



MEDIA RELEASE

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POSITIVE DEMOGRAPHICS WILL CONTINUE TO DRIVE GROWTH IN AFRICA

The economic woes currently being experienced in developed markets are closely aligned with their greying populations, as the costs associated with ageing demographics present policymakers with serious challenges.

In contrast, says Pieter de Wet head of research at Novare Equity Partners, the private equity fund manager focusing on investment opportunities in Sub-Saharan Africa Africa's demographics, supported by improving political and economic dynamics, are creating many opportunities.

Euromonitor International's September 2011 report on global population trends noted that Japan, with 23.3% of its people above age 65, has the oldest population in the world. The rest of the top 10 countries with the oldest populations are all European and they include Italy, Greece and Portugal.

In Germany, pensioner numbers increased by an annual average of 1.8% between 2005 and 2010, while the total population fell by 0.2% a year. This, combined with volatile financial markets, resulted in Germany having one of the largest pension deficits in the world.

"The African picture contrasts sharply with the developed world. The continent has a population of over a billion people, with a median age in Sub-Saharan Africa of 18.6. This is lower than any other geographic grouping: Asia has a median population age of just under 30, while the average for the BRIC nations is 32," says de Wet.

One implication of these trends is that developed countries will increasingly need to outsource their labour requirements to economies where the market is young.

Euromonitor noted that towards the end of the previous decade, almost 60 million households in Africa were classified as middle class. This number is expected to increase to over 100 million by the end of 2014, which is significant given the African Development Bank's view that "growth of the middle class is associated with better governance, economic growth and poverty reduction."

While Africa continues to face challenges with regard to health, most people are living longer and are more educated with better access to goods and services than 20 years ago.

Middle class households are characterised by bigger, permanent dwellings equipped with modern amenities. While financing home purchases in Africa has been difficult historically, recent times have seen an improvement in the mortgage market. This is welcome news given a dire shortage of housing for the emerging middle classes in most African cities.

In Mercer's 2011 cost of living index, Luanda in Angola is ranked as the world's most expensive city for expatriates. Other African cities suffer the same affliction, with accommodation shortages fuelling high prices in the more affluent areas and in the mid-level housing market.

There's also been a big reduction in political strife in Africa. In 1987, 16 countries were deemed "democratic". By 2007 this number had increased to 44.

According to de Wet: "Africa's demographics, supported by improving political and economic environments, are creating many business opportunities. For example, growing middle class consumption is fueling the retail sector where low levels of market penetration represent huge potential across the continent. As a result, foreign direct investors looking for better long-term prospects as well as real yields are increasingly turning their attention towards Africa"

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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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