

March, 2008

## ***The Monthly Macroeconomic Indicators for the Month of March, 2008***

### ***1. Inflation***

The annual average headline inflation stood at 19% as of March 2008. Up 3.1 and 4.2 percentage points from its position at the beginning of the fiscal year and the same month a year earlier. This was largely driven by a continuous rise in food price inflation which soared to 25.2 percent in March 2008, from 23.6 percent in the previous month and 15.3 percent a year ago. Among the components of annualized food inflation, cereals price registered 20.3 percent increase while pulses, coffee, potatoes, oils & fats, vegetables, and spices recorded 19.9, 16.8, 15, 41.1, 29.7 and 169, percent rises.

Meanwhile, annualized core inflation stood at 10.7 during the review month. Slightly higher than 10.5% in the preceding month and 13.2 percent in July 2007. Though most of the components of annualized non food inflation have exhibited a drop during the month under review, indices like 'personal care' 'recreation entertainment & education', 'furniture', 'clothing & footwear', 'cigarettes & tobacco', and 'beverages' have registered marginal increases of 0.2, 0.3, 0.9, 0.7, 1.4, 0.8 percentage points, over the previous month.

In Addis Ababa, annualized headline inflation reached 17.8 percent showing 0.4 & 0.8 percentage points increase over the preceding month and the same month of the preceding fiscal year. Food inflation in Addis Ababa also slightly picked up slightly to 27.2 percent in March from 27.0 percent in February 2008. Similarly, annualized core inflation rate at 11.0 percent, was 0.6 percentage points higher than the preceding month.

### ***2. Monetary Aggregates***

By the end of March 2008, broad money supply ( $M_2$ ) reached Birr 65714.4 billion indicating annual growth rate of 23.3 percent due to 12.6 percent increase in net foreign assets and 29.2 percent surge in domestic credit. Meanwhile, all types of deposit tended to increase both annually and monthly during the review period.

March, 2008

### ***3. Interest rates***

During the month of March 2008, the average lending rate of public banks stood at 9.0 percent (up from 8.0 percent in June 2007) and 11.5 percent for private banks (up from 10.5 percent). Similarly, the average savings deposit rate was 4.00 percent for both public and private banks. At the same time, average time deposit rate was 4.00 percent for public banks and 5.59 percent for private banks. Average demand deposit rate was 0.21 percent showing a 0.13 percentage point decrease on yearly basis. Currently, Dashen, United and Wegagen Banks pay interest on demand deposits.

### ***4. Treasury bills market***

In the review month, T-bills worth of Birr 3,106 million were supplied to the market against demand for T-bills to the tune of Birr 3,163 million. The average weighted yield for 28 day T-bills rose to 0.476 percent from 0.438 percent in the preceding month. Similarly, the respective average yields for 91 and 182 day T-bills slowed down to 0.565 and 0.375 percent from 0.574 and 0.0.603 percent a month ago.

### ***5. Inter-bank money market***

During the month of March, 2008 a total of Birr 20 million loan agreement was agreed between two private banks.

### ***6. Re-discount window facility***

One bank accessed this facility during the review month.

### ***7. Exchange rates***

The inter-bank market average foreign exchange rate reached Birr 9.2937/USD in February 2008 and Birr 9.4526/USD in March 2008. Hence, the monthly and annual rates of depreciation of the Birr against USD in the inter-bank foreign exchange market were 1.7 and 6.9 percent, respectively.

March, 2008

### ***8. External Trade***

In the month of March, total value of exports amounted to USD 173.5 million, 1.1 and 23.4 percent higher than the preceding month and same period of last year. Similarly, the total value of imports went up by 6.1 and 18.0 percent to USD 583.0 million during the same period. Hence, the merchandise trade deficit widened by 8.3 percent monthly and 15.9 percent yearly basis.

### ***9. Composition of the Financial Sector***

The total number of banks, insurance companies and MFI remained at 11, 10 and 30, respectively by end March 2008. Foreign exchange bureaux also stood at 41. The total number of bank branches reached 546 from 540 in the preceding month. Total insurance branches were 169 during the same period.

### ***10. Banking Operations***

Newly disbursed loans during the review month reached Birr 2.2 billion, 37.4 percent lower than the preceding month and 60.7 percent higher than that of the corresponding month of last year. Meanwhile, banks collected Birr 1.4 billion in loan which was 2.3 percent and 21.3 percent higher than last month and a year earlier. Outstanding lending by the banking system also tended to increase and reached Birr 39.4 billion by end of the review month.

### ***11. Summary and Conclusion***

The available macro-economic indicators during the review period exhibited an increase in headline inflation, moderate monetary expansion, growing banking activity, continued depreciation of the Birr in the inter-bank market, an increase in exports and imports, upward shift in the 28 day T-Bills yield and inactive money market.

March, 2008

**SELECTED MONTHLY MACROECONOMIC INDICATORS**

Sr. No	Indicators	Mar. 07	Jun-07	Sep-07	Dec-07	Feb-08	Mar-08
<b>1</b>	<b>Inflation</b>						
	a) Addis Ababa						
	- Month on month	1.8	0.2	1.8	3.1	5.4	6.2
	- Average annual	16.9	19.2	19.5	17.7	17.3	17.8
	b) National						
	- Month on month	2.0	1	2.3	1	4.6	7.5
	- Average annual	14.2	15.8	16.5	17.2	18.0	19.0
<b>2</b>	<b>Investment<sup>1</sup></b>						
	a) Projects approved	1314	1693	1793	1744	..	
	b) Capital investment size (in mn. Birr)	158,422.2	18,625.8	23,050.1	41,449.3	..	
	c) Potential employment creation						
	- Permanent	62100	73141	84332	163851	..	
	- Temporary	121431	155526	187179	285575	..	
<b>3</b>	<b>Average Lending Rates (%)</b>						
	- Public banks	8.0	8.0	9.0	9.0	9.0	9.0
	- Private banks	10.50	10.50	11.50	11.50	11.50	11.50
<b>4</b>	<b>Average Deposit Rates (%)**</b>						
	a) Saving deposit						
	- Public banks	3.00	3.00	4.00	4.00	4.00	4.00
	- Private banks	3.03	3.03	4.08	4.08	4.08	4.08
	b) Time deposit						
	- Public banks	3.00	3.00	4.00	4.00	4.00	4.00
	- Private banks	4.27	4.26	5.39	5.42	5.64	5.65
	c) Demand deposit						
	-Public banks	0.00	0.00	0.00	0.00	0.00	0.00
	-Private banks	0.33	0.36	0.22	0.22	0.21	0.21
<b>5</b>	<b>Inter- bank Money Market Rate(in%)</b>						
<b>6</b>	<b>Treasury Bill</b>						
	a) 28 day						
	- Average weighted price (for 100 Birr)	99.961	99.500	99.92	99.97	99.97	99.96
	- Average weighted yield (%)	0.507	0.657	1.04	0.45	0.44	0.48
	-Supply	2649.0	1800.0	1500	600	600	600
	-Demand	3049.0	2480.0	2105	1150	1290	560
	Satisfied demand (in %)	86.88	72.58	71.26	52.17	46.51	107.14
	b) 91 day						
	- Average weighted price (for 100 Birr)	99.712	99.738	99.702	99.96	99.86	99.86
	- Average weighted yield (%)	0.995	1.054	1.198	0.18	0.57	0.57
	-Supply	1800.0	1600.0	1400	1000	850	800
	-Demand	1890.0	1645.0	1500	1200	1245	1070
	Satisfied demand (in %)	95.24	97.26	93.33	83.33	68.27	74.77
	c) 182 day						
	- Average weighted price (for 100 Birr)	99.602	99.512	99.45575	99.95	99.7	99.813
	- Average weighted yield (%)	0.802	0.984	1.09	0.10	0.60	0.37
	-Supply	806.0	949.0	1706	1549	1500	1706

March, 2008

Sr. No	Indicators	Mar. 07	Jun-07	Sep-07	Dec-07	Feb-08	Mar-08
	.-Demand	1261.0	1169.0	2456	1809	1557	1533
	Satisfied demand (in %)	63.92	81.18	69.46	85.63	96.34	111.28
<b>7</b>	<b>Budget Deficit (in mn. Birr)<sup>1</sup></b>	<b>-1,767.1</b>	<b>-1,848.0</b>	<b>-4,374.40</b>	<b>-1237.9</b>	<b>-173.3</b>	<b>2476.7</b>
	a) Revenue and grants	4,369.6	6,936.0	1,292.20	2964	2678.3	22724.1
	b) Expenditure*	6,136.8	8,785.5	5666.6	4201.9	2851.6	25200.4
	- Recurrent	1,882.8	2,271.0	1331.1	707.2	700.4	6106.7
	- Capital	2,089.1	3,890.0	2180.5	2327.9	1077.6	9036.1
	- Regional transfers	2,157.0	2,618.0	2155	1166.8	1073.5	10,058
<b>8</b>	<b>Monetary Aggregates (in mn. Birr)</b>						
	8.1 Broad Money	53,307.80	56,651.89	58,479.4	61,148.8	64,390.7	65,714.4
	a) Monthly change (%)	3.1	2.7	0.8	1.2	2.0	2.1
	b) Annual change (%)	20.3	22.2	19.8	22.8	24.5	23.3
	8.2 Narrow Money Supply	27,909.52	29,617.68	29,966.0	31,097.8	33,357.8	34,235.3
	- Currency outside banks	12,775.00	13,708.39	12,997.4	14,445.8	16,325.5	16,772.6
	a) Monthly change (%)	2.2	5.5	-1.1	5.6	9.0	2.7
	b) Annual change (%)	15.2	20.0	19.1	24.5	30.5	31.3
	- Demand deposits (net)	15,134.51	15,909.29	16,968.5	16,652.0	17,032.3	17,462.8
	a) Monthly change (%)	6.0	0.5	2.6	-1.1	-2.3	2.5
	b) Annual change (%)	27.9	28.4	20.9	19.1	19.3	15.4
	8.3 Quasi-Money	25,398.28	27,034.20	28,513.4	30,051.0	31,032.8	31,479.1
	- Saving deposit	22,389.76	23,715.18	24,994.4	26,300.7	27,208.2	27,829.8
	a) Monthly change (%)	0.8	1.9	0.9	1.2	1.0	2.3
	b) Annual change (%)	13.7	15.8	16.1	21.3	22.5	24.3
	- Time deposit	3,008.53	3,319.03	3,519.0	3,750.4	3,824.6	3,649.3
	a) Monthly change (%)	10.0	7.3	-0.7	-4.1	0.6	-4.6
	b) Annual change (%)	76.6	59.6	51.4	47.6	39.8	21.3
	8.4 Reserve Money (in mn. Birr)	24,667.72	27,313.60	27,054.0	28,831.0	27,953.1	29,909.7
	a) Monthly change (%)	-0.9	3.6	9.1	5.9	-4.3	7.0
	b) Annual change (%)	8.4	28.9	27.8	29.7	12.3	21.3
	8.5 Net Foreign Assets	10,315.32	12,107.88	13,996.8	12,978.0	11,461.9	11,767.6
	a) National Bank of Ethiopia	6,598.91	7,788.96	10,347.8	10,067.4	7,556.0	7,254.7
	b) Commercial banks	3,716.41	4,318.92	3,649.0	2,910.6	3,905.9	4,512.9
	8.6 Banking statistics(in million.Birr) <sup>4</sup>						
	a) Disbursement	1,383.5	1,555.2	1838.1	2352.3342	3555.076	2223.991
	b) Collection	1,145.5	1,732.7	2267.9	1161.2015	1357.673	1389.573
	c) Outstanding borrowing of the banking system	2,051.5	2411.2	2409.7	2625.812	2626.978	2626.978
	d) Outstanding credit of the banking system	30,944.5	2,443.9	30587.2	33365.779	38322.51	39444.62
<b>9</b>	<b>Total Net Domestic Credit (in mn. Birr)</b>	<b>56,850.47</b>	<b>61,844.20</b>	<b>61447.66</b>	<b>67400.139</b>	<b>73422.59</b>	<b>73476.09</b>
	a) Government	26,363.7	30,337.6	30118.015	32245.345	32306.77	30718.38
	b) Other sectors	30,486.8	31,506.6	31329.645	35154.794	41115.81	42757.71
<b>10</b>	<b>Structure of Financial System</b>						
	10.1 Number banks <sup>2</sup>	11	11	11	11	11	11
	- Public	3	3	3	3	3	3
	- Private	7	7	8	8	8	8
	Total number of bank branches			504	522	540	546
	10.2 Number of forex bureaux	47	47	200	220	236	245

March, 2008

Sr. No	Indicators	Mar. 07	Jun-07	Sep-07	Dec-07	Feb-08	Mar-08
	10.3 Number of insurance companies	9	9	10	10	10	10
	- Public	1	1	1	1	1	1
	- Private	8	8	9	9	9	9
	Total number of insurance branches			148	164	167	169
	10.4 Number of micro-financing institutions	27	27	28	28	30	30
<b>11</b>	<b>Reserve and liquidity ratio of the Banking System(in mn.Birr)</b>						
	11.1 Actual reserves	10,171.52	11,733.99	12014.8	12445.8	8985.5	10277.6
	11.2 Excess reserves	7,673.4	9,141.5	6529.3	6709.0	3026.0	4324.8
	11.3 Liquidity ratio (in percent)	55.0	56.9	59.3	57.4	50.7	46.7
	11.4 Lending by banking system (in mn. Birr) <sup>3</sup>	37,333.89	38,798.86	41049.3	43917.8	48755.1	45945.0
	-Public banks	22,648.21	24,099.08	26024.7	27211.2	31134.7	28635.0
	-Private banks	14,685.68	14,699.78	15024.5	16706.5	17620.4	17310.0
<b>12</b>	<b>Export and Import (In mill.USD)</b>						
	12.1 Total Import	494.04	546.35	429.04	514.06	549.8	583.01
	12.2 Total Export	140.60	168.2	66.64	109.02	171.62	173.48
	12.3 Coffee Export	-353.44	-378.14	-362.41	-405.04	-378.18	-409.53
	12.3.1 Sales value (in mn. USD)	49.17	52	42.1	11.2	38.7	60.9
	a) Dry coffee sales value	34.07	52	27.1	7.4	20.8	37.0
	b) Washed coffee sales value	15.1		15	3.8	17.9	23.9
	12.3.2. Sales volume (in Mn Kg)	19.349	20.142	15.6	3.88	12.29	19.16
	a) Dry coffee sales volume (in Mn Kg)	14.388	13.301	10.758	2.667	7.373	12.974
	b) Washed coffee sales volume (in Mn Kg)	4.961	6.841	4.846	1.208	4.918	6.186
	12.4 ICO 1976 composite USC/LB	100.09	107.03	113.2	118.16	138.82	136.17
<b>13</b>	<b>Exchange Rates</b>						
	14.1 Average official exchange rate (Birr/US Dollar)	8.8428	9.0127	9.0371	9.1281	9.2937	9.4526
	14.2 Average parallel market exchange rate (Birr/US Dollar)	8.9873	9.2126	9.2769	9.5308	9.9393	NA

Note:

<sup>1</sup>Since monthly data is not available figures are quarterly

<sup>2</sup> Includes DBE

<sup>3</sup> Includes lending to central government in the form of treasury bills and government bonds and excluding DBE

<sup>4</sup> The figure for the last month is estimate for DBE

\* Data are available on quarterly basis

\*\* The Deposit rate for time and demand deposits is weighted mean after September 2003.