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Ethiopia's Import Export Scenario During 2011 - 2019

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Abstract: Issues: Yet agriculture is the mainstay for Ethiopia's economy and global trade, nowadays the growing in the service sector appears to be corresponding it in the development. As a developmental of nation, the definitive success of Ethiopia will depend on the capacity transform a state and terms of the trade among trade countries that itself been essential to the development process. **Methods:** This paper objectives to find out the performance of import and export of Ethiopian economy during the period 2011 - 201. Linear Regression analysis has been employed with GDP and Import, export, trade and trade openness. **Findings:** The volume of export and import of goods and services have positively influenced the GDP growth rate which indicated by coefficient of the regression analysis is 7.3, R-square value is 0.72, t-statistics is 9.60 and coefficient of the regression analysis is 5.40, R-square value is 0.90 and t-statistics is 3.98 respectively. And also, the volume of trade of goods and services and trade openness have positively influenced the GDP growth rate which indicated by coefficient is 4.80, R-square value is 0.94 and t-statistics is 8.85 and coefficient is 4.64, R-square value is 0.93 and t-statistics is 8.86 respectively. **Conclusions:** Economic growth of Ethiopia has slackened in 2018 due to obstinately condescending inflation and interest rate and slight progress on economic reforms in the nation. The volume of goods and services of import is more than that of the volume of export of goods and services which is subsequently stated the high level of trade deficit of the nation. The trade deficit has to lessening to increase of GDP of the economy by effectual trade policies.

Key Words: 1. Ethiopia's Import-Export Performance 2. Export Growth 3. GDP 4 . Trade Trends 5. Trade Openness

1. Introduction

Ethiopia is one of the thriving economies in the world, with an average annual growth rate of 14 per cent. Real Gross Domestic Product (GDP) of Ethiopia extended by 9 per cent in 2019, and in 2020, growth is predicted to fall to 6.3 per cent because of Covid-19, projected by the World Bank. The business environment is experiencing noteworthy changes with comprehensive policy reforms employed. Government strategies to privatize principal state-owned originalities gesture a substantial change on the way to market-based restructurings and new suppleness with respect to commercial policy making. The severe foreign exchange deficiency leftovers the foremost task for suppliers, in this case, there cannot be speedy solution, whereas the economy is mounting swiftly, bestowing many prospects, there are also bottlenecks to liability commercial in Ethiopia. World Bank's Ease of Doing Business report (EODB) classified Ethiopia is in 159th position out of 190 countries in 2020, an enhancement of 2 ranks from 2018. The innovative headship has an attentive mark to progress the country's ease of doing business position and has shaped an inter-ministerial board by the government to recover exact parts of the ease of doing business. The World Economic Forum (WEF) has acknowledged troublesome duties managerial measures, the big price of logistics, and entitle to credit and foreign exchange as chief tasks to small and medium-sized enterprises (SMEs) in Ethiopia. Ethiopia expressions a mounting trade deficit by total imports growing on normal by 12.5 per cent per year through the earlier 10 years. The upsurge in the trade deficit has been determined by mounting imports, which overstuffed from 3.6 billion USD in 2010 to 15 billion USD in 2019, the highest of Ethiopia's trade deficit [1]. With the rapid growing economy Ethiopia poses both opportunities and challenges to the businesses especially on trade of import-export with other countries of the world. The country has a population of more than 100 million people which shows the potential of the domestic market and its challenge to exporting the commodities and the need for the imported good in the country. Though agriculture is the backbone for its economy and international trade, now the growth in the service sector seems to be matching it in the growth and development of economy. Being a developmental state, the ultimate success of Ethiopia will depend on the capacity transform a state that itself been central to the development process [2]. The industrial policy of Ethiopia is export oriented and private sector led since 1991 [3]. The sectors of textile and apparels have received a lot of attention from the government as a result of transformation to more dynamic sectors to generate primary income and GDP [4]. Hence, import of export of the nations like Ethiopia which has numerous resources has to concentrate on her terms of trade which have to be helpful for the growth of the nation.

2. Review of literature

This paper has reviewed some analytical and conceptual context of articles concerning the import and export of Ethiopia and it has been produced in this section. Ethiopia has its economy largely based on agriculture, [5] but still found to be transforming to industry-based economy where foreign trade of import and export contributes a major part. It is also to be noted that the market price has a strong influence on the import-export items in Ethiopia, also to the extent that its effect is found on the currency rate [6]. There are also considerable challenges for the import-exports of Ethiopia in the form of road related, communicational, regulatory, and human-related challenges [7]. When comes to export Ethiopia is found to be a price taker and relies heavily on its traditional export commodities like oil seeds [8]. This could be one the hindering factors for the import and export trade of Ethiopia, which needs attention and change. Because the growth of exports in Ethiopia has a positive and significant effect on economic growth in the country [9] which would in-turn stimulate the exports in the long run. A study [10] revealed that the long run export performance of has found to be positively influenced by real effective exchange rate in Ethiopia. A study stated [11] that the export sector in Ethiopia is dominated by few primary commodities and also it is found that the manufacturing exports contributes less than 15 per cent of merchandise exports on average. The policy makers of the country were attracted towards high value horticultural commodities a diversification from primary agricultural commodities because of the associated vulnerability of negative price declines [12]. Due to such policies the incentives given by the government have robustly improved the value and volumes of exports in this developing nation but still manufacturing exports are not very much significant to the number of incentives given [13]. A study [14] found that the world income was found to be positively impacting the export receipts of Ethiopia over time, which shows the dependency nature of Ethiopia's trade in exports. Thus, by maintaining the pace of its economic growth in general this country has to shift its focus towards producing high-value added services and on manufacturing sectors [15]. To see in general the exports of Ethiopia is characterized by high dependence on agriculture and low-income elasticity of demand at the same time the imports are price inelastic and therefore cannot be easily substituted [16]. Nevertheless, one of the most noticeable factors is Ethiopia receives a considerable amount of international trade business from its forest products like gums, resins, eucalyptus logs and raw bamboo. The country has a favourable climate with plenty of rain suitable for timber plantation and so attentions have to be given for expanding timber cultivation in Ethiopia. If it can be achieved the country do not have to spend its valuable foreign currency on importing timber which is done now in Ethiopia [17]. A detailed inventory is necessary for the estimation of shadow price of forest goods and services in Ethiopia [18]. This is recommended because there is a heavy expenditure on processed products as a result of self-insufficiency in the country which affects the GDP of the country [17]. In the manufacturing sector the country seems to have a good progress in apparel export

Industry. From the sub-Saharan African nations, Ethiopia stands for its locally owned apparel exporting firms [19]. The policy makers for Industrial policies in Ethiopia get insights from the analysis of failures and success of the three industrial sectors namely, cement, floriculture and leather products industry [20]. In this case, in 2019, Ethiopia was exported 7.6 billion USD and was imported 20.0 billion USD, subsequent in a undesirable trade balance of -12.4 billion USD. In 2015, Ethiopia's major export sector was Vegetal sector, by 64.69 per cent of overall exports. Ethiopia was exported 1,654 variety of goods in 2015. Foreign direct investment was 2.5 billion USD or 2.62 per cent of the GDP in 2019. Annual GDP growth of Ethiopia was 8.36 per cent per year in 2019. Ethiopia's total investment rate was 39.00 per cent of GDP in 2017 and 10.69 of Inflation in 2017 [21]. In Ethiopia's pulses sector, investors could be found out profitable opportunities in main manufacture, subsidiary manufacture complete convention farming and value-addition. The mounting mandate for pulses, internally and internationally, and the detail that one about 15 per cent of the nation's overall pulse manufacture was exported, specify the optimistic scenarios of investments [22]. Coffee exports engender in excess of quasi-Ethiopia's export earnings which was 53 per cent, nevertheless the nation's coffee manufacture one financial records for 2.2 per cent of the world's coffee exports. Fur, animal skins, and casings also carry in export revenues which was 9.9 per cent. Other agricultural goods, counting vegetables, oil seeds, and cotton imitate the residue of chief exports which was 10 per cent [23]. In 2019, Ethiopia's GDP was assessed 91.2 billion USD (present market exchange rates) and real GDP was up and about assessed was 9.0 per cent and the population was 96 million. Ethiopia is presently in the world 84th major goods trading companion by 1.6 billion USD in overall goods trade in 2019. Goods exports totalled 1.0 billion USD and goods imports totalled 572 million USD. The U.S. goods trade surplus with Ethiopia was 442 million USD in 2019 [24].

Ethiopia has approved diverse strategy actions pitched at endorsing exports. As an outcome, the actual worth of export has augmented by in excess of 13 crinkles in 1980-2018 years; nevertheless, its segment in GDP and import receipts has been identical minor. Consequently, this article intended to explore the influences answerable for export act in the period of 1980-2018 by means of the certain co-integration tactics. In due course, the regression analysis infers that actual economic growth, inflation and the overseas demand are instituted to had a optimistic consequence, while openness and the portion of agriculture had a undesirable outcome. Actual economic development, inflation and the overseas demand disappointingly disturb the export supply in the short run however openness disturbs positively then, the portion of agriculture had not instituted to be vital. Therefore, Ethiopia's economy to expand its personal export stock, concentrating on industrial sector, guaranteeing and mounting professional and technical tutoring, frustrating to decrease advertising costs over the procedure by manufacture transparent, and expanding the end point had actual vital policy apparatuses [25]. Besides coffee, livestock has extra chief export segment for Ethiopia.

In the case of world's livestock manufacture, Ethiopia clutches the 10th place. A chief share of the livestock manufacture has exported to other terms of trade countries. Further chief things of export were gold, animal skin goods, *khat* (kind of narcotic leaf) and oil seeds. The nation's leather industry had observed marvellous evolution since 2005 that are generally because of huge measure of private investment. The nation has exported rare leather and extravagance leather-made goods. Flower gardening is also projected to upsurge approaching future due to enormous venture in the sector. If the development in floriculture withstands, Ethiopia could be converted one of the prime exporters of floras and flowers in the biosphere. According to 2009, Germany is the chief export companion of Ethiopia. Its financial records for in excess of 11 percentage of the total export volume. Other chief associates are Netherlands, Saudi Arabia, Switzerland, US and Italy. During 2009, Ethiopia's import volume earned more than 6 billion USD. Ethiopia's trade imports comprise transport equipment, food, machinery, animals, cereals fuel, textiles and vehicles and then, China is the principal import companion for Ethiopia. It financial records more than 16 percentage of the total import volumes, constructed on 2009 data. Japan, Italy, India and Saudi Arabia also partake noteworthy portion in Ethiopia's imports. Owed to substantial import of petroleum products, Ethiopia has not been enjoyed favourable balance of trade. By the liberalization of trade performs, the nation expressions composed to accomplish advanced levels of exportation [26]. Bilateral trade between Ethiopia and India stood at US\$1.271 billion in 2017-18, out of which India's exports to Ethiopia were US\$1.224 billion and imports were US\$47.45 million, according to the National Bank of Ethiopia annual report.

Exports from India mainly include primary and semi-finished iron and steel products, drugs and pharmaceuticals, machinery and instruments, manufactures of metal, etc. Major imports by India from Ethiopia were: pulses, precious and semi-precious stones, vegetables & seeds, leather and spices. Sugar and pharmaceuticals are India's major export items to Ethiopia, accounting for 14.5% and 13.0% respectively of India's total exports to Ethiopia. It was followed by iron and steel products (12.1%), rice (12.0%) and machinery (4.8%). Pulses are the major items imported from Ethiopia, accounting 38.8% of India's total imports from Ethiopia. It was followed by seeds (29.8%), oil seeds (11.0%), precious & semi-precious stones (6.6), leather (5.1%) and spices (4.4%). India is the third important source of imports for Ethiopia, contributing 10.1% of all of Ethiopia's imports [27]. Based on the above conceptual and analytical review of literature, the next section is on the point of execute the objective, methodology, analysis and results and discussions which are to be the base for conclusions and policy measures to advance the nation's economy.

3. Objective of the paper

The objective of this paper is to find out the performance of import and export of Ethiopian economy during the period 2011 – 2019.

4. Methodology

As mentioned in the introduction, this paper aims to assess the import and export of the country between 2011 to 2019. Linear Regression analysis has been employed with GDP and Import, export, trade and trade openness.

5. Data used

World Bank data on macroeconomic aggregates of Ethiopia during the period 2011 to 2019 for analysis of import and export performance of Ethiopian economy is used in this study. This data is presented in Table 1. The import and export with GDP during the above-mentioned time period in percentage growth rate over previous year 2011 is also presented in Table 2.

6. Data Analysis

GDP: GDP evaluations are generally used to measure the economic performance and growth of the economy of a whole country or region from year to year. The pattern of GDP growth is held to specify the success or failure of economic policy and to govern whether an economy is in recession. Ethiopia's GDP has increased from 31952763089 USD in 2011 to 95912590628 USD in 2019 (Table-1). The percentage growth rate over previous year (2011) abysmally reduced from 35.55 in 2011 to 13.82 in 2019 and it was high as 35.55 in the year 2012 and very meagre in the year 2018 (Table-2). Ethiopia's economic growth in 2018 slowed because of obstinately high inflation and interest rate and little progress on economic reforms (World Bank, 2021).

Export of Goods and Services: Annual trade surpluses are abrupt and direct additions to their nation's GDP. Exports induce additional increases to GDP. The volume of export of goods and services has increased from 5331910670 USD in 2011 to 7615437261 USD in 2019 (Table-1). Nevertheless, percentage over previous year 2011 has abysmally reduced from 11.83 in 2012 to 7.93 in 2019 and it was negative in the years 2013, 2015 and 2016 as -0.24, -6.59, and -4.03 respectively. And the percentage growth rate over previous year 2011 was high in 2018 which is 13.10 (Table-2). The volume of export of goods and services has positively influenced the GDP growth rate which indicated by coefficient of the regression analysis is 7.3, R-square value is 0.72 and t-statistics is 9.60. (Table-3).

Import of Goods and Services: Imports are effectively vital are defense necessities, crude oil, fertilizers, capital goods, raw materials, import of samples, import of technology, import of drawing and designs and import of services. There are many dynamic areas where there is a need to import capital goods in order to advancement of products and survives to increase a nation's GDP like the country Ethiopia. Ethiopia is underprivileged in oil resources and is presently greatly depend on coal, foreign oil imports for its energy need and other raw materials for the finished goods production. Imports of goods and services of Ethiopia has increased from 10079844913 USD in 2011 to 20022064432 USD in 2019 (Table-1). However, percentage over previous year 2011 has abysmally reduced from 35.91 in 2012 to 4.09 in 2019 and it was furthermore negative in the year 2017 as -4.62 and very meagre percentage growth rate in the year 2018 which is 0.21 (Table-2). The volume of import of goods and services has positively influenced the GDP growth rate which indicated by coefficient of the regression analysis is 5.40, R-square value is 0.90 and t-statistics is 3.98 (Table-3).

Trade: Fast escalating trade activities act as a spur to increasing local demand that led to establish industries and amplified level of exports. Exports rise to nurture wildest in countries with more liberal trade policies and these countries have practice the faster growth of GDP. Trade of goods and services of Ethiopia has increased from 15411755583 USD in 2011 to 27637501693 USD in 2019 (Table-1). Conversely, percentage over previous year 2011 has terribly reduced from 27.58 in 2012 to 5.12 in 2019 and it was furthermore negative in the year 2017 as -1.91 and also very meagre percentage growth in the year 2013 which is 0.50 (Table-2). The volume of trade of goods and services has positively influenced the GDP growth rate which indicated by coefficient of the regression analysis is 4.80, R-square value is 0.94 and t-statistics is 8.85 (Table-3).

Trade Openness: Trade openness is generally measured as a foremost feature for economic development. There is optimism among most economic policy planers in favour of trade openness. Trade openness can potentially improve the growth situations of a country by instigation to obtain factors more easily from abroad, better allocation of resources and forces of comparative advantage. Trade openness also stimulates technology transfer from developed to developing countries which lead to a flow in factor productivity and final enhance growth in terms of GDP. Trade Openness is measured by the ratio of exports plus imports to GDP based on data of World Bank, 2021 and presented in the table-1. The ratio of trade openness of Ethiopia has decreased from 0.48 in 2011 to 0.29 in 2019 (Table-1). The percentage over previous year 2011 is mostly negative in the duration of the analysis 2011 to 2019 and it is expressed that unbalance trade of the nation. The percentage over previous year 2011 is positive only in the year 2018 which is 0.31 (Table-2). The trade openness has positively influenced the GDP growth rate which indicated by coefficient of the regression analysis is 4.64, R-square value is 0.93 and t-statistics is 8.86 (Table-3). The

coefficient is less than the export, import and trade which expressed that there is more import of volume of goods and services than the export subsequently trade deficit. The trade deficit has to decrease to escalation of GDP of the economy by efficient trade policies.

Table – 1. Import and Export of Ethiopia from 2011 to 2019

year	GDP (Current US\$)	Exports Of Goods and Services (Current US\$)	Imports Of Goods and Services (Current US\$)	Trade	Openness
2011	31952763089	5331910670	10079844913	15411755583	0.48
2012	43310721414	5962716169	13699443640	19662159809	0.45
2013	47648211133	5948437727	13812126942	19760564669	0.41
2014	55612228234	6474164234	16182860468	22657024702	0.41
2015	64589334979	6047701985	19565924879	25613626864	0.40
2016	74296618481	5804111647	20124704467	25928816113	0.35
2017	81770791971	6238595145	19195090503	25433685648	0.31
2018	84269348327	7055599390	19235910557	26291509947	0.31
2019	95912590628	7615437261	20022064432	27637501693	0.29

Source: World Bank, 2021.

* Trade Openness is calculated by the ratio of exports plus imports to GDP based on data of World Bank, 2021.

Table – 2. Ethiopia's Trade Performance since 2012 (Percentage Growth rate over previous year 2011)

Year	GDP	Exports Of Goods and Services	Imports Of Goods and Services	Trade	Trade Openness
2012	35.55	11.83	35.91	27.58	-5.88
2013	10.01	-0.24	0.82	0.50	-8.65
2014	16.71	8.84	17.16	14.66	-1.76
2015	16.14	-6.59	20.91	13.05	-2.66
2016	15.03	-4.03	2.86	1.23	-12.00
2017	10.06	7.49	-4.62	-1.91	-10.88
2018	3.06	13.10	0.21	3.37	0.31
2019	13.82	7.93	4.09	5.12	-7.64

Source: Calculation based on data of World Bank, 2021.

Table – 3. Regression result

(Regression result of the dependent variables Export and Import of goods and services, Trade, and Trade openness with GDP as an independent variable)

Variables	Coefficients	R Square	t statistics
Export	7.32	0.72	9.60
Import	5.40	0.90	3.98
Trade	4.80	0.94	8.85
Trade Openness	4.64	0.93	8.86

Source: Calculation based on data of World Bank, 2021.

7. Conclusions

Ethiopia's GDP, export, import, trade have increased from 2011 to 2019. The percentage growth rate over previous year (2011) abysmally reduced in the above-mentioned period. Ethiopia's economic growth in 2018 slackened high inflation and interest rate and little progress on economic reforms. Export and import of goods and services, trade and trade openness are significantly influence the GDP growth of the economy which implies that a probable cause for the outcomes is the propitious trade conditions of Ethiopia. The trade openness has less coefficient with GDP of the economy because of trade deficit. The trade deficit has to diminution to escalation of GDP of the economy by efficient trade policies. Additionally, the government policy should focus on export promotion and better-quality production of domestic goods and services.

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