

Africa

- **Africa:** The impact of millennials as the largest consumer group in the world today will continue for decades to come as they settle into their prime spending years, particularly in Africa, where millennials have overtaken their predecessors – the Baby Boomers – as the largest demographic.

South Africa alone has over 14 million millennials (27% of the population). Africa's youth are driven by different concerns and realities than their global counterparts. It's therefore critical for businesses in Africa to understand the unique challenges and opportunities of this group and their buying behaviour to be able to build meaningful relationships with them and give them the level of service they demand. FedEx Express Sub-Saharan Africa has identified 5 key insights small business owners should bear in mind. 1) African millennials are tech savvy and are increasingly choosing to shop online – and with a mobile-first approach. 2) African millennials communicate with brands mainly through social media. 3) African millennials expect a personalised customer experience. 4) African millennials want to co-create bespoke products to meet their unique needs. 5) African millennials are loyal – but you have to earn it. For more information, read: <https://bit.ly/2mFpp3Q>.

CAS Analysis: The first part of this article addresses an academic truth, namely understand your customer. In addition to that, we see that Africa has a young population, which we have also known. We also see that Africa's youth are driven by different issues than their counterparts elsewhere in the world, which requires a unique approach to them. You therefore cannot transfer marketing campaigns and products from elsewhere to Africa and hope they will succeed. This is not necessarily always the case. The 5 key insights are quite illuminating as well. Businesses globally should take heed of them and redesign their marketing campaigns to accommodate these parameters. It is interesting to see the extent to which millennials in Africa embrace the digital world and e-commerce. Given the general poor condition in which Africa finds itself relative to much of the rest of the world, it is clear that they still want quality and that they have embraced the technology of the developed world.

- **Africa:** By 2050, ~1.4 billion people will be living in an African city and Africa must accommodate them. Africa needs revolutionized smart cities that will withstand the test of time and resolve Africa's challenges in infrastructure, energy, population, traffic, health, safety and unemployment.

Given the high rate of change, the best way to safeguard the competitiveness of Africa's cities is to collaborate with partners that have the technical competence. Knowledge on urbanization must go together with digital transformation. Leaping Africa into the future requires extracting crucial information about each city, which will inform strategies and decisions, and open a number of doors. This data will give greater insight into what makes each city tick, what works and what doesn't, and will enable Africa to determine possible options. Such a transformation requires a combination of digital expertise and domain knowledge, an inherent understanding of hardware in order to leverage digital technologies and optimize operations. Africa must embrace the right partners, acquire the appropriate skill set and apply data smartly. Tomorrow's cities can be healthier, safer and more efficient with Africa's young tech-savvy minds. For more information, read: <https://bit.ly/2vu2pJW>.

CAS Analysis: Urbanisation in Africa is a well-established trend. Currently 40% of Africa lives in cities, and by 2050, more than 50 will be living there. This requires that corporates formulate a city strategy for their operations in Africa. Furthermore, the uncomfortable truth is that urbanisation is not planned, but just "happens". This results in urban sprawl and creates slum conditions, with unacceptably large numbers of unemployed people. The very high population density creates traffic congestion, and places pressure on services of all sorts (health, education safety, water, electricity). Smart cities that can address these conditions are therefore not a nice to have, but have become an imperative. Once again we see the urgent requirement of having the requisite education to train and develop Africa's youth to be able to deliver on this requirement. Africa will also need partners to help deliver on this requirement. Others have already designed and delivered solutions in this regard. It is unnecessary to redesign the wheel. Hence the strong call for partnerships in this article! The Fourth Industrial Revolution is here. Africa must embrace it and tap into its potential.

- **Africa:** Europe has for decades dominated the production, consumption and exportation of chocolate. It accounts for 70% of global exports and top 10 chocolate consuming countries in the world. Two-thirds of cocoa come from Africa, mostly West Africa. However, others create, process, sell and eat chocolate.

Chocolate is Europe's second most valuable processed food export. Half the global market in chocolate is supplied by just 17 companies, most of them European. The dominance of these companies comes from innovation, scale, efficiencies, brand and distribution. Those who provide the raw products tend to live on the edge of poverty; those who control the industry are billion-dollar corporations. Even the raw materials part of this equation could be taken from Africa. Southeast Asia also has optimal cocoa-growing conditions, with Indonesia the world's third-largest cocoa producer. Africa's growing corporations and young entrepreneurs must ask themselves where in the value chain do they want to play. Where can uniqueness and market power be introduced? Africa must raise its game to move beyond the advantages conferred by nature, and concentrate on the building of sophisticated supply chains and distribution networks, innovative production techniques, immaculate quality control, and eye-catching branding and marketing. For more information, read: <https://bit.ly/2KF8dVE>.

CAS Analysis: Only about 4% of the total value created in the chocolate industry value chain comes back to Africa. The Centre has been writing about this issue for quite a while. Some commentators have suggested that Africa manufacture its own chocolate. Others have maintained that it is too an expensive product to be consumed at a mass scale in Africa and that exporting it requires an elaborate and costly cold chain. Chocolate must ideally be manufactured close to the point of consumption. We have also seen the governments of Cote d'Ivoire and Ghana suggesting schemes to manage the global price of cocoa, in order to benefit the poor farmers who produce the cocoa. It is like creating an OPEC for the cocoa-producing countries of Africa. It is highly improbable that this will materialise. While it is laudable to aspire towards the building of sophisticated supply chains and distribution networks, innovative production techniques, etc. as suggested above, it is not going to happen in the short-term. Hopefully, as Africa develops, and its middle class keeps on growing, one day perhaps Africa would be in a position to bring these ideas to fruition. Hopefully it will be sooner rather than later. But then, as we all know, hope is not a strategy. With the right partners, however, Africa can make this happen!

East Africa

- **East Africa:** East African countries are increasingly becoming an alternative for foreign investors and large consumer companies.

East African countries led by Ethiopia, Kenya, Tanzania and Rwanda have been enjoying growth rates not less than 5%. The region's positive economic growth, low labour costs, political stability, an improved regulatory environment and a big market of over 120 million people is attracting them. East Africa remains the fastest-growing sub-region in Africa, with an estimated growth of 5.6% in 2017, up from 4.9% in 2016. Growth is expected to reach 5.9% in 2018 and 6.1% in 2019. According to the AfDB, the industrial sector contributed about 39% of the region's average real GDP growth in 2017. Nissan, Volkswagen, Peugeot and CNH have all announced plans for their own assembly lines. Ethiopia has been attracting investments for its industrial sector too, especially the textile and apparel sector. Numerous companies have relocated their manufacturing plants from countries such as Turkey, India and China to Ethiopia. European and American companies (apparel, textile and shoe brands) are increasingly flocking to Ethiopia. Saudi investors run over 200 investment projects in Ethiopia. Challenges to East Africa include inadequate infrastructure, cumbersome customs processes, a shortage of technical and managerial talent, low levels of social and environmental compliance, electricity and political unrest. For more information, read: <https://bit.ly/2OWxyhm>.

CAS Analysis: This article confirms a trend that has been observed for a number of years, since the end of the commodity price super cycle and the slowing down of the Chinese economy's growth rate, namely a tilt in investments from West Africa to East Africa. The East African economies have been recording high growth rates, in contrast to those of most of the larger West African economies. We also a relatively more stable political environment, with the biggest surprise coming from Ethiopia and Eritrea respectively. Ethiopia is democratising at a substantial rate, which will hopefully bring about a more stable Ethiopia, sooner rather than later. Its new prime minister seems to be doing a lot of good things, amongst other reaching out to Eritrea and ending a long-standing conflict between the two countries. It is interesting to

note the Saudi involvement in Ethiopia. The GCC states appears to have targeted East Africa, as has Turkey and Russia. This is in addition to the old-timers such as Russia, India and Japan. As always, the challenges mentioned above are real, but also present investment opportunities for interested investors. Such as the GCC states, China, Russia, etc.

- **Tanzania:** Chinese investments in Tanzania have increased ten times to ~US\$6.935 billion within 6 years, with China promising more capital inflows. According to the Chinese ambassador, Ms Ke, China will continually perceive Tanzania as its key development partner.

Ms Ke reaffirmed China's commitment to maintain strong bi-lateral ties between the two countries, especially on economic fronts, where major development projects have been executed and others are under construction. President Magufuli appreciated the investment but asked Ms Ke to continue encouraging more Chinese investors to invest in development projects in Tanzania for the mutual benefits of both countries. President Magufuli said the Tanzanian government was fully committed to put in place a favourable environment for trade and investments. For more information, read: <https://bit.ly/2OOU6Aw>.

CAS Analysis: Just a reminder of the increasingly dominant role China is playing in Africa. A number of Western countries are noting the phenomenon, but not really doing anything to stop it. Interestingly, when we compare the number of visits and the profiles of the visitors from foreign countries to Africa, there are a number of differences. These include the seniority level of visitors from countries such as China, India and Turkey, as well as the frequency of these visits. The article above addressing East Africa shows upon various other players targeting Africa. The continent is starting to fill up with foreign investors. Those that are playing a waiting game, might find an Africa quite more competitive than would otherwise have been the case.

West Africa

- **Nigeria:** A Nigerian study has revealed that its maritime sector is losing about ~US\$4.13 billion annually due to its inability to exploit the 'blue ocean economy.' The loss excluded expatriate manpower costs, estimated at ~US\$1.66 billion annually.

The blue economy can be described as a marine-based sustainable, visionary economic developmental process, which leads to improved human wellbeing, through sound management of marine resources. The study estimated that 90% of Nigerian generated trade come by sea with very limited indigenous participation, leading to enormous capital flight. Through various incentives, indigenous ship owners can now acquire new ships for local use and gradually build up their fleet at low cost. There are also initiatives between Nigerian entities to ensure that ship-owners are given the grace and the ability to participate in the shipment of Nigeria's crude. For more information, read: <https://bit.ly/2KHA1IX>.

CAS Analysis: Given the level of Nigerian imports, it makes sense for it to have a shipping fleet of some sorts. Given the geographic position of the country, these imports have no other practical way of reaching Nigeria but by sea. The costs to the country are astronomical. The capital flight mentioned adds woes to the Nigerian Naira, which it can hardly afford. Nigeria exports its crude oil, just to import the refined product later on at great cost. It seems to be adding injury to injury by using foreign shipping to deal with both the export and import. Being so dependent on the sea, one would think that Nigeria would have developed a fleet a long time ago. What it is doing currently, is developing additional port facilities, such as the Lekki Port and SEZ, where Singapore's Tolaram is playing a significant role. However, more clearly needs to be done in Africa's largest economy to address the lack of exploitation of the blue ocean economy. Again we see an opportunity for a foreign investor in the maritime industry to help Nigeria develop its own capacity in this regard.

- **Nigeria:** According to the World Bank, Nigeria is a "high priority" in its considerations on how to promote ideas and programmes that can aid the development of Africa. The World Bank's objective in Africa was to help Africa grow.

Talking about growth in Africa, one must think of Nigeria as it's the largest in Africa. As far as the World Bank was concerned, Africa cannot grow unless Nigeria grows. Nigeria was therefore a very high priority for the World Bank and they wanted to see how they could support and help the Nigerian economy grow faster and achieve all its developmental objectives. One area the Nigerian government was hoping to make a lot of progress in, was the power sector reform programme, which was extremely important for GDP growth. For more information, read: <https://bit.ly/2vR0izm>.

CAS Analysis: Nigeria is the largest economy in Africa, closely followed by South Africa and Egypt. With the exception of countries such as Nigeria, South Africa and Egypt, who have economies with a GDP of above US\$200 billion, and Algeria, Angola, Morocco and Sudan, all who have a GDP of above US\$100 billion, the rest (47 countries) all have relatively small economies. Should any phenomenon impact negatively or positively on the economies of the big players, it will have a ripple effect on the rest of Africa. This impact will increase should Africa increase the level of its economic integration, which incidentally is a goal of institutions such as the African Development Bank and the African Union. It is somewhat disturbing to see Nigeria has still not signed the AfCFTA, in spite of the many benefits thereof for Africa generally and Nigeria specifically. Hopefully this omission will be dealt with soon. An integrated Africa will have many benefits for its constituent parts.