Pockets of promise: seven African countries to watch

The Economist Intelligence Unit (EIU) in April hosted a webinar - titled 'Sub-Saharan Africa: At a turning point?' that analysed the region's opportunities and challenges. Sub-Saharan Africa's aggregate economic growth fell t around 1% in 2016 - the slowest pace in over a decade. This slump, according to the EIU, is due to three factor the collapse of commodity prices, tighter international financing conditions, and unfavourable weather across pa of the continent last year.

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But despite some of the region's biggest economies – including Nigeria, South Africa and Angola – grappling with econom challenges, there are reasons to be optimistic. The EIU has identified a number of mid-tier countries expected to continue perform well over the medium term due to public investment plans, consumer demand patterns, and trade dynamics.

Here are some of these "pockets of promise" that should be on investors' radars.

1. Côte d'Ivoire

According to the EIU, Côte d'Ivoire is a market that, in theory at least, has everything going for it: a wealth of natural resources, both mineral and agricultural; competitive transport infrastructure; and a government that makes the right noise about business reform. The country holds unexploited opportunities in the industrial and services sectors as the commerci capital Abidjan consolidates its role as a regional business hub.

Last year, Serge Gnandji, country manager of DHL Express Côte d'Ivoire expressed an upbeat outlook for the Ivorian economy. "The annual growth rate is around 8.5% and it is expected to remain fairly constant over the coming five years. Growth in GDP is mainly driven by public investment, agriculture and the services sector. There are a number of infrastructure projects underway and many companies are moving their regional headquarters back to Abidjan."

2. Ethiopia

Ethiopia is one of Africa's fastest-growing countries, with GDP expected to expand by an average of more than 6% from 2017 to 2021. As part of its drive to transform the country into a manufacturing hub, the Ethiopian government has made impressive headway in developing industrial clusters and improving competitiveness. Foreign direct investment flows are anticipated to be driven by supportive government policies and a large consumer market.

"I see a strong manufacturing sector, with its contribution to GDP further rising on the back of the development of industria parks around the country and associated incentives to investors," said Morgan Uloko, regional director, East and Southern Africa, DHL Express, sub-Saharan Africa.

"I also see improved energy generation with the potential to reduce production costs if the Grand Ethiopian Renaissance Dam is completed on schedule. Textile, leather and agro-industries are other sectors with strong growth potential. Overall, indications are that the strong economic growth we have seen in the last decade will continue in the foreseeable future," h added.

3. Kenya

The EIU is optimistic about Kenya's economic prospects, and forecasts average GDP growth in excess of 5.5% over the coming five years. Consumer demand is anticipated to remain robust, despite a recent cap on bank lending rates that will distort the financial sector.

Although the outcome of the upcoming election, scheduled for August 2017, isn't anticipated to lead to a shift in governme policy direction, it could dent businesses' confidence in the near term.

4. Uganda

Notwithstanding Uganda being further behind the reform curve when compared to a country such as Kenya, the government's focus on manufacturing and efforts to pursue its infrastructure projects will support growth over the medium term.

Fatma Abubakar, country manager for DHL Express Uganda, believes the country is on a positive economic trajectory: "Uganda is a stable country and we are blessed with a favourable climate and abundant available land. It has attracted investors involved in the manufacturing of dairy products, as well as breweries and beverages."

5. Tanzania

The EIU's bullish outlook for Tanzania is premised on three factors: significant infrastructure development taking place across the country; improved power and gas supply which will support manufacturing over the medium term; and a greate enthusiasm to seize the economic opportunities associated with being a member of the East African Community.

Femi Olaiyi, country manager of DHL Tanzania, believes investors often make the mistake of only targeting the major citie "Tanzania is a huge country, yet many businesses focus primarily on the cities of Dar es Salaam, Arusha and Mwanza. There are many underserved second-tier cities experiencing rapid growth. Companies should expand their footprint to the urban areas and take advantage of the untapped business opportunities," he said.

6. Ghana

Ghana is a pocket of promise for a two reasons. One, short-term economic activity is buoyed by developments in the ener sector and, two, ambitious infrastructure development plans support the medium-term agenda. While fiscal prudence from the Ghanaian government remains key, the EIU is fairly confident about the administration's policy direction. The econom expected to expand by an average of about 6% from 2017 to 2021.

7. Cameroon

Cameroon has compelling prospects to boost its industrial and agricultural output. The country stands out in the central Africa region because it is not as dependent on oil as some of its neighbours and therefore had less of a rocky time over past two years. Another positive is the government's readiness to embrace the structural reforms needed to boost private sector investment.

"Agriculture represents a major business opportunity. The country is already the biggest agricultural producer in Central Africa, but we have not reached our full potential in terms of the production and processing of crops," remarked Ousmanc

Kouotou, country manager of DHL Express Cameroon.