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African Union

- **Africa:** The AU has launched its Single African Air Transport Market (SAATM) recently at the AU summit in Addis Ababa. This has the potential to ease the integration of African economies, trade and tourism.

  The AU described its Single African Air Transport Market (SAATM) one of its flagship projects in its Agenda 2063. So far, 23 member states, including Ethiopia, Egypt, Kenya, Nigeria and South Africa, have adopted the single market, which came into full operation with immediate effect following its recent launch at the AU summit in Addis Ababa. The SAATM is a de-regulated and harmonised air space, allowing planes to fly freely, without regulatory restrictions, between AU member states who have agreed to the initiative. Competition regulations, consumer protection rules, the institutional framework and dispute resolutions for governing the entire market are already in place. Much can be gained from a de-regulated single African air market: enhanced interconnectivity, reduced costs and ease of integrating their economies, trade and tourism. If more African planes are able to fly to more African countries and with greater regularity, the increased competition will significantly reduce fares and improve service for the consumers, and the sector in general will benefit. Full liberalisation of the air sector in 12 of the continent's biggest economies would add $1.3 billion to their output. For more information, read: http://bit.ly/2BjVE0O.

  CAS View: Adefolake Adeyeye identified a number of reasons for the slow development of air transport in Africa. Amongst others, these factors include the huge differences in the economic and political size of African countries, a dependency on former colonial powers, limitations to transnational ownership and control of airlines, and poor co-operation between airlines. For instance, many states require that the designated airline must be majority or substantially owned and controlled by one or more states and their nationals. Some require the headquarters or principal place of business be located in the state. Africa has a lot to benefit from a more liberalized and integrated intra-African air transport sector. With the key drivers of growth for air transport present in Africa, there is the need to tap into this market to ensure economic development and growth. Hopefully the SAATM will address the reasons for the lack of air transport interconnectivity in Africa, e.g. lack of open skies, insufficient integration and disparity in air transport developments and economic clout. This would make a contribution to increasing economic integration in Africa and boost the flow of tourists, amongst others.

- **Africa:** The AfDB's African Economic Outlook 2018 contains a number of key messages.

  The AfDB's African Economic Outlook 2018 contains a number of key messages. Real output growth is estimated to have increased 3.6% in 2017, up from 2.2% in 2016, and to accelerate to 4.1% in 2018 and 2019. Many African economies are better able to cope with harsh external conditions than they were in the past 20 years. Easing global conditions since mid-2016 have improved the outlook for Africa, but African countries still face major macroeconomic challenges. Commodity prices have recovered, but not to pre-crisis levels, and demand for traditional and non-traditional exports from Africa remains modest. Although current account positions have improved, they are not sufficiently robust; dollar interest rates are expected to edge up, bidding up the cost of capital; and external debt ratios have begun to rise across the region. The infrastructure investment drive in Africa needs careful monitoring to ensure that revenue streams are adequate to serve the debt obligations. Ongoing infrastructure projects will need to be completed and maintained, and pipeline projects balanced against other needs. Recurrent expenditures should be watched carefully. There is an urgent need for better revenue regimes to capture the gains from growth and rapid structural change that some countries are experiencing. For more information, read: http://bit.ly/2Djcpf8.

  CAS View: The Africa Rising narrative of 3 to 4 years ago took a knock with the oil price slump and the end of the commodity price super cycle. It seems the AfDB have identified a number of indicators that would, when realised, give this narrative a renewed lease of life! The best advice for Africa's governments would be to take serious cognisance of these factors and develop the requisite policies to exploit the positives and defend against the negatives. Once again, it seems that recovering commodity prices are set to play a significant role in Africa's resurgence. The best for Africa would be to use any respite offered thereby to diversify their economies. They do not want another over-dependence on income from commodity exports, the prices over which they have no control. Another important factor would be for Africa to place a cap on its debt levels. The projected increase in interest rates are bad news for Africa. Coupled with infrastructure development drives, the increase in debt would lead to intolerable interest burdens. In many countries, we already see this item being a significant item in government expenditures. Africa also needs to work on reducing the illicit flow of funds out of the continent. The figure is astronomical and if stopped, could make a sizeable contribution to the revenue of many of Africa's governments. Overall, the AfDB's report makes for interesting reading.

- **Africa:** Decision-makers have very little access to credible information about remote rural spaces. Geospatial analyses can help decision-makers to pinpoint new customers, size potential markets, and locate new sites for stores or projects.

  Decision-makers have very little access to credible information about remote rural spaces. Over 637 million of Africa's population live in rural areas, which is a massive consumer segment to neglect simply because of inadequate information. More and more Africans are entering the consumer class, and many of these are in rural areas, creating appealing new investment opportunities. The discovery of resource-abundant areas in Africa has drawn workers away from cities to rural zones, where they establish economically vibrant centres. Good data on these emerging rural consumers can identify promising opportunities. With geospatial analysis, it becomes possible to pinpoint new customers, size potential markets, and locate new sites for stores or projects. The key to success is pinpointing the potential of the growing communities and neighbourhoods within large rural provinces and districts. Ultra-precision is especially valuable in rural spaces, which tend to be vast and lacking in conventional structure. The greater the investment made into rural Africa, the more everyone involved will benefit, from the businesses expanding their reach, to the locals presented with more choices – particularly in relation to their financial security. For more information, read: http://bit.ly/2GY7dva.

  CAS View: This article sees the confluence of various factors. We firstly see the trend of urbanisation, which is a well-known phenomenon. In addition to the challenges it creates in cities, it has the negative of denuding the rural areas. The development of vibrant economic centres in rural areas associated with the discovery of resources would be a boon for the development of these rural areas. The data retrieved from the geospatial analysis can therefore be put to good use. However, they seem to be dependent on actually discovering resources in the rural areas. This can be a limitation, given that many rural areas do not have resources available waiting to be discovered. Having said that, one interesting observation is the growth of large numbers of the consumer class in the rural areas associated with resource discoveries. This will take the pressure off the infrastructure of cities, given the general lack of housing, services and employment we find there. This is in addition to the business and development opportunities we now find in these rural areas. One serious development concern remains the rural areas where there are no resources and where the primary economic activity is subsistence farming on 2 to 3-hectare smallholder farms!

East Africa

- **East Africa:** To prevent a trade war between the 2 largest economies of the EAC, the governments of Kenya and Tanzania have decided to adopt a more proactive role in preventing and settling disputes.

  To prevent a trade war between the 2 largest economies of the EAC, the governments of Kenya and Tanzania have decided to adopt a more proactive role in preventing and settling disputes. The relevant authorities would be meeting on a quarterly basis to improve communications between them. During their meeting, they discussed issues such as resolving multiple charges on levies, lack of preferential treatment, delays at border points, the need for standardised inspection fees, and the non-payment of suppliers by Uchumi and Nakumatt supermarkets. They also recognised each other as a significant trading partner. Other issues addressed was the need for a regional policy to address challenges facing the retail industry, the need to address immigration issues and that Tanzania should undertake verification exercises on lubricants, edible oils and cement in Kenya by 31 March 2018. Trade between the 2 of them constitutes over 45% of the entire trade within the EAC. Their combined GDP accounts for 76% of the region's economy. Private sector representatives from the two countries made presentations highlighting trade and investment opportunities in aviation, mining, petroleum and transportation, among others. For more information, read: http://bit.ly/2GZZP2C.

CAS View: Regional integration is held as an important driver of economic development in Africa. We therefore see many regional economic communities, such as COMESA, ECOWAS, EAC and SADC. The EAC (East African Community) has been held in high esteem as one of the more efficient regional economic communities. This does require member states to, in some instances, subordinate national interest to regional interest. Since his election as president of Tanzania, Mr John Magufuli has been doing his best to position Tanzania as the foremost economy in East Africa. This had soured relations between these two countries. In the past two years we have seen tit-for-tat actions from both. Tanzania did "steal" both Uganda and Rwanda as clients, convincing them to use Dar es Salaam as port rather than Mombasa. We have also seen trade disputes on a regular basis between these two countries. The EAC does not need this kind of diversion. Hopefully the new arrangements will lead to an improvement in the relations between them and keep the efficiency of the EAC intact. Regional integration is too an important driver of prosperity in Africa to run afoul of regional infighting.

North Africa

- **Egypt:** Egypt is offering interesting investment opportunities. It is now looking like the most attractive of all the larger African markets in which Old Mutual Investment Group invests.

  Egypt is offering interesting investment opportunities. It is now looking like the most attractive of all the larger African markets in which Old Mutual Investment Group invests. The reasons for this are: the currency is expected to be stable; the EGX 30 index is reasonable at a PE ratio of around 10; company earnings are expected to grow at around 15% in 2018; the economy is back on track, with a GDP growth outlook of 5% in 2018; and tourism, an important foreign revenue generator, is picking up again. Analyses show the banks continue to make record profits as they benefit from the high interest rates. Research of the fertiliser businesses shows they are performing well. The weak currency means that export profits are strong. The food producers have been through a difficult time, as consumers are faced with high inflation. However, this is now in the base and they expect volumes to start recovering. The cigarette producer, Eastern Tobacco Company, has been one of the best performers this year, up nearly 200%. Old Mutual expects its Egyptian positions to continue to generate good returns during 2018. For more information, read: http://bit.ly/2EtgnS8.

  CAS View: I commented last week on Egypt's attraction as an investment destination. The views reported on were from CI Capital, a USA-based private equity company from New York. This week we see the views of Old Mutual Investment Group, a South African financial services organisation. Both these entities are clearly fans of the Egyptian investment environment. As stated last week, Egypt was an attractive investment destination just before the advent of the Arab Spring. Its image took a hit and it lost its appeal, caused also by a number of terror attacks. However, from the looks of these two investment analyses, it appears Egypt is bouncing back.

Southern Africa

- **Mozambique:** Mozambique's manufacturing sector is presenting a number of investment opportunities.

  The manufacturing sector in Mozambique contributes about 9% to GDP and 0.8% to employment. It had an average growth rate of 5.1% between 2013 and 2015, with a high of 8.5% in 2015, higher than the GDP growth rate of 6.6%. The sector is mainly comprised of micro companies, with few SMEs and are mainly involved with low technology intensity. Significant subsectors are metals, chemicals, construction, industrial products and services, forestry, paper and packaging sectors, textiles, paint, soap, food and drink products, furniture and wood products, leather and shoes. As much of the production in the sector involves imports, products processed domestically are often more expensive than imports. Interest rates on loans are high, and financial products offered are often inflexible. Lack of access to financing is a key barrier to the development of SMEs. Mozambique, however, has several advantages that give the sector a favourable outlook. Mozambique has good transport linkages to South Africa, Malawi, Zambia and the DRC; competitively priced supply of labour; a wealth of natural resources that present opportunities for processing; little domestic competition in most manufacturing subsectors; and close proximity to higher income African countries in Southern Africa. For more information, read: http://bit.ly/2Ea7qxv.

CAS View: Industrialisation and the development of the manufacturing sector have now for several years been punted as part of the solution to Africa's economic woes. In many African countries, we see the contribution of manufacturing to GDP at very low levels. Yet there are many opportunities in this sector, should we but take the time to do the necessary due diligence. Mozambique has great economic development opportunities in the mining and gas sectors. It would be a serious mistake, however, to concentrate on these sectors to the exclusion of others. It has been the easy way out for several other African countries. The identification of the above opportunities in Mozambique does give it the means of avoiding an over-dependence on resource exports. This is in addition to the development of many employment opportunities and the general uplifting of the quality of life of many Mozambicans.

- **South Africa:** There is a new mood of optimism for South Africa and its prospects after the election of Mr Cyril Ramaphosa as president of the ruling party, the ANC. This bodes well for the South African economy.

  According to the Minister of Trade and Industry, Rob Davies, there is a new mood of optimism for South Africa and its prospects. The improved outlook for the global economy, the prospect of rising mineral prices and the success of the ANC elective conference in December 2017, which resulted in new leadership, have been contributing factors to more upbeat investor confidence. At previous years in Davos, investors mainly spoke about their irritations and raised criticisms of the country. This time round investors were looking to increase their presence in South Africa. Davies said that there is an overall mood that South Africa is getting on top of its problems. These include state capture, corruption and mismanagement of state-owned enterprises. There is a sense that at last SA would do something about it, as can be seen with the appointment of a new board at Eskom and the commission of inquiry into state capture. For more information, read: http://bit.ly/2nRL9JX.

  CAS View: South Africa's economic future had become quite bleak the past couple of years. Many people ascribed this to the leadership (or rather lack thereof) of President Jacob Zuma. Charges of state capture and corruption ran thick and fast. Global ratings agencies had downgraded South Africa to junk bond status. December's election of Mr Cyril Ramaphosa as the new president of the ANC seems to have changed a lot. Business confidence in South Africa is increasing daily. Foreigners are also much more bullish about investing in South Africa. There are now talks in South Africa of Mr Zuma being recalled as president of South Africa. Should this happen, we would probably see a further strengthening of the South African Rand and a greater inflow of investment at an earlier time frame that would otherwise have been the case. Mr Zuma still has supporters in prominent positions in the ANC. His recall is therefore not a fait accompli. The next week or 2 will be very interesting.