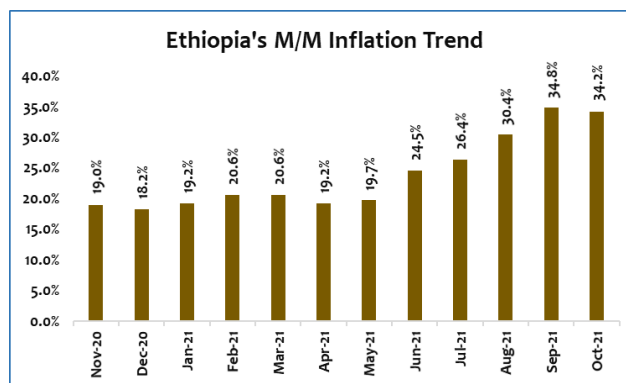
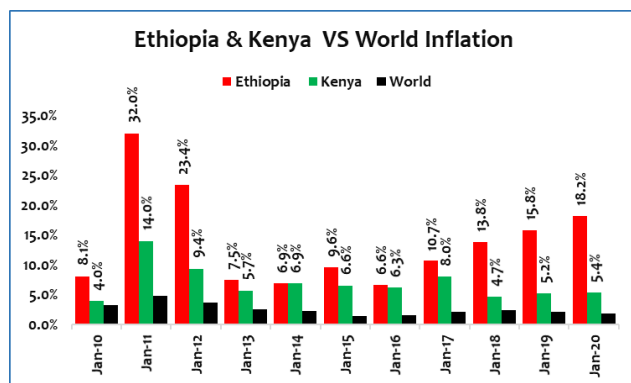


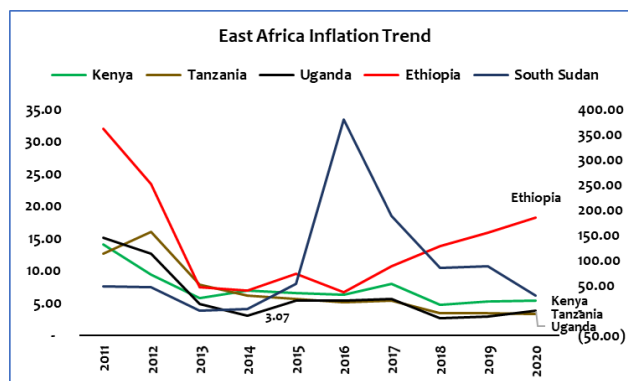
Ethiopia's Inflation Hits a Decade High

Ethiopia's inflation has been on the rise in the recent past fueled by the ongoing internal conflict between the federal forces and the troops from the northern Ethiopia that started in November 2020. Tightening money supply remains a key huddle for the Ethiopian government to tame the rising inflation which hit a high of above 34.0% in September and October 2021.

- Ethiopia ranks 2nd in population in Africa with an estimated population of 116.40Mn people with about 78.1% living in rural areas.
- The country's cost of living has nearly doubled in the recent past mainly on:
 - The ongoing civil war that has lasted for over a year in the Northern Ethiopia leaving over 2.5Mn people fleeing their homes and dozens of dead. This depressed the supply side of basic needs pushing their prices up.
 - High liquidity in the market witnessed by the government's efforts aimed at controlling and restricting financial transactions in March 2021.
 - Covid-19 outbreak that stagnated many sectors of the economy and the GDP in general.



In comparison to the rest of East Africa countries, Ethiopia's prices rose faster in the last five years:



- Liquidity supply in the federal republic of Ethiopia has seen the National Bank of Ethiopia issue a series of directives and circulars to put cash withdrawal limits as a way of managing liquidity, money circulation and preventing money laundering. This saw the introduction of draconian measures on foreign remittances which threw in great concern and confusion before it was later scrapped off in February 2021.
- In a move to manage foreign currency inflows, Lenders were instructed to submit 50% of all the foreign exchange acquired from remittances and exporters instead of the 30% previously required.

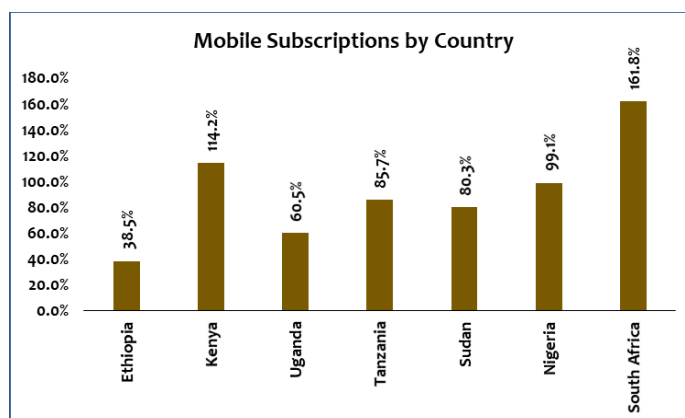
- Statutory cash reserve requirement doubled on 31st August 2021 for the commercial lenders to 10.0% of their deposits as the base lending rate to commercial banks jumped 300bps up to 16% from 13.0%. This was in a move to contain inflation that had hit 26.4% in July from that of 24.5% in June 2021.
- Freezing of lending against collaterals such as properties issued by Ethiopia's government to commercial banks, was perceived to be regulatory measures of controlling money circulation in the economy according to many analysts' view. The suspension was installed on August 12 alluding to "economic sabotage" and lifted on November 29, 2021 without any further explanations.

Telecommunications Development

- While Kenya's cell phone subscriptions are in excess of 100%, Ethiopia's mobile telephone holders stand at 38.5% of its total population with about only 20.0% of the population having access to internet in comparison to that of 66.7% and 62.0% mobile and internet access respectively for the entire world.
- Ethiopia launched its first mobile money services in mid-May 2020 which saw heavy subscriptions of over 1Mn on its first week, reflecting of the great need for the services. This opened a wide range of digital financial services to be tapped, while giving Ethio Telecom a better competing edge as the government off-loads 45% of its shareholding in the company to the public.
- Ethiopian Telecommunication authority issued a single mobile license to Safaricom in July 2021 following its successful bidding of May 2021, during which the authority projected of a mobile money license set one year's time.
- Early November, the infrastructure installation by Safaricom in Ethiopia was halted on the accelerated civil war tensions and the military campaign by its prime minister.

Telecommunications Outlook

- Safaricom's operation in Ethiopia remains lucrative on the un-tapped opportunities present in federal Republic of Ethiopia and the central role it has in realigning the financial sector in terms of "mobile Money". As the turmoil cools down, we perceive an accelerated economic recovery to surpass the pre-covid levels even as the country welcomes international investors.
- With the rapid growth in smart phone ownership worldwide especially in developing countries, mobile telecommunication remains a key strength on human capital
- The recent World Bank Education project in Northern Nigeria proved that learning improved and teenage pregnancy dropped when accompanied with smartphones pre-loaded with literacy apps.



Research analyst certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or

Terms of use – Disclaimer:

indirectly, related to the view(s) expressed by that research analyst in this research report.

This research report has been prepared by Kingdom Securities Limited and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Kingdom Securities Limited, nor any of its affiliates or employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results.

The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Kingdom Securities' judgement as at the date of this research but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Kingdom Securities or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report. Kingdom Securities is a Subsidiary of Co-operative Bank of Kenya.

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049540/0711049956

Email: kingdomresearch@co-opbank.co.ke

Research Department		
Willis Nalwenge, CFA	wnalwenge@co-opbank.co.ke	+254 711 049 283
Shadrack Manyinsa	smanyinsa@co-opbank.co.ke	+254 711 049 956
Equities Trading		
Andrew Karanja	amkaranja@co-opbank.co.ke	+254 711 049 150
Justus Ogalo	jogalo@co-opbank.co.ke	+254 711 049 240
Fixed Income Trading		
Herine Ogutha	hogutha@co-opbank.co.ke	+254 711 049 174
Ashley Odundo	aodundo@co-opbank.co.ke	+254 711 049 195
Client Service and Operation		
Hycinth Monchari	hmonchari@co-opbank.co.ke	+254 711 049 888