

National Bank of Ethiopia

IV. MONETARY DEVELOPMENTS

The main thrust of monetary policy continued to be geared towards ensuring price stability and conducive macroeconomic environment for economic growth. Excess liquidity of commercial banks and negative real interest rates were the major challenges to the monetary policy during the first quarter of 2004/05.

4.1. Money Supply and Credit

At the close of the first quarter of 2004/05, broad money supply reached Birr 34.6 billion, reflecting quarterly and annual growth rates of 3.0 and 13.0 percent, respectively. On quarterly basis, the growth in broad money came mainly due to a substantial rise in domestic credit both to government and non-government sectors by 7.5 percent and marginal growth in NFA which offset the growth in other items net (OIN). Year-on-year basis, the growth in broad money was largely ascribed to 20.7 percent expansion in domestic credit and 2.5 percent build up in net foreign assets of the banking system.

Table IV. 1: Factors Influencing Broad Money*

(In Millions of Birr)

| Particulars | 2003/04 | | 2004/05 | Percentage Change | |
|---------------------------------|------------|-----------|------------|-------------------|-----|
| | Qtr.I | Qtr.IV | Qtr.I | C/A | C/B |
| | (Sept. 03) | (June 04) | (Sept. 04) | | |
| | A | B | C | | |
| 1. External Assets (net) | 11,557.2 | 11,766.9 | 11,851.3 | 2.5 | 0.7 |
| 2. Domestic Credit | 27,747.6 | 31,138.8 | 33,478.5 | 20.7 | 7.5 |
| . Claims on Central Gov't (net) | 17,338.1 | 19,199.2 | 20,852.5 | 20.3 | 8.6 |

| | | | | | |
|-------------------------------|----------|----------|----------|-------|------|
| . Claims on Non-Central Gov't | 10,409.5 | 11,939.6 | 12,626.0 | 21.3 | 5.7 |
| . Financial Institutions | 113.7 | 53.7 | 53.7 | -52.8 | 0.0 |
| . Others | 10,295.8 | 11,885.9 | 12,572.3 | 22.1 | 5.8 |
| 3. Other Items (net) | 8,647.5 | 9,279.7 | 10,694.1 | 23.7 | 15.2 |
| 4. Broad Money (M2) | 30,657.3 | 33,626.0 | 34,635.7 | 13.0 | 3.0 |
| | | | | | |

Regarding components of broad money supply, narrow money (currency outside banks and net demand deposits) showed a marginal quarterly growth of 0.4 percent to reach Birr 18.1 billion as a result of 5.9 percent rise in net demand deposits which offset the 6.8 percent decline in currency outside banks. On the other hand, quasi-money (time and savings deposits) surged by 6.0 percent. Year-on-year basis, narrow money and quasi money supply have surged by 9.9 and 16.6 percent, respectively, resulting in a 13.0 percent expansion in broad money supply.

Table IV.2: Components of Broad Money

(In Millions of Birr)

| Particulars | 2003/04 | | 2004/05 | Percentage Change | |
|--------------------------|------------|-----------|------------|-------------------|------|
| | Qtr.I | Qtr.IV | Qtr.I | C/A | C/B |
| | (Sept. 03) | (June 04) | (Sept. 04) | | |
| | A | B | C | | |
| 1. Narrow Money Supply | 16,482.3 | 18,036.0 | 18,107.1 | 9.9 | 0.4 |
| . Currency outside banks | 7,352.2 | 7,843.9 | 7,314.3 | -0.5 | -6.8 |
| . Demand Deposits (net) | 9,130.1 | 10,192.1 | 10,792.8 | 18.2 | 5.9 |

| | | | | | |
|-----------------------|----------|----------|----------|------|-----|
| 2. Quasi-Money | 14,175.1 | 15,590.0 | 16,528.6 | 16.6 | 6.0 |
| . Savings Deposits | 13,034.0 | 14,369.6 | 15,273.8 | 17.2 | 6.3 |
| . Time Deposits | 1,141.1 | 1,220.4 | 1,254.8 | 10.0 | 2.8 |
| 3. Broad Money Supply | 30,657.4 | 33,626.0 | 34,635.7 | 13.0 | 3.0 |

4.2 Developments in Reserve Money and Monetary Ratios

At the end of the first quarter of 2004/05, reserve money, which is composed of currency in circulation and deposits of commercial banks at the National Bank of Ethiopia (NBE), reached Birr 14.2 billion indicating 5.9 percent and 16.7 percent growth rate over its balance at the close of the previous quarter and the same period last year. Banks' reserve deposits with NBE and currency in circulation exhibited annual growth rates of 48.6 and 0.6 percent, respectively.

Table IV. 3: Monetary Aggregates and Ratios

(In millions of Birr unless otherwise indicated)

| Particulars | 2003/04 | | 2004/05 | Percentage Change | |
|-------------------------------|------------|-----------|------------|-------------------|------|
| | Qtr.I | Qtr.IV | Qtr.I | | |
| | (Sept. 03) | (June 04) | (Sept. 04) | C/A | C/B |
| 1. Reserve Requirement (CB's) | 1,371.5 | 1,492.2 | 1593.4 | 16.2 | 6.8 |
| 2. Actual Reserve (CB's) | 4,039.4 | 4,789.7 | 6861.4 | 69.9 | 43.3 |
| 3. Excess Reserve (CB's) | 2,668.0 | 3,297.5 | 5267.9 | 97.4 | 59.8 |
| 4. Reserve Money | 12169.1 | 13,404.1 | 14197.2 | 16.7 | 5.9 |
| . Currency in Circulation | 8091.9 | 8,569.6 | 8137.7 | 0.6 | -5.0 |

| | | | | | |
|---------------------------------|--------|---------|--------|-------|------|
| . Banks deposits at NBE | 4077.2 | 4,834.5 | 6059.5 | 48.6 | 25.3 |
| 5. Money Multiplier (Ratio): | | | | | |
| . Narrow Money to Reserve Money | 1.4 | 1.3 | 1.3 | -7.1 | -3.4 |
| . Broad Money to Reserve Money | 2.5 | 2.5 | 2.4 | -4.0 | -4.3 |
| 6. Other Monetary Ratios (%): | | | | | |
| . Currency to Narrow Money | 49.1 | 47.5 | 44.9 | -8.6 | -5.5 |
| . Currency to Broad Money | 26.4 | 25.5 | 23.5 | -11.0 | -7.8 |
| . Narrow Money to Broad Money | 53.8 | 53.6 | 52.3 | -2.8 | -2.5 |
| . Quasi Money to Broad Money | 46.2 | 46.4 | 47.7 | 3.2 | 2.9 |

Commercial banks' actual reserves at the National Bank of Ethiopia increased by 43.3 percent during the first quarter of 2004/05. Consequently their excess reserves went up significantly by 59.8 and 97.4 percent on quarterly and annual basis, respectively.

4.3 Interest Rate Developments

Interest rate structure of commercial banks did not show significant changes during the first quarter of 2004/05. Simple average savings deposit rate remained at the previous quarter level of 3.1 percent whereas the weighted demand deposits rate slightly declined to 0.90 percent from 0.93 percent during the previous quarter. Average interest rate on time deposits went down slightly and reached 3.59 percent compared to 3.61 percent in the fourth quarter of last fiscal year ended on June 30, 2004. At the same time, simple average lending rate stood at 10.50 percent per annum remaining unchanged since March 2003. Owing to a 6.9 percent average annual core (non-food) inflation rate, weighted average yields on T-bills and government bonds were all negative in real terms by end of the first quarter of 2004/05. Average real cost of borrowing (real lending rate), however, was positive 3.6 percent.

Table IV.4: Interest Rate Structure of Commercial Banks

(In Percent per Annum)

| | 2003 | | | 2004 | | | |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|
| | Mar. | June. | Sep. | Dec. | Mar. | June | Sep. |
| 1. Saving Deposit Rates | | | | | | | |
| · Minimum | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| · Maximum | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 |
| Average Saving Rate | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 |
| 2. Time Deposit (Weighted) | | | | | | | |
| Up to 1 year | 3.36 | 3.35 | 3.38 | 3.36 | 3.39 | 3.39 | 3.36 |
| 1 - 2 years | 3.64 | 3.72 | 3.65 | 3.61 | 3.63 | 3.64 | 3.60 |
| Over 2 years | 3.84 | 3.82 | 3.86 | 3.80 | 3.83 | 3.8 | 3.81 |
| Average Time Dep. Rate | 3.61 | 3.63 | 3.63 | 3.59 | 3.62 | 3.61 | 3.59 |
| 3. Weighted Demand Deposit Rate | 0.94 | 0.93 | 0.93 | 0.93 | 0.94 | 0.93 | 0.90 |
| 4. Lending Rate | | | | | | | |
| · Minimum | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| · Maximum | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 |
| Average Lending Rate | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 |
| 5. Weighted Ave. T-bills Rate | 1.26 | 1.48 | 1.37 | 0.88 | 0.69 | 0.59 | 0.25 |
| 6. Inter-bank Rates | 7.00 | 7.00 | 7.50 | - | - | - | - |
| 7. Average Bond Yield* | 3.91 | 3.91 | 3.91 | 3.91 | 3.90 | 3.90 | 3.90 |

Source: Commercial Banks and National Bank of Ethiopia

NB: *Shows average bond yield on outstanding government bonds

4.4 Activities of the Banking System

4.4.1. Resource Mobilization

Total resources mobilized by the banking system during the first quarter of 2004/05 namely, collection of loans, net changes in deposits and borrowings reached Birr 2,230.7 million, reflecting a quarterly slowdown by 19.5 percent. This came as a result of the decrease in net deposits by 55.3 percent, which offset the rise in collection and net borrowings.

A) Deposit Mobilization

Deposit liabilities of the banking system (including the Development Bank of Ethiopia) at the end of September 2004 reached Birr 33.3 billion, reflecting quarterly and annual growth rates of 1.8 and 15.3 percent, respectively.

Component wise, all types of deposit tended to increase. Demand deposits, which accounted for 48.2 percent of the total deposits, went down by 2.2 percent from its balance at the close of the previous quarter but increased by 15.1 percent vis-à-vis the same quarter of last year. Saving deposits, which comprise about 45.9 percent of total deposits, scaled up by 6.3 percent and 17.2 percent on quarterly and annual basis, respectively. Similarly, time deposits, with a 5.9 percent share, rose by 2.4 percent on quarterly bases and 4.4 percent compared to the same period last year.

Of the total deposit liabilities held by banks, Commercial Bank of Ethiopia (CBE) alone claimed over 72.3 percent while the six private banks altogether accounted for 23.3 percent. Specifically, Dashen Bank took 6.9 percent followed by Awash International Bank (4.9 percent), Bank of Abyssinia (4.1 percent), Wegagen Bank (2.8 percent), Nib International Bank (2.8 percent) and United Bank (1.8 percent). The residual constitutes deposit liabilities of Construction and Business Bank (CBB) and Development Bank of Ethiopia (DBE).

B) Collection of Loans

Loan collection by the banking system during the first quarter of 2004/05 totaled Birr 1,551.6 million, indicating a quarterly growth of 10.9 percent. Domestic and international trade sectors accounted for 55.5 percent of the repayment followed by industry (11.8 percent). In terms of collecting banks, CBE collected about 48.9 percent of the total loan collections while all the six private banks jointly collected 42.1 percent. In the meantime, Construction & Business Bank and Development Bank of Ethiopia, jointly, collected 9.1 percent.

C) Borrowing

At the end of September 2004, outstanding borrowing of the banking system stood at Birr 2702.0 million, reflecting a quarterly growth of 5.6 percent and annual growth rate of 107.3 percent. About 89.5 percent of the outstanding borrowing was mobilized from domestic sources while the remaining 10.5 percent was raised from external sources. Development Bank of Ethiopia accounted for 94.0 percent of the outstanding borrowing and the balance constituted claims on Construction and Business Bank.

Table IV 5: Resource Mobilizing & Disbursing Activities of the Banking System For the First Quarter ended on September 30, 2004

(In Millions of Birr)

| Particulars | Commercial Bank of Ethiopia | | | Development Bank of Ethiopia | | | Construction & Business Bank | | | Total Public Banks | | |
|--------------------------|-----------------------------|-------------------|-------------|------------------------------|-------------------|-------------|------------------------------|-------------------|-------------|--------------------|-------------------|-------------|
| | (1) | | | (2) | | | (3) | | | (4)=(1)+(2)+(3) | | |
| | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change |
| 1. Deposits (net change) | 839.8 | -0.5 | -100.1 | 4.7 | 11.7 | 149.1 | 47.2 | 47.8 | 1.3 | 891.7 | 59.0 | -93.4 |
| -Demand | 564.5 | -487.1 | -186.3 | -1.8 | 0.8 | -146.3 | 11.3 | 7.4 | -34.5 | 574.0 | -478.9 | -183.4 |
| -Saving | 311.7 | 454.6 | 45.8 | 0.1 | -0.2 | -286.0 | 25.1 | 13.9 | -44.6 | 336.9 | 468.3 | 39.0 |
| -Time | -36.4 | 32.0 | -187.9 | 6.4 | 11.1 | 72.8 | 10.8 | 26.5 | 145.4 | -19.2 | 69.6 | -462.3 |

| | | | | | | | | | | | | |
|----------------------------------|----------|---------|--------|--------|--------|--------|-------|-------|-------|---------|---------|--------|
| 2. Borrowing (net change) | - | 0.0 | 0.0 | 71.4 | 152.2 | 113.2 | -5.6 | -12.8 | 128.6 | 65.8 | 139.4 | 111.9 |
| -Local | - | 0.0 | 0.0 | 50.0 | 152.2 | 204.4 | -5.6 | -12.8 | 128.6 | 44.4 | 139.4 | 214.0 |
| -Foreign | - | 0.0 | 0.0 | 21.4 | 0.0 | -100.0 | 0.0 | 0 | | 21.4 | 0.0 | -100.0 |
| 3. Collection of Loans | 583.5 | 714.9 | 22.5 | 65.1 | 112.4 | 72.6 | 27.8 | 28.1 | 1.1 | 676.4 | 855.4 | 26.5 |
| 4. Total Resources Mobilized | | | | | | | | | | 0.0 | 0.0 | |
| (1+2+3) | 1,423.3 | 714.4 | -49.8 | 141.2 | 276.3 | 95.7 | 248.9 | 248.9 | 0.0 | 1633.9 | 1053.8 | -35.5 |
| 5. Disbursement | 862.9 | 1367.6 | 57.9 | 85.3 | 102.6 | 20.3 | 29.9 | 31.4 | 4.9 | 981.1 | 1501.6 | 53.0 |
| 6. Change in Liquidity (4-5) | 560.4 | -653.2 | -217.2 | 55.9 | 173.7 | 210.7 | 219.1 | 219.1 | 0.0 | 832.4 | -260.4 | -131.3 |
| Memorandum Item: | | | | | | | | | | 0.0 | 0.0 | |
| A. Outstanding Credit | 20,978.4 | 21997.0 | 4.9 | 3529.0 | 3774.6 | 7.0 | 741.5 | 641.9 | -13.4 | 25248.9 | 26413.6 | 4.6 |
| B. Outstanding Interbank Lending | 414.2 | 381.1 | -8.0 | 4.7 | 4.7 | 0.0 | - | - | - | 414.2 | 381.1 | -8.0 |

Table IV 5: Continued

(In Millions of Birr)

| Particulars | Awash International Bank | | | Dashen Bank | | | Bank of Abyssinia | | | Wegagen Bank | | |
|--------------------------|--------------------------|-------------------|----------|--------------------|-------------------|----------|--------------------|-------------------|----------|--------------------|-------------------|----------|
| | (5) | | | (6) | | | (7) | | | (8) | | |
| | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change |
| 1. Deposits (net change) | 83.5 | 130.1 | 55.8 | 123.9 | 81.4 | -34.3 | 87.2 | 85.8 | -1.6 | 3.4 | 61.4 | 1705.9 |
| -Demand | 17.7 | 60.0 | 239.0 | 32.7 | -71.1 | -317.4 | 23.9 | 20.1 | -15.9 | 49.3 | 29.3 | -40.6 |

| | | | | | | | | | | | | |
|------------------------------|---------|--------|-------|---------|--------|-------|---------|--------|-------|-------|-------|--------|
| -Saving | 84.3 | 70.7 | -16.1 | 83.1 | 151.1 | 81.8 | 63.0 | 65.6 | 4.1 | 7.6 | 34.0 | 347.4 |
| -Time | -18.5 | -0.6 | -96.8 | 8.1 | 1.4 | -82.7 | 0.3 | 0.1 | -66.7 | -53.5 | -1.9 | -96.4 |
| 2. Borrowing (net change) | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | | 0.0 | 0 | 0.0 |
| -Local | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | | 0.0 | 0 | 0.0 |
| -Foreign | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | | 0.0 | 0 | 0.0 |
| 3. Collection of Loans | 110.9 | 136.5 | 23.0 | 171.1 | 176.7 | 3.3 | 65.8 | 93.8 | 42.6 | 193.0 | 123.9 | -35.8 |
| 4. Total Resources | | | | | | | | | | | | |
| Mobilized | | | | | | | | | | | | |
| (1+2+3) | 194.4 | 266.6 | 37.1 | 295.0 | 258.11 | -12.5 | 87.2 | 179.6 | 17.4 | 196.4 | 185.3 | -5.6 |
| 5. Disbursement | 127.0 | 190.5 | 50.0 | 259.8 | 232.9 | -10.3 | 52.7 | 98.8 | 87.5 | 254.1 | 164.7 | -35.2 |
| 6. Change in Liquidity (4-5) | 67.4 | 76.0 | 12.8 | 35.2 | 25.2 | -28.5 | 34.5 | 80.8 | -19.4 | -57.8 | 20.6 | -135.6 |
| Memorandum Item: | | | | | | | | | | | | |
| A. Outstanding Credit | 1,283.5 | 1204.8 | -6.1 | 1,979.7 | 2187.7 | 10.5 | 1,121.0 | 1163.1 | 3.8 | 737.9 | 753.6 | 2.1 |
| B. Outstanding Inter bank | | | | | | | | | | | | |
| Lending | | | | | | | | | | | | |

Table IV 5: Continued

| Particulars | United Bank | | | Nib International Bank | | | All Private Banks | | | Public +Private | | |
|------------------------------|--------------------|-------------------|-------------|------------------------|-------------------|-------------|------------------------------------|-------------------|-------------|--------------------|-------------------|-------------|
| | (9) | | | (10) | | | (11) =(5)+(6)+(7)+(8)+(9) +(10) | | | (12) =(11)+(4) | | |
| | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change |
| 1. Deposits (net change) | 56.9 | 60.1 | 6 | 58.2 | 105.6 | 81.4 | 413.1 | 524.4 | 26.9 | 1,304.8 | 583.4 | -55.3 |
| -Demand | 18.0 | 56.4 | 213 | 17.3 | 18.3 | 5.8 | 158.9 | 113 | -28.9 | 732.9 | -365.9 | -149.9 |
| -Saving | 26.0 | 44.4 | 71 | 50.6 | 69.7 | 37.7 | 314.6 | 435.5 | 38.4 | 651.5 | 903.8 | 38.7 |
| -Time | 12.9 | -40.7 | -416 | -9.7 | 17.6 | -281.4 | -60.4 | -24.1 | | -79.6 | 45.5 | -157.1 |
| 2. Borrowing (net change) | 0.0 | 0 | | 0.0 | 0 | | 0.0 | 0.0 | 0.0 | 65.8 | 139.4 | 111.9 |
| -Local | 0.0 | 0 | | 0.0 | 0 | | 0.0 | 0.0 | 0.0 | 44.4 | 139.4 | 214.0 |
| -Foreign | 0.0 | 0 | | 0.0 | 0 | | 0.0 | 0.0 | 0.0 | 21.4 | 0.0 | -100.0 |
| 3. Collection of Loans | 85.0 | 43.3 | -49.0 | 97.4 | 78.3 | -19.6 | 657.3 | 652.52 | -9.8 | 1,399.6 | 1,551.6 | 10.9 |
| 4. Total Resources Mobilized | | | | | | | | | | | | |
| (1+2+3) | 141.9 | 103.4 | -27 | 155.6 | 183.9 | 18.2 | 1,070.4 | 1176.9 | 3.6 | 2,770.2 | 2,230.7 | -19.5 |
| 5. Disbursement | 51.3 | 55.8 | 8.8 | 99.1 | 75.9 | -23.4 | 844.0 | 818.8 | -3.0 | 1,825.1 | 2,320.3 | 27.1 |
| 6. Change in Liquidity (4-5) | 90.5 | 47.58 | -47.5 | 56.5 | 108.0 | 91.1 | 226.3 | 358.2 | 22.5 | 1,124.7 | 97.8 | -91.3 |
| Memorandum Item: | | | | | | | | | | | | |
| A. Outstanding Credit | 360.1 | 381.2 | 5.8 | 866.4 | 839.5 | -3.1 | 6,348.7 | 6529.8 | 2.9 | 31,597.5 | 32,943.5 | 4.3 |
| B. Outstanding Interbank | | | | | | | | | | | | |
| Lending | - | - | - | - | - | - | - | - | - | 414.2 | 381.1 | -8.0 |

Table IV 6: Summary of Resource Mobilization & Disbursement of the Banking System

During the First Quarter of 2004/05

(In Millions of Birr)

| Particulars | Total Public Banks | | | Total Private Banks | | | Grand Total | | |
|------------------------------|--------------------|-------------------|-------------|---------------------|-------------------|-------------|--------------------|-------------------|-------------|
| | (1) | | | (2) | | | (3) =(1)+(2) | | |
| | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change | 2003/04 Qtr. IV | 2004/05 Qtr. I | % Change |
| 1. Deposits (net change) | 891.7 | 59.0 | -93.4 | 413.1 | 524.4 | 26.9 | 1,304.8 | 583.4 | -55.3 |
| -Demand | 574.0 | -478.9 | -183.4 | 158.9 | 113 | -28.9 | 732.9 | -365.9 | -149.9 |
| -Saving | 336.9 | 468.3 | 39.0 | 314.6 | 435.5 | 38.4 | 651.5 | 903.8 | 38.7 |
| -Time | -19.2 | 69.6 | -462.3 | -60.4 | -24.1 | | -79.6 | 45.5 | -157.1 |
| 2. Borrowing (net change) | 65.8 | 139.4 | 111.9 | 0.0 | 0.0 | 0.0 | 65.8 | 139.4 | 111.9 |
| -Local | 44.4 | 139.4 | 214.0 | 0.0 | 0.0 | 0.0 | 44.4 | 139.4 | 214.0 |
| -Foreign | 21.4 | 0.0 | -100.0 | 0.0 | 0.0 | 0.0 | 21.4 | 0.0 | -100.0 |
| 3. Collection of Loans | 676.4 | 855.4 | 26.5 | 723.1 | 652.5 | -9.8 | 1,399.6 | 1,551.6 | 10.9 |
| 4. Total Resources Mobilized | | | | | | | | | |
| (1+2+3) | 1633.9 | 1053.8 | -35.5 | 1,070.4 | 1,176.9 | 3.6 | 2,770.2 | 2,230.7 | -19.5 |

| | | | | | | | | | |
|------------------------------|---------|---------|--------|---------|---------|------|----------|----------|-------|
| 5. Disbursement | 981.1 | 1501.6 | 53.0 | 844.0 | 818.8 | -3.0 | 1,825.1 | 2,320.3 | 27.1 |
| 6. Change in Liquidity (4-5) | 832.4 | -260.4 | -131.3 | 226.3 | 358.2 | 22.5 | 1,124.7 | 97.8 | -91.3 |
| Memorandum Item: | | | | | | | | | |
| A. Outstanding Credit | 25248.9 | 26413.6 | 4.6 | 6,348.7 | 6,529.8 | 2.9 | 31,597.5 | 32,943.5 | 4.3 |
| B. Outstanding | | | | | | | | | |
| Inter-bank | | | | | | | | | |
| Lending | 414.2 | 381.1 | -8.0 | - | - | - | 414.2 | 381.1 | -8.0 |

Table IV 7: Breakdown of Outstanding Deposits by Type & Bank as at End September 30, 2004
(In Millions of Birr)

| Deposit by Banks | Types of Deposit | | | | | | | |
|-------------------------------|------------------|------------|---------|------------|--------|------------|----------|------------|
| | Demand | Share in % | Saving | Share in % | Time | Share in % | Total | Share in % |
| 1. Public Banks | | | | | | | | |
| Commercial Bank of Ethiopia | 13864 | 86.6 | 9780.8 | 64.0 | 404.9 | 20.5 | 24,049.7 | 72.3 |
| Development Bank of Ethiopia | 8.1 | 0.05 | 2.3 | 0.02 | 712.5 | 36.1 | 722.9 | 2.2 |
| Construction & Business Bank | 122.8 | 0.8 | 413.8 | 2.7 | 195.1 | 9.9 | 731.7 | 2.2 |
| Total | 13994.9 | 87.4 | 10196.9 | 66.8 | 1312.5 | 66.5 | 25504.3 | 76.7 |
| 2. Private Banks_ | | | | | | | | |
| Awash International Bank S.C. | 348.1 | 2.2 | 1,211.0 | 7.9 | 64.2 | 3.3 | 1,623.3 | 4.9 |

| | | | | | | | | |
|-----------------------------|----------|-------|----------|-------|---------|-------|----------|-------|
| Dashen Bank S.C. | 591.2 | 3.7 | 1,598.9 | 10.5 | 108.1 | 5.5 | 2,298.2 | 6.9 |
| Bank of Abyssinia S.C. | 243.1 | 1.5 | 1,002.3 | 6.6 | 115.6 | 5.9 | 1,361.0 | 4.1 |
| Wegagen Bank S.C. | 398.9 | 2.5 | 384.6 | 2.5 | 148.4 | 7.5 | 931.9 | 2.8 |
| United Bank S.C. | 186.7 | 1.2 | 319.7 | 2.1 | 98.3 | 5.0 | 604.7 | 1.8 |
| Nib International Bank S.C. | 247.5 | 1.5 | 562.6 | 3.7 | 127.8 | 6.5 | 937.9 | 2.8 |
| Total | 2,015.5 | 12.6 | 5,079.1 | 33.2 | 662.4 | 33.5 | 7,757.0 | 23.3 |
| 3.Grand Total | 16,010.4 | 100.0 | 15,276.0 | 100.0 | 1,974.9 | 100.0 | 33,261.3 | 100.0 |

Table IV 8: Quarterly Changes In Deposits as at End September 30, 2004
In Millions of Birr

| Types of Deposit | 2003/04 Quarter IV | 2004/05 Quarter I | % Change |
|------------------|--------------------------|----------------------|-------------|
| Demand Deposits | 16,376.3 | 16,010.4 | -2.2 |
| Saving Deposits | 14,372.2 | 15,276.0 | 6.3 |
| Time Deposits | 1,929.4 | 1,974.9 | 2.4 |
| Total | 32,677.9 | 33,261.3 | 1.8 |

**Table IV 9: Breakdown of Outstanding Borrowing by Source & Borrowing Bank
as at September 30, 2004 (In Millions of Birr)**

| Sources | | | |
|------------------------------|---------------|--------------|---------------|
| Outstanding Borrowing | Internal | External | Total |
| Development Bank of Ethiopia | 2256.4 | 284.5 | 2540.9 |
| Construction & Business Bank | 161.1 | 0 | 161.1 |
| Total | 2417.5 | 284.5 | 2702.0 |

Source: Construction & Business Bank and Development Bank of Ethiopia

Table IV 10: Quarterly Changes in Outstanding Borrowing by Sources for the

First Quarter of 2004/05

| Outstanding Borrowing | Sources | | | | | | | | |
|------------------------------|---------------|---------------|------------|--------------|--------------|----------|---------------|---------------|------------|
| | Internal | | | External | | | Grand Total | | |
| | 2003/04 | 2004/05 | | 2003/04 | 2004/05 | | 2003/04 | 2004/05 | |
| | Qtr. IV | Qtr. I | % | Qtr. IV | Qtr. I | % | Qtr. IV | Qtr. I | % |
| | | Change | | | Change | | | Change | |
| Development Bank of Ethiopia | 2101.2 | 2256.4 | 7.4 | 284.5 | 284.5 | 0 | 2385.7 | 2540.9 | 6.5 |
| Construction & Business Bank | 173.9 | 161.1 | -7.4 | 0 | 0 | 0 | 173.9 | 161.1 | -7.4 |
| Total | 2275.1 | 2417.5 | 6.3 | 284.5 | 284.5 | 0 | 2559.6 | 2702.0 | 5.6 |

Source: Construction & Business Bank and Development Bank of Ethiopia

4.4.2 Disbursement of Fresh Loans

The banking system granted a total of Birr 2,320.3 million fresh loans to the different sectors of the economy during the first quarter of 2004/05, which was 27.1 percent higher than the amount disbursed during the previous quarter and 106.0 percent over that of the corresponding quarter of 2003/04. During the quarter under review, Commercial Bank of Ethiopia, Development Bank of Ethiopia, Construction and Business Bank, Awash, International Bank, Bank of Abyssinia and United Bank disbursed more loans compared to their disbursement during the preceding quarter. Meanwhile, Dashen Bank, Wegagen Bank and Nib International Bank granted less loans in the same period. As usual, the private sector was the main beneficiary of fresh bank loans taking up about 75.0 percent of the total new loans disbursed during the quarter. Sector-wise, the largest share (24.8 percent) of the quarterly fresh loans went to finance agriculture followed by domestic trade (17.7 percent).

4.4.3 Outstanding Credit

The stock of outstanding credit (including inter-bank lending of Birr 381.1 million) reached Birr 32.9 billion at the close of the first quarter of 2004/05, indicating a quarterly and annual growth rates of 4.3 and 15.0 percent, respectively. Of the total outstanding credit, claims on the private sector (including cooperatives) were 47.0 percent, claims on central government 44.3 percent and public enterprises nearly 7.7 percent. In terms of specific sectors, industry took 12.9 percent, domestic trade 11.7 percent, international trade 9.0 percent, and housing and construction 5.9 percent. The balance constituted claims on other sectors such as hotels, tourism and transport and communication.

Table IV 11: Breakdown of Loans & Advances by Lending Bank & Recipient Industry For the First Quarter of 2004/05, ended September 30,2004

(In Millions of Birr)

| Borrowing Sector | Commercial Bank of Ethiopia | | | Development Bank of Ethiopia | | | Construction & Business Bank | | | Total Public Banks | | |
|--------------------|-----------------------------|-----------|----------|------------------------------|-----------|---------|------------------------------|-----------|------|--------------------|-----------|----------|
| | (1) | | | (2) | | | (3) | | | (4)=(1)+(2)+(3) | | |
| | Disbursed | Collected | O/S | Disbursed | Collected | O/S | Disbursed | Collected | O/S | Disbursed | Collected | O/S |
| Central Government | | | 13,592.0 | | | 104.6 | | | 10.3 | - | - | 13,706.9 |
| Agriculture | 493.1 | 78.1 | 784.3 | 47.7 | 26.29 | 687.465 | | 0.0 | 0.0 | 540.8 | 104.4 | 1,471.8 |

| | | | | | | | | | | | | |
|---------------------------|---------|-------|----------|-------|-------|-----------|------|-------|-------|---------|-------|----------|
| Industry | 29.0 | 42.8 | 897.1 | 46.3 | 74.02 | 2,477.243 | | 0.0 | 0.0 | 75.3 | 116.8 | 3,374.3 |
| Domestic Trade | 154.9 | 165.1 | 2,385.6 | - | - | - | | 0.0 | 0.0 | 154.9 | 165.1 | 2,385.6 |
| International Trade | 120.1 | 295.0 | 1,366.8 | - | - | - | | 0.0 | 0.0 | 120.1 | 295.0 | 1,366.7 |
| Export | 18.2 | 187.3 | 408. | - | - | - | | 0.0 | 0.0 | 18.2 | 187.3 | 408.0 |
| Imports | 101.9 | 107.7 | 958.8 | - | - | - | | 0.0 | 0.0 | 101.9 | 107.7 | 958.8 |
| Hotels and Tourism | 6.8 | 7.3 | 69.7 | 4.4 | 7.98 | 224.2 | | 0.0 | 0.0 | 11.1 | 15.3 | 293.9 |
| Transport & Communication | 46.0 | 29.7 | 317.5 | - | 0.07 | 15.6 | | 0.0 | 0.0 | 46.0 | 29.8 | 333.1 |
| Housing & Construction | 2.7 | 19.4 | 561.6 | - | 2.93 | 168.3 | 30.0 | 27.1 | 627.6 | 32.7 | 49.4 | 1,357.5 |
| Mines, Power & Water Res. | - | 2.67 | - | - | - | 13.6 | 0.0 | 0.0 | 0.0 | - | 2.6 | 13.6 |
| Others | 507.6 | 26.1 | 1,599.1 | 4.3 | 1.08 | 83.6 | 0.0 | 0.0 | 0.0 | 511.9 | 27.2 | 1,682.7 |
| Personal | 7.4 | 49.0 | 42.2 | 0.0 | - | - | 1.4 | 0.989 | 4.0 | 8.7 | 49.9 | 46.2 |
| Inter-Bank Lending | - | - | 381.2 | - | - | 0.0 | 0.0 | - | - | - | 43.7 | 381.1 |
| Total | 1,367.6 | 714.9 | 21,997.0 | 102.6 | 112.4 | 3,774.6 | 31.4 | 28.1 | 641.9 | 1,501.6 | 899.1 | 26,413.6 |

Table IV 11: Continued

(In Millions of Birr)

| Borrowing Sector | Awash International Bank | | | Dashen Bank | | | Bank of Abyssinia | | | Wegagen Bank | | |
|---------------------------|--------------------------|-----------|-------|-------------|-----------|-------|-------------------|-----------|-------|--------------|-----------|-------|
| | (5) | | | (6) | | | (7) | | | (8) | | |
| | Disbursed | Collected | O/S | Disbursed | Collected | O/S | Disbursed | Collected | O/S | Disbursed | Collected | O/S |
| Central Government | | | 236.2 | | | 447.9 | | | 199.4 | | | - |
| Agriculture | 7.7 | 0.2 | 7.9 | 15.5 | 14.1 | 73.0 | 1.9 | 0.1 | 2.4 | 8.6 | 0.9 | 17.0 |
| Industry | 54.6 | 11.0 | 168.0 | 41.4 | 31.5 | 427.5 | 15.4 | 4.3 | 80.0 | 13.3 | 9.9 | 112.0 |
| Domestic Trade | 63.5 | 72.8 | 333.6 | 71.9 | 68.8 | 462.0 | 25.4 | 14.9 | 229.8 | 31.5 | 34.2 | 160.7 |
| International Trade | 55.9 | 36.4 | 200.9 | 43.1 | 30.9 | 376.3 | 3.5 | 11.1 | 275.5 | 84.8 | 48.6 | 265.5 |
| Export | 3.5 | 1.5 | 45.1 | 23.4 | 2.8 | 99.3 | - | 8.1 | 73.0 | 48.7 | 28.2 | 135.3 |
| Imports | 52.3 | 34.9 | 155.8 | 19.7 | 28.2 | 277.0 | 3.5 | 3.0 | 202.5 | 36.1 | 20.4 | 130.1 |
| Hotels and Tourism | - | - | - | 2.7 | 1.5 | 14.1 | - | - | - | 1.4 | 1.3 | 4.1 |
| Transport & Communication | 3.8 | 4.4 | 45.2 | 28.4 | 20.3 | 203.2 | 0.6 | 4.7 | 95.6 | 6.0 | 8.2 | 76.7 |
| Housing & Construction | 4.8 | 4.1 | 89.6 | 29.9 | 9.5 | 183.7 | 8.1 | 14.7 | 94.3 | 9.1 | 4.3 | 76.4 |
| Mines, Power & Water Res. | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 0.1 | 6.8 | 121.5 | - | - | - | 43.1 | 43.3 | 181.1 | 10.0 | 16.3 | 41.3 |

| | | | | | | | | | | | | |
|--------------------|-------|-------|---------|-------|-------|---------|------|------|---------|-------|-------|-------|
| Personal | 0.2 | 0.8 | 2.0 | - | - | - | 0.7 | 0.7 | 5.0 | - | - | - |
| Inter-Bank Lending | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 190.5 | 136.5 | 1,204.8 | 232.9 | 176.7 | 2,187.7 | 98.8 | 93.8 | 1,163.1 | 164.7 | 123.9 | 753.6 |

Table IV 11: Continued

(In Millions of Birr)

| Borrowing Sector | United Bank | | | Nib International Bank | | | Total Private Banks | | | Grand Total private & public Banks | | |
|---------------------------|-------------|-----------|-------|------------------------|-----------|-------|--------------------------------|-----------|---------|------------------------------------|-----------|----------|
| | (9) | | | (10) | | | (11) =(5)+(6)+(7)+(8)+(9)+(10) | | | (12) =(11)+(4) | | |
| | Disbursed | Collected | O/S | Disbursed | Collected | O/S | Disbursed | Collected | O/S | Disbursed | Collected | O/S |
| Central Government | | | | | | | | | 883.5 | - | - | 14,590.4 |
| Agriculture | - | - | - | 0.8 | 1.3 | 16.9 | 34.6 | 16.5 | 117.2 | 575.4 | 120.9 | 1,589.0 |
| Industry | 0.9 | 1.2 | - | 23.3 | 8.7 | 261.1 | 148.9 | 66.8 | 1,048.6 | 224.2 | 183.6 | 4,422.9 |
| Domestic Trade | 33.1 | 10.4 | 79.6 | 29.4 | 36.8 | 167.3 | 255.0 | 237.9 | 1,432.9 | 409.9 | 403.0 | 3,818.5 |
| International Trade | 11.0 | 23.6 | 184.4 | 10.1 | 13.0 | 261.9 | 208.3 | 163.7 | 1,564.3 | 328.4 | 458.6 | 2,931.1 |
| Export | 1.6 | 10.7 | 38.7 | 1.0 | 1.8 | 40.9 | 78.2 | 53.0 | 432.3 | 96.4 | 240.3 | 840.2 |
| Imports | 9.4 | 12.9 | 145.6 | 9.1 | 11.2 | 221.1 | 130.1 | 110.6 | 1,132.1 | 232.0 | 218.3 | 2,090.9 |
| Hotels and Tourism | - | - | 48.3 | 1.1 | 1.0 | 12.2 | 5.3 | 3.9 | 78.7 | 16.4 | 19.2 | 372.6 |
| Transport & Communication | 1.9 | 3.8 | 19.5 | 4.6 | 3.8 | 31.0 | 45.3 | 45.3 | 471.2 | 91.3 | 75.1 | 804.4 |
| Housing & Construction | 3.7 | 2.3 | 40.9 | 5.3 | 9.7 | 87.0 | 60.9 | 44.7 | 571.9 | 93.6 | 94.1 | 1,929.4 |
| Mines, Power & Water Res. | - | - | - | - | 3.4 | - | - | 3.4 | - | - | 5.9 | 13.6 |

| | | | | | | | | | | | | |
|--------------------|------|------|-------|------|------|-------|-------|-------|---------|---------|---------|----------|
| Other | - | - | - | 0.0 | 0.0 | 0.0 | 53.2 | 66.4 | 343.8 | 565.1 | 93.6 | 2,026.5 |
| Personal | 5.2 | 1.9 | 8.5 | 1.2 | 0.5 | 2.1 | 7.3 | 3.9 | 17.6 | 16.0 | 53.8 | 63.9 |
| Inter-Bank Lending | - | - | - | - | - | - | - | - | - | - | 43.7 | 381.1 |
| Total | 55.8 | 43.3 | 381.2 | 75.9 | 78.3 | 839.5 | 818.8 | 652.5 | 6,529.8 | 2,320.3 | 1,551.6 | 32,943.5 |

Table IV 12: Summary of Loans and Advances by Banks and Receiving Sectors During July- September 2004
(In Millions of Birr)

| Borrowing Sector | Total Public Banks | | | Total Private Banks | | | Total Banks | | |
|---------------------------|--------------------|-----------|----------|---------------------|-----------|---------|-------------|-----------|----------|
| | (1) | | | (2) | | | (3) =(1+2) | | |
| | Disbursed | Collected | O/S | Disbursed | Collected | O/S | Disbursed | Collected | O/S |
| Central Government | - | - | 13,706.9 | | | 883.5 | - | - | 14,590.4 |
| Agriculture | 540.8 | 104.4 | 1,471.8 | 34.6 | 16.5 | 117.2 | 575.4 | 120.9 | 1,589.0 |
| Industry | 75.3 | 116.8 | 3,374.3 | 148.9 | 66.8 | 1,048.6 | 224.2 | 183.6 | 4,422.9 |
| Domestic Trade | 154.9 | 165.1 | 2,385.6 | 255.0 | 237.9 | 1,432.9 | 409.9 | 403.0 | 3,818.5 |
| International Trade | 120.1 | 295.0 | 1,366.7 | 208.3 | 163.7 | 1,564.3 | 328.4 | 458.6 | 2,931.1 |
| Export | 18.2 | 187.3 | 408.0 | 78.2 | 53.0 | 432.3 | 96.4 | 240.3 | 840.2 |
| Imports | 101.9 | 107.7 | 958.8 | 130.1 | 110.6 | 1,132.1 | 232.0 | 218.3 | 2,090.9 |
| Hotels and Tourism | 11.1 | 15.3 | 293.9 | 5.3 | 3.9 | 78.7 | 16.4 | 19.2 | 372.6 |
| Transport & Communication | 46.0 | 29.8 | 333.1 | 45.3 | 45.3 | 471.2 | 91.3 | 75.1 | 804.4 |

| | | | | | | | | | |
|---------------------------|---------|-------|----------|-------|-------|---------|---------|---------|----------|
| Housing & Construction | 32.7 | 49.4 | 1,357.5 | 60.9 | 44.7 | 571.9 | 93.6 | 94.1 | 1,929.4 |
| Mines, Power & Water Res. | - | 2.6 | 13.6 | - | 3.4 | - | - | 5.9 | 13.6 |
| Personal | 511.9 | 27.2 | 1,682.7 | 53.2 | 66.4 | 343.8 | 565.1 | 93.6 | 2,026.5 |
| Others | 8.7 | 49.9 | 46.2 | 7.3 | 3.9 | 17.6 | 16.0 | 53.8 | 63.9 |
| Inter-Bank Lending | - | 43.7 | 381.1 | - | - | - | - | 43.7 | 381.1 |
| Total | 1,501.6 | 899.1 | 26,413.6 | 818.8 | 652.5 | 6,529.8 | 2,320.3 | 1,551.6 | 32,943.5 |

Table IV: 13 Breakdown of Loans & Advances of the Banking system by Ownership for the First Quarter of 2004/05

| Borrowers | Commercial Bank of Ethiopia (1) | | | Development Bank of Ethiopia (2) | | | Construction and Business Bank (3) | | | Total Quarter III Public (4)= (1)+(2)+(3) | | |
|----------------------------------|------------------------------------|---------|----------|----------------------------------|-------|--------|---------------------------------------|-------|-------|--|-------|-----------|
| | Disb. | Coll. | O/S | Disb. | Coll. | O/S | Disb. | Coll. | O/S | Disb. | Coll. | O/S |
| Central Gov't | | | 13,592.0 | | | 104.60 | | | 10.3 | - | - | 13,706.90 |
| State Enterprises | 578.6 | 115.199 | 2,285.3 | 0.0 | 0.1 | 179.5 | - | 0.5 | 15.8 | 578.5 | 159.5 | 2,480.6 |
| Cooperatives | 457.8 | 81.219 | 708.1 | 3.9 | 11.4 | 130.0 | 0.01 | 4.6 | 34.8 | 461.7 | 97.2 | 872.8 |
| Private Enterprises and Agencies | 331.3 | 474.9 | 5,030.5 | 98.7 | 100.9 | 3360.6 | 31.4 | 23.0 | 581.1 | 461.3 | 598.7 | 8,972.2 |

| | | | | | | | | | | | | |
|--------------------|---------|-------|----------|-------|-------|---------|------|------|-------|---------|-------|----------|
| Inter-Bank Lending | - | 43.7 | 381.1 | 0.0 | 0.0 | 0.0 | - | 0.0 | 0.0 | - | 43.7 | 381.2 |
| Total | 1,367.6 | 714.9 | 21,997.0 | 102.6 | 112.4 | 3,774.6 | 31.4 | 28.1 | 641.9 | 1,501.6 | 899.1 | 26,413.6 |

Table IV 13: Continued

(In Millions of Birr)

| Borrowers | Awash International Bank | | | Dashen Bank | | | Bank of Abyssinia | | | Wegagen Bank | | |
|----------------------------------|--------------------------|-------|---------|-------------|-------|---------|-------------------|-------|--------|--------------|-------|-------|
| | (5) | | | (6) | | | (7) | | | (8) | | |
| | Disb. | Coll. | O/S | Disb. | Coll. | O/S | Disb. | Coll. | O/S | Disb. | Coll. | O/S |
| Central Gov't | | | 236.2 | | | 447.9 | | | 199.4 | | | |
| State Enterprises | - | - | - | - | 2.3 | 22.4 | - | - | - | - | - | - |
| Cooperatives | - | - | - | - | - | - | 0.56 | 3.51 | 0.1 | - | - | - |
| Private Enterprises and Agencies | 190.5 | 136.5 | 968.6 | 232.9 | 174.5 | 1,717.4 | 98.2 | 90.3 | 963.5 | 164.7 | 123.9 | 753.6 |
| Inter-Bank Lending | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 190.5 | 136.5 | 1,204.8 | 232.9 | 176.7 | 2,187.7 | 98.8 | 93.8 | 1163.1 | 164.7 | 123.9 | 753.6 |

Table IV 13: Continued

| Borrowers | United Bank | | | Nib International Bank | | | Total Private | | | Total Private & Public | | |
|----------------------------------|-------------|-------|--------|------------------------|-------|-------|----------------------------------|-------|---------|------------------------|---------|----------|
| | (9) | | | (10) | | | (11)= ((5)+(6)+(7)+(8)+(9)+(10)) | | | (12)= (11)+(4) | | |
| | Disb. | Coll. | O/S | Disb. | Coll. | O/S | Disb. | Coll. | O/S | Disb. | Coll. | O/S |
| Central Gov't | | | | | | | | | 883.5 | - | - | 14,590.4 |
| State Enterprise | - | - | - | - | - | - | - | 2.3 | 22.4 | 578.5 | 161.75 | 2,503.0 |
| Cooperatives | - | - | - | - | - | - | 0.6 | 3.5 | 0.1 | 462.3 | 100.74 | 873.0 |
| Private Enterprises and Agencies | 55.8 | 43.3 | 381.2 | 75.9 | 78.3 | 839.5 | 818.2 | 646.7 | 5,623.8 | 1,279.5 | 1,245.5 | 14,590.0 |
| Inter-Bank Lending | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | - | - | - | - | 43.70 | 381.2 |
| Total | 55.8 | 43.3 | 381.15 | 75.9 | 78.3 | 839.5 | 818.8 | 652.5 | 6,529.8 | 2,320.3 | 1,551.7 | 32,943.5 |

Table IV 14: Summary of loans and Advances by banks and by Clients Sectors (Qrt I 2004/05)

in million of Birr

| Borrowers | Public Banks | | | Private Banks | | | Total Banks | | |
|----------------------------------|--------------|-------|-----------|---------------|-------|---------|--------------|---------|----------|
| | (1) | | | (2) | | | (3)= (1)+(2) | | |
| | Dis | Coll. | O/S | Disb. | Coll. | O/S | Disb. | Coll. | O/S |
| Central Gov't | - | - | 13,706.90 | | | 883.5 | - | - | 14,590.4 |
| State Enterprise | 578.5 | 159.5 | 2,480.6 | - | 2.3 | 22.4 | 578.5 | 161.75 | 2,503.0 |
| Cooperatives | 461.7 | 97.2 | 872.8 | 0.6 | 3.5 | 0.1 | 462.3 | 100.74 | 873.0 |
| Private Enterprises and Agencies | 461.3 | 598.7 | 8,972.2 | 818.2 | 646.7 | 5,623.8 | 1,279.5 | 1,245.5 | 14,590.0 |
| Inter-Bank Lending | - | 43.7 | 381.2 | - | - | - | - | 43.70 | 381.2 |
| Total | 1,501.6 | 899.1 | 26,413.6 | 818.8 | 652.5 | 6,529.8 | 2,320.3 | 1,551.7 | 32,943.5 |

4. 4.5 Financial Activities of the

National Bank of Ethiopia

During the review quarter, claims of National Bank of Ethiopia on the central government in the form of direct advance and government bonds reached Birr 15.4 billion, indicating a quarterly and annual growth rates of 2.6 and 4.8 percent, respectively. On the other hand, the Bank's net claims on the Development Bank of Ethiopia declined to Birr 53.7 million, due to provisioning of the loan by Birr 60 million.

NBE's deposit liabilities to government and domestic financial institutions reached Birr 11.0 billion, reflecting quarterly and annual increase of 5.6 and 12.9 percent. This growth in deposit liability came due to the increase in deposits of domestic financial institutions by 26.0 and 48.9 percent on quarterly and annual basis, respectively, which counterbalanced the quarterly and annual declines in government deposits by 12.2 and 13.4 percent, respectively.

Table IV.15: Financial Developments of the National Bank of Ethiopia

During the First Quarter of 2004/05

(In Millions of Birr

| Particulars | 2003/04 | | 2004/05 | % Change | |
|--------------------------------------|----------|----------|----------|----------|-------|
| | Qtr.I | Qtr.IV | Qtr.I | C/A | C/B |
| | A | C | | | |
| 1.Loans and Advances | 14,695.1 | 15,011.0 | 15,406.9 | 4.8 | 2.6 |
| 1.1. To Central Government | 14,581.4 | 14,957.3 | 15,353.2 | 5.3 | 2.6 |
| · Direct Advance | 4,397.0 | 4,821.0 | 5,265.0 | 19.7 | 9.2 |
| · Bonds | 10,184.4 | 10,136.3 | 10,088.2 | -0.9 | -0.5 |
| 1.2. To Development Bank of Ethiopia | 113.7 | 53.7 | 53.7 | -52.8 | 0.0 |
| 2.Deposit Liabilities | 9,765.0 | 10,437.2 | 11,022.2 | 12.9 | 5.6 |
| 2.1. Government | 5,645.7 | 5,568.0 | 4,888.5 | -13.4 | -12.2 |
| 2.2. Financial Institutions | 4,119.3 | 4,869.2 | 6,133.7 | 48.9 | 26.0 |
| -Banks | 4,098.2 | 4,852.1 | 6,104.6 | 49.0 | 25.8 |
| -Insurance Companies | 21.1 | 17.1 | 29.1 | 37.9 | 70.2 |

Source: NB

4.6 Developments in Financial Markets

a) Treasury Bills Market

During the first quarter of 2004/05, Treasury bills with a total face value of Birr 19,440.0 million were offered for sale largely on roll-over basis. This amount was 24.6 percent and 55.2 percent higher than the amount supplied in the preceding quarter and the same quarter of last fiscal year, respectively. In the meantime, T-bills worth of Birr 25,507.0 million were demanded, of which, about 76.2 percent was satisfied. The total demand for Treasury bills increased by 47.9 percent and 39.7 percent on annual and quarterly basis, respective.

Accordingly, the average annual weighted yield for 28-day bills slightly dropped from 0.46 percent in the fourth quarter of 2003/04 to 0.35 percent in the first quarter of 2004/05 and that of 91-day from 0.47 to 0.30 during the same period. The average annual weighted yield for 182-day bills also declined both on annual and quarterly basis to reach 0.11 percent.

The stocks of outstanding T - bills reached Birr 12.9 billion at the end of September 2004, indicating a quarterly and annual growth rates of 3.2 and 35.5 percent, respectively. Of the total outstanding bills, about 92.0 percent was held by banks and the balance (8.0 percent) by non-bank public.

Table IV 16: Results of Treasury Bills Auction

| Particulars | 2003/04 | | 2004/05 | % Change | |
|---------------------------|-----------|-----------|-----------|----------|-------|
| | Qtr.I | Qtr.IV | Qtr.I | C/A | C/B |
| | A | B | C | | |
| Number of Bidders | 66 | 67.00 | 78 | 1.5 | 16.4 |
| Number of Bids Accepted | 108 | 162.00 | 135 | 50.0 | -16.7 |
| Amount Demanded (Mn.Birr) | 12,339.70 | 18,252.00 | 25,507.00 | 47.9 | 39.7 |

| | | | | | |
|--------------------------------|-----------|-----------|-----------|--------|--------|
| 28-day bill | 3,526.00 | 9,178.00 | 12,705.00 | 160.3 | 38.4 |
| 91-day bill | 6,760.00 | 7,083.00 | 9,678.00 | 4.8 | 36.6 |
| 182-day bill | 2,053.70 | 1,991.00 | 3,124.00 | -3.1 | 56.9 |
| Amount Supplied (Mn.Birr) | 10,050.00 | 15,601.00 | 19,440.00 | 55.2 | 24.6 |
| 28-day bill | 3,500.00 | 8,364.00 | 10,787.00 | 139.0 | 29.0 |
| 91-day bill | 5,350.00 | 6,097.00 | 6,847.00 | 14.0 | 12.3 |
| 182-day bill | 1,200.00 | 1,140.00 | 1,806.00 | -5.0 | 58.4 |
| Amount Sold (Mn.Birr) | 10,050.00 | 15,601.00 | 19,440.00 | 55.2 | 24.6 |
| Banks | 9,381.30 | 14,906.00 | 18791 | 58.9 | 26.1 |
| Non-Banks | 668.7 | 695.00 | 649.00 | 3.9 | -6.6 |
| | | | | | |
| Average Successful bids (Birr) | | | | | |
| Weighted Price for | | | | | |
| 28-day bill | 99.96 | 99.97 | 99.97 | 0.01 | 0.00 |
| 91-day bill | 99.54 | 99.88 | 99.92 | 0.34 | 0.04 |
| 182-day bill | 98.81 | 99.58 | 99.94 | 0.78 | 0.36 |
| Average Weighted Yield for | | | | | |
| Successful bids (%) | | | | | |
| 28-day bill | 0.52 | 0.46 | 0.346 | -11.54 | -24.78 |
| 91-day bill | 1.86 | 0.47 | 0.304 | -74.73 | -35.32 |

| | | | | | |
|------------------------------|----------|-----------|-----------|--------|--------|
| 182-day bill | 2.42 | 0.85 | 0.105 | -64.88 | -87.65 |
| Outstanding bills at the end | | | | | |
| of Period (Mn.Br.) | 9,500.00 | 12,485.00 | 12,875.00 | 35.53 | 3.12 |
| Banks | 8,315.30 | 11,418.00 | 11,850.00 | 42.51 | 3.78 |
| Non-Banks | 1,184.70 | 1,067.00 | 1,025.00 | -13.48 | -3.94 |
| | | | | | |

Source: NBE

b) Inter- Bank Money Market

No inter-bank money market transaction was effected during the first quarter of 2004/05 as virtually all banks faced excess reserves, the fact which continued to be one of the major impediments for the weak performance of this market. Since its introduction some five years ago, merely twelve transactions involving Birr 166.7 million were held among few commercial banks with an annual interest rate ranging between 7 and 11 percent. The maturity period of these loans is largely short term.

Table IV. 17: Inter-bank Money Market Transactions

| No. | Borrower | Lender | Amount Borrowed | Interest Rate charged | Transaction Date | Maturity |
|-----|------------------------|-----------------------------|-----------------|-----------------------|------------------|-----------|
| | | | (In Mn.Br.) | (%) | | Period |
| 1 | Nib International Bank | Awash International Bank | 7.0 | 11 | 16/11/00 | Overnight |
| 2 | Wegagen Bank | Commercial Bank of Ethiopia | 10.0 | 8 | 03/01/01 | 5 years |
| 3 | Nib International Bank | „ | 10.0 | 8 | 31/03/01 | 3 months |

| | | | | | | |
|----|------------------------|-----------------------------|------|-----|----------|------------|
| 4 | Wegagen Bank | „ | 10.0 | 8 | 22/03/01 | 1 year |
| 5 | Nib International Bank | „ | 3.6 | 8 | 31/05/01 | 6 months |
| 6 | Nib International Bank | „ | 3.7 | 8 | 31/06/01 | 6 months |
| 7 | Nib International Bank | „ | 0.8 | 8 | 30/11/01 | 6 months |
| 8 | Nib International Bank | Bank of Abyssinia | 29.0 | 7 | 31/12/02 | 3.5 months |
| 9 | Nib International Bank | „ | 19.0 | 7 | 31/01/03 | 3.5 months |
| 10 | Nib International Bank | „ | 20.3 | 7 | 28/02/03 | 3.5 months |
| 11 | Nib International Bank | „ | 28.3 | 7 | 31/03/03 | 3.5 months |
| 12 | Nib International Bank | Commercial Bank of Ethiopia | 25.0 | 7.5 | 07/07/03 | 5.2 month |