Lions on the move

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The Japan-Africa Business Forum 2014



McKinsey&Company

This is Africa ...



This is also Africa ...



Africa is forecast to be the 2nd fastest growing market over next 10 -12 years

Historic global c GDP growth 2000-2013, %	compound annual real	Expected global compound annual real GDP growth 2013-2025, %				
Emerging Asia	7.8	Emerging Asia	6.5			
Middle East	4.9	Africa	5.0			
Africa	4.7	Middle East	4.0			
Latin America	3.7	Latin America	4.0			
Central and Eastern Europe	3.3	Central and Eastern Europe	3.9			
World	2.8	World	3.4			
Developed economies	1.5	Developed economies	2.2			

SOURCE: Global Insight GDP data and forecasts; Global Insight GDP data and forecasts; International Monetary Fund region definitions; World Bank region definitions; McKinsey Global Institute

25 out of 54 countries are expected to grow at a rate of >5% p.a. till 2025





8 countries (South Africa, Nigeria, Egypt, Algeria, Angola, Morocco, Libya, Sudan) will account for ~70% of Africa's total GDP growth between 2013 and 2025

SOURCE: Global Insight

Africa's economy is diversifying; wholesale & retail trade, agriculture and telecom were the top 3 contributors of growth over last 6 years

Sectors	Sector shar GDP growt 2002-07 Percent		Sectors	Secto GDP (2007- Perce	growt 13		Change from last period	
Resources Wholesale and retail	13	24	Wholesale & retail Agriculture			22 21	↑↑	
Agriculture Transport, telecom Manufacturing Financial intermediation Public administration Construction Real estate, business serv. Tourism Utilities	12 10 9 6 5 5 2 2		Transport, telecom Resources Construction Public administration Real estate, business serv. Financial intermediation Manufacturing Tourism Utilities	7 5 3 2 1				'Resources' share estimate for 2007 – 2013 period excludes Libya due to temporary challenges in the country. Libya if included will reduce overall resource share to - 5%
Other services ²	6		Other services	6			-	

1 In 2005 dollars (except for Tanzania 2001) The total is the sum of 15 countries for which data were available, and that together account for 81 percent of Africa's GDP: Algeria, Angola, Cameroon, Egypt, Ethiopia, Kenya, Libya, Morocco, Nigeria, Senegal, South Africa, Sudan, Tanzania, Tunisia, Zimbabwe 2 Education, Health, Social Services, Household Services

SOURCE: Global Insight; Arab Monetary Fund; African Development Bank; Bureau of statistics; UN; McKinsey Global Institute

Africa's growth story has 6 key drivers

1	00	The commodity boom	 Projected increase in world commodity demand, e.g., 2.3% p.a. for oil Africa is resource-rich and a globally cost-competitive location to source many minerals
2	N	Macro and political stability	 Governments reduced inflation from 23% (1995-2005) to 8% (2005-2013), debt from 105% to 52% and currency volatility from 29% to 12% Political and economic risk rating of African countries are comparable to the BRIC countries
3		Ongoing economic reforms	 Widespread business-friendly reforms are making it easier to do business in many African countries, e.g., EAC announcement to adopt a common currency in 10 years; power sectors reforms in Nigeria Mutual agreements between African countries to facilitate cross-border trade
4		Access to inter- national capital	 Capital inflows of USD 84 billion p.a., exceeding remittances and aid flow Highest return on FDI (9%+) across all emerging markets Many countries and institutions, like the World Bank, are providing aid in the form of funds and grants
5	** *	Seismic demogra- phic shifts	 World's largest working age population by 2035 of 1.1bn ~2X jump from today 100+ cities with population of more than 1mn by 2025 60% of African households with discretionary spending power¹ by 2020
6		African green revolution	 Africa has 60% of the world's available arable cropland- 590m hectares, attracting a lot of FDI investment, e.g., ZTE international (China) secured 2.8m ha for biofuel oil palm plantation Many countries have further potential to improve yield and land utilisation

1 Discretionary spending power implies income > \$ 5,000 at PPP

SOURCE: USGS; Business Monitor International; World Bank doing Business 2013; UNCTAD – World Investment Report 2013; McKinsey Global Institute Press Search; Team analysis McKinsey & Company | 6

In Africa, 47 cities comprising 14% of the population will drive nearly 50% of GDP growth to 2025



1 In 2025 USD at predicted real exchange rates

SOURCE: McKinsey; CityScope 2.0

Africa's labour force will grow by 122 million over the next ten years, and will be the largest in the world by 2035

Million people





Pre-transition 30 40 50 60 70 80 90 100 Economic diversification

Manufacturing and service sector share of GDP, 2008, %

NOTE: We include countries whose 2008 GDP is approximately \$10 billion or greater, or whose real GDP growth rate exceeds 7% over 2000–08. We exclude 22 countries that account for 3% of African GDP in 2008.

SOURCE: Organisation for Economic Co-operation and Development; World Bank World Development Indicators; McKinsey Global Institute

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Consumer facing sectors, including banking, will dominate growth

2011 2020



1 Took 2030 value of \$880bn, and calculated straight-line equivalent for 2020 2 Investment. Assumes need remains as same share of GDP through 2020