

## Services snapshot

# Eritrea



### KEY SERVICES DATA<sup>1</sup>

Services<sup>2</sup> share of industry value added 2009: **63%**  
 Services<sup>3</sup> share of total exports 2012: **8%**  
 Services export composition 2000: **travel (64%), transportation (18%), other commercial services (18%)**  
 Services import composition 2000: **travel (50%), transportation (27%), other commercial services (23%)**  
 Services exports 2002: **US\$ 118 million**  
 Services imports 2002: **US\$ 25 million**  
 Services trade surplus 2002: **US\$ 93 million**

### SERVICES AT A GLANCE

Economic growth has been irregular. Decades of armed conflict, restrictive economic policies, political isolation, a significant decline in remittances and scarcity of foreign exchange have had devastating effects on the economy.<sup>4</sup> GDP growth fell sharply from 7% p.a. in 2012 to 1% p.a. in 2013, but it is expected to increase over the coming period up to 2% p.a. in 2016.<sup>5</sup>

The most recent data on value added contribution to GDP from 2009 show that services accounted for 63%,

followed by agriculture at 15%.<sup>6</sup> This has not translated equally into employment; employment in services is only 16% compared with 79% in agriculture. Moreover, GDP growth is expected to be triggered in the next two years in particular by the copper production at the Bisha mine and gold production at the Zara mining project in 2014.<sup>4</sup>

**Eritrea traditionally runs a significant trade deficit. This is also the case for services,** services export development being similarly hindered by the lack of a conducive business climate, restrictive government policies and very poor infrastructure.<sup>4</sup>

### SERVICES SUBSECTORS

#### Financial services

The financial services sector is underdeveloped and only a limited number of people have access to credit. There are 6 institutions providing financial services: the central bank (Bank of Eritrea), a commercial bank, a housing and commerce bank, a development bank, an insurance company and a foreign-exchange bureau.<sup>4</sup> Detailed up-to-date data on financial services trade are unavailable.

## Communication services

Communication services are under developed: communications sector indicators are among the lowest in the world.<sup>7</sup> In 2013, it was estimated that only 1 out of 100 inhabitants was an internet user and 6 out of 100 inhabitants held a mobile phone subscription.<sup>6</sup> Detailed up-to-date data on communication services trade are unavailable.

## Transport services

Transport services are under developed. The inadequate transportation network is a result of armed conflicts that damaged the infrastructure and prevented maintenance works. The road network is currently being expanded, particularly in the mining sites and in the free-trade zone. In addition, the geo-strategic location of Eritrea on the Red Sea could serve as a bridge between the Middle East and the countries in East and Central Africa.<sup>4</sup> Detailed up-to-date data on transport services trade are unavailable.

## Tourism

In 2008, international tourism receipts<sup>8</sup> accounted, as a percent of total exports, for approximately 35%. However, tourism is mostly limited to the Eritrean diaspora.<sup>7</sup> International tourism arrivals were recorded at 107,000 in 2011, 27% more than in 2010.<sup>6</sup> The National Tourism Development Strategy 2000-2020 aims at developing the sector.<sup>9</sup> Detailed up-to-date data on travel services trade are unavailable.

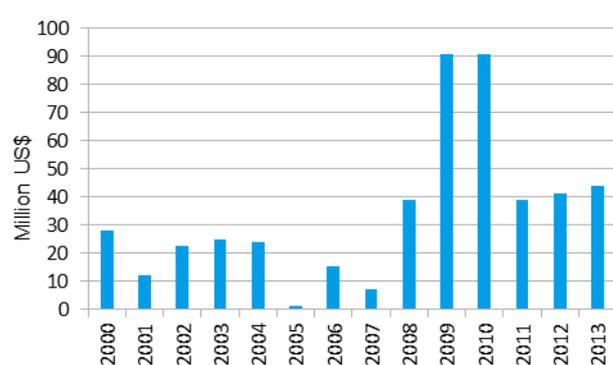
## FOREIGN DIRECT INVESTMENT (FDI)

Inflows of FDI fluctuated significantly over 2008-2013. They reached a record peak in 2009 at US\$ 91 million which was sustained the following year but then dropped to less than half in 2011. FDI inflows

subsequently increased consistently to US\$ 44 million in 2013 (see Figure 1). The sector that has attracted most of the investment are mining and other extractive industries.<sup>4</sup>

With a ranking of 184th out of 189 countries in the World Bank Ease of Doing Business index for 2014,<sup>10</sup> Eritrea has one of the world's least conducive environments for business, mainly due to a lack of economic and political stability.

Figure 1. FDI net inflows



## FOOTNOTES / SOURCES

1. Key data derived from: World Bank – World Development Indicators, ITC Trade Map.
2. The services percentage of industry value added includes construction and utilities.
3. All trade data is for commercial services. Data for figure 1 derived from World Bank – World Development Indicators.
4. African Development Bank - African Economic Outlook 2014, Eritrea.
5. World Bank – World Development Indicators, World Bank - Global Economic Prospects.
6. World Bank – World Development Indicators.
7. World Bank -Trade Brief, Eritrea. Available online: <http://info.worldbank.org/etools/wti/docs/wti2008/brief60.pdf>.
8. International tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport. These receipts include any other prepayment made for goods or services received in the destination country. They also may include receipts from same-day visitors, except when these are important enough to justify separate classification. For some countries they do not include receipts for passenger transport items (World Bank – World Development Indicators).
9. United Nations Development Programme, World Tourism Organization, National Tourism Development Strategy for Eritrea 2000-2020.
10. World Bank Group – Doing Business Index, June 2014.



### For additional information

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