

The Monthly Macroeconomic Indicators for the Month of January, 2008

1. Inflation

By end January 2008, the annualized headline inflation reached 17.5 percent from 17.2 percent in the preceding month and 12.9 percent in the same period of last year. Similarly, the food inflation increased to 22.8 percent from 21.9 percent in the preceding month. Component wise, annual and monthly rise of food inflation was observed in 'spices' (165.3%), 'oils and fats' (34.8%), 'vegetables' (26.3%), 'bread and prepared food' (20.6%), cereals(17.6%) and coffee (14.6%).

Meanwhile, annualized core (non-food) inflation rate declined to 10.5 percent at the end of the review month from 11.0 percent in the preceding month. The yearly core inflation was also 0.8 percentage points lower mainly due to the significant drop in the indexes of 'beverages', 'cigarettes and tobacco', 'house rent, construction materials, water, fuel and power', 'transport and communication' and 'personal care' by 0.1, 4.2, 5.4, 5.3 and 3.2 percentage points respectively.

In Addis Ababa, annualized headline inflation went down to 17.3 percent showing a 0.4 percentage points decline over the preceding month; but 2.1 percentage points higher than the same month of 2007. Similarly, annualized food inflation slightly dropped to 26.7 percent from 27.0 in the preceding month. Annualized core inflation rate was 10.4 percent down by 0.5 percentage points on monthly basis, but similar to the same period of last year.

2. Monetary Aggregates

By the end of January 2008, broad money supply (M_2) reached Birr 63.1 billion indicating annual growth rate of 24.3 percent due to 43.0 percent increase in net foreign assets and 39.0 percent surge in domestic credit. Meanwhile, all types of deposits tended to increase both annually and monthly during the review period.

3. Interest rates

In the review period, the yearly average lending rate stood at 9.0 percent (up from 8.0 percent in June 2007) for public banks and 11.5 percent (up from 10.5 percent) for private banks. Similarly, the average savings deposit rate was 4.00 percent for public banks and 4.08 percent for private banks. At the same time, average time deposit rate was 4.00 percent for public banks and 5.42 percent for private banks. Average demand deposit rate was 0.22 percent showing a 0.12 percentage points decline on yearly basis. Dashen Bank, United Bank and Wegagen Bank were the only commercial banks paying interest on demand deposits.

4. Treasury bills market

In the review month, T-bills worth of Birr 4,207 million were supplied to the market against demand for T-bills to the tune of Birr 5,222 million. The average weighted yields for 28 day T-bill rose to 0.485 percent from 0.454 percent in the preceding month. Similarly, the respective average yields for 91 and 182 day T-bills reached 0.464 and 0.547 percent from 0.177 and 0.100 percent in the preceding month.

5. Inter-bank money market

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

6. Re-discount window facility

No bank applied to access this facility during the review month.

7. Exchange rates

In January 2008, the average exchange rate reached Birr 9.2113/USD in the inter-bank market and Birr 9.6773/USD in the parallel market. Accordingly, the parallel market premium slightly went up to 5.06 percent from 4.41 percent a month earlier.

The monthly and annual rates of depreciation of the Birr against USD in the inter-bank foreign exchange market were 0.9 and 4.5 percent. Meanwhile, in the parallel market, the Birr depreciated by 1.5 and 8.7 percent on monthly and yearly basis, respectively.

8. External Trade

In the review period, total value of exports amounted to USD 129.2 million, up by 18.3 and 33.1 percent over the preceding month and same period of last year. Similarly, the total value of imports went up by 61.8 and 39.1 percent to USD 638.6 million during the same period. Hence, the merchandise trade deficit widened by 78.4 percent on monthly and 38.0 percent on yearly basis.

9. Composition of the Financial Sector

The total number of banks, insurance companies and MFI remained at 11, 10 and 28, respectively by end January 2008. Foreign exchange bureaux also stood at 220. With nine new branches opened by Bank of Abyssinia, Dashen Bank, Commercial Bank of Ethiopia, Nib International Bank and Lion International Bank, the total number of bank branches by end January 2008 reached 531. Total insurance branches were 165 during the same period.

10. Banking Operations

Newly disbursed loans during the review month reached Birr 2.9 billion, 23.4 percent higher than the preceding month and 100 percent over that of the corresponding month of last year. Meanwhile, banks collected Birr 1.2 billion in loan which was 29.2 percent lower and 10.3 percent higher than last month and a year earlier. Outstanding lending by

the banking system also tended to increase and reached Birr 35.3 billion by end of the review month.

11. Summary and Conclusion

The available macro-economic indicators during the review period indicated a slight increase in the headline inflation rate, moderate monetary expansion, growing banking activity, continued depreciation of the Birr both in the inter-bank and parallel markets, increase in exports and imports, upward shift in the T-Bills yield and inactive money market.

SELECTED MONTHLY MACROECONOMIC INDICATORS

| Indicators | Dec. 2006 | January 2007 | August 2007 | Sept. 2007 | Oct. 2007 | Nov. 2007 | Dec. 2007 | January 2008 |
|---|--------------|-----------------|----------------|---------------|--------------|--------------|--------------|-----------------|
| 1. Inflation ¹ | | | | | | | | |
| 1.1. Addis Ababa | | | | | | | | |
| - Month on month | 0.5 | 0.5 | 1.8 | 1.8 | -0.3 | -0.9 | 3.1 | 0.6 |
| -Average Annual | 14.0 | 15.2 | 19.8 | 19.5 | 18.9 | 18.2 | 17.7 | 17.3 |
| 1.2. National | | | | | | | | |
| - Month on month | 0.8 | 0.4 | 2.9 | 2.4 | 1.6 | 0.1 | 1.0 | 1.5 |
| - Average annual | 12.3 | 12.9 | 16.1 | 16.5 | 16.9 | 17.1 | 17.2 | 17.5 |
| 2. Investment ² | | | | | | | | |
| 2.1 Project approval | 931 | NA | NA | 1793 | NA | NA | 1744 | NA |
| 2.2. Capital investment size (in mn Birr) | 23,687.7 | NA | NA | 23,050.14 | NA | NA | 41,449.29 | NA |
| 2.3. Potential employment creation | | | | | | | | |
| - Permanent | 91,671.0 | NA | NA | 84,332 | NA | NA | 163,851 | NA |
| - Temporary | 45,060.0 | NA | NA | 187,179 | NA | NA | 285,575 | NA |
| 3. Interest rate | | | | | | | | |
| 3.1 Average Lending Rates (%) | | | | | | | | |
| - Public banks | 8.0 | 8.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 10.0 |
| - Private banks | 10.50 | 10.50 | 11.50 | 11.50 | 11.50 | 11.50 | 11.50 | 11.50 |
| 3.2. Average Deposit Rates (%) | | | | | | | | |
| - Saving deposit | | | | | | | | |
| a) Public banks | 3.00 | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| b)Private banks | 3.03 | 3.03 | 4.08 | 4.08 | 4.08 | 4.08 | 4.08 | 4.08 |
| - Time deposit | | | | | | | | |
| a) Public banks | 3.00 | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| b) Private banks | 4.29 | 4.28 | 5.39 | 5.39 | 5.39 | 5.42 | 5.43 | 5.42 |
| - Demand deposit | | | | | | | | |
| a)Public banks | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| b)Private banks | 0.35 | 0.34 | 0.22 | 0.22 | 0.22 | 0.22 | 0.22 | 0.22 |
| 3.3. Inter- bank money market rate (%) | .. | .. | .. | .. | .. | .. | .. | .. |
| 3.4. Treasury Bill | | | | | | | | |
| - 28 day | | | | | | | | |
| a) Average weighted price (for 100 Birr) | 99.933 | 99.888 | 99.934 | 99.920 | 99.918 | 99.986 | 99.965 | 99.963 |
| b) Average weighted yield (%) | 0.871 | 1.461 | 0.866 | 1.040 | 1.069 | 0.184 | 0.454 | 0.485 |
| c)Supply (in mn Birr) | 2691.5 | 5372.5 | 3000.0 | 1500.0 | 1000.0 | 2691.5 | 600.0 | 900.0 |
| d)Demand(in mn Birr) | 2862.5 | 5525.5 | 4233.0 | 2105.0 | 2023.0 | 2941.5 | 1150.0 | 1150.0 |
| e) Satisfied demand (%) | 94.00 | 97.20 | 70.87 | 71.26 | 49.43 | 91.50 | 52.17 | 78.26 |
| - 91 day | | | | | | | | |
| a) Average weighted price (for 100 Birr) | 99.881 | 99.671 | 99.720 | 99.702 | 99.689 | 99.976 | 99.956 | 99.884 |
| b) Average weighted yield (%) | 0.478 | 1.324 | 1.127 | 1.199 | 1.252 | 0.095 | 0.177 | 0.464 |
| c)Supply (in mn Birr) | 1300.0 | 4581.5 | 3550 | 1400 | 1300 | 2407.5 | 1000 | 1150 |
| d)Demand (in mn Birr) | 1530.0 | 4991.5 | 3640 | 1500 | 1300 | 2732.5 | 1200 | 1780 |
| e) Satisfied demand (%) | 84.97 | 91.79 | 97.53 | 93.33 | 100.00 | 88.11 | 83.33 | 64.61 |
| -182 day | | | | | | | | |
| a) Average weighted price (for 100 Birr) | 99.000 | 99.600 | 99.482 | 99.456 | 99.376 | 99.987 | 99.950 | 99.728 |

| Indicators | Dec. 2006 | January 2007 | August 2007 | Sept. 2007 | Oct. 2007 | Nov. 2007 | Dec. 2007 | January 2008 |
|---|--------------|-----------------|----------------|---------------|--------------|--------------|--------------|-----------------|
| b) Average weighted yield (%) | 2.026 | 0.805 | 1.044 | 1.097 | 1.260 | 0.026 | 0.100 | 0.547 |
| c) Supply (in mn Birr) | 200.0 | 482.0 | 2307.0 | 1,706.0 | 2534.0 | 200.0 | 1549.0 | 2157.0 |
| d) Demand (in mn Birr) | 125.0 | 382.0 | 3072.0 | 2,456.0 | 2604.0 | 100.0 | 1809.0 | 2292.0 |
| e) Satisfied demand (%) | 160.00 | 126.18 | 75.1 | 69.46 | 97.31 | 200.00 | 85.63 | 94.11 |
| 4. Public Finance ³ (in mn Birr) | | | | | | | | |
| 4.1 Budget Deficit | -475.2 | NA | NA | -574 | NA | NA | -2,588 | NA |
| 4.2. Revenue and grants | 6223.2 | NA | NA | 7039 | NA | NA | 7,152 | NA |
| 4.3 Expenditure | 6698.5 | NA | NA | 7613 | NA | NA | 9,740 | NA |
| - Recurrent | 1396.6 | NA | NA | 1760 | NA | NA | 2,329 | NA |
| - Capital | 2526 | NA | NA | 2813 | NA | NA | 3,953 | NA |
| - Regional transfers | 2759.4 | NA | NA | 3041 | NA | NA | 3,458 | NA |
| 5. Monetary Aggregates (in mn. Birr) | | | | | | | | |
| 5.1 Broad Money | 49,811.3 | 50,721.32 | 57,990.42 | 58,479.36 | 59,397.96 | 60,427.39 | 61,458.78 | 63,062.30 |
| - Monthly change (%) | 2.0 | 1.8 | 0.3 | 0.8 | 1.6 | 1.7 | 1.7 | 2.6 |
| - Annual change (%) | 18.3 | 18.1 | 19.5 | 19.8 | 19.9 | 23.8 | 23.4 | 24.3 |
| 5.2 Narrow Money Supply | 25,592.7 | 26,183.92 | 29,686.57 | 29,965.97 | 30,026.37 | 30,518.37 | 31,407.78 | 32,384.88 |
| - Currency outside banks | 11,606.4 | 12,153.75 | 13,146.84 | 12,997.43 | 12,813.84 | 13,675.07 | 14,446.95 | 14,962.83 |
| a) Monthly change (%) | 2.6 | 4.7 | -2.9 | -1.1 | -1.4 | 6.7 | 5.6 | 3.6 |
| b) Annual change (%) | 20.6 | 20.2 | 16.2 | 19.1 | 17.9 | 20.9 | 24.5 | 23.1 |
| - Demand deposits (net) | 13,986.4 | 14,030.17 | 16,539.72 | 16,968.54 | 17,212.54 | 16,843.30 | 16,960.84 | 17,422.05 |
| a) Monthly change (%) | 3.5 | 0.3 | -0.4 | 2.6 | 1.4 | -2.1 | 0.7 | 2.7 |
| b) Annual change (%) | 20.8 | 18.2 | 20.5 | 20.9 | 16.2 | 24.7 | 21.3 | 24.2 |
| 5.3 Quasi-Money | 24,218.6 | 24,537.39 | 28,303.85 | 28,513.39 | 29,371.59 | 29,909.03 | 30,051.00 | 30,677.42 |
| - Saving deposit | 21,677.1 | 21,884.58 | 24,761.62 | 24,994.42 | 25,651.15 | 25,997.20 | 26,300.64 | 26,899.80 |
| a) Monthly change (%) | 0.4 | 1.0 | 1.9 | 0.9 | 2.6 | 1.3 | 1.2 | 2.3 |
| b) Annual change (%) | 13.4 | 14.0 | 17.1 | 16.1 | 19.5 | 20.4 | 21.3 | 22.9 |
| - Time deposit | 2,541.47 | 2,652.81 | 3,542.24 | 3,518.97 | 3,720.44 | 3,911.83 | 3750.4 | 3777.6 |
| a) Monthly change (%) | 5.3 | 4.4 | 5.9 | -0.7 | 5.7 | 5.1 | -4.1 | 0.7 |
| b) Annual change (%) | 43.6 | 47.8 | 52.1 | 51.4 | 56.7 | 62.0 | 47.6 | 42.4 |
| 5.4 Reserve Money | 22,222.8 | 22,908.91 | 24,801.50 | 27054.02 | 27,710.97 | 27,228.06 | 28,830.99 | 29,144.39 |
| a) Monthly change (%) | -2.0 | 3.1 | -7.3 | 9.1 | 2.4 | -1.7 | 5.9 | 1.1 |
| b) Annual change (%) | -8.4 | -5.5 | 24.4 | 27.8 | 32.8 | 20.0 | 29.7 | 27.2 |
| 5.5 Net Foreign Assets | 10,696.7 | 9,917.20 | 13,524.97 | 13,996.77 | 13,666.45 | 13260.69 | 14,211.71 | 14,181.50 |
| a) National Bank of Ethiopia | 5,807.28 | 6,028.70 | 9,784.9 | 10,347.81 | 10,628.52 | 9934.54 | 10,067.38 | 8,808.18 |
| b) Commercial banks | 4,889.43 | 3,888.50 | 3,740.05 | 3,648.96 | 3,037.93 | 3326.15 | 4,144.33 | 5,373.32 |
| 5.6 Net Domestic Credit | 53,739.4 | 51,038.33 | 60,785.65 | 61,447.66 | 62,645.04 | 64,965.45 | 67,999.96 | 70,954.57 |
| a) Government | 25,065.3 | 21,707.7 | 30,174.2 | 30,118.0 | 30,792.9 | 31,293.1 | 32,245.3 | 32,893.8 |
| b) Other sectors | 28,674.1 | 29,330.7 | 30,611.5 | 31,329.6 | 31,852.2 | 33,672.3 | 35,754.6 | 38,060.8 |
| 5.7 Banking statistics | | | | | | | | |
| a) Disbursement | 1,492.4 | 1,451.9 | 997.01 | 1,838.08 | 1,464.41 | 1971.5 | 2352.3 | 2903.5 |
| b) Collection | 1,110.7 | 1,065.7 | 1278.09 | 2,267.89 | 1,104.98 | 1078.0 | 1661.2 | 1175.9 |
| c) Outstanding borrowing of the banking system ⁴ | 2,066.5 | 2,041.4 | 2409.73 | 2,409.73 | 2450.0 | 2449.6 | 2625.8 | 2627.0 |
| d) Outstanding lending by the banking system | 29,449.7 | 30,108.9 | 30786.64 | 30,587.21 | 30,910.23 | 32311.6 | 33365.8 | 35299.2 |

| Indicators | Dec. 2006 | January 2007 | August 2007 | Sept. 2007 | Oct. 2007 | Nov. 2007 | Dec. 2007 | January 2008 |
|--|--------------|-----------------|----------------|---------------|--------------|--------------|--------------|-----------------|
| 6. Structure of Financial System | | | | | | | | |
| 6.1 Number of commercial banks ⁵ | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| - Public | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| - Private | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| - Total number of bank branches | 454 | | 501 | 504 | 514 | 519 | 522 | 531 |
| 6.2 Number of forex bureaux | 46 | 46 | 75 | 200 | 218 | 220 | 220 | 220 |
| 6.3 Number of insurance companies | 9 | 9 | 10 | 10 | 10 | 10 | 10 | 10 |
| - Public | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| - Private | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 |
| -Total number of insurance branches | 143 | 143 | 146 | 148 | 148 | 149 | 164 | 165 |
| 6.4 Number of micro-financing institutions | 27 | 27 | 28 | 28 | 28 | 28 | 28 | 28 |
| 7. Reserve and liquidity ratio of the Banking System (in mn.Birr) | | | | | | | | |
| 7.1 Actual reserves | 8,839.6 | 12,698.11 | 9,935.8 | 12,014.8 | 12,531.9 | 11,047.4 | 12,445.8 | 11,709.6 |
| 7.2 Excess reserves | 6,471.7 | 10,306.4 | 4,645.1 | 6,529.3 | 6,874.5 | 5,351.9 | 6,678.3 | 5,752.2 |
| 7.3 Liquidity ratio (in percent) | 57.3 | 55.1 | 58.6 | 59.3 | 57.9 | 56.5 | 57.0 | 55.5 |
| 7.4 Outstanding loan of the banking system | 36,632.0 | 33,279.55 | 41,590.83 | 41,049.28 | 41,280.13 | 42,939.35 | 43,917.59 | 46,051.26 |
| -Public banks | 22,657.4 | 19,029.43 | 26,796.37 | 26,024.73 | 26,184.10 | 27,113.81 | 27,211.06 | 29,058.31 |
| -Private banks | 13,974.6 | 14,250.12 | 14,794.46 | 15,024.55 | 15,096.04 | 15,825.54 | 16,706.53 | 16,992.94 |
| 8. Import and Export (in mn.USD) | | | | | | | | |
| 8.1 Total Import | 419.90 | 459.18 | 428.780 | 414.37 | 459.63 | 426.72 | 394.68 | 638.6 |
| 8.2 Total Export | 91.31 | 97.05 | 111.481 | 66.64 | 75.21 | 83.5 | 109.02 | 129.2 |
| 8.3 Coffee Export | | | | | | | | |
| 8.3.1 Sales value | 26.1 | 21.3 | 26.4 | 42.1 | 24.7 | 17.2 | 11.2 | 24.6 |
| - Dry coffee sales value | 18.2 | 9.5 | 13.7 | 27.1 | 16.1 | 8.4 | 7.3 | 12.5 |
| - Washed coffee sales value | 7.9 | 11.8 | 12.7 | 15 | 8.6 | 8.8 | 3.8 | 12.1 |
| 8.3.2 Sales volume (in mn Kg) | 11.50 | 8.4 | 9.8 | 15.6 | 9.2 | 6.0 | 3.9 | 7.6 |
| - Dry coffee sales volume | 14.388 | 4.3 | 5.9 | 10.8 | 6.2 | 3.08 | 2.7 | 4.0 |
| - Washed coffee sales volume | 2.853 | 4.1 | 3.9 | 4.8 | 3.0 | 2.92 | 1.2 | 3.6 |
| 8.4 ICO 1976 composite USC/LB | 108.01 | 105.81 | 107.98 | 113.20 | 115.71 | 114.43 | 118.16 | 122.3 |
| 9. Exchange Rates(Birr/USD) | | | | | | | | |
| 9.1 Average official exchange rate | 8.7504 | 8.8113 | 9.0344 | 9.0371 | 9.0400 | 9.0431 | 9.1281 | 9.2113 |
| 9.2 Average parallel market exchange rate | 8.8805 | 8.9009 | 9.3052 | 9.2769 | 9.2905 | 9.3691 | 9.5308 | 9.6773 |

Note:-

- 1 The base year has been changed to 2006 since October 2007.
- 2 Since monthly data is not available, figures are quarterly.
- 3 Since monthly data is not available, figures are quarterly.
- 4 The figures included borrowing of DBE.
- 5 Includes Development Bank of Ethiopia.