



# The final frontier: is Africa the new China?

By Ashley Lowe / 16 Mar, 2019 at 07:00



Over the past two decades, China has edged its way further and further into the global limelight. The country has pushed its economy forward, becoming an epicentre for technology and manufacturing.

This has prompted the rise of a vast middle class. According to the World Bank, the percentage of citizens living in poverty fell sharply from 17.2% of the population in 2010 to 3.1% in 2017. Meanwhile, household consumption has gone up drastically over the past decade, from \$1.3 trillion in 2007 to \$4.6 trillion in 2017.

What used to seem like a risky investment now draws attention from investors in developed markets all over the world. According to UNCTAD, China attracted \$136.3 billion in foreign investments in 2017.

## Untapped markets

As China continues to gain its footing among the global leaders, investors are keeping watch for opportunities in untapped markets. While some have their eye on other Asian countries, such as Vietnam, Africa Wealth Partners co-founder Mario Marconi suggests investors look a little further – namely, to Nigeria.

'The easy money is gone in Asia,' Marconi said. 'Nigeria is where China was 15 years ago. It's a frontier market. If you go to China, it has been done already – the kings of each sector are clearly defined – but the power games are not yet done in Nigeria.'



*Mario Marconi, Africa Wealth Partners*

Marconi founded Africa Wealth Partners in 2018 alongside Martin Emodi. The two co-founders broke away from UBS, where Emodi headed the African business. The firm offers Swiss investors access to the African market and provides multi-family office services to wealthy African people, primarily in Nigeria.

'We need to educate European investors on the opportunities, on what Nigeria is. We package opportunities in a de-risked way, because Africa is still outside mainstream finance,' Marconi said. 'Asia has become very crowded. It's more competitive, and returns are going down. The last remaining frontier is Africa.'

## Up and coming

The duo visit Nigeria regularly, meeting a variety of entrepreneurs. This includes Ademola Adesina, founder and CEO of Lagos-based energy infrastructure company Rensource Energy. Originally from Nigeria, Adesina sees the country as brimming with opportunity. However, he explained that many lack the skills to bring businesses to fruition.

'You have a majority of [the entrepreneurship landscape] focused on tech, much like Silicon Valley, skewed towards very young developers with limited business experience. When you can combine that with business experience, you can see successes,' he said.



*Ademola Adesina, Rensource Energy*

He also noted that start-ups have become more mature in their approach to business over time, saying: 'Over the past few years, you've seen a transition from a lot of copycat businesses thinking "How do we replicate Amazon or eBay?" to those who are locally adapted and trying to address local problems.

'Also, probably linked to the financial crisis in the West, you saw a lot of people with experience from the West, such as bankers and consultants, coming back to Nigeria to apply their skillsets locally, which I think has deepened the talent pool.'

When it comes to competing with China, Adesina believes that Nigeria's government must push for education.

He said: 'China and India spent a lot of time investing in education. Unfortunately, Nigeria hasn't. The middle class still pales in comparison with China or India. You have a lot of young people who are very tech-savvy, and in the same way you saw the world outsource its manufacturing to China and its call centres to India, a lot of software development could come to Nigeria.'

## **Picking up speed**

Taking a look at the numbers, it is clear that Nigeria has a long way to go if it is to catch up with India and China. Nigeria attracted \$3.5 billion in foreign investments in 2017 according to the UNCTAD, while the World Bank clocked household spending at \$300 billion. Per capita, Nigerians spent nearly 50% less than the Chinese in 2017.

However, Nigeria does have potential to gain momentum, according to BlueOrchard's Yann Groeger, regional manager for Africa and the Middle East. This is in part thanks to an abundance of working-age citizens.

'Today, Nigeria has Africa's largest GDP and its largest population. Lagos, its capital, has also become a hub of new companies in the technology space,' Groeger said. 'One comparison one could make [with China] is with regards to population. The

workforce has grown by more than 2.5% per year in the past decade, and it is estimated that by 2034 Africa is expected to have the world's largest working-age population of 1.1 billion. Against this backdrop, Africa has much in common with China a few decades ago.'



*Yann Groeger, BlueOrchard*

He explained that a key issue when it comes to moving forward lies in the continent's lack of economic complexity. 'Much of the continent's GDP still depends on the extraction of raw materials and the energy needed for that. Nigeria is the world's 22nd largest economy and it could rise to the top 10 in this century. However, for that to happen, the country would need to develop other activities than just oil exports.'

Groeger noted that differences between African countries are becoming more exaggerated, which may hold the continent back overall.

'Africa could well be the next China. The continent has the potential given its population growth and increase in job creation. Besides these, the third element to mention is the role of new technology. Important limitations exist due to the lack of basic infrastructure in many places that mobile phone-based applications are able to address more effectively than the typical bricks-and-mortar approach.

'The most important aspect of China is still the size of the market. The prospect of access to this market is what motivates many investors to mobilise capital into the country. Africa, on the other hand, is not a single market. Differences between the African countries are increasing and so the idea of "African" problems or solutions is becoming even more of an illusion than it has ever been.'