

# AfCFTA Thriving in a New Africa

## Part 2



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## Introduction



This article is the second part of a three-part series. In the first part, we discussed the current state of intra-African trade, the AfCFTA and its importance, and highlighted businesses that have successfully leveraged regional integration in ASEAN.

Since the publication of the first part of this article, Nigeria has joined the CFTA. With Nigeria in the CFTA, Nigerian businesses have direct access to a market of over one billion people. Therefore, they must prepare to take

advantage of the new markets that the AfCFTA grants access to. However, the Nigerian market is now directly open to intra-African competition from businesses in countries with comparative advantage.

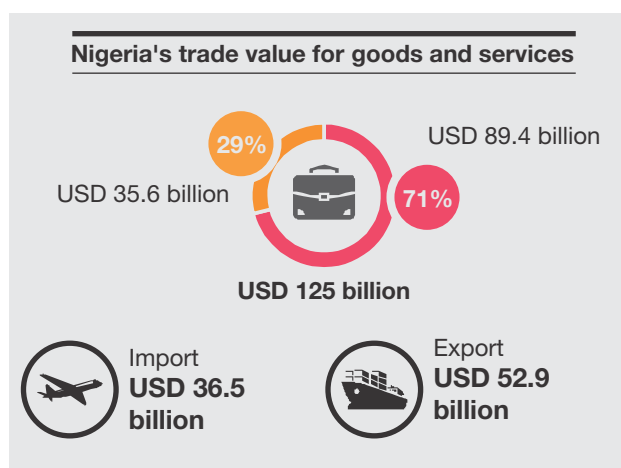
In this part, we discuss the current state of trade in Nigeria, and highlight African countries with businesses with the capacity to compete with Nigerian businesses in the Processed Agriculture, Retail and Trade, and FMCG sectors.

## The State of Trade in Nigeria

In 2018, Nigeria's trade value for goods and services was ~USD 125 billion — USD 89.4 billion (71%) in products and USD 35.6 billion (29%) in services<sup>1</sup>. The country exported goods valued at USD 52.9 billion and imported goods valued at USD 36.5 billion, while service exports were valued at USD 4.8 billion and imports at USD 30.8 billion<sup>2</sup>. Of the traded products, only about 7% of trade was intra-African, with an estimated value of USD 8.3 billion (USD 7 billion in exports and USD 1.3 billion in imports)<sup>3</sup>. In 2018, Nigeria's exports were dominated by Oil and Gas, while its major imports were refined petroleum products (petrol and diesel), floating or submersible drilling platforms and used vehicles<sup>4</sup>.

While these are the official trade figures, it is important to acknowledge invisible imports from Nigerian citizens living abroad. The Nigerian diaspora sent an estimated USD 25 billion in remittances to the country in 2018, representing 6.1% of GDP. This figure translates to 83% of the Federal Government budget in 2018 and 11 times the FDI flows in

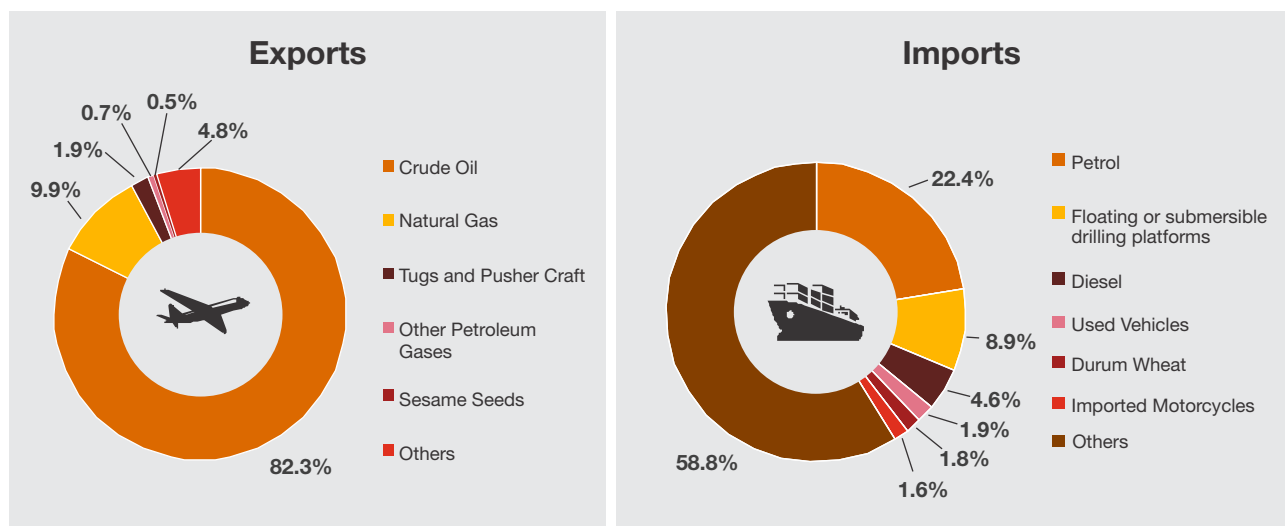
the same period. Nigeria's migrant remittance inflows was also 7 times larger than the Net Official Development Assistance received in 2017 (USD 3.4 billion).



1,2,3. ITC

4. International Trade Centre (ITC), National Bureau of Statistics (NBS)

### Nigeria's Top Exports and Imports (2018)



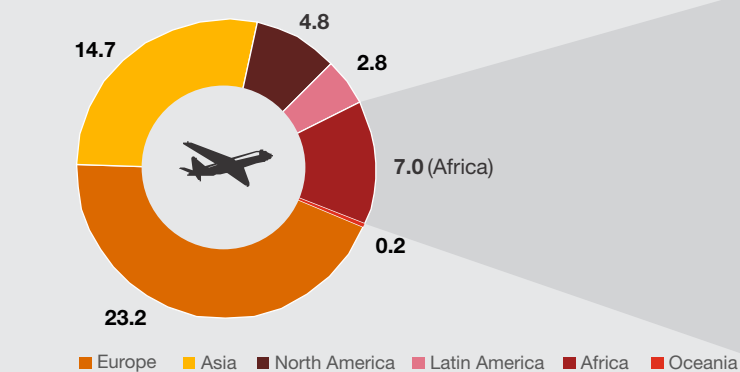
Source: International Trade Centre (ITC) - 2018

### Nigeria's Top Trade Partners

Globally, Nigeria trades more frequently with European countries. Its top export partners include India, Netherlands, Spain, France and South Africa. In 2018, Nigeria's top intra-African exports went to South Africa, Côte d'Ivoire, Togo, Senegal and Cameroon.

On the import side, Nigeria's leading partners are China, Netherlands, Republic of Korea, Belgium and USA. In 2018, Nigeria's top intra-African imports came from South Africa, Morocco, Egypt, Eswatini and Tunisia.

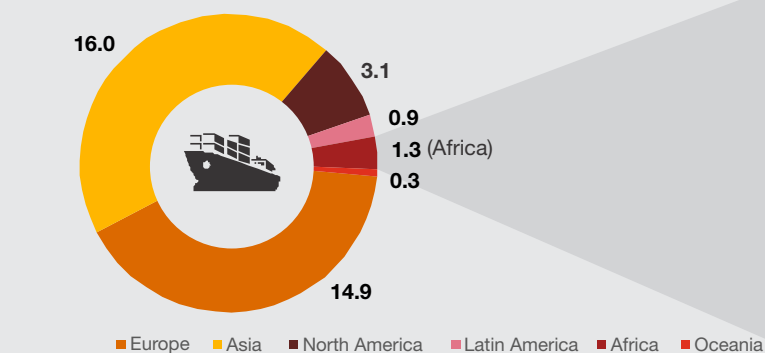
#### Nigeria Export Partners (USD Billion) 2018



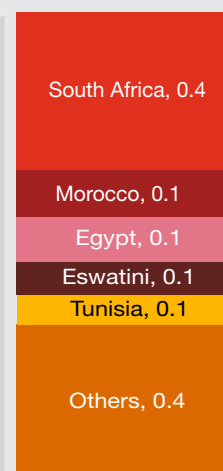
Source: International Trade Centre (ITC) - 2018



#### Nigeria Import Partners (USD Billion) 2018



Source: International Trade Centre (ITC) - 2018



## Nigeria's Positioning

In this section, we assess Nigeria's positioning compared to other African countries, focusing primarily on three (3) sectors – Processed Agriculture, Retail and Trade, and FMCGs. In the next part of the series, we profile potential leading competitor businesses from selected countries.



### Processed Agriculture

The Agriculture sector is the largest contributor to Nigeria's GDP, contributing about 21% to the total GDP in 2018 (PwC estimates). Consequently, it is important to identify competing African countries in the Agriculture sector.

The methodology used to shortlist key competing African countries is summarised below:

**STEP  
1**

Identify top 10 African economies

**STEP  
2**

Select countries with agriculture contributing more than 10% to total GDP

**STEP  
3**

Select countries with agriculture exports valued at more than USD 3bn

**STEP  
4**

Select countries with agriculture exports contributing more than 3% to GDP

This assessment identified Ghana, Kenya and Morocco as the large economies with the comparative advantage to compete with Nigerian agribusinesses in the CFTA.



Total GDP (2017) (>USD 50 bn)	Agriculture GDP as % of total GDP (2017) (>10%)	Agriculture exports (value, USD) (2017) (> USD 3bn)	Agriculture export(s) as % of GDP (>4%)
<b>Nigeria</b> USD 460.5bn	<b>Kenya</b> 34.6%	<b>Morocco</b> USD 5.5bn	<b>Ghana</b> 7.3%
<b>South Africa</b> USD 326.8bn	<b>Ethiopia</b> 34%	<b>Egypt</b> USD 5.1bn	<b>Kenya</b> 6%
<b>Egypt</b> USD 271.7bn	<b>Sudan</b> 30.5%	<b>Ghana</b> USD 3.5bn	<b>Morocco</b> 4.6%
<b>Algeria</b> USD 199.2bn	<b>Nigeria</b> 20.8%	<b>Kenya</b> USD 3.5bn	
<b>Morocco</b> USD 119.3bn	<b>Ghana</b> 19.7%		
<b>Angola</b> USD 101.7bn	<b>Morocco</b> 12.4%		
<b>Sudan</b> USD 79.4bn	<b>Algeria</b> 12.3%		
<b>Kenya</b> USD 58.1bn	<b>Egypt</b> 11.5%		
<b>Ethiopia</b> USD 57.7bn			
<b>Ghana</b> USD 50.6bn			

Source: World Bank, WTO, PwC analysis

## Selected Country: Morocco

As the fifth largest economy in Africa, Morocco has several agribusinesses with the capacity to adequately compete with Nigerian businesses. Rich in produce such as oranges, tomatoes, potatoes, olives and olive oil, agricultural commodities often get exported to Europe, as Morocco has favourably exploited its closeness to the continent. Morocco's long-term strategy is to forge strong intra-trade partnerships across Africa, to explore opportunities for exports, investments and services. To implement this strategy, the country rejoined the African Union in 2017, 33 years after its initial exit. Prior to the AfCFTA agreement, the country sought to join ECOWAS in a bid to enter into alliances and form partnerships within the West African region. Morocco's overarching agenda is to position itself as an indispensable country for European exporters, importers and dealers in Africa.

While this article focuses primarily on Morocco, it is important to note other smaller economies with businesses that pose a threat to Nigeria's agribusiness players, in terms of agricultural output and productivity. For example, Côte d'Ivoire has a large agriculture potential, as 75% of the national territory constitutes arable agricultural land. Agriculture accounts for 19.8% its GDP and over 60% of export receipts, and the sector employs two-thirds of the population. Côte d'Ivoire is a net food exporter of major cash crops grown by small farmers including: cocoa, coffee, rubber, cotton, palm oil, cashew nuts and bananas.

## Retail and Trade

At 16%, the Retail and Trade sector was the second largest contributor to GDP. In Nigeria, this sector is mainly dominated by informal activities, which account for over 90% of total retail trade in the country. This assessment focuses primarily on the formal retail sector, as the aim is to assess organised retail businesses that can compete with Nigerian businesses.

The methodology used to shortlist key competing African countries is summarised:

**STEP  
1**

Identify top 10 African economies




















**STEP  
2**

Select countries with retail sales above USD 20bn

**STEP  
3**

Select countries with retail contributing more than 20% to GDP

This assessment identified Kenya, Morocco and South Africa as the large economies with the comparative advantage to compete with Nigerian retail businesses in the CFTA.

Total GDP (2017) (>USD 50 bn)	Total retail sales <sup>5</sup> (2017) (>USD 20bn)	Retail sales as a % of GDP (>20%)
 <b>Nigeria</b> USD 460.5bn	 <b>Nigeria</b> USD 109.0bn	 <b>Kenya</b> 48.2%
 <b>South Africa</b> USD 326.8bn	 <b>South Africa</b> USD 94.0bn	 <b>Morocco</b> 33.5%
 <b>Egypt</b> USD 271.7bn	 <b>Morocco</b> USD 40.0bn	 <b>South Africa</b> 28.8%
 <b>Algeria</b> USD 199.2bn	 <b>Algeria</b> USD 42.0bn	 <b>Nigeria</b> 23.7%
 <b>Morocco</b> USD 119.3bn	 <b>Kenya</b> USD 28.0bn	
 <b>Angola</b> USD 101.7bn		
 <b>Sudan</b> USD 79.4bn		
 <b>Kenya</b> USD 58.1bn		
 <b>Ethiopia</b> USD 57.7bn		
 <b>Ghana</b> USD 50.6bn		

Source: A.T Kearney, PwC analysis

5. Total retail sales measure the purchases of durable and non-durable goods over a certain period. This figure monitors and tracks consumer spending habits and the demand for finished goods. These sales are reported by all food service and retail stores.



## Selected Country: Kenya

The retail sector in Kenya is the second-largest in Africa after South Africa, which already has significant presence in Nigeria with supermarket brands such as Shoprite and Game. Indigenous retail stores in Kenya have developed strong competitive advantage, including the availability of e-commerce channels, adherence to global standards and experience with regional expansion. Additionally, the Kenyan retail sector, which is dominated by local home-

grown players, continues to diversify with the entry of new players and international brands, and the country is considered to be the business/investment centre in the East African region with retail services. Therefore, the Kenyan retail sector holds potential insights for Nigerian businesses around regional and national expansion.

## FMCG analysis

In 2018, FMCGs, including food, beverage, tobacco and textile, apparel and footwear segments, contributed 9% to Nigeria's GDP.

The methodology used to shortlist key competing African countries is summarised:



**STEP 1**

Identify top 10 African economies

**STEP 2**

Select industrialized countries, defined by manufacturing value added per capita

**STEP 3**

Select countries with consumer goods exports valued at more than USD 3bn

**STEP 4**

Select countries with consumer goods exports contributing more than 4% to GDP

This assessment identified South Africa and Egypt as the large economies with the comparative advantage to compete with Nigerian FMCG businesses in the CFTA.

Total GDP (2017) (>USD 50 bn)	Level of industrialisation (>250)	Consumer goods exports (>USD 3bn)	Consumer goods exports as a % of GDP (>4%)
<b>Nigeria</b> USD 460.5bn	<b>South Africa</b> 952.0	<b>South Africa</b> USD 18.6bn	<b>South Africa</b> 5.6%
<b>South Africa</b> USD 326.8bn	<b>Morocco</b> 474.0	<b>Egypt</b> USD 11.1 bn	<b>Egypt</b> 4.1%
<b>Egypt</b> USD 271.7bn	<b>Egypt</b> 436.6	<b>Nigeria</b> USD 6.6 bn	
<b>Algeria</b> USD 199.2bn	<b>Nigeria</b> 254.4	<b>Kenya</b> USD 3.9 bn	
<b>Morocco</b> USD 119.3bn	<b>Algeria</b> 264.0		
<b>Angola</b> USD 101.7bn			
<b>Sudan</b> USD 79.4bn			
<b>Kenya</b> USD 58.1bn			
<b>Ethiopia</b> USD 57.7bn			
<b>Ghana</b> USD 50.6bn			

Source: World Bank, UNIDO, UNCTAD, WTO, PwC analysis

## Selected Country: South Africa

In the FMCG sector, South Africa is considered the “gateway” to Africa with its well-developed manufacturing sector, and the country being the main driver for raw material intra-African trade. The FMCG sector is highly industrialized, with the manufacturing sector absorbing resources from other African countries and converting to finished goods.

Egypt, the third largest economy in Africa, is also the third biggest exporter in terms of intra-Africa trade. The FMCG sector contributed 15.7% to Egypt's GDP with an estimated market value of US\$29.2 billion in 2016, and continues to grow year-on-year, due to increased manufacturing capacity, high levels of industrialisation and production scale.



In this part of the series, we discussed Nigeria's current trading patterns, and presented an overview of countries with businesses that serve as threat to Nigerian businesses. In the next part, we profile potential leading

competitors from the selected countries, and recommendations for success to Nigerian businesses in these sectors.

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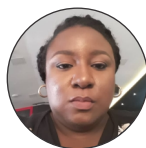
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