Africa could be the next great growth story. As the looming humanitarian crisis on the continent raises concerns about the lack of international aid, there are signs of economic activity that could be key to exponential growth. Expansion opportunity comparisons for Africa have been likened to the growth stories of China or India at the infancy of their economic transformations.

At the same time, Africa is widely perceived as a continent plagued by political challenges, internal government conflict, corruption, violence and war. Environmental and health crises such as drought, disease and famine prevail. Indeed, food insecurity and political instability in parts of Africa have become full-blown humanitarian challenges that world leaders and international human relief agencies are grappling to address. The reality may not be so complicated in Africa, or so says Harry Wulfsohn, Executive Director of Imara Holdings Ltd. “Africa may be perceived as unfamiliar…but you can avoid exposure to corruption risks.” Imara specializes in the African capital markets and has 40 years of experience investing in several nations on the continent.

Wulfsohn states that the “2015 commodity slump and subsequent weaknesses in various domestic currencies created a window of relatively cheap African assets.” With twenty five established democracies, fifteen stock exchanges in Africa, and a middle class of approximately 75 million people there are growth opportunities. The second largest continent in the world has been affected by weaker commodity prices and current controls but the tertiary sectors should be the focus as it is fueling growth. Manufacturing of apparel, fashion accessories, car parts and pharmaceutical products in Africa reflects the
diversification away from simply commodity exporting. The penetration of mobile gadget usage is spurring of consumption electronic payment technology and social media offerings.

Wulfsohn is a founder of Fleming Wulfsohn Africa (FWA) and was a Director of The Stenham Group for fifteen years. Born and raised in Zambia, he has personally seen signs of transformation including: “Traffic jams and massive shopping mall expansion and construction.” He says “there is a large, young urbanized educated population… that needs jobs to fuel growth and consumption in the middle class” and emphasized that there are many cases of leapfrog technology. The Global Innovation Index 2017 co-authored by Cornell University, INSEAD and the World Intellectual Property Organization found that nearly ten of the Sub-Saharan nations make up “the most promising performance” given recent investments.

Albert Lu, President and CEO of Sprott US Media, Inc. addressed the challenges that novice investors have with the region despite strong service sector growth and foreign investment. Wulfsohn posits that there are advantages to the fact that there are subsidiaries to multinational corporations in Africa. Namely, MNC subsidiaries such as Nestle, Unilever, GlaxoSmithKline, Vodafone, Diageo, Heineken and Standard Bank are able to take advantage of pricing powers despite market conditions.

Given that Africa is home to a diverse group of people, with over 1500 languages spoken within the fifty-four nations that are represented within the five expansive regions, it is undoubtedly an immense task to lump together the micro with the macro outlook and offer a simple solution.

If the IMF’s three-pillared solution for growth in the sub-Saharan region is anything to go by, the economic outlook is promising but requires shifts in fiscal and public policy as well as social safety nets. Growth in the region hit its lowest level in two decades. Separately, the Organisation for Economic Co-operation and Development (OECD) and the African Development Bank (AfDB) project that overall economic growth in Africa will expand. GDP is expected to grow by 3.4 percent in 2017 and 4.3 percent in 2018. Both the OECD and AfDB forecast Foreign Direct Investment (FDI) to top $57 bin this year.

For developing nations it is crucial to open up markets. Wulfsohn suggests taking the long-term view when it comes to investing in Africa.

For an in-depth look at Wulfsohn’s article “Window of Opportunity” reply to this email or visit AfricaGlobalFunds.com.