

Ethiopia

June 2021

Executive Summary

This country fact sheet provides key trade and investment related statistics for Ethiopia. Specifically, it shows Ethiopia's trade and investment flows including an analysis of top markets and products with both South Africa and the Western Cape, while highlighting the largest and fastest growing products and sub-sectors. It also analyses consumer-related insights for Ethiopia and tourism trends between Ethiopia and South Africa. Key findings and trends are provided below:

Economy

The COVID-19 pandemic continues to create significant health, social and economic challenges in Ethiopia. The economic impact of the pandemic was felt late in the fiscal year 2019/20, resulting in relatively robust growth of 6.1%, but with the effects increasingly apparent in 2020/21. Economic growth is projected to be 2% in 2020/21 due to the lingering impact of the pandemic, and is expected to rebound to 8.7% in 2021/22, consistent with a global recovery.

Trade

In 2020, Ethiopia's global export receipts totalled a value of USD2.53bn, a decline of 5.68% from the 2019 value of USD2.68bn. Associated import costs also fell by 9.25% from USD15.58bn in 2019 to USD14.13bn in 2020.

South Africa's export receipts with Ethiopia totalled USD47.37m in 2020, declining by 26.42% from the 2019 value of USD64.37m. In turn, associated import costs declined by 18.90% to a value of USD5.65m in 2020, down from USD6.97m incurred in 2019. South Africa's leading export product to the Ethiopia in 2020 was food preparations at a value of USD7.05m. South Africa was Ethiopia's 34th largest export destination market in 2020, at a value of USD9.18m.

Western Cape export receipts from its trade with Ethiopia stood at USD13.00m in 2020, an increase of 39.69% from the 2019 value of USD9.30m. Import costs stood at USD0.30m in 2020, decreasing by 38.53% from the 2019 value of USD0.49m. The Western Cape's leading export product to Ethiopia in 2020 was food preparations, at a value of at USD6.86m.

Investment

A total of 106 inward foreign direct investment (FDI) projects were recorded into Ethiopia from global sources over the period 2013 to May 2021. These projects represented a total capital investment of USD7.05bn. In turn, Ethiopia recorded five outward FDI projects into the world over the said period with an associated capex value of USD28.35m.

There were no recorded FDI projects from Ethiopia into South Africa during the period 2013 to May 2021; and four FDI projects with a total capex value of USD20.43m were recorded from South Africa into Ethiopia over the same period.

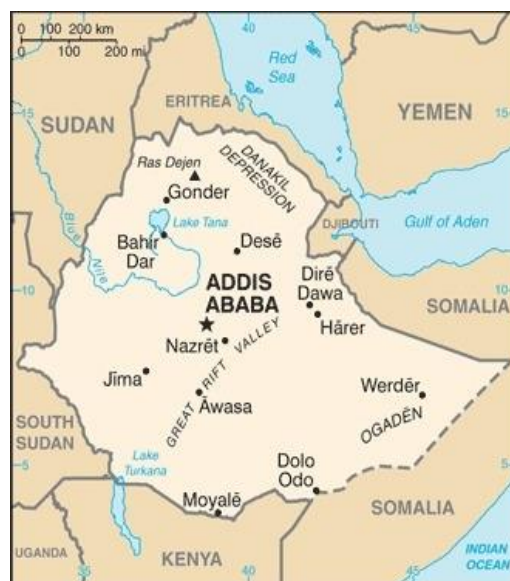
Tourism

In 2020, South Africa received 2,076 Ethiopian tourist arrivals and in 2019, the Western Cape received 1,481 Ethiopian tourist arrivals.

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1. General Information



Unique among African countries, the ancient Ethiopian monarchy maintained its freedom from colonial rule with the exception of a short-lived Italian occupation from 1936-41. In 1974, a military junta, the Derg, deposed Emperor Haile SELASSIE (who had ruled since 1930) and established a socialist state. Torn by bloody coups, uprisings, wide-scale drought, and massive refugee problems, the regime was finally toppled in 1991 by a coalition of rebel forces, the Ethiopian People's Revolutionary Democratic Front (EPRDF). A constitution was adopted in 1994, and Ethiopia's first multiparty elections were held in 1995.

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A border war with Eritrea in the late 1990s ended with a peace treaty in December 2000. In November 2007, the Eritrea-Ethiopia Border Commission (EEBC) issued specific coordinates as virtually demarcating the border and pronounced its work finished. Alleging that the EEBC acted beyond its mandate in issuing the coordinates, Ethiopia did not accept them and maintained troops in previously contested areas pronounced by the EEBC as belonging to Eritrea. This intransigence resulted in years of heightened tension between the two countries. In August 2012, long-time leader Prime Minister Meles Zenawi died in office and was replaced by his Deputy Prime Minister Hailemariam Desalegn, marking the first peaceful transition of power in decades. Following a wave of popular dissent and anti-government protest that began in 2015, Hailemariam resigned in February 2018 and Abiy Ahmed Ali took office in April 2018 as Ethiopia's first ethnic Oromo prime minister. In June 2018, Abiy announced Ethiopia would accept the border ruling of 2000, prompting rapprochement between Ethiopia and Eritrea that was marked with a peace agreement in July 2018 and a reopening of the border in September 2018. In November 2019, Ethiopia's nearly 30-year ethnic-based ruling coalition - the EPRDF - merged into a single unity party called the Prosperity Party, however, one of the four constituent parties (the Tigray Peoples Liberation Front or TPLF) refused to join.

Source: CIA World Factbook

GENERAL INFORMATION	
Capital city	Addis Ababa
Government type	Federal parliamentary republic
Head of government	Prime Minister Abiy Ahmed
Population	110,871,031 (July 2021 est.)
Life expectancy	66.6 years
Literacy	51.8%
Ethnic groups	Oromo 34.9%, Amhara (Amara) 27.9%, Tigray (Tigrinya) 7.3%, Sidama 4.1%, Welaita 3%, Gurage 2.8%, Somali (Somalie) 2.7%, Hadiya 2.2%, Afar (Afar) .6%, other 12.6% (2016 est.)
Religions	Ethiopian Orthodox 43.8%, Muslim 31.3%, Protestant 22.8%, Catholic 0.7%, traditional .6%, other 0.8% (2016 est.)
Languages	Oromo (official working language in the State of Oromiya) 33.8%, Amharic (official national language) 29.3%, Somali (official working language of the State of Sumale) 6.2%,

	Tigrigna (Tigrinya) (official working language of the State of Tigray) 5.9%, Sidamo 4%, Wolaytta 2.2%, Gurage 2%, Afar (official working language of the State of Afar) 1.7%, Hadiyya 1.7%, Gamo 1.5%, Gedeo 1.3%, Opuuo 1.2%, Kafa 1.1%, other 8.1%, English (major foreign language taught in schools), Arabic (2007 est.)
HDI (2020)	0.485 (Ranked 173 rd)

Sources: CIA World Factbook, 2021; Human Development Indicators, 2020

2. Economic Overview

Ethiopia, the second most populous country in Africa, is a one-party state with a planned economy. For more than a decade before 2016, GDP grew at a rate between 8% and 11% annually – one of the fastest growing states among the 188 IMF member countries. This growth was driven by government investment in infrastructure, as well as sustained progress in the agricultural and service sectors. More than 70% of Ethiopia's population is still employed in the agricultural sector, but services have surpassed agriculture as the principal source of GDP.

Ethiopia has the lowest level of income-inequality in Africa and one of the lowest in the world, with a Gini coefficient comparable to that of the Scandinavian countries. Yet despite progress toward eliminating extreme poverty, Ethiopia remains one of the poorest countries in the world, due both to rapid population growth and a low starting base. Changes in rainfall associated with world-wide weather patterns resulted in the worst drought in 30 years in 2015-16, creating food insecurity for millions of Ethiopians.

The state is heavily engaged in the economy. Ongoing infrastructure projects include power production and distribution, roads, rails, airports and industrial parks. Key sectors are state-owned, including telecommunications, banking and insurance, and power distribution. Under Ethiopia's constitution, the state owns all land and provides long-term leases to tenants. Title rights in urban areas, particularly Addis Ababa, are poorly regulated, and subject to corruption.

Ethiopia's foreign exchange earnings are led by the services sector - primarily the state-run Ethiopian Airlines - followed by exports of several commodities. While coffee remains the largest foreign exchange earner, Ethiopia is diversifying exports, and commodities such as gold, sesame, khat, livestock and horticulture products are becoming increasingly important. Manufacturing represented less than 8% of total exports in 2016, but manufacturing exports should increase in future years due to a growing international presence.

The banking, insurance, telecommunications, and micro-credit industries are restricted to domestic investors, but Ethiopia has attracted roughly USD8.5 billion in foreign direct investment (FDI), mostly from China, Turkey, India and the EU. Investment has been primarily in infrastructure, construction, agriculture/horticulture, agricultural processing, textiles, leather and leather products.

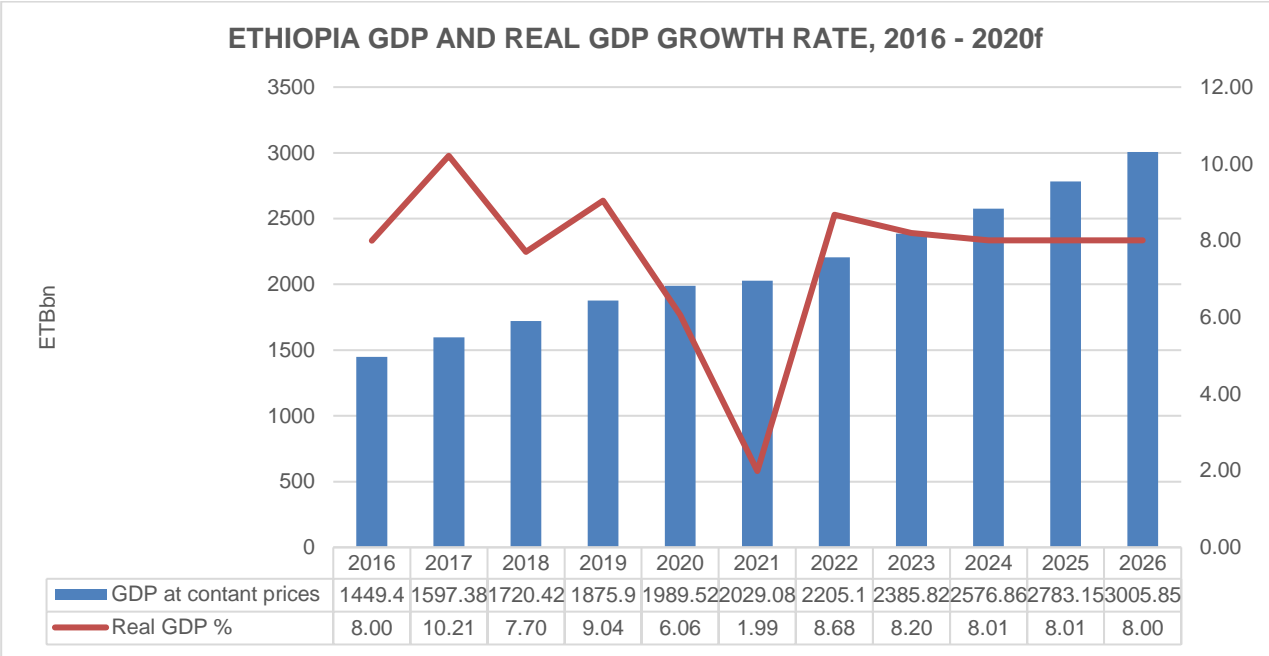
To support industrialisation in sectors where Ethiopia has a comparative advantage, such as textiles and garments, leather goods, and processed agricultural products, Ethiopia plans to increase installed power generation capacity by 8,320 MW, up from a capacity of 2,000 MW, by building three more major dams and expanding to other sources of renewable energy. In 2017, the government devalued the birr by 15% to increase exports and alleviate a chronic foreign currency shortage in the country.

Source: CIA World Factbook

ECONOMIC INFORMATION	
GDP, constant prices (national currency) (2021 est.)	ETB2029.08bn
Real GDP growth (2021 est.)	1.99%
GDP per capita, constant prices (2021 est.)	ETB20551.97
Inflation, consumer average prices (2021 est.)	13.13%
Central Bank's Repo Rate - (June 2021)	8.00%
Unemployment rate (2020.)	19.1%
Doing Business, 2020 Report (ranking out of 190)	159
Total Exports (2020)	USD2.53bn
Total Imports (2020)	USD14.13bn

Sources: IMF 2021; S&P Global, 2021; Doing Business 2020; Trade Map 2021.

The COVID-19 pandemic continues to create significant health, social and economic challenges in Ethiopia. The economic impact of the pandemic was felt late in the fiscal year 2019/20, resulting in relatively robust growth of 6.1% but with the effects and costs becoming more apparent in 2020/21. Looking forward, economic growth is projected to be 2% in 2020/21 due to the lingering impact of the pandemic, but is expected to rebound to 8.7 percent in 2021/22, consistent with a global recovery (IMF, 2021).



Source: IMF, 2021.

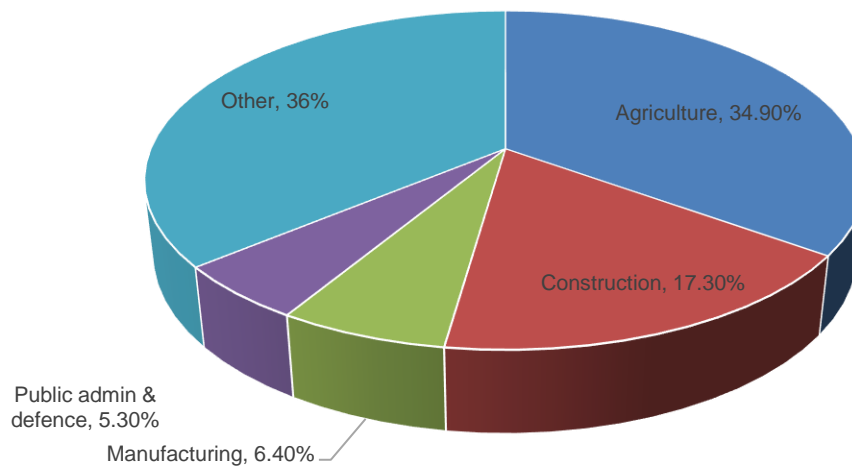
The diagram below depicts Ethiopia’s GDP per sector in 2019. Ethiopia has one of the largest livestock herds in Africa and a strong hydraulic energy potential, estimated at 45,000 megawatts. It is the 5th largest coffee producer in the world (by volume) and the 7th largest coffee exporter (in value); the 3rd producer of oilseeds; and the 12th producer of dry beans. The agricultural sector contributes to around a third of Ethiopia’s GDP, but is considered the foundation of the country’s economy as it employs more than two thirds of the workforce.

The industrial sector gives a modest contribution to the country’s GDP and employs 9% of the workforce. The main industries are food processing, beverages, textiles, leather, garments, chemicals, metals processing and cement. The manufacturing sector still has a low impact on total exports (around 15% in 2017), but is expected to grow in coming years. Recently, a large number of companies outsourced their textile production from Asia to Ethiopia.

The tertiary sector leads Ethiopia’s foreign exchange earnings, primarily thanks to the state-run Ethiopian Airlines. Tourism and telecommunications are growing at a steady pace and are expected to play a major role in the country’s growth process. Though the Ethiopian government is in the process of privatising many of the state-owned businesses and moving toward a market economy, the public sector still holds a predominant role in the economy, with sectors such as telecommunications, financial and insurance services, air and land transportation, and retail considered as strategic and thus expected to remain out of the privatisation process in the foreseeable future. Besides, under the country’s constitution, the state owns all land and only provides long-term leases to tenants.

Source: Santander, 2021

ETHIOPIA GDP SECTORAL CONTRIBUTION, 2019



Sources: Standard Bank Consumer Sector Report, 2020; Santander, 2021

2.1 Doing Business in Ethiopia

The World Bank Group in its annual *Doing Business 2020* report ranked Ethiopia 159th out of 190 countries monitored in terms of the ease of doing business. Ethiopia's strengths are in terms of enforcing contracts, with the country ranking 67th globally in this category, paying taxes (132nd) and getting electricity (137th). Conversely, according to the report, the country fared less favourably in terms of protecting investor (189th), getting credit (176th) and starting a business (168th) indicators ranked by the report are tabled below:

UNITED ARAB EMIRATE'S RANKINGS - DOING BUSINESS, 2020 REPORT	
INDICATORS	2020 RANKING (OUT OF 190 COUNTRIES)
Starting a Business	168
Dealing with Construction Permits	142
Getting Electricity	137
Registering Property	142
Getting Credit	176
Protecting Investors	189
Paying Taxes	132
Trading Across Borders	156
Enforcing Contracts	67
Resolving Insolvency	149
Doing Business 2019	159

Source: World Bank Group's *Doing Business, 2020 Report*.

2.2 Ethiopia's Sovereign Credit Ratings

"A sovereign credit rating is the credit rating of a country or sovereign entity. Sovereign credit ratings give investors insight into the level of risk associated with investing in a particular country and include political risks. At the request of the country, a credit rating agency will evaluate the country's economic and political environment to determine a representative credit rating" (Investopedia, 2020).

While a number of credit agencies exist, the three most recognised credit ratings agencies globally are Fitch Ratings, Moody's Investors Services (Moody's) and Standard & Poor's (S&P). Reasons for a country/sovereign to seek a credit rating from one of these three agencies include not only to access funding in international bond markets via the issuance of bonds in external debt markets, but it is a means to attract foreign direct investment. Obtaining a good sovereign credit rating instils confidence in investors seeking to invest in that country, with the credit rating a means for the country to demonstrate financial transparency and credit standing. Two key rating 'standards' exist, with the highest possible rating category being "AAA" according to S&P, which indicates that the rated country has extremely strong capacity to meet its financial commitments. A wide range of rating categories exists below this, with the categories ranging all the way down to SD (i.e., defaulted), which means the rated country has failed to pay one or more of its financial obligations when it came due.

On 9 February 2021 Fitch Ratings downgraded Ethiopia's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'CCC' from B. The downgrade reflects the government's announcement that it is looking to make use of the G20 "Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative (DSSI)" (G20 CF), which although still an untested mechanism, explicitly raises the risk of a default event. The focus of Ethiopia's engagement with the G20 CF will be on official bilateral debt, as re-profiling of this will have the biggest impact on overall debt sustainability. Nonetheless, the terms of the framework clearly create risk that private sector creditors will also be negatively affected. The G20 statement on the G20 CF indicates that debt treatments will not typically involve debt write-offs or cancellation unless deemed necessary. The focus will instead be on some combination of lowering coupons and lengthening grace periods and maturities. The extent of debt treatment required will be based upon the outcome of the IMF's Debt Sustainability Analysis for Ethiopia, which is currently being updated. However, any material change of terms for private creditors, including the lowering of coupons or the extension of maturities, would be consistent with the definition of default in Fitch's criteria.

In parallel, S&P Global Ratings also downgraded Ethiopia's long-term foreign and local currency sovereign credit ratings to 'B-' from 'B' on potential debt restructuring, announcing the move days after Fitch Ratings downgraded the country. "Exacerbated by the effects of the COVID-19 pandemic, Ethiopia's structurally weak external balance sheet has deteriorated further, in our view", S&P Global Ratings said. The scheme, which is open to over 70 of the world's poorest countries, encourages their governments to defer or negotiate down their external debt as part of a wider debt relief program. S&P said it estimated Ethiopia's public debt repayment needs at about \$5.5 billion over 2021-2024, including a \$1 billion Eurobond due in 2024. The ratings agency added that the economic effects of the COVID-19 pandemic have slowed Ethiopia's economic activity in the services and industry sectors, including retail trade, hospitality, transportation, and construction.

Moody's Investors Service (Moody's), downgraded Ethiopia's long-term issuer and senior unsecured ratings from B2 to Caa1, signalling that the second biggest East African economy is on the brink of defaulting on its foreign debt. Moody's is the latest amongst globally accepted agencies to cut the country's credit rating following its application for debt treatment under the common framework, which was agreed to and signed by the G20 countries and the Paris club creditors to offer borrowing countries the options of rescheduling or reducing their debt.

UNITED ARAB EMIRATES' SOVEREIGN CREDIT RATINGS, 2021			
CREDIT RATING AGENCY	STANDARD & POORS	MOODY'S INVESTOR SERVICES	FITCH RATINGS
CREDIT RATING	B-	Caa1	CCC
OUTLOOK	Negative	Stable	Negative
DATE OF LAST CHANGE	2021-02-12	2021-03-10	2020-02-09

Sources: Trading Economics, 2021

A number of alternative measures and rating scales exist to assess risks posed to companies and banks, particularly those pertaining to political and commercial risks when undertaking international commercial transactions. One such

company that offers these services is Belgium's Delcredere du Croire's, the country's official export credit agency and public credit insurer.

The table below shows Delcredere du Croire's current risk assessment of Ethiopia's in terms of export transactions and direct investments. Ratings are between 1 and 7, and between A and C, with 7 and G being the maximum risk indicators.

- In terms of political risks associated with exports transactions in Ethiopia, these are deemed to be high both in the short-term and medium to long-term.
- Business environment risk in turn is high.
- Regarding direct investments, all the categories are considered to be high risk as indicated by scores awarded below.

ETHIOPIA'S EMIRATES RISK ASSESSMENT - Delcredere du Croire		
EXPORT TRANSACTIONS (Scale 1 – 7)*		
Political Risks	Short Term	6
	Medium-Long term	6
	Premium Classification OECD	7
Business Environment Risk	F **	
DIRECT INVESTMENTS		
Political Violence Risk	6	
Risk of expropriation and government action	5	
Currency Inconvertibility and Transfer	6	
* Where 1 is associated with the least risk and 7 the most.		
** Where B is associated with mid risk; A is low risk and G is high risk.		

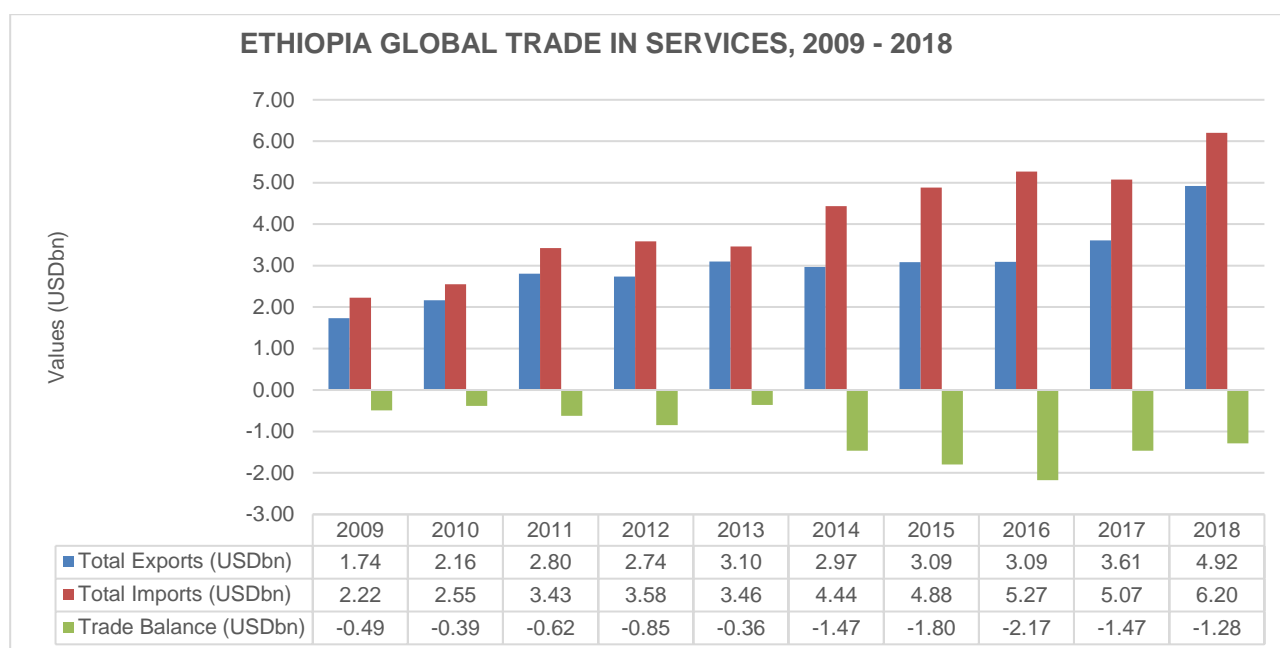
Source: ONDD, 2021.

3. Trade

3.1 Trade in Services

Ethiopia's global trade in services for the period 2009 to 2018 is shown below. The country's services import costs consistently outpaced its services export receipts throughout the period under review; firmly establishing Ethiopia as a net importer of services.

In 2018, service export receipts totalled USD4.92bn, an increase of 36.35% from the 2017 figure of USD3.61bn. In a similar manner, the associated import costs also increased, rising by 22.24% in 2018 (at a value of USD6.20bn) from the 2017 value of USD5.07bn.



Source: TradeMap, 2021

Key Trade Services

In terms of key trade **service exports**, the transport sector dominated service export earnings in 2018, at a value of USD3263.02m equivalent to 66.33% of total services export receipts earned in 2018. Travel services came second at a value of USD967.66m equivalent to 19.67% of total services export receipts earned in 2018. This was followed by government good and services in third place at a value of USD410.05m and equivalent to 8.34% of total services export receipts earned in 2018. Combined, these three categories accounted for 94.34% of total service export receipts earned in 2018.

Ethiopia's fastest growing service export categories over the five-year period leading up to and including 2018 were financial services (2638.84%), construction (111.82%) and other business services (47.56%).

Turning to key trade **service imports**, transport services dominated in 2018 at a value of USD4,083.03m, equivalent to 65.82% of total service import costs in the year. Travel services followed in second position with related service import costs totalling USD612.15m, equivalent to 9.87% of total service import costs in 2018. Construction services came third at a value of USD478.53m and equivalent to 7.71% of total service import costs in the year. Combined, these three categories accounted for 83.40% of total service import costs incurred in 2018.

Ethiopia's fastest growing **service import categories** over the five-year period leading up to and including 2018 were government goods and services (11263.16%), charges for use of intellectual property (252.52%) and financial services (230.52%).

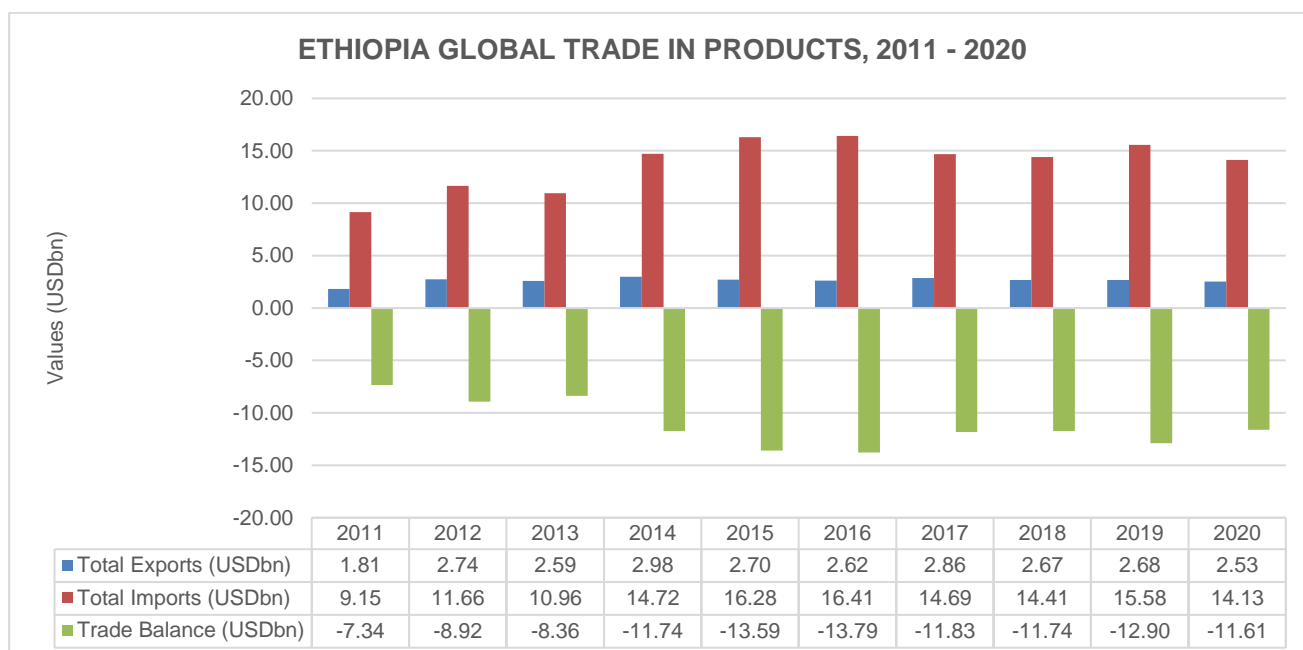
TOP 10 SERVICES EXPORTED BY ETHIOPIA, 2018				TOP 10 SERVICES IMPORTED BY ETHIOPIA, 2018			
CODE	SERVICES	VALUE 2018	% Growth,	RANK	SERVICES	VALUE 2018	% Growth,
		(USDm)	2014- 2018			(USDm)	2014-2018
1	Transport	3263.02	9.98%	1	Transport	4083.03	10.34%
2	Travel	967.66	21.68%	2	Travel	612.15	27.36%
3	Government goods and services	410.05	20.09%	3	Construction	478.53	52.56%
4	Other business services	127.95	47.56%	4	Other business services	466.34	13.21%
5	Telecommunications, computer, and information services	76.64	-11.51%	5	Telecommunications, computer, and information services	256.76	30.51%
6	Financial services	50.11	2638.84%	6	Insurance and pension services	189.93	5.70%
7	Construction	15.62	111.82%	7	Government goods and services	74.33	11263.16%
8	Charges for the use of intellectual property	7.81	-	8	Charges for the use of intellectual property	26.73	252.52%
9	Insurance and pension services	0.47	-	9	Financial services	15.32	230.52%
10	Personal, cultural, and recreational services	0.00	-	10	Personal, cultural, and recreational services	0.00	-
TOTAL		4919.33	10.57%	TOTAL		6203.13	12.94%

Source: TradeMap, 2021.

3.2 Trade in Products

The figure below shows Ethiopia's trends in global trade from 2011 to 2020. Import costs consistently outpaced export receipts throughout the period under review.

In 2020, Ethiopia's export receipts fell by 5.68% to a value of USD2.53bn, down from USD2.68bn recorded in 2019. In a similar manner, associated import costs also fell, by 9.25% from the cost of USD15.58bn incurred in 2019 to USD14.13bn in 2020.



Source: TradeMap, 2021

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Key Trade Markets

In terms of key **trade export markets**, Somalia was the leading destination market for Ethiopia's exports at a value of USD293.67m in 2020. The United States and the Netherlands were the second and third largest consumers of Ethiopia's products in 2020, importing products to the value of USD258.69m and USD189.75m, respectively. Of the top 10 export markets, the **fastest growing markets** for Ethiopia's exports over the five-year period leading up to and including 2019 were the United Arab Emirates (15.05%), Japan (8.29%) and the United States (7.31%).

South Africa was Ethiopia's 34th largest export market at a value of SD9.18m.

TOP 10 DESTINATION COUNTRIES FOR ETHIOPIA'S EXPORTS, 2020			
RANK	COUNTRY	VALUE 2020 (USDm)	% GROWTH (avg.; USD terms) 2016-2020
1	Somalia	293.67	-0.30%
2	United States of America	258.69	7.31%
3	Netherlands	189.75	0.01%
4	Saudi Arabia	186.93	-0.70%
5	United Arab Emirates	168.92	15.05%
6	Germany	138.80	-7.30%
7	Djibouti	108.87	4.62%
8	Israel	98.76	5.38%

9	Japan	94.89	8.29%
10	China	91.18	-19.53%
34	South Africa	9.18	-3.98%
TOTAL EXPORTS		2526.22	-1.14%

Source: TradeMap, 2021

In terms of the **leading source markets** for Ethiopia's imports, China dominated in 2020, with imports from this country valued at USD4169.61m. India and Turkey were the second and third largest source markets for Ethiopia's imports in 2020, with values totalling USD1489.06m and USD803.19m, respectively. Of the top 10 import markets, the **fastest growing markets** for Ethiopia's imports over the five-year period leading up to and including 2019 were Singapore (284.51), United Arab Emirates (17.71%) and Kuwait (14.95%).

South Africa was Ethiopia's 21st largest import source market at a value of USD162.95m.

TOP 10 SOURCE MARKETS FOR ETHIOPIA'S IMPORTS, 2020			
RANK	COUNTRY	VALUE 2020 (USDm)	% GROWTH (avg.; USD terms) 2016-2020
1	China	4169.61	-6.87%
2	India	1489.06	5.93%
3	Turkey	803.19	9.38%
4	United States of America	720.49	4.14%
5	United Arab Emirates	671.53	17.71%
6	Kuwait	585.87	14.95%
7	Japan	510.49	-3.43%
8	Singapore	441.77	284.51%
9	Saudi Arabia	361.99	8.54%
10	Indonesia	322.67	-3.13%
21	South Africa	162.95	1.60%
TOTAL IMPORTS		14134.43	-2.55%

Source: TradeMap, 2021.

Key Trade Products

In terms of key trade products, coffee was Ethiopia's **dominant export category** in 2020 at a value of USD795.76m, equivalent to 31.50% of export receipts earned in the said year. Other oil seeds and oleaginous fruits was the second largest export category at a value of USD388.42m (15.38% of total export earnings), while other vegetables was third at a value of USD258.69m (10.24%). Combined, these three categories accounted for 57.12% of total product export receipts earned in 2020.

Ethiopia's **fastest growing export products** over the five-year period leading up to and including 2020 were roots and tubers of manioc (24,416.14%), soya beans (37.63%), and t shirts, singlets and other vests (27.87%).

In turn, petroleum oils (excluding crude oil) were the **leading import category** into Ethiopia in 2020 at a value of USD1582.08m, equivalent to 11.19% of import costs in 2020. Medicaments were the second largest import category at a cost of USD1582.08m (11.19% of total import costs), while wheat and meslin was third at a value of USD431.18m (3.05%). Combined, these three categories accounted for 17.56% of total product import costs incurred in 2020.

Of the top ten products, Ethiopia's **fastest growing import products** over the five-year period leading up to and including 2020 were sunflower seeds (105.40%), cane or beet sugar (23.80%), and rice (18.18%).

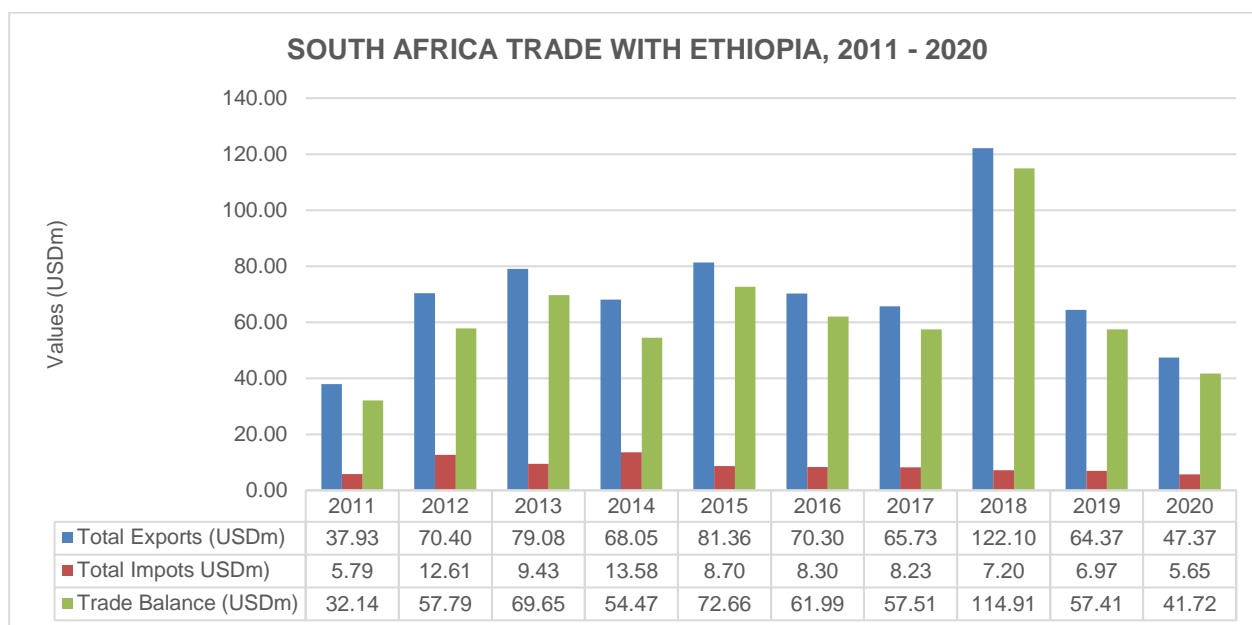
TOP 10 PRODUCTS EXPORTED BY ETHIOPIA, 2020				TOP 10 PRODUCTS IMPORTED BY ETHIOPIA, 2020			
RANK	PRODUCT (HS 4)	VALUE 2020 (USDm)	% GROWTH (avg.; USD terms) 2016-2020	RANK	PRODUCT (HS 4)	VALUE 2020 (USDm)	% GROWTH (avg.; USD terms) 2016-2020
1	Coffee	795.76	1.54%	1	Petroleum oils (excluding crude)	1582.08	9.96%
2	Other oil seeds and oleaginous fruits	388.42	-1.35%	2	Medicaments	469.11	2.55%
3	Other vegetables	258.69	0.88%	3	Wheat and meslin	431.18	15.34%
4	Cut flowers	190.21	-0.43%	4	Palm oil	424.14	5.63%
5	Dried leguminous vegetables	176.96	-1.19%	5	Motor cars	417.41	9.07%
6	Roots and tubers of manioc, arrowroot	72.28	24416.14%	6	Sunflower-seed	395.73	105.40%
7	Meat of sheep or goats	64.11	-6.74%	7	Motor vehicles for the transport of goods	379.72	-7.34%
8	Soya beans, whether or not broken	39.01	37.63%	8	Cane or beet sugar	337.65	23.80%
9	Live plants	26.51	3.26%	9	Mineral or chemical fertilisers	318.46	8.46%
10	T-shirts, singlets and other vests	24.61	27.87%	10	Rice	317.47	18.18%
TOTAL EXPORTS		2526.22	-1.14%	TOTAL IMPORTS		14134.43	-2.55%

Source: Trade Map 2021.

3.3 South African Trade with Ethiopia

South Africa's trade with Ethiopia for the period 2011 - 2020 is presented in the figure below.

In 2020, South Africa's export receipts with Ethiopia totalled USD47.37m, declining by 26.42% from the 2019 value of USD64.37m. In a similar manner, South Africa's imports from Ethiopia declined by 18.90% to a value of USD5.65m in 2020, down from a cost of USD6.97m incurred in 2019.



Source: Trade Map 2021

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Key Trade Products

South Africa's **dominant export category** to Ethiopia in 2020 was food preparations at a value of USD7.05m, equivalent to 14.89% of all export receipts earned with the said country in 2020. Motor vehicles for the transport of goods placed second at a value of USD5.88m (12.41%), followed by instruments and apparatus for physical or chemical analysis at USD3.25m (6.85%). Combined, these three categories accounted for 34.15% of total product export receipts earned in 2020.

Of the top ten products, South Africa's **fastest growing export product categories** to Ethiopia over the five-year period leading up to and including 2020 were maize (3166.32%), boards, panels, consoles, desks (519.25%) and food preparations (369.32%).

Coffee **dominated South African imports** from Ethiopia in 2020 at a cost of USD3.31m. This was equivalent to 58.58% of all import costs incurred with Ethiopia in 2019. Dried leguminous vegetables placed second at a cost of USD135m (23.89%), while pepper of the genus piper came third at a value of USD0.10m (1.79%). Combined, these three categories accounted for 84.27% of total product import costs incurred in 2020.

Of the top ten products, South Africa's **fastest growing import product categories** from Ethiopia over the five-year period leading up to and including 2020 were pepper of the genus piper (201.44%), seeds, fruits and spores, for sowing (122.97%) and strawberries, raspberries, blackberries (109.64%).

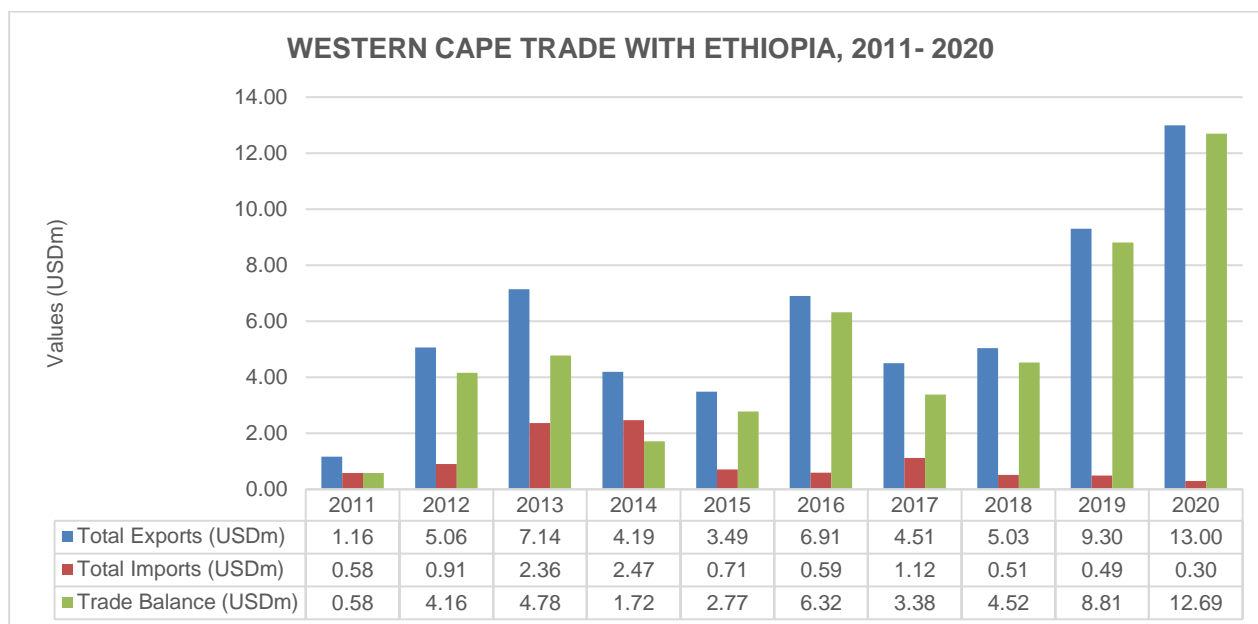
TOP 10 PRODUCTS EXPORTED BY SOUTH AFRICA TO ETHIOPIA, 2020				TOP 10 PRODUCTS IMPORTED BY SOUTH AFRICA FROM ETHIOPIA, 2020			
RANK	PRODUCT	VALUE 2020 (USDm)	% GROWTH 2016-2020	RANK	PRODUCT	VALUE 2020 (USDm)	% GROWTH 2016-2020
1	Food preparations	7.05	369.32%	1	Coffee	3.31	19.09%
2	Motor vehicles	5.88	-19.25%	2	Dried leguminous vegetables	1.35	11.43%
3	Instruments and apparatus for physical or chemical analysis	3.25	133.31%	3	Pepper of the genus Piper	0.10	201.44%
4	Insecticides, rodenticides, fungicides, herbicides	1.93	92.49%	4	Seeds, fruits and spores, for sowing	0.08	122.97%
5	Maize or corn	1.53	3166.32%	5	Strawberries, raspberries, blackberries	0.08	109.64%
6	Other paper	1.46	112.83%	6	Leguminous vegetables	0.08	106.26%
7	Boards, panels, consoles, desks	1.24	519.25%	7	Other oil seeds and oleaginous fruits	0.07	-6.99%
8	Parts and accessories for tractors	1.24	10.14%	8	Diagnostic or laboratory reagents on a backing	0.06	-
9	Meat of bovine animals	1.10	119.43%	9	Antiques of > 100 years old	0.05	-
10	Monitors and projectors	1.06	306.51%	10	Cut flowers	0.05	-7.67%
TOTAL EXPORTS		47.37	-1.61%	TOTAL IMPORTS		5.65	-8.03%

Source; Trade Map 2021

3.4 Western Cape Trade with Ethiopia

Turning to the Western Cape's trade with Ethiopia for the period 2011 – 2020.

In 2020, the Western Cape's export receipts from trade with Ethiopia stood at USD13.00m; an increase of 39.69% from the 2019 value of USD9.30m. In contrast, associated import costs fell by 38.53%, from a value of USD0.49m in 2019 to a value of USD0.30m in 2020.



Source: Quantec, 2021

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Key Trade Products

The Western Cape's **dominant export product** to Ethiopia in 2020 was food preparations valued at USD6861.50 (USD6.86m). This was equivalent to 52.80% of all export receipts earned with Ethiopia in 2020. Meat of bovine animals placed second at a value of USD1074.19 (USD1.07m) (8.27%), followed by boards, panels, consoles, desks, cabinets and other bases at USD839.77 (6.46%). Combined, these three categories accounted for 67.53% of total product export receipts earned in 2020.

Of the top ten products, the Western Cape's fastest **growing export product category** to Ethiopia over the five-year period leading up to and including 2020 were food preparations (2411.06%), meat of bovine animals (1202.23%) and wine (13.79%).

Coffee **dominated products imported** by the Western Cape from Ethiopia in 2020 at a cost of USD115.86. This was equivalent to 38.32% of all import costs incurred with Ethiopia in 2020. Leguminous vegetables came second at a cost of USD75.09 (24.83%), while other oil seeds and oleaginous fruits placed third at USD70.58 (23.34%). Combined, these three categories accounted for 86.49% of total product import costs incurred in 2020.

Of the top ten products, the Western Cape's **fastest growing import product categories** from Ethiopia over the five-year period leading up to and including 2020 were coffee (213.24%), leguminous vegetables (87.89%) and babies' garments and clothing accessories (77.71%).

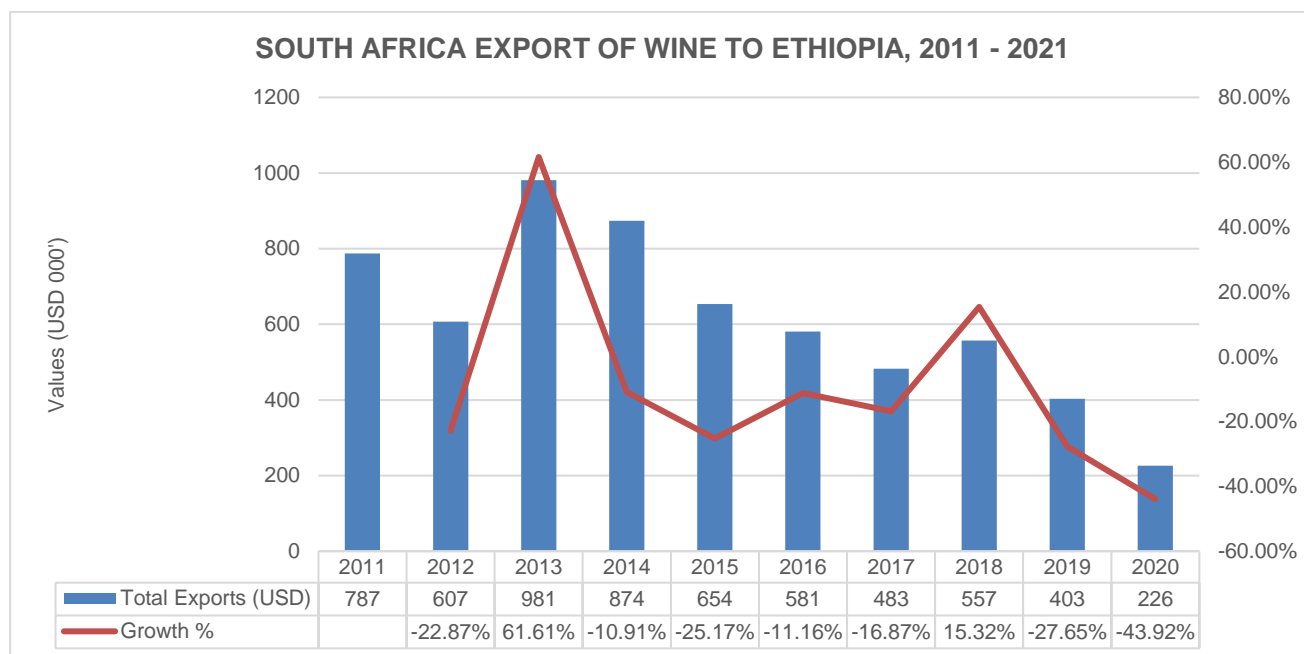
TOP 10 PRODUCTS EXPORTED BY THE WESTERN CAPE TO ETHIOPIA, 2020				TOP 10 PRODUCTS IMPORTED BY THE WESTERN CAPE FROM ETHIOPIA, 2020			
RANK	PRODUCT (HS4)	VALUE 2020 (USD 000')	% GROWTH 2016 - 2020	RANK	PRODUCT (HS4)	VALUE 2020 (USD 000')	% GROWTH 2016 - 2020
1	Food preparations	6861.50	2411.06%	1	Coffee	115.86	213.24%
2	Meat of bovine animals	1074.19	1202.23%	2	Leguminous vegetables	75.09	87.89%
3	Boards, panels, consoles, desks, cabinets and other bases	839.77	-	3	Other oil seeds and oleaginous fruits	70.58	-5.89%
4	Fruit juices (including grape must)	619.60	-2.92%	4	Men's or boys' underpants, briefs, nightshirts, pyjamas	12.70	-
5	Insulated (including enamelled or anodised) wire, cable	436.58	-	5	T-shirts, singlets and other vests, knitted or crocheted	11.11	-
6	Parts suitable for use solely or principally with the machinery	427.30	-	6	Babies' garments and clothing accessories, knitted or crocheted	5.13	77.71%
7	Parts and accessories	352.15	-	7	Men's or boys' suits, ensembles, jackets	4.10	-
8	Electric generating sets and rotary converters	328.06	-	8	Antiques of an age exceeding one hundred years	2.29	-
9	Wine	211.42	13.79%	9	Millstones, grindstones, grinding wheels and the like	1.35	-
10	Other moving, grading, levelling, scraping machine	211.19	-	10	Panty hose, tights, stockings, socks and other hosiery	1.28	-
TOTAL EXPORTS		12995.33	39.91%	TOTAL IMPORTS		302.38	-4.73%

Source: Quantec, 2021

3.5 Wine exports from South Africa to Ethiopia

The figure below shows South Africa's trade of wine with Ethiopia for the period 2011 – 2020.

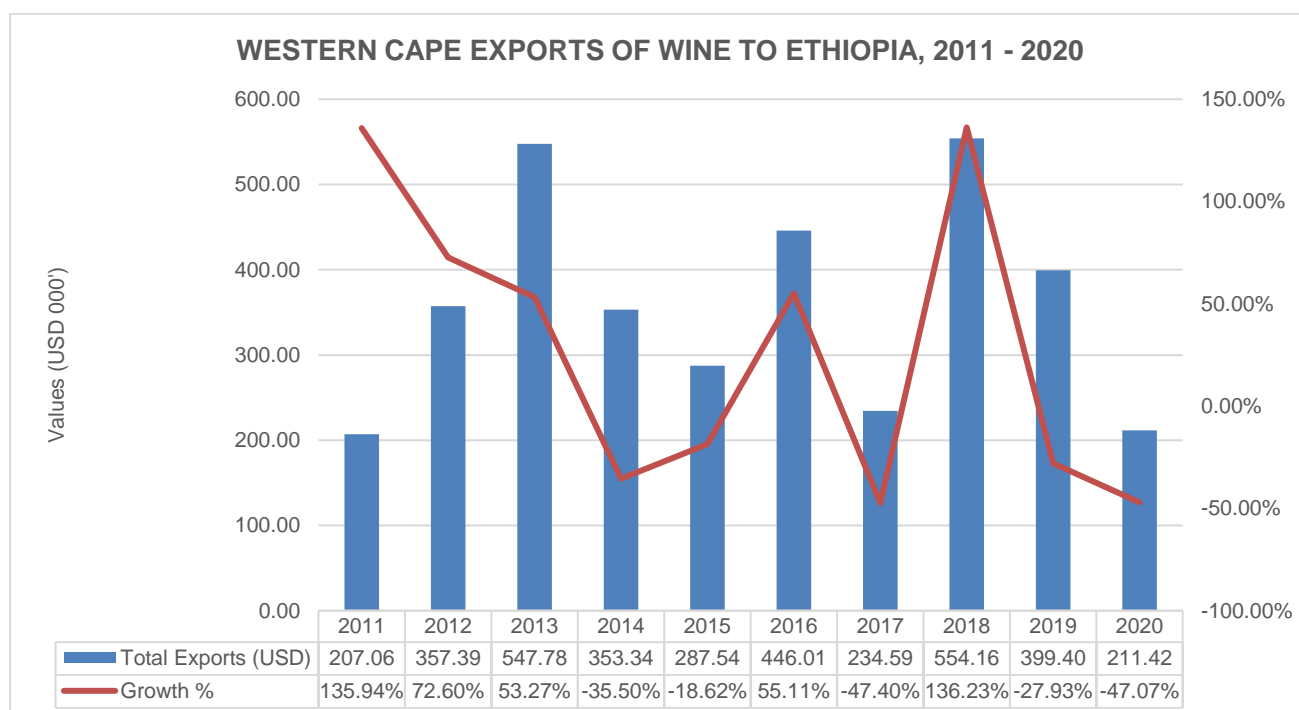
In 2020, South Africa exported wine to Ethiopia to the value of USD0.226m, a decrease by 43.92% from the 2019 value of USD0.403m.



Source: Trademap, 2021

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From a regional perspective, in 2020 the Western Cape exported wine to the value of USD0.211m to Ethiopia, a decrease of 47.07% from the 2019 value of USD0.399m.



Source: Quantec, 2021

3.6 Customs, Regulations and Standards

Trade Barriers

Importers face difficulty in obtaining foreign exchange, particularly those that import goods for domestic sale. The National Bank of Ethiopia (NBE) administers a strict foreign currency regulatory regime and must approve all foreign currency transactions. While larger firms, state-owned enterprises, and manufacturing industries have not faced major problems in obtaining foreign exchange, the remaining firms face burdensome delays in arranging trade-related payments.

An importer must apply for an import permit and obtain a letter of credit for the total value of the imports before an order can be placed.

Import Tariffs

- Goods imported from the Common Market for Eastern and Southern Africa (COMESA) members are granted a 0 to 10% tariff preference, (depending on the type of goods) under the Free Trade Agreement (FTA).
- Ethiopia plans to become a full COMESA FTA member in five phases by 2021. In addition, Tripartite FTA membership among COMESA, the South African Development Community (SADC), and the East African Community (EAC) members will allow zero tariffs and duties. Customs duties are payable on imports by all persons and entities that have no duty-free privileges.
- The rate of customs duty ranges from 0% to 35% with an average rate of 17 percent. In recent years, Ethiopia has reduced customs duties on a wide range of imports, including the removal of tariffs on agricultural equipment, but duties still remain high on certain items, such as vehicles. Other taxes may also be imposed on imports. These are excise duties on selected goods (e.g., tobacco), surtaxes on many imports and a 15% value added tax (VAT).
- Both VAT and excise taxes are imposed on imports. The supply of goods and services by registered persons is subject to 15% VAT for all goods and services.
- Some products and services are exempt from VAT. These include financial services, educational services, and healthcare and transportation services.
- Excise tax is assessed on eighteen classes of goods, applied equally to domestically produced and imported goods, and ranges from 10% for textiles and most other goods, to as high as 100% for alcoholic beverages.

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Average Import Tariff for Key Sectors

S. NO	KEY SECTOR	AVERAGE IMPORT TARIFF (%)
1	Power	19
2	Health	5
3	Financial and Banking	12
4	Tourism	25
5	Consultancy	3
6	Construction	5
7	Agricultural products	5
8	Leather	5
9	Textile	18
10	Processed food	30

Source: Adapted from Ethiopian Revenue and Customs Authority

Prohibited and Restricted Imports

The Ministry of Trade and Industry has the power to restrict and/or limit imports and exports. There are few restrictions on the importation of some products that compete with locally produced goods.

The following goods are prohibited imports into Ethiopia:

- Used clothing.
- Arms and ammunitions, except by the Ministry of Defence.
- Goods of a commercial nature and quantity that are not imported through formal bank payment mechanisms.

Trade Agreements

Ethiopia originally signed a Treaty of Amity and Economic Relations with the United States in 1951, which was updated in 1994. Ethiopia has no bilateral trade or investment agreement with the United States. However, it is eligible for preferential access to the U.S. market under the African Growth and Opportunity Act (AGOA). In 2015, Ethiopia was approved for AGOA privilege extension for the coming 10 years until 2025.

Ethiopia is a signatory to the following trade agreements:

- Treaty Establishing the Common Market for Eastern and Southern Africa (COMESA) (Kampala, 5 November 1993)
- Agreement Establishing Intergovernmental Authority on Development (IGAD) (Nairobi, March 1996)
- African, Caribbean, and Pacific Group States (ACP)-European Union (EU) Economic Partnership Agreement (Cotonou, 23 June 2000)
- At the continental level, Ethiopia has signed and ratified the Abuja Treaty that aims to establish an Africa Economic Community among the continents 54 countries.

Ethiopia's accession to the World Trade Organization (WTO) has been underway since 2003. Ethiopia has held three working party meetings with the WTO Secretariat, submitted its goods offer in early 2012 and is still working on its services offer. While the new government has put a renewed emphasis on WTO accession, the timeline for completing that long and complicated process remains unclear.

Source: International Trade Administration, 2021.

3.7 Tariffs

The table below shows tariffs imposed by Ethiopia on South Africa's exports in 2021.

TARIFFS IMPOSED ON SOUTH AFRICAN EXPORTS BY ETHIOPIA, 2021					
HS CODE AND PRODUCT DESCRIPTION	TARIFF, %	HS CODE AND PRODUCT DESCRIPTION	TARIFF, %	HS CODE AND PRODUCT DESCRIPTION	TARIFF, %
H01: Live animals	4	H33: Essential oils, perfumes, cosmetics, toiletries	26	H65: Headgear and parts thereof	22
H02: Meat and edible meat offal	30	H34: Soaps, lubricants, waxes, candles, modelling pastes	21	H66: Umbrellas, walking-sticks, seat-sticks, whips	34
H03: Fish, crustaceans, molluscs, aquatic invertebrates	20	H35: Albs, uminoids, modified starches, glues, enzymes	20	H67: Bird skin, feathers, artificial flowers, human hair	28
H04: Dairy products, eggs, honey, edible animal product	24	H36: Explosives, pyrotechnics, matches, pyrophorics	9	H68: Stone, plaster, cement, asbestos, mica, articles	22
H05: Products of animal origin	10	H37: Photographic or cinematographic goods	9	H69: Ceramic products	22
H06: Live trees, plants, bulbs, roots, cut flowers	13	H38: Miscellaneous chemical products	10	H70: Glass and glassware	19
H07: Edible vegetables and certain roots and tubers	30	H39: Plastics and articles thereof	11	H71: Pearls, precious stones, metals, coin	35
H08: Edible fruit, nuts, peel of citrus fruit, melons	30	H40: Rubber and articles thereof	14	H72: Iron and steel	9
H09: Coffee, tea, mate and spices	31	H41: Raw hides and skins (other than fur skins) and leather	4	H73: Articles of iron or steel	13
H10: Cereals	5	H42: Articles of leather, animal gut, harness, travel goods	35	H74: Copper and articles thereof	8
H11: Milling products, malt, starches, inulin, wheat gluten	13	H43: Fur skins and artificial fur, manufactures thereof	32	H75: Nickel and articles thereof	5
H12: Oil seed, oleagious fruits, grain, seed, fruit,	7	H44: Wood and articles of wood, wood charcoal	10	H76: Aluminium and articles thereof	13
H13: Lac, gums, resins, vegetable saps and extracts	30	H45: Cork and articles of cork	5	H78: Lead and articles thereof	9
H14: Vegetable plaiting materials, vegetable products	10	H46: Manufactures of plaiting material, basketwork, etc.	27	H79: Zinc and articles thereof	6
H15: Animal, vegetable fats and oils, cleavage products,	22	H47: Pulp of wood, fibrous cellulosic material, waste	0	H80: Tin and articles thereof	6

H16: Meat, fish and seafood food preparations	30	H48: Paper & paperboard, articles of pulp, paper and board	12	H81: Other base metals, cermet's, articles thereof	11
H17: Sugars and sugar confectionery	9	H49: Printed books, newspapers, pictures	9	H82: Tools, implements, cutlery, of base metal	22
H18: Cocoa and cocoa preparations	29	H50: Silk	35	H83: Miscellaneous articles of base metal	20
H19: Cereal, flour, starch, milk preparations and products	24	H51: Wool, animal hair, horsehair yarn and fabric thereof	22	H84: Nuclear reactors, boilers, machinery	8
H20: Vegetable, fruit, nut food preparations	30	H52: Cotton	25	H85: Electrical, electronic equipment	13
H21: Miscellaneous edible preparations	18	H53: Vegetable textile fibres paper yarn, woven fabric	19	H86: Railway, tramway locomotives, rolling stock, equipment	3
H22: Beverages, spirits and vinegar	34	H54: Manmade filaments	29	H87: Vehicles other than railway, tramway	20
H23: Residues, wastes of food industry, animal fodder	10	H55: Manmade staple fibres	21	H88: Aircraft, spacecraft, and parts thereof	0
H24: Tobacco and manufactured tobacco substitutes	23	H56: Wadding, felt, nonwovens, yarns, twine, cordage	33	H89: Ships, boats and other floating structures	8
H25: Salt, sulphur, earth, stone, plaster, lime and cement	9	H57: Carpets and other textile floor coverings	35	H90: Optical, photo, technical, medical apparatus	14
H26: Ores, slag and ash	5	H58: Special woven or tufted fabric, lace, tapestry	33	H91: Clocks and watches and parts thereof	22
H27: Mineral fuels, oils, distillation products,	4	H59: Impregnated, coated or laminated textile fabric	17	H92: Musical instruments, parts and accessories	30
HS28: Inorganic chemicals	10		35	H94: Furniture, lighting, signs, prefabricated buildings	29
H29: Organic chemicals	10	H61: Articles of apparel, accessories, knit or crochet	35	H95: Toys, games, sports requisites	26
H30: Pharmaceutical products	4	H62: Articles of apparel, accessories, not knit or crochet	35	H96: Miscellaneous manufactured articles	27
H31: Fertilizers	0	H63: Other made textile articles, sets, worn clothing	30	H97: Works of art, collectors' pieces and antiques	10
H32: Tanning, dyeing extracts, tannins, derivatives, pigments	13	H64: Footwear, gaiters and the like, parts thereof	34	H99: Commodities not elsewhere specified	

Source: TradeMap, 2021.

NOTE: Exporters should not take the HS2 tariff as conclusive and as the actual tariff that will be applied to the exported product. The tariffs indicated above are average tariffs and for products within the category it may be higher or lower than indicated. Where the tariff is zero it can be assumed that there is zero tariff applicable to all products within that HS code. Tariffs are determined according to the importing country's national tariff line from the HS6 level and upwards. Exporters are advised to visit www.macmap.org to determine the exact tariff applicable to the product at HS6.

3.8 Port-to-Port Rates

Ethiopia - Distribution Channels



Source: *The Economist*, 2021

As a landlocked country, Ethiopia relies heavily on the port of neighbouring Djibouti for the import and export of goods. Port Sudan in neighbouring Sudan and Berbera in neighbouring Somalia are used to a lesser degree. In March 2018 Ethiopia concluded an agreement with the Somaliland Ports Authority and DP World to acquire a 19% stake in a joint venture developing the Port of Berbera, which may result in expanded shipping routes to Ethiopia via Berbera. In July 2018, Prime Minister Abiy Ahmed signed an agreement with President Isayas Afewerki to restore diplomatic and trade relations, which also signals the potential for Ethiopian bound shipping to transit via ports at Assab and Massawa in Eritrea.

Ethiopia has built seven inland ports in Modjo, Kallity, Semera, Mekelle, Dire Dawa, Gelan and Kombolcha with an installed handling capacity of 22,000 containers. The dry ports, notably Modjo approximately 70 kilometers from Addis Ababa, serve as intermediate logistics destinations for cargo. Most goods are transported by trucks from the ports to Addis Ababa and other parts of Ethiopia. Ethiopia's state-owned companies dominate the truck transportation market. The overall number of trucks is presently insufficient to meet demand.

A Chinese-led infrastructure project to revamp Ethiopia's rail system, which connects Djibouti port to Addis Ababa began operations in 2018. This rail system has a capacity to move 3,500 tons of cargo on a single trip. The Ethiopian Shipping and Logistics Service Enterprise (ESLSE) claimed the new rail system has significantly enhanced its logistics capacity by reducing freight costs as well as shortening cargo delivery delays from more than three days to just 10 hours. Contacts on the ground, however, report that, due to myriad and ongoing implementation issues associated with the new railway, the vast majority of goods continued to be transported by truck. Logistics costs constitute 30% of Gross Domestic Product (GDP) and the Government of Ethiopia (GOE's) goal is to reduce it to less than 22% by 2020 and to reduce port dwell time from 40 days to 3 days. Ethiopia has recently signed a memorandum of understanding with Somalia that will enable it to use the Berbera port for shipment of goods. The port of Berbera is finalising preparation to handle this trade.

The construction of the Lamu-Garissa-Ilo road linking Kenya to Ethiopia now provides significantly improved access for landlocked Ethiopia to the Port of Mombasa. The road corridor will also be key in supporting the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) corridor.

Ethiopian Airlines is the leading airline in Africa with 115 international destinations and over 100 aircraft. Ethiopian Airlines operates state of the art cargo facility with a capacity to handle one million tons of goods. It operates direct

flights to major destinations in the United States, namely Washington D.C., New York and a flight to Chicago that commenced in June 2018. Flights to Houston, with a stop-over in West Africa, will also commence in 2019. The Addis Ababa Bole International Airport is the major gateway for air shipments and the airport has cold storage houses that facilitate shipment of perishable goods such as cut flowers, fruits and vegetables.

The table below shows the most important ports in Ethiopia. It also shows the **distance** and **time** it takes goods to travel from Cape Town Port terminal to these ports.

TRANSIT TIME FROM CAPE TOWN TERMINAL TO VARIOUS PORTS IN NAMIBIA, 2021		
TERMINAL	DISTANCE	TRANSIT TIME
Berbera, Somaliland	7310.35 km	12 days 15 hours
Djibouti	7487.84 km	12 days 23 hours
Assab, Eritrea	7530.71 km	13 days 0 hours
Massawa, Eritrea	7986.25 km	13 days 9 hours
Port Sudan	8463.03 km	14 days 15 hours

Source: Sea-Rates, 2021.

4. Consumer Insights

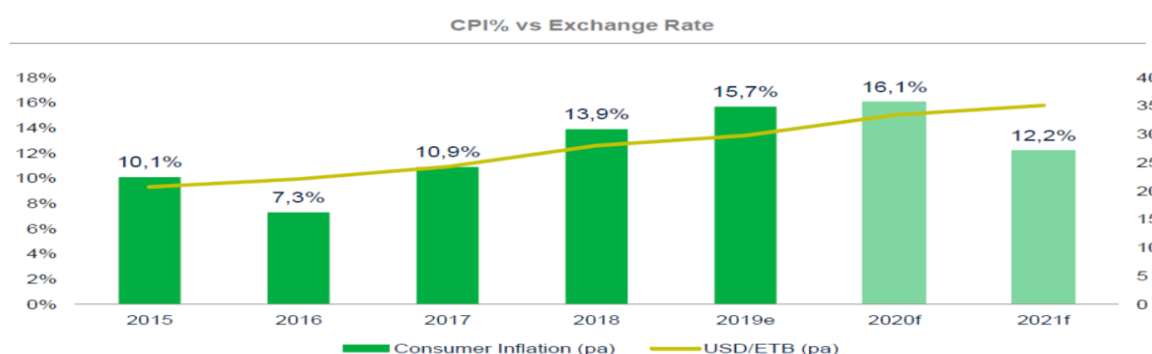
Consumer Spending

COVID-19 restrained consumer spending growth in Ethiopia, with real household spending growing 3.6% year-on-year in 2020 compared to the previous forecast of 7.7%. That said, an expected increase in growth if forecast, with household incomes set to rise considerably. Employment gains are expected from the agricultural and manufacturing sectors with a strong demand for Ethiopian exports supporting a transition from subsistence farming to higher-income commercial agriculture.

With a weakening birr and many consumer goods imported (including nearly 10% of food), inflation remains a concern. New forecasts expect inflation to average 10% over the next four years (2020-2024), as shown in the figure below. Overall, while there are positive trends after COVID-19 impacts abate, the overall profile of the Ethiopian consumer remains weak, with low GDP per capita, inflation eroding income, and much consumer spending on essential items.

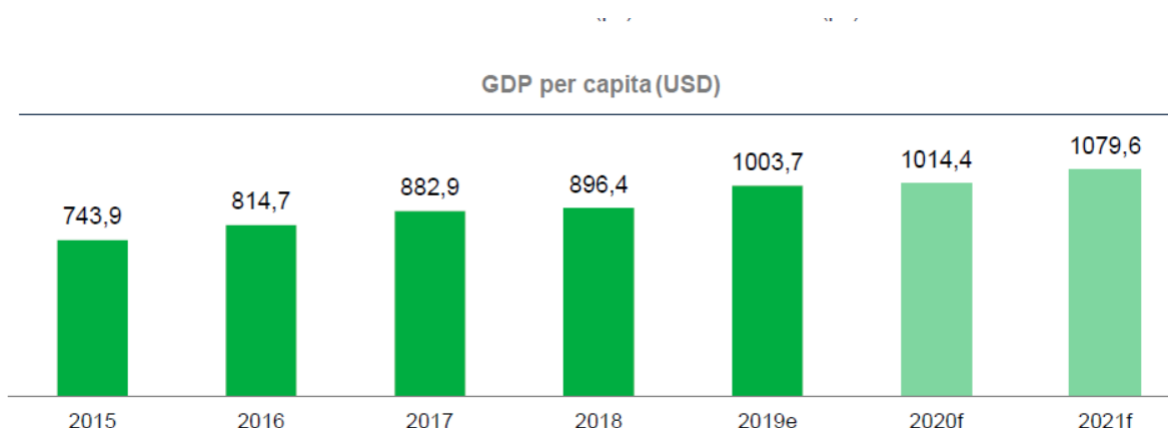
Source: Standard Bank Consumer Sector Report, 2020

CPI vs Exchange Rate



Source: Standard Bank Consumer Sector Report, 2020

GDP per capita



Source: Standard Bank Consumer Sector Report, 2020

Consumer goods trends in Ethiopia

Injera remains the country's most important packaged food item

Injera is a sourdough flatbread made from teff, which is a naturally grown, gluten-free grain that is served at virtually all meals. In addition to its importance as food, injera also plays a significant symbolic role in Ethiopia's food culture as it is used to scoop-up food from shared platters, including during the practice known as Gursha. This refers to the feeding of close friends and relatives by hand to symbolise loyalty and devotion.

Other important grocery items include pulses such as beans and chickpeas and various fresh vegetables. These are eaten by consumers across all income levels and typically purchased from open markets in an unpackaged form. Whereas meat such as lamb, mutton, goat meat and beef are more heavily consumed by high-income households. The largest religious group is Ethiopian Orthodox Christians and it is common for them to abstain from eating all animal products on certain days of the week. Rice and bread are also important staples for many households, however, most of the rice seen in stores was imported. All the bread found in stores was unbranded.

Consumption of soft drinks remains very limited in the country, with Ethiopians buying drinks mainly during weekends and other special occasions. Traditional freshly squeezed juice and coffee remain highly popular throughout the country and are largely affordable even for low-income consumers. There are also many stock outs of basic items such as fresh milk, bread, carbonated soft drinks and sugar across the various stores. The majority of the packaged food items are imported from the Middle East and expensive compared to the pricing in the other countries. Also, staples such as rice and flour were sold in bulk sizes (5kg) for resale in smaller quantities or bought to be shared with family members.

Personal health awareness campaigns teach consumers about the importance of personal hygiene practices

The transition from unpackaged to packaged personal care and beauty products is mostly observed when disposable income increases for Ethiopians. Among lower-income groups, a greater utilisation of traditional alternatives across the board can be observed. Instead of purchasing boxed hair dye, for example, Ethiopian women in this income group will opt for henna as an affordable alternative. Instead of using conditioner, the women opt to use a clarified butter on their hair called kibbeh, which serves multiple purposes, including heat protection and moisture retention so that hair doesn't become brittle and break.

However, with this said, it is not to say that consumers are not evolving or are unwilling to change. In most cases, it is a matter of relaying the hygienic benefits of some practices to consumers. The two standout products that gained significant traction as a result of a conscious drive in personal care awareness and health in Ethiopia are toothpaste and bar soap. Traditionally, many Ethiopians have used mefakia (twigs) to maintain oral hygiene. It was not until the government initiated an oral health drive that locals realised the importance of utilising a toothbrush and toothpaste to take care of their teeth. With the lack of access to clean running water for many residents, and less than 20% of

homes in Ethiopia having a bath or shower, additional product sophistication beyond the bar soap will most likely experience lacklustre sales in this region.

The two leading brands in the bath and shower category are Lifebuoy and Lux, both owned by Unilever Ethiopia, which is the leading global manufacturer in the country. Roll-on and deodorant are challenging to find in this market. There is a perception by low-income earners, that roll-on and deodorant are luxury items and only meant for special occasions. Many Ethiopians believe that the practice of washing up with bar soap suffices.

Household income dictates the complexity of the home care basket in Ethiopia

The complexity of the home care basket is influenced by household income and affordability. For many lower-income households, making up majority of the population in Ethiopia, multi-use products come in handy. In order to keep prices low, many companies have altered their pack sizes. In Ethiopia we observed smaller pack sizes priced at lower, more affordable price points.

The three players that dominate the laundry care category consist of two local players named Shemu Soap & Detergent Industry with the brand Shemu; and TTK Soap & Detergents which makes Sky. Globally, Proctor & Gamble has managed to dominate this category with their brand Ariel, by ensuring national product availability and distribution to retail outlets. Bleach is a very popular and fast-growing item within the Ethiopian home care basket and like the other popular basket items, it is a multi-use product that has various functions and a low price. Many households use bleach to remove stains, whiten and clean laundry, to disinfect and clean their toilet and as a surface care disinfectant. One can also mix it with other detergents to make a floor cleaner. The bleach market is highly fragmented and competitive with no clear market leader. Many of the containers are poorly labelled or without any labelling at all.

Of the three stores visited in Ethiopia, Safeway supermarket is the most expensive store to purchase a basket of home care items from. This supermarket has multiple stores spread across prime locations in Addis Ababa and is perceived to be an affluent store targeting middle- and upper-income groups, especially expatriates. Findings show that Shoa presents the most comprehensive list of items.

Ethiopia still in its infancy stage of retail real estate development

The Ethiopian retail market has grown significantly over the past few years. However, further development remains restricted by the fact that foreign investment is not permitted in this sector. Modern retailing in Addis Ababa is in the early stages of development compared to neighbouring countries such as Kenya, Uganda and Tanzania. There are some grocery operators in Addis Ababa, however, these are only local mid-sized companies such as Shoa. The city also has several other small- and medium-sized malls including Friendship City Centre. There is also a new regulation that has just come in place in Addis Ababa, which requires mall buildings to be mixed with residential apartments due to housing/space issues in the city.

The country would appear to have good growth potential, as Ethiopia is the second most populous country in Africa. However, one obstacle, besides being a closed economy, is that as a landlocked country with relatively poor infrastructure, supply chains can be unreliable.

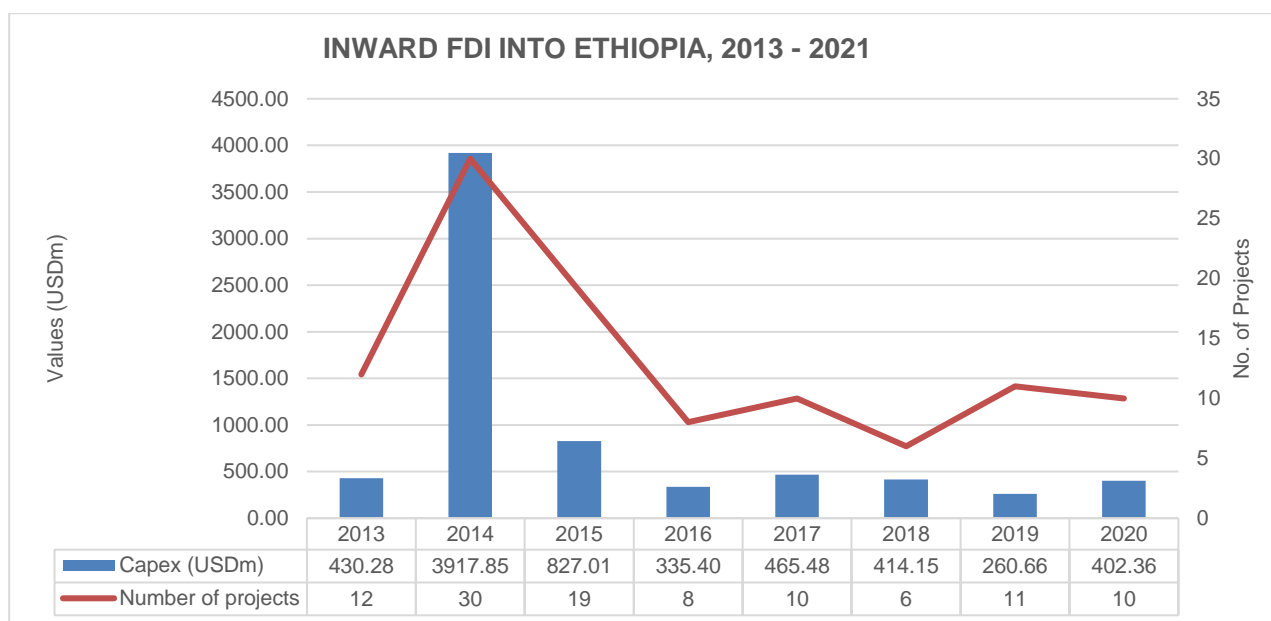
Source: Standard Bank Consumer Sector Report, 2020

5. Investment

5.1 Global Investment into Ethiopia

The figure below shows the number of inward FDI projects into Ethiopia and their associated capex values for the period of 2013 to May 2021.

The total number of FDI projects into Ethiopia for the period was 106. These projects represented a total capital investment of USD7.05bn, which equated to an average investment of USD68.0m per project. During the period, 83 620 were jobs created.



Source: BvD, 2021

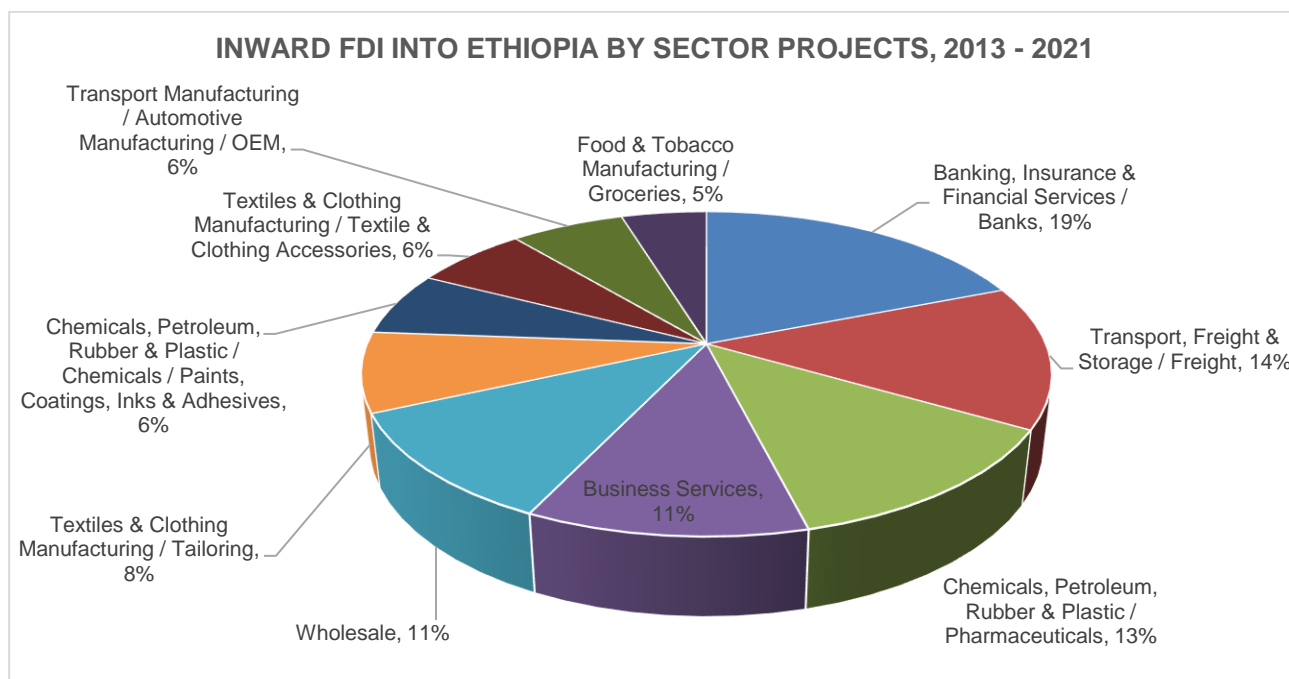
For the period 2013 to May 2021 France was the largest source market for inward FDI into Ethiopia with 13 investment projects and accounting for 19.40% of total projects. The United States and United Kingdom ranked second and third respectively, with the United States the source market for 11 FDI projects (equivalent to 16.42% of all projects) and United Kingdom with eight FDI projects (11.94%), as tabled below.

TOP 10 SOURCE MARKETS FOR FDI INTO ETHIOPIA, 2013 - 2020					
RANK	COUNTRY	PROJECTS	%PROJECTS	CAPEX (USDm)	% CAPEX
1	France	13	19.40%	690	19.78%
2	United States of America	11	16.42%	476	13.66%
3	United Kingdom	8	11.94%	550	15.77%
4	India	7	10.45%	379	10.86%
5	Turkey	6	8.96%	316	9.07%
6	China	5	7.46%	608	17.45%
7	Korea, Republic of	5	7.46%	40	1.15%
8	Egypt	4	5.97%	208	5.97%
9	Germany	4	5.97%	36	1.03%
10	South Africa	4	5.97%	184	5.27%
Total		67	100.00%	3 486.46	100.00%

Source: BvD, 2021

Classification of FDI

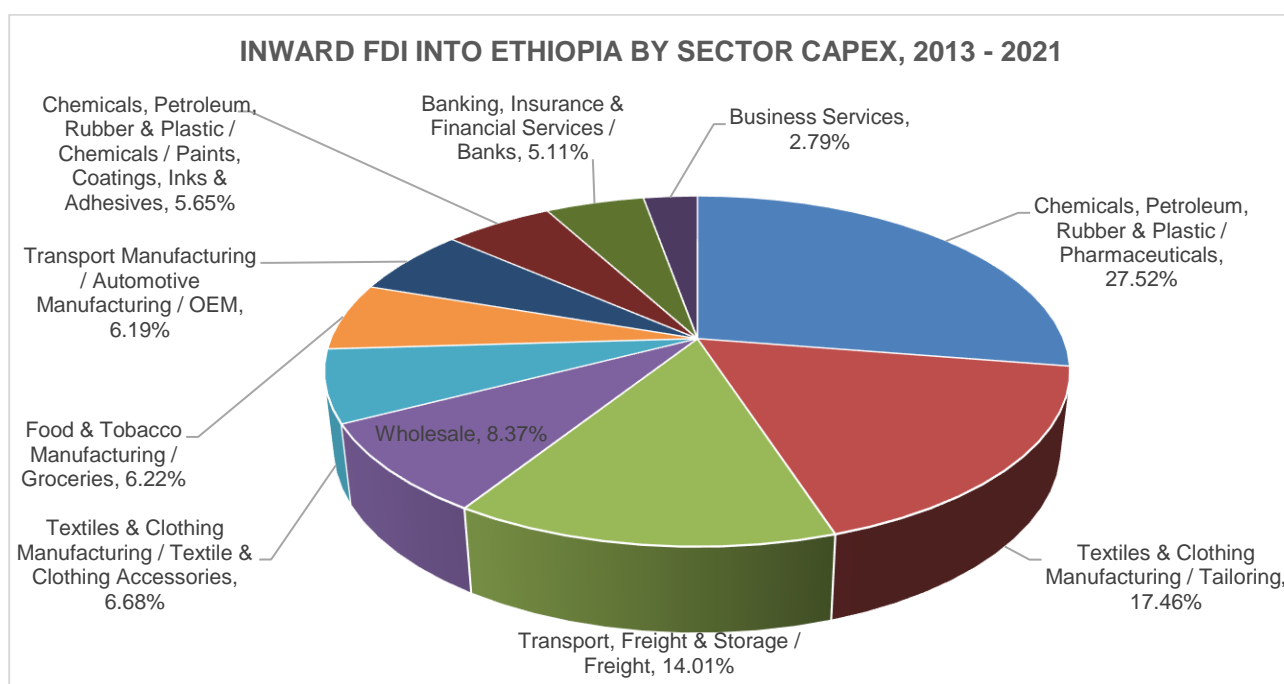
The figure below presents global FDI into Ethiopia's economic sectors by number of projects. The banking, insurance and financial services/banks sector was the largest recipient of FDI in terms of number of projects, equivalent to 19% of the total number of inward projects received over the review period. This was followed by the transport, freight and storage/freight sector (14%) and chemicals, petroleum, rubber and plastic/pharmaceuticals (13%).



Source: BvD, 2021

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In terms of sector classification of FDI by capex over the 2013 to May 2021 period, these are the key sector recipients of inward FDI. The chemicals, petroleum, rubber and plastics/pharmaceuticals sector was the largest recipient of FDI in terms of capex, equivalent to 27.52% of total capex related investment received. The textiles and clothing manufacturing/tailoring sector placed second at 17.46%, followed by the transport, freight and storage/freight sector at 14.01%.



Source: BvD, 2021

The top 10 global companies investing into Ethiopia by projects from 2013 to May 2021 are tabled below.

TOP 10 COMPANIES INVESTING INTO ETHIOPIA, 2013 - 2021					
RANK	INVESTING COMPANY	SOURCE COUNTRY	SECTOR	PROJECTS	CAPEX (USDm)
1	Calzedonia SpA	Italy	Wholesale of clothing and footwear	2	161
2	DOW CHEMICAL	United States of America	Manufacture of plastics in primary forms	2	10
3	Ecobank Transnational Inc.	Togo	Activities of holding companies	2	24
4	European Investment Bank	Supranational	Other monetary intermediation	2	22
5	LG Electronics Inc.	Republic of Korea	Manufacture of consumer electronics	2	0
6	Peugeot SA	France	Manufacture of motor vehicles	2	141.10
7	Sika AG	Switzerland	Manufacture of other chemical products nec	2	136
8	Standard Bank Group Ltd	South Africa	Activities of holding companies	2	24
9	Voith Hydro GmbH & Co. KG	Germany	Manufacture of other special-purpose machinery nec	2	20
10	Wilmar International Ltd	Singapore	Manufacture of oils and fats	2	313
TOTAL				20	850

Source: BvD, 2021

5.2 Global Investment from Ethiopia

The following outward investments were made by Ethiopian companies during the 2013 to May 2021 period.

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ETHIOPIA GLOBAL OUTWARD FDI , 2013 - 2021						
DATE	INVESTING COMPANY	DESTINATION COUNTRY	INDUSTRY SECTOR	BUSINESS ACTIVITY	CAPEX (USDm)	JOBS
16/09/2020	Ethiopian Airlines	United Kingdom	Transport, Freight & Storage / Air Transportation	Sales Office	0.83	1
11/10/2017	Commercial Bank of Ethiopia	Djibouti	Banking, Insurance & Financial Services / Banks	Banking & Finance	11.12	25
10/12/2016	ZTE Corporation	Ethiopia	Communications / Communications Equipment	R&D Centre	3	75
01/07/2013	Ethiopian Airlines	Togo	Transport, Freight & Storage / Air Transportation	Logistics, Distribution & Transportation	13.29	35
02/04/2013	LG Electronics	Ethiopia	Communications / Radio & Television Broadcasting	Shared Service Centre	0.11	200
TOTAL					28.35	336

Source: BvD, 2021

5.3 Investment Relations between South Africa and Ethiopia

5.3.1 Ethiopian FDI into South Africa

From 2013 to May 2021, there were no investments flows Ethiopia into South Africa.

5.3.2 South African FDI to Ethiopia

The following investments were made by South Africa into Ethiopia during the 2013 to May 2021 period.

SOUTH AFRICAN FDI INTO ETHIOPIA, 2013 - 2021					
DATE	INVESTING COMPANY	INDUSTRY SECTOR	BUSINESS ACTIVITY	CAPEX (USDm)	JOBS
20/04/2017	Habesha Cement Share Company	Banking, Insurance & Financial Services / Other Banking, Insurance & Financial Services	Banking & Finance	11.85	30
01/03/2017	Standard Bank Group LTD	Travel, Personal & Leisure / Travel Agencies	Sales Office	2.07	12
01/09/2013	East Africa Bottling Share	Textiles & Clothing Manufacturing / Tailoring	Retail	1.27	8
01/08/2013	Standard Bank Group LTD	Travel, Personal & Leisure / Travel Agencies	Entertainment	2.97	30
TOTAL				20.43	92

Source: BvD, 2021

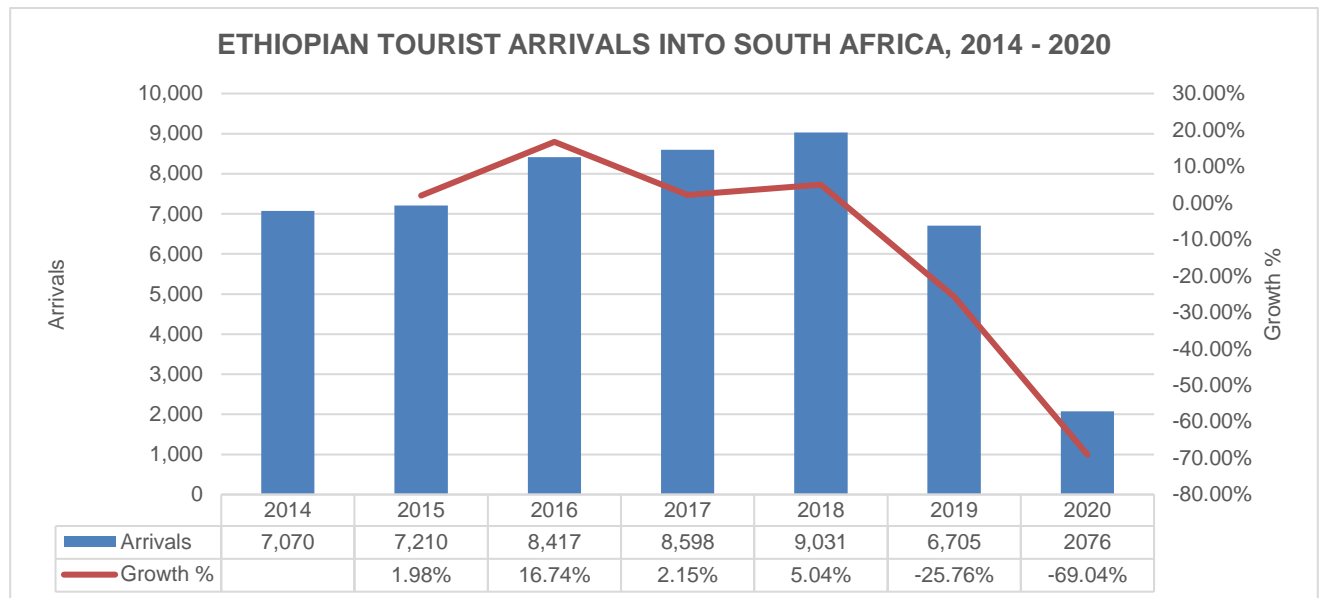
5.4 Investment Relations between the Western Cape and Ethiopia

From 2013 to May 2021, there were no bilateral investments flows between the Western Cape Province and Ethiopia.

6. Tourism

6.1 Ethiopian Tourist Arrivals into South Africa

In 2020, South Africa received 2076 Ethiopian tourist arrivals. This was a decrease of 69.04%, down from 6,705 arrivals recorded for 2019. The decline in tourist arrivals was because of the Coronavirus pandemic and lockdown restriction on travels enforced by countries in 2020.

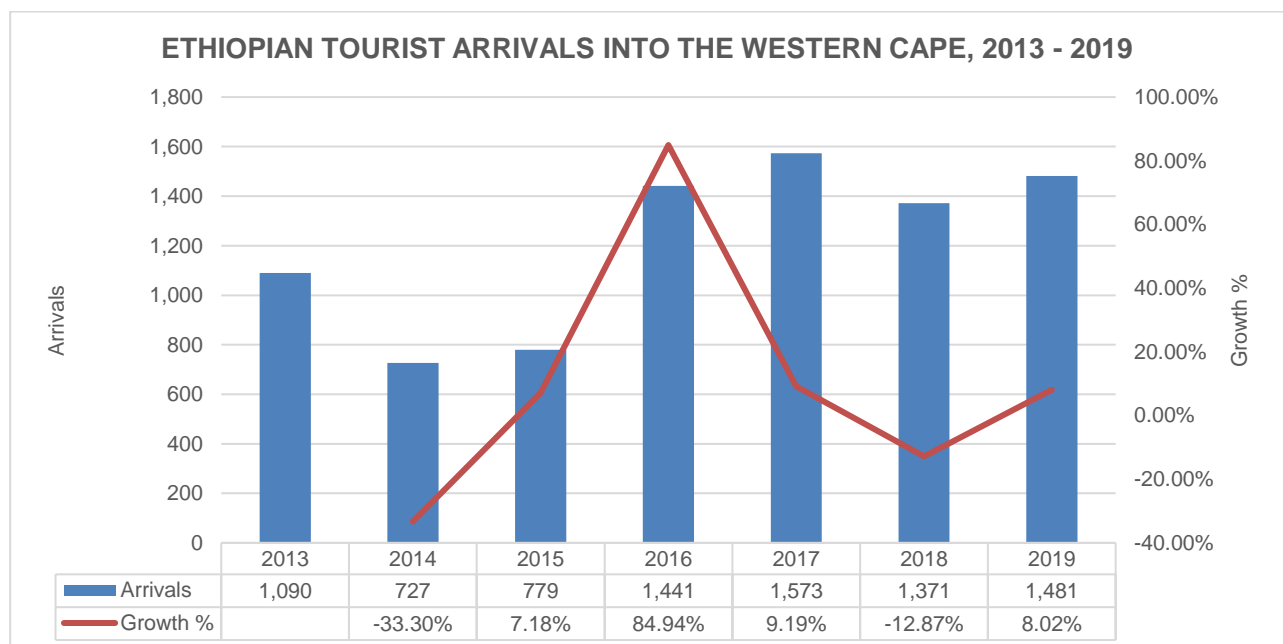


Source: SA Tourism, 2020; Stats SA, 2021

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6.2 Ethiopian Tourist Arrivals into the Western Cape

In 2019, Western Cape received 1481 Ethiopian tourist arrivals. This was an increase of 8.02%, up from 1371 arrivals recorded for 2018.



Source: SA Tourism, 2020

7. AfCFTA status and timeline

The Agreement to establish the AfCFTA was signed by 44 African Union (AU) member States in March 2018 during the 10th Extraordinary session of the African Union Summit held in Kigali, Rwanda. An extra five member States, including Namibia, signed the Agreement during the 31st Ordinary session of the AU Summit in July 2018 which took place in Nouakchott, Mauritania.

The Agreement was entered into force on 30 May 2019.

Status of AfCFTA Ratification

- According to Article 23 of the Agreement Establishing the African Continental Free Trade Agreement (AfCFTA), entry into force occurs 30 days after the 22nd instrument of ratification is deposited with the Chairperson of the African Union Commission (AUC) – the designated depositary for this purpose. The Agreement entered into force on 30 May 2019 for the 24 countries that had deposited their instruments of ratification by this date.
- The operational phase of the AfCFTA was launched during the 12th Extraordinary Session of the Assembly of the Union on the AfCFTA in Niamey, Niger on 7 July 2019.
- As of 5 February 2021, 36 countries have deposited their instruments of ratification: Ghana, Kenya, Rwanda, Niger, Chad, Eswatini, Guinea, Côte d'Ivoire, Mali, Namibia, South Africa, Congo, Rep., Djibouti, Mauritania, Uganda, Senegal, Togo, Egypt, **Ethiopia**, Gambia, Sahrawi Arab Democratic Rep., Sierra Leone, Zimbabwe, Burkina Faso, São Tomé & Príncipe, Equatorial Guinea, Gabon, Mauritius, Central African Rep., Angola, Lesotho, Tunisia, Cameroon, Nigeria, Malawi and Zambia.
- Start of trading under the AfCFTA Agreement began on 1 January 2021, in line with a Decision and Declaration adopted during the 13th Extraordinary Session of the Assembly of the Union on 5 December 2021.

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