

SUMMARY: Recent Developments and Year-Ahead Outlook

The third quarter of the year was marked by continued stresses in some of the economy's usual weak spots (inflation, foreign exchange), but also by a very clear turnaround and improvement in multiple macro indicators (budget revenues, exports, credit and privatization). Looking ahead, recent political developments and the planned 2020 elections are bringing uncertainties to the economic outlook, as business confidence could weaken in such an environment and new investments may get put on hold. However, offsetting such potentially negative factors, we would highlight that the growth outlook remains positive so far in the fiscal year (recent rains were well above their long-term average and public sector projects are boosting construction activity); the worst is over for inflation (we expect November's 19% outturn will mark the turning point); fiscal performance is looking good (tax collections are up and debt ratios are down); credit to the private sector is rising rapidly (up 46 percent at private banks); and the country's external position is showing improvement in some areas (exports are reviving, imports essentially flat, and end-June foreign reserves \$560mn above year-ago levels). Perhaps most important, the central bank has significantly stepped-up the pace of exchange rate adjustment since early November, which should help close balance of payments gaps and improve fx constraints going forward. All things considered, and conditional on a stable socio-political environment, a broadly positive macro outlook thus remains our baseline forecast for the year ahead.

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Recent Developments:

- **GDP growth:** As annual GDP data is not yet released (it is normally out in November or December of each year), we retain our 8.1 percent estimate for economic growth in the recently ended 2018-19 fiscal year. Our estimate reflects sector growth rates of 3.1%/9.5%/12.0% for agriculture/services/industry and their respective weights of 33.3%/37.6%/29.1% in last year's GDP. We note that the IMF has recently reduced its estimate for last (fiscal) year to 7.4 percent, versus 7.7 percent before, but do not see a strong basis for following their modest downward revision given that weaker-than-expected agriculture figures were already incorporated in our estimate. For the first quarter of the current fiscal year, July-September 2019, activity indicators show 16 percent real growth in tax collections, 22 percent growth in tourist arrivals, 10 percent growth in telecom subscriptions, and 10/16 percent real growth respectively in deposit/lending levels. Though still a small part of overall GDP, a review of the nine active industrial parks (Eastern, Bole Lemi, Hawassa, George Shoes, Velocity, Huajian, Kombolcha, Mekelle, and Adama) shows 42 percent growth in their aggregate USD exports and 33 percent growth in total employment from year-ago levels.

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- **Investment:** We continue to expect that the forthcoming GDP data release will show investment was in the range of 30-32 percent of GDP for FY 2018-19, somewhat lower than the previous year's investment ratio of 34 percent of GDP. Looking at the 2018-19 fiscal year, while indicators for public sector investment suggest positive trends (government capital expenditure rose 14 percent in 2018-19 and state enterprise bond borrowing—a proxy for their capex activities—was up 16 percent), private sector indicators of investment point to a modest slowdown: imports of capital goods were down 3 percent for the fiscal year while FDI inflows were also lower at \$3bn during 2018-19 vs \$3.7bn the prior year (a 19 percent decline). With respect to the most recent quarterly outturn, available indicators suggest a mixed picture: capital goods imports were down 15 percent from year-ago levels (mainly due to sharply lower capital equipment imports) but FDI inflows are reported to be up 13 percent from year ago levels (\$0.7bn during July-September 2019 vs \$0.62 in the same period a year ago).
- **Inflation:** Inflation at end-September 2019 was 18.61 percent and end-October 2019 data show a similar rate of 18.65 percent. Month-on-month inflation in October 2019 was -0.2 percent, turning negative for the first time in exactly a year (in line with seasonal norms where post-harvest months, i.e., October-December, typically show negative month-on-month rates). Food price inflation has already peaked (it fell slightly to 23.2 percent in October), but non-food prices still show a rising trajectory, although at much lower levels of near 13 percent. As highlighted in our recent inflation note, it is worth recognizing that, excluding two just items (vegetables and cereals), inflation is still running at a rate of near 10 percent even with the latest October 2019 data.
- **Monetary policy:** Growth in broad money supply as of June 2019 (latest available date) continues to be around 20 percent on a year-on-year basis, roughly similar to the growth rate of the past three quarters and down notably from the 29 percent annual growth registered as of June 2017 and June 2018. Growth in central bank money supply (base money) reversed its decelerating trend seen in recent quarters and stood at 15.3 percent as of June 2019, mainly reflecting a jump in the deposits of commercial banks at the central bank. The latter may be due to lumpy year-end flows at commercial banks and may not necessarily be indicative of underlying trends (data for subsequent quarters should confirm if reserve money growth has indeed turned significantly upward).
- **Banking developments:** Ethiopia's commercial banks have shown a solid start for the new fiscal year, with end-September figures showing deposits reaching Birr 918bn (up 23 percent from year-ago levels) and loans reaching Birr 475bn (up 30 percent). Total financing provided by the banking system (loans plus banks' holdings of corporate bonds and NBE Bills) has now reached an estimated Birr 930bn, equivalent to 101 percent of total banking system deposits. The sector also registered 26 percent growth in assets, 12 percent growth in capital, and 17 percent growth in branches (to 5,346 nation-wide branches as of September 2019 from 4,986 branches a year ago). Looking just at the private banks, they have collectively been expanding their loan books at a rapid rate, with their lending (virtually all to the private sector) up 46 percent from year ago levels.

Boosted by these trends, provisional quarterly profits at the 16 private banks are up over 50 percent from year-ago levels.

- **Fiscal policy:** Budgetary performance is also off to a very strong start with record-breaking revenue collections registered in recent months: tax receipts reached Birr 57bn in the first three months of the fiscal year, exceeding the Birr 56bn budgetary target and a 29 percent jump from year-ago levels. Press reports suggest October collections were even better, at Birr 32.6bn for just that month, suggesting a positive year-total outlook.
- **Debt:** Total public debt reached \$53.7bn at end-June 2019, up by \$1.2bn/\$4.2bn for the quarter/year, but down when expressed relative to GDP from 58.9 percent at end-June 2018 to 56.4 percent at end-June 2019 (based on our USD nominal GDP estimates of \$95.3bn for 2018-19). Looking only at external debt, this stands at 28.4 percent of GDP, down from 30.8 percent of GDP in June 2018. Ethiopia has now been showing three consecutive quarters of declines in the debt to GDP ratio. MOFEC debt data (per the Public Sector Debt Portfolio Report) show external debt continuing to have broadly favourable terms, i.e., low average interest rates (2.8 percent) and long average maturities (11 years).
- **Trade:** The persistently weak export performance seen over the past few years was reversed in July-September, with total exports reaching \$723mn for the quarter, or a growth rate of 15 percent from year-ago levels. This growth reflected the strong performance of exports such as coffee (\$232mn for the quarter, up 14 percent), roses (\$115mn, up 118 percent), chat (\$93mn, up 17 percent), textiles (\$52mn, up 53 percent), pulses (\$49mn, up 12 percent), and live animals (\$24mn, up 66 percent). Rose exports have done particularly well and are on track to surpass \$400mn in annual exports if their current pace is sustained (becoming the second largest export after coffee). Though the first quarter's 15 percent growth rate is promising, it is also somewhat exaggerated by the unusually low export figure this time last year and year-total exports are thus unlikely to be significantly above \$3bn, in our view. Some previously large export categories—it should be noted—continue to be under strain, most notably for oilseeds/ sesame (down 7 percent), leather products (down 29 percent) and gold (down 61 percent). With respect to import trends, the July-September period showed minimal growth in imports (up just 2 percent from \$3.68bn a year ago to \$3.75bn this past quarter), and a review of the key sub-components reveals declines in imports of capital goods (down 15%) and in fuel (down 10%, thanks to global oil prices), which were offset somewhat by significant increases in imports of manufactured inputs (up 28 percent for semi-finished goods).
- **Balance of payments (BOP):** Data to June 2019 show improvements in several key components of the balance of payments. The trade deficit was roughly unchanged at \$12.4bn, equivalent to an improvement from around 15% of GDP to 13% of GDP for the year. At the same time, fx inflows from service exports rose to near \$5bn (up 17 percent from the previous year) while fx inflows from remittances reached \$5.7bn (up 11 percent). FDI inflows were about 19 percent

lower than the previous year (just \$3.0 bn vs \$3.7bn), though Ethiopia still ranks among the highest recipients of foreign investment in the continent, per UNCTAD data. Grants and loans taken together rose to \$3.6bn in 2018-19, or a growth rate of 20 percent compared to the previous year's combined grant/loan inflow of \$3.1bn. Reflecting the net impacts of the above, the central bank's fx reserves rose by \$568mn during the fiscal year, reaching \$3.4bn as of June 2019 (2.7 months of import cover and roughly 1.7 times annual external debt service).

- **Exchange rate:** The exchange rate reached 29.43 Birr/USD at end-October 2019, a 6 percent depreciation rate from its level a year ago. The depreciation effected over the past year has not fully covered the 18 percent (year-on-year) inflation registered over the same period, pointing to a notable loss in competitiveness on a real effective exchange rate basis (which the central bank estimated to be 21 percent in FY 2018-19 based on their REER indices). In an apparent recognition of the need to reverse this sizeable loss of competitiveness, a much faster pace of exchange rate adjustment has been adopted by the central bank as of early November, with the Birr depreciating by 50 cents just in the *first 20 days* of November (up to the November 20, 2019 cut-off date of this note) vs a normal depreciation of just 14 cents per *month* that had been in place throughout the past year (October 2018 to October 2019).
- **Sovereign bond and Market Ratings:** Ethiopia's sovereign bond showed a small decline of 7 basis points, from 5.74 percent at end-June 2019 to 5.67 percent at end-September. During the quarter, two of the three international rating agencies (Fitch and Moody's) changed their sovereign rating on Ethiopia to a 'negative' outlook while still retaining their overall 'B' and 'B1' ratings. Standard & Poor's has maintained both its 'B' rating as well as its 'stable' outlook. On purely macroeconomic criteria, we find the two rating agencies' switch to a 'negative' outlook somewhat unexpected at this point (compared to, say, a year ago), given that the country's current external position shows a lower current account deficit, higher fx reserve stock, improved debt ratio, and stronger privatization prospects than that seen in the recent years.
- **Macro-structural reforms:** Multiple structural reforms—with potentially sizeable and positive macroeconomic impacts—have been initiated or advanced in the third quarter. Among the most notable: (1) extensive progress was made on telecom privatization, including the operationalization of the regulatory body (ECA) and the collection of proposals from sell-side advisers (some 22 of which put in expressions of interest); (2) two solar projects were awarded under the Independent Power Producer Scheme, setting the stage for many more such ventures under the Government's Public-Private Partnerships (PPPs); (3) the sale of six of a planned thirteen sugar plants was advanced to its final phase; and (4) the Ministry of Mines & Petroleum issued ten mining licenses (seven for exploration, the rest for production) to jump-start explorations and activity in this area.

Year-Ahead Outlook:

The macroeconomic outlook for the year ahead is partly clouded by recent political developments and by potential socio-political tensions in the run up to the 2020 elections. In such an environment, public confidence and business sentiment may turn cautious or negative (leading to cutbacks in investment and thus lower growth), while policymakers' attention and priorities may move away from the economic reform agenda. While such risks are an inherent part of the outlook for Ethiopia in 2020, three countervailing factors mitigate some of these concerns, in our view: (1) trends in macro policies and outturns are mostly positive so far into the fiscal year (as summarized in the prior section); (2) economic reform initiatives—privatization, PPPs, job creation, and ease of doing business reforms—do not show any signs of a loss in momentum (their execution actually appears to have strengthened in recent months, especially for privatization); and (3) broader policy priorities in the run up to the election are likely to show more—not less—emphasis on ensuring stable socio-economic conditions (via, for example, enhanced security and stronger inflation control over the coming months). Taking these considerations into account, and on the assumption of a relatively stable socio-political environment, we thus continue to form our macroeconomic projections on the basis of a broadly benign outlook for the year ahead.

- **GDP growth:** As emphasized in our recent macroeconomic reviews, the current composition of Ethiopia's GDP makes growth figures highly dependent on the performance of crops, construction, and services—and the outlook for all three is broadly positive. Crop volumes are heavily dependent on rains, whose levels in the just-finished *kiremt* months were 23 percent higher than the ten-year average and 2 percent higher than last year's rainfall levels (per our compilation of National Meteorological Agency data). The Ministry of Agriculture anticipates a crop output of over 35mn tons this year, versus last year's 32mn tons, but we find this somewhat ambitious and use a more modest 5 percent increase as the basis for our agriculture sector growth forecasts. Better-than-normal rains and higher fertilizer usage (which was up 23 percent judging by January-June imports) certainly support the ambitious growth projection, but other factors—including locust infestations in some parts of the country—will partly offset some of these positive prospects, in our view. For the industrial sector, whose largest sub-sector is actually construction, this should be propelled by an increased capital budget, including the re-starting and/or continuation of several major road building projects (a record high of Birr 47bn was approved in this year's budget, up 21 percent from last year) and the launch of public housing initiatives (Addis Ababa alone has already started with a 'ground-breaking' on some 20,000 units this fiscal year). Within manufacturing, recent improvements in electricity power supplies (after extensive outages in March-July) should boost activity, while the performance seen at industrial parks—though growing from a small base—also suggests a positive momentum given 42 percent growth in total exports (now nearing \$200mn on an annualized basis) and 33 percent growth in employment during the first quarter of this year. On service sector activities, first quarter

outturns in tax collections (especially VAT), tourist arrivals, and banking suggest to us continued strong growth trends in this sub-sector of the economy. Considering all of the above, we think overall GDP growth will be around 8 percent for 2019-20 (the IMF projects 7.2 percent in its October 2019 WEO and the World Bank 8.2 percent in its Economic Update of May 2019). As emphasized above, our growth projection presumes—among other things—that political developments will not adversely affect business sentiment and economic activity over the coming months.

- **Inflation:** With respect to the inflation outlook, the worst is over—in our view—since month-on-month price changes have now turned negative for the first time in over a year and harvested crops are gradually beginning to enter national food markets. Although we expect another negative month-on-month inflation outturn for November, *year-on-year* inflation will likely rise to 19 percent (just briefly) when end-November 2019 figures are released in early December (due to a base effect with the CPI index having fallen sharply in November last year). This end-November figure will, in our estimation, mark the highest inflation rate for the rest of the fiscal year. With the normalization of domestic food prices over the coming months, the continued subsidization of key staple foods (sugar, wheat, cooking oil) and assuming no increases in global oil prices (per IMF forecasts), we project inflation will remain in the mid- to low-teens up to the first quarter of 2020 but then show a marked decline thereafter. Our projection for June 2020 is a year-on-year inflation rate of 10.3 percent.
- **Fiscal policy and debt:** Given strong tax collections in the past few months, we believe the government will comfortably meet its tax revenue target of Birr 225bn for the fiscal year (40 percent of the year's tax revenue target has already been collected in the first one-third of the year). With expenditure expected to largely follow budgeted amounts, the year's deficit target—Birr 97bn or 3 percent of GDP—is thus likely to be achieved as well; a contingency fund of Birr 14bn is also set aside in the budget should any new priorities or surprises arise that require additional expenditure. Financing of the budget deficit should not pose a major challenge, given external funding of around Birr 42bn (mainly from the World Bank and AfDB) and domestic financing of Birr 57bn that can be secured without much difficulty from a combination of Treasury Bill issuances, non-bank sources of funding (namely pension funds), and likely some use of central bank advances.
- **Monetary and banking:** Our expectation for banking and monetary trends this year is largely unchanged from our last quarterly review: we had forecast aggregate banking deposits to reach Birr 1.1 trillion by June 2020 (equal to 33 percent of GDP) and also anticipated that the ratio of total bank financing to deposits (after accounting for reserve requirements and NBE Bills) should remain a very high 99 percent, revealing the near-full deployment of mobilized deposits. Banking developments as of September 2019 are consistent with this full year projection and we thus keep unchanged our monetary and banking forecasts. We continue to project money supply growth at 20 percent for the year, somewhat

below the 24 percent expansion expected in nominal GDP (8 percent growth in real GDP growth plus 16 percent growth in the GDP deflator for FY 2019-20).

- **Balance of payments:** We broadly retain the balance of payments outlook for FY 2019-20 (our Q2 macro review anticipated a near \$1bn increase in reserves conditional on privatization related inflows being booked by June 2020). Relative to our projections from last quarter, we think exports will be slightly higher and imports slightly lower (both of which will further reduce the trade deficit). At the same time, there are likely to be some shortfalls to our previous projections for tourism and FDI inflows (excluding privatization) given recent developments and first quarter outturns. These projections broadly offset each other, and we thus still expect a surplus of just above \$1bn on the balance of payments this year. Given a starting central bank fx reserves stock of \$3.4bn at end-June 2019 (we had estimated \$3.6bn), we thus now see end-June 2020 reserves at \$4.5bn (including prospective privatization receipts). As monthly imports are \$1.25bn and annual external debt service near \$2.0bn (including principal and interest payments), the projected fx reserves stock as of June 2020 would cover 3.4 months of imports and 2.3 times annual debt service dues.
- **Exchange rate:** With respect to the exchange rate outlook, this month's faster pace of depreciation will continue into 2020, in our view. Simply extrapolating the trend seen so far this month suggests a depreciation of more than 1 Birr for the full month of November—which is a pace of adjustment that, if sustained, would imply a very significant depreciation for the year ahead. However, such a pace of monthly depreciation cannot be expected to continue for too long, in our view, and it should indeed begin to moderate once inflation falls towards single digit levels. Given our expectation that inflation will drop markedly by early 2020, we anticipate a slower pace of monthly exchange rate adjustments at that time. Thus, despite the uncertainties involved, we presume the current pace of rate adjustment (around 1 Birr per month) will be in place for only a couple months, followed thereafter by a much more moderate pace of adjustment in line with declining inflation. Reflecting these assumptions, we forecast the exchange rate will reach 32.8 Birr/USD by June 2020—a roughly 13 percent depreciation from year-ago levels that (if realized) would be a welcome and warranted move to help address Ethiopia's acute fx constraints.

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

We expect crop output to rise by at least 5 percent this year vs 3 percent last year:

- The Ministry of Agriculture expects a crop output of more than 35mn tons this year, compared to 31.6mn tons last year.
- We forecast 5 percent growth in major crops, partly due to higher fertilizer usage this year (judging from the 22 percent growth seen in fertilizer import data)
- Rainfall in the *kiremt* months was significantly above the ten-year average and higher than last year, further suggesting favourable agricultural outcomes

Growth projections:

- We expect GDP growth be 8 percent in FY 2019-20, aided by 5 percent growth in crop production
- Industry growth is expected at 12 percent, given the strength of construction activity.
- The service sub-sector will grow by close to 8 percent, in our view, judging by first quarter outturns in VAT collections, banking activity, and tourist arrivals.

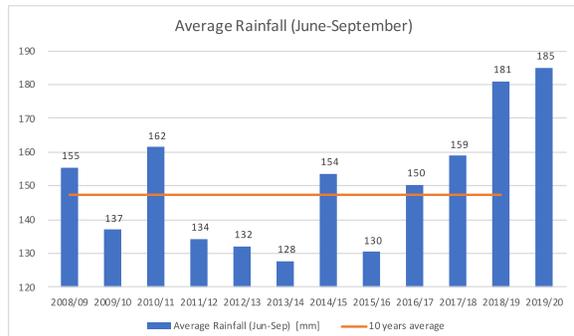
Figure 1A: Agricultural Production and Growth

Agricultural Production (Mns of tons)					Projection
	2015-16	2016-17	2017-18	2018-19	2019-20
Major Crops	26.7	29.0	30.6	31.6	33.1
Cereals	23.1	25.4	26.8	27.8	29.3
<i>of which:</i>					
Maize	7.2	7.9	8.4	9.5	10.1
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	5.1
Pulses	2.8	2.8	3.0	3.0	3.1
Oilseeds	0.8	0.8	0.9	0.8	0.8

Growth Rates--PRODUCTION					Projection
	2015-16	2016-17	2017-18	2018-19	2019-20
Major Crops	-1.3%	8.8%	5.4%	3.1%	5.0%
Cereals	-2.0%	9.8%	5.5%	3.7%	5.4%
Pulses	3.6%	1.6%	5.8%	1.1%	3.0%
Oilseeds	3.2%	6.9%	1.9%	-8.2%	0.0%

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

Figure 1B: Average Rainfall



Source: National Meteorological Agency: Average rainfall data at 14 primary locations across Ethiopia

Figure 2: Growth Projection by Sector

	2016-17	2017-18	Estimate 2018-19	Projection 2019-20
Overall GDP	10.1	7.7	8.1	8.0
Agriculture	6.7	3.5	3.1	4.5
<i>Of which: Major crops</i>	<i>8.2</i>	<i>4.7</i>	<i>3.1</i>	<i>5.0</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	9.5	7.8

Source: MOFEC and NBE for historical data, Cepheus projection for FY 2019-20

Activity indicators:

- Activity indicators mostly point to a strong start for the first quarter of the fiscal year (Jul-Sep 2019), looking at data for tax receipts, deposits, loans, FDI, industrial park performance, and tourist arrivals.

Figure 3A: Activity Indicators for FY 2018-19 and Q1 2019-20

	FY 2017-18: Full year	FY 2018-19: Full year	Nominal growth	Real growth
Fuel consumption (Tons)	3,770,589	3,889,608	...	3.2%
Electricity power generation (Kwh mns)	13.9	12.6	...	-9.4%
			Nominal growth	Real growth
Tax collections	44.3	57.2	29.1%	15.6%
o/w Direct tax collections	25.6	30.7	19.8%	6.3%
o/w Trade tax collections	18.7	26.5	41.9%	28.4%
Deposit levels	745.5	917.6	23.1%	9.6%
Loan levels	366.5	475.1	29.6%	16.1%
Ethio Telecom (Total Subscribers in mns)	40.3	44.5	...	10.4%
FDI (\$bns)	0.62	0.7	...	13.0%
Industrial parks exports (\$mns)	33.27	47.29		42.1%
Industrial parks employment	57,340	76,289		33.0%
Tourist arrivals	182,205	223,053		22.4%

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:

- Investment indicators for last fiscal year were broadly positive, but had shown a slowdown in a few areas such as FDI.
- For the first quarter of this fiscal year, a positive trend is now seen in FDI, but imports of capital goods continue to show year-on-year declines.

Figure 3B: Investment Indicators

	FY 2017-18	FY 2018-19	% Change
<u>Fiscal year 2018-19</u>			
SOE bond borrowing (Birr bns)	291.4	338.6	16%
Govt Capital Expenditure (Birr bns)	75.2	85.7	14%
Capital Goods Imports (USD bns)	5.2	5.0	-3%
Foreign Direct Investment (USD bns)	3.7	3.0	-19%
<u>Quarter 1, FY 2019-20</u>			
	<u>Q1 2018-19</u>	<u>Q1 2019-20</u>	<u>% Change</u>
Capital Goods Imports (USD bns)	1,196	1,020	-15%
Foreign Direct Investment (USD bns)	0.62	0.70	13%

Source: NBE quarterly bulletin, MOTI, ERCA. EIC

PRICES AND INFLATION: Recent Developments and Outlook

Inflation outturns:

- Inflation remains high and stood at 18.65 percent as of October 2019.
- Inflation has now been above 15 percent for six consecutive months.
- Several items with large CPI weights continue to show double-digit inflation: Vegetables (35%), Bread & Cereals (30%), and meat (27%).
- Inflation of domestically produced items remains much higher than inflation for *imports* or for *services*.

- Five major food categories—vegetables, breads, fruits, meat, and alcoholic beverages—showed inflation of over 20 percent
- The top non-food items that showed double-digit inflation were transport, housing, and health services.

Figure 4A: Inflation Outturns by key analytical categories – October 2019

	Weight in CPI index	Weights within	Inflation (M-o-M)	Inflation (Y-o-Y)
A. Domestically Produced and Domestically Consumed				22.5%
1 Bread and Cereals	17.1%	47%	1.5%	29.7%
2 Alcoholic beverages and tobacco	4.9%	13%	0.7%	20%
3 Other food products	5.6%	15%	-1.9%	8%
4 Meat	4.2%	12%	-0.8%	27%
5 Milk, Cheese, Eggs	3.1%	9%	-2.5%	15%
6 Sugar, jam, honey and others	1.4%	4%	-0.8%	6%
Sub-Total	36.5%	100%		
B. Domestically produced but also heavily exported				25.9%
7 Vegetables	12.3%	70%	-3.7%	35%
8 Non- alcoholic beverage and coffee	5.1%	29%	1.5%	3%
9 Fruits	0.2%	1%	5.2%	28%
Sub-Total	17.6%	100.0%		
C. Import-Heavy Commodities				10.0%
10 Clothing and footwear	5.7%	33%	-0.3%	7%
11 Furnishings, Household Equipment, and others	4.7%	27%	0.5%	11%
12 Oils and Fats	4.3%	25%	-0.4%	8%
13 Miscellaneous goods	2.5%	15%	0.5%	17%
Sub-Total	17.2%	100.0%		
D. Services				13.7%
14 Housing, water, electricity, gas, other fuels	17%	59%	1.3%	13%
15 Restaurants and Hotels	5.3%	18%	-0.3%	19%
16 Transport	2%	9%	-0.1%	19%
17 Health	1%	5%	-0.4%	13%
18 Communication	2%	7%	-4.8%	-2%
19 Recreation and culture	0%	1%	4.1%	12%
20 Education	0%	1%	-2.8%	4.4%
Sub-Total	28.7%	100.0%		
Overall inflation	100%		-0.2%	18.65%

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

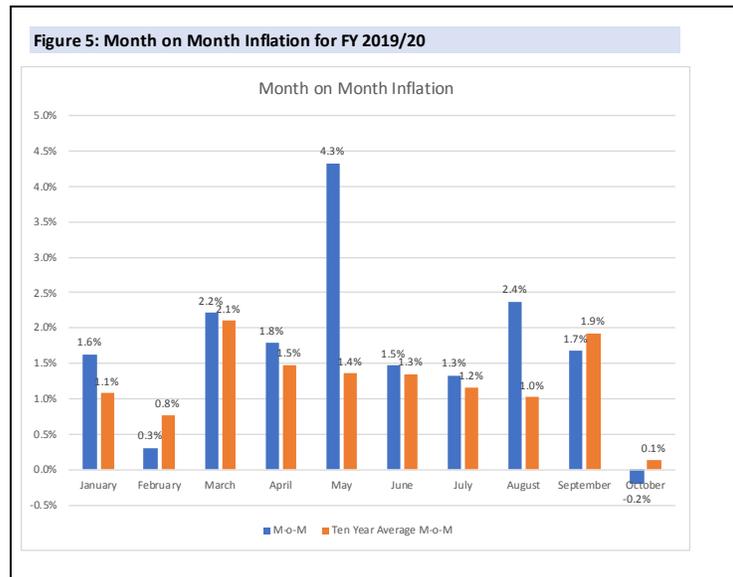
Figure 4B: Items showing highest overall inflation--October 2019

	Weight in CPI index	Inflation (M-o-M)	Inflation (Y-o-Y)
Ranking of items showing highest inflation rates:			
1 Vegetables	12.3%	-3.7%	35.2%
2 Bread and Cereals	17.1%	1.5%	29.7%
3 Fruits	0.2%	5.2%	28.0%
4 Meat	4.2%	-0.8%	26.7%
5 Alcoholic Beverages & Tobacco	4.9%	0.7%	20.1%
6 Transport	2.5%	-0.1%	19.5%
7 Restaurants & Hotels	5.3%	-0.3%	18.6%
8 Milk, Cheese and eggs	3.1%	-2.5%	14.7%
9 Housing, water, electricity, gas ar	16.8%	1.3%	13.5%
10 Health	1.5%	-0.4%	13.2%
11 Recreation & culture	0.4%	4.1%	11.9%
12 Furnishing, household equipment	4.7%	0.5%	11.1%
13 Oils and fats	4.3%	-0.4%	8.1%
14 Clothing and Foot wear	5.7%	-0.3%	7.1%
Weighted average		-0.1%	20.8%
Overall inflation		-0.2%	18.7%

Source: CSA and Cepheus Research

Month on month inflation:

- Monthly inflation in October turned negative for the first time in over a year.
- Month-on-month inflation averaged 2.2 percent in the six months to October, but fell to -0.2 percent last month.



Source: CSA

Inflation projections:

- We expect inflation to be briefly hit 19 percent at end November (due to base effects), but see it declining markedly thereafter.
- Inflation will fall towards 10 percent May/June 2020, by our projections

Figure 6: Inflation Projections to June 2020

	Price index	M-o-M inflation	Y-o-Y inflation
<i>Actuals</i>			
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%
August 2019	149.8	2.4%	17.9%
September 2019	152.3	1.7%	18.6%
October 2019	152.0	-0.2%	18.7%
<i>Projections</i>			
November 2019	150.9	-0.7%	19.1%
December 2019	150.2	-0.5%	16.8%
January 2020	150.9	0.5%	15.5%
February 2020	152.0	0.7%	15.9%
March 2020	153.5	1.0%	14.6%
April 2020	155.0	1.0%	13.7%
May 2020	157.1	1.4%	10.4%
June 2020	159.3	1.3%	10.3%

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

MONETARY POLICY: Recent developments and outlook

Monetary growth:

- Money supply is up 20 percent (year-on-year), similar to growth in nominal GDP.
- Reserve money was up 15 percent in June 2020, after many quarters of decelerating growth.

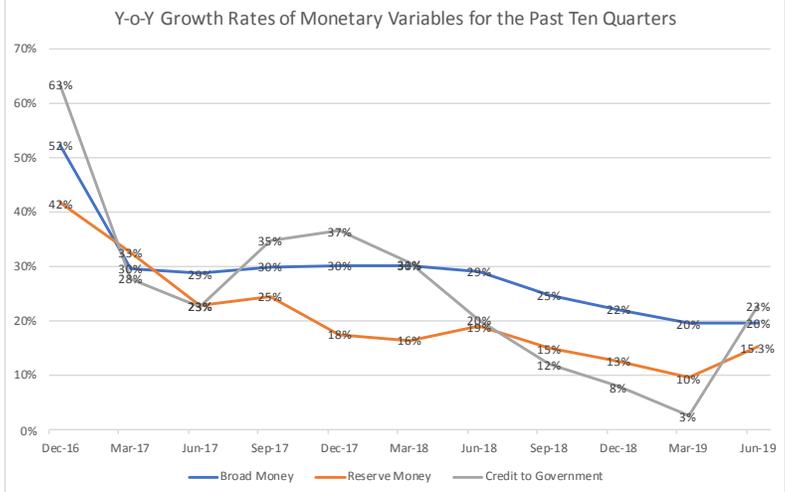
Figure 7A: Broad Money and Reserve Money (Birr bns)

	June 2017	June 2018	June 2019	% Change
Broad Money	573.4	740.6	886.8	19.7%
o/w Domestic credit	631.1	784.6	963.7	22.8%
o/w Net foreign assets	38.0	39.4	14.5	-63.2%
Reserve Money	146.3	174.2	200.7	15.3%
o/w Currency in circulation	94.2	112.9	121.8	7.9%
o/w Bank deposits at NBE	52.0	61.3	78.9	28.9%
Government Borrowing from NBE (net)	116.6	140.2	172.2	22.8%
o/w NBE credit to govt (gross)	135.6	160.1	194.7	21.6%
o/w Government deposits at NBE	19.0	19.9	22.5	13.0%

Source: NBE

- Besides, an uptick in reserve money growth, net credit to government has also jumped recently (to 23 percent on a year-on-year basis).

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



Source: NBE Quarterly Reports

Domestic financing:

- Total domestic financing has reached Birr 1.26 trillion, or 47 percent of estimated 2018-19 GDP.
- The public sector continues to absorb two-thirds of domestic borrowing.
- By instrument, loans are the most dominant form of financing, but bonds (largely issued by state enterprises and bought by the state bank) now make up 36 percent of total domestic financing.

Figure 8A: Domestic Borrowing by Sector and Instrument

	June 2017	June 2018	June 2019	% Total
Total Domestic Borrowing (Birr bns)	831	1,026	1,256	100.0%
By broad sector categories	831	1,026	1,256	100.0%
Public sector borrowers	568	696	819	65.3%
Private sector borrowers	264	329	436	34.7%
By borrower and instrument:	831	1,026	1,256	100.0%
Government	278	341	388	30.9%
o/w Bank loans	43	54	54	
o/w NBE loans (gross basis)	128	152	187	
o/w Bonds held by banks	40	45	32	
o/w Bonds held by NBE	8	8	7	
o/w Bonds held by non-banks	60	81	107	
State Enterprises	290	356	432	34.4%
o/w Bank loans	92	110	125	
o/w NBE loans	-	-	-	
o/w Bonds held by banks	198	246	307	
o/w Bonds held by NBE	-	-	-	
Private sector	264	329	436	34.7%
o/w Bank loans	231	284	378	
o/w MFI loans	32	45	59	
By instrument type:	831	1,026	1,256	100.0%
Loans	526	646	803	63.9%
o/w Bank loans	366	449	557	44.3%
o/w NBE loans	128	152	187	14.9%
o/w MFI loans	32	45	59	4.7%
Bonds	306	380	453	36.1%
o/w Bonds held by banks	238	291	339	27.0%
o/w Bonds held by NBE	8	8	7	0.6%
o/w Bonds held by non-banks	60	81	107	8.5%

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

Bank loans by sectors:

- Industry continues to absorb the largest share of bank loans (34 percent), followed by exporters and traders (12 percent each).
- Loan allocations for sectors such as agriculture and hotels/tourism continue to be very low (below 5 percent).

Figure 8B: Distribution of Bank Loans by Sector*

Outstanding Bank loans by Sector (Birr bns)	June 2017	June 2018	June 2019	% Change	% Total
Central Government	42.6	54.4	54.2	0%	10%
Agriculture	20.0	19.5	20.4	4%	4%
Industry	130.0	154.9	188.7	22%	34%
Domestic Trade	41.8	44.9	65.4	46%	12%
International Trade	52.2	78.0	102.2	31%	18%
of which: Exports	30.0	47.8	66.1	38%	12%
of which: Imports	22.2	30.2	36.1	20%	6%
Hotels and Tourism	5.8	9.9	13.7	39%	2%
Transport & Communication	14.4	13.8	12.4	-11%	2%
Housing & Construction	38.0	43.6	51.3	18%	9%
Mines, Power & Water Resources	0.2	0.2	1.6	635%	0%
Others	16.4	23.0	5.9	-74%	1%
Personal	4.3	6.7	40.8	509%	7%
TOTAL LOANS BY BANKS*	365.6	449.0	556.6	24%	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:

- Bond issuances by state enterprises and regional governments is up 16 percent and now stands at Birr 339bn.
- EEPKO remains the largest bond issuer, with 78 percent of outstanding domestic corporate bonds.

Figure 9: Outstanding Bonds Issued as of June 2019

	June 2017	June 2018	June 2019	% Change
Total Bonds Outstanding (Birr bns)	237.8	291.4	338.6	16.2%
Public Enterprises	198.2	245.5	306.8	25.0%
EEPKO	179.3	216.4	263.9	22.0%
Railways Corporation	18.9	29.2	42.9	47.0%
Regional Government	39.6	45.9	31.8	-30.8%
Addis Ababa City Govt	39	45.3	31.2	-31.2%
Other Regions	0.6	0.6	0.6	-3.4%

Source: NBE, Quarterly Bulletin

BANKING: Recent developments

Deposit and lending trends:

- Deposit growth has been around 23 percent for two consecutive years.
- Loan growth at private banks has been particularly strong at 46% year-on-year, much larger than the loan growth seen at CBE.

Figure 10: Banking Trends (Birr bns)

	Jun 2014	Jun 2015	Jun 2016	Jun 2017	Jun 2018	Sep 2018	Jun 2019	Sep 2019	Y-o-Y % Change
Bank deposits	291.8	366.6	436.7	567.7	729.1	745	899	918	23%
CBE	199.6	248.3	289.6	366.0	453.0	458	541	538	17%
Private Banks	92.3	118.3	147.1	201.7	276.0	288	358	380	32%
Bank loans outstand	145.6	189.3	232.1	289.8	355.4	366	456	475	30%
CBE	93	115	141	157	177	177	197	199	13%
Private Banks	53	75	91	133	179	189	259	276	46%
Other indicators--all banks									
Assets	363.5	460.2	575.2	745.2	914.1	950	1,165	1,196	26%
Paid-up capital	18.9	21.1	24.2	60.9	66.2	67	74	75	12%
Branches	1,991	2,500	3,145	3,888	4,442	4,986	5,164	5,346	7%

Source: Bank Annual Reports and Bank Survey Data

FISCAL POLICY: Recent developments

Revenue performance:

- Tax revenues have risen sharply in the first quarter (up 29% from year-ago), and are above the Birr 56bn target set for the quarter.
- Trade tax collections did particularly well, up 42 percent from year ago.

Figure 11: Revenue Performance, Birr bns

	FY 2017-18 Quarter 1	FY 2018-19 Quarter 1	FY 2019-20 Quarter 1	% change
Taxes on domestic activity	21.3	25.6	30.7	19.8%
Direct tax	10.9	13.5	...	
Indirect tax	10.4	12.2	...	
Trade taxes	19.8	18.7	26.5	41.9%
Customs tariff and tax	19.3	18.2	...	
Non tax revenue	0.5	0.5	...	
Lottery Sales	0.0	0.1	0.1	38.5%
TAX REVENUE TOTAL:	41.2	44.4	57.3	29.2%

Source: MOR

Budget performance:

- For the recently completed fiscal year, budget outturns show 20 percent growth in revenue and 13 percent growth in expenditure.
- The deficit was an estimated Birr 73bn for the year, down slightly from the previous year.

Figure 12: Full Fiscal Year Budget Performance, Birr bns

	FY 2017-18	FY 2018-19	% change
Total revenue and grants	196.7	235.8	20%
Total Revenue	193.0	218.2	13%
Grants	3.7	17.6	375%
Total Expenditure	273.8	309.1	13%
Current Expenditure	77.9	86.4	11%
Capital Expenditure	75.1	85.5	14%
Regional Transfers	120.9	137.1	13%
Deficit, Birr bns	-77.1	-73.3	-5%
Deficit, percent of GDP	-3.5%	-2.7%	...
GDP (Birr bns)	2,202	2,680	22%

Source: NBE

Public debt, in USD terms:

- Public debt increased by around \$4bn over the past year and by \$1.2bn over the past quarter.
- Total public debt is now split almost evenly between external and domestic debt.

Figure 13: Public Debt, USD bns

	June 2017	June 2018	June 2019	% of Total
Total Public Debt	\$ 45.8	\$ 49.5	\$ 53.7	100.0%
External debt	\$ 23.3	\$ 25.9	\$ 27.0	50.3%
Central Government	\$ 13.0	\$ 14.7	\$ 16.0	29.7%
State Owned Enterprises	\$ 10.4	\$ 11.2	\$ 11.1	20.6%
Domestic Debt	\$ 22.4	\$ 23.6	\$ 26.7	49.7%
Central Government	\$ 10.3	\$ 11.0	\$ 12.5	23.3%
State Owned Enterprises	\$ 12.1	\$ 12.6	\$ 14.2	26.4%

Source: MoFEC

Public debt, relative to GDP:

- Public debt is down to 56.4 percent of GDP as of June 2019, from 58.9 percent of GDP the prior year.

Figure 14: Public Debt, % GDP

	June 2017	June 2018	June 2019
Total Public Debt	56.1%	58.9%	56.4%
External debt	28.6%	30.8%	28.4%
Central Government	15.9%	17.5%	16.7%
State Owned Enterprises	12.7%	13.3%	11.6%
Domestic Debt	27.5%	28.1%	28.0%
Central Government	12.7%	13.1%	13.1%
State Owned Enterprises	14.9%	15.0%	14.9%
<i>Memo items:</i>			
GDP, Birr bns	1,832.6	2,202.4	2,679.7
Exchange rate, year avg	23.11	27.26	28.91
GDP, USD bns	\$ 81.6	\$ 84.0	\$ 95.3

Source: MoFEC

External debt stocks:

- External debt is up by about \$1.1bn, but down by about 1.5 percentage points relative to GDP

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

	June 2017	June 2018	June 2019	% of Total
Total External Debt of Public Sector, USD bns	\$ 23.3	\$ 25.9	\$ 27.0	100%
Government	\$ 13.0	\$ 14.7	\$ 16.0	59%
EAL & Ethio-telecom	\$ 6.9	\$ 7.6	\$ 7.3	27%
Other State Enterprises	\$ 3.4	\$ 3.6	\$ 3.8	14%
Total External Debt of Public Sector, % GDP	28.6%	30.9%	28.4%	100.0%
Government	15.9%	17.5%	16.7%	59.0%
EAL & Ethio-telecom	8.5%	9.0%	7.6%	26.9%
Other State Enterprises	4.2%	4.3%	4.0%	14.1%
GDP, USD bns	\$ 81.6	\$ 84.0	\$ 95.3	...

Source: MoFEC

BALANCE OF PAYMENTS (BOP): Recent developments

Balance of payments:

- The trade balance was flat in USD terms, but it improved from around 15 to 13 percent relative to GDP.
- Strong fx inflows were recorded in service exports, remittances, and official transfers (grants).
- FDI was down by 19 percent vs year ago, but still high at \$3bn.
- Reserves have improved by \$568mn for the year, although net foreign assets are down (reflecting the balance of foreign liabilities)

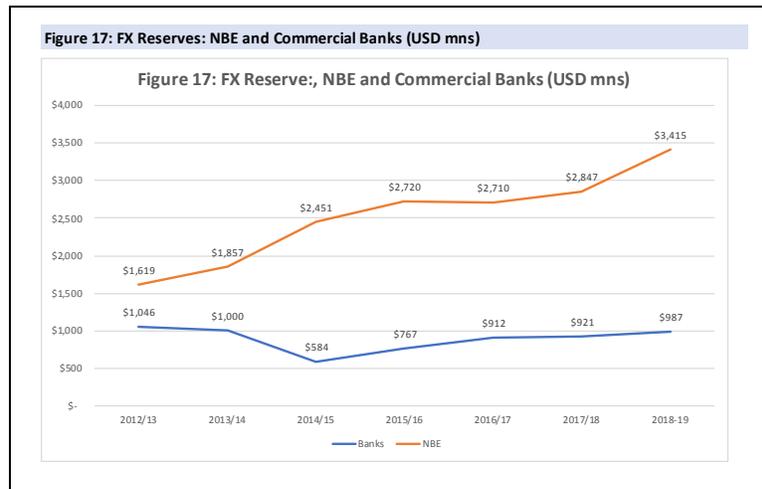
Figure 16: Balance of Payment, FY 2018-19

Balance of Payments in USD mns	FY 2017-18	FY 2018-19	% Change
Exports	2,840	2,667	-6%
Imports	(15,254)	(15,112)	-1%
Trade Balance	(12,415)	(12,446)	0%
Services, net	(140)	(551)	293%
Non-factor services, net	237	39	-84%
Exports of non-factor services	4220	4,949	17%
Imports of non-factor services	(3,983)	(4,910)	23%
Income, net	(377)	(590)	56%
O/w Gross official int. payment	418	(669)	-260%
Dividend	(0)	-	0%
Private transfers, net	6,075	6,375	5%
O/w: NGO's,(Net)	953	679	-29%
Remittances	5,121	5,693	11%
Current account balance excluding grants	(6,480)	(6,621)	2%
Official transfers, net	1226	2,087	70%
Current account balance including grants	(5,254)	(4,534)	-14%
Capital account	6,398	4,840	-24%
Official Long-term Capital, net	1,632	1,340	-18%
Disbursements	1,795	1,528	-15%
Amortization	(163)	(188)	15%
Other public long-term capital	937	74	-92%
Private sector, long term	251	264	5%
Foreign Direct Investment, net	3,723	3,015	-19%
Short term Capital	(145)	146	-201%
Errors and omissions	(1,345)	(1,247)	-7%
Overall balance	(202)	(942)	367%
Financing	202	942	367%
Reserves [Increase(-), Decrease (+)]	202	942	367%
Central Bank (NFA)	(17)	917	-5402%
Asset	350	(568)	-262%
Liabilities	(367)	1,485	-505%
Commercial banks (NFA)	219	25	-89%

Source: NBE Quarterly Bulletin

FX reserves:

- FX reserves reached \$3.4bn as of June 2020, up \$568mn relative to a year ago.
- FX coverage as of June 2019 was 2.7 months import cover and 1.7 times external debt service dues.



Source: NBE, Quarterly Bulletin

TRADE PERFORMANCE: Recent developments

Export performance:

- Exports have started off the fiscal year with very strong growth of 15 percent
- Export products that did particularly well were coffee, flowers, chat, textiles, pulses, and live animals.

Figure 18A: Export Performance

	FY 2018-19 Quarter 1	FY 2019-20 Quarter 1	% Change
Total Exports	628.0	722.8	15.1%
Coffee	204.4	232.1	13.5%
Flowers (Roses)	52.9	115.4	118.2%
Chat	78.8	92.5	17.4%
Oil Seeds	58.2	53.9	-7.4%
Textile & Textile Products	34.0	51.8	52.5%
Pulses	43.5	48.7	11.9%
Live Animals	14.6	24.2	65.5%
Leather and Leather Products	33.3	23.6	-29.1%
Meat & Meat Products	24.2	18.5	-23.5%
Fruits & Vegetables	14.8	16.4	10.7%
Electricity	16.7	10.0	-39.9%
Electronics	12.9	8.1	-37.6%
Gold	15.7	6.1	-60.9%
Spices	4.1	4.3	5.0%
Chemicals & Construction Inputs	4.4	2.3	-46.8%
Natural Gum	0.6	2.2	282.4%
Cereals and flour	0.6	0.7	4.5%
Bees Wax	0.7	0.5	-26.6%
Others	13.5	11.4	-15.8%

Source: MOTI, ERCA

Export performance--continued:

- The strongest growth rates—among exports with significant sales—were seen in flowers (up 118%), live animals (up 65%) and textiles (up 52%).
- Oilseeds, gold, leather products, and meat exports are all showing declines from year-ago levels.

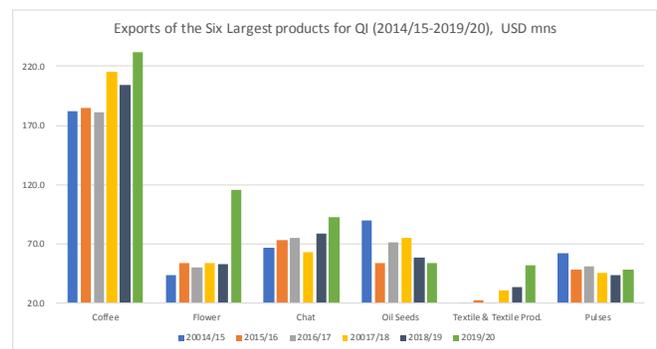
Figure 18B: Export Performance--Ranked by Growth Rate

	FY 2018-19	FY 2019-20	% Change
	Quarter 1	Quarter 1	
Total Exports, USD mns	628	723	15.1%
<i>Ranked by growth rate:</i>			
Natural Gum	0.6	2.2	282.4%
Flowers (Roses)	52.9	115.4	118.2%
Live Animals	14.6	24.2	65.5%
Textile & Textile Products	34.0	51.8	52.5%
Chat	78.8	92.5	17.4%
Coffee	204.4	232.1	13.5%
Pulses	43.5	48.7	11.9%
Fruits & Vegetables	14.8	16.4	10.7%
Spices	4.1	4.3	5.0%
Cereals and flour	0.6	0.7	4.5%
Oil Seeds	58.2	53.9	-7.4%
Others	13.5	11.4	-15.8%
Meat & Meat Products	24.2	18.5	-23.5%
Bees Wax	0.7	0.5	-26.6%
Leather and Leather Products	33.3	23.6	-29.1%
Electronics	12.9	8.1	-37.6%
Electricity	16.7	10.0	-39.9%
Chemicals & Construction Inputs	4.4	2.3	-46.8%
Gold	15.7	6.1	-60.9%

Source: MOTI, ERCA

- Looking at the six largest export products, this year's first quarter exports were the highest seen in many years for coffee, flowers, chat, and textiles.

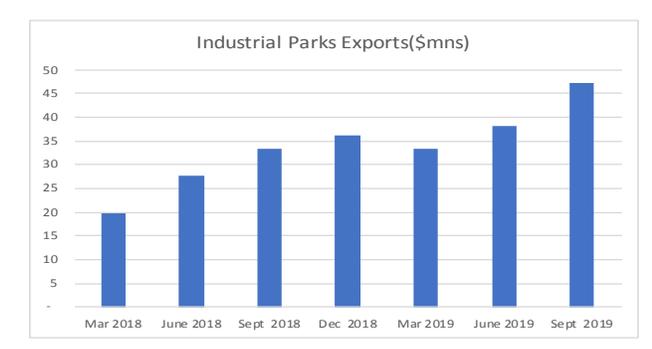
Figure 18C: Exports of Six Largest Products: Quarter 1 Outturns for Past Six Years



Source: ERCA, NBE

- Among the nine industrial parks currently in operation, aggregate exports have been showing an improving trend and reached \$47mn this past quarter (a run-rate that is now nearing \$200mn in annual exports).

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



Source:EIC

Import performance

- Imports were essentially flat in the first quarter (as has been the case for the past two years) and rose by just 2 percent.
- Consumer goods imports were flat this past quarter, though within this category, durable goods fell more sharply than non-durables such as grains and food.
- Capital goods showed a sharp decline of 15 percent, mainly due to lower industrial equipment.

Figure 19: Import Performance

	FY 2018-19 Quarter 1	FY 2019-20 Quarter 1	% Change
Total Imports	3,682	3,746	2%
Raw materials	50	42.8	-15%
Semi-finished goods	554	707	28%
Chemicals	109.3	201.9	85%
Fertilizers	7.6	22.6	196%
Textile materials	18.8	28.1	49%
Others	418.4	454.8	9%
Fuel	663	594	-10%
Crude petroleum	-	-	
Petroleum products	630	574	-9%
Others	33	20	-41%
Capital goods	1,196	1,020.3	-15%
Transport	140.1	138.2	-1%
Tyres for Heavy Vehicles	26.7	28.6	7%
Heavy Road Motor Vehicle	78.7	90.6	15%
Aircraft	13.3	15.8	19%
Others	21.4	3.1	-85%
Agricultural	16.4	16.6	1%
Industrial	1,039.2	865.5	-17%
Consumer Goods	1,148.4	1,149.6	0%
Durables	295.0	281.6	-5%
Radio & T.V.	23.8	23.5	-1%
Tyres for cars & Other Veh	12.9	11.8	-9%
Cars & Other Vehicles	80.7	66.5	-18%
Others	177.6	179.8	1%
Non-durables	853.4	868.1	2%
Cereals	204.5	287.2	40%
Other Food	160.8	149.3	-7%
Medical & Pharmaceuticals	147.1	149.9	2%
Textile Fabrics	122.7	109.1	-11%
Others	218.2	172.5	-21%
Miscellaneous	70.0	232.5	232%

Source: MOTI, ERCA

EXCHANGE RATE: Recent developments and outlook

Exchange rate trends:

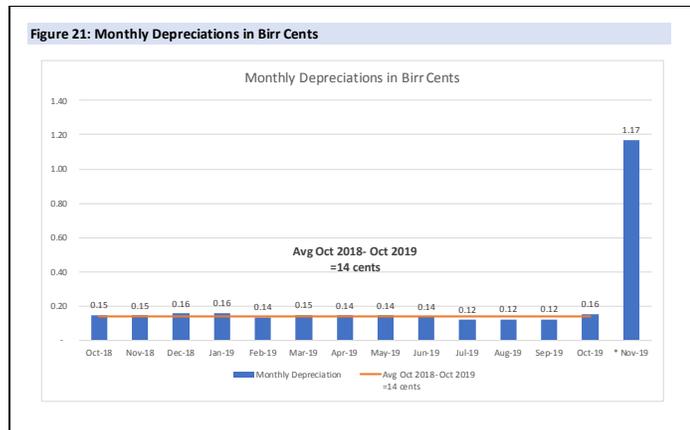
- The Birr has depreciated by an average of around 14 cents for the year to October 2019.
- This has translated to an annual depreciation of around 6 percent.



Source: CBE FX Rates. End-November outturn estimated based on trend up to Nov 20, 2019.

Recent monthly depreciation:

- For November 2019, however, the pace of depreciation has been much faster, amounting to 50 cents during just the first 20 days of the month.
- At the current pace, the monthly depreciation will surpass 1 Birr for the month of November.



Source: CBE website FX Rates. Nov 2019 projection based on extrapolation from trend seen to Nov 20.

Exchange rate projections:

- We expect the current accelerated pace of depreciation will be in place for only a couple months.
- A more moderate pace of Birr depreciation is likely once inflation declines markedly in early 2020.
- Our forecast for the exchange rate is 32.8 Birr/USD by June 2020, equal to a 13 percent depreciation vs year-ago levels.

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%
Aug-19	29.15	29.74	6.1%
Sep-19	29.28	29.86	6.1%
Oct-19	29.43	30.02	6.1%
Projections: End Month			
Nov-19	30.60	31.21	9.7%
Dec-19	31.60	32.23	12.7%
Jan-20	31.80	32.43	12.8%
Feb-20	32.00	32.64	12.9%
Mar-20	32.20	32.84	13.0%
Apr-20	32.40	33.04	13.2%
May-20	32.60	33.25	13.3%
Jun-20	32.80	33.45	13.4%

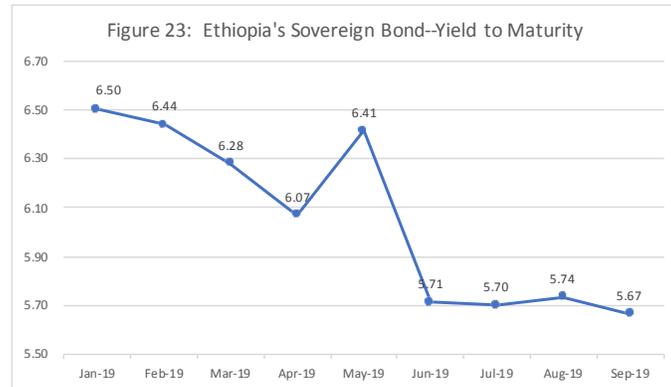
Source: CBE website and Cepheus Research for projections

ETHIOPIA'S SOVEREIGN BOND: Recent developments and outlook

Sovereign Bond Yields:

- The fall in Ethiopia's sovereign bond yield to 5.67 percent in September 2019 suggests a continued positive assessment of creditworthiness.

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

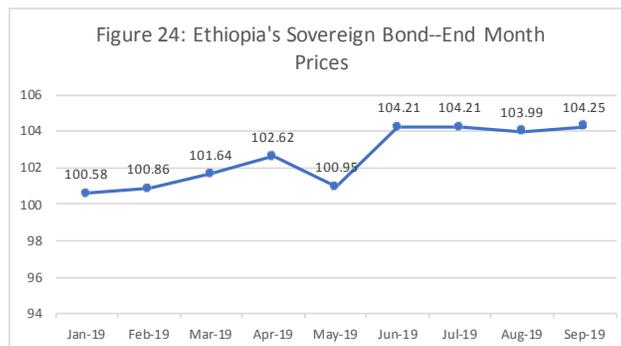


Source: FactSet

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 September 2019.

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

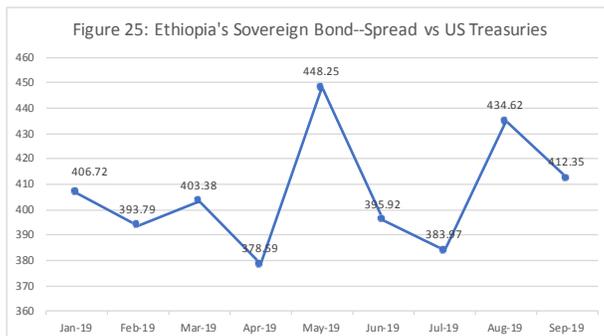


Source: FactSet

Spread vs US Treasuries:

- Reflecting the falling yield, spreads vs US Treasuries have also declined and now stand at just 412 basis points, roughly at their average levels since the start of the year.

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



Source: FactSet

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	FY 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%	8.0%	7.7%
<i>Agriculture growth</i>	9.0%	4.9%	7.1%	5.4%	6.4%	2.3%	6.7%	3.5%	3.1%	4.5%	3.5%
<i>Industry growth</i>	18.6%	19.7%	24.0%	17.1%	19.9%	20.5%	20.3%	12.2%	12.0%	12.0%	14.0%
<i>Services growth</i>	17.0%	9.6%	9.0%	13.0%	11.1%	8.6%	7.2%	8.8%	9.5%	7.8%	6.0%
Inflation: CPI (end-of-period)	38.1%	20.7%	7.4%	8.5%	10.4%	7.5%	8.8%	14.7%	15.3%	10.3%	10.0%
Inflation: CPI (period average)	18.1%	34.1%	13.5%	8.1%	7.7%	9.7%	7.2%	13.1%	12.6%	15.5%	10.0%
Nominal GDP growth	31.6%	45.1%	16.0%	22.4%	22.4%	20.8%	16.9%	20.2%	21.7%	24.7%	18.5%
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	3,341.9	3,960.4
Nominal GDP level (USD billions)	\$ 32.0	\$ 43.2	\$ 47.6	\$ 55.5	\$ 64.5	\$ 74.1	\$ 81.6	\$ 84.0	\$ 95.3	\$ 107.6	\$ 115.0
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	32.80	36.08
Exchange rate (Birr/USD, year-average)	16.10	17.28	18.23	19.11	20.13	21.16	22.47	26.23	28.12	31.07	34.44
Exchange rate annual depreciation (year-average)	24.8%	7.3%	5.5%	4.8%	5.3%	5.1%	6.2%	16.7%	7.2%	10.5%	10.0%
Investment-to-GDP ratio	27.2%	34.6%	32.6%	38.0%	39.3%	37.3%	38.4%	34.1%	32.0%	34.0%	34.5%
Domestic Savings-to-GDP ratio	12.8%	16.5%	15.9%	20.5%	21.8%	22.4%	22.4%	24.3%	24.0%	26.0%	25.5%
External Savings-to-GDP ratio	14.4%	18.1%	16.7%	17.5%	17.5%	14.9%	16.0%	9.8%	8.0%	8.0%	9.0%
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	592.9	741.1
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	338.6	392.8	479.2
Total bank financing: Loans/Bills/Bonds (Br bn)	108.0	160.9	218.4	282.5	379.4	470.7	582.2	716.9	882.5	1,096.3	1,357.5
Deposit-to-GDP ratio (%)	27.8%	25.3%	27.4%	27.6%	28.2%	27.8%	31.0%	33.1%	33.6%	33.1%	34.6%
Total bank financing-to-Deposit ratio (%)	75.3%	85.0%	91.8%	96.5%	103.5%	107.8%	102.5%	98.3%	98.1%	99.1%	99.0%
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%	32.8%	34.3%
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%	23.1%	24.2%	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	FY 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%	11.6%	11.4%
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%	-2.9%
Public Sector Debt (% GDP)	36.2%	30.6%	41.9%	45.7%	52.9%	52.4%	55.3%	59.0%	56.4%	55.4%	57.5%
External Debt (% GDP)	24.4%	20.6%	23.6%	25.2%	29.6%	29.0%	28.7%	30.9%	28.3%	26.9%	26.8%
Domestic Debt (% GDP)	11.9%	10.1%	18.3%	20.5%	23.3%	23.4%	26.5%	28.1%	28.0%	28.5%	30.7%
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	2,667	2,880	3,225
Exports of services (USD mns)	2,586	2,811	2,853	3,174	3,028	3,196	3,331	4,220	4,949	5,196	5,612
Imports of goods (USD mn)	(8,253)	(11,018)	(11,461)	(13,712)	(16,458)	(16,725)	(15,803)	(15,253)	(15,112)	(15,868)	(17,454)
Imports of services (USD mns)	(1,828)	(2,639)	(2,281)	(2,461)	(3,107)	(3,442)	(3,393)	(3,983)	(4,910)	(5,401)	(6,037)
Remittances (USD mn)	2,032	2,401	2,489	2,968	3,797	4,420	4,428	5,121	5,693	5,978	6,396
Private transfers (USD mn)	715	845	1,086	1,071	1,085	2,008	1,058	953	683	697	731
Foreign official grants (USD mn)		1,788	1,530	1,461	1,508	1,428	1,428	1,226	2,087	2,100	2,200
Current account balance (USD mn)	(210)	(2,755)	(2,781)	(4,352)	(7,401)	(6,657)	(6,528)	(5,253)	(4,534)	(5,108)	(6,141)
Current account balance (% GDP)	-0.7%	-6.4%	-5.8%	-7.8%	-11.5%	-9.0%	-8.0%	-6.3%	-4.8%	-4.7%	-5.3%
Foreign direct investment (USD mn)	1,243	1,072	1,232	1,467	2,202	3,269	4,171	3,723	3,015	4,000	5,250
Foreign borrowing (USD mn)	2,073	1,605	1,270	2,309	3,352	1,628	1,402	1,632	1,340	1,500	1,500
Overall External Balance (USD mn)	1,446	(1,067)	(7)	(97)	(521)	(831)	659	(201)	(942)	1,092	1,309
Stock of Foreign Reserves, (USD mn)	3,044	2,262	2,368	2,496	3,249	3,402	3,197	2,843	3,415	4,507	5,816
Stock of Foreign Reserves, months imports	4.4	2.5	2.5	2.2	2.4	2.4	2.4	2.2	2.7	3.4	4.0
External Debt Stock (Public Sector, USD bn)	7.8	8.9	11.2	14.0	19.1	21.5	23.4	25.9	27.0	28.9	30.8
External Debt Stock (Public Sector, % GDP)	24.4%	20.6%	23.6%	25.2%	29.6%	29.0%	28.7%	30.9%	28.3%	26.9%	26.8%
Growth of Goods Exports	37.1%	14.8%	-1.2%	5.9%	-8.5%	-5.0%	1.4%	-2.3%	-6.1%	8.0%	12.0%
Growth of Goods Imports	-0.2%	33.5%	4.0%	19.6%	20.0%	1.6%	-5.5%	-3.5%	-0.9%	5.0%	10.0%
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

Third Quarter 2019: July 1 – September 30, 2019

The following pages provide a compilation of economic and business news items reported during the third 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. Weekly Economic and Business News compilations are posted on Cepheus Capital's website every Tuesday for news items of the prior week.

Macroeconomic news

- Headline Inflation Slightly Down.
- Ethiopia up to the challenge, PM.
- Ethiopian Parliament Approves Close To 387b Birr Federal Budget For Next Year.
- Ethiopia Aims to Reduce Unemployment Rate during Next Fiscal Year.
- Ethiopia to send 50,000 workers to UAE, as short-term solution to reduce unemployment.
- Operational phase of African Continental Free Trade Area (AfCFTA) launched.
- Ethiopia Improves Multidimensional Poverty Index.
- Nation to Apply 90 Percent Tariff Liberalization for Members of AfCFTA.
- Ethiopia annual tax income hikes by \$761 million.
- PM remains defiant over foreign debt stress.
- Unanimous budget.
- Gov't embraces restraint to cure economy.
- Inflation & instability.
- Moody's: Ethiopia's economy is growing but political risks intensify.
- ILO launches a program on advancing Decent Work and inclusive industrialization in Ethiopia.
- Ethiopia, UAE Sign 100mil USD Grant Agreement.
- Economic commentary: changing Ethiopia's dev't finance model – easier said than done.
- Premier, 'doing business' committee members meet to evaluate performance.
- የግል ንብረቶችን ወደ ግል የማዞር ሁለቱ ገጽታዎች (Trade-offs of privatizing gov't owned enterprises).
- UAE step-up to support private sector in Ethiopia.
- Ethiopia's foreign currency reserve increases to \$3.2 billion.
- Arkebe launches 'The Oxford's Handbook of the Ethiopian Economy'.
- Ethiopia, France Agree to Boost Cooperation in Energy, Logistics and Telecommunications.
- Governance of Public Investment Need to be Improved for Optimum Results.
- Finance State Minister Urges Professional Associations to Contribute to Economic Policy, Dialogue.
- Macroeconomic Reform Helped Ethiopia Increase Inflow of Foreign Currency, Says Economic Policy Advisor to PM.

- EU to help Ethiopia create 400,000 new jobs.
- የሱቶክ ገበያን የማስጀመር ልምምድ (Practicing stock market opening in Ethiopia).
- Potential for state capture to economic reform agenda.
- Premier forms committee to draw investment.
- PM Abiy Urges Taxpayers to Further Heighten on Serving Ethiopia Loyalloy.
- Ethiopia hopes for top 100 business ranking.
- Ethiopia Plans To Create 14 Million Jobs In Five Years.
- Ethiopia 10-Year Forecasts.
- Economists Explain Host of Factors that Impeded Growth in 2017/18.
- Export decline continues.
- ከሥራ ቅጥር በሚሰበሰብ ታክስ የሚደገመው የመንግሥት ገቢ (A government revenue heavily dependent on employees' income tax).
- From Ethiopia to India: the mines of economic growth up to 2020.
- Ethiopia's Economy Is Booming, but at What Cost?.
- Ethiopia reveals first National Entrepreneurship Strategy.
- Ethiopia's export earning continues to decline.
- Unabated Inflation shows marginal increment.
- Experts advise gov't tame inflation.
- የገቢዎች ሚኒስቴር በሃምሌ ወር ከ17ቢሊዮን 950ሚሊዮን ብር በላይ ገቢ ሰብስቧል (Ministry of Revenue collected over 17.95bn Birr tax in the month of July).
- PM lead committee goes operational.
- We can create jobs like we plant trees PM says.
- Task Force Emerges to Tackle Illicit Trade.
- Contraband trade continuous to threaten Ethiopia's financial security.
- Economic reform targets jobs, forex, locals
- Ethiopia's Debt Burden to GDP Ratio Exceeding Level
- PHE Ethiopia budgets 11 million euros
- Ethiopia to recommence negotiation process on WTO accession
- WFP Ethiopia Country Brief, June 2019
- PM Invites South Korean Investors To Invest In Ethiopia
- UK's DFID extends GBP 120 mln grant to Ethiopia
- Eximbank inks \$86m EDCF loan agreement for Ethiopia
- አሜሪካ ለኢትዮጵያ ሪፎርም አጀንዳዎች ከ100 ሚሊዮን ዶላር መመደቧን ይፋ አደረገች (US has allocated more than \$ 100 million to the Reforms agenda)
- እንግሊዝ ለሴፍቲኒት ለውኃና ሳኔቴሽን ሥራዎች ከአራት ቢሊዮን ብር በላይ ዕርዳታ ሰጠች (UK donated over four billion Birr for safety and sanitation works)
- Audit malpractice causes funding revocation
- Ethiopia Expanding Space For Private Sector, Says PM Dr Abiy.
- Private engagement.
- Ethiopia is a priority country for US investment support, says CEO of OPIC.
- Ethiopia Introducing Comprehensive Measures to Augment Forex Shortage.
- Why Ethiopia is in the eyes of most for investment.
- Ethiopia, Israel Agree To Further Strengthen Bilateral Economic Cooperation.
- PM Dr Abiy Holds Talks With Japan's PM Shinzo Abe.

- Premier Holds Discussion With Development Partners.
- Revenues Minister Urges Federal, Regional States to Integrate Efforts in Tax Collection.
- የዋጋ ንረትን ለመፍታት ከባለድርሻ አካላት ጋር እየተሰራ ነው – የንግድና ኢንዱስትሪ ሚኒስቴር (MoTI’s working with stakeholders to control inflation).
- Economic Reforms Aim To Transform Ethiopia Into Icon Of Africa By 2030, PM Abiy.
- Ethiopia eyes becoming Africa’s prosperity icon by 2030.
- Ambassadors Acclaim Ethiopia’s Reform, Ready to Promote Support.
- UN official cautions Ethiopia against debt burden.
- Ethiopia Working To Address Youth Unemployment, President Sahle-Work.
- Ethiopia Charts out Strategies to Minimizing Debt Burden.
- Ethiopia needs 15 years to implement Africa free trade deal.
- የታክስ ሕግ ተገዥነት ፈተና ውስጥ መግባቱን ገቢዎች ሚኒስቴር አስታወቀ (MoR is facing challenges in tax compliance laws).
- በወጪ ንግድ የተሰማሩ ላኪዎች ፈቃድ አዲት ሊደረግ ነው (Exporters permits to be audited).
- Canada Pledges to Increase Investment, Trade Presence in Ethiopia.
- PM Dr Abiy’s Visits Elevate Ties With Korea, Japan, Israel: Ambassadors.
- Mastercard Foundation To Open Office In Addis Ababa.
- Inflation surges to seven year high.
- Hoarding blamed for food price spike.
- A \$10 billion economic reform package.
- Ethiopia needs \$10bln per year to achieve goals.
- Homegrown Economic Reform: Ethiopia’s new economic reform blueprint.
- Many Mega Projects Will Be Completed In New Year, Premier.
- Five reasons why Ethiopia could be the next global economy to watch.
- From an activist state to economic liberalism.
- የፋይናንስ ተቋማትና ኢኮኖሚው በ2011 (Financial institutions and Ethiopia’s economy, FY2018/19).
- Ethiopia, Saudi Arabia Discuss Overseas Employment Agreement.
- Ethiopia, Pakistan Agree To Strengthen Trade, Investment Ties.
- United Kingdom Trade Commissioner for Africa visits Ethiopia.
- Moody's changes Ethiopia’s investment outlook to negative.
- Privatization process encounters vociferous criticism.
- Privatization requires patience.
- Ethiopia needs more infrastructure for stock market: panel says.
- Foreign Investors Encouraged to Make Use of Ethiopia’s Economic Reform.
- Nation to Continue Tax Mobilization Programs to Enlarge Tax Base, Acquire Revenues.
- Ethiopia FDI [Business Africa]
- Tunisian Business Delegation Eyes Ethiopia as Getaway to COMESA.
- Ethiopia ranks high in investment reward score.

Sector News—Industry, Agriculture, Services

Sector News—Industry

- Ethiopia Commences Feasibility Study on Ethio-Sudan Railway.
- State picks seven hydropower projects for PPP.
- Upstart, local sugar company in privatization push.

- Government of Ethiopia to privatize all sugar projects.
- Cork factory only PEHAA’s privatization this year.
- Dire Dawa Fertilizer Plant Making Headways in Fulfilling Local Demands.
- Chinese to invest \$500 million in industrial park in Ethiopia.
- Ethiopia finds 18 gold, gemstone, industrial mineral-rich areas.
- The Coca-Cola Company to invest \$300 million and set up a new factory in Ethiopia.
- Ethiopia to launch \$2.5 billion geothermal electric project.
- ባለፉት 11 ወራት ከ50 ሺህ በላይ ለሆኑ ዜጎች ቋሚ የስራ እድል መፍጠሩን የኢ.ዲ.ሪ ፓርኮች ልማት ኮርፖሬሽን ገለጸ (More than 50k employment has been created in IP’s over the past 11 months, IPDC).
- Cement factories contemplate replacing coal with biomass.
- Genale Dawa, Aisha power plants to start generation.
- Chinese corporate leaders strengthen ties, trade relations.
- Hop Lun (Hong Kong) Limited signs MoU to manage Bahir Dar Industrial Park.
- Forex crunch stifles Mughher Cement productivity.
- British energy companies eye Ethiopia.
- Works Underway to Finalize Bure Agro-Industry Park Early Next Ethiopian Year.
- የከተማ አስተዳደሩ ከአሥር በሊዮን ብር በላይ የሚወጣቸው ፕሮጀክቶችን ለውጭ ኮንትራክተሮች ሰጠ (AA city administration transferred more than 10bn Birr worth projects to foreign contractors).
- በአካባቢ ተቆርቋሪዎችና በኢንዱስትሪ አቀንቃኞች መካከል አለመግባባት በመፈጠሩ የሶዳ አሽ ፋብሪካ ሥራ አቆመ (Soda Ash factory closed owing to discrepancy b/n environmentalists and industrialists).
- Unrest closes Hawassa Industrial-Park.
- Deteriorating security frustrates foreign investors at Hawassa Industrial Park, PM Abiy says.
- Committee Emerges to Rescue Mining Sector.
- Hyatt Regency Sets Up Water Bottling Plant.
- Kegna brewery to start operation.
- Institutions Pull Together to Boost Mining Profit Sixfold.
- አባይ ኢንዱስትሪ ልማት አክሲዮን ማህበር በ450 ሚሊዮን ብር ያስገነባው የአልባላት ፋብሪካ በ2012 ወደ ስራ ይገባል (Abay Industrial development s.c. textile factory that cost over 450mn birr to be operational in the coming Ethiopian new year).
- iCog Labs, Kudu partner to finance startups.
- Spanish, Australian firms partner to prospect for gold.
- Ministry launches national mining cadastre system.
- Central Bank Blacklists Italian Machinery Supplier.
- Ethiopia, African Dev’t Bank Sign 95.6 Mn USD Grant Agreement.
- Ethiopia To Execute Trilateral Cooperation On Renewable Energy With China, Sri Lanka.
- Gold Detector Devices Assembly Plant Goes Operational in Ethiopia.
- ብሔራዊ አልኮልና አረቄ ፋብሪካ ከዕቅዱ በላይ 850 ሚሊዮን ብር ገቢ ማስገኘቱ ተገለጸ (National Alcohol and Liquor Factory earned 850mln Birr or more than its annual target).
- Ethiopia earns 142 million USD in exports from Chinese-built industrial parks.
- Chinese firm builds USD 50 mln ceramics factory.
- Enterprise Takes First Step to Build Dukem Oil Depot.
- Rail rakes in 20m USD.
- Ethiopia, AfDB Sign \$98m Grant Agreement For First Phase Of Ethiopia–Djibouti Transport Corridor.
- Modern Coffee Processing Factory Inaugurated.

- Ethiopia completes Ethio-Kenya power line installation.
- Ethiopia attracts over \$100 million investment in mining.
- Ethiopian army company pleads for \$2 billion debt cancellation.
- Ethiopia to Construct Four Industrial Parks.
- Diaper, sanitary pad company re-starts
- Half of soap on the market below standard
- Chinese Firm Ploughs \$70m into Textile Plant
- Ban on Unlabelled Foods Despairs Manufacturers
- Local Shoemaker Acquires Bankrupted Tannery
- MIDROC Expands Three Plants, Boosting Capacity
- የማዕድን ዘርፍ ቢታሪኩ ዝቅተኛ ገቢ አስመዘገበ (Mining sector recorded the lowest revenue in history)
- Altus Strategies Plc announces gold discoveries in northern Ethiopia
- Over 14million birr worth of Gold, foreign currency seized
- Ministry removes industrial inputs privileges
- Two Local Firms Vie to Supply Bulk Rebar
- Centre Emerges to Train Leather Specialists
- GIZ Drafts Sludge Management Guideline
- Commission Writes Strategy to Recycle Car Batteries
- New law sets sugar standards
- Hawassa Industrial Park to double staff
- ከስጋ የወጪ ንግድ የተገኘው ገቢ ከአቅዱ 49.7 በመቶ ብቻ ነው. (Meat export revenue is only 49.7 percent of the plan)
- Ministry Issues Ten Mining Licences.
- የሲሚንት ፋብሪካዎች የራሳቸውን የኤሌክትሪክ ሀይል አቅርቦት እንዲፈጥሩ ጥረቶች እየተደረገ መሆኑ ተገለፀ (A new initiative is underway to enable cement factories generate their own mini electric power).
- Corp. Revives Leather City Project Despite Delays.
- Ethiopia Working To Power Agro-Processing Industrial Parks With Renewable Energy.
- Awash Winery launches USD 2 mln expansion project.
- Challenges facing Ethiopia’s construction industry sector.
- 24 ሚሊየን ብር ወጪ የተደረገበት የነዳጅ ማደያ እና ዶፖ አገልግሎት እየሰጠ ነው (Worku Petroleum in operation).
- JICA Finances Tyre Retread Plant.
- በአሮሚያ ክልል አዲስ ኢንዱስትሪ ፓርክ ሊገነባ ነው (A new industrial park to be built in Welega Zone of Oromia regional state).
- ከመንግሥት ላይ የሰኳር ፋብሪካ ለመግዛት የተዘጋጀው ኩባንያ ካፒታል ለማሟላት አማራጮችን እያየሁ ነው አለ (Etho-Sugar SC is looking for options to meet capital requirement).
- Abay Industrial Development S.C. To Build Metal Factory With 4bn Birr.
- KEFI to start next phase development in Tulu Kapi Gold.
- Investors ask to shed light on solar project.
- Asian Companies Secure Deal to Power Six Towns.
- Olympic Committee Steps into Water Bottling Business.
- Ethiopia Invites New Zealand Investors To Engage In Dairy Dev’t.
- Hong-Kong textile chain to take over eight sheds in Bahir Dar industrial Park.
- Chinese textile manufacturer raises investment to a billion dollar.
- Aluminum Maker Ventures into Water Bottling.
- Here’s why Ethiopia’s showcase sugar projects face immense challenges.

- ACWA Power won 250MW World Bank-backed solar projects in Ethiopia.
- Gov't Urged to Transform Mining Sector.
- Abay Industrial to venture into mining business.
- Japanese corporation ITOCHU announces conclusion of memorandum for development of Ethiopian textile industry.
- Total pledges to invest USD 100 mln.
- የባሕር ትራንስፖርትና ሎጀስቲክስ አገልግሎት ድርጅት 1 ነጥብ 7 ቢሊዮን ብር አተረፈ. (ESLSE earns over 1.7bn Birr during FY 2018/19).
- Ethiopia To Commission New 254MW Hydro Dam.
- Chinese textile manufacturer's investment thrives in Ethiopia.
- Local Electric Motor Assembler to Begin Production.
- BGI completes takeover of Zebidar.
- የጤፍ ቢራ በአሜሪካ ተመረተ፣ ሰኞ ለገበያ ይቀርባል (Teff beer produced in America, 'll be opened to the market on Monday).
- ሜቴክ 11 ቢሊዮን ብር የግብር እዳውን በሰላሳ አመት ለመክፈል ጠየቀ (METEC proposed to payback it's 11bn Birr debt in 30 years).
- Bureau launches project to urbanize towns.
- Kenya-Ethiopia Electricity Interconnection Reaches Testing Stage.

Sector News—Agriculture

- Ethiopia eyes exporting value added coffee to African countries.
- About 40% of Ethiopian tobacco market is illegal.
- Ethiopia Purchases 600,000 Mt Of Milling Wheat.
- Government places emphasis on horticulture.
- Ethiopia announces completion of five-year soil fertility survey, soil fertility map.
- Sorghum yields in Ethiopian highlands could fall by 40%.
- የአኩሪ አተር ግብይት እየጨመረ እንደሆነ ምርት ገበያው ገለጸ (The value and volume of soy bean is increasing since its inclusion in ECX trading).
- ኢንቨስትመንት የፈቀደው የፍራፍሬ ምርት (Despite its huge investment potential, Ethiopia is still in short of fruits production).
- GreenPath taps into Ethiopia's burgeoning organic farming market.
- Wheat Transportation in Logistic Quandary.
- Budgetary Priority for Agriculture Makes Extra Impetus to Transform the Sector: Research.
- Ethiopian Hide, Skin Need Minimal Degreasing: Research.
- Ethiopia's Agricultural Commercialization Clusters Initiative Boosting Productivity.
- Cooking oil skyrockets suspiciously.
- በበጀት አመቱ ወደ ውጭ ከተላኩ የቡና እና የቅባት እህሎች ከ1 ነጥብ 2 ቢሊዮን ዶላር በላይ ተገኘ (Over USD 1.2bn revenue had been generated from coffee and oil seeds exports in 2018/19FY).
- Ethiopian coffee exporters eye young Chinese market.
- ECX to trade cotton, start warehouse recipient financing.
- Nation Developing Umbrella Ethiopian Coffee Brand.
- ከፍተኛ ገቢ ያስገኙ የቡና ላኪዎች ተሸለሙ (High fx earning coffee exporters valued by ECTA)
- Dutch Firm Eyes Gibe Dam for Aquaculture.
- Market-Oriented Crops Production under Spotlight this Harvest Season: MoA.

- Indoor Farming For Ethiopian Agriculture Needs.
- Onion, Garlic prices stink Suddenly.
- Agriculture Generates 1.3m Jobs Last Year: MoA.
- Karuturi, Saudi Star et al labeled poor performers, less responsible investors.
- ECX trades 3b birr in July.
- Int'l Price Cut, Illicit Trade Cripple Coffee Exports
- ግዙፉ «ሜላንዥ ኮፊ ሮስተር» የቡና ማቀነባበሪያ ሥራ ጀመረ (Melange Coffee started coffee roasting)
- Company to introduce refrigerated coffee to Ethiopian market
- Gov't reconsiders Yayu Fertilizer JV
- Fairtrade premium committees secure registration, unlock funds
- Sharing lessons learned of enhancing the Ethiopian Sesame Sector
- Ethiopian Coffee and Tea Authority launches national coffee brand, plans to build Coffee Park in Addis Ababa
- ECX Academy
- በ70 ቢሊዮን ብር ዕዳ ከተያዙ የስኳር ፕሮጀክቶች ስድስቱ በዚህ ዓመት ይሸጣሉ (Six Sugar plants with Birr 70bn in debt to be sold out this year)
- China donates agricultural equipment, materials to Ethiopia
- ገበሬዎች ሰፋፊ እርሻ አልማዲ የሚሆኑበት ህግ ሊዘጋጅ ነው (A new law is underway to enable farmers take part in commercial agriculture).
- Abandoned wheat shipment faces contamination.
- Ethiopia partners with Kenya, Uganda to develop bamboo sector.
- Ethiopia and the European Union Launch \$16.5 Million Coffee Project.
- Microsoft to assist Ethiopian farmers improve agriculture.
- Ethiopia earns \$318 million from horticulture.
- ትኩረት ያልተሰጠው አትራፊው የሩዝ ሰብል (Rice, a profitable business, lacking proper attention).
- Israel Set To Introduce Modern Irrigation System In Ethiopia: Amb.
- በበጀት አመቱ 6 አዳዲስ የመስኖ ፕሮጀክቶች ግንባታ ይጀመራል (Six new irrigation projects will be commenced in FY2018/19, MoWIE).
- የምርጥ ዘር አቅርቦት አሳሳቢ መሆኑ ተገለጸ (Improved seed supply is a serious problem, ATA).
- Kidney, Mung beans exclusively traded on ECX.
- Illegal tobacco trade affects monopoly.
- Palm oil imports cook up controversy.
- Focus on Ethiopia.
- Impulse links tech with Agriculture.
- Ethiopia made \$US 183.57 million in two months from Coffee export.
- Ethiopia plans to produce 483,000 tons of sugar.
- Ministry Procures Wheat to Stabilise Shortage.
- Start-Up Program Set To Support Agriculture In Ethiopia.
- Ethiopia Can Become Self-sufficient in Wheat in 3 years: Institute of Agricultural Research.
- Stakeholders Discuss National Wheat Plan.

Sector News—Services

- Ethio Telecom bidding to begin in August.
- Ethiopia To Allow Two International Bidders To Join Telecom Market.

- The move to open Africa’s last closed telecom market raises questions on digital rights.
- Utilities can be paid at Commercial Bank of Ethiopia.
- Nigeria: Govt, Ethiopian Airlines, Others Plan New National Carrier.
- Better logistics means better profits.
- Nation sees tourism decline in 2018.
- France Keen to Shore up Bilateral Cooperation with Ethiopia Airlines.
- የክፍያ መንገዶች በአምስት ዓመቱ ከአንድ ቢሊዮን ብር ያነሰ ገቢ ሰበሰበ (Ethiopia toll road enterprise collected less than a billion birr in five years period).
- Ethio-telecom Secures over 36 Billion Birr in Budget Year.
- France pledges EUR 40 mln.
- የቴሌኮም ድርሻ ለህዝብ የሚቀርብበት መንገድ እየተጠና ነው (A study is underway on selling some of Ethio-Telecom shares to the public).
- Public institutions go cashless.
- Hawassa hotels occupancy rates drops to 6%.
- Ethiopia to Publish Stats on Global Data Portal.
- Hotels receive new star ratings.
- በቡና ንግድ ተጠቃሚው ማን እንደሆነ ባነጋገረው መድረክ ላኪዎችና ምርት ገበያ ወቀሳ ተሰነዘረባቸው (Exporters and ECX criticized in Forum focused on coffee sector beneficiaries).
- Ethiopia and Nigeria to Lead in Mobile Subscribers in Sub-Saharan Africa.
- Ethio Telecom Launches Electronic Top-up.
- Ethiopian achieves stout performance amidst turbulent time
- Reviving mortgage financing
- Cash registers near extinction as nation turns to tech
- New Directive Eases Passport Application Process
- City Reclaims Real Estate Firms’ Land
- Canada To Support Ethiopia’s Efforts Of Building Technologies To Reduce Burden On Women.
- Delayed Rail Academy Begins to Fall into Place
- Chamber’s project award disgruntles bidders
- Street vendors hawking contraband products
- Qatar to build kidney treatment centre
- Forefront Software launches software development business
- Electronic Procurement to improve audits
- የአዲስ አበባ ውሃና ፍሳሽ ባለስልጣን በተጠናቀቀው በጀት ዓመት ከ861 ሚሊዮን ብር በላይ ገቢ መሰብሰቡን ገለፀ (Addis Ababa Water and Sewerage Authority has collected over 861 mn birr revenue)
- Ethio-Telecom Revises Tariff On Roaming Services
- Addis Ababa To Host National Hotel And Tourism Conference
- Ethiopian Launches Cargo Flights To Bangkok, Vietnam
- Ethio Telecom rollout three-year growth strategy.
- Ethiopia invites Israelis to invest in telecom, energy.
- Leading African law firm Bowmans expands into Mauritius and Ethiopia.
- Economic Reform Gives Emphasis to Tourism, Says Deputy Prime Minister.
- Fleet Mang’t Firm Ventures into Delivery Service.
- Belcash Launches E-commerce Platform.
- Ethiopian Unveils App to Uplift Transit Passenger Experience.

- Ethiopian Airlines launches WeChat Pay and KNET with CellPoint Digital's Velocity payment platform.
- Mexico, Italy Determined to Support Tourism Dev't in Ethiopia.
- IBA Ethiopia to facilitate creation of 100,000 jobs.
- New company joins taxi hailing business.
- Ze-Lucy Divorces Ride, Develops Taxi-hailing Platform.
- Dubai Chamber of Commerce eyes Ethiopia's tourism, real estate sector.
- Privatizing Ethio-Telecom now should not be an urgent economic imperative.
- Ethiopia Invites Ethio Telecom Privatization Adviser.
- Ministry Takes First Step to Privatise Telecom.
- Ethiopia appoints KPMG to advice on Ethio Telecom privatization.
- The Booming Hotel Business in Ethiopia.
- Ethiopia, Qatar Discuss Means To Enhance Civil Aviation, Transport Cooperation.
- Research, Dev't Roadmap for Traditional Medicine Launched.
- Nation Prepares Tourism Strategies.
- DHL Global Forwarding and Ethiopian Airlines joint venture scales up its operations in Ethiopia.
- Emirates teams up with Zemen for online payment option.
- New venture capital to focus on female entrepreneurs.

Financial News

- አዋሽ ባንክ ከታክስ ባራት ከ3.3 ቢሊዮን ብር በላይ ትርፍ አገኘ (Awash's profit surged to 3.3bn Birr in 2018/19 FY).
- Central Bank Relaxes Interest-free Banking Rules.
- የኢትዮጵያ ንግድ ባንክ 19 ቢሊዮን ብር አተረፈ። (CBE's PBT surged to 19bn Birr during 2018/19FY).
- Second Islamic bank, Hijra, under formation.
- Bunna Joins Interest-Free Banking Service.
- Private mortgage bank coming to Ethiopia.
- አምስት የብድርና ፋይናንስ ተቅዋማት ወደ ባንክ ሊያድጉ ነዉ. (Five MFIs to be promoted to a full-pledged bank).
- Third Islamic bank comes to life.
- NBE Pledges To Support Dev't Projects In Addis Ababa.
- Commercial Bank of Ethiopia becomes top tax payer.
- የኒያላ ኢንሹራንስ የአረቦን መጠን ከሩብ ሚሊዮን ብር በላይ ቀነሰ (Nyala Insurance's premium lessened by over 300mln birr).
- Foreign nationals of Ethiopian origin to partake in financial sector.
- Commercial Bank of Ethiopia launches saving account service for Hajj, Umrah pilgrims.
- Bank of Abyssinia Joins Mobile Banking Bandwagon.
- Gadaa Bank raises over 250 million birr.
- Ethiopia Joins Egmont Group's Financial Intelligence Network.
- በኢንቨስትመንት ላይ የሚሰራ አዲስ የኢንቨስትመንት ባንክ ሊቋቋም ነው (New Diaspora Bank focused on investments to be established).
- Capital lease finance company opens shop.
- Islamic finance taking shape.
- Banks want NBE bill lifted.
- City to use public banks for service payments.
- Ethiopia takes first step towards liberalising finance sector.
- Ethiopia's financial reforms hold promise for its diaspora business community.

- Massive state loans threaten CBE
- New bank prepares to join sector
- CBE profits 17.9 billion birr
- አዋሽ ኢንሹራንስ 798 ሚሊዮን ብር ገቢ ማግኘቱን አስታወቀ (Awash Insurance earned 798 mn birr)
- Companies Submitting Request To Lease Equipment, Says CEO Ethio Lease
- ልማት ባንክ 14 ቢሊዮን ብር ገደማ ለማበደር ማቀዱን አስታወቀ (Development Bank plans to loan 14 bns birr)
- የባንኮች ተቀማጭ ገንዘብ አንድ ትሪሊዮን ብር ደረሰ (Banks deposits reaches close to one trillion birr)
- Oromia Bank Goes Live with Upgraded Solution
- ባንኮች በአንድ ዓመት 215 ቢሊዮን ብር በላይ አበድረዋል (Banks lend over 215 billion birr for the year)
- Financial sector will not be open to foreign investment.
- Banks target the diaspora for share sales.
- ለቤቶች ግንባታ ገንዘብ የሚያቀርበው አዲሱ ባንክ ዝግጅት (New mortgage bank in preparation).
- የኢትዮጵያ ልማት ባንክና የኢትዮጵያ ንግድ ባንክ ጥልቅ ማሻሻያ እያደረጉ ነው (CBE and DBE are undertaking deep reform measures).
- የልማት ባንክን አጣ ፈንታ ይሚወስነው ጥናት ተጠናቀቀ (A study about the fate of DBE is completed).
- CBE opens interest free branch.
- መድን ድርጅት የዋስትና ሽፋኑ ሦስት ትሪሊዮን ብር መድረሱን አስታወቀ (Ethiopian Insurance Co. gross insurance coverage reached 3 Trillion Birr at the end of 2018/19 fiscal year).
- Dashen Unveils Special Branch.
- የአማራ ባንክ 200 ሚሊዮን ብር እክሰዮን ሸጠ (Amhara Bank s.c. sold over 200mn Birr shares within three weeks).
- Mortgage Bank kicks off.
- የ1.2 ሚሊዮን ቤቶች ግንባታ የሚጠይቅ ውዝፍ ፍላጎት ለማስተንፈስ የተነሳው ባንክ (Bank aims to address backlog of 1.2mn homes).
- መድን ኩባንያዎች ከዘጠኝ ቢሊዮን ብር በላይ የዓረቦን ገቢ አሰባሰቡ (Insurance companies collect over 9bn Birr premium in FY 2018/19).
- የቴሌኮም አገልግሎት ወርሃዊ ክፍያን በባንክ መፈጸም የሚያስችል ስምምነት ተፈረመ (MoU signed to enable settlement of telecom fees via banks).
- Experts insist on restructured NBE.
- Reform NBE first, financiers say.
- አምስት የማክሮ ፋይናንስ ተቋማት አገር አቀፍ የዲጂታል ክፍያ ሥርዓት ተቀላቀሉ (Five MFIs joined Eth-Switch S.C payment system).
- Nisir Micro Finance doubles loan amounts.

Policy and Regulatory news

- Bill Relaxes Private Sector Investment Climate.
- ኢንቨስትመንት ኮሚሽን ለአገር ውስጥ ባለሀብቶች የተከለሉ መስኮችን ሊከልስ ነው (EIC set to revise investment areas exclusively reserved for private investors).
- House Approves Labor Law.
- House Approves Revised VAT Proclamation.
- በአገር ውስጥና ከአገር ውጭ ነዳጅና ጋዝ ፍለጋ የሚያከናውን የመንግሥት ኮርፖሬሽን ሊቋቋም ነው (The gov't is set to establish both local and abroad oil & gas exploration corporation).
- በኢንቨስትመንት ዘርፍ የሚስተዋሉ ችግሮችን ለመፍታት የሚያስችል የኢንቨስትመንት አዋጅ ማሻሻያ እየተደረገ ነው (A new investment proclamation is in due process in hope of abolishing investment bottlenecks).
- Legislation to standardize dairy products.

- ኤክሳይዥን ታክስን ጨምሮ የቫትና የቁርጥ ግብር አዋጆችን በማዘጋጀት ላይ መሆኑን ገቢዎች ሚኒስቴር አስታወቀ (MoR is reviewing the excise tax, VAT and price tax payers proclamations).
- የቀረጥ ነጻ አዋጁ ሲጻፍ በአመት 20 ቢሊዮን ብር ያድናል ተባለ። (Once the new tax free proclamation is implemented, Ethiopia will save more than 20bn Birr a year, MoR).
- Central Bank Limits Forex Application Registration.
- Central Bank Tightens Grip on Bank Appointees.
- Bill proposes creating administrative bench.
- Bill to Relax Media Investment Law.
- House Approves Banking, Customs and Land Compensation Proclamations.
- Bill Centralises Tax Incentive Administration.
- Investment Law Being Amended to Encourage Private Sector, Enhance Business Climate.
- ላኪዎችን ለመቆጣጠር የሚያስችል አዲስ አሠራር ተግባራዊ ሊደረግ ነው (A new export procedure is underway to regulate exporters-MoTI).
- ከአንድ ሚሊዮን ዶላር በላይ የሚያወጡ ገቢ ዕቃዎች በዓለም አቀፍ ጨረታ እንዲገዙ መመርያ ወጣ (NBE issued a new directive ordering any imported commodities that worth more than USD 1 million to be purchased via an international bidding process).
- Council Of Ministers Passes Various Decisions.
- Central Bank Alters Foreign Currency Account Rules.
- Ministry Prepares Drafts of Petroleum Policy, Proclamation.
- Bill unlocks mobile money service.
- ለሀገር በቀል እውቀቶች የባለቤትነት መብት የሚሰጥ ረቂቅ አዋጅ ተዘጋጀ (A draft proclamation is prepared to give ownership rights to indigenous knowledge/intellectual property).

NOTE: Headings above are hyper-linked to source websites for access to full article. News items compiled from the following sources: Fortune, Capital, Reporter (English and Amharic), Addis Maleda, New Business Ethiopia, Semonegna, ENA, Fana, Reuters, BBC, Africa News and Google news alerts.