AFRICA is plural

The continent continues to be discussed like a country

"'AFRICA RISING'? 'AFRICA reeling' may be more fitting now." Who can pass up a good headline? Apparently not *The New York Times*.

To be fair, the sentiment of the headline is "a thing," as Americans might say. According to a senior banker, "serious investors are no longer talking about the continent."

But inevitably, some still are. The CEO of one of the largest conglomerates on the continent tells delegates, at a networking event at World Economic Forum for Africa in Durban, he sees great opportunity on the continent. His headline would be: "Africa's economic growth is resilient, despite the slump in commodity prices."

As ever, there is some truth to both. The real issue: *Africa is not a homogenous market*. That is probably the single most boring and repeated truism about the continent. Yet it rarely sticks – and that is understandable.

While Sub-Saharan Africa has been the fastest growing region in the world after Asia Pacific for some years, the real appetite is for a number; population 1.5 billion, likely 2 billion before 2050. Rather than frighten people, those numbers seem to promise the possibility of a new mega-product-market frontier. A lot could go right. A lot could go wrong. The biggest mistake would be homogenizing the continent because of the allure of big numbers.

The significant slump in the price of oil and commodities has exposed the fragility of West African petro-economies, most notably Nigeria. Fortunately, it is forcing an important reappraisal that requires seeing the continent in terms of regions and thematic economic structure, both of which are much more useful indicators.

The result is sobering but encouraging. Market structure is broader than a simplistic idea of economic diversity. Factors such as the potential for trade and the orientation of exports are critical.

One of the biggest contributors to Nigeria's economic slump was the currency crisis, which was triggered by a significant decline in revenues from exporting crude oil, which makes up more than 90 percent of Nigeria's exports. That crisis slowed business activity and perpetuated declining output. Whole business models have been laid to waste in that country in the past 30 months.

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Without hard currency, companies in Nigeria that rely on imported goods have been unable to allocate capital to projects, while other multinationals have been unable to repatriate earnings. It is now clearer that it takes deep pockets and fastidious discipline to position oneself for the economic promise of the development of the continent's most populous country.

This forex quagmire has had a more intense impact on Angola, another petrodollar economy with little export diversity and foreign currency reserves. The story is similar in Ghana, although that is a less predominantly petro economy. On the other hand, major East African economies have demonstrated more resilience because their growth has been largely driven by increases in fixed investment as well as growth in the industrial and services sectors.

Actually, the real story is one of fiscal management. Alarm bells about debt are ringing across the continent. Expect increased focus on base erosion and profit shifting as revenue mobilization becomes a priority.

South Africa, so often looking like a train wreck, continues to confound with its resilience. The answer is simple: two decades of world-class macroeconomic governance, as well as consistent fiscal, monetary and exchange-rate policies, combined with strong institutions. These have proved to be the pudding of external shocks.

Given current geopolitics, it turns out the story of South Africa is not quite frontier market returns, but better than emerging-market yields, with near developed-market risks.

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1.5 BILLION

A conservative projection of Sub-Saharan Africa's population by 2050. Other estimates say the region will surpass 2 billion by that time

Source: United Nations, Population Division

PHOTOGRAPH: SEAN GALLUP, GETTY