

# Where to invest in Africa

Rand Merchant Bank's ninth edition of *Where to Invest in Africa* is returning to its roots - the sectors that are key to unlocking the continent's growth potential.



Image source: Getty/Gallo

## The Top 10

This year, Guinea, Mozambique and Djibouti recorded the strongest gains in the rankings, with notable advancements in their operating environments.

The rankings are as instructive on the downside, identifying countries that have either stagnated or outright deteriorated in one or more aspects of our methodology. South Africa, Ethiopia and Tanzania are among the more prominent countries to have taken a tumble. A deterioration in the ease of doing business has contributed to their relative underperformance and, in addition, South Africa is enduring a cyclical downturn.

Tanzania's fall from grace has reshuffled the Top 10 investment destinations, with Tunisia returning to the fold at number 10 while Côte d'Ivoire and Ghana edge ever-closer to the top five. North Africa remains dominant with Morocco displacing South Africa in the rankings, rising to second place.

There is an even split of countries from the north, east and west within the Top 10 rankings, with only South Africa

representing the southern tip of the continent, as a result of its dominance in terms of market size.

## **1. Egypt**

The enormity of the market paired with a sophisticated business sector relative to other countries makes Egypt the most attractive investment destination in Africa. The improvement in Egypt's business environment, facilitated through government programmes, combined with the progressive increase in investment from the private sector has enhanced economic growth and assisted in repositioning Egypt on the global investment map.

## **2. Morocco**

While only Africa's fifth-largest market, Morocco's expected growth rate of 4% over the medium term and its greatly-enhanced operating environment has served the country well since the Arab Spring. Its reintegration into the African Union and accession to the Economic Community of West African States (Ecowas) have enhanced its investment appeal.

## **3. South Africa**

South Africa has slipped another place in this year's rankings, stymied by depressed levels of growth and a lack of structural reform. Yet it remains Africa's hotspot for portfolio investment. With many countries facing severe liquidity constraints, South Africa's financial markets and level of financial inclusion are still a cut above the rest.

## **4. Kenya**

The above 5% expected growth rates, helped by favourable weather and political reconciliation after 2017's disputed elections, has propelled Kenya one spot higher than 2019. The economy benefits from diversity as well as a sustained expansion in consumer demand, urbanisation, East African Community (EAC) integration, structural reforms and investment in infrastructure, including an oil pipeline, railways, ports and power generation.

## **5. Rwanda**

Rwanda has the second-best business environment in Africa. According to the World Bank's operating environment scoring, the country has more than doubled the efficiency of its business environment in less than a decade. The government has also invested heavily into its domestic industries, while FDI has increased over the same period, pushing Rwanda to being one of the five fastest-growing economies on the continent.

## **6. Ghana**

The growth outlook is strong, concentrated around the oil and gas sector. Non-oil growth will pick up again, supported by pro-business reforms and a steady improvement in power supply. Political stability will remain underpinned by Ghana's strong democratic credentials. Regardless of a recent deterioration in its operating environment rankings, Ghana remains one of the easier business environments in Africa.

## **7. Côte d'Ivoire**

Côte d'Ivoire is one of the more diversified economies in francophone Africa. Its strong growth rates are supported by the government's pro-business reforms and a relatively stable political context. Large infrastructure projects, particularly in transport and energy (financed by foreign investment, aid inflows and the government) also support the country's strong position in the rankings.

## **8. Nigeria**

Nigeria retains its top 10 ranking due to improved macroeconomics, supported by recovering oil prices and production. As the largest economy in Africa in nominal terms, the possibility for investment cannot be overlooked; and with the largest population on the continent, domestic demand continues to rise. Resources and favourable demographics are attracting strong flow of FDI. The liquidity crunch has subsided since 2017 as commodity prices have recovered and changes in FX regulations have been implemented.

## **9. Ethiopia**

Ethiopia is the fastest-growing economy on the continent. With a population of almost 100-million people, demand for goods and services is rising significantly. The prohibition of foreign ownership in key sectors is still a constraint for investment, but this is slowly changing. The government has announced shake-ups across industries, including plans to open up the once closely-guarded telecommunications and power monopolies.

## **10. Tunisia**

Tunisia re-enters within the top 10 supported by a reasonable market size and favourable operating environment. The government's encouragement of foreign investment, through its new simplified investment code, has made the country increasingly attractive to multinational manufacturers.

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