



EDITION 6 - QUARTER 4, 2017

AFRICA'S PROSPECTS

MACRO, BUSINESS, CONSUMER AND RETAIL INDICATORS

SHIFTING LANDSCAPES

SLOW & EXTENDED RECOVERY

Sub-Saharan Africa's prospects improved in 2017 as global financial conditions were more favorable, commodity prices rallied, and inflation slowed helping revitalise household demand. Economic growth predictions, however, remain below pre-crisis averages and conditions are still tough, calling for coping tactics that are attuned to the times. As governments, retailers, manufacturers and consumers continue to adjust to these challenging times, individual country prospects remain in flux with seven countries changing position in the latest Africa Prospects Indicator rankings. The only country remaining firm into Quarter 4'2017 is Cote d'Ivoire, holding steady in first position, although with a smaller advantage.

OVERALL RANKING TREND

RANK	QUARTER 1'15	QUARTER 3'15	QUARTER 1'16	QUARTER 3'16	QUARTER 2'17	QUARTER 4'17
1	NIGERIA	COTE D'IVOIRE	COTE D'IVOIRE	KENYA	COTE D'IVOIRE	COTE D'IVOIRE
2	COTE D'IVOIRE	KENYA	KENYA	COTE D'IVOIRE	KENYA	GHANA
3	KENYA	TANZANIA	TANZANIA	TANZANIA	TANZANIA	SOUTH AFRICA ▲
4	TANZANIA	NIGERIA	GHANA	SOUTH AFRICA	CAMEROON	KENYA ▲
5	ZAMBIA	ZAMBIA	CAMEROON	GHANA	GHANA	TANZANIA ▼
6	CAMEROON	CAMEROON	UGANDA	CAMEROON	SOUTH AFRICA	CAMEROON ▼
7	UGANDA	SOUTH AFRICA	NIGERIA	UGANDA	UGANDA	NIGERIA ▼
8	GHANA	UGANDA	SOUTH AFRICA	NIGERIA	NIGERIA	UGANDA ▲
9	SOUTH AFRICA	GHANA	ZAMBIA			▼

Ghana moves into second position, the highest rank achieved to date, from continued advancement in the economic and consumer areas. GDP growth is at its highest level in four years and inflation continues to ease to levels last seen in 2013, relieving consumer wallet pressures and allowing for increased spend in store. Consumer confidence is at an all-time high with 48% of Ghanaians feeling that the time is right to buy the things they need and want. 79% feel that their personal finances will be in a good/excellent position and 69% feel that their job prospects will be good/excellent in the coming year. Whilst retailer prospects still rank lower, the outlook for growth and ease of doing business is improving. In addition, Ghana has continually been ranked as the best country prospect by businesses for successive periods.

The region's two largest economies are leading the comeback in Sub-Saharan Africa's recovery. In the second quarter of 2017, Nigeria exited a five-quarter recession and South Africa emerged from two successive quarters of negative growth. Economic activity has picked up, albeit amidst growth rates that remain fairly low, as crude oil and metal prices recover. Both countries improved their standing on the overall prospect ranking with improved indicators. South Africa moves into third position and Nigeria rebounds from its previous low, to seventh on the ranking.

CURRENT RANKING DYNAMICS

COUNTRY	OVERALL RANK	MACRO RANK	BUSINESS RANK	CONSUMER RANK	RETAIL RANK
COTE D'IVOIRE	1	3	7 ▼	6	1
GHANA	2	1 ▲	1	4 ▲	7
SOUTH AFRICA	3	6	8 ▼	1	3
KENYA	4	4	2	2	5
TANZANIA	5	2	3	7 ▼	6 ▼
CAMEROON	6	8	6 ▲	3	2
NIGERIA	7	5	4 ▲	4 ▲	8
UGANDA	8	7	4 ▼	8	4 ▲

South Africa's retail and consumer prospects are strong as retailers feel progressively more optimistic in their view on growth. Sentiment towards ease of doing business has risen to some of the highest levels to date, and consumer spend in store is increasing, together with a willingness to try new products. The biggest risk is the business outlook which remains weak as a consequence of the political and administrative uncertainty which has slowed structural reforms and constrained private sector investment.

84%

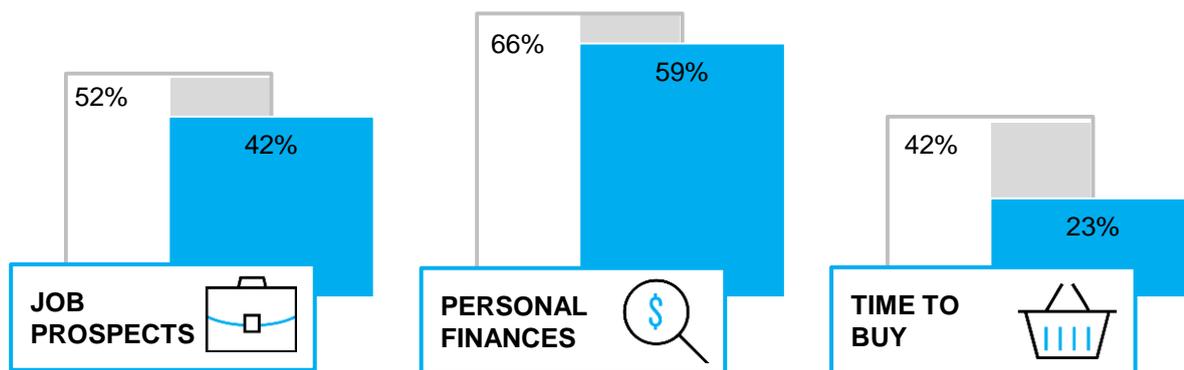
**OF NIGERIANS FEEL THAT
THEIR PERSONAL
FINANCES
WILL BE GOOD/EXCELLENT
OVER THE NEXT 12
MONTHS**

Nigeria's potential remains mixed. As consumer sentiment regains positive momentum, so does the business outlook. The retail environment remains extremely tough, but retailer growth views are improving somewhat as inflation eases and shopper spend in store recovers.

Kenya's stumble in the ranking continued into Quarter 4'2017, relinquishing another two places to fourth position. Deteriorating macro-economic indicators, weaker agricultural production and poor retail performance added to the woes of the prolonged and disruptive election period. Early indicators for 2018 suggest that the economy is on a sounder footing, and the calmer political scene will support a more favorable year ahead.

Fading consumer confidence was also impacted by rising inflation in the first half of 2017 due to the drought. While inflation rates levelled out towards the end of 2017, only 23% of Kenyans hold the view that it is currently a good/excellent time to buy the things they need – trailing a year ago by 19%. Consumer sentiment is likely to recover to more optimistic levels, however cautionary consumer actions are likely to continue for the first half of 2018.

WORSENING CONFIDENCE INDICATORS IN KENYA % EXCELLENT/GOOD (Q4'17 VS. Q4'16)



Weaker consumer trends are also evident for Kenya's East African neighbours, Uganda and Tanzania, who slip in the overall rankings to eighth and fifth position respectively. Retailers' views on growth and ease of doing business are similarly at some of their lowest levels to date in both countries, despite fairly steady economic growth. For manufacturers and retailers this points to complex challenges to achieve sustained levels of performance. Those that adapt quickly and are able to meet consumer-driven demand, balance distribution and operational efficiency will succeed.



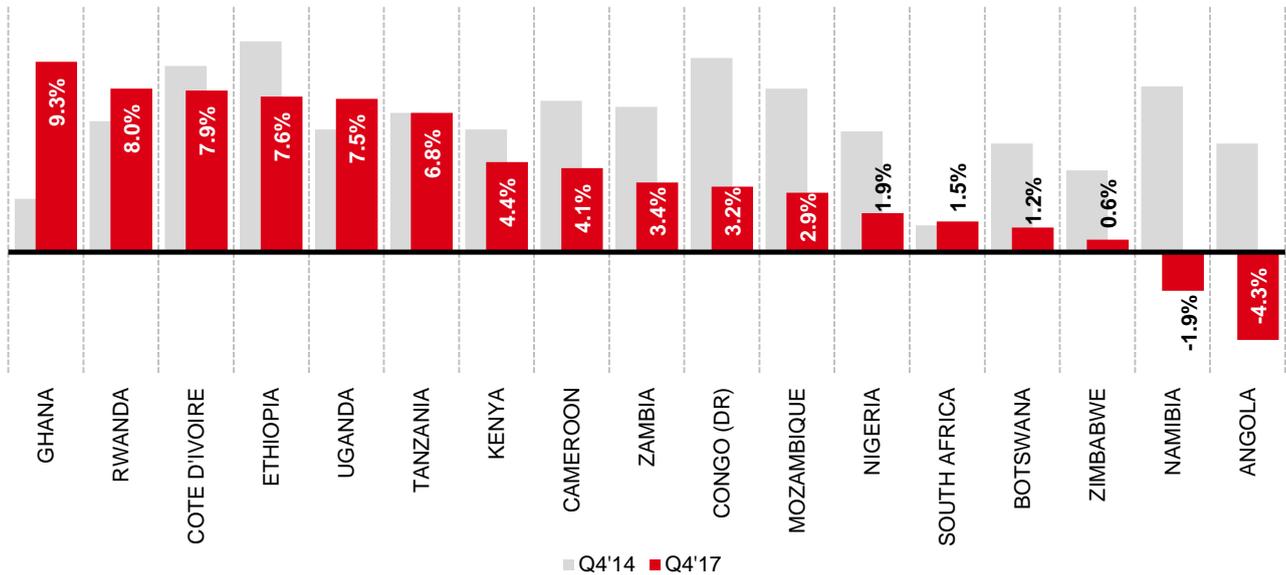
PART 1

MACRO PROSPECTS

DISPARATE DISTRIBUTION OF OPPORTUNITIES

Economic growth turned the corner in Sub-Saharan Africa in 2017 from the lows in 2016, but was weaker than expected at 2.4%. The region is still experiencing negative per capita income growth, weak investment and a decline in productivity output. While the rebound has been led by the sub-continent's largest economies, growth rates remain low, as commodity reliant countries continue to deal with the effects of the earlier price collapse and slow private investment.

ECONOMIC GROWTH – CURRENT VS PRE-COMMODITY PRICE SLUMP



Global financial headwinds and regional macro-economic vulnerabilities have taken a toll on the resilience of the growth paths for Sub-Saharan Africa's countries over the past four years. The crash in commodity prices dealt the biggest blow as oil, iron ore and other metals account for more than 60% of the sub-region's exports. The more resilient states have been those with diversified economies such as Rwanda, Tanzania and Kenya. Ghana and Uganda are exceptions where growth has been spurred on by the discovery of new oil reserves.



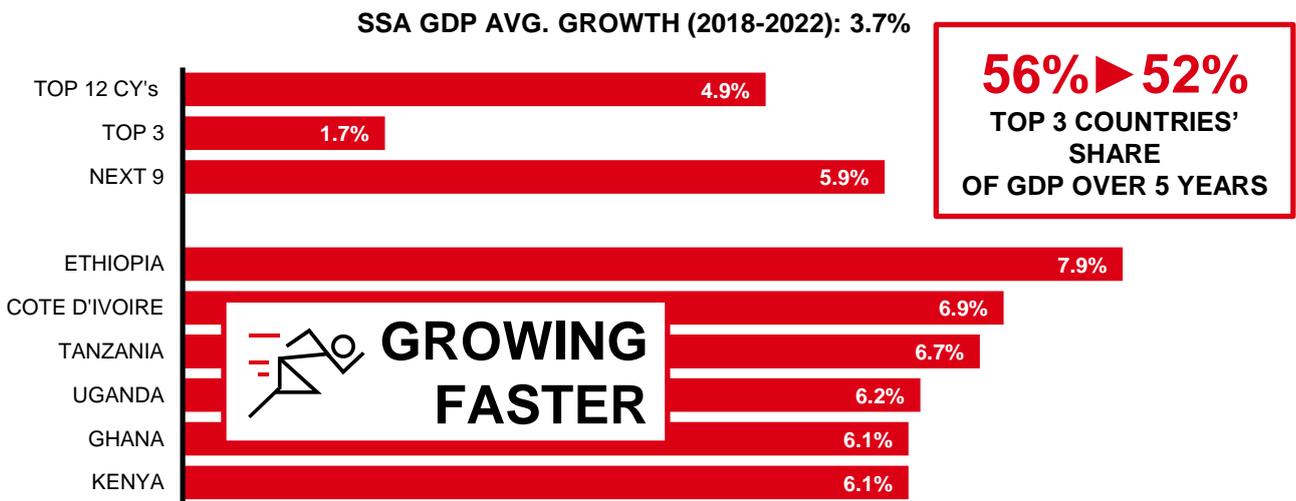
PART 1

MACRO PROSPECTS

LONG TERM LENSE STILL GLOWING

Over the past 20 years, Africa has experienced progressive development in many markets due to a combination of economic, political and social advancement. Economic growth and structural change in Africa’s markets will continue to have a profound bearing on the evolution and advancement expected for consumers, manufacturers and retailers for many years still to come.

SSA’s GDP growth for the next five years is set to steadily accelerate with an average annual growth rate of 3.7% (2018-2022). The 12 biggest countries (82,6% of GDP) are set to outpace the SSA average growth rate, with non-commodity dependent states forecast to contribute a greater proportion due to their speed of growth at 5.9%. With opportunities opening up beyond the top three economies, this provides an expanding number of countries and consumers for retailers and manufacturers to tap into.



■ TOP 3: NIGERIA, ANGOLA, SOUTH AFRICA | NEXT 9: CAMEROON, CDI, DRC, ETHIOPIA, GHANA, KENYA, TANZANIA, UGANDA, ZAMBIA

Continuing advancement at a country level will attract a more rapid rate of investment, by accelerating the industrial and business foundations to enable change. With improving physical and digital infrastructure, job creation and better personal circumstances, amongst others, the growth trajectories for businesses have the potential to increase exponentially.



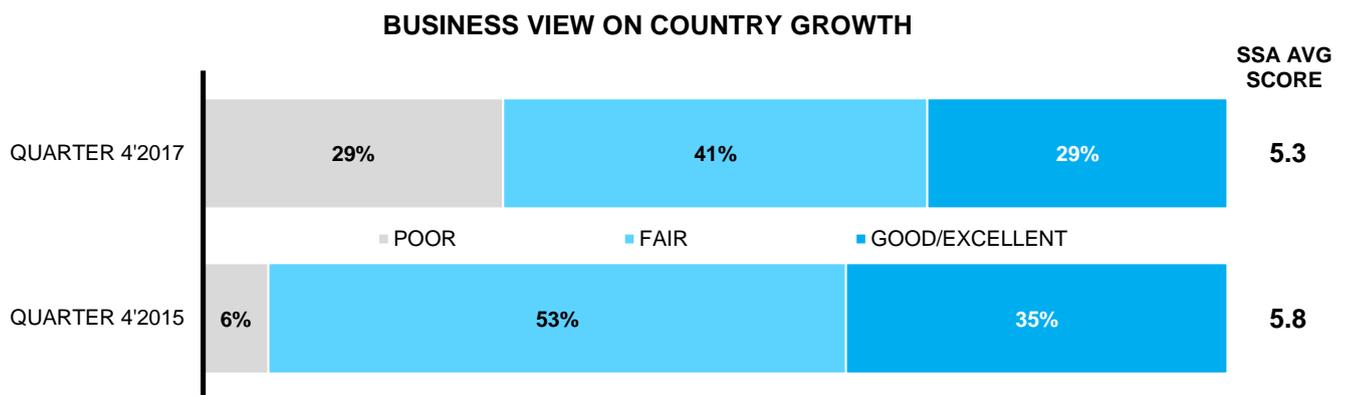
PART 2

BUSINESS PROSPECTS

MORE SELECTIVE CORPORATE FOCUS

The 2016 fall in commodity prices delivered a significant dose of reality to the “Africa Rising” narrative. Pre-crash, businesses highlighted growth prospects as good/excellent in 35% of 17* SSA countries (scored at 6 or higher out of 10). Since then this has dropped to 29% of countries with promising growth prospects. On the counter end of the scale, an equal number (29%) of countries are deemed to be poor business prospects, despite the revival in GDP growth - versus only 6% previously.

On average, businesses rate the consolidated SSA growth outlook less favorably, at 5.3 for 2018. This indicates a fair view of growth, and lower expectations than pre the commodity price plunge, when this figure stood at 5.8.



*17 SSA COUNTRIES: SOUTH AFRICA, NIGERIA, KENYA, GHANA, TANZANIA, UGANDA, ZAMBIA, COTE D'IVOIRE, CAMEROON, ANGOLA, ETHIOPIA, CONGO (DR), MOZAMBIQUE, ZIMBABWE, BOTSWANA, NAMIBIA, RWANDA.

Due to the prevailing tough trading conditions, companies are rationalising their focus to fewer countries that are essential to success. With the exception of Ghana, all of the countries appraised by companies in the Nielsen business survey, have been rated with growth projections as the same or (mostly) deteriorating. The biggest downward shifts in assessment are for the resource intensive economies of Angola, Cameroon, Congo (DRC) and Nigeria. Into the latest quarter, Ethiopia has also been rated less positively due to the political uncertainty and civil unrest that has disrupted economic activity and business operations.



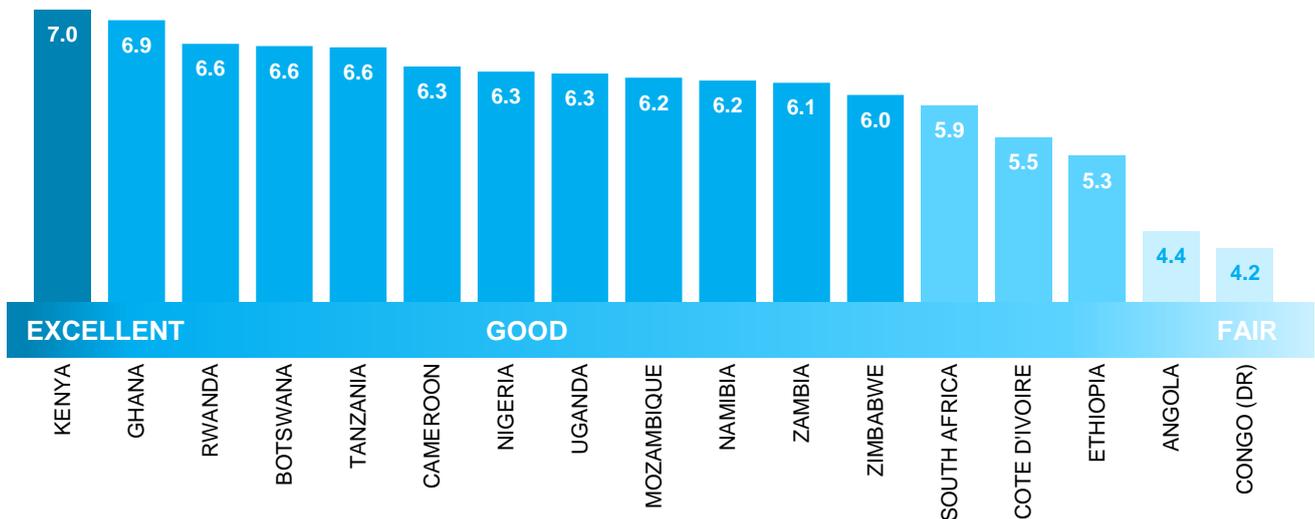
PART 2

BUSINESS PROSPECTS

MORE ASSURED BUSINESS GROWTH ABILITY

On a more positive note businesses scored their own growth expectations for 2018 at more optimistic levels than country growth for 15 of the 17 countries, except for Cote d'Ivoire and Ethiopia. Contrary to the lower average country growth expectation over the past two years, the SSA average for own business growth has remained at 6 – which represents good expectations for corporate growth.

OWN BUSINESS GROWTH EXPECTATIONS



This affirms an improving ability by companies to adapt and operate within tougher climates to withstand the conditions and grow. These strategies required a stronger focus on differentiation, innovation and optimisation. In 2015, businesses were primarily focused on more tactical retail plans, with Route to Market/Distribution, Retail Execution and Supply Chain Management featuring as the top 3 priorities. This was not unsurprising, given that Africa's retail universes and structures are some of the most complex in the world, dominated by traditional trade channels. It has been all about getting the products to the sales environment and reaching the right stores.



PART 2

BUSINESS PROSPECTS

GETTING TO GRIPS WITH CONSUMER NEEDS

Revisiting these priorities two years on, shows that Route to Market/ Distribution is still the core focus, but a new second priority has emerged. Consumer Demand enters the top five as a key area of importance for companies.

Achieving sustained long term growth, especially amidst tough trading times, calls for a comprehensive understanding of consumers' reality in order to meet their product needs and generate demand. In SSA the main drivers of product choice are recommendation, affordability and availability, but brand differentiators and success factors extend beyond these attributes. Businesses are clearly signaling that it is no longer enough to simply make a product available in trade. The consumer comes first, followed by the right product in the right place.

TOP 5 BUSINESS PRIORITIES

2 YEARS AGO (Q4'15)		CURRENT (Q4'17)	
1	ROUTE TO MARKET/DISTRIBUTION	1	ROUTE TO MARKET/DISTRIBUTION
2	RETAIL EXECUTION	2	CONSUMER DEMAND ▲
3	SUPPLY CHAIN	3	SUPPLY CHAIN
4	INSIGHT & METRICS	4	GROWTH FORECAST ▲
5	STOCK MANAGEMENT	5	PRODUCT INNOVATION ▲

Innovation now also features as a top five priority. Companies cannot just 'bring a brand' that has worked well elsewhere. Success is about more than availability and affordability, it is about meeting consumers' needs across a range of requirements including: convenience, tradition, taste, ease of use, portability, scarcity and accessibility, while also considering health and wellness, aspiration, niche, socially conscious, personalised, and sustainable brands.

**INNOVATION
GOES HAND IN HAND
WITH FULFILLING
CONSUMER DEMAND**





PART 3

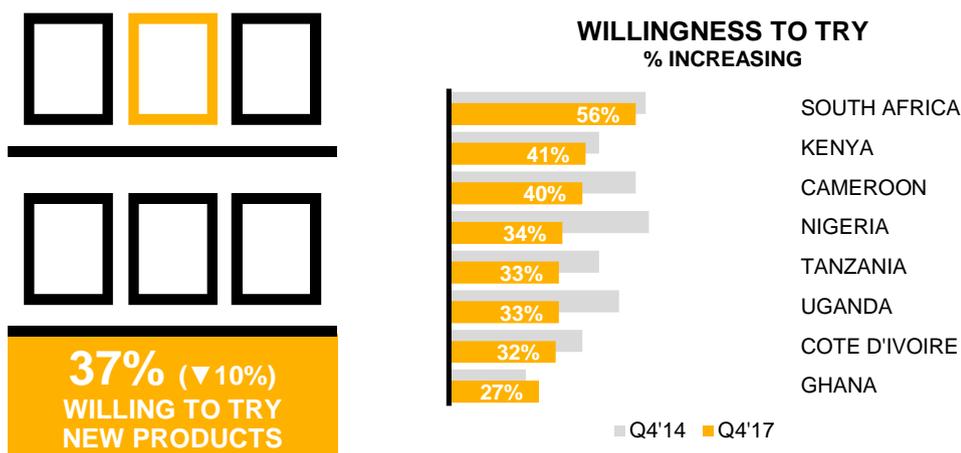
CONSUMER PROSPECTS

CONSTRAINED CONSUMER CIRCUMSTANCES

Consumer spending and mindset indicators have deteriorated substantially post the global financial turmoil in recent years. Before the commodity price crash 29% of SSA retailers felt that spend in store was increasing compared to only 20% currently. The biggest change in outlook has occurred in Nigeria and Uganda where sentiment regarding spend has dropped by 30 and 20 percentage points, respectively.



Similarly, the average proportion of consumers willing to try new products has dropped from 47% to 37%. The increase in risk averse behavior is typical of mounting wallet pressures where consumers cannot afford to make costly mistakes. This is evident in all countries measured, with the exception of Ghana, which has increased slightly albeit off low levels.





PART 3

CONSUMER PROSPECTS

THE PRICE DIVIDE

Ghanaian and Ivorian consumers are the least open to trying new alternatives with purchasing decisions rooted firmly in familiarity and trust (Cote d'Ivoire) and affordability (Ghana). Although inflation levels have eased in Ghana, and remain low in Cote d'Ivoire, the absolute cash outlay for these consumers is one of the highest in Africa. A common basket of essential goods costs close to US\$23 in Cote d'Ivoire and US\$22 in Ghana. Understandably then trying new products at relatively higher costs is a greater risk for these consumers.

COMMON ITEMS WALLET SPEND

LEAST PREMIUM	PRICE		MOST PREMIUM	PRICE
UGANDA	\$12.65		ANGOLA	\$42.25
TANZANIA	\$13.94		CONGO (DRC)	\$25.49
RWANDA	\$14.03		COTE D'IVOIRE	\$22.86
MOZAMBIQUE	\$14.05		GHANA	\$21.77
ETHIOPIA	\$14.11		NAMIBIA	\$18.33

COMMON BASKET CONSISTS OF: 500G FRESH WHITE BREAD, 1KG RICE, 12 EGGS, 1KG CHICKEN, 1KG TOMATOES, 1KG POTATOES, 1L REGULAR MILK, 1,5L BOTTLED WATER, 330ML SODA, 1 WAY PUBLIC TRANSPORT TICKET, 1L FUEL, 1 MINUTE PREPAID AIRTIME (NO DISCOUNT/PLAN)

On a continent where shopping and consumption is centred around circumstances, manufacturers need to innovate accounting for consumer earnings, ability to purchase, the fact that commuter habits influence where and when they shop, home storage and refrigeration capabilities. Daily or multiple purchases in a day are the norm, based on what consumers are able to spend.

As development and personal income capacity improves, consumption ability will follow, opening up opportunities for new products across the price spectrum.



PART 3

CONSUMER PROSPECTS

VOLUMES OF OPPORTUNITY

1 IN 6

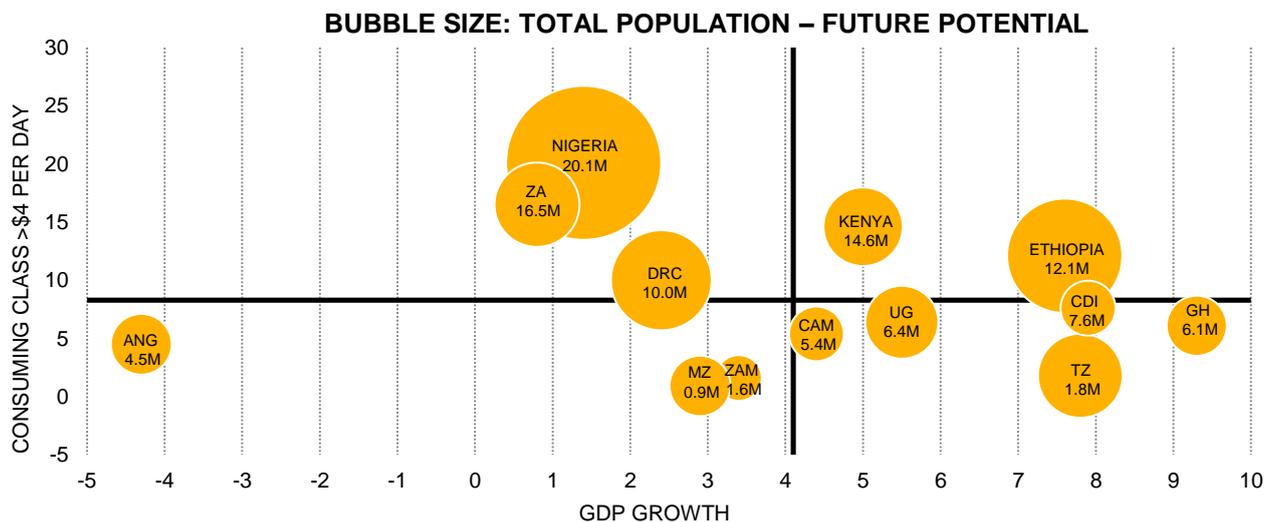
PEOPLE IN THE WORLD WILL LIVE IN SSA BY 2025

One of the biggest drivers of consumption opportunity is the absolute number and growth of people on the continent. The SSA population is set to expand to 15% of the global population by 2025 – an increase of over 260 million people (equivalent to an entire Middle East region).

The rate of growth will vary by country, with more mature countries like South Africa seeing a slowdown in their growth, but big and small countries alike will present volume opportunities.

From a business perspective, growing populations mean larger workforces and more consumers with the ability to spend. Pursuing those consumers who are able to spend more than \$4 per day equates to one fifth of the SSA population, but double (41%) the income. The largest potential in absolute consumers lies in Nigeria and South Africa. Cote d'Ivoire currently has the biggest ratio of consumers (32%) who are defined as consuming class.

Into the future there is tremendous potential in Nigeria, Ethiopia, Congo (DRC), Kenya, Tanzania and Uganda as more people become part of the consuming class. The Kenya and Ethiopia consumer opportunities are likely to materialise earlier as they are coupled with highly positive GDP growth supporting consumer advancement.





PART 4

RETAIL PROSPECTS

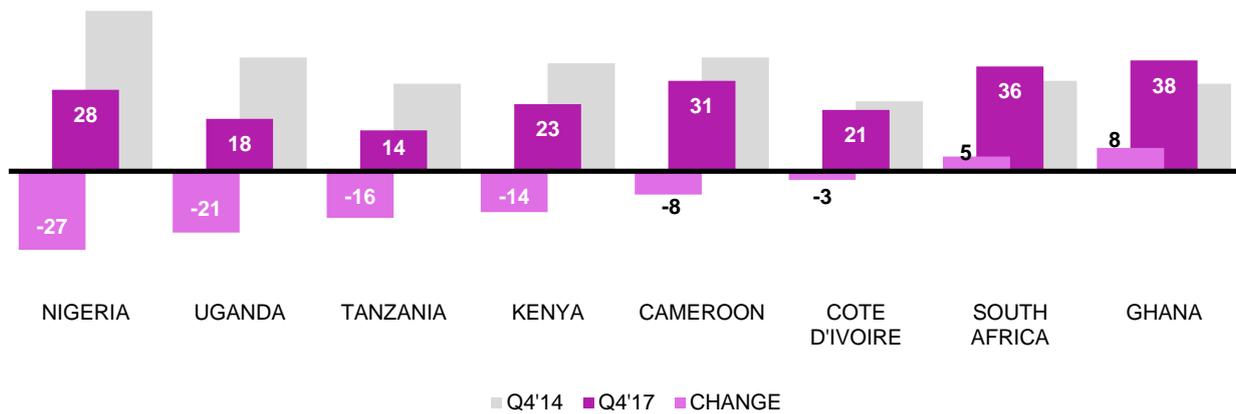
ROCKY RETAIL ROAD

Retailers have been adversely affected by the tougher economic times, with a recovery in sentiment yet to be expressed. Their views on country growth and ease of trading reached all time lows in Quarter 4'2017, despite the economic easing and lightening of business and consumer sentiment.

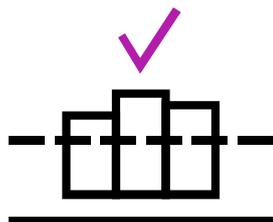


The greatest drop in retailer sentiment is reflected in Nigeria, Uganda, Tanzania and Kenya, which show double digit declines pre versus post crisis.

EASE OF DOING BUSINESS - % IMPROVING



Ghanaian and South African retailers display the highest levels of confidence in conducting business in the current times, both also reflecting an upward trend in sentiment.



In line with this sentiment, both countries have delivered positive retail sales growth (value) and lower levels of inflation, compared to Nigeria and Kenya where retail sales and volumes are declining, together with sentiment.

SUMMARY

WHAT'S NEXT IN AFRICA?

BALANCING THE NOW AND NEXT

While conditions remain tough in many African markets and the recent setbacks mean that gains have been less than anticipated, the near and long term horizons still distinctly point to some of the most substantial consumer and retail opportunities around the world. Multinational companies faced with low growth in mature or developed markets will continue to look to Sub-Saharan Africa for growth, but there is no need to wait for further development before these prospects can become a reality. Companies need to think and plan for multiple timelines to access and scale Africa's opportunities, pioneering their own paths to performance.

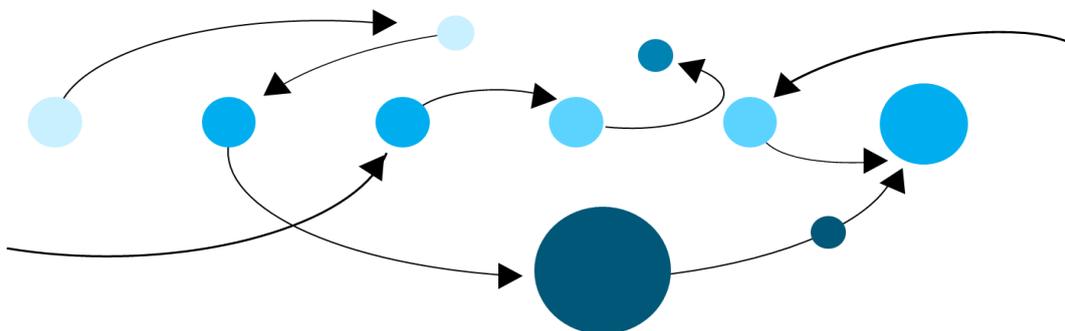
COMPANIES WITH
A LONG-TERM
VIEW
OUTPERFORM
THEIR PEERS



47%
MORE REVENUE
THAN OTHER FIRMS
(2001 – 2014)
MCKINSEY & COMPANY

Understanding the economic, business, consumer and retail indicators based on the here and now, combined with the outlook for the next 12 months, informs planning in the short to mid term, however there is a growing need to have a more considered future view. Some of the macro drivers of change such as population growth, urbanization and physical and digital infrastructure progress will ease the way for business success, but perhaps the most critical factor will be understanding the evolving lifestyles of Africa's consumers.

The ability to anticipate and change to meet consumers' existing and new needs is critical. This means that not all products today will be fit for the future - constant, informed and future-focused innovation and capacity building will be key to success. **The ADAPTABLE brand will capture a larger share of the prize, today and tomorrow.**



SOURCES & METHODOLOGY

MACRO PROSPECTS: represents 17 Sub Saharan Africa countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Zambia, Cote d'Ivoire, Cameroon, Angola, Ethiopia, Democratic Republic of Congo (DRC), Mozambique, Zimbabwe, Botswana, Namibia, Rwanda.

GDP size, GDP growth, Core Inflation, Food Inflation, Population and Consumer Spending sourced from World Bank and country specific Central Banks and Statistical Institutions. Common Consumer Basket Spend sourced from Numbeo. Data is updated quarterly, where available, and quoted as per latest quarter available. Where information is published monthly the reading at mid-month of the quarter is used.

Methodology: Ranking factored on GDP growth and GDP size, updated quarterly.

BUSINESS PROSPECTS: Nielsen survey conducted amongst business executives with responsibility for single or multiple African countries. Edition 6 represents more than 130 country level responses from multinational, regional and local manufacturers and retailers in the Consumer Packaged Goods and Telecommunication industries. Two standard questions are fielded bi-annually, and additional issue-based questions are covered for spotlight features.

Methodology: Ranking factored on Country Growth View and Own Business Growth View.

CONSUMER PROSPECTS: Nielsen survey conducted amongst 6,400 Grocery and Kiosk Traders in eight countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Cote d'Ivoire and Cameroon. Nielsen Consumer Confidence Survey conducted amongst 2,000 respondents in South Africa, Nigeria, Kenya and Ghana. An Online methodology is used in South Africa and Mobile methodology for Nigeria, Kenya and Ghana. Both surveys are conducted quarterly.

Methodology: Ranking factored on Consumer Spend in Store and Consumer Trend on Willingness to Try New Products.

RETAIL PROSPECTS: Nielsen survey conducted amongst 6,400 Grocery and Kiosk traders in eight countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Cote d'Ivoire and Cameroon. Nielsen monthly Retail Measurement Services (RMS) data, aggregated from a defined basket of categories, analysed by annual rolling quarters.

Methodology: Ranking factored on Retailer View of Growth, Ease of Doing Business and Inflation.

AFRICA PROSPECTS INDICATOR:

The overall Indicator rankings are created from 9 common datasets and 12 weighting calculations to determine the relative indicators for each of the individual dimensions.

Methodology: Overall ranking is factored on an equal weighting combination of the 4 dimensions, available for the 8 countries where common datasets are available.

OTHER REFERENCES:

Nielsen Emerging Market Insight (EMI I and II) country reports

Nielsen What's Next Starts Now – Africa report

World Bank Africa Pulse Fall 2017

Where companies with a long-term view outperform their peers, McKinsey & Company

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THE SCIENCE BEHIND WHAT'S NEXT™