BUSINESS OPPORTUNITIES IN ETHIOPIA

FACT PACK

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Business Sweden in Nairobi
HIGH GROWTH AND A FOCUSED GOVERNMENTAL PLAN PRESENT BUSINESS OPPORTUNITIES IN ETHIOPIA

- One of the world’s fastest growing economies
- Second most populous country in Africa
- Large public investments in infrastructure and development of industry parks
- The least urbanised country in Africa, but urban population is expected to triple from 2012 to 2037, reaching 42.3 million

INCREASED PUBLIC INVESTMENTS AND URBANISATION ARE TWO TRENDS THAT PRESENT ATTRACTIVE OPPORTUNITIES

SOURCE: WORLD BANK, BUSINESS SWEDEN ANALYSIS
ETHIOPIA IS A LANDLOCKED COUNTRY, WHERE SEA FREIGHT DEPENDS ON NEIGHBOURING COUNTRIES

BASIC FACTS OF ETHIOPIA

- Area: 1,104,300 sq. km
- GDP: 61.5 billion USD (2015)
- GDP Growth: 9.6% (2015)
- Inflation: 10.1% (2015)
- Currency: Ethiopian Birr (birr)
- Languages: Amharic (official national language)
- Exports: 2.9 billion USD (2016 est.)
- Imports: 14.7 billion USD (2016 est.)
- Swedish Export: 443 million SEK (2016)
- Swedish Import: 152 million SEK (2016)

MAP OF ETHIOPIA

SOURCES: EUROMONITOR INTERNATIONAL, CIA FACT BOOK, KOMMERSKOLLEGIUM, WORLD BANK
ETHIOPIA HAD ITS FIRST MULTI PARTY ELECTIONS IN 1995 AND IS NOW FOCUSING EFFORTS ON GROWTH

Haile Selassie Era
- Ethiopia was run as a kingdom. This period included an Italian occupation (1936-1941), which was ended with support from the British

Change of Power
- The fall of the Soviet Union allowed EPRDF forces to take over. EPRDF is still the ruling party today

Ethiopia in war
- War between Ethiopia and Eritrea. The conflict is still not fully resolved today

Establishment of government plan
- The first Growth and transformation plan was adopted to guide Ethiopia's development the coming years

Elections
- Ethiopian people’s revolutionary democratic front won elections and got majority seats

Middle-Income Country
- The goal of turning Ethiopia into a middle-income country is expected to be fulfilled

Communist rule
- The Derg, a later on Soviet backed junta, took power through a military coup and ran the country under a violent regime

New constitution
- New constitution was established, which led to the first multi party election where Meles Zenawi was elected prime minister

Prime Minister death
- Sitting Prime Minister Meles Zenawi died. Hailemariam Desalegn acted as Deputy Prime Minister and later took over the role as Prime Minister

Government Second Phase Growth Plan
- Government growth plan's second phase started and will run until 2019/2020 with focus on among other things infrastructure upgrades

THE GOVERNMENT’S GROWTH PLAN SEEKS TO TRANSFORM ETHIOPIA TO A MIDDLE-INCOME COUNTRY BY 2025

SOURCES: BBC, WORLD BANK
A CLEAR PLAN GUIDES ETHIOPIA'S EFFORTS TO BECOME A MIDDLE-INCOME COUNTRY BY 2025

- Ethiopia has a two-phase plan that seeks to transform the economy to a middle income economy by 2025
  - The first phase focuses on infrastructure upgrade while the second phase, which is derived from the first phase, focuses on Sustainable Development Goals (SDGs) and regional and international economic collaboration initiatives

**OBJECTIVES**

- Becoming a middle-income economy by 2025
- Maintain an average real GDP growth rate of 11% and attain the millennium development goals
- Pursuing aggressive measures towards rapid industrialisation and structural transformation
- Ensure sustainable growth by realising the above objectives within a stable macroeconomic framework

- Enhance implementation capacity of public institutions that engage citizens
- Promote women and youth empowerment
- Build a climate resilient green economy
- Bridge critical infrastructure gaps with focus on quality of services
- Proactively manage the on-going rapid urbanisation
- Accelerate human development and technological capacity building
- Sustain rapid and equitable economic growth and development
- Improve quality, productivity and competitiveness in productive sectors
- Enhance the transformation of the domestic private sector

ETHIOPIA IS CURRENTLY IMPLEMENTING THE SECOND PHASE OF THEIR GROWTH AND TRANSFORMATION PLAN

**SOURCES:** ETHIOPIA'S MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT, BUSINESS SWEDEN

**ANALYSIS**
ETHIOPIA’S SERVICE SECTOR IS DOMINATING THE ECONOMY, BUT AGRICULTURE IS STILL IMPORTANT

CHARACTERISTICS

- The service sector has been growing the last couple of years and has recently overtaken the agriculture sector in terms of GDP contribution
  - The main contributor to the service sector growth is hotels and tourism, transport and communications, wholesale and retail trade, and financial services
- Although the agricultural sector’s share in GDP has declined the last ten years, the sector is still important as it accounts for the larger part of exports and employs around 73% of the workforce
  - Ethiopian agriculture is characterised by traditional farming and thus vulnerable for climate changes
- The industry sector is relatively small, but has experienced growth. The government’s growth and transformation plan is expected to stimulate further growth, with several infrastructure development projects in progress

OPPORTUNITIES IN THE INDUSTRY SECTOR IS EXPECTED TO FOLLOW PUBLIC INVESTMENTS IN INFRASTRUCTURE

SOURCES: BUSINESS SWEDEN ANALYSIS, CIA WORLD FACTBOOK, WORLD BANK GROUP, AFRICAN ECONOMIC OUTLOOK

GDP BY SECTOR (2016 ESTIMATES)

- Service: 47%
- Agriculture: 36%
- Industry: 17%
ETHIOPIA IS EXPECTED TO CONTINUE POSTING HIGH ECONOMIC GROWTH

ETHIOPIA GDP 2015-2020
USD billion

MAIN GROWTH DRIVERS

- Ethiopia has the last decade posted high economic growth, and the strong performance is expected to continue until year 2020
- The economic growth is public investment driven with focus on prioritised sectors including infrastructure, agriculture and manufacturing
  - The main engine for growth has been government investments in infrastructure upgrades
  - The government is also focusing on private sector development and foreign direct investment as a mean to stimulate growth
  - Foreign direct investments have been increasing the last couple of years and are expected to continue grow until year 2020

ECONOMIC GROWTH WILL BE MAINLY DrIVEN BY PUBLIC INVESTMENTS IN PRIORITY SECTORS

SOURCES: WORLD BANK, AFRICA DEVELOPMENT BANK, DELOITTE ETHIOPIA PROFILE REPORT, IMF, BUSINESS SWEDEN ANALYSIS

*C COMPOUND ANNUAL GROWTH RATE
ONGOING PROJECTS IN ETHIOPIA ARE IN LINE WITH THE GROWTH AND TRANSFORMATION PLAN

Road projects
There are a number of large highway and road projects underway with financing from international financing institutions like the African Development Bank.

Railway Projects
The Ethiopia-Djibouti 650-kilometer railway is to link the Capital, Addis Ababa to port Doraleh in Djibouti. The objective is to reduce the cost of goods and transport. Ethiopia is also part of the regional Lamu port South Sudan-Ethiopia railway project, which is expected to boost regional trade.

Grand Ethiopian Renaissance Dam (GERD)
GERD construction started in 2011 and is expected to start generating electricity in year 2017. Capacity is estimated to 6GW.

Airports
The Bole international airport is currently being expanded at a cost of 300 MUSD to handle a capacity of 20 million passengers. Several domestic airports are also under construction. Construction of a fifth international airport which is expected to be largest in Africa handling a capacity of 70 million passengers will commence in 2020.

Industrial Zones
Ethiopia is investing in industrial parks to attract manufacturing investors in areas like textile and apparel, food processing, vehicles assembly, construction materials, chemicals and pharmaceuticals. Two industrial parks are operational and seven more are underway.

THE ONGOING INFRASTRUCTURE DEVELOPMENT PROJECTS MAKE ETHIOPIA ATTRACTIVE FOR LONG TERM PRIVATE INVESTMENT

SOURCES: AFRICA DEVELOPMENT BANK; MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT; AFRICAN REVIEW
SWEDISH TRADE RELATIONS WITH ETHIOPIA ARE DOMINATED BY SWEDISH EXPORTS

SWEDISH EXPORTS TO ETHIOPIA, 2012-2016
SEK million

SWEDISH IMPORTS FROM ETHIOPIA, 2012-2016
SEK million

SWEDISH EXPORTS TO ETHIOPIA, 2016

SWEDISH IMPORTS FROM ETHIOPIA, 2016

SOURCES: KOMMERSKOLLEGIUM; BUSINESS SWEDEN ANALYSIS
## OPPORTUNITIES FOR INVESTMENT HAVE BEEN IDENTIFIED IN SIX SECTORS

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<th>Sector</th>
<th>Information</th>
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| **Transport infrastructure** | Ethiopia is highly dependent on the port of Djibouti, as it is landlocked. The government is working towards having a more efficient transport systems  
National and regional projects are ongoing in air, rail and road transport are underway |
| **Energy**              | Electrification is low in Ethiopia, with only around 12% having access to electricity. World Bank has funded a project to facilitate energy development  
Wind, solar, hydropower and geothermal energy projects are under way, opportunities for provision of different technologies in the projects are available |
| **Industrial sector**   | The sector is expected to play a leading role in getting the country to the middle income status by the year 2025. Increased production in sugar, textiles, leather products and cement is being focused on  
Sound legal and institutional framework is being adopted to attract foreign direct investment in the sector |
| **Mining**              | Ethiopia is unquestionably resource rich, with a vast breath of undeveloped minerals and resources including significant gold and tantalum deposits  
Exports are expected to double with more exploration being undertaken |
| **Agriculture**         | The agriculture sector is expected to growth the coming years. There are a number of programs involving actors such as the World Bank, USAID and the Ethiopian government that seek to develop the sector. This presents opportunities for advanced farming technologies, high value crops and progressive irrigation techniques |
| **ICT**                 | The Ethiopian telecom market is a monopoly, with Ethio Telecom serving the market. Penetration rates remain relatively low, 42.6% in 2015, partly due to high costs and low quality  
Infrastructure upgrades are planned to address the challenges and increase mobile uptake |

**GOVERNMENT COMMITMENT HAS BEEN NOTED IN ALL THE SECTORS**

SOURCES: MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT ETHIOPIA, USAID, WORLD BANK, MINISTRY OF INDUSTRY ETHIOPIA, BUSINESS SWEDEN ANALYSIS
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We are jointly owned by the Swedish government and the private sector, represented by the Ministry for Foreign Affairs and the Swedish Foreign Trade Association.

Business Sweden offers a variety of consultancy services, for example the following:

- **Market Analysis**
  - Deepen your knowledge on local market dynamics in your sector

- **Business Support**
  - We offer office space and administrative support on the ground

- **Visiting Programme**
  - Searching and visiting relevant partners, e.g. distributors

- **Recruitment**
  - We support in finding and recruiting the right local representatives
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