FDI creating jobs in Africa

The recent Global Location Trends study conducted by IBM reveals that multinational companies are increasingly widening their investment nets, with notable increases in Africa.

The study, released on Tuesday, assesses foreign investment by jobs created and is developed from data retrieved from IBM's Global Investment Locations Database (GILD). GILD records investment project announcements around the world on an ongoing basis.

According to the report, approximately 10,000 foreign investment projects were announced in 2007 that created just over 1.2 million jobs around the world: a 20% decrease from 2006 when investment projects created in the region of 1.5 million jobs.

While notable decreases were seen in the North American and Asian markets, investments grew in both Africa and Latin America.

"After years of Asian dominance of the market for foreign investment, Africa and Latin America are now emerging as important geographic regions, together receiving approximately 17% of the global jobs created from foreign greenfield and expansion projects in 2007, compared to 13% in 2006," said the report.

The study's findings show that Africa received approximately 5 percent of the global jobs created from investment and expansion projects in 2007, compared to 3.5% in 2006.

Morocco, Egypt and South Africa were the top three ranking destination countries in Africa with investments into Morocco creating in the region of 20 000 jobs, 11 500 jobs in Egypt and nearly 10 00 jobs in South Africa.

Other countries that featured in the Africa Top Ten include Mozambique, Algeria, Tunisia, Uganda, Kenya, Nigeria and Zambia.

"Functionally, more than ¾ of the jobs created through foreign investment in Africa is in production activities. The services investment that does go to the continent is focused almost exclusively on South Africa, Morocco and Egypt," states the report.

According to the report, France and Japan are by far the greatest sources of investment into Africa, notably in transport equipment investment into North Africa.

"While much attention has been paid to the increasing role of Chinese investors in Africa, our findings suggest that Chinese companies have not set up many (large) greenfield operations yet in the continent, and most investment is in infrastructure works or acquisitions and privatisations."

Globally, India was the top ranking destination for FDI by job creation with an estimated 160 000 jobs created in 2007. Despite the significant number of jobs created, the figure marked close to a 50% reduction on jobs created in 2006. China and the USA were the 2nd and 3rd ranking countries with 140 000 and 100 000 jobs created respectively.

Reflecting on the overall report, Roel Spee from IBM's Global Business Services said that many economically emerging countries are becoming serious contenders for investment.

"There has been a significant amount of investment going to a range of locations that were previously 'off the map' for foreign investment projects," he said.

"This is a testament to the focus emerging markets have placed on building out their infrastructure to spur economic development and growth, and represents the next evolutionary step of globalisation."

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