

Monthly Macroeconomic Indicators for the Month of July 2007

1. Inflation

The annualized national headline inflation stood at 18.0 percent in July 2007 rising from 17.7 percent in the preceding month and 12.3 percent last year. The rise in headline inflation was owing to an increase in food inflation, which reached 19.3 percent by the end of the month compared to 13.8 percent a year ago.

The year-on-year increase in food inflation was partly attributed to the rise in the inflation rates of pulses and vegetables associated with increased exports of same to the tune of 227.1 and 63.2 percent, respectively, compared to July 2006. The other factor for food inflation was the hike in the prices spices due to the surge in domestic demand in connection with the Ethiopian Millennium celebration

Meanwhile annualized core inflation (proxied by non-food CPI), declined to 15.0 percent at the end of July 2007 from 15.2 percent recorded in the previous month. Year-on-year basis, however, core inflation went up 6.6 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. This was mainly attributed to increasing investment demand and imported inflation arising from the continuous rise in the international prices of fuels and metals.

Reflecting developments in the national headline inflation, the annual average headline inflation in Addis Ababa increased to 19.0 percent at the end of July 2007, showing 10 percentage points increase over the previous year.

2. Monetary Aggregates

The stock of money (M_2) at the end July 2007 reached Birr 57.8 billion, indicating 1.7 percent and 20.3 percent increase vis-à-vis the level in the previous month and the same

period last year, respectively. The monthly and annual growth in broad money mainly resulted from the increase in domestic credit and net foreign assets.

Component wise, demand deposit, time deposit and saving deposit went up by 3.3, 2.3 and 0.5 percent, respectively, while currency in circulation declined by 1.1 percent against the previous month.

In a related development, reserve money, or high-powered money, declined by 2.2 percent on monthly basis and reached Birr 26.8 billion at the end of July 2007. On yearly basis, however, it increased by 28.3 percent due to a 35 and 23.8 percent increase in bank deposit and currency in circulation, respectively. Bank deposit increased due to the decline in the T-Bill holdings of banks from Birr 11.2 billion to Birr 9.6 billion. On the other hand, the increase in currency in circulation is attributed to the 31.9 percent increase in the direct advance to the government.

3. Interest rates

Owing the recent upward revision of the minimum deposit rate from 3 percent to 4 percent and the reserve requirement from 5 percent to 10 percent, changes have been observed in the interest rate structure of the banking system during the review month. The average saving deposit rate increased to 4 percent for public and 4.08 percent for private commercial banks from 3 and 3.03 percent, respectively, in the previous month. Similarly, time deposit rate increased to 4 percent from 3 percent for public banks and from 4.26 percent to 5.39 percent for private banks.

The weighted average demand deposit rate has shown marginal reduction to 0.22 percent against 0.36 percent in the previous month. Dashen Bank, United Bank and Wegagen Bank were the only banks paying interest on demand deposits. Conversely, average-lending rates increased to 9.0 and 11.5 percent for public and private banks from 8.0 and 10.5 percent, respectively.

4. Treasury bills market

During the month of July, T-bills worth Birr 4624 million were supplied to the market. Average weighted yield for 28 day T-bill went down to 0.638 from 0.657 percent while that of 91 and 182 day T-bills increased to 1.091 and 1.027 percent from 1.054 and 0.984 percent over the previous month, respectively. The market satisfied 53.3, 100 and 80 percent of demand for 28, 91 and 182 day T-bills, respectively.

5. Inter-bank money market

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

6. Re-discount window facility

No request was placed through the window during the month.

7. Exchange rates

During the monthly of July, the Birr in the official market depreciated by 0.21 and 3.86 percent on monthly and annual basis, respectively, and stood at Birr 9.0316 USD. Similarly, in the parallel market it depreciated by 0.87 and 4.83 percent and reached Birr 9.2931/USD. As a result of the fast depreciation of the birr in the parallel market, market premium went up to 2.9 percent in July 2007 vis-à-vis 2.2 percent in the previous month.

8. External Trade

In the review month, total value of exports amounted to USD 87.7 million, 46.6 percent lower than in the previous month mainly due to seasonality factors. Likewise, the total value of monthly imports went down by 6.6 percent and stood at USD 510.4 million. Accordingly, the merchandise trade deficit widened to USD 422.7 million from USD 381.4 million in the preceding month. Year-on-year basis, total exports and imports went up by 34.0 and 77.8 percent, respectively.

9. Composition of the Financial Sector

By July 2007, the number of banks stood at 11, insurance companies at 9, foreign exchange bureaus at 46 and micro-financial institutions at 28.

10. Banking Operations

Newly disbursed loans during the review month were Birr 1,073 million, 31 percent lower than the preceding month level. Nevertheless, compared to the same month last year, new loans increased by 2.2 percent. Meanwhile, loan collection by banks reached Birr 1,433.2 million, showing a monthly reduction of 17.3 percent and yearly increase of 17.7 percent.

11. Summary and Conclusion

The month of July witnessed slight increase in inflation, moderate monetary expansion, continued depreciation of the Birr both in the inter-bank and parallel markets, relatively lower exports and imports, vigorous banking activities, and slight improvements in the T-Bills yields and inactive money market.

SELECTED MONTHLY MACRO-ECONOMIC INDICATORS

Indicators	June 2006	July 2006	Sept 2006	Dec. 2006	Mar. 2007	June 2007	July 2007
1. Inflation							
1.1. Addis Ababa							
- Month on month	3.7	1.5	3.9	0.5	3.2	1.5	2.2
- Average annual	8.4	9.0	10.5	14.0	16.6	18.7	19
1.2. National							
- Month on month	2.1	3	1.1	0.8	3.2	0.9	2.2
- Average annual	12.3	12.3	12.3	13.6	15.6	17.7	18
2. Investment ¹							
2.1. Projects approved	1920	..	1,867.0	931.0	1,784	1693	..
2.2. Capital investment size (in mn. Birr)	24055.4	..	27,355.3	23,687.7	21,466.65	18,625.8	..
2.3. Potential employment creation							
- Permanent	70986	..	54,926.0	91,671.0	75,141	73141	..
- Temporary	136448	..	107,890.	45,060.0	141,745	155,526	..
3. Interest rate							
3.1 Average Lending Rates (%)							
- Public banks	8.0	8.0	8.0	8.0	8.0	8.0	9.0
- Private banks	10.50	10.50	10.50	10.50	10.50	10.50	11.50
3.2. Average Deposit Rates (%)							
a) Saving deposit							
- Public banks	3.00	3.00	3.00	3.00	3.00	3.00	4.00
- Private banks	3.03	3.03	3.03	3.03	3.03	3.03	4.08
b) Time deposit							
- Public banks	3.00	3.00	3.00	3.00	3.00	3.00	4.00
- Private banks	4.29	4.23	4.29	4.29	4.27	4.26	5.39
c) Demand deposit							
-Public banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-Private banks	0.36	0.36	0.37	0.35	0.33	0.36	0.22

Indicators	June 2006	July 2006	Sept 2006	Dec. 2006	Mar. 2007	June 2007	July 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	99.996	99.933	99.961	99.500	99.951
- Average weighted yield (%)	0.039	0.039	0.051	0.871	0.507	0.657	0.638
-Supply (min. birr)	2476.5	2476.5	2476.5	2691.5	2649.0	1800.0	2000.0
-Demand (min. birr)	2691.5	2816.5	2798.5	2862.5	3049.0	2480.0	3750.0
- Satisfied demand (%)	92.01	87.93	88.50	94.00	86.88	72.58	53.33
b) 91 day							
- Average weighted price (for 100 Birr)	99.989	99.989	99.988	99.881	99.712	99.738	99.729
- Average weighted yield (%)	0.044	0.044	0.048	0.478	0.995	1.054	1.091
-Supply (min. birr)	1900.0	2400.0	1300.0	1300.0	1800.0	1600.0	1824.0
-Demand (min. birr)	2410.0	3112.0	1515.0	1530.0	1890.0	1645.0	1824.0
- Satisfied demand (%)	78.84	77.12	85.81	84.97	95.24	97.26	100.00
c) 182 day							
- Average weighted price (for 100 Birr)	99.988	99.988	99.987	99.000	99.602	99.512	99.491
- Average weighted yield (%)	0.024	0.024	0.025	2.026	0.802	0.984	1.027
-Supply (min. birr)	200.0	200.0	606.0	200.0	806.0	949.0	800.0
-Demand (min. birr)	200.0	200.0	854.0	125.0	1261.0	1169.0	1000.0
- Satisfied demand (%)	100.00	100.00	70.96	160.00	63.92	81.18	80.00
4. Public Finance							
4.1 Budget Deficit (in mn. Birr) ¹	-1,490.0	..	-1499	-475.2	-1,767.1	-1,848.0	..
4.2. Revenue and grants	5,222.0	..	4255.4	6223.2	4,369.6	6,936.0	..
4.3 Expenditure ¹	6,879.0	..	5754.4	6698.5	6,136.8	8,785.5	..
- Recurrent	1,711.0	..	1485.6	1396.6	1,882.8	2,271.0	..
- Capital	3,030.0	..	2424	2526	2,089.1	3,890.0	..
- Regional transfers	2,127.0	..	1830	2759.4	2,157.0	2,618.0	..

Indicators	June 2006	July 2006	Sept 2006	Dec. 2006	Mar. 2007	June 2007	July 2007
5. Monetary Aggregates (in mn. Birr) ⁴							
5.1 Broad Money	46,377.4	48,029.8	48,799.59	49,811.3	53,307.80	56,651.89	57,801.4
a) Monthly change (%)	1.6	3.6	0.6	2.0	3.1	2.7	1.7
b) Annual change (%)	15.3	17.4	16.9	18.3	20.3	22.2	20.3
5.2 Narrow Money Supply	23,811.9	24,912.1	24,946.26	25,592.7	27,909.52	29,617.68	30,144.5
- Currency outside banks	11,422.9	11,124.0	10,916.8	11,606.4	12,775.00	13,708.39	13,546.2
a) Monthly change (%)	1.5	-2.6	-3.5	2.6	2.2	5.5	-1.1
b) Annual change (%)	14.0	12.9	16.1	20.6	15.2	20.0	21.8
- Demand deposits (net)	12,389.0	13,788.2	14,029.39	13,986.4	15,134.51	15,909.29	16,598.30
a) Monthly change (%)	1.0	11.3	2.2	3.5	6.0	0.5	3.3
b) Annual change (%)	9.9	24.8	18.4	20.8	27.9	28.4	20.4
5.3 Quasi-Money	22,565.5	23,117.7	23,853.33	24,218.6	25,398.28	27,034.20	27,656.87
- Saving deposit	20,485.5	20,875.3	21,529.07	21,677.1	22,389.76	23,715.18	24,311.45
a) Monthly change (%)	1.5	1.9	1.8	0.4	0.8	1.9	2.3
b) Annual change (%)	18.3	15.4	15.1	13.4	13.7	15.8	16.5
- Time deposit	2,080.03	2,242.37	2,324.26	2,541.47	3,008.53	3,319.03	3,345.43
a) Monthly change (%)	7.7	7.8	-0.2	5.3	10.0	7.3	0.5
b) Annual change (%)	29.1	35.2	35.6	43.6	76.6	59.6	49.2
5.4 Reserve Money (in mn. Birr)	21,181.9	20,850.1	21,164.36	22,222.8	24,667.72	27,313.60	26,760.54
a) Monthly change (%)	-5.1	-1.6	6.2	-2.0	-0.9	3.6	-2.2
b) Annual change (%)	-11.8	-11.2	-14.1	-8.4	8.4	28.9	28.3
5.5 Net Foreign Assets	12,109.6	11,506.0	10,503.78	10,696.7	10,315.32	12,107.88	12,420.20
a) National Bank of Ethiopia	7,158.05	6,925.62	5,549.19	5,807.28	6,598.91	7,788.96	8,442.62
b) Commercial banks	4,951.51	4,580.38	4,954.59	4,889.43	3,716.41	4,318.92	3,977.58
5.6 Total Net Domestic Credit (in mn. Birr)	49,295.9	50,689.4	53,135.11	53,739.4	56,850.47	61,844.20	62,145.25
a) Government	25,266.4	26,331.0	27,342.9	25,065.3	26,363.7	30,337.6	30,602.9
b) Other sectors	24,029.6	24,358.5	25,792.2	28,674.1	30,486.8	31,506.6	31,542.4

Indicators	June 2006	July 2006	Sept 2006	Dec. 2006	Mar. 2007	June 2007	July 2007
5.7 Banking statistics ⁵							
a) Disbursement	1,262.90	1,049.4	1,198.8	1,492.4	1,383.5	1,555.2	1,072.98
b) Collection	1,174.10	1,218.0	699.6	1,110.7	1,145.5	1,732.7	1,433.19
c) Outstanding borrowing of the banking system ³	2,001.50	2,046.1	1,984.2	2,066.5	2,051.5	31,027.3	2,410.03
d) Outstanding lending by the banking system	26,751.1	26,469.7	27,389.0	29,449.7	30,944.5	2,443.9	30,848.01
6. Structure of Financial System							
6.1 Number of commercial banks ²	10	10	11	11	11	11	11
- Public	3	3	3	3	3	3	3
- Private	7	7	8	8	7	8	8
6.2 Number of forex bureaux	46	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	27	27	27	27	27	27	28
7. Reserve and liquidity ratio of the Banking System (in mn.Birr)							
7.1 Actual reserves	8,452.1	8,443.1	8,654.6	8,839.6	10,171.52	11,733.99	11345.28
7.2 Excess reserves	6,331.2	6,241.4	6,358.7	6,471.7	7,673.4	9,141.5	8728.04
7.3 Liquidity ratio (in percent)	59.8	62.2	61.6	57.3	55.0	56.9	56.57
7.4 Outstanding credit of the banking system including claims on central government (in mn. Birr)	34,426.2	34,738.6	35,708.31	36,632.0	37,333.89	38,798.86	39124.64
-Public banks	23,063.6	23,100.1	23,299.77	22,657.4	22,648.21	24,099.08	24518.55
-Private banks	11,362.6	11,638.5	12,408.55	13,974.6	14,685.68	14,699.78	14606.09
8. Import and Export (in Mn USD)							
8.1 Total Import	355.60	287.10	597.33	419.90	494.04	546.35	510.4

Indicators	June 2006	July 2006	Sept 2006	Dec. 2006	Mar. 2007	June 2007	July 2007
8.3 Coffee Export							
8.3.1 Sales value (in mn. USD)	54.6	29	27.4	26.1	49.17	52	Na
a) Dry coffee sales value	37.4	10.7	5.7	18.2	34.07	52	Na
b) Washed coffee sales value	17.2	18.3	21.7	7.9	15.1		Na
8.3.2 Sales volume (in Mn Kg)	23.03	12.12	12.73	11.50	19.349	20.14	Na
a) Dry coffee sales volume (in Mn Kg)	17.02	8.56	10.64	8.65	14.388	13.30	Na
b) Washed coffee sales volume (in Mn Kg)	6.00	3.56	2.09	2.853	4.961	6.841	Na
8.4 ICO 1976 composite USC/LB	86.04	Na	95.98	108.01	100.09	107.03	106.2
9. Gross International Reserve of NBE (in months of Imports)	-	Na	Na	Na	Na	Na	Na
10. Exchange Rates							
10.1 Average official exchange rate (Birr/US Dollar)	8.6938	8.6962	8.7009	8.7504	8.8428	9.0127	9.0316
10.2 Average parallel market exchange rate (Birr/US Dollar)	8.9025	8.8645	8.9089	8.8805	8.9873	9.2126	9.2931

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