THE RISING AFRICA

Report on economic trends, trade, investments & projections in Africa

FICCI Africa Desk



THE RISING AFRICA

Report on economic trends, trade, investments and economic projections in Africa

INTRODUCTION

- Nowhere in the world is the impact of economic growth and development as visible as in Africa. The diverse continent is today the second fastest growing economic region in the world behind only emerging Asia and its growth has helped in raising average global growth rates.

- Real GDP (5.2% per annum in Africa and 5.7% in Sub-Saharan Africa) in the past decade has grown by more than twice the rate in 1980s and '90s. This growth is expected to continue through to 2020. In the light of the surge in investments and general pick-up in the world economy, the economic growth in Africa in the coming years is expected to outpace the world average significantly.

- The growth has been widespread, with over a third of SSA countries posting six percent or higher rates with another 40% growing between four to six percent.

- Between 2011 and 2015 as many as seven African countries are projected to be among the ten fastest growing economies in the world.

- The growth is a result of improved macroeconomic policies coupled with rapid expansion in sectors like tourism, banking, telecommunications, manufacturing and agriculture. Africa's collective GDP is expected to touch $3.6 trillion by 2020 up from $2.1 trillion in 2011.

- Annual average income of Africans is growing at almost twice the global average rate. Rapid urbanisation is expected in 2010-2020, growing at 40%. Disposable incomes are rising; the number of households with an income of US$5000 or more will increase from 59 million in 2000 to 106 million in 2014.

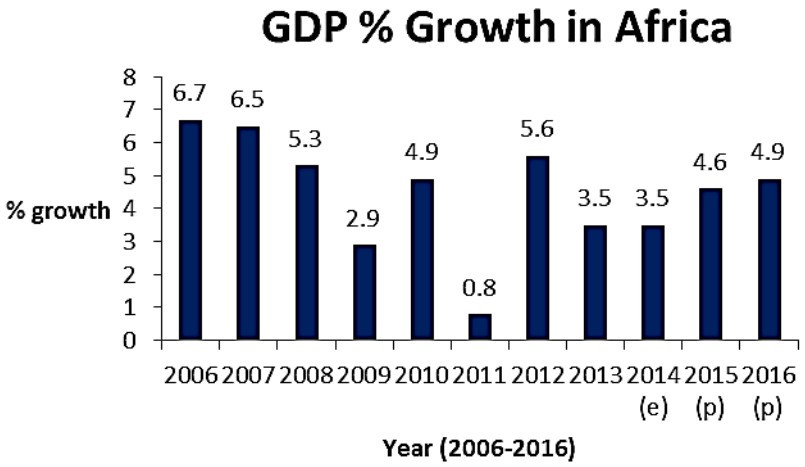
- Africa's growing middle class, already expected to be bigger than India's, continues to boost consumption, residential construction and private investment. The Combined consumer spending in Africa in 2008 was $860 billion and it is expected to grow to $1.4 trillion by 2020.

- Africa is today abode to twenty domestic companies with revenue of at least $3 billion each and over 100 companies of revenue exceeding $1 billion each.

THE GROWTH PATTERN

- Growth in private consumption and investment emerged as the key drivers of GDP growth across all five sub-regions and all economic groupings underpinned by increasing consumer confidence, the expanding middle class, and improvement in the business environment and the reduction in the cost of doing business.

- Africa's overall growth momentum is set to continue with GDP expected to accelerate from 3.5% in 2014 to 4.6% in 2015 and 4.9% in 2016.



Source: UN/DESA *WESP 2015

- Government consumption remained high due to mainly increased spending on infrastructure. However its contribution to growth will decrease due to fiscal consolidation measures initiated by Government's mostly in Central, Southern, & West Africa.

- Oil-exporting countries witnessed a growth 2.0% in 2014 however the growth is expected to rebound at 4.5% in 2015. Underpinning this year's slowdown was moderating oil prices, coupled with disruptions in oil production and political unrest in parts of North & West Africa.

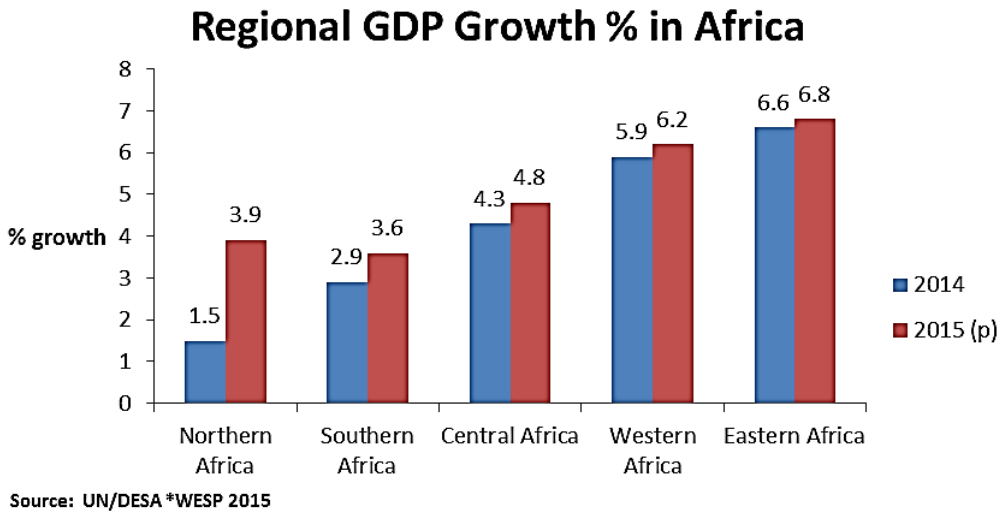
- Oil-importing countries' witnessed growth of 3.3% in 2014 which is estimated to improve at 5.4% in 2015 mainly due to increased investments and new mineral discoveries in countries such as Sierra Leone (iron-ore & diamond), Zambia (copper mining), Namibia (uranium & diamonds), Botswana (copper, coal & diamonds), Angola (coal mining), and Ghana & Liberia (gold mining).

- Africa's non-oil and non-mineral rich economies also improved their growth momentum, growing from 3.0% in 2014 and are expected to grow at 3.9% in 2015 driven by strong expansion in services, agriculture and spending on infrastructure in Ethiopia.

- Growth is expected to vary significantly across sub regions. Northern & Southern Africa is expected to experience a pronounced acceleration in growth from 1.5% and 2.9% in 2014 to 3.9% and 3.6% in 2015 respectively. The enhanced growth prospects for North Africa are underpinned by improving political stability in Egypt and Tunisia.

- In the southern Africa sub region, although Angola, Mozambique and Zambia will continue to be the fastest growing economies, the 2015 growth acceleration is expected to be mainly driven by more investment in the diamond sector in Botswana, recovery in private consumption in South Africa and increased investment in mining and natural gas exploration in Mozambique.

- Central & West Africa are expected to experience a more moderate increase in growth from 4.3 % and 5.9 % in 2014 to 4.8% and 6.2 % in 2015 respectively with increased political instability and terrorism in some of the countries in this region such as Mali, Nigeria and Central African Republic) preventing an even stronger expansion. The Ebola outbreak in West Africa and possible increased instability in the run up to the elections in Nigeria constitute major downside risks for the region.



Source: UN/DESA *WESP 2015

- Strengthening regional integration in the East Africa Community is expected to continue boosting GDP growth of this sub region from 6.6 % in 2014 to 6.8 % in 2015 making it the fastest growing region in Africa. Kenya & Uganda will be the key drivers of growth between 2014 and 2015.

- The growth in Kenya will benefit from rapid expansion in banking and telecommunication services, the rise of the middle class, urbanization and investment in infrastructure particularly the railway transport. Uganda's growth will be supported by increasing activity in sectors such as construction, financial services, transport and telecommunications.

INFLATION INDEX IN AFRICA

- Inflation in the African continent stood at 7.2 % in 2014 and is projected to decelerate slightly to 7.0 % in 2015. Inflation has come down since reaching a peak in 2012 due to moderating global prices for commodities, food, oil and industrial imports. Increasingly prudent monetary policies across the region are also credited for the subdued inflation.

- Oil importing countries are expected to be the major beneficiary of falling prices of oil and other commodities. In 2014 Inflation in oil importing countries stood at 5.6 % and is projected to have a marginal decline at 5.4 % in 2015.

- Oil exporting countries witnessed high inflation in 2014 at 8.8 % and is expected to see a slight moderation to 8.4 % in 2015.

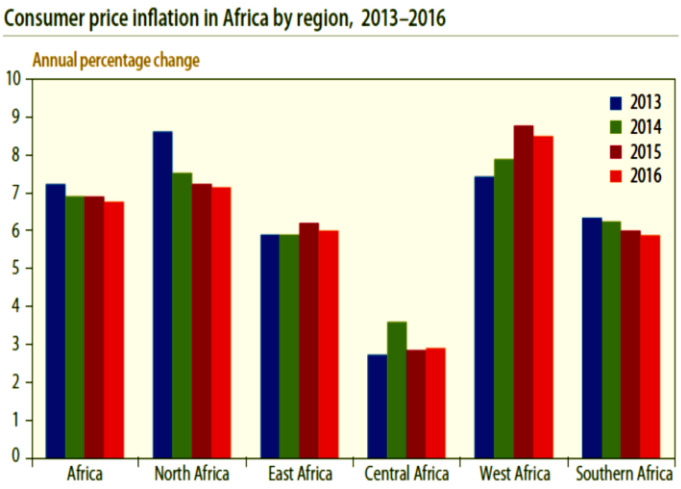
- Mineral rich countries experienced a slight decrease in inflation and this trend is likely to continue in 2015. The risk remains that declining commodity and oil prices and tighter monetary policies in the developed world could negatively weigh on the currencies of both oil and mineral exporting countries leading to imported inflation.

- At the sub regional level, Central Africa is set to continue being the least inflationary mainly because most countries in this region pursue similar monetary policies which are based on pegging their common currency, the CFA Franc to the Euro.

- In Southern Africa, inflation stood at 6.2 % in 2014 and is projected to decrease to 6.0 % in 2015 due to lower oil and global food prices. Other factors that are likely to contribute to inflation

reduction include the improvement in domestic food supply in Zambia, tight monetary policy in South Africa & Lesotho and appreciation of the local currency in Botswana and Zambia.

- In East Africa inflation is expected to remain constant at 5.9 % in 2015 as was in 2014. Kenya is likely to witness lower inflation but be continued to be driven by the outcome of the rainy season. In Tanzania inflation is expected to slightly come down but is likely to remain above 6 % driven by a weak shilling and rising power tariffs.



Source: UN/DESA.
Note: Data for 2014 are estimates, data for 2015–2016 are forecast.

- Western Africa witnessed an inflation of 7.9 % in 2014 however the region is expected to have an inflation of 8.8 % in 2015 higher by almost a percentage than in 2014. Nigeria is likely to be the key driver to West Africa's inflationary pressures due to fiscal expansion in the run up to the 2015 elections and the growing consumer demand. In neighboring Ghana increases in water and power tariffs which caused inflation to peak at 17.5 % in 2014 will continue to be a source of pressure for the economy even into the first quarter of 2015.

- North Africa is expected to experience the largest decline in inflation from 7.7 % in 2014 to 7.2 % in 2015 as West Africa overtakes it as the most inflationary sub region in the whole of Africa. Falling global food prices will particularly benefit Algeria & Mauritania where food and commodity prices constitute a large proportion of the inflation basket. Morocco is expected to continue with low inflation due to moderating domestic demand, falling international food prices and mild currency appreciation. In Egypt and Libya, disruptions in supply chain due to political instability are expected to continue being a major burden to monetary authorities. Cuts in food and energy subsidies and high minimum wages for government employees will also drive up inflation in Egypt.

FISCAL HEALTH OF AFRICA

- Fiscal balances for Africa remained largely negative in 2014 as countries continue their investments in infrastructure and some public services such as public sector wage bills, transfers and subsidies and other expenditure on social sector projects. This is expected to continue in 2015 too however the continent's fiscal deficit is expected to slightly decline from 0.37 % of GDP in 2014 to 0.35 % of the GDP in 2015.

- This decline is expected to be driven by the decreases in North, Southern & East Africa. In South Africa fiscal authorities undertook measures to reduce fiscal deficit by minimizing corruption and inefficiencies and cutting allocations on non-essential expenditure such as entertainment,

travel and consultant services. In Botswana the buoyant revenue from mineral tax, income and value added and SACU revenue sharing scheme is likely to improve the fiscal surplus in the 2014-15 period.

- Fiscal balances of oil-exporting and mineral-rich countries deteriorated in 2014 due to moderating oil and commodity prices. However since oil prices are unlikely to fall beyond a certain level and might improve subsequently based on the factors of global demand, fiscal balances are likely to improve towards the end of 2015.

- Others factors that are likely to contribute to improvement in fiscal balances of oil-exporting and mineral-rich countries are fiscal consolidation and emergence of new sources of revenue and innovative resource mobilization in some economies such as South Africa, Botswana, Cameroon and Republic of Congo. However at the country level, fiscal balances will deteriorate in Nigeria, Tanzania and Sudan as they increase spending in the lead up to national elections scheduled in these countries in 2015.

- Oil exporting countries such as Nigeria & Angola had current account surpluses in 2014 although the falling oil prices will continue to trim these surpluses in 2015. On the other hand, current account deficit of oil importing countries will decrease due to this development.

- Mineral rich countries also had the largest current account deficit in 2014 because of invisible trade deficits due to reliance on imported services. And also because the mining sector is dominated by multinationals, mineral rich countries face structural deficits on the income account when these multinationals pay external debt and repatriate profits.

- Current account balances of open economies such as South Africa, Kenya, Nigeria, Botswana could benefit from increasing net exports as their currencies weaken due to tighter monetary policy in the developed world. However, this will depend on whether the weakening currencies will not affect competitiveness through their effect on imported inflation.

- South Africa is expected to reduce its current account deficit from 5.4 % of the GDP in 2014 to 4.7 % of the GDP in 2015. Despite falling oil prices, Nigeria's current account balance is expected to remain positive benefitting partly from the improvement in remittances from its large diaspora population.

- Despite the continuation of relatively robust growth across the region, a number of internal and external risks may derail the continent's medium term economic performance. The slowdown in oil and commodity prices, cautious recovery in the United States & Japan, crisis in the Eurozone and slowdown of the Chinese economy will negatively weigh on Africa's medium tern trade earnings.

- Tighter global financial conditions in developed economies as they roll back their accommodative monetary policy might result into the outflow of private capital and increase the volatility of currencies.

IMPACT OF EBOLA

- The Ebola outbreak in West Africa posed a huge risk for the region's medium term growth prospects. The outbreak made a significant negative impact on trade in both goods and services (particularly travel as well as tourism) as well as investments in the region.

- While Ebola has been controlled as of now but with no solution in sight coupled with lack of systems for preventing its reoccurrence, West Africa's economic performance particularly in the impacted countries is likely to be subdued.

- The World Bank has estimated that Ebola could cost $ 32 billion by 2015 if it reoccurs and spreads to the neighboring countries. These estimates by the World Bank do not account for long term economic effects that the region may face given the loss of valuable human capital in these countries.

- Since the beginning of the outbreak, the dramatic worsening of the economic prospects for Guinea, Liberia and Sierra Leone have led to a spiral of downward revisions in gross domestic product (GDP) growth. The estimated GDP growth for Guinea in 2014 is 2.3 per cent, Liberia 5.1 per cent and Sierra Leone 8.5 per cent, with the latter two both having registered double-digit growth in the previous year.

- While it is too early to come to a final assessment of the impact of the EVD outbreak on economic growth, the observed trends and disruptions of economic activity are worrisome. The outbreak has resulted in increased labour absenteeism and unemployment, changes in consumption patterns and reduced investments.

- Opportunities to do business have shrunk with the closure of markets for weeks and cross-border trade is heavily reduced by the restraints on people's movements. The economic performance at the sectoral level has been affected as well, as economic activity in the key sectors of agriculture, mining and services has been seriously hit. In particular, farmers have abandoned their farms and most international expatriates have left the affected countries.

- Meanwhile, disruptions in international and national transport constrain the service sector and some businesses and banks have reduced their hours of operation. Stocks are declining, prices are rising and government revenues have been reduced, generating important shortfalls in public budgets at the very time when the fight against Ebola actually requires increases in public expenditures.

- Despite the severe consequences for the directly affected countries, the economic impact on the West African sub-region and Africa as a whole is expected to be limited in view of the small size of the affected economies, as long as a further spread of the disease across borders can be prevented.

- In 2013, the combined GDP of Guinea, Liberia and Sierra Leone accounted for only 2.42 per cent of West Africa's GDP and 0.68 per cent of Africa's GDP. In recent years, average growth in West Africa has been leaping ahead of Africa as a whole, with growth rates of 6.7 per cent for 2012 and 5.8 per cent for 2013, compared with 4.0 per cent and 3.7 per cent for Africa.

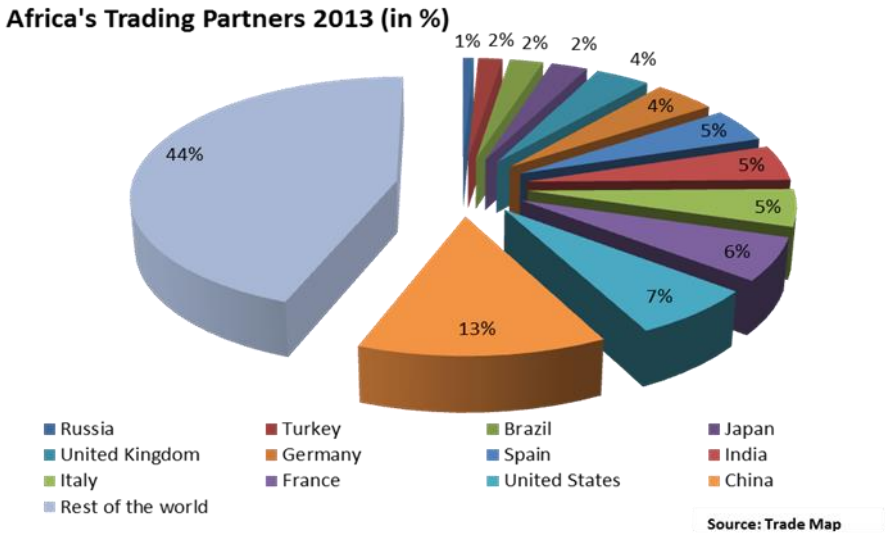
- Notwithstanding the consequences of the EVD outbreak, the economic prospects for West Africa as a sub-region remain positive, with a moderate increase in growth to 6.2 per cent expected in 2015.

- Before the EVD crisis, there was one physician in Guinea, to cover the health concerns of 10,000 persons. In Liberia and Sierra Leone, there were only 0.1 and 0.2 physicians per 10,000 persons, respectively.

AFRICA'S TRADE & INVESTMENT IN THE GLOBAL LANDSCAPE

- Africa's trade with the world has grown by leaps and bounds over the years. Its trade performance recovered in line with global trends in and the continent witnessed a GDP growth

3.5% in 2014 and is projected to witness growth of 4.6% in 2015 and 4.9% in 2016.



- Net exports had a negative contribution to growth across all the sub regions, highlighting that the value of the region's commodity exports is outweighed by its industrial imports and this trend is likely to continue in 2015 as well as 2016. Net exports in oil-importing countries are expected to decrease because of the expected depreciation which is partly due to tighter monetary policy in developed economies.

- Two distinct observations are of particular importance when discussing Africa's trade performance: the export base of most countries is undiversified, and regional integration is extremely low. Africa is increasingly diversifying trading relationships towards emerging economic powers.

- Crude oil is Africa's single largest exported product in terms of value. Many African countries traditionally have been exporters of mineral and mining products, agricultural and fishery products etc. However recently the trend is changing and some African countries have become more prominent as exporters of manufactured products, most notably of textiles and apparel.

- Compared to its exports profile, Africa's import partners are more diverse, encompassing countries around the world. Products that support the fundamental economic activities of African countries, such as transportation and communication equipments, are among its major imports. Food products are another significant component of import.

- With growing manufacturing sectors, import of machineries and theirs parts is on the rise. Africa is also an emerging destination for FMCG, telecommunication and pharmaceutical products. EU members, China, USA, India and countries from Middle East are major trade partners of Africa.

- China continued to be the largest trading partner of Africa with a trade of USD 159.45 billion dollars in 2013 up from USD 155.53 billion in 2012. China constituted 13.23 % of Africa's trade with the world in 2013. India was the fifth largest trading partner of Africa with a trade of USD 58.44 billion and made up for 4.85% of Africa's trade with the world in 2013.

- Africa has been witnessing steady flow of investments with a marginal decline in 2010 and 2011. In 2013, Southern Africa emerged as the brightest region attracting investments close to US$ 13.04 billion as compared to USD 6.57 billion in 2014. Eastern Africa attracted investments to the tune of USD 5.06 billion in 2013 as compared to USD 4.17 billion in 2012.

TOTAL INVESTMENTS IN AFRICA (REGION WISE 2007 - 2013)

US Dollars at current prices and current exchange rates in millions

S. No	Country	2007	2008	2009	2010	2011	2012	2013
1	Comoros	8	5	14	8	23	10	14
2	Djibouti	195	229	100	27	78	110	286
3	Eritrea	7	39	91	91	39	41	44
4	Ethiopia	222	109	221	288	627	279	953
5	Kenya	729	96	115	178	335	259	514
6	Madagascar	773	1169	1066	808	810	812	838
7	Mauritius	339	383	248	430	433	589	259
8	Seychelles	239	130	171	211	207	166	178
9	Somalia	141	87	108	112	102	107	107
10	Tanzania	582	1383	953	1813	1229	1800	1872
	EASTERN AFRICA	**3235**	**3630**	**3087**	**3,966**	**3883**	**4173**	**5065**
1	Burundi	1	4	0	1	3	1	7
2	CAR	57	117	42	62	37	71	1
3	Chad	-322	466	376	313	282	343	538
4	Malawi	124	195	49	97	129	129	118
5	Rwanda	82	102	119	42	106	160	111
6	Uganda	792	729	842	544	894	1205	1146
7	DRC	1808	1727	664	2939	1687	3312	2098
	CENTRAL AFRICA	**2542**	**3340**	**2092**	**3998**	**3138**	**5221**	**4019**
1	Algeria	1743	2632	2746	2301	2581	1499	1691
2	Egypt	11578	9495	6712	6386	-483	6881	5553
3	libya	3850	3180	3310	1909	0	1425	702
4	Mauritania	139	343	-3	131	589	1383	1154
5	Morocco	2805	2487	1952	1574	2568	2728	3358
6	South Sudan							
7	Sudan	2436	2600	2572	2894	2692	2488	3094
8	Tunisia	1616	2759	1688	1513	1148	1603	1096
	NORTHERN AFRICA	**24167**	**23496**	**18977**	**16708**	**7947**	**18007**	**15552**
1	Benin	255	170	134	177	161	282	320
2	Burkina Faso	344	106	101	35	144	329	374
3	Cameroon	189	21	740	538	652	526	572
4	Cape Verde	190	264	174	158	153	57	19
5	Cote d'Ivoire	427	446	377	339	302	322	371
6	Rep. of Congo	2275	2526	1862	2211	3056	2758	2038
7	Equatorial Guinea	1243	-794	1636	2734	1975	2015	1914
8	Gabon	269	773	573	499	696	696	856
9	Gambia	76	70	40	37	36	25	25
10	Ghana	855	1220	2897	2527	3222	3293	3226
11	Guinea	386	382	141	101	956	606	25
12	Guinea-Bissau	19	5	17	33	25	7	15
13	Liberia	132	284	218	450	508	985	1061
14	Mali	73	180	748	406	556	398	410
15	Niger	129	340	791	940	1066	841	631
16	Nigeria	6087	8249	8650	6099	8915	7127	5609
17	Sao Tome & Principe	36	79	16	51	32	23	30
18	Senegal	297	398	320	266	338	276	298
19	Sierra Leone	97	58	111	238	950	548	579
20	Togo	49	24	49	86	728	94	84
	WESTERN AFRICA	**13428**	**14801**	**19546**	**17925**	**24471**	**21208**	**18457**
1	Angola	-893	1679	2205	-3227	-3024	-6898	-4285
2	Botswana	495	521	129	136	1 093	147	188
3	Lesotho	104	194	178	51	53	50	44
4	Mozambique	427	592	893	1018	2663	5629	5935
5	Namibia	733	720	522	793	816	861	699
6	South Africa	5695	9209	7502	3636	4243	4559	8188
7	Swaziland	37	106	66	136	93	90	67
8	Zambia	1324	939	695	1729	1 108	1732	1811
9	Zimbabwe	69	52	105	166	387	400	400
	SOUTHERN AFRICA	**7991**	**14012**	**12295**	**4438**	**5231**	**6570**	**13047**
	TOTAL AFRICA	**51363**	**59279**	**55997**	**47035**	**44670**	**55179**	**56140**

Source: UNCTAD Stats

INDIA-AFRICA TRADE & INVESTMENT RELATIONS

- India's trade with Africa has increased substantially in the last decade from US$5.5 billion in 2001-02 to US$57.32 billion in 2013-14 as reflected by the table below. Trade between India & Africa already stands at US$ 45.39 billion for the duration April 2014-Oct 2014.

INDIA– AFRICA BILATERAL TRADE

REGION	2013-2014	2014-2015 (Apr-Oct)
		(in US dollar million)
WEST AFRICA	24230.12	**17367.59**
SOUTHERN AFRICA	20862.92	**13643.85**
EAST AFRICA	11030.77	**7325.64**
NORTH AFRICA	10263.01	**6204.78**
CENTRAL AFRICA	1200.37	**856.27**
TOTAL AFRICA	67587.19	45398.13
TOTAL SUB-SAHARAN	57324.18	39193.35

Source: MoCI

- India's principal imports from the region include crude petroleum products; edible fruits; raw diamonds and precious stones; chemicals; iron and steel; salt, sulphur, earths and stone, plastering materials, lime and cement; ores, slag and ash; fertilizers; copper and copper articles; aluminum and aluminum products; wood and articles of wood, wood charcoal etc.

- It is estimated that in coming years Africa's growth of imports from India and China will surpass that from rest of the world.

- Indian FDI in Africa in 2014 stood at almost US$ 12.50 billion as compared to US$ 4.08 in 2013. This threefold increase surpasses the high of 2011 when Indian investments stood at US$ 11.55 billion.

INDIAN INVESTMENTS in AFRICA (2007-14) **(in USD million)**

Region	2007	2008	2009	2010	2011	2012	2013	2014
Southern Africa	26.89	43.60	91.38	34.27	30.51	150.95	28.31	2722.82
West Africa	18.79	47.15	44.21	20.76	27.43	28.54	30.98	67.31
Central Africa	17.55	7.04	0.82	23.27	0.91	0.88	3.06	4.18
East Africa	**909.80**	**2616.69**	**2515.45**	**11393.45**	**7692.66**	**5519.80**	**3850.16**	**5549.85**
Sub-Saharan Africa	973.03	2714.48	2651.86	11471.75	7751.51	5700.16	3912.51	8344.16
North Africa	60.54	506.20	37.74	79.94	229.46	68.19	174.77	4162.07
Africa	1033.57	3220.68	2689.60	11551.69	7980.98	5768.35	4087.29	12506.23

Source: RBI

- Eastern African which has been the largest receipt of Indian FDI since 2007 saw investments from India to the tune of US$ 5.54 billion in 2014 as compared to US$ 3.85 billion in 2013. However it is assumed that much of these investments flow as Mauritian FDI to Africa.

- Northern Africa received Indian FDI worth a record US$ 4.16 billion in 2014 as compared to 0.17 billion in 2013. Similarly Southern Africa too received investments from India worth US$ 2.72 billion in 2014.

- Diverse Indian investments in multiple sectors such as Agriculture, Mining, Manufacturing and Services

- India is writing itself in the African growth story, underlined by progress, potential and profitability. From being the 13th largest trading partner in 2001 India is now the 5th largest trading partner of Africa. As most of the African countries are experiencing steady reform, growth and development, it is very opportune for India to maintain and further accelerate its engagement with Africa.

- Strategic resources, a growing consumer base and generally positive economic prospects are all contributing factors to the rapidly growing interest in Africa as a business and investment destination.