

VI. EXTERNAL SECTOR DEVELOPMENTS

6.1 Overall Balance of Payments

During the first quarter of 2008/09, the balance of payments registered a deficit of USD 142.2 million, which was slightly less than the USD 155.6 million deficit registered in the preceding quarter. The increase in the private transfers, slightly higher loan

disbursement to the government and higher surplus in the service account contributed to the decline in quarter-on-quarter deficit offsetting a widening trade deficit, a lower public transfers and decreased inflow of direct investment.

Table 6.1 Balance of Payments (In Millions of USD)

| Ethiopian Fiscal Year Particulars | 2007/08 | | 2008/09 | Percentage Change | |
|--|----------------|----------------|----------------|-------------------|---------------|
| | QI | QIV | QI | D=C/B | E=C/A |
| | A | B | C | | |
| Trade Balance | -1142.7 | -1592.4 | -1921.1 | 20.6 | 68.1 |
| Exports | 265.9 | 457.9 | 351.7 | -23.2 | 32.3 |
| Imports | 1408.6 | 2050.2 | 2272.8 | 10.9 | 61.4 |
| Net Services | 20.3 | 9.6 | 149.6 | 1458.3 | 636.9 |
| Travel | 5.1 | 67.3 | 62.0 | -7.9 | 1115.7 |
| Transportation | 62.7 | 2.4 | 70.1 | 2820.8 | 11.8 |
| Government (n.i.e.) | 37.2 | 47.6 | 24.8 | -47.9 | -33.3 |
| Investment Income | 10.9 | 4.2 | 3.2 | -23.8 | -70.6 |
| Interest | 14.6 | 7.1 | 7.5 | 5.6 | -48.6 |
| Cash (net) | 14.7 | 7.1 | 7.5 | 5.6 | -49.0 |
| Arrears | 0.0 | 0.0 | 0.0 | - | - |
| Dividend | -3.7 | -2.9 | -4.1 | 41.4 | 10.8 |
| Other Services | -95.6 | -111.9 | -10.5 | -90.6 | -89.0 |
| Private Transfers | 596.4 | 654.2 | 688.2 | 5.2 | 15.4 |
| Current Account Balance(excl. public transfers) | -526.0 | -928.6 | -1083.9 | 16.7 | 106.1 |
| Public Transfers | 138.6 | 483.7 | 281.3 | -41.8 | 103.0 |
| Current Account Balance(incl. public transfers) | -387.4 | -444.9 | -802.6 | 80.4 | 107.2 |
| Non-monetary Capital | 172.1 | 357.9 | 372.6 | 4.1 | 116.5 |
| Long-term (net) | 72.5 | 98.4 | 107.6 | 9.3 | 48.3 |
| Disbursements | 78.8 | 109.8 | 114.5 | 4.3 | - |
| Repayments | 6.3 | 11.4 | 6.9 | -39.3 | 11.0 |
| Cash | 6.3 | 11.4 | 6.9 | -39.3 | 11.0 |
| Arrears | 0.0 | 0.0 | 0.0 | - | - |
| Direct Investment (net) | 162.7 | 282.9 | 264.9 | -6.4 | 62.8 |
| Short-term (net) | -63.2 | -23.4 | 0.1 | -100.6 | -100.2 |
| Net Errors & Omissions | 422.8 | -68.6 | 287.8 | -519.5 | -31.9 |
| Overall Balance | 207.5 | -155.6 | -142.2 | -8.6 | -168.5 |
| Financing | -207.5 | 155.6 | 142.2 | -8.6 | -168.5 |
| Reserves (-:increase) | -207.5 | 155.6 | 142.2 | -8.6 | -168.5 |
| NBE net foreign assets | -282.3 | 146.1 | 104.8 | -28.3 | -137.1 |
| CBs net foreign assets | 74.7 | 9.5 | 37.5 | 293.1 | -49.9 |

Source: Staff Compilation

During the first quarter of 2008/09, current receipts reached USD 1,843.2 million, 11.4 percent lower and 35.7 percent higher than the preceding quarter and same quarter of the preceding fiscal year, respectively. A 23 percent drop in the export earnings was the major factor for the quarterly decline in current receipts while increases in all types of receipts contributed to the year-on-year rise.

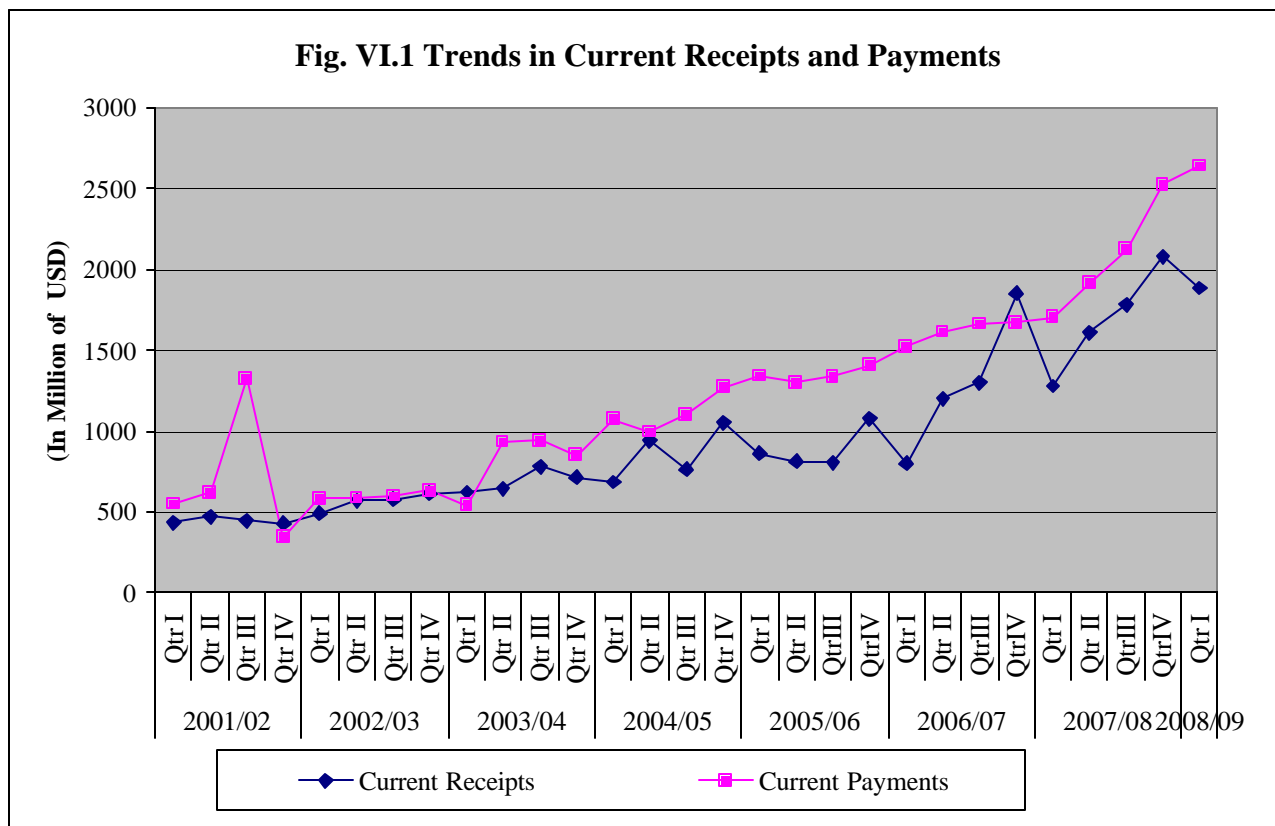
On the other hand, current payments grew by 4.8 percent on quarterly basis and 51.5 percent on annual basis and reached USD 2,645.2 million. Significant increases in import payments contributed to the rise in current payments offsetting declines in service payments. As a result, the net outflow showed a quarterly increase of 80 percent to USD 802 million during the review quarter.

Table 6.2 Current Receipts and Payments

(In Millions of USD)

| Particulars | 2007/08 | | 2008/09 | Percentage Change | |
|----------------------------|----------------|----------------|----------------|-------------------|--------------|
| | Qtr I | Qtr IV | Qtr I | D=C/B | E=C/A |
| | A | B | C | | |
| 1. Current Receipts | 1,358.3 | 2,080.3 | 1,843.2 | -11.4 | 35.7 |
| Export Proceeds | 265.9 | 457.9 | 351.7 | -23.2 | 32.3 |
| Service Proceeds | 357.4 | 484.5 | 522.0 | 7.7 | 46.1 |
| Private Transfers (Net) | 596.4 | 654.2 | 688.2 | 5.2 | 15.4 |
| Public Transfers (Net) | 138.6 | 483.7 | 281.3 | -41.8 | 103.0 |
| 2. Current Payments | 1,745.6 | 2,525.2 | 2,645.2 | 4.8 | 51.5 |
| Import Payments | 1,408.6 | 2,050.2 | 2,272.8 | 10.9 | 61.4 |
| Service Payments | 337.0 | 475.0 | 372.4 | -21.6 | 10.5 |
| 3. Net(1-2) | -387.3 | -444.9 | -802.0 | 80.3 | 107.1 |

Source: Staff Compilation

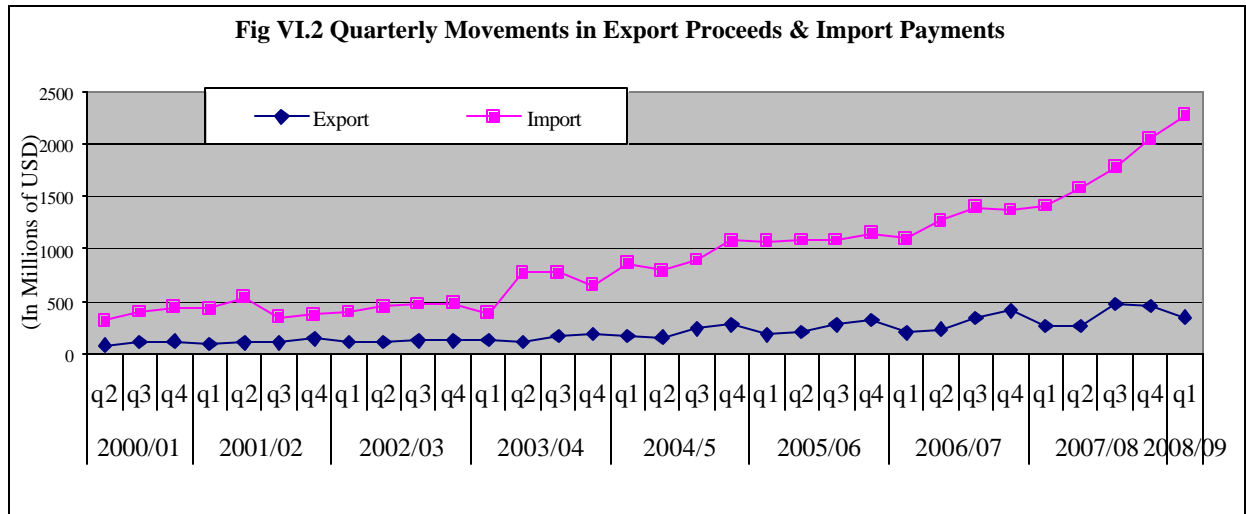


Source: Staff Compilation

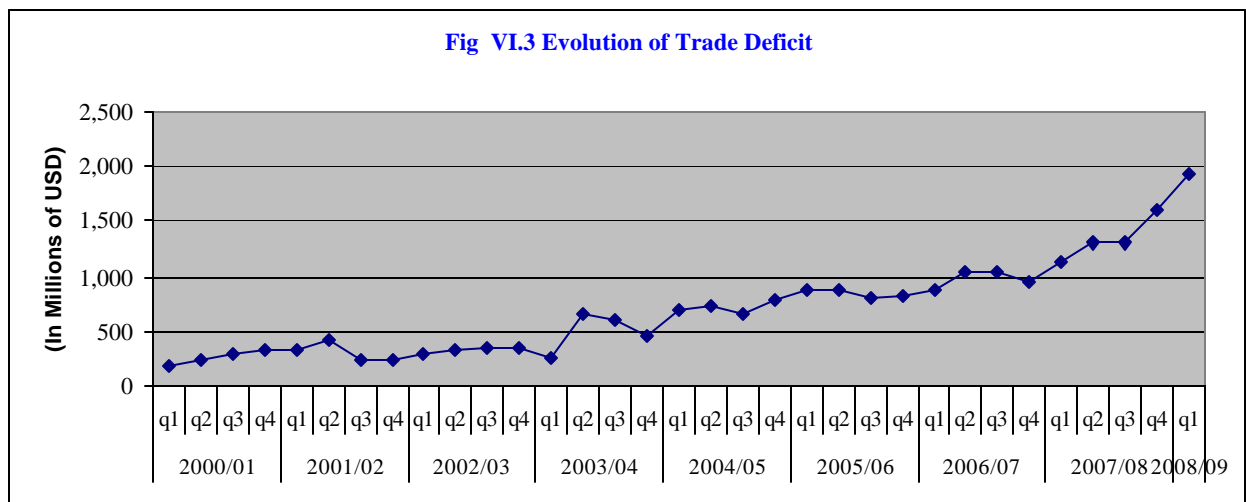
6.2 Merchandise Trade

Merchandise trade deficit grew to USD 1,922 million in the first quarter of 2008/09, thus widening by 20.7 and 68.2 percent on quarterly and annual basis, respectively. The widening of the deficit

on quarterly basis was the combined result of the slowdown in export earnings and a surge in import payments.



Source: Ethiopian Revenue and Customs Authority



Source: NBE Staff Compilation

6.2.1 Exports

Total export proceeds exhibited a significant quarterly decrease of 23.3 percent, but 32.1 percent increase on annual basis. The decline was attributed

to the slowdown in export earnings of *inter alia*, coffee, oilseeds, leather and leather products, pulses, gold and flower outweighing increased earnings from other major export items.

Table 6.3 Values of Major Export Items

(In Millions of USD)

| Particulars | 2007/08 | | | | 2008/09 | | Percentage Change | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|-------------|
| | Qtr I | % Share | Qtr IV | % Share | Qtr I | % Share | C/B | C/A |
| | A | | B | | C | | | |
| Coffee | 92.4 | 34.7 | 187.7 | 41.0 | 133.3 | 37.9 | -29.0 | 44.3 |
| Oilseeds | 35.5 | 13.4 | 64.5 | 14.1 | 45.1 | 12.8 | -30.2 | 26.9 |
| Leather and Leather Products ¹ | 20.3 | 7.6 | 25.8 | 5.6 | 25.3 | 7.2 | -1.9 | 24.4 |
| Pulses | 23.5 | 8.8 | 40.1 | 8.8 | 21.5 | 6.1 | -46.5 | -8.6 |
| Meat & Meat Products | 3.2 | 1.2 | 6.6 | 1.4 | 8.5 | 2.4 | 29.2 | 163.0 |
| Fruits & Vegetables | 3.7 | 1.4 | 2.9 | 0.6 | 4.7 | 1.3 | 65.5 | 29.7 |
| Live Animals | 7.8 | 2.9 | 8.7 | 1.9 | 15.7 | 4.5 | 81.0 | 101.6 |
| Chat | 26.6 | 10.0 | 27.4 | 6.0 | 32.9 | 9.4 | 20.0 | 24.0 |
| Gold | 13.1 | 4.9 | 34.2 | 7.5 | 17.5 | 5.0 | -48.7 | 33.6 |
| Flowers | 19.9 | 7.5 | 35.2 | 7.7 | 26.8 | 7.6 | -23.9 | 34.6 |
| Others | 19.9 | 7.5 | 24.9 | 5.4 | 20.3 | 5.8 | -18.2 | 2.2 |
| Total | 265.9 | 100.0 | 457.9 | 100.0 | 351.7 | 100.0 | -23.2 | 32.3 |

Source: Ethiopian Revenue and Customs Authority

¹ Previously known as hides and skin

The USD 133.3 million export revenue from coffee was lower by 29 percent on quarterly basis but higher by 44.3 percent compared to the same period last year. The quarterly decline was the result of the combined effects of the slowdown in the volume of exports and a decline in international price of coffee. The volume decreased by 23.9 percent vis-à-vis the preceding quarter while it increased by 29.6 percent over the same quarter of last year. The quarterly decaling in volume was presumably due to the rise in domestic price and lower demand from Japan.

On the other hand, the international price of coffee fell by 6.6 percent on quarter basis but increased by 11.4 percent on annual basis.

Meanwhile, the share of coffee in the total export earnings fell to 37.9 percent compared to 41 percent in the preceding quarter, while it rose from 34.7 percent recorded a year ago.

Year-on-year basis, the value of exports of oilseeds the second largest export item next to coffee, went up by 26.9

percent and reached USD 45.1 million; whereas it declined by 30.2 percent on quarterly basis. Quarter-on-quarter basis, the volume of export and international price of oilseeds plummeted by 22.3 and 10.1 percent, respectively. Consequently, the share of oilseeds export in the total export earnings dropped to 12.8 percent from 14.1 percent in the previous quarter and 13.4 percent during same period of last year.

Likewise, receipts from the exports of pulses plunged by 46.5 percent on quarter basis due to a decrease in the volume of export by 47.6 percent despite a slight increase in the international price. Hence, the share of pulses in the total export earnings fell to 6.1 percent from 8.8 percent same quarter last year.

During the review period, leather and leather products brought the county USD 25.3 million, which was about 1.9 percent lower than that of last quarter. This was owing to the decline in the volume of the export despite the increase in price. Export proceeds from leather and leather products made up 7.2 percent

of the total merchandize exports during the review quarter.

The nascent horticulture export stood at USD 26.8 million during the stated period showing a 23.9 percent decrease over the preceding quarter but a 34.6 percent increase compared to last year same period. The quarter-on-quarter decline was the result of decreases both in volume of exports and international price. The share of horticulture in the total export earnings stood at 7.6 percent, slightly higher than 7.5 percent last year.

The revenue obtained from the export of gold was USD 17.5 million showing a 48.7 percent fall due to a respective 30.8 and 25.9 percent drop in the volume of exports and international price. The export of gold accounted for five percent of the country's export earnings during the review quarter.

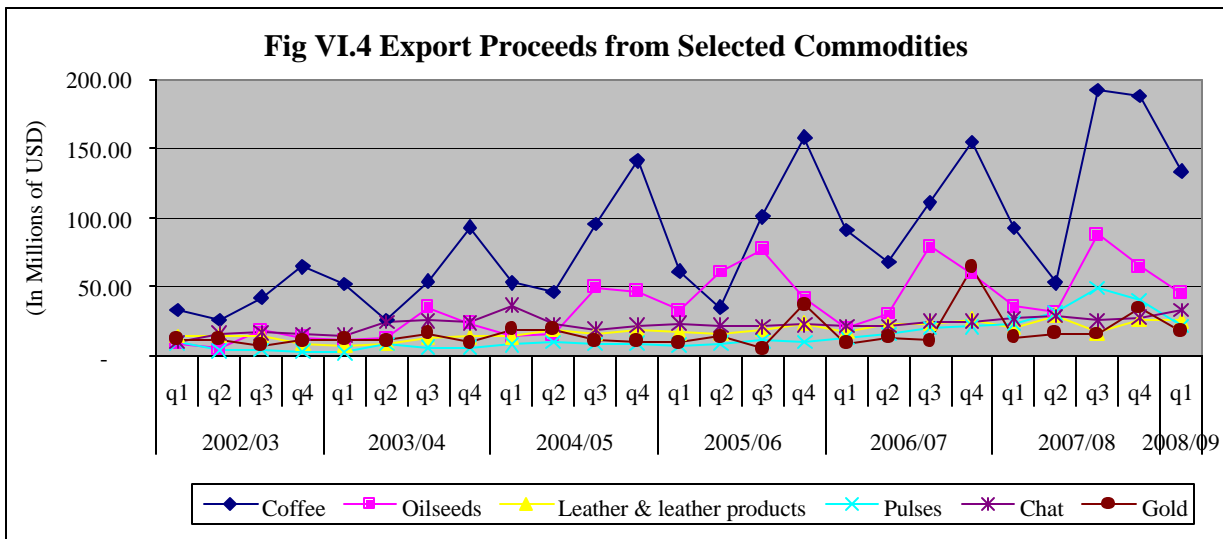
Export proceeds from *chat* grew by 20.0 percent to USD 32.9 million during the reported period. This was attributed to a 26.9 percent rise in the volume despite 5.4 percent decline in the international price. The share of *chat* in the total

export earnings was 9.4 percent compared to 10 percent last year.

The revenue from live animals, which accounted for 4.5 percent of the total exports, went up by 101.6 percent on annual basis to USD 15.7 million as a result of the increases both in the international price and volume of exports. Similarly, the export earning

from meat and meat products increased substantially and reached USD 8.5 million as both the volume of exports and international price tended to rise.

Similarly, the revenue secured from fruits and vegetables rose by 29.7 percent to USD 4.7 million, compared to same period last year. Beside its share in the total export earnings reached 1.3 percent.



Source: Ethiopian Revenue and Customs Authority

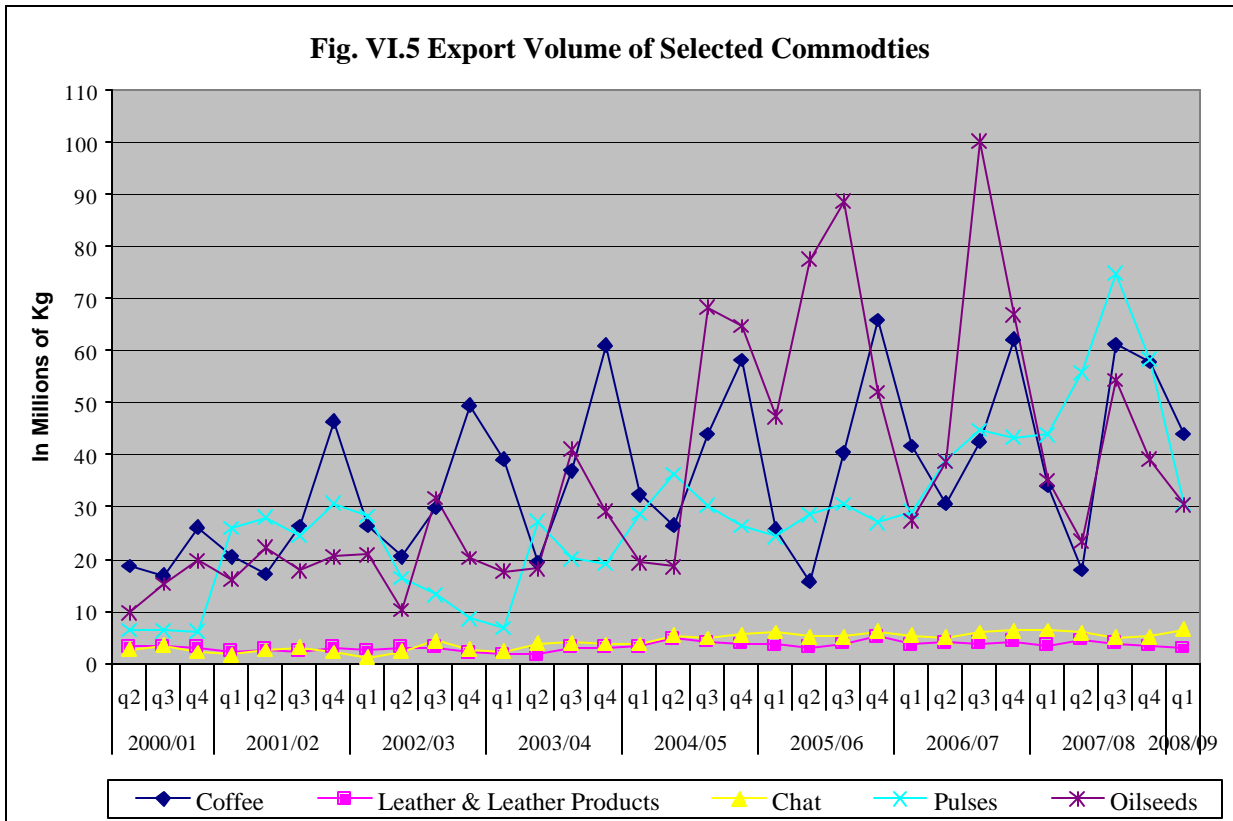
Table 6.4 Volume of Major Export Items

(In Millions of Kg)

| Particulars | 2007/08 | | 2008/09 | Percentage Change | |
|---|---------|--------|---------|-------------------|-------|
| | Qtr I | Qtr IV | Qtr I | C/B | C/A |
| | A | B | C | | |
| Coffee | 34.0 | 57.8 | 44.0 | -23.9 | 29.6 |
| Oilseeds | 35.2 | 39.2 | 30.5 | -22.3 | -13.4 |
| Leather and Leather Products ¹ | 3.4 | 3.2 | 2.9 | -9.6 | -14.4 |
| Pulses | 43.9 | 58.3 | 30.6 | -47.6 | -30.4 |
| Meat & Meat Products | 1.1 | 1.9 | 2.4 | 25.2 | 117.1 |
| Fruits & Vegetables | 11.8 | 8.2 | 11.4 | 38.7 | -3.4 |
| Live Animals | 8.7 | 7.4 | 11.7 | 58.0 | 34.1 |
| Chat | 6.4 | 5.1 | 6.5 | 26.9 | 0.8 |
| Gold | 0.0008 | 0.0015 | 0.0011 | -30.8 | 33.3 |
| Flower | 4.4 | 7.1 | 5.6 | -22.0 | 26.6 |

Source: Ethiopian Revenue and Customs Authority

¹ Previously known as hides and skin



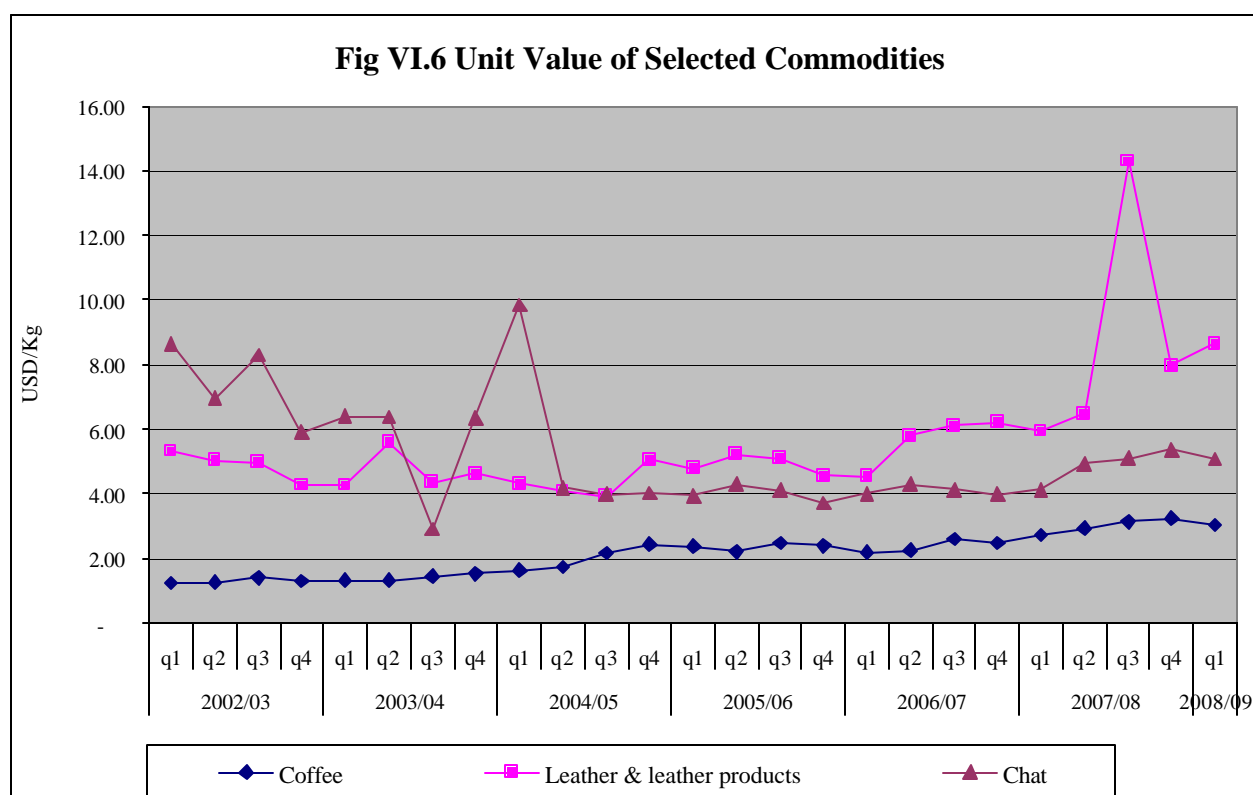
Source: Ethiopian Revenue and Customs Authority

Table 6.5: Unit Values of Major Export Items

| Particulars | 2007/08 | | 2008/09 | (USD/kg) | |
|---|---------|---------|---------|-------------------|------|
| | Qtr I | Qtr IV | Qtr I | Percentage Change | |
| | A | B | C | C/B | C/A |
| Coffee | 2.7 | 3.2 | 3.0 | -6.3 | 11.1 |
| Oilseeds | 1.0 | 1.6 | 1.5 | -6.3 | 50.0 |
| Leather and Leather Products ¹ | 6.0 | 8.0 | 8.6 | 7.5 | 43.3 |
| Pulses | 0.5 | 0.7 | 0.7 | 0.0 | 40.0 |
| Meat & Meat Products | 2.9 | 3.4 | 3.5 | 2.9 | 20.7 |
| Fruits & Vegetables | 0.3 | 0.3 | 0.4 | 33.3 | 33.3 |
| Live Animals | 0.9 | 1.2 | 1.3 | 8.3 | 44.4 |
| Chat | 4.1 | 5.4 | 5.1 | -5.6 | 24.4 |
| Gold | 16582.6 | 22434.5 | 16624.2 | -25.9 | 0.3 |
| Flower | 4.5 | 4.9 | 4.8 | -2.0 | 6.7 |

Source: NBE Staff Computation

¹ Previously known as hides and skin



Source: NBE Staff Computation

6.2.2 Imports

The total imports bill reached USD 2.3 billion during the first quarter of 2008/09 showing 10.8 and 61.4 percent increase

on quarterly an annual basis, respectively.

Table 6.6: Values of Major Import Items

(In Millions of USD)

| Particulars | 2007/08 | | | | 2008/09 | | Percentage Change | |
|----------------------|----------------|--------------|----------------|--------------|----------------|--------------|-------------------|-------------|
| | Qtr I A | % Share | Qtr IV B | % Share | Qtr I C | % Share | C/B | C/A |
| Raw Materials | 62.1 | 4.4 | 74.4 | 3.6 | 96.0 | 4.2 | 29.1 | 54.7 |
| Semi-finished Goods | 221.5 | 15.7 | 325.9 | 15.9 | 251.9 | 11.1 | -22.7 | 13.7 |
| Fertilizers | 11.8 | 0.8 | 86.0 | 4.2 | 2.9 | 0.1 | -96.6 | -75.4 |
| Fuel | 290.0 | 20.6 | 575.3 | 28.1 | 506.5 | 22.3 | -12.0 | 74.7 |
| Petroleum Products | 288.7 | 20.5 | 573.1 | 28.0 | 502.0 | 22.1 | -12.4 | 73.9 |
| Others | 1.3 | 0.1 | 2.2 | 0.1 | 4.5 | 0.2 | 105.9 | 258.4 |
| Capital Goods | 455.9 | 32.4 | 440.3 | 21.5 | 563.5 | 24.8 | 28.0 | 23.6 |
| Transport | 100.3 | 7.1 | 90.5 | 4.4 | 93.2 | 4.1 | 2.9 | -7.1 |
| Agricultural | 9.4 | 0.7 | 12.8 | 0.6 | 5.7 | 0.3 | -55.1 | -38.9 |
| Industrial | 346.2 | 24.6 | 337.1 | 16.4 | 464.6 | 20.4 | 37.8 | 34.2 |
| Consumer Goods | 326.3 | 23.2 | 439.2 | 21.4 | 530.9 | 23.4 | 20.9 | 62.7 |
| Durables | 116.1 | 8.2 | 112.9 | 5.5 | 119.1 | 5.2 | 5.5 | 2.6 |
| Non-durables | 210.2 | 14.9 | 326.3 | 15.9 | 411.8 | 18.1 | 26.2 | 95.9 |
| Miscellaneous | 52.7 | 3.7 | 195.4 | 9.5 | 324.0 | 14.3 | 65.8 | 514.3 |
| Total Imports | 1,408.5 | 100.0 | 2,050.5 | 100.0 | 2,272.8 | 100.0 | 10.8 | 61.4 |

Source: Ethiopian Revenue and Customs Authority

The imports of capital goods topped USD 563.5 million accounting for 24.8 percent of total import bill during the review quarter. The amount increased by 28 percent than that of the previous quarter and 23.6 percent over last year.

The imports of consumer goods also showed a quarter-on-quarter increase of 20.9 percent and annual rise of 62.7

percent reaching USD 530.9 million due to higher imports of both durable and non-durable consumer goods.

The imports of fuel decreased after a successive surge as a result of the rise oil in prices in the international market. Thus, the value of fuel import during the stated period was USD 506.5 million which was 12 percent lower than the

preceding quarter but 74.7 percent higher than same quarter last year. Fuel bill constituted 22.3 percent of the total imports in the review quarter as compared to 28.1 percent in the preceding quarter and 20.6 percent the same quarter last year.

The imports of semi-finished goods reached USD 251.9 million, showing a quarterly decline of 22.7 percent but, an annual growth of 13.7 percent. Their share in the total imports, however, fell to 15.9 percent from 19.9 percent during the same quarter last year.

Imports of raw materials, on the other hand, amounted to USD 96 million, which was 29.1 and 54.7 percent higher

than the previous quarter and last year same quarter, respectively.

Meanwhile, franco-valuta imports went up by 29.8 percent from USD 28.7 million in the previous quarter to USD 37.3 million during the reported period. This was due to an increase in all the major components of franco-valuta imports. Cement, foodstuffs and medicine and medical equipment showed substantial increases. Year-on-year basis, franco-valuta imports went down by 19.7 percent owing to the decrease in its major components such as cement import.

Table 6.7: Values of Franco Valuta Imports

(In Millions of USD)

| Particulars | 2007/08 | | 2008/09 | Percentage Change | |
|--------------------------------|--------------|--------------|--------------|-------------------|---------------|
| | QI | QIV | QI | C/B | C/A |
| | A | B | C | | |
| Vehicles | 0.0064 | 0.0000 | 0.0000 | - | - |
| Vehicle Spare Parts | 0.0128 | 0.0012 | 0.0090 | 663.82 | -29.46 |
| Other Spare Parts | 0.0315 | 0.0065 | 0.0725 | 1017.80 | 130.38 |
| Textile & Ready Made | 0.0123 | 0.0000 | 0.0000 | - | - |
| Household Goods | 0.3454 | 0.0000 | 0.0000 | - | - |
| Medicine & Medical Equip. | 1.4035 | 0.0030 | 3.0325 | 99953.34 | 116.07 |
| Food Stuffs | 0.0001 | 0.0000 | 0.0033 | - | 2249.59 |
| Electronic Goods | 0.1214 | 0.0001 | 0.0095 | 8779.33 | -92.18 |
| Machinery Equip. & Spare Parts | 0.0000 | 0.0000 | 0.0000 | - | - |
| Others* | 44.48 | 28.71 | 34.16 | 18.99 | -23.19 |
| Total | 46.41 | 28.72 | 37.29 | 29.84 | -19.66 |

Source: NBE, Foreign Exchange Statistics and Monitoring Dept. (FESMD)

*Includes franco valuta cement import

6.2.3 Direction of Trade

6.2.3.1 Exports

Europe was the leading market for the exports of Ethiopia during the first quarter of 2008/09 importing 46.2 percent of the country's exports. Among European countries, Germany, which mainly imported coffee and flowers, was the largest buyer of Ethiopian commodities. Switzerland, the sole importer of gold from Ethiopia was the second largest market followed by the Netherlands (mainly buys flowers) and Italy (mainly imports leather and leather products, coffee, textile and garments).

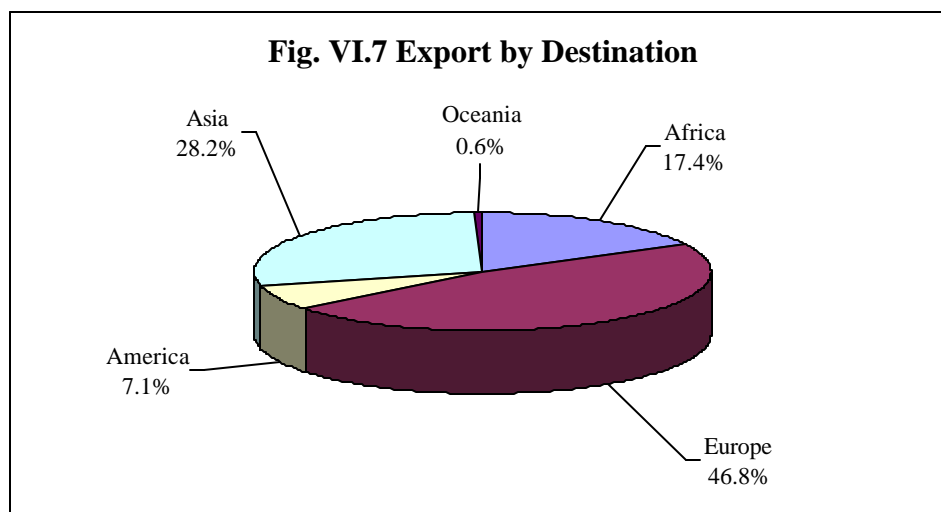
Exports destined to Asia accounted for 28.2 percent of the total exports of which 32.3 percent went to Saudi Arabia, 14.5 percent to United Arab Emirates (UAE), 13.5 percent to China and 11.2 percent to Yemen.

The major export items sent to Saudi Arabia include coffee, oilseeds, pulses, live animals and meat and meat products while some of the export items shipped to UAE comprise meat and meat products, pulses, live animals and fruits

and vegetables. Leather and leather products and oilseeds made up the bulk of exports to China; whereas live animals and meat and meat products were major exports to Yemen.

About 14.4 percent of Ethiopia's exports went to African countries among which Somalia, the Sudan and Djibouti accounted for 81.9 percent. Somalia's major imports from Ethiopia include *chat* and animal products while that of Djibouti were *chat*, animal products, beverages and fruits and vegetables. Sudan mainly purchased pulses, animal products, as well as natural honey and bee wax.

The share of America in Ethiopia's total exports was 7.1 percent of which 83.1 percent went to the USA, 11.1 percent to Canada and 2.6 percent to Mexico. The principal export items shipped to the US include coffee, oilseeds, beverages, flowers and textile and garments while both Canada and Mexico purchased mainly coffee and oilseeds.



Source: Ethiopian Revenue and Customs Authority and NBE Computation

6.2.3.2 Imports

Some 73.1 percent of the total imports which entered into Ethiopia during the first quarter of 2008/09 originated from Asia, Saudi Arabia, China, UAE, India and Japan. The main item imported from Saudi Arabia was petroleum which constituted 97 percent of that country's export to Ethiopia. Imports from China included electrical materials, machinery, metal and metal manufacturing, clothing and textile, rubber products and motor vehicles. Around 92 percent of imports from UAE was petroleum. Imports from India mainly included medical and pharmaceutical products, machinery, electrical materials, metals and paper

and paper products. Vehicles and machinery were the main import items from Japan.

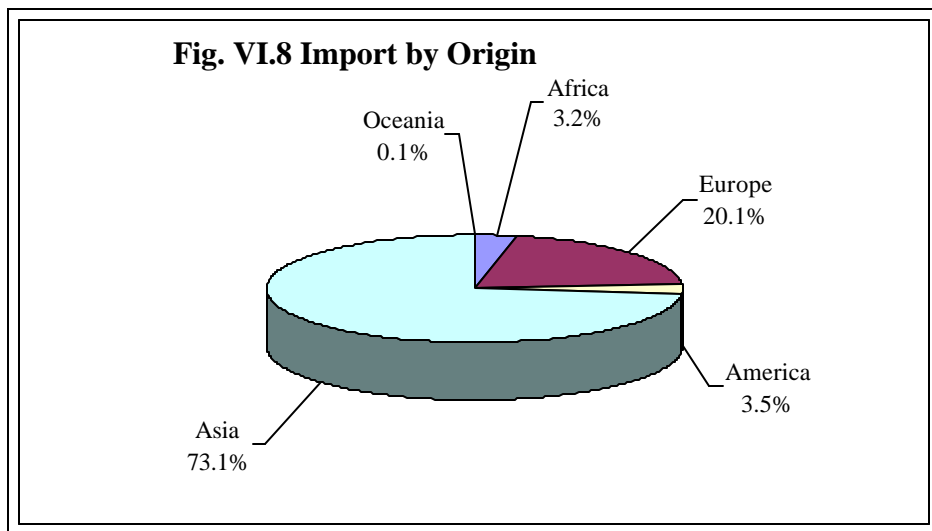
Meanwhile, imports from Europe made up some 20.1 percent of the total imports among which Italy, Bulgaria, Germany, Rumania, Ukraine, Turkey, and France being the major suppliers. Import items from Italy comprise machinery, electrical materials, metal, vehicles and grain. Imports from Germany constitute electrical materials, vehicles and machinery. The whole import from Bulgaria and 99.9 percent of import from Rumania was grain. Metals and metal products were the principal import items from Turkey and Ukraine

constituting 77.9 and 98.6 percent, respectively of that country's export to Ethiopia. Machinery and electrical materials accounted for the bulk of imports from France.

Apart from this, imports from the Americas accounted for 3.5 percent of the total imports among which three countries; namely, the US, Canada and Brazil constitute for over 95 percent. Grain and food products were the major items imported from the US followed by machinery. Food grain was the principal

item imported from Canada and machinery from Brazil.

Import items from African countries made up for 3.2 percent of total imports of which 94 percent came from four countries; namely, Sudan, Egypt, South Africa and Kenya. Petroleum products, soap and polish, papers and tobacco constituted the major import items from African nations.



Source: Ethiopian Revenue and Customs Authority

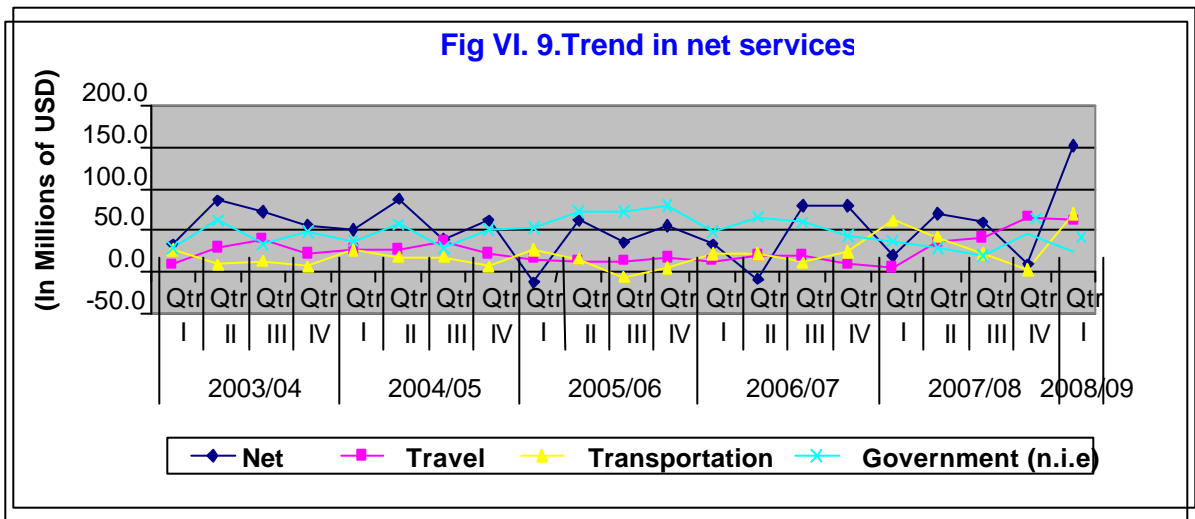
6.3 Services and Transfers

Net receipts from services amounted to USD 149.3 million in the first quarter of 2008/09, significantly higher than USD

9.6 million in the preceding quarter. Although net receipts from travel and government services dropped by 7.9 and 47.9 percent, respectively, an increase in net transportation receipts from USD 2.4 million to USD 70.1 million, and a

decline in net payments for other services from USD 111.9 million to USD 10.7 million were the major factors for the quarterly surge in the surplus of the service account. Meanwhile, net investment income which was USD 4.2 million in the preceding quarter slightly declined to USD 3.2 million in the review quarter.

Due to the increases in net transportation, a decline in net payment for other services and a significant increase in net travel, the surplus in the service account improved on annual basis also. Accordingly, the net surplus rose from USD 20.4 million during the same quarter of last year to USD 149.6 million in the review quarter.



Source: NBE Staff Computation

Table 6.8: Trends in Services Account

(In Millions of USD)

| Particulars | 2007/08 | | 2008/09 | | | | Percentage Change | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|-----------------|
| | Qtr I A | % Share | Qtr IV B | % Share | Qtr I C | % Share | C/B*100- 100 | C/A*100- 100 |
| Receipts | 357.4 | 100.0 | 484.5 | 100.0 | 522.0 | 100.0 | 7.7 | 46.1 |
| Travel | 35.89 | 10.0 | 104.72 | 21.6 | 105.35 | 20.2 | 0.6 | 193.5 |
| Transportation | 210.94 | 59.0 | 228.13 | 47.1 | 303.40 | 58.1 | 33.0 | 43.8 |
| Government (n.i.e) | 42.48 | 11.9 | 54.44 | 11.2 | 29.07 | 5.6 | -46.6 | -31.6 |
| Investment Income | 18.55 | 5.2 | 13.21 | 2.7 | 8.62 | 1.7 | -34.8 | -53.6 |
| Interest | 18.55 | 5.2 | 13.21 | 2.7 | 8.54 | 1.6 | -35.3 | -54.0 |
| Dividend | 0.00 | 0.0 | 0.00 | 0.0 | 0.08 | 0.0 | - | - |
| Other Services | 49.51 | 13.9 | 84.04 | 17.3 | 75.58 | 14.5 | -10.1 | 52.6 |
| Communication Services | 21.25 | 5.9 | 15.82 | 3.3 | 16.95 | 3.2 | 7.1 | -20.3 |
| Construction Services | 4.37 | 1.2 | 6.44 | 1.3 | 7.24 | 1.4 | 12.5 | 65.6 |
| Insurance Services | 1.13 | 0.3 | 0.21 | 0.0 | 0.04 | 0.0 | -83.4 | -96.9 |
| Financial Services | 3.81 | 1.1 | 2.59 | 0.5 | 2.96 | 0.6 | 14.1 | -22.4 |
| Computer and Information Service | 0.26 | 0.1 | 0.12 | 0.0 | 0.23 | 0.0 | 85.4 | -10.4 |
| Other Business Services Personal, cultural and recreational | 18.70 | 5.2 | 58.83 | 12.1 | 48.16 | 9.2 | -18.1 | 157.6 |
| | 0.00 | 0.0 | 0.01 | 0.0 | 0.00 | 0.0 | - | - |
| Payments | 337.0 | 100.0 | 475.0 | 100.0 | 372.4 | 100.0 | -21.6 | 10.5 |
| Travel | 30.84 | 9.2 | 37.43 | 7.9 | 43.38 | 11.6 | 15.9 | 40.7 |
| Transportation | 148.22 | 44.0 | 225.71 | 47.5 | 233.26 | 62.6 | 3.3 | 57.4 |
| Government (n.i.e) | 5.26 | 1.6 | 6.88 | 1.4 | 4.29 | 1.2 | -37.6 | -18.5 |
| Investment Income | 7.62 | 2.3 | 8.97 | 1.9 | 5.40 | 1.5 | -39.8 | -29.1 |
| Interest | 3.92 | 1.2 | 6.07 | 1.3 | 1.21 | 0.3 | -80.0 | -69.1 |
| cash (Banks & MOF) | 3.92 | 1.2 | 6.07 | 1.3 | 1.21 | 0.3 | -80.0 | -69.1 |
| arrears | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | - | - |
| relief | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | - | - |
| Dividend | 3.70 | 1.1 | 2.91 | 0.6 | 4.19 | 1.1 | 44.1 | 13.3 |
| Other Services | 145.08 | 43.0 | 195.97 | 41.3 | 86.10 | 23.1 | -56.1 | -40.7 |
| Communication Services | 3.72 | 1.1 | 3.59 | 0.8 | 7.54 | 2.0 | 110.1 | 102.7 |
| Construction Services | 93.92 | 27.9 | 123.52 | 26.0 | 46.67 | 12.5 | -62.2 | -50.3 |
| Insurance Services | 2.08 | 0.6 | 3.15 | 0.7 | 3.70 | 1.0 | 17.4 | 78.0 |
| Financial Services | 0.07 | 0.0 | 0.23 | 0.0 | 0.12 | 0.0 | -47.2 | 66.0 |
| Computer and Information Service | 1.57 | 0.5 | 0.68 | 0.1 | 1.12 | 0.3 | 64.7 | -28.2 |
| Other Business Services Personal, cultural and recreational | 43.72 | 13.0 | 64.78 | 13.6 | 26.94 | 7.2 | -58.4 | -38.4 |
| | 0.00 | 0.0 | 0.01 | 0.0 | 0.00 | 0.0 | - | - |
| Net Services | 20.4 | | 9.6 | | 149.6 | | 1460.9 | 634.5 |

Source: NBE Staffs Compilation

As a result of a significant decline in official transfers which more than offset a modest increase in private transfers, the total net transfers decreased from USD 1.14 billion in the preceding quarter to about USD 1.0 billion (14.8 percent). Net transfers to the government went down by 41.8 percent on quarterly basis from USD 483.6 million to USD 281.3 million. Government food transfers went up from USD 18.9 million to USD 37.9 million (99.6 percent) while cash transfers declined from USD 476.8 million to USD 244.4 million (48.7 percent) in the review quarter.

On the other hand, net private transfers (including transfers through NGOs) showed a growth of 5.2 percent on quarterly basis and reached USD 688.2 million. All transfers to the NGOs were cash transfers which increased from USD 151.8 million to USD 188.9

million (24.5 percent). On the other hand, transfers to private individuals decreased by 1.6 percent from USD 511.5 million to USD 503.5 million as cash transfers and transfers in kind went up by 0.7 and 29.7 percent, respectively while estimated underground transfers went down by 6.4 percent.

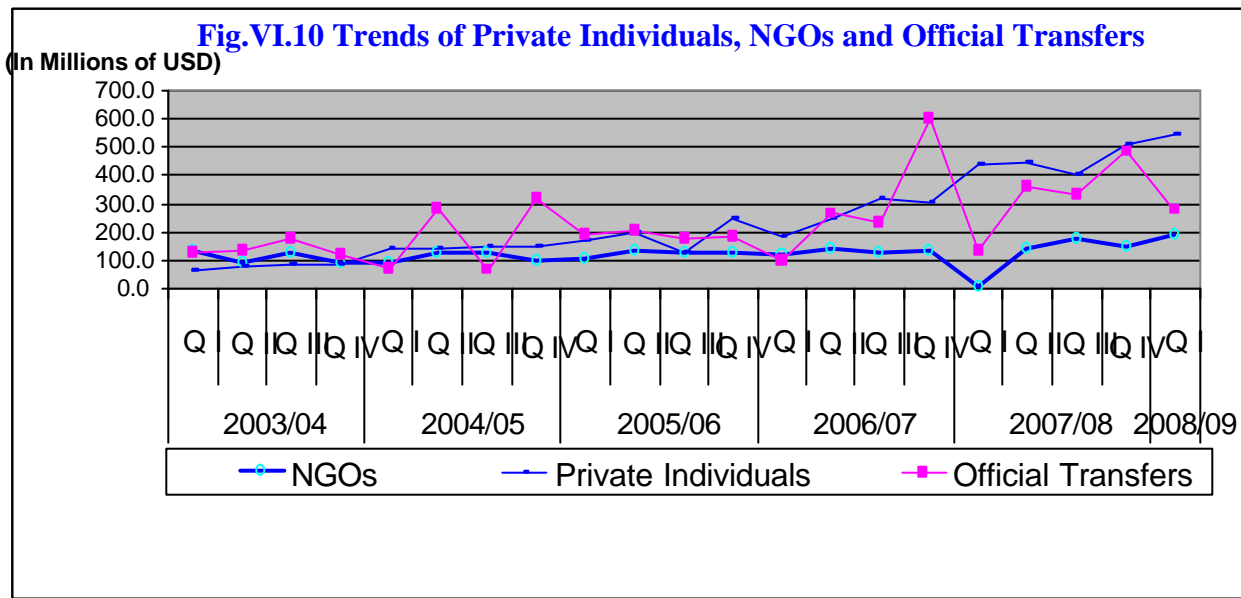
On annual basis, total net transfers went up by 31.9 percent due to 15.4 and 102.9 percent increase in net private transfers and net official transfers, respectively. The share of official transfers from total transfers fell to 29.0 percent during the review quarter compared to 42.5 percent in the preceding quarter. On the other hand, the share of private transfers which was 57.5 percent in the preceding quarter increased to 71.0 percent.

Table 6.9: Developments of Transfer Accounts

(In Thousands of USD)

| Particulars | 2007/08 | | | 2008/09 | | | Percentage Change | |
|----------------------------|----------------|--------------|------------------|--------------|----------------|--------------|-------------------|--------------|
| | A | % share | B | % share | C | % share | C/B*100-100 | C/A*100-100 |
| | Q I | | Q IV | | Q I | | | |
| Private Transfers | 596,404 | 81.1 | 654,195 | 57.5 | 688,175 | 71.0 | 5.2 | 15.4 |
| Credit | 600,035 | 81.0 | 663,308 | 57.2 | 692,419 | 71.0 | 4.4 | 15.4 |
| NGO's | 165,519 | 22.3 | 151,786 | 13.1 | 188,964 | 19.4 | 24.5 | 14.2 |
| Cash | 160,115 | 21.6 | 151,786 | 13.1 | 188,964 | 19.4 | 24.5 | 18.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | - | - |
| Food** | 5,404 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | - | (100.0) |
| Private individuals | 434,515 | 58.6 | 511,522 | 44.1 | 503,455 | 51.6 | (1.6) | 15.9 |
| Cash | 225,400 | 30.4 | 199,900 | 17.2 | 201,300 | 20.6 | 0.7 | (10.7) |
| Inkind | 46,415 | 6.3 | 28,722 | 2.5 | 37,255 | 3.8 | 29.7 | (19.7) |
| Under ground | | | | | | | | |
| Private Transfers | 162,700 | 22.0 | 282,900 | 24.4 | 264,900 | 27.2 | (6.4) | 62.8 |
| Debit | (3,631) | 59.9 | (9,114) | 42.9 | (4,245) | 76.8 | (53.4) | 16.9 |
| Official Transfers | 138,593 | 18.9 | 483,659 | 42.5 | 281,256 | 29.0 | (41.8) | 102.9 |
| Credit | 141,025 | 19.0 | 495,785 | 42.8 | 282,538 | 29.0 | (43.0) | 100.3 |
| Cash | 140,200 | 18.9 | 476,800 | 41.1 | 244,400 | 25.1 | (48.7) | 74.3 |
| Other | 825.4 | 0.1 | 0.0 | 0.0 | 248 | 0.0 | - | (70.0) |
| Food | 0.0 | 0.0 | 18,984.8 | 1.6 | 37,890 | 3.9 | 99.6 | - |
| Debit | (2,432) | 40.1 | (12,126) | 57.1 | (1,281) | 23.2 | (89.4) | (47.3) |
| Total Receipts | 741,060 | 101 | 1,159,093 | 102 | 974,957 | 101 | (15.9) | 31.6 |
| Total Payments | (6,063) | (0.8) | (21,240) | (1.9) | (5,526) | (0.6) | (74.0) | (8.9) |
| Net Transfers | 734,997 | 100 | 1,137,853 | 100 | 969,431 | 100 | (14.8) | 31.9 |

Source: NBE Staff Compilation



Sources: MoFED and NBE, FESMD

6.4 Current Account

The current account deficit (including official transfers) widened to USD 802.6 million, 89 and 107 percent higher than that of the preceding quarter and the same quarter of last year, respectively. The widening trade deficit was the major factor for the deterioration of the current account balance.

6.5 Capital Account

There was a surplus of USD 372.6 million in the capital account during the review quarter, which was 4.1 and 116.5 percent higher than the surpluses in the

preceding quarter and the same quarter of last year, respectively. An increase in net official disbursement was the major factor for the quarterly increase in net capital inflows offsetting a slight decline in estimated FDI inflow.

6.6 Changes in Reserve Position

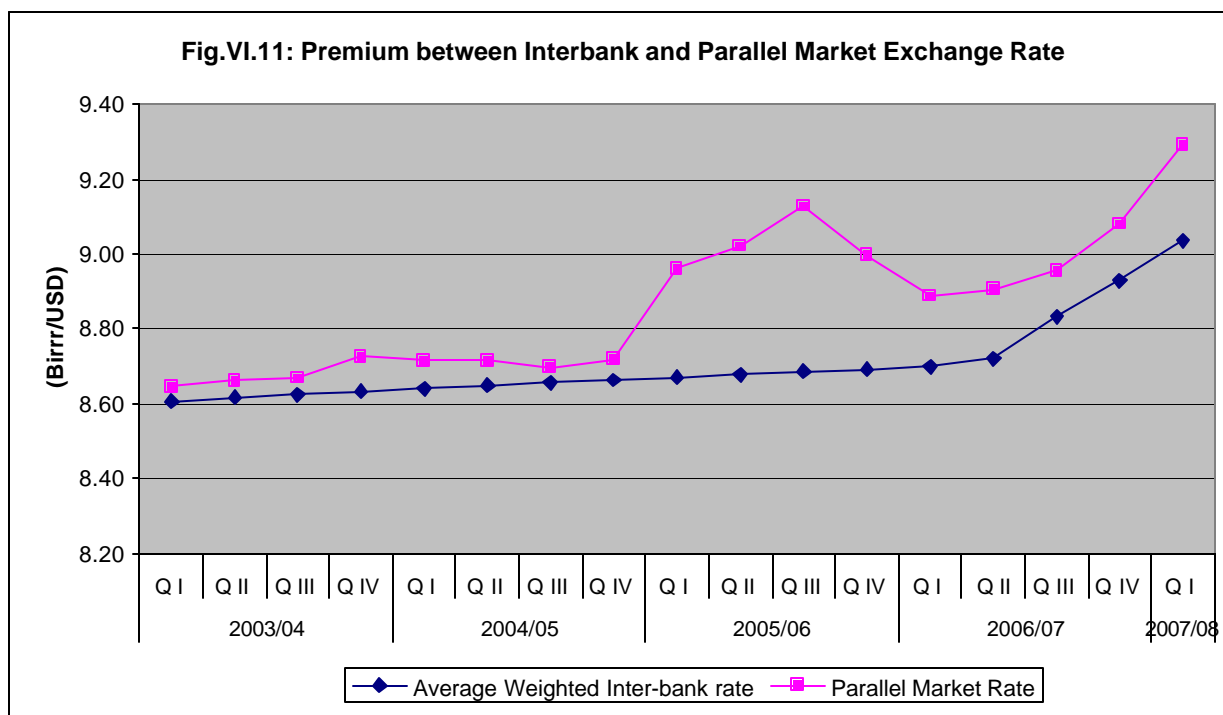
The overall balance of payments registered a deficit of USD 142.2 million as the deficit in the current account more than offset the surplus in the capital account. The BOP deficit was financed by draw-downs of net foreign assets of the National Bank of Ethiopia by USD 104.8 million and that of commercial banks by USD 37.5 million

6.7 Developments in Foreign Exchange Market

6.7.1 Exchange Rate Movements

The average exchange rate of the Birr in the interbank foreign exchange market reached Birr 9.6602/USD during the first quarter of 2008/09 showing a quarterly and annual depreciations of 1.1 and 6.9

percent, respectively. The rate of depreciation of the Birr was faster in the parallel market with annual depreciation of 10.4 percent. Accordingly, the average spread between the exchange rates of the Birr in the official and parallel markets widened to 6.23 percent compared to 2.85 percent in the same quarter of the preceding fiscal year.



Source: NBE

Note: Lack of data on parallel market exchange rate during fourth quarter of 2007/08 was due to government's action on parallel market dealers

Table 6.10: Exchange Rates in Interbank Foreign Exchange Market

| Period | | Rates in Birr per USD | | | | Amount Traded in millions of USD | | Number of Trades | | Parallel Market | | Premium |
|--------------------|----------|-----------------------|---------------|---------------|-----------------------|----------------------------------|---------------|------------------|---------------|-----------------|----------------|--------------|
| | | End Period Rates | | | Average Weighted Rate | Total | o/w Among CBs | Total | o/w Among CBs | End Period | Average | |
| | | Weighted Rate | High est | Low est | | | | | | | | |
| 2007/08 | | | | | | | | | | | | |
| Qtr. I | C | 9.0382 | 9.0383 | 9.0329 | 9.0344 | 41.1 | 13 | 294 | 28 | 9.2700 | 9.2917 | 2.85 |
| July | | 9.0329 | 9.0331 | 9.0329 | 9.0316 | 15.1 | 4.6 | 100.0 | 6.0 | 9.2550 | 9.2931 | 2.90 |
| August | | 9.0359 | 9.0359 | 9.0358 | 9.0344 | 13.4 | 2.4 | 127.0 | 16.0 | 9.3000 | 9.3052 | 3.00 |
| September | | 9.0382 | 9.0383 | 9.0382 | 9.0371 | 12.6 | 5.6 | 67.0 | 6.0 | 9.2700 | 9.2769 | 2.65 |
| Qtr. IV | B | 9.6100 | 9.6100 | 9.6100 | 9.5526 | 6.1 | | 516 | | | | |
| April | | 9.5334 | 9.5334 | 9.5334 | 9.5144 | 2.1 | 0 | 181 | 0 | | | |
| May | | 9.5525 | 9.5697 | 9.5697 | 9.5525 | 1.9 | 0 | 177 | 0 | | | |
| June | | 9.6100 | 9.6100 | 9.6100 | 9.5908 | 2.1 | 0 | 158 | 0 | | | |
| 2008/09 | | | | | | | | | | | | |
| Qtr. I | A | 9.6929 | 9.6930 | 9.6542 | 9.6602 | 6.3 | 0 | 483 | 0 | | 10.2623 | 6.23 |
| July | | 9.6533 | 9.6542 | 9.6542 | 9.6330 | 2.3 | 0.0 | 167.0 | 0.0 | | 10.1610 | |
| August | | 9.6736 | 9.6736 | 9.6735 | 9.6639 | 2.1 | 0.0 | 166.0 | 0.0 | | 10.2460 | |
| September | | 9.6929 | 9.6930 | 9.6929 | 9.6838 | 1.9 | 0.0 | 150.0 | 0.0 | | 10.3800 | |
| Percentage changes | A/B | 0.9 | 0.9 | 0.5 | 1.1 | 3.3 | | -6.4 | | | 10.4 | 2.7 |
| | A/C | 7.2 | 7.2 | 6.9 | 6.9 | -84.7 | | 64.3 | | | 10.4 | 114.8 |

Source: NBE

Looking at the retail market for foreign exchange, the average buying rate of foreign exchange bureaux during the period was USD 9.66/USD while their selling rate was Birr 9.868/USD. The buying and selling rates depreciated by 1.2 and 1.4 percent, on quarterly and 7.0

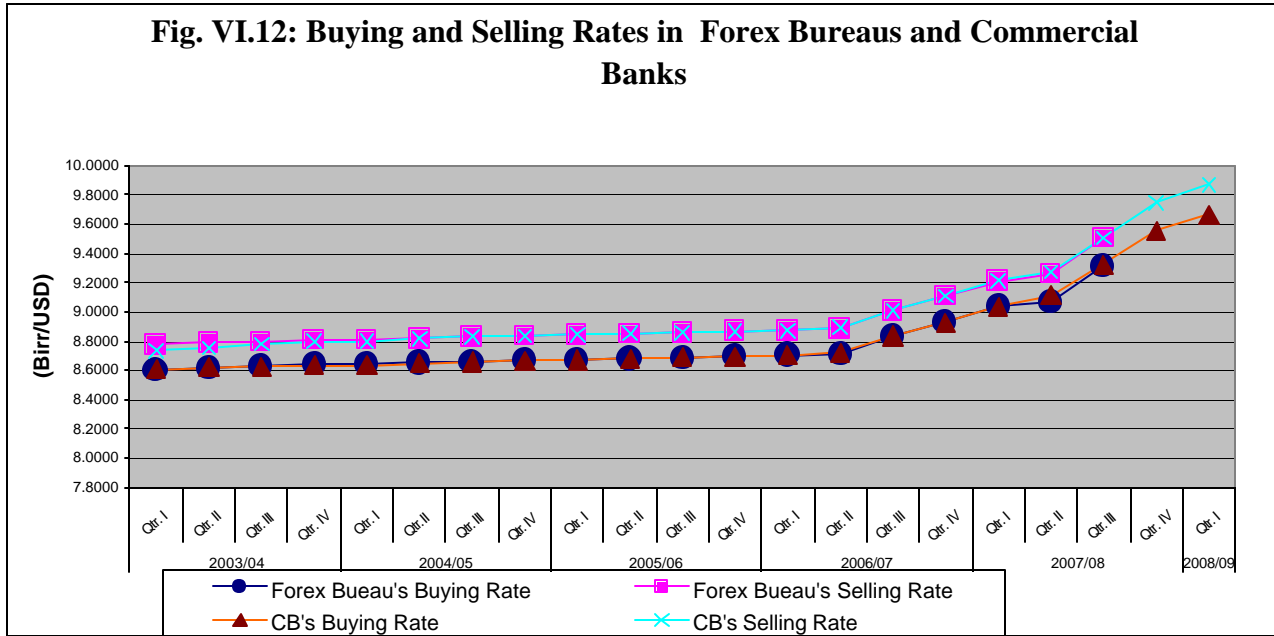
and 7.2 percent on annual basis. The average spread between the buying and selling rates stood at about 2.1 percent.

On the other hand, the buying rate of commercial banks depreciated by 1.1 percent on quarterly and 7.0 percent on

annual terms and reached Birr 9.6614/USD. Similarly, their selling rate showed a 1.1 percent quarter-on-quarter and 7 percent year-on-year depreciation to reach Birr 9.8564/USD. The average spread between their buying and selling

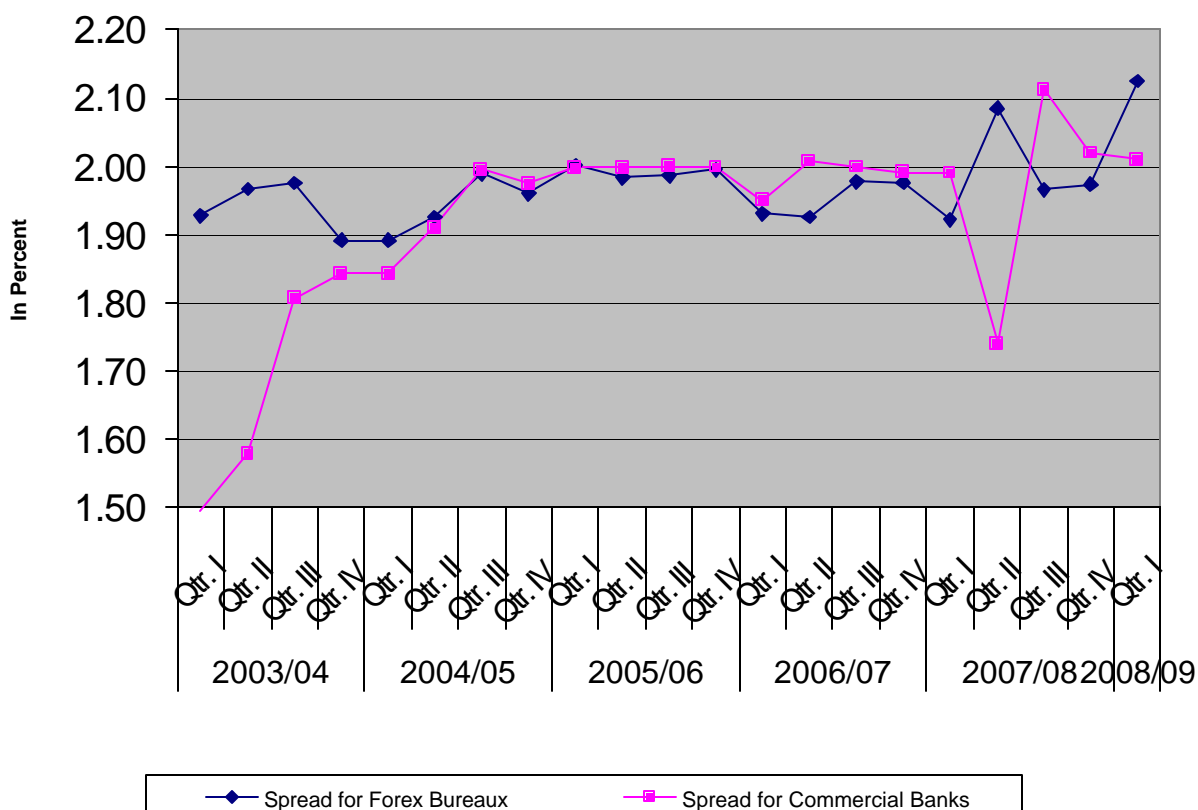
rates was 2.01 percent the same as in the preceding quarter.

Fig. VI.12: Buying and Selling Rates in Forex Bureaus and Commercial Banks



Source: Commercial Banks

Fig. VI.13: Spread between Buying and Selling Rates of Foreign Exchange in Retail Market



Source: Staff Computation

During the review period the average exchange rate of US dollar against all major currencies appreciated at different rates compared to the preceding quarter. The appreciation was highest against Pound Sterling (3.87%), followed by

Swiss Frank (3.69%), Japanese Yen (2.89%) and SDR (1.88%). On annual basis, however, the average exchange rate of US dollar against major currencies depreciated.

Table 6.11: Period Average Exchange Rates (USD per other Major Currencies)

| Year | | Euro | | | Yen | | | SDR | | | Pound | | | Swiss Frank | | |
|--------------------------|------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Buying | Selling | Mid Rate | Buying | Selling | Mid Rate | Buying | Selling | Mid Rate | Buying | Selling | Mid Rate | Buying | Selling | Mid Rate |
| 2007/08 | | | | | | | | | | | | | | | | |
| Quarter I | C | 1.3735 | 1.3735 | 1.3735 | 0.0085 | 0.0085 | 0.0085 | 1.5331 | 1.5305 | 1.5318 | 2.0192 | 2.0195 | 2.0193 | 0.8338 | 0.8338 | 0.8338 |
| July | | 1.3714 | 1.3714 | 1.3714 | 0.0082 | 0.0082 | 0.0082 | 1.5284 | 1.5284 | 1.5284 | 2.0326 | 2.0335 | 2.0330 | 0.8277 | 0.8277 | 0.8277 |
| August | | 1.3620 | 1.3620 | 1.3620 | 0.0086 | 0.0086 | 0.0086 | 1.5294 | 1.5215 | 1.5254 | 2.0102 | 2.0102 | 2.0102 | 0.8315 | 0.8315 | 0.8315 |
| September | | 1.3873 | 1.3873 | 1.3873 | 0.0087 | 0.0087 | 0.0087 | 1.5415 | 1.5415 | 1.5415 | 2.0148 | 2.0147 | 2.0147 | 0.8423 | 0.8423 | 0.8423 |
| Quarter IV | B | 1.5638 | 1.5604 | 1.5621 | 0.0096 | 0.0096 | 0.0096 | 1.6252 | 1.6182 | 1.6217 | 1.9691 | 1.9667 | 1.9679 | 0.9686 | 0.9686 | 0.9686 |
| April | | 1.5816 | 1.5811 | 1.5814 | 0.0098 | 0.0098 | 0.0098 | 1.6356 | 1.6175 | 1.6266 | 1.9810 | 1.9761 | 1.9785 | 0.9882 | 0.9882 | 0.9882 |
| May | | 1.5547 | 1.5447 | 1.5497 | 0.0096 | 0.0096 | 0.0096 | 1.6218 | 1.6218 | 1.6218 | 1.9617 | 1.9594 | 1.9606 | 0.9546 | 0.9546 | 0.9546 |
| June | | 1.5552 | 1.5552 | 1.5552 | 0.0093 | 0.0093 | 0.0093 | 1.6183 | 1.6153 | 1.6168 | 1.9646 | 1.9646 | 1.9646 | 0.9629 | 0.9629 | 0.9629 |
| 2008/09 | | | | | | | | | | | | | | | | |
| Quarter I | A | 1.5030 | 1.5037 | 1.5033 | 0.0093 | 0.0093 | 0.0093 | 1.5909 | 1.5916 | 1.5913 | 1.8912 | 1.8922 | 1.8917 | 0.9326 | 0.9331 | 0.9328 |
| July | | 1.5742 | 1.5761 | 1.5751 | 0.0094 | 0.0094 | 0.0094 | 1.6294 | 1.6314 | 1.6304 | 1.9858 | 1.9883 | 1.9870 | 0.9720 | 0.9732 | 0.9726 |
| August | | 1.4946 | 1.4946 | 1.4946 | 0.0091 | 0.0091 | 0.0091 | 1.5857 | 1.5857 | 1.5857 | 1.8879 | 1.8884 | 1.8882 | 0.9229 | 0.9229 | 0.9229 |
| September | | 1.4403 | 1.4403 | 1.4403 | 0.0094 | 0.0094 | 0.0094 | 1.5577 | 1.5577 | 1.5577 | 1.8000 | 1.8000 | 1.8000 | 0.9030 | 0.9030 | 0.9030 |
| Percentage Change | A/B | -3.89 | -3.63 | -3.76 | -2.92 | -2.86 | -2.89 | -2.11 | -1.64 | -1.88 | -3.96 | -3.79 | -3.87 | -3.71 | -3.67 | -3.69 |
| | A/C | 9.43 | 9.47 | 9.45 | 9.40 | 9.45 | 9.42 | 3.77 | 4.00 | 3.89 | -6.34 | -6.30 | -6.32 | 11.85 | 11.90 | 11.87 |

Source: NBE staff Compilation

Reflecting the appreciation of the US dollar, the Birr also appreciated against other major currencies on quarterly basis, but it depreciated on annual terms. The

appreciation was highest against Pound Sterling (2.8%), followed by Swiss Frank (2.66%), Euro (2.64 %), Japanese Yen (1.76 %) and SDR (0.78 %).

Table 6.12: Period Average Exchange Rates (Birr per Major Currencies)

| Year | | USD | | | Euro | | | Yen | | | SDR | | | Pound | | | Swiss Frank | | |
|-------------------|-----|--------|---------|----------|---------|---------|----------|--------|---------|----------|---------|---------|----------|---------|---------|----------|-------------|---------|----------|
| | | Buying | Selling | Mid Rate | Buying | Selling | Mid Rate | Buying | Selling | Mid Rate | Buying | Selling | Mid Rate | Buying | Selling | Mid Rate | Buying | Selling | Mid Rate |
| 2007/08 | | | | | | | | | | | | | | | | | | | |
| Quarter I | C | 9.0342 | 9.1246 | 9.0794 | 12.4089 | 12.5330 | 12.4699 | 0.0767 | 0.0775 | 0.0771 | 13.8501 | 13.9647 | 13.9074 | 18.2416 | 18.4268 | 18.3342 | 7.5332 | 7.6085 | 7.5708 |
| July | | 9.0314 | 9.1217 | 9.0766 | 12.3856 | 12.5095 | 12.4476 | 0.0743 | 0.0750 | 0.0746 | 13.8034 | 13.9414 | 13.8724 | 18.3572 | 18.5490 | 18.4531 | 7.4752 | 7.5500 | 7.5126 |
| August | | 9.0343 | 9.1246 | 9.0794 | 12.3045 | 12.4275 | 12.3629 | 0.0774 | 0.0782 | 0.0778 | 13.8166 | 13.8834 | 13.8500 | 18.1606 | 18.3421 | 18.2513 | 7.5120 | 7.5872 | 7.5496 |
| September | | 9.0369 | 9.1274 | 9.0822 | 12.5367 | 12.6620 | 12.5994 | 0.0785 | 0.0793 | 0.0789 | 13.9302 | 14.0695 | 13.9998 | 18.2072 | 18.3893 | 18.2982 | 7.6123 | 7.6884 | 7.6503 |
| Quarter II | B | 9.5506 | 9.6462 | 9.5984 | 14.9268 | 15.0667 | 14.9967 | 0.0914 | 0.0923 | 0.0918 | 15.5272 | 15.6150 | 15.5711 | 18.8180 | 18.9844 | 18.9012 | 9.2583 | 9.3509 | 9.3046 |
| October | | 9.5125 | 9.6076 | 9.5601 | 15.0164 | 15.1910 | 15.1037 | 0.0928 | 0.0937 | 0.0933 | 15.5583 | 15.5405 | 15.5494 | 18.8445 | 18.9853 | 18.9149 | 9.4006 | 9.4946 | 9.4476 |
| November | | 9.5504 | 9.6461 | 9.5983 | 14.8513 | 14.9472 | 14.8992 | 0.0917 | 0.0926 | 0.0921 | 15.5054 | 15.6604 | 15.5829 | 18.7704 | 18.9406 | 18.8555 | 9.1410 | 9.2325 | 9.1868 |
| December | | 9.5890 | 9.6849 | 9.6369 | 14.9128 | 15.0618 | 14.9873 | 0.0896 | 0.0905 | 0.0901 | 15.5179 | 15.6440 | 15.5809 | 18.8390 | 19.0274 | 18.9332 | 9.2333 | 9.3256 | 9.2794 |
| 2008/09 | | | | | | | | | | | | | | | | | | | |
| Quarter I | A | 9.6635 | 9.7559 | 9.7097 | 14.5233 | 14.6685 | 14.5959 | 0.0898 | 0.0907 | 0.0902 | 15.3733 | 15.5271 | 15.4502 | 18.2744 | 18.4588 | 18.3666 | 9.0120 | 9.1021 | 9.0571 |
| July | | 9.6446 | 9.7284 | 9.6865 | 15.1814 | 15.3331 | 15.2573 | 0.0902 | 0.0911 | 0.0907 | 15.7138 | 15.8709 | 15.7923 | 19.1511 | 19.3426 | 19.2469 | 9.3743 | 9.4680 | 9.4212 |
| August | | 9.6634 | 9.7601 | 9.7117 | 14.4425 | 14.5869 | 14.5147 | 0.0883 | 0.0892 | 0.0888 | 15.3234 | 15.4766 | 15.4000 | 18.2433 | 18.4308 | 18.3370 | 8.9179 | 9.0070 | 8.9625 |
| September | | 9.6825 | 9.7794 | 9.7310 | 13.9459 | 14.0853 | 14.0156 | 0.0908 | 0.0917 | 0.0912 | 15.0829 | 15.2337 | 15.1583 | 17.4289 | 17.6032 | 17.5160 | 8.7438 | 8.8313 | 8.7876 |
| Percentage Change | A/B | 1.18 | 1.14 | 1.16 | -2.70 | -2.64 | -2.67 | -1.76 | -1.76 | -1.76 | -0.99 | -0.56 | -0.78 | -2.89 | -2.77 | -2.83 | -2.66 | -2.66 | -2.66 |
| | A/C | 6.97 | 6.92 | 6.94 | 17.04 | 17.04 | 17.05 | 17.02 | 17.02 | 17.02 | 11.00 | 11.19 | 11.09 | 0.18 | 0.17 | 0.18 | 19.63 | 19.63 | 19.63 |

Source: NBE, Reserve Management and Foreign Exchange Market Department (RMFED)

Table 6.13: Birr per Unit of Currency End Period Mid Market Rate

| Currency | Sep-07 | Jun-08 | Sep-08 | Percentage Change | |
|-----------------|---------|---------|---------|-------------------|------|
| | C | B | C | C/B | C/A |
| USD | 9.0833 | 9.6562 | 9.7405 | 0.9 | 7.2 |
| Pound | 18.3192 | 19.2476 | 17.8075 | -7.5 | -2.8 |
| Swedish Kroner | 1.3868 | 1.6194 | 1.4590 | -9.9 | 5.2 |
| Djibouti Frank | 0.0512 | 0.0543 | 0.0548 | 0.9 | 7.1 |
| Swiss Frank | 7.7702 | 9.4873 | 8.8897 | -6.3 | 14.4 |
| Saudi Riyal | 2.4293 | 2.5749 | 2.5932 | 0.7 | 6.7 |
| UAE Dirham | 2.4738 | 2.6287 | 2.6516 | 0.9 | 7.2 |
| Canadian Dollar | 9.0561 | 9.5662 | 9.3911 | -1.8 | 3.7 |
| Japanese Yen | 0.0786 | 0.0911 | 0.0916 | 0.5 | 16.5 |
| Euro | 12.8456 | 15.2471 | 14.1237 | -7.4 | 9.9 |
| SDR | 14.1046 | 15.7388 | 15.3001 | -2.8 | 8.5 |

Source: National Bank of Ethiopia –BFED

6.7.2. Movements in Real Effective Exchange Rate

As inflation continued to rise in Ethiopia as compared to its trading partners, the appreciation of the real exchange rate of the Birr kept on despite steady depreciation of the nominal exchange rate.

Accordingly, the real effective exchange rate of the Birr appreciated by 19.3 and 51.7 percent on quarterly and annual basis, respectively during the first quarter of 2008/09.

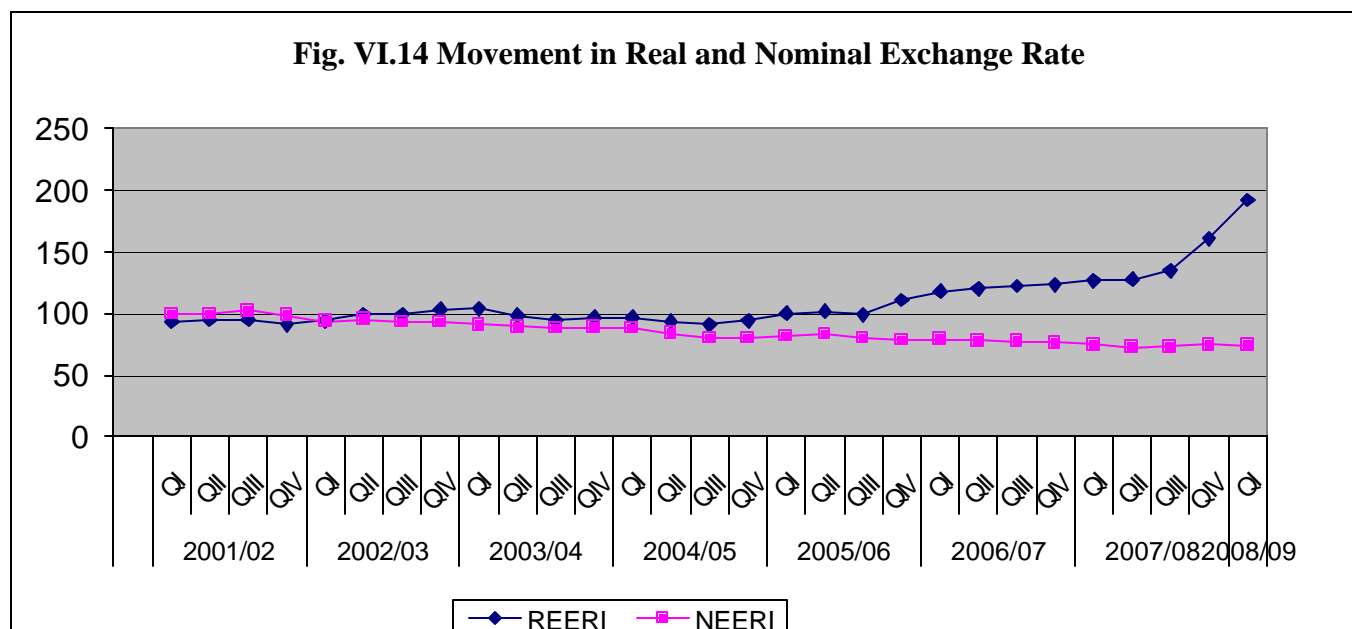
On the other hand, the nominal effective exchange rate showed a quarterly and annual depreciations of 0.54 and 0.13 percent, respectively.

Table 6.14 Trends in Real Effective Exchange Rate

| | 2006/07 | 2007/08 | | Percentage Change | |
|--------------|---------|---------|-------|-------------------|-------|
| | QIII | QII | QIII | C/B | C/A |
| | A | B | C | | |
| REERI | 126.5 | 160.8 | 191.9 | 19.34 | 51.70 |
| NEERI | 74.4 | 74.7 | 74.3 | -0.54 | -0.13 |

REERI = Real Effective Exchange Rate Index

NEERI = Nominal Effective Exchange Rate Index

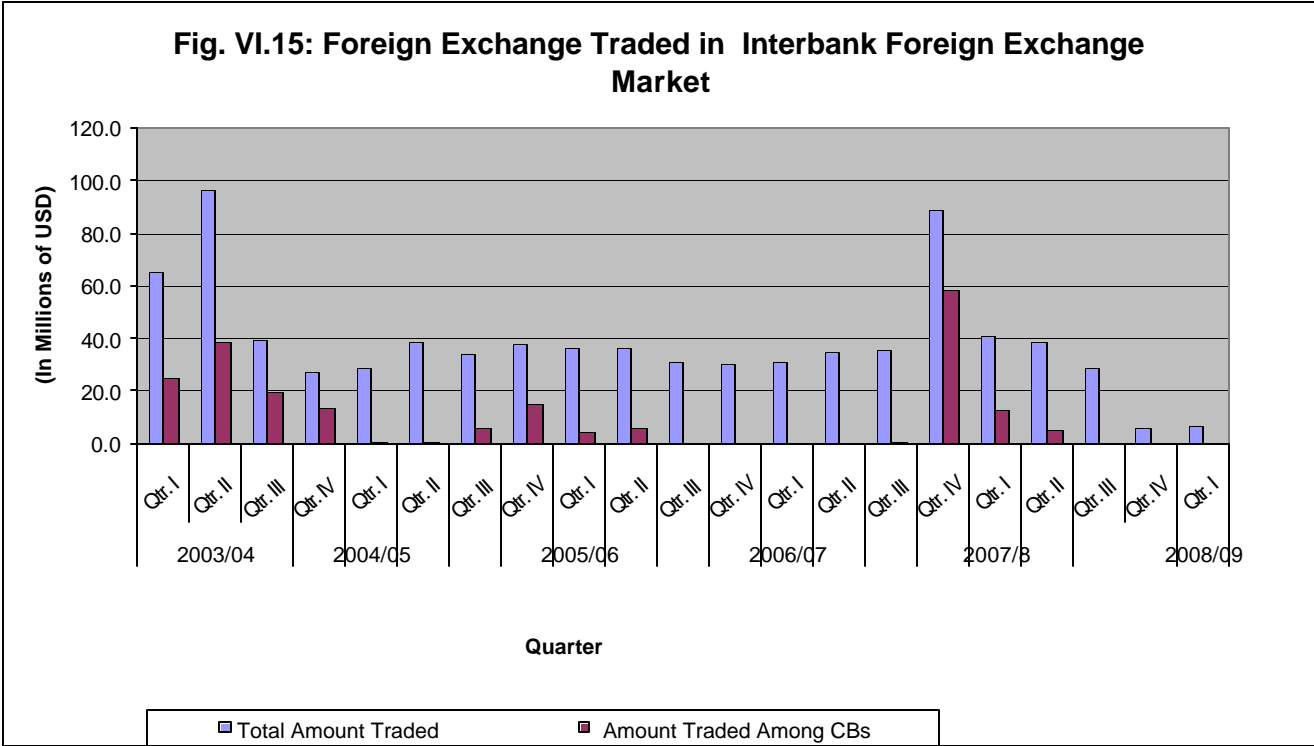


Source: NBE

6.7.3 Volume of Transactions

The amount of foreign exchange traded in the interbank foreign exchange market was USD 6.3 million during the review period about 3.3 percent higher than the

preceding quarter. On yearly basis, however, the amount traded dropped by 84.7 percent. All transactions took place between NBE and commercial banks with no trade among commercial banks.



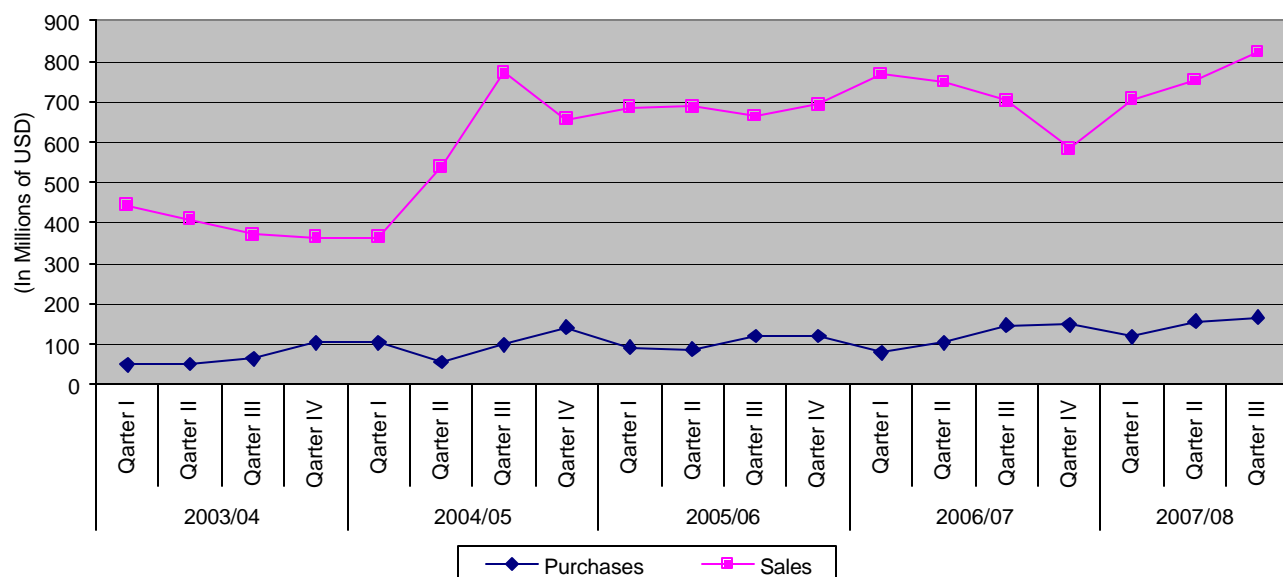
Source: NBE

In the retail market, commercial banks purchased foreign exchange to the tune of USD 125.8 million from exporters, was 23.7 percent lower than the amount purchased during the preceding quarter but 6.9 percent higher than the same quarter of last year.

Similarly, foreign exchange sold by commercial banks to importers showed a quarter-on-quarter decrease of 25.5 percent, but an annual increase of 52.3 percent to USD 1,075.2 million.

Meanwhile, forex bureaux purchases went down by 9.7 percent on quarterly basis, but increased by 90 percent on annual basis and reached USD 29.5 million. Their sales also fell by 20 percent but increased by 131.9 percent during the same period.

Fig.VI.16: Sales and Purchases of Foreign Exchange by Commercial Banks



Source: Commercial Banks

Table 6.15: Amount of Foreign Exchange Purchased and Sold by Commercial Banks

(In Millions of USD)

| Name of Forex Bureau | No of Branches | 2007/08 | | | | 2008/09 | | Percentage Change | | | |
|--------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|--------------|-------------|--------------|
| | | Quarter I | | Quarter IV | | Quarter I | | C/B | | C/A | |
| | | A | B | C | C | Purchases | Sales | Purchases | Sales | Purchases | Sales |
| | | Purchases | Sales | Purchases | Sales | Purchases | Sales | Purchases | Sales | Purchases | Sales |
| Commercial Bank of Ethiopia | 4 | 2.73 | 3.48 | 11.19 | 5.68 | 11.37 | 7.76 | 1.6 | 36.7 | 316.8 | 122.9 |
| Bank of Abyssinia | 5 | 0.99 | 0.84 | 1.44 | 1.82 | 1.05 | 1.06 | -27.2 | -41.8 | 6.5 | 25.4 |
| Dashen Bank | 4 | 2.15 | 0.87 | 3.74 | 3.13 | 3.24 | 2.81 | -13.4 | -10.0 | 50.2 | 224.1 |
| Awash International Bank | 4 | 0.57 | 0.25 | 1.08 | 1.00 | 0.59 | 1.15 | -45.3 | 14.9 | 3.3 | 355.0 |
| Construction and Business Bank | 3 | 0.22 | 0.28 | 0.48 | 3.74 | 0.40 | 0.22 | -15.9 | -94.2 | 82.3 | -20.6 |
| Wegagen Bank | 6 | 1.81 | 0.78 | 1.37 | 1.47 | 2.23 | 1.84 | 63.2 | 25.1 | 23.2 | 136.6 |
| United Bank | 16 | 1.91 | 0.47 | 3.28 | 3.31 | 2.54 | 0.98 | -22.5 | -70.5 | 33.3 | 107.8 |
| Nib International Bank | 3 | 5.13 | 0.29 | 10.04 | 0.88 | 8.03 | 1.00 | -20.0 | 13.9 | 56.8 | 250.6 |
| Oromiya Cooperative Bank | None | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | |
| Total | 41 | 15.51 | 7.26 | 32.62 | 21.03 | 29.46 | 16.82 | -9.7 | -20.0 | 90.0 | 131.9 |
| Average Exchange Rate | | 9.0338 | 9.2075 | 9.5441 | 9.7325 | 9.6631 | 9.8685 | 1.2 | 1.4 | 7.0 | 7.2 |

Source: Commercial Banks

Table VI.16: Amount of Foreign Exchange Purchased and Sold by Forex Bureau of Commercial Banks

(In Millions of USD)

| Name of Forex Bureau | 2007/08 | | | | 2008/09 | | Percentage Change | | | |
|--------------------------------|---------------|---------------|---------------|----------------|---------------|----------------|-------------------|--------------|------------|-------------|
| | Quarter I | | Quarter IV | | Quarter I | | C/B | | C/A | |
| | A | | B | | C | | | | | |
| | Purchases | Sales | Purchases | Sales | Purchases | Sales | Purchases | Sales | Purchases | Sales |
| Commercial Bank of Ethiopia | 55.21 | 368.79 | 70.11 | 939.72 | 36.55 | 688.40 | -47.9 | -26.7 | -33.8 | 86.7 |
| Bank of Abyssinia | 4.51 | 37.66 | 13.05 | 61.47 | 21.19 | 58.08 | 62.4 | -5.5 | 370.2 | 54.2 |
| Dashen Bank | 23.55 | 82.81 | 40.30 | 108.64 | 30.31 | 107.42 | -24.8 | -1.1 | 28.7 | 29.7 |
| Awash International Bank | 5.35 | 41.29 | 8.19 | 26.54 | 6.21 | 34.49 | -24.1 | 30.0 | 16.1 | -16.5 |
| Construction and Business Bank | 3.08 | 19.08 | 0.26 | 18.84 | 0.00 | 11.02 | -100.0 | -41.5 | -100.0 | -42.3 |
| Wegagen Bank | 20.95 | 71.69 | 22.13 | 98.22 | 22.58 | 74.53 | 2.0 | -24.1 | 7.8 | 4.0 |
| United Bank | 0.00 | 28.87 | 0.00 | 117.25 | 0.00 | 47.37 | | -59.6 | | 64.1 |
| Development Bank | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | |
| Nib International Bank | 5.05 | 52.58 | 8.48 | 59.20 | 8.95 | 52.44 | 5.5 | -11.4 | 77.0 | -0.3 |
| Oromiya Cooperative Bank | 0.00 | 3.02 | 2.42 | 13.14 | 0.00 | 1.46 | | -88.9 | | |
| Total | 117.69 | 705.78 | 164.92 | 1443.03 | 125.78 | 1075.21 | -23.7 | -25.5 | 6.9 | 52.3 |
| Average Exchange Rate | 9.0343 | 9.2142 | 9.5535 | 9.7470 | 9.6614 | 9.8564 | 1.1 | 1.1 | 6.9 | 7.0 |

Source: Commercial Banks