

## **Africa: a continent on the rise**

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Africa presents a wealth of opportunities for investors, boasting a youthful and rapidly expanding population, vast natural resources, a burgeoning middle class, and a commitment to economic reforms. With many African economies still in the nascent stages of development, it presents a unique opportunity for investors to tap into a market that is poised for growth and the potential to yield higher returns compared to established and mature markets. Thus, investing in Africa can offer a high growth potential and profitability, making it an attractive option for those seeking to diversify their portfolios beyond developed economies.

The global GDP is currently \$95 trillion, with the US and China accounting for 40% of it. Nigeria and South Africa make up 2.3% and 1.5% respectively. Africa is expected to have better economic growth than the rest of the world in 2023 and 2024, with an average growth rate of 4%. The five best-performing African economies prior to COVID-19 and are expected to grow by an average of over 5.5, these are Rwanda (7.9%), Côte d'Ivoire (7.1%), Benin (6.4%), Ethiopia (6.0%), and Tanzania (5.6%)

Africa's economic acceleration and developing business environment are underpinned by five long-term trends, each of which is unlocking transformative growth in key economic sectors:

1. **Fast-growing population:**

As we start 2023, the population of Africa is estimated to be 1,423,053,130 and makes up approximately 17% of the global population with Africa being the second most populous region in the world, following Asia, with Africa's total population estimated to reach nearly 2.5 billion by 2050. In approximately 70 years from now 40 % (!) of the people in the world will be living in Africa.

2. **Fastest-urbanising region in the world:**

According to current estimates, approximately only 40% - 45% of Africa's population is urbanized, with the majority living in rural areas. Over the next few decades more than 80% of Africa's foreseen population growth will likely occur in cities through urbanisation and making Africa the fastest-urbanising region in the world.

3. **Industrialisation:**

An African industrial revolution is underway as manufacturers increase production of various goods from processed food to cars. It is estimated that African industries have the potential to increase their output to nearly \$1 trillion within the next decade, with 75% of growth coming from the manufacturing industry to replace imported goods and meet rising local demand.

4. Largest free trade region in the world:

The African Continental Free Trade Area agreement came into force on 30 May 2019, and was signed by 54 of the 55 African Union member states creating the largest free trade area in the world. The objective of the agreement is to remove trade and travel barriers, increase trade, stimulate economic growth, and improve the standard of living for people in Africa. It covers a wide range of goods and services and aims to create a single market for goods and services across the continent, making it easier for African businesses to trade with each other. This initiative is expected to boost economic development, create jobs, and increase competitiveness in the region.

5. Bridging the infrastructure deficit:

Inadequate infrastructure hinders investment and development in Africa. For instance, 600 million Africans do not have access to electricity. Africa is aggressively addressing the infrastructure deficit and since 2020 has doubled its yearly investment in infrastructure to \$80 billion per annum, thereby presenting a chance for investors and entrepreneurs to address Africa's infrastructure issues.

6. Agricultural and resource prosperity:

Africa is rich in natural resources with large the world's largest deposits of platinum (80% of global supply), gold (40% of global supply), manganese (50% of global supply), chromium (90% of global supply) and cobalt (2/3 of global supply). The continent also holds large reserves of nickel, graphite, lithium and other rare earth elements. Foreign direct investment flows into Africa are expected to pick up in 2023, with mining and gas projects leading the way. The domestic gas market in Africa is expected to grow 9% annually until 2025, and the continent could potentially consume up to 70% of its own gas by then. The development of domestic gas projects will create job opportunities and stimulate economic growth, potentially leading to improved standards of living those living in poorer African countries.

7. Growing digital and mobile connectivity

Africa has the highest proportion of internet traffic coming from mobile devices with 69.13% globally. This trend has the potential to enhance productivity, accelerate transactions, and reach broader markets, and could potentially add \$300 billion to Africa's GDP by 2025.

Industries such as renewable energy, transport, manufacturing, infrastructure, agriculture, mining, telecommunication, software, banking, finance, oil and gas are but a few sectors where the demand for expansion in Africa is rife.

In conclusion, Africa is an exciting investment destination, offering a growing market, rich natural resources, a young and rapidly urbanizing population, and government initiatives to improve the business climate. With a growing middle class and increasing demand for consumer goods, Africa presents a unique opportunity for businesses to tap into new markets and benefit from a growing economy. Despite the challenges and risks, the continent is attracting a growing number of international investors and corporations.

## LINKS TO ARTICLE

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