

V. MONETARY DEVELOPMENTS

During the second quarter of 2008/09, NBE continued to follow-up the impacts of policy measures during the previous quarters so as to lessen the inflationary pressures witnessed in recent years.

The policy measures, 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

During the second quarter of 2008/09, domestic liquidity as measured by broad money supply (M2) reached Birr 75.9 billion, 6.3 and 24.1 percent higher than the preceding quarter and same period of last year, respectively. This growth is entirely attributed to a surge in domestic credit, which offset the decline in net foreign assets.

Domestic credit witnessed an annual growth rate of 26.6 percent wholly on

account of considerable expansion in credit to the non-government sector (51.9 percent increase), offsetting the decline in credit to the government.

Meanwhile, net foreign assets depicted an annual and a quarterly draw down of 28.0 and 1.5 percent respectively, and reached Birr 10.2 billion at the end of the second quarter of 2008/09. The significant fall in the net foreign assets reflects the financing of the current account deficit.

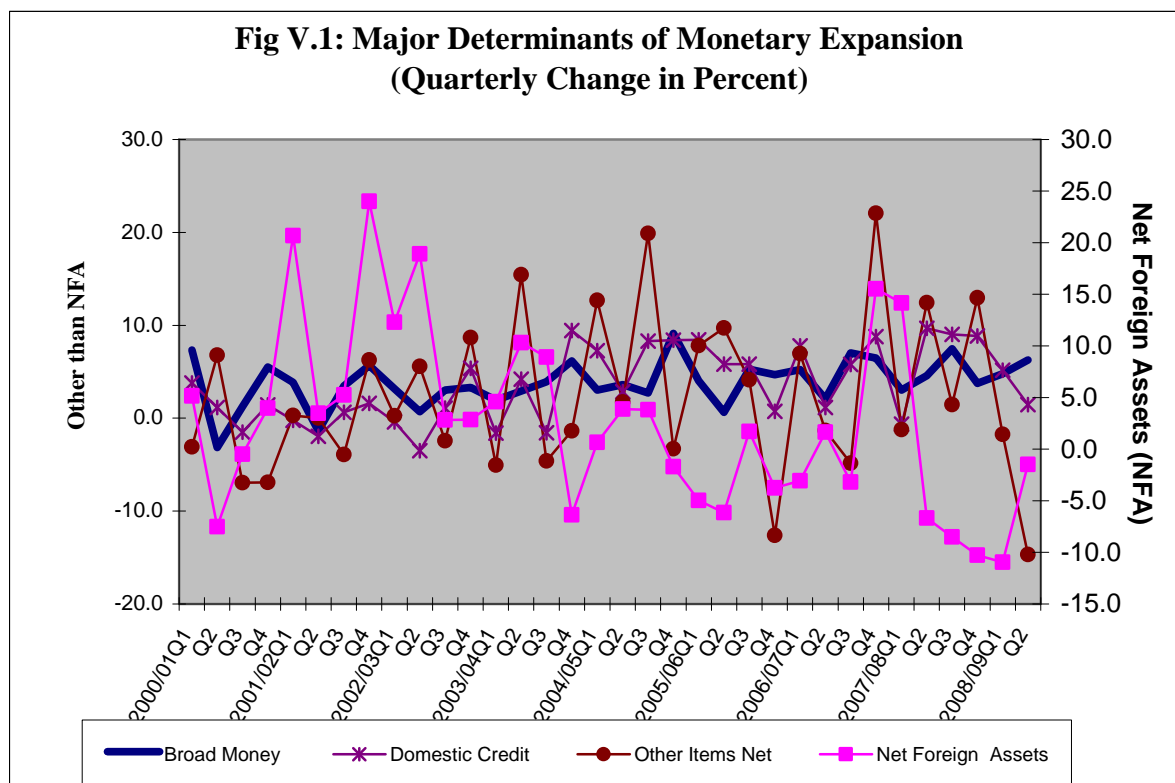
Table 5.1: Factors Influencing Broad Money

Second Quarter 2008/09

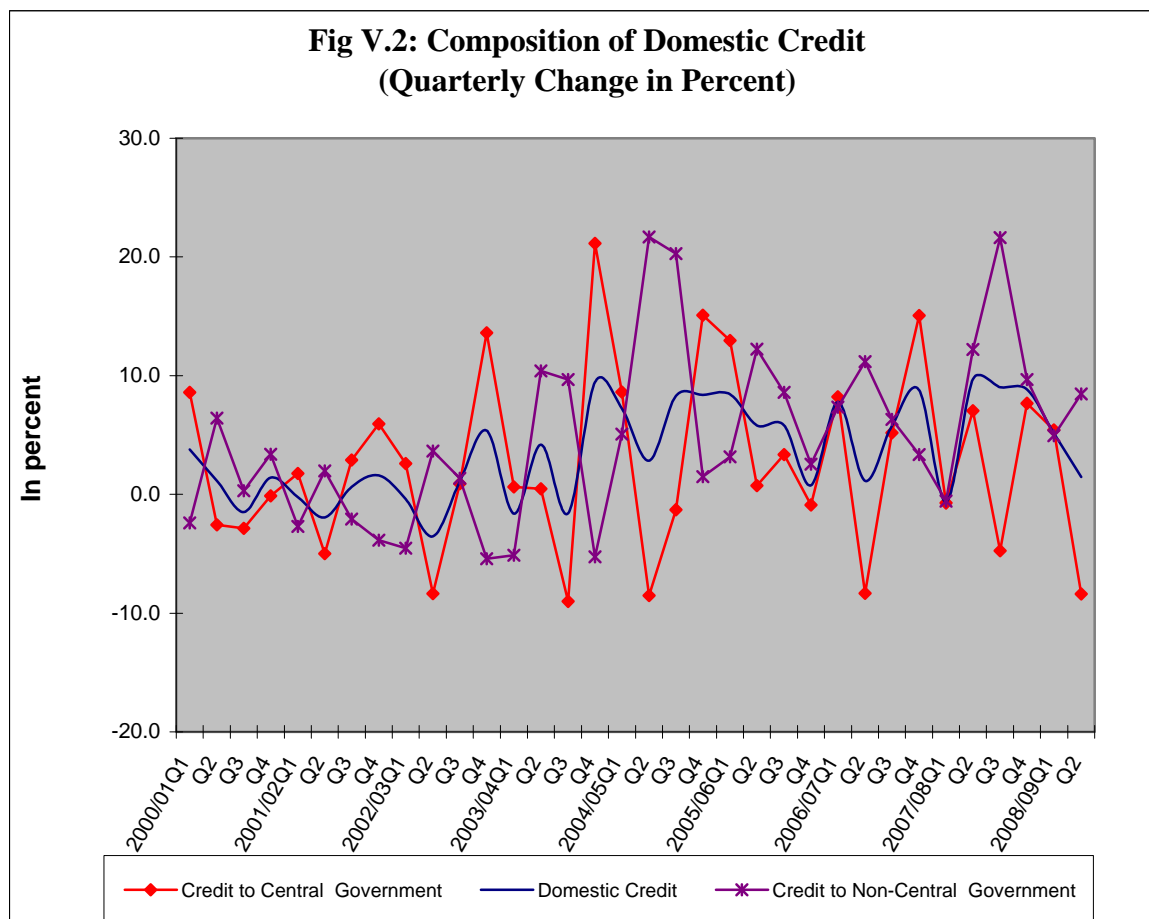
(In Millions of Birr)

Particulars	2007/08	2008/09		Percentage Change	
	Qtr. II	Qtr. I	Qtr. II	C/A	C/B
	(Dec 07)	(Sept 08)	(Dec 08)		
	A	B	C		
1. External Assets (net)	14,210.4	10,387.8	10,233.5	-28.0	-1.5
2. Domestic Credit	67,400.1	84,088.6	85,327.7	26.6	1.5
<i>. Claims on Central Gov't (net)</i>	32,245.3	34,872.4	31,944.4	-0.9	-8.4
<i>. Claims on Other Sector's</i>	35,154.8	49,216.2	53,383.3	51.9	8.5
<i>. Financial Institutions</i>	0.0	0.0	0.0		
<i>. Others</i>	35,154.8	49,216.2	53,383.3	51.9	8.5
3. Other Items (net)	20,461.7	23,040.0	19,657.4	-3.9	-14.7
4. Broad Money (M2)	61,148.8	71,436.3	75,903.7	24.1	6.3

Source: National Bank of Ethiopia (NBE)



Source: NBE



Source: NBE

As for the components of broad money, both narrow and quasi-money registered an annual growth rates of 29.9 and 18.2 percent, respectively driven by rises in all components of broad money, except time deposits. On quarterly basis, currency outside banks, demand deposits and saving deposits grew by 6.7, 11.2 and 3.4 percent

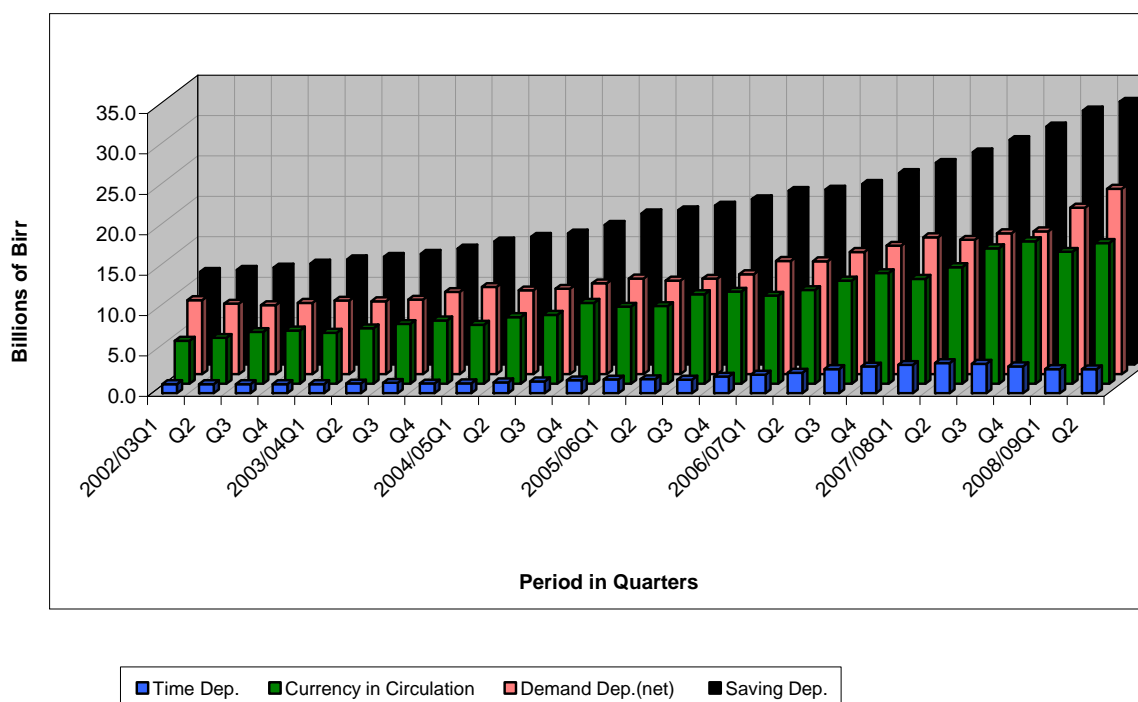
respectively. On the other hand, time deposits declined by 0.8 and 20.6 percent on quarterly and annual basis, due to the withdrawal of matured time deposits by Commercial Bank of Ethiopia from private commercial banks and the drop of time deposits held by non-bank financial institutions.

Table 5.2: Components of Broad Money

(In Millions of Birr)

Particulars	2007/08	2008/09		Percentage Change	
	Qtr. II	Qtr. I	Qtr. II	C/A	C/B
	(Dec 07)	(Sept 08)	(Dec 08)		
	A	B	C		
1. Narrow Money Supply	31,097.8	36,971.5	40,382.1	29.9	9.2
. Currency Outside Banks	14,445.8	16,337.6	17,432.9	20.7	6.7
. Demand Deposits (net)	16,652.0	20,633.9	22,949.2	37.8	11.2
2. Quasi-Money	30,051.0	34,464.8	35,521.6	18.2	3.1
. Savings Deposits	26,300.7	31,463.7	32,543.8	23.7	3.4
. Time Deposits	3,750.4	3,001.2	2,977.8	-20.6	-0.8
3. Broad Money Supply	61,148.8	71,436.3	75,903.7	24.1	6.3

Source: NBE

**Fig. V. 3: Composition of Monetary Stock
(Second Quarter of FY 2008/09)**

Source: NBE

5.2 Developments in Reserve Money and Monetary Ratio

Reserve money increased by 38.1 percent in the review quarter vis-à-vis the corresponding period of last year, due to a 27.6 and 51.8 percent rise in both currency in circulation and deposits of banks at NBE. On quarterly basis, reserve money grew by 11.2 percent driven by 6.3 and 17.3 percent increments in currency in circulation and bank deposits at NBE.

Excess reserves marginally declined to Birr 6.6 billion by end December 2008 from Birr 6.7 billion a year ago. However, compared to the first quarter of 2008/09, excess reserves of commercial banks increased noticeably by about 42 percent, partly reflecting increased resource mobilization activities of the banking system.

Table 5.3: Reserve Money and Ratios

(In millions of Birr unless otherwise indicated)

Particulars	2007/08	2008/09		Percentage Change	
	Qtr. II	Qtr. I	Qtr. II		
	(Dec 07)	(Sept 08)	(Dec 08)	C/A	C/B
	A	B	C		
1. Reserve Requirement (CB's)	5,736.8	9,719.8	10,612.0	85.0	9.2
2. Actual Reserve (CB's)*	12,445.8	14,371.4	17,221.8	38.4	19.8
3. Excess Reserve (CB's)	6,709.0	4,651.5	6,609.8	-1.5	42.1
4. Reserve Money	28,831.0	35,783.1	39,803.4	38.1	11.2
. <i>Currency in Circulation</i>	16,355.5	19,640.1	20,870.3	27.6	6.3
. <i>Banks Deposits at NBE**</i>	12,475.5	16,143.0	18,933.1	51.8	17.3
5. Money Multiplier (Ratio):					
. <i>Narrow Money to Reserve Money</i>	1.1	1.0	1.0	-5.9	-1.8
. <i>Broad Money to Reserve Money</i>	2.1	2.0	1.9	-10.1	-4.5
6. Other Monetary Ratios (%):					
. <i>Currency to Narrow Money</i>	52.6	53.1	51.7	-1.7	-2.7
. <i>Currency to Broad Money</i>	26.7	27.5	27.5	2.8	0.0
. <i>Narrow Money to Broad Money</i>	50.9	51.8	53.2	4.6	2.8
. <i>Quasi Money to Broad Money</i>	49.1	48.2	46.8	-4.8	-3.0

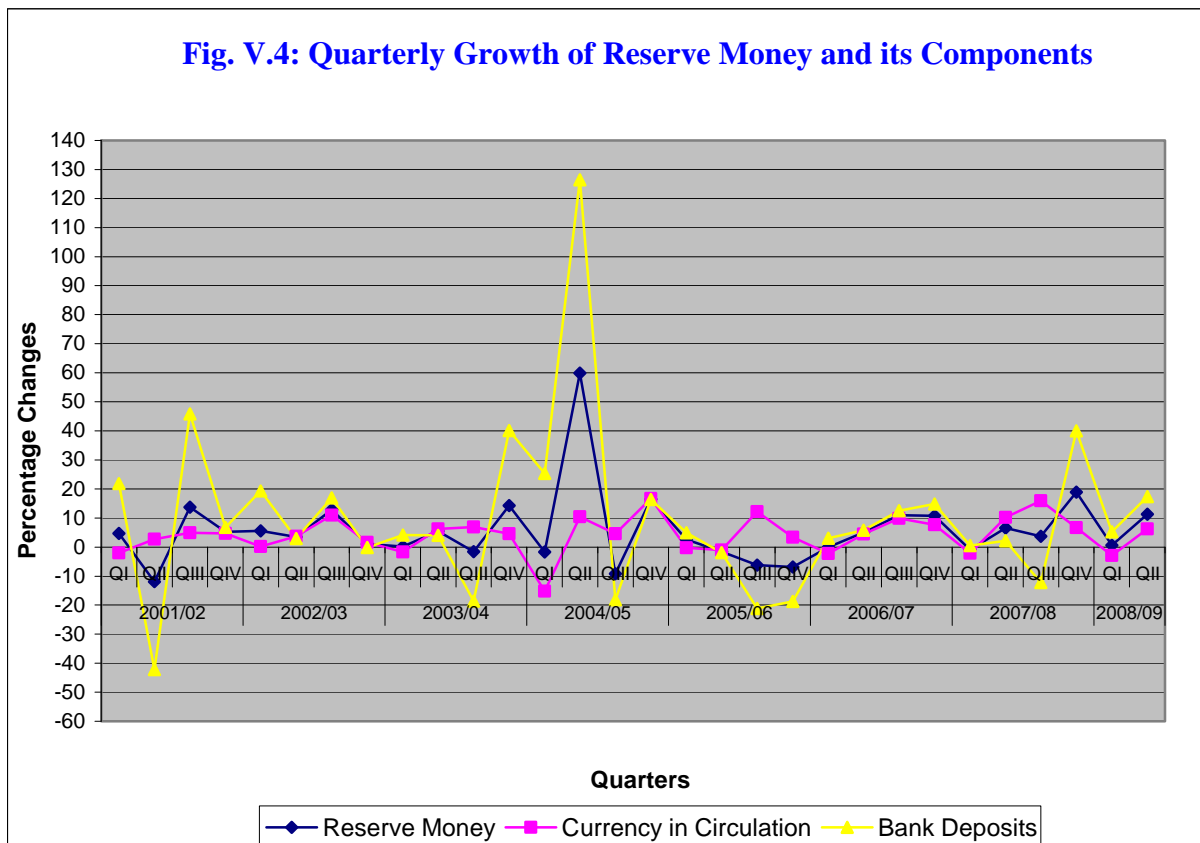
Source: NBE and commercial banks

* obtained from commercial banks balance sheet

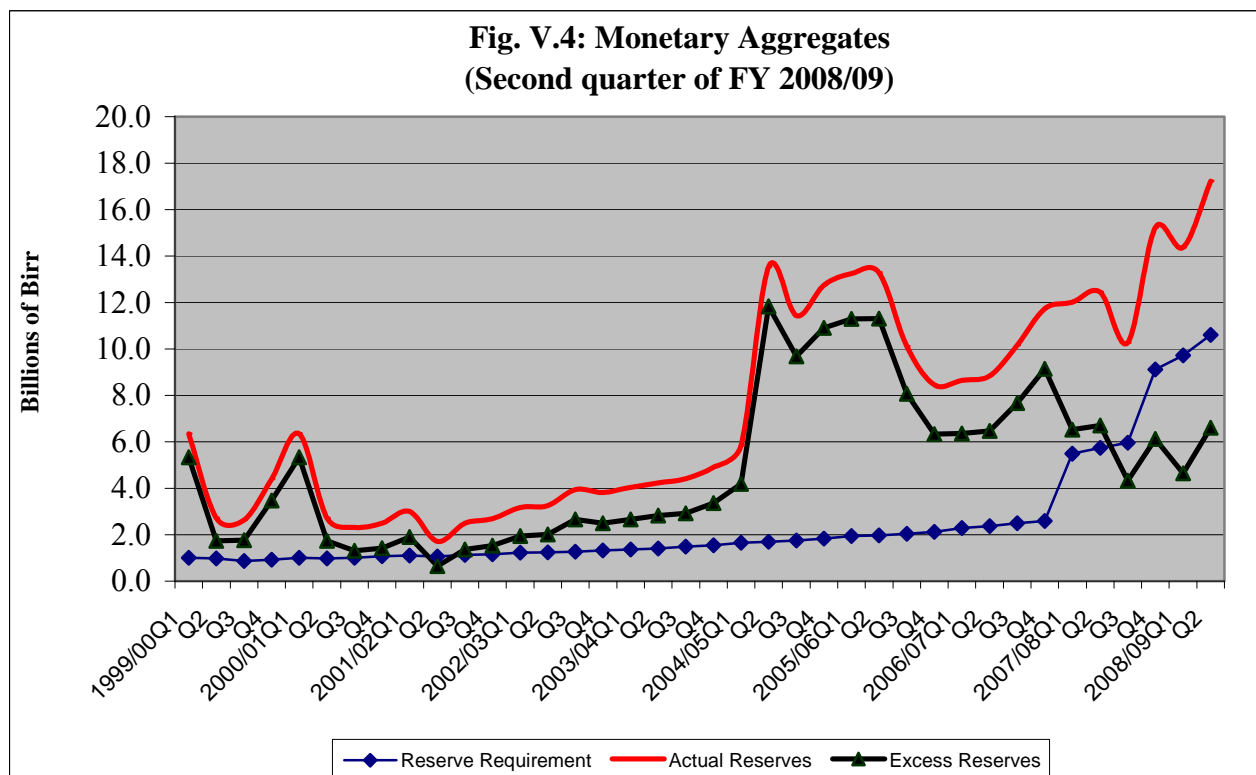
** obtained from NBE balance sheet

Regarding monetary ratios, quasi-money to broad money tended to decline overtime, mirroring the continuous drawdown in time deposits. On the other hand, the ratio of narrow-money to broad money increased to 53.2 from 50.9 percent last year same

period, presumably reflecting the surge in transactions demand for money. The marginal decline in the ratio of broad money to reserve money might be the reflection of the significant surge in banks' deposit at the NBE.



Source: NBE



Source: NBE

5.3 Interest Rate Developments

Average savings deposit rate and lending rates of commercial banks stood at the preceding quarter level of 4.08 and 11.5 percent, respectively. On the other hand, the weighted demand deposit rate slightly increased from 0.04 to 0.05 percent and weighted time deposit rate from 5.11 to 5.14 percent. Similarly, weighted average

yield on T-bills slightly rose to 0.75 percent from 0.65 percent in the preceding quarter.

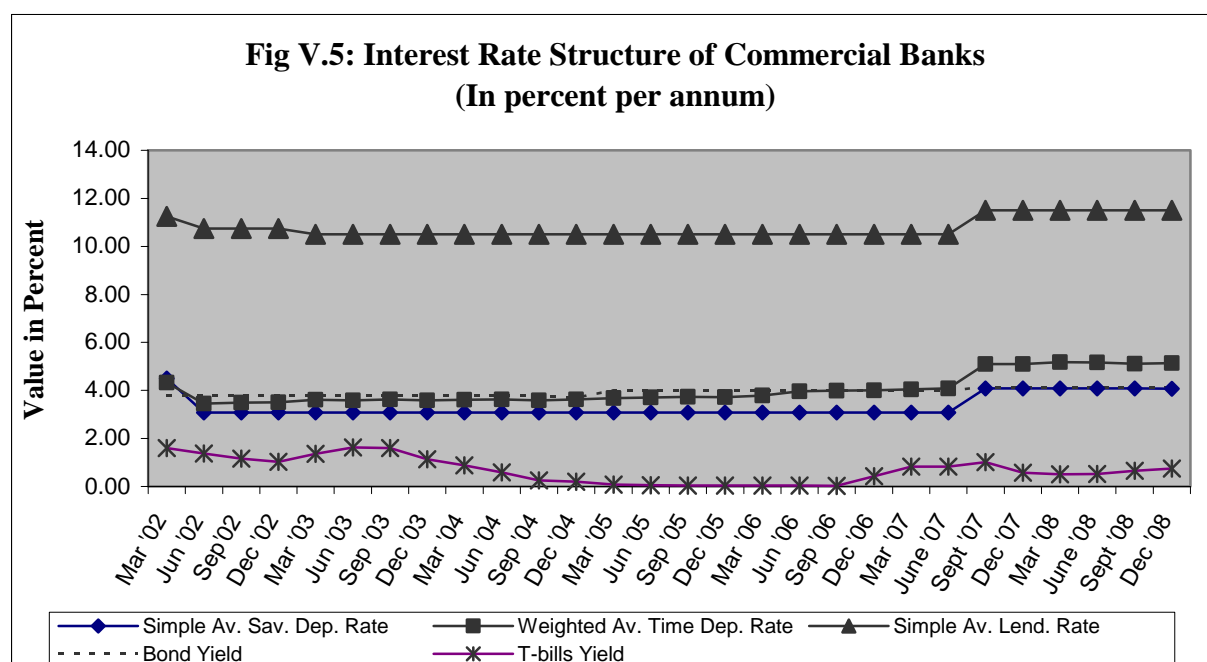
All deposit interest rates, weighted average yields on T-bills and government bonds remained negative in real terms during the review quarter as a result of higher inflation.

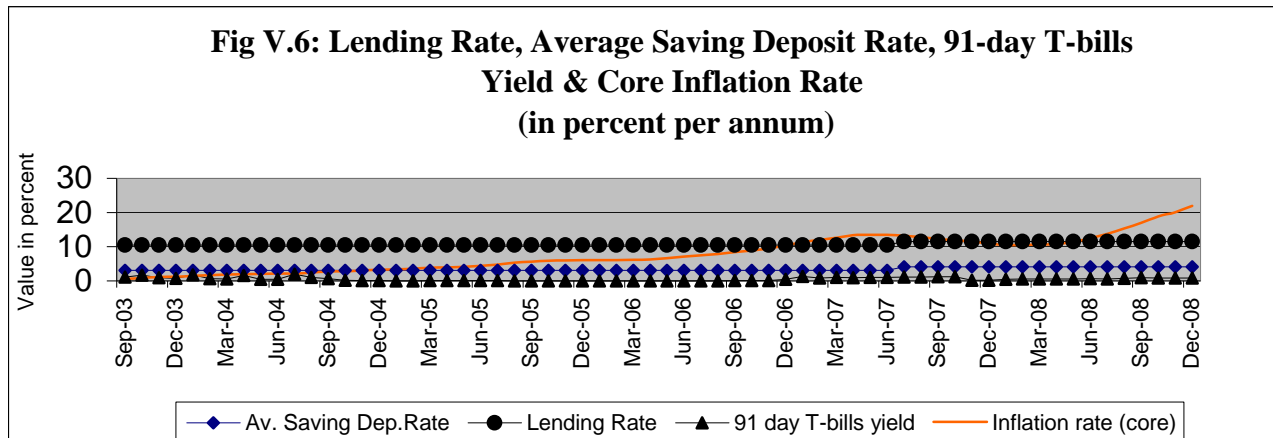
Table 5.4: Interest Rate Structure of Commercial Banks (In % per annum)

Particulars	2006				2007				2008			
	Mar	Jun	Sep	Dec	Mar	Jun	Sept	Dec.	Mar	June	Sept	Dec.
1. Savings Deposit Rate												
• Minimum	3	3	3	3	3	3	4	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	4.15
Average Savings Rate	3.08	3.08	3.08	3.08	3.08	3.08	4.08	4.08	4.08	4.08	4.08	4.08
2. Time Deposit Rate												
• 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	4.70
• 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	5.28
• 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	5.43
Average Time Dep. Rate	3.79	3.97	4.00	4.01	4.05	4.08	5.1	5.1	5.18	5.16	5.11	5.14
3. Demand Deposit Rate (Weighted)	0.06	0.06	0.06	0.06	0.05	0.06	0.04	0.04	0.04	0.04	0.04	0.05
4. Lending Rate												
• Minimum	7	7	7	7	7	7	8	8	8	8	8	8
• Maximum	14	14	14	14	14	14	15	15	15	15	15	15
Average Lending Rate	10.5	10.5	10.5	10.5	10.5	10.5	11.5	11.5	11.5	11.5	11.5	11.5
5. T-bills Rate (Weighted Ave.)	0.04	0.04	0.03	0.42	0.82	0.82	1.01	0.57	0.50	0.52	0.65	0.75
6. Bond Yield (Simple Average)*	4.00	4.00	4.00	4.00	4.00	4.00	4.14	4.14	4.14	4.14	4.14	4.14

Source: NBE and commercial banks

NB: * Shows average bond yield on outstanding government and public enterprise bonds





Source: NBE

5.4 Developments in Financial Sector

The major financial institutions operating in Ethiopia are banks, insurance companies and microfinance institutions. The number of banks that are operating in the country remained at the preceding quarter level of 13, of which ten are private commercial banks while the remaining three public banks.

Twenty eight new bank branches were opened during the second quarter of 2008/09, thus raising the total number of bank branches to 596. Consequently, the

ratio of bank branch to total population dropped from 134,670 during the first quarter of 2008/09 to 131,208 in the review period.

The distribution of branches indicates that about 38.9 percent of the total bank branches are located in Addis Ababa, major business centre and capital city of the country.

The share of private banks from total number of branches slightly increased to 55.0 percent from 53.5 percent in the preceding quarter.

By the end of the second quarter of 2008/09, the total capital of the banking system showed a marginal growth rate of 0.4 percent and reached Birr 10.5 billion. The share of private banks also remained at the preceding quarter's ratio of 36.2 percent.

Meanwhile, with the establishment of a new insurance company, Ethio-Life Insurance, the total number of insurance companies rose to 11 and their capital to Birr 610.3 million from Birr 574.6 million. Similarly, following the opening up of two new branches (one by Ethiopian Insurance Company and another by National Insurance Company), the number of insurance branches grew to 177. Private insurance companies accounted for the lion's share (78.5 percent) of the total branches. Of the total branches of insurance companies, 51.4 percent were situated in Addis Ababa.

In terms of outreach, one branch insurance company in the country serves almost 441,807 people.

The number of micro finance institutions (MFIs) operating in the country stood at the previous quarter level of 28 by end December 2008. These institutions mobilized deposits amounting to Birr 1.8 billion, up by 5.9 percent against the previous quarter. Similarly, credit outstanding of the MFIs grew by 2.1 percent to Birr 4.8 billion and their total assets increased to Birr 5.9 billion by the end of the review quarter.

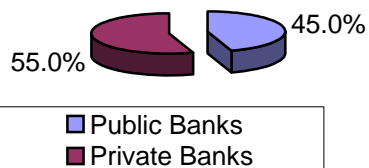
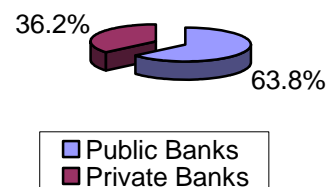
The top five large MFIs; namely, Amhara, Dedebit, Oromia, Omo and Addis Credit and Savings Institutions accounted for 84.7 percent of the total capital, 93.0 percent of the savings, 90.7 percent of credit, and 90.9 percent of the total assets of the MFIs operating in the country.

Table 5. 5: Capital and Branch Network of Banking System at the End of December 31, 2008**(Branch in Number and Capital in Millions of Birr)**

Banks	Branch Network								Capital	
	2008/09				2008/09				2008/09	
	Quarter I				Quarter II				Quarter I	Quarter II
	Regions	Addis Ababa	Total	% Share	Regions	Addis Ababa	Total	% Share		
1. Public Banks										
Commercial Bank of Ethiopia	156	49	205	36.1	160	49	209	35.1	4561	4560
Construction & Business Bank	15	12	27	4.8	15	12	27	4.5	196	196
Development Bank of Ethiopia	31	1	32	5.6	31	1	32	5.4	1916	1943
Total Public Banks	202	62	264	46.5	206	62	268	45.0	6673	6699
2. Private Banks										
Awash International Bank	24	29	53	9.3	28	30	58	9.7	508	540
Dashen Bank	24	24	48	8.5	25	26	51	8.6	756	676
Abyssinia Bank	20	25	45	7.9	20	25	45	7.6	408	421
Wegagen Bank	23	18	41	7.2	26	23	49	8.2	643	621
United Bank	13	23	36	6.3	13	23	36	6.0	470	425
Nib International Bank	16	26	42	7.4	16	26	42	7.0	492	579
Cooperative Bank of Oromiya	18	2	20	3.5	19	3	22	3.7	150	151
Lion International Bank	11	6	17	3.0	11	9	20	3.4	183	188
Zemen Bank		1	1		0	1	1	0.2	87	95
Oromia International Bank	0	1	1	0.0	0	4	4	0.7	91	107
Total Private Banks	149	155	304	53.5	158	170	328	55.0	3788	3803
3. Grand Total Banks	351	217	568	100.0	364	232	596	100.0	10461	10502

Source: NBE

* Excludes provisions for profit/loss

Fig. V.7(a) Branch Network Share of Public and Private Banks**Fig. V. 7(b) Capital: Share of Public and Private Banks**

Source: NBE

Table 5.6: Branch Network & Capital of Insurance Companies as at December 31, 2008
(Branch in Number and Capital in Millions of Birr)

Insurance Companies	Branch						Capital	
	Quarter I 2008/09			Quarter II 2008/09			Quarter I	Quarter II
	A.A	Regions	Total	A.A	Regions	Total	2008/09	2008/09
Ethiopian Insurance Corporation	11	26	37	11	27	38	241.5	238.8
Awash Insurance Company S.C	13	9	22	13	9	22	50.1	50.9
Africa Insurance Company S.C	6	7	13	6	7	13	54.7	67.0
National Insurance Corporation of Ethiopian	8	6	14	8	7	15	12.3	14.8
United Insurance Company S.C	13	6	19	13	6	19	38.3	44.8
Global Insurance Company S.C	4	3	7	4	3	7	21.2	20.3
Nile Insurance Company S.C	10	9	19	10	9	19	56.2	50.2
Nyala Insurance Company S.C	8	8	16	8	8	16	53.4	64.5
Nib Insurance Company S.C	12	6	18	12	6	18	38.0	47.5
Lion Insurance Company S.C	6	4	10	6	4	10	9.1	7.3
Ethio-Life Insurance S.C	-	-	-	-	-	-	-	4.3
TOTAL	91	84	175	91	86	177	574.6	610.3

Source: NBE

5.5 Activities of Banking System

5.5.1. Resource Mobilization

Total resources mobilized by the banking system in terms of deposits, collection of loans and borrowings reached Birr 10.4 billion during the second quarter of 2008/09, slightly higher by 0.1 percent compared to the preceding quarter. But it showed a substantial growth of 71.7 percent vis-à-vis the same period of last year due to the surge in net deposits and collection of loans.

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

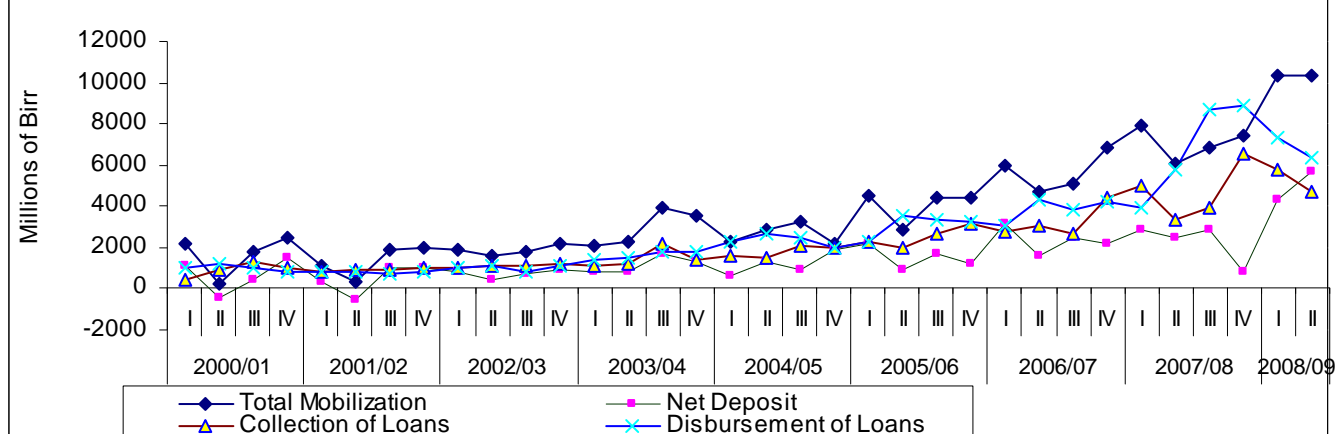
(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr.I 2008/09	Qtr.II 2008/09	Qtr.I 2008/09	Qtr.II 2008/09	Qtr.II 2007/08	Qtr.I 2008/09	Qtr.II 2008/09		
					A	B	C		
1. Deposits (net change)	2,504.7	3,820.4	1,849.8	1,870.5	2,502.9	4,354.5	5,682.9	127.0	30.5
-Demand	1,823.1	3,552.6	785.1	1,079.3	1,042.3	2,608.2	4,622.5	343.5	77.2
-Saving	673.1	274.2	1,312.8	806.1	1,306.0	1,985.9	1,080.2	-17.3	-45.6
-Time	8.6	-6.4	-248.1	-15.0	154.6	-239.5	-19.9	-112.9	-91.7
2. Borrowing (net change)	252.1	-4.7	0.0	0.0	193.3	252.1	-4.7	-102.4	-101.9
-Local	235.2	-4.7	0.0	0.0	22.8	235.2	-4.7	-120.7	-102.0
-Foreign	16.9	0.0	0.0	0.0	0.0	16.9	0.0	-	-100.0
3. Collection of Loans	3,340.2	2,054.8	2,413.1	2,638.1	3,344.2	5,753.3	4,692.9	40.3	-18.4
4. Total Resources Mobilized (1+2+3)	6,097.0	5,870.5	4,262.9	4,508.6	6,040.4	10,359.8	10,371.1	71.7	0.1
5. Disbursement	4,961.1	1,924.9	2,406.1	4,450.7	5,788.2	7,367.1	6,375.6	10.1	-13.5
6. Change in Liquidity (4-5)	1,135.9	3,945.5	1,856.8	58.0	252.2	2,992.7	3,995.5	1,484.1	33.5
Memorandum Item:									
A. Outstanding Credit*	32,599.7	32,382.4	16,132.6	17,595.7	49,693.6	48,732.3	49,978.1	0.6	2.6
B. Outstanding Credit excluding Interbank Lending	359.4	406.4	0.0	0.0	201.6	359.4	406.4	101.6	13.1

Source: Commercial Banks and staff computation

NB: * Includes lending to central government in form of bonds and treasury bills from banks other than NBE

Fig. V. 8. Resource Mobilization and Disbursement by Banking System from 2000/01QI to 2008/09QII (In Million Birr)



5.5.1.1 Deposit Mobilization

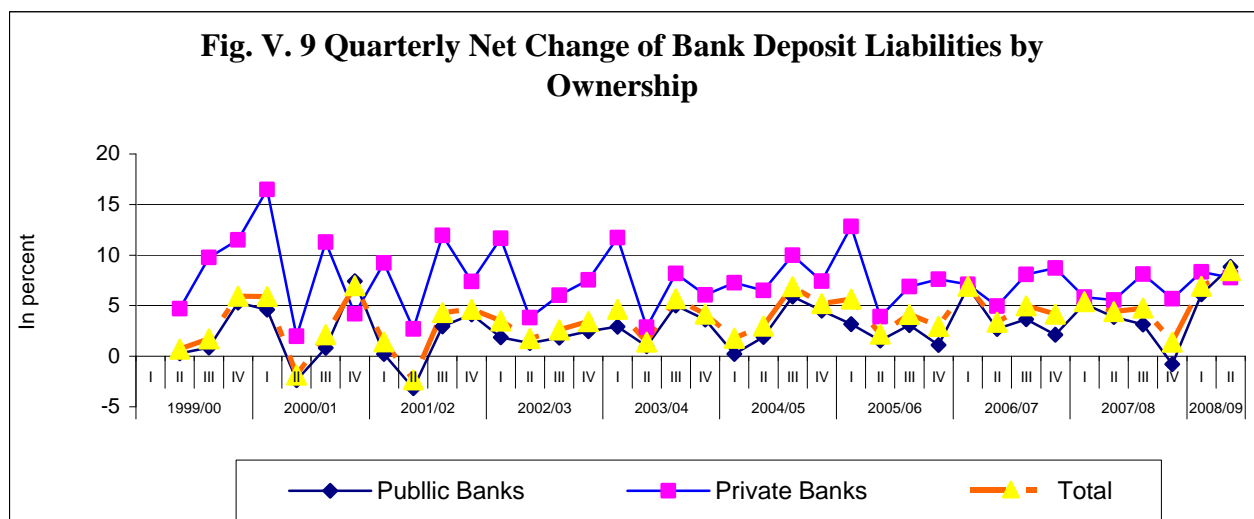
The total deposit liabilities of the banking system reached Birr 73.0 billion at the end of December 2008 registering a quarterly

and annual growth rates of 8.4 and 23.2 percent, respectively.

Table 5.8: Stock of Deposits Mobilized by Banking System as at end of December 2008 (In Millions of Birr)

Types of Deposits	2007/08		2008/09				% Change	
	Quarter II	%	Quarter I	%	Quarter II	%	C/A	C/B
	A	Share	B	Share	C	Share		
Demand Deposit	28,806.5	48.6	32,350.2	48.1	36,972.7	50.7	28.3	14.3
Saving Deposit	26,304.8	44.4	31,468.1	46.8	32,548.3	44.6	23.7	3.4
Time Deposit	4,154.7	7.0	3,492.5	5.2	3,472.6	4.8	-16.4	-0.6
Total	59,266.0	100.0	67,310.8	100.0	72,993.6	100.0	23.2	8.4
Share of Public Banks	67.2		64.3		64.5		-4.1	0.3
Share of Private Banks	32.8		35.7		35.5		8.3	-0.6

Source: NBE



Source : NBE

Component wise, demand deposits went up by 14.3 and 28.3 percent during the same period to Birr 37 billion. Similarly, saving deposits increased by 3.4 and 23.7 percent on quarterly and annual basis, respectively and reached Birr 32.5 billion. On the other hand, time deposits showed a quarterly and annual

declines of 0.6 percent and 16.4 percent, respectively.

The share of public banks in total deposits slightly increased to 64.5 percent from 64.3 percent in the previous quarter; whereas that of private commercial banks declined to 35.5 percent, from 35.7 percent in the previous quarter.

5.5.1.2 Collection of Loans

Collection of loans by the banking system declined by 18.4 percent in the review quarter compared with the preceding quarter, but significantly went up by 40.3

percent vis-à-vis the corresponding period of last year.

Of the total loans collected during the review quarter, Birr 2.6 billion (56.2 percent) was collected by private banks;

while the balance by public banks. About 75.6 percent of the total loan was collected from the private sector followed by public

enterprises (18.9 percent) and cooperatives (5.3 percent).

5.5.1.3 Borrowing

Total outstanding borrowing of the banking system reached Birr 2.9 billion at the end of the second quarter, registering an annual growth rate of 11.5 percent. On annual basis, both domestic and external borrowing of banks rose by 10.9 and 14.4

percent, respectively. Of the total borrowing, Birr 2.4 billion (82.1 percent) was from domestic sources, while the remaining Birr 523 million (17.9 percent) from external sources.

Table 5. 9: Outstanding Borrowing of Banking System by Sources at the End of December 2008

(In Millions of Birr)

Banks	2007/08	2008/09		Percentage change	
	Quarter II	Quarter I	Quarter II		
	A	B	C	C/B	C/A
Domestic Borrowing	2,168.7	2,409.7	2,405.0	(0.2)	10.9
Foreign Borrowing	457.1	523.0	523.0	-	14.4
Total	2,625.8	2,932.7	2,927.9	(0.2)	11.5

Source: NBE

5.5.2 Disbursement of Fresh Loans

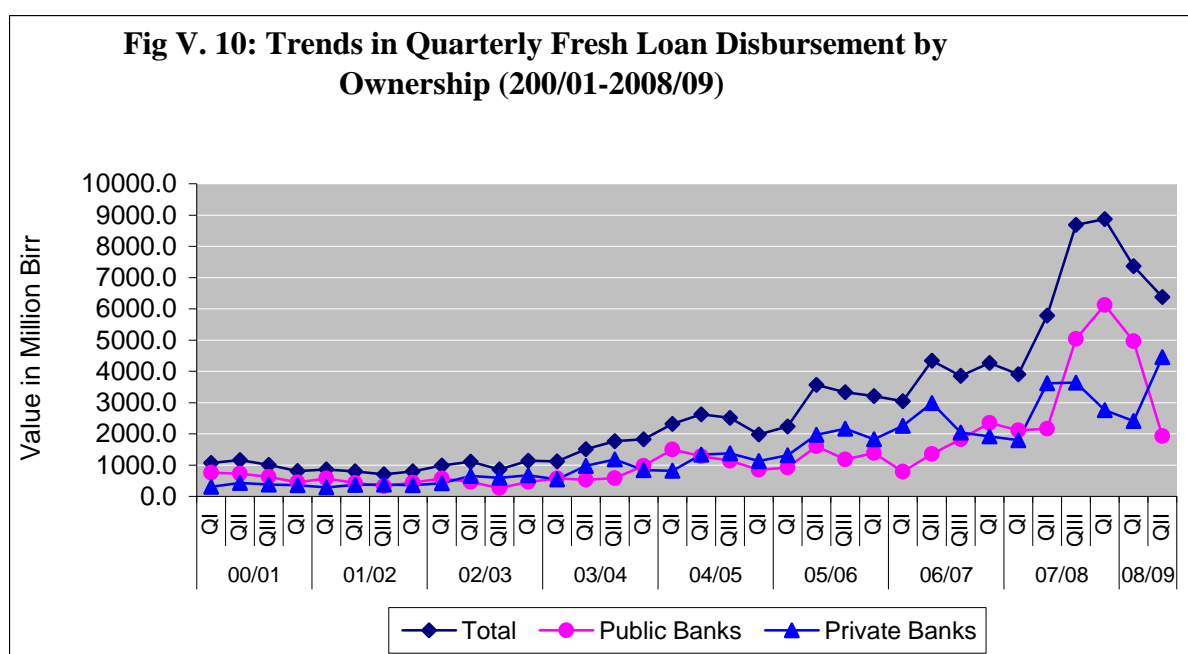
Fresh loan disbursements by banks increased by 10.1 percent to Birr 6.4 billion in the review quarter compared to the corresponding period of last year, but

declined by 13.5 percent vis-à-vis the preceding quarter. Of the total new loans disbursed, 69.8 percent was by private

commercial banks, and the remaining 30.2 percent was disbursed by public banks.

Regarding the beneficiaries of the new loans, 32 percent went to finance domestic trade followed by international trade (22 percent), housing and construction (15

percent), industry (11 percent), and agriculture (8 percent). The other major beneficiary was the transport and communications sub-sector, receiving about 5 percent of the total fresh loans disbursed in the review quarter.



Source: NBE

5.5.3 Outstanding Credit

By the end of December 2008, the total outstanding credit of the banking system (including credit to the government) reached Birr 50 billion, 2.6 and 0.6 percent higher than that of the preceding quarter and same period of last year, respectively.

Of the total outstanding credit, the private sector took the lion's share (61.5 percent) followed by public enterprises (22.3 percent) and central government (11.6 percent).

Sector-wise, international trade was the major beneficiary receiving about 26.5 percent of the total credit, followed by industry (17.1 percent), housing and construction (12.1 percent), central government (11.6 percent), domestic trade (11.5 percent), agriculture (9.9 percent), as well as transport and communications (5.2 percent).

Table 5.10: Summary of Loans and Advances by Banks and Receiving Sectors from October to December 2008

(In Millions of Birr)

Borrowing Sector	Public Banks			Private Banks			Total		
	(1)			(2)			(3)		
	D**	C**	O/S**	D**	C**	O/S**	D**	C**	O/S**
Central Government *			5784.8	0.0	0.0	0.0	0.0	0.0	5784.8
Agriculture	385.4	447.2	4,322.3	105.1	77.9	636.8	490.5	525.0	4,959.1
Industry	316.8	208.1	5,497.2	405.7	309.6	3,048.3	722.5	517.6	8,545.6
Domestic Trade	177.4	237.8	1,015.7	1,850.9	776.1	4,724.2	2,028.3	1,013.9	5,739.9
International Trade	130.7	447.4	8,962.3	1,283.2	833.1	4,293.9	1,413.8	1,280.5	13,256.2
Export	88.3	134.0	791.0	681.9	350.1	1,613.5	770.2	484.1	2,404.4
Imports	42.3	313.4	8,171.3	609.2	483.2	2,689.4	651.6	796.6	10,860.7
Hotels and Tourism	61.7	35.9	544.0	38.4	17.1	372.9	100.1	53.0	916.9
Transport & Communication	131.4	62.7	1,319.1	156.6	222.2	1,284.5	288.0	284.9	2,603.6
Housing & Construction	553.2	450.3	3,229.2	431.3	259.6	2,796.3	984.4	709.9	6,025.5
Mines, Power & Water Res.	0.0	0.0	0.0	0.0	0.2	12.7	0.0	0.2	12.7
Others	62.1	139.2	1,193.5	148.7	127.8	325.0	210.8	267.0	1,518.5
Personal	54.3	17.3	107.9	23.0	14.4	92.0	77.3	31.6	200.0
Inter-Bank Lending	52.0	9.1	406.4	0.0	0.0	0.0	52.0	9.1	406.4
Total	1,924.9	2,054.8	32,382.4	4,450.7	2,638.1	17,595.7	6,375.6	4,692.9	49,978.1

Source: Commercial Banks and staff computation

Notes: *Refers to government borrowing in the form of bonds and treasury bills from commercial banks other than NBE

** D = Disbursement, C = Collection, O/S= Outstanding Credit

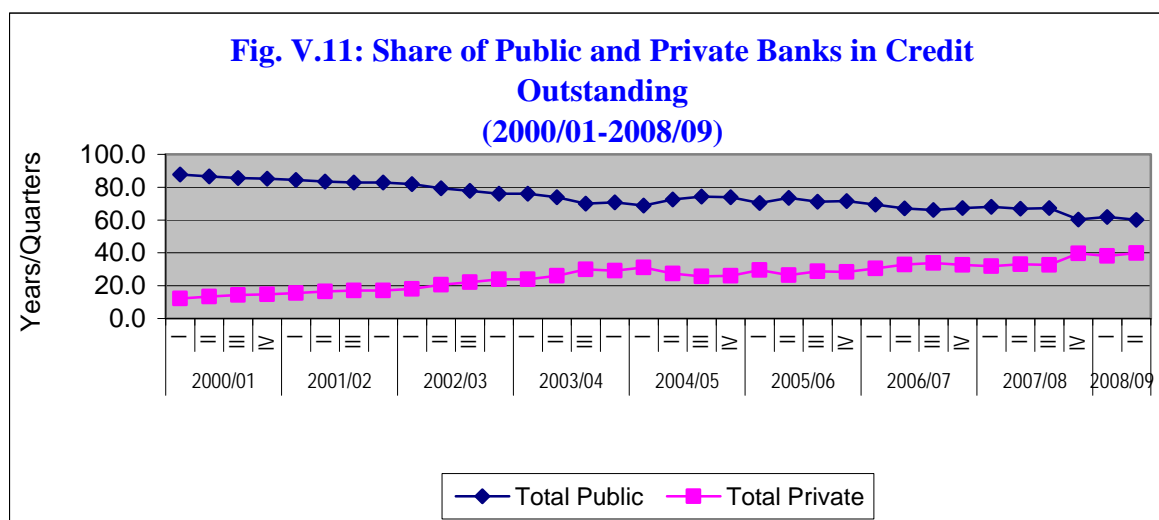
Table 5.11: Breakdown of Loans & Advances of Banking System by Clients during Second Quarter of 2008/09

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	1,924.9	30.2	2,054.8	43.8	32,382.4	64.8
Central Government*	0.0	0.0	0.0	0.0	5,784.8	17.9
State Enterprises	532.8	27.7	887.8	43.2	11,149.2	34.4
Cooperatives	126.2	6.6	228.5	11.1	1,707.4	5.3
Private Enterprises	1,213.9	63.1	929.3	45.2	13,334.7	41.2
Inter-bank Lending	52.0	2.7	9.2	0.4	406.4	1.3
Private Banks	4,450.7	69.8	2,638.1	56.2	17,595.7	35.2
Central Government*	0.0	0.0	0.0	0.0	0.0	0.0
State Enterprises	0.0	0.0	0.0	0.0	15.8	0.1
Cooperatives	90.8	2.0	21.8	0.8	184.3	1.0
Private Enterprises	4,359.8	98.0	2,616.3	99.2	17,395.6	98.9
Inter-bank Lending	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total	6,375.6	100.0	4,692.9	100.0	49,978.1	100.0

Source: NBE

* Refers to government bonds and treasury bill holdings



Source: NBE

5.6 Financial Activities of NBE

Total net claims of NBE on the central government reached Birr 17.5 billion at the end of the second quarter of 2008/09. This was lower by 13.8 percent compared with that of the preceding quarter, but higher by 39.8 percent vis-à-vis same period last year.

Direct advances to the government reached Birr 33.3 billion (or 77.41 percent of total claims), showing a quarterly decline of 3.8 percent. On the other hand, NBE's holdings of government bonds remained at the preceding quarter balance of Birr 9,693.0 million, which is lower than the balance a year earlier by 2.1 percent.

Meanwhile, the deposits of the central government and financial institutions at the NBE reached Birr 25.4 billion, up by 6.2 and 30.6 percent against the preceding quarter and corresponding period of last year, respectively. Of the total deposits, 24.5 percent belongs to the central government, which declined on quarterly

and annual basis by 13.9 and 7.8 percent, respectively. On the other hand, the deposits of financial institutions registered an annual and quarterly growth of 51.0 and 14.9 percent, respectively.

Table 5.12: Financial Activates of NBE during Second Quarter of 2008/09

Particulars	(In Millions of Birr)				
	2007/08	2008/09		% Change	
	Qtr.II	Qtr.I	Qtr.II	C/A	C/B
	A	B	C		
1.Loans and Advances	31,995.30	44,270.98	42,948.98	34.2	-3.0
1.1. To Central Government	31,995.3	44,271.0	42,949.0	34.2	-3.0
Direct Advance	22,096.0	34,578.0	33,256.0	50.5	-3.8
Bonds	9,899.3	9,693.0	9,693.0	-2.1	0.0
1.2.To Development Bank of Ethiopia	0.0	0.0	0.0	0.0	-
2.Deposit Liabilities	19,452.0	23,929.6	25,410.3	30.6	6.2
2.1. Government	6,740.9	7,223.0	6,215.8	-7.8	-13.9
2.2. Financial Institutions	12,711.1	16,706.6	19,194.5	51.0	14.9
O/W:					
-Banks	12,674.8	16,669.2	19,156.1	51.1	14.9
-Insurance companies	36.3	37.4	38.3	5.6	2.5
3.Net Claims of NBE	12,543.3	20,341.4	17,538.7	39.8	-13.8

Source: NBE

5.7 Developments in Financial Markets

5.7.1 Treasury Bills Market

During the second quarter of 2008/09, the amount of T-bills supplied to the auction market was Birr 7.7 billion. Of the total bills supplied to auction market, Bills worth Birr 7.4 billion were sold. The amount of T-bills supplied increased by 0.5 percent compared to the preceding quarter. However, it declined by 57.7 percent compared to same period last year. The demand for T-bills reached Birr

13.6 billion which increased by about 39.4 percent compared to the preceding quarter but declined by 42.4 percent against the corresponding period of last year.

Of the total T-bills sold in the quarter under review, about 77.5 percent were bought by the non-bank institutions. As a result, the outstanding T-bills held by non-bank institutions increased significantly and reached Birr 6.5 billion or 79.4 percent

from Birr 2.0 billion (13.6 percent) a year ago.

The average weighted yield on T-bills of different maturities rose in the review quarter, and reached

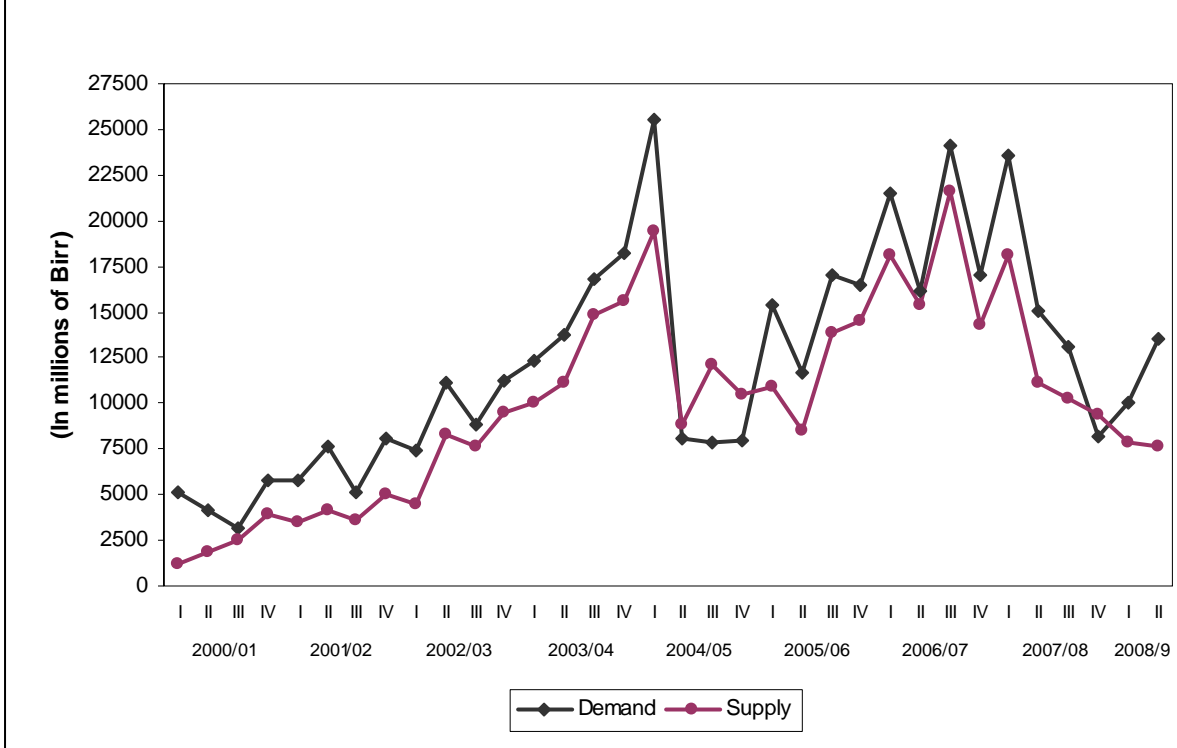
0.751 percent vis-à-vis 0.651 percent in the preceding quarter. However, on annual basis, yields of all types of T-bills declined by 26.1 percent from 1.014 percent a year earlier.

Table 5.13: Results of Treasury Bills Auction

Particulars	2007/08	2008/09		% Change	
	Qtr.II	Qtr.I	Qtr.II	C/A	C/B
	A	B	C		
Number of Bidders	52.00	71.00	74.00	42.31	4.23
Public	38.00	49.00	54.00	42.11	10.20
Private	14.00	22.00	20.00	42.86	-9.09
Number of Bids Accepted	60.00	81.00	84.00	40.00	3.70
Public	38.00	55.00	60.00	57.89	9.09
Private	22.00	26.00	24.00	9.09	-7.69
Amount Demanded (Mn.Birr)	23,580.00	9,748.21	13,585.30	-42.39	39.36
28-day bill	10,088.00	2,510.00	3,951.90	-60.83	57.45
91-day bill	6,964.00	5,761.00	7,791.40	11.88	35.24
182-day bill	6,528.00	1,477.21	1,842.00	-71.78	24.69
Amount Supplied (Mn.Birr)	18,087.00	7,622.00	7,657.00	-57.67	0.46
28-day bill	6,500.00	1,305.00	960.00	-85.23	-26.44
91-day bill	6,774.00	3,885.00	4,031.00	-40.49	3.76
182-day bill	4,813.00	2,432.00	2,666.00	-44.61	9.62
Amount Sold (Mn.Birr)	18,186.71	6,912.81	7,432.40	-59.13	7.52
Banks	15,170.00	0.00	1,672.00	-88.98	-
Non-Banks	2,917.00	6,813.00	5,760.40	97.48	-15.45
Average Weighted Price for Successful Bids(Birr)	99.71	99.808	99.808	0.099	0.000
28-day bill	99.935	99.962	99.954	0.02	-0.01
91-day bill	99.717	99.815	99.792	0.08	-0.02
182-day bill	99.476	99.647	99.678	0.20	0.03
Average Weighted Yield for Successful Bids(%)	1.014	0.651	0.751	26.125	15.845
28-day bill	0.848	0.501	0.601	-29.13	19.96
91-day bill	1.139	0.743	0.838	-26.43	12.79
182-day bill	1.056	0.710	0.815	-22.82	14.79
Outstanding bills at the End of Period (Mn.Br.)	14,546.00	7,912.21	8,131.61	-44.10	2.77
Banks	12,561.00	2,344.00	1,672.00	-86.69	-28.67
Non-Banks	1,985.00	5,568.21	6,459.61	225.42	16.01

Source: NBE

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



5.7.2 Inter- Bank Money Market

No inter-bank money market transaction was conducted in the second quarter of 2008/09.