



Lions on the move

June 10, 2014

The Japan-Africa Business Forum 2014

This is Africa ...



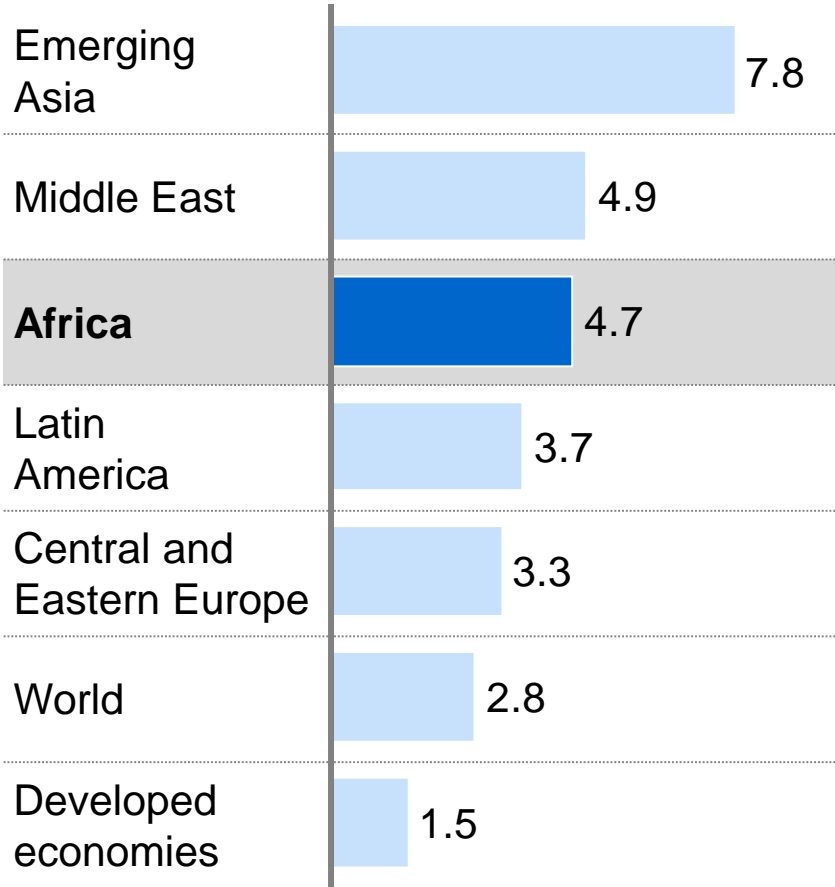
This is also Africa ...



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

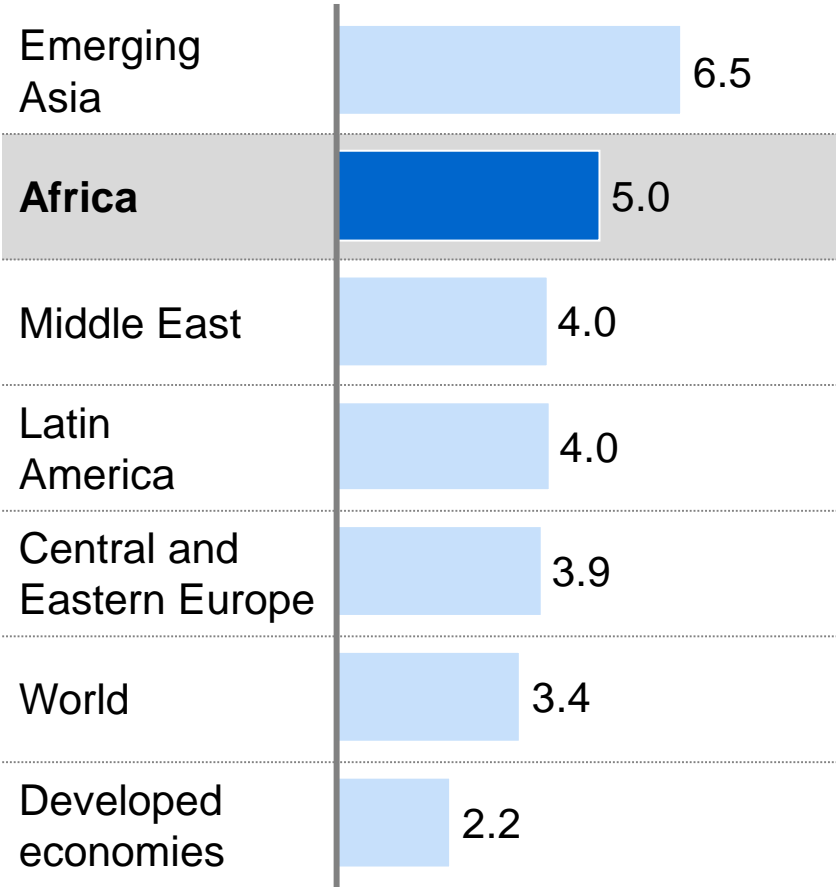
Historic global compound annual real GDP growth

2000-2013, %



Expected global compound annual real GDP growth

2013-2025, %

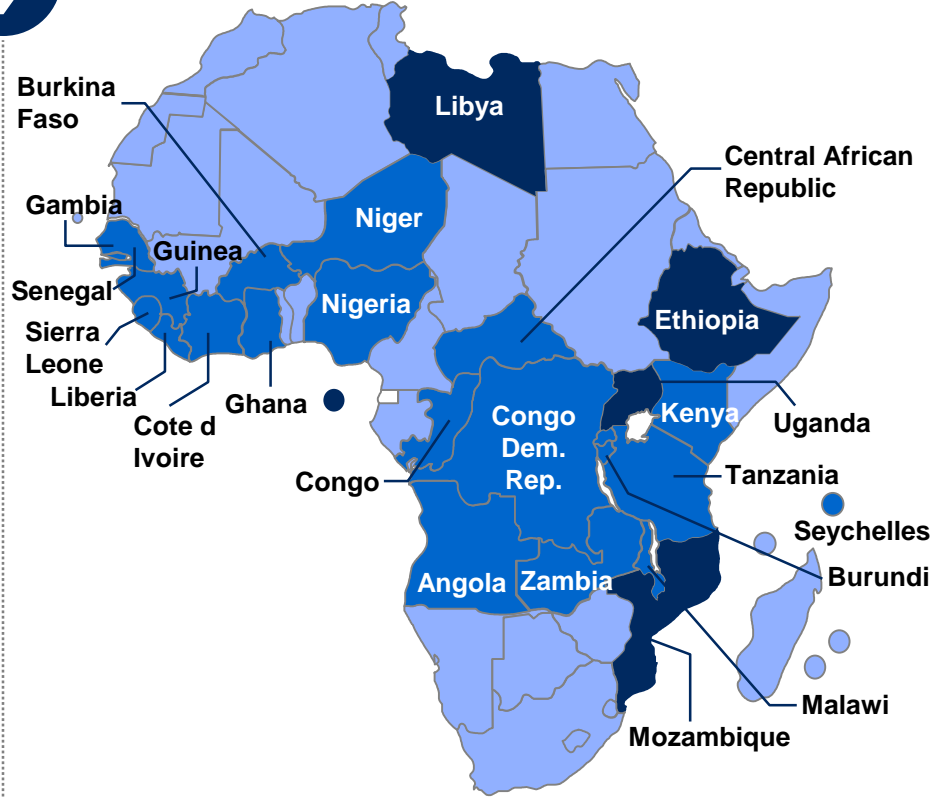
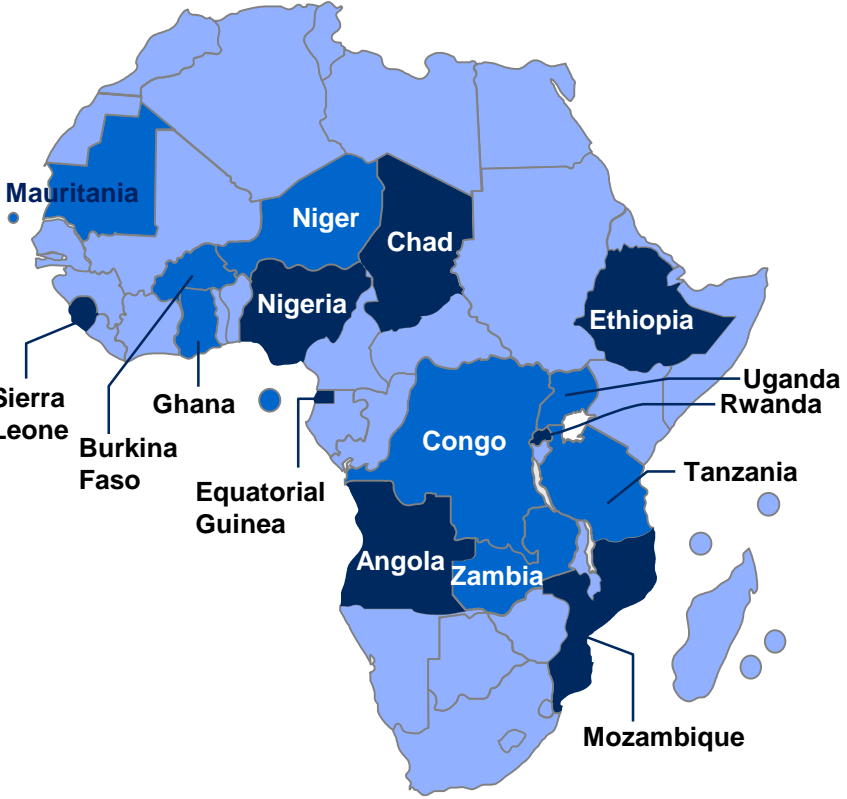


25 out of 54 countries are expected to grow at a rate of >5% p.a. till 2025

- > 7% GDP growth
- 5-7% GDP growth
- 2-5% GDP growth

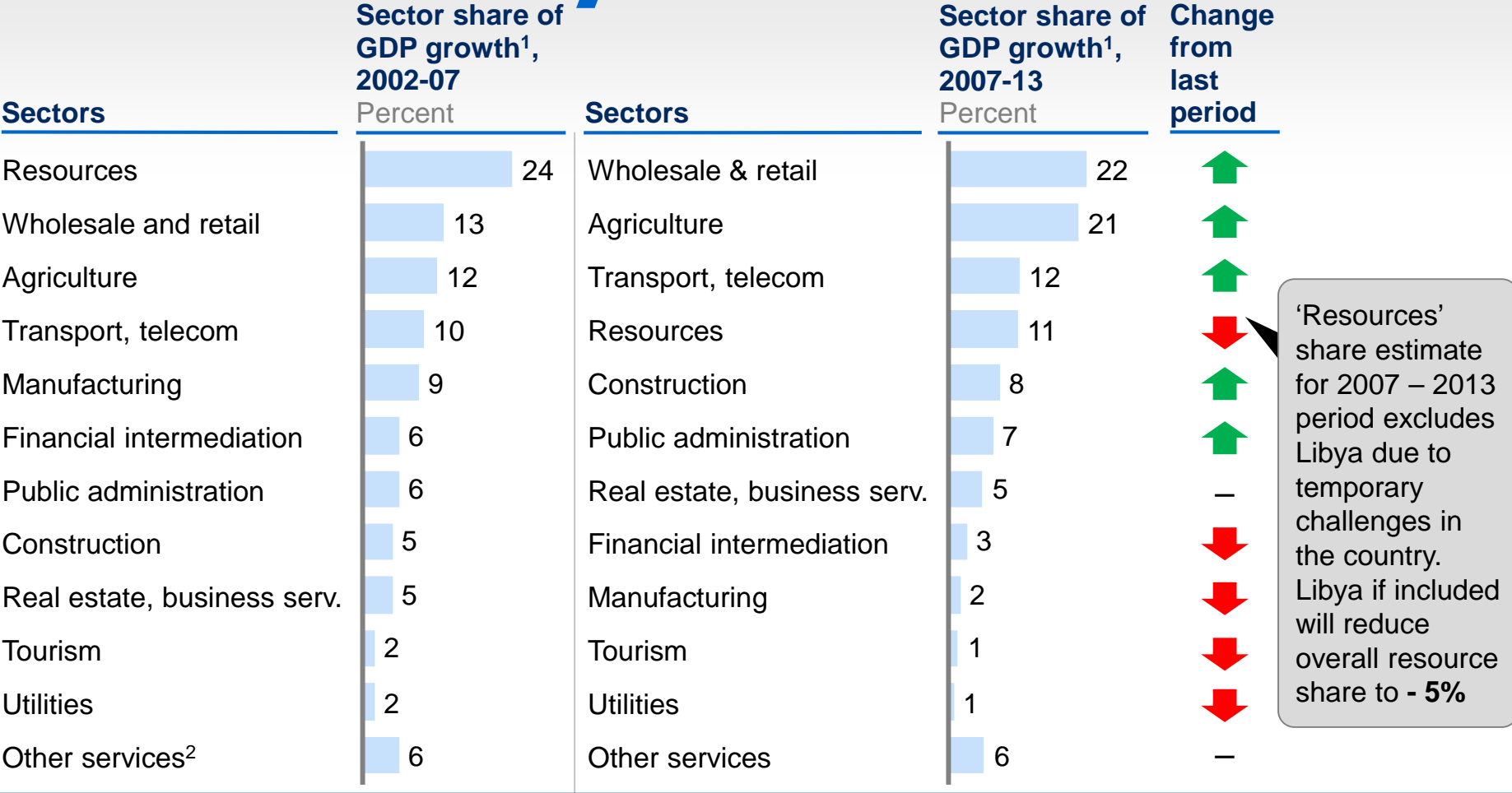
Compound annual real GDP growth 2000-2013

Compound annual real GDP growth 2013-2025









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

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



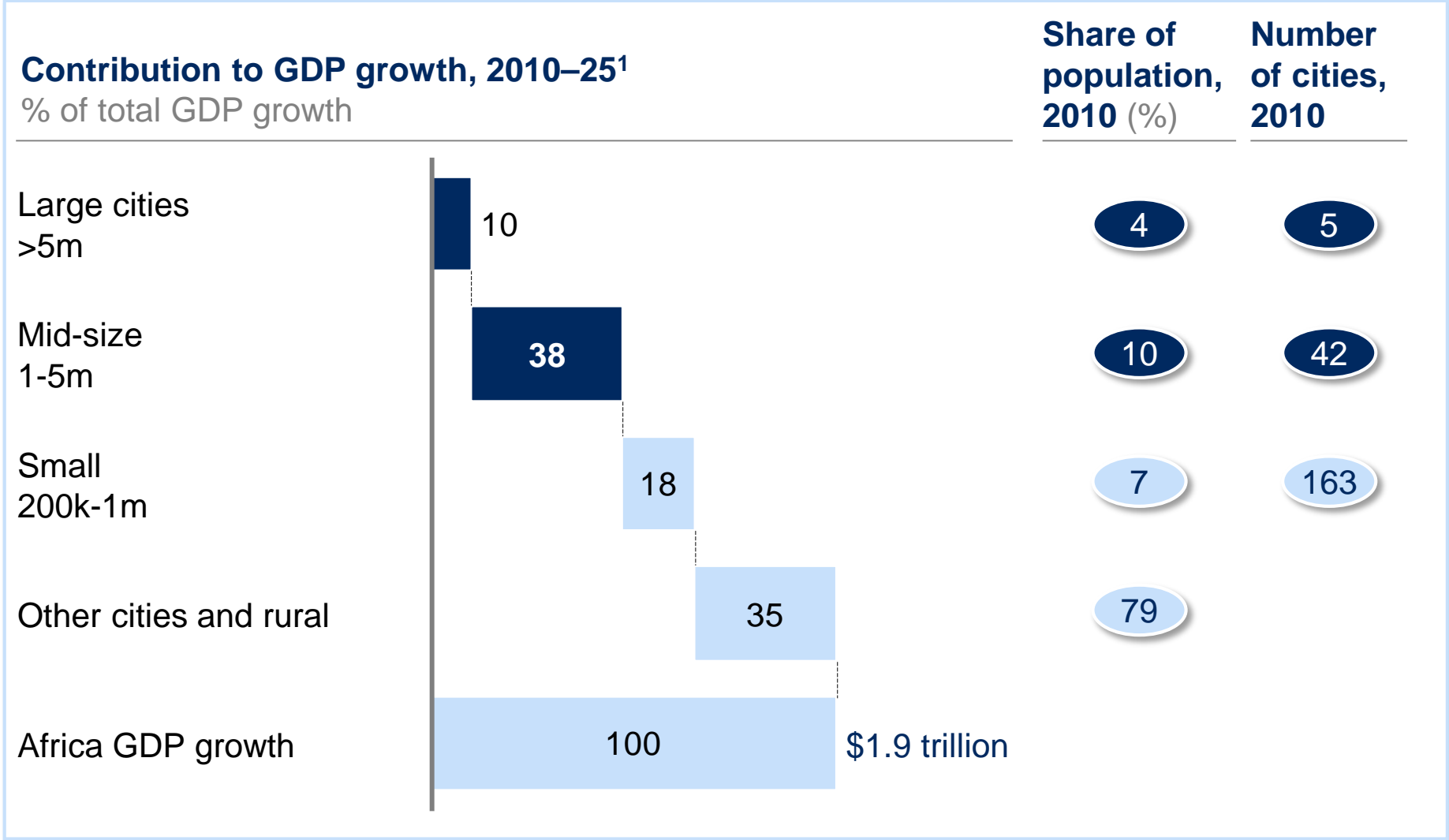
1 In 2005 dollars (except for Tanzania 2001) The total is the sum of 15 countries for which data were available, and that together account for 81 percent of Africa's GDP: Algeria, Angola, Cameroon, Egypt, Ethiopia, Kenya, Libya, Morocco, Nigeria, Senegal, South Africa, Sudan, Tanzania, Tunisia, Zimbabwe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

Africa's growth story has 6 key drivers

1		The commodity boom	<ul style="list-style-type: none"> ▪ 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		Macro and political stability	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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 international capital	<ul style="list-style-type: none"> ▪ 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 demographic shifts	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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

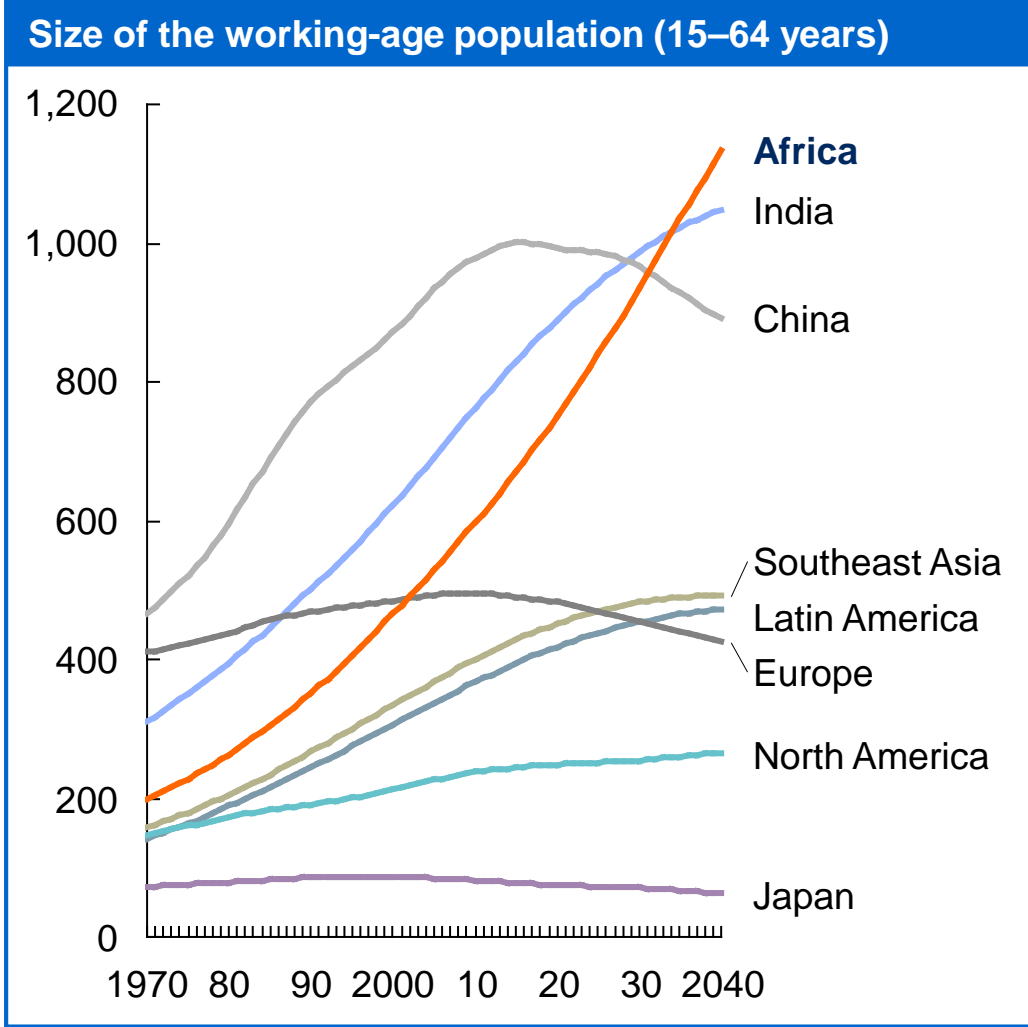
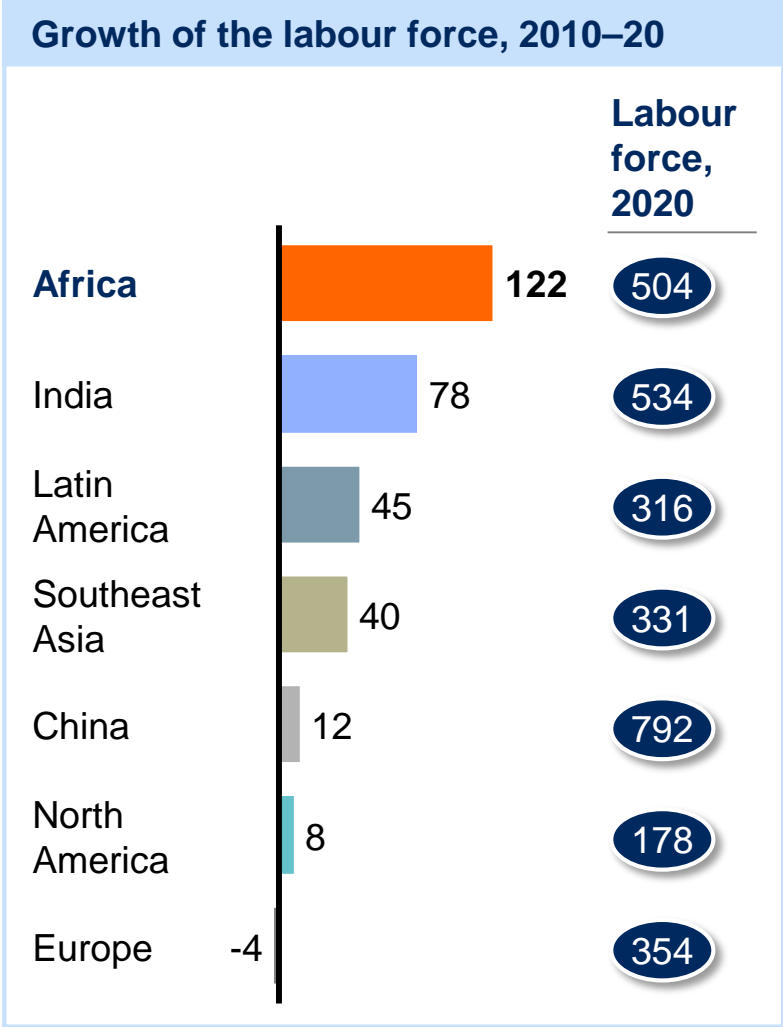
In Africa, 47 cities comprising 14% of the population will drive nearly 50% of GDP growth to 2025



¹ In 2025 USD at predicted real exchange rates

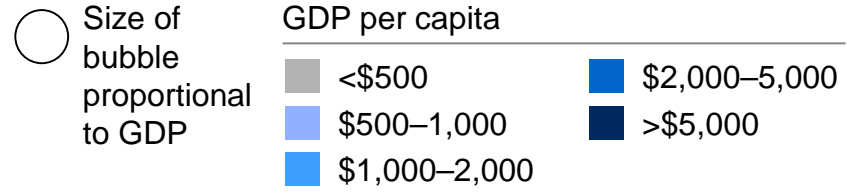
Africa's labour force will grow by 122 million over the next ten years, and will be the largest in the world by 2035

Million people

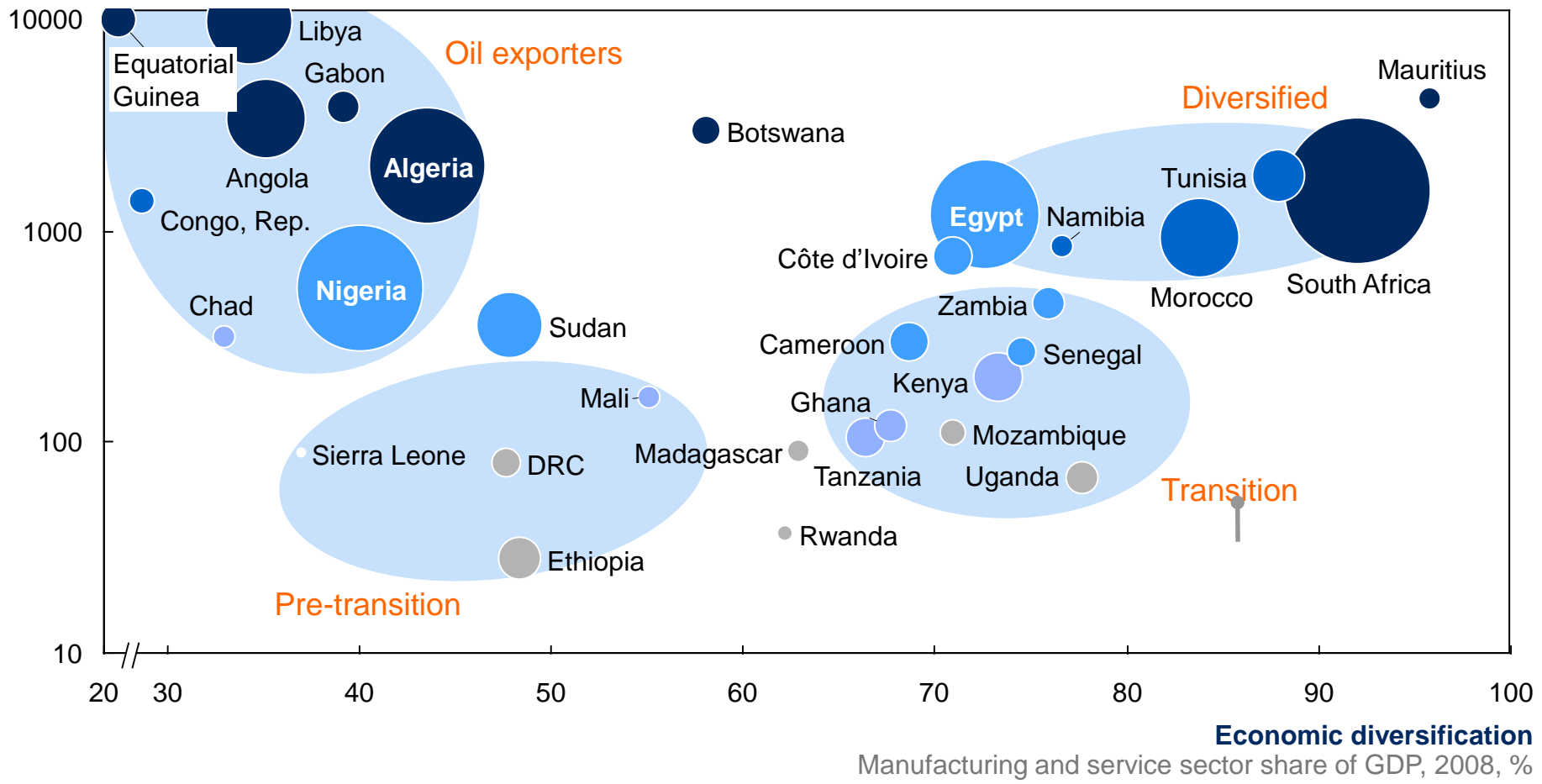


SOURCE: International Labour Organization; United Nations World Population Prospects; McKinsey Global Institute analysis

Africa's future growth prospects differ across four groups of countries



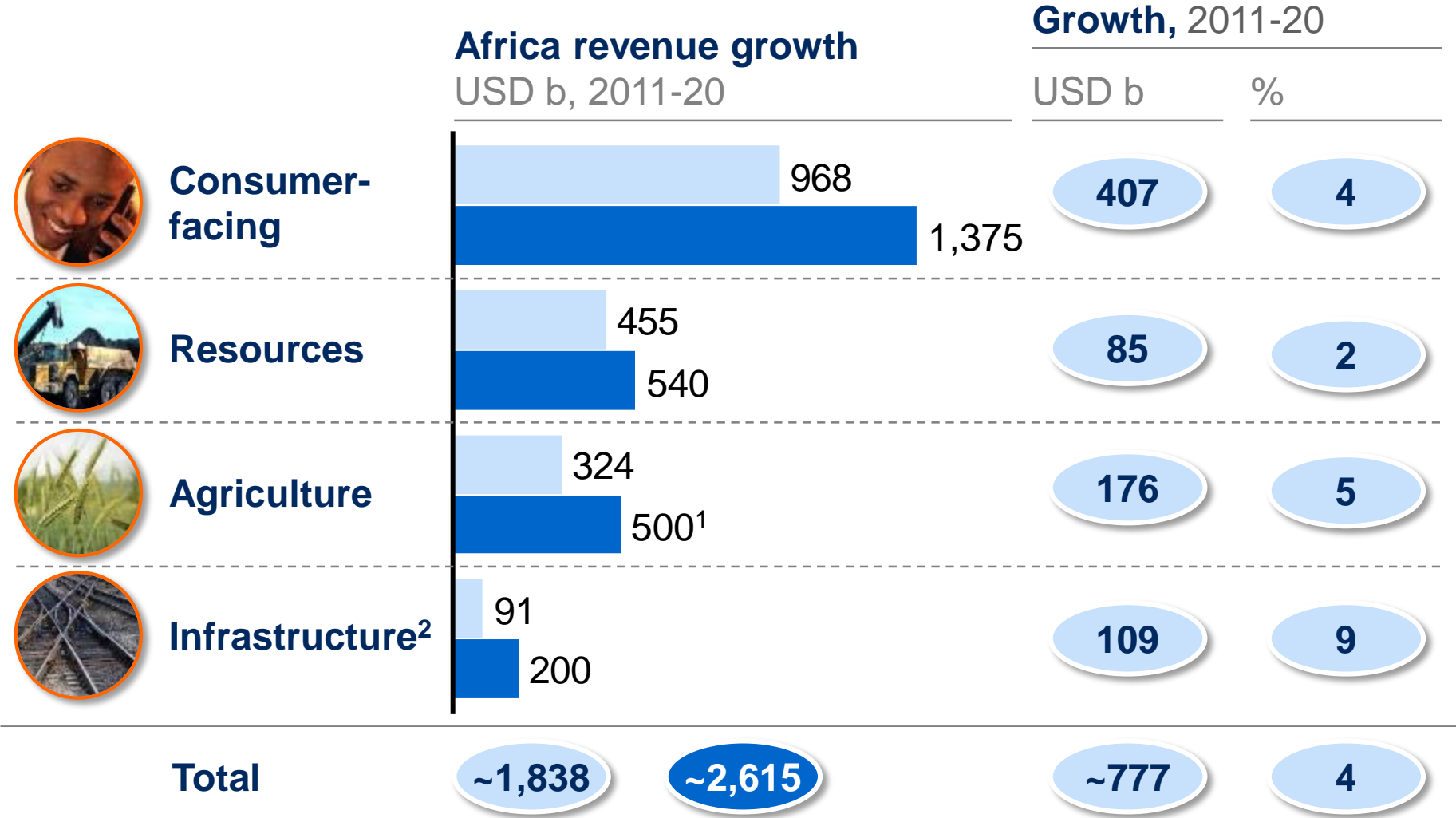
Exports per capita, 2008, \$



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.

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