

HAVAS HORIZONS STUDY
**FINANCING AFRICAN
GROWTH 2015-2020 :**
**PERCEPTION OF INTERNATIONAL
INVESTORS**

AFRICA, THE CONTINENT OF THE FUTURE
MARCH 2015



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Since 2001 and following several decades of stagnation, the African economy is now booming. During this time, African GDP has averaged 5% annual growth and is estimated to have reached around \$2.4 trillion in 2014, which makes Africa one of the fastest growing regions in the world. This growth is astonishing given that it was achieved during a world economic downturn that hit exports to western economies (Africa's traditional trading partners) hard.

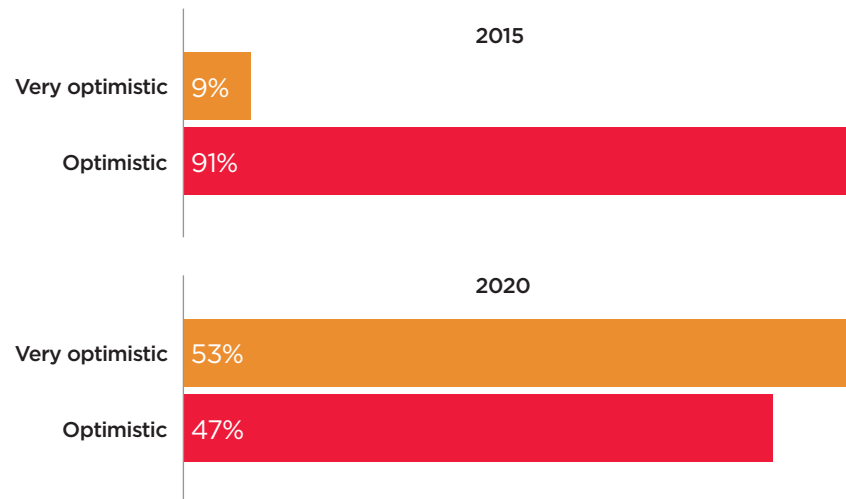
The fact that many African countries managed to refocus their export-based economies towards higher growth markets, such as BRICS and MIST countries, and towards domestic consumption, offset the potentially destructive effect of their trade deficits caused by the downturn in North/South trade.

While Africa, for many years has been off the radar of the world's largest companies, banks and investment firms, now the continent captures their full attention.

INVESTORS' UNRELENTING OPTIMISM FOR AFRICA

UNANIMOUS OPTIMISM FOR THE SHORT AND MEDIUM-TERM FUTURE OF THE AFRICAN ECONOMY

- ▶ All people polled were optimistic.
- ▶ 53% of people polled even said they were «very optimistic» for 2020, compared to 9% for 2015.



The investors' optimism is very widespread both now and in the future.

The upturn in international investment projects since 2012 (up 16% over the period and estimated at \$80 billion in 2014) combined with growth in intra-African investment (up approx. 33% since 2007) demonstrates general confidence among investors in Africa's future.

Forecasts from the IMF, the World Bank and the AfDB appear to confirm that this buoyant growth is not temporary but rather an underlying trend for the long-term future.

Optimism for Africa is now embedded in investors' minds and Ebola, terrorism, and political and military conflict does not seem to deter them.

THIS OPTIMISM IS REFLECTED IN A DESIRE TO STEP UP INVESTMENT IN THE NEAR FUTURE

- ▶ The vast majority (86%) of people polled plan to increase their African investments in 2015.

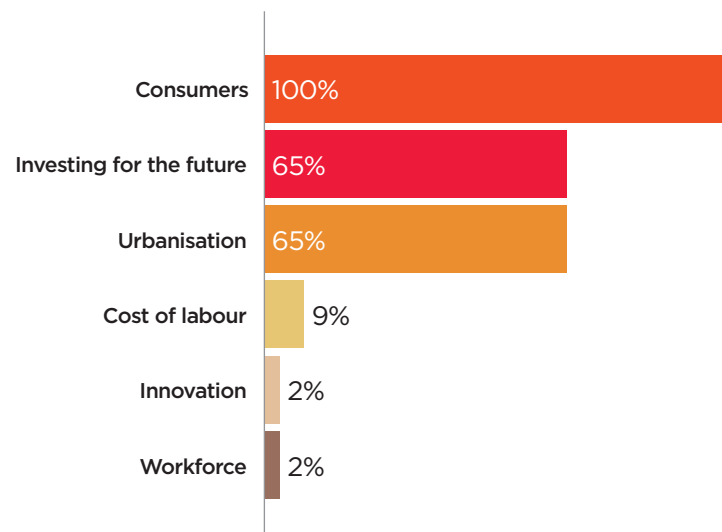


Investment is a key factor for improving African businesses' competitiveness and know-how.

Even if foreign investment has increased in the last few years to 2.5% of African GDP in 2014, it is still insufficient and too focused on the short term; only long-term investment will provide a real boost to Africa's growth and development.

DYNAMIC DEMOGRAPHIC TREND/GROWING CONSUMER BASE: NO. 1 REASON FOR INVESTING IN AFRICA AHEAD OF RAPID URBANIZATION AND INVESTING FOR THE LONG-TERM FUTURE

- ▶ For all people polled, Africa's demographics and growing base of consumers represent a major reason for investing in Africa today.
- ▶ Two out of three respondents thought that rapid urbanisation and investing for the future are definite strengths given that 65% of the sample mentioned them as good reasons to invest.
- ▶ Innovation, labour costs and labour skills were only mentioned as reasons by 2%, 9% and 2% respectively of the sample.

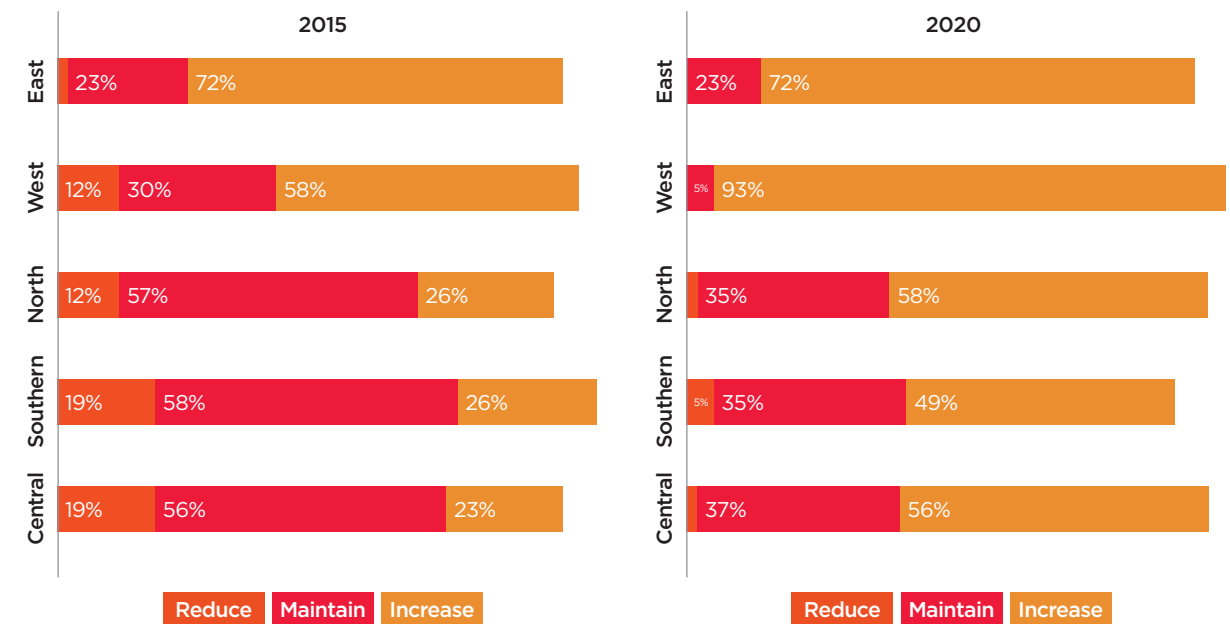


With 1.1 billion inhabitants (16% of the world population), Africa has one of the fastest growing populations in the world; by 2050 one in four people worldwide will be African.

Africa is thus blessed by a young workforce willing to play a full part in building a dynamic continent with a burgeoning middle class boosted by a huge urbanization movement. This results in new consumer demands given that the new middle class represent a massive consumer base.

DIFFERENCES IN PERCEPTION DEPENDING ON THE BROAD GEOGRAPHICAL REGION

- ▶ Investors are most optimistic about East Africa in respect of 2015. 72% of them thought that growth will increase in 2015 and 81% thought so in 2020.
- ▶ For 2020, investors were more optimistic about West Africa than East Africa. 93% of investors were convinced that West Africa's growth will increase (58% for 2015).
- ▶ West Africa and East Africa are at least 30 percentage points higher than other African regions - North Africa, Central Africa and Southern Africa, for both 2015 and 2020. Most investors polled thought that in 2015, North Africa, Central Africa and Southern Africa will maintain their current growth rate.
- ▶ However, optimism clearly picks up over the longer term: most investors polled expect growth will increase in North Africa, Central Africa and Southern Africa for 2020. This suggests that over the medium term, differences between African regions will narrow.



West Africa and East Africa include countries where economic growth rates have held up very well despite large fluctuations in world markets since the early 2000s, thanks to a thriving industrial sector and ambitious infrastructure projects funded by loans.

Forecast 2015 growth is 6.8% for East Africa driven by Kenya, Tanzania, Ethiopia and Uganda.

Forecast 2015 growth is 4.7% for West Africa driven by Ivory Coast and Nigeria, where economies have held up despite a rise in terrorism from Boko Haram / MUJAO and the threat of Ebola. North Africa on the other hand has been hit hard by terrorism, specifically AQMI, and is struggling to recover after the upheavals of the Arab Spring.

Central Africa lags behind despite a bright outlook (6.2% 2015 growth). Security problems are holding back the region's economy and are dampening investment.

While Southern Africa's growth has also dipped a little (3.6% estimated 2015 growth), the region appears better structured and is boosted by the large economy of South Africa, together with Mozambique and Angola.

With booming economies in their midst, African governments should be encouraged to team up and set up joint projects together. Regional integration is perceived as one of the major political and economic challenges in order to support growth in all African countries. Consolidating free trade zones brings down market barriers by standardizing business regulations and rules, promotes development of large infrastructure projects by sharing costs and redistributes the resulting economic benefits among member states more fairly.

TOP PROMISING COUNTRIES AND SECTORS

TOP 5 MOST PROMISING COUNTRIES: NIGERIA, KENYA, IVORY COAST, ETHIOPIA AND MOZAMBIQUE

- ▶ Two English-speaking countries came out on top of the most promising countries - Nigeria and Kenya with 56% of investors polled.
- ▶ A French-speaking country, Ivory Coast, is just behind with 53% of investors polled.
- ▶ Ethiopia with 40% of investors polled and Mozambique with 33% came in 4th and 5th on the list of promising countries.

Nigeria, representing the largest African economy, enjoys a domestic market of 175 million people, abundant natural resources (oil accounts for 35% of GDP) and major infrastructure projects. Investors consider Nigeria to be one of the most promising countries, despite the threat posed by Boko Haram in the north, the plunging global oil price in 2014 and the 2015 presidential elections, whose outcome is still uncertain.

With 9.9% growth in 2014, Ivory Coast is the second largest economy in West Africa. Ivory Coast's economic strategy is based on exerting influence on UEMOA and its strong farming and services sectors make it an attractive economy for international investors.

Kenya (5.8% 2014 growth) and Ethiopia (10.4% 2014 growth) lead the buoyant economic region of East Africa. Their economic results come at a time when the region is returning to peace despite some Al-Shabaab attacks. Farming and services also underpin their good results and the many investors in these markets should add to the already strong growth.

While Mozambique, whose economy is focused on mining and farming, enjoys one of the highest growth rates in Southern Africa of 7.4%, it also suffers from political instability and difficulties to create new jobs that could hamper growth.

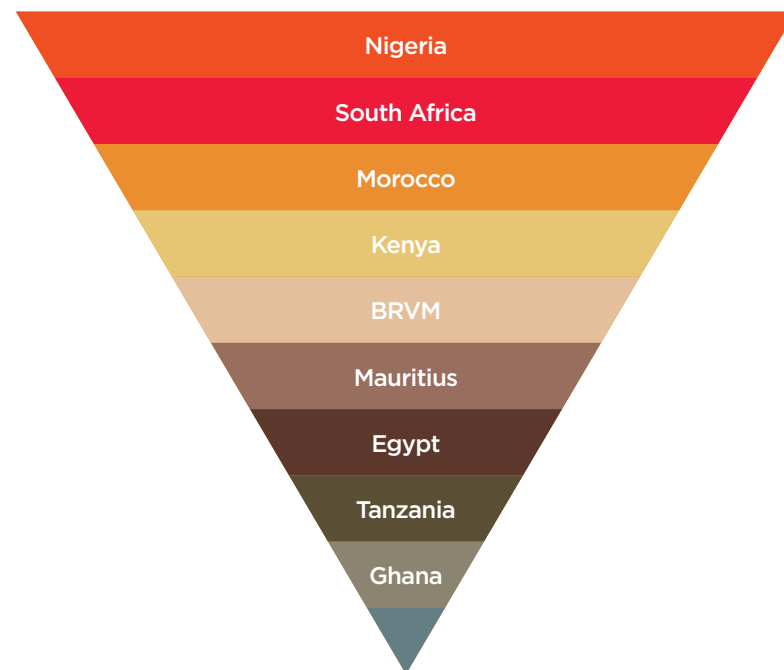
The big absentee from the Top 5 is South Africa, whose mature but low-growth economy appears to be less attractive for investors who are looking for regions delivering potentially high returns.

DRIVERS OF AFRICAN GROWTH



TOP 3 STOCK EXCHANGES: NIGERIA, SOUTH AFRICA AND MOROCCO

- ▶ 69% of people polled mentioned Nigeria, which has the largest economy, as the most promising African stock exchange.
- ▶ 59% of investors chose the South African stock exchange as second most promising even though South Africa does not figure in the Top 5 most promising countries.
- ▶ The buoyancy of the Maghreb economies is reflected in the Casablanca stock exchange coming in third and attracting 44% of investors.
- ▶ The Kenyan stock exchange and the West African Regional Securities Exchange («BRVM») were mentioned by 39% and 34% of the sample.

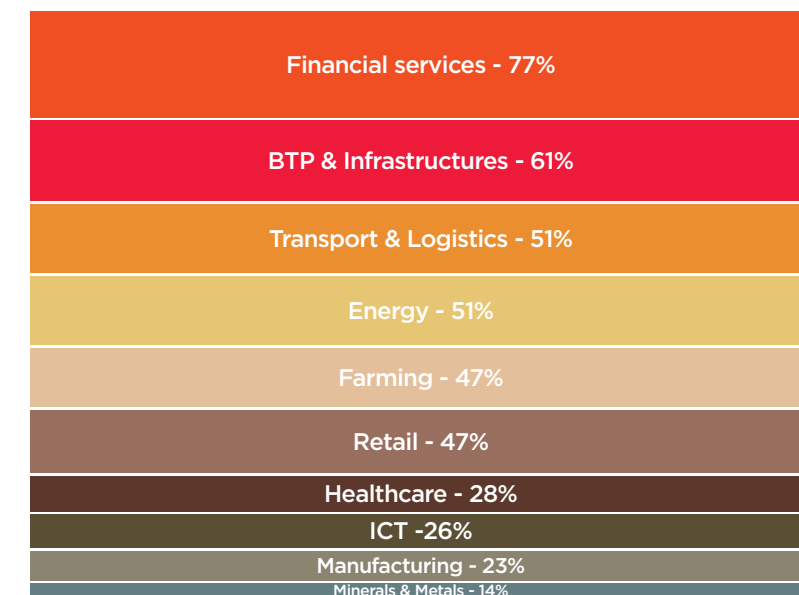


Johannesburg, which has the largest stock exchange in Africa, is far out in the lead with over \$330bn market capitalization. However, Lagos with \$82bn market capitalization is doing well and international investors see it as more attractive than its larger Southern rival. The Nairobi and Casablanca stock exchanges also feature among Africa's up and coming stock exchanges and attract ever more foreign investors. Abidjan-based BRVM comprises eight West African countries and represents a good example of successful cooperation between governments.

Financing the economy should also be based on proper financial markets ensuring smooth and regulated trading. The rise in investment prompts many governments to structure their economies around financial markets with a view to encouraging capital flows based on attractive and buoyant returns. As a result, from 2000 to 2014, the number of African stock exchanges rose from 8 to 23.

THE MOST PROMISING KEY SECTORS: FINANCIAL SERVICES AND CONSTRUCTION / INFRASTRUCTURE FAR IN THE LEAD; ICT AND MINING LAGGING BEHIND

- ▶ Investors think that financial services are one of the most promising sectors in Africa: over three quarters (77%) put it in first place.
- ▶ 61% also see the construction and infrastructure industry as very promising.
- ▶ Half of investors polled say that transport, logistics and energy are promising sectors. 47% consider that farming and retail are industries for the future.
- ▶ Despite a boost from the boom in mobile communications, the ICT sector only attracted 26% of investors polled coming in 8th place behind healthcare with 28% but ahead of minerals and metals with 14%.



Transformation of economic models, growing demand from domestic consumers (emergence of a middle class with new requirements) and funding required by large projects mean that financial services need to expand considerably. Consequently, international investors considered financial services to be the most promising industry.

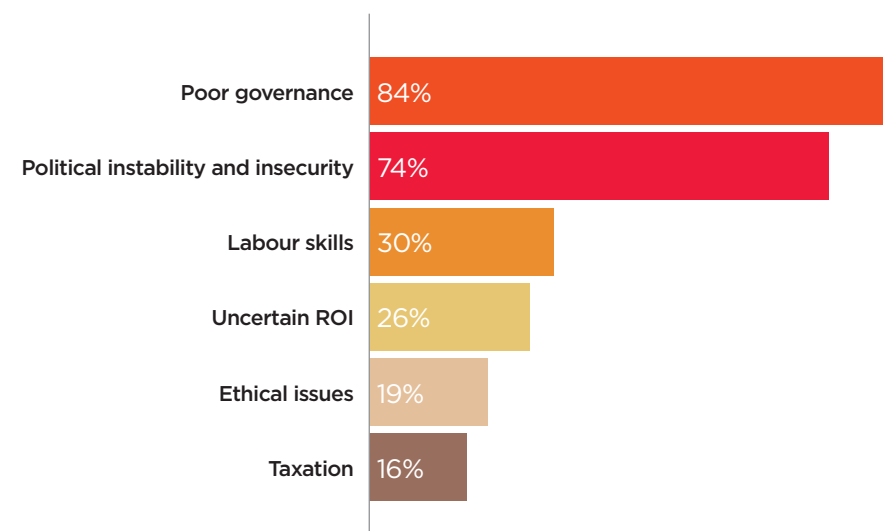
Furthermore, infrastructure, transport networks, retailers and utilities such as water and energy etc target Africa for most investment projects, along the lines of farming which even now employs nearly 70% of the working population and generates over 30% of GDP.

The healthcare, manufacturing and ICT industries have also considerably improved their scores.

WIDESPREAD ENTHUSIASM TO MEET THE CHALLENGES OF AN EMERGING CONTINENT

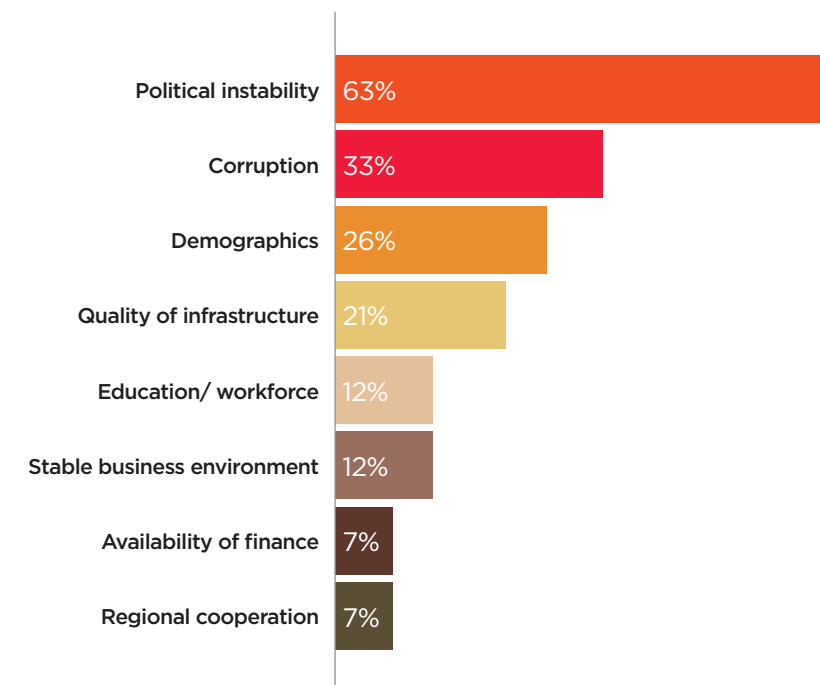
POOR GOVERNANCE, POLITICAL INSTABILITY AND INSECURITY ARE THE MAIN PROBLEMS HOLDING BACK INVESTMENT

- ▶ Over three quarters (84%) of people polled thought that poor governance is one of the main problems holding back investment in present day Africa.
- ▶ 74% also mentioned political instability and insecurity.
- ▶ 30% believed the lack of skills among the workforce represents a real problem preventing investment.
- ▶ Uncertain returns on investment are only raised by around one quarter (26%) of those polled.



POLITICAL AND REGULATORY FRAMEWORK: A HUGE CHALLENGE FOR AFRICA

- ▶ Investors think that improving the business environment is the number one challenge facing Africa. This means establishing a stable political framework (mentioned by 63% of those polled) and combating corruption (33%).
- ▶ 26% consider that the buoyant demographic trends are also a major challenge. Improving infrastructure is mentioned by 21% of people polled.
- ▶ Lastly, 12% believe that education for everyone will solve the problem of an unskilled workforce.



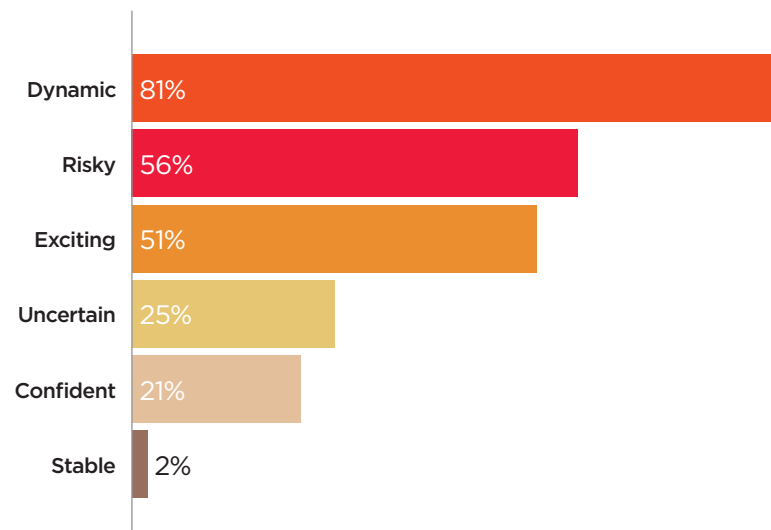
Establishing a framework conducive for business therefore appears essential in order to continue to attract investment in Africa. As such it is now vital to organize markets, promote trade and keep control over market players.

Introducing a favourable and stable business environment would allow more African economies to reach a sufficient size so they can successfully diversify.

For many years, African economies have tended to focus on a single industry, which exposed them to market fluctuations and the risk of price cuts. Nowadays, the priority is to search for new sources of growth. This new strategy became possible in 2005 when many countries had their debt reduced or written off such that they could adjust their budgets to enhance competitiveness.

ALL IN ALL, ENTHUSIASM COMES OUT ON TOP

- ▶ While over half of respondents thought that Africa's future economy is not risk free, 81% of them saw it as dynamic and 51% as exciting.



There is no doubt that despite the risks, Africa will be supported by investors to fund its growth and development.

APPENDICES

I. PERFORMING THE SURVEY

This Havas Worldwide Paris and Institut Choiseul survey was based on the following five stages:

- ▶ Determining the method and objectives
- ▶ Writing and producing the questionnaire
- ▶ Identifying and contacting institutions and their representatives
- ▶ Receiving and analysing the responses
- ▶ Preparing the final survey document

The survey was conducted from January 13 to February 19, 2015 based on a questionnaire available from the SurveyMonkey website.

Responses were given anonymously.

II. SELECTION CRITERIA

Only representatives of institutions that met the following criteria were included:

- ▶ International banks and investment firms
- ▶ Operations in Africa
- ▶ Actively contributing to Africa's economic development
- ▶ Expressing clear knowledge of the issues facing Africa

III. PARTICIPATING INSTITUTIONS

- ▶ 43 international investors (i.e. senior analysts, finance directors, Africa directors, corporate chairmen) representatives of international banks and investment firms participated in this survey.

ADENIA PARTNERS, AFRASIA BANK LIMITED, ALTERNATIVE CAPITAL PARTNERS, ARDIAN, BAMBOO FINANCE SA, BANK OF AMERICA, BNY MELLON, CARLYLE GROUP, CDC INTERNATIONAL CAPITAL, CDG CAPITAL PRIVATE EQUITY, COLONY CAPITAL, DEX CAPITAL, DUET GROUP, ECOBANK, EIG GLOBAL ENERGY PARTNERS, EURAZEO, GENERAL ATLANTIC, GOLDMAN SACHS, ICBC, I&P, JP MORGAN, KUSUNTU PARTNERS, LAZARD, MAURITIUS COMMERCIAL BANK, MEDIOBANCA, NATIXIS, NBAD, ODDO CORPORATE FINANCE, ORAGROUP, PAI PARTNERS, PAN AFRICAN INVESTMENT, PHOENIX CAPITAL MANAGEMENT, PROPARGO, ROTHSCHILD, SOCIETE GENERALE, STANDARD CHARTERED BANK, STANDARD BANK, STRATCONSEIL, SWICORP, THE EUROMENA FUNDS, VROD.

The survey's results are based on responses received from the international investors.

IV. PROCEDURE AND RESULTS OF THE QUESTIONNAIRE

► **Question 1:** Are you optimistic about the future of the African economy in 2015? in 2020?

Possible answers:

- Very optimistic
- Optimistic
- Pessimistic
- Very pessimistic
- Don't know

	Very optimistic	Optimistic	Pessimistic	Very pessimistic
In 2015	9%	91%	0%	0%
In 2020	53%	47%	0%	0%

► **Question 2a:** In your opinion, will growth stay the same, increase or reduce in the following regions in 2015?

Possible answers:

- Increase
- Stay same
- Reduce
- Don't know

	Increase	Stay same	Reduce	Don't know
North Africa	26%	58%	12%	5%
East Africa	72%	23%	2%	2%
West Africa	58%	30%	12%	0%
Central Africa	23%	56%	19%	2%
Southern Africa	26%	58%	9%	7%

► **Question 2b:** In your opinion, will growth stay the same, increase or reduce in the following regions in 2020?

	Increase	Stay same	Reduce	Don't know
North Africa	58%	35%	2%	5%
East Africa	81%	14%	0%	5%
West Africa	93%	5%	0%	2%
Central Africa	56%	37%	2%	5%
Southern Africa	49%	35%	5%	12%

► **Question 3:** Among the adjectives below, which correspond best to the future of the African economy? (up to 3 adjectives)

Possible answers:

- Exciting
- Dynamic
- Uncertain
- Confident
- Risky
- Stable
- Other

Exciting	51%
Dynamic	81%
Uncertain	26%
Confident	21%
Risky	56%
Stable	2%
Other	5%

► **Question 4:** Do you plan to invest further in Africa in 2015?

Possible answers:

- Yes
- No, we will maintain the same level of investment
- No, we will reduce our investment

Yes	86%
No, we will maintain the same level of investment	14%
No, we will reduce our investment	0%

► **Question 5:** What in your opinion are the main challenges facing the continent?

Open question

Combat political instability	63%
Combat corruption	33%
Tackle the demographic challenge	26%
Improve the quality of infrastructure	21%
Have a better skilled workforce and provide education for everyone	12%
Maintain a stable business environment	12%
Increase funds for investors	7%
Develop regional cooperation	7%

► **Question 6:** What are the main reasons to invest in Africa today? (up to 3 answers)

Possible answers:

- Innovation
- Taxation
- Demographics and a growing consumer base
- Cost of labour
- Skills and productivity of the workforce
- Invest for the future
- Rapid urbanisation
- Other

Demographics and a growing consumer base	100%
Invest for the future	65%
Rapid urbanisation	65%
Cost of labour	9%
Innovation	2%
Skills and productivity of the workforce	2%
Other	12%

► **Question 7:** In your opinion, what are the main problems holding back investment in Africa? (up to 3 answers)

Possible answers:

- Poor governance
- Political instability and insecurity
- Taxation
- Uncertain ROI
- Ethical issues
- Unskilled workforce
- Other

Poor governance	84%
Political instability and insecurity	74%
Unskilled workforce	30%
Uncertain ROI	26%
Ethical issues	19%
Taxation	16%
Other	5%

► **Question 8:** Apart from forecast growth, what do you think are the five most promising African countries for investment in 2015?

Possible answers: 5 countries out of the 54 African states

Nigeria	56%	Egypt	16%
Ivory Coast	53%	Angola	16%
Kenya	56%	Rwanda	14%
Ethiopia	40%	Uganda	12%
Mozambique	35%	Senegal	9%
Morocco	28%	Tunisia	9%
South Africa	26%	Botswana	7%
Ghana	26%	Togo	5%
Tanzania	23%	Congo	5%

► **Question 9:** What do you think are the most promising African sectors? (up to 5 answers)

Possible answers:

- Transport and logistics
- Construction and infrastructure
- Financial services
- Manufacturing / retail
- Energy
- Farming
- Healthcare
- Minerals and metals
- Other

Financial services	77%
Construction & infrastructure	61%
Transport & logistics	51%
Energy	51%
Farming	47%
Retail	47%
Healthcare	28%
ICT	26%
Manufacturing	23%
Minerals & metals	14%

► **Question 10:** In your opinion, which are the most promising African stock exchanges?

Possible answers:

- South Africa
- Nigeria
- Kenya
- Egypt
- Morocco
- BRVM
- Ghana
- Mauritius
- Tanzania

Nigeria	69%
South Africa	59%
Morocco	44%
Kenya	39%
BRVM	34%
Mauritius	27%
Egypt	24%
Tanzania	12%
Ghana	12%

V. OTHER SOURCES

- Economic outlook for Africa in 2014: «Global value chains and Africa's industrialisation» (AfDB/OECD/UNDP)
- Economic Development in Africa Report 2014 (AfDB)
- The Africa Competitiveness Report 2013 (World Bank)
- Regional economic outlook: «Sub-Saharan Africa, Staying the Course», October 2014 (IMF)
- «World Population Prospects, the 2012 Revision»
- 2013 report from the United Nations Department of Economic and Social Affairs of the United Nations Secretariat
- Unverified data from the World Bank website



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