Quarterly Macroeconomic Review
Second Quarter 2020

Macro Research Ethiopia

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SUMMARY: Recent Developments and Year-Ahead Outlook

Contrary to most expectations following the onset of the COVID pandemic, Ethiopia's macro data for the just ended fiscal year showed better-than-expected outturns in many areas, including in tax collections, bank lending, export/airline receipts, and industrial park activity. At the same time, still-high inflation, fx shortages, and reduced activity in a few COVID-affected sub-sectors remain key challenges. For the new fiscal year, though the outlook is clouded by uncertainties on the political/elections front, we see good prospects for this year's crop harvest (thanks to above-average rains), a positive momentum in exports (coffee, flowers, gold, and services), stronger support from external partners (grants, loans, debt service relief), and encouraging prospects for FDI due to imminent privatizations. In addition, the recently passed budget will be supportive of key domestic growth drivers (given rising infrastructure/social spending), while the launch of a new Ten-Year Plan this year should bring with it a number of major Government, PPP, and private projects. Overall, as long as there are no major domestic disturbances that hinder normal economic activities, we think growth of 5 to 6 percent is a realistic prospect, as is a gradual improvement in fx conditions over the course of the year.

Summary Overview: Recent Macro Trends and Outlook for the New Fiscal Year

	JUST-ENDED FISCAL YEAR: 2019-20		NEW FISCAL YEAR: 2020-21	
Positive Macro Trends & Outlook	1 Crop production	Overall crop output up 6%; wheat/teff/maize up 9%/6%/2%	1 Rainfall outlook	Above-avg rain levels, up 14%
	2 Electricity generation	Power generated up 7%, or 3.8 GWH vs 3.6 GWH last year	2 Fertilizer usage	Fertilizer imports up 20%
	3 ECX trading	Traded commodity volumes up 12%, Birr value up 18%	3 Irrigation expansion	Birr 16bn allocation in budget
	4 Telecom activity	Subscribers up 6%, revenue up 31% to Birr 48bn ($1.5bn)	3 Government budget	Overall spending to rise 23%
	5 Employment	3.3mn jobs created, despite 300,000 COVID-related losses	4 Govt capex	Capital expenditure to rise 23%
	6 Tax collections	Revenue up 18%, despite COVID impacts in final quarter	5 Coffee prices	World prices up 7% vs last year
	7 Bank deposits	Bank deposits up by 16% (10% at CBE, 25% at private banks)	6 Gold exports	Export volumes to rise sharply
	8 Bank lending	Lending up 29% overall, and up 34% at private banks	7 Remittances	Gradual recovery likely
	9 Bank profits	Up 24 percent to Birr 17 bn at private banks (~32% EPS)	8 Grants and loans	Continued strong support likely
	10 Exports of goods	Goods exported up 12%, highest growth in five years	9 Sovereign bond yield	Improved to 6.7% in Aug 2020
	11 Gold exports	Six-fold increase to near $200mn for the fiscal year	10 Privatization	Expected sales would boost FDI
	12 Industrial parks	Industrial park exports up by 17% (reaching $164mn)		
	13 Import adjustment	Imports shrunk 8% (now 13% of GDP vs 26% five yrs ago)		
	14 Trade deficit	Declined to 10% of GDP, lowest in over a decade		
	15 Debt ratios	Debt to GDP down to 54% from 59% two years ago		
	16 Exchange rate	21% year-on-year adjustment, reducing overvaluation		
Negative Macro Trends & Outlook	1 Still-high inflation	Over 20% inflation since the start of 2020	1 Political uncertainty & potentially disruptive elections	
	2 FX constraints	Still-long fx waiting times, 25% premium vs parallel market	2 Possible slow recovery in tourism, remittance inflows	
	3 Foreign investment	FDI of $2.5bn for fiscal year, 19% decline from last year	3 Gradual expected decline in inflation	
	4 Tourism	29% decline in visitor arrivals	4 Slow exch-rate reform could prolong fx constraints	
	5 FX reserves	$3.2bn as of June 2020, $200mn decline from year-ago		
	6 Rating Agencies	Moody's downgrade to 'B2' rating with negative outlook		

Recent Developments:

- **Growth and Activity Indicators:** The just-ended fiscal year, which included only about one quarter of Corona-related impacts, has generally turned out much better than was expected at the time of the pandemic's onset in Ethiopia in March 2020. On the positive front, the final annual crop estimate released by the Ministry of Agriculture in April 2020 showed growth of 6.2 percent, with the three most important crops—wheat, teff, and maize—up by 10, 6, and 2 percent respectively. Beyond agriculture, several activity indicators point to economic expansion, including tax collections (up 18 percent for the year despite a weak final quarter), bank deposits (up 16 percent), bank lending (up 29 percent), exports (up 12 percent in USD terms), industrial park production, electricity generation, telecom subscribers, ECX commodity trading, and shipping line cargo activity. By contrast, there were areas of weak activity with respect to FDI inflows (down 19 percent), tourist arrivals (down 29 percent), and imports (down 8 percent). Taking into consideration all of the above, we estimate last year's growth outturn—to be released in the coming months—to show overall real GDP growth of near 6 percent, based on sector growth rates of 4 percent for agriculture, 11 percent for industry, and 4 percent for services.

- **Investment:** Indicators of investment activity for the year as a whole remained mixed, with negative outturns in some private sector indicators alongside positive trends for public sector investment measures. The main weak areas continued to be seen in FDI inflows, which were down about 19 percent for the year ($2.5bn vs $3.1bn) and in overall capital imports (excluding aircraft), which is suggestive of trends in domestic private sector investment. Based on state enterprise borrowing (up 14 percent), their investments have likely increased over the past year, while government capital expenditure—per budget data—was up 9 percent for the year. Overall, reflecting the above developments, we estimate investment has fallen slightly to around 34 percent of GDP for the year vs a 35.2 percent of GDP level reported in last year's GDP statistics.

- **Inflation:** After a short-lived improvement to 19.8% in May 2020, inflation has reversed course and shown an increasing trend in the two most recent months: 21.5% in June and 22.3% in July. As before, a few line-items are driving most of the price increases, particularly vegetables (prices up 36 percent), grain cereals (up 23 percent), and housing/utilities (up 22 percent); had these three items shown no price increases, overall inflation would have been only 10 percent. The lagged impacts of some administrative policy measures continue to have an impact: excise taxes on beer have contributed to 29 percent beverages inflation (year-on-year); electricity bill adjustments are still feeding into higher inflation for the housing/utilities line-item; and taxi fare hikes in April—to adhere to social distancing rules—contributed to a large 70 percent increase in transport prices from year-ago levels. Ethiopia's inflation record continues to be an outlier in both an African and global context (only about ten other countries show 20%-plus inflation), and inflationary pressures during the pandemic have failed to decline (22 percent now or same as at end-March), though post-COVID inflation has trended downward in many African and emerging markets following sharp drops in domestic demand.

- **Monetary policy:** Growth in base money supply has jumped sharply in June 2020 (up 23 percent year-on-year vs a planned growth of 12.5 percent), reflecting the fiscal and monetary stimulus enacted in response to the Corona pandemic. Virtually all of the growth in reserve money took place in the last two quarters of the fiscal year and has not yet translated into similar rates of broad money growth. Indeed, broad money growth has slowed for the year as a whole, rising by just 17 percent year-on-year as of June 2020 versus growth rates of 20-25 percent in 2018-19 and near 30 percent in 2017-18.

- **Banking developments**: Commercial bank deposits grew at their slowest rate in a decade, or by 16 percent last year versus average annual growth of 28 percent over the prior ten years. Deposits have reached Birr 1.043 trillion, with 57 percent of this total at public banks and 43 percent at private banks. Total financing provided by the banking system (loans plus banks' holdings of corporate bonds, NBE Bills, and T-Bills) reached an estimated Birr 1.069 trillion at end-June 2020, up around 22 percent for the year and equivalent to 102 percent of total banking system deposits—pointing to still-tight liquidity positions at most banks. Based on monetary data, the private sector remained the main beneficiary of last year's lending growth, with an estimated Birr 127bn of the Birr 213bn net credit increase (roughly 60 percent) going to private borrowers as opposed to Government or SOEs.[1] In terms of other banking indicators, the sector registered 18 percent growth in assets, 12 percent growth in total capital (to Birr 125bn), and 16 percent growth in branches (to 5,965 nation-wide branches as of June 2020 or an increase of around 800 branches in the fiscal year). For the large state bank, CBE, activity indicators are showing a moderation in growth trends, with deposits only up 10 percent and lending up 23 percent from year-ago levels. By contrast, private banks saw 25 percent deposit growth and have collectively been expanding their lending at a rapid rate, or by 34 percent from year-ago levels. Boosted by these trends, year-total profits at the 16 private banks rose to record high levels, up 24 percent from year-ago levels and reaching Birr 17bn on a pre-tax basis. By our calculations, and using provisional profit figures from bank surveys, the private banking sector's average earnings per share (EPS) was 31.5 percent in FY 2019-20, only slightly lower than the 32.7 percent EPS average in 2018-19 and the 33.0 percent EPS average for the past decade.

[1] Of the Birr 213bn net increase in domestic credit shown in monetary data, Birr 27bn reflected Government borrowing while Birr 186bn was non-Government borrowing. Excluding an estimated Birr 59bn in borrowing by SOEs (from bond issuance data), the residual Birr 127bn would represent the increase in credit to the private sector for the 2019-20 fiscal year.

- **Fiscal policy**: Revenue performance was affected by the Corona pandemic and showed 18 percent growth over last year's outturns—though the underlying growth was near 25 percent for the first nine months of the year prior to the onset of the Corona pandemic. Revenue collections actually fell in the last quarter of the year (April-June 2020), with that quarter's outturn showing a decline of 4 percent vs the same period last year. Had the same pace of revenue growth (25 percent) been maintained in the last quarter as observed in the prior nine months, we estimate Q4 revenue would have been Birr 66 bn rather than the Birr 50bn actual outturn; the Birr 16bn shortfall shows the adverse revenue impact brought about so far by the Corona pandemic. For the year as a whole, taxes on domestic activity showed modest growth of just 7 percent, but this was offset by large increases in trade taxes (up 35 percent), boosted in part by the depreciated exchange rate which increases the Birr value of customs collections even in the midst of negative growth in USD imports. Comprehensive budget data including both expenditure and deficit outturns is not yet available for the full fiscal year but, by our estimate, the deficit outturn is likely to reach near Birr 95bn, or 2.8 percent of GDP, reflecting increased expenditures in the final quarter for Corona related outlays and assistance to increased numbers of vulnerable groups.

- **Debt:** Public debt rose to $54.7bn as of March 2020, up by about $1bn (net) from June 2019. Relative to the estimated GDP for FY 2019-20 (Birr 3,427bn or USD 108.5bn), public debt-to-GDP now stands at 54 percent, a near 10 percentage points drop from June 2018 when the ratio peaked at 59 percent of GDP. Looking only at external debt, this now stands at 25.5 percent of GDP, also a major drop from its peak of 31 percent seen in June 2018.

- **Trade:** Exports performed surprisingly well even in the midst of the global pandemic, and rose by 12 percent despite projected world export growth of only 3 percent this year. Per industry information—and especially for flowers as well as coffee—Ethiopia's strong export results partly reflect a drop in the exports of competitor countries and their inability to maintain (as Ethiopia did) critical supply chains and continued air/shipping links to their export markets. In dollar terms, the top performing export products were coffee ($856mn for the year and up 12 percent), flowers ($422mn, up 65 percent), oilseeds ($345mn, down 11 percent), chat ($324mn, up 7 percent), pulses ($235mn, down 30 percent) and gold ($197mn, up six-fold from last year reflecting improved NBE incentives for local gold producers). Ethiopia's three main 'manufactured exports' showed mixed results, with textile product exports growing by 10 percent (to $169mn), while leather product exports declined 39 percent (to $72mn) and processed meat exports fell 24 percent (to $67mn). With respect to import trends, the 8 percent decline for the year has now brought imports to their lowest level—relative to GDP—in over 20 years, or just 12.8 percent of GDP last year vs 25 percent of GDP five years ago. Sharp drops in imports were seen for fuel (down 20 percent due to lower global oil prices), aircraft imports (down 92 percent), and durable consumer goods (down 23 percent). Exceptions to the generally negative growth rates seen for most import categories were seen for fertilizers (up 20 percent), agricultural capital equipment (up 51 percent) and cereal grains (up 41 percent).

- **Balance of payments (BOP):** Data for the first nine months of the fiscal year (latest available figures) showed a trade deficit of around \$9.1bn, which was only partly offset by \$5.1bn in private remittances and official transfers, resulting in a current account deficit of around \$4bn. In the capital account, total fx inflows were near \$2.8bn, reflecting \$1.9bn in FDI inflows, \$1.3bn in net government borrowing, and \$0.6bn in SOE external loan repayments. Reflecting the net impacts of the above, foreign exchange reserves fell by close to \$1bn in the nine months to March 2020. Though BOP data are not available for the full fiscal year, the fx reserves figure seen in monetary data reveal a subsequent jump in fx reserves during the last quarter of the fiscal year, bringing the end-June 2020 fx reserves stock to \$3.2bn, equivalent to 2.8x monthly imports and around 1.6x annual external debt service dues.

- **Exchange rate:** The Birr's depreciation is continuing at a measured but significant pace. Compared to year-ago levels, the Birr is now 21 percent depreciated versus the US Dollar. The pace of depreciation was even larger—almost 30 percent—against the Euro and the UK Pound, indicating larger rate adjustments versus two significant trading partners who collectively make up a quarter of Ethiopia's trade. With an average exchange rate movement of 50 cents per month since the start of 2020, the resulting rate of annual depreciation is now equal to recent year-on-year inflation rates (both near 20 percent), suggesting the central bank's exchange rate policy seeks to at least maintain a constant real effective exchange rate (REER) that can prevent a deterioration in external competitiveness.

- **Sovereign bond and Market Ratings:** Ethiopia's sole international sovereign bond showed a drop in yields since its peak of 10.1 percent seen in early May. The latest yield—indicative of the interest rate needed to attract lenders—stands at close to 7 percent, and broadly follows a reduction in yields seen for many frontier and emerging markets over the past few months (the 3 percentage points drop in Ethiopia's yield broadly matches the drop seen in average emerging market, EMBI, yields). With respect to the rating agencies, Moody's downgraded Ethiopia's rating from 'B1' to 'B2' with a negative outlook during the past quarter while the other two main rating agencies—Standard and Poor's and Fitch Ratings—have kept in place their 'B' credit ratings.

Macroeconomic Outlook:

Main Points

- *While the new fiscal year is unfolding against a backdrop of unsettled political conditions, the economic policy framework this year is anchored by a growth-supportive Government budget, an IMF-supported financing arrangement, and a new Ten-Year Plan that will include a wide range of policy initiatives across multiple economic sectors. Also, exogenous factors at the start of the fiscal year are turning out to be supportive, with above-average kiremt rains during June to August and improving prospects that global economic conditions turn positive as we move towards 2021. Overall, as long as there are no major domestic disturbances that impede normal economic activities, we think growth of 5 to 6 percent is a realistic prospect for the new fiscal year.*

- *After years of tight constraints, foreign exchange conditions could show a decisive improvement this year. A sizeable depreciation (20% vs the USD and near 30% vs the Euro/Sterling), rising exports, and a sharp import compression have already reduced the trade deficit to its lowest level in over a decade. Assuming a continuation of the recent export momentum, still favourable commodity prices, a quick recovery in airline revenues, rising grants/loans, and record privatization-driven FDI inflows (all plausible prospects at this point), the foreign exchange outlook should brighten markedly this fiscal year, helping boost reserves to record levels and improving fx supplies to the private sector over the course of the year.*

Overview

- **GDP growth:** Growth prospects this year are generally promising, in our view, given the outlook for three large sectors—agriculture, construction, and wholesale/retail trade—that account for the bulk of Ethiopia's GDP. Corona-related impacts, limited to a comparatively small sub-set of the economy (~20% of GDP), should fade out during the course of the year as stimulus measures provide an offset, as the external environment gradually improves, and as economic actors adjust to living with the new post-COVID reality. Looking at the main specific sectors, the following prospects are noteworthy:

    - For **agriculture** (36% of GDP), a very favourable rainy season suggests a better harvest outturn than last year, despite initial fears that input availability and locust infestations might lead to a drop in agricultural production. Rainfall data from the National Meteorological Agency point to average rainfall levels that are 14 percent higher than last year (which was an already favourable year with a record crop output), and virtually all areas of the country have been designated as having average of above-average rains for this rainy season. Judging from import data and

Ministry of Agriculture notices, fertilizer distribution to farmers has been broadly favourable. Land under cultivation is also likely to increase given extensive policy efforts to 'leave no plots uncultivated' across all regions. Considering the combination of these three factors—good rains, good fertilizer supplies, and improved acreage—we view the Government's 6 percent agriculture growth projection as reasonable. Even if one accounted for some potential shocks in the period ahead, such as localized locust infestations and disruptions to normal harvesting activity in some areas, agricultural growth of 4 to 5 percent remains a realistic prospect, implying a total crop output of 350mn quintals or more this year vs 335mn quintals last year.

- With respect to the **construction sector** (20% GDP), as public sector projects continue to drive a large part of the activity in this area, the budget this year should be strongly supportive given increased allocations for roads, irrigation projects, agriculture, and social sectors such as health and education Aggregate spending on these five sub-sectors alone, each with large domestic impacts, will be Birr 166bn, and a 20 percent increase from last year. Off-budgetary public sector housing projects coming on line this year should also provide further stimulus. On the private sector side, current high demand for cement and steel rebars as well as the 35 percent growth in recent bank lending to housing/construction suggests continued on-going expansion in this segment. Growth in the high single-digits, even perhaps in the low teens, is thus possible for this sector in FY 2020-21, in our view.

- For **wholesale and retail trade** (14% of GDP), this sector might face COVID-related drops in activity in certain sub-segments in the first part of the fiscal year, but as most of the activity in this area reflects non-discretionary items (trading of basic food crops, consumer goods, exports/imports, and retail), the sector's overall growth rate should not deviate too far from trends in agriculture, exports, and imports. Thus, we would expect low to mid-single digit growth in this sector.

- **Other sub-sectors** that should register positive growth this year—reflecting either rising government spending, demographics, still-low starting bases and/or more favourable policies—include public administration (which makes up 3.4% of GDP), education (3.4% of GDP), health (1.1% of GDP), financial services (3.3% of GDP) and mining (less than 1% of GDP).

- With respects to **downside risks**, political and election-related tensions during the fiscal year could clearly hold back growth in non-agricultural sectors (especially manufacturing and some services) if disturbances impair normal economic and trading activities. Moreover, a very slow recovery in the global economy could result in low FDI inflows, while difficulties in securing needed financing for the government budget (due to potential revenue shortfalls, lower external loans, constrained domestic funding or delayed privatization) may reduce government spending and thus hold back the public sector related drivers of GDP growth. These are not our baseline assumptions or expectations, but represent notable risks.

- **Overall GDP growth**: Considering all of the above, we expect GDP growth will be around 5.5 percent for FY 2020/21. The Government expects growth of 8.5 percent, as reflected in the budget, while external forecasters show lower expectations as a whole. Our compilation of forecasts by seven external institutions suggests a 'consensus view' of 5.0 percent growth for this year.

- **Inflation:** With respect to the inflation outlook, as we attribute the recent June/July inflation readings to temporary factors, we expect a gradual improvement for the rest of the year. Inflation had declined to 19.8 percent in May 2020 and was on a downward course until—it appears—domestic unrest in June/July affected supply chains for key food items and temporarily worsened inflation. In our view, these factors are unlikely to persist in the coming months and we thus anticipate a gradual fall in price pressures for the rest of the year, especially following the September/October harvest of the main food crops. Assuming only two more months of positive month-on-month inflation, until the annual crop harvest reach food markets, and working with negative monthly inflation thereafter (in line with historical norms), inflation on a year-on-year basis could fall to 16 percent by December 2020 and 10 percent by June 2021. On a year-average basis, this would translate to 16 percent inflation for this fiscal year as a whole.

- **Fiscal policy and debt**: As highlighted in our recent Budget Review note, fiscal policy this year is set to be expansionary in several respects, with planned expenditure of Birr 476bn funded by Birr 350bn in revenue and grants as well as Birr 126bn (3% of GDP) of net new borrowing. The budget will include large spending increases in roads, education, agriculture, health and education—all of which should help drive expansion in large economic sub-sectors. The level of new *domestic* borrowing anticipated in the budget is large (Birr 78bn), but can be manageable if split broadly among banks, NBE, pension funds and some use of privatization proceeds. Some diversion of domestic funding away from the private sector is unavoidable this year as Treasury Bill placements by the government will likely rise substantially. Given last year's strong increase in credit to the private sector, and assuming the high allocation of domestic funds to the public sector is limited to this year, credit supplies to the private sector should not be adversely affected over the medium-term. With respect to debt ratios, the Government debt-to-GDP ratio is unlikely to deteriorate much given the large growth in nominal GDP. In terms of overall public sector debt, including SOE borrowing, this should end the year around 57 percent of GDP, only slightly above the estimated 54 percent of GDP ratio as of June 2020. However, two measures of the country's *debt service burden* show still heavy demands on domestic resources: annual government debt service will be 11 percent of revenue & grants (Birr 37bn vs Birr 350bn), while annual external public sector debt service of around $2bn (excluding any potential debt service relief) will be equivalent to roughly 60 percent of the country's foreign reserves stock as of June 2020.

- **Monetary developments and banking:** As the monetary policy stance has been loosened in response to the COVID pandemic, high rates of reserve and broad money growth will persist up to at least the end of 2020. Though broad money growth was only 17 as of June 2020, this will likely rise in the coming quarters as domestic financing requirements of the budget call for substantial net borrowing from the central bank and from commercial banks. One consequence of such expanded government borrowing will be less growth in credit to the private sector, which is likely to moderate to near 15-20 percent or less (versus an estimated 25 percent last year) given the large claims on domestic funds by the public sector. On the regulatory front, gradual reforms measures being undertaken by the central bank should continue to support financial sector activity and expansion: notable measures in this context include recent liquidity support, generous provisioning rules (which have helped companies/banks cope with COVID impacts), a planned loosening of rules enabling banks to borrow from abroad, and the opening of the sector to expected new players such as additional/specialized banks, MFIs-turned-banks, fin-tech start-ups, payment service providers and—following regulatory changes—capital market service providers.

- **Balance of payments:** With respect to the balance of payments, we anticipate a strong improvement in foreign exchange conditions this year, aided in part by the already sizeable external adjustment underway (20-plus percent depreciation and record-low trade deficit) as well as the favourable outlook for global commodity markets (low oil prices, high coffee/gold prices). For the year ahead, we see goods exports reaching $3.4bn (14 percent growth from last year), services exports at $4.9bn (a 5 percent increase), remittances at $5.4bn (a modest 3 percent increase), and official grants of $1.8bn. On the capital account, we expect FDI will reach $4bn, supported by privatization transactions, while net government borrowing of near $1.5bn will further boost fx supplies; some improvement on the private capital account is also likely as rules are loosened on foreign borrowing by both domestic firms and local banks. Reflecting these developments, we project the fx reserves stock at the end of the fiscal year will comfortably pass $4bn, up significantly from the $3.2bn stock as of June 2020. These increased net balance of payments inflows should allow for improved fx supplies to the private sector over the course of the year.

- **Exchange rate:** Trends seen in the first half of August show a pace of depreciation that is equivalent to 23 percent from year ago levels. We assume the annualized depreciation near 20 percent observed for the last three consecutive months will be continued by the central bank as long as inflation remains in that range, and thus see monthly depreciations of around 50 cents per month to the end of the fiscal year. Accordingly, we see the exchange rate at close to 38 Birr/USD by end-December 2020 and just under 41 Birr/USD by June 2021.

A summary of our full set of macroeconomic projections—covering the real, banking, fiscal, and external sectors—is provided in the attached Annex.

ECONOMIC ACTIVITY: Recent Developments

Agricultural performance

- The April 2020 final crop report from the Ministry of Agriculture shows a 6.2 percent increase in farm output for the 2019-20 fiscal year, versus an initial estimate of 4.3 percent.
- The increase in crop volumes reflects a slight increase in acreage farmed (12.8mn hectares in FY 2019-20 vs 12.7mn hectares a year earlier) together with notably better yields (26.1 quintals per hectare last year vs 24.8 quintals per hectare the prior year).
- A detailed breakdown of the crop data reveals strong growth in the three main cereal grains—maize, teff, and wheat—that make up nearly two thirds of total agricultural production. Other large crops such as sorghum and barley also showed positive growth.
- Among other categories, pulses/beans as a group showed virtually no growth while oilseeds (mainly sesame) grew by over 7 percent reflecting mainly an improvement in the sesame harvest after poor results in the prior year.

Figure 1A: Agricultural Production and Growth

Agricultural Production (Mns of tons)	2015-16	2016-17	2017-18	2018-19	2019-20
Major Crops	**26.7**	**29.0**	**30.6**	**31.6**	**33.5**
Cereals	23.1	25.4	26.8	27.8	29.7
of which:					
Maize	7.2	7.9	8.4	9.5	9.6
Teff	4.5	5.0	5.3	5.4	5.7
Sorghum	4.3	4.8	5.2	5.0	5.3
Wheat	4.2	4.5	4.6	4.8	5.3
Pulses	2.8	2.8	3.0	3.0	3.0
Oilseeds	0.8	0.8	0.9	0.8	0.8

Growth Rates--PRODUCTION	2015-16	2016-17	2017-18	2018-19	2019-20
Major Crops	-1.3%	8.8%	5.4%	3.1%	6.2%
Cereals	-2.0%	9.8%	5.5%	3.7%	6.9%
Pulses	3.6%	1.6%	5.8%	1.1%	-0.2%
Oilseeds	3.2%	6.9%	1.9%	-8.2%	7.3%

Source: CSA's Agricultural Sample Survey Reports, Ministry of Agriculture

Figure 1B: Ethiopia's Major Crops, Harvest Output, and Growth rates

	Production in Mns of Quintals		
	FY 2018-19	FY 2019-20	Growth rate
Total Crops	**315.6**	**335.2**	**6.2%**
Cereals	**277.6**	**296.7**	**6.9%**
Maize	94.9	96.4	1.5%
Teff	54.0	57.4	6.1%
Wheat	48.4	53.2	9.9%
Sorghum	50.2	52.7	4.8%
Barley	17.7	23.8	34.5%
Finger millet	10.4	11.3	8.7%
Rice	1.7	1.7	-0.7%
Oats/'Aja'	0.3	0.5	51.8%
Pulses	**30.1**	**30.1**	**-0.2%**
Faba beans	10.4	10.1	-3.4%
Field peas	3.6	3.9	8.2%
Red Chick-pea	3.3	3.7	13.5%
Red Haricot beans	3.4	3.1	-7.3%
Grass peas	2.6	3.1	20.1%
White Haricot bear	1.5	1.7	14.5%
Soya beans	1.5	1.3	-15.9%
Lentils	1.4	1.2	-15.3%
White Chick-pea	1.3	0.6	-53.2%
Mung bean/"Mash	0.6	0.6	-3.2%
Fenugreek	0.3	0.4	30.7%
Gibto	0.2	0.4	50.5%
Oilseeds	**7.9**	**8.4**	**7.3%**
Neug	3.0	2.9	-1.6%
Sesame	2.0	2.6	30.2%
Groundnuts	1.4	1.6	8.6%
Linseed	1.0	0.8	-17.6%
Rapeseed	0.4	0.4	10.0%
Sunflower	0.1	0.1	19.0%

Source: CSA

Recent Developments… continued:

- Looking beyond agriculture, economic indicators were generally positive for the just-ended fiscal year with respect to tax collections, banking performance, exports, industrial parks, ECX trading, telecoms, power generation, and shipping line activity.

- Notable declines in performance were seen for foreign direct investment (down 19 percent) and tourist arrivals (down 29 percent).

Figure 1C: Economic Activity Indicators

	FY 2018-19	FY 2019-20	Nominal growth	Real growth
Tax collections (Birr bns)	**198.1**	**233.7**	**18.0%**	**-1.9%**
o/w Direct tax collections	*120.2*	*128.60*	*7.0%*	*-12.9%*
o/w Trade tax collections	*77.9*	104.92	*34.7%*	*14.8%*
Bank deposits (Birr bns)	899	1,043	16.0%	-3.9%
Bank lending (Birr bns)	456	590	29.3%	9.4%
Bank profits (private banks), Birr bns	13.998	16.988	21.4%	1.4%
Exports of goods ($mns)	2,667	2,988	…	12.0%
Imports of goods ($mns, excl aircraft)	14,242	13,815	…	-3.0%
Industrial park exports ($mns)	141	165	…	17.0%
Industrial park employment	71,788	71,442	…	-0.5%
Tourist arrivals	769,781	549,315	…	-28.6%
Foreign Direct Investment ($bns)	3.1	2.5	…	-19%
Fuel consumption (Tons)*	1,050,653	955,229	…	-9.1%
Electricity power generation (Kwh mns)*	3,632,466	3,875,585	…	6.7%
Employment created (JCC data)	…	3,387,079	…	…
Ethio Telecom revenue (Birr bns)	36.3	47.7	31.4%	11.5%
Ethio Telecom subscribers (mns)	43.7	46.2	…	5.8%
ECX Traded Commodities (Birr bns)	33.90	40.0	18.0%	-1.9%
ECX Traded Commodities (Tons)	680,280	761,914	…	12.0%
Ethiopian Shipping Lines (Birr bns)	18.8	25.7	37.0%	17.1%
Ethiopian Shipping Lines, Volumes (Ton mns)	7	11	…	57.1%

Source: NBE, Ministry of Transport, Ministry of Revenue, Banks survey data, ECX, JCC, EIC, Ethio Telecom, ELSE, MOTI
**Data for fuel consumption and electricity power generation are on a nine-month basis*

- With respect investment, indicators for last year were mixed: rising public sector investment was seen for SOEs and government (based on bond issuance data and government capital spending figures), but at the same time there was a decline in investment by foreign investors (per FDI data) and also by domestic private investors (judging by the small fall in capital goods imports excluding aircraft).

Figure 1D: Recent Investment Indicators

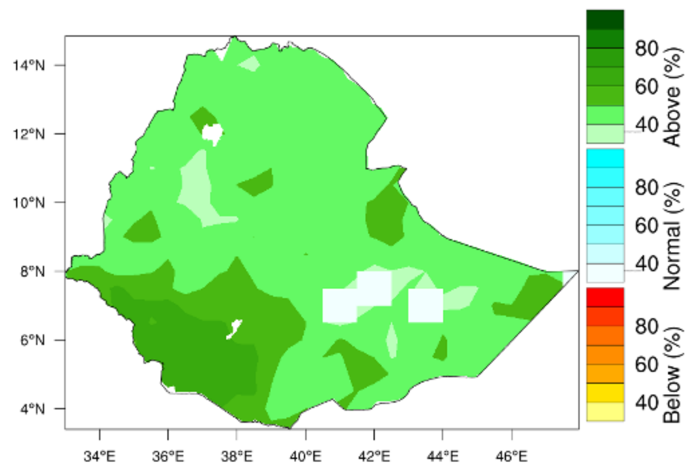
	FY 2018-19 Nine months	FY 2019-20 Nine months	Percent change
Nine-Months Performance*			
SOE bond borrowing (Birr bns)	314.0	386.3	**23.0%**
Govt Capital Expenditure (Birr bns)	66.2	71.9	**8.6%**
Full Fiscal Year	**FY 2018-19**	**FY 2019-20**	**Percent change**
Capital Goods Imports (USD bns)	5,031	4,122	**-18.1%**
Aircraft imports	870	66	**-92.4%**
Transport-related capital goods	1,429	398	**-72.2%**
Capital Goods excl aircraft	4,160	4,056	**-2.5%**
Capital Goods excl aircraft/transport	2,731	3,658	**34.0%**
Foreign Direct Investment (USD bns)	3.1	2.5	**-19.4%**

Source: NBE quarterly bulletin, MOTI,ERCA. EIC
** Depending on lags in data availability, figures are either for Mar 2020 or end June 2020.*

Growth Outlook:

- Rainfall levels—which are one of the key determinants for the dominant agricultural sector—are forecast by the National Meteorological Agency to be at average or above-average levels for virtually all parts of the country during the June-August *kiremt* months.

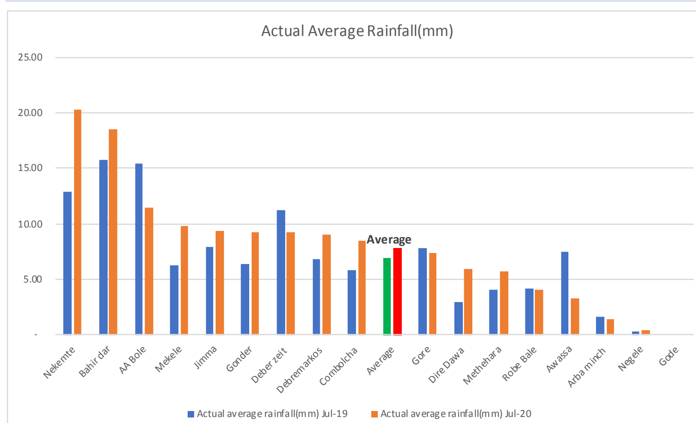
Table 2A: Rainfall Levels: Metereological Agency, June-Sept 2020 Forecasts



Source: National Metereological Agency, "FY2019-20 Bega Weather Review and 2020 Belg Rainfall Outlook" Report (Amhar

- Actual rainfall data for the month of July 2020 shows increased levels vs last year for most parts of the country, and an average 14 percent higher rainfall level this year versus last year.

Figure 2B: Average Rainfall(mm)



Source: National Metereological Agency

- Reflecting a strong anticipated crop output, on-going growth in construction (which is the dominant portion of the industry sub-sector), and only a gradual service sector recovery (reflecting Corona impacts in the first half of 2020-21), we expect real GDP growth to be near 5.5 percent this year.

Table 3A: Estimates of FY 2019-20 Growth and FY 2020-21 Outlook

	Last Fiscal Year: 2019-20		FY 2020-21
	Prev Proj	Revised Proj	Projection
GDP growth	**8.0%**	**6.0%**	**5.5%**
Agriculture	4.5%	4.3%	4.5%
Industry	12.0%	11.0%	9.0%
Services	8.3%	*4.0%*	4.0%

Source: Cepheus Research projections

Growth Outlook… continued:

- While the Government anticipates growth of 8.5 percent, forecasts by external institutions for the current fiscal year range from 2.4 percent to 7.1 percent and average of 5 percent.

Table 3B: Growth Projections by Different Institutions

	Last Fiscal Yr 2019-20	Current Fiscal Yr 2020-21
Government	6.2%	8.5%
African Development Bank	7.4%	7.1%
World Bank	4.0%	6.0%
Standard & Poor's	8.0%	5.2%
Moody's	7.5%	4.0%
International Monetary Fund	3.2%	3.7%
Fitch Ratings	3.1%	3.1%
Economist Intelligence Unit	7.1%	2.4%
Average	*5.8%*	*5.0%*
Cepheus Capital	6.0%	5.5%

Source: Publications of the respective institutions and Cepheus Research compilation

PRICES AND INFLATION: Recent Developments and Outlook

Inflation outturns:

- After falling to 19.8% in May 2020, inflation reversed course and rose to 21.5% in June 2020 and to 22.3% in July 2020.

- Both domestically produced goods as well as domestic services are showing high inflation—around 22 percent—while imported inflation is noticeably lower at around 8 percent.

- The few items showing price declines included sugar, education, and telecom services.

Figure 4A: Inflation Outturns by key analytical categories -- July 2020

	Weight in CPI index	Weights within	Inflation (M-o-M)	Inflation (Y-o-Y)
A. Domestically Produced and Domestically Consumed				**22.6%**
1 Bread and Cereals	*17.1%*	47%	2.6%	22.7%
2 Alcoholic beverages and tobacco	*4.9%*	13%	-3.6%	28.8%
3 Other food products	*5.6%*	15%	3.8%	38.2%
4 Meat	*4.2%*	12%	0.8%	15.4%
5 Milk, Cheese, Eggs	*3.1%*	9%	-0.5%	8.3%
6 Sugar, jam, honey and others	*1.4%*	4%	-0.6%	-7.9%
Sub-Total	*36.5%*	100%		
B. Domestically produced but also heavily exported				**33.3%**
7 Vegetables	*12.3%*	70%	6.3%	36.3%
8 Non- alcoholic beverage and coffee	*5.1%*	29%	2.6%	27.4%
9 Fruits	*0.2%*	1%	-0.6%	10.0%
Sub-Total	*17.6%*	*100.0%*		
C. Import-Heavy Commodities				**8.3%**
10 Clothing and footwear	*5.7%*	33%	-2.0%	7.3%
11 Furnishings, Household Equipment, and others	*4.7%*	27%	0.1%	5.4%
12 Oils and Fats	*4.3%*	25%	-0.6%	9.2%
13 Miscellaneous goods	*2.5%*	15%	1.2%	14.4%
Sub-Total	*17.2%*	*100.0%*		
D. Services				**22.8%**
14 Housing, water, electricity, gas, other fuels	*16.8%*	59%	1.2%	21.5%
15 Restaurants and Hotels	*5.3%*	18%	0.6%	13.9%
16 Transport	*2%*	9%	6.4%	69.6%
17 Health	*1%*	5%	8.7%	30.1%
18 Communication	*2%*	7%	-2.5%	-0.5%
19 Recreation and culture	*0%*	1%	2.1%	10.8%
20 Education	*0%*	1%	-7.3%	-3.3%
Sub-Total	*28.7%*	*100.0%*		
Overall inflation	**100%**	**…**	**2.0%**	**22.3%**

Source: CSA and Cepheus Research for categorizations; shaded figures are those items with highest weight in CPI index

Prices and Inflation… continued:

- The largest year-on-year price increases seen in July 2020 were for transport, vegetables, health services and beverages.

Figure 4B: Items showing highest overall inflation--July 2020

		Weight in CPI index	Inflation (Y-o-Y)	Inflation (M-o-M)
1	Transport	*2.5%*	*69.6%*	*6.4%*
2	Vegetables	*12.3%*	*36.3%*	*6.3%*
3	Health	*1.5%*	*30.1%*	*8.7%*
4	Alcoholic Beverages & Tobacco	*4.9%*	*28.8%*	*-3.6%*
5	Fish	*0.0%*	*28.8%*	*9.8%*
6	Non-alcoholic Beverages and co	*5.1%*	*27.4%*	*2.6%*
7	Bread and Cereals	*17.1%*	*22.7%*	*2.6%*
8	Housing, water, electricity, gas .	*16.8%*	*21.5%*	*1.2%*
9	Meat	*4.2%*	*15.4%*	*0.8%*
10	Restaurants & Hotels	*5.3%*	*13.9%*	*0.6%*
11	Recreation & culture	*0.4%*	*10.8%*	*2.1%*
12	Fruits	*0.2%*	*10.0%*	*-0.6%*

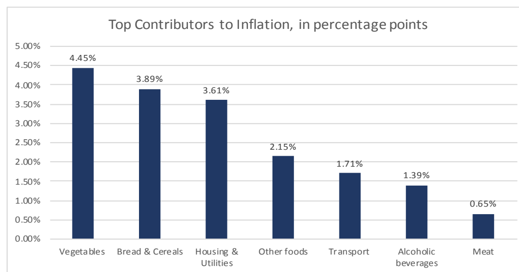
Ranking of items showing highest inflation rates:

Weighted average	*26.1%*	*2.5%*
Overall inflation	*22.3%*	*2.0%*

Source: CSA and Cepheus Research

- After accounting for the weights of specific products in the inflation index, the largest contributors to inflation were vegetables, bread and cereals, and housing and utilities, with these items contributing 4.4, 3.9 and 3.6 percentage points respectively (or more than half) of the observed 22 percent year-on-year inflation.

Figure 4C: Top contributors to inflation, July 2020



Source: CSA and Cepheus Research
Figures represent how much of the 22.3 percentage points year-on-year inflation is attributable to each item.

- A more detailed look at price level data for Addis Ababa shows inflation in urban areas being driven by significantly higher rents (up 30%), higher transport prices (up 100%), and higher food prices (especially for teff, edible oil, onions, and spices).

Figure 4D: Drivers of Addis Ababa Inflation *(ranked by highest y-o-y inflation rate)*

		Price in Birr July 2019	Price in Birr July 2020	Y-o-Y Change	Weights in CPI
1	Pepper (kg)	75.5	166.3	120%	2.0
2	Taxi fare (Trip)	1.5	3.0	100%	3.3
3	Onions (kg)	19.7	37.8	92%	1.6
4	Peas (kg)	30.3	48.6	61%	1.7
5	Teff mixed (kg)	28.9	39.4	36%	4.6
6	Edible oil, imported (liter)	25.5	34.1	34%	1.7
7	Teff white (kg)	31.7	41.9	32%	3.1
8	Apartment rent (24-32 sqms)	2,680.6	3,484.5	30%	10.0
9	Coffee beans (kg)	110.1	134.0	22%	1.4
10	Edible oil, local (liter)	81.0	97.7	21%	1.4
11	Mutton (Sheep alive)	1,968.0	2,330.6	18%	2.1
12	Charcoal (kg)	15.5	17.7	14%	2.7
13	Jeans trousers	486.5	552.7	14%	1.3
14	Beef (kg)	213.3	241.5	13%	4.8
15	Yebere Keywot', Beef stew	62.4	69.0	11%	1.1
16	Injera	6.8	7.4	9%	1.9
17	Fasting meal without fish	46.9	50.7	8%	1.8
18	Salary for servants, maid	1,253.6	1,341.7	7%	1.8
19	Toyota Corolla Used Imported	724,569	769,740	6%	1.1
20	Lentils (kg)	61.3	64.8	6%	1.9

Cumulative weight of above 20 items:	*…*	*49.09*
Inflaiton of above items (weighted):	*17.4%*	*…*
Addis Ababa overall inflation, July 2020:	*24.9%*	*…*
Share of above items in explaining AA inflation:	*69.7%*	*…*

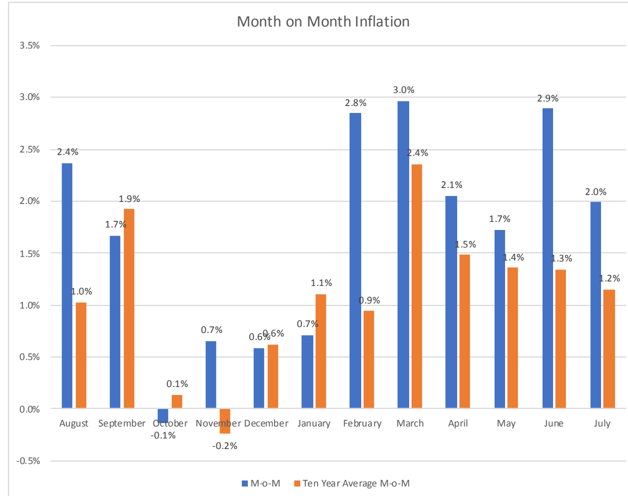
Source: CSA, Cepheus Research

Prices and Inflation… continued:

- While the last three months of the fiscal year does typically show large month-on-month inflation rates, outturns during the past six months have exceeded even the historical norms.

- The latest month-on-month inflation rates of 2 percent imply annualized inflation of more than 24 percent if price pressures continue at this pace.

Figure 5: Month on Month Inflation



Source: CSA

- Looking ahead, as we attribute the high m-o-m inflation of June/July 2020 to temporary factors (supply disruptions and disturbances in those months), we expect the month-on-month rates should moderate to around 1 percent each in August and September 2020, followed by negative m-o-m rates thereafter as crop harvests begin to reach food markets.

- On this basis, we expect inflation to be around 16 percent by end-2020 and in the low teens for the first half of 2021.

Figure 6: Inflation Projections to June 2021

	Price index	M-o-M inflation	Y-o-Y inflation
Actuals			
July 2019	146.3	1.3%	15.5%
August 2019	149.8	2.4%	17.9%
September 2019	152.3	1.7%	18.6%
October 2019	152.1	-0.1%	18.7%
November 2019	153.1	0.7%	20.8%
December 2019	154.0	0.6%	19.8%
January 2020	155.1	0.7%	18.7%
February 2020	159.5	2.8%	21.7%
March 2020	164.2	3.0%	22.6%
April 2020	167.6	2.1%	22.9%
May 20220	170.5	1.7%	19.8%
June 2020	175.4	2.9%	21.5%
July 2020	178.9	2.0%	22.3%
Projections			
August 2020	180.7	1.0%	20.7%
September 2020	182.5	1.0%	19.9%
October 2020	180.7	-1.0%	18.8%
November 2020	178.9	-1.0%	16.9%
December 2020	178.0	-0.5%	15.6%
January 2021	179.6	0.9%	15.8%
February 2021	180.8	0.6%	13.3%
March 2021	184.1	1.8%	12.1%
April 2021	186.8	1.5%	11.5%
May 2021	188.5	0.9%	10.5%
June 2021	191.1	1.4%	8.9%

Source: CSA and Cepheus Research; M-o-M inflation projections guided by recent trends and historical medians

MONETARY POLICY: Recent developments and outlook

Monetary growth:

- Reserve money grew by 23 percent as of June 2020, though it had been roughly flat for the first half of the fiscal year.
- Net foreign assets of the banking system shrunk during the year and contributed to the slower expansion in money supply.

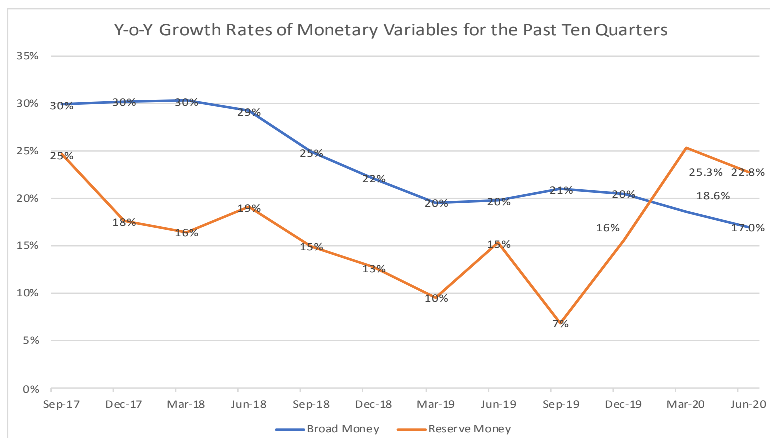
Figure 7A: Broad Money and Reserve Money (Birr bns)

	Jun-17	Jun-18	Jun-19	Dec-19	Jun-20	Y-o-Y % Change
Broad Money	**573.4**	**740.6**	**886.8**	**950.6**	**1,037.6**	**17.0%**
o/w Domestic credit	631.1	784.6	963.7	1,041.0	1,176.9	**22.1%**
o/w Net foreign assets	38.0	39.4	14.5	(14.6)	(4.7)	**-132.3%**
Reserve Money	**146.3**	**174.2**	**200.7**	**197.0**	**246.5**	**22.8%**
o/w Currency in circulation	94.2	112.9	121.8	128.1	140.5	**15.4%**
o/w Bank deposits at NBE	52.0	61.3	78.9	69.0	106.0	**34.3%**
Government Borrowing from NBE (net)	**116.6**	**140.2**	**172.2**	**173.3**	**195.7**	**13.7%**
o/w NBE credit to govt (gross)	135.6	160.1	194.7	204.2	230.2	**18.3%**
o/w Government deposits at NBE	19.0	19.9	22.5	30.9	34.5	**53.4%**

Source: NBE

- Broad money growth is continuing to moderate, moving from annual growth rates of near 30 percent two years ago and 20-25 percent last year, to 17 percent as of June 2020.
- By contrast, the deceleration seen in reserve money growth is now reversed and could bring further inflationary pressures if prolonged.

Figure 7B: Year-on-Year Growth Rates of Key Monetary Variables



Source: NBE. March 2020 data is the nine-month growth rate annualized to show the more recent growth slowdown

Domestic financing

- Total domestic financing—a measure that covers all lending sources and users—rose to an estimated Birr 1.4 trillion as of March 2020, up 20 percent from a year ago.

- The share of financing going to the private sector is up to an estimated 37 percent as of March 2020, up from 35% two years ago.

Figure 8A: Domestic Borrowing by Sector and Instrument

	June 2017	June 2018	Mar-19	June 2019	Mar 2020	% Total
Total Domestic Borrowing (Birr bns)	**831**	**1,026**	**1,181**	**1,256**	**1,414**	**100.0%**
By broad sector categories	**831**	**1,026**	**1,181**	**1,256**	**1,414**	**100.0%**
Public sector borrowers	568	696	775	819	890	62.9%
Private sector borrowers	264	329	406	436	524	37.1%
By borrower and instrument:	***831***	***1,026***	***1,181***	***1,256***	***1,414***	**100.0%**
Government	**278**	**341**	**370**	**388**	**361**	**25.5%**
o/w Bank loans	*43*	*54*	*63*	*54*	*55*	3.9%
o/w NBE loans (gross basis)	*128*	*152*	*175*	*187*	*214*	15.2%
o/w Bonds held by banks	*40*	*45*	*27*	*32*	*55*	3.9%
o/w Bonds held by NBE	*8*	*8*	*7*	*7*	*7*	0.5%
o/w Bonds held by non-banks	60	81	98	107	30	2.1%
State Enterprises	**290**	**356**	**405**	**432**	**528**	**37.4%**
o/w Bank loans	*92*	*110*	*118*	*125*	*142*	10.1%
o/w NBE loans	-	-	-	-	-	
o/w Bonds held by banks	*198*	*246*	*287*	*307*	*386*	27.3%
o/w Bonds held by NBE		-	-			
Private sector	**264**	**329**	**406**	**436**	**524**	**37.1%**
o/w Bank loans	*231*	*284*	*354*	*378*	*463*	32.8%
o/w MFI loans	*32*	*45*	*52*	*59*	*61*	4.3%
By instrument type:	***831***	***1,026***	***1,181***	***1,256***	***1,414***	**100.0%**
Loans	***526***	***646***	***762***	***803***	***936***	***66.2%***
o/w Bank loans	366	449	535	557	660	46.7%
o/w NBE loans	128	152	175	187	214	15.2%
o/w MFI loans	32	45	52	59	61	4.3%
Bonds	***306***	***380***	***419***	***453***	***478***	***33.8%***
o/w Bonds held by banks	238	291	314	339	442	**31.2%**
o/w Bonds held by NBE	8	8	7	7	7	0.5%
o/w Bonds held by non-banks	60	81	98	107	30	2.1%

Source: Cepheus Research categorization based on NBE Quarterly Bulletin data. "Government" line-item includes regional government borrowir

Bank loans by sectors:

- Industry, exports, construction, and domestic trade continue to be the four largest sectors receiving bank loans.

- Among large loan categories, growth rates were fastest for construction, exports, and industry.

Figure 8B: Distribution of Bank Loans by Sector*

Outstanding Bank loans by Sector (Birr bns	June 2017	June 2018	Mar 2019	June 2019	Mar 2020	Y-o-Y % Change	% Total
Central Government	42.6	54.4	63.0	54.2	55.1	-12.6%	8%
Agriculture	20.0	19.5	25.4	20.4	24.5	-3.7%	4%
Industry	130.0	154.9	172.0	188.7	216.0	25.6%	33%
Domestic Trade	41.8	44.9	61.2	65.4	81.9	33.9%	12%
International Trade	52.2	78.0	97.3	102.2	131.3	34.9%	20%
of which: Exports	30.0	47.8	63.3	66.1	88.03	39.1%	13%
of which: Imports	22.2	30.2	34.0	36.1	43.3	27.1%	7%
Hotels and Tourism	5.8	9.9	12.7	13.7	11.5	-9.6%	2%
Transport & Communication	14.4	13.8	12.9	12.4	11.9	-8.4%	2%
Housing & Construction	38.0	43.6	46.5	51.3	63.2	35.7%	10%
Mines, Power & Water Resources	0.2	0.2	1.5	1.6	1.4	-5.8%	0%
Others	16.4	23.0	9.3	5.9	15.0	61.1%	2%
Personal	4.3	6.7	33.4	40.8	48.8	46.2%	7%
TOTAL LOANS BY BANKS*	**365.6**	**449.0**	**535.4**	**556.6**	**660.5**	**23.4%**	**100%**

Source: NBE, Quarterly Bulletin
** Note this only covers loans provided by commercial banks, and thus excludes credit extended by banks in the form of bonds and also excludes credits given by NBE, MFIs, and non-banks.*
See Figure 8A for broader domestic financing sources, instruments and users.

Outstanding bond issuances:

- State enterprise bond issuance was minimal in the first half of the fiscal year but rose by Birr 48bn as of March 2020, an increase of 14 percent from June 2019.

Figure 9: Outstanding Bonds Issued as of December 2019

	Jun-17	Jun-18	Mar 2019	Jun-19	Mar 2020	Y-o-Y % Change	Nine-month % Change
Total Bonds Outstanding (Birr bn)	**237.8**	**291.4**	**314.0**	**338.6**	**386.3**	**23%**	**14.1%**
Public Enterprises	**198.2**	**245.5**	**286.8**	**306.8**	**361.2**	**26%**	**17.7%**
EEPCO	179.3	216.4	245.5	263.9	301.8	23%	14.4%
Railways Corporation	18.9	29.2	41.2	42.9	59.4	44%	38.4%
Regional Government	**39.6**	**45.9**	**27.3**	**31.8**	**25.1**	**-8%**	**-20.9%**
Addis Ababa City Govt	39	45.3	26.7	31.2	24.6	-8%	-21.1%
Other Regions	0.6	0.6	0.6	0.6	0.52	-10%	-8.6%

Source: NBE

BANKING: Recent developments and outlook

- Despite a slowdown in deposit growth to 16 percent, loans extended by all commercial banks rose by 29 percent during the year.

- CBE has seen a moderation in deposit growth (to near 10 percent), while private banks have collectively boosted their deposits by 25 percent and their loan books by 34 percent.

Figure 10: Banking Trends (Birr bns)

	Jun 2014	Jun 2015	Jun 2016	Jun 2017	Jun 2018	Jun 2019	Jun 2020	Y-o-Y % Change
Bank deposits	**292**	**367**	**437**	**568**	**729**	**899**	**1,043**	**16.0%**
CBE	200	248	290	366	453	541	595	10.0%
Private Banks	92	118	147	202	276	358	447	25.0%
Bank loans outstanding	**146**	**189**	**232**	**290**	**355**	**456**	**590**	**29.3%**
CBE	93	115	141	157	177	197	243	23.4%
Private Banks	53	75	91	133	179	259	347	33.8%
Other indicators--all banks								
Assets	364	460	575	745	914	1,165	1,379	18.4%
Paid-up capital	19	21	24	61	66	74	82	11.0%
Branches	1,991	2,500	3,145	3,888	4,442	5,164	5,965	15.5%

Source: Bank Annual Reports and Bank Survey Data

FISCAL POLICY: Recent developments

Revenue performance

- Revenue was up 18 percent for the year, despite a major COVID related shock in the last quarter of the year. Excluding COVID impacts, revenue was rising by 25 percent year-on-year in the first nine months of the year.

Figure 11A: Revenue Performance, Birr bns

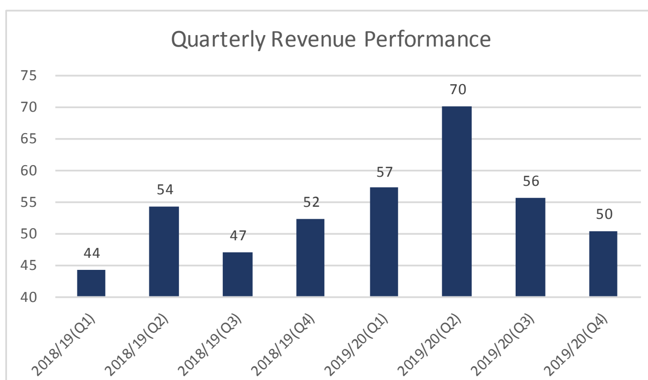
	FY 2018-19	FY 2019-20	% change
Taxes on domestic activity	**120.2**	**128.60**	**7.0%**
Direct tax	*77.2*	…	…
Indirect tax	*43.0*	…	…
Trade taxes	**77.8**	**104.92**	**34.8%**
Customs tarrif and tax	*74.9*	…	…
Non tax revenue	*3.0*	…	…
Lottery Sales	**0.2**	**0.15**	**-20.8%**
TAX REVENUE TOTAL:	**198.2**	**233.7**	**17.9%**

Source: Ministry of Revenue

- Revenue impacts from COVID were pronounced in the last quarter of the FY (April-June 2020), which showed a 4 percent drop in tax collections from year-ago levels.

- Revenue for the last quarter turned out to be just Birr 50bn, though pre-COVID trends suggested it would reach Birr 66bn. The Birr 16bn shortfall (roughly 0.5 percent of GDP) is an indication of the quarterly revenue impact of the COVID pandemic to date.

Figure 11B: Quarterly Revenue Performance (Birr bns)



Source: Ministry of Revenue

Budget performance:

- Full budgetary data (including expenditure and deficit levels) is only available to end-March 2020; this data shows the deficit on a nine-month basis was Birr 58bn (1.7 percent of GDP).

- We estimate the deficit will end the year at near Birr 95 bn or 2.8 percent of GDP, given COVID related impacts on revenue and spending.

Figure 12: Budget Performance, Birr bns

	FY 2018-19 Nine months	FY 2019-20 Nine months	Percent change
Total revenue and grants	**171.5**	**195.4**	**14%**
Total Revenue	157.5	194.1	23%
Grants	14.0	1.3	-91%
Total Expenditure	**224.3**	**254.7**	**14%**
Current Expenditure	53.0	76.04	43%
Capital Expenditure	66.2	71.83	9%
Regional Transfers	105.1	106.8	2%
Deficit, Birr bns	**-52.7**	**-59.3**	**12%**
Deficit, Percent of GDP	**-2.0%**	**-1.7%**	**…**
GDP (Birr bns)	**2,696**	**3,427**	**27%**

Source: NBE Quarterly Bulletin

Public debt, in USD terms:

- Outstanding public sector debt has risen by $1bn since the start of the fiscal year, and stands at $54.7bn as of March 2020; slightly more than half of public debt is now owed to external creditors.

Figure 13: Public Debt, USD bns

	Jun-17	Jun-18	Mar-19	Jun-19	Mar-20	% of Total
Total Public Debt	**$ 45.8**	**$ 49.5**	**$ 52.6**	**$ 53.7**	**$ 54.7**	**100.0%**
External debt	**$ 23.3**	**$ 25.9**	**$ 26.9**	**$ 27.0**	**$ 27.7**	**51.8%**
Central Government	$ 13.0	$ 14.7	$ 15.7	$ 16.0	$ 16.6	31.1%
State Owned Enterprises	$ 10.4	$ 11.2	$ 11.2	$ 11.1	$ 11.0	20.7%
Domestic Debt	**$ 22.4**	**$ 23.6**	**$ 25.6**	**$ 26.7**	**$ 27.1**	**48.2%**
Central Government	$ 10.3	$ 11.0	$ 12.1	$ 12.5	$ 12.4	23.0%
State Owned Enterprises	$ 12.1	$ 12.6	$ 13.6	$ 14.2	$ 14.7	25.2%

Source: MoFEC Public Debt Bulletin

Public debt, relative to GDP:

- Relative to GDP, public debt is down sharply from 59 percent two years ago to 50 percent as of March 2020 (given our estimated nominal GDP of Birr 3,427bn or $108.5bn for FY 2019-20).

Figure 14: Public Debt, % GDP

	June 2017	June 2018	March 2019	June 2019	March 2020
Total Public Debt	**56.1%**	**59.0%**	**54.8%**	**56.0%**	**50.4%**
External debt	**28.6%**	**30.9%**	**28.1%**	**28.2%**	**25.5%**
Central Government	15.9%	17.5%	16.4%	16.6%	15.3%
State Owned Enterprises	12.7%	13.4%	11.7%	11.6%	10.1%
Domestic Debt	**27.5%**	**28.1%**	**26.7%**	**27.8%**	**25.0%**
Central Government	12.7%	13.1%	12.6%	13.1%	11.4%
State Owned Enterprises	14.9%	15.0%	14.2%	14.8%	13.5%
Memo items:					
GDP, Birr bns	1,833	2,200	2,696	2,696	3,427
Exchange rate, year avg	22.5	26.2	28.1	28.1	31.6
GDP, USD bns	81.6	83.9	95.9	95.9	108.5

Source: MoFEC Public Debt Bulletin

External debt stocks:

- External debt has remained at around 25.5 percent of GDP since Dec 2019.

- Only 60 percent of external debt is owed by the Government, with the remainder owed by state enterprises.

Figure 15: External Debt (Public Sector), In USD bns

	June 2017	June 2018	Sept 2018	June 2019	Sept 2019	Dec 2019	Mar 2020	% of Total
Total External Debt of Public Sector, USD bns	**$ 23.3**	**$ 25.9**	**$ 26.1**	**$ 27.0**	**$ 26.8**	**$ 27.7**	**$ 27.7**	**100%**
Government	$ 13.0	$ 14.7	$ 14.8	$ 16.0	$ 15.9	$ 16.6	$ 16.6	60%
EAL & Ethio-telecom	$ 6.9	$ 7.6	$ 7.6	$ 7.3	$ 7.2	$ 7.2	$ 7.3	26%
Other State Enterprises	$ 3.4	$ 3.6	$ 3.7	$ 3.8	$ 3.7	$ 3.8	$ 3.7	14%
Total External Debt of Public Sector, % GDP	**28.6%**	**30.9%**	**27.2%**	**28.4%**	**24.7%**	**25.5%**	**25.5%**	**100.0%**
Government	15.9%	17.6%	15.5%	16.7%	14.7%	15.3%	15.3%	60.0%
EAL & Ethio-telecom	8.5%	9.1%	7.9%	7.6%	6.6%	6.7%	6.7%	26.1%
Other State Enterprises	4.2%	4.3%	3.8%	4.0%	3.4%	3.5%	3.4%	13.8%
GDP, USD bns	$ 81.6	$ 83.9	$ 95.9	$ 95.9	$ 108.5	$ 108.5	$ 108.5	…

Source: MoFEC Public Debt Bulletin

BALANCE OF PAYMENTS (BOP): Recent developments

- The trade deficit was $9.1bn for the first nine months of the year, a decline from same period last year.
- Services and remittance inflows of $5.1bn only partly offset the trade deficit, so the current account deficit outturn was $4bn during this period.
- Notable declines in current account receipts were seen for service exports (reflecting a slowdown in Ethiopian Airlines and tourist activities) and also for remittances, which were down 5 percent in the nine-month period.
- With a current account deficit of $4bn and total capital inflows of around $3bn, the resulting BOP deficit was near $1bn for the nine month period; this was roughly the decline seen in fx reserves between June 2019 ($3.4bn) and March 2020 ($2.5bn).

Figure 16: Balance of Payment--recent outturns, latest available data

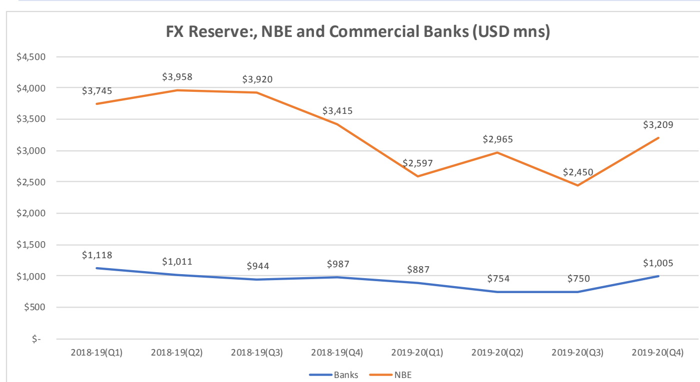
Balance of Payments in USD mns	FY 2018-19 Nine months	FY 2019-20 Nine months	Percent change
Exports	**1,900**	**2,091**	**10%**
Imports	**11,683**	**11,193**	**-4%**
Trade Balance	**(9,784)**	**(9,102)**	**-7%**
Services, net	**(301)**	**(304)**	**1%**
Non-factor services, net	**116**	292	**152%**
Exports of non-factor services	3,795	3,655	**-4%**
Imports of non-factor services	3,679	3,363	**-9%**
Income, net	(417)	(596)	**43%**
O/w Gross official int. payment	480	636	**32%**
Dividend			
Private transfers, net	**4,547**	**4,520**	**-1%**
Remittances	4,066	3,878	**-5%**
Current account balance excluding grants	**(5,538)**	**(4,886)**	**-12%**
Official transfers, net	1,675	857	**-49%**
Current account balance including grants	(3,864)	(4,029)	**4%**
Capital account	**3,953**	**2,836**	**-28%**
Official Long-term Capital, net	1,133	1,348	**19%**
Disbursements	1,267	1,531	**21%**
Amortization	134	183	**36%**
Other public long-term capital	71	(564)	**-892%**
Private sector, long term	219	146	**-33%**
Foreign Direct Investment, net	2,450	1,920	**-22%**
Short term Capital	81	(13)	**-116%**
Errors and omissions	**(473)**	**(190)**	**-60%**
Overall balance	**(383)**	**(1,383)**	**261%**
Financing	**383**	**1,383**	**261%**
Reserves [Increase(-), Decrease (+)]	383	1,383	**261%**
Central Bank (NFA)	332	1,056	**218%**
Asset	(1,073)	964	**-190%**
Liabilities	1,404	92	**-93%**
Commercial Banks (NFA)	51	326	**535%**

Source: NBE Quarterly Bulletin

FX reserves:

- Fx reserves data (available to June 2020) show central bank reserves rising to $3.2bn in the last quarter of the FY, or just a $200mn drop from year-ago levels.
- After declining in the first half of the fiscal year, gross commercial bank fx reserves improved significantly in the last two quarters and ended the year are near $1bn, roughly similar to year-ago levels.

Figure 17: FX Reserve:, NBE and Commercial Banks (USD mns)



Source: NBE

TRADE PERFORMANCE: Recent developments

Export performance:

- Ethiopia's five top exports were all agricultural products (coffee, flowers, oilseeds, chat, and pulses), with the first four of these each bringing in at least a quarter billion dollars last year.

- At sixth place, gold exports rose to near $200mn for the year, a six-fold increase from the prior year thanks to more market-based pricing policies put in place by the central bank.

- The three main manufactured exports—textiles, leather products, and meat—showed mixed results, with positive growth registered for textiles but declines seen in the other two categories

Figure 18A: Export Performance FY 2019-20

Ranked by USD levels this year

	FY 2018-19	FY 2019-20	Percent Change
Total Exports	**2,664.7**	**2,987.7**	**12.1%**
Coffee	764	856	12%
Flower	257	422	65%
Oil Seeds	388	345	-11%
Chat	304	324	7%
Pulses	272	235	-14%
Gold	28	197	604%
Textile & Textile Products	153	169	10%
Leather and Leather Products	117	72	-39%
Meat & Meat Products	89	67	-24%
Elecricity	54	66	23%
Fruits & Vegetables	61	59	-3%
Live Animals	46	54	18%
Others	62	50	-19%
Electronics	31	38	24%
Spices	14	14	2%
Chemicals & Construction Inputs	16	8	-51%
Natural Gum	5	5	1%
Cereals and flour	3	4	25%
Bees Wax	2	2	-13%

Source: MOTI, ERCA

- Eight export products showed growth of at least 10 percent during the year.

- Besides the exceptional performance of gold, notable growth rates were seen for flowers (up 65 percent), electronic exports (mainly assembled phones and up 24 percent), and electricity exports (up 23 percent).

- Oilseeds and pulses (both down 11-14 percent) are both large-value export products that continue to hold back overall export performance. A recovery in these two items could raise Ethiopia's export growth to well above 20 percent.

Figure 18B: Export Performance--Ranked by Growth Rate

Ranked by growth rate:

	FY 2018-19	FY 2019-20	Percent change
Total Exports, USD mns	**2,665**	**2,988**	**12.1%**
Gold	27.9	196.5	604%
Flowers	256.6	422.3	65%
Cereals and flour	2.9	3.6	25%
Electronics	30.6	37.9	24%
Elecricity	53.9	66.4	23%
Live Animals	45.8	54.1	18%
Coffee	764.1	855.9	12%
Textile & Textile Products	152.9	168.9	10%
Chat	303.6	324.4	7%
Spices	13.6	13.9	2%
Natural Gum	5.1	5.2	1%
Fruits & Vegetables	60.9	58.8	-3%
Oil Seeds	387.8	345.0	-11%
Bees Wax	2.4	2.1	-13%
Pulses	272.3	234.8	-14%
Others	62.1	50.5	-19%
Meat & Meat Products	88.6	67.4	-24%
Leather and Leather Products	117.4	72.0	-39%
Chemicals & Construction Inputs	16.1	7.9	-51%

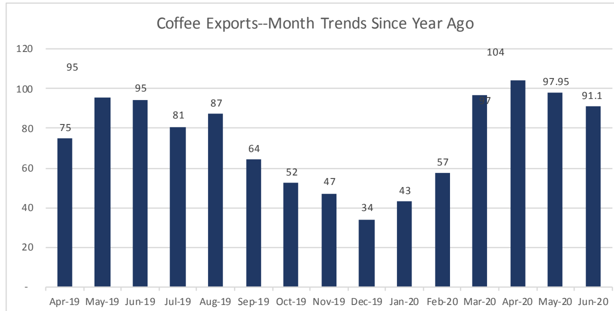
Source: MOTI, ERCA

Trade performance… continued:

- For the 2019-20 fiscal year, the 12 percent growth in coffee exports reflected 17 percent growth in volumes offset by 4 percent declines in year-average prices.

- Boosted by rising prices since March 2020, monthly coffee exports have been averaging $90-$100mn in recent months.

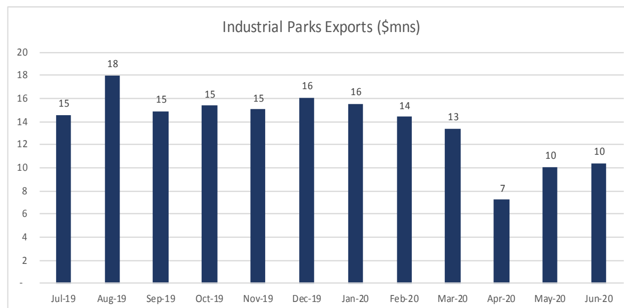
Figure 18C: Coffee Exports--Monthly Trends Since Year Ago ($mns)



Source: MOTI

- Monthly industrial park exports halved (from $14mn to $7mn) between February and April 2020, as the global impact of the COVID pandemic sharply reduced foreign demand. However, a tentative recovery appears to be taking hold, with exports now reaching $10mn per month.

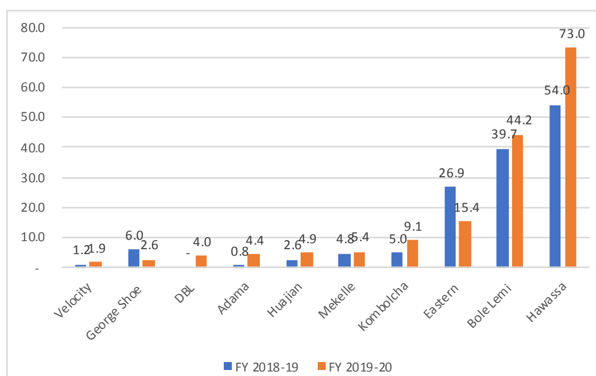
Figure 18D: Industrial Parks Exports: Quarterly Trends since 2018



Source: EIC

- Among industrial parks, Hawassa (with $73mn annual exports), Bole Lemi ($44mn), and Eastern Industrial Park ($15mn) continue to be the largest exporters, accounting for 80 percent of total industrial park exports. The Kombolcha, Mekelle, Huajian, and Adama industrial parks each exported between $4mn and $9mn for the year.

Figure 18E: Industrial Parks Exports: Fiscal Year Performance ($mns)



Source: EIC

Trade performance… continued:

Import performance:

- Imports were down 8 percent overall, though this was driven by drops in aircraft imports (down 92 percent) and in fuel imports (down 20 percent). Imports excluding these two categories rose slightly by 1 percent.

- Consumer goods imports fell by 6 percent reflecting in part the sharp depreciation over the course of the year. Within consumer goods, notable drops were seen for car imports, non-cereal food imports, and other discretionary consumer imports.

Figure 19A: Import Performance

	FY 2018-19	FY 2019-20	% Change
Total Imports	**15,112**	**13,881**	**-8.1%**
Raw Materials	**152**	**162**	**7%**
Semi-finished Goods	**2,779**	**3,111**	**12%**
Chemicals	388	540	39%
Fertilizers	500	598	20%
Textile Materials	81	111	37%
Others	1,810	1,862	3%
Fuel	**2,601**	**2,088**	**-20%**
Petroleum Products*	2,493	2,004	-20%
Others	107	84	-21%
Capital Goods	**5,031**	**4,122**	**-18%**
Transport	1,429	398	-72%
Aircraft	870	66	-92%
Agricultural	59	88	51%
Industrial	3,543	3,636	3%
Consumer Goods	**4,273**	**4,011**	**-6%**
Durables	1,201	921	-23%
o/w Car and Other Vehicles	357	116	-67%
Non-durables	3,072	3,090	1%
Cereals	599	843	41%
Other Food	559	540	-3%
Medical & Pharmaceuticals	751	680	-9%
Textile Fabrics	396	395	0%
Others	768	633	-18%
Miscellaneous	277	388	40%
Non-fuel, non-aircraft imports	**11,641.02**	**11,727.29**	**1%**

Source: MOTI, ERCA

- While capital goods imports fell overall (by 18 percent), particular categories such as industrial capital goods and agricultural capital goods showed positive growth.

Figure 19B: Capital Goods Imports by sub-components

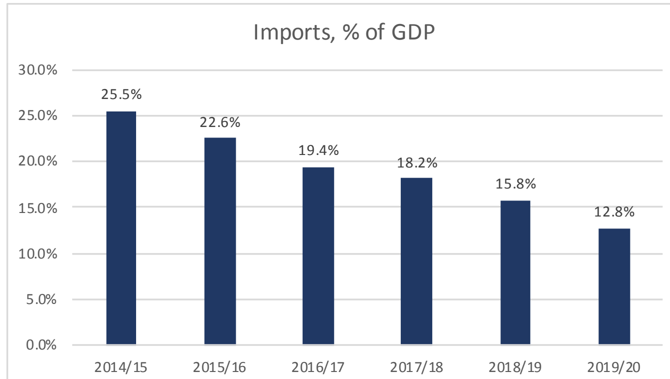
	FY 2018-19	FY 2019-20	Percent change
Capital Goods Imports	**5,031**	**4,122**	**-18.1%**
Of which:			
Transport capital goods	1,429	398	-72%
Aircraft imports	870	66	-92%
Non-aircraft transport imports	559	332	-41%
Industrial capital goods	3,543	3,636	3%
Agricultural capital goods	59	88	51%
Capital Goods excl transport	3,601	3,724	3%

Source: MOTI, ERCA

Trade performance… continued:

- Imports are at their lowest share of GDP in over a decade and have halved from 25 percent of GDP to 12.8 percent of GDP over the past five years.

Figure 19C: Imports, % of GDP

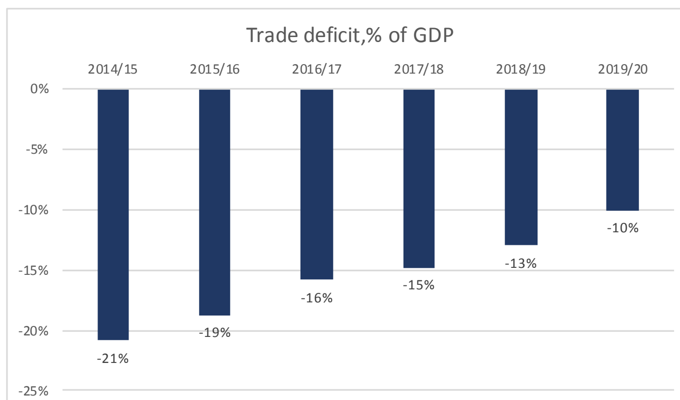


Source: ERCA, Cepheus Research

- The trade deficit has improved considerably thanks to the decline imports as a share of GDP. The trade deficit is now only 10 percent of GDP, compared to a 20 percent of GDP five years ago and 15 percent just two years ago.

- The import compression and associated fall in the trade deficit is facilitating Ethiopia's external adjustment—reducing the current account deficit and associated external vulnerabilities.

Figure 19D:Trade deficit, % of GDP



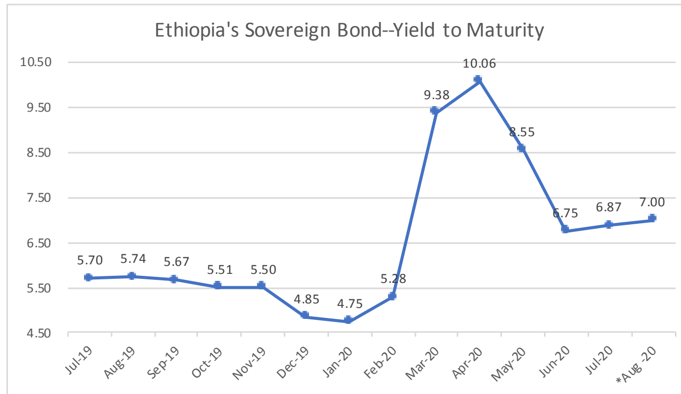
Source: MOTI, NBE, Cepheus Research

ETHIOPIA'S SOVEREIGN BOND: Recent developments and outlook

Sovereign Bond Yields:

- Ethiopia's sole internationally traded sovereign bond has shown a drop in yields to 7 percent as of August 2020, after having risen to a record high of 10 percent in April 2020. This drop parallels yield declines seen in most other emerging markets.

Figure 20: Ethiopia's Sovereign Bond--Yield to Maturity

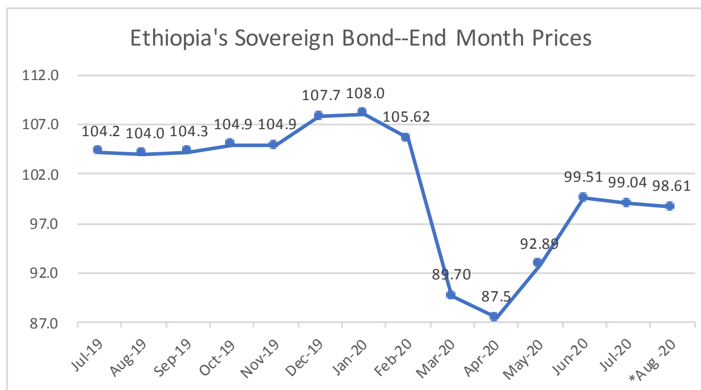


*Source: FactSet, * Data till Aug 7, 2020*

Sovereign Bond Prices:

- Prices on the bond have fallen to below 100, having risen well above par to as high as 108 in early 2020.

Figure 21: Ethiopia's Sovereign Bond--End Month Prices

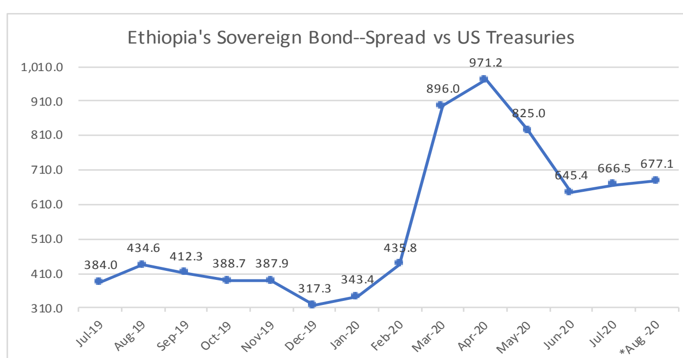


*Source: FactSet, * Data till Aug 7, 2020*

Spread vs US Treasuries:

- The bond's spread vs US 10-year Treasuries has now also fallen to 677 basis points, down from a peak of 971 basis points in April 2020

Figure 22: Ethiopia's Sovereign Bond--Spread vs US Treasuries

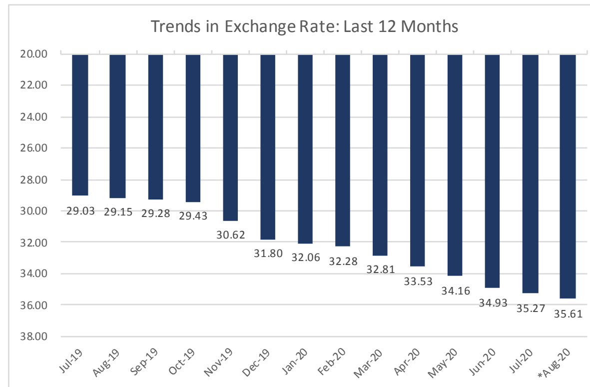


*Source: FactSet, * Data till Aug 7, 2020*

EXCHANGE RATE: Recent developments and outlook

- The exchange rate has been moving at an average pace of 50 cents per month since the start of 2020, versus monthly depreciations of just 12 cents per month in the middle of 2019.

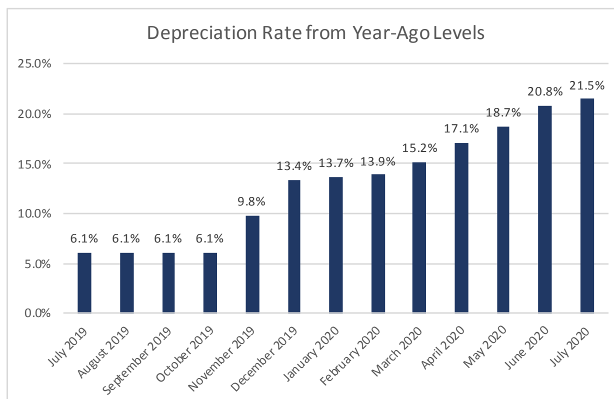
Figure 23A: Trends in Exchange Rate: Last 12 Months



*Source: CBE website, * Rate as of Aug 14, 2020*

- The Birr showed only a 6 percent annual depreciation rate in July 2019, but this has risen steadily during the course of the fiscal year and the currency is now moving at an annualized depreciation rate of near 22 percent.

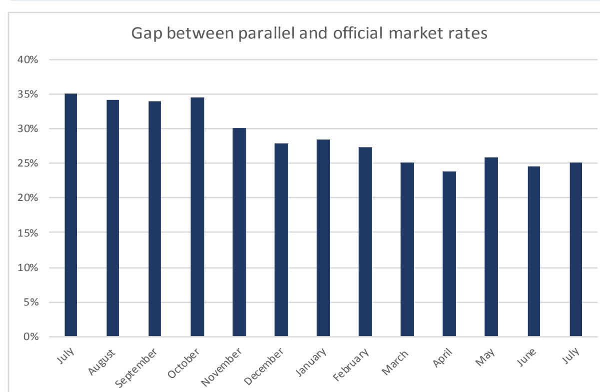
Figure 23B: Birr Depreciation Rate from year-ago levels (%)



Source: CBE, Cepheus Research

- After declining in late 2019, and despite the 20 percent depreciation in the official rate since then, the gap between the official and parallel market exchange rates has stabilized at around 25 percent in the last few months.

Figure 24A: Gap between parallel and official market



Source: Cepheus Research

Exchange rate trends:

- The Birr's depreciation over the past year is significant even when seen in a cross-country context.

- Among Africa's 10 largest economies, the Birr has shown the second highest rate of depreciation on a year-on-year basis.

- However, as Ethiopia's inflation rate is much higher than that in virtually all of the comparator countries shown, the Birr's real effective change rate has not depreciated by as much as the nominal depreciation figures shown here.

Figure 24B: Exchange Rate Levels and Recent Depreciation Rates

Local currency vs USD	31-Jul-19	31-Dec-19	31-Jul-20	YTD % Deprec	Y-o-Y % Deprec
Ten Largest African economies (ranked by y-o-y depreciation rate)					
1 Angola	349.63	482.23	549.92	14%	57%
2 Ethiopia	29.03	31.80	35.26	11%	21%
3 South Africa	14.24	14.06	16.97	21%	19%
4 Nigeria	361.95	361.50	388.18	7%	7%
5 Ghana	5.39	5.71	5.77	1%	7%
6 Algeria	119.58	119.22	127.27	7%	6%
7 Kenya	103.05	100.95	107.70	7%	5%
8 Tanzania	2,291.00	2,297.00	2,326.00	1%	2%
9 Morocco	9.62	9.60	9.32	-3%	-3%
10 Egypt	16.58	16.03	15.99	0%	-4%
Selected Emerging Markets (ranked by y-o-y depreciation rate)					
11 Brazil	3.76	4.03	5.20	29%	38%
12 Turkey	5.56	5.95	6.98	17%	26%
13 India	68.86	71.34	74.77	5%	9%
14 Indonesia	14,019.1	13,925.8	14,552.7	5%	4%
15 China	6.88	6.99	6.99	0%	1%
16 Bangladesh	84.41	84.82	84.11	-1%	0%
17 Vietnam	23,182.6	23,150.8	22,989.6	-1%	-1%
Other Currencies/Countries					
18 Euro (USD per Euro)	1.12	1.12	1.18	-6%	-6%
19 UK (USD per Pound)	1.22	1.31	1.31	0%	-8%
20 Japan (Yen per USD)	108.6	109.1	104.6	-4%	-4%
			African & Emerging Markets average:	5%	10%
			All 20 Currencies average:	4%	7%

Source: IMF, African Markets, exchange-rates.org, and Cepheus Research compilation
Positive percent changes are depreciation of the relevant currency, negative figures are appreciation.

- Seen against other currencies besides the USD, the Birr shows even higher depreciation rates of near 30 percent against both the Euro and Pound. Given that the Birr is priced relative to the dollar, this reflects the dollar's depreciation versus the Euro/Pound, which further magnifies the Birr's depreciation rate relative to those two major currencies.

- All else equal, exports to those trading partners are even becoming even more competitive while imports from those markets are becoming less attractive/affordable.

Figure 24C: Birr Exchange Rate Depreciations Among Major Currencies

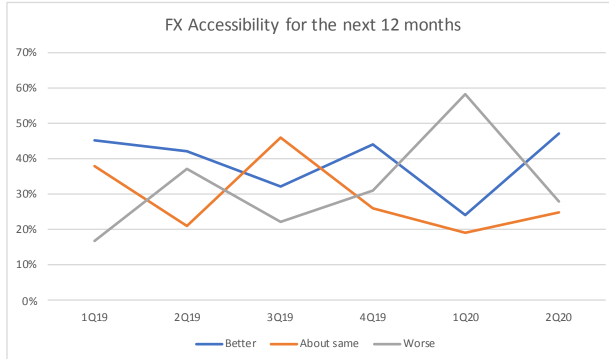
	Jul 31 2019	Jul 31 2020	Y-o-Y % Chg	% Trade (Exports)	% Trade (Imports)
Birr vs US Dollar	29.03	35.27	21%	69%	9%
Birr vs EURO	32.35	41.38	28%	24%	21%
Birr vs POUND	33.74	43.67	29%	2%	2%
Birr vs YUAN	3.82	4.56	19%	5%	26%

Source: NBE, Cepheus Research

Exchange rate outlook:

- Regarding the exchange rate outlook, recent survey data on business expectations suggest that close to 50 percent of respondents believe there will be improved fx accessibility at banks over the next 12 months, a much higher share than the 24 percent of respondents who expected an improvement just a quarter ago.

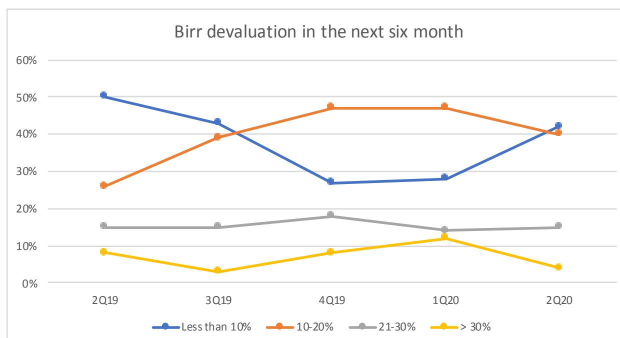
Fig 25A: FX Accessibility for the next 12 months



Source: Ethiopian Treasurers' Survey

- In addition, expectations of further Birr depreciation have moderated in the most recent quarter, with only 20 percent expecting an adjustment of more than 20 percent while around 80 percent expect the depreciation to be only up to 20 percent over the next six months.

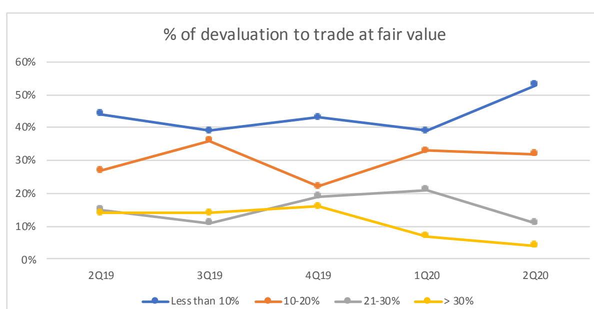
Fig 25B: Birr devaluation in the next six month



Source: Ethiopian Treasurers' Survey

- With respect to views on the Birr's "fair value", the majority of respondents (53 percent) now believe that a depreciation of up to 10 percent is sufficient to take the Birr to its fair value, while another 32 percent view an added 10-20 percent adjustment is warranted to reach fair value.

Fig 25C: % of devaluation to trade at fair value



Source: Ethiopian Treasurers' Survey

Exchange rate outlook… continued:

- We anticipate that the near 20 percent year-on-year depreciation rates seen in recent months will stay in place as long as inflation remains in that elevated range.
- We thus see a monthly pace of depreciation of near 50 cents per month for the rest of the fiscal year, though perhaps moderating somewhat in early 2021 should inflation fall faster than expected.
- On this basis, we see the rate at just under 38 Birr/USD by December 2020 and just under 41 Birr/USD by June 2021.

Figure 26: Exchange Rate: Forecasts to June 2021

Actuals: End Month	Buying Rate: Birr/USD	Monthly Change: In Birr	Depreciation from year ago
July 2019	29.03	0.12	6.1%
August 2019	29.15	0.12	6.1%
September 2019	29.28	0.12	6.1%
October 2019	29.43	0.16	6.1%
November 2019	30.62	1.19	9.8%
December 2019	31.80	1.19	13.4%
January 2020	32.06	0.26	13.7%
February 2020	32.28	0.21	13.9%
March 2020	32.81	0.54	15.2%
April 2020	33.53	0.72	17.1%
May 2020	34.16	0.63	18.7%
June 2020	34.93	0.76	20.8%
July 2020	35.27	0.34	21.5%
Projections: End Month			
August 2020	35.77	0.50	22.7%
September 2020	36.27	0.50	23.9%
October 2020	36.77	0.50	24.9%
November 2020	37.27	0.50	21.7%
December 2020	37.77	0.50	18.8%
January 2021	38.27	0.50	19.4%
February 2021	38.77	0.50	20.1%
March 2021	39.27	0.50	19.7%
April 2021	39.77	0.50	18.6%
May 2021	40.27	0.50	17.9%
June 2021	40.77	0.50	16.7%

Source: CBE website for historical data and Cepheus Research for projections

ETHIOPIA--Key Macro Indicators: 2012 to 2022

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	*Actual*	*Actual*	*Actual*	*Actual*	*Actual*	*Actual*	*Actual*	*Estimate*	*Projection*	*Projection*
Real Sector: GDP, Prices, and Investment											
Real GDP growth	8.7%	9.9%	10.3%	10.4%	8.0%	10.2%	7.7%	9.0%	6.0%	5.5%	7.5%
Agriculture growth	*4.9%*	*7.1%*	*5.4%*	*6.4%*	*2.3%*	*6.7%*	*3.5%*	*3.8%*	*4.3%*	*4.5%*	*4.5%*
Industry growth	*19.7%*	*24.0%*	*17.1%*	*19.9%*	*20.5%*	*20.3%*	*12.2%*	*12.6%*	*11.0%*	*9.0%*	*12.0%*
Services growth	*9.6%*	*9.0%*	*13.0%*	*11.1%*	*8.6%*	*7.2%*	*8.8%*	*11.0%*	*4.0%*	*4.0%*	*7.0%*
Inflation: CPI (end-of-period)	20.7%	7.4%	8.5%	10.4%	7.5%	8.8%	14.7%	15.3%	21.6%	8.9%	8.0%
Inflation: CPI (period average)	34.1%	13.5%	8.1%	7.7%	9.7%	7.2%	13.1%	12.6%	19.9%	15.3%	8.0%
Nominal GDP growth	45.1%	16.0%	22.4%	22.4%	20.8%	16.9%	20.0%	22.5%	27.1%	21.6%	16.1%
Nominal GDP level (Birr billions)	747.3	866.9	1,060.8	1,298.0	1,568.1	1,832.8	2,200.1	2,696.2	3,426.6	4,166.7	4,839.0
Nominal GDP level (USD billions)	$ 43.2	$ 47.6	$ 55.5	$ 64.5	$ 74.1	$ 81.6	$ 83.9	$ 95.9	$ 108.5	$ 109.6	$ 111.6
GDP per capita (USD)	$ 516.4	$ 554.0	$ 631.1	$ 715.8	$ 803.9	$ 864.6	$ 869.3	$ 971.8	$ 1,075.8	$ 1,064.5	$ 1,061.3
Exchange rate (Birr/USD, end-of-period)	17.73	18.64	19.58	20.57	21.80	23.11	27.26	28.91	34.93	40.76	45.56
Exchange rate (Birr/USD, year-average)	17.28	18.23	19.11	20.13	21.16	22.47	26.23	28.12	31.59	38.01	43.36
Exchange rate annual depreciation (year-average)	7.3%	5.5%	4.8%	5.3%	5.1%	6.2%	16.7%	7.2%	12.3%	20.3%	14.1%
Investment-to-GDP ratio	34.6%	32.6%	38.0%	39.3%	37.3%	38.4%	34.7%	35.2%	34.0%	34.0%	35.0%
By investor category:											
Public sector investment-to-GDP ratio	26.1%	24.3%	17.0%	17.6%	16.8%	14.4%	12.8%	11.0%	10.0%	11.0%	11.0%
Private sector investment-to-GDP ratio	8.5%	8.3%	21.0%	21.7%	20.5%	24.0%	21.9%	24.2%	24.0%	23.0%	24.0%
By source of financing:											
Domestic Savings-to-GDP ratio	16.5%	15.9%	20.5%	21.8%	22.4%	22.4%	24.1%	24.0%	23.5%	23.5%	24.0%
External Savings-to-GDP ratio	18.1%	16.7%	17.5%	17.5%	14.9%	16.0%	10.6%	11.2%	10.5%	10.5%	11.0%
Banking Sector	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Deposits at all commercial banks (Br bn)	189.3	237.8	292.9	366.5	436.7	567.7	729.1	899	1,043	1,210	1,452
Loans by all commercial banks (Br bn)	85.4	116.5	145.6	189.3	232.1	289.8	355.4	456	590	725	907
NBE Bills held by all comm banks (Br bn)	11.0	19.1	25.1	37.4	49.9	54.6	70.1	89	67	50	37
Treasury Bills held by all comm banks (Br bn)	…	…	…	…	…	…	…	…	12	37	62
Bonds held by all commercial banks (Br bn)	64.5	82.8	111.8	152.7	188.7	237.8	291.4	339	400	432	467
Total bank financing: Loans/Bills/Bonds (Br bn)	160.9	218.4	282.5	379.4	470.7	582.2	716.9	883	1,069	1,245	1,473
Deposit-to-GDP ratio (%)	25.3%	27.4%	27.6%	28.2%	27.8%	31.0%	33.1%	33.3%	30.4%	29.0%	30.0%
Total bank financing-to-Deposit ratio (%)	85.0%	91.8%	96.5%	103.5%	107.8%	102.5%	98.3%	98.3%	102.4%	102.9%	101.5%
Total commercial bank financing-to-GDP ratio (%)	21.5%	25.2%	26.6%	29.2%	30.0%	31.8%	32.6%	32.8%	30.8%	29.0%	29.2%
Annual growth in bank deposits (%)	32.1%	25.6%	23.2%	25.1%	19.2%	30.0%	28.4%	23.3%	16.0%	16.0%	20.0%
Annual growth in total bank financing (%)	49.0%	35.7%	29.4%	34.3%	24.1%	23.7%	23.1%	23.2%	20.9%	16.5%	18.4%

Data Sources: NBE, MOFEC, CSA, and IMF for FY 2018-19; Cepheus Capital Research for estimates and for projection years.

ETHIOPIA--Key Macro Indicators: 2012 to 2022

Fiscal Sector	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Revenue and grants (Birr bns)	115.7	137.2	158.1	199.6	243.7	269.1	287.6	344.9	265.0	350.0	400.2
Expenditure (Birr bns)	124.4	153.9	185.5	230.5	272.9	329.3	354.2	413.1	360.0	476.0	535.5
Fiscal balance after grants (Birr bns)	-8.7	-16.7	-27.4	-30.9	-29.3	-60.2	-66.6	-68.2	-95.0	-126.0	-135.3
Revenue and grants (% GDP)	15.5%	15.8%	14.9%	15.4%	15.5%	14.7%	13.1%	12.8%	7.7%	8.4%	8.3%
Expenditure (% GDP)	16.6%	17.8%	17.5%	17.8%	17.4%	18.0%	16.1%	15.3%	10.5%	11.4%	11.1%
Fiscal balance after grants (% GDP)	-1.2%	-1.9%	-2.6%	-2.4%	-1.9%	-3.3%	-3.0%	-2.5%	-2.8%	-3.0%	-2.8%
Public Sector Debt (% GDP)	30.6%	41.9%	45.7%	52.9%	52.4%	55.2%	59.0%	56.1%	54.3%	57.2%	60.1%
External Debt (% GDP)	20.6%	23.6%	25.2%	29.6%	29.0%	28.7%	30.9%	28.2%	26.2%	27.6%	28.9%
Domestic Debt (% GDP)	10.1%	18.3%	20.5%	23.3%	23.4%	26.5%	28.1%	27.9%	28.1%	29.7%	31.3%

External Sector: Balance of Payments	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Exports of goods (USD mn)	3,153	3,116	3,300	3,019	2,868	2,908	2,840	2,667	2,988	3,406	3,951
Exports of services (USD mns)	2,811	2,853	3,174	3,028	3,196	3,331	4,220	4,949	4,702	4,937	5,430
Imports of goods (USD mn)	(11,018)	(11,461)	(13,712)	(16,458)	(16,725)	(15,803)	(15,253)	(15,112)	(13,881)	(14,853)	(16,635)
Imports of services (USD mns)	(2,639)	(2,281)	(2,461)	(3,107)	(3,442)	(3,393)	(3,983)	(4,910)	(5,013)	(5,414)	(5,955)
Remittances (USD mn)	2,401	2,489	2,968	3,797	4,420	4,428	5,121	5,693	5,124	5,380	5,810
Private transfers (USD mn)	845	1,086	1,071	1,085	2,008	1,058	953	683	615	645	697
Foreign official grants (USD mn)	1,788	1,530	1,461	1,508	1,391	1,428	1,226	2,087	1,800	1,800	1,700
Current account balance (USD mn)	(2,755)	(2,781)	(4,352)	(7,401)	(6,657)	(6,528)	(5,253)	(4,534)	(4,356)	(4,899)	(5,922)
Current account balance (% GDP)	-6.4%	-5.8%	-7.8%	-11.5%	-9.0%	-8.0%	-6.3%	-4.7%	-4.0%	-4.5%	-5.3%
Foreign direct investment (USD mn)	1,072	1,232	1,467	2,202	3,269	4,171	3,723	3,015	2,500	4,000	5,000
Net foreign borrowing: Govt (USDmn)	938	1,270	2,309	3,352	1,628	1,402	1,632	1,158	1,200	1,500	1,600
Net foreign borrowing: Public Sector (USDmn)	231	882	332	2,347	1,052	626	937	1,326	200	300	400
Overall External Balance (USD mn)	(1,067)	(7)	(97)	(521)	(831)	659	(201)	58	(206)	1,201	1,378
Stock of Foreign Reserves, (USD mn)	2,262	2,368	2,496	3,249	3,402	3,197	2,843	3,415	3,209	4,410	5,788
Stock of Foreign Reserves, months imports	2.5	2.5	2.2	2.4	2.4	2.4	2.2	2.7	2.8	3.6	4.2
External Debt Stock (Public Sector, USD bn)	8.9	11.2	14.0	19.1	21.5	23.4	25.9	27.0	28.4	30.2	32.2
External Debt Stock (Public Sector, % GDP)	20.6%	23.6%	25.2%	29.6%	29.0%	28.7%	30.9%	28.2%	26.2%	27.6%	28.9%
Growth of Goods Exports	14.8%	-1.2%	5.9%	-8.5%	-5.0%	1.4%	-2.3%	-6.1%	12.0%	14.0%	16.0%
Growth of Goods Imports	33.5%	4.0%	19.6%	20.0%	1.6%	-5.5%	-3.5%	-0.9%	-8.1%	7.0%	12.0%

Data Sources: NBE, MOFEC, CSA, and IMF for FY 2018-19; Cepheus Capital Research for estimates and for projection years.

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Economic and Business News
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