

2026 Africa Economic Outlook

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DEUTERONOMY 15:6 - KJV

“For the LORD thy God blesseth thee, as he promised thee: and thou shalt lend unto many nations, but thou shalt not borrow; and thou shalt reign over many nations, but they shall not reign over thee.”



Africa Outlook 2026: The Great Differentiation — Resilience, Reform, and the Race for Resources

Goneke Intelligence Summary:

- **The "Great Differentiation" Replaces "Africa Rising":** The investment landscape has shifted from a monolithic view of the continent to a granular focus on "Reform Alpha," favoring economies that have rigorously implemented structural adjustments. Investors are prioritizing nations with credible fiscal anchors and liberalizing markets—such as Kenya, Nigeria, and Egypt—while differentiating them from slower-adapting peers, marking a transition to an era of "African Realism" grounded in policy consistency rather than broad demographic optimism.
- **Private Capital as the New Engine of Infrastructure:** 2026 marks a decisive pivot where private sector balance sheets replace state monopolies in delivering critical network infrastructure. This is visible in the booming private energy and logistics markets in South Africa, the U.S.-backed Lobito Corridor for mining logistics, and a surge in data center investments across Lagos, Nairobi, and Cape Town driven by global AI and cloud computing demand.
- **Capital Market Deepening and IPO Renaissance:** Financial markets are maturing rapidly, offering new liquidity events and entry points for institutional capital. Key drivers include the banking sector recapitalization in Nigeria, a wave of privatizations and IPOs in North Africa (Egypt and Morocco), and the historic opening of Ethiopia's capital markets with the launch of its securities exchange.
- **Strategic Resource Leverage in a Fragmented World:** Africa is converting its dominance in critical minerals (copper, lithium, PGMs) and transitional energy (LNG in Tanzania and Mozambique) into geopolitical leverage. The global scramble for supply chain security in the energy transition and AI hardware sectors is driving a move from pure extraction to value-addition and processing, supported by competitive financing from rival global powers.



A New Cycle of Promise and Pressure

As the global economy navigates the complex transition into 2026, the era of synchronized global growth and low-cost liquidity has definitively ceded ground to a new paradigm. This landscape is defined by three powerful, interconnected forces identified in our broader global outlook: the relentless expansion of **Artificial Intelligence (AI)**, the intensification of **Global Fragmentation**, and the persistence of **Structural Inflation**.¹ For the African continent, these global currents are not merely external headwinds; they are the architects of a profound structural realignment that will define the region's economic trajectory for the next decade.

Our 2026 Outlook for Africa posits that the continent is entering a pivotal **"Cycle of Differentiation."** While the aggregate headline growth for Sub-Saharan Africa is projected to accelerate to **4.4%** in 2026, up from 3.8% in 2025, this aggregate figure masks a sharp divergence in sovereign fortunes. The narrative of "Africa Rising," which often treated the continent as a monolithic asset class, has been supplanted by a market environment that ruthlessly distinguishes between structural reformers and policy laggards.

Investors in 2026 must navigate a landscape where **geopolitics creates new infrastructure corridors**, such as the U.S.-backed Lobito Corridor and China's evolved Belt and Road Initiative, and where **energy security** drives multi-billion dollar Final Investment Decisions (FIDs) in Liquefied Natural Gas (LNG) and renewables from Mozambique to Morocco. We are witnessing a move from pure extraction to value-addition, driven by the global scramble for critical minerals essential to the energy transition and AI hardware supply chains.

Thematically, 2026 is poised to be the year of **Capital Market Deepening**. From the launch of market indices on the nascent Ethiopian Securities Exchange to the recapitalization-driven equity boom in Nigeria and the IPO renaissance in Casablanca, Africa's financial architecture is maturing. However, the risks remain elevated. Sovereign debt walls loom for un-restructured economies, and inflation, though moderating, remains structurally higher than the pre-pandemic decade, creating a high-for-longer interest rate environment that challenges fiscal sustainability. This report provides an exhaustive analysis of these trends across four primary economic blocs—West, East, North, and Southern Africa—and dissects the thematic currents of private capital, infrastructure, and commodities defining the investment horizon.



I. Global Forces, African Realities: The Macro Transmission Mechanism

To understand Africa's trajectory in 2026, one must first contextualize it within the broader global macroeconomic environment. The global expansion is at an important juncture, with GDP growth resilient but imbalances forming as demand rotates toward tech capex. For Africa, these global macro-forces transmit specific shocks and opportunities that reshape the investment case.

1.1 The AI Impulse: From Silicon Valley to Savannah

While the primary beneficiaries of the AI equity boom have been U.S. mega-caps, the infrastructure requirements of this technology are global. The "AI spending wave" is creating a desperate search for power and data capacity.

- **The Data Center Boom:** Africa's data center market is projected to triple by 2030, with 2026 being a critical year for capacity delivery.¹⁰ The continent currently holds less than 2% of global colocation supply, yet demand is surging due to data localization laws and the migration of enterprise workloads to the cloud. We anticipate capital expenditure in this sector to exceed **\$10 billion** cumulatively by the end of the decade, with major hyperscale projects coming online in Lagos, Nairobi, and Johannesburg in 2026.
- **Energy as the Constraint:** The binding constraint for the AI revolution globally is energy.² AI data centers are energy-intensive, and global tech giants are seeking jurisdictions with surplus power—or the ability to wheel renewable energy. This reinforces the strategic value of Africa's energy exports. Whether it is LNG from **Tanzania** and **Mozambique** serving as a transition fuel for Europe and Asia, or green hydrogen projects in **Namibia** and **Morocco**, Africa is positioning itself as a critical node in the global energy equation required to power the digital age.

1.2 Fragmentation: The Geopolitical Dividend

The global order is splintering into competing blocs, contested supply chains, and fragile alliances. For Africa, this fragmentation is not a net negative; rather, it creates a "multi-aligned" opportunity where nations can leverage their strategic non-alignment.

- **Critical Minerals Competition:** The U.S. and China are no longer merely competing for diplomatic influence; they are competing for *access* and *processing capacity* of critical minerals essential for the AI and energy transitions.¹³ Africa holds **30%** of the world's mineral resources, including cobalt, lithium, and copper.¹³ In 2026, we expect a surge in "minerals diplomacy," where infrastructure investment is directly tied to offtake agreements.
- **Corridors of Power:** The shift is visible in infrastructure finance. The U.S. and EU are mobilizing capital for the **Lobito Corridor**, linking the Copperbelt to the Atlantic, specifically to bypass Chinese-controlled logistics routes.⁵ Conversely, China is recalibrating the Belt and Road Initiative (BRI) towards "small and beautiful" projects, focusing on digital connectivity and green energy to maintain its foothold. This competition is lowering the cost of capital for strategic infrastructure projects across the continent.



1.3 Structural Inflation and the Cost of Capital

Inflation globally is settling at a higher, more volatile level than the pre-pandemic norm. While central banks in Developed Markets (DM) are cutting rates, the era of zero-interest-rate policy (ZIRP) is over.

- **Implication for Sovereigns:** For African sovereigns, this implies that the cost of external borrowing, while improving from the distressed levels of 2023-2024, will not return to the historical lows of the 2010s. The spread compression we have seen in late 2025—with African Eurobond spreads narrowing to roughly **388 basis points**—signals a reopening of markets, but only for credible credits.
- **The Reform Imperative:** Fiscal consolidation is no longer optional. Countries like **Nigeria** and **Ghana**, which have undertaken painful adjustments, are seeing capital return. Those delaying reforms or hiding liabilities, as seen in **Senegal's** recent debt restatement, face a closed door to international capital markets. The market in 2026 will ruthlessly differentiate based on fiscal transparency and policy consistency.

| Global Theme | Transmission Mechanism to Africa | Investment Implication 2026 |
|-------------------------|--|--|
| Artificial Intelligence | Demand for data centers & energy | Long Digital Infrastructure (Fiber/Towers/DCs) & Utilities |
| Global Fragmentation | Race for critical minerals supply chains | Strategic value in Logistics (Lobito) & Mining Services |
| Structural Inflation | Higher cost of external debt (Eurobonds) | Focus on Local Currency Bonds & Reform-driven Sovereigns |

II. West Africa: The Reformers' Reset

West Africa in 2026 is defined by a distinct "Reform Alpha"—the outperformance of markets where orthodox monetary and fiscal policies have been rigorously implemented after years of distortion. The region's major economies are emerging from a period of intense volatility, characterized by currency devaluation and inflation spikes, into a phase of stabilization and structural adjustment.

2.1 Nigeria: The Giant Awakens (Again)

After years of macroeconomic distortion, Nigeria is emerging as a high-conviction turnaround story for 2026. The painful reforms initiated in 2023—fuel subsidy removal and FX unification—are expected to yield tangible stability by 2026.

Macroeconomic Outlook

We forecast GDP growth to accelerate to **4.0%** in 2026, driven by a recovery in the oil sector and a stabilizing naira.¹⁷ Inflation, having peaked at over 30% in 2024, is projected to decelerate significantly to approximately **14%** by 2026.¹⁷ This disinflation is aided by tight monetary policy from the Central Bank of Nigeria (CBN), which has hiked rates aggressively to anchor expectations, and improved FX liquidity. The Naira is forecast to stabilize within the **N1,300 – N1,400 per USD** band, reducing the pass-through volatility that plagued the economy in previous years.



Banking Sector Catalyst: The Recapitalization Wave

The central narrative for Nigerian equities in 2026 is the **banking recapitalization**. The CBN has mandated higher capital baselines with a deadline of **March 31, 2026**.

- **The Mandate:** International banks must raise their capital base to **N500 billion**, while national banks must reach **N200 billion**.⁸ This policy is designed to create fortress balance sheets capable of supporting a \$1 trillion economy.
- **Market Impact:** We anticipate a flurry of capital raising activity throughout 2026. Banks are utilizing rights issues, public offers, and private placements. For example, **Access Holdings** has already moved to raise N351 billion via rights issue ⁸, and **GTCO** has tapped the market for N400.5 billion.
- **Consolidation:** By the end of 2026, the sector will likely undergo consolidation. Tier-2 banks that cannot meet the threshold will be acquisition targets for Tier-1 lenders. This liquidity event is deepening the Nigerian Exchange (NGX), which has already seen market capitalization surge past **N96 trillion**.¹⁹ For equity investors, the banking index offers a generational entry point into larger, more liquid, and better-capitalized institutions.

Oil & Gas: Volume is Value

The recovery of the oil sector is the linchpin of Nigeria's fiscal balance.

- **Production:** Crude production is forecast to reach **1.73 million barrels per day (bpd)** in 2026.²⁰ This recovery from the lows of <1.2m bpd is attributed to improved security surveillance in the Niger Delta and new production from shallow water fields.
- **Dangote Refinery Effect:** The full operational ramp-up of the Dangote Refinery is a structural game-changer. By domestically refining crude, Nigeria significantly reduces its import bill for refined products, easing the structural demand for FX and improving the balance of payments.

2.2 Ghana: From Stabilization to Renewal

Ghana represents the quintessential "post-restructuring" recovery play. Following its 2023 sovereign default and subsequent domestic and external debt restructuring, the economy is pivoting from crisis management to growth renewal.

Growth and Fiscal Discipline

We project real GDP growth to rebound to **4.8%** in 2026. This recovery is underpinned by the restoration of business confidence and the resumption of credit growth as the government reduces its crowding out of the private sector.

- **Fiscal Anchor:** The 2026 budget targets a **primary surplus of 1.5% of GDP**. This fiscal discipline is a structural condition of the IMF Extended Credit Facility (ECF) and is essential for putting public debt on a sustainable path. Public debt has already declined from nearly 93% of GDP to roughly **45%** by late 2025 due to the restructuring parameters.
- **Inflation Targeting:** Inflation is expected to return to single digits, targeting **8.0%** by late 2025/early 2026.²¹ This disinflation path will allow the Bank of Ghana to ease policy rates, lowering the cost of borrowing for the private sector and stimulating investment in non-oil sectors like agriculture and services.



Currency Dynamics

The Cedi is forecast to stabilize as external buffers are rebuilt through IMF disbursements, World Bank support, and a recovering cocoa sector. The successful completion of the Eurobond exchange in 2024/2025 has normalized external relations, allowing Ghana to re-engage with trade finance partners.

2.3 Senegal: The Hydrocarbon Paradox

Senegal offers the region's most explosive growth numbers but carries significant fiscal baggage that emerged following a comprehensive audit of public finances.

The Growth Surge

The economy grew by an estimated **12.1%** in Q1 2025 alone, driven by the onset of production at the **Sangomar oil field**. We expect growth to remain robust, averaging above **6.0%** through 2026 as hydrocarbon exports ramp up and the Greater Tortue Ahmeyim (GTA) gas project comes online.²⁴ This energy boom is transforming Senegal's export profile.

The Fiscal Cliff

However, the economic narrative is complicated by the revelation of hidden debt liabilities. A government audit revised the debt-to-GDP ratio to nearly **119%** by the end of 2024, significantly higher than previously reported figures.

- **Consequences:** This transparency shock triggered credit rating downgrades (S&P lowered the rating to **CCC+**) and delayed IMF disbursements.
- **2026 Outlook:** The outlook for 2026 is dominated by the government's ability to navigate a new IMF program and manage debt servicing costs, which now consume a significant portion of revenue. The 2026 budget targets a deficit reduction to **5.4%**, but the path is narrow.
- **Investment Thesis:** Senegal is a binary bet for 2026. If the administration restores fiscal credibility while oil revenues flow, it could be the region's star performer. If fiscal slippage continues, the oil windfall risks being consumed entirely by debt service, crowding out development spending.

III. East Africa: Integration and Liberalization

East Africa remains the continent's diversified growth engine, less reliant on single commodities and more driven by services, infrastructure, and regional integration through the East African Community (EAC). The narrative for 2026 shifts from "infrastructure build-out" to "asset monetization" and "capital markets deepening."

3.1 Kenya: Earnings-Led Recovery

Kenya enters 2026 with a stabilizing currency and a focus on fiscal consolidation after successfully navigating the "Eurobond maturity wall" scare of 2024.

Macro Outlook

GDP growth is forecast to accelerate to **5.0%** in 2026. The easing of monetary policy, with the Central Bank of Kenya (CBK) cutting rates throughout 2025 (lowering the policy rate to **9.50%**), is expected to lower credit costs and spur private sector investment.²⁶ This monetary easing is a critical stimulant for the manufacturing and housing sectors.



Equity Market Renaissance

The Nairobi Securities Exchange (NSE) is witnessing a "bull run" driven by banking sector earnings and renewed foreign interest.

- **Banking Sector:** Despite high non-performing loans (NPLs) driven by public sector arrears, Kenyan banks like **KCB Group** and **Equity Group** are posting robust profits. The sector is innovating with new hedging instruments; the launch of **NSE Banking Sector Index Futures** in late 2025 provides institutional investors with new tools to manage sector exposure in 2026.
- **Investor Wealth:** Investor wealth on the NSE soared by over **KSh 1 trillion** in the first ten months of 2025, signaling a decisive break from the bear market of 2023.

Sovereign Debt

Kenya's return to the Eurobond market in 2024/2025 signaled market re-entry. For 2026, the focus is on debt sustainability; while yields have compressed, debt servicing remains a significant drag on development spending.²⁹ The government continues to prioritize concessional borrowing to retire expensive commercial debt.

3.2 Ethiopia: The Last Frontier Opens

Ethiopia is arguably the most exciting structural story in Africa for 2026, as it moves from a state-led model to a liberalized market economy.

Capital Markets Birth

The **Ethiopian Securities Exchange (ESX)**, launched in early 2025, is expected to see its first wave of major listings in 2026.

- **Pipeline:** The exchange targets **12 listings by mid-2026**, including financial institutions and potentially state-owned enterprises (SOEs) like Ethio Telecom.
- **Market Infrastructure:** By June 2026, the Capital Market Authority plans to introduce formal market indices, providing benchmarks for investors. For frontier market investors, this represents access to a market of 130 million people that has been closed to portfolio capital for decades.

Liberalization Dividend

The entry of foreign banks (licensed in 2025) will begin to modernize the financial sector in 2026. GDP growth is projected at **7.2%**, positioning Ethiopia among the world's fastest-growing economies. The liberalization extends to the logistics and retail sectors, opening vast opportunities for FDI.

- **Risks:** Foreign exchange shortages persist, though the currency float has alleviated some pressure. Political stability and internal security remain the pre-conditions for realizing this economic potential.

3.3 Tanzania: The Gas Giant Emerges

Tanzania is leveraging its political stability and strategic geography to unlock massive energy projects and position itself as a logistics hub.



LNG FIDs

The **\$42 billion LNG project** (led by Equinor and Shell) is moving toward a Final Investment Decision (FID) anticipated by 2026. This project alone has the potential to transform Tanzania's fiscal profile and currency dynamics over the next decade, turning the country into a major global gas exporter.

Infrastructure & Growth

The **Standard Gauge Railway (SGR)** is operational and expanding, linking the port of Dar es Salaam to the hinterland (DRC, Zambia, Rwanda). This reinforces Tanzania's status as a trade hub. The government targets **6% GDP growth** in 2026, supported by robust tax collection reforms and the execution of these mega-projects.

3.4 Rwanda: The Service Hub

Rwanda continues to punch above its weight, with GDP growth projected to expand by **7.5%** in 2026.

- **Drivers:** Growth is broad-based, led by services (conference tourism, finance via the Kigali International Financial Centre) and construction (completion of the Bugesera International Airport).
- **Fiscal:** While public debt is projected to peak at **80% of GDP** in 2025, it is largely concessional. The fiscal deficit is projected to decline to **5.4%** in 2026 as major capex projects reach completion.

IV. North Africa: Industrialization and IPOs

North Africa distinguishes itself through higher industrialization levels and deeper capital markets. The region is benefiting significantly from the "near-shoring" trend, with Europe seeking closer, more reliable manufacturing hubs to reduce dependence on Asia.

4.1 Egypt: The Privatization Pivot

Egypt enters 2026 on a footing of recovery, following the massive external adjustments, devaluation, and bailout package of 2024.

Macro Recovery

GDP growth is upgraded to **4.5%** for FY2025/26. Crucially, inflation is on a sharp downward trajectory, projected to fall to **11.8%** in 2026 from peaks of over 30%. This disinflation is critical for restoring real wages and consumer purchasing power.

The IPO Pipeline

The government's commitment to the State Ownership Policy—withdrawing from economic sectors to crowd in the private sector—is gaining pace.

- **Targets:** The government plans to sell stakes in 4 state-owned companies before the end of the fiscal year, targeting **\$1.9 billion** in revenue.
- **Sectors:** The pipeline includes strategic assets in banking, pharmaceuticals (Misr Pharma, SED Pharma), and energy (National Petroleum Products Company). This supply of high-quality paper is revitalizing the Egyptian Exchange (EGX), attracting renewed foreign portfolio inflows.



Energy Balance

The focus in 2026 is shifting to restoring gas production levels and expanding renewable capacity to meet domestic demand and export commitments to Europe. The IMF program continues to anchor policy, enforcing fiscal discipline and a flexible exchange rate regime.

4.2 Morocco: The Green Industrial Hub

Morocco has successfully positioned itself as the connection point between African resources and European industry, leveraging its free trade agreements and industrial zones.

Automotive & EVs

Morocco is not just assembling cars; it is building a vertically integrated battery ecosystem. With Chinese manufacturers investing heavily in gigafactories to serve the EU market (bypassing tariffs), Morocco's EV production is set to surge in 2026.

- **Capacity:** Passenger EV sales are forecast to grow by **36.3%** in 2026. The country is leveraging its phosphate reserves (essential for LFP batteries) to attract battery manufacturers like **Gotion High-Tech**.

Capital Markets Renaissance

The Casablanca Stock Exchange is seeing its best IPO run in two decades.

- **Listings:** Following the successful IPO of fintech **Cash Plus** (valued at \$550m), the construction giant **SGTM** is listing in late 2025/early 2026, aiming to raise over **MAD 5 billion** (\$540m).⁹ This listing is significant as it opens the construction sector to public investment ahead of the 2030 World Cup infrastructure boom.
- **Macro Stability:** GDP growth is stable at **4.3%** for 2026. Morocco's investment-grade aspirations are supported by its diversified export base (autos, phosphates, tourism, aeronautics).

V. Southern Africa: Resources and Transition

Southern Africa remains the continent's resource powerhouse, but infrastructure bottlenecks have historically throttled potential. 2026 looks to be the year these bottlenecks begin to ease materially, unlocked by private sector participation.

5.1 South Africa: Structural Reform Traction

South Africa takes the **G20 presidency** in 2025, providing a platform to reassert its global relevance. Domestically, the Government of National Unity (GNU) is pushing through reforms.

Growth & Reform

While headline growth remains modest (~1-2%), the underlying structural reforms in energy and logistics are expected to gain traction by 2026.

- **Logistics:** The opening of **Transnet's** rail network to private third-party operators is expected to improve freight volumes by 2026, reversing a multi-year decline.⁴²
- **Energy:** The unbundling of Eskom and the rapid uptake of private renewable generation have reduced load-shedding intensity.
- **Private Markets:** The private equity industry is anticipating a strong 2026. **60%** of PE firms expect high deal activity in 2026, driven by mid-market assets and



infrastructure. Pension fund reforms (Regulation 28) allowing greater allocation to alternative assets are deepening the pool of domestic capital available for infrastructure and private credit.

Trade Risks

Relations with the U.S. remain a key risk variable. With the Trump administration's focus on tariffs and bilateral deals, South Africa's eligibility for AGOA (African Growth and Opportunity Act) renewal could be scrutinized given its geopolitical stance.

5.2 Angola: The Lobito Corridor Strategy

Angola is aggressively diversifying away from its monolithic oil dependence, utilizing infrastructure as the catalyst.

The Lobito Corridor

This is the flagship infrastructure project for the region, supported by the U.S. and EU under the Partnership for Global Infrastructure and Investment (PGI).

- **Project Status:** The **Africa Finance Corporation (AFC)** has committed to mobilizing \$500 million, and the U.S. has committed over \$560 million.
- **Timeline:** Groundbreaking on the **Zambia extension** (connecting the Benguela line to the Zambian Copperbelt) is targeted for **early 2026**. This rail line is not just for transit; it is stimulating investments in agriculture, digital access, and clean energy along the route.

Macro Outlook

Non-oil GDP is becoming a larger driver of growth. Overall GDP is forecast to grow **2.9%** in 2026 ⁴⁷, with inflation moderating to roughly **14.2%**. The government is implementing an import substitution strategy to reduce reliance on food imports.

5.3 Mozambique: LNG Renaissance

Security improvements in Cabo Delgado are unlocking frozen energy projects that are critical for the country's fiscal future.

Project Restarts

ExxonMobil is lifting force majeure and targeting a Final Investment Decision (FID) for its **Rovuma LNG** project in early 2026. **TotalEnergies** has already resumed work on its Mozambique LNG project.

- **Impact:** These multi-billion dollar inflows will drive a construction boom in 2026. Once operational (post-2030), these projects will make Mozambique a top-10 global LNG producer. In the interim (2026), the construction phase stimulates local content and services.⁴⁸



VI. Thematic Deep Dives: Where the Alpha Is

6.1 Sovereign Debt: The Yield Compression Trade

The "funding squeeze" that defined 2023-2024 has eased. African sovereigns are returning to international capital markets, but with greater discipline and at higher costs than the previous decade.

- **Eurobond Outlook:** We expect issuance to normalize in 2026 as global rates stabilize. Spreads on African Eurobonds have narrowed significantly to an average of **388 basis points** over U.S. Treasuries.¹⁵ This makes issuance viable again for credits like **Kenya, Angola, and Nigeria** to refinance maturing debt.
- **Local Currency Debt:** There is a structural shift toward developing local currency bond markets to reduce FX mismatch risks. In 2026, real yields on African local debt (often >5%) will attract carry trade inflows as global rates decline. The OECD notes that while local markets are deepening, they remain dominated by short-term tenors, presenting a challenge for long-term infrastructure financing.

6.2 Infrastructure: The Battle of Corridors

Infrastructure finance in Africa has become a geopolitical chessboard.

- **US/G7 vs. China:** The U.S.-backed **Lobito Corridor** is a direct counter to China's dominance in critical mineral logistics. In 2026, we will see tangible construction on this corridor, funded by a coalition of Western DFIs and private capital.
- **China's Evolution:** China is not exiting; it is pivoting. The BRI in 2026 is focused on "small and beautiful" projects—green energy, digital infrastructure, and industrial parks—rather than the massive debt-financed rail and port projects of the past decade.¹⁴
- **Rail & Power:** The resurgence of rail (Tanzania SGR, Lobito) is structurally lowering logistics costs. In power, the focus is shifting from generation to **transmission investment** to unlock renewable generation capacity that is currently stranded due to grid constraints.

6.3 Private Equity & VC: The "Great Reset"

The African private equity (PE) and venture capital (VC) landscape is maturing, moving from a "growth at all costs" mindset to a focus on profitability and exits.

- **Fintech Valuations:** Valuations have reset to reflect higher costs of capital. In Fintech, revenue multiples have stabilized around **4.2x**. The market is demanding the "Rule of 40" (Growth + Profitability > 40%). Winners like **Flutterwave** and **Moniepoint** (now a Unicorn) may explore public listings or strategic sales in 2026.
- **Exits:** 2026 will be a critical year for liquidity. The exit drought is ending, with PE firms utilizing revitalized stock exchanges (Casablanca, Nairobi, Lagos) for IPO exits, alongside trade sales to strategic buyers. Secondary sales (PE to PE) are becoming a dominant exit route, accounting for 30% of exits.
- **Digital Infrastructure:** This remains the highest-conviction theme. African data center capacity is set to triple by 2030. In 2026, we expect significant capacity to come online in **Lagos, Nairobi, and Cape Town** to support cloud migration and AI workloads.



6.4 Critical Minerals: The Strategic Asset

The race for copper, cobalt, lithium, and graphite underpins the macro outlook for DRC, Zambia, and Tanzania.

- **Prices:** We forecast upward pressure on these mineral prices in 2026 due to the structural deficit created by the energy transition and AI hardware needs.
- **Policy:** Expect more "resource nationalism" in the form of beneficiation requirements—countries mandating local processing before export. Investors must align with this value-addition trend to secure licenses. The U.S. and China are actively competing to fund this processing capacity to secure supply.

VII. Investment Strategy & Recommendations

For Sovereign Fixed Income Investors

- **Overweight Reformers:** Focus on sovereigns with clear fiscal consolidation paths and IMF anchors. **Egypt, Kenya, and Ghana** offer compelling risk-adjusted returns as their reform agendas mature and spreads compress further.
- **Monitor Oil Exporters:** **Nigeria** and **Angola** offer attractive yields, but performance is highly correlated with oil prices and production stability. Nigeria's banking recapitalization and oil recovery offer high upside if reforms are sustained.

For Equity Investors

- **Bank on Recapitalization:** The **Nigerian banking sector** offers a generational entry point ahead of the March 2026 recapitalization deadline. Consolidation will create larger, more liquid champions with fortress balance sheets.
- **North African Industrials:** **Egypt** and **Morocco** offer exposure to the industrial/export theme. Look for companies benefiting from currency competitiveness (Egypt) or integration into EU supply chains (Morocco EV sector).
- **East African Diversification:** **Kenyan banks** (strong earnings, regional expansion) and **Ethiopian privatization assets** (telecoms, banking) offer exposure to the region's resilient consumer and services growth.

For Private Markets & Real Assets

- **Digital Infrastructure:** Data centers and fiber remain the highest-conviction theme. The AI-driven demand for compute capacity in Africa is just beginning, and the supply-demand imbalance in 2026 will drive strong rental growth.
- **Energy Transition:** Mid-market renewable projects (Commercial & Industrial solar) and transmission infrastructure offer stable, inflation-linked returns.
- **Critical Minerals Logistics:** Invest in the logistics and services ecosystem surrounding key mining corridors (Lobito, Dar es Salaam) rather than just extraction risks.

2026 will not be a year of uniform growth for Africa. It will be a year of **differentiation**. The divergence between economies that have embraced structural reforms and integrated into resilient global supply chains and those that have not will widen. For the discerning investor, this fragmentation creates alpha. The era of the "Africa Rising" slogan is over; the era of "**African Realism**"—grounded in specific, structural opportunities in energy, infrastructure, and financial deepening—has begun.



Data Summary Table: Key 2026 Forecasts

| Country | 2026 GDP Growth Forecast | Inflation Forecast (2026) | Key Theme / Driver |
|-----------|--------------------------|---------------------------|--|
| Nigeria | 0.04 | ~14.0% | Banking Recapitalization & Oil Recovery |
| Ghana | 0.048 | 0.08 | Post-Restructuring Rebound |
| Senegal | ~6.0%+ | ~2.0% | Oil Production (Sangomar) & Fiscal Reset |
| Kenya | 0.05 | 5.0% (Target) | Private Sector Credit & Rate Cuts |
| Ethiopia | 0.072 | Declining | Capital Markets Launch (ESX) |
| Tanzania | 0.06 | Stable | LNG Project FID & SGR Rail |
| Rwanda | 0.075 | 0.058 | Services & MICE Strategy |
| Egypt | 0.045 | 0.118 | Privatization & IPOs |
| Morocco | 0.043 | Low / Stable | EV Ecosystem & Industrial Exports |
| Angola | 0.029 | 0.142 | Lobito Corridor & Diversification |
| SSA (Avg) | 0.044 | Moderating | Reform & Investment Recovery |

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