

**Voluntary Report** – Voluntary - Public Distribution

**Date:** October 19, 2022

**Report Number:** ET2022-0031

**Report Name:** Ethiopia bans import of 38 items including packed food

**Country:** Ethiopia

**Post:** Addis Ababa

**Report Category:** Agricultural Trade Office Activities

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**Report Highlights:**

The forex shortage in the country is becoming critical and the Government of Ethiopia (GOE) has banned 38 different products which are considered luxury items which include packaged food, household items, furniture, beauty products and automobiles, and different type of liquor imports in a circular order written by the Ministry of Finance to the National Bank of Ethiopia (NBE) on October 14, 2022. The GOE has reached to this decision to utilize the limited hard currency available for import of important items like medicines, agricultural inputs, capital goods and raw materials for local industries.

**Government of Ethiopia (GOE) has banned import of 38 different products which are being considered luxury items**

The items listed by the Ministry of Finance as banned from getting hard currency for importation include food items except children's formula, ceramics, kitchenware, sweets, biscuits, chocolate, meat, cigarettes, fruit juice and canned fruits, potato chips, tomato paste, wine, beer, and all other alcoholic drinks including whisky and vodka, as well as non-alcoholic drinks including water, and soft drinks. The large number of business communities who are engaged in imports, wholesaling, supermarket business, and retail of the listed 38 items will be negatively affected by the new law. This may create dissatisfaction among business communities and consumers about the import ban especially on food commodities. The business community reportedly is lobbying government officials and politicians through the Ethiopian Chamber of Commerce for a reconsideration of the banned food items listed.

Import of these items, for which LC is already approved and their import is in process cannot be affected by the new banning order. According to the IMF forecast in 2023 Ethiopia's hard currency reserve can only allow the country to import critical items such as, fuel, fertilizer, and medicines only.

The National Bank of Ethiopia has informed all banks to freeze issuance of Letters of Credit (LC) to import 38 types of products as of October 17, 2022 for indefinite period time. The bank expects saving close to 100 million dollars per year from the ban imposed on the items listed.

Ethiopia's trade deficit has been widening in the past years as the country imported \$18 billion in goods in 2021 and exported approximately \$4 billion in commodities, most of which was raw agricultural products. The central bank of Ethiopia expects saving close to 100 million dollar per year, from the ban imposed on selected import items. However, compared to the country's official import bill, the 100 million dollar saving is very small. Off course, it incentivizes the local production of some items.

According to a senior official from the National Bank of Ethiopia, the products that are banned from being imported have been researched and were found to be not priority items to obtain foreign currency. Some of the products were also identified as reasons for illegal money transfer out of the country. On October 10, 2022, the National bank has also embarked on major crackdown over black market actors, freezing bank accounts of over 665 informal hawala providers. This decision came after the macro-economic team conducted studies.

**Attachments:**

No Attachments.