

Quarterly Macroeconomic Review: April—June 2019

The second quarter of 2019 showed a mixed set of developments on the macroeconomic front, with adverse outturns seen in some areas (inflation, exports, continued fx challenges) alongside fairly positive developments with respect to year-end tax collections, private sector credit growth, progress on privatization, and improved debt sustainability indicators. The growth rate for the fiscal year ending in June 2019 (likely to come out in late 2019) should show a broadly positive economic momentum, in our view, as we expect a near 8 percent outturn largely on the strength of services and construction sector activity.

CEPHEUS
RESEARCH & ANALYTICS

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research@cepheuscapital.com

- **GDP growth:** GDP growth for the just-ended fiscal year will be 8.1 percent, by our estimation, in light of sector growth rates that are likely to show 3 percent expansion in agriculture (per the statistical authority's final *meher* harvest figures), around 10 percent growth in services (judging from our review of banking, remittance, and tax collection data) and 12 percent growth in industry (reflecting our estimate for construction sector growth this past year). For perspective, the Ministry of Finance has recently estimated that growth was 9 percent in FY 2018-19 while the IMF estimated growth at 7.7 percent in their April 2019 WEO macro updates. A review of various indicators of economic activity (which are not based on official GDP statistics) suggests to us still-strong activity levels in the private sector, especially looking at figures for fuel consumption (up 15%), vehicle imports (up 14%), direct income tax collections (up 33% in real terms), and bank deposit and lending levels (up 8% to 13% in real terms).
- **Investment:** We expect national accounts data will show that investment for the fiscal year was in the range of 30-32 percent of GDP, somewhat below last year's outturn of 34 percent of GDP. While state enterprise use of bank financing is up 14 percent from year-ago levels (indicative of on-going capex activities), other measures of investment activity suggest investment levels are either unchanged from last year or modestly lower: government capital expenditure remained flat at around Birr 66bn in the first nine months vs same-period a year ago; imports of capital goods are down 5 percent for the year; and trends in foreign investment show a slower pace of inflows vs last year. With respect to the latter, a moderate drop from last year's \$3.8bn of FDI inflows is likely (given the nine-month FDI inflow figure was only \$2.4bn per NBE data) and we expect the full-year outturn will be between \$3.0bn to \$3.5bn for FY 2018-19.
- **Inflation:** Inflation remained stubbornly high in the second quarter of 2019, reaching 15.5 percent at end-June 2019, up from around 10 percent at end-2018. Month-on-month inflation peaked at 4.3 percent in May 2019, the highest in

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eight years. These developments reflect large price hikes in a few food-related items, particularly vegetables, meat, fruits, and milk/egg products (all of which showed over 20 percent increases over year-ago levels). *Non-food* and *services* inflation outturns were notably lower, at 10.2 and 9.2 percent respectively, suggesting that sector-specific shocks in the agricultural value-chain were among the more important contributory factors. (In a separate note, we take a deeper look into the recent spike in inflation, particularly its return to the mid-teen levels, and explore the impact of various contributory factors—including supply-side shocks, monetary variables, and market/logistics related factors.)

- **Monetary policy:** Broad money supply rose by 19.6 percent (year-on-year), which is a much more restrained growth rate from the 29 percent annual growth registered in both June 2017 and June 2018. Growth in central bank money supply (base money) fell below 10 percent for the first time in ten years, and marks a sharp deceleration from growth rates of 23 percent and 19 percent seen at the end of the last two fiscal years. While the decelerating growth of both money supply measures is positive in helping contain inflationary pressures, the still-high inflation outturn suggests that an even further slowdown in monetary growth might have helped (and was perhaps necessary) to prevent inflation rates from rising to the mid-teens in recent months.
- **Banking developments:** As has been the norm for many years now, Ethiopia's banks posted strong growth rates in the just completed year with respect to deposits (up 23 percent) and lending (up 28 percent). Other banking indicators showed 27 percent growth in assets, 12 percent growth in capital, and 15 percent growth in branches (to 5,164 nation-wide branches as of June 2019 from 4,442 a year ago). The pace of expansion has continued to be faster at private banks than at CBE, reflecting in part the latter's already large starting base. Preliminary profit figures being reported by some of the largest banks suggest banking industry profits will hit a record high and should be very much in line with the projection (of near Birr 30bn) contained in our Banking Sector Review of May 2019.
- **Fiscal policy:** Revenue collections reached a record high of Birr 198bn in FY 2018-19, up 12 percent from the previous year (though only around 68% of the government's ambitious plans). Domestic tax collections grew by a strong 16 percent for the year, while import-related tax rose by 7 percent despite near zero growth in imports. Revenue collections still remain low relative to GDP (~10%), but a number of administrative reforms and initiatives undertaken by the Revenue Authority are contributing to significant improvement in tax collections, and this trend is likely to continue in the years ahead.
- **Debt:** Total public debt reached \$52.6 bn end-March 2019, up by \$1bn for the quarter, but showing a reduction when expressed relative to GDP from 59 percent at end-June 2018 to 55.6 percent at end-March 2019. Looking only at external debt, this now stands at 28.5 percent of GDP, down from 30.8 percent of GDP in June 2018.

- **Trade:** Exports fell by 6 percent and reached only \$2.6bn for the fiscal year, or the lowest value in nine years. The two largest export categories, coffee and oil seeds, both showed declines of about 8 percent, which could not offset positive outturns seen for khat (up 15 percent), flowers (up 12 percent), and textile and garment exports (up 47 percent). Coffee continues to be particularly affected by large drops in the international price, which fell to a multi-year low of near \$2 per kg, from around \$4 per kg five years ago.
- **Balance of payments (BOP):** BOP data for the first nine-months of the fiscal year show only a slight deterioration in the trade deficit, helped by the fact that—despite an 8 percent export decline—imports were essentially flat over the same period. Strong fx inflows were seen from service exports (\$3.8bn in nine months and up 23 percent) as well as from remittances (\$4.5bn in nine months and up 21 percent). At the same time, fx inflows in grants and loans over the nine months to March 2019 were somewhat lower than the same period last year, but this likely reflects the timing of (lumpy) official sector inflows and full-year figures are likely to show increases for both line-items. With respect to fx reserves, NBE data for end-March 2019 show a level of \$3,920mn (see Quarterly Bulletin Appendix Table 1a), roughly unchanged from its end-December 2018 level but a marked improvement from end-June 2018 figure of \$2,854mn. For the overall balance of payments position, calculated based on the change in the banking system’s holdings of net foreign assets, the nine month period reveals a \$482mn deficit, but this figure is likely to improve in the last quarter (due to end fiscal year official sector inflows) and we would expect only a modest BOP deficit in the range of \$200 to \$300 million for the full 2018-19 fiscal year, broadly similar to last year’s \$200mn deficit outturn.¹
- **Exchange rate:** The exchange rate moved from 27.26 at end-June 2018 to 28.91 at end-June 2019, a 6 percent depreciation rate for the fiscal year and largely in line with our projected depreciation rate for the year. The depreciation effected over the year has not fully covered the 15 percent period-average inflation registered during this period, suggesting some loss in competitiveness on a real effective exchange rate basis (given very low inflation in most partner countries).
- **Sovereign bond:** The decline in Ethiopia’s sovereign bond yield continued during the quarter, and it now stands at 5.71 percent, one of the lowest levels seen in many years and down from 7.56 percent at end-December 2018. Given similar yield declines in most EM markets, this yield improvement has largely reflected broader sentiment towards emerging markets and not necessarily Ethiopia-specific developments.
- **Macro-structural reforms:** A range of macro-oriented structural reforms have been launched or implemented in the second quarter. Most notably, tax

¹ Gross fx reserve levels capture the central bank’s fx holdings without accounting for any of its liabilities. The Net Foreign Asset (NFA) position of the banking system, which is used to derive the overall balance of payments position, reflects fx reserves less liabilities and covers the central bank plus all commercial banks; the NFA position reflects the financial system’s net FX holdings at any point in time. Figures for these variables are available on a quarterly basis in the NBE Quarterly Bulletin Annex, specifically Table 1a (NBE Assets), Table 1b (NBE Liabilities) and Table 6 (International Reserves and Net Foreign Assets of NBE and Commercial Banks).

administration reforms have been intensified (resulting in the improved revenue figures) and the privatization program has been advanced (with the passage of telecom regulatory reform, the launch of asset valuation work, the confirmation of plans to issue two new telecom licenses, and the start of bidding processes for the state-owned sugar plants). In other areas, initiatives have focused on improving the ease of doing business; liberalizing foreign exchange rules for oil and gas companies; and liberalizing foreign ownership restrictions in selected sectors.

Outlook for FY 2019-20

The economic outlook for the new fiscal year will be shaped in part by a ‘home-grown economic reform program’ that was approved by the Cabinet in June 2019 and further elaborated by policy-makers in early August 2019.² This program has articulated five priority economic policy challenges (jobs, fx, debt, inflation, and credit) and laid out three key areas of reform covering macroeconomic, structural, and sector-specific policies. While the full details of the program are yet to be released, its broad diagnosis and prescriptions suggest that it could—with full implementation—help address both urgent near-term macro issues (inflation, fx shortages) as well as longer-term ones (maintaining broad-based growth, boosting employment, and improving debt sustainability). Looking more specifically at the year ahead, and working on the assumption of no major political disturbances, we see a broadly favourable macroeconomic outlook for FY 2019-20, characterized by still-high GDP growth, inflation in the low teens, strong credit growth (especially to the private sector), and gradually improving fx conditions on the back of continued FDI inflows, rising remittance/official inflows, and the prospect for a major telecom related fx inflow being booked by June 2020.

- **GDP growth:** We expect GDP growth to be around 8.5 percent in FY 2019-20, slightly higher than last year, reflecting somewhat better agriculture sector prospects (given above-average rainfall being recorded this rainy season) and a stronger expansion forecast for industry (based on an improvement in power supplies beginning July 2019 and fuller execution anticipated on public and private construction projects).
- **Inflation:** Given where the consumer price index currently stands vs year ago levels, we are now of the view that inflation is unlikely to return to single digits any time soon. We expect month-on-month inflation rates will remain in the 0.7 to 1.0 percent range for a couple more months (in line with their historical norms at this time of year) and expect to see much lower and/or negative month-on-month inflation figures only after the October-November crop harvests. Accordingly, we see year-on-year inflation staying within the range of 13-15 percent up to December 2019, and declining from its mid-teen levels in early 2020 when favourable base effects (i.e. the high index level in early 2019) will help produce lower year-on-year inflation figures. We forecast inflation will fall to 10.5 percent by the end of the fiscal year (end-June 2020).
- **Fiscal policy and debt:** The new budget approved by Parliament on July 8, 2019 shows planned government expenditure of Birr 387bn, of which 75 percent is to be covered by revenue and grants (Birr 253bn in revenue and Birr 36.8 in grants) while the remaining 25 percent (equal to Birr 97.1bn or 3 percent of GDP) represents planned new borrowing for the year. As summarized in our review of the new budget, the fiscal stance adopted by the government is—in our view—safe, sound, and sensible, given its expenditure restraint to address prevailing

² The ‘home-grown economic policy program’ was passed at a Council of Ministers meeting in June 2019 and further articulated by the PM’s policy advisors at a public forum held at the Prime Minister’s office on August 12, 2019.

macro concerns (inflation, exchange rate); its continued allocation for high-priority public investment outlays (roads, education, energy); its focus on new initiatives (irrigation) that promise to boost critical productive sectors; its due allowances for supporting the on-going political transition (elections, justice/security funding); and finally its responsible borrowing limits (held to just 3 percent of GDP and unlikely to worsen existing debt-to-GDP ratios).³

- **Monetary and banking:** Banking trends will largely follow last year's outturns, in our view, and we thus expect to see deposit and lending growth of near 23 percent for this year. This should bring aggregate banking deposits to Birr 1.1 trillion by June 2020 (equal to 33 percent of GDP) while the ratio of total bank financing to deposits (after accounting for reserve requirements and NBE Bills) should remain a very high 98 percent, revealing the near-full deployment of mobilized deposits. We expect the central bank will retain its current stance of tight reserve money growth (only 9.6 percent as of March 2019) alongside near 20 percent broad money growth, though it is possible that it may do more to limit *broad money* growth should inflation fail to show a notable decline by early 2020.
- **Balance of payments:** The outlook for the balance of payments in FY 2019-20 is marked by significant uncertainties in several areas—particularly with respect to exports (will there be a turnaround after several years of declines?) and the timing of privatization inflows (will any of the initial sales be booked by June 2020?). We make our judgements for these key items and expect the bottom-line to show a sizeable surplus for the fiscal year. On exports, we do not yet see a major turnaround given global trade conditions, low commodity prices, and still-persistent near-term challenges in specific sectors (coffee, oilseeds, gold). We thus forecast only modest growth for the year (3 percent), with this being driven by products such as chat, textiles/garments, leather products, and flowers that showed strength in recent quarters. For imports, after two years of nearly flat imports (at ~\$15bn per year), we anticipate growth of around 8 percent this year, given a fuller execution of government projects and stronger FDI inflows (which are typically quite import-intensive). We expect continued increases in services exports (10 percent growth), reflecting tourism and airline activity, and see remittances rising from near \$6bn last year to \$6.6 bn this year (8 percent growth). We also anticipate moderate increases in grant inflows (to \$1.4bn) and in new concessional borrowing (to \$2.0bn), both reflecting the closer re-engagement with donors and external financiers. For FDI, we project inflows of around \$4.5bn on the basis of \$3.5bn in regular inflows and \$1.0bn in assumed privatization and/or telecom license sale related fx inflows that are received by June 2020. Taken all together, we expect a surplus of just above \$1bn on the balance of payments this year, which will raise gross official fx reserves from their estimated level of \$3.6bn at end-June 2019 to \$4.75bn by end-June 2020.
- **Exchange rate:** With respect to the expected movement in the exchange rate, the government's budget document has specified a planned depreciation of 6 percent for the fiscal year. On this basis, the Birr should reach a rate of 30.63

³ See Cepheus Research note on "Ethiopia's 2019-20 Budget" (July 10, 2019) for further background.

Birr/USD by end-June 2020, from its rate of 28.91 Birr/USD at end-June 2019. However, we note that a 6 percent depreciation will continue to imply a loss in external competitiveness given that year-on-year inflation is forecast to be in the range of 10-11 percent by the end of this fiscal year (and considering very low inflation in most partner countries). In principle, therefore, if high priority is to be given to preventing a loss in external competitiveness, the central bank may be motivated to engineer a depreciation on the order of 10-11 percent for the fiscal year. While this is a possible outcome, especially if exports continue to perform poorly, we think the more probable outturn—given the clear public statement made in the budget document—is for a 6 percent depreciation and thus take that as our base case projection for this fiscal year.

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

ECONOMIC ACTIVITY: Recent Developments and Outlook

Crop output expected to increase this year but by less than anticipated:

- Final CSA estimates point to 3.1% growth in crop output in 2018-19.
- Output grew strongly for most cereal crops, but was dragged down by declines in oilseeds.
- With output up 3.1% and harvested area up only 0.4%, this implies yields are up by about 2.7%.

Figure 1: Agricultural Production and Growth

Agricultural Production (Mns of tons)					
	2015-16	2016-17	2017-18	Prev Proj 2018-19	Rev Proj 2018-19
Major Crops	26.7	29.0	30.6	32.6	31.6
Cereals	23.1	25.4	26.8	28.6	27.8
<i>of which:</i>					
Maize	7.2	7.9	8.4	...	9.5
Teff	4.5	5.0	5.3	...	5.4
Sorghum	4.3	4.8	5.2	...	5.0
Wheat	4.2	4.5	4.6	...	4.8
Pulses	2.8	2.8	3.0	3.2	3.0
Oilseeds	0.8	0.8	0.9	0.9	0.8

Growth Rates--PRODUCTION					
	2015-16	2016-17	2017-18	Prev Proj 2018-19	Rev Proj 2018-19
Major Crops	-1.3%	8.8%	5.4%	6.5%	3.1%
Cereals	-2.0%	9.8%	5.5%	6.7%	3.7%
Pulses	3.6%	1.6%	5.8%	7.0%	1.1%
Oilseeds	3.2%	6.9%	1.9%	0.0%	-8.2%

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

Growth projections:

- With lower growth for agriculture (which makes up 36% of GDP), we reduce our initial growth projection by around 1 percentage point to 8.1 percent.
- We keep roughly unchanged expected growth in industry, currently dominated by the construction sector.

Figure 2: Growth Projection by Sector: FY 2018-19

	2016-17	2017-18	Prev Proj 2018-19	Rev Proj 2018-19
Overall GDP	10.1	7.7	9.0	8.1
Agriculture	6.7	3.5	6.5	3.1
<i>Of which: Major crops</i>	<i>8.2</i>	<i>4.7</i>	<i>6.5</i>	<i>3.1</i>
Industry	20.3	12.2	12.0	12.0
<i>Of which: Construction</i>	<i>20.7</i>	<i>15.7</i>	<i>14.0</i>	<i>14.0</i>
<i>Of which: Large Manufacturing</i>	<i>19.2</i>	<i>6.0</i>	<i>8.0</i>	<i>8.0</i>
Services	7.2	8.8	8.8	9.5

Source: MOFEC and NBE for historical data, Cepheus projection for FY 2018-19

Activity indicators:

- Strong growth is being seen in fuel usage, vehicle imports, domestic tax collections, and deposit/loan levels.

Figure 3A: Activity Indicators for FY 2018-19

	FY 2017-18: Nine months	FY 2018-19: Nine months	Nominal growth	Real growth
Fuel consumption (Tons)	915,435	1,050,653	...	15%
Electricity power generation (Kwh mns)	3,498	3,632	...	4%
	FY 2017-18: Full year	FY 2018-19: Full year	Nominal growth	Real growth
Tax collections	176.1	198.1	12.5%	-0.1%
<i>o/w Direct tax collections</i>	52.8	77.2	46.2%	33.7%
<i>o/w Trade tax collections</i>	72.7	77.9	7.1%	-5.5%
Deposit levels	729.1	899.11	23.3%	8.0%
Loan levels	355.4	456.1	28.3%	13.0%
Vehicles imported	935,888	1,071,345	...	14.5%
Ethio Telecom(Total Subscribers in mns)	37.9	43.6	...	15.1%
Foreign tourists (nine months)	467k	500k	...	7.1%

Source: NBE, Ministry of Transport, Ministry of Revenue, Banks survey data. For calculating real growth, year-average inflation used for flow variables (taxes) and year-end inflation used for stock variables (deposits, loans)

Investment trends:

- Available indicators of investment activity suggest unchanged levels vs last year and moderate declines in some areas.

Figure 3B: Investment Indicators

	2017/18 nine months	2018/19 nine months	% Change
SOE bond borrowing (Birr bns)	275.6	314.0	14%
Govt Capital Expenditure (Birr bns)	66.1	66.2	0%
Capital Goods Imports (USD bns) *	5.3	5.0	-5%
Foreign Direct Investment (USD bns)	3.0	2.4	-20%

Source: NBE quarterly bulletin, MOTI,ERCA

* Capital imports data are for twelve months

PRICES AND INFLATION: Recent Developments and Outlook

Inflation outturns:

- Inflation was 15.3 percent in June 2019, and has been in the mid-teens for the past three months.
- Several items with large CPI weights showed double-digit inflation: Vegetables (36%), and Bread & Cereals (18.6%)
- Inflation of domestically produced items has been much higher than inflation for *imports* or for *services*.

Figure 4A: Inflation Outturns by key analytical categories -- June 2019

	Weight in CPI index	Weights within	Inflation (M-o-M)	Inflation (Y-o-Y)
A. Domestically Produced and Domestically Consumed				17.3%
1 Bread and Cereals	17.1%	47%	3.8%	18.6%
2 Alcoholic beverages and tobacco	4.9%	13%	-2.0%	13%
3 Other food products	5.6%	15%	0.3%	9%
4 Meat	4.2%	12%	1.0%	25%
5 Milk, Cheese, Eggs	3.1%	9%	2.2%	22%
6 Sugar, jam, honey and others	1.4%	4%	0.7%	16%
Sub-Total	36.5%	100%		
B. Domestically produced but also heavily exported				25.1%
7 Vegetables	12.3%	70%	-0.1%	36%
8 Non- alcoholic beverage and coffee	5.1%	29%	1.9%	-2%
9 Fruits	0.2%	1%	0.8%	22%
Sub-Total	17.6%	100.0%		
C. Import-Heavy Commodities				11.7%
10 Clothing and footwear	5.7%	33%	-0.8%	7%
11 Furnishings, Household Equipment, and others	4.7%	27%	3.2%	17%
12 Oils and Fats	4.3%	25%	0.9%	11%
13 Miscellaneous goods	2.5%	15%	0.1%	13%
Sub-Total	17.2%	100.0%		
D. Services				9.2%
14 Housing, water, electricity, gas, other fuels	17%	59%	0.8%	6%
15 Restaurants and Hotels	5.3%	18%	8.7%	18%
16 Transport	2%	9%	0.1%	17%
17 Health	1%	5%	-2.6%	11%
18 Communication	2%	7%	0.3%	0%
19 Recreation and culture	0%	1%	-1.6%	4%
20 Education	0%	1%	0.8%	18.9%
Sub-Total	28.7%	100.0%		
Overall inflation	100%		1.5%	15.3%

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

- Five major food categories—vegetables, meat, fruits, milk, eggs—showed inflation of over 20 percent.
- Three non-food items showed double-digit inflation: education, transport, and furnishings.

Figure 4B: Items showing highest overall inflation--JUNE 2019

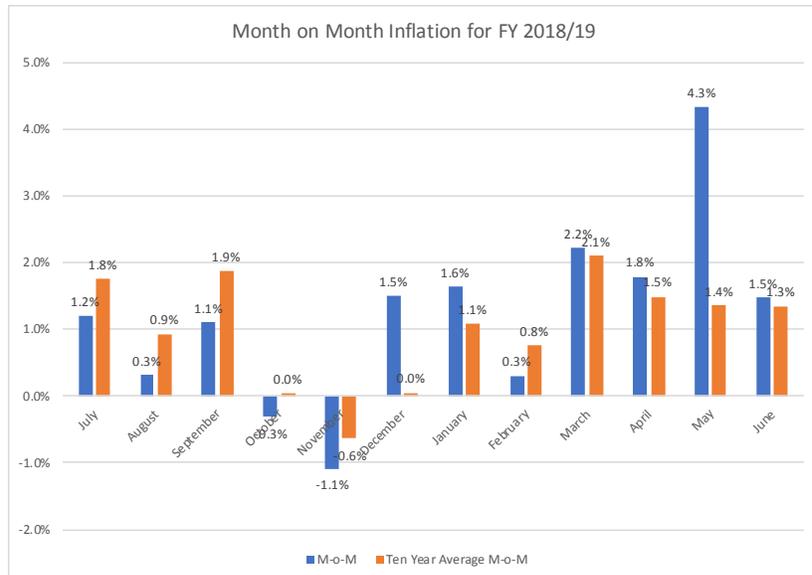
	Weight in CPI index	Inflation (M-o-M)	Inflation (Y-o-Y)
Ranking of items showing highest inflation rates:			
1 Vegetables	12.3%	-0.1%	36.3%
2 Meat	4.2%	1.0%	24.5%
3 Fruits	0.2%	0.8%	21.8%
4 Milk, Cheese, Eggs	3.1%	2.2%	21.6%
5 Education	0.2%	0.8%	18.9%
6 Bread and Cereals	17.1%	3.8%	18.6%
7 Restaurants & Hotels	5.3%	8.7%	18.0%
8 Transport	2.5%	0.1%	17.1%
9 Furnishing	4.7%	3.2%	16.5%
10 Sugar, jam, honey and others	1.4%	0.7%	15.8%
11 Health	1.5%	-2.6%	11.4%
12 Oils & Fats	4.3%	0.9%	11.2%
13 Clothing	5.7%	-0.8%	7.3%
Weighted average		2.1%	20.6%
Overall inflation		1.5%	15.3%

Source: CSA and Cepheus Research (13 items are those with at least 5% weight in the CPI index)

Month on month inflation:

- The last four months of the fiscal year normally show high rates of month-on-month inflation (linked to reduced supplies of remaining food stocks)
- Month-on-month inflation was largely in line with historical norms for the past six months, except for an unusually large spike in May 2019.

Figure 5: Month on Month Inflation for FY 2018/19



Source: CSA

Inflation projections:

- High month-on-month inflation has continued (at 1.3%) even with the start of the new fiscal year (July 2019).
- We forecast at least two more months of high m-o-m inflation (of between 0.7% to 1.0%) until the start of the crop harvest season.
- Given where the price index already stands, we project mid-teens inflation to continue to end-December 2019.

Figure 6: Inflation Projections to end-2019

	Price index	M-o-M inflation	Y-o-Y inflation
Actuals			
April 2019	136.4	1.8%	12.9%
May 2019	142.3	4.3%	16.3%
June 2019	144.4	1.5%	15.3%
July 2019	146.3	1.3%	15.5%
Projections			
August 2019	147.4	0.7%	15.9%
September 2019	148.8	1.0%	15.8%
October 2019	147.9	-0.6%	15.5%
November 2019	146.9	-0.7%	15.9%
December 2019	147.4	0.3%	14.6%
January 2020	148.9	1.0%	13.9%
February 2020	149.6	0.4%	14.1%
March 2020	152.9	2.2%	14.1%
April 2020	155.2	1.5%	13.8%
May 2020	157.3	1.3%	10.5%
June 2020	159.6	1.5%	10.5%

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

MONETARY POLICY: Recent developments and outlook

Monetary growth:

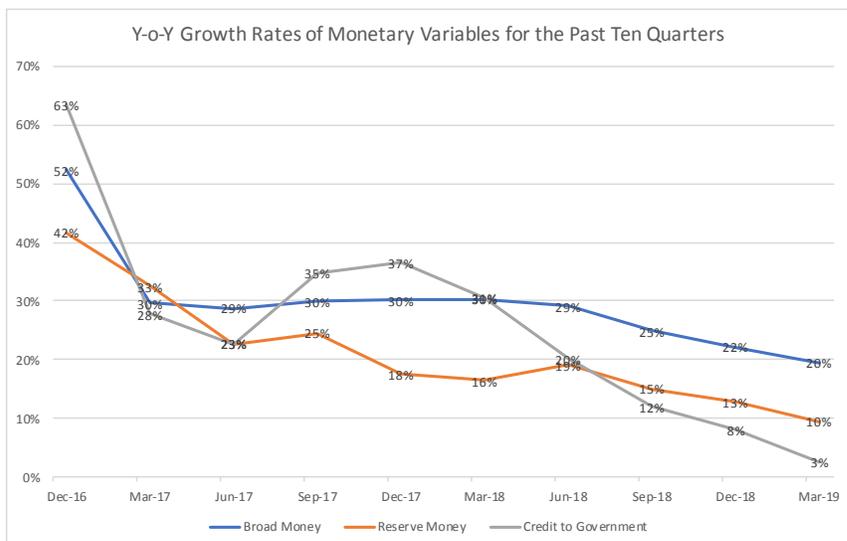
- Money supply is up 19 percent (year-on-year), similar to growth in nominal GDP.
- Reserve money growth has fallen sharply to just 9.6 percent.
- The most inflationary form of financing-- government borrowing from the central bank-- has also shown a sharp growth slowdown.
- All three key monetary aggregates—broad money, reserve money, and net credit to government—have shown sharp growth slowdowns over the past ten quarters.

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

	Mar-17	Mar-18	Mar-19	% Change
Broad Money	534.2	695.9	832.0	19.6%
o/w Domestic credit	567.7	727.6	888.6	22.1%
o/w Net foreign assets	25.5	36.0	27.4	-23.8%
Reserve Money	139.4	162.3	177.8	9.6%
o/w Currency in circulation	92.2	112.4	125.3	11.4%
o/w Bank deposits at NBE	47.2	49.8	52.5	5.3%
Government Borrowing from NBE (net)	108.1	141.3	145.0	2.7%
o/w NBE credit to govt (gross)	129.6	160.1	182.7	14.1%
o/w Government deposits at NBE	21.5	18.9	37.7	99.5%

Source: NBE Quarterly Bulletin

Figure 7B: Y-o-Y growth Rates of Monetary Variables



Source: NBE Quarterly Reports

Domestic financing:

- Total domestic financing has reached Birr 1.18 trillion, or 47 percent of this year's estimated GDP.
- The public sector continues to absorb two-thirds of domestic borrowing, split roughly evenly between government and state enterprises
- Loans remain the dominant credit instrument, though bonds now make up 36% of total domestic credit

Figure 8A: Domestic Borrowing by Sector and Instrument

	Jun-18	Dec-18	Mar-19	% Total
Total Domestic Borrowing (Birr bns)	1,026	1,130	1,181	100.0%
By broad sector categories	1,026	1,130	1,181	100.0%
Public sector borrowers	696	747	775	65.6%
Private sector borrowers	329	383	406	34.4%
By borrower and instrument:	1,026	1,130	1,181	100.0%
Government	341	377	370	31.4%
o/w Bank loans	54	54	63	
o/w NBE loans (gross basis)	152	171	175	
o/w Bonds held by banks	45	48	27	
o/w Bonds held by NBE	8	7	7	
o/w Bonds held by non-banks	81	96	98	
State Enterprises	356	370	405	34.3%
o/w Bank loans	110	114	118	
o/w NBE loans	-	-	-	
o/w Bonds held by banks	246	256	287	
o/w Bonds held by NBE	-	-	-	
Private sector	329	383	406	34.4%
o/w Bank loans	284	334	354	
o/w MFI loans	45	49	52	
By instrument type:	1,026	1,130	1,181	100.0%
Loans	646	722	762	64.5%
o/w Bank loans	449	502	535	45.3%
o/w NBE loans	152	171	175	14.8%
o/w MFI loans	45	49	52	4.4%
Bonds	380	407	419	35.5%
o/w Bonds held by banks	291	304	314	26.6%
o/w Bonds held by NBE	8	7	7	0.6%
o/w Bonds held by non-banks	81	96	98	8.3%

Source: Cepheus categorization based on NBE Quarterly Bulletin
The "Government" line-item includes regional government borrowing.

Bank loans by sectors:

- By sector, the largest users of bank loans are industry (32% of total), exporters (12%) and traders (11%)
- Loan allocations for agriculture and hotels/tourism remains minimal levels (at or below 5%).

Figure 8B: Distribution of Bank Loans by Sector*

Outstanding Bank loans by Sector (Birr bn)	Mar-17	Mar-18	Mar-19	% Change	% Total
Central Government	16.1	37.8	63.0	67%	12%
Agriculture	20.7	20.0	25.4	27%	5%
Industry	125.7	140.9	172.0	22%	32%
Domestic Trade	40.7	46.4	61.2	32%	11%
International Trade	51.1	69.2	97.3	41%	18%
of which: Exports	29.8	43.6	63.3	45%	12%
of which: Imports	21.4	25.6	34.0	33%	6%
Hotels and Tourism	5.9	7.4	12.7	71%	2%
Transport & Communication	14.3	14.7	12.9	-12%	2%
Housing & Construction	37.1	42.1	46.5	11%	9%
Mines, Power & Water Resources	0.2	0.3	1.5	463%	0%
Others	14.6	24.4	9.3	-62%	2%
Personal	3.9	5.4	33.4	520%	6%
TOTAL LOANS BY BANKS*	330.3	408.5	535.4	31%	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:

- The growth in bond issues by state enterprises and regional governments has slowed to 14 percent, from 28 percent last year
- EEPCO remains the largest bond issuer, with 78 percent of outstanding domestic corporate bonds

Figure 9: Outstanding Bonds Issued as of March 2019

	Mar-17	Mar-18	Mar-19	% Change
Total Bonds Outstanding (Birr bns)	215.2	275.6	314.0	14.0%
Public Enterprises	182.8	233.7	286.8	22.7%
EEPCO	163.9	209.0	245.5	17.5%
Railways Corporation	18.9	24.7	41.2	66.6%
Regional Government	32.4	41.8	27.3	-34.8%
Addis Ababa City Govt	32	41.2	26.7	-35.2%
Other Regions	0.6	0.6	0.6	-3.1%

Source: NBE, Quarterly Bulletin

BANKING: Recent developments

Deposit and lending trends:

- Deposit growth continues to be strong (up 23% year-on-year)
- Loan growth at private banks has been particularly strong at 45% year-on-year, much larger than the growth seen at CBE

Figure 10: Banking Trends (Birr bns)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	% change
Bank deposits	291.8	366.6	436.7	567.7	729.1	899.1	23%
CBE	199.6	248.3	289.6	366.0	453.0	541.2	19%
Private Banks	92.3	118.3	147.1	201.7	276.0	357.9	30%
Bank loans outstanding	145.6	189.3	232.1	289.8	355.4	456.1	28%
CBE	93	115	141	157	177	196.9	11%
Private Banks	53	75	91	133	179	259.2	45%
Other indicators--all banks							
Assets	363.5	460.2	575.2	745.2	914.1	1,165.0	27%
Paid-up capital	18.9	21.1	24.2	60.9	66.2	73.9	12%
Branches	1,991	2,500	3,145	3,888	4,442	5,164	16%

Source: Bank Annual Reports and Bank Survey Data

FISCAL POLICY: Recent developments

Revenue performance:

- Revenue growth was a strong 12.6%, and an even higher 16.5% if looking just at taxes linked to domestic activity.
- Trade-related taxes were up 7 percent despite near-zero import growth.

Figure 11: Revenue Performance, Birr bns

	FY 2017-18	FY 2018-19	% Change
Local Revenue	103.2	120.2	16.5%
Direct tax	52.8	77.2	46.2%
Indirect tax	50.4	43.0	-14.7%
Trade taxes	72.7	77.8	7.0%
Customs tariff and tax	70.4	74.9	6.3%
Non tax revenue	2.3	3.0	27.4%
Lottery Sales	0.2	0.2	26.1%
Total Revenue	176.1	198.2	12.6%

Source: MOR

Nine-month budget performance:

- Nine-month fiscal performance data show 7 percent growth in expenditure, mostly driven by increased funds for regional transfers.
- Spending on current and capital expenditure is essentially flat vs the same period last year.
- The nine-month deficit appears in line with the targeted full-year deficit set in the budget.

Figure 12: Nine-month Budget Performance, Birr bns

	FY 2017-18	FY 2018-19	Percent change
	Nine months	Nine months	
Total revenue and grants	150.1	171.5	14%
Total Revenue	147.6	157.5	7%
Grants	2.5	14.0	461%
Total Expenditure	210.4	224.3	7%
Current Expenditure	53.8	53.0	-1%
Capital Expenditure	66.1	66.2	0%
Regional Transfers	90.4	105.1	16%
Deficit	-60.3	-52.7	-13%

Source: NBE

Public debt, in USD terms:

- Overall public debt is up by \$1 bn in the quarter, mostly reflecting a rise in domestic debt.
- The share of domestic debt in total public debt is now 49 percent.

Figure 13: Public Debt, USD bns

	Jun-18	Dec-18	Mar-19	% of Total
	\$	\$	\$	
Total Public Debt	\$ 49.5	\$ 51.6	\$ 52.6	100.0%
External debt	\$ 25.9	\$ 26.8	\$ 26.9	51.2%
Central Government	\$ 14.7	\$ 15.3	\$ 15.7	29.9%
State Owned Enterprise	\$ 11.2	\$ 11.5	\$ 11.2	21.3%
Domestic Debt	\$ 23.6	\$ 24.7	\$ 25.6	48.8%
Central Government	\$ 11.0	\$ 11.9	\$ 12.1	22.9%
State Owned Enterprise	\$ 12.6	\$ 12.8	\$ 13.6	25.8%

Source: MoFEC

Public debt, relative to GDP:

- Public debt is now around 55.6% of current year's estimated USD GDP, down from near 59 percent as of June 2018.
- External public debt relative has fallen to below 30 percent of GDP.

Figure 14: Public Debt, % GDP

	Jun-18	Dec-18	Mar-19
Total Public Debt	58.9%	54.1%	55.2%
External debt	30.8%	28.1%	28.3%
Central Government	17.5%	16.1%	16.5%
State Owned Enterprise	13.3%	12.1%	11.8%
Domestic Debt	28.1%	26.0%	26.9%
Central Government	13.1%	12.5%	12.7%
State Owned Enterprise	15.0%	13.5%	14.2%
GDP, USD bns	84.0	95.3	95.3

Source: MoFEC

External debt stocks:

- External debt is up by about \$1bn over the past nine months.
- Borrowing by government continues to take up the highest share (58%) of the total external debt.

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

	Jun-18	Dec-18	Mar-19	% of Total
Total External Debt of Public Sector, USD bns	\$ 25.9	\$ 26.8	\$ 26.9	100%
Government	\$ 14.7	\$ 15.3	\$ 15.7	58%
EAL & Ethio-telecom	\$ 7.6	\$ 7.4	\$ 7.3	27%
Other State Enterprises	\$ 3.6	\$ 4.1	\$ 3.9	15%
Total External Debt of Public Sector, % GDP	30.9%	28.1%	28.3%	100.0%
Government	17.5%	16.1%	16.5%	58%
EAL & Ethio-telecom	9.0%	7.8%	7.6%	27%
Other State Enterprises	4.3%	4.3%	4.1%	15%
GDP, USD bns (fiscal year)	\$ 84.0	\$ 95.3	\$ 95.3	...

Source: MoFEC

BALANCE OF PAYMENTS (BOP): Recent developments

Balance of payments:

- Exports continue to perform poorly but the trade deficit hasn't worsened much due to flat imports
- Strong fx inflows were recorded from services exports and from remittances.
- Grants and loans show declines from same period last year, but this may reflect the pattern of some lumpy official sector inflows
- FDI is down about 20 percent from same period last year, per NBE's balance of payments data.

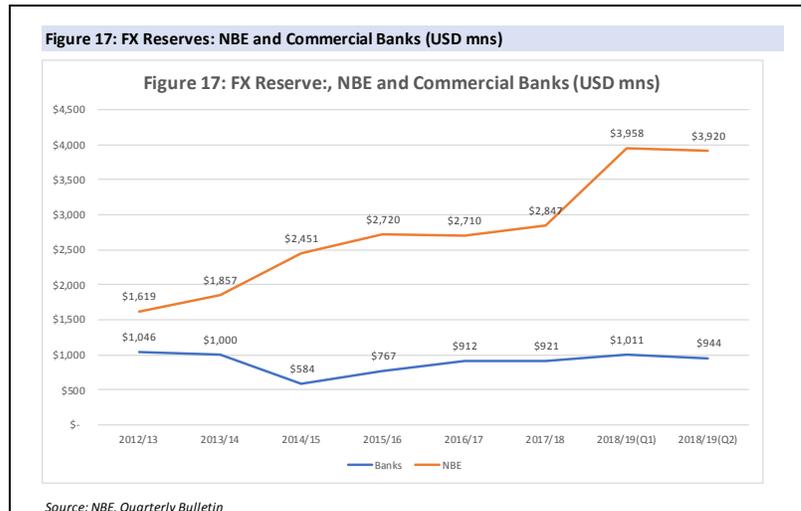
Figure 16: Balance of Payment FY2018/19 Nine month

Balance of Payments in USD mns	FY 2017/18 Nine month	FY 2018/19 Nine month	% Change
Exports	2,087	1,899	-9%
Imports	(11,612)	(11,683)	1%
Trade Balance	(9,525)	(9,785)	3%
Services, net	(137)	(244)	78%
Non-factor services, net	169	102	-40%
Exports of non-factor services	3,068	3,777	23%
Imports of non-factor services	2,899	3,675	27%
Income, net	(306)	(346)	13%
O/w Gross official int. payment	(306)	(346)	13%
Dividend	(0)	-	0%
Private transfers, net	4,472	4,943	11%
O/w: NGO's,(Net)	764	471	-38%
Remittances	3,708	4,472	21%
Current account balance excluding grants	(5,190)	(5,086)	-2%
Official transfers, net	1,081	877	-19%
Current account balance including official transfers	(4,109)	(4,209)	2%
Capital account	5,034	3,914	-22%
Official Long-term Capital, net	1,177	884	-25%
Disbursements	1,295	1,209	-7%
Amortization	42	17	-59%
Other public long-term capital	740	331	-55%
Private sector, long term	205	219	7%
Foreign Direct Investment, net	3,003	2,400	-20%
Short term Capital	(91)	81	-188%
Errors and omissions	(1,249)	(187)	-85%
Overall balance	(325)	(482)	48%
Financing	325	482	48%
Reserves [Increase(-), Decrease (+)]	325	482	48%
Central Bank (NFA)	92	431	369%
Asset	66	(1,073)	-1727%
Liabilities	26	1,503	5703%
Commercial banks (NFA)	233	51	-78%

Source: NBE Quarterly Bulletin

FX reserves:

- FX reserves at end-March 2019 were \$3,920, slightly down from end-December but up strongly from the June 2018 level of \$2,843mn.
- Commercial banks' reserves are roughly flat at near \$1bn over the past two quarters.



TRADE PERFORMANCE: Recent developments

Export performance:

- Ethiopia's exports declined by 6 percent in this past fiscal year.
- The two largest export categories--coffee and oilseeds--both showed 8-9 percent percentage declines.

Figure 18A: Export Performance: FY 2018-19

	FY 2017-18	FY 2018-19	% Change
Total Exports	2,836	2,663	-6.1%
Coffee	839	764	-8.9%
Oil Seeds	424	388	-8.4%
Chat	263	304	15.4%
Pulses	269	272	1.1%
Flower	229	257	12.3%
Textile & Textile Products	104	153	47.2%
Leather and Leather Products	132	117	-11.4%
Meat & Meat Products	102	89	-12.8%
Fruits & Vegetables	61	61	-0.9%
Electricity	80	54	-33.0%
Live Animals	61	46	-25.0%
Electronics	35	31	-12.4%
Gold	100	26	-73.8%
Chemicals & Construction Inputs	25	16	-34.9%
Spices	17	14	-19.5%
Natural Gum	9	5	-42.3%
Cereals and flour	6	3	-53.0%
Bees Wax	3	2	-20.8%
Others	76	62	-18.8%

Source: MOTI, ERCA

Export performance--continued:

- Large export sectors that performed well were textiles (up 47%), chat (up 15%) and flowers (up 12%).
- Some large categories that showed negative growth were leather products, meat, and gold.

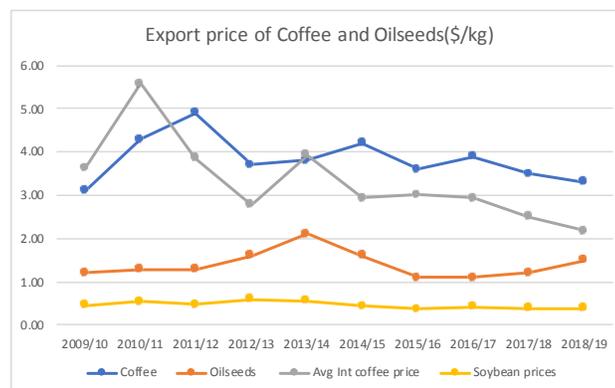
Figure 18B: Export Performance--Ranked by Growth Rate in FY 2018-19

	FY 2017-18	FY 2018-19	% Change
Total Exports, USD mns	2,836	2,663	-6.1%
<i>Ranked by growth rate:</i>			
Textile & Textile Products	104	153	47.2%
Chat	263	304	15.4%
Flower	229	257	12.3%
Pulses	269	272	1.1%
Fruits & Vegetables	61	61	-0.9%
Oil Seeds	424	388	-8.4%
Coffee	839	764	-8.9%
Leather and Leather Products	132	117	-11.4%
Electronics	35	31	-12.4%
Meat & Meat Products	102	89	-12.8%
Others	76	62	-18.8%
Spices	17	14	-19.5%
Bees Wax	3	2	-20.8%
Live Animals	61	46	-25.0%
Electricity	80	54	-33.0%
Chemicals & Construction Inputs	25	16	-34.9%
Natural Gum	9	5	-42.3%
Cereals and flour	6	3	-53.0%
Gold	100	26	-73.8%

Source: MOTI, ERCA

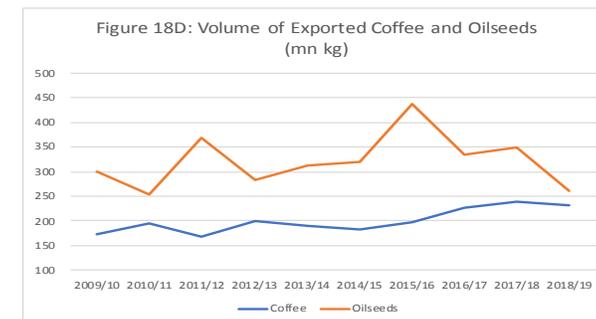
- Coffee export *volumes* have risen in recent years, but export *values* have been adversely affected by sharply lower global prices
- For oilseeds, export declines reflect mainly drops in exported quantities

Figure 18C: Export Price of Coffee and Oilseeds (\$/kg)



Source: NBE, ICO

Figure 18D: Volume of Exported Coffee and Oilseeds (Mn Kg)



Source: NBE

Import performance

- Ethiopia's import declined by 1 percent this past year and have remained roughly flat at \$15bn for two years now.
- Import items showing large increases were fuel and semi-finished goods (chemicals, textile industry inputs)
- Both capital and consumer goods imports showed declines, with the latter showing a larger drop of 9 percent.

Figure 19: Import Performance: FY 2018-19

	FY 2017-18	FY 2018-19	% Change
Total Imports	15,253	15,112	-1%
Raw materials	138	152	10%
Semi-finished goods	2,528	2,779	10%
Chemicals	344	388	13%
Fertilizers	478	500	4%
Textile materials	61	81	34%
Others	1,644	1,810	10%
Fuel	2,317	2,601	12%
Crude petroleum	0	0	-52%
Petroleum products	2,225	2,493	12%
Others	92	107	17%
Capital goods	5,269	5,031	-5%
Transport	1,131	1,429	26%
Tyres for Heavy Vehicles	102	113	11%
Heavy Road Motor Vehicle	728	411	-44%
Aircraft	282	870	208%
Others	19	35	82%
Agricultural	51	59	14%
Industrial	4,087	3,543	-13%
Consumer Goods	4,707	4,273	-9%
Durables	1,352	1,201	-11%
Radio & T.V.	111	121	9%
Tyres for cars & Other Veh	62	54	-14%
Cars & Other Vehicles	462	357	-23%
Others	717	669	-7%
Non-durables	3,355	3,072	-8%
Cereals	772	599	-22%
Other Food	619	559	-10%
Medical & Pharmaceuticals	563	751	33%
Textile Fabrics	569	396	-31%
Others	832	768	-8%
Miscellaneous	294	277	-6%

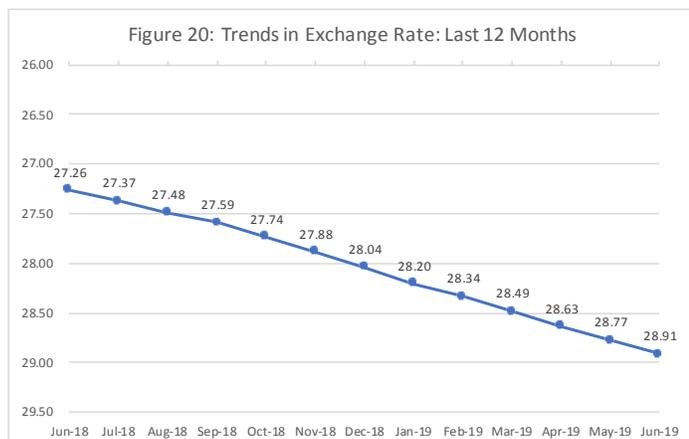
Source: MOTI, ERCA

EXCHANGE RATE: Recent developments and outlook

Exchange rate trends:

- The exchange rate has moved from 27.26 Birr/USD at end-June 2018 to 28.91 Birr/USD at end-June 2019.
- The depreciation rate has been 6.1 percent (year-on-year basis) and 7.2 percent on a year-average basis.

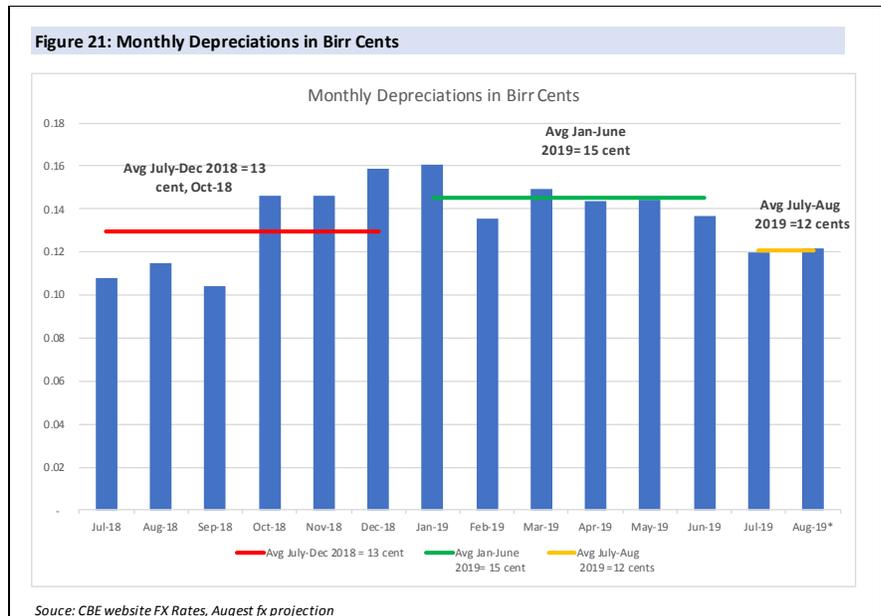
Figure 20: Trends in Exchange Rate: Last 12 Months



Source: CBE FX Rates

Recent monthly depreciation:

- Monthly depreciations remained within a narrow band of 14 to 16 cents over the Jan-June 2019 period.
- Since the start of the new fiscal year, monthly depreciations have been 12 cents based on July data and extrapolating half-month August data.



Exchange rate projections:

- Per the budget document of July 2019, the Birr is expected to depreciate by 6 percent.
- This target depreciation implies a rate of 29.73 Birr/USD at end-Dec 2019 and 30.63 Birr/USD at end-June 2020.
- The target depreciation rate will imply some loss in external competitiveness, given forecast inflation differences with trading partners. To avoid a loss in competitiveness (i.e no REER appreciation), a depreciation rate of closer to 10-11 percent would be warranted, (implying a rate of near 32 Birr/USD by end-June 2020) though this is not the base case considered for the purposes of our projections.

Figure 22: Exchange Rate: Revised Forecast to end 2019

Actuals: End Month	Buying Rate	Selling Rate	Depreciation from year ago
Jan-19	28.20	28.76	3.6%
Feb-19	28.34	28.90	4.1%
Mar-19	28.49	29.05	4.6%
Apr-19	28.63	29.20	5.1%
May-19	28.77	29.35	5.6%
Jun-19	28.91	29.49	6.0%
Jul-19	29.03	29.61	6.1%
Projections: End Month			
Aug-19	29.15	29.74	6.1%
Sep-19	29.29	29.88	6.2%
Oct-19	29.44	30.03	6.1%
Nov-19	29.58	30.17	6.1%
Dec-19	29.73	30.32	6.0%
Jan-20	29.87	30.47	5.9%
Feb-20	30.02	30.62	5.9%
Mar-20	30.17	30.77	5.9%
Apr-20	30.32	30.93	5.9%
May-20	30.48	31.09	5.9%
Jun-20	30.63	31.25	6.0%

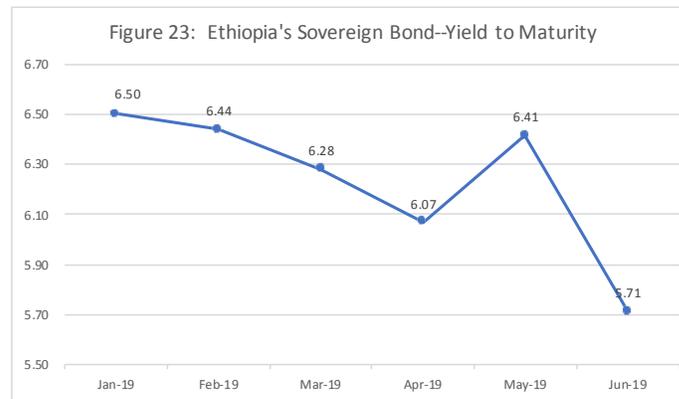
Source: CBE website and Cepheus Research for projections

ETHIOPIA'S SOVEREIGN BOND: Recent developments and outlook

Sovereign Bond Yields:

- The sharp fall in Ethiopia's sovereign bond yield to 5.71 percent in June 2019 suggests a continued positive assessment of credit-worthiness, though this is largely in line with broader declines in emerging market bonds

Figure 23: Ethiopia's Sovereign Bond--Yield to Maturity

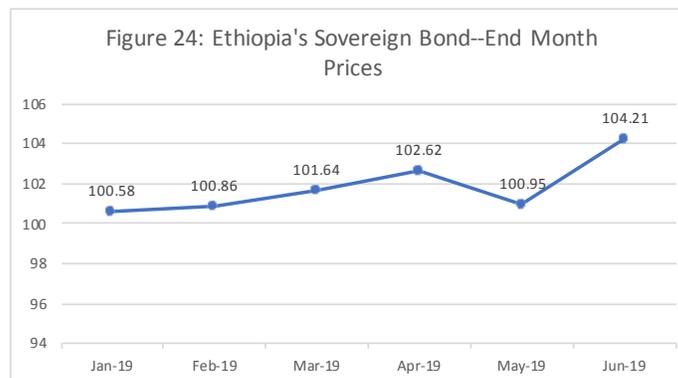


Source: FactSet

Sovereign Bond Prices:

- With falling yields, prices on Ethiopia's bonds are now above their par value of 100 and reached 104.2 as of June 2019.

Figure 24: Ethiopia's Sovereign Bond--End Month Prices

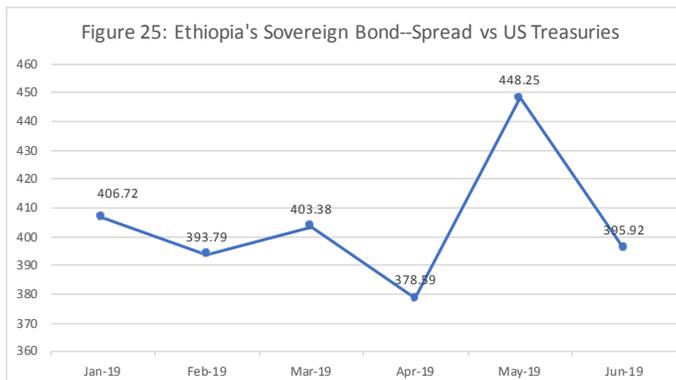


Source: FactSet

Spread vs US Treasuries:

- Reflecting the falling yields, spreads vs US Treasuries have also declined and now stand at just 395 basis points.

Figure 25: Ethiopia's Sovereign Bond--Spread vs US Treasuries



Source: FactSet

MACRO DATA TABLE: Historical data and updated forecasts

ETHIOPIA--Key Macroeconomic Indicators: 2011 to 2021											
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	<i>Actual</i>	<i>Estimate</i>	<i>Projection</i>	<i>Projection</i>
Real Sector: GDP, Prices, and Investment											
Real GDP growth	11.4%	8.7%	9.9%	10.3%	10.4%	8.0%	10.1%	7.7%	8.1%	8.5%	8.0%
<i>Agriculture growth</i>	9.0%	4.9%	7.1%	5.4%	6.4%	2.3%	6.7%	3.5%	3.1%	5.0%	5.0%
<i>Industry growth</i>	18.6%	19.7%	24.0%	17.1%	19.9%	20.5%	20.3%	12.2%	12.0%	13.0%	15.0%
<i>Services growth</i>	17.0%	9.6%	9.0%	13.0%	11.1%	8.6%	7.2%	8.8%	9.5%	8.0%	4.6%
Inflation: CPI (end-of-period)	38.1%	20.7%	7.4%	8.5%	10.4%	7.5%	8.8%	14.7%	15.3%	10.5%	10.0%
Inflation: CPI (period average)	18.1%	34.1%	13.5%	8.1%	7.7%	9.7%	7.2%	13.1%	12.6%	14.1%	10.0%
Nominal GDP growth	31.6%	45.1%	16.0%	22.4%	22.4%	20.8%	16.9%	20.2%	21.7%	23.8%	18.8%
Nominal GDP level (Birr billions)	515.1	747.3	866.9	1,060.8	1,298.0	1,568.1	1,832.6	2,202.4	2,679.7	3,318.8	3,942.3
Nominal GDP level (USD billions)	\$ 32.0	\$ 43.2	\$ 47.6	\$ 55.5	\$ 64.5	\$ 74.1	\$ 81.6	\$ 84.0	\$ 95.3	\$ 111.3	\$ 124.9
Exchange rate (Birr/USD, end-of-period)	16.82	17.73	18.64	19.58	20.57	21.80	23.11	27.26	28.91	30.63	32.47
Exchange rate (Birr/USD, year-average)	16.10	17.28	18.23	19.11	20.13	21.16	22.47	26.23	28.12	29.81	31.55
Exchange rate annual depreciation (year average)	24.8%	7.3%	5.5%	4.8%	5.3%	5.1%	6.2%	16.7%	7.2%	6.0%	6.0%
Investment-to-GDP ratio	27.2%	34.6%	32.6%	38.0%	39.3%	37.3%	38.4%	34.1%	32.0%	34.0%	35.5%
Domestic Savings-to-GDP ratio	12.8%	16.5%	15.9%	20.5%	21.8%	22.4%	22.4%	24.3%	24.0%	23.0%	22.0%
External Savings-to-GDP ratio	14.4%	18.1%	16.7%	17.5%	17.5%	14.9%	16.0%	9.8%	8.0%	11.0%	13.5%
Banking Sector											
Deposits at all commercial banks (Br bn)	143.3	189.3	237.8	292.9	366.5	436.7	567.7	729.1	899.1	1,105.9	1,371.3
Loans by all commercial banks (Br bn)	61.9	85.4	116.5	145.6	189.3	232.1	289.8	355.4	456.1	570.1	712.7
NBE Bills held by all comm banks (Br bn)	3.0	11.0	19.1	25.1	37.4	49.9	54.6	70.1	87.8	110.6	137.1
Bonds held by all commercial banks (Br bn)	43.1	64.5	82.8	111.8	152.7	188.7	237.8	291.4	338.0	405.6	494.9
Total bank financing: Loans/Bills/Bonds (Br bn)	108.0	160.9	218.4	282.5	379.4	470.7	582.2	716.9	881.9	1,086.3	1,344.7
Deposit-to-GDP ratio (%)	27.8%	25.3%	27.4%	27.6%	28.2%	27.8%	31.0%	33.1%	33.6%	33.3%	34.8%
Total bank financing-to-Deposit ratio (%)	75.3%	85.0%	91.8%	96.5%	103.5%	107.8%	102.5%	98.3%	98.1%	98.2%	98.1%
Total commercial bank financing-to-GDP ratio (%)	21.0%	21.5%	25.2%	26.6%	29.2%	30.0%	31.8%	32.6%	32.9%	32.7%	34.1%
Annual growth in bank deposits (%)	40.0%	32.1%	25.6%	23.2%	25.1%	19.2%	30.0%	28.4%	23.3%	23.0%	24.0%
Annual growth in total bank financing (%)	50.7%	49.0%	35.7%	29.4%	34.3%	24.1%	23.7%	23.1%	23.0%	23.2%	23.8%

Data Sources: NBE, MOFEC, CSA, and IMF for historical data series; Cepheus Capital Research for some estimates and for projection years.

ETHIOPIA--Key Macroeconomic Indicators: 2011 to 2021

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Fiscal Sector											
Revenue and grants (Birr bns)	85.6	115.7	137.2	158.1	199.6	243.7	269.1	287.6	265.0	290.0	336.4
Expenditure (Birr bns)	93.8	124.4	153.9	185.5	230.5	272.9	329.3	354.2	345.0	387.0	452.8
Fiscal balance after grants (Birr bns)	-8.2	-8.7	-16.7	-27.4	-30.9	-29.3	-60.2	-66.6	-80.0	-97.0	-116.4
Revenue and grants (% GDP)	16.6%	15.5%	15.8%	14.9%	15.4%	15.5%	14.7%	13.1%	9.9%	8.7%	8.5%
Expenditure (% GDP)	18.2%	16.6%	17.8%	17.5%	17.8%	17.4%	18.0%	16.1%	12.9%	11.7%	11.5%
Fiscal balance after grants (% GDP)	-1.6%	-1.2%	-1.9%	-2.6%	-2.4%	-1.9%	-3.3%	-3.0%	-3.0%	-2.9%	-3.0%
Public Sector Debt (% GDP)	36.2%	30.6%	41.9%	45.7%	52.9%	52.4%	55.3%	59.0%	56.1%	53.5%	53.1%
External Debt (% GDP)	24.4%	20.6%	23.6%	25.2%	29.6%	29.0%	28.7%	30.9%	28.9%	26.6%	25.5%
Domestic Debt (% GDP)	11.9%	10.1%	18.3%	20.5%	23.3%	23.4%	26.5%	28.1%	27.3%	26.9%	27.5%
External Sector: Balance of Payments											
Exports of goods (USD mn)	2,747	3,153	3,116	3,300	3,019	2,868	2,908	2,840	2,663	2,743	3,017
Exports of services (USD mns)	2,586	2,811	2,853	3,174	3,028	3,196	3,331	4,220	5,190	5,709	6,280
Imports of goods (USD mn)	(8,253)	(11,018)	(11,461)	(13,712)	(16,458)	(16,725)	(15,803)	(15,253)	(15,112)	(16,321)	(18,279)
Imports of services (USD mns)	(1,828)	(2,639)	(2,281)	(2,461)	(3,107)	(3,442)	(3,393)	(3,983)	(5,098)	(5,607)	(6,168)
Remittances (USD mn)	2,032	2,401	2,489	2,968	3,797	4,420	4,428	5,121	6,146	6,637	7,168
Private transfers (USD mn)	715	845	1,086	1,071	1,085	2,008	1,058	953	550	578	606
Foreign official grants (USD mn)	1,861	1,788	1,530	1,461	1,508	1,428	1,428	1,226	1,250	1,350	1,550
Current account balance (USD mn)	(210)	(2,755)	(2,781)	(4,352)	(7,401)	(6,657)	(6,528)	(5,253)	(4,811)	(5,500)	(6,650)
Current account balance (% GDP)	-0.7%	-6.4%	-5.8%	-7.8%	-11.5%	-9.0%	-8.0%	-6.3%	-5.0%	-4.9%	-5.3%
Foreign direct investment (USD mn)	1,243	1,072	1,232	1,467	2,202	3,269	4,171	3,723	3,100	4,500	6,000
Foreign borrowing (USD mn)	2,073	1,605	1,270	2,309	3,352	1,628	1,402	1,632	1,650	1,750	1,600
Overall External Balance (USD mn)	1,446	(1,067)	(7)	(97)	(521)	(831)	659	(201)	(250)	1,150	1,450
Stock of Foreign Reserves, (USD mn)	3,044	2,262	2,368	2,496	3,249	3,402	3,197	2,843	3,600	4,750	6,200
Stock of Foreign Reserves, months imports	4.4	2.5	2.5	2.2	2.4	2.4	2.4	2.2	2.9	3.5	4.1
External Debt Stock (Public Sector, USD bn)	7.8	8.9	11.2	14.0	19.1	21.5	23.4	25.9	27.9	29.9	31.7
External Debt Stock (Public Sector, % GDP)	24.4%	20.6%	23.6%	25.2%	29.6%	29.0%	28.7%	30.9%	29.3%	26.8%	25.3%
Growth of Goods Exports	37.1%	14.8%	-1.2%	5.9%	-8.5%	-5.0%	1.4%	-2.3%	-6.2%	3.0%	10.0%
Growth of Goods Imports	-0.2%	33.5%	4.0%	19.6%	20.0%	1.6%	-5.5%	-3.5%	-0.9%	8.0%	12.0%
Market Ratings and Sovereign Bond Performance											
Country Ratings	...	...	...	...			
Standard and Poor's	...	...	...	...	B	B	B	B	B	...	...
Fitch	...	...	...	...	B	B	B	B	B	...	...
Moody's	...	...	...	...	B1	B1	B1	B1	B1	...	...
Ethiopia Sovereign Bond: \$1bn issued Dec 2014											
Yield in percent (fiscal year average)	...	...	...	...	6.83%	7.96%	7.40%	6.34%	6.64%	...	...
Yield in percent (end fiscal year)	...	...	...	...	6.70%	8.07%	6.79%	7.06%	5.71%	...	...

Data Sources: NBE, MOFEC, CSA, and IMF for historical data series; Cepheus Capital Research for some estimates and for projection years.

Economic and Business News Second Quarter 2019: April 1- June 30, 2019

The following pages provide a compilation of economic and business news items reported during the second quarter of 2019. The headlines are hyper-linked to third-party websites for access to the full article. The news items are compiled from a variety of sources, including: Fortune, Capital, Reporter (English and Amharic), Ethiopian News Agency, Addis Maleda, New Business Ethiopia, Semonegna, Fana, Reuters, BBC, Africa News and Google news alerts. Cepheus Research has compiled and made available these links solely for the convenience of readers, and makes no warranties as to the accuracy or reliability of the information, data, or opinions provided by the content providers.

Macroeconomic news

- Ethiopia's Year-On-Year Inflation At 11.2% In March.
- Inside Ethiopia PM's economic reforms: Port deals, privatization and forex amnesty.
- Ethiopia promises rebalancing to a bullish world.
- Audit Gap of 10b Br at Revenues Ministry.
- Ethiopia in need of USD 1.3 bn to aid drought, conflict victims.
- Council Stresses Need to Create 3mln Jobs Next FY.
- Ethiopia Hands Over AfCFTA Ratification Instrument To AU.
- Investment commission, Africa advisory partners sign mou to promote FDI.
- Ethiopia, European Commission Sign €10mln Grant Agreement For Social Accountability Program.
- Ethiopia Collects \$5 Billion Tax.
- Ethiopia, Qatar Agree To Strengthen Cooperation On Labor, Social Affairs.
- New Zealand Keen To Advance Business, Investment Cooperation With Ethiopia.
- ጠ/ሚ ዶክተር አብይ ከፕራይቪታይዜሽን አማካሪ ምክር ቤት ጋር ተወያዩ (PM Abiy meets privatization advisory council).
- Ethiopia, China partner to power mega projects.
- PM Encourages Investors To Invest In Ethiopia At BRF.
- China Cancels Interest-Free Loans Matured Till End Of 2018.
- Ethiopia, China Ink Five Agreements.
- Nation Focuses on Standardizing PPP, Involvement of Private Sector, State Minister.
- Ethiopia collects \$2 billion from legal, illegal traders.
- Ethiopia's export income declines 9 percent.
- Investors wary of instability pass in Oromia.
- Inflation Hits Eight-Month High.
- Ethiopia Reaps Rewards Of Tax Policy Reform.
- New Council to Advise on Budget.
- Commission to set national minimum wage.

- Ethiopia, EU Sign Over €33m Grant Agreement.
- Ethiopia collects \$612 million tax in April.
- Ethiopia Attracts \$1.83 Billion Foreign Direct Investments.
- Ethiopian House of Federation to Revise Budget Subsidy to Regions.
- Ethiopia's Growth to Expand by 7 Percent in 2020s : Report.
- የብሄራዊ ባንክ ገዥ ኢትዮጵያ የመጠበቂያ የውጭ ምንዛሬ ክምችቷን ለመጠቀም የሚያስገድድ ሁኔታ ውስጥ አይደለችም አለ (Ethiopia is not in a situation that requires use of it's international reserves, Governor).
- NBE hands out USD 300M, but forex thirst continues.
- Ethiopia – US Partnership forum under way in Washington DC.
- Foreign companies contribute to black market money spike.
- Council Of Minister Approves Deals Signed With Israel.
- የገቢዎች ሚኒስቴር ባለፉት ወራት 163.3 ቢሊዮን ብር ገቢ መሰብሰቡን ገለፀ (Over 163.3 bn Birr has been collected during the past ten months of the fiscal year, MoR).
- Depreciation on Duty-Free Imports Faces no Change.
- Disagreement pauses overseas employment.
- African Continental Free Trade Agreement goes into effect.
- Council Of Ministers Passes Decision On Economic Reform Measures.
- The New Scramble for Ethiopia.
- Ethiopia Led Economic Growth in East Africa in 2018.
- Ethiopia's 2019/2020 economic growth projected at 9% - finance minister.
- Ethiopian economy takes a hit as export earning drops.
- Austere Budget Relies on Tax.
- Council approves 386.9b br federal budget.
- French Development Agency to offer EUR 100 mln in loan, grants.
- The liberalisation mantra of the administration of Prime Minister Abiy Ahmed.
- MoTI sides with local investors against supplier's credit.
- «የተለወጠ ፖሊሲ ስለሌለ የምንከተለው የልማታዊ መንግሥት አቅጣጫ ነው» ወ/ሮ ፈትለ ወርቅ ገብረ አግዚአብሔር፣ የንግድና ኢንዱስትሪ ሚኒስትር (Ethiopia's developmental state model not changed to date, Mrs. Fetlewerk, Minster of MoTA).
- East Africa Finance Ministers Meet In Ethiopia To Develop Shared Vision.
- Ethiopia Among Five Highest FDI Recipient African Nations.
- Gov't plans to alleviate forex crunch.
- Economic reform targets five key areas.
- Crunch time: Ethiopia's forex predicament.
- Budget focuses on stopping wheat dependency, tax increases.
- Task Force Emerges to Oversee Inflation.
- Ethiopia to Reinstate WTO Negotiations.
- Lead not unto temptation, but deliver the public from taxation.
- Ethiopia Lost Billions of Birr through Illicit Trade: Scholar.
- Ethiopia, India Seeking Alternative Commodities to Narrow Trade Imbalance: Ambassador.
- ሊጠናቀቅ አንድ ወር በቀረው በጀት ዓመት የወጪ ንግድ ከ1.6 ቢሊዮን ዶላር በላይ ጉድለት አስመዘገበ (Ethiopia's 11 months export revenue performance showed a \$1.6bn deficit from planned).
- በብር የውጭ ምንዛሬ ተመን ላይ የተደረገው ማስተካከያ የተፈለገውን ውጤት እንዳላስገኘ ተገለጸ (Devaluation of Ethiopian Birr against foreign currencies was ineffective, Planning Commission).

- Remittance, A Gold Mine Ethiopia Ignores.
- Ethiopia’s Economy Projected To Grow At 9.2% In 2018/19.
- Ethiopia’s debt surpasses \$52 billion.
- Ethiopia Taking Adjustments on Macro-economic Imbalance.
- Nation’s Accession to WTO Crucial to Implement Economic Reform: Ethiopia’s Chief Trade Negotiator.

Sector News—Industry, Agriculture, Services

Industry

- Six firms vie to supply rebar.
- Chinese firms clinches deal to complete stalled sugar plant.
- New Bill Appears to Ease Geothermal Investment.
- Amhara gets oxygen manufacturing plant.
- Avante joins market with squeezable bottles.
- Ethiopia, Siemens to address energy, infrastructure challenges.
- EEP exits electric power generation sector.
- Stakeholders in limbo as Holland Car’s liquidation suspended.
- ታዳሽ ኃይልን በመጠቀም የነዳጅ ወጪን 10 በመቶ ለማዳን እየተሠራ ነው (The gov’t is trying to decrease the fuel expenses by about ten percent using renewable energy, Ministry of Mines and Energy).
- DP World eyes Ethiopia to set up logistics park.
- 54 Capital partners with MiNT.
- Six Mining Concessions Surface in Two Regions.
- Ethiopia and Russia sign three-year nuclear power plan.
- City Launches 2.4b Br Water Project.
- CCCC secures nation’s longest bridge deal.
- የአዲስ አበባ ቀላል ባቡር ባለፉት 9 ወራት ከ29 ሚሊየን በላይ መንገደኞችን ሟጓጓዘው ተገለፀ (Addis Ababa light railway transported over 29 mn passengers in the past 9 months).
- ጎልደን አፍሪካ ኩባንያ በኢትዮጵያ በምግብ ዘይት ማምረቻ ዘርፍ ሊሰማራ ነው (Golden Africa of Malaysia expresses interest to invest in edible oil manufacturing).
- Latest Deal with Chinese Companies will Massively Boost Ethiopia’s Investment: Commission.
- Sugar, telecom close to privatization.
- Ministry to release report on MIDROC’s gold mine.
- DP World to finalize feasibility studies on regional logistic hub.
- Lack of finance derails second railway project.
- GERD to begin generation by December 2020.
- Japanese Company Manufactures Electric Car for Ethiopia.
- Turkey-Ethiopia joint venture opens new cable plant.
- Ethiopia’s Industrial Parks Generate \$103 Million Export Income.
- Chinese Companies To Setup \$2 Billion Bamboo Processing In Ethiopia.

- ባህላዊ የወርቅ አምራቾች ለብሔራዊ ባንክ የሚያቀርቡት ወርቅ ክምችት መቀነሱ ተገለፀ (The amount of Gold sold to NBE by traditional gold miners diminished, MoMP).
- Anbessa Beer sees light-of-day.
- New Age discovers gas reserve in Ogaden.
- Tanners air frustration over lack of incentives, FDI favoritisms.
- Wire, Cable Manufacturer Triples Production.
- Mineral Export Revenue Performance Dismal: Report.
- Law makers push gov't to speed up privatization.
- Committee Emerges to Audit MetEC Project.
- Budget Constraints Bind Hawassa Dry Port Dev't.
- Turkish Firm Supplies Ethiopia with Coal.
- Ethiopia's mining revenue falls sharply.
- የኢትዮ ፋርማ የስነ ህይወታዊ አካላት የምርምር ማዕከል በኢትዮጵያ ሊቋቋም ነው (Ethio-Russia Bio-Technology Research Center to be built in Ethiopia, MiNT).
- Local company eyes Wonji, Metehara.
- Company plans cable train for Ethiopia.
- Four ceramic vendors apprehended for tax.
- Local Group lands JV deal with Geepas.
- Ethiopia Begins Power Rations, Cuts Exports.
- First Opal Trading Center Emerges in Amhara State.
- Rules hinder local company from competing with imports.
- ያለ ደረሰኝ ሲሸጡ የተደረሰባቸው የሴራሚክ አክፋፋይ ድርጅቶች ተያዙ (Four ceramic wholesalers captured while selling without issuing a recipient).
- ትራይባስ በሪች ቴክ ኢትዮጵያ ምርቱን ከዛሬ ጀምሮ ወደ አሜሪካ መላክ ይጀምራል (Trybas Berich Tech [US-China joint venture company in Kombolcha IP] to start exporting its produce to US).
- Ethio-Djbouti railway partially resumes operation.
- Reykjavik Geothermal To Begin Exploration Drilling In Sept. for \$4.4bn Energy Project In Ethiopia.
- MoLSA to push for livable wages in ind. Parks.
- Low wages cast shadow on industrial parks.
- Human Face of FDI.
- Habesha to launch draught beer.
- ንግድ ባንክ ያቀረበው የውጭ ምንዛሪ ፋብሪካ ከመዘጋት እንደማይታደጋቸው ባለሀብቶች ተናገሩ (CBE's USD 200 mn release not enough to avert factories closure, Investors).
- Ministry Issues Five Mining Concessions.
- Energy sector, too much focus on hydro.
- Global Innovation Catalyst wants half a million job opportunities for Ethiopians.
- በቂሊንጦ ፋርማሲዩቲካል ኢንዱስትሪ ፓርክ ውስጥ ለመግባት ከ10 ኩባንያዎች ጋር የመግባቢያ ስምምነት ተፈረመ (More than ten global companies to setup in Kilinto pharmaceutical Industry Park, MOU signed with EIC).
- Fund backs green power in Ethiopia.
- Isuzu motors opening assembly plant in Ethiopia.
- Huajian takes over Jimma Industry Park.
- Challenges of Industrial Diversification in Ethiopia.
- Stalled Projects Pour 44b Br Down the Drain.

- World Bank Backs Private Sector Power Investment.
- Ethiopian Electric Utility Awards 12 Solar Energy Projects To Foreign Contractors.
- መንግስት ለስኳር ፕሮጀክት የመደበው 5 ነጥብ 7 ቢሊዮን ብር ወደ ስራ መገባቱ ተገለፀ (The 5.7bn Birr previously promised budget to sugar projects take into effect, Sugar Corp).
- የቆዳ ኢንዱስትሪው በመንታ መንገዶች መካከል (Leather industry at cross-roads).
- Gov't invites 12 int'l companies to bid in energy sector.
- Sugar privatization draws 10 companies.
- Shipping Giant Invests in Heavy Trucks.
- Commission to Unravel Mining Industry Muddle.
- Three Mining Firms Venture into Benishangul.
- Public-private partnership in store for Addis rail line.
- Construction of Shukute-Chulte Road Project Commences With 1.2b Birr.
- Rolling blackout pinches cement industry.
- Premier Permits Gas Companies to Hold Offshore Accounts.
- Ministry scolds exporters about under-invoicing.
- Ethiopia Scales Up 'Scaling Solar Program'.
- Chinese Firms Vie to Construct Palace Parking Lot, Tunnel.
- Mob Attack Partially Damages Honk Kong Shoemaker.
- New Petroleum Retailer Joins Market.
- Ethiopian workers found to be earning lower than "poverty wages".
- Over 5b Birr Dire Dawa-Dewele Toll Road Inaugurated.
- አኳ ሴፍ በከሳራ አንደኛውን ፋብሪካ ዘጋ (AQUASAFE shuts one of its plants owing to successive loss).
- ቢጂ አይ ኢትዮጵያ ዘቢዳር ቢራን ጠቀለለ (BGI Ethiopia fully owns Zebidar Beer).
- KenGen wins drilling contract for Tulu Moye geothermal project, Ethiopia.
- State projects leave tens of thousands of lives in the balance in Ethiopia – study.
- በግልና በመንግሥት አጋርነት በኃይል ማመንጫ ለመሰማራት የውጭ ኩባንያዎች ፍላጎት እየሳየ ነው (Foreign companies are showing interest to take part in power generation projects under PPP platform).
- Justices Overrule Dividend Tax Imposed on Total Ethiopia.
- Ethiopia: Chinese Firm Unveils Solar Technologies.
- Ethiopia launches railway project with Eritrea.
- Coca-Cola to invest USD 300 mln in Ethiopia.
- Dangote's new PP bag factory unable to roll due to forex shortage.
- Hope in doubtful times.
- State to Electrify Tulu Kapi Gold Mine.
- Local Firm Molds Plastic Plant.
- Gov't Speeding up Procurement of 17 PPP Projects.
- Ayka Addis to fetch 2 bln birr in foreclosure.
- Oil companies to take new concessions.
- Two Firms Win 7.3b Br Mega Projects.
- Local Detergent Maker Boosts Capacity with \$3m Investment.
- Trading Firm Ventures into Marble Processing.
- Shenzhen Lemi enters Ethiopian solar market.
- Metal Association calls for incentives.
- Enel likely to sign contract with EEP by the end of July.

- Local factory to halve Ethiopia’s edible oil import.
- Vasari Beverages to expand African brewing capacity, including the expansion of its Ethiopia brewery.

Agriculture

- Sugar Corporation Looks for Private Partners.
- Three firms linkup to ease Merkato congestion.
- Flour Plant Puts Down Roots in East Gojjam.
- Nasa Garment Forays Into Hawassa Industrial Park.
- New Ford Ranger goes higher-tech.
- Ethiopia, Russia Sign Roadmap On Nuclear Technology.
- የረጅም የደረቅ ቆሻሻ ኃይል ማመንጫ የቅድመ ሙካ የኤሌክትሪክ ኃይል ማመንጫት ጀመረ (Repi dry waste power generation project operational).
- Ivanka Trump Visits Ethiopia, Promoting a White House Global Economic Program for Women.
- Selfish illegal crop trade continues.
- Morocco’s fertilizer giant to take over Yayu fertilizer complex.
- Government to purchase fertilizer for next harvest year.
- U.S. to help Ethiopia improve agriculture in five years.
- ምርት ገበያ በመጋቢት ወር የ3.6 ቢሊዮን ብር ግብይት አስተናገደ (ECX transacts over 3.6 billion in the month of March).
- በዚህ ዓመት ከ4.6 ሚሊዮን ቶን በላይ የስንዴ ምርት እንደሚኖር ተገምቷል (Over 4.6 mn ton wheat production is expected this fiscal year-USDA).
- Fish on the slide.
- Wheat Supply Queues to Fill Sharp Supply Gap.
- Ethiopia Aims To Make Wheat Import History.
- Ethiopia Plants First Seed Policy.
- የኢትዮጵያ ቡና ባለፉት 8 ወራት ከአለም ገበያ ያስገባው ገቢ ዝቅተኛ መሆኑ ተገለፀ (Ethiopia’s coffee earnings down in the past 8 months owing to a decline in international coffee price).
- Licenses of over 20 coffee exporters restored (Amharic).
- Corteva Agriscience enters Ethiopia.
- Wheat supplier fails to guarantee performance.
- Corporation to tender new fertilizer bid.
- First ever bamboo strategy springs to life.
- Government contemplates rescinding wheat contract awarded to Wifag.
- Gov’t to Spend 4b Br Buying Wheat.
- Seed Greed.
- ‘Horo’ Doro could scramble Ethiopia’s egg market.
- Avocado Set To Become Ethiopia’s Major Export.
- የኢትዮጵያ ቡና ባለፉት 8 ወራት ከአለም ገበያ ያስገባው ገቢ ዝቅተኛ መሆኑ ተገለፀ (Ethiopia’s coffee export revenue dropped in the past 8 months, ECTA).
- Procurement awards another bulk wheat supply contract.
- Sesame rise continues.
- Mechanizing agriculture to achieve food security.

- Crude palm oil to be imported to save forex.
- Gov't to pay over 200 million birr for cooperative unions.
- Ethiopia's cannabis potential valued at USD 10 billion.
- በመጨረሻ ዓመት የ100 ሚሊዮን ጭማሪ የታከለበት 400 ሚሊዮን ኩንታል ምርት ይጠበቃል (Over 400 mn quintal agriculture output is expected in the next fiscal year).
- Newbie to Ethiopian market secures biggest wheat supply contract.
- Wheat imports face port problems.
- Agriculture Still Priority in Gov't's Economic Policy: PM.
- Fertilizer, wheat gets equal billing.
- University Graduates To Participate In 6bn Birr Irrigation Project.
- Ethiopia Eyes Tropical Zones to Substitute Wheat Import.
- GEM CORP signs USD 175.57 mln wheat deal.
- MIDROC to expand share of diary market.
- Ethiopia Needs to Turn Untapped Bamboo Resources into Use.
- በውጭ ምንዛሪ ሽኩቻ የኢትዮጵያ የግብርና ምርቶች በርካሽ እየተቸበቡ እንደሆነ ተነገረ (Ethiopia's agricultural pricing being distorted by fx crunch).
- በሚቀጥለው ዓመት ለግብርና ዘርፍ በርካታ ፕሮጀክቶች ለጨረታ ይቀርባሉ (Bids for various commercial agriculture projects planned for FY 2019-20).
- ኢትዮጵያ በቀጣዩ አመት ለውጭ ገበያ የምታቀርበው የብና ምርት ጭማሪ ያሳያል ተባለ (Ethiopia's coffee exports will rise in the next FY, USDA).
- Ethiopia, World Bank Sign \$500m Grant Agreement.
- Trade Bureau to sell discounted teff.
- The Shade Promises.
- New Partnership Sprouts to Boost Honey Export.
- WHO lauds Ethiopian parliament's effort to ban tobacco.
- በ11 ወራት ከታቀደው የብና ወጪ ንግድ ከ287 ሚሊዮን ዶላር ቅናሽ ያሳየ ገቢ ተገኘ (Eleven months revenue from coffee exports performance showed more than \$287mn deficit from planned).
- Netherlands extends USD 50 mln in grant.
- Agency Establishes Regional Shops for Agricultural Inputs.
- A new framework to establish and upgrade internationally accredited quality testing laboratories for honey in Ethiopia.

Services

- Ethiopia prepares for compensation claim.
- Modjo Dry Port Cuts Tariffs on Exports by 70pc.
- USAID completes seven-year project.
- Commission, IFC sign agreement to reform customs, trade logistics.
- VAT refund turnaround time reduced, taxpaying simplified in new policy.
- Individual business owners now must pay withholding tax.
- Private sector asks Gov't for reliable ICT infrastructure.
- Novartis brings affordable NCD treatment.
- 45 ከመቶ የኢትዮጵያ አየር መንገድ ድርሻ ያለው የዛምቢያ አየር መንገድ እንደገና ስራ ሊጀምር ነው (Zambia Airways in which Ethiopian has 45% stake, to start its flight operation).
- Netherlands Grants Nation First Pediatric Hospital.

- Poor Human Resources Frustrates Tourism Sector.
- Ethiopia Scores Highest Tourism Growth In The World.
- Trauma Center To Be Built In Addis Ababa.
- Ethiopia, South Korea sign USD 300 mln agreement.
- Ethiopian anticipates becoming a USD 25 billion company.
- Marriott Eyes Expanding Presence In Ethiopia.
- Ethiopia Secures \$2.57 Billion From Tourism.
- Ethiopian to introduce paid lounge service.
- Ethiopian wins best African cargo airline awards.
- Cornerstone Laid For Construction Of €40mln Cardiac Centre.
- የአንግሊዝ ኩባንያ የኢትዮ ቴሌኮምን አጠቃላይ ሀብት መገመት ጀመረ (PWC starts Ethio-Telecom's asset valuation en route to partial privatization).
- Open Society to set foot in Ethiopia.
- Unlimited Services Draw Ethio telecom Nearer to Clients.
- New Commission to improve government standards.
- CDC Launches GEEKS Program In Ethiopia.
- Ease of doing business steering committee fine-tunes reform targets.
- 5.2 bln birr medicine for IDPs.
- Ethiopia to Rectify Tourism Data.
- Ethiopia Ranked among top four in hotel dev't in Africa.
- Ethiopian, Ghana concludes deal to establish new carrier in Accra.
- Ethiopia Striving to Revitalize Tourism Sector.
- Make the Ethiopian Postal Service Great Again.
- EIC Launches Online Services Platform, Chinese Web-Portal.
- Ethiopian Airlines Agreed to Establish Ghana Airways and Acquire 49% Share.
- Ethio Telecom Reached an Agreement to Have Equal Termination tariff with Safaricom Kenya.
- The Good and Bad of the Health System.
- Auditor slams agencies.
- Ministry Plans To Launch 150 E-Services In Six Months' Time.
- Ethiopia Set to Kindle Digital Economy, Minister.
- Ethio-Telecom to Be Reorganized Into two Business Processes Prior to Privatization.
- Ethiopian Shipping lines set to modernize services.
- Tourist tax levy looms, hoteliers' air frustration.
- Startup Ethiopia secures commitments from gov't, investors.
- Rude Awakening.
- Twenty exporters face severe consequences.
- ITU urges Ethiopia to learn from Nigeria.
- Ethiopia's first app-based taxi service is expanding into West Africa.
- French mobile network operator Orange SA eyeing Ethiopia's telecom for a minority stake.
- Ethio-Telecom Regains Loan Privilege without State Guarantee.
- Research and Markets: Ethiopia — Telecoms, Mobile and Broadband – Statistics and Analyses.
- Ethiopian Honored with Skytrax 2019 World Airlines Awards.

- Ethiopian embarks on second five-star hotel construction project.
- Ethiopian, US Company Sign 500m USD Partnership Agreement.
- Ethio-telecom: Limited Liability or No Liability?
- Ethiopia's bid to become an African startup hub hinges on connectivity.

Financial News

- Banks Upgrade Financial Reporting System.
- Forex crunch marginally improves, while businesses teeter.
- The Dos of Financial Sector Reform.
- Financial Sector Liberalization Curtails Industrialization.
- Islamic banking in Ethiopia offers Muslims financial inclusion.
- What self-help lending says about Ethiopian banking.
- የአገሪቱ ባንኮች ለጠቅላይ ሚኒስትሩ የአምስት ሚሊዮን ብር እራት እንዲያዋጡ ብሔራዊ ባንክ ጠየቀ (NBE urges banks to pay for 5mn Birr Sheger Gebeta that is scheduled to be held in the Palace at the Minellik Hall).
- Ethiopia, Arab Bank Sign \$20mln Loan Agreement.
- World Bank President To Visit Ethiopia.
- CBE obtains USD 4.8 bln from remittance, export in nine months.
- Dashen mobilizes one billion br from Islamic banking.
- United Bank first to attend River Dinner.
- Ethiopia's state bank deposit surpasses \$17 billion.
- Abay Bank joins HQs building race.
- Financial sector opens to Diaspora.
- World Bank President Visits Ethiopia.
- ኒላ ኢንቨርንስ አዲጋ ለደረሰበት የቲኤንኤ ሌሊትተር ከአንድ ሚሊዮን ዶላር በላይ ካላ ሊከፍል እየተዘጋጀ ነው (Nyala to pay more than USD 1 mn for the loss of TNA Helicopter).
- CBE donates half-a-bln birr for beautifying Sheger Project.
- DBE Suffers Mammoth Loss of 1.7b Br.
- New Private Commercial Bank Queues Up.
- Zemen Edges Closer to Becoming Newest Insurance Co.
- Wegagen sees remittance increase, links with WorldRemit.
- ብሔራዊ ባንክ ለንግድ ባንክ 200 ሚሊዮን ዶላር ለቀቀለት (NBE extends over \$200 million fx to CBE).
- መንግሥት የውጭ ምንዛሪ በግል ባንኮችም ለማቅረብ ወሰነ (NBE to begin issuing fx to private banks).
- UN Special Advocate Queen Máxima Promoting Access to Financial Services in Ethiopia).
- የባንኮች አዳዲስ ብድር የማበደርና የመሰብሰብ አቅም ከፍ ማለቱ ተገለፀ (Banks' new loan disbursement and collection improved, NBE).
- ብሔራዊ ባንክ ለግል ባንኮች የፈቀደውን 100 ሚሊዮን ዶላር ድልድል አስታወቀ (NBE announced how USD 100 mn is allotted to private banks).
- ZemZem Bank Rises from the Ashes.
- Bank process delaying medicine deliveries.
- What Went Wrong with Ethiopia's Policy Bank?
- የባንኮች አካላዊና የፋይናንስ ደኅንነት ላይ ቁጥጥር ለማድረግ የሕግ ማሻሻያ ሊወጣ ነው (A new law is in due process to ensure banks' physical and financial security).

- የውኃ ፍጅታ ሒሳብ በንግድ ባንክ በኩል ሊሰበሰብ ነው (Monthly water bill to be collected via CBE branches).
- ዘምዘም ባንክ በወለድ አልባ ባንክ ሥራ ለመሰማራት የአክሲዮን ሽያጭ ሊጀምር ነው (Zemzem Bank to start selling shares).
- Kenya’s financial firm Equity Bank enters Ethiopia.
- Bankrolling the reform.
- New Lease Financier to Join Business.
- Zamzam starts selling shares.
- Celebrating 10th year anniversary.
- Oromiya Insurance unveils ambitious plans.

Policy and Regulatory news

- የውጭ ምንዛሪ ተመን በገበያ እንዲወሰን መንግሥት ማቀዱ ተሰማ (Government indicates future plans to allow market determination of the exchange rate).
- Council of Ministers to endorse mining licenses.
- VAT reporting period extended.
- የነዳጅ አቅርቦትና ሥርጭትን የሚቆጣጠር ባለሥልጣን ሊቋቋም ነው (A new Authority that controls fuel supply and distribution to be established).
- በማዕድናት ግብይት ላይ ከፍተኛ ቁጥጥርና ቅጣት የሚጥል አዋጅ ሊወጣ ነው (A new Proclamation to Regulate Transaction of Minerals is underway).
- Council Approves Voluntary Product Standards.
- Gov’t initiates modalities to privatize Sugar projects.
- Excise taxes to be calculated based on inflation.
- Ethiopia Drafts Petroleum Policy.
- MoTI makes first trade policy.
- የኢትዮጵያ ማዕድንና ነዳጅ ፖሊሲ በሃምሌ ወር ወደ ስራ ይገባል (Ethiopia’s mines and petroleum policy to be operational beginning from the coming July, MoMP).
- ከግብር ጋር የተያያዙ 14 አዳዲስና ነገር መመርያዎች ተሻሽለው ፀደቁ (MoR & MoFEC ratify 14 new and existing tax laws).
- Ministry Plans to Introduce Excise Taxes.
- House reviews business registration, licensing amendment.
- Bill empowers regional states over mining.
- Central Bank directive frustrates oil companies.
- Bottle Water tax to be repealed.
- Study examines possible price cap return.
- ክልሎች ከፌዴራል መንግሥት የሚያገኙትን የድጎማ ዓይነትና የጋራ ገቢዎቻቸውን የሚከፋፈሉበትን መርህ ለመወሰን ረቂቅ የሕግ ማዕቀፍ ተዘጋጀ (A new policy draft on federal government’s budget subsidy and it’s distribution to regional governments is being under way).
- Ministry Overhauls Privatisation Laws.
- Parliament Passes Petroleum Regulatory Authority Establishment Law.
- Government to Draft First Ever Anti-Corruption Policy.
- Bill Takes Shape to Avoid Public Project Delays, Cost Overruns.
- Draft bill takes aim at key provisions of VAT proclamation.
- Bill Loosens VAT Reporting, Clearance Steps.
- Ethiopian Parliament approves telecom liberalization law.

- ብሔራዊ ባንክ በዓይነት ለሚገኝ የውጭ ብድር መመርያ አወጣ (A new external loan in kind directive issued by NBE).
- Venture capital policy on the horizon.
- Stringent Labor Law Reaches Legislation.
- Forex available for loan to foreign investors as local businesses cry foul.
- የውጭ ባለሀብቶች በሚዲያ ውስጥ እስከ 25 በመቶ ድርሻ እንዲኖራቸው የሚፈቅድ ህግ ተረቀቀ (Foreign investors to be allowed up to 25% media ownership in Ethiopia).
- Sin tax on beer spikes 45%.
- Parliament passes resolution to ensure gov't accountability.
- የንግድ ሥራ ለመጀመር ጋሬጣ የነበሩ መሥሪቶችን የሚያስቀረው የሕግ ማሻሻያ ፀደቀ (Ethiopia's parliament approved a motion to improve ease of doing business).
- NBE approves minimum premium policy rate.