



MEDIA RELEASE

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DEMOGRAPHICS AND THE INVESTMENT CASE FOR AFRICA

The economic pain being suffered in many developed economies relates, ironically, to higher standards of living that have resulted in longer life expectancies. In the developing world, however, the demographics are completely different, and so are the economic prospects.

That's according to Pieter de Wet, head of research at Novare Equity Partners, the private equity fund manager focused on Sub-Saharan Africa: "In developed economies female workforce participation is also relatively higher. Due to a higher average age of giving birth as well as lower fertility figures, old people make up a greater percentage of the population. In developing countries like those in Sub-Saharan Africa we have almost the opposite situation."

Looking at the age dependency ratio, the ratio of people older than 64 to the working population, the figure for the US at the end of 2010 was 19.6 and for the EU 25.9, against 12.0 for Eastern Asia, 10.6 for Latin America and 5.9 for Sub-Saharan Africa.

"What these statistics show us is that in richer developed countries more and more older people have to be supported by a younger, shrinking workforce. In Germany, for example, the total number of pensioners increased by an annual average of 1.8% between 2005 and 2010, while the total population decreased by 0.2% a year over the same period," explained de Wet.

In contrast, Africa is estimated to have a population of more than a billion people after starting the millennium with 800 million. The median age in Sub-Saharan Africa is 18.6, lower than any other region.

Between the 1960s and 1990s in most East Asian countries, especially South Korea

and Japan, growth in the labour force exceeded that of the total population. Termed the “demographic dividend”, there was a young workforce without the burden of supporting non-contributing members of society. As a result, economic growth was stellar.

Interestingly, said de Wet, the UN projects that the future demographic trend in Africa is likely to be same as that experienced in Asia. The UN population division forecasts that by 2050 the figure for African youths will fall to 27% (from about 40% now) of the total population, the working aged population will comprise 66% (now 56%), and 7% (now 4%) will be over 65. Against this background, the pace of urbanisation is increasing.

“The rapid increase in the size of the African workforce from a low base relative to the rest of the world is expected to result in strong demand for consumer goods and services. And improvements in infrastructure are making it is easier to reach consumers.

“Africa's expanding middle class and growing consumerism are significant attractions for those considering investing in the continent, even more so than prospects for resources. Opportunities for real returns in ‘the last investment frontier’ are abundant, but are expected to become harder to find as investors increasingly turn their attention to markets where demographic fundamentals support the business case,” said de Wet.

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Notes to Editors

Novare was founded in October 2000 as an independent investment management business in South Africa. In 2006 the company began expanding into Africa where they have built an extensive network and gained invaluable experience and insight into investing on the continent. Having been in the business for over a decade, Novare has some 300 years of collective experience in the investment industry.

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Novare Actuaries and Consultants is an independent implemented consulting firm providing specialist support to institutional clients in Southern Africa. Johan Henn is chief executive of Novare Actuaries and Consultants.

Novare Investments is an independent multi-manager firm providing tailor-made investment solutions to both retail and institutional clients in Southern Africa. Marius Kilian is chief executive of Novare Investments.

Novare Equity Partners is a private equity fund manager focusing on investment opportunities in Sub-Saharan Africa. It is the manager of the Grand Towers Africa Property Fund 1 domiciled in Mauritius. Derrick Roper is chief executive of Novare Equity Partners.

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