IMEA Supply Chain Digest

Edition 2

ALL THE WAY

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#1 NOTE ON THE RED SEA

Current maritime overview of the Red Sea and the Gulf of Aden

The Red Sea/ Gulf of Aden, a crucial artery for global trade, continues to experience turmoil due to a rise in attacks on commercial vessels. These attacks, stemming from regional conflicts, have resulted in freight carriers circumventing the area to ensure crew and cargo safety. They are instead rerouting via the Cape of Good Hope. This detour adds significant time and cost to journeys, impacting global supply chains. This situation is expected to continue for the foreseeable future until safe and sustainable solutions have been established.

Due to this, the Suez Canal, connecting the Red Sea to the Mediterranean, has also seen an approx. 30% decline in traffic, further adding to disruptions to supply chains. Consumers are expecting delays in receiving goods and potentially experiencing higher prices due to rising freight costs.

While security initiatives are underway, the volatile situation necessitates continued caution from logistics companies. Resuming normalcy in the Red Sea depends upon a long-term solution that guarantees the safety of ocean operations, allowing for the smooth flow of goods and rebuilding stability for global trade.

#2

INDIA

India to remain the fastest-growing major economy in 2024

India is projected to maintain the highest growth rates worldwide during concerns over global economic slowdown and recession. India's overall exports in November 2023 were estimated at USD 62.58 billion, reflecting a positive growth of 1.3% over November 2022. This was nearly double the average for emerging market economies. This resilience can be attributed to demand, significant investment in public infrastructure, and a thriving financial sector. In FY 22/23, India’s real GDP is estimated to have grown by around 6.9%, fueled by domestic demand and increased investment in infrastructure driven by government initiatives. Additionally, private consumption among higher-income groups has played a role in driving this growth. The service industry is expected to maintain its strength, with a growth rate of 7.4%, and investment growth is predicted to continue. India’s nominal GDP, when measured in USD, is forecasted to increase from USD 3.6 trillion in 2023 to USD 7 trillion by 2030, positioning India as the fastest-growing major economy in the Asia Pacific region. The growth primarily stems from demand and is driven by capital investment, which indicates positive prospects for future expansion while also boosting India’s non-inflationary growth potential. In November 2023, India’s overall exports of goods (services and merchandise) in 2023-24 (April-September) were estimated to reach USD 377 billion, showcasing a growth of 1.23% compared to November 2022. Merchandise exports might expand within the range of USD 495 billion to USD 500 billion, while services exports could potentially reach USD 400 billion by the end of March 2024.

Highlights of H2 2023

- As per the Ministry of Statistics and Programme Implementation, the growth rate of India's Gross Domestic Product (GDP) in the third quarter of 2023 stood at 7.7%. The services sector holds the biggest share of India's economy contributing 53.33% to the total Gross Value Added (GVA) of INR 247.43 lakh crore. On the other hand, the industry sector accounts for around 28.25% of the GDP, with the manufacturing industry alone contributing more than INR 7.1 trillion to India's GDP during Q3 of 2023.

- In November 2023, industrial production witnessed a growth of 10.3% compared to the 5.7% growth in July 2023. This boost was largely driven by the manufacturing sector, which experienced an increase. As per the Quick Estimates of Index of Industrial Production (IIP) released by the Government of India National Statistical Office manufacturing output grew by 9.3% in August 2023, up from 4.6% in July 2023. The mining sector also saw growth, with a rise of 12.3% in August 2023. Moreover, electricity generation contributed to the industrial production growth by increasing by 15.3% in August 2023.

- In September 2023, India experienced a 5.8% year-on-year growth in its production with the manufacturing sector showing a 4.5% increase compared to the previous year. However, this growth rate signifies a slowdown from the 10.3% recorded in August 2023. The rise in production can be mainly attributed to the manufacturing, mining, and electricity sectors. Specifically, the manufacturing sector witnessed a growth of 4.5% compared to 2.0% during the period last year. The mining sector also experienced growth with an 11.5% increase in output in September.

- The services industry in India, which includes trade, hotels, transport and communications, exhibited an uptick in growth. The output increased by 9.2% compared to the previous year, highlighting the sector's performance. This growth is an indication of the sector's contribution to the expansion of the Indian economy. The rapid expansion can be observed across segments such as services, real estate, and professional services, where there was a noteworthy output increase of 12.2% during the April-June quarter. Additionally, trade activities along with hotels, transport, and communications services experienced growth at 9.2% year over year further underscoring the performance of this sector. The robust growth in the services industry reflects its significance in propelling India's expansion. It is expected to remain an area of focus for economic policies and development strategies.

- India experienced a recovery in the quarter as its exports of goods and services grew by 4.3%. Meanwhile, imports of goods and services had a growth rate of 16.7%. It is expected that this upward trend in exports will continue, with India's overall export value projected to reach USD 500 billion from April to November 2023. The services sector, including trade, hotels, transport and communications, has played a role in driving India's export growth.

- In 2023, India's stock market value experienced a growth of 25% surpassing the overall market valuation of $4.34 trillion. This remarkable performance can be attributed to fundamentals and investments from both domestic and foreign institutions. Indian equities have outperformed the ten markets in terms of gains this year standing shoulder to shoulder with renowned stock markets like the US, China and Japan.

- Europe accounted for 19% of total goods exports and 18 % of Imports from India. As per estimates, nearly 80% of goods are rerouted through the Cape of Good Hope. The proposed India-Middle East-Europe Corridor (IMEC) is a multi-modal transportation route that links South Asia to Europe through the UAE, Saudi Arabia and Central Asia. This corridor can play an important role in providing an alternative trade route and has the potential to reduce transit times by 40% and freight costs by 30% compared to a route passing through the Suez Canal.

Policy Developments

- **Foreign Trade Policy 2023:** The Foreign Trade Policy 2023 of India aims to provide a dynamic and open-ended approach to accommodate the changing economic and trade conditions. The policy sets goals of reaching USD 2 trillion in exports by 2030. It aims to facilitate the export of high-end goods and technology with dual-use capabilities, simplifying policies surrounding these items while ensuring controls are in place. Of incentives, the focus is on reducing tax burdens for exporters creating a more competitive and appealing environment for businesses. The policy also emphasizes sector targets promoting exports through wider engagement, with states and districts streamlining e-commerce processes to facilitate export growth.

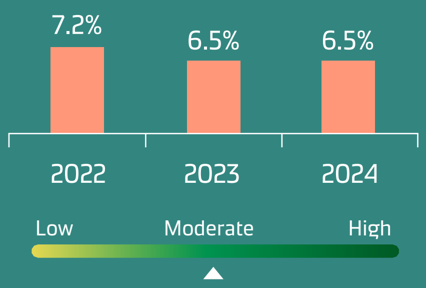
- **Production Linked Incentive (PLI) schemes:** The Production Linked Incentive (PLI) program has succeeded in attracting over INR 95,000 crore in investments by September 2023 across various sectors such as electronics, telecommunications, pharmaceuticals, white goods and textiles. These PLI initiatives aim to boost domestic manufacturing, create job opportunities and strengthen India's position in manufacturing and trade. The investments have resulted in the production and sales of items valued at INR 7.80 lakh crore, providing over 6.4 lakh people with direct and indirect employment possibilities.

- **New National Education Policy (NEP):** The Indian government recently introduced the New National Education Policy (NEP) 2023 with the goal of positioning India as a leader in knowledge. This policy focuses on ensuring high-quality education for individuals aged 3 to 18 years. It encourages the use of online learning, extends school hours and moves away from memorization. Additionally, it emphasizes developing skills for the 21st century, such as critical thinking, creativity and problem-solving. The NEP 2023 also aims to integrate technology and digital learning tools into education to enhance the learning experience. Ultimately, this policy envisions an inclusive landscape that equips students with the necessary skills to thrive in our ever-changing world.

- **Data Privacy Bill 2023:** In August 2023, the Data Privacy Bill 2023 was introduced in Parliament. Also known as the Digital Personal Data Protection Bill, it includes a number of important clauses designed to safeguard the private information of customers. Customers will have more control over how their data is gathered and utilised by service providers due to its measures. Customers have the freedom to request the erasure of their data at any time and stop data collection. The bill also mandates that organisations utilise data exclusively for the purposes for which it was intended, and explains the rationale behind data collection.

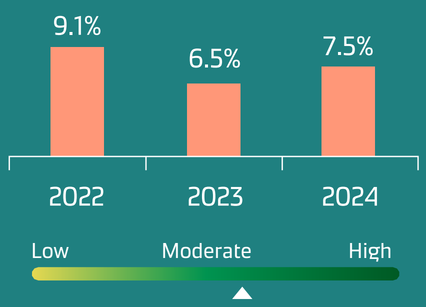
Economic and industry trends: India

Economic Growth



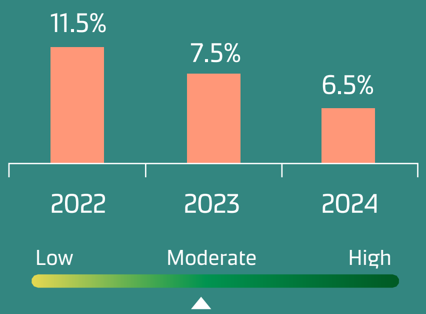
- Government push towards infrastructure development, foreign trade policy 2023, and focus on improving agriculture productivity, will play a key role in driving growth in FY 2024
- The services sector, including financials, construction, hotels, and aviation, is expected to further improve its performance in the coming year
- Government commitments to infrastructure development, including investments in logistics, construction, and connectivity, are expected to contribute to the growth of economy

Goods Trade



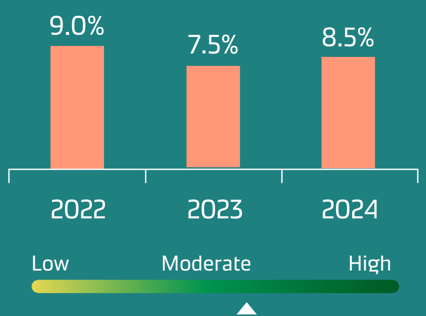
- India's reliance on exports has been increasing due to various factors, including trade cooperation agreements and improving competitiveness.
- The country has been actively engaged in signing Free Trade Agreements (FTAs), such as the India-UAE Partnership Agreement, India-Australia Economic Cooperation and Trade Agreement, and others.
- The PLI scheme has supported in becoming a high-value commodity exporter, particularly in sectors like electronics, pharmaceuticals, and textiles

Manufacturing



- The government's focus on expanding manufacturing capacity, semiconductors, and technology R&D is expected to contribute to India's economic growth in 2024.
- Make-in-India initiative and Production Linked Incentive scheme and push towards Self-Reliant India are likely to support medium-term growth prospects
- The government's initiatives for investment opportunities under the National Infrastructure Pipeline (NIP), are expected to contribute to the growth of the manufacturing sector.

Logistics



- The National Logistics Policy (NLP) aims to build a technology-integrated, cost-effective, and dependable logistics ecosystem in India.
- Air and Sea freight market growth is expected to be in line with economic and trade growth.
- The Make in India campaign has pushed to transform India from a services-dominated economy into a manufacturing-dominant one

Note: Growth rates are in real terms adjusted for inflation.
Source: Ministry of Statistics And Programme Implementation, Economic Survey 2023, and Frost & Sullivan Analysis

India to remain the fastest-growing major economy in 2024

The Indian economy will continue to experience growth throughout 2024 compared to 2023. By 2024, India's major economy is expected to continue rising at the highest rate in the world. Strong consumer demand is the main driver of the nation's healthy economic growth, which has expanded investments in a number of industries, including construction, hospitality and vital infrastructure like railroads and aviation. In the July–September quarter of 2023, India's Gross Domestic Product (GDP) grew at a faster-than-expected rate of 7.6%, exceeding most projections and outperforming the growth of other major economies. This is in part due to the growth of industries like consumer durables, mining, steel, cement, construction and energy generation. The services industry, which includes banking, building, lodging, aviation and auto manufacturing, is also expected to perform even better in the upcoming year. The Indian economy has strong defences against foreign threats, and strong macroeconomic fundamentals and robust growth support the nation's economic trajectory. Private consumption, investment spending and a resurgence in domestic demand are anticipated to underpin the expansion of the Indian economy. The GDP is expected to rise by 6.5% to 7.95% in the next two years, indicating that the country's economic outlook is still positive.

In conclusion, India is predicted to maintain its position as a major economy, with the fastest rate of growth in 2024 attributed to its excellent economic performance fueled by strong consumer demand and increased investments across a range of sectors. This indicates the country's resilience and potential for continued growth and development.

#3

PAKISTAN

Pakistan's Financial Improvement and Economic Adherence to be tested in 2024

Pakistan continued to grab headlines throughout 2023 due to the country's economic crisis, food crisis, mass protests and political unrest. The Pakistani rupee hit an all-time low crossing PKR 300 against USD 1 in August 2023. Pakistan's consumer price index reached an all-time high of 38% in May 2023 to become the highest in Asia. A series of political events further hampered the economy. Pakistan's economy slowed sharply in 2023, with GDP estimated to have contracted by 0.5%. The decline in economic activity reflects the cumulation of domestic and external shocks including the floods the previous year, government restrictions on imports and capital flows, domestic political uncertainty, surging world commodity prices, and tighter global financing. The IMF program and financial support from Saudi Arabia, the UAE and China have opened a path to economic recovery for Pakistan. 2023 saw a sharp slowdown in trade and manufacturing activities. However, the economic outlook remains fragile.

Highlights of H2 2023

- The country recorded a negative GDP growth of 0.5% in 2023 and it is forecasted to grow by 2% in 2024. However, the economic outlook remains weak. Pakistan's currency PKR dropped by 20% against the US Dollar in 2023. It reached a historical low to cross 300 PKR to the USD in August 2023.

- Manufacturing declined by 11% in 2023 overall. However, large-scale manufacturing (LSM) declined by 0.4% during Jul-Oct 2023 against the contraction of 1.7% the same period last year, showing signs of revival.

- FDI reached USD 656.1 million during Jul-Nov 2023, an increase of 8.1% due to Chinese investments. Year-on-year remittances from Pakistanis living abroad grew by 3.6% in November 2023 on the back of structural reforms related to exchange companies and consequent convergence of exchange rates in interbank and the open market.

- CPI national inflation averaged 29.2% in 2023 and peaked at a record high of 38% in May 2023. Food inflation recorded at 37.3% and non-food inflation at 20.3%. Pakistan's total liquid foreign exchange reserves increased to USD 12.9 billion in 2023 and ranked 134 among the global countries.

- Pakistan's tax-to-GDP ratio was 8.5% in FY 2023, below the Asia and Pacific average of 19.8% by 9.4 percentage points. It was also below the OECD average by 23.8 percentage points. Pakistan is trying to raise this standard as part of the agreement with IMF.

- Total foreign investment during Jul-Nov 2023 recorded an inflow of $690 million as against $ 575 million same period in the last year. Power sector attracted the highest FDI of $333.5 million (50.8% of total FDI) followed by Oil & Gas exploration $79.1 million (12.0%), and Financial Business $71.1 million (10.8%).

- Europe accounted for nearly 30% of exports from Pakistan. Disruptions in Asia – Europe trade lane is likely to increase shipping and insurance costs in the medium term.

Economic Developments

- **Reduction in trade deficit:** The Pakistan has managed to significantly reduce its trade deficit by an impressive 43% to $24.1 billion in the fiscal year 2023. However, Government's strict administrative measures on imports had a negative impact in GDP growth rate.

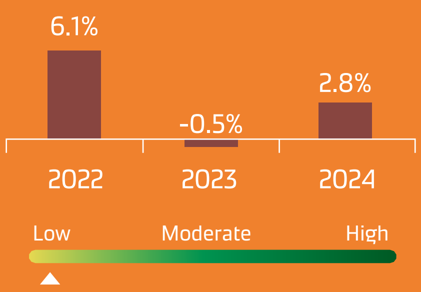
- **Infrastructure spending:** The crisis has meant less spending on infra projects in 2023. Transport infrastructure spending in the China-Pakistan Economic Corridor (CPEC) projects also slowed down significantly in 2023. Pakistan's worsening economic crisis and China's own recent slowdown have dampened prospects for new projects.

- **Fiscal consolidation:** The government strategy remained focused on fiscal consolidation through prudent expenditure management and domestic resource mobilisation. Pushed by the IMF, the government also focused on moving away from subsidies and prioritised creating ample fiscal space to safeguard the poor from inflation. Reduction is fiscal deficit also helped stabilise the PKR.

- **Emergence of start-ups:** Pakistan's start-up ecosystem is coming around the corner with major start-ups like Daraz growing in a bad economic growth scenario. With a major English-speaking base and good educational system, start-ups will play a bigger role in Pakistan's economic recovery.

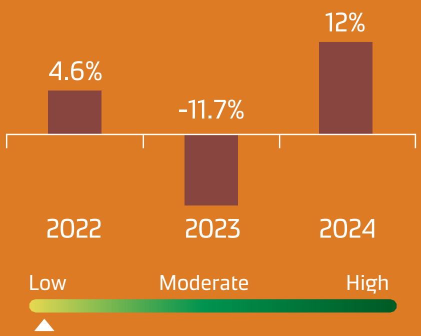
Economic and trade trends: Pakistan

Economic Growth



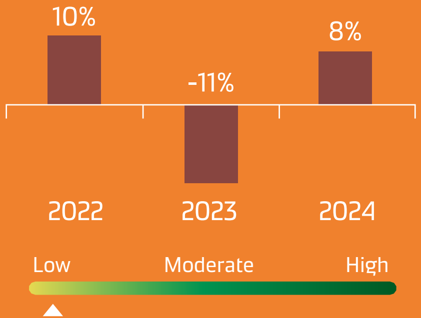
- The country recorded a negative GDP growth of a decline by 0.5% in 2023. It is forecasted to reach 2.8% GDP growth in 2024.
- Pakistan currency PKR dropped by 20% against USD in 2023. It reached a historical low to cross 300 PKR to an USD in August 2023.

Goods Trade



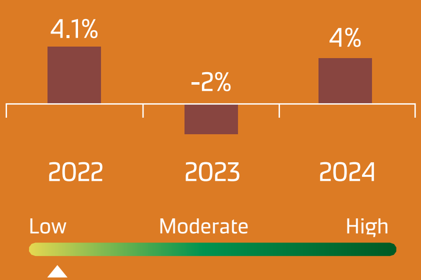
- Pakistan has managed to significantly reduce its trade deficit by an impressive 43% to $27.55 billion in the fiscal year 2023.
- However, Government's strict administrative measures on imports had a negative impact in goods trade which registered a decline of 11.7% in 2023.

Manufacturing



- The manufacturing sector witnessed significant drop of 11% in 2023.
- Slowdown in the production and consumption notably in automobiles, and other transporti equipment was felt in 2023

Logistics



- Related to economy logistics dived south by 2% compared to last year.
- Transport infrastructure spending in China Pakistan Economic Corridor (CPEC) projects also slowed down significantly in 2023.

Source: Pakistan Bureau of Statistics, State Bank of Pakistan, IMF, Frost & Sullivan Analysis

Economic recovery in 2024 to continue amidst tight fiscal regime

Pakistan has averted catastrophic economic default which seemed likely in the first half of 2023. Pakistan's risk of defaulting has receded for now, but the country needs more help from the IMF and foreign benefactors for a sustainable economic recovery. Pakistan's foreign exchange reserves had fallen to a low point where they could afford imports for only two weeks. A series of measures, including import restrictions, were put in place and helped slow the fiscal deficit and currency free fall. However, it impacted economic activities which resulted in a decline of 0.5%. Manufacturing and trading activities were the largest to get impacted by decline in the sector; more than 11% in 2023. China has provided financial support to Pakistan to help its trading partner out of its balance of payments crisis. In coming years, Pakistan needs to focus on increasing the tax-to-GDP ratio and focus on broadening the economic activity to raise the GDP growth rate to the developing world standard. Political stability will play a key part in making sure required alignment is in place to manage between a tight fiscal regime, inflation control and economic growth. The optimistic economic outlook is also evident in the 2.8% forecast in 2024, contributed by agricultural and manufacturing activities in the last quarter of 2023. The State Bank of Pakistan's (SBP) reserves have improved, but remain low, and projected external funding needs will continue to exceed reserves for at least the next few years, while broader measures of net reserves are deeply negative. The country's economic recovery remains a steep challenge.

#4

UAE

UAE's Diversified Economy Steers Resilient Growth Through H2 2023

The UAE is a dynamic economic powerhouse showing resilience and strategic expansion across numerous sectors. With DP World's large throughput growth and Jebel Ali Port's remarkable performance, trade activity increased in the UAE. As non-oil export sectors like mineral products and chemicals flourish, the UAE's economy diversifies. The economy benefits from the banking sector's stability and profitability, supported by prudent fiscal and regulatory policies. UAE's proactive foreign trade initiatives, such as CEPA with South Korea, demonstrate its dedication to strong global ties. Policy emphasises sustainability and innovation, supporting the nation's knowledge-based economy agenda. Due to favourable advances in both oil and non-oil sectors, the Central Bank of the UAE's optimistic 2023 and 2024 economic growth predictions suggest ongoing strong logistics and trade performance. Global climate governance has advanced due to the UAE's hosting of COP28 and commitments to sustainability and clean energy. Strategic diversification, particularly in renewable energy and technology, is helping the UAE navigate the global economy and build a robust and future-ready economy. With its efficient logistical operations, comprehensive economic diversification strategy and strong worldwide alliances, the UAE is a global trade and sustainable development leader.

Highlights of H2 2023

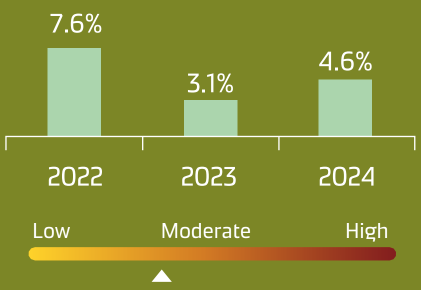
- DP World, a UAE-based global port operator, reported a throughput of 21.1 million TEU in the third quarter of 2023, reflecting the UAE's robust logistical capabilities. This represents a significant rise from the 19.5 million TEU reported in the first quarter, showcasing an uptrend in trade activity.
- Jebel Ali Port, a flagship terminal managed by DP World, maintained its growth momentum, handling 3.7 million TEU in Q3 2023, an uptick from 3.5 million TEU in Q1.
- The non-oil export sectors, especially mineral products and chemicals, showcased substantial growth, indicating a broadening economic base beyond traditional oil revenues.
- The projected growth in the non-oil sectors, particularly in real estate, construction and retail, is likely to further stimulate the UAE's logistics and supply chain industry, contributing to increased throughput in ports and improved trade volumes.
- The Central Bank of the UAE (CBUAE) has updated its economic growth forecast for 2024, increasing it from 4.3% to 5.7%. This revision reflects positive developments in the oil sector, particularly the announced increases in oil production by OPEC+.
- The non-oil economy of the UAE is also showing promising growth, with the central bank projecting growth rates of 5.9% for 2023 and 4.7% for 2024. This growth is driven by expansion in key sectors such as financial services, construction, real estate, and retail.
- The conflict in the Red Sea has created a challenging environment, leading to disruptions in the movement of goods moving from the UAE to Europe through the Suez Canal. Europe accounts for approximately 17% of imports from the UAE. Rerouting through Cape Town is expected to result in delays and increased shipping costs for goods.

Policy Developments

- **Free Trade Agreements:** The UAE has advanced its trade policy framework, capitalising on new agreements such as the CEPA with India, which is expected to amplify trade volumes further. South Korea and the UAE have mutually approved the provisions of a comprehensive economic partnership agreement (CEPA). The UAE is obligated to eliminate 91.2% of tariffs within a decade in accordance with the UAE-Korea CEPA, whereas South Korea commits to eliminating 92.8% of its tariffs.
- **COP28 Leadership:** The UAE presided over COP28, held in Expo City, Dubai, showcasing its commitment to global climate governance. The country achieved a consensus on reducing dependency on carbon energy sources and moving towards net zero by 2050, a first in COP history to address a comprehensive shift from all types of fossil fuels. As part of net -zero compliance, the UAE has committed to net-zero carbon emissions by 2050, becoming the first country in the Middle East to make such a pledge, reflecting its dedication to sustainability.
- **BRICS Membership:** Effective 1 January 2024, the United Arab Emirates (UAE) will join the BRICS bloc. BRICS currently comprises Brazil, Russia, India, China and South Africa. This is likely to improve trade and investment opportunities and global connectivity.

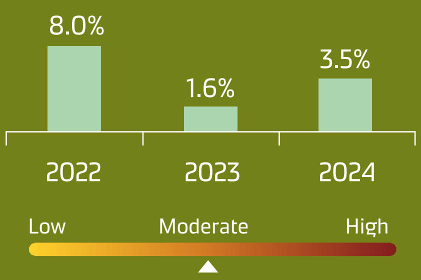
Economic and industry trends: UAE

Economic Growth



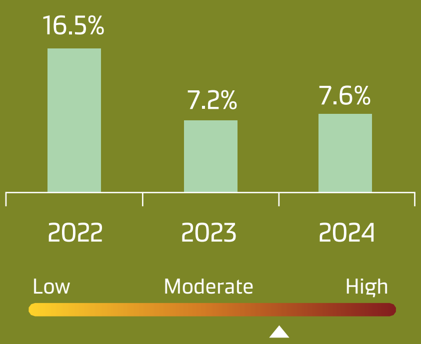
- The UAE's 2023 GDP growth rate was revised by the Central Bank of UAE to 3.1%, indicating solid development in both oil and non-oil industries.
- The country's diversification initiatives are leading to a strong non-oil economy, projected to increase by 4.6% in 2023.
- Central Bank of UAE (CUAE) predicts economic growth of 4.6% in 2024, due to good developments in the oil sector, including OPEC+ increases in

Goods Trade



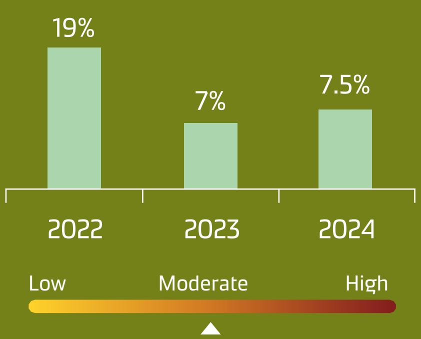
- UAE's non-oil foreign merchandise trade expanded by 13% by the end of the second quarter of 2023, showing the country's strong trade activity.
- The UAE has continued to expand its trade agreements, with new Comprehensive Economic Partnership Agreements (CEPA) to foster global trade relations.
- The country aims to attract $150 billion in foreign direct investment by 2031, enhancing its trade sector further.

Manufacturing



- The UAE's Industry Development Council has proposed initiatives to boost the business environment, aiming to increase the industrial sector's contribution to GDP to Dh300 billion ($81.6 billion) from Dh133 billion in 2021.
- There is a focus on developing future industries with investments in renewables, AI, biotechnology, and advanced manufacturing technologies

Logistics



- DP World, the UAE-based global port operator, reported a throughput of 21.1 million TEU in the third quarter of 2023, demonstrating the UAE's robust logistical capabilities.
- The UAE is investing in its aviation infrastructure, with Dubai International Airport's passenger numbers expected to reach 86.8 million in 2023, surpassing pre-pandemic levels.

Note: Growth rates are in real terms adjusted for inflation.
Source: Central Bank of UAE, Federal Competitiveness and Statistics Authority, and Frost & Sullivan Analysis

Resilience Amid Uncertainty: UAE Economic Growth Forecast for H2 2023 and Beyond

The UAE is positioning itself to be more resilient to fluctuations in the oil market as a result of its strategic diversification initiatives, which primarily target the renewable energy and technology industries. Sustainable development objectives and the Vision 2030 diversification strategy are crucial factors in shaping an economy that is prepared for the future. Enhanced infrastructure development, increased production and export of alternative energy sources, and the successful implementation of policy initiatives targeting trade and investment are anticipated to contribute to the UAE's economic growth in the first half of 2024, according to the forecast. By organising COP28, the UAE demonstrated its leadership in climate action and sustainability. This will likely inspire additional international cooperation and investment. For the first half of 2024, the economic outlook for the UAE remains optimistic. Critical determinants of the nation's robust global partnerships, comprehensive economic diversification strategy, and resilient growth are logistical operations that are highly efficient and effective. The positive outlook for 2024, with a rebound in oil GDP and steady growth in the non-oil sectors, positions the UAE to capitalise on its strategic location and advanced logistics infrastructure, potentially attracting more foreign direct investment and enhancing its role as a key player in global trade. Oil GDP is anticipated to contract by 3.4% in 2023, a reflection of ongoing production cuts. However, it is expected to rebound strongly in 2024 with an 8.1% growth, as oil production resumes in line with OPEC+ agreements.

#5

SAUDI ARABIA

Non-oil sector will remain strong despite the slow down in oil sector

KSA's overall prediction for GDP growth in 2023 reduced to -1.1 % compared to 8.7% in 2022, which mainly occurred due to oil production cuts in the second half of the year, with KSA's commitment to the production cuts in accordance with the OPEC+ countries. However, due to the decrease in crude oil prices, the OPEC+ countries have extended the oil production cuts into the first quarter of 2024 with Saudi Arabia to reduce to 1,000 thousand barrels per day in Q1 2024. While oil production decreased, non-oil growth has remained stable due to local demand, with a 4.8 % growth recorded in 2022, and 5% estimated in 2023. KSA's economic diversification in non-oil growth is supported by rapid digitalisation in industries and government services, labour market reforms and improving regulations governing the industrial sector. Inflation remained stable with an inflation rate estimated at 2.5% in 2023 and an expected 2.2% in 2024. Foreign and private investments in the non-oil sector are driving improvements and establishing international standards with a total investment of SAR 17 billion Q3 2023.

Highlights of H2 2023

- Total imports into the country is remained stable in the first three quarters, with an estimated 780 billion SAR in 2023 recording more than 8% growth from 2022. However, exports decreased mainly due to reduction in oil exports, from 1.5 trillion SAR in 2022 to 1.2 trillion SAR estimated in 2023.

- Air cargo was valued at 194 billion SAR in 2022 and has increased in the first three quarters of 2023, with a total estimate of 217 billion SAR in 2023 growing at more than 11%.

- Overall non-oil exports decreased by 13% in 2023 in revenue due to global inflation and low international demand. Land exports to regional states increased by a 0.3% estimate in 2023 with the Kingdom improving its road and rail infrastructure for better transport of goods.

- Imports grew by more than 9% due to rising domestic demand with Sea and Air imports registering a higher growth rate 10% and more, reaching more than 490 and 187 billion SAR respectively in 2023.

- Local manufacturing and industrial capabilities remain strong, with 174 new industrial licenses issued in the first 9 months of 2023, with a total investment of SAR 5.3 billion, from which 82 factories began manufacturing with an investment of SAR 1.8 billion.

- Uncertainties due to Middle East conflict threatens maritime sector which might experience delays and longer times because of Suez Canal waterway disruption which has led to a number of ships changing to a longer route through the Cape Route in South Africa resulting in an addition of 3,000 - 3,500 nautical miles and about 7-10 days from Europe to Asia.

Policy Developments

- **BRICS membership:** Six new members, including Saudi Arabia, joined BRICS in January 2024. Trade and investment cooperation among these countries are likely to benefit from this. In addition, Saudi Arabia will emerge as a key logistics hub due to these expanding trade and investment opportunities. Trade with BRICS countries is expected to reach USD 160 billion and improve global connectivity as a result of the proposed India-Middle East-Africa (IMEA) trade corridor.

- **New special economic zones:** The Kingdom also launched 5 new special economic zones with attractive regulations, through the signing of 8 agreements with government entities. This has improved ease of doing business and incentives in these zones and has resulted in better investments and industrial opportunities for the Kingdom by increasing investments, with a total of over SAR 30 billion recorded till 2023.

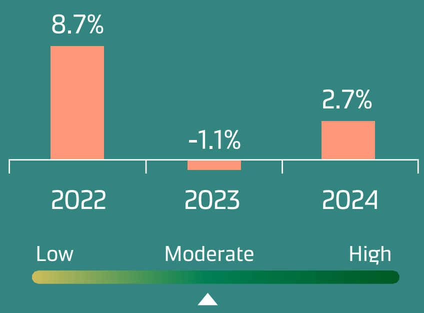
- **Estishraf platform:** One of the major developments in 2023 was the establishment of the Estishraf platform which provides government entities with decision-making support through data analytics and artificial intelligence for future insights. This platform currently provides services to more than 100 beneficiary government entities and has been successful in developing over 1,000 analysis studies to help entities with decision-making.

- **Last-mile support:** With a total of 23 logistics centers to be established by the end of 2024, 36 more are expected to be added by the targeted year 2030, bringing it to a total of 59. In addition, support for last mile is also being developed with the launch of lost parcel service which allows post and parcel companies to update data of parcels and posts that did not reach receiver, on the platform, after which the receiver is notified of the update for the parcel to be collected by the receiver.

- **BRIDGE Initiative:** During the early 2023 LEAP conference that supports the which aims to support technology companies to flourish not only locally but globally with exports into international markets. The initiative was estimated at USD 26 million with subsidies support services for Mergers and Acquisitions, Subject Matter Expert, Commercial Presence, Inventions Testing and Marketing Activities. The initiative provides financial funding for high growth startups.

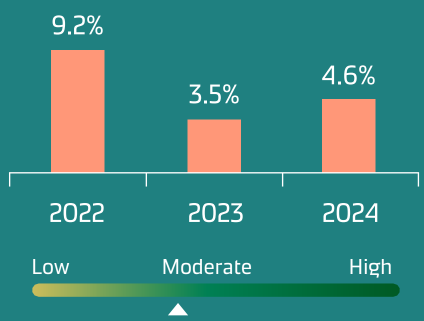
Economic and industry trends: KSA

Economic Growth



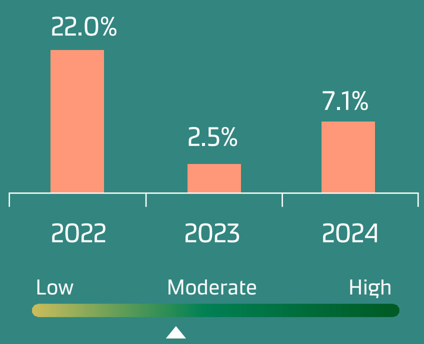
- Recent revisions of GDP projections for 2023 for KSA has been lowered by the IMF due to oil prices dropping and its production cuts.
- 2023 GDP growth was largely maintained through growth in the non-oil sector projected at 5% in 2023.
- 2024 forecast for GDP raised due to strong investments in the non-oil sector.

Goods Trade



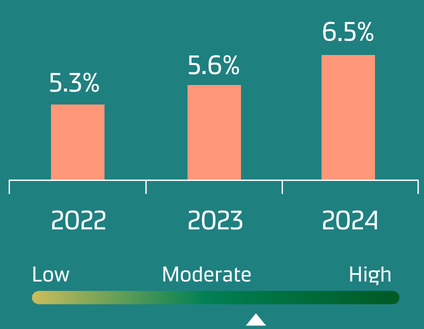
- With oil exports reducing, the country is focusing its efforts on its non-oil sector.
- Imports are expected to remain stable as demand rises in the country.
- Exports although lowered in 2023 are expected to improve in 2024 mostly upheld by non-oil exports as oil production cuts in KSA are expected to extend to the first quarter of 2024.

Manufacturing



- With the KSA launching 174 industrial licenses in the first 9 months of 2023.
- Local manufacturing increased with the inclusion of 207 products from 264 on the mandatory list in the addition price preference regulation.
- 2024 is expected to see an electronic portal for technical consultation for businesses for manufacturers

Logistics



- The logistics infrastructure is improving with a growth rate of 5.6%.
- The logistics digitalization with the inclusion of transport and warehousing management systems for efficiency in the movement of goods.
- Cross-border logistics are also improving with quick custom clearance

Source: Growth rates are in real terms adjusted for inflation.
Source: General Authority for Statistics (GASTAT), and Frost & Sullivan Analysis

Non-oil growth to support economic growth in 2024

The Kingdom of Saudi Arabia (KSA) is investing heavily in its manufacturing sector by providing incentives for local companies and attracting investments into the country. Investments in the machinery, equipment and electrical appliances segment, as well as the mining sector, are expected to raise non-oil growth. Reducing imports for local demand and replacing them with local products is expected to support KSA's economy. In addition, Saudi is also expanding credit facilities and insurance coverage of SAR 8.8 billion and SAR 6.8 billion, respectively, to support non-oil Saudi exporters and importers. This is expected to enable businesses to have the finances to increase manufacturing for export purposes. As the Kingdom currently lowers its dependence on oil, it is creating opportunities in several industrial segments to improve economic growth by intensifying non-oil GDP contribution.

#6

KENYA

Kenya's economic growth and development

Growth in Kenya's GDP was recorded at 4.8 % in 2022, and is estimated to increase to 5% in 2023. This increase is attributed to a recovery in Kenya's agriculture segment from drought and lower productivity in 2022, with a focus on agro-processing capabitlities. The country's 2030 target for its agricultural sector is expanding to 1.4 million acres of total land for irrigation. Kenya is also investing in oil exploration as businesses are growing. With better agricultural performance and a tighter monetary policy, the country is expected to lower its inflation rate, estimated at 7.7% in 2023, to 6.6% in 2024. Although sectors such as tourism and manufacturing saw an increase in 2023 with better private investments, Kenya faces challenges with regards to higher financial vulnerabilities, mainly due to its excessive public debt, global inflationary and economic pressures, and high cost of living. As the country further intensifies its economic activities, the GDP growth is expected to reach 5.3% in 2024.

Highlights of H2 2023

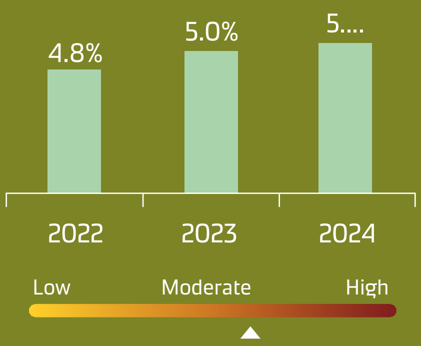
- In the first 10 months of 2023, Kenya's total export of goods reached 831 billion KSh growing by 15%, out of which domestic exports contributed to almost 90% with a total of 744 billion KSh during the same period. On the other hand, imports grew by 1.3% to reach 2.1 trillion KSh during in the first 9 months of 2023.
- Kenya's busiest port, the port of Mombasa handled 29.6 million metric tonnes of cargo in first ten months of 2023, growing by 3% for the same period in the previous year.
- Rail freight in Kenya, through its Standard Gauge Railway, totalled to 939 million KSh in the first three quarters of 2023 increasing by more than 10% compared to 2022.
- The net output of the manufacturing sector in Kenya amounted to 8.8 billion in 2022 and is estimated to grow by 4.7% in 2023 as the agricultural sector strengthens and manufacturing activities for export purposes sees an increase.
- Air freight in Kenya is expected to grow at 13% in 2023 to reach around 400 million ton-km in 2023so with an increasing presence of freighters to fulfil the regional rising demand of Africa's food and healthcare supply, as well as to improve exports at the global level.

Policy Developments

- **Tax and regulatory reforms:** Mid 2023, Kenya saw the completion of its National Tax Policy with the objective of bettering investments in the country. These reforms are expected to be held for at least three years. The Finance Act 2023, signed mid-2023, includes reforms for improving new-emerging local businesses as well as exports. Through the Act, the government plans on the quick clearance of all tax refund claims in a span of six months, eliminating value added taxes on exported services as well as part of the taxes (unrealised gains on employee-allocated shares) to ease the burden on start-ups and push the growth of local entrepreneurs.
- **Medium Term Development Strategy (2023-2027):** Kenya forth MTP focuses on decreasing the annual inflation rates to 5% to lower the cost of living, generating an annual of 1.2 million jobs, raising tax revenues and increasing its contribution to GDP to 18% by FY 2027-2028 and improving exports and thereby bettering foreign exchange balance. The government plans on doing this by concentrating on five main pillars; Securing Shelter and Housing, Agricultural sector, Micro, Small and Medium Enterprises (MSME), Digital Superhighway and Creative Economy and Healthcare. Within these pillars, two key pillars of MSME and Digital Superhighway and Creative Economy are planned with targets to be achieved, projected to make a significant impact on Kenya's economy
- **Digital Superhighway and Creative Economy:** Within this pillar, broadband connectivity is expected to expand to more than 100,000 kilometres, with fibre optic cables to be included. In addition, the government plans to digitise services and support software development for export. With this expansion, Kenya aims at achieving 25,000 public wi-fi hotspots and Digital Village Smart Hubs within its 1,450 administrative units called wards.
- **Micro, Small and Medium Enterprises (MSMEs):** Kenya's Budget Policy statement also outlines its plans to improve access and create affordable financing through savings and credit co-operative (SACCO), equity funds, venture capital and Financial Inclusion Fund which aim at providing long-term debts to small and medium enterprises and start-up companies. Various other funds are also committed to improving financing to MSMEs to assure affordability and access.

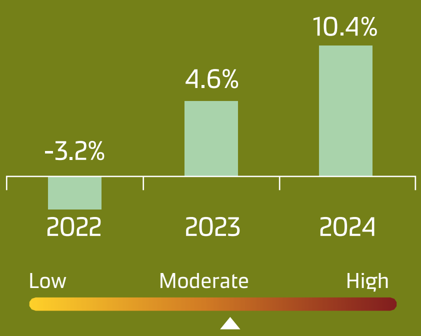
Economic and industry trends: Kenya

Economic Growth



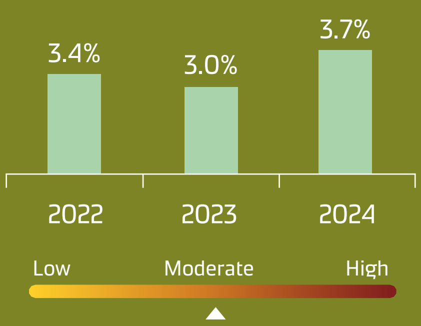
- Kenya's GDP growth rate is expected to increase to 5% in 2023 and further to 5.3% in the year 2024.
- This increase is supported by its improvement in its agricultural sector post drought condition.
- The manufacturing sector also saw an increase in contribution to GDP from 7% in 2021 to 8% in 2022

Goods Trade



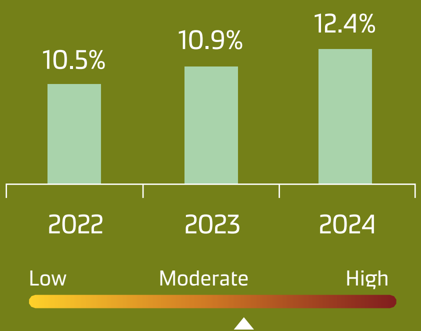
- Trade reduced in 2022 by 3.2% due to the effects of drought on its agricultural sector, which makes up the largest segment in its total exports.
- Due to this, horticultural exports were also negatively impacted.
- However, in 2023, the trade saw an increase and an expected 4.6% growth rate is estimated as exports increase significantly.

Manufacturing



- Manufacturing saw an increase of 3.4% in 2022 and is estimated to grow at 3% in 2023 as the country focused its efforts on bettering conditions after the drought.
- A projected 3.7% growth in 2024 is mainly due to the rising investments in the industrial sector that is expected to increase productivity.

Logistics



- Kenya's logistics sector is expected to grow at 10.9% in 2023 with its trade and manufacturing growth increasing and raising the demand for logistics services.
- As the demand rises, infrastructural development through government initiatives is also expected to aid in the strengthening the supply chain.

Note: Growth rates are in real terms adjusted for inflation.
Source: International Monetary Fund (IMF), Kenya National Bureau of Statistics, and Frost & Sullivan Analysis

Kenya's Trade to Expand and Support Economy

With initiatives for MSMEs and increasing local manufacturing, the country can leverage trade opportunities amidst the growing demand in Africa, as well as on a global level. However, Kenya must focus its efforts on diversifying its exports from agriculture to other sectors in order to benefit from high-value items. This is necessary to support Kenya's economic growth and local development capabilities. In addition, the country must follow up on its Vision 2030 goals with clear implementation targets and techniques. By doing so, Kenya will be able to achieve success in developing its industries for local, regional and global demand, and better its position on a global scale.

#7 SOUTH AFRICA

South Africa's economy expected to improve into 2024

South Africa's GDP increased by 0.6% in Q2 2023, up from a 0.4% rise in Q1. However, after expanding for two quarters, the GDP contracted by 0.2% in the third quarter of 2023. Approximately, a 9.6% decline in the agriculture sector resulted in a -0.3% point contribution to the GDP growth that was negative. This was mostly caused by lower-than-reported economic activity for field crops, livestock, and garden goods. The manufacturing sector experienced a 1.3% loss, accounting for -0.1 of a percentage point. Household final consumption spending fell by 0.3% in the third quarter of 2023, contributing -0.2 %age points to the overall negative growth. Industries like coal, diverse metals, gold, and PGMs have noticed upturns in business. However, during the third quarter, there was a decrease in both the production and consumption of electricity, which led to a 0.2% decline in the gas, water, and electricity industries. The construction sector experienced a 0.4% contraction in the second quarter. In order to lessen the nation's energy scarcity, the South African government is implementing several measures, such as encouraging renewable energy, changing the energy market, and funding initiatives that are aimed at substituting coal-dependent power generation with renewable energy sources.

Highlights of H2 2023

- **Positive growth in the manufacturing sector:** In the third quarter of 2023, the manufacturing sector grew by 2.2%, adding 0.3% to the GDP. In the second quarter, nine out of ten manufacturing divisions recorded positive growth rates. The segment that produced rubber, plastic, chemicals and petroleum goods contributed the most to the growth. The departments that dealt with basic iron and steel, non-ferrous metal products, metal products, and machinery also significantly aided in the expansion of this industry.

- **Import and export:** In the third quarter, net exports experienced a negative impact on GDP expenditures. Exports of goods and services climbed by 0.6%, primarily driven by increased trade in chemical-based goods, prepared food products, alcoholic beverages, tobacco products, automobiles and transportation supplies, mineral-based goods, machinery, and electrical appliances. The decline in trade of machinery and electrical equipment, chemical products, artificial resins, plastics, metallic substances and articles of base metals, vegetable products, vehicles, and transport equipment, and base metals and articles of base metals contributed significantly to the 8.6% decline in imports of goods and services.

- **Green hydrogen initiatives:** In October 2023, South Africa made significant strides in advancing its green hydrogen initiatives through provincial collaboration. Provinces such as Northern Cape, Western Cape, and Eastern Cape have been actively involved in advancing green hydrogen projects. Northern Cape has finalised its Green Hydrogen Roadmap, with potential investments ranging from USD 300 billion to USD 500 billion by 2050. The collaboration among these provinces aims to maximize the social, economic and trade benefits of green hydrogen and its value chain. Its goal is also to promote green hydrogen as a clean energy carrier and support sectors that face challenges in decarbonizing.

- **Port traffic:** Due to the Red Sea crisis, the number of ships passing through the Cape of Good Hope is expected to increase. This has overwhelmed African ports, including those in South Africa, with issues of congestion, and longer waiting times due to infrastructure constraints. The disruptions have also led to increased demand for refuelling in Cape Town, benefiting the Western Cape Province. However, the rerouting of ships has presented challenges for African ports, particularly in terms of handling the increased traffic, resulting in congestion.

Policy Developments

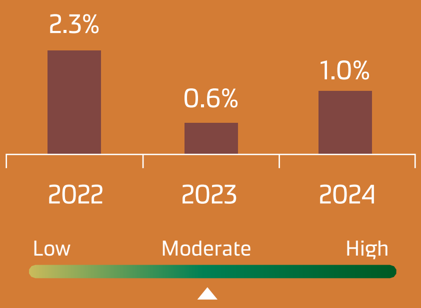
- **Renewable Energy Independent Power Producers (REIPPP) program:** In October 2023, South Africa introduced the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) as a way to obtain energy from independent producers. The program's goal is to increase the country's energy capacity by including wind power small hydro plants, with a capacity of less than 40 MW, landfill gas, biomass and biogas. By 2023, a total of 123 projects were granted to companies, resulting in an investment of R256 billion (USD 17.32 billion). This initiative aligns with South Africa's commitment to the Paris Agreement. The country aims to diversify its energy sources from coal-fired power generation. The REIPPPP has played a role in achieving climate change objectives by reducing carbon dioxide emissions and saving fuel consumption. Additionally, it has helped alleviate power shortages and generated job opportunities throughout the country, particularly, in the Eastern Cape region where many renewable energy projects have been approved.

- **Industrial Development Corporation (IDC) Strategy 2023-2028:** The South African Industrial Development Corporation (IDC) recently introduced an approach to bolster manufacturing in sectors like chemicals, pharmaceuticals and automotive. The IDC, a government-owned institution focused on fostering growth and industrial development within South Africa, has devised a strategy for 2023-2028. This new strategy primarily concentrates on supporting the emergence of industries, encouraging innovation and enhancing competitiveness. To achieve these goals, the IDC will provide aid, technical assistance and various other forms of support to businesses operating in these targeted sectors. Furthermore, the strategy aims to cultivate medium enterprises (SMEs) while also advancing economic inclusion by empowering historically disadvantaged individuals. Overall, this strategic approach by the IDC aligns with the objectives of the African government concerning economic development through industrialisation and job creation.

- **Industrial Policy Action Plan (IPAP) 2023-2033:** South Africa's Industrial Policy Action Plan (IPAP) for 2023 to 2033 focuses on six sectors: manufacturing and capital goods; chemicals and pharmaceuticals; electronics and ICT; food and agro-processing; green energy and the circular economy, and tourism and creative industries. The main objective of IPAP is to attract investments of R1.2 trillion and generate 1 million job opportunities in 10 years. It is a policy framework devised by the government's Economic Sectors, Employment, and Infrastructure Development (ESEID) cluster to foster growth and industrial development across South Africa. The plan aligns with the National Development Plan (NDP) which outlines South Africa's vision for development. IPAP strives to facilitate the growth of industries, encourage innovation, enhance competitiveness, support medium-sized enterprises (SMEs), and promote inclusivity by empowering historically disadvantaged individuals in the economy. Overall IPAP plays a role in driving progress while focusing on industrialization efforts and job creation, in South Africa.

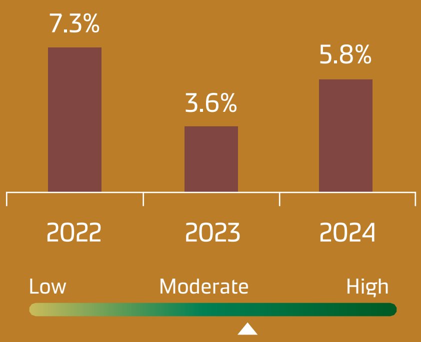
Economic and industry trends: South Africa

Economic Growth



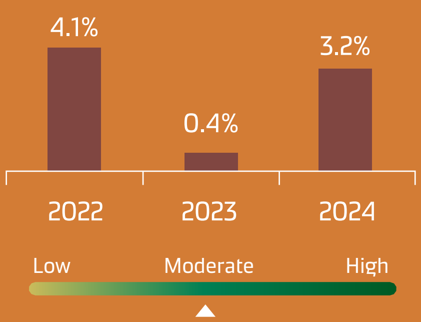
- The decline was linked to multiple reasons, such as decreases in the mining operations, manufacturing, and construction sectors, as well as challenges in the energy supply
- New government's initiatives to develop modern infrastructure and increase employment through skill-based projects focus on strengthening South Africa's economy in the future.
- The National Development Plan (NDP) policy will boost employment and economic growth.

Goods Trade



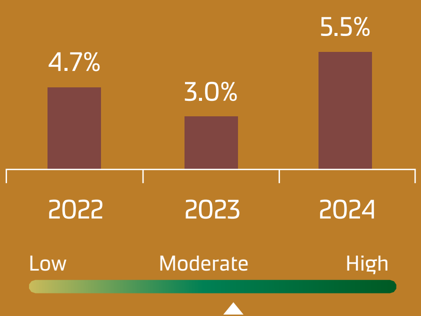
- The decline in goods trade was also impacted by a slowdown in household spending and fixed investment
- Through the African Continental Free Trade Area (AfCFTA), South Africa aims to increase its exports to other African countries and reduce its reliance on traditional trading partners
- Government focusing on strengthening the export institutional structure and diversifying the market, the government aims to boost the demand for South African goods and services worldwide.

Manufacturing



- Manufacturing operations and supply networks were interrupted by the power disruptions, which had an impact on the manufacturing sector.
- South Africa's trade relationships with other countries have also played a role in promoting manufacturing, by providing access to new markets and encouraging investment in the sector
- South Africa exploring new markets through the African Continental Free Trade Area (AfCFTA), it is expected to increase export destinations and increase intra-African trade

Logistics



- The logistics outlook of South Africa in 2024 is influenced by the country's freight and logistics market and rerouting vessels due to red sea crisis
- The government is also working on infrastructure development, which is critical to attaining South Africa's long-term economic and social goals.
- Logistics businesses plan to leverage digitization to streamline freight booking, automate e-documentation procedures, and cargo tracking, and streamline online payments.

Note: Growth rates are in real terms adjusted for inflation.
Source: IMF, Statistics South Africa, and Frost & Sullivan Analysis

South Africa's economy expected to improve into 2024

South Africa is anticipated to experience growth improvement in 2024, thanks to a better energy supply. Comparing 2024 to 2023, the African economy is expected to witness an upturn in growth, although it will remain below the levels seen before the pandemic. The primary drivers of this growth will continue to be consumption, with a projected growth rate of 1.9% in 2023, and 2.4% in 2024. Efforts will be made to modernize and reform network industries such as telecommunications, electricity, ports, rail and roads. Trade policies will shift towards capitalising on the benefits of the free trade area by fostering increased regional integration and establishing South Africa as a prominent export hub for the region. To encourage business operations for startups, growth and competition barriers to entry will be reduced. The logistics services sector is expected to witness growth due to rising demand for e-commerce and last-mile delivery services. The government plans to invest in infrastructure development, prioritise energy security and industries, and address inequality by promoting growth. These initiatives are expected to contribute to South Africa's growth in 2024 in conjunction with global and domestic economic trends.

#8 NIGERIA

Navigating the Economic Currents

During the latter half of 2023, the intricate and ever-changing Nigerian economy is traversing a critical period of transition and adversity. Nigeria, being the largest economy in Africa, is confronted with a distinct array of prospects and obstacles influenced by both domestic and international economic conditions. The country is currently grappling with the consequences of the COVID-19 pandemic, the unpredictable nature of crude prices, and the critical requirement for economic diversification. Significant policy decisions, such as the elimination of petrol subsidies, transition to a foreign exchange rate that reflects the market, and substantial monetary policy adjustments, characterise this era. These policies, which are designed to promote growth, control inflation, and stabilise the economy, are implemented in the midst of geopolitical tensions and volatile energy markets, among other global economic uncertainties. The objective of this analysis is to present a comprehensive synopsis of Nigeria's economic performance, with particular emphasis on the growth of the country's GDP, the contributions of different sectors, and the consequences of significant policy reforms. Through an examination of these facets, our objective is to gain comprehension of the present condition of Nigeria's economy and provide perspectives on its possible course amidst persistent international and domestic obstacles.

Economic Performance in H2 2023

- **GDP Growth and Sectoral Analysis:** Nigeria's GDP at constant market price increased by about 2.7% year-on-year, rising from approximately 54.3 trillion Naira in the first three quarters of 2022 to 55.8 trillion Naira in the same period of 2023. This moderate growth highlights the country's economic resilience amidst global challenges.

- **Agricultural Sector:** The sector continues to be a steady contributor, showing a slight increase from 13.5 trillion Naira in the first three quarters of 2022 to around 13.6 trillion Naira in 2023. The crop production sub-sector, in particular, has exhibited resilience with a 1.65% increase in its contribution.

- **Mining and Quarrying:** This sector, especially the oil and gas sub-sector, witnessed a 1.96% decline, reflecting persistent industry challenges. However, the metal ores segment showed significant growth, indicating potential diversification opportunities.

- **Manufacturing Sector:** There was a modest increase in the sector's contribution to the economy, from about 4.89 trillion Naira in the first three quarters of 2022 to approximately 4.96 trillion Naira in 2023. Notable growth was seen in sub-sectors such as food, beverage, and tobacco, as well as cement.

- **Service Sector:** Demonstrating substantial growth, the sector's contribution rose from roughly 20.5 trillion Naira in 2022 to about 21.6 trillion Naira in 2023, marking a 5.32% increase.

- **Foreign Trade:** Imports decreased by 2.3% and Exports Increased by 13.8% during the first nine months of 2023. Apapa Port handled 93% of the exports and 63% of imports in Q3 2023.

Key Policy Developments

- **Elimination of gasoline subsidy:** While this decision was projected to save about 2 trillion Naira in 2023, it has also contributed to a surge in inflation, reaching 27.3% year-on-year in October 2023.

- **Monetary policy tightening:** The government's coordinated approach in fiscal, monetary and FX policies is aimed at controlling inflation, stabilising the FX market, and improving overall economic management. The Central Bank of Nigeria increased the Monetary Policy Rate (MPR) by 25 basis points in July 2023, a crucial step in managing inflation and stabilising the economy.

- **Market-reflective foreign exchange rate:** The Naira's 41% depreciation against the US dollar in the official market is a significant move towards a more market-aligned exchange rate. Lifting of the 2015 ban on 43 product categories affects a wide range of imports, influencing market dynamics.

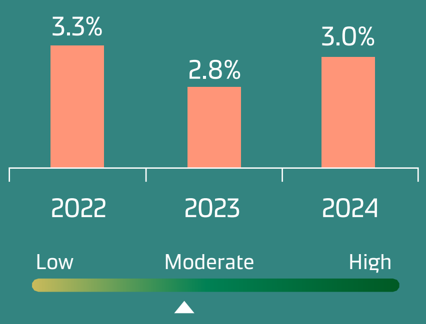
Progress in Implementing Reforms and Coordinated Policy Mix

- **Fiscal savings and revenue mobilization:** A focus on enhancing non-oil revenues and implementing tax measures is evident, along with efforts to manage governmental spending efficiently.

- **Foreign exchange policy and monetary tightening:** The commitment to a unified, market-reflective exchange rate, and the removal of the Standing Deposit Facility Cap signify efforts to streamline monetary policy and FX management. The government's coordinated approach in fiscal, monetary and FX policies is aimed at controlling inflation, stabilising the FX market, and improving overall economic management.

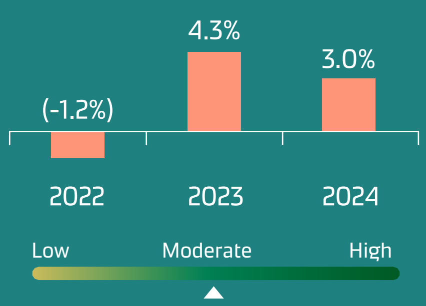
Economic and industry trends: Nigeria

Economic Growth



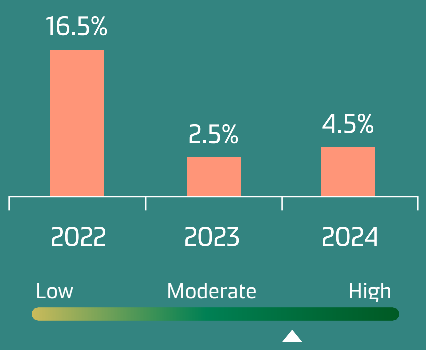
- President Tinubu's administration prioritizes manufacturing, currency rate, and infrastructure investment to boost a diverse and thriving economy.
- Nigeria aims to create an optimal climate for commercial operations, stability, and investment by modifying and lowering numerous taxation to attract domestic and foreign investors.
- To create a business-friendly climate and boost economic growth, efforts are underway to revamp the economic landscape, particularly the manufacturing sector.

Goods Trade



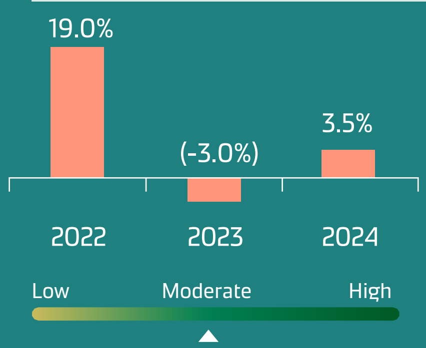
- The government has implemented reforms in foreign currency and exchange rate systems to stimulate the competitive export of Nigerian goods, thereby bolstering the trade balance.
- Policies are being crafted to liberalize funds for the manufacturing sector, especially areas of high potential growth such as the production and export of goods.
- Simplification of the complex exchange rate system could improve the ease of doing business, driving foreign trade and supporting the expansion of Nigeria's trade footprint in the global market.

Manufacturing



- The commitment to increase domestic production, promote job creation, and stimulate economic growth is at the forefront of the government's agenda.
- Policies to provide a more reliable energy supply, essential for efficient manufacturing and industrial operations, are being prioritized.
- By addressing multiple taxation and anticompetitive barriers, the government seeks to create a more conducive environment for manufacturing investments and expansion.

Logistics



- There is a significant increase in investments in the road, rail, and port infrastructure which will streamline the logistics sector and enhance the movement of goods and services.
- Focus on reducing bottlenecks in the logistics industry, thereby increasing its competitiveness and attractiveness to foreign investors.
- A comprehensive approach to tackling security concerns in the logistics sector is being adopted to establish a safer and more efficient operational environment.

Note : Growth rates are in real terms adjusted for inflation.
Source: Federal Competitiveness and Statistics Authority, and Frost & Sullivan Analysis

Charting Nigeria's Economic Voyage – A Look Towards Tomorrow

At the end of 2023, Nigeria found itself at a critical juncture in its economy, with its economic environment being influenced by both a purposeful endeavour towards reform and a response to worldwide economic transformations. Although progress is being made, the country continues to face the challenge of achieving sustainable growth and controlling inflation while implementing strategies for economic diversification and stabilisation. Nigeria is establishing the foundation for sustained economic resilience with a strategic focus on distancing itself from the oil industry through the promotion of manufacturing and agriculture, reinforcement of fiscal discipline, and implementation of adaptive monetary policies. The sustainable implementation of these reforms, effective navigation of global economic waters, utilisation of the nation's natural and demographic assets, and cultivation of an innovative and inclusive economic climate are critical determinants of the country's future. Nigeria's trajectory in 2024 will be determined by its ability to sustain reform momentum, rectify socio-economic imbalances, and stimulate innovation and entrepreneurship. Such actions have the potential to propel the country towards unprecedented levels of prosperity and sustainability.

#9 GHANA

Economic Growth of Ghana Expected to Improve in 2024

A combination of multiple macroeconomic factors marked a year of turbulence in Ghana. Domestic trade balances and global factors led to depreciation in currency and rising inflation which tumbled investor confidence. Economic growth was forecasted at 1.5% in 2023, and the projected growth in 2024 will be 2.8%. It is expected to rebound in 2025 as per World Bank estimates. Efforts are being made to boost domestic food production, and effectively integrate with the world food supply chain. The overall environment of the country also impacted goods trade which fell by 6.9% from 2022 and is expected to rebound to 8.8% in 2024. Manufacturing indicator also continued its downfall, recording 3.5% less than the previous year. The ongoing fiscal consolidation, corrective monetary policies, high inflation, interest rates and macroeconomic uncertainties will keep private consumption and investment low. Poverty is projected to worsen between now and 2025, increasing to ~34% (international poverty line) by 2025, consistent with a muted outlook on growth in services and agriculture, and rising prices which are outpacing the income growth of those at the bottom of the distribution.

Highlights of H2 2023

- Container port traffic registered a growth of 1.96 million TEU in 2023. Port traffic has also faced challenges due to fluctuating demand and changing trade patterns. A series of technological advancements in contactless deliveries and digitization are in progress at the major ports in Ghana.

- The country's economy was forecasted to grow by 1.5% in 2023 and is projected to rebound only in 2025. The low GDP growth rate combined with higher inflation has resulted in food scarcity in the country.

- H2 failed to raise the mood of the economy in Ghana, and ongoing fiscal consolidation, corrective monetary policies, high inflation, interest rates and macroeconomic uncertainties will keep private consumption and investment low.

- Poverty is projected to worsen between now and 2025, increasing to ~34% (international poverty line) by 2025.

Economic Developments

- **Foreign direct investment (FDI):** Ghana recorded encouraging levels of investment for the first half of the 2023 fiscal year. At the end of June 2023, the GIPC recorded FDI of US$ 268.73 million. These investments are expected to generate 6,247 jobs once operations reach full capacity. Notably, the investments recorded during this period were particularly significant in key sectors such as services, manufacturing, export trading, agriculture, and building & construction.

- **Trade Agreement (2023):** The U.S. Government has signed a Memorandum of Understanding with Ghana that facilitates coordination between two governments to support the engagement of American businesses in the respective countries' priority business sectors. Ghana also one of the founding members of The African Continental Free Trade Area (AfCFTA) with motivation to transform the region into a manufacturing hub.

- **Decarbonizing Ghana:** One of the main causes for the debt crisis was because of higher energy import bill due to various external factor. The government of Ghana is launching a $550 billion investment plan for the energy transition. The targeted sectors include electricity and mobility. Ghana aims to be carbon neutral by 2060. A significant amount of investment will be required to make the plan feasible, and Ghana is creating project task force to achieve the targets of zero carbon nation.

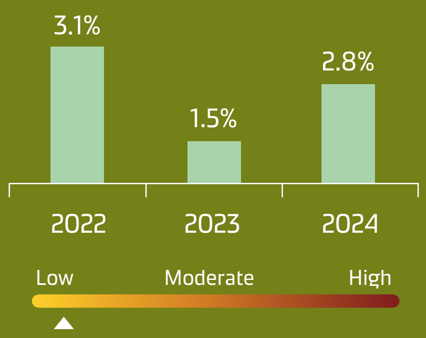
- **Airport Expansion Projects:** Ghana commissioned the second phase of Tamale International airport in northern Ghana. This project is expected to provide an impetus for increased economic trading activities and reinforce the status of Tamale as a sub-Saharan airport for flights to and from West African countries in the Sahel region. The phased development of the Tamale airport is part of a plan to make the facility an alternate airport to Kotoka International airport – located in the south in the capital Accra.

- **2023- Action year for road sector:** A number of road projects are initiated near the Accra 2023 African Games village. The $338 Million Accra-Tema Motorway expansion commencing is a vital part of the developmental agenda in an attempt to optimize transport in Ghana and raise a sense of awareness on mega projects coming to Ghana.

- **Ports Expansion:** Ghana Govt has formally opened the second phase of the Tema Port Expansion project that promises to usher in a new era of enhanced capacity at Tema Port. The 2nd Phase of Tema Port Expansion Project encompasses the paving of an expansive 270,000-square-meter area, expanding the terminal's footprint from one hundred hectares to an impressive 127 hectares. The phased delivery of the first section, comprising 50,000 square-meter area, is slated for July 2024, with the entire project anticipated to reach completion by September 2025.

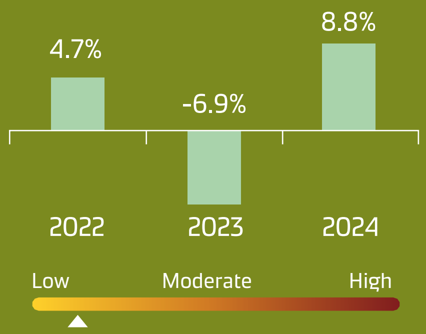
Economic and trade trends: Ghana

Economic Growth



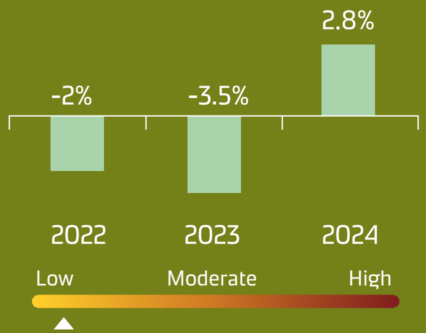
- Economic growth is forecasted to be at 1.5% in 2023 the projected growth in 2024 will be 2.8%
- Ghana expects a low level of growth at 2.8% in 2024 and realize its true potential only in 2025

Goods Trade



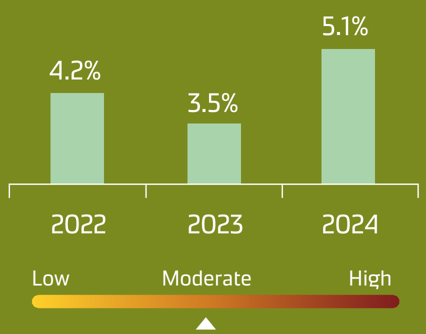
- Domestic trade balances and global factors led to depreciation in currency, rising inflations and which in turned tumbled investor confidence
- Ghana Govt has formally opened the second phase of the Tema Port Expansion project that promises to usher in a new era of enhanced capacity at Tema Port.

Manufacturing



- Ghana's Manufacturing industry further saw a decline in 2023 by 3.5% raising concerns for the industries.
- The U.S. Government has signed a MOU with Ghana that facilitates coordination for American businesses in the respective countries' priority business sectors.

Logistics



- The country experienced a slow down in the Transport and Logistics segment in 2023 as cargo traffic due to the subdued trade flow decline.
- Container port traffic registered a growth registering 1.96 M TEU in 2023. Port traffic has also faced challenges due to fluctuating demand and changing trade patterns.

Note : Growth rates are in real terms adjusted for inflation.
Source: Federal Competitiveness and Statistics Authority, and Frost & Sullivan Analysis

Economy is expected to bounce back to its true potential by 2025

Ghana has secured a three-year IMF Extended Credit Facility (ECF) program of about USD 3 billion and has embarked on a comprehensive debt restructuring program to elevate the country out of the current crisis. The economy was projected to grow by 1.5% in 2023 and is expected to remain timid at 2.8% in 2024. Ghana will continue to bolster FDI investment and tighten the monetary policies in 2024, with a focus on reducing dependency on food and energy requirements. One of the major action points for Ghana is to fight the poverty index and bring it below the global average poverty index. The infrastructure projects will help Ghana keep the economy running and create jobs for local people. A significant focus has been given to the food sector to make Ghana self-dependent and integrate itself with the global food supply chain. Ghana has also raised its target to counter climate change by reducing the target to become a zero-carbon nation by 2060. With the continued investment and fiscal tightening, Ghana is forecasted to regain its true potential growth only by 2025.

#10

IVORY COAST

Industrial and trade growth to improve economic performance in 2024

The GDP of Ivory Coast is expected to reach US $79.43 billion in 2023, and has been one of the fastest-growing economies in Sub-Saharan Africa, with real GDP growth averaging 8.2% between 2012-2019, driven by sustained public investment and strong domestic consumption. The country is emerging as an attractive prospect for investment destinations in the region. The factors contributing to Ivory Coast's GDP growth in the third quarter of 2023 include continued investment in network infrastructure, particularly in the digital and transport sectors, as well as reforms and investments in the National Development Plan (NDP) 2021–2025. The growth is also driven by the improving performance of extractive industry, infrastructure development, construction, retail trade, and telecommunications. Political and social stability, combined with sound macroeconomic policies, has improved the overall investment climate, contributing to the growth of industrial and services sectors. Despite global slowdown and uncertainties, Côte d'Ivoire is projected to grow by 6.2 % in 2024.

Highlights of H2 2023

- Inflation was also lower than in other countries in 2023 at 5.5% and is expected to slow to 4.0 % in 2024. The value of CFA Frank per USD declined from a peak of 667 in October 2023 to 599 XAF (francs) in December 2023. The extractive industry grew by 7.1% during the first ten months of 2023.

- Ivory Coast relies heavily on its cocoa production, which contributes 40% of national exports. Due to excessive rainfall and deforestation the cocoa output is declined by 10% in 2023. To mitigate the risk in future the government has increased the rate for registration duty on cocoa from 3% to 4% of the cost, insurance, and freight (CIF) price starting with the small second season in H2 2023.

- In Oct 2023, Ivory Coast reached a staff-level agreement with the International Monetary Fund (IMF) on the first review of the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements. The International Monetary Fund (IMF) approved an aid package for Ivory Coast totalling $3.5 billion in May 2023 which is expected to last until 2027. The IMF support is expected to support reform programs and welcomes their strong commitment to fiscal and debt sustainability.

- The government invested $594 million through the 2023-2025 Government Youth Program (PJ-GOUV) to boost professional integration. The government also allocated significant funds for the benefit of young people, with a program valued at 1,118 billion CFA francs planned for the period 2023-2025. These initiatives reflect the government's efforts to promote youth development and support their education, employment, and entrepreneurship opportunities.

Economic Developments

- **Expansion of industrial zone:** In 2023, the government of Ivory Coast decided to expand the Akoupé Zeudji zone. This expansion aims to enhance development infrastructure and stimulate growth by increasing the size of the existing zone by 1,780 hectares. This initiative will create opportunities for both international trade and trade within the continent. The government is also attempting to expand industrial activities beyond Abidjan through the construction of a new industrial zone in the port city of San Pédro.

- **Startup Act 2023:** Ivory Coast introduced the Startup Act in 2023, also known as Loi sur les Start-ups Numériques, to incentivize digital startups with tax breaks, reduced customs duties, and simplified administrative procedures. To empower youth entrepreneurs and support newly developed technologies and promising firms, the law aims to cultivate a competitive tech environment. In keeping with a larger global initiative to support innovation and the digital transformation of startups and MSMEs, the Startup Act aims to facilitate investments in the Ivory Coast for venture capitalists.

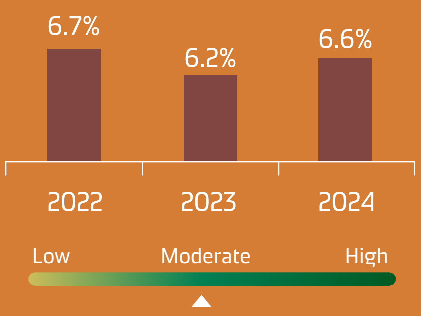
- **Autoroute Abidjan-San Pedro:** The Autoroute Abidjan-San Pedro is a planned infrastructure project that aims to connect the two major ports in Ivory Coast, Abidjan and San Pedro. Regional trade and port efficiency will be positively impacted by the completion of this expressway. The project is a component of the government's plan to upgrade infrastructure, encourage social development, and advance economic progress in this country.

- **The World Bank Group's 2023-2027 Country Partnership Framework (CPF):** The World Bank Group's 2023-2027 Country Partnership Framework (CPF) for Ivory Coast prioritises value chains in agribusiness and agroindustry which is expected to improve efficiency of logistics operations.

The National Development Plan for 2021–2025 and Vision 2030 priorities are in line with the CPF. The development of agroindustrial value chains in which Ivory Coast has a comparative advantage and infrastructure, are the main areas of interaction between the World Bank Group and Ivory Coast. Additionally, through encouraging improved access to financing, the CPF hopes to assist in removing obstacles to private investment.

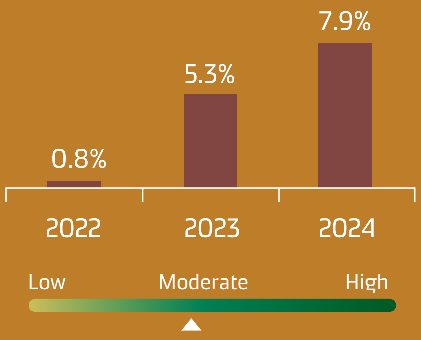
Economic and industry trends: Ivory Cost

Economic Growth



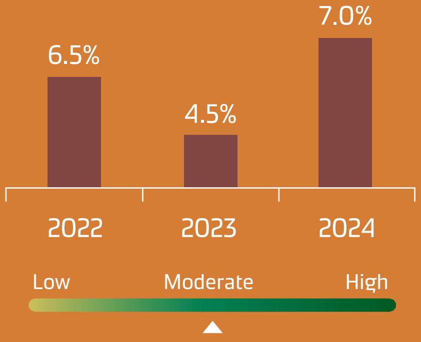
- National Development Plan (PND 2021-25) with focus on industrial development and employment by encouraging and supporting private section participation. USD 100 billion is the estimated to be invested, about 70 % is expected to come from the private sector.
- Hosting of the 34th Africa Cup of Nations Ivory Coast has invested over $1 billion in infrastructure such as building road, stadiums, and other support infrastructure such as healthcare facilities.

Goods Trade



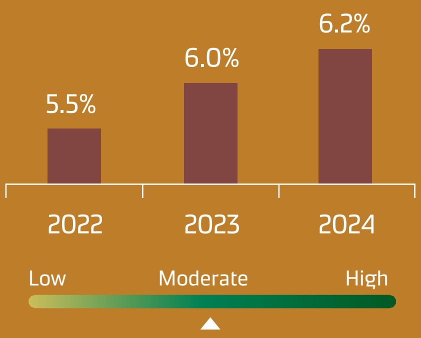
- Ivory Coast's export growth has been strong in recent years. In 2022, exports grew by 34.8% as a percentage of GDP, and they are expected to grow by 35.1% in 2023.
- The main export products from Ivory Coast are cocoa beans, coffee, and palm oil. These products accounted for 80% of the value of exports in 2022.
- The main export destinations for Ivory Coast are the Netherlands, Belgium, and Germany. These countries accounted for 40% of the value of exports in 2022.

Manufacturing



- Manufacturing sector growth was lower than 2022, but strong domestic and exports demand supported growth in 2023.
- Industrial sector is expected to benefit from the value chain creation and promotion of processing of cashew nuts, cocoa related products.
- Creation of special zones in Abidjan and other major urban centers is expected to strengthen manufacturing infrastructure and which likely to improve competitiveness in the medium term

Logistics



- The port of Abidjan is expected to play major role in improving connectivity for the land locked West African Countries. As a result of capacity expansion and modernization, it has become a key regional hub for improving trade within West African region.
- Abidjan port has signed an agreement with Guangzhou Port Authority in
2023. The port is likely to benefit from the agreement in the areas of new technologies and sustainable port solutions.

Note : Growth rates are in real terms adjusted for inflation.
Source: Federal Competitiveness and Statistics Authority, and Frost & Sullivan Analysis

Government Policies are Likely to Drive Economic Growth in 2024

Ivory Coast's economic growth is expected to remain robust in 2024, driven by continued investment in network infrastructure, especially in the digital and transport sectors, as well as recent oil discoveries, alongside prudent macroeconomic policies, which should boost business confidence and productivity in the country. GDP growth rate is expected to reach 6.6% in 2024, while the IMF anticipates similar gains. Private consumption will drive economic growth due to moderating inflation and a boost from the government's investment in development projects, although fiscal consolidation will cap this expansion. Several government initiatives such as the National Development Plan (NDP) 2021-2025, Competitive Value Chains for Jobs, and Economic Transformation are expected to support the development of infrastructure and manufacturing capacity. National Digital Development Strategy (NDDS) 2021-2025 and National Agricultural Investment Program (PNIA 2) are some of the initiatives expected to improve competitiveness. Ivory Coast has consistently maintained a trade surplus in recent years owing to the strong performance of its exports. The logistics sector is expected to benefit from higher growth prospects in both domestic and external sectors and is expected to grow by 6.2% in 2024

Appendix

01. Ministry of Commerce
02. International Monetary Fund (IMF)
03. The World Bank
04. World Trade Organization (WTO)
05. Press Information Bureau of India
06. Ministry of Education
07. Ministry of Programme and Statistical Implementation (MOPSI)
08. NITI Aayog
09. State Bank of Pakistan
10. Pakistan Bureau of Statistics
11. Finance Division Government of Pakistan
12. Asian Development Bank
13. Federal Competitiveness and Statistics Authority
14. UAE Ministry of Economy
15. Central Bank of the UAE
16. DP World Limited
17. General Authority for Statistics (GASTAT)
18. Organization of the Petroleum Exporting Countries
19. Ministry of Industry and mineral resources
20. Kenya National Bureau of Statistics
21. The National Treasury and Economic Planning
22. Parliamentary Budget Office, Kenya
23. International Trade Administration
24. Statistics South Africa
25. Nigeria's National Bureau of Statistics
26. African Development Bank
27. Ministry of Roads & Highways
28. U.S. Department of State
29. The Ghana Investment Promotion Centre (GIPC)
30. Ghana Port Authority
31. National Institute of Statistics
32. Food and Agriculture Organization

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