



## ***Waka Waka – This Time for Africa?***

The 2010 FIFA World Cup is currently taking place in South Africa. This is the first time the tournament is being held on the continent and expectations are high among the six qualifying African nations: Nigeria, Côte d'Ivoire, Ghana, Cameroon, Algeria and South Africa. As the title states "Waka Waka - This time for Africa," Africa has been given the opportunity to "shine" since it is now in the world spotlight – these teams would love to claim glory on this big stage! However, this article will not focus on the world cup dynamics, but rather will give an insight into these African nations and the potential benefits to South Africa of hosting the world's largest sporting event.

### **Nigeria**

Nigeria is located in West Africa and has a population of approximately 151 million people. It became a sovereign nation in 1960 and a republic in 1963. The country is divided into 36 states, excluding its Capital Territory Abuja. Nigeria is abundant with natural resources including rich deposits of oil and ore, as well as a viable agricultural and fishing industry. These oil deposits have made them the world's 12th largest producer of petroleum, which on average accounts for approximately 40% of its GDP and 80% of its Government revenue. Nigeria's main trading partners include United States, China, Brazil and the Netherlands.

### **Côte d'Ivoire**

Côte d'Ivoire, commonly referred to as Ivory Coast is also situated on the Africa's West Coast. Its population consists of approximately 21 million people and independence was obtained in 1960. Côte d'Ivoire's capital is Yamoussoukro and its largest city is Abidjan – the most populous country in French-speaking Western Africa. The Ivorian economy is heavily dependent on the agricultural sector with key contributors being banana, cocoa, coffee and cotton. Diamonds and uranium are also mined. France, US, Germany and the Netherlands comprise its main trading partners.

### **Ghana**

Ghana also situated in Western Africa, has a population of approximately 23 million. Its capital and largest city is Accra, and they achieved independence in 1957. Ghana's economy has a rich resource base that includes gold, timber, diamond and bauxite. As a result of this resource affluence, it has one of the highest GDP per capita in Africa. Ghana's main trading partners include Netherlands, Ukraine, China and Nigeria.

## **Cameroon**

Cameroon is located in central Africa and its capital is Yaoundé. Its population size is approximately 19 million and independence was declared in 1961. The Cameroon economy is primarily agriculture-based with key crops including cocoa, coffee, tobacco, cotton and bananas. Petroleum and timber also comprise its exports. Its key trading partners include France, Spain Italy and Nigeria.

## **Algeria**

Algeria is situated in North Africa and is the second largest country on the continent. The country's capital is Algiers and its population is approximately 35 million. Independence was attained in 1962. The Algerian economy is buttressed by the fossil fuels energy sector, which accounts for about 30% of GDP and 95% of export earnings. Its key trading partners include France, US, Italy and Spain.

## **South Africa**

South Africa, as the name states, is in situated on the southern tip of Africa. Cape Town is the nation's capital and the population size is roughly 49 million. It achieved independence from Britain in 1910. The South African economy is arguably one of the most advanced economies on the continent. It is a resource rich nation, producing oil and natural gas and many agricultural products. South Africa is also the world's largest producer of gold, platinum and chromium. Japan, Germany, China and the US are its main trading partners.

The South African economy can be described as dichotomous – exhibiting a mix of the developed and developing world. It has a strong natural resource base which has contributed to high levels of GDP growth. The economy recorded an annualized GDP growth rate of 4.6% for the first quarter of 2010, up from 3.2% the previous quarter. On the other hand, South Africa has historically had high levels of unemployment. For the first quarter this year unemployment stood at 25.2%, up from 24.3% a quarter earlier. Added to this is a highly uneven distribution of wealth within the economy. As such, there are some very affluent areas with well developed infrastructure, while other areas lack even the basic levels.

## **Benefits of Hosting the 2010 FIFA World Cup**

There are a number of benefits which can be derived from hosting the biggest sporting event. One obvious benefit is an improvement in the country's infrastructure. Numerous stadia were built to host matches across the country and transport systems were improved to ease the mobility of fans, teams and the media. One prime example was the construction of the high speed Gautrain passenger railway – Africa's first high speed urban rail link. Although constructed for the world cup, the benefits will be reaped in future years as the improved transport will allow for greater connectivity of the various cities within South Africa.

Another area of major benefit is that of tourism. The world cup attracts a number of visitors to the host country. Furthermore, the viewership of the world cup attracts hundreds of millions of viewers around the world, thus providing free international exposure for the host country which can enhance future tourist arrivals long after the tournament has concluded.

---

Foreign direct investment (FDI) and enhanced foreign exchange earnings can also be reaped from hosting the 2010 FIFA World Cup. The exposure the country receives can help promote the African nation even further and this has the potential to spur additional investments within the economy. With regards to foreign exchange, the influx of tourists directly results in an increase in the flow of foreign exchange to South Africa through increased tourist expenditure.

Apart from the direct effects of hosting the World Cup, there can be further indirect benefits which can be derived as well. In the long run, the increased FDI flows can lead to reductions in the high levels of unemployment South Africa has historically recorded. Furthermore, South Africa may see increased levels of growth, given the increased revenue which may be generated from the increased FDI and foreign exchange revenues. It should be noted though, that for there to be holistic advancement of the economy, the gaps in the distribution of wealth should be narrowed, to enable a more equitable distribution of the benefits.

### **African Continent**

Although the tournament is hosted in South Africa, there will be tremendous exposure for the continent. This is the first time the “world’s greatest” game is being held in Africa. African teams have been prominent in the world cup in the past, however with the game taking place at “home” there is even greater anticipation. The World Cup theme song (aptly used as the title), has given a spin to the tournament. While the aspiration for an African team to take the World Cup trophy is high, Africa has also been placed on the spotlight providing a great opportunity for the economies to benefit from this exposure on the world stage. With South Africa as the host, one of the world’s most stable emerging markets, the tournament may be the catalyst it needs to further advance its economy. As the most developed economy on the continent there is the potential and even the hope that it may be a start of greater things for the African Nations.

---

## FINANCIAL & ECONOMIC INDICATORS

As at 17 June, 2010

<u>Exchange Rate/US\$</u>	<u>Closing Value</u>	<u>Previous Week</u>
Yen	91.03	91.34
Euro	1.24	1.21
Jamaica	86.05	87.18
Guyana	204.70	204.90

<u>Commodity Prices</u>	<u>Closing Value</u>	<u>Previous Week</u>
Crude oil (US\$/bbl)	76.79	75.48
Natural Gas (US\$/mmbtu)	5.14	4.68
Gold (US\$/Troy Ounce)	1,245.15	1,216.55

### Eurobond Indices (As at 17-June-10)

JP Morgan EMBI+ (Basis points)	317
JP Morgan Central America and Caribbean Index (CACI) (YTD return %)	8.20

<u>Policy Interest Rates (%)</u>	<u>Closing Value</u>	<u>Previous Week</u>
United States	0.25	0.25
Euro Zone	1.00	1.00
Japan	0.10	0.11
Brazil	10.15	9.40
Trinidad	5.00	5.00
Jamaica	10.50	10.50
Barbados	2.50	2.50

<u>Market Interest Rates (%)</u>	<u>Closing Value</u>	<u>Previous Week</u>
US 90-day T-Bill	0.09	0.08
US 10-Yr Treasury	3.19	3.32
3-month UK Libor	0.73	0.73
Japan 90-day T-Bill	0.28	0.28
Brazil 90-day T-Bill	10.58	10.96
TT 90-day T-Bill	1.13	1.16
Jamaica 90-day T-Bill	9.77	9.77
Barbados 90-day T-Bill	3.25	3.25

Sources: Bloomberg, CMMB, Central Bank of Trinidad and Tobago, Bank of Jamaica, Central Bank of Barbados, [www.lehman.com](http://www.lehman.com)

### DISCLAIMER

The information contained in this documentation is for your information only. All information contained in this documentation has been obtained from and is based on sources, including but not limited to, newspaper and magazine articles that CMMB believes to be accurate and reliable. However such information, facts, calculations, methodology, assumptions and estimates contained in this documentation have not been verified by us. All opinions and estimates constitute the Author's judgment as of the date of the documentation which are subject to change; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this documentation is given or made by CMMB in any form whatsoever. Consequently, CMMB assumes no liability for the accompanying information, which is being provided to you solely for general information.