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**Ministry of Finance Development**

**Republic of Somaliland**

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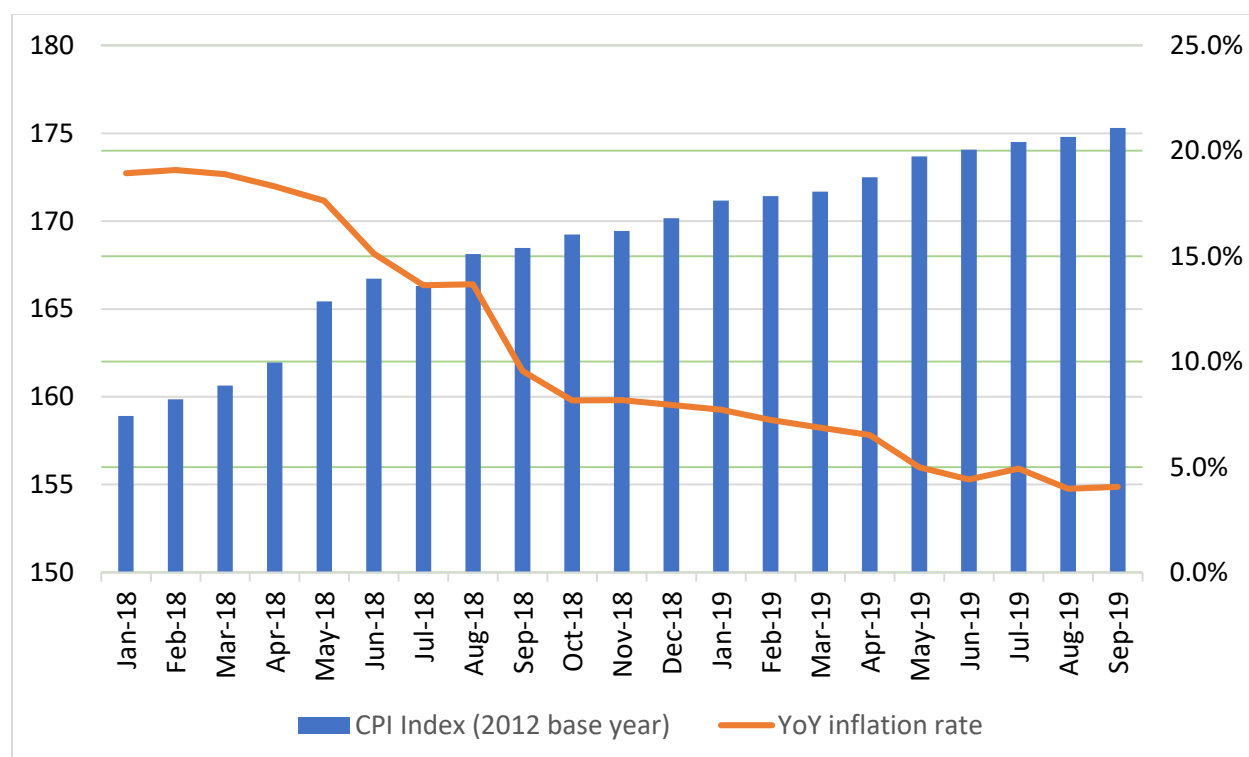
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# 1. Financial Sector

## 1.1. Inflation

The annual inflation rate at the start of the 3<sup>rd</sup> quarter of 2019 rose to 4.9% in July from the 4.4% registered the previous month, before falling to 4% in August and then slightly rising to 4.1% in September. The average inflation rate in the third quarter of 2019 was 4.3%—down from the 5.3% and 7.3% registered in the second and first quarter of 2019 and significantly down from the 12.3%, 17% and 19% registered in Q3, Q2 and Q1 of 2018, respectively. Figure 1 below graphs the CPI and the year-on-year inflation rate from January 2018 to September 2019. As can be seen, the YoY inflation rates have significantly fallen since January 2018, reaching an all-time low for the period in August 2019. The average inflation rate between January and September 2019 was 5.6%, significantly lower than the 16.1% registered in the corresponding 2018 period. The trend in the inflation rate is in part attributed to the exchange rate which has been fairly stable in the last two quarters.

**Figure 1:** CPI Index and Year-on-Year percentage change, base year=2012



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

**Table 1:** YoY Inflation in Q1, Q2 and Q3 of 2018 and 2019

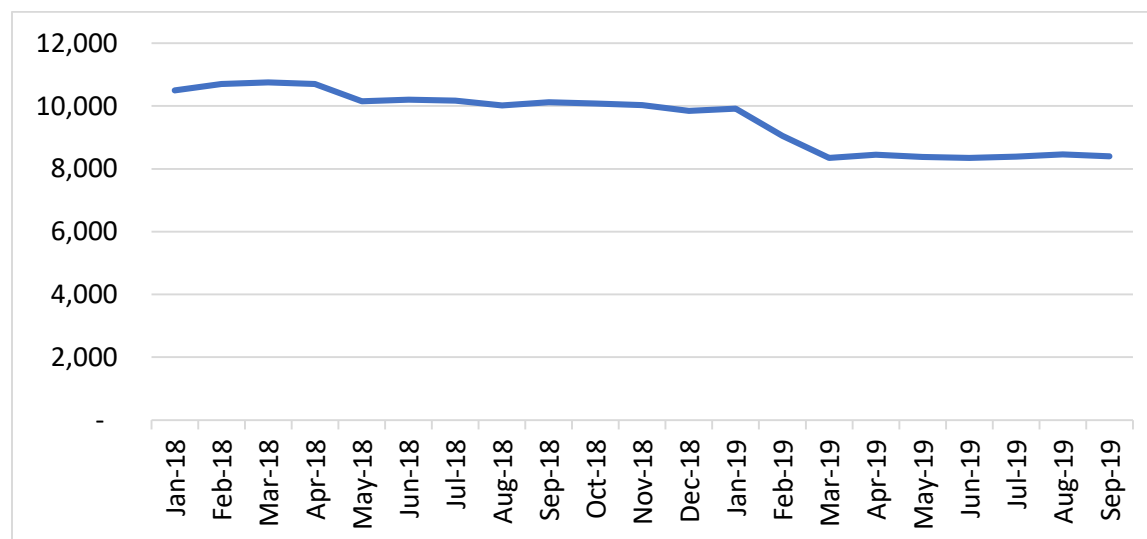
<b>Average Q1 2018 YoY inflation</b>	<b>Average Q1 2019 YoY Inflation</b>
19.0%	7.3%
<b>Average Q2 2018 YoY inflation</b>	<b>Average Q2 2019 YoY Inflation</b>
17.0%	5.3%
<b>Average Q3 2018 YoY inflation</b>	<b>Average Q3 2019 YoY inflation</b>
12.3%	4.3%
<b>Average Jan – Sept 2018 YoY inflation</b>	<b>Average Jan – Sept 2019 YoY Inflation</b>
16.1%	5.6%

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

## 1.2. Exchange Rate

In the third quarter of 2019, the average exchange rate for the Somaliland shilling against the USD was 8,415 SLSh/USD. This was a 0.5% depreciation from the average recorded in the second quarter but a 7.6% appreciation from the first quarter average. Compared to the third quarter of 2018, this represents a 16.7% appreciation.

On a monthly basis in 2019, the Somaliland Shilling depreciated by 0.5% in July and 0.8% in August before appreciating by 0.6% in September to 8,400 SLSh/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

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

**Table 2:** Monthly change in SLSh/USD Exchange rate (%)

Month	% change
Apr-18	-0.5
May-18	-5.1
June-18	0.5
July-18	-0.3
Aug-18	-1.5
Sep-18	1
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	0.80
May-19	-1.40
June-19	1.20
Jul-19	0.5
Aug-19	0.8
Sept-19	-0.6

**Table 3:** 2018 and 2019 Q1, Q2, Q3 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	<b>-17.5%</b>
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>
% Δ from Q1 to Q2	-2.82%	-8.06%	--
% Δ from Q2 to Q3	-2.4%	0.5%	--
% Δ from Q1 to Q3	-5.1%	-7.6%	--

*Source: Data from the Bank of Somaliland*

## 2. Fiscal Performance

Table 4 below highlights the actual revenue and expenditure in the first 10 months of 2019—January to October.

### 2.1. Domestic Revenue

Domestic revenue collection in the first 10 months of 2019 was 1.470 trillion SLSh against a target of 1.485 trillion SLSh. This represents a 1% underperformance.

### 2.2. Grants

Grants from the World Bank significantly underperformed against target between January and October by 72%. The actual grants received was 9.931 billion SLSh against a target of 34.854 billion SLSh.

### 2.3. Expenditure from the General Government Fund

Expenditure from the general government fund in the first 10 months of 2019 (January to October) was 1.267 trillion SLSh. This was 217.67 billion SLSh below the allocated amount for the period—representing a 15% underperformance.

### 2.4. Fiscal Balance (January – October 2019)

The fiscal balance in the first half of the year—excluding World Bank grants—was 203 billion SLSh. This means that 14% of the revenue collected in the first 10 months of the year was not spent. Note that the underperformance in expenditure is attributed to the government's precautionary approach to spending

in the first half of the year. In the first six months, most capital expenditure was frozen—in order to assess revenue collection performance. Between July and October, 51% of capital expenditure has been released. The MoFD expects revenue collection and subsequently expenditure to meet target by the end of the year.

**Table 4:** Fiscal Summary for Jan - Sept 2019, SLSh

<b>Fiscal Summary</b>	<b>Annual Budget</b>	<b>Target (Jan – Oct)</b>	<b>Actual (Jan – Oct)</b>	<b>Difference</b>	<b>Diff. (%)</b>
<b>Revenue</b>	<b>1,823,975,720,000</b>	<b>1,519,982,766,667</b>	<b>1,480,430,784,592</b>	<b>-39,548,980,075</b>	<b>-3%</b>
Domestic Revenue	1,782,154,460,000	1,485,128,716,667	1,470,498,957,963	-14,629,758,704	-1%
Grants (World Bank)	41,821,260,000	34,854,050,000	9,931,826,629	-24,919,221,371	-72%
<b>Expenditure</b>					
General Government Fund	1,782,154,460,000	1,485,128,716,669	1,267,462,482,378	-217,666,234,291	-15%
World Bank Projects					
<b>Fiscal Balance (excluding World Bank grants)</b>			<b>203,036,475,585</b>		

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

### 3. Trade and Travel

#### 3.1. Livestock Exports

Total livestock export in the third quarter of 2019 was 1,377,928—representing a significant 641% increase from the 186,034 recorded in the second quarter and a 1,124% increase from the 112,572 recorded in the first quarter. Compared to the corresponding period in 2018, this was a 26% increase. Sheep & Goats export in Q3 of 2019 increased by 869% from Q2 and accounted for 97% of total livestock export in Q3. Cattle export increased by 6% from Q2 while Camel export decreased by 42%.

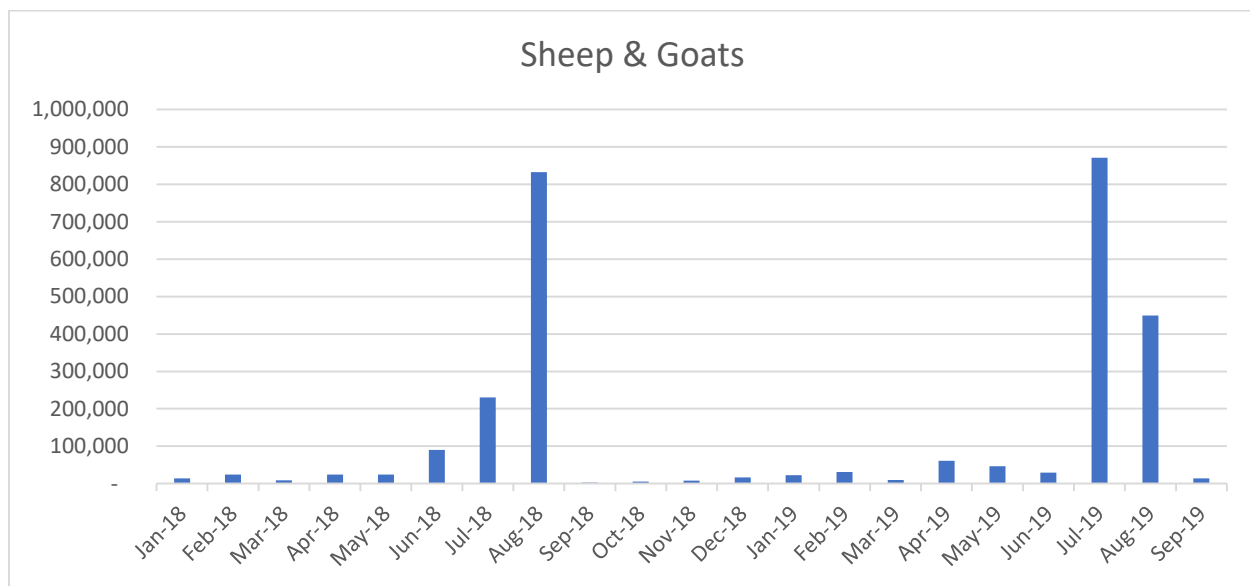
Between January and September 2019, Somaliland recorded 26,239 Camel exports—representing a 5,401% increase from the 477 recorded in 2018. Cattle export in the same period increased by 32% compared to the corresponding 2018 period, while Sheep & Goat export increased by 23%. Figure 3 and 4 below respectively show the number of Sheep & Goats and Cattle exported per month from January 2018 to September 2019. In Figure 3, 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.

**Table 5:** Livestock, Skins and Hides exported in Q1, Q2 and Q3 of 2018 and 2019

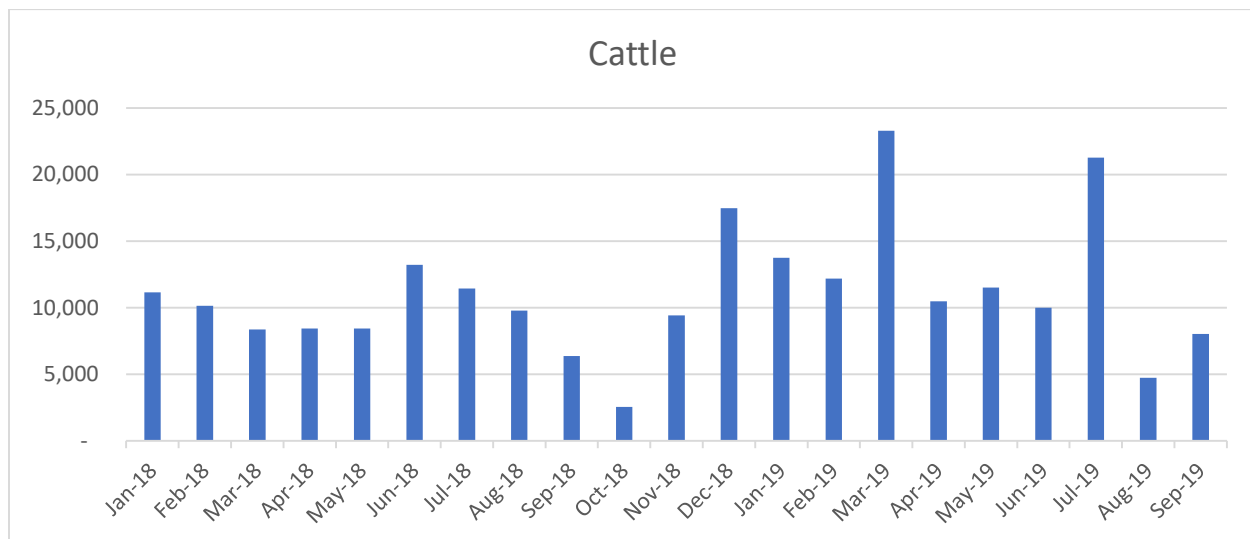
	2018				2019				% YoY Change
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Total	
<b>Skins (Pcs)</b>	330,200	429,800			182,000	200,000	160,000	542,000	
<b>Hides (Pcs)</b>	142,000	0			0	21,800	53,783	75,583	
<b>Camels (Heads)</b>	437	0	40	477	427	16,378	9,434	26,239	5401%
<b>Cattle (Heads)</b>	29,639	30,075	27,565	87,279	49,211	31,991	34,016	115,218	32%
<b>Sheep &amp; Goats (Heads)</b>	46,924	137,710	1,065,272	1,249,906	62,934	137,665	1,334,478	1,535,077	23%

**Source:** MoFD's Customs Department

**Figure 3:** Number of Sheep & Goats exported from Somaliland from January 2018 to September 2019



**Figure 4:** Number of Cattle exported from Somaliland from January 2018 to September 2019



**Source:** MoFD's Customs Department



### 3.2. Imports

The nominal value of Somaliland's imports in the third quarter of 2019 was 878 billion SLSh while the duties collected were 376 billion SLSh—representing a 9% and 7% increase from Q2 respectively. When we adjust for inflation, the real value of Q3 imports was 502 billion SLSh while it was 215 billion SLSh for duties—representing an 8% and 6% increase from Q2 respectively. Total imports in current prices between January and September 2019 was 2.48 trillion SLSh; this is 91% of the amount collected during the whole of 2018—suggesting that we are on course to exceeding the 2018 total import value.

Table 7 and 8 show the top ten products imported in Somaliland by value and duty, respectively. In terms of value, the top ten products in table 7 accounted for 54.8% of total import value. Kat and Sugar accounted for 10.6% and 9.0% of total import value respectively. While for Duties, as per table 8, the top ten products accounted for 53.8% of total duties collected. Kat and Sugar contributed 24.4% and 5.0% of the total duties collected.

**Table 6:** Value and Duties of Somaliland's imports in Q1, Q2, Q3 of 2019 and total 2018, SLSh

	2018 Annual	2019					
		Q1	Q2	Q3	Jan—Sept	% Δ Q1 to Q3	% Δ Q2 to Q3
<b>Import value</b> (Current Prices)	2,743,476,707,374	798,993,507,522	807,998,908,518	877,604,863,774	2,484,597,279,814	10%	9%
<b>Import value</b> (2012 Prices)	1,658,316,105,704	466,118,030,154	465,300,791,148	501,838,599,381	1,433,257,420,683	8%	8%
<b>Duty</b> (Current Prices)	1,202,120,402,242	336,719,581,540	351,510,392,716	376,175,143,019	1,064,405,117,275	12%	7%
<b>Duty</b> (2012 Prices)	726,631,146,047	196,434,898,347	202,465,771,630	215,114,075,709	614,014,745,686	10%	6%

**Source:** MoFD's Customs Department

**Table 7:** Top 10 import products in Q3 by value, SLSh (Current Prices)

Description	Value	Value as % of total import value
Kat	93,297,779,940	10.6%
Sugar	78,810,845,608	9.0%
Cooking Oil	69,671,803,040	7.9%
Rice	52,240,724,410	6.0%
Pasta/Macaroni	44,764,208,712	5.1%
Wheat Flour	44,136,419,655	5.0%
Stitched Clothes	25,499,120,077	2.9%
Unstitched Cloths	25,413,591,552	2.9%
Iron Sheets	24,510,724,000	2.8%
Milk Powder	22,749,227,200	2.6%
<b>Sub-Total</b>	<b>481,094,444,194</b>	<b>54.8%</b>

**Source:** MoFD's Customs Department

**Table 8:** Top 10 import products in Q3 by Duty, in SLSh (Current Prices)

Description	Duties (SLShs)	Duties as % of total import Duties
Kat	91,845,060,617	24.4%
Sugar	18,783,342,965	5.0%
Cooking Oil	16,516,096,519	4.4%
Cigarette	12,865,170,693	3.4%
Pasta/Macaroni	12,462,472,862	3.3%
Rice	12,434,884,614	3.3%
Wheat Flour	10,522,246,579	2.8%
Stitched Clothes	9,899,789,581	2.6%
Gas Oil	8,606,743,586	2.3%
Unstitched Cloths	8,508,272,758	2.3%
<b>Sub-Total</b>	<b>202,444,080,773</b>	<b>53.8%</b>

**Source:** MoFD's Customs Department

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

In the third quarter of 2019, there were 13,725 containers that arrived at the Berbera Port. This was a 3% increase from the 13,302 recorded in Q2 and a 25% increase from Q1. For the three quarters, a total of 38,009 containers arrived at the Berbera Port.

**Table 9:** Number of Containers that arrived at the Berbera Port in Q1, Q2 and Q3 of 2018 and 2019

	2018	2019	YoY Change
January	2,383	3,876	63%
February	2,880	2,971	3.2%
March	3,419	4,135	21%
<b>Total 1<sup>st</sup> Quarter</b>	<b>8,682</b>	<b>10,982</b>	<b>26%</b>
April	2,930	4,159	42%
May	3,662	4,124	13%
June	2,978	5,019	69%
<b>Total 2<sup>nd</sup> Quarter</b>	<b>9,570</b>	<b>13,302</b>	<b>39%</b>
July	2,708	4,854	79%
August	3,641	4,346	19%
September	2,400	4,525	88%
<b>Total 3<sup>rd</sup> Quarter</b>	<b>8,749</b>	<b>13,725</b>	<b>56%</b>
% Δ from Q1 to Q2	10%	21%	—
% Δ from Q2 to Q3	-8.6%	3%	—
% Δ from Q1 to Q3	0.8%	25%	—

**Source:** MoFD's Customs Department

Regarding the number of vessels arriving at the Berbera Port, as can be seen table 10 below, 175 were recorded in the third quarter of 2019—representing a significant 4% increase from the 169 vessels registered in quarter two and a 26% increase from the 134 vessels registered in quarter one.

**Table 10:** Number of Vessels that arrived at the Berbera Port in Q1, Q2 and Q3 of 2018 and 2019

	2018	2019	YoY Change
<b>January</b>	35	43	23%
<b>February</b>	40	46	15%
<b>March</b>	40	45	13%
<b>Total 1<sup>st</sup> Quarter</b>	<b>115</b>	<b>134</b>	<b>17%</b>
<b>April</b>	45	52	16%
<b>May</b>	49	58	18%
<b>June</b>	54	59	9%
<b>Total 2nd Quarter</b>	<b>148</b>	<b>169</b>	<b>14%</b>
<b>July</b>	50	53	6%
<b>August</b>	48	60	25%
<b>September</b>	52	62	19%
<b>Total 3rd Quarter</b>	<b>150</b>	<b>175</b>	<b>17%</b>
% Δ from Q1 to Q2	29%	26%	--
% Δ from Q2 to Q3	1.5%	4%	--
% Δ from Q1 to Q3	30%	31%	--

*Source: MoFD's Customs Department/Berbera Customs*

### 3.4. Air Passengers

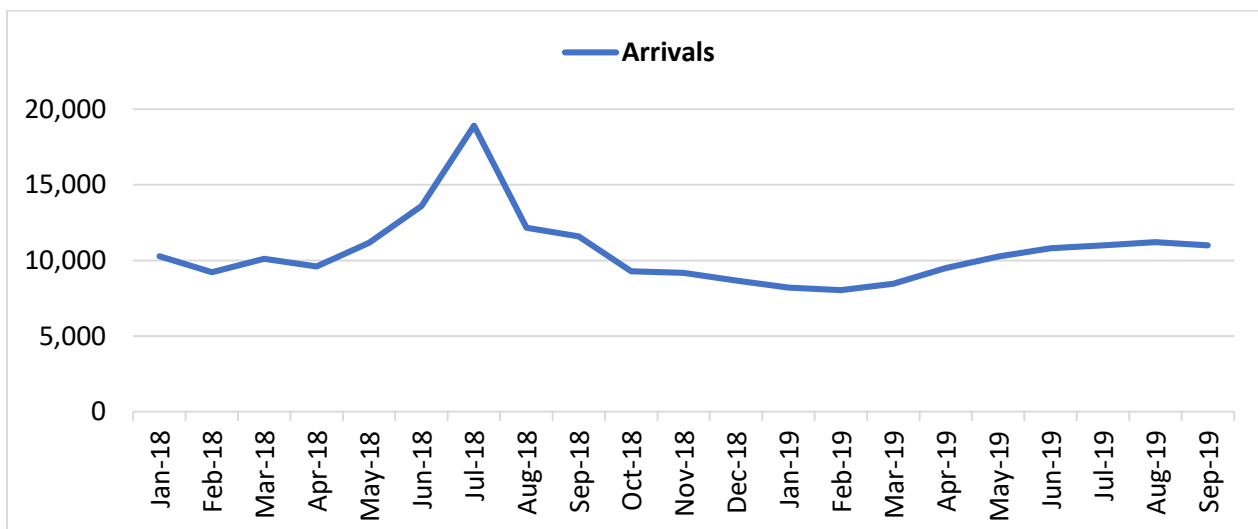
In the third quarter of 2019, there were 33,200 passengers that arrived in Somaliland by air compared to the 30,550 and 24,693 recorded in the second and first quarter—representing a 9% and 34% increase, respectively. Compared to the third quarter of 2018, the number of arrivals in 2019 is 22% lower than the 42,690 recorded. Moreover, total arrivals in the first nine months of 2019 is 88,443—17% lower than the 106,662 registered in the corresponding 2018 period. Figure 5 and appendix 1 show the monthly arrivals and departures from January 2018 to September 2019. In 2018, the highest numbers were registered during the 2018 summer when the diaspora tends to comeback for the holidays. As the figure shows, the same trend did not replicate in the 2019 summer, reflecting the 22% decrease in arrivals in the first nine months of 2019 compared to the corresponding period in 2018.

**Table 11:** Number of passengers arriving by air at Hargeisa Airport in Q1, Q2 and Q3 of 2019 and 2018

Descriptions		Arriving
Total 2018		
2018	Q1	29,612
	Q2	34,360
	Q3	42,690
	<b>Total</b>	<b>106,662</b>
	%Δ from Q1 to Q2	16%
	% Δ from Q2 to Q3	24%
	% Δ from Q1 to Q3	44%
2019	Q1	24,693
	Q2	30,550
	Q3	33,200
	<b>Total</b>	<b>88,443</b>
	% Δ from Q1 to Q2	24%
	% Δ from Q2 to Q3	9%
	% Δ from Q1 to Q3	34%

**Source:** MoFD's Customs Department

**Figure 5:** Number of Air passengers that arrived in and departed Somaliland by air from January 2018 to September 2019



**Source:** MoFD's Customs Department

## 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 total number of business licenses issued in Q3 of 2019 was 442 compared to the 276 issued in Q2—representing a 60% increase. Compared to Q1 on the other hand, this was a 12% decrease from the 504 recorded. The total number of business licenses issued between January and September of 2019 was 1,222, which is 48% higher than the 827 number issued in 2018.

**Table 12:** Number of business licenses issued in the first and second quarter of 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>
% Δ from Q1 to Q2	-8%	-45%	
% Δ from Q2 to Q3	21%	60%	
% Δ from Q1 to Q3	11%	-12%	
<b>Total Q1, Q2 and Q3</b>	<b>827</b>	<b>1,222</b>	<b>48%</b>

*Source: Ministry of Trade, Industry, and Tourism.*

#### 4.2. Number of Building Permits Issued

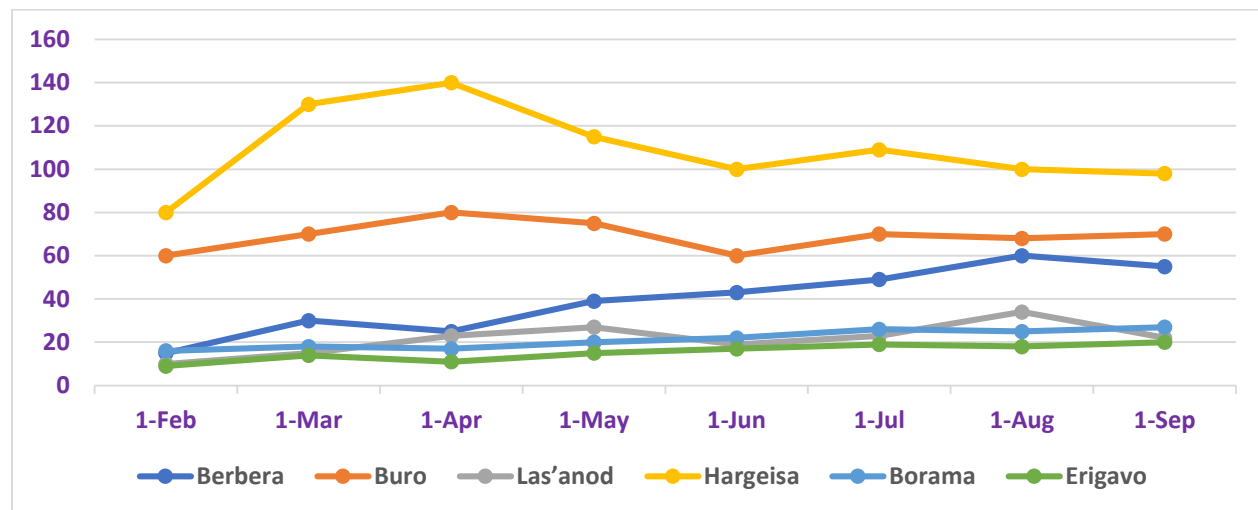
The number of building permits issued in September 2019 was 292—lower than the 305 recorded in August. From February to September 2019, 2,208 building permits were issued in Berbera, Buro, Las'anod, Hargeisa, Borama and Erigavo . Among the 6 locations, Hargeisa issued the highest number with 872, followed by Buro with 553, Berbera with 316, Las'anod with 173, Borama with 171 and Erigavo with 123.

**Table 13:** Number of Building permits issued in Berbera, Buro, Las'anod, Hargeisa, Borama, and from Erigavo, Feb - Sept 2019

	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Total
<b>Berbera</b>	15	30	25	39	43	49	60	55	<b>316</b>
<b>Buro</b>	60	70	80	75	60	70	68	70	<b>553</b>
<b>Las'anod</b>	10	15	23	27	19	23	34	22	<b>173</b>
<b>Hargeisa</b>	80	130	140	115	100	109	100	98	<b>872</b>
<b>Borama</b>	16	18	17	20	22	26	25	27	<b>171</b>
<b>Erigavo</b>	9	14	11	15	17	19	18	20	<b>123</b>
<b>Total</b>	<b>190</b>	<b>277</b>	<b>296</b>	<b>291</b>	<b>261</b>	<b>296</b>	<b>305</b>	<b>292</b>	<b>2,208</b>

Source: MoFD's Inland Revenue Dep't

**Figure 6:** Number of Building permits issued in Berbera, Buro, Las'anod, Hargeisa, Borama and Erigavo from, Feb - Sept 2019



Source: MoFD's Inland Revenue Dep't

### 4.3. Cement Import

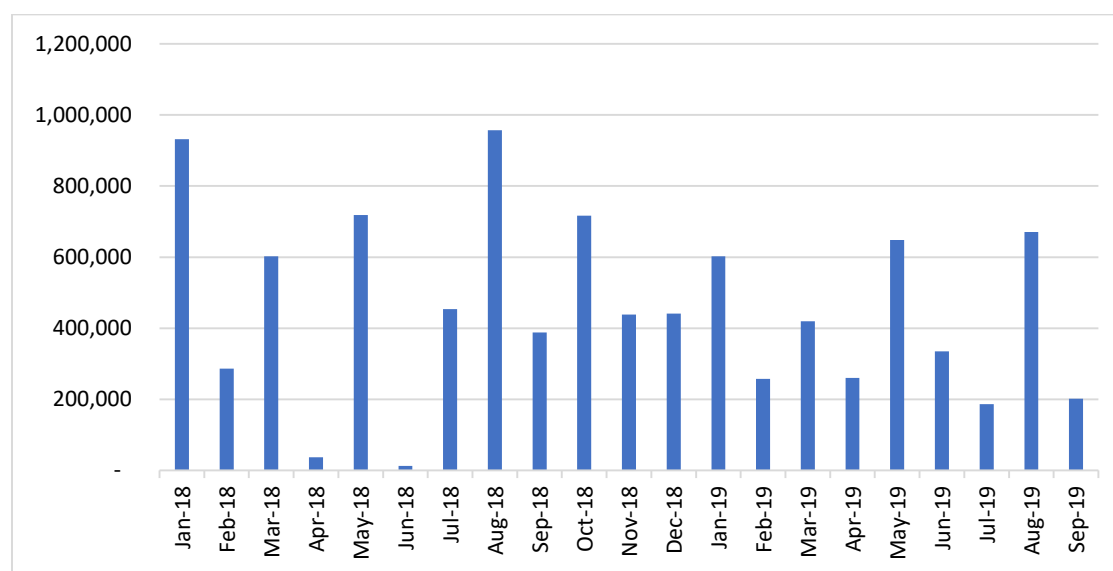
Table 14 below shows the number of cement bags imported between January and September 2019. In Q3, a total of 1,059,740 cement bags were imported; this was 14% lower than the amount imported in Q2 and 17% lower than Q1. Furthermore, this was 41% lower than the one recorded in Q3 of 2018. Moreover, in the first nine months of 2019, the total number of cement bags imported were 19% lower than the corresponding period in 2018.

**Table 14:** Amount of cement bags imported in the first and second quarter of 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>
% Δ from Q1 to Q2	-57.8%	-3.7%	—
% Δ from Q2 to Q3	134%	-14%	—
% Δ from Q1 to Q3	-1%	-17%	—

Source: MoFD's Customs Department

**Figure 7:** Number of Cement bags imported in Somaliland from January 2018 to September 2019



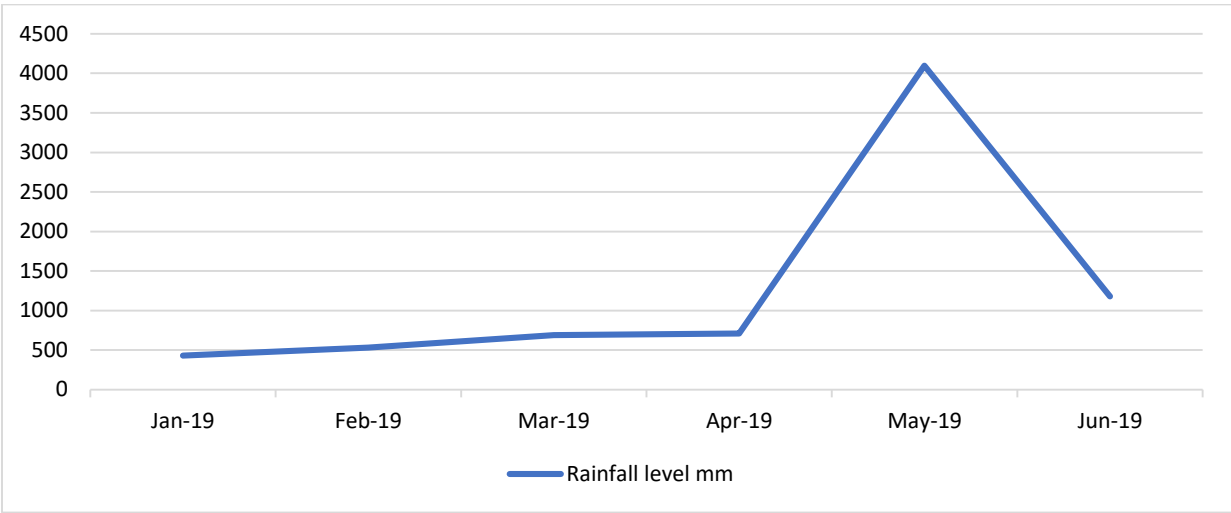
**Source:** MoFD's Customs Department

## 5. The Environment—Precipitation

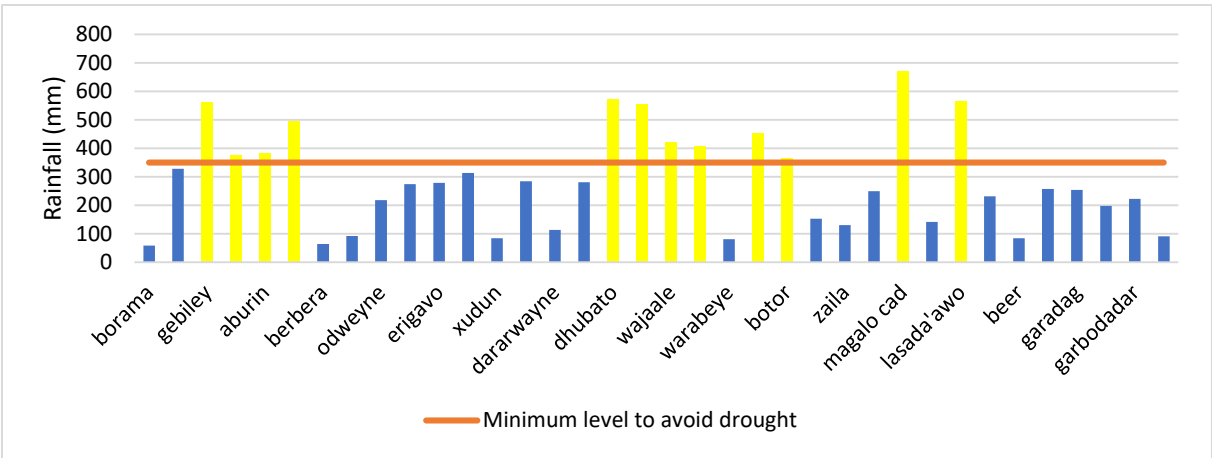
According to the Ministry of Agriculture, Somaliland needs 350mm of rainfall per year to avoid a drought. As shown in figure 8, Somaliland has recorded in the first six months of 2019, significantly more than the minimum 350mm rainfall level required to avoid a drought. The highest levels were recorded in May and June with 4,096mm and 1,177mm, respectively.

Figure 9 below shows the amount of rainfall by location in 2018 along with the minimum level required to avoid a drought (350mm). Among the 36 locations shown, only 12 locations registered rainfall levels greater than 350mm. The highest amount of rain was registered in Magalo cad at 669 mm while Borama registered the lowest amount at 58.5 mm.

**Figure 8:** Rainfall level (mm) registered in Somaliland from January - June 2019



**Figure 9:** Rainfall levels in mm by location in 2018



**Source:** Ministry of Agricultural Development



## 6. Appendices

Appendix 1: Number of Air passengers that arrived in and departed Somaliland by air from January 2018 to September 2019, Hargeisa airport

	<b>Arrivals</b>	<b>Departures</b>
<b>Jan-18</b>	10,275	11,501
<b>Feb-18</b>	9,222	10,384
<b>Mar-18</b>	10,115	10,738
<b>Apr-18</b>	9,606	9,538
<b>May-18</b>	11,158	10,164
<b>Jun-18</b>	13,596	9,458
<b>Jul-18</b>	18,922	13,819
<b>Aug-18</b>	12,167	19,784
<b>Sep-18</b>	11,601	14,698
<b>Oct-18</b>	9,282	10,765
<b>Nov-18</b>	9,181	8,953
<b>Dec-18</b>	8,673	8,658
<b>Jan-19</b>	8,201	
<b>Feb-19</b>	8,041	
<b>Mar-19</b>	8,451	
<b>Apr-19</b>	9,500	
<b>May-19</b>	10,250	
<b>Jun-19</b>	10,800	
<b>Jul-19</b>	11,000	
<b>Aug-19</b>	11,200	
<b>Sep-19</b>	11,000	

Appendix 2: Number of Containers that arrived at Berbera Port from January 2018 to June 2019

<b>Month</b>	<b>No. of containers</b>
Jan-18	2,383
Feb-18	2,880
Mar-18	3,419
Apr-18	2,930
May-18	3,662
Jun-18	3,344
Jul-18	2,708
Aug-18	3,641
Sep-18	2,400
Oct-18	3,800
Nov-18	3,434
Dec-18	3,340
Jan-19	3,876
Feb-19	2,971
Mar-19	4,135
Apr-19	4,159
May-19	4,124
Jun-19	5,019
19-Jul	4,854
19-Aug	4,346
19-Sep	4,525