



AHK
Sub-Saharan Africa
Business Outlook Fall 2024

Results of a survey of German chambers of commerce abroad,
delegations and representative offices



Optimism in Africa: German companies are confident about sub-Saharan business

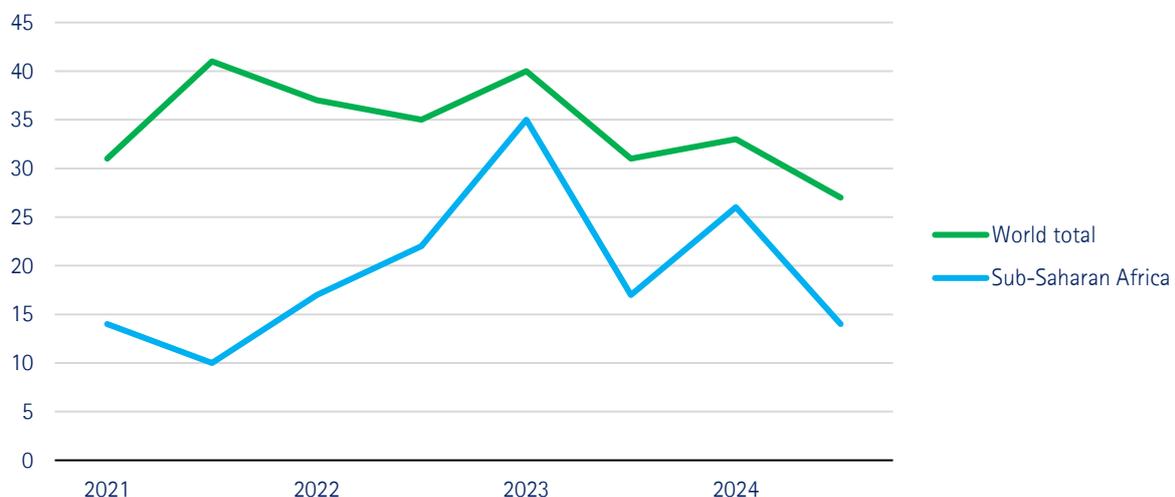
Despite a slight decline, the business situation of German companies is still positive, while business expectations paint an even more optimistic picture of the economy in sub-Saharan Africa: This is the result of the special evaluation of the AHK World Business Outlook in autumn 2024. The AHK World Business Outlook is a semi-annual survey conducted by the German Chambers of Commerce Abroad, in which around 3,500 member companies worldwide are asked to assess their business situation. The following Sub-Saharan Africa Business Outlook Autumn 2024 looks at how companies assess the local business situation, how the economic policy framework conditions are to be evaluated, which reforms should be urgently addressed and what role expansion factors or the African Free Trade Area (AfCFTA) play for companies' business in Africa.

Slight decline in the business situation alongside significantly better business expectations

Sub-Saharan Africa is one of the regions in the world where business expectations have recently developed particularly positively. This is true even though the business situation of German companies has deteriorated somewhat compared to spring 2024.

Companies consider the business situation in sub-Saharan Africa to be positive: 34 per cent see a good business situation, while only 20 per cent rate their current situation as poor. With a balance of 14, the situation in the region in autumn 2024 is 12 balance points worse than the situation in spring. The assessment differs slightly by country: Companies in Ghana (50 per cent good, 25 per cent bad) or Kenya (37 per cent good, 16 per cent bad), for example, rate the business situation as remarkably positive; the situation in South Africa (31 per cent good, 17 per cent bad) or Nigeria (29 per cent good, 27 per cent bad) is only rated slightly positively. A comparison of the situation in sub-Saharan Africa with the business situation of German companies worldwide shows that, as in previous years, the region performs significantly worse (see chart below). Nevertheless, it is worth noting that in none of the sub-Saharan African countries in which companies were surveyed was the business situation assessed as predominantly negative.

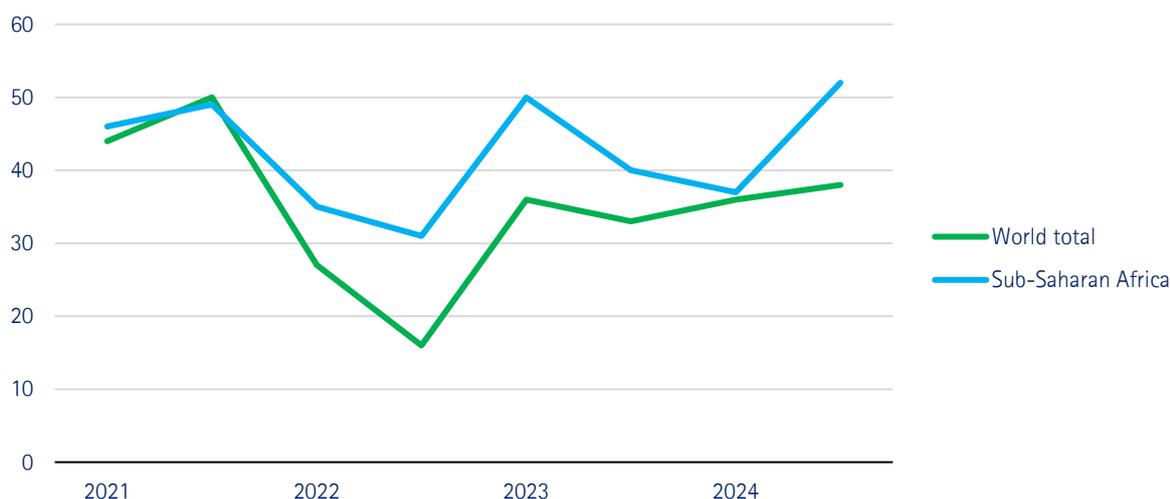
Business situation of companies (balance of "good" minus "bad" responses)



Business expectations in the region are even better than the business situation: 59 per cent of the companies surveyed in sub-Saharan Africa expect business to improve in the future, with only 7 per cent anticipating a deterioration - a significant improvement compared to the survey in spring (see chart below).

Expectations in the individual countries in sub-Saharan Africa vary in terms of optimism: Nigeria (67 per cent), the most populous country in Africa, Ghana (55 per cent) and South Africa (55 per cent) stand out as particularly positive - all countries in which more than half of German companies have positive business expectations for the coming year. In South Africa, for example, Germany's largest trading partner, only 7 per cent of German companies expect their business situation to deteriorate in the future. However, in Kenya (45 per cent) the number of positive business expectations also clearly outweighs the negative ones. Overall, business expectations in sub-Saharan Africa are therefore once again more optimistic than the global average (see the chart below).

Companies' business expectations (balance of "better" minus "worse" responses)



Investment intentions in sub-Saharan Africa increase

In terms of investment intentions, sub-Saharan Africa is bucking the global trend: the willingness of companies in sub-Saharan Africa to invest has improved significantly compared to the spring, while investment plans worldwide have decreased compared to the spring (see the chart below). Specifically, 31 per cent of companies are planning higher investments in the next 12 months, while only 15 per cent are planning to reduce their investments. Remarkably, in Kenya, the leading economy in East Africa, 32 per cent of companies are planning to increase investment, which highlights a significant increase compared to spring 2024, when only 18 per cent of German companies planned to increase investment. Only 13 per cent of companies are planning lower investments in Kenya. A significantly higher proportion of companies in Nigeria (35 per cent) are also planning to increase investment; only a smaller proportion (18 per cent) are planning to reduce investment. The investment climate in Ghana is also positive, with 25 per cent of companies planning to increase investment and only 10 per cent of companies planning to reduce investment. The situation is similar in South Africa, where 24 per cent of companies want to increase their investments and only 14 per cent want to reduce their investments. This development underlines the growing confidence of German companies in the region as well as the opportunities that companies see in sub-Saharan Africa as an up-and-coming economic region - not least because sub-Saharan Africa is rated better than the global average in terms of investment intentions due to the improvement compared to the spring (see chart below).

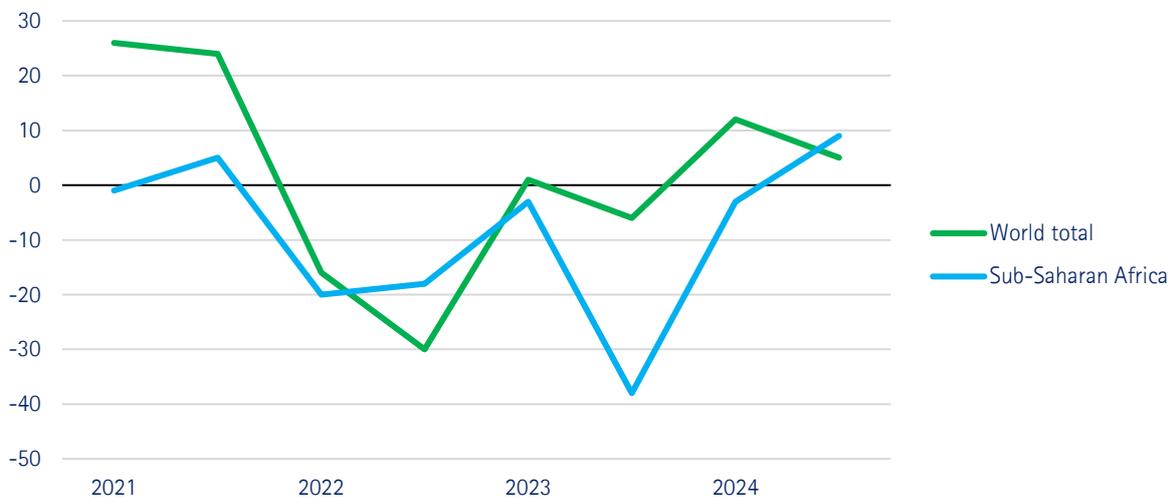
Companies' investment intentions (balance of "higher" minus "lower" responses)



Expectations for local economic development particularly optimistic in South Africa

Current expectations for economic development in sub-Saharan Africa paint a mixed picture, even though it is better than the global average for the first time in two years (see the following chart): 32 per cent of German companies expect an improvement, while 23 per cent anticipate a deterioration. These figures are characterised by the different economic conditions in the individual countries: In South Africa, German companies are predominantly optimistic about the economy: 48 per cent of companies expect a positive development, while 7 per cent expect a worse development. Economic expectations are also positive in Ghana, with 30 per cent of companies optimistic and only 10 per cent pessimistic. In Kenya, however, the mood is the opposite: here, only 16 per cent of the companies surveyed see the economic outlook as positive, while 42 per cent expect a negative development. In Nigeria, the positive (27 per cent) and negative economic expectations (26 per cent) are almost balanced. These differences point to the varying challenges that the countries in sub-Saharan Africa are currently facing.

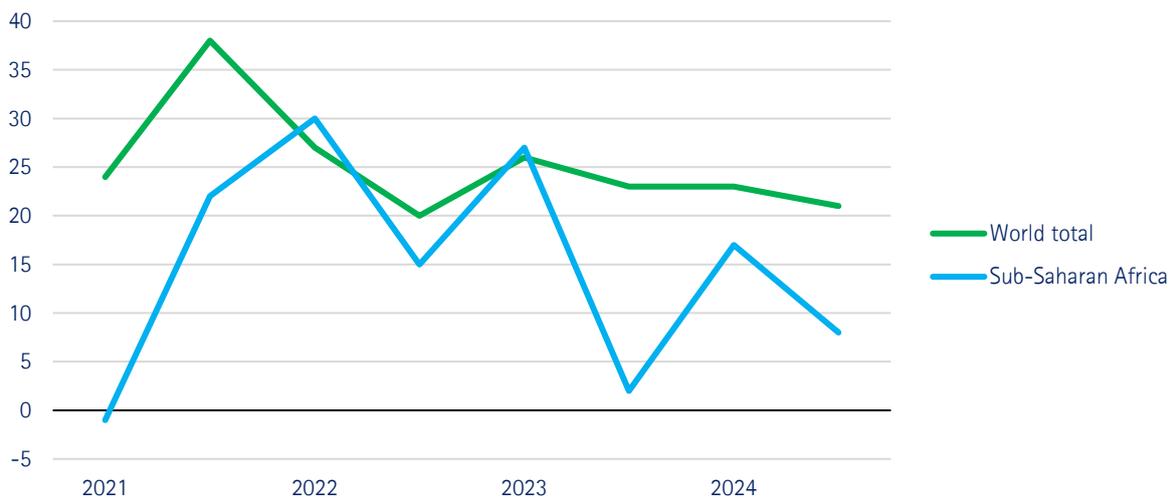
Companies' economic expectations (balance of "better" minus "worse" responses)



Employment prospects in sub-Saharan Africa slightly positive, but below global averages

Looking at the employment outlook in sub-Saharan Africa, the picture is positive, even if the outlook has deteriorated slightly compared to the spring: 31 per cent of German companies expect higher employment in the next 12 months and only 23 per cent expect lower employment. Nevertheless, the dynamics vary greatly depending on the country: companies in sub-Saharan Africa are most positive about the employment outlook in South Africa, where 26 per cent expect an increase and only 17 per cent a decrease. The majority of companies in Nigeria and Kenya also anticipate a higher number of employees (31 and 29 per cent respectively), while only 29 and 26 per cent expect fewer employees in the coming year. In Ghana, on the other hand, only 20 per cent of companies expect an increase, while 25 per cent expect a deterioration; this is well below the global average. Compared to other regions of the world, sub-Saharan Africa thus remains in a stable but slightly worse position in terms of employment prospects.

Employment intentions of companies (balance of "higher" minus "lower" responses)



Competitive position of companies in sub-Saharan Africa: improvements in Ghana and South Africa

In the Sub-Saharan Africa region, the competitive position of German companies has largely improved or stabilised. While 43 per cent of companies state that their competitive position has improved in the last five years, 41 per cent state that their position has remained the same and 16 per cent state that it has deteriorated. This trend contrasts somewhat with the situation on all global markets, where companies rate their competitive position as slightly better. (see chart below).

The competitive position of companies in Ghana developed particularly positively, with 45 per cent of companies reporting an increase in competitiveness, as well as in South Africa, where this applies to 43 per cent of companies. However, the competitive position has also largely stabilised or improved in Kenya and Nigeria: in Kenya, 41% of companies report an improved competitive position and 45% report a stable competitive position; in Nigeria, the competitive position has improved for 38% of companies and stabilised for 37%.

How has the competitive position of your company at your location changed in the last 5 years?

Figures in per cent



As in other regions of the world, the competitive position in sub-Saharan Africa is strongly influenced by local factors, such as cost structures and competition from third markets, which pose challenges for companies. Globally, the proportion of companies that see an improvement in their competitive position is slightly higher at 46 per cent. This result shows that the competitive position of German companies in sub-Saharan Africa is under somewhat greater pressure than in other regions.

Sustainability requirements as a competitive advantage

Sustainability requirements have a surprisingly positive effect on the competitiveness of German companies in sub-Saharan Africa, even in comparison to the situation in other regions of the world. 49 per cent of companies in sub-Saharan Africa rate them as a positive factor for competitiveness, while only 17 per cent rate them as negative. Especially in Nigeria, Africa's most populous country, and in Ghana, many German companies perceive sustainability as a beneficial factor: in Nigeria, 63 per cent of the German companies surveyed rate sustainability requirements as positive for their competitiveness, while in Ghana 53 per cent see them as advantageous. The global average also shows a positive assessment, although sub-Saharan Africa is slightly above the global average of 41 per cent in terms of sustainability requirements at 49 per cent.

What influence do the following factors have on the competitiveness of companies in the Sub-Saharan Africa region? Figures in per cent

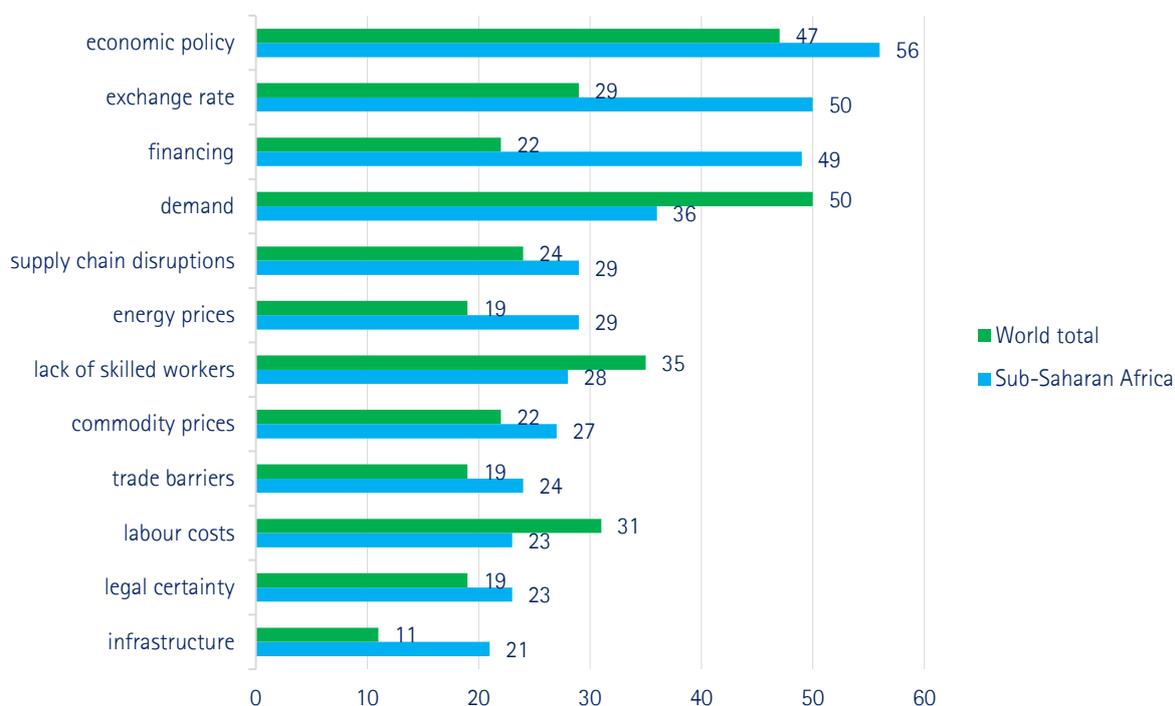


Other factors that have a predominantly positive impact on competitiveness in sub-Saharan Africa are the image of products "Made in Germany" (40 per cent), the local competitive situation (30 per cent), government support programmes (30 per cent) and the supplier structure (30 per cent). Factors such as competition from third markets, which has a negative impact on 43 per cent of companies in sub-Saharan Africa, and discrimination against foreign companies, which has a negative impact on 30 per cent of companies in the region, have a predominantly negative impact.

Risks and challenges remain

Despite the positive outlook, business in Africa is not without risks. The survey shows that companies in sub-Saharan Africa primarily perceive the economic policy situation (56 per cent), the exchange rate (50 per cent) and financing (49 per cent) as important business risks. All of these risks are rated as risks by a higher proportion of companies in sub-Saharan Africa than in a global comparison. However, challenges such as supply chain disruptions (29 per cent), high energy prices (29 per cent) and the shortage of skilled workers (28 per cent) are also relevant risks.

Companies' business risks (in per cent, multiple answers possible)



Economic and political uncertainties intensify

One particularly striking risk is the economic policy environment, which has deteriorated further in sub-Saharan Africa and is now seen as a risk by an even higher proportion of companies (56 per cent) compared to the spring survey (51 per cent). In Ghana, as many as 75 per cent of companies now view economic policy as a serious risk, while in Kenya and Nigeria over 40 per cent of respondents also see economic policy uncertainties as a relevant business risk. These figures are well above the global average and point to the continued need for political reforms from a corporate perspective in order to facilitate business activities in sub-Saharan Africa.

The exchange rate continues to represent a relevant risk for 50 per cent of companies doing business in sub-Saharan Africa, even though the situation has improved significantly compared to the spring survey, in which the figure was as high as 60 per cent. The exchange rate situation has improved in Kenya and South Africa in particular. In Kenya, 50 per cent now see this as a risk, compared to 70 per cent in the spring; in South Africa, 36 per cent now see the exchange rate as a risk, compared to 45 per cent six months ago. However, this positive trend is not evident in all countries in the region: The development in Ghana is particularly negative. Here, the exchange rate situation deteriorated drastically: 80 per cent of companies now view the exchange rate as a risk, compared to just 41 per cent in the spring.

Financing issues also remain a relevant risk for 49 per cent of the companies surveyed, even though the situation in sub-Saharan Africa has recently stabilised. The development in Ghana is also particularly noteworthy here, where financing issues now only represent a business risk for 35 per cent, compared to 82 per cent of companies in the spring. The situation has also developed positively in South Africa, where only 12 per cent now complain about financing, compared to 41 per cent in spring 2024. In none of the countries surveyed in sub-Saharan Africa has the risk assessment for financing deteriorated recently.

Special questions for Africa on the occasion of GABS 2024

The usual questions of the AHK World Business Outlook were supplemented by some additional questions on the occasion of the German-African Business Summit 2024 (GABS), which will take place in Nairobi from 2 to 4 December 2024. The results provide current assessments of the economic policy measures desired by German companies in Africa, the reasons for German companies' involvement in Africa and the expected long-term effects of the African Free Trade Agreement (AfCFTA) on the competitiveness of companies.

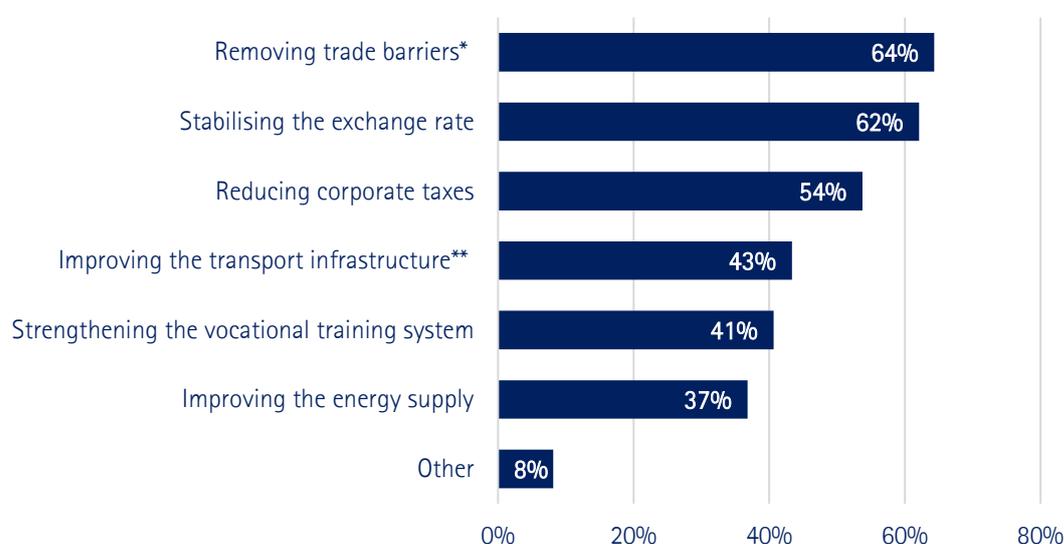
Bureaucracy reduction and exchange rate stabilisation as the most important desired economic policy measures

For 56 per cent of the companies surveyed, the economic policy framework conditions represent an important business risk in sub-Saharan Africa. When the companies were asked about the measures that local governments in Africa should primarily tackle in order to improve the framework conditions for companies, an interesting prioritisation of the desired reform projects emerged.

For more than half of the companies surveyed, the reduction of trade barriers, the stabilisation of the exchange rate and the reduction of corporate taxes are very important issues. The reduction of trade barriers, such as local content regulations, customs duties or bureaucracy, was a priority for the highest number of companies (64 per cent); 62 per cent attach great importance to the exchange rate and 54 per cent to reducing corporate taxes. Equally important, albeit slightly less relevant, from the perspective of the companies surveyed in Africa are the topics of improving transport infrastructure (43 per cent), strengthening vocational training (40 per cent) and improving the energy supply (37 per cent). These results make it clear that energy supply is by no means the most important of the desired reform measures for companies in Africa. Topics such as reducing bureaucracy and financial issues are slightly more important in Africa from the companies' perspective.

Which economic policy measures should the local government prioritise in order to significantly improve the framework conditions for your company?

(in per cent, multiple answers possible)



* e.g. relaxation of local content regulations, reduction of customs duties, reduction of bureaucracy

** e.g. roads, harbours

Growth of African markets as the most important reason for doing business on the continent

In view of the still low volume of trade and investment by German companies in Africa compared to other regions of the world, the question arises as to the main reasons for the establishment and expansion of business activities on the African continent.

The survey of companies clearly points to one of the most important arguments in favour of German companies' involvement in Africa: the growing market. For 76 per cent of the companies surveyed, the rapidly developing African economies are the main reason for expanding their business activities on the continent. Other relevant reasons include the desire to be on the ground before foreign competitors (30 per cent), supportive economic development measures (25 per cent), the local supply of skilled workers (24 per cent), diversification efforts or de-risking (23 per cent) and the supplier network (20 per cent). Factors such as favourable production conditions (18 per cent), access to raw materials (16 per cent) and a shortage of skilled workers in Germany (10 per cent) are slightly less important.

What are the main reasons for establishing/expanding your company's business activities in Africa?
(in per cent, multiple answers possible)



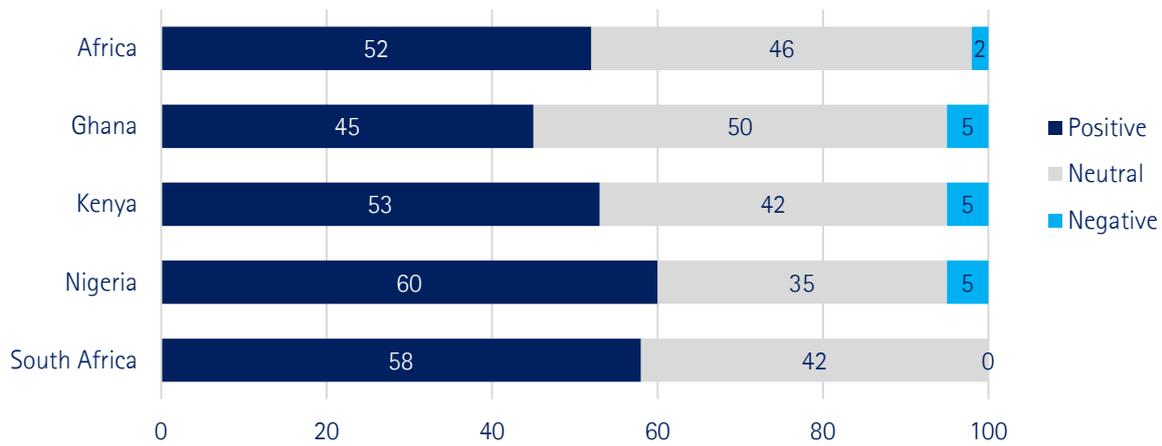
This finding emphasises that Africa is particularly attractive for German companies due to its market potential; however, competition with competitors and the availability and access to economic development also play an important role in doing business in Africa.

African Free Trade Agreement (AfCFTA) as an opportunity to strengthen the competitiveness of German companies

With the signing of the African Free Trade Agreement (AfCFTA), 54 of the 55 member states of the African Union (AU) have committed to promoting intra-African trade and regional integration. This is intended to facilitate cross-border business activities in Africa.

The German companies surveyed are also in favour of the AfCFTA. When asked to assess the long-term impact of the AfCFTA on their competitiveness, companies were predominantly optimistic: 52 per cent of companies believe the free trade agreement will have a positive impact on their competitiveness, 46 per cent expect their competitiveness to remain the same and only 2 per cent expect it to deteriorate. The AfCFTA is therefore perceived by the majority of companies as an opportunity to strengthen their own competitiveness in Africa.

How do you assess the long-term impact of the African Free Trade Agreement (AfCFTA) on the competitiveness of your company on the African continent? (in per cent)



Statistical appendix

Analysis of the results by country

In each case, balance of good/better answers minus bad/lower answers

	Current business situation	Business expectations	Local economic expectations	Investment intentions	Employment intentions
World total	27	38	5	12	21
EU27	23	22	-18	5	13
Eurozone	25	25	-13	9	15
Other EU, Switzerland, Norway, UK	23	23	-21	2	15
Rest of Europe incl. Turkey	35	8	-18	1	9
Asia/Pacific (excluding China)	17	43	15	20	32
Greater China	-1	15	-6	-14	-12
People's Republic of China	-3	14	-7	-18	-15
North America (=USA, Canada, Mexico)	46	50	26	18	35
USA	47	52	31	19	34
South and Central America	27	51	2	19	16
Africa, Near and Middle East	43	58	27	32	37
MENA	57	61	36	40	51
Sub-Saharan Africa	14	52	9	16	8
Egypt	61	61	26	39	50
Ghana	25	55	20	21	-5
Kenya	21	39	-26	23	3
Morocco	24	71	62	34	38
Nigeria	2	59	2	19	2
South Africa	14	48	40	11	10
Tunisia	33	29	-5	0	33

Business risks for German companies abroad

in per cent, multiple answers possible

	Demand	Financing	Labour costs	Shortage of skilled la- hour	Exchange rate	Energy prices	Commodity prices	Legal certainty	Economic policy	Infrastructure	Trade barriers	Supply chain disruption
Worldwide	50	22	31	35	29	19	22	19	47	11	19	24
EU27	63	18	45	41	12	25	21	17	48	9	11	17
Eurozone	59	16	43	45	4	22	21	11	49	11	10	19
Other EU, Switzerland, Norway, UK	64	20	44	38	21	26	19	24	47	8	15	16
Rest of Europe incl. Turkey	32	25	40	39	37	19	22	22	51	8	18	26
Asia/Pacific (excluding CN)	51	20	24	36	42	17	24	10	37	13	23	30
Greater China	76	8	20	21	11	10	20	9	40	5	40	21
People's Republic of China	82	14	20	11	13	7	19	9	43	3	44	14
North America	45	16	25	37	19	9	14	23	55	12	25	27
USA	47	14	33	48	6	8	15	6	49	7	26	33
South and Central America	43	22	24	26	39	12	19	34	60	12	14	24
Africa, Near and Middle East	30	40	25	30	45	22	30	15	41	12	20	27
MENA	26	33	27	32	41	18	31	11	32	6	18	25
Sub-Saharan Africa	36	49	23	28	50	29	27	23	56	21	24	29
Egypt	20	34	24	29	66	27	37	7	28	4	15	21
Ghana	40	35	15	25	80	20	20	25	75	20	30	25
Kenya	34	34	21	21	50	21	16	34	53	5	34	29
Morocco	29	41	21	35	21	21	26	12	12	0	29	18
Nigeria	31	77	33	26	66	51	43	15	62	36	20	38
South Africa	64	12	24	29	36	29	26	17	52	24	21	26
Tunisia	55	20	35	20	20	25	35	30	60	20	15	20

How has the competitive position of the companies at your locations changed in the last 5 years?

in per cent,

	Better	Consistent	Worse
Worldwide	46	38	16
EU27	46	38	16
Eurozone	48	38	14
Other EU, Switzerland, Norway, UK	44	39	17
Eastern/Southeastern Europe (excluding EU), Turkey	40	34	26
Asia/Pacific (excluding Greater China)	44	42	14
Greater China	22	46	32
People's Republic of China	16	37	47
North America	52	39	9
USA	54	41	5
South and Central America	49	33	18
Africa, Near and Middle East	52	35	13
MENA	57	32	11
Sub-Saharan Africa	43	41	16
Egypt	58	33	9
Ghana	45	40	15
Kenya	41	45	14
Morocco	48	31	21
Nigeria	38	37	25
South Africa	43	40	17
Tunisia	57	29	14

What influence do the following factors have on your own competitiveness?

Figures in per cent; + = positive influence / - = negative influence; difference to 100 = indication "neutral/not relevant"

	Strong local competition		Third-market competition		Cost structure/costs for preliminary products		Supplier structure		Sustainability requirements		Image change for products "Made in Germany" or "Made by Germany"		Discrimination against foreign companies on the local market		State subsidy programmes/ intervention in the market	
	+	-	+	-	+	-	+	-	+	-	+	-	+	-	+	-
Worldwide	23	34	16	37	17	50	27	22	41	17	31	12	10	24	23	25
EU27	17	34	10	42	12	54	21	18	36	22	19	15	8	21	21	32
Eurozone	18	35	11	43	13	58	22	22	41	21	23	17	9	19	27	23
Other EU, Switzerland, Norway, UK	15	34	9	40	10	52	18	19	28	24	18	12	8	22	13	40
Rest of Europe incl. Turkey	22	33	15	36	13	50	21	25	33	8	28	12	7	33	17	26
Asia/Pacific (excluding CN)	24	36	19	40	20	45	30	19	44	11	37	9	10	23	20	18
Greater China	11	58	7	31	14	56	34	20	35	16	26	20	7	38	13	25
People's Republic of China	9	74	5	23	13	65	32	21	31	17	17	29	5	46	11	31
North America	20	28	14	32	23	41	34	17	33	18	33	8	8	20	25	16
USA	21	29	9	30	22	40	32	16	36	13	31	6	10	17	30	10
South and Central America	32	34	25	32	20	56	33	29	50	17	35	7	12	23	28	27
Africa, Near and Middle East	34	25	21	36	24	41	31	22	49	16	43	14	16	27	32	23
MENA	37	24	26	30	24	39	32	22	48	14	45	14	20	23	33	20
Sub-Saharan Africa	30	27	14	43	24	44	30	22	49	17	40	14	10	33	30	26
Egypt	49	20	37	22	34	31	41	18	60	15	54	9	29	21	38	19
Ghana	20	35	5	53	26	53	33	17	53	11	30	20	0	45	26	21
Kenya	24	35	8	44	16	51	24	22	42	22	49	14	8	33	19	33
Morocco	33	24	25	43	22	33	25	36	24	14	50	14	18	25	48	15
Nigeria	48	20	25	37	35	45	43	23	63	17	38	13	18	27	47	27
South Africa	18	45	8	46	15	46	18	23	37	15	38	13	8	50	20	28
Tunisia	20	15	18	35	22	39	17	39	39	17	21	26	6	28	22	22

Questionnaire

How do you assess the current business situation of your company?

- Good / satisfactory / poor

What business development do you expect for your local company over the next twelve months?

- Better / constant / worse

How do you see the local economy developing over the next twelve months?

- Better / constant / worse

How do you expect your company's spending on local investments to develop over the next twelve months?

- Higher / constant / lower / no investment

How do you expect your company's local workforce to develop over the next twelve months?

- Higher / constant / lower

Where do you see the greatest risks to the economic development of your company in the coming twelve months?
(multiple answers possible)

- Demand
- Financing
- Labour costs
- Shortage of skilled labour
- Exchange rate
- Energy prices
- Commodity prices
- Legal certainty
- Economic policy framework
- Infrastructure
- Trade barriers / favouring domestic companies
- Disruptions in the supply chain (e.g. logistics, lack of preliminary products)

Do you see any other risks for the economic development of your company?

How has the competitive position of your company at your location changed in the last 5 years?

- better
- constant
- worse

8. what influence do the following factors have on your own competitiveness?

	neutral/not relevant	Positive	negative
Strong local competition			
Third-market competition			
Cost structure/costs for preliminary products			
Supplier structure			
Sustainability requirements			
Image change for products "Made in Germany" or "Made by Germany"			
Discrimination against foreign companies on the local market			
State subsidy programmes/ intervention in the market			

Which economic policy measures should the local government prioritise in order to significantly improve the framework conditions for your company?

(multiple answers possible)

- Reduction in corporate taxes
- Improvement of the transport infrastructure (roads, harbours, etc.)
- Improving the energy supply
- Stabilisation of the exchange rate
- Reduce trade barriers (e.g. relaxation of local content regulations, reduction of customs duties, reduction of bureaucracy)
- Strengthening the vocational training system
- Other (free text field)

What are the main reasons for establishing/expanding your company's business activities in Africa? (multiple answers possible)

- Growing market
- Access to raw materials
- Favourable production conditions
- Skilled labour supply on site
- Skilled labour shortage in Germany
- Developing supplier network
- Diversification efforts of your own company (de-risking)
- Being on site before the foreign competition (first mover advantage)
- Supporting economic development measures
- Other (free text)

How do you assess the long-term impact of the African Free Trade Agreement (AfCFTA) on the competitiveness of your company on the African continent?

- Positive
- Neutral
- Negative

Methodology

The "AHK Sub-Saharan Africa Business Outlook Autumn 2024" is based on a DIHK survey of member companies of the German Chambers of Commerce Abroad, delegations and representative offices (AHKs). In autumn 2024, it collects feedback from around 3,500 German companies, branches and subsidiaries worldwide as well as companies with close ties to Germany. Including 547 responses from the Africa, Near and Middle East region.

The survey was conducted from 23 September to 16 October 2024.

Imprint

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Cover picture: [gettyimage.com](#)

Status: November 2024