THE WAVERLEY SERIES

ETHIOPIA

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

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ETHIOPIA — AT A GLANCE

Capital	Addis Ababa
Population	≈ 135 million — Africa's second most populous nation
Real GDP growth	7.8% projected for 2025/26 and 8.5% for 2026/27 (AfDB), among the fastest in Sub-Saharan Africa; other estimates put 2024/25 growth as high as 9.2%
Inflation	On a declining trend, projected to ease to 8.8% by 2026/27 under continued tight monetary policy
Fiscal deficit	2.4% of GDP in 2025/26, projected to narrow to 1.9% in 2026/27
Current account deficit	Projected to narrow from 1.1% of GDP in 2025/26 to 0.9% in 2026/27
Currency	Birr (ETB), floated in 2024 under the Homegrown Economic Reform Agenda; official rate reached 161.05 per US dollar by early September 2026, having lost over half its value since the float, with a persistent though narrowing parallel-market gap
Key exports	Coffee, gold (a 53% gold-driven surge lifted export earnings sharply in H1 2026) and flowers
Principal partners	China, United Arab Emirates, Poland (newly emerging); IMF, World Bank, IFC, and an Official Creditor Committee spanning multiple bilateral lenders
Governing framework	Homegrown Economic Reform Agenda; ten-year development plan through 2030; sovereign default in 2023 followed by substantial completed debt restructuring; multiple active regional security challenges

Ethiopia presents one of the most striking combinations of promise and risk among the markets this series covers. The country remains among the fastest-growing economies in Sub-Saharan Africa, having just hosted an investment forum that scaled eightfold to over $13 billion in signed deals within a single year and completed a landmark sovereign debt restructuring following its 2023 default. Set directly against this: the UNDP's own analysis identifies conflict and insecurity as the single biggest deterrent to private investment, a June 2026 national election proceeded with suspended voting in dozens of constituencies and none at all in Tigray, active fighting continues in the Amhara region, and tensions with both Egypt over the Grand Ethiopian Renaissance Dam and Eritrea over Red Sea access carry genuine regional escalation risk. Investors should treat Ethiopia's strong headline growth and investment figures as real but geographically and sectorally uneven, set against durable, structural security challenges rather than a temporary disruption.

1. INVESTMENT & FDI

A record $13 billion investment forum underscores genuine momentum even as underlying savings and investment rates have declined sharply.

The Invest in Ethiopia 2026 Forum concluded with signed investment agreements exceeding $13 billion, an eightfold increase from the $1.6 billion secured at the 2025 forum, whose projects are now operational. Set against this headline momentum, a 2026 UNDP economic profile found that gross national savings have fallen from nearly 30% of GDP in 2018 to around 20% in 2025, while the investment rate has dropped even more steeply, from 35.3% to 20.1% over the same period — trends the report warns suggest reduced fiscal space and capital formation that could constrain future growth.

- **A landmark forum scale-up:** the jump from $1.6 billion in signed deals at the 2025 forum to over $13 billion in 2026 reflects genuinely accelerating international investor interest, though the durability of this pace across future forums remains to be demonstrated.
- **A sobering structural counter-narrative:** the UNDP's finding that both national savings and investment rates have declined by roughly a third since 2018 represents a genuine, quantified warning sign that sits uncomfortably alongside the investment forum's headline success.
- **Conflict identified as the primary investment deterrent:** a UNDP working paper explicitly identifies conflict and insecurity as the biggest deterrent to investment from both the private sector and development partners, warning that a perception of Ethiopia as a 'country in crisis' can be costly to its ability to attract capital, technology and skills.
- **A landmark mortgage-finance agreement:** the National Bank of Ethiopia and the International Finance Corporation signed an agreement on 3 September 2026, which Prime Minister Abiy Ahmed described as a landmark cooperation agreement, to establish the country's first mortgage refinancing company, capitalised initially at 100 billion birr with the IFC contributing $200 million.

2. TRADE & BUSINESS

A gold-driven export boom is masking genuine structural concentration risk in Ethiopia's trade base.

Export earnings jumped from $3.3 billion in the first half of 2025 to $5 billion in the first half of 2026, a 53% increase driven substantially by gold, alongside favourable global commodity prices and ongoing macroeconomic reforms. The UNDP has explicitly flagged that much of this expansion is concentrated in a single commodity, raising sustainability and structural-imbalance concerns even as agriculture, employing roughly 70% of the workforce and accounting for 31% of GDP, continues growing at a healthy 7.5% on strong crop production.

- **A genuinely large but narrowly based export surge:** the jump to $5 billion in H1 2026 exports is a real, verifiable achievement, but its heavy concentration in gold means the trade base remains structurally exposed to a single commodity's price cycle.
- **A currency that has lost significant value since floating:** the birr's decline to 161.05 per US dollar by September 2026, having lost over half its value since the 2024 float, reflects the ongoing cost of the currency-liberalisation reforms even as the persistent gap with parallel-market rates has narrowed somewhat over the year.
- **Agriculture remains the genuine economic backbone:** with 70% of the workforce employed in the sector and harvests exceeding 500 million quintals despite high input costs, agriculture continues underpinning the broader economy independent of the more volatile gold and currency dynamics.
- **A notable import-substitution success:** Ethiopia's date import bill has shrunk by more than 90%, with the Afar region now preparing to host a UAE-backed festival, a concrete if modest example of the diversification agenda translating into a measurable trade outcome.

3. MAJOR ECONOMIC DEVELOPMENTS

Strong headline growth and a completed debt restructuring sit alongside a contested election and multiple active regional conflicts.

Ethiopia completed a substantial restructuring of its external debt following its 2023 sovereign default: a July 2025 agreement with the Official Creditor Committee restructured $8.4 billion of official debt, with bilateral deals involving France and China completed by April 2026, together expected to free more than $3.5 billion in fiscal space for public investment through 2028. Separately, after Eurobond restructuring talks collapsed in May 2026, a preliminary deal reached the following month was approved by official creditors in August 2026, including a 15% cut to Ethiopia's defaulted $1 billion bond. Alongside this financial progress, Ethiopia held a national election in June 2026, its first since the formal end of the 2020-2022 Tigray war, which returned Prime Minister Abiy Ahmed for a further term; the electoral body suspended or cancelled voting in dozens of constituencies citing unfavourable conditions and violent disruptions, and no voting took place at all in Tigray, while violence linked to the Fano militia in Amhara and fighting involving federal, regional and separatist forces in Oromia also disrupted voting in parts of those regions.

- **A substantially completed sovereign debt restructuring:** the combined official-creditor and Eurobond agreements represent genuine, verifiable progress in resolving Ethiopia's 2023 default, freeing meaningful fiscal space for public investment through 2028 even after creditors absorbed real losses.
- **An election held amid active, unresolved conflict:** the suspension or cancellation of voting in dozens of constituencies, and the complete absence of voting in Tigray, mean the June 2026 election proceeded without full national participation, a fact investors should weigh directly when assessing the durability of the current political settlement.
- **Multiple simultaneous regional security challenges:** active fighting between Fano militias and federal forces has continued in Amhara since 2023, the Oromo Liberation Army remains active in Oromia, and renewed clashes between the Tigray People's Liberation Front and federal forces in early 2026 required a one-year extension of the Tigray Interim Administration's mandate, which cannot be extended again under current law.
- **Rising tension with Egypt over the Nile:** with the Grand Ethiopian Renaissance Dam now inaugurated and further hydropower dams planned, Egypt pledged a 'firm and decisive response' to any future dams in December 2025, and dialogue between the two governments has remained stalled.
- **A genuine risk of renewed conflict with Eritrea:** Prime Minister Abiy has described Red Sea access as an 'existential' imperative for Ethiopia and threatened war against Eritrea in September 2025 if access were not granted, a dynamic independent analysts warn has already contributed to a wider regional alignment involving Eritrea, Somalia and Egypt.

4. MAJOR PROJECTS & INFRASTRUCTURE

The now-inaugurated GERD dam anchors a broader infrastructure and industrialisation push, even as it remains a live source of regional tension.

- **Grand Ethiopian Renaissance Dam:** now inaugurated on the Blue Nile, GERD represents one of Africa's largest infrastructure achievements of the past decade, even as three additional planned hydropower dams continue drawing objections from downstream Egypt.
- **Industrial parks and garment manufacturing:** continued investment in industrial parks, particularly around Hawassa, has driven job creation and attracted foreign direct investment as part of the government's broader industrialisation agenda to reduce reliance on agriculture.
- **Digital public-services infrastructure:** OrbiX launched an integrated digital ecosystem in September 2026 aimed at streamlining urban mobility and public services, reflecting continued investment in digital government infrastructure alongside physical projects.

- **Renewable energy manufacturing expansion:** Gobez Electric Manufacturing's additional $150 million investment to expand solar cell manufacturing capacity, following its initial commitment at the third Invest in Ethiopia Forum, illustrates how earlier forum commitments are translating into sustained follow-on investment.

5. CONFERENCES, FORUMS & EXHIBITIONS

The Invest in Ethiopia Forum has rapidly scaled from $1.6 billion to over $13 billion in signed deals within a single year.

- **Invest in Ethiopia 2026 Forum:** bringing together global investors, industry leaders and policymakers, the forum secured landmark agreements including Rashmi Group's $235 million mining exploration commitment across gold, lithium and other precious minerals, and Quantum-Everest's $100 million real estate and commercial investment facilitating capital flows from Poland.
- **A track record of forum-to-operation conversion:** organisers point to the 2025 forum's $1.6 billion in commitments now being operational as evidence that Invest in Ethiopia's pledges translate into genuine, functioning projects rather than remaining purely aspirational.

6. BUSINESS & INVESTMENT EVENTS

A landmark mortgage-finance agreement and new international business presence reflect continued institutional deepening this quarter.

- **NBE-IFC mortgage refinancing company signing:** the 3 September 2026 agreement to establish Ethiopia's first mortgage refinancing company represents a genuine, concrete step toward developing long-term housing finance infrastructure that has historically been absent from the market.
- **ApexBrasil's first Africa office:** the Brazilian trade and investment promotion agency's decision to open its first Africa office in Ethiopia, announced 2 September 2026, signals growing Brazilian interest in the Ethiopian market specifically as a continental entry point.
- **Premier Switch Solutions rebrand and tap-to-pay launch:** the payments company's new brand identity and smartphone tap-to-pay service, launched after 14 years of operation, reflects continued modernisation within Ethiopia's digital payments infrastructure.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A completed debt restructuring with both official and private creditors marks Ethiopia's most significant recent financial diplomacy achievement, even as regional relationships remain strained.

- **Official Creditor Committee and bilateral partners:** the $8.4 billion official-debt restructuring, with France and China deals completed by April 2026, represents sustained multilateral and bilateral cooperation on resolving Ethiopia's 2023 default.
- **Eurobond holders:** the August 2026 official-creditor approval of a preliminary private-creditor deal, including a 15% haircut, closes out the second major track of Ethiopia's sovereign debt resolution process.
- **IMF:** continued programme engagement remains central to Ethiopia's reform credibility, with member quota-increase approval deadlines and ongoing review processes shaping the broader relationship.

- **Egypt and Eritrea:** relations with both neighbours remain genuinely strained, over the Grand Ethiopian Renaissance Dam with Egypt and over Red Sea access with Eritrea, with independent analysts warning of a wider regional alignment forming in response to Ethiopia's positions on both issues.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

New fintech and digital-payment launches continue even as insurance penetration and broader financial-sector depth lag historical levels.

Despite continued digital-payments innovation, independent analysis notes that Ethiopia's insurance penetration is lower today than when the market was privatised in 1991, a striking indicator of how far formal financial-sector depth has lagged behind the broader economy's growth. Separately, the government reduced power supply to data-mining (cryptocurrency) firms by 75% in August 2026, according to a company executive, reflecting a deliberate reallocation of constrained energy resources away from this specific activity.

- **A long-term insurance-sector stagnation:** insurance penetration remaining below its 1991 privatisation-era level highlights a genuine, multi-decade gap in financial-sector development that broader macroeconomic reforms have not yet addressed.
- **Energy prioritisation away from crypto-mining:** the 75% cut to power supplied to data-mining firms illustrates the government's willingness to reallocate scarce energy resources toward priorities it considers more productive, a relevant consideration for any investor in energy-intensive activities specifically.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Mining, renewable energy, real estate and mortgage finance define the newest formalised openings for foreign capital.

- **Rashmi Group mining exploration:** the $235 million commitment to gold, lithium and other precious-minerals exploration represents one of the largest newly announced mining-sector opportunities from this year's investment forum.
- **Quantum-Everest real estate and Poland investment channel:** the $100 million commitment specifically aims to facilitate broader investment flows from Poland into Ethiopia, opening a distinct new bilateral capital channel beyond Ethiopia's more established investor relationships.
- **Gobez Electric Manufacturing solar expansion:** the additional $150 million investment in solar cell manufacturing capacity offers continued exposure to Ethiopia's renewable-energy manufacturing base for co-investors and suppliers.
- **Mortgage refinancing infrastructure:** the new NBE-IFC mortgage refinancing company opens a structural opportunity for housing-finance and related construction-sector investors as Ethiopia builds out long-term lending infrastructure largely absent until now.

SUMMARY ASSESSMENT

Ethiopia presents one of the most complex risk-reward profiles among the markets this series covers. The country remains among the fastest-growing large economies in Africa, having just completed a substantial sovereign debt restructuring and hosted an investment forum that scaled eightfold to over $13 billion in signed deals within a single year. Genuine structural progress is also visible in agriculture, renewable-energy manufacturing and new financial infrastructure like the forthcoming mortgage refinancing company.

Set directly against this: the UNDP's own analysis finds underlying national savings and investment rates have fallen by roughly a third since 2018, and identifies conflict and insecurity as the single biggest deterrent to private capital. A June 2026 national election proceeded with suspended voting in dozens of constituencies and none at all in Tigray, active fighting continues in Amhara, renewed Tigray tensions required an emergency mandate extension in early 2026, and tensions with both Egypt over the Grand Ethiopian Renaissance Dam and Eritrea over Red Sea access carry genuine risk of further escalation.

For investors, the coming months offer concrete signals to watch: whether the Tigray Interim Administration's mandate extension, which cannot be renewed again under current law, is followed by a durable political resolution or renewed conflict; whether tensions with Egypt and Eritrea remain contained short of open confrontation; and whether the momentum from this year's $13 billion investment forum survives contact with the UNDP's own warnings about declining underlying investment and savings rates. Ethiopia's growth story is genuine, but it is unfolding alongside security and political risks that are structural rather than incidental to the country's near-term investment case.