

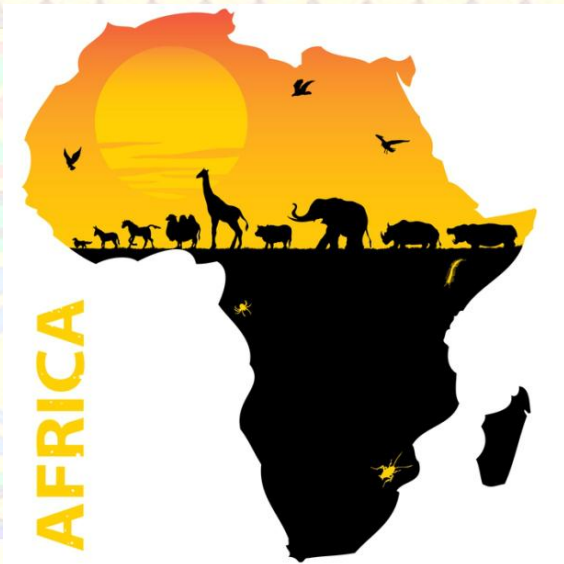


African Middle Class  
Is it a misconstrued reality?





# What can I say about Africa?



- Second-largest continent of 7 continents in the world.
- Second most populous continent on earth with an estimated population in 2013 of 1.033 billion people.
- Home to 54 recognized sovereign states and countries, 9 territories and 2 de facto independent states.
- 2009 (The UN Population Fund) the population of Africa had hit the one billion mark.
- 2015, the population estimates are around 1.166 billion.
- The economy of Africa consist of trade, industry, agricultural, and human resources
- Resource-rich continent but many African people are poor.
- Africa has a disproportionately young population with 62 per cent of the population in Africa under 25 years



# FACTS:

More people are killed in  
Africa by crocodiles than by  
lions.





# Did you know?

---

# 50%

of Africa's  
exports are  
processed  
elsewhere or get  
their extra value  
abroad.



Learn more: [www.africaneconomicoutlook.org](http://www.africaneconomicoutlook.org)

#AEO2014



Empowered lives.

# Did you know?



Ethiopia has created **60,000** jobs  
in the apparel industry and supplies H&M.

South Africa has turned  
around its auto industry.



Ghana has empowered women in its  
shea butter, coffee and cocoa industries.

Learn more: [www.africaneconomicoutlook.org](http://www.africaneconomicoutlook.org)

#AEO2014



Empowered lives.



# The diversity of definitions.. (1)

- The McKinsey Global Institute- **households** with **incomes** of \$ 20,000 (about Ksh. 1,900,000) a year or more
- The African Development Bank (Afdb)- Africans middle class ranges from **earning** \$ 520 to \$ 5,200 (or \$20 to \$20 a day)
- KNBS- Middle class consists of households which spend Ksh 24,000- 120, 000 per month.
- Middle class refers to all purpose middle class African Consumers (300 million)



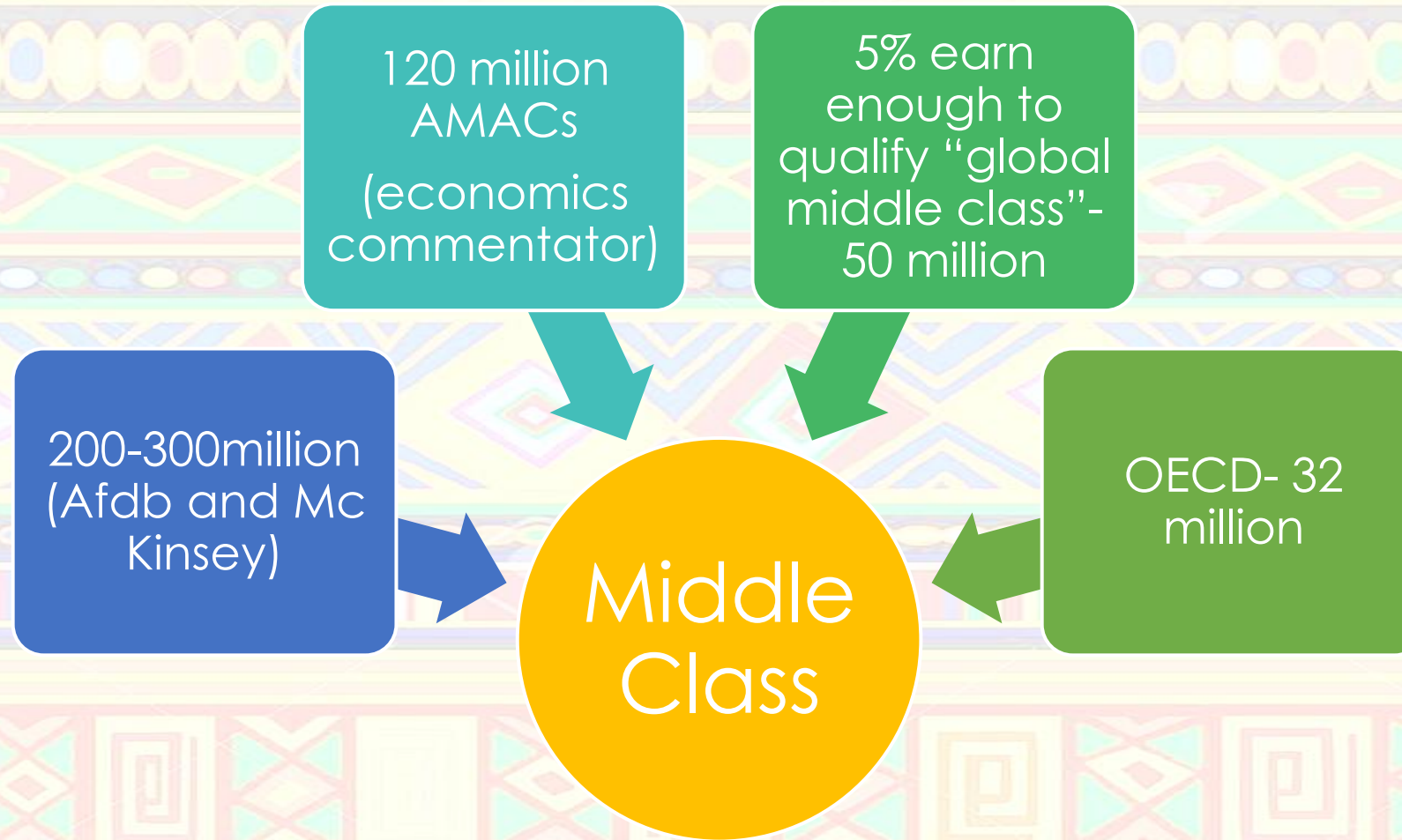


# The Dynamics of the Middle Class

- Floating Class- With per capita consumption levels of between \$2-\$4 per day.
- All-purpose middle-class African consumers (AMACs)- who behave homogeneously regardless of where they are in Africa and what their backgrounds are



# What are the estimates AMACs??





# What is the focus??

- Is there an uncertainty of the numbers that make up the middle class?
- How is the middle class defined across the board (Nigeria, Ethiopia and Kenya)?
- What is the way forward for Investors?



# The rise of the consumer market

There is a consumer opportunity on the upper end of the lower income band



Increase in household **expenditure** that means that households who used to spend a dollar a day are spending a dollar a day more and purchasing products they could not afford to have



According to the rise of the African consumer by McKinsey



40% of spending-power growth will come from households that earn above \$20,000 annually. "this group currently accounts for just 1-2% of total households"





# Statistical Analysis of the Middle/ floating class

- Among countries in the Horn of Africa, the AFDB report provides data for Kenya, Djibouti and Uganda.
- According to the report, 18.7% of Ugandan population belongs to the middle class.
- Yet, more than half (10.6% of the population) belongs to the 'floating class'.
- The size of the middle class is larger in Kenya and Djibouti.
- 40.1% of Djibouti's population comprises the middle class, yet a larger part of its (25.4% of the population) lies in the 'floating class.'
- The figures for the total middle class and the 'floating class' in Kenya are 44.9% and 28.1% respectively





# CASE STUDIES





# A bit about Nigeria

- Most of these families are urban, headed by people with full-time or part-time jobs. More than 95 per cent own televisions, and they often shop at formal grocery stores or supermarkets, rather than informal markets.
- Despite the rise in the middle class, 86 per cent of households in the 11 focal countries are still low-income, although this figure will decline to 75 per cent by 2030, the report said.





# Nigeria



Mr. Tajudeen Bakare is seen at his family's home in Dolphin Estate with his daughter, Hazeezat Bakare, 11, son, Hamzat Bakare, 8, and daughter, Hammeerat Bakare, 4.



The middle class neighborhood of Dolphin High Rise Estate, Ikoyi, Lagos, Nigeria.





# Kenya

## First Scenario



Monthly income  
Ksh.15,000

Rent- 3,500 **close to 25% of his income-** to rent a room. Where he lives with his wife and two children



Share facilities with others in the same building block

## Second Scenario

Graduate with 2nd class upper; gets a job in an already established company

<http://markmaish.com/2015/05/22/the-kenyas-middle-class-nightmare/>

Lives in an overpriced SQ at Kileleshwa-a huge chunk of money spent on furniture- taxis preferred choice of transport

Average living-referred to as middle class





# Kenya contd...

## Third Scenario

- Take Chris Obure for example. (deals in real estate and commodity trade)
  - Before 2008, he could not afford a fraction of his current lifestyle.
  - Now, Mr. Obure, 33, owns a house in the leafy Laving ton suburb in Nairobi, where he lives with his wife and son.
  - He has three big cars: a Mercedes S-Class worth Sh12 million, a Land Cruiser VX valued at Sh5 million and a Sh7 million SUV Range Rover.
  - He spends up to Sh85,000 entertaining business partners.





# Ethiopia

- **21.5%** of the **Ethiopian population** make up the **middle class**.
  - **More than half** of which (or 13.2% of the population) earns between \$2-\$4 per day, thus is deemed a '**floating class**'.
  - On the other hand, **5.3%** and **3.0%** in the **lower middle class** and **upper middle class** respectively
- Mekonnen Tilahun, 32, is an accountant.
  - He is ambitious, switching jobs every two years.
  - In eight years his wages have increased fivefold.
  - His only luxury is the sports centre where he goes three nights a week.

<https://www.youtube.com/watch?v=90UiyfMkJJ4>





