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African Union

- **Africa:** here are the Top 10 African economies, as ranked in the 2018 Doing Business Report. Some of them have improved remarkably, while others have deteriorated remarkably the past decade.

  Here are the Top 10 African economies, as ranked in the 2018 Doing Business report. **Mauritius** is positioned in 25th place worldwide, up from its position at 49 in 2017. It has improved its ranking in 8 of the 10 business lifestyle areas. **Rwanda** emerged in the top 50 countries for the first time at 41st place (2nd in Africa), compared to the 56th position in 2017. It has made 52 reforms over the last decade. **Morocco** is ranked Morocco in 69th position (3rd in Africa). It has also managed to climb to the 3rd rank among the Middle East and North African countries. **Kenya** has gained 12 places to the 80th position. The improvements are driven by the government and the private sector in the business environment. It has gained 53 positions over the last 3 years. **Botswana** moved from 71st in 2017 to 81 (5th in Africa), caused by the lack of interest to invest in the diamond industry. However, investments in the service sector are expanding rapidly. **South Africa** ranks 82nd (6th in Africa). It has always been the most powerful country in Africa in terms of touristic attraction. The government is working hard to reach the same status in attracting foreign investors. **Zambia** has gained 13 places to the 85th position (7th in Africa). Currently, Zambia has been listed as one of the world's top 10 economies with the most notable improvements. **Tunisia,** ranked at 88 (8th in Africa), has dropped 11 places from its spot at 77 in 2017. Once being ranked in 42nd place, the country has dropped 46 spots in just 7 years. **Seychelles** is placed in the 95th position (9th in Africa), from being 93rd in 2017. The government and private sector have worked hard to create a strong environment for investment. **Lesotho** is ranked in the 104th position worldwide and 10th in Africa. Government officials are making efforts to improve the foreign investment rates in the country. For more information, read: http://bit.ly/2jo5mFl.

  CAS View: Mauritius has been ranked 1st in Africa for quite a number of years, but what makes 2018 remarkable, is its massive jump from 49th in 2017 to 25th in 2018. This does not happen by accident, but is the result of a determined government and business community to make things work! The same goes for Rwanda and Zambia! Hats off to them! The sad news appears to be Botswana, South Africa and Tunisia. The latter could blame the Arab Spring of 2011 as the cause of its downward trend, but it has had enough time to restore itself. The saddest story probably belongs to South Africa. As I showed in Issue 122, this country was ranked at number 35 in 2008. This more or less remained stable with little variation until the 2013 Report, when it fell to 39th place. Thereafter the fall became more pronounced: 2014 – 41st; 2015 – 43rd; 2016 – 73rd; 2017 – 74th; and then 2018 – 82nd. Something clearly needs to be done. South Africa has the most sophisticated economy in Africa, but is increasingly become a difficult place to do business in, and is being overtaken by less developed countries in Africa. It must get its act together! A country that is conspicuous in its absence, is Nigeria. Africa's largest economy does not feature in the Top 10 at all. This is another country that must get its act together.

- **Africa:** The rise of social media, smart devices, big data, cloud computing and most recently the internet of things has fundamentally changed the way humans interact with each other and the world at large. Africa needs a workforce that has the skills capacity and domain knowledge to meet the demands of the Fourth Industrial Revolution. To attract and entice young talent, digital firms need to embed understandings such as software, algorithms, entrepreneurship, game theory, design and communication skills into the way they operate and train employees.

  The rise of social media, smart devices, big data, cloud computing and most recently the internet of things has fundamentally changed the way humans interact with each other and the world at large. In many ways, the African continent has leapfrogged many other regions in technology uptake. Sectors such as financial services, health, education and agriculture have found increased access to information, markets and finance – all with a decreased cost of communicating. The new economic weapon of the 21st century and beyond will be the intersection between technology and education. Harnessing the power and potential of technology and investing in people to mobilise their talents and skills is becoming increasingly important across both the public and private spheres. Africa needs a workforce that has the skills capacity and domain knowledge to meet the demands of the Fourth Industrial Revolution. Data engineers and scientists, machine learning and deep-learning engineers, AI analysts, blockchain miners and traders, cloud native experts, DevOps, big data and IoT skills are critical in this era of digital revolution. To attract and entice young talent, digital firms need to embed understandings such as software, algorithms, entrepreneurship, game theory, design and communication skills into the way they operate and train employees. Technology has the power to fundamentally change the lives of young people, and investment into human capital is critical in building the next digital generation. For more information, read: http://bit.ly/2iuj7p7.

CAS View: In a recent article published in the Centre's website, i.e. Industry 4.0: Is Africa ready for the March of the Robots, the author makes the point that digitalisation could convince more developed countries to use automation to produce products at home that currently have the potential to be outsourced to venues with cheaper labour costs. In a response to this article (Issue 123), I made the point that for Africa, amongst others, looking forward to becoming the factory of the world for low cost goods, this can be a devastating outcome. To escape this "trap", Africa has no alternative but to focus on developing the requisite education policies and educate its people in the appropriate fields. Whilst education has been frequently held up as the answer to Africa's woes, it has been talked about a lot with not a lot of focus on implementation. The above article gives very specific indications about the requisite skills needed for the new world of work, given the Fourth Industrial Revolution. It is now over to the governments of Africa to transform their education policies and produce the kind of skills that will propel them into prosperity and greater relevance. Currently, it does not seem that this is an area that is receiving significant attention. The situation must change, and it does present an investment opportunity for foreign investors interested in making money whilst doing good.

- **Africa:** The promise of Chinese manufacturing moving to Africa increasingly seems like a real possibility, with Chinese car assembly factories in South Africa, footwear companies in Ethiopia, Chinese textile plants in Rwanda and other operations across Africa. But it may be too soon to proclaim Africa the world's next factory. Among 62 firms that had invested abroad or planned to, only two named Africa as a preferred destination. Southeast Asia was a far more likely destination.

  The promise of Chinese manufacturing moving to Africa increasingly seems like a real possibility, with Chinese car assembly factories in South Africa, footwear companies in Ethiopia, Chinese textile plants in Rwanda and other operations across Africa. But it may be too soon to proclaim Africa the world's next factory. According to a new study (pdf) by researchers at Peking University's Center for New Structural Economics, few Chinese manufacturing firms are relocating as a result of rising wages in China. And if they are relocating overseas, Southeast Asia, rather than Africa is their preferred destination. While rising wage costs were the most cited challenge, the most common response to rising wages was not relocating to countries with cheaper labour, but turning to automation. Almost a third of firms said upgrading technology was their first strategy and more than half said it was among their top three responses. Only 6% of firms said relocation of production was their most likely response, and only half of those said they would relocate to areas outside of China. Among 62 firms that had invested abroad or planned to, only two named Africa as a preferred destination. Southeast Asia was a far more likely destination. For more information, read: http://bit.ly/2Bz17On.

  CSA View: This article supports the opinion of the author of Industry 4.0 – Is Africa ready for the March of the Robots? The sentence of importance is, "(W)hile rising wage costs were the most cited challenge, the most common response to rising wages was not relocating to countries with cheaper labour, but turning to automation." Then the other sentences that are a source of concern (or should be), are: "Only 6% of firms said relocation of production was their most likely response, and only half of those said they would relocate to areas outside of China. Among 62 firms that had invested abroad or planned to, only two named Africa as a preferred destination." What this says is that Africa cannot wait for the likes of China to outsource or offshore its manufacturing activities to African countries. It must create its own solutions to their challenges. This will require highly skilled people, with a business-friendly policy environment, and the potential of attractive returns. It seems African countries will be competing with Southeast Asian countries. ASEAN is on China's doorstep, and currently presents a far lower risk profile, both politically and economically. This does put Africa at a disadvantage, and only real progress in skills and business stability will help African progress. This would obviously necessitate political and military stability as well. It has therefore become imperative for Africa (all 54 countries) to get its house in order. Kudus to those who have started on this journey, such as Ethiopia and Rwanda. There is, however, still a lot of work to be done. One benefit Africa has (amongst others), is its access to the USA markets via the African Growth and Opportunity Act (AGOA). It must leverage this opportunity to its benefit and attract foreign producers to set up factories with its countries to tap into the benefits associated with AGOA.

East Africa

- **Kenya:** Expensive and restricted access to credit in Kenya presents an opportunity for many microfinance institutions, which operate in a space deemed too risky for banks, e.g. Nairobi-based Musoni Kenya.

  Expensive and restricted access to credit in Kenya presents an opportunity for many microfinance institutions, which operate in a space deemed too risky for banks, e.g. Nairobi-based Musoni Kenya. It has over 40,000 clients, with loans ranging between US$5 and $3,000. Musoni uses M-Pesa for loan disbursement and repayments to reduce operational costs, and has a repayment rate of 97%. One of the biggest challenges for financial institutions, is the cost of on-boarding customers and then maintaining those relationships, as well as the lack of proper data to help make lending decisions. Musoni uses partnerships as a solution to these challenges. An example is partnering with d.light, an off-grid solar product distributor, to provide a credit service to d.light clients. It has similar partnerships with agricultural companies targeting small-scale farmers, and with FarmDrive, which analyses know-your-customer (KYC) databases, etc. to determine the creditworthiness of smallholder farmers. Musoni also provides financial literacy training seminars, which help clients improve their cash flow. Clients can easily access Musoni's services using mobile phone platforms like SMS and M-Pesa to get loans, make repayments or acquire information about their balances and credit options. This both reduces costs and increases accessibility to its microloans. For more information, read: http://bit.ly/2iw0y06.

  CAS View: I have previously commented on the level of innovation in East Africa in general and in Kenya specifically. Here we have another microfinance institution aimed at the bottom-of-the-pyramid consumer. It is also using the well-known M-Pesa as its platform of doing business in Kenya. In an earlier newsletter, I have also referred to the good work FarmDrive is doing. Now we see Musoni also tapping into the benefits of FarmDrive. The ultimate winners of innovations such as these are the bottom-end consumers. They have the benefit of getting access to credit, which they otherwise would not have been able to tap into. Although Kenya is seen as a country where a lot of this innovation takes place, the need for this kind of service is prevalent throughout Africa. Fintech is also contributing to increase the levels of financial inclusion in Africa.

- **Kenya:** Private sector activity in Kenya rose in November from a record low hit in October, pointing to a potential recovery as political risks ease.

  Private sector activity in Kenya rose in November from a record low hit in October, pointing to a potential recovery as political risks ease. The Markit Stanbic Bank Kenya Purchasing Managers' Index (PMI) for manufacturing and services rose to 42.8 last month, from 34.4 in October, but remained well below the 50 mark that separates an expansion from a contraction. Business conditions deteriorated at a slower pace, thanks in large part to the conjecture by the private sector that the political impasse is now behind them. Output has contracted for 7 straight months, according to the PMI, but a recovery may be near. Lower political risk could provide the platform for Kenya's private sector to stage a recovery over the near to medium term. Good weather conditions have improved growth prospects for the agriculture sector and reduced inflation expectations. The government expects the economy to grow by 5.1% this year, having reduced its initial forecast of 5.9%. For more information, read: http://bit.ly/2ABtufn.

  CAS View: This article shows us that business is picking up in Kenya after a bad October. The business community in Kenya was treading water in anticipation of any violence surrounding the rerun of the presidential election on 26 October. In spite of the fact that Raila Odinga had declared himself the "people's president", the business community seems to feel that it would not amount to much. Even some of Odinga's seasoned NASA politicians, who spoke in confidence, were convinced it would be a misstep. The date set for Odinga's "swearing in" is 12 December. Hopefully nothing will come from this. The rise in the PMI could be an indication that nothing much will! Should nothing come from Odinga's plans to have himself sworn in as "people's president," we would see the Kenyan economy pick up significantly.

West Africa

- **Nigeria:** Nigeria's retail sector is dominated by traditional trade formats like open markets and kiosks in terms of absolute store numbers. Despite this, modern trade formats like supermarkets and hypermarkets are stepping up to fulfil the needs of consumers.

  Nigeria's retail sector is dominated by traditional trade formats like open markets and kiosks in terms of absolute store numbers. Despite this, modern trade formats like supermarkets and hypermarkets are stepping up to fulfil the needs of consumers. Modern trade has the means to provide a comprehensive shopping experience, but in tougher economic times shoppers are actively seeking promotions and value for money that would make their trip to the stores worthwhile. More than half of shoppers visit supermarkets and hypermarkets, which together account for 26% of spend. Beyond modern trade, 76% of consumers shop in open markets, and on average, shoppers frequent these outlets 10 times a month or twice a week. The second-highest number of shoppers (61%) visit kiosks, but far more frequently at 20 times a month, although a smaller proportion of their grocery spend (12%) is in this channel. The main reason Nigerians embark on a shopping trip is for regular pantry restocking, followed by essential or emergency items (16%) and everyday needs. 90% of Nigerian shoppers say they "enjoy doing grocery shopping" and 87% say they always prefer to shop in a well-organised store with a pleasant ambience, and 87% say customer service is very important to them. Looking for greater value and efficiency, Nigerians are trading down on spend. For more information, read: http://bit.ly/2nzPBjD.

  CAS View: Africa's retail environment is not an easy place to do business in. There are so many factors that must be considered before you venture onto the continent. This article provides some of the variables that influence the retail space. Companies that have struggled in Nigeria, includes Woolworths from South Africa. But then we have Shoprite, another South Africa food retailer, that is doing quite well in Nigeria. The bottom line is that you must understand not only the consumer market, but also the supply chains involved. It is not only inn Nigeria where retailing can be complicated; in Kenya, we have found Nakumatt applying for business rescue. It is undeniably so that there are many opportunities in Africa. However, it is imperative that companies do their homework before they venture into Africa.

Southern Africa

- **Zimbabwe:** President Mnangagwa has an enormous task awaiting him. Here's some of the top challenges facing Zimbabwe.

  President Mnangagwa has an enormous task awaiting him. Here's some of the top challenges facing Zimbabwe. **Creating jobs** A regular income will make it possible for workers to become more economically active. More jobs mean increased social stability, and a higher income from taxation to help rebuild the economy. **Reviving agriculture** There must be a return to the highly efficient and labour-intensive use of the land to restore production of maize, wheat, and tobacco, etc. **Reviving mining** Zimbabwe has many mineral resources and raw materials. If operations are restored and efficiently managed, mining can help to revive its economy. **Attracting foreign investment** is crucial and political stability and good resources are crucial. **Restoring the banking system** is not an overnight process, and the future of alternative currencies, such as bond notes and treasury bills, remains uncertain. **Restoring infrastructure** Roads, dams, communication systems, energy and water supply, the health services and schools need serious attention as very little spending has gone into these since independence. **Reviving tourism** Upgrading the infrastructure and spending money on tourist attractions, e.g. game reserves, could revive this industry. **Getting expats to return home** Many highly educated Zimbabweans have emigrated and re-established themselves in other parts of the world. Many people would like to return home, but they need to know that it will be safe, and that they will be able to make a living. **Beating corruption** will be a real challenge, but growth is impossible without this happening. **Reducing tax rates** will stimulate personal spending power, and regenerate businesses. For more information, read: http://bit.ly/2ktVYDQ.

  CAS View: President Mnangagwa has clearly a lot of work to do. A continuation of the status quo will not suffice. Given 40 years of treading water and maladministration, there are many issues to attend to. Zimbabwe has great potential and its people are well educated. The basics are therefore in place. These challenges also represent many investment opportunities for prospective investors. The extent to which these opportunities will be tapped into, will depend on Mnangagwa's approach to governance. He has already been criticized for the composition of his cabinet. Let's hope that he succeeds in getting the

Zimbabwean economy up and running again. For that he needs a bit more time. Fixing 40 years of neglect is going to take a wee bit longer.