



2022

Why Africa, Why Now?

Economic Potential. Rewarding Opportunities.

Africa is currently home to 1.2 billion people and estimates show that the continent's population will grow to 1.4 billion by 2030. This represents a 17 per cent growth rate and an opportunity for investors. This report provides an overview of the market conditions and factors to consider when deciding where to invest on the continent.



Africa Geography and Demographics

By 2030, it is expected that 50 per cent of the 1.4 billion African population is expected to live in seven countries: Nigeria, Ethiopia, Democratic Republic of Congo, Egypt, Tanzania, Kenya and South Africa. By then, there will be seventeen cities with more than 5 million inhabitants each, up from only six in 2015.

When looking at population age, by 2030, nearly two-thirds of the continent's habitants will be under the age of 25. By 2034, Africa is expected to have a larger working age population than India and China with 1.1 billion people.

Currently there are more than four hundred companies in Africa that earn an annual revenue of USD\$1 billion, while more than 700 hundred companies earn over USD\$500 million in revenue annually. With the implementation of the African Continental Free Trade Area (AFCFTA), the Africa market size is expected to be over USD\$6.7 trillion of combined consumer and business spending in 2030.



Lagos, Nigeria

Africa Fast-Moving Consumer Goods Market Projections

Africa consumer expenditure has grown at a compound annual rate of 3.9 per cent since 2010 and reached USD\$1.4 trillion in 2015. The growth trajectory is expected to reach USD\$2.1 trillion by 2025.

Africa currently imports roughly one-third of the processed goods it consumes and the demand for processed food and beverages is expected to increase by USD\$120 billion over the next decade. Affluent consumers are expected to spend an additional USD\$200 billion per year from now until 2025, with approximately one in five Africans spending more than 70 per cent of their income on discretionary items by 2025.

More than 70 per cent of the fifty largest packaged goods producers in the world are already tapping into Africa's rapidly growing consumer market. Brand recognition is highly important to African buyers who often refer to products by an associated brand. African consumers are also more likely to prefer international products than consumers in other markets such as China and India.



Africa Manufacturing Sector Projections

McKinsey & Company considers Africa to be the world's next great manufacturing centre, potentially capturing part of the 100 million labour-intensive manufacturing jobs that will leave China by 2030.

Manufacturing is now among the top sectors for investment flows into Africa, accounting for 22 per cent of total foreign direct investment in 2015. Africa's manufacturing output has the potential to surpass USD\$1 trillion per year by 2025, with roughly half that production remaining on the continent and the rest exported to other world regions.

Domestic companies spent roughly USD\$2.6 trillion in 2015, half of this on materials, and the total expenditure is expected to rise to USD\$3.5 trillion by 2025. Three-quarters of the growth opportunity in manufacturing in Africa lies in meeting intra-Africa demand and substituting imports.

To encourage investment, many countries in Africa are working to establish Special Economic Zones (SEZs) to empower investors to capitalise on higher quality infrastructure, tax benefits, predictable electricity supply, protection from import competition and duty-free movement of goods. Business -to-business spending in manufacturing in Africa is projected to reach USD\$666.3 billion by 2030; about USD\$201.28 billion more than it did in 2015.





Why Nigeria as Your Next Investment Destination



People:

Biggest economy in Africa with a population of over 200 million people. Lagos is among the ten largest cities in the world with 15.3 million inhabitants and is expected to grow by 70 per cent over the next decade.



Consumer Market Size:

Africa's largest consumer market worth roughly more than USD\$370 billion (2013). Increased spending among households expected to increase to USD\$200 billion between 2015 and 2025 or 30 per cent of Africa's overall consumption growth over this period.



Online Shopping:

Nigerians report the highest rate on the continent at 25 per cent.



Import and Export:

Duty exemption on machinery for agricultural production and processing. Export incentives for agro-processors and import restrictions on certain food items. As a major beneficiary of Africa Growth & Opportunity Act (AGOA), Nigerian agro-processing products have tariff-free access to USA market.



Credit:

Guarantees of up to 75 per cent of all loans granted by commercial banks for agricultural production.

GZ Industries Nigeria (Aluminium Cans) Case Study



As brewers and beverage companies grew exponentially across Africa, they all imported their packaging due to lack of local production. This provided an opportunity for GZ Industries (GZI) to build Nigeria's first aluminium-can manufacturing plant in Ogun State near Lagos.

GZI was founded by a group of private investors and local and international private equity firms. The group invested millions into the 430,000-square-mile plant—which boasts state-of-the-art equipment imported from Europe and the United States.

GZI quickly reached its production capacity of 1.2 billion cans per year, leading the company to open a second plant in Abia State in South Eastern Nigeria. GZI plans to expand across Africa, including establishing a plant in South Africa, where it will go head-to-head with Nampak, currently the largest can manufacturer in Africa.

Source: *Africa Business Revolution*



SABMILLER

(Beverage) Case Study



SABMiller started as South Africa's national champion. The company began acquiring existing African breweries in 1993, starting with a 50 per cent stake in a money-losing operation in Tanzania. With help from local partners, it quickly turned the brewery around, tripling production and generating healthy profits within three years.

From 2007 to 2016, SABMiller's Africa sales outside of South Africa climbed from USD\$280 million to USD\$1 billion. By 2016, SABMiller had brewing operations in around forty of Africa's fifty-four countries.

SABMiller applied a conservative strategy, using second-hand equipment in new breweries to save money and cycling in end-of-career executives to manage them. With help from equipment-supplier partners, the company developed a standardised "brewery in a box" that it could quickly assemble.

SABMiller also used its successful brand-positioning approach to develop a diverse portfolio of African brands tailored to local markets.

In Nigeria, SABMiller developed a new beer brand, and priced it 25 per cent below the market leading brand. Hero became one of the company's most successful brands and production was never able to keep up with demand.

Source: *Africa Business Revolution*



Tolaram

(Instant Noodles) Case Study

Tolaram introduced the Indomie instant noodles brand into the Nigerian market in 1988. Before then, instant noodles (Indomie) were not part of Nigerian food and could not be found in any shop across the country.

At the time, Nigeria was under military rule. The per capita income was barely USD\$250 and four out of five Nigerians lived on less than USD\$2 a day. But in these circumstances, the company saw an opportunity to feed the nation with an affordable and convenient product and in doing so, create a new category.

Since introducing the product in 1988, Tolaram has shifted from importing to manufacturing the product locally. Today, Indomie is one of the most beloved consumer products. Sold in single-serving packets for the equivalent of less than USD\$0.20 cents, the brand enjoys near universal name recognition and has attracted a 150,000-member fan club.



Lekki Free Trade Zone

Case Study

Special economic zones (SEZs) and free-trade zones were the spearhead of Asian industrialisation, allowing countries with major deficits in power, logistics and bureaucracy to pull in investors.

Lekki Free Trade Zone (Lekki FTZ) is situated in the eastern part of Lekki and covers about 155 square kilometres. The first phase of the zone has an area of 30 square kilometres, with about 27 square kilometres for urban construction purposes, which would accommodate a total resident population of 120,000.

Lekki FTZ integrates a deepwater port and has several anchor clients, including the second factory Kellogg's has built in Africa and a Dano Milk factory from Arla.

Tolaram, a Singaporean agri-processor, is running the Lagos Free Zone, east of Nigeria's commercial capital. The group has been in the manufacturing business for 50 years and runs 19 factories in Nigeria. It expects food and beverages, pharmaceutical, chemicals, non-metallics and logistics companies to be attracted to the area.

"Given that the port is integrated into the zone, that will allow us to incubate the entire logistics vertically," says Lekki FTZ CEO Dinesh Rathi. He believes the integration of a port into the project makes it a "silver bullet" for those who want to use Nigeria as a hub for manufacturing in West Africa.

Source: *The Africa Report & Wikipedia*

About Lekki Free Trade Zone

132 Free Zone Enterprises
7 Investment Rich Sectors
3,000 Hectares of Investment Space
320 Million Market Size

Africa Market Entry Services by OctoberFirst Consulting

At OctoberFirst Consulting, we strongly believe that any business can succeed and thrive with sound market research and painstaking due diligence designed to help you navigate institutional voids and establish viable business partnership(s).

Whether you are addressing a mass market need or a niche market, we can efficiently and cost-effectively help you:



Identify the right distributor or niche markets



Search for joint ventures or acquisition opportunities



Find investment prospects

Our Africa market research solutions will help you answer the critical questions such as:



What is the size of the market and consumer trends



What are perceptions of products and local competition



What are cost implications so you can make the best decisions and succeed

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