## AFRICA PROSPECTS RANKING

### STRENGTH IN STABILITY

STEADY SURFACES BELIE COMPLEXITY

Amidst times of ongoing and relentless change the Nielsen Africa Prospects Indicator shows country prospects stabilising in Quarter 1’2019, with only two markets changing position on the latest ranking update. Kenya remains in top position, followed by Cote d’Ivoire and Tanzania. Ghana and Nigeria hold on to their stronger fourth and fifth places, respectively, while Uganda slips to sixth place, South Africa weakens to seventh and Cameroon remains in eighth place. Whilst there appears to be relative stability in terms of overall country rankings, this masks continuous changes and shifts within the business, consumer, retail and macro-economic dynamics.

### RANKING TREND OVER 5 YEARS

<table>
<thead>
<tr>
<th>RANK</th>
<th>Q1'2015</th>
<th>Q1'2016</th>
<th>Q2'2017</th>
<th>Q2'2018</th>
<th>Q1'2019</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>NIGERIA</td>
<td>COTE D’IVOIRE</td>
<td>COTE D’IVOIRE</td>
<td>KENYA</td>
<td>KENYA</td>
</tr>
<tr>
<td>2</td>
<td>COTE D’IVOIRE</td>
<td>KENYA</td>
<td>KENYA</td>
<td>COTE D’IVOIRE</td>
<td>COTE D’IVOIRE</td>
</tr>
<tr>
<td>3</td>
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<td>TANZANIA</td>
<td>TANZANIA</td>
<td>TANZANIA</td>
</tr>
<tr>
<td>4</td>
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<td>GHANA</td>
<td>CAMEROON</td>
<td>GHANA</td>
<td>GHANA</td>
</tr>
<tr>
<td>5</td>
<td>ZAMBIA</td>
<td>CAMEROON</td>
<td>GHANA</td>
<td>NIGERIA</td>
<td>NIGERIA</td>
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<tr>
<td>6</td>
<td>CAMEROON</td>
<td>UGANDA</td>
<td>SOUTH AFRICA</td>
<td>SOUTH AFRICA</td>
<td>UGANDA</td>
</tr>
<tr>
<td>7</td>
<td>UGANDA</td>
<td>NIGERIA</td>
<td>UGANDA</td>
<td>UGANDA</td>
<td>SOUTH AFRICA</td>
</tr>
<tr>
<td>8</td>
<td>GHANA</td>
<td>SOUTH AFRICA</td>
<td>NIGERIA</td>
<td>CAMEROON</td>
<td>CAMEROON</td>
</tr>
<tr>
<td>9</td>
<td>SOUTH AFRICA</td>
<td>ZAMBIA</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Despite remaining as Africa’s lead prospect, Kenya’s business and retail prospects have weakened relative to other markets. Business sentiment for country and own business growth prospects is less positive than before, but is offset by a stronger macro-economic position, however, GDP growth rates are lower and indications are that the economy lost steam in Quarter 1’2019. Kenyan consumer sentiment is also softer with only 41% of consumers feeling that their outlook for job prospects is good/excellent over the next 12 months, and one third of Kenyans of the opinion that their personal finances are in a “not so good/bad” state, up 11 points from a year ago.
After Nigeria’s tumble from the top ranked prospect in 2015, there has been an ongoing interchange between Cote d’Ivoire and Kenya for poll position. Second ranked Cote d’Ivoire’s greatest challenge is its consumer potential, which weakened further in the latest period. Only 17% of Ivorian retailers feel that consumer spend is increasing and just 15% are of the view that consumers are increasingly willing to try new things. Purchase decisions are firmly entrenched in familiarity and trust, with 84% of consumers choosing products with this in mind. The next most influential factors are availability followed by pricing. For manufacturers to disrupt this trust-bound market is extremely challenging. For this reason, new brands and propositions need not be primarily based on the usual affordability aspects, but must establish awareness, consideration and confidence to gain new users. Media and marketing outreach, as well as retail ambassadors, are essential to reach and resonate with Ivorians.

**CURRENT RANKING – DYNAMICS**

<table>
<thead>
<tr>
<th>Country Rank</th>
<th>Overall</th>
<th>Macro</th>
<th>Business</th>
<th>Consumer</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>6</td>
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<tr>
<td>Cote d’Ivoire</td>
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<td>4</td>
<td>5</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Tanzania</td>
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<tr>
<td>Ghana</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Nigeria</td>
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<td>5</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Uganda</td>
<td>6</td>
<td>8</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>South Africa</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Cameroon</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>7</td>
<td>5</td>
</tr>
</tbody>
</table>

Tanzania remains in third place, however, improved retail prospects are countered by weaker business prospects. Tanzanian retailers are positive about their growth outlook as the country’s economic development remains resilient. However, business sentiment regarding country growth opportunities has weakened due to unpredictable policy making and protectionist rules that limit foreign investment. Tanzania is one of the poorest nations in the world, with almost 90% of the population living on less than US$2 per day. Poverty reduction that improves consumers ability to spend, is therefore a pre-requisite for companies to realise any significant investment opportunity.
Ghana and Nigeria maintain their healthier positions following turbulent times. According to the IMF, Ghana is expected to be one of the fastest growing economies in the world, and companies share this positive outlook, rating Ghana as Africa’s second best business prospect with improved country and own business growth expectations. In addition, Ghanaian consumer prospects have improved significantly with 36% of retailers of the opinion that consumer spend is increasing compared to only 11% a year ago. Thirty two percent of retailers also believe that consumers are more willing to try new products, compared to only 15% a year ago. Consumer confidence levels regarding job prospects and personal finances are stronger than in Kenya, the current top ranked prospect, which bodes well for Ghana as a long-term market expansion opportunity.

Nigeria retains its improved fifth place, its best level in three years. With economic recovery set to gain momentum in 2019 business prospects have improved in parallel.

Nigerian consumers are also the most positive and open to spending, but the major obstacle resides in the retail environment. The ease of doing business sentiment is low as the strain of ongoing double digit inflation takes its toll.

Uganda has traded between sixth and eighth place on the overall ranking for the past four years. In Q1’2019 Uganda replaced South Africa in sixth place, with stable economic prospects and strengthening business and consumer prospects.

In South Africa, the initial enthusiasm and confidence resulting from Cyril Ramaphosa’s leadership is waning. Businesses’ view on country growth outlook has weakened substantially and close to 80% of South African consumers think the country is in a recession. The major concerns for consumers are the state of the economy followed by job security, debt, crime and political stability.

Cameroon struggles with poorer prospects relative to other markets, driven by political tensions, job struggles, constrained finances and unrest in parts of the country, which have impacted economic, business and consumer prospects.
MACRO PROSPECTS

SLOWER THAN EXPECTED

SLUGGISH GROWTH HORIZON REFLECTS GLOBAL UNCERTAINTY

Sub-Saharan Africa's economic momentum will take longer than expected to flourish. The initial 3.3% GDP forecast for 2019 has been revised down to 2.8%.

Nigeria, South Africa and Angola contribute 60% of SSA's GDP and face ongoing challenges constraining the overall outlook.

Economic growth remains below population growth for the fourth consecutive year.

With slower growth, advances in consumer prosperity and demand are subdued. Business growth will need to be boosted in non commodity dependent, smaller countries.

AFRICA'S STARS BEAT GLOBAL BEST
BAR THE TOP 3 MARKETS

Domestic instability in Nigeria, South Africa and Angola underpin their fragility.

Diversified economies across East, West and Southern Africa offer the biggest bets, provided companies can meet consumers needs and activate in these markets.

INFLATION CONSTRICTS CONSUMPTION
VOLATILE PRICES NEED TO BE CONTAINED

High inflationary conditions curb consumer spending capacity.

Brands must be prepared to operate and adapt to ongoing fluctuations within their portfolio and pricing mix to sustain consumer demand.

17 SSA countries. Q1’2019 Inflation levels vary from negative in Cote d’Ivoire (-0.4%) to hyper inflation in Zimbabwe (59%).
BUSINESS PROSPECTS

MODERATE EXPECTATIONS

TEMPERATE GROWTH IMPROVEMENT
EXPECTATIONS CENTERED ON CORE COUNTRIES

Businesses scored one third (6 out of 17) of SSA countries at six or higher – a GOOD growth outlook (Cote d’ Ivoire, Ghana, Nigeria, Uganda, Kenya, Ethiopia), versus only two countries previously (Uganda & Kenya).

Ethiopia leads the corporate growth expectation list, recovering in ratings, post the 2017/18 slump, when political and social instability dampened its outlook.

5.6 OUT OF 10
REFLECTS 'FAIR' GROWTH EXPECTATIONS FOR AFRICA

The SSA outlook has remained unchanged for 4 consecutive quarters, but is ahead of early 2016. The score still lags behind the level prior to the commodity price slump and resultant economic turbulence in 2015/16.

Business growth expectations are focused on six markets where improved performance should be possible.

Businesses back their own growth
‘GOOD’ GROWTH POSSIBLE IN HALF OF AFRICA

Own business growth expectations exceed country levels in 2/3rds of Africa’s markets.

Business growth expectations are more optimistic in 12 countries, affirming confidence in their ability to adapt and operate within tough climates.

Understanding diverse consumer needs is the foundation for growing demand, followed by innovation and efficient retail execution.

Nigeria and South Africa show the biggest discrepancy between country and own growth outlook. In both cases, own business growth expectations are markedly stronger, indicating companies’ conviction that these two core markets remain crucial to success, and that growth is achievable despite adverse macro factors.
CONSUMER PROSPECTS

FRAGMENTED POTENTIAL

DISPARATE SPENDING INTENTIONS
NIGERIANS LEAD THE WAY

25% + 44% = 17% + 15%

NIGERIA STRONG COTE D’IVOIRE

CONSUMER SPEND IN STORE % INCREASING
WILLINGNESS TO TRY NEW PRODUCTS % INCREASING

SPENDING INTENTIONS

CONSUMER SPEND IN STORE % INCREASING
WILLINGNESS TO TRY NEW PRODUCTS % INCREASING

Nigerian consumers are most adventurous when it comes to trying new products.

There is a window of opportunity to reach and resonate with Nigerian consumers based on their more positive spending intentions.

PURCHASING PRESSURE POINTS
THE SAME PRODUCTS DEMAND DIFFERENT STRATEGIES

Ivorian consumers face bigger spending constraints.

Companies will need to adapt products and pricing for markets based on spending capability, not all products will be equally suitable for all markets.

NIGERIA
BASKET SPEND
COTE D’IVOIRE

$ 15.36
11th MOST EXPENSIVE

$ 20.46
4th MOST EXPENSIVE

Common Basket: 500g 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)

$ 5,860
5th HIGHEST

$ 3,601
10th HIGHEST

Ivorian’s pay 33% more for a common basket of goods than Nigerians.

and

GDP per capita is almost 40% lower.

UNLOCKING THE CONSUMER MINDSET
IS NOT JUST ABOUT THE MONEY

Despite spending constraints, Ivorians make product choices based on familiarity/trust (84%) and availability (78%), ahead of price and promotion (68%).

Product choice is deeply rooted in brands consumers know and trust.

Cash constrained consumers don’t only need better price points, they want value and quality assurances from those they have confidence in. Marketing is key for building trust and influencing purchasing.

FAMILIAR/TRUSTED
PRICE & PROMO
AVAILABLE
MARKETING
PACK SIZES

74
70
48
17
6

84
69
78
28
13

Nigeria Cote d’Ivoire

PRODUCT CHOICE

Common Basket: 500g 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)

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HEADED FOR RETAIL RECOVERY
TRADE OPTIMISM ON TRACK

SSA retailer growth outlook is the most favourable in 3 years (% good/excellent)
Tanzania, Cote d’Ivoire, South Africa and Uganda are ahead of the average.

SHOPPER DISCONNECT
FINDING THE SOURCE

Economic, Retail and Consumer factors are not aligned.
Understand the sources of spending momentum - growth is not only determined by economic factors. Willingness and ability are as influential.

SQUARING UP ON SPEND
CONSUMERS CURB DISCRETIONARY ITEMS

71% of Nigerians have altered their spending to make ends meet
Cut back on OOH entertainment
Spend less on new clothing
Delay purchasing major HH items
Cut back on at-home entertainment
Spend less on takeaway meals
Delay technology upgrades
Switch to cheaper grocery brands
Less/cheaper alcohol brands
Use less gas/electricity
Use phone less

Trimming discretionary spend is followed by cheaper groceries.
Finding better prices for essential groceries is a necessary tactic. Brands must provide compelling value propositions to keep consumers loyal.

GOING LOCAL WITH LOCAL
STAYING RELEVANT IN RETAIL

Smaller players are formidable opposition in informal channels.
Large multinational FMCG leaders need to find ways to be agile, flexible and relevant to consumers where they shop.

65% of FMCG trade takes place in close-proximity/neighborhood channels (Table Tops, Kiosks, Grocers), with consumers favouring these channels for convenience, ease of access and flexible offerings.

3X FASTER
The top 10 manufacturers, on average, account for approximately 55% of sales* but are growing at less than 5% per annum, while the smaller manufacturers are growing ahead of 15%.

(*Kenya, Nigeria, Ghana, Cameroon)
SOURCES & METHODOLOGY

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 8 represents 200 country level responses, across 17 countries, from multinational, regional and local manufacturers and retailers in the Consumer Packaged Goods, Media, Entertainment 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 7,000 Grocery and Kiosk Traders in eight countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Cote d'Ivoire and Cameroon.
Nielsen Consumer Confidence Index in Nigeria, Kenya and Ghana is a mobile methodology survey conducted amongst 1,500 respondents.
Nielsen Consumer Confidence Index in South Africa is conducted in collaboration with The Conference Board. It is an online methodology. 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 7,000 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 nine 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 four dimensions, available for the eight countries where common datasets are available.

OTHER REFERENCES:
Nielsen Quarter by Numbers, Africa and Middle East, Q4’2018
Nielsen Global Consumer Confidence, Q1’2019
IMF World Economic Outlook, April 2019
World Bank Africa Pulse Vol19, April 2019

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