

**Rand Merchant Bank's Where to Invest in Africa 2015/2016 report launched:**

**Agriculture and energy offer some of the most attractive investments in Africa**

As well as analysing the most attractive investment destinations in Africa Rand Merchant Bank's (RMB) *Where to Invest in Africa* 2015/2016 report also addresses two of the most under-invested sectors on the continent - power and energy - and looks at the opportunities they offer to investors.

In many African countries, agriculture is the lifeblood of the economy, employing a vast majority of the population. But, despite an abundance of arable land, Africa continues to import food products to satisfy its insatiable level of demand, which is set to triple by 2050. The *Where to Invest in Africa* report looks at the reasons for Africa's inability to produce sufficient food for itself, but that this in itself is an opportunity for investors to tap into. Investment is key to improving agribusiness, and therefore the report highlights those countries that have been outperforming from an industry growth perspective.

Like agriculture, energy is fundamental to sustainable growth. However, the power sector is faced with a plethora of constraints, not least of which is funding. The amount required to electrify the continent far outstrips what any government or donor can reasonably provide, necessitating private funding. The report quantifies Africa's energy usage and shortages which are key considerations for doing business on the continent. Most importantly investment opportunities in especially the renewable energy space are highlighted.

As in previous years, *Where to Invest in Africa* ranks 54 African countries according to their investment attractiveness. RMB's attractiveness index provides a means by which investors can select the most appealing investment destinations in Africa.

The results show South Africa retaining its position as the most attractive investment destination in Africa despite a reduction in its score due to a weaker business environment and a faltering business outlook.

However, Nigeria, which held second position in the *Where to Invest in Africa* ranking in the previous year, fell to fifth position mostly attributable to a combination of local deterrents and its relative economic underperformance over the past year. “But, we are encouraged by the peaceful transition of power in the country and continue to believe in its long-term economic viability based on the sheer size of its economy and the prospect of a demographic dividend,” says RMB Africa analyst Nema Ramkhelawan-Bhana, joint author of the report.

Egypt recaptured its spot as the second most attractive investment destination in Africa following three years of political instability. It jumped four places helped by its sizeable domestic market, relatively low unit labour costs and rapid uptake of technology, but still trails South Africa by a sizeable margin.

Morocco and Ghana followed in third and fourth positions respectively impressing offshore investors with the integration of value chains and the progress of collaborations between big firms and SMEs. Ethiopia earned a well-deserved sixth position given its stable economic environment, strong investment guarantees, natural resource base and programmes to develop skilled labour.

Tunisia fell two spots in the rankings to seventh place reflecting the government’s struggle to revive an ailing tourism industry and safeguard its borders against terrorist attacks. Algeria, on the other hand, continued to make strides in the rankings rising a further two places to number eight. “Its recovery in the rankings following the Arab Spring is mainly ascribed to an improvement in the economic growth outlook and the realisation of greater levels of competitiveness,” says RMB Africa analyst Celeste Fauconnier, also an author of the report.

Tanzania and Kenya filled the remaining two Top 10 positions, in ninth and tenth respectively with Kenya nudging Rwanda to number 11. In total, 25 countries have bettered their standings over the last year, five are unchanged and 23 have fallen in the rankings.

However, despite the improved economic performance of some of Africa's countries, the continent is still at the lower end of global investment attractiveness. South Africa is the highest ranked African country at 41 out of a total of 183 jurisdictions measured in the report.

"Africa accounted for only 4.4% of global foreign direct investment (FDI) flows in 2014, but that is almost double the amount invested nine years ago," Ramkhelawan-Bhana says. "To place that in context, Africa attracts a greater proportion of FDI funding than South and West Asia and transition economies."

Fauconnier adds: "Regional inflows ranged between US\$10bn and \$15bn in 2014, reflecting a seismic shift in investor perceptions since 2006, when inflows amounted to less than \$5bn in the majority of African countries."

Increased investment interest comes as a result of superior returns realised in Africa relative to most emerging market economies as well as numerous investment opportunities. But, Africa is also fraught with challenges that require meticulous planning. *Where to Invest in Africa* helps investors identify the opportunities, as well as the challenges.