



2022

Survey on Business Conditions of Japanese Companies in Africa

— The impact of the situation in Ukraine is significant, and profit has fallen below 50%

Notwithstanding the unstable footing, the expansion policy remains unchanged —

Japan External Trade Organization (JETRO)

Overseas Research Department

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Key Points

**The impact of the situation in Ukraine is significant, and profit has fallen below 50%
— Notwithstanding the unstable footing, the expansion policy remains unchanged —**

01

Operating Profit Outlook

A little less than 80% of the companies answered that the situation in Ukraine affected their business. Profit has fallen below 50% due to the impact of rising logistics costs and raw material costs, and exchange rate fluctuations. In 2023, the situation is expected to improve.

02

Future Business Outlook

As for the future business outlook, the percentage of the companies maintaining their expansion policy increased by 5.9 points to 54.5% in comparison to the previous year. More than 60% of the companies expect expansion in Nigeria, Ghana, and Ethiopia. Approximately 70% of the companies answered that the importance of Africa would increase over the next five years due to population growth.

03

Investment environment

In terms of the investment environment, Côte d'Ivoire, Egypt, Kenya, and other countries are evaluated as having improved their own political and social conditions. On the other hand, the establishment and operation of regulations and laws remain a major issue, particularly in Egypt and Nigeria. 54.2% of the companies also recognize the unstable exchange rate as an issue.

04

Business Areas with Future Promise

The consumer market remains the top business area with future promise. Resources and energy has climbed up to the second place, with high expectations for solar power in particular. The top three countries to watch are Kenya, South Africa, and Nigeria as before. Ghana and Tanzania are also gaining attention.

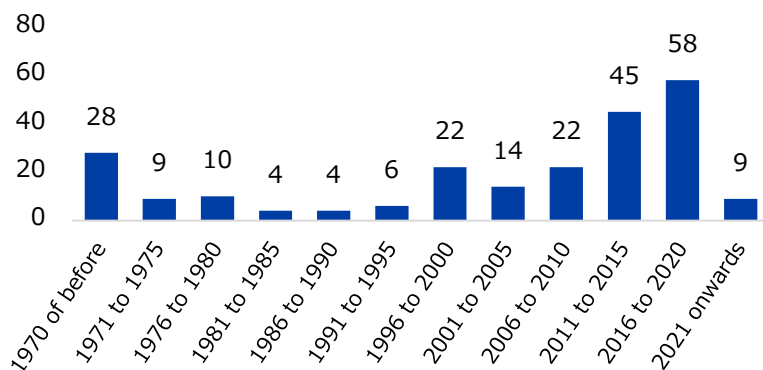
Survey Overview & Company Profile

Survey Overview

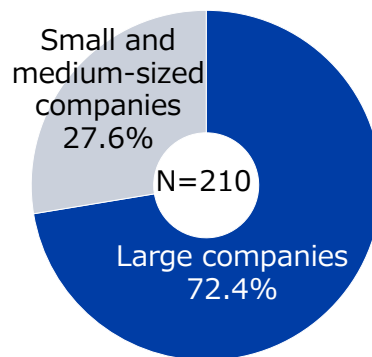
- Survey Period: September 8th - September 30th, 2022
- Valid response rate: 76.5%
- Valid responses received from 231 companies in 21 countries out of 302 companies in 24 countries surveyed*See details on the next page
- Survey target: Japanese companies in Africa* A Japanese company in Africa, is a company that receives capital contribution from any Japanese company, regardless of the investment ratio or number of Japanese expats present.

Year of Establishment

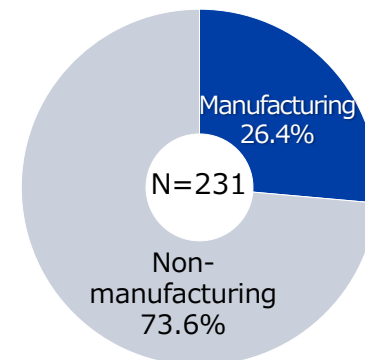
(Companies)



Classification of Japanese headquarters

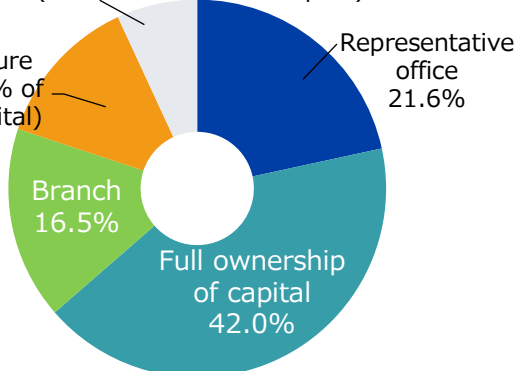


Industry (Manufacturing/Non-manufacturing)

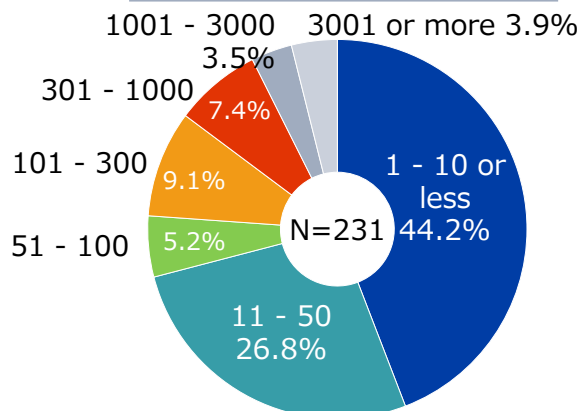


Joint venture (50% or less owned capital) 6.9%

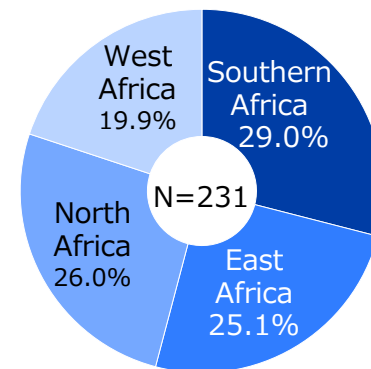
Joint venture (above 50% of owned capital)



Total Number of Employees



Composition of companies responded by region



(Note) Branches and representative offices that did not obtain an operating profit reported the operating profit of higher-level organizations, such as their head office, in the relevant market.

Valid responses received from 231 companies (in 21 countries)

	# of Companies surveyed	# of Companies responded		Valid response rate
		# of Valid Responses () = Manufacturers	% share	
Total count	302	231(61)	100.0	76.5
North Africa	76	60(19)	26.0	78.9
Morocco	31	22(7)	9.5	71.0
Egypt	33	29(8)	12.6	87.9
Algeria	7	6(2)	2.6	85.7
Tunisia	5	3(2)	1.3	60.0
West Africa	67	46(9)	19.9	68.7
Nigeria	26	19(4)	8.2	73.1
Ghana	14	12(3)	5.2	85.7
Cote d'Ivoire	12	7(0)	3.0	58.3
Senegal	14	7(2)	3.0	50.0
Burkina Faso	1	1(0)	0.4	100.0
East Africa	75	58(14)	25.1	77.3
Kenya	50	38(10)	16.5	76.0
Tanzania	6	6(1)	2.6	100.0
Ethiopia	10	8(2)	3.5	80.0
Uganda	4	3(1)	1.3	75.0
Rwanda	5	3(0)	1.3	60.0
Southern Africa	84	67(19)	29.0	79.8
South Africa	59	46(16)	19.9	78.0
Mozambique	10	9(1)	3.9	90.0
Zambia	5	5(0)	2.2	100.0
Angola	2	1(1)	0.4	50.0
Madagascar	3	3(0)	1.3	100.0
Malawi	1	0(0)	0.0	0.0
Mauritius	3	2(0)	0.9	66.7
Zimbabwe	1	1(1)	0.4	100.0
Namibia	0	0(0)	0.0	0.0
Botswana	0	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%. As a result, some of the total figures do not add up to 100%.

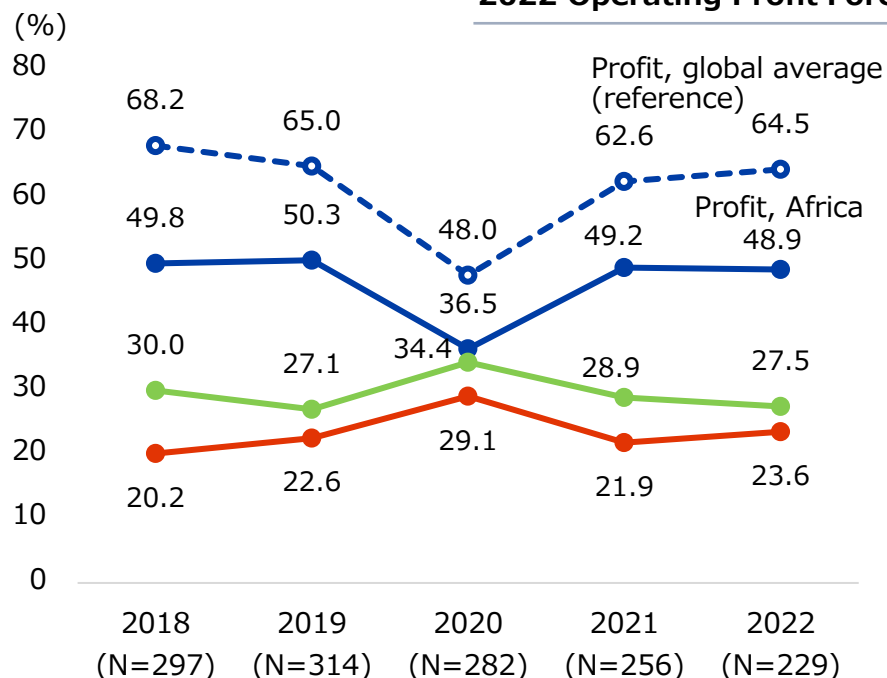
(Note 2) "N" written in the report is the number of valid responses (parameter).

I. Operating Profit Forecast

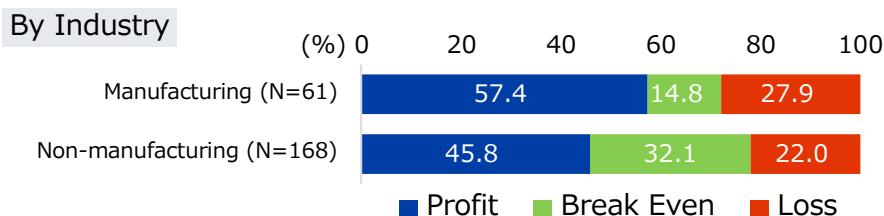
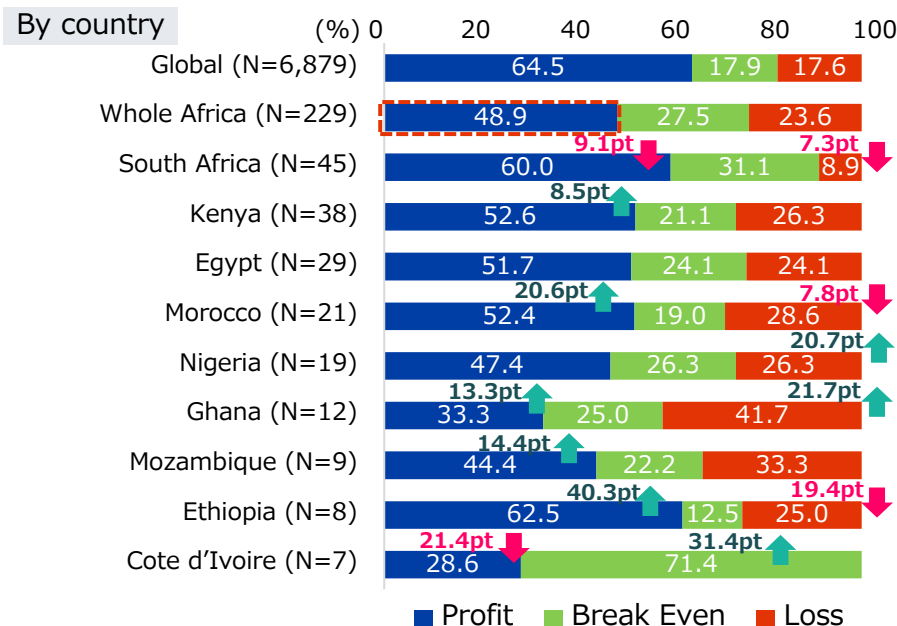
1 | 2022 Operating Profit Forecast (Trends, by Country)

- 48.9% of the companies answered that they are in the black, down 0.3 points from the previous year. This pales in comparison to the world average (64.5%). On the other hand, the deficit increased by 1.7 points to 23.6%. Both figures are at the same level as before the outbreak of the COVID-19 pandemic.
- By country, more than half of the companies in South Africa, Kenya, Egypt, Morocco, and Ethiopia are in the black. In Ghana, although the profit increased by 13.3 points from the previous year, the deficit increased even more, and the deficit exceeded the profit.

2022 Operating Profit Forecast (January to December)



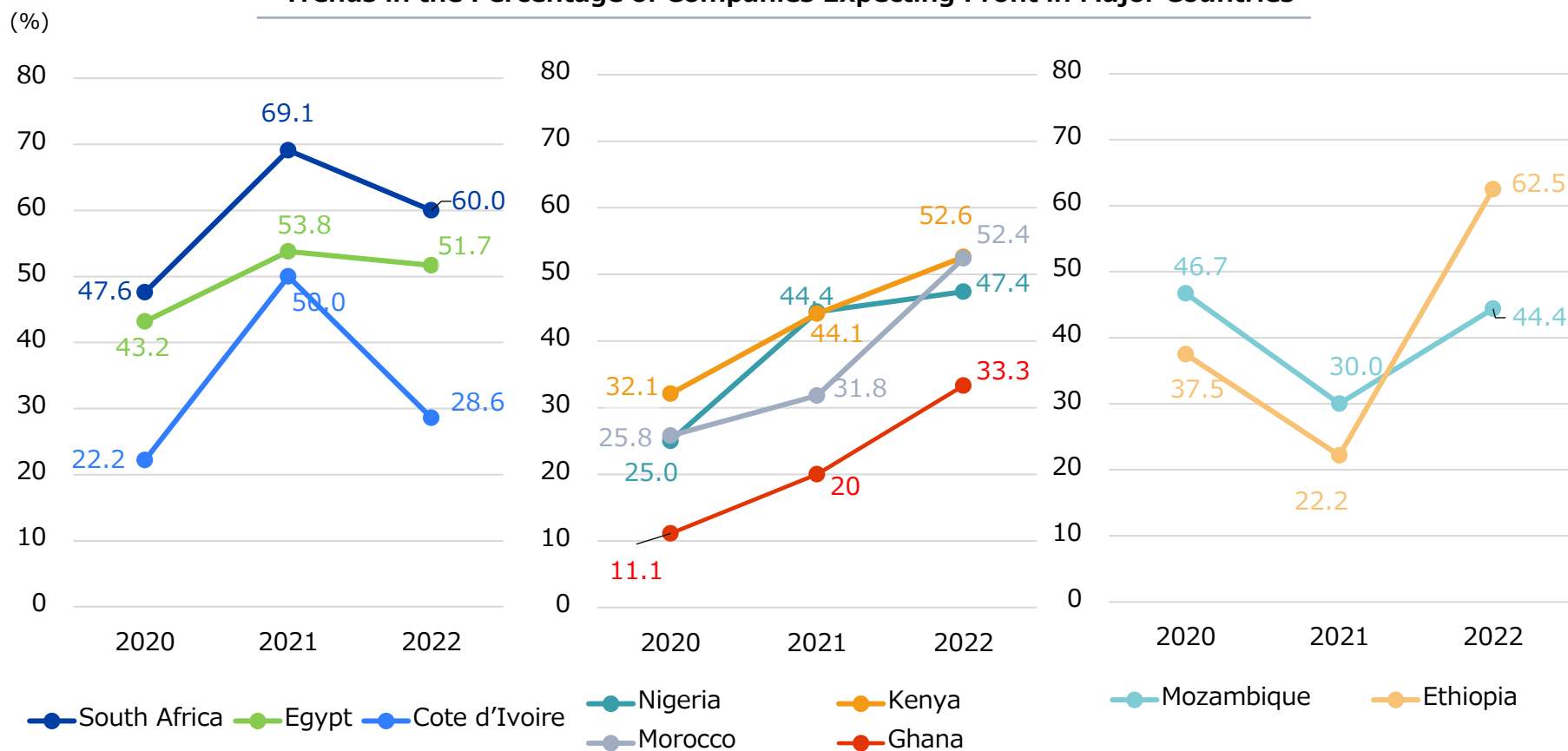
● Profit
 ● Break Even
 ● Loss
 - - Profit, global average
 Year-over-year comparison: ↑ Increase ↓ Decrease



2 | 2022 Operating Profit Forecast (Trends of the Proportion of Companies Expecting a Profit, by Country)

- South Africa, Egypt, and Côte d'Ivoire saw declines approaching the 2020 levels in the middle of the COVID-19 pandemic.
- Kenya, Morocco, Nigeria, and Ghana have been on the rise since 2020 in the middle of the COVID-19 pandemic.
- Mozambique and Ethiopia saw declines in 2021, but have recovered in 2022.

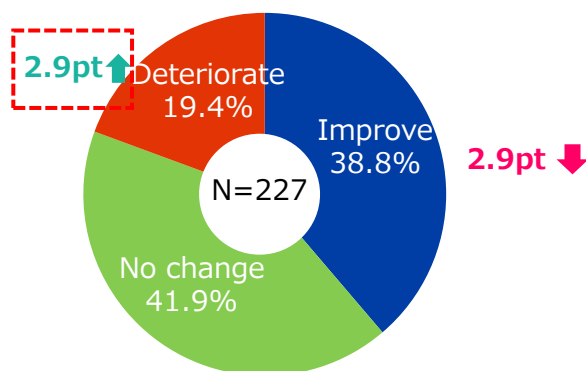
Trends in the Percentage of Companies Expecting Profit in Major Countries



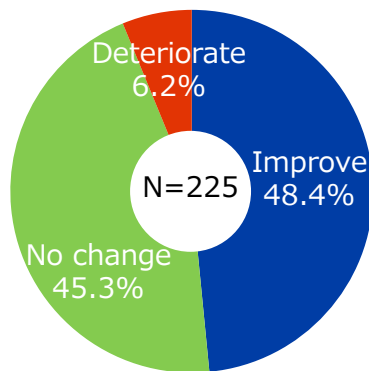
3 | 2022 Operating Profit Forecast and 2023 Outlook (Y-o-Y)

- Regarding the operating profit forecast for 2022 (compared to the previous year), 38.8% of the companies answered that it would “improve”, while the percentage of the companies forecasting that it would worsen increased by 2.9 points to 19.4% in 2022.
- In 2023, the percentage of the companies that answered “improve” increased by 9.6 points to 48.4% in comparison to the previous year, while the percentage of the companies that answered “worsen” decreased by 6.2 points to 13.2% in comparison to the previous year. In 2023, the general situation is expected to improve.

2022 Operating Profit Forecast (Y-o-Y)

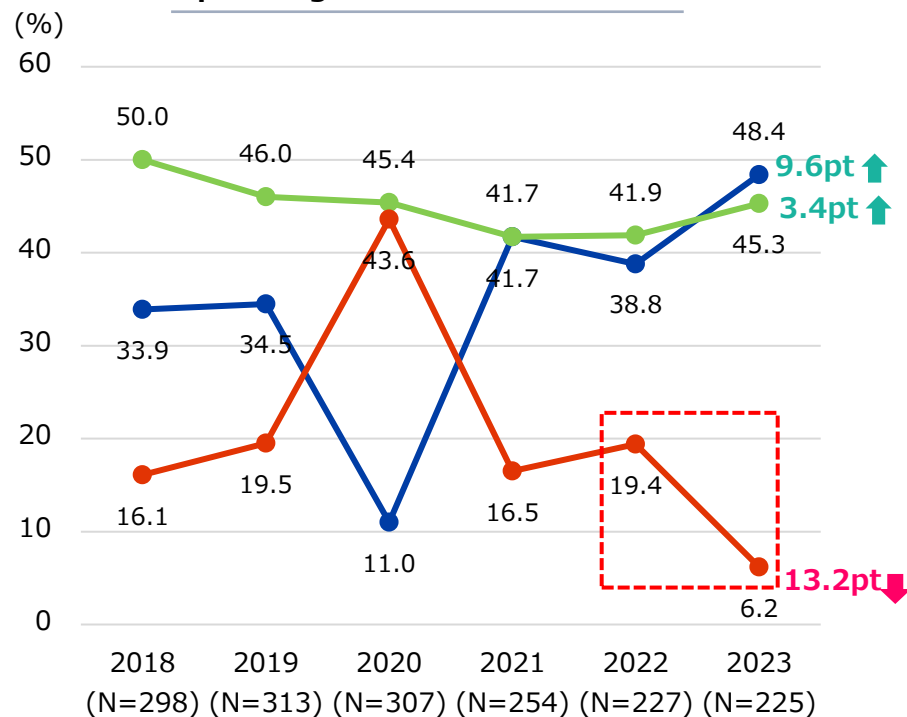


2023 Operating Profit Outlook



Year-over-year comparison: ↑ Increase ↓ Decrease

Operating Profit Forecast Trends



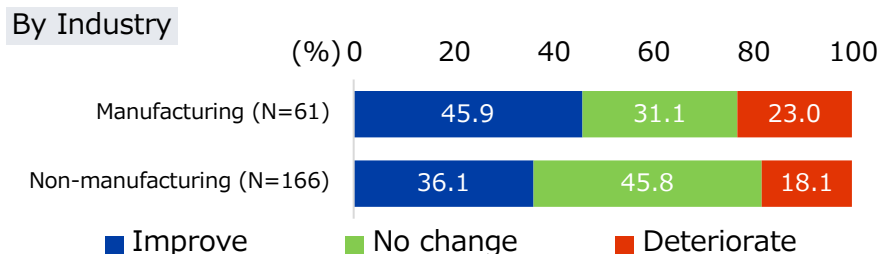
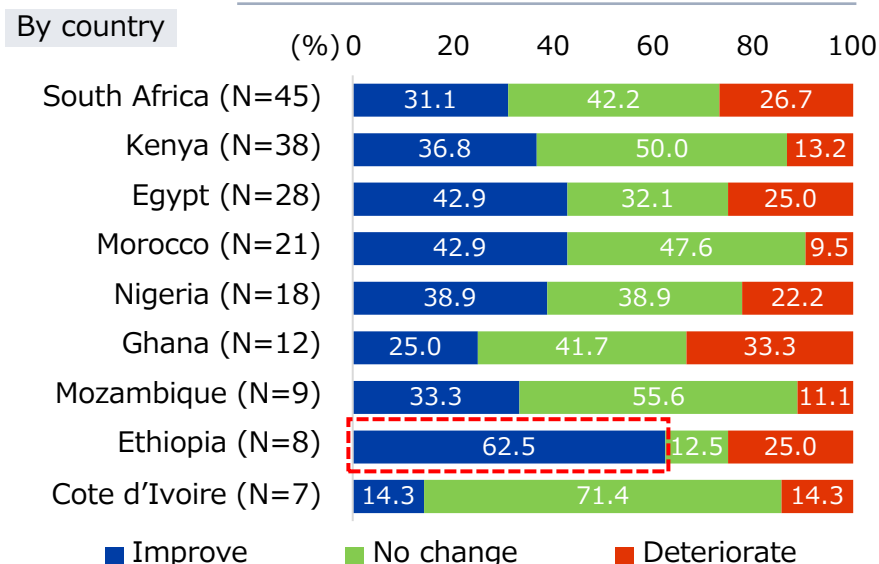
● Improve ● No change ● Deteriorate

(Note) forecast for 2018 - 2022; outlook for 2023

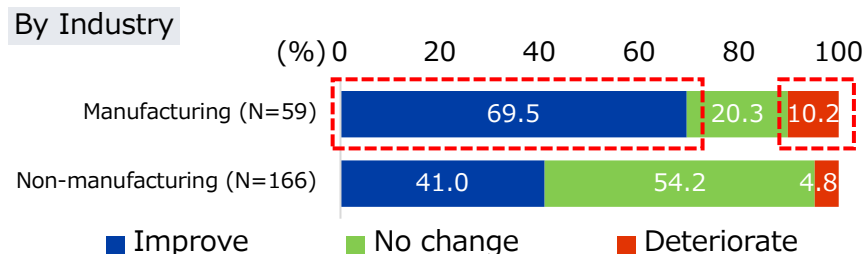
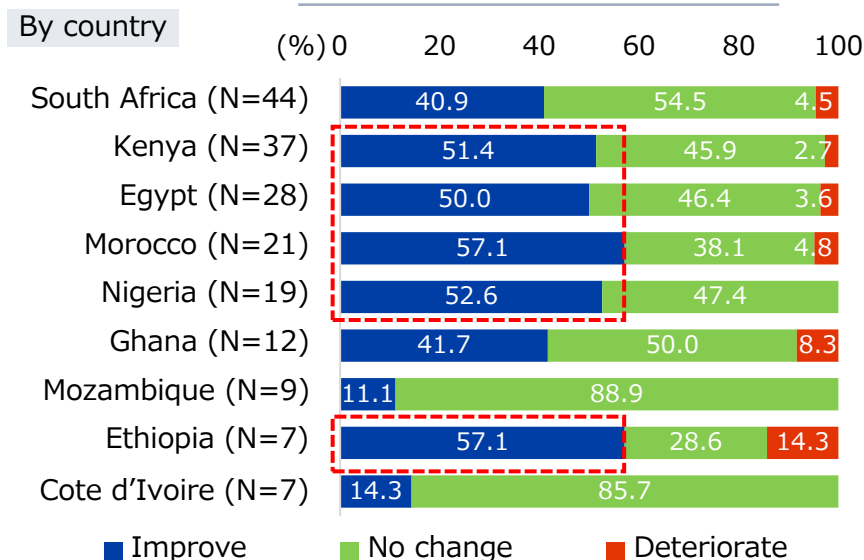
4 | 2022 Operating Profit Forecast and 2023 Operating Profit Forecast (by Country / by Industry)

- In 2022, Ethiopia was the only country in which more than 50% of the companies answered that they expected an “improvement” compared to the previous year, while more than 50% of the companies in Kenya, Egypt, Morocco, Ghana, and Ethiopia answered that they expect an “improvement” in 2023.
- By industry, approximately 70% of the companies in the manufacturing industry expect an “improvement” in 2023, surpassing 41% for the non-manufacturing industry. However, 10.2% of the companies in the manufacturing industry answer “worsen”, also surpassing 4.8% for the non-manufacturing industry.

2022 Operating Profit Forecast (Y-o-Y)



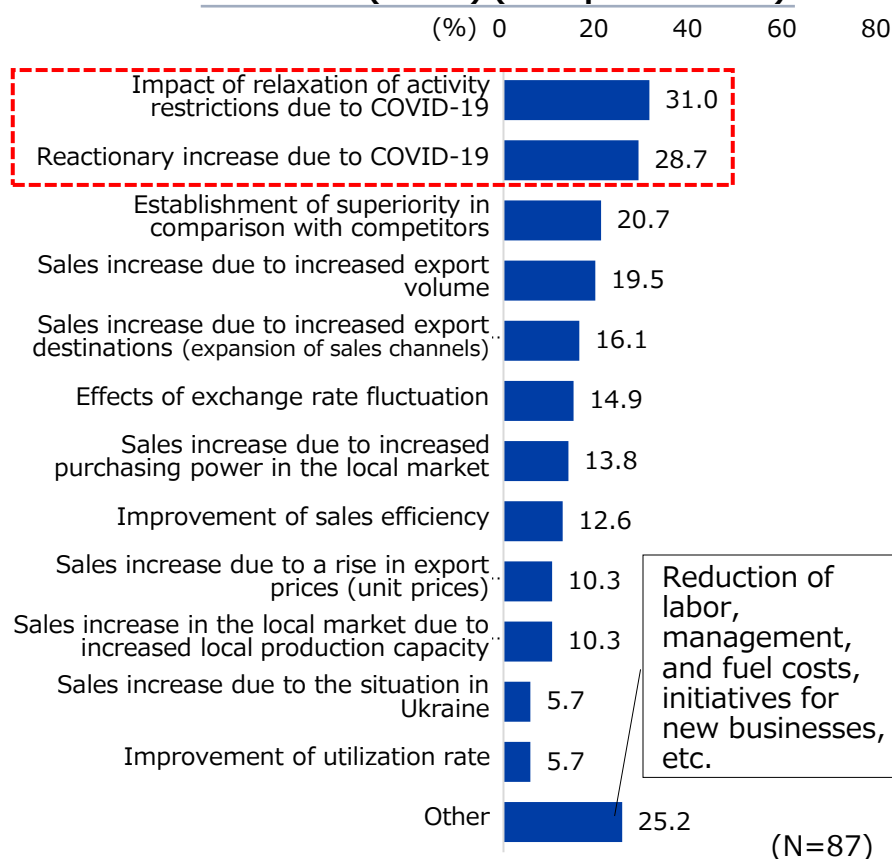
2023 Operating Profit Outlook



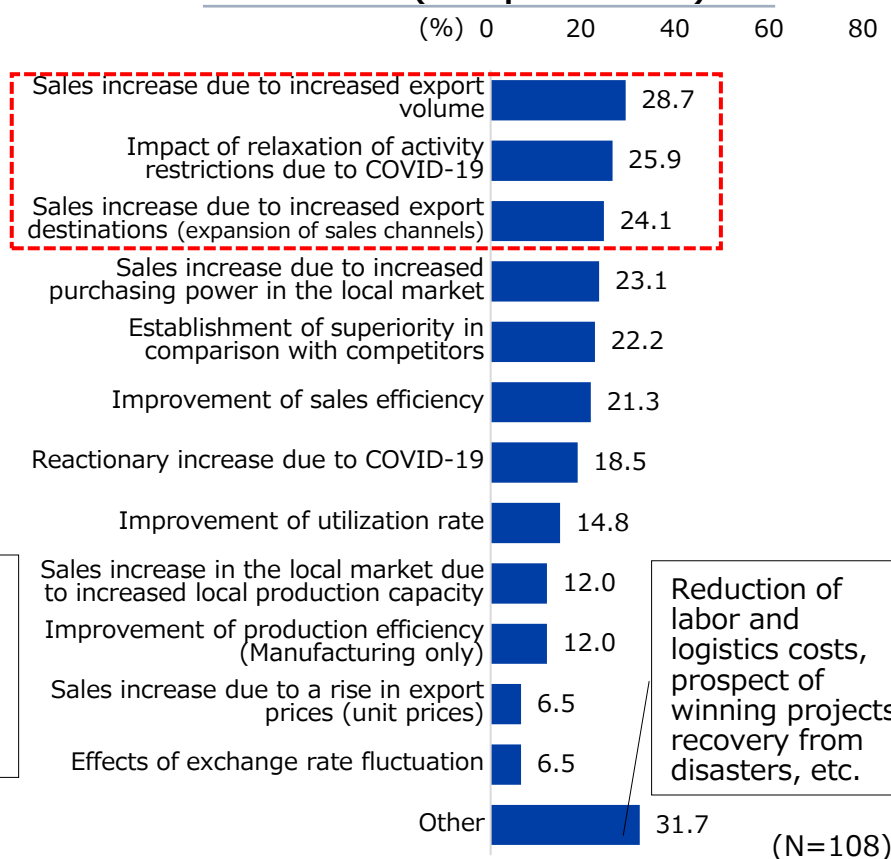
5 | 2022 Operating Profit Forecast and 2023 Operating Profit Forecast (Reasons for Improvement)

- In 2022, “Impact of relaxation of activity restrictions” (31%) and “Reactionary increase” (28.7%) due to COVID-19 took the top spot. The resumption of economic activities was the main factor in the improvement.
- In 2023, “Sales increase due to increased export volume” (28.7%) takes the top spot, followed by “Impact of relaxation of activity restrictions due to COVID-19” (25.9%) and “Sales increase due to expansion of sales channels” (24.1%).

Reasons for Improvement of 2022 Forecast (Y-o-Y) (Multiple Answers)



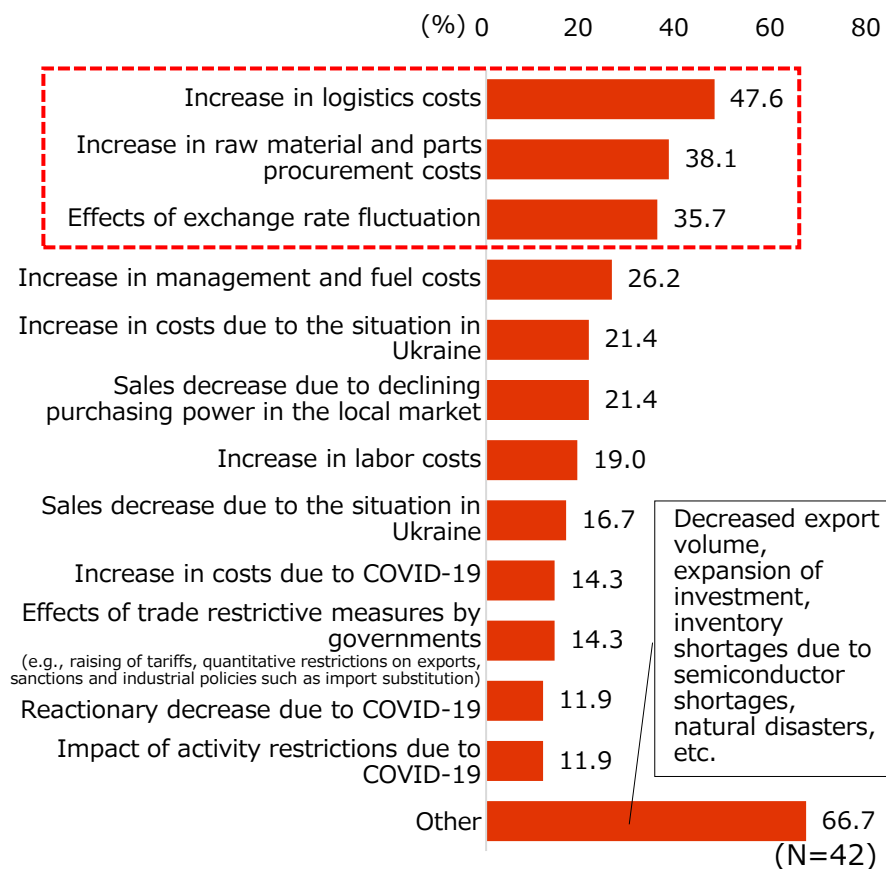
Reasons for Improvement of 2023 Forecast (Multiple Answers)



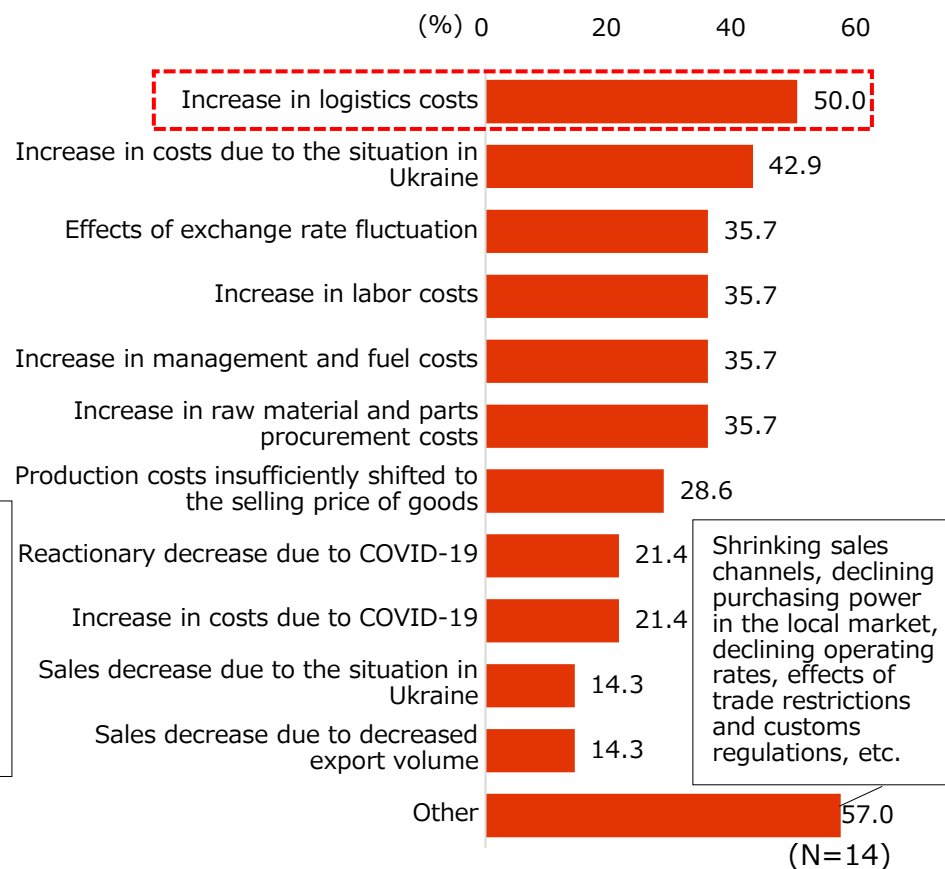
6 | 2022 Operating Profit Forecast and 2023 Operating Profit Outlook (Reasons for Deterioration)

- In both 2022 and 2023, “Increase in logistics costs” (47.6%) was the most common, followed by “Raw material and parts procurement costs (38.1%)” and “Effects of exchange rate fluctuation” (35.7%).
- For “Other”, natural disasters such as floods in South Africa were also cited as reasons for deterioration.

Reasons for Deterioration of 2022 Forecast (Y-o-Y) (Multiple Answers)



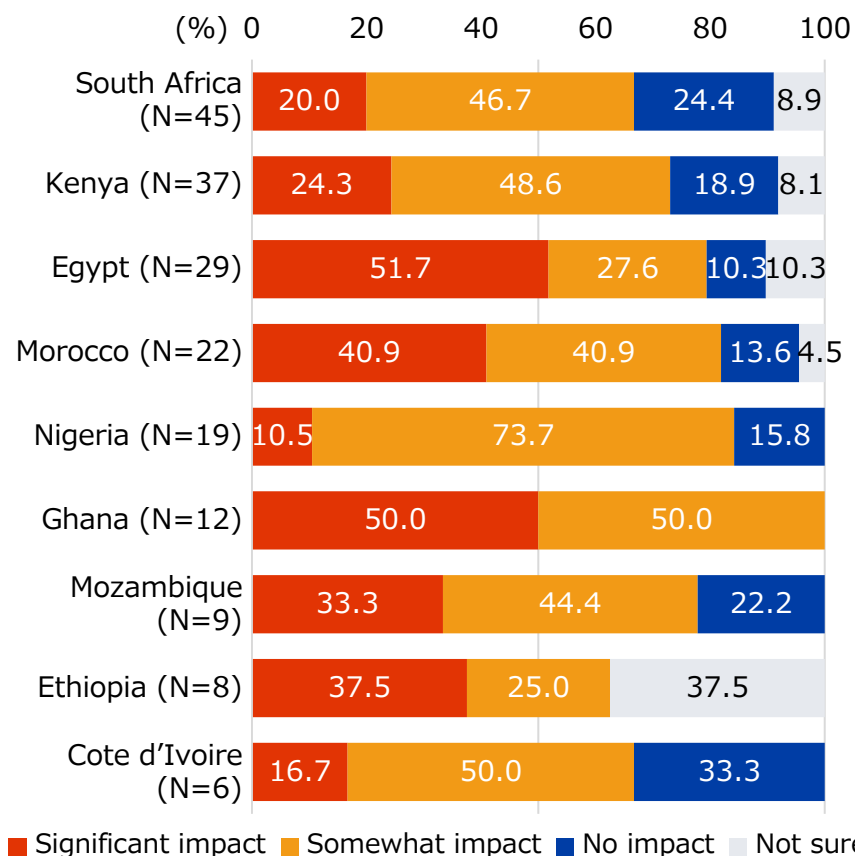
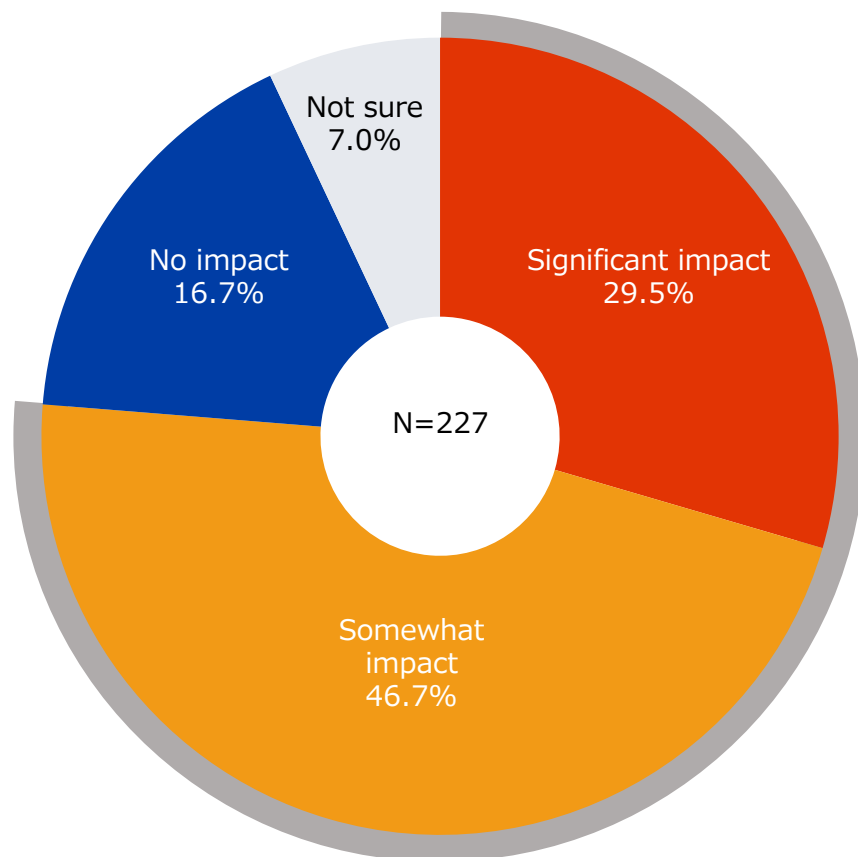
Reasons for Deterioration of 2023 Forecast (Multiple Answers)



7 | Impact of Russia's Invasion of Ukraine on Business (1)

- Approximately 30% of the companies answered that the situation in Ukraine had a “significant impact,” while nearly half of the companies answered that it had a “somewhat impact.” In total, a little less than 80% of the companies answered that they suffered some kind of impact.
- Especially in Egypt and Ghana, more than half of the companies answered that they suffered a “significant impact.”

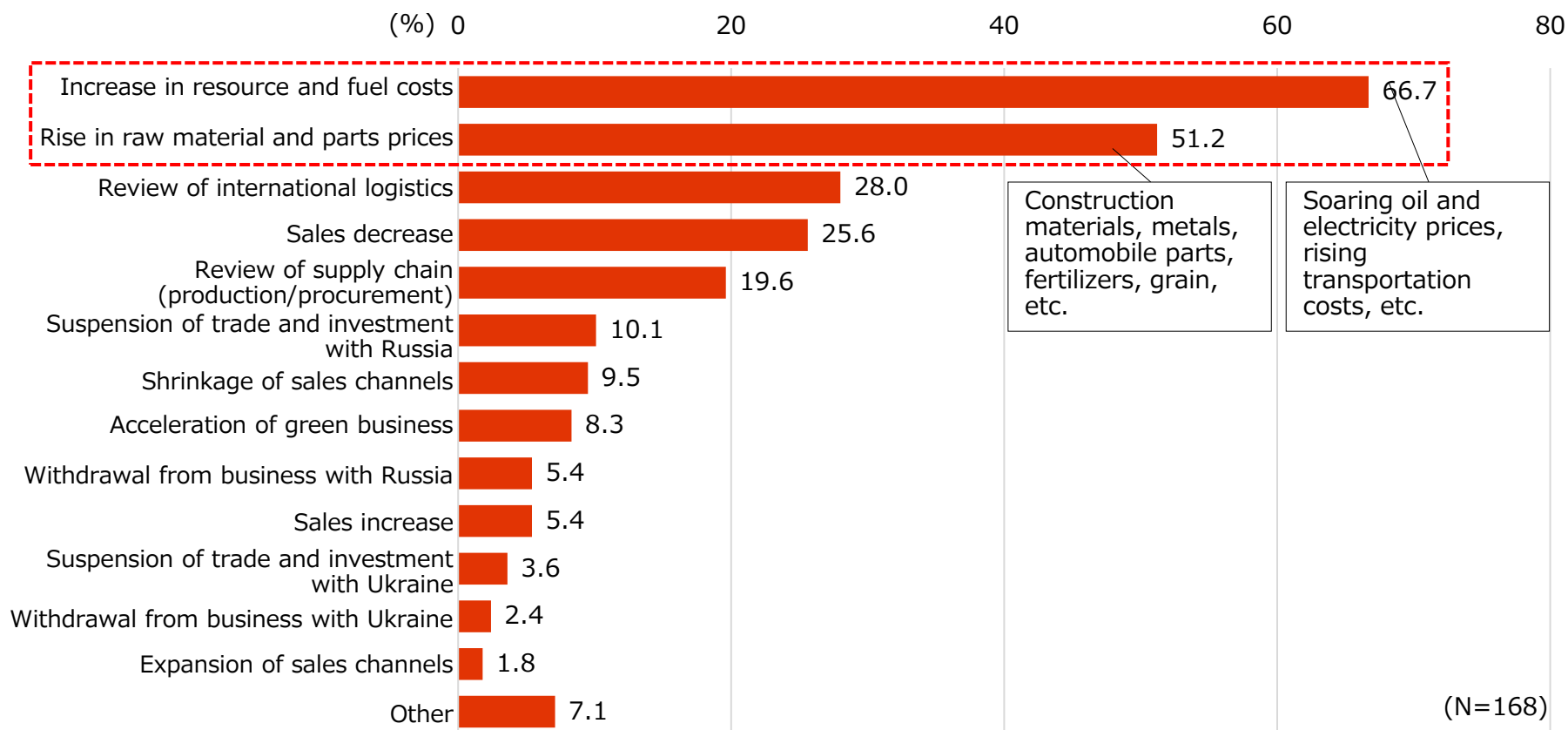
Impact of Russia's invasion of Ukraine on the company's activities



7 | Impact of Russia's Invasion of Ukraine on Business (2)

- As for the specific impact of the situation in Ukraine, nearly 70% of the answers cited "Increase in resource and fuel costs," and more than 50% answered "Rise in raw material and parts prices." In this way, it was shown that the cost impact was mainly large.
- In addition, some companies cited the cancellation of passenger flights due to shortages of resources and fuel, and the increase in production costs and decline in production of agricultural products due to the increase in fertilizer prices.

Reasons for Selecting "Affected" (Multiple Answers)

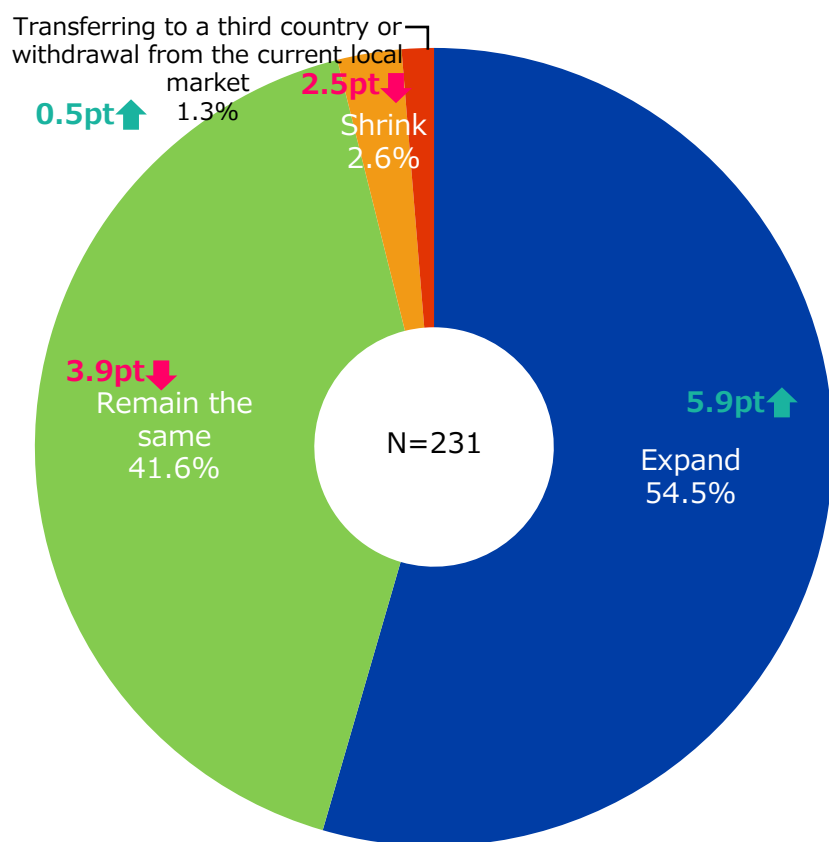


II. Future Business Outlook

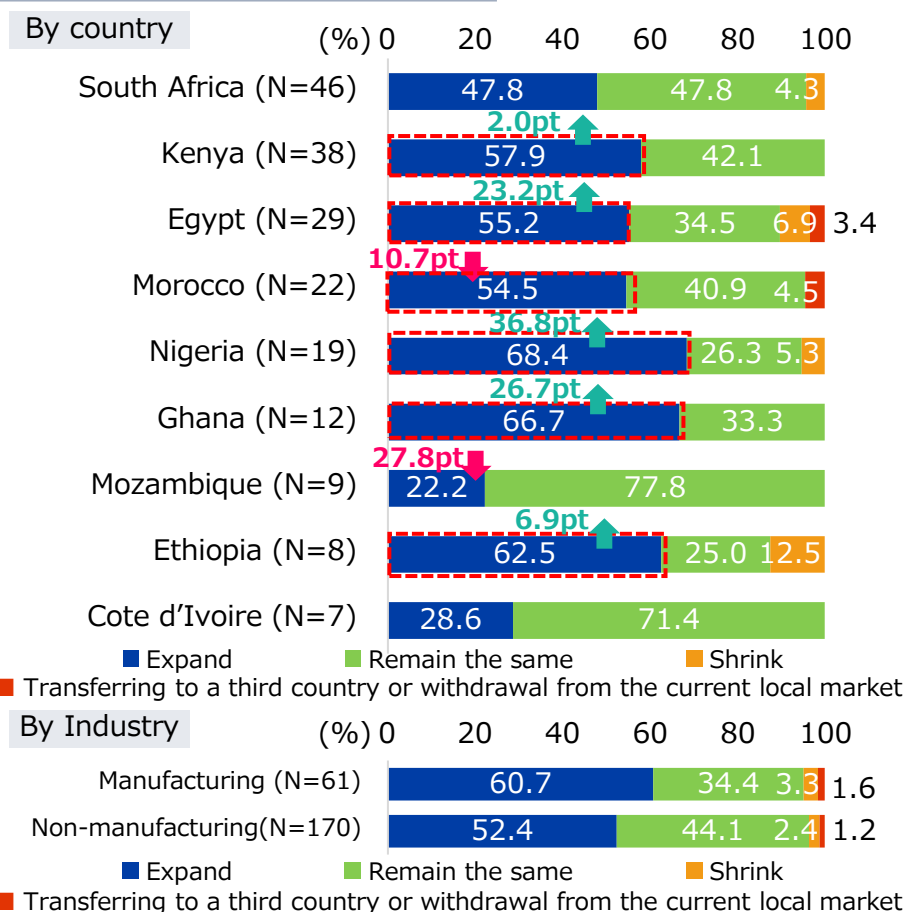
1 | Future Business Outlook (Overall and by Country)

- Of all companies, 54.5% answered that their business will “expand” in the next 1-2 years, up 5.9 points from the previous year.
- More than 50% of the companies expected “expansion” in Kenya, Egypt, Morocco, Nigeria, Ghana, and Ethiopia, with Nigeria (up 36.8 points) and Ghana (up 26.7 points) showing a large increase in “expansion.”

Direction of Business Operations in the Next One to Two Years



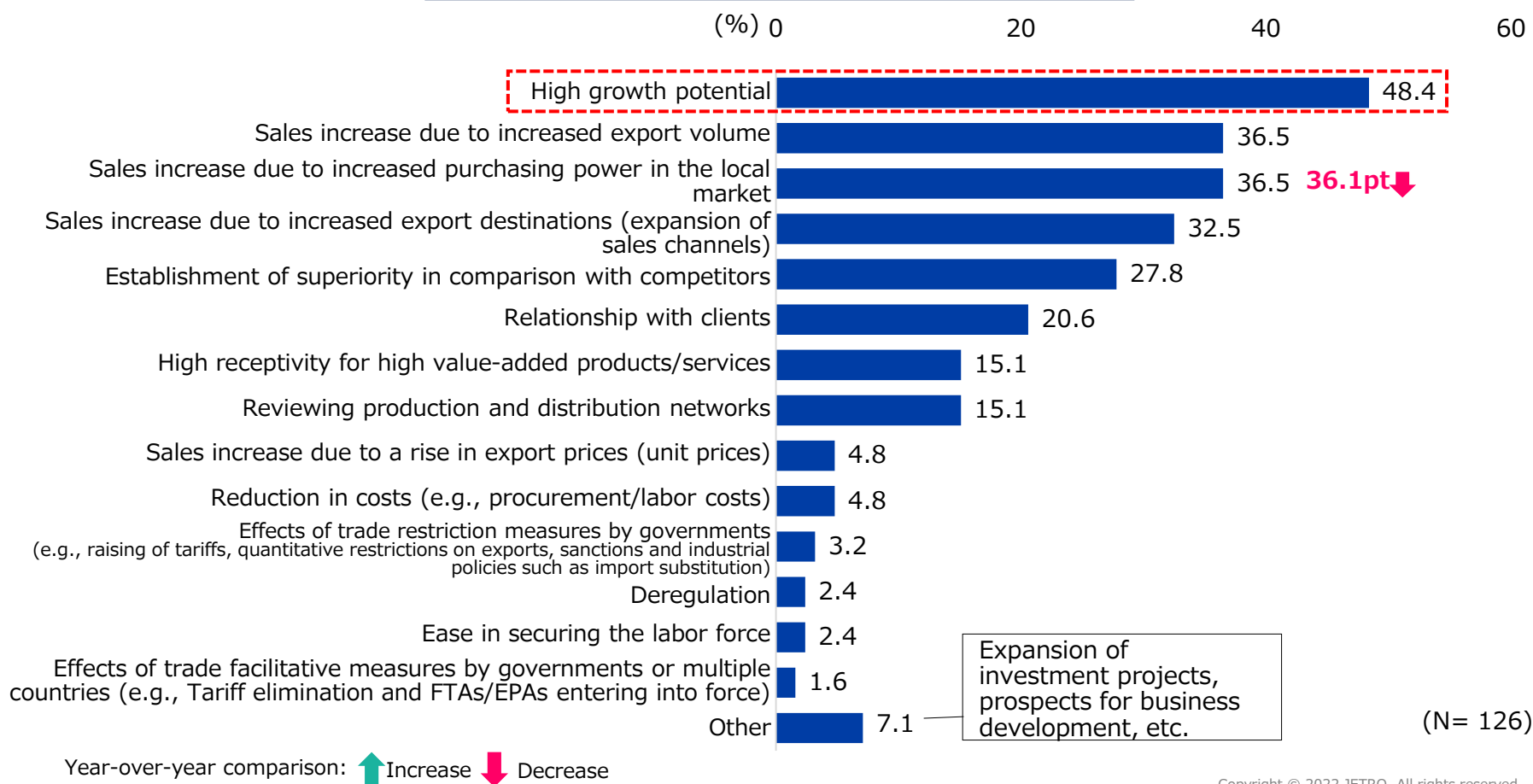
Year-over-year comparison: ↑ Increase ↓ Decrease



2 | Future Business Outlook (Reasons for Expansion)

- The most common reason for business expansion was “High growth potential”, which was selected by approximately 50% of the companies. The percentage of the answer was particularly high in Nigeria (69.2%) and Kenya (59.1%).
- The percentage for “Sales increase due to increased purchasing power in the local market,” which had been the highest in the previous year, decreased by 36.1 points.

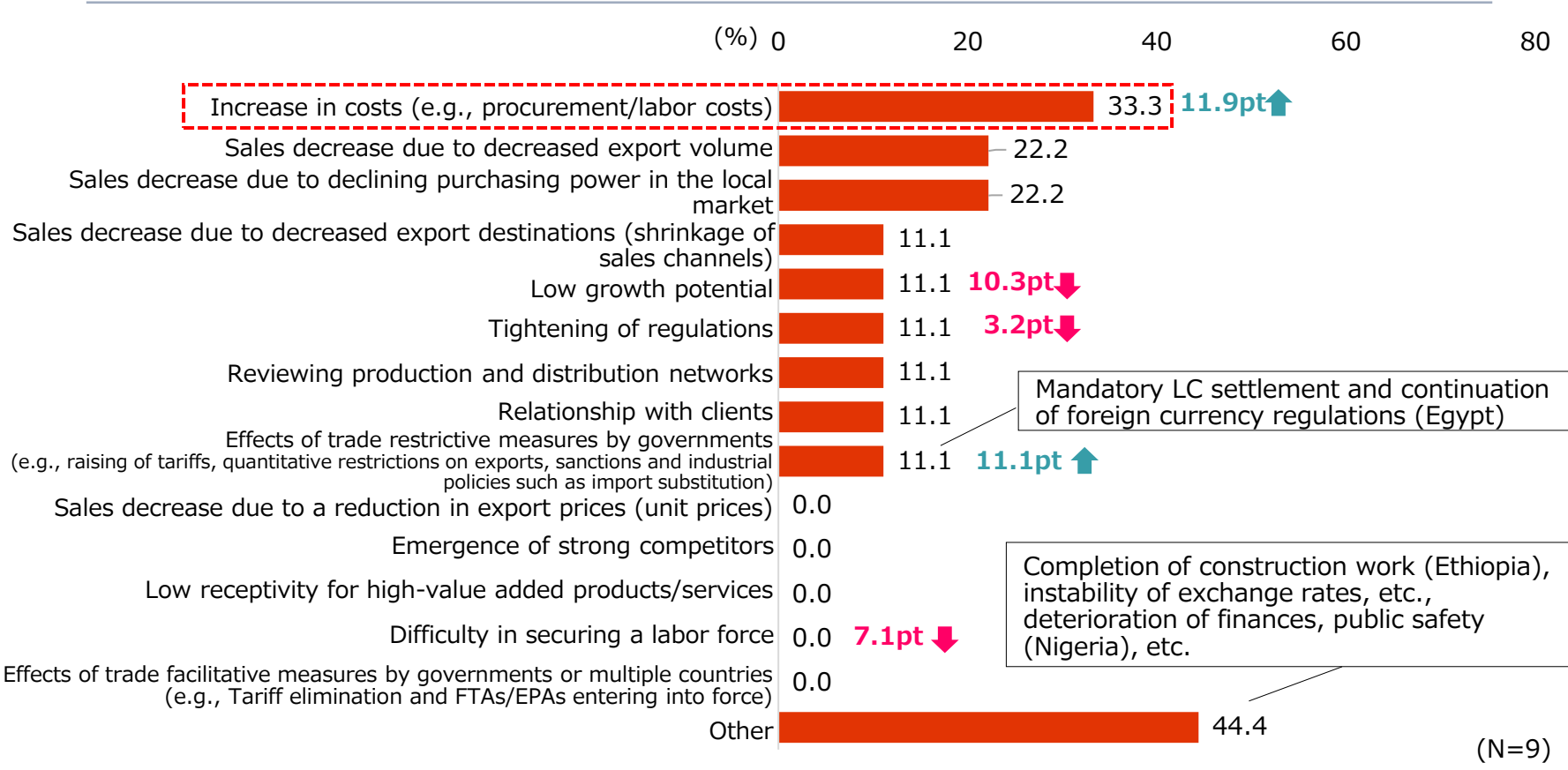
Reasons for Business Expansion (Multiple answers)



3 | Future Business Outlook (Reasons for “Reduction” and “Relocation or Withdrawal”)

- The most common reason for reduction was “Increase in costs” (33.3%). The percentage for “Low growth potential”, which had been the highest along with “Increase in costs” in the previous year, decreased by 10.3 points.
- Some companies cited Egypt’s mandatory L/C settlement and foreign currency regulations as reasons for reduction or withdrawal.

Reasons for “Reduction,” “Relocation or Withdrawal to Third Countries (Regions)” (Multiple answers)

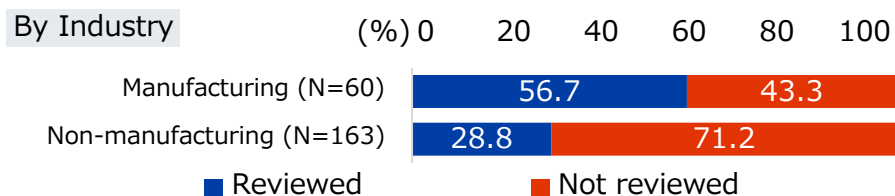
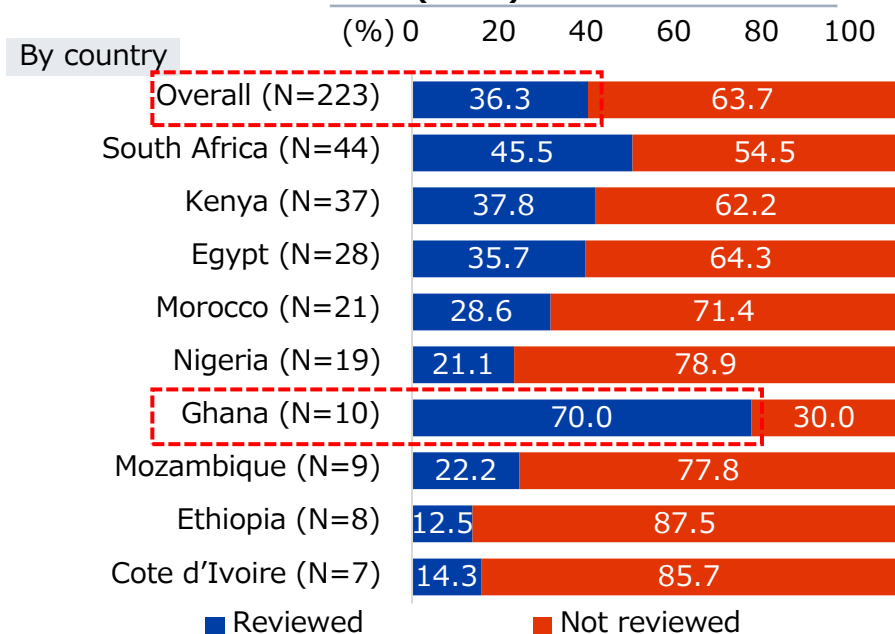


Year-over-year comparison: ↑ Increase ↓ Decrease

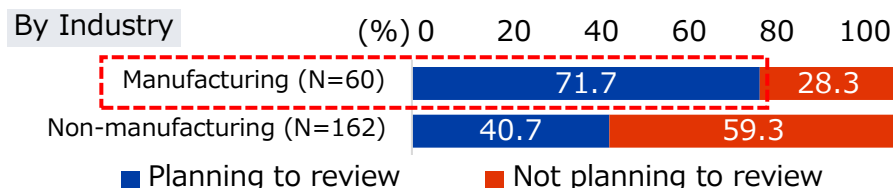
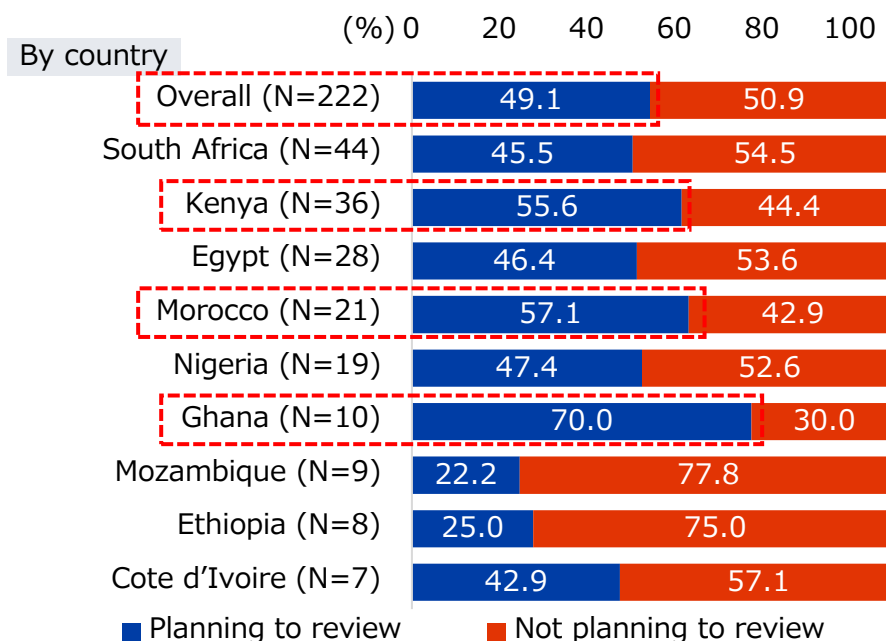
4 | Review of Supply Chain

- 36.3% of the companies answered that they had “reviewed” their supply chain since the outbreak of the COVID-19 pandemic. Especially in Ghana, 70% of the companies answered that they had “reviewed”.
- 49.1% of the companies answered that they were “planning to review” in the future, especially 70% in Ghana, and more than half in Morocco (57.1%) and Kenya (55.6%). More than 70% of the companies in the manufacturing industry answered that they were “planning to review.”

**From the Covid-19 pandemic
(2020) to the Present**



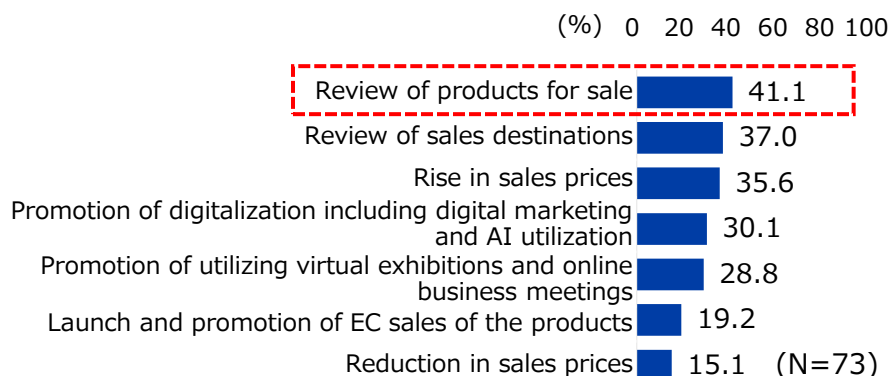
Future plans



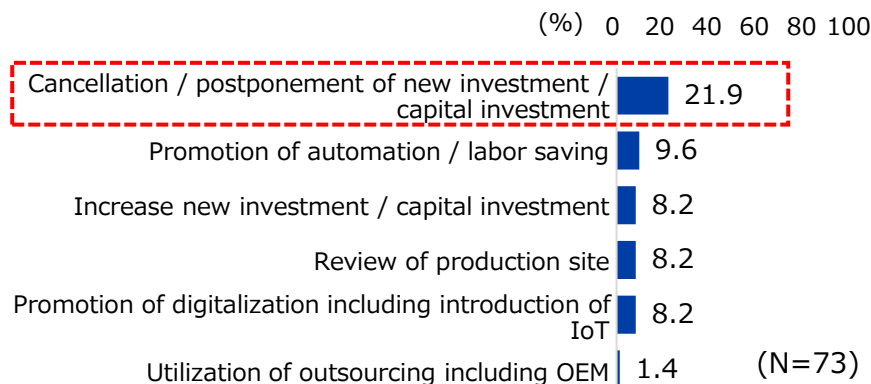
5 | Details of the Review of Supply Chain (from the COVID-19 Pandemic to the Present)

- Looking specifically at the details of the reviews due to the COVID-19 pandemic, the most common answers were “Review of products for sale” in terms of sales strategy, “Review of procurement source” in terms of procurement, and “Cancellation / postponement of new investment / capital investment” in terms of production.
- Due to the impact of the increase in manufacturing and transportation costs associated with the COVID-19 pandemic, each company was forced to review their business strategies.

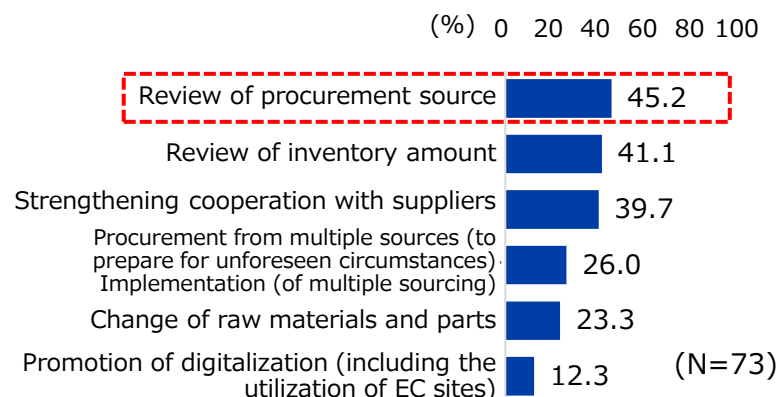
Contents of the review of sales strategy



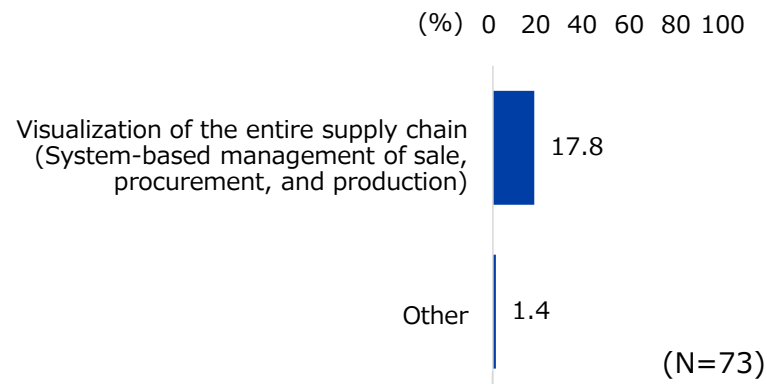
Contents of the review of production



Contents of the review of procurement



Other

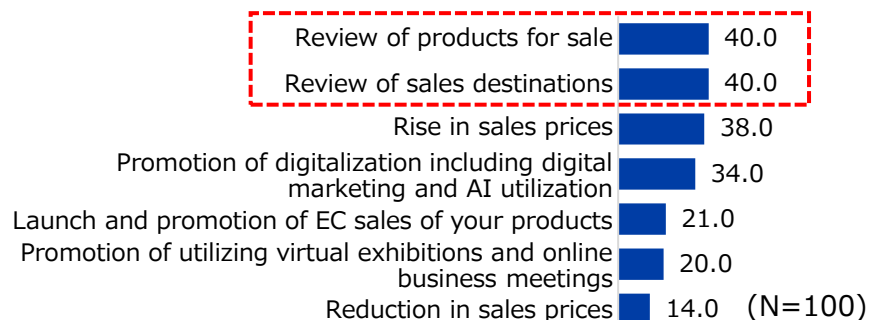


6 | Details of the Review of Supply Chain (Future Plans)

- Looking specifically at the details of future reviews of the sales strategy, reviews of “sales products” and “sales destinations” topped the list. The most common answers were “Strengthening cooperation with suppliers” in terms of procurement and “Increase new investment / capital investment” in terms of production.

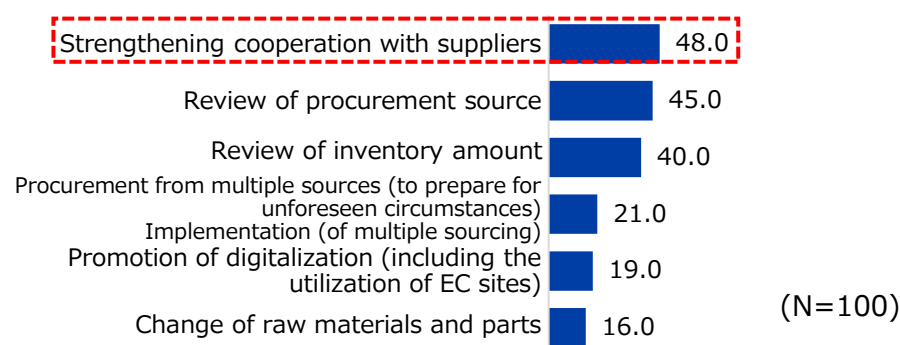
Contents of the review of sales strategy

(%) 0 20 40 60 80 100



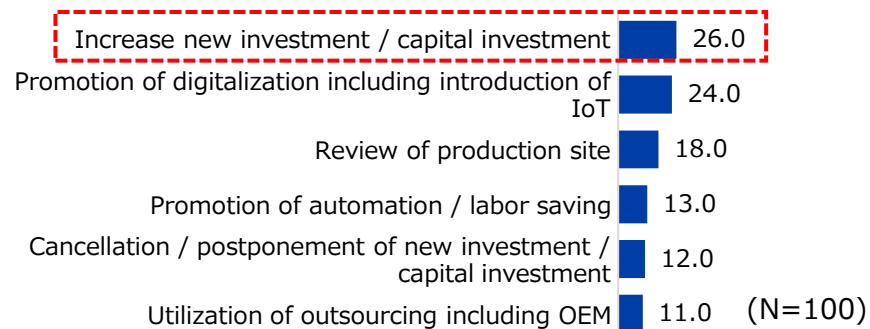
Contents of the review of procurement

(%) 0 20 40 60 80 100



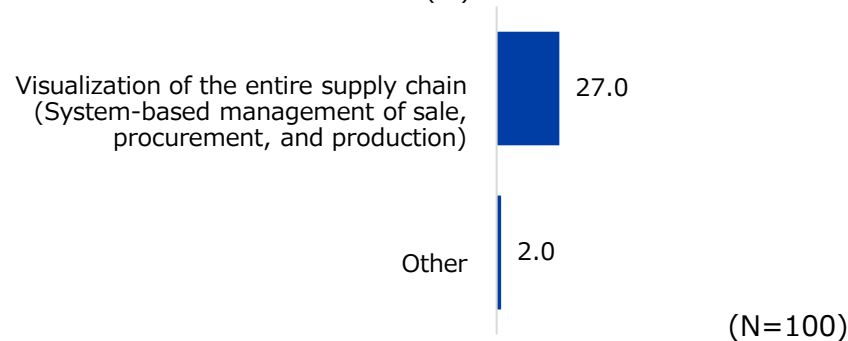
Contents of the review of production

(%) 0 20 40 60 80 100



Other

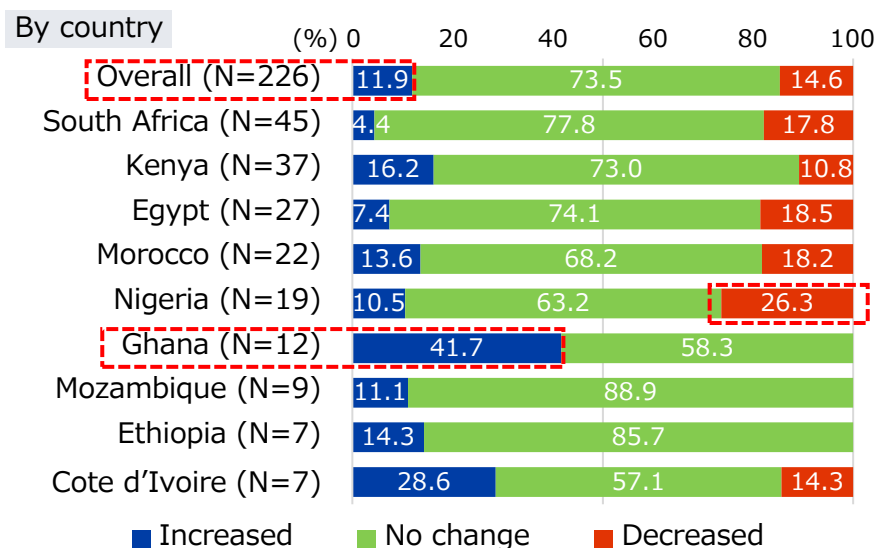
(%) 0 20 40 60 80 100



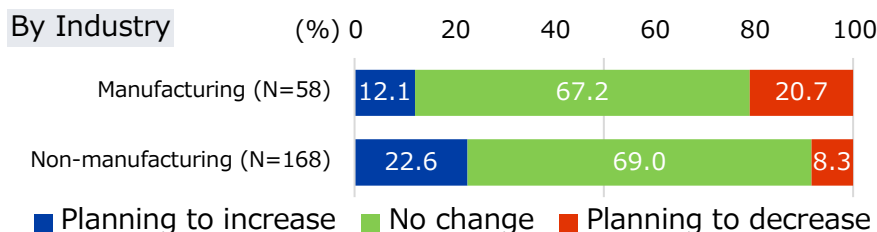
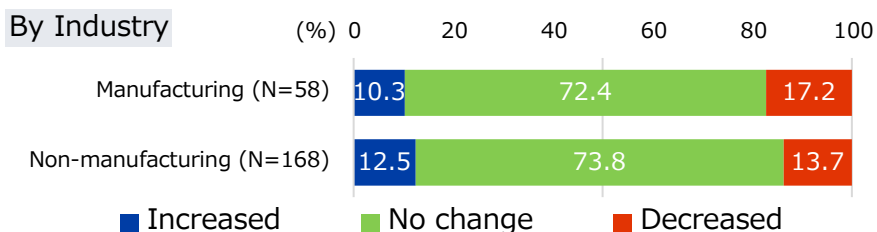
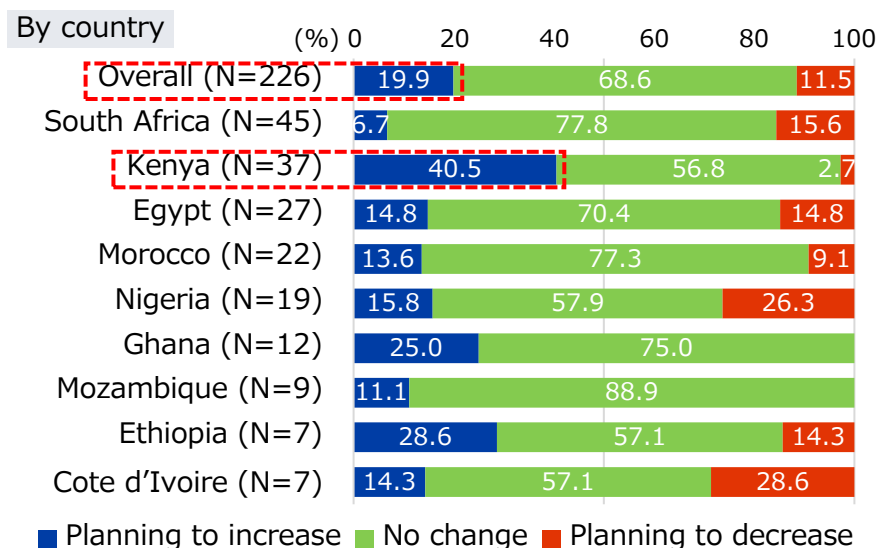
7 | Number of Japanese Expatriates (Compared to before the Outbreak of the COVID-19)

- Compared to before the outbreak of the COVID-19 pandemic, 11.9% of the companies answered that the number of expatriates had “increased”, with the percentage in Ghana being the highest (41.7%). On the other hand, in Nigeria, 26.3% of the companies answered that they had “decreased.”
- The overall percentage of the companies that answered that they were “planning to increase” expatriates in the future was approximately 20%. In anticipation of a recovery from the COVID-19 crisis, there are moves to strengthen the personnel system in each country. Especially in Kenya, the percentage is the highest (40.5%).

At the time of the survey compared to before the outbreak of the COVID-19



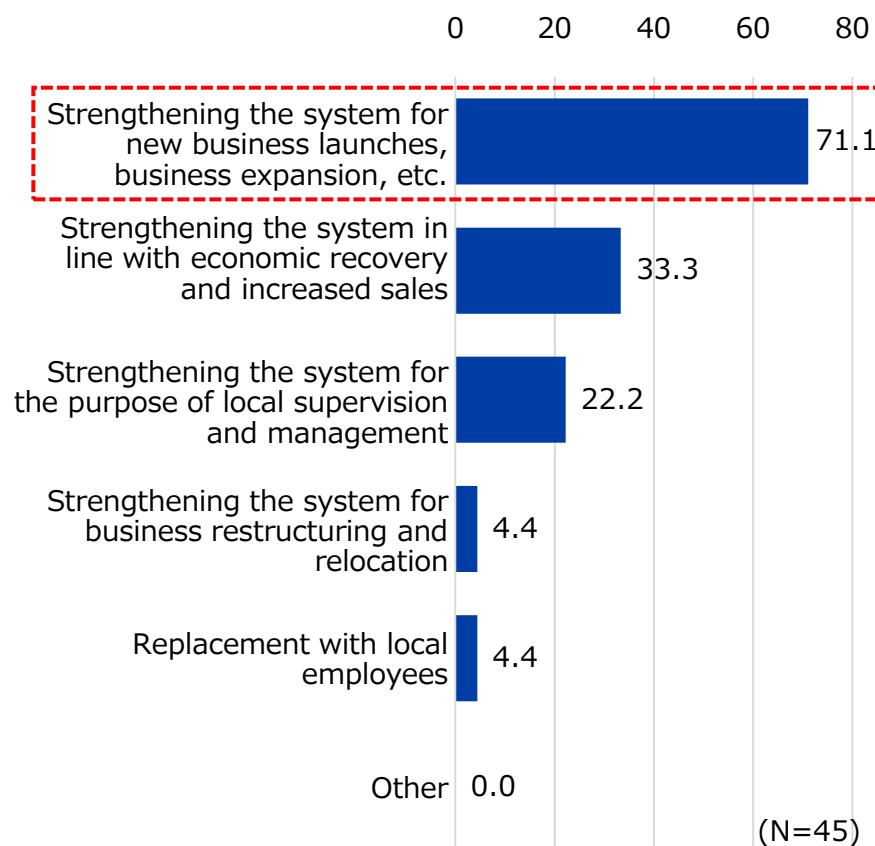
Plans for the next 1 to 2 years compared to before the outbreak of the COVID-19



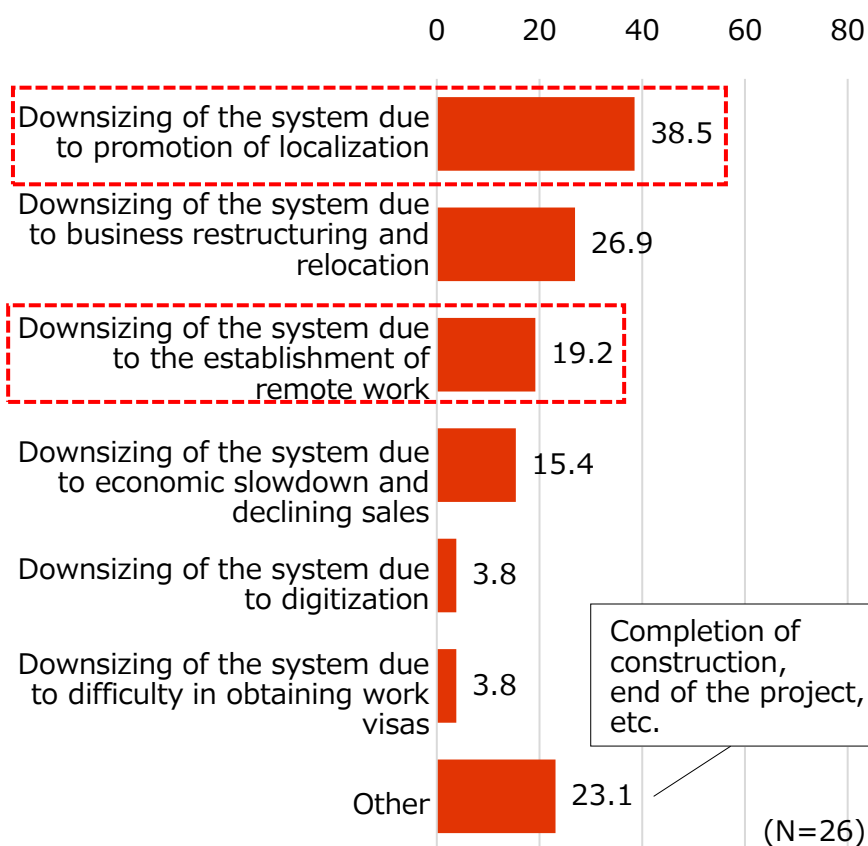
8 | Number of Japanese Expatriates (Factors for Increase or Decrease / Compared to before the Outbreak of the COVID-19)

- Looking at the reasons for the increase in the number of Japanese expatriates, 70% of the companies cited “Strengthening the system for new business launches, business expansion, etc.”
- The most common reason for the decrease was “Downsizing of the system due to promotion of localization” (a little less than 40%). In addition, “Downsizing of the system due to the establishment of remote work” accounted for approximately 20%, showing that remote work is also spreading in Africa.

Reasons for the planned **[increase]** in the number of Japanese expatriates (Multiple Answers)



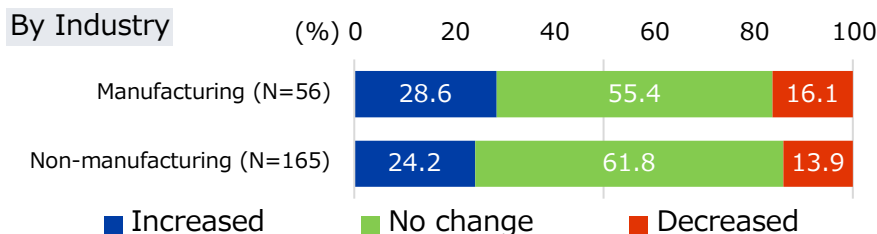
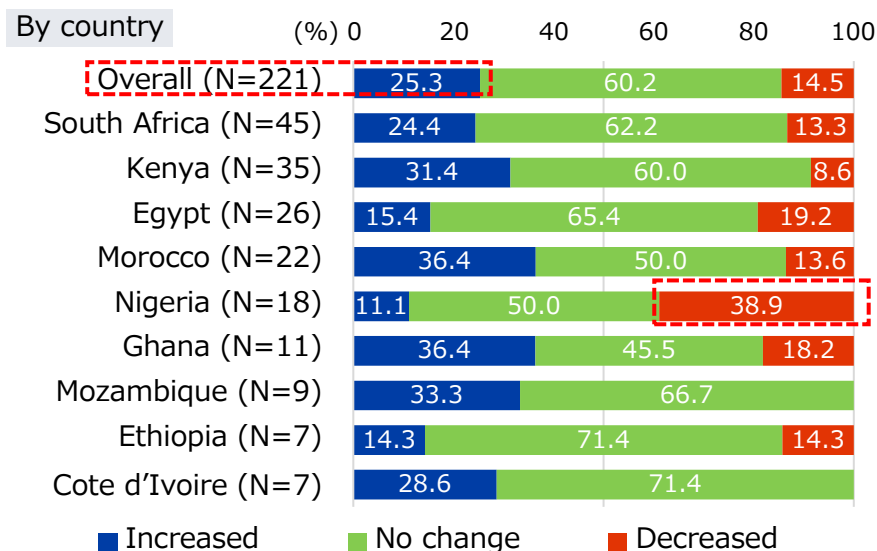
Reasons for the planned **[decrease]** in the number of Japanese expatriates (Multiple Answers)



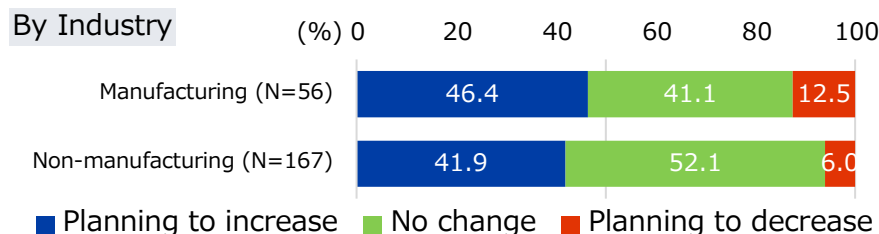
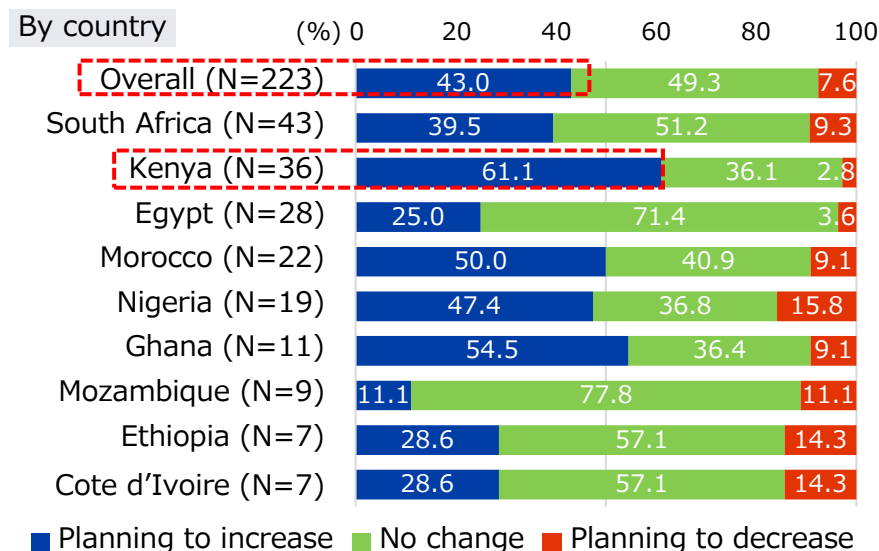
9 | Number of Local Employees (Compared to before the Outbreak of the COVID-19)

- Overall, 25.3% of the companies “increased” the number of local employees compared to before the outbreak of the COVID-19 pandemic, exceeding the percentage of the companies that decreased (14.5%). On the other hand, in Nigeria, the percentage of the companies that “decreased” was a little less than 40%, greatly exceeding that of the companies that “increased.”
- 43% of the companies answered that they are “planning to increase” the number of local employees in the next 1 to 2 years. Thus, regardless of the industry, a high percentage of the companies are planning to increase the number of local employees as they recover from the COVID-19 crisis. Especially in Kenya, the percentage exceeds 60%.

At the time of the survey compared to before the outbreak of the COVID-19



Plans for the next 1 to 2 years compared to before the outbreak of the COVID-19

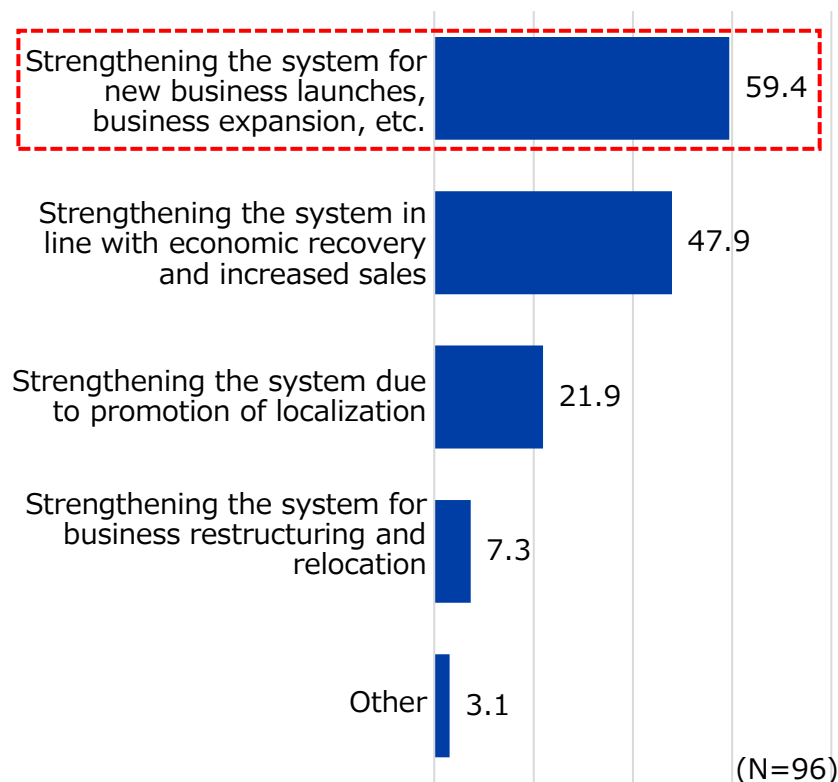


10 | Number of Local Employees (Factors for Increase or Decrease / Compared to before the Outbreak of the COVID-19)

- The most common reason for the increase in the number of local employees was “Strengthening the system for new business launches, business expansion, etc.” (approximately 60%). “Strengthening the system due to promotion of localization”, a main reason given for the decrease in the number of Japanese expatriates, was cited by approximately 20% of the companies.
- The most common reason for the decrease was “Downsizing of the system due to business restructuring and relocation” (50%). A little less than 40% of the companies answered that their systems would be downsized due to “economic slowdown and declining sales” and “cost reduction.” Thus, there were voices of concern about changes in the country’s financial and social situations.

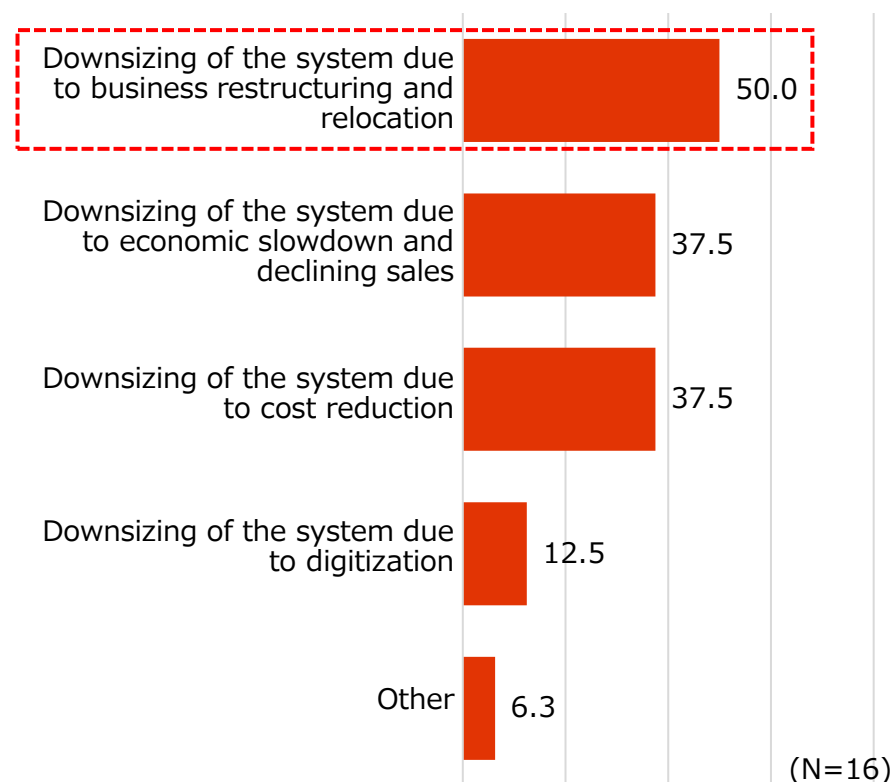
Reasons for the planned [increase] in the number of local employees (Multiple Answers)

(%) 0 20 40 60 80



Reasons for the planned [decrease] in the number of local employees (Multiple Answers)

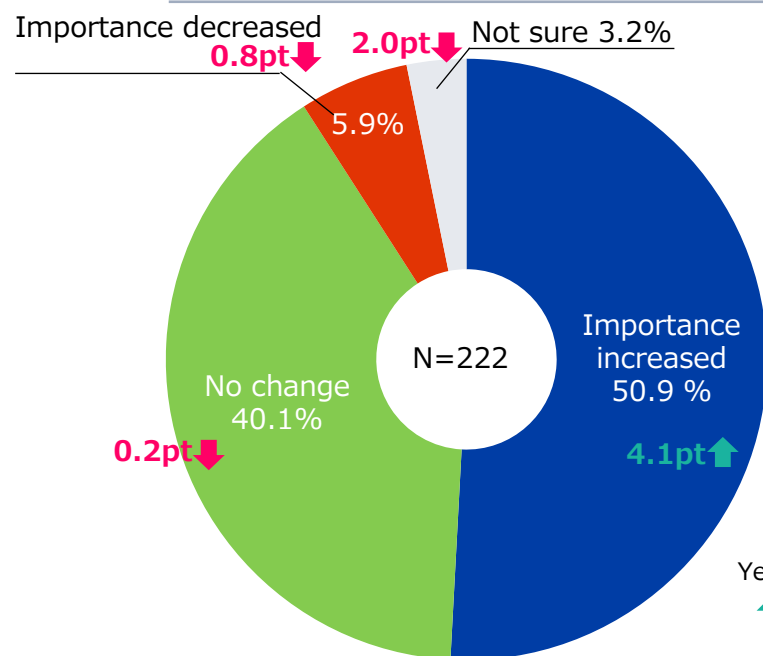
(%) 0 20 40 60 80



11 | Africa's Position in Global Strategy

- Approximately 50% of the companies answered that “the importance had increased” compared to five years ago, up 4.1 points from the previous year.
- A little less than 70% of the companies answered that “the importance will increase” over the next five years, up 9.1 points from the previous year. In addition to population growth, the increase in purchasing power accompanying the growth of the middle class and the increase in demand for infrastructure were cited as reasons.

Positioning Compared to Five Years Ago



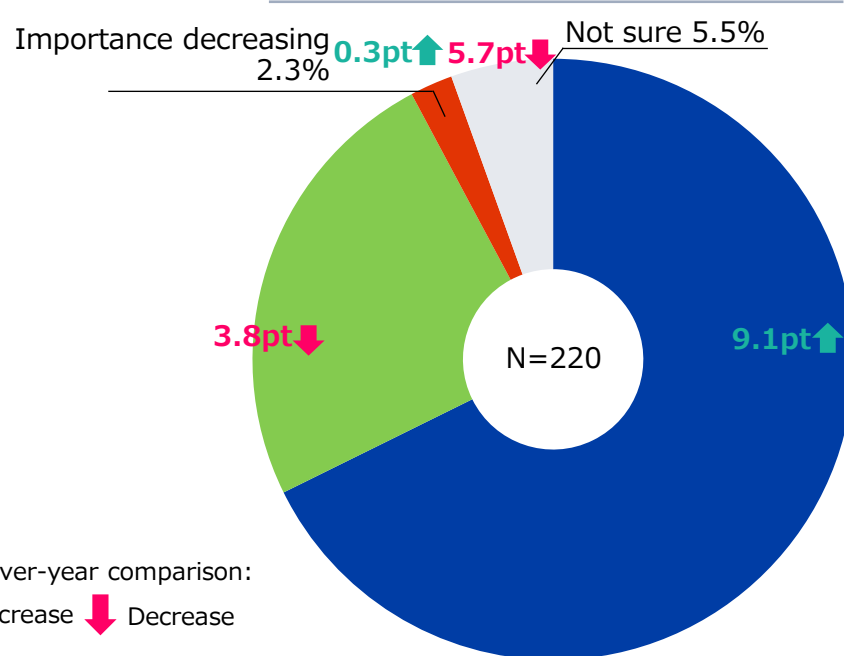
“Importance increased”

- Growing market / population growth / resource development / infrastructure work and construction demand
- Longevity extension (importance of healthcare and medical equipment) / orders for large projects

“Importance decreased”

- Deterioration of business infrastructure has become apparent / sluggish rise due to slow growth and deterioration of power supply / withdrawal from resource projects / drastic decrease in the number of travelers (tourism)

Positioning Over the Next Five Years



“Importance increasing”

- Growing market / population growth and growth of the middle class / increase in demand due to improvement in living standards / increase in demand for infrastructure work and construction / shrinking market in Japan

Importance decreasing

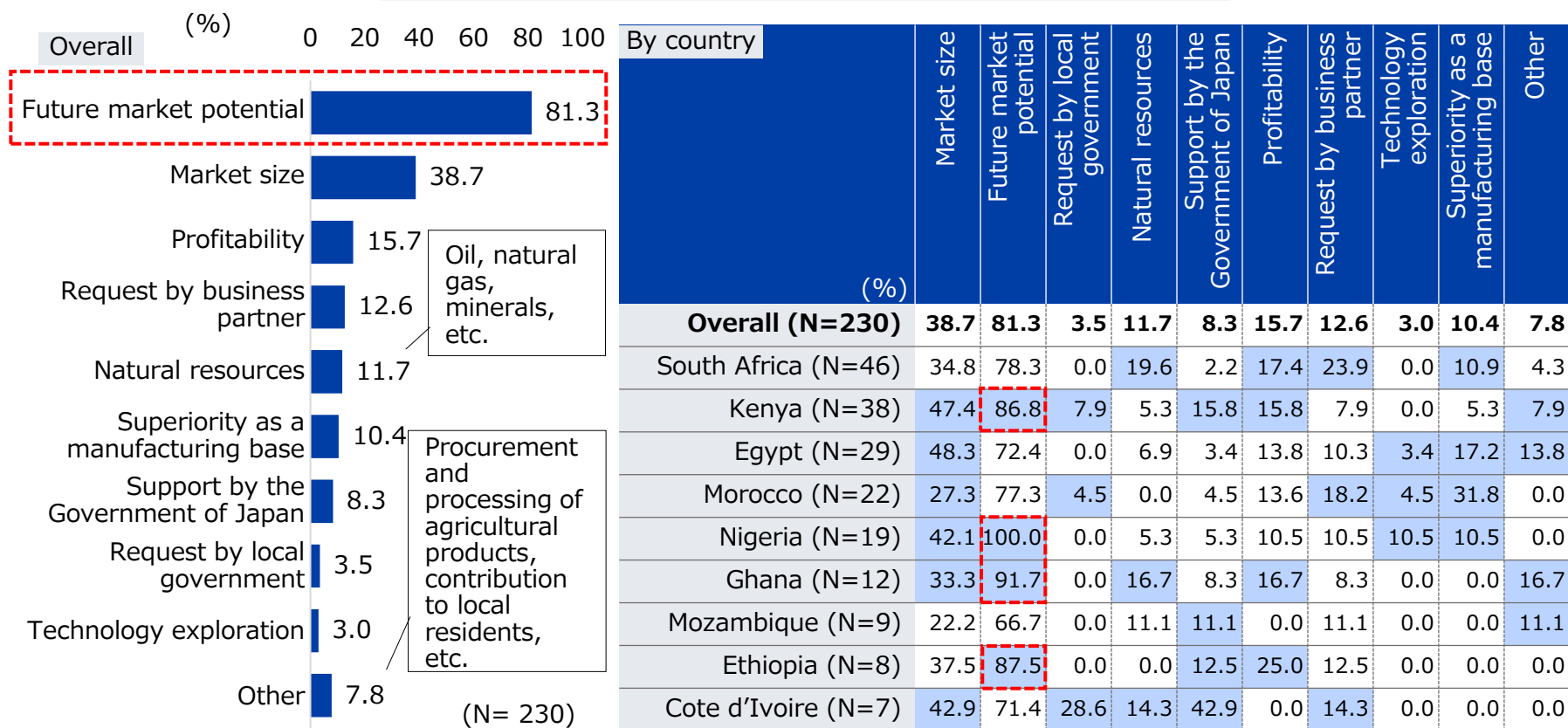
- Involvement in electric power infrastructure development through Japanese ODA is expected to decrease in the future / business will be difficult to continue if raw material and fuel costs continue to rise

III. Investment Environment in Africa

1 | Reasons for Maintaining Presence in Africa (Overall and by Country)

- The most common reason for setting up a base in Africa was “Future market potential” (more than 80%). Many companies expect a growth of the middle class due to economic growth and population growth.
- Especially in Nigeria (100%), Ghana (91.7%), Ethiopia (87.5%) and Kenya (86.8%), there are many companies that see the future potential of the market.

Reasons for Maintaining Presence in Africa (Multiple answers)

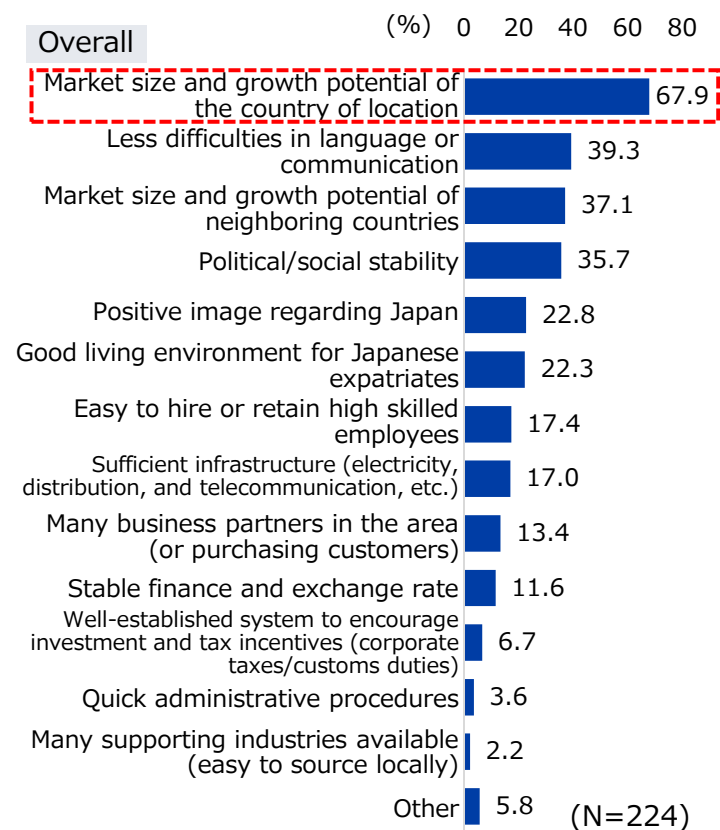


(Note) Figures highlighted in blue: exceeding the average for this factor.

2 | Attractiveness in Terms of Investment Environment (Overall and By Country)

- A little less than 70% of the companies cited “market size and growth potential” as the main attraction for investing in Africa. The percentage exceeded the average for Nigeria (94.7%), Egypt (82.1%), Ghana (75%), Kenya (73.7%) and Morocco (68.2%).
- A high percentage of the companies answered that the “market size and growth potential of neighboring countries” was attractive, in Morocco (50%), Ghana (50%), Kenya (47.4%), South Africa (44.4%), and Egypt (39.3%).

Attractiveness in Terms of Investment Environment of the Country of Location (Multiple Answers)



By country	Political/social stability	Market size and growth potential of the country of location	Market size and growth potential of neighboring countries	Sufficient infrastructure (electricity, distribution, and telecommunication, etc.)	Stable finance and exchange rate	Many supporting industries available (easy to source locally)	Many business partners in the area (or purchasing customers)	Easy to hire or retain high skilled employees	Well-established system to encourage investment and tax incentives (corporate taxes/customs duties)	Quick administrative procedures	Less difficulties in language or communication	Good living environment for Japanese expatriates	Positive image regarding Japan	Other
Overall (N=224)	35.7	67.9	37.1	17.0	11.6	2.2	13.4	17.4	6.7	3.6	39.3	22.3	22.8	5.8
South Africa (N=45)	2.2	60.0	44.4	4.4	8.9	4.4	24.4	6.7	6.7	0.0	46.7	24.4	15.6	11.1
Kenya (N=38)	36.8	73.7	47.4	31.6	13.2	0.0	13.2	28.9	2.6	0.0	73.7	34.2	26.3	0.0
Egypt (N=28)	35.7	82.1	39.3	10.7	3.6	0.0	21.4	10.7	3.6	3.6	17.9	10.7	25.0	3.6
Morocco (N=22)	77.3	68.2	50.0	36.4	31.8	4.5	13.6	31.8	27.3	13.6	4.5	9.1	27.3	0.0
Nigeria (N=19)	0.0	94.7	21.1	0.0	0.0	0.0	5.3	15.8	5.3	5.3	42.1	10.5	5.3	5.3
Ghana (N=12)	83.3	75.0	50.0	25.0	0.0	0.0	8.3	16.7	0.0	0.0	75.0	41.7	25.0	0.0
Mozambique (N=8)	25.0	62.5	12.5	0.0	0.0	12.5	25.0	0.0	0.0	0.0	12.5	12.5	12.5	0.0
Ethiopia (N=7)	0.0	57.1	14.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.3	0.0	28.6	28.6
Cote d'Ivoire (N=6)	66.7	50.0	33.3	33.3	16.7	0.0	0.0	16.7	16.7	16.7	16.7	33.3	0.0	0.0

(Note) Figures highlighted in blue: exceeding the average for this factor.

3 | Improvements in the Investment Environment (Overall and By Country)

- In terms of improvement in the investment environment, the percentage was the highest at 20.6% for “political and social situation”, and the percentage exceeded the average for Kenya, Egypt, Mozambique and Côte d’Ivoire.
- On the other hand, 55.1% of the companies answered that “there are issues, but nothing has been improved”, boasting the highest percentage.

Improvements in the Investment Environment in the Country (Multiple Answers)



By country	Political or social situation	Development and implementation of regulation or legislation	Hiring and workforce	Poor infrastructure	Financial affairs, financing or foreign exchange	Trade regulation	No issues to improve	There are issues, but nothing has been improved
Overall (N=214)	20.6	14.5	8.4	16.8	6.1	6.5	3.3	55.1
South Africa (N=42)	7.1	2.4	4.8	2.4	2.4	2.4	2.4	90.5
Kenya (N=33)	33.3	15.2	6.1	45.5	6.1	3.0	0.0	21.2
Egypt (N=25)	40.0	12.0	4.0	32.0	12.0	4.0	8.0	36.0
Morocco (N=21)	9.5	28.6	23.8	9.5	14.3	19.0	9.5	38.1
Nigeria (N=19)	5.3	10.5	15.8	5.3	5.3	21.1	0.0	73.7
Ghana (N=12)	8.3	25.0	8.3	8.3	8.3	8.3	0.0	75.0
Mozambique (N=8)	25.0	25.0	0.0	25.0	0.0	0.0	0.0	50.0
Ethiopia (N=8)	12.5	0.0	0.0	0.0	0.0	0.0	0.0	87.5
Cote d'Ivoire (N=7)	57.1	14.3	14.3	0.0	0.0	0.0	0.0	28.6

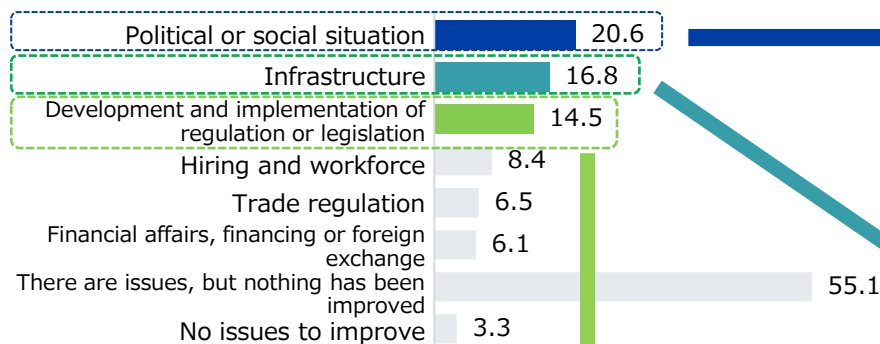
(Note) Figures highlighted in blue: exceeding the average for this factor.

4 | Improvements in the Investment Environment (by Item ①)

- By item, in terms of the improvements in “political or social situation”, “Political risk” topped the list (76.2%).
- In terms of “infrastructure”, improvement of “Roads” topped the list (approximately 70%), followed by improvement of “Electric power” (more than 50%).
- In terms of “Development and implementation of regulation or legislation,” improvement in “administrative procedures” topped the list (more than 60%).

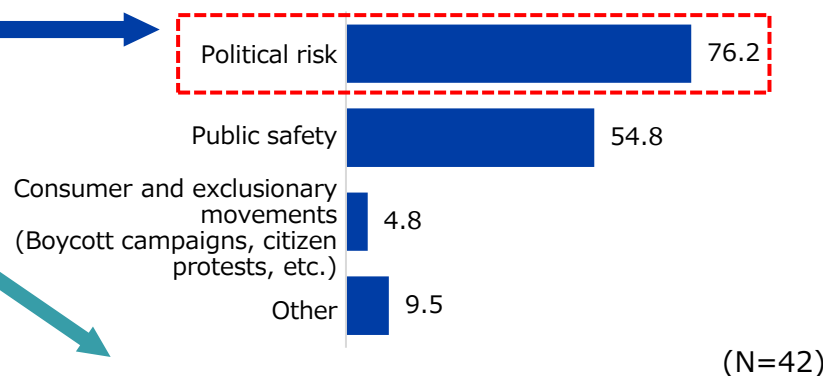
Improvements in the Investment Environment in the Country (Multiple Answers)

(%) 0 10 20 30 40 50 60



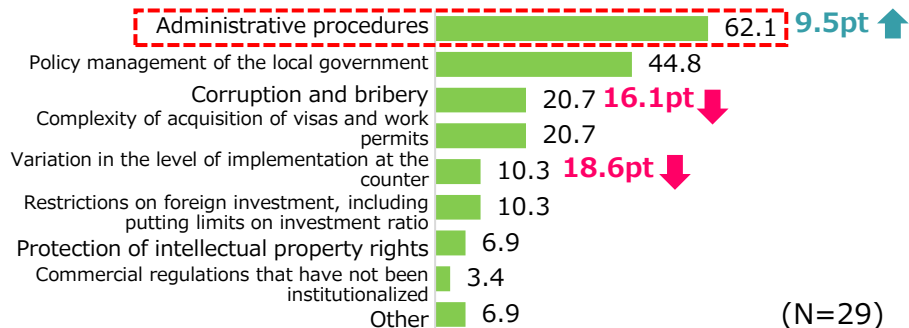
Political or Social Situation (Multiple Answers)

(%) 0 20 40 60 80 100



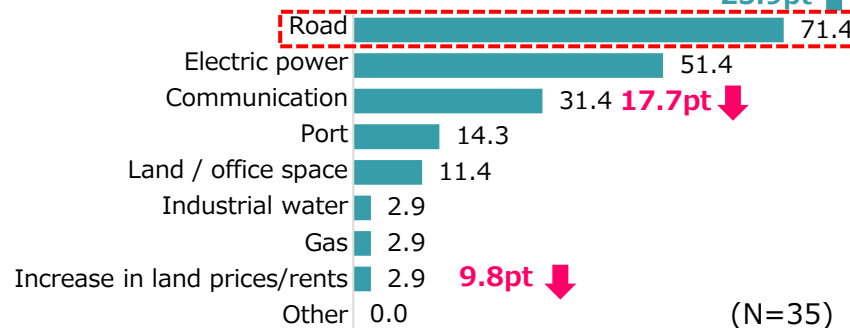
Development and Implementation of Regulation or Legislation (Multiple Answers)

(%) 0 50 100



Infrastructure (Multiple Answers)

(%) 0 20 40 60 80



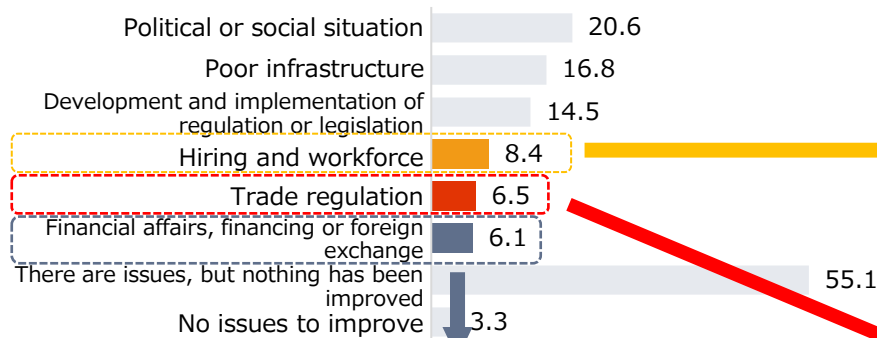
Year-over-year comparison: ↑ Increase ↓ Decrease

5 | Improvements in the Investment Environment (by Item ②)

- In terms of "Hiring and workforce," improvement was seen in "Securing human resources," and significant improvement was seen in "Labor disputes and litigation," which had ranked at the bottom last year, up 22.8 points to 35.3%.
- In terms of "Trade regulation," the percentage for "Time required for customs clearance," which had ranked third last year, increased by 37.1 points to 53.8%.
- In terms of "Financial affairs, financing or foreign exchange", "Cash collection risk", which had ranked at the bottom last year, topped the list, up 37.1 points to 54.5%.

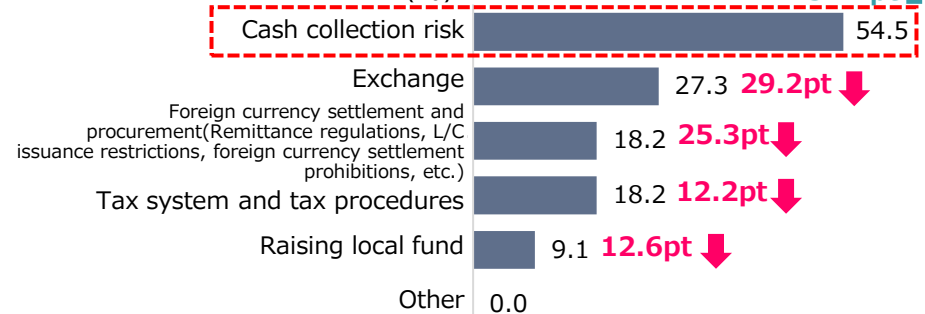
Improvements in the Investment Environment in the Country (Multiple Answers)

(%) 0 10 20 30 40 50 60



Financial Affairs, Financing or Foreign Exchange (Multiple Answers)

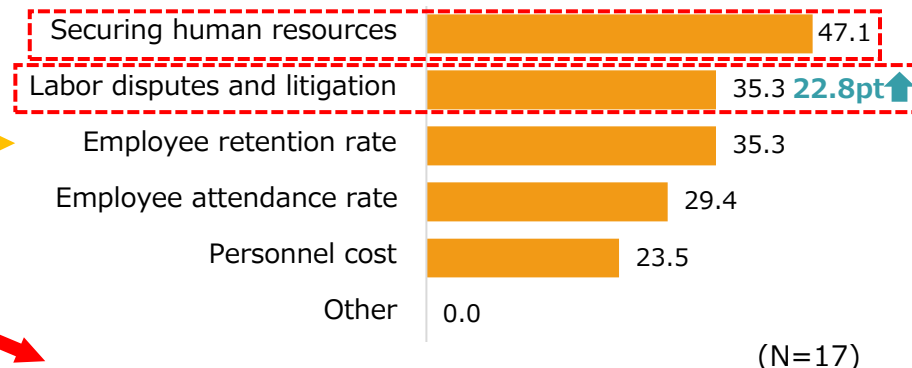
(%)



Year-over-year comparison: ↑ Increase ↓ Decrease (N=11)

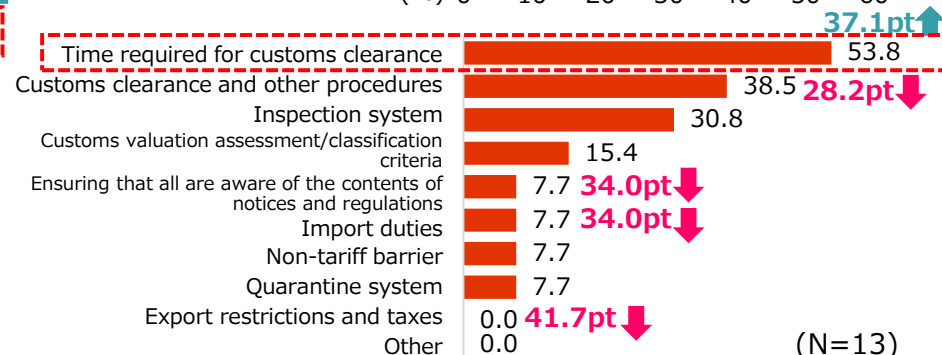
Hiring and Workforce (Multiple Answers)

(%) 0 10 20 30 40 50



Trade Regulation (Multiple Answers)

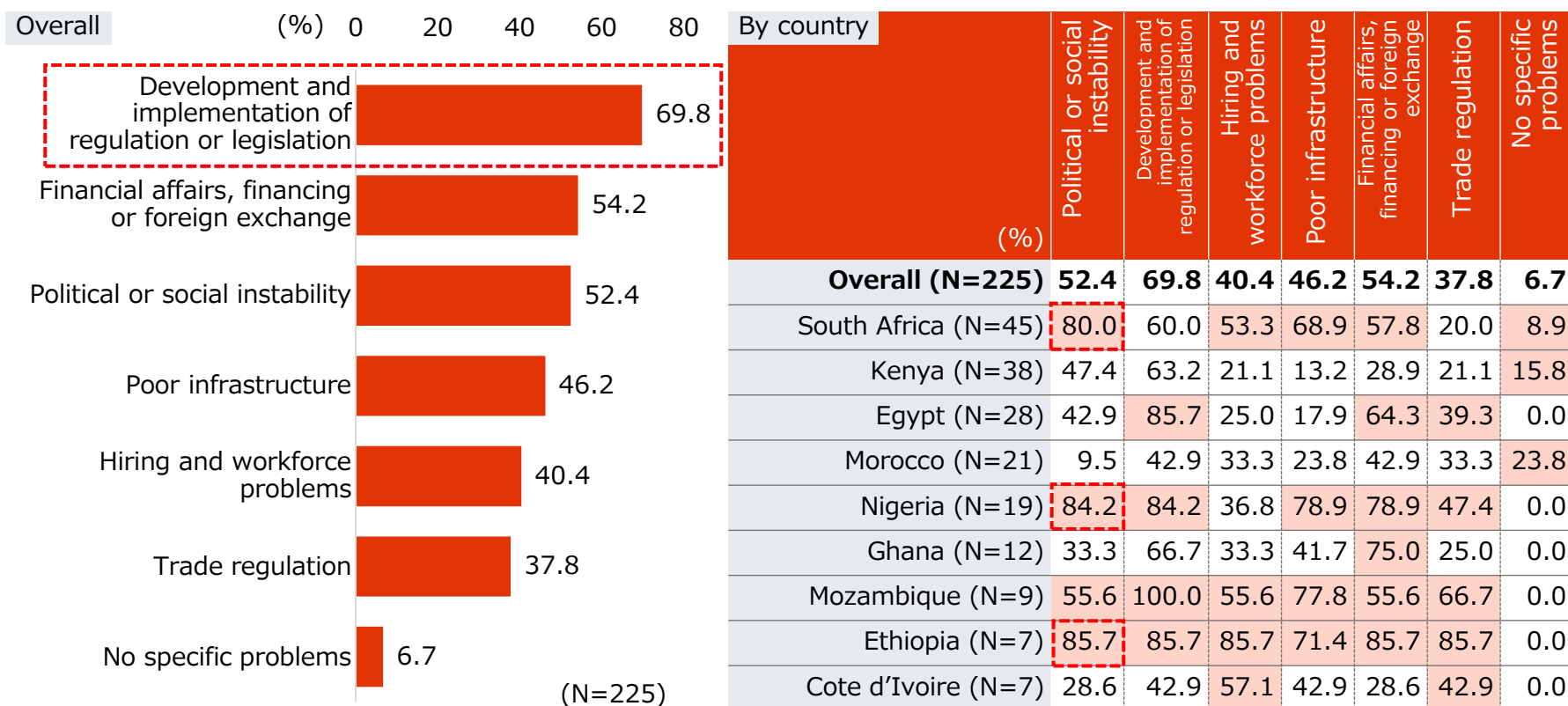
(%) 0 10 20 30 40 50 60



6 | Challenges of the Investment Environment (Overall and By Country)

- Approximately 70% of the companies answered that the “development and implementation of regulation or legislation” was a risk for investment in Africa, and the percentage exceeded the average for Egypt, Nigeria, Mozambique, and Ethiopia.
- For “Political or social instability”, the percentage exceeded 80% for South Africa, Nigeria and Ethiopia.

Challenges of the Investment Environment in the Country (Multiple Answers)



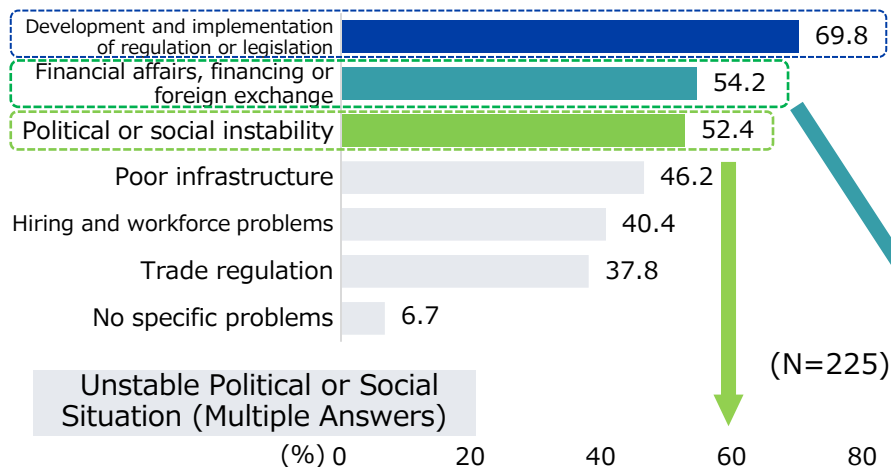
(Note) Figures highlighted in red: exceeding the average for this factor.

7 Challenges of the Investment Environment (by Item ①)

- By item, of “Development and implementation of regulation or legislation”, “Complicated administrative procedures” accounted for the largest share of 74%.
- For “Financial affairs, financing or foreign exchange,” “Unstable exchange rate” was the highest at approximately 70%.
- For “Political or social instability”, the percentage exceeded 70% for “Public safety” and “Political risk”.

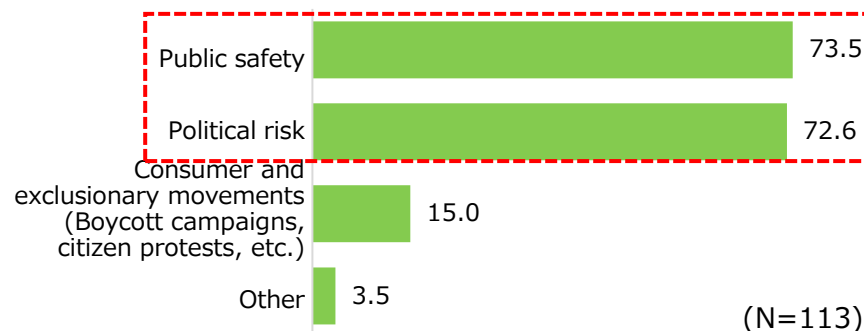
Challenges of the Investment Environment in the Country (Multiple Answers)

(%) 0 20 40 60 80



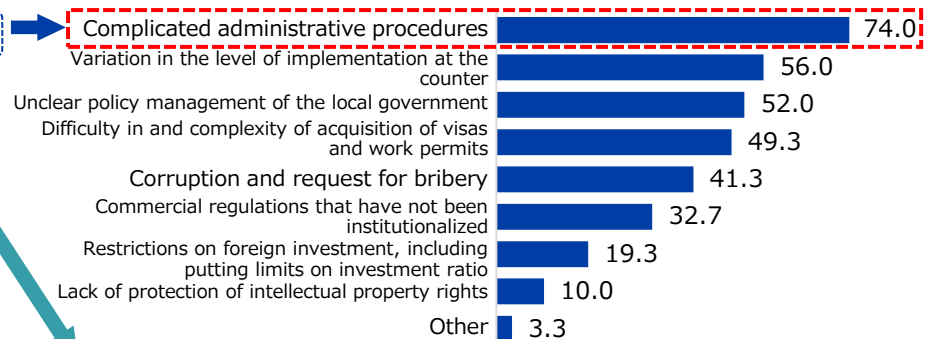
Unstable Political or Social Situation (Multiple Answers)

(%) 0 20 40 60 80



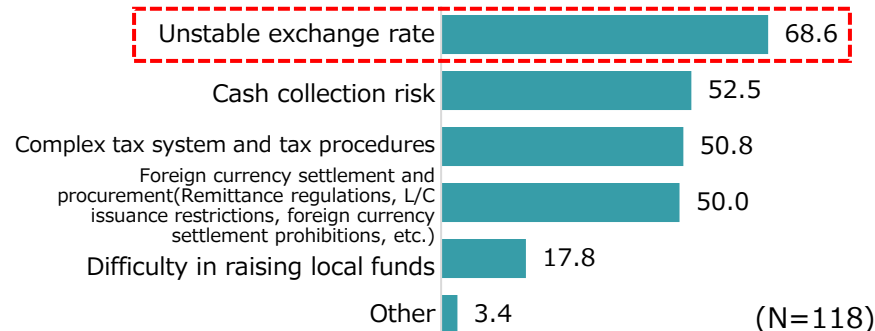
Development and Implementation of Regulation or Legislation (Multiple Answers)

(%) 0 20 40 60 80



Financial Affairs, Financing or Foreign Exchange (Multiple Answers)

(%) 0 20 40 60 80

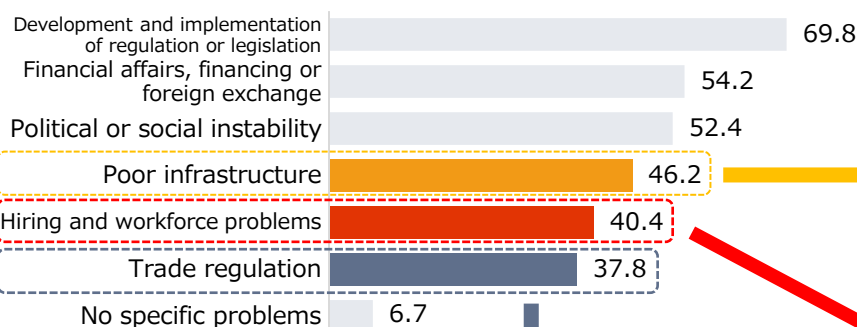


8 | Challenges of the Investment Environment (by Item ②)

- For “Poor infrastructure”, the shortage of “Electric power” exceeded 80% . For “Hiring and workforce problems”, “Securing human resources” was at the highest at 62.4%.
- For “Trade regulation,” “Time required for customs clearance” was 75.6%, followed by “Complicated customs clearance and other procedures” (a little less than 70%).

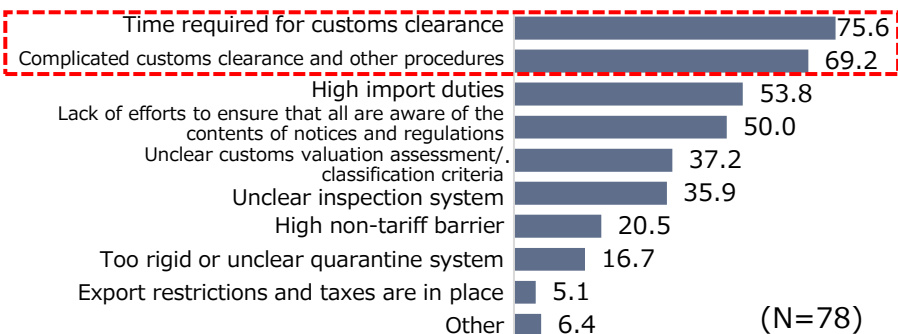
Challenges of the Investment Environment in the Country (Multiple Answers)

(%) 0 20 40 60 80



Trade Regulation (Multiple Answers)

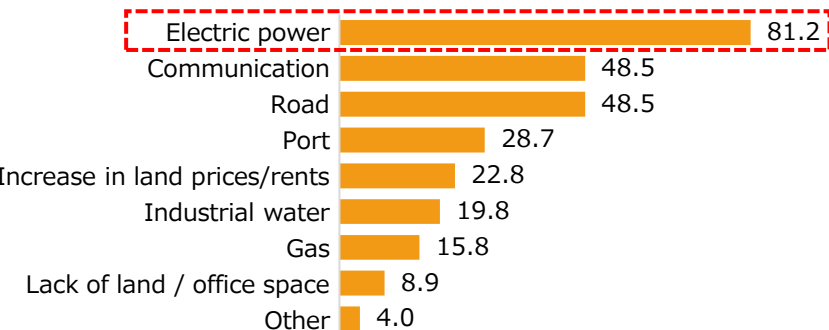
(%) 0 20 40 60 80



(N=78)

Poor Infrastructure (Multiple Answers)

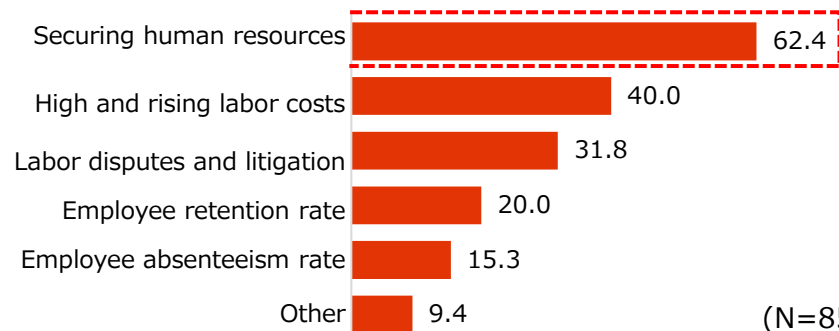
(%) 0 20 40 60 80 100



(N=101)

Hiring and Workforce Problems (Multiple Answers)

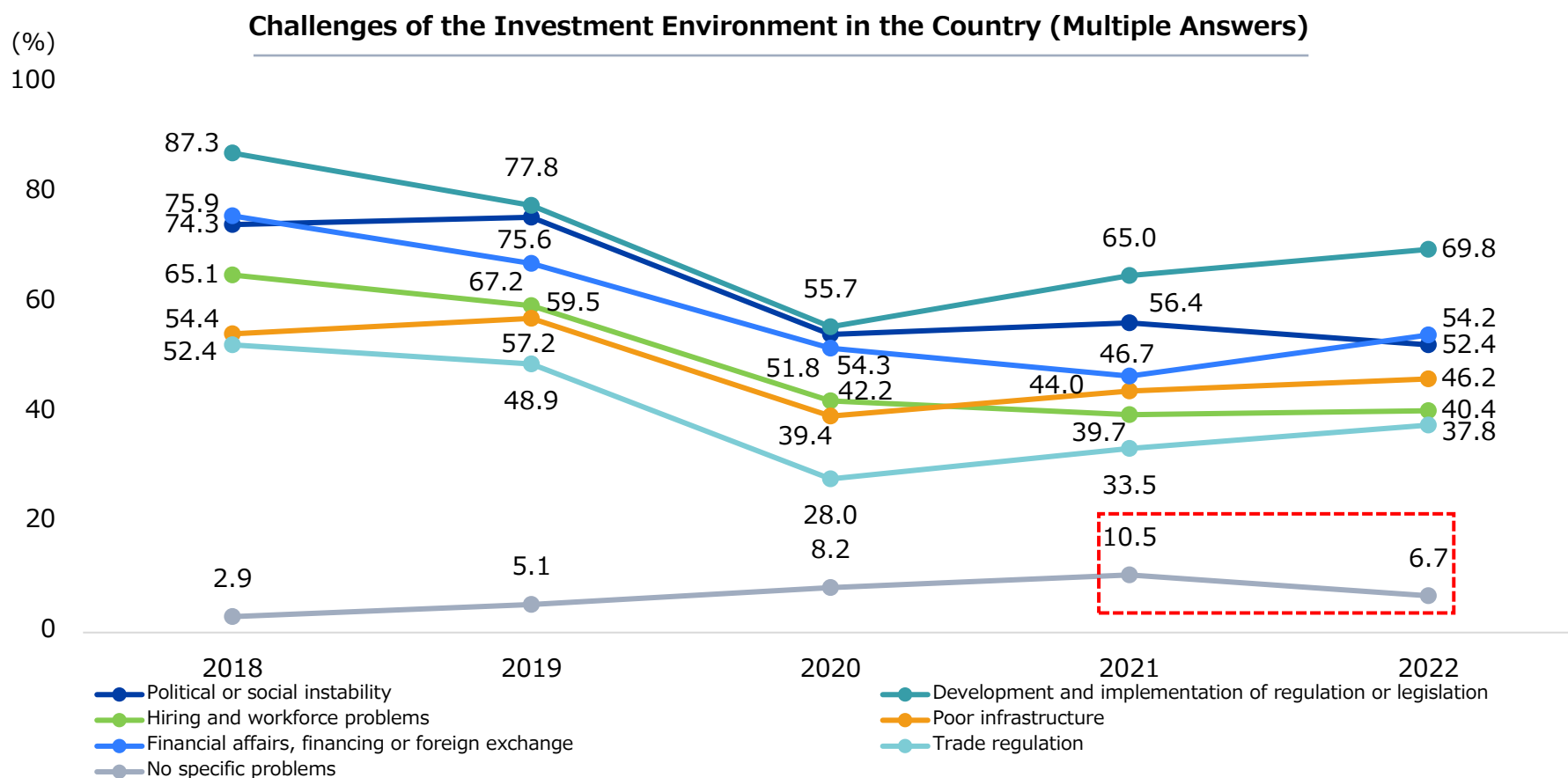
(%) 0 20 40 60 80



(N=85)

9 | Challenges of the Investment Environment (Trends by Item)

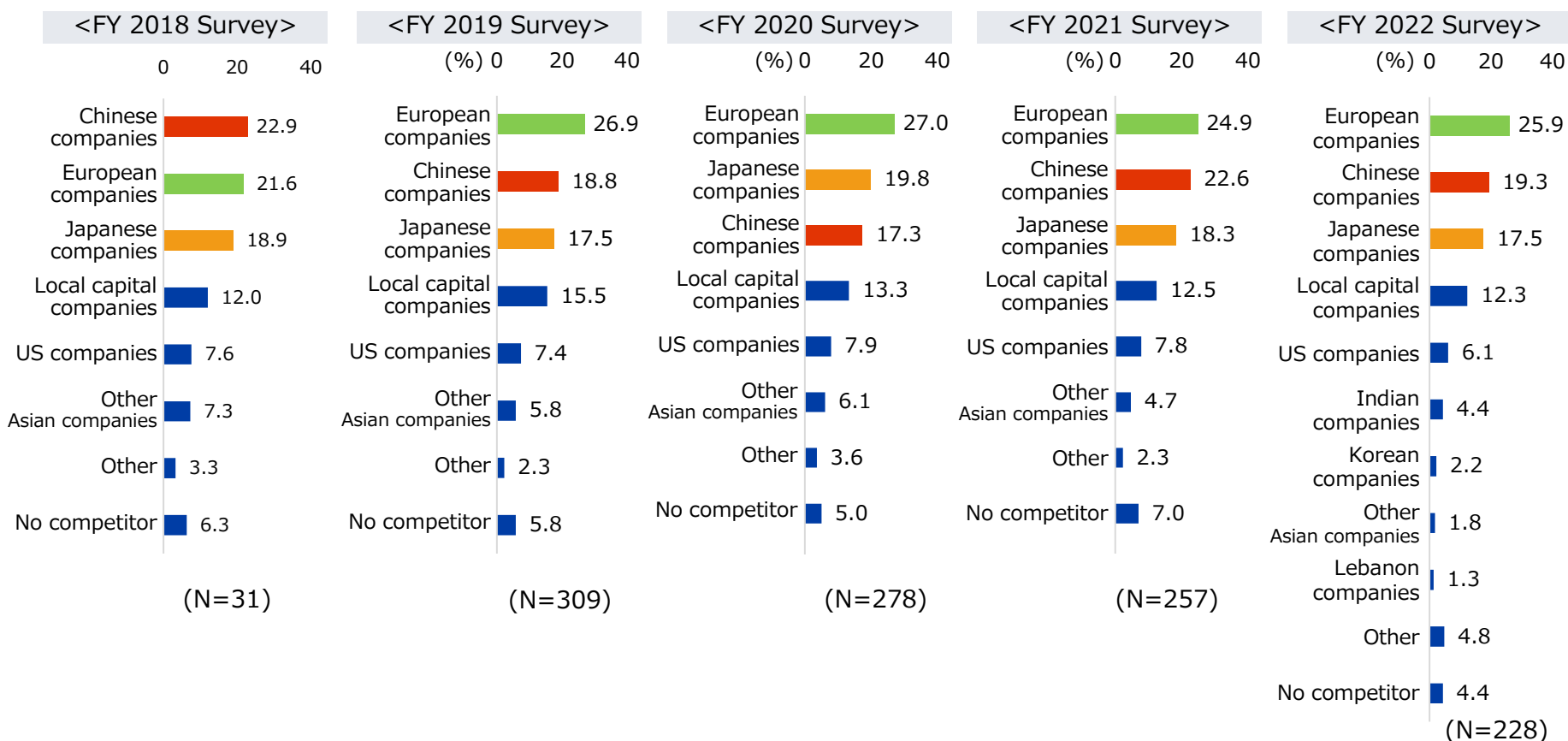
- While “Hiring and workforce problems” continued to improve, issues related to “Financial affairs, financing or foreign exchange” turned to increase.
- Issues related to “Development and implementation of regulation or legislation” increased to approximately 70%, and continued to be the most frequently cited risk.
- The percentage of the companies which answered that they have “no specific problems” decreased. An increasing number of companies believe that they are facing some kind of risk.



10 | Competition with Third-Country Companies

- For the four consecutive years since 2019, European companies have been ranked at the top as competitors, and their percentage has also increased compared to last year.
- Chinese companies, which had ranked at the top in 2018, came in second place as in the previous year, followed by Japanese companies in third place.

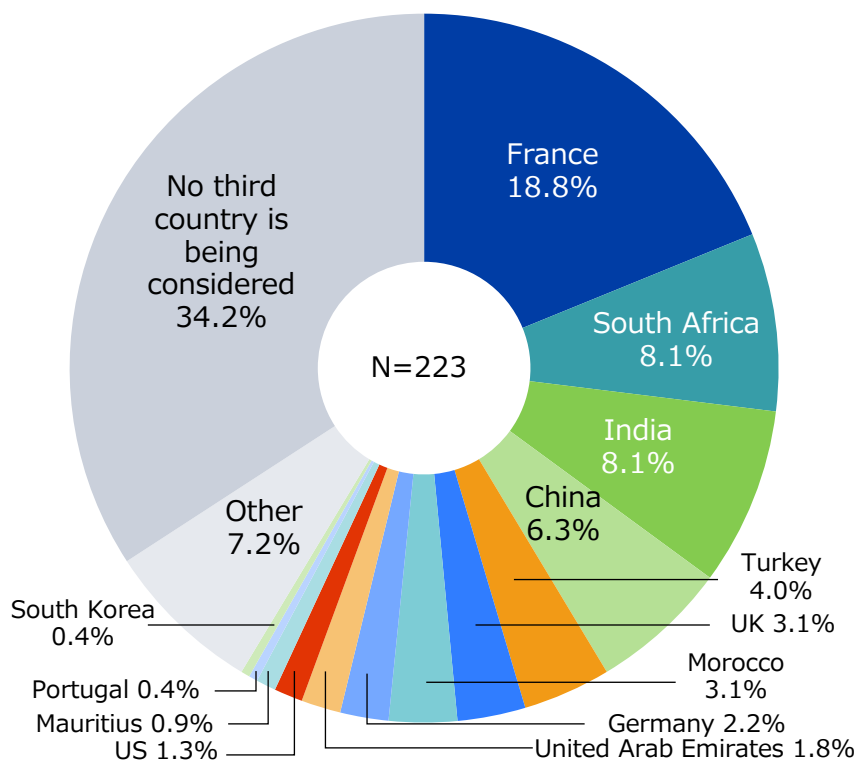
Trends in Percentage of Companies with the Most Competitive Relationship



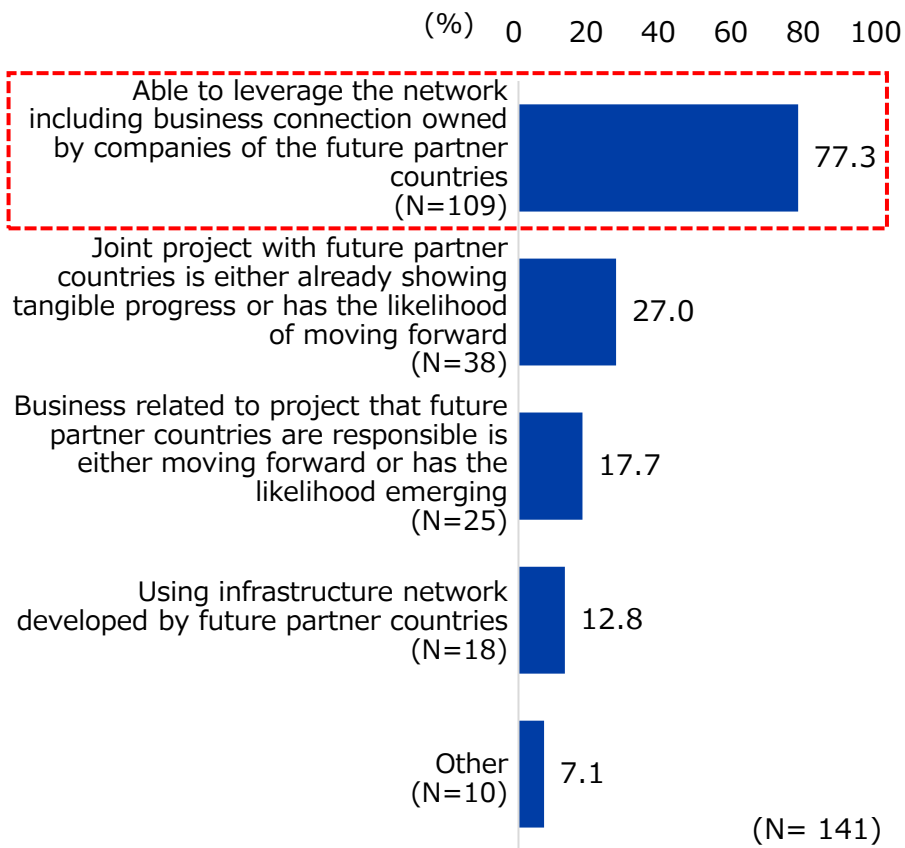
11 | Collaboration with Third-Country Companies

- As in the previous year, France, South Africa, and India continued to top the list of third-country companies that can be potential partners. As for Chinese companies, the percentage of the companies regarded as competitors decreased from the previous year, while the percentage of those regarded as partners also decreased.
- In terms of opportunities and advantages, a little less than 80% (the highest percentage) of the companies answered 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)



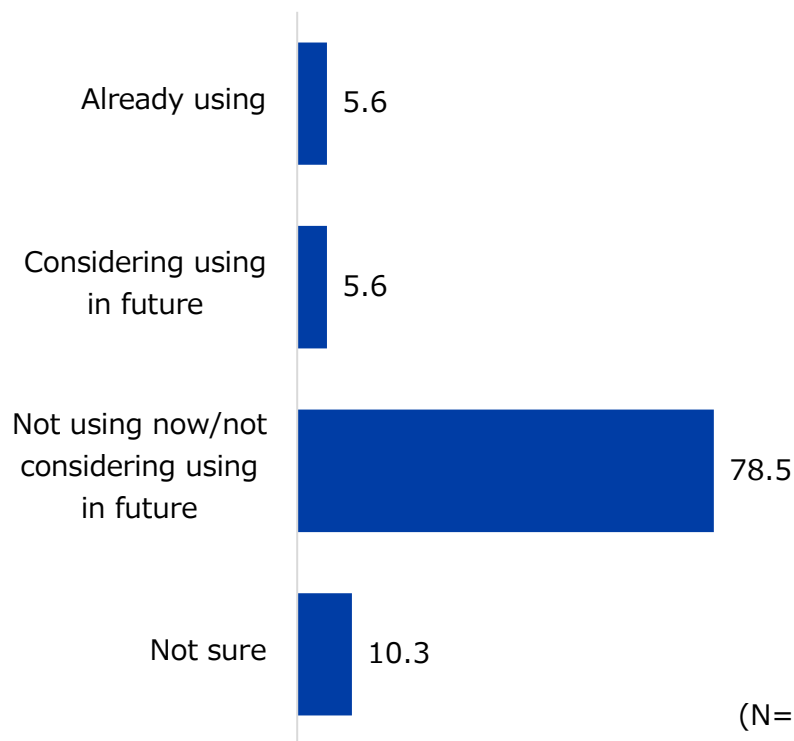
12 | Usage of FTA & Customs Union (Overall)

- The percentage of the companies using FTAs and customs unions inside and outside Africa has tripled since 2007.
- The percentage of the companies that are “considering to use in future” has also increased significantly, exceeding 20%.
- Problems in using them include “complicated procedures” and “non-transparency of regulations, etc.”

Current Usage of FTAs, EPAs, and Customs Unions (Multiple Answers)

<Reference: FY 2007 Survey>

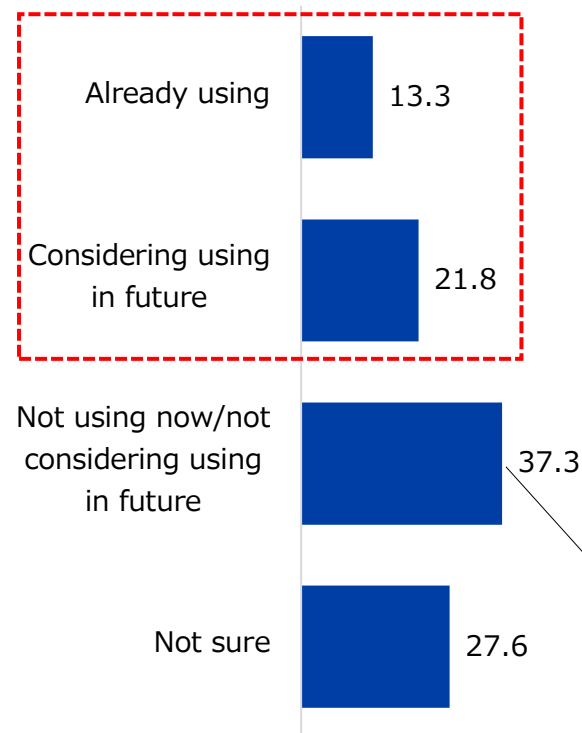
(%) 0 20 40 60 80 100



(N=107)

<FY 2022 Survey>

(%) 0 20 40 60 80 100



Lack of opportunities for utilization due to limited domestic transactions only in the host country, lack of understanding, etc.

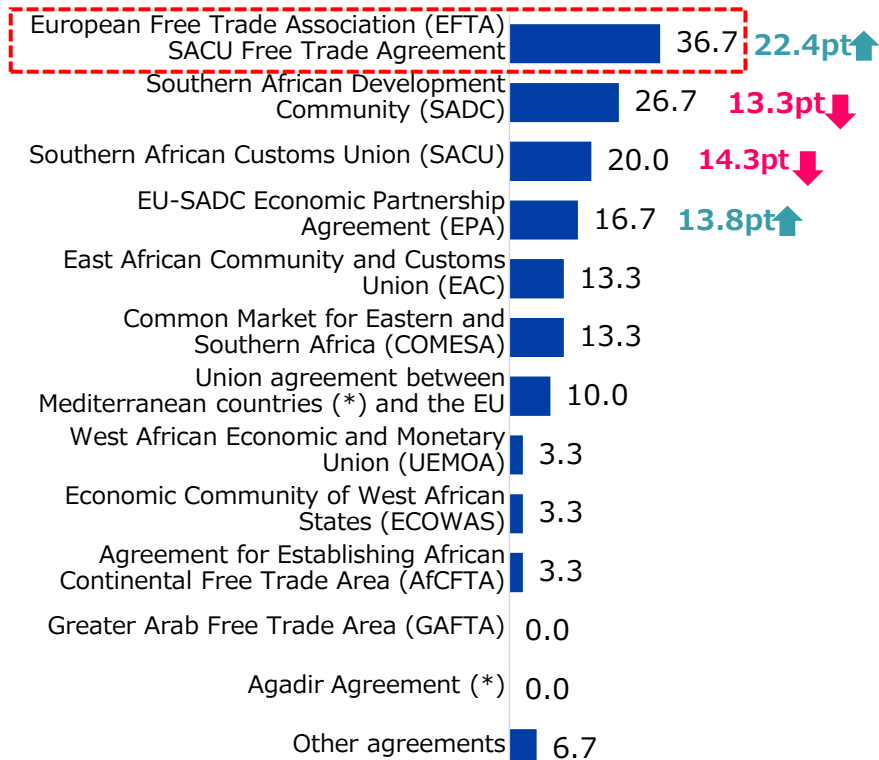
(N=225)

13 | Usage of FTA & Customs Union (by Agreement/Union)

- Among the customs unions currently in use, the EFTA/SACU Free Trade Agreement has the highest usage rate (36.7%).
- More than 60% of the companies are considering using AfCFTA. In addition to the expansion of business opportunities, there are many voices that expect the elimination or reduction of customs and the simplification of customs procedures.

FTAs, EPAs, and Customs Unions Currently Used (Multiple Answers)

(%) 0 20 40 60



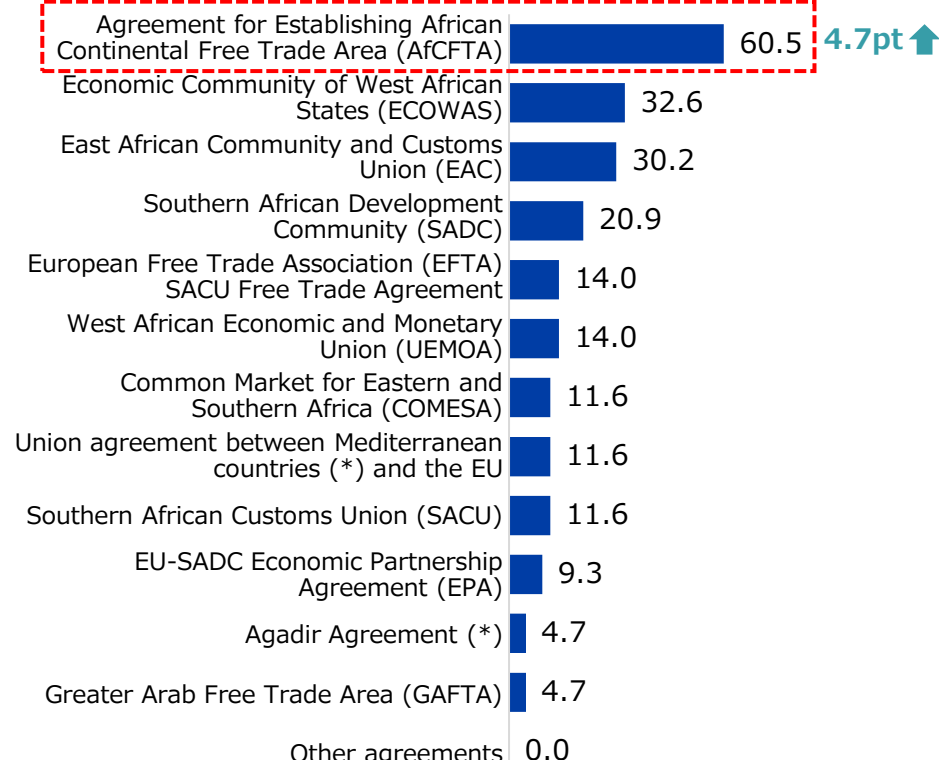
(N=30)

* Egypt, Tunisia, Algeria, Morocco, etc.

Year-over-year comparison: ↑ Increase ↓ Decrease

FTAs, EPAs, and Customs Unions You Are Considering Using (Multiple Answers)

(%) 0 20 40 60 80



* Egypt, Tunisia, Algeria, Morocco, etc.

(N=43)

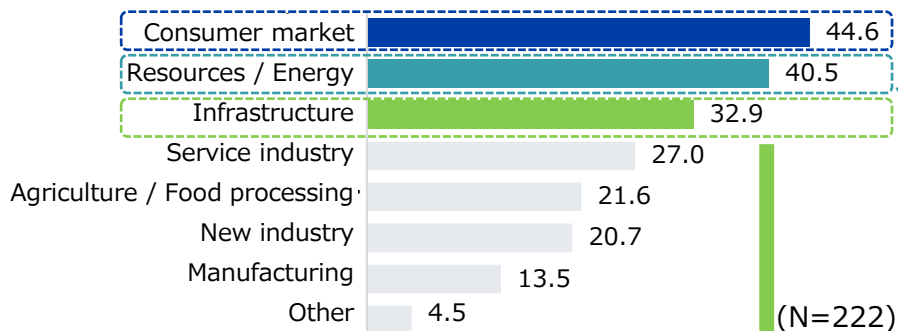
IV. Business Areas with Future Promise and Future Investment Destinations

1 | Business Areas with Future Promise (by Category ①)

- “Consumer market” topped the list of promising business areas in the future against the backdrop of population growth. Among them, “Food” accounted for a little less than 60%, and “Transport equipment” accounted for more than half.
- “Resources / Energy” surpassed “Infrastructure” to move up to second place. In particular, the potential of solar power business is attracting attention, accounting for more than half in the result.

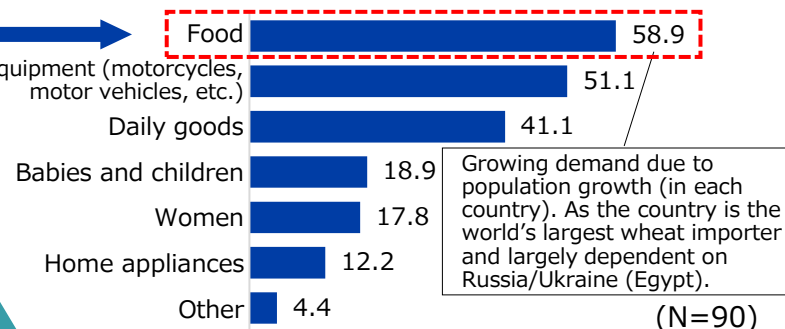
Promising Business Field in the Future (Multiple Answers)

(%) 0 10 20 30 40 50



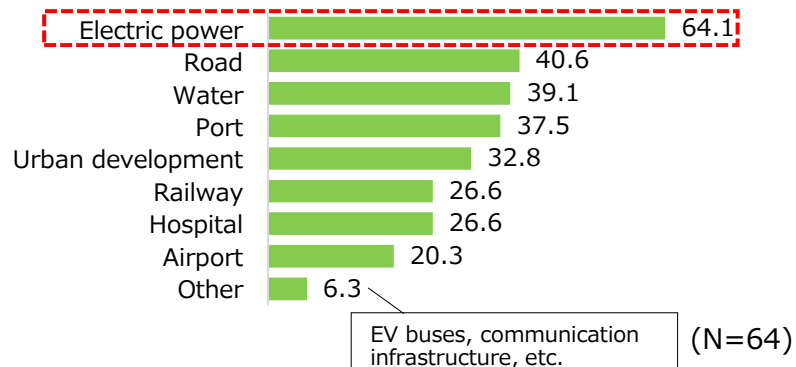
Consumer Market (Multiple Answers)

(%) 0 20 40 60 80



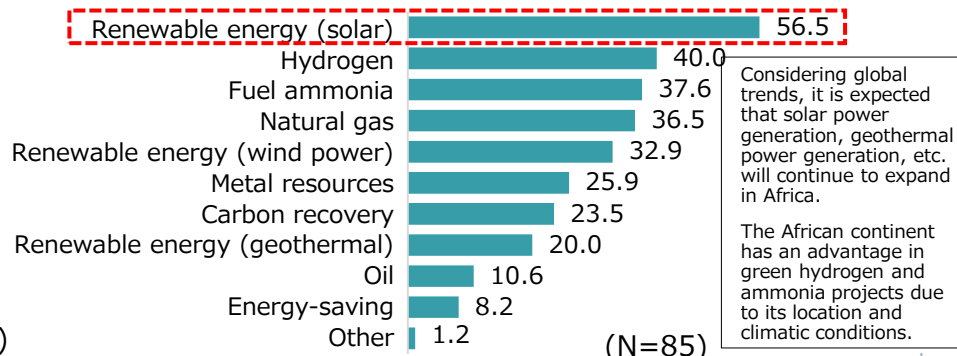
Infrastructure (Multiple Answers)

(%) 0 20 40 60 80



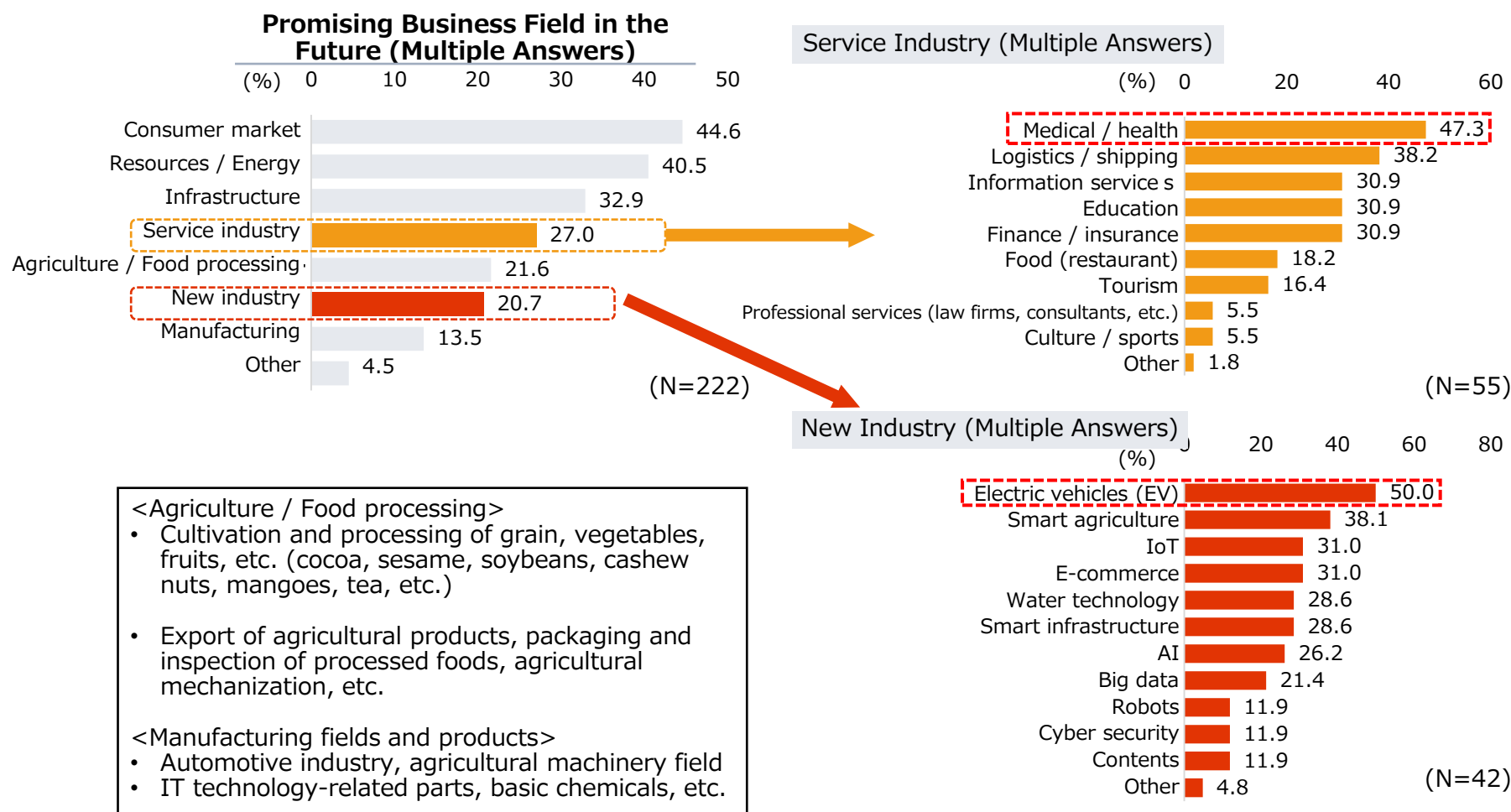
Resources / Energy (Multiple Answers)

(%) 0 20 40 60 80



2 | Business Areas with Future Promise (by Category ②)

- In the service industry, “Medical / health” maintains the top position. The importance of medical equipment is expected to increase due to factors such as population growth and improvement in average life expectancy.
- Among new industries, “EV,” which had ranked 8th last year, rose to the top.



3 | Focus: Japanese Food

- Approximately 90% of Japan's food exports to Africa are mackerel and other fish.
- In Africa, along with economic growth and rising income levels, there appears a strong desire to consume, and while lifestyles, including eating habits, are changing, awareness of Japanese food is also gradually increasing.

Trends in the Volume of Japan's Exports of Food to Africa by Item (\$1,000)

Product name	2017	2018	2019	2020	2021
Fish, crustaceans, etc.	149,242	170,841	115,123	93,916	114,612
Grain	9,270	10,642	11,463	8,983	8,174
Preparations of meat, fish, crustaceans, etc.	3,291	4,718	5,300	6,271	5,785
Various prepared foods	1,438	1,846	2,032	1,778	2,555
Beverages, alcohol and vinegar	229	945	1,406	697	965
Coffee, tea, mate and spices	148	378	607	192	656
Preparations of grain, flour, starch, etc.	187	237	295	234	287
Animal or vegetable oil, etc.	413	95	103	131	114
Flour, processed grain, malt, etc.		9	9	3	84
Edible vegetables, roots and tubers	95	87	73	75	45
Preparations of vegetables, fruits, nuts, etc.	68	57	74	27	44

(Source) Prepared by JETRO based on Global Trade Atlas



Japanese food section for sale in a Nigerian supermarket (photographed by JETRO)



Sushi served at a Japanese restaurant in Nigeria (photographed by JETRO)



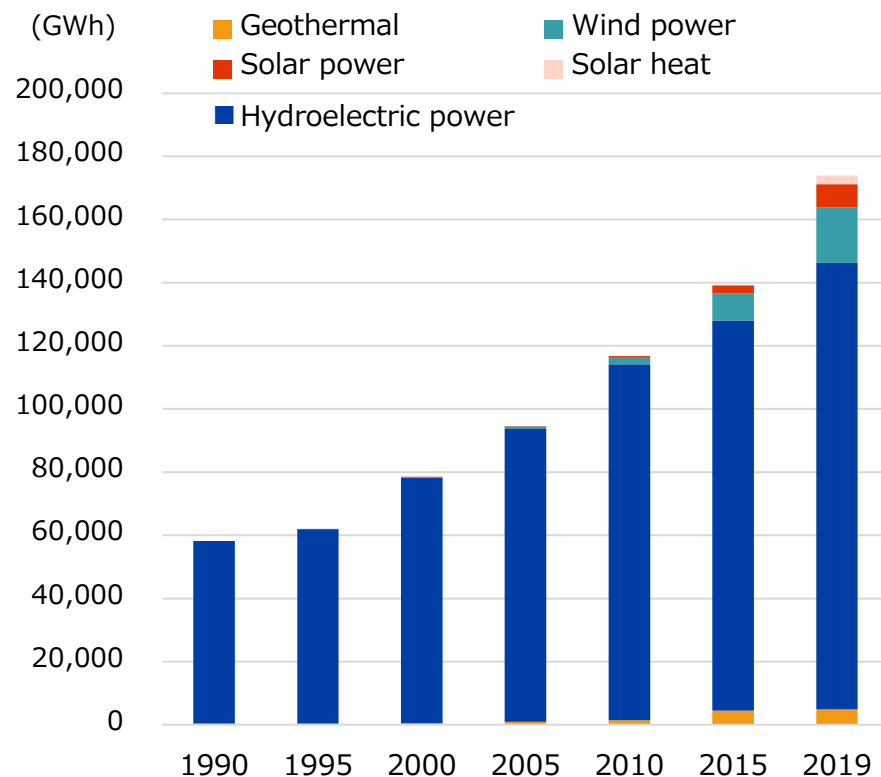
Ramen served at a Japanese restaurant in Kenya (from the JETRO research report "Food and Beverage Market Survey in Africa (Kenya)")

Reference article: [Possibility of Japanese Food Business in Africa](#)
Food and Beverage Market Survey in Africa ([Morocco](#) / [Kenya](#))

4 | Focus: Green Energy

- Africa is blessed with geographical conditions such as land and climate, including solar power and wind power, and has great potential in fields such as green hydrogen production. The amount of power generated by renewable energy is increasing year by year.
- The 27th Conference of the Parties of the United Nations Framework Convention on Climate Change (COP27) was held in Egypt in November 2022, and specific action guidelines for climate change were presented.

Trends in the Amount of Power Generated by Renewable Energy in Africa



(Source) International Energy Agency (IEA)



COP27 venue (photographed by JETRO)



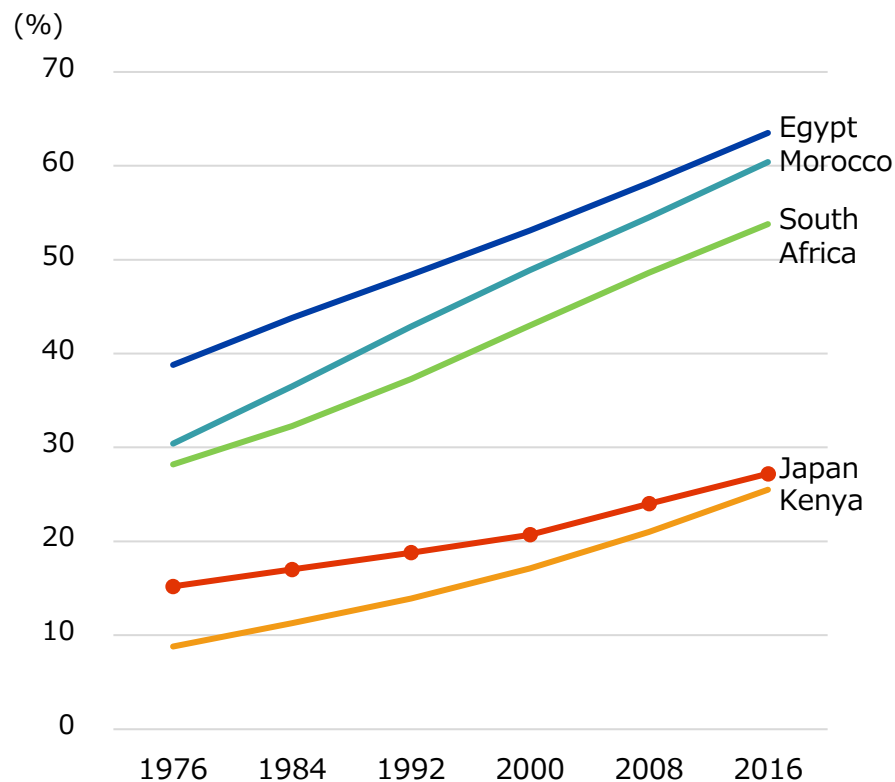
Photovoltaic complex in Morocco (Courtesy of MASEN)

Reference article: [Green Businesses in the Middle East and Africa Attracting Attention Toward COP27](#)
[Green Energy Business Opportunities in Africa](#)

5 | Focus: Medical / Health

- In Africa, lifestyles are changing against the backdrop of economic growth, and modern diseases such as diabetes are rapidly increasing. In Egypt, Morocco, and South Africa, the population with a BMI (Body Mass Index) of over 25, which is the standard for obesity, is rapidly increasing.
- As the middle class and high-income class increase due to an increase in the working-age population and economic growth, it is expected that advanced medical services will be required in Africa as well.

Trends in the Percentage of Population with BMI over 25



(Source) World Health Organization (WHO)

Trends in the Volume of Japan's Exports of Medical Products to Africa by Item (\$1,000)

Item	2017	2018	2019	2020	2021
Medical or veterinary equipment	33,112	33,915	33,400	31,866	35,517
Equipment for measurement or inspection, etc.	4,938	4,490	12,333	10,084	5,094
Scanning ultrasound diagnostic equipment	4,196	7,383	6,559	6,705	5,061
Other equipment (for ophthalmology)	4,839	5,261	5,577	2,786	3,519
Magnetic resonance imaging systems	4,510	3,206	3,334	3,452	1,656
Metal tube needles and suture needles	1,169	854	498	955	1,088
Dental engines	41	9	90	486	725
Electrocardiographs	105	109	52	221	435
Absorbent cotton, gauze, bandages, etc.	365	559	486	588	392
Devices that use ultraviolet or infrared rays	3		16		20
Syringes	103	6	36	7	10

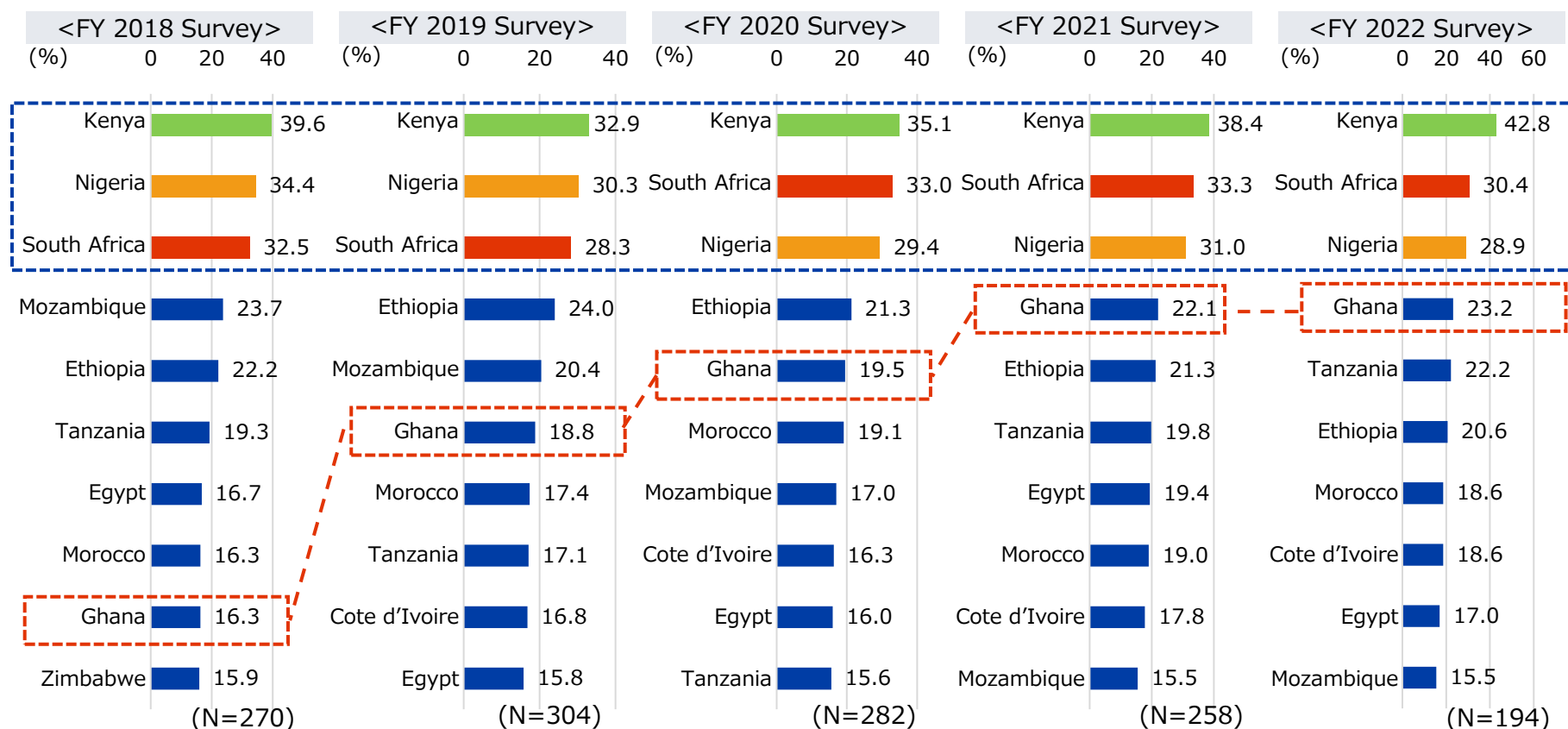
Reference article: [Possibility of Medical Equipment Business in Africa](#)

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6 | Future Investment Destinations

- Among countries of interest, the top three countries (Kenya, South Africa and Nigeria) have not changed. Kenya, which ranks at the top, is attracting attention for the rise of startups and the expansion of demand for infrastructure.
- Ghana, which has been steadily rising in recent years, remains in 4th place in the ranking, but its percentage has risen to 23.2%. There is also a view that Ghana is attracting attention as a base in West Africa due to political stability, economic expansion, and low language barriers.

Top 10 Future Investment Destinations (Multiple Answers)



7 | Future Investment Destinations Comments towards Investment Destinations Ranked 1 – 10 (Multiple Answers)

Country	Share (%)	Reason (Company Comments)	N=194
1 Kenya	42.8	Emerging startup companies and potential for collaboration, expanding demand for infrastructure, the hub function of East Africa, stable politics and economy, governmental encouragement of export industry, Japan's ODA and investment projects, construction demand, the growth of the automobile industry, market size and future potential growth, infrastructure-related businesses, decarbonization / renewable energy / green businesses	
2 South Africa	30.4	Economic / manufacturing / export hub in Africa, automotive industry and market growth, mineral resource export opportunities, green ammonia and hydrogen, decarbonization / green businesses	
3 Nigeria	28.9	Population, market size, youth market size, resources and energy, increased purchasing power due to economic development, agriculture, agricultural machinery, consumables market, service industry, automobile parts, medical equipment	
4 Ghana	23.2	Relatively stable political situation, expansion of economic scale, energy development, automobile industry, cocoa product trading, candidate site for a West African base, governmental encouragement of export business, automobile parts, medical equipment, potential as a horizontal development destination for the same business, language (English), food, oil and gas	
5 Tanzania	22.2	Resources and energy, infrastructure-related businesses, good conservation of tourism resources (nature), population, market potential, natural gas, mineral resources, power generation, power transmission and distribution, agriculture, horizontal expansion destination for the same business	
6 Ethiopia	20.6	Economic development, geothermal power generation, agriculture, agricultural machinery, ups and downs of the garment market, infrastructure-related business, green business, construction demand, huge consumption market, power generation, power transmission and distribution, textiles, telecommunications business	
7 Cote d'Ivoire	18.6	Resources and energy, expectations as a hub for West Africa and French-speaking countries, agriculture, agricultural machinery, political and economic stability, domestic demand, consumables market, power generation, power transmission and distribution, food, continuation of Japan's ODA	
7 Morocco	18.6	Stability of the political and business environment, increased demand for infrastructure development (ports and social infrastructure), renewable energy / green businesses, expansion of food business opportunities, tourism industry, agricultural machinery, manufacturing industry, seawater desalination	
9 Egypt	17.0	Population growth, market size, further construction and maintenance of electric power infrastructure, renewable energy, product procurement from affiliated companies	
10 Mozambique	15.5	Natural gas development, resources and energy, further construction and maintenance of electric power infrastructure, continuation of Japan's ODA, economic growth, afforestation resources	

8

Future Investment Destinations

Comments towards Investment Destinations Ranked 11 and below
(Multiple Answers)

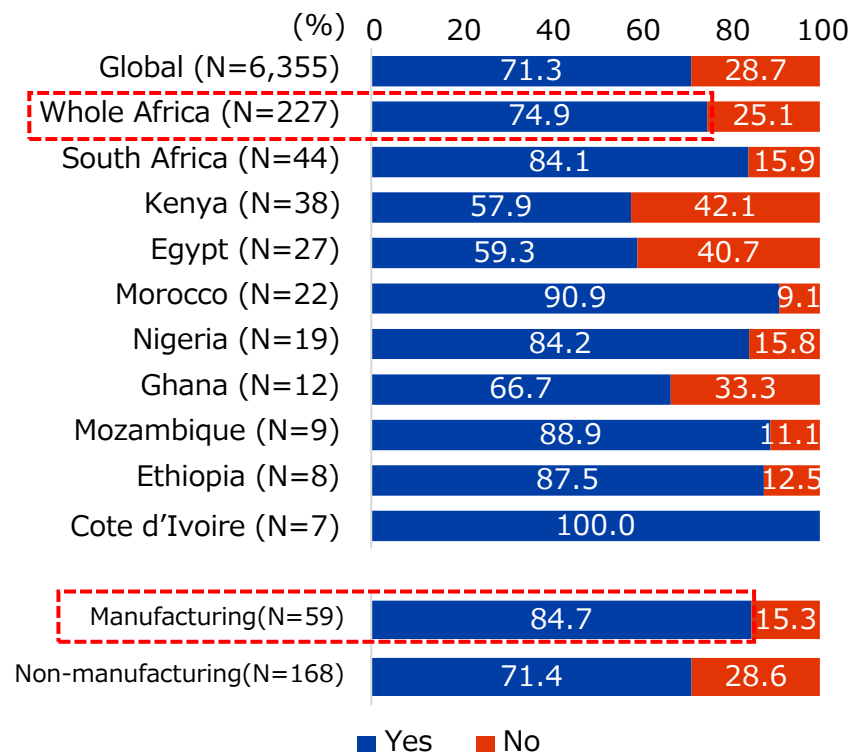
Country	Share (%)	Reason (Company Comments)	N=194
11 Uganda	13.4	Market growth potential, Japan's ODA projects, infrastructure-related businesses, increased purchasing power due to economic development, horizontal expansion destination for the same business, power generation, power transmission and distribution, textiles, petroleum	
12 Algeria	10.8	Natural resource development, increased demand for steel products due to increased natural gas exports to Europe, youth market size	
12 DR Congo	10.8	Population, market size, metal resources, copper and cobalt smelting plants, domestic demand, emission credits	
14 Zambia	9.3	Infrastructure-related businesses, automotive parts, medical equipment, metal resources, power generation, power transmission and distribution, copper smelting plants, sales expansion	
15 Madagascar	8.2	Expansion and continuation of Japan's ODA projects, procurement of cocoa beans, relatively stable public safety, agricultural machinery, automobile parts, medical equipment, mineral resources	
16 Angola	7.7	Resources and energy, market growth potential, agricultural machinery, automobile parts, medical equipment	
16 Rwanda	7.7	Infrastructure-related businesses, investment environment, IoT, food, machinery	
18 Cameroon	6.2	Population, market potential, domestic demand, potential as a horizontal expansion destination for the same business, access from Nigeria, procurement of cocoa beans	
18 Zimbabwe	6.2	Market growth potential, metal resources, demand for analyzers in pharmaceutical companies	
20 Mauritius	4.1	Low corporate tax rate, decarbonization, expansion of demand for tourist destinations after the COVID-19 crisis	

V. Reference

1 | Dealing with Decarbonization (1)

- 74.9% of the companies recognize decarbonization (reduction of greenhouse gas emissions) as a management issue. This is higher than the world average (71.3%). This trend is more pronounced in the manufacturing industry (more than 80%) than in the non-manufacturing industry (71.4%).
- More than half (54.5%) of the companies are working on decarbonization. More than 80% of the companies have a policy to work on decarbonization, including those planning to do so (26.5%). Especially in the manufacturing industry, a little less than 90% of the companies are moving toward decarbonization.

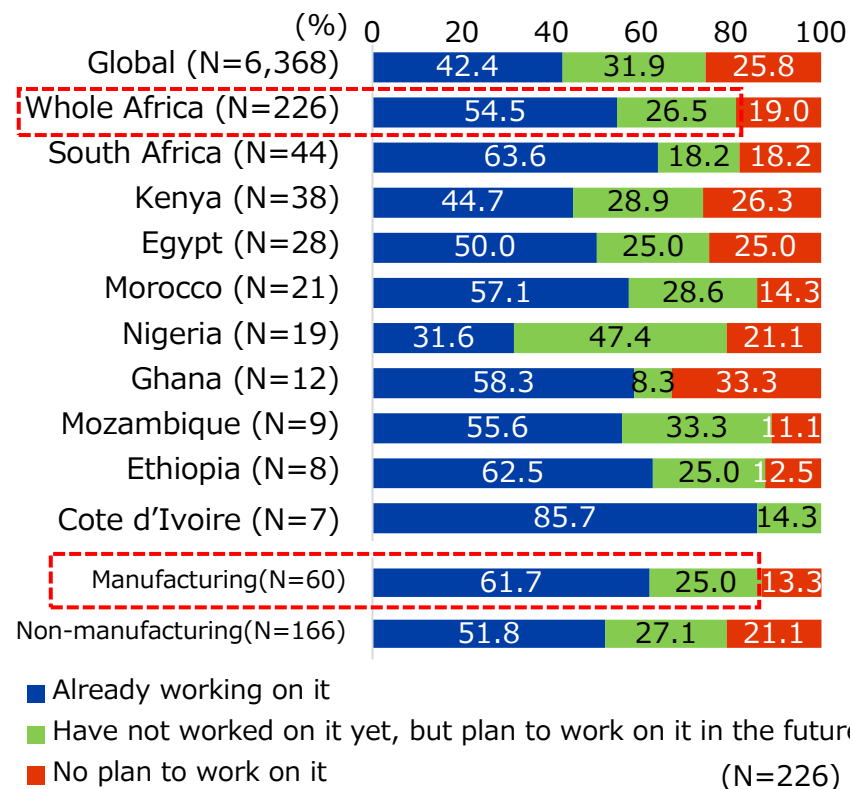
Do you recognize the issue of decarbonization as a management issue?



(N=227)

(Note) The survey covers all regions except Russia.

Status of Decarbonization Efforts

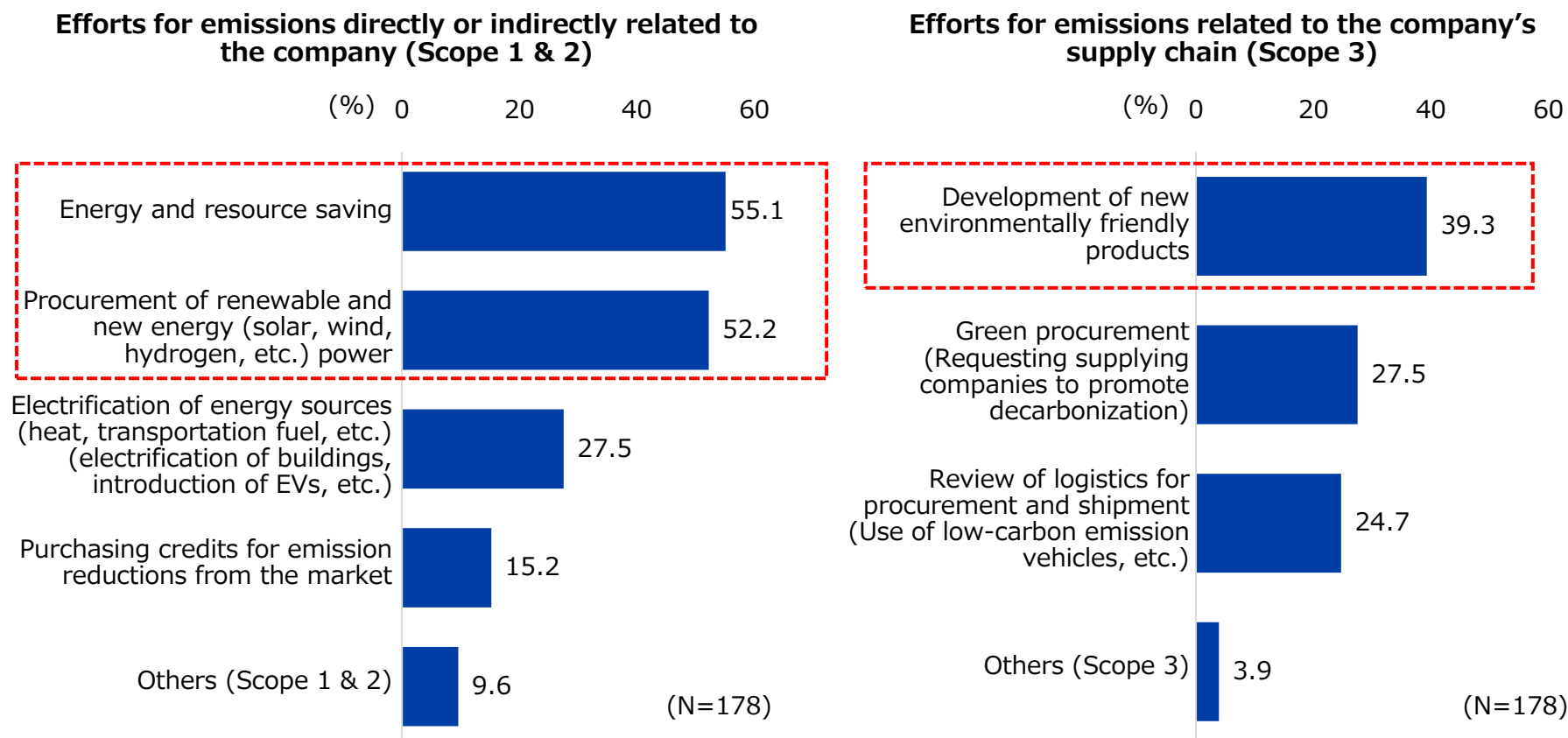


(N=226)

1 | Dealing with Decarbonization (2)

- As for the contents of efforts to reduce emissions, more than 50% of the companies cited “Energy and resource saving” (55.1%) and “Procurement of renewable and new energy power” (52.2%).
- As for efforts to reduce emissions related to the supply chain, approximately 40% of companies cited “Development of new environmentally friendly products”.
In addition, a little less than 30% of the companies demanded “green procurement” from other companies (while promoting it themselves).

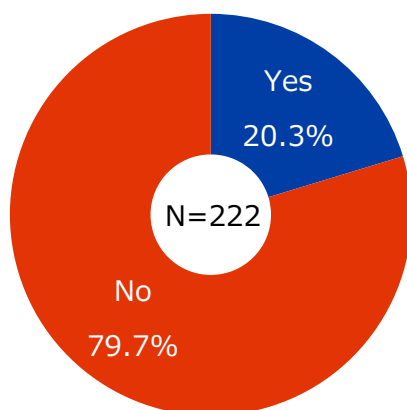
Details of Specific Initiatives (Including Those Under Consideration) (Multiple Answers)



1 | Dealing with Decarbonization (3)

- Approximately 20% of the companies set their own numerical targets for emission reduction and renewable energy use at their local bases. Approximately 80 % of them are set by the headquarters.
- For approximately 60% of companies that do not have their own numerical targets, their headquarters have numerical targets, but do not set any obligations to achieve them at local bases, or the targets are only shared.

Are there numerical targets unique to the local base regarding emission reduction and use of renewable energy?

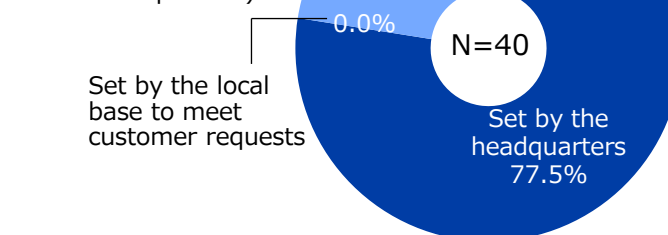


Examples of specific initiatives and future initiatives

- 20% of the factory's power is supplied by solar power generation.
- Production of biochar and creation of carbon credits using agricultural residues.
- Usage of solar cookers. Installation of biogas equipment.
- Reduction of CO2 emissions from equipment and buildings by utilizing solar power generation and batteries.
- Provision of small-scale geothermal and pumped-storage hydroelectric power generation solutions, introduction of highly efficient power transmission and distribution systems and power plant monitoring and optimization systems.
- We are interested in planting shade trees on cocoa farms and using biochar made from cocoa pods, etc.
- We are aiming to develop power generation businesses using wave power and deep sea water.
- Investment, business formation, and business development in the renewable energy field.

Voluntarily set by the local base
(Click here if a specific figure is set at the local base under the direction of the headquarters)

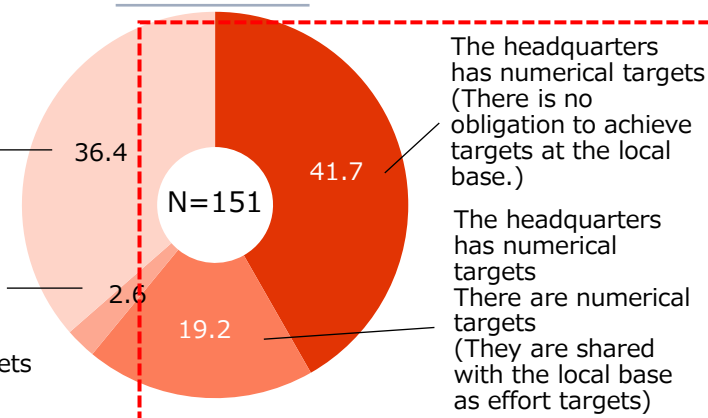
If "Yes"



If "No"

The headquarters has no numerical targets as well
There are no numerical targets

In response to requests from customers, planning to set out own numerical targets in the near future



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