



Casa África - Business Opportunities

Federal Democratic Republic of Ethiopia

GDP growth has slowed in recent years, from 7.7% in 2018 to 7.4% in 2019 due to social unrest and fiscal consolidation to stabilize public debt. However, the country's economic outlook is positive; a GDP stabilization projection of around 7% was estimated for 2020 and 2021 due to ongoing political and economic reforms and the normalization of relations with its neighbours. The main objective of these reforms is to address macroeconomic imbalances and unblock structural and sectoral bottlenecks, as well as to improve the governance of state-owned enterprises and strengthen institutional capacities. Measures to open key sectors to competition, in particular transport, logistics, manufacturing and telecommunications, are expected to attract private investment and high value-added services, in addition to boosting competitiveness. Monetary policy has been tightened in recent years, but inflation remains high. The government is implementing fiscal reforms to boost revenue mobilization and reduce foreign borrowing.

On the supply side, industry - especially the construction of industrial parks and investment in infrastructure - and services continued to lead growth in 2019. The structural transformation is taking place, but slowly. Although the share of agriculture in GDP has decreased, this sector continues to employ more than half of the population. On the demand side, private consumption and domestic investment were key to growth in 2019. Investments in transport, such as the Addis Ababa-Djibouti railway and ongoing logistics reforms, including measures to improve rail connectivity, will yield efficiency gains in trade and manufacturing.

With regard to the external sector, the country remains highly dependent on agricultural exports, which has contributed to maintaining trade deficits. The country's main customers in 2017 were Sudan, Switzerland and China, and its main suppliers are China, Saudi Arabia and India. Its relationship with Spain has been steadily improving, and the sectors of greatest interest to Spanish companies are transport, energy and water.

Obstacles to business growth such as foreign currency shortages, unstable electricity supplies, low access to credit, weaknesses in raw material supply chains, labour shortages and inefficient trade logistics persist in the country, reducing the production capacity of companies. In this regard, Ethiopia's public-private partnership framework will diversify sources of financing for the country's development, improve debt sustainability, and sustain investments in growth-generating infrastructure. Ongoing financial reforms, particularly for capital market development, will enhance domestic resource mobilization. The Government intends to make Ethiopia a middle-income country by 2024 by implementing a foreign policy to attract direct investment, with which to carry out the programme set out in the Transformation and Growth Plan (PWG II) of 2015.

AEO: <https://www.afdb.org/en/documents/african-economic-outlook-2020>

MAEC: http://www.exteriores.gob.es/Documents/FichasPais/ETIOPIA_FICHA%20PAIS.pdf