The 2017 results
of the CIAN survey

Investment, profitability, results, assessment of the business environment. Every year since 1989, CIAN has questioned the heads of foreign companies established in Africa in order to draw up its Barometer of company activity and business climate. This field survey is a key indicator for any investor interested in the Continent.

The CIAN survey is carried out via an online questionnaire in French and English, which is sent to the heads of subsidiaries or foreign companies established in Africa. Every business sector is involved: primary to tertiary, small firms to the subsidiaries of large international groups. The survey is in two parts:

▪ **a cyclical part** that examines the company's business prospects in the country: revenues growth, investment, anticipated profitability, claims on the Government and the local private sector;

▪ **a structural part** that assesses the business environment in the country concerned: 39 criteria spread across seven major headings – infrastructures, administration, the economy and finance, social, socio-cultural, input costs and sustainable development.

For this, the 28th year, CIAN has analysed 640 responses, divided between the four regions: North Africa (92 responses), West Africa (260), Central Africa (134) and the contracts of Southern and Eastern Africa and the Indian Ocean (SEAIO - 154). The results are incorporated into the country factsheets in this report if the number of responses for the country is significant enough for an analysis.

Company activity 2016-18

Although Africa has not returned to the levels of growth prior to the fall in raw material prices in 2014, prospects improved in 2017 for most of the economies on the continent and the views expressed by heads of companies are in line with this observation. For example, they anticipate that 2017 will be better than 2016 and that there will be a further improvement in 2018. More than half of them (55 %) predict that their company's revenues will grow in 2017 and 2018. Their confidence is demonstrated by the investments that a third of them intend to resume in 2017 and half of them certainly in 2018. Three-quarters of the business leaders questioned stated that their activity in the country was at break-even point or in profit. Only 14 % think that they will be in deficit in 2018.

If we examine the geographical zones, North Africa and West Africa appeared to be the most dynamic regions in 2017. Company heads consider that growth in North Africa will be even higher in 2018: they anticipate growth in their business volumes in every country in the region (Algeria, Egypt, Morocco, Mauritania), although Tunisia may experience a slowdown in 2018. In West Africa, the most dynamic economies for companies are Burkina Faso, the Ivory Coast, Ghana, Guinea Conakry, Mali, Niger, Nigeria and Senegal. Growth is not quite so high in Togo and Benin, but company heads are more optimistic about the year to come.

On the other hand, forecasts are significantly less favourable for Central Africa, where half of the heads of companies and subsidiaries state that their revenues for 2017 are down, particularly in the Congo, Gabon, Equatorial Guinea, DR Congo and Chad, while the CAR appears to be promising growth. However, they do say that 2018 should see an improvement in every country. Southern and East Africa and the Indian Ocean offer contrasting situations. South Africa and Tanzania have seen an upturn after a less dynamic 2016. Angola is still in the doldrums. Revenues in Djibouti, Ethiopia and Kenya are positive, as is the case in Madagascar, Maurice and Mozambique, where results seem to be really taking off.

Investment forecasts are closely linked to these hoped-for profits. Over half of the companies operating in West Africa and North Africa have plans to invest in 2017 and 2018. Heads of private companies have budgeted to invest in Egypt, Morocco and Algeria in the North, and in Djibouti,

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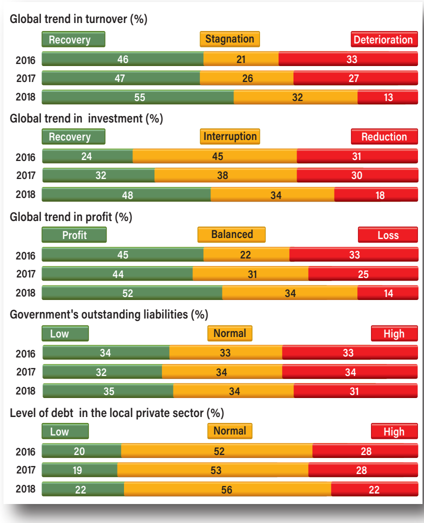
Company activity 2016-2018

The CIAN survey focuses on the trends shown by five indicators over the financial years 2016, 2017 and 2018:

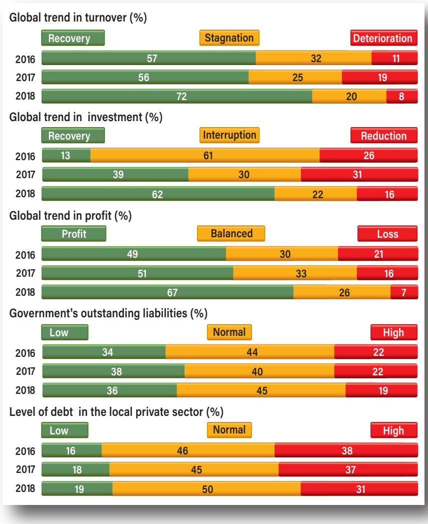
- revenues: growth, stagnation, decline;
- investment: recovery, interruption, reduction;
- results: in profit, break-even, deficit;
- level of claims on the State: high, normal, low;
- level of claims on the local private sector: high, normal, low.

The following graphs show the trends by large geographical zones, which are then broken down for each of the 34 countries assessed this year.

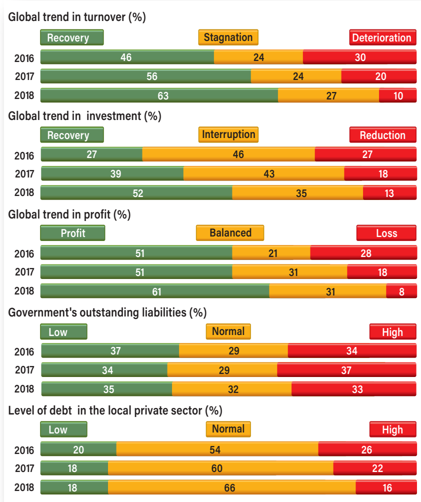
Africa (Continent)



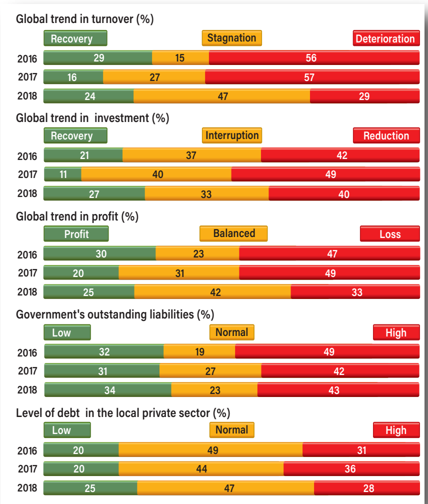
North Africa



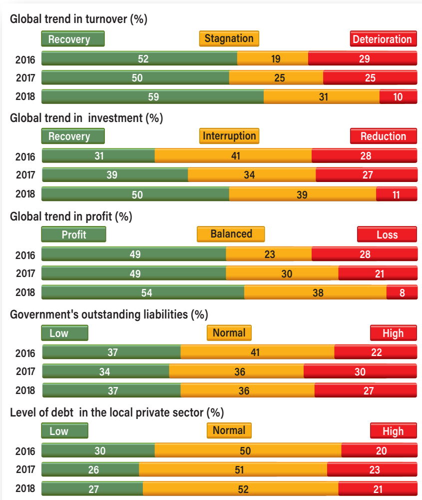
West Africa



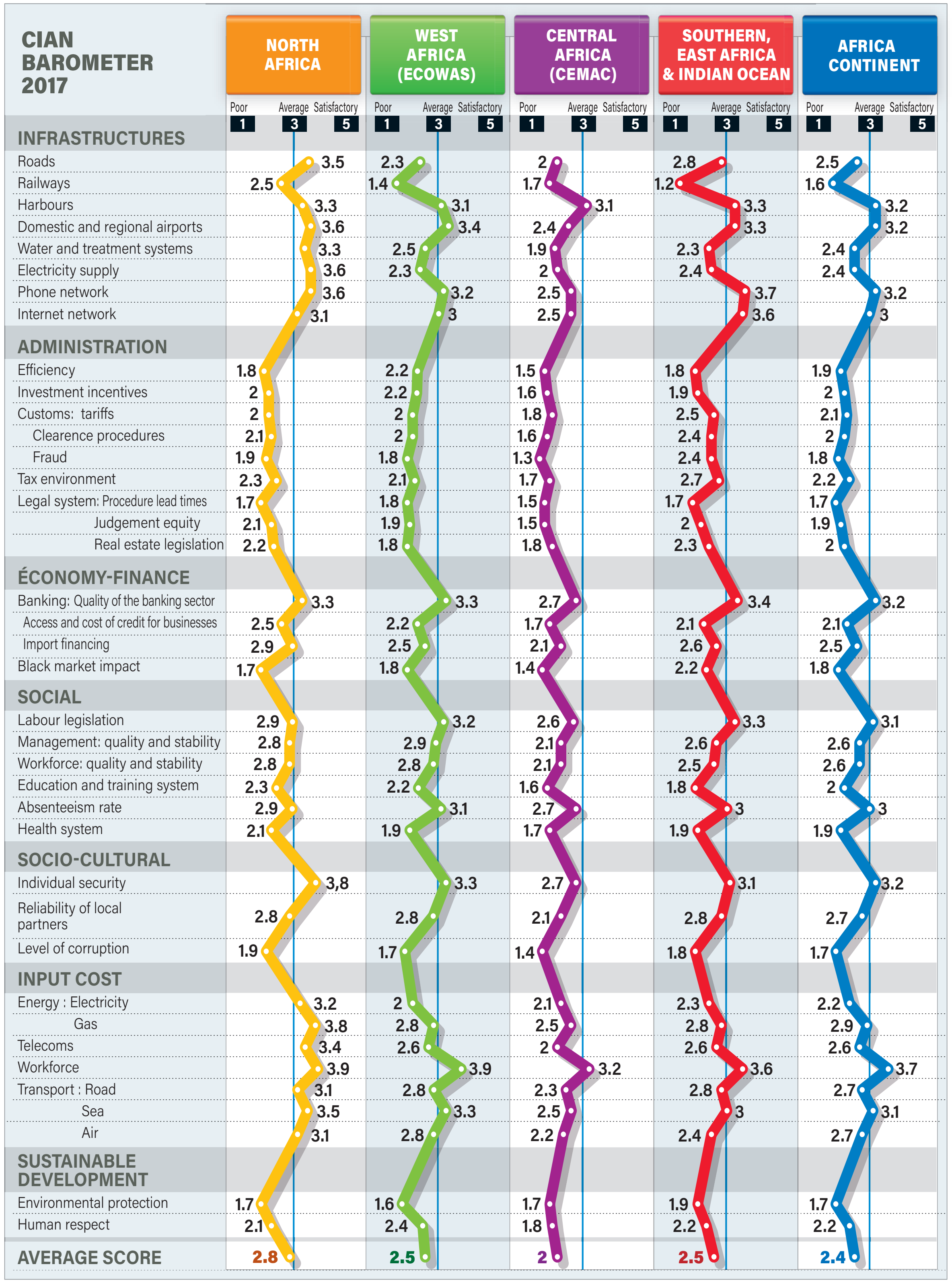
Central Africa



Southern and East Africa and the Indian Ocean



Graphiques : Chantrieux



Ethiopia, Mozambique and South Africa. It's no surprise that investment levels will be lower in Central Africa.

After a very cautious year in Nigeria, whose economy was heavily affected by the fall in the price of oil, investment seems to be an option once again. On the other hand, caution is the watchword in Kenya and, to a lesser extent, in Tanzania; this is no doubt explained by a year of elections in the former and a year of transition for the latter, all of which has led company leaders to adopt a cautious and even wait-and-see attitude.

After revenues and investment, the survey examines anticipated profitability. 2017 ended as last year's survey predicted, with three out of four companies ending the year on break-even or in profit, while managers are optimistic for 2018: 86% of budgets on break-even or in profit. Here, too, Central Africa stands out, with only 20 % of companies anticipating positive results.

The countries in which business is most profitable are Mauritius, Madagascar and Ethiopia in the South and East of the Continent, and Tunisia, Egypt and Algeria in the North. In the West, Mali, Ghana, Guinea and Senegal offer the highest profitability levels.

On the other hand, over half of company heads in the DRC, the Congo and Gabon are expecting to end the year in deficit, as are 80 % in Chad. The situation has improved in Angola, where 50 % of company heads had negative results in 2016 but consider that 2017 and 2018 will see them achieving break-even (60 %).

The weight of payment arrears and debts (local public and private sectors together) was the same in 2017 as in 2016. A third of company heads consider that it is too high. However, the situation is worrying in Chad, the Congo, Niger and - this is new - Ethiopia, where companies are finding Government arrears too high and don't see the situation improving. In the DRC, Gabon, Togo and Equatorial Guinea, they consider that it is still a problem, but the situation should improve in 2018. In Angola and Ethiopia, private sector debt is still a heavy burden for companies.

The business environment

The overall assessment of the business climate on the continent is stable at 2.4/5, i.e. below the average. Of the 34 countries studied, 15 obtain a score higher than 2.5, including all the North African countries except Mauritania and Egypt, whose scores concerning the administration are more severe this year. This is also the case for 6 out of 10 countries in West Africa, with clear progress in Benin's score, and for half of the SEAIO countries assessed. In Central Africa, only Cameroon obtained an average of 2.5.

Assessment of the business environment

Average score by country

Note > 2,5/5			Note < 2,5/5		
	2017	2016		2017	2016
Morocco	3.4	3.8	Equatorial Guinea	2.4	2.2
Mauritius	3.2	3.7	Madagascar	2.4	2.1
South Africa	3.1	2.9	Mozambique	2.4	2.1
Algeria	3	2.9	Burundi	2.3	1.8
Ethiopia	3	2.5	Egypt	2.3	2.7
Uganda	3	2.7	Gabon	2.3	2.2
Ghana	2.9	2.8	Kenya	2.3	2.7
Djibouti	2.8	2.9	Nigeria	2.3	2.1
Senegal	2.7	2.7	Angola	2.2	2.8
Togo	2.7	2.6	Mali	2.2	2.2
Benin	2.6	2.4	Mauritania	2.2	2.2
Burkina Faso	2.6	2.5	Niger	2.2	2.4
Tunisia	2.6	2.5	Congo	2.1	2.1
Zambia	2.6	2.6	Guinea Conakry	1.9	2.1
Cameroon	2.5	2.4	Tanzania	1.8	2.1
Ivory Coast	2.5	2.4	CAR	1.7	1.3
			Chad	1.6	1.6
			DR of Congo	1.4	1.6

Looking at the complete list of countries, Morocco and Mauritius are again in the lead, with 3.4 and 3.2. Algeria, South Africa, Ethiopia and Uganda also achieve the average (3-3.1). In West Africa, Benin, Burkina Faso and Senegal overtake the Ivory Coast, whose score has fallen due to the tensions in society (2.7-2.6 vs 2.5). In 2017 again, the DRC and CAR obtain the lowest score (1.4 and 1.7) preceded by Guinea (1.9). Angola's score is down.

It's true that many of the items measured (quality of infrastructures, the efforts of the administrative authorities, social and socio-cultural environment, etc.) take a long time to change as they require heavy investment for the country and a change in public policies and even in society. Overall infrastructures are considered to be satisfactory in North Africa, as are the port and aviation infrastructures in West Africa and Southern and East Africa.

Following improvements to the road network from 2014, we are seeing a consolidation in all the infrastructures that we have assessed: transport networks, water and sewage systems, electricity supply, etc. The infrastructure profiles of the other three regions have changed little. The telephone network is considered to be satisfactory overall, with a more efficient Internet network in SEAIO and North Africa, whereas the rail network is a weakness virtually everywhere as it is underdeveloped.

In social matters, labour law and absentee rates are considered to be satisfactory. Concerning the finance sector, the quality of the banking sector is appreciated, but the cost of credit continues to be criticised in Central Africa.

The criteria linked to the administration are given low scores with the highest well below the average; they are even tending to decrease in North Africa, but are slightly up in SEAIO. Company heads are not satisfied with the efficiency of the administrative services, investment incentives, the customs, delays in the legal system, etc. They also point to a lack of training for the workforce. In the free comment sections, some note that the reality is very different from what is put out in government statements and that there's a great deal of progress to be made. Political tensions and government indecision also influence assessments. We should also mention the level of corruption, which is still an acute problem across the entire continent, except in Djibouti, Mauritius, Ethiopia and Morocco, according to the people who responded to the survey. There is an overall improvement in the feeling of security.

Considering that the continent is still largely in a development phase, one could expect to see relatively low operating cost factors favourable to companies. While this is generally the case in North Africa, it is less true in countries where infrastructures are inadequate. For example, the cost of electricity is particularly high in Djibouti, Kenya, the CAR, the Congo, Chad, Ghana, Mali and Togo. Companies have to compensate for the lack of quality in the system. In certain countries, the only factor considered to be positive by company heads is the cost of labour.

As is shown by the analysis of this range of criteria that CIAN has been monitoring for nearly 30 years now, the companies operating in Africa are doing business in a complex environment that they don't consider to be ideal. However, as the profitability index shows, they cope with this by reaping rewards from the risk they have taken and by adjusting their investment to suit the economic situation. The experience acquired over the long term and the business network that they have gradually developed are the key factors on which they are building their future.

Survey and analysis carried out by CIAN.
Sandrine Sorieul, director

THANKS

Many thanks to all the company heads who took the time to respond to the CIAN survey, along with all the organisations that helped to distribute it locally: CIAN members, external trade advisors, local French chambers of commerce and industry, employers' organisations and French economic missions and embassies. This direct testimony from people working in the field is a vital source of information for investors, local authorities and international organisations involved in Africa's development. It allows CIAN to pass on the concerns of private companies to the French and international economic authorities.

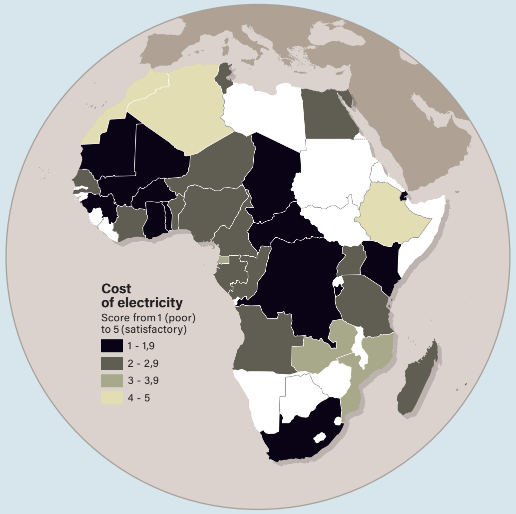
Business environment in 2017

In responding to the CIAN survey, the head of the company gives his perception of the business environment in the country in which he is operating, qualifying 39 criteria, spread across 7 headings, as poor (1), average (3) or satisfactory (5):

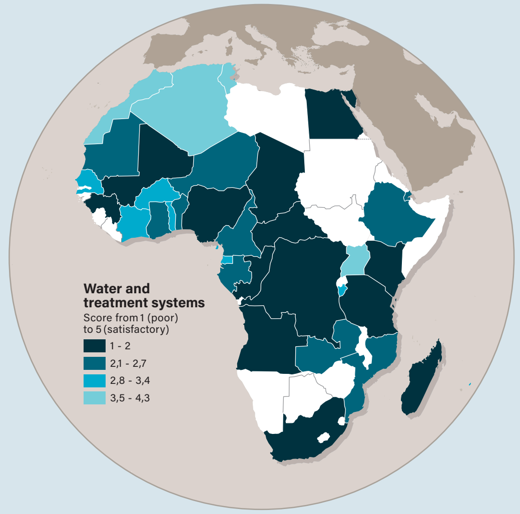
- infrastructures: 8 criteria
- administration: 9 criteria
- economy and finance: 4 criteria
- social: 6 criteria
- socio-cultural: 3 criteria
- input costs: 7 criteria
- sustainable development: 2 criteria

The overall CIAN Barometer graph presents the results by large geographical zones. The maps show the assessments given for a few major criteria. On the following pages, the country factsheets summarise the strengths and weaknesses of the business environment in the 34 countries assessed this year.

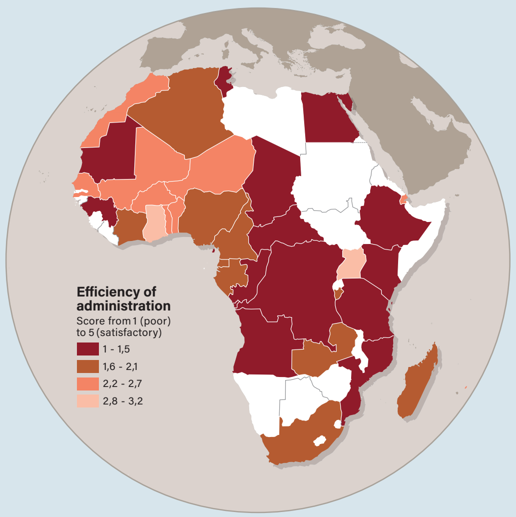
COST OF ELECTRICITY



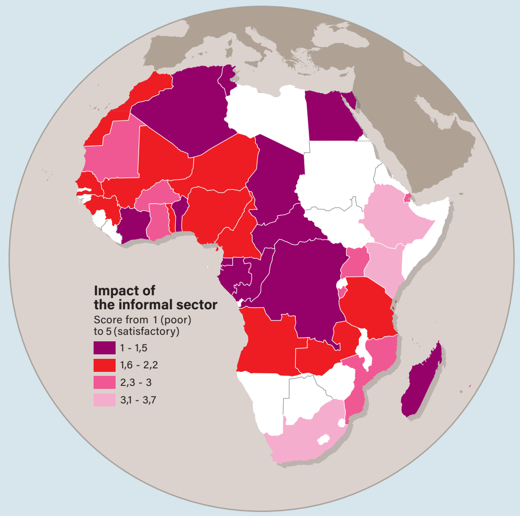
WATER AND SEWERAGE

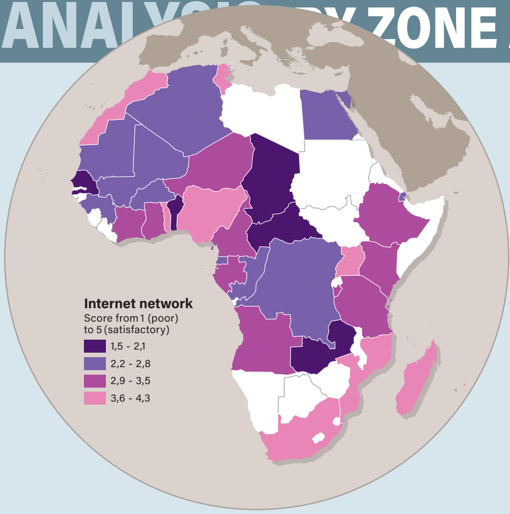


EFFICIENCY OF ADMINISTRATION



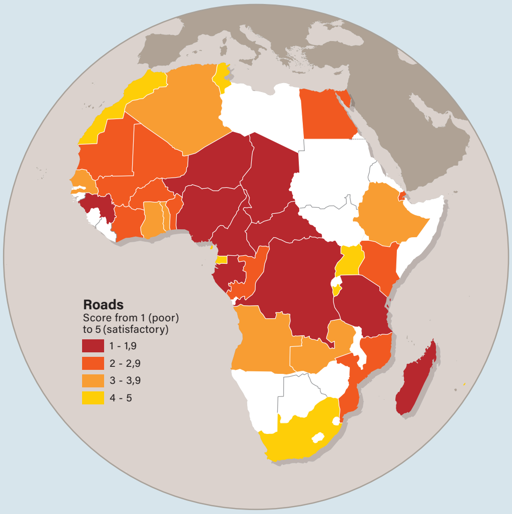
IMPACT OF THE INFORMAL SECTOR



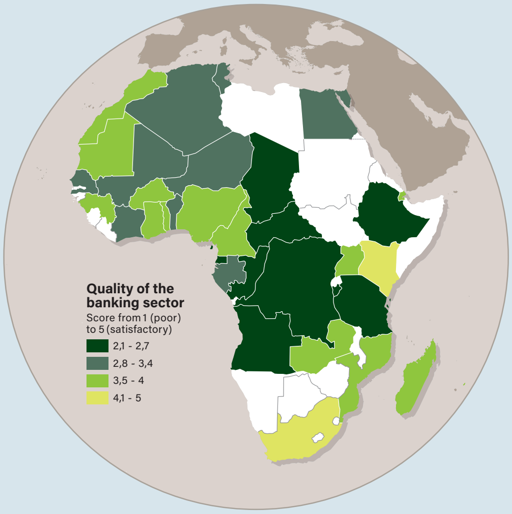


INTERNET NETWORK

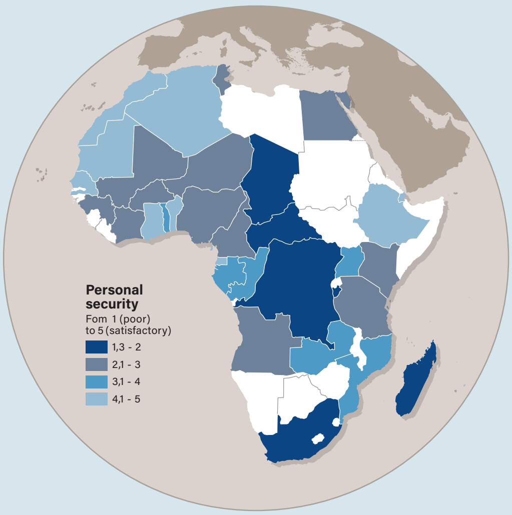
ROAD NETWORK



QUALITY OF THE BANKING SECTOR



PERSONAL SAFETY



EDUCATION AND TRAINING SYSTEMS