

EDITION 5
QUARTER 2, 2017

AFRICA'S PROSPECTS

MACRO, BUSINESS, CONSUMER
AND RETAIL INDICATORS

MACRO ECONOMIC RESETTLING

NAVIGATING INSTABILITY IS THE STATUS QUO

Sub-Saharan Africa has uplifted itself from the two decade economic low reached in 2016, bringing a slight easing of pressure but not a return to the robust growth rates previously experienced. The sub-continent's two most significant economies, Nigeria and South Africa, are slowly turning around from recent declines to low levels of positive growth, however, the consolidated prospects for these two powerhouse economies continue to be subdued. Of the countries measured in Nielsen's 5th Africa Prospects report, South Africa slips two positions to sixth place and Nigeria remains in eighth place.

OVERALL RANKING AND TREND

RANK	QUARTER 1, 2015	QUARTER 3, 2015	QUARTER 1, 2016	QUARTER 3, 2016	QUARTER 2, 2017	
1	NIGERIA	COTE D'IVOIRE	COTE D'IVOIRE	KENYA	COTE D'IVOIRE	▲
2	COTE D'IVOIRE	KENYA	KENYA	COTE D'IVOIRE	KENYA	▼
3	KENYA	TANZANIA	TANZANIA	TANZANIA	TANZANIA	
4	TANZANIA	NIGERIA	GHANA	SOUTH AFRICA	CAMEROON	▲
5	ZAMBIA	ZAMBIA	CAMEROON	GHANA	GHANA	
6	CAMEROON	CAMEROON	UGANDA	CAMEROON	SOUTH AFRICA	▼
7	UGANDA	SOUTH AFRICA	NIGERIA	UGANDA	UGANDA	
8	GHANA	UGANDA	SOUTH AFRICA	NIGERIA	NIGERIA	
9	SOUTH AFRICA	GHANA	ZAMBIA			

Constrained economic activity in Nigeria during 2016 and early 2017 is showing signs of renewal, but the economy is still vulnerable and business conditions tough. The oil price ceiling of US\$60/barrel remains too low to generate the revenue needed to overcome forex shortages, stabilize the Naira and satisfy budgetary requirements. As one of the continent's biggest economies, and most populous nations, Nigeria remains a long-term priority for any business focused on Sub-Saharan Africa.

In quarter 2, 2017 South Africa emerged from a technical recession and escaped a further ratings downgrade. Negligible growth is anticipated for the near term horizon, as ongoing administrative and political turmoil contributes to business sentiment falling to its lowest level in three decades. Despite this South Africa remains a significant market for development and expansion, relative to other SSA markets which face lingering, low commodity prices.

COTE D'IVOIRE REGAINS TOP AFRICA PROSPECTS POSITION

Cote d'Ivoire once again leads the Africa Prospects ranking with strong macro economic and retail prospects, but the country is dealing with deteriorating political stability and declining cocoa prices, which could lead to an economic deficit and pressure on household income, amplifying the already weaker consumer prospects.

Kenya relinquishes top position due to fading macro economic indicators and a declining business outlook amidst an unsettling election period. Economic growth slowed to 4.7% in the first quarter of 2017 brought about by drought and the credit slowdown. Private sector growth dropped markedly following the Central Bank's commercial loan rate cap introduced in late 2016. Drought has negatively impacted agricultural production, which accounts for more than a quarter of Kenya's output, driving food prices and inflation to five year highs. Low rainfall has also impacted hydropower generation, resulting in electricity shortages and rising utility costs. Kenya will continue to feature as a top priority in SSA for many investors who are attracted by its diverse economic structure, pro-market policies and robust consumer spending growth.

It is worthwhile to note that Cameroon's rise to fourth position, is its highest rank to date. With a diversified natural resource base, rapid urbanisation and GDP per capita on par with Kenya, and higher than Uganda and Ethiopia, it is easy to understand its stronger consumer and retail prospects.

CAMEROON PEAKS AT 4TH POSITION

These are, however, offset by weaker macro economic and business prospects. The economy is vulnerable to external impacts due to a reliance on commodities, and this, coupled with low investment in critical infrastructure, frequent power outages, corruption and weak governance, has resulted in elevated costs of doing business. Cameroon has been identified as one of the most challenging countries in the world to start a new business, limiting potential investors and preventing the economy from growing at its full potential.

Tanzania and Uganda remain unchanged in the latest ranking. Tanzania continues to rank favorably in third position with steady economic growth and business-friendly reforms singling it out as a worthy prospect. Uganda, in seventh position, remains subdued after a tumultuous 2016 marred by election-related uncertainty, a debilitating drought and high commercial lending rates.

UNDERLYING FACTORS INFLUENCE CHANGE

SHIFTS, RISKS AND OPPORTUNITIES

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

Ghana maintains fifth position on the API, but this masks some of the ongoing improvement in the macro-economic, consumer and retail rankings. It has also been rated as the best business prospect for successive periods. Economic advances in 2017, with growth rising to 6.6%, is spurred on by progress in the oil and non-oil sectors. Food inflation continues to decelerate easing the pressure on consumer wallets, resulting in an increasing number of Ghanaians spending more in store, more willing to try new things and positively influencing the previously weaker retail outlook.

1/5

GHANAIAN RETAILERS
FEEL CONSUMER SPENDING
IN STORE HAS INCREASED

67%

GHANAIAN CONSUMERS ARE
WILLING TO TRY NEW PRODUCTS
33% SWAYED BY ADVERTISING

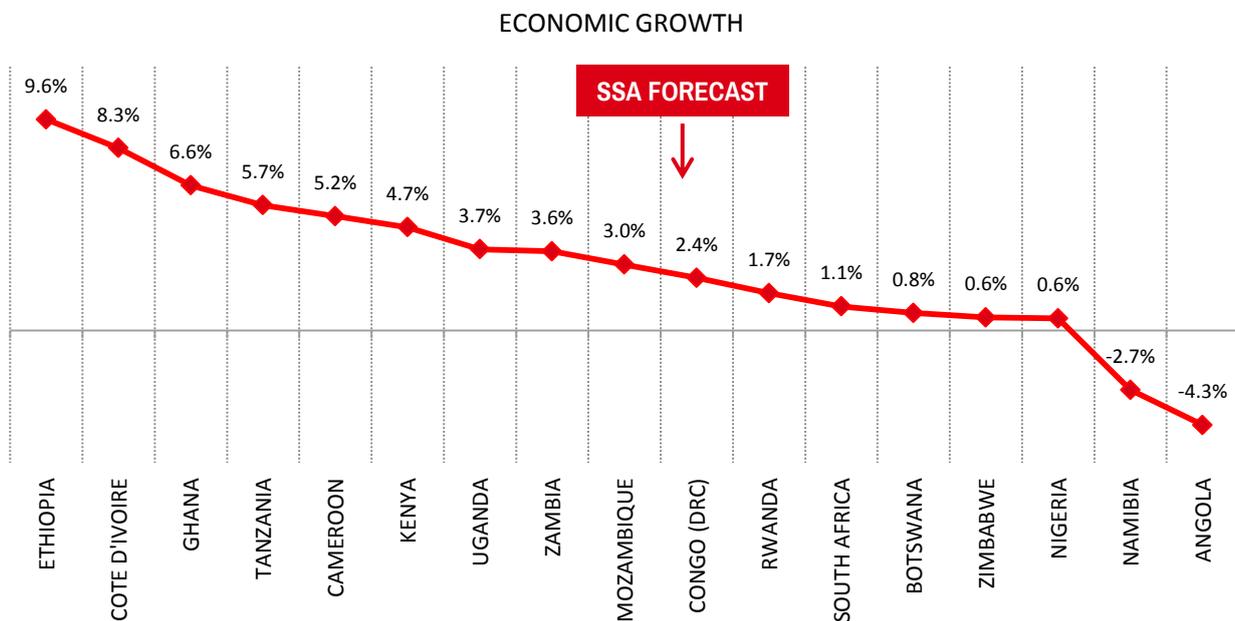


PART 1

MACRO PROSPECTS

SLUGGISH RECOVERY, CONSTRAINING FACTORS

Growth in Sub-Saharan Africa is showing modest recovery, and is forecast at 2.6% for 2017, brought about by moderate increases in commodity prices, strengthening external demand and the end of drought in a number of countries. More robust recovery has been hampered by restrictive factors in the top three economies. Nigeria and Angola's tight liquidity conditions reflect distortions in the forex market and continue to limit non-oil activities. South Africa's political uncertainty and low confidence weigh on new and continued investment.



With many of the larger economies facing extended challenges, there are many Sub-Saharan Africa markets which continue to strengthen ahead of other developing markets around the world. Ethiopia, Cote d'Ivoire and Ghana consistently feature as standout destinations, where consumer and retail factors beyond the macro economics have aligned to bolster growth.



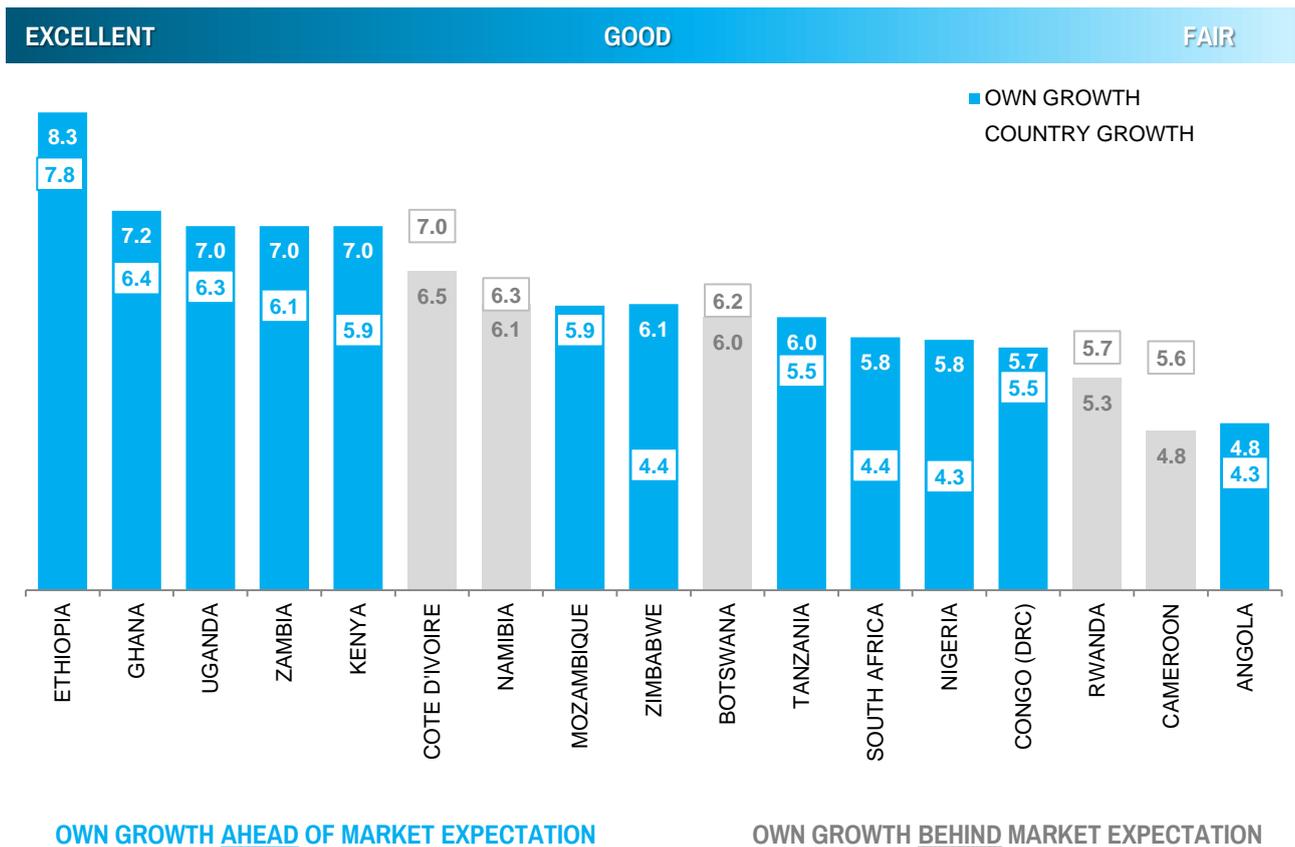
PART 2 BUSINESS PROSPECTS

RENEWED CONFIDENCE IN ABILITY TO GROW

With recovering economic growth projections for Sub-Saharan Africa, businesses have rated the country and their own growth expectations more favorably for the next twelve months, than in quarter 3, 2016. The average country growth expectation score of 5.7 out of 10, indicates a fair growth outlook (across 17 SSA countries). On a more positive level, businesses scored their own growth expectations at more optimistic levels for 12 of the 17 countries, affirming an improving ability to adapt and operate within the tougher climates to deliver growth. Eleven countries scored a good outlook for business growth (6 and higher).

COUNTRY VS OWN GROWTH EXPECTATIONS

Ranked on Own Business Expectations



OWN GROWTH AHEAD OF MARKET EXPECTATION

OWN GROWTH BEHIND MARKET EXPECTATION



PART 2

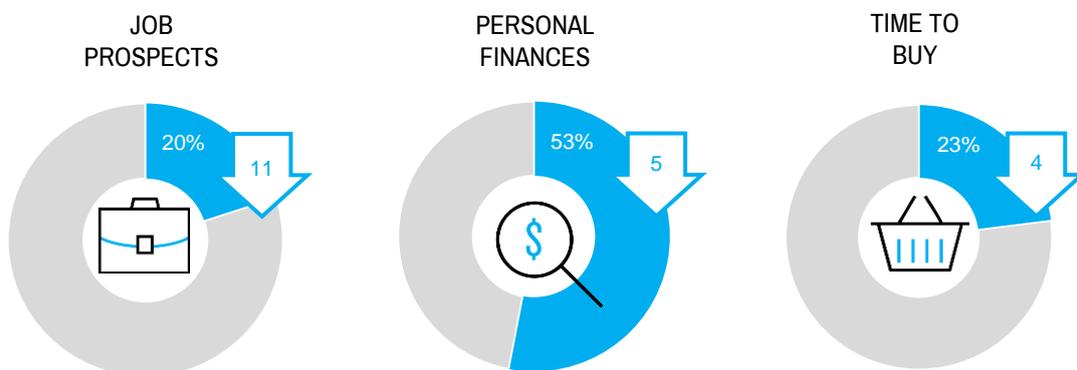
BUSINESS PROSPECTS

ETHIOPIA, GHANA STEADFAST AS TOP PROSPECTS, SOUTH AFRICAN POSITION WEAKENS

Ethiopia and Ghana successively hold on to first and second place as the best overall business prospects according to corporates (based on the combined, weighted growth outlook). Kenya is replaced in third position by Uganda, and falls to fifth place. The biggest business reconsideration is for South Africa which plunges from fifth to thirteenth position.

South African corporate results have not been shielded from broader economic pressures and insufficient relief in the consumer sector. Per capita real disposable income is set to deteriorate further on the back of low growth, inadequate job creation and increases in personal income taxes for middle and high income earners.

DETERIORATING CONFIDENCE INDICATORS IN SOUTH AFRICA % excellent/good and trend (versus Q3'16)



South African consumers have expressed declining sentiment regarding their job prospects, personal finances and time to buy. With higher average GDP per capita - double that of Nigerians and Angolans and triple that of Kenyans – bigger in-store spend and an openness to new, innovative products, South Africa presents the strongest consumer prospects in SSA. The reality is that a cautionary consumer mindset has led to more risk averse spending behavior and a heightened focus on saving, especially in the areas of out of home eating, entertainment and fashion, followed by an acute awareness of price for consumer packaged goods. Businesses have been drawn into more promotional activities, eroding brand equity and margins.



PART 3

CONSUMER PROSPECTS

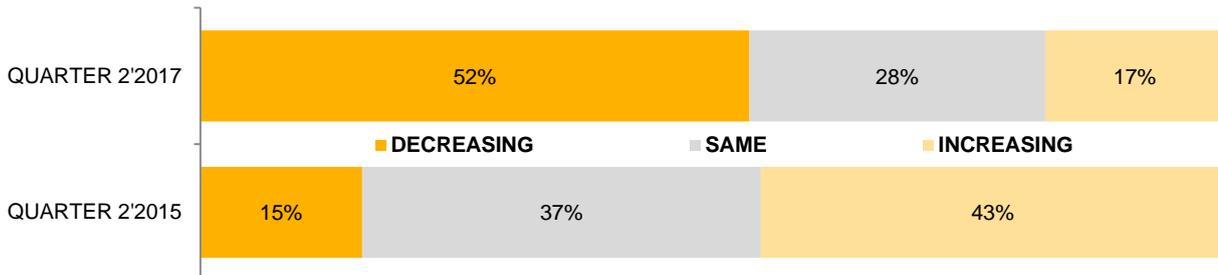
ONGOING PRICE PRESSURE FOR NIGERIANS

Nigeria has seen the most substantial decline in the consumer prospect ranking, dropping from fourth to eighth position. Given the tough economic, business and retail conditions, consumer actions reflect their altered financial reality, a departure from their usual confident mindset. Although the economy is recovering, it will take time before consumers experience any relief.

60% OF NIGERIANS CAN ONLY AFFORD THE BASICS

With food inflation doubling to 19% over the past two years, Nigerians faced with paying “more for less”, are changing their basket mix and dropping indulgences from their repertoire. They are also looking for further efficiencies by buying less overall (27%), buying in bulk (23%), and switching to cheaper brands (17%).

RETAILER VIEW ON CONSUMER SPEND



Nigerian retailers concur, with the majority (52%) stating that spend in store is declining, compared to only 15% who held this view two years ago. With spend decreasing, shoppers are reverting to more risk averse choices based on familiarity, trust, price and availability. Shoppers looking for affordable and available options have increased by 13 percentage points since 2015.



63% TRUSTED



59% AFFORDABLE



27% AVAILABLE

For manufacturers it is critical to optimise distribution, ensuring that products are available in the key stores and in product formats/packaging to meet critical price and denomination points, to avoid the risk of losing sales. This could mean more frequent supply of smaller quantities to support retailers with strained income levels, or alternative pack size variations to suit variable retailer and consumer cashflow.

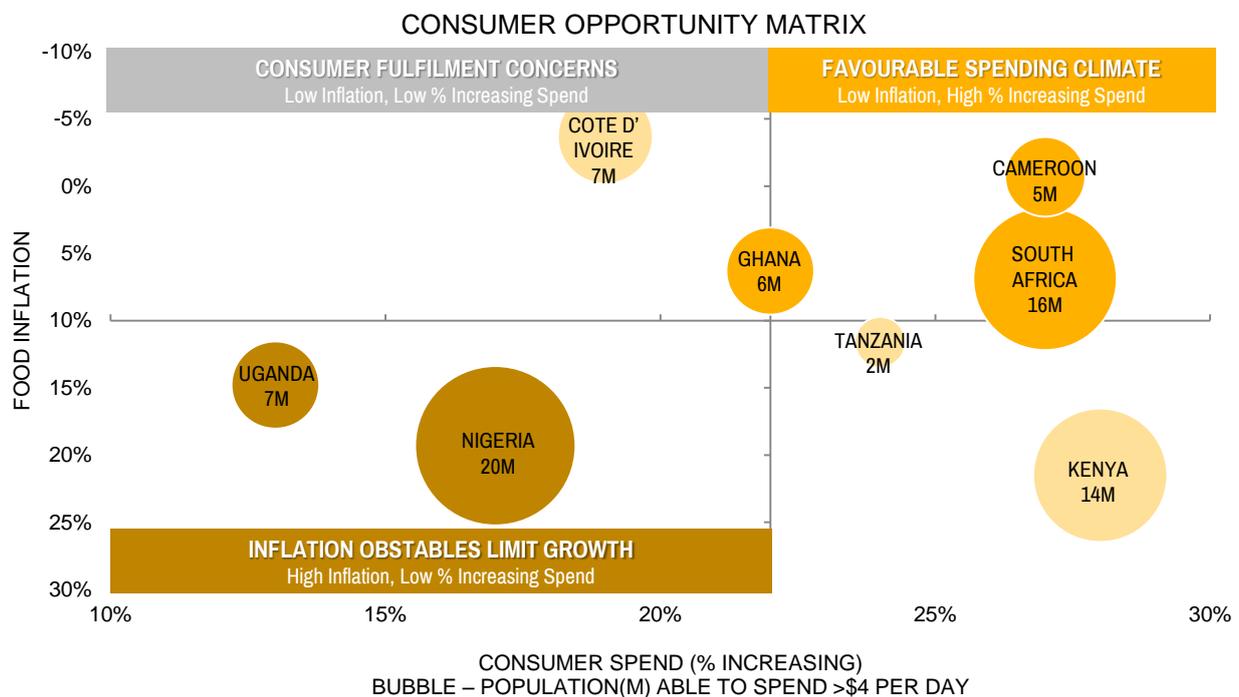


PART 3

CONSUMER PROSPECTS

UNCHARTED OPPORTUNITIES FOR GROWTH

South Africa ranks as the top consumer prospect in Sub Saharan Africa, followed by Cameroon and Kenya, when assessed on consumer willingness to try new products and the proportion of retailers who believe consumer spend in store is increasing. Consumers in Nigeria and Uganda have been impacted by high inflation levels which has slowed the trend, however, with Nigeria's sizeable consuming class - those able to spend more than US\$4 per day – the market provides immense opportunities for retailers and manufacturers who are able to meet consumers' needs as they emerge from the recent, tough economic cycle.



The common drivers of product choice are recommendation, affordability and availability, but the brand differentiators and success drivers extend beyond these factors. Manufacturers have to establish and fulfil consumer needs across a range of reasons including: convenience, tradition, taste, ease of use, portability, scarcity, accessibility, new trends. This while also considering needs for aspirational, healthy, niche, personalised, socially responsible and sustainable brands. Africa offers marketers one of the final destinations to develop and execute product, marketing and retail solutions from a clean slate perspective, which are differentiated, generate demand and deliver value.



PART 4

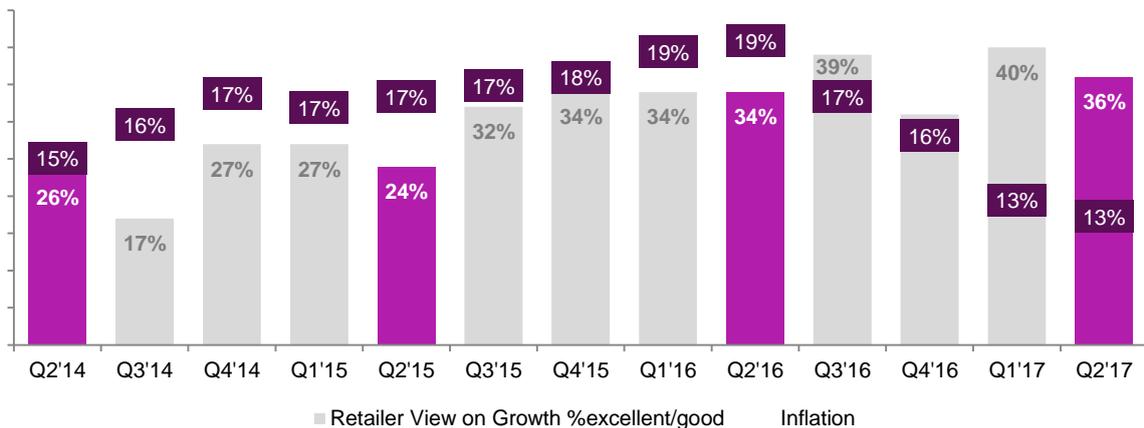
RETAIL PROSPECTS

OPTIMISM IN GHANA

Ghana's sustained economic improvements bode well for further consumer and retail progress. With inflation levels at the lowest in more than 3 years, the Ghanaian consumer has become more confident. 55% of Ghanaians feel that their job prospects will be excellent/good (+13% points on a year ago) and 76% feel that their personal finances will be excellent/good in the next year (up 5% points on a year ago).

Stemming from this positivity, 40% of consumers feel they are able to purchase what they need or want. This has translated into increasing consumer spend in store, buoying retailer sentiment. Retailers expressing a positive outlook on the country's growth increased in 2017 and more retailers expressed relief in the ease of doing business. However, absolute prices in Ghana remain high versus a comparative SSA food basket, and are the 3rd most expensive in SSA at US\$20.

GHANAIAN RETAILER VIEW ON GROWTH VS. INFLATION TRENDS



36%

GHANAIAN RETAILERS FEEL THE EASE OF DOING BUSINESS IS IMPROVING

\$5

MORE, GHANAIS PAY FOR A COMMON BASKET OF FOOD ITEMS
(Milk, Bread, Rice, Eggs, Chicken, Tomatoes, Potatoes)



PART 4

RETAIL PROSPECTS

EARLY KENYAN RETAIL RENEWAL

Kenya's macro economic, business and consumer prospects have fallen in the current ranking, however, the retail rank has improved. Kenya's weakest ranking has been in the retail environment, previously ranked 6th and now 5th, but shows early signs of recovery for consumer packaged goods growth, provided retailers can adapt their offerings for in line with the change in consumer sentiment due to rising food prices.

Rising inflation has plagued Kenyan retailer sentiment, with 39% of retailers of the opinion that growth prospects are excellent/good, compared to 50% a year ago. Optimism is, however, on the increase in terms of doing business; post subsequent periods of tough trading conditions.

As prices have risen, more money is required to cover the essential living items, taking away from discretionary categories such as Confectionery, Personal and Home Care.

KENYAN RETAIL GROWTH
6 months (Jun 2017) vs year ago



Consumers will face continued pressure to rebalance and adapt their spending as higher levels of inflation persist throughout 2017. Consumers will look to find efficiency in multiple ways: non essential items will be further pressurized and additional trade offs will be required, even within staple products, as certain items become more critical than others.

Consumers will adopt different, category-specific tactics from shopping less frequently to reducing quantities (smaller packs or larger bulk packs if income permits), switching to cheaper or local brands and looking for better deals and promotions. Manufacturers and retailers will need to understand and adapt to the different shopper approaches and match the consumers' requirements with viable offerings.

SUCCESSING IN DISRUPTIVE TIMES

WHAT'S NEXT IN AFRICA?

EXTENDED GROWTH HORIZON, UNIQUE CHALLENGES, BOLD STRATEGIES

The prevailing challenges and resultant shifts in overall country prospects have not dimmed Africa's longer term promise. These dynamic factors should compel corporates to reconsider how and where to address consumers' altered circumstances, especially during turbulent times when consumers become more discerning.

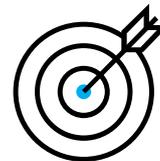
No one size fits all and no total continent, country, city, consumer or channel approach is enough to ensure sustained success in Sub-Saharan Africa. Similarly, successful brands, advertising and activation in other developing markets do not provide the passport to growth in Africa's complex markets and challenging climates.

To manufacturers and retailers, Africa offers one of the greatest gifts of untapped growth, but requires differentiation, individualisation, resilience and focused but adaptable strategies.

With vast retail landscapes and widespread, diverse consumers it's all about precision over mass tactics:

- relevant brands, pack formats, price points
- efficiently reaching intended consumers at the place and time they shop
- marketing and messaging that resonates to build awareness, consideration, trust and sales

**PURPOSEFUL,
PRECISE,
PERSISTENT
IN PURSUIT OF
CONSUMER
NEEDS**



**THE FUTURE CALLS FOR EXCEPTIONAL
PRODUCT, MARKETING AND RETAIL
INNOVATION TO UNDERPIN THE ABILITY
TO CAPITALISE ON AFRICA'S PROSPECTS**

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 5 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 6,200 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 2,500 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 6,200 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 Shopper Trends 2017: South Africa, Nigeria, Cote d'Ivoire
Nielsen Navigating the New Normal in Nigeria report 2017
Nielsen Kenya Retail Measurement Services June 2017

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