

China leads charge to promote sub-Saharan infrastructure

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A range of foreign operations are expected to begin investing in sub-Saharan infrastructure development, with Chinese construction companies firmly in the dominant position.



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BMI Research, a Fitch group company, says the region will provide investment opportunities across several sectors including transport, power and industrial construction.

In its outlook for sub-Saharan African infrastructure in 2017, it says as governments work to overcome logistical shortcomings to support infrastructure development better, China will continue to dominate financing flows to the region and provide support for project financing, construction and operations. BMI says this comes as China presses ahead with international expansion plans to offset overcapacity in its domestic construction industry.

African governments welcome the cheap credit lines offered by Chinese companies. The slump in commodity prices has slowed economies such as Nigeria, Angola and Mozambique. Prices have started firming since 2015, but the timing for a full recovery of the global minerals sector remains uncertain.

According to a report on Chinese enterprises in SA by the SA-China Economic and Trade Association, China's investment in the country had reached about \$13bn by the end of 2015.

Meanwhile, investment from a range of foreign players will also support regional construction industry activity. The BMI says the outlook for the expansion of the sub-Saharan Africa construction industry "is more positive for 2017", after regional growth in 2016 dipped to its lowest rate in almost 16 years.

"We are forecasting expansion of 4.8% in real terms over 2017, keeping sub-Saharan Africa as the third-fastest growing construction market globally," said Marisa Lourenco, infrastructure analyst at BMI Research and the report's author.

African governments' commitments to develop regional networks to overcome logistical shortcomings would continue to provide opportunities in the transport and power sectors, she said.

"We believe East Africa offers the most growth potential in this regard owing to a packed project pipeline and progress made thus far," Lourenco said.

Source: Business Day

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