

V. MONETARY DEVELOPMENTS

During the third quarter of 2008/09, monetary policy continued to be implemented towards containing inflationary pressures. The coordinated tight monetary and fiscal policy measures

taken since 2007/08 and through March 2009 have borne some fruits as it was possible to subdue annual CPI inflation to 23.7 percent in March 2009 from 64 percent in July 2008.

5.1. Money Supply and Credit

During the third quarter of 2008/09, domestic liquidity as measured by broad money supply (M2) reached Birr 80.6 billion, 6.2 and 22.6 percent higher than the preceding quarter and same period of last year, respectively. The quarterly growth observed was entirely attributed to a surge in net foreign assets, which offset the decline in domestic credit.

Domestic credit, however, witnessed an annual growth rate of 16.1 percent wholly on account of considerable expansion in credit to the non-government sector (30.8

percent increase), offsetting the decline in credit to the government.

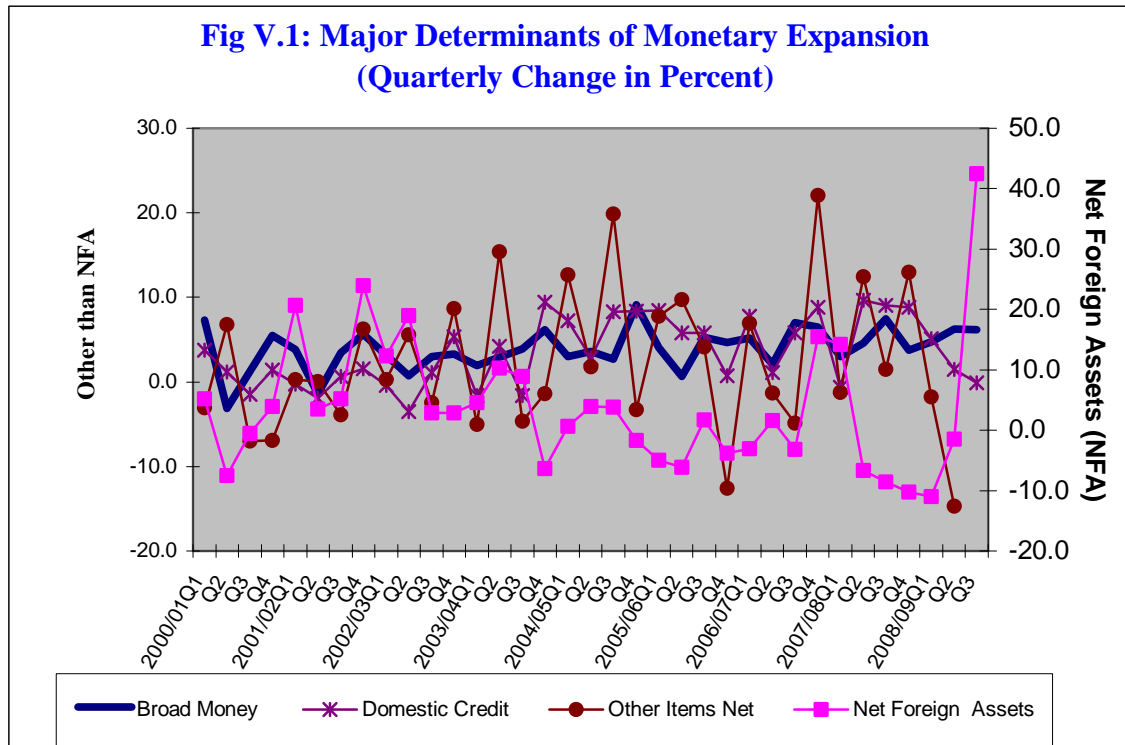
Meanwhile, net foreign assets depicted an annual and a quarterly increase of 12.1 and 42.5 percent, respectively, and reached Birr 14.6 billion at the end of the review quarter.

Table 5. 1: Factors Influencing Broad Money

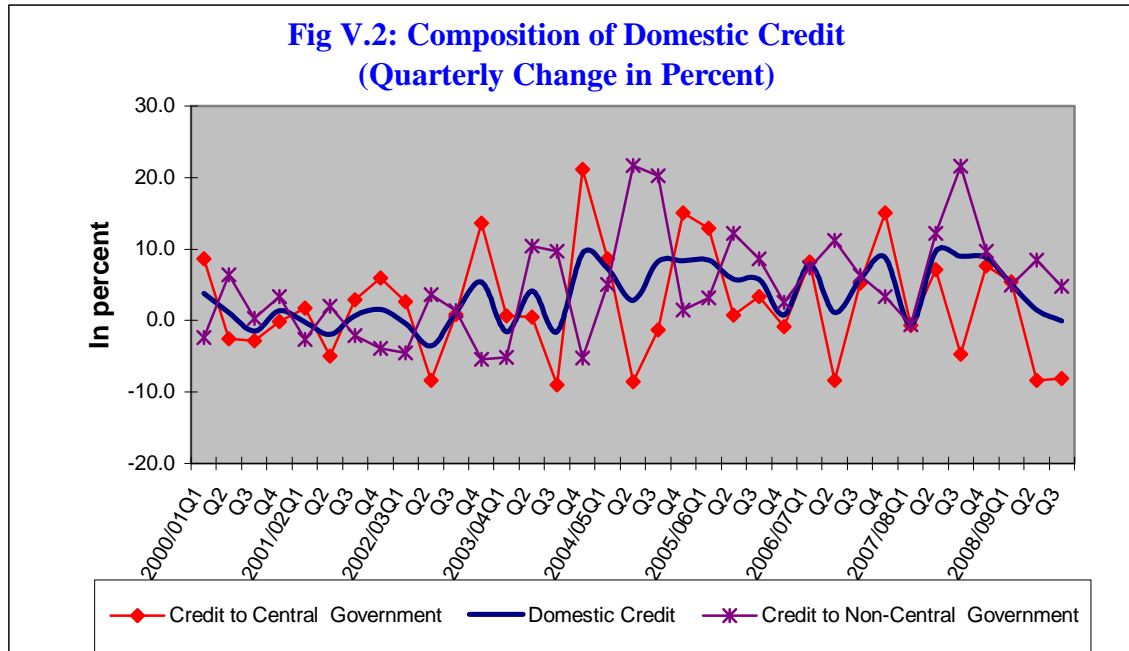
(In Millions of Birr)

Particulars	2007/08	2008/09		Percentage Change	
	Qtr. III	Qtr. II	Qtr. III	C/A	C/B
	(Mar 08)	(Dec 08)	(Mar 09)		
	A	B	C		
1. External Assets (net)	13,000.1	10,233.5	14,579.1	12.1	42.5
2. Domestic Credit	73,476.1	85,327.7	85,269.1	16.1	-0.1
. Claims on Central Gov't (net)	30,718.4	31,944.4	29,349.1	-4.5	-8.1
. Claims on Other Sector's	42,757.7	53,383.3	55,920.0	30.8	4.8
. Financial Institutions	0.0	0.0	0.0		
. Others	42,757.7	53,383.3	55,920.0	30.8	4.8
3. Other Items (net)	20,761.7	19,657.1	19,251.3	-7.3	-2.1
4. Broad Money (M2)	65,714.4	75,904.0	80,596.8	22.6	6.2

Source: National Bank of Ethiopia (NBE)



Source: NBE



Source: NBE

As for the components of broad money, both narrow and quasi-money registered annual growth rates of 25.4 and 19.7 percent, respectively, driven by an increase in all components of broad money, except time deposits. Time deposits declined by 16.5 percent on annual basis, due to the withdrawal of matured time deposits by

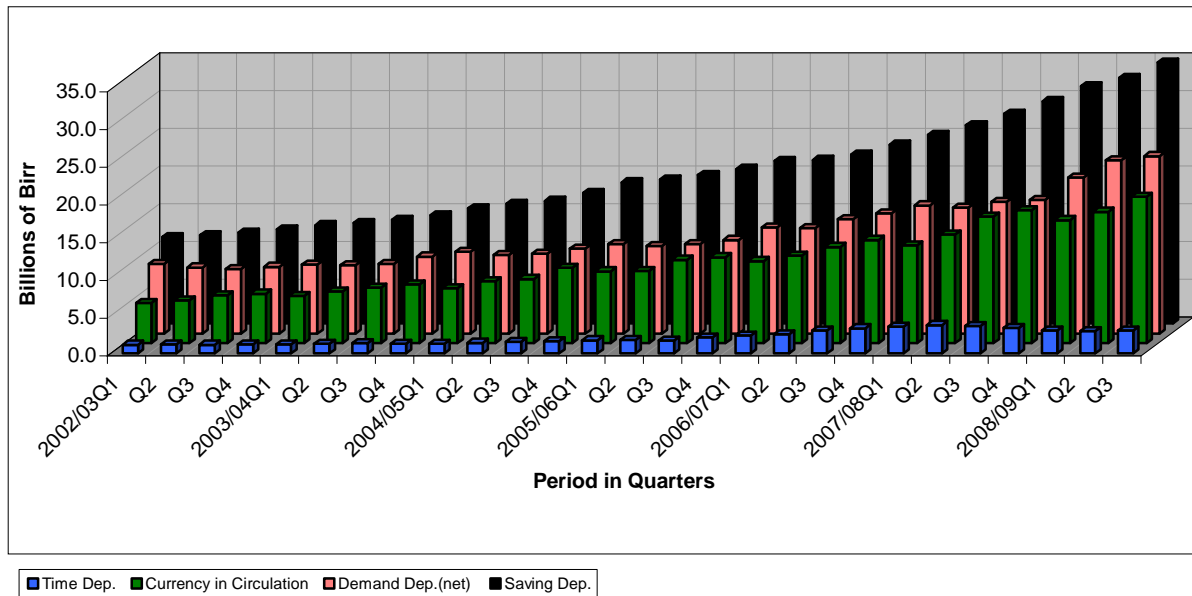
Commercial Bank of Ethiopia from private commercial banks and the drop of time deposits held by non-bank financial institutions. On quarterly basis, currency outside banks, demand deposits and saving deposits grew by 11.5, 2.4 and 6.4 percent, respectively.

Table 5. 2: Components of Broad Money

(In Millions of Birr)

Particulars	2007/08	2008/09		Percentage Change	
	Qtr. III	Qtr. II	Qtr. III		
	(Mar 07)	(Dec 08)	(Mar 09)		
	A	B	C	C/A	C/B
1. Narrow Money Supply	34,235.3	40,382.4	42,921.4	25.4	6.3
. Currency Outside Banks	16,772.6	17,432.9	19,432.1	15.9	11.5
. Demand Deposits (net)	17,462.8	22,949.5	23,489.3	34.5	2.4
2. Quasi-Money	31,479.1	35,521.6	37,675.4	19.7	6.1
. Savings Deposits	27,829.8	32,543.8	34,626.7	24.4	6.4
. Time Deposits	3,649.3	2,977.8	3,048.8	-16.5	2.4
3. Broad Money Supply	65,714.4	75,904.0	80,596.8	22.6	6.2

Source: NBE

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

Source: NBE

5.2 Developments in Reserve Money and Monetary Ratio

Reserve money increased by 38.2 percent in the review quarter vis-à-vis the corresponding period of last year, due to a 22.9 and 64.6 percent rise in both currency in circulation and deposits of banks at NBE. On quarterly basis, reserve money grew by 3.8 percent driven by 11.7 percent increase in currency in circulation; notwithstanding a

4.8 per cent decline in deposits of banks at NBE.

Excess reserves increased to Birr 6.9 billion by end March 2009 from Birr 4.3 billion a year ago, registering an increase of 59.7 per cent partly reflecting the 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. III	Qtr. II	Qtr. III		
	(Mar 08)	(Dec 08)	(Mar 09)	C/A	C/B
	A	B	C		
1. Reserve Requirement (CB's)	5,952.8	10,612.0	11,279.7	89.5	6.3
2. Actual Reserve (CB's)*	10,277.6	17,221.8	18,186.4	77.0	5.6
3. Excess Reserve (CB's)	4,324.8	6,609.8	6,906.8	59.7	4.5
4. Reserve Money	29,909.7	39,803.4	41,331.4	38.2	3.8
. Currency in Circulation	18,958.5	20,870.3	23,303.9	22.9	11.7
. Banks Deposits at NBE**	10,951.2	18,933.1	18,027.5	64.6	-4.8
5. Money Multiplier (Ratio):					
. Narrow Money to Reserve Money	1.1	1.0	1.0	-9.3	2.4
. Broad Money to Reserve Money	2.2	1.9	2.0	-11.2	2.3
6. Other Monetary Ratios (%):					
. Currency to Narrow Money	55.4	51.7	54.3	-2.0	5.1
. Currency to Broad Money	28.8	27.5	28.9	0.2	5.2
. Narrow Money to Broad Money	52.1	53.2	53.3	2.2	0.1
. Quasi Money to Broad Money	47.9	46.8	46.7	-2.4	-0.1

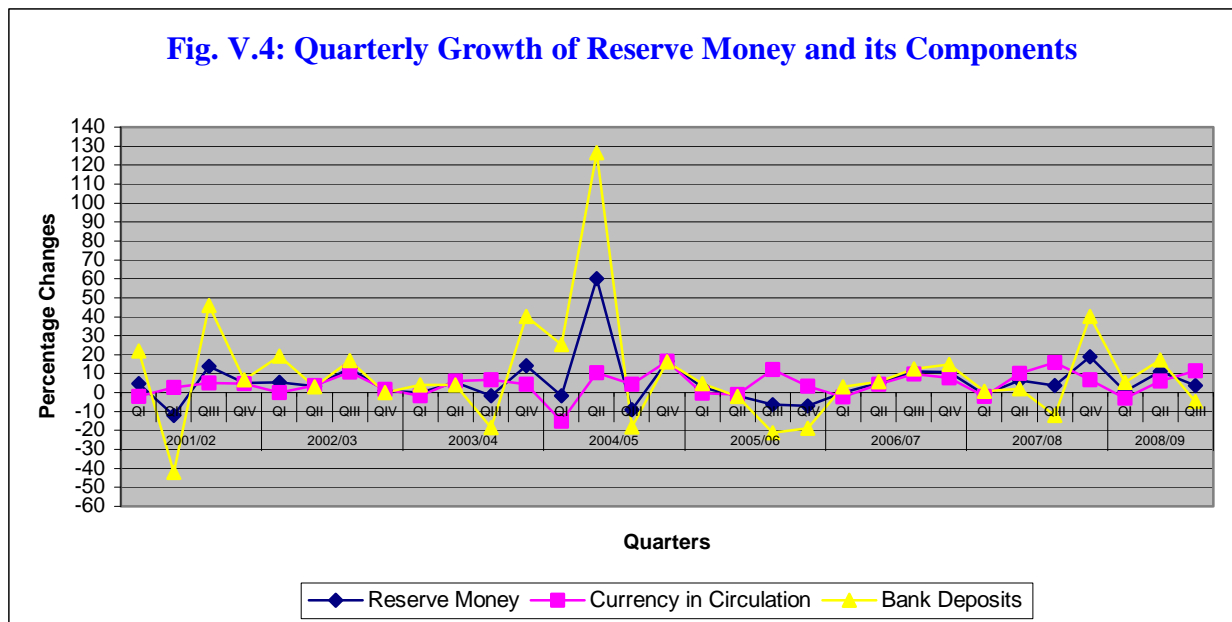
Source: NBE and commercial banks

* Obtained from commercial banks balance sheet

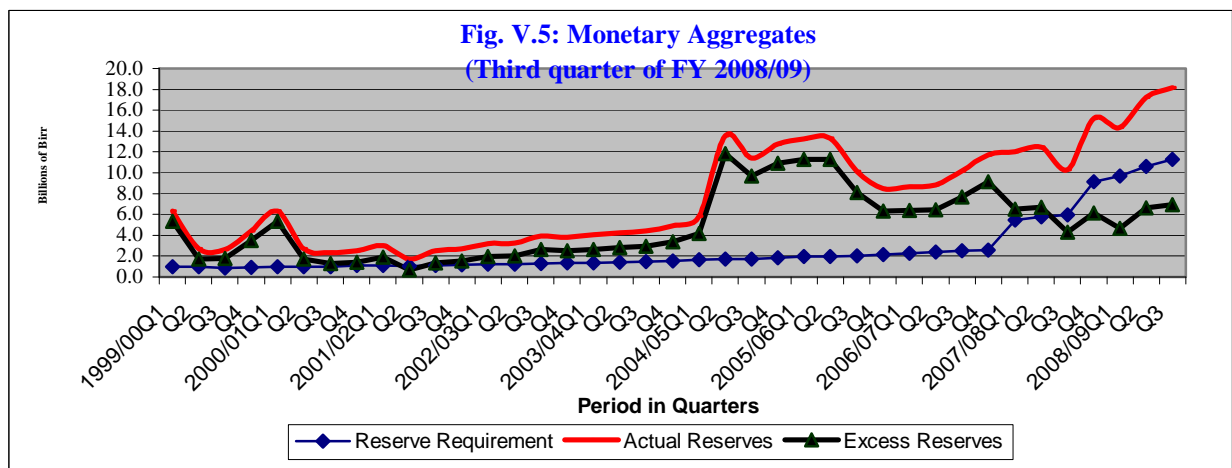
** Obtained from NBE balance sheet

Regarding monetary ratios, quasi-money to broad money tended to decline overtime as a result of continuous decrease in time deposits. On the other hand, the ratio of narrow-money to broad money increased to 53.3 percent from 52.1 percent last year on

account of a surge in transactions demand for money. The ratio of broad money to reserve money, normally known as the money multiplier, went down by 11.2 percent on annual basis partly reflecting the surge in reserve money.



Source: NBE



Source: NBE

5.3 Interest Rate Developments

Average savings deposit rate and weighted demand deposit rates increased to 4.5 and 0.053 percent from 4.08 and 0.04 percent a year ago, respectively. Weighted time deposit rate, however, dropped from 5.18 percent to 4.98 percent. On the contrary, weighted average yield on T-bills slightly rose to

0.825 percent from 0.50 percent in the corresponding period of last year.

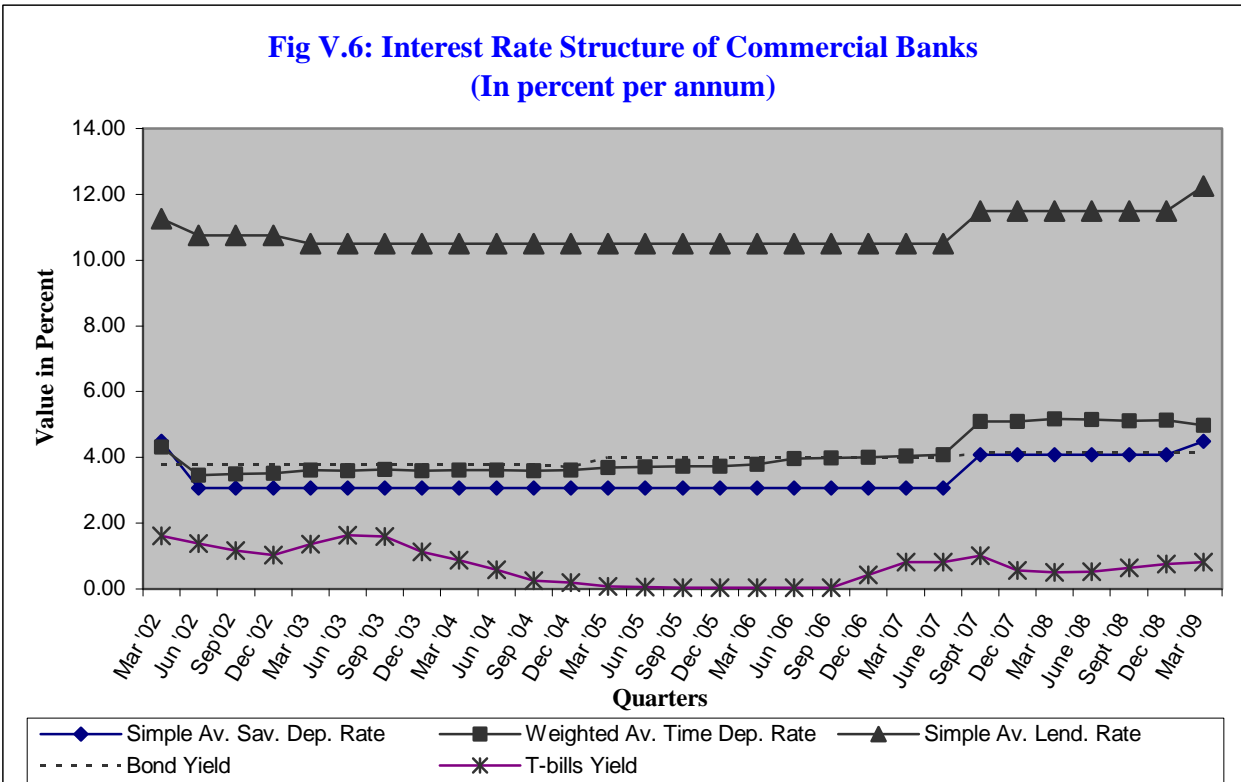
All deposit interest rates, weighted average yields on T-bills and government bonds remained negative in real terms during the review quarter as a result of high inflation.

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

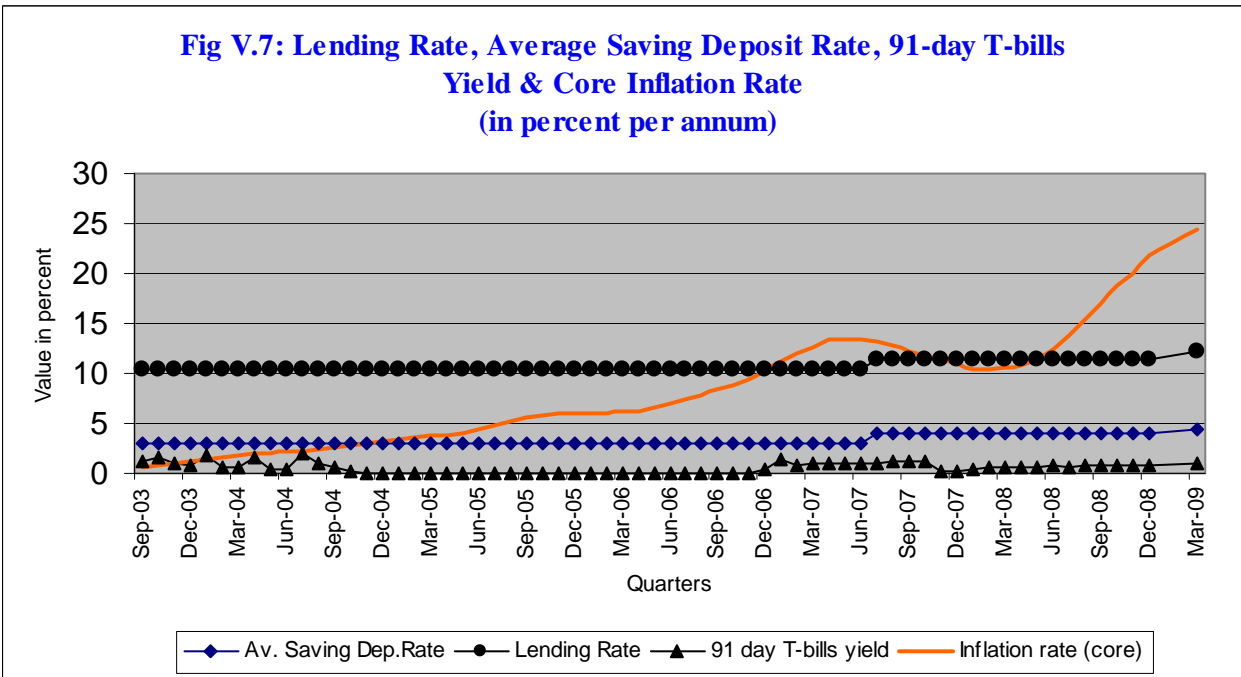
Particulars	2006				2007				2008				2009
	Mar	Jun	Sep	Dec	Mar	Jun	Sept	Dec.	Mar	June	Sept	Dec.	Mar
1. Savings Deposit Rate													
• <i>Minimum</i>	3	3	3	3	3	3	4	4	4	4	4	4	4.00
• <i>Maximum</i>	3.15	3.15	3.15	3.15	3.15	3.15	4.15	4.15	4.15	4.15	4.15	4.15	5.00
Average Savings Rate	3.08	3.08	3.08	3.08	3.08	3.08	4.08	4.08	4.08	4.08	4.08	4.08	4.50
2. Time Deposit Rate													
• <i>Up to 1 year</i>	3.52	3.6	3.58	3.59	3.63	3.64	4.61	4.59	4.68	4.67	4.67	4.70	4.55
• <i>1 - 2 years</i>	3.79	4.01	4.01	4.02	4.07	4.11	5.16	5.13	5.25	5.23	5.15	5.28	5.21
• <i>Over 2 years</i>	4.06	4.3	4.4	4.42	4.44	4.49	5.52	5.47	5.61	5.59	5.50	5.43	5.17
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	4.98
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	0.053
4. Lending Rate													
• <i>Minimum</i>	7	7	7	7	7	7	8	8	8	8	8	8	8.00
• <i>Maximum</i>	14	14	14	14	14	14	15	15	15	15	15	15	16.50
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	12.25
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	0.825
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	4.14

Source: NBE and commercial banks

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



Source: NBE and Commercial banks



Source: NBE staff compilation

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-one new bank branches were opened during the third quarter of 2008/09, thus raising the total number of bank branches to 617. Consequently, the ratio of bank branch to total population dropped to 130,086 in the review period.

About 38.4 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 56.24 percent from 55.0 percent in the preceding quarter.

By the end of the third quarter of 2008/09, the total capital of the banking system showed a marginal growth rate of 0.5 percent and reached Birr 10.6 billion. The

share of private banks slightly grew by 0.3 per cent and reached 36.5 per cent.

Meanwhile, with the establishment of a new insurance company, Oromia Insurance Company, the total number of insurance companies rose to 12 and their capital to Birr 642.7 million from Birr 610.3 million. Similarly, following the opening up of 13 new branches, the number of insurance company branches grew to 190. Private insurance companies accounted for the lion's share (79.6 percent) of the total branches. Of the total branches of insurance companies, 50 percent were situated in Addis Ababa.

In terms of outreach, one branch insurance company in the country serves almost 411,578 people.

The number of micro finance institutions (MFIs) operating in the country stood at 28 by end March 2009. These institutions mobilized deposits amounting to Birr 1.9 billion, up by 4.6 percent against the previous quarter. However, credit outstanding of the MFIs dropped off by 3.5 percent to Birr 4.6 billion from the previous quarter's 4.8 billion; while their total assets

increased to Birr 6.3 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 85.3

percent of the total capital, 93.2 percent of the savings, 93.8 percent of credit, and 90.7 percent of the total assets of the MFIs operating in the country.

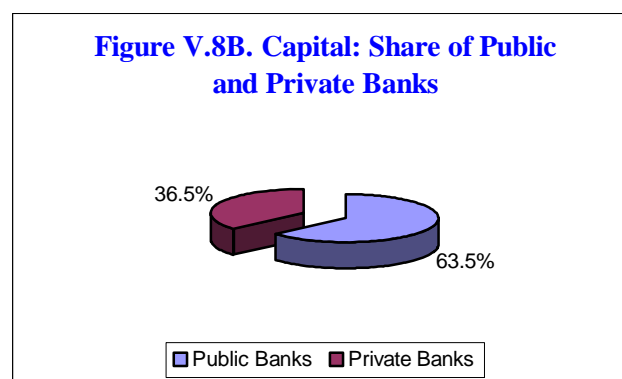
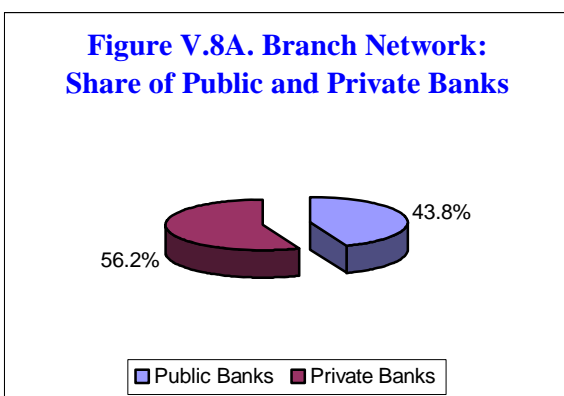
Table 5.5: Capital and Branch Network of Banking System at End of March 30,2009

(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network								Capital *	
	2008/09								2008/09	
	Quarter II				Quarter III				Quarter II	Quarter III
Regions	Addis Ababa	Total	% Share	Regions	Addis Ababa	Total	% Share			
1. Public Banks										
Commercial Bank of Ethiopia	160	49	209	35.1	160	49	209	33.9	4560	4561
Construction & Business Bank	15	12	27	4.5	16	13	29	4.7	196	196
Development Bank of Ethiopia	31	1	32	5.4	31	1	32	5.2	1943	1949
Total Public Banks	206	62	268	45.0	207	63	270	43.8	6699	6706
2. Private Banks							0			
Awash International Bank	28	30	58	9.7	29	31	60	9.7	540	550
Dashen Bank	25	26	51	8.6	26	26	52	8.4	676	676
Abyssinia Bank	20	25	45	7.6	20	25	45	7.3	421	421
Wegagen Bank	26	23	49	8.2	26	23	49	7.9	621	647
United Bank	13	23	36	6.0	15	24	39	6.3	425	425
Nib International Bank	16	26	42	7.0	16	28	44	7.1	579	580
Cooperative Bank of Oromiya	19	3	22	3.7	22	3	25	4.1	151	152
Lion International Bank	11	9	20	3.4	11	9	20	3.2	188	191
Zemen Bank	0	1	1		0	1	1	0.2	95	98
Oromia International Bank	0	4	4	0.0	8	4	12	1.9	107	112
Total Private Banks	158	170	328	55.0	173	174	347	56.2	3803	3852
3. Grand Total Banks	364	232	596	100.0	380	237	617	100.0	10502	10558

Source: NBE

* Excludes provisions for profit/loss



Source: NBE

Table 5.6: Branch Network & Capital of Insurance Companies at End of March 30,2009

(Branch in Number and Capital in Millions of Birr)

Insurance Companies	Branch						Capital	
	Quarter II 2008/09			Quarter III 2008/09			Quarter II	Quarter III
	A.A	Regions	Total	A.A	Regions	Total	2008/09	2008/09
Ethiopian Insurance Corporation.	11	27	38	11	28	39	238.8	242.8
Awash Insurance Company	13	9	22	13	9	22	50.9	52.0
Africa Insurance Company	6	7	13	6	7	13	67.0	52.6
National Insurance Corporation of Ethiopian	8	7	15	8	8	16	14.8	15.3
United Insurance Company	13	6	19	14	7	21	44.8	50.7
Global Insurance Company	4	3	7	4	3	7	20.3	21.4
Nile Insurance Company	10	9	19	11	9	20	50.2	54.7
Nyala Insurance Company	8	8	16	8	8	16	64.5	62.9
Nib Insurance Company	12	6	18	12	7	19	47.5	55.6
Lion Insurance Company	6	4	10	6	4	10	7.3	5.5
Ethio-Life Insurance Company	-	-	-	-	-	-	4.3	3.3
Oromia Insurance Company	-	-	-	2	5	7		25.9
TOTAL	91	86	177	95	95	190	610.3	642.7

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 dropped to Birr 8.8 billion during the third quarter of 2008/09, showing a 15.0 percent fall compared to the preceding quarter. But it showed a growth of 27.1 percent vis-à-vis the same period of last year due to the surge in net deposits and collection of loans.

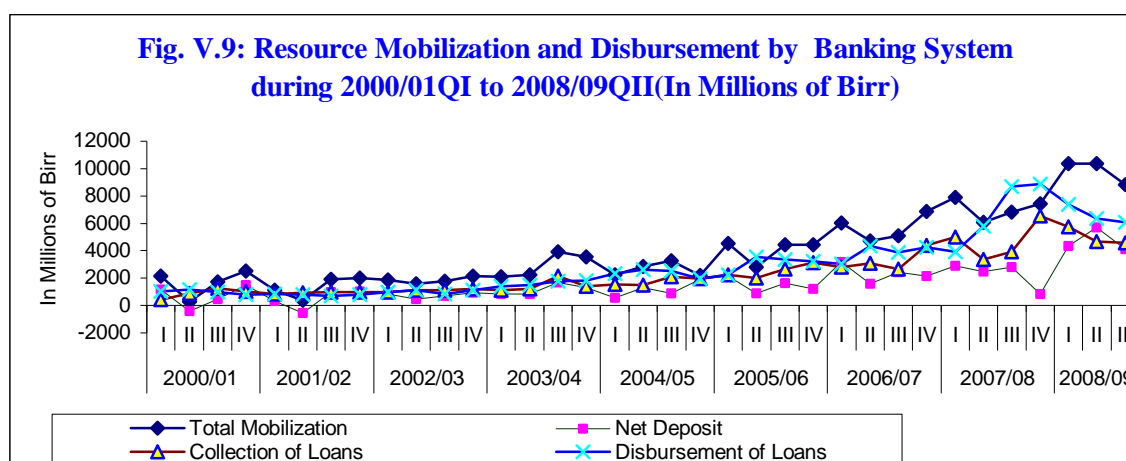
Table 5.7: Summary of Resource Mobilization & Disbursement of Banking System during Third Quarter of 2008/09

(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr.II 2008/09	Qtr.III 2008/09	Qtr.II 2008/09	Qtr.III 2008/09	Qtr.III 2007/08	Qtr.II 2008/09	Qtr.III 2008/09	C/A	C/B
1. Deposits (net change)	3,820.4	1,657.3	1,862.4	2,452.6	2,826.2	5,682.9	4,109.9	45.4	-27.7
-Demand	3,552.6	881.0	1,069.9	1,071.3	1,429.4	4,622.5	1,952.3	36.6	-57.8
-Saving	274.2	710.2	806.0	1,372.6	1,529.1	1,080.2	2,082.8	36.2	92.8
-Time	-6.4	66.1	-13.5	8.8	-132.3	-19.9	74.9	156.6	-476.1
2. Borrowing (net change)	-4.7	118.4	0.0	0.0	193.3	-4.7	118.4	-38.7	2,612.8
-Local	-4.7	-5.9	0.0	0.0	1.5	-4.7	-5.9	504.7	25.4
-Foreign	0.0	124.3	0.0	0.0	48.3	0.0	124.3	157.2	-
3. Collection of Loans	2,054.8	1,824.6	2,638.1	2,771.5	3,923.1	4,692.9	4,596.1	17.2	-2.1
4. Total Resources Mobilized (1+2+3)	5,870.5	3,600.3	4,500.6	5,224.1	6,942.6	10,371.1	8,824.4	27.1	-14.9
5. Disbursement	1,924.9	2,170.5	4,450.7	3,918.2	8,682.6	6,375.6	6,088.7	-29.9	-4.5
6. Change in Liquidity (4-5)	3,945.6	1,429.8	49.9	1,305.9	-1,739.9	3,995.5	2,735.7	257.2	-31.5
Memorandum Item:									
A. Outstanding Credit*	32,382.4	32,274.2	17,595.7	19,331.0	51,876.2	49,978.1	51,605.1	-0.5	3.3
B. Outstanding Interbank Lending	406.4	454.8	0.0	0.0	179.2	406.4	454.8	153.8	11.9

Source: Commercial Banks and staff computation

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



Source: NBE

5.5.1.1 Deposit Mobilization

The total deposit liabilities of the banking system reached Birr 77.1 billion at the end of March 2009 registering a quarterly and

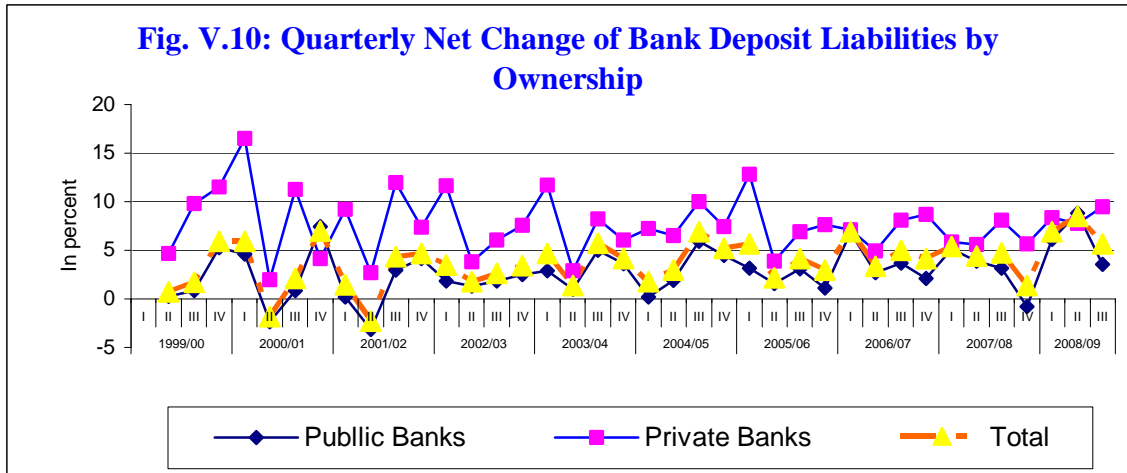
annual growth rates of 5.6 and 24.2 percent, respectively.

Table 5.8: Stock of Deposits Mobilized by Banking System at End of March 2009

(In Millions of Birr)

Types of Deposits	2007/08		2008/09				% Change	
	Quarter III	% Share	Quarter II	% Share	Quarter III	% Share	C/A	C/B
	A		B		C			
Demand Deposit	30,235.9	48.7	36,972.7	50.7	38,925.0	50.5	28.7	5.3
Saving Deposit	27,833.9	44.8	32,548.3	44.6	34,631.1	44.9	24.4	6.4
Time Deposit	4,022.4	6.5	3,472.6	4.8	3,547.5	4.6	-11.8	2.2
Total	62,092.1	100.0	72,993.6	100.0	77,103.6	100.0	24.2	5.6
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 indicated a quarterly and annual growth of 5.3 and 28.7 percent, respectively during the same period reaching Birr 38.9 billion. Similarly, saving deposits increased by 6.4 and 24.4 percent on quarterly and annual basis, respectively and reached Birr 34.6 billion. Time deposits also exhibited a 2.2

5.5.1.2 Collection of Loans

Collection of loans by the banking system went down by 2.1 percent in the review quarter compared with the preceding quarter, but went up by 17.2 percent vis-à-vis the corresponding period of last year.

Of the total loans collected during the review quarter, Birr 2.8 billion (60.3

percent growth from the previous quarter but declined by a 12 percent on annual basis.

The share of public and private banks in total deposits slightly improved to 35.5 percent in the review quarter from 32.8 percent in the same quarter of the preceding fiscal year.

percent) was collected by private banks; while the balance by public banks. About 77.6 percent of the total loan was collected from the private sector followed by public enterprises (14.0 percent) and cooperatives (8.3 percent).

5.5.1.3 Borrowing

Total outstanding borrowing of the banking system reached Birr 3.0 billion at the end of the third quarter, registering an annual growth rate of 16.0 percent. On annual basis, both domestic and external borrowing of banks rose by 10.6 and 41.6

percent, respectively. Of the total borrowing, Birr 2.4 billion (78.8 percent) was from domestic sources, while the remaining Birr 647.3 million (21.2 percent) from external sources.

Table 5.9: Outstanding Borrowing of Banking System by Sources at the End of March 2009

(In Millions of Birr)

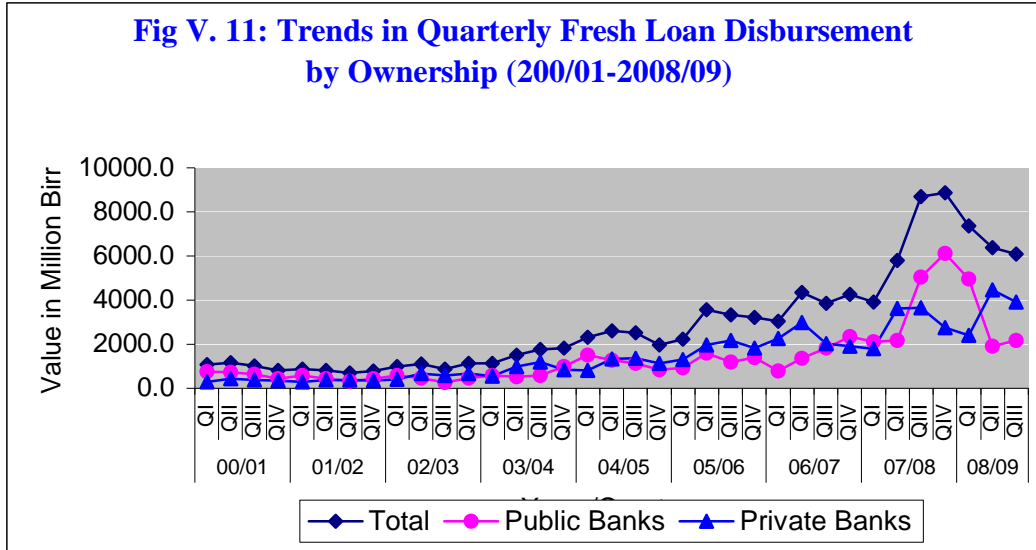
Banks	2007/08	2008/09		Percentage change	
	Quarter III	Quarter II	Quarter III	C/B	C/A
	A	B	C		
Domestic Borrowing	2,168.7	2,405.0	2,399.0	(0.2)	10.6
Foreign Borrowing	457.1	523.0	647.3	23.8	41.6
Total	2,625.8	2,927.9	3,046.3	4.0	16.0

Source: NBE

5.5.2 Disbursement of Fresh Loans

The review quarter witnessed declines in fresh loan disbursements. Accordingly, fresh loan disbursements by banks showed 30.0 and 4.5 percent fall on annual and quarterly basis, respectively and reached Birr 6.1 billion in the review quarter. Of the total new loans, 63.8 percent was disbursed by private commercial banks, and the remaining 36.2 percent by public banks.

Regarding the beneficiaries of the new loans, 27.7 percent went to finance international trade followed by domestic trade (23 percent), housing and construction (20.3 percent), industry (12 percent), and agriculture (6 percent). The other major beneficiary was the transport and communications sub-sector, receiving about 3.5 percent of the total fresh loans disbursed in the review quarter.



Source: NBE Staff Compilation

Table 5.10: Summary of Loans and Advances by Banks and Receiving Sectors from January to March 2009

(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 *			5768.3			0.0	0.0	0.0	5768.3
Agriculture	352.9	414.5	4,290.7	27.8	60.6	615.7	380.8	475.2	4,906.4
Industry	363.4	160.9	5,797.3	357.9	296.3	3,020.8	721.3	457.2	8,818.1
Domestic Trade	225.5	164.9	1,046.0	1,190.0	825.4	5,142.9	1,415.6	990.3	6,188.9
International Trade	311.8	405.3	8,156.2	1,373.6	932.3	5,317.4	1,685.4	1,337.6	13,473.6
Export	89.6	52.5	1,139.6	1,000.1	430.9	2,705.7	1,089.7	483.4	3,845.2
Imports	222.3	352.8	7,016.6	403.5	506.3	2,650.5	625.8	859.1	9,667.1
Hotels and Tourism	42.9	34.0	583.9	28.6	25.4	399.3	71.5	59.4	983.2
Transport & Communication	123.3	60.6	1,408.9	92.0	213.3	1,160.1	215.3	273.9	2,569.0
Housing & Construction	531.6	486.7	3,330.2	705.9	332.5	3,147.1	1,237.5	819.2	6,477.3
Mines, Power & Water Res.	0.0	0.0	0.0	0.0	0.4	1.3	0.0	0.4	1.3
Others	126.0	67.1	1,320.3	90.1	60.3	380.7	216.1	127.5	1,701.0
Personal	41.0	22.3	117.5	22.1	20.0	107.0	63.1	42.3	224.4
Inter-Bank Lending	52.0	8.1	454.8	0.0	0.0	0.0	52.0	8.1	454.8
Total	2,170.5	1,824.6	32,274.2	3,918.2	2,771.5	19,331.0	6,088.7	4,596.1	51,605.1

Source: Commercial Banks and staff computation

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

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

5.5.3 Outstanding Credit

By the end of March 2009, total outstanding credit of the banking system (including credit to the government) reached Birr 51.6 billion, 3.3 and 30.8 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 (66.7 percent) followed by public enterprises (17.5 percent) and central government (11.2 percent).

Sector-wise, international trade was the major beneficiary receiving about 26.1 percent of the total credit, followed by industry (17.1 percent), housing and construction (12.6 percent), domestic trade (12.0 percent), central government (11.2 percent) agriculture (9.5 percent), as well as transport and communications (5.0 percent).

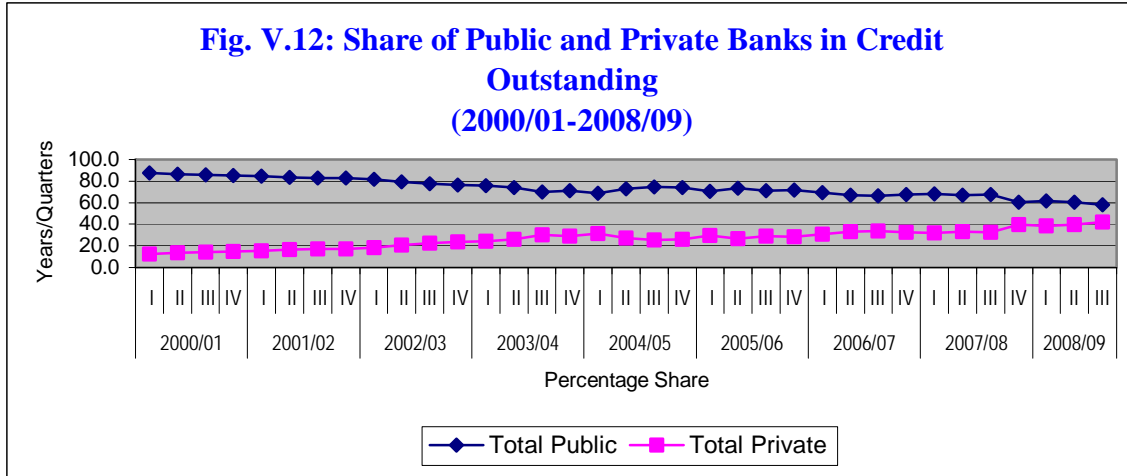
Table 5.11: Breakdown of Loans & Advances of Banking System by Clients during Third Quarter of 2008/09

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	2,170.5	35.6	1,824.6	39.7	32,274.2	62.5
Central Government*	0.0	0.0	0.0	0.0	5,768.3	17.9
State Enterprises	475.4	21.9	643.2	35.3	9,037.8	28.0
Cooperatives	384.4	17.7	362.7	19.9	1,672.2	5.2
Private Enterprises	1,258.6	58.0	816.4	44.7	15,341.0	47.5
Inter-bank Lending	52.0	2.4	2.2	0.1	454.8	1.4
Private Banks	3,918.2	64.4	2,771.5	60.3	19,331.0	37.5
Central Government*	0.0	0.0	0.0	0.0	0.0	0.0
State Enterprises	0.0	0.0	2.6	0.1	7.4	0.0
Cooperatives	75.1	1.9	17.8	0.6	242.5	1.3
Private Enterprises	3,843.1	98.1	2,751.1	99.3	19,081.0	98.7
Inter-bank Lending	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total	6,088.7	100.0	4,596.1	100.0	51,605.1	100.0

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 42.2 billion at the end of the third quarter of 2008/09, falling by 1.6 percent compared with that of the preceding quarter, but higher by 24.6 percent vis-à-vis same period last year. Direct advances to the government reached Birr 32.5 billion (or 77.1 percent of total claims), showing a quarterly decline of 2.1 percent. On the other hand, NBE's holdings of government bonds stood 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 24.9 billion, lower than the preceding quarter by 2.1 percent, but higher by 45.6 percent than corresponding

period of last year. Of the total deposits, 27.0 percent belongs to the central government. On the other hand, the deposits of financial institutions registered an annual growth of 63.7 but a decline of 5.3 percent from the previous quarter.

Table 5.12: Financial Activities of NBE during Third Quarter of 2008/09

(In Millions of Birr)

Particulars	2007/08	2008/09		% Change	
	Qtr.III	Qtr.II	Qtr.III	C/A	C/B
	A	B	C		
1.Loans and Advances	33,917.3	42,949.0	42,249.0	24.6	-1.6
1.1. To Central Government	33,917.3	42,949.0	42,249.0	24.6	-1.6
Direct Advance	24,018.0	33,256.0	32,556.0	35.5	-2.1
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	17,076.6	25,410.3	24,867.6	45.6	-2.1
2.1. Government	5,966.5	6,215.8	6,682.8	12.0	7.5
2.2. Financial Institutions	11,110.1	19,194.5	18,184.8	63.7	-5.3
O/W:					
-Banks	11,073.1	19,156.1	18,144.4	63.9	-5.3
-Insurance companies	37.0	38.3	40.4	9.2	5.4
3.Net Claims of NBE	16,840.7	17,538.7	17,381.4	3.2	-0.9

Source:

5.7 Developments in Financial Markets

5.7.1 Treasury Bills Market

During the third quarter of 2008/09, the amount of T-bills supplied to the auction market was Birr 6.1 billion, while the total bills sold were Birr 6.3 billion. The amount of T-bills supplied showed a decline of 21 and 41.0 percent on annual and quarterly basis, respectively. The demand for T-bills reached Birr 9.7 billion, which dropped off by about 28.5 percent compared with the preceding quarter and by 26.0 percent against the corresponding period of last year.

As non-bank institutions bought the total T-bills sold in the quarter under review, the outstanding T-bills held by non-bank

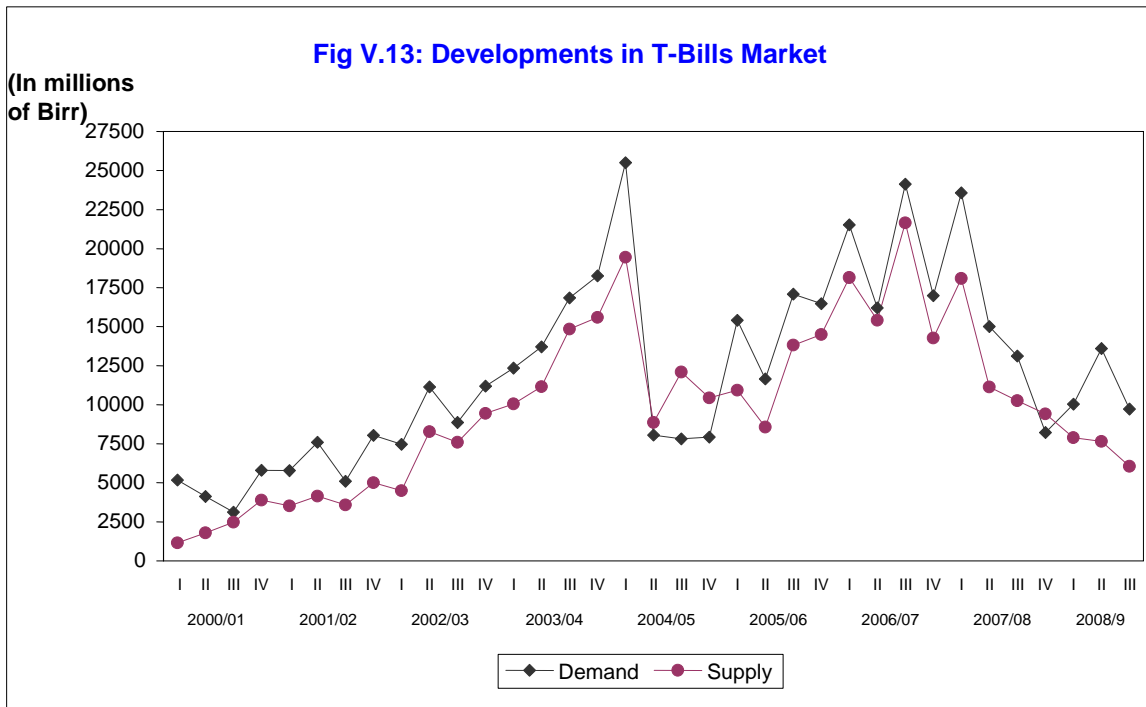
institutions increased significantly and reached Birr 6.4 billion or 79.3 percent from Birr 4.0 billion (33.1 percent) a year ago.

The average weighted yield on T-bills of different maturities dropped and reached 0.661 percent in the review quarter vis-à-vis 0.751 percent in the preceding quarter. However, on annual basis, yields of all types of T-bills increased by 30.5 percent.

Table 5.13: Results of Treasury Bills Auction

Particulars	2007/08	2008/09		% Change	
	Qtr.III	Qtr.II	Qtr.III	C/A	C/B
	A	B	C		
Number of Bidders	40	74	51	27.50	-31.08
Public	30	54	41	36.67	-24.07
Private	10	20	10	0.00	-50.00
Number of Bids Accepted	54	84	64	18.52	-23.81
Public	42	60	50	19.05	-16.67
Private	12	24	14	16.67	-41.67
Amount Demanded (Mn.Birr)	13,117.00	13,585.30	9,720.70	-25.89	-28.45
28-day bill	3,640.00	3,951.90	2,000.00	-45.05	-49.39
91-day bill	4,095.00	7,791.40	6,530.70	59.48	-16.18
182-day bill	5,382.00	1,842.00	1,190.00	-77.89	-35.40
Amount Supplied (Mn.Birr)	10,263.00	7,657.00	6,059.60	-40.96	-20.86
28-day bill	2,100.00	960.00	1,010.00	-51.90	5.21
91-day bill	2,800.00	4,031.00	3,674.40	31.23	-8.85
182-day bill	5,363.00	2,666.00	1,375.20	-74.36	-48.42
Amount Sold (Mn.Birr)	10,320.00	7,432.40	6,270.70	-39.24	-15.63
Banks	6,476.00	1,672.00	0.00	-100.00	-100.00
Non-Banks	3,844.00	5,760.40	6,270.70	63.13	8.86
Average Weighted Price for Successful Bids(Birr)	99.86	99.808	99.743	-0.116	-0.065
28-day bill	99.964	99.954	99.872	-0.09	-0.08
91-day bill	99.866	99.792	99.751	-0.12	-0.04
182-day bill	99.747	99.678	99.606	-0.14	-0.07
Average Weighted Yield for Successful Bids(%)	0.504	0.751	0.661	30.511	-10.595
28-day bill	0.467	0.601	0.644	37.94	7.19
91-day bill	0.536	0.838	0.942	75.66	12.36
182-day bill	0.509	0.815	0.397	-22.07	-51.33
Outstanding Bills at the End of Period (Mn.Br.)	12,153.00	8,131.61	8,082.10	-33.50	-0.61
Banks	8,129.00	1,672.00	1,672.00	-79.43	0.00
Non-Banks	4,024.00	6,459.61	6,410.10	59.30	-0.77

Source: NBE



Source: NBE

5.7.2 Inter- Bank Money Market

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

