

SA remains top FDI destination on African continent

South Africa retains its position as the top foreign direct investment (FDI) destination on the African continent, according to the 2018 Ernst & Young (EY) Africa Attractiveness Survey.



Morocco is poised to knock SA off top investmentspot [123rf.com](https://www.123rf.com)

South Africa shares the top rank position with Morocco.

EY says they are also seeing investment shifting between countries for the first time.

“South Africa, once the clear leader in attracting FDI, now shares the top rank with Morocco. This is the first time South Africa has been challenged for being the most preferred investment destination (measured by FDI project numbers).

“Ethiopia jumped seven places to become the fifth-largest FDI recipient, its highest ranking yet,” EY said in a statement.

The report also notes that during 2017 FDI into the African economy increased by 6%, and that in 2016 a total of 676 FDI projects came to African economies, increasing to 718 in 2017.

In this regard, the top five nations on the African continent of FDI projects are South Africa with 96 projects, giving it a 31% share of FDI in 2017.

Morocco, with 96 projects, increases from 81 in 2016 and Kenya with 67 projects, rising from 40 in 2016, suggesting a 68% increase in FDI projects year-on-year.

Nigeria sees an increase from 54 to 64 projects between 2016 and 2017 while Ethiopia made a momentous improvement with an increase of 288% of FDI projects, from 16 in 2016, to 62 in 2017.

Commenting on the EY Africa Attractiveness Survey 2018 results, Brand South Africa's General Manager for Research Dr Petrus de Kock said from this year's report it is clear that specific regions and countries' outlook and investment attractiveness have changed dramatically.

"This has several implications for South Africa in a year where President Cyril Ramaphosa made investment (both domestic and foreign) a key priority of his administration and Cabinet.

"South Africa's position in this year's report is as a result of the -31% decline on investment projects from 2016 (total number of projects in 2016 were 139). From the EY data it is clear that South Africa lost momentum in attracting FDI in 2017," De Kock said.

He said Morocco's position should serve as a wake up call and motivator for South Africa.

"Morocco's standing as FDI destination is solidifying and the country is on a trajectory to intensify its FDI credentials in the coming years.

"It is therefore important, following on the successful investment conference initiated by President Ramaphosa, that South Africa utilises existing strengths in market diversification, strength of incentives for investment, and the infrastructural profile of the market, to attract more investment.

"South Africa needs to sustain momentum to stimulate GDP growth because there is a direct correlation between robust GDP growth and FDI attraction. The country must ensure that it continues on the path of careful reforms to improve ease of doing business in the market," De Kock said.

Of all the regions, East Africa registered the most significant increase in the number of FDI projects during 2017. This is mostly due to robust GDP growth, as well as regional integration initiatives.

As a whole, the region saw an 82% increase in FDI compared to 2016. While this increase comes off a relatively low base in 2016, it is notable that the region emerged as Africa's FDI hub during 2017.

The EY Africa Attractiveness Survey 2018 provides interesting insights pertaining to the economic outlook of the pan-African economy, as well as trends in FDI.

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