

EMERGING MARKETS — SPOTLIGHT ON AFRICA

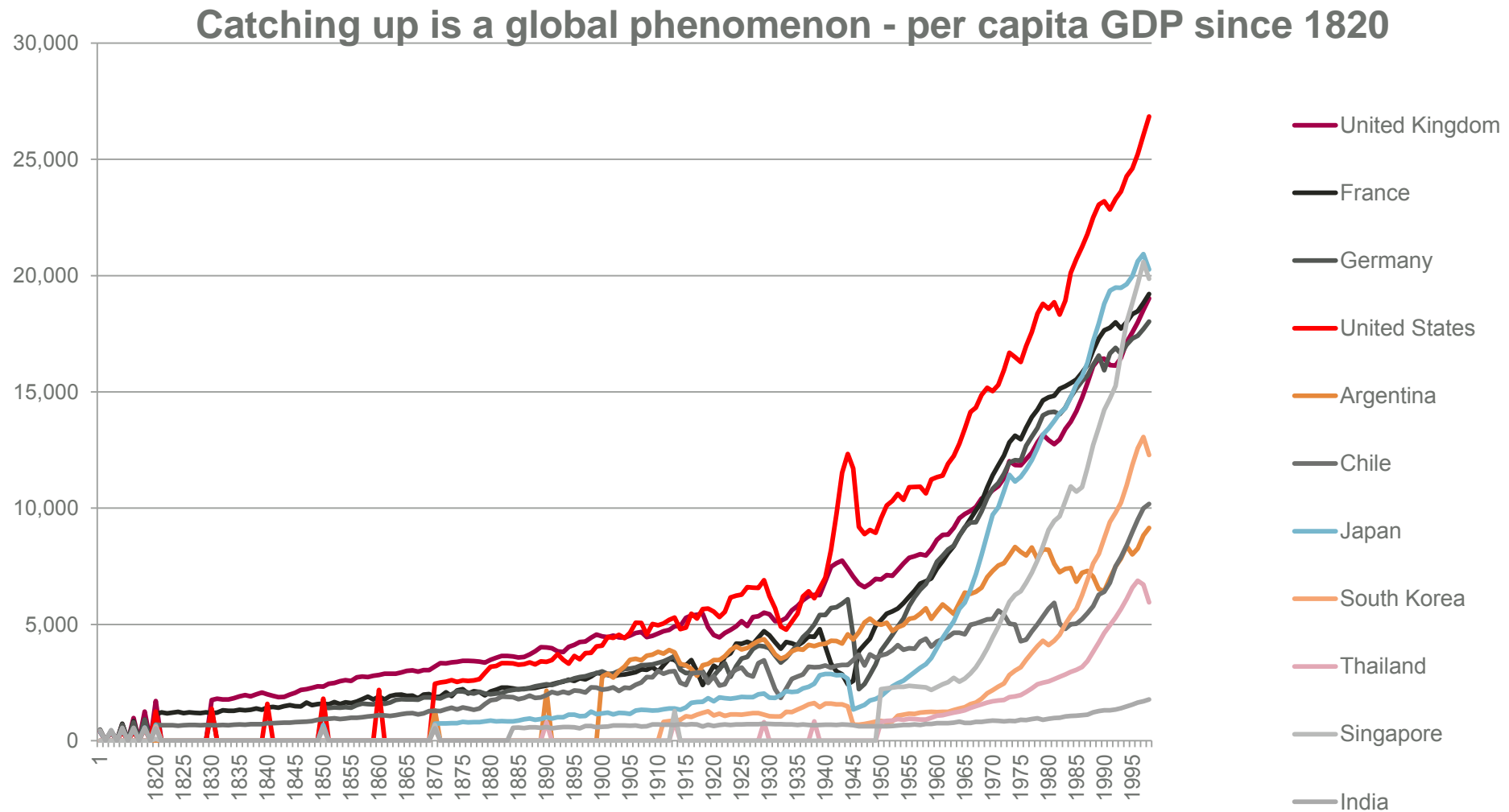
CHARLES ROBERTSON

RENAISSANCE CAPITAL

FRONTIER, EMERGING AND CONVERGING MARKETS

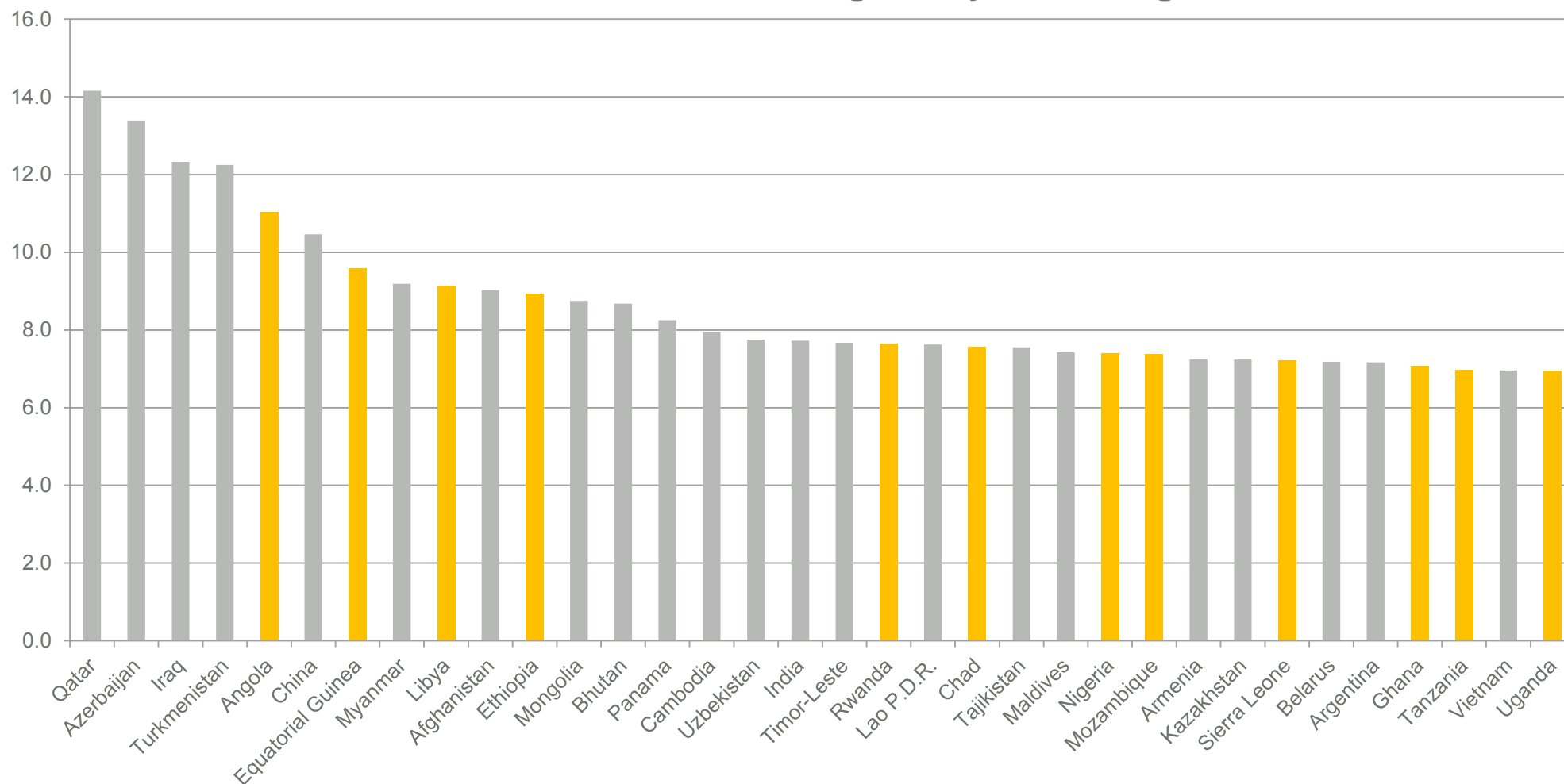
The emerging markets investment firm

GDP GROWTH KNOWS NO RELIGIOUS, ETHNIC, CLIMATE OR CONTINENTAL BARRIERS



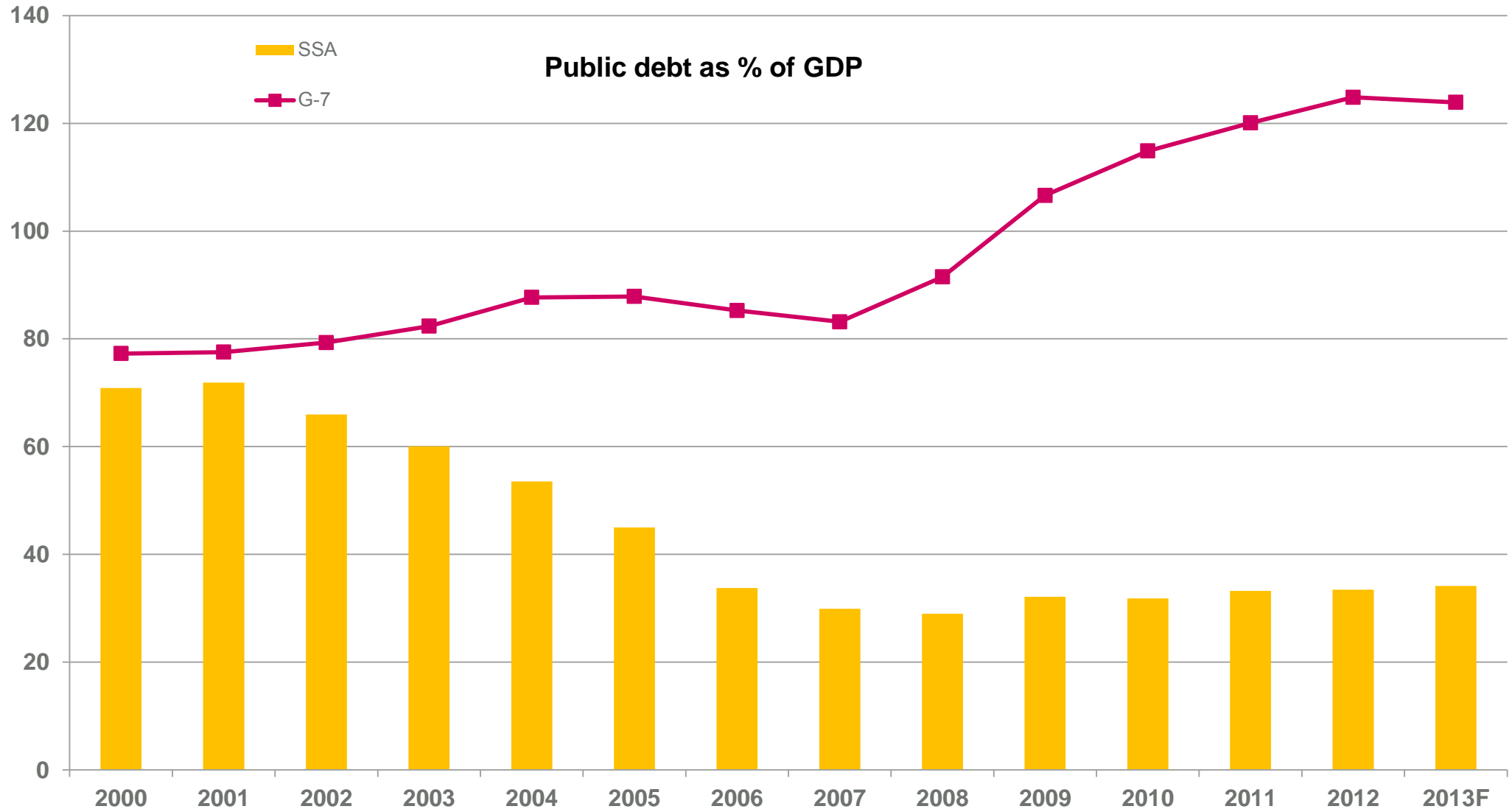
YET 10 AFRICAN COUNTRIES ACHIEVED AT LEAST 7% GROWTH SINCE 2000 (ENOUGH TO DOUBLE GDP IN A DECADE)

Over 2003-12 - each of these grew by an average 7.0%

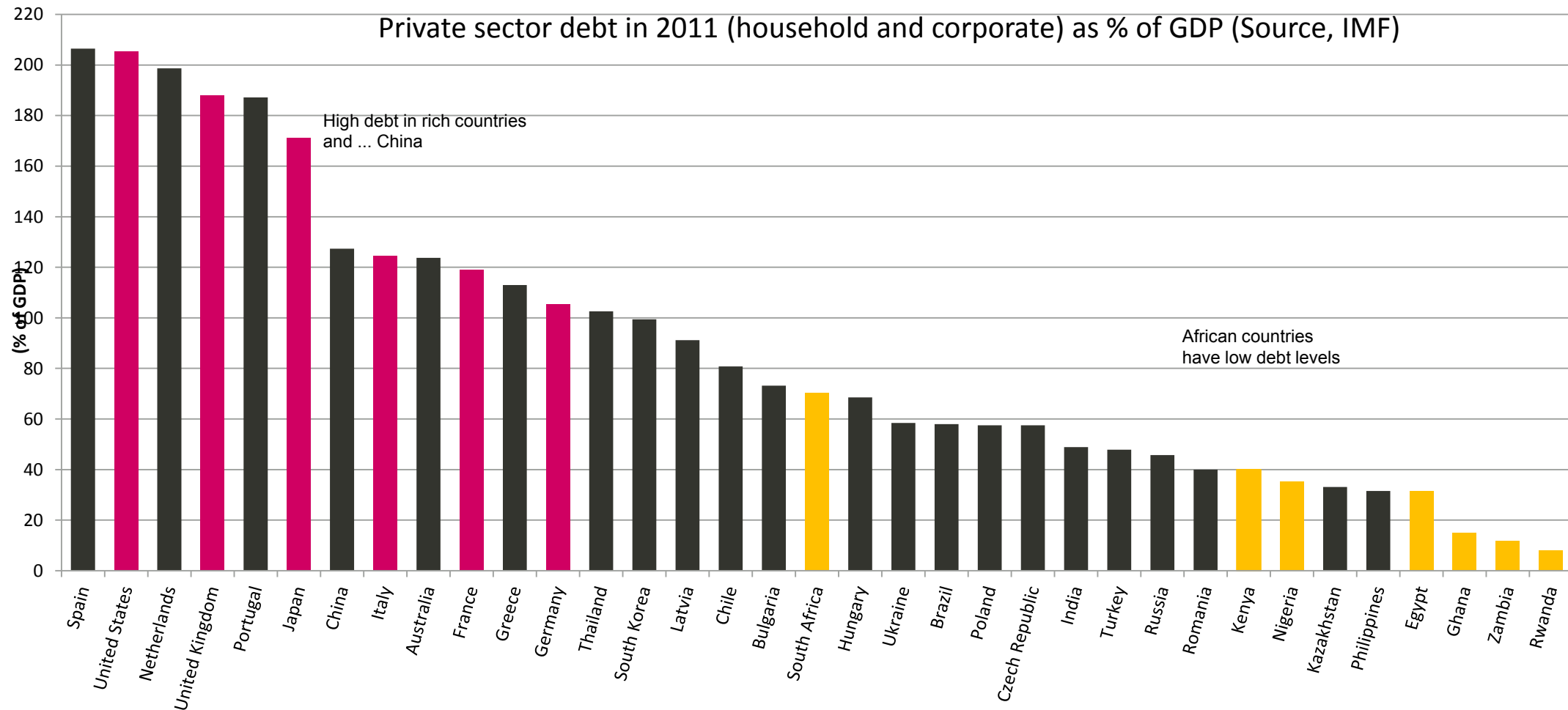


WHY NOW ?

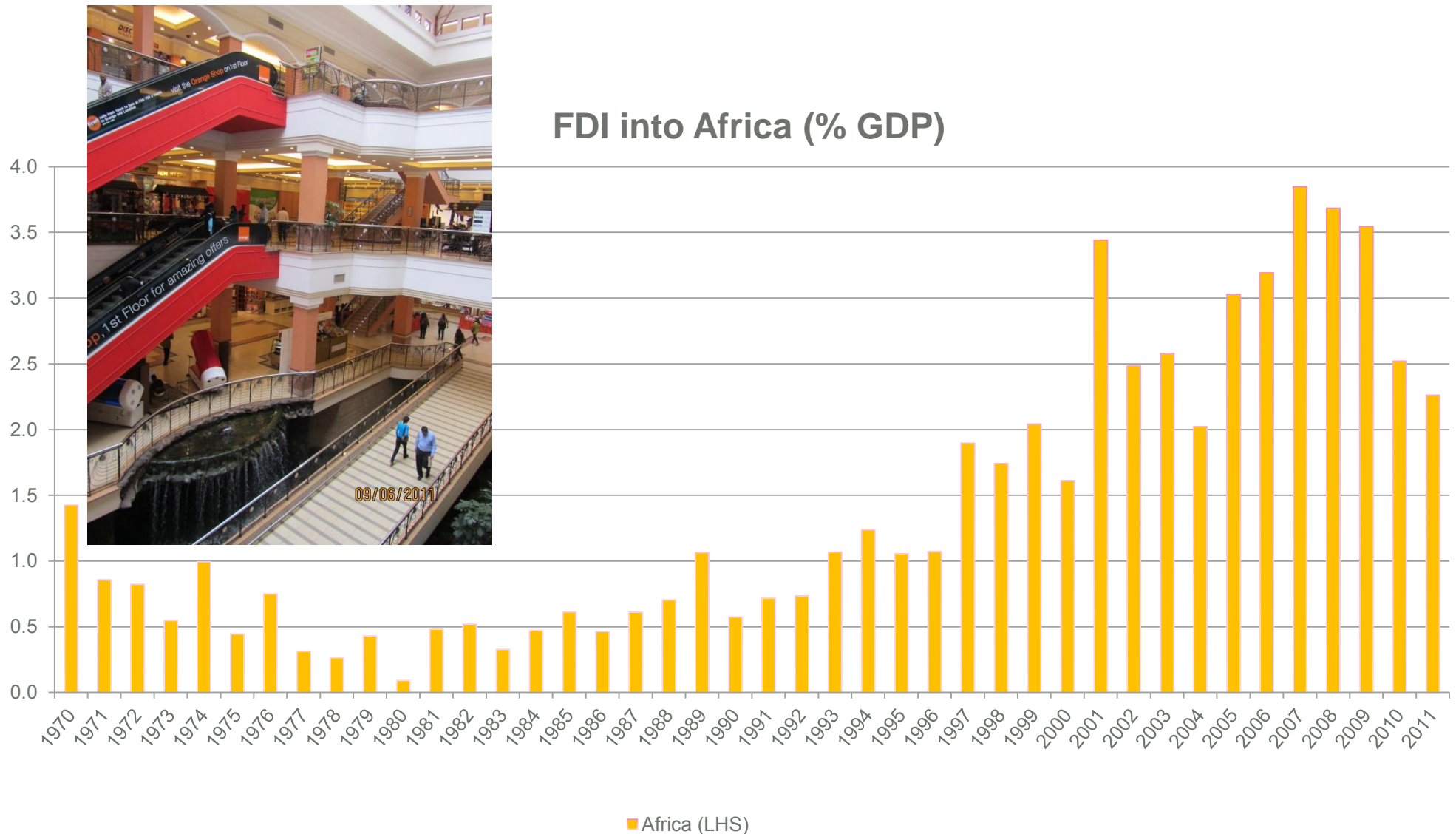
CUTTING AFRICAN DEBT IN HALF



BANKING STILL HAS ROOM TO BOOM

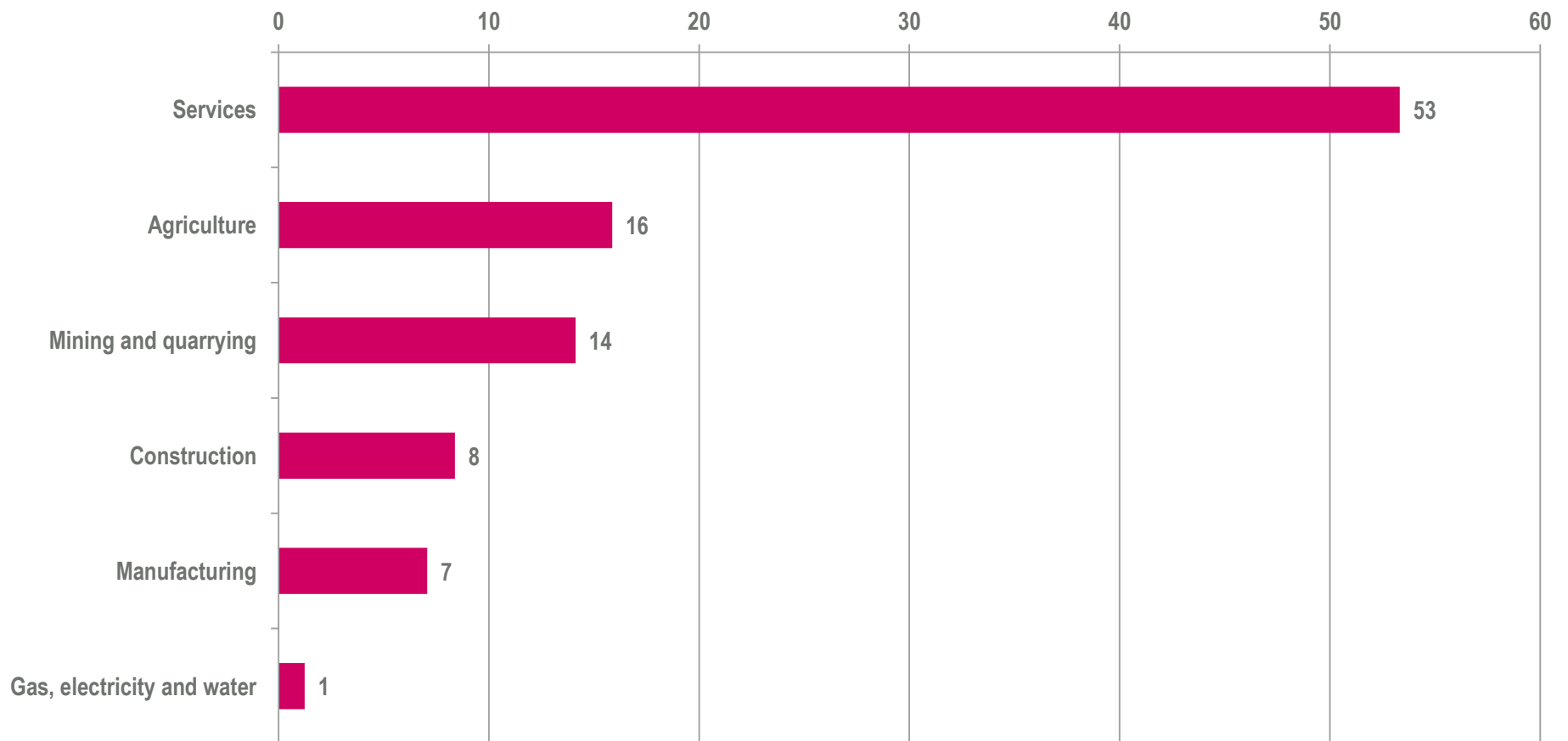


THE RISE OF FOREIGN DIRECT INVESTMENT BEGAN BEFORE CHINA

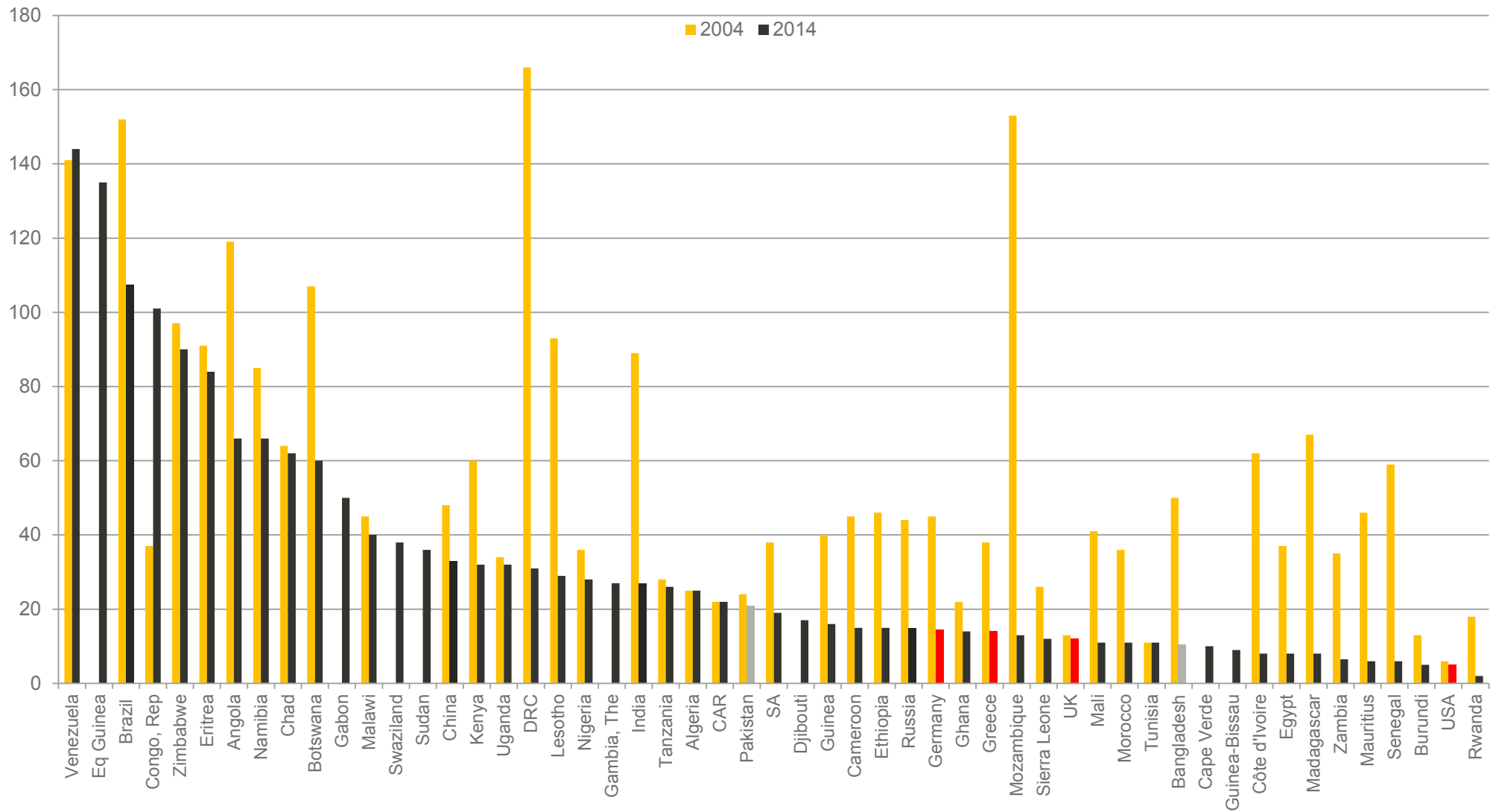


ACTUALLY MOST GROWTH HAS COME FROM SERVICES

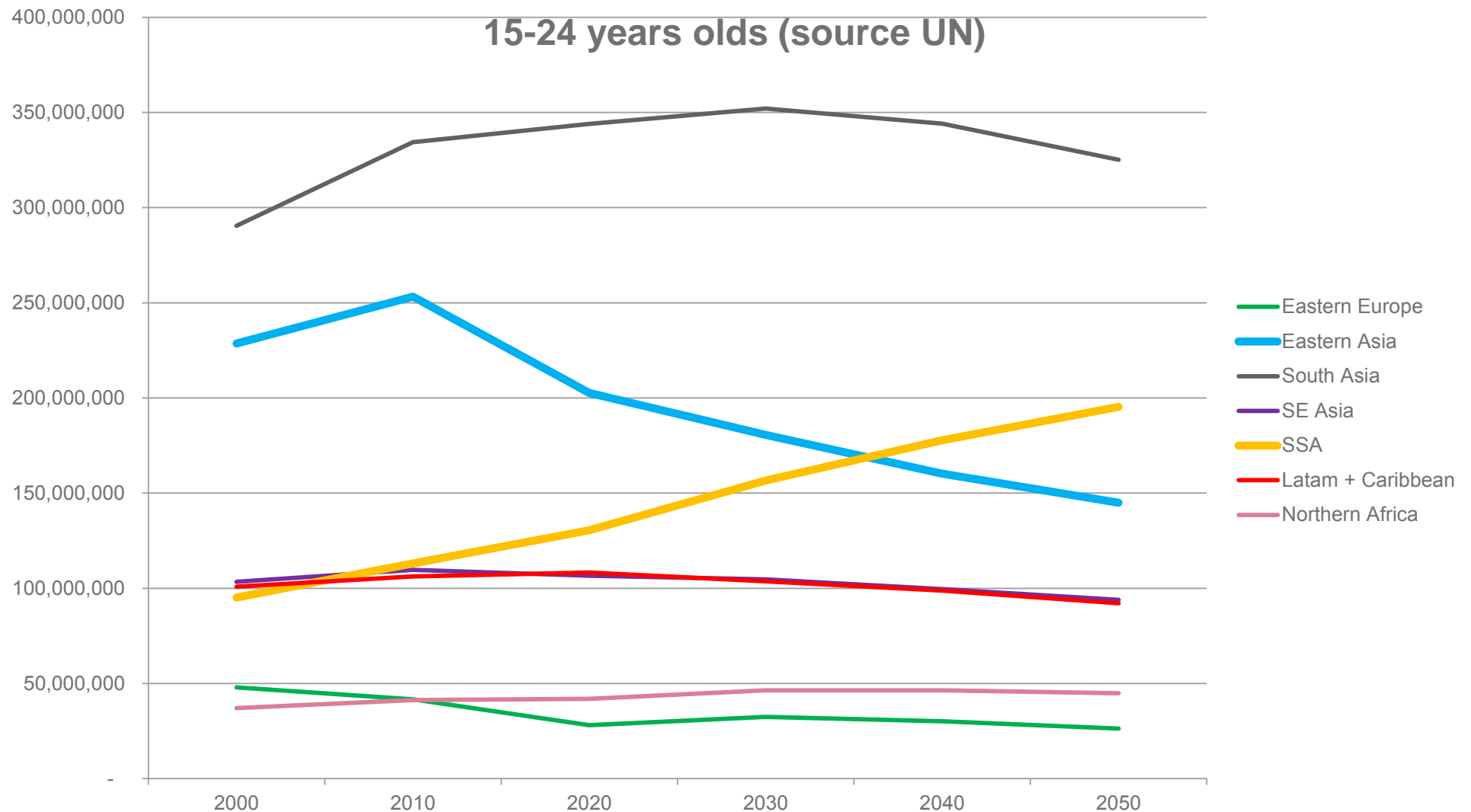
Sector share of change in real GDP, 2002-2009



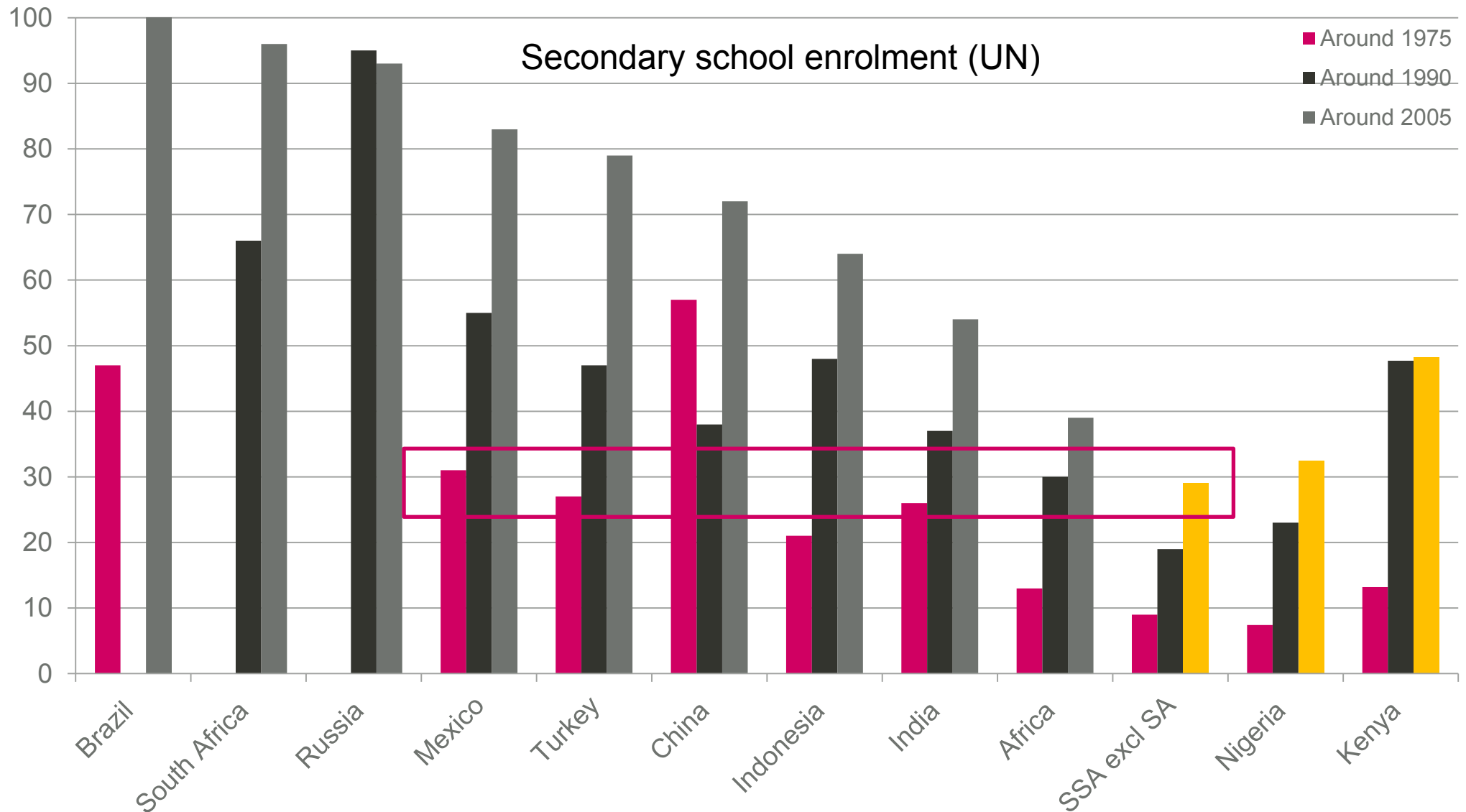
EASE OF DOING BUSINESS REFORMS – DAYS TO START A BUSINESS (WB, 2014)



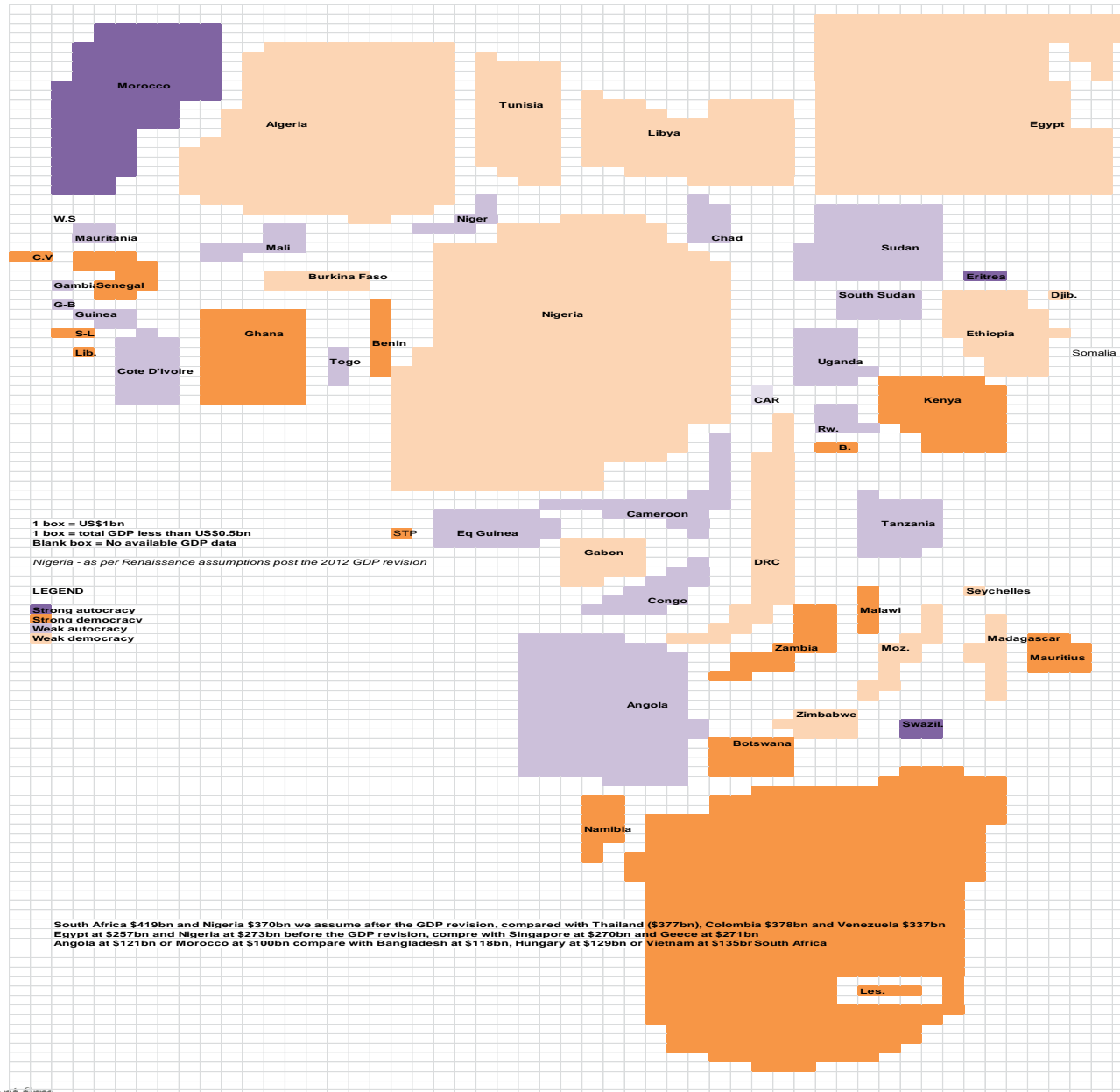
PERHAPS IT IS DEMOGRAPHICS



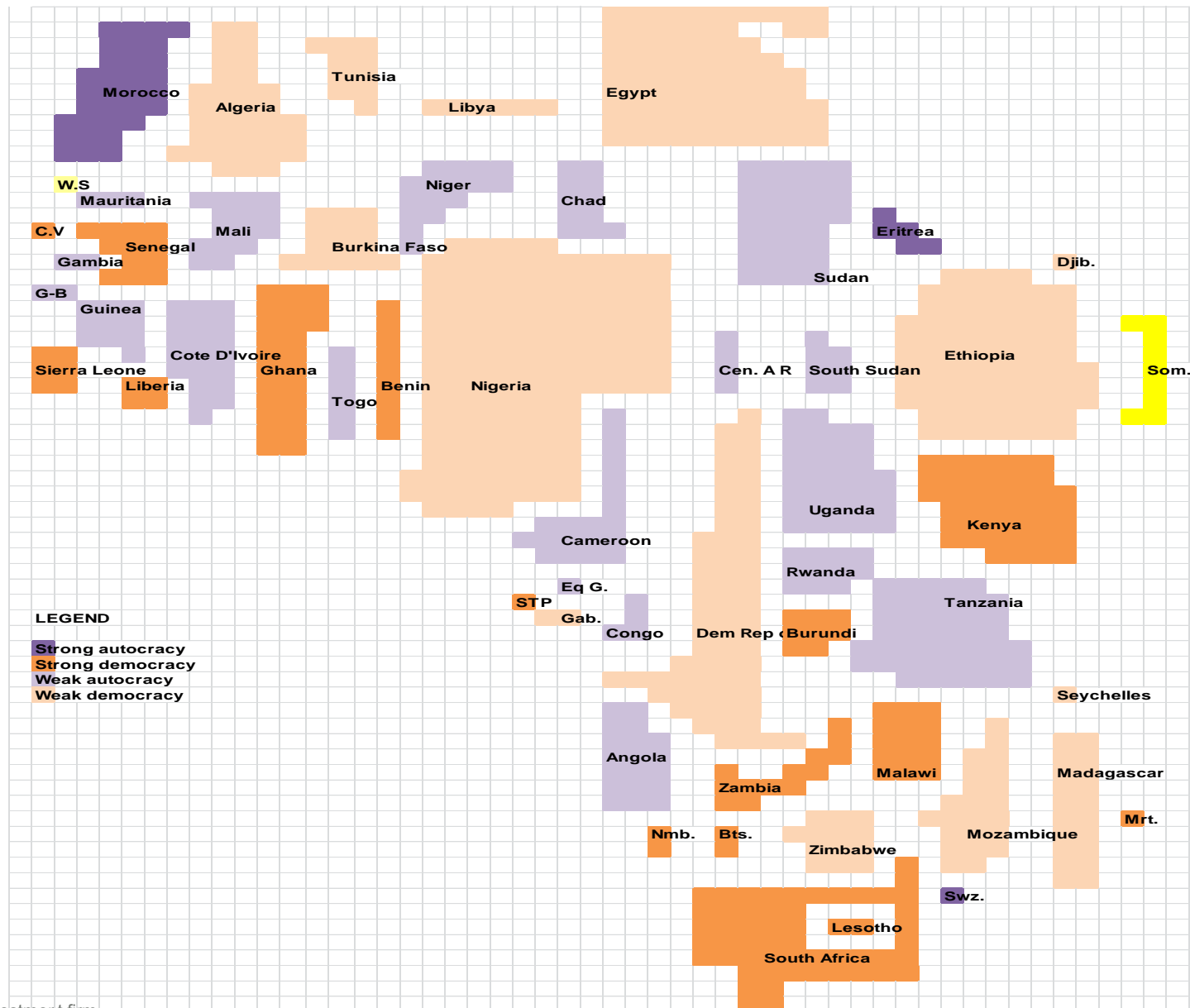
EDUCATION IS A CRUCIAL FACTOR



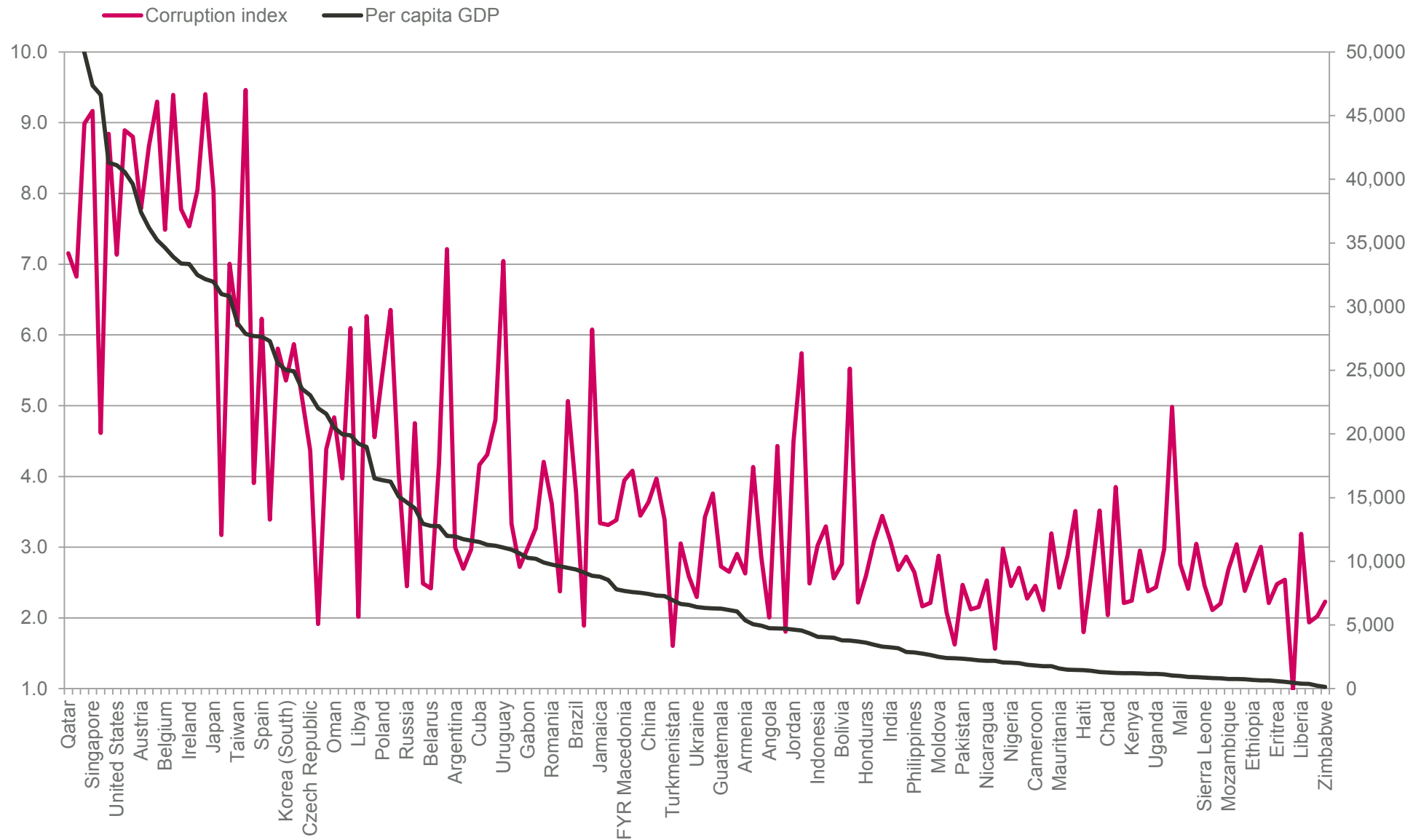
AFRICA GDP IN 2012



AFRICA IN 2010 BY POPULATION

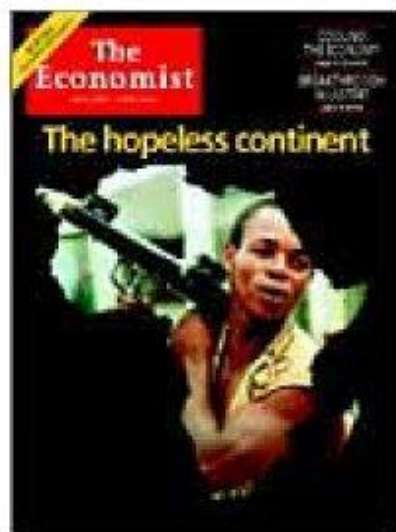
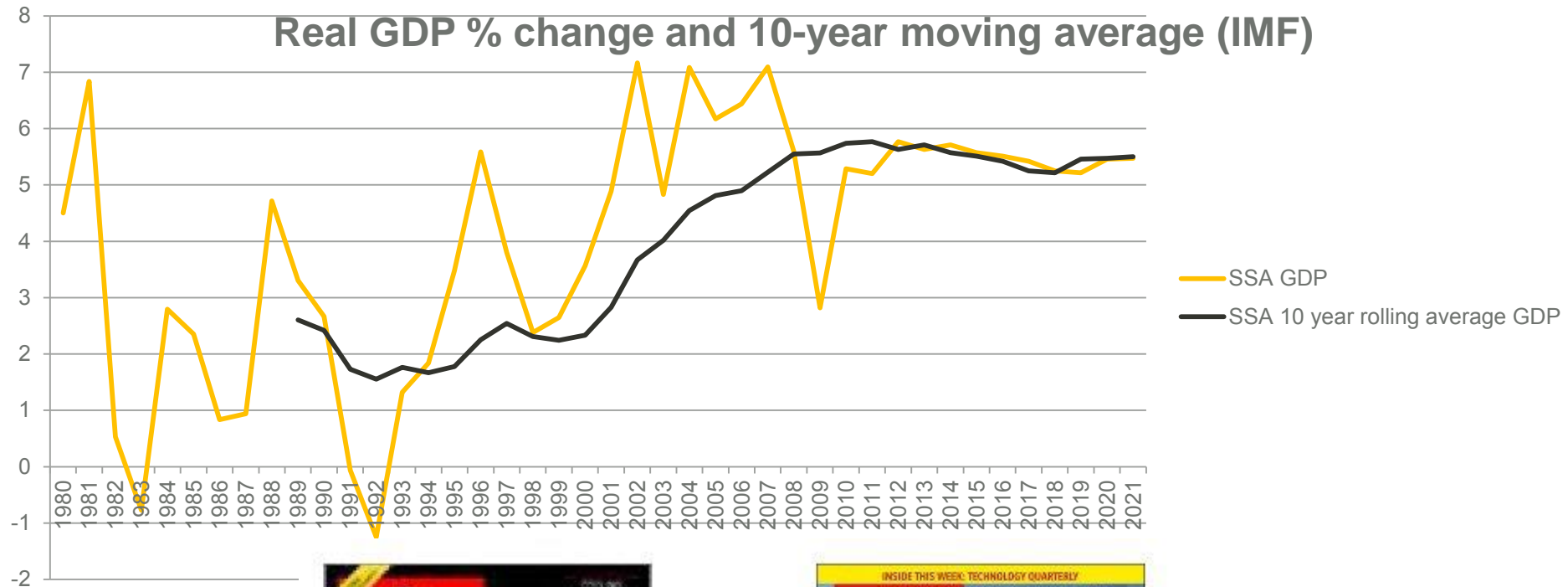


CORRUPTION LINKED TO PER CAPITA GDP

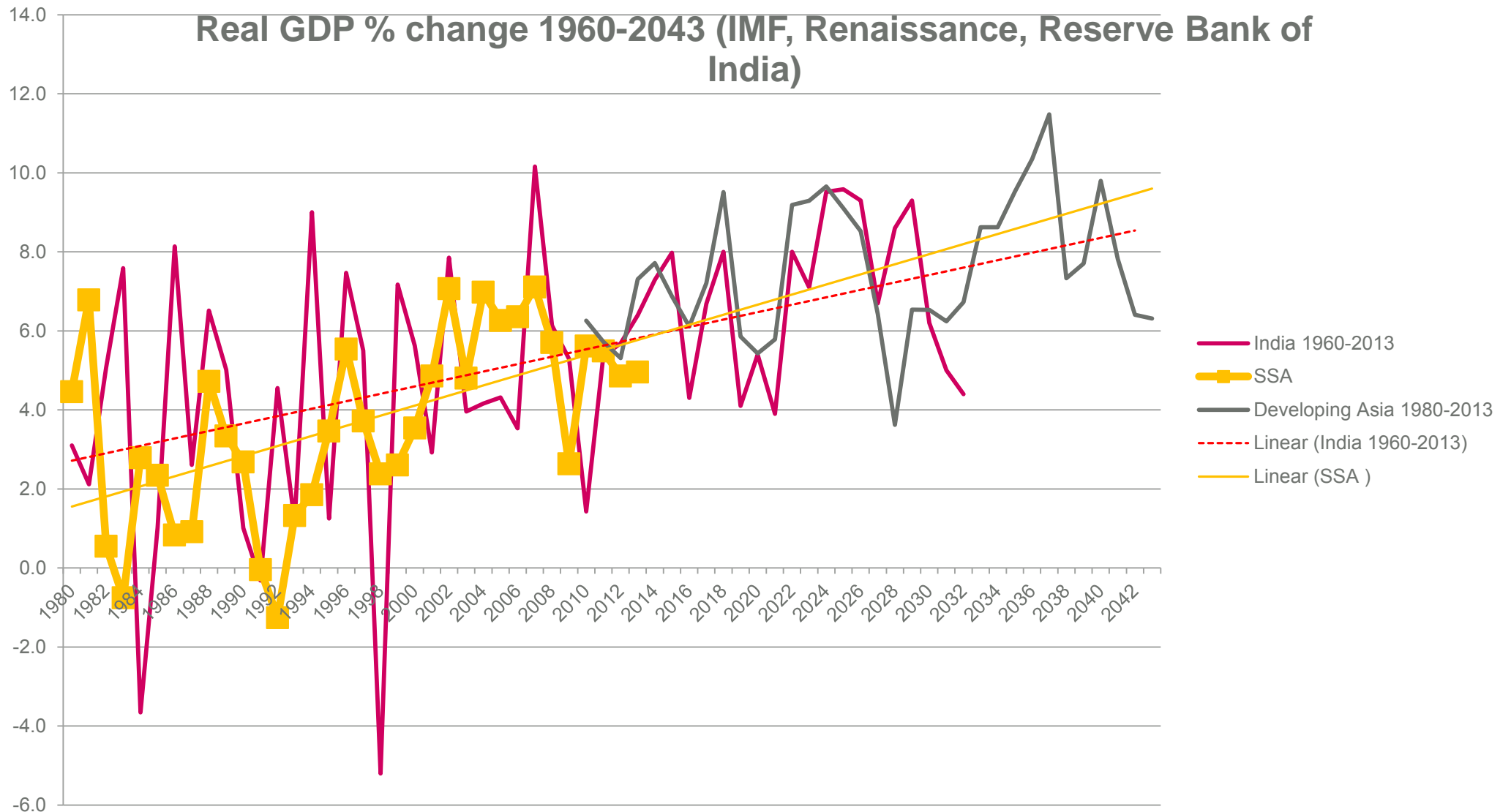


WHAT HAPPENS NEXT ?

A TYPICAL FORECAST WOULD BE THIS

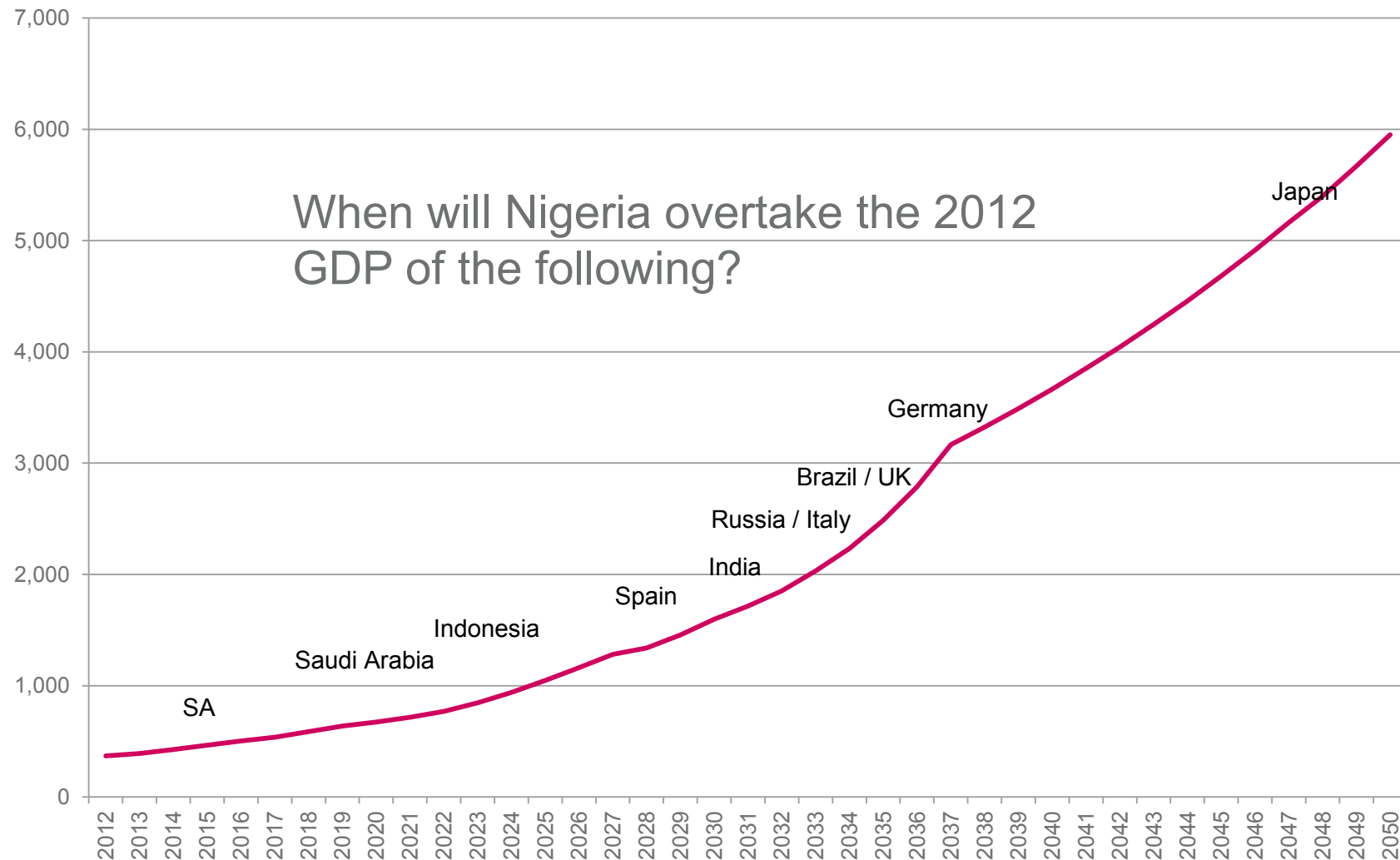


AFRICA AS INDIA AS ASIA



FASTEST BILLION - NIGERIA

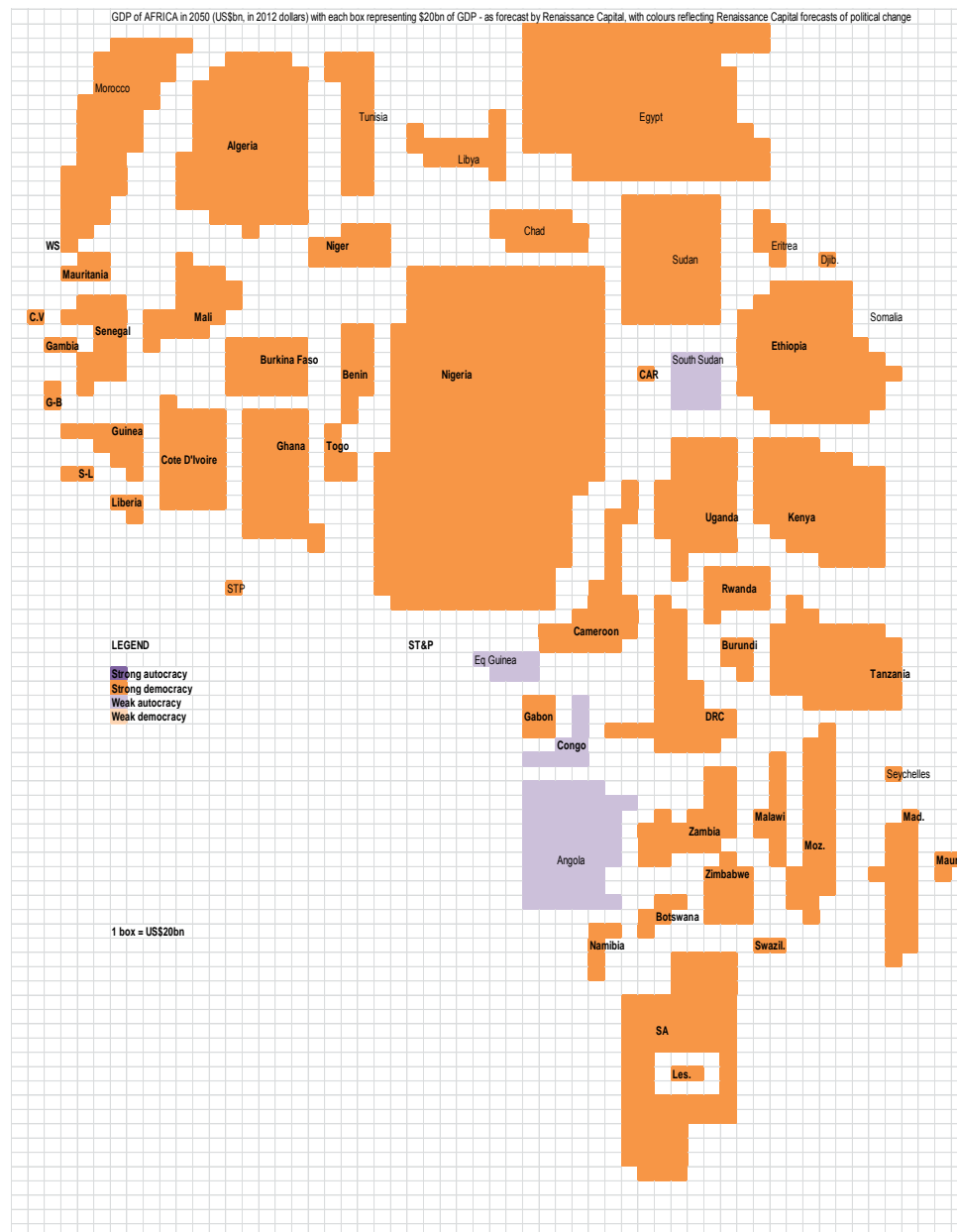
Nigeria GDP in \$bn (2012 dollars)



CONCLUSIONS

- SSA has been following the Indian growth trajectory for 30 years, with a 20 year lag. This tells us that the next 20 years will be even better for SSA. Moreover India has itself been following Developing Asia with a ten year lag, implying good African growth out until the 2040s.
- In constant prices, and assuming Africa does no better than India/Developing Asia, this means the continent should grow from \$2 trillion in 2012 to \$29 trillion by 2050.
- With higher growth should come a deepening and widening of democracy across the continent. Corruption will decrease as per capita incomes grow.
- Africa will move up the value-added curve, from resources and services which help drive growth today, to service exports, textiles and increasingly heavy industry from the 2020s. Assuming a rise in private sector debt/GDP to 100% by 2050 implies a 30-40 fold rise in the stock of bank credit in constant 2012 dollars. An agriculture productivity boom is possible if Cerrado techniques are adopted across the Guinea Savannah.
- Infrastructure needs are affordable – SSA oil production revenues of over \$220bn easily exceed the annual \$90-100bn estimated infrastructure needs. India tells us that however much is invested, still it may not fully meet demand. But in addition, governments will want to boost domestic savings, widen and improve education systems, yet try to ensure budget and external deficits do not widen so much that there is risk of a 1980s debt crash.
- There is a great opportunity to deliver a better performance in the coming 40 years than Asia achieved over the last 40 years.

AFRICA GDP IN 2050



THE FASTEST BILLION

PRIVATE & CONFIDENTIAL

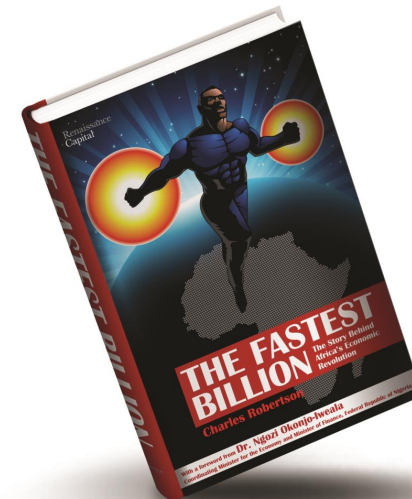
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November 2013

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