

AFRICA: THE ECONOMIC

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Whilst the global media continues to comment on latest grief within of the European Union, Greece – in or out of the euro, further speculation over China's hard or soft landing, and the ever-increasing volume of news around the US election, there is mounting evidence that the next big economic miracle is already building momentum, largely unnoticed - in Africa!

Africa is no longer a leap of faith for investors

In the past well-informed observers had often ridiculed Africa, as a continent driven by corruption, civil wars and poverty. However, since the emergence of China and India as economic growth engines, many are now asking whether this continent can also achieve its own economic miracle. There is no doubt there are promising signs, both on the political and economic fronts.

A slew of medium-term, fast-growth opportunities are building momentum thanks to rising levels of investment from global corporations and sovereign wealth funds from around the world.

Who's investing in Africa?

China is just one example of the countries investing in Africa since 2010. Just recently it was announced that a further USD20 billion is to be invested by China at the China-Africa Summit.

The great news for investors though is that the Chinese are not alone in allocating major investment resources across the African continent. Other leading recent investors include:

India's Essar Energy Group, a multi-billion dollar oil and gas company, which has invested in coal mines in Mozambique, oil interests in Kenya and even a call centre in South Africa. With more investment currently planned.

The UAE's DP World, part of the Dubai World Company, which is the Emirates' flag-bearing global investment business. It has interests across all six continents and is now investing in the management of African container terminals in countries such as Algeria, Djibouti, Mozambique, and Senegal.

Brazil's Vale Group, the second-largest mining company in the world, is looking to make an additional investment in Africa over the next five years of approximately \$20 billion USD. It already has operations in Guinea, Mozambique and South Africa.

THE NEXT MIRACLE

Africa in 2012

Nigeria has 37 billion barrels of proven oil reserves; making it one of the top ten oil countries globally. The country also reformed its economy in significant ways in recent years. All this fuels Africa's second largest economy (after South Africa), with average real GDP growth of over 7% for nearly a decade now.

Egypt, has been the best performing market in the world this year on hopes of a better political and economical situation, with several financial aid packages from the IMF and neighboring GCC countries lifting sentiment in the market.

In Kenya the market has performed exceptionally well due to the fall in inflation as a result of the easing of the drought conditions that beset the country in 2011. The decline in Kenya's inflation this year has been quite astonishing. From a high in January of 18.3%, inflation in August hit a low point of 6.1%.

What are they investing in?

So what is it that these professional decision makers know that most of the rest of the world is still missing?

They know that over the next 10 to 15 years Africa is set to reap the benefits as several key drivers of growth and wealth gain more and more momentum:

- Rapidly improving access to relatively cheap and extractable energy resources for which Africa is becoming renowned – with continual new finds of oil and natural gas
- Major improvements in education, health and technology
- 6 of the 10 fastest growing economies from 2001–2010 were in Africa

- A growing demand for food and the land to grow it on. Africa is not only home to 60% of the world's arable land – it also has a climate that is in some parts similar to that of Brazil – currently the world's leading tropical agricultural producer

- A young and educated population: young people to work and take advantage of these natural gifts. Africa is the youngest continent on the planet. More and more of these young people are ambitious to enjoy the privileges the developed world takes for granted. The appetite for knowledge and hard work is already in place and growing daily. But perhaps the most important key factor attracting investment professionals is their recognition that – viewed over the long term and on a pan-African basis – Africa is offering good investment value across a wide range of sectors and investment opportunities

Reasons to Invest in AFRICA

- An abundance of commodities
- Excellent demographic conditions
- Declining political risk
- Low levels of sovereign debt
- 60% of the global arable land
- Over 1 billion people of which 41% are under age of 15

Other interesting facts

Percentages of global resources that AFRICA has:

- 20% of the land mass
- 90% of the diamonds
- 50% of the gold
- 90% of the phosphate
- 74% of the chrome
- 40% of the platinum
- 8% of the petroleum
- 12% of the natural gas
- 12% of the oil

Did you know?

- Half of the increase in world population over the next 40 years will be in Africa
- The cost of agricultural land in Argentina, Brazil and in the USA is 7x the cost in Africa
- BRIC – African trade has increased by a compound annual growth rate of over 30% in the past decade
- During 2009 – only 6 economies of Africa experienced an economic contraction in 2009

Source: African Economic Outlook, Africa Invest Fund Management, IMF, Bloomberg.