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Despite Persistent Crises, Sub-Saharan Africa Presents Opportunities in 2025 Time-Frame

- **Heavily impacted by the Chinese slowdown and the fall in commodity prices, sub-Saharan Africa posted its lowest level of growth since 2008**
- **15 countries, including several that have been severely impacted by crises, show significant potential in terms of consumer spending**
- **Two sectors offer medium-term opportunities: Retail and ICT¹**

A continent burdened by major economic crises

The global economy is in turbulence. China's economic slowdown and the fall in commodity prices have weighed on fundamentals in sub-Saharan African countries. Growth, at 3.4% in 2015 and 2.6% in 2016, according to Coface forecasts, is the weakest since the 2008 crisis.

Commodity-exporting countries have been prompted to rapidly implement measures to counter these growing external risks. Many of these countries have attempted to maintain their exchange rates against the dollar, but with little success, due to heavy downward pressure. Several countries have tried to restrict expenditures in order to stem the deterioration in their public finances. The persistence of these crises has resulted in a continued state of fragility, with deep structural repercussions. However, despite strong disparities within the continent, consumer spending is the one factor indicating that these countries may become profitable markets in the medium-term.

Consumer spending as a way out?

Fifteen of the 55 countries analysed have the aggregate conditions required for a rise in consumer spending: **Gabon, Botswana, Namibia, South Africa, Nigeria, Ethiopia, Ivory Coast, Mozambique, Tanzania, Senegal, Democratic Republic of the Congo (DRC), Ghana, Kenya, Rwanda, and Angola**. Calculations based on two determining criteria, demographics and household consumption capacity, have been used to produce a country score ranking.

- Demographics provide a gauge of the potential size of a market. The sub-Saharan African urban population will exceed 50% of total population in 2025, with growth in revenues per inhabitant and infrastructures conducive to consumer spending. The age dependency ratio², although high today, should fall over the next 10 years. These countries present a major economic interest, particularly the most highly populated nations (for example Nigeria, with 182 million inhabitants in 2015.) The United Nations predicts that the number of inhabitants in sub-Saharan Africa will reach 1.2 billion in

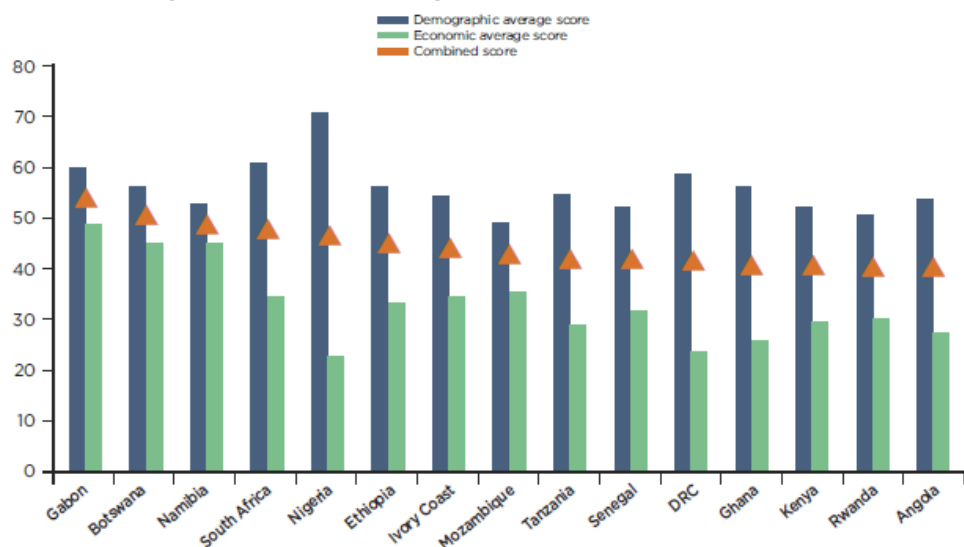
¹ Information and communication technologies

² Proportion of economically dependent people in the total population (aged under 15 or over 65)

2025.

- The economic criteria used to evaluate household consumer spending capacity took into account final consumption per inhabitant in 2014, the annual average GDP growth forecasted between 2015-2025, and the estimated level of GDP per inhabitant in 2025, as indicators of medium-term wealth.

Ranking of countries according to their scores (/100)



Source: Coface calculation

The combined demographic / economic score for the 15 markets that show potential is above, or equal to, 40/100. This group includes the main oil exporters (Gabon, Nigeria, and Angola) and several exporters of other commodities, particularly minerals (Botswana, Namibia, Ghana, and South Africa).

Nigeria, Angola, Ghana and South Africa: Opportunities for retail commerce and ICT companies

- **Retail commerce**, which is continuing to expand despite the current economic difficulties, shows strong potential for growth. The increasing wealth of these populations could boost consumption of higher added-value products. The development of retail infrastructures is also playing a key role. This can be seen in countries such as South Africa, which ranks 6th in the world in terms of the number of shopping centres (2,000.)
- **Information and communication technologies** have significant potential for capturing market share. Installation rates per capita are still relatively low and the range of services accessible by mobile phone is growing rapidly. New technologies also provide



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a major source of diversification for the economy.

The growth trajectory of sub-Saharan Africa could be curbed by economic crises and political or governance issues, but these factors do not jeopardize the positive medium-term outlook.

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