

# Ethiopia Country Profile

## I. Back Ground

**Official Name:** Federal Democratic Republic of Ethiopia (FDRE)

**Work Working hours:** Ethiopia is in the GMT+3 hours' time zone. The government office hours are 8:30 a.m. to 12:30 a.m. and 1:30 p.m. to 5:30 p.m. from Monday through Thursday; and 8:30 am to 11:30 and 1:30 pm to 5:30 pm on Fridays.

**Location:** Ethiopia is located at the northeastern part of Africa, extending 30 to 150 north of the equator and 330 to 480 east of the Greenwich Meridian. The country enjoys a unique location at crossroads between Africa, the Middle East and Asia.

**Area:** 1.104 million square kilometers

**Capital City:** Addis Ababa

**Population:** 107 million of which 54 million male and 53 million female in July 2023 (CSA Population Size by Sex, Region, Zone and Wereda: July 2023.)

**Population density:** 117 per square kilometer (2021/2022)

**Language:** Amharic is the working language of the federal government, while Oromiffa and Tigrigna are widely spoken. English is taught in schools and is the main business language

**Climate:** Temperate in the highlands, ranging from 20°C to 30°C (68°F to 86°F) and hot in the lowlands, often reaching 45°C (113°F). Rainfall ranges from 200 mm to 2000 mm.

**Political System:** Federal state with multi-party system

**Administrative division:** There are twelve regional states and two city administration.

**Calendar:** Ethiopia uses the Julian calendar which divides the year into 12 months of 30 days each, and the remaining five or six days in a leap year constituting the 13<sup>th</sup> month of "Pagume." The calendar is seven years behind the Western or Gregorian calendar, the Ethiopian New Year commences on September 11<sup>th</sup>, and 12<sup>th</sup> (every leap year).

**Altitude:** From 120m below sea level to 4600m

**Currency:** The units of currency are the birr and cents. The birr notes are 200, 100, 50, 10 and 5 birr. The Birr is divided into 100 cents.



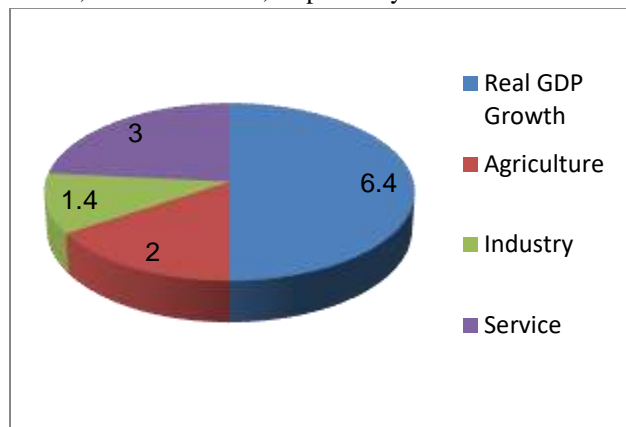
Ethiopian Currencies



## II. Macroeconomic Highlights

### Economic Growth

- The Real GDP growth in 2021/2022 was 6.4% (3.0% contributed by service, 2.0% by agriculture and 1.4% by industry).
- In 2021/22 Ethiopia's GDP (at current price) increased to \$127 Billion and per capita GDP to \$ 1,218 compared to the year 2020/2021 which was \$111 Billion and \$1,092 respectively. The shares of the major sectors, agriculture, industry and services out of the total GDP were about 32.4%, 28.9% and 40%, respectively.



Source: National Bank of Ethiopia (2021/2022)

### Investment

- In 2021/2022 the rate of investment reduced to 25.3% of GDP compared to 2020/2021 which was 28.02%.
- 112 projects with an investment capital of Birr 2.2 billion became operational in 2021/2022.
- Of the total operational projects, 67 projects (59.8 percent) were domestic with a capital of Birr 862 million and 45 projects were foreign having Birr 1.3 billion capital.
- Average capital per project for domestic investment projects was Birr 12.9 million while that of foreign investment projects was Birr 29.4 million, implying that the foreign investment projects were more of capital intensive than domestic investment projects.
- Manufacturing sector constituted 23.2% of the total operational projects and 59.9% of investment capital
- Addis Ababa Constituted 57.1% of the total operational projects and 34.3% of investment capital.

### Inflation Rate

- At the end of the fiscal year 2021/2022 annual average inflation rose to 33.8% from 20.2% a year ago.

- This was largely owing to 17.1 percent rise in food & non-alcoholic beverages inflation from 23.2 percent to 40.3 percent and 8.7 percent increase in non-food inflation.

### Interest rate

- The minimum interest rate that financial institutions pay on saving deposit was raised to 7.0 percent since October 2017.
- Since then, commercial banks have revised their interest rate structure accordingly.
- In 2021/22, both the minimum and maximum saving deposit interest rates remained unchanged at 7.0 and 9.0 percent, respectively.
- At the end of the fiscal year, simple average saving deposit rates and weighted average demand deposit rates stood constant at 8.0 and 0.04 percent, respectively while weighted average time deposit rate slightly declined to 7.70 percent from 7.80 percent a year earlier.
- The real savings rate is negative due to higher inflation rate.

### Exchange rate

- During 2021/2022, on average one USD was exchanged for Birr 48.57.

### Expenditure on Gross Domestic Product

- Total consumption expenditure rose to 84.7% of GDP in 2021/2022 (77.4% private final consumption and 7.4% Government final consumption) as compared to 2020/2021 which was 81.1 % (72.2% private final consumption and 8.8% Government final consumption).
- Domestic saving in 2021/2022 declined to 15.3% of GDP as compared to 18.9% a year earlier.
- Export has been increased to 8.2% of GDP in 2021/2022 as compared to 7.6% in 2020/2021.
- Major exports were: coffee 34.9, gold 13.3%, cut flower 13.2%, chat 9.5%, oil seeds 6.5%, pulses 5.3%, and textile & textile products 4.3%.
- Import has been increased to 18.3% of GDP in 2021/2022 as compared to 2020/2021 which was 16.%.

### III. Market Access

Ethiopian products have duty-free, quota-free access to a wide market, including major markets such as the EU and African. The main market access opportunities of Ethiopia are:

- ❖ Large domestic market of over 100 million consumers,
- ❖ Ethiopia has huge market opportunity in the African Continental Free Trade Area (AfCFTA). AfCFTA is the new trading block which is expected to bring together over 1.3 billion people and a combined GDP of more than \$ 2.6 trillion across all 54 member States of the African Union.
- ❖ The country has also Preferential Trade Agreement with the Republic of Sudan.
- ❖ Ethiopia enjoys preferential market access from 21 COMESA member countries with a combined population of over 583 million and GDP of \$805 billion.
- ❖ Access to European Union market under Everything But-Arms (EBA) initiative.
- ❖ Broad ranges of manufactured goods from Ethiopia are also entitled to preferential treatment under the Generalized System of Preference (GSP) in all developed countries.
- ❖ China, India & South Korea granted duty free quota free market access to Ethiopia's products as well.

### IV. Taxation

The Ethiopian tax law stipulates provisions for direct and indirect taxes. The direct taxes are personal income tax, rental tax, withholding tax, business profit tax and other taxes such as dividend income tax, royalties and stamp duties. The main types of indirect taxes are Value Added Tax (VAT), customs duty taxes, excise and turn over taxes. Export tax is levied only on raw and semi-processed hides and skins at a flat rate of 150%.

#### Main Taxes in Ethiopia

	Type of Taxes	Rate
1	Corporate Income Tax	30%
2	Turn Over Tax	2% and 10%
3	Excise Tax	10% up to 100%
4	Customs Duties	0% up to 35%
5	Income Tax from Employment	0% up to 35%
6	Withholding Tax	2%
7	Value Added Tax (VAT)	15%
8	Export Tax	Nil (with exception of hides and skins-150%)
9	Royalty Tax	5%
10	Dividend Tax	10%

### V. Establish Business

Foreign investors can establish businesses in Ethiopia as Joint Venture with the government or private businesses or alone with 100% own equity. Both foreign and domestic private entities have the right to establish, acquire, own and dispose of most forms of business enterprises. There is no right of private ownership of land. However, all land is owned by the state and can be leased for up to 99 years. The Ethiopian Investment Commission (EIC) should be one of the first stops for foreign investors wishing to apply for licenses and receive information on any pertinent incentives.

## VI. Entry Visa

With the exception of nationals of Kenya, Djibouti and nationals of any country other than Pakistan and Somalia with diplomatic or service passports foreign citizens need an entry visa to enter the country. Accordingly, Ethiopian Government offers e-Visa for Tourism & Business purpose through <https://www.evisa.gov.et/#/home> . The visa type, visa duration & number of entry depend on nationality of the applicants. Applicants are advised to obtain Ethiopia e-visa online before travelling to Ethiopia. E-Visa process is completely online and no paperwork is required. Once Ethiopia e-visa is approved it will be sent via email. Applicants have to carry a printed copy of the approved e-visa letter and passport while travelling. Visa letter will be verified by Ethiopia officer at the airport and passport will be stamped. The e-Visa for Ethiopia is a convenient and efficient way for over 230 nationalities. To check the list of eligible countries for Ethiopia tourist e-visa online, please use this link <https://www.jsdimmigrations.com/ethiopia-visa/#eligible-country>.



### Visa on Arrival for Ethiopia

A visa on arrival for Ethiopia is a type of visa that travelers can obtain when they arrive at the immigration checkpoint in Addis Ababa Bole International Airport. However, this option is not recommended for most travelers, as it involves waiting in line and filling out paperwork upon arrival. Only nationals of Hong Kong and Taiwan are required to obtain a visa on arrival. For others, obtaining an e-Visa in advance is more efficient and reliable.