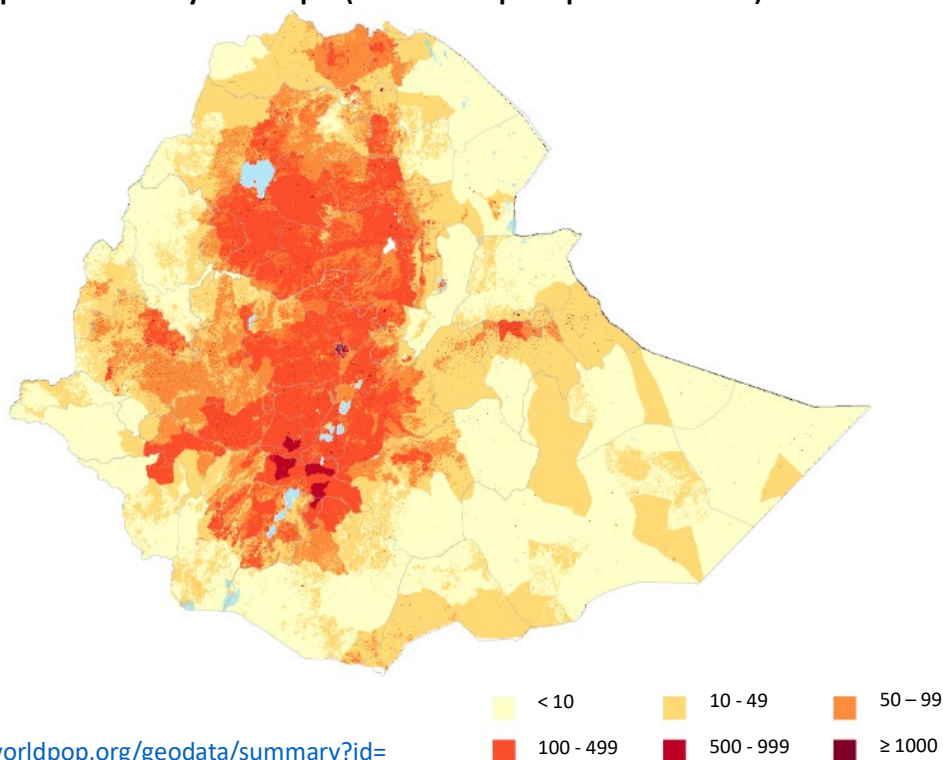


### 3. Macroeconomic and Trade Overview

Ethiopia is a landlocked country located in the Horn of Africa with an estimated population of 120 million people and a GDP of USD111 billion in 2021, with low GDP per capita (USD925) compared to the Sub-Saharan Africa average (USD1,663)<sup>1</sup>.

Addis Ababa is the capital and largest city of Ethiopia, but the rural population accounts for 78 per cent of the total population. Most of the Ethiopia's population is concentrated in the central and northern parts of Ethiopia, particularly in the Oromia region and the city of Addis Ababa, as shown in **Figure 3.1**. Moreover, Addis Ababa boasts a higher GDP per capita than neighbouring states, resulting in a greater consumption rate and a wider range of available products. In contrast, rural regions situated further from the capital tend to have a higher proportion of people living below the poverty line. Consequently, consumption patterns in these regions primarily revolve around basic commodities, reflecting lower levels of economic prosperity.

**Figure 3.1: Population Density in Ethiopia (Inhabitants per square kilometre)**



Source:

<https://hub.worldpop.org/geodata/summary?id=41033>

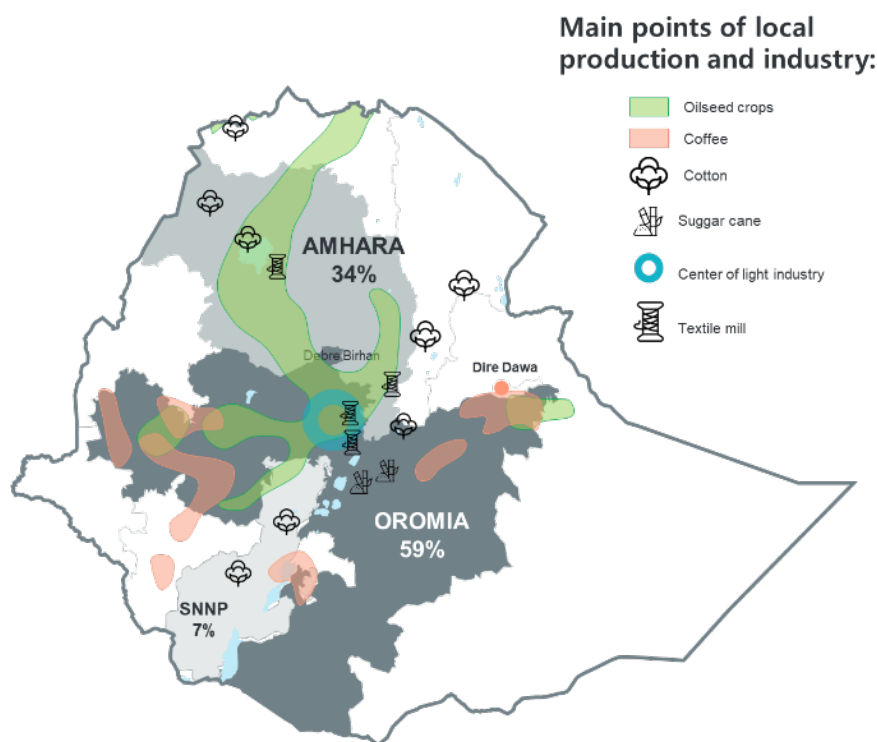
Ethiopia's economy is mainly based on agriculture, which accounts for a 32.4 per cent share of GDP and a growth rate of 6.1 per cent in 2022 and 85 per cent of total employment. The agricultural sector is predominantly characterised by smallholder farmer agriculture. The Services and Industry sectors contributed 40 per cent and 28.9 per cent to GDP in 2022 respectively.

Agricultural production is primarily concentrated in the western, northern and central regions. The country's agricultural sector produces a wide range of products, including grains (particularly wheat), oil seeds, coffee, cotton, sugarcane, and vegetables.

<sup>1</sup> World Bank

As shown in **Figure 3.2**, the Amhara and Oromia regions accounted for around 93 per cent of the total wheat production in the country (34 per cent in the Amhara region and 59 per cent in the Oromia region) in the 2021-22 year. The consumption of wheat is also concentrated in these regions because of their relatively high populations.

**Figure 3.2: Distribution of Domestic Production in Ethiopia**



Source: <https://comtradeplus.un.org/>

The flour milling industry in Ethiopia is currently operating at less than 50 per cent of its capacity. Additionally, approximately one third of the existing flour mills are located in Addis Ababa.

The Oromia region accounted for around 72 per cent of the total production of coffee in 2021-22.

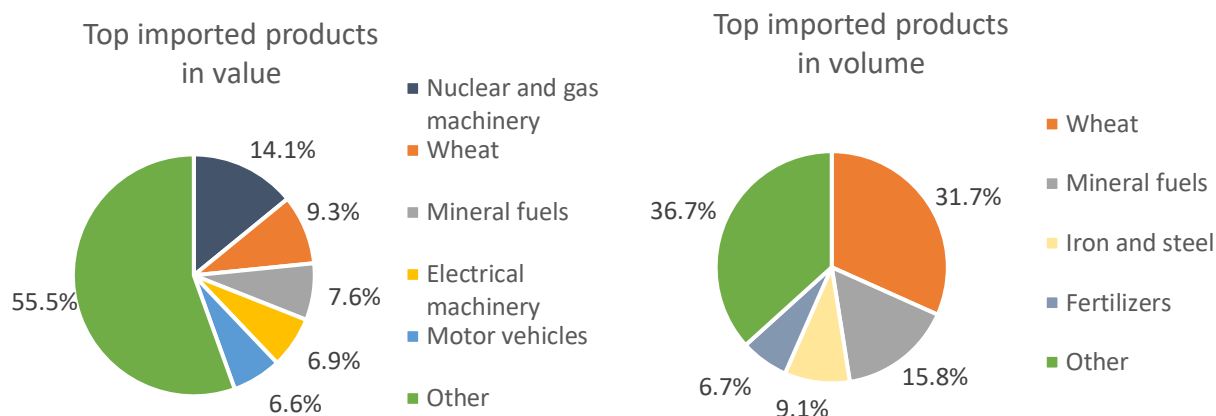
There is a significant flow of agricultural products from the rural Northern and Central regions towards the capital. Most of the cotton is used in the textile industry around Addis Ababa. There is also a flow of basic commodities, such as food, wheat, and fertilisers, from the capital (an intermediate stop from international markets) towards the rural regions.

Ethiopian trade is characterised by an imbalance of imports and exports, with low export volumes per capita compared to the Sub-Saharan Africa average. In 2021, Ethiopia exported USD4.62 billion (1.49 million tons) in products while it imported USD13.44 billion (8.08 million tons) in products<sup>2</sup>. Nevertheless, Ethiopia has abundant natural resources which represent great future opportunities for trade, especially as regards the agricultural and mining industry.

**Figure 3.3** shows that, in 2021, the top imports of Ethiopia in value were machinery, wheat and mineral fuels, while in volume they were mainly wheat and mineral fuels. This is due to the difference in the price per ton of each product, especially regarding machinery.

<sup>2</sup> UN Comtrade

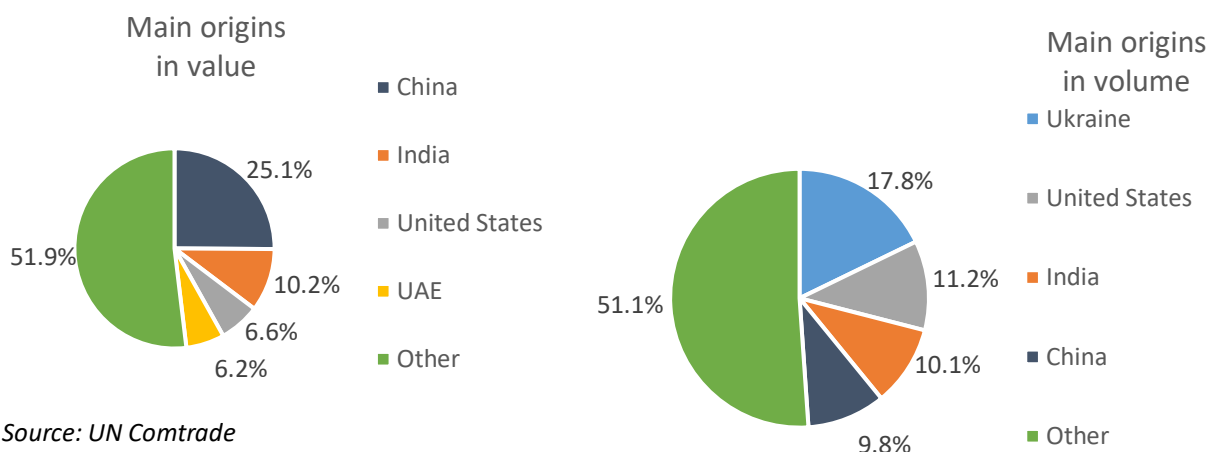
**Figure 3.3: Main Ethiopian Imports by Value and Volume (2021)**



Source: UN Comtrade

The main origins by value were China and India, while in volume they were Ukraine and the United States<sup>2</sup>. China and India are the main origins of machinery and cars, while Ukraine and the United States are the main origins of wheat as shown in Figure 3.4.

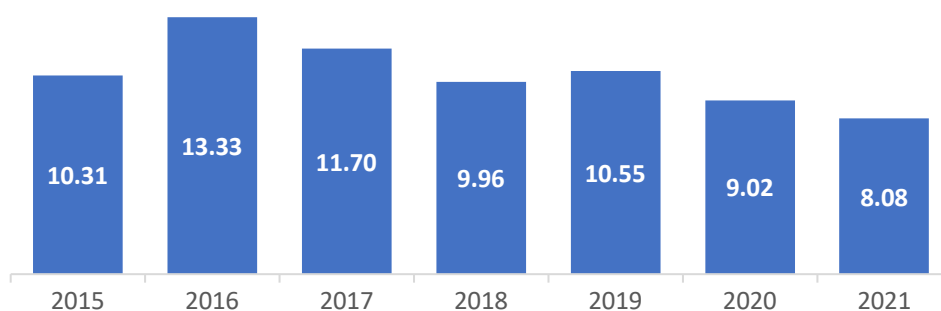
**Figure 3.4: Main Origins of Ethiopian Imports by Value and Volume (2021)**



Source: UN Comtrade

Figure 3.5 shows the value of imports in Ethiopia from 2015 to 2021. Imports reached a peak in 2016 and have steadily decreased ever since at an average of 9.5 per cent, mainly because of the depreciation of the Ethiopian Birr against the US Dollar and foreign currency shortages.

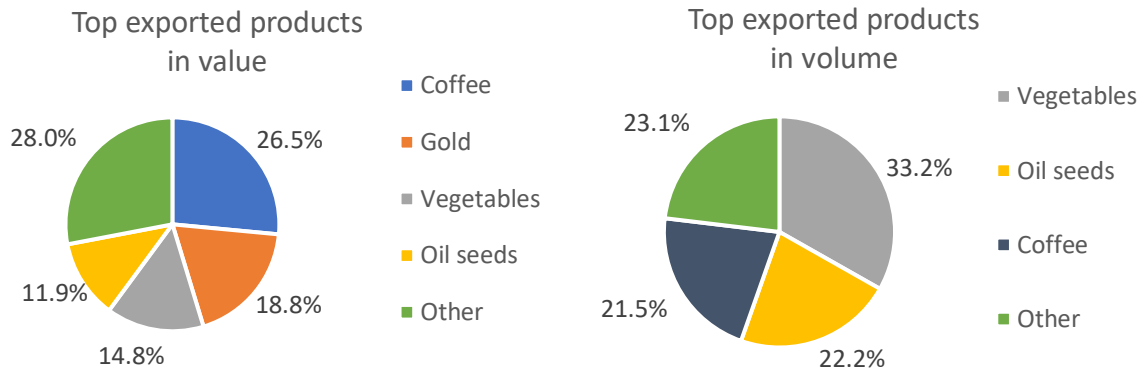
**Figure 3.5: Imports in Million Tons**



Source: UN Comtrade

As shown in **Figure 3.6**, the top exports of Ethiopia in 2021 in value were coffee and gold, while in volume they were vegetables, oil seeds and coffee<sup>2</sup>. This is due to the difference in the price per ton of each product, especially regarding gold.

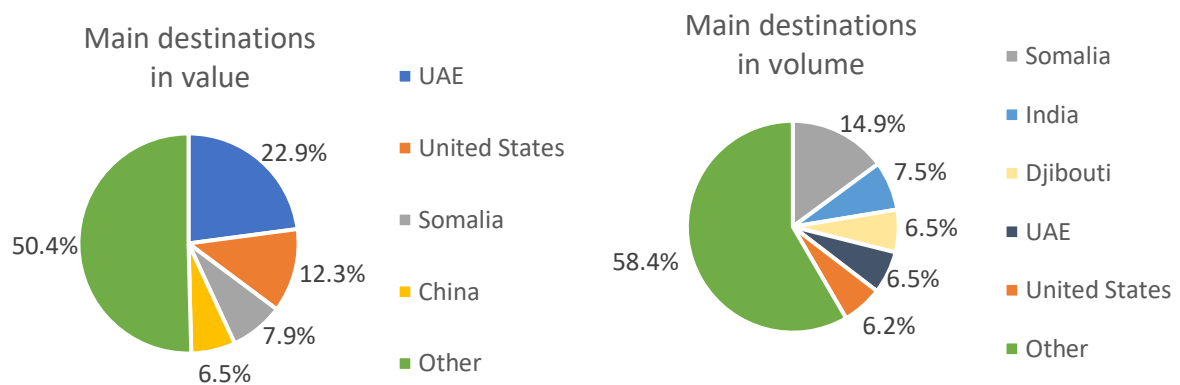
**Figure 3.6: Main Exported Products in 2021**



Source: UN Comtrade

The main destinations in value were the United Arab Emirates (where the Ethiopian gold is exported to) and the United States, while in volume they were Somalia, India, and Djibouti as shown in **Figure 3.7**.

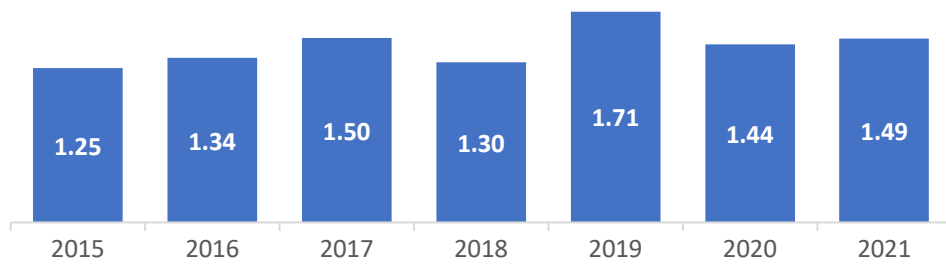
**Figure 3.7: Main destinations of Ethiopian exports in 2021 (Source: UN Comtrade)**



Source: UN Comtrade

**Figure 3.8** shows that exports during the 2015-2021 period increased at an average CAGR of 3 per cent, peaking in 2019 and dropping in 2020 as a result of the pandemic and civil unrest.

**Figure 3. 8: Exports by Year in Million Tons**



Source: UN Comtrade