

African Growth and Development: *Opportunities in Sub-Saharan Africa*

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WHAT HELD US BACK?



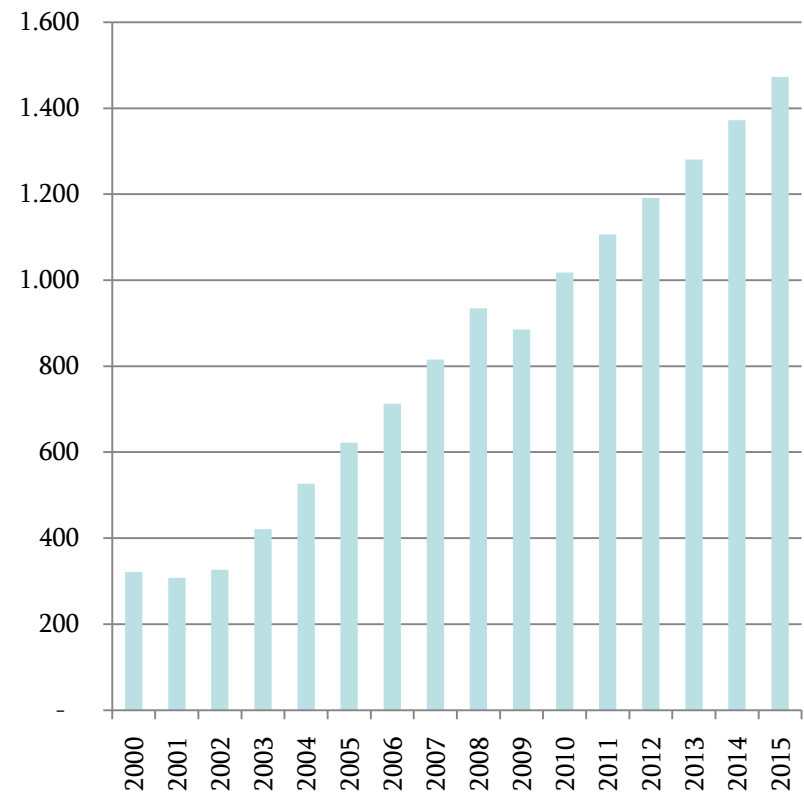
- Political instability:
 - Wars and famine go hand in hand;
 - Destruction of infrastructure;
 - Enough Cassava in Bas-Congo to feed DRC – but no roads to get it anywhere!
 - Huge iron ore deposits in Angola – no roads or rail;
 - Also changing: more democratic, stable countries today;
- Historically dreadful economic policies:
 - This is changing in many countries;
 - Long-lasting legacy – at many levels;
 - Small farmers can be efficient suppliers – but correct policy and physical infrastructure is vital!
- Long-term decline in commodity prices:
 - Oversupply on global markets;
 - Protection and dumping by wealthy countries;
 - As this (slowly) disappears, opens vistas for African companies;

Sub-Saharan Africa in Numbers



- Area of 23.6 million km²
- Population estimated at 820 million
 - Urban population of 300 million;
 - Rapid urban growth;
- GDP of SSA estimated at roughly US\$1 trillion – could reach US\$1.5 trillion by 2013;
 - Averaged over 5% growth per annum this decade thus far;
- Currently only 1.3% of global GDP, but up from 1.1% in 2000;
- Growth of 4.8% expected in 2010

Sub-Saharan GDP Actual and Estimated
(US\$ billions)



Growth Drivers



- Major increase in overall FDI over the last decade;
 - Increase of 271% from 2000 to 2006 in value terms – reached US\$35bn in 2006;
 - Figure increased to US\$53bn in 2007 and US\$62bn in 2008;
 - African growth up 16.8% in '08 against global decline of 20%
- The increase has not been smooth – still a reliance on external sources
- Resource-Driven GDP growth:
 - Despite downturn, expectation is positive;
 - Already seeing return of mining, oil and gas developments;
 - Happening across many more countries;
 - Some in remote locations – drives infrastructure development
- Other industries showing growth too:
 - Hotels and commercial property, ICT boom;
 - Growing (albeit slowly) domestic manufacturing;



Growth largely outside South Africa:



Country	2005	2010	2015	Share of South African GDP		Growth: '05-'15 %
				2005	2015	
South Africa	247	330	430	100	100	74
Nigeria	112	214	329	45	77	193
Angola	31	85	150	12	35	389
Kenya	19	34	62	8	14	232
Ethiopia	12	31	40	5	9	224
Tanzania	14	24	38	6	9	168
Côte d'Ivoire	16	24	33	7	8	103
Ghana	11	18	33	4	8	207
Cameroon	17	23	31	7	7	88
Uganda	9	18	27	4	6	197
Zambia	7	16	26	3	6	259
Equatorial Guinea	8	16	20	3	5	146
DR-Congo	7	13	19	3	4	158
Senegal	9	13	18	4	4	108
Botswana	10	13	17	4	4	65
Gabon	9	13	17	4	4	97
Mozambique	7	10	14	3	3	119
Mauritius	6	10	14	3	3	119
Mali	5	10	14	2	3	147
Congo Republic	6	13	14	2	3	122
Madagascar	5	8	13	2	3	168



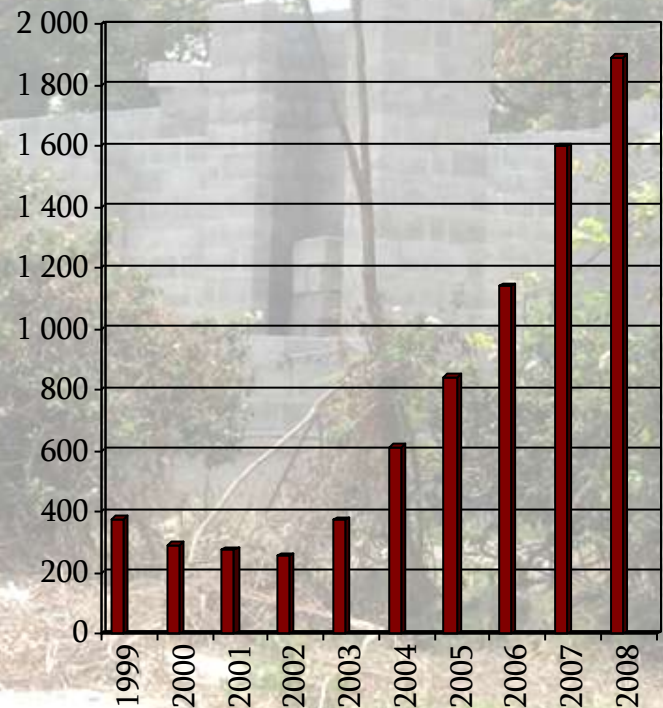
GDP by Economic Activity at 1990 prices (%)		
Sector	2003	2007
Agriculture	32.6	33.2
Crude Petroleum	41.5	31.1
Mining & quarrying	0.1	0.2
Manufacturing	4.7	2.7
Building & construction	1.2	1.5
Wholesale & retail trade	11	17.1
Transport	2.3	3.2
Communications	0.2	1.6
Utilities	0.2	0.2
Hotel & restaurants	0.3	0.4
Finance & insurance	0.8	1.7
Real estate & business services	3.1	5.4
Government services	1.2	0.9
Community, social & personal services	0.8	0.9

- Nigeria's growth led by services – despite record oil prices during this period;
- Agriculture (like most countries) still very important;
- BUT: construction, trade, transport, telecoms, real estate and financial services leading growth;
- Insurance – including medical growing in importance;
- Much being driven by small but growing middle and upper income consumers;
- Trend is unlikely to reverse – economies have stepped up a level in sophistication as well as depth/breadth

Extractive Industries

- *“Africa is the last largely unexplored continent” – Roger Agnelli, CEO of Brazilian mining giant Vale*
- Driven to a large degree by resources;
 - Mining activity has exploded, as has oil, gas and other sectors;
 - Non-ferrous exploration has risen by 405% since 2003 to reach almost US\$1.9bn in 2008 (*Metals Economics Group*);
 - Africa has overtaken Australia and the USA as a destination;
 - Oil and Gas exploration: no longer just West Africa – Zambia, Tanzania, Madagascar, Uganda, Rwanda, Mozambique as well as Ghana in West Africa;
 - Remote locations:
 - Background picture is new mining compound in Zambia

Value of Non-ferrous mining exploration in Africa (US\$ millions)



Donor Activity, Agriculture

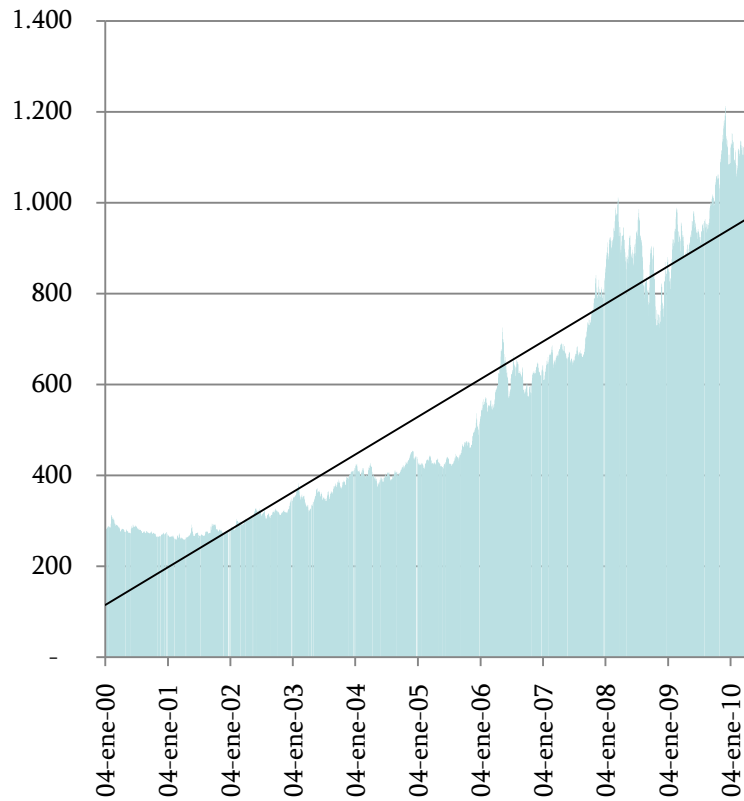


- FDI also attracts infrastructure investment:
 - Requirement for roads, power, ports, storage facilities,
 - Also social infrastructure programmes such as schools, clinics, hospitals, and related items – increasing collaboration between donors and private sector;
 - Many of the mining houses building local infrastructure as part of CSI;
- World Bank loans up by 180% since 2000 to Sub-Saharan Africa;
- Agriculture remains the backbone of many economies:
 - Increased investment in basic foodstuff production;
 - Biofuels hold much promise for non-food agriculture production;
 - Downstream processing of agricultural products opens opportunities:
 - Packaging, printing, advertising;
 - Storage, cold chain facilities;
 - Logistics and transport;

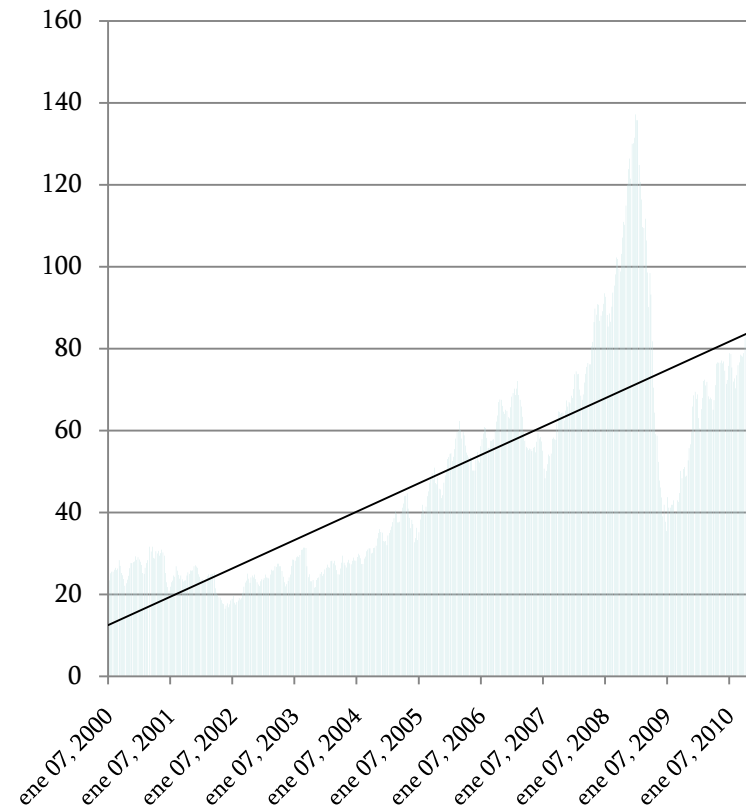
Commodity Prices Remain Firm



Gold Price (US\$)



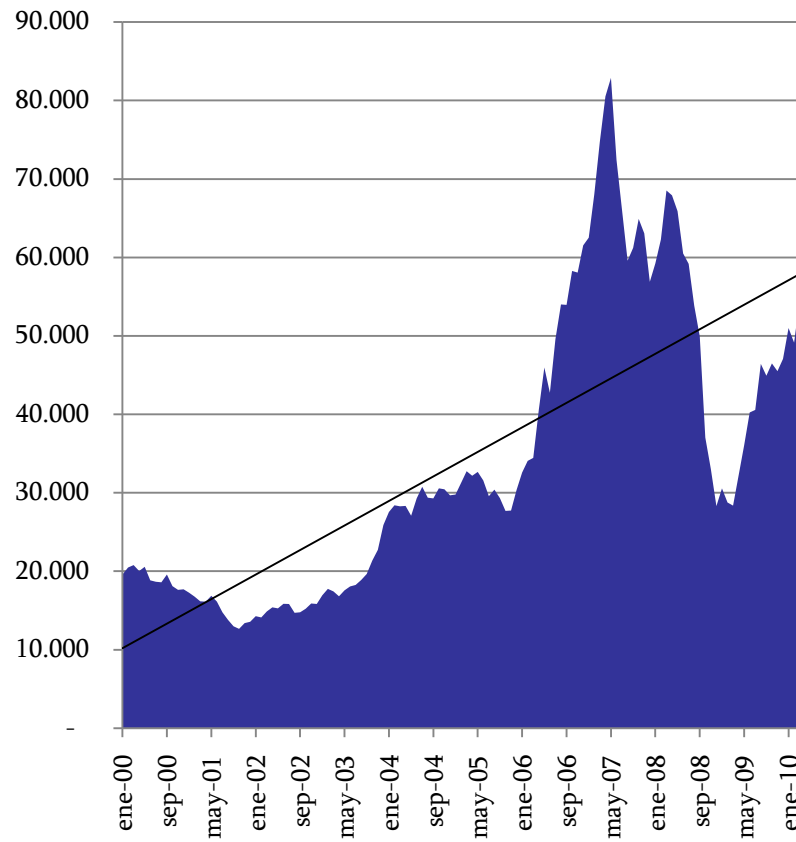
Oil Price (US\$)



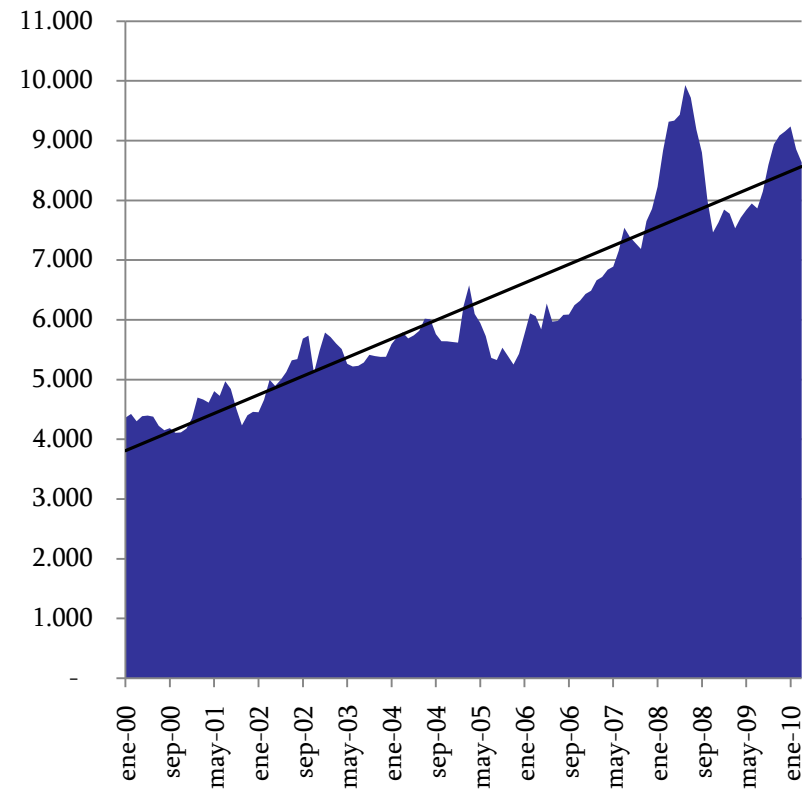
Commodity Prices Remain Firm



Basket of Minerals: US\$ Price per unit



Basket of Agricultural Products: US\$ price per unit



ICT – the new Gold

- In the opening quarter of 2008, cellular connections passed 280 million, growing 38% in one year.
 - The Middle East recorded a 33% growth rate and Asia-Pacific recorded 29% growth.
{*Source:* Joss Gillet, senior analyst for Wireless Intelligence, the GSM Association (GSMA)}
 - Nigeria now has more subscribers than South Africa;
- The growth is unprecedented - companies operating in the market have recorded a 65% increase in subscriber numbers over the past year and have invested billions in the sector.
 - Since the turn of the century, operators have invested over US\$35bn in the sector.
- ICT sector is key in *creating* new consumer markets:
 - Young, wealthy, professional;
 - International outlook;

Construction and Tourism

- Construction activity across Africa is growing:
 - Retail and commercial property sectors are seriously under-exploited;
 - Rise in new business activity has driven requirements for high quality office space;
 - Rise of the mall culture is gradually changing the retail landscape;
 - Residential Property development is growing fast:
 - The need for good quality expatriate housing and high-end domestic buyers driving this;
 - Entry-level consumers (usually operating in the informal economy) sustaining this growth – and imports of low cost inputs;
- Tourism Receipts expected to grow by 118% from 2000 to 2014;
 - Led by personal and business travel;
 - Capital investment and tourist exports;
 - Total tourist receipts to reach around US\$160bn by 2014;

Power and Green Industries

- Continent needs roughly US\$90bn of infrastructure investment a year;
 - About half this figure is power related;
 - Virtually all African countries have power shortages;
 - 215 current projects in 10 markets studied;
- Utilities alone cannot cope;
 - Co-generation opportunities with mines, sugar, waste;
- Tariffs moving in line with global levels:
 - Generally have been far lower;
 - Inhibited development of 'expensive' solutions;
 - This is changing fast – especially in Southern Africa;
 - Companies looking for technology



Inga in DR-Congo – up to 40,000MW at one location



Lake Turkana Wind Power – 300MW of clean power

Key Considerations

- African growth is strong at present and should continue:
- Visits to Zambia, Nigeria, Ghana, Ethiopia, Mozambique, Uganda, Botswana in 09/10 confirm growth trend ;
 - This is creating new markets for consumer goods across the board:
 - Food and beverages, clothing, cosmetics, electronic goods, vehicles;
 - Tastes of consumers are changing as younger generation increases its purchasing power;
 - Local tastes still need to be accounted for, however;



Key Considerations



- Growth is based on expansion of extractive industries, financial services, ICT and infrastructure:
 - These require inputs of goods from building materials and iron and steel to electrical products, machinery, plastics and other goods;
 - Currently around 35 greenfield and brownfield cement projects in southern/east Africa;
 - Many more in West Africa as well;



New housing development, Lagos

Key Considerations



- New Markets:
 - Lack of consumer bases has traditionally restricted the size of markets;
 - New low-cost producers are enabling the consumer base to expand;
 - In tandem with growing levels of disposable income, retail sectors are expanding rapidly;
- Influence of China:
 - Definitely growing at all levels, but:
 - In many countries and sectors China is actually *creating* markets:
 - Automotive, Electrical goods, Consumer goods, etc.
- Other suppliers have tapped into this:
 - Asian rivals are also developing markets that did not exist before;
 - Brazilian influence growing outside of Lusophone Africa – especially West Africa
 - Spain has signed a €500 million commercial loan with Angola:
 - Will act as a conduit for Spanish companies in the market

Summary



- Best period of growth since the 1960's;
 - Likely to continue due to resources, a degree of political reform;
 - Growing urban populations, rising incomes creating demand;
 - Still off a low base;
 - Mobile phones, computers, television sets, wine, other 'luxury foods', clothing, furniture;
- Individual markets still small by global standards;
 - Probably best to look at cluster approach – regional market leaders;
- Infrastructure developments driving imports of capital goods;
 - Power products, building materials, logistics equipment etc,
 - Services – ports, airports, rail etc;
- Asian, key African and Latin American companies moving into region fast – traditional EU suppliers losing ground;
 - Need to establish presence for the long term;

Angola



Background:

- ❑ Civil War created a business vacuum – not readily restored;
- ❑ Country ranks 169th out of 183 in World Bank Doing Business Survey;
- ❑ Small number of very influential families and persons;
- ❑ Corruption is still a major problem, but is slowly improving – ranked in bottom 20 globally by TI

Business Environment

- ❑ Still a very strong Portuguese influence at all levels;
- ❑ China and Brazil making strong inroads;
 - ❑ South Africa, Namibia and others also in the market;
- ❑ “If you can import it, you can sell it” – Luanda businessman. Angola imports virtually everything;

Logistics:

- ❑ Ports are still very congested, roads and rail improving slowly;
- ❑ Very high travel and living costs – beware of start-up costs!

Angola: Ease of Doing Business	Doing Business rank		Change in rank
	2010	2009	
Doing Business	169	170	1
Starting a Business	165	158	-7
Dealing with Construction Permits	122	126	4
Employing Workers	178	178	0
Registering Property	173	175	2
Getting Credit	87	84	-3
Protecting Investors	57	53	-4
Paying Taxes	139	134	-5
Trading Across Borders	171	170	-1
Enforcing Contracts	181	181	0
Closing a Business	144	144	0

Ghana



Background:

- ❑ Stable, emerging democracy;
- ❑ Economy is still largely agricultural, but mining playing a bigger role, along with tourism, telecoms;
- ❑ Country ranked 92nd out of 183 in World Bank's Doing Business Survey – slipped slightly from 2009;
- ❑ Corruption an issue, but ranked above Bulgaria, Greece, Brazil, Colombia, China, India, Thailand etc;

Business Environment:

- ❑ Open to trade, British influence not strong anymore;
- ❑ South Africa, Brazil, China, other Asian countries making progress;
- ❑ Problem with used goods (especially electronics and clothing) entering the market illegally;
- ❑ ICT, power, mining driving renewed investment;

Logistics:

- ❑ Ports are amongst the best in the region – used by companies in Nigeria to import;
- ❑ Southern Ghana and road to Kumasi are key trade routes;

Ghana: Ease of Doing Business	Doing Business Rank		Change in rank
	2010	2009	
Doing Business	92	87	-5
Starting a Business	135	136	1
Dealing with Construction Permits	153	144	-9
Employing Workers	133	134	1
Registering Property	33	31	-2
Getting Credit	113	109	-4
Protecting Investors	41	38	-3
Paying Taxes	79	66	-13
Trading Across Borders	83	80	-3
Enforcing Contracts	47	50	3
Closing a Business	106	106	0

Senegal



Background:

- ❑ Very stable country, with a vision for the future – growing unemployment is a problem though;
- ❑ Lack of ‘backbone’ industries such as oil, mining is slowly being replaced by mining, tourism, services in addition to agriculture;
- ❑ Country ranked 157th out of 183 in Doing Business Survey – slipping from 2009;
- ❑ Corruption levels are perceived as similar to those in Bosnia, Algeria, Argentina;

Business Environment:

- ❑ Senegalese are very relaxed, proud people;
- ❑ Heavy reliance on imports of manufactured goods – lots of used, fake products;
- ❑ Lebanese traders and French companies dominate the economy;

Logistics:

- ❑ Senegal is a key conduit to interior – port facilities are good by regional standards;
- ❑ Logistics between key cities on the coast are good – interior is more remote;

Senegal: Ease of Doing Business	Doing Business Rank		Change in rank
	2010	2009	
Doing Business	157	152	-5
Starting a Business	102	94	-8
Dealing with Construction Permits	124	121	-3
Employing Workers	172	173	1
Registering Property	166	164	-2
Getting Credit	150	147	-3
Protecting Investors	165	164	-1
Paying Taxes	172	173	1
Trading Across Borders	57	64	7
Enforcing Contracts	151	150	-1
Closing a Business	80	80	0

South Africa



Background:

- ❑ Largest, most sophisticated economy in Africa;
- ❑ Strong banking, telecoms infrastructure, but weakening roads, power, transport systems;
- ❑ Country ranks 34th out of 183 in Doing Business Survey – just below the Netherlands and France and well above Mexico, Portugal, Hungary (and Spain!);
- ❑ Corruption is increasing, although government is making (some) efforts to curb this – ranked as similar to Czech Republic, Latvia and above Italy, well above Greece, Brazil;

Business Environment:

- ❑ Many sectors controlled by small numbers of large companies – cartels an issue that government is cracking down on;
- ❑ BEE can be a hindrance or entry strategy depending on your intentions;
- ❑ Highly competitive both from local companies and as 'Gateway to Africa'

Logistics:

Excellent by African standards, but deteriorating – government pumping around €90bn into power, roads, ports, social infrastructure

South Africa: Ease of Doing Business	Doing Business Rank		Change in rank
	2010	2009	
Doing Business	34	32	-2
Starting a Business	67	45	-22
Dealing with Construction Permits	52	49	-3
Employing Workers	102	99	-3
Registering Property	90	89	-1
Getting Credit	2	2	0
Protecting Investors	10	9	-1
Paying Taxes	23	23	0
Trading Across Borders	148	148	0
Enforcing Contracts	85	82	-3
Closing a Business	76	76	0

Thank You!



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