Ethiopia's Rebased GDP: A New Picture of the Economy, Its Structure and Key Growth Drivers

Macro Research Ethiopia

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On 4th November 2026, the Ministry of National Strategy, formerly the Ministry of Planning and Development, announced the rebasing of Ethiopia's national accounts, adopting FY2024/25 as the new GDP base year, replacing the previous base year after nine years. This resulted in a 59% upward revision of nominal GDP for FY2024/25[1] to Birr 24 trn (approximately $201bn), primarily reflecting broader coverage of economic activities and improvements in measurement methodologies rather than a corresponding increase in actual economic output. The revision provides a more comprehensive representation of the size and structure of the economy and has important implications for key macroeconomic indicators, including public debt-to-GDP, tax-to-GDP, and monetary and financial sector indicators. While the larger GDP denominator may improve several headline economic indications, it does not, in itself, increase fiscal capacity or reduce the nominal value of existing debt obligations. Overall, the rebasing provides a more representative statistical foundation for assessing the economic performance, fiscal position, and investment potential.

RATIONALE FOR GDP REBASING

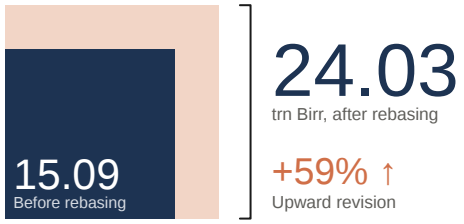
Ethiopia had continued to use FY2015/16 as the base year for its national accounts despite significant structural changes in the economy over the subsequent nine years. International best practice generally recommends rebasing GDP at least every five years to ensure that national accounts adequately capture changes in the structure of the economy, production and consumption patterns, and relative prices. The Ministry of National Strategy (MoNS) therefore initiated the rebasing to better reflect these fundamental structural changes and improve the coverage of economic activities, particularly informal and previously underrepresented subsectors. The expanded coverage includes informal mining, micro-manufacturing, emerging transport services such as ride-hailing, FinTech, interest-free banking, and expanded coverage of public enterprises.

FY2024/25 was selected as the new base year because, according to the MoNS, it represents a relatively normal economic year, free from major exceptional shocks, and is better aligned with the methodological requirements of the 2008 System of National Accounts (2008 SNA). The year also captures the changes from the ongoing macroeconomic reforms, including the transition towards a market-determined exchange rate and improved price discovery, alongside a declining rate of inflation. Collectively, these factors provide a more representative snapshot of national production, consumption, and the evolving structure of the economy, thereby establishing a stronger statistical basis for measuring economic performance and assessing the macroeconomic fundamentals.

CROSS-COUNTRY COMPARISON OF GDP REBASING

Several African countries have undertaken GDP rebasing exercises in recent years to better capture structural changes in their economies, broaden national accounts coverage, and provide a more accurate representation of evolving economic structures. These exercises have generally resulted in upward revisions to nominal GDP, although the magnitude of the adjustment had varied significantly across the countries. Kenya's 2021 rebasing[2], which adopted 2016 as the new base year, increased nominal GDP by 8.1%, while Nigeria's 2025 rebasing[3], based on 2019, resulted in a 41.7% upward revision. Rwanda's 2025 exercise[4], adopting 2024 as the base year, increased nominal GDP by approximately 6.1%, while South Africa's 2026 rebasing[5], using 2022 as the base year, resulted in a more modest increase of 5%. The variation highlights differences in the extent of structural changes, improvements in statistical coverage, and methodological adjustments across countries, underscoring the importance of regular GDP rebasing in ensuring that national accounts remain aligned with changing economic structures and provide reliable basis for macroeconomic analysis and policy assessments.

ETHIOPIA'S FY2024/25 GDP, BEFORE AND AFTER



Source: MoNS

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GDP GROWTH

Following the rebasing of the national accounts, real GDP growth for FY2025/26 was reported at 7.7%, while nominal GDP increased by 31.9% to Birr 31.97 trn. The expansion in nominal GDP reflects the combined effects of real economic growth and changes in the overall price level. While the revised figures point to an expanding economy and a larger domestic market, the substantial gap between nominal and real growth underscores the continued importance of price dynamics in shaping headline economic performance. Importantly, strong nominal GDP growth does not necessarily translate into a corresponding increase in household purchasing power, real business revenues, or corporate profitability. The quality and sustainability of growth will therefore depend not only on the expansion of economic activity and market size, but also on price stability, productivity improvements, and stronger of consumer demand.

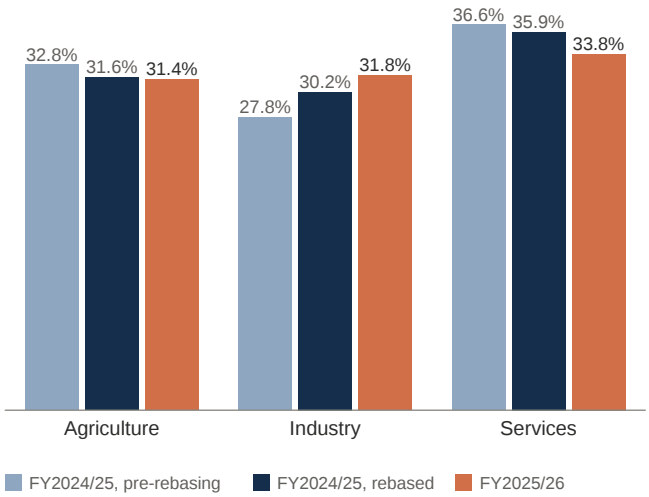
KEY ECONOMIC SECTORS

The revised national accounts point to a notable shift in the structure of the Ethiopian economy, particularly the growing contribution of industry relative to agriculture. Services remain the largest contributor to GDP, accounting for 33.8% in FY2025/26, although this represents a decline from 35.9% in the previous fiscal year based on the pre-rebasing figure. Industry now ranks second, accounting for 31.8% of GDP and marginally surpassing agriculture at 31.4%.

Beyond this shift in the overall sectoral composition, the rebased estimates reveal significant shifts within the industrial sector. Mining and quarrying increased its share of total industrial output from 10% to 29%, while manufacturing also gained importance, with its share rising from 15% to 21% of industry output. In contrast, construction's share declined substantially from 73% to 42%. Despite this reduction, construction remains the largest component of industrial output, although its relative dominance has diminished considerably. The rising shares of mining and manufacturing suggest a more diversified industrial structure and a greater contribution from productive activities beyond construction.

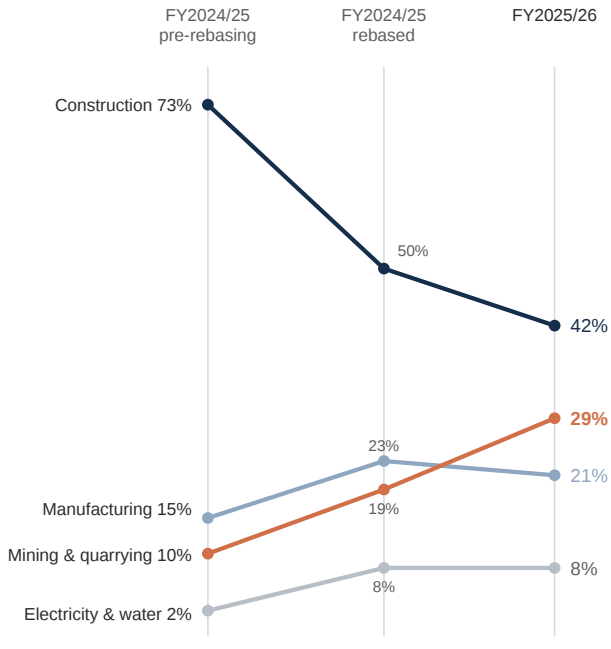
The increased weight of manufacturing is particularly encouraging from a structural transformation perspective, given its potential to support value addition, productivity growth and employment creation, and export diversification. However, the relatively narrow gap between industry and agriculture, alongside the declining share of services, warrants closer examination of the underlying sectoral growth dynamics. It is also important to distinguish between changes reflecting actual economic expansion and those resulting from improved statistical coverage and methodological adjustments introduced through GDP rebasing.

Fig. 1: GDP by Major Industrial Classification (% of GDP)



Source: MoNS

Fig. 2: Industry Components (% of total industry)



Source: MoNS

[1] July – June 30

[2] Kenya National Bureau of Statistics

[3] National Bureau of Statistics, Nigeria

[4] National Institute of Statistics of Rwanda

[5] Statistics South Africa

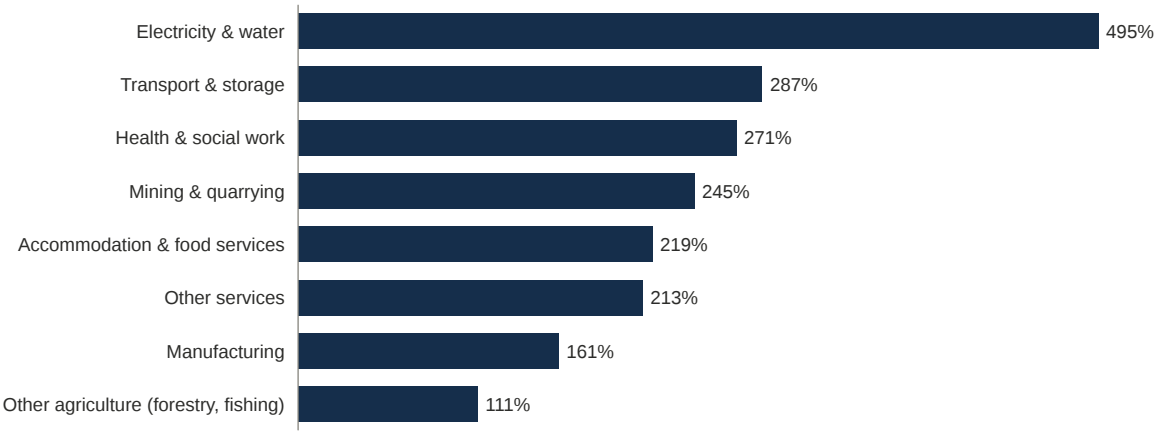
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STRUCTURAL TRANSFORMATION

GDP rebasing has broadened the coverage of economic activities captured in the national accounts, bringing previously underrepresented sectors into the national accounts. These included informal mining, small-scale manufacturing and transport services, particularly ride-hailing activities. The exercise has also improved sectoral classification, with telecommunications separated from transport and storage and reported under a distinct Information and Communication category, which accounted for 1.4% of GDP.

The rebased estimates also reveal substantial upward revisions in the measured contribution of several sectors, particularly electricity and water (495% increase in FY2024/25 compared with the pre-rebased estimates), transport and storage (up 287%), and health and social work (up 271%). These significant adjustments primarily reflect improved data coverage, broader measurement of economic activities and changes in sectoral classification, bringing previously underrepresented areas of the economy into sharper focus. Beyond providing a more comprehensive picture of economic activity, the expanded coverage offers improves visibility into emerging sectors and areas whose market significance may previously have been underestimated. This is particularly relevant from an investment perspective as it provides stronger statistical basis for identifying sectors with growing economic relevance and potential market opportunities.

Fig. 3: Highest Increment (%)



Source: MoNS

CHANGES IN SECTORAL SHARES OF GDP

A comparison of the previous and rebased GDP estimates for FY2024/25 reveals significant shifts in the relative contribution of key economic sectors. Transport and storage recorded the largest upward adjustment, increasing by 4.5 percentage points, from 3.2% to 7.7% of the total GDP share. This was followed by mining and quarrying, whose share rose by 3 percentage points, from 2.7% to 5.7%, and manufacturing, which increased by 2.7 percentage points, from 4.2% to 6.9%. These upward revisions point to the greater recognition of economic activities in ride services, extractive industries, and manufacturing had been materially underrepresented in the previous national accounts. On the other hand, real estate and business services recorded the largest downward adjustment, with their combined share declining by 5.4 percentage points, from 8.3% to 2.9%. Construction also declined significantly, falling by 5.2 percentage points, from 20.2% to 15.0%. Overall, the revised sectoral composition suggests a more prominent role to transport, mining, and manufacturing, while reducing the previously estimated weight of construction and real estate-related activities. These shifts have important implications for sectoral resource allocation, although they primarily are result of improved statistical coverage, classification, and valuation rather than actual shifts in economic activity during the period.

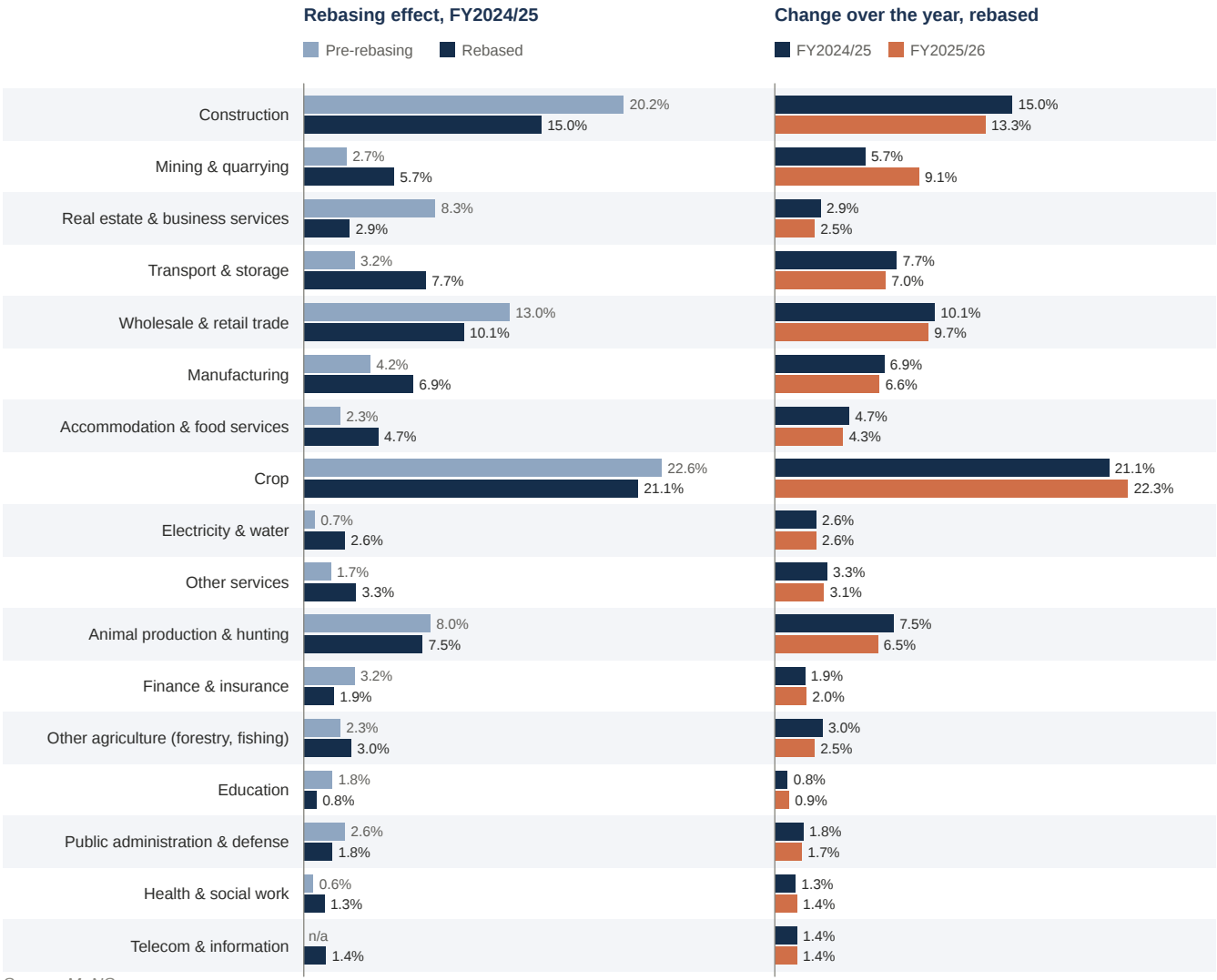
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DETAILED SECTORAL BREAKDOWN (FY2025/26)

The detailed sectoral composition of GDP highlights the continued importance of crop production, construction, and wholesale and retail trade, which remain the three largest contributors to the economy. However, the relative weight of construction has declined considerably, from approximately 20% under the previous national accounts estimates to 15% following rebasing, and further to 13% in FY2025/26. In contrast, mining and quarrying has recorded one of the most significant upward revisions, with its contribution increasing from approximately 3% under the previous estimates to around 9% of GDP, making it the fourth-largest subsector. This increase reflects, in part, the improved coverage of informal mining activities in the national accounts, as well as the revaluation of output following the transition to a market-based foreign exchange regime. Manufacturing has also gained prominence, with its share of GDP increasing from approximately 4% to 6.6%, reflecting broader coverage and improved measurement of industrial activities.

Overall, the revised sectoral composition points to a more diversified economic structure, with mining and manufacturing emerging as more significant contributors to GDP. However, these upward revisions should be interpreted primarily as improvements in the measurement, coverage and valuation of existing economic activity rather than as evidence of equivalent increases in actual production. Nevertheless, the revised estimates provide a more comprehensive picture of the economy and help identify sectors whose economic significance may have been understated in previous assessments.

Fig. 4: GDP by Economic Activity, Before and After Rebasing (% of GDP)



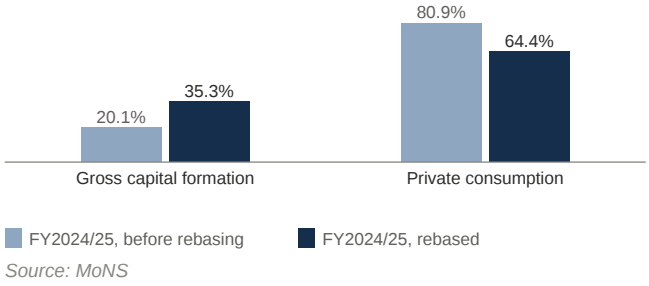
Source: MoNS

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GROSS CAPITAL FORMATION AND CONSUMPTION

GDP rebasing has also significantly altered the picture of the expenditure-side structure of the economy, pointing to an economy with a substantially larger measured investment base and a relatively lower share of consumption than previously estimated. The most notable revision is the 179.3% upward revision in gross capital formation (investment), increasing its share of GDP from 20.1% to 35.3%. This substantial revision suggests that investment activity was significantly underrepresented in the previous national accounts. This increase reflects improved statistical coverage and the incorporation of additional data sources, particularly investment by regional state-owned enterprises (SOEs), which was not adequately captured in earlier estimates, as well as broader coverage of non-profit institutions serving households. Private final consumption, meanwhile, increased by 26.6% in nominal terms, but its share of GDP declined from 80.9% to 64.4%, indicating that the upward revision in investment and other expenditure components was considerably larger than that of consumption.

Fig. 5: Gross Capital Formation and Consumption (% of GDP)



Source: MoNS

Overall, the revised expenditure structure portrays an economy that is more investment-oriented economy than previously reflected in the national accounts. However, the higher measured investment share should not necessarily be interpreted as evidence of a corresponding increase in newly generated investment activity, as a significant part of the revision reflects improved measurement and broader coverage of existing economic activities.

IMPLICATIONS OF GDP REBASING FOR FISCAL AND MONETARY INDICATORS

Fiscal Revenue Mobilization

GDP rebasing has materially altered the interpretation of Ethiopia's fiscal indicators, highlighting a wider gap between domestic revenue mobilization and the revised size of the economy. Revenue of approximately Birr 1.5 trn collected in FY2025/26, which represented around 8% of GDP under the previous estimates, now translates into approximately 4.8% of rebased GDP. This places Ethiopia among economies with relatively low revenue yields, despite a 68% year-on-year nominal increase in revenue collection during FY2025/26. Although the Government is targeting to raise revenue-to-GDP ratio to approximately 10% by FY2027/28, this would remain considerably below the Sub-Saharan African average of around 17%. The comparison highlights that strong nominal revenue growth has yet to translate into a commensurate improvement in revenue mobilization relative to the size of the economy. The resulting revenue gap could intensify fiscal pressures and increase the Government's reliance on broader tax measures, stronger enforcement, and reduction in tax exemptions. For businesses, this could translate into greater exposure to tax increases and compliance costs, with potential implications for profitability, cash flow, and investment decisions.

Public Debt and Debt Sustainability

Conversely, GDP rebasing materially improves Ethiopia's headline public debt indicators. Public debt, estimated at approximately 45% of GDP as of December 2025 under the previous GDP estimates, would decline to around 25% when measured against the revised nominal GDP of approximately $210bn for FY2025/26, assuming the debt stock remains unchanged. This would place Ethiopia below several regional peers, including Kenya at 65.4%, Rwanda at 65.1%, Uganda at 43.0% and Tanzania at 39.9%, based on Afreximbank's 2025 estimates. However, the improvement is primarily a denominator effect rather than the result of an actual reduction in outstanding debt. More importantly, a lower debt-to-GDP ratio does not automatically translate into stronger debt-servicing capacity. Limited domestic revenue mobilization, foreign-exchange constraints, external financing requirements and exchange-rate risks remain important consideration in assessing overall debt sustainability.

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Monetary and Financial-Sector Indicators

GDP rebasing will also have significant implications for monetary and financial-sector indicators, particularly ratios related to credit penetration and financial deepening. The substantial upward revision in nominal GDP will reduce the measured ratios of private-sector credit, broad money and other monetary aggregates to GDP, even if their nominal values remain unchanged. This could alter the assessment of financial sector depth, credit penetration and the level of financial intermediation in the economy. As a result, the National Bank of Ethiopia (NBE) will need to recalibrate its key monetary and financial indicators, review relevant policy benchmarks and update its macroeconomic monitoring frameworks to reflect the revised size and structure of the economy.

Strengthening Economic Standing in Africa

Following the GDP rebasing, Ethiopia's economy is estimated at $210.7bn for FY2025/26, positioning it as the fifth-largest economy in Africa, after South Africa, Egypt, Nigeria and Algeria, and the third-largest in Sub-Saharan Africa, based on nominal GDP measured in current US dollars.

This ranking compares the total value of economic output at prevailing prices and exchange rates and should therefore be distinguished from measurements such as GDP per capita or purchasing power parity. The comparison also uses Ethiopia’s rebased FY2025/26 estimate against the latest available estimates for other African economies, which may relate to different reporting periods.

The improved ranking reflects broader statistical coverage and a more comprehensive measurement of the economy's size and structure of the Ethiopian economy. From an investment perspective, this provides a clearer picture of the market scale and potentially making it visible as one of the continent’s larger economies. However, the higher ranking primarily reflects a statistical revision rather than newly generated economic output and does not, in itself imply a corresponding improvement in per capita income and living standards.

Overall Implications

GDP rebasing presents a more comprehensive, but also more nuanced picture of Ethiopia’s macroeconomic position. The substantially larger GDP denominator improves key debt indicators and strengthens the country's standing among Africa's largest economies, positioning Ethiopia as the fifth largest economy on the continent and the third largest in Sub-Saharan Africa by nominal GDP.

At the same time, the rebased figures make some weaknesses more visible. Domestic revenue mobilization appears lower relative to the size of the economy, while measures of credit penetration and financial sector depth are likely to decline. The rebasing therefore improves the statistical representation of Ethiopia’s economic scale and regional importance, but also highlight structural gaps in domestic revenue mobilization and financial intermediation.

The revised national accounts therefore have implications well beyond the headline increase in GDP. They require a broader recalibration of fiscal, monetary, debt, and financial-sector benchmarks so that policy targets and assessments are aligned with the economy’s revised size and structure. For investors, the rebasing provides a more credible picture of market scale, sectoral composition, and emerging areas of economic significance, while reinforcing the need to distinguish carefully between statistical improvements and underlying changes in real economic performance.

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