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Does global fragmentation improve Africa's investment case?

FRAGMENTATION, SUPPLY SECURITY AND THE DIVERSIFICATION DIVIDEND

Container terminal at the Port of Abidjan, Ivory Coast. Photo: Jean Marc Bonnel / Pexels.

01 · THE THESIS

What changed is the global economy, not Africa

The case for investing in Africa usually rests on promises that pay off only in the distant future: a young and growing population, vast reserves of critical minerals, and an infrastructure gap waiting to be filled. All three arguments are equally important, but they move far too slowly to explain the timing: why now, when the same things were true a decade ago and will be true a decade from now.

For a generation the world organised its supply chains around efficiency alone, letting production, shipping, energy and refining concentrate in a handful of places. That arrangement was worth it while it kept costs down and the system held, until the pandemic, the war in Ukraine, the tariffs and the tension around the Gulf showed how easily a single supplier or route can be cut off, and how costly each interruption becomes.

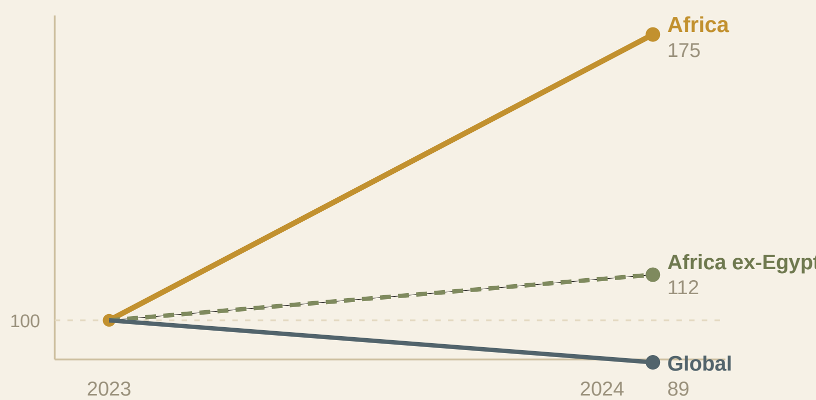
As the world puts a higher price on that concentration, a number of assets in Africa become worth more than they were, because they can offer a second source of supply, another way to move goods, or a buffer against a shock that a tightly concentrated system cannot absorb on its own. The rest of this report separates the places where that holds true from the many more where it only sounds true.

EXHIBIT 1 · GLOBAL FDI

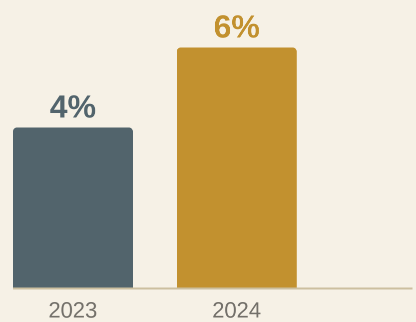
Africa avoided the global FDI fall in 2024, then fell back in 2025

Global FDI fell about 11% in 2024 while inflows to Africa rose 75%. Excluding one large Egyptian project, the increase was 12%, and in 2025 African inflows dropped by roughly a third as that project dropped out.

FDI, INDEXED (2023 = 100)



AFRICA'S SHARE OF GLOBAL FDI



+2 points vs 2023

BOTTOM LINE One strong year, then a reversal. The 2024 jump was a single Egyptian deal, so the multi-year path is what matters.

Source: UNCTAD, World Investment Report 2025; Global Investment Trends Monitor, January 2026. Indexed to 2023 = 100.

Global foreign direct investment fell about 11% in 2024, its second straight annual decline, and yet inflows to Africa rose 75% to $97bn, which looks like a turning point until you see that a single Egyptian property development accounts for most of it; strip that out and the rise is a more honest 12%, to roughly $62bn. UNCTAD's January 2026 update settled the matter: with the Egyptian deal gone from the figures, African inflows fell back by about a third, Egypt stayed the largest host at around $11bn, and South Africa turned negative, posting close to $6bn of net outflows after Anglo American sold out of Valterra Platinum for $7.2bn.

$62bn

African FDI in 2024 once the one large Egyptian project is removed, an underlying rise of about 12%.

The investment that held up went to supply-security assets: Mozambique drew about $6bn, up 80% and almost all of it tied to liquefied natural gas, while Angola pulled in roughly $3bn after nine straight years of outflows, largely on the strength of a single railway. Across the world in 2025, data centres alone took about a fifth of the value of every new greenfield project, even as investment in critical minerals and energy slipped. Capital is growing choosier, and that is the world African assets now compete in.

02 · WHAT CHANGED

Relying on a few suppliers and routes has become riskier

Merchandise trade grew 4.6% in 2025, but the WTO's March 2026 outlook expects that pace to fall to about 1.9% in 2026 once the two things that flattered last year fade: the scramble to place orders before tariffs landed, and unusually strong demand for the hardware that artificial intelligence runs on, with fresh Middle East conflict and dearer energy weighing on the rest. Companies are not walking away from global trade; they are putting a price on the policy swings, security scares and unreliable deliveries they once treated as background noise.

EXHIBIT 2 · GLOBAL FRAGMENTATION

Six years of shocks have made fragmentation a lasting feature

The pandemic, the war in Ukraine, the minerals race, Red Sea disruption, tariffs and Gulf tension have moved supply chains, trade and energy from stable to fragile.

2020	2021	2022	2023	2024	2025	2026
Pandemic supply shock	Demand rebound	Russia-Ukraine war	Critical-minerals race	Red Sea disruption	Tariff escalation	Gulf / Hormuz risk

	'20	'21	'22	'23	'24	'25	'26
Supply chains	Severe	Partial	Volatile				Elevated
Energy security	Stable		Shock	Uneven			Higher
Trade fragmentation	Low		Rising	Diverging		Structural	
Shipping disruption	Low		Freight		Red Sea	Rerouting	
Resource competition	Low	Building	Rising		Policy-led	Entrenched	

How risk reaches capital: shock → concentration risk → demand for diversification → capital reallocation

Source: IMF; WTO; UNCTAD; IEA; EIA. The bands are a qualitative guide to the direction of major shocks, 2020 to 2026.

Diverting Asia-Europe ships the long way around the Cape of Good Hope adds about a fortnight at sea, and fuel is only part of the cost: it ties up vessels, makes delivery dates unreliable and forces firms to hold more stock. Freight that was once a fixed cost has become a moving number that eats into working capital.

EXHIBIT 3 · SHIPPING & ROUTE OPTIONS

Chokepoint risk has raised the value of flexible logistics

Sending Asia-Europe shipping around the Cape of Good Hope adds about 4,000 nautical miles and 10 to 14 days per voyage, which makes reliability something companies now pay for.

+4,000	+10-14	$1m+	50-100×
nautical miles added per voyage	days of extra transit time	added fuel and operating cost per voyage	rise in Red Sea war-risk insurance

Source: UNCTAD, Review of Maritime Transport 2024; Drewry; World Bank logistics datasets. Figures are indicative for an Asia to North Europe voyage.

African ports gain from this, but only the ones whose road and rail links inland can keep cargo moving once it lands. Tangier Med in Morocco works because it is wired into the manufacturing zones and European routes around it; Durban is a fine natural harbour let down by how it is run; and Walvis Bay in Namibia is a real Atlantic option worth only as much as the corridors reaching back from it into the interior.

About 20m barrels of petroleum liquids crossed the Strait of Hormuz every day in 2024, close to a fifth of what the world burns, alongside roughly a fifth of all seaborne liquefied natural gas, so a serious interruption there would push the price of fuel, fertiliser and electricity well beyond the oil price, hitting hardest the countries that import the most and can least afford it. African gas, storage and grid-connected power all gain value in that setting, provided they reach households and factories.

03 · WHERE THE VALUE IS

Copper is the clearest case, and it does not depend on Africa

The three largest refining nations now handle about 86% of the world's capacity for the key energy minerals, up from 82% in 2020, with China ahead in every category, and building fresh refining capacity elsewhere costs roughly half as much again (IEA). That is the quiet reason so much talk of diversifying supply never becomes real. Most African producers already have the ore; what they lack is the power, rail, refineries and financing that turn a deposit into steady shipments, and that missing layer is the real asset. Digging ore out of African soil changes little if it is then refined in exactly the places everyone is trying to depend on less.

EXHIBIT 4 · CRITICAL MINERALS

Africa holds the minerals, but refining is concentrated elsewhere

Africa holds the minerals the energy transition needs, but 86% of refining for key energy minerals sits in just three countries, with China leading every category.

86% ▲ +4 points since 2020

of global refining capacity for key energy minerals is in the top three countries (2024)

AFRICA HAS THE MINERALS

Lithium	Zimbabwe, Namibia, Mali, Ghana
Cobalt	DRC
Copper	DRC, Zambia
Manganese	Gabon, South Africa
Graphite	Mozambique, Madagascar, Tanzania
Rare earths	Tanzania, Madagascar, South Africa, Namibia

CHINA'S SHARE OF GLOBAL REFINING CAPACITY

Battery graphite	**90%**	Top 3: China · India · Brazil
Rare earths	**90%**	Top 3: China · Malaysia · Estonia
Cobalt	**70%**	Top 3: China · Finland · Canada
Lithium	**65%**	Top 3: China · Chile · Argentina

BOTTOM LINE The scarce capability is refining. The money is in the processing, power and transport that add value before the ore leaves the continent.

Source: IEA, Global Critical Minerals Outlook 2025; USGS Mineral Commodity Summaries; AfDB. China-share figures are approximate.

The world gets through around 28m tonnes of copper a year, a figure climbing about 3% annually (GlobalData), and yet the IEA expects every mine now running or planned to cover only about 70% of likely demand by 2035. Data centres are the swing factor, with BloombergNEF expecting the build-out of computing to use some 4.3m tonnes by 2035 on its own. Supply is dragging: ore from the older mines is roughly 40% less rich than in 1990, and a new mine takes fifteen years or more to build, so any gap will be slow and painful to close. Copper is where we would start, because none of this demand depends on Africa.

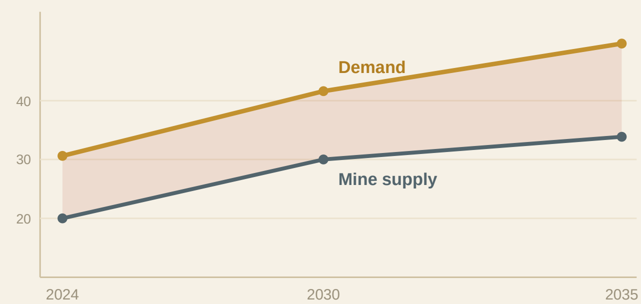
As recently as April 2025 the International Copper Study Group forecast a 289,000-tonne surplus for the year, only to cut that to 178,000 tonnes by October and tip 2026 into a 150,000-tonne deficit, its first forecast shortfall since 2009; Wood Mackenzie reads the 2025-26 gap as nearer 304,000 tonnes, J.P. Morgan nearer 330,000, while some banks still expect a small surplus on weak Chinese demand. The disagreement is really between those watching a soft patch in China now and those watching the longer pull of electrification and AI. We come down on the tightening side, because the optimists and pessimists are mostly arguing over a year or two while the things that genuinely shrink supply (falling ore grades, the Grasberg shutdown and the flooding at Kamoa-Kakula) are happening today. The price bears this out: copper hit a record $14,527.50 a tonne on the London Metal Exchange on 29 January 2026, eased, then firmed again in the spring as Gulf disruption hit shipping.

EXHIBIT 5 · COPPER SUPPLY AND DEMAND

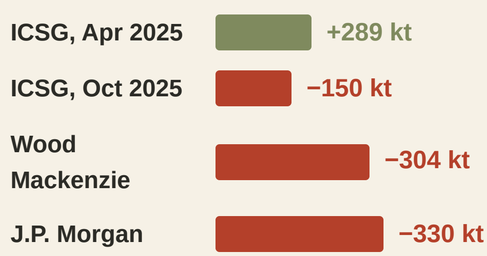
The long-run gap is wide; the near-term call is contested

Forecasters broadly agree that demand will outrun mine supply over the 2030s, but they disagree on the size, and even the sign, of the balance in 2026. The spread is the point.

Long run: demand vs mine supply (Mt/year)



2026 refined balance, by forecaster



The ICSG moved from a large surplus to a deficit in six months. Green is surplus, red is deficit. Our base case sits with the deficit camp.

BOTTOM LINE The argument is only about timing. Supply that can reach the market reliably will command a premium through the 2030s, which is what puts African copper on the map.

Source: ICSG (April and October 2025); Wood Mackenzie; J.P. Morgan; IEA; GlobalData; BloombergNEF. Long-run paths are indicative; balance figures are the forecasters' published 2026 estimates.

Zambia produced 890,346 tonnes of copper in 2025, up 8% and a second straight year of growth, still short of its one-million-tonne goal but no deterrent to a new target of three million tonnes by 2031. Across the border, Ivanhoe's Kamoa-Kakula complex in the DRC turned out 388,838 tonnes in 2025, below guidance after underground flooding, and in November 2025 it started a 500,000-tonne-a-year smelter on site. That smelter matters most, because it is refining capacity built on African soil, the very thing this argument hinges on. Getting the metal out has always been the trouble: Copperbelt copper has had to grind down to the coast by truck, a journey of weeks and sometimes months, before reaching a port in South Africa or Tanzania.

The Lobito Corridor runs 1,300km from the Atlantic port of Lobito in Angola to the DRC border, with roughly 830km of new track planned through Zambia and the DRC to reach the Copperbelt, cutting a journey that once took about sixteen days to seven, at transport costs up to 30% lower, with a target of five million tonnes a year by 2030. The first copper and cobalt rolled along the line in February 2026. It is also a political project, the largest American infrastructure commitment on the continent in decades, built to give Western buyers a route to these minerals that does not run through China.

EXHIBIT 6 · A WORKED EXAMPLE

The Lobito Corridor, a mine-to-port system being built now

A rail route from the Zambian and DRC Copperbelt to the Atlantic. It shows what the thesis looks like in practice, including the financing and the risks.

WHAT IT CHANGES

Transit to port	**16 days → 7**
Transport cost	**up to 30% lower**
Target volume	**5m t / year by 2030**
Route length	**1,300km + 830km new**

WHO IS PAYING (COMMITTED)

US DFC $553m (Angola line)

Dev. Bank of Southern Africa $200m

Africa Finance Corp. $500m (lead developer)

African Development Bank $200m

Italy / CDP about $320m

Total project $4-5bn. AFC is raising $3-5bn for the new Zambia and DRC sections.

Status and risks. First copper and cobalt shipped over the line in February 2026. Financial close for the new sections has slipped to the fourth quarter of 2027, which makes the 2030 completion target tight. The ECDPM warns the traffic forecasts may be optimistic; China is reviving the competing Tanzania-Zambia line; and instability in eastern DRC has delayed coordination.

BOTTOM LINE Worth close diligence before any commitment. The constraint is real and the money is moving, but the close date and the traffic forecasts are where the case is won or lost.

Source: US DFC; DBSA; Africa Finance Corporation; Trafigura; EU Global Gateway; Reuters; ECDPM. Figures are unaudited sponsor and lender announcements.

OUR VIEW · COPPER

Of everything we have looked at on the continent, the Zambia and DRC copper complex is the one opportunity most likely to repay patient money over the coming decade, and it is so precisely because the demand sitting behind it is global. We would take our exposure through the corridor, the smelting and the power behind them, the parts that turn ore into reliable shipments, and we would treat the advertised 2030 finish date for Lobito as hopeful, since our own expectation is that financial close on the new sections slips once more, into 2028. That pushes the timing back; it does not undo the case.

The DRC supplies roughly 70% of the world's cobalt, so when the price collapsed the government banned exports outright in February 2025 and then, from October, allowed them back only under a quota of about 96,600 tonnes a year, close to half of the 230,000 tonnes the country produced in 2024, leaving well over a hundred thousand tonnes a year with nowhere legal to go. The price more than doubled, from around $21,000 a tonne in early 2025 to north of $56,000 by the start of 2026, and the government expects the quota to bring in about $2.3bn in revenue this year against the roughly $617m it would have collected without it. Yet by early 2026 the trade estimated that less than half of even the permitted volume had left the country, stranded by a collapsed bridge, missing trucks and slow customs. The DRC controlled the deposit but never the supply, because the logistics refused to follow the policy.

> **OUR VIEW · COBALT**
>
> We would not hold Congolese cobalt on its own until the thing holding it back, the export logistics, has visibly been put right. The rally of the past year is a policy event, and a producer that cannot even ship the volume it is allowed to ship is never more than one administrative reversal away from trouble, which is why we would own cobalt only as the by-product of a copper position.

Africa will not take over from Asia as the place the world makes its things, so the realistic opportunities in manufacturing are in the few places where location, inputs and market access line up at once. Morocco has done exactly this, building a real industry in cars and battery components on its closeness to Europe and the working port and industrial zone at Tangier Med. Egypt has the size, position and energy but keeps being dragged back by its boom-and-bust economy; Kenya is good at regional logistics and services but thin on factories; and South Africa has real industrial and financial muscle that its failing power and rail keep wrestling to the ground.

EXHIBIT 7 · SUPPLY-CHAIN DIVERSIFICATION

African markets compete individually, with very different strengths

On a like-for-like comparison, leading African markets match or beat emerging-market peers on some measures and fall behind on others. Each market has to be judged on its own.

MARKET	LABOUR COST	ENERGY	LOGISTICS	POLICY	MARKET ACCESS	OVERALL
AFRICA						
Morocco	3	4	4	3	4	3.6
Egypt	4	3	3	3	4	3.4
Kenya	4	3	3	3	3	3.2
South Africa	2	2	3	3	4	2.8
NON-AFRICA BENCHMARK						
Vietnam	4	4	4	4	5	4.2
Mexico	3	4	4	3	5	3.8
Indonesia	4	3	3	3	4	3.4

5 strongest · 4 strong · 3 moderate · 2 below average

Source: UNCTAD; UNIDO; World Bank Logistics Performance Index; OECD. Scores are set on a comparative 1-5 screen and involve our judgement; they draw on several sources.

04 · THE TEST

How to tell a real opportunity from a presentation

The assets worth the most are often the ones nobody photographs. The mine, the port and the power station get the attention and the money. What makes them work is duller: the substation, the rail spur, the customs post. Better returns can be made when the bottlenecks are cleared, since this reduces wait times at the terminals.

Four questions are usually enough to tell an asset you can actually invest in from a slide that merely looks like one. Which global constraint does it really ease? Who is paying for the solution, and for how long are they committed to paying? How dependable is the revenue once the excitement has worn off? And what single thing, were it to go wrong, would sink the economics altogether? The table below puts those questions to each of the systems this report has dealt with.

SYSTEM	THE QUESTION THAT DECIDES IT	WHAT TO LOOK FOR
Mineral corridors	Does it reach financial close and run reliably?	Committed lenders, a realistic close date, and first full-year volumes, as with Lobito's 2027 close.
Mineral processing	Does it refine in Africa, or feed existing hubs?	On-site smelting or refining with long-term offtake, like the new Kamoa-Kakula smelter.
Ports and logistics	Is the gateway matched by inland links?	Falling dwell times and clearance delays.
Energy	Does it deliver power to real users?	Reliable supply to industry or households.
Regional manufacturing	Are inputs, power and market access in place?	A specific country case, judged on its own.

Only about 16% of African countries' trade is done with one another, against roughly 59% across Asia and 68% across Europe; clearing customs averages around 126 hours; and moving goods costs close to twice the global norm. Logistics is where most of these cases are settled, because the value is created in the time it saves. One study for tralac found that cutting border-crossing time by a fifth would do more for African trade than scrapping every import tariff, which is the right order of priorities for the African Continental Free Trade Area, in force since 2021 and now running useful machinery such as the Pan-African Payment and Settlement System, built to cut currency costs 20 to 30%. Even so, we expect intra-African trade to stay near 16 to 17% of the total through 2028: the gains compound slowly, and real tariff-free trade still hangs on verified commitments, customs systems that talk to each other, and the patient removal of non-tariff barriers.

Population growth is the most cited reason to invest in Africa and, on its own, the most misleading. Where housing, payments, power and logistics already work, more people make each more valuable; where they do not, more people only add strain. Policy works the same way: a government slogan about processing minerals at home is worth paying for only once it comes with permits, grid access, land rights and enforceable contracts.

05 · THE VERDICT

Risks, and why this shift may last

The same fragmentation that can lift some assets in Africa can also damage African economies: if global growth slows, energy turns dearer or money gets harder to borrow, many countries will face higher inflation, thinner budgets and costlier debt at once. Four risks keep coming back. **Financing:** shallow public finances, heavy debt and currency exposure can sink an otherwise sound project, which is why the development-finance backing behind something like Lobito matters so much. **Operations:** a shortage of power, a congested port or a railway that does not run can quietly turn a promising theme into a bad investment. **Political economy:** the state is forever drawn to the strategic sectors, and the speed with which the DRC's cobalt quotas became a lever on price and a source of revenue shows how that goes. **Interpretation:** the 2024 jump in headline FDI was never a trend, and 2025 proved it.

What sets this moment apart from earlier "Africa moments" is that the pressure comes from outside the continent, from a lasting shift in the wider system that now pays more for reliability, for a second option and for plain security than it used to. That does not make Africa's problems vanish, but it changes their weight, so a route that costs a little more, or a corridor short of perfect, can still be worth having when the alternative is resting your entire supply on a single chokepoint. Earlier cycles ran on optimism that faded. This one runs on a change in what the world will pay for, and that is far harder to reverse.

The instruction is simple to state and hard to follow: test the system beneath the idea of Africa, piece by piece. Where the system holds, as it may at Lobito, at Tangier Med, or in the new copper smelting under way in the DRC, fragmentation is improving the case for investing in Africa. Where it does not, the case is weaker than it first appears.

WHAT WOULD CHANGE OUR VIEW

MORE POSITIVE IF

- Lobito reaches financial close on schedule in 2027 and posts a first full year of volumes.
- The DRC clears its cobalt export backlog, showing logistics can follow policy.
- Intra-African trade rises above 18% of total trade by 2028.
- Copper holds above roughly $12,000 a tonne, keeping new projects financeable.

MORE CAUTIOUS IF

- The copper deficit narrows as scrap, substitution and weak Chinese demand bite.
- Copper falls durably below about $9,000 a tonne.
- Lobito's financial close slips beyond 2028, or traffic undershoots forecasts.
- New refining capacity outside China scales faster than the 50% cost penalty implies.

METHODOLOGY AND LIMITATIONS

This report synthesises public data from the sources below and contains no proprietary modelling. The country scorecard (Exhibit 7) is a comparative 1-5 screen based on published indicators and reflects our judgement. The long-run copper paths (Exhibit 5) are indicative; the balance figures are the named forecasters' own 2026 estimates. Project-level figures, including those for Lobito, are sponsor and lender announcements and are not independently audited. Prices are as of the dates stated; 2025 figures are estimates and 2026 figures are forecasts unless marked as actual. The house views are our opinions on the dates given, not investment advice.

PRINCIPAL SOURCES

UNCTAD, World Investment Report 2025 and Global Investment Trends Monitor (January 2026); Review of Maritime Transport 2024. WTO, Global Trade Outlook and Statistics (March 2026). IEA, Global Critical Minerals Outlook 2025 and Strait of Hormuz briefing; US EIA, Strait of Hormuz analysis. International Copper Study Group (April and October 2025 forecasts), Wood Mackenzie, J.P. Morgan, GlobalData and BloombergNEF on copper; LME for copper prices. Zambia Ministry of Mines and Ivanhoe Mines (Kamoa-Kakula) on copper output and smelting. DRC ARECOMS cobalt quotas, with price and shipment data from Fastmarkets and trade press. Lobito Atlantic Railway financing announcements (US DFC, DBSA, Africa Finance Corporation, AfDB), the EU Global Gateway partnership, Trafigura, Reuters and ECDPM. AfCFTA five-year reviews, tralac, Afreximbank and UNECA on intra-African trade and logistics. World Bank and African Development Bank, latest editions.