

Sub-Saharan Africa: The Resurgence

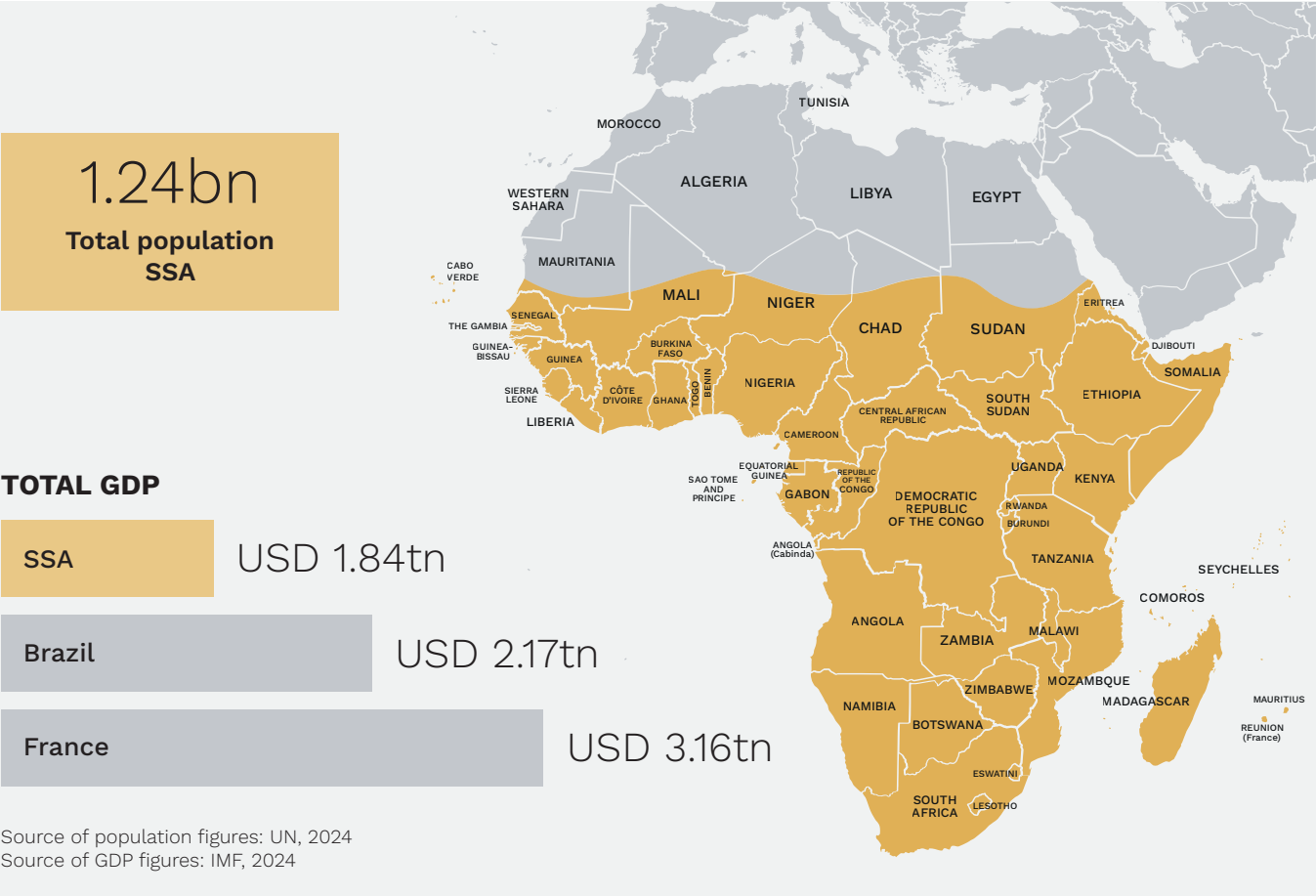


Over the last decade, private capital investors have focused almost exclusively on the developed world, particularly the US. As these markets become increasingly saturated with capital, leading to falling lending standards and returns, it is time for private investors to look further afield. One region which has been overlooked by private credit allocators is Sub-Saharan Africa (SSA), a vast region of 48 countries¹ which has a host of positive tailwinds that we believe make it an exciting proposition.

The Rise of Sub-Saharan Africa

Sub-Saharan Africa appeared on the radar screen of international investors in the early-2010s, when countries in the region started to issue Eurobonds in earnest. The path of increasing access to international capital markets has also been paved

by credit rating agencies' expanded focus on Africa, with the United Nations Development Programme (UNDP) partnering with S&P in 2003 “to fund the agency’s rating activity of African sovereign borrowers and provide technical country support”.²



Today, just over 30 SSA nations are rated by at least one of the big three rating agencies (S&P, Moody’s and Fitch), compared to only one country in the years before 2000 (South Africa).

At the same time, though, SSA still only makes up for less than 10% of J.P. Morgan’s EMBIGD Index of

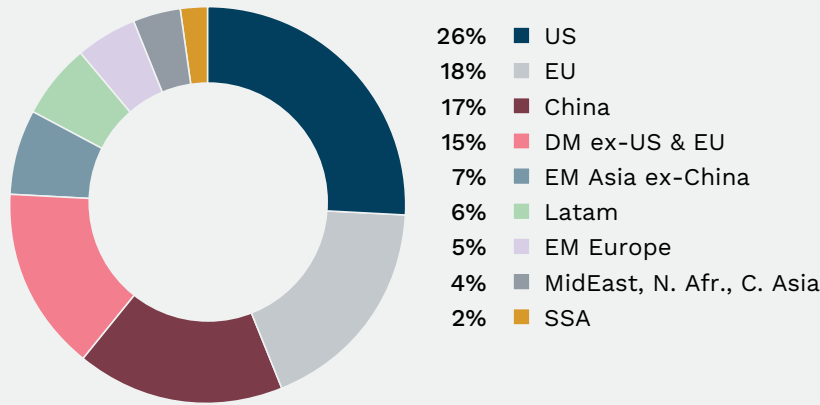
Emerging Markets US dollar (USD) bonds, compared to around 34% for Latin America (Latam). While those ratios roughly align with the relative size of the two regions’ economies, SSA’s population is around twice the size of Latam, highlighting the need for increased international capital to boost Gross Domestic Product (GDP) per capita and welfare.

Economic growth potential

Indeed, although SSA accounts for over 15% of the world's population, its GDP (denominated in US dollars) only accounts for around 2% of total world GDP, as shown in Figure 1. Simply put, economic growth has not been able to keep up with population growth. Even on a Purchasing Power Parity-adjusted USD basis, sub-Saharan Africa's GDP per capita is still only 25% of the Latam equivalent and a mere 13% of Emerging Europe.

At the same time, a bird's-eye view of individual SSA countries (Figure 2) shows a wide discrepancy on the GDP per capita spectrum, with: 1) Gabon (a small OPEC member country with large oil exports), 2) Botswana (a diamond exporter and the only mainland investment grade country in SSA) at USD 7,000-9,000 and 3) countries such as Sierra Leone, Liberia, DRC and Mozambique at levels well below USD 1,000. Critically, Nigeria (a major oil producer and OPEC member) saw its GDP per

FIGURE 1: NOMINAL GDP IN USD AS % OF WORLD IN 2024

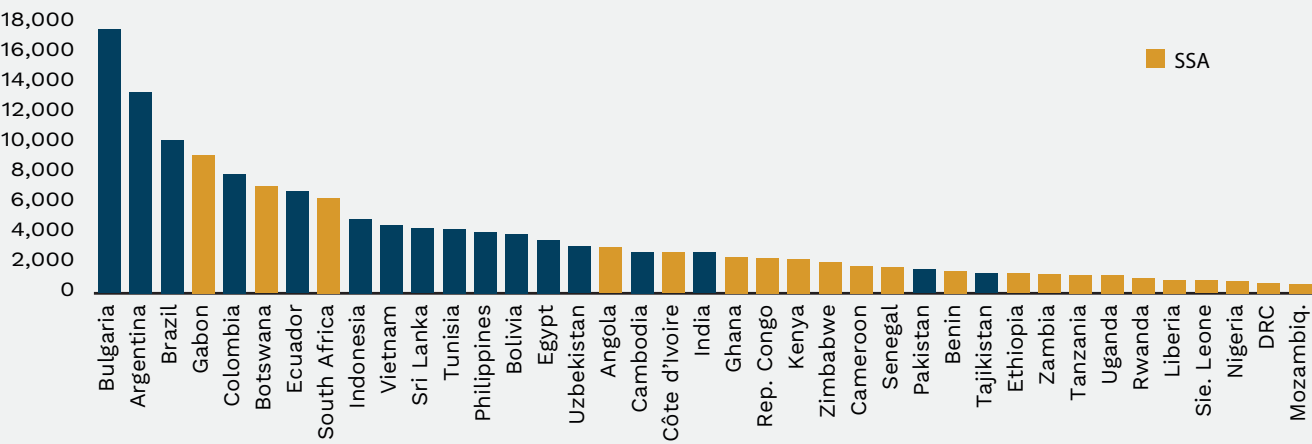


Source: IMF WEO

capita fall to USD 824 in 2024, following a ten-year average of around USD 2,200 - a reminder of the impact of material currency devaluation on African GDP per

capita. This further highlights the importance of having the capacity to analyse individual countries to identify unique investment opportunities as well as risks, ex ante.

FIGURE 2: GDP PER CAPITA IN US DOLLARS



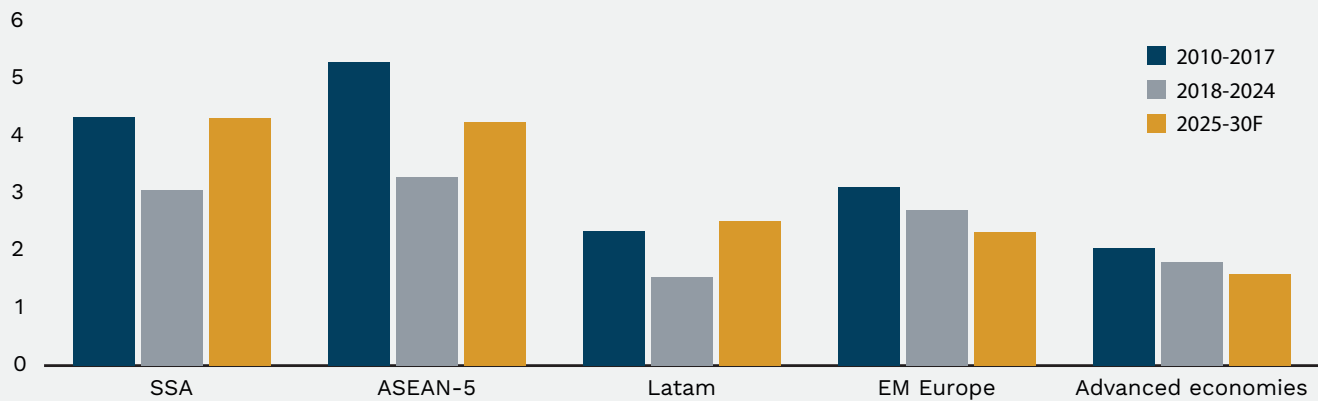
Source: IMF WEO

Looking ahead, though, the post-election reform drives in Nigeria and Ghana, the exit from sovereign restructurings in Zambia and Ethiopia and a probable interest rate-cutting cycle from the U.S. Fed, are all examples of why SSA could attract capital and embark on a higher

growth path. IMF WEO³ forecasts from April 2025 show aggregate SSA real GDP growth recovering to 4.3% in 2025-2030 from just over 3% in 2018-24, once again placing the region at the top end of regional growth forecasts (Figure 3). However, the dispersion of growth across individual

SSA countries is wide. At the higher end, Ethiopia is expected to grow at 7.5% and Côte d'Ivoire at 6.6% on average in 2025-30, while Nigeria's growth is seen at 3.1%. Contrastingly, South Africa's GDP growth is forecast at an average of 1.5% over the same timeframe.

FIGURE 3: AVG. REAL GDP GROWTH RATES IN % YOY



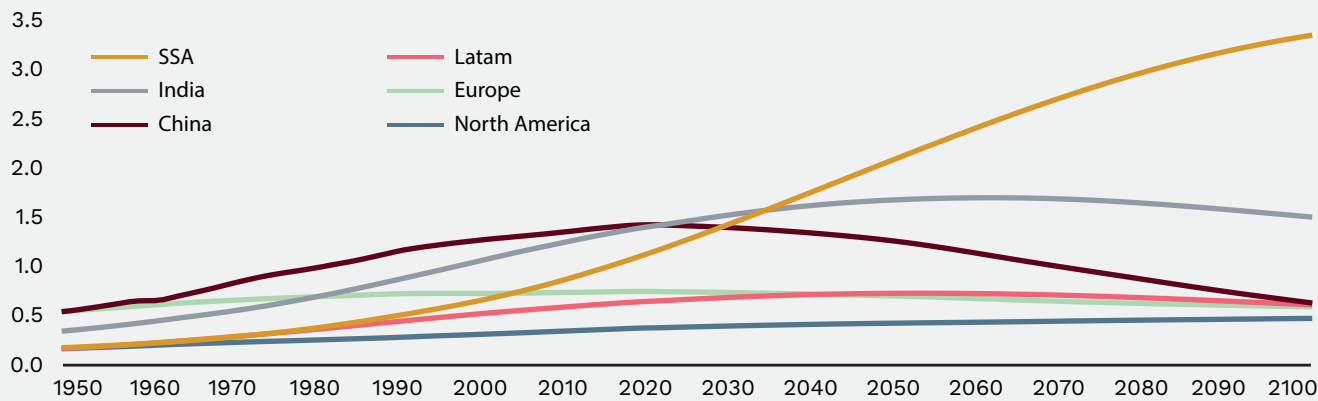
Source: IMF WEO

The demographic tailwind for growth

With substantial population growth rates of >3% p.a. in countries like Democratic Republic of Congo, Angola and Uganda, and 2-3% p.a. for most other SSA countries, UN forecasts show SSA overtaking China by 2030 and India by 2035 in terms of total population size (Figure 4). While

this presents a major challenge for policymakers not only in Africa but also in Europe (due to migration trends), it also offers a major opportunity for both SSA countries and investors: a huge, vibrant workforce and consumer market.

FIGURE 4: TOTAL POPULATION IN BILLIONS



Source: United Nations Forecasts

Indeed, as Figure 5 highlights, SSA stands out with the youngest population of any extended region. Furthermore, SSA's very low

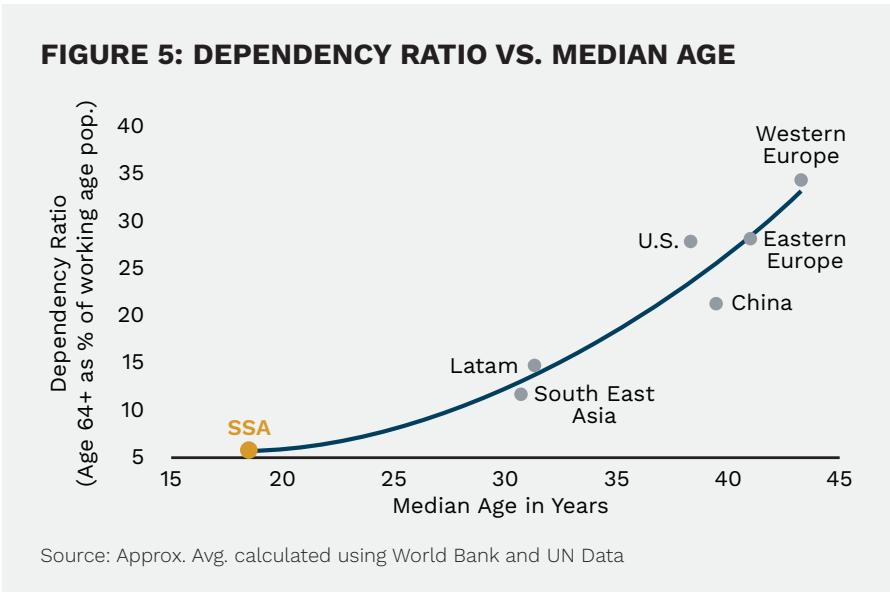
dependency ratio (i.e. persons aged over 64 as a percentage of the working-age population) leaves the region with minimal exposure to

the contingent liability challenges of pension payments that Developed Market (DM) countries and many Emerging Market (EM) peers face.

A moderating debt/GDP path...

Although it remains one of the lowest in the world, the SSA debt/GDP ratio also increased in the 2020 pandemic year. This was due to FX depreciation increasing the burden of external debt, higher spending needs on health-related programs and an, albeit muted, drop in real GDP (primarily due to pandemic-related restrictions). In addition, the drying-up of private capital flows and limited public sector funds to deal with the pandemic's negative spillover took their toll. As Figure 6 highlights, SSA's debt/GDP ratio has doubled in the past 10 years to over 60%, including an 8 percentage-points shift higher in 2020.

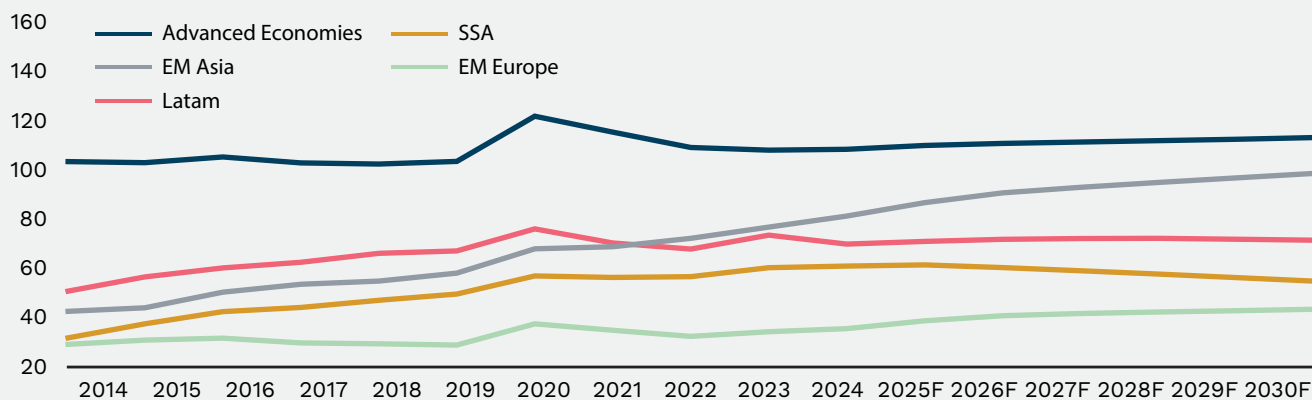
Looking ahead, the IMF expects SSA public debt/GDP to fall around 6%-points by 2030, on the back of increased fiscal efficiency, reduced FX volatility and more prudent reform and growth-enabling policies. Consequently, SSA is expected to be the best debt performer in the coming five years (Figure 6). Hopefully, the continued policy reform process will be recognised by both rating agencies and international investors.



This is unlikely to be a linear process however, given what is seen by some as an inherent rating bias against the region or even a perception deficit that more adversely hits SSA at times of global challenges. As the UNDP puts it in one report: “The COVID-19 pandemic had a significant impact on African sovereign borrowers, with

up to 62.5 per cent of rated African countries downgraded by the Big Three CRAs (Credit Rating Agencies) between 2020 and first half of 2021, compared to a global average of 31.8 per cent”.

FIGURE 6: PUBLIC SECTOR DEBT/GDP IN %



Source: IMF WEO

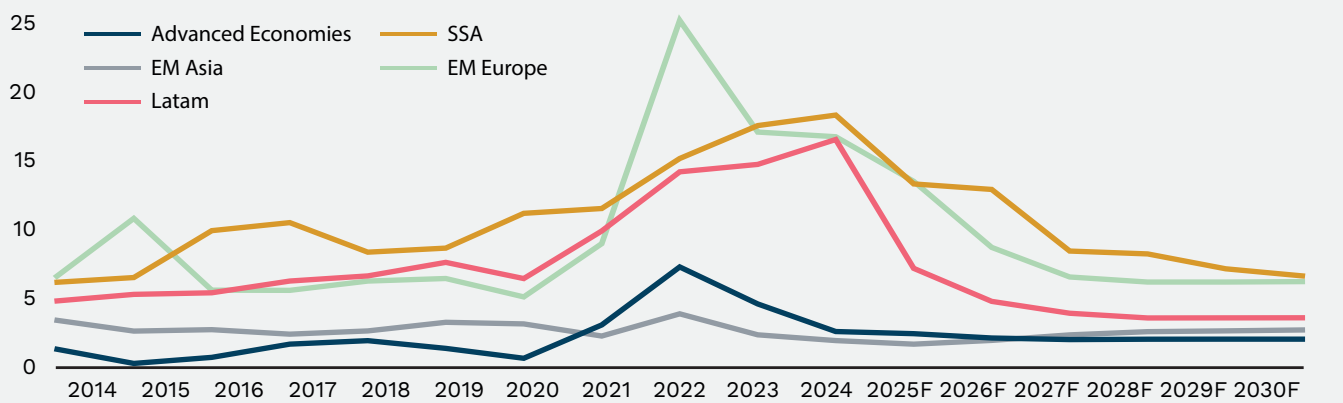
...and the inflation challenge

Numerous EM regions suffered from the negative spillover effects of the 2020 pandemic and the ongoing conflict in Ukraine (Figure 7). SSA was no exception, especially given its exposure to food imports and the substantial weight of food in many countries' inflation baskets. In Angola,

Ethiopia and Senegal for example, food and non-alcoholic beverages account for around 50% of the CPI basket, while in Kenya the weight is around 35%. That compares to a weight of around 15-20% in Colombia, Chile or Mexico. Expectations now are that inflation in SSA is likely to

continue falling through 2030 from its peak in 2024, especially on hopefully lower FX volatility. Any lasting peace in Ukraine would clearly provide a boost to those expectations, given the likely dampening pressure on both food and energy prices.

FIGURE 7: AVG. CPI INFLATION IN %YOY



Source: IMF WEO

Capital flows are returning

While the ongoing global trade wars and U.S. tariffs are a clear challenge for SSA, “significant progress on debt restructurings in SSA (Ghana, Zambia), and successful market reforms (Nigeria)” helped the region see more than USD 13bn in Eurobond issuances in 2024, compared to a previous ten-year average of USD 9bn, according to the IMF. That was accompanied by “historically high borrowing from the syndicated loan market”⁵. Indeed, Eurobond issuance continued into Q1 2025, with Benin, Côte d’Ivoire, Gabon, and Kenya tapping international capital markets.

This is good news for foreign direct investment (FDI) and private capital flows and should provide solace for investors contemplating when to enter the SSA space. SSA has so much to offer in the way of potential

AFRICAN CRITICAL MINERAL WEALTH

Mineral	Estimated % of global reserves	Usage
Manganese	85%	Steelmaking, Batteries
Platinum	80%	Catalysers for cars, Electronics, Hydrogen prod.
Chromium	80%	Stainless Steel Production
Cobalt	47%	Rech. Batteries, Superalloys
Graphite	21%	Lubricants, Batteries
Copper	6%	Electrical wiring, water pipes

Data Source: Center for Strategic and International Studies, U.S. Geological Survey.

investment opportunities in areas that are of vital importance to global growth and development. This includes critical infrastructure such as solar and wind energy, which could also eventually supply neighbouring regions such as Europe if built at substantial scale. It further extends to future ventures such as green hydrogen, which could be stored and transported when the necessary technology becomes available. The latter is particularly salient for countries like Kenya once they begin

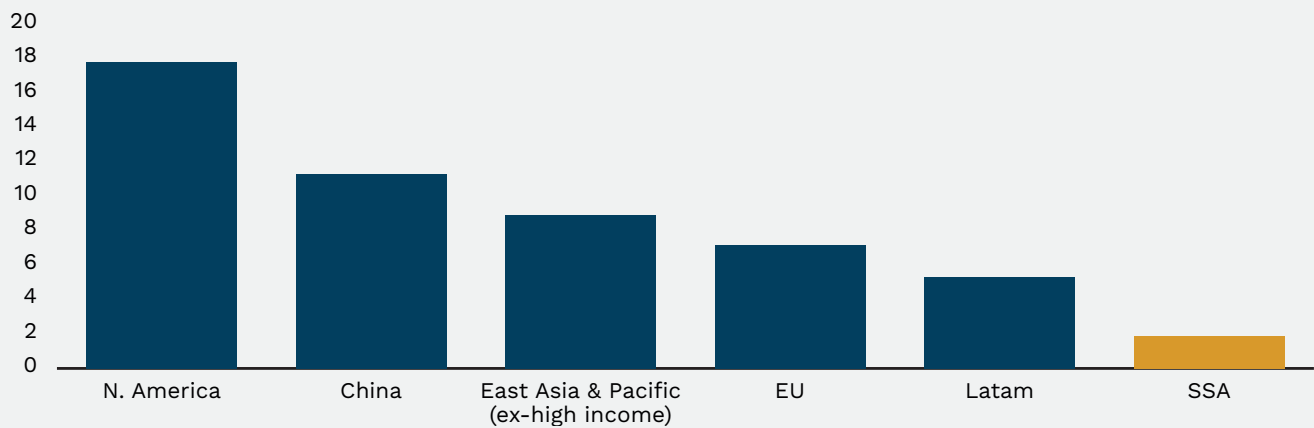
to produce more renewable energy than they need on a constant basis.

Critical minerals development should also help provide much-needed diversification and investment opportunities if approached in a manner that benefits the populations of the countries producing them. According to the Center for Strategic and International Studies, Africa has “roughly 85% of the world’s manganese, 80% of the world’s platinum and chromium, 47% of

cobalt, 21% of graphite and 6% of copper”, but “despite such reserves, the mining exploration budget in Africa was the second lowest in the world (in 2021) - roughly half that of Latin America”⁶.

At the same time, the subcontinent’s carbon footprint is the lowest in the world (Figure 8), with SSA as a whole accounting for only around 4% of worldwide greenhouse gas emissions, despite being home to over 15% of the world’s population.

FIGURE 8: PER CAPITA GREENHOUSE GAS EMISSIONS IN TONNES OF CO₂ EQUIVALENT



Source: Calculated using World Bank data. Data excludes Greenhouse Gases fluxes caused by Land Use, Change Land Use and Forestry

A positive outlook

With SSA countries regaining access to both international capital markets and IMF/World Bank lending, non-resident interest in the region should be on the rise. That backdrop should be supported by a benign 2026 elections calendar and thus a lower likelihood of political noise, helping pave the way for more novel private financing solutions to fill the financing gap that exists in SSA. That applies to both trade finance (with estimates of an annual gap of around USD 80-100bn) and corporate private capital.

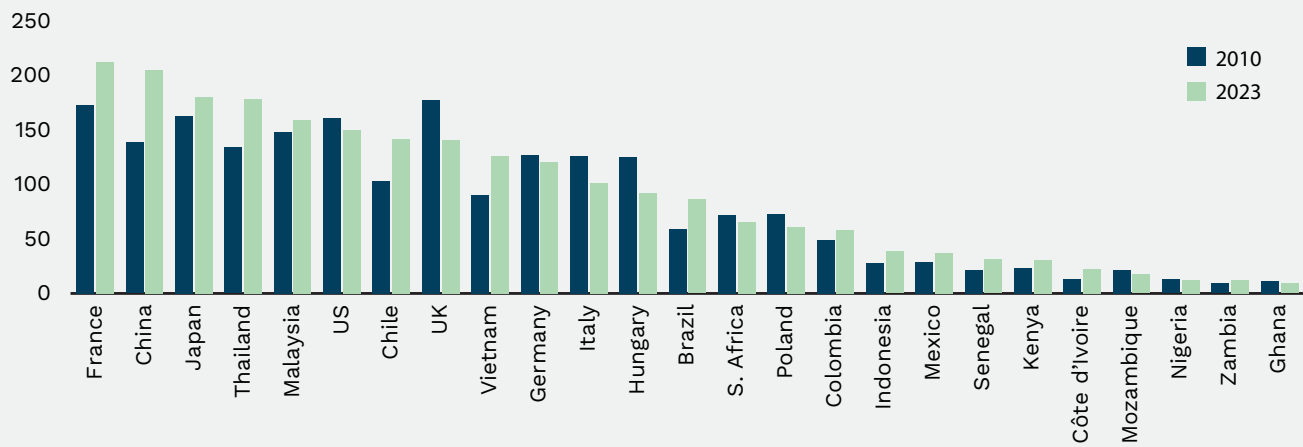
As Figure 9 highlights, households and non-financial corporations in

Emerging Markets enjoy less access to lending than their counterparts in Developed Markets. Africa stands right at the bottom end of the scale, with countries like Ghana, Nigeria and Zambia facing private debt/GDP ratios of only around 10%, compared to >100% ratios for much of DM. Crowding out is an added issue especially in SSA, where government borrowing in some countries is omni-present and often a more “comfortable” way for banks to deploy their capital.

Local African lenders, including micro-financing entities such as Jumo (co-financed by Gemcorp),

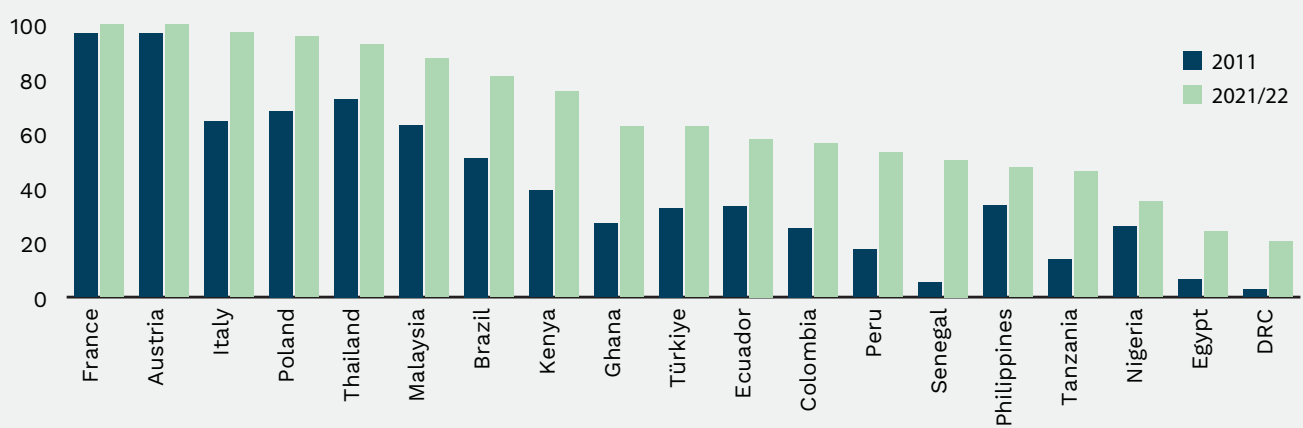
can only satisfy a small part of the region’s financing needs. That means access to international capital, be it concessional (IMF, World Bank and some bilateral lending) or non-concessional (Eurobonds, private equity/credit and syndicated loans), is a sine qua non for accelerating SSA’s development and keeping up with the continent’s substantial population growth. The vital role that international financing also plays in helping increase women’s welfare and empowerment in SSA cannot be understated, with considerable but still not enough progress made thus far (Figure 10).

FIGURE 9: PRIVATE DEBT (HOUSEHOLD & CORPORATIONS) AS % OF GDP



Source: IMF. Note: Loans & Debt Securities. Vietnam, Indonesia, Nigeria are 2022

FIGURE 10: FEMALE ACCOUNT OWNERSHIP AT A FINANCIAL INSTITUTION OR WITH MOBILE MONEY-SERVICE PROVIDER (% OF FEMALE POPULATION AGED 15+)



Source: World Bank

International Financial Institutions (IFIs) such as the IMF have the necessary expertise, experience and indeed human resources to be able to analyse and lend to SSA countries. However, private sector lenders and individual investors are already exposed to a large subset of countries in Emerging Markets, making it that

much more of a challenge to explore individual investment opportunities in SSA, whether at the sovereign or corporate level. This highlights the importance of working together with regional specialists like Gemcorp, who possess the know-how and expertise to invest into SSA

The opportunity in SSA Private Credit – risk, return, impact & diversification

At Gemcorp we have invested in emerging market private credit for over a decade and have allocated to SSA throughout this time. We believe the region provides an abundance of opportunities and increasingly benefits from a more favourable economic backdrop, as outlined in this paper.

In terms of returns, while no two deals are the same and in many transactions we create bespoke structures, investors into private credit in the region could, generally speaking, expect a premium above developed market private credit of around 200bp to 300bp+, dependent on a range of factors. This is often despite the fact that these transactions are denominated in hard currency, governed offshore by US or UK law and generally asset-backed, providing significant protection to investors. This is possible due to the vast scarcity of capital in the region,

which allows investors to provide capital on favourable terms, whilst still working with the borrower to ensure the solution meets their long-term needs.

This risk-return paradigm is illustrated in the comparison of default rates across all Emerging Markets (including SSA) vs. B-Grade corporates in Developed Markets over the last 30 years. The data show us that in many instances default rates are lower in Emerging Markets and certainly compare very favourably.

These lower default rates can be paired with often higher recovery rates in EM. Indeed, global project finance data show Africa and the Middle East with recovery rates of 85%, ahead of all other regions globally. Whilst this data is not exclusive to Africa it certainly challenges some of the long-held narratives around lending risk in SSA.

For investors focussed on the impact of the money they allocate, few regions globally offer more potential than SSA. As outlined here, there are significant capital scarcity and systemic biases standing as hurdles to investment into the region. Investment into key areas drives economic development, helps create jobs and drives tangible improvements across a range of developmental indicators. As one of the few active lenders in the region, we believe that we contribute to securing the confidence of international capital flows. This helps to promote an increase in the duration of funding and a rollover of investments, ultimately lowering borrowing costs and increasing the size of investments into SSA. Eventually, this should be accompanied by a marked improvement in the subcontinent's ratings profile, creating a virtuous investment cycle.

GEMCORP CAPITAL - INVESTMENT THEMES

1	Energy & Renewables Enabling Africa's participation in the global transition	Industrialisation, job creation & powering economic development: key areas for EM to achieve & access modern sustainable energy.
2	Financial Empowerment & Equality Empowering women by giving access to micro-credit	EM (and Africa) is experiencing a 'Fintech Eruption' and local and international investors are taking notice. Trends (such as mobile phone ownership and declining internet costs) are major drivers.
3	Connectivity & Innovation Providing society with access to new technologies	Growing urban populations across the continent and rapid technological shifts create huge need and opportunities in data and content provision.
4	Responsible Resource Management & Critical Minerals Ensuring that Africa gains the most from the E-revolution	For Africa, the focus is on the sustainable growth of its mineral mining operations and facilities, so that the gains can benefit the continent itself.
5	Sustainable Agriculture & Food Security Feeding for fast-growing populations	An estimated 140 million people in Africa (around 10% of the population) face acute food insecurity, according to the World Food Programme and World Bank.
6	Clean Water & Sanitation Securing access to water supplies and drainage	On the continent, 418 million people lack basic levels of drinking water service, and 779 million lack basic sanitation services

Investors in SSA private capital stand to benefit from increased diversification. Whilst not completely insulated, the economic drivers of the region are different to those in the developed world, providing exposure to more idiosyncratic risks than conventional DM private capital investments.

We believe we are entering an exciting time for SSA where the region is benefitting from strong economic growth and improving investment fundamentals, allowing it to leverage the dynamism of its young and entrepreneurial population. We are seeing capital starting to return

to the region and with this, more opportunities for investors to reap the rewards through selective private credit and equity investments.

- 1 Note that IMF SSA data used here refers to 45 countries and excludes Djibouti, Mauritania and Somalia
- 2 “Reducing the Cost of Finance for Africa”, UNDP 2023
- 3 International Monetary Fund - World Economic Outlook
- 4 “Reducing the Cost of Finance for Africa”, UNDP 2023
- 5 IMF April 2025 Regional Economic Outlook for sub-Saharan Africa
- 6 “Prospects for U.S. Minerals Engagement with Africa”, Center for Strategic & International Studies, Aug 2023

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