

SUMMARY: Recent Developments and Year-Ahead Outlook

- **Growth:** Compared to last year's 9 percent outturn, GDP growth should slow slightly this year due to some of the tightening measures being implemented to reduce credit growth to the government and state enterprises. However, as recent agriculture data show a solid harvest (up almost 5 percent) and various proxies for construction and service activity point to near double-digit expansion in these large sub-sectors, we don't expect a major slowdown and see a decent chance that growth will reach 8 percent for the year. The IMF forecasts 6.2 percent growth this year, which exaggerates the scale of the expected slowdown, in our view.
- **Inflation:** Ethiopia's inflation rate remains in the range of 18-19 percent at the start of 2020 and this high rate has now spread to services such as housing and transport (whose inflation rate was—until recently—only around 10 percent for an extended period). An inflation rate in the low- to mid-teens will likely persist for most of 2020, though a reduction towards 10 percent should be possible—given tight limits now placed on base money growth—towards the end of the year. While central bank policies will work to reduce inflation, supply-side shocks (such as potential domestic disruptions linked to elections) could affect food prices and keep inflation high; this is not our baseline expectation but is a noteworthy risk.
- **Investment:** While some components of investment (e.g. FDI) are stalling, total investment should still remain at around 33-35 percent of GDP this fiscal year given high government capital spending and the substantial credit expansion taking place at private banks (with its associated private domestic investment).
- **Fiscal:** Even with a Birr 28bn Supplementary Budget being added this month, fiscal deficit outturns for the year should—due to extra available resources—come in close to the initial budgeted figures (below 3% of GDP), while the debt ratio will decline markedly to 52 percent of GDP by June 2020. Judging by commitments in the macro program, the fiscal year starting in July 2020 will show a 2.5% of GDP budget deficit, while debt ratios should remain broadly unchanged.

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research@cepheuscapital.com

- **Banking and credit:** Credit conditions for private business improved last year and should continue to do so in 2020, as the end of NBE Bill purchase requirements allows private banks to boost lending to the private sector. Recent liquidity problems (due to weak asset-liability management by banks) should be short-lived and lending growth at private banks is on track to reach 40 percent for the fiscal year judging from end-December outturns; reflecting this, plus improved fx inflows at most banks, profits at private banks will pass Birr 14bn this year, by our estimates, vs Birr 11bn last year.
- **Foreign exchange:** Despite a somewhat faster pace of monthly exchange rate adjustment, fx conditions will remain challenging this year given the backlog of unmet fx demand and the gradual pace of some large expected fx inflows (i.e., privatization). The gap between the official and parallel market rates is now roughly 25 percent—notably lower than last year’s gap of 37 percent but substantial nonetheless. The Government’s IMF-supported macro program takes a gradual approach to addressing Ethiopia’s exchange rate misalignment (though we would have expected—and liked to have seen—a quicker correction). Reflecting this state of affairs, businesses seeking foreign exchange will continue to face extended waiting times at banks till at least the end of 2020, though planned reforms to the fx market (including a promised review of policies in this area being prepared by April 2020) could—if substantive—help reduce and remove fx waiting times at banks next year.
- **Risks:** Given planned elections this year, public confidence and business sentiment may turn cautious or negative during the year (leading to cutbacks in investment and thus lower growth), but risks in this area are offset somewhat by on-going improvements in macro policies and by the continuation of structural reforms (privatization, PPPs, job creation initiatives, and ease of doing business reforms). A relatively stable socio-political environment for the remainder of the year will remain critical to avoid an interruption of Ethiopia’s recent investment and growth record—and indeed forms the basis for our baseline macro projections.

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 (pages 49 and 50).

ECONOMIC ACTIVITY: Recent Developments and Outlook

- Recently released agricultural data show this year’s crop harvest was 32.9mn tons, up 4.3 percent, and in line with our forecasts last year.
- Total acreage cultivated during the crop season was 12.8 mn hectares (unchanged from a year-ago) which gives an average yield—across all crops—of 2.58 tons per hectare. Yields were up by 4 percent from year-ago, and so virtually all of the observed crop increase was driven by improved yields rather than increasing hectares farmed.
- The growth of 4.3 percent seen for crops is somewhat below the long-term average, given the 6.2 percent average annual growth seen for Ethiopia’s crop sector over the past decade.
- Among cereals, growth was particularly strong for teff and maize (both up 7.5 percent) as well as wheat (up 4.1 percent); these three crops—together with sorghum and barley—make up Ethiopia’s top 5 cereal crops.
- Among pulses and oilseeds, the strongest growth was seen in soya beans, mung beans, and oilseeds—all of which grew strongly from depressed levels in the prior year.

Figure 1A: Agricultural Production and Growth

Agricultural Production (Mns of tons)					
	2015-16	2016-17	2017-18	2018-19	Estimates 2019-20
Major Crops	26.7	29.0	30.6	31.6	32.9
Cereals	23.1	25.4	26.8	27.8	29.1
<i>of which:</i>					
Maize	7.2	7.9	8.4	9.5	10.2
Teff	4.5	5.0	5.3	5.4	5.8
Sorghum	4.3	4.8	5.2	5.0	5.1
Wheat	4.2	4.5	4.6	4.8	5.0
Pulses	2.8	2.8	3.0	3.0	3.0
Oilseeds	0.8	0.8	0.9	0.8	0.8

Growth Rates--PRODUCTION					
	2015-16	2016-17	2017-18	2018-19	Projection 2019-20
Major Crops	-1.3%	8.8%	5.4%	3.1%	4.3%
Cereals	-2.0%	9.8%	5.5%	3.7%	4.8%
Pulses	3.6%	1.6%	5.8%	1.1%	-0.3%
Oilseeds	3.2%	6.9%	1.9%	-8.2%	4.0%

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

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

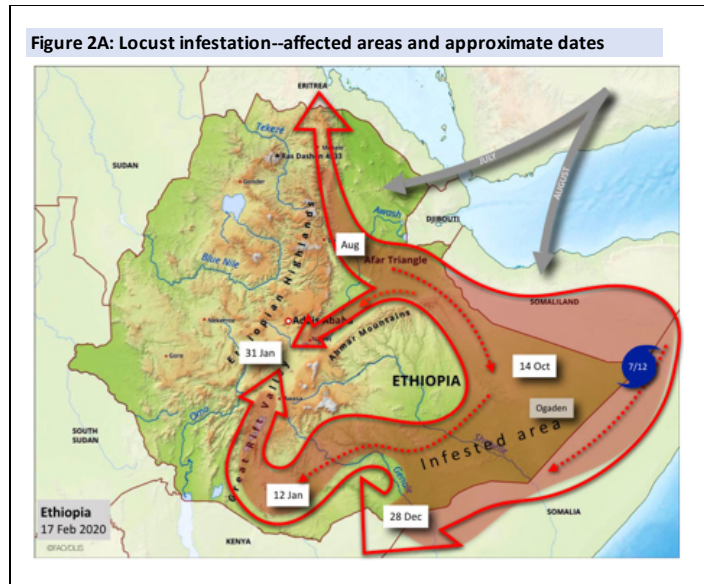
Ranked by Growth Rate within each category

	Production, Mns of Quintals, FY 2017-18	Production, Mns of Quintals, FY 2018-19	Percent change
Total Crops	315.6	329.3	4.3%
Cereals	277.6	291.1	4.8%
Teff	54.0	58.1	7.5%
Maize	94.9	102.0	7.5%
Wheat	48.4	50.4	4.1%
Sorghum	50.2	51.1	1.7%
Barley	17.7	17.5	-0.9%
Rice	1.7	1.7	-1.3%
Finger Millet	10.4	10.1	-2.5%
Oats/'Aja'	0.3	0.2	-25.1%
Pulses	30.1	30.0	-0.3%
Soya Beans	1.5	2.1	39.6%
Gibto	0.2	0.3	35.1%
Mung bean "Masho"	0.6	0.8	33.0%
White Haricot beans	1.5	1.7	13.7%
Lentils	1.4	1.5	5.1%
Field Peas	3.6	3.7	2.1%
Grass Peas	2.6	2.6	0.9%
Faba Beans	10.4	10.2	-2.6%
Red - Haricot beans	3.4	3.2	-6.6%
Red Chick-Peas	3.3	3.0	-10.3%
White Chick-Peas	1.3	0.9	-31.6%
Fenugreek	0.3	0.2	-32.2%
Oilseeds	7.9	8.2	4.0%
Sesame	2.0	2.6	30.3%
Groundnut	1.4	1.6	12.2%
Neug	3.0	2.8	-4.7%
Sufflower	0.1	0.1	-5.3%
Linseed	1.0	0.8	-14.9%
Rapeseed	0.4	0.2	-49.1%
Potatoes	10.4	9.5	-8.9%
Taro / 'Godere'	14.6	15.9	8.8%
Sweet potatoes	14.9	15.3	2.9%

Source: CSA

Growth outlook:

- Though there have been concerns about agriculture growth being affected this year due to the locust infestation in many parts of East Africa, our assessment of FAO and the Ministry of Agriculture information releases suggests there will not be a material impact.
- FAO reviews as of February 2020 show that most of the locust infestations occurred either in areas with limited crop production or well after Ethiopia’s harvest season.



Source: UN FAO, February 17, 2020

- Moreover, estimates of locust-infested areas by the Ministry of Agriculture are that a total of 70,000 hectares have been affected across different parts of the country.
- This figure is only 0.55 percent of Ethiopia’s total crop land (12.7 million hectares). Even if all the crops in those affected areas were assumed lost (an extreme case), the impact on the overall economy would be just 0.2 percent of GDP (as crop output is just 33 percent total GDP).

Table 2B: Estimated Impact of Locust Infestation

	<u>Hectares, mns</u>
Total Land Covered by Crop Production in 2018-19:	12,773,912
Locust-affected land, in hectares*	70,000
Locust-affected land, percent of all crop land	0.55%
	<u>Quintals, mns</u>
Total Output from all Crops in 2018-19	329.2
Potentially locust-affected crop volumes	1.8
Locust-affected land, percent of all crop land	0.55%
Potential Agricultural GDP impact:	-0.55%
Share of Agriculture in total GDP:	33.30%
Potential Total GDP impact:	-0.18%

*Per Ministry of Agriculture February 2020 estimate of locust-affected land

Growth outlook—continued:

- Beyond agriculture, activity indicators in the wider economy point to generally positive trends up to end-December (or end-September depending on data availability), though there are notable weaknesses in some areas.
- The weak spots include a slowdown in FDI inflows (down 25 percent for the first six months of the fiscal year), a slower rate of SOE bond borrowing (negative in real terms and suggesting lower investment), lower capital goods imports, and a moderation of deposit growth at banks.

Figure 2C: Activity Indicators for First Quarter and First Half of Fiscal Year

Data available to end-Sept 2019	FY 2018-19 Q1	FY 2019-20 Q1	Nominal growth	Real growth
Fuel consumption (Tons)	907	1,010	...	11.4%
Electricity power generation (Kwh mns)	1,787.4	3,697	...	106.9%

Data available to end-Dec 2019	FY 2018-19 HI	FY 2019-20 HI	Nominal growth	Real growth
Tax collections	98.60	127.50	29.3%	13.5%
<i>o/w Direct tax collections</i>	61.61	73.95	20.0%	4.2%
<i>o/w Trade tax collections</i>	36.95	53.6	44.9%	29.1%
Deposit levels	793	960.37	21.1%	5.3%
Loan levels	403	525.24	30.5%	14.6%
Ethio Telecom (Total Subscribers in mns)	41.1	45.6	...	10.9%
Ethio Telecom Revenue	16.7	22.0	...	32.0%
FDI (\$bns)	1,828	1,362	...	-25.5%
Industrial parks exports (\$mns)	69.56	93.79	...	34.8%
Industrial parks employment	63,968	86,246	...	34.8%
Tourist arrivals	380,376	422,198	...	11.0%
Employment created (JCC)	821,000	1,184,868	...	44.3%
<i>Private</i>		920,155	...	
<i>Govt</i>		254,101	...	
<i>Others</i>		10,612	...	

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

- Areas suggesting still-positive and expanding economic activity include tax collections (up 29 percent in nominal terms, or 13 percent in real terms), lending growth (up 31 percent in nominal terms), industrial park exports, tourist arrivals, and fuel consumption (in volume terms).

Figure 2D: Recent Investment Indicators

	FY 2018-19 Q1	FY 2019-20 Q1	Percent change
First Quarter Performance*			
SOE bond borrowing (Birr bns)	293.2	341.6	16%
Govt Capital Expenditure (Birr bns)	21.1	27.2	29%
Half Year Performance*			
Capital Goods Imports (USD bns)	3.0	2.3	-23%
Foreign Direct Investment (USD bns)	1.83	1.36	-26%

* Depending on lags in data availability, figures reported are either for Sept 2019 or Dec 2019.
Source: NBE quarterly bulletin, MOTI, ERCA. EIC

Growth outlook—continued:

- Taken all together, i.e., considering 4 percent crop growth as well as proxies for construction and services activity, we expect that overall GDP growth can reach 8 percent for the fiscal year.

Figure 2E: Growth Projection by Sector

	2016-17	2017-18	2018-19	Projection 2019-20
Overall GDP	10.1	7.7	9.0	8.0
Agriculture	6.7	3.5	3.8	4.5
<i>Of which: Major crops</i>	<i>8.2</i>	<i>4.7</i>	<i>3.1</i>	<i>4.3</i>
Industry	20.3	12.2	12.6	12.0
<i>Of which: Construction</i>	<i>20.7</i>	<i>15.7</i>	<i>15.0</i>	<i>14.0</i>
<i>Of which: Large Manufacturing</i>	<i>19.2</i>	<i>6.0</i>	<i>7.7</i>	<i>8.0</i>
Services	7.2	8.8	11.0	8.3

Source: MOFEC and NBE for historical data, Cepheus projection for FY2019-20

- Our growth projection is somewhat above the average growth forecasts of various institutions, per our compilation.
- Our slightly higher projection (versus the average of all others) likely reflects our incorporation of recent data on this year’s crop harvest and of end-December banking, tax, and services indicators.

Table 2F: Growth Projections for Ethiopia, FY 2019-20

<u>Institution</u>	<u>Growth Proj</u>
Ethiopia's Ministry of Finance	9.0%
International Monetary Fund	6.2%
World Bank	6.3%
African Development Bank	7.1%
Economic Commission for Africa	7.5%
Economist Intelligence Unit	7.1%
Renaissance Capital	7.2%
Focus Economics	7.6%
Standard & Poor's	8.0%
Fitch	7.3%
Moody's	7.5%
Standard Bank	7.8%
 AVERAGE of above projections:	 7.4%
 Cepheus Capital	 8.0%

Source: MOFEC and websites/reports of the respective institutions

PRICES AND INFLATION: Recent Developments and Outlook

Inflation outturns:

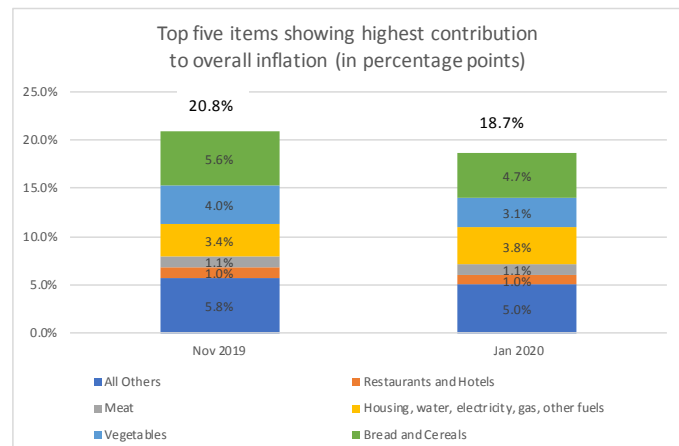
- Year-on-year inflation was 18.7 percent in January 2020, and has now shown double-digit rates for over two years and remained above 15 percent for 17 months.
- After an extended period of moderate inflation, services inflation is now nearing 20 percent, driven by items such as housing, electricity, and transport costs.
- We find the persistence of inflation inconsistent with some recent developments (i.e., positive food harvests, restored transport links, and moderating money supply growth), and its underlying sources may thus be better explained and driven by (self-fulfilling) public expectations.
- If expectations have become the dominant influence for inflation, only a convincing break from past policies and a disciplining macro framework can help alter expectations—in which case the recent Govt-IMF macro program may begin to make a difference.

Figure 4A: Inflation Outturns by key analytical categories – January 2020

	Weight in CPI index	Weights within	Inflation (M-o-M)	Inflation (Y-o-Y)
A. Domestically Produced and Domestically Consumed				20.1%
1 Bread and Cereals	17.1%	47%	-0.6%	27.3%
2 Alcoholic beverages and tobacco	4.9%	13%	-3.5%	3%
3 Other food products	5.6%	15%	4.4%	18%
4 Meat	4.2%	12%	1.5%	26%
5 Milk, Cheese, Eggs	3.1%	9%	2.3%	13%
6 Sugar, jam, honey and others	1.4%	4%	-7.5%	-1%
Sub-Total	36.5%	100%		
B. Domestically produced but also heavily exported				22.2%
7 Vegetables	12.3%	70%	0.6%	25%
8 Non- alcoholic beverage and coffee	5.1%	29%	1.5%	15%
9 Fruits	0.2%	1%	2.2%	30%
Sub-Total	17.6%	100.0%		
C. Import-Heavy Commodities				10.0%
10 Clothing and footwear	5.7%	33%	1.4%	9%
11 Furnishings, Household Equipment, and others	4.7%	27%	0.9%	10%
12 Oils and Fats	4.3%	25%	-1.9%	7%
13 Miscellaneous goods	2.5%	15%	1.7%	17%
Sub-Total	17.2%	100.0%		
D. Services				18.7%
14 Housing, water, electricity, gas, other fuels	17%	59%	2.4%	22%
15 Restaurants and Hotels	5.3%	18%	0.0%	19%
16 Transport	2%	9%	2.2%	13%
17 Health	1%	5%	-3.7%	12%
18 Communication	2%	7%	-0.8%	-2%
19 Recreation and culture	0%	1%	3.3%	16%
20 Education	0%	1%	2.8%	10.2%
Sub-Total	28.7%	100.0%		
Overall inflation	100%		0.7%	18.7%

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

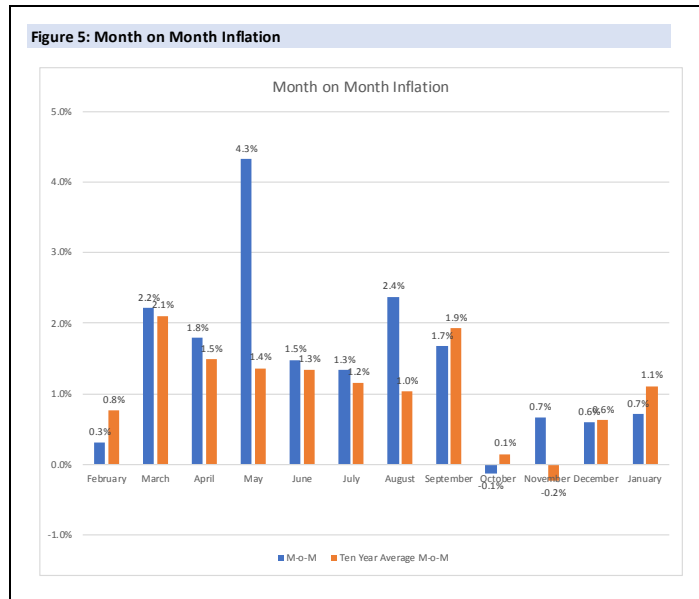
Figure 4B: Top five items showing highest contribution to overall inflation



Source: CSA and Cepheus Research

Month on month inflation:

- One positive element within the most recent inflation data is that month-on-month inflation has been below its long-term norms the past two months, suggesting that it is mainly the accumulated price increases to date that are carrying over into high year-on-year inflation figures.



Source: CSA

Inflation projections:

- If the current pattern of month-on-month figures continues to mid-year, then inflation should begin to fall sharply by June 2020, as the index showed large jumps in mid-2019 and comparisons to mid-2020 will show more moderate year-on-year price increases.
- Though inflation has become difficult to forecast, and could continue to show one or two months of upside surprises in the period ahead, we still see it falling to around 13 percent by mid-June and to near 10 percent by December.

Figure 6: Inflation Projections to December 2020

	Price index	M-o-M inflation	Y-o-Y inflation
<i>Actuals</i>			
July 2019	146.3	1.3%	15.5%
August 2019	149.8	2.4%	17.9%
September 2019	152.3	1.7%	18.6%
October 2019	152.1	-0.1%	18.7%
November 2019	153.1	0.7%	20.8%
December 2019	154.0	0.6%	19.8%
January 2020	155.1	0.7%	18.7%
<i>Projections</i>			
February 2020	156.1	0.6%	19.1%
March 2020	157.7	1.0%	17.7%
April 2020	160.0	1.5%	17.3%
May 2020	161.4	0.9%	13.4%
June 2020	163.6	1.4%	13.3%
July 2020	165.7	1.2%	13.2%
August 2020	166.9	0.8%	11.4%
September 2020	170.2	2.0%	11.8%
October 2020	169.9	-0.2%	11.7%
November 2020	169.3	-0.3%	10.6%
December 2020	169.4	0.1%	10.0%

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

MONETARY POLICY: Recent developments and outlook

Monetary growth:

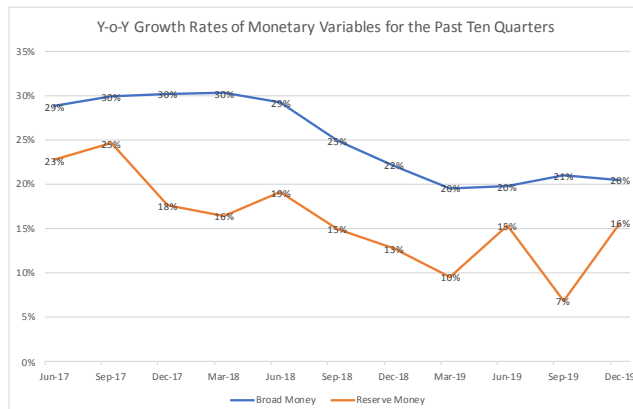
- Broad money growth has remained within the narrow 20-25 percent annual increases seen over the past year.
- With nominal GDP growth expected to be above 26 percent this year, the ratio of broad money to GDP will be falling this year (pointing to a decline in monetization, or the ratio of money-to-GDP, within the economy).
- Reserve money growth had fallen substantially at end-September but has now reverted back to growth of 15 percent. This is likely to moderate for the period ahead, given a 12.5 percent growth target set under the Government-IMF macro program.

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

	June 2017	June 2018	Jun 2017	Dec 2018	June 2019	Dec 2019	% Change
Broad Money	573.4	740.6	752.1	789	886.8	950.6	20.5%
o/w Domestic credit	631.1	784.6	797.0	844.9	963.7	1,041.0	23.2%
o/w Net foreign assets	38.0	39.4	37.9	23.5	14.5	(14.6)	-162.2%
Reserve Money	146.3	174.2	174.8	170	200.7	197.0	15.6%
o/w Currency in circulation	94.2	112.9	110.9	120.3	121.8	128.1	6.4%
o/w Bank deposits at NBE	52.0	61.3	63.9	50.1	78.9	69.0	37.6%
Government Borrowing from NBE (net)	116.6	140.2	147.1	155	172.2	173.3	11.9%
o/w NBE credit to govt (gross)	135.6	160.1	166.7	178.7	194.7	204.2	14.3%
o/w Government deposits at NBE	19.0	19.9	19.6	23.8	22.5	30.9	30.1%

Source: NBE

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



Source: NBE Quarterly Reports

Domestic financing:

- Total financing supplied within the economy grew to 1.3 trillion as of end-September 2019, up around 26 percent from year-ago.
- The public sector's use of total domestic financing is now 64 percent, a slight decline from 68 percent at end-2018.
- By instrument, the share of bond-financing has risen to 36 percent, reflecting large SOE borrowings via bond issues to the CBE.

Figure 8A: Domestic Borrowing by Sector and Instrument

	June 2017	June 2018	June 2019	Sep 2019	% Total
Total Domestic Borrowing (Birr bns)	831	1,026	1,256	1,296	100.0%
By broad sector categories	831	1,026	1,256	1,296	100.0%
Public sector borrowers	568	696	819	840	64.9%
Private sector borrowers	264	329	436	455	35.1%
By borrower and instrument:	831	1,026	1,256	1,296	100.0%
Government	278	341	388	400	30.9%
o/w Bank loans	43	54	54	54	4.2%
o/w NBE loans (gross basis)	128	152	187	192	14.8%
o/w Bonds held by banks	40	45	32	32	2.4%
o/w Bonds held by NBE	8	8	7	7	0.6%
o/w Bonds held by non-banks	60	81	107	115	8.8%
State Enterprises	290	356	432	440	34.0%
o/w Bank loans	92	110	125	126	9.7%
o/w NBE loans	-	-	-	-	0.0%
o/w Bonds held by banks	198	246	307	314	24.2%
o/w Bonds held by NBE	-	-	-	-	0.0%
Private sector	264	329	436	455	35.1%
o/w Bank loans	231	284	378	394	30.4%
o/w MFI loans	32	45	59	62	4.8%
By instrument type:	831	1,026	1,256	1,296	100.0%
Loans	526	646	803	828	63.9%
o/w Bank loans	366	449	557	574	44.3%
o/w NBE loans	128	152	187	192	14.8%
o/w MFI loans	32	45	59	62	4.8%
Bonds	306	380	453	468	36.1%
o/w Bonds held by banks	238	291	339	346	26.7%
o/w Bonds held by NBE	8	8	7	7	0.6%
o/w Bonds held by non-banks	60	81	107	115	8.8%

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

Bank loans by sectors:

- Based on Sept 2019 data, the areas of fastest credit growth were housing and construction, domestic trade, exports and imports, and personal loans
- Industry remains the largest recipient of loans, largely reflecting SOE allocations at CBE

Figure 8B: Distribution of Bank Loans by Sector*

Outstanding Bank loans by Sector (Birr bns)	June 2017	June 2018	Sept 2018	June 2019	Sept 2019	% Change	% Total
Central Government	42.6	54.4	54.18	54.2	54.4	0.5%	9%
Agriculture	20.0	19.5	24.52	20.4	18.7	-23.7%	3%
Industry	130.0	154.9	169.47	188.7	194.6	14.8%	34%
Domestic Trade	41.8	44.9	55.99	65.4	68.8	22.9%	12%
International Trade	52.2	78.0	89.31	102.2	106.2	18.9%	19%
of which: Exports	30.0	47.8	58.08	66.1	68.8	18.4%	12%
of which: Imports	22.2	30.2	31.24	36.1	37.9	21.3%	7%
Hotels and Tourism	5.8	9.9	11.91	13.7	13.9	17.1%	2%
Transport & Communication	14.4	13.8	13.32	12.4	12.3	-7.7%	2%
Housing & Construction	38.0	43.6	41.49	51.3	53.4	28.6%	9%
Mines, Power & Water Resources	0.2	0.2	1.53	1.6	1.6	4.7%	0%
Others	16.4	23.0	8.41	5.9	9.6	13.7%	2%
Personal	4.3	6.7	32.46	40.8	40.1	23.5%	7%
TOTAL LOANS BY BANKS*	365.6	449.0	502.6	556.6	574.0	14.2%	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:

- Growth in bond issuance is in line with the 15-20 percent seen recently.
- As before, EEPCO remains the largest bond issuer

Figure 9: Outstanding Bonds Issued as of Sept 2019

	June 2017	June 2018	Sep 2018	June 2019	Sep 2019	% Change
Total Bonds Outstanding (Birr bns)	237.8	291.4	293.2	338.6	341.6	16%
Public Enterprises	198.2	245.5	248.1	306.8	314.2	27%
EEPCO	179.3	216.4	216.35	263.9	271.3	25%
Railways Corporation	18.9	29.2	31.79	42.9	42.9	35%
Regional Government	39.6	45.9	45.1	31.8	27.4	-39%
Addis Ababa City Govt	39	45.3	44.53	31.2	26.9	-40%
Other Regions	0.6	0.6	0.6	0.6	0.5	-5%

Source: NBE, Quarterly Bulletin

BANKING: Recent developments

Deposit and lending trends:

- Overall deposit growth has moderated, to 21 percent, but is notably higher at 29 percent at private banks.
- The rapid pace of loan growth at private banks continued till end-2019, with their loan books up 44 percent from year ago levels.

Figure 10: Banking Trends (Birr bns)

	Jun 2017	Jun 2018	Dec 2018	Jun 2019	Dec 2019	Y-o-Y % Change
Bank deposits	567.7	729.1	793	899	960	21%
CBE	366.0	453.0	482	541	560	16%
Private Banks	201.7	276.0	311	358	401	29%
Bank loans outstanding	289.8	355.4	403	456	525	30%
CBE	157	177	185	197	212	14%
Private Banks	133	179	217	259	313	44%
Other indicators--all banks						
Assets	745.2	914.1	1,003	1,165	1,261	26%
Paid-up capital	60.9	66.2	70	74	77	10%
Branches	3,888	4,442	5,211	5,164	5,607	8%

Source: Bank Annual Reports and Bank Survey Data

FISCAL POLICY: Recent developments

Revenue performance:

- Tax collections continue to post positive results (Birr 127bn in six months), with the latest reading at end-December up 29 percent from last year.
- Trade taxes, which are boosted by the faster depreciation, did particularly well with growth of 44 percent from year-ago levels.

Figure 11: Revenue Performance, Birr bns

	FY 2018-19 H1	FY 2019-20 H1	% change
Taxes on domestic activity	61.61	73.95	20.0%
Direct tax	35.30	...	...
Indirect tax	26.31	...	...
Trade taxes	36.95	53.6	44.9%
Customs tariff and tax	35.75	...	...
Non tax revenue	1.20	...	...
Lottery Sales	0.11	...	...
	-
TAX REVENUE TOTAL:	98.67	127.50	29.2%

Source: Ministry of Revenue

Budget performance:

- Full budget data (including expenditure outturns) are only available up to Sept 2019 and show spending growing in line with revenue growth, and the deficit appears to be in line with year-total levels (91bn for the fiscal year).

Figure 12: Budget Performance, Birr bns

	FY 2018-19 Q1	FY 2019-20 Q1	Percent change
Total revenue and grants	52.5	66.0	26%
Total Revenue	52.5	65.7	25%
Grants	-	0.3	...
Total Expenditure	69.0	86.7	26%
Current Expenditure	17.4	25.7	48%
Capital Expenditure	21.1	27.2	29%
Regional Transfers	30.5	33.8	11%
Deficit, Birr bns	-16.5	-20.8	26%
Deficit, percent of GDP	-0.6%	-0.6%	...
GDP (Birr bns)	2,696.2	3,422.1	27%

Source: NBE--Full budget data available only until September 2019

Public debt, in USD terms:

- Public debt is beginning to decline in levels and not just as a share of GDP; for end-Sept 2019, public debt was \$53.6 bn, or down from its peak of \$53.7bn.
- Public debt is now almost exactly split evenly between domestic and external debt

Figure 13: Public Debt, USD bns

	June 2017	June 2018	Sept 2018	June 2019	Sept 2019	% of Total
Total Public Debt	\$ 45.8	\$ 49.5	\$ 50.2	\$ 53.7	\$ 53.6	100.0%
External debt	\$ 23.3	\$ 25.9	\$ 26.1	\$ 27.0	\$ 26.8	50.0%
Central Government	\$ 13.0	\$ 14.7	\$ 14.8	\$ 16.0	\$ 15.9	29.8%
State Owned Enterprises	\$ 10.4	\$ 11.2	\$ 11.3	\$ 11.1	\$ 10.8	20.2%
Domestic Debt	\$ 22.4	\$ 23.6	\$ 24.1	\$ 26.7	\$ 26.8	50.0%
Central Government	\$ 10.3	\$ 11.0	\$ 11.4	\$ 12.5	\$ 12.7	23.8%
State Owned Enterprises	\$ 12.1	\$ 12.6	\$ 12.7	\$ 14.2	\$ 14.0	26.2%

Source: MoFEC

Public debt, relative to GDP:

- Relative to this year's anticipated USD GDP, public debt as of Sept 2019 fell to just 48.9% of GDP. As new loans are contracted up to June 2020, this figure will rise modestly and should end the fiscal year in the low 50s as a share of GDP.

Figure 14: Public Debt, % GDP

	June 2017	June 2018	Sept 2018	June 2019	Sept 2019
Total Public Debt	56.0%	58.7%	52.3%	55.9%	48.9%
External debt	28.5%	30.7%	27.2%	28.1%	24.4%
Central Government	15.9%	17.4%	15.4%	16.6%	14.6%
State Owned Enterprises	12.7%	13.3%	11.7%	11.5%	9.9%
Domestic Debt	27.5%	28.0%	25.1%	27.8%	24.5%
Central Government	12.6%	13.1%	11.9%	13.0%	11.6%
State Owned Enterprises	14.8%	14.9%	13.2%	14.7%	12.8%
<i>Memo items:</i>					
GDP, Birr bns	1,717	1,834	1,987	1,987	3,422
Exchange rate, year avg	23.11	27.26	28.91	28.91	33.13
GDP, USD bns	\$ 81.8	\$ 84.4	\$ 96.1	\$ 96.1	\$ 109.5

Source: MoFEC

External debt stocks:

- Total external debt is now just below 25 percent of USD GDP, one of the lowest levels in years.

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

	June 2017	June 2018	Sept 2018	June 2019	Sept 2019	% of Total
Total External Debt of Public Sector, USD bns	\$ 23.3	\$ 25.9	\$ 26.1	\$ 27.0	\$ 26.8	100%
Government	\$ 13.0	\$ 14.7	\$ 14.8	\$ 16.0	\$ 15.9	60%
EAL & Ethio-telecom	\$ 6.9	\$ 7.6	\$ 7.6	\$ 7.3	\$ 7.2	27%
Other State Enterprises	\$ 3.4	\$ 3.6	\$ 3.7	\$ 3.8	\$ 3.7	14%
Total External Debt of Public Sector, % GDP	28.6%	30.9%	27.4%	28.4%	24.4%	100.0%
Government	15.9%	17.5%	15.6%	16.7%	14.6%	59.5%
EAL & Ethio-telecom	8.5%	9.0%	7.9%	7.6%	6.5%	26.8%
Other State Enterprises	4.2%	4.3%	3.9%	4.0%	3.4%	13.7%
GDP, USD bns	\$ 81.6	\$ 84.0	\$ 95.3	\$ 95.3	\$ 109.5	...

Source: MoFEC

BALANCE OF PAYMENTS (BOP): Recent developments

Balance of payments:

- Full balance of payments data are only available to Sept 2019, though some components (exports, imports, FDI, reserves) are available and reported here for end-December 2019.
- The outturns for the first quarter of the fiscal year point to a marked drop in reserves that quarter, reflecting a drop in several current account items (services exports, remittances and grants) as well as large public sector debt repayments.
- Some of these items appear to have reversed, however, as reserves rose in the second quarter of the fiscal year (see below).

Figure 16: Balance of Payment, FY 2018-19

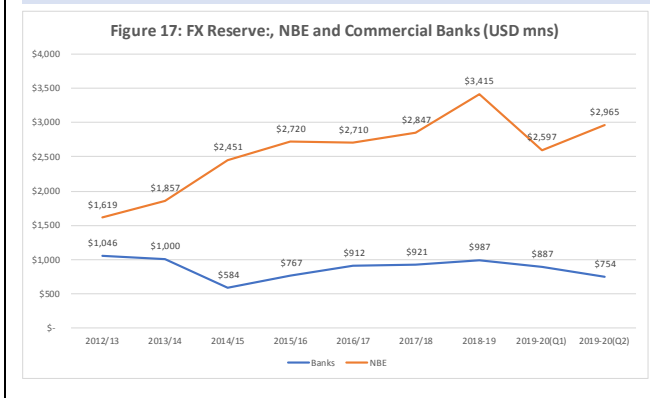
Balance of Payments in USD mns	FY 2018-19 Q1	FY 2019-20 Q1	Percent change
Exports	628	723	15%
Imports	3,682	3,746	2%
Trade Balance	(3,054)	(3,024)	-1%
	-	-	
Services, net	264	75	-72%
Non-factor services, net	348	250	-28%
Exports of non-factor services	1,482	1,308	-12%
Imports of non-factor services	(1,134)	(1,058)	-7%
Income, net	(84)	(175)	108%
O/w Gross official int. payment	104	195	87%
Dividend	-	-	0%
Private transfers, net	1,598	1,344	-16%
O/w: NGO's,(Net)	-	-	
Remittances	1,422	1,138	-20%
	-	-	
Current account balance excluding grants	(1,192)	(1,605)	35%
Official transfers, net	352	187	-47%
Current account balance including grants	(840)	(1,418)	69%
	-	-	
Capital account	965	550	-43%
Official Long-term Capital, net	172	161	-7%
Disbursements	217	276	27%
Amortization	45	115	158%
Other public long-term capital	74	(287)	-489%
Private sector, long term	76	36	-53%
Foreign Direct Investment, net	689	700	2%
Short term Capital	(46)	(60)	28%
	-	-	
Errors and omissions	(194)	(3)	-99%
	-	-	
Overall balance	(69)	(871)	1160%
	-	-	
Financing	69	871	1160%
	-	-	
Reserves [Increase(-), Decrease (+)]	69	871	1160%
Central Bank (NFA)	284	758	167%
Asset	(897)	818	-191%
Liabilities	1,181	(60)	-105%
Commercial banks (NFA)	(215)	113	-152%

Source: NBE Quarterly Bulletin

FX reserves:

- Fx reserves were around \$3bn at end-December 2019, despite having dropped to as low as \$2.6bn in Sept 2019.
- Official inflows, particularly funding received as part of the IMF program approved in Dec 2019, are likely to explain the year-end increase to near \$3bn.

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



Source: NBE, Quarterly Bulletin

TRADE PERFORMANCE: Recent developments

Export performance:

- Exports are performing moderately well, though the growth rate slowed from 15 percent at end-September to 11 percent at end-December 2019.
- Given \$1.3bn in six-month exports, the full year export figure is unlikely to exceed \$3bn. We forecast 8 percent growth in exports this year, for a full year figure of \$2.9bn.
- Among large-value exports, the best performing exports this past quarter were flowers, fruits and vegetables, live animals, and textile products.
- Some export sub-components are showing record high levels, including flowers and textile products. On current trends, flowers are likely to become Ethiopia's second largest export after coffee, and textiles will not be that far behind (potentially fourth largest overall within the coming year).

Figure 18A: Export Performance

	FY 2018-19 H1	FY 2019-20 H1	Percent Change
Total Exports	1,206.1	1,333.5	10.6%
Coffee	333.94	365.4	9.4%
Oilseeds	149.37	107.3	-28.2%
Leather & Leather products	67.08	49.1	-26.8%
Pulses	110.35	98.1	-11.1%
Meat & Meat Products	48.10	35.4	-26.4%
Fruits & Vegetables	27.85	53.5	92.0%
Textile & Textile Products	68.65	99.9	45.5%
Flower	105.64	225.3	113.2%
Gold	19.37	13.5	-30.2%
Live Animals	19.06	32.7	71.3%
Chat	159.52	173.7	8.9%
Spices	4.92	10.3	109.0%
Cereals & Flour	1.0	1.6	60.8%
Natural Gum	1.70	3.5	105.2%
Electronics	19.89	8.7	-56.1%
Chemicals & Construction Inputs	8.8	4.5	-49.2%
Electricity	33.03	25.4	-23.0%
Bees Wax	1.03	0.94	-8.0%
Others	26.71	24.8	-7.3%

Source: MOTI, ERCA

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

	FY 2018-19 H1	FY 2019-20 H1	Percent change
Total Exports, USD mns	1,206	1,334	10.6%
<i>Ranked by growth rate:</i>			
Flowers	105.64	225.3	113.2%
Spices	4.92	10.3	109.0%
Natural Gum	1.70	3.5	105.2%
Fruits & Vegetables	27.85	53.5	92.0%
Live Animals	19.06	32.7	71.3%
Cereals & Flour	1.0	1.6	60.8%
Textile & Textile Products	68.65	99.9	45.5%
Coffee	333.94	365.4	9.4%
Chat	159.52	173.7	8.9%
Others	26.71	24.8	-7.3%
Bees Wax	1.03	0.94	-8.0%
Pulses	110.35	98.1	-11.1%
Electricity	33.03	25.4	-23.0%
Meat & Meat Products	48.10	35.4	-26.4%
Leather & Leather products	67.08	49.1	-26.8%
Oilseeds	149.37	107.3	-28.2%
Gold	19.37	13.5	-30.2%
Chemicals & Construction Inputs	8.8	4.5	-49.2%
Electronics	19.89	8.7	-56.1%

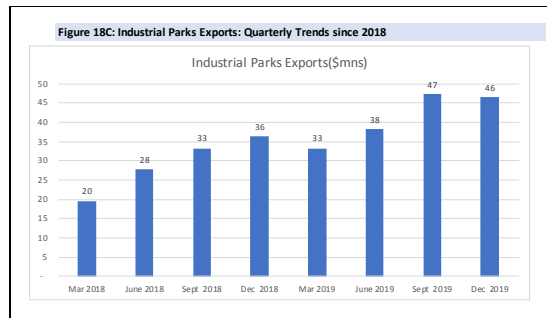
Source: MOTI, ERCA

Export performance--continued

- Industrial park exports stalled in the latest quarter (down 2 percent between Sept and Dec), but are 28 percent above year-ago levels and are likely to exceed \$200mn in annual exports this fiscal year
- The top three Industrial Parks with the best export performance are Hawassa IP, Bole Lemi IP, and Eastern IP

Import performance

- Overall imports are down 6 percent in the first half of the fiscal year, which would normally suggest weak domestic economic activity.
- However, a closer look at the data shows that this partly reflects declines in one-off aircraft imports (-94%) and in reduced fuel imports due to lower global oil prices (-6%). Excluding these two items, non-fuel and non-aircraft imports grew by 5 percent.
- Consumer goods were down 6 percent, likely reflecting the faster recent depreciation and an adjustment away from higher-cost consumer items.
- Capital goods imports were down overall—but mainly due to declines in aircraft imports. Capital goods related to agriculture were up 57% and those related to industry up 6%.



Source: EIC



Source: EIC

Figure 19A: Import Performance

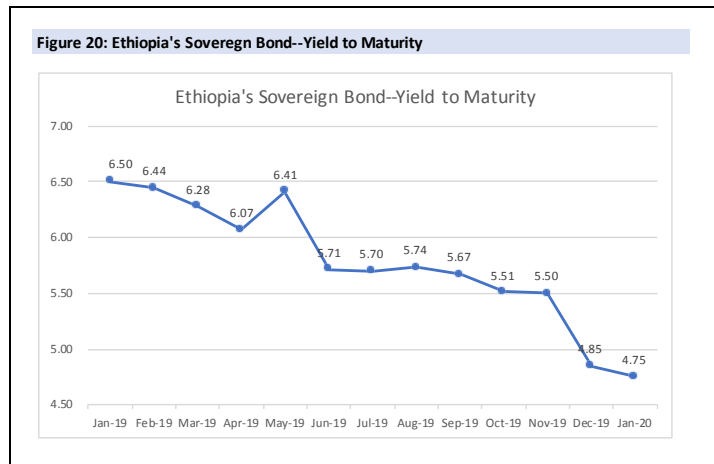
	FY 2018-19 H1	FY 2019-20 H1	% Change
Total Imports	8,118	7,566	-6.8%
Raw materials	91.87	86.58	-6%
Semi-finished goods	1,186.46	1,411.80	19%
Chemicals	214.18	320.08	49%
Fertilizers	14.58	31.51	116%
Textile materials	42.25	53.06	26%
Others	915.45	1,007.14	10%
Fuel	1,336.92	1,232.65	-8%
Crude petroleum	0.03	-	-100%
Petroleum products	1,264.55	1,188.24	-6%
Others	72.34	44.41	-39%
Capital goods	3,020.78	2,330.66	-23%
Transport	1,071.01	246.52	-77%
Aircraft	803.92	44.71	-94%
Agricultural	30.47	47.97	57%
Industrial	1,919.26	2,036.17	6%
Consumer Goods	2,337.88	2,200.99	-6%
Durables	611.57	527.80	-14%
Non-durables	1,726.31	1,673.19	-3%
Cereals	346.87	490.35	41%
Other Food	343.51	310.91	-9%
Medical & Pharmaceuticals	374.68	315.21	-16%
Textile Fabrics	207.10	221.32	7%
Others	454.15	335.39	-26%
Miscellaneous	144.46	303.64	110%
Non-fuel, non-aircraft imports	5,977.53	6,288.95	5%

Source: MOTI, ERCA

ETHIOPIA'S SOVEREIGN BOND: Recent developments and outlook

Sovereign Bond Yields:

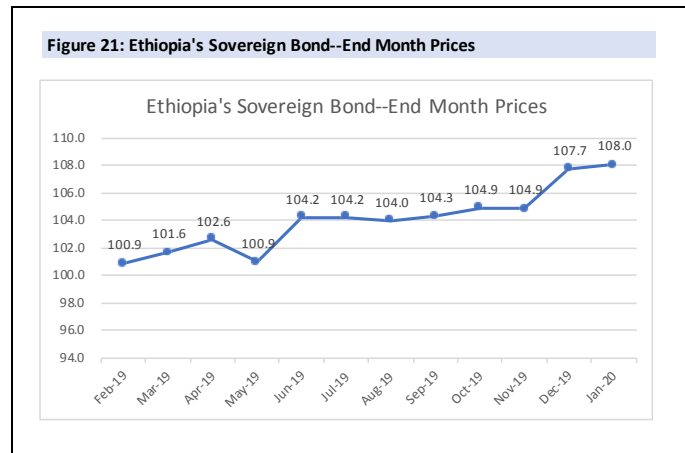
- Ethiopia's sovereign bonds have fallen to their lowest yields since they were issued five years ago in December 2014.
- This mainly reflects global factors (EM yields have fallen across the board), but Ethiopia also saw a distinct decline in yields following the IMF program announcement in early Dec 2019



Source: FactSet

Sovereign Bond Prices:

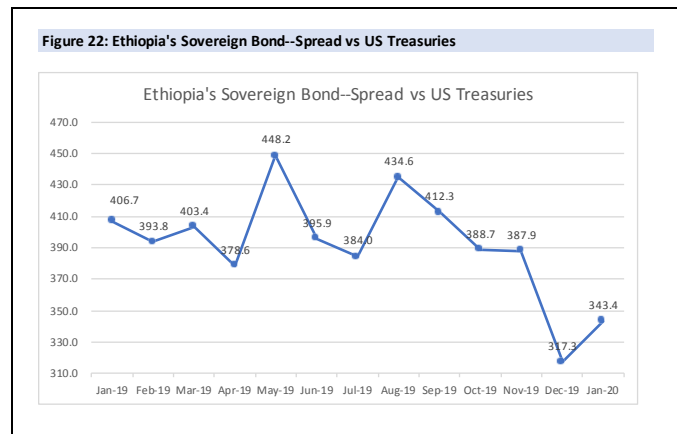
- Bond prices are at historic highs, and holders of Ethiopia's Eurobonds have received a more than 15 percent total return in dollar terms for 2019 (given the 6.625% coupon on the bond plus a near 8% price appreciation).



Source: FactSet

Spread vs US Treasuries:

- The gap between US 10-Year bonds and Ethiopia's 10-Year bond is also now at one of its lowest ever levels of just 3.43 percentage points.

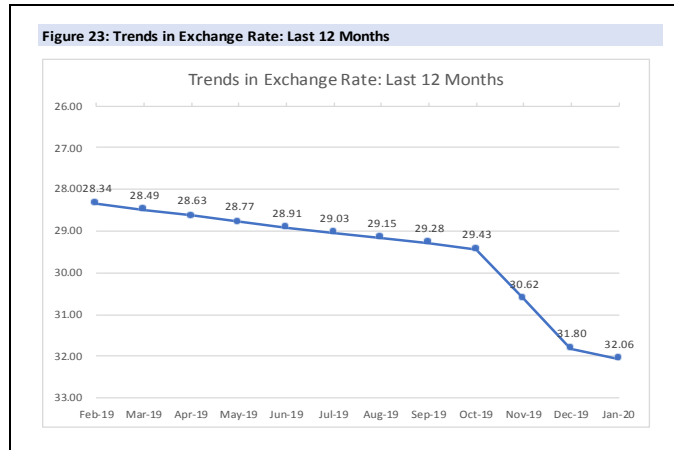


Source: FactSet

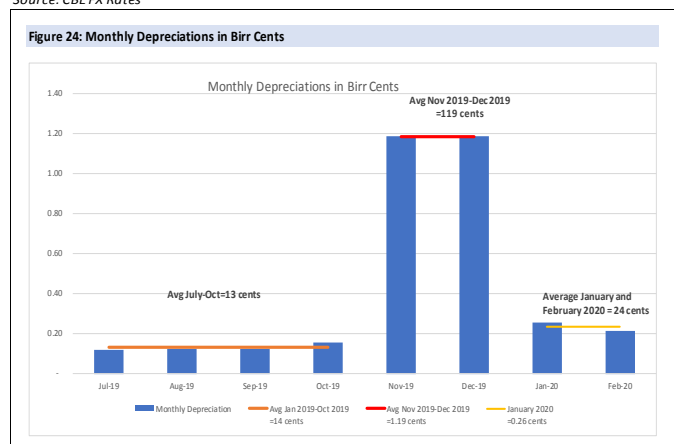
EXCHANGE RATE: Recent developments and outlook

Exchange rate trends:

- After two months of sharp depreciations in November and December (1.2 Birr per month), exchange rate adjustments have moderated more recently—as we expected—and are now averaging 22 cents per month.
- The exchange rate has now depreciated by 14 percent from year-ago levels (32.28 at end-February 2020 vs 28.34 at end February 2019).
- Continuing the current pace of Birr depreciation, i.e. 22 cents per month, would move the exchange rate by 8 percent in a year’s time. We think the central bank would aim for a somewhat higher annual rate of depreciation, given inflation differentials between Ethiopia and its trading partners and the need to maintain external competitiveness.
- An annual depreciation of between 10-15 percent is thus more likely to be targeted, in our view, implying somewhat higher monthly depreciations in the latter half of 2020. On this basis, we see the rate reaching 33.16 Birr/USD by end-June and just under 36 Birr/USD by end-December.



Source: CBE FX Rates



Source: CBE website FX Rates.

Figure 25: Exchange Rate: Forecasts to End-2020

Actuals: End Month	Buying Rate	Selling Rate	Depreciation from year ago
July 2019	29.03	29.61	6.1%
August 2019	29.15	29.74	6.1%
September 2019	29.28	29.86	6.1%
October 2019	29.43	30.02	6.1%
November 2019	30.62	31.23	9.8%
December 2019	31.80	32.44	13.4%
January 2020	32.06	32.70	13.7%
Projections: End Month			
February 2020	32.28	32.93	13.9%
March 2020	32.50	33.15	14.1%
April 2020	32.72	33.38	14.3%
May 2020	32.94	33.60	14.5%
June 2020	33.16	33.82	14.7%
July 2020	33.41	34.08	15.1%
August 2020	33.66	34.33	15.5%
September 2020	33.91	34.59	15.8%
October 2020	34.36	35.05	16.8%
November 2020	35.11	35.81	14.7%
December 2020	35.96	36.68	13.1%

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

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
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</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%	10.2%	7.7%	9.0%	8.0%	7.5%
<i>Agriculture growth</i>	9.0%	4.9%	7.1%	5.4%	6.4%	2.3%	6.7%	3.5%	3.8%	4.5%	4.0%
<i>Industry growth</i>	18.6%	19.7%	24.0%	17.1%	19.9%	20.5%	20.3%	12.2%	12.6%	12.0%	12.0%
<i>Services growth</i>	17.0%	9.6%	9.0%	13.0%	11.1%	8.6%	7.2%	8.8%	11.0%	8.3%	7.5%
Inflation: CPI (end-of-period)	38.1%	20.7%	7.4%	8.5%	10.4%	7.5%	8.8%	14.7%	15.3%	13.3%	10.0%
Inflation: CPI (period average)	18.1%	34.1%	13.5%	8.1%	7.7%	9.7%	7.2%	13.1%	12.6%	17.5%	10.0%
Nominal GDP growth	31.6%	45.1%	16.0%	22.4%	22.4%	20.8%	16.9%	20.0%	22.5%	26.9%	18.3%
Nominal GDP level (Birr billions)	515.1	747.3	866.9	1,060.8	1,298.0	1,568.1	1,832.8	2,200.1	2,696.2	3,422.1	4,047.0
Nominal GDP level (USD billions)	\$ 32.0	\$ 43.2	\$ 47.6	\$ 55.5	\$ 64.5	\$ 74.1	\$ 81.6	\$ 83.9	\$ 95.9	\$ 109.5	\$ 114.5
GDP per capita (USD)	\$ 392	\$ 516.4	\$ 554.0	\$ 631.1	\$ 715.8	\$ 803.9	\$ 864.6	\$ 869.3	\$ 971.8	\$ 1,086.2	\$ 1,112.1
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	33.16	37.50
Exchange rate (Birr/USD, year-average)	16.10	17.28	18.23	19.11	20.13	21.16	22.47	26.23	28.12	31.25	35.33
Exchange rate annual depreciation (year-average)	24.8%	7.3%	5.5%	4.8%	5.3%	5.1%	6.2%	16.7%	7.2%	11.1%	13.1%
Investment-to-GDP ratio	27.2%	34.6%	32.6%	38.0%	39.3%	37.3%	38.4%	34.7%	35.2%	34.0%	36.5%
<i>By investor category:</i>											
Public sector investment-to-GDP ratio	19.6%	26.1%	24.3%	17.0%	17.6%	16.8%	14.4%	12.8%	11.0%	11.0%	10.5%
Private sector investment-to-GDP ratio	7.6%	8.5%	8.3%	21.0%	21.7%	20.5%	24.0%	21.9%	24.2%	23.0%	26.0%
<i>By source of financing:</i>											
Domestic Savings-to-GDP ratio	12.8%	16.5%	15.9%	20.5%	21.8%	22.4%	22.4%	24.1%	24.0%	23.5%	24.5%
External Savings-to-GDP ratio	14.4%	18.1%	16.7%	17.5%	17.5%	14.9%	16.0%	10.6%	11.2%	10.5%	12.0%
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	1,087.9	1,305.5
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	758.9
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	88.8	85.1	68.0
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	399.5	459.5
Total bank financing: Loans/Bills/Bonds (Br bn)	108.0	160.9	218.4	282.5	379.4	470.7	582.2	716.9	883.5	1,077.5	1,286.4
Deposit-to-GDP ratio (%)	27.8%	25.3%	27.4%	27.6%	28.2%	27.8%	31.0%	33.1%	33.3%	31.8%	32.3%
Total bank financing-to-Deposit ratio (%)	75.3%	85.0%	91.8%	96.5%	103.5%	107.8%	102.5%	98.3%	98.3%	99.0%	98.5%
Total commercial bank financing-to-GDP ratio (%)	21.0%	21.5%	25.2%	26.6%	29.2%	30.0%	31.8%	32.6%	32.8%	31.5%	31.8%
Annual growth in bank deposits (%)	40.0%	32.1%	25.6%	23.2%	25.1%	19.2%	30.0%	28.4%	23.3%	21.0%	20.0%
Annual growth in total bank financing (%)	50.7%	49.0%	35.7%	29.4%	34.3%	24.1%	23.7%	23.1%	23.2%	22.0%	19.4%

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

Fiscal Sector	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	FY 2020/21
Revenue and grants (Birr bns)	85.6	115.7	137.2	158.1	199.6	243.7	269.1	287.6	344.9	425.3	566.2
Expenditure (Birr bns)	93.8	124.4	153.9	185.5	230.5	272.9	329.3	354.2	413.1	509.8	655.8
Fiscal balance after grants (Birr bns)	-8.2	-8.7	-16.7	-27.4	-30.9	-29.3	-60.2	-66.6	-68.2	-84.5	-89.6
Revenue and grants (% GDP)	16.6%	15.5%	15.8%	14.9%	15.4%	15.5%	14.7%	13.1%	12.8%	12.4%	14.0%
Expenditure (% GDP)	18.2%	16.6%	17.8%	17.5%	17.8%	17.4%	18.0%	16.1%	15.3%	14.9%	16.2%
Fiscal balance after grants (% GDP)	-1.6%	-1.2%	-1.9%	-2.6%	-2.4%	-1.9%	-3.3%	-3.0%	-2.5%	-2.5%	-2.2%
Public Sector Debt (% GDP)	36.2%	30.6%	41.9%	45.7%	52.9%	52.4%	55.2%	59.0%	56.0%	51.7%	52.1%
External Debt (% GDP)	24.4%	20.6%	23.6%	25.2%	29.6%	29.0%	28.7%	30.9%	28.2%	26.1%	26.5%
Domestic Debt (% GDP)	11.9%	10.1%	18.3%	20.5%	23.3%	23.4%	26.5%	28.1%	27.8%	25.6%	25.6%
External Sector: Balance of Payments	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	FY 2020/21
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	3,168
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)	(15,036)	(16,239)
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)	(5,941)
Remittances (USD mn)	2,032	2,401	2,489	2,968	3,797	4,420	4,428	5,121	5,693	5,978	6,456
Private transfers (USD mn)	715	845	1,086	1,071	1,085	2,008	1,058	953	683	717	753
Foreign official grants (USD mn)		1,788	1,530	1,461	1,508	1,391	1,428	1,226	2,087	1,800	1,600
Current account balance (USD mn)	(210)	(2,755)	(2,781)	(4,352)	(7,401)	(6,657)	(6,528)	(5,253)	(4,534)	(4,556)	(5,407)
Current account balance (% GDP)	-0.7%	-6.4%	-5.8%	-7.8%	-11.5%	-9.0%	-8.0%	-6.3%	-4.7%	-4.2%	-4.7%
Foreign direct investment (USD mn)	1,243	1,072	1,232	1,467	2,202	3,269	4,171	3,723	3,015	3,500	5,050
Net foreign borrowing: Govt (USDmn)	2,073	938	1,270	2,309	3,352	1,628	1,402	1,632	1,158	1,500	1,647
Net foreign borrowing: Public Sector (USDmn)		231	882	332	2,347	1,052	626	937	1,326	300	400
Overall External Balance (USD mn)	1,446	(1,067)	(7)	(97)	(521)	(831)	659	(201)	58	644	1,743
Stock of Foreign Reserves, (USD mn)	3,044	2,262	2,368	2,496	3,249	3,402	3,197	2,843	3,415	4,059	5,802
Stock of Foreign Reserves, months imports	4.4	2.5	2.5	2.2	2.4	2.4	2.4	2.2	2.7	3.2	4.3
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	28.5	30.3
External Debt Stock (Public Sector, % GDP)	24.4%	20.6%	23.6%	25.2%	29.6%	29.0%	28.7%	30.9%	28.2%	26.1%	26.5%
Growth of Goods Exports	37.1%	14.8%	-1.2%	5.9%	-8.5%	-5.0%	1.4%	-2.3%	-6.1%	8.0%	10.0%
Growth of Goods Imports	-0.2%	33.5%	4.0%	19.6%	20.0%	1.6%	-5.5%	-3.5%	-0.9%	-0.5%	8.0%
Market Ratings and Sovereign Bond Performance											
Country Ratings	...	...	...	...			
Standard and Poor's	...	...	...	...	B	B	B	B	B	B	...
Fitch	...	...	...	...	B	B	B	B	B	B	...
Moody's	...	...	...	...	B1	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
Fourth Quarter 2019: October 1 – December 31, 2019

The compilation of economic and business news reports normally presented in our Quarterly Macroeconomic Reviews is available to readers at our website at <https://cepheuscapital.com/insights/>

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