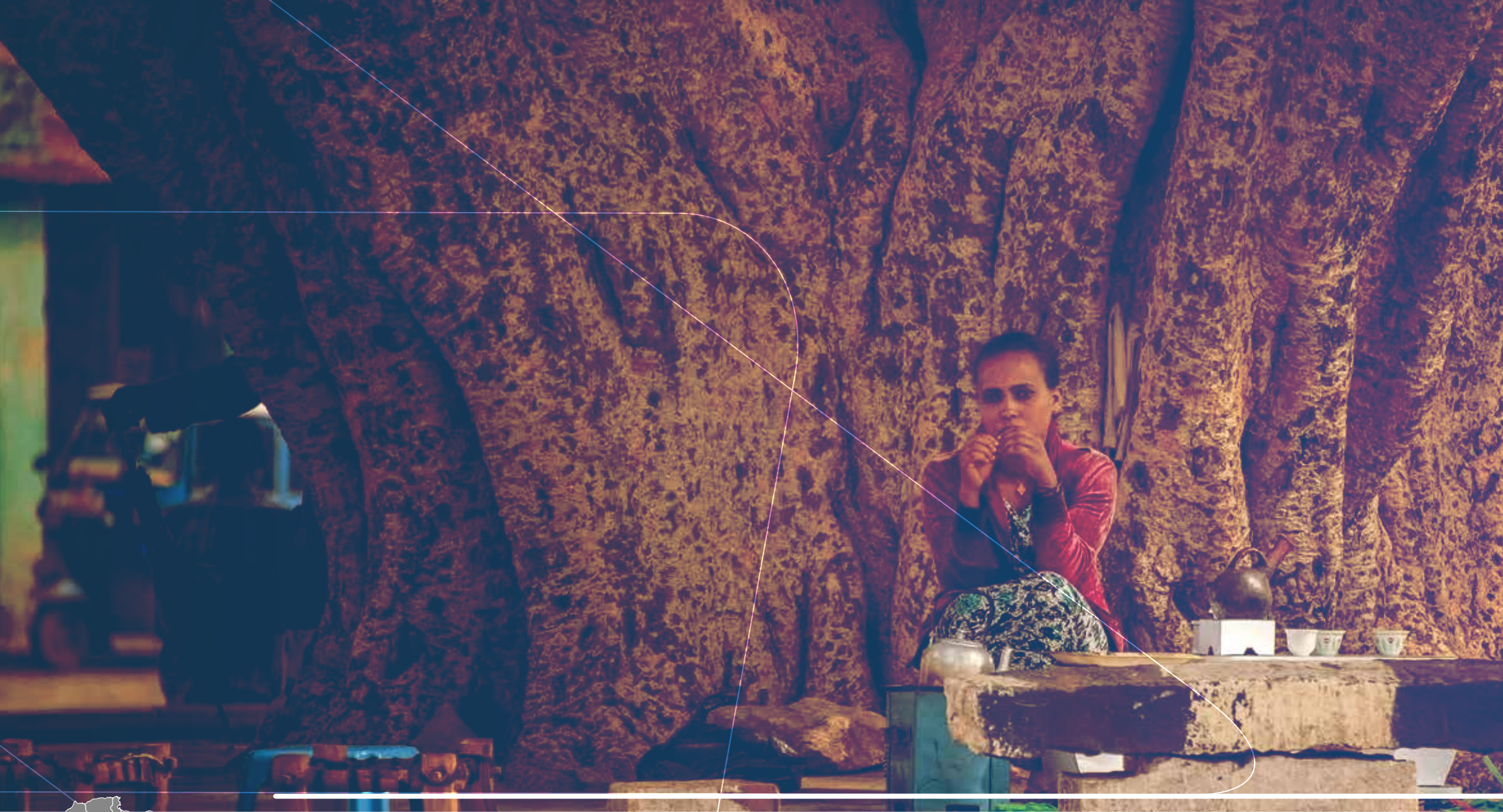


IOA | 2019 | ACBR

AFRICA COUNTRY BENCHMARK REPORT



Ethiopia Profile



A woman drinks coffee under an immense baobab tree in a moment typical of the vibrant cultural scenes offered by Ethiopia, whose status as East Africa's leading economy has not affected traditional ways.



Image courtesy of Rod Waddington



ETHIOPIA

#47

ETHIOPIA

OVERVIEW ANALYSIS

The installation of new reformist Prime Minister Abiy Ahmed in April 2018, following the surprise resignation of Hailemariam Desalegn, has made Ethiopia a new country. Ethiopia has replaced Kenya as East Africa's largest economy. Oppression of minority groups through human rights abuses and states of emergency have ended under Ahmed. Liberalisation has been extended to foreign relations, as decades of hostility with Eritrea ended with Ahmed's bold visit to Asmara for reconciliation aimed at wrapping-up drawn-out border crisis. Many of the indicators used to compile Ethiopia's scores were taken prior to the Ahmed administration. Data reflecting newer social and political realities will certainly boost Ethiopia's sector and overall score.

KEY OPPORTUNITIES

- Wise investment policy and spending on infrastructure has given Ethiopia East Africa's largest economy
- The energy sector is thriving under an aggressive policy of hydro-generation
- Tourism is a growth industry, founded on Ethiopia's unique scenery

KEY CONCERNS

- Agricultural land is limited and requires investment in new technology for better yields
- Ethiopia's landlocked placement adds to shipping costs
- Education levels are low, and skills tutoring is required

COUNTRY HIGHLIGHTS

PREDOMINANT
RELIGIONEthiopian
OrthodoxPREDOMINANT
LANGUAGE

Oromo

POPULATION
WITHOUT
ELECTRICITY57.1%
(#28) ▲⁹LITERACY
RATE49.1%
(#42) ▼¹PRIMARY
ELECTRICITY
SOURCE

Hydroelectric

IMPORT/
EXPORTMachinery/
Vegetable
ProductsEXTERNAL
DEBTUS\$ 29.09
billion
(#8) —ACTIVE
CONFLICT

No

LAND
SIZE1,104,300 km²
(#10)INTERNET
PENETRATION15.4%
(#32) ▲¹

35.8%



AGRICULTURE

22.2%



INDUSTRY

42%



SERVICES

43.5%



0-14

20.1%



15-24

29.6%



22-54

6.8%



55+



Term:
25/10/2018 - present
6 years (2 term limit)



Political Party:
Independent



Recent Electoral Information:
25/10/2018
Parliamentary vote - 659
100%
Voter turnout: N/A



President
Sahle-Work Zewde

CONTRIBUTIONS TO GDP BY SECTOR

POPULATION AGE BREAKDOWN

NATIONAL GOVERNANCE

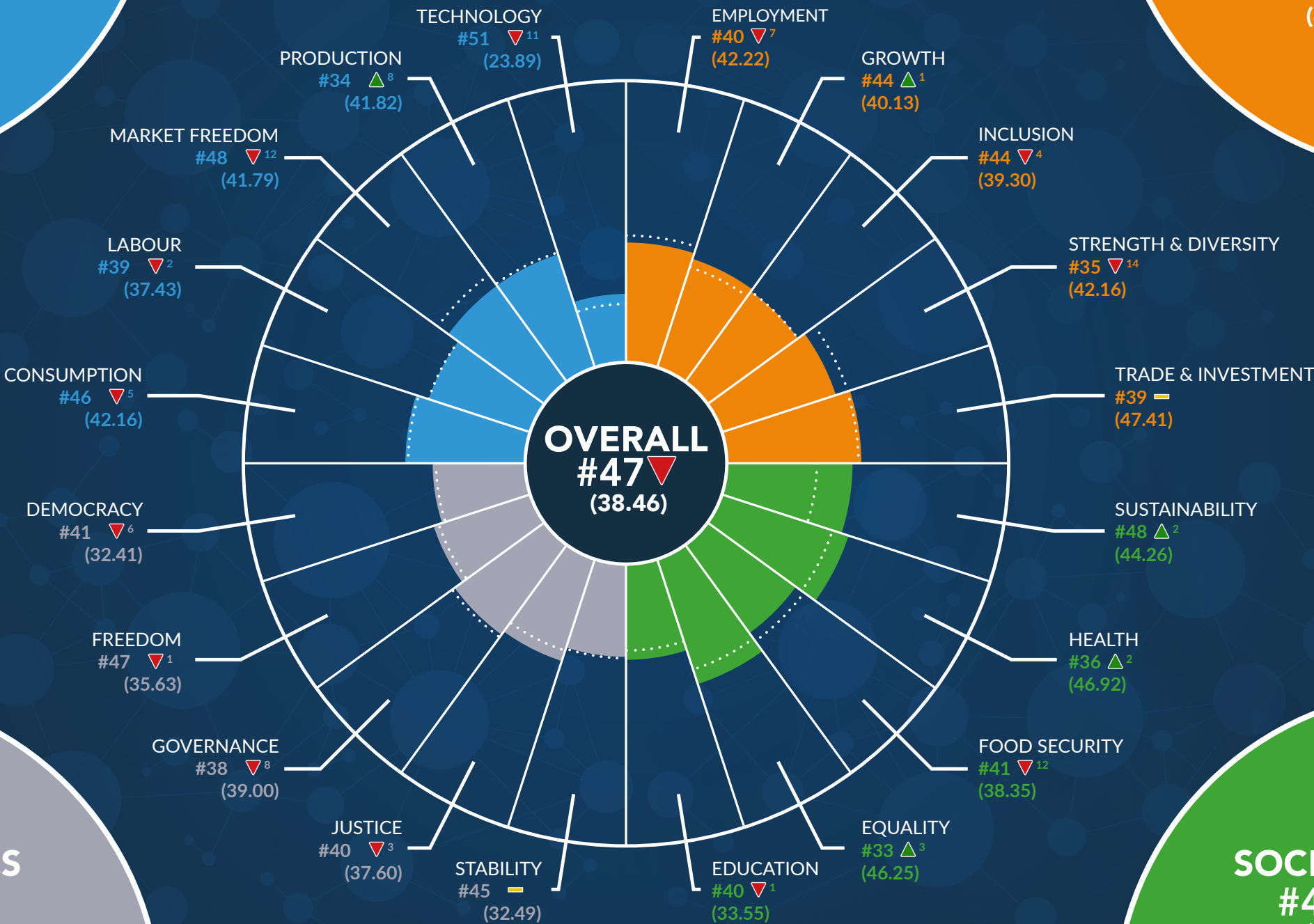
BUSINESS

▼ #50
(37.42)

ETHIOPIA PERFORMANCE OVERVIEW

ECONOMICS

#42 ▼³
(40.51)



POLITICS

▼ #44
(35.43)

SOCIETY

#45 ▼²
(40.50)

ETHIOPIA BUSINESS ANALYSIS

#50

BUSINESS OVERVIEW

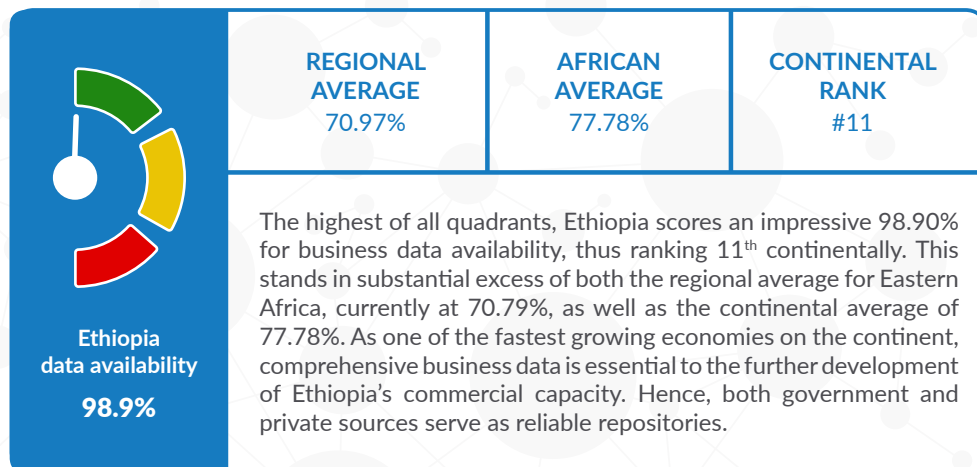
Ethiopia is Africa's second-most populous country, which provides an ample domestic market for the retail and services sectors, as well as for indigenous industries, from food processing to electronics, to find ready local buyers for manufactured products. While Ethiopia's landlocked status adds to shipping costs, transportation links to the sea are good and represent heavy investment. The most recent is the opening of a high-speed electric railway to the Porto Djibouti in 2017. A total of US\$ 2.8 billion has been spent on 372 km of 'mega-roads', some of which are opening new areas to mining. The spectacular success of Ethiopian Airlines has positioned the company to be Africa's leading airline, owning stakes in other African airlines. The airline is a part of the transportation sector's strong contributions to GDP. With

the services sector, these two sectors comprise 42% of GDP. Traditionally, the country's most active sector is agriculture, which contributes 37% to GDP.

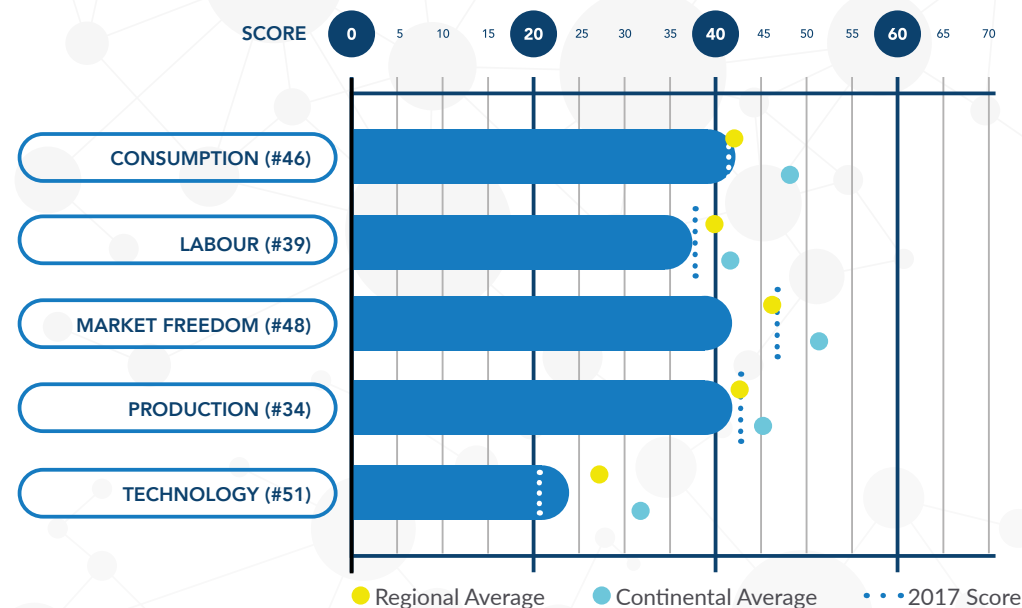
Textiles is a growth industry, abetted by Ethiopia's status as one of the World Bank's top 10 Sub-Saharan Africa's countries for ease of doing business with. Reforms are needed to overturn what has long been a command economy. Ahmed supports a policy of selling off state-owned enterprises. These reforms have yet to materialise when ACBR 2019 was compiled.

Ethiopia actually dropped seven ranks in the Business quadrant from 43rd to 50th place. This drop was primarily due to a poor but outdated score in Market Freedom.

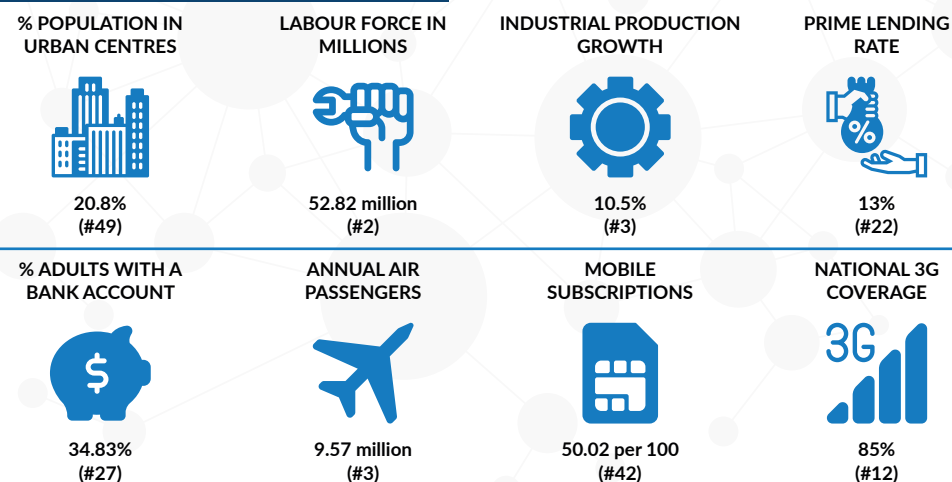
BUSINESS DATA COMMENTARY



BUSINESS SCORES & RANKINGS



BUSINESS STATISTICS



ETHIOPIA ECONOMIC ANALYSIS

#42

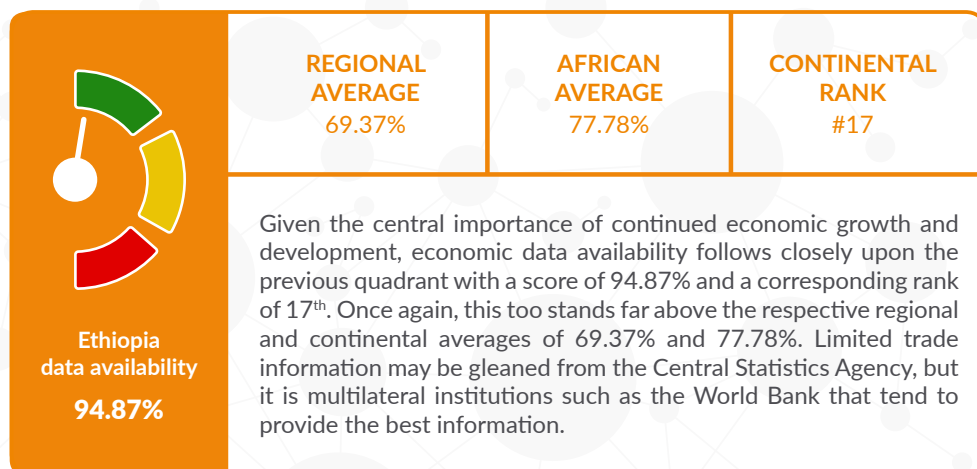
ECONOMIC OVERVIEW

GDP growth rate for 2017 was an impressive 10.9%, up from a robust 8% in 2016. Averaging 8-11% growth over recent years, Ethiopia has the largest growing economy of any of the International Monetary Fund's 188 member states. In 2017, industrial growth was 10.5%. Nevertheless, significant reforms are required to end the remnants of Ethiopia's command economy and to truly reach the economy's full potential. Government has a hard habit to break with their long history of a state-planned economy. However, under the Ahmed administration, the first liberalising measures have been put into place in the communications and financial sectors. Speedy economic growth has also kindled inflation, which rose to 10.8% in 2017. Balance of trade is another troublesome

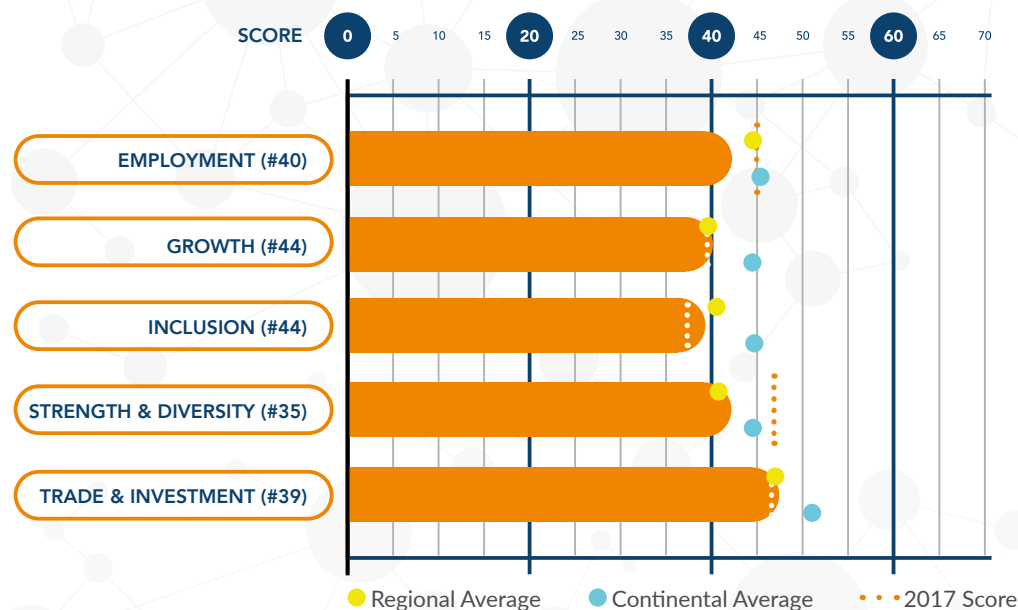
area. In 2017, US\$ 14 billion in goods were imported against only US\$ 3 billion of local products exported. The agriculture sector also needs modernisation, with many farmers and herders working virtually at the subsistence level. With urban unemployment considered, the poverty rate among Ethiopians stands at 30%. Government owns all land but is now granting long-term land use certificates in some areas.

Ethiopia dropped by three positions in the Economics quadrant to a rank of 42nd. The low position seems at odd with the thriving performance of Ethiopia's economy, which is now East Africa's largest and one of Africa's most impressively growing. However, the data reflects the pre-Ahmed government's command economy.

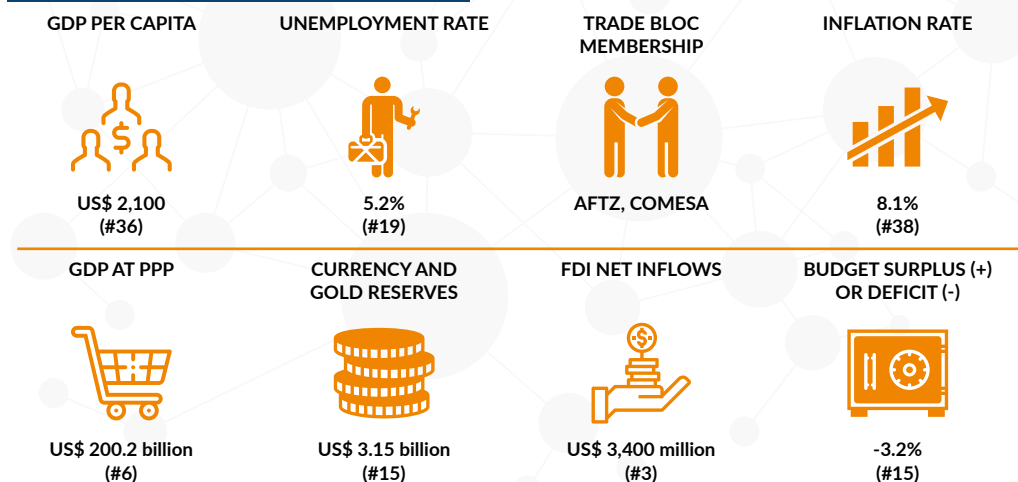
ECONOMIC DATA COMMENTARY



ECONOMIC SCORES & RANKINGS



ECONOMIC STATISTICS



ETHIOPIA POLITICAL ANALYSIS

#44

POLITICAL OVERVIEW

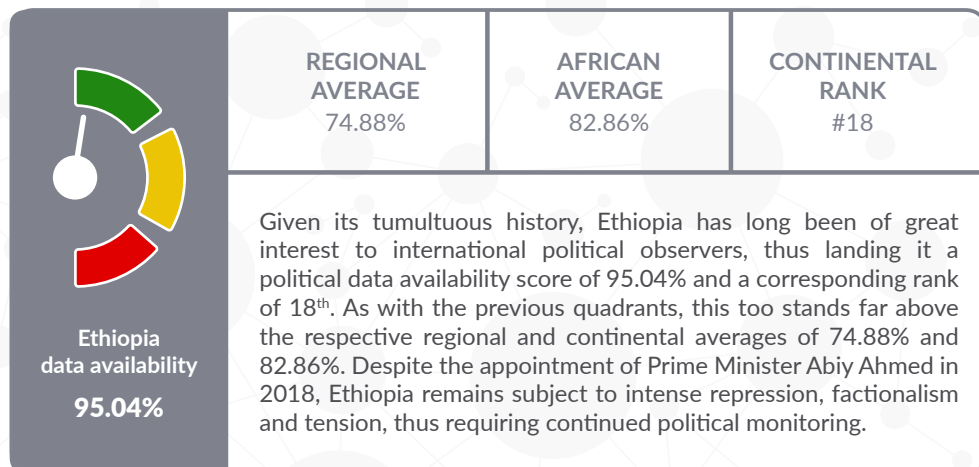
Installed in April 2018, Prime Minister Ahmed has escaped two assassination attempts by forces opposed to his reforming agenda. A bomb killed two people in a July 2018 rally, held by his supporters to show their endorsement of his plan. In October 2018, soldiers invaded Ahmed's office, and a coup d'état was averted through quick thinking and humour by the prime minister. Factions of the military are unhappy that their control on governance has diminished in the reforming era.

The People's Revolutionary Democratic Front, the political party that controls Ethiopia's government, consists primarily of the Tigrayan tribe. This has resulted in years of discrimination by government against a major indigenous tribe, the

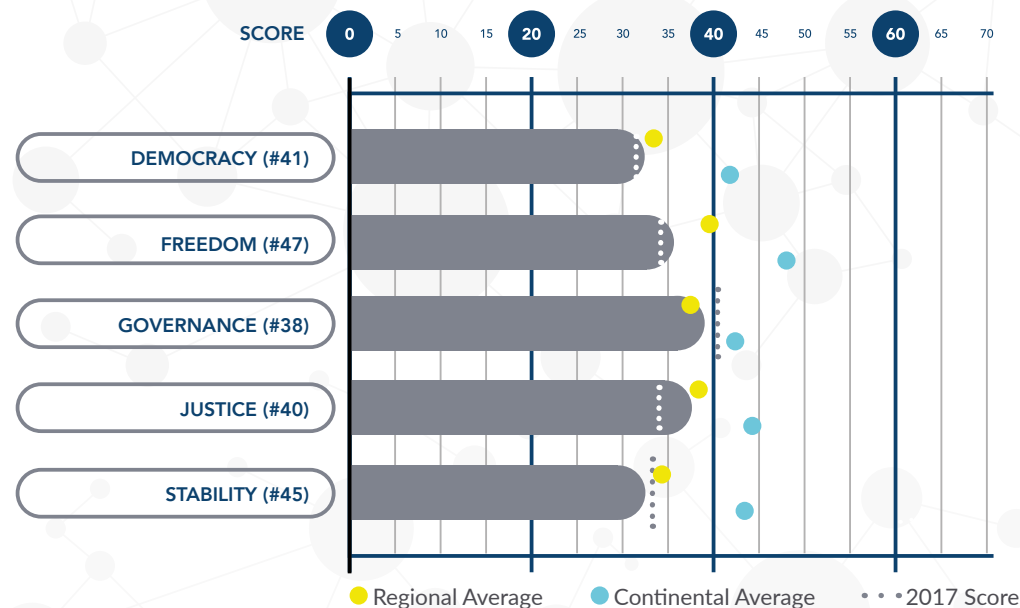
Oromo. The most significant political developments of 2018 involved Ahmed's reversal of repressive measures. He ended the latest state of emergency imposed to suppress political dissent, ordered the release of thousands of political prisoners, allowed Oromo dissidents to return home and unblocked hundreds of websites and TV channels used by the political opposition.

The political indexes drawn upon for ACBR 2019 were compiled before Ahmed's ascension to power and the enactment of his reforms. Therefore, they are behind the curve of these political developments. That Ethiopia dropped nine ranks in the Politics quadrant from 35th to 44th reflects the record of the Desalegn regime rather than the updated reality of the Ahmed reforms.

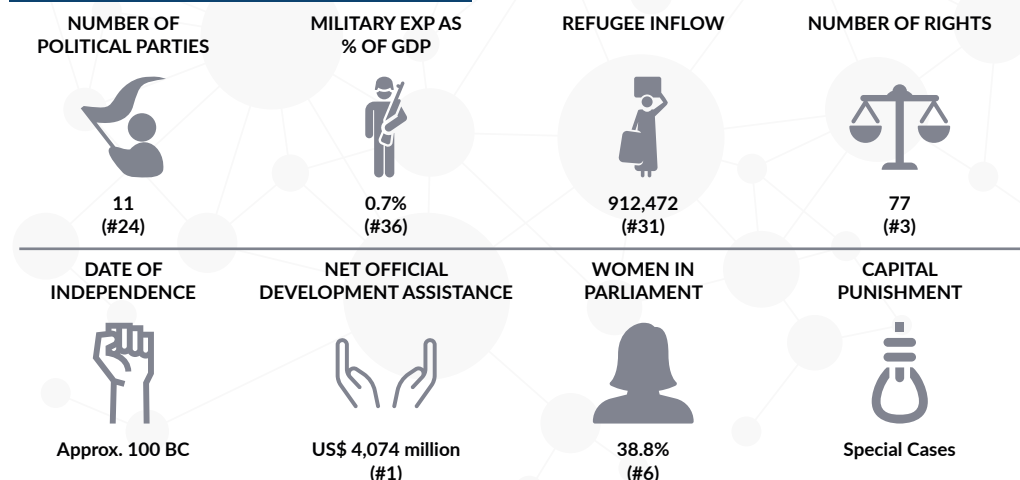
POLITICAL DATA COMMENTARY



POLITICAL SCORES & RANKINGS



POLITICAL STATISTICS



ETHIOPIA SOCIETAL ANALYSIS

#45

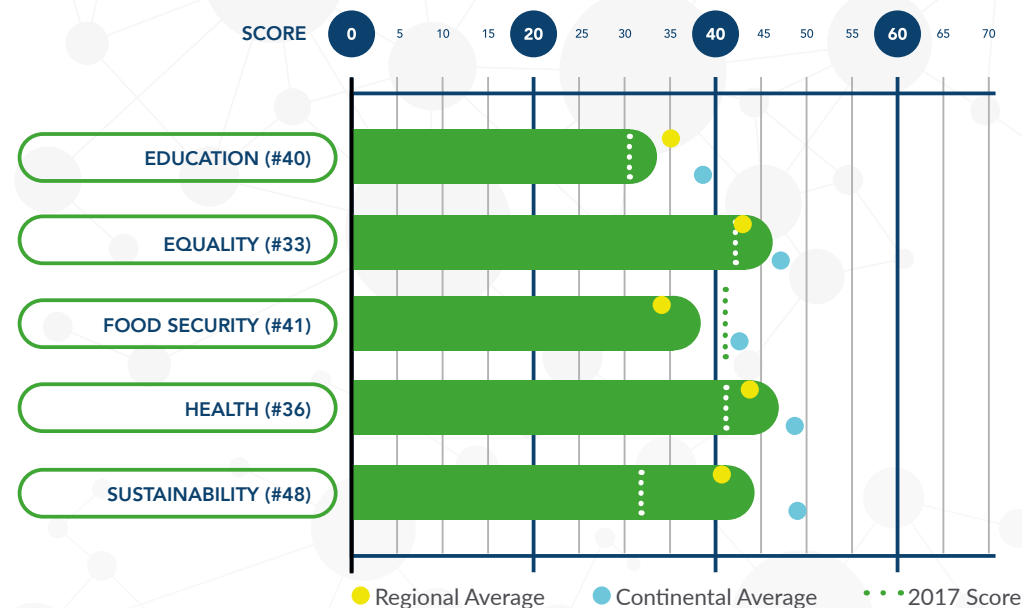
SOCIETAL OVERVIEW

With the political reforms instituted by the Ahmed administration since their assumption of power in April 2018, Ethiopians are finding parity between the success of their economy and civil liberties and their social welfare. Official government antagonism towards the 38 million ethnic Oromo who reside in the country is over. The Oromo homeland is the most economically viable area of the country and generates 60% of Ethiopia's economic resources. An easing of political tensions will make the area more prosperous. Ethnic Eritreans living in the country also benefitted from Ahmed's reforms when he opened the border with Eritrea on 11 September 2018, reuniting long divided families.

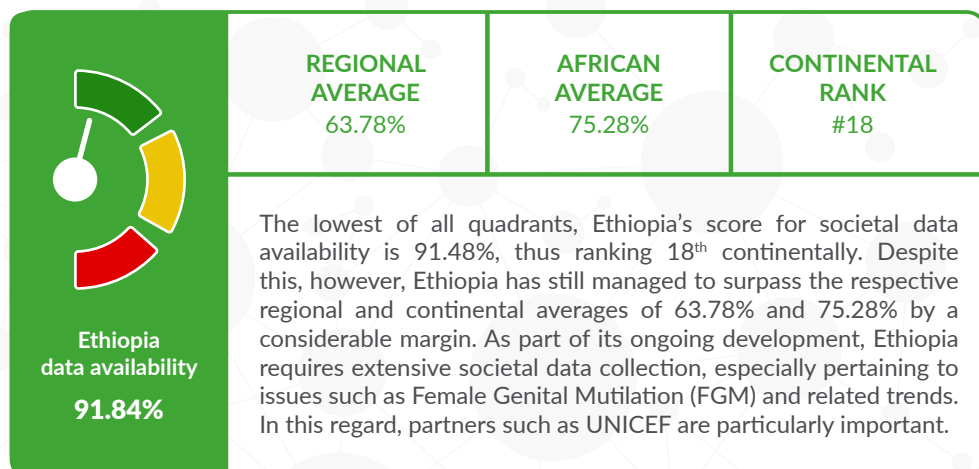
Population growth of 2.85% a year is a problem, adding to poverty. With the average Ethiopian woman giving birth to five children, Ethiopia has the 14th-highest birth rate in the world. Furthermore, Ethiopia is largely rural, with less than 20% of the population living in urban areas. Poverty has led to a high rate of child malnutrition and one out of four Ethiopians under the age of five being underweight.

Ethiopia dropped two ranks in the Society quadrant to a low 45th place. Societal data was compiled prior to the reforms put in place by Ahmed, and with updated information, scores and rankings in individual segments will rise to reflect the current reality.

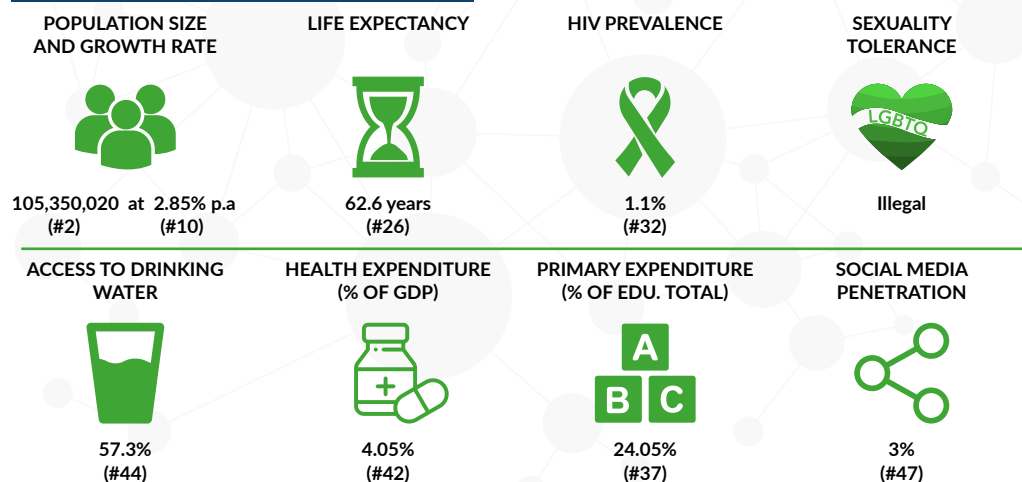
SOCIETAL SCORES & RANKINGS



SOCIETAL DATA COMMENTARY



SOCIETAL STATISTICS



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