Ethiopia's Economic, Financial and Capital Market Reforms

Fiscal Year 2018 E.C. — A Complete Record

Covering 1 September 2025 – 17 August 2026

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Executive Summary

Ethiopian fiscal year 2018 E.C. the twelve months from 8 July 2025 to 7 July 2026 on the government's budget calendar, was the year in which Ethiopia's Homegrown Economic Reform Agenda moved from announcement to institutional consolidation. The headline measures of July 2024, a floated birr and a price-based monetary framework, had by 2018 E.C. produced a functioning securities exchange with six listed equities, an interbank money market that cleared more than three trillion birr, an interbank foreign exchange market, a central securities depository, a banking sector legally open to foreign capital for the first time in half a century, and a fiscal position financed almost entirely from domestic revenue.

16%	6	13.4%	ETB 2.34tn
National Bank Rate from 13 July 2026, after the first move since 2024	Equities listed on the ESX by end-July 2026, from two a year earlier	Headline inflation, May 2026, after touching 9.7% in December	Federal budget approved for FY 2026/27, up 21.3%

Six developments define the year:

- Monetary policy completed its transition to indirect instruments: On 13 July 2026 the National Bank of Ethiopia removed the economy-wide credit growth ceiling outright and raised the National Bank Rate from 15 to 16 percent, the first move in the policy rate since it was introduced in July 2024. Along the way the Bank abolished the administratively set minimum deposit rate (December 2025), raised the reserve requirement to 10 percent on a monthly-average basis, and introduced bank-specific reserve add-ons keyed to loan-to-deposit ratios.

- Inflation reached single digits and then lost them: Headline inflation fell from 13.6 percent in August 2025 to 9.7 percent in December 2025, the first single-digit reading after years of double-digit prints, held at 9.7 percent in February 2026, then rebounded to 11.7 percent in April and 13.4 percent in May 2026 as the Middle East conflict disrupted fuel supply.

- The capital market became a real market: ESX equity listings went from two to six, including Ethio Telecom as the first listed state-owned enterprise; licensed capital market service providers rose from 16 to 21; the first foreign investment bank was licensed; a central securities depository, a national investor portal, and a mobile trading application went live; and a listing tax incentive was written into law.

- Foreign exchange administration was substantially decentralized: Directives FXD/04/2026 and FXD/05/2026 authorised forward contracts, indefinite full retention for service exporters, bank-level approval of profit remittances and letters of credit, case-by-case outward investment, and the removal of prior approval for external loans. The export surrender requirement was cut from 50 to 30 percent and the NBE's FX commission from 2.5 to 1.5 percent.

- The Eurobond restructuring was concluded in principle after a public failure: A January 2026 agreement with bondholders was rejected by the Official Creditor Committee as inconsistent with comparability of treatment; a revised structure agreed on 29 June 2026 delivered a 12 percent haircut, a US$880 million amortising note at 6.15 percent maturing in 2029, and a novel detachable New Money Warrant.

- An external shock tested the framework: The war that began in the Middle East in February 2026 pushed Brent above US$100, halved Ethiopia's daily diesel supply at its worst point, forced rationing from 31 March 2026, and cost the treasury roughly 20 billion birr a month in additional subsidy. The reform framework bent, subsidies expanded, inflation returned to double digits but did not break.

This paper documents each reform, the instrument that carried it, the date it took effect, and the measurable outcome where one is available. It is organised by policy domain rather than chronologically; a consolidated chronology appears in Section 17.

1. Scope, and Method

1.1 Method and sourcing

Primary weight is given to instruments and official statements: proclamations and Council of Ministers regulations, National Bank of Ethiopia directives and Monetary Policy Committee press releases, Ethiopian Capital Market Authority licensing notices, Ethiopian Securities Exchange announcements, IMF Executive Board press releases and country reports, and Ministry of Finance statements. Secondary sources, Ethiopian and international financial press are used for market colour, for figures that have not been published officially, and to establish dates for events not covered by a formal instrument.

2. Macroeconomic Overview

2.1 Growth

Real GDP grew 9.2 percent in FY 2024/25, against an eight-year average of 7.5 percent. The composition marks a structural shift: industry contributed 3.7 percentage points (up from 2.7 the previous year), services a steady 3.1 points, and agriculture 2.3 points. Within industry, mining and quarrying, overwhelmingly gold, lifted its growth contribution tenfold, from 0.1 percentage points in 2023/24 to 1.0 point in 2024/25.

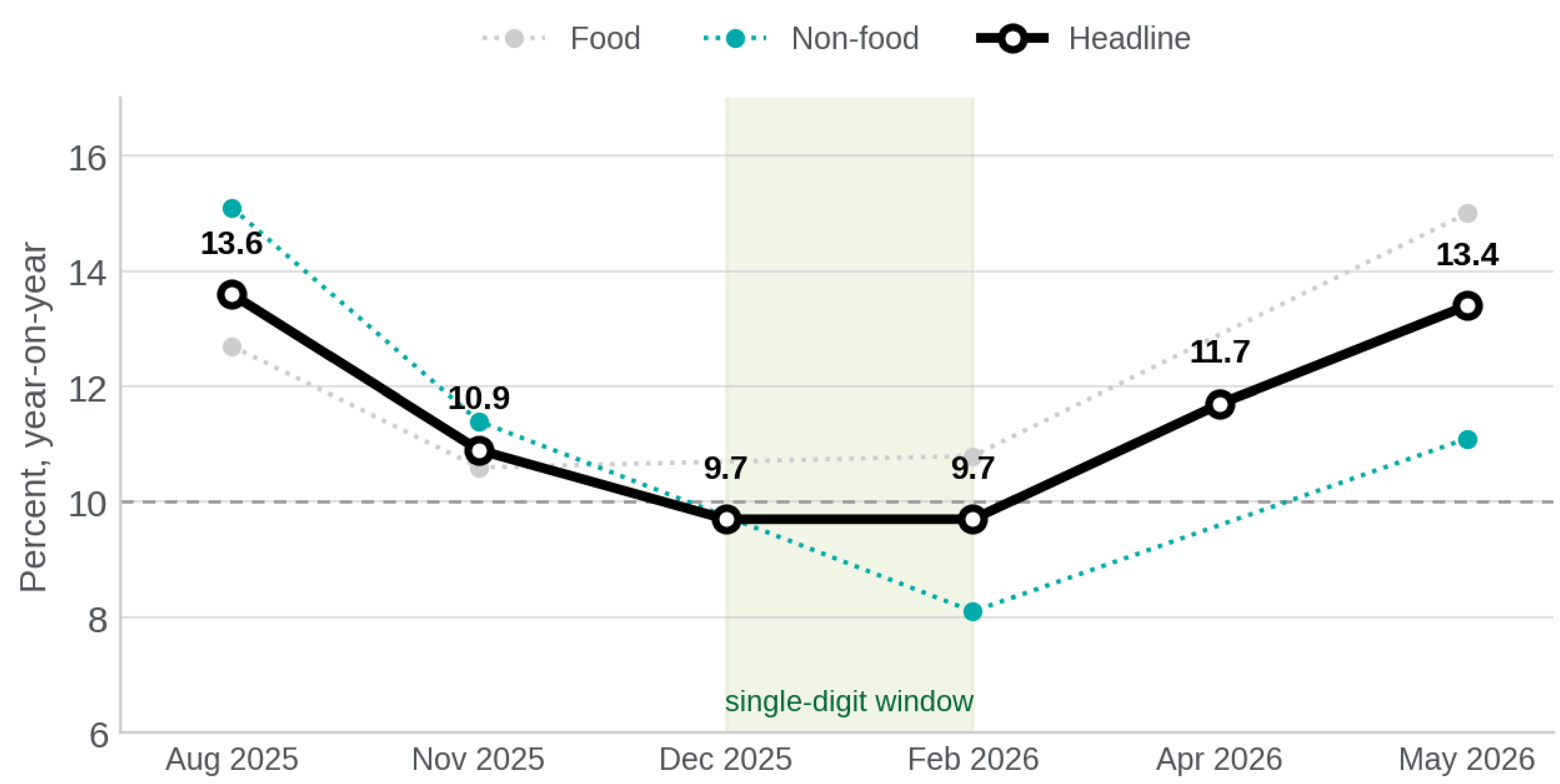
For FY 2025/26, the National Bank projected real growth of 10.2 percent, driven by cement, electricity generation, iron and steel, tourist arrivals, and both passenger and freight air transport. The Bank's Composite Indicators of Economic Activity signalled robust momentum throughout the year, with declines confined to coffee and oilseed export volumes and to imports of raw materials and petroleum. External forecasters were more conservative: consensus estimates for calendar 2026 clustered nearer 7 percent.

2.2 Inflation

The year's inflation profile is the single clearest illustration of what the reform framework achieved and what it could not insulate against.

Month	Headline	Food	Non-food	Month-on-month
August 2025	13.6%	12.7%	15.1%	+1.1%
November 2025	10.9%	10.6%	11.4%	-1.4%
December 2025	9.7%	—	—	—
February 2026	9.7%	10.8%	8.1%	+0.4%
April 2026	11.7%	—	—	+2.3%
May 2026	13.4%	15.0%	11.1%	+1.69%

Figure 1 Headline inflation and components, August 2025 – May 2026



Source: National Bank of Ethiopia, MPC press releases Nos. 4–7. Food and non-food shown only for months published in MPC releases.

Disinflation through December 2025 was attributed by the MPC to the tight monetary stance maintained since August 2023, fiscal discipline, specifically the government's continued refusal to take direct advances from the central bank, improved agricultural output, and the gradual pace of administered price adjustment. The reversal from April 2026 was almost entirely an imported fuel shock: May's 13.4 percent was a nine-month high, and both the month-on-month readings for April and May ran well above their five-year seasonal averages. The MPC's July 2026 guidance was that inflation would moderate toward the end of 2026 but remain in double digits across the six-month forecast horizon.

2.3 Money and credit

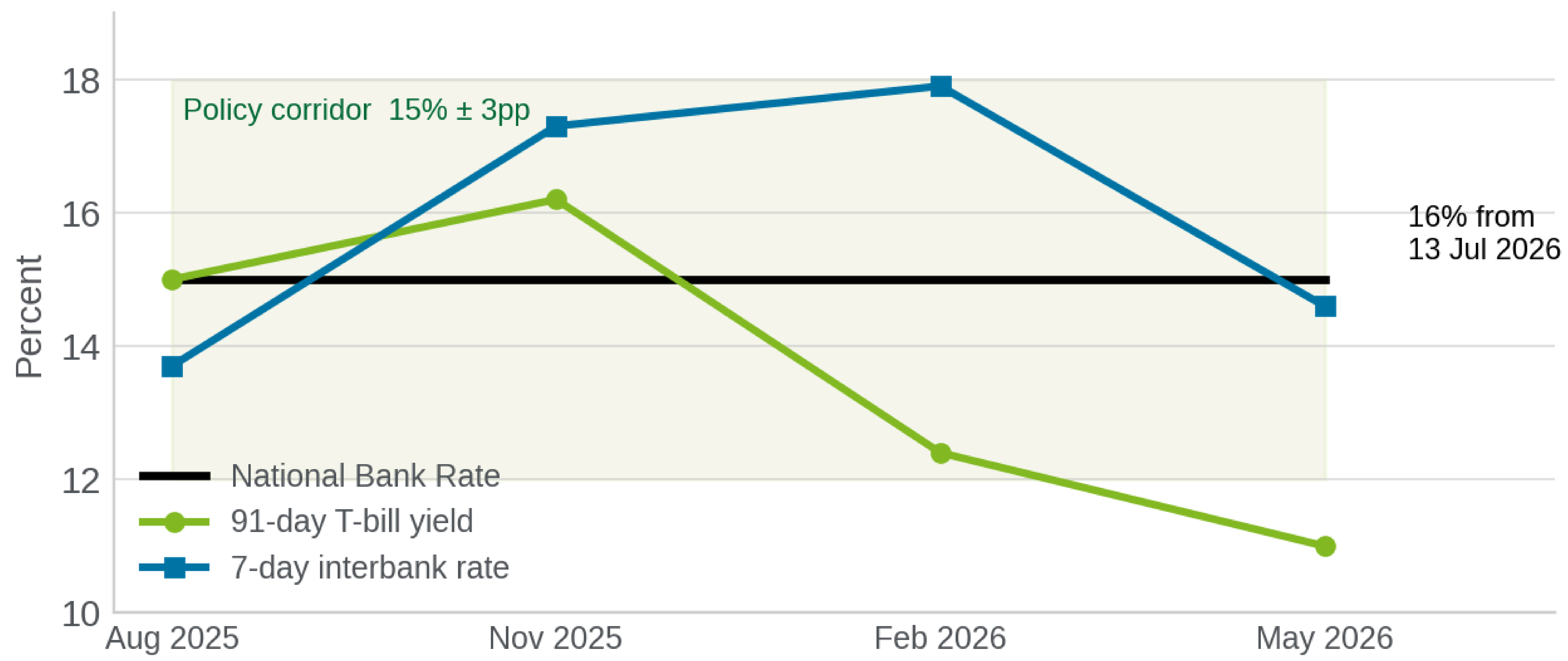
- Reserve money growth decelerated to 43.0 percent year-on-year in FY 2025/26 from 66.4 percent a year earlier, still elevated, and driven principally by net foreign asset accumulation from the NBE's gold operations rather than by domestic credit.
- Broad money growth eased to 32.7 percent from 35.2 percent. Notably, its drivers changed composition: pre-reform it was dominated by domestic credit; by 2025/26 net foreign assets and domestic credit contributed roughly equally.
- Bank credit outstanding grew 44.5 percent year-on-year by November 2025 and 45.3 percent by February 2026, the number that persuaded the MPC to retain the credit cap in December 2025 and March 2026 rather than remove it as originally scheduled.
- Private bank loan-to-deposit ratios fell to 72.7 percent from 90.3 percent in 2022/23, indicating materially improved liquidity management.

2.4 Interest rates

Short-term market rates remained positive in real terms throughout and converged toward the policy corridor, the central test of whether a price-based framework is transmitting.

Indicator	Aug 2025	Nov 2025	Feb 2026	May 2026
National Bank Rate	15.0%	15.0%	15.0%	15.0% (16.0% from Jul)
91-day T-bill yield	15.0%	16.2%	12.4%	11.0%
All-tenor T-bill weighted avg.	—	—	—	12.3%
7-day interbank rate	13.7%	17.3%	17.9%	14.6%

Figure 2 Policy rate and short-term market rates



Source: National Bank of Ethiopia, MPC press releases Nos. 4–7. The National Bank Rate moved to 16% on 13 July 2026, after the last observation shown.

The fall in T-bill yields through 2026 was not a sign of weak demand but the opposite: the market recorded roughly 667.8 billion birr of oversubscription, concentrated in the 28-, 91- and 182-day tenors, as newly licensed investment banks channelled individual investors into government paper for the first time. The interbank rate's spike to 17.9 percent in February 2026 reflected liquidity pressure at specific private banks; its retreat to 14.6 percent by May reflected system-wide excess liquidity that was, in the MPC's words, "concentrated to few banks."

3. Institutional and Leadership Changes

Personnel changes at the top of the economic bureaucracy bracketed the year and shaped its policy direction.

3.1 The central bank

Governor Mamo Mihretu resigned on 3 September 2025, after less than three years in post. His farewell letter claimed as achievements the transition to a modern monetary policy framework and market-based exchange rate, the opening of the financial sector to foreign banks, digital inclusion, and US$10.5 billion in external financing secured from partners, with foreign exchange reserves tripling to a historic high within a year. Ethiopian press reporting linked the departure to disagreements over the pace of IMF-backed reform, particularly central bank autonomy and the ending of direct government borrowing.

Dr Eyob Tekalign Tolina, previously State Minister of Finance and formerly head of the National Planning Commission, was appointed the eleventh Governor on 19 September 2025. He inherited an unresolved question: the credit cap had been scheduled for removal that same month, contingent on sustained disinflation, and the MPC met six days later to decide otherwise.

Governance reform of the NBE itself became an explicit condition of the IMF programme. The Fund's January 2026 fourth-review statement specifically called for finalisation of the Bank's governance reform plan, including the appointment of new Board members in line with the requirements of the NBE Establishment Proclamation No. 1359/2025.

3.2 The exchange

On 7 August 2026 the Ethiopian Securities Exchange announced the resignation of its founding Chief Executive, Dr Tilahun Esmael Kassahun, and the appointment of Mrs Yodit Kassa as Chief Executive Officer. The transition came weeks after the exchange had met most of its listing targets for the fiscal year, and marks the end of the institution-building phase under its founding leadership.

3.3 The regulator and the tribunal

The Ethiopian Capital Market Authority remained under Director General Hana Tehelku. The Ethiopian Capital Markets Administrative Tribunal, established by Proclamation No. 1248/2021, became operational during the period, with five members including a chairperson and vice-chairperson appointed by the Prime Minister at the start of 2025. The Tribunal hears appeals against ECMA decisions: filing within 28 days, decision within 60 days (extendable to 90 for complex matters), findings of fact final, points of law appealable to the Federal High Court within 30 days. Its existence gives the market a specialist forum and removes securities disputes from generalist courts.

At the Development Bank of Ethiopia, former ECMA deputy Esayas Kassa was appointed president, replacing Emebet Melese, as part of broader reforms driven by Ethiopian Investment Holdings.

4. Monetary Policy

Four Monetary Policy Committee meetings fall inside the review window. Together they trace the completion of Ethiopia's move from direct credit control to indirect, price-based instruments.

4.1 MPC No. 4 — 25 September 2025 (released 29 September)

With August 2025 inflation at 13.6 percent, the Committee judged that removing the credit growth ceiling entirely "at this stage would be imprudent." Decisions:

- National Bank Rate held at 15 percent; Standing Deposit Facility, Standing Lending Facility and reserve requirements unchanged.
- Credit growth target raised from 18 to 24 percent for FY 2025/26, a loosening of the cap rather than its removal, explicitly framed as a step toward the new framework.
- Confirmation that the NBE would use the full range of market-based tools: policy rate, open market operations, FX interventions and reserve requirement adjustments, individually or in combination.

4.2 MPC No. 5 — 22 December 2025 (released 30 December)

This was the year's most consequential technical meeting. November 2025 inflation had fallen to 10.9 percent, but broad money was growing 38.8 percent, base money 67.3 percent, and bank credit 44.5 percent year-on-year, the fastest in recent years and far above nominal GDP growth. The Committee called the trajectory "concerning." Decisions:

- National Bank Rate held at 15 percent; SDF and SLF rates unchanged.
- Credit cap retained at 24 percent until the next meeting, on three stated grounds: the November credit surge, the policy rate's still-immature transmission mechanism, and the need to manage liquidity injection in an orderly way.
- Reserve requirement raised to 10 percent on a monthly-average basis, with the daily minimum held at 5 percent; banks given three to six months to comply.

- The minimum saving deposit rate was abolished. Deposit pricing was left to negotiation between depositors and banks. This is the most under-reported reform of the year: it removed the last administratively fixed price in the domestic interest rate structure and made the policy rate the sole official rate anchor.

4.3 MPC No. 6 — 21 March 2026 (released 31 March)

February 2026 inflation was 9.7 percent, a single-digit reading sustained since December. Broad money growth had nonetheless risen to 39.3 percent and credit growth to 45.3 percent. Base money growth had moderated to 43.2 percent, which the Committee attributed to significant sterilisation through FX auctions. Against this, the Middle East conflict had already begun to move oil prices.

Decisions: policy rate and credit cap both held unchanged, with an explicit commitment to more frequent review and an agreement to reconvene by late April if warranted. This was a holding meeting under external stress, not a policy meeting.

4.4 MPC No. 7 — 13 July 2026

The decisive meeting of the cycle. Inflation had rebounded to 13.4 percent in May. Cumulative interbank money market volume had passed 3 trillion birr. The IMF programme had set December 2026 as the deadline for phasing out the private credit cap. The Committee delivered five measures:

- Full removal of the credit cap. The NBE characterised the cap as "a temporary transition instrument" that had "achieved its objective," and was explicit that removal reflected the successful transition to an interest-rate-based framework and was not a loosening of stance. Governor Eyob's formulation: "This is a change in instrument, not a change in stance."
- Policy rate raised by 100 basis points, from 15 to 16 percent, with the ±3 percentage point corridor unchanged, the first movement in the National Bank Rate since its introduction in July 2024, and explicitly framed as the counter-tightening measure required to offset cap removal.
- Targeted (institution-specific) additional reserve requirements, to be applied following regular assessment of individual banks' loan-to-deposit ratios where credit expansion threatens the inflation path. This replaces a blunt economy-wide quantity control with a supervisory, bank-by-bank instrument.
- FX commission cut from 2.5 to 1.5 percent, to reduce import-related costs, contain inflation pass-through and improve FX market efficiency.
- Export surrender requirement cut from 50 to 30 percent of goods export proceeds, to improve export competitiveness, build market confidence and deepen price discovery.

The next MPC meeting was set for end-September 2026, after the close of this review period.

4.5 What the sequence shows

The four meetings form a coherent arc. The credit cap was not abandoned when disinflation permitted (September 2025) or when single-digit inflation arrived (March 2026), but when the indirect toolkit was demonstrably functional: an interbank money market clearing trillions, a standing lending facility relieving bank-level liquidity stress, an active T-bill market with retail participation, and reserve requirements calibrated at the institution level. The 100 basis point hike delivered simultaneously was the price of credibility, the Bank chose to be seen tightening at the moment it relinquished its most visible control.

5. The Foreign Exchange Regime

The July 2024 float established a market-determined rate. The 2018 E.C. reforms addressed what came next: who administers the market, who approves transactions, and what instruments participants may use.

5.1 The instruments

Instrument	Date	Core content
FXD/01/2024	29 July 2024	Foundational directive. Market-based regime; banks negotiate rates; priority allocation removed; forex bureaux licensed; 50% export surrender requirement.
FXD/03/2025	2025	First amendment, consolidating operational practice.
FXD/04/2026	12 February 2026	The major liberalisation. See 5.2 below.
FXD/05/2026	25 May 2026	Banks may approve Letters of Credit on acceptance and Cash Against Documents for FCY and retention account holders without prior NBE approval; LC charges to be annualised and applied pro rata to tenor within the NBE maximum.
FVD/01/2026	29 May 2026	Import on franco valuta.

5.2 Directive FXD/04/2026 in detail

Issued on 12 February 2026 under the National Bank of Ethiopia Establishment (Amended) Proclamation No. 1359/2025 and signed by Governor Eyob Tekalign, FXD/04/2026 is the most significant loosening of Ethiopian exchange control since the float. Its principal provisions:

- Forward foreign exchange transactions authorised for the first time, Ethiopian businesses can hedge currency risk on international trade.
- 100 percent indefinite retention for service exporters (IT, tourism, transport, consulting), removing surrender and conversion obligations entirely for that category.
- Profit and dividend remittance delegated to commercial banks, removing the NBE approval step for recognised foreign investments.
- Prior NBE approval for external loans removed.
- Outward investment by Ethiopian entities permitted on a case-by-case basis with NBE approval — a first in modern Ethiopian policy.
- Resident individuals may transfer up to US$3,000 abroad for subsistence family support, on application with justification.
- Commercial banks authorised to issue foreign loan guarantees.
- Import permit validity extended to 120 calendar days, extendable by banks for good cause.
- Entry barriers for independent forex bureaux lowered through reduced security deposit requirements.
- Minimum balance for foreign currency accounts removed, residents and diaspora may open FCY accounts with a zero opening balance.

5.3 The interbank FX market

Ethiopia's interbank foreign exchange market launched on 28 January 2026, operating on a technology platform built on Ethiopian Securities Exchange infrastructure with a dedicated foreign exchange trading segment. This is a structurally important detail: the exchange built for securities became the country's FX trading utility as well, and the NBE announced plans to add an interdealer trading platform.

5.4 Intervention: the auction programme

The NBE's bi-weekly FX auctions, formalised in March 2025, expanded dramatically during the review period.

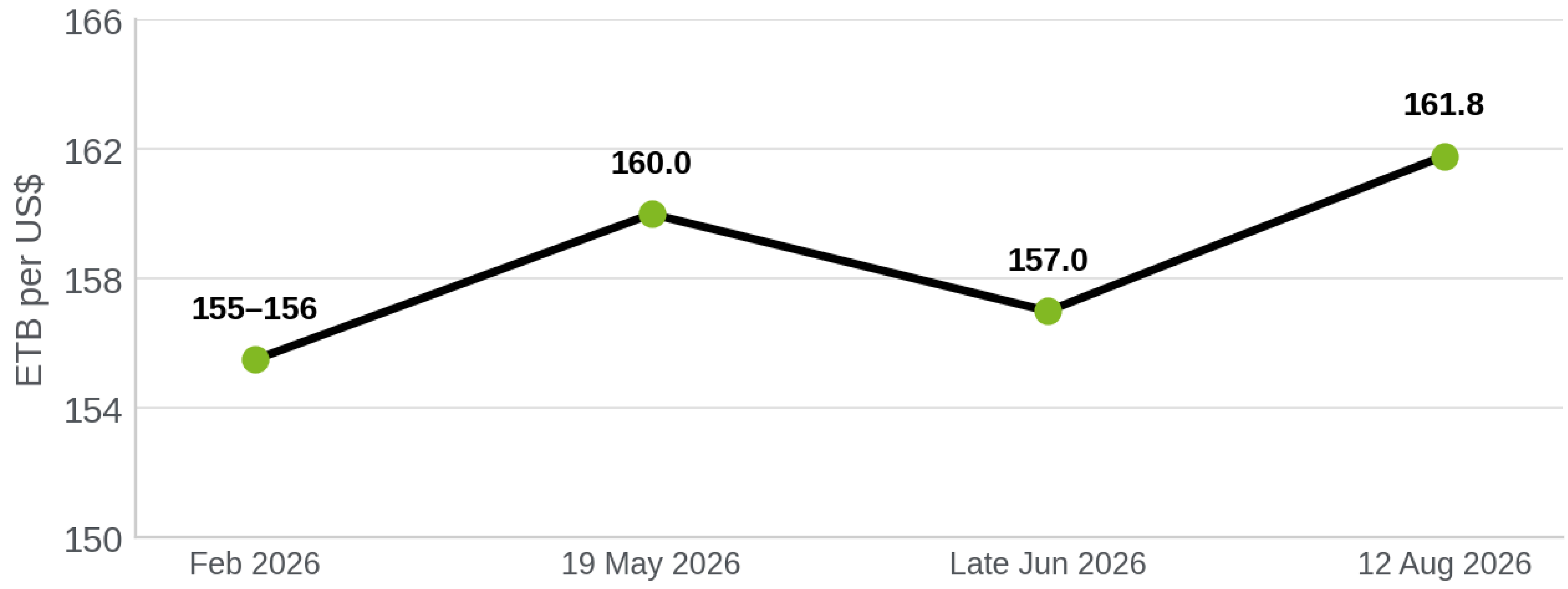
- By January 2026 the Bank was offering US$500 million in a single "special" auction, against US$30 million at the programme's first auction.
- Published auction results indicate approximately US$2.1 billion injected in the first six months of 2026 alone, against an IMF estimate of roughly US$770 million over the seventeen months to December 2025. Cumulative interventions reached roughly US$2.9 billion, excluding a separate US$521 million sale to the Commercial Bank of Ethiopia for fuel imports in the programme's early months.
- The IMF's fourth review introduced a new quantitative performance criterion setting a zero limit on FX intervention except through auctions, formalising auctions as the only permitted intervention channel.

5.5 The exchange rate

The birr depreciated steadily and, by design, predictably.

Date	Rate (ETB per US$)	Context
February 2026	≈155–156 (official)	Parallel market spiking toward 174–177
19 May 2026	≈160	US$500m special auction; heavy bank bidding
Late June 2026	157.00	Weighted average auction rate
12 August 2026	161.80	25th auction: US$125m offered, US$470.17m bid by 28 banks, bids 159.98–163.99

Figure 3 Birr against the US dollar



Source: National Bank of Ethiopia auction results and market reporting. February 2026 shows the official rate range; later points are auction weighted averages.

Press analysis put cumulative depreciation at least 15 percent over FY 2025/26 on auction-clearing rates, and 3.1 percent in the seven weeks between late June and mid-August 2026 alone. The parallel market premium, however, narrowed to roughly 12 percent, the operative measure of whether the official rate has become the rate that matters. The NBE confirmed a US$500 million quarterly allocation for Q1 of FY 2026/27, with tenders scheduled for 26 August, 9 September and 23 September 2026.

5.6 The unresolved item: gold

The NBE's gold purchase operations were the dominant driver of reserve accumulation and, mechanically, of reserve money growth, the Bank buys gold with newly created birr. The IMF's fifth review explicitly called for "a well-designed plan for NBE to improve its gold market operations, and eventually exit the gold market, consistent with reserve accumulation objectives." No such exit plan had been published by the close of the review period. This is the largest identified unfinished item in the monetary framework.

6. Banking Sector Reform

6.1 The legal opening

Banking Business Proclamation No. 1360/2025, approved by Parliament on 17 December 2024 and gazetted on 12 March 2025, repealed Proclamation No. 592/2008 and permitted foreign participation in Ethiopian banking for the first time since the nationalisations of the 1970s. Five entry structures are available: wholly or partly owned subsidiary, branch, representative office, equity acquisition in a domestic bank, and exceptional-circumstance acquisition.

The implementing directive, Requirements for Licensing and Renewal of Banking Business and Representative Office No. SBB/94/2025, took effect on 25 June 2025. Its ownership architecture:

Category	Cap
Foreign strategic investor (single)	40% of total subscribed shares
Foreign juridical person (non-strategic)	10%
Foreign individual (non-strategic)	7%
Aggregate foreign nationals and foreign-owned Ethiopian organisations	49%
Domestic natural person (aggregate direct + indirect)	15%
Domestic juridical person (aggregate direct + indirect)	20%
Natural and juridical person together	20%
NBE exceptional authorisation	Up to 100%, for strategic investment of national benefit, or resolution of a distressed bank

Supporting terms: minimum paid-up capital of 5 billion birr, remittable inward in acceptable foreign currency for foreign subsidiaries and branches; a 90-calendar-day NBE decision window on complete applications; strategic-investor vetting on governance and financial soundness, home-regulator compliance and cooperation, and strategic value to the Ethiopian financial system; and foreign nationals permitted in CEO and senior executive roles for a maximum of five years, subject to the availability of qualified Ethiopians.

6.2 What actually happened

The legal opening has not yet produced a foreign bank. The concrete outcomes during the review period were:

- 28 November 2025, Standard Bank Group became the first foreign financial institution re-licensed under the new framework, for its representative office. Supervision of foreign bank representative offices transferred from the Ministry of Trade and Regional Integration to the NBE, which described the change as "the beginning of a new regulatory era." Requirements include parent-institution assurances and a minimum operational deposit equivalent to US$100,000. Representative offices remain confined to liaison, research and promotion.
- KCB Group (Kenya) narrowed its acquisition shortlist to a single Ethiopian target and stated a target of announcing entry before the end of 2026, financed partly from proceeds of its sale of National Bank of Kenya. CEO Paul Russo indicated the group was weighing an application for exemption from the 49 percent cap.
- Equity Group (Kenya) held talks with the Ethiopian Investment Commission in September 2025.
- First Bank and Zenith Bank (Nigeria) and BCIMR (Djibouti) registered interest through visits to the NBE, ECMA and Ethiopian Investment Holdings.

The policy logic behind the slow pace appears deliberate: strengthen domestic institutions first through higher capital requirements and capital-market access, then open more fully. It is the standard African regulatory sequence, and it carries the standard risk of indefinite deferral.

6.3 Prudential tightening

Directive SBB/95/2025, Risk-Based Capital Adequacy Requirements for Banks, effective 10 November 2025, replaced a single flat 8 percent capital adequacy ratio with a Basel II/III-aligned structure:

Ratio	Minimum (% of risk-weighted assets)
Common Equity Tier 1 (CET1)	7%
Tier 1 capital	9%
Total capital	11%

Risk-weighted assets must now be computed across credit, market and operational risk separately. Every bank's board must prepare a one- to three-year capital management strategy subject to NBE review and approval. Quarterly quantitative and qualitative electronic reports began with the quarter ending 31 March 2026; full compliance is required by 31 December 2026. The directive applies to all licensed banks, private, state-owned, conventional and interest-free, on both standalone and consolidated bases.

Directive SBB/99/2026 (6 January 2026) set requirements for licensing bank branches to operate in Special Economic Zones. Directive NBE/INT/13/2026 (9 January 2026) amended the interest rate directive, giving effect to the December 2025 abolition of the minimum deposit rate.

6.4 Sector performance

The NBE's third Financial Stability Report, published in March 2026 and covering July 2024 – June 2025, recorded the sector's strongest year on record:

Metric	FY ended June 2025	Change
Number of commercial banks	31	—
Total assets	ETB 4.7 trillion	+44.5%
Deposits	ETB 3.5 trillion	+40.7%
Capital	ETB 422.4 billion	+63.3%
Total income	ETB 646.3 billion	+78.8%
Net profit after tax	ETB 93.4 billion	+61.3%
Share of financial system assets	87.5%	—

All four core soundness indicators, capital adequacy, asset quality, liquidity and profitability, reached five-year highs simultaneously, and stress tests for credit, liquidity and FX risk confirmed resilience. The report's central warning was concentration: the Commercial Bank of Ethiopia's asset share rose to 49.1 percent and its loan share to 51.7 percent, while its share of industry capital jumped from 24.2 to 43.1 percent following government recapitalisation and World Bank concessional funding. Twenty-five of the 31 banks together hold under 22 percent of the market. Trade lending accounted for 41.5 percent of outstanding loans, up from 39.7 percent. The NBE explicitly flagged that smaller banks may need to consolidate.

Indicative FY 2025/26 results reported during the year: CBE posted 54.5 billion birr net profit over nine months on total assets of 2.87 trillion birr, with cumulative digital transactions exceeding 22 trillion birr; Awash Bank reported deposits of 467.8 billion birr, total assets of 622 billion birr, paid-up capital of 38.5 billion birr and revenue of 40.7 billion birr; Sinqee Bank reported a record 10.7 billion birr profit with assets above 216 billion birr.

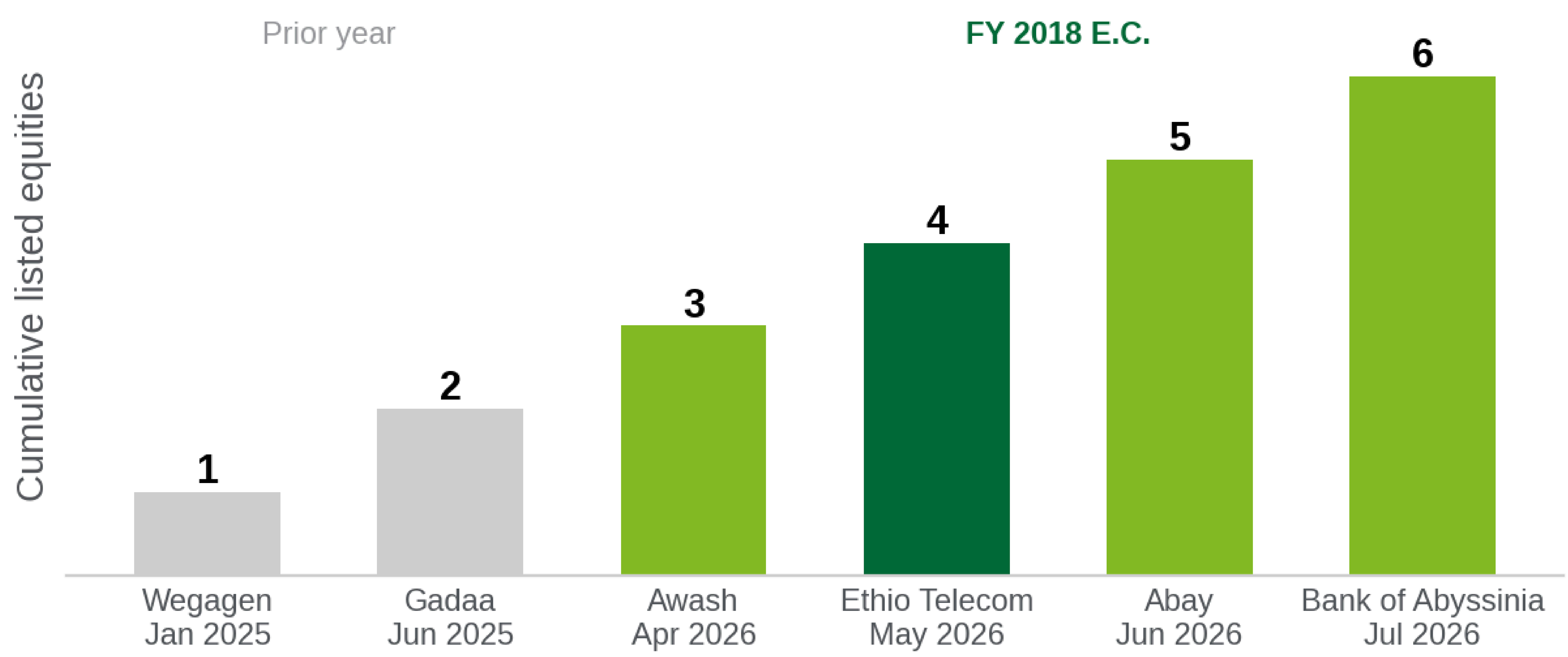
7. Capital Market Development

This was the domain of most visible change. The exchange entered the year with two listed equities and left it with six, one of them a state-owned enterprise, alongside a functioning depository, a retail trading application, a listing tax incentive and a licensed foreign investment bank.

7.1 Equity listings

Company	Ticker	Listing date	Notes
Wegagen Bank S.C.	WGBX	10 January 2025	First listed company; ESX grand launch
Gadaa Bank S.C.	GDAB	23 June 2025	Second bank
Awash Bank S.C.	AWAB	23 April 2026	Listing by introduction; ~38m shares; no new capital raised
Ethio Telecom S.C.	TELE	26 May 2026	First state-owned enterprise; IPO drew 45,000–47,000 investors
Abay Bank S.C.	ABAYB	25 June 2026	9.66m existing shares registered; 4,714 shareholders
Bank of Abyssinia S.C.	BOAX	28 July 2026	17.4 million shares floated

Figure 4 ESX equity listings, cumulative



Source: Ethiopian Securities Exchange listing announcements. Wegagen and Gadaa listed in the prior fiscal year.

Indicative ESX board prices in mid-August 2026: WGBX 1,253.73; GDAB 1,300.00; TELE 499.00; AWAB 2,450.00; ABAYB 1,440.00; BOAX 1,800.00 birr. The interbank money market benchmark (IBMM) was quoted at 13. Ethio Telecom's listing price against its 300 birr IPO subscription price gave the first cohort of Ethiopian retail equity investors a visible mark-to-market gain, the single most important fact for market development, and one that no amount of investor education could have substituted for.

The ESX targeted nine listings before the close of the fiscal year on 7 July 2026 and a longer-run ambition of 50 IPOs by 2030. On a strict fiscal-year count it achieved five (Wegagen and Gadaa having listed in the prior year); counting Bank of Abyssinia in late July, six equities were trading by the end of the review window.

7.2 The listing pipeline

The mandatory registration deadline for securities of existing share companies lapsed on 25 November 2025, converting a large informal share-transfer market into a regulated registration queue. By 2 December 2025 ECMA reported more than 70 prospectuses under review.

- Approval in Principle granted (February 2026): Awash, Dashen, Bank of Abyssinia, Abay, Anbesa and Amhara banks.
- Approval in Principle granted (July 2026): Ayat S.C., Sidama Bank, Nib Insurance S.C. and ZamZam Bank. ZamZam had already completed registration and published its prospectus.
- Securities registered with ECMA during the period included Bunna Bank (including ~2.6 million new shares, June 2026), Addis Bank, Dashen Bank, Zemen Bank, Gadaa Bank (230,713 existing shares), Global Insurance, Sidama Bank, Wegagen Bank, Hibret Bank, NIB Insurance and MEBA Microfinance Institute.
- Hibret Insurance S.C. became the first insurance company in Ethiopia to register its securities with ECMA, an important widening beyond banking while MEBA Microfinance Institute became the first microfinance institute to register its shares.

7.3 Market infrastructure

- Central Securities Depository, launched 22 November 2025. Owned, managed and operated by the NBE, described as Ethiopia's "single-entity multi-asset central securities depository." It dematerialises certificates, provides safe custody, assigns unique investor identification numbers, and is fully integrated with the Ethiopian Automated Transfer System for delivery-versus-payment settlement.
- Ts'ega investor portal, launched 22 November 2025 alongside the CSD. Ethiopia's first digital investment portal, giving investors secure real-time access to holdings, transaction history, portfolio insight and tracking of dividends, interest and corporate actions directly from the CSD without intermediaries.
- Neway (ንዋይ) trading application, launched 6 March 2026. ESX's first web and mobile trading platform, built with technology partner Infotech Private Limited and integrated with the broker back office. Available on Google Play and the App Store.
- Automated Trading System. Trading is fully electronic with no physical floor, conducted only through licensed intermediaries; no direct investor access to the order book.

7.4 Market intermediaries

Licensed Capital Market Service Providers grew from 16 in early 2026 to 21 by 10 July 2026.

Date	Event	Running total
Early 2026	BDO Consulting PLC licensed as corporate investment advisor	16 CMSPs
5 June 2026	United Capital Financial Services PLC (subsidiary of United Capital Group, Nigeria) licensed as an investment bank, the first foreign investment bank to establish a subsidiary in Ethiopia. Five board directors and four appointed representatives approved.	18 CMSPs; 7 investment banks
10 July 2026	PrizeWorth Investment Bank S.C. (investment bank); BluFin Capital Advisory PLC and Lumina Capital PLC (securities investment advisors)	21 CMSPs; 8 investment banks; 11 securities investment advisors

ESX trading membership expanded in parallel: First Addis Investment Bank and Siinqee Investment Bank admitted 8 May 2026, and Prime Capital S.C. on 2 July 2026, joining Wegagen Capital (May 2025) and CBE Capital (June 2025).

7.5 The regulatory framework

ECMA's directive suite implementing the Capital Markets Proclamation No. 1248/2021:

- **Directive No. 980/2024:** Licensing and Supervision of Service Providers
- **Directive No. 1030/2024:** Public Offering and Trading of Securities
- **Directive No. 1031/2024:** Recognition and Supervision of Self-Regulatory Organisations
- **Directive No. 1009/2024:** Licensing, Operation and Supervision of Securities Exchanges, Derivatives Exchanges and the Over-The-Counter Market
- **Directive No. 1047/2025** — Dematerialisation of Securities

Two directives in the pipeline

Foreign investor participation. At the Second Regional Capital Market Summit (2–4 December 2025) Director General Hana Tehelku announced that ECMA had finalised the legal and regulatory framework enabling foreign investors to participate in the Ethiopian capital market. As of the close of this review period the directive had not been formally issued. ECMA's stated concern was less about profit repatriation, foreign banks and better-capitalised domestic banks can source currency, than about creating genuine portfolio-investment channels, robust price discovery and adequate liquidity in listed instruments.

Collective Investment Schemes. The longest-running unfinished item of the year:

- Draft published for consultation effective 18 August 2025; public consultation held 16 September 2025 at Addis Ababa University Commerce Campus.
- Framework covers money market funds, mutual funds, unit trusts, REITs, alternative investment funds and a special investment vehicle. Registration is compulsory for any arrangement involving fund management or pooling of monies for profit distribution.
- Originally projected for implementation in January 2026.
- April 2026, ECMA announced the directive finalised and submitted to the Ministry of Justice for legal review and registration.
- June 2026, a further draft was released for public consultation with a feedback deadline of 7 June 2026, carrying administrative penalties of 1 to 3 million birr for late submission of prospectuses and allotment reports.
- Not issued as of 17 August 2026. Fund managers, the constituency most affected, were, in the regulator's own account, "eagerly awaiting it."

7.6 The listing tax incentive

Announced by the ESX on 6 March 2026: under Article 16 of Council of Ministers Regulation No. 586/2026, companies listing on the Ethiopian Securities Exchange, excluding financial sector issuers, become eligible for a reduction in the business income tax rate from 30 percent to 25 percent for three years from the date of listing. This is the first time Ethiopian tax law has priced a listing decision, and the financial-sector exclusion is significant: the banks and insurers that dominate the current pipeline receive no benefit, so the incentive is aimed squarely at the non-financial issuers the market lacks.

7.7 Listing requirements

Requirement	Main Market	Growth Market
Minimum paid-up capital / market cap	ETB 500 million	ETB 100 million
Minimum public float	15% (10% if cap/equity ≥ ETB 2bn)	10%
Audited IFRS financials	3 years, not materially qualified	2 years
Minimum shareholders	300	50
Track record	Profitable in at least 1 of 3 years	Growth potential or ≥20% revenue growth over 2 years

7.8 Market development activity

- **REITs and real estate funds:** validation workshop convened 9 June 2026 with FSD Ethiopia, the Nairobi Securities Exchange, the i-Capital Africa Institute, the REITs Association of Kenya and the Ethiopian Real Estate Developers Association.
- **Electronic receivables discounting:** stakeholder workshop with the IFC on 26 June 2026 to assess invoice discounting platforms as an alternative financing channel for local businesses.
- **Market indices:** the ESX committed to introducing indices for listed companies by June 2026, beginning with the banking-heavy main board. Indices are the precondition for index-tracking products and for visibility on international trading systems.
- **Sustainable finance:** ESX signalled work on green bonds, social bonds and sukuk.
- **Capacity building:** the ACI–FMA programme with the IFC (Dealing Certificate, Operations Certificate, Executive Leadership) completed March 2026; regional roadshows and university awareness sessions ran across the year; an information session for insurers was held with the Association of Ethiopian Insurers on 9 March 2026.
- **International engagement:** a delegation from Nigeria's Securities and Exchange Commission visited in December 2025; ESX hosted the Ring the Bell for Gender Equality initiative with UN Women, IFC and ACCA Ethiopia; the exchange held its second Annual General Meeting on 13 December 2025.

The exchange reported approximately 2,500 active investment accounts in early 2026, the number that most clearly frames the gap between institutional achievement and market depth.

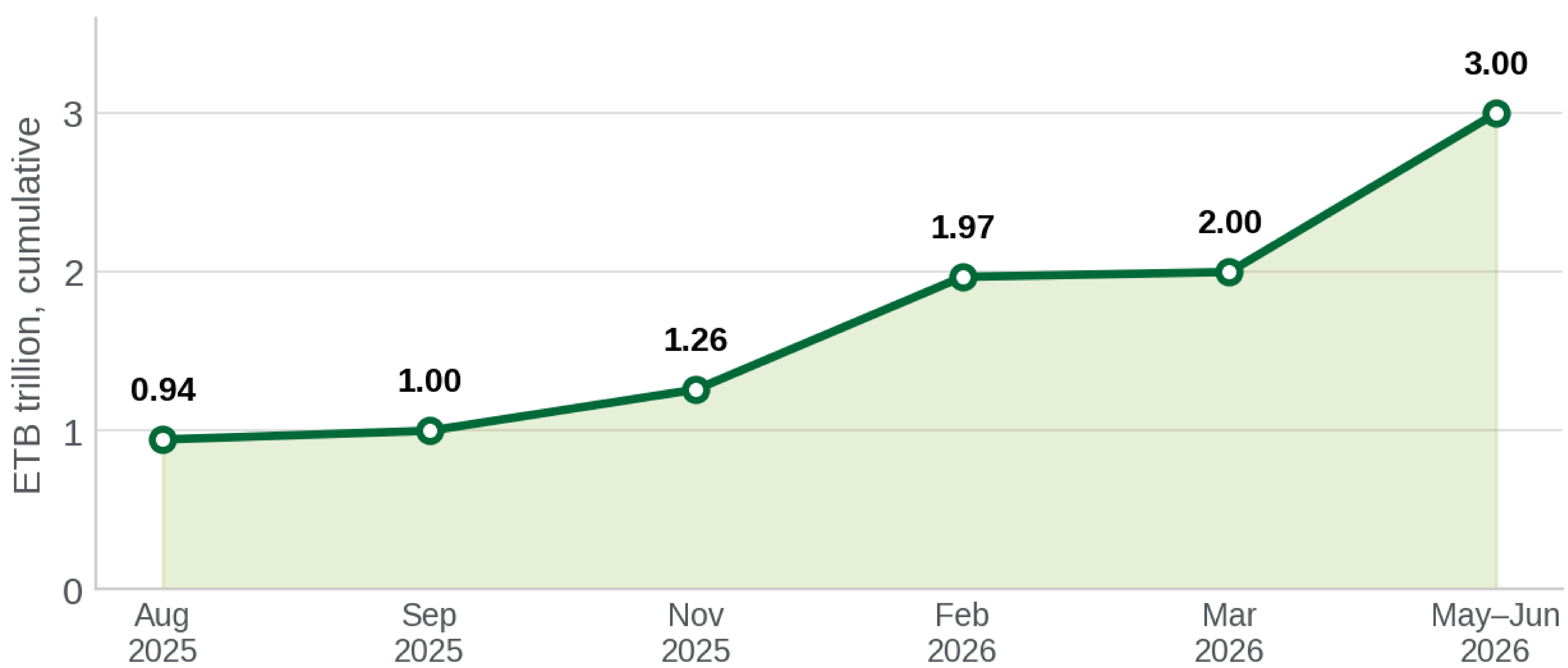
8. Money and Government Securities Markets

8.1 The interbank money market

Launched as a pilot on 31 October 2024 and operated by the NBE on ESX-supplied technology, the local-currency interbank money market was the year's quiet success.

Date	Cumulative traded volume
August 2025	ETB 945.1 billion
September 2025	ETB 1 trillion (first)
November 2025	ETB 1.26 trillion
February 2026	ETB 1.97 trillion
March 2026	ETB 2 trillion
May / June 2026	ETB 3 trillion

Figure 5 Interbank money market, cumulative traded volume



Source: National Bank of Ethiopia MPC press releases and Ethiopian Securities Exchange announcements.

By May 2026 the tenor split was 51 percent 7-day (ETB 1.5 trillion) and 49 percent overnight. Combined with the NBE's Standing Lending Facility, the market materially relieved the short-term liquidity stress affecting banks with high loan-to-deposit ratios — the precondition, in the MPC's own reasoning, for abandoning quantity-based credit control.

8.2 Government securities

11 July 2025 marked the historic first day of government securities listing and the launch of trading on the ESX, jointly celebrated by the NBE, ECMA, ESX and the CSD. The T-bill market then developed rapidly on three dimensions:

- Fiscal function: T-bills financed the budget deficit with net financing of more than 70 billion birr in the first five months of FY 2025/26, 136.6 billion birr in the first seven months, and 206.5 billion birr across the fiscal year.
- Demand: Oversubscription reached roughly 667.8 billion birr, concentrated in 28-, 91- and 182-day tenors.
- Participation: The MPC specifically credited "increased participation of individual investors facilitated through newly established investment banks" with broadening the T-bill market, the first documented channel by which Ethiopian households have lent directly to their government at market-determined rates.

Yields fell accordingly: the 91-day rate declined from 16.2 percent in November 2025 to 12.4 percent in February and 11.0 percent in May 2026, with the all-tenor weighted average at 12.3 percent. The government has not taken direct advances from the NBE since the July 2024 reform.

9. Fiscal Policy and Tax Reform

9.1 The budget

Parliament ratified the FY 2026/27 (2019 E.C.) federal budget of 2.34 trillion birr on 7 July 2026, in the presence of the Prime Minister and by majority vote of an outgoing House. The figure represents an increase of 411.6 billion birr, or 21.3 percent, over the 2018 E.C. budget — implying an FY 2025/26 budget of approximately 1.93 trillion birr.

Line	FY 2026/27 (2019 E.C.)
Total federal budget	ETB 2.34 trillion (≈ US$14.6 billion)
Projected total revenue	ETB 1.8 trillion (≈89% domestic)
Tax revenue target	ETB 1.49 trillion
External loans and grants	ETB 93.7 billion
Domestic borrowing	ETB 320 billion
Subsidies to regional states	ETB 187.3 billion (15.1% of budget)
Projected fiscal deficit	1.4% of GDP
Domestic debt servicing	ETB 249 billion (ETB 26bn principal, ETB 222bn interest)

Parliamentary debate was unusually pointed. Lawmakers challenged the optimism of the macroeconomic outlook, the growing tax burden, unemployment, and the widening imbalance between recurrent and capital spending. Finance Minister Ahmed Shide defended the projections on the strength of the reform programme. The Ministry of Revenue had reported 1.1 trillion birr collected in the first three quarters of FY 2025/26.

The fiscal outturn supported the government's case: the overall budget deficit fell to 0.9 percent of GDP in the first ten months of FY 2025/26, against 2.1 percent in the pre-reform FY 2023/24. Revenue mobilisation rose 65 percent year-on-year in the first seven months, though expenditure grew 48 percent over the same period.

9.2 Income Tax (Amendment) Proclamation No. 1395/2025

Passed by Parliament on 17 July 2025 and effective from 7 July 2025, immediately antecedent to the review window but shaping its entire tax environment. The amendment to Proclamation No. 979/2016 forms part of the government's effort to raise tax and customs revenue to 11 percent of GDP. Its principal changes:

- Minimum Alternative Tax (MAT) introduced for the first time: 2.5 percent of gross revenue, income or premium where assessed tax falls below that threshold. Applies regardless of tax incentives. Only entities in liquidation and corporate bodies under debt restructuring are exempt.

- Limited liability partnerships recognised as pass-through entities and exempted from corporate income tax; formed by licensed professionals, they deduct income tax from partners on distribution under Schedule C and pay no dividend tax.
- Turnover Tax abolished. TOT Proclamation No. 308/2022 was cross-repealed. Small taxpayers below the 2,000,001 birr threshold now pay a fixed 2–9 percent depending on gross revenue, excluding professional service providers, VAT-registered businesses, and those electing net income taxation.
- Quarterly advance tax made mandatory: 25 percent of the immediately preceding year's assessed income tax each quarter, reconciled at year-end, with excess refundable from VAT refund reserves.
- Digital content creation made a taxable activity. Where carried on regularly for profit in an organised manner with books and business expenses, it is business income; otherwise it falls under Schedule D.
- Digital services tax and taxation of indirect transfers of Ethiopian assets introduced.
- Permanent establishment threshold reduced.
- Rate changes: employment income exempt to 2,000 birr (from 600), next 2,000 birr at 15 percent, the 10 percent band eliminated, top marginal rate of 35 percent now applying above 14,000 birr (from 10,900). Schedule D income (interest, royalties, dividends, games of chance) moved from a 5–10 percent range to 10–15 percent. Withholding tax on dividends 15 percent, on interest 10 percent; repatriated and undistributed profits 15 percent, exempt if reinvested domestically within the prescribed period.

9.3 Property Tax Proclamation No. 1365/2025

A unified, value-based urban property tax replacing the urban land rent and building tax system dating to 1979. The tax applies to urban land-use rights, buildings and land improvements. Taxable value is set at 25 percent of market or replacement value, with rates from 0.1 to 1 percent depending on property type, phased in with higher rates taking effect over four years. It is an annual obligation payable to the municipal authority and is separate from rental income tax under Schedule B, property owners who lease are liable for both. The stated purpose is to give cities dedicated own-source revenue commensurate with the pace of urbanisation.

9.4 Investment Tax and Customs Incentives Regulation No. 586/2026

In force 23 February 2026, published in Federal Negarit Gazette No. 17, repealing Regulation No. 517/2022 in its entirety. This is a philosophical change, not a parameter adjustment: Ethiopia abandoned tax holidays in favour of temporarily reduced rates conditioned on performance.

- Most eligible activities receive a reduced 15 percent business income tax rate for 2 to 6 years, varying by sector.
- Fertiliser manufacturing in designated Special Economic Zones receives 5 percent for 10 years.
- MAT is reduced proportionally to the business income tax reduction.
- A first-year investment allowance is introduced for some capital goods.
- Extended incentives require a US$10 million minimum capital threshold and legally binding Performance Agreements with targets for job creation, technology transfer and export performance.
- Article 16 provides the ESX listing incentive (30 percent to 25 percent for three years, non-financial issuers only).
- Further provisions cover start-up hubs (reduced initial CIT, dividend and capital gains exemptions, MAT relief), exporters inside and outside SEZs, and certified green-energy and carbon-credit projects.
- All investors with existing incentives were required to review their position, the repeal was total.

9.5 Other tax measures

- VAT remains at 15 percent with a mandatory registration threshold of 2 million birr turnover. Registration was made mandatory for professional service providers, auditors, consultants, architects, lawyers, regardless of turnover. 15 percent VAT was imposed on non-resident digital service providers supplying Ethiopian customers. A draft VAT refund directive proposed changes to eligibility and exporter rules.
- A social welfare levy on imported goods was approved by the Council of Ministers, earmarked for education, training and medical facilities.
- Standing rates: corporate income tax 30 percent; capital gains 15 percent; withholding on domestic supply 3 percent (30 percent without TIN and valid licence); customs duty 0–35 percent; excise 5–500 percent; import surtax 10 percent.

9.6 The fuel subsidy

The largest unplanned fiscal event of the year. Following the Middle East conflict, the government expanded fuel subsidies rather than pass through global prices:

Measure	Figure
Cumulative fuel subsidy spending (to March 2026)	≈ ETB 262 billion
Monthly subsidy expenditure	ETB 15–20 billion
Additional monthly cost above prior levels (peak)	≈ ETB 20 billion
Annual FX allocation for fuel imports	> US$4.2 billion
Subsidy per litre, gasoline (March 2026)	ETB 73 (from ETB 28.7 pre-escalation)
Subsidy per litre, diesel (March 2026)	ETB 95–98
Unsubsidised price, gasoline	ETB 205.74 per litre
Unsubsidised price, diesel	ETB 238.13 per litre

The Finance Minister acknowledged that subsidised fuel was being diverted from the official supply chain and resold illegally, the standard failure mode of price-based subsidy in a shortage. The IMF's fifth review added approximately US$200 million in additional resources specifically to help absorb the shock.

10. External Sector, Debt and the IMF Programme

10.1 Balance of payments and reserves

The external turnaround is the reform programme's strongest empirical claim. Following the July 2024 measures, Ethiopia's balance of payments moved from deficit to overall surplus, sustained through FY 2025/26.

- Current account deficit narrowed from US$6.2 billion in 2023/24 to US$1.8 billion in 2025/26.
- Goods export earnings roughly tripled relative to the pre-reform base.
- NBE foreign exchange reserves reached approximately twenty times the pre-reform level, the Bank's own framing. Before the reform, Ethiopia held under one month of import cover, among the weakest reserve positions globally.
- The capital account surplus also expanded.

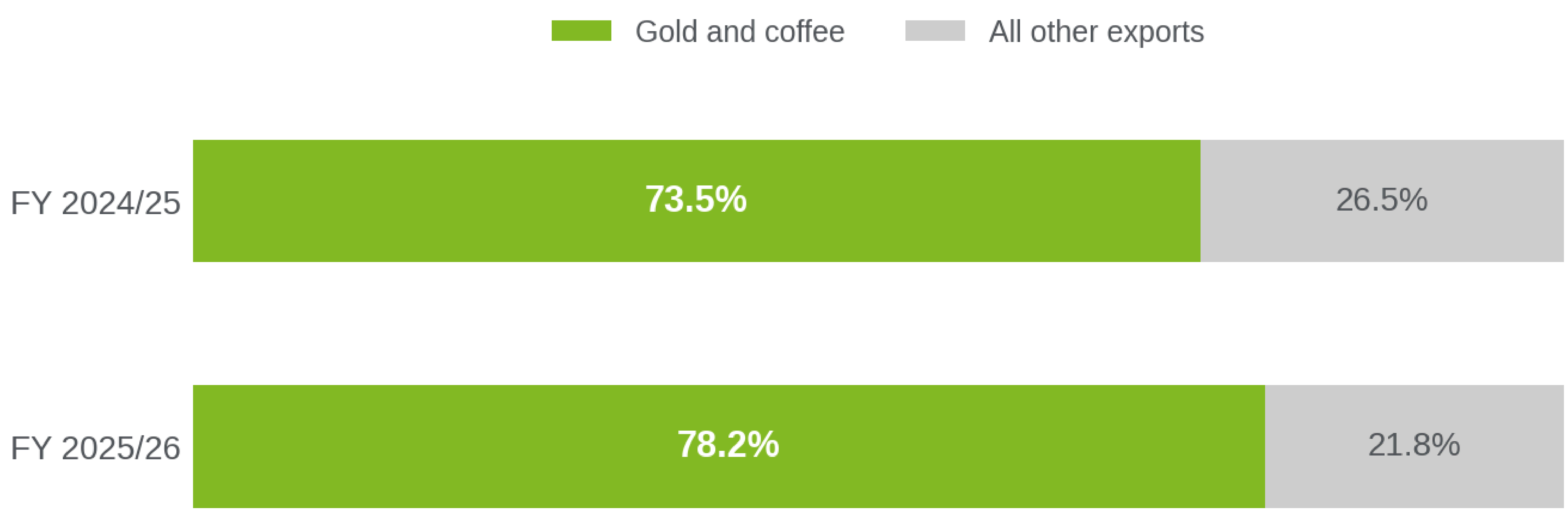
10.2 Exports and inflows

Figures for FY 2025/26 were announced with some inconsistency across official channels; both sets are shown.

Item	FY 2025/26	Source / comparison
Total merchandise exports	US$11.2 billion (+35%)	Press analysis of the fiscal year; ≈20% above target
Coffee	US$3.0 billion	Record; ≈28% of exports; from US$2.65bn; unit price US$7,500/tonne from US$6,000
Gold	US$5.5bn	largest single earner; 39 tonnes in one account
Gold + coffee combined	US$8.5 - 8.6 billion	78.2% of total exports, up from 73.5% a year earlier
Manufacturing exports	US$370 million (2024/25)	Target of US$1 billion for 2026/27
Services FX earnings	≈ US$9.5 billion	Government
Remittances	US$7.9 billion	Government

Remittances	US$7.9 billion	Government
Foreign direct investment	US$4 billion	Government
Grants and external loans	≈ US$5 billion	Government
Total foreign capital inflows	≈ US$38 billion (+18.4%)	Government

Figure 6 Export concentration: gold and coffee as a share of merchandise exports



Source: Government presentation of FY 2025/26 results. Shares as reported; totals differ between official channels (see Section 19.3).

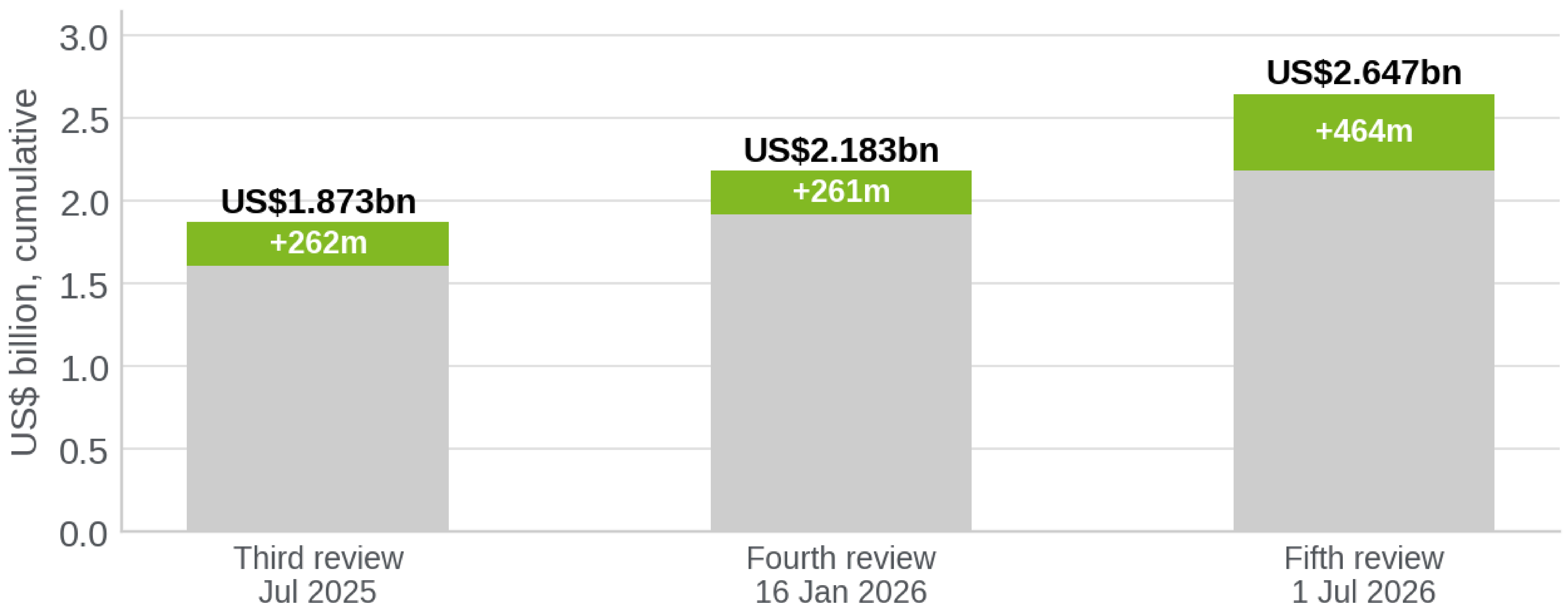
Officials attributed the gold surge to the July 2024 reforms, which reduced contraband and drew producers into official channels. The concentration is the concern: gold and coffee together account for more than three-quarters of export earnings, and their combined share rose during the year. Oilseeds and pulses recorded falling earnings despite higher volumes. Export diversification remains an announced priority without an observable result.

10.3 The IMF programme

Ethiopia's 48-month Extended Credit Facility, SDR 2.556 billion (850 percent of quota), approximately US$3.4 billion, approved 29 July 2024, sits within a support package of more than US$10.7 billion from the IMF, World Bank and other partners.

Review	Board date	Disbursement	Cumulative
Third review + 2025 Article IV	July 2025	≈ US$262.3m (SDR 191.7m)	US$1.873 billion
Fourth review	16 January 2026	≈ US$261m (SDR 191.7m)	US$2.183 billion
Fifth review	1 July 2026	≈ US$464m (SDR 342.05m)	US$2.647 billion

Figure 7 IMF Extended Credit Facility disbursements, cumulative



Source: IMF Executive Board press releases for the third, fourth and fifth reviews.

Fourth review (16 January 2026). Overall performance broadly in line with commitments; all quantitative performance criteria and most indicative targets met. A new quantitative performance criterion setting a zero limit on FX intervention except through auctions was introduced. The Fund called for finalisation of NBE governance reform including new Board appointments, welcomed the publication of FX auction guidelines consistent with international best practice, and pressed for a plan to bring the Commercial Bank of Ethiopia's net open FX position within prudential limits. It endorsed the recently approved reserve requirement increase and recommended a phased exit from the private credit cap to advance the interest-rate-based framework, with programme documents setting December 2026 as the deadline.

Fifth review (staff-level agreement 3 June 2026; Board 1 July 2026). A mission led by Alvaro Piris visited Addis Ababa 6–20 May 2026. The Fund found output indicators, exports, reserves and government revenue all improving through early 2026 alongside declining inflation, and characterised the Middle East war as "a significant external shock" that disrupted trade and caused temporary fuel shortages and sharp increases in imported fuel and fertiliser prices, with only modest impacts on output growth and consumer price inflation. The disbursement included approximately US$200 million in additional resources for war-related pressures. The Fund emphasised continued NBE efforts on FX market functioning, enforcement of net open FX position limits, interbank FX market development, relaxation of exchange restrictions, competition among banks and fairer client treatment, and the design of a plan for the NBE to improve and eventually exit its gold market operations.

Ethiopia's delivery on the credit cap on 13 July 2026 was ahead of the December 2026 programme deadline.

10.4 The Eurobond restructuring

Ethiopia defaulted on its sole international bond, US$1 billion, 6.625 percent, due 2024, in December 2023, having requested restructuring under the G20 Common Framework in early 2021. The 2018 E.C. year contained the entire endgame, including a public failure.

Sequence

- July 2025: final agreement with the Official Creditor Committee restructuring US$8.4 billion of bilateral debt, expected to free more than US$3.5 billion in cashflow relief. This cleared the path to bondholder negotiations.
- 23 December 2025 – 1 January 2026: formal talks with an Ad Hoc Committee of institutional holders controlling more than 45 percent of the 2024 notes.
- 2 January 2026: agreement in principle announced: a 15 percent haircut and a new US$850 million note maturing mid-2029. The bond rallied nearly three cents to 110.09, investors reading the haircut as modest and the coupon and front-loaded amortisation as attractive.
- 30 January 2026: the Official Creditor Committee informed Ethiopia that the deal did not fully meet the Comparability of Treatment principle under the Common Framework. Ethiopia announced it would return to the Ad Hoc Committee. A subsequently revised offer was rejected by bondholders, extending the uncertainty.
- 5–28 June 2026: renewed closed-door negotiations.
- 29 June 2026: new agreement in principle announced by the Ministry of Finance.

Final terms (agreement in principle, 29 June 2026)

Term	Detail
Principal reduction	12% haircut — new bonds of US$880 million against US$1 billion original
Coupon	6.15% per annum
Final maturity	15 July 2029
Amortisation	US$180m (July 2026), US$100m (July 2027), US$300m (2028), US$300m (2029)
Past-due interest	US$99.375 million (three missed coupons, December 2023 – December 2024) paid in full at settlement
Consent fee	0.5% of the original principal of the 2024 notes
New Money Warrant	Detachable, tradable security giving holders the right to subscribe to a future seven-year Ethiopian Eurobond of up to US$1 billion at par, coupon set at 450 basis points over six-year US Treasuries, strike window opening for one year from 1 July 2028
Warrant redemption option	Ethiopia may buy back warrants for cash instead of issuing new international debt, capped at 9% of redeemed notional value or a maximum of US$90 million

The IMF assessed the terms as consistent with Ethiopia's debt sustainability objectives under the ECF programme, and the Official Creditor Committee's co-chairs, China and France, indicated no objection, avoiding a repeat of the January collapse. The transaction was to proceed to a formal exchange offer subject to final documentation and regulatory approvals. The structure retires the restructured debt entirely within three years while giving Ethiopia a contingent, optional path back to international capital markets from mid-2028.

The Prime Minister told Parliament that Ethiopia's external debt-to-GDP ratio had fallen to 17.5 percent.

11. Insurance, Microfinance and Non-Bank Finance

The insurance sector received its most substantial directive package in years, all issued on 25 March 2026 under the Insurance Business Proclamation framework:

- **SIB/62/2026:** Licensing of Insurance Brokers
- **SIB/63/2026:** Requirements for Persons with Significant Influence in an Insurance Company. Defines an influential shareholder as holding, directly or indirectly, 2 percent or more of total subscribed capital; captures directors, CEOs and senior executive officers; requires three independent directors per insurance company.
- **SIB/64/2026:** External Auditor of an Insurance Company
- **SMIB/4/2026:** Licensing and Supervision of Microinsurance Agents

The direction is convergence with banking supervision: the same 2 percent significant-ownership threshold, the same independent-director architecture, the same external-audit discipline. The NBE also held a validation workshop for a National Interest-Free Finance Strategy in May 2026, signalling a policy framework for a segment that has grown substantially through both full-fledged interest-free banks and conventional-bank windows.

Insurers began entering the capital market during the period: Hibret Insurance became the first insurance company to register securities with ECMA; NIB Insurance and Global Insurance followed; NIB Insurance received Approval in Principle to list on the ESX Main Market in July 2026. ESX and the Association of Ethiopian Insurers held a joint information session on 9 March 2026 covering the distinction between formal listing and OTC trading.

The microfinance sector was assessed as posing low risk to financial stability given its small share of total financial assets, and MEBA Microfinance Institute S.C. registered securities with ECMA in August 2026. On pensions, the standing framework remains the Private Organisation Employees' Pension Proclamation No. 1268/2022: employer contribution 11 percent, employee 7 percent, retirement age 60.

12. Digital Finance and Payments

12.1 The first strategy's results

The National Digital Payments Strategy 2021–2024 produced changes of a scale that is easy to under-appreciate:

Indicator	2020	2025
Mobile money accounts	12.2 million	139.5 million
Mobile banking accounts	9.1 million	54 million
Annual transaction volumes	—	146% compound annual growth
Annual transaction values	—	161% compound annual growth

Account totals exceed the adult population several times over, reflecting multi-account holding rather than universal inclusion, a caveat the strategy documents themselves acknowledge.

12.2 NDPS 2.0 — "BRIDGE 2030"

Ethiopia launched its National Digital Payment Strategy 2026–2030 in December 2025, alongside a new instant payments platform. The strategy's stated vision is an "innovative, trusted, integrated, and inclusive digital payments ecosystem." Priorities: expanding adoption, modernising infrastructure, reducing barriers for underserved and rural populations, closing gender gaps in product design, digitising high-frequency payment flows, strengthening merchant acceptance, building nationwide financial literacy, and equipping the regulatory workforce for AI and cybersecurity.

The instant payments system forms the core infrastructure for person-to-person transfers, QR-based payments, bulk disbursements and low-value cross-border operations across cards, mobile wallets and digital banking channels. Eth-Switch remains the national interoperability switch connecting banks, microfinance institutions and fintechs.

12.3 Supporting measures

- **Fayda digital ID integration:** required for banking transactions from 2026, integrated with Telebirr and M-Pesa for KYC, simplifying account opening for underserved populations.
- **Mobile money directive revision:** daily electronic account balance limit raised from 30,000 to 75,000 birr; a new daily aggregate transaction limit of 150,000 birr introduced, with exemptions for utility, tax, airline ticket, fuel and bulk payments; detailed requirements set for foreign mobile money service providers under National Payment System (Amendment) Proclamation No. 1282/2023.
- **Customs Electronic Single Window integration (17 July 2026):** NBE streamlined issuance of NBE account numbers for new importers and exporters.
- **Export permits devolved (26 May 2026):** commercial banks authorised to issue export permits for exports to the People's Republic of China.
- **Financial inclusion:** NBE launched its second Women's Financial Inclusion Scorecard and celebrated 1,000 NEWFin graduates.
- **Recognition**: the National Bank of Ethiopia was recognised at the Central Banking Awards 2026.
- **Ethio Telecom pursued its "Next Horizon:** Digital & Beyond 2028" strategy targeting 85 percent mobile broadband population coverage and continued Telebirr expansion; the Commercial Bank of Ethiopia reported cumulative digital transactions above 22 trillion birr.

13. Trade, Investment and Sector Liberalisation

13.1 WTO accession

Ethiopia first requested accession in 2003. The process was dormant for years and resumed in March 2025; the review period contained its most intensive phase.

- **26 September 2025:** sixth Working Party meeting. Minister of Trade and Regional Integration and Chief Trade Negotiator Kassahun Gofe Balami described the accession as having "entered a decisive phase," reaffirming the goal of joining at the 14th Ministerial Conference. Ethiopia had responded to over 200 member questions and submitted over 50 pieces of legislation since March.
- **Late 2025:** 22 countries in bilateral negotiations, 18 active; 30 countries and organisations including the World Bank supporting accession; 56 Working Party countries engaged to date.
- **March 2026:** WTO Director-General Ngozi Okonjo-Iweala commended Ethiopia's progress to the General Council, noting two full Working Party cycles completed in 2025 and seven bilateral market-access negotiations concluded by early 2026. She encouraged members to treat Ethiopian accession as a potential deliverable following MC14.
- **26–30 March 2026:** MC14 held in Yaoundé, Cameroon. Ethiopia's accession efforts received formal recognition but membership was not concluded. Delegation met Working Party Chair Ambassador Rebecca Fisher-Lamb on the margins.
- **22–23 April 2026:** seventh Working Party meeting. Ethiopia reported 226 further detailed responses. Deputy Director-General Xiangchen Zhang commended the sustained engagement. Ethiopia stated t stood "ready to assume the obligations under WTO membership and to accommodate members' requests to the maximum extent consistent with our reform capacity and macroeconomic stability." Remaining issues were characterised as largely technical.

The government's negotiating position rests explicitly on the reforms documented in this paper, the market-based FX regime, the capital market, and the opening of telecom, finance and logistics. Accession had not concluded by 17 August 2026; the stated target of finalising in 2026 remains open.

13.2 Sector opening

- Ethiopian Investment Board Directive No. 1082/2025 opened previously restricted export, import, wholesale and retail sectors to foreign investors, authorising foreign export of raw coffee, oilseeds and livestock, and liberalising wholesale and retail trade subject to a US$2.5 million minimum capital requirement for retail operations.
- Foreign Nationals' Ownership Right of Residential House Proclamation No. 1388/2025 permits a foreign investor to acquire one residential house on an investment of at least US$150,000, down from the prior US$10 million threshold under the Investment Regulation. Ownership of more than one house is to be governed by a directive from the Ministry of Urban and Infrastructure Development.
- AfCFTA, Ethiopia's accession and implementation of accompanying trade-facilitation and market-opening measures continued.
- Standing investment framework: minimum capital of US$200,000 for a wholly foreign-owned enterprise (US$150,000 for joint ventures); negative-list approach; sectors reserved for government joint venture, domestic joint venture (49 percent foreign cap) or domestic investors only.

13.3 Anticipated instruments

Legal practitioners identified three measures awaiting enactment at the close of the period: the Collective Investment Schemes Directive; the Transfer of Significant Ownership in a Bank Directive, which will require prior NBE approval for any share transfer resulting in a stake of 2 percent or more; and the completed rollout of risk-based capital adequacy for banks.

14. The Middle East Oil Shock

The single largest exogenous event of the year, and the clearest test of the reformed framework.

14.1 The shock

The war between the United States and Israel and Iran began in February 2026. Disruption to traffic through the Strait of Hormuz led suppliers to notify the Ethiopian government that they could no longer fulfil delivery obligations. Brent crude passed US$100 a barrel; in Ethiopia's procurement terms, diesel moved from roughly US$80 to US$230 per barrel and gasoline from US$70 to US$150.

14.2 The transmission

- Over 180,000 metric tons of fuel in the procurement pipeline failed to arrive.
- Daily white diesel supply fell from 9.2 million litres to 4.5 million litres, a reduction of more than half.
- The government began purchasing from alternative "side markets" at up to three times the previous cost, and imported through special procurement arrangements.
- Fertiliser costs rose alongside fuel, threatening the 2026/27 planting season across the region.

14.3 The response

- 11 March 2026: Finance Minister Ahmed Shide announced expanded subsidies rather than pass-through pricing.
- 31 March 2026: a Priority Allocation System replaced market-based distribution. Priority access was granted to fuel tankers, major manufacturers and exporters, critical projects, vehicles transporting essential commodities, agricultural machinery, mass transport and public buses. Distribution outside these categories was declared illegal and subject to legal action.
- A 24-hour monitoring command post involving federal and regional institutions was established to oversee supply and recommend urgent policy adjustments.
- State enterprises adapted operationally: Ethio Engineering Group directed over 3,000 employees to virtual meetings, mandatory carpooling and restricted vehicle use.
- 29 April 2026: daily diesel supply restored to approximately 9 million litres, with transport from Djibouti resumed and regional distribution restarting. Gasoline and aviation fuel had remained stable throughout.

14.4 The cost and the lesson

Direct fiscal cost: roughly 20 billion birr per month in additional subsidy at peak, on top of pre-existing subsidy running at 15–20 billion birr monthly, with cumulative spending near 262 billion birr by March 2026. Monetary cost: the loss of single-digit inflation, with headline rising from 9.7 percent in February to 13.4 percent in May and the policy rate raised in July partly in response.

By the July 2026 MPC meeting, the signing of a memorandum of understanding between the United States and Iran aimed at ending the conflict had eased downside risks, though the IMF's July 2026 World Economic Outlook still marked global growth down to 3.0 percent for 2026 and global headline inflation up to 4.7 percent.

Two conclusions follow. First, the reformed framework absorbed a severe terms-of-trade shock without an exchange-rate crisis, a reserve collapse or an IMF programme interruption, which is precisely what the reforms were built to achieve. Second, Ethiopia's response was a large, untargeted, off-budget-scale subsidy with documented leakage into illegal resale, which is precisely what the fiscal reforms were meant to move away from. Both statements are true.

15. State Enterprise Reform and Energy Infrastructure

15.1 The GERD

The Grand Ethiopian Renaissance Dam was inaugurated on 9 September 2025, at the opening of the review period and timed to coincide with the Africa Climate Summit. Installed capacity 5,150 MW across 13 turbines, with expected average annual output of about 15,700 GWh, roughly doubling Ethiopia's generation capacity and making it Africa's largest hydroelectric project and among the twenty largest globally. Four turbines were operating at inauguration, producing a combined 1,550 MW, with output scaling up thereafter. The project was financed domestically, without external loans or foreign aid.

Economic significance: electricity export earnings reached US$118.1 million in FY 2024/25 (of which US$86.3 million from Kenya alone), with projections of quadrupling as the Ethiopia–Kenya–Tanzania interconnection reaches capacity, and estimates of US$0.5–1 billion annually at scale. Egypt and Sudan issued a joint statement before the inauguration describing Ethiopia's actions as unilateral and a continuing threat to stability; the dispute has shifted from whether the dam exists to how releases and drought-year operations are managed.

15.2 Energy and downstream investment

- October 2025: construction commenced on Ethiopia's first oil refinery: a US$2.5 billion project with planned output of 3.5 million tonnes of fuel per year, processing crude from the Hilala fields in the Somali Region. Given the year's fuel crisis, the strategic case for the project strengthened considerably during construction.
- January 2026: a US$400 million agreement with UK state-backed GridWorks for two transmission projects: a 206 km, 132 kV Degehabur–Kebridehar line linking the Somali Region to central and northeastern grids, and a 198 km, 400 kV Hurso–Ayisha line to unlock northeastern wind and solar capacity and strengthen interconnection with Djibouti. Transmission remains the binding constraint on monetising generation capacity.

15.3 Ethiopian Investment Holdings

EIH, the sovereign wealth fund, holds 25 percent of the Ethiopian Securities Exchange and controls a portfolio variously reported at 27 to 40 state enterprises with gross assets valued near US$45 billion. Deputy CEO Habtamu Hailemichael reported that reforms had strengthened governance, auditing and operational efficiency across state-owned enterprises, with several rescued from collapse, and that portfolio revenues for the first six months of FY 2025/26 reached 1.3 trillion birr, up 51 percent year-on-year.

The Ethio Telecom listing on 26 May 2026 was EIH's flagship transaction and the first listing of a state-owned enterprise on the ESX. The IPO, running from October 2024 to February 2025, offered 100 million shares at 300 birr targeting 30 billion birr; it drew participation from 45,000–47,000 investors who subscribed approximately 3 billion birr, well short of target, and openly discussed as a learning exercise for subsequent privatisation offerings. The company holds roughly 94.5 percent telecom market share. A further 45 percent stake had been contemplated after the initial 10 percent sale established a valuation reference.

16. Assessment: What Changed, What Didn't

16.1 Completed

- Transition from direct credit control to indirect monetary instruments: completed 13 July 2026 with the credit cap's removal.
- Removal of all administratively fixed domestic interest rates: the minimum deposit rate went in December 2025.
- Basel-aligned risk-based capital adequacy for banks: in force since 10 November 2025, with a compliance deadline of 31 December 2026.
- A functioning securities market infrastructure stack: exchange, depository, investor portal, mobile trading, licensed intermediaries, administrative tribunal.
- Bilateral official debt restructuring (US$8.4 billion, July 2025) and Eurobond restructuring agreed in principle (June 2026).
- Replacement of tax holidays with performance-conditioned reduced rates (Regulation 586/2026).
- Abolition of turnover tax and introduction of a minimum alternative tax, quarterly advance tax and digital-economy taxation.
- Substantial decentralisation of FX administration from the central bank to commercial banks.

16.2 In progress

- Collective Investment Schemes Directive: drafted August 2025, consulted September 2025, finalised April 2026, re-consulted June 2026, not issued as of 17 August 2026. The single most consequential outstanding capital-market instrument.
- Foreign investor participation directive: announced as finalised in December 2025, not issued.
- Transfer of Significant Ownership in a Bank Directive: awaiting enactment.
- ESX market indices: targeted for June 2026; not confirmed as launched within the review period.
- WTO accession: seven bilaterals concluded, remaining issues characterised as technical; not concluded.
- Foreign bank market entry: the law is in force and a representative office has been re-licensed, but no foreign bank had established a subsidiary, branch or equity stake.

16.3 Unresolved

- NBE gold operations. Gold purchases drive reserve accumulation and, simultaneously, reserve money growth of 43 percent. The IMF has requested an exit plan. None has been published. This is the central internal contradiction in the monetary framework: the same operation that produces the reserve buffer undermines the money-supply target.
- Banking concentration. CBE holds 49.1 percent of assets, 51.7 percent of loans and 43.1 percent of industry capital. The NBE has flagged the risk and hinted at consolidation among the 25 smaller banks holding under 22 percent combined. No consolidation framework has been announced.
- Export concentration. Gold and coffee rose to 78.2 percent of exports from 73.5 percent. Diversification is a stated priority with a worsening metric.
- Fuel subsidy exit. The subsidy is large, untargeted, leaking, and in direct tension with the fiscal consolidation the IMF programme requires. No exit path has been published.
- Market depth. Roughly 2,500 active investment accounts and thin equity trading. The infrastructure exists; the liquidity does not yet.
- Inflation. Single digits were achieved and lost within six months. The MPC's own projection is double digits across the six-month horizon from July 2026.

17. Chronology

Date	Event
3 Sep 2025	NBE Governor Mamo Mihretu resigns
9 Sep 2025	Grand Ethiopian Renaissance Dam inaugurated (5,150 MW)
16 Sep 2025	ECMA public consultation on draft Collective Investment Schemes Directive
19 Sep 2025	Dr Eyob Tekalign Tolina appointed 11th NBE Governor
25 Sep 2025	MPC No. 4: rate held at 15%; credit growth ceiling raised 18% → 24%
26 Sep 2025	Sixth WTO Working Party meeting on Ethiopia's accession
Sep 2025	Interbank money market cumulative volume passes ETB 1 trillion
Oct 2025	Construction begins on Ethiopia's first oil refinery (US$2.5bn, Hilala crude)
10 Nov 2025	Directive SBB/95/2025 (risk-based capital adequacy) takes effect
22 Nov 2025	Central Securities Depository and Ts'ega investor portal launched
25 Nov 2025	Deadline lapses for mandatory registration of share company securities with ECMA
28 Nov 2025	Standard Bank Group becomes first foreign bank re-licensed under Proclamation 1360/2025
2 Dec 2025	ECMA reports more than 70 prospectuses under review
2–4 Dec 2025	Second Regional Capital Market Summit; ECMA announces foreign investor directive finalised
Dec 2025	National Digital Payment Strategy 2026–2030 (BRIDGE 2030) and instant payments platform launched
13 Dec 2025	ESX holds second Annual General Meeting
22 Dec 2025	MPC No. 5: rate held; credit cap retained; reserve requirement to 10% monthly average; minimum saving deposit rate abolished
26 Dec 2025	Dashen Bank completes registration toward planned listing
2 Jan 2026	First Eurobond agreement in principle: 15% haircut, US$850m new note
6 Jan 2026	Directive SBB/99/2026 — bank branches in Special Economic Zones
9 Jan 2026	Directive NBE/INT/13/2026 — Interest Rates (as amended)

Date	Event
16 Jan 2026	IMF Board completes fourth ECF review; US$261m disbursed; zero-FX-intervention QPC introduced
Jan 2026	US$400m GridWorks transmission agreement signed
28 Jan 2026	Interbank foreign exchange market launches on ESX-built platform
30 Jan 2026	Official Creditor Committee rejects Eurobond terms on comparability of treatment
Feb 2026	US–Israel–Iran war begins; Hormuz disruption; Brent passes US$100
11 Feb 2026	Directive FXD/04/2026 registered (effective 12 February)
14 Feb 2026	ESX names banks with significant progress toward Main Market listing
23 Feb 2026	Investment Tax and Customs Incentives Regulation No. 586/2026 enters into force
6 Mar 2026	Neway trading app launched; ESX announces listing tax incentive (30% → 25% for three years)
11 Mar 2026	Finance Minister announces expanded fuel subsidies
17 Mar 2026	NBE issues third Financial Stability Report (FY ended June 2025)
21 Mar 2026	MPC No. 6: rate and credit cap held; oil shock flagged
25 Mar 2026	Insurance directives SIB/62, SIB/63, SIB/64 and SMIB/4 of 2026 issued
26–30 Mar 2026	WTO MC14, Yaoundé — Ethiopia's accession recognised but not concluded
31 Mar 2026	Fuel Priority Allocation System takes effect
22–23 Apr 2026	Seventh WTO Working Party meeting
23 Apr 2026	Awash Bank lists on ESX (AWAB)
29 Apr 2026	Diesel supply restored to ~9 million litres per day
6–20 May 2026	IMF fifth review mission to Addis Ababa
8 May 2026	First Addis Investment Bank and Siinqee Investment Bank admitted as ESX trading members
19 May 2026	US$500m special FX auction; birr approaches 160/US$

Date	Event
25 May 2026	Directive FXD/05/2026 — bank-level approval of LCs and CAD
26 May 2026	Ethio Telecom lists on ESX (TELE) — first state-owned enterprise; banks authorised to issue export permits for China
29 May 2026	Directive FVD/01/2026 — import on franco valuta
3 Jun 2026	IMF staff-level agreement on fifth ECF review
5 Jun 2026	United Capital Financial Services PLC licensed — first foreign investment bank
9 Jun 2026	REITs and real estate funds validation workshop; Council of Ministers approves FY 2026/27 draft budget
25 Jun 2026	Abay Bank lists on ESX (ABAYB)
26 Jun 2026	ESX–IFC workshop on electronic receivables discounting
29 Jun 2026	New Eurobond agreement in principle: 12% haircut, US$880m at 6.15%, New Money Warrant
1 Jul 2026	IMF Board completes fifth ECF review; US$464m disbursed (incl. ~US$200m shock support)
2 Jul 2026	Prime Capital S.C. admitted as ESX trading member
7 Jul 2026	Parliament ratifies ETB 2.34 trillion federal budget for FY 2026/27; ESX grants Approval in Principle to four issuers
Early Jul 2026	Record export earnings announced: US$10.7–11.2 billion; coffee US$3 billion
10 Jul 2026	ECMA licenses three further CMSPs, bringing total to 21
13 Jul 2026	MPC No. 7: credit cap removed; policy rate 15% → 16%; targeted reserve requirements; FX commission 2.5% → 1.5%; export surrender 50% → 30%
17 Jul 2026	NBE streamlines account number issuance via Customs Electronic Single Window
28 Jul 2026	Bank of Abyssinia lists on ESX (BOAX)
7 Aug 2026	ESX founding CEO Dr Tilahun Esmael Kassahun resigns; Mrs Yodit Kassa appointed CEO
12 Aug 2026	25th FX auction: US$125m offered, US$470.17m bid; birr at 161.80/US$
14 Aug 2026	ECMA reviews capital market progress with market participants

18. Outlook and Watchlist for FY 2019 E.C.

Six items will determine whether 2018 E.C. is remembered as the year the reforms consolidated or the year they peaked.

- Whether the credit cap's removal proves non-inflationary. The NBE has bet that a 16 percent policy rate plus bank-specific reserve add-ons can restrain credit that was growing above 45 percent under a 24 percent cap. The September 2026 MPC meeting is the first read.
- Whether the Collective Investment Schemes Directive is issued. Until it is, Ethiopia has an exchange without funds, no mutual funds, no money market funds, no REITs, and therefore no institutional demand base. This is the binding constraint on market depth, more than listing supply.
- Whether a foreign bank actually enters. Eighteen months after the law, a re-licensed representative office is the extent of it. KCB's stated end-2026 target is the near-term test.
- Whether the Eurobond exchange closes. The agreement in principle requires final documentation, a bondholder vote clearing participation thresholds, and continued OCC non-objection. The first amortisation payment of US$180 million was scheduled for July 2026.
- Whether inflation returns to single digits. The MPC projects double digits through end-2026. Achieving and holding single digits, rather than touching them for one quarter, is the test of the framework.
- Whether the fuel subsidy is unwound. It is fiscally unsustainable, leaking, and in tension with the IMF programme. Removing it in an environment of double-digit inflation is politically difficult; retaining it consumes the fiscal space the reforms created.
- Two further variables sit outside policy control: the trajectory of the Middle East conflict and its effect on fuel and fertiliser prices, and global gold and coffee prices, on which more than three-quarters of Ethiopia's export earnings now depend.

Sources

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- *Ethiopian Capital Market Authority: licensing announcements, securities registration notices, media releases and draft directives.*
- *Ethiopian Securities Exchange: listing announcements, press releases, market price board and rulebook.*
- *International Monetary Fund: Executive Board press releases for the fourth review (16 January 2026, PR 26/009) and fifth review (1 July 2026, PR 26/235); staff-level agreement statement (3 June 2026); Country Reports Nos. 26/020 and 26/174.*
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- *World Trade Organization: Working Party news items, September 2025 and April 2026.*
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