Japan External Trade Organization

JETRO's FY2015 Survey on Business Conditions of Japanese-Affiliated Firms in Africa

February 2016

Middle East and Africa Division
Overseas Research Department
Japan External Trade Organization (JETRO)

JETRO
Japan External Trade Organization

Key Points of Survey Results

More than a half of the Japanese-affiliated companies in Africa are very motivated to expand their business and are focusing their attention on the potential of Kenya. The Japanese government is highly expected to give support.

1

More than a half of the companies intend to expand business. Although the ratio of companies answering "expansion" concerning the approach to future business challenges in the next one or two years decreased from the previous year (69.0%), it is still more than a half (55.6%). Regarding the business performance in 2015, about a half of them (52.3%) was in the black. Regarding prospects for 2016, while the largest number of companies (44.3%) answered "remain the same," more than 40% (41.0%) expect "increase." Because many companies expect "sales increase in local markets," they are expanding their "sales function" (73.1%) and making efforts "to strengthen system to train/cultivate local human resources by focusing on localization of corporate management" (53.3%).

2

Management issues are "volatility of the local currency's exchange rate," "quality of employees (including technical capability)," and "Time-consuming customs procedures." "Volatility of the local currency's exchange rate" is a serious problem for more than a half of the companies (58.5%). It is especially serious in resource-rich countries such as Zambia (80.0%), Nigeria (70.6%), and South Africa (66.7%). A half of them (50.0%) regard "quality of employees (including technical capability)" as problematic. Many companies regard it as problematic in Portuguese-speaking countries.

3

Regarding investment environments, "market scale/growth potential" is highly regarded, while "insufficient infrastructure" is regarded as problematic. 66.5% of the companies positively regard "market scale/growth potential," which is highly regarded especially in Tanzania (90.0%) and Nigeria (86.7%). On the other hand, the highest risk lies in "insufficient infrastructure" (61.9%). Many companies (92.1%) have complaints about "electricity."

4

Many companies advanced into Africa because of "future potential of market." Profitability is as expected or more than expected for 60% of the companies. Kenya is a focus for their business expansion. Many Japanese-affiliated companies newly doing business in Africa (90.5%) highly expect "future potential of market," followed by those expecting "market size" (73.8%). Although only 31.0% expect "profitability," many companies have been feeling positive since advancing into Africa. Kenya attracts attention from the largest number of companies (37.2%).

5

Of the Japanese-affiliated companies in Africa, 75% highly wish for the strengthening of the Japanese government's support. Specifically, more than a half of the companies (58.7%) wish for "lobbying African governments for various requests and concerns from business side (such as construction of various systems and guidance for improvement)." More than 40% wish also for "funding (Investment loans, trade and investment insurance, standby credit)" (46.4%) and "signing bilateral treaties such as FTAs/EPAs, tax treaties, investment protection agreements, etc." (42.9%). In Angola, Côte d'Ivoire, and Madagascar, all the responding companies answered that the Japanese government "should reinforce" their support for Japanese companies in Africa.

Survey Items for This Year

Survey Overview

Objective

- To grasp the status of business operations of Japanese-affiliated firms in Africa and provide the results to the public.

Companies Surveyed

- Japanese-affiliated firms in 24 countries, including South Africa, Egypt, Morocco, Kenya, Nigeria, and Côte d'Ivoire

Period

- September 28 to November 10, 2015

Response Rate

- 228 valid responses (a 64.4% response rate) received out of 354 companies

Remarks

- This was the sixth survey (following those conducted in 1999, 2007, and every year since 2012).
- JETRO sent questionnaires written in Japan, English, or French to the target companies by fax/e-mail or informed them of the URL for the questionnaire

Notes

- All response rates are shown in a percentage (%). The response rate was rounded to the second decimal place. As a result, some total figures do not amount to 100%.
- "N" stands for the number of valid responses.

(No. of firms, %)

	Number of target companies	Respondents		Type of business		Valid response rate (%)
		Valid responses	Proportion of total (%)	Manufacturing	Non-manufacturing	
Total	354	228	100.0	64	164	64.4
North Africa	85	52	22.8	16	36	61.2
Egypt	46	33	14.5	12	21	71.7
Morocco	20	6	2.6	2	4	30.0
Tunisia	9	5	2.2	2	3	55.6
Algeria	10	8	3.5	0	8	80.0
West/Central Africa	37	30	13.2	10	20	81.1
Nigeria	21	17	7.5	7	10	81.0
Ghana	11	8	3.5	2	6	72.7
Côte d'Ivoire	4	4	1.8	1	3	100.0
Senegal	1	1	0.4	0	1	100.0
East Africa	57	52	22.8	6	46	91.2
Kenya	32	30	13.2	2	28	93.8
Tanzania	12	11	4.8	2	9	91.7
Madagascar	5	4	1.8	0	4	80.0
Uganda	3	3	1.3	1	2	100.0
Ethiopia	3	2	0.9	0	2	66.7
Rwanda	2	2	0.9	1	1	100.0
Southern Africa	175	94	41.2	32	62	53.7
South Africa	130	73	32.0	26	47	56.2
Mozambique	15	7	3.1	2	5	46.7
Zambia	10	5	2.2	2	3	50.0
Angola	9	6	2.6	2	4	66.7
Malawi	3	0	0.0	0	0	0.0
Mauritius	2	2	0.9	0	2	100.0
Zimbabwe	2	0	0.0	0	0	0.0
Botswana	2	1	0.4	0	1	50.0
Namibia	1	0	0	0	0	0.0
Swaziland	1	0	0	0	0	0.0

Reference: Map of Africa (target countries shown)

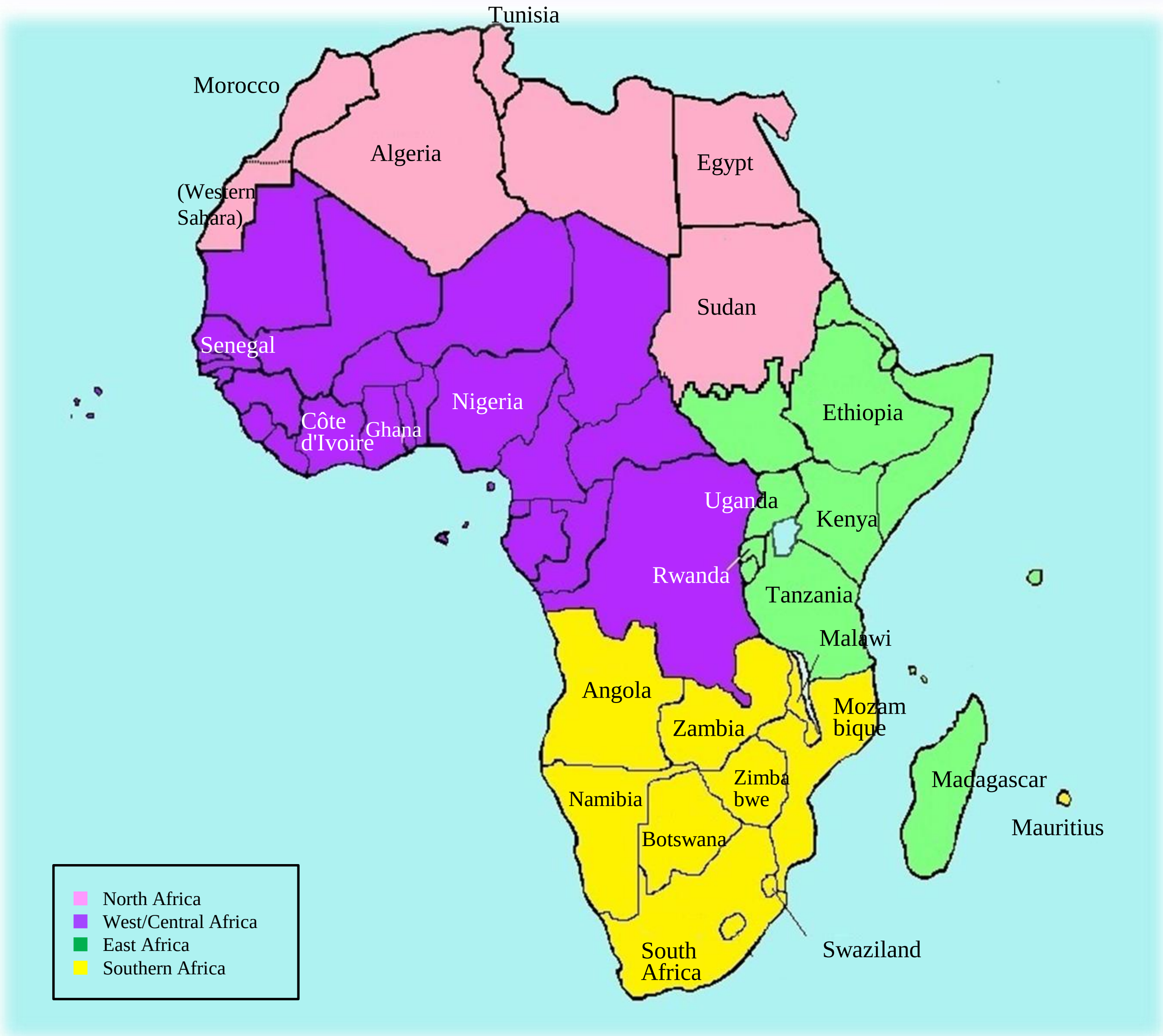
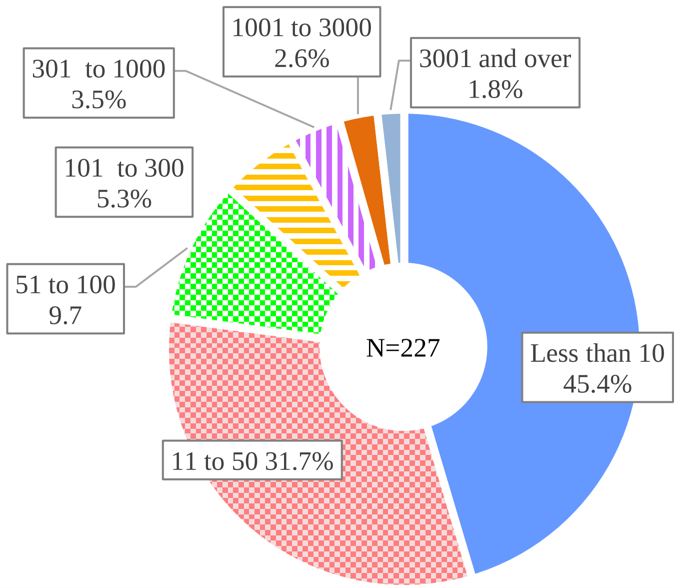
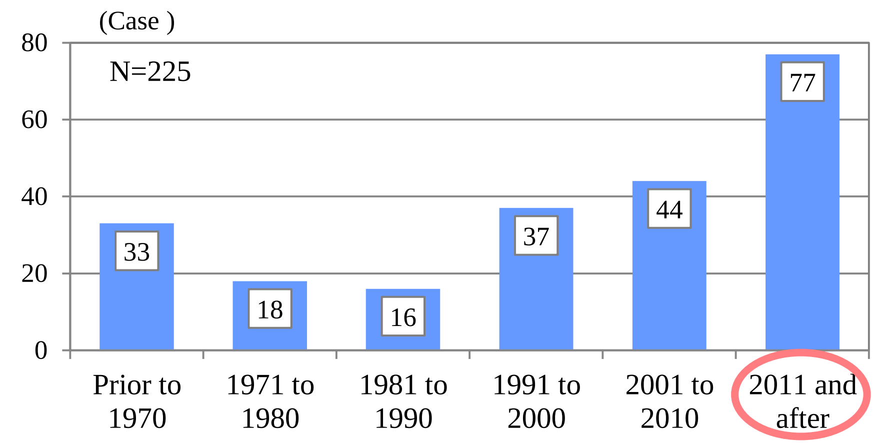


Figure 1. Profiles of Respondents

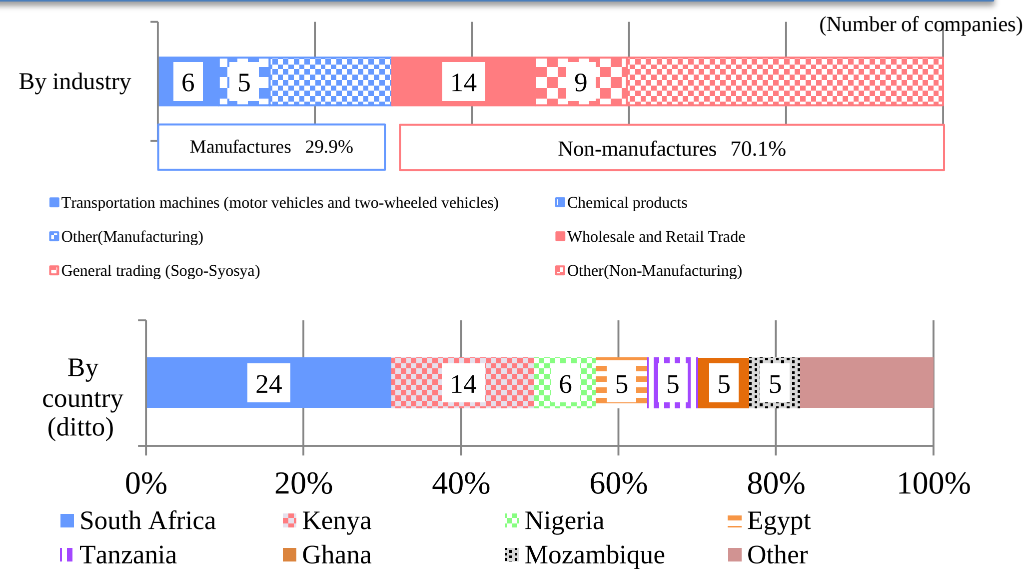
Number of local employees



Year of Establishment in Africa



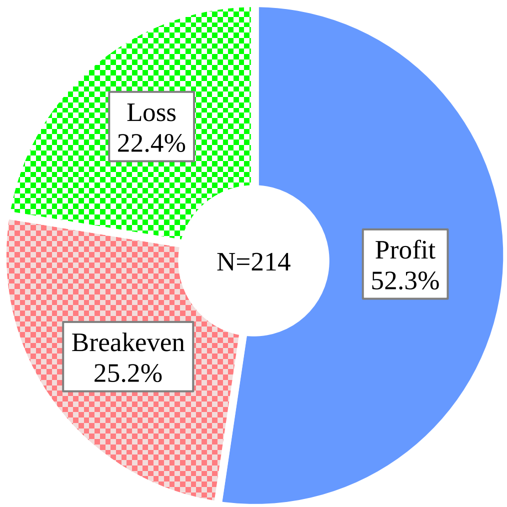
Breakdown of Japanese-affiliated firms beginning operations after 2011



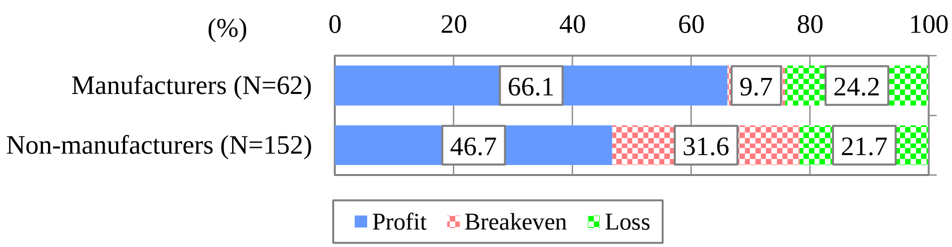
- As for the number of employees of respondents (N=227), 45.4% of all firms responded that they had fewer than 10 employees, the highest response. Three-fourths of all firms had less than 50 employees.
- Regarding "Year of Establishment in Africa" (N=225) , the largest number of respondents (77, or 34.2%) were firms that had begun operations in Africa in 2011 and after.
- Viewing a breakdown of the firms that began operations in 2011 and after, non-manufacturers largely accounted for 70% of the total. In terms of the number of responses, the largest 14 were responded from sales companies, followed by 9 from trading companies. In terms of manufacturers, there were 6 firms that began operations in transportation equipment (automobile/motorcycle).
- A breakdown by country of firms that began operations in 2011 and after showed that the largest was South Africa at 24 firms. This was followed by Kenya with 14 firms, and Nigeria with 6 firms .

Figure 2. Operating Profit Estimate for 2015

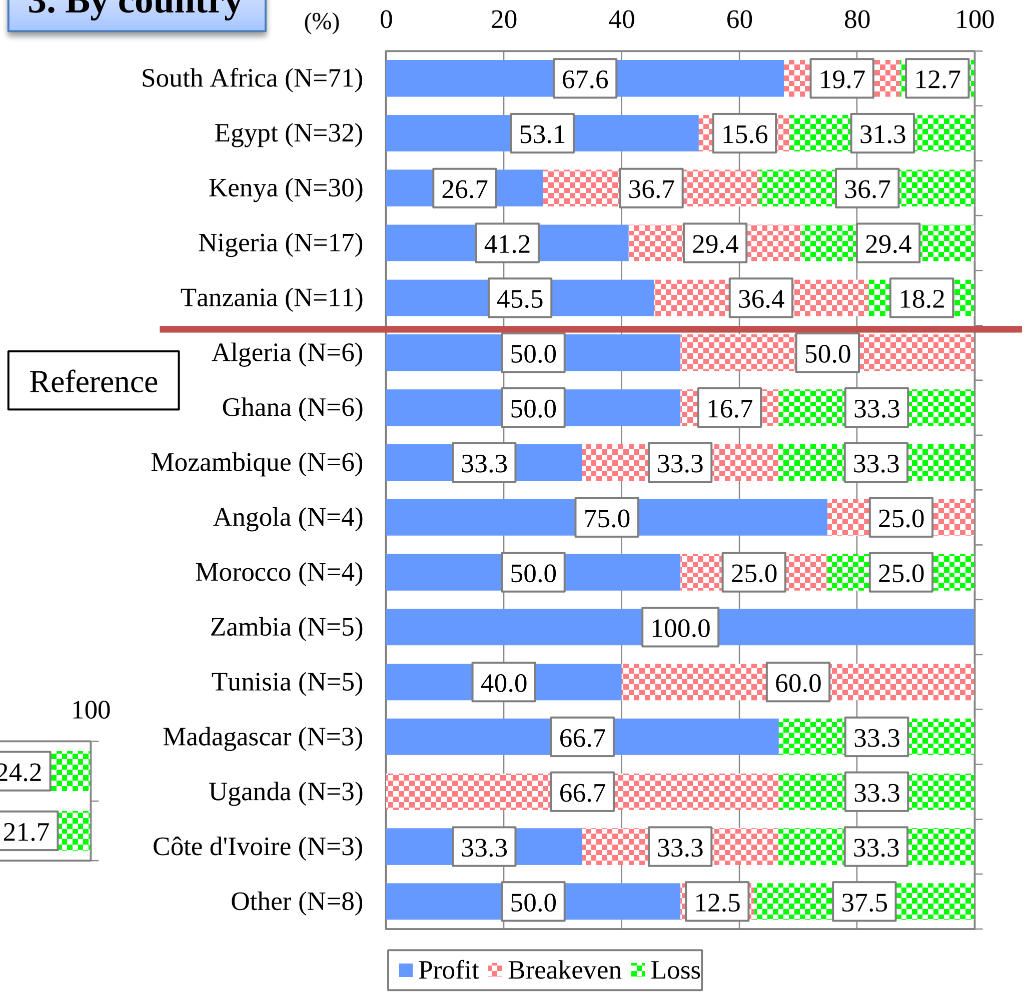
1.Total



2. By industry



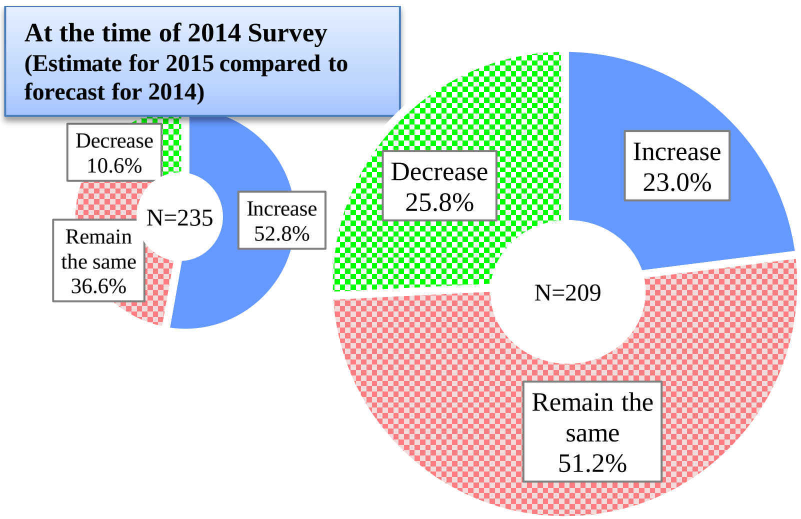
3. By country



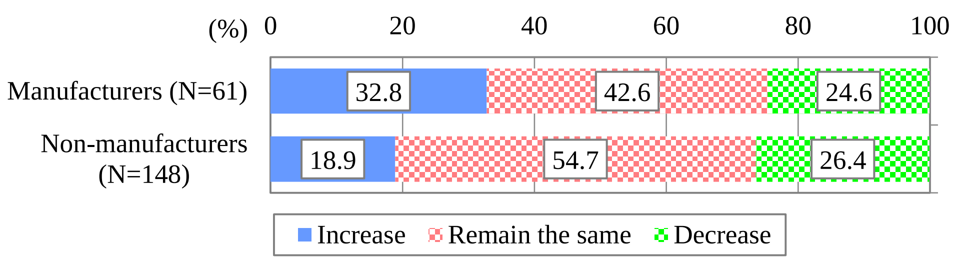
- Of the respondents (N=214), the percentage of those estimating they would be profitable is 52.3%, down by 2.1 points on the survey in the previous year.
- By industry, the percentage of manufacturers (N=62) that estimated they would be profitable is nearly 20 points higher (66.1%) than that of such non-manufacturers. While the percentage of such manufacturers increased, that of such non-manufacturers decreased.
- By country (N=over 10), a large percentage of firms in South Africa estimated they will be profitable (67.6%). More than a half of firms in Egypt estimated they will be profitable, while less than 30% of firms in Kenya estimated so.

Figure 3. Operating Profit Estimate (2015) Compared to Results in the Previous Year

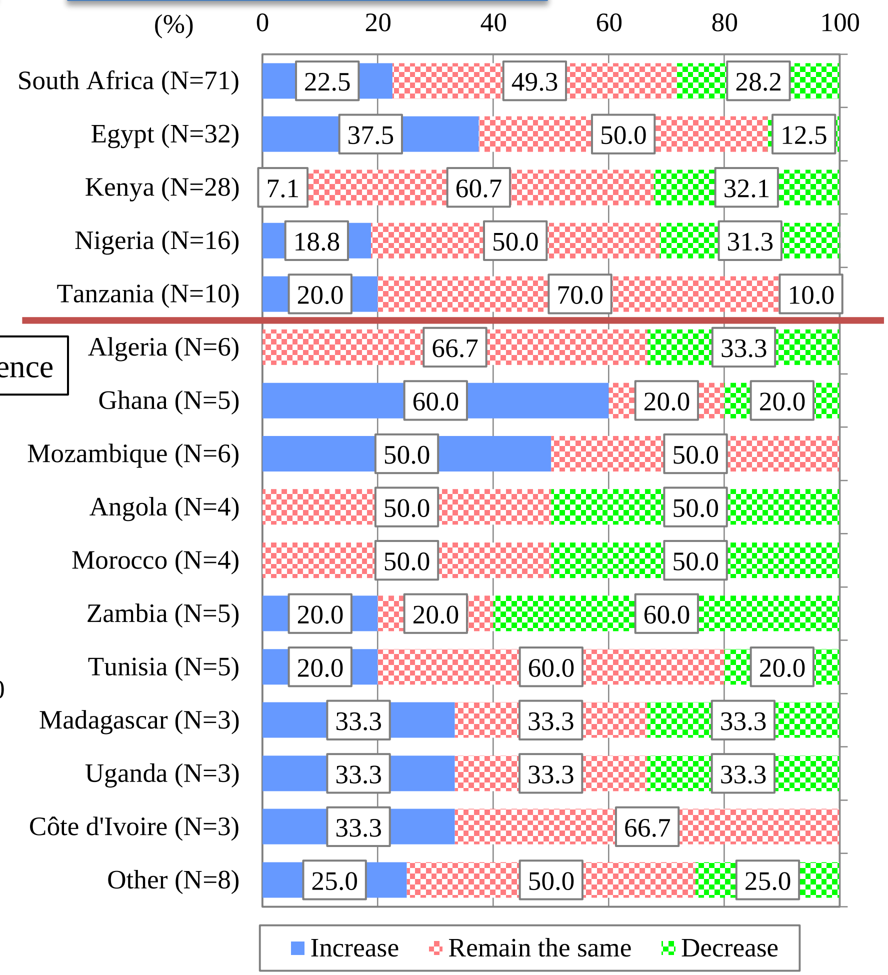
2015 operating profits (estimate) compared to 2014 results



Same estimate by industry



Same estimate by country



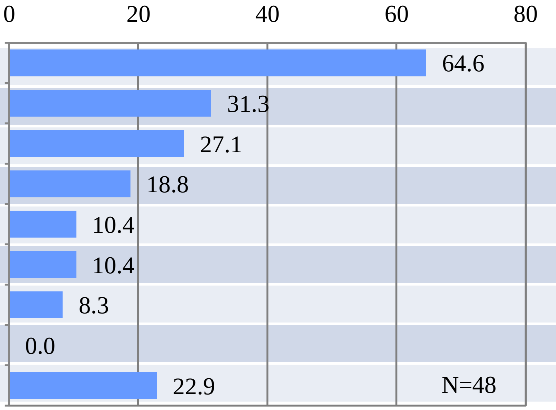
- For 2015, only 23.0% responded that they estimated an increase in operating profits for the current survey (N=209), while more than a half of respondents (52.8%) estimated so at the time of the survey in the previous year.
- By industry, 32.8% of the manufacturers estimated an “increase” from the results in the previous year, while 54.7% of the non-manufacturers estimated that the operating profits would be “remain the same.”
- By countries (N=10 or more), the percentage of respondents estimating an “increase” was low (7.1%) in Kenya. On the whole, the percentage of respondents estimating a “decrease” from the results in the previous year increased.

Figure 4. Operating Profit Estimate (2015) Reasons for Improvement or Decline

Multiple answers allowed

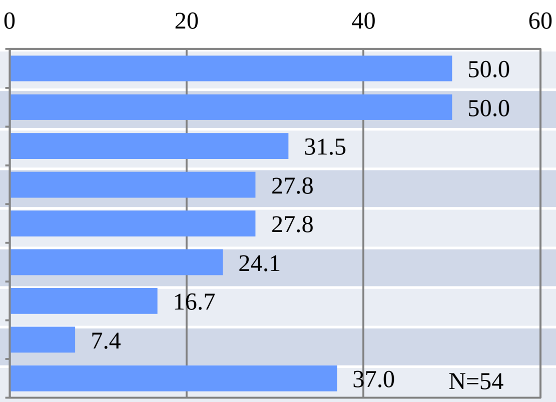
2015 operating profits (estimate) compared to 2014 results

Reasons for improvements (N=48) (%)



Reasons for improvements (N=48)	By industry: Manufacturers (N=20)	By industry: Non-manufacturers (N=28)	By country (N=over 5): South Africa (N=16)	By country (N=over 5): Egypt (N=12)
Sales increase in local markets	50.0	75.0	75.0	50.0
Sales increase due to export expansion	50.0	17.9	31.3	33.3
Improvement of sales efficiency	20.0	32.1	50.0	16.7
Effects of exchange rate fluctuation	30.0	10.7	18.8	25.0
Reduction of procurement costs	15.0	7.1	-	33.3
Improvement of production efficiency	25.0	-	-	16.7
Other spending cuts (administrative, utility and fuel costs)	15.0	3.6	12.5	8.3
Reduction of labor costs	-	-	-	-
Other	20.0	25.0	12.5	25.0

Reasons for decline (N=54) (%)

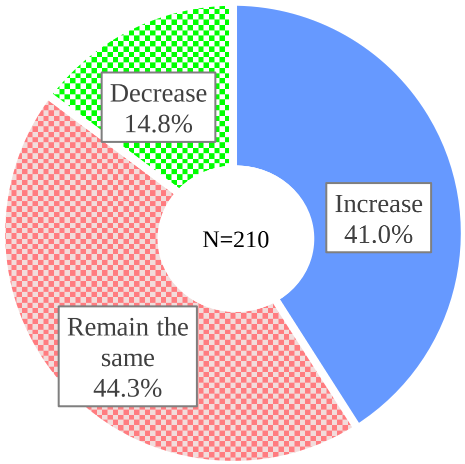


Reasons for decline (N=54)	By industry: Manufacturers (N=15)	By industry: Non-manufacturers (N=39)	By country (N=over 5): South Africa (N=20)	By country (N=over 5): Kenya (N=9)	By country (N=over 5): Nigeria (N=5)
Sales decrease in local markets	66.7	43.6	65.0	11.1	20.0
Effects of exchange rate fluctuation	53.3	48.7	55.0	44.4	60.0
Sales decrease due to export slowdown	26.7	33.3	45.0	-	20.0
Increase of labor costs	46.7	20.5	50.0	22.2	40.0
Increase in other costs (administrative, utility and fuel costs)	33.3	25.6	50.0	22.2	-
Production costs insufficiently shifted to selling price of goods	53.3	12.8	30.0	33.3	40.0
Increase of procurement costs	20.0	15.4	20.0	33.3	20.0
Rising interest rates	6.7	7.7	15.0	11.1	-
Other	20.0	43.6	10.0	66.7	40.0

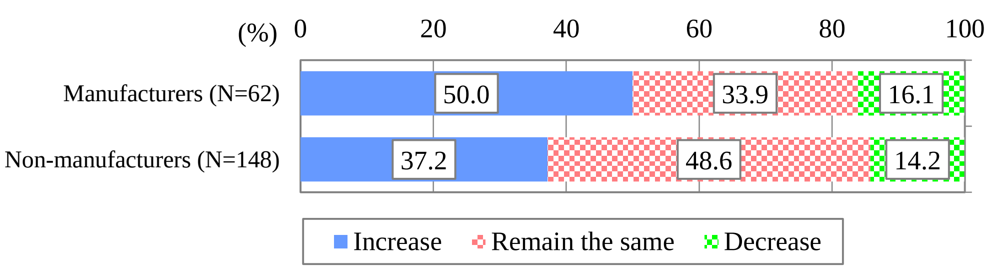
- The greatest reason for an "increase" in operating profits from 2014 was "sales increase in local markets" (64.6%). In addition, many manufacturers answered "sales increase due to export expansion" (50.0%). Many respondents in South Africa answered "improvement of sales efficiency" (50.0%).
- Regarding the reasons for estimating a "decrease" in operating profits from 2014, the percentage of those answering "sales decrease in local markets" increased to the same level of those answering "effects of exchange rate fluctuation" (50.0% each). Many manufacturers answered that various costs insufficiently shifted to the selling price of goods (53.3%). In Nigeria, "effects of exchange rate fluctuation" was a great reason (60.0%).

Figure 5. Operating Profit Forecast (2016) Compared to Estimate for 2015

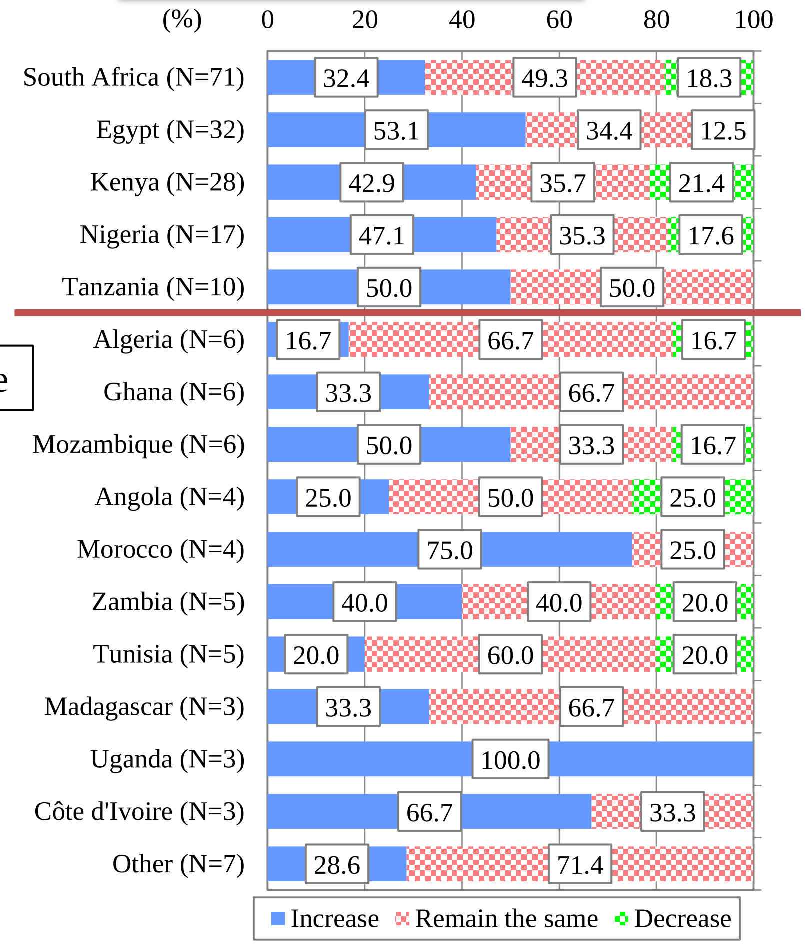
Operating profit forecast for 2016 compared to estimate for 2015



Same estimate by industry



Same estimate by country



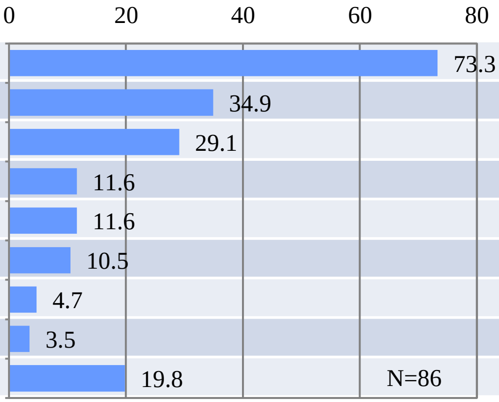
- Regarding the operating profit forecast for 2016 (N=210), more companies forecasted that operating profits would "remain the same" (44.3%) than company forecasting an "increase." (41.0%).
- By industry, a half of the respondent manufacturers (50.0%) forecasting an increase. Of the respondent non-manufacturers, the percentage of those answering "remain the same" was high (48.6%).
- By country (N=10 or over), more than a half of the respondents forecasted an "increase" in Egypt (53.1%) and Tanzania (50.0%). About 20% of the respondents forecasted a "decrease" in each country.

Figure 6. Operating Profit Forecast (2016) Reasons for Improvement or Decline

Multiple answers allowed

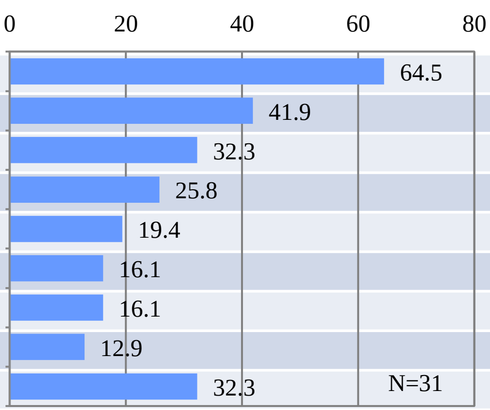
Operating profit forecast for 2016 compared to estimate in 2015

Reasons for improvements (N=86)



Reasons for improvements	All (%)	By industry: Manufacturers (N=31)	By industry: Non-manufacturers (N=55)	By country (N=over 5): South Africa (N=23)	Egypt (N=17)	Kenya (N=12)	Nigeria (N=8)	Tanzania (N=5)
Sales increase in local markets	73.3	74.2	72.7	87.0	70.6	58.3	87.5	100.0
Sales increase due to export expansion	34.9	51.6	25.5	43.5	29.4	25.0	37.5	-
Improvement of sales efficiency	29.1	45.2	20.0	34.8	17.6	33.3	37.5	20.0
Reduction of procurement costs	11.6	19.4	7.3	8.7	-	25.0	25.0	-
Improvement of production efficiency	11.6	32.3	-	8.7	-	8.3	25.0	-
Other spending cuts (administrative, utility and fuel costs)	10.5	12.9	9.1	8.7	-	8.3	25.0	20.0
Effects of exchange rate fluctuation	4.7	3.2	5.5	-	11.8	8.3	-	-
Reduction of labor costs	3.5	3.2	3.6	-	-	8.3	-	-
Other	19.8	16.1	21.8	13.0	17.6	25.0	12.5	20.0

Reasons for decline (N=31)

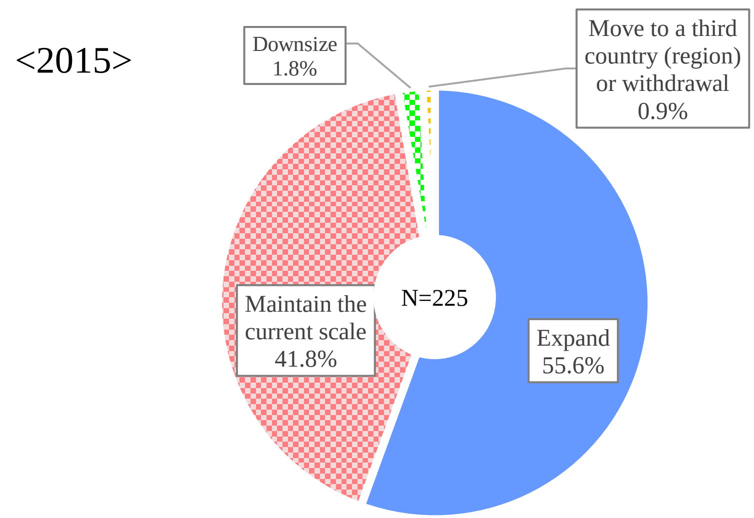


Reasons for decline	All (%)	By industry: Manufacturers (N=10)	By industry: Non-manufacturers (N=21)	By country(N=over 3): South Africa (N=13)	Kenya (N=6)	Egypt (N=4)	Nigeria (N=3)
Sales decrease in local markets	64.5	70.0	61.9	84.6	50.0	50.0	66.7
Effects of exchange rate fluctuation	41.9	40.0	42.9	69.2	16.7	-	66.7
Increase of labor costs	32.3	30.0	33.3	46.2	33.3	25.0	33.3
Increase in other costs (administrative, utility and fuel costs)	25.8	20.0	28.6	46.2	16.7	-	33.3
Production costs insufficiently shifted to selling price of goods	19.4	40.0	9.5	38.5	-	-	-
Sales decrease due to export slowdown	16.1	30.0	9.5	23.1	-	-	-
Increase of procurement costs	16.1	10.0	19.0	30.8	33.3	-	-
Rising interest rates	12.9	20.0	9.5	23.1	16.7	-	-
Other	32.3	30.0	33.3	7.7	50.0	100.0	33.3

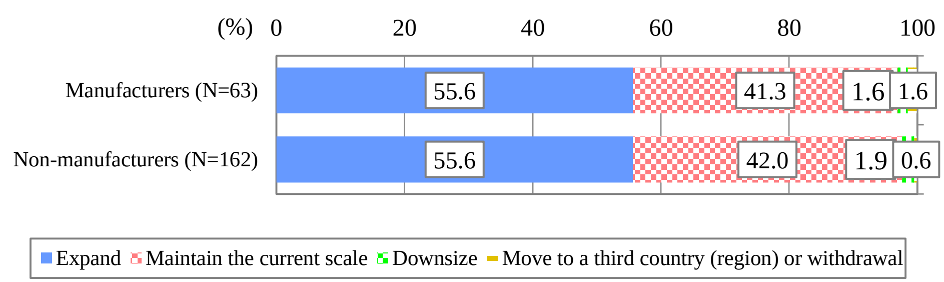
- The greatest reason for an "increase" in operating profits from 2015 was "sales increase in local markets" (73.3%). "Other" reasons for improvement include improvement in business environments because of the recovery of security and the effect of input of new products.
- Regarding the reasons for estimating a "decrease" in operating profits from 2015, the percentage of those forecasting "sales decrease in local markets" (64.5%) increased. This tendency was strong especially in South Africa (84.6%). "Other" reasons include the impossibility of forecasting the recovery of security and a decrease in demand.

Figure 7. Business Expansion in the Next One or Two Years (1)

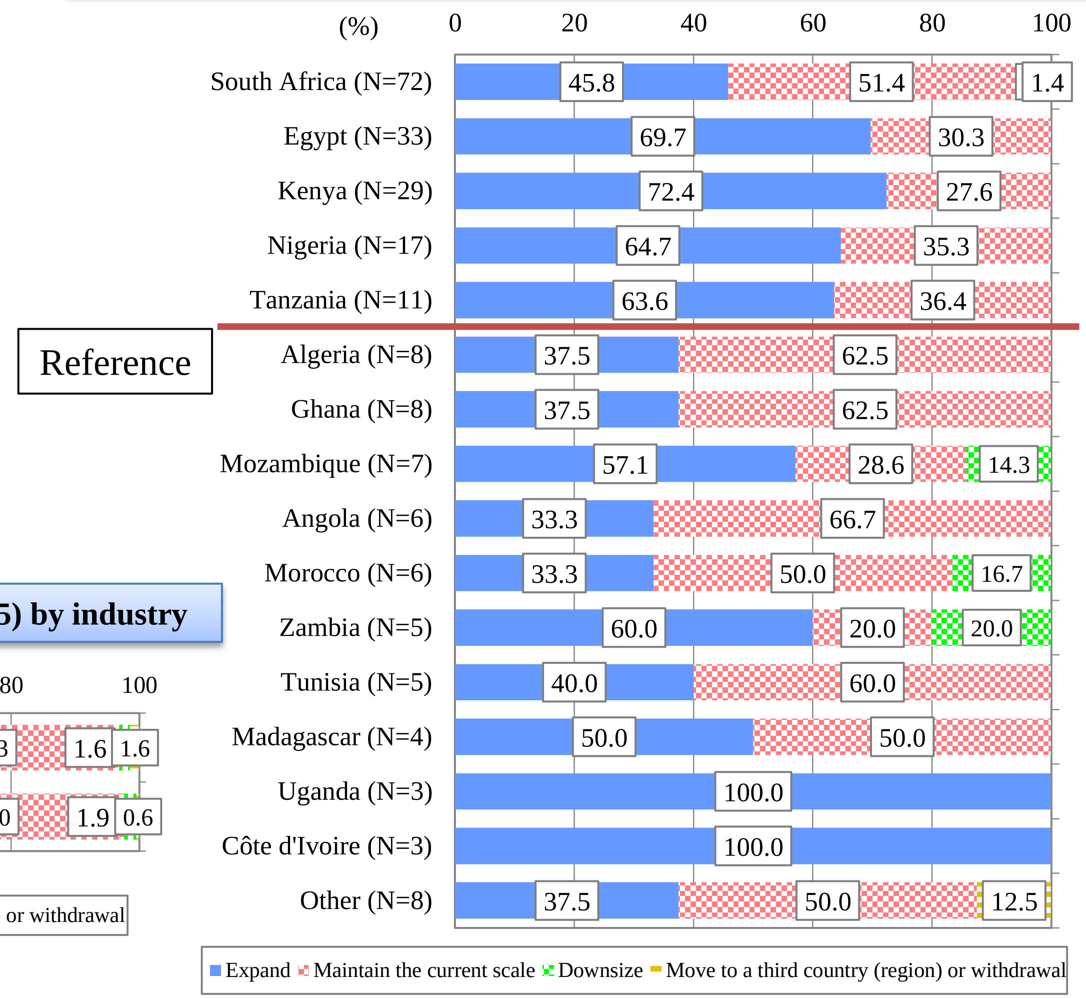
1. Business operations in the next one or two years



2. Business operations in the next one or two years (2015) by industry



3. Business operations in the next one or two years (2015) by country

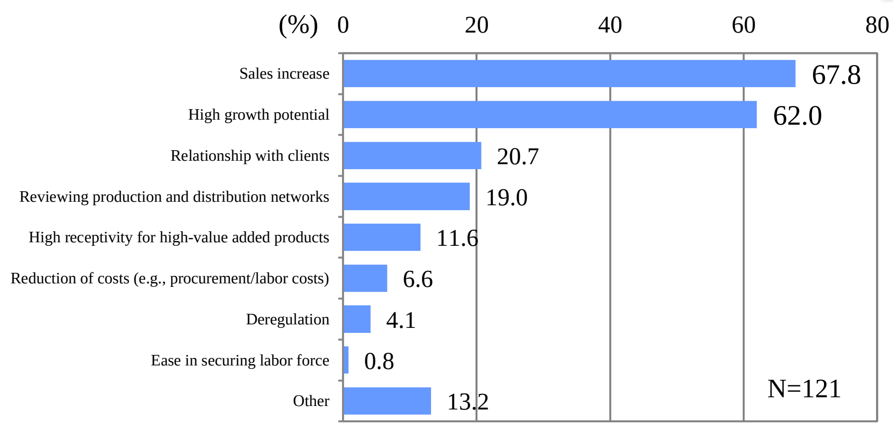


- More than a half (55.6%) of the respondent companies (N=225) intended to expand their business operations in the next one or two years. However, the percentage decreased by nearly 15 points from the previous year (69.0%), while the percentage of those "remaining the same" increased.
- By industry, there was no remarkable difference between "manufacturers" and "non-manufacturers."
- By country (N=10 or over), 72.4% of the respondent companies in Kenya continued to have strong will for expansion (73.1% the last time). The percentage of such companies remained high also in Egypt (from 71.8% the last time to 69.7% this time).

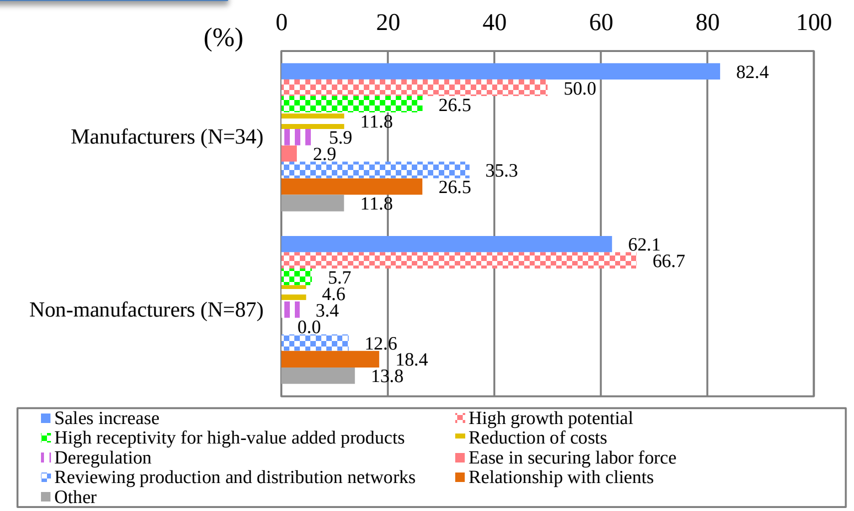
Figure 8. Business Expansion in the Next One or Two Years (2)

Multiple answers allowed

1. Reasons for expansion



2. By industry



3. By country (N=10 or over)

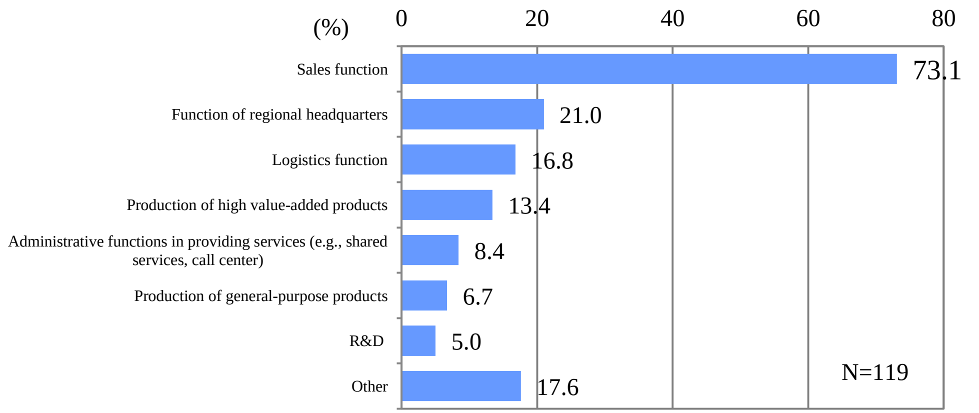
		Number of firms that responded (Excluding no response)	Sales increase	High growth potential	High receptivity for high value-added products	Decrease in costs (procurement and labor costs, etc.)	Easing of regulations	Ease of securing labor force	Readjustment of production and sales network	Relationship with business partners	Other
South Africa	Responses	33	24	12	6	3	1	-	6	9	6
	(%)	100.0	72.7	36.4	18.2	9.1	3.0	-	18.2	27.3	18.2
Egypt	Responses	21	14	18	1	-	3	-	2	2	2
	(%)	100.0	66.7	85.7	4.8	-	14.3	-	9.5	9.5	9.5
Kenya	Responses	20	10	13	2	3	-	-	3	3	2
	(%)	100.0	50.0	65.0	10.0	15.0	-	-	15.0	15.0	10.0
Nigeria	Responses	11	9	9	1	-	-	-	3	3	-
	(%)	100.0	81.8	81.8	9.1	-	-	-	27.3	27.3	-
Others	Responses	46	25	23	4	2	1	1	9	8	6
	(%)	100.0	54.3	50.0	10.8	4.3	2.2	2.2	19.6	17.4	13.0

- Among the reasons for expansion (N=121), the highest number of firms (67.8%) answered "sales increase," which was followed by "high growth potential" (62.0%). The percentage of firms answering "sales increase" decreased by 7 points from the survey in the previous year.
- By industry, the percentage of "manufacturers" answering "high receptivity for high-value added products" increased (by 11 points). The percentage of those answering "reviewing production and distribution networks" also increased (by 16 points). "Other" opinions included "recession is advantageous to the acquisition of local firms."
- By country, there are not so many firms evaluating "high growth potential" in South Africa (36.4%). However, the percentage of firms expecting "high receptivity for high-value added products" is higher in South Africa (18.2%) than in other countries. In Nigeria, many firms expect "sales increase" and "high growth potential" (81.8% each).

Figure 9. Business Expansion in the Next One or Two Years (3)

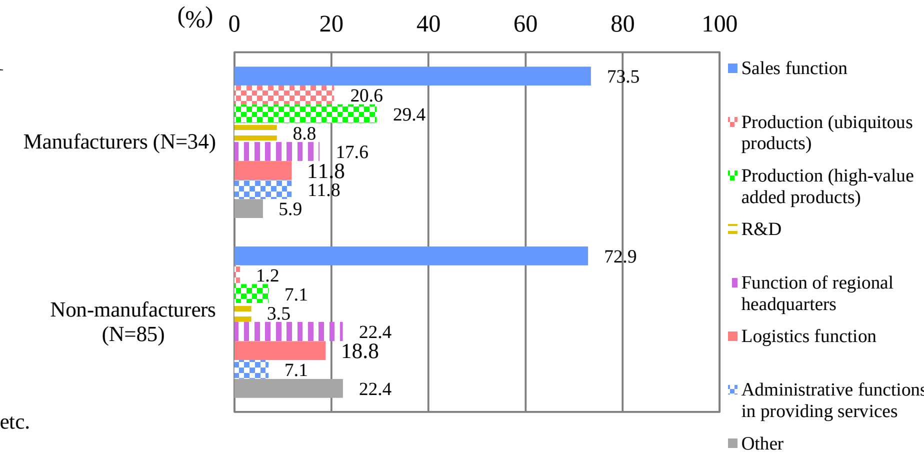
Multiple answers allowed

1.Functions to be expanded



Note: Service industry functions are shared services, call centers, etc.

2. By industry



3. By country (N=10 or over)

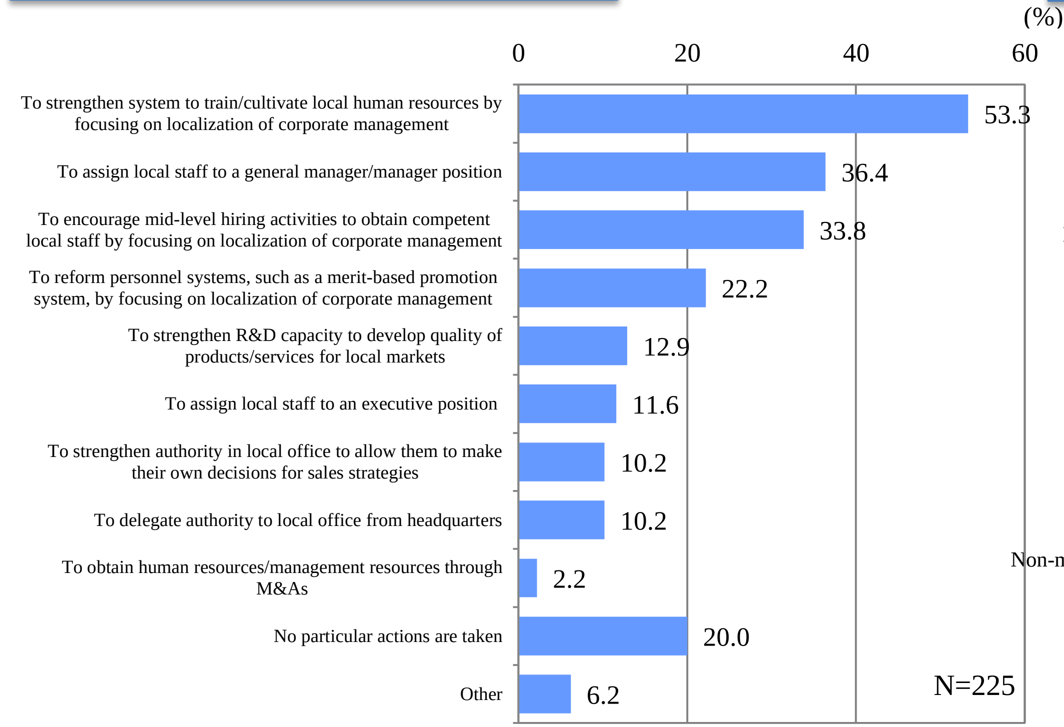
		Number of firms that responded (Excluding no response)	Sales function	Production of general-purpose products	Production of high valued-added products	R&D function	Regional headquarter function	Logistics function	Service administration function	Other
South Africa	Responses	33	27	2	2	3	11	7	1	2
	(%)	100.0	81.8	6.1	6.1	9.1	33.3	21.2	3.0	6.1
Egypt	Responses	22	14	3	4	-	3	-	1	5
	(%)	100.0	63.6	13.6	18.2	-	13.6	-	4.5	22.7
Kenya	Responses	20	12	-	3	-	6	2	3	2
	(%)	100.0	60.0	-	15.0	-	30.0	10.0	15.0	10.0
Nigeria	Responses	10	8	1	2	1	1	2	-	2
	(%)	100.0	80.0	10.0	20.0	10.0	10.0	20.0	-	20.0
Others	Responses	34	26	2	5	2	4	9	5	10
	(%)	100.0	76.5	5.9	14.7	5.9	11.8	26.5	14.7	29.4

- Among the functions to be expanded (N=119), a majority (73.1%) of the firms chose “sales function” as in the previous year. There is no difference between the industries.
- “Other” included “business investments,” “improvement of liaison function,” “project development (information collection/analysis, strengthening of proposals),” and "expansion of after-sale service.“
- By country, expansion of “production function (both ubiquitous products and high-value added products)” decreased from the previous year (by 6 points and 13 points respectively) in South Africa. In Kenya, the tendency to strengthen the “function of regional headquarters” can be seen as in the previous year.

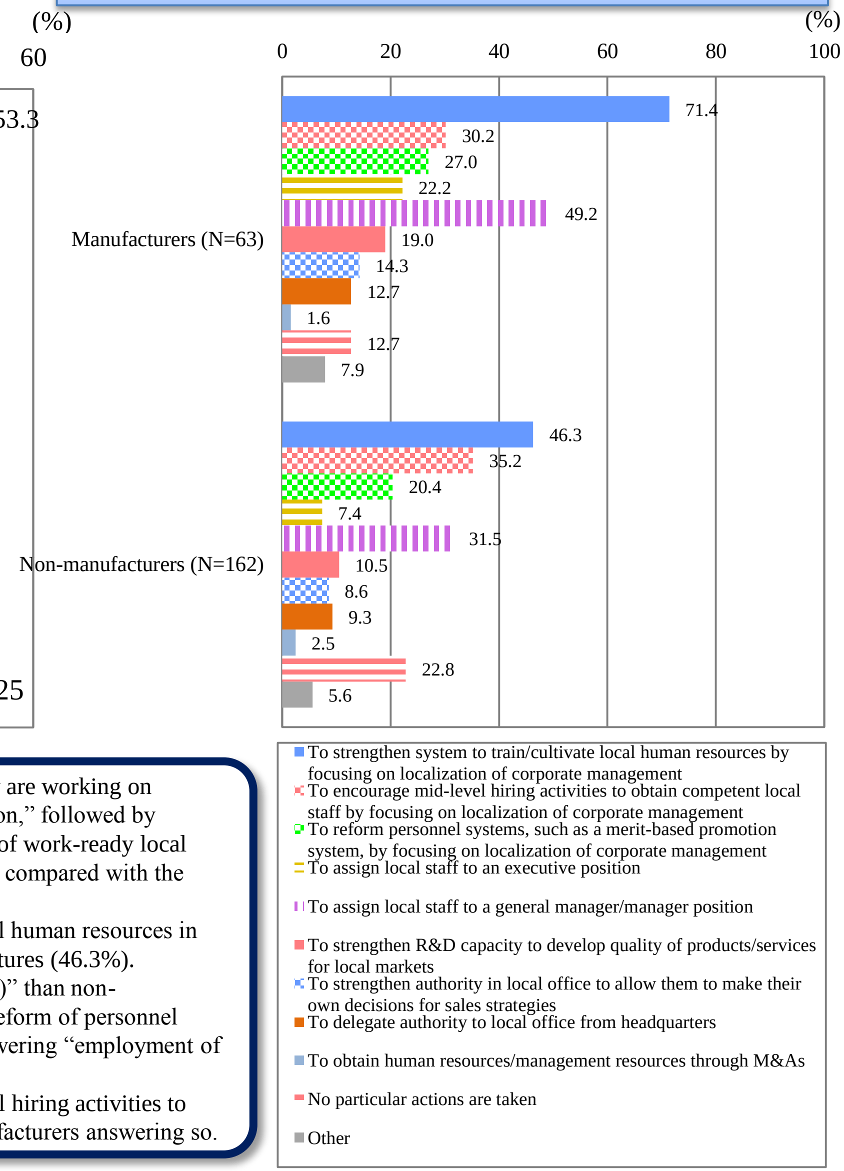
Figure 10. Management Localization (1)

Multiple answers allowed

Approaches to management localization



Approaches to management localization by industry

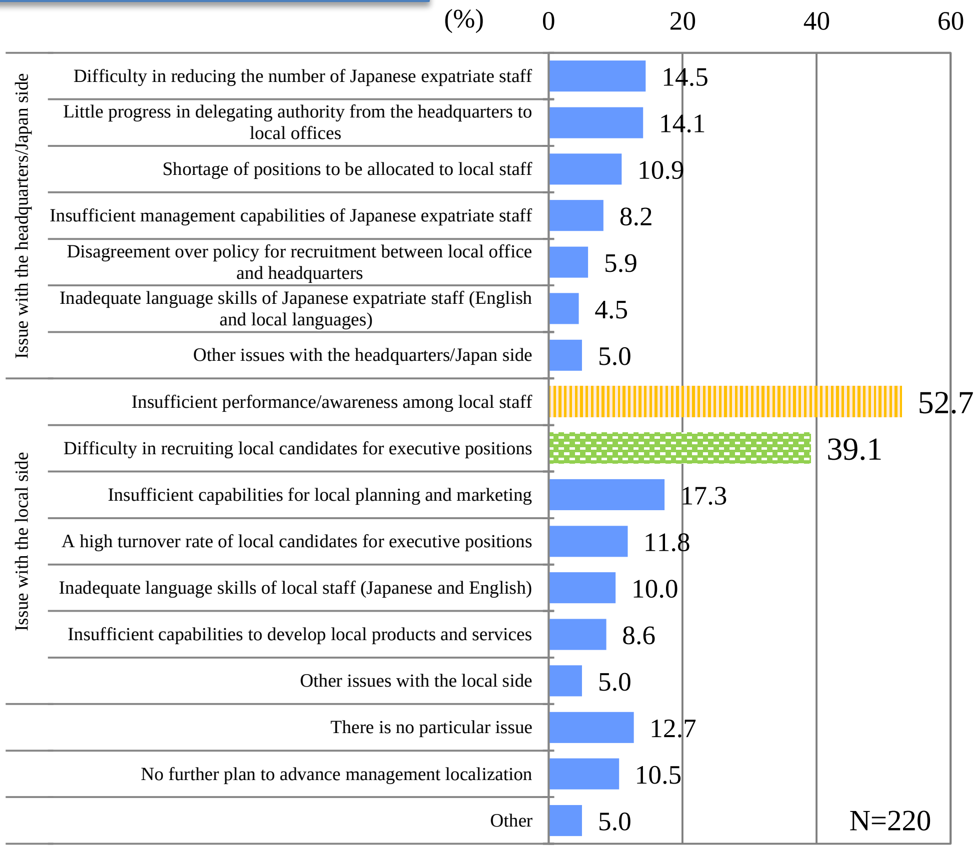


- In regard to approaches to management localization (N=225), 53.3% of firms indicated that they are working on "enhancement of training and cultivation of local human resources in consideration of localization," followed by "employment of local human resources (executive level)" (36.4%) and "mid-career recruitment of work-ready local human resources in consideration of localization" (33.8%). There was no great change in trends, compared with the previous year.
- By industry, the percentage of firms answering "enhancement of training and cultivation of local human resources in consideration of localization" was the highest both for manufacturers (71.4%) and non-manufactures (46.3%). Manufacturers show greater progress in "employment of local human resources (executive level)" than non-manufacturers. Compared with the previous year, the percentage of manufacturers answering "reform of personnel systems, such as a merit-based promotion system" decreased, while the percentage of those answering "employment of local human resources" increased.
- On the other hand, the percentage of non-manufacturers answering "encouragement of mid-level hiring activities to obtain competent local staff" (35.2%) was characteristically higher than the percentage of manufacturers answering so.

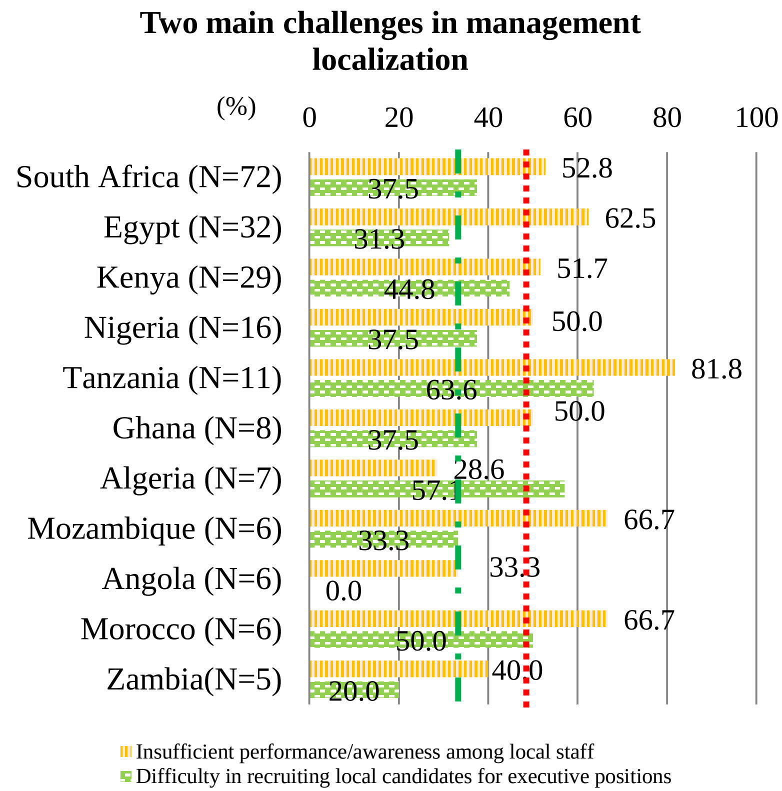
Figure 11. Management Localization (2)

Multiple answers allowed

Challenges in localization



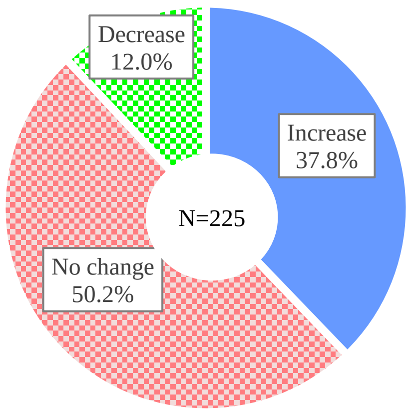
By country (N=10 or over)



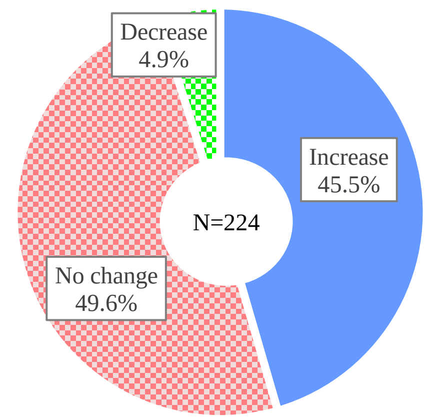
- Regarding challenges in localization of management (N=220), many firms answered “ability and awareness of local human resources” (52.7%) and “difficulty in hiring management candidates” (39.1%). The percentage of the respondents answering “ability and awareness of local human resources” increased by 10 points, compared with the survey in the previous year.
- By country (N=10 or over), if the focus is narrowed to “ability and awareness of local human resources” and “difficulty in hiring management candidates,” two main challenges in Japanese firms’ localization, many firms regard “ability and awareness of local human resources” as problematic in Tanzania (81.8%), Mozambique, Morocco (66.7% each), and Egypt (62.5%). On the other hand, many firms regard “difficulty in hiring management candidates” as problematic in Tanzania (63.6%), Algeria (57.1%), Morocco (50.0%), and Kenya (44.8%).
- Comments about challenges on the headquarters side include “insufficient awareness of local conditions (unable to understand severe conditions),” “various requests in Japanese (instead of English),” and “excessive response to security.” On the other hand, several firms pointed out “lack of responsibility.” Other comments include “gap between ability and salary level” and “insufficient IT literacy.” Some firms in South Africa regard BEE measures as problematic.

Figure 12. Changes in Human Resource Structures (1) Local employees

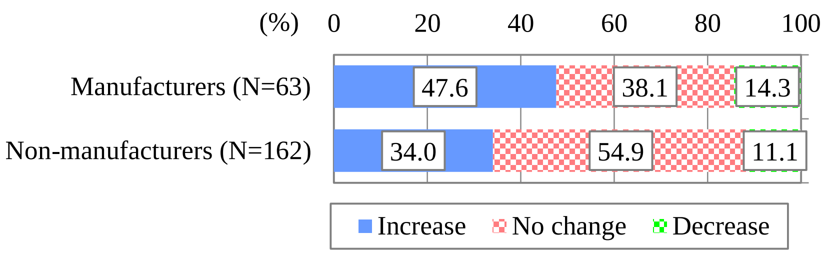
Changes in number of local staff over the past year



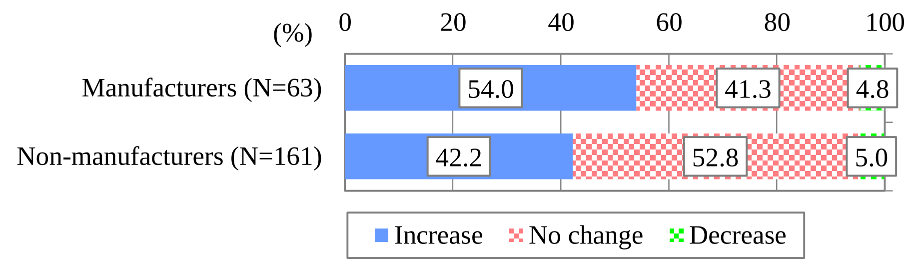
Future plans for local labor force



Changes in number of local staff over the past year by industry



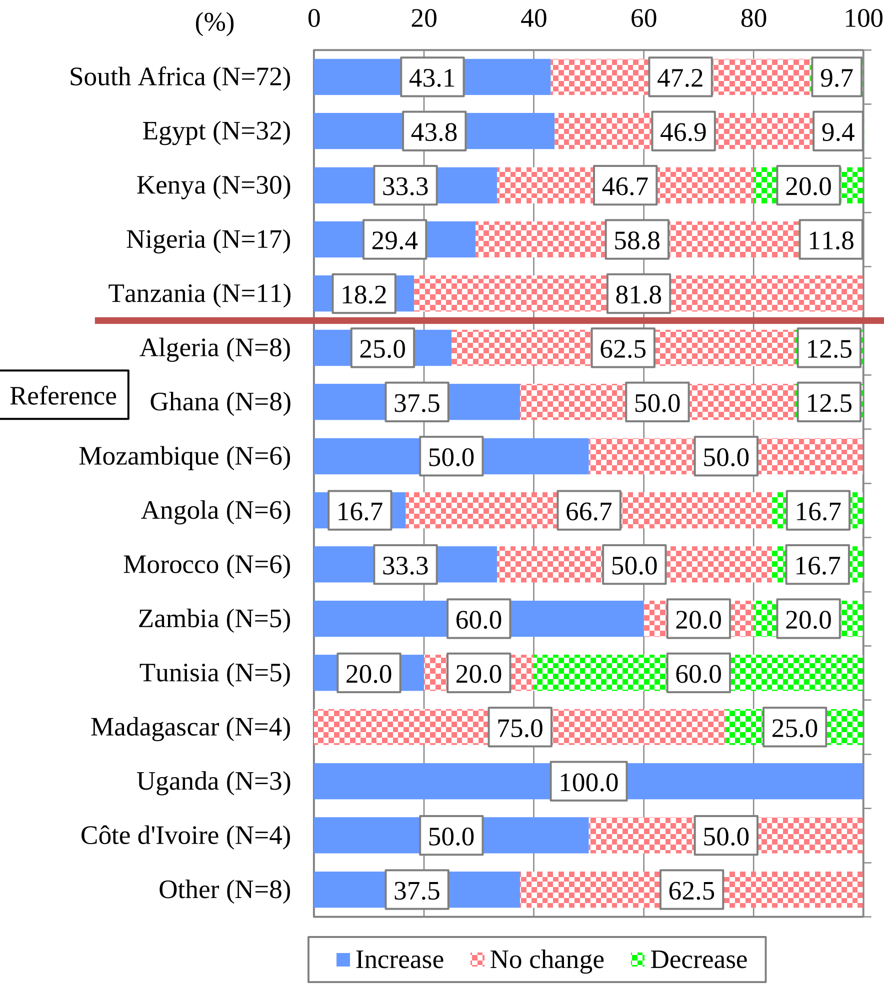
Future plans for local labor force by industry



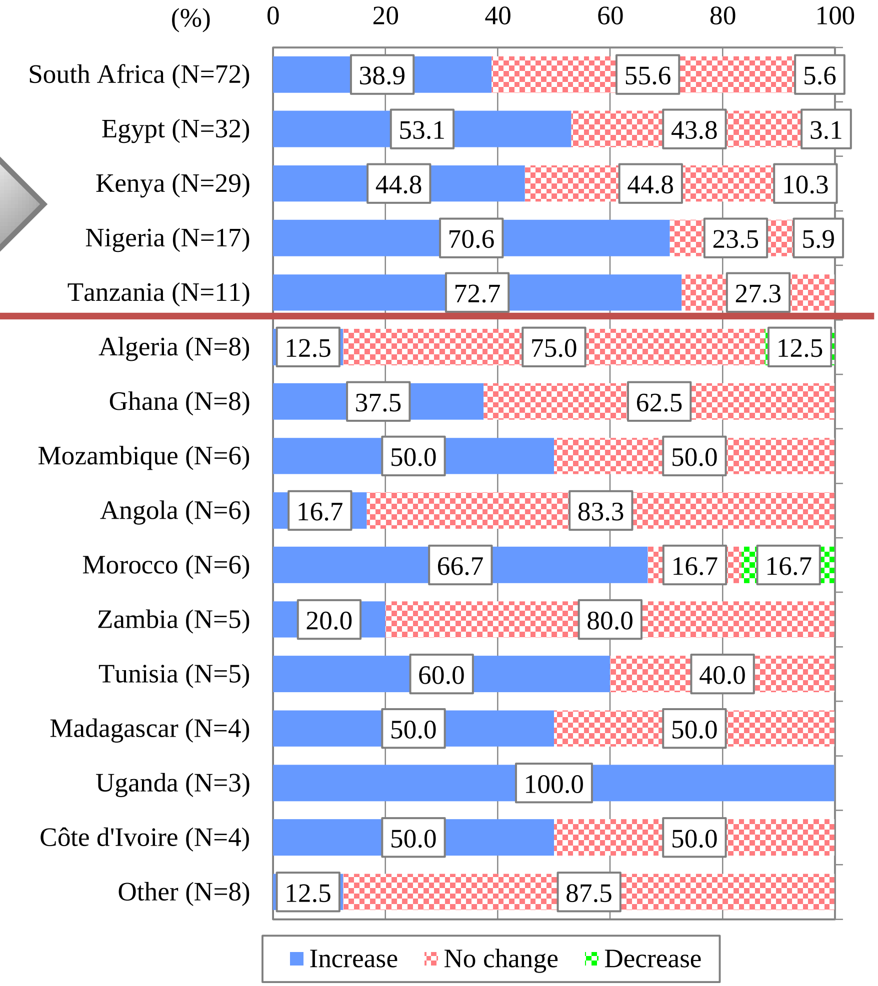
- In terms of changes in the number of local employees over the past year (N=225), the percentage of firms answering "no change" was the largest 50.2%. Compared with the survey in the previous year, however, both the percentage of those answering "increase" and the percentage of those answering "decrease" rose. A sharp rise was shown in both the percentage of manufacturers (N=63) answering "increase" (by 10.5 points) and the percentage of those answering "decrease" (14.3 points).
- In regard to future plans for the number of local employees (N=224), nearly a half of the respondents answered "no change" (49.6%). More than a half of the manufacturers (N=63) answered "increase" (54.0%).

Figure 13. Changes in Human Resource Structures (2) Local employees

Changes in the number of local employees over the past by country



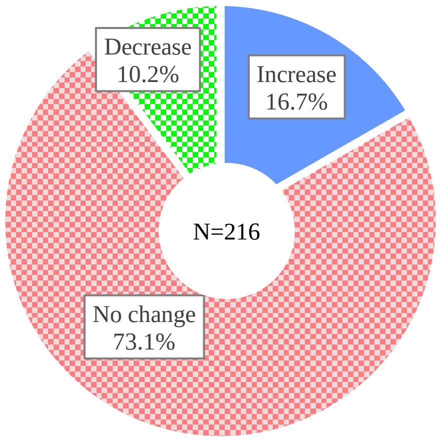
Future plans by country



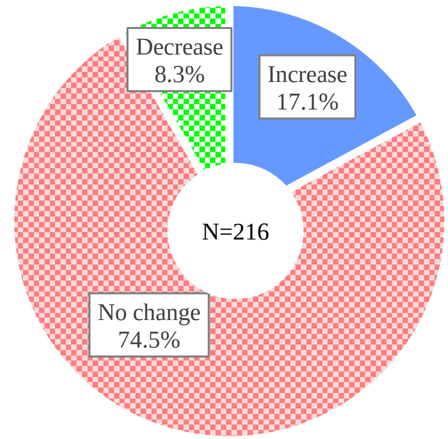
- In terms of changes in the number of local employees over the past year (N=10 or over), the number of firms that increased local employees was largest in Egypt (43.8%) and South Africa (43.1%), but in Tanzania the number of firms responding no change stood out (81.8%).
- In terms of future plans for the number of local employees (N=10 or over), many firms in Tanzania (72.7%) and Nigeria (70.6%) have the intension to “increase” the number of employees.

Figure 14. Changes in Human Resource Structures (3) Japanese expatriate employees

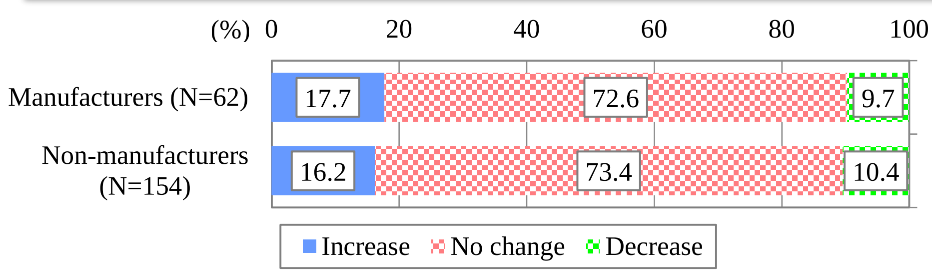
Changes in the number of Japanese expatriate employees over the past year



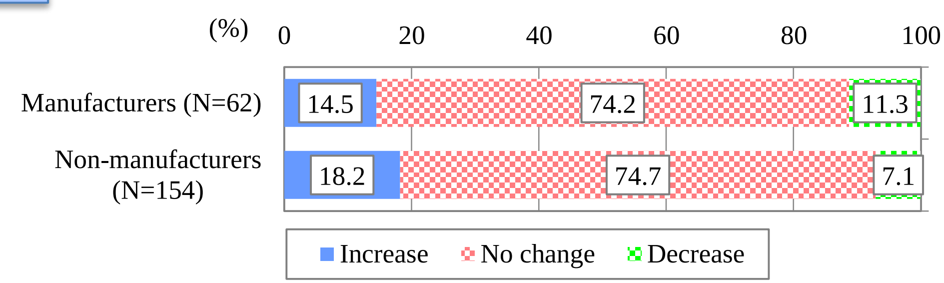
Future plans



Changes in the number of Japanese expatriate employees over the past year by industry



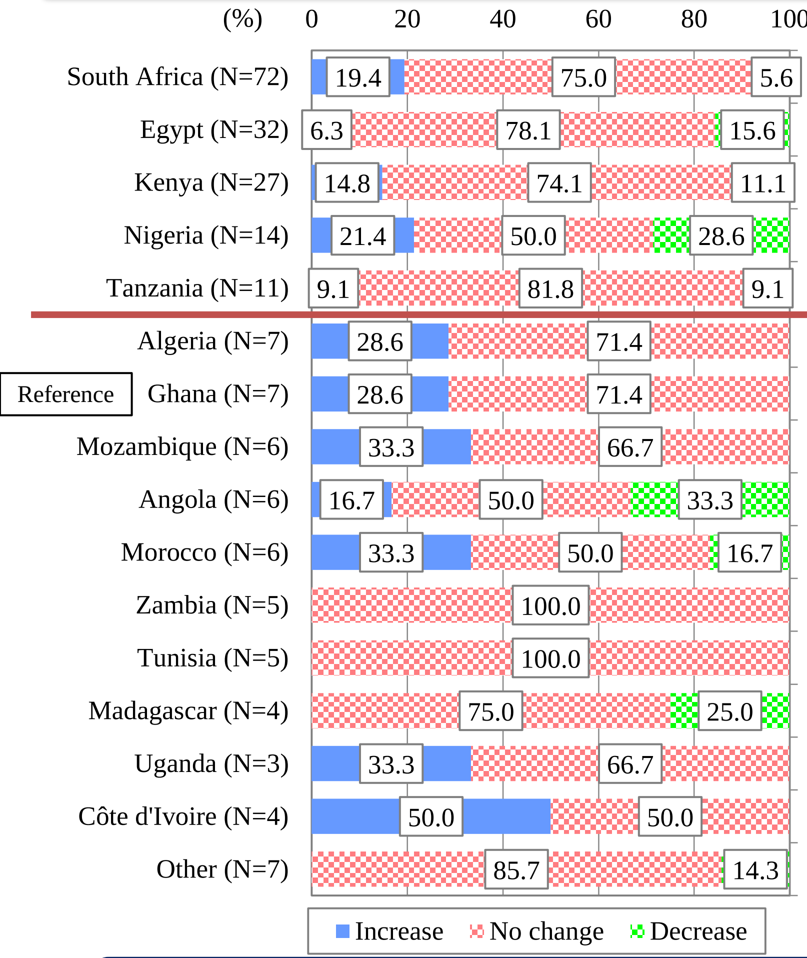
Future plans by industry



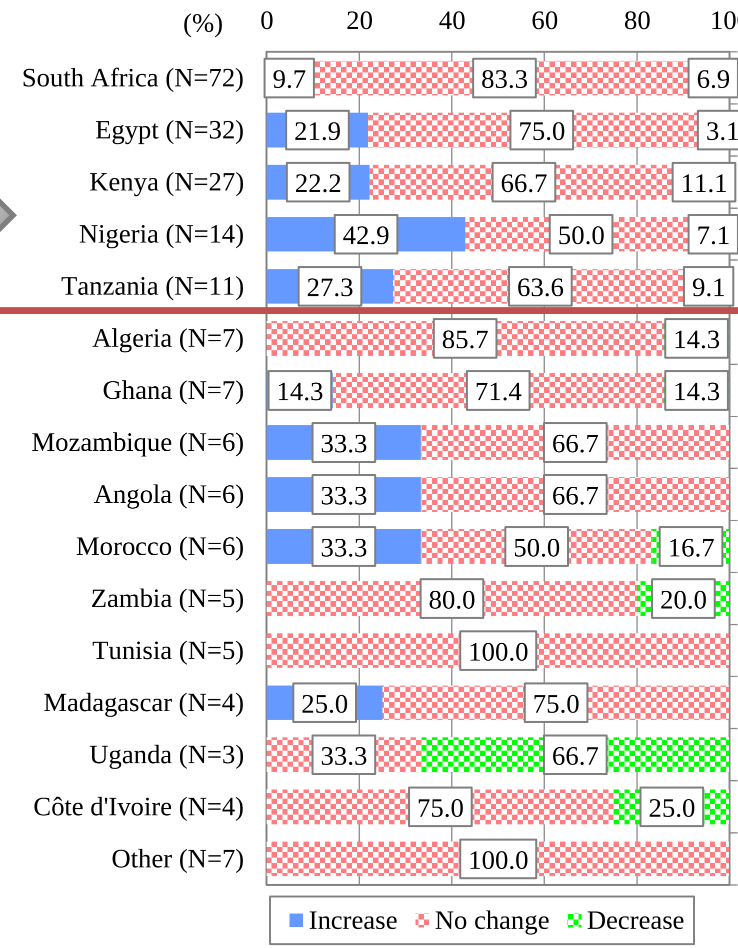
- In terms of changes in the number of Japanese expatriates over the past year (N=216), the percentage of firms answering "no change" was the highest 73.1%. By industry, 72.6% of the manufacturers (N=62) and 73.4% of the non-manufacturers (N=154) answered "no change."
- In terms of future plans for the number of Japanese expatriates (N=216), the percentage of firms answering "no change" was the highest 74.5%. By industry, 74.2% of the manufacturers (N=62) and 74.7% of the non-manufacturers (N=154) answered "no change."

Figure 15. Changes in Human Resource Structures (4) Japanese expatriate employees

Changes in the number of Japanese expatriate employees over the past year by country



Future plans by country

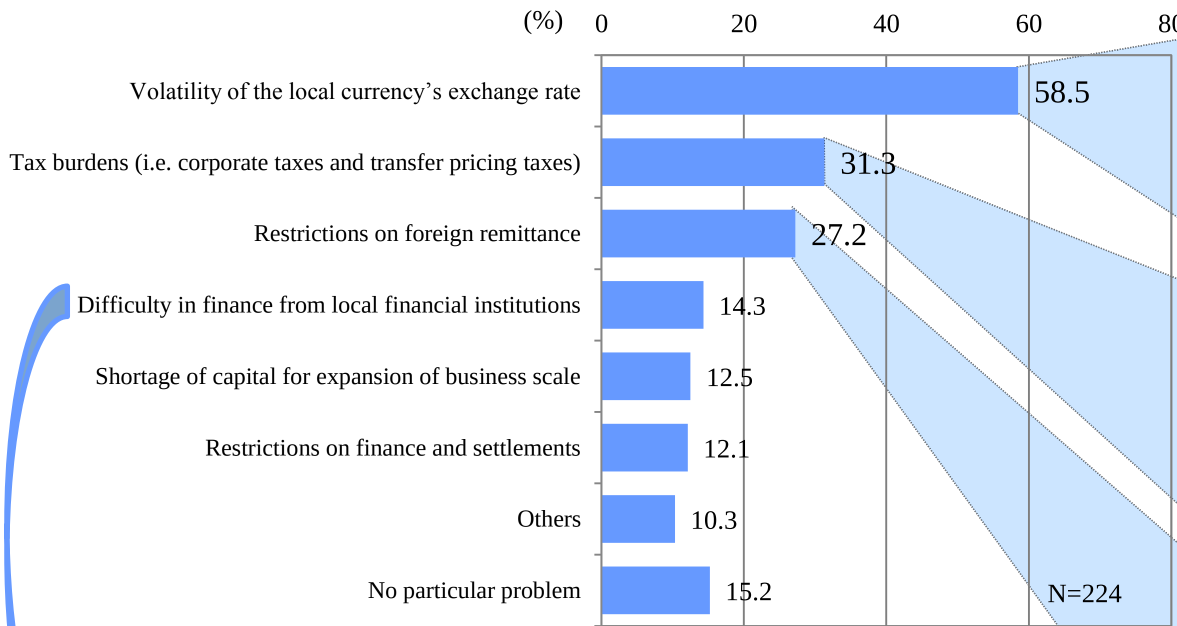


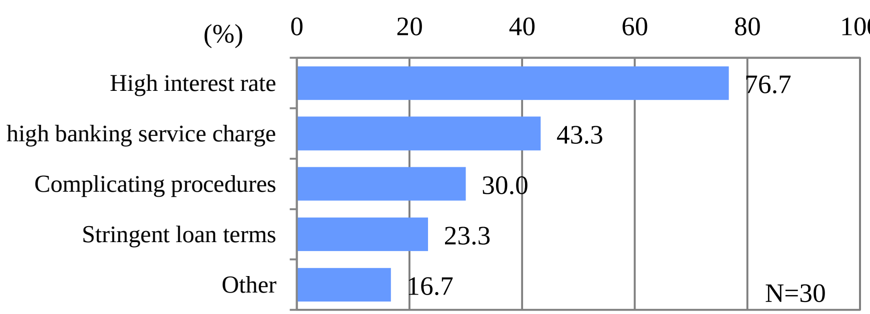
- In terms of changes in the number of Japanese expatriates over the past year by country (N=10 or over), the percentage of firms answering "no change" was remarkable. Both the percentage of firms answering "increase" (21.4%) and the percentage of firms answering "decrease" (28.6%) were more noticeable in Nigeria than in other countries.
- In terms of future plans for the number of Japanese expatriates (N=10 or over), many firms in Nigeria have the intention to "increase" the number (42.9%). The percentage of firms which answered "no change" over the past year, but have the intention to "increase" the number rose in Egypt (21.9%) and Tanzania (27.3%). The percentage of such firms was only 9.7% in South Africa.

Figure 16. Management matters (financial affairs, financing, or foreign exchange)

Multiple answers allowed

Problems recognized as serious in financial affairs, financing, or foreign exchange





Ratio of respondents by country (in order of higher ratio)

(Note) Limited to countries where N=5 or over

Exchange rate volatility	Ratio
Zambia (N=5)	80.0
Nigeria (N=17)	70.6
South Africa (N=72)	66.7
Tanzania (N=11)	63.6
Ghana (N=8)	62.5

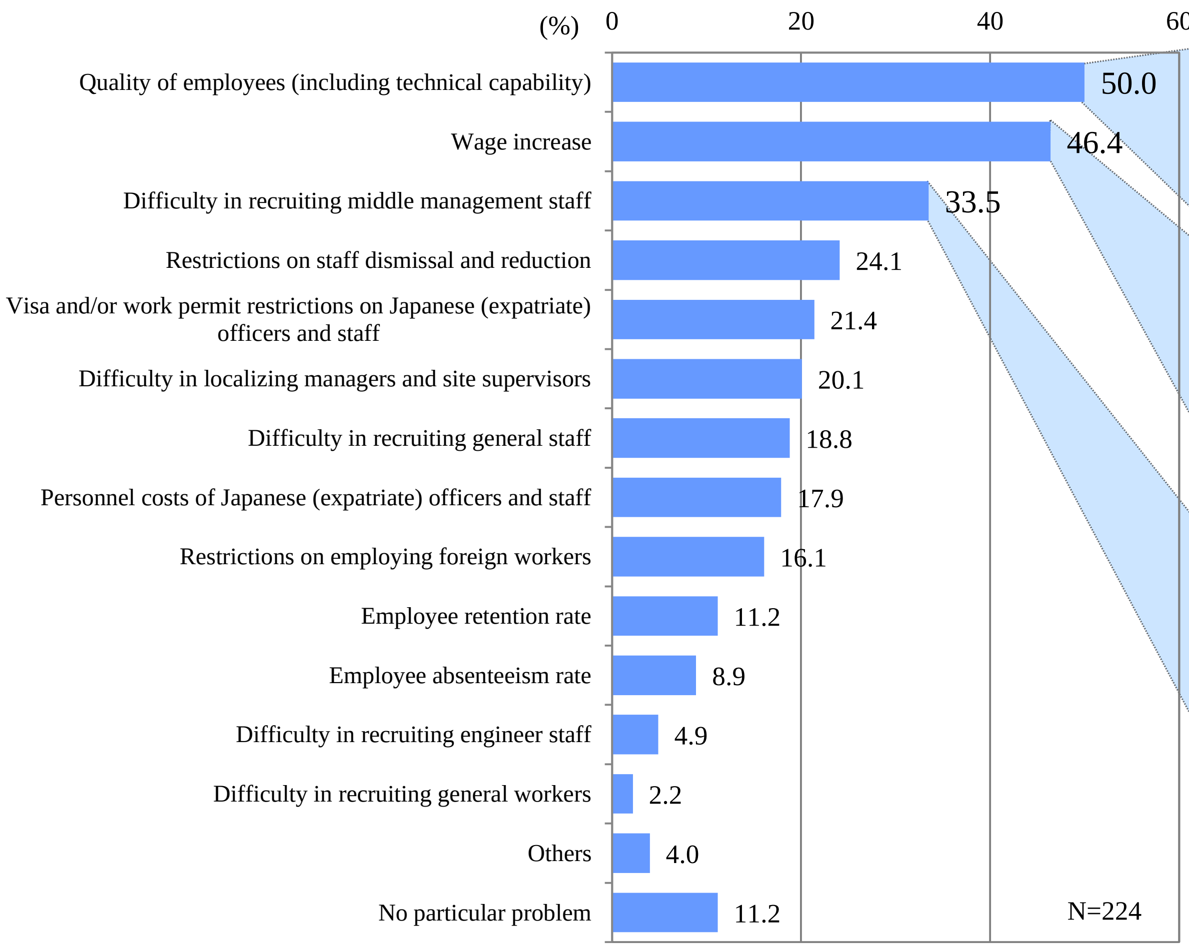
Tax burdens	Ratio
Tanzania (N=11)	63.6
Mozambique (N=6)	50.0
Kenya (N=30)	46.7
Nigeria (N=17)	41.2
Morocco (N=6)	33.3

Restrictions on foreign remittance	Ratio
Algeria (N=8)	100.0
Egypt (N=32)	53.1
Angola (N=6)	50.0
Mozambique (N=6)	50.0
Nigeria(N=17)	47.1

- In terms of financial affairs, financing, or foreign exchange, "volatility of the local currency's exchange rate" is the most serious management problem (58.5%) – mainly, in resource-rich countries such as Zambia and Nigeria.
- "Tax burdens" is recognized as a serious problem in Tanzania (63.6%) and Mozambique (50.0%).
- "Restrictions on foreign remittance" is recognized as a serious management problem by all the respondent firms in Algeria (100%).

Figure 17. Management matters (Labor or Employment) **Multiple answers allowed**

Problems recognized as serious in labor or employment



Ratio of respondents by country (in order of higher ratio)

(Note) Limited to countries where N=5 or over

Quality of employees	Ratio
Angola (N=6)	66.7
Mozambique (N=6)	66.7
Algeria (N=8)	62.5
Zambia (N=5)	60.0
Egypt (N=31)	58.1

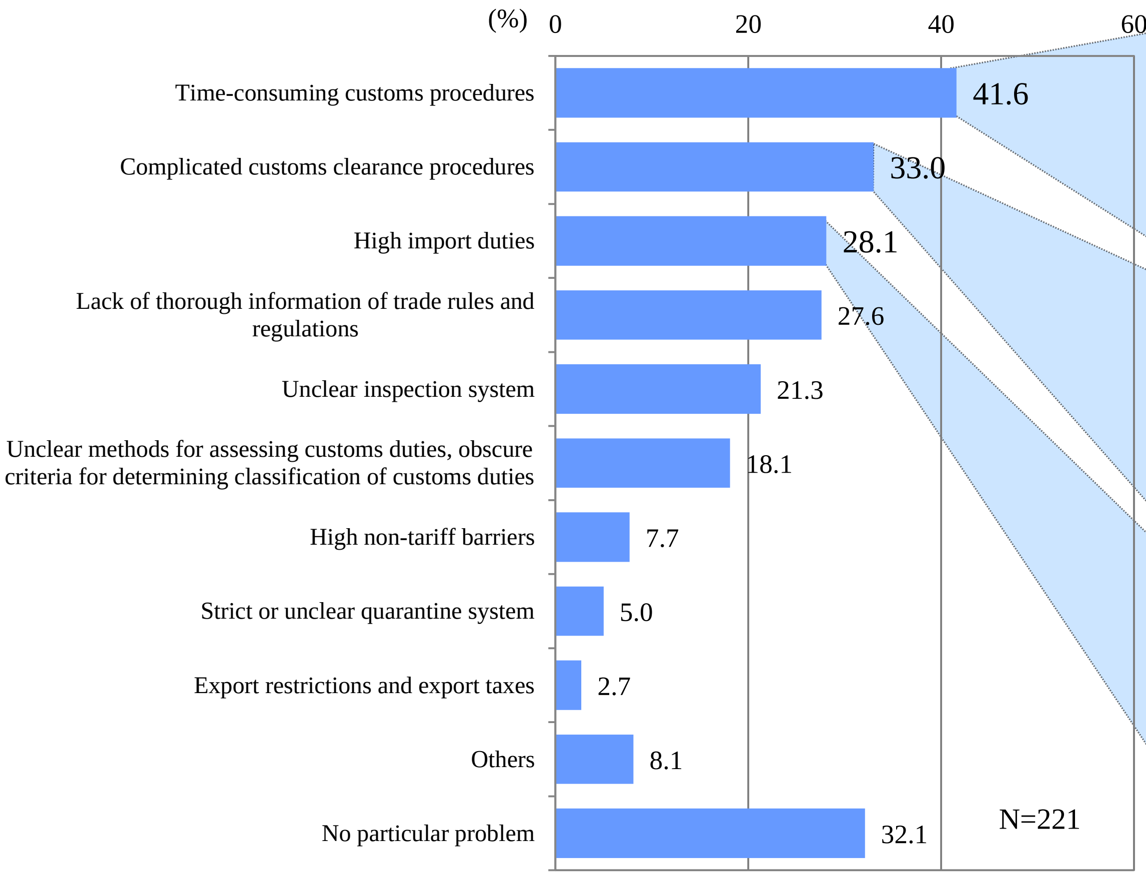
Wage increase	Ratio
Zambia (N=5)	100.0
Ghana (N=8)	62.5
South Africa (N=72)	62.5
Algeria (N=8)	50.0
Kenya (N=30)	46.7

Difficulty in recruiting middle management staff	Ratio
Tanzania (N=11)	45.5
South Africa (N=72)	40.3
Algeria (N=8)	37.5
Egypt (N=31)	35.5

- In terms of employment or labor, “quality of employees (including technical capability)” is the most serious management problem (50.0%). The ratio is the highest in Angola and Mozambique (66.7%).
- “Wage increase” is recognized as serious by all the respondent firms in Zambia (100%).
- “Difficulty in recruiting middle management staff” is recognized as a problem by many firms in Tanzania (45.5%) and South Africa (40.3%).

Figure 18. Management matters (foreign trade system) **Multiple answers allowed**

Problems recognized as serious in the foreign trade system



Ratio of respondents by country (in order of higher ratio)

(Note) Limited to countries where N=5 or over

Time-consuming customs procedures	Ratio
Zambia (N=5)	80.0
Algeria (N=8)	75.0
Tanzania (N=11)	72.7
Nigeria (N=17)	64.7
Egypt (N=31)	54.8

Complicated customs clearance procedures	Ratio
Algeria (N=8)	75.0
Tunisia (N=5)	60.0
Nigeria (N=17)	52.9
Morocco (N=6)	50.0
Kenya (N=28)	46.4

High import duties	Ratio
Zambia (N=5)	60.0
Mozambique (N=6)	50.0
Kenya (N=28)	46.4
Tanzania (N=11)	45.5
Morocco (N=6)	33.3

- In terms of the foreign trade system, “time-consuming customs procedures” is the most serious management problem (41.6%). In Zambia, 80% of the respondent firms regard it as a problem.
- “Complicated customs clearance procedures” is regarded as a serious problem in Maghreb countries (75.0% in Algeria, 60.0% in Tunisia, 50.0% in Morocco).
- Many firms in Zambia (60.0%) regard “high import duties” as a problem.

Figure 19. Management matters (Comment from Japanese companies)

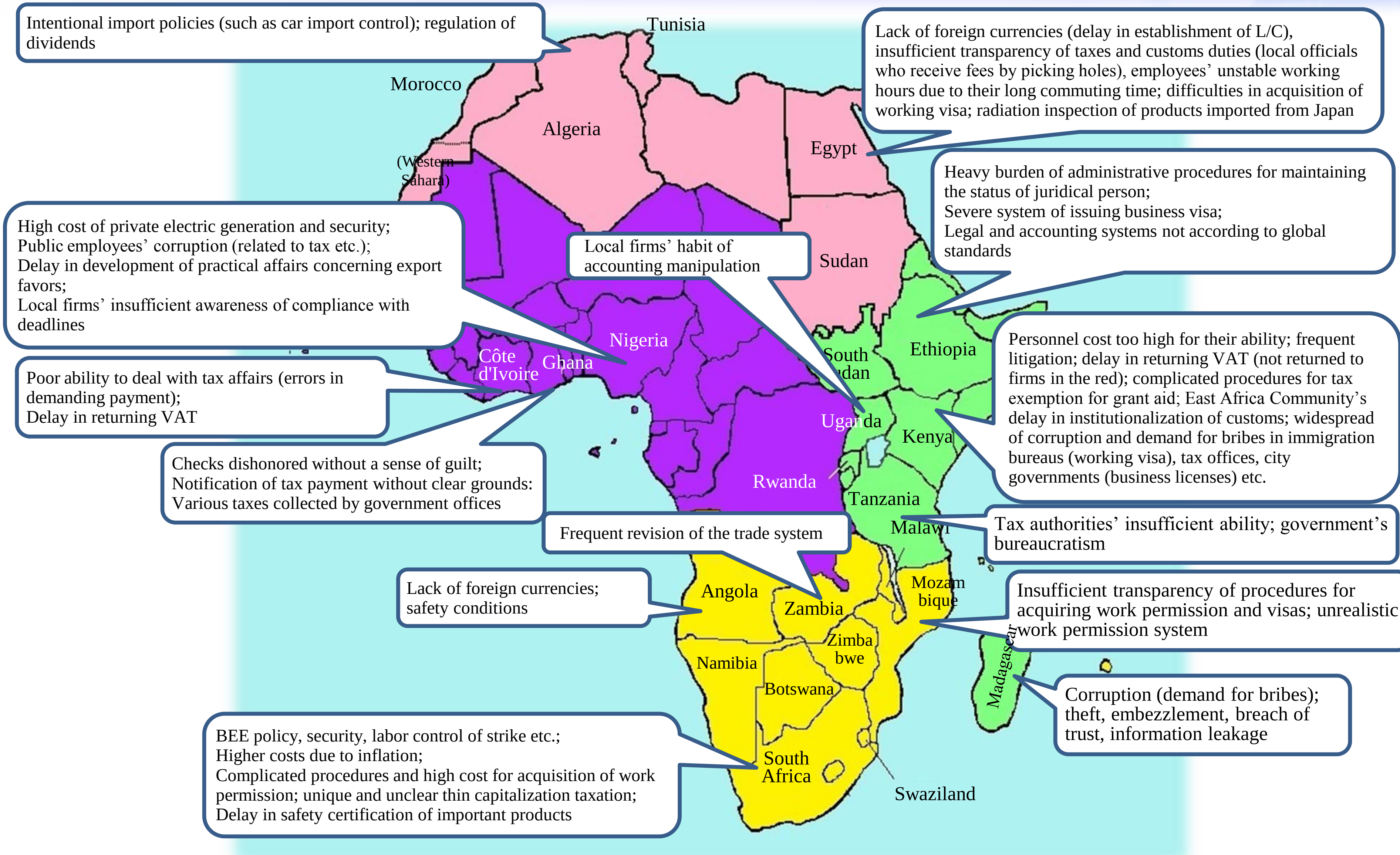
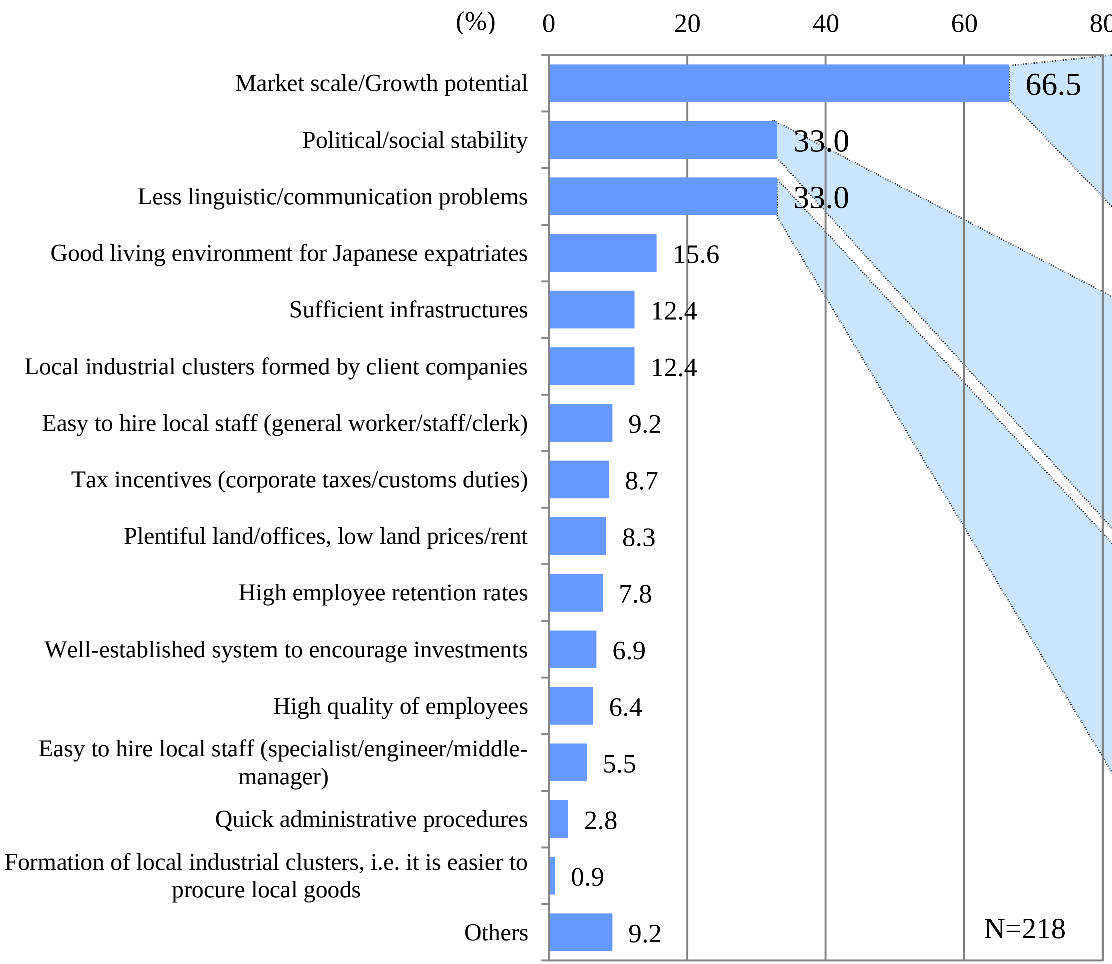


Figure 20. Evaluation of Investment Environments (Advantages) Multiple answers allowed

Investment environments that can be positively evaluated



Ratio of respondents by country (in order of higher ratio)

(Note) Limited to countries where N=5 or over

Market scale/Growth potential	Ratio
Tanzania(N=10)	90.0
Nigeria(N=15)	86.7
Angola(N=6)	83.3
Algeria(N=8)	75.0
Kenya(N=28)	75.0

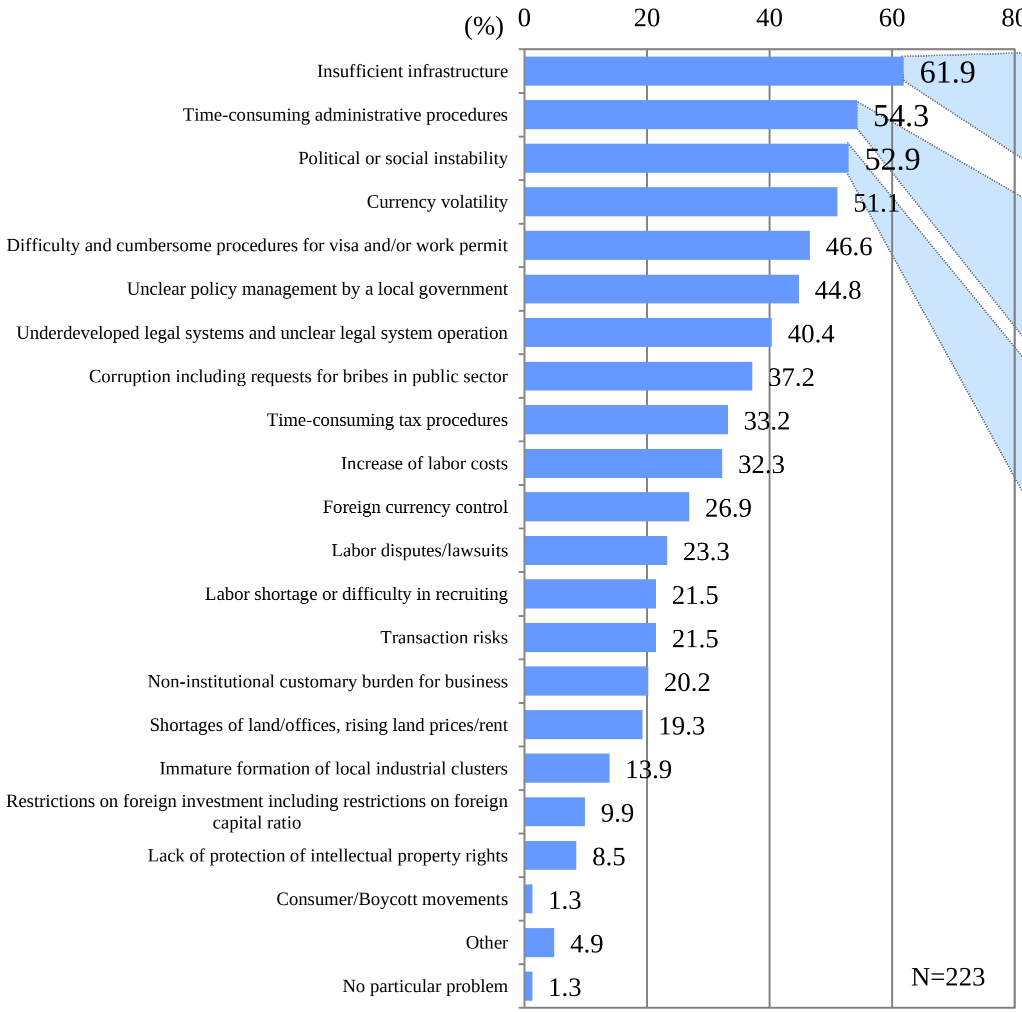
Political/social stability	Ratio
Ghana (N=8)	100.0
Morocco(N=6)	83.3
Tanzania(N=10)	80.0
Zambia(N=5)	40.0
South Africa(N=71)	36.6

Linguistic/communication	Ratio
Kenya(N=28)	64.3
South Africa(N=71)	50.7
Tanzania(N=10)	40.0
Ghana (N=8)	37.5
Tunisia(N=5)	20.0

- Many firms (66.5%) positively evaluate "market scale/growth potential." In Tanzania, 90% of the respondent firms highly evaluate it, followed by Nigeria (86.7%).
- Regarding "political/social stability," there is a great gap between the top three countries (100% in Ghana, 83.3% in Morocco, 80.0% in Tanzania) and the other countries.
- "Less linguistic/communication problems" was chosen by more than a half of the respondent firms in Kenya (64.3%) and South Africa (50.7%).

Figure 21. Evaluation of Investment Environments (risks) **Multiple answers allowed**

Investment environments recognized as risks



Ratio of respondents by country (in order of higher ratio)

(Note) Limited to countries where N=5 or over

Insufficient infrastructure	Ratio
Angola(N=6)	100.0
Ghana (N=8)	87.5
Zambia(N=5)	80.0
South Africa(N=71)	74.6
Tanzania(N=11)	72.7

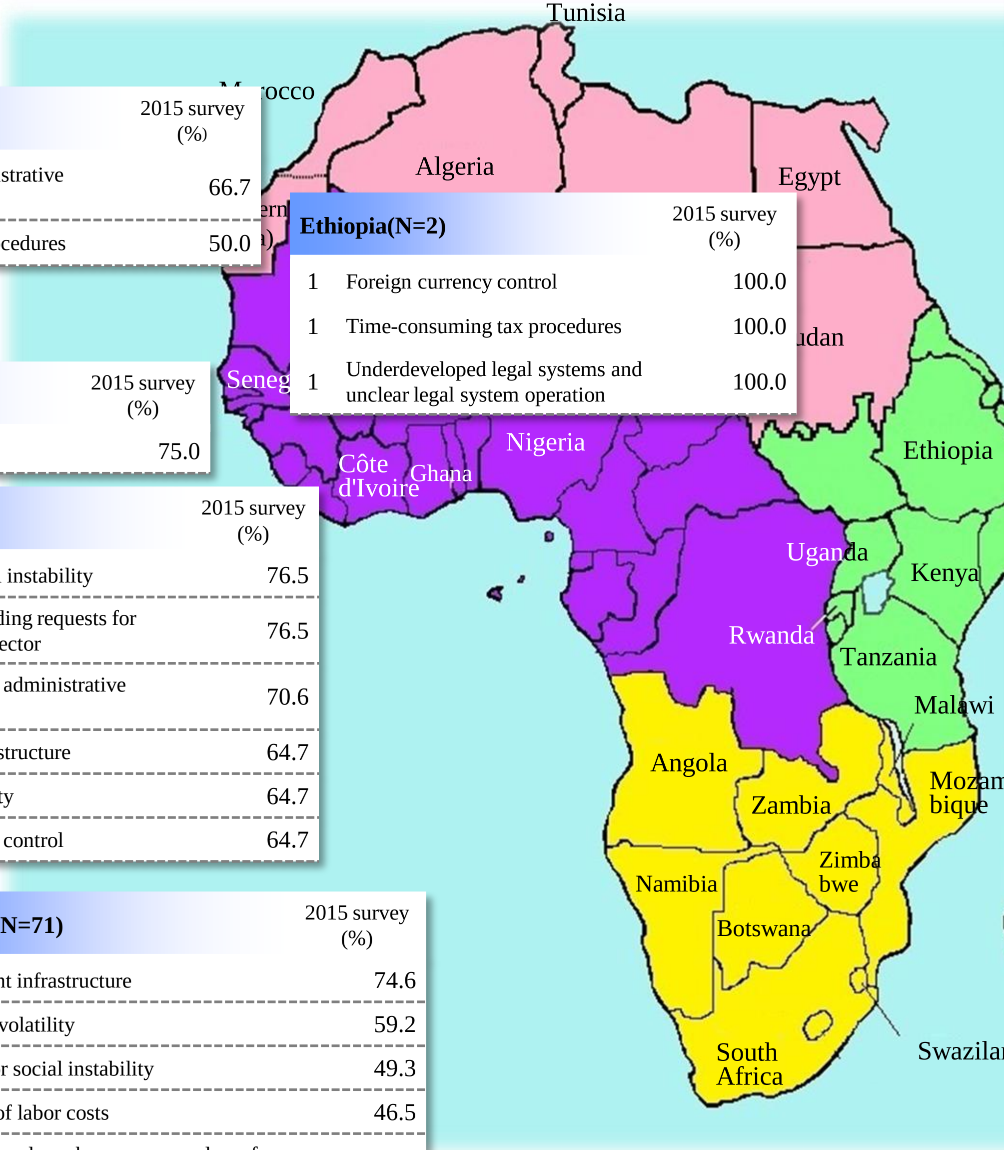
Time-consuming administrative procedures	Ratio
Mozambique(N=6)	83.3
Tanzania(N=11)	81.8
Zambia(N=5)	80.0
Egypt(N=31)	71.0
Nigeria(N=17)	70.6

Political or social instability	Ratio
Tunisia(N=5)	100.0
Egypt(N=31)	96.8
Nigeria(N=17)	76.5
Kenya(N=30)	66.7
South Africa(N=71)	41.3

- The largest number of firms (61.9%) recognize “insufficient infrastructure” as a risk. All the respondent firms in Angola (100%) recognize it as a risk.
- “Time-consuming administrative procedures” is recognized as a risk by many firms in Mozambique (83.3%), Tanzania (81.8%), and Zambia (80.0%).
- “Political or social instability” is recognized as a risk by all the respondent firms in Tunisia (100%) and by prominently many firms in Egypt (96.8%).

Figure 22. Evaluation of Investment Environments (main countries)

Multiple answers allowed



	Morocco(N=6)	2015 survey (%)
1	Time-consuming administrative procedures	66.7
2	Time-consuming tax procedures	50.0

	Ethiopia(N=2)	2015 survey (%)
1	Foreign currency control	100.0
1	Time-consuming tax procedures	100.0
1	Underdeveloped legal systems and unclear legal system operation	100.0

	Côte d'Ivoire(N=4)	2015 survey (%)
1	Political or social instability	75.0

	Nigeria(N= 17)	2015 survey (%)
1	Political or social instability	76.5
2	Corruption including requests for bribes in public sector	76.5
3	Time-consuming administrative procedures	70.6
4	Insufficient infrastructure	64.7
5	Currency volatility	64.7
5	Foreign currency control	64.7

	South Africa(N=71)	2015 survey (%)
1	Insufficient infrastructure	74.6
2	Currency volatility	59.2
3	Political or social instability	49.3
4	Increase of labor costs	46.5
5	Difficulty and cumbersome procedures for visa and/or work permit	43.7

	Egypt(N=31)	2015 survey (%)
1	Political or social instability	96.8
2	Time-consuming administrative procedures	71.0
3	Foreign currency control	61.3
4	Insufficient infrastructure	54.8
5	Unclear policy management by a local government	51.6
5	Currency volatility	51.6

	Kenya(N=30)	2015 survey (%)
1	Corruption including requests for bribes in public sector	76.7
2	Political or social instability	66.7
2	Difficulty and cumbersome procedures for visa and/or work permit	66.7
4	Time-consuming administrative procedures	63.3
5	Unclear policy management by a local government	53.3
5	Underdeveloped legal systems and unclear legal system operation	53.3

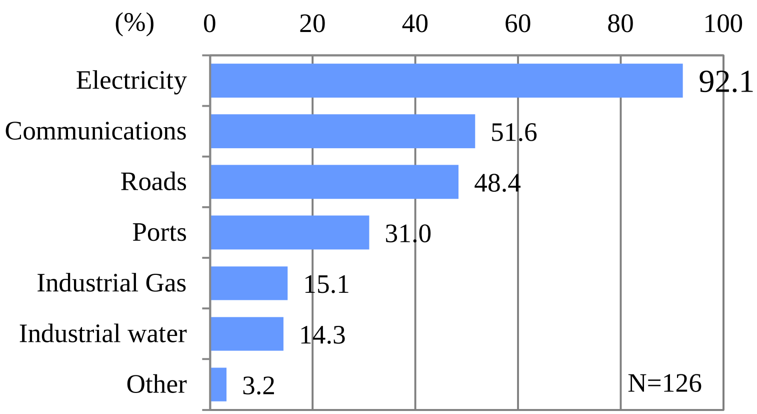
	Tanzania(N=11)	2015 survey (%)
1	Time-consuming administrative procedures	81.8
2	Insufficient infrastructure	72.7
3	Difficulty and cumbersome procedures for visa and/or work permit	54.5
4	Time-consuming tax procedures	45.5
4	Currency volatility	45.5
4	Shortages of land/offices, rising land prices/rent	45.5

(Note) Excluding "no particular problem"; top five items; higher-ranking items only If N = less than 10

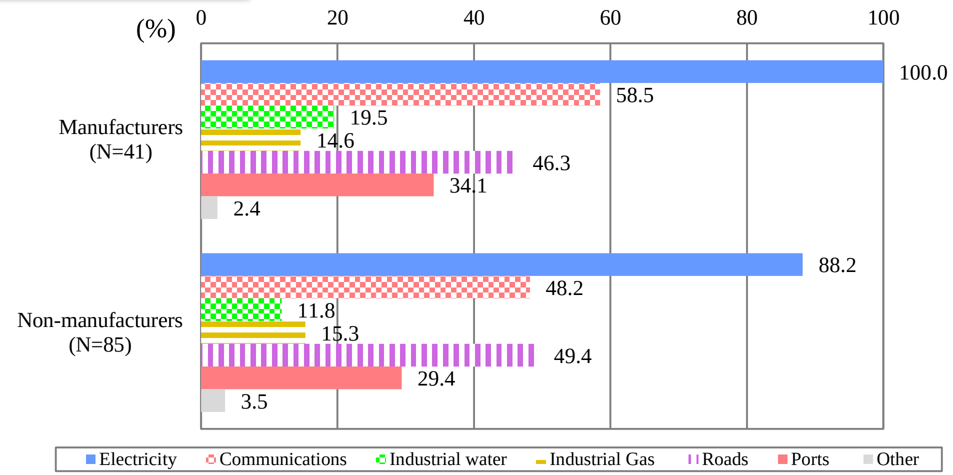
Figure 23. Evaluation of Investment Environments (risk) (2)

Multiple answers allowed

1. Type of insufficient infrastructure



2. By industry



3. By country (N=over 5)

(%)

	Electricity	Communications	Roads	Ports	Industrial Gas	Industrial water	Other
Total (N=126)	92.1	51.6	48.4	31.0	15.1	14.3	3.2
South Africa(N=53)	100.0	41.5	17.0	28.3	3.8	13.2	1.9
Egypt(N=17)	88.2	70.6	41.2	17.6	11.8	5.9	-
Kenya(N=11)	90.9	36.4	90.9	45.5	27.3	27.3	-
Tanzania(N=8)	100.0	25.0	62.5	37.5	25.0	12.5	14.3
Nigeria(N=7)	85.7	71.4	85.7	57.1	28.6	-	12.5
Angola(N=6)	100.0	66.7	66.7	33.3	33.3	16.7	-
Ghana(N=5)	100.0	40.0	100.0	20.0	60.0	20.0	-

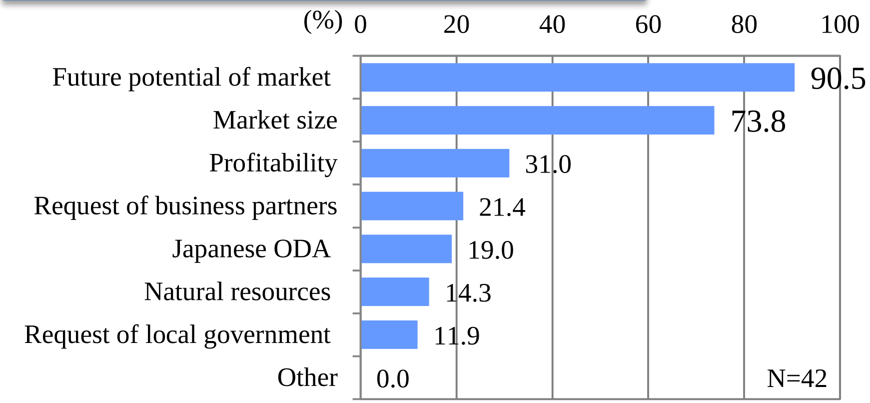
- In terms of "insufficient infrastructures" as an investment risk, "electricity" is the most problematic (92.1%), followed by "communications" (51.6%) and "roads" (48.4%).
- By industry, all the respondent "manufacturers" pointed out that "electricity" infrastructure is insufficient (100%).
- By country, all the respondent firms in South Africa regard "electricity" as problematic (100%). In Egypt, many firms pointed out not only "electricity" (88.2%) but also "communications" (70.6%). In Kenya, insufficient infrastructures for "electricity" and "roads" are considered to be great problems (90.9%). In Angola, the ratio exceeds the total average in terms of all the items.

Figure 24. Remarkable points as a market

(Motivation for Entering a Market in Africa and Evaluation of Motivating Factors)

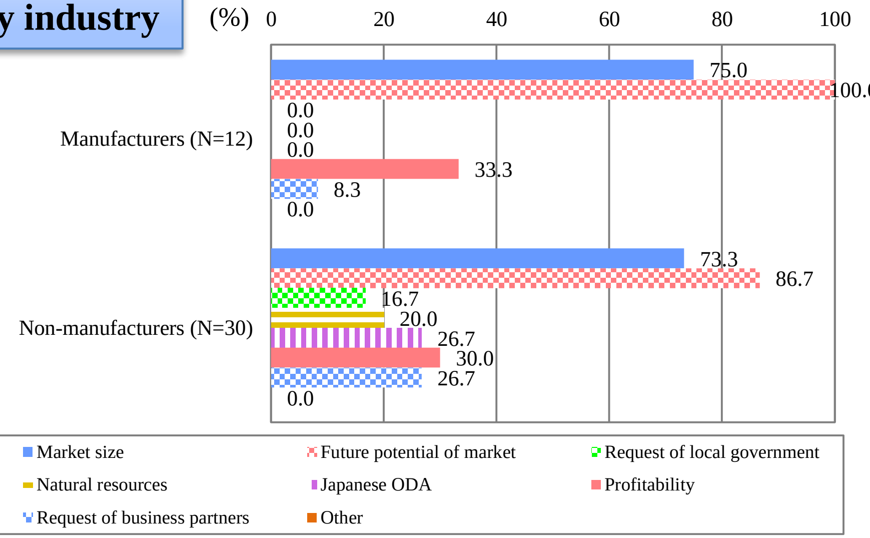
Multiple answers allowed

1. Motivation for entering a market (companies advancing in and after 2013)

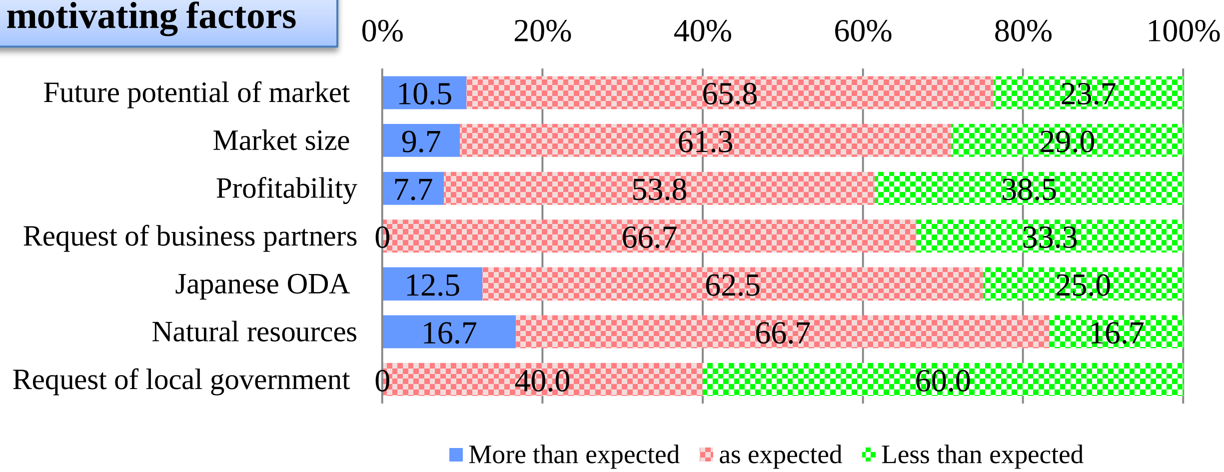


(Note) The number of companies is 17 in South Africa, 10 in Kenya, 4 in Nigeria, 2 in Tanzania, Ghana, Mozambique, Morocco, Côte d'Ivoire each, and 1 in Egypt.

2. By industry



3. Evaluation of motivating factors



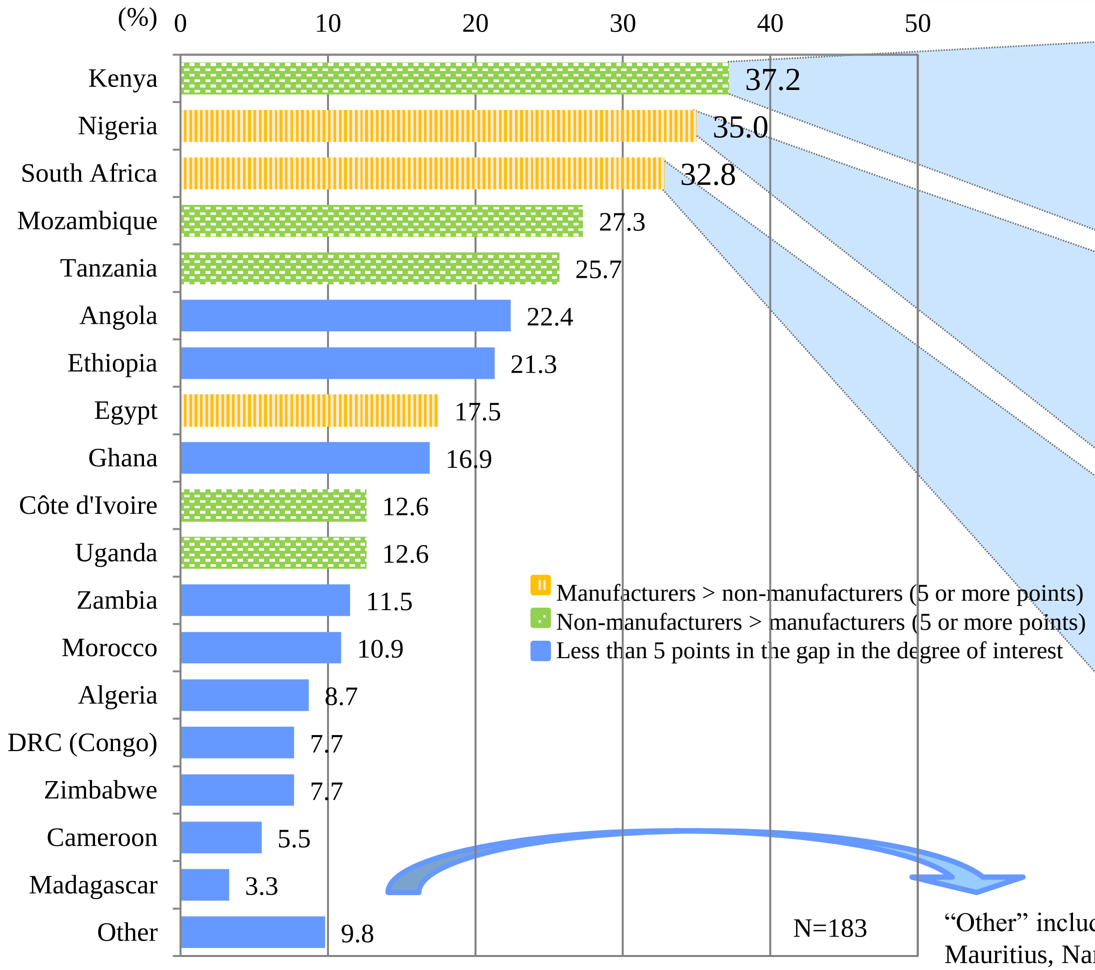
- Firms entered markets in Africa largely because of "future potential of market" (90.5%), followed by "market size" (73.8%).
- By industry, "non-manufacturers" were motivated also by "Japanese ODA" (26.7%) and "request of business partners" (26.7%). The percentage of "manufacturers" motivated by "request of business partners" is small (8.3%).
- Most firms evaluated the motivation factors "as expected," excluding "request of local government."

Figure 25. Remarkable points as a market

(Counties Likely to Attract Attention)

Multiple answers allowed

Counties likely to attract attention



Current location of companies paying attention to each country (in order of higher ratio)

(Note) Limited to countries where N=5 or over

Kenya	Ratio
South Africa(N=63)	57.1
Kenya(N=22)	50.0
Tanzania(N=8)	37.5
Nigeria(N=13)	30.8

Nigeria	Ratio
Nigeria(N=13)	53.8
South Africa(N=63)	50.8
Tanzania(N=8)	37.5
Ghana(N=6)	33.3

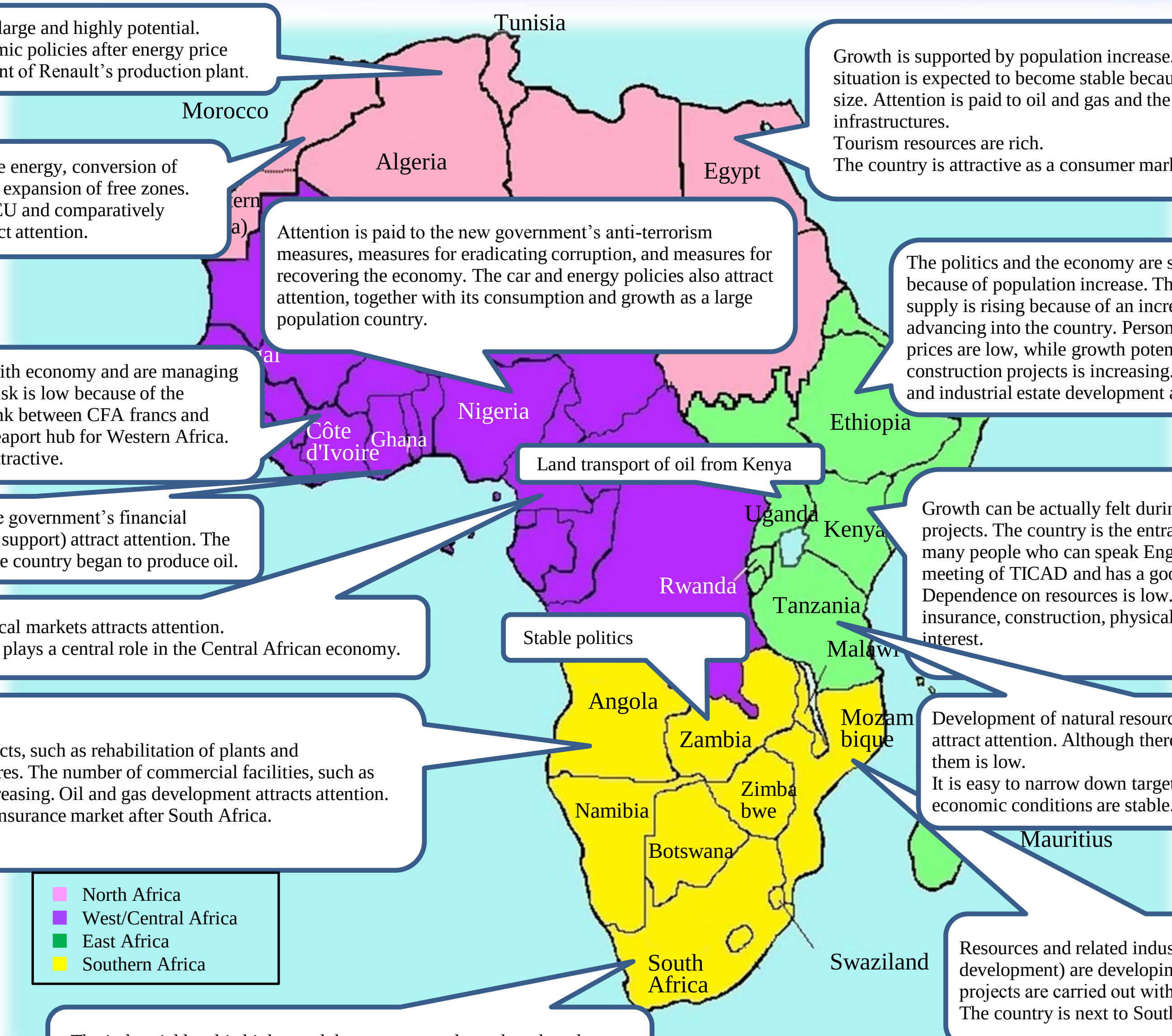
South Africa	Ratio
South Africa(N=63)	55.6
Zambia(N=5)	40.0
Egypt(N=27)	37.0
Algeria(N=7)	28.6

“Other” includes the following countries to which two or more firms pay attention: Mauritius, Namibia, Rwanda (3 companies); Botswana (2 companies)

- More than 30% of the Japanese firms entering markets in Africa pay attention to Kenya (37.2%), Nigeria (35.0%), and South Africa (32.8%).
- The percentage of firms paying attention to Kenya is higher among the respondent firms in South Africa (57.1%) than among those in Kenya (50.0%).
- The countries which attract attention from manufacturers more than non-manufacturers are Egypt (a gap of 12.3 points), South Africa (a gap of 8.2 points), and Nigeria (a gap of 5.2 points).

Figure 26. Remarkable Points of Countries of Concern

(Some Comments from Japanese Countries)



Car and other markets are large and highly potential. Attention is paid to economic policies after energy price decline and to establishment of Renault's production plant.

Attention is paid to renewable energy, conversion of seawater into freshwater, and expansion of free zones. Economic relationship with EU and comparatively stable political situation attract attention.

Growth is supported by population increase. The political situation is expected to become stable because of large market size. Attention is paid to oil and gas and the development of infrastructures.
Tourism resources are rich.
The country is attractive as a consumer market.

Attention is paid to the new government's anti-terrorism measures, measures for eradicating corruption, and measures for recovering the economy. The car and energy policies also attract attention, together with its consumption and growth as a large population country.

The politics and the economy are stable, and growth is expected because of population increase. The possibility of materials supply is rising because of an increase in the number of firms advancing into the country. Personnel expenses and commodity prices are low, while growth potential is high. The number of construction projects is increasing. Geothermal power generation and industrial estate development attract interest.

The political leaders are familiar with economy and are managing the economy well. The exchange risk is low because of the relationship with France and the link between CFA francs and Euros. The country serves as the seaport hub for Western Africa. Its high economic growth also is attractive.

Land transport of oil from Kenya

Short-term economic trends and the government's financial condition (such as progress in IMF support) attract attention. The politics have become stable after the country began to produce oil.

Growth can be actually felt during implementation of local projects. The country is the entrance to the region, and there are many people who can speak English. It will hold the next meeting of TICAD and has a good relationship with Japan. Dependence on resources is low. Various industries (car, insurance, construction, physical distribution, etc.) attract interest.

Access to local markets attracts attention.
The country plays a central role in the Central African economy.

Stable politics

There are construction projects, such as rehabilitation of plants and development of infrastructures. The number of commercial facilities, such as large shopping malls, is increasing. Oil and gas development attracts attention. There is the second largest insurance market after South Africa.

Development of natural resources (gas) and infrastructures attract attention. Although there are resources, dependence on them is low.
It is easy to narrow down target companies. The political and economic conditions are stable.

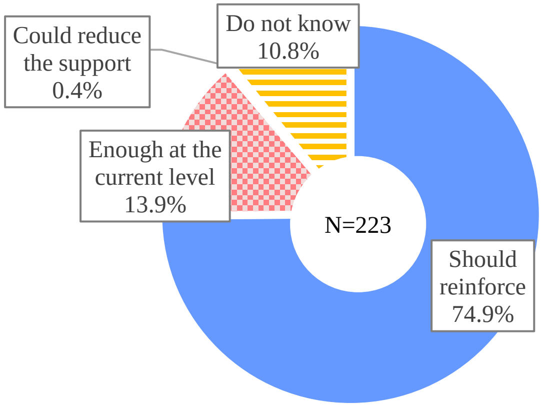
Resources and related industries (infrastructure development) are developing. Infrastructure development projects are carried out with Japan's ODA.
The country is next to South Africa.

The industrial level is higher and there are more plants than the other African countries. Private investment projects attract interest.
The car policy draws attention. Whether will the politics become stable?

Figure 27. Japanese Government Support for Business Promotion

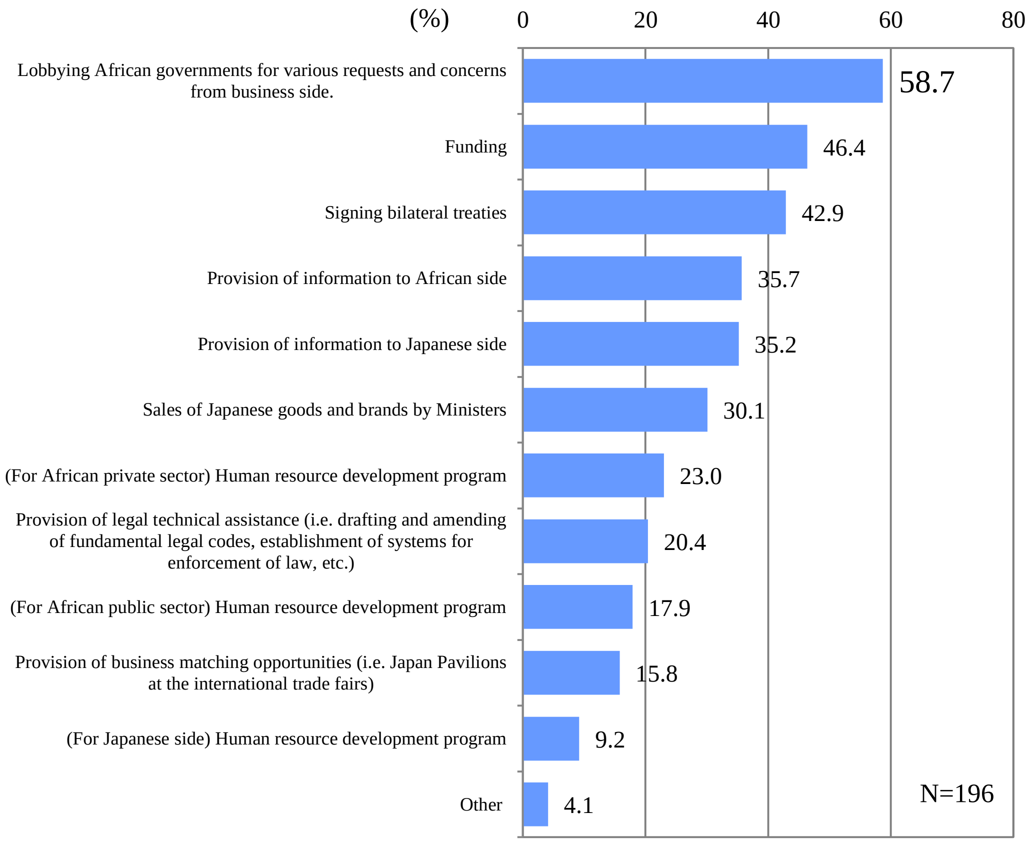
Multiple answers allowed

1. Japanese companies' approach to support



Countries where the Japanese government "should reinforce" support (N=4 or over)	Ratio
Angola(N=6), Côte d'Ivoire(N=4), Madagascar (N=4)	100.0
Algeria(N=8)	87.5
Kenya(N=30)	86.7
Mozambique(N=6)	83.3
Egypt(N=31)	80.6
Zambia(N=5)	80.0
Ghana(N=8)	75.0

2. Government support companies consider necessary



- 75% of Japanese firms entering markets in Africa wish for "the Japanese government's reinforcement of support.
- All the respondent firms in Angola, Côte d'Ivoire, and Madagascar wish for the Japanese government's reinforcement of support to Japanese firms (100%).
- The percentage of firms wishing the Japanese government's lobbying African governments for various requests and concerns from business side is the highest (58.7%).

Middle East and Africa Division
Overseas Research Department
Japan External Trade Organization (JETRO)
1-12-32 Akasaka, Minato-ku, Tokyo, 107-6006
Tel: +81-3-3582-5180
Fax: +81-3-3587-2485
Email: ORH@jetro.go.jp