

National Bank of Ethiopia

Monthly Macroeconomic Indicators for the Month of January 2007

1. Overall Economic Fundamentals

In January 2007, headline inflation reached 14.2 percent, which was 0.6 and 2.5 percentage points higher than that in the preceding month and the same month last year, respectively. The increases were reflected both in food and non-food prices.

In the money market, monetary expansion remained moderate as broad money increased by 1.8 percent and 18.1 percent as compared to the previous month and the same month last year, respectively.

In the external sector, the trade deficit has widened in the month of January reflecting the surge in imports and a slow down in growth of exports.

In the exchange market, the Birr continued to depreciate during the month and reached Birr 8.8113/USD. The same also happened in the parallel market where the Birr depreciated by 0.23 percent to reach Birr 8.9009/USD from Birr 8.8805/USD in the previous month. And yet, the parallel market premium went down to 1.02 percent against 1.49 percent in the preceding month.

2. Prices

The annualized national headline inflation stood at 14.2 percent in January 2007 rising from 13.6 percent recorded in the preceding month. Similarly, it showed a 2.5 percentage points increase over 11.7 percent recorded in the same period last year. Inflation tended to creep up at the country level basically owing to an increase in food inflation, which reached 14.8 percent by the end of January 2007. This was presumably due to grain stockpiling and lower delivery by farmers, which in turn might be associated with enhanced access to market information by farmers, access to micro finance and increased cooperative activities. At the same time, increased exports of meat and vegetables were also mentioned as a possible cause for the food price hike. On the other hand, annualized core inflation (proxied by non-food CPI), stood at double digit 12.4 percent at the end of January 2007 showing an increase compared to the previous month level of 11.5 percent. Year-on-year basis non-

food inflation rate was higher by 5.3 percentage points mainly due to the significant rise in the index of “house rent, construction materials, fuel, water and power”, “beverages”, “furniture, furnishing, household equipment and operation”, “Transport and communication”, and “Clothing and food wear” components of the CPI.

The annual average headline inflation in Addis Ababa increased to 15.1 percent at the end of January 2007 showing 1.1 percentage points increase over the previous month.

3. Monetary Aggregates

The stock of money (M_2) at the close of January 2007 reached Birr 50.7 billion, indicating a 1.8 percent and 18.1 percent increase vis-à-vis the level in the previous month and the same period last year, respectively. The monthly and annual rise in broad money mainly resulted from the increase in domestic credit and other items net offsetting the decline in net foreign asset.

Component wise, both demand deposits and currency in circulation increased by 0.3 and 4.7 percent in the review period against the previous month. Similarly, time deposit and saving deposit increased by 4.4 and 1.0 percent, respectively, compared to the previous month.

In a related development, reserve money, or high-powered money, increased by 3.1 percent on monthly basis and reached Birr 22.9 billion at the end of January from Birr 22.2 billion in the previous month. However, it declined by 5.5 percent compared to last year.

4. Interest rates

Few changes have been observed in the interest rate structure of the banking system. The average saving deposit rate remained at 3 percent for public and 3.03 percent for private commercial banks. Similarly, time deposit rate remained at 3 percent for public banks. However, for private banks the average time deposit rate declined marginally to 4.28 percent from 4.29 percent in the previous month.

Meanwhile, Dashen Bank, United Bank and Wegagen Bank were the only banks paying interest on demand deposits and the weighted average rate of this deposit category has shown a marginal decline to 0.34 percent against 0.35 percent per annum in the previous month. On the other hand, average-lending rates continued to be 8.0 and 10.5 percent for public and private banks, respectively.

5. Treasury bills market

Average weighted yield increased to 1.461 and 1.324 percent for 28 and 91 days T-bills in the review month against the respective 0.871 and 0.478 percent in the previous month. However, it showed reduction for 182 day T-bills to 0.805 percent from 2.026 percent in the previous month. And, the market satisfied 97.2, 91.8 and 126.2 percent demand for 28, 91 and 182 day T-bills, respectively.

6. Inter-bank money market

No inter-bank money market transaction took place during the month.

7. Re-discount window facility

No request was placed through the window during the month.

8. Exchange rates

The monthly and annual rates of depreciation of the Birr against USD in the official market were 0.7 and 1.5 percent, respectively. And, the Birr has recorded a monthly depreciation of 0.23 percent and annual appreciation of 2.2 percent, in the parallel market rate.

At the end of January 2007, the average official exchange rate of the Birr stood at Birr 8.8113/USD, while in the parallel market it was Birr 8.9009/USD. Consequently, the parallel market premium went down to 1.02 in January 2007 vis-à-vis 1.49 percent in the previous month.

9. External Trade

In the review month, total value of exports amounted to USD 62.3 million, which was 30.0 percent lower than the previous month. On the other hand, the total value of monthly imports has increased by 9.4 percent and stood at USD 459.2 million in January 2007. Accordingly, the merchandise trade deficit increased to USD 396.9 million from USD 330.9 million recorded in the preceding month. Year-on-year basis, the total value of exports was lower by 23.4 percent and imports were higher by 43.2 percent.

10. Composition of the Financial Sector

The number of commercial banks stood at 11, insurance companies at 9, foreign exchange bureaus at 46 and micro-financial institutions at 27 by end January 2007.

11. Banking Operations

Banks disbursed new loans amounting to Birr 1,451.9 million in January 2007, which was lower by 2.7 percent compared to the preceding month. However, compared to the same month last year, the loan disbursement was higher by 36.0 percent. Meanwhile, loan collection by banks reached Birr 1,065.7 million, showing a monthly reduction of 4.1 percent and year-on-year rise of 29.4 percent.

-Private banks	0.35	0.34	0.36	0.37	0.37	0.35	0.34
Indicators	Jan. 2006	Mar. 2006	June 2006	Sept 2006	Oct. 2006	Dec. 2006	Jan. 2007
3.3. Inter- bank Money Market Rate (in%)			
3.4. Treasury Bill							
a) 28 day							
- Average weighted price (for 100 Birr)	99.997	99.997	99.997	99.996	99.996	99.933	99.888
- Average weighted yield (%)	0.039	0.039	0.039	0.051	0.052	0.871	1.461
-Supply (min. birr)	1771.5	3553	2476.5	2476.5	2476.5	2691.5	5372.5
-Demand (min. birr)	2276.5	4238	2691.5	2798.5	2882.5	2862.5	5525.5
- Satisfied demand (%)	77.82	83.84	92.01	88.50	85.90	94.00	97.20
b) 91 day							
- Average weighted price (for 100 Birr)	99.99	99.989	99.989	99.988	99.988	99.881	99.671
- Average weighted yield (%)	0.042	0.043	0.044	0.048	0.048	0.478	1.324
-Supply (min. birr)	400	1807.5	1900.0	1300.0	2807.5	1300.0	4581.5
-Demand (min. birr)	555	2927.5	2410.0	1515.0	3007.5	1530.0	4991.5
- Satisfied demand (%)	72.07	61.74	78.84	85.81	93.35	84.97	91.79
c) 182 day							
- Average weighted price (for 100 Birr)	98.989	99.988	99.988	99.987	99.987	99.000	99.600
- Average weighted yield (%)	0.022	0.023	0.024	0.025	0.026	2.026	0.805
-Supply (min. birr)	200	1706	200.0	606.0	641.0	200.0	482.0
-Demand (min. birr)	250	1752	200.0	854.0	110.0	125.0	382.0
- Satisfied demand (%)	80.00	97.37	100.00	70.96	582.73	160.00	126.18
4. Public Finance							
4.1 Budget Deficit (in mn. Birr) ¹	..	1911.60	-1552.8	-1499	..	-475.2	..
4.2. Revenue and grants	..	3366.40	5222.9	4255.4	..	6223.2	..
4.3 Expenditure ¹	..	5277.97	6745.7	5754.4	..	6698.5	..
- Recurrent	..	1638.47	1577.9	1485.6	..	1396.6	..
- Capital	..	2061.90	3030.4	2424	..	2526	..
- Regional transfers	..	1562.60	2127.1	1830	..	2759.4	..

Indicators	Jan. 2006	Mar. 2006	June 2006	Sept 2006	Oct. 2006	Dec. 2006	Jan. 2007
5. Monetary Aggregates (in mn. Birr) ⁴							
5.1 Broad Money	42,962.8	44,311.84	46,377.4	48,799.59	49,526.9	49,811.3	50,721.32
a) Monthly change (%)	2.05	2.65	1.6	0.6	1.5	2.0	1.8
b) Annual change (%)	16.5	20.2	15.3	16.9	19.5	18.3	18.1
5.2 Narrow Money Supply	21,977.54	22,919.55	23,811.9	24,946.26	25,679.94	25,592.7	26,183.92
- Currency outside banks	10,109.19	11,086.8	11,422.9	10,916.8	10,867.1	11,606.4	12,153.75
a) Monthly change (%)	5.0	4.8	1.5	-3.5	-0.5	2.6	4.7
b) Annual change (%)	20.7	29.8	14.0	16.1	17.5	20.6	20.2
- Demand deposits (net)	11,868.35	11,832.72	12,389.0	14,029.39	14,812.9	13,986.4	14,030.17
a) Monthly change (%)	2.5	3.5	1.0	2.2	5.6	3.5	0.3
b) Annual change (%)	6.0	11.8	9.9	18.4	26.4	20.8	18.2
5.3 Quasi-Money	20,985.26	21,392.28	22,565.5	23,853.33	23,846.9	24,218.6	24,537.39
- Saving deposit	19,190.50	19,688.78	20,485.5	21,529.07	21,472.8	21,677.1	21,884.58
a) Monthly change (%)	0.35	1.67	1.5	1.8	-0.3	0.4	1.0
b) Annual change (%)	20.5	21.1	18.3	15.1	14.5	13.4	14.0
- Time deposit	1,794.76	1,703.51	2,080.03	2,324.26	2,374.16	2,541.47	2,652.81
a) Monthly change (%)	1.4	-4.9	7.7	-0.2	2.1	5.3	4.4
b) Annual change (%)	29.7	15.1	29.1	35.6	39.1	43.6	47.8
5.4 Reserve Money (in mn. Birr)	24,244.43	22,753.93	21,181.9	21,164.36	20,868.5	22,222.8	22,908.91
a) Monthly change (%)	-0.10	-4.94	-5.1	6.2	-1.4	-2.0	3.1
b) Annual change (%)	4.0	10.3	-11.8	-14.1	-15.0	-8.4	-5.5
5.5 Net Foreign Assets	10,809.90	12,582.33	12,109.6	10,503.78	9,935.20	10,696.7	9,917.20
a) National Bank of Ethiopia	6,031.02	7,540.92	7,158.05	5,549.19	5,216.45	5,807.28	6,028.70
b) Commercial banks	4,778.87	5,041.41	4,951.51	4,954.59	4,718.75	4,889.43	3,888.50
5.6 Total Net Domestic Credit (in mn. Birr)	47,120.15	48,928.35	49,295.9	53,135.11	53,144.0	53,739.4	51,038.33
a) Government	24,444.3	25,493.6	25,266.4	27,342.9	26,344.4	25,065.3	21,707.7
b) Other sectors	22,675.8	23,434.8	24,029.6	25,792.2	26,799.6	28,674.1	29,330.7

Indicators	Jan. 2006	Mar. 2006	June 2006	Sept 2006	Oct. 2006	Dec. 2006	Jan. 2007
5.7 Banking statistics ⁵							
a) Disbursement	1,067.40	1,269.20	1,262.90	1,198.8	1,482.0	1,492.4	1,451.9
b) Collection	823.80	1,078.90	1,174.10	699.6	815.2	1,110.7	1,065.7
c) Outstanding borrowing of the banking system ³	1,784.10	1,961.40	2,001.50	1,984.2	2,042.5	2,066.5	2,041.4
d) Outstanding lending by the banking system	25,539.20	26,412.30	26,751.1	27,389.0	28,374.8	29,449.7	30,108.9
6. Structure of Financial System							
6.1 Number of commercial banks ²	10	10	10	11	11	11	11
- Public	3	3	3	3	3	3	3
- Private	7	7	7	8	8	8	8
6.2 Number of forex bureaux	42	46	46	46	46	46	46
6.3 Number of insurance companies	9	9	9	9	9	9	9
- Public	1	1	1	1	1	1	1
- Private	8	8	8	8	8	8	8
6.4 Number of micro-financing institutions	26	27	27	27	27	27	27
7. Reserve and liquidity ratio of the Banking System (in mn.Birr)							
7.1 Actual reserves	12398.4	10113.1	8,452.1	8,654.6	8,516.3	8,839.6	12,698.11
7.2 Excess reserves	10377.3	8075.0	6,331.2	6,358.7	6,179.0	6,471.7	10,306.4
7.3 Liquidity ratio (in percent)	63.3	60.3	59.8	61.6	60.3	57.3	55.1
7.4 Outstanding credit of the banking system including claims on central government (in mn. Birr)	28761.9	32071.1	34,426.2	35,708.31	36,793.3	36,632.0	33,279.55
-Public banks	18430.6	21210.0	23,063.6	23,299.77	23,843.0	22,657.4	19,029.43
-Private banks	10331.3	10861.1	11,362.6	12,408.55	12,950.3	13,974.6	14,250.12
8. Import and Export (in Mn USD)							
8.1 Total Import	320.59	423.0	355.60	597.33	553.80	419.90	459.18
8.2 Total Export	81.27	95.98	112.56	60.25	63.29	89.01	62.28

Indicators	Jan. 2006	Mar. 2006	June 2006	Sept 2006	Oct. 2006	Dec. 2006	Jan. 2007
8.3 Coffee Export							
8.3.1 Sales value (in mn. USD)	18.3	54.1	54.6	27.4	18.5	26.1	Na
a) Dry coffee sales value	11.4	33.9	37.4	5.7	4.1	18.2	Na
b) Washed coffee sales value	6.9	20.2	17.2	21.7	14.4	7.9	Na
8.3.2 Sales volume (in Mn Kg)	7.97	21.61	23.03	12.73	8.52	11.502	Na
a) Dry coffee sales volume (in Mn Kg)	5.24	14.60	17.02	10.64	6.96	8.649	Na
b) Washed coffee sales volume (in Mn Kg)	2.72	7.01	6.00	2.09	1.56	2.853	Na
8.4 ICO 1976 composite USC/LB	101.2	92.76	86.04	95.98	95.53	108.01	105.81
9. Gross International Reserve of NBE (in months of Imports)	2.8	2.9	-	Na	Na	Na	Na
10. Exchange Rates							
10.1 Average official exchange rate (Birr/US Dollar)	8.6824	8.687	8.6938	8.7009	8.7032	8.7504	8.8113
10.2 Average parallel market exchange rate (Birr/US Dollar)	9.1035	9.188	8.9025	8.9089	8.9305	8.8805	8.9009

Note: - The last month figure of monetary and banking statistics used estimate values for DBE

¹Since monthly data is not available figures are quarterly.

² Includes DBE

³ The figures included borrowing of DBE.

⁴ The figures for Cooperative Bank of Oromia are included after June 2005

⁵The figures for Cooperative Bank of Oromia are included after September 2005