Africa is one continent, but a diverse one

The first chapter focuses on the characteristics of the African context which any investor should consider when defining their investment strategy.

First issues and learnings: how to address the diversity of situations in the 54 countries of Africa?

A diverse and volatile continent

54 countries

2 billion people by 2050

2000+ languages

The first fifteen years of the 21st century have been a period of tremendous growth for Africa.This growth relies on several solid foundations:

- Demographic dividend
- Foreign investments (notably Chinese)
- Fast-moving urbanization process
- First flows of industrial relocations
- Technological revolutions

Africa's situation remains volatile and will continue to diversify among its countries.

1. Countries depending on oil and mining resources
2. Countries who rely first and foremost on their domestic growth
3. Countries entering into the sphere of outsourcing of Chinese manufacturing
4. Countries experiencing political and military crises

Key learnings

- The great diversity of African countries requires a cautious and pragmatic approach
- The investor can minimize the risk through a significant geographical and sectoral diversification of investments
- The high volatility of the continent implies limiting its exposure in certain sectors, like the mining industry...

Manage foreign exchange risk

The foreign exchange risk is particularly harrowing for an international investor over the long term.

The average lifetime of a fund like those managed by I&P is ten years maximum or from five to eight years for a specific investment. At these scales, there is no macroeconomic approach that helps investors foresee the evolution of the exchange rate in a country or a group of countries after the divestment phase.

Key learnings

Two methods are available to manage the risk:

- Allocate investments in a significant number of countries
- Look for "natural" hedging strategies when countries experience substantial fluctuations in exchange rates, avoiding for example sectors with substantive imports

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