BlackRock backs SA's working-age population to give it an edge

SA's growing working-age population gives it a competitive advantage over its Group of 20 (G20) peers grappling with shrinking populations, making the country ripe to attract higher levels of investment, says BlackRock, the world's largest asset manager.

BlackRock, with about $10-trillion assets under management, anticipates that SA, alongside India and Saudi Arabia, will have the highest working-age population growth rates in the G20 over the next 10 years, as per UN population projections.

The country's working-age population is expected to grow about 15% over the next two decades. BlackRock said these projections were in sharp contrast to other developed markets, where working-age populations were growing slowly or shrinking, giving SA a competitive advantage.

"SA has a much lower dependency ratio than the rest of Africa and is more in line with the current dependency ratios in [developed markets]," the BlackRock Investment Institute said.

It is the ratio of dependants, or those aged below 16 and above 64, relative to the working-age population.

While developed market dependency ratios "are set to rise considerably in coming years, SA's is projected to remain stable, providing a good basis for sustainable growth.

"This all gives SA a demographic advantage. But how that translates into economic growth depends on whether and how it capitalises on that advantage — for example, by ensuring a greater share of those of working age are actually working," the institute said.

"SA currently has one of the highest unemployment rates in the G20 and it has steadily increased over the last decade.

"In 2023 it was above 30% (versus a G20 average of about 5%) and the IMF projects it to stay there. While high growth means that there are investment opportunities, we are watching to see whether structural reforms and efforts to reduce the unemployment rate will enable SA assets to outperform what is already priced."

Fastest population growth

BlackRock said that while slowing population growth implied slowing demand in many developed and emerging markets for investment in productive capital — such as machinery, transport infrastructure, housing, schools and hospitals — this is not the case for SA, which is projected to experience the fastest population growth among the G20.

The other "mega force" BlackRock urges SA to attend to if it is to realise its growth potential is the energy transition.

The money manager, which has a significant exposure to the JSE, said energy demand was expected to rise substantially in countries with rapid population growth.

This, it said, would lead to greater demand for energy infrastructure investment.

"We estimate [emerging markets] will account for more than half of energy demand and carbon emissions by 2050. Consequently, we see the greatest potential for the transition to accelerate in high-growth, high-emission [emerging market] countries such as SA, India, Indonesia, Brazil," the BlackRock Investment Institute said.

"Raising sufficient funding for [emerging market] transitions will ... require significant public sector reforms and private sector innovation to enable greater 'blending' of public and private capital, which could drive new investment opportunities."

SA's financial institutions have been ploughing billions of rand into renewable energy projects. And Eskom is in dire need of funding to meet its ambitious plan to build 14,000km of transmission lines over the next decade.

Source: Kabelo Khumalo - https://www.businesslive.co.za/bd/economy/2024-04-23-blackrock-backs-sas-working-age-population-to-give-it-an-edge/

Date Published: April 23, 2024