The outlook for investment activity across Africa is looking very promising, particularly in Eastern Africa and Sub-Saharan Africa – and the outlook has improved significantly for North Africa, according to a new survey of informed opinion leaders on Africa by FTI Consulting.

Nearly three-quarters of respondents indicated they believed overall investment in the continent would increase over the next 12 months. As well, 85% of respondents said they were positive in their general outlook for investment activity in Africa over the next 12 months. For East Africa, 90% of respondents said they were positive, while 80% said they were positive about Sub-Saharan Africa. For North Africa, the percentage of those saying they were positive doubled over the past 12 months to 66%.

FTI CONSULTING’S ANNUAL RESEARCH ON AFRICA
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Outlook for Investment Activity across Africa

Q. What is your general outlook for investment activity in the following locations over the next 12 months? (Please select one column response for each row)

These numbers reflect the successes that countries such as Rwanda, Kenya, Mauritius, South Africa, and Morocco have had in marketing themselves to international investors. For example, two-thirds of respondents said Rwanda was “particularly good” at marketing itself and providing relevant information to investors. Some 64% made a similar judgement about Kenya – a jump of 21 percentage points over 2016.

Mauritius and South Africa scored about the same as last year, at 50% each, while Morocco more than doubled its polling, at 41%.

Top 10 African countries that successfully market themselves

Q. What of the following countries do you consider are particularly good at marketing themselves and providing relevant information to investors? (Please select all that apply)

“Rwanda is an excellent example of how an African country’s government can work to attract international investment,” says Joel Kibazo, Managing Director at FTI Consulting. The country rose three places in the World Bank’s Doing Business rankings, with notable improvements in the ability to start a business, register a property, trade across borders and enforce contracts. It’s attracted investment from China and Australia, as well as from other countries within Africa. Alongside Kenya, it is becoming a technology hub in the region.

Learn by example

The new survey highlights what other African countries could learn from these successes to help attract more foreign and regional investment, to help boost their economies. The survey shows that opinion leaders believe there is significant opportunity in the region – 21% said business opportunities in Africa are “essential to strategic growth.” An additional 60% said the international business community view business opportunities in the continent as “important but risky.”

Business Opportunities in Africa in 2017

Q. Generally speaking, how do you think the international business community views business opportunities in Africa? (Please select one response)

“Business leaders need to be able to work with African and international political leaders to help the continent continue to blossom,” says Joel Kibazo. “There is so much incredible potential in Africa at the moment, and we are beginning to see this kind of collaboration between business and government bear fruit in key markets.”

Respondents to the survey indicated that one area for potential improvement is collaboration between business leaders and governmental bodies. A very high 94% of the informed opinion leaders on Africa who responded to this survey agreed that the private sector should be more involved in designing programs intended to increase intra-regional trade. As well, 96% said business leaders should be personally more involved in public discussions on issues that relate to investing in Africa. This is because the respondents – 82% -- viewed African business leaders as particularly effective at encouraging the right sort of investment into Africa, to boost the economy and benefit to society. International business leaders ranked second with 56% and international investors, third with 53%.
INVESTMENT OUTLOOK POSITIVE AS AFRICA ENGAGES WITH REFORMS

Encouraging Investment into Africa in 2017

Q. To the best of your knowledge, which of the following groups are particularly effective at encouraging the right sort of investment into Africa to help boost the economy and benefit to society? (Please select all that apply)

- African businesses leaders: 82%
- International businesses leaders: 56%
- International investors: 33%
- International media: 43%
- Media in Africa: 39%
- International trade organisations: 28%
- Pan-African organisations: 26%
- NGOs: 23%
- African politicians: 21%
- Local African community leaders: 18%
- International law and regulations: 11%
- International politicians: 6%
- Other: 8%

PPPs on the menu

One area of potential collaboration between the public and private sectors is Public-Private Partnerships. These agreements between governments and private sector organizations have helped finance power, transport, sanitation and water projects across Africa. In the survey, 81% are expecting an increase in these over the next 12 months – up from 67% last year. Nearly nine out of 10 respondents said they believed the availability of more public-private partnerships would encourage investment into Africa. As well, 68% indicated that these were particularly important for the leaders of African countries to concentrate on.

Regulatory consistency across the African continent was also a significant request of respondents, with 70% saying they believed that this was important for African leaders to concentrate on. Some 73% said the lack of regulatory consistency is one of the main barriers to intra-African trade. This area is a particular problem, with 94% agreeing that local laws and regulations on investors, businesses, and their operations are a source of tension.

“Regulatory reform is a key area where Africa’s political leadership can make a real difference,” says Joel Kibazo. “Having the right regulations in place can stimulate the domestic economy and drive real GDP growth through both intra-regional and foreign direct investment. Good regulations can also help domestic enterprises get off the ground.”

Capital market optimism

Poor regulation is also hampering the development of the capital markets in many countries – 87% of respondents said this could significantly impact the performance of capital markets in Africa. Some 83% cited political instability as potentially having a significant impact on the capital markets, while 63% cited poor financial structures.

Improving the performance of capital markets in Africa

Q. Which of the following do you think could significantly impact the performance of capital markets in Africa? (Please select all that apply)

- Poor regulation: 87%
- Political instability: 83%
- Poor financial structures: 63%
- Lack of independent of the judiciary: 58%
- Systemic risks: 54%
- Lack of democratic accountability: 48%
- Costs: 40%
- Performance of domestic companies: 39%
- Environmental factors: 33%
- Other: 10%

However, there is also cause for optimism. Since 2012, there have been 450 African equity capital market transactions, raising a total of $44.9bn, up 8% in terms of capital raised over the previous five-year period. “Last year was a difficult one for African capital markets due to global factors such as the US elections and Brexit,” says Joel Kibazo. “But we expect the growth and deepening of the capital markets in Africa to continue over the next five years as governments implement further reforms.”

Indeed, seven out of ten respondents said they believed there would be more newly issued shares for expanding business operations over the next 12 months, up 20 percentage points from last year. Corporate finance will also increase, with 61% predicting more M&A over the coming year, up from 55% in 2016.

Infrastructure funding needed

Improving the infrastructure was also a crucial theme, with 86% of respondents saying this was particularly important for African leaders to focus on. There is already considerable optimism in this area, with 87% of those who responded to the survey saying they believed there would be an increase in investment in next generation communications infrastructure, including fiber and broadband. Some 82% believe investment in more traditional infrastructure will increase as well.

“Closer collaboration between business and government leaders to help achieve regulatory reform, capital markets reform, and infrastructure investment are all key elements that Africa needs to rise to the next level,” says Joel Kibazo. “Some countries are already blazing the trail.”
INVESTMENT OUTLOOK POSITIVE AS AFRICA ENGAGES WITH REFORMS

RESEARCH METHODOLOGY
This research was conducted online by the Strategy Consulting & Research team at FTI Consulting from April 7th – 13th 2017, involving n=93 prominent opinion leaders on Africa. For more information on the research methodology, please e-mail market.research@fticonsulting.com.

Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100%.

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