



Economic Performance Bulletin

First Quarter 2021

Macroeconomics & Statistics Department

Ministry of Finance Development

Republic of Somaliland

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Executive Summary

The inflation rate in Somaliland significantly slowed in the first quarter of 2021, compared to the same period in 2020. The headline inflation rate in the first quarter of 2021 increased on average by 0.3% on a monthly basis, down from the 0.7% observed in the same period of last year. The annual headline inflation rate for its part was 2.5% in March 2021, significantly down from the 5.6% registered a year ago. A slow uplift in consumer demand, following a taxing 2020 year (i.e., marked by significantly lower income receipt from livestock exports) reflects the trend in the inflation rate. Furthermore, supply disruptions that were pronounced in 2020 have eased—in the past few months—with the continued re-opening of businesses around the world and lifting of trade restrictions. The Ministry of Finance Development expects the inflation rate to slightly pick-up in the second quarter of 2021, due to increased consumer demand for Eid Al Fitr. This is expected to continue throughout the year. However, any significant decrease in income from livestock export and more COVID-19 disruptions to economic activity would put downward pressure on average price levels. The MoFD is forecasting the inflation rate in 2021 to fall within 3-4.5%.

The value of the Somaliland shilling in the first quarter of 2021 continued its increase against the US Dollar from December of 2020. The average exchange rate in the first quarter of 2021 was 8,473 SLSh/USD, representing a 1.1% appreciation from the same period of last year. The strengthening of the Somaliland shilling seems to be a response to the slower increase in the inflation rate which was mainly caused by a slow uplift in consumer demand—following significantly lower income receipt from livestock exports last year. Just like the inflation rate, the MoFD expects the Somaliland shilling to remain stable, with the exchange rate against the US dollar likely to hover around 8,500 SLSh/USD throughout the year.

The Financial contribution of Remittances in Somaliland was significantly higher in the first quarter of 2021 compared to the same period in 2020. Inward remittances increased by 22% while outward remittances increased by 24% compared to the same period in 2020 (by 20% and 29% compared to 2019 respectively). Compared to the fourth quarter of 2020, inward remittances in the first quarter of 2021 decreased by a significant 29% while Outward remittances increased by 36%. These remittance levels mostly reflect the fact that Somaliland has been quicker to return to business as usual, while other countries (e.g., developed countries in particular) continue to operate at less than full capacity. Assuming that businesses around the world continue to recover from the COVID-19 pandemic, the MoFD expects remittances to be significantly higher in 2021.

In the first quarter of 2021, Somaliland exported 411,530 heads of livestock, representing a significant 93% increase from the previous quarter (i.e., Q4 of 2020). Moreover, livestock export in the first three months of 2021 was 127% and 126% higher than total exports from the same period in 2020 and 2019. About 95% of the increase in 2021 came from the export of sheep & goats, which increased by 219,219 heads compared to the same period in 2020. This reflects the excess supply of sheep & goat following the lower export demand from Saudi Arabia during the 2020 Hajj season. The Ministry of Finance Development expects livestock export levels to continue exceeding 2020 levels. However, this will mostly depend on the 2021 Hajj taking place without significant restrictions to the number of pilgrims not residing in Saudi Arabia. The MoFD forecasts a 20% increase in livestock export in 2021 under an optimistic scenario in which export demand for the Hajj resumes. Conversely, the Ministry forecasts a 15% increase in livestock export under a conservative scenario.

The nominal value of Somaliland’s imports¹ in the first quarter of 2021 was approximately 4.5 trillion SLSh, representing a 1.9% increase from the last quarter of 2020 and a 6% increase compared to the first quarter of 2020. On a monthly basis, a significant increase in the import value occurred in March 2021. The higher value of Somaliland’s total import in the first three months of the year compared to the same period of last year, reflects the significant easing of trade and travel restrictions around the world. As the world continues to emerge from the uniform lockdowns enforced last year, the MoFD expects imports to be significantly higher in 2021. This, however, depends on a recovery of the livestock sector (i.e., higher income from livestock export), and a continued emergence from the COVID-19 induced economic contractions.

In the first quarter of the year 2021, Somaliland registered 16,444 Air passenger arrivals and 18,922 departures—representing a significant 20% and 12% decrease from the same period in 2020, respectively. This was expected given the lingering impact of the COVID-19 pandemic (i.e., new COVID-19 variants, quarantine requirements, higher travel costs, uncertainty over travel routes and continued rollout of the vaccines). Moreover, this is all accentuated by lower income levels for a lot of people in 2020. The MoFD expects moderate travel numbers in 2021 given the continued impact of the pandemic, the slow roll out of the vaccine around the world and the uncertainty about their efficacy against the new variants emerging. However, barring the reintroduction of travel restrictions around the world, the MoFD is nevertheless expecting higher travel in the remainder of the year compared to the same periods in 2020.

The number of businesses registered in the first quarter of the year was 227, representing 46 more registrations compared to the same period last year but significantly lower than the 353 registered in the first quarter of 2019. The number of business registrations have been, on average, lower since January 2020 compared to 2018 and 2019. In light of the current economic situation, monthly registrations are likely to continue to be lower than 2018 and 2019 levels. However, with an expected recovery from the COVID-19 pandemic, favorable environmental conditions for the agriculture and livestock sector, and the fast progress on the Berbera corridor, significantly higher number of business registrations (particularly in the trade sector) can be expected in the next 3 years. **On the other hand, there were 224² new business licenses and 134 renewed licenses issued in the first quarter of 2021, representing 7 and 34 more issuances compared to the same period in 2020.** Most of the licenses issued were for businesses in Hargeisa and for the trading and services sectors.

In the first quarter of 2021, domestic revenue collection by the Government of Somaliland was 549.4 billion SLSh—a 20% increase from the 463.8 billion SLSh collected in the same period in 2020. With respect to target, this was 5% higher than the amount forecasted in the 2021 budget (524.5 billion SLSh). Key revenue items in the first quarter of 2021 included Registration tax on contracts, Business income tax, tax on payroll public services and tax on imports which significantly overperformed against their

¹ In Somaliland, imports are valued at set prices rather than real prices by the customs department—meaning that prices are fixed in the valuation book with few changes each year. Moreover, USD quoted prices in the valuation book are revalued to SLSh through an exchange rate set by the government—which is currently 7,000 SLSh per USD. The Macroeconomic department at the MoFD is currently working to estimate the CIF value of these imports based on monthly price data collected by the MoNPD, market scanning and online research. The import figures in this report therefore reflects these estimates and are based on several assumptions and generalizations and should be interpreted with care. As the department refines its methodology and collects more data through interviews and surveys, the figures above might slightly change in future publications.

² Taking into account the 227 business registrations made in the first quarter of 2021, shows that either some of those registered businesses were not issued with a license to operate yet or the difference is a result of an administrative error.

respective targets. On the other hand, excise tax on goods, port taxes, other income from post and telecommunications and visa from foreign passports were the biggest underperformers.

On the expenditure side, the government spent 371.1 billion SLSh from the general government fund—representing a significant 25% underspend against a 496.9 billion SLSh target. This underspending was attributed to delays in the recruitment of new staff, delays in the March salary payments from a few MDAs and delay in upgrading of staff. Moreover, the non-receipt of March bills from suppliers, lengthy procurement processes and the postponement of a few spending items (e.g., loan repayment, assets, etc.) explains most of the underspend in the first quarter of the year.

Expenditure on the three World Bank funded projects significantly fell below target in the first quarter of 2021. The government spent 1.27 billion SLSh on the Civil Service Strengthening project, against a 4.70 billion SLSh allocation, representing a 73% underspend and 7% of the project's annual budget. It spent 2.43 billion SLSh on the DRM and PFM Capacity Strengthening Project, representing a significant 83% underspend and only 8% of the project's annual budget. As for the SEAP project, it underspent by 100% against a 1.02 billion SLSh allocation. Most of the underspending is attributed to lengthy procurement processes and contractual issues. **The fiscal balance was 180.9 billion SLSh including world grants and 178.3 billion SLSh excluding grants.**

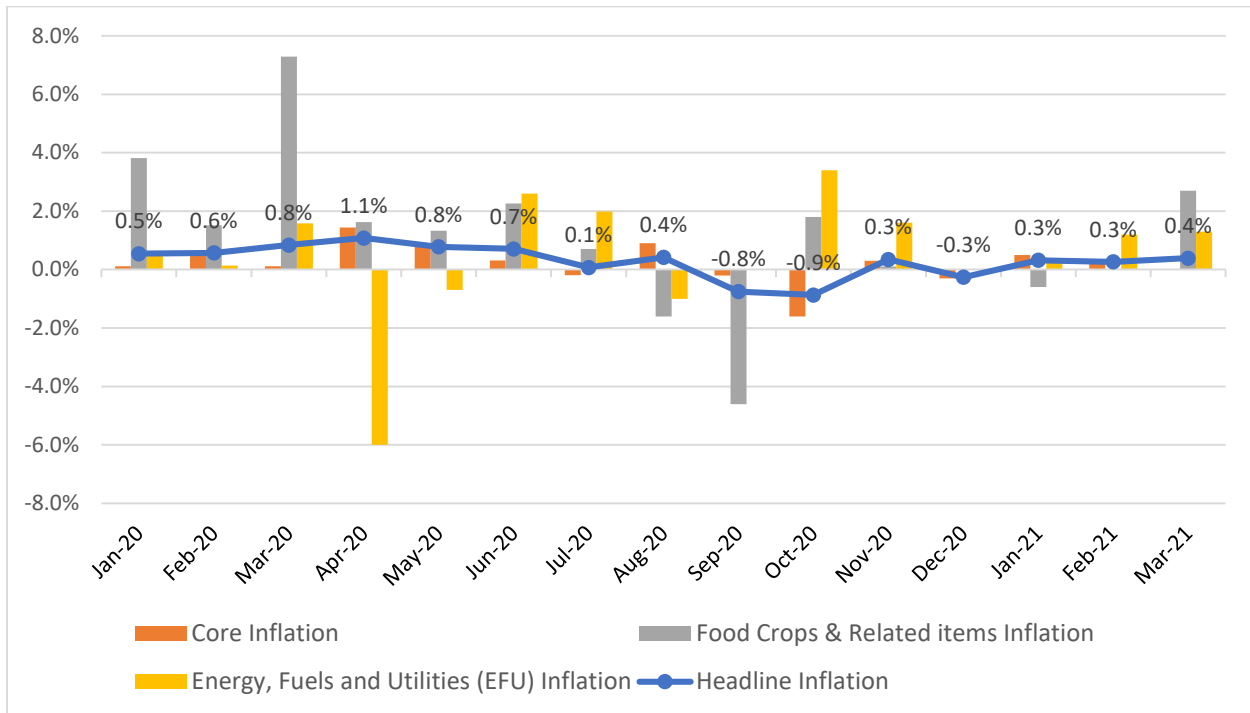
1. Financial Sector

1.1. Inflation

The inflation rate in Somaliland significantly slowed in the first quarter of 2021 compared to the same period in 2020. The headline inflation rate in the first quarter of 2021 increased on average by 0.3% on a monthly basis, down from the 0.7% observed in the same period of last year. The core inflation rate for its part was fairly constant at 0.2%, indicating that most of the changes occurred in the prices for food Crops & related items and the prices for Energy, Fuels and Utilities (EFU). The average monthly Food Crops & related items inflation rate significantly slowed in the first three months of 2021 at 0.7% compared to the 4.2% registered in the first quarter of 2020. This is particularly attributed to slow uplift in consumer demand following a taxing 2020 year (i.e., marked with significantly lower income receipt from livestock exports). Furthermore, supply disruptions that were more pronounced in 2020 have eased—in the past few months—with the continued re-opening of businesses around the world and lifting of trade restrictions. The EFU inflation rate for its part increased by 0.9% on average—on a monthly basis—in the first quarter of 2021, compared to the 0.7% registered in the same period of last year. The annual headline inflation rate for its part was 2.5% in March 2021, significantly down from the 5.6% registered a year earlier.

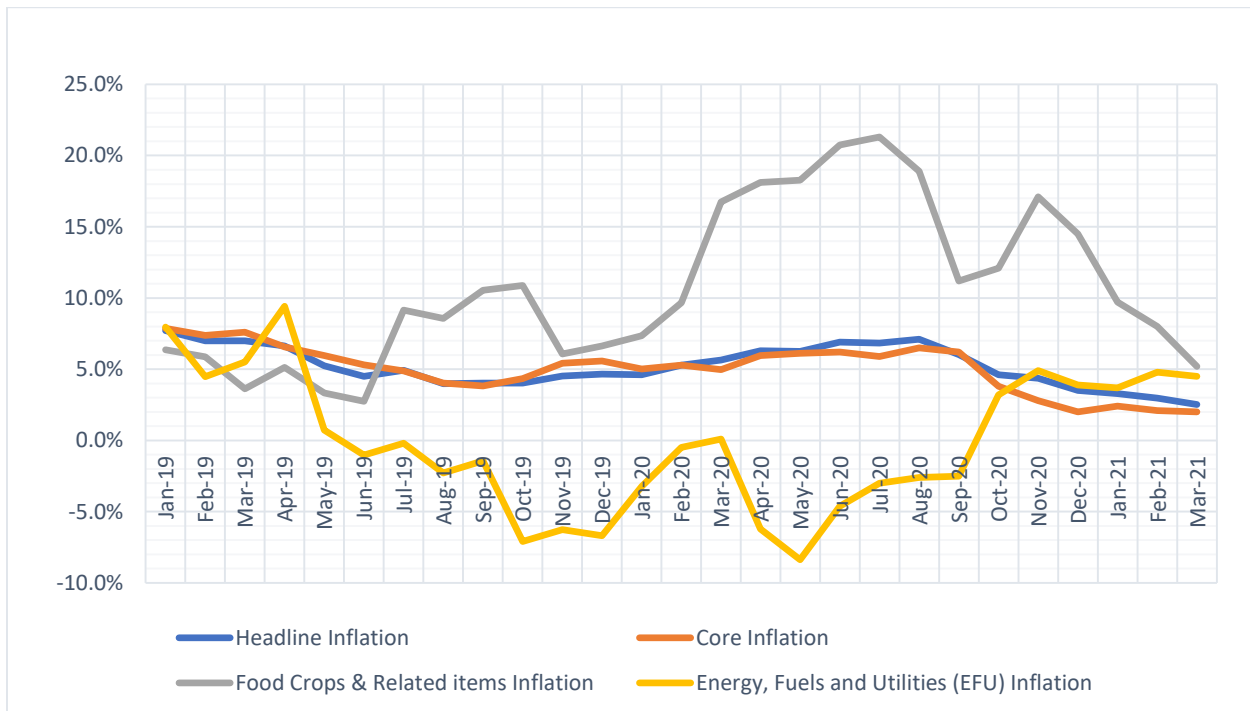
While the COVID-19 pandemic still continues to exert unprecedented disruptions around the world—through the emergence of more contagious variants—, the MoFD expects inflation rate to remain stable throughout the year. The Ministry expects the inflation rate to slightly pick-up in the second quarter due to increased consumer demand for Eid Al fitr. This slight increase is expected to continue throughout the year in the event that the Hajj is restored this year to include all non-Saudi residents. However, any significant decrease in income from livestock export and more COVID-19 disruptions to economic activity (i.e. new lockdowns and social distancing measures) would put downward pressure on average prices in Somaliland, through reduced consumer demand. The MoFD is forecasting the inflation rate in 2021 to fall within 3-4.5%.

Figure 1: Monthly inflation rate by category



Source: Ministry of National Planning and Development

Figure 2: Annual Inflation rate, base year=2012



Source: Ministry of National Planning and Development

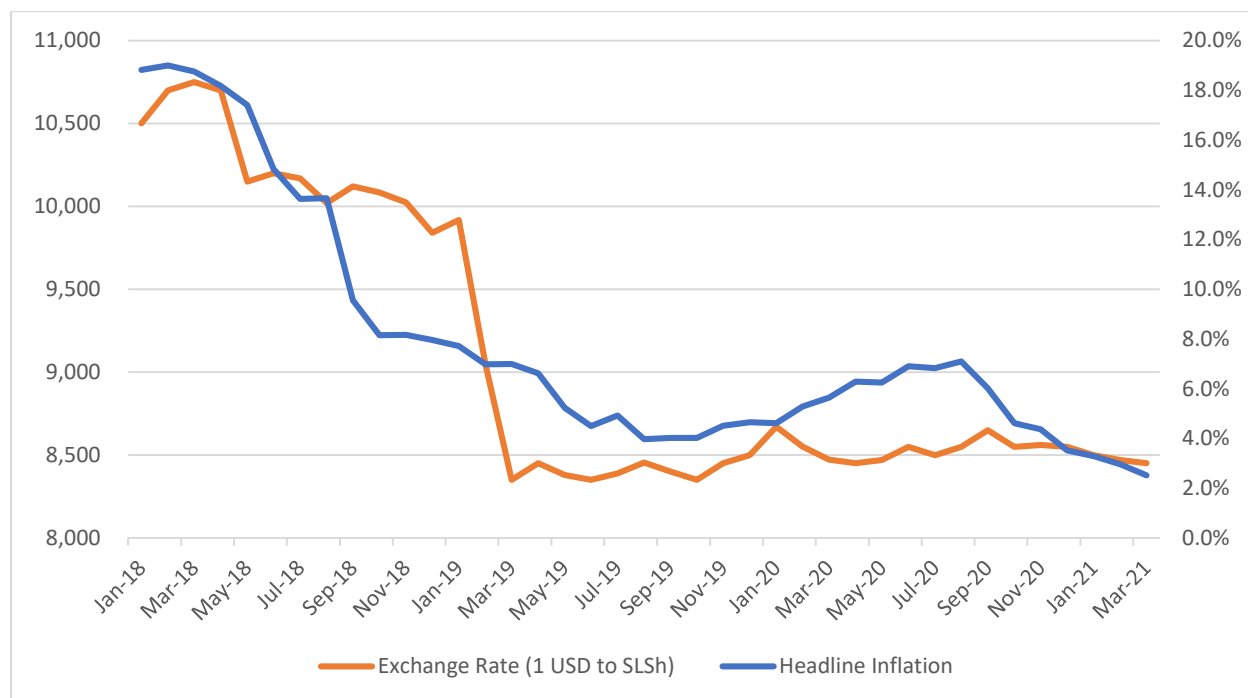
1.2. Exchange Rate

The value of the Somaliland shilling in the first quarter of 2021 continued its increase against the US dollar from December of 2020. On a monthly basis, the exchange rate against the US dollar appreciated by 0.6%, 0.4% and 0.2% in January, February and March 2021, respectively. Compared to last year, this also represent a 2%, 1% and 0.3% appreciation, respectively. The average exchange rate in the first quarter of 2021 was 8,473 SLSh/USD, representing a 1.1% appreciation from the same period of last year. Figure 3 shows that the exchange rate and the annual headline inflation rate have moved together fairly closely since January 2018. The strengthening of the Somaliland shilling seems to be a response to the slower increase in the inflation rate brought about mainly by a slow uplift in consumer demand, following significantly lower income receipt from livestock exports last year. Just like the inflation rate, the MoFD expects the Somaliland shilling to remain stable, with the exchange rate against the US dollar likely to hover around 8,500 SLSh/USD throughout the year.

Table 1: Somaliland Shilling exchange rate against the US Dollar in the first quarter of 2020 and 2021

	2020		2021		YOY
	Exch	MoM	Exch	MoM	
JAN	8,670	2.0%	8,500	-0.6%	-2.0%
FEB	8,552	-1.4%	8,470	-0.4%	-1.0%
MAR	8,473	-0.9%	8,450	-0.2%	-0.3%
Q1 AVERAGE	8,565		8,473		-1.1%

Figure 3: Somaliland shilling exchange rate against the US Dollar and Headline inflation rate, Jan 2018 - Mar 2021



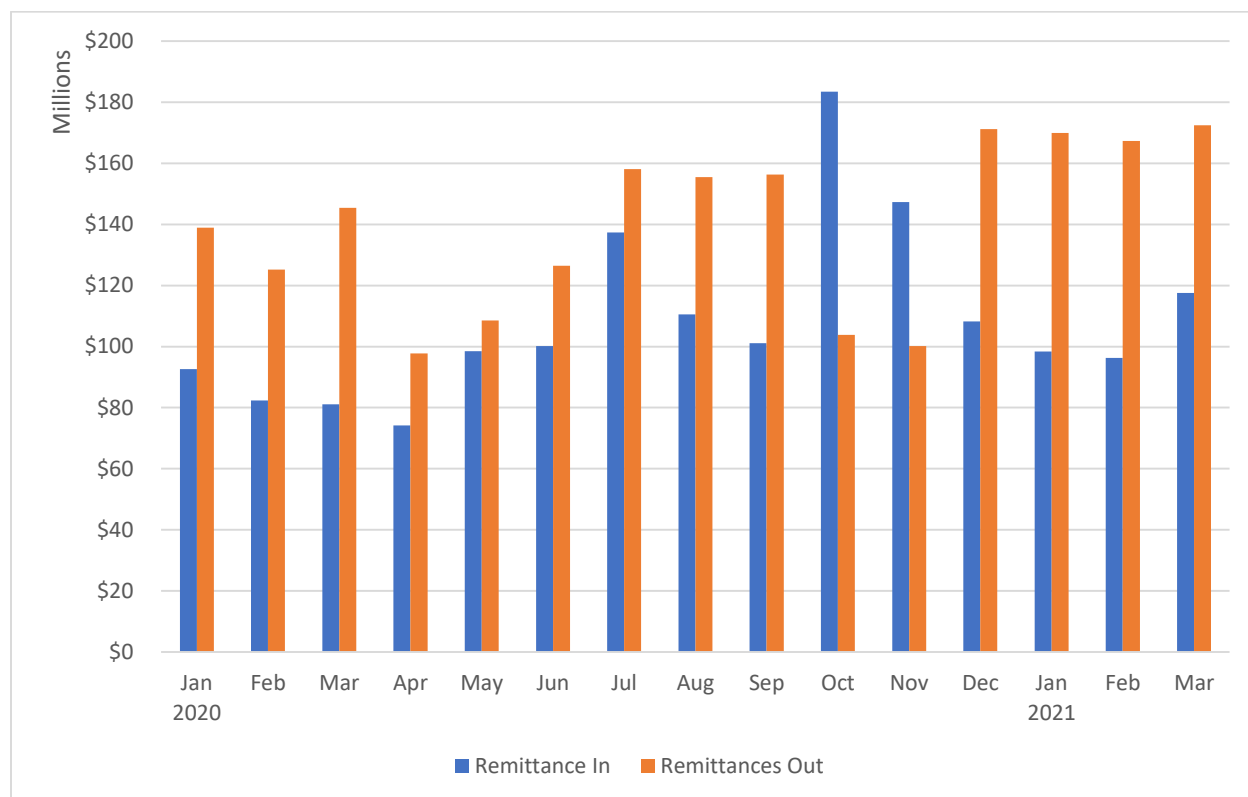
Source: Somaliland Central Bank

1.3. Remittances

Remittances in Somaliland were significantly higher in the first quarter of 2021 compared to the same period in 2020—as shown in figure 4 below. Inward remittances increased by 22% while outward remittances increased by 24% compared to the same periods in 2020, respectively (20% and 29% compared to 2019, respectively). Compared to the fourth quarter of 2020, inward remittances in the first quarter of 2021 decreased by a significant 29%, while outward remittances increased by 36%. These remittance levels mostly reflect the fact that Somaliland has been quicker to return to business as usual while other countries (developed countries in particular) continue to operate at less than full capacity.

The MoFD expects both inward and outward remittances to be significantly higher in 2021 compared to 2020. This is likely to occur with businesses around the world continuing to return to full capacity and an expected recovery in Somaliland’s livestock export in 2021. However, the persistent threat posed by the new COVID-19 variants would put downward pressure on remittances if lockdowns are reinstated and if Saudi Arabia significantly restricts the number of pilgrims this year.

Figure 4: Inward and Outward remittances in Somaliland per month, Jan 2020 - Mar 2021



Source: Somaliland Central Bank

2. Fiscal Performance

In the first quarter of 2021, the Government of Somaliland collected 549.4 billion SLSh (excluding World Bank grants) —a 20% increase from the 463.8 billion SLSh collected in the same period in 2020. As a result, domestic revenue collection in the first quarter was 5% higher than the amount forecasted in the 2021 budget (524.5 billion SLSh). Including World Bank grants, the government collected 555.7 billion SLSh. On the expenditure side, the government spent 371.1 billion SLSh from the general government fund— representing a significant 25% underspending against a 496.9 billion SLSh target. Including spending on the world bank funded projects, the government spent 374.8 billion SLSh, representing a significant 27.5% underspending. The fiscal balance was 180.9 billion SLSh including World Bank grants and 178.3 billion SLSh excluding grants.

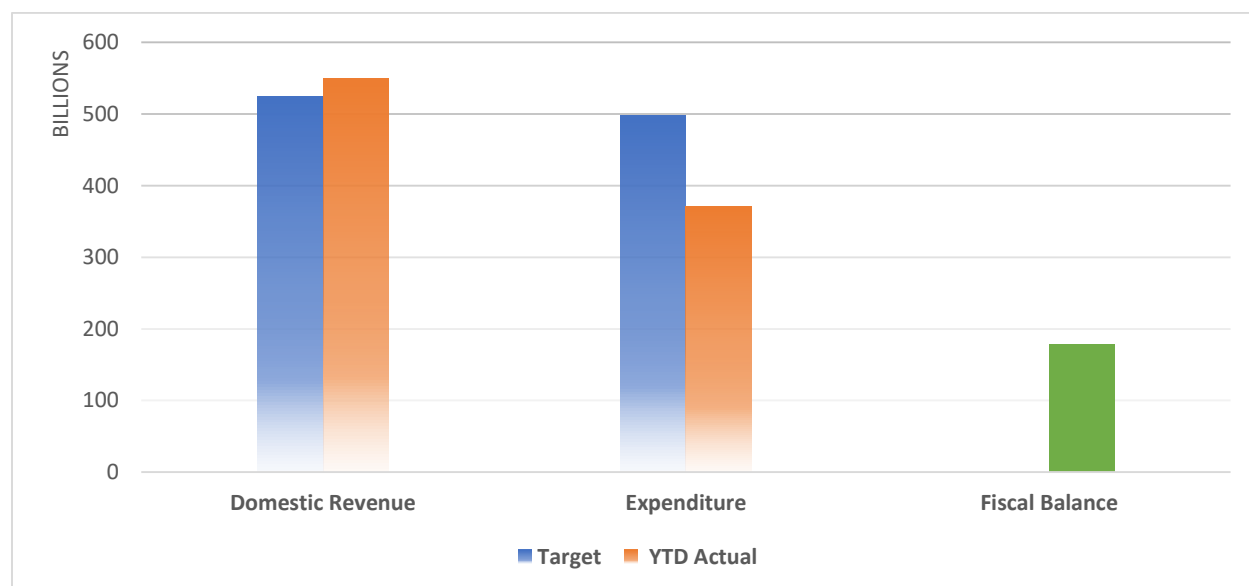
Table 2: Fiscal summary for the First Quarter of 2021, SLSh

	Budget	Target (Jan-Mar)	Actual (Jan-Mar)	Difference	Diff. (%)
Revenue	2,178,017,897,120	541,354,474,280	555,711,794,743	14,357,320,463	2.7%
Domestic	2,098,000,000,000	524,500,000,000	549,443,564,803	24,943,564,803	4.8%
Grants (WB) *	67,417,897,120	16,854,474,280	6,268,229,940	-10,586,244,340	-62.8%
JPLG	12,600,000,000	0	0	0	-
Expenditure	2,165,417,897,120	516,870,754,108	374,821,975,387	-142,048,778,721	-27.5%
General Gvt Fund**	2,101,500,000,000	496,993,588,828	371,119,526,357	-125,874,062,471	-25.3%
World Bank Projects	63,917,897,120	19,877,165,280	3,702,449,030	-16,174,716,250	-81.4%
Overall Fiscal Balance			180,889,819,356		
Balance (excl. WB Grants & JPLG)			178,324,038,446		
Balance Grants			2,565,780,910		

*This includes the 3.5 Billion SLSh Talent Management Grants from the World Bank

**Includes the Talent Management Grant from the World Bank

Figure 5: Fiscal Summary for the First Quarter of 2021, SLSh



Source: MoFD/ Budget & Planning and IFMIS Departments

2.1. Domestic Revenue

Key revenue items in the first quarter of 2021 included Registration tax on contracts, Business income tax, tax on payroll public services and tax on imports which significantly overperformed against their respective targets. On the other hand, excise tax on goods, port taxes, other income from post and telecommunications and visa from foreign passports were the biggest underperformers. The Customs and Inland Revenue Departments together collected 95% of the total revenue to date—with the Customs Department alone accounting for the collection of 74% of total revenue in 2021. Custom’s collection marginally underperformed its target by 693.5 million SLSh (or -0.2% below target), while IRD collected 26 billion SLSh more than the forecasted amount (representing a 28% surplus). In terms of regional performance, Customs collection in Kalabaydh outperformed target by 2.3 billion SLSh (3% above target) and by 1.6 million SLSh in Berbera. For IRD, almost all offices outperformed their targets, with Hargeisa collecting 13.8 billion SLSh above target (representing a 22% surplus).

Revenue collection in the month of March was much higher than that collected in February (42.6% or 67.8 bn SLSh). This is largely because some taxes over-performed in March, particularly taxes on imports, business income tax and GST. Furthermore, additional revenue was collected through a new fee from election candidates as well as an installment payment from port rental fee.

Figure 6: Total revenue collection by responsible agency (bn SLSh), Jan - March 2021

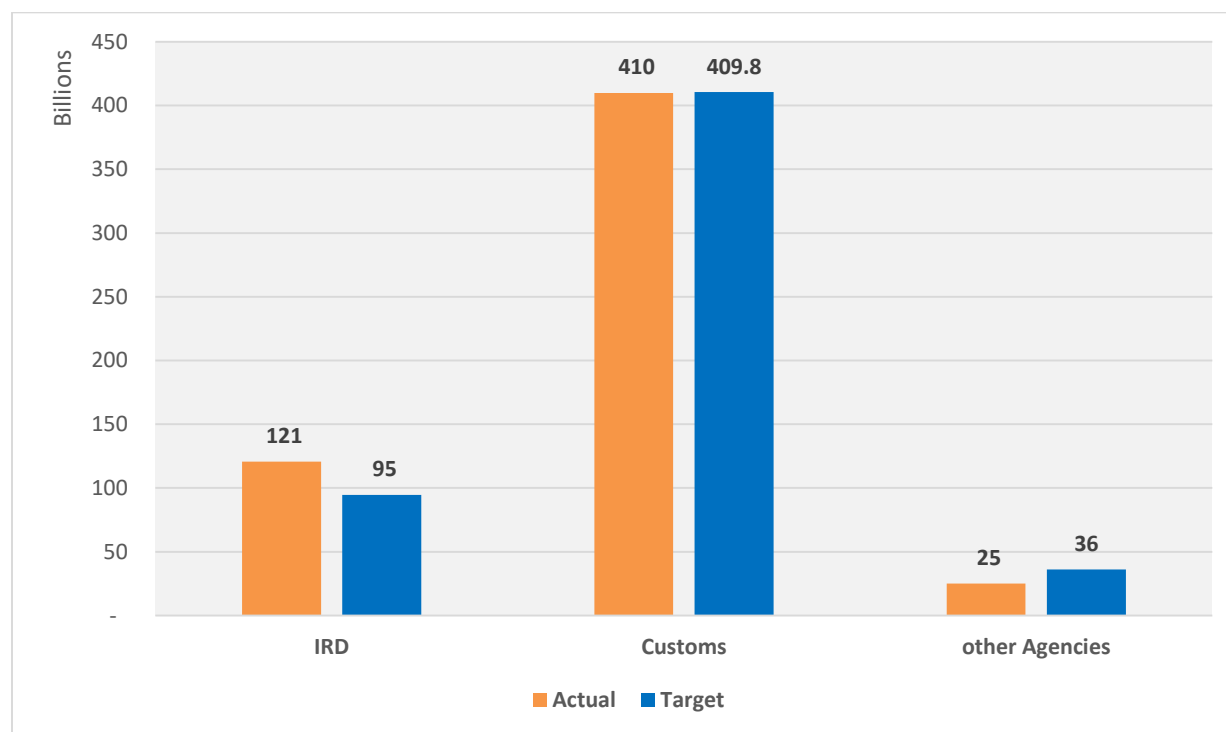
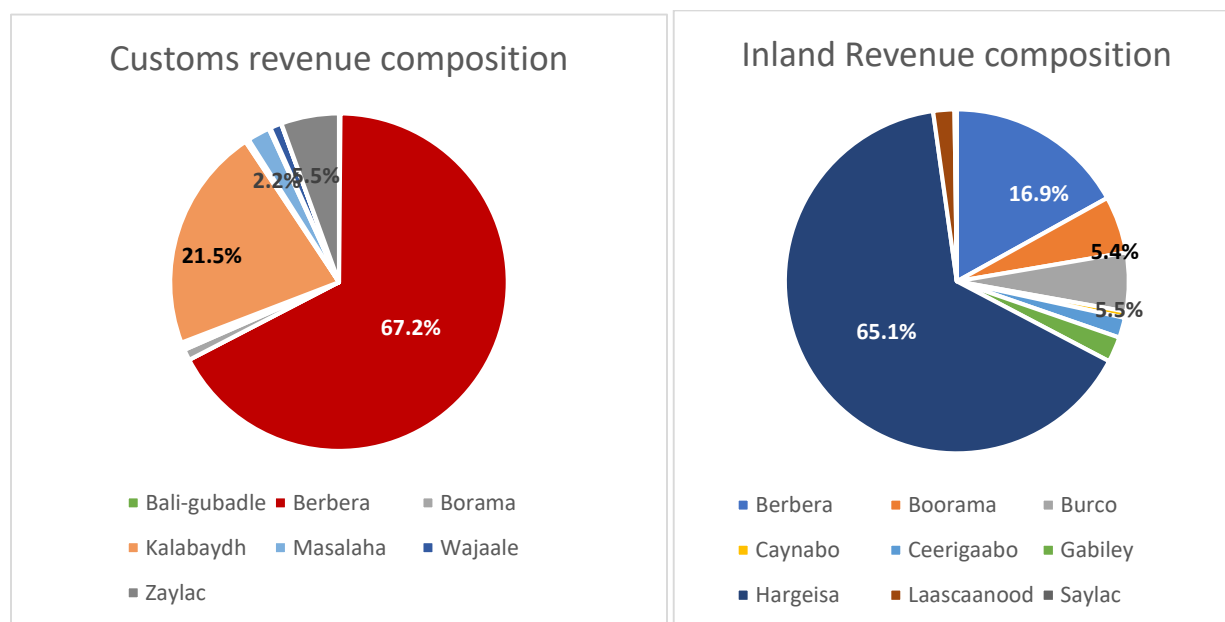


Figure 7: Customs and IRD revenue composition by station and office, Jan-March 2021



2.2. Expenditure from the General Government Fund

Spending was more than 38% below target across all majors spending categories (i.e. chapter level), with the exception of spending on compensation of employees, which was 5% below target. The underspending in the first quarter was attributed to delays in the recruitment of new staff, delays in the March salary payments from a few MDAs and delay in upgrading of staff. Moreover, the non-receipt of March bills from suppliers, lengthy procurement processes and the postponement of a few spending items (e.g., loan repayment, assets, etc.) explains most of the underspend in the first quarter of the year. Spending performance (i.e., underspending and % of budget spent) in the first quarter of 2021 followed fairly similar patterns to those observed in the same period of 2020. Compared to the first quarter of last year, the government utilized 15.5% of the National reserve fund to support COVID-19 vaccinations in the first quarter of 2021.

Spending at the sector level mirrored the performance at the chapter level. The Security sector, to be expected, had a better execution against its target with 147.7 billion SLSh—representing a 9.3% underspend against allocation and 21.5% of its annual Budget.

Figure 8: Expenditure summary in the first quarter of 2021 by Chapter, Billion SLSh

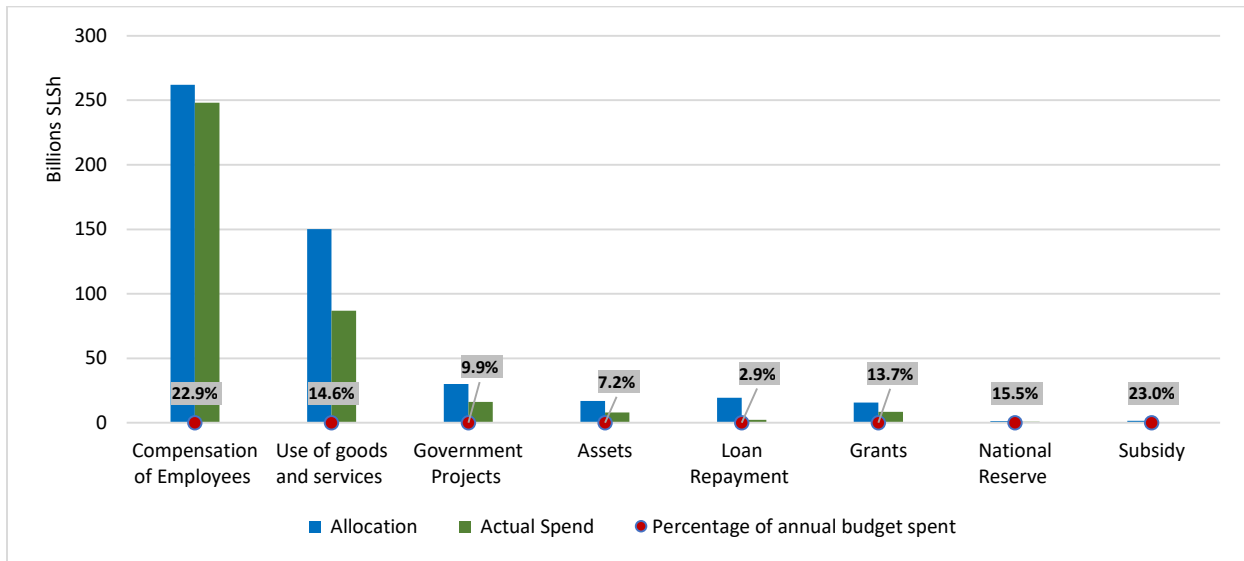
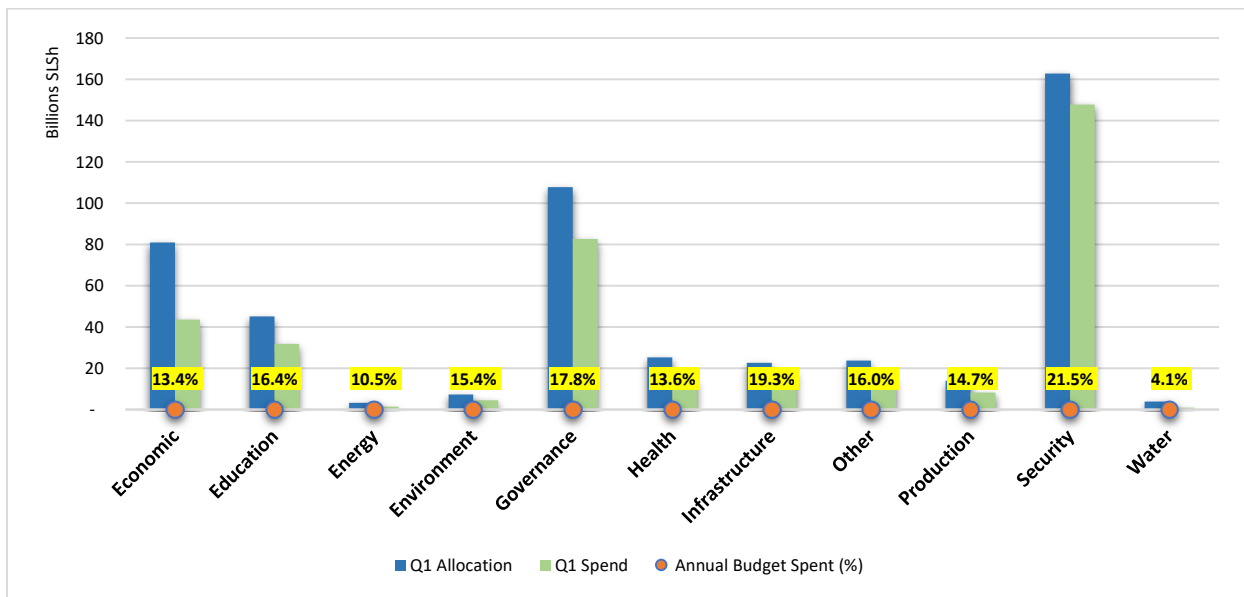


Figure 9: Q1 Spend Summary by Sector, Billion SLSh



2.3. World Bank Grants

Expenditure on the three World Bank funded projects significantly fell below target in the first quarter of the year. The government spent 1.27 billion SLSh on the Civil Service Strengthening project, against a 4.70 billion SLSh allocation, representing a 73% underspend and 7% of the project’s annual budget. It spent 2.43 billion SLSh on the DRM and PFM Capacity Strengthening Project, representing a significant 83% underspending and only 8% of the project’s annual budget. As for the SEAP project, it underspent by 100%

against a 1.02 billion SLSH allocation. Most of the underspending is attributed to lengthy procurement processes and to contractual issues with World Bank funded consultants.

3. Trade and Travel

3.1. Livestock Exports

In the first quarter of 2021, Somaliland exported 411,530 heads of livestock, representing a significant 93% increase from the previous quarter (i.e., Q4 of 2020). Moreover, this was 127% and 126% higher than total exports from the same period in 2020 and 2019. About 95% of the increase in 2021 came from the export of sheep & goats, which increased by 219,219 heads compared to the same period in 2020. Figure 10 below shows the composition of total livestock export in 2020 and 2021 and the monthly export since 2019. As can be seen, the share of sheep & goat export has significantly increased in the first quarter of 2021 compared to 2020. This reflects the excess supply of sheep & goat following the lower export demand from Saudi Arabia during the 2020 Hajj season.

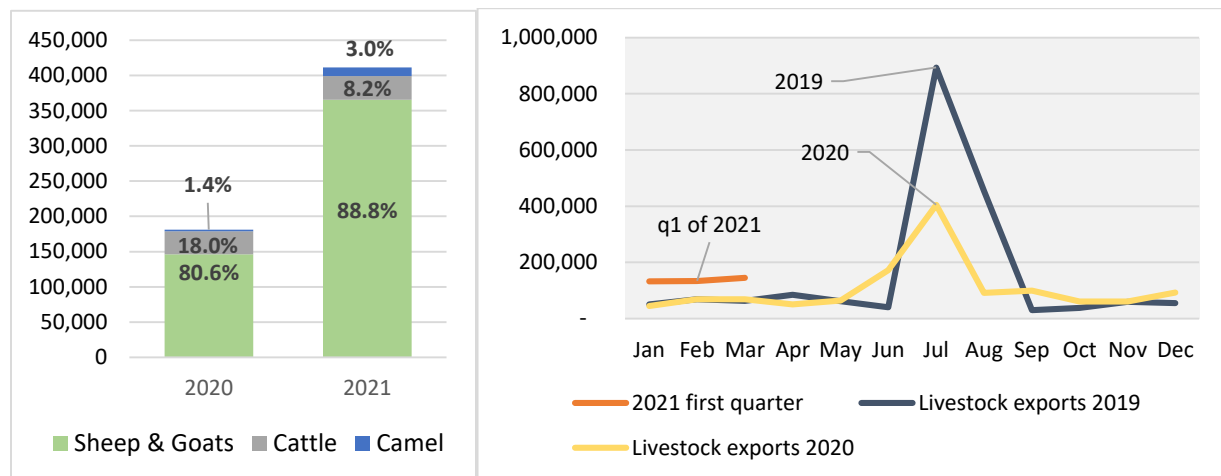
The Ministry of Finance Development expects livestock export levels to continue exceeding 2020 levels. However, this will mostly depend on the 2021 Hajj taking place without significant restrictions to the number of pilgrims not residing in Saudi Arabia. In other words, it will depend on the continued roll out of the COVID-19 vaccine and the ability to mitigate the spread of the new COVID-19 variants. As a result of this, the MoFD forecasts a 20% increase in livestock export in 2021, under an optimistic scenario in which export demand for the Hajj resumes. Conversely, the Ministry forecasts a 15% increase in livestock export under a conservative scenario.

Table 3: Livestock export in the first quarter of 2019, 2020 and 2021

	Units	2019	2020	2021	Difference	YoY Change (%)
Livestock	Heads	181,709	181,339	411,530	230,191	127%
<i>Camels</i>	<i>Heads</i>	<i>19,283</i>	<i>2,451</i>	12,309	9,858	402%
<i>Cattle</i>	<i>Heads</i>	<i>36,627</i>	<i>32,694</i>	33,808	1,114	3%
<i>Sheep & Goats</i>	<i>Heads</i>	<i>125,799</i>	<i>146,194</i>	365,413	219,219	150%

Source: MOFD/ Customs Department

Figure 10: Composition of livestock export in the First Quarter of 2020 & 2021 (left) and total export per month since 2019



3.2. Imports³

The nominal value of Somaliland’s imports in the first quarter of 2021 was approximately 4.5 trillion SLSh, representing a 1.9% increase from the last quarter of 2020 and a 6% increase compared to the first quarter of 2020. On a monthly basis as shown in figure 11 below, a significant increase in the import value occurred in March 2021. The higher value of Somaliland’s total import in the first three months of the year compared to the same period of last year, reflects the significant easing of trade and travel restrictions around the world. As the world continues to emerge from the uniform lockdowns enforced last year, the MoFD expects imports to be significantly higher in 2021. This, however, depends on a recovery of the livestock sector (i.e., higher income from livestock export), and a continued emergence from the COVID-19 induced economic contractions.

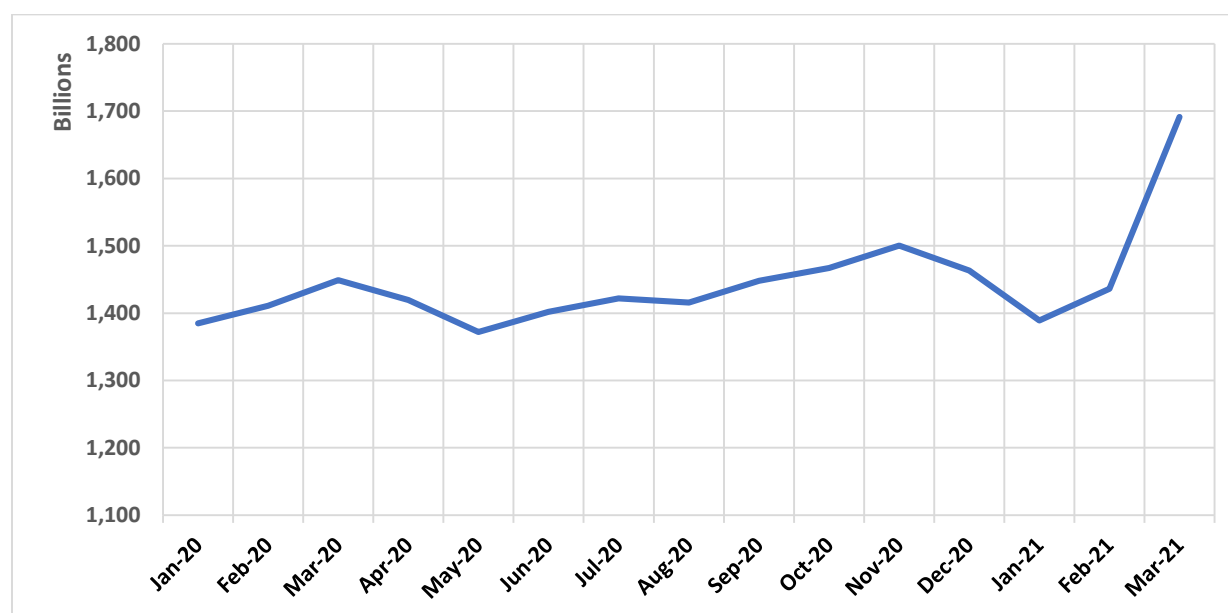
Table 4: Import value per quarter in 2020 and 2021, SLSh

YEAR	QUARTER	VALUE*	%
2020	Q1	4,244,814,359,009	-
	Q2	4,193,167,723,316	-1.2%
	Q3	4,285,938,886,936	2.2%
	Q4	4,430,804,766,372	3.4%
2021	Q1	4,516,291,648,185	1.9%

Source: MOFD/ Customs Department

³ In Somaliland, imports are valued at set prices rather than real prices by the customs department—meaning that prices are fixed in the valuation book with few changes each year. Moreover, USD quoted prices in the valuation book are revalued to SLSh through an exchange rate set by the government—which is currently 7,000 SLSh per USD. The Macroeconomic department at the MoFD is currently working to estimate the CIF value of these imports based on monthly price data collected by the MoNPD, market scanning and online research. The figures in table 4 above therefore reflects these estimates and are based on several assumptions and generalizations and should be interpreted with care. As the department refines its methodology and collects more data through interviews and surveys, the figures above might slightly change in future publications.

Figure 11: Import value per month, Jan 2020 - Mar 2021 (Billions SLSh)



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

In the first quarter of 2021, there were 129 ships/vessels that arrived at the port of Berbera, 38 more than the 91 registered during the same period in 2020. Table 5 below shows the type of ships that were registered. As can be seen, significantly more Bulk cargo (+13), Container (+14) and Doon (+35) vessels were registered in the first quarter of 2021 compared to the same period in 2020. On the other hand, fewer Bulk food (-25) and Fuel (-7) vessels were registered this year. With respect to the number of containers that were recorded at the port of Berbera, there were 891 (8%) more of them in the first quarter of this year compared to the same period in 2020, as shown in table 6.

The significantly higher number of ships and containers that were registered in the first quarter of 2021 compared to the same period in 2020 are in line with the increase in imports mentioned above. This reflects the easing of the COVID-19 trade restrictions in 2020. Assuming trade restrictions are not reintroduced this year and income receipts from livestock exports recover, the Ministry of Finance Development expects more containers and ships to arrive throughout the year compared to 2020.

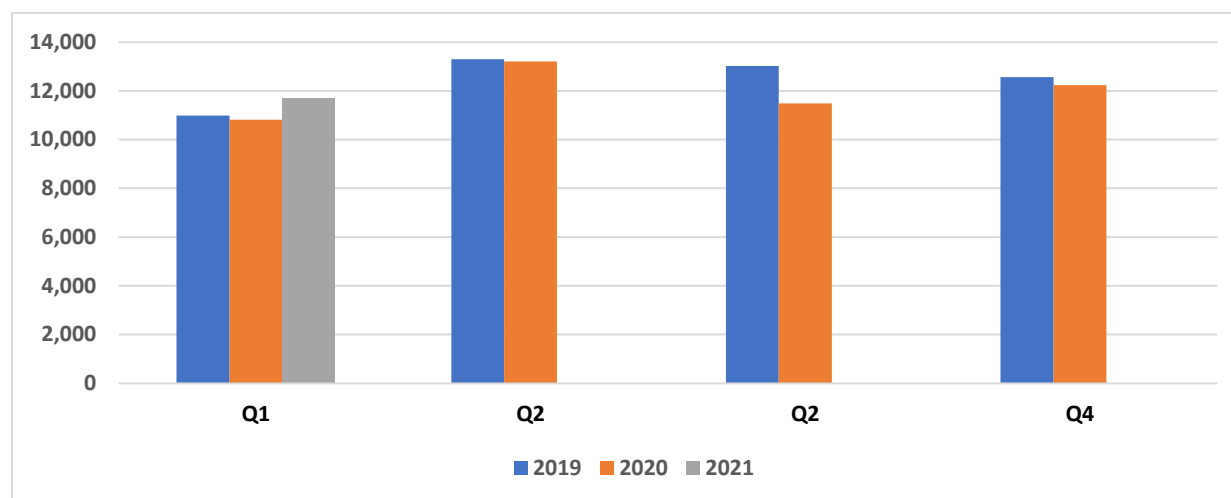
Table 5: Type and number of Ships/Vessels at the Berbera Port in the First Quarter of 2020 and 2021

Vessel type	Jan-Mar 2020	Jan-Mar 2021	Difference
BULK CARGO	5	18	13
BULK FOOD	41	16	-25
CONTAINERS	23	37	14
DOON	6	41	35
FUEL	10	3	-7
OTHERS	4	12	8
WFP	2	2	0
Total	91	129	38

Source: MOFD/ Customs Department

Table 6: Number of Containers at the Berbera Port in the First Quarter of 2020 and 2021

	2020	2021	Difference	Percentage (%)
JAN	3,269	3,665	396	
FEB	3,716	3,926	210	
MARCH	3,828	4113	285	
Total	10,813	11,704	891	8%

Figure 12: Number of Containers at the Berbera Port per quarter in 2019, 2020 and 2021

Source: MOFD/ Customs Department

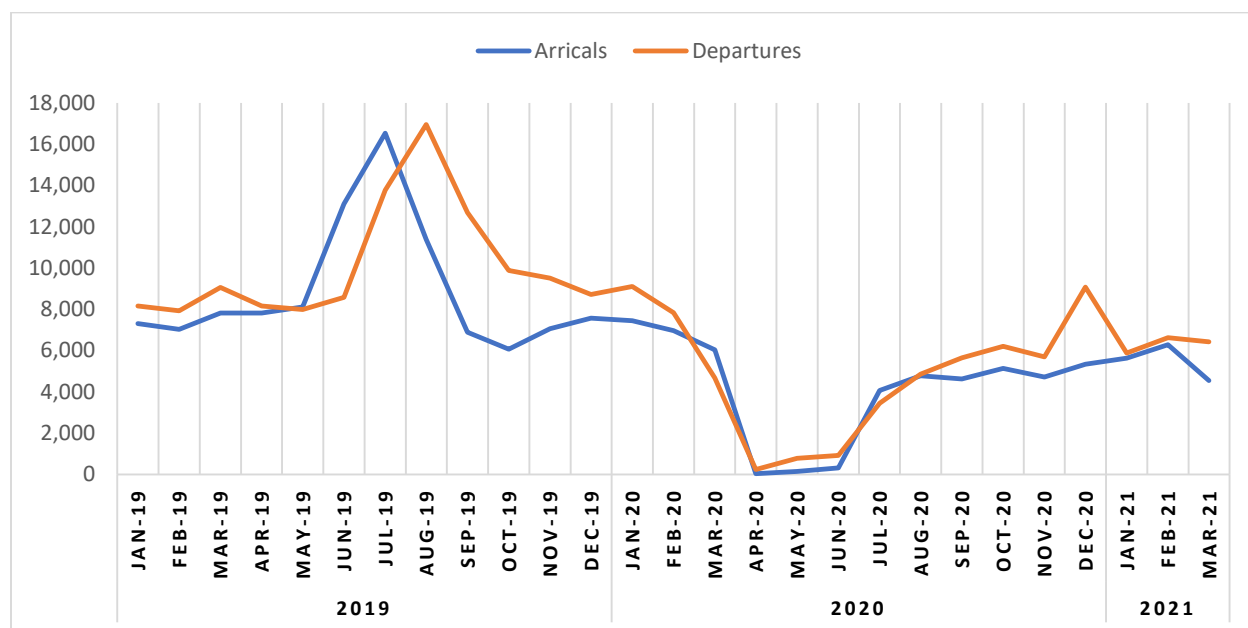
3.4. Number of Passengers Arriving and Departing by Air

Not surprisingly, Somaliland registered significantly lower Air passenger arrivals (-3,996) and departures (-2,676) in the first three months of 2021 compared to the same period in 2020—with travel numbers lower throughout the quarter as shown in table 7 and figure 13 below. This was expected, given the lingering impact of the COVID-19 pandemic (i.e. new COVID-19 variants, quarantine requirements, higher travel costs, uncertainty over travel routes and continued rollout of the vaccines). Moreover, this is all accentuated by lower income levels for a lot of people in 2020. The MoFD expects moderate travel numbers in 2021, given the continued impact of the pandemic, the slow roll out of the vaccine around the world and the uncertainty about their efficacy against the new emerging variants. However, assuming travel restrictions around the world are not reintroduced, the MoFD is nevertheless expecting higher travel in the remainder of the year, compared to the same periods in 2020.

Table 7: Number of Passengers That Arrived and Departed by Air in the First Quarter of 2020 And 2021

	Arrivals				Departures			
	2020	2021	Difference	YoY (%)	2020	2021	Difference	YoY (%)
Jan	7,444	5,626	-1,818	-24%	9,106	5,879	-3,227	-35%
Feb	6,964	6,277	-687	-10%	7,826	6,620	-1,206	-15%
Mar	6,032	4,541	-1,491	-25%	4,666	6,423	1,757	38%
Total	20,440	16,444	-3,996	-20%	21,598	18,922	-2,676	-12%

Figure 13: Number of Passengers that arrived and Departed by Air per month, Jan 2019 - Mar 2021



Source: Somaliland Immigration Agency

4. Investment and Construction

The number of business registrations and number of business licenses issued are used to gauge investment in Somaliland. On their own, these are however far from perfect proxies.

4.1. Number of Business Registrations⁴

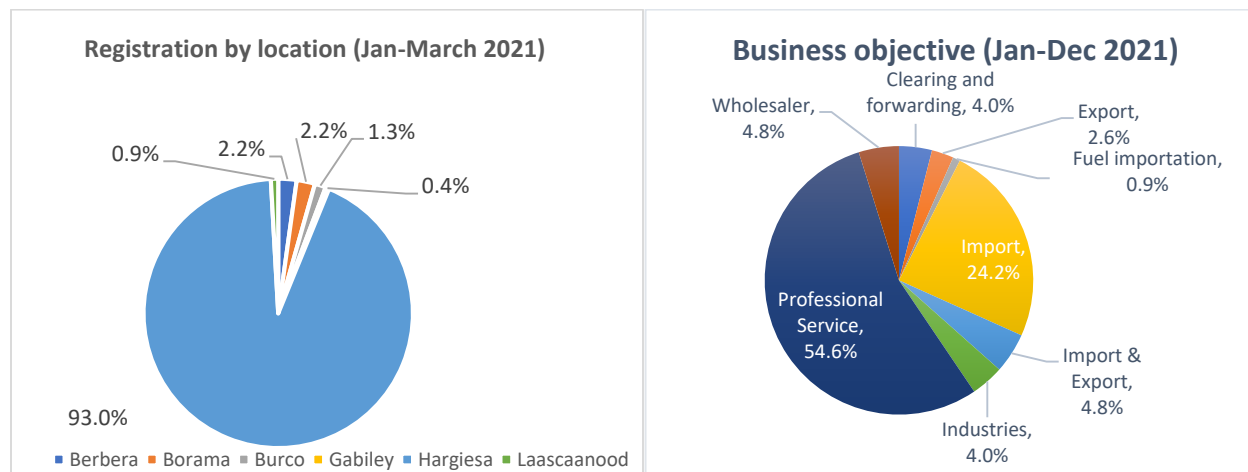
In the first quarter of 2021, the Ministry of Trade, Industry and Tourism registered 227 new businesses. This represent 46 more registrations compared to the same period in 2020. However, this was a significant decrease from the 353 (-126) registrations recorded in 2019. Of the 227 registrations in the first quarter of 2021, 61 were categorized as a company, 1 as a foreign company while 165 were categorized as sole proprietorship. Figure 14 shows a breakdown of the registration by location and objective. As can be seen, about 93% of the registrations were made for prospective businesses in Hargeisa. On the other hand, about 55% of the registrations were businesses in the professional services sector and 24% in the import sector.

Figure 15 below shows that the number of business registrations have been lower on average since January 2020 compared to 2018 and 2019. In light of the current economic situation, monthly

⁴ Note that registrations do not necessarily mean that businesses were set-up and/or have started operations. It can be that registrations were made in this quarter but the actual investment will occur later during the year or next year (i.e. operations will start next year). Furthermore, this only reflects registrations in the formal sector and does not account for the informal sector. Moreover, potential business closures are not reflected by these figures.

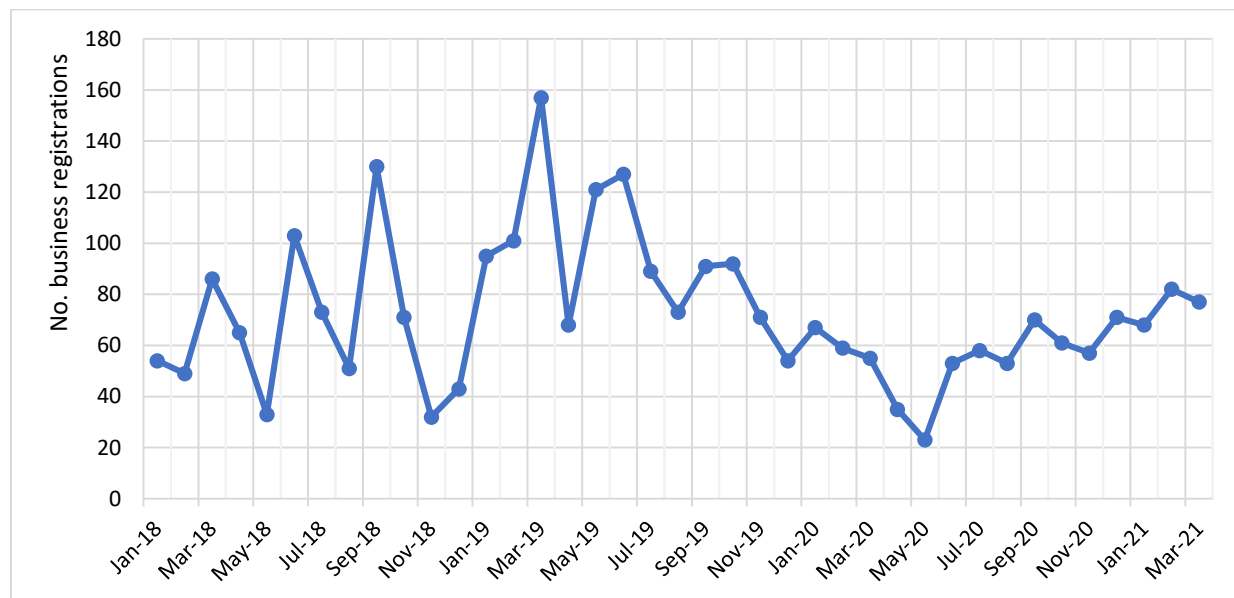
registrations are likely to continue to be lower than 2018 and 2019 levels. However, with an expected recovery from the COVID-19 pandemic, favorable environmental conditions for the agriculture and livestock sector, and the fast progress on the Berbera corridor, significantly higher number of business registrations (particularly in the trade sector) can be expected in the next 3 years.

Figure 14: Business registrations by location (left) and by Objective (right) in the first quarter of 2021, 5 of total



Source: Ministry of Trade, Industry and Tourism

Figure 15: Number of Business registrations per month, Jan 2018 - Mar 2021



Source: Ministry of Trade, Industry and Tourism

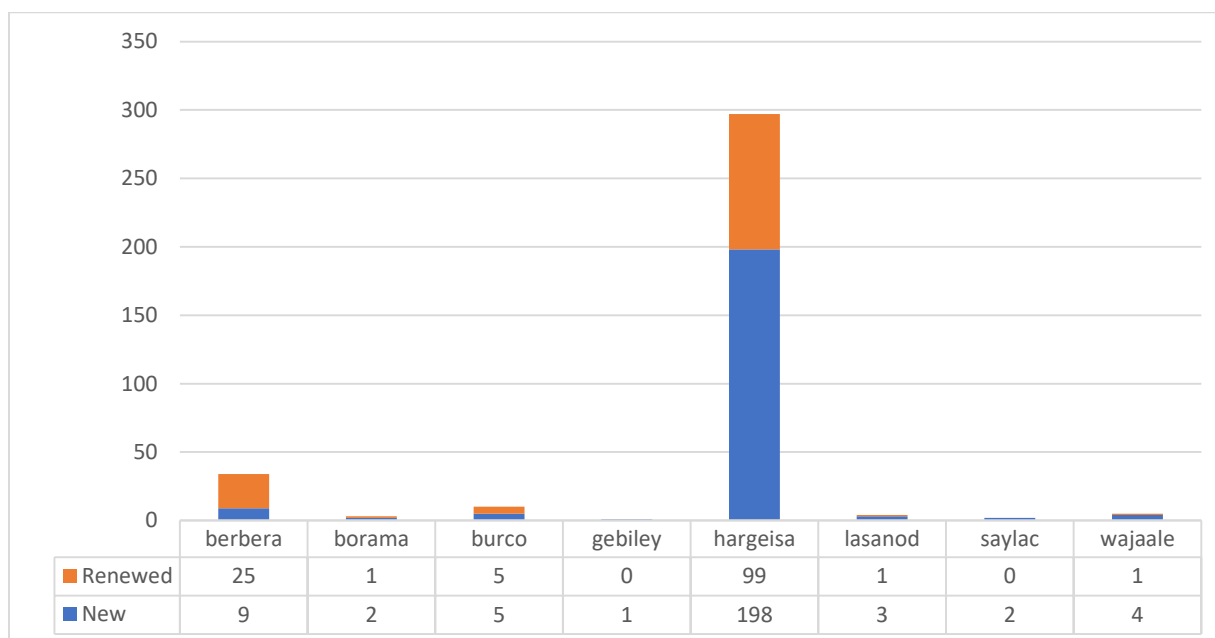
4.2. Number of Business Licenses Issued

There were 224⁵ new business licenses issued in the first quarter of 2021, representing 7 more licenses compared to the same period in 2020. In addition to this, 134 licenses were renewed in the first quarter of 2021, representing 34 more than the number recorded a year ago. Not surprisingly, most of the licenses were issued to businesses in Hargeisa—accounting for 87% and 74% of the total new and renewed licenses, respectively. As mentioned earlier, business licenses and business registrations on their own, do not say much about the state of investment in Somaliland. However, an inference on the spatial dispersion of businesses in the formal sector and their distribution by objective can safely be made. Hargeisa—not surprisingly—houses most of the businesses while the general trading and service sectors accounts for most of those ventures.

Table 8: Number of New and Renewed Business Licenses in the first quarter of 2020 and 2021

	New			Renewed		
	2020	2021	Difference	2020	2021	Difference
January	82	58	-24	24	28	4
February	70	82	12	33	46	13
March	65	84	19	43	60	17
Total	217	224	7	100	134	34

Figure 16: Number of New and Renewed Business licenses issued by region in the first quarter of 2021



Source: Ministry of Trade, Industry and Tourism

⁵ Taking into account the 227 business registrations made in the first quarter of 2021, shows that either some of those registered businesses were not issued with a license to operate yet or the difference is a result of an administrative error.

Figure 17: Number of New and Renewed Business licenses issued by Objective in the First Quarter of 2021

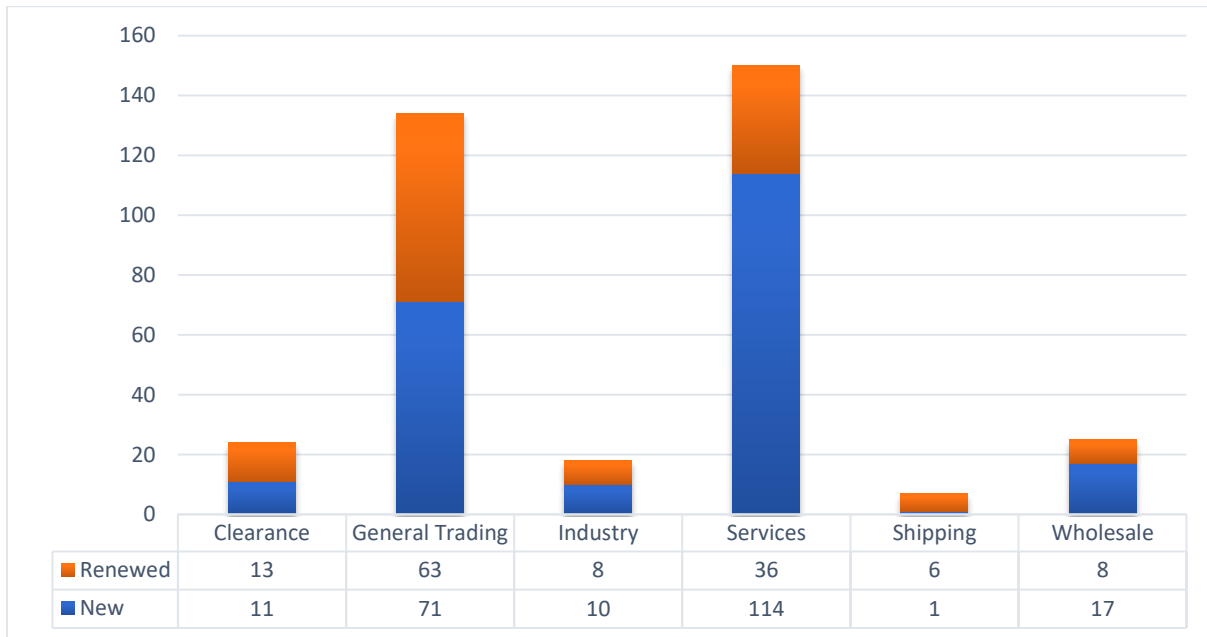
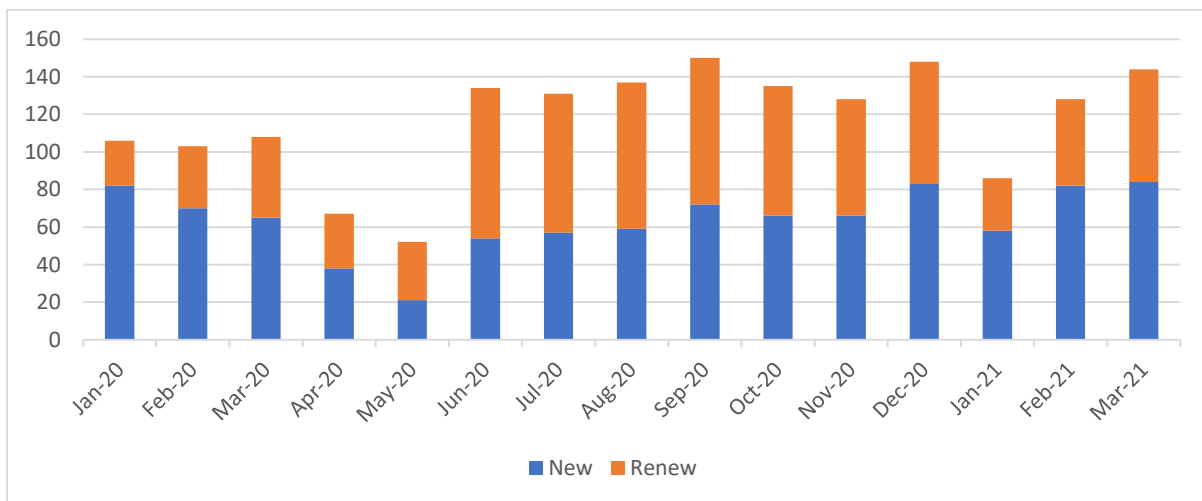


Figure 18: Number of New and Renewed Licenses Issued Per Month, Jan 2020 - Mar 2021



Source: Ministry of Trade, Industry and Tourism

5. The Environment—Precipitation

Somaliland did not record any rain in the first three months of 2021. This is, however, in line with expectations, with rain forecasted to fall in the second quarter.

6. Appendices

Appendix 3: Volume of cement (No. of bags) imported in Somaliland per month, Jan 2019 – Mar 2021

The number of cement bags imported is expected to reflect the level of construction going on in Somaliland. While the average annual volume of cement imported has remained fairly constant in 2019 and the first eleven months of 2020, it has significantly increased since December 2020. The Macroeconomic department of the MoFD is currently working with local governments and the Ministry of Public Works to obtain data on building and construction permits in order to better report on the level of investment in Somaliland.

