

National Bank of Ethiopia

V. EXTERNAL SECTOR DEVELOPMENTS

5.1 Overall Balance of Payments

The quarterly developments in the external sector revealed weak performance in the main components of the balance of payments including trade balance, net services, unrequited official transfers and non-monetary capital account balance. The record during the period showed a 31.3 percent jump in the trade deficit coupled with 19.9 percent, 40.3 percent and 16.1 percent fall in net service inflows, public transfers and the capital account surplus, respectively.

The combined effect of these slowdowns over and above the registered 13.8 percent pick-up in private transfers has worsened the overall balance of payments position of the country from a deficit of USD 118.2 million in the preceding quarter to USD 153.2 million in the first quarter of 2004/05. As balance of payments is the main macro-economic aggregate with a knock-on effect on a number of variables, its worsening position has a far reaching implications on the rest of the economy.

Associated with the registered significant fall in exports and public transfers, the quarterly current receipts slid by 9.5 percent to USD 644.5 million. On the other hand, current payments went up by 14.9 percent to USD 1042.5 million on account of the 16.3 percent and 9.5 percent increase in payment for imports and services, respectively. Consequently, current receipts financed only 61.8 percent of current payments vis-à-vis 78.5 percent cover in the preceding quarter.

Table V.1 Balance of Payments

(In millions of USD)

Particulars	2003/04		2004/05	% Change	
	Qtr I	Qtr IV	Qtr I		
	A	B	C	(C-B)/B*100	(C-A)/A*100
Trade Balance	-310.11	-526.43	-690.92	31.25	122.80
Exports	130.00	187.29	139.33	-25.61	7.18
Imports	440.11	713.72	830.25	16.33	88.65
Net Services	36.46	55.45	44.43	-19.87	21.87

Travel	9.71	22.64	24.59	8.64	153.29
Transportation	27.00	7.03	26.76	280.80	-0.92
Government (n.i.e.)	29.80	49.01	38.08	-22.29	27.79
Investment income	-21.07	-18.11	-10.02	-44.67	-52.44
Interest	-12.75	-6.93	-7.41	6.97	-41.87
Cash (net)	-4.29	-2.34	-0.90	-61.46	-79.01
Arrears	0.00	0.00	0.00		
Relief	-8.45	-4.59	-6.51	41.87	-22.99
Dividend	-8.33	-11.18	-2.61	-76.65	-68.63
Other Services	-8.98	-5.11	-34.98	584.51	289.33
Private Transfers	174.72	154.89	176.30	13.82	0.90
Current Account Balance(excl. public transfers)	-98.93	-316.09	-470.19	57.28	402.52
Public Transfers	130.42	121.03	72.21	-40.34	-44.63
Current Account Balance(incl. public transfers)	31.49	-195.05	-397.97	117.85	-1449.50
Non-monetary Capital	72.32	97.40	81.70	-16.12	12.97
Long-term (net)	68.20	102.33	87.12	-14.86	27.75
Disbursements	101.42	129.76	113.92	-12.21	12.32
Repayments	33.22	27.43	26.80	-2.31	-19.34
Cash	16.51	17.82	13.02	-26.92	-21.14
Arrears	0.00	0.00	0.00		
Relief	16.71	9.61	13.77	43.31	-17.55
Direct Investment (net)	0.00	0.50	0.00	-100.00	
Short-term (net)	4.12	-5.43	-5.42	-0.10	-231.67
Net Errors & Omissions	-71.49	-20.58	163.13	-892.84	-328.18
Overall Balance	32.32	-118.23	-153.15	29.54	-573.87
Financing	-32.32	118.23	153.15	29.54	-573.87

Reserves (-:increase)	-57.48	104.03	132.86	27.72	-331.16
NBE net foreign assets	-29.44	-22.57	-15.64	-30.72	-46.88
CBE net foreign assets	-28.04	126.60	148.50	17.30	-629.65
Arrears	0.00	0.00	0.00		
Principal	0.00	0.00	0.00		
Interest	0.00	0.00	0.00		
Debt Relief	25.16	14.20	20.28	42.84	-19.38
Principal	16.71	9.61	13.77	43.31	-17.60
Interest	8.45	4.59	6.51	41.87	-23.00

Source: Staff compilation.

Table V.2 Current Receipts and Payments

(In millions of USD)

Particular	2003/04		2004/05	% Change	
	Qtr I	Qtr IV	Qtr I		
	A	B	C	(C-B)/B*100	(C-A)/A*100
1 Current Receipts	620.93	712.50	644.53	-9.54	3.80
Export Proceeds	130.00	187.29	139.33	-25.61	7.18
Service Proceeds	185.79	249.28	256.69	2.97	38.16
Private Transfers(net)	174.72	154.89	176.30	13.82	0.90
Public Transfers (net)	130.42	121.03	72.21	-40.34	-44.63
2 Current Payments	589.44	907.55	1042.50	14.87	76.86
Import Payments	440.11	713.72	830.25	16.33	88.65
Service Payments	149.33	193.83	212.25	9.51	42.14
3 Net (1-2)	31.49	-195.05	-397.97	104.03	-1363.89
Source: Staff Compilation					