A research, analysis and consultancy company focused on selected emerging and frontier markets.
Overview of Presentation

- Economic Trajectories in Ethiopia
- Politics of Ethiopia
- Security Issues
- Textiles Players and Market Opportunities
Ethiopia Key Facts

- Africa’s second most populous country (105 million residents)
- Africa’s 8th largest GDP (US$ 90 billion)
- A decade of double-digit growth
- Large and affordable work force
- Potential for domestic market growth
Appeal for Textiles and Garments

• A reaction to rising factory wages in East Asia, Bangladesh and other countries

• Proximity to Europe

• Government drive for industrialisation: strong political support, rapidly developing infrastructure
Politics of Ethiopia

- Tight political control until 2018
- Ruling cadre, dominated by the northern Tigrayan ethnic group, unseated by waves of popular protest
- Dramatic loosening of state control under Abiy Ahmed
- Greater private sector opportunities, especially in telecoms and banking
Politics of Ethiopia
Politics of Ethiopia

• Traditional power hierarchies in the regions disrupted
• Dwindling respect for representatives of the central administration
• More important than ever for investors to have good relations at the regional level
• Industrial projects are more likely to get ‘mixed messages’ between regional and federal authorities
• Elections planned for August will be critical
Security Issues

• Loosening of political control has lifted the lid on ethnic nationalism

• At least 86 killed in ethnic clashes in October

• 3 million internally displaced

• Some of the worst clashes have taken place in the central Oromo region
Security Issues
Security Issues

• The Oromo ethnic group is the largest in Ethiopia (34% of the population)

• It has historically been suppressed

• Nationalist sentiment – “its our turn now”

• Political reforms will allow for greater ethnic autonomy and self determination, but it remains to be seen how tensions will be resolved.
Overview of Textiles and Garments

• Several new investments in recent years, predominantly at the garment end of the supply chain.

• Companies including H&M, Tesco, Gap, Belk, and Walmart now source garments from Ethiopia
Overview of Textiles and Garments


• Desta Garments (Addis Ababa) produces uniforms, t-shirts and ‘fashion items’. Currently constructing a textiles factory in the town of Buta Jira.
Overview of Textiles and Garments

• Velocity Textiles (Mekelle) started production in 2016, of jeans and knit garments. Hopes to employ 10,000 people at full capacity. Strong focus on sustainability.

• DBL Group (Mekelle) started production in 2016. An integrated textile and garment factory with a total investment capital of ca. US$ 100 million. H&M committed as a long-term buyer.

• ITACA textiles (Mekelle) manufactures garments for the Calzedonia Group, which it exports to Europe. The facility opened in 2018 and employs 1000-1500 people.
Overview of Textiles and Garments

- Hawassa Industrial Park, in southern Ethiopia, hosts 23 companies, predominantly garment manufacturers, currently generating US$ 4 million a month from exports.


- Turkish Saigin Dima textile plant attacked in 2016. One third of factory burned down. Financial difficulties led to repossession by the Commercial Bank of Ethiopia.
Opportunities

• Textiles: Capitalising on garment manufacturers’ demand for textiles, which are currently often met by imports. The future may bring vertical integration of garment companies, and the entry of new textiles players into the Ethiopian market.

• Garments: Working with established garment manufacturers in Ethiopia on production quality, to ensure heightened access to European and US markets.
Questions?