



DIGITALISATION AND THE FUTURE OF MANUFACTURING IN AFRICA

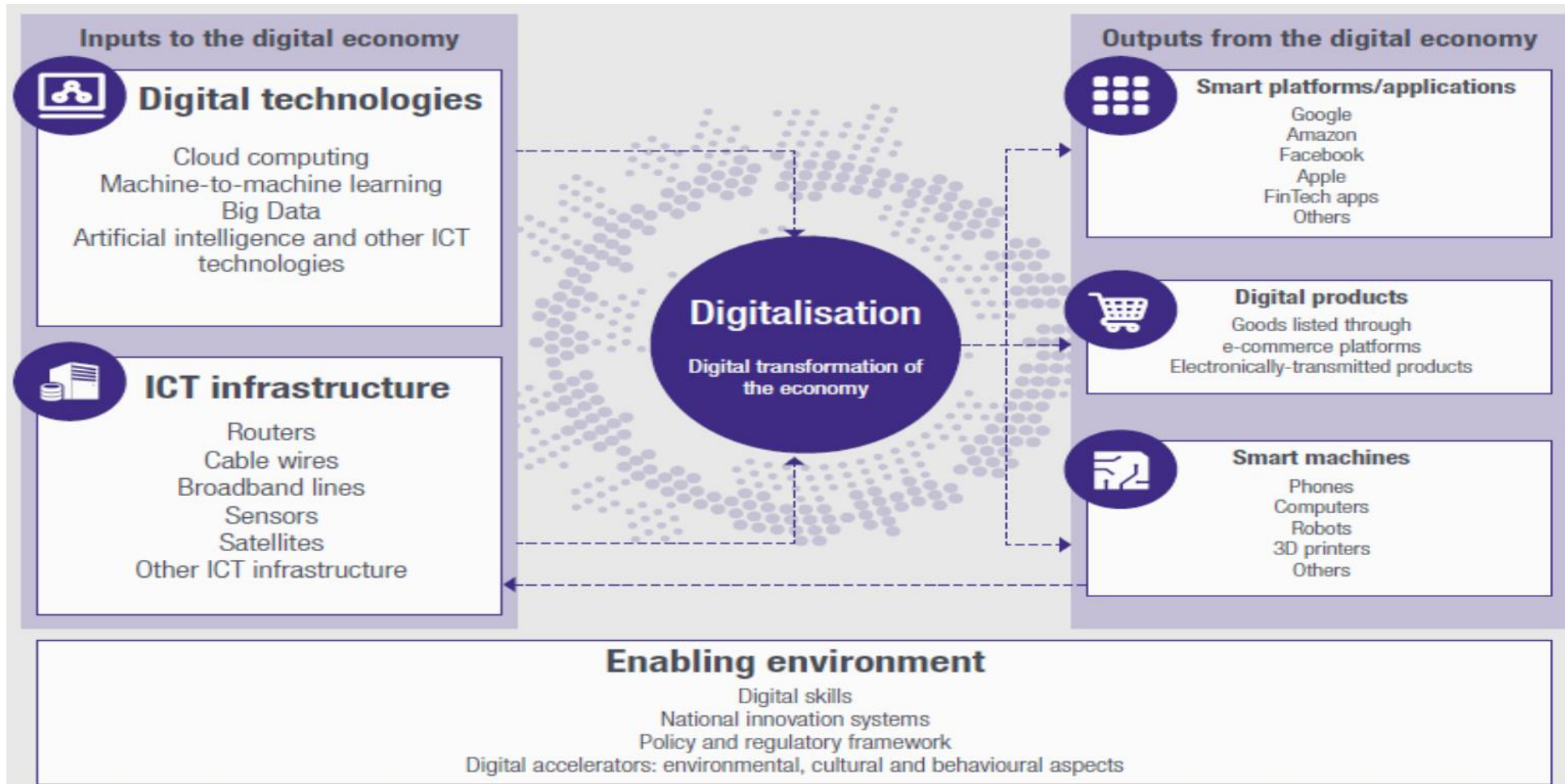


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KEY MESSAGES

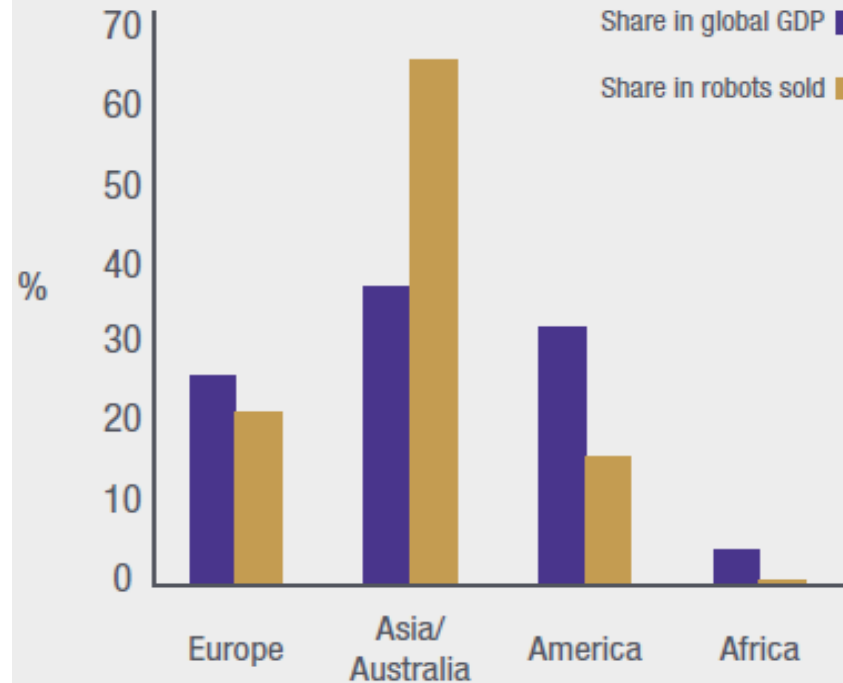
- African countries not only face a digital divide, but also reap lower benefits from digitalisation.
- Operating costs of a robot in US to become cheaper than labour in Kenyan furniture manufacturing by 2033.
- There is a window of opportunity but Africa must prepare for the future.

WHAT IS THE DIGITAL ECONOMY?



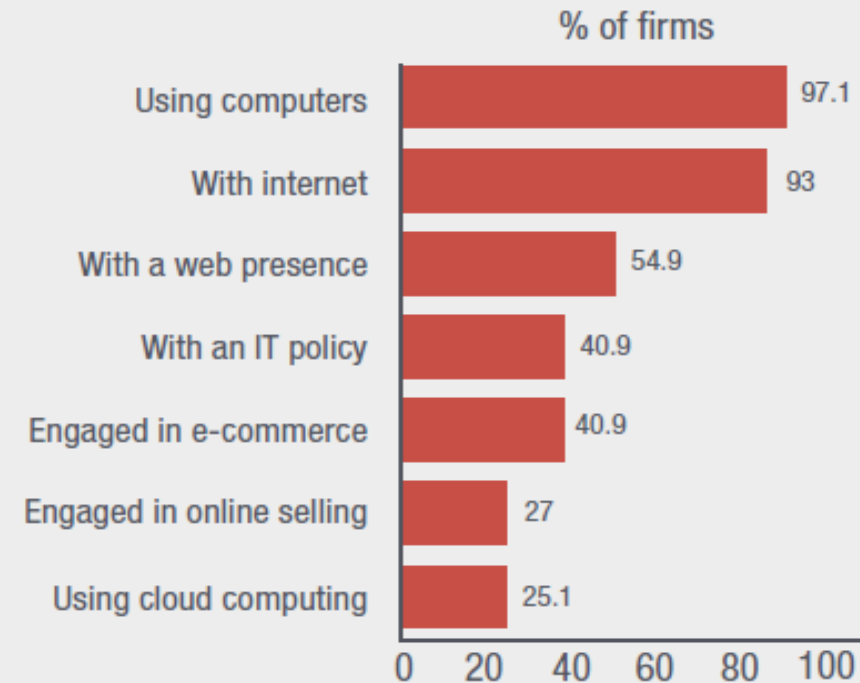
LOW LEVELS OF DIGITALISATION IN AFRICA

Regional share of the number of industrial robots shipped globally in 2015 (%)



Source: Data from International Federation of Robotics (2016).

Use of internet in Kenyan manufacturing



Source: Kenya ICT survey (2016).

LOWER IMPACT OF INTERNET PENETRATION IN LICs

Average impact of doubling of internet penetration on manufacturing labour productivity (%)



3.3%

Low-income countries

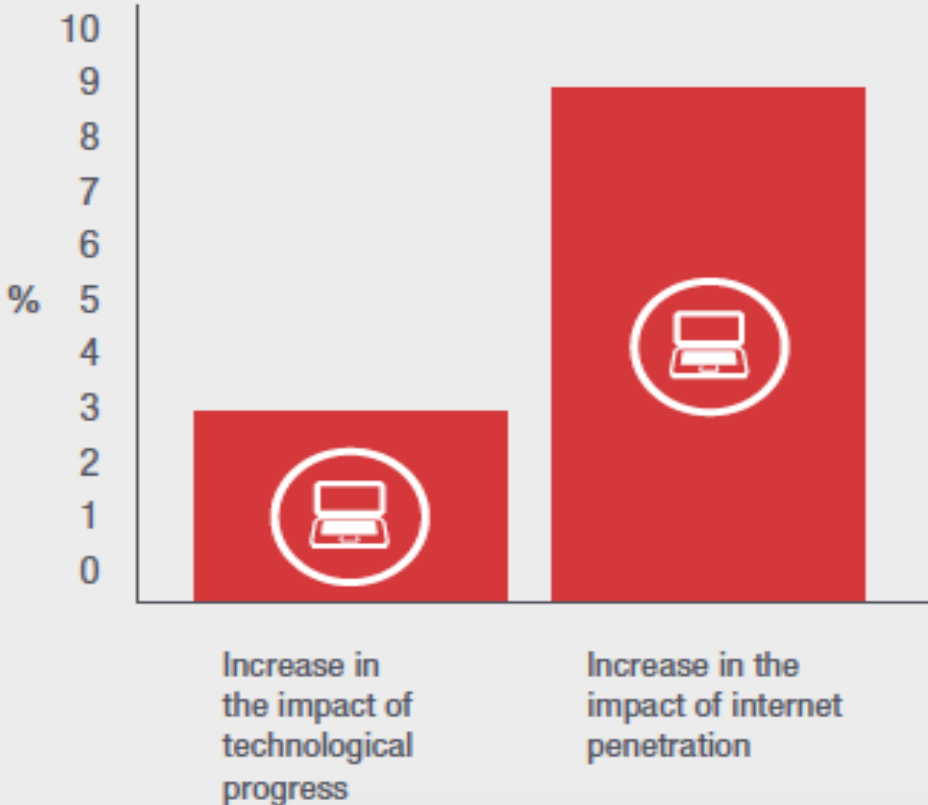


11.3%

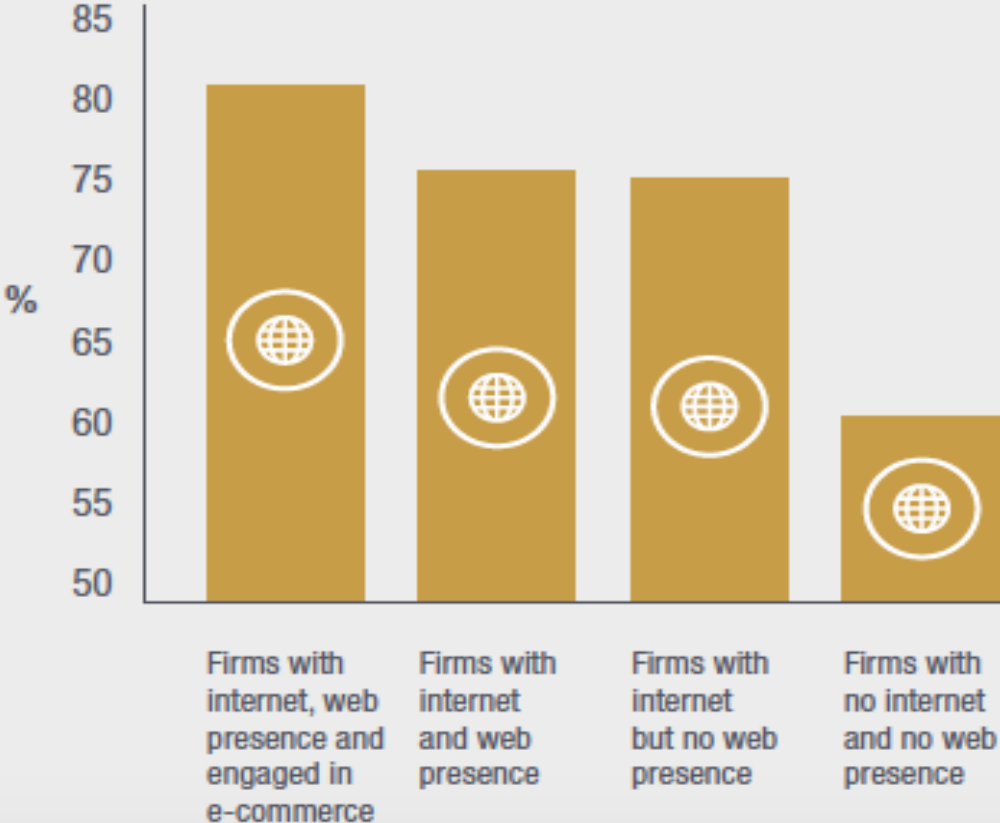
Middle-income countries

IMPORTANCE OF TARGETED SKILLS-DEVELOPMENT

Increase in the impact of digitalisation on manufacturing labour productivity, with one unit increase in Human Capital Index



Share of skilled employment, by level of digitalisation in Kenyan manufacturing firms



WHY SHOULD AFRICA DIGITALISE?- NATIONAL PATHWAYS

- Lowering costs of trade and coordination
- Lowering costs of entry into the export market
- Improvements in labour productivity; boosting output and exports.
- Funkidz in Kenya and A-Z factory in Tanzania.

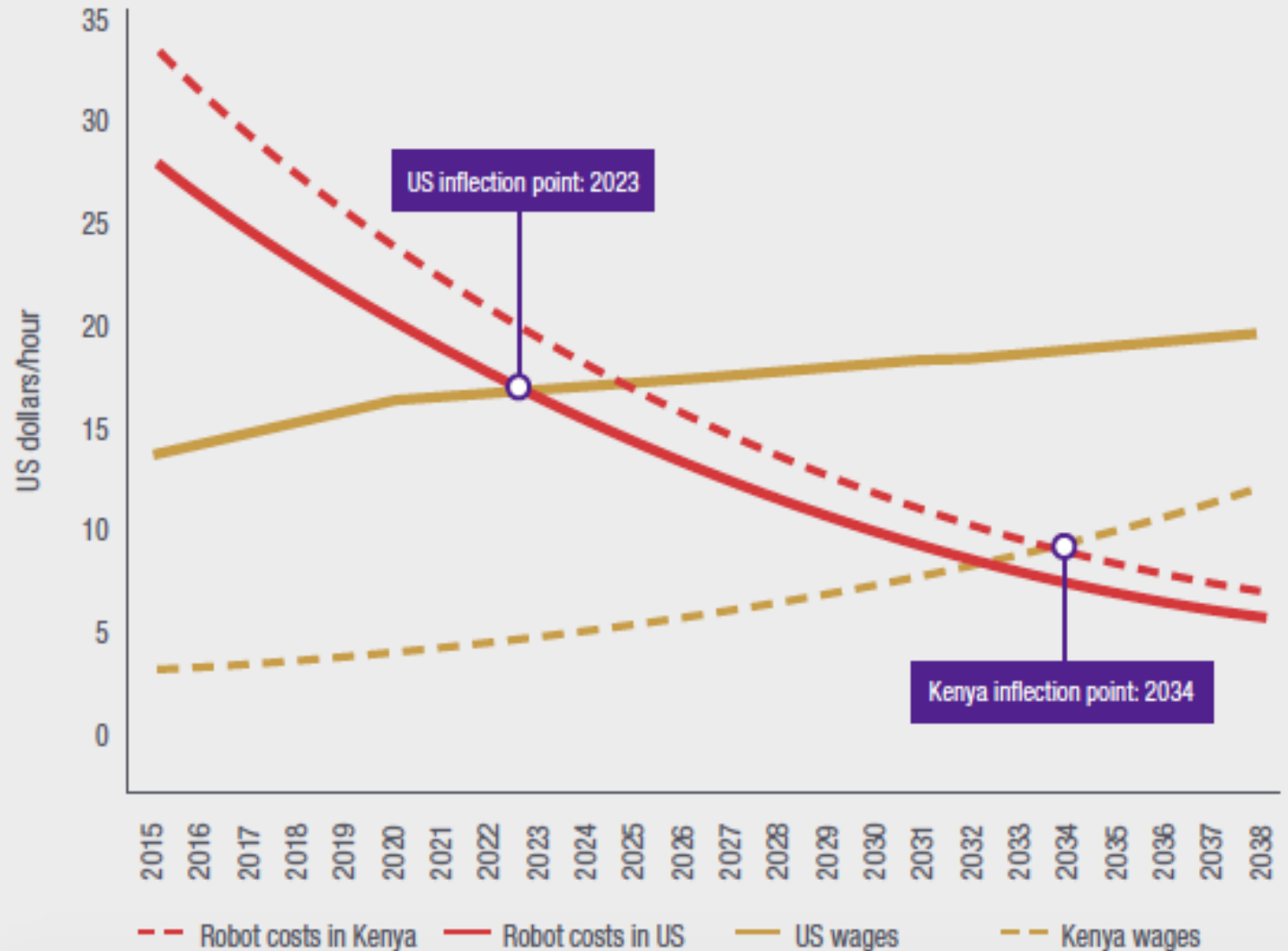
A to Z Factory in Tanzania



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INTERNATIONAL PATHWAYS

- Major companies have already started to re-shore production (Adidas shoes, Phillips shavers).
- 250,000 jobs have been re-shored to the US since 2010.
- 126 African jobs lost per US company re-shored.



CONCLUSION

A two-pronged approach is needed in Africa;

Boost traditional manufacturing	Digitalise manufacturing
Window of opportunity for 15-20 years	Invest in internet and digital technologies
Build industrial capabilities	Targeted skills-development
Address basic constraints to manufacturing	Promotion of technological innovations