PwC's 26th Annual Global CEO Survey - West Africa

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PwC's 26th Global CEO Survey provides key statistics from 4410 CEOs across 105 countries on contemporary issues facing the global economy. Of the total number of CEOs surveyed, 31 were based in the West African region. Here, we provide a high-level overview of what CEOs in our region said.

Takeaways

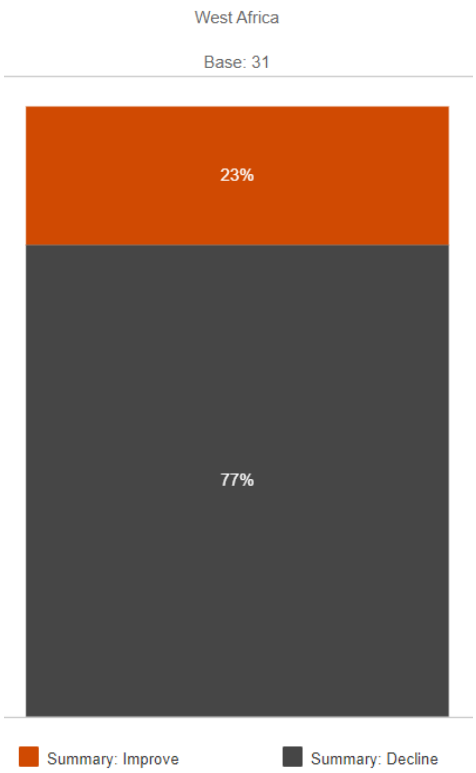
- 77% of West Africa's CEOs believe that the global economy and their territory GDPs will decline in the next 12 months
- While rising inflation (81%) and economic volatility (61%) are foremost concerns in the next 12 months and 5 years, 50% of the CEOs surveyed believe that their companies will remain financially viable 10 years or more from now.
- To manage immediate and medium term threats, 68% said that they have already reduced their companies' operating costs. They have also diversified their product/service offerings and are collaborating with industry peers to unlock additional value.
- Despite acknowledging the threat of climate change, CEOs in West Africa have indicated that they do not view the risk as immediate. However, reducing emissions and introducing climate friendly products/services are the main actions that have been taken or are in progress.
- CEOs in West Africa view investment in technology as a priority area and plan to upskill their workforce to optimise use and minimise risk.
- CEOs in West Africa are most concerned about the impact of regulation on profitability. They also highlighted technology disruptors, labour shortages and customer preferences as areas that may impact industry profitability.

Growth prospects

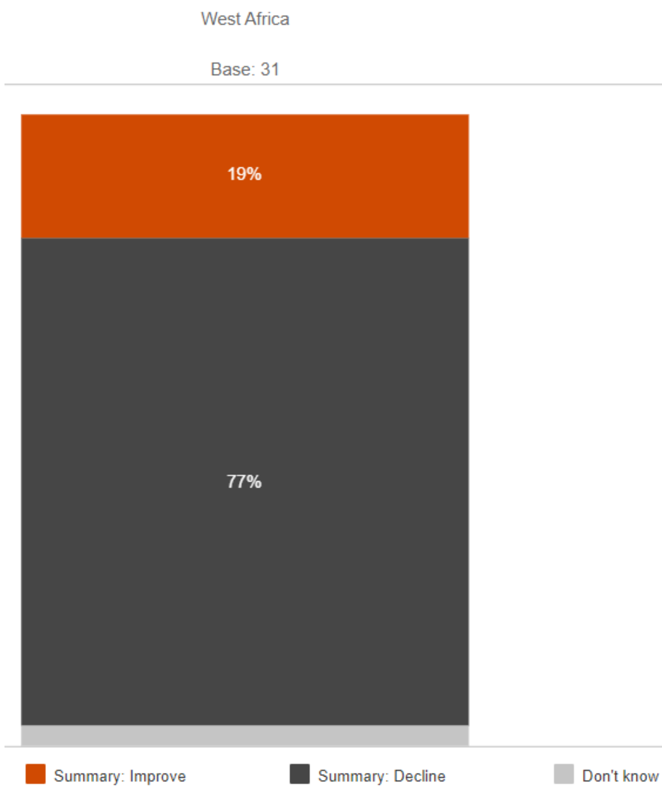
CEOs in West Africa believe that the global economy's growth will decline in the next 12 months. The same percentage of the CEOs surveyed (77%) also believe that their country's GDP growth will decline in the next 12 months. This is consistent with global findings where 75% of the CEOs surveyed indicated the same. These views are underpinned by daunting near-term challenges such as rising inflation and central banks raising interest rates to counter the impact of high inflation, as well as the ongoing Russia-Ukraine war. Forty-percent of the respondents consider the United States as the most important territory for their company's revenue growth in the next 12 months.

Nigeria is the US second largest trade partner in Africa after South Africa, with two-way trade reaching US$ 10 billion in 2019. This includes the export of crude oil and petroleum products which remain an important source of income for Nigeria. Twenty-three percent of the CEOs surveyed indicated that their companies operate in the energy, utilities and resources industry which supports the importance placed on the United States for revenue growth.

Q: How do you believe economic growth (i.e. gross domestic product) will change, if at all, over the next 12 months in the global economy?



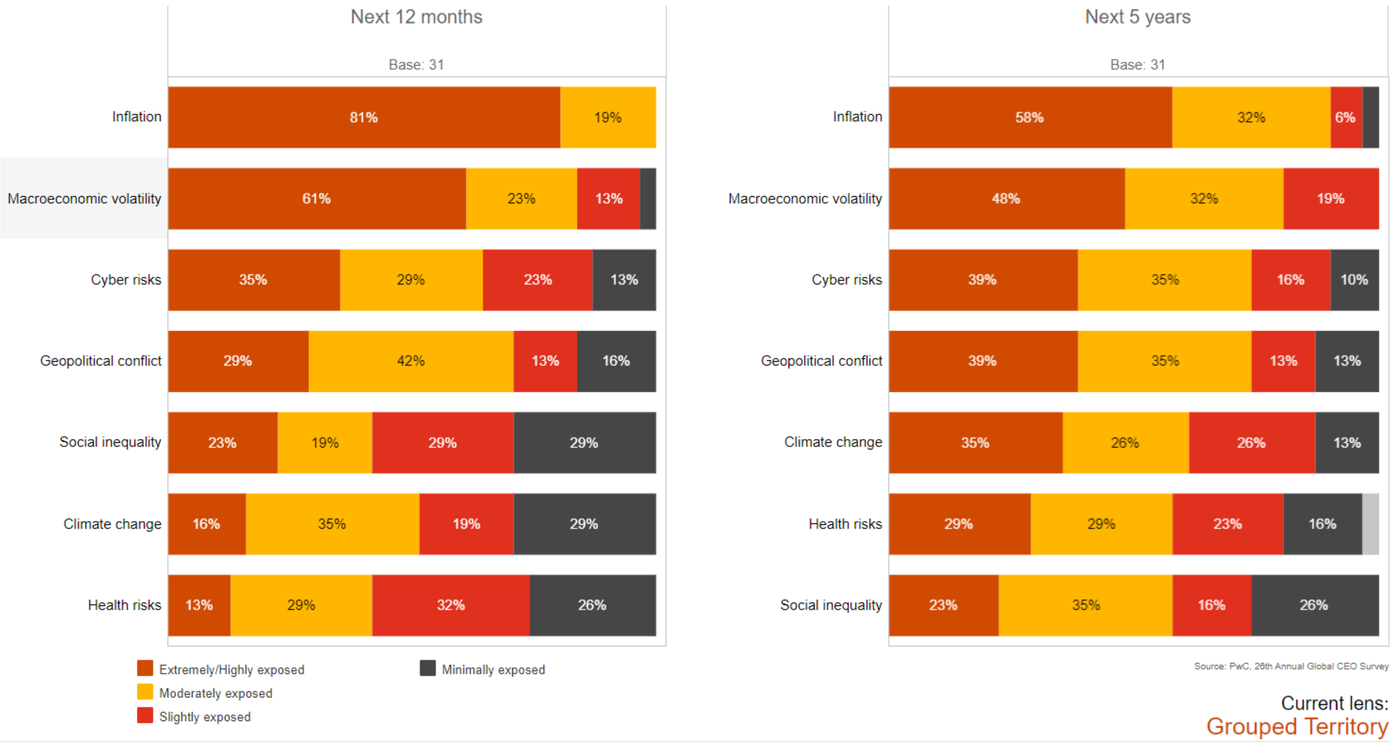
Q: How do you believe economic growth (i.e. gross domestic product) will change, if at all, in your country over the next 12 months?



Despite today’s challenges, more than 50% of the West African CEOs surveyed believe that their companies will remain economically viable for 10 years and longer if they remain on their current path. A further 65% are extremely optimistic about their companies’ prospects for revenue growth in the next 3 years, with 39% indicating that they are collaborating with other companies/competitors to establish new sources of value.

Threat exposure

Eighty-one percent of the CEOs surveyed identified rising inflation resulting in the increase in prices and decrease in the purchasing power of money as a threat that they will be highly exposed to the most in the next 12 months. This view is shared by twice as many when compared to global CEOs, where only four in ten indicated that their exposure to rising inflation is high/extremely high. Ghana and Nigeria’s inflation rate is among the highest on the continent and further increases may place significant strain on companies operating in West Africa.



Five in ten CEOs indicated that their exposure to rising inflation will still be extremely high in the next 5 years.

To meet the immediate and medium term economic risks, CEOs have indicated that they are reducing operating costs (68%) and diversifying their product/service offerings (58%). They also indicated that they are finding alternative suppliers (52%).

Technology and cyber risk

The adoption of technology carries inherent risks including but not limited to malicious attacks from external parties and human error that may lead to loss of productivity and revenue. CEOs in West Africa are aware of these risks, with over 70% indicating their companies will be moderately to extremely exposed to cyber risk in the next 5 years.

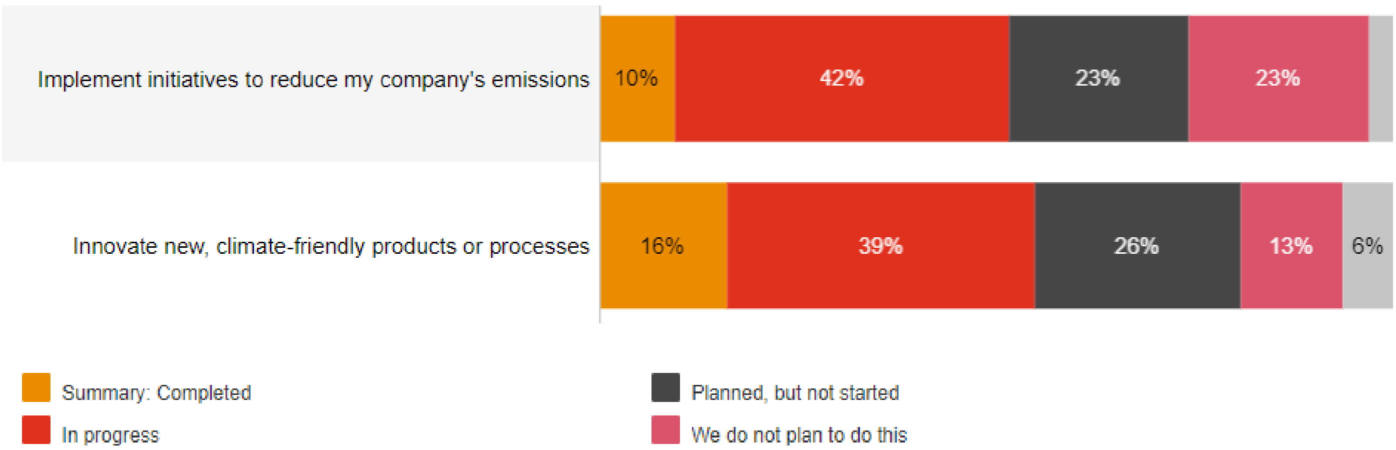
Despite these known risks, 81% of the CEOs surveyed indicated that they will be investing in automating processes and systems. CEOs that indicated that they will be investing in automation also indicated that they will make further investments in upskilling their employees.

CEOs in West Africa will prioritise investment in technologies including cloud, AI and other advanced tech. This is similar to how global CEOs responded.

Climate risk and exposure

The United Nations predicts that up to 32 million people may be forced to move in West Africa by 2050 due to the effects of rising sea levels and erosion, unless climate action is taken before 2030. CEOs in West Africa indicated that climate change is not an immediate risk to their companies, with 80% saying that their physical assets will be exposed to climate risk only to a limited extent or not at all.

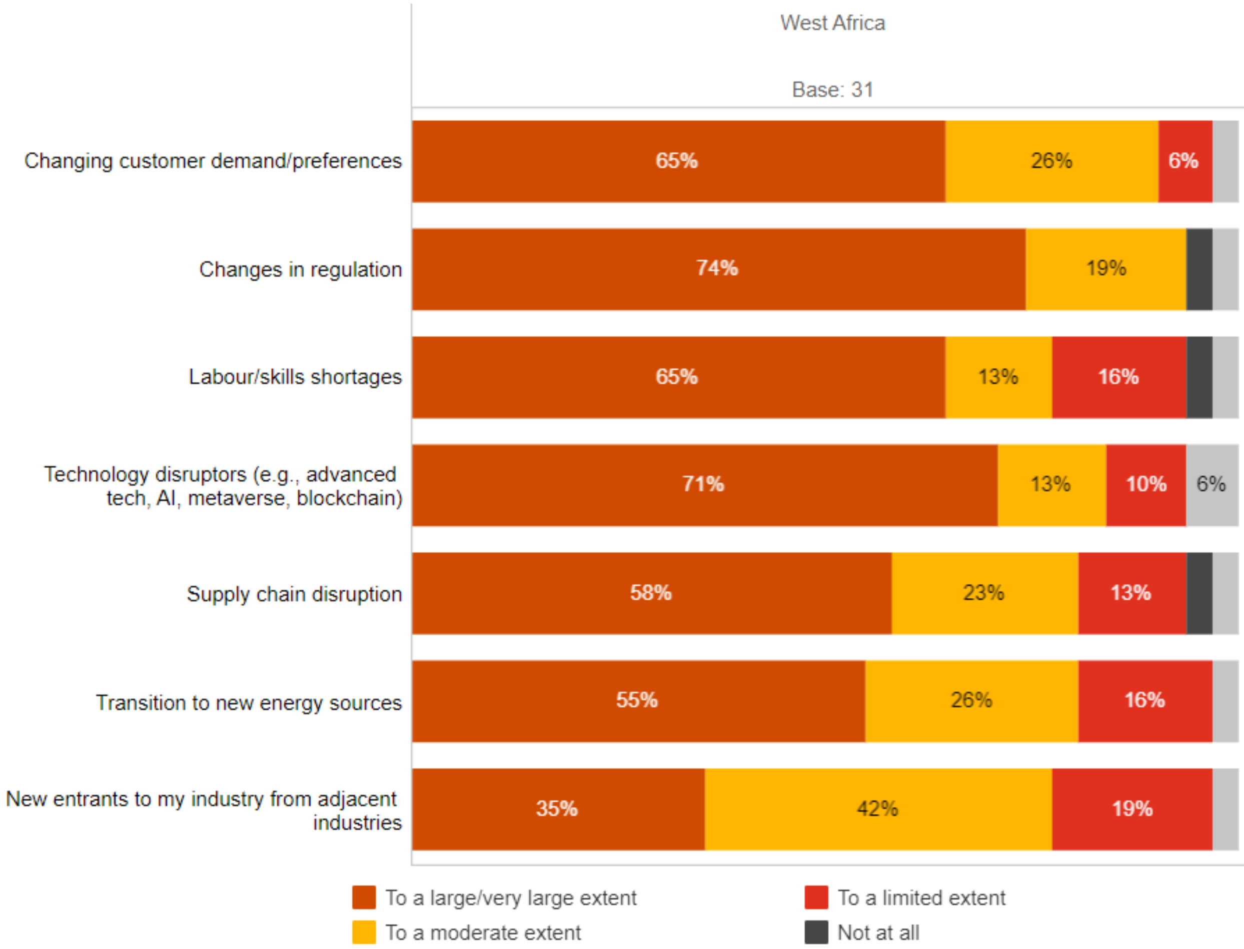
When asked about the initiatives taken to reduce their companies' impact on the climate, more than half of the CEOs surveyed said that they have either completed actions or are in the process of implementation.



Almost a third of the CEOs surveyed (32%) indicated that they have planned to implement a data-driven, enterprise-level strategy for reducing emissions and mitigating climate risk but have not yet started.

Industry disruptors

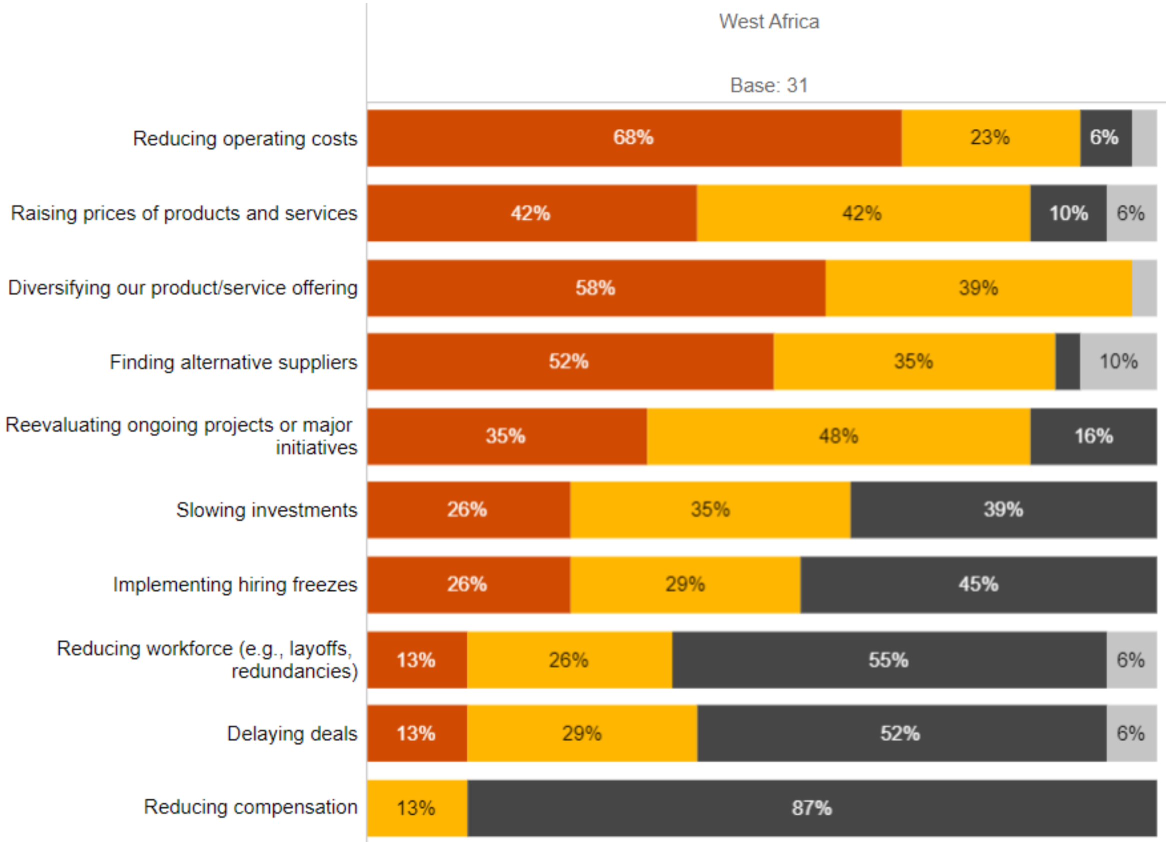
CEOs globally recognise that the industries they operate in are susceptible to disruption with the pandemic and the Russia-Ukraine war acting as accelerants. West Africa's CEOs share the same sentiment.



Seventy-four percent of the CEOs surveyed indicated that changes in regulation would have a large/very large impact on the profitability of their industry in the next decade. Taking into consideration that 40% of the respondents indicated that their companies operate in the energy and technology sectors, these findings are unsurprising. Technology disruptors were identified by 71% as a factor that would also have a significant impact on overall industry performance. Only 50% of the global CEOs surveyed share the same sentiment, indicating that technology is no longer viewed as a concern as adoption has increased. CEOs (65%) indicated that changing customer demand/ preferences will impact industry profitability to a large/very large extent in the next 10 years. This is consistent with how global CEOs responded, where more than half agreed that changes in customer preferences will significantly impact their industries' profitability.

Workforce

Although 68% of West Africa's CEOs say they have already begun cutting costs, just 26% are implementing hiring freezes, and 13% are reducing the size of their workforce.



The same trend was observed with CEOs globally, which may be an indication of actions taken to reduce the impact of the high attrition rates observed in the last two years referred to as the "great resignation". CEOs in West Africa also indicated that skills shortages will impact profitability in their industry in the near term, particularly in the energy and technology sectors where the majority of the CEOs surveyed operate. The respondents also indicated that they expect resignation / retirement rates to remain unchanged in the next 12 months.

Contacts

Michael Asiedu-Antwi
Partner, West Africa Clients and Markets Leader, PwC Ghana
michael.asiedu-antwi@pwc.com

Pedro Omontuemhen
Partner, Clients & Markets Leader, PwC Nigeria
pedro.omontuemhen@pwc.com

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