

There are over **27** stock exchanges in Africa



Africa's capital markets hold immense economic potential, despite challenges stemming from political instability, weak public institutions, and suboptimal policy implementations. The continent boasts 30 stock exchanges, representing 39 nations, with variations in market development and maturity. Two regional exchanges, the BRVM and BVMAC, foster cooperation among African securities exchanges through the ASEA.

South Africa emerges as the leader with the most developed exchange, notably the Johannesburg Stock Exchange, commanding a substantial market capitalization of \$1.15 trillion. Africa Stock Exchange Association (ASEA) promotes collaboration among 26 member exchanges, aiming to establish a formal framework for cooperation within the African region.

Stock market liquidity plays a pivotal role in investment decisions across global stock exchanges. In Africa, challenges persist in achieving efficient trade due to liquidity constraints. Private equity investors in Africa often resort to private trade sales for timely returns, given difficulties in realizing public placements. Liquidity limitations hinder trade transactions, impacting the allocation of capital and hindering exits from African securities markets.

Addressing liquidity challenges in African stock markets becomes imperative for enhancing trade efficiency and attracting investments. Policymakers and market participants need to focus on reforms that improve liquidity, fostering a more vibrant and resilient African capital market landscape.



Market Capitalization (**Top 4 Exchanges**)

1. JSE: **\$1.15 trillion**
2. Namibia Stock Exchange (NSX): **\$138.37 billion**
3. Casa SE: **\$60.86 billion**
4. EGX: **\$44.2 billion**

Number of Listed Companies (**2020**)

1. South Africa: **264**
2. Egypt: **240**
3. Nigeria: **177**
4. Mauritius: **93**

First Stock Exchange in Africa: The Egyptian Exchange (EGX) in Cairo, established in 1883.

The Egyptian Exchange (EGX) in Cairo, founded in 1883, holds the distinction of being the first stock exchange in Africa.

EGX in Numbers (as of 2018):

- **Equity Market Capitalization:** \$41.85 billion
- **Volume Traded:** 60,705,996,362 shares
- **Number of Issuers (Bonds):** 248
- **Market Share:** 14.27%
- **Total Equity Market Cap/GDP:** 13.06%



Noteworthy Achievements:

- EGX ranks fifth globally in the 1940s.

Key Market Components:

- The main market features companies with a capital exceeding EGP 100 million (USD 3.24 million)
- Nile Stock Exchange (NILEX) supports small and medium enterprises (SMEs).
- EGX 30 Index represents the largest 30 companies, indicating market activity and liquidity.

Bond Market Insights:

- Government bonds, corporate bonds, and securitized bonds contribute to a dynamic bond market.
- EGX pioneers bond trading systems catering to issuers and investors.

Transformative Reforms and Achievements:

- Egypt's economic reform program achieved fiscal policy reforms, legislative changes, and infrastructure development.
- The government IPO program which offered SOEs aimed at diversifying sectors and improving EGX liquidity.

Foreign Investments and Economic Stability:

- Net foreign purchases rebounded after economic reforms in 2017.
- Foreign investors' participation in IPOs doubled from 2016 to 2018.

EGX Development Initiatives:

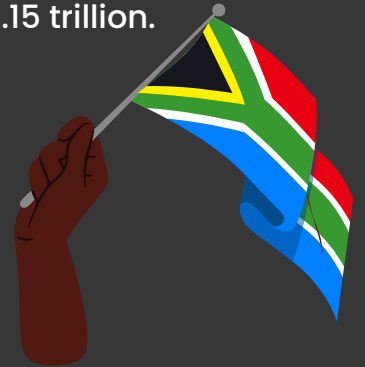
- Introduced X-Stream trading system in collaboration with NASDAQ OMX in 2008.
- Enhanced market liquidity through various mechanisms and rule amendments.
- Committed to a multifaceted strategy, including launching new products and strengthening social responsibility.

Largest Stock Exchange in Africa: Johannesburg Stock Exchange (JSE) in South Africa, with **\$1.15 trillion** market cap.

The Johannesburg Stock Exchange (JSE), founded in 1887, is the largest stock exchange in Africa, boasting a market capitalization exceeding \$1.15 trillion.

JSE in Numbers:

- Equity Market Capitalization: \$138.37 billion
- Volume Traded: 193,100,874 shares
- Number of Issuers (Bonds): 44
- Total Equity Market Cap/GDP: 17%
- Total Nominal Debt Traded: \$2,127.21 billion



Historical Milestones:

- The JSE, turning 132 in November 2019, is the 19th largest stock exchange globally.
- Originating during the gold rush, the JSE evolved from a tent to its current premises in Sandton.

Listing and Trading Evolution:

- Chambers and Company was the first listing in 1887, while Durban Roodepoort Deep (DRD) and South African Breweries (SAB) followed in 1895 and 1897, respectively.
- The JSE saw listing booms in the 1920s, 1968, and 1986–87, showcasing its adaptability to market trends.

Market Structure and Trends:

- There are about 350 companies listed on the JSE main board.
- The AltX, launched in 2003, provides a platform for small and mid-sized listings.

Bonds and Debt Market:

- The JSE oversees the continent's largest listed debt market.
- South African government bonds were included in the Citi World Government Bond Index in 2012.

Derivatives and Technological Advancements:

- JSE's derivatives market covers equity, bond, commodity, interest rate, and currency derivatives.
- Technological upgrades, including the Millennium Exchange, enhance trading speed and liquidity.

South Africa was ranked first in the world for the regulation of securities exchanges in 2013.

Most Established Stock Exchange: Casablanca Stock Exchange (Casa SE) in Morocco, operating since 1929, with \$60.86 billion market cap.

Casablanca Stock Exchange (CSE) in Morocco, operating since 1929, is one of Africa's oldest stock exchanges, boasting a market capitalization of \$60.86 billion.

CSE's Financial Landscape:

- Equity Market Capitalization: \$60.86 billion
- Volume Traded: 282,730,309 shares
- Number of Listed Companies: 81
- Total Equity Market Cap/GDP: 51.4%
- Domestic Debt Market Cap/GDP: 0.57%



Market Evolution:

- Transformation: Originally established in 1929, the CSE underwent a major overhaul in 1993, transforming into a private company owned by brokers. In 2016, it was demutualized, now owned by various stakeholders.

Strategic Partnership and Technological Advancements:

- Strategic Partnership: In 2016, a strategic partnership with the London Stock Exchange Group (LSEG) enhanced CSE's international standing, focusing on technology, SME financing, and new product development, including a derivatives market.

Equity Market Development:

- Rapid Growth: Over the past two decades, CSE's equity market capitalization soared from MAD 115 billion in 2000 to MAD 582 billion at the end of 2018, representing 53% of GDP. The market, comprising 75 listed companies, exhibits diverse capitalization structure across more than 20 sectors.

Challenges and Opportunities:

- Liquidity Dynamics: The CSE faces liquidity challenges, with trading volumes of MAD 53 billion in 2018, resulting in a liquidity ratio of 10%, ranking third in Africa. Institutional investors dominate, comprising 70–80% of trading volume, while foreign investors hold 33% of the market cap, expressing confidence in the Moroccan market.

Bond Market Significance:

- Growing Bond Market: Morocco's bond market has experienced substantial growth, with an average annual issue of MAD 67 billion over 2013–2018.

Highest Number of Listed Companies: Nigerian Exchange Group (NGX) in Lagos, with a record of **223** companies and **\$32.13** billion market cap.

Equity Market:

- The equity market started with the promulgation of the Lagos Stock Exchange Act in 1960, renamed the Nigerian Stock Exchange (NSE) in 1961.
- Significant growth occurred after the 1986 adoption of a structural adjustment program (SAP), leading to market liberalization and increased listings.

Market Dynamics:

- The NSE is composed of stocks, exchange-traded products, REITs, and bonds.
- Foreign portfolio investments and international indices inclusion have increased visibility but face hurdles without significant policy reforms.

Market Composition:

- Market heavily concentrated in banking, materials, and consumer goods sectors.
- Limited representation of key sectors like agriculture, construction, and trade.

Foreign and Local Participation:

- Foreign investors play a significant role, with developments in foreign exchange markets influencing foreign portfolio investment.
- Local institutional investors, mainly pension funds, are a substantial part of domestic transactions.

Debt Market:

- Debt market activity dates back to 1946 with the sale of bonds by the UK colonial government.
- Significant reforms occurred post-2005, including the establishment of the Debt Management Office (DMO) and pension reform.
- Foreign investor activity increased following the removal of capital account controls in 2011.

Instrument Diversity:

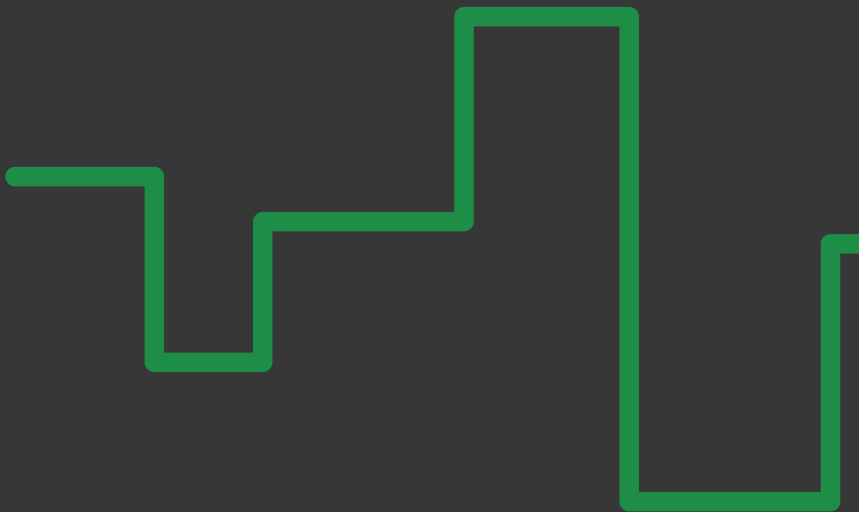
- Market diversification attempts include the sale of FGN savings bonds, sukuk bonds, and Green Bonds.



Youngest Stock Exchange

Ethiopia Securities Exchange,
currently under formation.

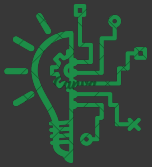
ESX is a multifaceted modern marketplace encompassing an Equity market with main and growth segments, as well as a debt market featuring treasury bills and bonds, corporate and municipal bonds, and an interbank money market with repurchase agreements (repos).



Currently, ESX is nearing a significant milestone, with 75% of its shares on the verge of being sold, as EIH already acquired the remaining 25% share.

ACE's Take: ESX's Strategic Imperatives for Market Excellence

Exploring ACE's viewpoint, achieving higher KPIs in Market Share, Listings, Trading Volume, and User Participation requires a thoughtful approach from ESX. Purposeful measures are essential to navigate the virgin financial landscape successfully:



1. Optimize Market Entry

- Minimize Entry Barriers: Streamline processes and reduce financial complexities tied to exchange entry.
- Enhance Accessibility: Cultivate an approachable environment to entice local private sector participation.



2. Empower Human Capital:

- Invest in Human Capital: Strategically upskill human resources, fostering a profound understanding of market intricacies.



3. Stimulate Market Activity:

- Boost Trading Volume: Through various innovative continuous engagements before and after listing, drive active involvement from the local private sector to amplify transactional output.
- Diversify Listings: By not being heavily dependent on treasury bills/bonds, pension funds and SOEs, showcase the exchange's allure to potential issuers, expanding the portfolio of listed companies.

Approaching the critical milestone of securing 75% of investors, ESX's trajectory is intricately tied to the triumvirate of trading volume, listings, and user participation. In anticipation of this juncture, there is a compelling need for comprehensive studies and forecasts on early-day Key Performance Indicators (KPIs) (discussed above). Such initiatives serve as catalysts, not only for insightful decision-making but also for transformative shifts in the private sector's perspective.

THANK YOU

