



# Ethiopia

## Ethiopia: Current Path

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Chart 2: Population structure in the Current Path, 1990-2043

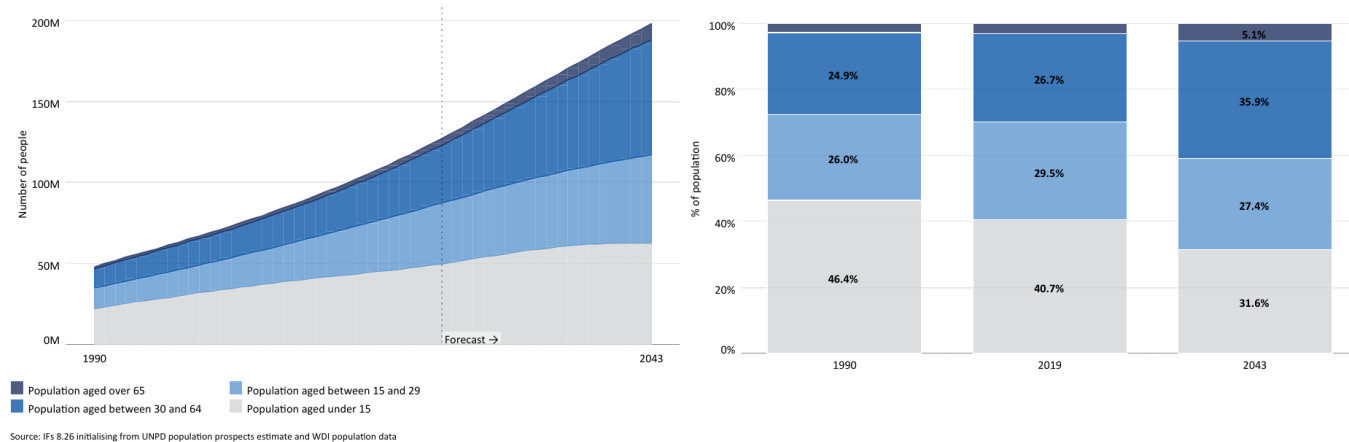


Chart 2 presents the Current Path of the population structure, from 2019 to 2043.

The characteristics of a country's population can shape its long-term social, economic and political foundations; thus, understanding a nation's demographic profile indicates its development prospects.

Ethiopia's population structure is characterised by a youthful demographic—with an estimated median age of 19.9 in 2023. As of 2023, about 39% of the country's population was under 15 years of age. With this youthful population structure, Ethiopia's dependency ratio is high, as a large portion of the population depends on a small workforce to provide for its needs.

When the ratio of the working-age population (15-64 years of age) to dependants (children and elderly) is 1.7 or higher, countries often experience more rapid growth, known as the **demographic dividend**, provided the workforce is appropriately skilled and absorbed in the labour market. In 2023, Ethiopia's ratio was at 1.4 working-age persons to every dependant. In the Current Path, Ethiopia is likely to enter a potential demographic window of opportunity as from 2043 – the end of the 3<sup>rd</sup> 10-year implementation plan for the Africa Union (AU) Agenda 2063.

Ethiopia's population grew rapidly at an average of about 2.8% per year from 2019 to 2023. It is the most populated country in the Horn of Africa and the second most populous country on the African continent after Nigeria. In 2023, its population was estimated at 127.3 million, about 60.5% of the Horn of Africa's and 8.7% of the continent's total population.

The country's rapidly growing and youthful population presents both opportunities and challenges. Currently, the country is faced with challenges related to poverty, healthcare and education. In the Current Path, its population will reach 152.2 million by 2030 and 198.5 million by 2043.

Ethiopia also has a large youth bulge at 48.3% in 2023 – defined as the percentage of the population between 15 and 29 years of age relative to the population older than 15 years. In addition to the requirement for more spending on education, health services, and job creation, a large number of young adults can lead to positive political change in a country through youth activism, but they can also carry the seeds for socio-political instability in the absence of economic opportunities. Ethiopia's youth bulge will decline to 40% by 2043.

The country has a high fertility rate, with an average estimate of 4.1 births per woman in 2023, nearly 16% below the average birth rate for low-income countries. Ethiopia's fertility rate has declined from an average of 7.3 births per woman in the 1980s due to increased access to family planning and education. In 2019, the Ethiopia Mini Demographic and Health Survey (EMDHS) indicated that the prevalence of modern contraceptive use among married women increased from 14% in 2005 to 41% in 2019. With 96% of married women aged 15-49 years knowing at least one method of contraception. On the Current Path, Ethiopia's fertility rate will continue declining, to about 2.7 births per woman by 2043.

The increase in contraceptive use is associated with improvements in maternal and child health outcomes, including a reduction in maternal mortality rates. Infant and maternal mortality rates in Ethiopia have declined significantly, reflecting improvement in healthcare - the rates have declined below the continent's averages. Infant mortality has declined from 75.2 deaths per 1 000 live births to 38.8 in 2019 and was estimated at 32.7 in 2023. Maternal mortality has declined from 880 deaths per 100 000 live births in 2005 to 294 in 2019 and was estimated at 230.4 deaths per 100 000 live births in 2023. In the Current Path, infant and maternal rates will reach 13 deaths per 1 000 and 69.5 deaths per 100 000 live births, respectively, by 2043.

With improvements in maternal and child healthcare, Ethiopia's median population will increase to 24.5 years, while its population share of under 15 years of age decreases to 31.6% by 2043. The share of elderly will increase to 5.1% in 2043 from 3.3% in 2023.

The country's life expectancy has been rising, with the 2023 figures around 67.7 years for men (from 56.3 years in 2005) and 72.5 years for women (from 58.1 years in 2005), and an average of about 70.6 years for both - 3.2 years above Africa's average. In the Current Path, Ethiopia's life expectancy will increase to 76.3 years (74.3 years for men and 78.3 for women) by 2043.



Chart 3: Population distribution map, 2023

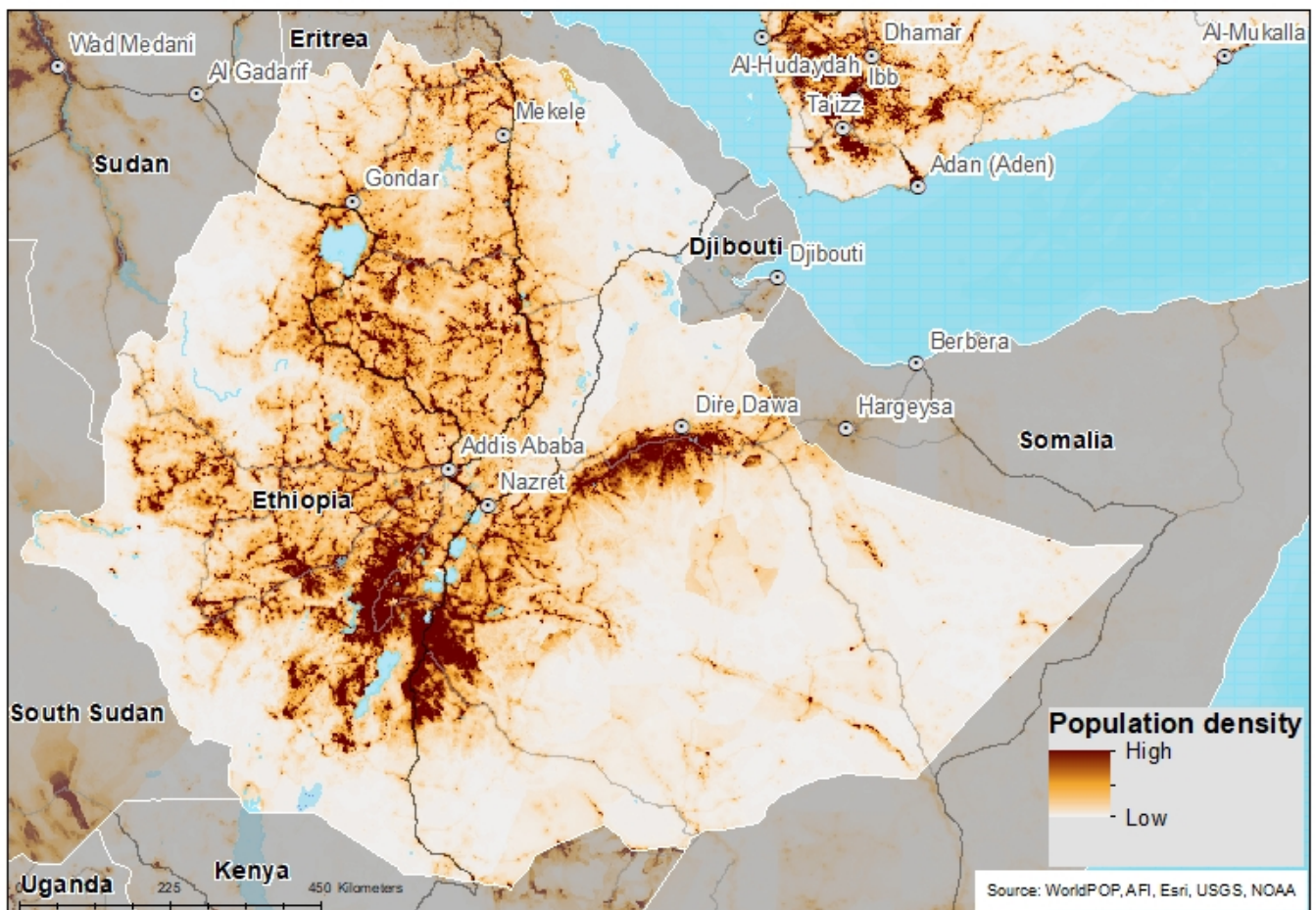


Chart 3 presents a population distribution map for 2023.

Ethiopia's population distribution is closely linked to its physical geography, climate and economic activities. The lowland regions, such as Somali, Afar and Benishangu-Gumuz in the eastern and southeastern regions, are characterised by lower population densities. These areas are more arid and not suitable for agriculture as they experience little rainfall.

The highland regions have the highest population densities. These include cities such as Addis Ababa, Amhara and Oromia. These areas have more favourable climates, better access to water, more fertile land, and more economic activities than the lowland regions. However, the majority of Ethiopians still reside in rural areas where population density can vary significantly depending on the suitability of land for farming.

Chart 4: Urban and rural population in the Current Path, 1990-2043

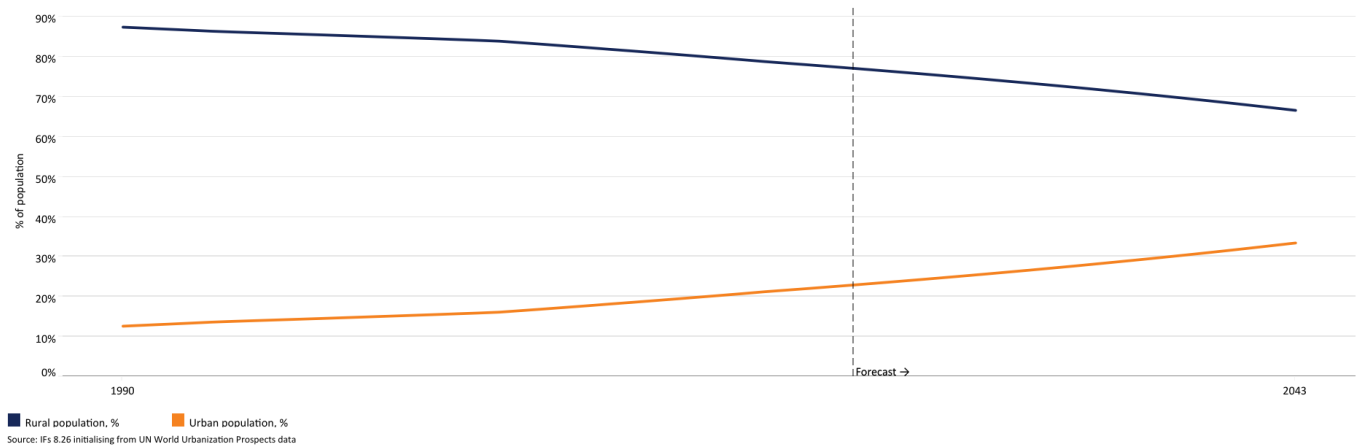


Chart 4 presents the urban and rural population in the Current Path, from 1990 to 2043.

Urbanisation in Ethiopia is amongst the most rapid in Africa, although it is one of the least-urbanised countries historically. Ethiopia's urban population has been growing by more than 2% yearly since 2008 - one of the highest rates in Africa, driven by population growth, economic development and rural-to-urban migration. In 2023, about 23% of Ethiopia's population lived in urban areas (a rise from 21% in 2019), a share which is relatively low when compared to low-income Africa (33%), the continent (45%) and global (57%) averages. The Ethiopian population resided in rural areas (77% in 2023), relying heavily on agriculture for their livelihoods. The country's low urbanisation is influenced by several factors including historical, economic and social factors.

In the Current Path, the rate of urbanisation in Ethiopia will increase to about 33.2% by 2043, as the rural population drops to about 66.6%.

Addis Ababa, the capital city, remains the prime destination for many migrants who are attracted to the city by the opportunities it is perceived to offer or by its relative peace and security. Urbanisation, if well planned, offers an opportunity to promote an inclusive economy by accelerating the provision of a range of services, including education.

Chart 5: GDP (MER) and growth in the Current Path, 1990-2043

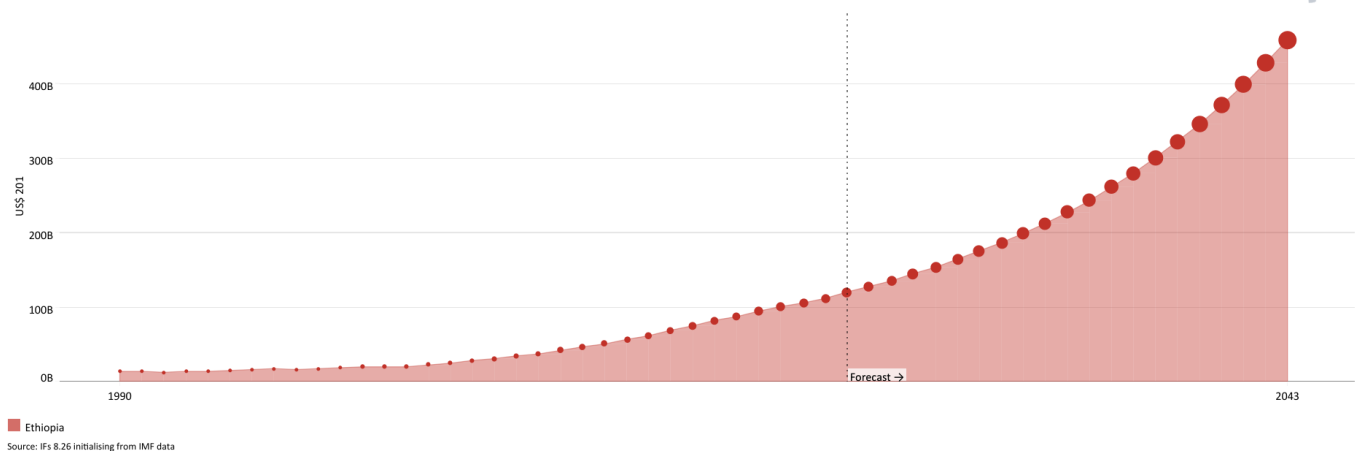


Chart 5 presents GDP in MER and growth rate in the Current Path, from 1990 to 2043.

For more than a decade, Ethiopia experienced some of the highest economic growth rates globally, growing at an average of about 11% per year from 2004 to 2015. The volume of GDP (at the market exchange rate (MER)) rose from US\$22.4 billion in 2004 to US\$68.2 billion in 2015. The impressive growth was mainly driven by investments in agriculture, infrastructure and manufacturing on top of determined leadership and clear policies. However, the growth rate slowed down with the death of Prime Minister Meles Zenawi in 2012 due to regional conflicts, political instability and the COVID-19 pandemic, but it remains positive. In 2023, Ethiopia's GDP growth was estimated at about 7.2%, which translated to a GDP of US\$119.7 billion (at MER).

The country's target to reach lower-middle-income status by 2025 will be contingent on its ability to sustain growth. The clash between the Ethiopia government forces and TPLF in the Tigray area, one of Ethiopia's most important industrial centres, has idled and destroyed many factories. Others are increasingly being shut out of markets. In 2021, President Joe Biden suspended Ethiopia's tariff-free access to America, citing 'gross violations of internationally recognised human rights', by the forces of the prime minister, Abiy Ahmed. The prime minister initiated an operation against the TPLF in November 2020, alleging it had attacked a federal military base. The fight escalated to involve Eritrean and Amhara forces resulting in widespread human rights violations, mass displacement and a profound humanitarian crisis.

Ethiopia's main challenges are sustaining economic growth and accelerating poverty reduction. Both of these require significant progress in job creation and improved governance to ensure that growth is equitable across society. A quick diplomatic resolution to the crisis is necessary for Ethiopia to overcome these challenges.

The agriculture sector is the backbone of Ethiopia's economy, accounting for approximately 38% of GDP, approximately 80% of total exports and employing nearly 63% of total employment in 2022. Between 2024 and 2043, the country's average growth rate will be around 7%, reaching a projected GDP of US\$492.5 billion (at MER) in 2043, making it the fourth-largest economy (after Nigeria, Egypt and South Africa) in Africa on the Current Path.

Economic development depends more on sustainable growth over long periods than on bursts of explosive growth. Authorities in Ethiopia should make efforts to find a new political settlement that brings sustainable peace to the country, a critical condition for sustaining growth, and improves living standards.

Chart 6: Size of the informal economy in the Current Path, 2019-2043

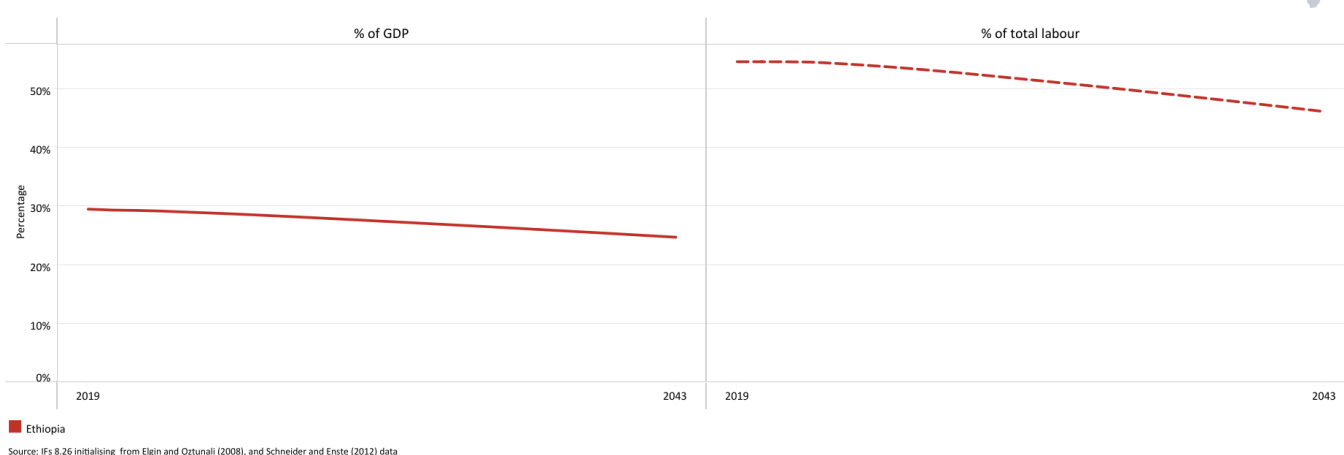


Chart 6 presents the size of the informal economy as per cent of GDP and per cent of total labour (non-agriculture), from 2019 to 2043.

The informal economy comprises activities that have market value and would add to tax revenue and GDP, if they were

recorded. Countries with high informality face a host of development challenges, including low revenue mobilisation, higher poverty, lower per capita incomes, greater inequality, and weaker productivity investment. Therefore, high levels of informality tend to constrain economic growth.

With the rise of unemployment, the informal sector has become a significant part of Ethiopia's overall economic structure, contributing to employment, income generation, and the provision of goods and services for millions of people especially in the urban areas where formal job opportunities are limited relative to the amount of inhabitants. Similar to many developing countries, Ethiopia's informal sector is defined by small-scale, unregulated and unregistered economic activities that operate outside formal legal and tax frameworks. A large share of Ethiopia's agricultural economy operates informally, with smallholder farmers and informal traders playing central roles in rural areas.

The informal sector has helped Ethiopia reduce extreme poverty; an estimated 54.4% (equivalent to 33.9 million people) of the total labour force (non-agriculture) was informally employed in 2023. Women constituted 56.5% of the total labour force in the informal economy compared to 43.5% for men in 2023. This suggests that the role of the informal sector cannot be overemphasised, particularly for women.

The size of Ethiopia's informal economy was estimated to be 29% of the country's GDP in 2023 – 0.3 percentage points below the average for low-income countries and 3.2 percentage points above the African average. Ethiopia's share of the informal sector represents approximately US\$34.8 billion. By 2043, Ethiopia's share of the informal sector will modestly decline to 24.8%, slightly below the average of 26.8% for low-income countries in Africa.

The formalisation of the informal sector will allow more people to benefit from better wages, social security packages and redistributive measures. Therefore, Ethiopia needs to reduce the size of its informal economy with the least friction possible by reducing the hurdles to registering a business, tackling corruption and improving access to education and finance. However, the formalisation should be gradual as the informal sector is currently the lifeblood of the growing population of young Ethiopians in the absence of formal sector opportunities. Providing support for workers in the informal sector will be key to Ethiopia's broader development goals.

Chart 7: GDP per capita in Current Path, 1990-2043

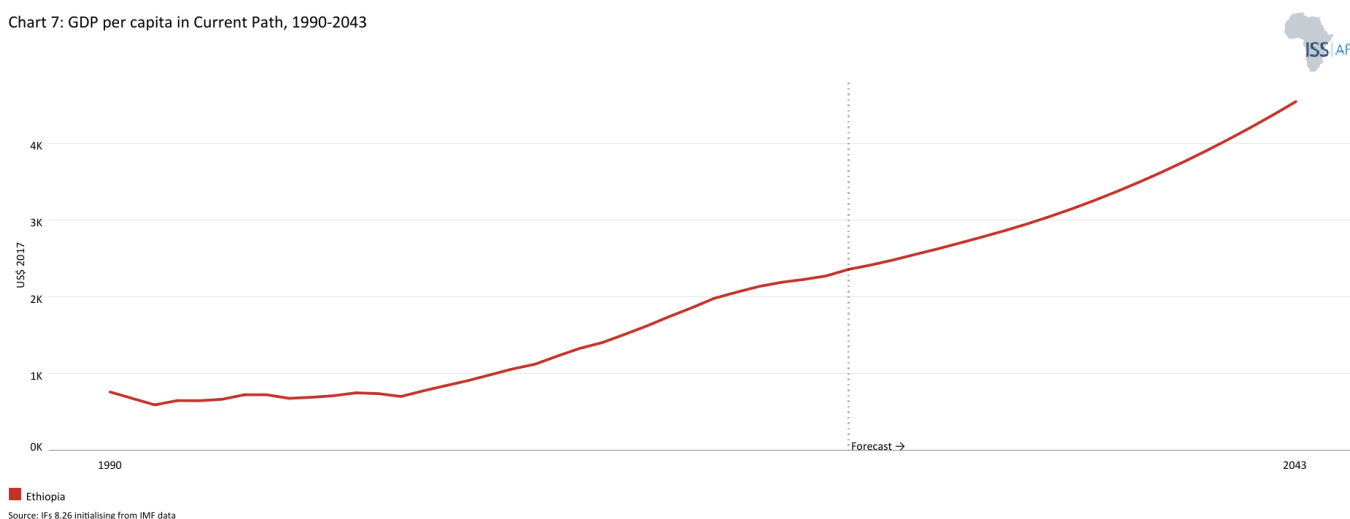


Chart 7 presents GDP per capita in the Current Path, from 1990 to 2043.

Ethiopia's GDP per capita has risen by fourfold since 1992, faster than other low-income economies. Real GDP per capita in Ethiopia rose by an average annual rate of 4.8% from 1993 to 2022 — 3.2 percentage points more than Africa's low-income pace of growth. Despite this improvement, the GDP per capita of Ethiopia is still very low. As of 2023, Ethiopia's GDP per

person (PPP, and constant 2017 US\$) was estimated at US\$2 365, the 3rd largest in Africa low-income countries. However, Ethiopia's GDP per capita remains significantly smaller compared to Africa's averages: about 103% smaller than the estimated average for Africa in 2023. The war between Ethiopia's government and forces led by the Tigrayan People's Liberation Front (TPLF) threatened to wipe away Ethiopia's recent GDP per capita gains. However, the Pretoria Agreement signed in November 2022 marked a significant step towards ending the two-year conflict. This deal, brokered by the African Union (AU) in Pretoria, South Africa, included provisions for a permanent cessation of hostilities, disarmament of TPLF forces, restoration of essential services in Tigray, and unfettered humanitarian aid access.

On the Current Path, Ethiopia's GDP per person will grow to US\$4 662 by 2043, making it the 30th largest in Africa and 36.4% below the projected average for the continent in the Current Path.

Chart 8: Extreme poverty in Current Path, 2019-2043

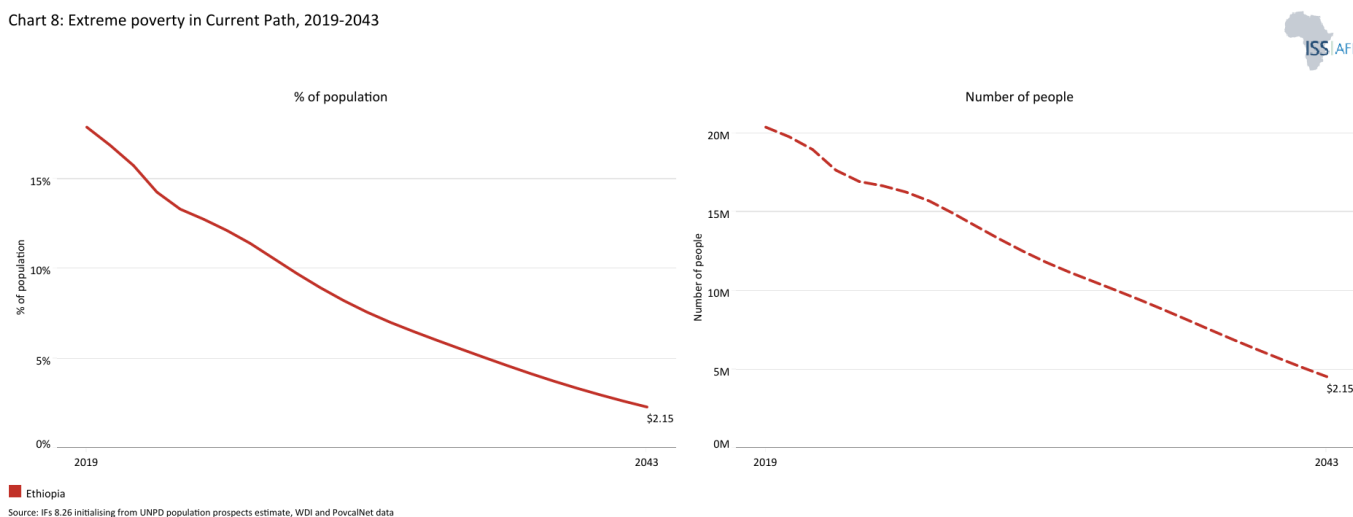


Chart 8 presents the rate and numbers of extremely poor people in the Current Path, from 2019 to 2043.

In 2022, the World Bank updated the poverty lines to 2017 constant dollar values as follows:

- The previous US\$1.90 extreme poverty line is now set at US\$2.15, also for use with low-income countries.
- US\$3.20 for lower-middle-income countries, now US\$3.65 in 2017 values.
- US\$5.50 for upper-middle-income countries, now US\$6.85 in 2017 values.
- US\$22.70 for high-income countries. The Bank has not yet announced the new poverty line in 2017 US\$ prices for high-income countries.

Monetary poverty only tells part of the story, however. In addition, the global Multidimensional Poverty Index (MPI) measures acute multidimensional poverty by measuring each person's overlapping deprivations across 10 indicators in three equally weighted dimensions: health, education and standard of living. The MPI complements the international US\$2.15 a day poverty rate by identifying who is multidimensionally poor and also shows the composition of multidimensional poverty. The headcount or incidence of multidimensional poverty is often several percentage points higher than that of monetary poverty. This implies that individuals living above the monetary poverty line may still suffer deprivations in health, education and/or standard of living.<sup>[x]</sup>

Ethiopia has made significant progress in reducing extreme poverty over the past decades. However, it remains a major



constraint for the country. The poverty rate measured at the international extreme poverty line of US\$2.15/day (per capita, 2017 PPP) declined from 74.9% in 1992 to 17.9% in 2019. The number of people living in extreme poverty has also declined from about 39 million in 1992 to 20.4 million in 2019. According to the [World Bank](#), extreme poverty reduction was particularly significant in urban areas, driven by substantial investments linked to the urban renewal initiative and rapid economic growth. While poverty reduction in rural areas, where the majority of the poor reside, also showed strong progress, it has slowed during the past two decades. Poor households are typically more isolated and have less access to essential infrastructure and basic services. It is estimated that 16% of the rural population in Ethiopia is chronically poor.

Chart 8 shows past trends in poverty and projections on the Current Path. In 2023, extreme poverty (at US\$2.15) in Ethiopia was estimated at 13.3% (equivalent to about 17 million people), the second-lowest poverty rate (after Gambia) among the 22 low-income countries in Africa. By 2030, Ethiopia's poverty rate will decline to 8.2%. Thus, Ethiopia will not be able to meet the Sustainable Development Goal (SDG) target of reducing extreme poverty below 3% by 2030. Without any policy interventions, Ethiopia will not meet this SDG target until 2041. By 2043, Ethiopia will have a poverty rate of about 2.3%, equivalent to about 4.5 million Ethiopians in that year - a significant positive progress as the population growth rate increases.

### Chart 9: National Development Plan of Ethiopia

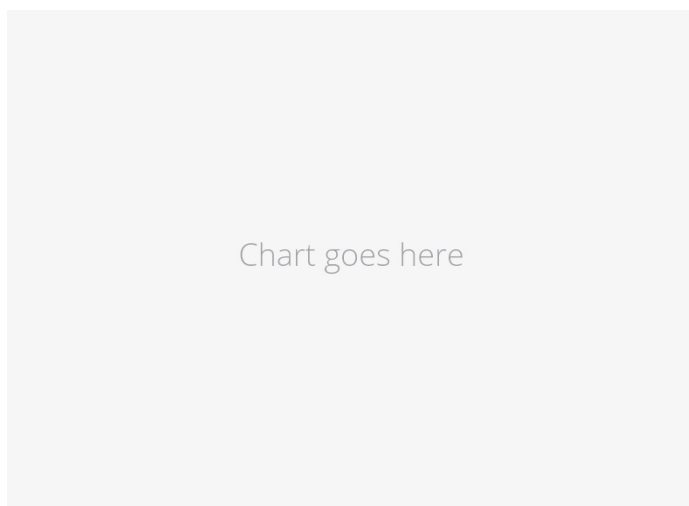


Chart 9 depicts the [National Development Plan](#) of Ethiopia.

The government of Ethiopia has launched a new 10-Year Development Plan, based on the 2019 Home-Grown Economic Reform Agenda, which will run from 2020/21 to 2029/30. The ten-year development plan outlines a long-term vision to establish Ethiopia as an "African Beacon of Prosperity" by creating both the necessary and sufficient conditions. The ten-year development plan aims to:

1. Enhance income levels and wealth accumulation to enable citizens to meet their basic needs and fulfil their aspirations.
2. Improve basic economic and social services, such as food, clean water, shelter, health, education, and other basic services, for every citizen regardless of their economic status.
3. Establish a supportive and equitable environment in which citizens can fully utilise their potential and resources to lead high-quality lives.
4. Enhance social dignity, equality and freedom, allowing citizens to actively participate in all social, economic and political affairs of their country, regardless of their social background.

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## About the authors

Dr **Blessing Chipanda** joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/ research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

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