

## V. MONETARY DEVELOPMENTS

During the first quarter of 2008/09, monetary policy continued focusing on maintaining price and exchange rate stability amidst inflationary pressures.

NBE is closely monitoring the efficacy of monetary policy measures taken in the

preceding fiscal year. The measures, taken coupled with other fiscal and administrative actions are envisaged to contribute towards slowing down the pace of inflation and inflationary expectations.

### 5.1. Money Supply and Credit

Domestic liquidity as measured by broad money supply (M2) reached Birr 71.4 billion in the first quarter of 2008/09, up by 4.8 and 22.2 percent vis-à-vis the preceding quarter and the corresponding Domestic credit registered annual growth rate of 36.8 percent as the credit channeled to the non-government sector surged by about 57 percent. Credit to the government, increased by 15.8 percent.

period of last year, respectively. This growth was wholly driven by the expansion of domestic credit that offset the continued decline in net foreign assets.

Net foreign assets, on the other hand, declined by 31.8 and 11 percent on yearly and quarterly basis, respectively, and reached Birr 10.4 billion, largely reflecting the widening of the current account deficit.

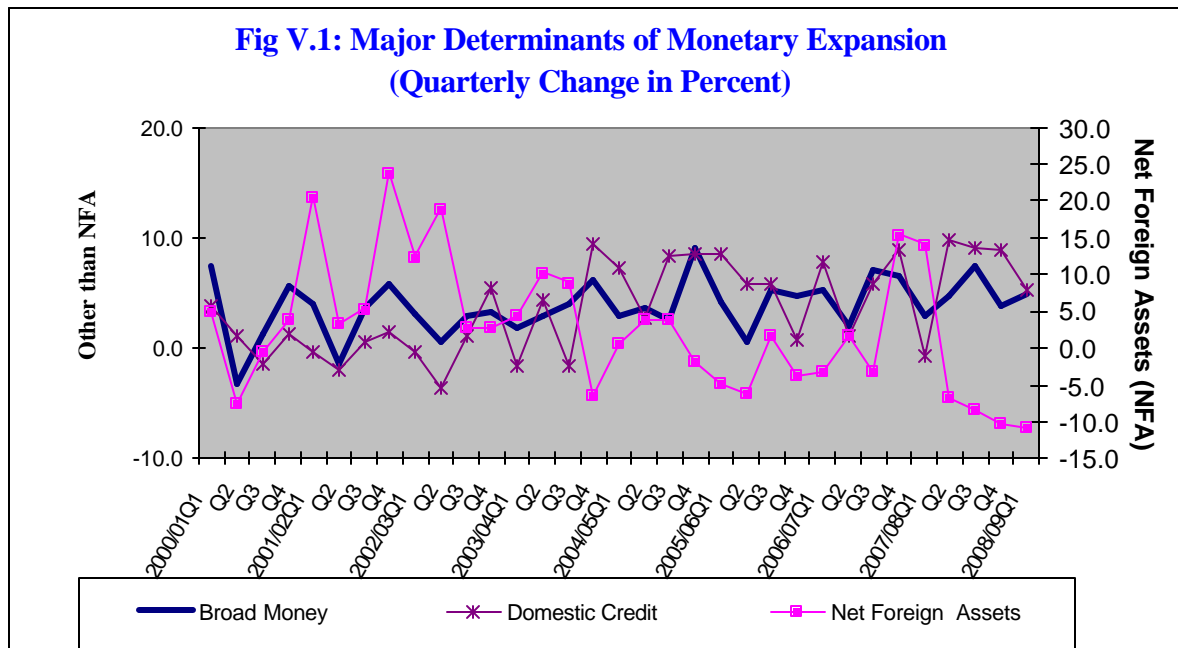
**Table 5.1: Factors Influencing Broad Money**

(In Millions of Birr)

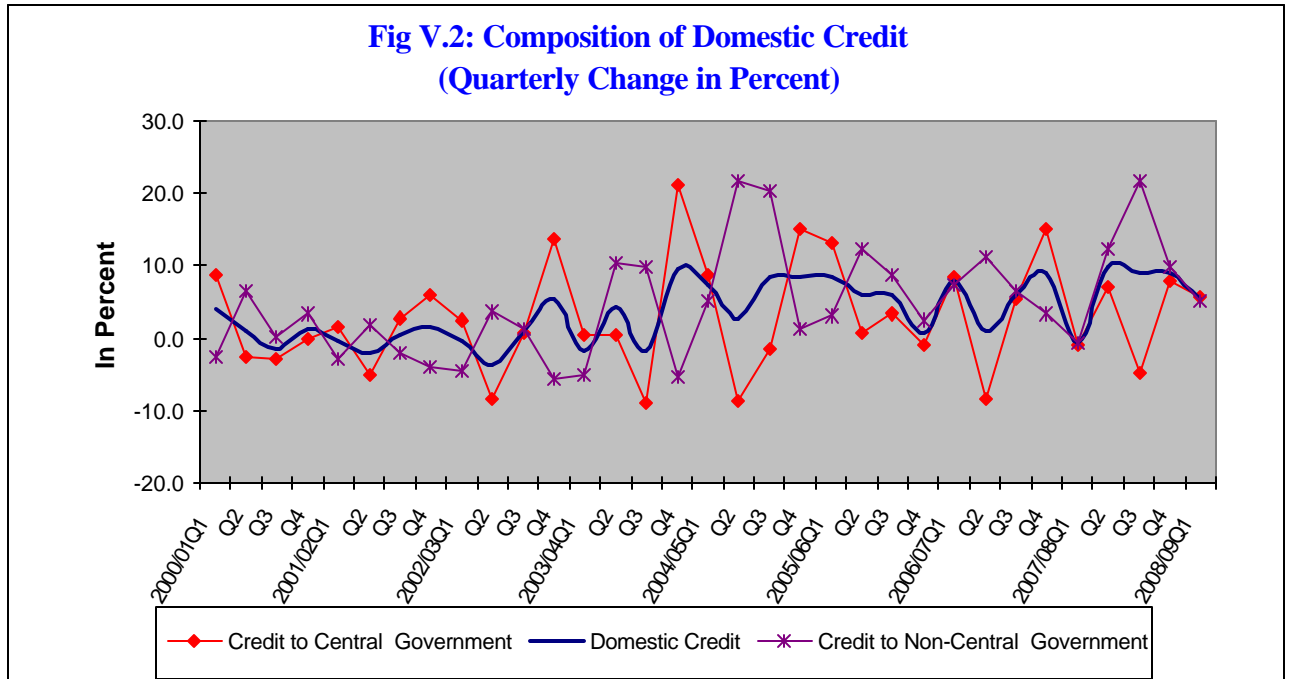
Particulars	2007/08		2008/09	Percentage Change
	Qtr. I	Qtr. IV	Qtr. I	

	(Sept 07)	(June 08)	(Sept 08)	C/A	C/B
	A	B	C		
<b>1. Foreign Assets (net)</b>	<b>15,229.2</b>	<b>11,665.6</b>	<b>10,387.8</b>	<b>-31.8</b>	<b>-11.0</b>
<b>2. Domestic Credit</b>	<b>61,447.7</b>	<b>79,969.3</b>	<b>84,088.6</b>	<b>36.8</b>	<b>5.2</b>
. Claims on Central Gov't (net)	30,118.0	33,075.7	34,872.4	15.8	5.4
. Claims on Other Sector's	31,329.6	46,893.6	49,216.2	57.1	5.0
. Financial Institutions	0.0	0.0	0.0		
. Others	31,329.6	46,893.6	49,216.2	57.1	5.0
<b>3. Other Items (net)</b>	<b>18,197.5</b>	<b>23,452.7</b>	<b>23,040.0</b>	<b>26.6</b>	<b>-1.8</b>
<b>4. Broad Money (M2)</b>	<b>58,479.4</b>	<b>68,182.1</b>	<b>71,436.3</b>	<b>22.2</b>	<b>4.8</b>

Source: NBE



Source: NBE



Source: NBE

On the liability side, both narrow and quasi-money witnessed substantial annual increments of 23.4 and 20.9 percent, respectively driven by the rise in all components of broad money, except time

deposits. On quarterly basis, however, demand and savings deposits expanded by 16.6 and 6.7 percent, while currency outside banks and time deposits fell by 7.5 and 10.5 percent, respectively.

**Table 5. 2: Components of Broad Money**

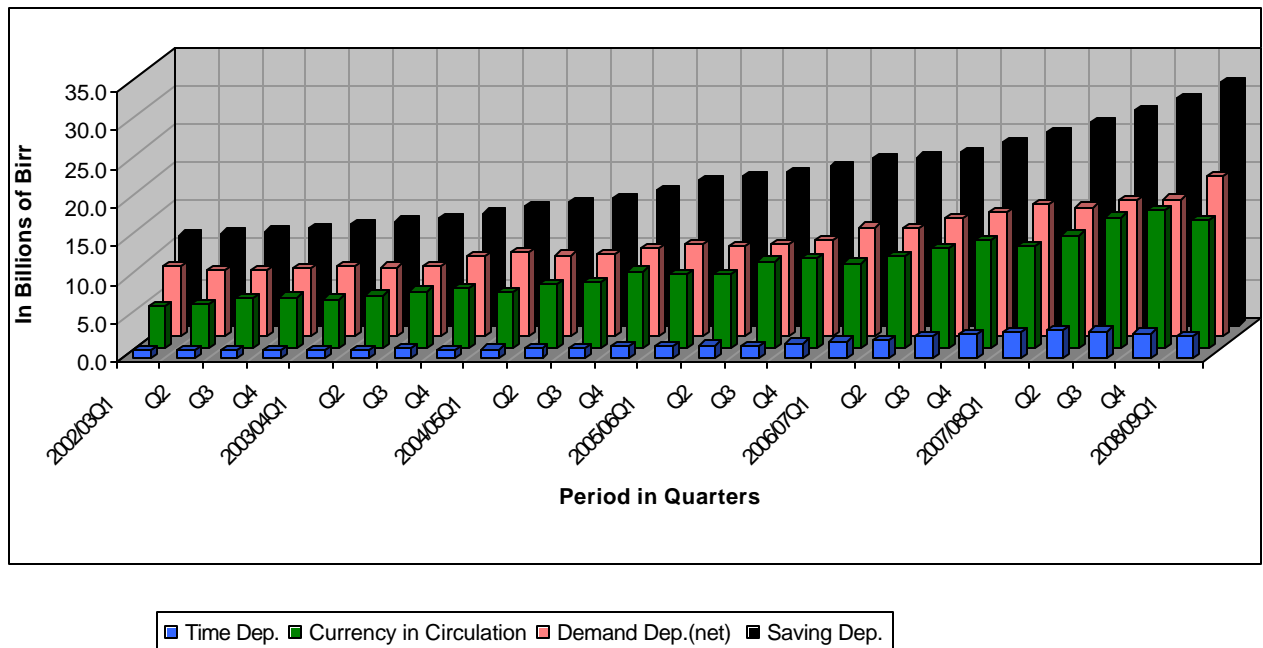
(In Millions of Birr)

Particulars	2007/08		2008/09	Percentage Change
	Qtr. I	Qtr. IV	Qtr. I	

	(Sept 07)	(June 08)	(Sept 08)	C/A	C/B
	A	B	C		
<b>1. Narrow Money Supply</b>	<b>29,966.0</b>	<b>35,350.4</b>	<b>36,971.5</b>	<b>23.4</b>	<b>4.6</b>
. Currency Outside Banks	12,997.4	17,654.1	16,337.6	25.7	-7.5
. Demand Deposits (net)	16,968.5	17,696.3	20,633.9	21.6	16.6
<b>2. Quasi-Money</b>	<b>28,513.4</b>	<b>32,831.8</b>	<b>34,464.8</b>	<b>20.9</b>	<b>5.0</b>
. Savings Deposits	24,994.4	29,477.6	31,463.7	25.9	6.7
. Time Deposits	3,519.0	3,354.1	3,001.2	-14.7	10.5
<b>3. Broad Money Supply</b>	<b>58,479.4</b>	<b>68,182.1</b>	<b>71,436.3</b>	<b>22.2</b>	<b>4.8</b>

Source: NBE

Fig. V. 3: Composition of Monetary Stock



Source: NBE

## 5.2 Developments in Reserve Money and Monetary Ratio

Year-on-year basis, reserve money increased substantially by 32.3 percent due to a 32.3

percent increase in both currency in circulation and deposits of banks at NBE.

On quarterly basis, however, reserve money showed a modest growth of 0.7 percent, solely driven by 5.3 percent increase in bank deposits at NBE, offsetting the 2.9 percent decline in currency in circulation.

The first quarter of 2008/09 witnessed a significant decline in excess reserves of commercial banks, partly reflecting the

increased lending activities of the Commercial Bank of Ethiopia, the holder of large stock of excess reserves. Accordingly, excess reserves reached Birr 4.7 billion by the end of September 2008, compared to Birr 6.5 billion a year ago.

**Table 5.3: Reserve Money and Ratios**

(In Millions of Birr Unless Otherwise

Indicated)

Particulars	2007/08		2008/09	Percentage Change	
	Qtr. I	Qtr. IV	Qtr. I		
	(Sept 07)	(June 08)	(Sept 08)	C/A	C/B
	A	B	C		
<b>1. Reserve Requirement (CB's)</b>	5,485.5	9,112.9	9,719.8	77.2	6.7
<b>2. Actual Reserve (CB's)*</b>	12,014.8	15,233.0	14,371.4	19.6	-5.7
<b>3. Excess Reserve (CB's)</b>	6,529.3	6,120.1	4,651.5	-28.8	-24.0
<b>4. Reserve Money</b>	<b>27,054.0</b>	<b>35,551.1</b>	<b>35,783.1</b>	<b>32.3</b>	<b>0.7</b>
. <i>Currency in Circulation</i>	14,847.9	20,216.4	19,640.1	32.3	-2.9
. <i>Banks Deposits at NBE**</i>	12,206.1	15,334.7	16,143.0	32.3	5.3
<b>5. Money Multiplier (Ratio):</b>					
. <i>Narrow Money to Reserve Money</i>	1.1	1.0	1.0	-6.7	3.9
. <i>Broad Money to Reserve Money</i>	2.2	1.9	2.0	-7.6	4.1
<b>6. Other Monetary Ratios (%):</b>					
. <i>Currency to Narrow Money</i>	49.5	57.2	53.1	7.2	-7.1
. <i>Currency to Broad Money</i>	25.4	29.7	27.5	8.3	-7.3
. <i>Narrow Money to Broad Money</i>	51.2	51.8	51.8	1.0	-0.2
. <i>Quasi Money to Broad Money</i>	48.8	48.2	48.2	-1.1	0.2

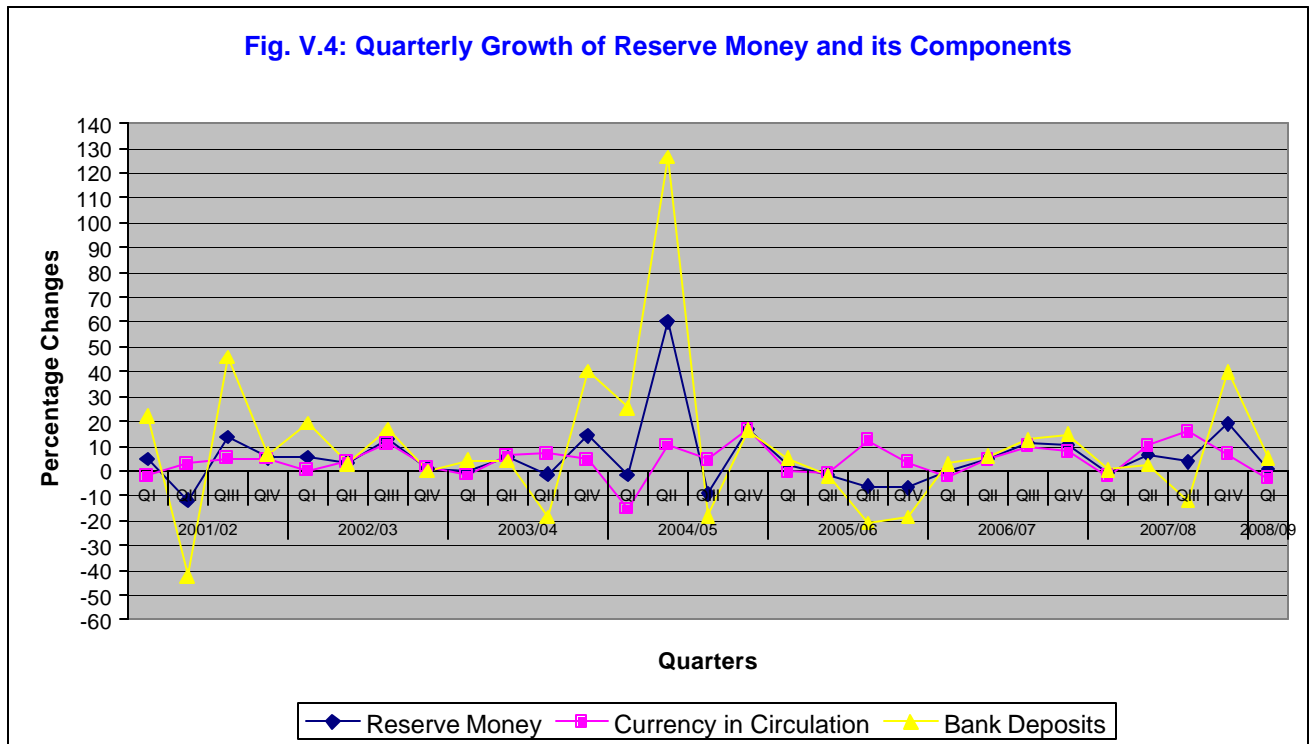
**Source:** NBE and commercial banks

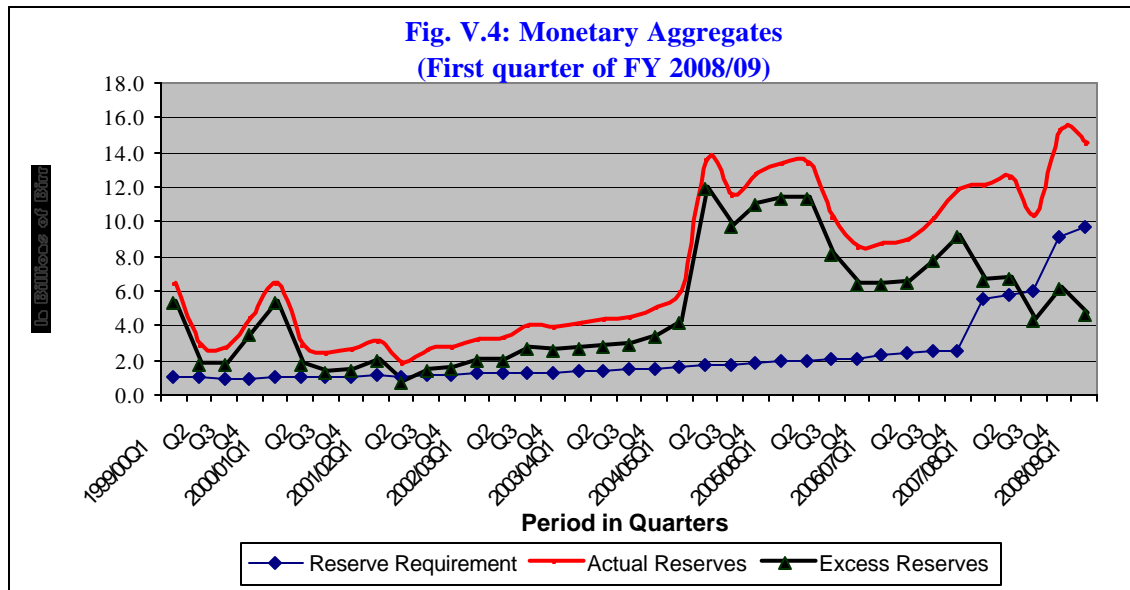
\* Data obtained from commercial banks balance sheet balance sheet

\*\* Data obtained from NBE

The ratio of quasi money to broad money grew by 0.2 percent in the first quarter of 2008/09 vis-à-vis the preceding quarter, indicating a relatively larger savings mobilization, and a shift from currency to

deposit holding by the public. On annual basis, however, all ratios, except quasi money to broad money, registered noticeable increments.





Source: NBE

### 5.3 Interest Rate Developments

Average savings and weighted demand deposit rates of commercial banks stood at the preceding quarter level of 4.08 and 0.04 percent, respectively. While time deposit rate declined from 5.16 to 5.11 percent, bond yields remained at the preceding quarter level of 4.14 percent.

In contrast, weighted average yield on T-bills slightly rose to 0.65 percent from 0.62 percent in the previous quarter.

All deposit interest rates, weighted average yields on T-bills and government bonds remained negative in real terms during the review quarter as a result of higher inflation.

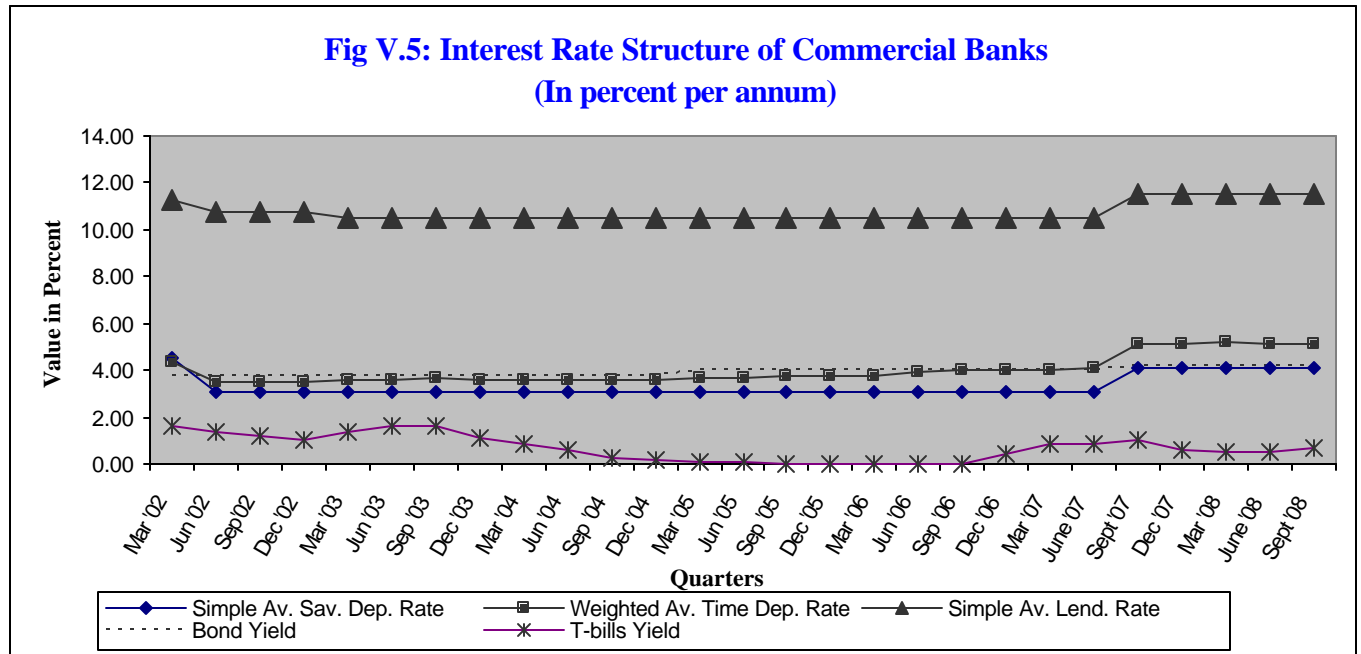
**Table 5. 4: Interest Rate Structure of Commercial Banks (In % per annum)**

Particulars	2006	2007	2008
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	Ma r	Ju n	Se p	De c	Ma r	Jun	Sept	Dec.	Mar	June	Sept
<b>1. Savings Deposit Rate</b>											
? Minimum	3	3	3	3	3	3	4	4	4	4	4
? Maximum	3.15	3.15	3.15	3.15	3.15	3.15	4.15	4.15	4.15	4.15	4.15
<b>Average Savings Rate</b>	<b>3.08</b>	<b>3.08</b>	<b>3.08</b>	<b>3.08</b>	<b>3.08</b>	<b>3.08</b>	<b>4.08</b>	<b>4.08</b>	<b>4.08</b>	<b>4.08</b>	<b>4.08</b>
<b>2. Time Deposit Rate</b>											
? Up to 1 year	3.52	3.6	3.58	3.59	3.63	3.64	4.61	4.59	4.68	4.67	4.67
? 1 - 2 years	3.79	4.01	4.01	4.02	4.07	4.11	5.16	5.13	5.25	5.23	5.15
? Over 2 years	4.06	4.3	4.4	4.42	4.44	4.49	5.52	5.47	5.61	5.59	5.50
<b>Average Time Dep. Rate</b>	<b>3.79</b>	<b>3.97</b>	<b>4.00</b>	<b>4.01</b>	<b>4.05</b>	<b>4.08</b>	<b>5.1</b>	<b>5.1</b>	<b>5.18</b>	<b>5.16</b>	<b>5.11</b>
<b>3. Demand Deposit Rate (Weighted)</b>	0.06	0.06	0.06	0.06	0.05	0.06	0.04	0.04	0.04	0.04	0.04
<b>4. Lending Rate</b>											
? Minimum	7	7	7	7	7	7	8	8	8	8	8
? Maximum	14	14	14	14	14	14	15	15	15	15	15
<b>Average Lending Rate</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>
<b>5. T-bills Rate (Simple Weighted Ave.)</b>	0.04	0.04	0.03	0.42	0.82	0.82	1.01	0.57	0.50	0.62	0.65
<b>6. Bond Yield (Simple Average)*</b>	4.00	4.00	4.00	4.00	4.00	4.00	4.14	4.14	4.14	4.14	4.14

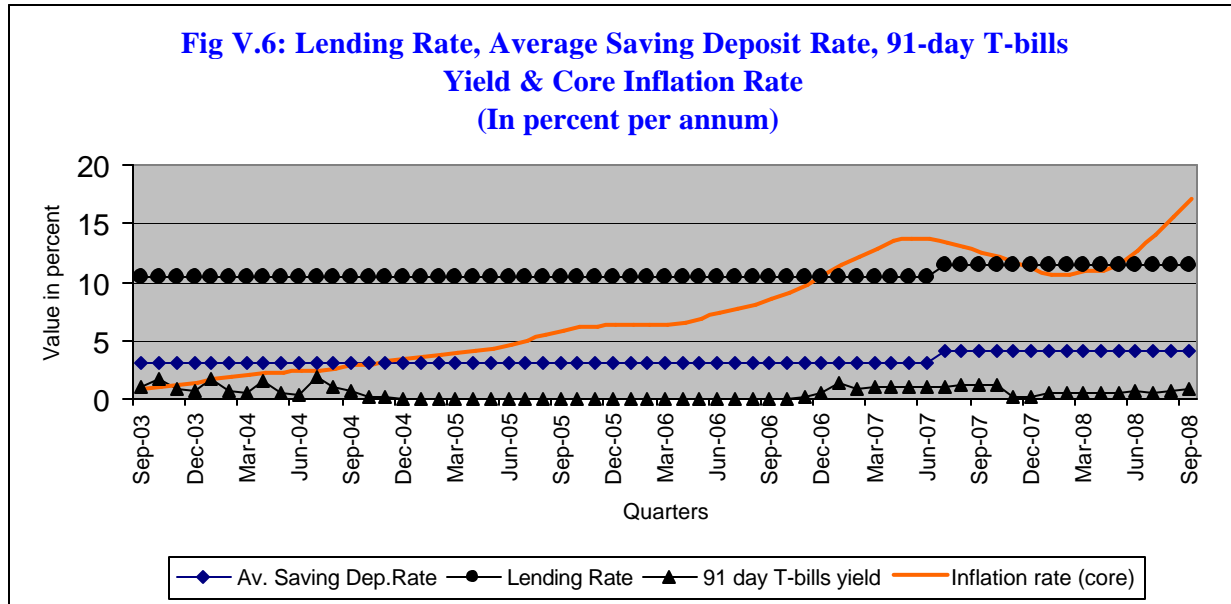
Source: NBE and commercial banks

\* Shows average bond yield on outstanding government and corporate bonds



Source: NBE





Source: NBE

## 5.4 Developments in Financial Sector

The major financial institutions operating in Ethiopia are banks, insurance companies and microfinance institutions. With the establishment of two new banks, namely, Zemen Bank and Oromiya International Bank, the number of banks has grown to 13, of which 10 are private commercial banks while the remaining three public banks.

Six new bank branches were opened during the first quarter of 2008/09, thus, raising the total number of bank branches to 568. Consequently, the ratio of bank branch to total population dropped from 136,108

during the fourth quarter of 2007/08 to 134,670.

About 38.2 percent of the total bank branches are located in Addis Ababa, major business centre and capital of the country.

Out of the total number of bank branches, the share of private banks slightly increased to 53.5 percent from 53.0 percent in the preceding quarter.

The total capital of the banking system reached Birr 10.5 billion by the end of the first quarter of 2008/09, which was 5.6 percent higher than that of the previous quarter.

Of the total capital, the share of private banks rose to 36.2 percent from 33.8 percent in the previous quarter, largely reflecting the new injection of capital by the newly established banks.

Meanwhile, the number of insurance companies stood at 10, while their branches went up to 175, following the opening up of two new branches by NIB Insurance Company and Awash Insurance Company. Private insurance companies accounted for 78.9 percent of the total branches.

Accordingly, one branch insurance company in the country serves almost 437,101 people. Of the total branches of insurance companies, 52 percent were situated in Addis Ababa.

The number of micro finance institutions (MFIs) operating in the country was 28 by end September 2008. These institutions mobilized deposits amounting to Birr 1.7 billion, up by 7.7 percent against the

previous quarter. Similarly, credit outstanding of the MFIs grew by 4.4 percent to Birr 4.7 billion and their total assets to Birr 5.7 billion by the end of the review quarter.

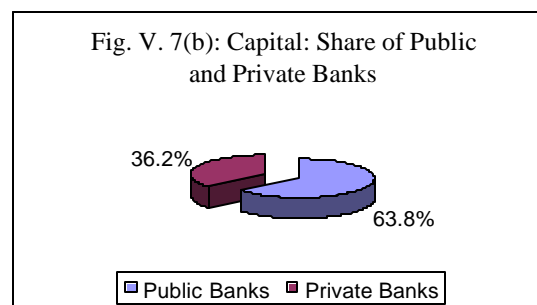
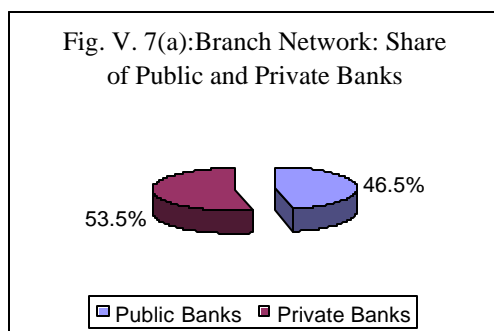
The top five largest MFIs; namely, Amhara, Dedebit, Oromia, Omo and Addis Credit and Savings Institutions accounted for 84.5 percent of the total capital, 92.8 percent of the savings, 90.7 percent of credit, and 90.5 percent of the total assets of the MFIs operating in the country.

**Table 5.5: Capital and Branch Network of Banking System by End of September 30, 2008  
(Branch in Number and Capital in Millions of Birr)**

Particulars	Branch Network							Capital *	
	2007/08			2008/09				2007/08	2008/09
	Quarter IV			Quarter I				Quarter IV	Quarter I
	Regions	Total	% Share	Regions	Addis Ababa	Total	% Share		
<b>Public Banks</b>									
Commercial Bank of Ethiopia	156	205	36.5	156	49	205	36.1	4561	4561
Construction & Business Bank	15	27	4.8	15	12	27	4.8	175	196
Development Bank of Ethiopia	31	32	5.7	31	1	32	5.6	1865	1916
<b>Total Public Banks</b>	<b>202</b>	<b>264</b>	<b>47.0</b>	<b>202</b>	<b>62</b>	<b>264</b>	<b>46.5</b>	<b>6601</b>	<b>6673</b>
<b>Private Banks</b>									
Awash International Bank	24	53	9.4	24	29	53	9.3	480	508
Dashen Bank	24	48	8.5	24	24	48	8.5	676	756
Abyssinia Bank	19	42	7.5	20	25	45	7.9	416	408
Wegagen Bank	22	40	7.1	23	18	41	7.2	467	643
United Bank	13	36	6.4	13	23	36	6.3	467	470
Nib International Bank	16	42	7.5	16	26	42	7.4	489	492
Cooperative Bank of Oromiya	18	20	3.6	18	2	20	3.5	137	150
Lion International Bank	11	17	3.0	11	6	17	3.0	177	183
Zemen Bank					1	1	0.2		87
Oromia International Bank					1	1	0.2		91
<b>Total Private Banks</b>	<b>147</b>	<b>298</b>	<b>53.0</b>	<b>149</b>	<b>155</b>	<b>304</b>	<b>53.5</b>	<b>3309</b>	<b>3788</b>
<b>Grand Total Banks</b>	<b>349</b>	<b>562</b>	<b>100.0</b>	<b>351</b>	<b>217</b>	<b>568</b>	<b>100.0</b>	<b>9910</b>	<b>10461</b>

Source: NBE

\* Excludes provisions for profit/loss



Source: NBE

**Table 5. 6: Branch Network & Capital of Insurance Companies by September 30, 2008  
(Branch in Number and Capital in Millions of Birr)**

Insurance Companies	Branch				Capital	
	Quarter IV 2007/08	Quarter I 2008/09			Quarter IV 2007/08	Quarter I 2008/09
	Total	Addis Ababa	Regions	Total	2007/08	2008/09
Ethiopian Insurance	37	11	26	37	229.3	241.5
Awash Insurance	21	13	9	22	51.5	50.1
Africa Insurance	13	6	7	13	46.1	54.7
National Insurance Co. of Ethiopia	14	8	6	14	13.4	12.3
United Insurance	19	13	6	19	56.3	38.3
Global Insurance	7	4	3	7	20.3	21.2
Nile Insurance	19	10	9	19	53.1	56.2
Nyala Insurance	16	8	8	16	56.1	53.4
Nib Insurance	16	12	6	18	45.1	38.0
Lion Insurance	10	6	4	10	10.9	9.1
<b>TOTAL</b>	<b>172</b>	<b>91</b>	<b>84</b>	<b>175</b>	<b>582.08</b>	<b>574.6</b>

Source: NBE

## 5.5 Activities of Banking System

### 5.5.1. Resource Mobilization

Resource mobilized (consisting of deposits, collection of loans and borrowings) by the banking system reached Birr 10.4 billion during the first quarter of 2008/09, up by

39.8 and 31.5 percent vis-à-vis the preceding quarter and same quarter of last year, respectively. This was largely attributed to the surge in net deposits.

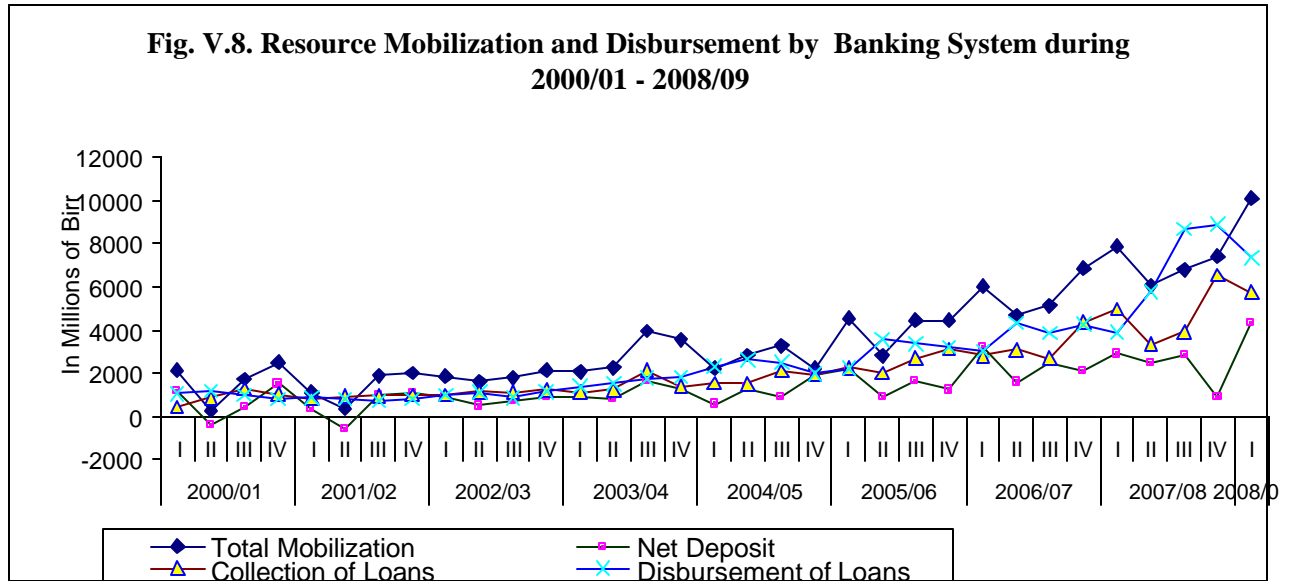
**Table 5.7: Summary of Resource Mobilization & Disbursement of Banking System during First Quarter of 2008/09**

(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			Percentage Change	
	1		2		(3) = (1) + (2)				
	Qtr.IV 2007/08	Qtr.I 2008/09	Qtr.IV 2007/08	Qtr.I 2008/09	Qtr.I 2007/08	Qtr.IV 2007/08	Qtr.I 2008/09	C/A	C/B
					A	B	C		
<b>Deposits (net change)</b>	-329.3	2,504.7	1,193.4	1,849.8	2,897.8	864.1	4,354.5	50.3	403.9
-Demand	-1,010.3	1,823.1	516.5	785.1	1,496.6	-493.8	2,608.2	74.3	-628.2
-Saving	705.0	673.1	943.3	1,312.8	1,280.0	1,648.3	1,985.9	55.1	20.5
-Time	-24.0	8.6	-266.4	-248.1	121.2	-290.4	-239.5	-297.6	-17.5
								-	
								17,260.	4,972.
<b>Borrowing (net change)</b>	5.0	-1.2	0.0	0.0	-1.5	5.0	252.1	0	0
								-	
								16,110.	5,406.
-Local	4.3	-1.2	0.0	0.0	-1.5	4.3	235.2	1	6
									2,316.
-Foreign	0.7	0.0	0.0	0.0	0.0	0.7	16.9	-	5
<b>Collection of Loans</b>	3,664.6	3,340.2	2,878.2	2,413.1	4,979.2	6,542.8	5,753.3	15.5	-12.1
<b>Total Resources Mobilized (1+2+3)</b>	3,340.3	5,843.7	4,071.6	4,262.9	7,875.5	7,411.9	10,359.	8	31.5
<b>Disbursement</b>	6,120.4	4,961.1	2,755.2	2,406.1	3,908.1	8,875.6	7,367.1	88.5	-17.0
<b>Change in Liquidity (4-5)</b>	-2,780.2	882.6	1,316.4	1,856.8	3,967.4	-1,463.7	2,739.4	-31.0	-287.1
Memorandum Item:									
							48,732.		
- Outstanding Credit*	31,666.6	32,599.7	16,575.2	16,132.6	46,717.8	48,241.8	3	4.3	1.0
- Outstanding Inter-bank Lending	176.5	359.4	0.0	0.0	204.3	176.5	359.4	75.9	103.7

Source: Commercial banks and NBE staff computation

\* Excluding corporate bonds



Source: NBE

### A) Deposit Mobilization

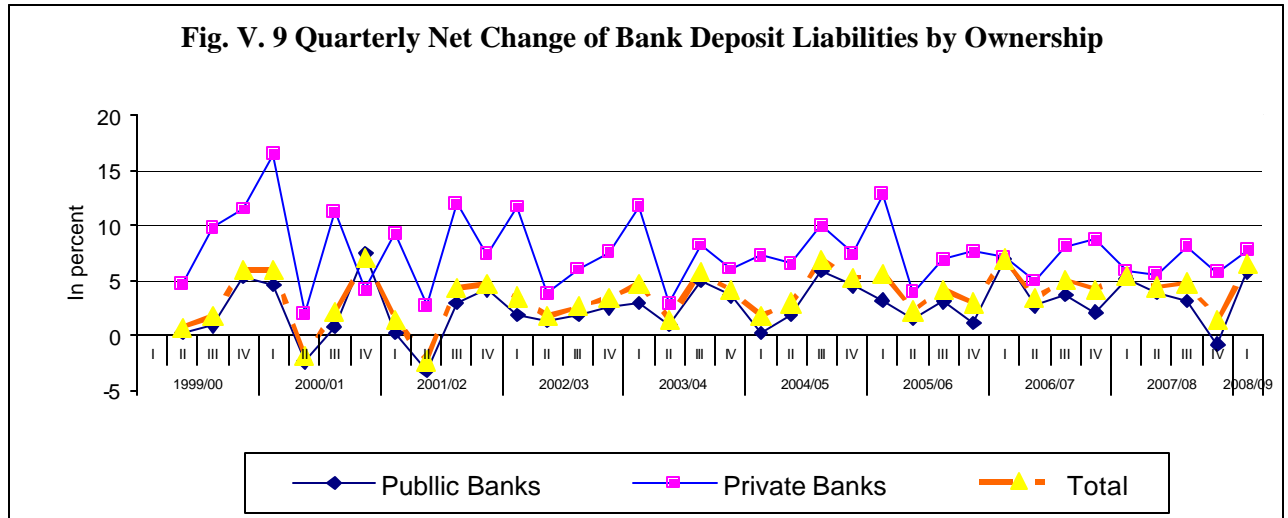
Total deposit liabilities of the banking system registered a quarterly and annual growth rates of 6.9 and 18.6 percent,

respectively, and reached Birr 67.3 billion by the end of the first quarter of 2008/09.

**Table 5.8 Stock of Deposits Mobilized by Banking System by End of September 2008**  
(In Millions of Birr)

Particulars	2007/08		2008/09				Percentage Change	
	Quarter IV	%	Quarter I	%	Quarter I	%	C/A	C/B
	A	Share	B	Share	C	Share		
Demand Deposit	29,742.0	47.2	27,764.2	48.9	32,350.2	48.1	8.8	16.5
Savings Deposit	29,482.2	46.8	24,998.8	44.0	31,468.1	46.8	6.7	25.9
Time Deposit	3,732.0	5.9	4,000.1	7.0	3,492.5	5.2	-6.4	-12.7
<b>Total</b>	<b>62,956.3</b>	<b>100.0</b>	<b>56,763.0</b>	<b>100.0</b>	<b>67,310.8</b>	<b>100.0</b>	<b>6.9</b>	<b>18.6</b>
Share of Public Banks	64.8		67.6		64.3		-0.72	-4.9
Share of Private Banks	35.2		32.4		35.7		1.3	10.2

Source: NBE



Source: NBE

Component wise, time deposits showed a marginal quarterly and annual decline of 6.4 percent and 12.7 percent, respectively. On the other hand, saving deposits increased by 6.7 and 25.9 percent on quarterly and annual basis, respectively and reached Birr 31.5 billion. Similarly, demand deposits went up by 8.8 and 16.5 percent during the same period.

The share of government owned banks in total deposits slightly fell to 64.3 percent from 64.8 percent in the previous quarter, whereas that of private commercial banks rose to 35.7 percent, from 35.2 percent in the previous quarter.

## B) Collection of Loans

Collection of loans by the banking system went down by 12 percent in the review quarter compared to the preceding quarter, but went up by 15.5 percent vis-à-vis the corresponding

period of last year.

Of the total loans collected, Birr 2.4 billion (41.9 percent) was by private banks and the balance by public banks. About 62.3 percent of the total loan was collected from the private sector followed by cooperatives (21.1 percent) and public enterprises (16.1 percent).

### **C) Borrowing**

The total outstanding borrowing of the banking system reached Birr 2.9 billion at the end of the first quarter, registering an annual and quarterly growth rate of 21.7 and 9.4 percent, respectively. On annual basis, domestic and external borrowing of

banks rose by 22 and 20.4 percent, respectively. Of the total borrowing, Birr 2.4 billion (82.2 percent) was from domestic sources, while the remaining Birr 523 million (17.8 percent) from external sources.



**Table 5. 9: Outstanding Borrowing of Banking System by Sources by End of September 2008**

(In Millions of Birr)

Particulars	2007/08		2008/09	Percentage Change	
	Quarter IV	Quarter I	Quarter I		
	A	B	C	C/B	C/A
Domestic Borrowing	2,174.5	1,975.4	2410.5	22.0	10.9
External Borrowing	506.1	434.3	523.0	20.4	3.3
<b>Total</b>	<b>2,680.6</b>	<b>2,409.7</b>	<b>2933.5</b>	<b>21.7</b>	<b>9.4</b>

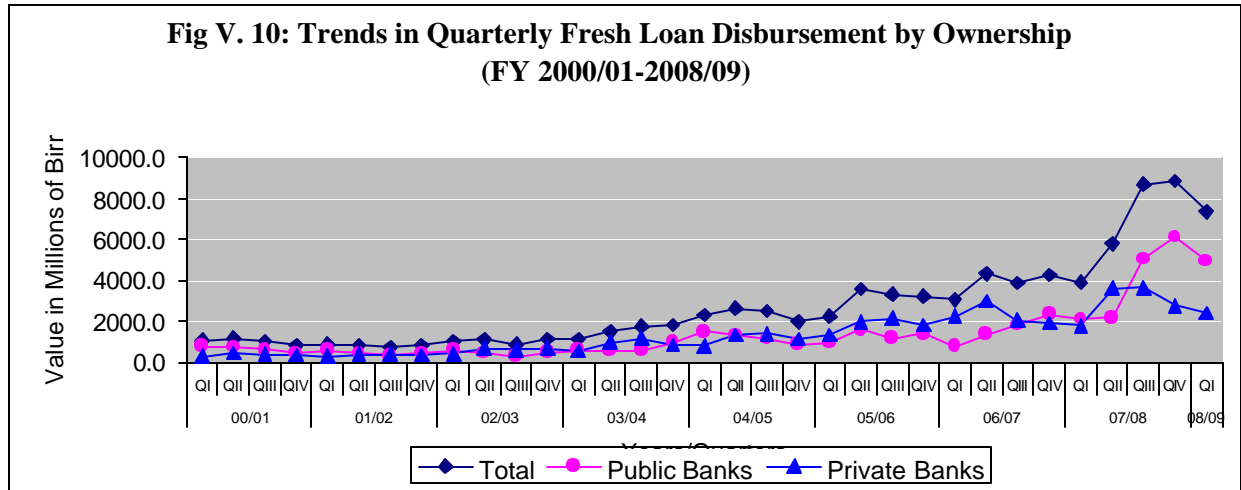
Source: NBE

### 5.5.2 Disbursement of Fresh Loans

Fresh loan disbursements by banks increased by 88.5 percent to Birr 7.4 billion compared to the corresponding period of last year, but declined by 17.0 percent vis-à-vis the preceding quarter. Of the total new loans disbursed, 32.7 percent was provided by private commercial banks.

Regarding the beneficiaries of the new loans, some 52.8 percent went to finance

international trade followed by housing and construction (14.1 percent), domestic trade (12.5 percent), industry (8.4 percent), and agriculture (5.2 percent). The other major beneficiary was the transport and communications sub-sector, receiving about 3.4 percent of the total fresh loans disbursed during the stated period.



Source: NBE

### 5.5.3 Outstanding Credit

By the end of September 2008, the total outstanding credit of the banking system (including credit to the government) reached Birr 48.7 billion, 1.0 and 4.3 percent higher than that of the preceding quarter and the same period of last year, respectively. Of the total outstanding credit, the private sector took the lion's share (59.0 percent) followed by public enterprises (22.5 percent) and central government (13.3 percent).

Sector-wise, credit channeled to the international trade ranked first accounting for 27.2 percent of the total credit, followed by industry (17.0 percent), central government (13.3 percent), housing and construction (11.0 percent), agriculture (10.1 percent), domestic trade (9.8 percent), as well as transport and communications (5.2 percent).

**Table 5. 10: Summary of Loans and Advances by Receiving Sectors during First Quarter of 2008/09 (In Millions of Birr)**

Particulars	Public Banks			Private Banks			Total		
	(1)			(2)			(3)		
	D**	C**	O/S**	D**	C**	O/S**	D**	C**	O/S**
Central Government *			6488.6			0.0			6488.6
Agriculture	311.4	961.1	4,330.9	73.0	68.1	584.9	384.5	1,029.2	4,915.9
Industry	342.7	180.6	5,394.4	278.7	237.0	2,904.0	621.5	417.5	8,298.4

First Quarter 2008/09

Domestic Trade	129.9	334.2	1,115.2	791.5	672.7	3,684.0	921.5	1,006.8	4,799.2
International Trade	3,079.4	934.4	8,849.2	810.1	944.8	4,393.1	3,889.5	1,879.2	13,242.3
Exports	71.2	330.1	767.6	234.9	531.0	1,437.5	306.1	861.1	2,205.1
Imports	3,008.2	604.3	8,081.6	575.2	413.8	2,955.6	3,583.4	1,018.1	11,037.2
Hotels and Tourism	44.0	27.2	526.7	22.3	13.2	306.8	66.3	40.3	833.5
Transport & Communications	185.9	351.6	1,201.4	66.7	168.2	1,335.6	252.6	519.8	2,537.0
Housing & Construction	768.5	409.7	2,972.8	270.5	232.3	2,390.2	1,039.0	642.0	5,363.1
Mines, Power & Water Res.	0.0	0.0	0.0	0.0	0.3	11.9	0.0	0.3	11.9
Others	75.3	97.2	1,261.3	76.1	64.7	435.9	151.4	161.9	1,697.2
Personal	23.8	15.4	99.8	17.2	11.8	86.1	41.0	27.1	185.9
InterBank Lending	0.0	29.0	359.4	0.0	0.0	0.0	0.0	29.0	359.4
<b>Total</b>	<b>4,961.1</b>	<b>3,340.2</b>	<b>32,599.7</b>	<b>2,406.1</b>	<b>2,413.1</b>	<b>16,132.6</b>	<b>7,367.1</b>	<b>5,753.3</b>	<b>48,732.3</b>

Source: Commercial banks and staff computation

\* Government borrowing in the form of bonds and Treasury bills from commercial banks and other sectors other than NBE

\*\* D = disbursement, C = collection and O/S= outstanding credit

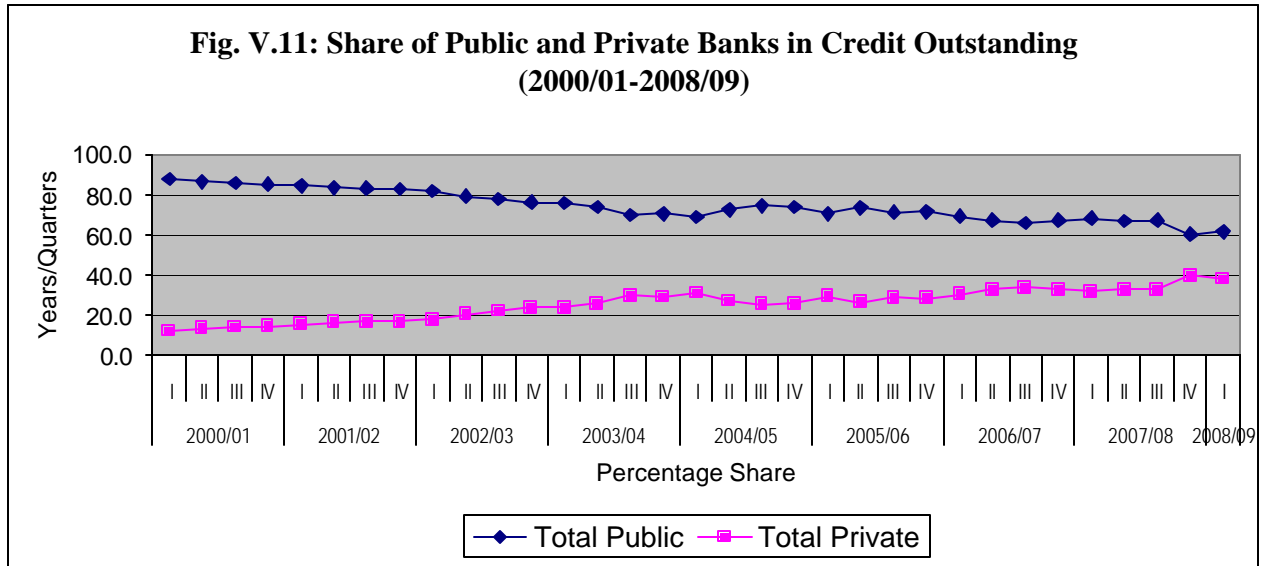
**Table 5. 11: Breakdown of Loans & Advances by Clients during First Quarter 2008/09**

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
<b>Public Banks</b>	<b>4,961.1</b>	<b>67.3</b>	<b>3,340.2</b>	<b>58.1</b>	<b>32,599.7</b>	<b>66.9</b>
Central Government*	0.0	0.0	0.0	0.0	6,488.6	19.9
State Enterprises	3,744.5	75.5	926.4	27.7	10,958.0	33.6
Cooperatives	195.7	3.9	1,139.7	34.1	2,062.0	6.3
Private Enterprises	1,020.8	20.6	1,245.1	37.3	12,731.8	39.1
Interbank Lending	0.0	0.0	29.0	0.9	359.4	1.1
<b>Private Banks</b>	<b>2,406.1</b>	<b>32.7</b>	<b>2,413.1</b>	<b>41.9</b>	<b>16,132.6</b>	<b>33.1</b>
Central Government*	0.0	0.0	0.0	0.0	0.0	0.0
State Enterprises	0.0	0.0	0.1	0.0	14.9	0.1
Cooperatives	245.9	10.2	74.7	3.1	108.8	0.7
Private Enterprises	2,160.2	89.8	2,338.2	96.9	16,008.9	99.2
Interbank Lending	0.0	0.0	0.0	0.0	0.0	0.0
<b>Grand Total</b>	<b>7,367.1</b>	<b>100.0</b>	<b>5,753.3</b>	<b>100.0</b>	<b>48,732.3</b>	<b>100.0</b>

Source: NBE

\* Refers to government bonds and Treasury bill holdings



Source: NBE

## 5.6 Financial Activities of NBE

Total claims of NBE on the central government reached Birr 44.3 billion at the end of the first quarter of 2008/09. This was 6.5 and 46.3 percent greater than that of the preceding quarter and same period last year, respectively. Direct advances reached Birr 34.6 billion (or 78.1 percent of total claims), showing a quarterly and annual increment of 8.7 and 69.7 percent, respectively. In contrast, NBE's holdings of government bonds declined by 2.1 percent compared to last year and reached Birr 9,693.0 million by the end of the review quarter.

Meanwhile, the deposits of the Federal Government and financial institutions at the NBE reached Birr 23.9 billion, up by 10.2 percent against the preceding quarter and 17.4 percent vis-à-vis the corresponding period of last year. Of the total deposits, 30.2 percent belongs to the Federal Government, which declined annually by 10.1 percent but increased quarterly by 17.3 percent. Similarly, the deposits of financial institutions registered an annual and quarterly increment of 35.2 and 7.4 percent, respectively.

**Table 5. 12: Financial Activities of NBE during First Quarter of 2008/09**

(In Millions of Birr)

Particulars	2007/08		2008/09	% Change	
	Qtr.IV	Qtr.I	Qtr.I	C/A	C/B
	A	B	C		
<b>1.Loans and Advances</b>	<b>41,563.1</b>	<b>30,269.30</b>	<b>44,271.0</b>	<b>6.5</b>	<b>46.3</b>
1.1. To Federal Government	41,563.1	30,269.3	44,271.0	6.5	46.3
Direct Advance	31,818.0	20,370.0	34,578.0	8.7	69.7
Bonds	9,745.1	9,899.3	9,693.0	-0.5	-2.1
1.2.To Development Bank of Ethiopia	0.0	0.0	0.0	0.0	-
<b>2.Deposit Liabilities</b>	<b>21,710.9</b>	<b>20,391.6</b>	<b>23,929.6</b>	<b>10.2</b>	<b>17.4</b>
2.1. Government	6,157.3	8,032.3	7,223.0	17.3	-10.1
2.2. Financial Institutions	15,553.6	12,359.3	16,706.6	7.4	35.2
O/W:					
-Banks	15,516.2	12,323.4	16,669.2	7.4	35.3
-Insurance companies	37.4	35.9	37.4	0.0	4.2
<b>3.Net Claims of NBE</b>	<b>19,852.2</b>	<b>9,877.7</b>	<b>20,341.4</b>	<b>2.5</b>	<b>105.9</b>

Source: NBE

## 5.7 Developments in Financial Markets

### 5.7.1 Treasury Bills Market

The amount of T-bills supplied to the auction market was Birr 7.9 billion during the first quarter of 2008/09. Of the total bills supplied, bills worth Birr 7.1 billion were sold. The amount of T-bills fell by 15 and 61 percent compared to the preceding quarter and same period last year, respectively. The demand for T-bills reached Birr 9.9 billion which increased by about 20 percent compared to the preceding quarter but declined by 58 percent against the corresponding period of last year.

All the T-bills sold in the review quarter

were bought by the non-bank institutions. As a result, the outstanding T-bills held by banks dwindled dramatically and reached Birr 2.3 billion or 29.4 percent from Birr 12.6 billion (86.4 percent) a year ago.

The average weighted yield on T-bills of different maturities, except for the 28-day bills, rose in the review quarter, vis-à-vis the preceding quarter. Accordingly, the yield on 28-day bills declined from 0.805 percent in the previous quarter to 0.501 percent. Year-on-year basis, yields of all

types of T-bills declined and stood at 0.65 percent compared to 1.01 percent last year.

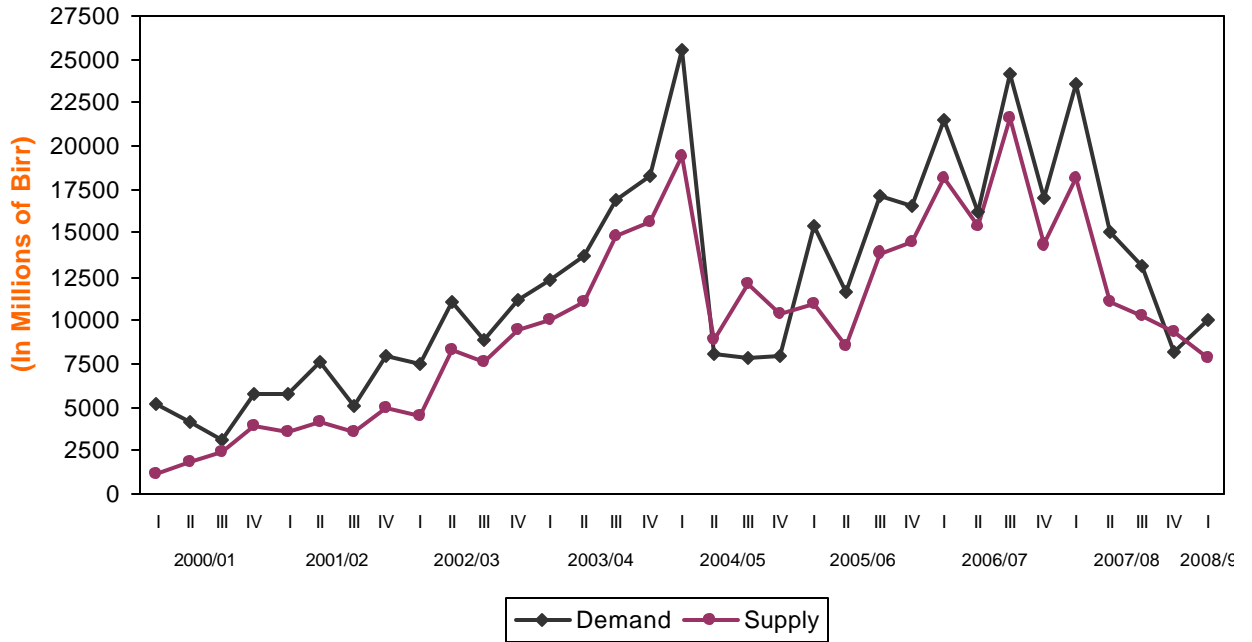
**Table 5. 13: Results of Treasury Bills Auction**

Particulars	2007/08		2008/09	% Change	
	Qtr.I	Qtr.IV	Qtr.I	C/A	C/B
	A	B	C		
<b>Number of Bidders</b>	<b>51</b>	<b>42</b>	<b>71</b>	<b>39.22</b>	<b>69.05</b>
Public	38	41	48	26.32	17.07
Private	13	1	23	76.92	2200.00
<b>Number of Bids Accepted</b>	<b>60</b>	<b>44</b>	<b>77</b>	<b>28.33</b>	<b>75.00</b>
Public	38	42	50	31.58	19.05
Private	22	2	27	22.73	1250.00
<b>Amount Demanded (Mn.Birr)</b>	<b>23,580.00</b>	<b>8,226.51</b>	<b>9,883.21</b>	<b>-58.09</b>	<b>20.14</b>
28-day bill	10,088.00	1,612.51	2,510.00	-75.12	55.66
91-day bill	6,964.00	3,300.00	5,896.00	-15.34	78.67
182-day bill	6,528.00	3,314.00	1,477.21	-77.37	-55.43
<b>Amount Supplied (Mn.Birr)</b>	<b>18,087.00</b>	<b>9,406.00</b>	<b>7,889.50</b>	<b>-56.38</b>	<b>-16.12</b>
28-day bill	6,500.00	1,320.00	1,572.50	-75.81	19.13
91-day bill	6,774.00	2,770.00	3,885.00	-42.65	40.25
182-day bill	4,813.00	5,316.00	2,432.00	-49.47	-54.25
<b>Amount Sold (Mn.Birr)</b>	<b>18,186.71</b>	<b>8,326.36</b>	<b>7,080.00</b>	<b>-61.07</b>	<b>-14.97</b>
Banks	15,170.00	4,219.00	0.00	-100.00	-100.00
Non-Banks	2,917.00	4,007.51	7,080.00	142.72	76.67
<b>Average Weighted Price for Successful Bids (Birr)</b>	<b>99.709</b>	<b>99.854</b>	<b>99.808</b>	<b>0.099</b>	<b>-0.046</b>
28-day bill	99.935	99.940	99.962	0.03	0.02
91-day bill	99.717	99.850	99.815	0.10	-0.04
182-day bill	99.476	99.771	99.647	0.17	-0.12
<b>Average Weighted Yield for Successful Bids (%)</b>	<b>1.014</b>	<b>0.623</b>	<b>0.651</b>	<b>-36.151</b>	<b>13.087</b>
28-day bill	0.848	0.805	0.501	-40.92	-37.76
91-day bill	1.139	0.604	0.743	-34.77	23.01
182-day bill	1.056	0.461	0.710	-32.77	54.01
<b>Outstanding bills at the end of Period (Mn.Br.)</b>	<b>14,546.00</b>	<b>8,327.00</b>	<b>7,912.21</b>	<b>-45.61</b>	<b>-4.98</b>
Banks	12,561.00	2,739.00	2,344.00	-81.34	-14.42

Non-Banks	1,985.00	5,588.00	5,568.21	<b>180.51</b>	<b>-0.35</b>
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Source: NBE

**Fig V.12: Nexus of Supply and Demand in T-Bills Market**



Source: NBE

### **5.7.2 Inter Bank Money Market**

No interbank money market transaction was conducted in the first quarter of 2008/09.