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Q3 2019

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Nigeria

Consumer & Retail Report

Includes 5-year forecasts to 2023

Contents

Key View **4**

Consumer Outlook 4

SWOT **8**

Consumer & Retail SWOT 8

Industry Forecast **9**

Consumer Spending 9

Household Characteristics 17

Consumer Demographics 20

Market Overview **27**

Retail Trends 27

Consumer & Retail Glossary **34**

Consumer & Retail Methodology **38**

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Key View

Consumer Outlook

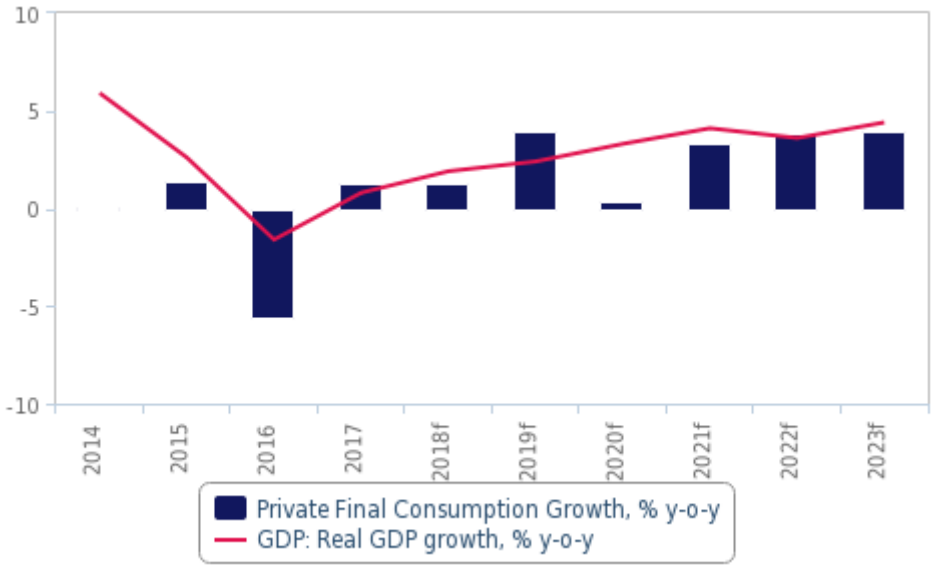
Key View: *We hold a cautious outlook for the Nigerian consumer over the short term (2019 and 2020). Higher fiscal spending and an increase in the minimum wage will stimulate consumer spending, while inflation has begun to stabilise above the Central Banks upper range. However, structural constraints threaten consumer spending growth trajectories over the medium term*

We hold a cautious outlook for the Nigerian consumer over the short term. Nigeria's recovery from recession in 2016 will continue in 2019, with higher fiscal spending around the February elections and upturns in oil supply helping to drive expansion. However, any protracted policy making uncertainty following the February 16 general elections will deter both local and foreign investors, while high local borrowing costs will act as a further constraint. Our Political Risk team holds the view that Nigeria will experience some localised instability in the short term, as the outcome of the elections are disputed in the courts, and on the streets. The re-elected incumbent, Muhammudu Buhari, is likely to maintain his previous policy stances, suggesting only slow progress on key oil sector legislation and broader reforms. We foresee the Nigerian economy growing by 2.4% y-o-y over 2019, an increase from the 1.9% estimated for 2018. This trend will continue into 2020 and beyond, with economic growth averaging 3.5% growth per year, over the next five years. The real test facing the Nigerian economy going into the medium term is whether growth in the oil sector can translate into broader-based economic growth.

Private consumption will remain largely stable over the coming years. According to our forecasts, it will average 75.5% of total GDP between 2019 and 2023, entailing an average contribution of 2.8 percentage points to real growth over this period. Nigeria's rapidly growing population will see the country's households continue to dominate national expenditures. Relatively low economic growth has constrained the potential of the consumer sector in recent years, with private consumption growth under performing that of economic growth. We foresee this changing over 2019, with real consumer spending growing at a rate of 4% over the year, outperforming the wider economy. This growth will slow over the medium term, to an average of 3.1% a year, as high unemployment and social stability threatens this growth trajectory.

Growth On An Upwards Trajectory

Nigeria - Real GDP & Consumption Growth, % y-o-y (2014-2023)



f = Fitch Solutions forecast. Source: Fitch Solutions

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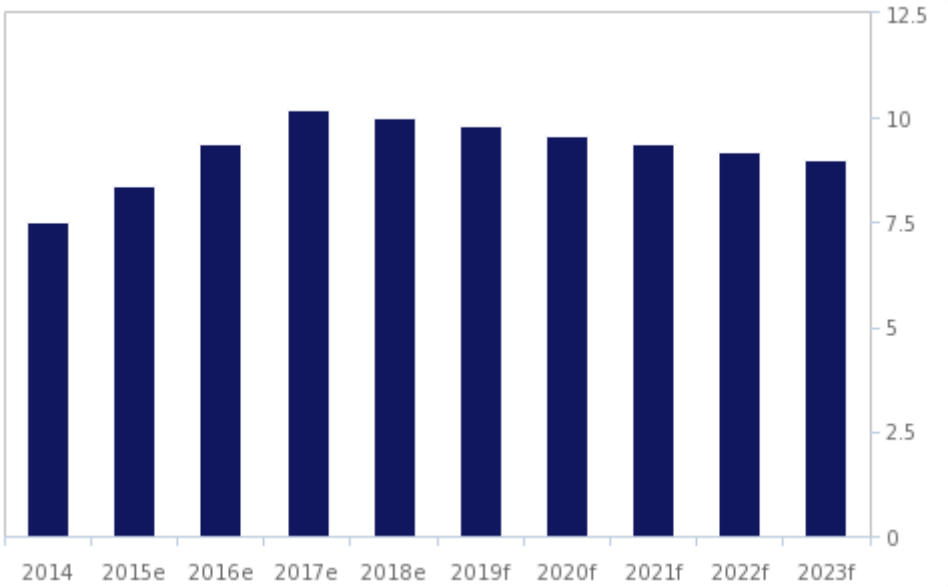
Nigeria's improved economic growth has so far failed to translate into any substantial job creation, while high fertility rates over this time have led new entrants into the job market putting downward pressure on wages. Latest figures for Q318, put the unemployment rate at 23.1% of the active labour force. This is an increase from 18.8% in Q317. This rising unemployment indicates that Nigeria's economic recovery remains fragile. It may not be possible to calculate a true unemployment rate because of the relatively large size of the unofficial economy in Nigeria, especially in rural areas. Eight of the 36 states in Nigeria reported an unemployment rate higher than 50%. These are mostly rural states in the north-east of the country where economic and political turmoil is widespread. Meanwhile, the rate of underemployment (defined by Nigeria's National Bureau of Statistics (NBS) as being engaged in work that 'underutilises your skills, time and educational qualifications') stood at 20.1% of the labour force in Q318, down from 21.2% in Q317 but still well above the 2010 to 2013 average of 16.5%.

In spite of the economic rebound, elevated unemployment will continue weighing on economic growth in 2019. High unemployment limiting consumer spending reinforces our expectations for weaker economic growth over the coming quarters. The NBS's figures also show that the youth population, aged between 15 and 34 and comprising 48.9% of the workforce, continues to struggle in the labour market. With youth unemployment having risen to 29.7% in Q317 from 10.9% in Q114, the economy's inability to more effectively tap into its growing number of young potential workers will limit growth in consumption, over the medium term.

Unemployment On A Downward Trend, But Still Elevated

Nigeria - Unemployment Rate, % Of Labour Force (2014-2023)



e/f = Fitch Solutions estimate/ forecast. Source: National sources, Fitch Solutions

Consumer prices have stabilised over 2019, as a recovery in Nigeria's oil sector helps to stabilise the country's parallel (black market) exchange rate, upon which much of the economy still relies on to access foreign currency under the Central Bank of Nigeria (CBN) multiple exchange rate regime. A more stable exchange rate will help bring inflation back under control over the coming months, easing pressure on import prices, which comprise a large portion of the country's consumer basket.

Inflation has been considerably stable since May 2018 and has been on a downward trajectory since a high in 2017. Due to the economy's reliance on the hydrocarbon sector, the recent fall in the oil price offers a key risk to price levels in Nigeria. Over February 2019 (latest available data), inflation continues to stabilise at 11.3%. Inflation is expected to accelerate partly due to election-related spending with Nigeria scheduled to vote in February 2019, and an increase in national budget disbursements. Our Country Risk team forecasts inflation to average 13.4% over 2019, growing to a 14.2% average over 2020. Over the medium term, inflation will moderate to an average of 10.8%.

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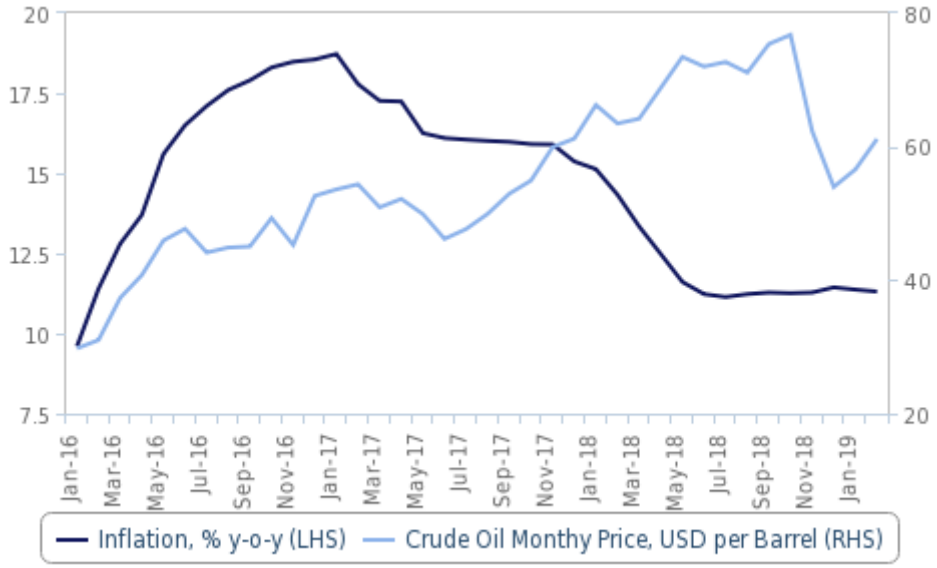
Inflation Remains Steady, Despite Rebound In Oil Price

Nigeria - Consumer Price Inflation & Monthly Crude Oil Prices (2016-2019)

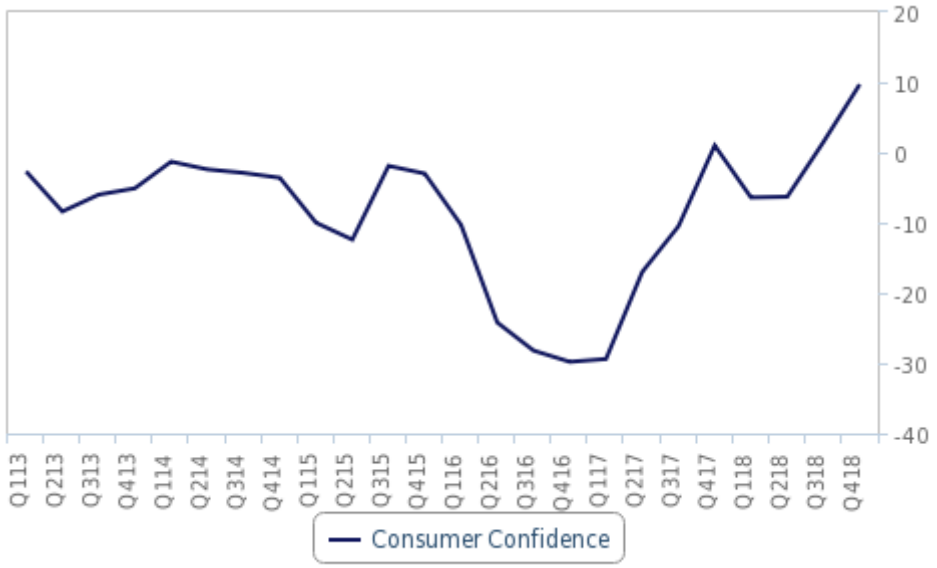


Source: Central Bank of Nigeria, Fitch Solutions

The CBN cut its benchmark interest rate from 14.00% to 13.50% on March 26 2019, the first rates cut since November 2015. While consumer price inflation stood at 11.3% y-o-y in February – down from 11.4% the previous month – it has averaged 11.6% over the past 12 months, well outside the CBN's target range of 6.0-9.0%. Moreover, inflationary pressures are likely to increase with the planned implementation of the increased national minimum wage, due to rise from NGN18,000 (USD49.7) to NGN27,000 in the private sector and NGN30,000 in the public sector once the measure receives presidential assent. However, this increase in the minimum wage will also stimulate consumer spending, as lower income households have a higher propensity to consume.

Confidence Enters An All Time High

Nigeria - Consumer Confidence (2013-2019)



Source: Bank of Nigeria, Fitch Solutions

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Consumer confidence has been trending upwards since 2017, with the Bank of Nigeria's consumers confidence index rising by 8.7 points to 9.7 over Q418, compared to 1.0 point in the corresponding period of 2017. The Bank attributes this rise to improved family income, family financial situation and economic condition. This score shows that Nigerian consumers' overall confidence outlook improved in Q418, with a more optimistic outlook going forward. However, the buying intention indices for consumer durables, motor vehicles and house & lot were below 50.0, suggesting that consumers have no intention to make these purchases over the next twelve months. Relatively slow economic growth, high unemployment and rising prices, are all barriers to accelerating consumer spending going forward.

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SWOT

Consumer & Retail SWOT

SWOT Analysis	
Strengths	• Nigeria is one of the most populous countries in the world and will remain in this position with our 2050 projections. This large and and growing and consumer base will sustain growth over the long term. • Nigeria has an increasingly urban population, where over 50% of the population live in an urban setting, making it easier for retailers to target consumers. • The retail sector stands to benefit from a large number of higher-income households (more than USD25,000 per annum), in absolute terms, although this remains a small portion of the population.
Weaknesses	• The retail sector is relatively under-developed with over 80% of shopping still carried out in the more traditional format of corner shops, kiosks and local markets. • Poor governance is deterring investment from international retailers. • High operating costs and weak internal trade systems are two core reasons why international retailers have been hesitant to enter the Nigerian retail market. • Existing low income levels will constrain discretionary spending and spending on luxury items.
Opportunities	• The retail sector is growing from an extremely low base which could attract regional retailers seeking first-mover advantage. • The Nigerian retail industry has become steadily more organised in recent years which is opening up new opportunities for retail entrants. • Nigeria has a large and growing urban middle class that is now generating increasing demand for retailing. • Internet retailing is recording immense growth, creating new opportunities for retailers who are looking to utilise this channel. • Income growth, albeit at low levels, will benefit mass market retailers especially in the food sector.
Threats	• Economic activity in Nigeria is still heavily reliant on the oil industry. This leaves the economy open to external price shocks. • A precarious economic environment characterised by relatively high inflation and growing unemployment may limit growth in the retail sector. • The ubiquity of wet markets and informal retailers may limit the mainstream adoption of formal retail. • Continuing high unemployment, and youth unemployment in particular, threatens stability in the urban areas. • Nigeria will experience some localised instability in the short term, as the outcome of the general elections are disputed in the courts, and on the streets.

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Industry Forecast

Consumer Spending

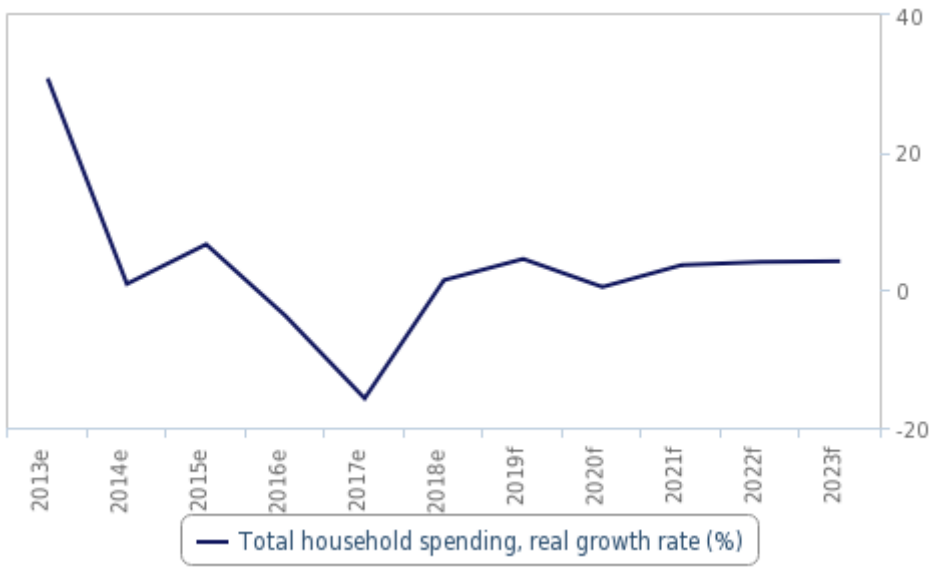
Key View: *Household spending will see solid real growth over our medium term forecast (2019-2023). However, high levels of inflation continue to drive nominal growth rates. Essential spending will dominate, accounting for over 80% of total spending, throughout the medium term. This is mainly due to low income levels, elevated unemployment and constrained purchasing power forcing consumers into essential spending.*

Total Household Spending

Growth recovered over 2018, after a dismal 2017 year. Over 2019, we expect growth to accelerate further, as the general economic outlook for the country improves. We forecast real household spending to grow by 4.5% over 2019, slightly higher than the 1.5% estimated for 2018. Real growth will dip to 0.5% over 2019, before return to rates of above 3.5%. Over the medium term, real household spending growth will average 3.4% a year.

Total Household Spending

Total Household Spending, Real Growth, % y-o-y (2013-2023)



e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

In absolute terms, total household spending will be worth NGN56.2trn (USD182bn) over 2019. As previously mentioned, growth is largely being driven by high inflation rates, which is forecast to average 13.4% over 2019. With this in mind, nominal household spending in Nigeria will grow by an average of 14.4% a year (in local currency terms), over our medium term, taking it to a forecast value of NGN92.5trn (USD226bn), by the end of 2023.

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TOTAL HOUSEHOLD SPENDING (NIGERIA 2017-2023)							
Indicator	**2017e**	**2018e**	**2019f**	**2020f**	**2021f**	**2022f**	**2023f**
Total household spending, NGNbn	41,939.4	47,641.8	56,196.7	64,433.4	73,548.4	82,450.7	92,519.6
Total household spending, USDbn	137.49	156.19	182.75	189.51	194.83	210.07	225.66
Total household spending, NGN % y-o-y	0.76	13.60	17.96	14.66	14.15	12.10	12.21
Total household spending, USD % y-o-y	-14.97	13.60	17.01	3.70	2.81	7.82	7.42
Total household spending, NGNbn, 2010 prices, % y-o-y	-15.74	1.45	4.54	0.46	3.65	4.10	4.21

e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

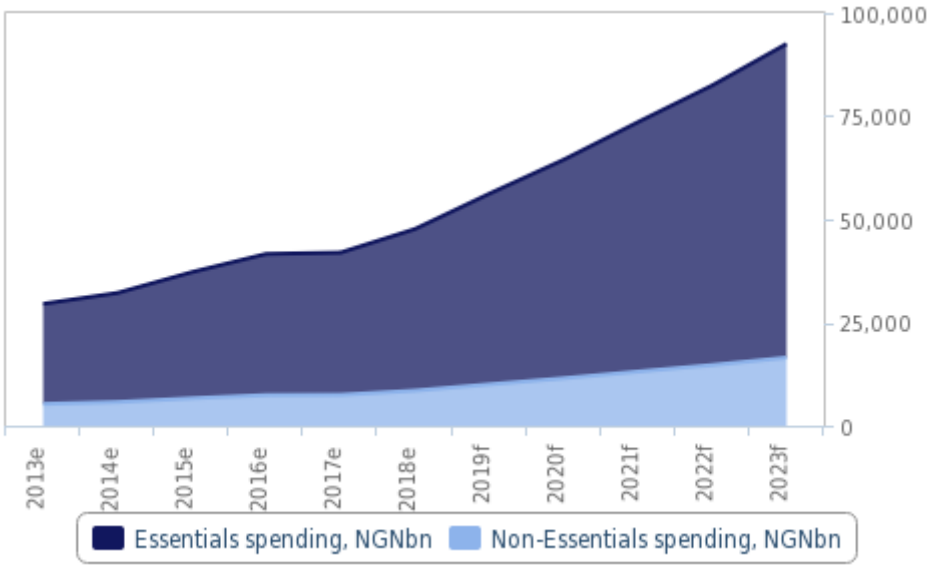
Essential And Non-Essential Spending

We expect essential spending to remain dominant over our forecast period, with essentials accounting for roughly 82.2% of total household spending throughout. Both essential and non-essential spending will grow at a similar rate, leaving proportional spending unchanged over our forecast period. Due to the relatively low income levels in Nigeria, households have and will continue to spend a larger proportion of their budgets on more essential items, leaving unessential goods and services a measly 17.8% of total spending in 2019.

Over 2019, both essential and non-essential spending will grow by 14.7%. Essential spending will be worth NGN46.2trn (USD150bn) over the year. By 2023, growing at an average of 14.2% a year, essential spending will be worth NGN76.0bn (USD185.5bn), by the end of 2023. On the other hand, non-essential spending will be worth NGN10.1trn (USD32.6bn) over 2019. At an average growth rate of 14.1% a year, non-essential spending will be worth NGN16.5bn (USD40.2bn), by the end of 2023.

Essential And Non Essential Spending

Essential & Non Essential Spending (2013-2023)



e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

As mentioned, household spending in Nigeria is characterised by high expenditure on essentials sub-sectors (food and non-alcoholic drinks, clothing and footwear, housing and utilities, communications and transport). Grocery spending alone captures more than half of total spending (56.8%). This is reflective of the low overall income level in Nigeria. Low disposable income contributes to high percentages of essential spending, which in turn leads to the high price sensitivity of Nigerian households. The

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most successful modern retailers in grocery retail are discount chains, which are the only ones able to compete (at least indirectly) with traditional vendors. Modern mass grocery retail is in its early stages as retailers assess long-term growth opportunities. While the country offers the largest consumer base in Africa (which is rapidly urbanising) and a somewhat-increasing household income, poor infrastructure restricts the expansion of local and foreign modern retailers.

According to Nigeria's National Bureau of Statistics (NBS), fuel was among the categories that experienced the fastest price growth and we expect this trend to continue to throughout our forecast period. Higher fuel prices will increase household expenditure on transport services, which will further incline consumption patterns towards essential spending. Due to Nigeria's low motorisation rate (10.9 vehicles per 1,000 of the population) we expect household spending in the category to be largely accounted for by payment for transport services.

We do, however, expect modern food and non-alcoholic drinks retail options to grow and diversify in the medium term. We expect modern mass grocery retailers to experience a consistent increase in their share of food and non-alcoholic drinks spending, as current market players are playing a crucial role in forming new consumer habits, especially in urban areas. While increased competition in groceries retail is expected to drive down food prices and result in lower relative household spending in the long run, infrastructural improvements could cause higher utilities spending. As more households join water and electricity grids, utilities bills will be received by more consumers and total utilities spending will climb.

ESSENTIAL AND NON ESSENTIAL SPENDING (NIGERIA 2017-2023)

Indicator	2017e	2018e	2019f	2020f	2021f	2022f	2023f
Essentials spending, NGNbn	34,465.6	39,152.4	46,183.8	52,953.5	60,445.3	67,762.1	76,037.8
Non-Essentials spending, NGNbn	7,473.8	8,489.4	10,013.0	11,479.9	13,103.2	14,688.6	16,481.8
Essentials spending, % total	82.18	82.18	82.18	82.18	82.18	82.18	82.19
Non-Essentials spending, % total	17.82	17.82	17.82	17.82	17.82	17.82	17.81
Essentials spending, USDbn	112.99	128.36	150.19	155.75	160.12	172.64	185.46
Non-Essentials spending, USDbn	24.50	27.83	32.56	33.76	34.71	37.42	40.20
Essentials spending, NGN % y-o-y	0.76	13.60	17.96	14.66	14.15	12.10	12.21
Non-Essentials spending, NGN % y-o-y	0.76	13.59	17.95	14.65	14.14	12.10	12.21

e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

Non-essential spending tends to be highly responsive to income changes and the lack of sufficient growth in disposable income will be the key contributor to the static spending share of non-essential sub-sectors. The future of non-essential spending is, however, much more promising. Nigeria is home to the largest population in Africa, which alone makes it an attractive destination for retail investment. Moreover, the country's consumers are becoming increasingly urbanised and educated, which will allow foreign and domestic firms to build brand recognition and consumer loyalty in the long run. However, rampant corruption and the lack of political will are delaying the breakthrough of non-essential retail. Infrastructure is developing slowly, communications and utilities outages are frequent and the growth of household incomes is slow. As a result, the best time for entry into the Nigerian clothing and footwear and household goods sub-sectors is yet to come.

Exceptionally high expenditure on essentials leaves Nigerian households with limited resources for the consumption of non-essentials. As the country's consumers are projected to spend less than a quarter of their total expenditure on the non-essential sub-sectors, retailers operating outside grocery retail are facing fewer growth opportunities in the medium term. On a positive note, furnishing and home spending, and personal, insurance and other spending, the most competitive non-essential product sub-sectors, are expected to generate the majority of sales. The furnishing and home category is currently the third-largest spending area after food and non-alcoholic drinks and housing and utilities. We believe that growth in the segment is being driven by urbanisation and the emergence of the affordable home furnishing sector. As more people move to urban areas, the demand for furnishing will rise in line with the urban population. We forecast the urban population to increase from 51.1% in 2019 to 54.2% in 2023. Personal, insurance and other is the second-largest spending category in non-essentials, driven by personal care and effects

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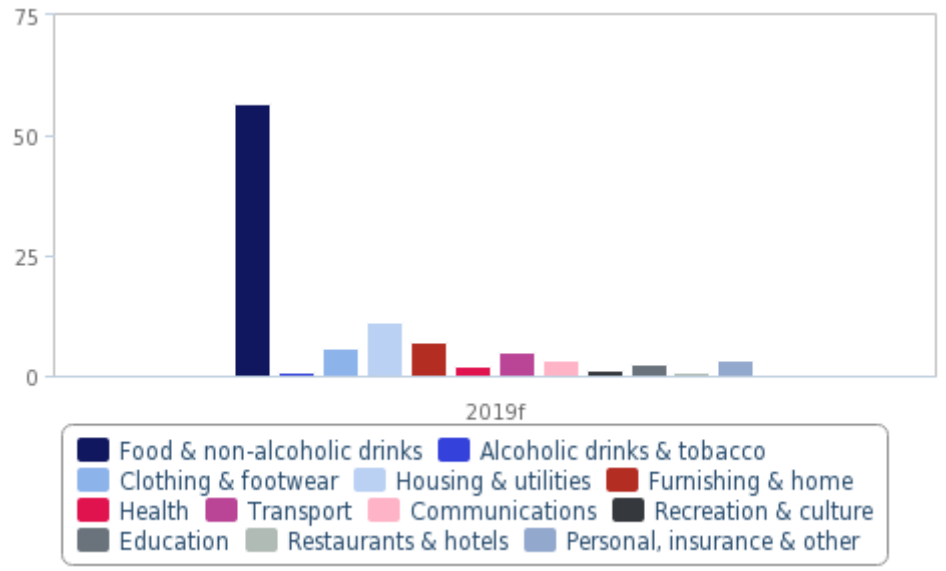
spending, accounting for 3.2% of total spending. This category is poised for robust growth driven by rising incomes and a large, rapidly-expanding female population - particularly in the young adult segment, the key target demographic for retailers in the personal care sector.

Total Household Spending

Total Household Spending Breakdown, % Total (2019)



f = Fitch Solutions forecast. Source: National sources, Fitch Solutions

Food, Drink And Tobacco

Food and drinks spending accounts for the largest proportion of total household spending in Nigeria. Of this, food and non-alcoholic drinks spending makes up the vast majority, at 98% in 2019, compared to the 2% going towards alcoholic drinks and tobacco spending. Over the medium term, this proportion will not change.

In 2019, food and non-alcoholic drinks spending will grow 18% y-o-y, and will be worth NGN31.9trn (USD104bn), by the end of the year. Over the medium term, spending on this category will grow by an average of 14.2% a year, forecast to be worth NGN53.0trn (USD128bn), by the end of 2023. Within this category, food spending makes up 85.9% of spending, while non-alcoholic drinks spending accounts for 14.1%. This will change slightly over the medium term, with food spending falling to 85.8% of food and non-alcoholic drinks spending, while Non-alcoholic drinks spending will grow to 14.2%.

Alcoholic drinks spending will be worth NGN480bn (USD1.8bn) by the end of 2019, growing at 17.9% over the year. Of this, alcoholic drinks spending makes up the larger proportion, at 85%, while tobacco spending only accounts for 13%. These proportions will not change over the medium term. At an average growth rate of 14.4% a year, alcoholic drinks and tobacco spending will be worth NGN931bn (USD2.3bn), by the end of 2023.

FOOD AND DRINKS (NON-ALCOHOLIC, ALCOHOLIC AND TOBACCO) SPENDING (NIGERIA 2017-2023)

Indicator	2017e	2018e	2019f	2020f	2021f	2022f	2023f
Food and non-alcoholic drinks spending, NGNbn	23,839.08	27,080.92	31,944.51	36,627.14	41,809.17	46,870.24	52,594.53
Food spending, NGNbn	20,635.39	23,345.95	27,412.48	31,327.71	35,660.50	39,892.15	44,678.33
Non-alcoholic drinks spending, NGNbn	1,990.09	2,298.67	2,761.63	3,207.36	3,700.62	4,182.37	4,727.26

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Indicator	2017e	2018e	2019f	2020f	2021f	2022f	2023f
Alcoholic drinks and tobacco spending, NGNbn	423.58	480.82	566.67	649.32	740.78	830.11	931.13
Alcoholic drinks spending, NGNbn	358.95	407.54	480.39	550.54	628.17	703.98	789.73
Tobacco spending, NGNbn	48.50	54.18	62.71	70.92	80.00	88.87	98.90
Food and non-alcoholic drinks spending, NGN % y-o-y	0.76	13.60	17.96	14.66	14.15	12.11	12.21
Food spending, NGN % y-o-y	0.73	13.14	17.42	14.28	13.83	11.87	12.00
Non-alcoholic drinks spending, NGN % y-o-y	0.87	15.51	20.14	16.14	15.38	13.02	13.03
Alcoholic drinks and tobacco spending, NGN % y-o-y	0.77	13.51	17.85	14.59	14.09	12.06	12.17
Alcoholic drinks spending, NGN % y-o-y	0.78	13.54	17.88	14.60	14.10	12.07	12.18
Tobacco spending, NGN % y-o-y	0.67	11.72	15.73	13.09	12.81	11.09	11.29
Food and non-alcoholic drinks spending, USDbn	78.15	88.78	103.88	107.73	110.75	119.41	128.28
Alcoholic drinks and tobacco spending, USDbn	1.39	1.58	1.84	1.91	1.96	2.11	2.27
Food and non-alcoholic drinks spending, NGN per household	437,102.01	476,983.14	540,455.99	596,971.00	656,460.75	711,124.03	768,758.63
Alcoholic drinks and tobacco spending, NGN per household	7,766.53	8,468.86	9,587.17	10,582.97	11,631.22	12,594.53	13,610.07
Food and non-alcoholic drinks spending, NGN per capita	124,886.29	138,255.98	158,957.65	177,669.94	197,729.14	216,147.12	236,541.12
Alcoholic drinks and tobacco spending, NGN per capita	2,219.01	2,454.74	2,819.76	3,149.69	3,503.38	3,828.13	4,187.71

e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

Clothing And Footwear

Clothing and footwear is the fourth-largest segment of household spending in Nigeria, account for 5.8% of total household spending in 2019. Clothing and footwear spending will be worth NGN3.3trn (USD10.6bn), after growing by 17.9% y-o-y, over 2019. We expect household expenditure on clothing and footwear to grow steadily throughout our forecast period, driven by rising incomes, a youthful population and urbanisation. Aspirational spending habits on big-name brands is increasingly common among wealthier Nigerians and this has helped attract the attention of many big names in the clothing and footwear segment, such as **Hugo Boss**, **Nike**, **Mango**, **Zara** and South Africa-based **Mr Price Apparel** (which opened its first corporate-owned outlet in Nigeria in 2012). We do note that spending in the category will largely be dominated by higher-income consumers, as there exists a parallel market for second-hand clothes that caters to low-income consumers.

Within this category, clothing spending accounts for 77.1% of spending, at a value of NGN2.5bn, in 2019. We forecast clothing spending to grow by an average of 14.2% over the next five years, taking it to a value of NGN4.1trn, by the end of 2023. On the other hand, footwear spending (which includes repairs) accounts for 22.9% of total clothing and footwear spending, at a value of NGN592bn in 2019. Likewise, this sub-category will grow by an average of 14.1% of the medium term, taking its value to NGN961bn, by 2023.

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CLOTHING AND FOOTWEAR SPENDING (NIGERIA 2017-2023)							
Indicator	**2017e**	**2018e**	**2019f**	**2020f**	**2021f**	**2022f**	**2023f**
Clothing and footwear spending, NGNbn	2,441.22	2,771.60	3,267.09	3,744.16	4,272.08	4,787.69	5,370.82
Clothing spending, NGNbn	1,885.39	2,138.27	2,517.52	2,882.68	3,286.76	3,681.42	4,127.76
Footwear including repair spending, NGNbn	446.98	504.90	591.78	675.43	767.99	858.40	960.65
Clothing and footwear spending, NGN % y-o-y	0.77	13.53	17.88	14.60	14.10	12.07	12.18
Clothing spending, NGN % y-o-y	0.76	13.41	17.74	14.50	14.02	12.01	12.12
Footwear including repair spending, NGN % y-o-y	0.74	12.96	17.21	14.14	13.70	11.77	11.91
Clothing and footwear spending, USDbn	8.00	9.09	10.62	11.01	11.32	12.20	13.10
Clothing spending, NGN per household	34,569.54	37,661.91	42,592.94	46,983.68	51,606.58	55,855.14	60,334.19
Footwear including repair spending, NGN per household	8,195.52	8,893.01	10,012.11	11,008.57	12,058.55	13,023.81	14,041.47
Clothing spending, NGN per capita	9,877.01	10,916.50	12,527.34	13,983.24	15,544.15	16,977.25	18,564.37
Footwear including repair spending, NGN per capita	2,341.58	2,577.69	2,944.74	3,276.36	3,632.09	3,958.60	4,320.45

e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

Household Goods

Household goods accounts for the third-largest spending category in Nigeria, at 7.2% of total household spending. The sub-sector is set to grow in importance over the coming years as the number of households in the middle-income bracket (earning above USD10,000) gradually increases and urbanisation rises. This will encourage some expenditure on luxury non-essential items among more affluent households.

Spending on household goods will grow by 18.2% over 2019, taking it to a value of NGN1.8trn (USD6.1bn). Furniture and furnishings spending accounts for the largest proportion (28% of total household spending), followed by home & garden tools/equipment spending (23.7%) and glass, tableware and utensils spending (20%). Over the medium term, we do not see these proportions changing at all. We expect growth in the household goods category to be driven by rising affluence among wealthier households and a growing female labour participation. Furthermore, greater urbanisation and greater access to electricity will provide impetus for the purchase of home appliances throughout our forecast period. Over the next five years, household spending will grow by an average of 14.4% a year, taking it to a value of NGN3.1trn (USD7.5bn), by the end of 2023.

HOUSEHOLD GOODS SPENDING (NIGERIA 2017-2023)							
Indicator	**2017e**	**2018e**	**2019f**	**2020f**	**2021f**	**2022f**	**2023f**
Household goods spending, NGNbn	1,383.19	1,573.94	1,860.23	2,135.86	2,440.91	2,738.83	3,075.82
Furniture and furnishings spending, NGNbn	383.69	438.35	520.40	599.38	686.80	772.18	868.75
Household textiles spending, NGNbn	187.42	211.89	248.60	283.94	323.06	361.27	404.48
Household appliances spending, NGNbn	93.30	106.89	127.30	146.94	168.68	189.91	213.93
Glass, tableware and utensils spending, NGNbn	281.16	319.02	375.84	430.55	491.10	550.23	617.12
Home & garden tools/equipment spending, NGNbn	326.96	372.63	441.18	507.17	580.21	651.54	732.22
AV, camera and computer spending, NGNbn	23.23	26.46	31.30	35.97	41.13	46.17	51.87
Toys, sports, gardens and pets spending, NGNbn	87.43	98.71	115.62	131.91	149.93	167.53	187.44
Household goods spending, NGN % y-o-y	0.75	13.79	18.19	14.82	14.28	12.21	12.30
Furniture and furnishings spending, NGN % y-o-y	0.78	14.25	18.72	15.18	14.58	12.43	12.51

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Indicator	2017e	2018e	2019f	2020f	2021f	2022f	2023f
Household textiles spending, NGN % y-o-y	0.71	13.05	17.33	14.22	13.78	11.83	11.96
Household appliances spending, NGN % y-o-y	0.80	14.57	19.09	15.43	14.80	12.59	12.65
Glass, tableware and utensils spending, NGN % y-o-y	0.73	13.47	17.81	14.56	14.06	12.04	12.16
Home & garden tools/equipment spending, NGN % y-o-y	0.76	13.97	18.40	14.96	14.40	12.29	12.38
AV, camera and computer spending, NGN % y-o-y	0.77	13.90	18.31	14.90	14.35	12.26	12.35
Toys, sports, gardens and pets spending, NGN % y-o-y	0.71	12.89	17.14	14.09	13.66	11.74	11.88
Household goods spending, USDbn	4.53	5.16	6.05	6.28	6.47	6.98	7.50
Household goods spending, NGN per household	25,361.43	27,722.13	31,472.53	34,811.59	38,325.66	41,554.06	44,958.34
Household goods spending, NGN per capita	7,246.12	8,035.40	9,256.63	10,360.59	11,543.87	12,630.41	13,833.34

e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

Personal Care And Effects

Personal care and effects is a relatively small sub-sector in Nigeria's retail market, accounting for just 3.2% of total household spending as part of the personal, insurance and others category. Spending will increase gradually over our forecast period to NGN2trn by 2023 (USD4.9bn), up from NGN1.2trn (USD4.0bn) in 2019. Spending in the sector is fairly evenly shared between personal care (NGN611bn), and personal effects (NGN587bn) in 2019. These figures illustrate how underdeveloped this particular sector is in Nigeria. Nonetheless, they also highlight the massive growth opportunities for willing investors in the long run.

We believe that Nigeria's nascent personal care sector holds significant long-term growth potential and we expect spending on personal care to rebound from 2018, with double-digit growth rates projected throughout our forecast period (2019-2023). Nigeria's personal care market will benefit from a large, rapidly-expanding female population, particularly in the young adult segment - the key target demographic for retailers. We forecast the number of women aged 20-39 years to reach 30.7mn by 2023, up from 27.6mn in 2019. Moreover, according to the World Bank, the rate of female participation in the labour force is also on the rise, reaching 50.4% in 2017 (latest available data). This, combined with an increasingly urbanised population that has access to formal retail outlets, will strengthen the demand for personal care products. The strong growth in personal care spending will also be supported by Nigeria's emerging middle class.

PERSONAL CARE AND EFFECTS SPENDING (NIGERIA 2017-2023)

Indicator	2017e	2018e	2019f	2020f	2021f	2022f	2023f
Personal care and effects spending, NGNbn	913.42	1,037.60	1,223.87	1,403.20	1,601.66	1,795.49	2,014.70
Personal care products spending, NGNbn	467.15	529.94	624.11	714.79	815.12	913.12	1,023.96
Personal effects products spending, NGNbn	446.26	507.66	599.75	688.42	786.54	882.36	990.75
Personal care and effects spending, NGN % y-o-y	0.77	13.60	17.95	14.65	14.14	12.10	12.21
Personal care products spending, NGN % y-o-y	0.76	13.44	17.77	14.53	14.04	12.02	12.14
Personal effects products spending, NGN % y-o-y	0.78	13.76	18.14	14.78	14.25	12.18	12.28
Personal care and effects spending, USDbn	2.99	3.40	3.98	4.13	4.24	4.57	4.91
Personal care and effects spending, NGN per household	16,747.95	18,275.59	20,706.09	22,870.27	25,148.24	27,241.47	29,448.30
Personal care and effects spending, NGN per capita	4,785.13	5,297.27	6,090.03	6,806.63	7,574.77	8,280.08	9,061.01

e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

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Tourism Spending

Nigeria's budding tourism sector is largely characterised by domestic and corporate travel with the latter a significant contributor to tourism receipts, according to the Nigerian Investment Promotion Commission. We do not expect to see a considerable spending boost in the country's retail sector from tourists over our forecast period, since tourist arrivals are forecast to grow at a five-year CAGR of 1.4% up to 2023. Tourism spending will largely continue to benefit the restaurant and hotel segment.

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Household Characteristics

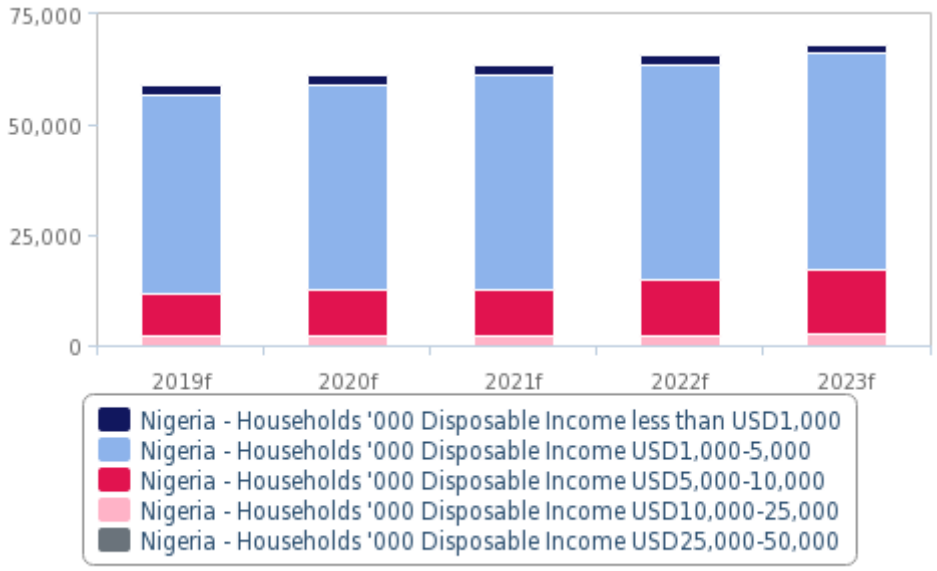
Key View: *Over the next five years, Nigeria will see rapid growth in household disposable income, set to out-perform growth in the total number of households, indicating solid growth at a per capital level. By the end of this period, the total number of households earning above USD5,000 and USD10,000 will expand rapidly. This offers both retailers opportunities to target different parts of the income distribution in Nigeria.*

Latest Updates

- The total number of households in Nigeria will grow at an average of 3.8% a year, adding 9.3mn households over five years.
- Disposable income per households will grow at a CAGR of 10.8% (in local currency terms), taking it from NGN1.2mn (USD3,823) in 2019, to NGN1.7mn (USD4,202), by the end of 2023.
- The majority of households will remain within the USD1,000-5,000 disposable income range, at 75.7% of the total in 2019. We expect this number to decline slowly over our forecast period as household incomes improve.
- Households earning more that USD5,000 will see rapid growth, at a CAGR of 14.4%, over the medium term. This group will grow by 4.7mn households over the next five years, representing a quarter of total households, by the end of 2023.
- Meanwhile, the middle-income segment (household disposable income of more than USD10,000) will account for 2.9mn households in 2023, up from 2.1mn in 2019. Although this will represent just 4.3% of total households by the end of our forecast period.

Purchasing Power And Demographic Trends

Household Income Breakdown (2019-2023)



f = Fitch Solutions forecast. Source: National sources, Fitch Solutions

Structural Trends

Over the medium to long term, Nigeria will experience rapid demographic shifts. Between 2019 and 2023, the population of Nigeria will increase by 22mn people, directly influencing the number of households across the country. Over the next five years, the total number of households will grow by an average of 3.8% a year, going from 59.1mn at the beginning of 2019, to 68.4mn, by the end of 2023. The average working adults per household will however, stay the same throughout this period.

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Disposable incomes are also increasing throughout the country. Over 2019, the gross income per household will be worth NGN1.4mn (USD4,498). However, this is slightly falling below the inflation rate, which is forecast to average 13.4% over the year. Household disposable incomes will grow at a CAGR of 10.8% a year, over the next five years, taking it to a value of NGN1.7mn (USD4,202), by the end of 2023. In USD terms, this growth is a lot more subdued, at a CAGR of 4.4%, over the medium term.

As mentioned, disposable incomes are growing steadily across Nigeria. Over the next five years, an additional 5.1mn households will earn above USD5,000, taking this number to 17.2mn, by the end of 2023. This group currently represents 20% of the total number of households. By 2023, this will account for 25.1%. This is a market area where consumer-facing companies can really take advantage of the high growth rate. As they are largely new entrants into formal markets, catering to these households early can create significant market power for the future. The downside to this group is their limited scope for spending in the non-essential categories.

At the higher end, an extra 805,000 households will earn above USD10,000 by the end of 2023, taking this tally to 2.9mn households. While proportionally small, at just 3.6% of total households, we forecast this group to grow at a CAGR of 14.3% a year, to represent 4.3% of total households by 2023. This is creating new opportunities for luxury retailers hoping to cater to the growing wealthy class, which will be exclusively urban. This is a market area where consumer-facing companies can really take advantage of the high growth rate. Here, households are able to better cover their essential costs leaving spending room for non-essential goods and services. Brand loyalty can play an important role in this environment so establishing an early presence is key.

HOUSEHOLD INCOME DATA (NIGERIA 2016-2023)

Indicator	2016e	2017e	2018e	2019f	2020f	2021f	2022f	2023f
Households, '000	52,097.9	54,538.9	56,775.4	59,106.6	61,355.0	63,688.8	65,910.1	68,414.9
Households, % y-o-y	4.7	4.7	4.1	4.1	3.8	3.8	3.5	3.8
Average working adults per household	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8
Gross Income, per household, NGN	1,039,707.28	1,094,817.56	1,215,263.02	1,383,249.21	1,542,674.24	1,699,535.98	1,850,938.55	2,027,229.71
Gross Income, per household, USD	4,039.28	3,589.27	3,984.14	4,498.37	4,537.28	4,502.08	4,715.77	4,944.46
Gross Income, per capita, NGN	502,619.4	530,584.9	591,704.6	676,948.6	757,848.2	837,447.2	914,275.9	1,003,734.2
Gross Income, per capita, USD	1,952.68	1,739.48	1,939.86	2,201.46	2,228.97	2,218.40	2,329.37	2,448.13
Disposable Income, per household, NGN	883,751.19	930,594.92	1,032,973.56	1,175,761.83	1,311,273.10	1,444,605.59	1,573,297.77	1,723,145.25
Disposable Income, per household, USD	3,433.4	3,050.9	3,386.5	3,823.6	3,856.7	3,826.8	4,008.4	4,202.8
Disposable Income, per	427,226.51	450,997.20	502,948.88	575,406.28	644,171.00	711,830.10	777,134.49	853,174.07

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Indicator	2016e	2017e	2018e	2019f	2020f	2021f	2022f	2023f
capita, NGN								
Disposable Income, per capita, USD	1,659.8	1,478.6	1,648.9	1,871.2	1,894.6	1,885.6	1,980.0	2,080.9
Tax and social contributions, % of gross income	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Tax and social contributions, per capita, NGN	75,392.91	79,587.74	88,755.69	101,542.29	113,677.23	125,617.08	137,141.38	150,560.13
Tax and social contributions, per capita, USD	292.9	260.9	291.0	330.2	334.3	332.8	349.4	367.2
Households '000 Disposable Income USD5,000+	8,358.7	6,609.5	8,770.8	12,022.4	12,714.1	12,958.4	14,881.3	17,160.9
Households '000 Disposable Income USD10,000+	1,482.5	1,107.5	1,488.3	2,101.3	2,186.8	2,174.9	2,504.4	2,905.5
Households Disposable Income USD5,000+, % total households	16.0	12.1	15.4	20.3	20.7	20.3	22.6	25.1
Households Disposable Income USD10,000+, % total households	2.8	2.0	2.6	3.6	3.6	3.4	3.8	4.2

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Consumer Demographics

Key View: *Nigeria has the largest population in Sub-Saharan Africa and one of the largest in the world. The demographic make-up is extremely attractive to consumer-facing companies and retailers, as the population is urbanising at a rapid rate and is dominated by young, trendsetting adults between the ages of 20 and 39 years old. Risks stem from high youth unemployment not translating into opportunities for higher consumer spending, as well as the regions in the north of the country that remain difficult to operate in.*

Demographic Trends

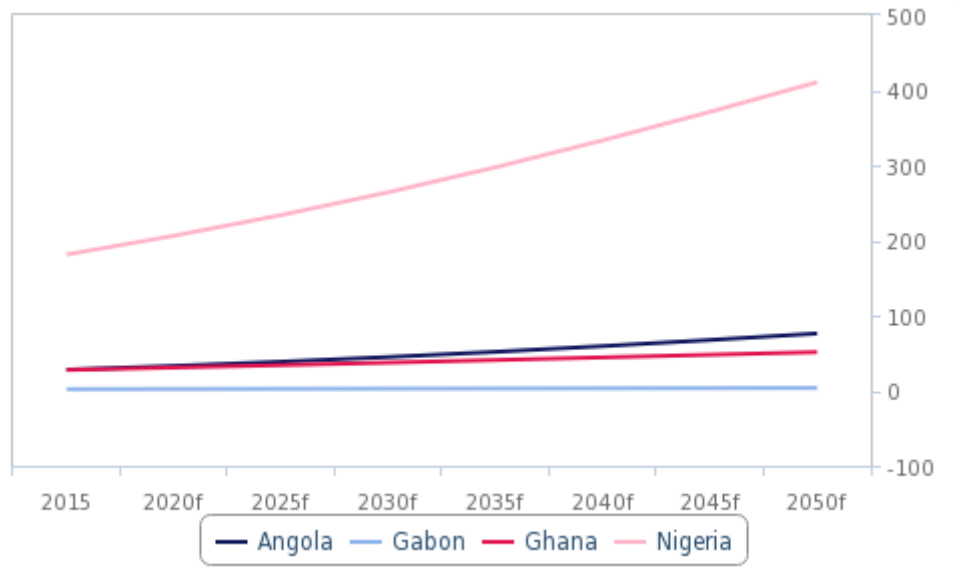
Looking at the demographic trends taking place within a market gives insight into where future opportunities will emerge for consumer facing industries. These are generally long-term trends taking place over multiple decades, rather than our typical five-year forecast period. This section therefore provides analysis, charts and data up to 2050 to analyse the demographic trajectories of Nigeria and better understand the long-term population shifts and their impact from a consumer perspective.

Population Size

Nigeria has the largest population in Sub-Saharan Africa, accounting for 15% of the total African population. We do not see any signs of this slowing down over our long-term forecast, with the Nigerian population more than doubling leading up to 2050, increasing from 181mn in 2015 to 411mn in 2050. With such a rapidly growing population, the growth that can be expected in the consumer market will make Nigeria one of the most attractive markets in Sub-Saharan Africa.

Population Vs. West Africa

Nigeria - Total Population, mn



f = Fitch Solutions forecast. Source: Fitch Solutions

- Simply put, larger population sizes translate into larger consumer markets for companies to target.
- If a population continues to grow over our 2050 forecast period, it sends a positive signal to investors, as their target market is expanding.
- If a population shrinks, this poses a potential risk. This is particularly so if the shrinking is precipitated by a 'brain drain' among young, educated adults - an important slice of the population.

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POPULATION (NIGERIA 2015-2050)									
Geography	**Indicator**	**2015**	**2020f**	**2025f**	**2030f**	**2035f**	**2040f**	**2045f**	**2050f**
Nigeria	Population, mn	181.18	206.15	233.69	264.07	297.32	333.17	371.12	410.64

f = Fitch Solutions forecast. Source: UN, Fitch Solutions

Adult Population Trends

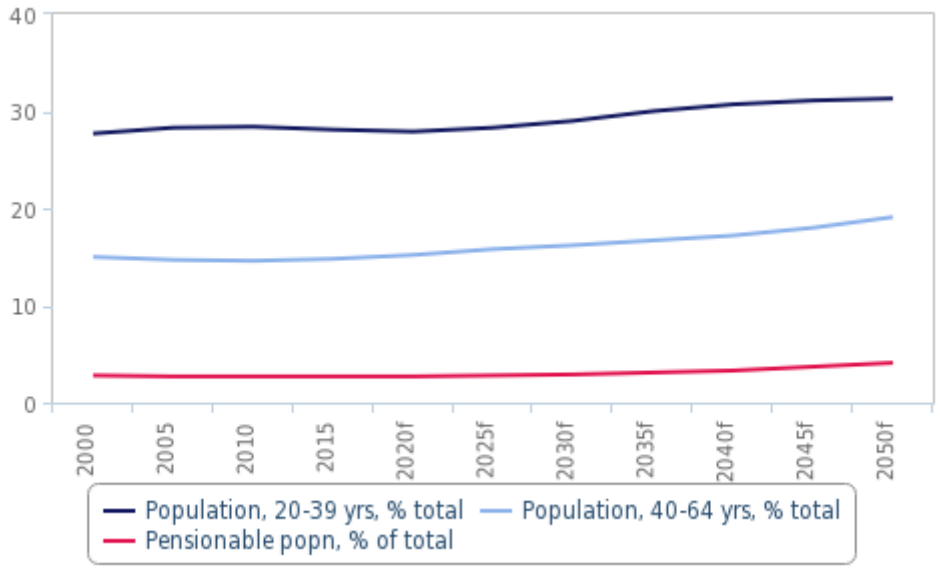
Nigeria has a fairly low proportion of adults in its population, with the number of people over the age of 20 years old constituting 45.6% of the total population in 2015. This will change dramatically over our forecast period, with adults representing 54.5% in 2050. This demonstrates just how young the overall population is, which highlights a significant opportunity for retailers to build brand loyalty over the long term.

Our young adults age bracket (20-39 years old) represents the bulk of the adult population, totalling 50.9mn in 2015 and growing to 128.5mn by 2050. Young adults will account for 31.3% of the population in 2050, up from 28.1% in 2015 - this is significant growth. While this age bracket is typically an important target for companies, due to trendsetting and fashionable spending, this might not be the case in countries such as Nigeria, where youth unemployment remains considerably high, potentially shrinking the target market base.

The middle-aged population (40-64 years old) will experience the fastest growth over our forecast period, accounting for 19.1% of the population in 2050, up from 14.8% in 2015. Total numbers will roughly triple, increasing to 78.4mn by 2050, generating new opportunities for companies. The pensionable population is the smallest portion of adults, with roughly 5mn over the age of 65 years old in 2015, increasing to 16.6mn by 2050. Nigerians are living longer as the country develops but those over 65 years old will still represent only a small portion of the population at 4.1% in 2050.

Adult Population Trends

Adult Population Trends (2000-2050)



f = Fitch Solutions forecast. Source: UN, Fitch Solutions

- We have broken down the adult population into three groups: young adults (20-39 years old), middle-aged (40-64 years old) and pensionable population (65-plus years old). We have used the percentages of the total population to determine which age group will account for a larger or smaller share of the total population by 2050. This does not necessarily mean that a group will decline in total numbers if the percentage falls, just that other groups are growing faster.

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- **Young Adults (trendsetters):** alcohol, technology (latest devices, e-commerce), fashion, personal care, restaurants, recreation, furnishing and home (lower end), transport (public, taxis, second-hand cars), experiences (holidays, unique/shareable activities), education, utilities, sporting goods.
- **Middle-Aged (premiumisation):** spirits, personal effects, restaurants, recreation and culture, health, transport (premium brands, larger vehicles, new vehicles), financial products (life/home insurance), furnishing and home (antiques, renovations), hotels (domestic), education, utilities, garden products.
- **Pensionable Population (retiring, out of workforce):** health, financial, traditional food and drink, convenience, culture, holidays, property, care services.

YOUNG ADULTS/ MIDDLE AGED/ PENSIONABLE POPULATION (NIGERIA 2015-2050)

Indicator	2015	2020f	2025f	2030f	2035f	2040f	2045f	2050f
Population, 20-39 yrs, total, '000	50,916.0	57,575.5	66,066.7	76,682.3	89,231.1	102,363.4	115,422.7	128,531.8
Population, 40-64 yrs, total, '000	26,731.1	31,408.7	36,867.0	42,850.7	49,546.5	57,372.8	66,950.2	78,447.5
Population, 20-39 yrs, % total	28.1	27.9	28.3	29.0	30.0	30.7	31.1	31.3
Population, 40-64 yrs, % total	14.8	15.2	15.8	16.2	16.7	17.2	18.0	19.1
Pensionable popn, % of total	2.7	2.7	2.8	2.9	3.1	3.3	3.7	4.1
Pensionable pop., total, '000	4,957.5	5,650.0	6,557.2	7,703.6	9,144.7	11,133.2	13,686.5	16,642.0

f = Fitch Solutions forecast. Source: UN, Fitch Solutions

Baby, Child And Teenage Population

The young population will see considerably growth over the next thirty years. In 2015 those below the age of 20 totalled 98.5mn (54% of the total population). This will grow to 187mn (45.5% of total population) by 2050, offering a potentially massive target market for consumer-facing companies. Across our four categories - babies (0-4 years old), young children (5-9 years old), pre-teenagers (10-14 years old) and teenagers (15-19 years old) - we forecast experience rapid growth of more than 20mn between 2015 and 2050. All four categories will have at least 40mn people by 2050.

Babies are the largest sub-group of under-20 year olds in 2015, accounting for 17.2% of the total population in 2015. This will increase to 51.6mn in 2050 but their share of the total population will fall to 12.6%. The teenager group is the smallest sub-group of the under-20 year olds in 2015, with 18.6mn in 2015. However, this sub-group will see a 123% increase in their numbers by 2050, recording 41,659mn. The remaining two sub-groups will also see significant growth over our forecast period. Young children will grow from 26.4mn (14.6% of the total population) in 2015, to 48.5mn (11.8% of the total population) in 2050, while pre-teenagers will grow from 22.4mn (12.4% of the total population), to 45.3mn (11% of the total population). While all four will decline in percentage terms as a proportion of the total population, they will all grow in absolute terms, creating plenty of opportunities for companies.

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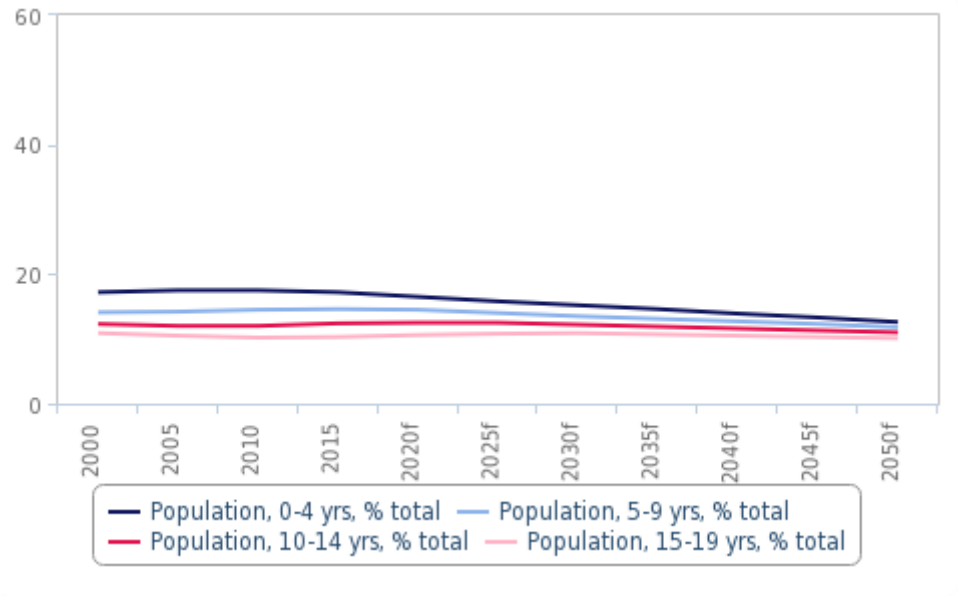
Babies, Children And Teenage Population Trends

Babies, Children & Teenage Population Trends (2000-2050)



f = Fitch Solutions forecast. Source: UN, Fitch Solutions

- We have broken down the non-adult population into four groups: babies (0-4 years old), children (5-9 years old), pre-teenagers (10-14 years old) and teenagers (15-19 years old). We have used their percentages of the total population to determine which age group will account for a larger or smaller share of the total population by 2050. This does not necessarily mean that a group will decline in total numbers if the percentage falls, just that other groups are growing faster.
- **Babies**: clothing and footwear, toys, games, personal care.
- **Children**: clothing and footwear, toys, games, confectionery, soft drinks.
- **Pre-Teenagers (Allowances)**: fashion, recreation, technology (smartphones, apps, video games/consoles), restaurants (fast food/quick serve, fast casual), confectionery, sporting goods.
- **Teenagers (Minimum Wage)**: restaurants (fast food/quick serve, fast casual), alcohol, tobacco (vaporisers), personal care (makeup), technology (smartphones, apps, video games/consoles), fashion, recreation, sporting goods.

POPULATION: CHILDREN AND TEENAGERS (NIGERIA 2015-2050)

Indicator	2015	2020f	2025f	2030f	2035f	2040f	2045f	2050f
Population, 0-4 yrs, total, '000	31,109.2	33,914.2	36,830.0	40,032.4	43,320.6	46,444.8	49,208.4	51,605.2
Population, 5-9 yrs, total, '000	26,417.7	29,887.1	32,768.2	35,769.8	39,053.3	42,427.6	45,642.0	48,494.3
Population, 10-14 yrs, total, '000	22,401.4	25,793.9	29,283.0	32,206.2	35,252.2	38,579.4	41,999.4	45,257.8
Population, 15-19 yrs, total, '000	18,648.9	21,923.3	25,319.8	28,822.5	31,774.7	34,851.0	38,210.2	41,659.3
Population, 0-4 yrs, % total	17.2	16.5	15.8	15.2	14.6	13.9	13.3	12.6
Population, 5-9 yrs, % total	14.6	14.5	14.0	13.5	13.1	12.7	12.3	11.8
Population, 10-14 yrs, % total	12.4	12.5	12.5	12.2	11.9	11.6	11.3	11.0
Population, 15-19 yrs, % total	10.3	10.6	10.8	10.9	10.7	10.5	10.3	10.1

f = Fitch Solutions forecast. Source: UN, Fitch Solutions

Median Age

The median age of the Nigerian population will rise from 17.9 years old in 2015 to 22.4 years old in 2050, indicating that the population is ageing as people live longer. This is a fairly moderate rate by regional and global standards and is on the lower end

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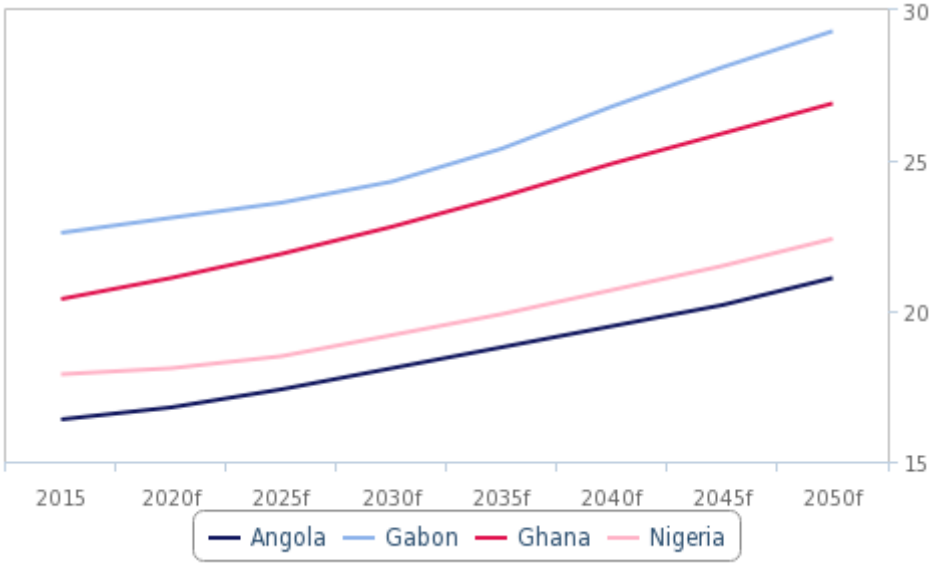
compared to some of Nigeria's neighbours in West Africa, higher only than Angola.

Median Age Vs. West Africa

Nigeria - Median Age (2015-2050)



f = Fitch Solutions forecast. Source: Fitch Solutions

- This indicator works as a complement to our other population-age forecasts, providing an average age of the population and how it is changing over time.
- Developed markets typically have a higher score for this indicator; they are ageing as people live longer and birth rates fall. Older generations can present opportunities if they are marketed to in the right way. Convenience, easy-to-open packaging and traditional ingredients are appealing to this group.
- Emerging markets tend to be lower in average age as birth rates remain strong and populations grow. This bodes well for companies targeting trendsetting, younger generations entering the consumer market with higher levels of income than their parents. One area of risk is that youth unemployment can be quite high in these markets, capping the spending.

POPULATION, MEDIAN AGE OF POPULATION (NIGERIA 2015-2050)

Geography	Indicator	2015	2020f	2025f	2030f	2035f	2040f	2045f	2050f
Nigeria	Median age of population	17.9	18.1	18.5	19.2	19.9	20.7	21.5	22.4

f = Fitch Solutions forecast. Source: UN, Fitch Solutions

Urban/Rural Split

Nigeria continues to urbanise at a rapid rate, with the number of urban dwellers forecast to overtake the number of rural dwellers by 2018. As of 2015, 47.8% of the population lived in the country's urban areas and this will increase to 67.1% by 2050. This will lead to 189mn additional Nigerians living in urban areas by 2050, totaling 276mn by 2050. As is usually the case, the country's urban centres remain the main attraction for retailers and Nigeria's largest cities, such as Lagos and Kano, currently offer the largest number of retailers.

The southern region of the country is far more attractive than the north because of greater economic development, higher levels of urbanisation and a more advanced logistics network. Of the 11 cities that have a population of more than 1mn, seven are located in the south, including Lagos (13.4mn), Abuja (3mn), Ibadan (2.6mn), Port Harcourt (1.3mn), Aba (1.3mn), Ogbomosho (1.2mn) and Benin City (1.1mn). Although Abuja is the capital, Lagos is much more heavily populated and is believed to be the seventh most

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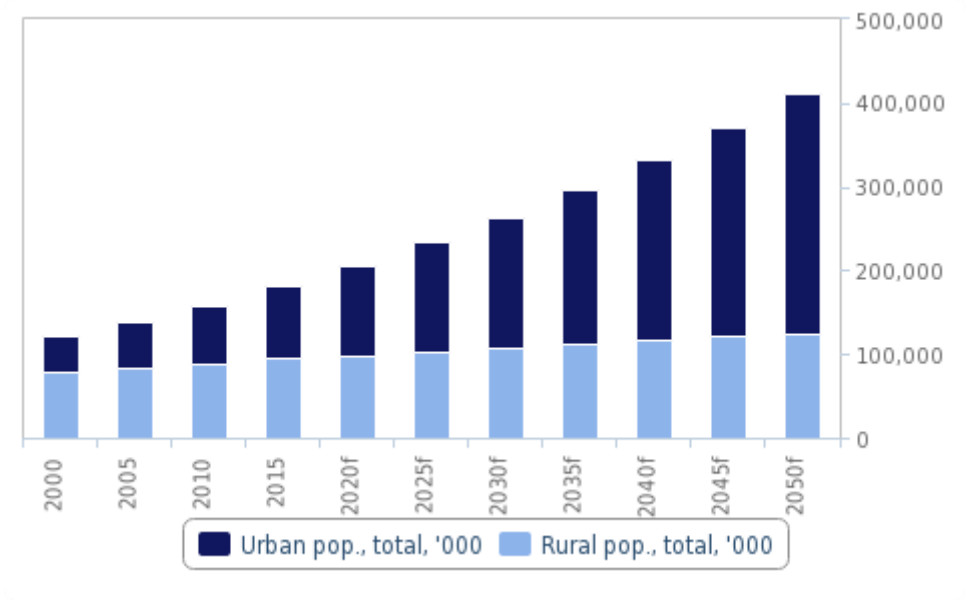
populated city in the world when including the larger metropolitan area. Ibadan is perhaps the city most ripe for retailers to expand into because of its proximity to Lagos and its having the fourth largest population in the country. Port Harcourt is one of the fastest-growing per capita income cities and is another good opportunity for retailers, with its population of 1.3mn and its geographical position as a port near Cameroon. The north is more rural with lower-income consumers and a transport network threatened by attacks from Boko Haram. Even with a number of large cities such as Kano (3.6mn), Kaduna (1.7mn), Maiduguri (1.2mn) and Zaria (1.0mn), the difficulties of doing business there remain exceptionally high. Furthermore, the area generally has lower income than the south, offering limited upside for consumer-focused companies.

Urban And Rural Population Trends

Urban & Rural Population '000 (2000-2050)



f = Fitch Solutions forecast. Source: National sources, Fitch Solutions

- Markets with higher urbanisation levels are generally more attractive because of developed logistics, concentrated consumers and higher spending levels, among other reasons.
- In contrast, consumers in rural regions are harder to reach and typically have lower spending power, making investment riskier, particularly in emerging markets.

RURAL/URBAN POPULATION (NIGERIA 2015-2050)

Indicator	2015	2020f	2025f	2030f	2035f	2040f	2045f	2050f
Urban pop., % of total	47.8	52.0	55.8	59.2	62.2	64.9	67.4	69.9
Rural pop., % of total	52.2	48.0	44.2	40.8	37.8	35.1	32.6	30.1
Urban pop., total, '000	86,673.7	107,112.8	130,311.3	156,298.9	184,887.4	216,082.1	250,286.6	287,130.3
Rural pop., total, '000	94,508.0	99,039.9	103,380.6	107,768.6	112,435.7	117,090.0	120,832.8	123,507.6
Population per sq km, persons	198.9	226.3	256.6	289.9	326.5	365.8	407.5	450.9

f = Fitch Solutions forecast. Source: National sources, Fitch Solutions

Male/Female Split

Nigeria had more males (91.8mn) than females (89.4mn) in its population in 2015 and this will remain the case over the course of our forecast period. The gap will widen in absolute terms, due to the size of the total population expanding so rapidly; however, the percentages will remain roughly the same. Males will represent 50.7% and females 49.3% in 2050, only a slight difference from

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50.6% and 49.4% in 2015. The female demographic is of growing importance to consumer-facing companies around the world, especially as women increasingly enter the workforce. Female labour participation in Nigeria reached 48.5% in 2016, according to the World Bank, slightly below the world average of 49.5%. This figure rose rapidly during the 90s, but has slowed down over the past 10 years. Female labour participation stood at 47.7% in 2007, in our view growth in this area will be gradual.

The 0-4 years-old age bracket accounted for the highest number of male and female Nigerians in 2015, at around 15.9mn each. This will remain the case in 2050 when there will be 26mn of each in this age bracket. In terms of adults, the highest number of males and females falls in the 20-24 years-old age range, which is indicative of the young overall population in the country.

- Except for some extreme examples, such as China, the male/female split tends to be about equal with only a slight leaning towards one gender.
- The rise of the female consumer is becoming an important part of company strategy. They are beginning to tailor products, advertising and marketing - which were previously male-focused or neutral - to women.

POPULATION RATIO (NIGERIA 2015-2050)

Indicator	2015	2020f	2025f	2030f	2035f	2040f	2045f	2050f
Population, total, male, '000	91,768.7	104,524.8	118,562.9	134,017.1	150,916.1	169,099.9	188,314.0	208,278.0
Population, total, female, '000	89,413.0	101,627.9	115,128.9	130,050.4	146,407.1	164,072.2	182,805.4	202,359.9
Population ratio, male/female	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

f = Fitch Solutions forecast. Source: UN, Fitch Solutions

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Market Overview

Retail Trends

Nigeria possesses one of the fastest-growing formal retail markets in Africa, making it an attractive entry point for international retailers. As a result, the retail market is becoming increasingly competitive and is experiencing rapid growth, driven by both local firms and international entrants. An emerging urban middle class is generating new and more sophisticated demand for consumer items and modern retail formats. These developments are occurring exclusively in or near the country's urban areas, such as Lagos. We do note that a large proportion of Nigerian households have low income, therefore spending is static and is inclined towards essential spending.

Latest Updates

- The Japanese retailer, **Miniso**, has been undertaking an aggressive expansion strategy in Nigeria. Since opening its first store in September 2017, there are 12 outlets across the country. The company plans to open 200 stores by the end of 2019.
- The South African Retailer, **Shoprite**, opened its first distribution centre in the country, in December 2018.
- E-commerce platform **Konga** and online-offline retail chain **Yudala** have announced a merger which will take effect on May 1 2018. The merger will boost Konga's online to offline (O2O) strategy by tapping into Yudala's offline experience, network of retail stores and operational efficiency.
- Private equity firm **Alta Semper Capital** announced a partnership with Nigeria's leading retail pharmacy chain **HealthPlus**, investing USD18mn, and will help the retailer expand its footprint in Nigeria.

Clothing And Footwear

Clothing and footwear spending is expected to grow steadily across the forecast period, driven by a young, increasingly urban population with a growing interest in fashion. Although the market place is highly fragmented, multi-brand boutiques and e-commerce outlets are growing in popularity. Considerable opportunity exists, therefore, for big multinational retailers to enter the market and target wealthier Nigerians who are more likely to purchase their brands. Local clothing and footwear retailers include boutiques such as **AK Boutique** and **Base Boutique** in Abuja, stores such as **Shoevilles and Accessories** (selling footwear, clothing, bags and other accessories) and retailers with a strong e-commerce presence such as **Dressrite**. International brands (tending to operate in Nigeria under franchise agreements) include **Hugo Boss**, **Nike**, **Mango**, **Zara** and South Africa-based **Mr Price Apparel** (which opened its first corporate-owned outlet in Nigeria in 2012).

The **L'Espace** multi-brand fashion outlet is located in the wealthy Victoria Island area of Lagos. Founded in 2011, it stocks men's, women's and children's clothing along with beauty and lifestyle products. L'Espace retails exclusively African-designed clothing and has expansion plans both within Nigeria and across the African continent. L'Espace's holding company, **Winterfell**, also owns fashion outlets **Le Petit Marche Nigeria** and **Zazaii** (launched in the summer of 2015 by Winterfell's co-founder Isoken Ogiemwonyi).

Spain-based fashion retailer Mango opened its first store in Lagos through a franchise agreement in 2009 and has since opened another store in Lagos and one in the country's capital Abuja. In 2014 the Mango franchise owner claimed that the store in Palms Mall, Lagos, was in the top 10 of the brand's global stores in terms of sales per square metre.

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SELECTED CLOTHING AND FOOTWEAR RETAILERS

Company	Parent/ownership	Sub-sector	Revenue	Employees	Stores	Notes
Dressrite	Digisol Nigeria Ltd.	Clothing and accessories	na	11-50	1	-
Mango Nigeria	Mango MNG Holding	Clothing and accessories	na	na	3	-
Mr Price Apparel	Mr Price Group	Clothing and accessories	na	na	5	-
PEP Clothing	Pepkor	Clothing and accessories	na	na	30	-

na = not available. Source: Company reports, Trade Press, Fitch Solutions

Household Goods, Homeware And Home Improvement

The household goods sector is another area in which we expect to see strong retail growth, albeit from a relatively low base, across the forecast period. Increasing urbanisation and greater disposable incomes will be the main drivers. Independent household goods retailers still dominate the Nigerian market, although larger players are now making a mark for themselves. The **Bedmate Furniture Company** claims to be Nigeria's largest furniture retailer. **Lifemate Nigeria** is a significant player in the manufacture and retail of custom furnishings and **SkaraBrand** provides affordable furniture through its online-only model. Home improvement outlets include **Walmart**-owned **Massmart** and a new national player, **Homemart,** which launched in November 2015 with an online and offline presence.

Nigeria's Bedmate Furniture Company operates primarily in the south of the country, with a number of showrooms in Lagos, Lekki, Port-Harcourt, Abuja and Ikeja. It has an extensive range of domestic soft furnishings for bedrooms and living rooms; hard furnishings, such as tables and television stands/units, and a number of ranges of office and hotel furniture. Its products are predominantly locally made but the company has an imported Italian range of domestic furniture as well.

Homemartng.com markets itself as Nigeria's fastest growing retailer of building and home improvement materials. Operating out of Lagos as **Home-Made Integrated Resources** the company supplies materials nationwide and has expansion aspirations for its e-commerce platform. Primary home improvement lines include bathroom fittings, lighting, doors, flooring and paint.

Japan-based low-cost household goods retailer Miniso opened its first stores in Lagos in September 2017. The company opened in six locations in premium shopping malls in Lagos: Ikeja City Mall (Ikeja), Circle Mall (Lekki), Novare Mall (Sangotedo-Ajah), Palms Mall (Lekki), Festival Mall (Festac) and Maryland Mall (Maryland). This network was further extended to 12 stores. The company is planning an aggressive expansion strategy, with plans to open at least 200 outlets by the end of 2019.

SELECTED HOUSEHOLD GOODS, HOMEWARE AND HOME IMPROVEMENT RETAILERS

Company	Parent/ ownership	Sub-sector	Revenue	Employees	Stores	Notes
Bedmate Furniture	Bedmate Nigeria Inc.	Home and office furnishings and accessories	na	na	8	-
Game	Wal-Mart Stores Inc. (USA)	General merchandise, home improvement equipment and supplies	na	na	5	-

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Company	Parent/ ownership	Sub-sector	Revenue	Employees	Stores	Notes
Lifemate Furniture	Private	Home and office furnishings and accessories	na	na	7	-
Miniso	Private	household and consumer goods including cosmetics, stationery, toys, and kitchenware	na	na	12	Plans to expand its store count by 200, by the end of 2019

na = not available. Source: Company reports, Trade Press, Fitch Solutions

Electronics

We expect to see modest growth in the consumer electronics sector between 2019 and 2023, with the strongest growth in the computers sub-sector. The long-term outlook for the sector is extremely good. The country's population is large, urban, youthful and increasingly well-educated, providing a sound foundation for continued sales growth. Major Nigerian electronics outlets include **Hub Media Store** (located in the Palm Shopping Mall in Lagos) which claims to be the largest electronic media store in Nigeria, **Laptop Depot** (owned by **PKO Technologies**) which has aspirations to open outlets in every major Nigerian city and **PC Corner**, a computing and IT equipment specialist that currently has three outlets in Lagos. International electronics brands are highly visible across Nigeria and are usually sold through authorised dealers such as the **Fouani Group** (sole distributors of **LG Electronics** products), although **Sony** has opened its own store in Victoria Island, Lagos.

Fouani Nigeria was founded in 2001 as a subsidiary of the Fouani Group which operates in a number of African countries, including the DRC, Gambia and Liberia. The Nigerian operation has outlets across the country and also operates a professional e-commerce site at fouanistore.com. The range of products available includes electronic white goods, brown goods, telecommunications equipment, gas cookers and air conditioning units. The company operates a rewards points scheme, wedding gift list service and ongoing product support.

PKO Technologies was founded in 2002 with a sphere of activity that went beyond sales; for example, the company offers corporate electronic engineering services and electronic security installations. PKO offers telecommunications and computing equipment as well as photographic equipment and supporting optical gadgets to both corporate and private customers, with the latter sales through its Laptop Depot retail outlets or pkotechnologies.com e-commerce site.

SELECTED ELECTRONICS RETAILERS

Company	Parent/ ownership	Sub-sector	Revenue	Employees	Stores	Notes
Fouani Nigeria	Fouani Group	Electrical, electronic and computer goods	na	na	30+	Sole distributors of LG electronic product.
Hub Media Store	na	Electrical, electronic and computer goods and services	na	na	1	-
Laptop Depot	PKO Technologies	Electrical, electronic and computer goods and services	na	na	2	-

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Company	Parent/ ownership	Sub-sector	Revenue	Employees	Stores	Notes
	Ltd					
PC Corner	na	Electrical, electronic and computer goods and services	na	na	1	-
Sony	Sony Corporation	Electrical, electronic and computer goods and services	na	na	4	-

na = not available. Source: Company reports, Trade Press, Fitch Solutions

Department Stores

Nigeria's department store market is dominated by a handful of well-established international retailers as well as stand-alone retailers. **Park 'n' Shop** is the country's most popular department store chain. Headquartered in Lagos, the company operates in millions of square feet of retail space across several outlets throughout Nigerian cities. With the rising affluence of the middle class in Nigeria's largest cities, we believe that the department store format will continue to grow in popularity over the coming years. However, increasing affluence is simultaneously boosting the demand for more sophisticated and modern shopping malls and the growing number of products available in Nigeria's supermarkets is likely to create additional competition for the department store format, as will high rental costs. Other players in the sector include: Mr Price (which as well as trading in apparel, sells homeware and sportswear in four separate stores around the country), **NexTime Supermarket & Department Store** (which opened in Port Harcourt in 2006) and high-end retailer **Temple Muse** (which sells designer clothing, furnishings and accessories in Lagos).

Park 'n' Shop, owned by **Artee Group**, which is one of Nigeria's leading business houses, has multiple businesses spanning across the retail consumption space. While retail forms the core business activity of Artee Group, subsidiaries are present in the manufacturing, real estate and export sectors, among others. There are currently six Park 'n' Shop stores throughout Nigeria, all of which offer a good range of household and consumer items.

Game is Africa's leading discount retailer, offering a wide range of general merchandise and non-perishable groceries for home, leisure and business use. The firm is a subsidiary of the Walmart-owned South African JSE-listed company **Massmart Holdings**. Currently, there are two Game stores in Nigeria, with more planned for the coming years.

SELECTED DEPARTMENT STORES

Company	Parent/ ownership	Sub-sector	Revenue	Employees	Stores	Notes
Citrus Lifestyle Stores	na	Clothing, accessories, personal care, cosmetics, home decor, entertainment media, electronic brown goods	na	na	1	
Game	Wal-Mart Stores Inc.	General merchandise, bedding, cosmetics, electrical/ electronic goods and housewares	na	na	5	
NexTime Supermarket & Department Store	NexTime International Trading Co. Ltd.	Clothing, groceries, electronics and general merchandiser	na	1,000	1	

na = not available. Source: Company reports, Trade Press, Fitch Solutions

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E-Commerce And Online Marketplaces

The e-commerce sector is recording immense growth and we expect this to continue over our forecast period. The federal government of Nigeria aims to generate USD10bn annually from the e-commerce market, after it recorded massive growth on the back of improved mobile connectivity and increased internet access in the country. Nigeria's e-commerce sector has already attracted substantial foreign investment, with the leading players in the sector, Jumia and Konga, having received substantial multi-million US dollar investments in recent years. Nigeria is not doing particularly well in the area of internet penetration, however, with a rate of approximately 35.4%. Smartphone penetration is increasingly strong throughout the country and as a result, most of the recorded internet access is through smartphones. Barriers to growth include a lack of reliable, low-cost delivery services and systems, as well as the fact that the vast majority of Nigerians still prefer traditional methods of shopping. We believe that it will take a considerable amount of time to convince consumers to change deeply-ingrained shopping habits. Several new small players - including **supermart.ng**, **addiba.com**, **webmall.ng**, **buyam.com.ng**, and **drinks.ng** - compete alongside the two leading major players.

Jumia, Africa's leading online shopping service, operates **Jumia Nigeria** and currently dominates the online retail market. Through its service, customers across eight African countries can access a wide assortment of high-quality products at affordable prices, finding everything from consumer electronics and home appliances to fashion and beauty products. The company added **Maybelline New York** and hair care brand **Dark and Lovely** to its brand portfolio in March 2015, although it also had to downsize its workforce by 30% in November 2015 in an attempt to improve cost efficiency.

Another large player is Konga, which is the country's largest online mall. It offers a third-party online marketplace and first-party direct retail, spanning various categories, including consumer electronics, fashion, home appliances, books, children's items and personal care products. In January 2015 Konga was ranked the most visited Nigerian website. Konga stated in July 2017 that it had 200,000 active users with the total customer pool at 750,000. Its top-three selling items in descending order are: phones, electronics (including computers) and white goods (which it describes as home and kitchen). However, in November 2017, the company cut 60% of its workforce to adopt a leaner business model. In December 2017 Konga dropped its pay-on-delivery service and has instead focused on its in-house payment methods to boost sales. In April 2018 Konga announced its merger with online-offline retail chain Yudala, which will boost Konga's O2O strategy by tapping into Yudala's offline experience, network of retail stores and operational efficiency.

SELECTED E-COMMERCE AND ONLINE MARKETPLACES

Company	Parent/ownership	Sub-sector	Revenue	Employees	Stores	Notes
Jumia Nigeria	Africa Internet Group	E-commerce general merchandiser	EUR130.6mn	1000-5000	na	-
Kaymu Nigeria	Africa Internet Group	E-commerce general merchandiser	na	na	na	-
Konga	Konga Online Shopping Limited	E-commerce general merchandiser	na	700	na	-

na = not available. Source: Company reports, Trade Press, Fitch Solutions

Pharmacies And Drugstores

Personal care and effects is a relatively small sub-sector in Nigeria's retail market, served by a highly-fragmented retail pharmacy sector, with no obvious market leaders. It is an underdeveloped sector that has massive long-term growth potential. Significant players in the sector are currently all Nigerian. These include HealthPlus, which has a pharmacy presence across wider West Africa and a separate facet, **CasaBella**, that specialises in beauty and hair care products; **MedPlus**, a wholesale and retail pharmacy with nationwide expansion plans; **AlphaPharma**, which has multiple outlets retailing pharmaceutical and healthcare products; and other smaller retailers including **Malbo Pharmacy** and **UltiPharm**.

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HealthPlus launched as a registered pharmacy in 1999 based in Ikeja and has aspirations of becoming as large and as recognisable as the **Boots** chemist chain is in other countries. The company has a nationwide presence and in 2008 launched CasaBella to run a separate chain of outlets specialising in retailing products in the personal effects sub-sector. The first of these stores opened at the Palms Mall in Lagos in 2010. In March 2018 HealthPlus received funding from **Alta Semper**, allowing the pharmacy to expand its store footprint and explore private label and e-commerce initiatives.

MedPlus Nigeria was founded by Joke Bakare in 1993 as a pharmacy offering specialist referral and health consultation services. As the company has grown, its retail lines also include everyday toiletries, beauty products and baby care products. Although most of its outlets are located in and around Lagos, the company has opened stores further afield in cities such as Effurun in the Delta State and Ibadan in the Oyo State, reflecting its long-term aspiration of being a nationally recognised pharmacy chain.

SELECTED DRUGSTORES AND PHARMACIES

Company	Parent/ownership	Sub-sector	Revenue	Employees	Stores	Notes
AlphaPharma	Alpha Pharmacy and Stores Ltd.	Pharmaceutical and healthcare products	na	20	9	-
HealthPlus	HealthPlus Group Ltd.	Pharmaceutical, healthcare and beauty products	na	430+	80+	-
Malbo Pharmacy	Malbo Pharmacy and Stores Ltd.	Pharmaceutical, healthcare and beauty products	na	na	2	-
MedPlus	Medplus Ltd.	Pharmaceutical, healthcare and preventative health services	na	160	32	-
UltiPharm	UltiPharm Pharmacy & Stores Ltd	Pharmaceutical and healthcare products	na	na	1	-

na = not available. Source: Company reports, Trade Press, Fitch Solutions

Shopping Centres And Malls

A very small percentage of Nigerian consumers regularly shop in large retail malls, with the majority still preferring traditional markets. However, the development of shopping malls is taking off, driven predominantly by large South African brands and developers. Palms Shopping Mall in Lagos opened in 2005, anchored by a number of major South African retailers. A major multi-use extension to the mall, adding a further 40,000sq m of leasable retail space, was completed during 2016. Another well-established mall is the Silverbird Entertainment Centre in Abuja. **Silverbird** is a Nigerian multi-national real estate and entertainment company and opened the mall in 2009 with South Africa-based **Shoprite** as its anchor store. Other newer shopping malls include Jabi Lake Mall in Abuja, Ado Bayero Mall in Kano, Ibadan Mall in Ibadan, and the Lekki Peninsular Mall in Lagos.

Announced in 2014, the Royal Gardens Mall development in Lekki is the final phase of a housing development undertaken by **Trojan Estates Limited** and **RMB Westport**. The shopping centre is expected to cost NGN29bn and will be the largest development of its kind in the country. Royal Gardens Mall will have approximately 30,000sq m of retail and entertainment space, with international fashion brands available in the mall's fashion court and a mix of local and international retailers taking up tenancy. Royal Gardens Mall was expected to open during 2017.

Novare Real Estate Africa started construction of the Novare Gateway Mall in Abuja in May 2016. The first phase of this development reportedly cost USD68mn, with the 15,000sq m mall opening in November 2017. Novare Gateway is located on the main 10-lane highway between Abuja's Nnamdi Azikiwe International Airport and the central business district. With modern infrastructure and facilities, and with Shoprite as the anchor tenant, the centre is well situated to meet the needs of the growing Abuja community. Novare had partnered with the Chamber of Commerce in Abuja to make use of local knowledge, skills and expertise to deliver the project effectively. Novare already has two other malls in the area: the Novare Apo Mall and Novare Central. Its first mall in Lagos, the Lekki Peninsular Mall, opened in August 2016, with South Africa-based retailers Shoprite and Game

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as its anchors.

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Consumer & Retail Glossary

Fitch Solutions' household spending data is based on the UN Classification of individual consumption by purpose (COICOP), which is a classification system used to define consumption expenditures incurred by households. This lists various categories and sub-categories defining the different categories of items on which households spend, and is the preferred model used in household expenditure surveys carried out by national statistics agencies from which Fitch Solutions' household spending data is sourced.

Where spending data is not readily allocated into the COICOP format, Fitch Solutions applies a rigorous and logical approach in allocating data to align with these categories, and if needed, apply aggregation methods or other techniques to achieve category level data.

Fitch Solutions' spending data defines spending in terms of three different types of consumer units: individuals (given as per capita), households and total economy.

- **Household** - is defined as a group of people living in the same residential unit. The number of households and average persons per household is sourced from national statistics. Where this data is unavailable, Fitch Solutions uses alternative best sources for the data, and where needed use best practice techniques to make an estimate. Households exclude institutionalised individuals, such as those in hospitals and military, religious and other institutions. Where national statistics include it, Fitch Solutions uses the relevant best practice to amend the data in order to keep all countries similar with respects to their definition.
- **Per household spending** - is defined as spending by each household unit.
- **Per capita spending** - is defined as spending by each individual person.

Below are definitions to the different indicators covered in our consumer & retail publications. For more details on what is included in each of the categories, please review: 'UN - detailed structure and explanatory notes', http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=5&Lg=1

Food and non-alcoholic drinks spending - refers to the sum of food spending and non-alcoholic food spending. Details of what is included in these categories are given below.

Food spending - refers to the sum of spending on the following food items:

01.1.1 - Bread and cereals

01.1.2 - Meat

01.1.3 - Fish and seafood

01.1.4 - Milk, cheese and eggs

01.1.5 - Oils and fats

01.1.6 - Fruit

01.1.7 - Vegetables

01.1.8 - Sugar, jam, honey, chocolate and confectionery

01.1.9 - Food products, other.

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Note that this refers to spending on food for home consumption and excludes food spending for consumption outside the home.

Non-alcoholic drinks spending - refers to the sum of spending on the following types of drinks:

01.2.1 - Coffee, tea and cocoa

01.2.2 - Mineral waters, soft drinks, fruit and vegetable juices

Note that this refers to spending on drinks for home consumption, and excludes spending for consumption outside the home.

Alcoholic drinks and tobacco spending - refers to the sum of spending on the following items/services:

Alcoholic drinks spending - refers to the sum of spending on the following items:

02.1.1 - Spirits

02.1.2 - Wine

02.1.3 - Beer

Tobacco spending - refers to spending on the following tobacco products: cigarettes; cigarette tobacco and cigarette papers; cigars, pipe tobacco, chewing tobacco or snuff. Excludes other smokers' articles.

Clothing and footwear spending - refers to the sum of spending on the following items/services:

Clothing spending - refers to the sum of spending on the following clothing items:

03.1.1 - Clothing materials

03.1.2 - Garments

03.1.3 - Other articles of clothing and clothing accessories

03.1.4 - Cleaning, repair and hire of clothing

Footwear, including repair, spending - refers to the sum of spending on the following items:

03.2.1 - Shoes and other footwear

03.2.2 - Repair and hire of footwear

Housing and utilities spending - refers to the sum of spending on the following items:

04.1 - Actual rentals for housing

04.2 - Imputed rentals for housing

04.3 - Maintenance and repair of the dwelling

04.4 - Water supply and miscellaneous services relating to the dwelling

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04.5 - Electricity, gas and other fuels

Furnishing and home spending - refers to the sum of spending on the following items/services:

Furniture and furnishings spending - refers to spending on the following items:

05.1.1 - Furniture and furnishings

05.1.2 - Carpets and other floor coverings

05.1.3 - Repair of furniture, furnishings and floor coverings

Household textiles - refers to the sum of spending on the following items:

05.2.0 - Household textiles which includes items such as fabrics, bedding, linen, kitchen and bathroom linen, cloths and towels.

Household appliances - refers to the sum of spending on the following items:

05.3.1 - Major household appliances, whether electric or not

05.3.2 - Small electric household appliances

05.3.3 - Repair of household appliances

Glass, tableware and utensils - refers to the sum of spending on the following items:

05.4.0 - Glassware, tableware and household utensils which includes items such as cutlery, flatware, silverware, kitchen utensils, pans, non-electric household containers, waste bins etc.

Home and garden tools/equipment spending - refers to the sum of spending on the following items:

05.5.1 - Major tools and equipment

05.5.2 - Small tools and miscellaneous accessories

Goods and services for routine household maintenance - refers to the sum of spending on the following items:

05.6.1 - Non-durable household goods

05.6.2 - Domestic services and household services

Health spending - refers to the sum of spending on the following items/services:

06.1 - Medical products, appliances and equipment

06.2 - Outpatient services

06.3 - Hospital services

Transport spending - refers to the sum of spending on the following items/services:

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07.1 - Purchase of vehicles

07.2 - Operation of personal transport equipment

07.3 - Transport services

Communications spending - refers to the sum of spending on the following items/services:

08.1 - Postal services

08.2 - Telephone and telefax equipment

08.3 - Telephone and telefax services

Recreation and culture spending - refers to the sum of spending on the following items/services:

09.1 - **AV, camera and computer** - refers to the sum of spending on the following items: AV equipment spending, including television, radio and CD players; cameras and video cameras, including sound recording equipment; computers spending, including all types of personal computers, software and peripherals; recorded media, including recordable CDs, cassette and recording films; AV, camera and computer repairs

09. 2 - **Other major durables for recreation and culture**

09.3 - **Toys, sports, gardens and pets** - refers to the sum of spending on the following items: games, toys and hobbies spending, including items such as card, board, electronic games and hobbies, eg stamp collecting and video games; sport and camping equipment, including items such as sports equipment, and game specific footwear; gardens, plants and flowers, including artificial flowers, pots and pot holders; pet food/products and vet fees, including all pet related accessories.

09.4 - **Recreational and cultural services**

09.5 - **Newspapers, books and stationery**

09.6 -

Education spending - refers to the sum of spending on the following items/services:

10.1 - Pre-primary and primary education

10.2 - Secondary education

10.3 - Post-secondary non-tertiary education

10.4 - Tertiary education

10.5 - Education not definable by level

For more details on what is included in each of the above categories, please review 'UN - detailed structure and explanatory notes'.

Restaurants and hotels spending - refers to the sum of spending on the following items/services:

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11.1 - Catering services

11.2 - Accommodation services

Personal, insurance and other spending - refers to the sum of spending on the following items

Personal care and effects spending - refers to the sum of spending on the following items:

12.1 - **Personal care products spending** - includes spending on hairdressing/personal grooming, small electric appliances for personal care, toiletries and other similar products.

12.2- **Personal effects products spending** - refers to the sum of spending on the following items:

12.3.1 - Jewellery, clocks and watches

12.3.2 - Other personal effects

12.3 - **Insurance** - includes all types of personal, home, health and transport insurance.

12.4 - **Other spending** - which includes social protection, financial services and other similar services etc.

Household goods (**Fitch Solutions** only category/**Fitch Solutions** calculation) - the sum of spending on furniture and furnishings, household textiles and appliances, glass, tableware and utensils, home and garden tools and equipment, AV, cameras and computers, toys, sports, gardens and pets.

Income Definitions

Gross income - refers to income received before tax and deductions.

Net income - refers to income received less any income taxes and social contributions.

Tax and social contributions, % of gross income - refers to tax plus social contribution rate as percentage of total gross income.

Consumer & Retail Methodology

Industry Forecast Methodology

Fitch Solutions' industry forecasts are generated using the best-practice techniques of time-series modelling and causal/econometric modelling. The precise form of model we use varies from industry to industry, in each case determined, as per standard practice, by the prevailing features of the industry data being examined.

Common to our analysis of every industry is the use of vector autoregressions, which allow us to forecast a variable using more than the variable's own history as explanatory information. For example, when forecasting oil prices, we can include information about oil consumption, supply and capacity.

When forecasting for some of our industry sub-component variables, however, using a variable's own history is often the most

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desirable method of analysis. Such single-variable analysis is called univariate modelling. We use the most common and versatile form of univariate models: the autoregressive moving average model (ARMA).

In some cases, ARMA techniques are inappropriate because there is insufficient historic data or data quality is poor. In such cases, we use either traditional decomposition methods or smoothing methods as a basis for analysis and forecasting.

Fitch Solutions mainly uses OLS estimators, and in order to avoid relying on subjective views and to encourage the use of objective views, we use a 'general-to-specific' method. We mainly use a linear model, but simple non-linear models, such as the log-linear model, are used when necessary. During periods of 'industry shock', for example poor weather conditions impeding agricultural output, dummy variables are used to determine the level of impact.

Effective forecasting depends on appropriately selected regression models. Fitch Solutions selects the best model according to various different criteria and tests, including but not exclusive to:

- R2 tests explanatory power; adjusted R2 takes degree of freedom into account;
- Testing the directional movement and magnitude of coefficients;
- Hypothesis testing to ensure coefficients are significant (normally t-test and/or P-value);
- All results are assessed to alleviate issues related to auto-correlation and multi-collinearity.

Fitch Solutions uses the selected best model to perform forecasting.

Human intervention plays a necessary and desirable role in all of our industry forecasting. Experience, expertise and knowledge of industry data and trends ensure analysts spot structural breaks, anomalous data, turning points and seasonal features where a purely mechanical forecasting process would not.

Sector-Specific Methodology

In the Retail forecasts human intervention might include, but is not exclusive to, business environment changes; changes in consumer trends; the introduction of new technology; changing fashion trends; the expansion of retail capacity/stores; and regulatory changes.

Intervention can also be necessary with respect to the following factors: changing regional trends; demographic factors; infrastructure investment; macroeconomic indicators; and regulatory changes. Our analysts take into consideration both macro and industry factors when intervening, bringing together our country risk and industry knowledge to give a complete forecast of the industry.

During periods of 'industry shock', for example a deep recession, dummy variables are used to determine the level of impact.

The retail industry data can be divided into the following main categories: demographics, household structure, consumer price index (CPI) breakdown and total household spending.

- **Demographics** covers the different types of consumers by age group, sex and urban/rural population. This is important in highlighting the different consumer groups and the size of each group.
- **Household structure** includes indicators such as household size by number of people in the household, net/gross income per household/capita and number of households earning above USD5,000, USD10,000 and USD50,000. This gives an overview of the households within a country.
- **CPI breakdown** comprises indicators on the price index and annual change in price of all goods/services and the main categories of spending.

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- **Total household spending** across the main categories of consumer spending.

The categories for household spending forecasts are:

- Food and non-alcoholic drinks;
- Alcoholic drinks and tobacco;
- Clothing and footwear;
- Housing and utilities;
- Furnishing and household goods;
- Health;
- Transport;
- Communications;
- Recreation and culture;
- Education;
- Restaurants and hotels;
- Personal care, insurance and other.

These main categories can then be divided into the following sub-categories:

Food and non-alcoholic drinks:

- Food
- Non-alcoholic drinks

Alcoholic drinks and tobacco:

- Alcoholic drinks spending
- Tobacco

Clothing and footwear:

- Clothing
- Footwear, including repair

Furnishing and home, and recreation and culture:

- Household goods spending
- Furniture and furnishings
- Household textiles
- Household appliances
- Glass, tableware and utensils
- Home and garden tools/equipment
- AV, camera and computer
- Toys, sports, gardens and pets

The following categories are forecast:

- **Demographics.** Fitch Solutions forecasts this data using UN and World Bank projected population levels as a benchmark, while objectively and subjectively intervening where necessary.

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- **Household structure.** This data is forecast objectively based on Fitch Solutions' core country-specific macroeconomic data. This includes Fitch Solutions' views on population, household demographics and GDP.
- **Total household spending.** Using a selection of leading retail indicators and macroeconomic data from our Country Risk service, Fitch Solutions estimates each indicator of spending individually. This can be intervened subjectively to take into account qualitative information believed to be necessary. Once every individual spending indicator has been forecast, Fitch Solutions then uses this information, along with any other sector and macro views, to form headline total spending indicators.

Sources

For the Consumer & Retail sector, Fitch Solutions sources data primarily from national-level sources. This includes data from national statistics organisations, government ministries, and industry associations. Fitch Solutions uses national sourced data in conjunction with data available from Eurostat, the World Bank and the UN where needed. In some instances where full-time series data is not available, we use a combination of the above, coupled with industry expertise, to model industry data.

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ISSN: 2514-023X

Copy Deadline: April 2019

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