

African Union

- **Africa:** The impact of China's trade with Africa is profound, and China's current problems will weigh heavily on Africa. Many African currencies have weakened, while lower tax revenues from mining, oil and other commodities have led to higher domestic interest rates. Africa still needs significant investments in infrastructure and FDI. Almost 33% of the value of China's foreign engineering contracts in 2014 was in Africa. East African has benefited significantly with 33% of all Chinese project spend over the last decade. Launching the Asian Infrastructure Investment Bank and the Silk Road Infrastructure Fund with \$40 billion, it is unlikely that China would reduce its support for project expansion outside China. Although FDI from China into Africa is growing, it only amounted to 6.1% of China's FDI and 4.8% of the total FDI into Africa in 2014. While FDI into Africa remained constant in 2014, 2015 is expected to be a record year (at \$55bn) and should exceed development assistance for the first time. The type of FDI into Africa in 2014: 43% of greenfield investments were in the services sector, 33% in manufacturing and 24% in primary sectors. This shows a move away from primary sectors. For more information, read [here](#).
- **CAS View:** Whilst it is good that Africa is still targeted with FDI by the likes of China, it needs to diversify its economies away from exporting commodities. This message has been a constant theme of CAS the past 5 months. Diversification can be challenging on the one hand (in the short-term) as it requires much more FDI, which could be problematic given the weakening of Africa's exchange rates and the concomitant hesitancy of foreigners to invest in Africa, but it will also be good news as it will reduce the dependency on exports of raw commodities. The latter will over the long-term bolster the economies of Africa and prop up the currencies, given the greater exports and the reduction of current account deficits. It will also create more jobs, reduce political tension, and lead to import-substitution. This again could increase the willingness of foreign investors to invest in Africa, thereby creating a positive reinforcing loop. What is interesting from the statistics provided, is China's relatively small contribution to Africa's FDI. CAS is in the process of researching the detail regarding FDI in order to provide a more comprehensive picture as to who is doing what in this regard.
- **Africa:** The domination of South African brands in the African retail scene masks more subtle trends in Africa's growing and changing retail landscape. Of the top 25 African retailers, 10 are from outside South Africa, with 3 Zimbabwean retailers, 2 from Botswana and 1 each from Kenya, Morocco, Tunisia, Nigeria and Zambia. Botswana's Choppies was the fastest growing retailer of the top 25 African retailers of 2015. Shoprite was the number one retailer in Africa, followed by Massmart Holdings and Pick n Pay, with Spar Group in 4th and Woolworths in 5th place. The more mature South African retail market has performed strongly from a continental perspective, which is a reason international retailers have tended to enter Africa via South Africa. The potential in Africa is underscored by the fact that 90% of transactions in Africa's retail market still occur through informal channels. This compares to 40% in South Africa. International retailers have also recently entered the African market, notably Wal-Mart, who purchased Massmart in 2011. Others include Mango, Topshop, Zara, Cotton On, Prada and Hugo Boss. Ecommerce is another area set for massive growth in Africa. For more information, click [here](#).
- **CAS View:** Africa's growing middle class with its increased personal disposable income, its urbanization trend with a resultant concentrated market, and economic growth are the drivers behind both South Africa's and the international interest in retail Africa. The relative absence of competitors in Africa and the huge available market, make it an attractive area as well. The absence of formal retail infrastructure could be problematic, as very few malls are available. Retailers have responded by building their own malls. The huge informal retail sector also acts as an attraction. The increase in the luxury market is a trend CAS has already reported on, and is attracting

luxury brands such as Prada and Hugo Boss. Africa is set to grow and is providing very attractive growth opportunities for these international and South African retailers. Players not yet in this area are running out of time to claim their slice of the pie.

- **Africa:** SA's outbound FDI in Africa has grown 17% from last year. Slow economic growth in SA is driving expansion into Africa's smaller emerging economies that have a much faster growth rate in the short- to medium term. Ethiopia, for example, will have the highest growth rate in the world in 2016, between 9% and 10%. The improved political climate has reduced economic risk, and has enabled "normal" economic activity to be re-established in many African countries, and subsequently paved the way for foreign investment. The World Bank projects 4.6% growth for SSA next year, making SSA and Asia the fastest-growing regions in the world today. Whilst there are endless opportunities for SA companies wishing to expand into other African markets, barriers to African economies reaching their full potential include political instability in some regions, a lack of infrastructure and transport networks, and a shortage of secure-energy supply. These are common challenges that many developing countries face and should not discourage companies from exploring the possibilities. For more information, click [here](#).
- **CAS View:** The systemic nature of the world at large is clear when one sees the clear link between political stability and economic development, and subsequent foreign investment. Yet, when listening to and observing political payers in Africa, it seems this lesson is frequently not taken to heart or understood by some of Africa's new leaders. This article reinforces the simple message that Africa does present a number of attractive opportunities, in spite of a number of challenges, which are seen as common to developing countries and not unique to Africa. CAS would like to add that these challenges in themselves are opportunities and that, for example, developing Africa's infrastructure and transport networks can be and is a huge business opportunity for construction companies such as Group 5, etc. The same goes for the development of Africa's energy supply. Examples in this regard include the massive solar plant in Morocco, solar in South Africa, hydro plants in Ethiopia and elsewhere, linking Addis Ababa in Ethiopia by rail with Djibouti, linking Uganda with the coast of either Kenya or Tanzania, etc. So it does seem that in spite of the China effect (maybe even because of it?), Africa still presents very good growth prospects. We need to link Africa's opportunities with the priorities of the president of the African Development Bank, Akinwumi Adesina, namely lighting up and powering Africa, feeding Africa, industrializing Africa, integrating Africa, and making Africa more sustainable by improving the quality of life of its people.

East Africa

- **Tanzania:** Tanzania has set up a commodity exchange to transform its agricultural sector, characterized by low output and poverty. The agricultural sector provides a livelihood to about 75% of Tanzania's population, contributes 24.5% of the total economic output, and provides for over 75% of income to farmers in rural areas. It accounts for 95% of all food requirements in the country, contributes 30% of exports, and provides 65% of raw materials used by local industries. It is expected the Commodity Exchange will help in breaking the cycle of poverty to rural farmers caused by low incomes, poor productivity output, and low-level investment in farming activities. The Commodity Exchange will offer more stable and ethical trading platforms. Farmers can benefit from fairer transactions and learn how to make wiser marketing and investment decisions. They will be able to access market prices and do away with middlemen who exploit their vulnerable positions through price manipulation. The creation of the exchange follows the creation of the Tanzania Agricultural Development Bank (TADB), launched in September 2015 to provide short, medium and long-term financing in the agricultural sector. For more information, click [here](#).

- **CAS View:** Few other countries in Africa have a commodity exchange. This is in spite of the fact that most of the African economies are heavily reliant on agriculture for employment and export. This is a much needed development in an effort to contribute towards a more efficient agricultural sector. The efficient functioning of such an exchange will need knowledgeable farmers, which could be problematic. Training and development of the farming community should therefore be an immediate imperative. The stats provided tell a sad story too – 75% of the population provide in only 24.5% of total economic output. Whilst this may be typical of countries caught in the primary sector, Tanzania needs to develop its industry and manufacturing sector. Its recent gas finds must be developed as soon as possible in order to escape this low income, low skills environment, by utilising the revenue thereof to stimulate the development of the manufacturing sector, amongst others. It will be difficult in the short-to medium term to steer the economy away from its heavy dependence on the agricultural sector, but it needs to be done in the long-term in a manner that will not increase unemployment. So the article represents good news, the creation of the Commodity Exchange, and sad news, the dominance of the agricultural sector with its poverty-stricken smallholder farmers. Ideally the former will eradicate the latter.

West Africa

- **Nigeria:** Nigeria's challenges: Lower oil revenues, slipping currency values, and Boko Haram (killed more than 1,700 since June). Nigerians expect Buhari to show tangible results, and soon. 5 things Buhari can do to get the ball rolling: **1) Carefully clean house:** Neutralise some of the APC's shadiest figures. Housecleaning carries political risks for if he antagonises establishment figures, they could derail his party's dominance by joining the opposition PDP. **2) Pare down the parastatals:** Realise immediate savings by eliminating or merging some of Nigeria's more than 500 federal parastatals and boards, long seen as a cornerstone of corruption. **3) Tame the white elephants:** Buhari's determination to revive two "white elephant" economic sectors — domestic oil refineries and steel mills — worry industry experts. Instead, he should address the graft, inconsistent policies and opaque privatisation deals that turned these industries into white elephants in the first place. **4) Rein in subnational debt:** Nigeria's 36 states are sinking deeper into debt. States' borrowing trends are risky and if states default on their debts, the federal government foots the bill. **5) Legislate for the long run:** Buhari must protect his legacy by partnering with the National Assembly to enact legislation enshrining key reforms. For more information, click [here](#).
- **CAS View:** Buhari has already shown himself to be a strategist in his dealings in the foreign affairs environment by re-establishing sound relationships with the USA, his neighbours and France. Should he be able to bring about positive change in the above 5 areas, he will long be remembered as the president that turned Nigeria around onto the straight and narrow. The economic consequences of this outcome would be massive! This will by no means be an easy task, as he needs to deal with powerful internal stakeholders who have long been the beneficiaries of the perceived corrupt status quo, and who have the power, it seems, to erode his power base by defecting to the opposition. His careful selection of his cabinet members can be seen as a first step in working on the above 5 imperatives, as does the changing of the guard in the NNPC. He has also in the past week, in the crude oil sector, cancelled the planned contract for the Offshore Processing Agreement (OPA) for which bids for 44 local and international firms had been shortlisted and replaced it with a "more efficient Direct Sale-Direct Purchase (DSDP) alternative." (For more information on this issue, click [here](#)).

North Africa

- **Morocco:** Morocco is building the world's biggest concentrated solar power plant able to supply electricity to 1.1 million Moroccans by 2018, in a 30 square kilometer area outside Ouarzazate. The first phase, Noor 1, will be

operational in the next few weeks. The Noor complex will use a technology called Concentrating Solar Power (CSP), which is more expensive to install than photovoltaic panels, but unlike them, allows storing energy for nights and cloudy days. It's hoped that the project will reduce carbon emissions by 700,000 tons per year and even generate an energy surplus for exports. Morocco's heavy dependence on fossil fuel imports, which currently provide over 97% of its energy, makes it vulnerable to their fluctuating price. Morocco already hosts the Turfaya wind farm, which is the largest in Africa and it is rapidly becoming a mainstream market for renewable energy investment. Morocco is endeavouring to be a gateway into Africa, and the availability of sufficient and reliable power will go a long way to bring this about. For more information, click [here](#).

- **CAS View:** In Issue 6, CAS referred to the infrastructure developments of Morocco where it was positioning itself as a reliable gateway into Africa for Europe and the USA. With most of Africa struggling to develop reliable and sustainable energy sources, Morocco is clearly succeeding in tapping into its renewable energy sources to not only provide in its needs, but also to export energy to its neighbours. Doing so will help with import-substitution and help Morocco to reduce its exposure to fluctuating coal prices and reduce its current account deficit of -6%. Maintaining these plants will also create more jobs and bring down the unemployment rate of 8.7%. Selling surplus energy to its neighbours creates an export product. All in all, Morocco is stimulating its economy and positioning itself to receive even more FDI (already receiving the third highest number of FDI projects) and serve as a conduit into Africa, which should bring about even more economic benefits. It is a recognised truism that industrialisation requires the availability of sufficient reliable and affordable energy. Morocco is creating this opportunity. The rest of Africa should take note and emulate this example. Morocco's energy initiatives also links with the priorities of the African Development Bank.

Southern Africa

- **South Africa:** Websites for business have become outdated, as for the last 18 months, more searches took place on mobile than on desktops or laptops. Websites must be mobile friendly. Some companies have switched off their desktop site altogether, while others take mobile browsers straight to its app. Therefore businesses have to re-design themselves around a mobile-oriented environment. Insurance companies, for example, cannot use an online application form with 50 fields. Risk assessment processes have to be changed because it's collecting less data. It is clear that online mobile transactions have strongly increased. It is estimated that the average compound annual growth rate of mobile commerce between 2013 and 2016 will be 42%, while e-commerce generally will grow at 13%. In South Africa, of 105 online shoppers with smartphones, 50% had used it to shop online, while 21% of the mobile non-shoppers expected to shop on mobile in future. Online shoppers may browse through a browser, but when it comes to transacting they go through an app. As more merchants develop more transactional apps, more commerce will happen through mobile devices. For more detail, click [here](#).
- **CAS View:** The world of mobile has been a reality in South Africa, as well as in Africa, for quite a while. Most people in Africa obtain access to the Internet via their mobile phones (about 90%), while smartphone penetration is 20% of total connections. By 2017 smartphones will make up 33% of total connections, and 50% by 2020. In addition, cheap smartphones are proliferating, with some Mobile Network Operators developing their own, and retailing them for less than \$100. This lends credence to the point of view raised above that businesses have to move beyond desktop and laptop computers to the world of mobile smartphones for their e-commerce (m-commerce) ventures. This will indeed require a rethink of risk policies for the financial services industry, as well as operating processes for the entertainment industry and retail industry in general. The importance of apps has escalated from being a handy and sexy tool to an important part of the total purchasing process. CAS has frequently commented on the importance of mobile money platforms in Africa. Other industries are bound to follow;

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those who choose to not do so, will fall by the wayside. App developers will become the creatives of the future (probably already are), and those able to link the world of business with the world of digital, will become highly sought after. Moore's Law still remains relevant!