

# Development Status of Ethiopian Export Revenue During 1991-2014 G.C

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## Abstract

The paper was entitled with development status of Ethiopian export revenue during 1991-2014E.C. The overall objective of this study is to analysis development status of export revenue. For attainment of broad objective the researchers adopted quantitative research approach, and secondary data source were used. Secondary data used for the study was collected from World Bank. For the purpose of data analysis the study used descriptive approach and simple statistical tools like table for share of export of economy and graph for trend analysis and growth rate. The trend analysis of export development cover's period of 1991-2014G.C and the finding indicates that there is no significant and sustainable increase of export business in Ethiopia in the period of 1991-2014. The growth rate also indicates that there is also negative growth rate of export revenue period of 2005 to 2009; therefore the government should take concentration to increase and to bring significant change in the sector by following different policy option that initiate the export business.

**Keywords:** Export Revenue, Trend Analysis, share of export

## 1. Background of study

Many developing countries have opened their economies to international trade (Balassa. (1978); Mbaku,1989). However, growth results were not impressive and, as noted by Lederman and Maloney (2007), in the case of Africa, dramatic falls in commodity prices contributed to negative growth rates. Moreover, there is often very low domestic demand so exports remain one of the few channels that in the longer run significantly contribute to higher income per capita growth rates of a country (Heisse, 2007).

However, too much specialization of developing countries in the exports of primary products, as argued by Prebisch (1950) and Singer (1950)-also called "old" structural school, has the tendency to retard their economic development through deteriorating and adverse terms of trade, volatile export earnings and low economic growth. Bongalia and Fukasaku (2003) remark that it is due to the unfavorable characteristics of world demand for their exports and negative features of natural resource extraction and production.

The past decade has been one of great volatility for Africa but also of substantial progress. At the turn of the decade, many in the developing world wondered if Africa would become "the doomed continent" (Quenum 2000), crippled by political and ethnic tensions (Easterly and Levine 1997), or if in fact Africa could claim the 21st century (Gelb 2000). In that environment, predictions that sub-Saharan Africa (SSA) as a continent was about to enter the fastest growth period of its young 50-year history would have seemed impossible (Bahmani M. and Oyolola, 2007). In Africa Commodity-exporting countries as well as non-commodity-exporting countries experienced high growth rates.

In case of Ethiopia, industry development strategy has put in place the principles that primarily focus on the promotion of agricultural-led industrialization, exported development, and expansion of labor intensive industries. The export-led growth has been the focus of Ethiopian economic policy since 1992. To bring this Export drive national development to practice, the monthly export steering committee which is chaired by prime minister was set up and used fairly effectively for policy monitoring. A few export-oriented sectors were targeted for policy attention and incentives are given. Since 2003, these macroeconomic indicators trended upward. However, before 2003, the trend was inconsistency for both variables. GDP increased rapidly since 2003. The average 10% per annum economic growth rate caused significant change in GDP value. In Ethiopia in the early 1990s, the export growth rate was not stable due to the world price drop at the time. The value of exports, which relied mainly on primary products, was shown sign of change after 2003 when the new government reformed several policies including fiscal, monetary, and trade procedures that diversified exports. However, industry's export performance was less than expected and its GDP share did not expand greatly (stagnant around 13%).

According to the ministry of trade report (2015) multitude of factors are said to have affected export trading. A lack of coordination between responsible bodies is one of the causes for the missed target. Lack of manufacturing inputs supply, sub-capacity production, challenges in international price competition and oversupply of export products to the local market are also said to be challenges that have led to weak performance. A falling gold price in the international market has also forced traditional gold miners to limit their supply. Besides unfavorable weather conditions, the transition by investors engaged in fruits and vegetables export to other business sectors contributed to the fall in revenue. The delay in granting land to investors wanting to expand their farms and the fluctuation of the Euro further constrained the horticulture sector.

“Smuggling livestock to neighboring countries is still the main hurdle that affects the export,” the report states.

Moreover, with failure to achieve target export earnings during the first GTP, government targets to increase its export revenue to 12 billion USD during the Second Growth and Transformation Plan period. It seems more ambitious export plans just as with other economic and social development targets. In this regard, according to the Ethiopian government sex moth report of 2015/16 again government is unable to achieve the target revenue from export. The problem fail to achieve projected revenue from the sector is continuing. In addition, most studies made in the area of export in Ethiopia in particular are mainly focused on the causality relationship between export growth and economic growth. Little studies are made in the policy analysis of Ethiopian export. The specific objectives of this study are to examine development status of Ethiopian export revenue during 1991-2014 G.C the, to examine the growth rate of export revenue and share of export of economy

## **2. The Research Methodology**

To the attainment of the broad objective presented earlier, this study adopted quantitative research approach. The quantitative study mainly designs to look the export development of Ethiopia and growth rate of export revenue and share of export of economy. In order to accomplishing the general and specific objective stated above, secondary data was used. Secondary data was collected from MoFED, MoT, NBE and World Bank. To achieve objective the researcher used data of export revenue of Ethiopia from world bank survey data pried of 1991-2014G.C

## **3. Findings of study**

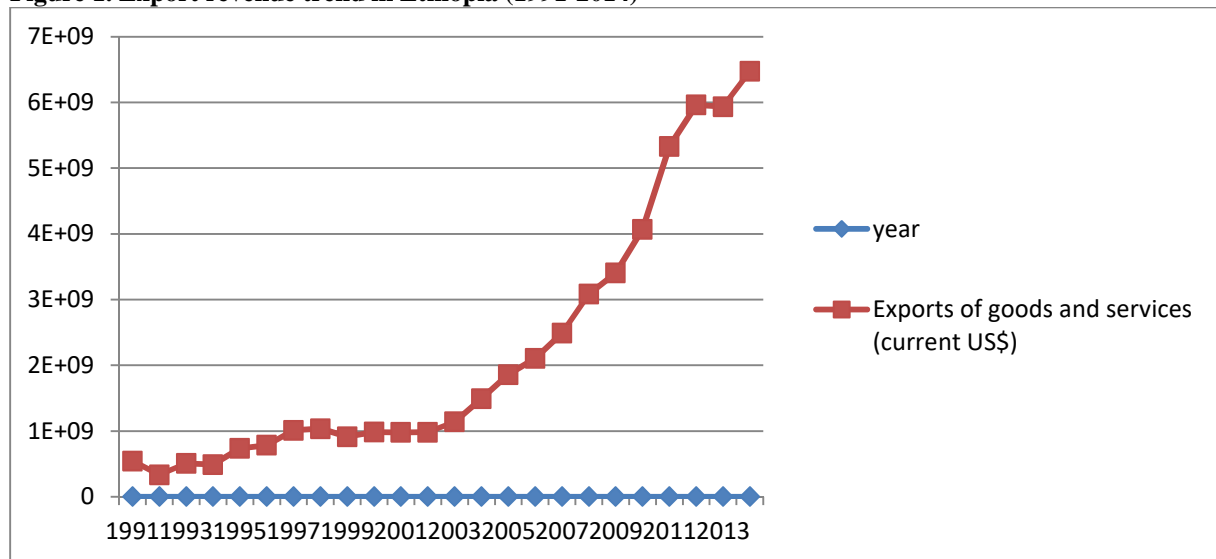
### **3.1 Ethiopian Export Revenue Development**

Most of export items of Ethiopia are agricultural products and it constitutes about 70% of Ethiopia export. Some of these are coffee, oilseeds, chat, leather and leather products, pulses, cut flower, fruits and vegetables and live animal and import items are non agricultural products which are higher valued, such as refined petroleum, delivery trucks, telephones, iron structures and palm oil and others, which are higher valued capitals. This higher value capital goods import creates the negative trade balance that means there is a severe balance of trade deficit, because the return from exports is far less than the expense needed for the imports. This balance of trade deficit leads the nation to the instable export and weak macroeconomic management.

When we see the trend of export business from 1991 to 2014 in figure 1 below there is no smooth increment in the period. For certain period there is increment of export revenue and decrease in other period. For example the trend shows that there is decrease of export revenue at 1992 and it start to increase in 1993 and there is no more significant change at 1994. But after 1994 up to 1998 there is increment of export business. This may be because of after the downfall of the Derg regime, the Transitional Government of Ethiopia stated that “it is essential to increase and diversify exports”, this policy shift some improvements in export performance. Due to that there is certain increment in quantity of total revenue of export during 1994-1998. Do not be confused that the increment of export business means not mean increment of net trade.

Then also export business of Ethiopia from 1998-2002 , for five years there is no increment but after 2003 to 2005 there is increment which is almost all the same as that of the rate of 1997and 1998. There is better increment after 2006 up to 2012, there is progress, but in 2013 there is reduction of export revenue progress. Even if the export revenue of Ethiopia was increased from 2006 to 2012 but Ethiopia’s share in total world exports is still very low, amounting to 0.01% in 2006 (WTO, 2007).

**Figure 1. Export revenue trend in Ethiopia (1991-2014)**

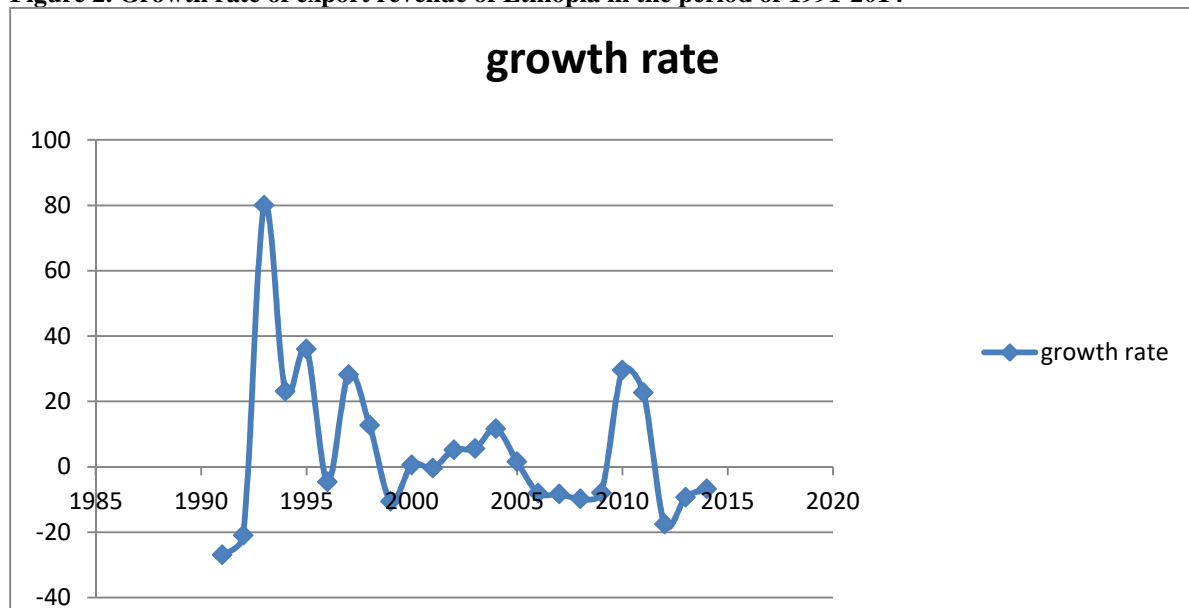


In line for our study different literatures indicate that there is fluctuation of export revenue development in the nation and there are number of cause for this fluctuation. The case for fluctuation of export sector the country has faced deep rooted structural problems, weak policy frameworks and institutions, protection at domestic level and abroad for a long time. For instance, the basic constraints include the low volume of exportable products, the limited degree of diversification of exports mainly due to unprocessed primary products, frequent economic crisis which substantially reduce the demand for and prices of primary products, artificial trade barriers by trading partners etc (Abay and Zewdu 1999).

### 3.2 THE GROWTH RATE OF EXPORT REVENUE OF ETHIOPIA DURING 1991-2014

To calculate the growth rate Exports and export development the researchers used goods and services in the form of percentage of GDP share. the trends of export revenue in figure above shows there no smooth increment of revenue. the growth rates shows that there is negative growth rate for period of 2005 to 2009. The highest positive growth was observed during 1992-1996. There is also negative growth for period 2005 to 2009. Generally the growth rate of export for 24 years (1991-2014) looks like the following graph. This implies that there is need of attention of respective body to the sector in order to increase growth rate and to make smooth progress of export revenue.

**Figure 2. Growth rate of export revenue of Ethiopia in the period of 1991-2014**



When we generalize the trend of export revenue of Ethiopia from 1991 to 2014 there is no smooth increment in last 24 years. Even though there is no smooth increment in export sector, there is an avoidable truth is that there is some improvements on the sector on journey of 24 years.

### 3.2 SHARE OF EXPORT OF ECONOMY

For simplicity we have divided five periods which one period includes five years see table 1. The share of exports in GDP in Derge regime especially from 1981-1990 was about 6.48 million\$. As we can see in table 1 below the share of export in GDP in 2011-2014 was about 13.64 million\$ which is the highest when we compare it with last period of derge regime (1981-1990). As we can see in the table 1 below there is increment of share of export in GDP. The highest share was recorded in the period 2011-2014 which is about 13.64 average shares of Exports in GDP percent and the lowest average share of Exports in GDP percent was recorded in period 1991 to 1995 it is about 5.93 average shares of Exports of GDP percent.

**Table 1. Share of export on % GDP**

No	Period	Average Share of Exports in GDP (%) in million USD
1	1991-1995	5.93
2	1996-2000	11.60
3	2001-2005	13.47
4	2006-2010	12.38
5	2011-2014	13.64

Source World Bank data of 2014

### 4. CONCLUSION AND RECOMMENDATIONS

This study examines the export business development in Ethiopia and the growth rate of export revenue and, examines the share of export of economy in Ethiopia from 1991-2014 G.C. Based on data gathered from secondary sources we can conclude that the trend of export revenue development indicates that there is no smooth growth in the sector. The growth rate of export revenue during 1991-2014 periods also indicates that there is increment of growth rate in some period specially 1998-2006 and there is also negative growth rate for period 2005 to 2009. The highest positive growth was observed during 1992-1996; the share of export of economy is more or less it is good there is increment in the period.

Based on the findings of the study, researchers are recommended that the trend of development of export business and the growth rate of export revenue show that there is no smooth increment of revenue from the sector for last 24 years, therefore the government should take concentration to increase and to bring significant change in the sector by following different countries lesson, that initiate export business.

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