African trends going into 2017
How business needs to plan for the changing continent
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Adjusting to Africa’s new normal

During the apparently good years of the commodity super-cycle, the majority of Africa’s economies grew rapidly, providing fuel for the popular *Africa Rising* narrative.

Even the countries with little-diversified, structurally weak economies grew rapidly, buoyed by the positive sentiment in global markets and strong demand for their resources, from China in particular. However, in the different regions of Africa, fundamentally different factors were driving the continent’s seemingly synchronised growth.

The impression that the continent as a whole was advancing in unison was shattered when the countries that are reliant on external demand for their resources – particularly the oil exporters – suffered their own Lehman Brothers shock in July 2014. The slump in the global oil price had very negative implications for many African economies, as well as for many companies that invested in these economies. As a result, vast discrepancies have emerged in the growth rates of different regions in Africa: the continent’s new normal has changed. The *Africa Rising* narrative has therefore given way to a more realistic view of a continent in which some regions and economies are thriving while others are struggling: multi-speed Africa.

As part of this adjustment African economies have been ‘repricing.’ The most tangible repricing has been in exchange rates, with currencies depreciating rapidly as export revenues slid, creating shortages of foreign exchange. The currency slide has, in turn, helped to drive up consumer prices. In Nigeria, for example, the annual inflation rate has more than doubled, from around 8 per cent in 2014 to 18.7 per cent in January 2017. This is hurting consumers and economic growth.

The abrupt repricing of Africa’s economies has further illustrated the need for economic diversification. The continent’s dependence on commodity resources has been exposed, especially in the oil-exporting economies.

But there remain winners in multi-speed Africa. The economies that have actively promoted export diversification are now leading the way, with the East Africa region still projected to show strong growth in coming years.

In addition, there will be opportunities throughout the continent, created by probable further falls in asset prices in Nigeria, the forced sale of government assets in Mozambique or China-driven manufacturing diversification in Ethiopia and Kenya.
The vast geography, nascent markets, lack of connectivity, very low regional integration and lack of trained people and knowledge networks make a more nuanced view of a multi-speed Africa more appropriate.
As in the majority of emerging markets, real gross domestic product (GDP) growth in Africa has dropped dramatically since the oil price shock of mid-2014. Among the big four economies of Sub-Saharan Africa (SSA), Nigeria, South Africa, Angola and Kenya, Nigeria suffered a sharp recession in 2016 while growth in South Africa and Angola came to a near standstill. Only Kenya bucked the trend, growing at a very robust rate of almost 6 per cent.

Africa’s economic performance following the oil-price recalibration is by no means impressive. And yet the continent has still managed to outperform other commodity-dependent regions. Over the 2014-16 period, Latin America grew by an average of only 0.2 per cent per annum, according to International Monetary Fund (IMF) figures, while commodity-dependent Russia and Central Asia\(^1\) contracted by an annual average rate of 0.7 per cent over the same period. In comparison, Africa recorded average real GDP growth of 3.1 per cent per annum. This relatively good performance by Africa needs to be recognised.

Selecting a gear in multi-speed Africa

The Africa Rising narrative was always flawed. Africa is so diverse that it has always been simplistic to have a single view of the continent. The vast geography, nascent markets, lack of connectivity, very low regional integration and lack of trained people and knowledge networks make a more nuanced view of a multi-speed Africa more appropriate.

Figure 1. Real GDP growth (%), average 2014-16

Source: International Monetary Fund (IMF)

\(^1\)Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan, and Ukraine.
Selecting a growth gear for 2017

A closer look at Africa’s economic growth shows that growth rates across the different regions vary widely. East Africa, the region least dependent on hard commodity exports, remains the best regional performer on the continent and is expected to maintain buoyant average annual GDP growth of approximately 6 per cent over the 2016-18 period. Economies such as Ethiopia, Kenya, Tanzania and Rwanda – all in East Africa – are the frontier growth stories of the continent.

North Africa is projected to see average yearly real GDP growth of a still healthy 3.8 per cent over the 2016-18 period, with Egypt, Libya – which is recovering from its internal conflict – and Morocco particularly strong. Meanwhile, regions dependent on hard commodities are showing signs of recovery and are projected to grow at a moderate rate, with Central Africa which is forecast to expand by an average of 2.9 per cent per year over the 2016-18 period. The weakest growth is likely to be seen in Southern Africa, which is forecast to record average yearly growth of only 1.6 per cent over the same period, followed by West Africa with average annual growth of 1.9 per cent.

For the regions and the continent as a whole, growth is expected to recover from the lows recorded in 2016.

Only one regional leader is strong

During the heyday of the Africa Rising narrative, the three dominant SSA economies – South Africa in the south, Kenya in the east, and Nigeria in the west – were all achieving strong growth. Although South Africa’s high level of integration into global financial markets made it vulnerable to economic fallout following the 2008 financial crisis, the country still expanded by a relatively healthy annual average of 2.6 per cent over the 2007-12 period, helped by the rapid rise in commodity prices following their dip in late 2008. Kenya grew by an annual average of 4.9 per cent over the same period, while Nigeria bounded forward, with 7.2 per cent annual average growth over the 2007-12 period, on the back of very high global oil prices.
The picture is different now. At present, Kenya’s growth remains strong. South Africa is struggling to get its growth into gear and Nigeria’s economy is contracting. This means that only one of SSA’s three traditional anchor economies is performing robustly. This has an important influence on each region’s real GDP growth. The economic prospects of the respective Regional Economic Powers (REPs) can sharply affect the respective region’s real GDP growth.

The Southern African region depends heavily on the engine room that is the South African economy, which accounted for an estimated 60 per cent of regional GDP in 2016. South Africa is both a key export market for its neighbours’ merchandise commodities and an important source of imports for them. The vast majority of businesses that conduct operations across the region are based in South Africa.

Although Nigeria is not as closely integrated financially and in trade in its region as South Africa, the Nigerian economy still accounted for an estimated 72 per cent of West Africa’s regional GDP in 2016. Therefore Nigeria’s economic performance heavily influences West Africa’s growth prospects.

South Africa and Nigeria are in fact weighing down on growth in their region. Southern Africa excluding South Africa itself is forecast to grow by 2.8 per cent in 2017, compared to a mere 1.6 per cent if South Africa is included. West Africa improves by a much larger margin when Nigeria is excluded – from 2.4 per cent growth to a much more impressive 6.6 per cent rate.

Other REPs, such as Egypt (in North Africa) and Cameroon (in Central Africa) are also set to lag behind their regions in 2017, though less markedly. Excluding Egypt, North Africa is forecast to grow by 4.2 per cent in 2017 (compared to 4.1 per cent). Central Africa is forecast to grow by 2.6 per cent when Cameroon is excluded, compared to 3 per cent when the REP is included.

Strong performance by a REP can make a substantial positive contribution to regional economic prospects. While Ethiopia now has the slightly larger economy, according to IMF data, Kenya’s key role in the East African Community (EAC), the region’s economic bloc, and its financial integration with the rest of the region continue to justify its status as an East African REP above Ethiopia. Kenya’s projected 6.1 per cent real GDP growth in 2017 will contribute 1.5 percentage points of the 6.2 per cent real GDP growth forecast for East Africa during the year; and, excluding Kenya, East Africa is forecast to expand by only 4.7 per cent in 2017.

Looking ahead, the economic performances of the regions are set to reflect closely those of their REPs. Investors traditionally look to enter each region by first gaining a foothold in the REP. But this trend may start to change if REPs continue to show less ability to reform structurally than other countries in their respective regions. Smaller economies in Africa are often marginalised by investors. Examples such as Rwanda may increasingly buck this trend, based on investment-encouraging reforms.

Figure 3. Regional growth including and excluding REPs (%), 2017 forecast

Source: IMF
The currency shock has effectively repriced a number of economies. For governments, this has had a severe impact, resulting in rapid fiscal deterioration in many African resource-driven economies.
The repricing of Africa’s economies

As stated previously, the downturn suffered by many African economies following the drop in global commodity prices in 2014 has resulted in a repricing of their economies, with currencies falling against a resurgent US dollar and asset markets, too, tumbling. There is a positive side to this. It could well position them to attract more foreign direct investment (FDI) over the medium term as investors seek cheap assets.

Transmission channels of repricing

The most evident sign of the painful repricing process was that the currencies of many African countries fell heavily. Currencies on the continent have depreciated significantly against the US dollar since 2014 or, in the case of managed currencies, have been devalued. In some cases their value has suffered further as a result of errant monetary policies that have undermined investor confidence and heightened uncertainty.

The exchange rate adjustment has been particularly severe in Egypt, Mozambique, Nigeria, Ghana, Zambia and Angola, where the depreciation against the dollar between the start of 2014 and the end of 2016 has exceeded 40 per cent. Although some currencies recovered to some extent in 2016, this has not been enough to claw back the losses from the earlier falls.

Figure 4: Loss in value of local currencies (% change), average 2014-16

*used in Benin, Burkina Faso, Côte d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.
Source: Central banks and Deloitte analysis, 2017
The currency shock has effectively repriced a number of economies. For governments, this has had a severe impact, resulting in rapid fiscal deterioration in many African resource-driven economies.

A key consequence of sharply depreciating currencies (particularly in Nigeria, Ghana, Egypt and, to a lesser extent, Mozambique) is the exacerbation of foreign exchange shortages. As a result, in parallel currency markets that are not controlled by the government, big differentials have opened up with the official rate, as demand for dollars outstrips supply. The large differential between parallel and official exchange rates in countries such as Angola and Nigeria to date suggests that the foreign exchange market is far from reaching equilibrium.

There have also been elements of repricing on stock exchanges across the continent. However, looking at US dollar domestic market capitalisation over the 2014-16 period, there are stark differences when comparing different exchanges. Some have done well.

In the Southern Africa region, for example, the Johannesburg Stock Exchange saw an increase of 10.7 per cent from January 2014 to December 2016, while the Namibia Stock Exchange saw its market cap increase by a sharp 40.6 per cent during the same period. Other winners on the continent over the last three years include Morocco’s Bourse de Casablanca (which rose by 7.2 per cent), while the same country’s Bourse Régionale des Valeurs Mobilières (BRVM) was little changed, rising by a marginal 0.3 per cent.

In the West African region, however, Nigeria did far worse, with the US dollar market cap of the Nigerian Stock Exchange falling by almost 64 per cent from January 2014 to December 2016. The country’s commercial property sector has also been under pressure, with real estate agencies pointing to over-development and a decrease in corporate demand.

Lagos, Abuja and Port-Harcourt’s real estate sector in particular faced pressure during 2016. The vacancy factor index (VFIX) in residential properties in Lagos climbed to 74 per cent in 2016, compared to 63 per cent the previous year. Furthermore, average office rents in Ikoyi and Victoria fell by 17.6 per cent and 20 per cent, respectively, during the first three quarters of 2016. These falls create opportunities for longer-term foreign investors, in particular in the Nigerian economy – Africa’s most populous. Assets whose prices were, arguably, highly inflated prior to mid-2014 have become much less expensive.

But foreign investors will also continue to keep a wary eye on the instincts of central banks and government agencies. Foreign exchange shortages in Angola, Ethiopia, Mozambique, Nigeria and Zimbabwe have already resulted in governments tightening foreign exchange rules to protect dwindling reserves. Restrictions have been placed on those who can access foreign exchange, creating so-called ‘captured capital’ that foreign companies cannot repatriate. In the near term, further forex restrictions are likely to be put in place by central banks until foreign exchange reserves start to stabilise again.

**Figure 5. Domestic stock market capitalisation (annual % change), Jan 2015-Dec 2016**

![Graph of domestic stock market capitalisation (annual % change), Jan 2015-Dec 2016](source)

Source: World Federation of Exchanges and Deloitte analysis, 2017

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1. In January 2017, the kwanza’s official central bank rate was 165.08/$, with the parallel market rate around 485/$. Sources: Banco Nacional de Angola (BNA, accessed January 2017); *The Wall Street Journal*, January 2017.
2. By January 2017, the spread between official and parallel market rates for the naira had widened to over 228 per cent since the naira’s official exchange rate peg adjustment on 20 June 2016. See also: www.abobifx.com (accessed January 2017); Central Bank of Nigeria (accessed January 2017).
Further currency weakness is expected in 2017, although to a lesser extent than in 2014-16. Monetary and fiscal policy in the US will be a key driver of global foreign exchange movements, with the Federal Reserve widely expected to continue its monetary policy tightening cycle.

Uncertainty in western markets, particularly the extent and scale of fiscal stimulus in the US and the Brexit negotiations between the UK and the EU, are also set to keep markets unsettled. Emerging market currencies tend to suffer in an environment suffused with uncertainty and volatility.

However, the extent of the depreciation in African currencies in the wake of the commodity price slump will provide some protection. Furthermore, increasingly hawkish central banks across the continent should help to bolster African currencies in 2017.

Privatisation opportunities

In order to shore up the balance sheets of governments under increasing fiscal pressure from reduced export earnings and the impacts of currency depreciation, many countries are being forced to embark on long overdue sales of state-owned assets. These programmes typically follow intervention by the IMF. They may herald the beginning of a process not too dissimilar from the one that has either taken place or is now currently occurring in economies such as China and India which in the past had been opposed to private ownership.

While many African governments have been particularly resistant to privatisation, the combination of rising external debt, along with the accompanying interest payments, and weak currencies may force them to sell off assets such as utilities and infrastructure.

Mozambique looks likely to be one such example. To rationalise state spending and reduce fiscal risks, the Mozambican government has approved an independent external audit of public funds and legislation in order to begin reform of public enterprises. More privatisations and the closure or restructuring of public companies are expected.

Figure 6. Privatisation of African state assets

Source: Deloitte analysis, 2017
Mozambique’s government announced in the latter part of 2016 that it expects to sell (or close) up to 40 state-owned companies. This is viewed as a progressive move for the economy and provides numerous opportunities for firms looking to expand into the country.10

While Mozambique’s fiscal and debt conundrums provide an extreme example, several other countries on the continent are also under strain. IMF involvement in support packages is on the rise and the multilateral organisation is proposing economic restructuring via privatisation.

IMF financial support can come in many forms, although restructuring of inefficient public assets is often a prerequisite. In Zambia, for example, the IMF is calling for the restructuring of the state-owned power utility, Zesco, as part of a proposed US$1.5bn support package.

The IMF has also been involved in Ghana and Kenya for a number of years. In Ghana’s case, the state-owned Electricity Company of Ghana (ECG) is a point of contention, with the Fund advising a shift to Independent Power Producers (IPPs), a reform that trade unions oppose.

In 2016 the IMF provided Kenya, which in 2012 announced the privatisation of 23 state-owned firms, with further access to financial support in its effort to reform the country’s macroeconomy and institutions.

Looking ahead, other governments that are not yet under severe fiscal strain are likely to take a closer look at their debt sustainability. This, in turn, may provoke further privatisation.

One country making moves towards privatisation in an effort to promote foreign investment is Ethiopia. The government made an announcement early in 2017 that the country is shifting away from state investment as a means of driving growth and is offering stakes in some state-owned companies to foreign firms. Hailemariam Desalegn, the prime minister, mentioned the state-owned Ethiopian Shipping and Logistics Services Enterprise, but did not provide details on the size of the stake that might be sold. Nor did he mention other state-owned companies that may be privatised. These privatisation efforts are to be commended, particularly if the goal is to drive investment growth, not just shore up government finances.

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**Figure 7. IMF country arrangements initiated in 2016-17**

<table>
<thead>
<tr>
<th>Country</th>
<th>Most recent arrangement</th>
<th>Year of expiration</th>
<th>Amount approved (SDR’m)</th>
<th>Amount drawn (SDR’m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>EFF11</td>
<td>2019</td>
<td>8 596.57</td>
<td>1 970.05</td>
</tr>
<tr>
<td>Tunisia</td>
<td>ECF12</td>
<td>2020</td>
<td>2 045.63</td>
<td>227.29</td>
</tr>
<tr>
<td>Rwanda</td>
<td>SCF13</td>
<td>2017</td>
<td>144.18</td>
<td>108.14</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>ECF &amp; EFF</td>
<td>2019</td>
<td>487.80</td>
<td>69.69</td>
</tr>
<tr>
<td>Madagascar</td>
<td>ECF</td>
<td>2019</td>
<td>220.00</td>
<td>31.43</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>ECF</td>
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<td>83.55</td>
<td>25.05</td>
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<tr>
<td>Niger</td>
<td>ECF</td>
<td>2020</td>
<td>98.70</td>
<td>14.10</td>
</tr>
<tr>
<td>Kenya</td>
<td>SCF &amp; SBA14</td>
<td>2018</td>
<td>1 063.89</td>
<td>0.00</td>
</tr>
<tr>
<td>Morocco</td>
<td>PLL15</td>
<td>2018</td>
<td>2 504.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: IMF

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12 Extended Credit Facility (ECF). Provides financial assistance to countries with protracted balance of payments problems.
13 Stand-by Credit Facility (SCF). Provides financial assistance to countries with short-term balance of payments problems.
14 Stand-by Arrangement (SBA). Financing assistance to overcome balance of payment problems in an economic crisis.
15 Precautionary and Liquidity Line (PLL). Designed to meet liquidity needs for countries with sound economic fundamentals but some remaining vulnerabilities.
The need for economic diversification in the continent is high, all the more so given that the growth cycle is at a low point.
Realising potential: the imperative of Africa’s economic diversification

Will headline GDP growth translate into qualitative development across the continent?

Economic history has shown that without diversification into manufacturing and services, and away from simple resource extraction, the long-term development prospects of countries are always bleak. The need for economic diversification in the continent is high, all the more so given that the growth cycle is at a low point. For the most part, African governments have not taken advantage of the last decade’s growth spurt to move toward diversification – neither in their economic structures, nor in their export baskets. Resource-endowed countries in particular are anything but examples of sustainable or inclusive growth. Wealth is unable to trickle down into broader society from narrow extractive industries, especially in the face of rent-seeking governments.

Figure 8. Over-reliance on a single commodity (% of total exports), 2010-15*

*average for South Sudan from 2011-15
Source: Deloitte analysis based on International Trade Centre and UNCTAD, 2016
Export diversification: a springboard for sustainable growth

Nigeria is the leading example of a resource exporter where the disconnect between previously high headline growth figures and developmental reality has been stark. The country has never been as dependent on oil as it has been in recent years, with over 90 per cent of its export earnings coming from oil.

For Africa as a whole the figures are troubling as commodity exports on average account for 80 per cent of total merchandise exports. In almost half of Africa’s economies commodity exports earn 90 per cent or more of merchandise export earnings. And for three-quarters of African countries, commodity exports make up 70 per cent or more of export earnings.

Due to this lack of diversification, most of Africa’s economies remain dependent on the vagaries of commodity prices in the international market and often on the price of a single resource.

Source: IMF and Deloitte analysis, 2017
However, there are a handful of countries, such as Madagascar, Senegal, and Morocco and several economies in East Africa, that have avoided the pitfall of over-dependence on revenues generated by a single merchandise export, either through good fortune or as a result of strategic policy implementation. Their relatively more diversified export baskets have cushioned them from external shocks, giving rise to a more stable growth track record.

Even within oil-exporting countries, those with less dependence on the commodity (such as Egypt, Cameroon, and Senegal) still have a reasonably healthy growth outlook. Similarly, Côte d’Ivoire earns significant foreign exchange revenues from its oil exports, but the country’s main export earnings stem from cocoa. The country’s economic growth is also benefitting from a degree of catch up after social unrest ended in 2011. By contrast, Nigeria and Angola’s high dependence on oil exports is set to translate into very weak growth over the 2016-18 period.

To a lesser extent, countries that have a high dependence on a single non-oil export commodity are also projected to expand at lower rates. Botswana’s dependence on diamond mining is a point of concern, while Zambia’s over-reliance on copper has also limited the economy’s growth prospects.

There are several countries in the East Africa region that have actively promoted export diversification. The strong growth outlook for East Africa in Ethiopia, Kenya, Rwanda, Tanzania, and Uganda is testament to this. Their growth prospects are supported by political stability and pragmatic pro-business policy.

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**Figure 10. Export dependence (2010-15) vs projected real GDP growth (2016-18)**

![Graph showing export dependence vs GDP growth]

Source: IMF; International Trade Centre; Deloitte analysis, 2017
Is there a recipe for diversification?

In order to move from what has been a resource-driven business model for most African economies towards a more diversified and sustainable one, a number of policies need to be put in place. Although there is no simple recipe for success, some of the ingredients for successful economic diversification include: the quality and quantity of physical infrastructure investments in key sectors; effective trade and industrial policies; improving macroeconomic fundamentals through sound fiscal and monetary policies; productivity growth supported by human capital, skills and technology; a broader enabling environment for both local and international investors; and good governance.

Among these, two particularly important elements are talent and skills development, and the basic building blocks of infrastructure development. Sustained and sizeable investment in people to generate, retain and create opportunities for talent in domestic economies is essential. Sufficient investment in physical infrastructure, including transport, power, communications and technology, is also a necessity.

However, it is ultimately governance that will determine how resource rents are re-invested into the human capital that is needed to make African economies grow sustainably, with equitable development models, rather than remaining dependent on cyclical commodity prices.

Manufacturing investment from China

A possible driver of economic transformation into manufactures and higher value-added exports is the enormous opportunity presented by the shifting value chain of production in Asia.16

The rising cost pressures on China’s light industrial manufacturing sector will cause manufacturing capacity to be relocated to lower-cost foreign economies. As this shift in production out of China’s south-eastern provinces takes place, forward-looking African countries could emerge as ‘new Vietnams’ – offering low-cost destinations for manufacturing investment from China.

East Africa is well-positioned to assume this role, with Ethiopia and Kenya the leading candidates. Ethiopia is already attracting low-end manufacturing from China, including shoe, steel, cement and light-vehicle production. The country’s rather authoritarian development model is conducive to attracting Asian investment seeking a stable manufacturing platform in Africa – both for export and to supply Africa’s own growing consumer economy.

In turn, Kenya is no stranger to Chinese investment, with Asian companies establishing production facilities in the East African country’s dedicated export processing zones. Factories in several sectors, including automobiles and textiles, are set to receive further investments as Chinese companies accelerate their value-chain relocation strategies.

The tens of millions of jobs expected to move offshore in the coming decade due to rising Chinese production costs is a big opportunity for Africa. Reform-minded and progressive African states could seize this opportunity and generate a 19th century style industrial revolution, creating large amounts of employment and new industries in their own economies. Coupling this with the disruptors of the fourth industrial revolution – so-called ‘Industry 4.0’ – Africa could achieve the manufacturing competitiveness of early adopters of smart technologies, machines, factories, products and services. African countries require suitably qualified workforces in order to take advantage of this potential seismic economic shift.

Countries that recognise the need for economic transformation and successfully implement diversification drives into manufacturing and services-based activities, will be primed to move towards a more sustainable and ultimately more inclusive growth trajectory.

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Planning for the changing continent – a business view

The year 2016 arguably marked the bottoming of Africa’s growth downturn. Stabilisation of the global oil price and the uptick in most commodity prices suggests the growth outlook of the continent is improving.

A new set of dynamics is shaping African economies and their business environments. The pressures for structural reform have never been greater. This year is likely to shed more light on which African economies fall into the reformist camp and which are laggards. Key considerations for business operating in or entering the continent include:

**Structural reforms creating investment openings**

As governments liberalise and privatise, the exit of the state from utilities and infrastructure assets will create market openings for private capital. Many African states are now beginning or re-energising long overdue privatisation processes.

**Industry consolidation**

Linked to this, there is an emerging trend of industry consolidation that is likely to take place in key sectors. Over-banked economies are likely to see increased M&A activity as weaker players are removed by market forces – provided states allow these firms to fail.

**Diversification will facilitate industrial growth**

The imperative is to diversify and industrialise. Governments must realise that they have to adopt pro-industry policies and build more efficient infrastructure as foundations for economic diversification. Companies that align their own commercial objectives to the strategic development interests of their host states will benefit.

**Multi-speed countries and regions**

Multinationals often seek to have an Africa strategy. Arguably, a generic continent-wide strategy cannot be formulated nor implemented. The growth dynamics of each region, country and sector are so varied that business needs to adopt a country or region-based approach to strategy when engaging with the multiple economies of Africa.

**Africa’s urban future**

Cities will be at the heart of how business reconfigures when investing in Africa. Rapid urbanisation is reshaping the economic structure of the region – with urban agglomerations the driving force for growth and consumer spending hubs. Capital is likely to differentiate increasingly between countries and urban city hubs.

**Changing regulatory environment**

Business needs to be closer to policymakers. In times of rapid economic change, policies are likely to be more reactive, heightening the risk for invested companies. This would apply to monetary policy, foreign exchange, tax policies and possible protectionist trade policies. Companies must be cognizant of policy flux in order to mitigate risks that arise.

**From fortitude, to consolidation, to growth strategies**

Africa’s overall growth trajectory is upward, with indications that growth bottomed out last year. Assets are repricing, markets are gradually opening while an under-serviced marketplace and latent demand persist. Investing companies are likely to regain confidence and deploy capital in 2017 for the next growth cycle. Of course, the necessary risk mitigation strategies must be put in place.
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