

## Services snapshot

# Ethiopia



### KEY SERVICES DATA<sup>1</sup>, 2013

Services<sup>2</sup> share of industry value added: **49%**  
 Services share of employment: **22%**  
 Trade in services<sup>3</sup> contribution to GDP: **14%**  
 Services share of exports: **51%**  
 Services export composition: **transportation (76%), travel (16%), other commercial services (8%)**  
 Services import composition: **transportation (75%), other commercial services (19%), travel (6%)**  
 Services exports: **US\$ 2.7 billion**  
 Services imports: **US\$ 3.4 billion**  
 Services trade deficit: **US\$ 751 million**

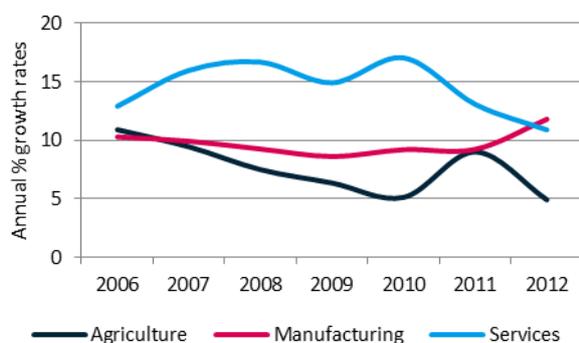
### SERVICES AT A GLANCE

Ethiopia is one of Africa's poorest states, although it has experienced rapid economic growth since the end of the civil war in 1991.<sup>4</sup> Between 2000 and 2013, the GDP growth rate averaged 9% p.a.<sup>5</sup>, well above the regional average of 5%.<sup>4</sup> However, it is expected to drop to 7% by 2016,<sup>6</sup> due to deteriorating terms of trade, and decreasing inflows of remittances and foreign investment.<sup>7</sup>

Services and agriculture account respectively for 49% and 45% of GDP value added in 2013.<sup>8</sup> Employment in services is only 22% however, compared with 73% in agriculture. The services sector is growing faster than agriculture but both growth rates are decreasing, whereas manufacturing value added annual % growth is on an upward trend and currently performing better than services and agriculture (see Figure 1).<sup>5</sup>

Services exports have increased in importance; in 2013 services accounted for 51% of total exports, up from 46% the previous year. Transport services traditionally dominate services export and import composition: in 2013 they bulk large in both export and import composition at more than 75% and their importance has increased since 2000. **There is a net services trade deficit which has been increasing since 2000 reaching**

Figure 1. Trends in value added growth rates



**US\$ 751 million in 2013.** Transport services generated the largest part of the trade deficit although the trade deficit on transport services decreased by 27% between 2012 and 2013 reaching a trade deficit of US\$ 510 million. Travel services recorded instead a trade surplus of US\$ 208 million in 2013, but 51% less than 2012, and it is the largest trade surplus among the services subsectors.<sup>9</sup> Trade in services contributed 14% to GDP in 2013, down from 15% the previous year.

## SERVICES SUBSECTORS

### Financial services

The financial sector is relatively small and dominated by the state. Government dominates lending, controls interest rates, and owns the largest bank, the Commercial Bank of Ethiopia (CBE) the assets of which represented about 70% of the sector's total assets, as of April 2012. Public banks account for 67% of total deposits and 55% of loans and advances. The state has recently allowed private banks to expand, but foreign ownership and branch operations remain strictly barred. The banking sector included 16 commercial banks in 2012.<sup>7</sup>

The microfinance sector is relatively well developed. About 31 microfinance institutions, reaching 2.4 million people, have become the major providers of financial services to many farmers and businesses. Very low cell phone penetration has prevented the rapid development of mobile banking, which has strong growth potential.<sup>7</sup>

**Ethiopia is a net importer of financial services** (see Figure 2).<sup>9</sup> In 2012, insurance and financial services accounted for 4% of services imports while exports were almost non-existent (0.05% of services exports).

### Communication services

The telecommunications industry is fully owned by the government. The government owned operator, the Ethiopian Telecommunication Corporation (ETC) is the sole telecommunications services provider in the

Figure 2. Financial services share in services trade

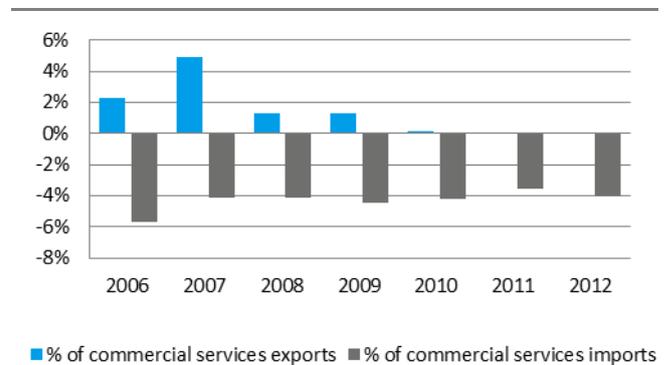


Figure 3. Communication services share in services trade

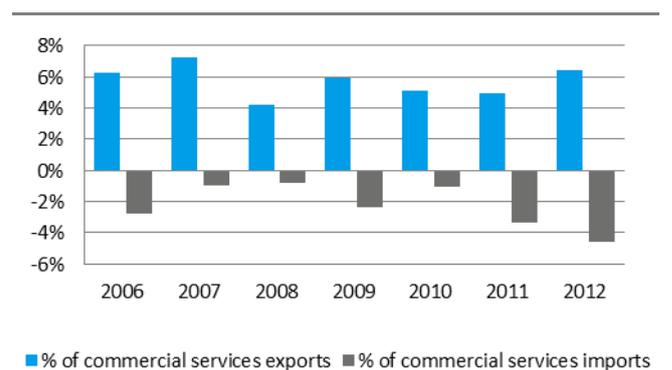
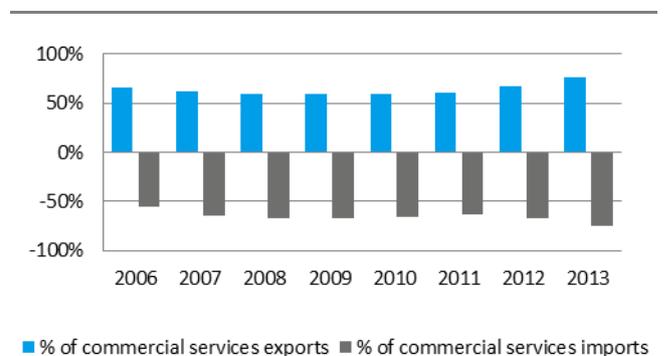


Figure 4. Transport services share in services trade



country. Currently, ETC has 7 million subscribers, of which 1 million subscribers to fixed line, 6 million to mobile and 0.1 million to Internet. Mobile telephone and internet services were introduced in 1996 and 1997 respectively. Tele-density is 2% and 8% for fixed line and mobile respectively. The rate of penetration of telecom services is among the lowest in Sub-Saharan Africa.<sup>10</sup> In 2013, only 2% of the population were internet users, while 27% held a mobile phone subscription.<sup>5</sup>

**The communication services trade surplus had been increasing until 2010, after which it dropped by 73% in 2011, due to a large rise in imports** from US\$ 26 million in 2010 to US\$ 110 million in 2011. Communication services exports accounted for 6% of services exports in 2012, whereas the imports share was 5% (see Figure 3).<sup>9</sup>

### Transport services

**Transportation is the main contributor to services trade, accounting for 76% and 75% respectively of services exports and imports in 2013** (see Figure 4). The transport services subsector contributes US\$ 510 million or 68% of the total services trade deficit in 2013.<sup>9</sup>

Roads are the main mode of transport and the state yearly spends a quarter of its infrastructure budget on roads. Under the Road Sector Development Program, the equivalent of US\$ 4 billion has been allocated to build, upgrade and repair roads over the next ten years.<sup>11,12</sup>

New and upgraded airports facilitate the transport of goods and encourage investment. There are two international airports – Addis Ababa and Dire Dawa – and both have seen an encouraging increase in passenger and freight transport over the last few years. New passenger and cargo terminals have been built at Dire Dawa airport and are now fully operational. In order to encourage tourism, five major airports – Arba Minch, Lalibela, Mekele, Axum and Gondar - have been upgraded.<sup>12</sup> In particular, Ethiopian Airlines remains a key driving force for the sustainable

development of travel and tourism.<sup>13</sup> Being a landlocked country, Ethiopia has been using the port of Djibouti for nearly all of its merchandise imports since the Eritrean-Ethiopian War.<sup>12</sup>

### Tourism

The tourism sector has expanded over the last decade thanks to increased participation in international travel and tourism exhibitions promoting Ethiopia's natural, cultural and historical attractions. This helped in attracting more international tourists and generating more travel and tourism revenue.<sup>13</sup> Between 2002 and 2012, international tourist arrivals increased almost 4 times from 156,000 to 596,000.<sup>5</sup>

Tourism infrastructure in various national parks has been upgraded; in particular national park connection with major roads and accommodation lodges is being improved. Other measures include the protection of animals from illegal hunting in sanctuaries and parks, as well as greater conservation of heritage sites, 9 of which are included on the UNESCO World Heritage List. Ethiopian Airlines recently launched a programme to encourage tourism by partnering with journalists and tour operators in helping promoting these tourist attractions.<sup>13</sup>

Figure 5. **Travel services share in services trade**

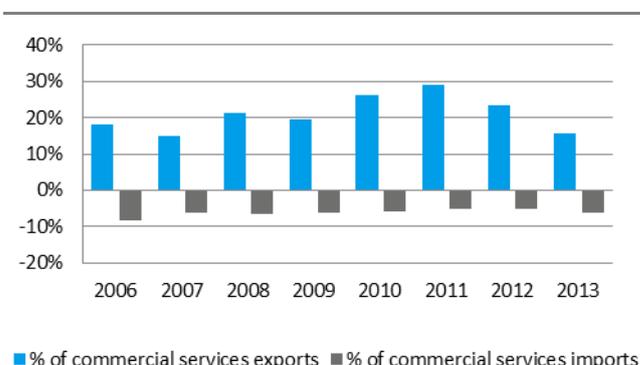


Figure 5 shows the positive trade performance of travel services. Although traditionally in net trade surplus, the trade surplus has been decreasing since 2011 down to US\$ 208 million in 2013. In 2013, travel services exports accounted for 16% of services exports.<sup>9</sup>

## FOREIGN DIRECT INVESTMENT (FDI)

Inflows of FDI have fluctuated over the past 10 years: in 2013 they reached almost US\$ 1 billion.<sup>5</sup> Among the main investors are China, Turkey and India and investment is directed principally towards light manufacturing.<sup>14</sup> FDI from China increased from virtually zero in 2004 to an annual amount of US\$ 58.5 million in 2010.<sup>15</sup>

With a ranking of 132nd out of 189 countries in the World Bank Ease of Doing Business 2014 index, Ethiopia is ranked 14th out of 47 countries within Sub-Saharan Africa.<sup>16</sup>

## FOOTNOTES / SOURCES

1. Key data derived from: UN statistics division – National Accounts Official Country Data, ILOSTAT – LFS (National Labor Force Survey), WTO Trade Profile, 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 all figures derived from Trade Map (ITC, UNCTAD, WTO joint dataset).
4. World Bank, Country Profile, Ethiopia.
5. World Bank – World Development Indicators.
6. World Bank – Global Economic Prospects.
7. Making Finance Work for Africa – Ethiopia: Financial Sector Profile. Available online at: <http://www.mfw4a.org/ethiopia/financial-sector-profile.html>
8. UN statistics division – National Accounts Official Country Data.
9. ITC Trade Map.
10. UNCTAD & Ethiopian Telecommunication Agency, Ethiopia – Telecommunication in Ethiopia.
11. The RSDP was launched in 1997 and the intention is to maintain, rehabilitate and upgrade the main trunk roads, link roads and regional roads.
12. Ethiopian Government Portal – Infrastructure.
13. Euromonitor International – Travel and Tourism in Ethiopia, 2013 – Executive Summary.
14. Addis Fortune report - Ethiopia: Africa's Third Largest Recipient of Foreign Direct Investment, 2014.
15. World Bank – Case study: Chinese FDI to Ethiopia: A World Bank Survey, 2012.
16. World Bank Group – Doing Business Index, June 2014.



### For additional information

**Contact person:** Jane Drake-Brockman, Trade in Services Senior Officer  
**E-mail:** [drake-brockman@intracen.org](mailto:drake-brockman@intracen.org)  
**Telephone:** +41-22 730 0446

**Street address:** ITC, 54-56 Rue de Montbrillant, 1202 Geneva, Switzerland  
**Postal address:** ITC, Palais des Nations, 1211 Geneva 10, Switzerland  
**Internet:** [www.intracen.org](http://www.intracen.org)