

# RMB's Top 10 African investment destinations

Most investors still believe Africa offers a treasure trove of opportunities. In Rand Merchant Bank's (RMB) annual investment report, some countries have emerged as hidden gems, while some of the perennial favourites have lost their sparkle.



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“Governments are gradually coming to the realisation that diversification is necessary to foster meaningful growth, but transformation cannot be achieved in isolation,” says Nema Ramkhelawan-Bhana, Rand Merchant Bank (RMB) Africa analyst and co-author of RMB's sixth edition of its annual *Where to Invest in Africa – A Guide to Corporate Investment* report. “Structural reforms and greater private sector participation are crucial to unlocking Africa's potential. Our analysis of sectoral developments – specifically in the spheres of finance, infrastructure, resources and retail – strongly support this point of view.”

The analysis of Africa's development in RMB's latest report plots the evolution of African economies using the RMB Investment Attractiveness Index and focuses on the theme “Back to the Future”.

“Rather than evaluating the continent at a point in time, we sought to highlight its evolution over the last decade,” says RMB Africa analyst and co-author of the report, Celeste Fauconnier. “We compare current realities to past occurrences to better understand aspects that will shape future events.”

RMB's Top 10 investment destinations are remarkably similar to last year with one noticeable difference being Côte d'Ivoire which re-enters the fold after a 13-year hiatus, squeezing Tunisia out of the Top 10. Other countries are holding their positions – somewhat tenuously in a number of cases. RMB's top 10 investment destinations in Africa include:

## South Africa

The country continues to stand firm at number one but risks losing its coveted spot in the next few years as a faltering growth outlook and uncertain business environment slowly eats away at its investment score. Despite a stream of negative news, the country remains a bastion of institutional integrity and continues to boast one of the best operating environments in Africa.

## Egypt

There is a possibility that Egypt could unseat South Africa as the leading investment destination in Africa if it succeeds in consolidating the economic gains accumulated in the aftermath of the Arab Spring. However, the country's operating environment could be an inhibiting factor considering that it lags South Africa in all aspects of governance.

## **Morocco**

Hot on the heels of its North African peer, Morocco is holding steady at number three for a second consecutive year, buoyed by solid economic growth, favourable geographic positioning, sturdy infrastructure, strong regulatory policies and a stable political setting.

## **Ghana**

Within a whisker of the top three, Ghana is brandishing the title as the most attractive investment destination in West Africa. Despite a myriad of economic challenges, the country labours on as it slowly rebuilds confidence in its processes and policies under the watchful eye of the IMF.

## **Kenya**

Having nudged Nigeria out of fifth position, Kenya is exceptionally worthy recipient which has steadily progressed up the ranks, surpassing both Ethiopia and Tanzania. Investors are attracted by Kenya's relatively diverse economy, pro-market policies and brisk growth in consumer spending.

## **Nigeria**

Weighed down by a dismal economic growth outlook and weak operating environment, and despite its many challenges, the West African giant is still regarded as a viable long-term investment destination but will be forced to endure painful structural adjustments over the next few years to safeguard its prospects.

## **Ethiopia**

The country might well surpass Nigeria in 2017 as scores of foreign investors seek to benefit from the country's young and vibrant population, low unit labour costs and thriving manufacturing sector. Notwithstanding the regulatory challenges in establishing operations locally, the opportunity to participate in this budding economy cannot be overlooked.

## **Côte d'Ivoire**

As the unsung hero of West Africa, Côte d'Ivoire debuts at number eight. After years of political paralysis, the world's top cocoa producer has earned its place in the sun, supported by a booming economy, an emerging middle class, robust infrastructure development and an improved business environment.

## **Tanzania**

Having flirted with the Top 10 for many years, Tanzania holds steady at number nine, barely nudging out Algeria and Tunisia. The new political dispensation's focus on industrialisation and enhanced productivity is encouraging, though protectionist tendencies could undermine the government's pro-business rhetoric.

## **Algeria**

Algeria has slid two spots to number 10. High reserves and low debt levels have helped to cushion the blow of low oil prices, but there is a desperate need to implement reforms to diversify the economy away from the hydrocarbon sector.

“From a global perspective, Africa is still at the lower end of the investment spectrum”, says RMB Africa analyst and co-author, Neville Mandimika. Out of 188 countries analysed globally, a large proportion of African countries are still ranked between 120 and 188. South Africa, the only African country featured in the Top 40 in 2006, has dropped to 45, surpassed by a number of emerging economies in East Asia and Latin America.

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