

Africa in 2014: more opportunities for China

China's investment into Africa

Walter de Wet
May 2014

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Diversification of global economic locomotives – especially in past decade

A multipolar world reaches out to Africa

African growth – stronger & more resilient

Five fundamental drivers

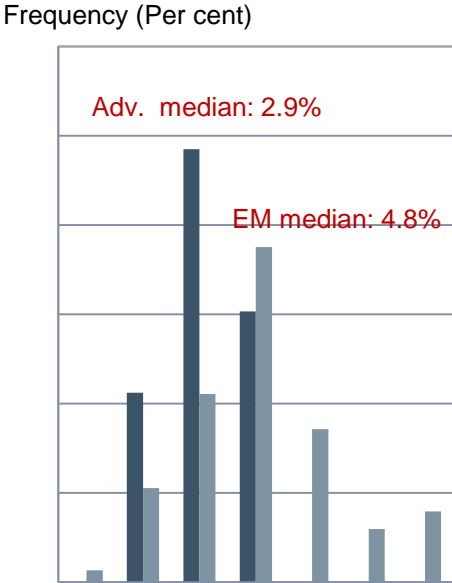
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Superior trend growth...

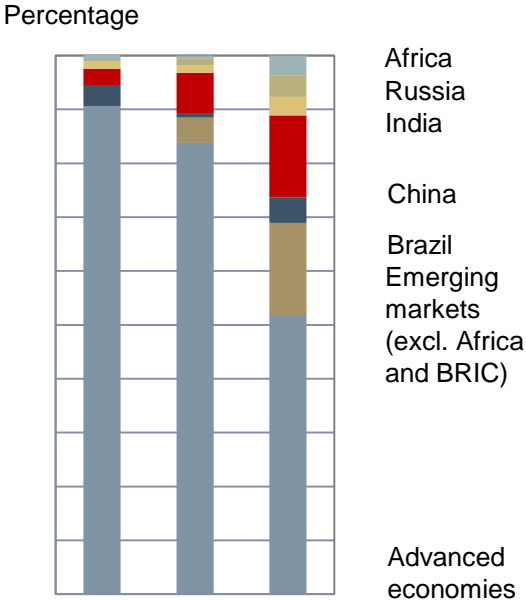


— Advanced economies
— Emerging economies

...enjoyed by most EMs...



...means EM share of output rising.



Sources: IMF, Standard Bank Research

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Bilateral ties with China offsetting weakness elsewhere

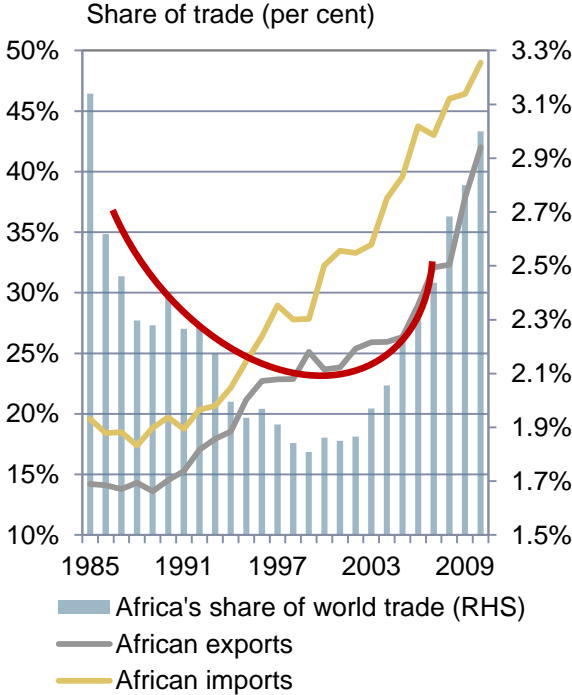
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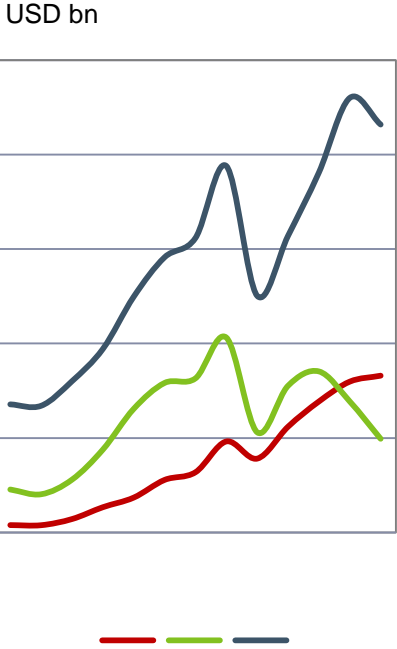
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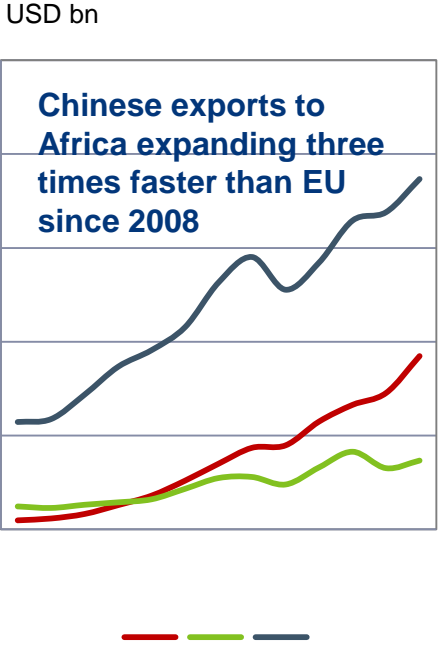
Africa trade back to pre crisis peak



Chinese imports unfazed by financial crisis



Chinese tapping Africa markets



Sources: IMF, ITC, WTO, Standard Bank Research



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Commodities introduced China to Africa, but it is just a starting point

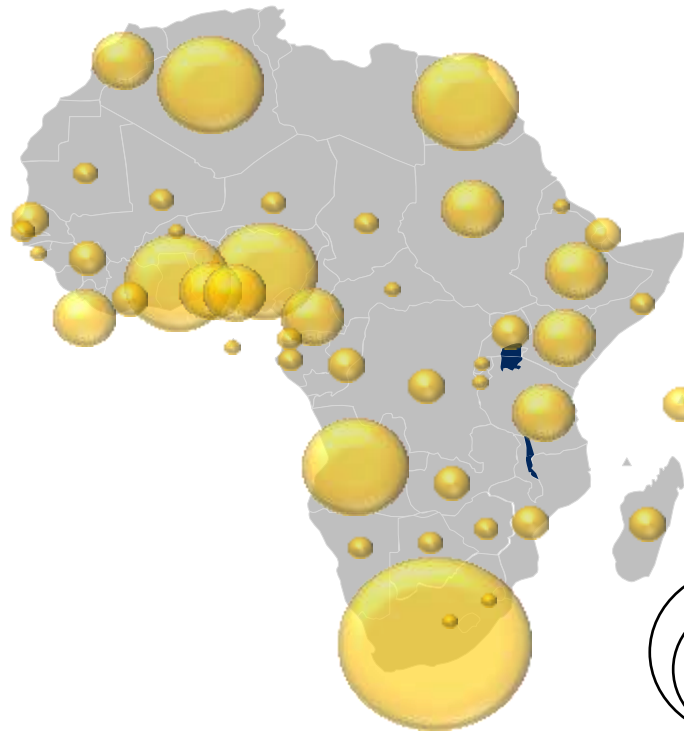
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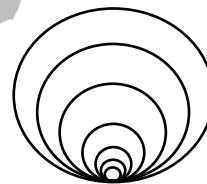
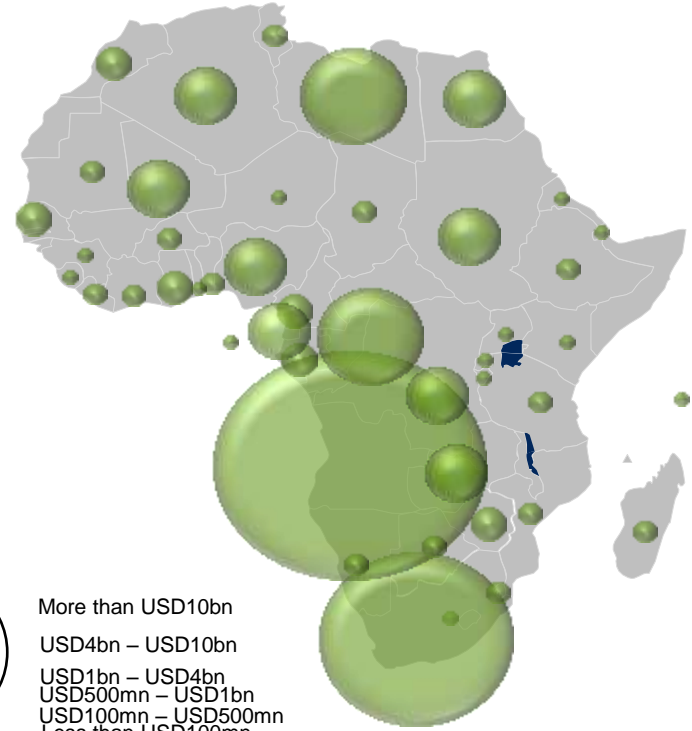
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Chinese exports/African imports (USD bn)



Chinese imports/ African exports (USDbn)



More than USD10bn
 USD4bn – USD10bn
 USD1bn – USD4bn
 USD500mn – USD1bn
 USD100mn – USD500mn
 Less than USD100mn

Sources: IMF, ITC, WTO, Standard Bank Research

Ambitious, global-minded Chinese corporates setting up in Africa

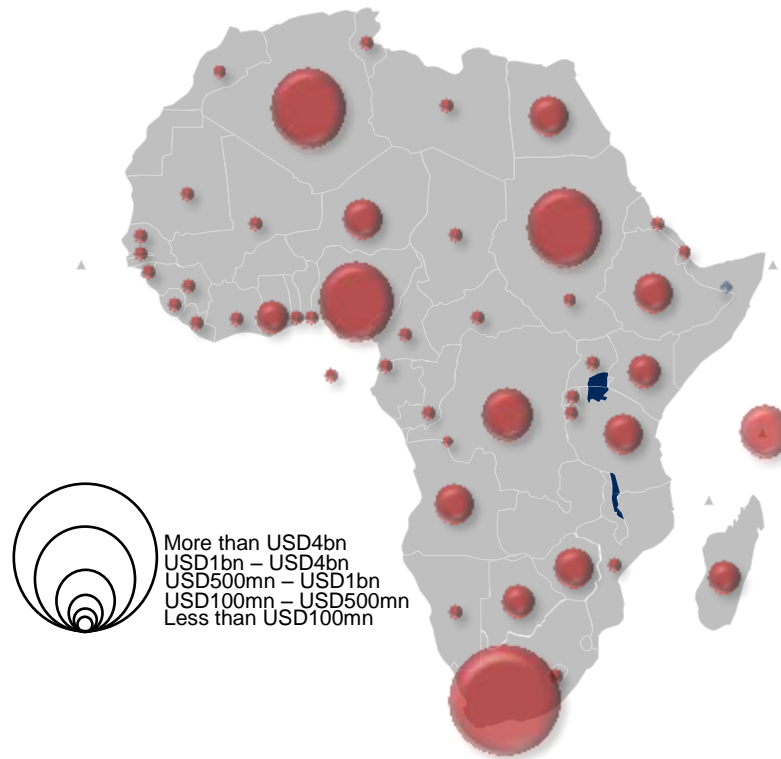
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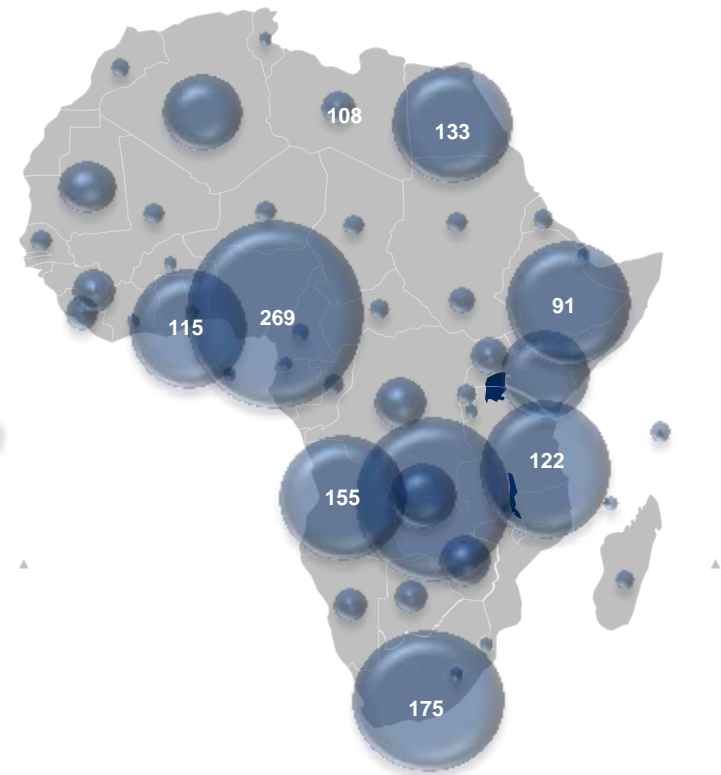
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Official investment stock*



No of Chinese firms registered

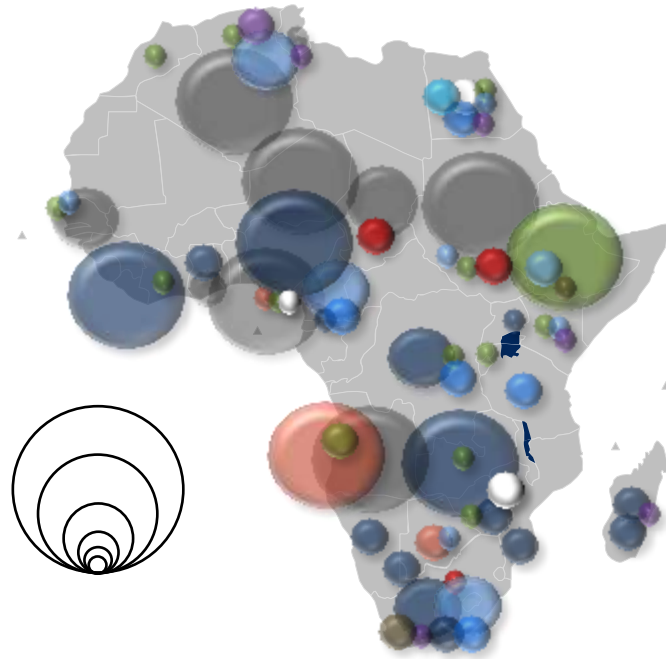


Please note that official stock* is from MOFCOM, as is the number of firms registered in Africa.

Sources: MOFCOM, Heritage Foundation, Standard Bank Research

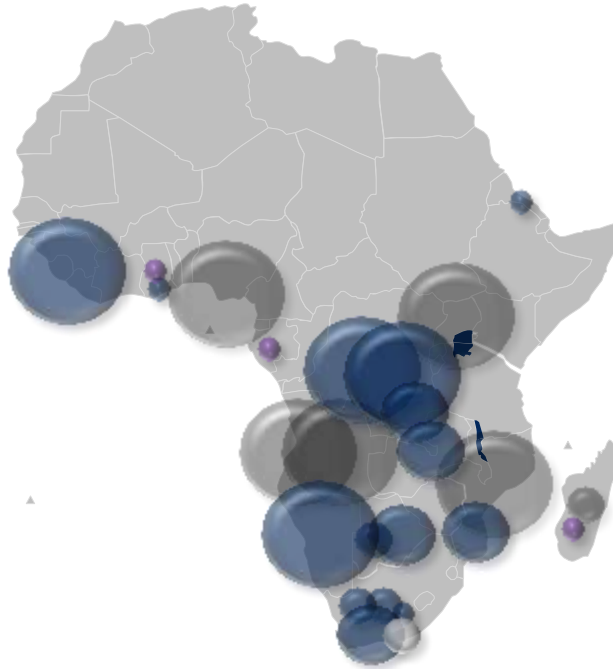
Investments diversified and wide-reaching

Greenfield investment by sector since 2003*



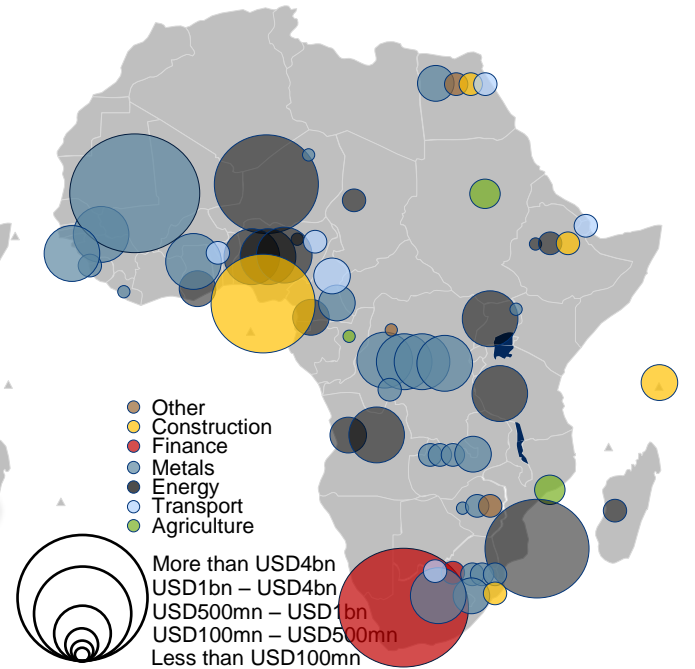
- USD 0.4 bn Industrial machinery & equ.
- USD 0.7 bn Ceramics & glass
- USD 0.5 bn Transportation
- USD 1.4 bn Chemicals
- USD 1.7 bn Construction
- USD 1.9 bn Automotive
- USD 2.2 bn Communication
- USD 3.8 bn Real estate
- USD 7.3 bn Metals
- USD 13.3 bn Coal, oil & gas

M & A activity since 2008



- USD 50 mn Consumer, non-cyclical
- USD 250 mn Financial
- USD 8.1 bn Metals
- USD 12.7 bn Coal, oil & gas

Investment by sector**



- Other
- Construction
- Finance
- Metals
- Energy
- Transport
- Agriculture

- More than USD4bn
- USD1bn – USD4bn
- USD500mn – USD1bn
- USD100mn – USD500mn
- Less than USD100mn

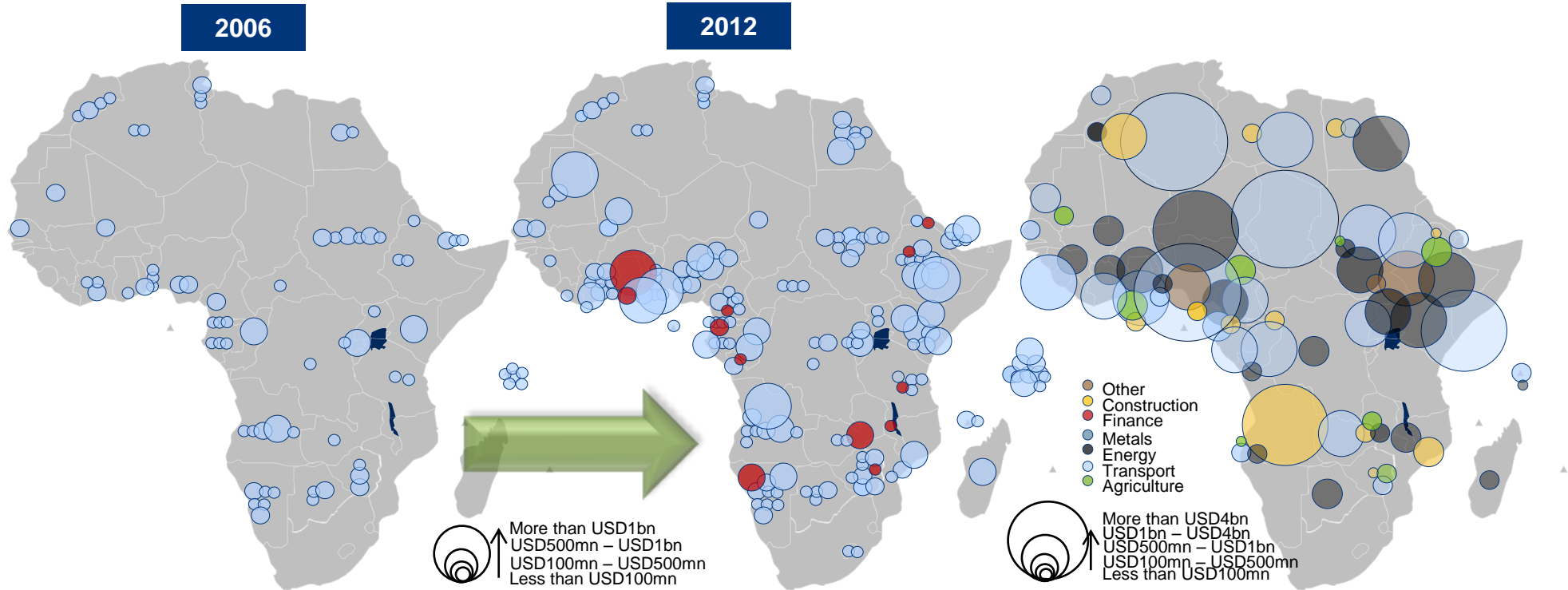
Please note that Greenfield stock* is from FDIintelligence and M&A data is sourced from Bloomberg. Investment by sector from Heritage foundation

Sources: MOFCOM, Heritage Foundation, Standard Bank Research

Concessional lending and loans from policy banks and banks spearhead

Loans* have surged in recent years

...into a diverse range of sectors



Please note that loans* data was sourced from aiddata.com whilst the sectoral distribution** data originates from Heritage Foundation.

Sources: MOFCOM, Heritage Foundation, Standard Bank Research

More too come from EM- partnerships

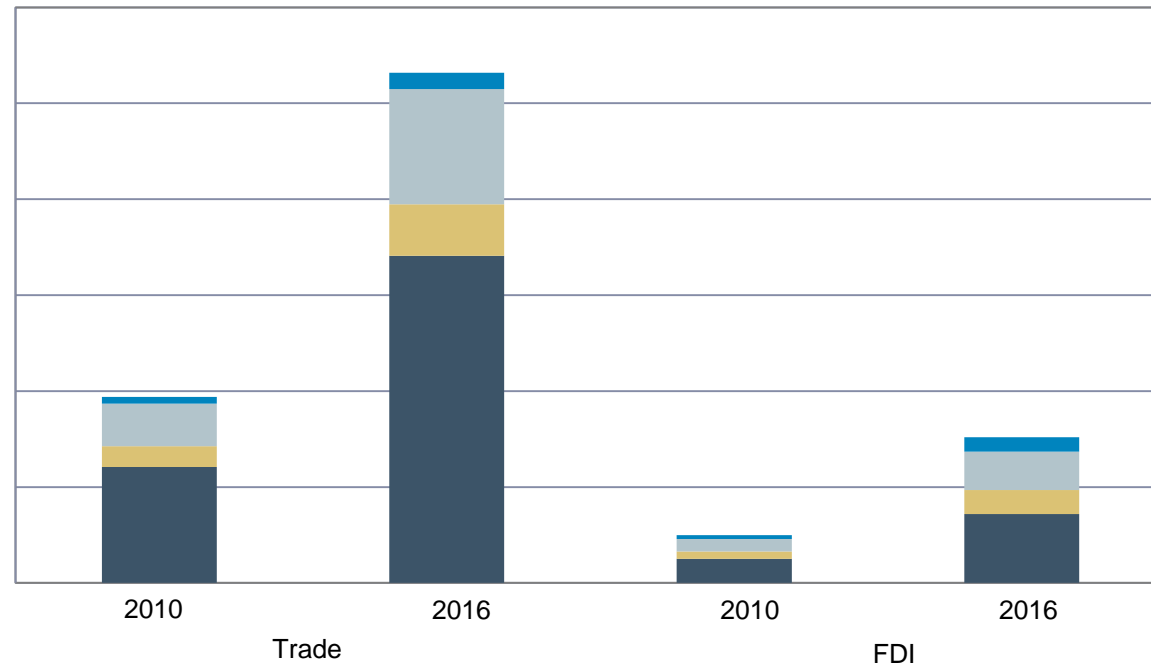
*A multipolar world
reaches out to Africa*

*African growth –
stronger & more
resilient*

*Five fundamental
drivers*

Concluding remarks

USD bn



Sources: ITC, Standard Bank Research

African growth – stronger & more resilient



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Improved macroeconomic management has supported growth

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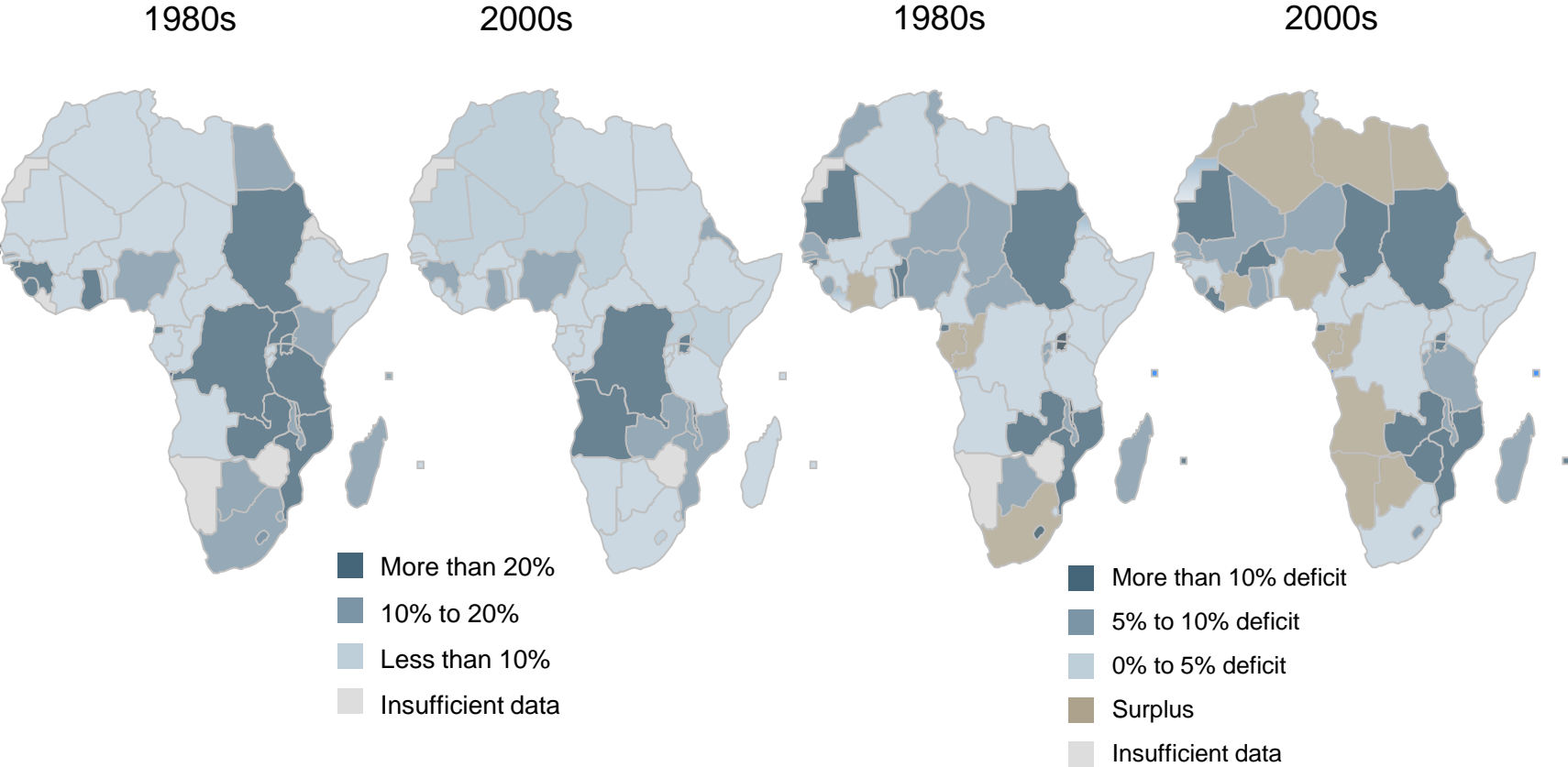
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Inflation structurally lower

Maturity in current account balance



Sources: IMF, Standard Bank Research;

Sources: IMF, Standard Bank Research;

Five Fundamental Drivers



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1. Demographics: A larger, more affluent population

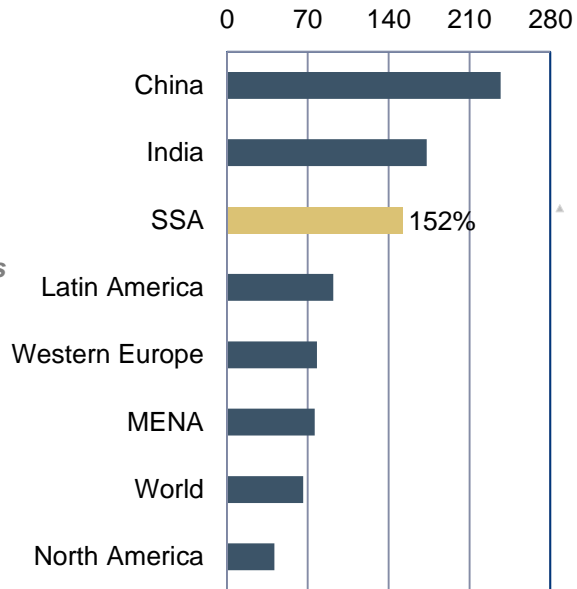
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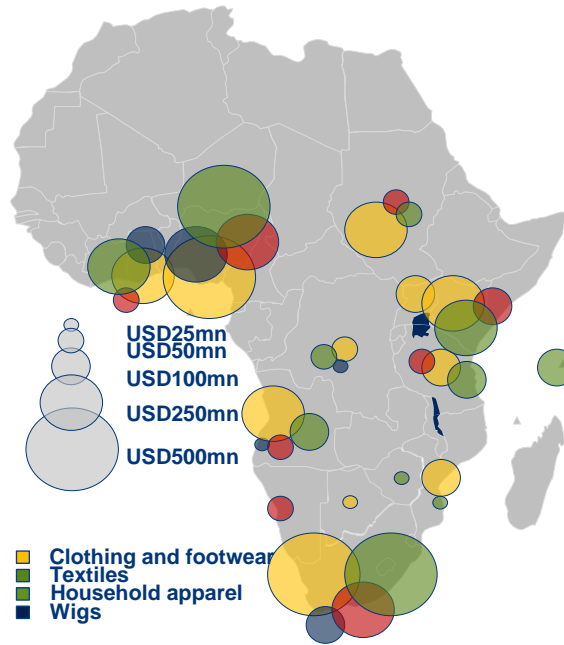
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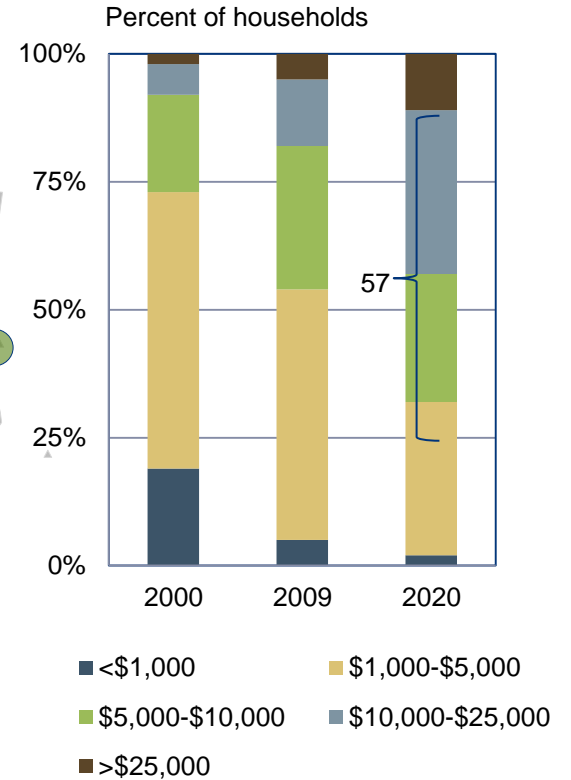
Private consumption, 2000-2013



Exports of clothing and footwear



+50% middle class by 2020



Sources: Economist Intelligence Unit, Standard Bank Research

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2. Urbanisation: Africa's mushrooming, and regionally-minded cities

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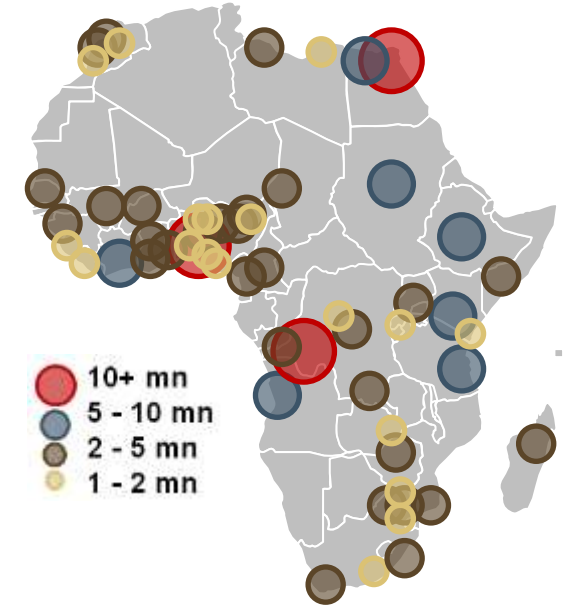
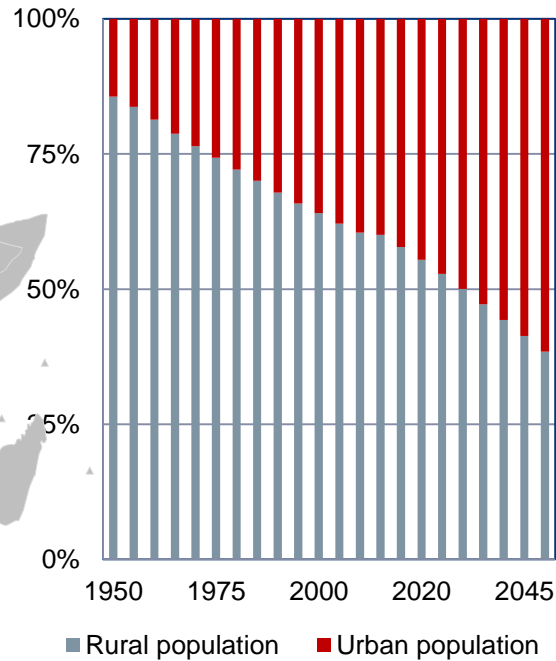
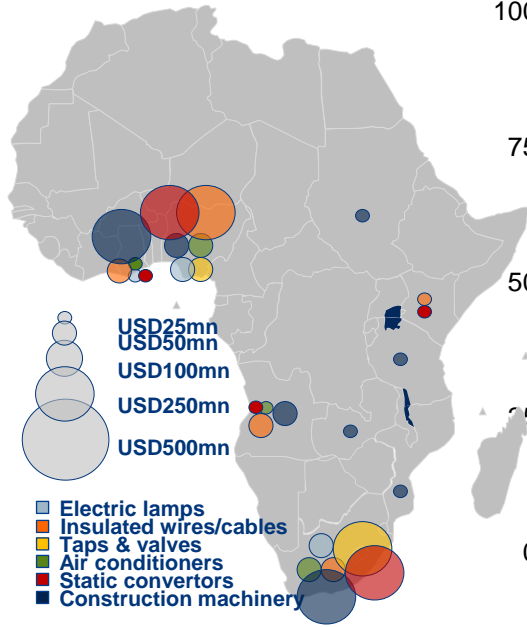
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Construction-related sales key

By 2050, 2/3 will live in cities

Megacities will emerge



Sources: UN Habitat, Standard Bank Research

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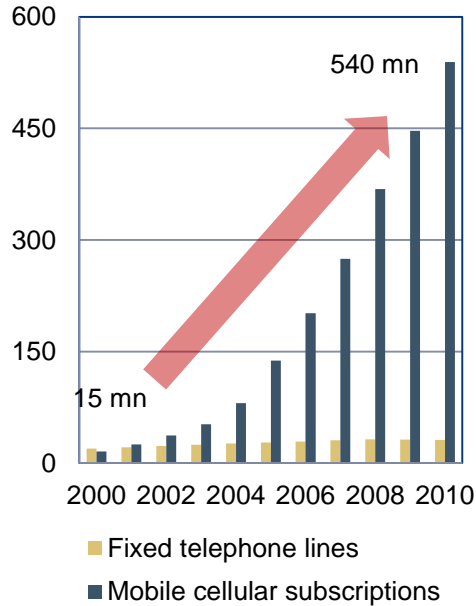
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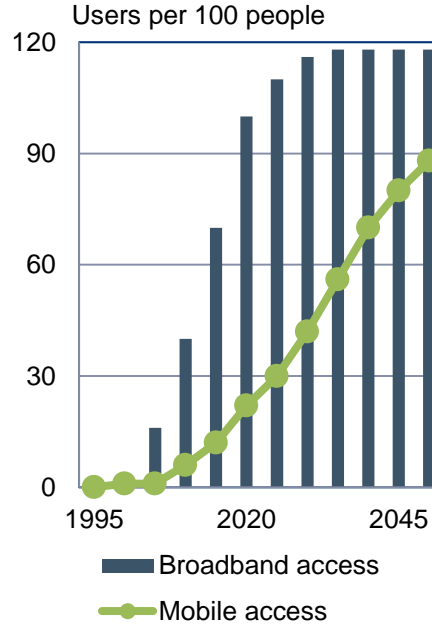
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3. Connectedness: *Leapfrogging through innovation*

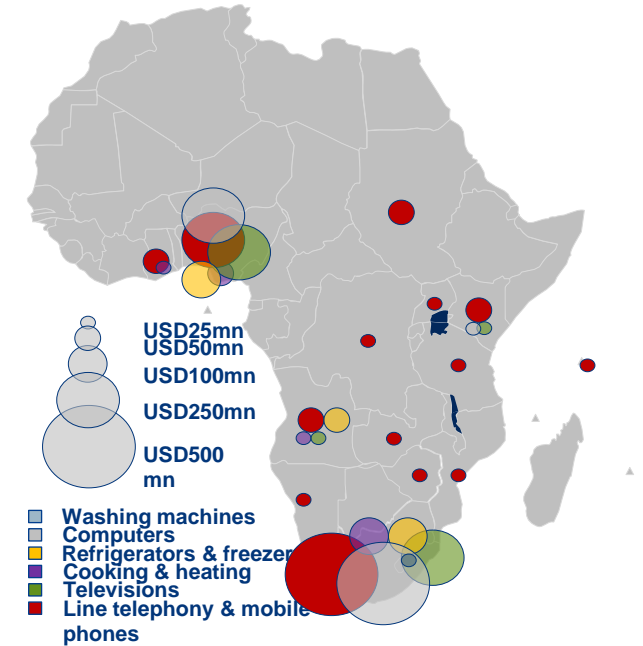
A Mobile phone revolution...



...will continue...



...supported by Chinese investment



Sources: ITU, MTN, Bharti Airtel, Vodafone, Standard Bank Research

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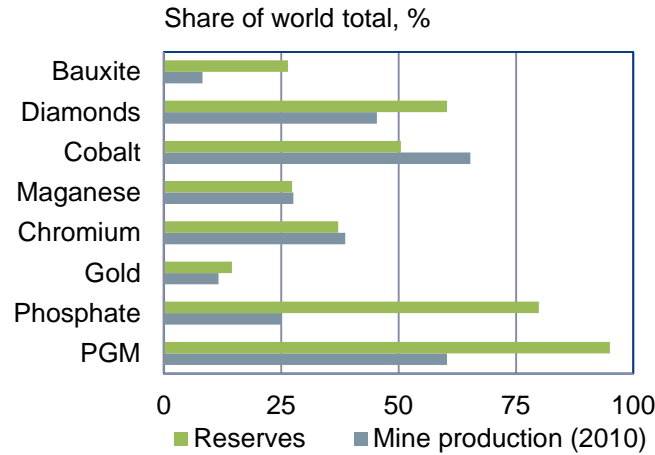
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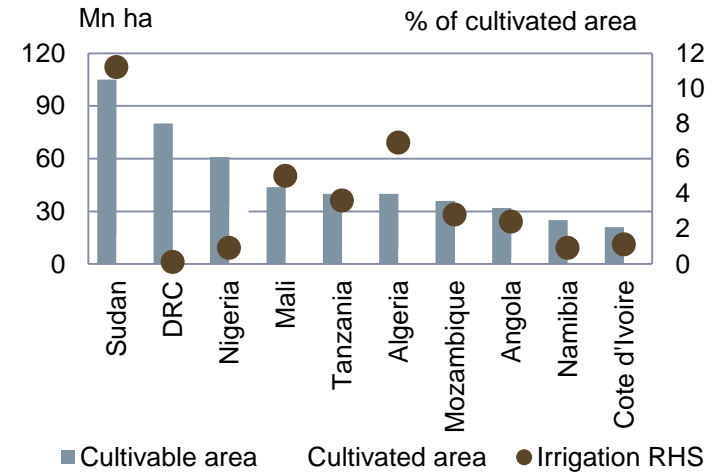
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4: African resources: potential remains largely dormant

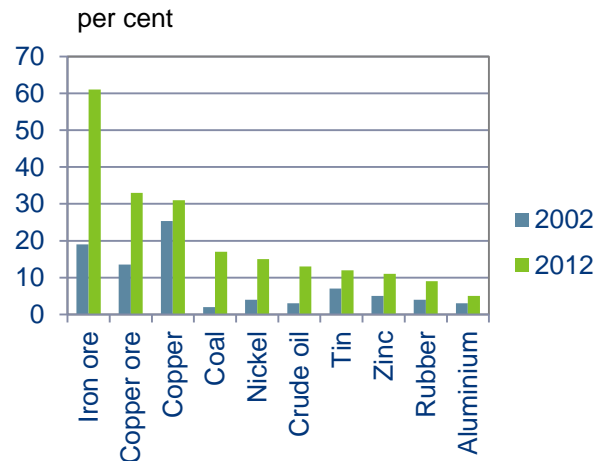
Africa's share of world commodities



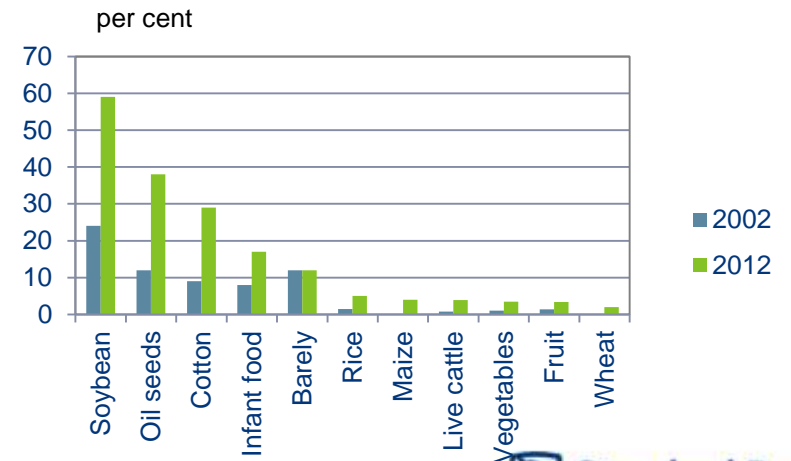
And don't forget agricultural potential



Chinese demand for hard commodities



Chinese demand for soft commodities



Sources: FAO, IFPRI, USGS, Standard Bank Research

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5: Financial deepening: Forging new commercial bridges

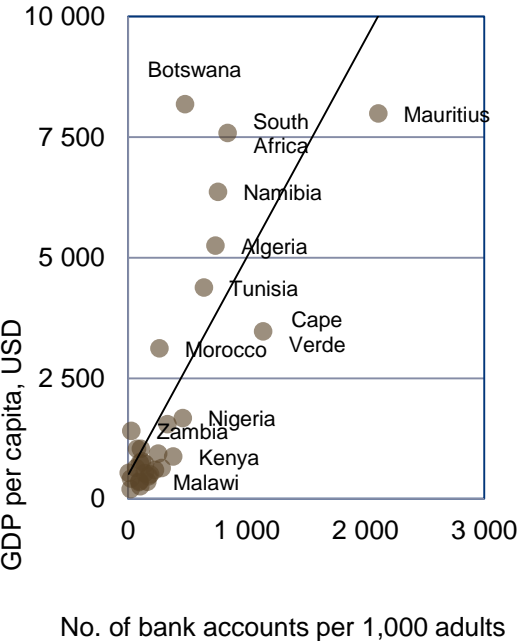
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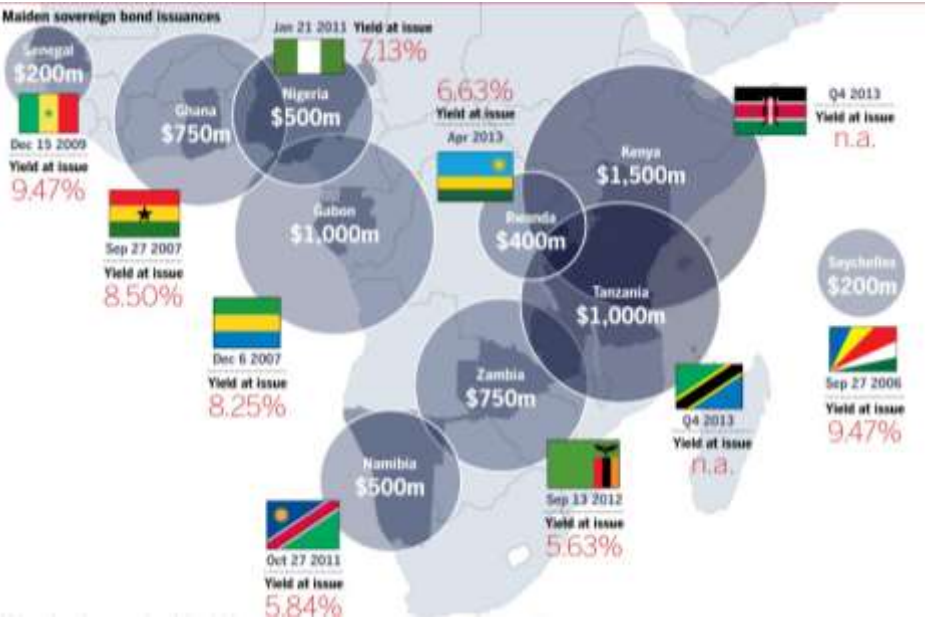
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Penetration and incomes



Government credibility rising



Sources: Bloomberg, CGAP, IMF, Standard Bank Research

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In conclusion

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African opportunities are plentiful and China is key partnership in building on past successes.

Some risks need to be monitored too:

- Downward pressure on commodity prices
- Tighter monetary conditions
- political risks remain pronounced
- Spreading the benefits of growth
- Inequalities will be emphasised by urban swell
- Fixing structural unemployment
- Fixing and building institutions
- Grooming new leaders, Faith in state leadership is low & Corruption is corrosive
- Acting on climate change - Already food production is far below potential

Negotiating the new terrain offers opportunities for collaboration with China

Thank you

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