

Africa Business Agenda 2024

Navigating growth prospects with resilience, optimism and innovation

Highlighting the Tanzania findings of
PwC's 27th Annual Global CEO Survey

March 2024





Table of Contents

◆ 01	Economic and business growth sentiment	05
◆ 02	Corporate actions	08
◆ 03	Threat exposure	09
◆ 04	Reinvention drivers	11
◆ 05	Acquisitions	12
◆ 06	Barriers to reinvention	13
◆ 07	Gen AI sentiment	14
◆ 08	Gen AI consequences	15
◆ 09	Climate action	17
◆ 10	Decarbonisation	18





Introduction

“Thriving in an age of continuous reinvention” was the theme of PwC’s 27th Annual Global CEO Survey, which polled 4,702 CEOs in 105 countries and territories from 2 October to 10 November 2023.

Separate “Africa Business Agenda” reports have been issued summarising responses from CEOs in sub-Saharan Africa and East Africa. This report (titled “Navigating growth prospects with resilience, optimism and innovation”) summarises feedback from the 68 (prior yr: 71) respondents from Tanzania (“TZ CEOs”).





In brief

- TZ CEOs are very upbeat about Tanzania's growth prospects, and even more so than a year ago, but with inflation and macroeconomic volatility seen as the most significant short term threats to economic growth.
- Countries within the East African Community ("EAC") and Southern African Development Community ("SADC") continue to be seen by TZ CEOs as very important for immediate revenue growth prospects, with Kenya continuing to top the list but Zambia and DRC gaining increasing prominence.
- 54% of the surveyed CEOs, both TZ CEOs and Global CEOs, have indicated that they plan to increase the prices of their products and services by 5% or more in the next 12 months.
- TZ CEOs are equally divided as to whether they see their businesses as remaining economically viable for 10 years or more. In addition, acquisitions appear to be less significant as a growth driver for TZ CEOs as compared to Global CEOs.
- The regulatory environment is considered by TZ CEOs as the primary obstacle significantly inhibiting changes in how their companies deliver value, followed by infrastructure limitations and financial constraints.
- Generative artificial intelligence is seen as a notable change driver that will contribute to increased time efficiencies in the next 12 months. However, two thirds of TZ CEOs are concerned about the potential cybersecurity risks that they may be exposed to.
- Climate change is particularly important for Tanzania's economy. The majority of TZ CEOs are in the progress of implementing climate actions, however barriers in decarbonising that were cited included bottom line impact as well as the lack of demand from external stakeholders.

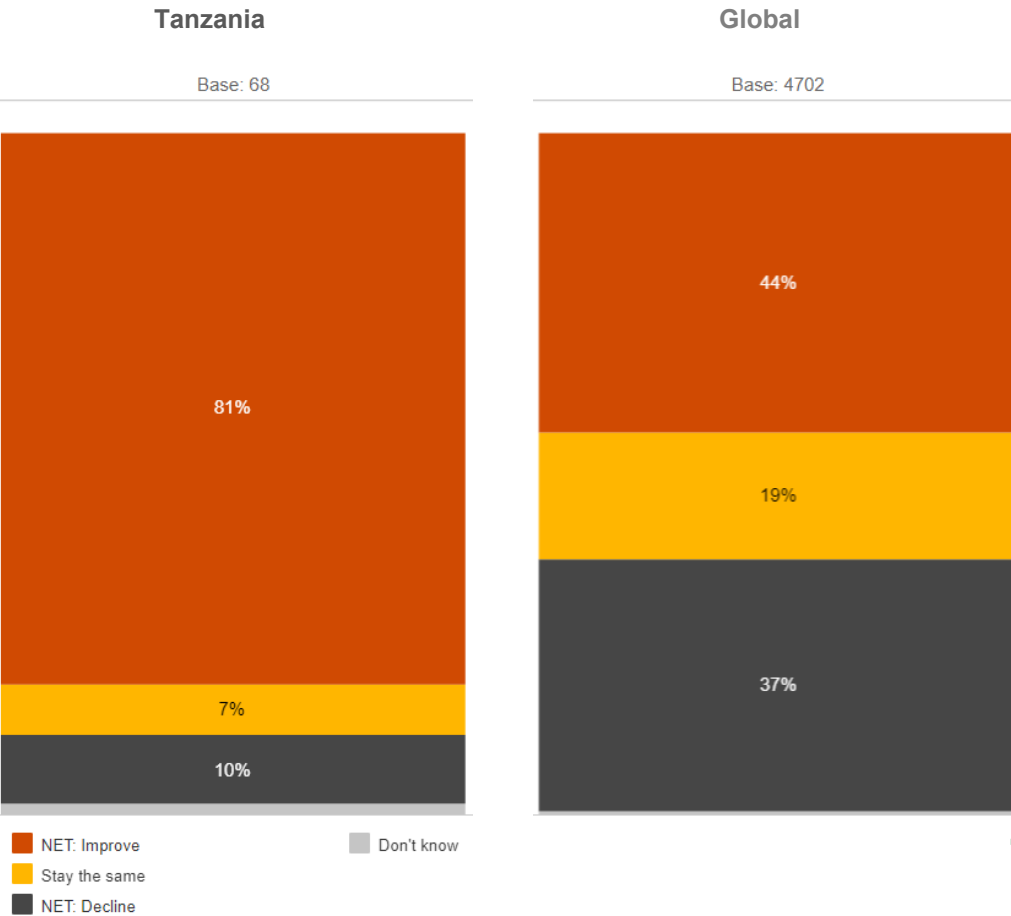


Economic and business growth sentiment

TZ CEOs are very upbeat about Tanzania's growth prospects, and even more so than a year ago, with 81% (2022: 68%) expressing confidence in their local economy's growth over the next 12 months. This optimism surpasses that of their global counterparts, who exhibit a more divided stance on their local economic prospects.

This optimism is mirrored in various recent growth projections for Tanzania, for example the Bank of Tanzania's Monetary Policy Statement (February 2024) projects growth of 5.5 percent for 2024, and the Africa Development Bank's Africa's Macroeconomic Performance and Outlook (January 2024) projects average growth of 6.1 percent over 2024 and 2025.

Q: How do you believe economic growth (i.e. gross domestic product) will change, if at all, over the next 12 months in your territory?

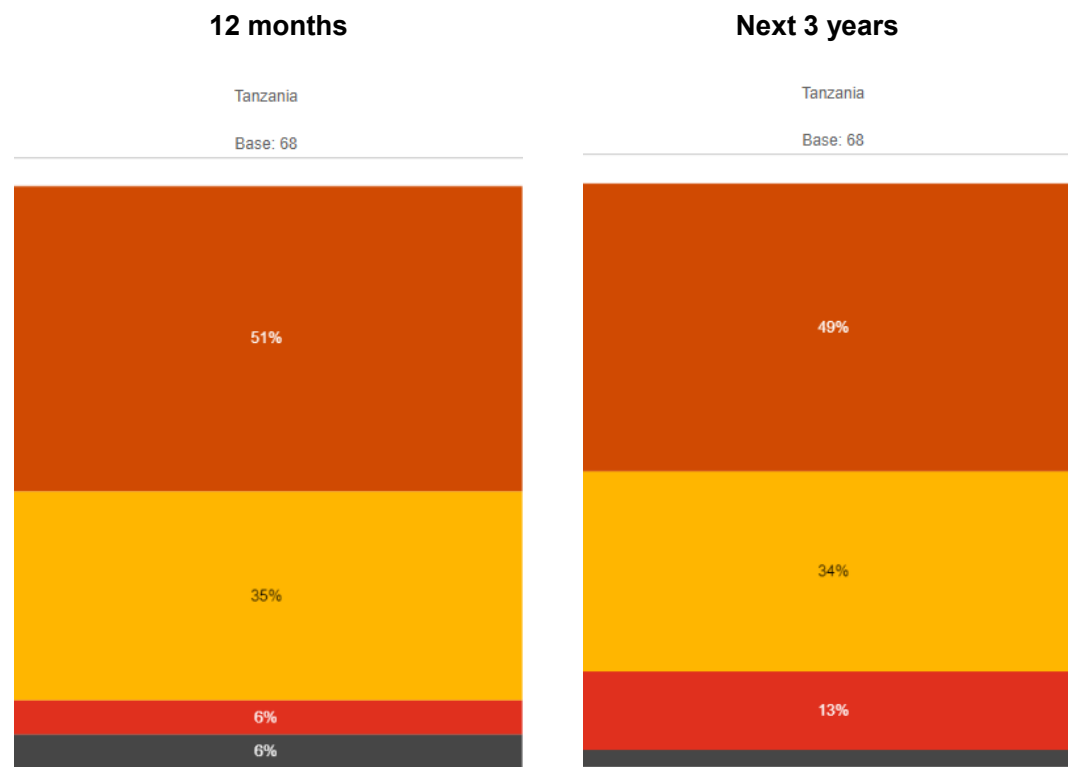


The driving force behind Tanzania's growth in 2024 is anticipated to be fixed investment, driven by a robust pipeline of transport infrastructure projects and increasing interest in the country's mining sector. Other factors include an improved business environment, ongoing efforts to modernize agricultural production systems, and a continued rebound in tourism activities.

Deeper regional integration will also drive growth - particularly so against a projection that East Africa will be the fastest growing region in Africa (2024: 5.1%, 2025: 5.7%) (according to the African Development Bank's Macroeconomic Performance and Outlook 2024 report).

With the anticipated economic expansion in Tanzania, it is perhaps no surprise that half of the surveyed CEOs expressed significant confidence in their company's revenue growth prospects for both the short term (next 12 months) and the medium term (next 3 years).

Q: How confident are you about your company's prospects for revenue growth over the next 12 months and next 3 years?

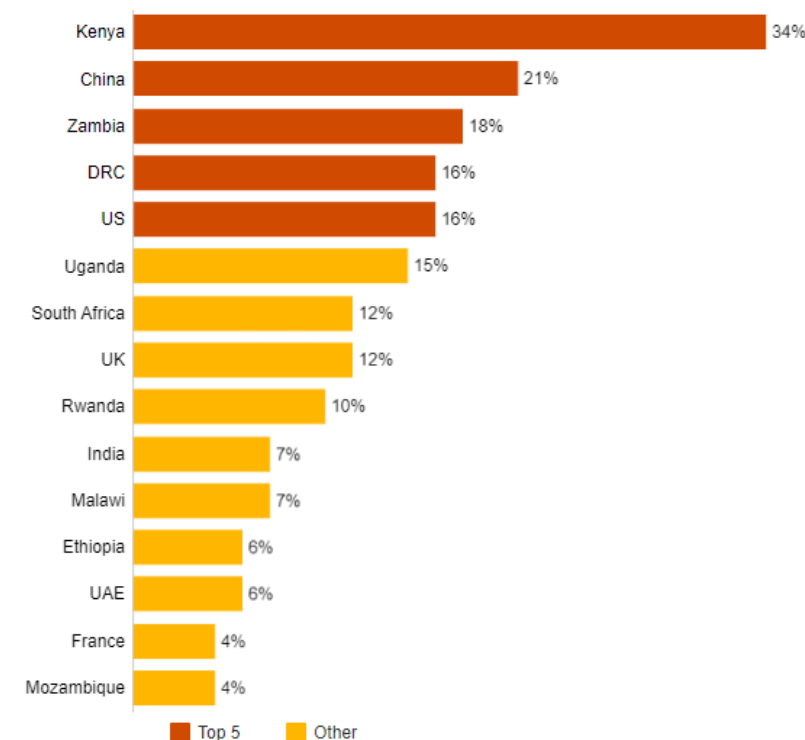


When asked about prospects for growth in external markets, Kenya (34%) and China (21%) continue to top the list as the most favourable countries for TZ CEOs' companies' revenue growth prospects over the next 12 months. Interest continues to grow in Zambia (18%) which moves up to third in the list.

The top ten overseas markets cited by TZ CEOs (with results from prior year survey in brackets) were: Kenya 34% (37%), China 21% (25%), Zambia 18% (14%), DRC 16% (11%), US 16% (23%), Uganda 15% (25%), South Africa 12% (7%), UK 12% (14%), Rwanda 10% (7%), India 7% (17%). Overall, the responses do indicate the importance of the immediate sub-region (EAC and SADC) for revenue growth prospects.

Interestingly, the equivalent CEO report for Kenya shows Tanzania (34%), Uganda (34%) and Rwanda (18%) topping their list.

Q: Which three countries/territories, excluding the country/territory in which you are based, do you consider most important for your company's prospects for revenue growth over the next 12 months?



Much as TZ CEOs are optimistic about the prospects of growth locally, the same does not hold for their perception of growth globally with only 34% of TZ CEOs foreseeing an upturn in the global economy in the next 12 months, albeit an increase from the 20% optimism recorded in 2022.

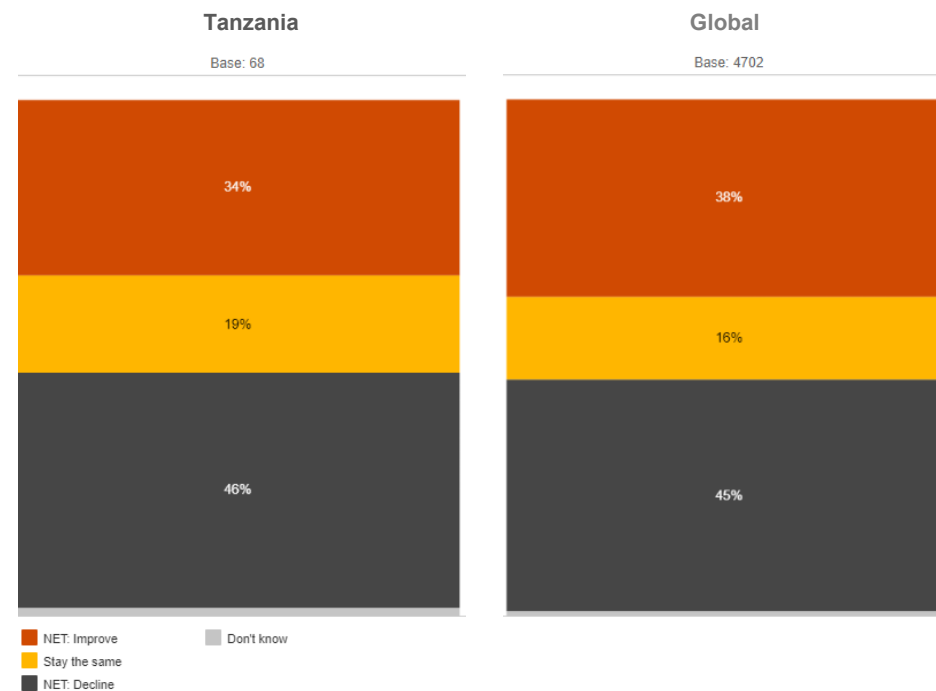
This outlook is similar to the response from CEOs globally, of whom just 38% echoed this positive outlook for the short-term global economic scenario.



The World Bank predicts global economic growth deceleration to 2.4 percent in 2024, marking the third consecutive year of slowdown (before an anticipated up tick to 2.5 percent in 2025).

This trend is attributed to ongoing measures like stringent monetary policies aimed at curbing prolonged high inflation, credit constraints, and sluggishness in global trade and investment, as outlined in their Global Economic Prospects report. The muted sentiments of CEOs with regard to global growth are therefore not surprising.

Q: How do you believe economic growth (i.e. gross domestic product) will change, if at all, over the next 12 months in the global economy?

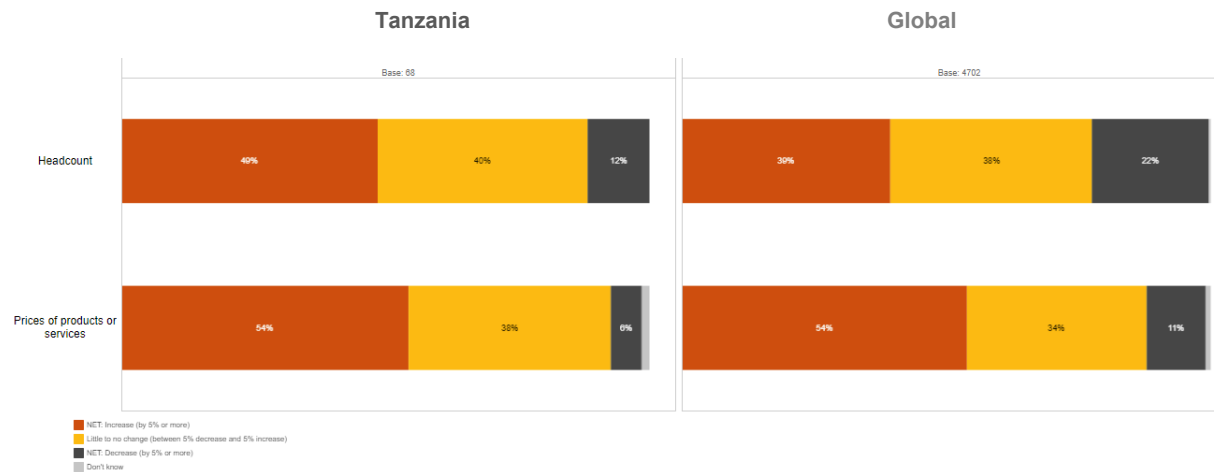


Corporate actions

TZ CEOs are divided in their approach to managing human resources. While 49% plan to increase their headcount in the next 12 months, 40% have indicated they will make little to no changes, and the remaining 11% plan to reduce their headcount.

Moreover, 54% of the surveyed CEOs, both locally and globally, have indicated that they plan to increase the prices of their products and services by 5% or more in the next 12 months.

Q: To what extent will your company increase or decrease the following in the next 12 months?



Given the optimism in terms of the local growth outlook, it is no surprise to see that approximately half the TZ CEOs expect to increase headcount in the next 12 months. At the same time, it is interesting to see that TZ CEOs are more confident in their business models' long term viability however, identify the lack of skills in their companies' workforce as the second most inhibiting factor.



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Threat exposure

Inflation and macroeconomic volatility continue to top the list of threats. However, inflationary pressures seem to be easing with only 32% (2022: 45%) of TZ CEOs expressing extreme concern about their companies’ exposure to inflation - nevertheless, higher than the global responses (24%) but lower than Kenya (58%).

This sentiment is echoed by the IMF, which forecasts that Tanzania’s inflation rate will decrease to 4% in 2024, the lowest among East African Community countries.


Cyber risks and geopolitical conflict are also threats that are

top of mind in the short term, as in both cases 24% of TZ CEOs see these as an extreme exposure. Interestingly, TZ CEOs are displaying a growing awareness of cyber risks as a short-term threat, with 24% acknowledging high exposure compared to 18% in 2023.


Concerns about climate change remain significant but have also slightly diminished, with fewer respondents indicating extreme exposure for their companies.

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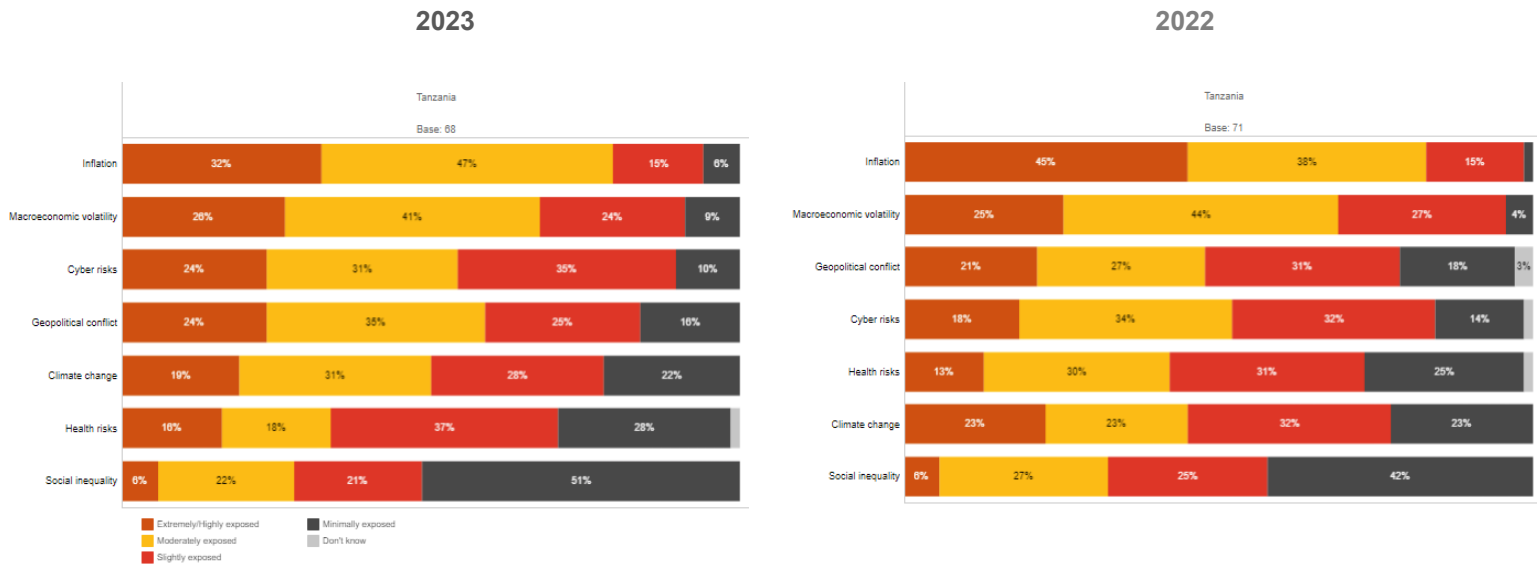
Against the backdrop of fast paced technological change, it is interesting to see that TZ CEOs are displaying a growing awareness of cyber risks as a short-term threat.

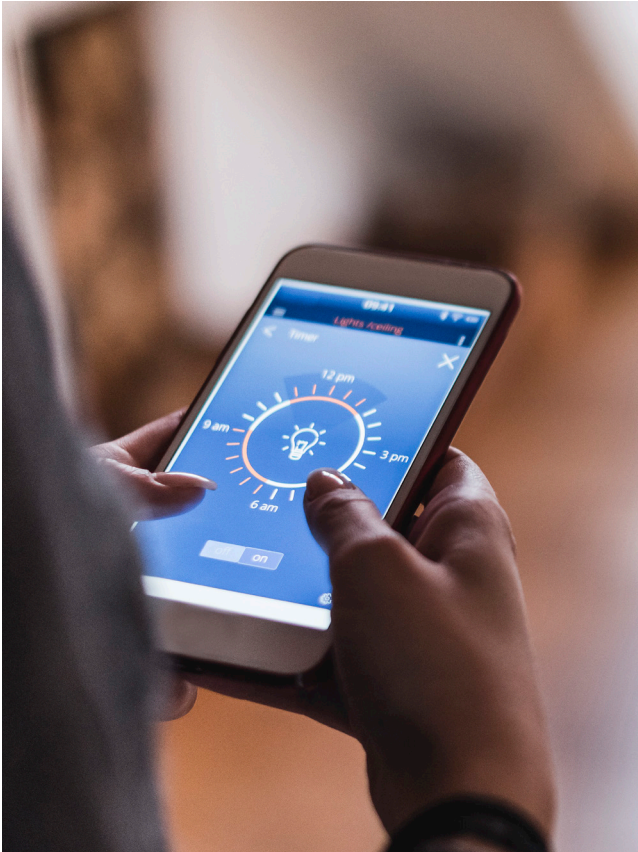


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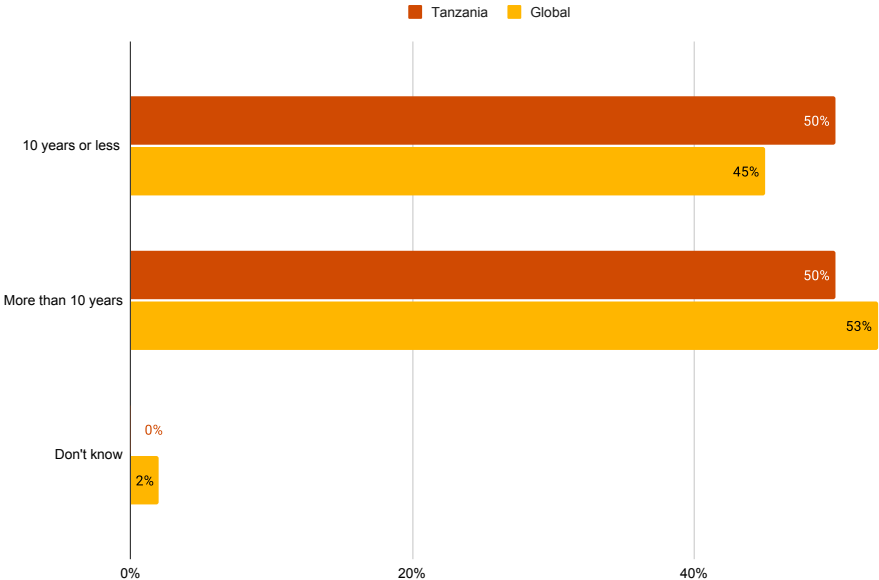
Q: How exposed do you believe your company will be to the following key threats in the next 12 months? (2023 vs. 2022)





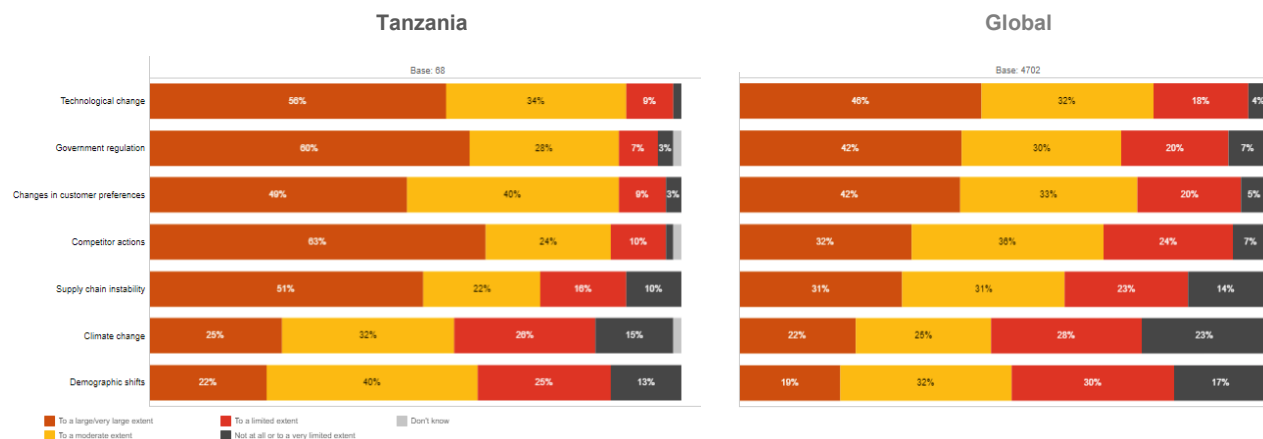
TZ CEOs are split evenly when evaluating the long-term economic viability of their businesses. Half (50%) foresee their companies remaining economically viable for more than 10 years, while the other half (50%) anticipate viability for less than a decade.

Q: If your company continues running on its current path, for how long do you think your business will be economically viable?



Reinvention drivers

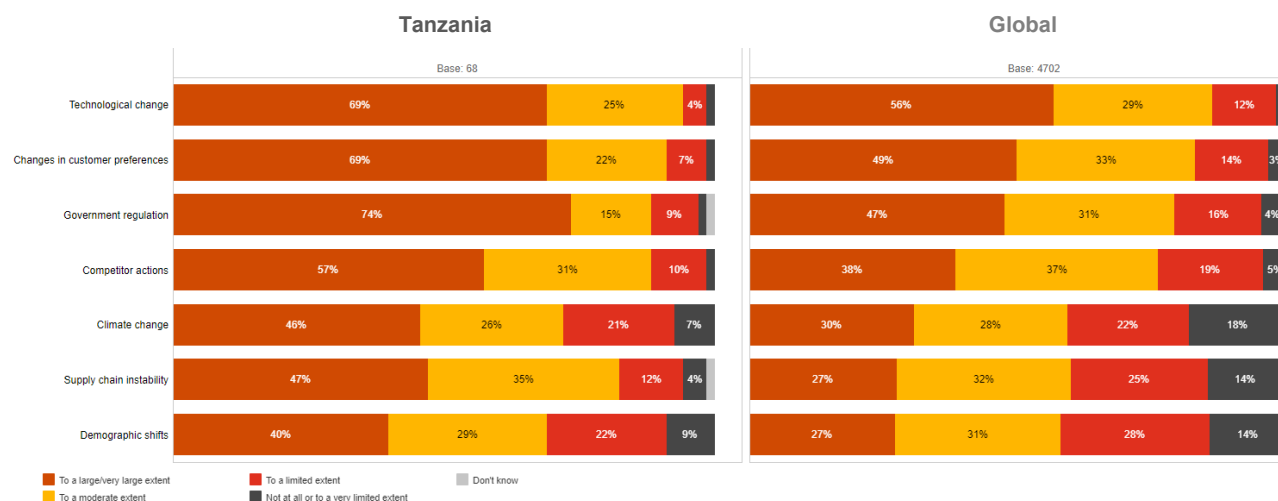
Q: Please indicate the extent to which the following factors have driven changes to the way your company creates, delivers and captures value in the last five years:



The primary drivers of change in how companies create, deliver, and capture value over the past five years, as reported by TZ CEOs, include competitor actions (63%), government regulation (60%), technological advancements (56%), and supply chain disruptions (51%).

Global counterparts also emphasise technological change (46%) and government regulation (42%) but place less emphasis on competitor actions and supply chain disruptions.

Q: Please indicate the extent to which the following factors will drive changes to the way your company creates, delivers and captures value in the next three years:



For TZ CEOs Government regulation (74%) stands out as the main driver of significant change to creation of value (and business model sustainability) in the next three years, and even more so compared to the prior year (62%).

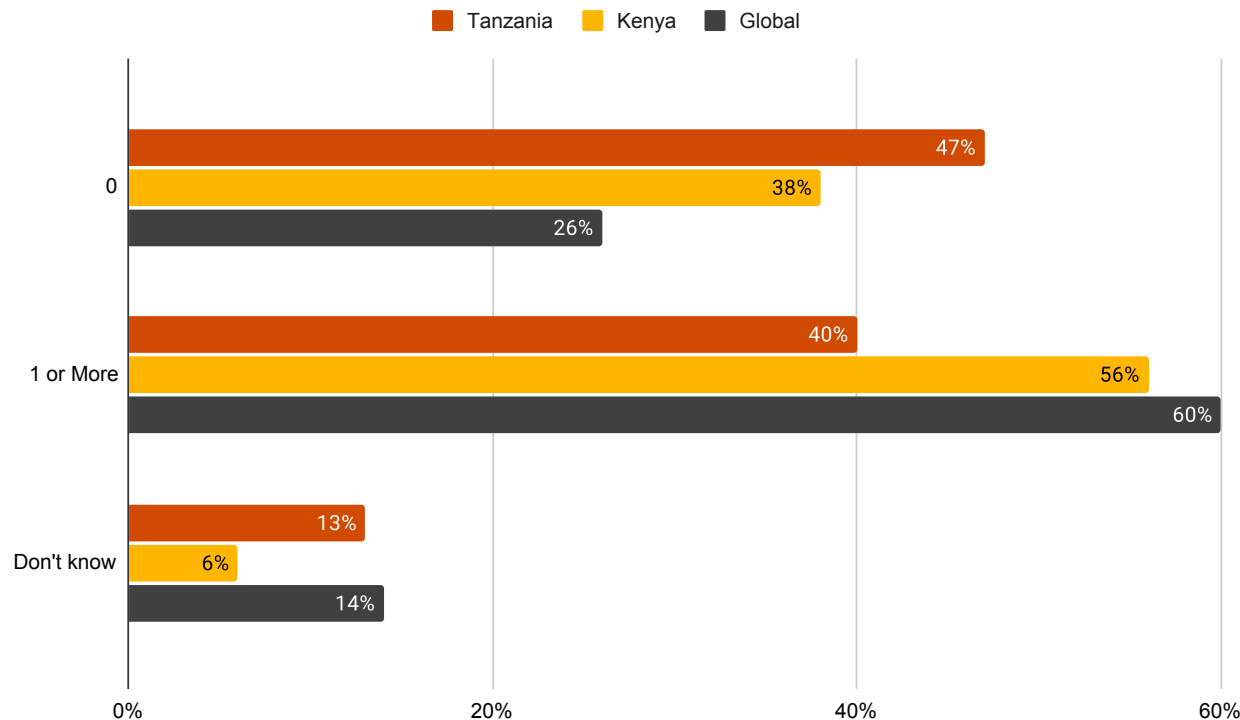
Other significant drivers include technological advancements (69%) and evolving customer preferences (69%).

Conversely, Global CEOs' leading concern on this front is technological change (56%), followed by evolving customer preferences (49%) and then government regulation (47%).

Acquisitions

Acquisitions appear to be less significant as a growth driver for TZ CEOs as compared to others, with only 40% of TZ CEOs planning at least one acquisition in the next three years as compared to 56% in Kenya and 60% at the Global level.

Q: How many acquisitions is your company planning to make in the next three years?



Acquisitions can support corporate strategy execution and create new opportunities. However, despite the local economic optimism, it is interesting to see that the acquisition appetite of TZ CEOs seems to be significantly less as compared to Kenya CEOs and Global CEOs - perhaps indicative of a greater focus on greenfield investment or organic growth.



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Barriers to reinvention



In an era of continuous reinvention, CEOs must spearhead the transformation journey to reshape both their organisations and themselves to flourish amid disruption. CEOs must lead the quest for strategic discovery and evolve sustainable approaches to value creation. CEOs committed to reinvention must foster environments that embrace and acknowledge innovation, prioritise curiosity and a willingness to learn, and empower managers to assist individuals in adapting to change.



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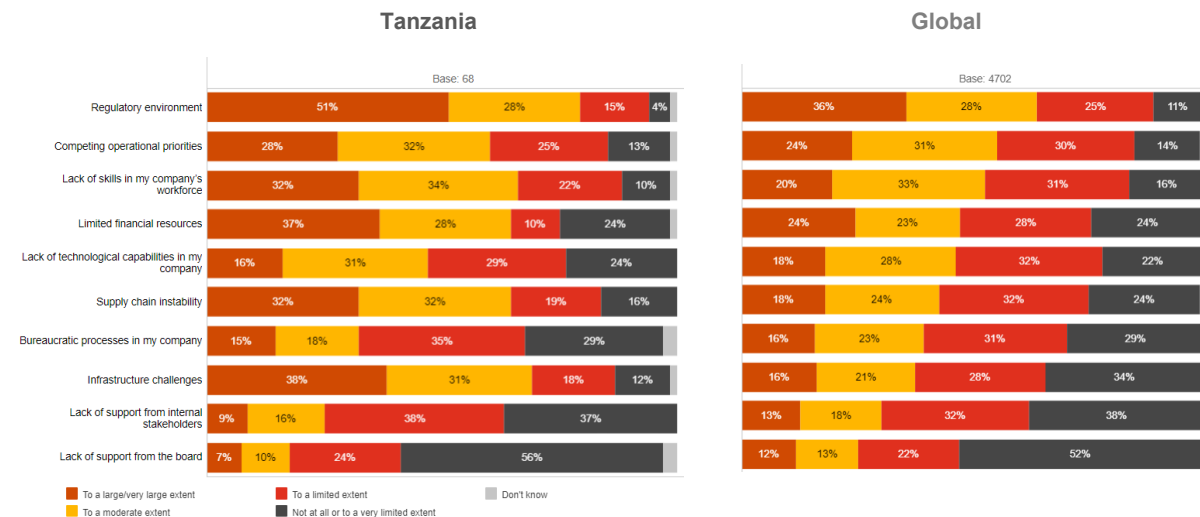
Similar to CEOs globally, but in a much greater proportion, TZ CEOs (51%) have pinpointed the regulatory environment as the primary obstacle significantly inhibiting changes in how their companies deliver value. Additional challenges such as infrastructure limitations (38%) and financial constraints (37%) were also highlighted.

Regulatory challenges in Tanzania are the subject of a number of recent reports. For example, the IMF Country Report for December 2023 states that “business reforms including streamlining bureaucratic procedures, simplifying the business

regulatory regime, and enhancing regulatory transparency are crucial to promote private sector development” and notes that delays in implementing such reforms would risk sub-par medium term growth. Similarly the World Bank Tanzania Economic Update of September 2023 stated that “the medium-term outlook hinges on the implementation of the reform agenda”.

At the global level, the regulatory environment also topped the list but with a much lower percentage rating (36%) as compared to Tanzania.

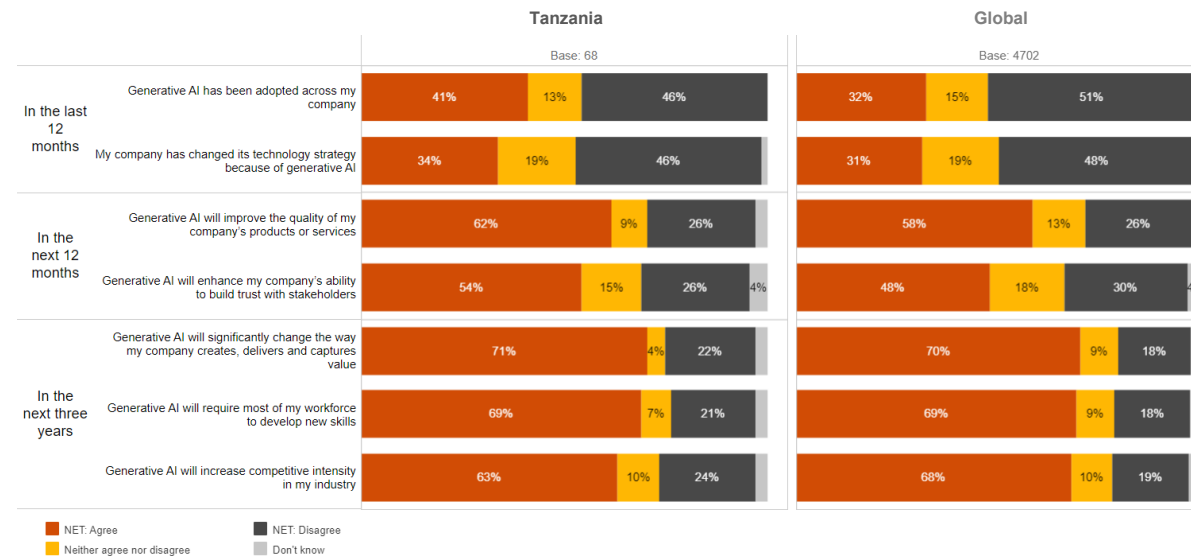
Q: To what extent, if at all, are the following factors inhibiting your company from changing the way it creates, delivers and captures value?



Gen AI sentiment

Global CEOs have modest confidence in their companies' business models and are less likely to have adopted generative AI, with only 32% implementing it across their companies.

Q: To what extent do you agree or disagree with the following statements about generative AI:



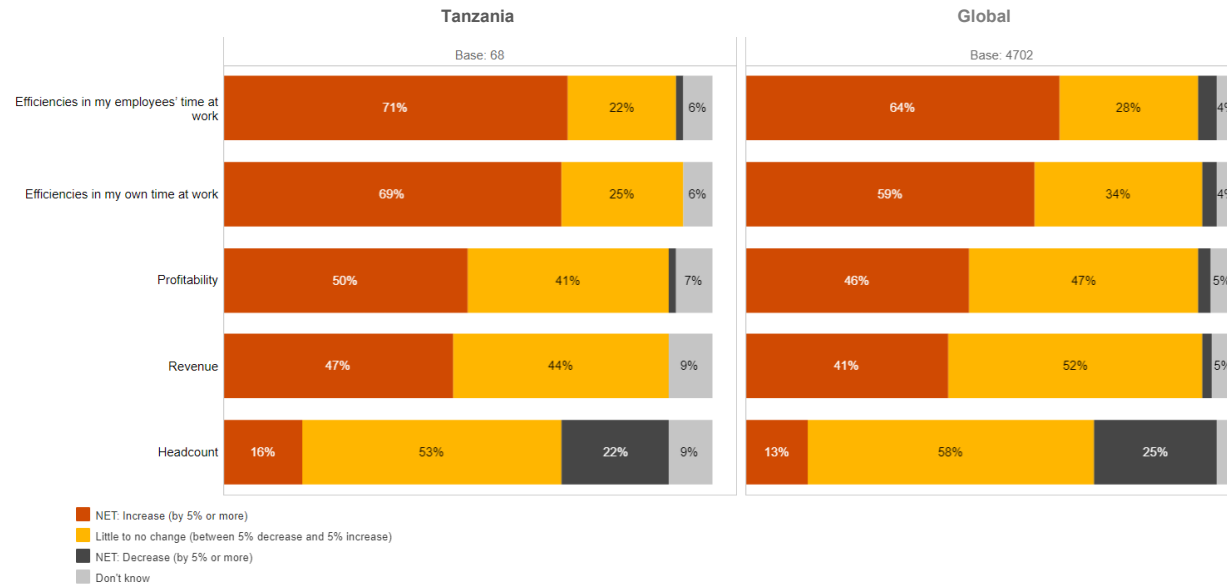
Conversely, 41% of TZ CEOs have embraced generative AI in the past year. These CEOs hold an optimistic outlook, believing that generative AI will improve the quality of their products or services (62%) in the short term and significantly transform how their companies create, deliver, and capture value (71%) in the medium term.

Despite this optimism, TZ CEOs, overall, anticipate that the widespread adoption of generative AI will require their workforce to acquire new skills, with 69% stating that most of their employees will need to develop new skills in the next three years.

Gen AI consequences

TZ CEOs expect generative AI to enhance efficiencies in both their employees' (71%) and their own (69%) time at work within the next year. However, they do not foresee significant changes in headcount due to generative AI in the short term. In terms of the bottom line, half of the TZ CEOs surveyed predict an increase in profitability (50%), and (47%) anticipate a 5% or more rise in revenue in the next 12 months attributed to the adoption of generative AI.

Q: To what extent will generative AI increase or decrease the following in your company in the next 12 months?



With the rise of generative AI, and its potential and attendant risks, CEOs must create a culture in which companies move fast but with a commitment to managing risk. East African CEOs are cautious about integrating AI into their operations, and many believe that generative AI could heighten their cybersecurity risks, potentially hindering their company's growth. CEOs should weave cybersecurity objectives into their business priorities to promote strategic dialogue between the board, CEO and the rest of the C-suite. Creating long-term value will require investment in skills and culture, risk and governance, as well as cloud and data infrastructure. Used responsibly, AI has the potential to enhance productivity and drive growth.



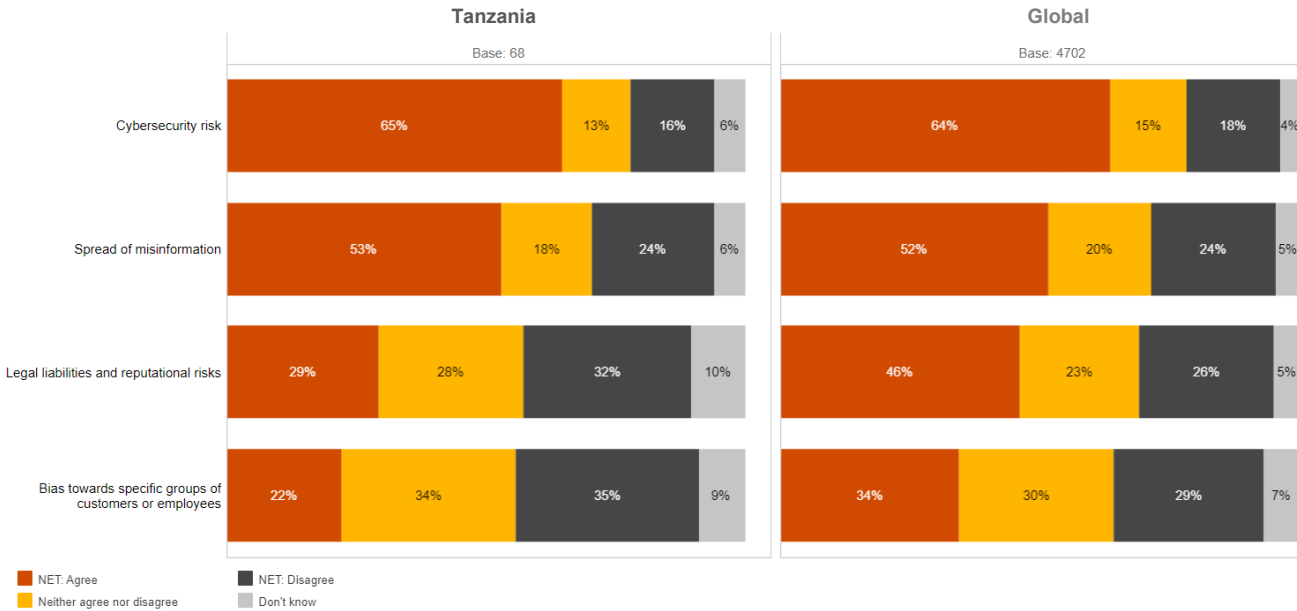
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While TZ CEOs acknowledge the potential for increased efficiency through generative AI, a majority (65%) express concerns that its adoption may elevate their companies' cybersecurity risk exposure in the next 12 months.

Additionally, TZ CEOs identify the spread of misinformation as another potential concern expected to rise within their companies, with (53%) acknowledging this issue.

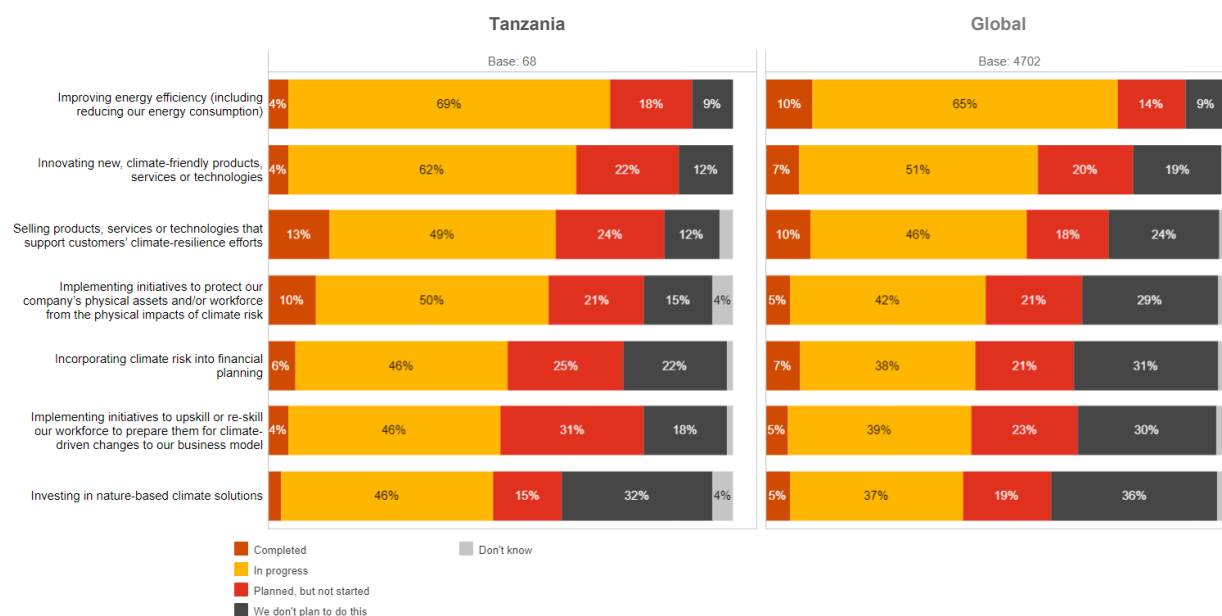
Q: To what extent do you agree or disagree that generative AI is likely to increase the following in your company in the next 12 months?



Climate action

TZ CEOs (73%) have made strides in enhancing energy efficiency, including reducing energy consumption - but with more at the work in progress stage (69%) rather than completed (4%). Additionally, (66%) of these CEOs are actively pioneering new, climate-friendly products, services, or technologies (but again with only 4% cited as completed). Generally, these responses were broadly similar to those from global CEOs.

Q: Below is a list of actions companies may undertake to climate change. Which of the following best describes your company's level of progress on each of these actions.



Despite the challenges highlighted by TZ CEOs, there is growing recognition of the long-term value of climate-friendly investments. As technology improves, costs decline, and market preferences shift, the financial performance of climate-friendly investments is likely to improve over time.



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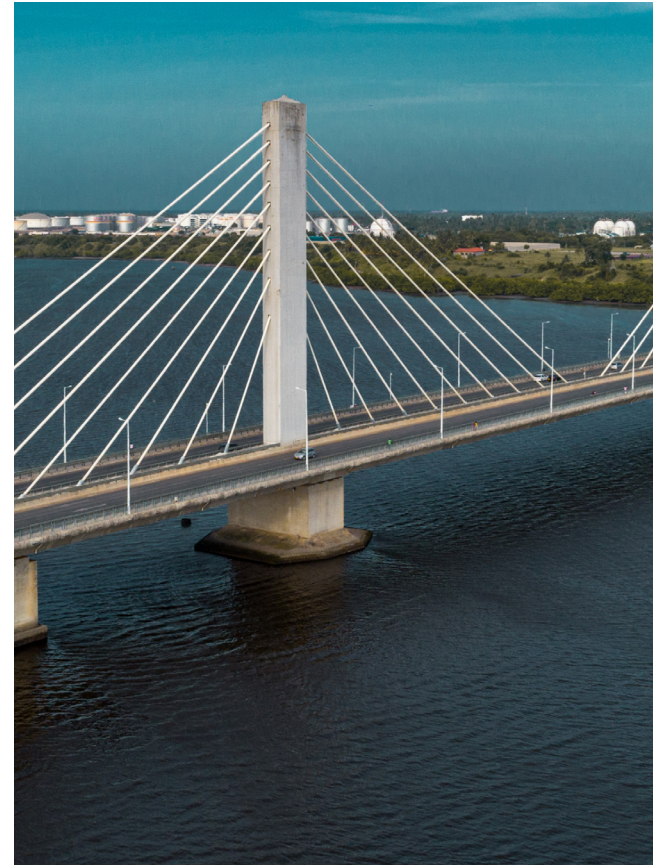
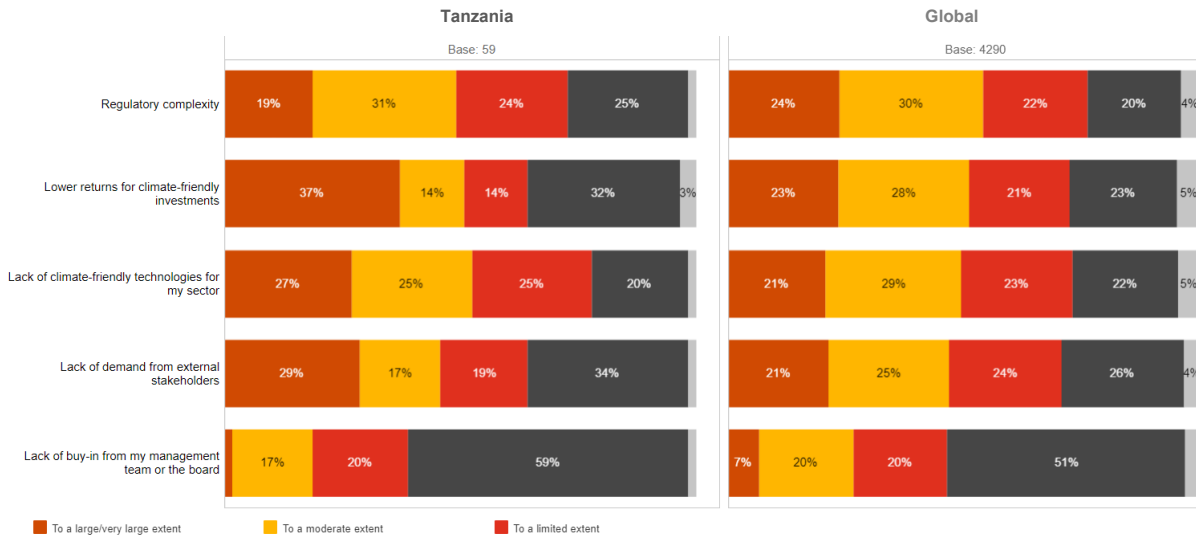
Decarbonisation



When asked about the challenges significantly hindering their companies' decarbonisation efforts, 37% of surveyed CEOs highlighted that climate-friendly investments result in lower returns. Additionally, 29% mentioned a lack of demand from external stakeholders, and 27% cited a scarcity of climate-friendly technologies in their sector.

On a positive note, 59% of TZ CEOs expressed that buy-in from management or the board had minimal impact on their decarbonisation journey. This indicates a readiness at the executive level to support and drive decarbonisation initiatives.

Q: To what extent, if at all, are the following factors inhibiting your company's ability to decarbonise its business model?



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