



Economic Performance Bulletin Jan-June, 2021

**Macroeconomic Affairs & Statistics
Department**

Ministry of Finance Development

Republic of Somaliland

Table of Contents

LIST OF TABLES	3
LIST OF FIGURES.....	3
SUMMARY	4
1. FINANCIAL SECTOR	7
1.1. INFLATION.....	7
1.2. EXCHANGE RATE	9
1.3. REMITTANCES.....	10
2. FISCAL PERFORMANCE	11
2.1. DOMESTIC REVENUE	11
2.2. EXPENDITURE FROM THE GENERAL GOVERNMENT FUND.....	12
2.3. GRANTS.....	13
3. TRADE AND TRAVEL.....	14
3.1. LIVESTOCK EXPORTS.....	14
3.2. IMPORTS.....	16
3.3. NUMBER OF CONTAINERS AND SHIPS ARRIVING AT THE BERBERA PORT	16
3.4. NUMBER OF PASSENGERS ARRIVING AND DEPARTING BY AIR	18
3.4.1. <i>Tourism</i>	18
4. INVESTMENT AND CONSTRUCTION	19
4.1. NUMBER OF BUSINESS REGISTRATIONS.....	19
4.2. NUMBER OF BUSINESS LICENSES ISSUED.....	21
5. THE ENVIRONMENT—PRECIPITATION	23
6. APPENDICES	24
APPENDIX 1: VOLUME OF CEMENT (NO. OF BAGS) IMPORTED IN SOMALILAND PER MONTH, JAN 2019 – JUNE 2021	24

List of Tables

Table 1: Average Monthly inflation rate per quarter in 2020 and 2021	7
Table 2: Somaliland Shilling exchange rate against the US dollar in Q1 and Q2 of 2020 and 2021	9
Table 3: Total Livestock export in the first half of 2019, 2020 and 2021 per quarter	14
Table 4: Import Value and Duty between January and June 2021, SLSh	16
Table 5: Number of Containers at the Berbera Port in the first half of 2020 and 2021	17
Table 6: Number of Ships/Vessels that arrived per quarter in 2020 and 2021	17
Table 7: Type and number of Ships/Vessels at the Berbera Port in the first half of 2020 and 2021	17
Table 8: Number of Passengers that arrived and departed by Air in Q1 and Q2 of 2020 and 2021	18
Table 9: Number of New and Renewed Business Licenses in the first Half of 2020 and 2021	21

List of Figures

Figure 1: Monthly inflation rate by category.....	8
Figure 2: Annual Inflation rate by category, base year=2012	8
Figure 3: Somaliland shilling exchange rate against the US Dollar and Headline inflation rate, Jan 2018 - June 2021	9
Figure 4: Inward and Outward remittances in Somaliland per quarter in 2019, 2020 and 2021	10
Figure 5: Total revenue collection by responsible agency (bn SLShs), Jan–June 2021	11
Figure 6: Customs and IRD revenue composition by station and office, Jan—June 2021	11
Figure 7: Total spending per quarter in 2020 and 2021, Billion SLSh	12
Figure 8: Spending as % of budget by chapter in the first half of 2020 and 2021	13
Figure 9: Expenditure on the World Bank funded projects between Jan-June 2021, Billion SLSh.....	13
Figure 10: Total livestock export per month since 2019	15
Figure 11: Composition of livestock export in the first half of 2020 & 2021.....	15
Figure 12: Number of Containers at the Berbera Port per quarter in 2019, 2020 and 2021	17
Figure 13: Number of Passengers that Arrived and Departed by Air per month, Jan 2019 - Jun 2021.....	18
Figure 14: Number of Tourists per month, Jan – June 2020 and 2021.....	19
Figure 15: Business registrations by location (left) and by Objective (right) in the first Half of 2021, % of total	20
Figure 16: Number of Business registrations per month, Jan 2018 - Jun 2021	21
Figure 17: Number of New and Renewed Business licenses issued by region in the first Half of 2021	22
Figure 18: Number of New and Renewed Business licenses issued by Objective in the First Half of 2021	22
Figure 19: Amount of rainfall registered in Somaliland by location (mm) in the second quarter of 2021.....	23

Summary

The headline inflation rate picked up in the second quarter of 2021, averaging 0.9% monthly compared to the 0.3% average recorded in the first quarter. While the average monthly inflation rate in the second quarter of this year is on par with the average recorded in the same period last year, the monthly rate this quarter is trending upward. With respect to the volatile components of the headline inflation rate, the Food Crops & related items inflation rate has been fairly stable (increasing slower) in the first six months of this year compared to the same period last year. This is mainly attributed to the easing of supply disruptions that were more pronounced in 2020. In addition to this, consumer demand seems to be recovering slower than expected following the easing of social distancing measures and return to normal in Somaliland. On the other hand, the average prices of Energy, Fuels and Utilities (EFU) have increased at a much higher rate compared to the first six months of 2020. Average EFU prices increased by 0.7% between January and June 2021—on a monthly basis—compared to the -0.7% decrease in prices recorded in the same period last year. The annual headline inflation rate in June 2021 was 2.7%, lower than the 6.9% recorded in the same period in 2020. The MoFD is currently forecasting average prices to continue increasing at a moderate rate in the second half of the year and for the annual headline inflation rate to fall between **3% and 4.1%** in 2021.

The value of the Somaliland shilling in the second quarter of 2021 slightly depreciated against the US Dollar. In the second quarter of 2021, the average exchange rate against the US dollar was 8,527 SLSh/USD, slightly higher than the 8,473 SLSh/USD recorded in the first quarter and the 8,490 SLSh/USD recorded in the same period of 2020—representing a 0.6% and 0.4% depreciation respectively. The depreciation of the Somaliland shilling in the second quarter of 2021 seems to be a response to the slightly faster increase in the inflation rate. Just like the inflation rate, the MoFD expects the Somaliland shilling to remain fairly stable, with the exchange rate against the US dollar likely to hover just above 8,500 SLSh/USD.

Inward remittances in Somaliland increased by a significant 20% in the second quarter of 2021 compared to the first quarter, while outward remittances decreased by 10%. Despite the decrease in outward remittances, both inward and outward remittances were significantly higher than the amount recorded in 2020 and 2019. The MoFD expects both inward and outward remittances in the second half of 2021 to continue exceeding 2020 levels. This is likely to occur with businesses around the world continuing to return to full capacity. However, the persistent threat posed by the new COVID-19 variants would put downward pressure on remittances if lockdowns are reinstated.

In the second quarter of 2021, Somaliland exported 795,804 heads of livestock compared to the 411,530 exported in the first quarter, representing a 93% increase. Moreover, compared to the same period in 2020 and 2019, this represents a 177% and 328% increase. This increase was due to the significant surge in Sheep & Goat export demand in June for Eid Al-Adha which usually surges a month prior to Eid. The MoFD expects the volume of livestock export to continue exceeding 2020 levels—albeit by a relatively smaller margin in the second half of the year. However, the volume of livestock exported is unlikely to exceed 2019 levels given that this year's Hajj has also been cancelled to all non-Saudi residents. When it comes to the value of Somaliland's exports, the MoFD is expecting it to increase by **5%** in 2021 compared to 2020. On one hand, significantly higher heads of Cattle and Sheep & Goats exports is expected to drive this increase while lower Camel exports—which are of much higher value—are expected to subdue this increase given lower volume of camel exported in the first six months.

The nominal value of Somaliland’s imports in the first six months of 2021 was approximately 21.6 trillion SLSH. This value is based on the on-going effort by the Macroeconomic Affairs & Statistics department to re-value the data obtained from the customs departments.¹ On the other hand, the amount of Duty collected on these imports between January and June 2021 was 820 billion SLSH, representing a significant 15% increase from the 712 billion SLSH collected in the same period in 2020. The MoFD is currently forecasting imports to increase by **5.7% to 9.0%** in 2021.

Following the lower number of Air passenger arrivals and departures in the first quarter of 2021 compared to the same period in 2020, the number of travelers significantly increased in the second quarter. There were 16,670 more arrivals and 15,191 more departures in the second quarter of 2021 compared to the same period in 2020. This significant increase was expected given the easing of most travel restrictions around the world. Despite the significant increase in passenger arrivals and departures in the first half of 2021 compared to 2020, it is still lower than the numbers recorded in 2019. The MoFD expects slightly higher travel numbers in the second half of 2021 compared to the second half of 2020. However, given the continued impact of the COVID-19 pandemic, these are expected to be much lower than 2019 numbers.

The number of businesses registered in the second quarter of 2021 was 182, representing -45 fewer registrations compared to the first quarter of the year. However, **registrations in the first six months of 2021 were much higher (+117) than in 2020.** Compared to 2018 and 2019, the number of business registrations have been lower on average. 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 189² new licenses issued, representing -35 fewer licenses compared to the first quarter of the year but 76 more than the number recorded in the same period in 2020.**

The resilience of government revenue collections has continued in the first half of 2021. Domestic collections between January and June were 1.064 trillion SLSH—a 17% increase from the amount collected in the same period in 2020. Compared to forecast, this represents a 2% surplus. The Customs Department and IRD together collected 95% of the total revenue to date—with the Customs Department alone accounting for the collection of 74% of the total. **On the expenditure side, the government spent 918 billion SLSH from the general government fund—representing a significant 12% underspend against target.** Moreover, this was 44% of the 2.1 trillion SLSH Parliament approved Annual Budget. At the quarterly level, the government significantly ramped up spending in the second quarter of the year

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 figure 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.

² Considering the 182 business registrations in the second quarter of 2021, the 189 new business licenses issued shows that, for various reasons, business registrations and license issuances do not always occur in the same month.

compared to the first quarter. In the second quarter, spending increased by 47% compared to the first. This increase was significantly higher than the 19% recorded in the same period of last year.

Expenditure on the three-world bank funded projects significantly fell below target in the first half of the year. The government spent 10.4 billion SLSh on the DRM&PFM, CSSP and SEAP projects, representing a significant -68% underspend from the allocated amount and only 16% of the 63.9 billion SLSh annual budget. The current expenditure trend indicate spending performance on these projects at the end of the year is set to be well below expectation. High value assets and services which takes time to procure, continue to be the biggest stumbling block on these projects. The government will continue to address these challenges in order to improve the budget execution and in the process accomplish each project's goal of supporting the growth of the country.

1. Financial Sector

1.1. Inflation

The headline inflation rate picked up in the second quarter of 2021, averaging 0.9% monthly compared to the 0.3% average recorded in the first quarter. While the average monthly inflation rate in the second quarter of this year is on par with the average recorded in the same period last year, the monthly rate this quarter is trending upward. In April and May, the monthly inflation rate was 0.9%, while in June it was 1%. In 2020 however, the monthly rate was 1.1% in April before slowing to 0.8% and 0.7% in May and June respectively. The core inflation rate for its part also picked up in the second quarter with a monthly average of 0.9%, representing a slight increase from the 0.8% recorded in the same period last year. The annual headline and core inflation rates in June 2021 were 2.7% and 2%, lower than the 6.9% and 6.2% recorded in the same period in 2020.

With respect to the more volatile components of the headline inflation rate, the Food Crops & related items inflation rate has been fairly stable (increasing slower) in the first six months of this year compared to the same period last year as shown in table 1 below. This is mainly attributed to the easing of supply disruptions that were more pronounced in 2020. In addition to this, consumer demand seems to be recovering slower than expected following the easing of social distancing measures and return to normal in Somaliland. On the other hand, the average prices of Energy, Fuels and Utilities (EFU) have increased at a much higher rate compared to the first six months of 2020. Average EFU prices increased by 0.7% between January and June 2021—on a monthly basis—compared to the -0.7% decrease in prices recorded in the same period last year. Moreover, the annual EFU inflation rate in June 2021 was 10.6%, representing a significant increase from the -4.6% decrease registered in the same period last year. This increase is directly attributed to increases in the prices of housing water, electricity, gas, and other fuels.

The MoFD is currently forecasting averages prices to continue increasing at a moderate rate in the second half of the year and for the annual headline inflation rate to fall between **3% and 4.1%** in 2021. A slower uplift in consumer demand is expected to continue in the second half of the year and keep average prices fairly stable. On the other hand, upward pressure on prices might come from the recent increase (i.e., in March 2021) in the cost of container freights which should eventually be passed on to consumers.

Table 1: Average Monthly inflation rate per quarter in 2020 and 2021

	HEADLINE		CORE		FOOD CROPS & RELATED ITEMS		ENERGY, FUELS & UTILITIES (EFU)	
	2020	2021	2020	2021	2020	2021	2020	2021
Q1	0.7%	0.3%	0.2%	0.2%	4.2%	0.7%	0.7%	0.9%
Q2	0.9%	0.9%	0.8%	0.9%	3.4%	1.2%	-1.7%	0.5%
AVERAGE JAN-JUNE	0.8%	0.6%	0.5%	0.6%	3.8%	1.0%	-0.5%	0.7%

Source: Ministry of National Planning and Development

Figure 1: Monthly inflation rate by category

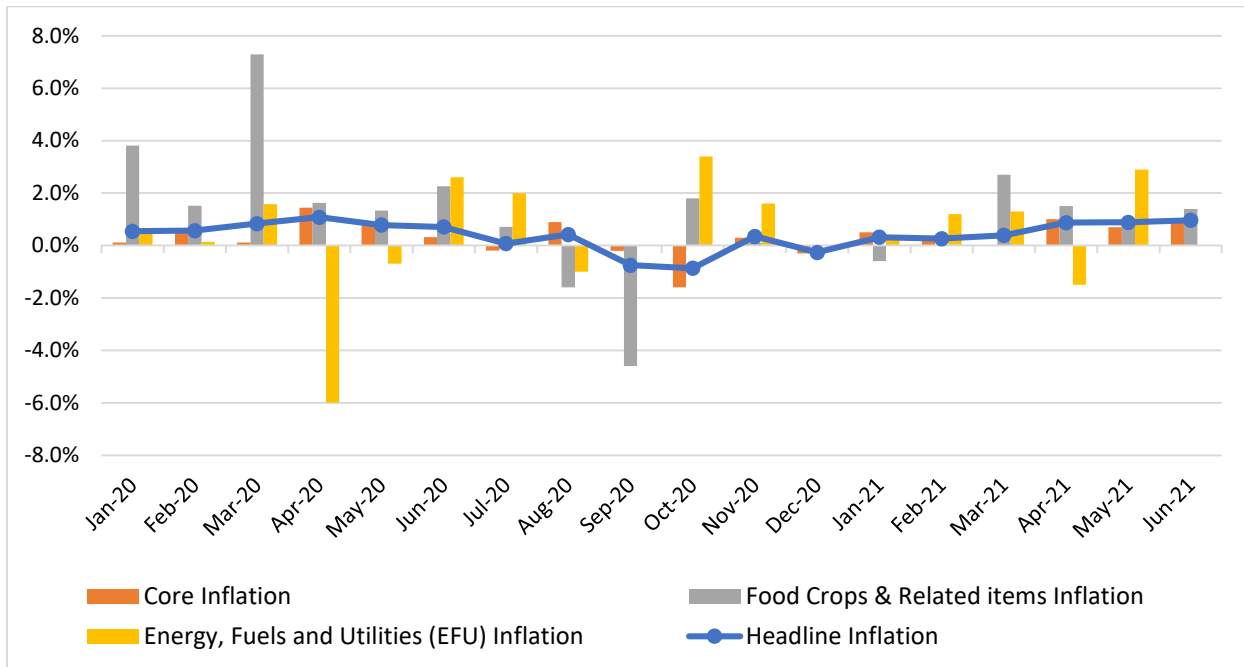
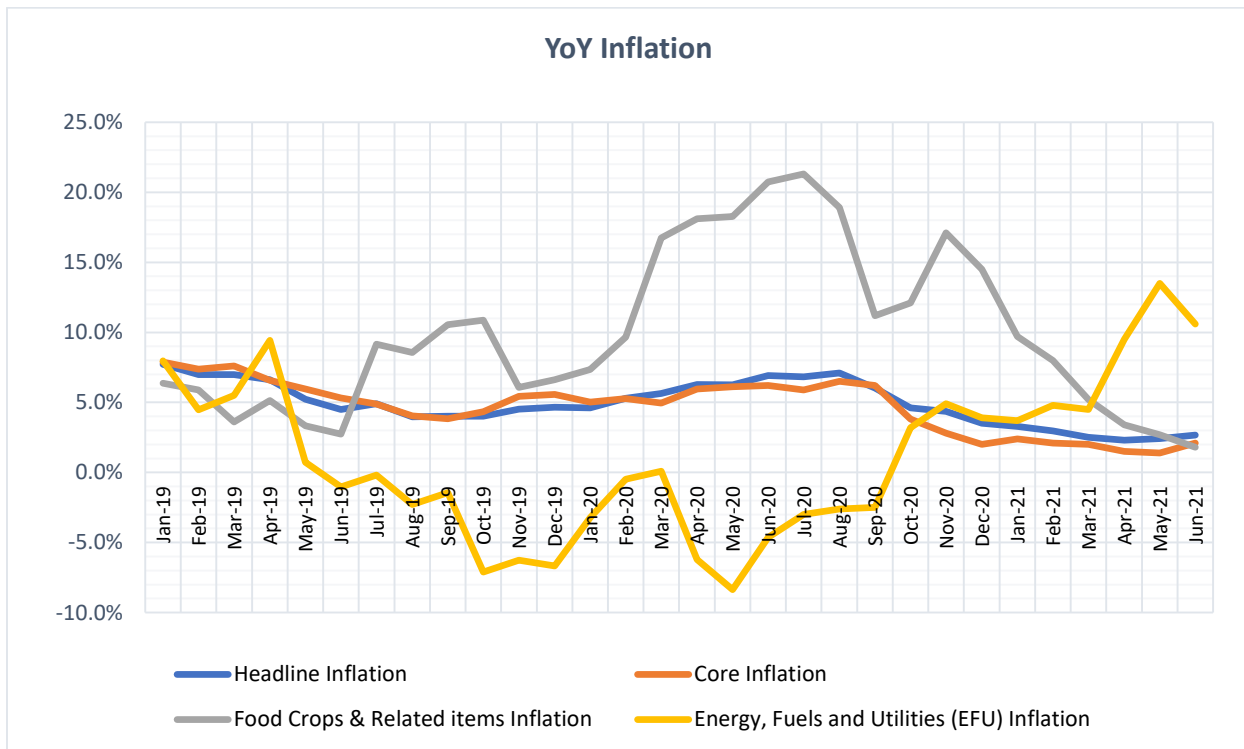


Figure 2: Annual Inflation rate by category, base year=2012



Source: Ministry of National Planning and Development

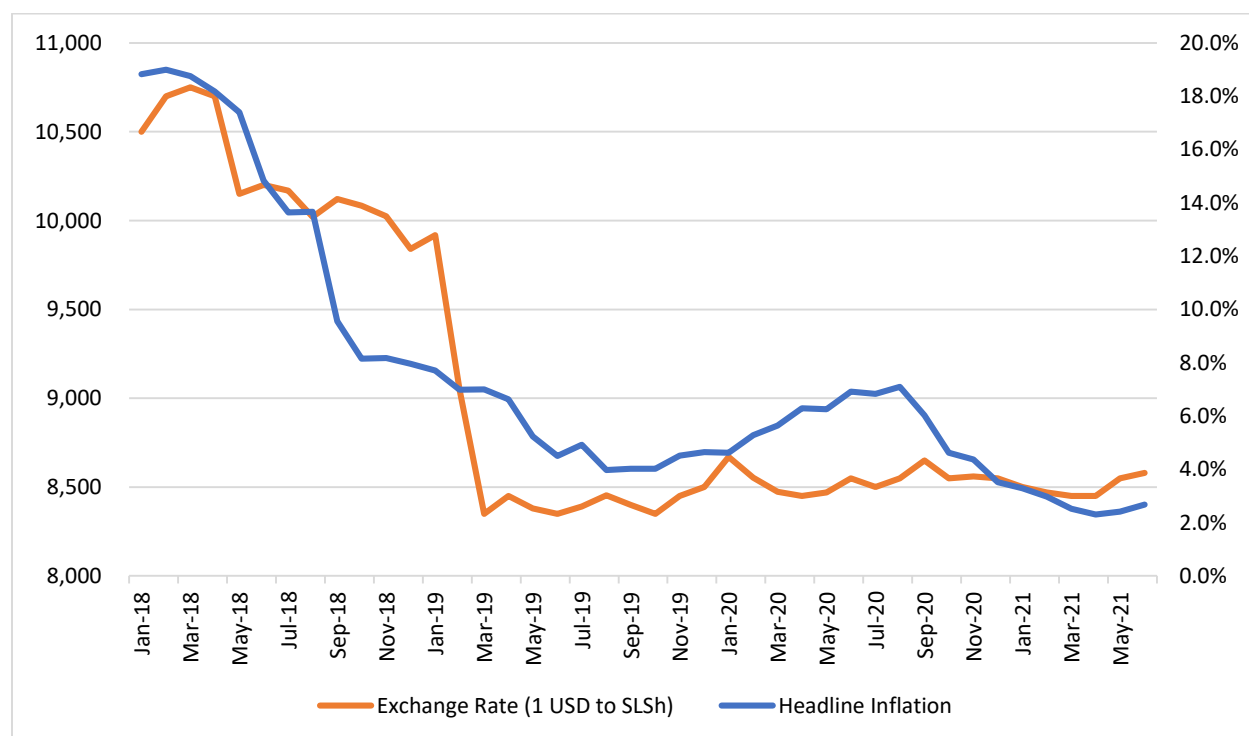
1.2. Exchange Rate

In the second quarter of 2021, the average exchange rate against the US dollar was 8,527 SLSh/USD, slightly higher than the 8,473 SLSh/USD recorded in the first quarter and the 8,490 SLSh/USD recorded in the same period in 2020—representing a 0.6% and 0.4% depreciation respectively. On a monthly basis, the exchange rate against the USD was unchanged in April but depreciated by 1.2% and 0.4% in May and June 2021 respectively. Compared to last year, this also represents a 0%, 0.9% and 0.4% depreciation respectively. Figure 3 below shows that the exchange rate and the annual headline inflation rate have moved together fairly closely since January 2018. The depreciation of the Somaliland shilling in the second quarter of 2021 seems to be a response to the slightly faster increase in the inflation rate. Just like the inflation rate, the MoFD expects the Somaliland shilling to remain fairly stable, with the exchange rate against the US dollar likely to hover just above 8,500 SLSh/USD.

Table 2: Somaliland Shilling exchange rate against the US dollar in Q1 and Q2 of 2020 and 2021

	2020		2021		YoY (%)
	Exch	% Δ	Exch	% Δ	
Q1	8,565	1.6%	8,473	-0.9%	-1.1%
Q2	8,490	-0.9%	8,527	0.6%	0.4%
Average	8,528		8,500		-0.3%

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



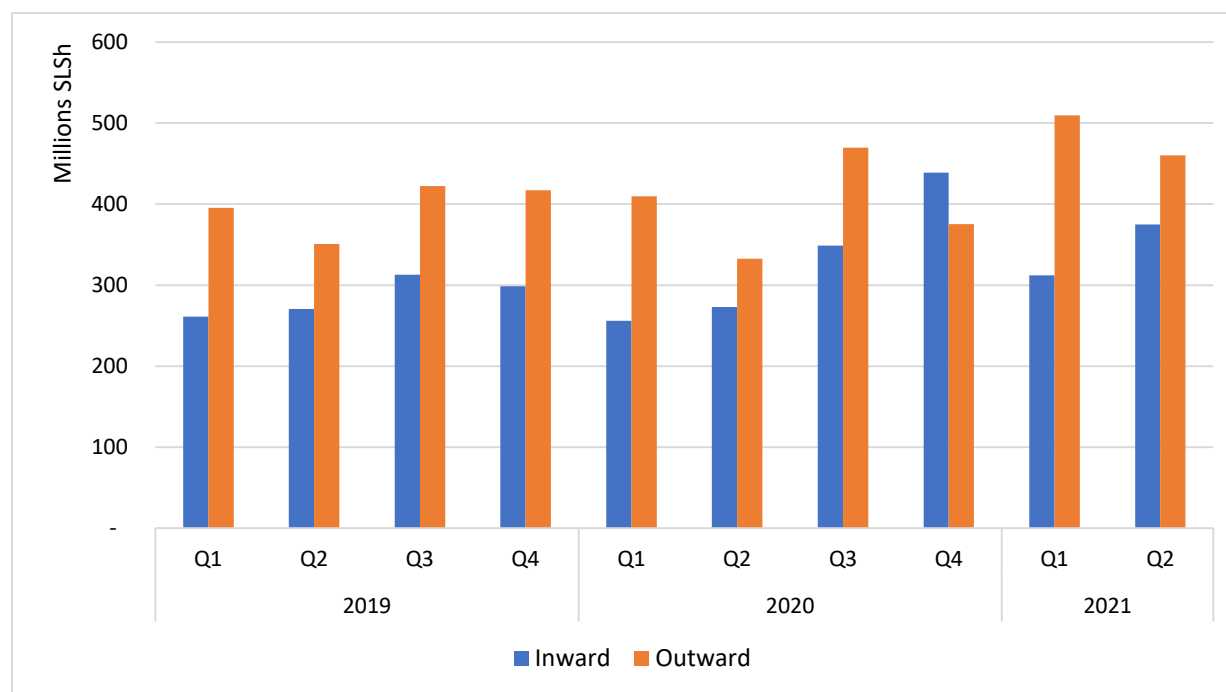
Source: Somaliland Central Bank

1.3. Remittances

According to data from the four main banks and seventeen remittance companies in Somaliland, inward remittances in the second quarter of 2021 increased by 20% compared to the first quarter and by 37% and 39% compared to the same periods in 2020 and 2019, respectively. On the other hand, outward remittances in the second quarter decreased by 10% from the first quarter of the year but was still much higher than the amount recorded in the same period in 2020 and 2019—by 38% and 31% respectively. The amount inflows and outflows in the first six months of 2021 were significantly higher than the amounts recorded in 2020 and 2019—by approx... 30% each compared to the same period in both years. Figure 4 below shows the inflow and outflow of remittances per quarter since 2019. As can be seen from the figure, the recorded outflow of remittances has exceeded the inflows in all quarters since 2019, except in quarter four of 2020.³

The MoFD expects both inward and outward remittances in the second half of 2021 to continue exceeding 2020 levels. This is likely to occur with businesses around the world continuing to return to full capacity. However, the persistent threat posed by the new COVID-19 variants would put downward pressure on remittances if lockdowns are reinstated.

Figure 4: Inward and Outward remittances in Somaliland per quarter in 2019, 2020 and 2021



Source: Somaliland Central Bank

³ The Macroeconomic Affairs & Statistics department of the MoFD is going to work with the BoSL and all banks and remittance companies in order to ascertain the profile of these remittance flows. This will then help the ministry gauge the net impact of remittances—both inflow and outflow—on the domestic economy.

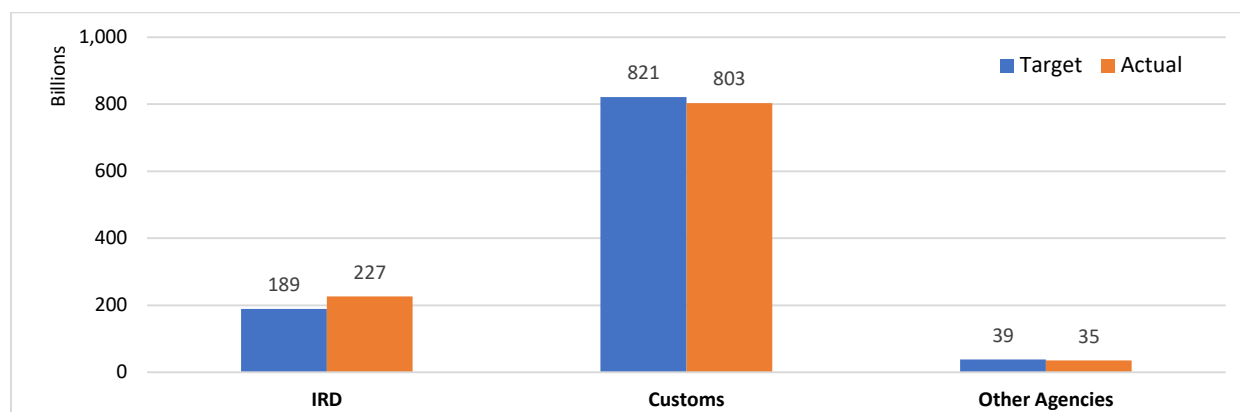
2. Fiscal Performance

2.1. Domestic Revenue

The resilience of government revenue collections has continued in the first half of 2021. Domestic collections between January and June were 1.064 trillion SLSh—a 17% increase from the amount collected in the same period in 2020. Compared to forecast, this represents a 2% surplus. At the item level, Registration tax on contracts, Business income tax, tax on public services payroll and stump duty were the biggest over-performers against their respective targets; while import tax, 2% tax in eastern regions, excise tax on goods and services and GST were the biggest underperformers.

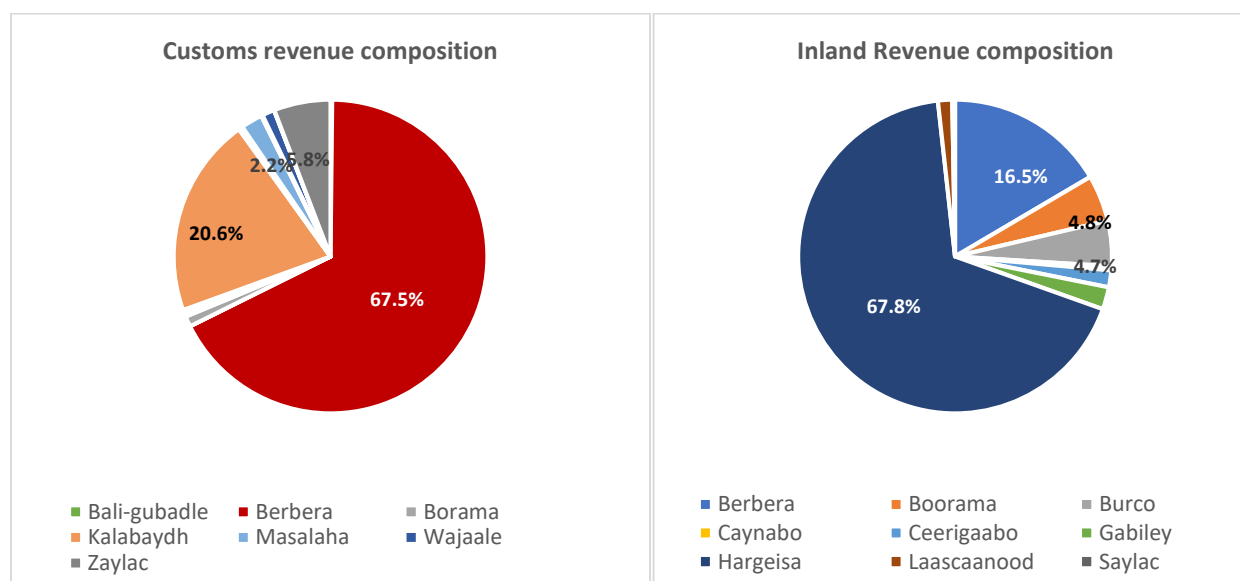
The Customs Department and IRD together collected 95% of the total revenue to date—with the Customs Department alone accounting for the collection of 74% of the total. Nevertheless, Customs’ collections underperformed its target by 19.4 billion SLSh or 2% lower than target. IRD on the other hand collected 37.2 billion SLSh more than forecast in Q2 (a 20% surplus).

Figure 5: Total revenue collection by responsible agency (bn SLShs), Jan–June 2021



Source: MoFD/ Budget & Planning and IFMIS Departments

Figure 6: Customs and IRD revenue composition by station and office, Jan—June 2021

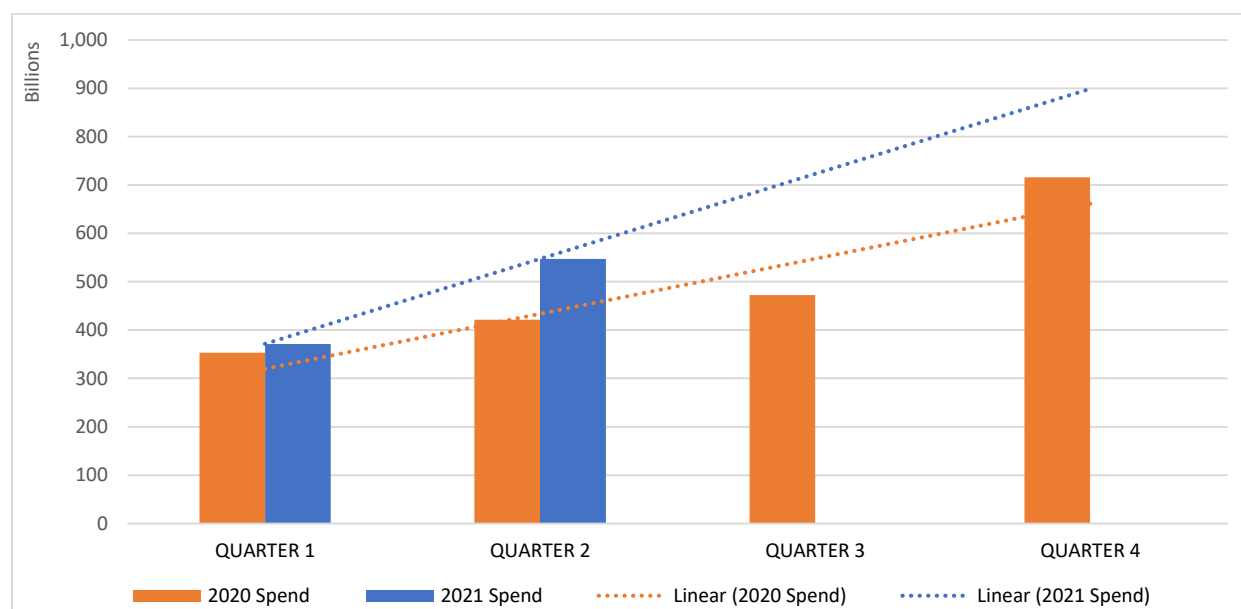


2.2. Expenditure from the General Government Fund

In the first half of 2021, the government spent 918 billion SLSh from the general government fund. Compared to the allocated amount for the period (i.e., amounts requested and approved to be spent), this represents a 12% underspend (or -126 billion SLSh)⁴. Moreover, this was 44% of the 2.1 trillion SLSh Parliament approved Annual Budget. At the quarterly level, the government significantly ramped up spending in the second quarter of the year compared to the first quarter as shown in figure 7 below. In the second quarter, spending increased by 47% compared to the first quarter. This increase was significantly higher than the 19% recorded in the same period last year.

Compared to the same period in 2020, spend performance (i.e., % of budget spent) on loan repayment significantly improved in the first half of 2021 as shown in figure 8. In addition to this, spending on government projects, Assets, Subsidies and National Reserve performed much better. Following past year trends, the government is set to see a significant uptick in spending in the second half of the current year and a much better budget execution rate. This projected uptick in spending—on development projects in particular—will help support the recovery of the Somaliland economy from the impact of the COVID-19 pandemic.

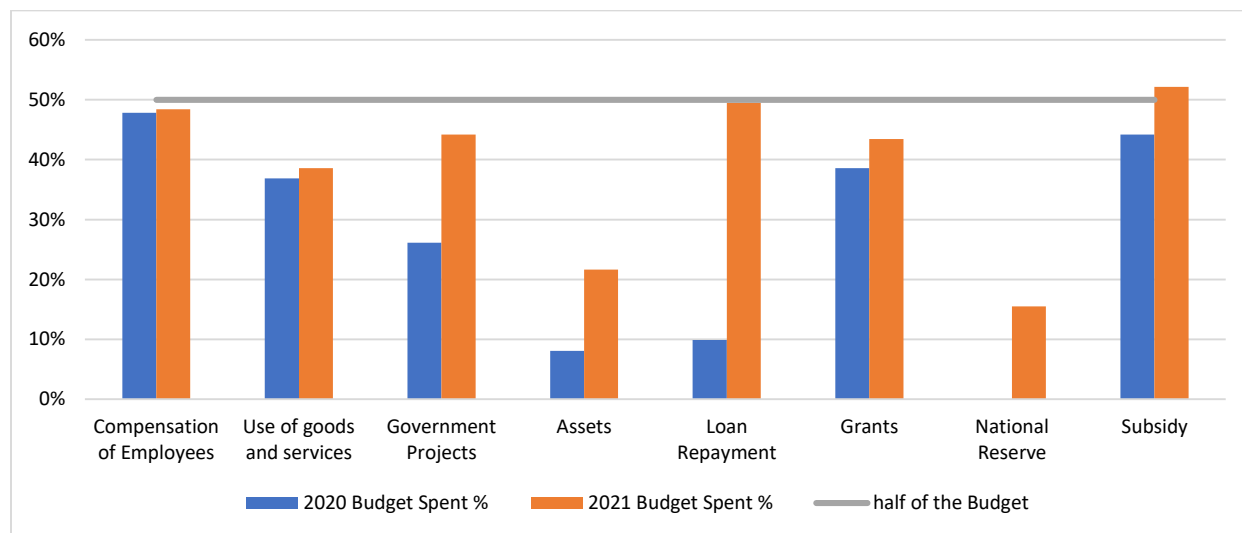
Figure 7: Total spending per quarter in 2020 and 2021, Billion SLSh



Source: MoFD/ Budget & Planning and IFMIS Departments

⁴ This underperformance can be attributed to: late recruitment of new employees, a few MDA's operating at less than full capacity in the second quarter to mitigate the spread of COVID-19, long procurement processes, etc.

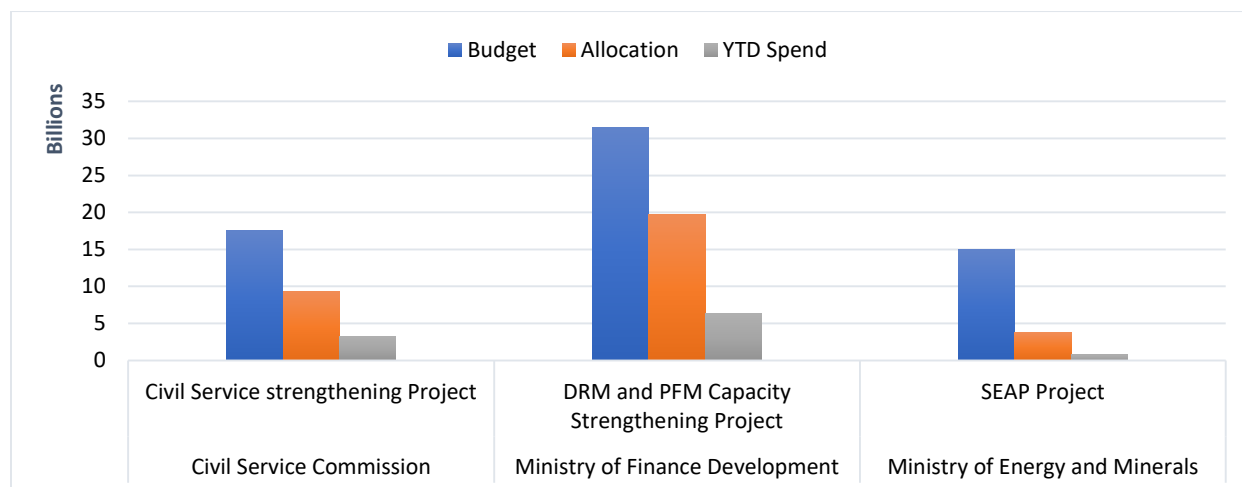
Figure 8: Spending as % of budget by chapter in the first half of 2020 and 2021



2.3. Grants

While domestic revenue mobilization and actual expenditure from the general government fund have seen significant improvements in the past few years, budget execution on the three World Bank funded projects has remained well below target. In the first half of 2021, the government spent 10.4 billion SLSh on the DRM&PFM, CSSP and SEAP projects, representing a significant -68% underspend from the allocated amount and only 16% of the 63.9 billion SLSh annual budget. The current expenditure trend indicate spending performance on these projects at the end of the year is set to be well below expectation. High value assets and services which takes time to procure, continue to be the biggest stumbling block on these projects. The government will continue to address these challenges in order to improve the budget execution and in the process accomplish each project’s goal of supporting the growth of the country.

Figure 9: Expenditure on the World Bank funded projects between Jan-June 2021, Billion SLSh



3. Trade and Travel

3.1. Livestock Exports

In the second quarter of 2021, Somaliland exported 795,804 heads of livestock compared to the 411,530 exported in the first quarter, representing a 93% increase. Compared to the same period in 2020 and 2019, this represents a 177% and 328% increase. This increase was due to the significant surge in Sheep & Goat export demand in June for Eid Al-Adha. As shown in figure 10 below, livestock export (specifically Sheep & Goat export) usually surges a month prior to Eid Al-Adha.

Sheep & Goat exports continue to account for most of Somaliland's livestock exports. Between January and June 2021, Sheep & Goat exports accounted for about 94% of the 1.2 million heads of livestock exported, representing a significant increase from the 84% share in the same period in 2020. Cattle and Camel export accounted for 4.7% and 1.7% of the exports, respectively. The Ministry of Finance development expects the volume of livestock export to continue exceeding 2020 levels—albeit by a relatively smaller margin in the second half of the year. However, the volume of livestock exported is unlikely to exceed 2019 levels given that this year's Hajj has also been cancelled to all non-Saudi residents.

When it comes to the value of Somaliland's exports, the MoFD is expecting it to increase by 5% in 2021 compared to 2020. The levy on livestock export is used as a proxy to forecast livestock exports. On one hand, significantly higher heads of Cattle and Sheep & Goats exports is expected to drive this increase while lower Camel exports—which are of much higher value—are expected to subdue this increase given the current lower volume of camel exported in the first six months.

Table 3: Total Livestock⁵ export in the first half of 2019, 2020 and 2021 per quarter

		2019	2020	2021	% Δ from 2020	% Δ from 2019
Camel Export	Q1	19,283	2,451	12,855	10,404	424%
	Q2	16,478	19,180	7,550	-11,630	-61%
	Total Jan-Jun	35,761	21,631	20,405	-1,226	-6%
Cattle Export	Q1	36,627	32,694	33,262	568	2%
	Q2	31,991	21,266	23,841	2,575	12%
	Total Jan-Jun	68,618	53,960	57,103	3,143	6%
Sheep & Goat Export	Q1	125,799	146,094	365,413	219,319	150%
	Q2	137,665	246,524	764,413	517,889	210%
	Total Jan-Jun	263,464	392,618	1,129,826	737,208	188%
Total Livestock Export	Q1	181,709	181,239	411,530	230,291	127%
	Q2	186,134	286,970	795,804	508,834	177%
	Total Jan-Jun	367,843	468,209	1,207,334	739,125	158%

Source: MOFD/ Customs Department

⁵ Note that the export values for Q1 of 2021 for Camel and Cattle and the Q1 of 2020 for Sheep & Goat have been slightly adjusted upward by a very small margin. This revision stems from the fact that some small custom stations (i.e., Farawayne, Alaybaday) currently do not use the customs database and therefore did not submit their data on time. The MoFD is working to address this.

Figure 10: Total livestock export per month since 2019

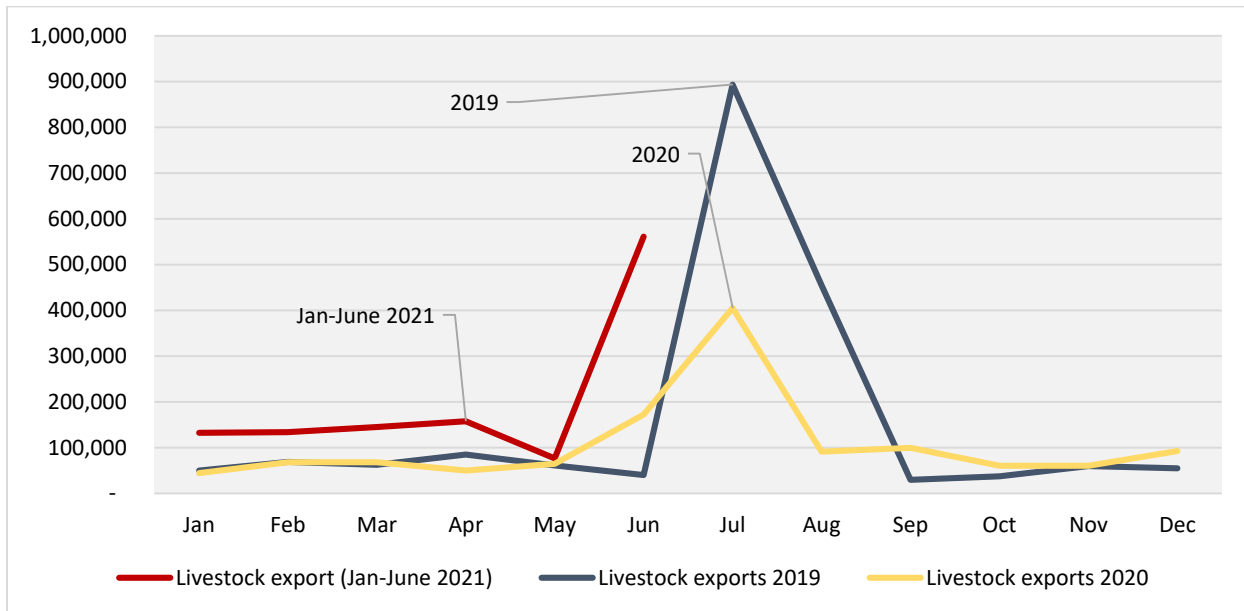
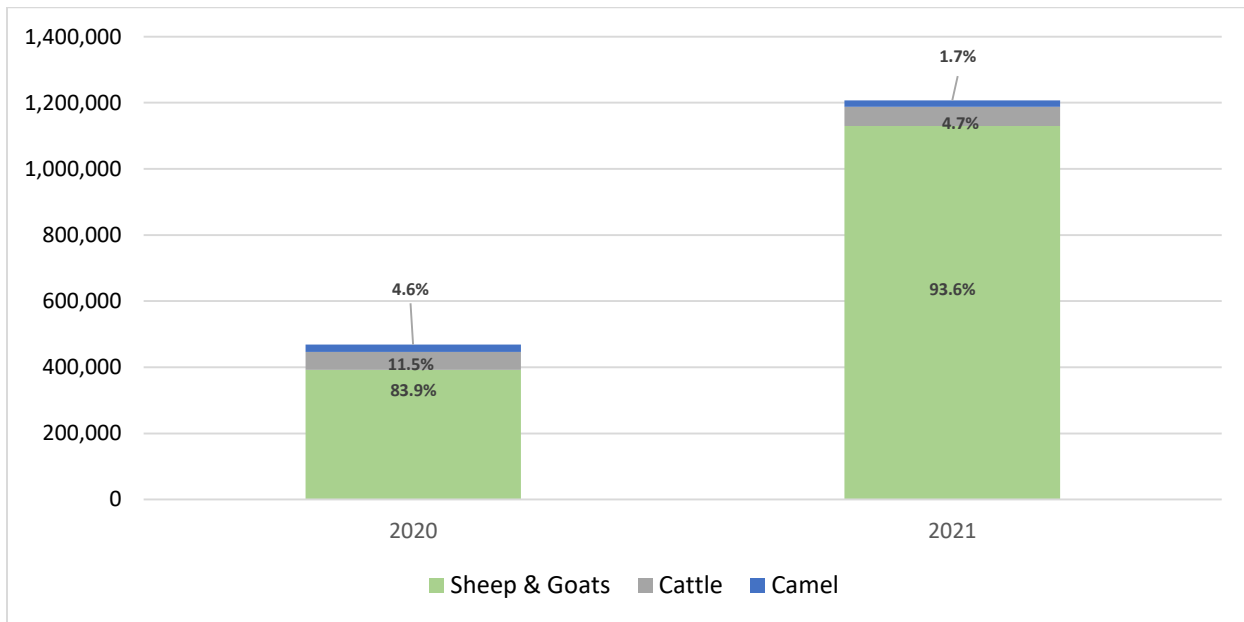


Figure 11: Composition of livestock export in the first half of 2020 & 2021



Source: MOFD/ Customs Department

3.2. Imports

The nominal value of Somaliland’s imports in the first six months of 2021 was approximately 21.6 trillion SLSh. This value is based on the on-going effort by the Macroeconomic Affairs & Statistics department to re-value the data obtained from the customs departments.⁶ On the other hand, the amount of Duty collected on these imports was 820 billion SLSh between January and June 2021, representing a significant 15% increase from the 712 billion SLSh collected in the same period in 2020. Table 4 below shows a categorized list of Somaliland’s imports by value and Duty in the first six months. The MoFD is currently forecasting imports to increase between **5.7% and 9.0%** in 2021.

Table 4: Import Value and Duty between January and June 2021, SLSh

	Value (S.L.sh)	% of total value	Duty (S.L.sh)	% of total duty
Food Stuff	8,305,795,309,161	38%	218,575,220,380	27%
Oleaginous*	1,001,205,978,641	5%	260,378,650,720	32%
Fuel & Transportation	1,125,180,835,784	5%	103,824,424,848	13%
Shopping’s	6,081,829,381,284	28%	100,707,410,817	12%
Building Material	1,677,089,285,576	8%	79,651,493,320	10%
Electronics	2,260,405,758,344	10%	43,381,239,251	5%
Others	1,180,201,957,045	5%	13,514,928,472	2%
Grand Total	21,631,708,505,835	100%	820,033,367,808	100%

Source: Customs department and Macroeconomic Affairs & Statistics department

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

In the second quarter of 2021, Somaliland registered 10,311 container arrivals at the Berbera port, representing a significant decrease from the first quarter of the year (-1,393) and from the same period in 2020 (-2,893). The months of April and May accounted for the lower number of containers in the first half of this year. This decrease in the number of containers is currently being attributed to the significant increase in container freight costs in March 2021. For example, the 20ft container freight cost is said to have increased from \$3,000 to around \$7,000. This is expected to have led some traders to alter their trading and shipping preferences/methods (e.g., using bulk cargo instead). On the other hand, however, the number of Ships/Vessels that arrived at the Berbera Port increased both in the first and second quarter of the year compared to the same periods in 2020. As shown in table 5 below, the significant decrease in the number of containers is not reflective of the pattern in the number of each type of vessel that arrived at the Berbera port. However, if the increase in the cost of container freight remains, it is expected that the number of *container vessels* will decrease as more traders adjust their shipping preferences and logistical companies react accordingly. The MoFD is expecting the total number of Ships/Vessels to increase this year compared to last year to reflect the expected increase in imports.

⁶ 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.

Table 5: Number of Containers at the Berbera Port in the first half of 2020 and 2021

	Jan-Jun 2020	Jan-Jun 2021	Difference
JAN	3,269	3,665	396
FEB	3,716	3,926	210
MAR	3,828	4,113	285
APR	5,496	2,838	-2,658
MAY	4,131	3,637	-494
JUN	3,577	3,836	259
Total	24,017	22,015	-2,002
Q1	10,813	11,704	891
Q2	13,204	10,311	-2,893

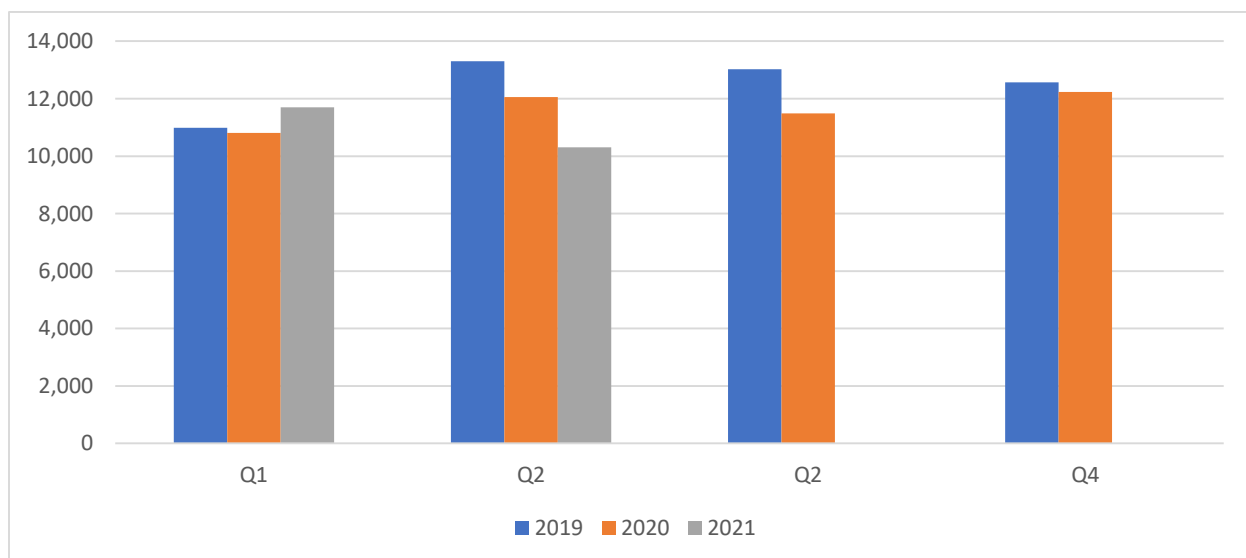
Table 6: Number of Ships/Vessels that arrived per quarter in 2020 and 2021

	2020	2021	Difference
Q1	91	129	38
Q2	97	127	30
Total	188	256	68

Table 7: Type and number of Ships/Vessels at the Berbera Port in the first half of 2020 and 2021

Vessel Type	Jan-Jun 2020	Jan-Jun 2021	Difference
Bulk Cargo	10	32	22
Bulk Food	63	38	-25
Containers	52	80	28
Doon	33	75	42
Fuel	15	7	-8
Others	9	16	7
WFP	6	8	2
Total	188	256	68

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



Source: MOFD/ Customs Department

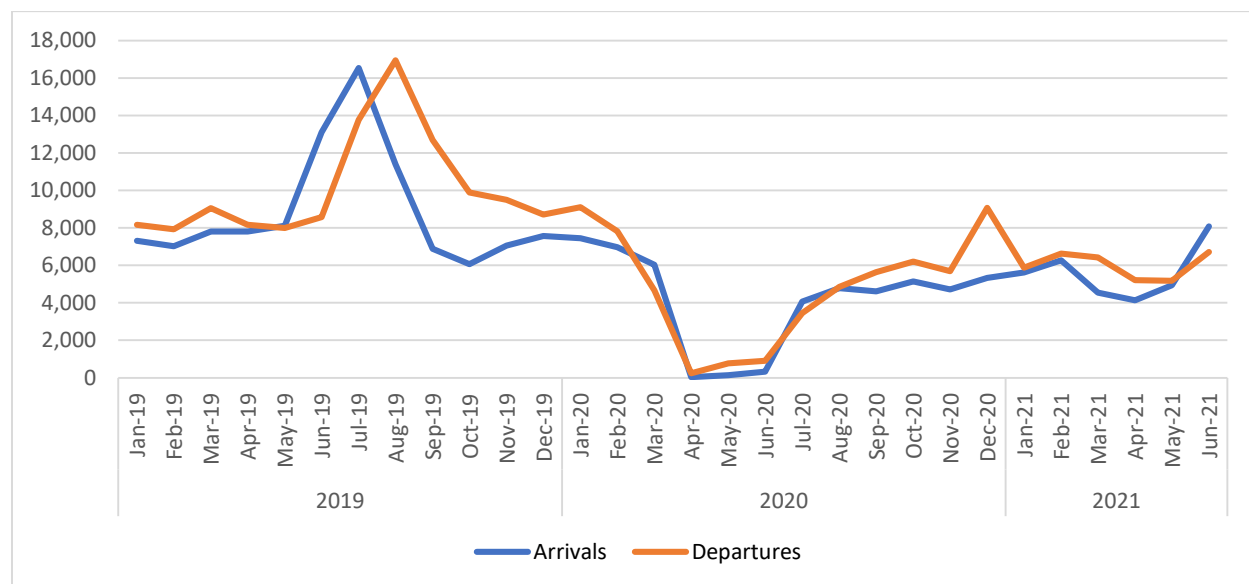
3.4. Number of Passengers Arriving and Departing by Air

Following the lower number of arrivals and departures registered in the first quarter of 2021 compared to the same period in 2020, the number of travelers significantly increased in the second quarter. Somaliland registered +16,670 more Air passenger arrivals and +15,191 more departures in the second quarter of 2021 compared to the same period in 2020, as shown in table 8 below. This significant increase was expected given the easing of most travel restrictions around the world. Despite the significant increase in passenger arrivals and departures in the first half of 2021 compared to 2020, it is still lower than the numbers recorded in 2019—as shown in figure 13 below. The MoFD expects slightly higher travel numbers in the second half of 2021 compared to the second half of 2020. However, these are expected to be much lower than in 2019 given the continued impact of the COVID-19 pandemic.

Table 8: Number of Passengers that arrived and departed by Air in Q1 and Q2 of 2020 and 2021

	Arrivals				Departures			
	2020	2021	Difference	YoY (%)	2020	2021	Difference	YoY (%)
Q1	20,440	16,444	-3,996	-20%	21,598	18,922	-2,676	-12%
Q2	488	17,158	16,670	3416%	1,924	17,115	15,191	790%
Total	20,928	33,602	12,674	61%	23,522	36,037	12,515	53%

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



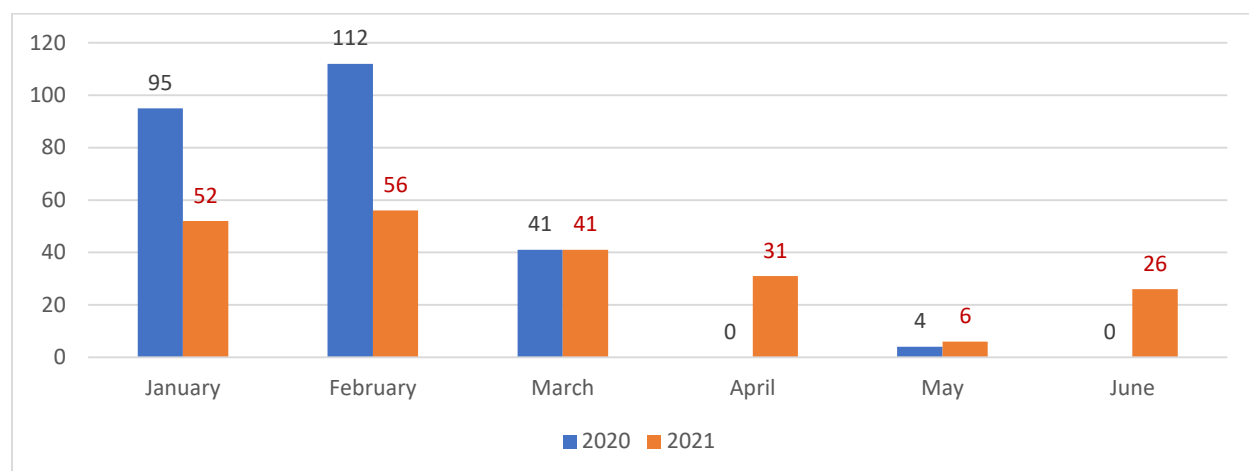
Source: Somaliland Immigration Agency

3.4.1. Tourism

In the first half of 2021, there were 212 tourists recorded by the MoTIT, a slight decrease from the 252 recorded in the same period in 2020. Laas-Geel continues to be a main site of attraction with more than 80% of the tourists in the first half of the 2021 and 2020 visiting the site. Figure 14 below shows the number of tourists per month in the first half of 2020 and 2021. The pattern depicted reflective of the

unprecedented impact of the COVID-19 pandemic around the world. The number of tourists was particularly high in the first three months of 2020 before the introduction of social and travel restrictions led to a significant decrease in the subsequent months. With the countries continuing to battle with new strains of the COVID-19 virus, Somaliland is unlikely to see a significant increase in the number of tourists in the remainder of the year.

Figure 14: Number of Tourists per month, Jan – June 2020 and 2021



4. Investment and Construction

The number of business registrations and business licenses issued are used to gauge investment in Somaliland. On their own, these are far from perfect proxies. The Macroeconomic Affairs & Statistics department of the MoFD is working closely with other public and private institutions to collect (in some cases start tracking) additional variables that, collectively, will provide a better picture of investment in Somaliland.

4.1. Number of Business Registrations⁷

In the second quarter of 2021, the Ministry of Trade, Industry and Tourism registered 182 businesses, representing -45 fewer registrations compared to the first quarter of the year. However, the first half of 2021 saw significantly higher registrations (+117) compared to the same period of last year. The breakdown of the 409 registrations between January and June 2021 by ownership type is as follows: 314 were sole proprietorships, 93 were partnerships (i.e., owned by more than one person), while 2 were owned by foreigners. Figure 15 below shows the breakdown of these registrations by business objective and location. As can be seen, 54% of the registrations were for Professional Service operations, 37% were in the trade sector—*namely import, export, clearing forwarding, shipping agents*—, while industries and wholesalers accounted for the remaining 9%.

⁷ 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.

Figure 16 on the other hand 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 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 15: Business registrations by location (left) and by Objective (right) in the first Half of 2021, % of total

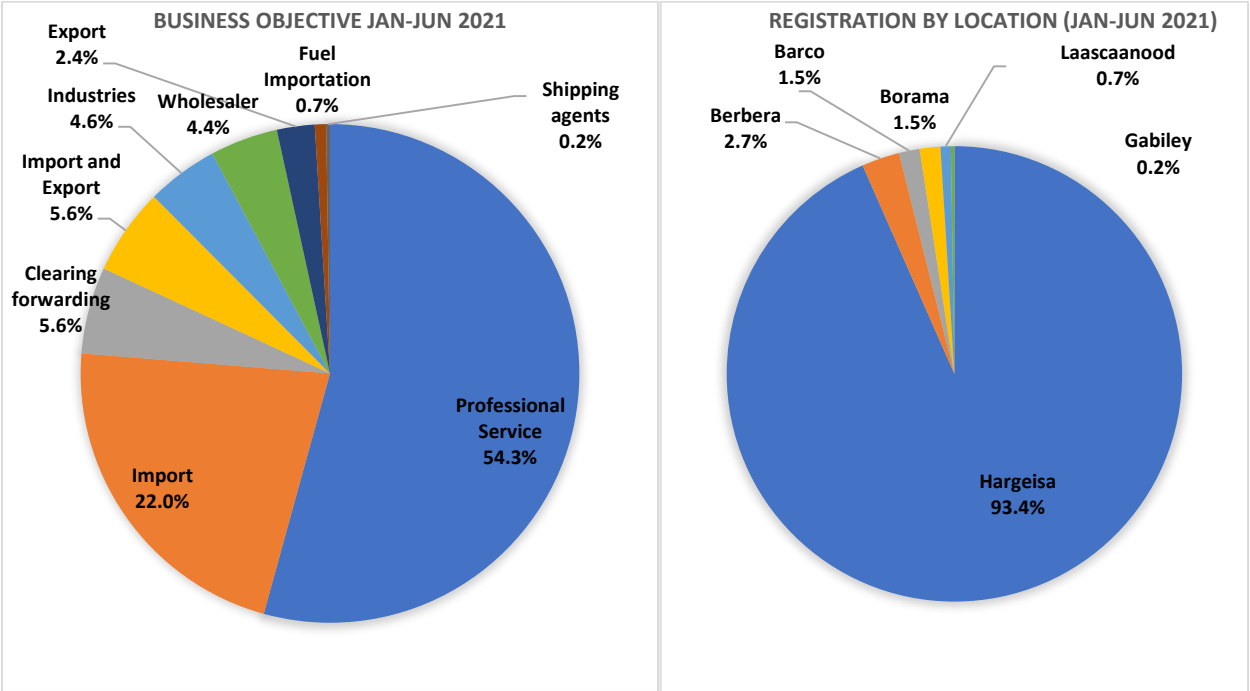
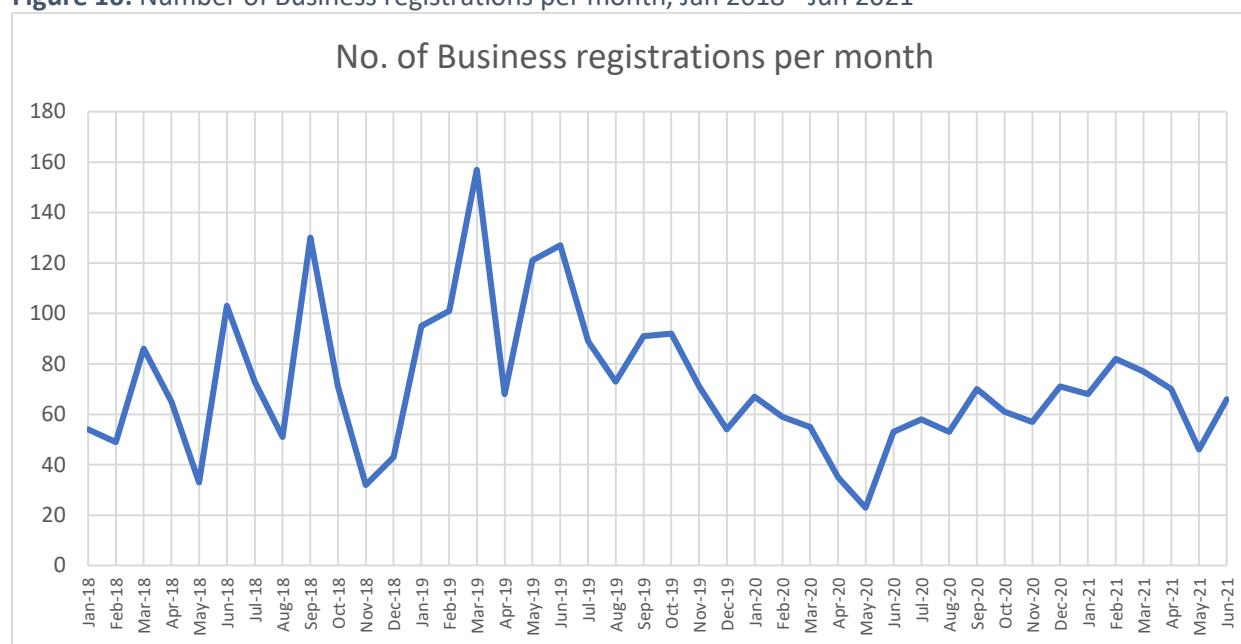


Figure 16: Number of Business registrations per month, Jan 2018 - Jun 2021



Source: Ministry of Trade, Industry and Tourism

4.2. Number of Business Licenses Issued

In the second quarter of 2021, there were 189⁸ new licenses issued, representing -35 fewer licenses compared to the first quarter of the year but 76 more than the number recorded in the same period in 2020. In addition to this, there were 170 licenses that were renewed in the second quarter, representing 36 more than the number recorded in the first quarter and 30 more than the number recorded in the second quarter of 2020. Not surprisingly, most of the licenses were issued to businesses in Hargeisa—accounting for 88% and 80% 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 for most of those ventures.

Table 9: Number of New and Renewed Business Licenses in the first Half of 2020 and 2021

	New			Renew		
	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
April	38	80	42	29	64	35
May	21	46	25	31	37	6
June	54	63	9	80	69	-11
Total	330	413	83	240	304	64

⁸ Considering the 182 business registrations in the second quarter of 2021, the 189 new business licenses issued shows that, for various reasons, business registrations and licenses issuances do not always occur in the same month.

Figure 17: Number of New and Renewed Business licenses issued by region in the first Half of 2021

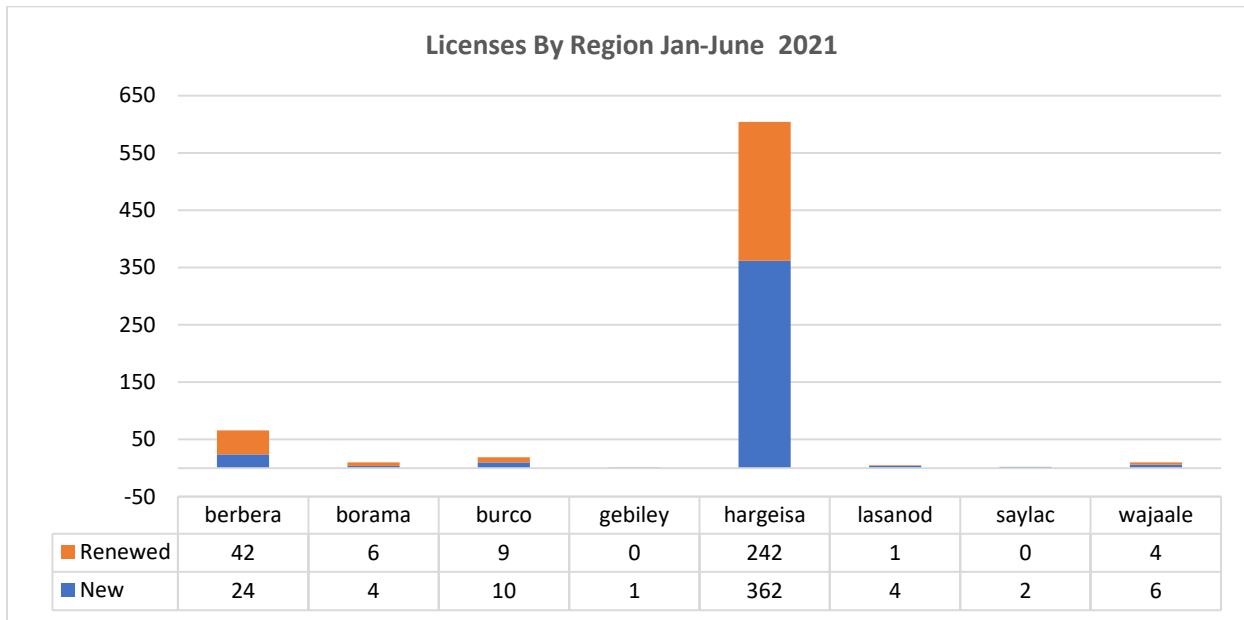
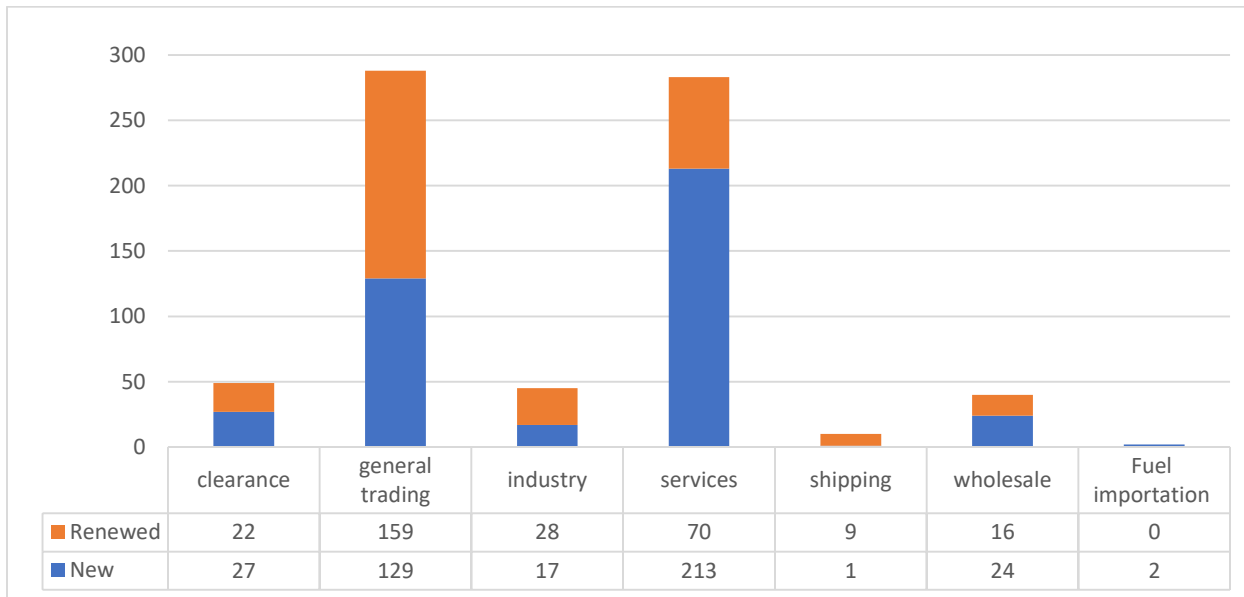


Figure 18: Number of New and Renewed Business licenses issued by Objective in the First Half of 2021

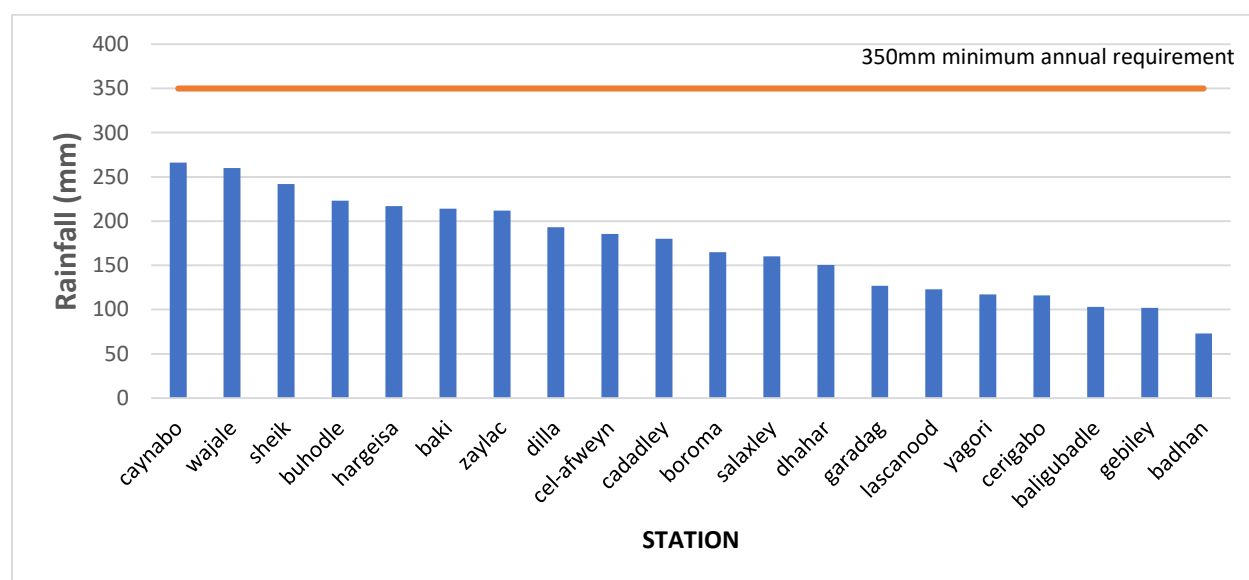


Source: Ministry of Trade, Industry and Tourism

5. The Environment—Precipitation

Following a dry first 3 months (i.e., no rainfall), most Somaliland’s cities are on course to meeting the minimum 350mm annual level required to avoid a drought—based on the second quarter rainfall data—as shown in figure 19 below. This is a significant upside for Somaliland’s economy, namely the agricultural and livestock sector.

Figure 19: Amount of rainfall registered in Somaliland by location (mm) in the second quarter of 2021

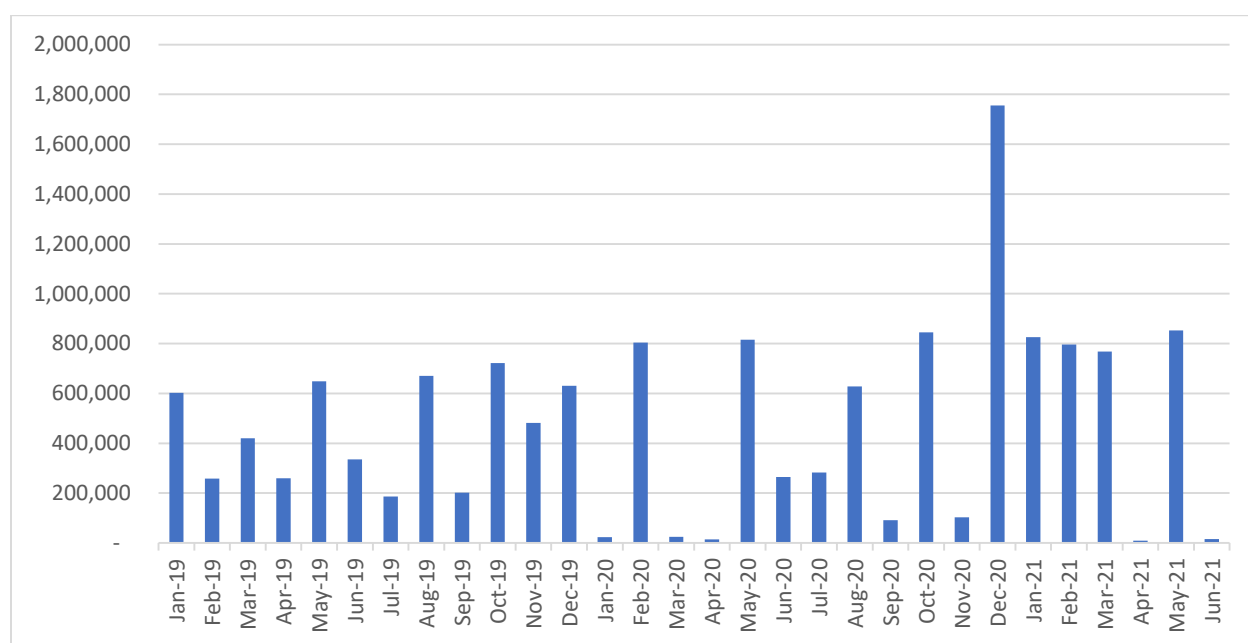


Source: Somaliland Ministry of Agriculture

6. Appendices

Appendix 1: Volume of cement (No. of bags) imported in Somaliland per month, Jan 2019 – June 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 was fairly constant in 2019 and the first eleven months of 2020, it has since been much higher on average since December 2020. In the first six months of 2021, Somaliland imported 3.3 million bags of cement, representing a significant 68% and 29% increase from the amount recorded in the same period of 2020 and 2019, respectively. While this possibly suggests an upward trend in the level of construction, additional variables are needed in order to obtain a more holistic picture of constructions projects and hence investment in the country. 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, etc. in order to better report on the level of investment in Somaliland.



Source: MOFD/ Customs Department