

African Union

- **Africa:** Africa's livestock sector presents attractive investment opportunities. This is due to the growth of the population and the increases in their living standards. There a number of constraints that need to be dealt with.

A growing number of firms are buying up arable land in Africa – not solely for crop production but also for livestock and cattle. Investment shops are redirecting capital to this subsector. Africans are demanding an increased percentage of meat in their diet. Institutional and physical constraints on the livestock sector include market information, diseases and available pasture. Herders and farmers lack detailed information on prices and costs in the market. Diseases short-circuit productivity, and destroy wealth. Lack of pasture is possibly the most important constraint. Ethiopia is an investor favourite for three reasons: population, economic growth, and supply/demand. Tanzanian economic growth is expected to average 7% through 2020. Its population is north of 50 million, with 67% of total households consuming animal-source foods. Nigeria is in tough times, but people must eat. The population is gradually approaching 200 million. Surveys show that Nigerians prefer to have greater meat consumption in their diet. Current consumption may simply be limited because there are not many commercial livestock owners and producers of affordable animal-source food. For more information, read [here](#).

- **CAS View:** Africa's population is growing and will hit 2 billion by 2040. It is also urbanising at an increasing rate, whilst the consuming sector (some say the middle class) is also growing at a fast rate. We also see economic growth rates in Africa growing nicely, in spite of sluggish growth in Nigeria, Angola and South Africa. This all creates the potential for improvements in the diet of Africa's population, as well as a need and the means to pay for food in the cities. Africa must address the constraints in this agricultural subsector, as it has the potential to draw in foreign investment. Smallholder farmers must be supported with information on prices and markets, as well as on how to deal with diseases in their livestock. Given the lack of supply, this is clearly an investment opportunity for investors willing to take on the risk and provide the investment in capital and know-how. The demand is not only outside of Africa, but now also within Africa.
- **Africa:** To boost intra-African trade, pan-African multinationals need to step up their game. It does not seem that governments will provide the solutions.

Border restrictions, currency controls, incongruent trade regulations and so on stifle intra-African trade. Governments make little effort to promote trade. If intra-African trade is to be lifted from its current low level, it must come about through the cross-border supply chain activities of pan-African multinationals. Thus, it behoves African companies to take on the mantle of intra-African trade. Afreximbank recently estimated intra-African trade at 19% of Africa's total trade. Some retailers and manufacturers have moved from being regional champions to developing an African ambition. Shoprite, the SA retailer, has operations in at least 15 African countries. In the construction sector, Nigeria's Dangote Cement is not only building plants across Africa, but has now begun to export cement to those countries where it only has import terminals. The two companies licensed by Nigerian authorities to manufacture and distribute fertiliser, Notore Chemical Industries and Indoroma Eleme Petrochemicals, together produce twice the national requirement of 1.1m tonnes. They export the excess. Typical challenges include erratic customs regulations, transport and infrastructural bottlenecks and language differences. Currency controls can also be problematic. For intra-African trade to thrive, regional organisations would need to streamline trade regulations. For more information, read [here](#).

- **CAS View:** This is a plea for Africa's private sector to expand beyond their borders in Africa and increase the level of intra-African trade. The author of the article clearly does not trust the governments of Africa with this priority. The governments do have the responsibility of creating the policy frameworks to facilitate trade throughout Africa. They must deal with regulatory constraints, and provide the infrastructure required for trade to expand. Regional integration has been punted as having the potential to streamline the processes and increase the level of intra-African trade. It seems, however, that in spite of Africa's number of regional economic communities, Africa still struggles. The Tripartite Free Trade Area (TFTA) and the Continental Free Trade Area (CFTA) are both grandiose schemes with the potential to increase intra-African trade to 50% and beyond. However, it seems that it will still be quite a while before they deliver on their potential. In the world of business, in order to grow intra-African trade, Africa will therefore be dependent on commercial companies to trade beyond their own borders. More African countries need to participate in this endeavour. Currently it is mostly South African companies that are involved, with Nigeria's Dangote one of the other major companies. Choppies from Botswana is another regional player.

East Africa

- **Tanzania:** President John Magufuli is picking up flak from human rights activists for his disregard for human rights in Tanzania.

When he became president in Nov 2015, people expected that John Magufuli was all Tanzania needed to fight corruption, improve service delivery to the citizens and enhance the democratic space. It hasn't quite worked out that way. He has not only suppressed the opposition, but also hobbled press freedom by routinely threatening to shut down media houses for "inflammatory" reporting rather than focusing on development issues. Last week, he fired information minister Nape Nnauye, who had ordered the investigation of a regional commissioner Paul Makonda (said to be the president's close ally). A day after Nnauye's sacking, Magufuli warned media houses to be careful lest they be shut down for thinking they have the freedom to write or air whatever they want. Maria Sarungi-Tsehai, director at Change Tanzania, observed that Magufuli has perfected the repression of free speech his predecessor started. With the Cybercrime law, now even mere gossip is criminalized and people are arrested and prosecuted as criminals. This has brought about a lot of uncertainty and fear among common users. The worrying trend of criminalizing free speech both on and offline continues to use up the goodwill Tanzanians had in Magufuli at the start of his administration. For more information, read [here](#).

- **CAS View:** President John Magufuli has the nickname of "bulldozer". In the beginning of his tenure as president, this was an endearing term. He seemed to be doing all the right things. Now that the novelty of it all has passed, people are becoming less enamoured with his methods. Being a "bulldozer" is no longer a term of endearment. I have previously reported on dissatisfaction within Tanzania with his methods. This has now seemingly become a problem situation. One needs to balance this with the good work he has been doing to elevate the economy of the country, and to position it as a leader in the East African region. Whether this would be enough to cancel the negative attitudes towards his poor human rights record, is uncertain, and will in probably not be. Some countries have benefitted from putting the democratic principles somewhat aside in their endeavours to grow the economy and develop the country. However, this happened in another time frame and everybody benefitted from these actions. Tanzania does not have the same situation and Magufuli would do well to remember that. He has the potential to go down in history as a transformer of note. But then he needs to change his attitude towards his people, as well as foreign investors. The ball is squarely in his court. People tend to remember how you did things, and not necessarily what you did.

West Africa

- **Nigeria:** Lagos has the most valuable startup ecosystem in Africa, despite having less active startups than Cape Town. This does create investment opportunities, not only in Lagos, but elsewhere in Africa as well.

For startups, Lagos holds promise with its population of over 20 million people and a tech ecosystem bursting with energy and dynamism. The local startup ecosystem is valued at \$2 billion, making it the most valuable in Africa, despite only having an estimated 400 to 700 active startups, much fewer than the 1,200 in Cape Town. Nairobi, recognized as one Africa's major tech capitals with a leadership in mobile platform technology globally, has not been included in the analysis. The report sheds light on several metrics not often measured, including ecosystem value, early-stage funding and average salaries for software engineers. Startups in Lagos also receive the highest average early-stage funding, compared to Cape Town and Johannesburg. But, at \$77,800, early-stage funding available to Lagos-based startups pales in comparison to the global average of \$252,000. While being in Lagos can prove fruitful for investors and startup founders, it's not as lucrative for the software engineers. Compared with their counterparts in Johannesburg and Cape Town, software engineers in Lagos are paid more than \$5,000 less. Compared to Lagos, South Africa has a much bigger market. Given the Nigerian market is still at an early stage of digital transformation, businesses are not putting the necessary premium on engineering skills. For more information, read [here](#).

- **CAS View:** Nigeria clearly has a lot of potential, not only for established businesses, but also for startups. With a population of close to 200 million, a lot of disposable income (even at the bottom of the pyramid sector), and an innovative and creative youth (as far as tech is concerned), Nigeria will inevitably be the scene of innovative startups. This also goes for Kenya, South Africa, and various other countries in Africa. Various organisations have also started to help these startups, such as NEST in Nairobi and Cape Silicon in Cape Town. Universities have also climbed on the bandwagon to support startups from within the university environment. A good example is Innovus from the University of Stellenbosch in South Africa. Innovus helps inventors from within the university with administrative and marketing support, and normally takes an equity stake in these startups as payment for services rendered. Innovus recently visited Singapore to meet with innovation centres such as NTUitive and SGInnovate. Africa does present a large number of investment opportunities for foreign SMEs to get involved in early startups. CAS is more than willing to share information in this regard.
- **Nigeria:** Executives believe that Nigeria will overtake South Africa as their firm's largest market by value in the next 5 years.

Most business executives believe Nigeria will overtake South Africa as their firm's largest market by value in the next 5 years. This is according to The Economist Corporate Network (ECN). ECN believed that while business executives believed Nigeria would be the most valuable market for their companies in 2022, South Africa would still play an integral part. This reflects South Africa's importance for many companies as a springboard into the rest of Africa. 59% of respondents reported that their firms generated more than 40% of global revenue in Africa-based markets. Alexander Forbes believed that South Africa is likely to remain the most important country in terms of providing stable earnings for it. However, there were only 2 markets that move the needle: Ethiopia and Nigeria. 63% of respondents indicated that their firms achieved similar or higher margins from Africa-based operations in 2016 when compared with other regions of the world. Respondents expected their firm's operating margin to improve in 2017. Only 2% of respondents indicated that they expected an operational loss in the year, while 75% of responses indicate their firms' growth expectations in the region are realistic. However, 40% of executives indicated that their firms were not investing sufficiently to capture the available growth opportunities. For more information, read [here](#).

- **CAS View:** This is a very interesting finding. It is borne out by a report by the Institute of Security Studies in March 2015 by Dr Jakkie Cilliers and his fellow researchers (<http://bit.ly/2oGv24W>). They found that amongst the so-called Big 5 in Africa (Algeria, Egypt, Ethiopia, Nigeria and South Africa), Algeria, Egypt and South Africa were punching below their weight and were destined to stagnate and decline. On the other hand, Nigeria and Ethiopia were destined to increase their power capabilities. The South Africans might not like the message this sends them, but they are hardly in a position to disagree. The recent political volatility and the downgrade of their credit ratings by S&P, have done them no favour. The ECN study confirms a point that I have been making for quite a while – in spite of Africa's challenges given the slowdown of the Chinese economy (due to the rebalancing of its economy) and the end of the commodity price super cycle, many executives believe Africa still presents very lucrative investment opportunities! It is also clear that Africa is not one country, and that you need to do your homework as to where you will get involved. Africa must, however, do more to ensure that they keep on presenting credible investment opportunities to the world. This includes upping their governance structures and clamping down on corruption.

North Africa

- **Egypt:** SMEs in Egypt are getting financial support to grow their businesses and optimise their operations.

The IFC has released a \$100 million loan to the Arab African International Bank (AAIB) in Egypt, in support of SMEs. The loan will aid the bank scale-up its lending operations to SMEs and build its sustainable energy finance portfolio in response to increased energy bills for many companies and SMEs. About \$50 million is for SMEs to support the bank's strategy to significantly increase its lending to smaller businesses. The remaining \$50 million is for introducing credit lines that support energy efficiency, helping businesses in need of capital to refurbish or renovate existing operations to reduce energy costs. As SMEs are at the heart of driving economic growth, AAIB will continue to expand their lending to these businesses. They are eager to help them reduce energy costs, improve their competitiveness, and help mitigate climate change. According to the IFC, the SME sector accounts for approximately 25% of Egypt's GDP and about 75% of total private sector employment. Despite this, a significant number of SMEs remain outside formal channels, with SMEs loans representing only around 5-10% of total lending. Access to finance remains a significant challenge for many. For more information, read [here](#).

- **CAS View:** Egypt's economy has been picking up lately, in spite of a few setbacks here and there. In July 2015, I referred to Ashburton Investments from First Rand in South Africa, who were quite bullish about Egypt's economic prospects. This support to SMEs in Egypt is a vote of confidence in the country as well. The SME contribution to the economy, both in terms of GDP and private sector employment, is staggering, underscoring the importance of this sector. Africa as a whole must embark on a journey to support their SMEs, making it easier for them to grow and develop, and get access to finance, which remains a major problem for most SMEs. Given the challenges SMEs face when they start looking at expanding outside their countries' borders, governmental and institutional support becomes a necessity. Quite a number of SMEs are family businesses, and as such tend to be risk averse – which is perfectly understandable. Government support will provide these companies with an assurance that there will be some form of remedy in the case of disaster. These family businesses could then participate in regional expansion and increase the level of intra-African trade.

Southern Africa

- **South Africa:** S&P has downgraded the credit rating of South Africa to junk status. This is a major setback for South Africa in its efforts to grow its economy, and will have major negative implications for the country.

On 3 April, after Zuma fired finance minister Pravin Gordhan and deputy finance minister Mcebisi Jonas on 31 March, S&P assigned SA a “junk” rating of BB+, with a negative outlook. The rand immediately slumped 3% against the dollar. The initial fallout was immediate: the rand plummeted, senior party leaders accused Zuma of acting unilaterally, and people began to protest. Moody’s followed suit, placing SA’s BAA2 rating on review. Just hours before the ratings announcement, new finance minister Malusi Gigaba sounded convinced South Africa would not be downgraded: On 4 April, Gigaba told reporters that he’d known about the S&P decision since March 31, but said the ratings company had taken him into their confidence. He added that he has already met with Moody’s and Fitch and hoped to “address perceptions” about South Africa’s political climate. He tried to assure South Africans that he would steer the economy on a steady growth path. The downgrade will make borrowing more difficult for the SA government and international markets will take their money to more attractive economies. For ordinary South Africans, the downgrade will likely drive up interest rates. It could force the government to increase value added tax, which would hit the poor, or raise taxes on the already over-taxed middle class. For more information, read [here](#).

- **CAS View:** It is interesting to note that Gigaba stated over the weekend that replacing one person would not lead to the downgrading of South Africa’s credit ratings, this while he then already knew that S&P had decided to downgrade South Africa to junk bond status. A sector that is automatically impacted when South Africa’s credit ratings are changed, is the banking sector. SA’s sovereign credit ratings are automatically reflected in the credit ratings of South African banks. Banks accordingly had their ratings cut by S&P from BB+ to BBB- to keep them in line with SA’s country rating. Amongst others, Nedbank’s share price fell 2.4% to R223.50. ABSA fell 3.2%. Moody’s subsequently also put South African bank ratings under ratings review. The impact of this downgrade can be quite negative for South Africa. First of all, it has made the hard work of Gordhan and his team (and all of South Africa) the past 15 months undone. It will increase the cost of debt of South Africa and make it difficult to obtain debt in future. Interest rates could increase, the Rand will fall (already has lost a lot of value), and foreign money will flow out of South Africa. Unemployment could increase, inflation could rise, and South Africa will struggle to attract the level of investment required to grow the economy. Speaking about the economy, it will become more difficult to grow the economy above the paltry less than 1% envisaged for 2017. Business Unity South Africa (Busa) was concerned that the downgrade would “undermine efforts to sustain the growth in social programmes that counteract the harshest effects of poverty and inequality”. It is clear that the ratings agencies have no trust in Zuma’s new team. In all fairness to them, they do not trust Zuma to appoint competent and principled people to run the treasury, as it seems he has plans to enrich himself and his allies at the cost of all South Africa. Gigaba has not covered himself in glory whilst being the Minister of Home Affairs (remember the visa debacle), and is known to be in cahoots with the Gupta family. South Africans are currently mobilising against Zuma and various marches have been planned in South Africa. Today (7 April) has the potential to be a watershed day in South Africa’s history. It does depend, however, on whether the marches would move the ANC to recall Zuma as president. This seems highly unlikely. The man is a survivor and apparently (somehow) has their support. What is true is that history will not be kind to both the ANC and Zuma on this issue. Does this bother Zuma? Clearly not!