

Africa - the future emerging markets?

ANALYSTS

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Key facts

- Africa - the last emerging market?
- Increasing population
- Extensive amount of natural resources
- Moving towards a more democratic governance and free market
- Current problems with high inflation and unemployment

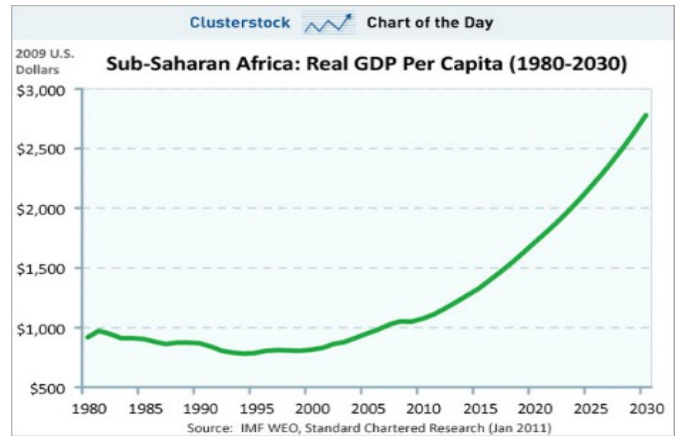
Investing in Africa

Before 2000 the economic performance in Africa was poor. However, along with the new millennium came a boom in commodity prices as well as much needed reforms in a lot of African countries. These factors played an important part in the extensive GDP growth that followed in almost all African countries and they endured the 2008 financial crisis much better than the western world. An average GDP growth of 5,2 % in 2010 is significant compared to 2 % in the west. Other positive trends in Africa include a shift towards more democratic states and a more robust private sector and an increasing middle class. These factors along with the continents abundant source of oil and minerals has led to investors, who previously left Africa, are starting to return with large amounts of their capital.

Investing in Africa is not all about potential growth though. The continent faces several significant challenges it must overcome if it is to be the next emerging market. For example corruption and divided countries as well as a bad business climate are risk factors that should not be disregarded. Infrastructure is another risk factor linked to Africa as it, in terms of power and transport, in general is very poor and leads to unnecessary high operating costs.

Since African economies have yet to be integrated in the global economies, the continent provides several good options for portfolio diversification. Factors such as a global scarcity of natural resources along with a better business climate and a new, higher standard

Projected GDP per capita



set by recent leaders are driving the integration of Africa into the global community and opens up for a lot of new investment options, even for foreign capital.

There are several countries in Africa that have the potential to be the next emerging markets and could yield a high excess return if your investing horizon is long enough, examples being Ethiopia and Kenya. This report, however, will focus on two countries that are a bit further ahead in their economic development, South Africa and Nigeria

