Ethiopia: Election confirms political continuity amid domestic tensions | Credendo

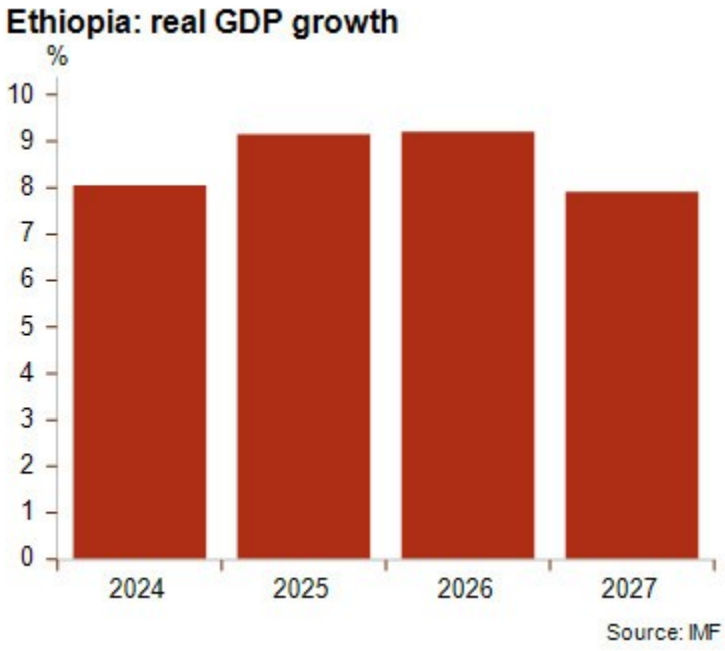
Event

On 1 June, Ethiopians voted to elect the 547 members of parliament. The poll was held under heavy security, with at least 143 polling stations closed in the Oromia and Amhara regions, while Tigray again did not participate following the 2020–2022 civil war.

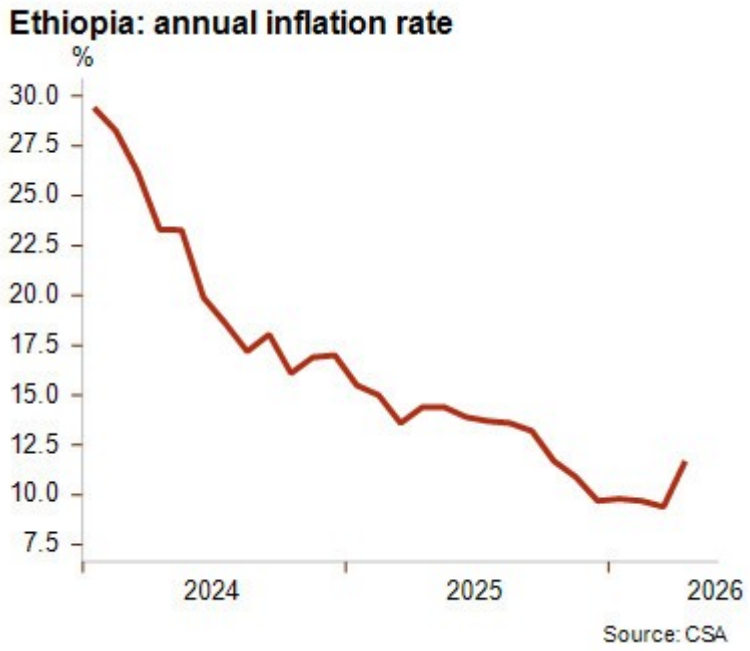
Prime Minister Abiy Ahmed's Prosperity Party is widely expected to retain a dominant majority, likely extending his rule for another five years amid questions over the competitiveness of the election.

Impact

Despite persistent political and security challenges, Ethiopia has remained one of Africa's fastest growing economies, with the IMF forecasting real GDP growth of over 9% in 2026 (see graph below). Growth has been driven by infrastructure investment, expanding manufacturing and rising exports, notably of coffee and gold. However, these strong headline figures mask significant macroeconomic vulnerabilities.



Inflation has returned to double-digit levels, reaching around 12% year on year in April 2026, after the conflict in the Middle East reversed a prolonged disinflationary trend (see graph below). Ethiopia's reliance on imported refined fuel has further amplified these external pressures.



Public debt sustainability remains a key concern. Heavy public investment, a narrow tax base and import dependence have made Ethiopia's external debt burden unsustainable, prompting the country to seek public debt relief under the G20 Common Framework in 2021 and to default on its Eurobond in December 2023. While a public debt restructuring agreement with bilateral creditors was reached in July 2025, negotiations with private creditors have stalled, increasing the risk of litigation.

Finally, Ethiopia's security environment remains highly volatile, with ongoing unrest in several regions, particularly Oromia, Amhara and Tigray, and rising tensions with Eritrea and Egypt. Relations with Eritrea have deteriorated sharply, increasing the risk of conflict along their shared border, while relations with Egypt remain strained over the Grand Ethiopian Renaissance Dam (GERD). Egypt has strengthened ties with Eritrea and with the Sudanese Armed Forces (SAF) to counter Ethiopia's regional influence. Sudan's civil war has further complicated relations, with Egypt and Ethiopia linked to opposing actors and accusing each other of supporting rival sides.

Against this backdrop, Credendo maintains Ethiopia's medium- to long-term political risk rating at 7/7 and its short-term political risk rating at 6/7. This remains justified even though liquidity has improved in recent years, supported by the 2024 floating of the birr, which boosted foreign exchange reserves and eliminated the multiple exchange rate system.

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