



## 2016 GLOBAL TRENDS: AFRICA'S DIVERGENT PATHS CONTINUE

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### DIVERSE PRIORITIES AND EXPECTATIONS ACROSS AFRICA

2015 was a complex year for the African continent. Major milestones, such as Nigeria's first peaceful democratic transfer of power and impressive growth in Tanzania and Rwanda, were offset by economic stagnation in Africa's commodity-dependent economies, ongoing conflict in Central Africa and South Sudan, and terrorist attacks in Mali, Nigeria, and Somalia. China's economic slowdown dealt a significant blow to numerous African economies, which the region's three largest economies, Nigeria, South Africa and Angola, felt acutely. But the economic downturn, also created new opportunities for investment and public-private partnerships as traditional heavyweights were forced to diversify their markets. These divergent trends, reflecting the breadth of the economic and geopolitical landscape across sub-Saharan Africa's 49 countries, will likely continue in 2016.

### NIGERIA'S BUHARI LOOKS TO RESET THE COUNTRY AND ECONOMY

The historic 2015 election of President Muhammadu Buhari marked the first time in Nigeria's history in which an incumbent was successfully voted out of office and peacefully conceded. As the continent's largest economy and most populous country, many interpret the successful Nigerian elections as a sign that, for the first time, citizens are demanding that endemic governance challenges must improve, setting the stage for Nigeria's rise to its full potential as the continent's political and economic leader. While President Buhari was criticized for deliberating over his cabinet appointments for six months, those ultimately named are regarded as capable, and the Nigerian leader has received early praise for his commitment to tackle some of the most serious threats to Nigeria's future, including rampant corruption and the terrorist threat from Boko Haram. With

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*"Africa's 49 sub-Saharan economies can no longer be conflated into a single 'African' market. Smart investors will recognize that with many currencies under pressure, asset values are low but long-term growth prospects in individual and regional markets remain strong."*

– ASG SENIOR COUNSELOR DON GIPS

Nigeria's oil-dependent economy struggling to adjust to falling commodity prices, a renewed willingness to partner with the private sector will be key to reviving Nigeria's lagging economy in the coming year.

## SOUTH AFRICA STRONG HEADWINDS IN 2016

2015 was a troubling year for South Africa, the traditional economic and political powerhouse on the continent. The Rand fell sharply, economic growth was marred by disruptive power shortages, and investors expressed diminishing confidence in the government's ability to enact effective policies to ensure economic stability and battle corruption. In December, President Zuma's unexpected sacking of Finance Minister Nhlanhla Nene and appointment of little-known loyalist David van Rooyen was met with shock. Public outcry was captured by the trending topic *#ZumaMustFall*, following in the footsteps of the successful *#RhodesMustFall* and *#FeesMustFall* campaigns. This public outcry and sharp drop of the Rand prompted Zuma, only four days after naming van Rooyen, to re-appoint Pravin Gordhan as Finance Minister (he held the position from 2009-2014), a move that halted the Rand's freefall. South Africa's economic outlook in 2016 will be improved by Gordhan's return, especially if he is empowered to set investor-friendly policies and weed out corruption; however, he will be facing significant structural headwinds as he tries to navigate the way forward. With bell-weather municipal elections scheduled for 2016 and the ruling party set to elect its leadership in 2017, South Africa will remain an important country to watch in 2016.

## ACROSS THE CONTINENT: SPOTS OF HIGH GROWTH, PIVOTAL ELECTIONS, & HIGH STAKES FOR AFRICA'S YOUTH

Elsewhere, a number of African economies not dependent on oil or minerals benefitted from the drop in global prices, as seen in Ethiopia, Cote d'Ivoire, Rwanda, and Tanzania. Ethiopia grew an astonishing 10.3 percent from 2013 to 2014, 9.5 percent from 2014 to 2015, and continued growth is expected in 2016. The country held peaceful elections in 2015 that renewed the ruling party's mandate, though, as in many African nations, economic and democratic growth remains at odds as critics decry what they see as increasingly authoritarian tendencies of the government. The country's continued rise depends in part upon the pace of the transition of its economy from being largely state-dominated to one that effectively attracts private investment. As holds true across the continent, efforts to reduce regional barriers to trade will be critical to sustainable and transformative growth.

The coming year will test the continent's resolve. A number of national elections are scheduled across Africa in which several long-standing African presidents, including Ugandan President Yoweri Museveni and Congolese President Joseph Kabila, will face challenges to their continued rule. Elections are likely to pose serious implications for security and stability, and respect for term limits is in question as some leaders attempt to alter national constitutions to remain in power. Just this month, the U.S. government expressed its "deep disappointment" after Rwandan President Paul Kagame announced his intentions to run for an additional term after a popular referendum passed a constitutional amendment to extend term limits.

Africa's staggering youth bulge continues to present the potential for huge demographic dividends or disaster. The stakes are high not only for Africa but for the world. If left unharnessed, a growing segment of the population could be left without access to the formal economy —the perfect recruitment tool for



terrorist and other criminal organizations. Meanwhile, massive waves of refugees fleeing conflict continue to stress many of Africa's already fragile markets as well as Europe's markets. If harnessed successfully, this youth bulge could be the engine that will drive forward both African and global growth. But these challenges are not insurmountable, and Africans are working to find innovative and durable solutions. In the wake of the Buhari upset in Nigeria, calls for improved accountability are increasingly taking root, including in such markets as Tanzania, where new President John Magufuli is being widely praised for his provocative anti-graft agenda, and Kenya, where the private sector and civil society pundits are together driving change through social media in advance of 2017 elections.

## IN CONCLUSION: SMART INVESTORS WILL EVALUATE AFRICAN MARKETS INDIVIDUALLY

Africa's 49 sub-Saharan economies can no longer be conflated into a single "African" market. Overall, 2015 underscored the importance of carefully assessing African markets to exploit their unique potential—whether in the tech, health, energy, agriculture, or social sectors—while carefully managing political risk. Despite divergence in the popular "Africa rising" metanarrative, smart investors will take advantage of the fact that with many currencies under pressure, asset values are low yet prospects for long-term growth in promising individual and regional markets remain strong.

