

African Union

- Africa: Africa's youth is facing a crisis. Although education opportunities have developed, the same cannot be said about job opportunities. Africa is facing a demographic dividend only in 2050, when the portion of its population younger than 14 years old is less than 30% and those older than 65 is less than 15%. Such a situation could be extremely beneficial for Africa, with a large pool of people for the job market and the potential for consumer-oriented industries stimulating economic growth. However, this is dependent on an educated and employed youth. Already there are cases of senseless violence (xeno-phobia, etc), which are signs of, amongst others, a frustrated youth. It is said that more than 50% of Africa's youth (133 million) lack the business and life skills needed to enter into a productive economic and social life. The Coca Cola Africa Foundation and Dalberg found that academic performance no longer guaranteed employment; that finding qualified talent was challenging; and that the youth lacked the resources and networks to seek employment opportunities. They suggested the following solutions: scalable youth-inspired opportunities, tapping into the benefits of technology; private sector engagement to create more opportunities for all young people; and creating opportunities for entrepreneurship. (Mboya-Kidero, S. 2015. Empowering Africa's Youth. Fin24.com - www.fin24.com. 8 June.)

Implications:

General consensus has it that Africa has a good future, given its growing middle class with higher disposable income, improving political stability, reducing poverty, urbanization and improving infrastructure. However, all of this will come to naught should the youth not be looked after. Organizations interested in investing in Africa should understand this and play a role in ensuring that the youth have a vested interest in the system. It also requires African governments to address the issue of meaningful job creation to avert the specter of revolutionary violence.

- Africa: Hotel development in Africa will grow strongly in 2015 as international brands such as Marriott, Hilton and Radisson seek to benefit from the strong economic growth in Africa. It is said that about 50,000 rooms spread among 270 hotels in Africa are set for development in 2015. Demand from the growing middle class will contribute to development in sub-Saharan Africa, while the number of business executives conducting deals in Africa will boost the growth of five-star hotels. Some of these deals could be hampered by problems such as a lack of sufficient funding, red tape and a shortage of expert skills. With an estimated 8,500 rooms expected to be built in Nigeria across 51 planned new hotels, Nigeria has by far the largest development pipeline this year, more than Central Africa and East Africa combined. However, less than 40% of pipeline rooms are on site and a portion of these have stalled. Financing can be very difficult, and it is easier to raise capital for oil projects in Nigeria than it is to develop hotels. In addition, Nigeria is relatively inexperienced when it comes to hotel development. Tourists to South Africa to take advantage of the weakening Rand have created a demand for accommodation and building opportunity. However, the introduction of SA's new visa regulations could constrain tourism and hence limit hotel development deals. (Peters, F. 2015. Africa holds breath over hotel boom. BDLive – www.bdlive.co.za. 10 June.)

Implications:

Given the lack of money in Africa, this kind of development would be a major target for FDI. It is also an opportunity for construction companies to diversify their projects from being primarily in mining and energy to infrastructure (hotels, malls, offices). Job creation will receive a boost and consumer spending (retail, etc.) would benefit as well. Overall, Africa will benefit in a major way, all things being equal.

East Africa

- Tanzania: Rand Merchant Bank from South Africa and China Development Bank have agreed to lend \$800m to Tanzania to bolster the foreign-exchange reserves it needs to shore up a weakening currency and plug its budget deficit. Tanzania's shilling weakened 21% so far this year and is Africa's worst performing currency, after Ghana's cedi. The budget deficit is expected to widen to 4.2% of GDP in 2015 from 4% last year. An aggravating condition for Tanzania is the increase in the current account deficit from US\$243 million (-10%) in 2014 to US\$342 million (-11%). To make matters worse, foreign donors stated in 2014 they would withhold \$558 million of budget aid due to a corruption scandal in the energy industry. (Njini, F. 2015. SA, China help Tanzania bolster reserves. Fin24.com - www.fin24.com. 15 June; Tanzania | Economic Indicators. Trading Economics - www.tradingeconomics.com .)

Implications:

Weakening currencies, frequently led by weakening current account deficits, increase the vulnerability of emerging market countries. Tanzania would also need to pay attention to its worsening trade balance (-US\$309 million – 2015, from –US\$249 million – 2014), brought about by less exports and more imports – a double negative. However, the loan does buy Tanzania some time to address the productivity of its economy. Investments to improve local production and increase exports would go a long way to strengthen the shilling. Given an economic growth rate of 6.8%, Tanzania does provide investment potential.

- Kenya: According to BMI Research, 2 factors will impact the food retail industry in Kenya. Firstly, consumer spending will increase due to the lower fuel price. Kenya has a sophisticated mass grocery retail (MGR) sector by regional standards. With MGR constituting 20% of total food retail, there is strong potential for growth – 32.4% CAGR over 2014-2019. Secondly, Kenya enjoys a strategic position as gateway for regional expansion. The EAC is the most integrated economic hub in Africa, with a consumer base of 100 million. Kenya also has the most developed transport network in the region. Two major risks are highlighted, however. Firstly, the risk of terrorism (mall and university), and secondly that more than 50% of households have a net annual income below US\$1000, and do not have access to modern patterns of consumption. Furthermore, two global players have already moved into Kenya, i.e. Carrefour and Walmart (through Massmart). Massmart originally entered via green field operations, but could be expected to grow via acquisition. One of the 4 large local players, Nakumatt (the others being Uchumi, Tuskys and Navias), has already indicated they are open to an offer. This would not be the first foreign acquisition, as Botswana-based Choppies has already acquired Ukwala. (BMI Research. 2015. Foreign Presence To Drive Consolidation In Kenyan Retail. BMI Research - www.bmiresearch.com. 2 June.)

Implications:

Industry consolidation in the food retail industry is on the cards. It is not unlikely that the large foreign players will also increase their presence to other parts of Africa. The driving forces for this expansion include the expected growth in middle class consumers, with higher disposable income, urbanization, and growing infrastructure projects (malls and transportation). The presence of global and international players will increase pressure on also the smaller family stores, who could be crowded out.

- Kenya: According to Moneyweb, Barclays Africa Group has concluded a deal to buy a majority stake (63.3%) in insurer Kenya First Assurance Ltd for US\$28.84 million. This is part of a plan to boost revenue from Barclays' African operations outside of South Africa from 15% currently to 20-25% in 3 years. The deal was subject to regulatory approval in South Africa, Kenya and Tanzania, where First Assurance also operates. The deal would allow First Assurance to grow its network of sales outlets from 6 branches to about 150 Barclays branches in East

Africa. It was envisioned that First Assurance would also enter the Ugandan market next year. (Miriri, D. 2015. Barclays eyes Kenyan asset management. Moneyweb Today - www.moneyweb.co.za. Accessed 17 June.)

Implications:

Teaming up with foreign banks grow both the brand image of local banks, as well as their reach. It can be expected that more African banks will go this route. Barclays acquired the major shareholding of ABSA Bank in South Africa in 2005.

West Africa

- Ghana: According to the Minister of Petroleum of Ghana, Emmanuel Armah-Kofi Buah, the recent discovery of oil and gas reserves in Ghana present a huge opportunity for the country and investors. Buah indicated that there would be a US\$2bn investment opportunity in the upstream sector in Ghana, which includes exploration and the production of oil and gas. Since the first discovery in 2007, 23 discoveries have been made. From 3 fields alone, 245 000 barrels of oil and 11.4 million cubic meters of natural gas per day will be produced. Ghana sees itself as the gateway to the landlocked states of West Africa, and will position itself to become a net exporter of oil to this region. Other major opportunities for investment in Ghana include the 3000 megawatts of new electricity generation that must come on-stream in the next 3 years, the upgrade of the ageing and inefficient operations of the Electricity Company of Ghana, and the need to create beneficiation operations to add value to raw materials. Ghana will strive to grow local ownership, local employment and local capacity to avoid falling victim to the resource curse. In order to prevent its oil wealth being squandered, Ghana created sovereign wealth funds, i.e. the Petroleum Holding Fund and the Ghana Petroleum Funds, for the benefit of its citizens, with rules to promote transparency and accountability. (Maister, P. 2015. An unmissable opportunity? Ghana's burning oil ambitions. fDiIntelligence - www.fdiintelligence.com. 11 June.)

Implications:

There are various examples of countries suffering from the so called resource curse. It seems that Ghana is doing its utmost to prevent such a phenomenon from developing, which will bode well for its future. There are numerous other upstream and downstream investment opportunities (infrastructure, consumer market, etc.) in Ghana, given the above discoveries and development steps.

Southern Africa

- South Africa: The formal agenda of the AU Summit in Johannesburg, South Africa, has been overshadowed by the happenings surrounding the president of Sudan, Omar al-Shabir. In spite of the warrant of arrest for al-Shabir issued by the ICC, of which South Africa is a signatory, the president of South Africa, Jacob Zuma, granted immunity to all the delegates to the summit. Locally in South Africa, a judge issued a court order prohibiting al-Shabir from leaving the country. In spite of this, al-Shabir left the country on 15 June, to the disgust of much of the western world. The fact that al-Shabir was seen leaving from the Waterkloof military airbase in Pretoria, is a clear indication that he left with the blessing of the South African government. This is in clear contrast to a statement by Zuma 6 years ago that he would have al-Shabir arrested in South Africa on sight. It does need to be noted, though, that South Africa is not the first country in which al-Shabir travelled with impunity, the others being Malawi, Kenya, Chad and Congo, none of which attempted to arrest him. Questions also need to be asked about the credibility of the ICC. Some of the early African adopters, i.e. Uganda, Ethiopia, Kenya and Rwanda, have openly stated the ICC to be "selective" and "racist". (Baker, A. 2015. Sudan's President Escapes War Crimes Arrest in South Africa. Time - www.time.com. 15 June.)

Implications:

The way South Africa dealt with this issue seems like an example of realpolitik. The moment Zuma provided immunity to all delegates, he effectively committed the South African government to ignoring the ICC arrest warrant. Had he had al-Shabir arrested, he would have lost his credibility in Africa as well as amongst the left wing of the South African political scene. The recent spate of xenophobic attacks in South Africa might have also played a role in Zuma trying to appease anti-South African sentiments. It also seems about 1400 South African soldiers on a peace keeping mission in Darfur were effectively held ransom during al-Shabir's absence from Sudan. Zuma's actions (or lack thereof), though, did not endear him to the powers in the West. The question is whether this is the beginning of the end for the ICC as far as Africa is concerned. Another question is what does this do to the rule of law in South Africa.

The implications stated above are the personal opinions of the editor and do not reflect the point of view of the Centre for African Studies.