



ECONOMIC COMMENTARY

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*For every one to attain
financial well-being*

AN OVERVIEW OF WEALTH AND INVESTMENT IN AFRICA

In this economic commentary, we delve into some of the significant economic stories that are shaping our nation and the African continent.

Africa's wealth landscape

Africa is home to a dynamic and growing wealth segment. According to the latest Henley & Partners' Africa Wealth Report, the continent boasts 135 200 millionaires, 342 centi-millionaires, and 21 billionaires, collectively holding an impressive \$2.5 trillion in investable wealth. South Africa (SA) stands out as a leader, with nearly 40 000 dollar millionaires. Johannesburg and Cape Town are recognised as major wealth hubs, driving significant economic activities.

The report projects a 65% surge in Africa's millionaire population over the next decade, fuelled by growing sectors such as fintech, ecotourism, and green technology. However, wealth accumulation is not without its hurdles. Currency depreciation and underperforming stock markets pose challenges. For instance, the rand has depreciated by 43% against the dollar from 2013 to 2023.

Investment migration: A growing trend

Investment migration is becoming increasingly popular among high-net-worth individuals (HNWIs) in Africa, particularly in SA and Nigeria. These individuals seek stronger passports through investment migration programmes, such as those offered by Portugal and Spain, which provide access to more than 190 visa-free destinations. This trend highlights the desire for global mobility and better business, education, and healthcare opportunities.

SA's automotive market

Consumers continue to gravitate towards more affordable cars in response to economic pressures. The influx of Chinese and Indian car brands has provided more options for budget-conscious buyers. The local consumer market is fragile but there are positive signs for the future. The anticipated lower interest rates and a potential government of national unity could stabilise the currency and boost economic confidence, encouraging investment and job creation.

Luxury real estate and wealth migration

The allure of Africa's wealth can also be seen in its luxury real estate markets. Cities like Cape Town and villages like Grand Baie in Mauritius are becoming hotspots for luxury and investment. Investment migration is emerging as a significant catalyst for growth, attracting foreign capital and enhancing global mobility for African HNWIs through residence and citizenship-by-investment opportunities. However, the report also notes that countries like SA and Egypt have seen declines in their millionaire populations by 20% and 22% respectively over the past decade.

Challenges and opportunities in Africa's wealth markets

Despite the challenges, Africa's potential for wealth creation remains vast. With a youthful population, abundant natural resources, and increasing consumer spending power, the continent is ripe for strategic investments in education, infrastructure, and technology. These investments are crucial to unlocking Africa's potential and ensuring sustainable growth.

The impact of currency depreciation

Currency depreciation remains a significant challenge for wealth retention in Africa. The report highlights that the rand has depreciated significantly against the dollar, mirroring trends in other African nations such as Nigeria, Egypt, Angola, and Zambia. This depreciation impacts the attractiveness of local investments and poses risks to wealth accumulation.

The rise of private equity

Private equity is playing an increasingly prominent role in Africa's wealth landscape. Many private equity firms are targeting publicly listed companies to take them private, providing greater control over company operations and ensuring a larger share of returns. This trend is expected to continue as certain sectors mature, presenting opportunities for consolidation and growth.

In conclusion, Africa's wealth story is one of resilience and opportunity, especially in SA, which continues to play a crucial role in the continent's economic narrative. The path ahead is fraught with challenges but, with strategic navigation and investment, it holds the promise of a prosperous future.

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