

## V. MONETARY DEVELOPMENTS

The focus of monetary policy continued to be geared towards containing inflationary pressures. Accordingly, coordinated and tight monetary and fiscal policy measures

taken since 2007/08 have brought promising results as annual CPI inflation declined to 2.7 percent in June 2009 from 64 percent in July 2008.

### 5.1. Money Supply and Credit

Domestic liquidity as measured by broad money supply (M2) registered quarterly and annual growth rates of 2.4 and 21.0 percent, respectively and stood at Birr 82.5 billion by the end of June 2009, on account of increases both in net foreign assets and domestic credit.

Domestic credit witnessed an annual growth rate of 11.5 percent due to a 20.3 percent surge in credit to the non-government sector, offsetting the modest decline in net claims to the government.

Credit to non-government sector expanded as the economy continued to grow with increased economic activities and infrastructural investments. Credit to government, however, slowed down as part of the prudent fiscal management.

Similarly, net foreign assets of the banking system depicted yearly and quarterly growth of 54.1 and 20.9 percent, respectively partly assisted by increased donor support.

**Table 5. 1: Factors Influencing Broad Money**

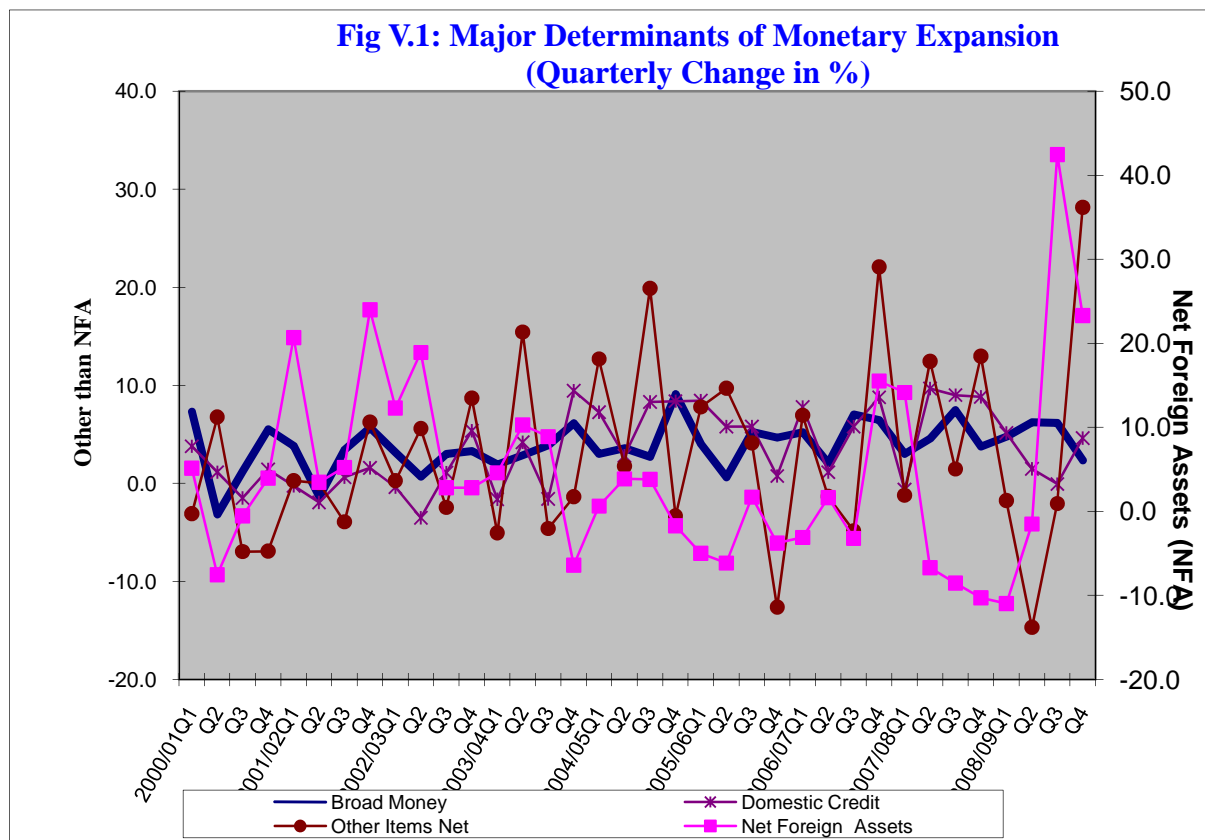
(In Millions of Birr)

Particulars	2007/08	2008/09		Percentage Change	
	Qtr. IV	Qtr. III	Qtr. IV		
	(Jun 08)	(Mar 09)	(Jun 09)		
	A	B	C	C/A	C/B
1. Foreign Assets (net)	11,665.6	14,863.6	17,976.8	54.1	20.9
2. Domestic Credit	79,969.3	85,281.6	89,203.0	11.5	4.6
. Claims on Central Gov't (net)	33,075.7	29,349.1	32,786.5	-0.9	11.7
. Claims on Other Sector's	46,893.6	55,932.5	56,416.5	20.3	0.9

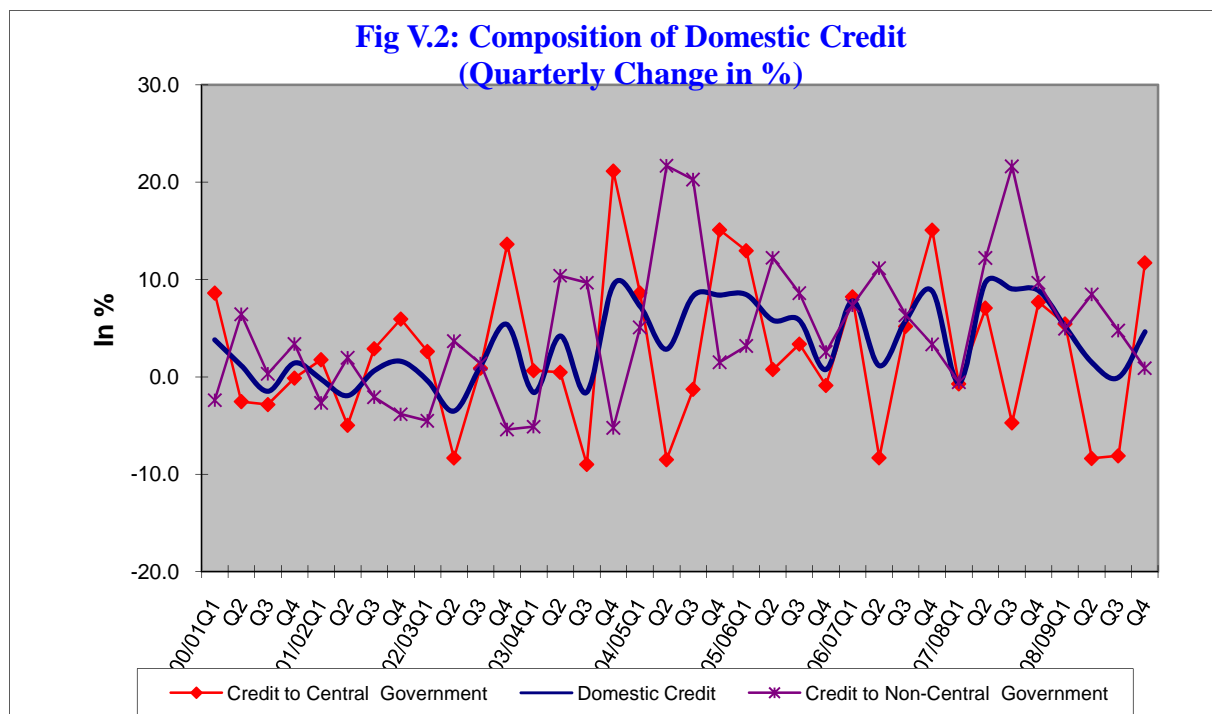
Fourth Quarter 2008/09

<b>3. Other Items (net)</b>	23,452.7	19,581.6	24,670.1	5.2	26.0
<b>4. Broad Money (M2)</b>	68,182.1	80,563.5	82,509.8	21.0	2.4

Source: National Bank of Ethiopia (NBE)



Source: NBE



Source: NBE

As for the components of broad money, both narrow and quasi-money expanded annually by 19.1 and 23.0 percent, respectively driven by increases in all components of broad money except time deposits. Time deposits declined by 3.2 percent on annual

basis, due to the withdrawal of maturing time deposits by Commercial Bank of Ethiopia and non-bank financial institutions. On the other hand, savings deposits surged by 26 percent and demand deposits by 26.6 percent during the review period.

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

(In Millions of Birr)

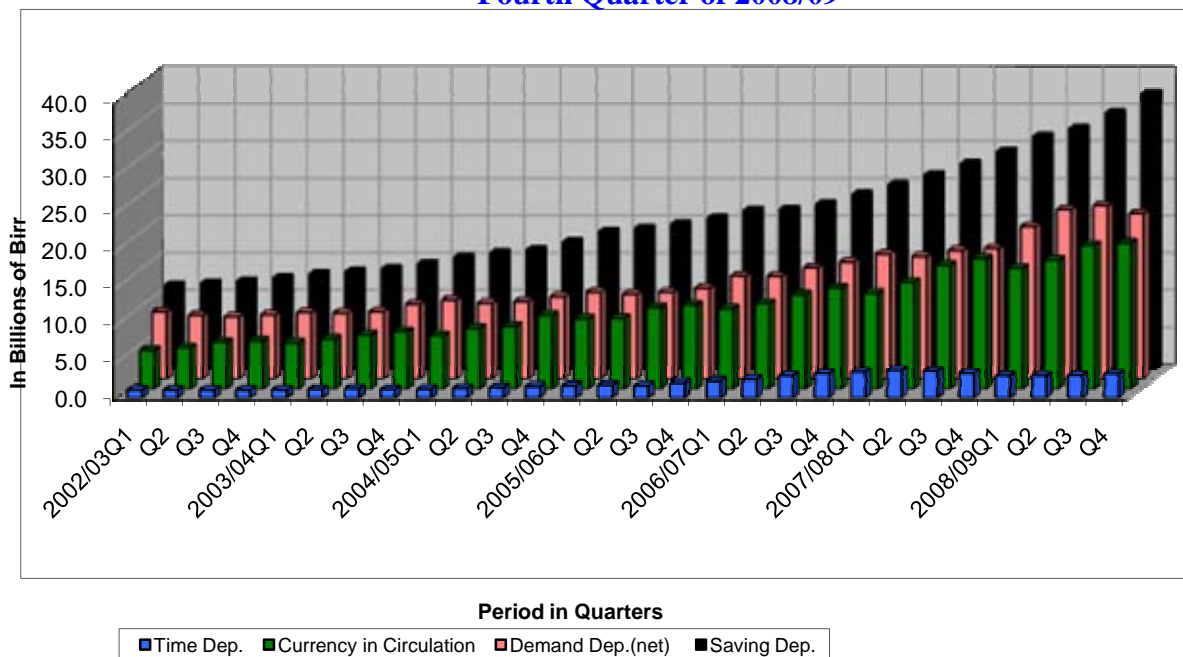
Particulars	2007/08	2008/09		Percentage Change	
	Qtr. IV	Qtr. III	Qtr. IV		
	(Jun 08)	(Mar 09)	(Jun 09)		
	A	B	C	C/A	C/B
<b>1. Narrow Money Supply</b>	<b>35,350.4</b>	<b>42,853.2</b>	<b>42,112.7</b>	<b>19.1</b>	<b>-1.7</b>
<i>. Currency Outside Banks</i>	17,654.1	19,264.0	19,715.0	11.7	2.3

Fourth Quarter 2008/09

. Demand Deposits (net)	17,696.3	23,589.2	22,397.6	26.6	-5.1
<b>2. Quasi-Money</b>	<b>32,831.8</b>	<b>37,710.3</b>	<b>40,397.1</b>	<b>23.0</b>	<b>7.1</b>
. Savings Deposits	29,477.6	34,659.0	37,148.7	26.0	7.2
. Time Deposits	3,354.1	3,051.3	3,248.4	-3.2	6.5
<b>3. Broad Money Supply</b>	<b>68,182.1</b>	<b>80,563.5</b>	<b>82,509.8</b>	<b>21.0</b>	<b>2.4</b>

Source: NBE

**Fig. V. 3: Composition of Monetary Stock during Fourth Quarter of 2008/09**



Source: NBE

## 5.2 Developments in Reserve Money and Monetary Ratio

Reserve money witnessed an annual expansion of about 26.9 percent due to the Fourth Quarter 2008/09

growth both in currency in circulation and deposits of banks at NBE by 17.9 and 38.7

percent, respectively. On quarterly basis too, reserve money went up by 9.1 percent mainly driven by 18 percent build up in deposits of banks at NBE. Currency in circulation also slightly increased by about 2.3 percent during the same period.

In response to the build up in the deposits of banks at NBE, excess reserves of

commercial banks rose to Birr 8.4 billion by end June 2009 from Birr 6.1 billion a year ago, registering an annual increase of 37 percent. This partly reflects increased resource mobilization activities of the banking system, on the one hand, and lack of developed securities market on the other.

**Table 5. 3: Reserve Money and Ratios**

(In Millions of Birr Unless Otherwise Indicated)

Particulars	2007/08	2008/09		Percentage Change	
	Qtr. IV	Qtr. III	Qtr. IV		
	(Jun 08)	(Mar 09)	(Jun 09)		
	A	B	C	C/A	C/B
<b>1. Reserve Requirement (CB's)</b>	9,112.90	11,293.81	11,183.34	22.72	-0.98
<b>2. Actual Reserve (CB's)*</b>	15,232.97	17,846.83	19,569.38	28.47	9.65
<b>3. Excess Reserve (CB's)</b>	6,120.06	6,553.02	8,386.04	37.03	27.97
<b>4. Reserve Money</b>	35,551.09	41,331.40	45,107.02	26.88	9.13
. <i>Currency in Circulation</i>	20,216.39	23,303.92	23,836.35	17.91	2.28
. <i>Banks Deposits at NBE**</i>	15,334.70	18,027.48	21,270.67	38.71	17.99
<b>5. Money Multiplier (Ratio):</b>					
. <i>Narrow Money to Reserve Money</i>	0.99	1.04	0.93	-6.11	-9.95
. <i>Broad Money to Reserve Money</i>	1.92	1.95	1.83	-4.62	-6.16
<b>6. Other Monetary Ratios (%):</b>					
. <i>Currency to Narrow Money</i>	57.19	54.38	56.60	-1.03	4.08
. <i>Currency to Broad Money</i>	29.65	28.93	28.89	-2.57	-0.13
. <i>Narrow Money to Broad Money</i>	51.85	53.19	51.04	-1.56	-4.05
. <i>Quasi Money to Broad Money</i>	48.15	46.81	48.96	1.68	4.60

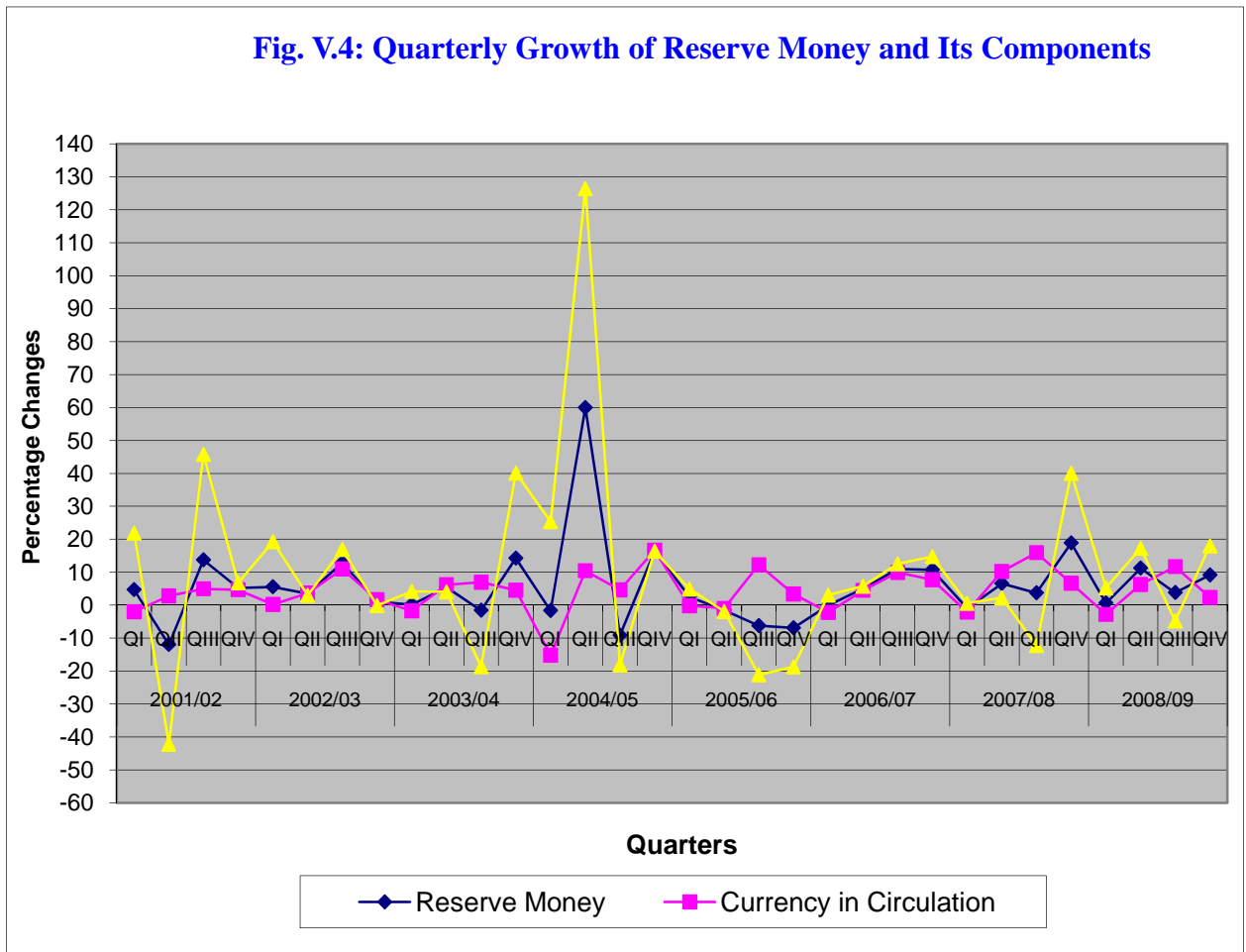
Source: NBE and commercial banks

\* Obtained from commercial banks balance sheet

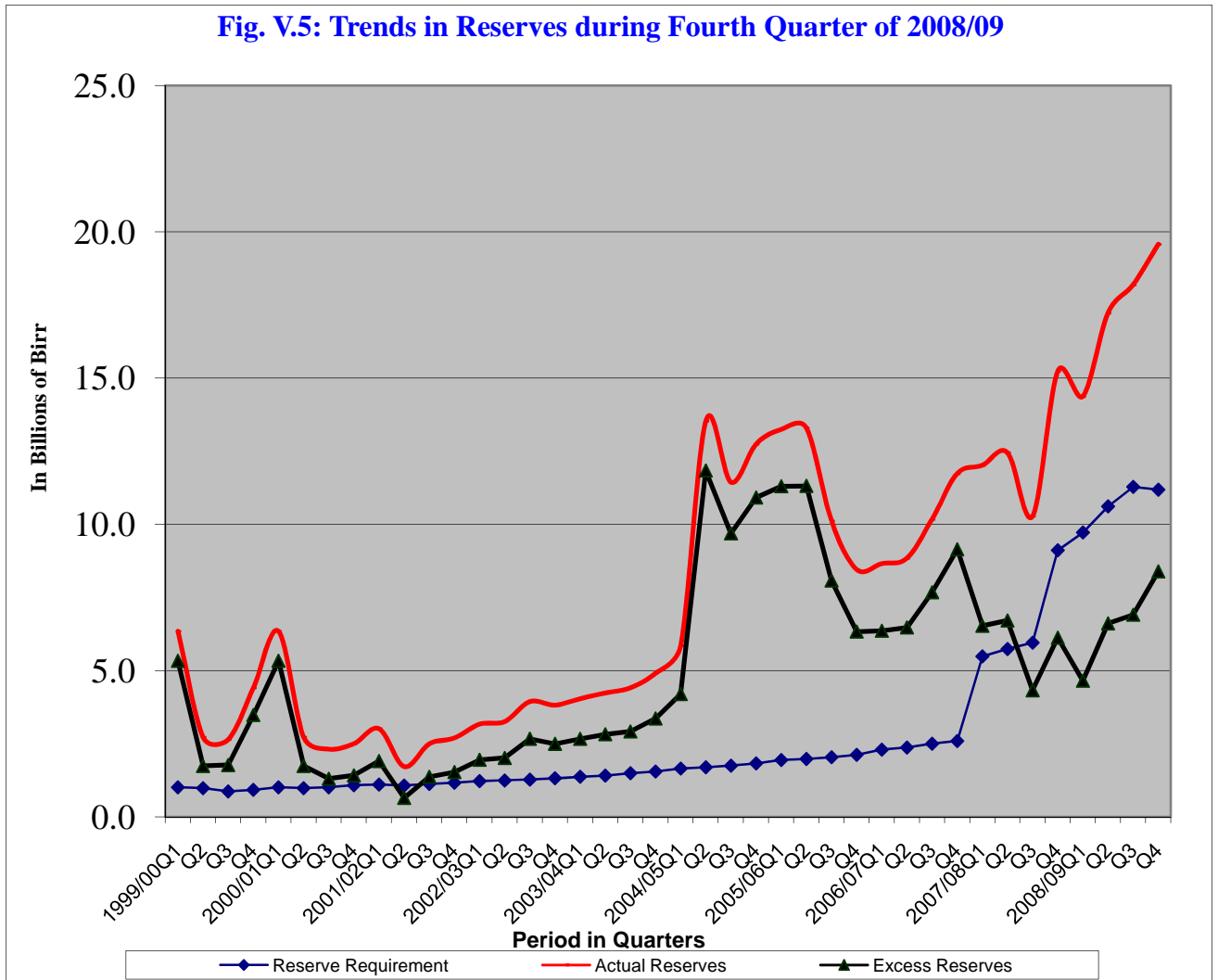
\*\* Obtained from NBE balance sheet

Regarding monetary ratios, both narrow-money to broad money and quasi money to broad money ratios didn't exhibit a clear trend, presumably due to seasonal variations. Nevertheless, the ratio of broad money to reserve money, normally known

as the money multiplier, went down by 4.6 percent on annual basis partly reflecting the surge in reserve money mainly originating from higher excess reserves of commercial banks.



Source: NBE



Source: NBE

### 5.3 Interest Rate Developments

All deposit rates (average savings, weighted demand and time deposit rates) increased to 4.5, 0.057 and 5.26 percent during the review quarter from 4.08, 0.04

and 5.16 percent a year ago, respectively. Average lending rate of banks also went up to 12.25 percent in contrast to 10.5 percent last year same period.

Weighted average yield on T-bills, however, declined to 0.794 percent from 0.824 percent in the corresponding period of last year, while the average bond yield remained at 4.14 percent.

Considering the annual (year-on-year) headline inflation of 1.9 percent, all rates turned positive in real terms, although they remained negative when measured against the average annual headline inflation of 36.4 percent.

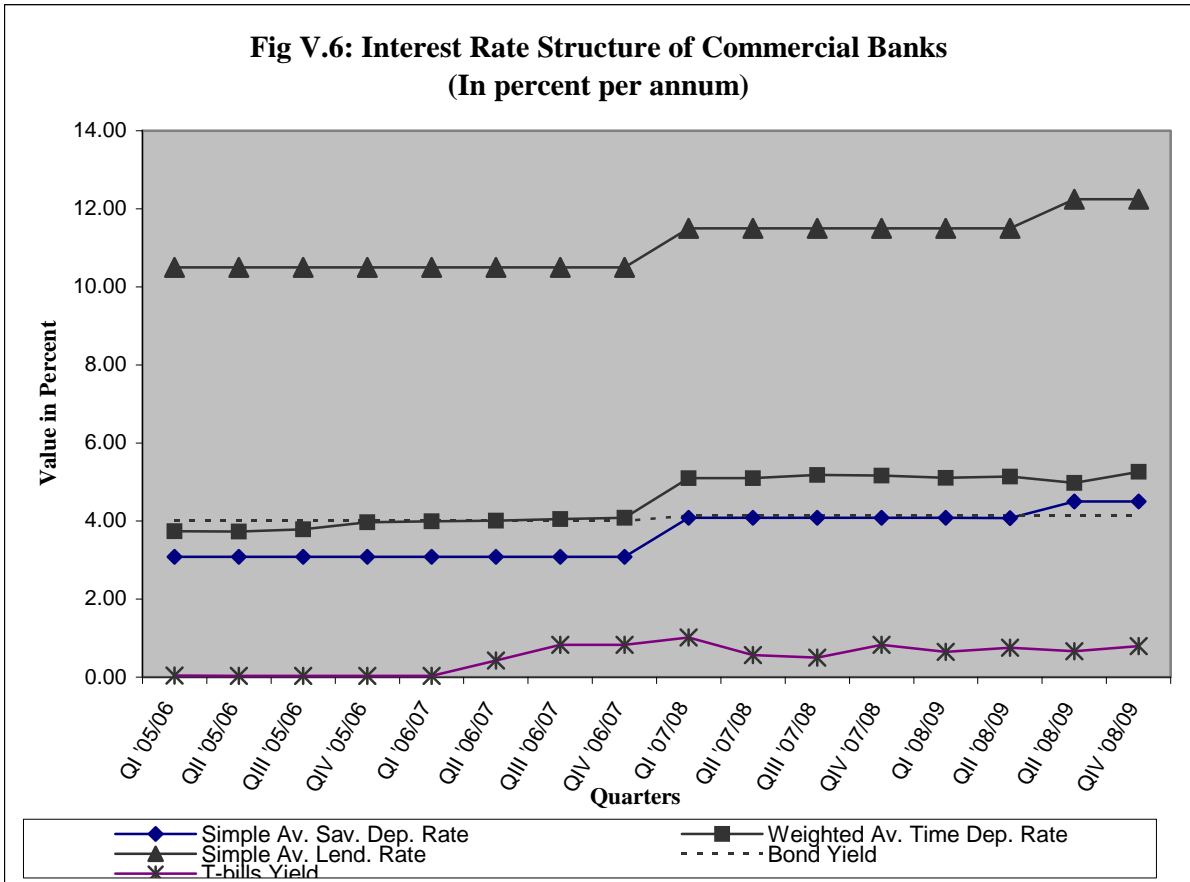
**Table 5. 4: Interest Rate Structure of Commercial Banks (In % per annum)**

Particulars	2007/08	2008/09	
	QIV	QIII	QIV
<b>1. Savings Deposit Rate</b>			
• <i>Minimum</i>	4	4.00	4.00
• <i>Maximum</i>	4.15	5.00	5.00
<b>Average Savings Rate</b>	<b>4.08</b>	<b>4.50</b>	<b>4.50</b>
<b>2. Time Deposit Rate</b>			
• <i>Up to 1 year</i>	4.67	4.55	4.580
• <i>1 - 2 years</i>	5.23	5.21	6.204
• <i>Over 2 years</i>	5.59	5.17	4.998
<b>Average Time Dep. Rate</b>	<b>5.16</b>	<b>4.98</b>	<b>5.260</b>
<b>3. Demand Deposit Rate (Weighted)</b>	<b>0.04</b>	<b>0.053</b>	<b>0.057</b>
<b>4. Lending Rate</b>			
• <i>Minimum</i>	8	8.00	8.00
• <i>Maximum</i>	15	16.50	16.50
<b>Average Lending Rate</b>	<b>11.5</b>	<b>12.25</b>	<b>12.25</b>
<b>5. T-bills Rate (Weighted Ave.)</b>	0.824	0.661	0.794
<b>6. Bond Yield (Simple Average)*</b>	4.14	4.14	4.14

Source: National Bank of Ethiopia and commercial banks

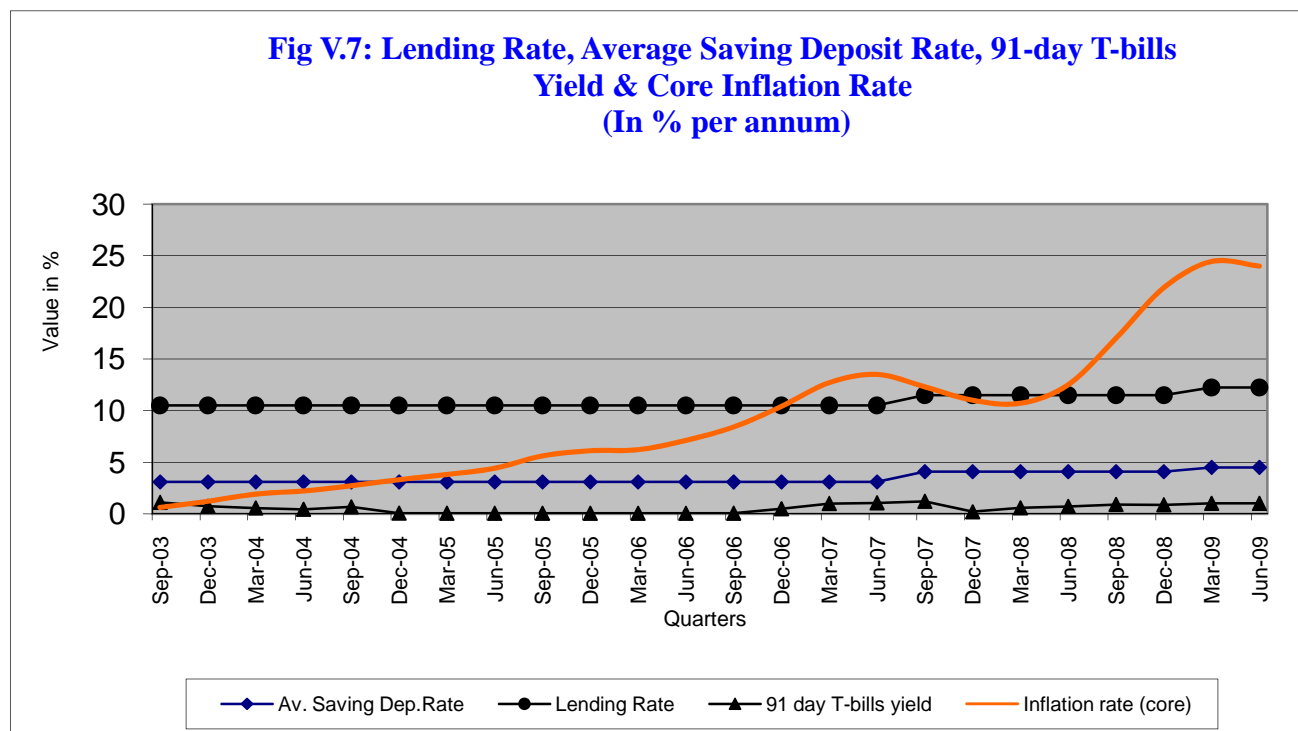
NB: \* Shows average bond yield on outstanding government and public enterprise bonds.





Source: NBE and Commercial banks

**Fig V.7: Lending Rate, Average Saving Deposit Rate, 91-day T-bills Yield & Core Inflation Rate  
(In % per annum)**



Source: NBE staff compilation

## 5.4 Developments in Financial Sector

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

During the review quarter 19 new bank branches were opened, raising

the total number of bank branches to 636. Consequently, the ratio of bank branch to total population reached 120755 in the review period.

Regarding the spatial distribution of the branches, about 37.9 percent of the total bank branches were located in Addis Ababa, the major business centre and capital city of the country.

Of the total bank branches, the share of private banks slightly increased to 57.1 percent from 56.24 percent in the preceding quarter.

The review period also witnessed a rise in the total capital of the banking system by 5.0 percent reaching Birr 11.1 billion. The share of private banks was 36.5 percent.

Although no change was observed in the total number of insurance companies, their capital grew to Birr 652.3 million from Birr 616.8 million at the end of the third quarter. Similarly, following the opening up of 4 new branches, the total number of insurance branches grew to 194, of which private insurance companies accounted for the lion's share (79.9 percent). As to their locations, about 50.5 percent of the total branches of insurance companies were situated in Addis Ababa.

In terms of outreach, one branch insurance company in the country is estimated to serve almost 395876 people.

The number of micro finance institutions (MFIs) operating in the country stood at 28 by the end of June 2009. These institutions mobilized deposits amounting to Birr 2.1 billion, up by 10.5 percent against the previous quarter. Similarly, credit outstanding of the MFIs increased by 6.5 percent to Birr 4.9 billion. Likewise, their total assets increased to Birr 6.6 billion by the end of the review quarter.

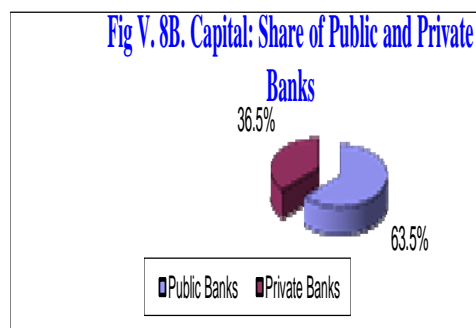
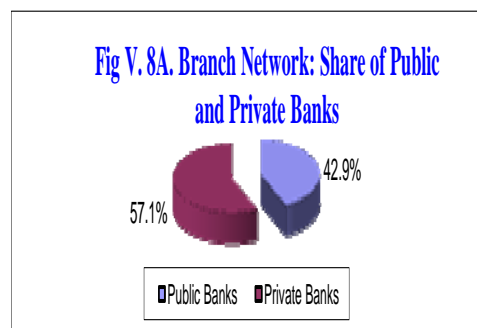
The top five largest MFIs; namely, Amhara, Dedebit, Oromia, Omo and Addis Credit and Savings Institutions accounted for 85.4 percent of the total capital, 93.2 percent of the savings, 89.9 percent of credit, and 90.7 percent of the total assets of the MFIs functioning in the country.

**Table 5.5: Capital and Branch Network of Banking System by the End of June 30, 2009**  
Fourth Quarter 2008/09

(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network								Capital	
	2008/09				2008/09				2008/09	
	Quarter III				Quarter IV				Quarter III	Quarter IV
	Regions	Addis Ababa	Total	% Share	Regions	Addis Ababa	Total	% Share		
<b>1. Public Banks</b>										
Commercial Bank of Ethiopia	160	49	209	33.9	160	49	209	32.9	4561	5041
Construction & Business Bank	16	13	29	4.7	17	15	32	5.0	196	196
Development Bank of Ethiopia	31	1	32	5.2	31	1	32	5.0	1949	1800
<b>Total Public Banks</b>	<b>207</b>	<b>63</b>	<b>270</b>	<b>43.8</b>	<b>208</b>	<b>65</b>	<b>273</b>	<b>42.9</b>	<b>6706</b>	<b>7037</b>
<b>2. Private Banks</b>										
Awash International Bank	29	31	60	9.7	29	31	60	9.4	550	555
Dashen Bank	26	26	52	8.4	28	26	54	8.5	676	815
Abyssinia Bank	20	25	45	7.3	22	25	47	7.4	421	421
Wegagen Bank	26	23	49	7.9	26	23	49	7.7	647	656
United Bank	15	24	39	6.3	15	26	41	6.4	425	449
Nib International Bank	16	28	44	7.1	17	28	45	7.1	580	581
Cooperative Bank of Oromiya	22	3	25	4.1	23	3	26	4.1	152	155
Lion International Bank	11	9	20	3.2	11	9	20	3.1	191	192
Zemen Bank	0	1	1		0	1	1	0.2	98	100
Oromia International Bank	8	4	12	0.0	16	4	20	3.1	112	121
<b>Total Private Banks</b>	<b>173</b>	<b>174</b>	<b>347</b>	<b>56.2</b>	<b>187</b>	<b>176</b>	<b>363</b>	<b>57.1</b>	<b>3852</b>	<b>4045</b>
<b>3. Grand Total Banks</b>	<b>380</b>	<b>237</b>	<b>617</b>	<b>100.0</b>	<b>395</b>	<b>241</b>	<b>636</b>	<b>100.0</b>	<b>10558</b>	<b>11082</b>

Source: NBE



Source: NBE

**Table 5.6: Branch Network & Capital of Insurance Companies by the End of June 30, 2009**  
(Branch in Number and Capital in Millions of Birr)

Insurance Companies	Branch						Capital	
	Quarter III 2008/09			Quarter IV 2008/09			Quarter III	Quarter IV
	A.A	Regions	Total	A.A	Regions	Total	2008/09	2008/09
Ethiopian Insurance Corporation	11	28	39	11	28	39	242.8	249.4
Awash Insurance Company	13	9	22	13	9	22	52.0	52.9
Africa Insurance Company	6	7	13	6	7	13	52.6	59.0
National Insurance Corporation of Ethiopia	8	8	16	8	8	16	15.3	14.8
United Insurance Company	14	7	21	14	7	21	50.7	39.3
Global Insurance Company	4	3	7	4	3	7	21.4	22.9
Nile Insurance Company	11	9	20	11	9	20	54.7	56.4
Nyala Insurance Company	8	8	16	8	8	16	62.9	61.6
Nib Insurance Company	12	7	19	13	8	21	55.6	60.3
Lion Insurance Company	6	4	10	6	4	10	5.5	7.1
Ethio-Life Insurance Company	-	-	-	-	-	-	3.3	3.3
Oromia Insurance Company	2	5	7	4	5	9	25.9	25.6
<b>TOTAL</b>	<b>95</b>	<b>95</b>	<b>190</b>	<b>98</b>	<b>96</b>	<b>194</b>	<b>616.8</b>	<b>652.3</b>

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 slightly dropped to Fourth Quarter 2008/09

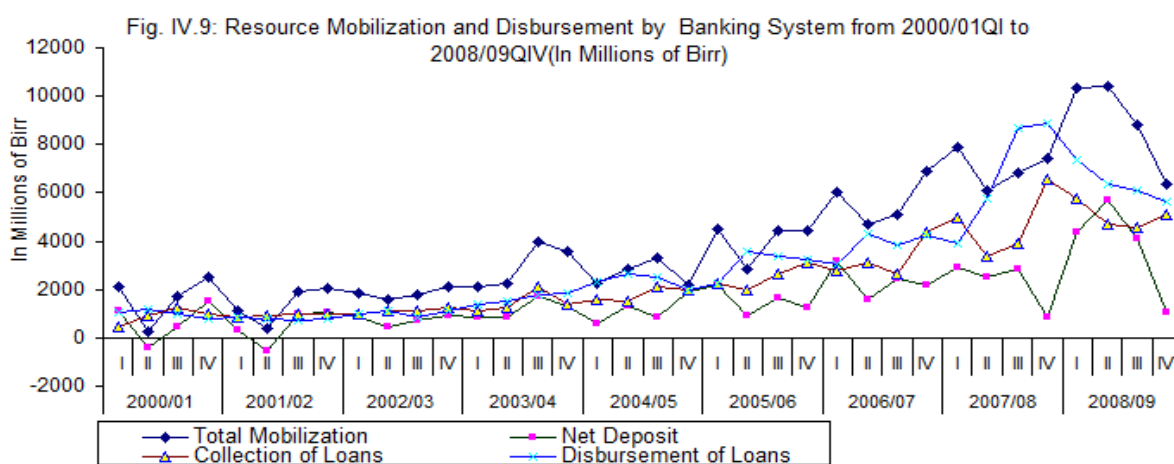
Birr 8.2 billion during the fourth quarter of 2008/09 from Birr 8.8 billion in the preceding quarter largely reflecting lower

deposit mobilization activities in the review period of last year, however, it increased by quarter. Compared to the corresponding 8.0 percent.

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

(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr.III 2008/09	Qtr.IV 2008/09	Qtr.III 2008/09	Qtr.IV 2008/09	Qtr.IV 2007/08	Qtr.III 2008/09	Qtr.IV 2008/09	C/A	C/B
					A	B	C		
<b>1. Deposits (net change)</b>	<b>1,657.3</b>	<b>-449.4</b>	<b>2,452.6</b>	<b>1,497.9</b>	<b>864.1</b>	<b>4,109.9</b>	<b>1,048.4</b>	<b>21.3</b>	<b>-74.5</b>
-Demand	881.0	-1,764.2	1,071.3	106.5	-493.8	1,952.3	-1,657.7	235.7	-184.9
-Saving	710.2	1,248.4	1,372.6	1,273.8	1,648.3	2,082.8	2,522.2	53.0	21.1
-Time	66.1	66.4	8.8	117.5	-290.4	74.9	183.9	-163.3	145.6
<b>2. Borrowing (net change)</b>	<b>118.4</b>	<b>233.6</b>	<b>0.0</b>	<b>0.0</b>	<b>193.3</b>	<b>118.4</b>	<b>233.6</b>	<b>20.8</b>	<b>97.3</b>
-Local	-5.9	4.0	0.0	0.0	-1.8	-5.9	4.0	-316.8	-167.1
-Foreign	124.3	229.6	0.0	0.0	0.7	124.3	229.6	32,748.6	-
<b>3. Collection of Loans</b>	<b>1,824.6</b>	<b>3,149.3</b>	<b>2,771.5</b>	<b>3,774.0</b>	<b>6,542.8</b>	<b>4,596.1</b>	<b>6,923.3</b>	<b>5.8</b>	<b>50.6</b>
<b>4. Total</b>								<b>8.0</b>	<b>-7.0</b>
<b>5. Net Deposit</b>								<b>6.4</b>	<b>-7.3</b>
<b>6. Collection of Loans</b>								<b>0.7</b>	<b>-6.4</b>
<b>7. Disbursement of Loans</b>								<b>7.0</b>	<b>0.1</b>
<b>8. Net Change</b>								<b>2.3</b>	<b>-6.0</b>



Source: NBE

### 5.5.1.1 Deposit Mobilization

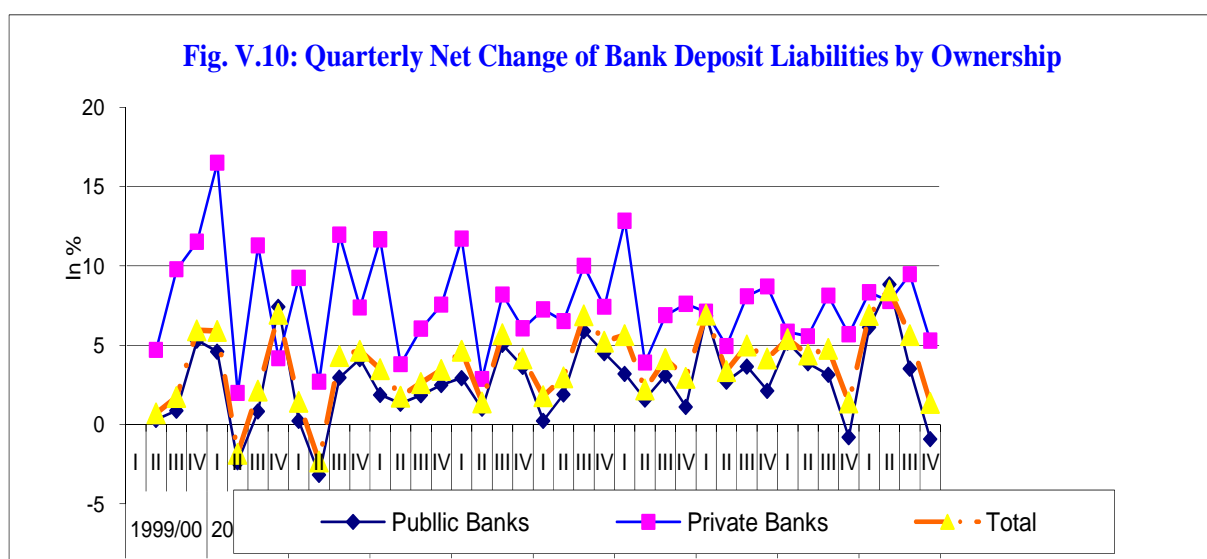
Total deposit liabilities of the banking system reached Birr 78.2 billion at the end of June 2009, registering a quarterly and Fourth Quarter 2008/09

annual growth rates of 1.4 and 24.1 percent, respectively.

**Table 5.8: Stock of Deposits Mobilized by Banking System by the End of June 2009**  
(In Millions of Birr)

Types of Deposits	2007/08		2008/09				% Change	
	Quarter IV	%	Quarter III	%	Quarter IV	%		
	A	Share	B	Share	C	Share	C/A	C/B
Demand Deposit	29,742.0	47.2	38,925.0	50.5	37,267.3	47.7	25.3	-4.3
Saving Deposit	29,482.2	46.8	34,631.1	44.9	37,153.3	47.5	26.0	7.3
Time Deposit	3,732.0	5.9	3,547.5	4.6	3,731.4	4.8	0.0	5.2
<b>Total</b>	<b>62,956.3</b>	<b>100.0</b>	<b>77,103.6</b>	<b>100.0</b>	<b>78,152.0</b>	<b>100.0</b>	<b>24.1</b>	<b>1.4</b>
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 declined by 4.3 percent on quarterly basis partly reflecting quarterly seasonality of business

Fourth Quarter 2008/09

activities; but it grew annually by 25.3 percent to reach Birr 37.3 billion as at June 2009. Similarly, saving deposits increased by 7.3 and 26.0 percent on quarterly and annual

basis, respectively and reached Birr 37.2 billion. Time deposits also registered a quarterly growth rate of 5.2 percent and reached Birr 3.7 billion at the end of June 2009.

### 5.5.1.2 Collection of Loans

Collection of loans by the banking system grew by 50.6 and 5.8 percent in the review quarter compared with the preceding quarter and corresponding period of last year, respectively and reached Birr 6.9 billion.

Of the total loan collected, Birr 3.8 billion (54.5 percent) was by private banks; and

### 5.5.1.3 Borrowing

In the review quarter, total outstanding borrowing of the banking system reached Birr 3.1 billion, registering an annual growth rate of 13.7 percent. On quarterly basis, however, both domestic and external

The share of private banks in total deposits rose to 35.5 percent in the review quarter from 32.8 percent in the same period last year.

the balance by public banks. About 67.7 percent of the total loan was collected from the private sector followed by public enterprises (22.9 percent) and cooperatives (8.9 percent).

borrowing remained unchanged. 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 Source by the

Fourth Quarter 2008/09



**End of June 2009**

(In Millions of Birr)

Banks	2007/08	2008/09		Percentage change	
	Quarter IV	Quarter III	Quarter IV	C/B	C/A
	A	B	C		
Domestic Borrowing	2,174.5	2,399.0	2,399.4	0.0	10.3
Foreign Borrowing	506.1	647.3	647.3	-	27.9
<b>Total</b>	<b>2,680.6</b>	<b>3,046.3</b>	<b>3,046.7</b>	<b>0.0</b>	<b>13.7</b>

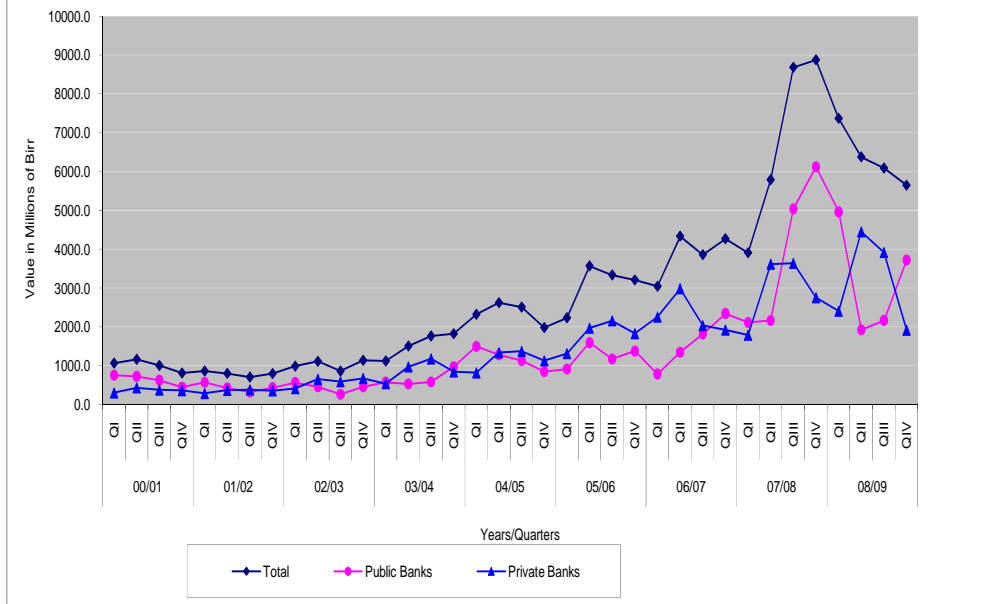
**Source:** Commercial banks and staffs computation**5.5.2 Disbursement of Fresh Loans**

The review quarter witnessed declines in fresh loan disbursements mainly to domestic and international trade sector. Consequently, fresh loan disbursements by banks showed a 36.4 and 7.3 percent fall on annual and quarterly basis, respectively and reached Birr 5.6 billion in the review quarter. Of the total new loans, 34.0 percent was disbursed by private commercial banks.

Regarding the beneficiaries of the new loans, 31.6 percent was channeled to finance agriculture, followed by international trade (20.2 percent),

domestic trade (15.9 percent), housing and construction (13.8 percent) as well as, industry (10.7 percent). The other beneficiary, the transport and communications sub-sector, received about 2.6 percent of the total fresh loans disbursed in the review quarter.

Fig V. 11: Trends in Quarterly Fresh Loan Disbursement by Ownership (200/01-2008/09)



**Table 5.10: Summary of Loans and Advances by Banks and Receiving Sectors (April - June 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 *			5628.8	0.0	0.0	0.0	0.0	0.0	5628.8
Agriculture	1,735.2	702.8	5,391.3	46.6	69.9	618.5	1,781.8	772.7	6,009.7
Industry	402.0	187.8	6,218.8	201.1	299.1	2,862.8	603.1	486.9	9,081.6
Domestic Trade	459.8	263.0	1,242.9	439.7	1,104.8	4,517.7	899.5	1,367.8	5,760.6
International Trade	248.9	1,190.2	7,891.4	889.9	1,507.6	4,622.2	1,138.8	2,697.9	12,513.6
Export	118.4	51.0	1,135.6	574.2	988.1	2,273.6	692.6	1,039.1	3,409.2
Imports	130.5	1,139.2	6,755.8	315.7	519.5	2,348.6	446.2	1,658.8	9,104.4
Hotels and Tourism	27.7	26.9	601.7	9.0	48.6	422.0	36.7	75.6	1,023.7
Transport & Communication	109.3	91.2	1,507.2	38.1	190.7	1,024.6	147.4	282.0	2,531.8
Housing & Construction	624.1	544.7	3,582.8	155.1	324.2	3,105.3	779.2	868.8	6,688.1
Mines, Power & Water Res.	0.0	0.0	0.0	0.0	0.7	4.6	0.0	0.7	4.6
Others	80.2	91.1	1,340.4	112.7	216.2	475.2	192.9	307.3	1,815.6
Personal	38.7	19.3	80.0	21.6	12.1	67.8	60.3	31.4	147.8
Inter-Bank Lending	0.0	32.2	427.5	5.9	0.0	0.0	5.9	32.2	427.5
<b>Total</b>	<b>3,725.8</b>	<b>3,149.3</b>	<b>33,912.8</b>	<b>1,919.7</b>	<b>3,774.0</b>	<b>17,720.8</b>	<b>5,645.6</b>	<b>6,923.3</b>	<b>51,633.5</b>

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 June 2009, total outstanding credit of the banking system increased by 0.1 and 7.0 percent on quarterly and annual basis owing to the 2.9 percent growth in credit to the private sector, off-setting the 2.4 percent decline in loans to government. The quarter also exhibited the surge in collection of loans by commercial banks and a slowdown in NPLs (4.2 percent). Of the total outstanding credit, the private sector took the lion's share (65.9

percent) followed by public enterprises (15.8 percent) and central government (10.9 percent).

Sector wise, domestic trade and hotels and tourism were the major beneficiaries each receiving about 17.6 percent of the total credit, followed by mines, power and water resources (13.0 percent), industry (11.6 percent), international trade (11.2), agriculture (10.9 percent), central government (10.9 percent), housing and construction (4.9 percent), as well as

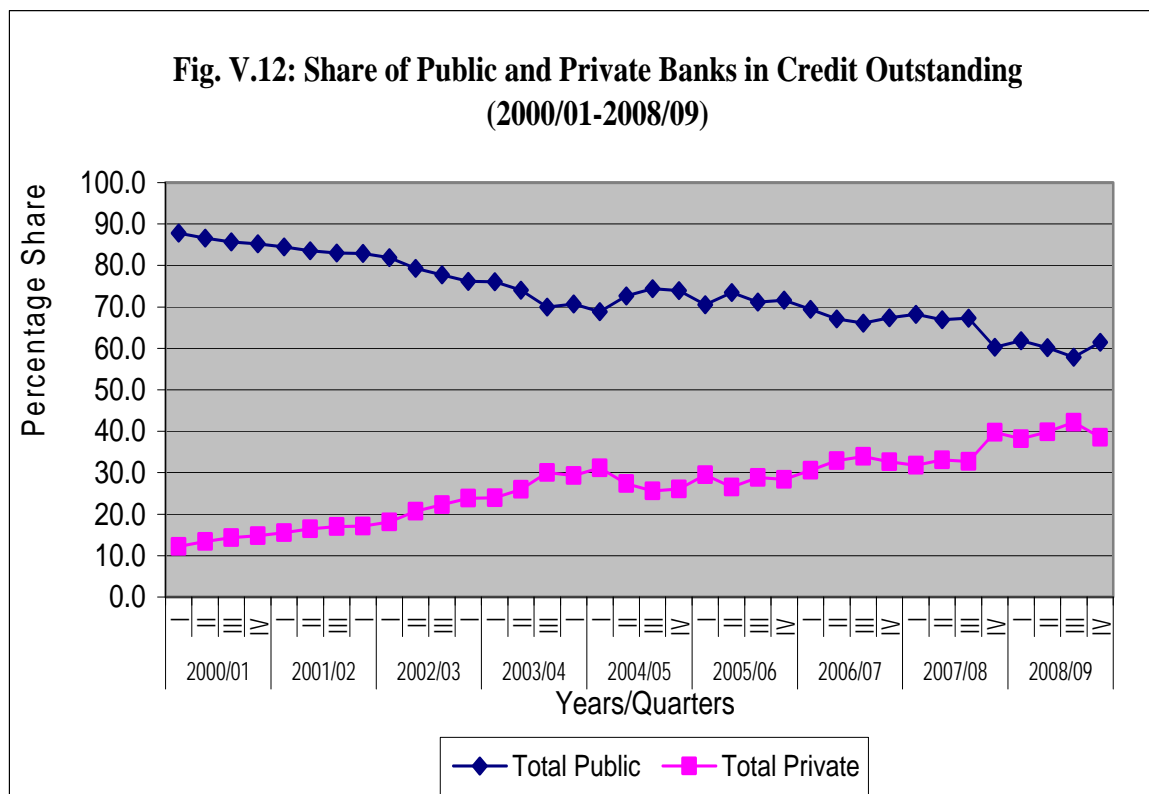
transport and communications (2.0 percent).

**Table 5.11: Breakdown of Loans & Advances of Banking System by Clients, during Fourth Quarter of 2008/09**  
(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
<b>Public Banks</b>	<b>3,725.8</b>	<b>66.0</b>	<b>3,149.3</b>	<b>45.5</b>	<b>33,912.8</b>	<b>65.7</b>
Central Government*	0.0	0.0	0.0	0.0	5,628.8	16.6
State Enterprises	513.0	13.8	1,583.2	50.3	8,152.5	24.0
Cooperatives	1,731.7	46.5	554.1	17.6	3,167.2	9.3
Private Enterprises	1,481.2	39.8	979.7	31.1	16,536.8	48.8
Inter-Bank Lending	0.0	0.0	32.2	1.0	427.5	1.3
<b>Private Banks</b>	<b>1,919.7</b>	<b>34.0</b>	<b>3,774.0</b>	<b>54.5</b>	<b>17,720.8</b>	<b>34.3</b>
Central Government*	0.0	0.0	0.0	0.0	0.0	0.0
State Enterprises	0.0	0.0	0.0	0.0	18.3	0.1
Cooperatives	7.8	0.4	63.8	1.7	197.3	1.1
Private Enterprises	1,911.0	99.5	3,710.2	98.3	17,505.1	98.8
Inter-Bank Lending	0.9	0.0	0.0	0.0	0.0	0.0
<b>Grand Total</b>	<b>5,645.6</b>	<b>100.0</b>	<b>6,923.3</b>	<b>100.0</b>	<b>51,633.5</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 44.5 billion at the end of the fourth quarter of 2008/09, higher by 5.3 and 7.1 percent compared with the preceding quarter and same period last year, respectively. Direct advance to the government reached Birr 34.9 billion (or 78.4 percent of total NBE claims), witnessing moderate quarterly and annual expansion. On the other hand, NBE's holdings of government bonds slightly declined to Birr 9,607.7 million.

Meanwhile, deposits of the central government and financial institutions at the NBE reached Birr 28.1 billion, about 29 percent higher than same period last year. Deposits of financial institutions recorded annual growth rate of 37.5 percent, indicating the surge in excess reserves of commercial banks. Of the total deposits, 23.8 percent was that of the central government.

**Table 5.12: Financial Activities of NBE during Fourth Quarter of 2008/09****(In Millions of Birr)**

Particulars	2007/08	2008/09		% Change	
	Qtr. IV	Qtr.III	Qtr. IV	C/A	C/B
	A	B	C		
<b>1.Loans and Advances</b>	<b>41,563.1</b>	<b>42,249.0</b>	<b>44,498.7</b>	<b>7.1</b>	<b>5.3</b>
1.1. To Central Government	41,563.1	42,249.0	44,498.7	7.1	5.3
Direct Advance	31,818.0	32,556.0	34,891.0	9.7	7.2
Bonds	9,745.1	9,693.0	9,607.7	-1.4	-0.9
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>24,867.6</b>	<b>28,054.3</b>	<b>29.2</b>	<b>12.8</b>
2.1. Government	6,157.3	6,682.8	6,671.5	8.4	-0.2
2.2. Financial Institutions	15,553.6	18,184.8	21,382.8	37.5	17.6
O/W:					
-Banks	15,516.2	18,144.4	21,337.8	37.5	17.6
-Insurance Companies	37.4	40.4	45.0	20.2	11.3
<b>3.Net Claims of NBE</b>	<b>19,852.2</b>	<b>17,381.4</b>	<b>16,444.4</b>	<b>-17.2</b>	<b>-5.4</b>

Source: NBE

## 5.7 Developments in Financial Markets

### 5.7.1 Treasury Bills Market

During the fourth quarter of 2008/09, T-bills worth Birr 7.1 billion were supplied to the auction market, of which Birr 7.0 billion was sold. Non-bank institutions bought 85.8 percent of the T-bills sold. The demand for T-bills was Birr 13.4 billion, which dropped by about 21.0 percent compared with the corresponding period of last year reflecting shallow securities market.

The outstanding T-bills held by non-bank institutions increased two fold to Birr 6.1 billion in contrast to Birr 2.4 billion a year ago.

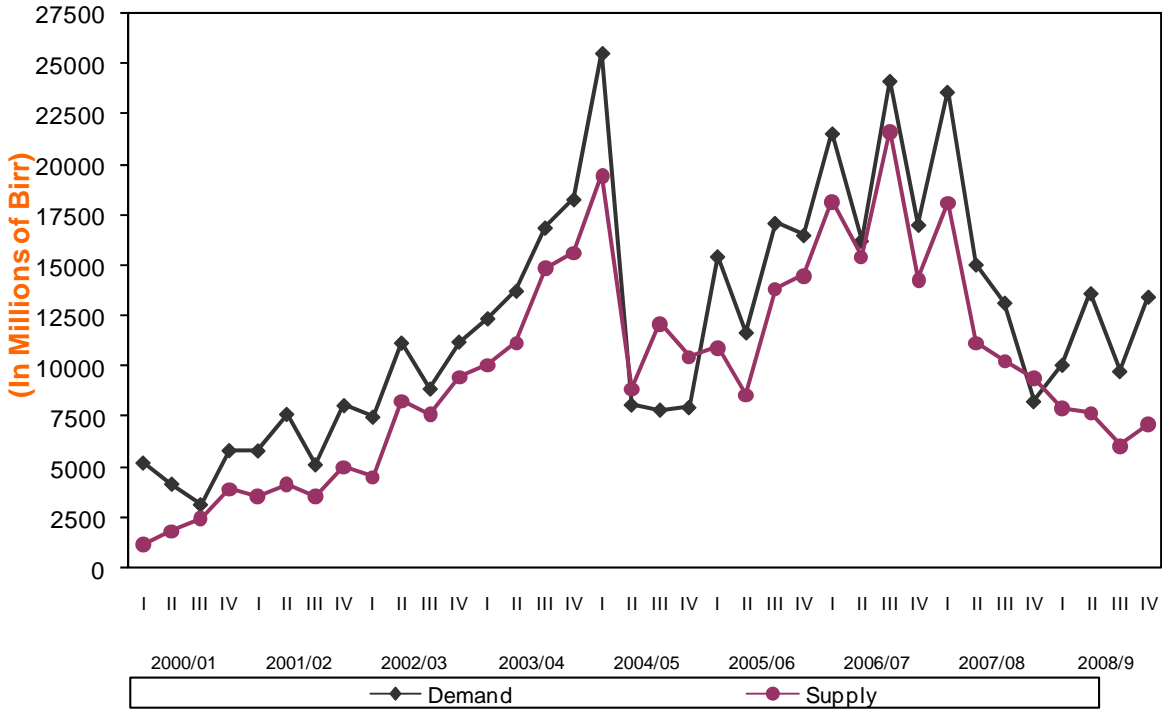
The average weighted yield on T-bills of different maturities declined to 0.794 percent in the review quarter vis-à-vis 0.824 percent last year.

Table 5.13: Results of Treasury Bills Auction

Particulars	2007/08	2008/09		% Change	
	Qtr. IV	Qtr. III	Qtr. IV	C/A	C/B
	A	B	C		
<b>Number of Bidders</b>	<b>44</b>	<b>51</b>	<b>66</b>	<b>50.00</b>	<b>29.41</b>
Public	39	41	43	10.26	4.88
Private	5	10	23	360.00	130.00
<b>Number of Bids Accepted</b>	<b>47</b>	<b>64</b>	<b>78</b>	<b>65.96</b>	<b>21.88</b>
Public	40	50	48	20.00	-4.00
Private	7	14	30	328.57	114.29
<b>Amount Demanded (Mn.Birr)</b>	<b>16,986.00</b>	<b>9,720.70</b>	<b>13,413.00</b>	<b>-21.03</b>	<b>37.98</b>
28-day bill	8,268.00	2,000.00	1,980.00	-76.05	-1.00
91-day bill	6,819.00	6,530.70	9,094.60	33.37	39.26
182-day bill	1,899.00	1,190.00	2,338.40	23.14	96.50
<b>Amount Supplied (Mn.Birr)</b>	<b>14,281.00</b>	<b>6,059.60</b>	<b>7,133.30</b>	<b>-50.05</b>	<b>17.72</b>
28-day bill	6,898.00	1,010.00	990.00	-85.65	-1.98
91-day bill	5,924.00	3,674.40	4,341.30	-26.72	18.15
182-day bill	1,459.00	1,375.20	1,802.00	23.51	31.04
<b>Amount Sold (Mn.Birr)</b>	<b>14,380.76</b>	<b>6,270.70</b>	<b>7,023.70</b>	<b>-51.16</b>	<b>12.01</b>
Banks	12,236.00	0.00	1,000.00	-91.83	-
Non-Banks	2,045.00	6,270.70	6,023.70	194.56	-3.94
<b>Average Weighted Price for Successful Bids(Birr)</b>	<b>99.757</b>	<b>99.743</b>	<b>99.788</b>	<b>0.031</b>	<b>0.045</b>
28-day bill	99.954	99.872	99.942	-0.01	0.07
91-day bill	99.750	99.751	99.772	0.02	0.02
182-day bill	99.567	99.606	99.650	0.08	0.04
<b>Average Weighted Yield for Successful Bids (%)</b>	<b>0.824</b>	<b>0.661</b>	<b>0.794</b>	<b>-0.228</b>	<b>30.969</b>
28-day bill	0.598	0.644	0.761	27.25	18.13
91-day bill	1.003	0.942	0.916	-8.70	-2.72
182-day bill	0.872	0.397	0.704	-19.24	77.49
<b>Outstanding Bills at the End of Period (Mn.Br.)</b>	<b>11,546.00</b>	<b>8,082.10</b>	<b>7,783.10</b>	<b>-32.59</b>	<b>-3.70</b>
Banks	9,135.00	1,672.00	1,672.00	-81.70	0.00
Non-Banks	2,411.00	6,410.10	6,111.10	153.47	-4.66

Source: NBE

**Fig V.13: Developments in T-Bills Market**



Source: NBE

**5.7.2 Inter- Bank Money Market**

No inter-bank money market transaction was conducted during the fourth quarter of 2008/09 presumably due to excess reserves in the banking system.