2020 Survey on Business Conditions of Japanese Affiliated Companies In Africa

-Business slowed down due to the COVID-19 pandemic; Expectation for economic recovery and regional integration for 2021-

December 21, 2020

Japan External Trade Organization (JETRO)

Overseas Research Department

Survey Categories for this Year

Important Survey Findings

Business slowed down due to the COVID-19 pandemic;
-Expectation for economic recovery and regional integration for 2021-

1

[Operating Profit Forecast]
Due to the spread of COVID-19, operating profit forecast deteriorated significantly in 2020. About half of the companies expect recovery in 2021.

2

[Future Business Outlook]
The pace of business expansion will slow down with "remain the same" and "shrink" increasing. In Ethiopia, Nigeria, Cote d'Ivoire and Kenya, in particular, more than 10% companies responded "shrink".

3

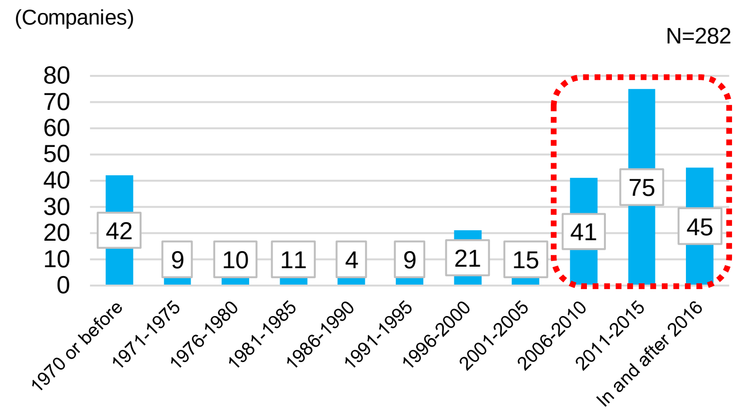
[Changes to Investment Environment] [Future Market Expectations]
Risks of investment in Africa are declining in all items. High expectations for the African Continental Free Trade Area (AfCFTA), scheduled to take effect from January 2021.

Survey Overview & Company Profile

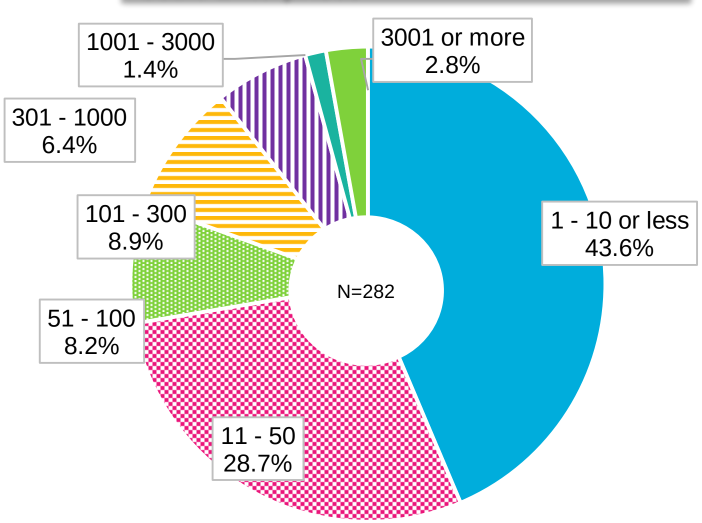
2020 Survey on Business Conditions of Japanese Companies in Africa

- ◆ Survey Period: September 1st - September 30th, 2020
- ◆ Response rate: 86.2%
  (Targeted 24 countries, 282 valid responses out of 327 companies surveyed)
  *See details on the next page
- ◆ Survey target: Japanese companies in Africa
  *A Japanese company in Africa, is a company that receives capital contribution from any Japanese company regardless of the investment ratio or number of Japanese expats present.

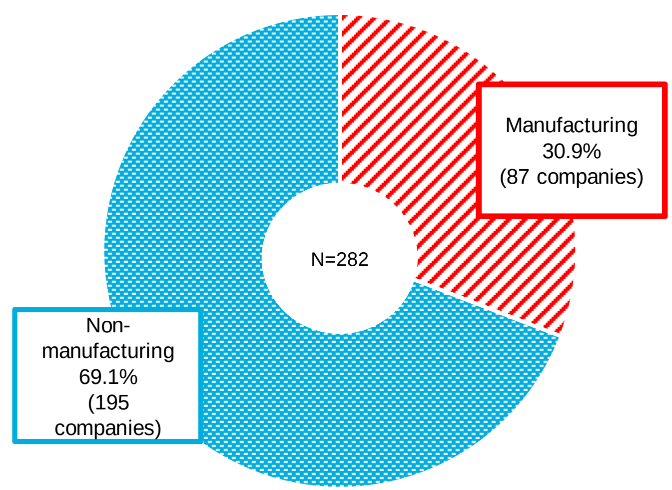
Years of Establishment: Approximately Half of Companies Expanded into Africa from 2006



Number of Employees: Most are Small-scale Enterprises



Industry: 1/3 of Respondents were Manufacturing Companies



Survey Target: 282 Companies from 24 Countries Responded

	Companies surveyed	Companies responded		Valid response rate
		Valid Responses (Manufacturers)	%	
Total count	327	282 (87)	100.0	86.2
North Africa	90	77 (30)	27.3	85.6
Morocco	39	31(15)	11.0	79.5
Egypt	41	37 (13)	13.1	90.2
Algeria	6	5 (0)	1.8	83.3
Tunisia	4	4 (2)	1.4	100.0
West Africa	51	41 (13)	14.5	80.4
Nigeria	23	16 (5)	5.7	69.6
Ghana	11	9 (3)	3.2	81.8
Cote d'Ivoire	10	9 (2)	3.2	90.0
Senegal	6	6 (2)	2.1	100.0
Burkina Faso	1	1 (1)	0.4	100.0
East Africa	54	48 (9)	17.0	88.9
Kenya	32	28 (2)	9.9	87.5
Tanzania	4	4 (0)	1.4	100.0
Ethiopia	9	8 (4)	2.8	88.9
Uganda	5	5 (2)	1.8	100.0
Rwanda	4	3 (1)	1.1	75.0
Southern Africa	132	116 (35)	41.1	87.9
South Africa	90	82 (26)	29.1	91.1
Mozambique	19	15 (4)	5.3	78.9
Zambia	8	8 (2)	2.8	100.0
Angola	4	4 (1)	1.4	100.0
Madagascar	4	4 (0)	1.4	100.0
Malawi	2	1 (1)	0.4	50.0
Mauritius	2	1 (0)	0.4	50.0
Zimbabwe	2	1 (1)	0.4	50.0
Namibia	0	0 (0)	0.0	0.0
Botswana	1	0 (0)	0.0	0.0

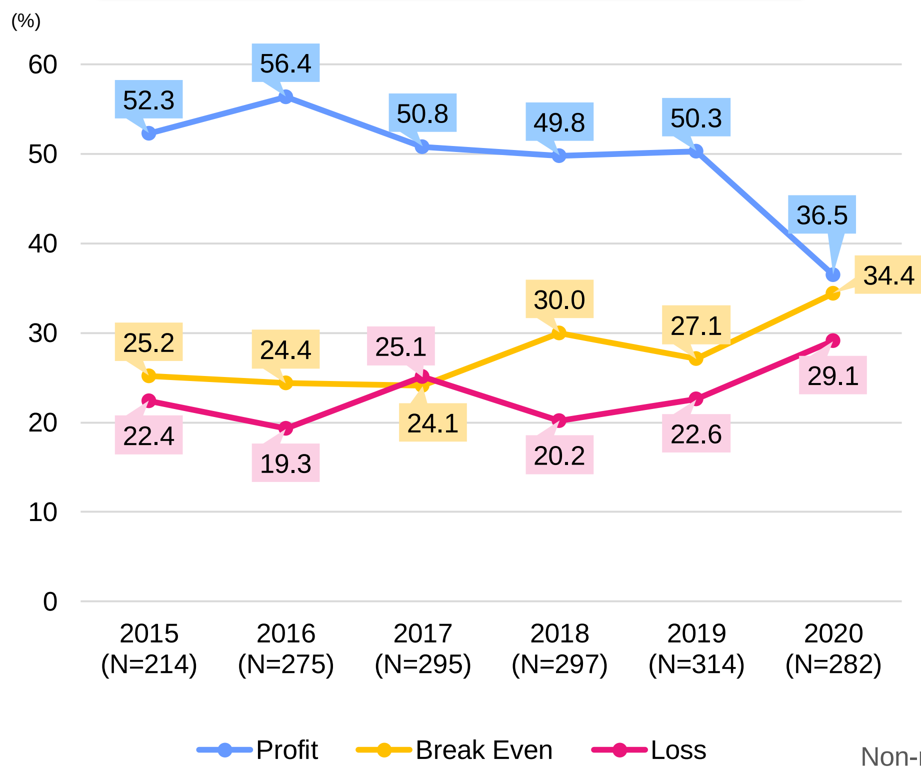
(Note 1) The component percentages in the tables and charts have been rounded off to the 2nd decimal place, therefore the percentage of each answer may not amount to 100%. (Note 2) "N" written in the report is the number of valid responses (parameter).

1. Operating Forecast

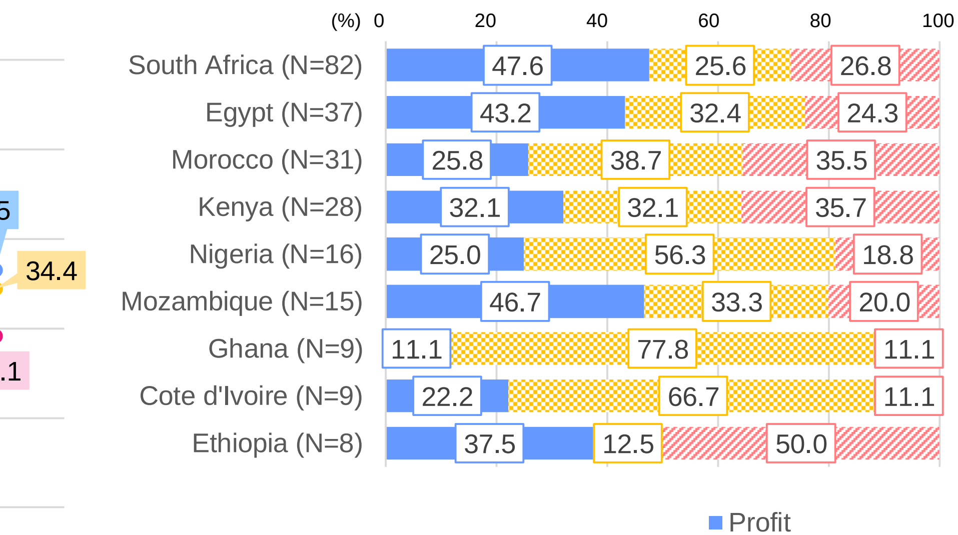
Operating Profit Forecast for 2020① : Ratio of Companies Expecting Operating Profit Declined Significantly

- The percentage of companies expecting operating profit has been around 50% in recent years, but in 2020 it fell by 13.8 points from 2019 to 36.5%. "Break Even“ and "Loss" increased.
- By country, about half the companies expect profit in South Africa, Egypt and Mozambique, while half in Ethiopia answered they expect loss.

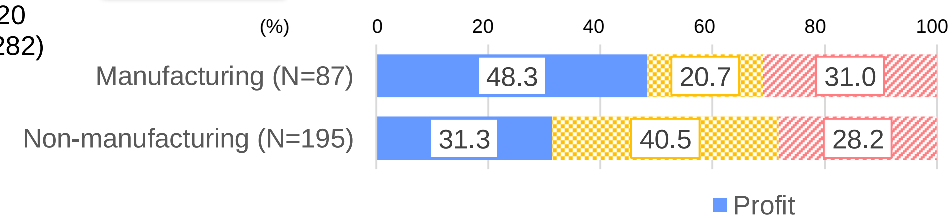
Operating Profit Forecast for 2020<Single Answer>



By Country



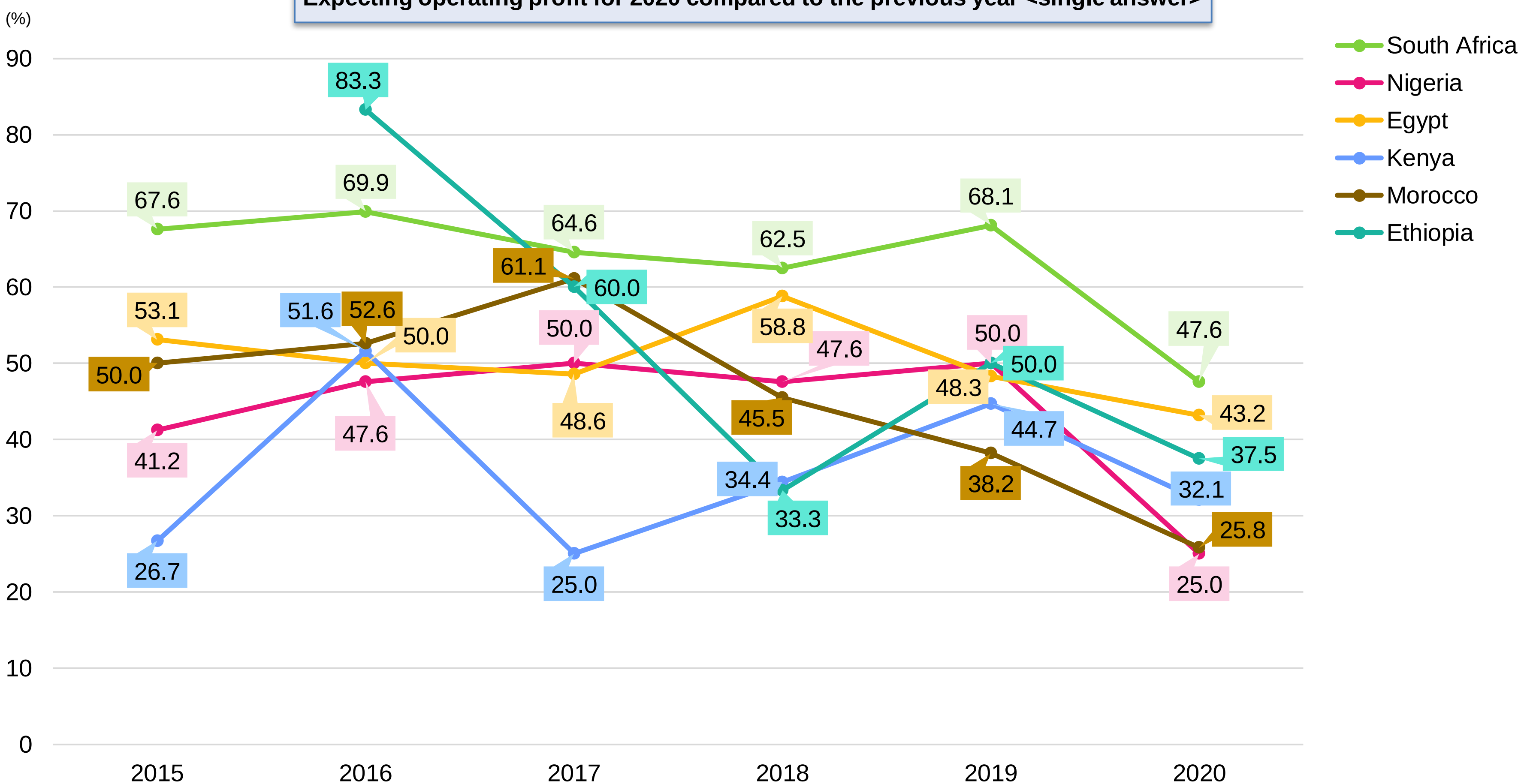
By Industry



2020 Operating Profit Forecast ②: "Profit" Decreased Significantly in Nigeria and South Africa

- Looking at the trends of companies expecting operating profit in major countries, Nigeria showed the largest decrease by 25 points from the previous year, followed by South Africa by 20%.
- Morocco has been showing a downward trend since 2017, with 25.8% in 2020, almost the same score as Nigeria.

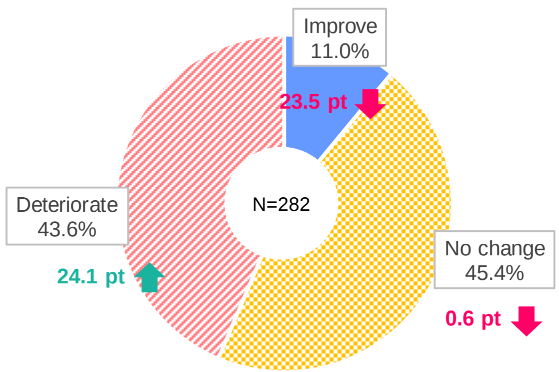
Expecting operating profit for 2020 compared to the previous year <single answer>



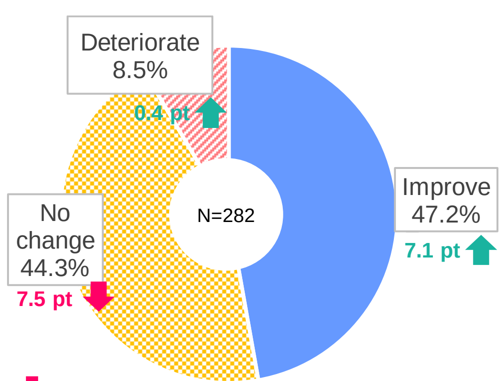
Operating Profit Forecast Compared to Previous Year ①： About half expect "Improve" in 2021

- When companies were asked to compare operating profit forecast between 2019 and 2020, 43.6% of companies responded that it had deteriorated, up 24 points from the previous year.
- At the same time, about half of respondents said they expect 2021 operating profit to improve.

2020 Operating Profit Forecast (Compared to Previous Year)

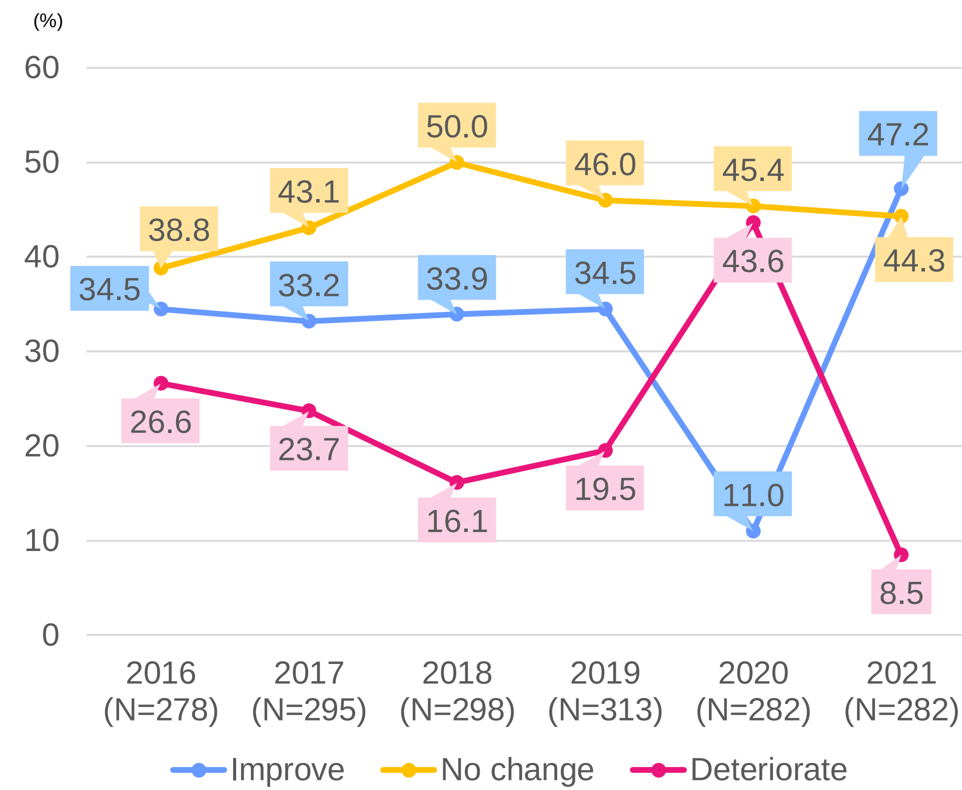


2021 Operating Profit Forecast



Year-over-year comparison: Increase Decrease

Operating Profit Forecast Trends



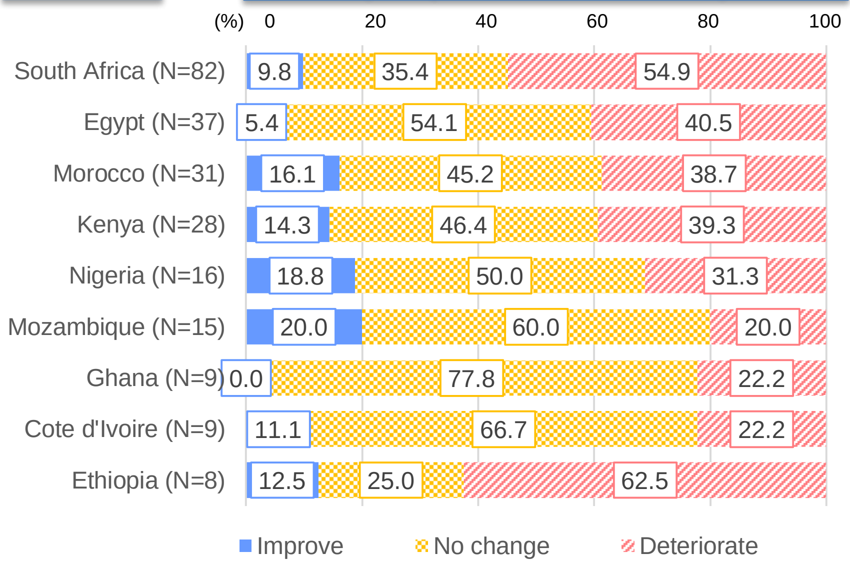
(Note) 201 6 - 2020: Estimate; 2021: Outlook.

Operating Profit Forecast Compared to Previous Year ②：In 2020, more than half the companies in South Africa and Ethiopia expect that their operating profit will deteriorate.

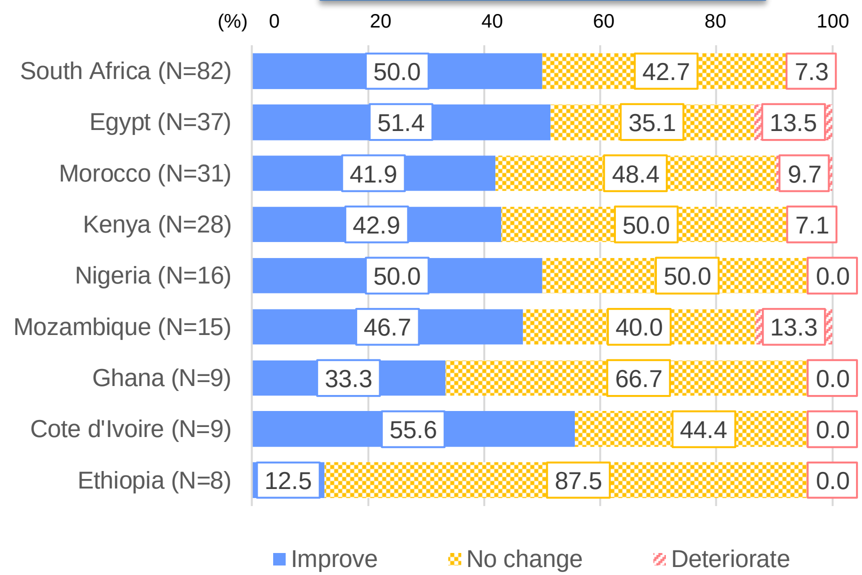
- In South Africa and Ethiopia, more than half of the companies who responded said that their operating profit for 2020 is “deteriorating” compared to the previous year.
- On the other hand, for 2021, around 50% of the companies that responded in major countries except Ethiopia answered that their operating profit will "improve".

By Country

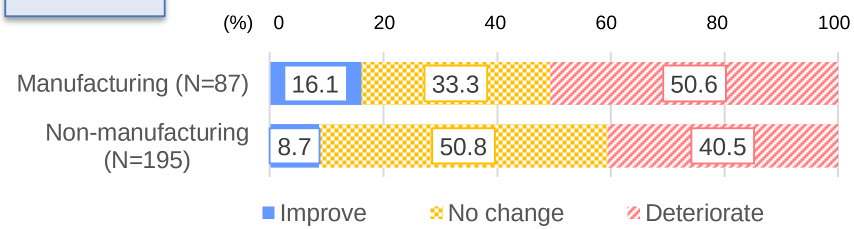
2020 Operating Profit Forecast (Compared to Previous Year)

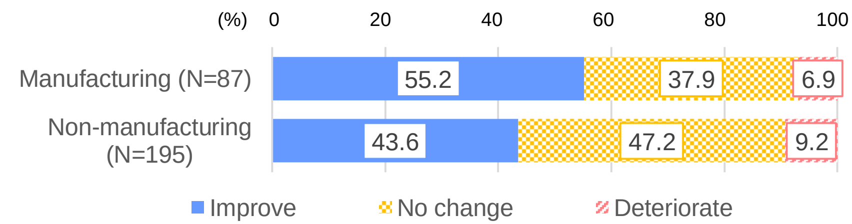


2021 Operating Profit Forecast



By Industry

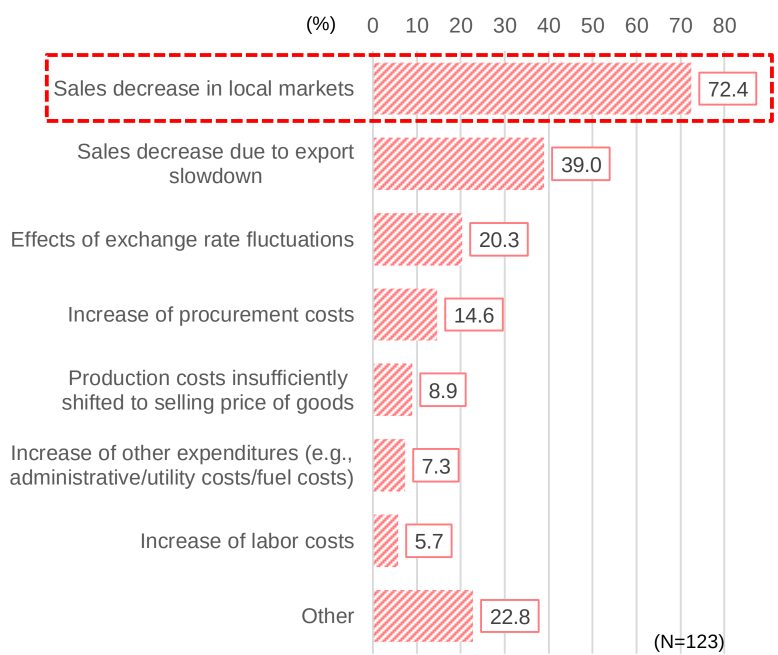




Reason for “Deterioration" of Operating Profit Forecast

- When companies were asked the reason for the deterioration of their operating profit forecast for 2020, the rate of "sales decrease in local markets" was remarkably high at 72.4%, and most of the companies attributed it to COVID-19.
- For both the 2020 and 2021 forecast, "sales decrease due to export slowdown" came in the second place.

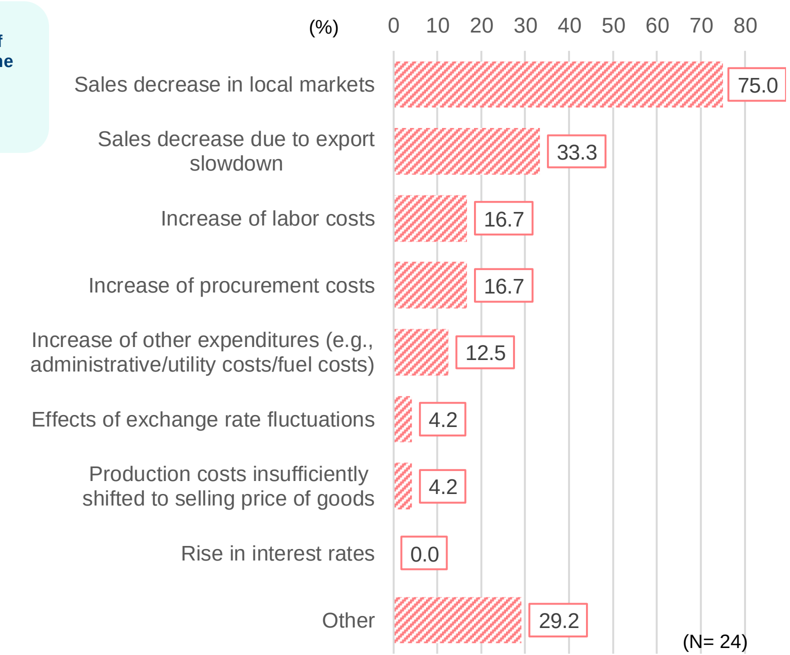
Reasons for deterioration of 2020 operating profit forecast (multiple answers)



Of these, the proportion of companies that attributed the deterioration to COVID-19

95.5%

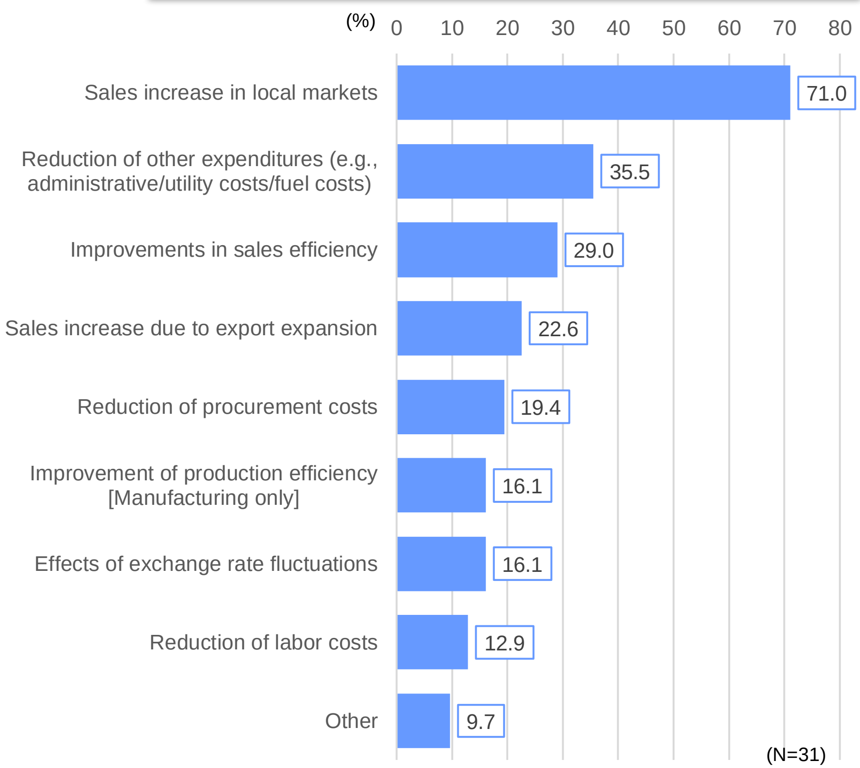
Reasons for deterioration of 2021 operating profit forecast (multiple answers)



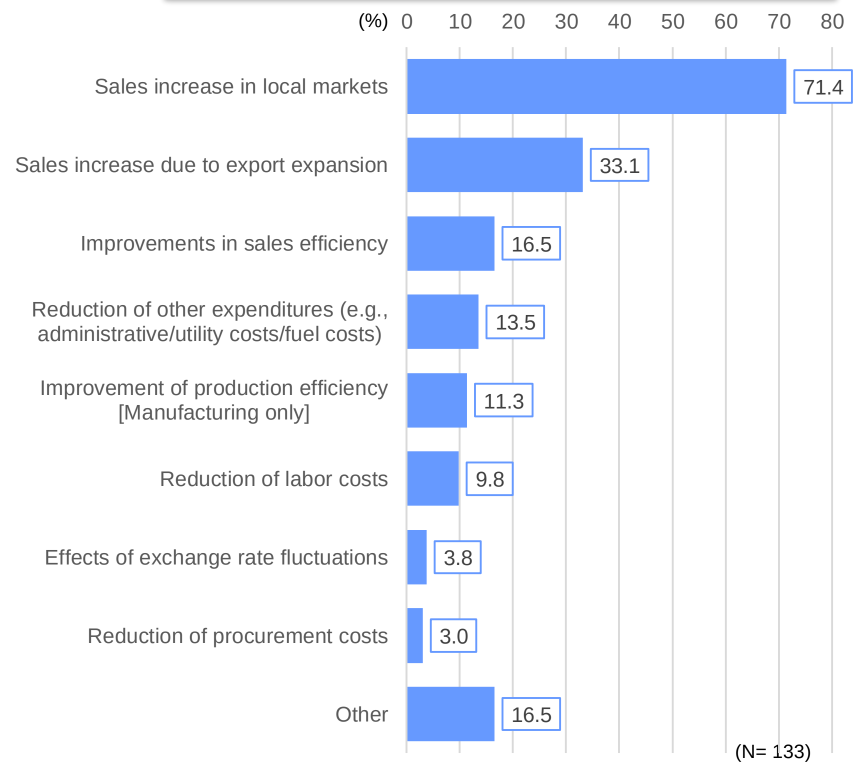
Reason for “Improvement" of Operating Profit Forecast

- The proportion responding “increased sales in local markets” was the highest at about 70% for 2020, followed by "reduction in other expenditures (Administrative, utility and fuel costs etc.)
- Likewise, the proportion responding “increased sales in local markets” was the highest at for 2021, followed by responded “increased sales due to export expansion” at some 30%.

Reasons for improvement of 2020 operating profit forecast (multiple answers)



Reasons for improvement of 2021 operating profit forecast (multiple answers)

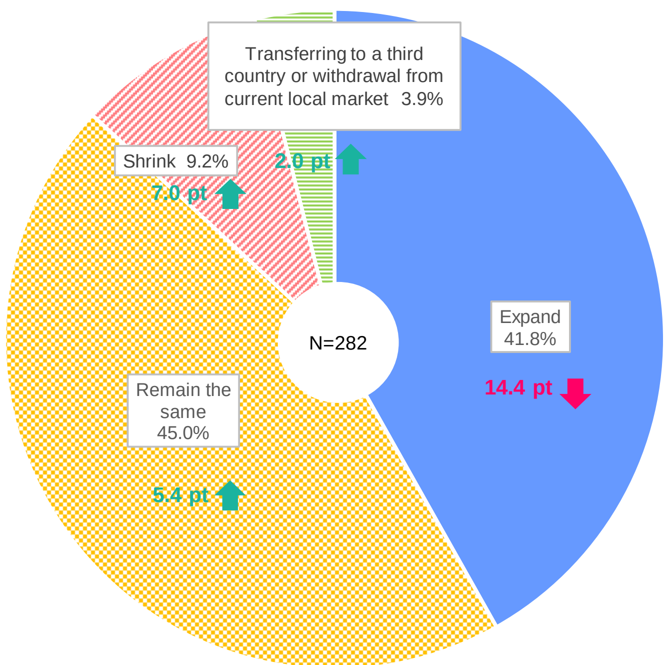


2. Future Business Outlook

Future Business Outlook①: Proportion of companies seeking to “Expand Business” declined sharply

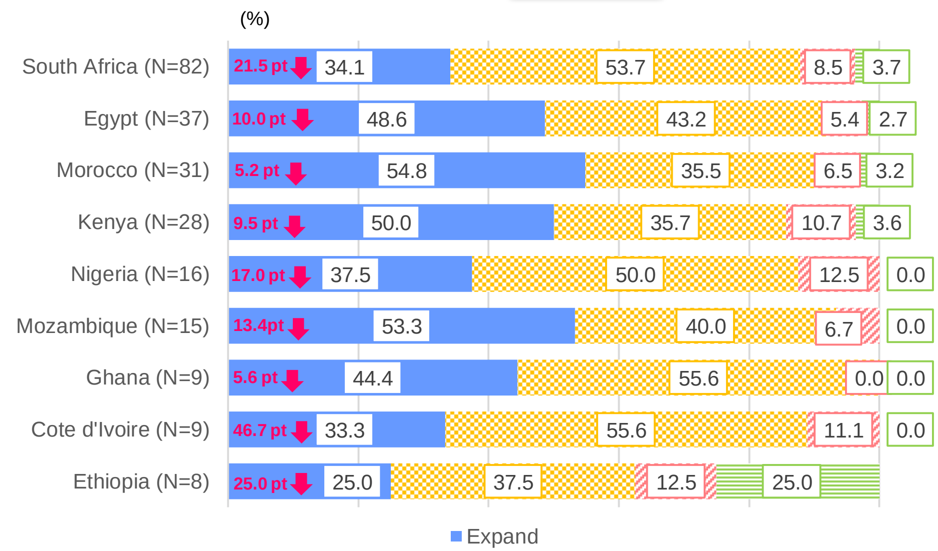
- Approximately 41.8% of companies responded that they are considering expanding business over the next 1-2 years (from the spread of COVID-19), a decrease of 14.4 points from the previous year's survey. 9.2% of respondents answered “shrink,” up 7 points.
- By country, the response rate of “expand” declined across the board, but for Morocco, Kenya, and Mozambique, the rate exceeded 50%. The rate of “shrink” exceeded 10% for Ethiopia, Nigeria, Cote d'Ivoire and Kenya.

Business Outlook for Next 1-2 years



Year-over-year comparison: Increase Decrease

By country

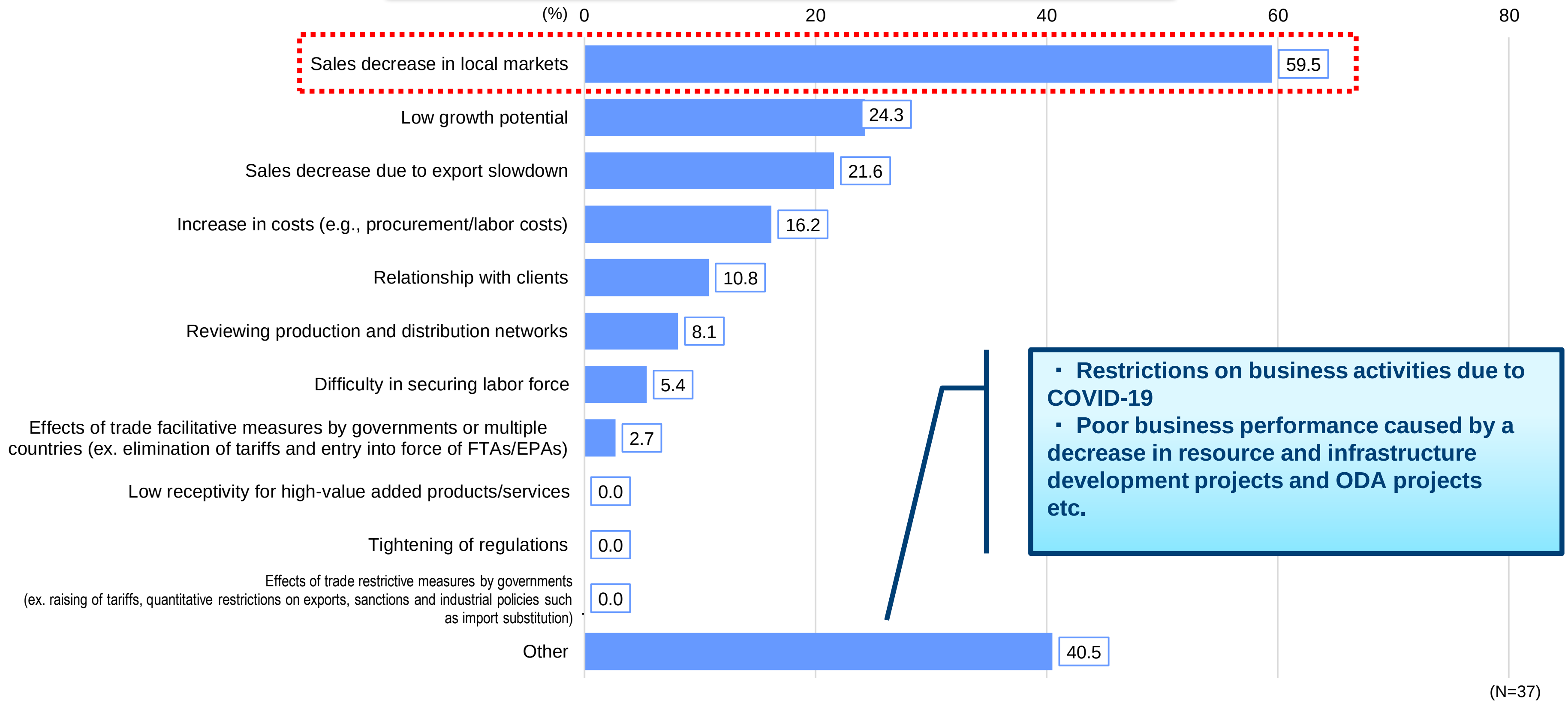


Reasons for shrinkage
- Poor business performance of business partners
- Decrease / stagnation of resource and infrastructure development projects due to sluggish crude oil prices
- End / decrease of ODA projects
- Restrictions on business activities such as movement within Africa
- Review of global business development area and cost reduction etc.

Future Business Outlook ②: Reasons for "shrink" or "transferring to a third country or withdrawal from current local market"

- The proportion of "sales decrease in local markets" was the highest at about 60%, followed by "low growth potential."
- "Other" included such as restrictions on business activities due to COVID-19 and poor business performance caused by a decrease in resource and infrastructure development projects and ODA projects.

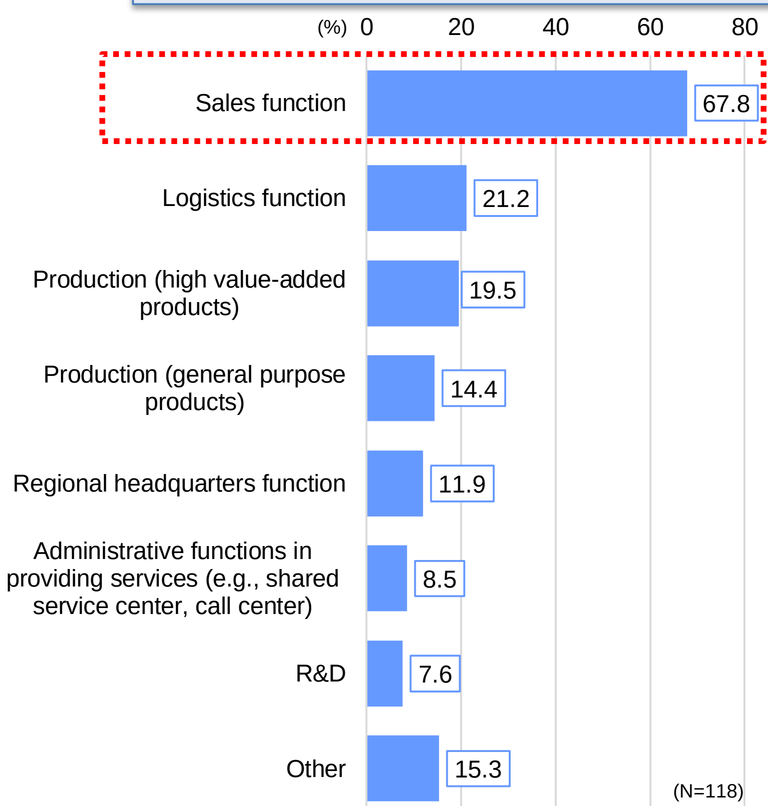
Reasons for shrinking or Transferring to a third country or withdrawal from current local market (multiple answers)



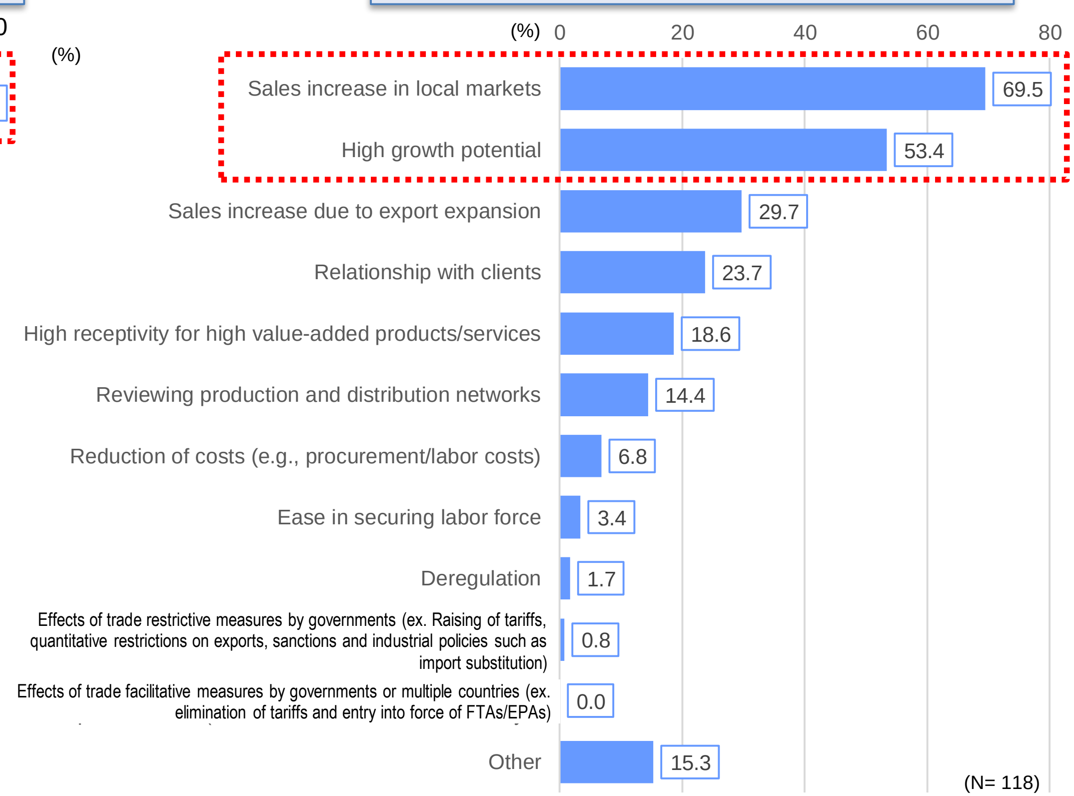
Future Business Outlook ③: Function to be "Expanded"

- ➢ The proportion of the functions planned to be expanded was the highest for "sales" at 67.8%.
- ➢ Approximately 70% of the companies that responded "expand" expected "sales increase in local markets", followed by "high growth potential."

Specific functions to be expanded (multiple answers)



Reasons for business expansion (Multiple answers)



Future Business Outlook ④: Reasons for "Expansion" -By Major Country-

➢ As a feature of results for each major country, the proportion of "high growth potential" was higher than average in Morocco, Kenya, Mozambique, and Egypt.

Reasons for Expansion of business for Next 1-2 years (multiple answers)

(%)	Sales increase in local markets	High growth potential	Sales increase due to export expansion	Relationship with clients	High receptivity for high value-added products/ services	Reviewing production and distribution networks	Cost decreases (procurement costs, labor costs, etc.)	Ease of securing labor force	Deregulation	Effects of trade restrictive measures by governments	Effects of trade facilitative measures by governments or multiple countries (ex. elimination of tariffs and entry into force of FTAs/EPAs)	Other
Overall (N=118)	**69.5**	**53.4**	**29.7**	**23.7**	**18.6**	**14.4**	**6.8**	**3.4**	**1.7**	**0.8**	**0.0**	**15.3**
South Africa (N=28)	71.4	35.7	50.0	39.3	21.4	21.4	14.3	0.0	0.0	0.0	0.0	3.6
Egypt (N=18)	77.8	61.1	22.2	16.7	16.7	11.1	0.0	0.0	0.0	0.0	0.0	11.1
Morocco (N=17)	70.6	70.6	11.8	35.3	23.5	5.9	5.9	5.9	0.0	5.9	0.0	11.8
Kenya (N=14)	78.6	64.3	28.6	14.3	21.4	14.3	7.1	0.0	7.1	0.0	0.0	14.3
Nigeria (N=6)	66.7	33.3	0.0	16.7	0.0	33.3	16.7	16.7	0.0	0.0	0.0	0.0
Mozambique (N=8)	62.5	62.5	37.5	12.5	25.0	12.5	12.5	0.0	0.0	0.0	0.0	37.5
Ghana (N=4)	50.0	50.0	25.0	0.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0
Cote d'Ivoire (N=3)	66.7	33.3	33.3	33.3	33.3	0.0	0.0	0.0	0.0	0.0	0.0	66.7
Ethiopia (N=2)	100.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(Note 1) Figure highlighted in blue means it exceeds the average for this factor.

<Reference> Impact of the spread of COVID-19 on Africa

- The cumulative total of cases on the African continent has exceeded 2 million. The first wave of infection peaked out in late July and the economic activities resumed, but the second wave came in October. Long-term lockdown, plunge in oil prices, and a drop in tourism revenue have hit the economy.
- Japanese companies operating in Africa faced a difficult situation where they have to continue business operations while taking measures to prevent infection. As international flights have been suspended with some exceptions, employees who had temporarily returned to Japan could not go back to their post, and many companies were forced to do business remotely for a long period of time.

Impact of the spread of COVID-19 on the activities of Japanese companies operating in Africa (examples)

Morocco
Compared to other countries, the pace of infection spread was slower, but it picked up speed in and after May, and in September the number of new infection cases overtook that of South Africa. Many expatriates left Africa and continued remote operations without being able to return to their post.

Egypt
There are many Japanese companies staying in Egypt and continuing business. The companies continued operations by taking such measures as shift work and shift changes at factories and shift work and remote working at offices.

Kenya-Tanzania, Ethiopia-Djibouti
Logistics in the region became stagnant due to Kenya's temporarily closure of the border with Tanzania, where infections are rapidly increasing, and Ethiopia's strengthening of quarantine at the border with Djibouti.

Nairobi, Kenya (photograph taken on April 17)

Nigeria
Operations of Lagos Port deteriorated. Customs clearance of marine cargo from China at Lagos Port, which usually takes 60 days to complete, couldn't be completed even after 90 days.

Lagos, Nigeria (photograph taken on March 26)

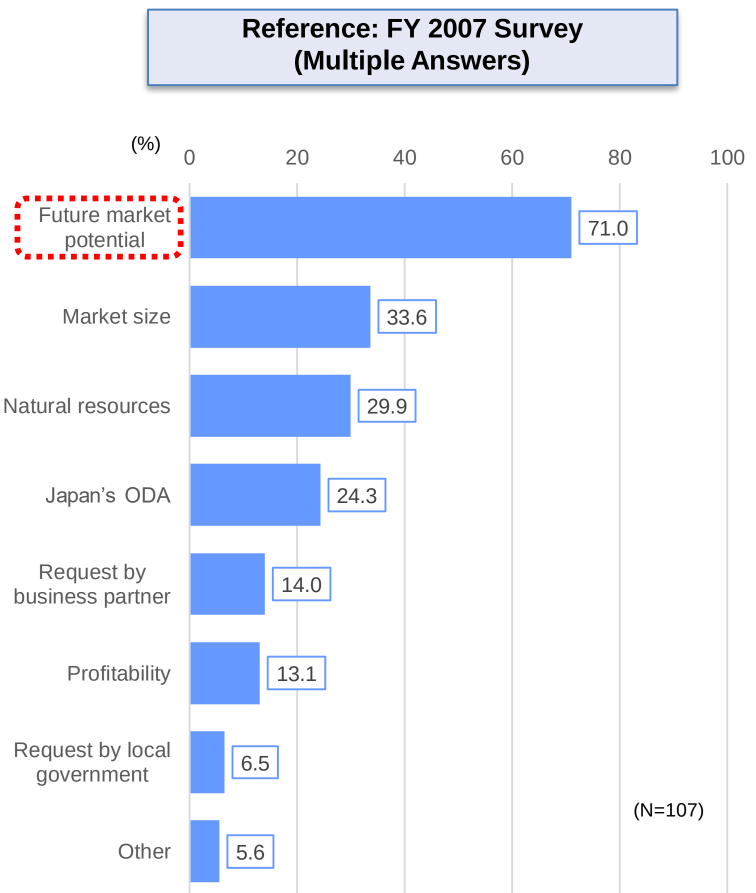
South Africa
There are many Japanese companies staying in South Africa and continuing business. In the manufacturing sector, rules for resuming factory operation such as wearing masks and social distancing are presented, but there are many difficult parts and in some cases it took time to comply with the rules. In addition, considering the marks to show the appropriate social distance and flow lines, there were many problems as required number of workers cannot enter the work space and the scale of production was limited.

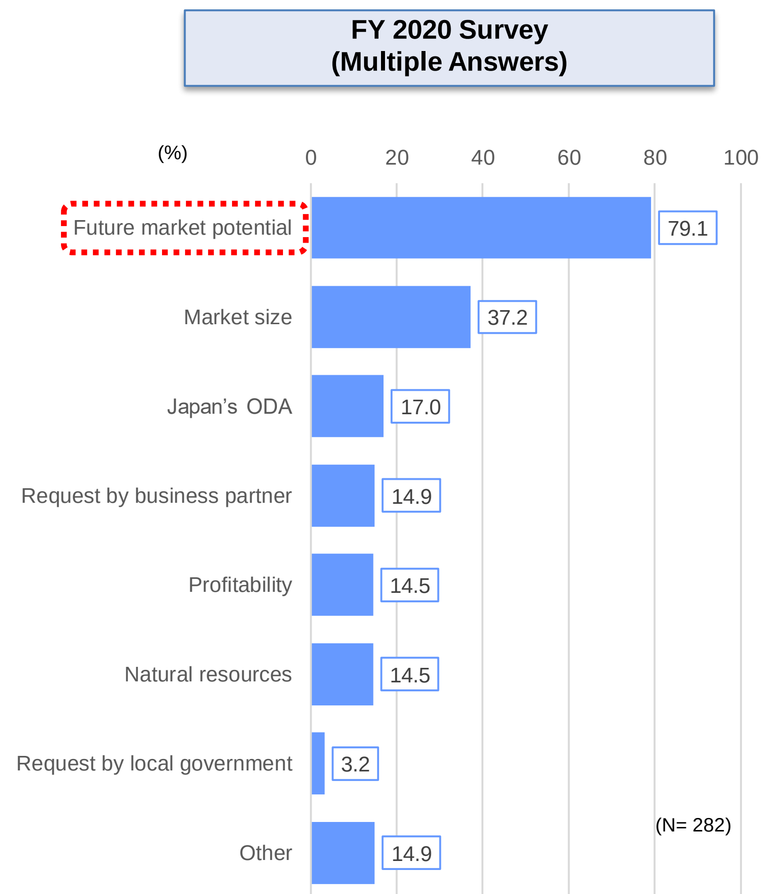
Shopping mall in Johannesburg, South Africa (photograph taken on May 8)

3. Changes to Investment Environment in Africa

Reasons for Maintaining Presence in Africa

- Little less than 80% of the companies answered "future market potential" as their reason for entering the African market, revealing their continued expectations for the future of the African market.
- There was a marked decrease in the proportion answering "natural resources" or "Japan's Official Development Assistance" compared to 2007, falling below 20%.

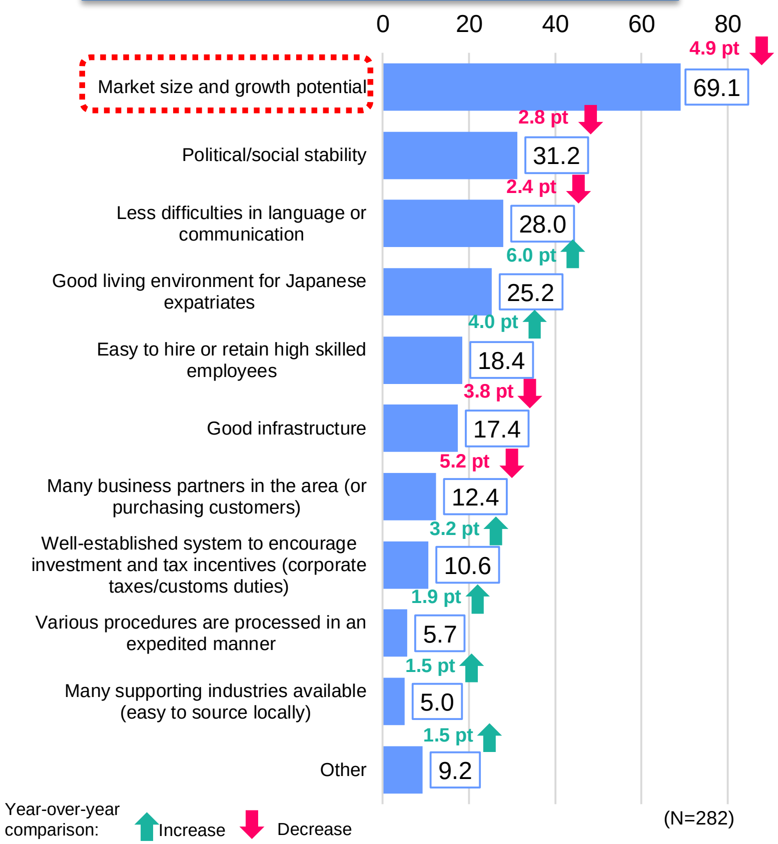




Investment Environment Advantages：High Expectation for "Market Size and Growth Potential"

- Little less than 70% of companies responded that they saw benefits relating to "market size and growth potential" as an advantage of investing in Africa. In Egypt, Nigeria, Mozambique and Kenya, in particular, the rate was above the average.
- Kenya received high evaluations for "less difficulties in language or communication" and "good living environment for Japanese expatriates."

Investment Environment Advantages (Multiple Answers)



By Country

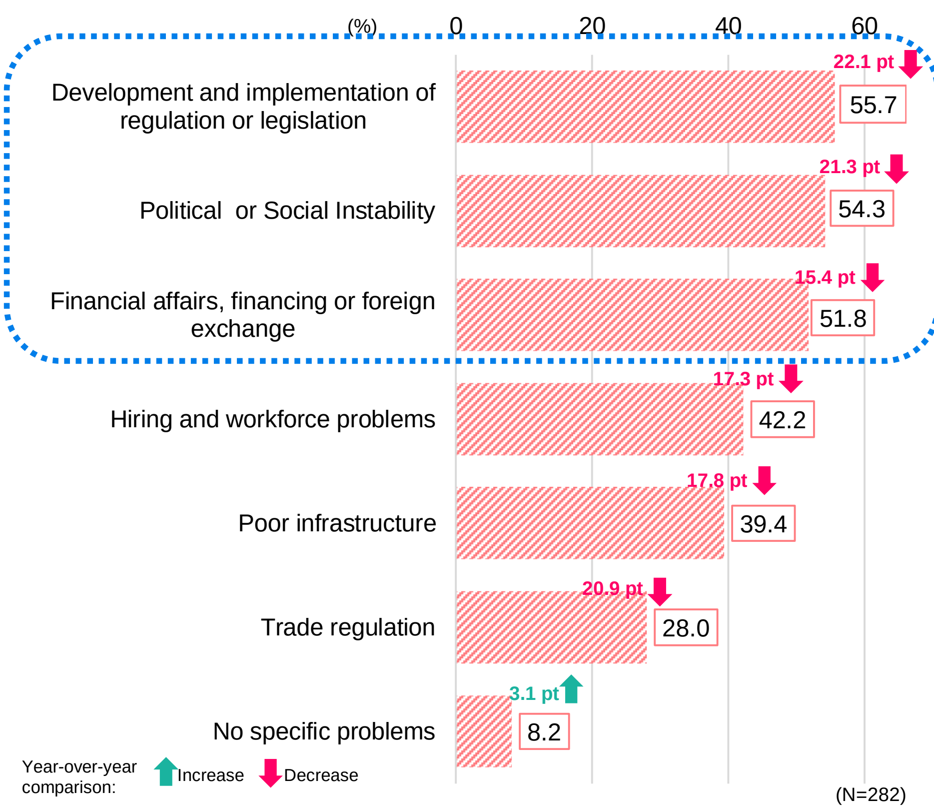
(%)	Market size and growth potential	Political/social stability	Less difficulties in language or communication	Good living environment for Japanese expatriates	Easy to hire or retain high skilled employees	Good infrastructure	Many business partners in the area (or purchasing customers)	Good investment promotion or tax incentives (corporate income tax, import/export tariffs, etc.)	Various procedures are processed in an expedited manner	Many supporting industries available (easy to source locally)	Other
Overall (N=282)	**69.1**	**31.2**	**28.0**	**25.2**	**18.4**	**17.4**	**12.4**	**10.6**	**5.7**	**5.0**	**9.2**
South Africa (N=82)	63.4	15.9	34.1	32.9	13.4	25.6	23.2	11.0	4.9	8.5	6.1
Egypt (N=37)	94.6	24.3	16.2	16.2	18.9	5.4	8.1	21.6	8.1	5.4	2.7
Morocco (N=31)	64.5	67.7	22.6	19.4	35.5	32.3	16.1	16.1	12.9	12.9	6.5
Kenya (N=28)	78.6	42.9	71.4	42.9	32.1	10.7	7.1	0.0	0.0	0.0	3.6
Nigeria (N=16)	93.8	0.0	18.8	0.0	12.5	6.3	0.0	6.3	12.5	0.0	6.3
Mozambique (N=15)	86.7	13.3	6.7	20	6.7	6.7	13.3	0.0	0.0	6.7	20.0
Ghana (N=9)	55.6	66.7	44.4	22.2	22.2	0.0	0.0	0.0	0.0	0.0	0.0
Cote d'Ivoire (N=9)	55.6	33.3	22.2	44.4	11.1	33.3	22.2	11.1	0.0	0.0	22.2
Ethiopia (N=8)	50.0	0.0	12.5	0.0	12.5	0.0	0.0	0.0	0.0	0.0	25.0

(Note 1) Figure highlighted in blue means it exceeds the average for this factor.

Africa Investment Risks①: Greatest Risk Lies in Development and Implementation of Regulation or Legislation

- Overall, the scores showed decreases from the previous year, more than half of the companies continue to perceive "development and implementation of regulation or legislation," “political or social instability,” and “financial affairs, financing of foreign exchange” as the risk of investing in Africa.
- Nigeria is above average in all items. In addition to the above, “poor infrastructure” also poses a risk.

Investment Environment Risks (Multiple Answers)



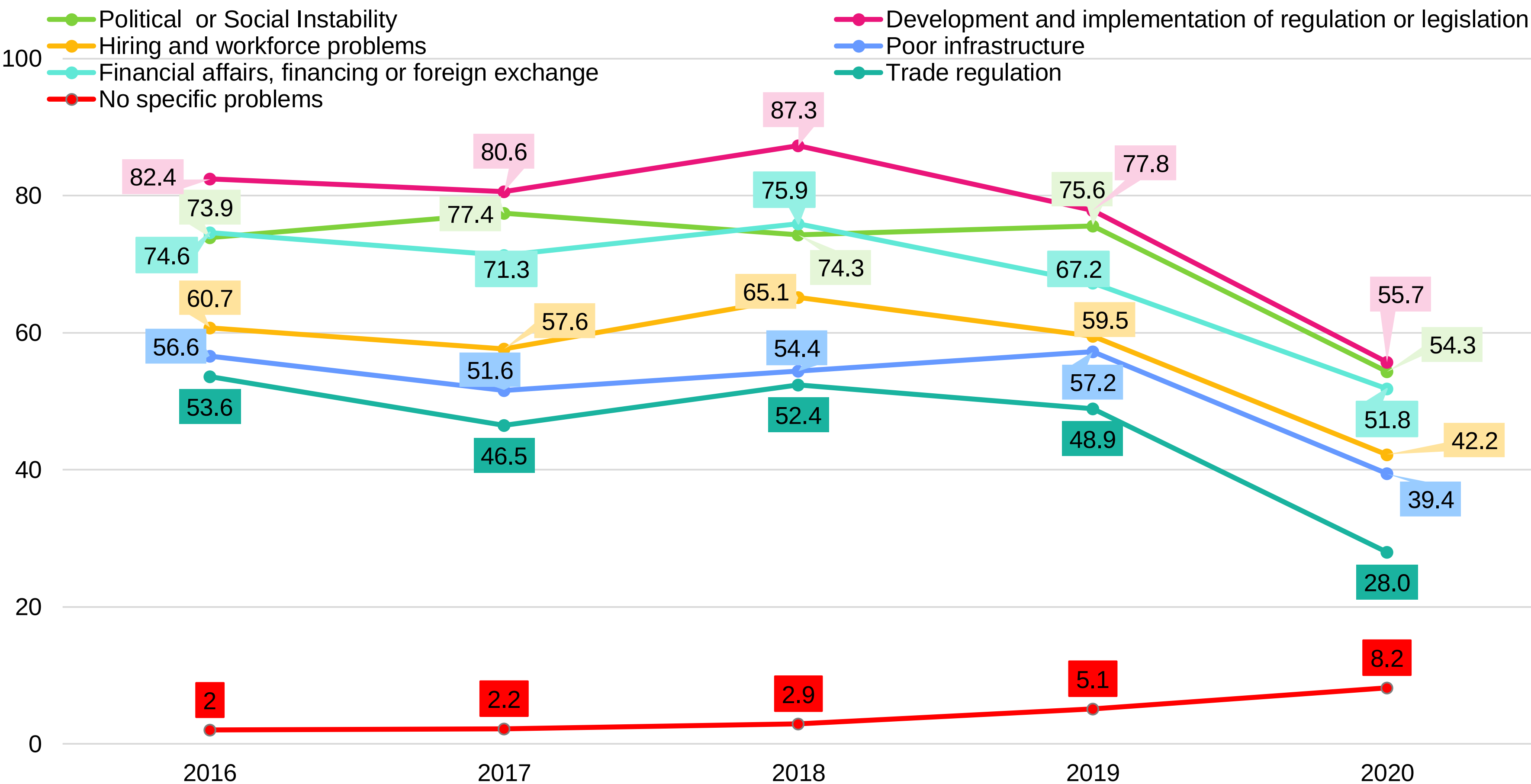
By Country

(%)	Development and Implementation of Regulation or Legislation	Political or Social Instability	Financial Affairs, Financing or Foreign Exchange	Hiring and Workforce Problems	Poor Infrastructure	Trade Regulation	No Specific Problems
Overall (N=282)	**55.7**	**54.3**	**51.8**	**42.2**	**39.4**	**28.0**	**8.2**
South Africa (N=82)	34.1	68.3	46.3	45.1	41.5	11.0	9.8
Egypt (N=37)	67.6	48.6	51.4	29.7	18.9	27.0	8.1
Morocco (N=31)	45.2	16.1	22.6	32.3	16.1	16.1	22.6
Kenya (N=28)	60.7	46.4	50.0	39.3	32.1	42.9	10.7
Nigeria (N=16)	75.0	93.8	87.5	43.8	81.3	56.3	0.0
Mozambique (N=15)	73.3	53.3	53.3	53.3	33.3	40.0	0.0
Ghana (N=9)	77.8	22.2	66.7	22.2	55.6	11.1	0.0
Cote d'Ivoire (N=9)	66.7	55.6	33.3	66.7	44.4	22.2	11.1
Ethiopia (N=8)	75.0	100.0	87.5	62.5	87.5	87.5	0.0

(Note 1) Figures highlighted in red exceed the average for this factor.

Africa Investment Risks②: Improvement has been seen in all items

➢ Since 2018, improvements have been seen in “development and implementation of regulation or legislation,” “financial affairs, financing or foreign exchange,” “hiring and workforce problems,” and “trade regulation.”



Initiatives of each company to reduce investment risks in Africa

[Political or Social Instability]

・ Refrain from unnecessary outings.
・ As a security measure, sign contracts with security companies and insurance contracts.

[Poor Infrastructure]

・ Install private power generators to prepare for power outages.
・ Install a spare water tank to deal with water shortages.

[Development and implementation of regulation or legislation]

・ Compliance
・ Negotiate with the local government and strengthen communication with the authorities.
・ Directly visit relevant ministries and agencies to inquire about preventive measures against possible risks.
・ Obtaining opinions from multiple law and accounting firms
・ Request improvement to the local government through the Chamber of Commerce, JETRO, and the embassy.
・ Partnership with a company familiar with the local market.

[Financial Affairs, Financing or Foreign Exchange]

・ Not to leave surplus funds in the country.
・ Reduce local cash and pay dividends except for necessary cash flow.
・ Avoid making large-scale investments, scrutinize government-affiliated projects, collect information on partners and investing companies, etc.
・ Minimize risk by arranging payment conditions and utilizing insurance even if costs increase.
・ Regularly review sales prices to prepare for exchange fluctuations.
・ Strengthen credit lines, follow up on debt collection activities by the parent company, etc.

[Hiring and Workforce Problems]

・ Strive to secure human resources such as students from the ABE Initiative.
・ Build friendly relationships with the union and close dialogue.
・ Actively use external resources such as outsourcing of specialized work
・ Improve production efficiency and save labor (optimize the number of workers) using DX for the medium to long term

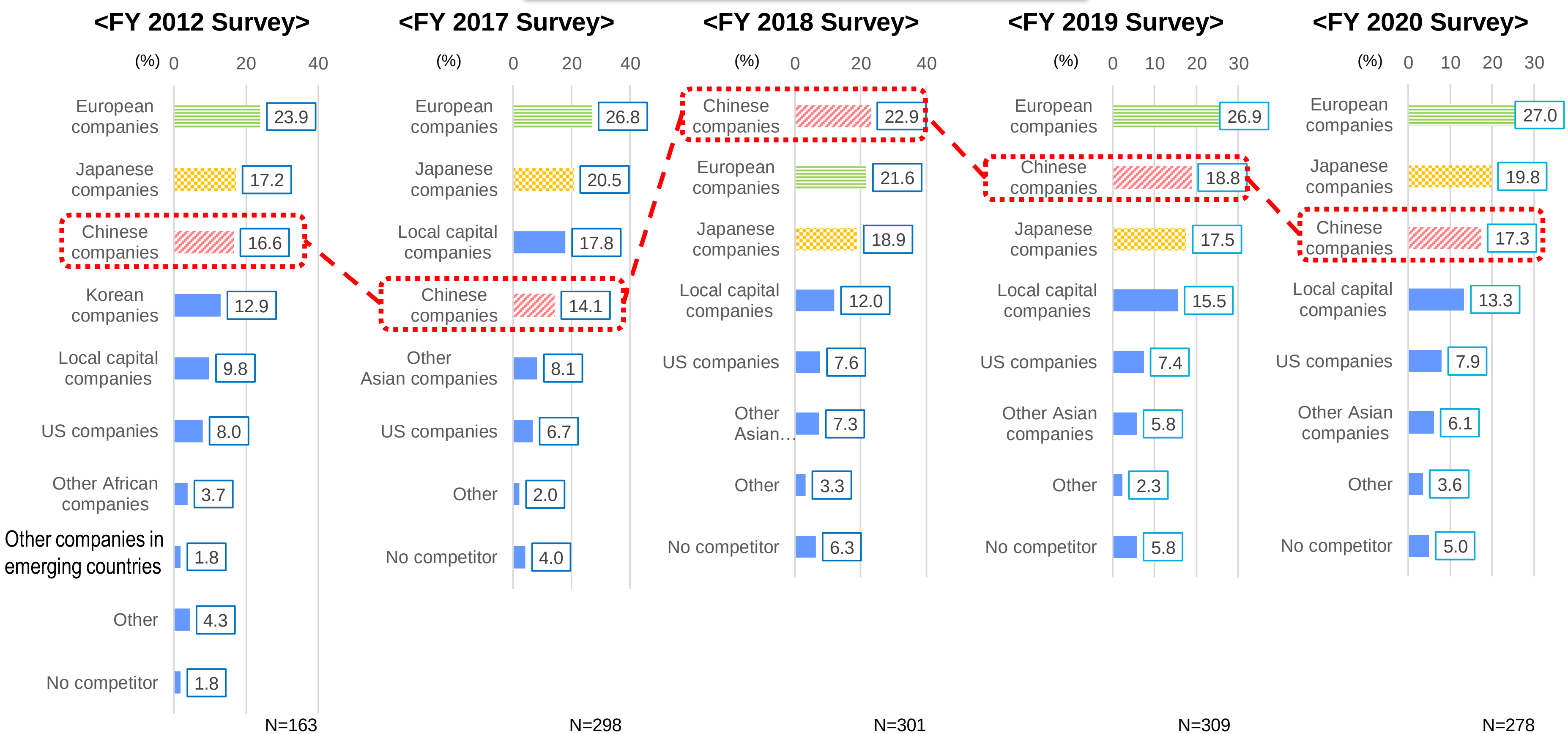
[Trade Regulation]

・ Utilize overseas investment insurance, select proven partners

Competition with Third-Country Companies① : European Companies Become Top as in the Previous Year

- Chinese companies were the top competitors in 2018, but the proportion is on a downward trend from the previous year.
- European companies continue to be positioned high in the list as competitors of Japanese companies in Africa. Japanese companies are in a fiercely competitive relationship.

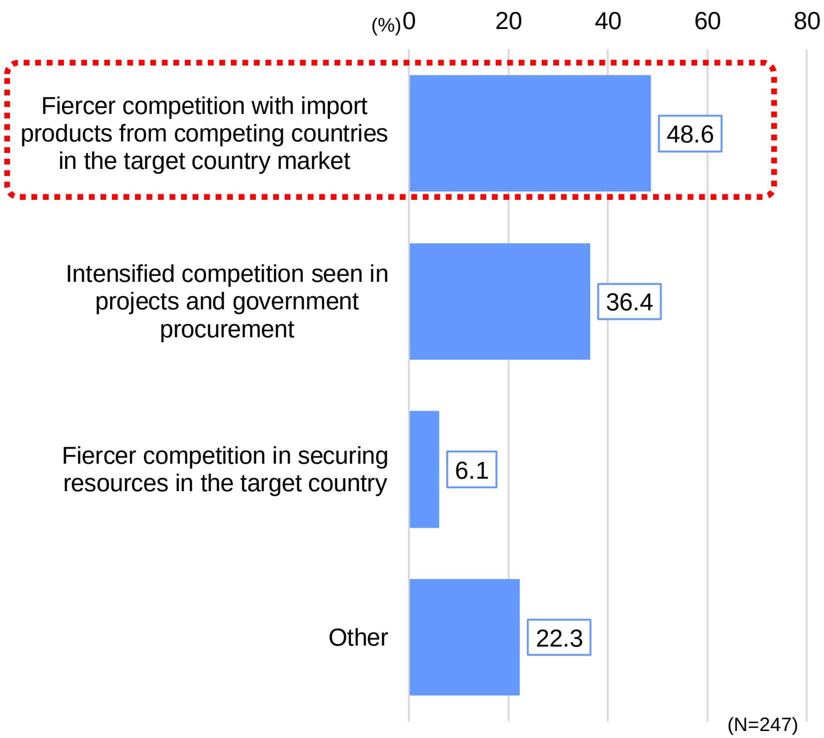
Trends in Percentage of Companies with the Most Competitive Relationship



Competition with Third-Country Companies (2) Impact of Competitors in Third-Country

- Around 50% of companies responded “fiercer competition with import products from competing countries in the market” as an influence brought by competing companies.
- This trend is particularly evident among European and Chinese companies. For Japanese companies, the proportion of "intensified competition seen in projects and government procurement” is high.

Impact from Companies of Competing Countries (Multiple Answers)



(%)

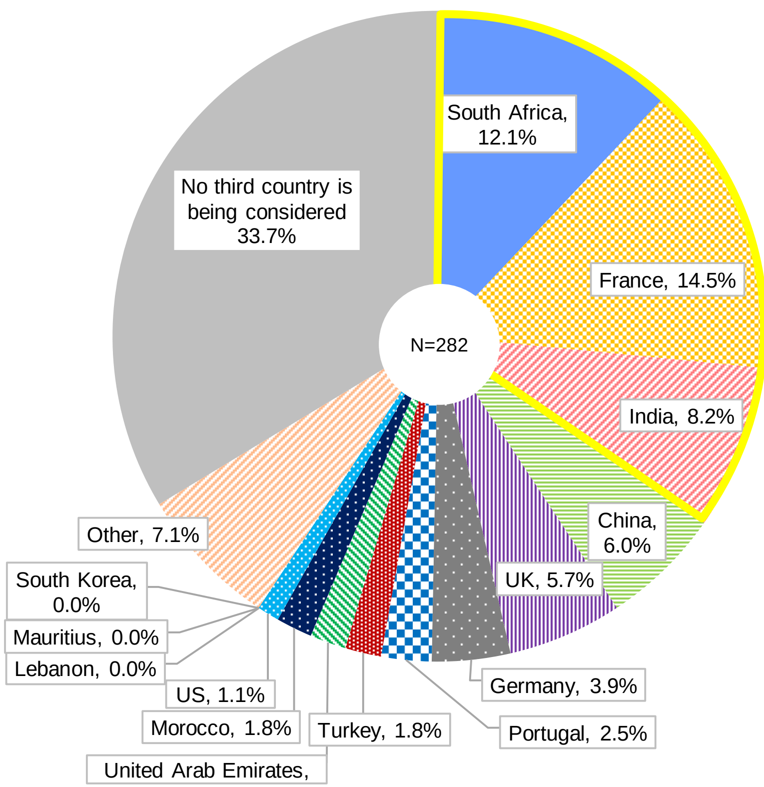
Japanese companies	US companies	European companies	Chinese companies	Other Asian companies	Local capital companies	Other
5.7	3.2	16.6	12.1	4.9	5.3	0.8
10.5	1.2	10.5	9.3	1.6	2.8	0.4
1.2	1.6	1.6	0.8	0.0	0.8	0.0
5.3	2.0	5.3	4.9	1.2	4.9	1.6

(N=247)

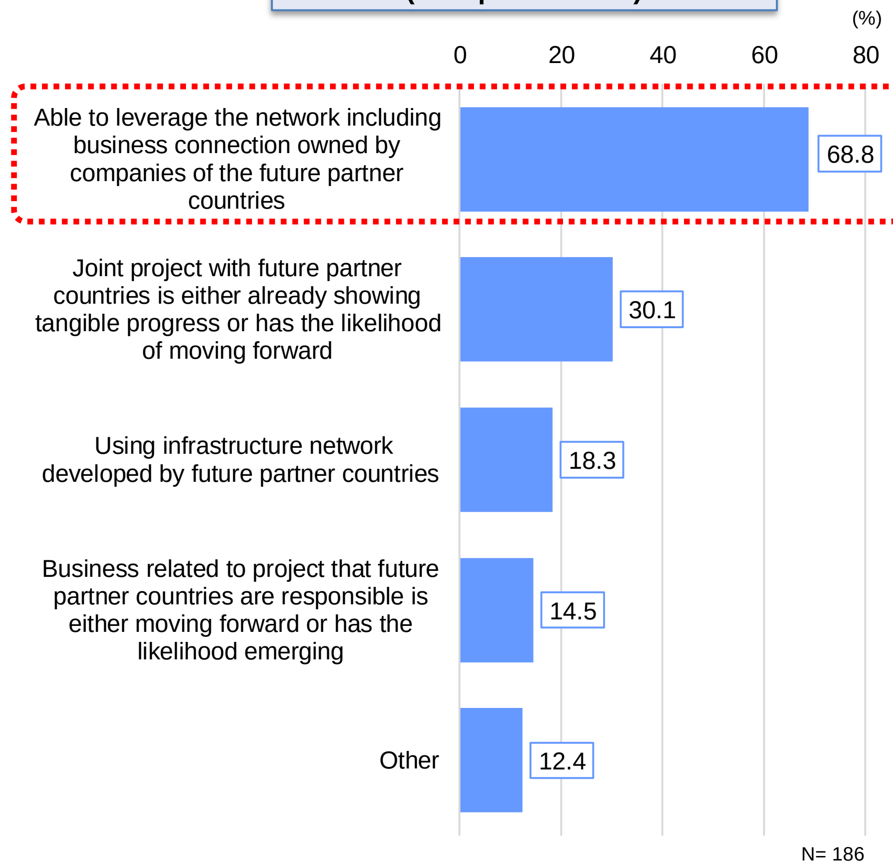
Collaboration with Third-Country Companies

- France, South Africa, and India were the top three as potential partners in advancing into African market.
- About 70% of the companies cited as opportunities and advantages that potential partner countries bring to their business "able to leverage the network including business connection owned by companies of the future partner countries."

Partner Countries in the Third-Country



Opportunities and Advantages (Multiple Answers)

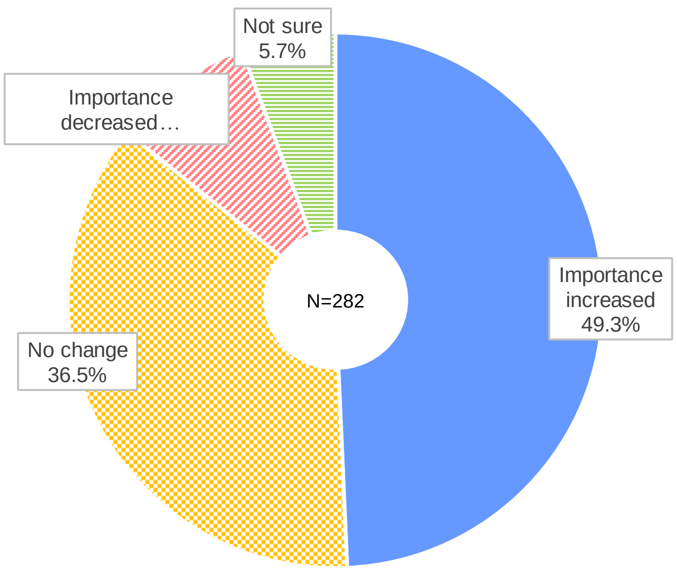


4. Future Market Expectations

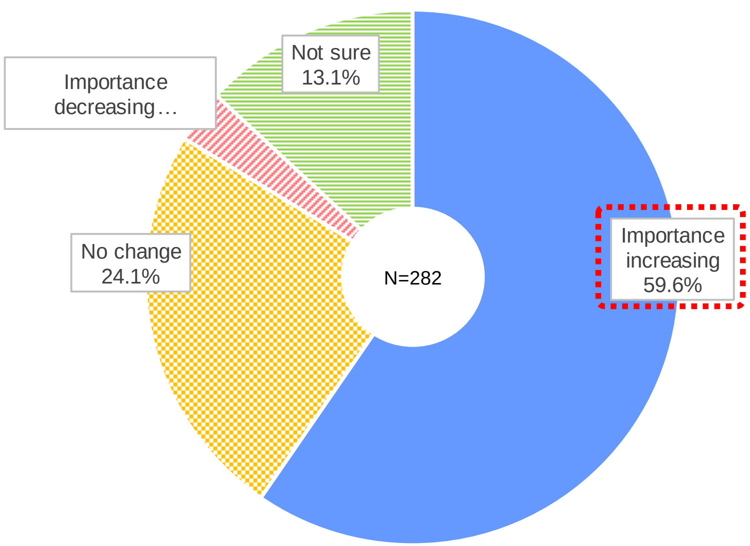
Africa's Position in Global Strategy

- About 50% of companies responded that the "importance of Africa increased" compared to five years ago.
- About 60% responded that the "importance of Africa will increase" over the next five years. Many companies cited "market expansion with the growth of population" and "expectations for the African Continental Free Trade Area (AfCFTA)" as reasons for this.

Positioning Compared to Five Years Ago



Positioning Over Next Five Years



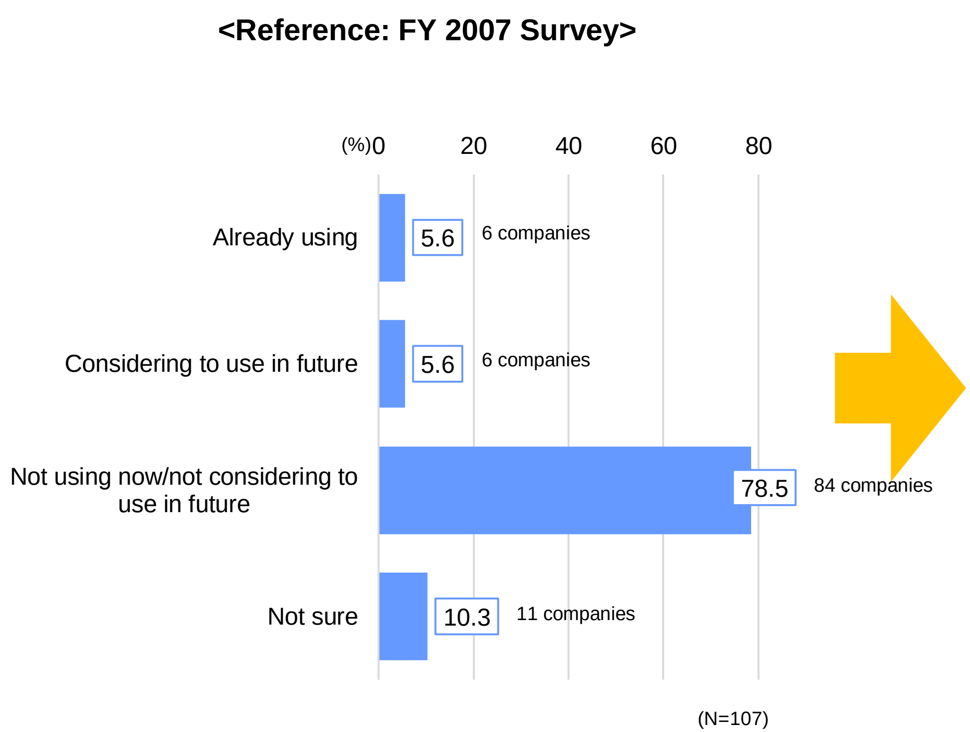
"Importance increased"
・ Growth market, population growth, rising labor costs in Asia
・ Strong demand for resource development and infrastructure development
・ Increased attention within the company by growing number of expatriates
・ Stabile employment situation due to political stabilization
"Importance decreased"
・ Market growth is slower than expected, sales scale did not grow, etc.

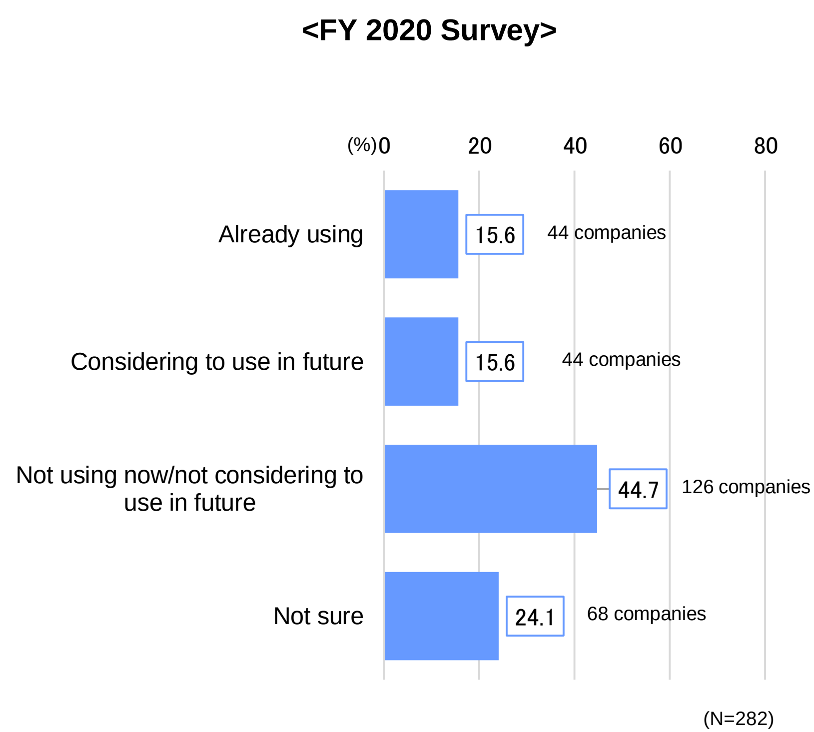
"Importance increasing"
・Expect an increase in demand with population growth and AfCFTA
・ Leapfrog innovation will continue to happen.
・Manufacturing transfer from European bases will increase
"Not sure"
・ Unable to forecast the future due to COVID-19
・ Economic and political stability of African countries is unclear.
etc.

Usage of FTA & Customs Union

➢ A large increase was seen in companies utilizing existing (issued) FTAs or customs unions in and outside Africa compared to 2007. Combining this with companies considering use of these systems, a total of approximately 30% of companies are willing to use.

Current Usage of FTA & Customs Union (Multiple Answers)

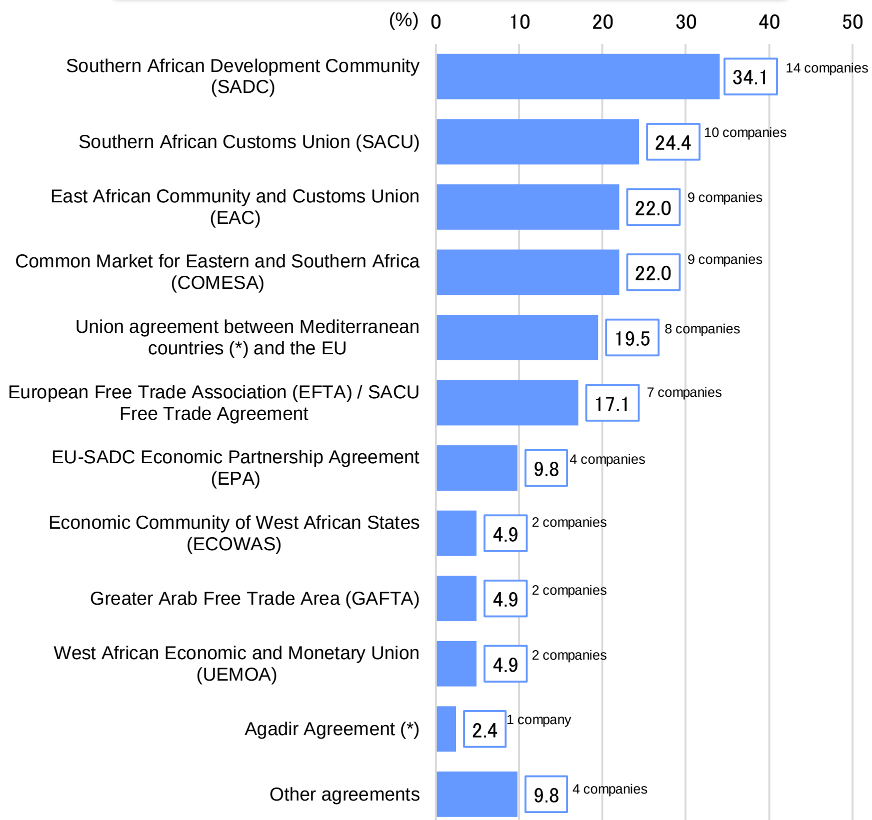




FTA / Customs Union Used or Considered to be Used

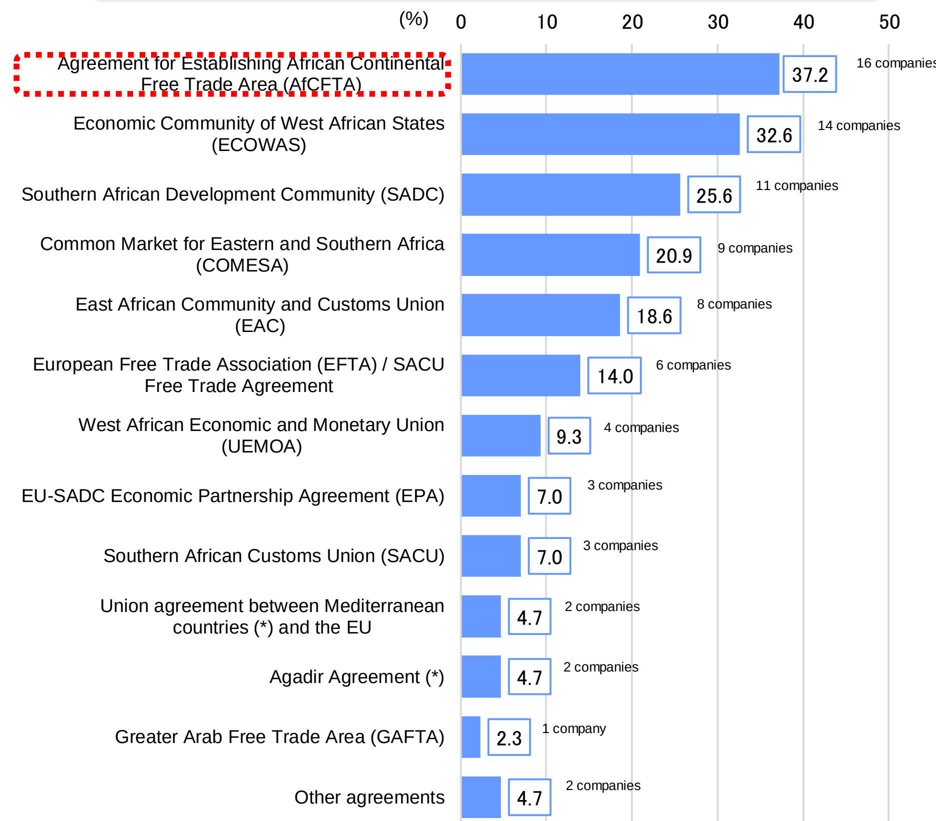
- Nearly 40% of companies are interested in the African Continental Free Trade Area (AfCFTA) and considering use in the future. Companies expect positive impact of the expansion of business opportunities and the reduction or elimination of tariffs.
- On the other hand, many companies said the "specific schedule of implementation" and "procedures and rules" are unclear.

FTA or Customs Union Currently Used (Multiple Answers)



* Egypt, Tunisia, Algeria, Morocco, etc.

FTA or Customs Union Considering using (Multiple Answers)



* Egypt, Tunisia, Algeria, Morocco, etc.

<Reference> African Continental Free Trade Area (AfCFTA): Scheduled to be implemented from January 2021

Agreement for Establishing AfCFTA

- An agreement entered into to establish the African Continental Free Trade Area (AfCFTA) across the African continent. The objectives are to create a single continental market for goods and services, with free movement of business persons and investments.
- With the participation of 55 African Union (AU) member countries and regions, it will be the largest FTA in the world with a population of over 1.2 billion and a combined nominal GDP of $2,215.9 billion.
- Negotiations consist of two phases. The goal of the phase 1 is to agree on "trade in goods, trade in services, dispute resolution rules / procedures", and the goal of the phase 2 is to agree on "principles of competition, investment, and intellectual property".
- The member countries are required to eliminate tariffs on a tariff line basis of 90% or more for trade in goods, and to limit tariffs on non-target items to less than 3%. The remaining 7% will be sensitive items, and the members aim to completely eliminate the tariffs in 10 years in principle (* The least developed countries will be given 13 years to completely eliminate the tariffs.)

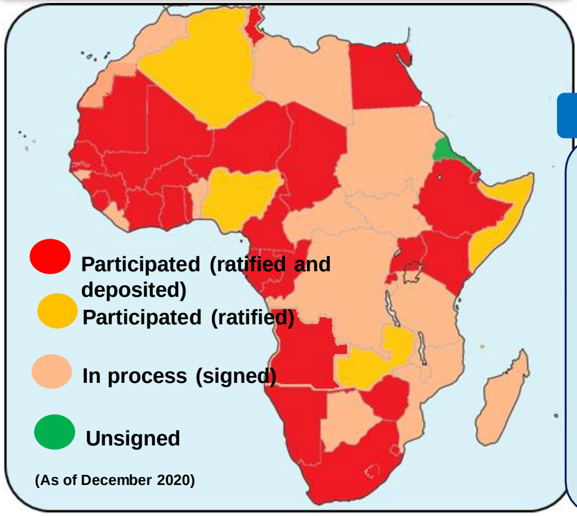
Notes and issues

- The framework agreement came into effect. 90% liberalization of the tariff lines is committed; however, to implement it, presentation, negotiations and approval of the schedule of concessions prepared by each country is necessary. A framework agreement does not mean that tariffs will be eliminated immediately.
- Signed by 54 countries, but the target includes only countries that ratified. In some cases elimination of tariffs in the existing Regional Economic Communities (RECs) has almost been achieved, so this liberalization targets cross-region trade only.
- As of December 2020, 36 countries have ratified. Negotiations have not been progressing even though the submission deadline of the schedule of concessions for the tariff rate in goods trade has passed. It remains doubtful that it will be implemented on schedule.

Background and schedule

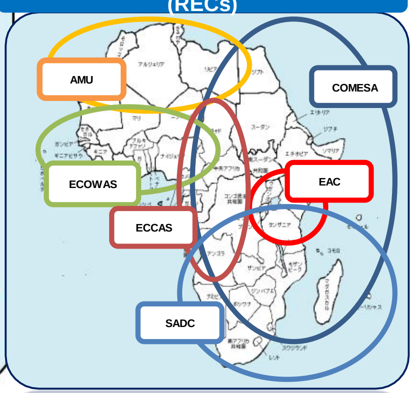
March 2018	At the AU's extraordinary session held in Kigali, the capital of Rwanda, 44 of the 55 AU member countries / regions signed the agreement for the establishment of AfCFTA
May 30, 2019	The agreement entered into force with the ratification of 22 countries, which are the conditions for its entry into force
July 2019	Deadline for submitting the schedule of concessions of tariff rate in trade in goods
July 7, 2019	At the AU Extraordinary Summit held in Niamey, the capital of Niger, it was declared that AfCFTA had moved from the preparatory stage to the implementation stage.
As of December 2019	Signed by 54 countries / regions (unsigned by Eritrea). Ratified by 29 countries
February 2020	Deadline for submission of the schedules for trade in services
July 2020	Start of implementation postponed due to COVID-19
August 2020	Ghana Parliament approved setting up of AfCFTA Secretariat in Accra
January 2021	Implementation of AfCFA started

Target: 55 African countries / regions



*As of December 2020, 54 countries / regions have signed and 36 countries / regions ratified

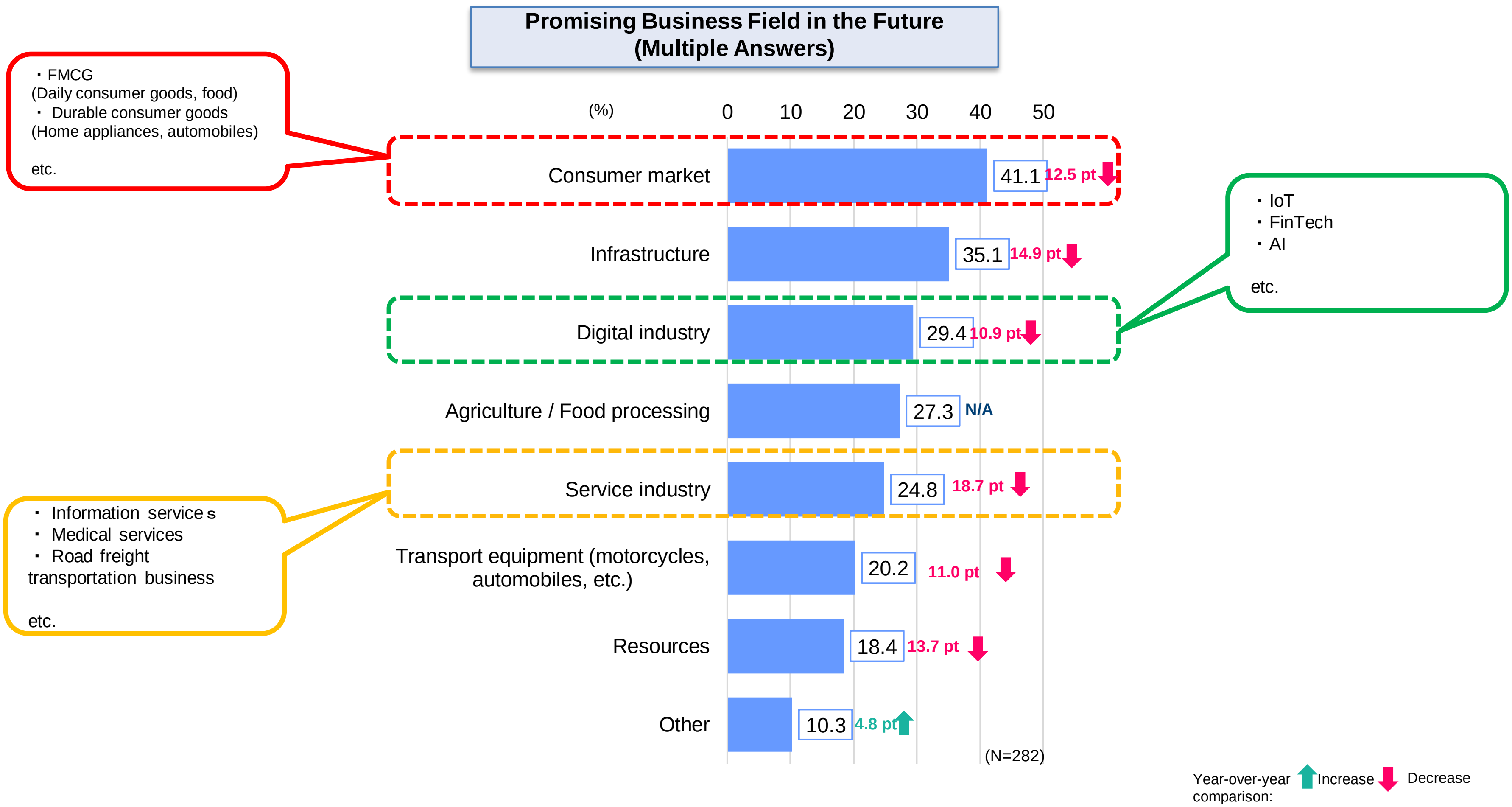
Regional Economic Communities (RECs)



(Source) African Union (AU), created by JETRO from various data

Promising New Business Fields in the Future

- "Consumer market" continues to be the most promising area from the previous year, but there has been a decline in all industries.
- In particular, the "service industry" saw the largest decrease of 18.7 points from the previous year.



<Reference> Japanese companies trying to expand into the African market

Daikin Industries (Osaka)

Subscription of
air conditioners

(Photo) The company's Facebook

Focus: Immature market, new business model

- Established a joint venture with Japanese startup WASSHA, which develops power service business in Tanzania.
- A service to allow subscribers to use air conditioners for 130 yen a day.
- The company aims to build a business model with reduced initial costs to generate profits even in immature small markets.

Reference article: Daikin and WASSHA establish a joint venture for air conditioner subscription business in Tanzania

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Allum (Tokyo)

"Join":
Communication
app for medical personnel

(Photo) Provided by the company

Focus: Shortage of doctors, spread of COVID-19, increased demand for telemedicine

- Working to establish a network of telemedicine in mobile medical ICT in Africa.
- Expanded business to Rwanda and South Africa, and plans to establish a base in Kenya in 2021.

Reference article: Try to enter Africa with medical ICT business

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Tromso (Hiroshima)

Device to make solid fuel from rice husks

(Photo) Provided by the company

Focus: Rapid spread of rice cropping and reuse of rice husks

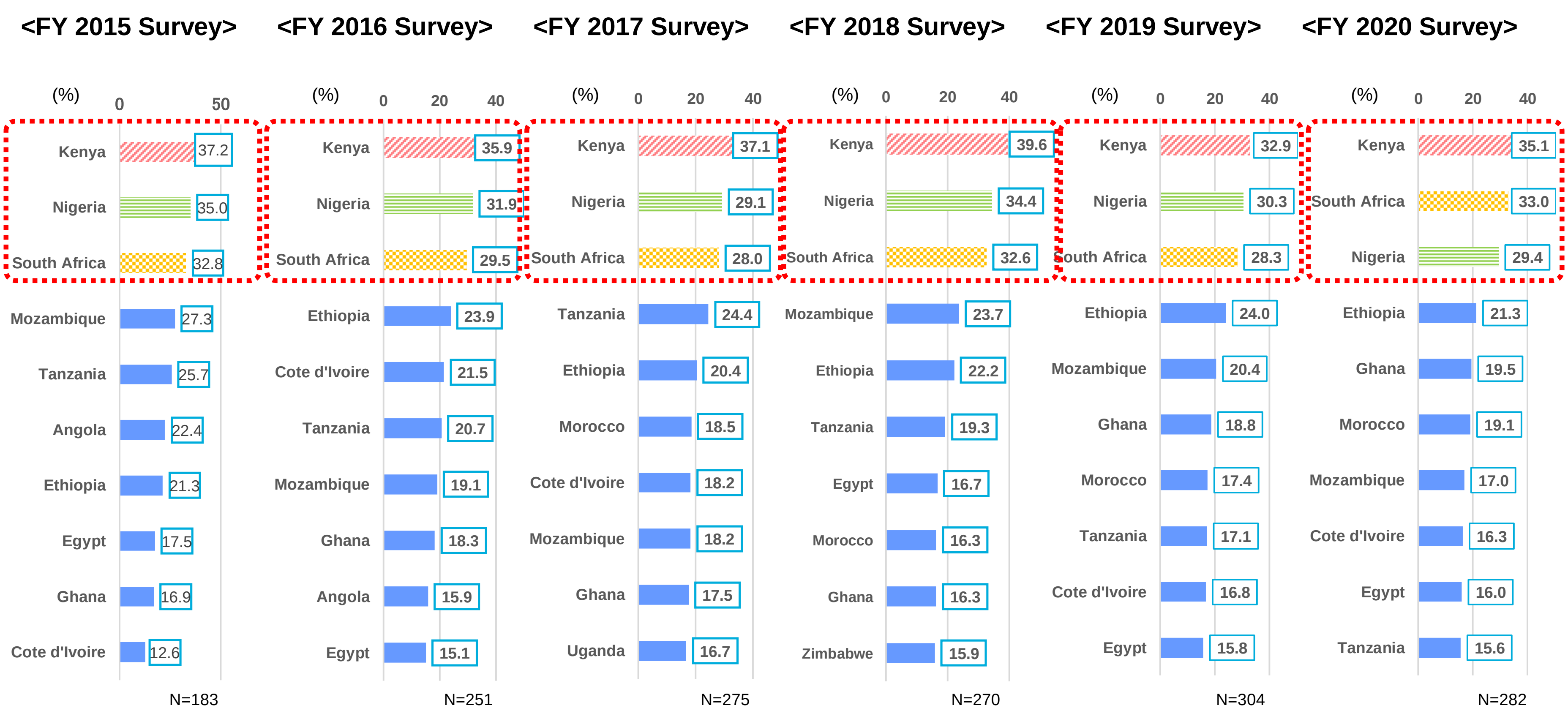
- Full-scale entry into the African market starting with test delivery of the device to Tanzania in 2014.
- Received orders from and sold the device to Madagascar, Nigeria and Senegal.
- Even amid the COVID-19 pandemic, Tanzanian technical staff take the lead in installing the device and providing technical guidance in African countries.

Reference article: From Hiroshima! Try to expand into the African market with a device to make solid fuel from rice husks
Reference video: African business still goes on

Future Investment Destinations

- ➢ Kenya was continuously ranked as the top country. The results of South Africa rose 4.7 points from last year, overtaking Nigeria, and ranked next to Kenya.
- ➢ Interests in Mozambique and Tanzania has been declining from 2018.

Top 10 Future Investment Destinations (Multiple Answers)



Future Investment Destinations: (Reference) Company Comments towards Investment Destinations Ranked 1 - 10 (Multiple Answers)

N=282

	Country	Share (%)	Reason (Company Comments)
1	**Kenya**	**35.1**	Emerging startup companies and potential for collaboration, expanding demand for infrastructure, potential of geothermal power, the hub function of East Africa, economic stability, Japan's ODA and investment projects, the growth of the automobile industry, market size and future potential growth
2	**South Africa**	**33.0**	A base of economic, manufacturing and exportation in Africa; mature economy, a certain level of infrastructure development; industrial power in the development of the automobile industry; abundant metal mineral resources; enhancement of personal purchasing power as a result of economic development
3	**Nigeria**	**29.4**	Population increase and market size; overwhelming market scale, largest room for development in sub-Saharan Africa; high potential of consumer goods market; enhancement of personal purchasing power; abundant energy resources; oil and gas development; growth of automobile industry
4	**Ethiopia**	**21.3**	High growth rate and population size, inexpensive labor, cheap electric power, increase in companies in the textile industry, the development of light industry, ODA / investment projects, distribution in East Africa, privatization of state enterprises
5	**Ghana**	**19.5**	Stable politics, economy, and legislative system; relatively good security; energy development such as electric power; the hub of West Africa/ECOWAS; expansion of market size and future growth potential; increase in middle class; the progress of automotive policy
6	**Morocco**	**19.1**	Liberalization of foreign capital; the hub function between Europe and Africa; relatively stable investment environment and steady economic development; development of automobile industry; expansion of demand for infrastructure
7	**Mozambique**	**17.0**	Economic growth potential with natural gas resources such as LNG; expanding demand for infrastructure including electric power; population growth
8	**Cote d'Ivoire**	**16.3**	The base of development of West African market; expanding demand for infrastructure development, development of port terminal; expectation for economic growth
9	**Egypt**	**16.0**	Huge consumer market; population growth; expanding demand for infrastructure as urbanization progresses, development of natural resources such as oil and gas
10	**Tanzania**	**15.6**	Future growth potential; progress of infrastructure development; expanding power demand; economic development utilizing natural resources; potential of the BOP market

Future Investment Destinations: (Reference) Company Comments towards Investment Destinations Ranked 11 and below (Multiple Answers)

	Country	Share (%)	Reason (Company Comments)
11	Uganda	12.8	Expanding demand for infrastructure; expansion of consumer market associated with population growth; potential of agricultural industries
12	Algeria	10.6	Development of the automobile industry; abundant resources; expansion of investment by Turkish companies
13	Angola	8.9	Economic development supported by oil industry; future growth potential; 5th largest scale of economy in sub-Saharan Africa
14	Zambia	7.8	Potential of agricultural industries; potential of education-related industry; business opportunities related to ODA; rich tourism resources
15	Rwanda	7.1	ICT prowess; development of infrastructure; business opportunities related to ODA
16	DR Congo	6.4	Market size; abundant natural resources such as copper and cobalt
17	Madagascar	6.4	Expanding demand for infrastructure development; business opportunities related to ODA; mineral resources including nickel; potential of agricultural industries
18	Zimbabwe	4.6	Future growth potential; potential of agricultural industries; expanding demand for infrastructure projects
19	Mauritius	4.3	Potential as a manufacturing base; abundant tourism resources
20	Cameroon	3.9	Business opportunities in education and health

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