



E C O N O M I C R E F O R M   ·   M A C R O A U D I T   ·   E I G H T -  
Y E A R A S S E S S M E N T

**REFORM  
LAUNCHED**  
*April 2, 2018*

**GDP GROWTH**  
*7.2%-10.2% · debated*

**INFLATION**  
*9.7% · Feb 2026*

**FX RESERVES**  
*\$4.7B · Jun 2025*

# ETHIOPIA AT EIGHT

*What the Numbers Actually Show: A Forensic Audit of Eight Years of Ethiopian Economic Reform*

<b>\$8.3B</b> <b>Exports FY2024/25</b> <i>Up from \$2.7B in FY2018/19</i>	<b>\$3.5B</b> <b>Gold exports</b> <i>45%+ of total exports</i>	<b>20.1%</b> <b>Investment / GDP</b> <i>Down from 35.3% in 2019</i>	<b>9.7%</b> <b>Inflation Feb 2026</b> <i>Single digits since Dec 2025</i>
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KEY INDICATORS AT A GLANCE

<p><b>10.2%</b> <b>GDP Growth (Govt)</b> <i>FY2024/25; IMF est. 7.2%; UN est. 5.8%</i></p>	<p><b>9.7%</b> <b>Inflation</b> <i>Feb 2026; single digits since Dec 2025</i></p>	<p><b>\$8.3B</b> <b>Export Revenue FY2024/25</b> <i>Up from \$2.7B in FY2018/19</i></p>	<p><b>\$4.7B</b> <b>FX Reserves</b> <i>June 2025; 2.3 months import cover</i></p>
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<p><b>20.1%</b> <b>Investment / GDP</b> <i>Down from 35.3% in 2018/19 (UNDP)</i></p>	<p><b>~20%</b> <b>Savings / GDP</b> <i>Down from ~30% in 2018 (UNDP)</i></p>	<p><b>45%+</b> <b>Gold Share of Exports</b> <i>\$3.5B of \$8.3B total FY2024/25</i></p>	<p><b>~13%</b> <b>Parallel FX Premium</b> <i>Down from &gt;100% pre-July 2024 reform</i></p>
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**01 THE HEADLINE NUMBERS: WHAT CHANGED BETWEEN 2018 AND 2026**

**Eight Years, One Framework, Contested Results**

On April 2, 2018, Prime Minister Abiy Ahmed took office and announced the Homegrown Economic Reform Agenda. Eight years later, the government's own assessment calls it 'a far-reaching economic transformation.' The IMF, World Bank, and UN publish more measured numbers. This brief uses all three sets of figures, notes where they diverge, and draws its conclusions from the data that is consistent across sources.

- ▶ **GDP GROWTH** The government projects GDP growth of 10.2% for FY2024/25, which would be the highest rate since 2016/17. The IMF projects 7.2% for 2025 and 7.1% for 2026. The UN's estimate of 5.8% for FY2024/25 is the most conservative. The gap between 5.8% and 10.2% is not a rounding error. It reflects methodological differences, data access, and in some cases disputed sectoral deflators. What is consistent across all three: Ethiopia is growing at above 6%, making it one of Sub-Saharan Africa's fastest-growing economies. The exact rate is contested; the direction is not.
- ▶ **EXPORTS** Total merchandise exports reached \$8.3 billion in FY2024/25, up from \$2.7 billion in FY2018/19. The transformation is real: exports tripled in six years. H1 FY2025/26 exports reached \$5 billion, a 53% increase over the same period the previous year. But the composition is the story's complication: gold and coffee together now account for approximately 75% of export revenue. Gold alone, at \$3.5 billion and 45%+ of total exports, is driving the surge. Much of that gold increase came from formalising artisanal production through price incentives, not from industrial mine development.
- ▶ **INFLATION** Ethiopia's inflation peaked at approximately 33% in December 2022. As of February 2026 it stands at 9.7%, the first sustained single-digit reading since 2019. The descent took three years and required a combination of tight monetary policy, fiscal consolidation, and the July 2024 FX reform. The FX float itself initially pushed inflation back up to a second peak in late 2024 as import prices rose with the depreciated birr. The disinflation since mid-2025 reflects the tight monetary stance of the National Bank of Ethiopia working through the system.
- ▶ **FX RESERVES** Before the July 2024 reform, Ethiopia's foreign exchange reserves were critically low, estimated at less than one month of import cover. By June 2025, reserves had reached \$4.7 billion, equivalent to 2.3 months of imports. The NBE governor stated that reserves had tripled since the reform. The parallel market premium, which exceeded 100% before the float, had declined to approximately 13% by late 2024 and has remained in that range through early 2026. Full convergence to near-zero premium remains the IMF programme objective.

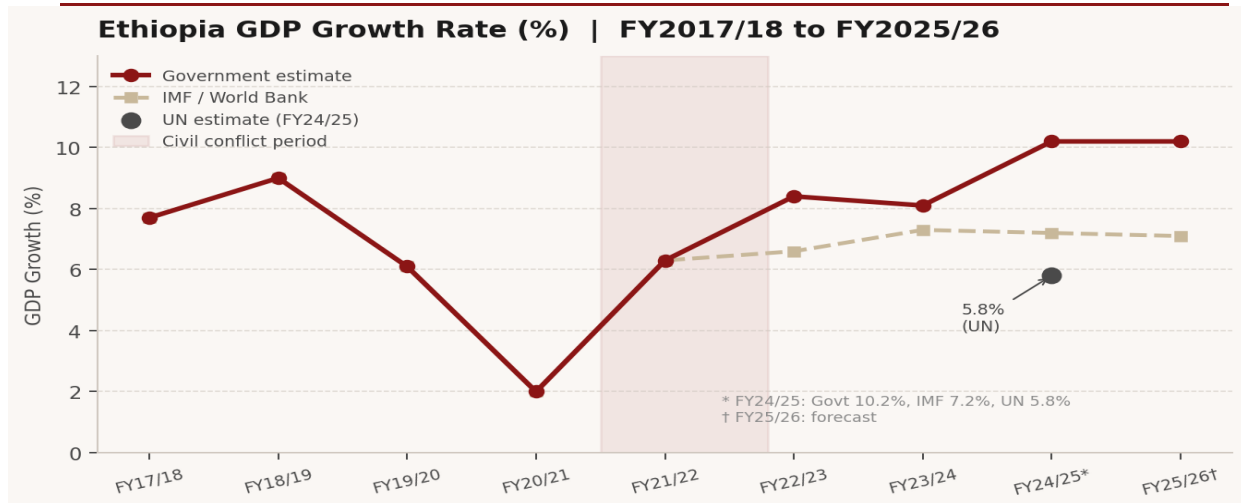


Figure 1: Ethiopia GDP Growth Rate | Sources: Government of Ethiopia, IMF World Economic Outlook Apr 2026, UNDP Quarterly Economic Profile (2026)

## 02 AGRICULTURE: THE GENUINE SUCCESS STORY

### From Wheat Importer to Africa's Largest Wheat Producer in Eight Years

Before 2018, Ethiopia spent significant foreign exchange importing wheat to feed its population. By the FY2023/24 meher season, Ethiopia had harvested 23 million tonnes of wheat, making it Africa's largest producer and eliminating the need for wheat imports entirely. This is not a small or incremental change. It is a structural transformation of the country's food security position.

- ▶ **THE WHEAT TURNAROUND** The Wheat Initiative, operating through cluster farming, irrigation expansion, mechanisation, and the distribution of high-yield climate-resilient seeds, reached 9.5 million farmers by 2025. Per the Government Communication Service, that programme increased productivity by 29% and farmer incomes by 18%. Total crop harvests exceeded 500 million quintals in FY2023/24 (506.8 million quintals per UNDP April 2025 data). Ethiopia moved from importing approximately 30% of its wheat requirements to being a net wheat exporter in under a decade.
- ▶ **LIVESTOCK AND DIVERSIFICATION** Annual egg production reached 9.4 billion units. Milk output reached 13 billion litres. Meat production has grown multiple times over the base period. The Ye Lemat Tirufat programme, focused on livestock intensification, is the institutional vehicle for this expansion. Coffee diversification has also advanced, with coffee exports reaching \$2.65 billion in FY2024/25, driven by both higher volumes and 15-year-high global prices following drought in Brazil.
- ▶ **WHAT AGRICULTURE STILL CANNOT DO** The agricultural success is real and important. It also has limits as a development model. Agriculture accounts for 31-35% of GDP and employs roughly 62-70% of the workforce, depending on the source. Output growth at 7-7.5% per year does not, by itself, generate the manufacturing jobs Ethiopia needs for 2 million new labour market entrants per year. The cluster farming model has also been contested in some regions, where compulsory consolidation has displaced smallholder land tenure arrangements. The food security victory is genuine; the question of whether agriculture-led growth can carry the broader structural transformation remains open.
- ▶ **THE COFFEE STORY** Coffee exports more than doubled from \$1.43 billion in FY2023/24 to \$2.65 billion in FY2024/25. Part of this was price: global coffee prices reached 15-year highs as drought damaged Brazilian output. Part was policy: the July 2024 birr float made exporting through official channels more attractive relative to the parallel market. Ethiopia is the world's fifth-largest coffee producer. The revenue concentration in coffee and gold means that a global commodity price correction would materially compress export earnings in a single year.

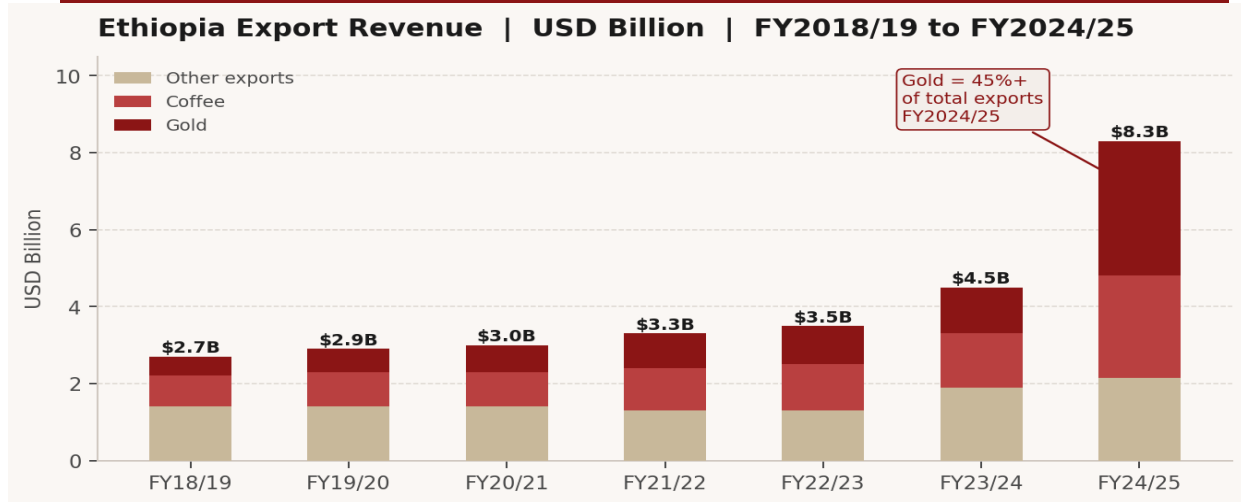


Figure 2: Ethiopia Export Revenue by Commodity | Sources: EIC, NBE, UNDP Quarterly Profile, ENA (FY2018/19 to FY2024/25)

### 03 MACRO STABILISATION: REAL PROGRESS, PERSISTENT GAPS

#### The IMF Programme Is Working. The FX Market Is Not Fully Fixed.

The \$3.4 billion IMF Extended Credit Facility approved in July 2024, concurrent with the birr float, is the most consequential external economic engagement Ethiopia has had in a decade. As of March 2025, \$2.3 billion had been disbursed. The 4th Review was successfully concluded in November 2025, with \$260 million released. The programme is broadly on track. But the IMF's own 4th Review report flags three persistent gaps that require resolution.

- ▶ **INFLATION: THE WIN AND THE CAVEAT** Bringing inflation from 33% to 9.7% in three years is a meaningful achievement. The IMF projects continued easing toward 10.6% in FY2026/27. The NBE's Monetary Policy Committee notes that broad money grew 39.3% year on year as of February 2026, and bank lending rose 45.3% year on year, both driven by credit expansion. That money supply growth is inflationary in tendency. The tight monetary stance is managing it, but the conditions for renewed inflationary pressure remain present if monetary discipline eases prematurely.
- ▶ **FX MARKET CONVERGENCE** The parallel market premium has declined from over 100% pre-reform to approximately 13% by early 2026. That is material progress. But 13% premium means foreign currency is still meaningfully cheaper to access outside the formal banking system, creating incentives for round-tripping and informal market activity that the NBE is actively monitoring. The IMF 4th Review identified remaining structural issues: a 2.5% NBE commission on FX sales, limited interbank liquidity, and high transaction costs. December 2025 guidelines opening FX auctions to all banks at highest-bid prices are a step toward a more transparent market.
- ▶ **TAX REVENUE** Tax revenue as a share of GDP stands at approximately 7.3-8.5%, low by African standards and very low by the standards of countries Ethiopia aspires to join. The FY2024/25 80% nominal increase in tax revenue reflects two factors: the FX reform (which inflated the birr value of import duties and commodity taxes) and genuine administrative improvements through VAT broadening and excise revision. The IMF programme commits Ethiopia to raising revenue by one percentage point of GDP per year. That is achievable but requires continued reform of customs administration, property taxation, and the informal sector.
- ▶ **THE EUROBOND GAP** The \$1 billion Eurobond that defaulted in December 2023 remains unresolved. An agreement in principle with the Official Creditor Committee was reached in March 2025, covering approximately \$8.4 billion of official debt with \$2.5 billion in service relief. But in January 2026, the OCC declined the proposed Eurobond restructuring terms on grounds of comparability of treatment with official creditors. Negotiations continue. Until the Eurobond is restructured, Ethiopia cannot fully re-access international capital markets, and the comparability of treatment question continues to create friction between official and private creditor tracks.



### THE IMF PROGRAMME SCORECARD

Four reviews completed, \$1.85 billion disbursed in 2025 alone. Structural benchmarks largely met, with two exceptions: the FY2025/26 budget deviated from the agreed fiscal framework, and Ethiopian Investment Holdings has not yet published audited financial statements per the agreed timeline. Both are being resolved. The overall programme trajectory is positive. The risks are a global commodity shock compressing export revenues, a security deterioration affecting FDI, and political calendar pressure around the June election creating fiscal loosening temptation.

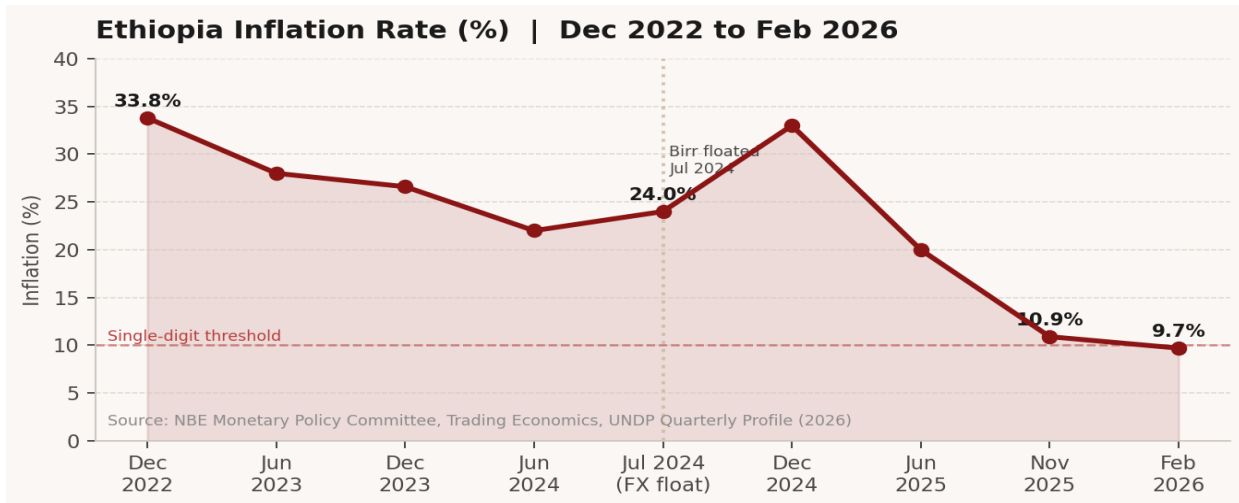


Figure 3: Ethiopia Inflation Rate | Sources: NBE Monetary Policy Committee, Trading Economics, UNDP Quarterly Profile (2022-2026)

## 04 THE INVESTMENT PARADOX: BOOM ABOVE, COLLAPSE BELOW

### Record Exports. Forum Commitments. A Collapsing Investment Rate.

The most important number in Ethiopia's eight-year economic review is not the GDP growth rate or the export total. It is this: investment as a share of GDP has fallen from 35.3% in 2018/19 to 20.1% in 2024/25. Savings have declined from approximately 30% of GDP to approximately 20% over the same period. These are not marginal movements. They represent a structural weakening of Ethiopia's capital formation capacity at precisely the moment when the country is attracting high-profile forum commitments and celebrating export records.

- ▶ **WHAT THE INVESTMENT DECLINE MEANS** Investment as a share of GDP is a proxy for capital formation: the physical and productive assets being added to the economy each year. A decline from 35.3% to 20.1% means Ethiopia is adding significantly less productive capacity per unit of GDP than it was six years ago. The UNDP's March 2026 quarterly profile notes explicitly: 'These trends suggest reduced fiscal space and reduced capital formation, which could constrain future growth.' The transition from public-investment-led growth to private-sector-led growth was the intention of the reform. The private sector has not yet filled the gap left by contracting public investment.
- ▶ **THE FORUM COMMITMENTS CONTEXT** The \$13.1 billion in investment agreements signed at the Invest in Ethiopia 2026 forum represent commitments, not disbursed capital. Forum commitments are early-stage signals of investor interest. The conversion rate from forum agreement to operational investment across African economies is typically 20-40% within five years. If Ethiopia converts 30% of the 2026 forum commitments into operational investment over five years, that adds approximately \$3.9 billion in capital formation over the period. That is meaningful but does not close a gap measured in percentage points of annual GDP.
- ▶ **SOE TRANSFORMATION** The SOE reform programme has produced one measurable output: state-owned enterprises contributed ETB 117 billion (approximately \$720 million) to the national budget



through taxes and dividends in nine months of FY2024/25, up from being net budget consumers before the reform. This is the correct direction. Ethio Post moved from losses to a top SOE performer. The Ethiopian Trading Business Corporation restructured to reduce barriers to private agribusiness participation. Capital market readiness assessments have begun for potential ESX listings. The programme works when managed against defined targets. The question is whether the institutional capacity to sustain performance management across dozens of SOEs exists.

- ▶ **THE SAVINGS GAP** Gross national savings declining from 30% to 20% of GDP is in part a direct consequence of the transition from public-sector-dominant investment to a market economy. Public saving through state-directed credit was a feature of the old model. Under the reform model, savings must come from household and corporate sectors operating in a high-inflation, high-interest-rate environment. Rising domestic interest rates, which are part of the NBE's tight monetary stance, increase the cost of credit for businesses and constrain investment. This is the correct short-term tool for managing inflation. The medium-term cost is investment suppression.

### THE PRODUCTIVITY GAP

Industrial productivity climbed from 59% to 65% between FY2023/24 and FY2024/25, per Finance in Africa citing the government's homegrown reform reporting. That improvement is real but starting from a low base. Ethiopia's goods exports per capita remain among the lowest in Sub-Saharan Africa. The structural transformation from agricultural to industrial economy, which should be the primary output of an industrialisation strategy, has not yet produced a broad-based manufacturing sector. Industrial parks have 200+ investors, up from 36 in 2018. But most remain in early-stage garment and agro-processing, with limited technology transfer or domestic supply chain integration.

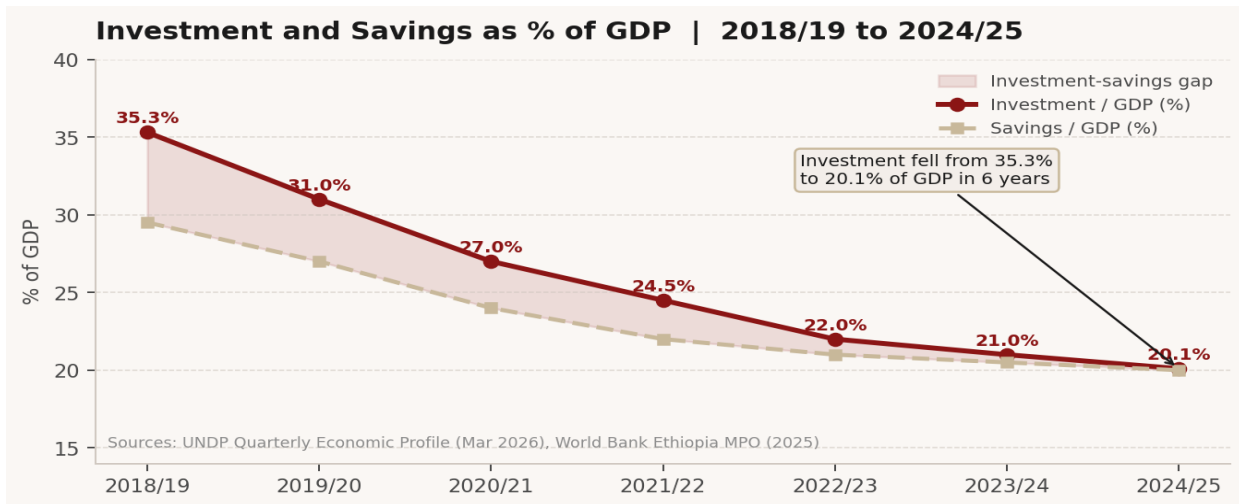


Figure 4: Investment and Savings as % of GDP | Sources: UNDP Quarterly Economic Profile (Mar 2026), World Bank Ethiopia MPO (2025)

## 05 WHAT THE NEXT EIGHT YEARS REQUIRE

### From Stabilisation to Structural Transformation: The Unfinished Work

The first eight years of Ethiopian economic reform accomplished something that was not guaranteed: they moved the country from a macro crisis (hyperinflation, FX shortage, debt distress, conflict) to macro stabilisation (single-digit inflation, rebuilding reserves, IMF programme compliance). That is the necessary precondition for the next phase. It is not the next phase itself.

- ▶ **EXPORT DIVERSIFICATION** A \$3.5 billion gold sector whose output is largely artisanal and driven by price incentives rather than industrial mining is not an export base. The Kurmuk mine (Allied Gold, targeting 240,000 oz/year) and Tulu Kap (Kefi, targeting 135,000 oz/year) are expected to come online in 2026 and 2027, representing the beginning of industrial gold mining. The horticulture sector



generated \$288 million in H1 FY2025/26. The UNDP projects Ethiopia's goods exports could reach \$10 billion by 2030 if manufacturing growth accelerates. That target requires industrial park production to move beyond garments into higher-value manufacturing, and it requires logistics reform that reduces the cost premium of Djibouti-routed trade.

- ▶ **CLOSING THE FX PREMIUM** The 13% parallel market premium is an inefficiency tax on every formal business transaction. It creates incentives to route trade through informal channels, undermine customs valuation, and defer currency conversion. The IMF programme's target is convergence toward near-zero premium. That requires the interbank FX market to function with sufficient liquidity to meet business demand at competitive rates. The December 2025 auction reforms are the mechanism. Execution depends on banking sector liquidity management and the NBE's willingness to allow the official rate to move in response to market forces rather than defending a specific level.
- ▶ **INVESTMENT RECOVERY** Restoring investment to GDP toward 25-30% requires private capital to replace the public investment that has been withdrawn. That requires: interest rates that decline as inflation falls (creating cheaper credit for businesses); a Eurobond restructuring that restores international market access (enabling sovereign borrowing that can finance infrastructure); and FDI conversion from forum commitments to operational projects (requiring faster permit processing, land access, and dispute resolution). None of these is independently sufficient. All three need to move together.
- ▶ **THE HDI PROBLEM** The UNDP's own assessment notes that Ethiopia's Human Development Index has been stagnant in recent years despite macroeconomic improvement. The macro-micro link is weak: GDP growth and export surges are not translating into household welfare improvements at scale. The poverty headcount remains high, food insecurity persists in climate-vulnerable regions, and real wages in the formal sector have not recovered from the inflation shock. The IMF programme includes social spending commitments, including a 20% nominal increase in safety net benefits and public sector salary increases. These are necessary but not sufficient for a country adding 2 million working-age people per year to its labour force.

### Ethiopia at Eight: Reform Scorecard | April 2018 to April 2026

#### WHAT WORKED

- ▶ Inflation: 33% → 9.7%
- ▶ Wheat self-sufficiency; Africa's largest producer
- ▶ Gold exports: <0.5B→3.5B
- ▶ FX reserves: critically low → \$4.7B
- ▶ Mobile subscribers: 37.9M → 87.9M
- ▶ Parallel FX premium: >100% → ~13%
- ▶ SOEs: ETB 117B budget contribution (9 months)
- ▶ Industrial park investors: 36 → 200+

#### FRAGILE OR UNRESOLVED

- ▶ Investment/GDP: 35.3% → 20.1% (collapse)
- ▶ Savings/GDP: ~30% → ~20%
- ▶ Gold = 45% of exports (concentration risk)
- ▶ Eurobond restructuring still unresolved
- ▶ GDP growth: debated 5.8%-10.2%
- ▶ FX parallel premium persists (~13%)
- ▶ Tax revenue: 7.3% of GDP (very low)
- ▶ HDI stagnant; macro-micro links weak

Figure 5: Ethiopia at Eight: Reform Scorecard | InfoPlate Assessment based on Government of Ethiopia, IMF, UNDP, World Bank (2018-2026)

## EDITOR'S OUTLOOK

### EIGHT YEARS: THE HONEST VERDICT

The reform era that began on April 2, 2018 has produced real and measurable results. Inflation has been tamed from a peak of 33% to single digits. Exports have tripled. FX reserves have been rebuilt from near-zero. Wheat self-sufficiency has been achieved. The IMF programme is broadly on track. Industrial park investors have multiplied fivefold. These are not government talking points: they are confirmed by independent data from the IMF, World Bank, UNDP, and Ethio Telecom's own financial reports.



The fragilities are equally real. Investment as a share of GDP has collapsed by 15 percentage points. Gold accounts for 45% of exports, largely sourced from artisanal production whose sustainability is explicitly flagged as uncertain by the UNDP. The Eurobond default remains unresolved. The parallel FX premium persists. The HDI is stagnant. Tax revenue is among the lowest in Africa as a share of GDP. These are not opposition talking points: they are the IMF's own 4th Review findings and the UNDP's own quarterly assessments. The eight-year audit verdict is neither the government's '10.2% and transformational success' nor the sceptics' 'failed reform.' It is something more specific: genuine macro stabilisation built on an export base that is concentrated, an investment rate that is too low, and a social dividend that has not yet materialised at the household level. Phase Two of the reform, if it happens, needs to convert stabilisation into structural transformation. The June 2026 election will determine whether the political conditions for Phase Two exist.

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Sources: Office of the Prime Minister of Ethiopia (Apr 2, 2026), ENA, Fana Media Corporation, UNDP Ethiopia Quarterly Economic Profile (Mar 2026 and Aug 2025), IMF Country Report No. 26/20 (4th Review), IMF April 2026 Regional Economic Outlook, World Bank Ethiopia MPO (2025), Bloomberg (Feb 3, 2026), Foreign Policy (Feb 18, 2026), Finance in Africa, New Business Ethiopia, Ecofin Agency, Trading Economics, Coface Country Risk File Ethiopia, GCS Ethiopia, Government Communication Service | Published April 21, 2026