Chapter 3
Economic dynamism

The various constraints on economic growth in SSA are partly offset by its exceptional dynamism. Residents of these economies are optimistic about the future. They embrace digital technology, with widespread use of smartphones and online payments. Startups are growing in a number of hubs on the continent. And while capital stocks tend to be low, private investment has been on the rise in recent years. With a median age of just 19, the potential demographic dividend from the rising share of the working-age population could be substantial.

Dynamism offsets some of the constraints on growth

The weaknesses associated with poor skills, inadequate infrastructure and high informality are in part offset by the exceptional dynamism of the economies in SSA. Residents of the region are predominantly young, feel optimistic about the future and are keen to embrace digital technologies. Startups have been growing and private investment has recently been on the rise. The following sections delve into each of these factors in turn.

"Afro-optimism"

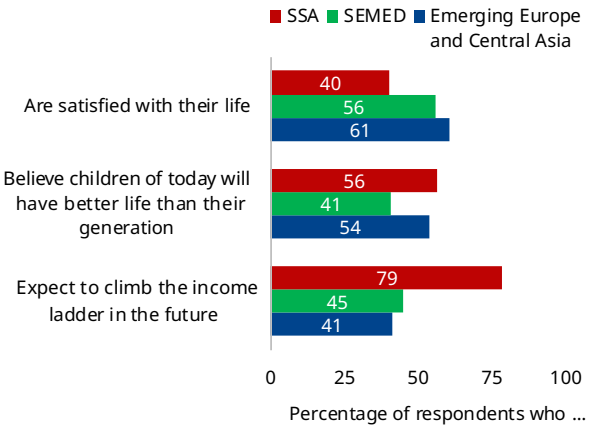
Lower life satisfaction in line with lower incomes

Results from the *Life in Transition Survey* suggest that respondents in SSA are typically less satisfied with their lives than their peers in emerging Europe, Central Asia and SEMED (see Chart 3.1). This is consistent with lower living standards and a slow rate of economic convergence in the SSA economies, as discussed in Chapter 1. Indeed, life satisfaction and income tend to be positively correlated, even if the relationship is far from perfect. In post-communist economies, for instance, the deep recessions of the 1990s weighed strongly on reported levels of life satisfaction for the following two decades.[38]

Exceptional optimism about the future

Despite being less satisfied with the present, residents of SSA economies are more optimistic about the future than their counterparts elsewhere.[39] They are more likely to believe that the children of today will have a better life than their generation. They are also much more optimistic about their own social mobility: 79 per cent of respondents expect to climb the income ladder over the next four years – that is, fall into a higher income distribution decile in four years' time than now. In contrast, only 41 per cent of respondents in emerging Europe and Central Asia expect to climb the income ladder (see Chart 3.1).

Chart 3.1. Respondents in SSA are more optimistic about the future



Source: Life in Transition Survey IV data and authors' calculations.

Note: "Are satisfied with their life" are those who agree or strongly agree with the statement "All things considered, I am satisfied with my life now". "Believe children of today will have a better life than their generation" shows the percentage of respondents agreeing or strongly agreeing with "Children who are born now will have a better life than my generation". "Expect to climb the income ladder in the future" shows the percentage of respondents placing their household at a higher level on a 10-step income ladder (1 = poorest, 10 = richest) four years from now than today.

Views about the future differ significantly from those about current affairs in such survey questions. They matter in their own right, as optimistic attitudes are not only associated with better physical and mental health and subjective well-being,[40] but have also been found to be associated with greater willingness to start a business[41] and improved firm performance.[42]

Optimism differential declining somewhat

Optimism has declined somewhat across cohorts in SSA, however. The analysis presented in Chart 3.2 shows the levels of optimism among people born around the same time (for instance, Baby Boomers

[38] See EBRD (2016).

[39] The term "Afro-optimism" has increasingly been used to describe these patterns. See Havnevik (2015) on the shift in the tone of Africa's news coverage abroad, including the Economist's "Africa Rising" cover in 2011. See also LeGrand, Paterson and Wiegratz (2023) on "Afro-optimism" on fintech in African newspapers.

[40] See Conversano et al. (2010) and Forgeard and Seligman (2012).

[41] For instance, a meta-analysis of other studies by Luan and Zhang (2025) identifies optimism as the second most influential factor in explaining variance in entrepreneurial intention, ranking below risk propensity but above the 'big five' personality traits.

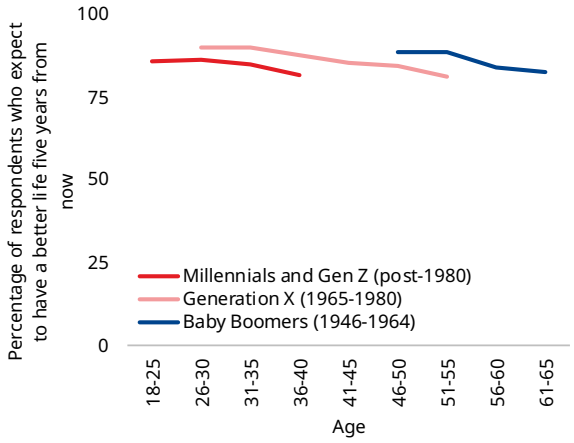
[42] For instance, Segerstrom and Solberg Nes (2006) find that optimism can influence firm performance by encouraging entrepreneurs to be more open to taking risks, more willing to persevere and better able to recognise new opportunities after launch.

versus Millennials) over their lifecycles as generations age and respond to later waves of the survey (generations are represented by lines, while age at the time of the survey is shown on the horizontal axis in Chart 3.2). These calculations are based on a similar question in the Gallup World Poll, a representative survey of individuals conducted regularly in more than 160 economies.[43] Multiple survey waves allow responses of people born at a certain point in time to be tracked over their life cycle. The levels of optimism expressed by more recent generations are slightly lower than those expressed by previous generations at the same age (for instance, the line for Millennials and Gen Z is below the line for Generation X in panel 1). Optimism tends to decline naturally somewhat with age (lines are downward sloping), though the gradient of that decline is, if anything, smaller in SSA than elsewhere. The Afrobarometer survey, another representative survey of households covering Africa, points to similar trends as far as optimism is concerned.[44]

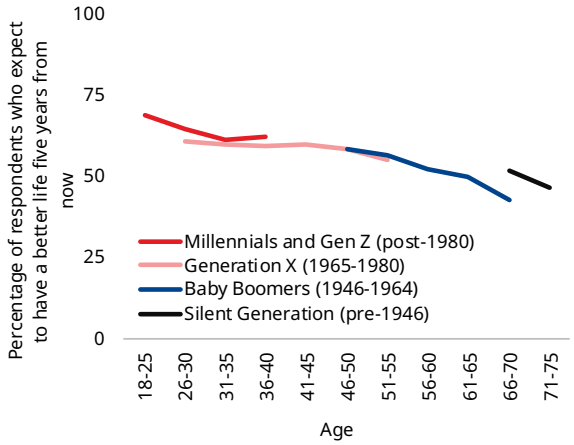
At the same time, the (lower) levels of optimism expressed by Gallup survey respondents have remained broadly stable across generations in emerging Europe and Central Asia, as well as in SEMED (the lines for younger generations broadly overlap in panels 2 and 3). As a result, the optimism differential between SSA and other economies has narrowed somewhat over time.

Chart 3.2. Optimism has declined somewhat across cohorts in SSA

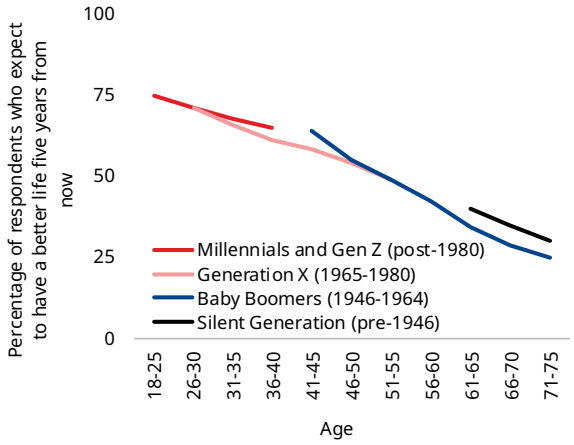
Panel 1. SSA



Panel 2. SEMED



Panel 3. Emerging Europe and Central Asia



Source: Gallup World Poll data and authors' calculations.

Note: The chart draws on the survey questions "Please imagine a ladder, with steps numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you and the bottom of the ladder represents

[43] See Gallup (2023).

[44] Authors' calculations based on Afrobarometer microdata.

the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time/five years from now?" and shows the percentage of respondents whose expectations are strictly higher than their current evaluation. The sample is restricted to age-cohort cells with at least 1,000 respondents and data from all economies within each regional group. "SSA" is an average of six economies. "Emerging Europe and Central Asia" is an average of 29 economies. "SEMED" is an average of seven economies.

Embracing digital technologies

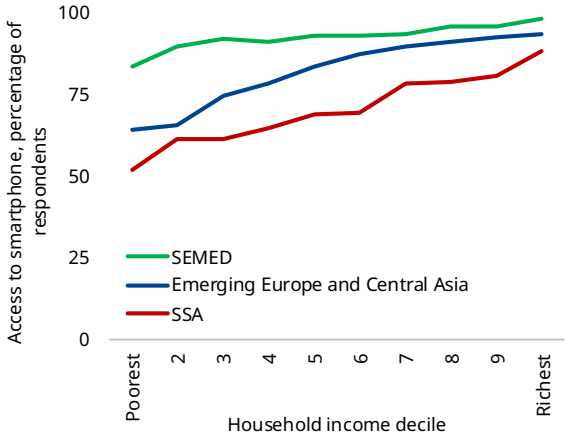
Widespread use of smartphones

SSA stands out relative to its level of development when it comes to the use of digital technologies such as online payments, primarily facilitated by smartphones. The associated skills are increasingly important in a modern economy and can be acquired outside the formal education system.

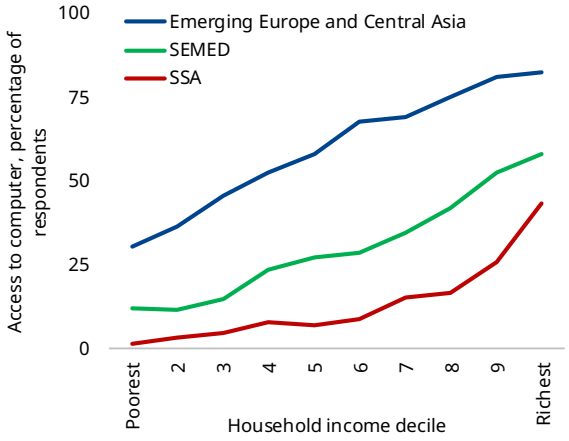
Among households in the bottom decile of income distributions in SSA economies, on average, 52 per cent have smartphones, while only 2 per cent have computers, based on results from the *Life in Transition Survey* (see Chart 3.3, which plots the levels of access to smartphones and personal computers depending on the relative income of a given household). This compares with 68 per cent for access to smartphones in the respective bottom deciles of income distributions in emerging Europe, Central Asia and SEMED, and 27 per cent for laptops (such rates naturally tend to be higher among top income deciles, converging on 100 per cent).

Chart 3.3. Smartphones are common, even among poorer households

Panel 1. Access to smartphones



Panel 2. Access to computers



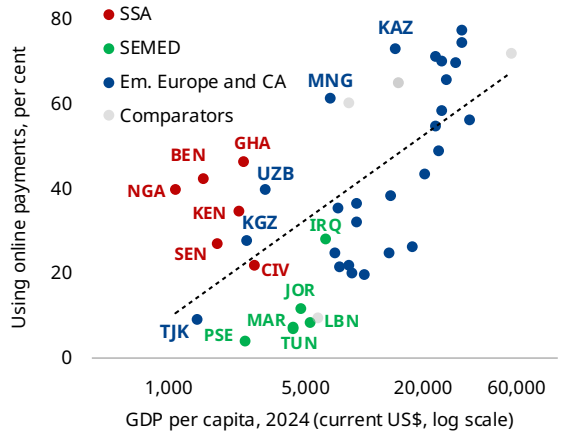
Source: Life in Transition Survey IV data and authors' calculations.

Note: This chart shows the percentage of respondents who say they have access to a smartphone (Panel 1) and computer (Panel 2) within each equivalised household income decile, calculated on a country basis using the OECD-modified equivalence scale.

Embracing mobile payments

Notably, making and receiving online payments is more common in SSA than in other economies with similar levels of GDP per capita (see Chart 3.4). Well-known mobile payment providers include, for instance, M-Pesa, Orange Money and Wave. Around 36 per cent of respondents to the *Life in Transition Survey* say they made or received an online payment in the last three months, compared with 11 per cent in SEMED and 42 per cent in Central Asia (driven by a high share in Kazakhstan).

Chart 3.4. SSA stands out for its high use of online payments



Source: Life in Transition Survey IV data, IMF WEO database (October 2025) and authors' calculations.

Note: Economies in SSA, Central Asia and SEMED labelled.

Data from Findex, a representative survey focused on finance, also point to the high use of mobile phone-based products in SSA. Furthermore, 69 per cent of respondents in the six economies in SSA who have used such products in the last 12 months say that mobile money meets all of their financial needs.[45]

Mobile phones are commonly used to pay utility bills and to receive payments for agricultural goods sold: 58 per cent of respondents in SSA say they have used mobile phones to pay utility bills in the last 12 months, compared with 60 per cent in Central Asia, 37 per cent in EEC and 8 per cent in SEMED. A third of respondents say they have received payments from the sale of agricultural products, crops, produce or livestock through a mobile phone – a share comparable to that in Central Asia (32 per cent), but far higher than in EEC (6 per cent) and SEMED (2 per cent).[46]

Digital remittances, particularly mobile money, have also emerged as the most cost-effective way for families to send and receive money. The development of user-friendly mobile applications compatible with basic smartphones in many African countries has fuelled this growth, expanding the reach of digital remittance services to areas lacking traditional banking infrastructure.[47] Globally, remittances sent digitally are estimated to cost an average of 5 per cent, while those sent via other means cost 7 per cent.[48]

In contrast to emerging Europe, Central Asia and SEMED, in SSA, mobile phones are also a common way of receiving payments from the government (such as pensions or benefits), with 48 per cent of Findex respondents reporting such transfers, compared with 26 per cent in Central Asia, 12 per cent in SEMED and 7 per cent in EEC.

The survey also asks people who did not use mobile phone products over the last 12 months about the reason for not doing so: 56 per cent say they do not have enough money for it, followed by a lack of necessary documentation (30 per cent) and mobile money agents being too far away (28 per cent; the shares can sum to more than 100 as multiple reasons could be selected).[49]

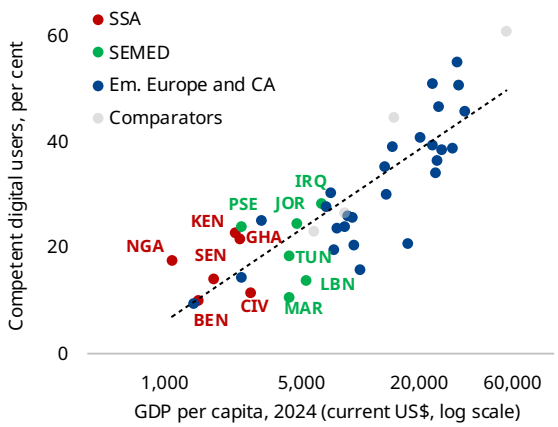
Broader digital skills

When it comes to the use of personal computers, the levels of basic digital skills in SSA economies are lower and more in line with their levels of development (see Chart 3.5). As part of the latest round of the *Life in Transition Survey*, respondents were asked whether they were able to (i) send emails with attachments, (ii) copy or move files and (iii) install or update software. Seventeen per cent of respondents in SSA said they could do all three basic computer-based tasks, compared with 19 per cent in SEMED and 23 per cent in Central Asia.

In addition to the three questions on basic digital tasks, survey respondents were also asked if they could write a computer program: 7 per cent of respondents in SSA are "digital creators" (that is, are able to write a computer program), comparable to the share observed in SEMED, though below the self-reported share in Central Asia (13 per cent). Of the six economies in SSA, Kenya has the highest share of digital creators, with 12 per cent of respondents able to write a computer program. This is also reflected in Kenya's "Silicon Savannah", which hosts a prospering information technology (IT) sector and some of the continent's most cutting-edge start-ups.[50]

[45] See Global Findex Database 2025.
[46] Ibid.
[47] See Fliss (2024).
[48] See Migration Data Portal (2023).
[49] See Global Findex Database 2025.
[50] See World Bank (2021).

Chart 3.5. Low incidence of basic digital skills in SSA, broadly in line with countries' levels of development



Source: Life in Transition Survey IV data, IMF WEO database (October 2025) and authors' calculations.

Note: A "competent digital user" is a respondent who is able to (i) send emails with attachments, (ii) copy or move files and (iii) install or update software.

Rising private investment and entrepreneurship

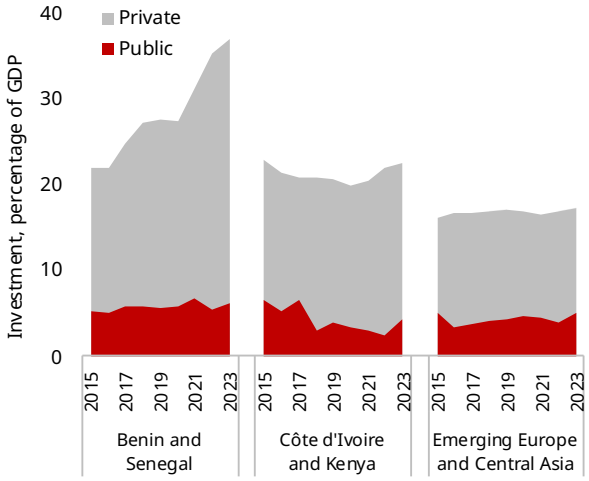
Rising private investment

While stocks of physical capital, including infrastructure, tend to be low in SSA, as discussed in the previous chapter, in Benin and Senegal, overall investment has recently been rising fast as a percentage of GDP (see Chart 3.6).

Higher levels of investment reflect a sharp increase in private investment, as governments' ability to scale up capital spending remains constrained by limited revenue capacity, relatively high borrowing costs and, in some cases, elevated levels of public debt.

As a result, the overall levels of investment in these economies during the post-Covid years, at around 30-35 per cent of GDP, are approaching levels of investment seen during past episodes of rapid economic growth and income convergence, for example, in emerging Asia since the 1980s to 1990s and in central Europe in 1998-2008.[51]

Chart 3.6. Private investment has increased sharply in Benin and Senegal



Source: AMECO database, IMF, OECD and World Bank data and authors' calculations.

Note: Simple averages across Benin and Senegal, Côte d'Ivoire and Kenya and economies in emerging Europe and Central Asia (Bulgaria, Croatia, Estonia, Georgia, Greece, Hungary, Latvia, Poland, Romania, the Slovak Republic and Slovenia). Public versus private investment estimated based on the International Monetary Fund's (IMF) Capital and Investment Database (covering most economies until 2019), OECD national accounts (based on total and general government gross fixed capital formation (GFCF)), IMF databases (total investment = GFCF + inventories from the World Economic Outlook and investment in non-financial assets by general government from the Government Finance Statistics), AMECO Database (GFCF by general government and private sector) and World Bank World Development Indicators (private and total GFCF).

In Benin, the rise in private investment has been supported by ongoing improvements in transport corridors, port capacity, electricity supply and digital infrastructure, as well as a number of reforms aimed at reducing the cost of doing business (such as a fully digital firm registration platform, monentreprise.bj, and the Investment and Export Promotion Agency, which operates as a one-stop shop for investor services).[52] In Senegal, investment was boosted by construction in the energy sector, as two offshore oil and gas projects came online in 2024 (the Sangomar oil field and Greater Tortue Ahmeyim gas field).[53] Greenfield FDI inflows into both economies have also risen (according to data from the *Financial Times* fDi Markets database, the IMF and World Bank).

[51] See EBRD (2019b).

[52] See, for instance, US Department of State (2025a) for an overview.

[53] See, for instance US Department of State (2025b).

The recent pickup in private investment in Benin and Senegal is in line with patterns seen in many other low-income and developing economies (data from the EU's Annual Macroeconomic (AMECO) database, the IMF, the Organisation for Economic Co-operation and Development (OECD) and the World Bank show that private investment also picked up in Bangladesh, the Democratic Republic of the Congo, Djibouti, Ecuador, Madagascar and Sierra Leone, for instance). At the same time, it is in stark contrast to recent trends in emerging Europe and Central Asia, where the average share of private investment fell sharply after the global financial crisis of 2008-09 and did not recover, with investment levels remaining modest.[54]

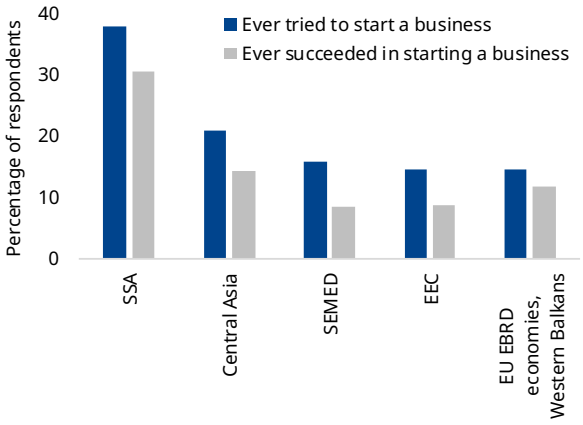
Based on more limited data, in Côte d'Ivoire and Kenya, investment levels remain lower, at around 20 per cent, and arguably below the levels that are needed to boost income convergence (see Chart 3.6).

High-growth entrepreneurship

The economic dynamism of SSA is also reflected in its high rates of entrepreneurship.[55] As many as 38 per cent of SSA respondents to the *Life in Transition Survey* say they tried to start a business at some point, compared with 21 per cent in Central Asia and 16 per cent in SEMED.

Furthermore, 31 per cent of respondents in SSA say they succeeded in setting up a business, again a much higher share than in Central Asia (14 per cent) or SEMED (8 per cent; see Chart 3.7).

Chart 3.7. SSA stands out for its high levels of entrepreneurship



Source: Life in Transition Survey IV data and authors' calculations.

The Global Entrepreneurship Monitor survey points to similarly high levels of entrepreneurship in the region: about 31 per cent of respondents aged 25-34 in SSA report owning a business with at least one employee and plans to grow in the following five years, compared with 7 per cent of individuals of the same age in advanced Europe.[56]

While many SSA entrepreneurs may engage in "necessity entrepreneurship", as discussed in Chapter 2, a vibrant startup scene has also emerged in the region, concentrated in urban hubs such as Cape Town, Johannesburg, Lagos and Nairobi. Accra, Addis Ababa, Dakar and Kigali are also emerging as new hotspots, aided by the presence of universities and research and training centres. Technology-enabled startups in the areas of agritech, fintech and biotech are found to grow faster than the average firm.[57]

Technology and returning diasporas have fostered an ecosystem of promising young firms comparable to startups in developed economies. Nearly half of African entrepreneurs running those startups earned their degrees outside their home country, compared with fewer than 23 per cent of business founders in Europe and North America (as of 2023), again underscoring the potential importance of return migration.

African tech startups also depend more heavily on foreign capital, as founders typically secure seed funding and venture capital funding from the countries where they obtained their tertiary education,

[54] See EBRD (2025).

[55] This section draws in part on EBRD (2025), Chapter 3.

[56] See Global Entrepreneurship Research Association (n.d.).

[57] See EBRD (2025).

while local capital markets remain considerably less developed. In Benin, for example, all funding for startups is estimated to come from outside the country. In Kenya, Ghana, Côte d'Ivoire, Nigeria and Senegal, foreign sources account for an estimated 67 to 85 per cent of funding, well above the shares observed in higher-income economies.[58]

High domestic mobility

In addition to their strong willingness to start a business, respondents in SSA stand out for their willingness to move within the country in search of economic opportunities.

Twenty-nine per cent of SSA respondents to the *Life in Transition Survey* now live in a different place to their place of birth, compared with 19 per cent in SEMED and Türkiye, and 25 per cent in emerging Europe and Central Asia (these calculations exclude international migrants).

Moving is more common for those born in rural areas: around 32 per cent of those born in rural areas have moved, compared with 26 per cent of those born in urban areas. This pattern is similar to that observed in emerging Europe, Central Asia and SEMED.

Most moves are from rural areas to other rural areas (10.5 per cent of respondents), followed by urban-to-urban moves (7.5 per cent), rural-to-urban moves (7 per cent) and urban-to-rural moves (4 per cent). Women are generally more likely to move than men, in SSA as elsewhere, and this is particularly pronounced for rural-to-rural moves.

On average, 11 per cent of respondents expressed an intention to move domestically over the next 12 months, compared with 3 per cent in emerging Europe and Central Asia (see Chart 2.5). In Côte d'Ivoire and Ghana, 16 per cent to 18 per cent of respondents expressed such intentions – higher shares than in any other economy covered by the survey. Outside SSA, domestic migration intentions are highest in Tunisia (16 per cent of respondents) and Jordan (13 per cent).

In-country mobility can facilitate matching between skills and jobs and help labour markets adjust to regional economic shocks.[59] When workers can relocate from areas with few labour-market opportunities to higher-productivity regions, job losses can be absorbed more quickly and regional disparities are less likely to become persistent.[60] In the United States of America, declines in the rate of internal migration over time have been linked to slower regional income convergence and longer-lived local employment shocks.[61]

In contrast, internal migration can also be the first step towards international migration. For instance, research based on data for 21 sub-Saharan African countries shows that individuals who migrated to urban areas are, on average, most likely to develop international migration intentions (followed by those who migrated to rural areas, those who live in urban areas and have not moved internally and, lastly, rural residents who have not moved internally). This highlights the role of migration to urban areas as a potential driver of international migration, where weakening attachment to the place of origin may be the dominant mechanism linking internal and international migration processes.[62]

Potential demographic dividend

Young economies

While many emerging markets, including those in emerging Europe, parts of Central Asia and SEMED, have been ageing rapidly or are about to start ageing rapidly, the SSA region has very young populations (see Chart 3.8).[63]

The median age in SSA is 19, compared with 26 in SEMED (excluding Iraq), 27 in Central Asia and 42 in emerging Europe.

[58] See EBRD (2025).

[59] Extensive international research shows that migration to larger and denser urban areas is associated with greater productivity and higher wages. See, for instance, De la Roca and Puga (2017), Glaeser and Maré (2001) and Puga (2010).

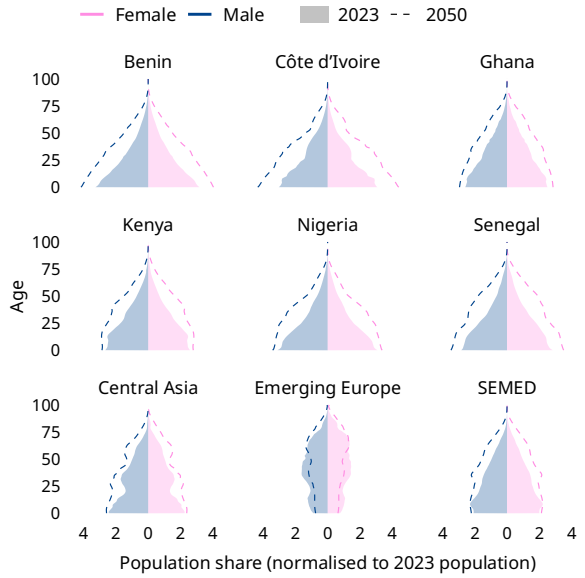
[60] See Blanchard and Katz (1992).

[61] See Jia et al. (2023).

[62] See Cirillo et al. (2022).

[63] See EBRD (2025).

Chart 3.8. The median age in SSA is 19



Source: UN World Population Prospects 2024 data and authors' calculations.

Note: Data refer to population estimates for the year 2023. Regional population pyramids are calculated using population weights.

Populations are also projected to continue to grow and, contrary to emerging Europe, population age structures are expected to retain pyramidal structures, with growing shares of young people (see, for instance, the dashed lines representing projections for Benin in 2050 in Chart 3.8).

The demographic dividend

At the moment, SSA economies have high dependency ratios, that is, high shares of children (under the age of 15) and older people (over the age of 64) relative to the working-age population. On average, this share is around 74 per cent in SSA (compared with 59 per cent in SEMED, 61 per cent in Central Asia and 54 per cent in emerging Europe).[64]

In other words, in SSA, on average, one working-aged person supports 0.7 dependent. One employed person supports 1.3 dependents. Even more strikingly given the high levels of informality, one person in formal employment supports 16 dependents (based on employment and informality data from ILOSTAT, the International Labour Organization's statistics database; informality is measured as informal employment as a share of total employment).[65]

As birth rates decline and larger cohorts of children and young people move into their prime working years, a window of opportunity arises where the working-age population grows faster than the number of dependents (children and elderly). The resulting temporary boost to economic growth is often referred to as a demographic dividend.

Economies in SSA have already been benefiting from such demographic shifts. As dependency ratios fell (from 98 per cent in 1990), the growth in the relative share of the working-age population contributed an average of 0.4 percentage point to the annual growth rate of GDP per capita from 1990 to 2023 (an effect similar to that observed in SEMED).[66]

United Nations projections suggest that dependency ratios in SSA could fall further to 57 per cent by 2050 (in the UN World Population Prospects medium variant scenario). This would increase the aggregate employment-to-population ratio in the region by 6 percentage points by 2050, assuming age-specific employment rates remain constant at current levels (see Chart 3.9).[67]

Further gains could arise from narrowing employment gaps between various demographic groups. In most economies in SSA, gender gaps in employment are relatively modest, with female employment rates approximately 11 percentage points below male rates, reflecting limited social safety nets to fall back on, as well as high rates of informal employment and self-employment, as discussed in Chapter 2. Nonetheless, in Senegal, the female employment rate remains 27 percentage points below the rate of employment for males. Increases in female labour-force participation in this case could boost the employment-to-population ratio in the long term (see the "gender gains" scenario in Chart 3.9).

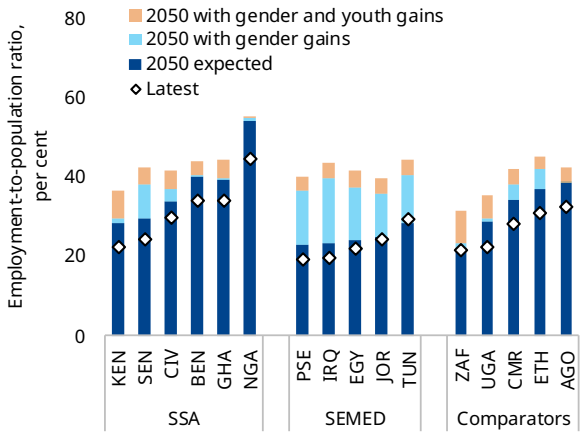
[64] Calculations based on UN World Population Prospects 2024 data.

[65] The informality rates used in this calculation range from 78 per cent (Ghana) to 96 per cent (Benin).

[66] Calculations based on the methodology outlined in EBRD (2025).

[67] Calculations based on UN World Population Prospects 2024 data.

Chart 3.9. Employment-to-population ratios in SSA could increase substantially by 2050



Source: ILOSTAT data, UN World Population Prospects 2024 data and authors' calculations.

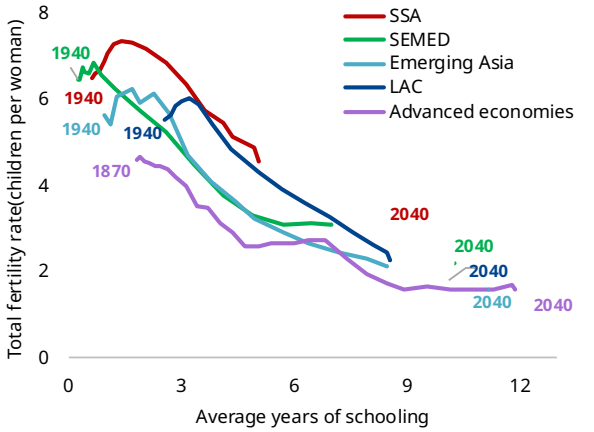
Note: The baseline scenario applies the latest age-specific employment rates by five-year age group to the 2050 demographic structures based on the UN World Population Prospects medium variant projections. The "gender gains" scenario further reduces gender employment gaps within each age group to the lower of the current gap and the 25th percentile of the age-specific cross-country distribution of gender employment gaps among OECD countries in 2023. In the "gender and youth gains" scenario, the employment rates for workers aged 20-24 and 25-29 are also raised to the higher of current rates and the 75th percentile of the age-specific cross-country distribution of employment rates in OECD countries in 2023. Employment-to-population ratios are standardised to the 19th International Conference of Labour Statisticians (ICLS) definition by applying country-specific scaling factors derived from the ratio of 19th to 13th ICLS employment rates for the 15+ age group in 2023. For countries where 19th ICLS data are unavailable, continental average scaling factors are applied. See ILO (2013).

The above scenarios hold employment rates constant for each age group, thereby implicitly assuming that new jobs will be created for the growing number of people entering labour markets. In SSA, currently around 48 per cent of those aged 20-24 are employed, rising to 68 per cent for those aged 25-29.

If employment rates of young people were to rise towards the levels observed in, say, Norway (83 per cent for those aged 25-29, which is the 75th percentile of the distribution of such employment rates in OECD economies), employment-to-population rates would rise further (see Chart 3.9). In this scenario, the gains would be largest in Kenya, with an additional increase in the overall employment-to-population ratio of 7 percentage points. Across the SSA economies, the average employment-to-population ratio would increase to 44 per cent – a gain of 12 percentage points from today's level.

Capitalising on labour-force growth in a context of poor education and high informality tends to be challenging, as taking advantage of demographic trends requires creating quality jobs for the numerous young entrants into labour markets (as discussed in the *Transition Report 2025-26: Brave old world*).[68] Yet demographic transitions in other regions that have involved rapid declines in fertility and an increase in employment-to-population ratios have also tended to start when average years of schooling were relatively low (see Chart 3.10).

Chart 3.10. Demographic transitions tended to start in various regions when average levels of education were low



Source: Barro and Lee (2015), Lee and Lee (2016), Gapminder data and authors' calculations.

Note: "Advanced economies" are those classified as high income by the World Bank's income classification in 1990, with data available for 1870-2023. "Emerging Asia" comprises China, India, Indonesia, Malaysia, the Philippines and Thailand. "LAC" comprises 18 economies in Latin America and the Caribbean. Average years of schooling refers to the average number of years spent in formal education in a country among the population aged 25-64. Data points are shown in five-year intervals. Dashed lines represent projections based on the data in Barro and Lee (2015).

The next chapter briefly discusses the preconditions and policies that could help economies reap the demographic dividend while boosting the quality of skills.

[68] See EBRD (2025) and World Bank (2023).