Made in Africa

Learning to Compete In Industry

Comments and Responses

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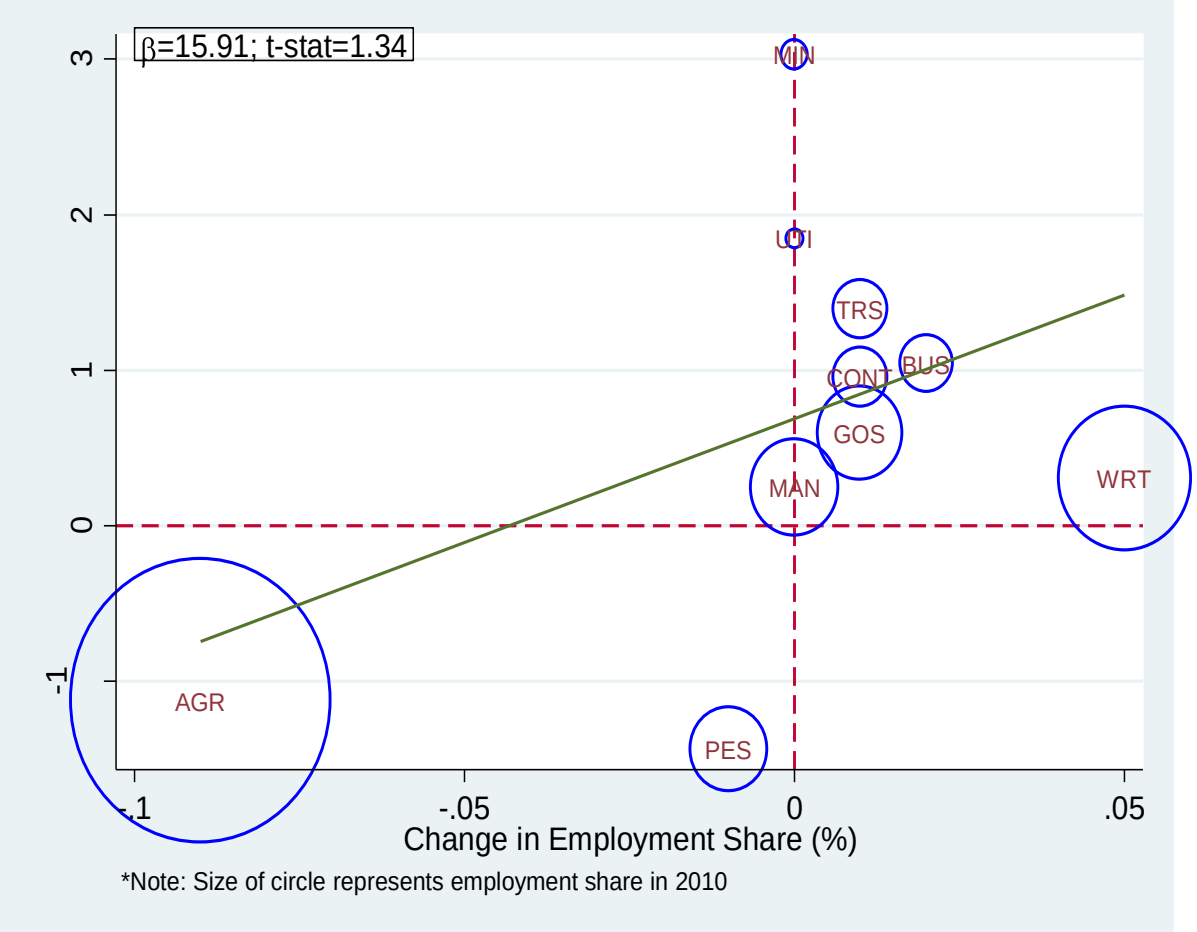
Five Key Observations

1. The Nuances in Africa's Manufacturing Malaise
2. What about the Natural Resource Sector?
3. Another Lens: Building Economic Complexity Through Capabilities
4. Are we Over-Stating (Under-Stating) the Opportunity in Services (Manufacturing)?
5. The Future African Workforce: The Challenge to Industrialisation

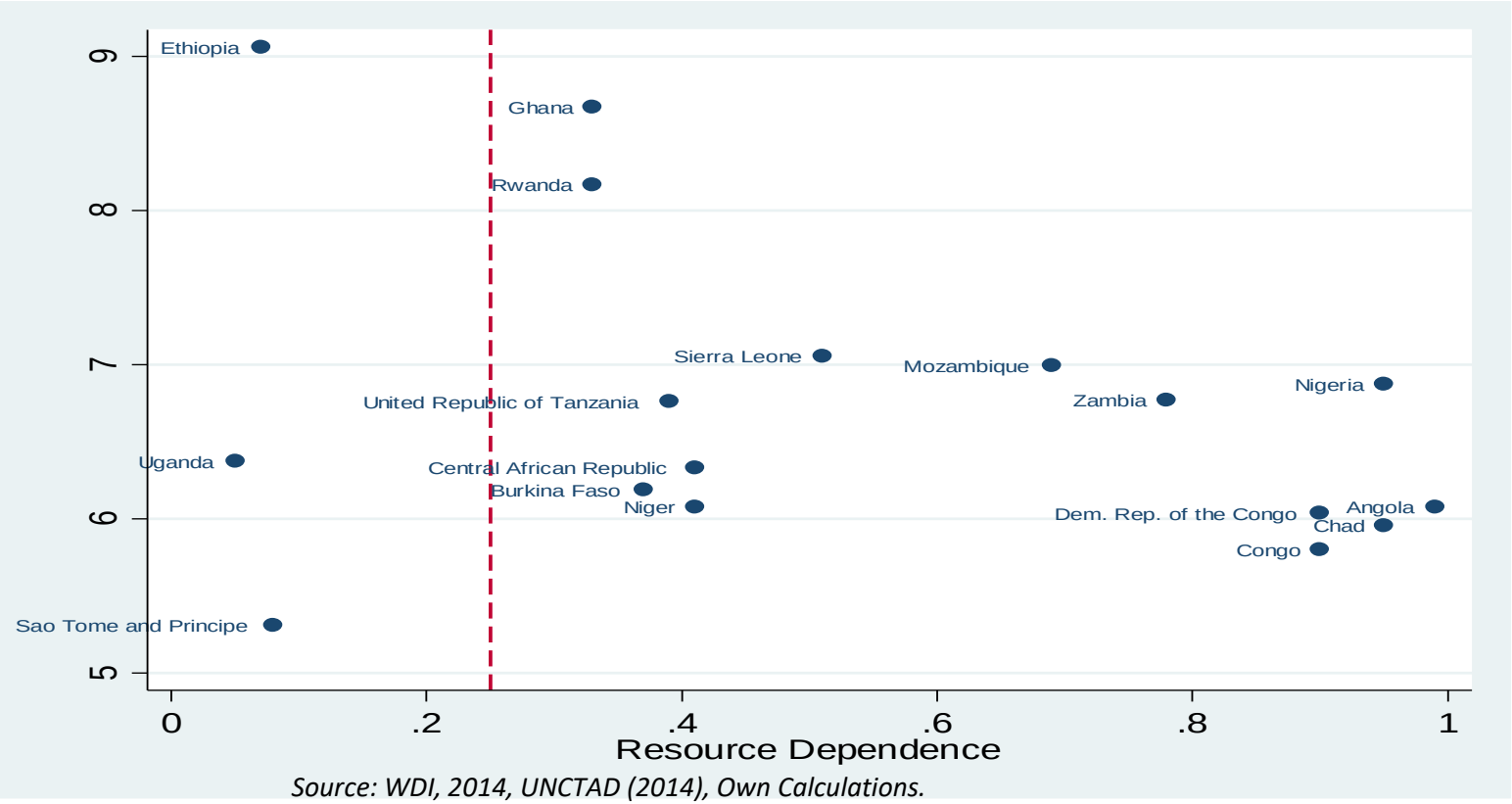
I. Africa's Manufacturing (& Services) Malaise?

Sectoral Productivity and Employment Changes in Africa, 1975 - 2010



- There has been a structural transformation from Agriculture into low productivity (but relatively higher than Agric.) jobs in the urban informal sector
- High productivity-low employment Natural Resource Sector
- No Manufacturing Growth Dynamic
- No spillover effects from Manufacturing

2. What about the Natural Resource Sector?



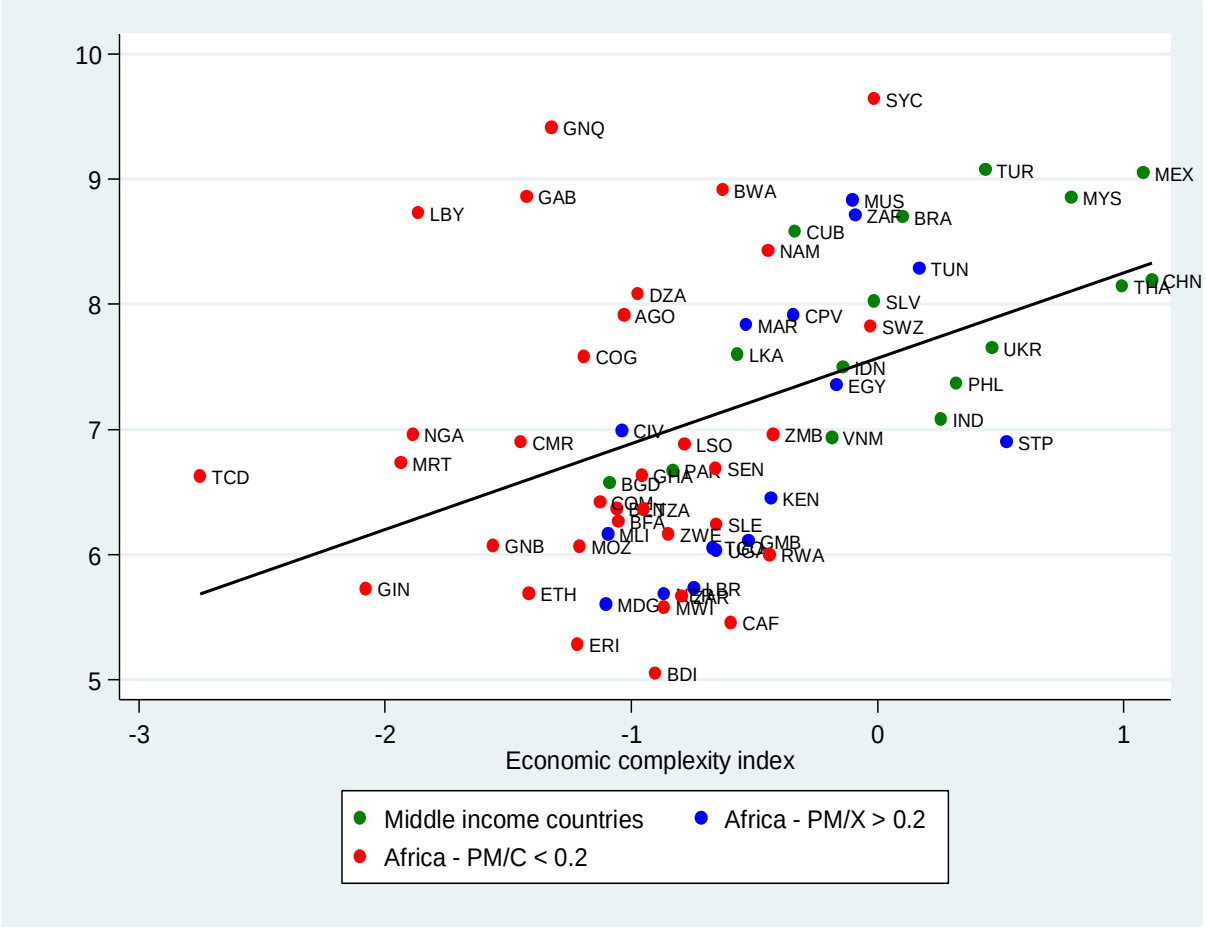
Source: WDI, 2014, UNCTAD (2014), Own Calculations.

- In period 2008-2013: Seventeen African Economies have grown at over 5%.
- *14 of these 17* 'African Lions' classified as resource-dependent*.
- Any industrialisation strategy must think about the natural resource sector (governance, management of super-cycles, Dutch Disease)
- To what extent is manufacturing output, really downstream mining?
- Use of natural resource boom revenues? Evidence?

*: The 17 countries are: Ethiopia, Uganda, São Tomé and Príncipe, Ghana, Rwanda, Burkina Faso, Tanzania, CAR, Niger, Sierra Leone, Mozambique, Zambia, DRC, Congo, Chad, Angola, and Nigeria.

3. Building Economic Complexity Through Capabilities

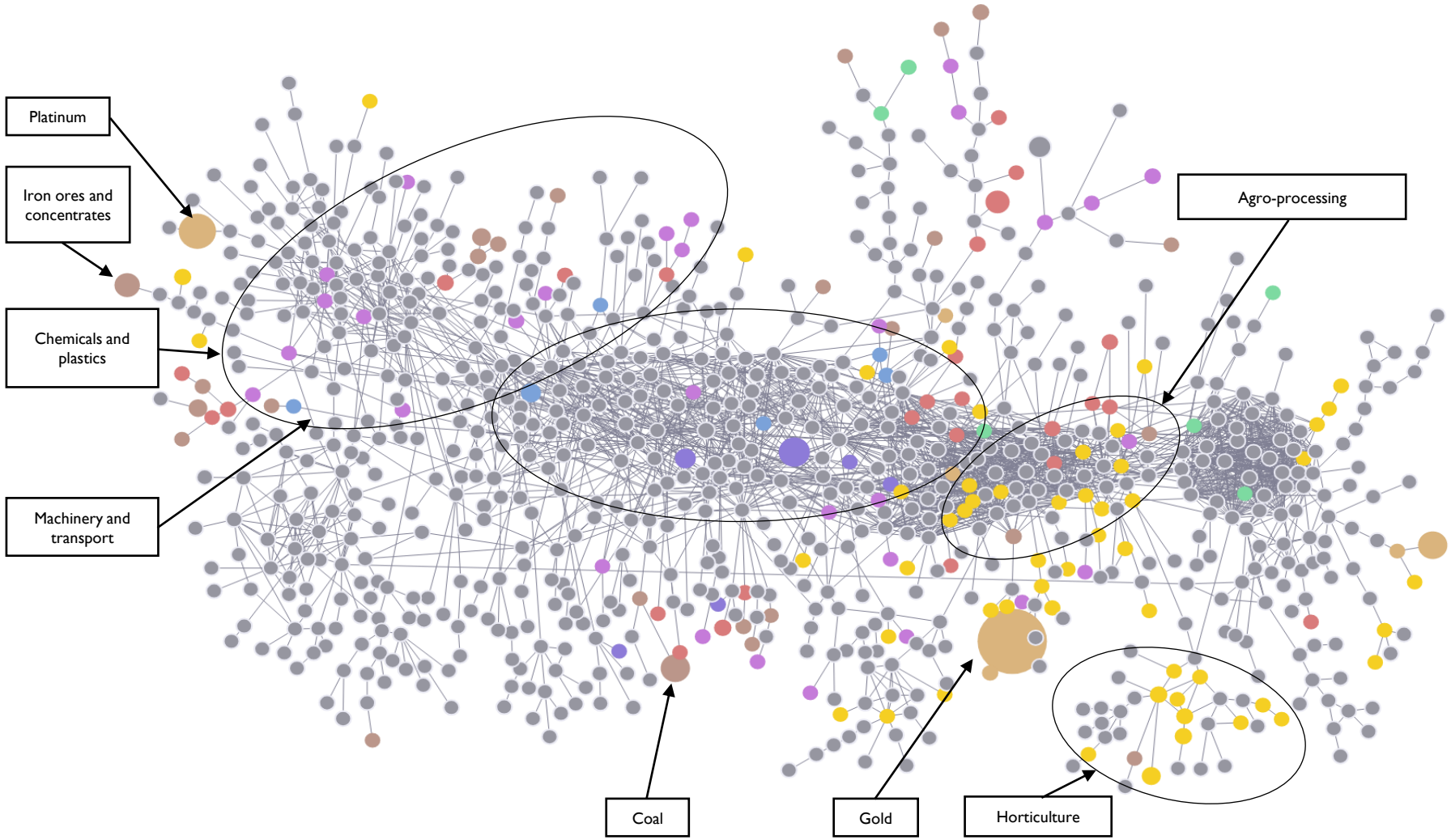
Pure Manufacturing ECI & GDP p.c. MIC Sample only ,2013



- 'Substantial African Manufacturing Exporters' (blue markers) are:
  - Mauritius, South Africa, Tunisia, Morocco and Egypt - have higher levels of economic complexity.
- Group of African countries 'substantial exporters' of manufactures, but lower levels of econ. Dev. (blue markers):
  - Cote d'Ivoire, Kenya, Uganda, Togo, Malawi and Madagascar.
- Relative to top-performing emerging market countries, Africa's top manufacturing exporters have lower levels of economic complexity and hence lower levels of productive knowledge.

Source: Own calculation using data from The Economic Complexity Observatory (Simoes & Hidalgo, 2011)
Notes: 1. The middle income country groups, depicted by the green markers refers to a sample of non-African middle income countries. 2. The blue markers refer to African countries whose pure manufacturing exports as a share of total exports exceeds 20 percent. 3. The red markers refer to African countries whose pure manufacturing exports as a share of total exports is less than 20 percent.

3. Building Economic Complexity Through Capabilities



- South Africa's Product Space, 2015
- Still peripheral, and thus no evidence of manufacturing-led structural transformation

Source: CID (2018)
Notes: Product groupings or clusters are represented by the following colours: Textiles & Furniture (light green); Vegetables, Foodstuffs & Wood (yellow); Stone & Glass (light brown); Minerals (dark brown); Metals (red); Chemicals & Plastics (light purple); Transport Vehicles (dark purple); Machinery (blue); Electronics (turquoise); Other (dark blue).

4. Are we Over-Stating (Under-Stating) the Opportunity in Services (Manufacturing)?

- View that convergence through manufacturing exports (the East Asian miracle route) is no longer possible in today's world economy.
  - Hence, its more about services and less about manufacturing.
- Technical (non-economist) question: Can you build a high-tech services economy without manufacturing capabilities?
- Manufacturing output requires the building of transport infrastructure, provision of energy, logistics – a necessary phase of economic development
- e.g. Rwanda: Drone production *versus* delivery of cold stored pasturised milk
- On average Services economy is much more skills-intensive than manufacturing:
  - *"With few exceptions, services traditionally have not acted as an escalator sector like manufacturing " (Rodrik,2014)*

5. The Future African Workforce: The Challenge to Industrialisation

Population Projections, World and Sub-Saharan Africa: 2015 - 2100

	Total Population (Billion)			Working Age Population (Billion)		
	2015	2100	% Change	2015	2100	% Change
SSA	1.0	3.9	291.62	0.5	2.5	400.00
World	7.3	11.2	53.42	4.8	6.7	39.58
SSA Proportion (%)	13.7%	34.8%	-	10.4%	37.3%	-

Source: Authors' calculations using the UN World Population Database.