

IV. MONETARY DEVELOPMENTS

As in the preceding quarters, inflation continued to be the major challenge for monetary policy throughout the third quarter of 2006/07, even though the inflationary pressure witnessed during recent periods was primarily associated

with structural factors rather than monetary phenomenon. Yet, NBE continued its effort to hold back this inflationary pressure by limiting its lending to the central government along with frequent sale of T-bills.

4.1. Money Supply and Credit

Broad money supply (M_2) stood at Birr 53.3 billion at the end of the third quarter of 2006/07, registering quarterly and annual growth rates of 7.0 percent and 20.3 percent, respectively. Expansion of domestic credit by 5.8 percent, which offset the 3.2 percent decline in net foreign assets, was the major cause behind the quarterly monetary expansion. On quarterly basis, claims on central government and credit to other sectors

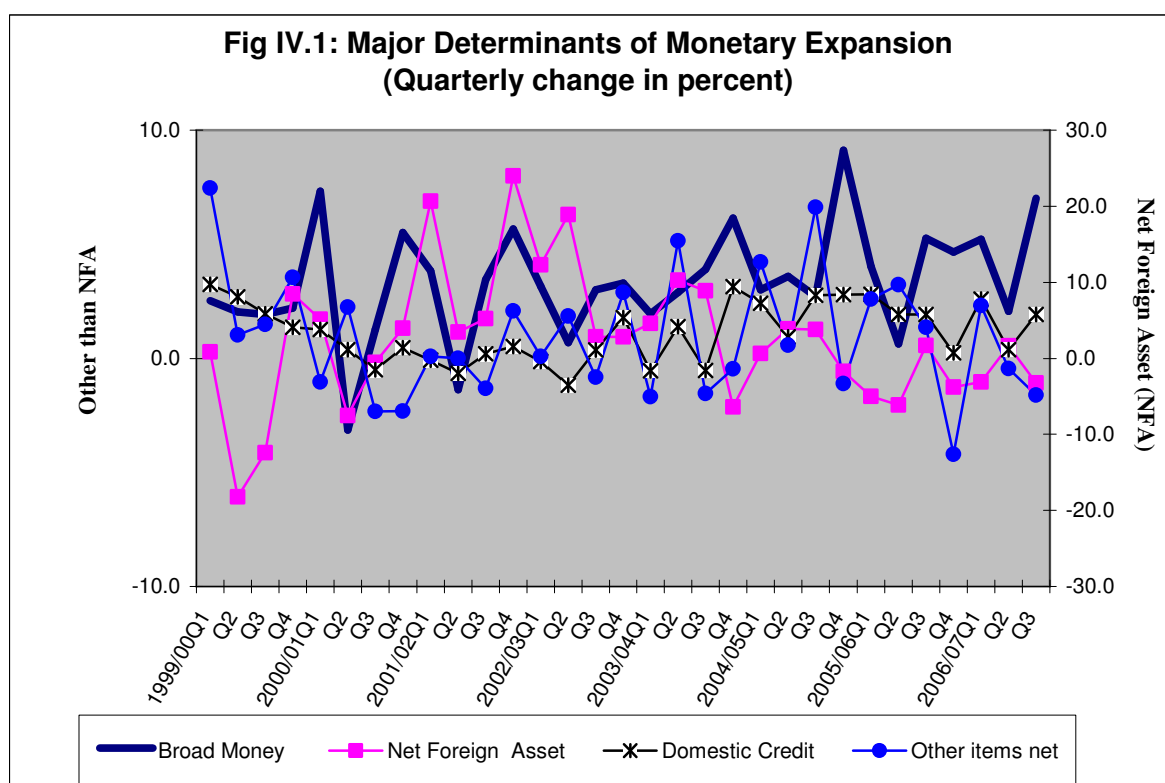
grew by 5.2, and 6.3 percent, respectively. On annual basis, too, domestic credit was the single factor for monetary expansion offsetting the 8.2 percent decline in net foreign assets. Claims on government grew slightly by 3.4 percent while credit to the non-government sector expanded considerably by 30.1 percent, reflecting the growing appetite of the private sector for credit as the economy continued to move forward.

Table IV. 1: Factors Influencing Broad Money

(In Millions of Birr)

Particulars	2005/06	2006/07		Percentage Change	
	Qtr. III	Qtr. II	Qtr. III	C/A	C/B
	(Mar. 06)	(Dec. 06)	(Mar. 07)		
	A	B	C		
1. External Assets (net)	12,582.3	11,929.2	11,547.8	-8.2	-3.2
2. Domestic Credit	48,928.4	53,739.3	56,850.5	16.2	5.8
. Claims on Central Gov't (net)	25,493.6	25,065.3	26,363.7	3.4	5.2
. Claims on Non-Central Gov't	23,434.8	28,674.1	30,486.8	30.1	6.3
. Financial Institutions	0.0	0.0	0.0		
. Others	23,434.8	28,674.1	30,486.8	30.1	6.3
3. Other Items (net)	17,198.8	15,857.2	15,090.5	-12.3	-4.8
4. Broad Money (M2)	44,311.8	49,811.3	53,307.8	20.3	7.0

Source: National Bank of Ethiopia



Component wise, the quarterly growth in broad money supply was reflected by

improvements in all components of money. Currency in circulation, demand deposits

and quasi-money grew by 10.1, 8.2 and 4.9 percent, respectively. In the same way, on annual basis, all components of broad money, specifically time deposits, revealed notable increases (76.6 percent), reflecting a

pick-up in average interest rate paid on time deposits from 3.69 percent per annum a year ago to 4.05 percent in the review period.

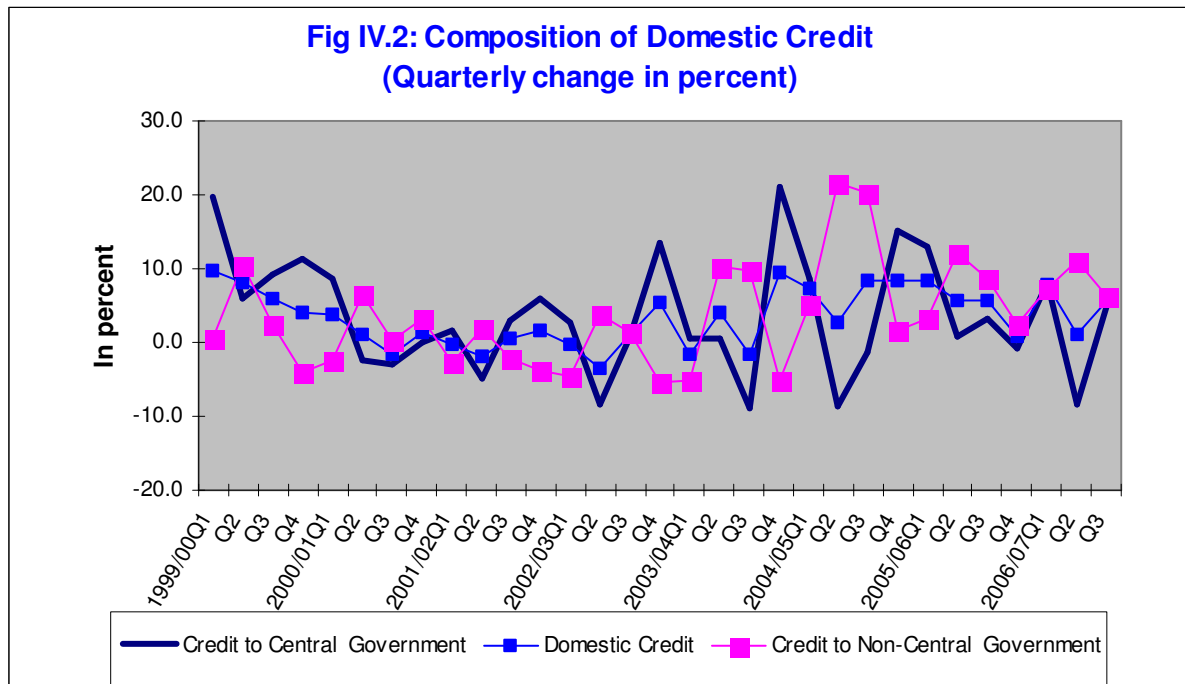


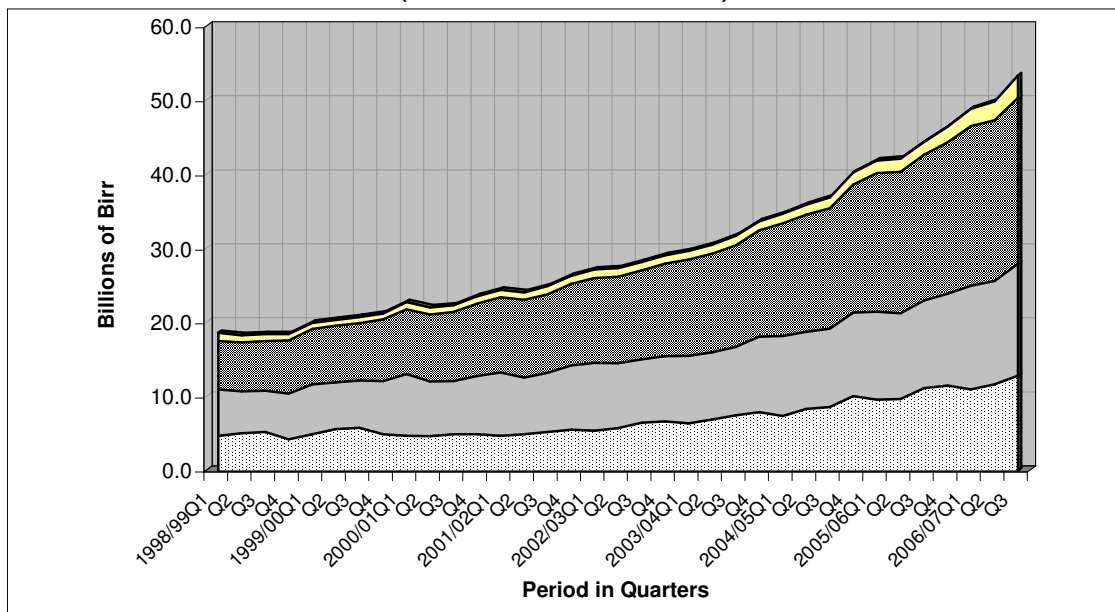
Table IV. 2: Components of Broad Money

(In Millions of Birr)

Particulars	2005/06		2006/07		Percentage Change	
	Qtr. III		Qtr. III			
	(Mar. 06)		(Mar. 07)			
	A	B	C	C/A	C/B	
1. Narrow Money Supply	22,919.6	25,592.7	27,909.5	21.8	9.1	
. Currency outside banks	11,086.8	11,606.4	12,775.0	15.2	10.1	
. Demand Deposits (net)	11,832.7	13,986.4	15,134.5	27.9	8.2	
2. Quasi-Money	21,392.3	24,218.6	25,398.3	18.7	4.9	
. Savings Deposits	19,688.8	21,677.1	22,389.8	13.7	3.3	
. Time Deposits	1,703.5	2,541.5	3,008.5	76.6	18.4	
3. Broad Money Supply	44,311.8	49,811.3	53,307.8	20.3	7.0	

Source: National Bank of Ethiopia

**Fig. IV. 3: Composition of Monetary Stock
(Third Quarter of FY 2006/07)**



4.2 Developments in Reserve Money and Monetary Ratios

At the end of the third quarter of 2006/07, reserve money reached Birr 24.7 billion expanding by 11.0 percent on quarterly basis and 8.4 percent annually. The quarterly expansion in reserve money was attributed to increases in both currency in circulation and commercial banks' reserves at the NBE by 9.9 and 12.5 percent, respectively. On annual basis, however, the source of

expansion for reserve money was solely currency in circulation, which grew by 16 percent offsetting a 0.3 percent decline in commercial banks' reserves.

Table IV. 3: Reserve Money and Ratios

(In millions of Birr unless otherwise indicated)

Particulars	2005/06	2006/07		Percentage Change	
	Qtr. III	Qtr. II	Qtr. III		
	(Mar. 06)	(Dec. 06)	(Mar. 07)	C/A	C/B
1. Reserve Requirement (CB's)	2,038.2	2,367.9	2,498.1	22.6	5.5
2. Actual Reserve (CB's)	10,113.1	8,839.6	10,171.5	0.6	15.1
3. Excess Reserve (CB's)	8,075.0	6,471.7	7,673.4	-5.0	18.6
4. Reserve Money	22,753.9	22,222.8	24,667.7	8.4	11.0
. Currency in Circulation	12,149.4	12,825.2	14,092.1	16.0	9.9
. Banks deposits at NBE	10,604.5	9,397.6	10,575.7	-0.3	12.5
5. Money Multiplier (Ratio):					
. Narrow Money to Reserve Money	1.0	1.2	1.1	12.3	-1.8
. Broad Money to Reserve Money	1.9	2.2	2.2	11.0	-3.6
6. Other Monetary Ratios (%):					
. Currency to Narrow Money	53.0	50.1	50.5	-4.7	0.8
. Currency to Broad Money	27.4	25.7	26.4	-3.6	2.7
. Narrow Money to Broad Money	51.7	51.4	52.4	1.2	1.9
. Quasi Money to Broad Money	48.3	48.6	47.6	-1.3	-2.0

Source: National Bank of Ethiopia

Commercial banks' excess reserves reached Birr 7.7 billion at the end of the quarter, rising by 18.6 percent from its preceding quarter level mainly related to higher deposit mobilization and loan collection activities of commercial banks. Year-on-year basis, however, excess reserves fell by 5.0 percent owing to relatively higher purchases of Treasury bills and increased lending activity by commercial banks.

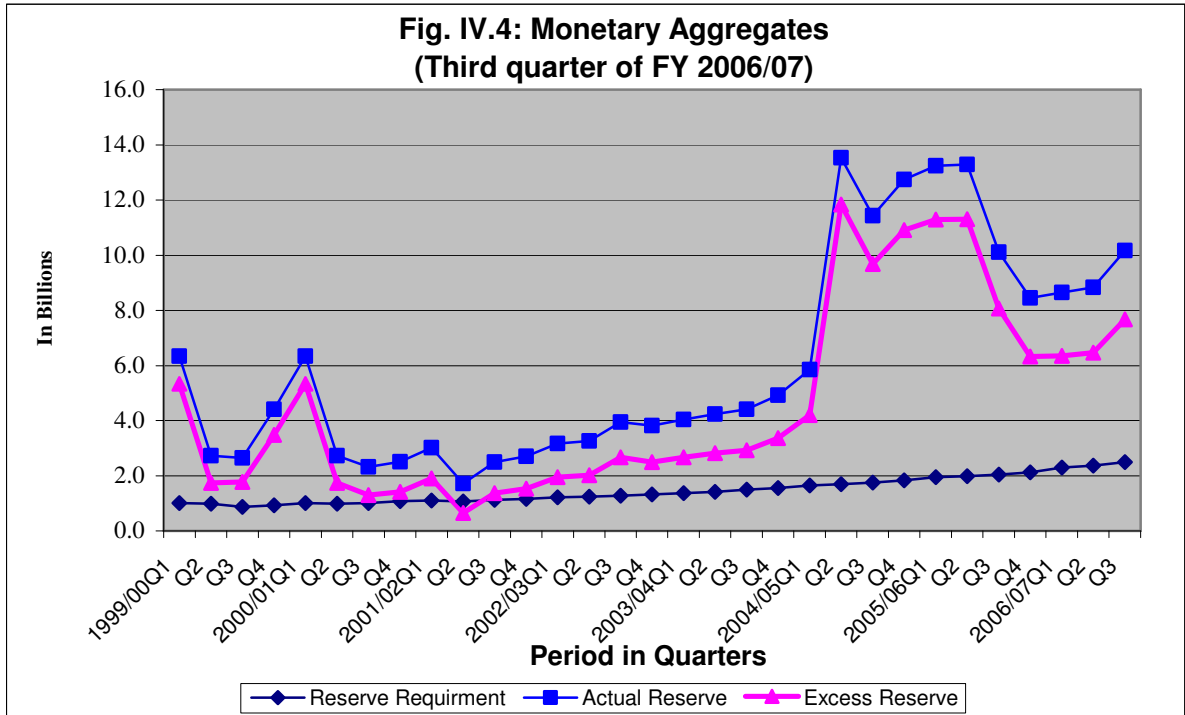
During the review quarter, the composition of broad money slightly shifted from quasi-money to narrow money reflecting the

preference of the public to hold more liquid assets. As a result, the ratio of narrow money to broad money rose to 52.4 percent at the end of the quarter from 51.4 and 51.7 percent at the end of the preceding quarter and same period last year, respectively. Reflecting these developments, the ratio of quasi-money to broad money declined to 47.6 percent in the review period from 48.6 percent at the end of the preceding quarter and 48.3 percent during the same period of last year. On the other hand, narrow money multiplier declined from 1.2 to 1.1 while

broad money multiplier remained at the previous quarter level of 2.2.

On annual basis, both narrow and broad money multipliers increased from 1.0 and 1.9 to 1.1 and 2.2 respectively,

indicating the increasing contribution of reserve money towards the expansion of narrow and broad money.



4.3 Interest Rate Developments

The review quarter witnessed no significant changes in the interest rate structure of commercial banks. Interest rate on savings deposit remained around the minimum rate of 3.0 percent. The weighted demand deposit rate slightly fell from 0.06 percent at the preceding quarter

level to 0.05 percent while the weighted time deposit rate marginally went up from 4.01 percent to 4.05 percent. Average lending rate of commercial banks remained unchanged at 10.5 percent since March 2003 with maximum rate reaching up to 14.0 percent and minimum rate at 7.0 percent.

Compared with annual core (non-food) inflation of 13.9 percent at the end of the review quarter, all interest rates, including weighted average yields on T-bills and government bond yields and average real cost of borrowing (real lending rate)

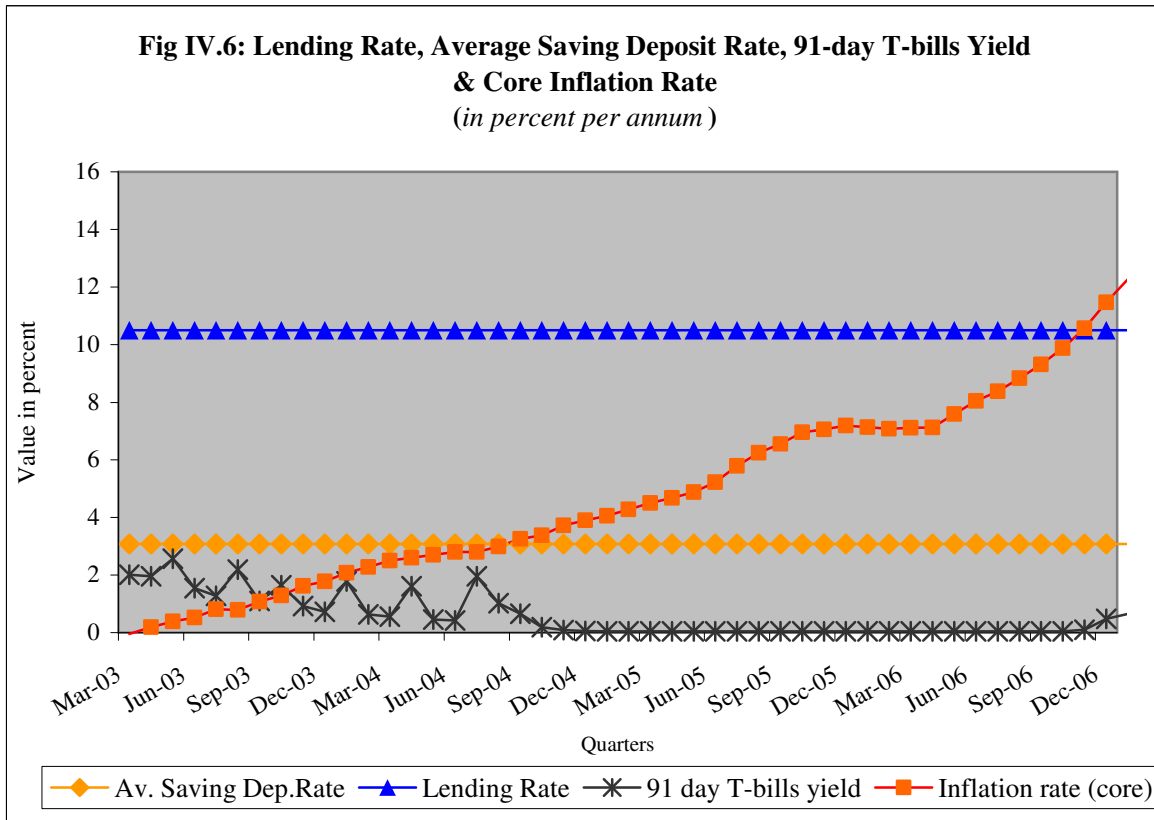
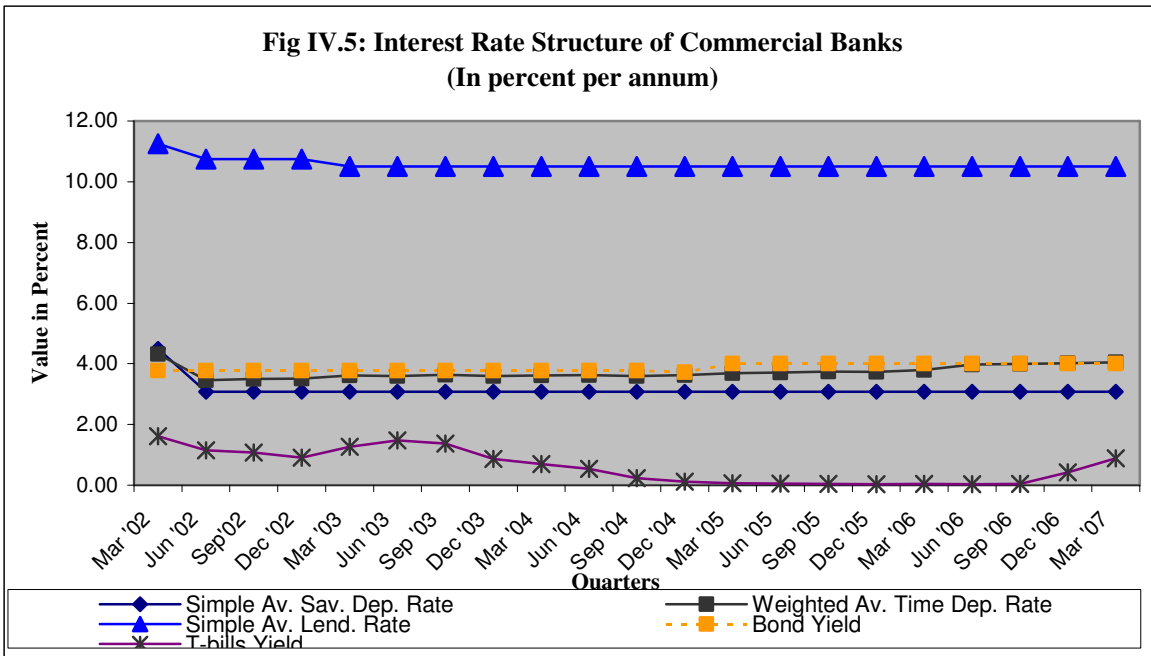
remained negative in real terms. The NBE, after analyzing the economic fundamentals opted not to change the interest rate to factor into the inflationary pressure.

Table IV.4: Interest Rate Structure of Commercial Banks (Percent per annum)

Particulars	2005				2006				2007
	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1. Savings Deposit Rate									
• Minimum	3.00	3.00	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	3.15	3.15
Average Savings Rate	3.08	3.08	3.08	3.08	3.08	3.08	3.08	3.08	3.08
2. Time Deposit Rate									
• Up to 1 year	3.45	3.47	3.49	3.49	3.52	3.60	3.58	3.59	3.63
• 1 - 2 years	3.69	3.71	3.74	3.74	3.79	4.01	4.01	4.02	4.07
• Over 2 years	3.92	3.94	3.99	3.99	4.06	4.30	4.40	4.42	4.44
Average Time Dep. Rate	3.69	3.71	3.74	3.74	3.79	3.97	4.00	4.01	4.05
3. Demand Deposit Rate (Weighted)	0.05	0.05	0.06	0.05	0.06	0.06	0.06	0.06	0.05
4. Lending Rate									
• Minimum	7.00	7.00	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	14.00	14.00
Average Lending Rate	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
5. T-bills Rate (Weighted Ave.)	0.07	0.05	0.04	0.04	0.04	0.04	0.04	0.42	0.89
6. Bond Yield (Simple Average)*	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00

Source: Commercial Banks and National Bank of Ethiopia

NB: * Shows average bond yield on outstanding government bonds



4.4 Developments in the Financial Sector

There are eleven banks operating in the country (excluding the NBE) of which eight are private commercial banks. With twenty-additional bank branches opened during the third quarter of 2006/07, the total number of bank branches through out the country rose to 470. Thus, the ratio of bank branches to total population reached 159,717. Of the total branch network, 37.7 percent is located in Addis Ababa, the capital city. The share of private banks was 47.0 percent out of the total number of bank branches compared to 42.5 percent a year earlier.

Similarly, the total capital of the banking system increased by 11.6 percent on quarterly basis to reach Birr 7.2 billion at the end of the third quarter of 2006/07. Of the total capital of the banking system, private banks accounted for 35.7 percent in contrast to 30.3 percent a year ago.

In the meantime, the number and branches of insurance companies remained at the previous quarter level of nine and 143, respectively. About 48.0 percent of the

insurance branches were located in Addis Ababa. Private insurance companies accounted for 75.5 percent of the total branches.

The total capital of the insurance industry was Birr 568.3 million in the review period, indicating a growth rate of 7.8 percent compared with the same period of last year. The share of private insurance companies in total capital was 56.3 percent, in the review period, which was the same as the share exhibited at the end of the third quarter of 2005/06.

The number of MFIs in the country reached 27 out of which 11 (40.7 percent) were located in Addis Ababa. The amount of savings mobilized by the MFIs stood at Birr 921.1 million increasing by 12.0 percent compared with the preceding quarter. Similarly, the outstanding loans of MFIs grew by 10.5 percent on quarterly basis and reached Birr 2.3 billion at the end of the quarter. The number of clients served by those institutions reached about 1.6 million.

Table IV. 5: Capital and Branch Network of the Banking System at the End of March 31, 2007

(Branch in Number and Capital in Million Birr)

Banks	Branch Network							Capital	
	2006/07							2006/07	
	Qtr. II			Qtr. III				Qtr. II	Qtr. III
	Region	Total	% Share	Region	Addis Ababa	Total	% Share		
1. Public Banks									
Commercial Bank of Ethiopia	141	183	40.7	143	47	190	40.4	2,147.0	2,504.4
Construction & Business Bank	15	27	6.0	15	12	27	5.7	225.0	264.0
Development Bank of Ethiopia	31	32	7.1	31	1	32	6.8	1,880.1	1,880.1
Total Public Banks	187	242	53.8	189	60	249	53.0	4,252.1	4,648.5
2. Private Banks									
Awash International Bank	17	40	8.9	17	24	41	8.7		390.1
Dashen Bank	17	39	8.7	19	22	41	8.7		538.0
Abyssinia Bank	12	28	6.2	12	16	28	6.0		391.1
Wegagen Bank	22	37	8.2	22	15	37	7.9		371.7
United Bank	8	24	5.3	8	17	25	5.3		276.5
Nib International Bank	6	22	4.9	6	16	22	4.7		365.0
Cooperative Bank of Oromiya	13	15	3.3	14	2	16	3.4		129.0
Lion International Bank	3	3	0.7	6	5	11	2.3	NA	115.9
Total Private Banks	98	208	46.2	104	117	221	47.0	2,224.00	2,577.25
3. Grand Total Banks	285	450	100	293	177	470	100.0	6,476.10	7,225.73

Source: National Bank of Ethiopia

Table IV.6: Branch Network & Capital of Insurance Companies as at March 31, 2007

(Branch in number and Capital in Million Birr)

No.	Insurance Company	Branch				Capital	
		Qtr. II 2006/07 Total	Qtr III 2006/07			Qtr. II 2006/07	Qtr. III 2006/07
			A.A	Region	Total		
1	Ethiopian Ins. Cor.	35	11	24	35	253	248.2
2	Awash Ins.Com.S.C.	17	10	7	17	48.3	49.8
3	Africa Ins.Com S.C.	9	2	7	9	54.2	48.8
4	National Ins. Co. of Eth.	12	7	5	12	11.4	11
5	United Ins.Com. S.C	18	12	6	18	43.1	44.4
6	Global Ins. Com.S.C	6	3	3	6	16.0	17.4
7	Nile Ins.Com.S.C	18	9	9	18	61.1	60.4
8	Nyala Ins.Com.S.C	15	7	8	15	54.2	55.6
9	Nib Ins. Com.S.C	13	8	5	13	31.4	32.7
	TOTAL	143	69	74	143	572.7	568.3

Source: National Bank of Ethiopia

Table IV.7: Capital, Saving and Credit of Micro finance Institutions as of March 31, 2007

(In Million Birr)

No.	Micro-Financing Institution	Region	Total Capital	Saving	Credit	Total Assets
1	Amhara Credit & Saving Ins.	Amhara	247.3	387.5	743.7	934.1
2	Dedebit Credit & Saving Ins.	Tigray	225.1	247.3	744.6	1,096.5
3	Oromia Credit & Saving S.C	Oromia	131.1	115.3	310.2	390.7
4	Omo Credit & Saving Ins.	SNNP	17.2	51.6	118.9	154.3
5	Specialized Finan. & Pro.Ins.	A.A	11.4	8.8	19.4	25.4
6	Gasha Micro-fin. Ins.	A.A	4.2	5.4	12.6	18.3
7	Wisdom Micro-financing Ins.	A.A	22.8	13.3	51.2	67.9
8	Sidama Micro-finance Ins.	SNNP	12.0	6.7	18.9	25.3
9	Aser Micro-financing Ins.	A.A	0.5	0.2	0.4	0.7
10	Africa Village Financial Service	A.A	4.7	2.5	8.0	12.2
11	Bussa Gonofaa Micro-fin. Ins.	Oromia	10.2	2.5	13.4	18.5
12	Peace Micro-finance Ins.	A.A	8.7	6.5	28.1	30.4
13	Meket Micro-financing Ins.	Amhara	2.0	0.4	2.2	2.8
14	Addis Credit & Saving Ins.	A.A	149.7	46.5	155.8	226.4
15	Meklit Micro-financing Ins.	A.A	4.1	5.0	12.2	15.5
16	Eshet Micro-financing Ins.	Oromia	10.6	3.1	29.3	33.1
17	Wasasa Micro-financing Ins.	Oromia	8.9	5.8	23.8	28.8
18	Benishangul-Gumz MFI	Banishing	17.1	6.2	18.9	25.1
19	Shashemene Idir Yelmat Agar MFI	Oromia	2.9	0.8	2.3	3.8
20	Metemamen MFI	A.A	5.4	0.5	4.2	5.9
21	Dire MFI	Dire Dawa	10.6	1.3	4.9	15.9
22	Agar MFI	A.A	3.2	1.5	3.4	5.6
23	Harbu MFI	Oromia	1.4	1.3	3.5	3.9
24	Ghion MFI	Amhara	0.3	0.3	0.3	0.6
25	Leta MFI	Oromia	0.7	0.10	0.5	0.8
26	Digaf MFI	A.A	0.1	0.7	0.6	0.9
27	Harar MFI*	Harari	-	-	-	-
	Total		912.2	921.1	2,331.3	3,143.4

* This MFI is a newly established and hence data is not available

Source: National Bank of Ethiopia

4.5 Activities of the Banking System

4.5.1. Resource Mobilization

During the third quarter of 2006/07, the resources mobilized by the banking system, comprising of deposits, collection of loans and borrowings reached Birr 5.6 billion. It is 20.0 percent higher than the amount mobilized during the preceding quarter and 58.6 percent higher than the same quarter of last year. A 53.1 percent rise in net change in deposits and a 3.7 percent increase in loan

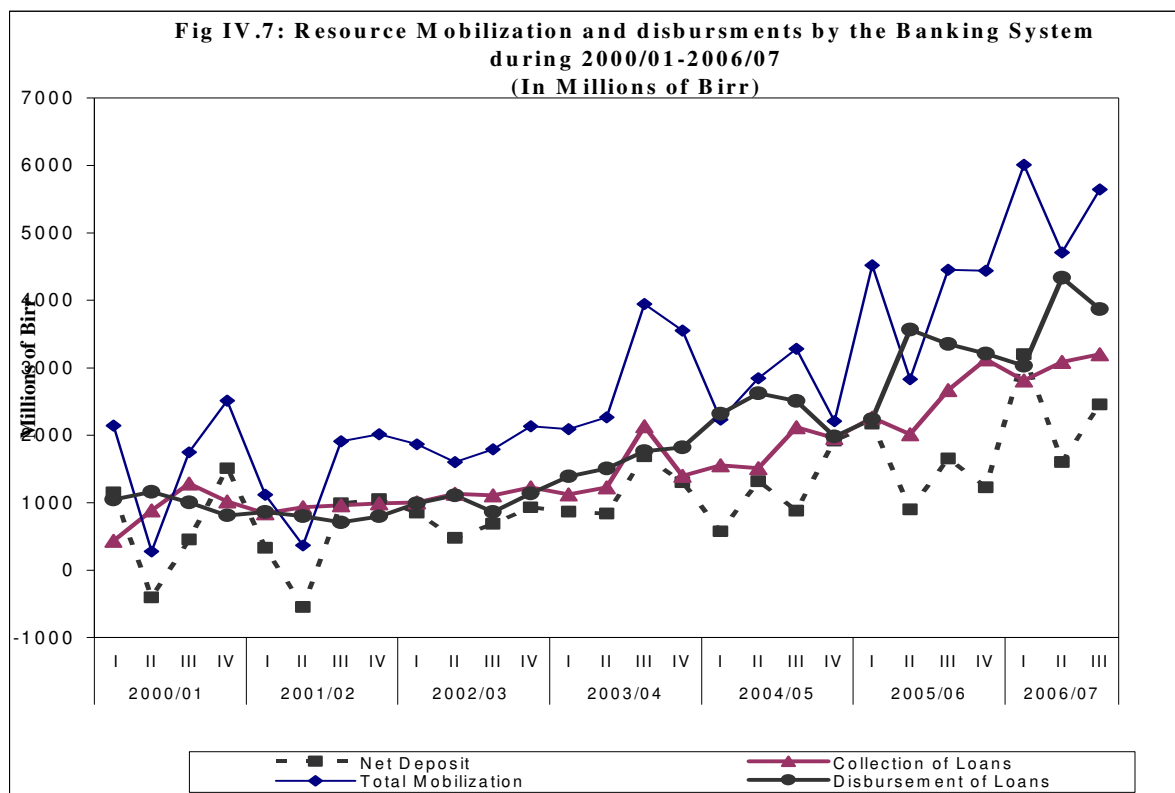
collections were the factors behind the quarter-on-quarter rise in resource mobilization, offsetting the 189.8 percent fall in borrowings. Similarly, a surge in net deposits and loan collections were the major factors for the year-on-year growth in resource mobilization offsetting a slow down in net borrowings.

Table IV.8: Summary of Resource Mobilization & Disbursement of the Banking System during the Third Quarter of 2006/07 ended on March 31, 2007

(In Million Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	(1)		(2)		(3) = (1) + (2)				
	Qtr. II	Qtr. III	Qtr. II	Qtr. III	Qtr. III	Qtr. II	Qtr. III		
	2006/07	2006/07	2006/07	2006/07	2005/06	2006/07	2006/07		
				A	B	C	C/A	C/B	
1. Deposits (net change)	905.57	1,258.7	697.4	1,195.9	861.9	1,603.0	2,454.6	184.8	53.1
-Demand	1,086.5	972.0	144.4	310.1	623.4	1,230.9	1,282.1	105.7	4.2
-Saving	(193.4)	250.5	341.9	461.6	323.4	148.5	712.0	120.2	379.6
-Time	12.5	36.2	211.1	424.3	-84.9	223.6	460.5	-642.6	105.9
2. Borrowing (net change)	-5.5	-23.1	19.7	10.3	27.2	14.2	-12.8	-146.9	-189.8
-Local	(4.7)	-21.0	19.7	10.3	0.0	15.0	-10.7	-29018.9	-171.3
-Foreign	(0.8)	-2.1	0.0	0.0	27.2	-0.8	-2.1	-107.6	157.0
3. Collection of Loans	1,490.0	1,537.8	1,596.3	1,663.4	2,669.4	3,086.3	3,201.2	19.9	3.7
4. Total Resources Mobilized (1+2+3)	2,390.1	2,773.4	2,313.4	2,869.6	3,558.5	4,703.5	5,643.0	58.6	20.0
5. Disbursement	1,350.4	1,821.2	2,984.7	2,049.7	3,355.4	4,335.1	3,870.9	15.4	-10.7
6. Change in Liquidity (4-5)	1,039.66	952.2	-671.3	819.9	203.0	368.4	1,772.1	772.8	381.1
Memorandum Item:									
A. Outstanding Credit	27,709.8	28,199.2	13,776.7	14,443.6	41,482.1	41,486.5	42,642.8	2.8	2.8
B. Outstanding Inter bank Lending	250.8	228.5	0.0	30.0	277.6	250.8	258.5	-6.9	3.1

Source: Commercial Banks and staff Computation



A) Deposit Mobilization

At the end of the third quarter of 2006/07, deposit liabilities of the banking system rose to Birr 51.7 billion, indicating a growth rates

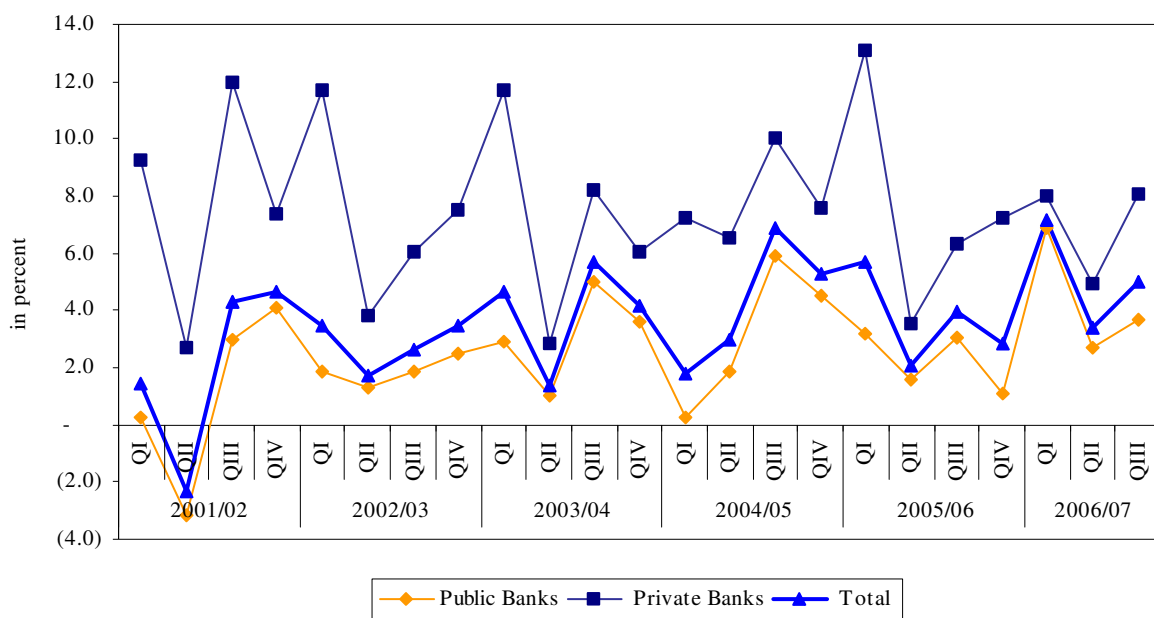
of 5.0 and 19.6 percent on quarterly and annual basis, respectively.

Table IV.9: Stock of Deposits Mobilized by the Banking System as at end of March, 2007
(In Millions of Birr)

Type of Deposit	2005/06		2006/07				% Change	
	Qtr. III	% Share	Qtr. II	% Share	Qtr. III	% Share	C/A	C/B
	A		B		C			
Demand Deposit	21,152.7	48.9	24,454.1	49.6	25,736.2	49.8	21.7	5.2
Saving Deposit	19,691.5	45.5	21,681.1	44.0	22,393.1	43.3	13.7	3.3
Time Deposit	2,389.9	5.5	3,125.4	6.3	3,585.9	6.9	50.0	14.7
Total	43,234.1	100.0	49,260.6	100.0	51,715.2	100.0	19.6	5.0

Source: Commercial Banks and Staff Computation

Fig. IV.8:-Quarterly Growth of Banks' Deposit Liabilities



All types of deposit contributed to the rise in total deposits. Demand deposits, which accounted for 49.8 percent of the total deposits, reached Birr 25.7 billion, showing quarterly and annual growth rates of 5.2 and 21.7 percent, respectively. Saving deposits, with 43.3 percent share from total deposits increased by 3.3 and 13.7 percent on quarterly and annual basis and reached Birr 22.4 billion. Similarly, time deposits, which

constituted 6.9 percent of the total deposit liabilities of the banking system, rose by 14.7 and 50.0 percent over the preceding quarter and the same quarter of last year.

The share of government owned banks from total deposits declined to 69.1 percent at the end of March 2007 from 72.0 percent last year while that of private commercial banks increased from 28.0 percent to 30.9 percent.

B) Collection of Loans

During the third quarter of 2006/07, loan collections by the banking system amounted to Birr 3.2 billion, that is, 3.7 and 19.9 percent higher than the amount collected

during the preceding quarter and the same quarter last year, respectively. On quarterly basis, loan collection of both private and public banks increased by 4.2 and 3.2

percent. Of the total loan collection, Birr 1.7 billion (52 percent) was collected by private banks and the balance by public banks.

C) Borrowing

Total outstanding borrowing of the banking system reached Birr 2.1 billion at the end of the third quarter of 2006/07, up by 4.7 percent vis-à-vis same quarter last year. Both domestic and foreign borrowings grew

About 93.1 percent of the total loan collection was from the private sector.

by 4.8 percent and 4.3 percent, respectively. Of the total borrowing, Birr 1.7 billion (82.4 percent) was domestic borrowing while the remaining Birr 361.9 million (17.6 percent) was borrowing from foreign sources.

Table IV.10: Outstanding Borrowing of the Banking System by Sources at the End of March 2007

(In Million of Birr)

Banks	2005/06	2006/07		Percentage change	
	Qtr. III	Qtr. II	Qtr III	C/B	C/A
	A	B	C		
Domestic Borrowing	1,614.3	1,701.3	1,691.8	-0.6	4.8
Foreign Borrowing	347.0	365.2	361.9	-0.9	4.3
Total	1,961.4	2,066.5	2,053.7	-0.6	4.7

Source: Commercial Banks and Staff Compilation

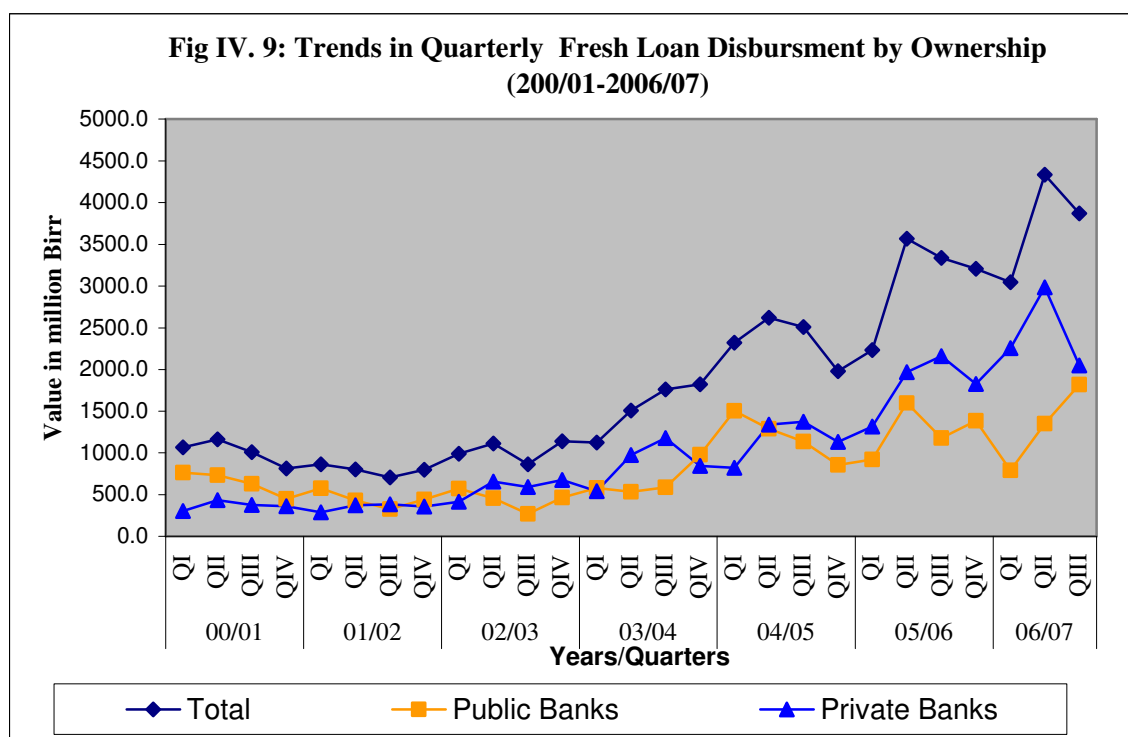
4.5.2 Disbursement of Fresh Loans

Total disbursement of fresh loans by the banking system amounted to Birr 3.9 billion during the third quarter of 2006/07, lower by 10.7 percent compared with the preceding quarter presumably due to the usual trend of seasonality where loan disbursement tends to pickup during the second quarter of each year. On yearly basis, however, the amount of loan

disbursed depicted a growth rate of 15.4 percent. Loan disbursements by public banks increased annually by 52.3 percent while that of private banks declined by 5.1 percent. Similarly, on quarterly basis, loan disbursements by public banks increased by 34.9 percent while that of private banks declined by 31.3 percent. Of the total new

loans disbursed by the banking system, 53 percent was disbursed by private commercial banks. Of the total new loans, about 32.7 percent went to international trade followed by agriculture (16.3 percent), domestic trade

(16.0 percent), industry (10.4 percent) and housing & construction (9.9 percent). Another major beneficiary was transport and communication sector, which received about 7.1 percent of the total fresh loan.



4.5.3 Outstanding Credit

Total outstanding credit of the banking system (including credit to the government) reached Birr 42.6 billion at the end of March 2007, which was 2.8 and 15.0 percent higher than the preceding quarter and the same period of last year, respectively. The share of the private sector from total outstanding credit rose from 63.1 percent at the end

of the preceding quarter to 65.5 percent while that of the central government declined from 29.6 percent to 27.4 percent. Credit to public enterprises accounted for 6.4 percent of the total outstanding loans.

As to the sectoral distribution of credit, credit to industry stood first (15.7

percent) followed by international trade (15.1 percent), domestic trade (9.9 percent) and housing & construction (9.9 percent). The share of agriculture from total bank credit was 8.6 percent

while that of transport & communication stood at 5.1 percent

Table IV.11: Summary of Loans and Advances by Banks and Receiving Sectors during Jan. - March 2007
(In Millions of Birr)

Borrowing Sector	Public Banks			Private Banks			Total		
	(1)			(2)			(3)		
	Disbursed	Collected	O/S	Disbursed	Collected	O/S	Disbursed	Collected	O/S**
Central Government*			11,697.9			0.3			11,698.2
Agriculture	547.2	566.0	3,031.7	83.8	101.3	635.5	630.9	667.3	3,667.2
Industry	258.2	144.3	4,506.9	144.8	121.7	2,207.6	403.1	266.0	6,714.5
Domestic Trade	190.6	171.1	1,026.1	428.1	402.5	3,189.1	618.7	573.6	4,215.2
International Trade	471.3	327.6	2,539.9	793.5	616.8	3,889.8	1,264.8	944.4	6,429.8
Export	347.3	106.8	966.1	464.6	321.8	1,693.3	811.9	428.7	2,659.4
Imports	124.0	220.8	1,573.8	328.9	295.0	2,259.3	452.9	515.8	3,833.1
Hotels and Tourism	29.8	17.8	321.3	19.7	5.8	108.8	49.4	23.7	430.1
Transport & Communication	23.2	55.6	544.1	251.2	203.3	1,635.3	274.4	258.8	2,179.4
Housing & Construction	152.8	87.0	1,957.6	231.6	125.1	2,256.3	384.4	212.1	4,213.9
Mines, Power & Water Res.	-	-	31.9	10.0	-	10.0	10.0	-	41.9
Others	106.8	119.8	2,235.7	58.5	71.9	361.5	165.3	191.7	2,597.2
Personal	41.4	20.8	77.4	16.3	15.0	56.5	57.7	35.8	133.9
Inter-Bank Lending	-	27.8	228.5	12.2	-	30.0	12.2	27.8	258.5
Total	1,821.2	1,537.8	16,501.0	2,049.7	1,663.4	14,443.3	3,870.9	3,201.2	42,642.5

Source: Commercial Banks and staff Computation

Notes: *Refers to government bonds and treasury bills holdings

** Excludes corporate bond of Birr 6.9 billion

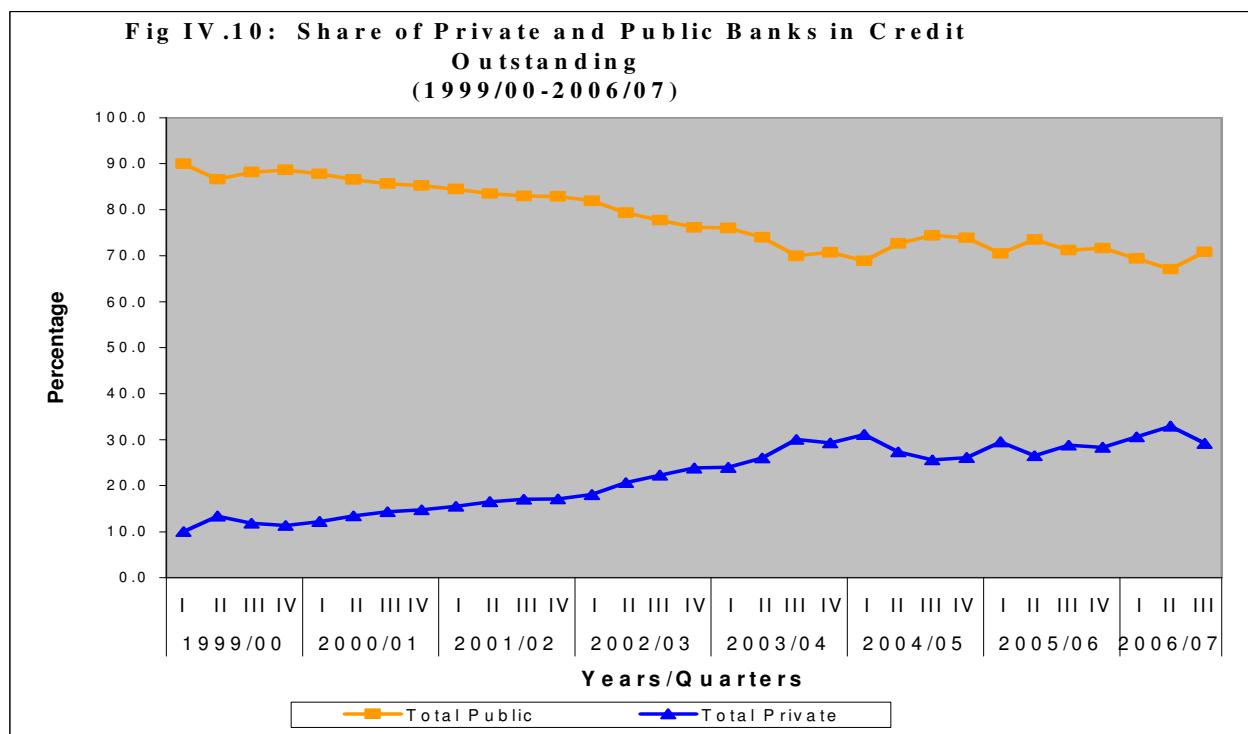
**Table IV.12: Breakdown of Loans & Advances of the Banking System by Clients,
for the Third Quarter of 2006/07 ended on March, 31 2007**

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	1,821.2	47.0	1,537.8	48.0	28,199.2	66.1
Central Government*					11,697.9	27.4
State Enterprise	162.1	4.2	171.7	5.4	2,722.4	6.38
Cooperatives	683.4	17.7	662.3	20.7	1,644.0	3.86
Private Enterprise	975.7	25.2	676.0	21.1	11,906.2	27.92
Inter-bank Lending	-	0.00	27.8	-	228.5	-
Private Banks	2,049.7	53.0	1,663.4	52.0	14,443.6	33.9
Central Government*					0.3	-
State Enterprise	3.0	0.1	23.2	0.7	22.1	0.1
Cooperatives	63.2	1.6	71.6	2.2	178.0	0.4
Private Enterprise	1,983.4	51.2	1,568.5	49.0	14,213.2	33.3
Inter-bank Lending	-	-	-	-	30.0	0.1
Grand Total	3,870.9	100.0	3,201.2	100.0	42,642.8	100.0

Source: Commercial Banks and Staff Computation

Notes: *Refers to government bonds and Treasury bills holdings



4.6 Financial Activities of the National Bank of Ethiopia

At the end of the third quarter of 2006/07, total claims of NBE on the central government reached Birr 29.6 billion, higher by 5.1 and 7.6 percent compared with the preceding quarter and the same period of last year, respectively. Direct advances amounted to Birr 19.6 billion (or 66.3 percent of the total claims), showing quarterly and annual growth rates of 7.9 and 12.3 percent. On the other hand, NBE's holdings of government bonds slightly declined by 0.7 percent compared to the balance a year earlier and reached Birr 9,967.7 million at the end of the review

quarter. Meanwhile, deposits of the central government and financial institutions at the NBE reached Birr 17.6 billion, 5.8 percent lower than the preceding quarter level but 11.9 percent higher than the balance a year ago. Of the total deposits, 38.9 percent was deposit of the central government; it increased by 35.3 percent on quarterly basis but dropped by 14.9 percent annually. Deposits of financial institutions (banks and insurance companies) fell by 21.0 percent on quarterly basis. However, it grew by 26.7 percent on annual basis.

Table IV.13: Financial Activities of the National Bank of Ethiopia during the Third Quarter of 2006/07

(In Millions of Birr)

Particulars	2005/06	2006/07		% Change	
	Qtr. III	Qtr. II	Qtr. III	C/A	C/B
	A	B	C		
1. Loans and Advances	27,522.1	28,165.7	29,604.7	7.6	5.1
1.1. To Central Government	27,522.1	28,165.7	29,604.7	7.6	5.1
Direct Advance	17,482.0	18,198.0	19,637.0	12.3	7.9
Bonds	10,040.1	9,967.7	9,967.7	(0.7)	-
1.2. To Development Bank of Ethiopia	-	-	-	-	-
2. Deposit Liabilities	16,683.0	18,671.6	17,596.4	11.9	(5.8)
2.1. Government	5,942.4	5,058.6	6,846.5	(14.9)	35.3
2.2. Financial Institutions	10,740.6	13,612.9	10,749.9	26.7	(21.0)
O/W:					
-Banks	10,709.9	13,582.7	10,716.9	26.8	(21.1)
-Insurance companies	30.7	30.3	33.0	(1.4)	9.0

Source: Commercial Banks and Staff Computation

4.7 Developments in Financial Markets
A) Treasury Bills Market

During the third quarter of 2006/07, the amount of Treasury bills supplied to the fortnightly auction market amounted to Birr 21.6 billion, higher by 40.4 and 56.6 percent against the preceding quarter and same period last year, respectively. Meanwhile, T-bills worth Birr 24.1 billion were demanded during the quarter, indicating a rise of 48.1

percent vis-à-vis the preceding quarter. Thus, T-bills sold satisfied about 84 percent of the demand in the review quarter. Commercial banks continued to dominate the T-bills market by purchasing about 89.3 percent of the bills sold owing to their excess reserve holdings.

Fig IV .11: Nexus of Supply and Demand in the T-Bills Market

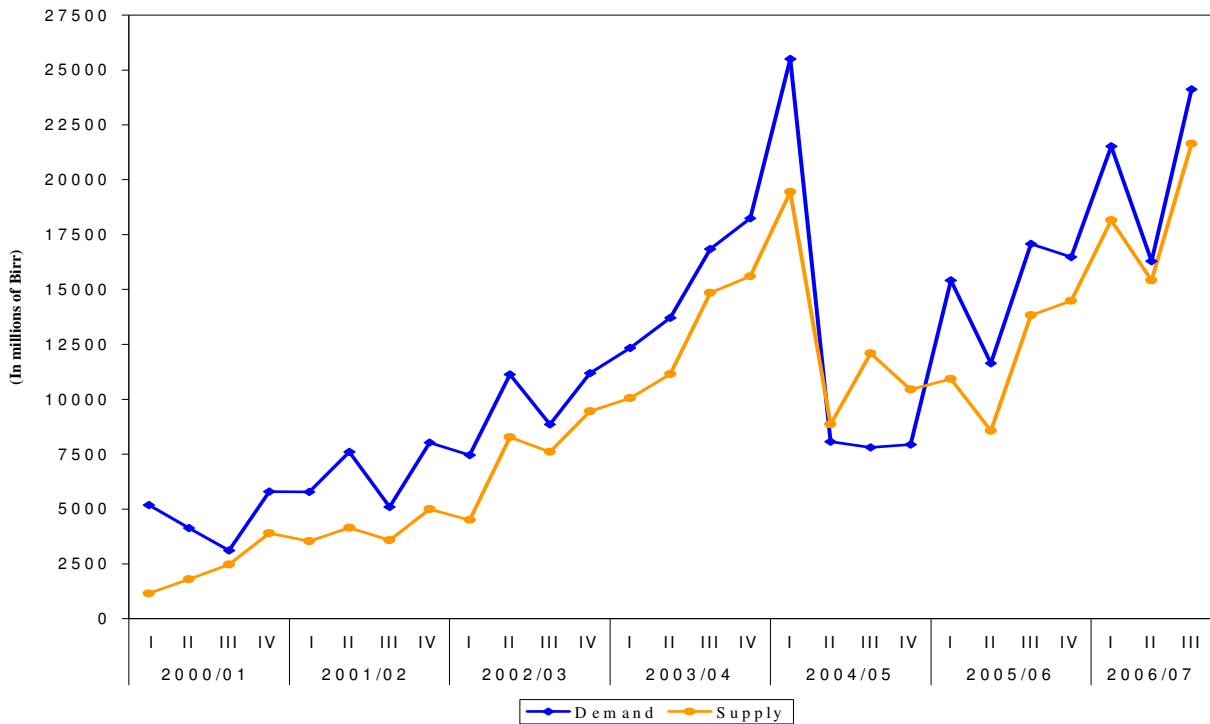


Table IV. 14: Results of Treasury Bills Auction

	2005/06	2006/07		Percentage Change	
	Qtr. III	Qtr. II	Qtr. III	C/A	C/B
	A	B	C		
Number of Bidders	48	33	42	-12.5	27.3
Number of Bids Accepted	49	36	44	-10.2	22.2
Amount Demanded (Mn. Birr)	17,074.0	16,291.5	24,124.0	41.3	48.1
28-day bill	9,272.0	8,686.5	11,473.5	23.7	32.1
91-day bill	5,600.0	7,270.0	9,481.5	69.3	30.4
182-day bill	2,202.0	335.0	3,169.0	43.9	846.0
Amount Supplied (Mn. Birr)	13,822.0	15,415.5	21,640.0	56.6	40.4
28-day bill	7,601.0	7,859.5	10,670.5	40.4	35.8
91-day bill	4,115.0	6,515.0	8,481.5	106.1	30.2
182-day bill	2,106.0	1,041.0	2,488.0	18.1	139.0
Amount Sold (Mn. Birr)	13,822.0	15,249.5	20,213.5	46.2	32.6
Banks	12,879.0	14,219.5	18,058.0	40.2	27.0
Non-Banks	943.0	1,030.0	2,155.5	128.6	109.3
Average Weighted Price for Successful bids (Birr)					
28-day bill	99.997	99.972	99.937	-0.06	-0.03
91-day bill	99.989	99.948	99.742	-0.25	-0.21
182-day bill	99.989	99.658	99.602	-0.39	-0.06
Average Weighted Yield for Successful bids (%)					
28-day bill	0.039	0.369	0.825	2009.0	123.6
91-day bill	0.043	0.207	1.040	2317.2	401.7
182-day bill	0.023	0.693	0.802	3464.8	15.8
Outstanding bills at the end of Period (Mn.Br.)	9,738.5	11,972.5	11,846.0	21.6	-1.1
Banks	8,464.5	10,294.5	9,723.5	14.9	-5.5
Non-Banks	1,274.0	1,678.0	2,122.5	66.6	26.5

Source: National Bank of Ethiopia

The average weighted yield on T-bills depicted a significant surge during the quarter under review. The annual weighted yield for 28-day bills, which was 0.369 percent during the second quarter, went up to 0.825 percent during the third quarter. Similarly, the yield on the 91-days bill rose from 0.207 percent to 1.040 percent while that of the 182-days bills increased from 0.693 percent to 0.802 percent.

Third Quarter 2006/07

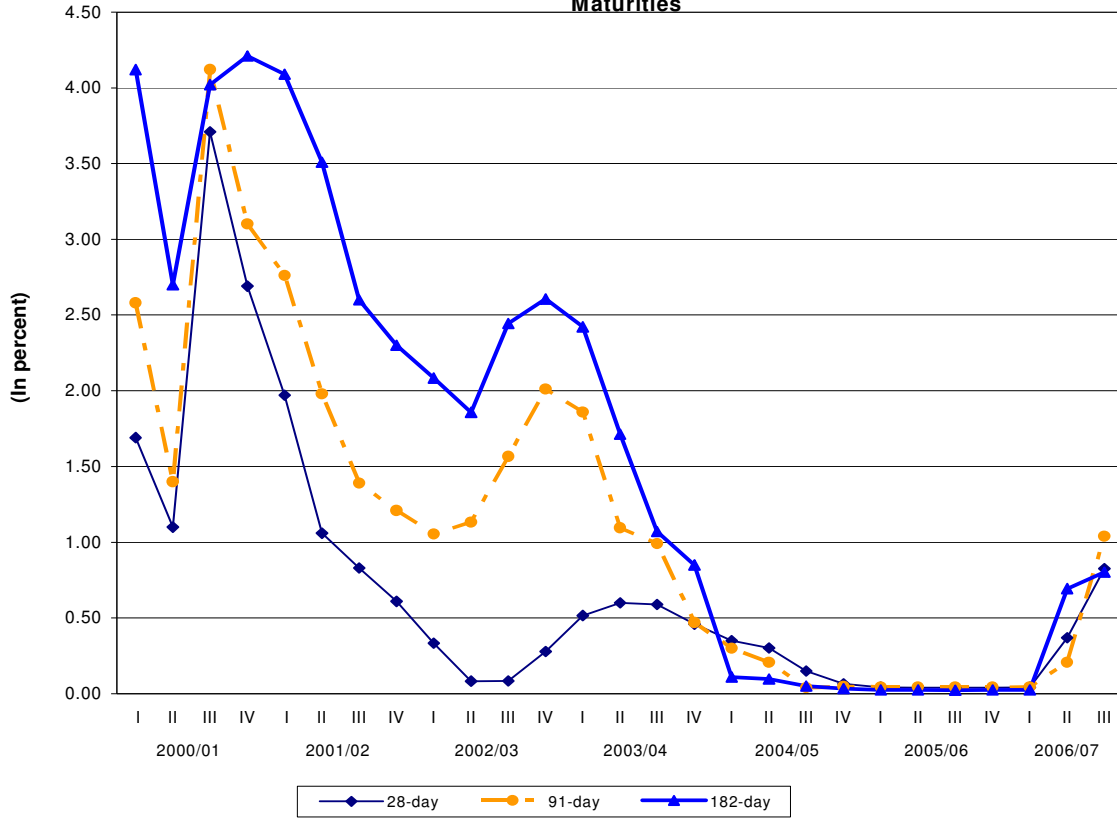
Nevertheless, T-bills yield still remained well below the 3.0 percent minimum interest rate for savings deposit.

The stock of outstanding T-bills reached Birr 11.8 billion at the end of the third quarter of 2006/07, indicating a slight decline of 1.1 percent compared with the preceding quarter. Conversely, it increased by 21.6 percent vis-à-vis same quarter of

last year. About 82.1 percent of the total outstanding bills were held by commercial

banks compared to 86.0 percent in the preceding quarter.

Fig IV.12: Developments in Average Weighted Yields of T-bills with Different Maturities



B) Inter- Bank Money Market

The inter-bank money market was relatively active since the second quarter of 2006/07. During the quarter under review, two inter bank transactions were effected compared to one transaction during the preceding quarter. Since the introduction of the inter-bank

money market, merely seventeen transactions worth Birr 217.3 million were transacted with an interest rate ranging between 7 and 11 percent. The maturity period of these loans widely ranged from overnight to 5 years.

Table IV.15: Inter-bank Money Market Transaction

No.	Borrower	Lender	Amount Borrowed (In Mn. Birr)	Interest Rate (%)	Date of Transaction	Maturity Period
2	Wegagen Bank	Commercial Bank of Eth.	10.00	8.0	3/1/2001	5 years
3	Nib International Bank	„	10.00	8.0	3/31/2001	3 months
4	Wegagen Bank	„	10.00	8.0	3/22/2001	1 year
5	Nib International Bank	„	3.60	8.0	5/31/2001	6 months
6	Nib International Bank	„	3.70	8.0	06/31/01	6 months
7	Nib International Bank	„	0.78	8.0	11/30/01	6 months
8	Nib International Bank	Bank of Abyssinia	29.00	7.0	31/12/02	3.5 months
9	Nib International Bank	Bank of Abyssinia	19.05	7.0	31/01/03	3.5 months
10	Nib International Bank	Bank of Abyssinia	20.31	7.0	28/02/03	3.5 months
11	Nib International Bank	Bank of Abyssinia	28.99	7.0	31/03/03	3.5 months
12	Nib International Bank	Commercial Bank of Ethiopia	25.00	7.5	7/7/2003	5.2 months
13	Nib International Bank	Bank of Abyssinia	0.05	7.5	26/03/2005	Overdraft
14	Nib International Bank	Bank of Abyssinia	0.05	7.5	26/03/2005	Overdraft
15	Wegagen Bank	Awash International Bank	19.74	7.5	December, 2006	21/05/07
16	Wegagen Bank	Awash International Bank	0.13	7.5	January, 2007	21/05/07
17	Awash International Bank	Nib International Bank	30.00	7.5	February, 2007	18/08/07
		Total/ Average	217.39	7.8		

Source: Commercial Banks and Staff Computation