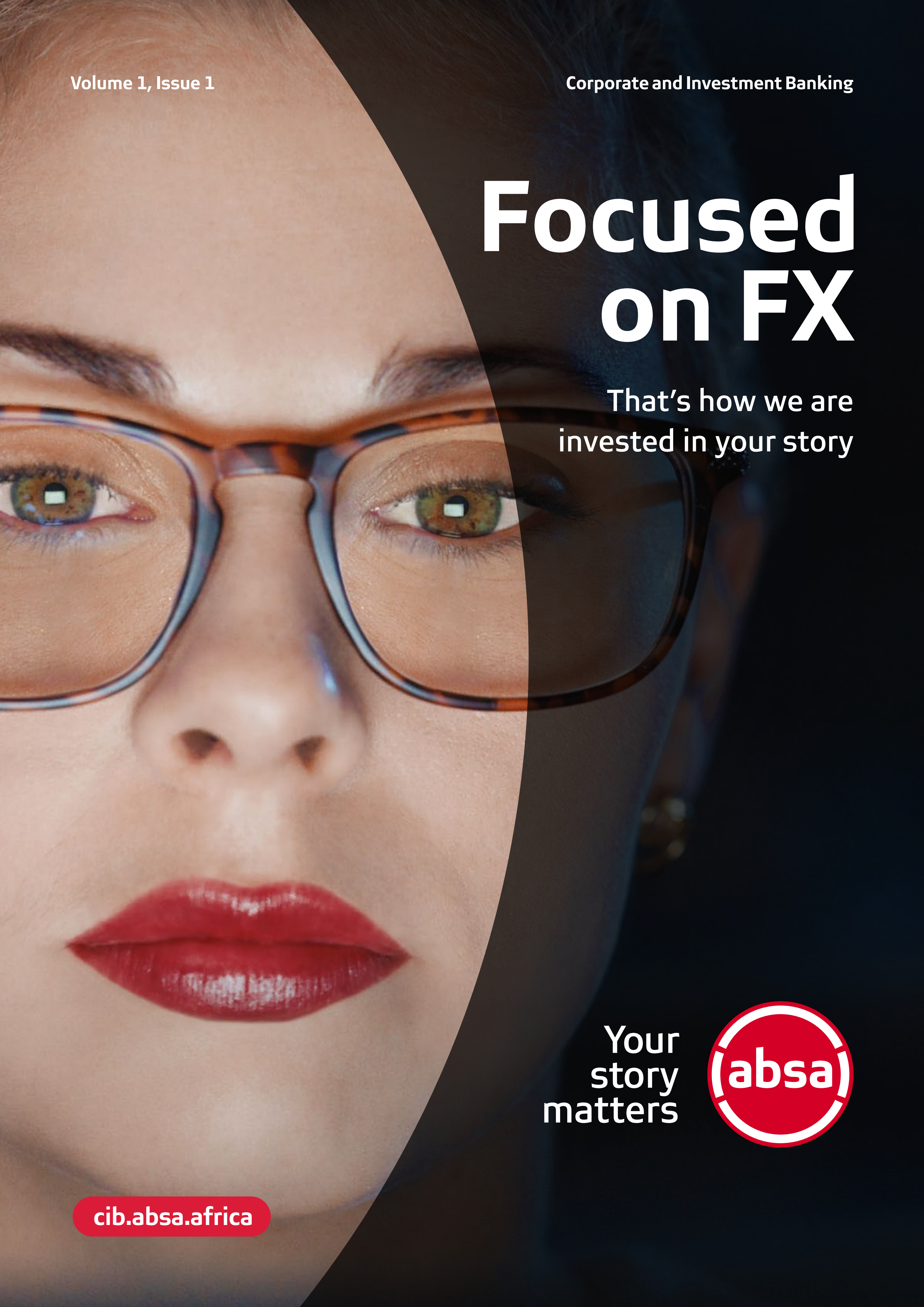
Volume 1, Issue 1

Corporate and Investment Banking

Focused on FX

That's how we are invested in your story



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Chris Paizis
Head of Client
Foreign Exchange
Absa CIB

Insight

In 2024 the rand bounced between around R17.00 to the US dollar and almost R19.40 to the US dollar. The South African currency can – and on occasion does – move significantly in a single day. Absa's clients, especially those in the physical import and export spaces, are operating in a world of volatility. In this newsletter, members of our Corporate and Investment Banking team share their insights into what that world looks like and the factors that are shaping it now and into the medium-term future.

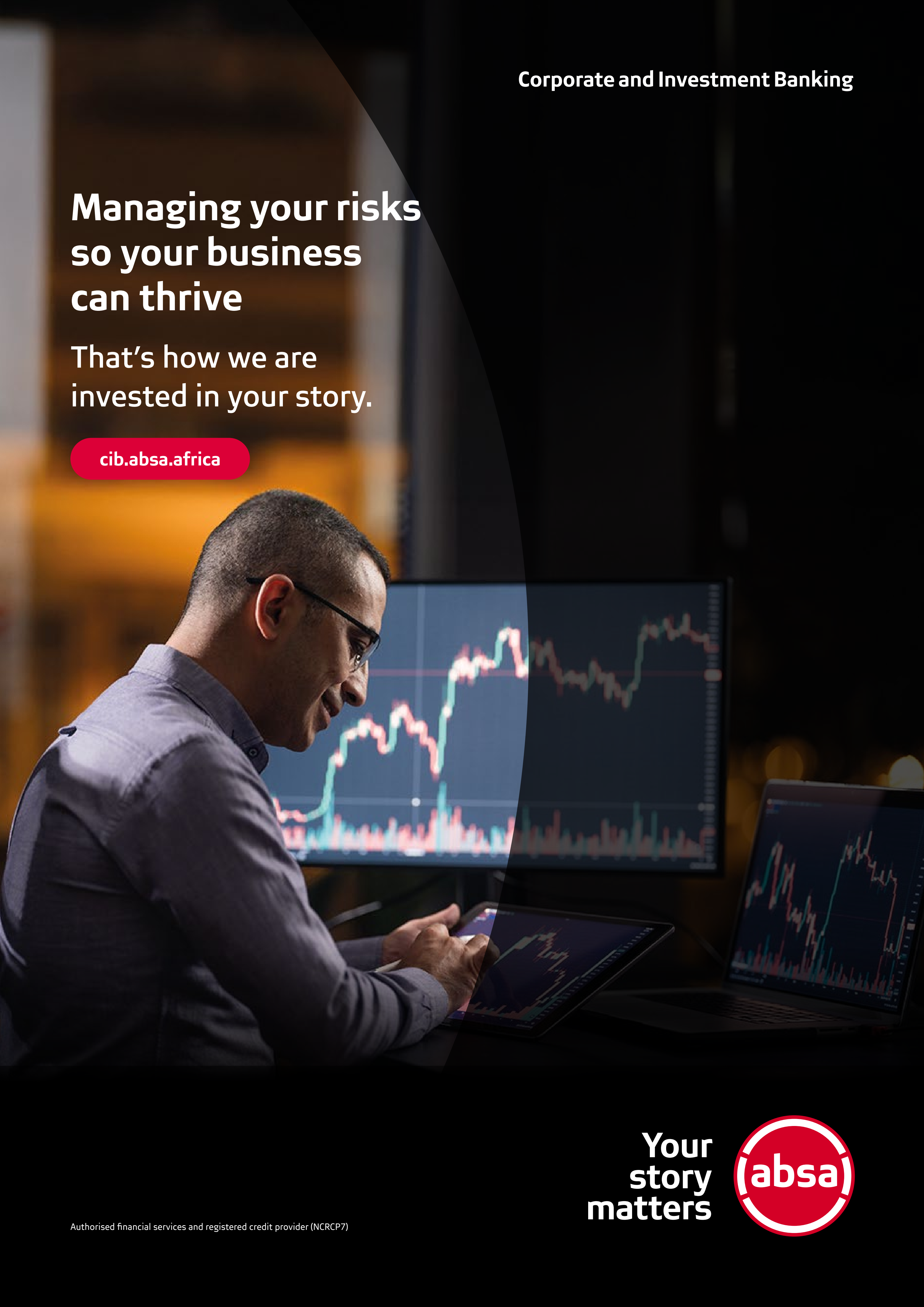
With general elections in South Africa, the United States, the United Kingdom and India (among others), about half of the world's adult population went to the polls in 2024. The year in foreign exchange (forex, or FX) was characterised by event risk. That's likely to continue in 2025 as the global economy adjusts to the policy changes of US President Donald Trump's new administration. The rand and its emerging market (EM) peers are sure to feel the effects.

The world is also rapidly digitising, with tech innovations like digital currencies and stablecoins moving more and more into the mainstream. This will have significant effects on cross-border payments and international transactions, but the shift to digital currencies and digital payments will not be without its risks. You can read more about those trends and what they could mean for your business in the pages that follow.

As I reflect on the global economy, I'm reminded once again of how important it is for our clients to see Absa as their Pan-African FX partner, helping them thrive through this global turbulence. Absa offers world-class FX risk management solutions for our corporate, business and institutional clients through our market-leading Global Markets teams. Our extensive experience and deep local knowledge are underpinned by our global standards and robust governance.

With our global connectivity and local differentiation, we operate at the core of your organisation's African strategy. And when you partner with us, you benefit from award-winning Pan-African foreign exchange expertise and insights – much like those shared in this newsletter.

I trust you will find the articles in this newsletter interesting and of value to your business, and I – and the rest of the Absa CIB team – look forward to engaging with you further.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Navigating
FX risk in volatile times

Recent years have been characterised by volatile currency markets, and 2025 promises more of the same. What's the best strategy for navigating those ups and downs?

By: Chris Paizis Head of Client Foreign Exchange, Absa CIB

Absa is a partner to our clients. Like our clients, we also feel the ups and downs in the markets – and the forex market certainly provides a lot of those. 2024 was a big election year globally, and that drove a lot of event risk. As in 2023, the major theme of the year – for our clients and for us as well – was around navigating volatility.

What do I mean by 'navigating'? I mean asking questions like: 'What will my hedge target rate be for the months ahead?'; 'Do I buy now, or sell now?'; 'Do I wait?'; 'What kind of hedging structures do I put in place?'; 'Do I just transact at spot, or do I option structures?'. We guided our clients through a lot of that thinking.

2024 was also interesting because the rand started to strengthen after a long cycle of weakening. I don't envy Absa's forecasters, nor do I envy our corporate clients, who have target rates to meet. We navigated this volatility very well by introducing some certainty into our discussions. We helped our clients make a call around when to buy and when to sell, and we introduced some new products into the mix that allow for flexibility over time. One has to think about forex both dynamically and conservatively. When you're navigating turbulent waters, you have to be brave, but you also have to be conservative. You need to get the mix of those two right.

When it comes to risk management, I do believe that the market has become used to navigating volatility. The big moves no longer come as a surprise. During a major financial crisis, you will see the rand being a 'high-beta' currency – and moving a lot. But we're used to it, and our clients have navigated it relatively well.

We also have a lot of exporter clients who took advantage of the weakening rand over a long period of time. They've done that well, sitting back and looking at the rand strength in recent times. But with US President Donald Trump back in the White House, that volatility – the spikes and short-term weakness in the rand – is back. As our clients have had to navigate these different kinds of turbulence, there has been no substitute for staying close to the bank, as we've worked as a team to navigate it.

Our advice, then, is for our clients to stay very close to their banking partners. Be transparent about your currency flows, and let's be prudent about the risk management structures that we put in place. There's no substitute for following a well-developed and thought-out risk management policy, and not diverting from it when markets become very volatile. Inevitably, that's where things go wrong.

Our advice to clients is to always play it safe, but to have the right products that you are able to transact in, that are fit-for-purpose for your business to help you achieve your objectives.

Don't let the currency drive you. Rather work with the currency and your banker to get things right in 2025.

Navigating the headlines

'There are a lot of headlines coming across the wavelengths these days, and our currency research team has been kept very busy. But it's not only people in the banks who are running currency research. Central banks are also adopting a wait-and-see approach to see what proves to be the new status quo. The reason for that is, if you react to all those headlines, you can easily be topped and tailed.

'When it came to setting a rand forecast at the end of 2024, we wanted to wait to see which election promises the Trump administration would follow through with. As things started to happen in early 2025, we got a better sense of the real lay of the land. But to react to those moves immediately after the US elections in November or December, when market conditions were very illiquid, would have been a mistake. Our advice is to wait for the rumours to become fact… and to ensure you're well positioned if they do become fact.'

– MIKE KEENAN, Fixed Income and Currency Strategist at Absa CIB

Don't let the currency drive you. Rather work with the currency and your banker to get things right.

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The rand in **2025**

Will South Africa's currency retain its status as the emerging markets' darling, or will global factors drag its value down?

By: Mike Keenan Fixed Income and Currency Strategist, Absa CIB

From a currency markets perspective, 2025 is all about Donald Trump and what he will do as President of the United States on the tariff front – and also what the retaliation will be from the countries on which he imposes import tariffs. In January 2025 the US threatened tariffs against Mexico, Canada and China, and there was speculation that South Africa and Europe might also be in the mix. These are vastly disparate countries, and the ramifications for global trade could be significant. Market position is key. Generally, the market is already very long dollars. Investors are already saying, 'Look, the dollar is the place to be, because if Trump's going to impose tariffs, it's probably going to bring about global inflation, which means central banks (including the Fed) are probably going to hold back on rate cuts, and the US still has relatively high rates, while countries and areas like the European Union are starting to cut rates.'

All of a sudden you have 'Trump Trade' or 'Trumponomics' priced into the dollar. The question we then have to ask is: if the market is already positioned for it, how much further can it go? Is there a risk that people start taking out hedges against the dollar, at a point in time when the dollar is already quite strong? How deep do those Trumponomics go?

South Africa is lucky in that we're a commodity-led economy, and our exported natural resources will keep the revenue flowing in. But the underlying economy is likely to take some strain, which could mean more volatility in the rand – and in similarly placed emerging market (EM) currencies.

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The emerging markets darling

The feedback Absa has been getting from clients – both domestically and internationally – suggests that South Africa has very quickly become the darling of the emerging markets. Midway through 2024, on the back of the government of national unity (GNU) and with load shedding abating, South African markets – not only bonds, but the currency in general – outperformed many of its EM peers. This wasn't the case in previous years. South Africa used to be the emerging market that people loved to hate and were concerned about because of our lack of growth. With the GNU came the hope of better growth, better structural reform and less load shedding, which could either keep South Africa in vogue or make us start to fall out of favour again.

Absa's baseline view is that the GNU will continue to make strides. Yes, there will inevitably be friction around certain topics, but at the end of the day, Absa's view is that it will be a multi-party approach where the country's best interests come first. In terms of South Africa's domestic fundamentals, we expect growth to pick up in 2025. That positivity on the local front means that the international waves and currents will dictate where the rand ends up this year. Absa's view is that the rand could strengthen through the year, down to the low R17s against the dollar, but much will depend on those Trumponomics.

South Africa's trade links with the US are not as strong as the trade links between the US and countries like Mexico, Brazil or China. The indirect effect on the rand – and where the currency could fall short – is that South Africa exports a lot to China. If China comes under the cosh due to US-imposed trade tariffs, and China's growth is weak, then South Africa could suffer.

South Africa has been posting strong trade surpluses, which suggests that our exchange rate is quite competitive. And although our economy strengthened last year, over the longer term, the rand is still an undervalued currency if you look at it on a purchasing power parity basis. Hopefully that will help the rand to weather the storm.

A lot will depend on the first-round effects of the US tariffs, as well as on the second-round effects. We'll have to see how it all unfolds. In early 2025, we're still looking to see what the Trump administration is going to do. There are still a lot of unanswered questions – for example, what would happen if China launched a big stimulus programme to try to counteract the US tariffs? What would that do?

A range approach to rand forecasting

Clients often ask us how our currency forecasts look relative to key events. The tricky thing for banks is that we don't want to take a strong political view regarding elections or political events. At Absa, we prefer to learn by doing, where we wait for the event to take place before we start making big forecasts, because you don't know what the policies of the incoming administration are likely to be.

To answer the question, it's very difficult to offer a spot forecast of where the rand's going to be at any point in 2025. Absa's currency research team prefers to provide a range rather than a spot or point forecast. This enables our clients to know when the rand is at the strong end or the weak end of that range, and that's when our colleagues at Absa will come in and say, 'If we're close to the end of that range, maybe we should be offering a certain structure or considering a certain product.'

What's helped us determine those ranges is looking at how the rand has reacted to previous events, and how sharply it could sell off if a global event is pretty hard-hitting. For example, when we looked at the 2008 global financial crisis, we saw a four standard deviation move in the currency. This means the currency weakened four times more than the typical trading range.

South Africa is lucky in that we're a commodity-led economy.

Another factor that we pay close attention to in our discussions with clients is South Africa's regulations. Prudential limits, for example, provide a ceiling for rand weakness because local asset managers have to bring money back into the country if the rand hits certain levels. We saw that with the Lady R incident, and again before the 2024 elections. Hopefully this provides clients with some sense of comfort, knowing that there are regulations that can limit non-stop rand depreciation.

Digital currencies in an **FX world**

Digital currencies – whether stablecoins or issued by central banks – are disrupting the cross-border payment space. What are the risks and opportunities for corporate treasurers?

By: Robert Cousins Head of Global Markets Digital Product, Absa CIB

The average monthly supply of fiat currency-backed stablecoins topped $140 billion in 2024, more than double the supply in 2021. Monthly transaction volumes number in the hundreds of millions, and the monthly dollar value of transactions using stablecoins now tops the $1 trillion mark.

What does this mean for cross-border payments and FX? 'Digital currencies will change the nature of foreign exchange (forex, or FX),' says Robert Cousins, Head of Global Markets Digital Product at Absa CIB. 'Central Bank Digital Currencies (CBDCs) are one aspect, but our view is that these could take longer to implement and are more focused on domestic use cases. They are therefore a medium-term consideration for FX. The stablecoin side of digital currencies, however, is a much more immediate threat.'

Stablecoins – digital representation of money collateralised by an existing asset – include the likes of the US dollar-backed USDT and USDC, or the gold-backed PAXG.

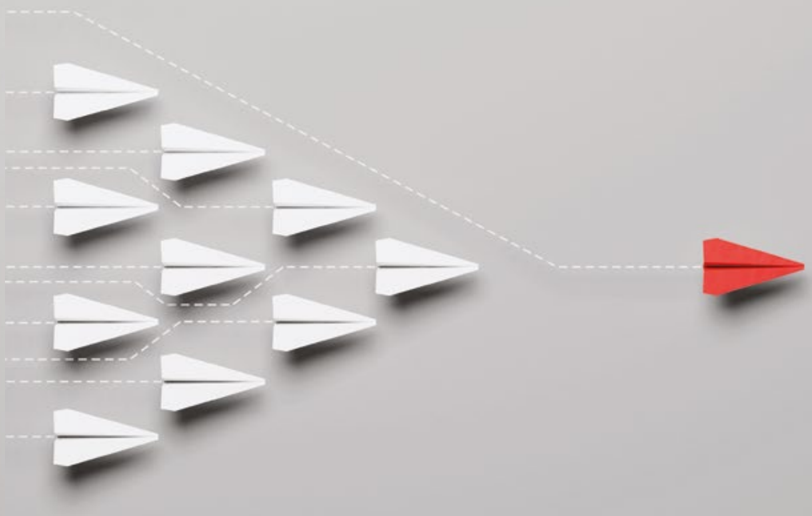
Atomic swap

How will digital currencies change the FX landscape, and what makes them a 'threat'? Cousins explains: 'Stablecoins are a much more efficient settlement mechanism than typical cross-border correspondent banking-based payments. Cross-border settlement via correspondent banking takes two days at best, whereas stablecoins and digital currencies enable real-time atomic swap of value.'

That shift from T+2 to T0 introduces a new set of risks for corporate treasurers. 'It moves everything to real-time settlement, and your treasury needs a whole new set of capabilities to manage that,' Cousins says. 'Your fundamental currency risk management won't change much, but you will have an additional set of liquidity risks. Liquidity risk is easier to manage when you have a lead time, but with digital currencies, you don't have that. You could suddenly have immediate settlement payment commitments that drain your cash liquidity, which you didn't anticipate. The ability to forecast cash flow will become even more important, but the flip side is that cash flow efficiency will be better and will hence aid cash flow management.'

All cross-border flows will go via digital currencies sooner or later. It's going to happen. It's just far too efficient to ignore.

Risks and opportunities



Understanding how digital currencies change the FX landscape requires some understanding of how these currencies work. Cousins warns that while many people regard a digital currency like Bitcoin as being an investment asset class, it is, at its core, a distributed payment rail – and an efficient and cheap one at that.

'All cross-border flows will go via digital currencies sooner or later,' he says. 'It's going to happen. It's just far too efficient to ignore. Look at Bitcoin: there have been a number of $1 billion transfers using Bitcoin, and they were settled at a cost of under $1. Along with this efficiency, the security and traceability on distributed ledgers reinforce our view, especially as greater regulatory certainty is clarified in digital currencies.'

CBDCs add an additional layer of safety and – in some respects – legitimacy to the digital currency space. These have more issuer credibility in that they are backed by central bank reserves. 'The key question with digital currencies is, who issues them, and who are you taking credit risk against?,' says Cousins. 'If a central bank backs them, they have credibility. Even when commercial banks issue stablecoins, there's a lot more credibility around them.' And while much of the conversation is still in forecasts and hypotheticals, digital currencies will change the FX picture for importers and exporters – if not now, then soon. 'Very soon,' says Cousins. 'We're seeing a lot of transactional flows starting to happen in this space. Some clients are already asking if they can off-ramp from USDT or Bitcoin into fiat currencies. We also have clients who have invested in digital currencies and who want custodial services from Absa. This is opening up a whole new set of risks and opportunities.'

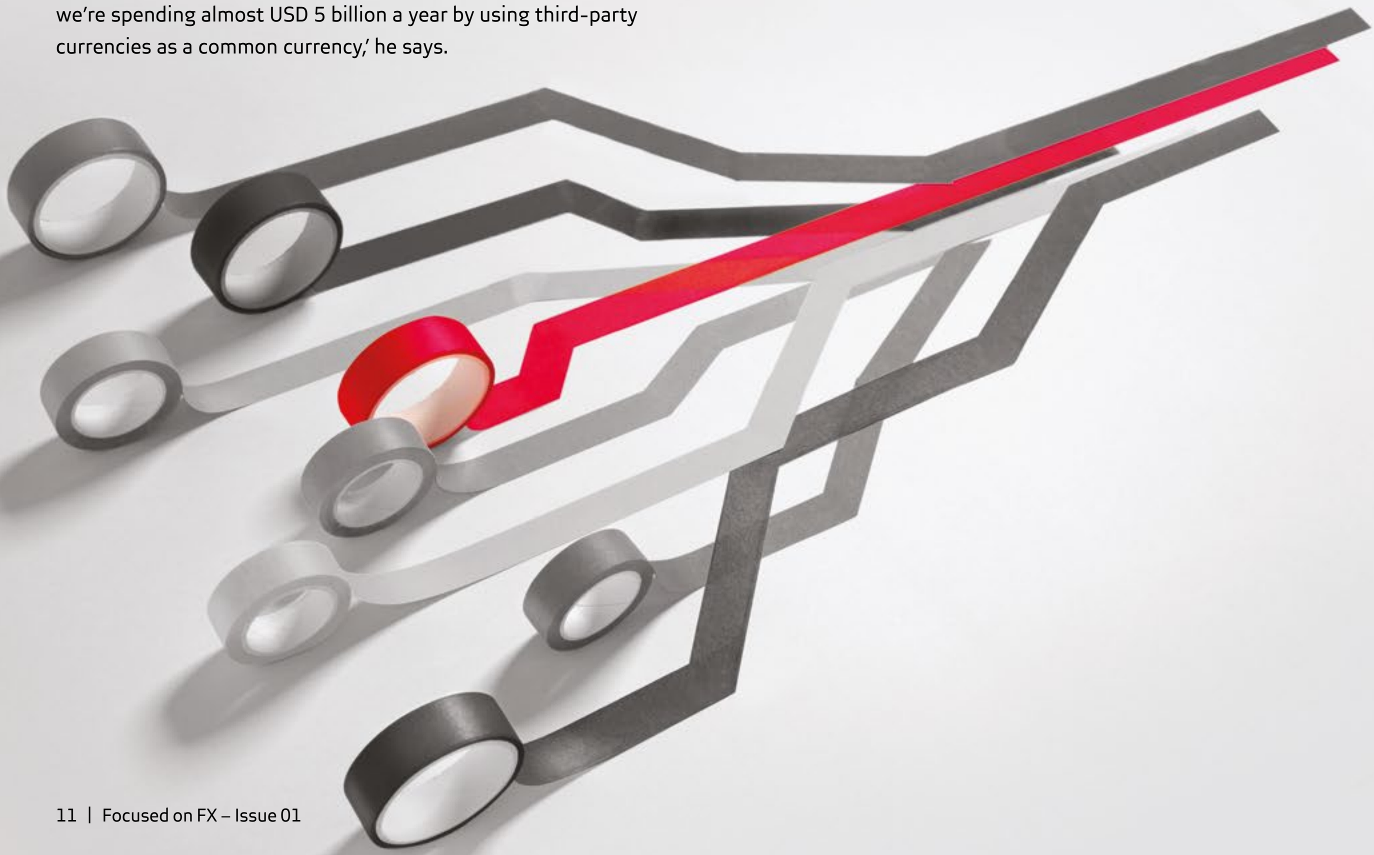
The key message for Absa's clients, then, is that digital currencies are no longer the sole preserve of techies, early adopters or risk-taking crypto investors. 'Digital currencies – whether CBDCs or stablecoins – are changing the FX landscape,' Cousins concludes. 'Our main message to clients now is around risk and cybersecurity, because this is a very technical domain and not everyone understands it easily. But with that risk comes opportunity. The distributed ledger technology that underpins digital currencies is very efficient, very robust, and it could better enable your business.'

A 'euro' for Africa?

It's closer than you think. And while Africa is still many years away from a common currency, for businesses across the continent, PAPSS is ably filling the gap.

By: Gerald Katsenga Head of Global Markets Corporate Sales, Absa Regional Operations

Wamkele Mene, Secretary-General of the African Continental Free Trade Area (AfCFTA), has made it clear: Africa is moving towards a single currency. Speaking to Bloomberg in 2023, he reiterated a statement he's made many times before and since. 'If you look at the founding documents of the Organisation of African Unity, [dated] May 1963, a common currency in Africa is one of the objectives,' he said, adding that within the AfCFTA, 'there is an objective to have a common currency.' Are we there yet? No. But we're closer than one might think, says Gerald Katsenga, Head of Global Markets, Corporate Sales: Absa Regional Operations at Absa CIB. 'A common African Union currency is critical if we are to eliminate some of the transaction costs related to intra-Africa trade,' Katsenga says. Currently, if African businesses execute a cross-currency trade, the payer's currency must leave Africa and be converted into a third-party currency (typically the US dollar or euro) before being converted into the payee's currency. 'As a continent, we're spending almost USD 5 billion a year by using third-party currencies as a common currency,' he says.



Bumpy road to a common currency

A common African currency would solve that as the euro does in the Eurozone. 'However, the challenge is that we currently have four separate unions in Africa, each with its own timeline,' Katsenga explains. First there's the African Monetary Union, which is the African Union's proposed monetary union to be administered by the proposed common union bank, the African Central Bank. The timeline under the Abuja Treaty initially called for a single pan-African currency, variously called the AFRO and the afriq, by 2023. Then, in West Africa, there's the Economic Community of West African States (ECOWAS), which has committed to launching a common currency, called the Eco, by 2027. Meanwhile, the East African Monetary Union (EAMU) Protocol, signed in 2013, called for a single currency in the EAC by 2023. The Southern African Monetary Union (SAMU) is a proposed alliance that would see the establishment of a common currency for the 16 member states of the Southern African Development Community (SADC). SAMU was conceived in 1980, and it was supposed to be established by 2018. However, SAMU has faced many challenges, such as the dominance of South Africa's economy, the diversity of SADC countries, and the lack of political will and institutional capacity. Meanwhile, there is also the Common Monetary Area (CMA), which links Namibia, Lesotho, Eswatini and South Africa in a monetary union, utilising the rand.

'Breaking that hegemony is a major barrier to creating a single African currency, because we're not speaking with one voice,' Katsenga says. 'I don't see an African currency emerging for at least the next 10 years.'

How PAPSS fills the gap

'Having said that, what is realisable in the near term is a Pan-African Payment and Settlement System (PAPSS), which at least consolidates those intra-continental payments,' Katsenga says. 'So while we don't have a single African currency, at least we have a single payment system that settles within the jurisdictions of intra-African trade.'

He emphasises that the issue is not de-dollarisation or de-euroisation. 'It's about reducing transactional costs and promoting intra-African regional trade,' he says. 'The real challenge for African businesses lies in the payment setup. When you do intra-African trade, you settle via SWIFT, where you have the costs of intermediary banks. If I'm in, say, South Africa and I do a transaction paying somebody in Ghana, my rands have to go via either Europe (the euro) or the United States (the dollar), and then come back into Africa as Ghanaian cedi. When we use PAPSS, it's still a net settlement in hard currency, but without having to go via the euro or the US dollar.'

PAPSS is far more than just a short-term solution. 'PAPPS only launched in 2022, but it's already filling the single-currency gap,' Katsenga says. And the reality is that any common currency for Africa – be it the AFRO, afriq or any other name – is still many years away, partly because of the different stages of development of African countries, and partly because of the lack of political will around creating a common currency.

PAPPS only launched in 2022, but it's already filling the single-currency gap.

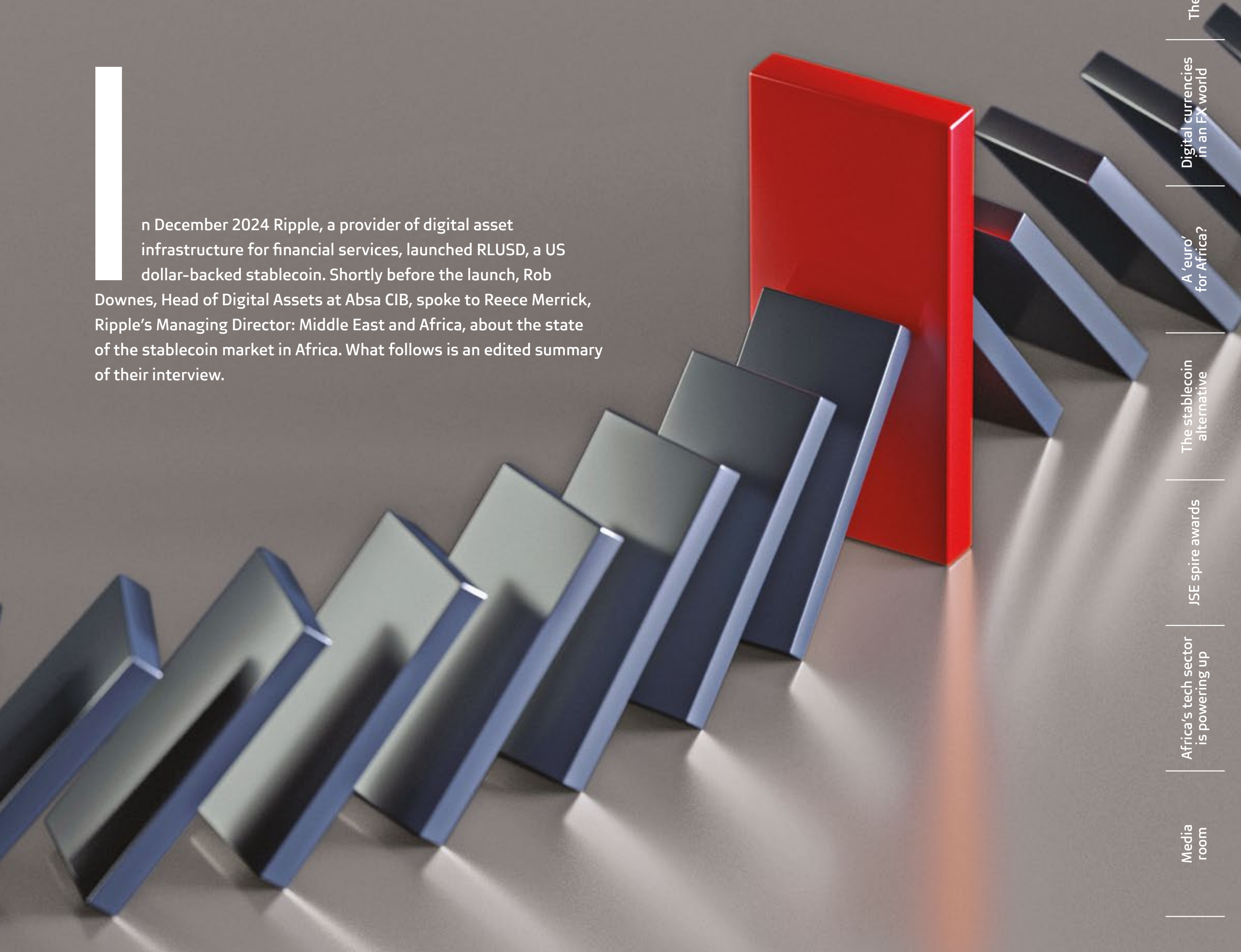
'A common monetary union requires a common fiscal framework,' Katsenga concludes. 'And as things stand, there's no unison in that regard among Africa's various regional blocks, let alone integration at a country level among the African Union's 55 member states. PAPSS has filled that void because it acts like a common monetary union without a single currency.'

The stablecoin **alternative**

Stablecoins are driving significant shifts in the world of payments and trade. How is this playing out in Africa and beyond?

By: Rob Downes Head of Digital Assets, Absa CIB and Reece Merrick Managing Director, Ripple Middle East and Africa

In December 2024 Ripple, a provider of digital asset infrastructure for financial services, launched RLUSD, a US dollar-backed stablecoin. Shortly before the launch, Rob Downes, Head of Digital Assets at Absa CIB, spoke to Reece Merrick, Ripple's Managing Director: Middle East and Africa, about the state of the stablecoin market in Africa. What follows is an edited summary of their interview.



Stablecoins combine the benefits of blockchain technology with the familiarity of a traditional fiat currency.

What is a stablecoin?

In basic terms, a stablecoin takes a fiat-based currency like the US dollar and digitises it. Stablecoins combine the benefits of blockchain technology, which is secure, transparent, fast and cost-efficient, with the familiarity of a traditional fiat or local currency. Crypto, more broadly, has been seen by some as a speculative asset. The beauty of a stablecoin like ours, meanwhile, is that there's a real utility behind it, with use cases like remittances, business payments, and so on.

What growth are we seeing in this space?

The stablecoin market today has a market cap of about US$150 billion, and that's forecasted to grow to something like $2.8 trillion by 2028.

Why did Ripple choose to launch a US dollar-backed stablecoin?

Around 50% of all global cross-border transactions are settled in US dollars, but a large amount of those dollar payments are not settled in the US. That means if I'm based in the UAE and want to make a payment into Africa in US dollars, my money will leave Dubai, go over to the US via correspondent banking, and then come back to Africa. That's a costly and inefficient way to move funds. We believe that US-backed stablecoins will solve some of those inefficiencies.

How else could stablecoins improve efficiencies in cross-border payments?

If you remove the intermediary correspondent banking players, you'll see significant savings. If I send a US dollar payment from my bank in Dubai, it will cost me, say, $30 to $40. If I use a stablecoin, the same transaction will cost less than $1 – even down to a fraction of a cent. This allows people to benefit from the cost reduction while still having a traditional, well-known currency that is less volatile than some of the other digital assets we're seeing in this space.

What does this mean for remittances?

Ripple focuses on solving cross-border payments in remittances because we believe that the people who need to remit funds need those funds to be settled quickly and cheaply. You'll often find the receiver on the other end doesn't want $20 taken out of their transaction for receiving that payment. We believe that stablecoins can solve that problem too.

Listen to the full conversation in our Transactional Series Podcast:

Listen

What are the implications for last-mile payments?

Ripple has built a product that focuses on last-mile payouts. If we're making payouts across Africa, we're looking at local transaction settlement in the local currency. But a lot of our customers were saying, 'Hey, we actually want to settle in dollars into Africa' or 'We want to settle in dollars into China'. If you look at the import/export business into China, the majority is still settled in dollars. So our solution was very beneficial if you needed a local payout. With our new option, you're able to settle on a US dollar-backed stablecoin to achieve that real-time payment. We're hoping our clients will see some tremendous benefits from that.

What are the regulatory considerations around stablecoins, and especially regarding their use in cross-border payments?

The regulatory landscape surrounding stablecoins specifically is undergoing a significant evolution, which will continue to play out as there's more adoption. Globally, jurisdictions like North America, Europe, Asia, Africa and the UAE are looking at shaping regulations to govern stablecoin issuance and usage. Europe, for example, has the Markets in Crypto-Assets (MiCA) regulation, which has introduced clear guidelines and mandates for the issuance of stablecoins. We've seen great advancements in Africa, too. South Africa has prioritised clear regulatory frameworks for stablecoins through the intergovernmental fintech working group, which is great to see. Mauritius has some guidelines; Ghana is working closely with the Monetary Authority of Singapore and has issued a central bank digital currency (CBDC); and Nigeria is looking at making strides with its regulatory framework too. The challenge will be how these regimes play out. The global framework is quite disparate at the moment, with different regions and different ways of complying with anti-money laundering (AML) and counter-terrorism financing (CTF) requirements. It's about making sure that a stablecoin can integrate into the current banking systems, which is something Absa is working quite closely on.

South Africa has prioritised clear regulatory frameworks for stablecoins through the intergovernmental fintech working group.

Africa's tech sector is **powering up**

Even in the harshest environments, growth can flourish in unexpected ways.

By: Adesoji Solanke Head of Fintech & Banks Investment Banking Origination, Absa

While there was little that could be deemed positive during the early days of the pandemic, for Africa's tech ecosystem, this challenging period unexpectedly spurred extraordinary development. The sector reached its funding peak in 2020 and 2021, minting unicorns as companies secured hundreds of millions of dollars to propel innovation across industries. It was, however, to be short-lived.

As global interest rates rose in response to mounting inflation, monetary tightening triggered a significant pullback of capital. Large, predominantly US-based, funds that had begun venturing into Africa redirected their focus towards domestic markets grappling with economic pressures.

The ecosystem, once buoyed by an influx of international capital, now faces a more selective and challenging investment landscape. According to Partech's 2024 Africa Tech Report, tech start-ups across the continent secured $3.2 billion in gross funding in 2024 – a 7% drop year on year. The number of investors participating in deals within the African tech ecosystem was flattish year on year at 583 unique equity investors in 2024. While this demonstrates a resilient base of support for the ecosystem, it pales in comparison with 2022, when over 1,100 investors participated. But encouraging signs suggest a cautiously optimistic outlook for funding in 2025.

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While a dramatic rebound may not be on the horizon, stabilisation – or even a modest recovery – appears within reach. This sentiment is buoyed by the gradual easing of global interest rates seen through 2024, fostering a renewed appetite for risk among investors. With capital increasingly drawn to high-growth opportunities, Africa's tech ecosystem is well-positioned to capture renewed interest, though this optimism is tempered by the potential for an uptick in inflation and interest rates, a stronger dollar and its resultant implications for emerging and frontier markets. The M&A landscape is also poised for greater dynamism. While many tech companies will remain focused on driving organic growth, the sharp decline in valuations across the broader tech ecosystem presents fertile ground for increased deal-making. Notably, much of this activity is expected to be driven by tech companies themselves, capitalising on favourable market conditions to consolidate and fortify their competitive positions.

Three areas of attention

Three key areas are set to command attention across the continent this year: the merchant acquiring space, instant payment systems (IPS), and mergers and acquisitions (M&A). Several trends are aligning to bolster the growth of the merchant acquiring sector on the continent. Digital penetration and usage are increasing steadily, driven by a young, tech-savvy population with rising demand for seamless payment solutions.

The fintech industry is rapidly evolving to meet these demands, introducing innovative tools and services that enhance payment accessibility in an omnichannel way. Additionally, collaborative efforts between regulators and financial institutions are creating an enabling environment that prioritises financial inclusion, further strengthening the ecosystem and unlocking new opportunities for merchants to integrate into the digital economy. The evolution of IPS across key African markets is another critical area to watch.

According to AfricaNenda, in 2023, IPS platforms on the continent processed a record-breaking 49 billion transactions. The total value transacted surged to over $1 trillion that year, marking an impressive average annual growth rate of 39% since 2019.

Central banks are increasingly taking proactive measures to expand the reach and inclusivity of these payment systems. In South Africa, for example, the Reserve Bank has been working to integrate non-banks into the national clearing and settlement system, a move designed to enhance financial inclusion for the unbanked and underbanked. As trust in these systems grows, it sets the stage for transformative models such as open banking, enabling non-traditional players to seamlessly integrate financial services into their platforms. This not only democratises access to financial tools, but also accelerates the pace of financial inclusion and economic participation across the continent.

The market will be closely watching for potential M&A activity led by tech firms as stronger and well-funded players evaluate strategic acquisitions to strengthen their positions and take advantage of the pull-back in valuations. Others will be watching to see whether leading mobile money providers, banks or card schemes will embark on acquisitions and, if so, in which markets and segments these deals might materialise. Such activity could signal a push to consolidate fragmented markets, expand into underserved regions or product lines, or integrate complementary services like digital lending, remittances or insurance. The outcomes of these moves will have significant implications, shaping competitive dynamics and influencing the trajectory of financial inclusion on the continent.

A new era

These shifts come as Africa's tech ecosystem enters a new phase. Unlike the previous era, this next chapter will not be defined by the pursuit of unicorn status. What the ecosystem truly needs are successful businesses that address real-world challenges and deliver scalable, impactful solutions. The size of these companies is secondary to the significance of the problems they solve and the tangible value they create.

In this environment, investors are likely to gravitate towards businesses led by capable entrepreneurs tackling pressing issues with clarity and innovation. Capital will naturally follow these ventures, reflecting their potential for meaningful impact. The current challenging market climate has served as a stress test for many companies, leaving behind those better equipped to navigate Africa's unique complexities. What emerges is likely to be a cohort of stronger, more resilient businesses, armed not only with the resources to grow, but also with a sharper understanding of the strategic imperatives for sustained success in the region.

The sharp decline in valuations across the broader tech ecosystem presents fertile ground for increased deal-making.

Media Room

Tune into the latest podcasts, videos and articles from Absa CIB's FX team and our colleagues across the bank.

1 How will currency trends shape 2025?

How will the events of 2024 shape currency markets in 2025? And what do businesses need to know about foreign exchange (forex, or FX)? Join the vodcast discussion with Mike Keenan, Fixed Income and Currency Strategist, and Chris Paizis, Head of Client Foreign Exchange at Absa CIB.

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2 2024: The year in FX

Ross Long, Head of Foreign Exchange for the Absa Group, reflects on the factors that shaped FX markets in 2024 and how they influenced the value of the rand.

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5 From feature phones to future finance: how digital wallets are reshaping cash management

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Richard Southey, Chief Digital and Experience Officer, Absa CIB, examines the growth in digital payments and reveals Absa's focus areas in the digital banking environment.

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43%

Stablecoins accounted for 43% of the total cryptocurrency transaction volume in sub-Saharan Africa between July 2023 and June 2024, according to blockchain analytics firm Chainalysis. The growth in stablecoin adoption across the region – and across the world – is reshaping the cross-border payments space.

Stablecoins, and US dollar-backed stablecoins especially, have seen incredible growth over the past four years. In Africa, stablecoins make up the majority of the cryptocurrencies that consumers are now purchasing. There's been a shift away from speculative cryptos like the Bitcoin and into the fiat-backed digital currency space.

– ROB DOWNES, HEAD OF DIGITAL ASSETS AT ABSA CIB

Read more about how stablecoins are changing the cross-border payment landscape on pg13, and follow the conversation in our podcast series on pg19.

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