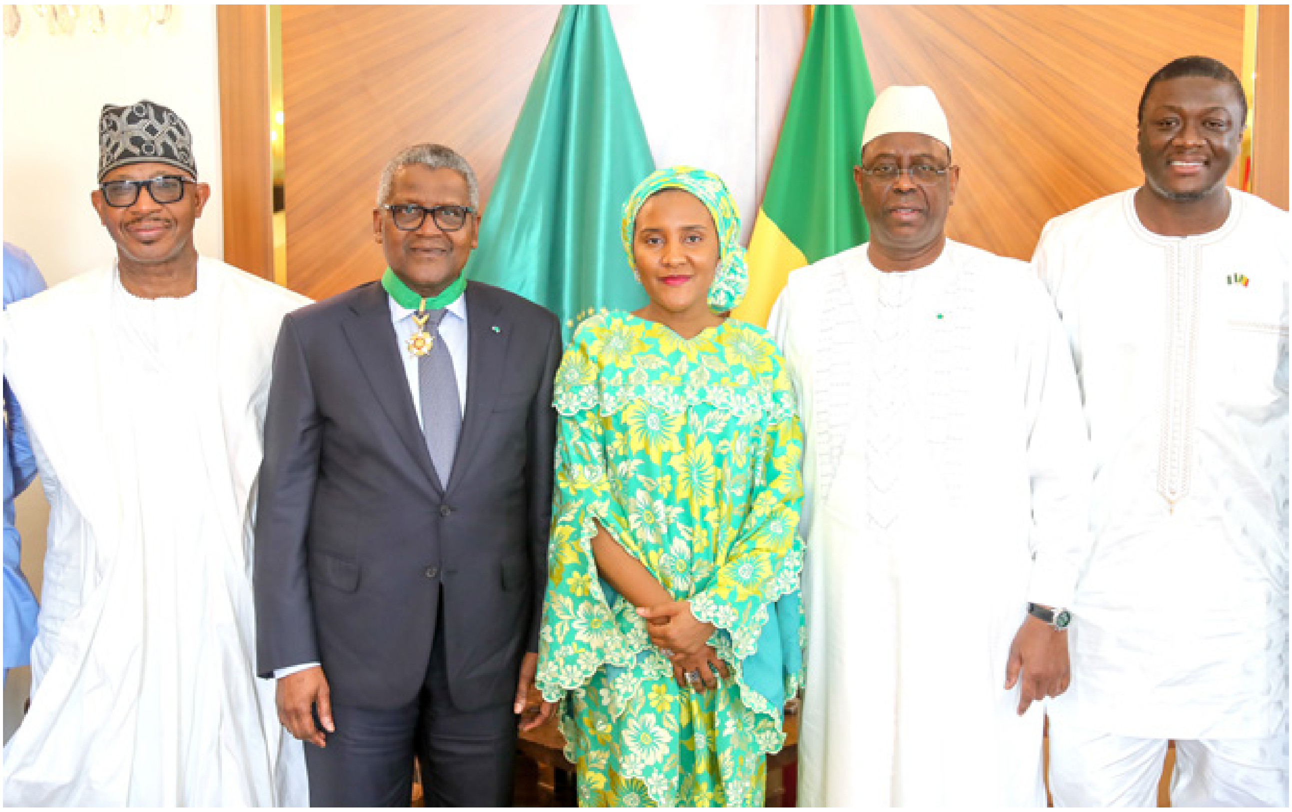
Long-term value, albeit *macroeconomic challenges*

Africa is a major growth market for cement and needs to more than double its cement consumption over the next decade to address the infrastructure deficit.

Sub-Saharan Africa (SSA) exhibited a mixed macroeconomic performance, characterised by persistent headwinds and pockets of growth opportunities. The region grappled with elevated inflation, currency volatility, and external debt pressures, while also benefiting from structural reforms and increased infrastructure spending. These factors played a significant role in shaping the business environment, particularly for the cement sector, which remains a cornerstone of infrastructure development in the region.



According to the International Monetary Fund (IMF), SSA's GDP growth is projected to have modestly improved to 3.8% in 2024, up from 3.6% in 2023. However, growth remains subdued and has not yet returned to pre-pandemic levels. Supply chain disruptions fuelled by geopolitical tensions—most notably the prolonged Russia-Ukraine conflict—continued to exert inflationary pressures. Additionally, the ongoing Israeli-Hamas conflict has escalated, with increased involvement from neighbouring Iran, heightening risks of broader instability in the Middle East.

The fallout from these geopolitical challenges has included heightened volatility in global financial markets, elevated energy prices, reduced revenue from tourism and travel, disrupted trade and supply chains, increased insurance costs, recession risks, and inflationary spillovers. The interconnected nature of global economies has extended these impacts to SSA, complicating the region's recovery trajectory and underscoring the fragile state of its macroeconomic environment.

The global economy remained resilient in 2024, though the pace of recovery varied significantly across countries. Globally, inflation eased to 5.8%, down from 6.9% in 2023 and 8.7% in 2022, which supported a rebound in trade growth to 2.7% from a contraction of 1.1% in 2023. However, demand remained subdued, and supply chain disruptions continued to present challenges. In response to evolving inflation dynamics, central banks worldwide adjusted their monetary policies. The US Federal Open Market Committee, for instance, implemented three consecutive rate cuts totalling 100 basis points, bringing the target rate to 4.25% - 4.50% as inflation neared its target. Similarly, the European Central Bank initiated a series of rate cuts in response to moderating inflation and economic stagflation. In China, policymakers reduced rates to stimulate economic growth amid deflationary pressures and weak credit demand, while the Bank of Japan ended its negative interest rate policy, transitioning toward policy normalisation amid inflationary pressures and economic recovery. Overall, Japan raised interest rates by 35 basis points to 0.25%.

In sub-Saharan Africa (SSA), monetary authorities faced a similar dilemma—whether to further raise rates to combat stubbornly high inflation or lower them to stimulate investment and support economies still recovering from the pandemic and compounded by geopolitical tensions. Central banks across SSA adopted a mixed policy approach, reflecting the region's diverse economic landscapes and the balancing act required to address inflationary pressures while fostering economic recovery.

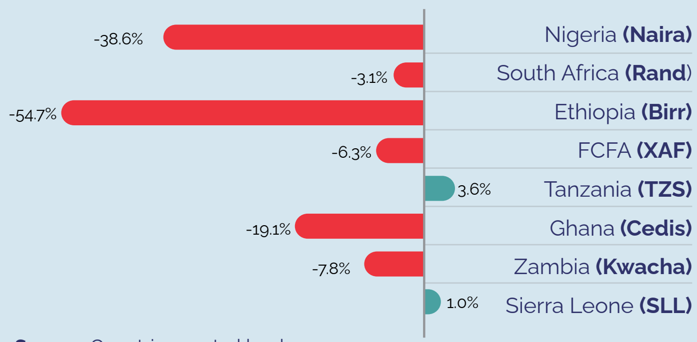
The South African Reserve Bank reduced the benchmark interest rate twice, totalling 50 basis points, bringing it to 7.75%, as easing inflationary pressures were supported by a stronger exchange rate. Economic activities remained sluggish, influenced by election uncertainties, although energy supply improvements provided some relief. In Senegal, economic growth was robust, driven by declining inflation during an election year that brought in a new government. The Central Bank of West African States (BCEAO) held its benchmark interest rate steady at 5.5%. Similarly, Ghana's economy showed gradual improvement, aided by prudent fiscal management under its ongoing IMF programme. Despite inflation closing at 23.8%, the Bank of Ghana maintained its main interest rate at 27.0%, citing inflationary concerns. Tanzania's economy, meanwhile, displayed strong growth and stable inflation, supported by effective monetary policy measures.

On the domestic front, Nigeria economy navigated a series of policy reforms, including the complete removal of petrol subsidies, electricity tariff hikes, and the floating of the Naira. These measures, while aimed at structural realignment, led to surging borrowing costs and steep increases in the pump price of premium motor spirit. Combined with a sharp devaluation of the Naira, inflation soared to an all-time high of 34.8%. In response, the Central Bank of Nigeria implemented six consecutive benchmark interest rate hikes, raising the rate by 875 basis points to 27.50%, up from 18.75% in the previous year.

Impact on the cement sector

Despite a challenging macroeconomic environment, demand for cement across Sub-Saharan Africa (SSA) remained resilient, driven by rapid urbanisation, population growth, and government-led infrastructure initiatives. However, growth was uneven across regions, with East and West Africa showing stronger performance compared to Southern Africa, where economic stagnation suppressed construction activity. Currency depreciation was a notable challenge, with six out of our eight operating currencies losing value during the period. The Ethiopian Birr experienced the sharpest depreciation at 54.7%, followed by the Naira, which depreciated by 38.6% year-on-year. The Ghanaian Cedi and Zambian Kwacha also depreciated, losing 19.1% and 7.8% of their value, respectively.

Currency depreciation against dollar in 2024



Source: Countries central banks.

For cement producers, the steep currency devaluations significantly increased the cost of imported inputs such as gypsum and spare parts, prompting a strategic shift toward localising raw material sourcing and enhancing operational efficiency. Companies responded to these challenges by diversifying energy sources, including the use of compressed natural gas (CNG) and alternative fuels, optimising supply chains, and increasing reliance on locally sourced inputs.

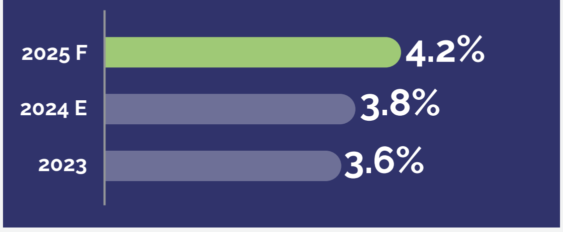
Cement and clinker exports became a key growth driver, particularly in Nigeria, where surplus production capacity enabled regional market supply. This trend was bolstered by cross-border trade agreements and infrastructure projects under initiatives like the African Continental Free Trade Area (AfCFTA), which facilitated intra-regional trade. Additionally, the industry's transition toward sustainability gained momentum through investments in renewable energy, alternative fuels, and carbon capture technologies. These efforts not only aligned with global environmental goals but also helped producers address regulatory pressures and reduce operating costs.

The sector also experienced increased consolidation as major players sought to expand their footprint through acquisitions and capacity upgrades. Regional competition intensified, especially in high-demand markets such as Nigeria, Senegal, Kenya, Tanzania, and Ghana, driving innovation and efficiency within the industry.

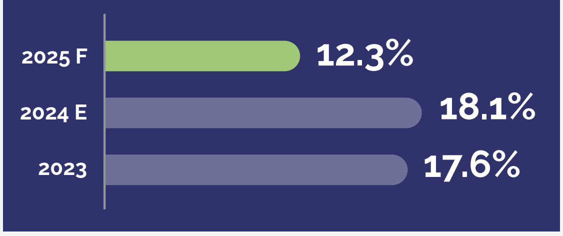
Turning the tide - SSA in 2025

The macroeconomic environment in Sub-Saharan Africa (SSA) is projected to stabilise gradually, driven by structural reforms, improved fiscal discipline, and sustained investment in infrastructure. According to the International Monetary Fund (IMF), economic activity in the region is expected to accelerate to a growth rate of 4.2% in 2025, up from 3.8% in 2024

SSA GDP growth



Average SSA inflation



Source: *IMG World Economic Outlook*

For the cement sector, growth prospects remain robust, underscored by export expansion, cost optimisation, and a growing focus on sustainable production practices. The region's substantial infrastructure deficit, combined with its low per-capita cement consumption relative to the global average, presents significant opportunities for increased demand, though challenges persist.

Many African governments are prioritising infrastructure development as a key growth enabler, allocating increased funding to critical projects. Initiatives such as road construction, affordable housing programmes, and energy projects have driven cement demand, with financing often derived from public-private partnerships and support from multilateral organisations. For instance, in Nigeria, the government has approved a ₦55 trillion expenditure plan for 2025, marking a 100% increase over the prior year, with 30% of the budget dedicated to infrastructure development. However, cement producers must navigate ongoing risks, including elevated inflation, currency volatility, and policy uncertainties, to fully capitalise on opportunities in this evolving market landscape.

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Chairman of Dangote Cement Plc. receives award in Senegal