



**Economic Performance Bulletin**  
**Issue 4/2019**

**Macroeconomic Affairs & Statistics Department**

**Ministry of Finance Development**

**Republic of Somaliland**

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# 1. Financial Sector

## 1.1. Inflation

The annual headline inflation<sup>1</sup> rate at the start of the 4<sup>th</sup> quarter of 2019 slightly fell to 4.0% in October from the 4.1% registered the previous month, before rising to 5.3% in November and subsequently falling to 5.1% in December. The average inflation rate in the fourth quarter of 2019 was 4.8%, slightly higher than the 4.3% registered in the third quarter. Compared to Q1 and Q2 of 2019 and to the 2018 averages, this was significantly lower—see table 1. Figure 1 below graphs the CPI, headline inflation and the three major categories making up the headline inflation (Core inflation<sup>2</sup>, food and crops inflation and Energy Fuel and Utilities) from January 2018 to September 2019. As can be seen, the YoY inflation rates have significantly fallen since January 2018—with the headline rate reaching an all-time low for the period in August and October of 2019—with 4.0%. The average headline inflation rate in 2019 was 5.4%, significantly lower than the 14.1% average registered in 2018. As shown in figure 1, the headline rate and the core inflation rate are fairly equal. This is because, in computing the headline inflation, the core inflation's weight is 814.08 out of 1,000, while the Food crops inflation and the EFU's weights are 95.33 and 90.59, respectively.

The trend in the inflation is in part attributed to the exchange rate which has been fairly stable in the last three quarters of 2019. Following very low rainfall levels in 2018, the general sense of economic recovery—especially from the livestock sector which contributes a disproportionately higher percent of the country's GDP—also explains the falling trend in the average price levels.

**Table 1: Annual Headline Inflation in Q1, Q2, Q3 and Q4 of 2018 and 2019**

<b>Average Q1 2018 YoY inflation</b>	<b>Average Q1 2019 YoY Inflation</b>
19.0%	7.3%
<b>Average Q2 2018 YoY inflation</b>	<b>Average Q2 2019 YoY Inflation</b>
17.0%	5.3%
<b>Average Q3 2018 YoY inflation</b>	<b>Average Q3 2019 YoY inflation</b>
12.3%	4.3%
<b>Average Q4 2018 YoY inflation</b>	<b>Average Q4 2019 YoY Inflation</b>
8.1%	4.8%
<b>Average 2018 inflation</b>	<b>Average 2019 Inflation</b>
14.1%	5.4%

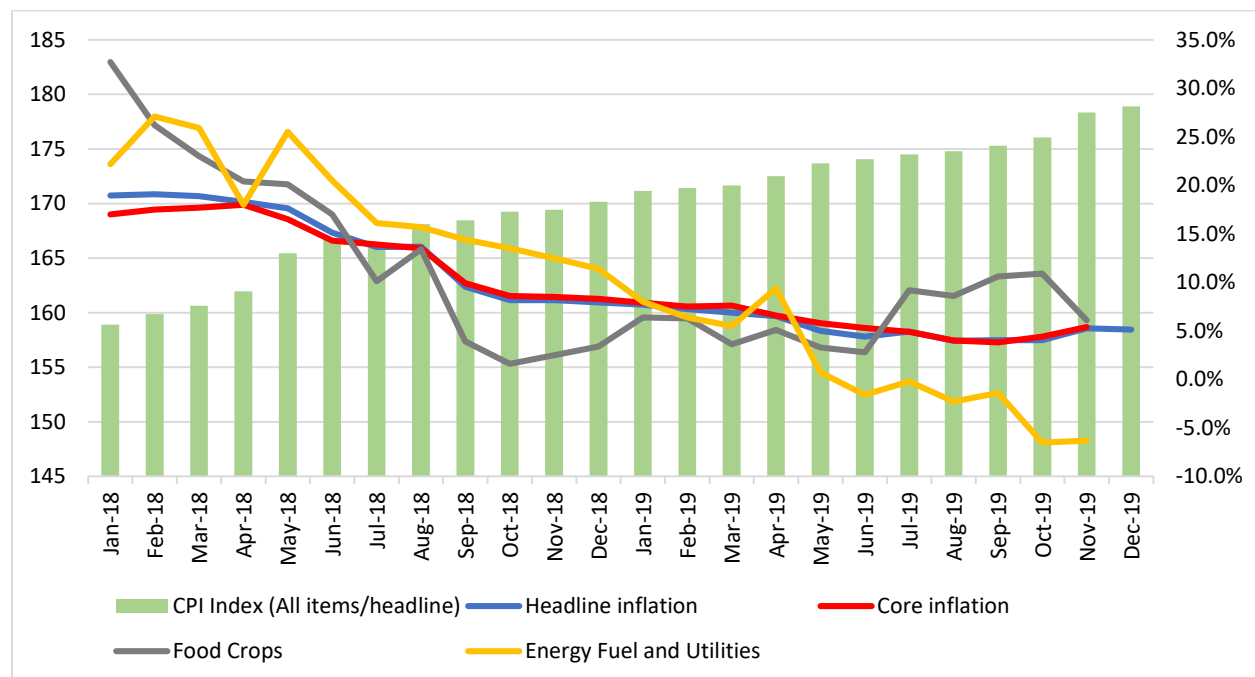
*Source: Data from the Ministry of National Planning and Development*

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<sup>1</sup> **Headline inflation:** is the average change in the price of general goods and services in the economy

<sup>2</sup> **Core inflation:** is a component of the Headline inflation—excluding items with volatile prices—with a weight of 814.08 out of 1,000 when computing the headline inflation

**Figure 1: Annual inflation by major category, base year=2012**



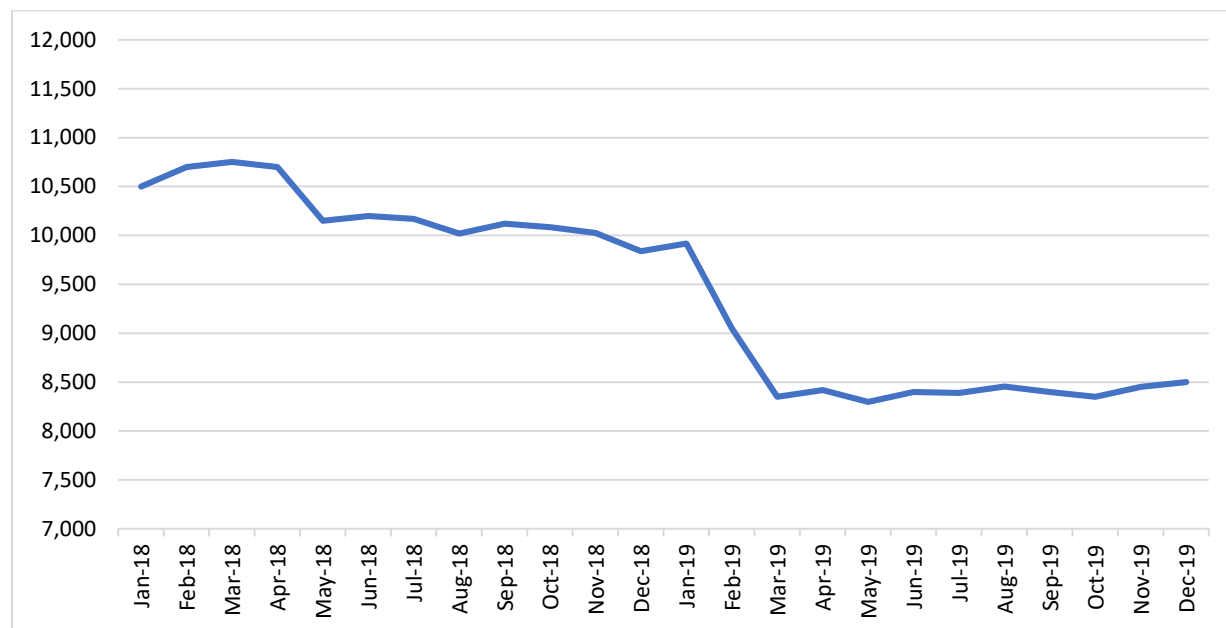
**Source:** Data from the Ministry of National Planning and Development

## 1.2. Exchange Rate

In the fourth quarter of 2019, the average exchange rate was 8,433 SLSh/USD. This was a 0.2% and 0.7% depreciation from the average recorded in the third and second quarter respectively, but a 7.4% appreciation from the average recorded in the first quarter of the year. Compared to the fourth quarter of 2018, this represents a 15.5% appreciation. The average exchange rate for 2019 was 8,582 SLSh/USD, significantly down from the 10,271 SLSh/USD average for 2018, representing a 16.5% appreciation.

Figure 2 below shows the monthly exchange rate since January 2018. As can be seen, the Somaliland Shilling has been relatively stable since March 2019—falling between 8,298 and 8,500 SLSh/USD. The exchange rate recorded in December of 2019 was 8,500 SLSh/USD, a slight depreciation from the previous two months but equal to the Bank of Somaliland target for the exchange rate against the USD. The movement in the exchange rate since the beginning of 2019 is a reflection of the Bank of Somaliland’s efforts to stabilize the exchange rate at 8,500 SLSh/USD. The Bank’s actions include restrictions on the two big mobile money service providers—by banning USD denominated transactions that are worth less than US\$100. They are also regulating foreign exchange dealers and holding anyone caught trading at more than 2% of the official rate accountable—by revoking their trading license and banning them from the use of mobile money forex facilities.

**Figure 2: Somaliland Shilling exchange rate against the USD, Jan 2018—Dec 2019**



**Table 3: Monthly change in SLSh/USD Exchange rate (%)**

Month	% Change
Feb-18	1.9%
Mar-18	0.5%
Apr-18	-0.5%
May-18	-5.1%
Jun-18	0.5%
Jul-18	-0.3%
Aug-18	-1.5%
Sep-18	1.0%
Oct-18	-0.4%
Nov-18	-0.6%
Dec-18	-1.8%
Jan-19	0.8%
Feb-19	-8.8%
Mar-19	-7.7%
Apr-19	1.2%
May-19	-0.8%
Jun-19	-0.4%
Jul-19	0.5%
Aug-19	0.8%
Sep-19	-0.6%
Oct-19	-0.6%
Nov-19	1.2%
Dec-19	0.6%

**Table 2: 2018 and 2019 Exchange rate and YoY percent change, SLShs per USD**

	2018	2019	YoY Change
January	10,500	9,918	-5.5%
February	10,700	9,050	-15.4%
March	10,750	8,350	-22.3%
<b>Average 1<sup>st</sup> Quarter</b>	<b>10,650</b>	<b>9,106</b>	<b>-14.5%</b>
April	10,700	8,419	-21.3%
May	10,150	8,298	-18.2%
June	10,200	8,400	-17.6%
<b>Average 2<sup>nd</sup> Quarter</b>	<b>10,350</b>	<b>8,372</b>	<b>-19.1%</b>
July	10,168	8,390	-17.5%
August	10,020	8,454	-15.6%
September	10,121	8,400	-17.0%
<b>Average 3<sup>rd</sup> Quarter</b>	<b>10,103</b>	<b>8,415</b>	<b>-16.7%</b>
October	10,083	8,350	-17.2%
November	10,024	8,450	-15.7%
December	9,840	8,500	-13.6%
<b>Average 4<sup>th</sup> Quarter</b>	<b>9,982</b>	<b>8,433</b>	<b>-15.5%</b>
% Δ from Q1 to Q2	-2.8%	-8.1%	
% Δ from Q1 to Q3	-5.1%	-7.6%	
% Δ from Q1 to Q4	-6.3%	-7.4%	
% Δ from Q2 to Q3	-2.4%	0.5%	
% Δ from Q2 to Q4	-3.6%	0.7%	
% Δ from Q3 to Q4	-1.2%	0.2%	
<b>Annual Average</b>	<b>10,271</b>	<b>8,582</b>	<b>-16.5%</b>

**Source:** Data from the Bank of Somaliland

## 2. Fiscal Performance (Jan—Dec 2019)

### 2.1. Domestic Revenue

Domestic revenue collection in 2019 was 1.790 trillion SLSh against a target of 1.782 trillion SLSh. This represents a 0.5% or an 8.032 billion SLSh surplus. This is a significant improvement from previous fiscal year collection performances. The over performance in 2019 can be attributed to high collections from import taxes—mainly due to higher import volumes and to an update of the valuation book—, to high collections from sales taxes and to an increase in the exchange rate on some import commodities.

### 2.2. Inland Revenue Taxpayers

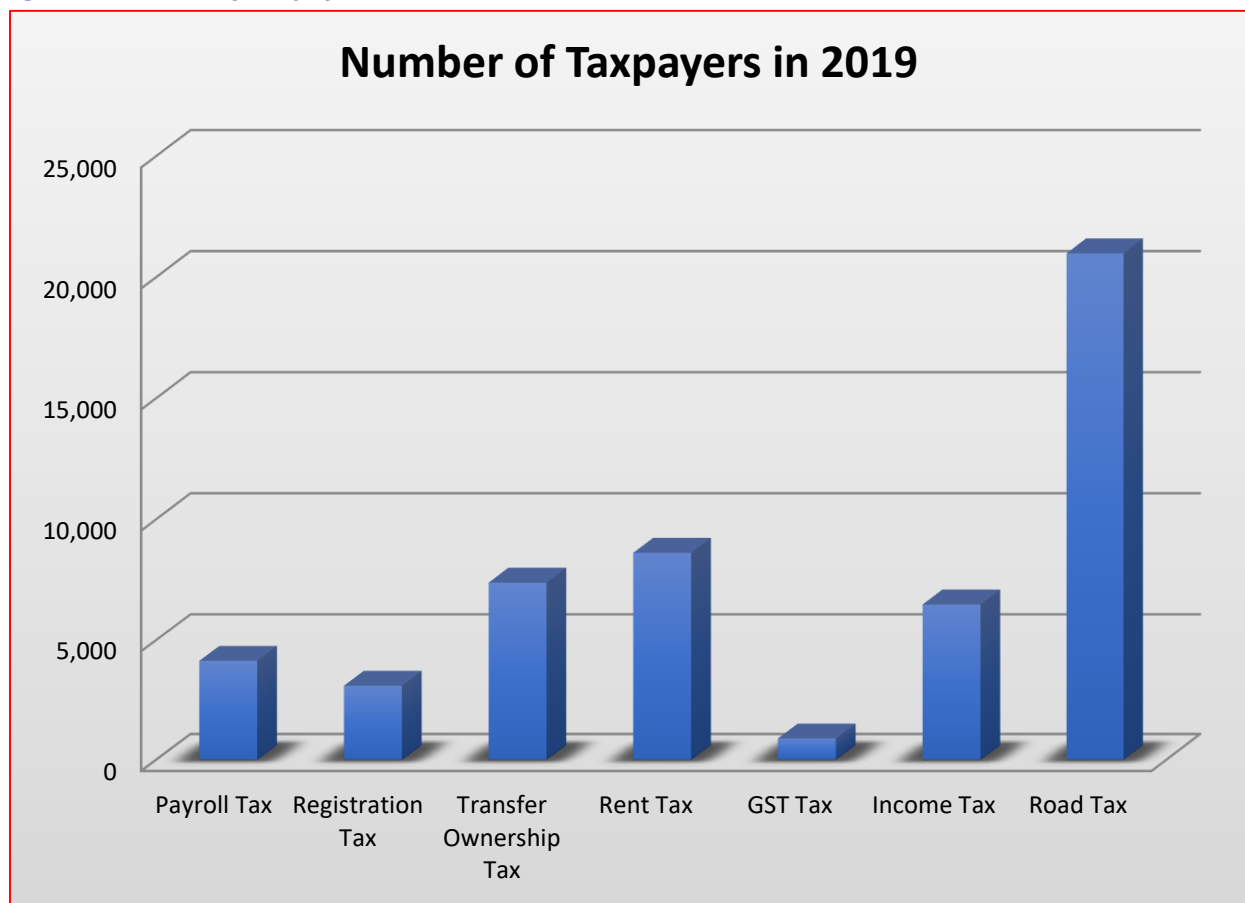
The table 4 and Figure 3 below show, the overall total number of taxpayers in Hargeisa, Gebilay, Borama, Buro, Berbera, Las'nod, Ainabo and Erigavo who are mainly registered in Inland Revenue database system in 2019 is **51,623**. As can be seen in figure 3 below, 41% of the Inland Revenue taxpayers are from road taxpayers, 17% are from rent tax of property, 14% are from transfer of ownership of property, 13% are from business income tax, 8% are from Private Payroll tax. Where other taxes of registration and GST are 7%.

**Table 4: Number of Taxpayers Categories in 2019**

Number of Taxpayers (JAN- DEC 2019 )								
Goobta	Payroll Tax	Registration Tax	Transfer Ownership Tax	Rent Tax	GST Tax	Income Tax	Road Tax	Total
Hargeisa	3,201	2,350	2,217	4,999	370	3,853	16,100	<b>33,090</b>
Gebiley	28	42	455	438	13	514	577	<b>2,067</b>
Borama	139	359	3,379	1,524	29	630	2,927	<b>8,987</b>
Buro	412	70	342	1,570	332	1,220	465	<b>4,411</b>
Berbera	351	181	899	79	147	114	523	<b>2,294</b>
Las'anod	0	51	0	0	0	0	0	<b>51</b>
Ainabo	2	0	2	9	0	14	0	<b>27</b>
Erigavo	7	47	95	3	4	142	398	<b>696</b>
<b>Total</b>	<b>4,140</b>	<b>3,100</b>	<b>7,389</b>	<b>8,622</b>	<b>895</b>	<b>6,487</b>	<b>20,990</b>	<b>51,623</b>

*Source: MoFD/Inland Revenue Department*

**Figure 3: Number of Taxpayers in 2019**



**Source:** MoFD/Inland Revenue Department

<sup>3</sup>

### **2.3. Grants**

Grants received from the World Bank for the PFM, SCORE, CSSP and SEAP projects was 18.502 billion SLSh—representing a 56% or 23.319 billion SLSh deficit compared to target. Actual expenditure on the other hand was 15.549 billion SLSh—representing a 63% underperformance against the target 41.821 billion SLSh.

### **2.4. Expenditure from the General Government Fund**

Expenditure from the General Government Fund in 2019 was 1.738 trillion SLSh. This was 44.098 billion SLSh below the Parliament approved annual budget—representing a 2% underperformance. Most of the underperformance came from the low execution on Compensation of employees which accounted for

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<sup>3</sup> In 2020, we hope to continue to collect and analyzing data on Inland Revenue taxpayers' compliance.



64% of the expenditure deficit. This can be attributed to the number of new recruits across government falling significantly below the expected target.

## 2.5. Fiscal Balance

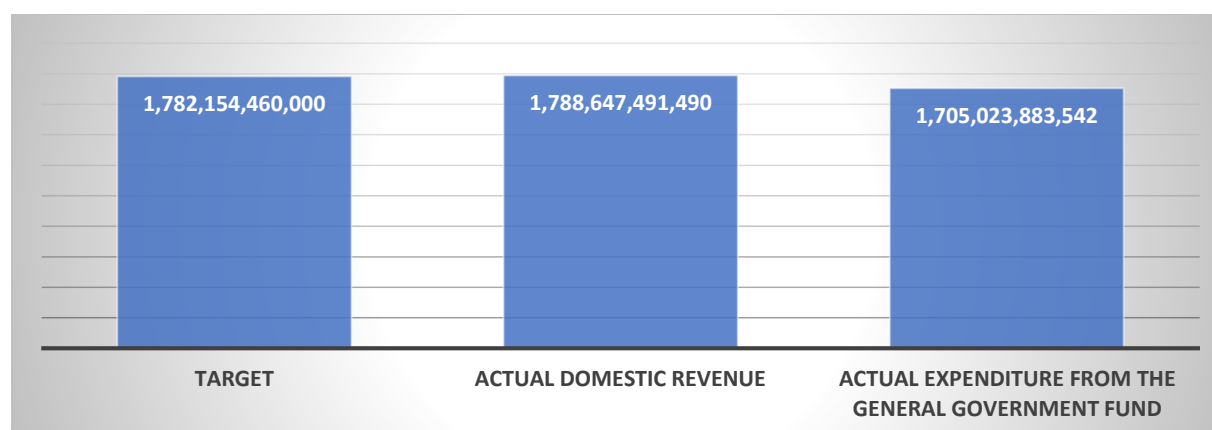
The fiscal balance in 2019—excluding World Bank grants—was 52.13 billion SLSh. This means that about 2.9% of the domestic revenue in 2019 was not spent. Overall balance (including World Bank Projects) was 55.084 billion SLSh, meaning than 3.0% was not spent.

**Table 5: Fiscal Summary for 2019, SLSh**

Fiscal Summary <sup>4</sup>	Annual Budget	Actual	Difference	Diff (%)
<b>Revenue</b>	<b>1,824,679,886,240</b>	<b>1,808,689,248,322</b>	<b>-15,990,637,918</b>	<b>-1%</b>
Domestic Revenue	1,782,154,460,000	1,790,186,999,962	8,032,539,962	0.5%
World Bank Grants	41,821,260,000	18,502,248,360	-23,319,011,640	-56%
<b>Expenditure</b>	<b>1,824,679,886,240</b>	<b>1,753,605,116,811</b>	<b>-71,074,769,429</b>	<b>-4%</b>
General government fund	1,782,154,460,000	1,738,056,125,991	-44,098,334,009	-2%
World Bank Projects	41,821,260,000	15,548,990,820	-26,272,269,180	-63%
<b>Balance (excluding WB)</b>		<b>52,130,873,971</b>		
<b>Overall Balance</b>		<b>55,084,131,511</b>		

*Source: MoFD's Budget & Planning Department and IFMIS department*

**Figure 4: Government annual Budget, Actual Domestic Revenue and Actual Expenditure from the General Government Fund in 2019, billions SLSh**



## 3. Trade and Travel

### 3.1. Livestock Exports

Total livestock exported in the fourth quarter of 2019 was 152,660—representing a significant 89% decrease from the 1,377,928 recorded in Q3 and an 18% decrease from the 186,034 recorded in Q2 but a 53% increase from Q1. Compared to the corresponding period in 2018, this was a 155% increase. Sheep

<sup>4</sup> For the World Bank Projects, an exchange rate of 6,000SLSh/USD was used to convert the numbers to Somaliland Shillings

& Goats export in Q4 of 2019 decreased by 92% from Q3 but still accounted for 74% of total livestock export in Q4. Camel export also decreased from Q3 by 39% while Cattle export increased by 1%.

Between January and December 2019, Somaliland exported 1,816,610 livestock, a 30% increase from the 1,397,466 recorded in 2018. Sheep & Goats export accounted for 91% of the total livestock export with 1,647,781—representing a 29% increase from 2018. Cattle export in the same period increased by 17% while camel export increased by a significant 6,183% from 509 in 2018 to 31,983 in 2019. Figure 5, 6 and 7 below respectively show the number of Sheep & Goats, Camels and Cattle exported per month from January 2018 to December 2019. In Figure 4, the Months of July and August 2018 and 2019 registered the highest export numbers for Sheep & Goats. This period coincided with the Hadj and Eid Al-adha periods during which there is an increased demand for Sheep & Goat from Saudi Arabia and other trading partners. In figure 5, Camel export was practically non-existent in 2018 while in 2019 it picked-up. Cattle export on the other hand seems to be higher during the start of the year, mid-year and end-year in both years—as shown in figure 6. The significant increase in livestock export in 2019 compared to 2018 reflects the recovery of Somaliland’s livestock sector. Significantly higher rainfall levels in 2019 compared to 2018 meant that plenty of grazing land and water was available for the livestock. Furthermore, in 2019, the government helped families re-stock following the loss of their livestock.

**Table 6:** Quarterly and Annual Skins and Livestock export in 2018 and 2019

	Skins			Livestock		
	2018	2019	YoY % change	2018	2019	YoY % change
<b>Q1</b>	330,200	182,000	-45%	77,000	99,988	30%
<b>Q2</b>	429,800	200,000	-53%	167,785	186,034	11%
<b>Q3</b>	358,800	160,000	-55%	1,092,877	1,377,928	26%
<b>Q4</b>	282,850	212,000	-25%	59,804	152,660	155%
<b>Total</b>	<b>1,401,650</b>	<b>754,000</b>	<b>-46%</b>	<b>1,397,466</b>	<b>1,816,610</b>	<b>30%</b>

*Source: MoFD's Customs Department*

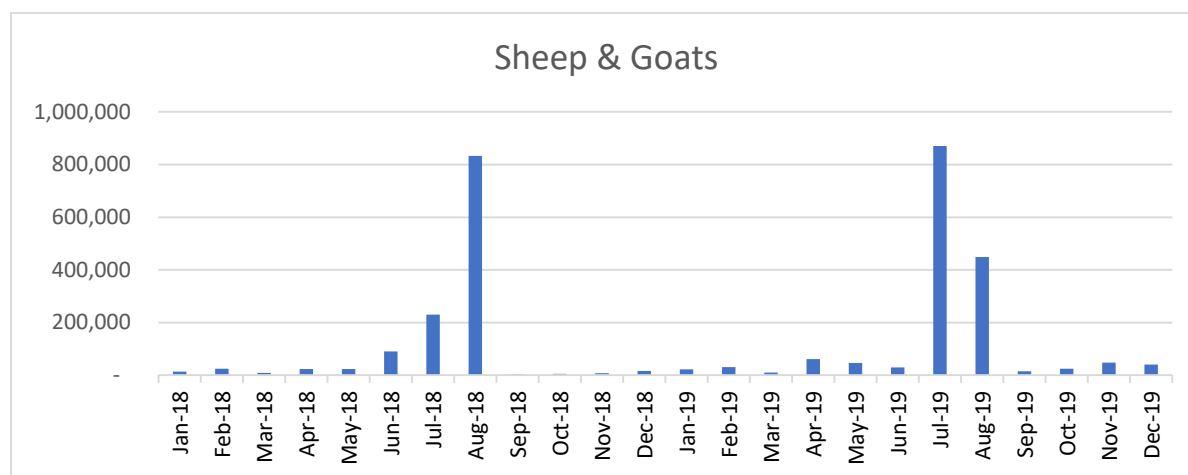
**Table 7:** Monthly, Quarterly, Annual Camel, Cattle and Sheep & Goats export in 2018 and 2019

	Camels			Cattle			Sheep & Goats		
	2018	2019	YoY Change	2018	2019	YoY Change	2018	2019	YoY Change
January	-	114		11,150	14,738	32%	13,872	22,150	60%
February	-	65		10,142	12,181	20%	24,392	31,079	27%
March	437	248	-43%	8,347	9,708	16%	8,660	9,705	12%
<b>Total 1<sup>st</sup> Quarter</b>	<b>437</b>	<b>427</b>	<b>-2%</b>	<b>29,639</b>	<b>36,627</b>	<b>24%</b>	<b>46,924</b>	<b>62,934</b>	<b>34%</b>
April	-	12,953		8,433	10,480	24%	23,781	61,320	158%
May	-	3,040		8,433	11,513	37%	23,781	46,775	97%
June	-	385		13,209	9,998	-24%	90,148	29,570	-67%
<b>Total 2<sup>nd</sup> Quarter</b>	<b>-</b>	<b>16,378</b>		<b>30,075</b>	<b>31,991</b>	<b>6%</b>	<b>137,710</b>	<b>137,665</b>	<b>-0.03%</b>

July	-	1,407		11,432	21,280	86%	230,176	870,912	278%
August	-	704		9,773	4,726	-52%	832,576	449,224	-46%
September	40	7,323	18208%	6,360	8,010	26%	2,520	14,342	469%
<b>Total 3<sup>rd</sup> Quarter</b>	<b>40</b>	<b>9,434</b>	<b>23485%</b>	<b>27,565</b>	<b>34,016</b>	<b>23%</b>	<b>1,065,272</b>	<b>1,334,478</b>	<b>25%</b>
October	-	5,463		2,528	7,665	203%	5,724	24,371	326%
November	-	21		9,421	12,371	31%	7,992	47,555	495%
December	32	260	713%	17,477	14,176	-19%	16,630	40,778	145%
<b>Total 4th Quarter</b>	<b>32</b>	<b>5,744</b>	<b>17850%</b>	<b>29,426</b>	<b>34,212</b>	<b>16%</b>	<b>30,346</b>	<b>112,704</b>	<b>271%</b>
% Δ from Q1 to Q2	-100%	3736%		1%	-13%		193%	119%	
% Δ from Q1 to Q3	-91%	2109%		-7%	-7%		2170%	2020%	
% Δ from Q1 to Q4	-93%	1245%		-1%	-7%		-35%	79%	
% Δ from Q2 to Q3		-42%		-8%	6%		674%	869%	
% Δ from Q2 to Q4		-65%		-2%	7%		-78%	-18%	
% Δ from Q3 to Q4	-20%	-39%		7%	1%		-97%	-92%	
<b>Annual Total</b>	<b>509</b>	<b>31,983</b>	<b>6183%</b>	<b>116,705</b>	<b>136,846</b>	<b>17%</b>	<b>1,280,252</b>	<b>1,647,781</b>	<b>29%</b>

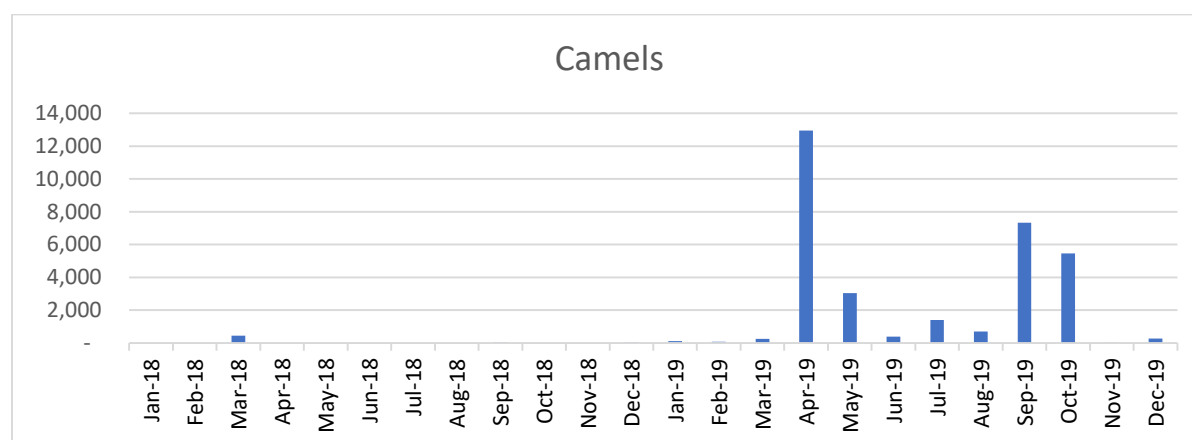
Source: MoFD's Customs Department

Figure 5: Number of Sheep & Goats exported from Somaliland from January 2018 to December 2019

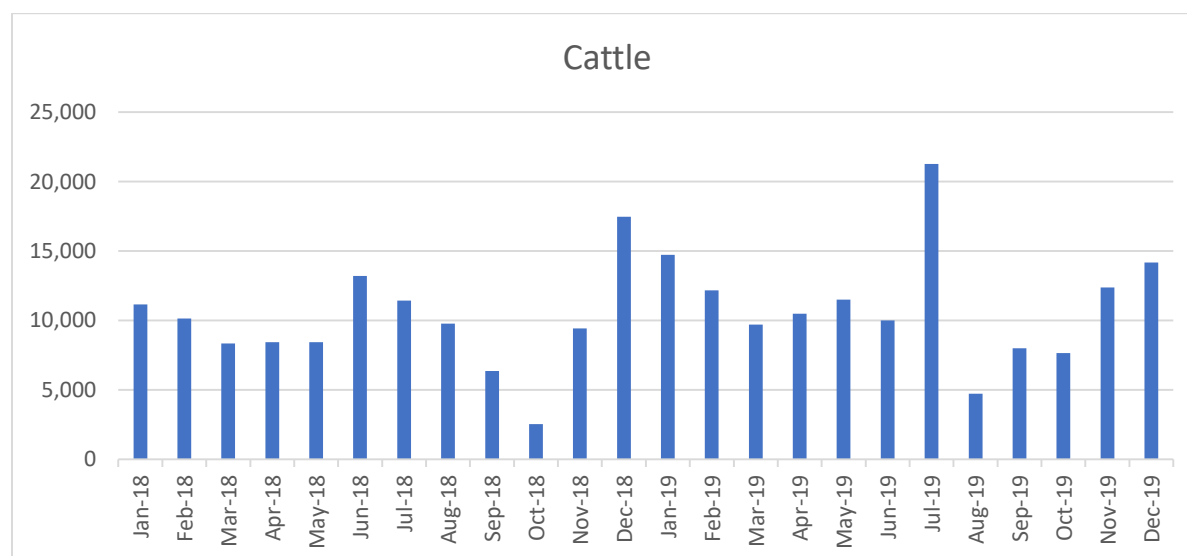


Source: MoFD's Customs Department

**Figure 6: Number of Camels exported from Somaliland from January 2018 to December 2019**



**Figure 7: Number of Cattle exported from Somaliland from January 2018 to December 2019**



**Source:** MoFD's Customs Department

### 3.2. Imports

The nominal value of Somaliland's imports in the fourth quarter of 2019 was 951 billion SLSh, while the duties collected were 384 billion SLSh—representing an 8% and 2% increase from Q3 respectively. When we adjust for inflation, the real value of Q4 imports was 535 billion SLSh while it was 216 billion SLSh for duties—representing a 7% and 0.3% increase from Q3. Total imports in the whole of 2019—in current prices—was 3.4 trillion SLSh, representing a significant 25% increase from the 2.7 trillion SLSh recorded in 2018. As for Duties collected on the imports in 2019, it was 1.4 trillion SLSh—20% higher than in 2018.

The increase in the value of imports and amount of duties collected compared to 2018 can be attributed in part to an increase in the import volume, to an increase to the exchange rate applied to some imports and to an update of the valuation book—meaning that goods that were normally undervalued, were now recorded closer to their market value.

Table 9 and 10, show the top ten products imported in Somaliland by value and duty in 2019, respectively. In terms of value, the top ten products in table 9 accounted for 53.6% of the total import value in 2019. Sugar and Kat accounted for 11% and 10% of total import value, respectively. While for Duties, as per table 10, the top 10 products accounted for 46.8% of total 2019 Duties collected. Kat and Sugar contributed 20.5% and 5.3% of the total duties—reflecting the higher duty rates on Kat.

**Table 8: Quarterly and annual value and duties of Somaliland's imports in 2019 and total 2018, SLSh**

		Import value (Current Prices)	Import value (2012 Prices)	Duty (Current Prices)	Duty (2012 Prices)
2018 Total		2,743,476,707,374	1,658,316,105,704	1,202,120,402,242	726,631,146,047
2019	Q1	798,993,507,522	466,118,030,154	336,719,581,540	196,434,898,347
	Q2	807,998,908,518	465,300,791,148	351,510,392,716	202,465,771,630
	Q3	877,604,863,774	501,838,599,381	376,175,143,019	215,114,075,709
	Q4	951,486,537,645	535,401,277,362	383,655,899,857	215,863,288,961
	Total	3,436,083,817,459	1,968,658,698,045	1,448,061,017,132	829,878,034,647
% Δ from Q1 to Q2		1%	-0.2%	4%	3%
% Δ from Q1 to Q3		10%	8%	12%	10%
% Δ from Q1 to Q4		19%	15%	14%	10%
% Δ from Q2 to Q3		9%	8%	7%	6%
% Δ from Q2 to Q4		18%	15%	9%	7%
% Δ from Q3 to Q4		8%	7%	2%	0.3%
Annual change		25%	19%	20%	14%

**Source:** MoFD's Customs Department

**Table 9: Top 10 import products by value in 2019, SLSh (Current Prices)**

Description	Value	Duties	Value as % of total import value
Sugar	369,932,516,537	87,126,205,054	11%
Kat	343,355,488,591	338,008,916,704	10%
Cooking Oil	263,086,550,555	62,039,480,616	7.7%
Wheat Flour	180,945,375,153	42,499,017,006	5.3%
Rice	178,680,365,167	42,286,249,676	5.2%
Pasta/Macaroni	153,029,845,200	42,257,489,792	4.5%
Unstitched Cloths	95,347,352,061	31,621,302,012	2.8%
Stitched Cloths	86,641,772,012	33,631,045,039	2.5%
Gas Oil	76,784,144,871	28,784,391,593	2.2%
Iron Sheets	75,743,549,560	25,916,577,800	2.2%
Cements	18,168,160,875	7,550,416,700	0.5%
<b>Sub-total</b>	<b>1,841,715,120,582</b>	<b>741,721,091,992</b>	<b>53.6%</b>

**Source:** MoFD's Customs Department

**Table 10: Top 10 import products in 2019 by Duty, in SLSh (Current Prices)**

Description	Value	Duties	Duties as % of total import Duties
Kat	343,355,488,591	338,008,916,704	23%
Sugar	369,932,516,537	87,126,205,054	6%
Cooking Oil	263,086,550,555	62,039,480,616	4%
Cigarette	48,463,482,200	59,009,446,085	4%
Wheat Flour	180,945,375,153	42,499,017,006	3%
Rice	178,680,365,167	42,286,249,676	3%
Pasta/Macaroni	153,029,845,200	42,257,489,792	3%
Stitched Cloths	86,641,772,012	33,631,045,039	2%
Unstitched Cloths	95,347,352,061	31,621,302,012	2%
Mogas "Petrol"	68,671,100,014	31,209,913,264	2%
<b>Sub-total</b>	<b>1,788,153,847,490</b>	<b>769,689,065,248</b>	<b>53%</b>

**Source:** MoFD's Customs Department

### 3.3. Number of Containers and Ships Arriving at the Berbera Port

In the fourth quarter of 2019, there were 12,562 containers that arrived at the Berbera Port. This was an 8% decrease from the 13,725 recorded in Q3 and a 6% decrease from Q2 but a 14% increase from Q1. In the whole of 2019, there were 50,571 containers that arrived at the Berbera Port—representing a 35% increase from the 37,575 recorded in 2018. Regarding the number of Ships arriving at the Berbera Port, 148 were recorded in quarter four—representing a significant 15% decrease from the 175 ships registered in Q3, a 12% decrease from the 169 ships in Q2 but a 10% increase from the 134 registered in Q1. In 2019, a total of 626 Ships arrived at the Berbera Port—a 15 increase from the 544.

**Table 11: Monthly, Quarterly and Annual Number of Containers and Ships that arrived at the Berbera Port in 2018 and 2019**

	Containers			Ships/Vessels		
	2018	2019	YoY Change	2018	2019	YoY Change
January	2,383	3,876	63%	35	43	23%
February	2,880	2,971	3%	40	46	15%
March	3,419	4,135	21%	40	45	13%
<b>Total 1<sup>st</sup> Quarter</b>	<b>8,682</b>	<b>10,982</b>	<b>26%</b>	<b>115</b>	<b>134</b>	<b>17%</b>
April	2,930	4,159	42%	45	52	16%
May	3,662	4,124	13%	49	58	18%
June	2,978	5,019	69%	54	59	9%
<b>Total 2<sup>nd</sup> Quarter</b>	<b>9,570</b>	<b>13,302</b>	<b>39%</b>	<b>148</b>	<b>169</b>	<b>14%</b>
July	2,708	4,854	79%	50	53	6%
August	3,641	4,346	19%	48	60	25%
September	2,400	4,525	89%	52	62	19%
<b>Total 3<sup>rd</sup> Quarter</b>	<b>8,749</b>	<b>13,725</b>	<b>57%</b>	<b>150</b>	<b>175</b>	<b>17%</b>
October	3,800	4,573	20%	<b>40</b>	<b>45</b>	13%
November	3,434	4,051	18%	<b>45</b>	<b>50</b>	11%
December	3,340	3,938	18%	<b>46</b>	<b>53</b>	15%
<b>Total 4<sup>th</sup> Quarter</b>	<b>10,574</b>	<b>12,562</b>	<b>19%</b>	<b>131</b>	<b>148</b>	<b>13%</b>
% Δ from Q1 to Q2	10%	21%		29%	26%	
% Δ from Q1 to Q3	1%	25%		30%	31%	

% Δ from Q1 to Q4	22%	14%		14%	10%	
% Δ from Q2 to Q3	-9%	3%		1%	4%	
% Δ from Q2 to Q4	10%	-6%		-11%	-12%	
% Δ from Q3 to Q4	21%	-8%		-13%	-15%	
<b>Annual total</b>	<b>37,575</b>	<b>50,571</b>	<b>35%</b>	<b>544</b>	<b>626</b>	<b>15%</b>

**Source:** MoFD's Customs Department

### 3.4. Number of Passengers Arriving by Air

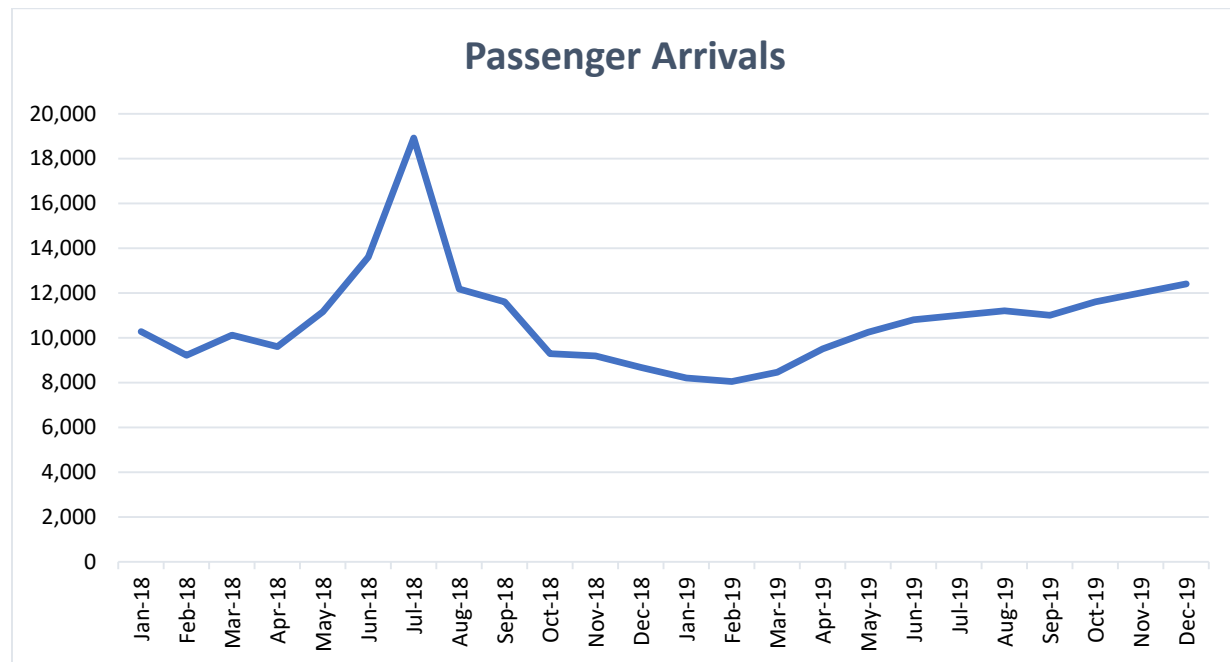
In the fourth quarter of 2019, there were 36,000 passengers that arrived in Somaliland by air—representing an 8%, 18% and 46% increase from Q3, Q2, and Q1 respectively. Compared to the fourth quarter of 2018, the number of arrivals in 2019 is 33% higher than the 27,136 recorded; but the total arrivals in the whole of 2019 is 7% lower than the 133,798 recorded in 2018. Table 12 show the monthly arrivals from January 2018 to December 2019. In 2018, the highest numbers were registered during the 2018 summer when the diaspora tends to comeback for the holidays. As figure 8 shows, the same trend did not replicate in the 2019 summer, reflecting the 7% decrease in total arrivals in 2019 compared to 2018.

**Table 12:** Number of passengers arriving by air at Hargeisa Airport in 2019 and 2018

	2018	2019	YoY
<b>Q1</b>	29,612	24,693	-17%
<b>Q2</b>	34,360	30,550	-11%
<b>Q3</b>	42,690	33,200	-22%
<b>Q4</b>	27,136	36,000	33%
<b>Total</b>	<b>133,798</b>	<b>124,443</b>	<b>-7%</b>
% Δ from Q1 to Q2	16%	24%	
% Δ from Q1 to Q3	44%	34%	
% Δ from Q1 to Q4	-8%	46%	
% Δ from Q2 to Q3	24%	9%	
% Δ from Q2 to Q4	-21%	18%	
% Δ from Q3 to Q4	-36%	8%	

**Source:** MoFD's Customs Department

**Figure 8:** Number of Air passengers that arrived in and departed Somaliland by air from January 2018 to December 2019



## 4. Investment and Construction

The number of business licenses, number of building permits issued and the number of cement bags imported are used to gauge investment in Somaliland.

### 4.1. Number of Business Licenses Issued

The number of business licenses issued in Q4 of 2019 was 405 compared to the 442 issued in Q3- representing an 8% decrease. Compared to Q2 on the other hand, this was a 47% increase from the 276 issued in Q2 but a 20% decrease from the 504 in Q1. The Number of business licenses issued between January and December 2019 was 1,627, which is 41% higher than the 1,151 issued in 2018. This increase can be attributed to the growing economy and in part to the one-stop shop that was set-up earlier in 2019 at the Ministry of Trade, Industries and Tourism to simplify the process of obtaining a business license in Somaliland.



**Table 13: Number of business licenses issued in 2018 and 2019**

	2018	2019	YoY % Change
January	68	129	90%
February	79	183	132%
March	126	192	52%
<b>Total 1<sup>st</sup> Quarter</b>	<b>273</b>	<b>504</b>	<b>85%</b>
April	82	90	10%
May	87	94	8%
June	82	92	12%
<b>Total 2<sup>nd</sup> Quarter</b>	<b>251</b>	<b>276</b>	<b>10%</b>
July	100	180	80%
August	82	115	40%
September	121	147	21%
<b>Total 3<sup>rd</sup> Quarter</b>	<b>303</b>	<b>442</b>	<b>46%</b>
October	125	142	14%
November	87	113	30%
December	112	150	34%
<b>Total 4<sup>th</sup> Quarter</b>	<b>324</b>	<b>405</b>	<b>25%</b>
% Δ from Q1 to Q2	-8%	-45%	
% Δ from Q1 to Q3	11%	-12%	
% Δ from Q1 to Q4	19%	-20%	
% Δ from Q2 to Q3	21%	60%	
% Δ from Q2 to Q4	29%	47%	
% Δ from Q3 to Q4	7%	-8%	
<b>Annual Total</b>	<b>1,151</b>	<b>1,627</b>	<b>41%</b>

Source: Ministry of Trade, Industry, and Tourism

## 4.2. Number of Building Permits Issued

The number of building permits issued in the fourth quarter of 2019 from Berbera, Burco, Las'anod, Hargeisa, Boroma and Erigavo was 830—lower than the 893 issued in the third quarter. The total licenses issued from January to December 2019 was 3,216—with 1,175 licenses issued in Hargeisa, 813 in Buco and 483 from Berbera.

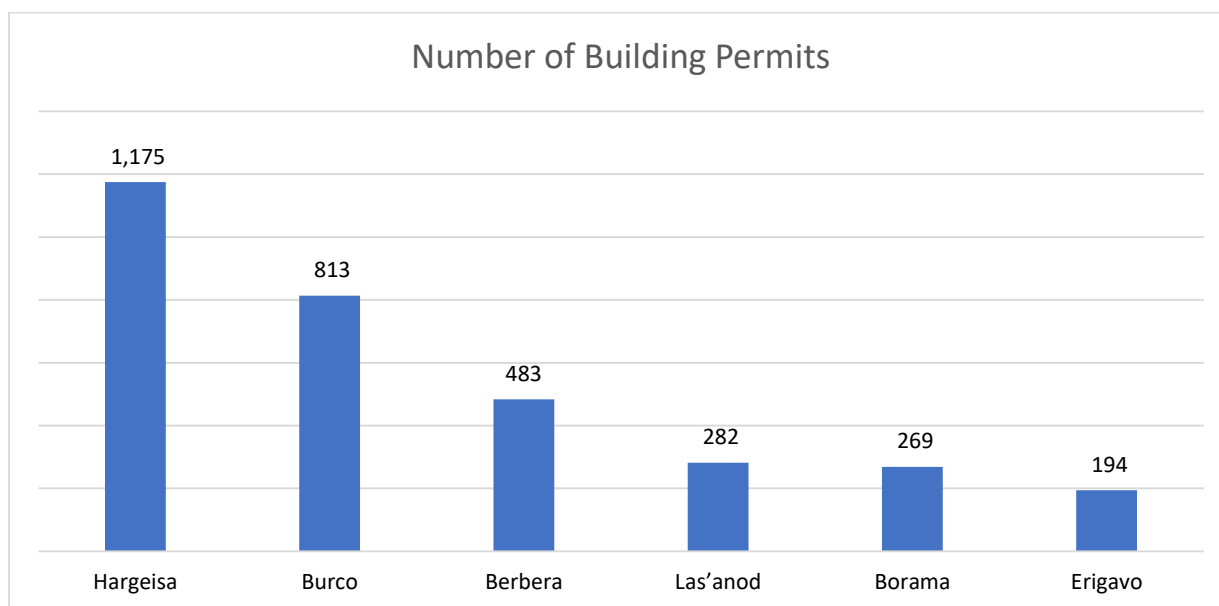
**Table 14: Number of Building permits issued in Berbera, Buro, Las'anod, Hargeisa, Borama and Erigavo, Jan - Dec 2019**

	Berbera	Burco	Las'anod	Hargeisa	Boroma	Erigavo	Total
Jan-19	19	55	11	69	14	10	178
Feb-19	15	60	10	80	16	9	190
Mar-19	30	70	15	130	18	14	277
<b>Quarter 1</b>	<b>64</b>	<b>185</b>	<b>36</b>	<b>279</b>	<b>48</b>	<b>33</b>	<b>645</b>
Apr-19	25	80	23	140	17	11	296
May-19	39	75	27	115	20	15	291
Jun-19	43	60	19	100	22	17	261
<b>Quarter 2</b>	<b>107</b>	<b>215</b>	<b>69</b>	<b>355</b>	<b>59</b>	<b>43</b>	<b>848</b>
Jul-19	49	70	23	109	26	19	296
Aug-19	60	68	34	100	25	18	305
Sep-19	55	70	22	98	27	20	292
<b>Quarter 3</b>	<b>164</b>	<b>208</b>	<b>79</b>	<b>307</b>	<b>78</b>	<b>57</b>	<b>893</b>
Oct-19	45	66	28	77	26	19	261
Nov-19	49	69	33	80	30	20	281

Dec-19	54	70	37	77	28	22	288
<b>Quarter 4</b>	<b>148</b>	<b>205</b>	<b>98</b>	<b>234</b>	<b>84</b>	<b>61</b>	<b>830</b>
<b>Total</b>	<b>483</b>	<b>813</b>	<b>282</b>	<b>1,175</b>	<b>269</b>	<b>194</b>	<b>3,216</b>

Source: Inland Revenue Department, MoFD

**Figure 9: Number of Building permits issued in Berbera, Buro, Las'anod, Hargeisa, Borama and Erigavo, Jan - Dec 2019**



### 4.3. Cement Import

Table 15 below shows the number of cement bags imported in Somaliland in 2018 and 2019. In the fourth quarter of 2019, a total of 1,833,698 cement bags were imported; this was 73%, 49% and 44% higher than in Q3, Q2 and Q1. Furthermore, this was 15% higher than the one recorded in Q4 of 2018; but the total number of bags imported in the whole of 2019 was 10% lower than in 2018.

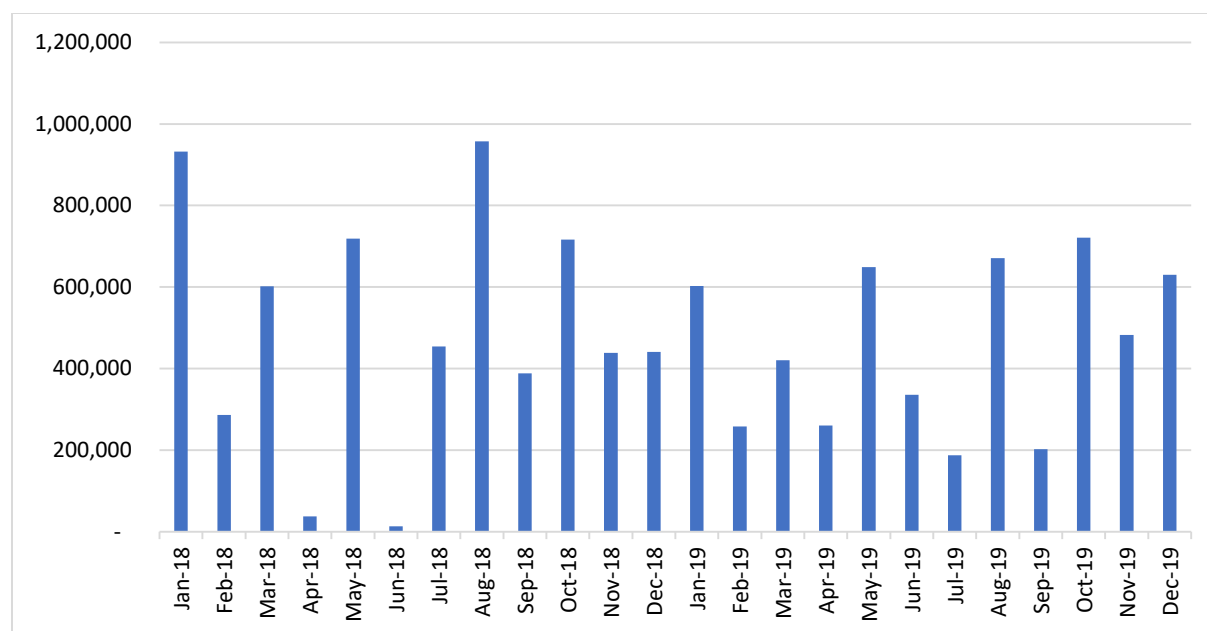
**Table 15: Number of Cement bags imported in Somaliland in 2018 and 2019**

	2018	2019	YoY % Change
January	931,998	602,727	-35%
February	286,320	254,124	-11%
March	602,061	419,646	-30%
<b>Total 1<sup>st</sup> Quarter</b>	<b>1,820,378</b>	<b>1,276,497</b>	<b>-30%</b>
April	37,041	257,602	595%
May	718,543	636,055	-11%
June	12,832	335,480	2514%
<b>Total 2<sup>nd</sup> Quarter</b>	<b>768,416</b>	<b>1,229,137</b>	<b>60%</b>
July	454,385	186,866	-59%
August	957,402	670,632	-30%
September	388,123	202,242	-48%
<b>Total 3<sup>rd</sup> Quarter</b>	<b>1,799,910</b>	<b>1,059,740</b>	<b>-41%</b>
October	716,482	721,334	1%

November	438,448	482,082	10%
December	440,927	630,282	43%
<b>Total 4th Quarter</b>	<b>1,595,857</b>	<b>1,833,698</b>	<b>15%</b>
% Δ from Q1 to Q2	-58%	-4%	
% Δ from Q1 to Q3	-1%	-17%	
% Δ from Q1 to Q4	-12%	44%	
% Δ from Q2 to Q3	134%	-14%	
% Δ from Q2 to Q4	108%	49%	
% Δ from Q3 to Q4	-11%	73%	
<b>Annual Total</b>	<b>5,984,561</b>	<b>5,399,072</b>	<b>-10%</b>

**Source:** Customs Department, MoFD

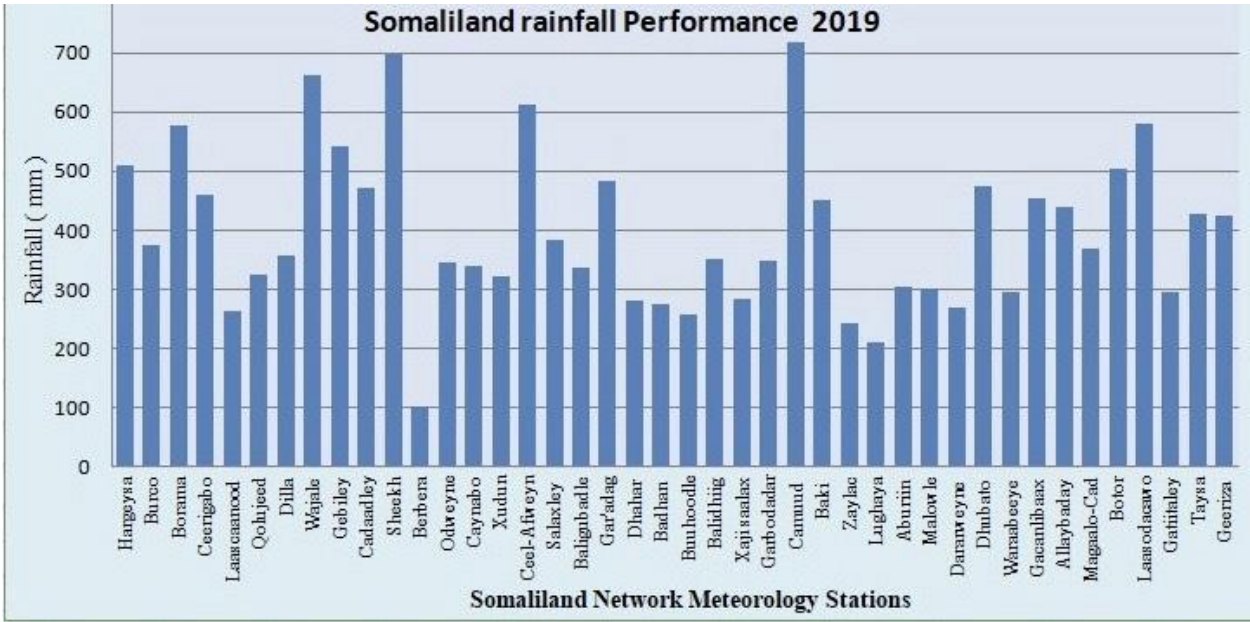
**Figure 10: Number of Cement bags imported in Somaliland from January 2018 to December 2019**



## 5. The Environment—Precipitation

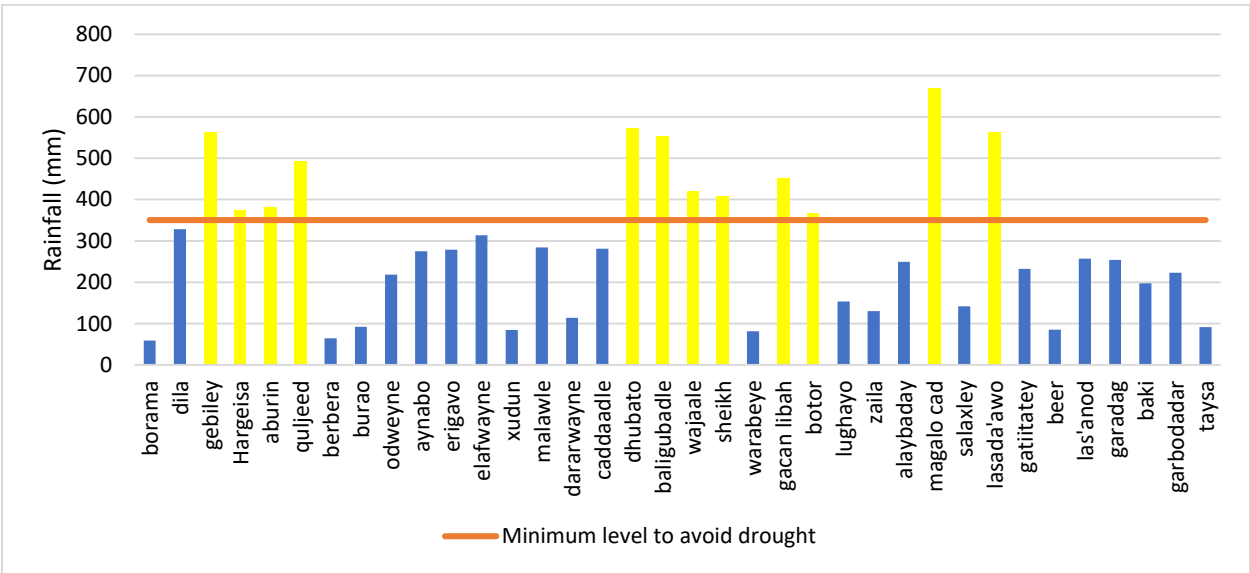
According to the Ministry of Agriculture, Somaliland needs 350mm of rainfall per year to avoid a drought. As shown in figure 11, Somaliland recorded in 2019 significantly more than the minimum 350mm rainfall level required to avoid a drought—with most of the 42 locations displayed registering more than 350mm per year. Camuud registered the highest rainfall with just over 700mm, followed by Sheek with 700mm while Berbera recorded the lowest level with 100mm. Compared to 2018 as in Figure 12, the amount of rainfall in 2019 was significantly higher. Among the 36 locations shown in figure 12, only 12 locations registered rainfall levels greater than 350mm in 2018. The average rainfall from the 36 locations in 2018 was 286mm—below the minimum 350mm.

Figure 11: Rainfall level (mm) registered in Somaliland from January - December 2019



Source: From the Ministry of Agricultural Development

Figure 12: Rainfall levels in mm by location in 2018



Source: Data from the Ministry of Agricultural Development

## 6. Major Trading Partner Countries

Most of Somaliland's livestock export is destined to Saudi Arabia, Yemen and the United Arab Emirates while the country's imports mostly comes from Kenya, UAE, Yemen, Saudi Arabia, India, Thailand, Malaysia, Ethiopia and Djibouti.

### 6.1. Inflation Rate<sup>5</sup>

Following falling average price levels in the first 11 months of 2019, the annual headline inflation for Saudi Arabia rebounded in December 2019 to 0.2%. The annual inflation in 2019 for Saudi Arabia and the UAE was minus 1.2% and 1.9%, respectively. On the other hand, Thailand, Malaysia and Djibouti registered increasing average price levels with Thailand and Djibouti registering 0.7% and 3.3% increases in 2019.

**Table 16: Annual Inflation rate from Somaliland's major trading partner countries, base year in parentheses**

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019 average
<b>Saudi Arabia (2013)</b>	-1.9%	-2.2%	-2.1%	-1.9%	-1.5%	-1.4%	-1.3%	-1.1%	-0.7%	-0.3%	-0.1%	0.2%	-1.2%
<b>UAE (2014)</b>	-2.4%	-2.5%	-2.5%	-2.1%	-1.1%	-1.5%	-2.2%	-2.0%	-2.2%	-1.9%	-1.4%	-1.4%	-1.9%
<b>Kenya (2009)</b>	4.7%	4.1%	4.4%	6.6%	5.5%	5.7%	6.3%	5.0%					
<b>Thailand (2015)</b>	0.3%	0.7%	1.2%	1.2%	1.1%	0.9%	1.0%	0.5%	0.3%	0.1%	0.2%	0.9%	0.7%
<b>Malaysia (2010)</b>	-0.7%	-0.4%	0.2%	0.2%	0.2%	1.5%	1.4%	1.5%	1.1%	1.1%	0.9%		
<b>Djibouti (2013)</b>	2.2%	2.7%	2.7%	2.9%	3.3%	3.7%	3.6%	3.6%	4.3%	4.0%	3.6%	3.3%	3.3%
<b>Somaliland (2012)</b>	7.7%	7.2%	6.9%	6.5%	5.0%	4.4%	4.9%	4.0%	4.1%	4.0%	5.3%	5.1%	5.4%

*Source: IMF Data*

### 6.2. Exchange Rate

The Djiboutian franc, Eritrean nakfa, Saudi Riyal, UAE Dirham and Yemeni Riyal remained fixed against the USD since 2018—as can be seen in table 16. The Ethiopian birr, the Kenyan shilling, Malaysian ringgit, Sudanese and South Sudanese pounds depreciated against the USD in 2019—with the Sudanese pound recording a significant 89% depreciation from its 2018 average. The Ugandan shilling and Thai Baht slightly appreciated in 2019 compared to their respective 2018 average.

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<sup>5</sup> The Inflation data for Ethiopia will be included in the next report depending on its availability

**Table 17:** Quarterly and Year-on-Year percentage change of major trading partner countries' Exchange rate against the USD in 2019

		Somaliland SLSh	Djibouti djf/usd	Eritrea ern/usd	Ethiopia etb/usd	Kenya Ksh/usd	Malaysia myr/usd	Saudi Arabia SAR/usd	Sudan sdg/usd	Thailand thb/usd	Uganda (USh/usd)	UAE aed/usd	Yemen yer/usd	South Sudan ssp/usd
Exchange Rate	<b>Q1</b>	<b>9,106</b>	177.72	15.08	28.27	100.73	4.09	3.75	47.50	31.61	3,693.84	3.67	250.25	155.17
	<b>Q2</b>	<b>8,372</b>	177.72	15.08	28.70	101.30	4.15	3.75	45.57	31.59	3,743.86	3.67	250.25	157.57
	<b>Q3</b>	<b>8,415</b>	177.72	15.08	...	103.42	4.17	3.75	45.00	30.71	3,688.57	3.67	250.25	159.21
	<b>Q4</b>	<b>8,433</b>	177.72	15.08	...	102.52	4.17	3.75	...	30.28	3,689.92	3.67	250.25	160.04
	<b>2019</b>	<b>8,582</b>	177.72	15.08	28.49	101.99	4.14	3.75	46.02	31.05	3,704.05	3.67	250.25	158.00
YOY Change	<b>Q1</b>	<b>-14.5%</b>	0.00%	0.00%	3.84%	-1.09%	4.22%	0.00%	204.26%	0.22%	1.31%	0.00%	0.00%	17.87%
	<b>Q2</b>	<b>-19.1%</b>	0.00%	0.00%	5.34%	0.54%	5.04%	0.00%	153.16%	-1.03%	-0.29%	0.00%	0.00%	14.99%
	<b>Q3</b>	<b>-16.7%</b>	0.00%	0.00%	...	2.69%	1.77%	0.00%	150.00%	-6.85%	-1.99%	0.00%	0.00%	9.51%
	<b>Q4</b>	<b>-15.5%</b>	0.00%	0.00%	...	0.60%	-0.18%	0.00%	...	-7.72%	-1.44%	0.00%	0.00%	5.65%
	<b>2019</b>	<b>-16.5%</b>	0.00%	0.00%	3.85%	0.68%	2.66%	0.00%	89.17%	-3.91%	-0.62%	0.00%	0.00%	11.75%

*Source: IMF Data*

## 7. Appendices

**Appendix 1: Somaliland Annual Headline inflation, Core, Food Crops and EFU inflation from January 2018 to December 2019, base year=2012**

	Headline inflation	Core inflation	Food Crops	Energy Fuel and Utilities	CPI Index (All items/headline)
Jan-18	18.9%	17.0%	32.7%	22.2%	158.9
Feb-18	19.1%	17.5%	26.2%	27.1%	159.86
Mar-18	18.9%	17.7%	23.0%	25.9%	160.64
Apr-18	18.3%	18.0%	20.4%	18.0%	161.95
May-18	17.6%	16.5%	20.1%	25.5%	165.43
Jun-18	15.1%	14.3%	17.0%	20.5%	166.73
Jul-18	13.6%	13.9%	10.1%	16.1%	166.31
Aug-18	13.7%	13.5%	13.4%	15.7%	168.12
Sep-18	9.6%	9.9%	3.9%	14.4%	168.47
Oct-18	8.2%	8.6%	1.6%	13.5%	169.24
Nov-18	8.2%	8.5%	2.5%	12.5%	169.44
Dec-18	7.9%	8.3%	3.4%	11.4%	170.16
Jan-19	7.7%	7.9%	6.4%	8.0%	171.16
Feb-19	7.2%	7.5%	6.3%	6.4%	171.42
Mar-19	6.9%	7.6%	3.6%	5.5%	171.67
Apr-19	6.5%	6.6%	5.1%	9.4%	172.5
May-19	5.0%	5.8%	3.3%	0.7%	173.68
Jun-19	4.4%	5.3%	2.8%	-1.6%	174.07
Jul-19	4.9%	4.9%	9.2%	-0.2%	174.5
Aug-19	4.0%	4.0%	8.6%	-2.3%	174.8
Sep-19	4.1%	3.8%	10.6%	-1.4%	175.3
Oct-19	4.0%	4.4%	10.9%	-6.5%	176.07
Nov-19	5.3%	5.4%	6.1%	-6.3%	178.34
Dec-19	5.1%				178.9
Average 2018	14.1%	13.6%	14.5%	18.6%	
average 2019	5.4%	5.7%	6.6%	1.1%	