

# Keeping Africa's star on the rise

 By [Nicci Botha](#)

4 Jun 2015

The continent is at a crossroads, and if the current "Africa Rising" narrative is to sustain itself, critical choices have to be made in order to continue its economic growth, according to Ernst & Young's (EY) Africa Attractiveness Survey 2015.

"Although tremendous progress has been made over the past 15 years, Africa and its leaders are poised at an inflection point. Deliberate and urgent choices are required to raise levels of productivity and competitiveness, accelerate structural transformation and make the shift towards an inclusive, sustainable growth path," said Ajen Sita, CEO of EY Africa.



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The company has tracked the progress of Africa's economic growth and investor confidence over the past five years through an annual attractiveness survey, which takes into account actual data on FDI and perceptions from a poll of over 500 business leaders and investors from 30 countries.

More importantly, the survey digs below the surface layers to gain a more in-depth perspective into what these figures actually mean.

For example, although Africa's share of foreign direct investment fell by 8.4% in 2014, it remained well-above the pre-2008 levels. Yet direct capital investment surged to US\$128-billion - up 136% - and as a result job creation jumped 68%, creating 188,400 new jobs.

In other words, Sita explained, the FDI flowed into fewer projects, but the value of that investment into individual projects was considerably higher than in the past.

He painted a glass half full versus a glass half empty scenario.

#### **On the plus side:**

- Africa received the second most FDI capital in the world.
- Sub-Saharan Africa will be the second-fastest growing region in the world this year, with 22 economies growing by more than 5%.
- The successful Nigerian election pointed towards growing democratisation in Africa.
- Established investors remain overwhelmingly positive about the continent's prospect.

#### **On the minus side:**

- The World Bank and International Monetary Fund revised their 2015 GDP growth forecasts down to its lowest levels since 2009.
- Ebola and terrorist risks such as Boko Haram and the attack at Garissa University in Kenya have had a negative impact on perceptions
- Deteriorating perceptions of Africa's investment attractiveness.
- Year-on-year decline in FDI projects in 2014.

### **North Africa bounces back**

The political instability inspired by the Arab Spring in 2011 has receded, fuelling renewed interest in North Africa, particularly in Egypt and Morocco. The statistics show the region attracted 22.2% more FDI projects in 2014 than 2013, accounting for 51% of all African FDI capital inflows as opposed to 19.1% in 2013.

### **South Africa stays on top**

"South Africa remains the heavyweight in terms of the investment landscape of Africa," Sita said.

Over the past five years, South Africa has attracted twice as many FDI projects as any other African country. It also ranked the most attractive investment destination (16.5% compared to its closest competitor, Egypt, at 9.7%), due to investor perceptions regarding its diverse economy, solid infrastructure and stable political environment.

### **A move in sectors**

As a result of a growing consumer class and rising urbanisation, the latest survey has also shown a noticeable shift in the investment sectors from the Africa's traditional natural resources sector of coal, oil and natural gas to real estate, hospitality and construction. The latter sector saw a 43.8% share in FDI capital and a 33.6% share in job creation.

When looking at the numbers of FDI projects, the largest share of investment went to three consumer-based sectors, namely technology, media and telecommunications, financial services and consumer products and retail. According to the survey, 31% of the respondents also expect growth in agriculture in the next two years.

### **Five priorities towards growth**

Going back to the inflection point Africa has reached, the EY survey pointed out five areas that the continent as a whole

needs to focus on for sustainable growth and investment.

- Shared priorities - in other words profit with a purpose or businesses that grow communities.
- Entrepreneurship - Africa has an abundance of micro-entrepreneurs, but these need to scale-up to medium-sized businesses.
- Regional integration - building more intra-Africa trade.
- Infrastructure development - to develop optimal trade conditions for investors.
- Partnerships - particularly public/private partnerships are an imperative to successful growth.

"This mixed picture is not surprising. It reflects the diversity and complexity of this great continent of ours - there is never a one-size-fits-all answer," Sita concluded.

## ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

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