin America, North America, Oceania and Europe.

A glance at national statistics also reveals marked regional differences. Whereas in South Africa the literacy rate in 2008 was nearly equal for men and women at 89.9% and 88.1%, respectively, only 21.9% of Chad women but 43.8% of Chad men could read and write. The picture was similar in Nigeria, where the literacy rate was 71.5% among men but only 48.8% among women. In view of this fact, Nigeria has meanwhile placed more emphasis on the education of girls with the declared aim of lowering the birth rate by at least 0.6 children per woman every five years.

Economic recovery

Against the backdrop of these developments, the UN predicts that the downward trend of birth rates will continue. At the same time, the average life expectancy on the African continent is expected to increase by 11.4 years by 2050, though it will still remain below 70 years in most African countries. From a demographic point of view the stage is certainly set for an economic recovery, especially



in the north and south of the continent. In Algeria and South Africa, for example, the dependency ratios, i.e. the ratio of under-15-year-olds and over-65s to the population of working age, is already at US and European levels. In most of the other African countries this ratio is set to fall in the coming decades to levels that prevailed in western industrialized countries between 1960 and 1980. Meanwhile, most industrialized countries will see development in the opposite direction towards "African levels". This is due, of course, to the rapid aging of Western societies.

Demographic dividends

These contrary trends highlight two things: Thanks to demographic trends, in the coming years Africa will have a

unique opportunity to defeat poverty. And this "demographic dividend" raises the prospect of an economic success story similar to that achieved by the Asian emerging markets. Of course this will require more political stability and further progress along the path of economic reform. The Western nations have every reason to put their full weight behind these efforts: A prospering Africa can very much help to offset the effects of an aging society on the global scale. It is in our own interest to devote our full attention to Africa, not only when it is hosting the World Cup.

* See National Population Commission of Nigeria, Population Policy

Why does Allianz care about demography?

As a global financial service provider, Allianz believes demographic change to be of crucial importance. Identified as one of the major megatrends, demographic change will hold the key to many upcoming social challenges, whether with regard to health, old-age provision, education, consumption or capital markets.

What are the benefits of Allianz Demographic Pulse?

Allianz Demographic Pulse is based on the latest research into various aspects of demographic change. Conducted and written by Allianz experts, it highlights current and globally relevant demographic data and provides an insight into their impact on worldwide economies and societies. To ensure up-to-date coverage of major developments in this field, Allianz Demographic Pulse is published on a regular basis, thus providing ongoing and detailed information about a major trend that is shaping the world we live in.

Why does it matter to journalists and the public?

Demographic change is challenging today's societies in many ways: People are getting older, and this raises the issue e.g. of long-term care and dementia. Furthermore in the future there will be a significant decline in the workforce in all of the world's markets, triggering for example a challenge in pension funding. Only information, awareness and discussion on the topic will help to change attitudes, behavior and situations, so hopefully solve urgent needs and come up with innovative solutions.

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Do you have any comments, suggestions or questions? We look forward to your feedback!

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