

Economic Growth

During fiscal year 2004/05, GDP at constant prices grew by 8.9 percent. This growth, being achieved on top of a double-digit (11.1 percent) growth recorded in 2003/04, places Ethiopia among the top performing economies in sub-Saharan Africa.

Although all the sectors contributed to this relatively high economic growth performance, agriculture bets first growing by 12.0 percent on its own and contributing to about 6 percent of the 8.8% overall GDP growth. Industry and service sectors also showed absolute growth rates of 6.6 and 5.8 percent, respectively.

Table I . 1: Sectoral Contribution to GDP and GDP Growth

Items		Year					
		1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
GDP at Constant Basic Prices		59,575	63,973	63,756	61,654	68,472	74,506
Sector	Agriculture & Allied Activities	28,595	31,626	30,950	27,361	32,100	35,948
	Industry	7,457	7,817	8,213	8,665	9,254	9,865
	Services	24,197	25,122	24,997	26,096	27,614	29,221
Growth in Real GDP		5.4	7.4	-0.3	-3.3	11.1	8.8
Real GDP per capita		951.9	993.1	961.9	904.4	976.8	1034.0
Share in GDP (in %)	Agriculture & Allied Activities	44	45	49	44	47	48
	Industry	13	12	13	14	14	13
	Services	41	39	39	42	40	39
Growth in Real GDP per capita		2.3	4.3	-3.1	-6.0	8.0	5.9
Agriculture & Allied Activities	Absolute Growth	2.2	10.6	-2.1	-11.6	17.3	12.0
	Contribution to GDP growth	1.0	4.8	-1.0	-5.1	8.1	5.8
	Contribution in %	17.8	64.8	306.1	156.1	73.4	65.6
Industry	Absolute Growth	1.8	4.8	5.1	5.5	6.8	6.6
	Contribution to GDP growth	0.2	0.6	0.7	0.8	0.9	0.9
	Contribution in %	4.2	8.0	-192.5	-23.5	8.3	9.9
Services	Absolute Growth	9.5	3.8	-0.5	4.4	5.8	5.8

Contribution to GDP growth	3.9	1.5	-0.2	1.9	2.3	2.3
Contribution in %	71.5	20.3	57.6	-56.4	21.2	25.9

Source: Ministry of Finance and Economic Development and Staff computation

Based on the newly Revised Series (1999/00 Base)

GDP by Sector

In terms of sectoral distribution, agriculture has remained the major constituent of the economy contributing to about 48 percent of the GDP followed by service and industry each taking 39 and 13 percentage share respectively.

Typically overall economic growth in Ethiopia has always been associated with the magnitude of performance of the agricultural sector which is largely dependent on exogenous factors such as drought. Hence, its erratic performance has led (Figure 1.1) to irregular overall GDP growth.

Similarly, the high GDP growth rate achieved in the review year came mainly as a result of the relatively high agricultural output growth.

The increase in agricultural output can largely be attributed to improved farmers' productivity due to better supply of agricultural inputs and the increase in cultivated land as a result of the resettlement program. The favorable weather condition in the year has also contributed to the performance.

Looking into the sub-components of agriculture, the crop sub-sector has always been the major driving component in the sector's growth. Production of major crops including cereals, pulses and oilseeds grew by about 15 percent in 2004/05 as a result of a 13 percent increase in cultivated land and a 2 percent increase in productivity (Table 1.2).

Table I . 2: Estimates of Agricultural Production and Cultivated Areas of Major Crops for Private Peasant Holdings - Meher season
(Area in thousands of Hectares, and production in thousands of quintals)

Agricultural Production	2001/02		2002/03		2003/04		2004/05	
	Cultivated Area	Total Production						
Cereals	6717.9	83031.7	6323.8	63497.3	6999.0	90062.4	7637.5	100308.4
(Annual % change)	-14.5	-5.8	-5.9	-23.5	10.7	41.8	9.1	11.4
Pulses	923.1	7135.2	1061.4	8231.7	1099.5	10373.1	1349.1	13495.8
(Annual % change)	-20.7	-29.1	15	15.4	3.6	26.0	22.7	30.1
Others	505.3	337.3	474.3	1965.5	570.8	3128.6	824.4	5264.0
(Annual % change)	-13	-86.9	-6.1	482.7	20.3	59.2	44.4	68.3
Total	8146.4	90504.2	7859.5	73694.5	8669.3	103564.1	9811.1	119068.1
(Annual % change)	-15.2	-10.2	-3.5	-18.6	10.3	40.5	13.2	15.0

Source: Central Statistical Authority

The non-agricultural sector of the economy altogether showed 6 percent growth during the review year. This is the combined effect of the 6.6 and 5.8 percent growth achieved in the industry and service sectors.

The recorded 6.6 percent growth of the industry sector mainly came from the construction sub-sector which grew by 8.5 percent. The performance of the construction sub-sector excels all other industrial activities owing to the expansion of construction activities by both private and public sectors.

Manufacturing, which accounts for about 40 percent of the industry's sector value added, is largely dominated by food, beverage and textile industries. Output from this sub-sector which consists of cottage and handicrafts, small, medium and large scale enterprises grew by 5 percent.

The performance of the mining & quarrying as well as water & electricity sub-sectors was also good, each registering growth rates of 8 and 6 percent respectively. The huge investment in hydroelectric power generating stations and expansion activities by the Ethiopian Electric and Power Corporation (EEPCo) have contributed to the growth in electricity generation and distribution.

The share of the service sector is growing steadily in recent years reaching 39 percent in the review year from its level of 35 percent in 1996/97. This was mainly the result of the fast expansion of education and health sub-sectors which in the last five years registered an annual average growth of 10 and 9 percent, respectively. The performance of these sub-sectors in the review year continued to excel all other service activities each growing by 11 and 8 percent, respectively, consistent with the

special attention given to these sub-sectors by the government in line with achieving the Millennium Development Goals in 2015 .

On the other hand, public administration and defense, whose average growth during the last five years was negative, increased by mere 3 percent.

GDP by Expenditure Component

In the review year, the share of total consumption expenditure slightly declined to 94.5 percent of GDP from about 95 percent in 2003/04 because of the marginal decline in both private and government consumption expenditures. The share of government consumption expenditure was about 14 percent while 80 percent was taken up by the private sector, the remaining balance being gross domestic savings.

On the other hand, gross domestic savings remained too small (amounting to 5.5 % of GDP) although it showed a slight improvement over last year (4.9 %). As gross domestic savings continued to be low compared to investment, the resource gap remained wide at 15.6 % of the GDP.

The value of the country's transaction with the rest of the world in terms of both imports and exports has increased in the review year. However, both imports and exports of goods and services as a percentage of GDP slightly decreased to 29.2% and 13.6% from 30.2% and 13.8, respectively.

Table I . 3 : Expenditures on GDP and Gross Domestic Savings (As percentage of GDP)

Year	Domestic Absorption	Consumption Expenditure			Gross Capital Formation	Resource Balance	Exports of Goods & NFS	Imports of Goods & NFS	Gross Domestic Savings
		Total	Govt.	Pvt.					
1994/95	104.9	88.5	8.7	79.8	16.4	(6.4)	10.3	16.7	11.5
1995/96	106.3	89.4	8.3	81.1	16.9	(7.0)	9.3	16.3	10.6
1996/97	104.6	87.6	8.4	79.2	17.0	(7.0)	12.2	19.1	12.4
1997/98	104.1	86.9	10.3	76.6	17.2	(7.9)	13.4	21.3	13.1
1998/99	108.6	91.7	16.1	75.5	16.9	(12.6)	12.0	24.6	8.3
1999/00	107.9	92.0	18.7	73.2	15.9	(12.4)	12.5	25.0	8.0
2000/01	109.3	91.5	15.4	76.1	17.8	(12.5)	12.2	24.7	8.5
2001/02	115.5	91.9	16.8	75.1	23.6	(15.5)	12.8	28.3	8.1
2002/03	115.2	92.4	19.4	73.0	22.8	(15.2)	14.3	29.6	7.6
2003/04	116.3	95.1	14.4	80.6	21.3	(16.3)	13.8	30.2	4.9
2004/05	115.6	94.5	14.1	80.4	21.0	(15.6)	13.6	29.2	5.5
Average:									
1994/95-2004/05	109.8	91.0	13.7	77.3	18.8	-11.7	12.4	24.1	9.0

Source: Ministry of Finance and Economic Development
Based on the newly Revised Series