By some estimates, cash is used for more than 99 percent of payments in Nigeria and other major African economies; by contrast, digital channels account for more than half of all transactions in many European countries. Cautious investors might see that gap as a barrier to growth – when economies are heavily cash-based, that hampers commerce, financial-services penetration, and credit issuance.

Bolder thinkers, however, see the transformative growth opportunity waiting to be unlocked. One such trend-spotter is Mitchell Elegbe, a Nigerian engineer and entrepreneur. In 2002, he founded a company called Interswitch, with the mission to “connect Nigeria to the digital world”. It has grown rapidly to become one of Africa’s leading digital-payments providers: today, Nigerian consumers and businesses make more than 300 million digital transactions a month across a suite of Interswitch-enabled channels.

Elegbe told us how he had observed his fellow Nigerians carrying piles of cash with them to pay for everything from groceries to cellphone airtime to utility bills. He spotted a big unmet need and started Interswitch in order to address it. The company built the first interbank transaction switching and payment processing infrastructure in Nigeria, which enabled interbank ATM sharing; as well as the first real-time point-of-sale system. Its Verve card is today the most widely used in Nigeria, while Quickteller, its online payment system, has more than 15 million users.

Interswitch is one of a new generation of entrepreneurial firms that have identified a growth trend hidden in Africa’s underdevelopment. As the continent’s population grows in size and spending power, demand for digital solutions and infrastructure is exploding. Some basic solutions, like ATMs and POS machines, are widespread in the West but relatively scarce in Africa. Others, like Quickteller, are new solutions or adaptations that need to be “made in Africa”.

Africa’s big five: Growth trends that are transforming a continent

French companies and investors, like their counterparts across the world, are increasingly aware of the opportunity presented by megatrends in Nigeria and across Africa (Exhibit 1). But they need to analyze those trends carefully, like Elegbe did, if they are to spot solvable problems with long-term growth potential.

One key initiative that will help them do so is the France-Nigeria Investment Club, launched by President Emmanuel Macron in July 2018 and composed of 15 French and
15 Nigerian members. The Club’s priorities include fostering better understanding and cooperation between the two countries and their business communities, creating business opportunities, and triggering co-investment projects – not just in Nigeria but across Africa.

The Club met in Paris on the eve of the 2019 World Economic Forum, and both of us were privileged to attend and speak at the event. There was enthusiastic discussion on the transformative business opportunities in Nigeria and further afield in Africa – and how entrepreneurs and investors in Africa have a greater chance to change lives than anywhere else on Earth.

At the Club’s meeting, we set out five key growth trends that, in true African style, we call the “big five”.

The first and most fundamental trend is Africa’s fast-growing, urbanizing population. Nigeria, Africa’s most populous country with 195 million people, is a case in point. With a current population growth rate of 2.7 percent, Nigeria is forecast to reach 440 million people by 2050, which would make it the third-most populous country globally. In fact, there are more babies born in Nigeria each year than in the whole of Western Europe. Nigeria, like the rest of Africa, is also increasingly urban: the share of Nigerians living in towns and cities will soon surpass 50 percent of the total population. Lagos, Africa’s fastest-growing city, is growing by an astonishing 77 people every hour.

This trend holds true across the continent. Africa’s current population of around 1.2 billion is projected to double over the next thirty years, making Africa an exception in a world of slowing population growth. Moreover, it will soon be the fastest-urbanizing region in the world. Africa already has as many cities with more than one million inhabitants as North America does, and more than 80 percent of its population growth over the next two decades will occur in cities (Exhibit 2).

Exhibit 1
Megatrends are creating big opportunities for business growth.

Digitization, consumer spending and infrastructure development stand out.

Question: What trends and/or forces do you expect to be the biggest growth opportunities in Africa, over the next 20 years? *% of respondents, n = 192

- Increasing adoption of mobile and/or digital technologies 36
- Growing demand for basic services (eg. education, healthcare) 37
- Demand for new or improved infrastructure 37
- Rise in consumer spending 35
- Rapid urbanization 29
- Africa’s growing workforce 19
- Increasing use of renewable energy 19
- Potential to increase agricultural production 18
- Abundance of resource endowment 16
- Rise in spending by businesses 12

*Respondents who answered “other” or “don’t know” and applicable forces are not shown. Question was asked only of respondents who said they have been to at least 1 country in Africa, for either personal or business reasons, and who said 5% or more of their organizations’ current revenue is earned in Africa.


By 2030, Africa will have 17 cities with more than five million inhabitants.

![Map showing African cities by population](Image)

African cities by population in 2030, millions of people

<table>
<thead>
<tr>
<th>Population Range</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 million - 10 million</td>
<td>54</td>
<td>6</td>
</tr>
<tr>
<td>&gt; 10 million</td>
<td>17</td>
<td>1</td>
</tr>
</tbody>
</table>

Greater Johannesburg includes the City of Johannesburg, Ekurhuleni, and the West Rand.

Source: United Nations World Population Prospects, June 2014 revision, UN Population Division; MGI Cityscope; McKinsey Global Institute analysis

The income per capita of Africa’s cities is already more than double the continental average, making them attractive markets for many businesses. And urbanization is contributing to rapid increases in consumer spending. Africa’s consumers spent $1.4 trillion in 2015; by 2025, we expect that figure to rise to nearly 2.1 trillion. Nigeria alone accounts for around one quarter of that spend.

That leads us to the second of the big five growth trends: large-scale industrialization to meet burgeoning domestic
demand. Today Africa manufactures around $500 billion worth of goods in the continent; we project that this could grow to $1 trillion by 2025 – with 75 percent of that production going to fulfill local demand. This will be equivalent to tripling the historical growth rate of manufacturing across the continent – an outcome we see as eminently possible, as many governments and companies are taking industrialization very seriously.

One of those companies is Nigeria-based Dangote Industries, which manufactures commodities including cement, sugar, and flour in massive volumes. By 2017, the Dangote Group’s annual revenues exceeded $4 billion, and founder Aliko Dangote had become Africa’s richest person and the world’s richest black man. Yet he continued to aim high. His new growth projects include the world’s largest single-train petroleum refinery, scheduled to open at the end of 2019. It is being built near Lagos, Nigeria’s bustling commercial capital, at a cost of $12 billion (We are proud that Aliko Dangote is a member of the France-Nigeria Investment Club).

A third big trend is the big push to close Africa’s infrastructure gaps. This is an area where as Africa has trailed most other regions of the world across every asset class – from energy, to road, to rail, to water and sanitation. But a huge effort is underway to close those gaps, with governments, development partners, and the private sector all playing their part. Two decades ago Africa invested about $40 billion per year in infrastructure; today that number has nearly doubled to between $70 billion and $80 billion per year.

In Nigeria, for example, the government’s Economic Recovery and Growth Plan puts strong emphasis on infrastructure development, including by enabling private-sector financing of infrastructure. The innovative partnerships already in place across the country include the “company to country agreement” between GE and Nigeria, which has led the multinational to support the installation of 10,000 megawatts of power-generation capacity, modernize the national railway corporation’s locomotives, and upgrade airports.

Another example is Société Générale’s “Grow with Africa” initiative, developed in collaboration with partners such as South African banking group ABSA, private equity fund Meridiam, and the infrastructure investment platform Africa 50. As part of the initiative, Société Générale is ramping up its long-term infrastructure financing activities in many African countries. In Senegal, for example, the bank has arranged a €226 million buyer loan for the construction of 18 bridges that will improve transport and open up several parts of the country. In Côte d’Ivoire, the bank is working with the government and the West African Development Bank to provide nearly €250 million in financing for a major plant to supply drinking water to Abidjan, the capital.
The fourth trend is rising innovation and investment in agricultural and mineral resources. In agriculture, Africa is home to 60 percent of the unused arable land in the world and has the potential to become the breadbasket of the world. In oil and gas, Africa is rich in high-potential regions, many of which remain unexploited. In mining, the continent is home to the world's largest reserves across a host of commodities— including diamonds, gold, cobalt, phosphate, manganese. Again many governments and private-sector players are serious about unlocking the potential of these resources and putting them to use for the benefit of their countries and their citizens.

Consider the example of Nigeria-based Babban Gona ("great farm" in Hausa), a social enterprise serving networks of smallholder farmers. Its members receive development and training, credit, agricultural inputs, marketing support, and other key services. Since its founding in 2010, Babban Gona has enlisted more than 20,000 farmers, who have on average more than doubled their yields and increased their net income to 3.5 times that of the average farmer. Babban Gona's founder is Nigerian-American Kola Masha, managing director of impact investment company Doreo Partners. His goal is to enlist 1 million farmers in the program by 2025, providing livelihoods for 5 million people.

There are exciting growth stories in the energy sector, too. Total, the France-based oil major, has nearly a century-long history in Africa—but it has capitalized on the continent's recent surge in demand for energy by expanding both its upstream oil and gas production and its downstream distribution network. As of 2017, it was pumping the equivalent of more than 600,000 barrels a day from Africa's abundant oil and gas resources—and selling much of it to African customers via its network of 4,000 service stations, the continent's largest. As Total's chairman and CEO, Patrick Pouyanné, told us: "Africa now represents 30 percent of our group's activity worldwide, and is a major long-term pillar of our growth" (Pouyanné, too, is a member of the France-Nigeria Investment Club).

Last but not least is the trend that Mitchell Elegbe rode to build Interswitch: rapid digitization. Although Africa historically lagged, this young continent, with a median age of around twenty, has become an eager adopter and innovator in all things digital and mobile. There are already 122 million active users of mobile financial services in Africa—more than half the global total. The number of smartphone connections is forecast to double from 315 million in 2015 to 636 million in 2022—twice the projected number in North America and not far from the total in Europe. Over the same period, mobile data traffic across Africa is expected to increase sevenfold.

As the Interswitch example shows, technology is already transforming financial services in Nigeria and across the continent. Société Générale, for example, has launched an e-wallet called YUP to offer simple, accessible, bank-like products to a broad population, many of whom do not currently have access to banking services.

We are also seeing technology transform a range of other sectors, from agriculture to health, from retail to education, from energy to the public sector. McKinsey projects that if Africa is able to harness the full potential of the internet, that could contribute $300 billion to the continent's GDP by 2025—equivalent to the size of the South African economy today.

Why investors need to reset their perceptions of Africa

To seize the opportunities we set out above, many investors will have to reexamine their perceptions of Africa. In the global media, the stories told about Africa tend to be about three topics: conflict, crisis, and corruption. For example, in a single week in 2017, the New York Times ran five articles about Africa—and they were all negative. One was about the Boko Haram conflict in Northern Nigeria, one about migrants trying to reach Europe, two about corruption in Tunisia and in Angola, and one about violence in the Democratic Republic of Congo.

Of course, these stories are important to report—but such coverage has created an overly negative narrative about Africa. We believe it is time to recast the story of African economies and societies, and the role that business plays in them. And when we look at the numbers, there is indeed a different story from all those negative headlines.

This is a story of a continent that is becoming much more prosperous. In both Nigeria and Africa as a whole, GDP has tripled over the past 20 years or so. Nigeria's GDP now stands at nearly $400 billion, and Africa's at over $2 trillion. It is a story of a continent that is healthier: infant mortality rates have declined by over 50 percent since 1995, and Nigeria has been one of the greatest improvers. And it is story of a continent that is more educated: literacy rates have risen to 65 percent, and youth literacy rates to 70 percent. More than ten countries have literacy rates of over 90 percent.

Business is already playing a crucial role in this economic and social progress—and here too there is a misperception that needs to be corrected. Let’s test your own perceptions: How many companies in Africa earn annual revenues of $1 billion or more? Take a guess.

If you guessed fewer than 50 such firms, you're in good company. We surveyed over a thousand business executives across Africa and the world, and 50 was the maximum number chosen by most respondents. Several said “zero”. When we asked the same question at events such as the World Economic Forum, participants were only slightly more optimistic: most put the number of billion-dollar firms at between 50 and 100. The reality? There are 438 such companies—and they are on average both faster-growing and more profitable than their global peers.

We believe there is plenty of room for French businesses and investors to embrace the African growth story. We don’t pretend that Africa is an easy place to do business,
given its geographic complexity, infrastructure gaps, and relative economic and political volatility. But the success of the 438 big firms – and many thriving start-ups – shows there is real scope for profitable, sustainable growth.

So, what does it take to win in Africa? As in any market, deciding where and how to compete is critical. Companies with exposure to high-growth cities, countries, and regions improve their odds. Likewise, companies that ride strong industry trends, such as rapid adoption of mobile and digital technologies, have much better odds of outperforming. Sometimes those are “trends with a twist”, such as Africa’s large unserved markets or infrastructure gaps: to benefit from such trends, companies need the imagination to see unmet demand or unsolved problems as opportunities.

But good strategic choices are just one piece of the puzzle for companies seeking to prosper in Africa. As Exhibit 3 suggests, a smart approach to geographic expansion should go hand in hand with much more: A plan for innovating your business model. Operational solutions that will help you manage risk and boost your company’s resilience to Africa’s inevitable shocks. Fresh approaches to unleash Africa’s talent, including nurturing vocational and managerial skills at scale. And a plan for doing good while doing well. These priorities are being powerfully illustrated right now by many local business leaders who are pursuing them – including those featured in this article.

Conclusion

The facts are clear: Africa is home to more fast-growing economies than any other region, a consumer class whose spending outstrips India’s, and hundreds of successful big companies. Africa is also adopting technology at a furious pace, but it still faces serious challenges. Although incomes are rising, poverty remains widespread. Businesses must contend with infrastructure gaps, fragmented markets, and regulatory complexity. To translate Africa’s opportunities into profitable, sustainable enterprises, executives need to reset their mental maps – recasting challenges as a spur for innovation and unmet market demand as room for growth.