Riding the wave - CEOs' perspective on Eastern Africa economic growth prospects

2017 was characterised by numerous cyber-attacks, geopolitical uncertainties and job security threats arising from advances in technology. Although such challenges would naturally be associated with negative economic prospects, this assumption has been largely debunked by the 2018 KPMG CEO Outlook Survey.

The survey findings speak to a highly optimistic market over the next three years, with more than 75% of top CEOs from Kenya, Uganda, Tanzania, Rwanda and Ethiopia having overall confidence in positive global and country economic outlooks. Of the 51 CEOs surveyed across the region, 90% of them relate this rosy prognosis with the growth of their own businesses.

Why are CEOs upbeat?

Over the last two years, most of the East African countries have gone through election cycles which inevitably slowed down government and private sector investments and operations. The CEOs believe these election cycles and political jitters that had encumbered the region have come to an end, at least for the next few years. With this stability, governments will now focus more on development expenditure, to spur economic growth in the region. In addition, a stable outlook will attract foreign direct investments and capital.

The recently signed African Continental Free Trade Area (AfCFTA) framework by 44 African countries, including Kenya and Rwanda, is another icing on the cake, as it spells enhanced intra-African trade for businesses through elimination of some tariffs and protectionist measures, thereby improving market access in Africa.

Similarly, the announcement by the Ethiopian government of its intention to further liberalise its economy has been lauded by the business community, especially in the telecommunications and airline sectors. Ethiopia remains an attractive investment destination, underpinned by its growing population and largely untapped commercial opportunities. Despite challenges around foreign currency exchange controls and availability, multinationals and local companies are scrambling for these opportunities leading to stiff competition as the government cedes its control on critical sectors of the economy.

Additionally, ongoing investments in infrastructure and energy sectors in the Eastern Africa region, such as the operationalisation of the Standard Gauge Railway in Kenya, the electric railway from Addis Ababa to Djibouti, and near completion of the Grand Renaissance Ethiopian Dam (GERD) will accelerate growth in other sectors such as manufacturing and agriculture leading to job creation, regional trade and reduce cost of doing business.

Lastly, vast reserves of natural resources such as the oil in Kenya and Uganda and an additional 2.17 trillion cubic feet of natural gas deposits in Tanzania, among others, have also put the region on the global capitalists map. Once these commercially viable resources enter the production phase in the short to medium term, the earnings and the ripple effect of such developments will offer invaluable growth opportunities.

It is then no wonder that despite headwinds brought about by debt and tough fiscal dynamics, the Eastern Africa CEOs are optimistic that they can steer their organizations to growth and profitability.

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