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This Time For Africa

Are we witnessing the start of an African “Gilded Age?”

The decades following the end of the American civil war in 1865, laid the foundation of the future economic superpower. This was due primarily to the expansion of railroads, the opening of the Trans-continental line to the west coast, and a mammoth surge in manufacturing during said war. Twenty years later per capita income had doubled, and by 1895 manufacturing output surpassed that of Great Britain. This era also witnessed the advent of new technologies like the telephone, electricity and automobiles.

As such, this period in American history, often referred to as the Gilded Age, saw the emergence of a new group of “Business Titans” or “Captains of Industry” who in effect became the leaders of this “Second Industrial Revolution.”

Cornelius Vanderbilt (railroads), John d Rockefeller (Standard Oil), Andrew Carnegie (Steel) and JP Morgan (Banking & Finance) among others all established corporations that would become the cornerstone of the “American century,” whilst also amassing vast personal fortunes.

Fast forward to the present era. If the 2000s and 2010s can be viewed as early indicators, Africa is poised for a similar economic take off. Here is why: Between 2000 and 2016, the continent experienced average annual GDP growth of 4.6%, becoming the world’s second fastest growing region. The widespread embracing of democratic institutions during the early to mid 2000s played a significant role in this achievement. In a 2016 report *Boston Analytics* referred to Africa as the world’s future economic growth engine

Charles Robertson global chief economist for Renaissance Capital and lead author of [‘The Fastest Billion: The Story Behind Africa’s Economic Revolution.’](#) puts it succinctly -: “A growing body of evidence backs my view that as Africa’s population doubles to two billion over the next several decades, its GDP will increase from \$2 trillion today to \$29 trillion in today’s money by 2050.” An almost 15 fold increase in economic output.

As a result of these numbers, this period has also seen Africa’s middle class expand to 330 million individuals with an annual spending power of \$1.6 Trillion USD (Fraym a data consulting Firm defines Africa’s consumer class based mainly upon asset ownership and educational levels “since these measures are less vulnerable to seasonal income fluctuations.”). Mckinsey Global institute thinks that household expenditure will cross \$2.5 Trillion USD by 2025.

As can be expected, once a region’s middle class has grown as steadily as Africa’s for two decades, there will be a substantial increase in consumer demand across a wide range of industries, hence creating potential investment opportunities. Sectors like financial services, telecommunications, healthcare, transportation; food, beverages and consumer goods, are all industries that are projected to experience major growth over the next 30 years. Several indigenous African companies have staked early claims in all of these sectors, with a few already being listed on

regional stock exchanges. However there is still massive scope in these sectors for both domestic and international investors looking for avenues to deploy their assets.

Further growth and development of Africa's capital markets over the long term horizon is another facet of it broadening middle class base. Sub-Saharan Africa presently has 29 stock exchanges of varying sizes and liquidity, the three largest and most active being South Africa, Nigeria and Kenya. Although the continent is home to 15% of the global population, it produces 3% of GDP and less than 1% of stock market capitalisation (African Wealth Report January 2018). Although still in the early stages, the continued emergence of a class of domestic investors is spurring the development of sound financial sectors and fund industries to meet their needs.

A subset of this class of domestic investors is High Net Worth Individuals (HNWI) whose combined asset base has resulted in a Wealth Management industry valued at just under \$200B USD, with roughly two thirds of this figure being held in South Africa. The continued emergence of this particular industry segment is of key importance to the continent's advancement. The African Wealth Report explains it best -: *The wealth-management industry is a very profitable cog in the virtuous cycle of economic development. A growing consumer market creates wealth for entrepreneurs, which creates opportunities for fund managers. This pool of*

investors drives the development of capital markets, which creates opportunities for foreign investors. And foreign-investment flows create the economic growth needed to sustain the cycle. With the growth of South American and Asian economies slowing, the next gold rush in Africa cannot be far off.”

The following highlights (Again from the African Wealth Report) further underscore this overall theme-:

Total individual wealth held on the continent amounts to US\$2.3 trillion.

Around US\$920 billion (40%) of this is held by High Net Worth Individuals. (HNWI)

The average African individual has net assets of approximately US\$ 2,000 (wealth per capita)

There are approximately 148,000 HNWI's living in Africa with net Assets of US\$ 1million or more

There are approximately 7100 multimillionaires living in Africa with net assets of US\$10 million or more

There are approximately 320 centimillionaires living in Africa with net assets of US\$ 100 million or more

There are approximately 24 billionaires living in Africa, each with net assets of US\$1 billion or more

Over the past decade, 19,000 Africans have become dollar millionaires.

The combined individual wealth of all Africans is \$2.3 trillion today – by the end of 2027, it will have increased by a third to \$3.1 trillion.

By 2100, 13 of the world's 20 biggest megacities will be in Africa.

In concluding, based on all of this evidence, It is not a stretch of logic to surmise that Africa is in the early phase of its own “Gilded Age.”

It is for these reasons, that potential investors from anywhere in the world should seriously consider Africa, as their next port of call. As a Caribbean person and a co founder of Lanniup Consulting, these positive developments across the continent, are well noted among those of us in the diaspora.

We would love nothing more than to play a part in ensuring that Africa realises her full potential.

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