

VI. EXTERNAL SECTOR DEVELOPMENTS

5.8. Overall Balance of Payments

During the first quarter of 2009/10, the overall balance of payments recorded a surplus of USD 173.7 million, compared

to a deficit of USD 132.3 million in the same period of last year. This was largely attributed to slow down in imports, higher public transfers and increased external loan disbursements.

Table 6.1 Balance of Payments

(In Millions of USD)

Ethiopian Fiscal Year	2008/09		2009/10	Percentage Change	
Particulars	QI	QIV	QI	D=C/B	E=C/A
	A	B	C		
Trade Balance	-1921.7	-1364.4	-1431.5	4.9	-25.5
Exports	351.7	423.8	342.4	-19.2	-2.6
Imports	2272.8	1788.2	1773.8	-0.8	-22.0
Net Services	142.7	-22.2	118.7	-635.0	-16.8
Travel	62.0	39.0	27.5	-29.6	-55.7
Transportation	70.1	32.0	59.3	85.3	-15.4
Government (n.i.e.)	24.8	26.3	42.8	62.8	72.7
Investment income	-3.7	-9.5	-12.5	31.6	237.8
Interest	2.5	-5.1	-8.3	62.7	-432.0
Cash (net)	2.5	-5.1	-8.3	62.7	-432.0
Arrears	0.0	0.0	0.0	-	-
Dividend	-6.2	-4.4	-4.2	-4.5	-32.2
Other Services	-10.6	-110.0	1.6	-101.5	-115.1
Private Transfers	688.2	659.7	641.6	-2.7	-6.8
Current Account Balance(excl. public transfers)	-1090.8	-726.9	-671.1	-7.7	-38.5
Public Transfers	281.3	537.2	394.2	-26.6	40.2
Current Account Balance(incl. public transfers)	-809.6	-189.7	-276.9	46.0	-65.8
Non-monetary Capital	344.2	377.0	409.3	8.6	18.9
Long-term (net)	79.1	120.2	153.5	27.7	94.0
Disbursements	101.6	132.2	175.9	33.0	73.2
Repayments	22.4	12.1	22.4	86.1	0.0
Cash	13.8	10.2	19.2	88.9	39.4
Arrears	0.0	0.0	0.0	-	-
Relief	8.7	1.9	3.2	70.7	-62.9
Direct Investment (net)	264.9	245.6	260.0	5.8	-1.9
Short-term (net)	0.1	11.2	-4.2	-137.3	-3085.7
Net Errors & Omissions	333.1	68.1	41.3	-39.3	-87.6
Overall Balance	-132.3	255.4	173.7	-32.0	-231.3
Financing	132.3	-255.4	-173.7	-32.0	-231.28
Reserves (-:increase)	142.2	-253.0	-169.7	-32.9	-219.31
NBE net foreign asset	104.8	-185.7	-289.2	55.8	-376.13
CBs net foreign asset	37.5	-67.3	119.6	-277.7	219.11
Debt Relief	-9.9	-2.4	-4.0	67.4	-59.68
Principal	8.7	1.9	3.2	70.7	-62.89
Interest	1.3	0.5	0.8	54.9	-37.80

Source: Staff compilation

In the review quarter, current foreign exchange receipts reached USD 1.84 billion, slightly lower than last year as all receipts except public transfers declined. Current payments also dropped by 20 percent on account of 22 percent decline in imports and 8.6

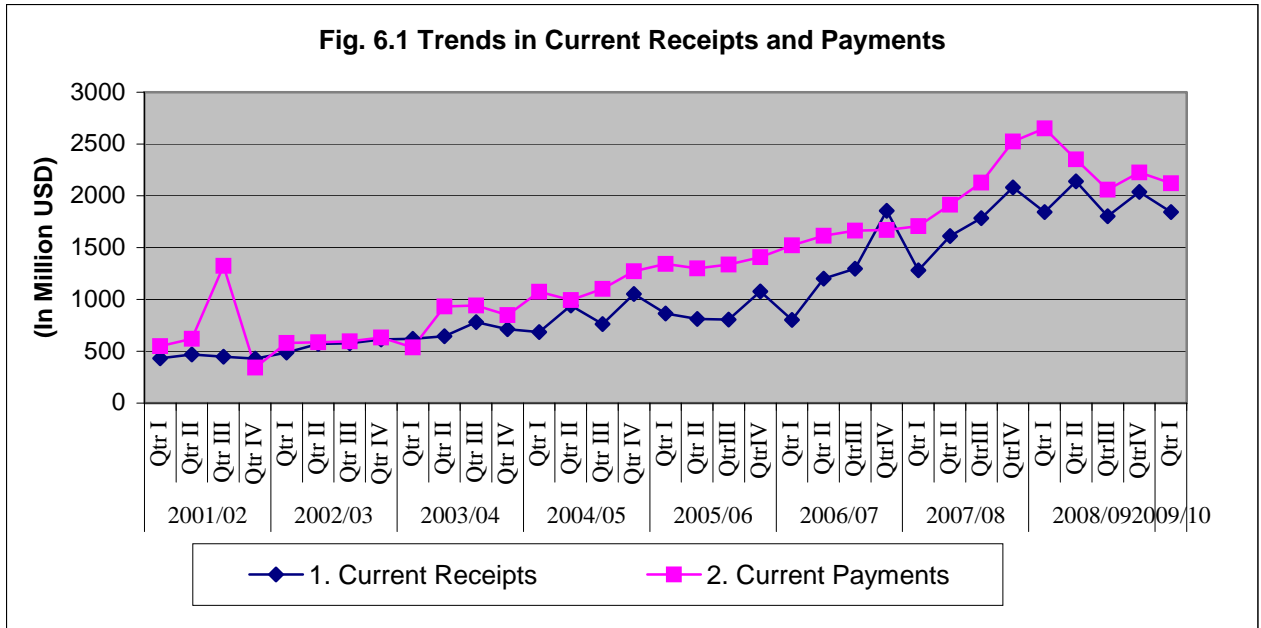
percent fall in service payments. As current payments exceeded current receipts, the quarter saw net payments of USD 276.9 million which was lower than USD 809.3 million net outflow recorded last year.

Table 6.2 Current Receipts and Payments

(In Million of USD)

Particulars	2008/09		2009/10	Percentage Change	
	Qtr I	Qtr IV	Qtr I	D=C/B	E=C/A
	A	B	C		
1. Current Receipts	1842.9	2037.1	1843.9	-9.5	0.1
Export Proceeds	351.7	423.8	342.4	-19.2	-2.6
Service Proceeds	522.1	416.4	465.6	11.8	-10.8
Private Transfers(Net)	688.3	659.7	641.6	-2.7	-6.8
Public Transfer(Net)	280.8	537.2	394.2	-26.6	40.4
2. Current Payments	2652.2	2120.7	2120.7	0.0	-20.0
Import Payments	2272.8	1788.2	1773.8	-0.8	-22.0
Service Payments	379.4	438.5	346.9	-20.9	-8.6
3. Net(1-2)	-809.3	-83.6	-276.8	231.1	-65.8

Source: Staff Compilation

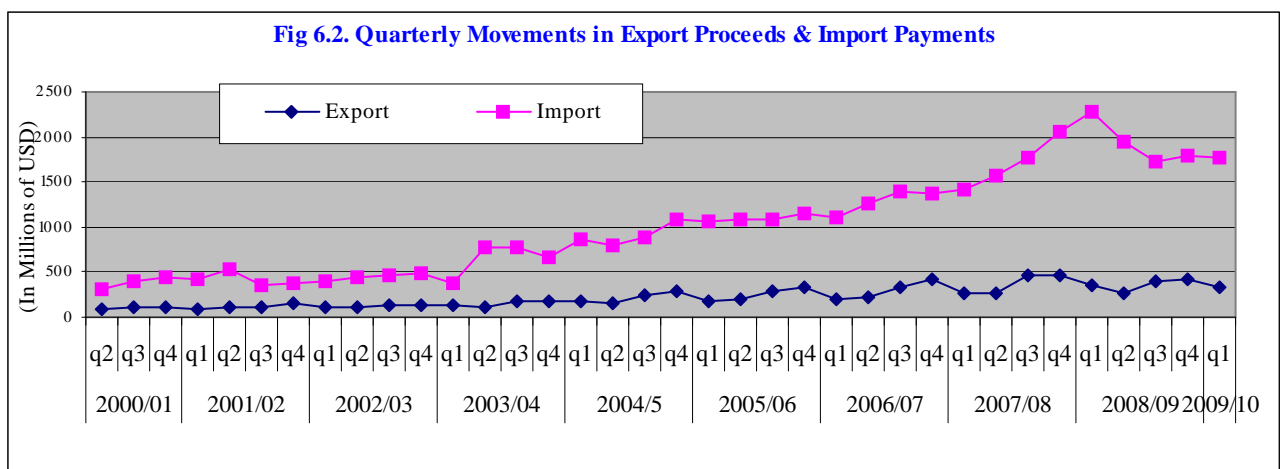


Source: Ethiopian Revenue and Customs Authority

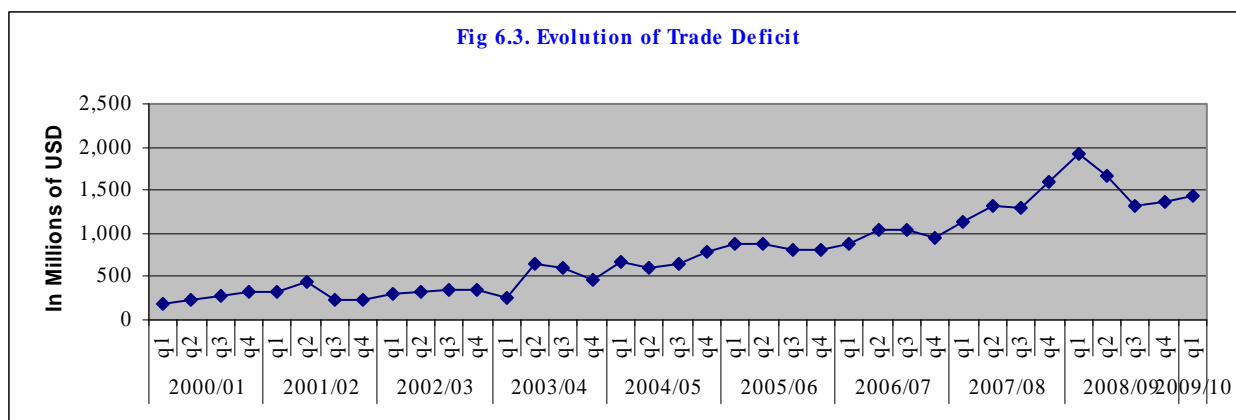
5.9. Merchandise Trade

The merchandise trade deficit reached USD 1.43 billion in the first quarter of 2009/10, about 25.5 percent lower than

the preceding year as a result of significantly lower import payments and managing decline in export receipts.



Source: Ethiopian Revenue and Customs Authority



Source: NBE Staff Compilation

5.9.1. Exports

Total export proceeds declined by 2.6 percent over the last year. The slow down was largely owing to the fall in export earnings from coffee (21.4 percent), leather and leather products (55.7 percent) and oilseeds (3.0 percent). Meanwhile, export receipts of pulses

rose by 31.7 percent, flower by 30 percent, gold by 48.4 percent, *chat* by 38 percent and live animals by 12.2 percent.

Table 6.3 Values of Major Export Items

(In Millions of USD)

Particular	2008/09				2009/10		Percentage change	
	Qtr I A	% Share	Qtr IV B	% Share	Qtr I C	% Share	C/B	C/A
Coffee	133.29	37.9	125.0	29.5	104.7	30.6	-16.2	-21.4
Oilseeds	45.05	12.8	125.7	29.7	43.7	12.8	-65.3	-3.0
Leather and Leather Products ¹	25.29	7.2	10.0	2.3	11.2	3.3	12.6	-55.7
Pulses	21.46	6.1	20.2	4.8	28.3	8.3	39.7	31.7
Meat & Meat Products	8.53	2.4	4.8	1.1	7.3	2.1	51.7	-14.4
Fruits & Vegetables	4.74	1.3	2.2	0.5	3.0	0.9	40.8	-35.9
Live Animals	15.72	4.5	8.0	1.9	17.6	5.2	119.4	12.2
<i>Chat</i>	32.94	9.4	34.3	8.1	45.5	13.3	32.7	38.1
Gold	17.52	5.0	35.2	8.3	26.0	7.6	-26.1	48.4
Flower	26.78	7.6	36.7	8.7	34.8	10.2	-5.2	30.1
Others	20.3	5.8	21.7	5.1	20.2	5.9	-6.7	-0.7
Total	351.7	100.0	423.8	100.0	342.4	100.0	-19.2	-2.6

Source: Ethiopian Revenue and Customs Authority

¹ Previously known as hides and skin

Export earnings from coffee, the main export item for decades, showed a respective fall of 16.2 and 21.4 percent on quarterly and annual basis, respectively and amounted to USD 104.7 million due to the drop in its volume and price. Hence, the share of coffee in total export earnings was 30.6 percent compared with 37.9 percent a year ago.

Exports of oilseeds went down by 3.0 percent on annual basis and reached USD 43.7 million, due to price decline despite increase in volume. As a result, the share of oilseeds in total exports remained at 12.8 percent the same level of last year.

Receipts from pulses rose by 31.7 percent year-on-year terms, on account of higher volume in spite of lower international price. Hence, the share of pulses in the total exports rose to 8.3 percent from 6.1 percent in the previous year.

Leather and leather products fetched USD 11.2 million, 55.7 percent lower than last year because of slow down in volume despite higher international prices. Receipts from leather and leather

products export accounted for 3.3 percent of the total merchandise export during the review quarter.

Revenue from flower exports was USD 34.8 million during the review quarter exhibiting 30 percent growth over the preceding year as a result of increased volume out weighing marginal decline in price. The share of flower in total export earnings rose to 10.2 percent, from 7.6 percent last year.

Export revenue from gold amounted to USD 26 million exceeding that of the previous year by 48.4 percent, as both value and volume improved.

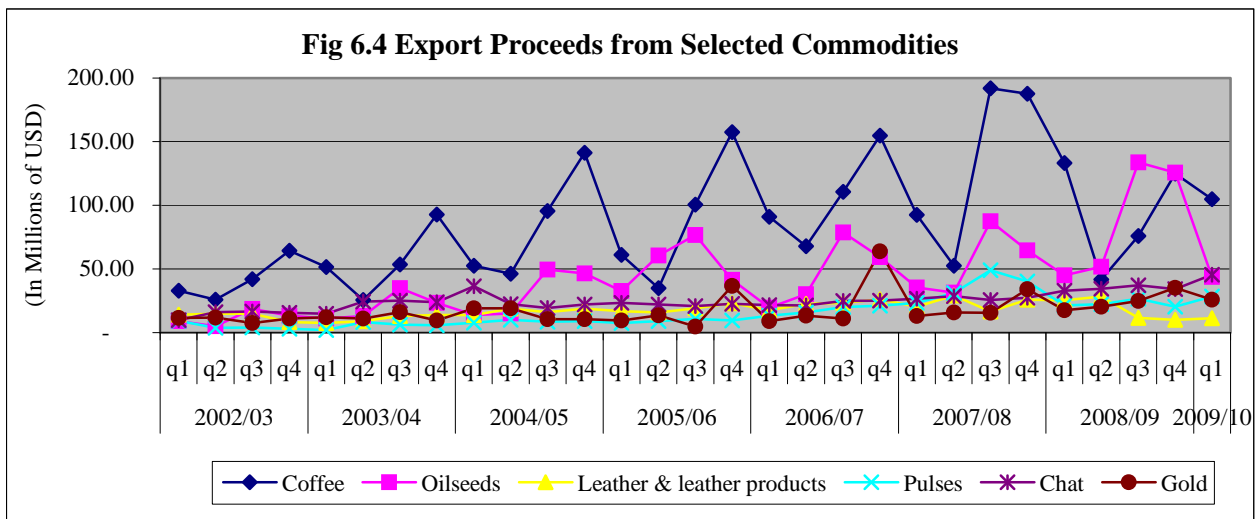
Similarly, export proceeds from *chat* grew by 38.1 percent on annual basis and reached USD 45.5 million. The growth in chat revenue was attributed to higher volume of exports and prices. *Chat* accounted for 13.3 percent of the total merchandise export during the review quarter.

Exports of live animals fetched USD 17.6 million, with 12.2 percent annual increase due to the rise in volume despite lower prices.

Export earnings from meat and meat products dropped by 14.4 percent as both volume and prices went down.

percent on account of 39 percent deceleration in price although export volume slightly increased.

Likewise, revenue from fruits and vegetables plummeted by about 36



Source: Ethiopian Revenue and Customs Authority

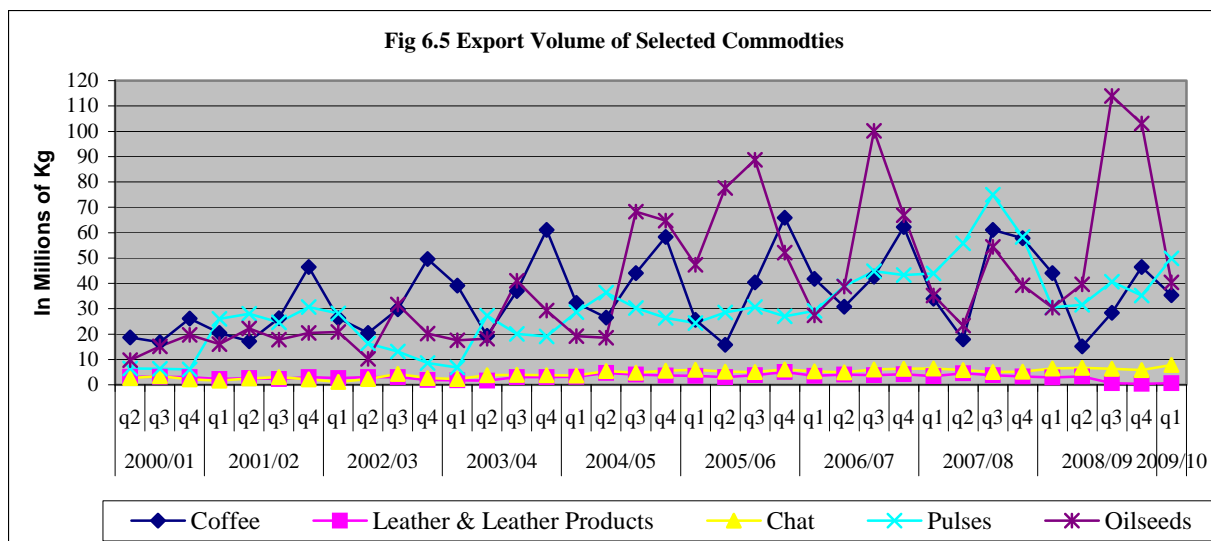
Table 6.4: Volume of Major Export Items

(In Millions of Kg)

Particulars	2008/09		2009/10	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/B	C/A
	A	B	C		
Coffee	44.0	46.4	35.3	-23.9	-19.7
Oilseeds	30.5	103.1	40.4	-60.8	32.6
Leather and Leather Products ¹	2.9	0.4	0.6	35.9	-80.6
Pulses	30.6	35.2	49.9	41.9	63.3
Meat & Meat Products	2.4	1.4	2.1	53.6	-12.7
Fruits & Vegetables	11.4	7.7	11.9	53.9	5.0
Live Animals	11.7	5.6	13.7	142.8	17.0
Chat	6.5	5.8	7.8	33.3	19.9
Gold	0.0011	0.0015	0.0011	-27.3	3.0
Flower	5.6	8.2	7.3	-10.6	31.3

Source: Ethiopian Revenue and Customs Authority

¹ Previously known as hides and skin



Source: Ethiopian Revenue and Customs Authority

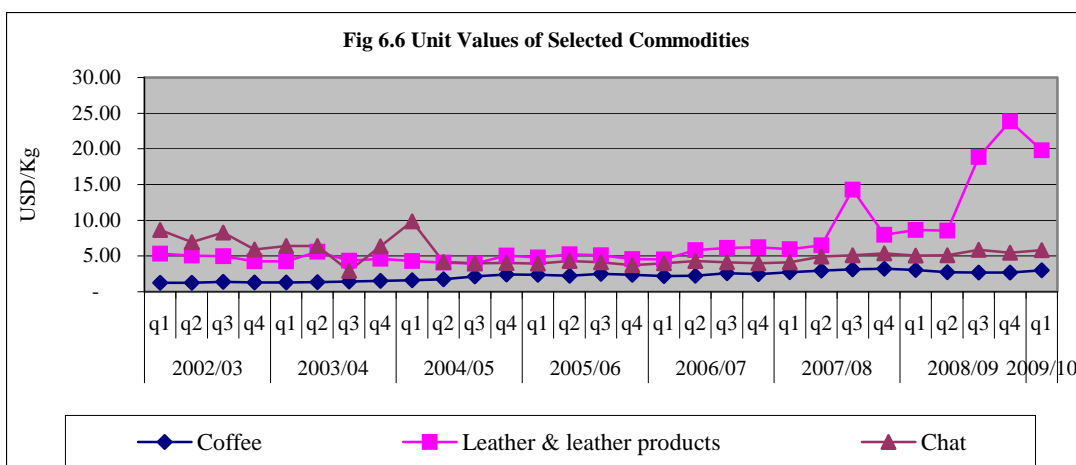
Table 6.5: Unit Values of Major Export Items

(USD/kg)

Particulars	2008/09		2009/10	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/B	C/A
	A	B	C		
Coffee	3.03	2.69	2.96	10.1	-2.1
Oilseeds	1.48	1.22	1.08	-11.4	-26.9
Leather and Leather Products ^a	8.65	23.87	19.78	-17.1	128.7
Pulses	0.70	0.58	0.57	-1.5	-19.3
Meat & Meat Products	3.55	3.52	3.48	-1.2	-2.0
Fruits & Vegetables	0.42	0.28	0.25	-8.5	-38.9
Live Animals	1.34	1.42	1.29	-9.7	-4.1
Chat	5.07	5.87	5.84	-0.4	15.2
Gold	16624.2	23569.7	23960.7	1.7	44.1
Flower	4.82	4.50	4.77	6.1	-0.9

Source: NBE Staff Computation

^aPreviously known as hides and skin



Source: NBE Staff Computation

5.9.2. Imports

Total import bill during the first quarter of 2009/10 amounted to USD 1.77 billion, indicating a 22 percent decrease compared to same period last year. Slowdown in import of fuel, raw materials, consumer goods and capital

goods was the major factor behind the annual decline in imports offsetting an increase in imports of fertilizers, agricultural capital goods and durable consumer goods.

Table 6.6: Values of Major Import Items

(In Millions of USD)

Particulars	2008/09				2009/10		Percentage Change	
	Qtr I A	% Share	Qtr IV B	% Share	Qtr I C	% Share	C/B	C/A
Raw Materials	96.05	4.2	63.5	3.6	60.04	3.4	-5.5	-37.5
Semi-finished Goods	251.90	11.1	365.8	20.5	286.79	16.2	-21.6	13.9
Fertilizers	2.91	0.1	167.3	9.4	40.14	2.3	-76.0	1,278.5
Fuel	506.48	22.3	285.8	16.0	268.42	15.1	-6.1	-47.0
Petroleum Products	501.97	22.1	283.2	15.8	266.87	15.0	-5.8	-46.8
Others	4.50	0.2	2.6	0.1	1.55	0.1	-40.1	-65.5
Capital Goods	779.46	34.3	525.7	29.4	657.22	37.1	25.0	-15.7
Transport	93.16	4.1	92.1	5.2	89.77	5.1	-2.5	-3.6
Agricultural	5.72	0.3	10.1	0.6	15.08	0.9	49.8	163.6
Industrial	680.57	29.9	423.6	23.7	552.36	31.1	30.4	-18.8
Consumer Goods	573.31	25.2	523.4	29.3	469.81	26.5	-10.2	-18.1
Durables	161.51	7.1	169.4	9.5	168.23	9.5	-0.7	4.2
Non-durables	411.81	18.1	354.0	19.8	301.58	17.0	-14.8	-26.8
Miscellaneous	65.62	2.9	24.0	1.3	31.54	1.8	31.5	-51.9
Total Imports	2,272.8	100.0	1,788.2	100.0	1,773.8	100.0	-0.8	-22.0

Source: Ethiopian Revenue and Customs Authority

Capital goods import reached USD 657.2 million, 15.7 percent lower than last year due to slow down in transport and industrial goods. The share of capital goods in total imports was 37.1 percent in contrast with 34.3 percent a year ago.

Similarly, the value of consumer goods import at USD 469.8 million showed a 18 percent annual decline because of 26.8 percent fall in imports of non-durables. Consumer goods accounted for 26.5 percent of the total imports quarter under review.

Fuel import also plummeted by 47 percent on annual basis to USD 268.4 million presumably due to seasonality factors. Fuel constituted 15.1 percent of the quarterly imports which was

significantly lower than 22.3 percent last year.

Imports of semi-finished goods, however, increased to USD 286.8 million, showing a 14 percent rise over last year largely due to remarkable increase in fertilizer import. Raw material import reached USD 60 million, down 37.5 percent compared to last year same quarter.

Meanwhile, imports of goods on franco-valuta basis amounted to USD 27.4 million USD 37.5 million a year ago signifying lower imports of cement, medicine and medical equipment, and food stuffs. Franco-valuta imports of spare parts and electronics goods, however, tended to increase.

Table 6.7: Values of Franco Valuta Imports

(In Millions of USD)

Particulars	2008/09		2009/10	Percentage Change	
	QI	QIV	QI	C/B	C/A
	A	B	C		
Vehicles	0.0000	0.0062	0.0000	-100.00	0.00
Vehicle Spare Parts	0.0089	0.0080	0.0150	86.09	67.99
Other Spare Parts	0.0717	0.1134	0.0839	-26.01	16.95
Textile & Ready Made clothes	0.0000	0.0032	0.0029	-9.47	0.00
Household Goods	0.0000	0.0009	0.0002	-72.84	0.00
Medicine & Medical Equipment	2.9988	0.0408	0.0381	-6.70	-98.73
Food Stuffs	0.0033	0.0385	0.0000	-100.00	-100.00
Electronic Goods	0.0094	0.0742	0.0352	-52.61	274.25
Machinery Equip. & Spare Parts	0.0000	0.0000	0.0000	0.00	0.00
Others*	34.43	40.17	27.22	-32.24	-20.95

Total	37.53	40.45	27.39	-32.28	-27.00
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Source: NBE

*Includes franco valuta cement import

5.9.3. Direction of Trade

6.2.3.1 Exports

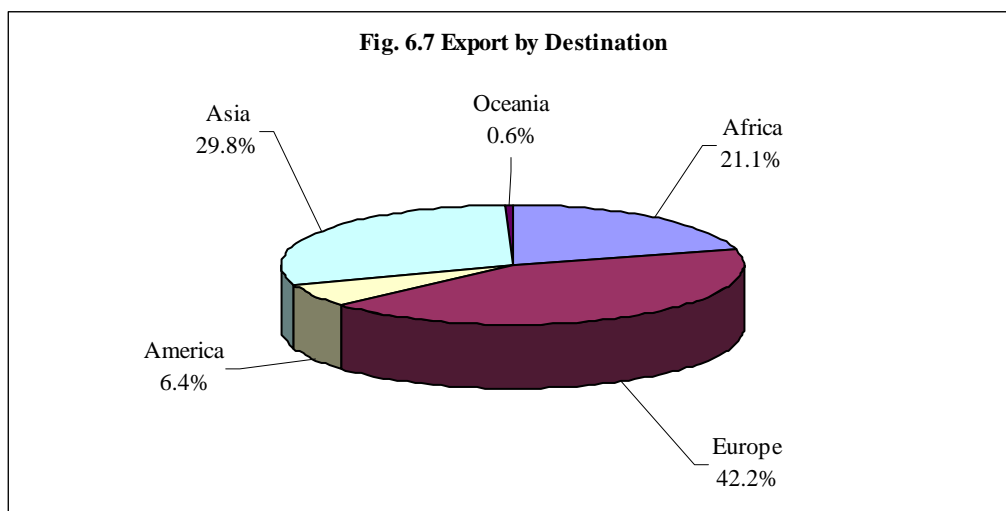
During the first quarter of 2009/10, Europe was the largest market destination for Ethiopia by importing 42.2 percent of the country's exports. Among European countries, the Netherlands, which mainly imports flowers, was the largest buyer of Ethiopian commodities followed by Germany that imports mainly coffee and flowers. Switzerland as a sole importer of gold from Ethiopia was the third largest market in Europe followed by Italy importing coffee and leather and leather products.

Exports destined to Asia accounted for 29.8 percent of the country's exports. Of the total exports to Asia, 27.8 percent went to Saudi Arabia, 17.9 percent to United Arab Emirates (UAE), 16 percent to Taiwan and 5.7 percent to China.

The major export items sent to Saudi Arabia include coffee, oilseeds, and meat and meat products; whereas live animals, pulses and meat and meat products are the major export items to UAE. Some of the export items shipped to Taiwan comprised of oilseeds and mineral products; whereas oilseeds was the major export to China.

About 21 percent of Ethiopia's exports went to African countries among which Somalia, Sudan and Djibouti accounted for 89.1 percent. Somalia's major import from Ethiopia was *chat* (91.3 percent). Major exports to Djibouti include *chat* and fruits and vegetables. Sudan mainly purchased pulses and spices.

The share of the Americas in Ethiopia's total exports was 6.4 percent of which 89 percent went to the USA and 6.8 percent to Canada. The principal exports to the US include coffee and oilseeds; while Canada purchased mainly coffee.



Source: Ethiopian Revenue and Customs Authority

6.2.3.2 Imports

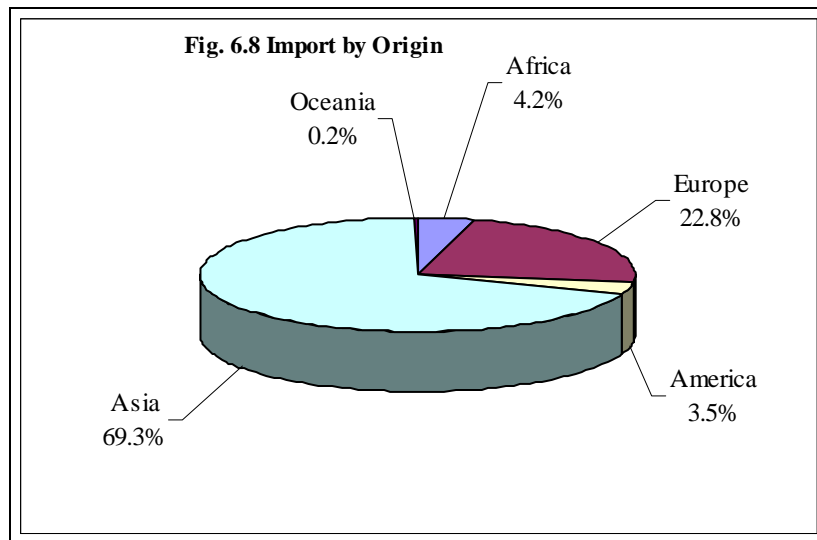
During the first quarter of 2009/10, about 69.2 percent of the total imports to Ethiopia originated from Asia among which China, Saudi Arabia, India, UAE and Japan accounted for 67 percent. Major imports from China included electrical goods, machinery, metals, chemicals, rubber products, clothing, textile and motor vehicles. The major import from Saudi Arabia and UAE was petroleum. Medical and pharmaceutical products, machinery, electrical goods, metals and metal products and paper and paper manufacturing were the main items imported from India. Imports from Japan mainly constituted motor vehicles, machinery and rubber products.

Imports from Europe accounted for 22.8 percent of total imports among which Italy, Turkey, Germany, Ukraine and France were the major suppliers. Machinery, electrical goods, metal, medicine and pharmaceutical products, vehicles and grain were the major imports from Italy. Metal and metal products and machinery were the principal imports from Turkey. Imports from Germany were mainly vehicles and machinery. The main imports from Ukraine comprised of fertilizer and metals; while imports from France included machinery and electrical goods.

The share of imports from the Americas was merely 3.5 percent among which three countries; namely, the USA,

Canada and Brazil accounted for over 97.2 percent. Machinery was the major import item from the US followed by grain and food products. Machinery and vehicles were the main imports from Brazil, while Canada mainly exported machinery.

The share of African countries in total imports was just 4.2 percent of which 94.8 percent came from five countries; namely Sudan, Libya, Egypt, South Africa and Kenya. Fertilizer and petroleum products constituted the major import items from African nations.



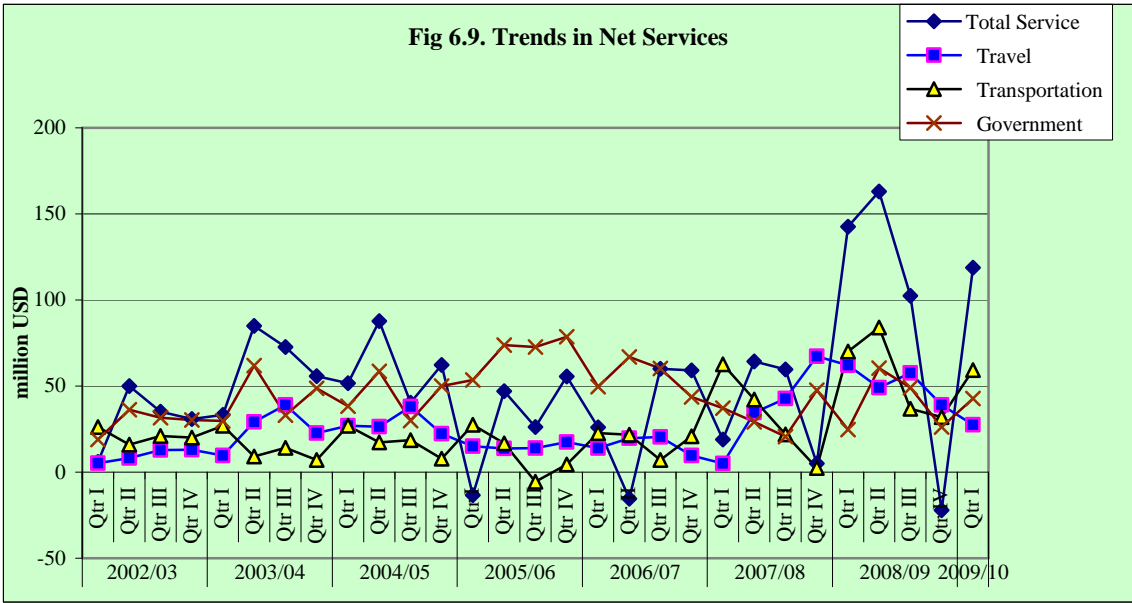
Source: Ethiopian Revenue and Customs Authority

5.10. Services and Transfers

The service account registered lower surplus of USD 118.7 million in the first quarter of 2009/10 vis-à-vis USD 142.6 million in the preceding year as net payments for government services, communication services, insurance services, financial services and computer and information services tended to increase. In short, the 10.8 percent fall

in receipts outstripped the 8.6 percent decline in payments.

Net travel, transportation, government receipts and net investment income also dropped compared to last year.



Source: NBE Staff Computation

Table 6.8: Trends in Service Accounts

(In Millions of USD)

Particulars	2008/09				2009/10		Percentage Change	
	Qtr I A	% Share	Qtr IV B	% Share	Qtr I C	% Share	C/B	C/A
Receipts	522.1	100.0	416.4	100.0	465.6	100.0	11.8	-10.8
Travel	105.4	20.2	76.6	18.4	60.3	13.0	-21.2	-42.8
Transportation	303.4	58.1	222.0	53.3	261.6	56.2	17.8	-13.8
Government (n.i.e)	29.1	5.6	37.8	9.1	59.7	12.8	57.9	105.3
Investment Income	8.6	1.7	2.3	0.6	0.6	0.1	-74.3	-93.1
Interest	8.5	1.6	2.2	0.5	0.6	0.1	-73.2	-93.1
Dividend	0.1	0.0	0.1	0.0	0.0	0.0	-	-
Other Services	75.6	14.5	77.7	18.7	83.3	17.9	7.3	10.3
Communication Services	16.9	3.2	27.4	6.6	24.7	5.3	-9.9	45.5
Construction Services	7.2	1.4	4.5	1.1	6.7	1.4	49.7	-7.9
Insurance Services	0.0	0.0	0.0	0.0	0.0	0.0	172.5	3.1
Financial Services	3.0	0.6	3.4	0.8	4.8	1.0	42.7	63.8
Computer and Information Service	0.2	0.0	0.3	0.1	0.3	0.1	-5.6	10.7
Other Business Services	48.2	9.2	42.2	10.1	46.2	9.9	9.4	-4.2
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.7	0.2	-	-
Payments	379.4	100.0	438.5	100.0	346.9	100.0	-20.9	-8.6
Travel	43.4	11.4	37.5	8.6	32.9	9.5	-12.5	-24.3
Transportation	233.3	61.5	190.0	43.3	202.3	58.3	6.5	-13.3
Government (n.i.e)	4.3	1.1	11.5	2.6	16.9	4.9	46.4	293.0
Investment Income	12.3	3.3	11.8	2.7	13.1	3.8	11.4	6.2
Interest	6.1	1.6	7.3	1.7	8.9	2.6	22.9	47.0
Cash (Banks & MOF)	4.8	1.3	6.8	1.5	8.1	2.3	20.5	69.4
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Relief	1.3	0.3	0.5	0.1	0.8	0.2	54.9	-37.8
Dividend	6.3	1.7	4.5	1.0	4.2	1.2	-7.2	-33.4
Other Services	86.1	22.7	187.7	42.8	81.7	23.6	-56.5	-5.1
Communication Services	7.5	2.0	4.1	0.9	8.5	2.5	109.6	13.2
Construction Services	46.7	12.3	140.3	32.0	31.8	9.2	-77.3	-31.8
Insurance Services	3.7	1.0	1.9	0.4	2.7	0.8	42.9	-27.1
Financial Services	0.1	0.0	6.1	1.4	0.1	0.0	-98.1	-5.0
Computer and Information Service	1.1	0.3	0.9	0.2	1.6	0.5	83.6	39.8
Other Business Services	27.0	7.1	34.5	7.9	37.0	10.7	7.2	37.1
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Net Services	142.6		-22.1		118.7		-636.9	-16.8

Source: NBE Staffs Compilation

Regarding transfers account, official transfers at USD 394.2 million rose by about 40 percent due to higher cash transfers although food transfers declined by 11 percent. Net private transfers (including transfers through NGOs), however, dropped by about 7 percent to USD 641.6 million. All transfers through NGOs were cash transfers which dropped by 5.6 percent to USD 178.5 million from USD 189 million a year ago. Private individual transfers also went down by 6.4 percent from USD 503.5 million to USD 471.4

million as all cash, kind and estimated underground transfers fell.

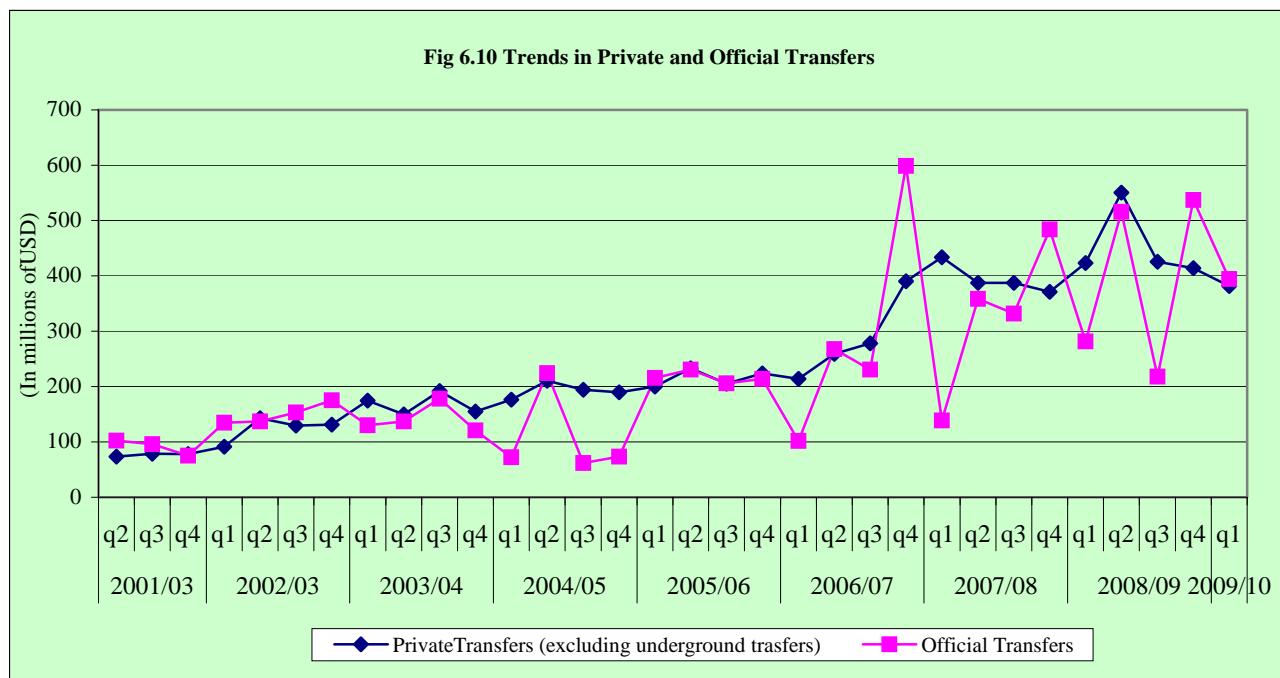
Hence, net transfers at USD 1.04 billion increased by about 7 percent over the same quarter of last year driven by improved official transfers counter balancing decline in private transfers.

Table 6.9: Developments of Transfer Accounts

(In Millions of USD)

Particulars	2008/09		2009/10				Percentage Change	
	A	% share	B	% share	C	% share	C/B	C/A
	Q I		Q IV		Q I			
Private Transfers	688.3	71.0	659.7	55.1	641.6	61.9	-2.7	-6.8
Credit	692.6	71.0	671.8	55.4	649.9	62.2	-3.3	-6.2
NGO's	189.1	19.4	240.0	19.8	178.5	17.1	-25.6	-5.6
Cash	189.1	19.4	235.9	19.4	178.5	17.1	-24.3	-5.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	0.0	0.0	4.1	0.3	0.0	0.0	-	-
Private individuals	503.5	51.6	431.7	35.6	471.4	45.1	9.2	-6.4
Cash	201.3	20.6	146.1	12.0	184.1	17.6	26.0	-8.5
In kind	37.3	3.8	40.0	3.3	27.3	2.6	-31.8	-26.7
Under ground private transfers	264.9	27.2	245.6	20.2	260.0	24.9	5.9	-1.8
Debit	-4.3	70.6	-12.1	74.5	-8.3	86.2	-31.5	94.7
Official Transfers	280.8	29.0	537.2	44.9	394.2	38.1	-26.6	40.4
Credit	282.5	29.0	541.4	44.6	395.6	37.8	-26.9	40.0
Cash	244.4	25.1	525.3	43.3	361.9	34.6	-31.1	48.1
Other	0.2	0.0	0.0	0.0	0.0	0.0	-	-
Food	37.9	3.9	16.1	1.3	33.7	3.2	109.4	-11.2
Debit	-1.8	29.4	-4.1	25.5	-1.3	13.8	-68.0	-25.3
Total Receipts	975.1	100.6	1213.1	101.4	1045.5	100.9	-13.8	7.2
Total Payments	-6.0	-0.6	-16.2	-1.4	-9.6	-0.9	-40.8	59.4
Net Transfers	969.1	100.0	1196.9	100.0	1035.9	100.0	-13.5	6.9

Source: NBE Staff Compilation



Source:- NBE Staff Compilation

5.11. Current Account

Mirroring the narrowing of the trade deficit and a substantial increase in official transfers, the current account balance (including official transfers) showed lower deficit of USD 277.7 million compared to a deficit of USD 809.6 million in the preceding year.

5.12. Capital Account

Capital account also registered higher surplus of USD 409.3 million in the review quarter from USD 344.0 million a year ago due to higher loan disbursement from abroad.

5.13. Changes in Reserve Position

Reflecting USD 173.7 million surplus in the overall balance of payments, net foreign assets of the banking system increased by USD 169.7 million during the review quarter, compared to a draw down of USD 142 million last year same period.

5.14. Developments in Foreign Exchange Market

5.14.1. Exchange Rate Movements

The average exchange rate of the Birr in the inter bank foreign exchange market depreciated by 10.5 and 28.1 percent on quarterly and annual basis, respectively and reached Birr 12.37 per USD at the

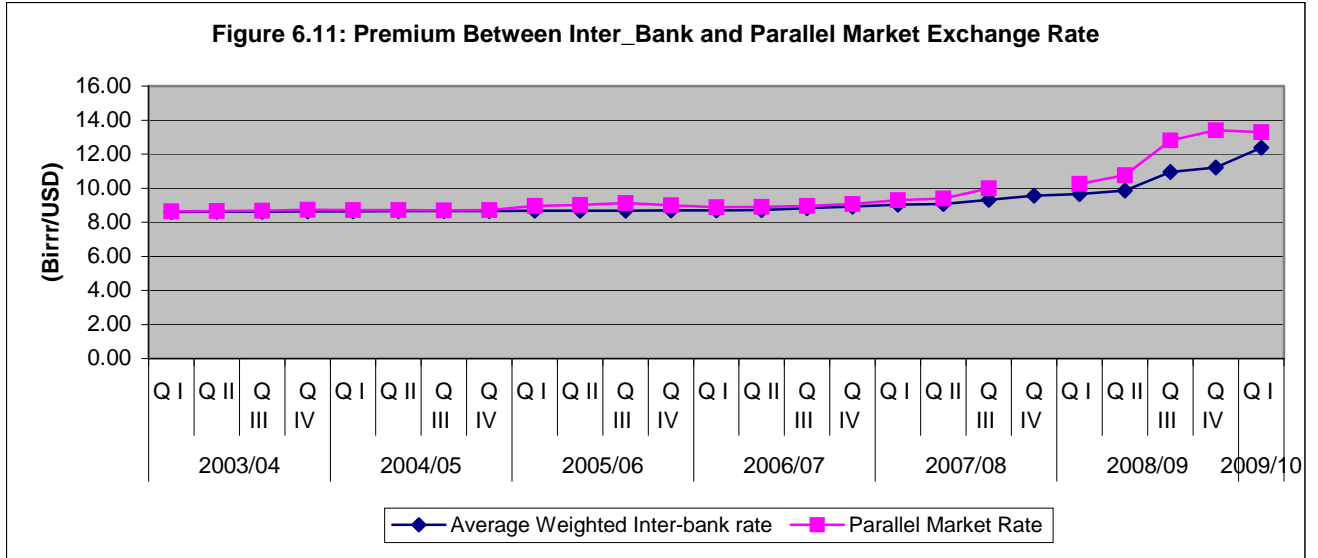
end of September 2009. The Birr also lost ground in the parallel market as it depreciated by 29.5 percent vis-à-vis last year, although it appreciated by 0.9 percent against the preceding quarter. In the parallel market average exchange rate of the Birr was 13.29 to a dollar.

Hence, the average spread between the official and parallel market exchange rates narrowed to 7.4 percent in the review period from 19.7 percent in the preceding quarter owing to the NBE's intervention.

Table 6.10: Exchange Rates in Inter-bank Foreign Exchange Market

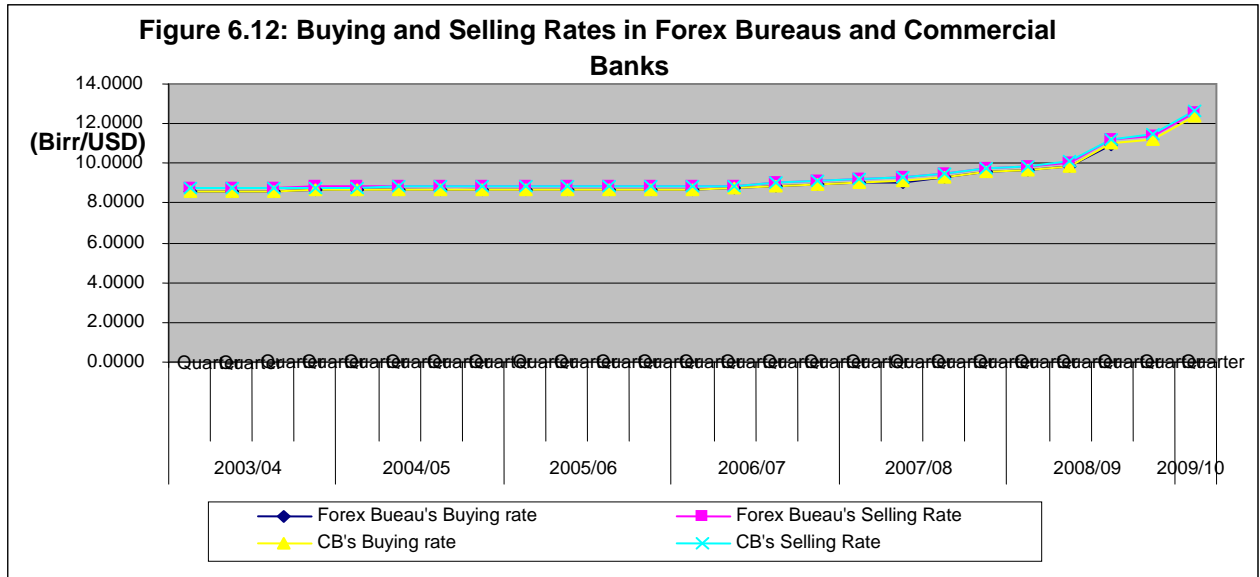
Period		Rates in Birr per USD				Amount Traded in Millions of USD		Number of Trades		Parallel Market		Premium
		End Period Rates			Average Weighted Rate	Total	o/w Among CBs	Total	o/w Among CBs	End Period	Average	
		Weighted Rate	Highest	Lowest								
2008/09 Qtr. I	C	9.6929	9.6930	9.6929	9.6602	6.3	0.0	483.0	0.0	10.4700	10.2623	6.23
July		9.6533	9.6542	9.6542	9.6330	2.30	0.00	167	0	10.16	10.16	5.48
August		9.674	9.6736	9.6735	9.6639	2.10	0.00	166	0	10.31	10.25	6.02
September		9.6929	9.6930	9.6929	9.6838	1.90	0.00	150	0	10.47	10.38	7.19
Qtr. IV	B	11.3009	11.3009	11.3009	11.2028	3.1	0.0	417.0	0.0	13.1000	13.4083	19.69
April		11.1721	11.1721	11.1721	11.1421	1.05	0.00	146	0.0	13.6000	13.5800	21.88
May		11.2266	11.2266	11.2265	11.2008	0.90	0.00	123	0.0	13.4800	13.4917	20.45
June		11.3009	11.3009	11.3009	11.2654	1.10	0.00	148	0.0	13.1000	13.1531	16.76
2009/10 Qtr. I	A	12.5377	12.5377	12.5377	12.3746	3.3	0.0	445.0	0.0	13.3000	13.2933	7.42
July		12.4721	12.4721	12.4721	12.1111	1.15	0.00	149	0.0	13.4000	13.3200	9.98
August		12.5062	12.5062	12.5061	12.4899	1.05	0.00	145	0.0	13.3000	13.3800	7.13
September		12.5377	12.5377	12.5377	12.5227	1.05	0.00	151	0.0	13.3000	13.1800	5.25
Percentage changes	A/B	10.94	10.94	10.94	10.46	6.56		6.71	-	1.53	-0.86	62.29
	A/C	29.35	29.35	29.35	28.10	-48.41		-7.87	-	27.03	29.54	19.12

Source: NBE staff compilation

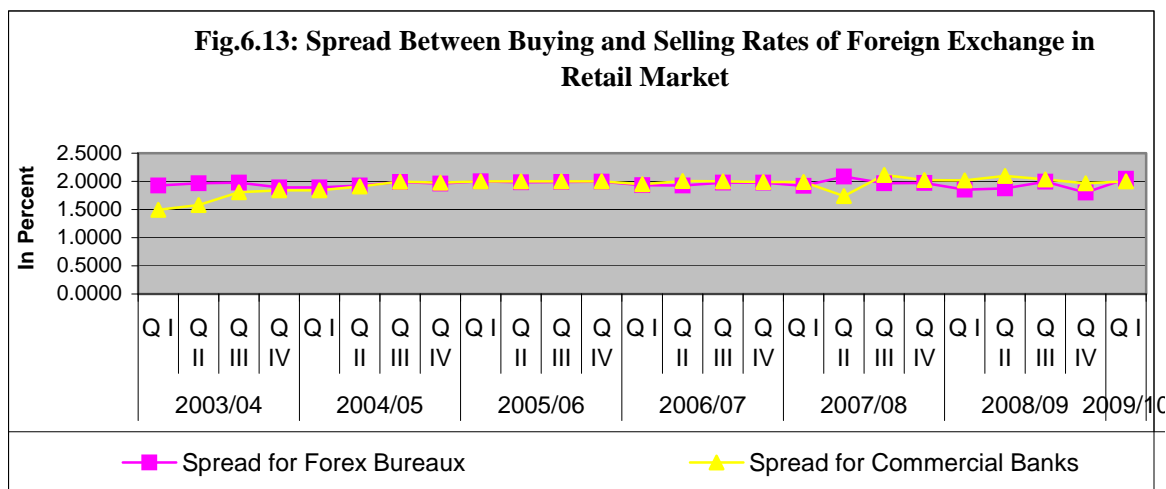


Regarding the retail market for foreign exchange, the average buying rate of foreign exchange bureaux during the review period was Birr 12.3453/USD; while their selling rate was Birr 12.5975/USD. Both the buying and selling rates depreciated by 10.4 and 27.5 percent on quarterly and annual basis, respectively with an average spread of about 2 percent.

Similarly, the buying and selling rates of foreign exchange in commercial banks depreciated by 10.6 percent on quarterly and 28.2 percent on annual terms. Here also the average spread was 2.0 percent.



Source:- NBE, Banking and foreign Exchange Directorate



Source:- NBE Staff Compilation

Compared to the preceding quarter, the US Dollar continued to depreciate against all major currencies. The highest quarter-on-quarter mid rate depreciation was witnessed against the Pound Sterling (9.5 percent), followed by Euro (8.5 percent) Swiss Frank (8.1 percent) and Japanese Yen (7.4 percent).

In contrast to the corresponding period of last year, however, USD appreciated against all major currencies, except Japanese Yen and Swiss Frank against which it depreciated by 14.9 and 0.8 percent, respectively.

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

Period		EURO			YEN			SDR			POUND			Swiss Frank		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
2008/09																
Qtr. I	C	1.5030	1.5037	1.5033	0.0093	0.0093	0.0093	1.5909	1.5916	1.5913	1.8912	1.8922	1.8917	0.9326	0.9331	0.9328
July		1.5742	1.5761	1.5751	0.0094	0.0094	0.0094	1.6294	1.6314	1.6304	1.9858	1.9883	1.9870	0.9720	0.9732	0.9726
August		1.4946	1.4946	1.4946	0.0091	0.0091	0.0091	1.5857	1.5857	1.5857	1.8879	1.8884	1.8882	0.9229	0.9229	0.9229
September		1.4403	1.4403	1.4403	0.0094	0.0094	0.0094	1.5577	1.5577	1.5577	1.8000	1.8000	1.8000	0.9030	0.9030	0.9030
Qtr. IV	B	1.3170	1.3170	1.3170	0.0099	0.0099	0.0099	1.4682	1.4682	1.4682	1.4979	1.4979	1.4979	0.8699	0.8699	0.8699
April		1.2599	1.2599	1.2599	0.0097	0.0097	0.0097	1.4241	1.4242	1.4241	1.4015	1.4015	1.4015	0.8317	0.8317	0.8317
May		1.2887	1.2887	1.2887	0.0098	0.0098	0.0098	1.4358	1.4358	1.4358	1.4563	1.4563	1.4563	0.8522	0.8522	0.8522
June		1.4024	1.4024	1.4024	0.0104	0.0104	0.0104	1.5447	1.5447	1.5447	1.6358	1.6358	1.6358	0.9259	0.9259	0.9259
2009/10																
Qtr. I	A	1.4291	1.4287	1.4289	0.0107	0.0107	0.0107	1.5625	1.5625	1.5625	1.6409	1.6409	1.6409	0.9404	0.9404	0.9404
July		1.4077	1.4078	1.4077	0.0106	0.0106	0.0106	1.5519	1.5520	1.5520	1.6366	1.6367	1.6367	0.9262	0.9262	0.9262
August		1.4257	1.4257	1.4257	0.0105	0.0105	0.0105	1.5594	1.5594	1.5594	1.6561	1.6561	1.6561	0.9352	0.9352	0.9352
September		1.4538	1.4525	1.4531	0.0109	0.0109	0.0109	1.5763	1.5763	1.5763	1.6300	1.6300	1.6300	0.9597	0.9597	0.9597
Percentage change	A/B	8.51	8.48	8.50	7.39	7.39	7.39	6.42	6.42	6.42	9.55	9.55	9.55	8.10	8.10	8.10
	A/C	-4.92	-4.99	-4.95	14.97	14.92	14.95	-1.79	-1.83	-1.81	-13.24	-13.28	-13.26	0.83	0.78	0.81

Source: Staff Compilation

In line with the continued weakening of the US Dollar, which is the intervention currency in Ethiopia, the Birr also depreciated against the US Dollar and other major currencies both on quarterly and annual basis. The Birr depreciated

by 16.9 percent on quarterly and 10.9 percent on annual basis, against the Pound Sterling. During the same period, it depreciated by 15.7 and 21.6 percent against Euro, and 15.3 and 28.9 percent against Swiss Frank.

Table 6. 12: Period Average Exchange Rates (Birr per Major Currencies)

Period		USD			EURO			YEN			SDR			POUND			Swiss Frank		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
2008/09																			
Qtr. I	C	9.6635	9.7559	9.7097	14.5233	14.6685	14.5959	0.0898	0.0907	0.0902	15.3733	15.5271	15.4502	18.2744	18.4588	18.3666	9.0120	9.1021	9.0571
July		9.6446	9.7284	9.6865	15.1814	15.3331	15.2573	0.0902	0.0911	0.0907	15.7138	15.8709	15.7923	19.1511	19.3426	19.2469	9.3743	9.4680	9.4212
August		9.6634	9.7601	9.7117	14.4425	14.5869	14.5147	0.0883	0.0892	0.0888	15.3234	15.4766	15.4000	18.2433	18.4308	18.3370	8.9179	9.0070	8.9625
September		9.6825	9.7794	9.7310	13.9459	14.0853	14.0156	0.0908	0.0917	0.0912	15.0829	15.2337	15.1583	17.4289	17.6032	17.5160	8.7438	8.8313	8.7876
Qtr. IV	B	11.1997	11.3117	11.2557	15.2582	15.4108	15.3345	0.1152	0.1164	0.1158	17.0097	17.1798	17.0947	17.3441	17.5175	17.4308	10.0793	10.1801	10.1297
April		11.1392	11.2506	11.1949	14.7028	14.8498	14.7763	0.1128	0.1140	0.1134	16.6193	16.7855	16.7024	16.3556	16.5191	16.4373	9.7054	9.8025	9.7540
May		11.1978	11.3098	11.2538	15.2787	15.4315	15.3551	0.1162	0.1173	0.1167	17.0128	17.1829	17.0978	17.2545	17.4270	17.3408	10.1051	10.2062	10.1556
June		11.2620	11.3746	11.3183	15.7933	15.9512	15.8723	0.1167	0.1178	0.1172	17.3969	17.5709	17.4839	18.4222	18.6064	18.5143	10.4273	10.5316	10.4795
2009/10																			
Qtr. I	A	12.3562	12.4796	12.4179	17.6625	17.8337	17.7481	0.1320	0.1333	0.1327	19.3092	19.5025	19.4058	20.2769	20.4797	20.3783	11.6222	11.7384	11.6803
July		12.0606	12.1808	12.1207	16.9815	17.1513	17.0664	0.1277	0.1289	0.1283	18.7195	18.9067	18.8131	19.7416	19.9390	19.8403	11.1725	11.2842	11.2283
August		12.4875	12.6124	12.5499	17.8038	17.9818	17.8928	0.1315	0.1328	0.1322	19.4725	19.6678	19.5701	20.6804	20.8872	20.7838	11.6778	11.7946	11.7362
September		12.5204	12.6456	12.5830	18.2022	18.3680	18.2851	0.1368	0.1382	0.1375	19.7356	19.9329	19.8343	20.4087	20.6128	20.5108	12.0163	12.1364	12.0763
Percentage change	A/B	10.33	10.33	10.33	15.76	15.72	15.74	14.56	14.56	14.56	13.52	13.52	13.52	16.91	16.91	16.91	15.31	15.31	15.31
	A/C	27.86	27.92	27.89	21.62	21.58	21.60	47.04	47.04	47.04	25.60	25.60	25.60	10.96	10.95	10.95	28.96	28.96	28.96

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

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

Currency	Sep-08	Jun-09	Sep-09	Percentage change	
	C	B	A	A/B	A/C
USD	9.7405	11.2190	12.5989	12.3	29.3
Pound	17.8075	18.8749	20.1822	6.9	13.3
Swedish Kroner	1.4590	1.4855	2.1648	45.7	48.4
Djibouti Frank	0.0548	0.0639	0.0709	11.0	29.3
Swiss Frank	8.8897	10.4965	12.1858	16.1	37.1
Saudi Riyal	2.5932	3.0274	3.3594	11.0	29.5
UAE Dirham	2.6516	3.0911	3.4301	11.0	29.4
Canadian Dollar	9.3911	9.8201	11.6538	18.7	24.1
Japanese Yen	0.0916	0.1186	0.1405	18.4	53.4
Euro	14.1237	16.0137	18.4234	15.0	30.4
SDR	15.3001	17.6022	19.8755	12.9	29.9

Source: National Bank of Ethiopia –BFED

5.14.2. Movements in Real Effective Exchange Rate

As a result of the inflation differential with trading partners, the real exchange rate of the Birr continued to depreciate.

In the first quarter of 2009/10, the real effective exchange rate of the Birr depreciated by 9.6 and 16.8 percent on quarterly and annual basis, respectively. Similarly, the nominal effective exchange rate showed quarterly and annual depreciations of 11.7 and 15.4 percent.

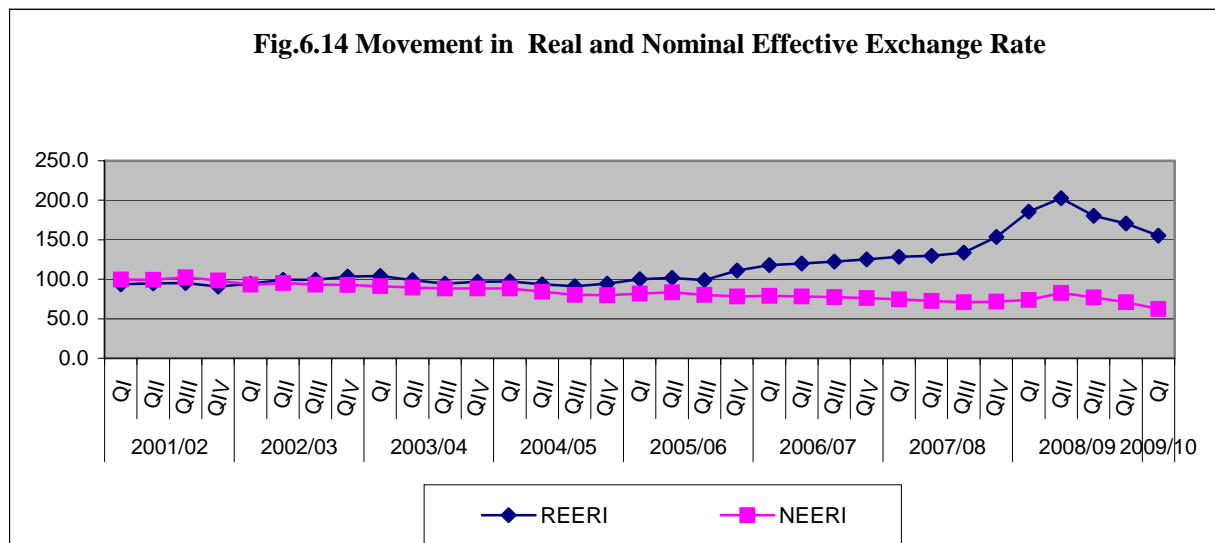
Table 6.14 Trends in Real Effective Exchange Rate

	2008/09		2009/10	Percentage Change	
	Q I	Q IV	Q I		
	A	B	C	C/B	C/A
REERI	185.5	170.7	154.3	-9.61	-16.82
NEERI	73.9	70.8	62.5	-11.72	-15.43

REERI = Real Effective Exchange Rate Index

NEERI = Nominal Effective Exchange Rate Index

Source:- NBE staff compilation



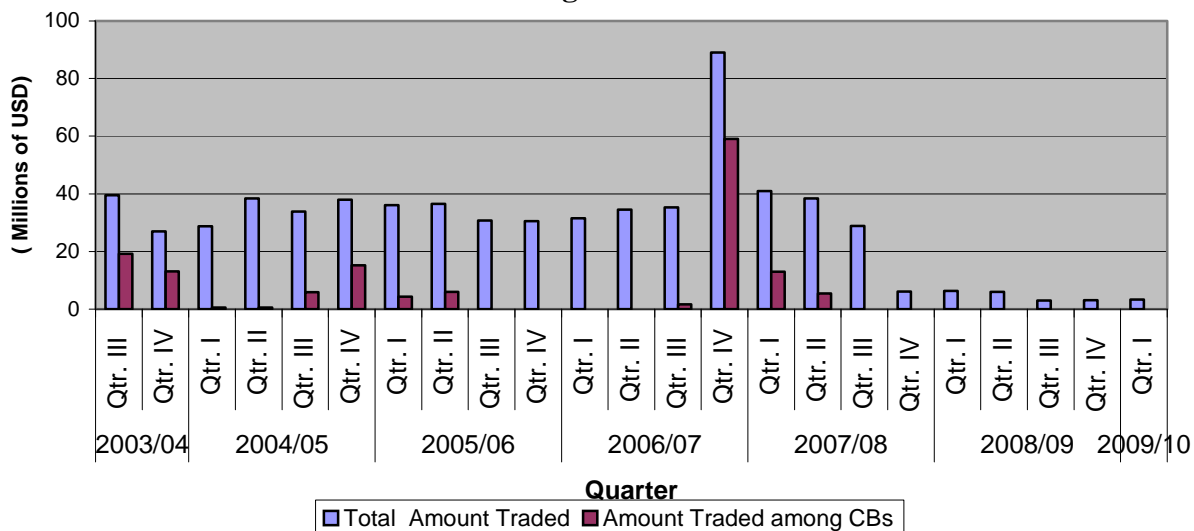
Source:- NBE staff compilation

5.14.3. Volume of Transactions

The amount of foreign exchange traded in the inter-bank foreign exchange market during the review period was USD 3.3 million, about 6.6 percent

higher than the preceding quarter but 48.4 percent lower than the same quarter of last fiscal year. All transactions took place between NBE and commercial banks.

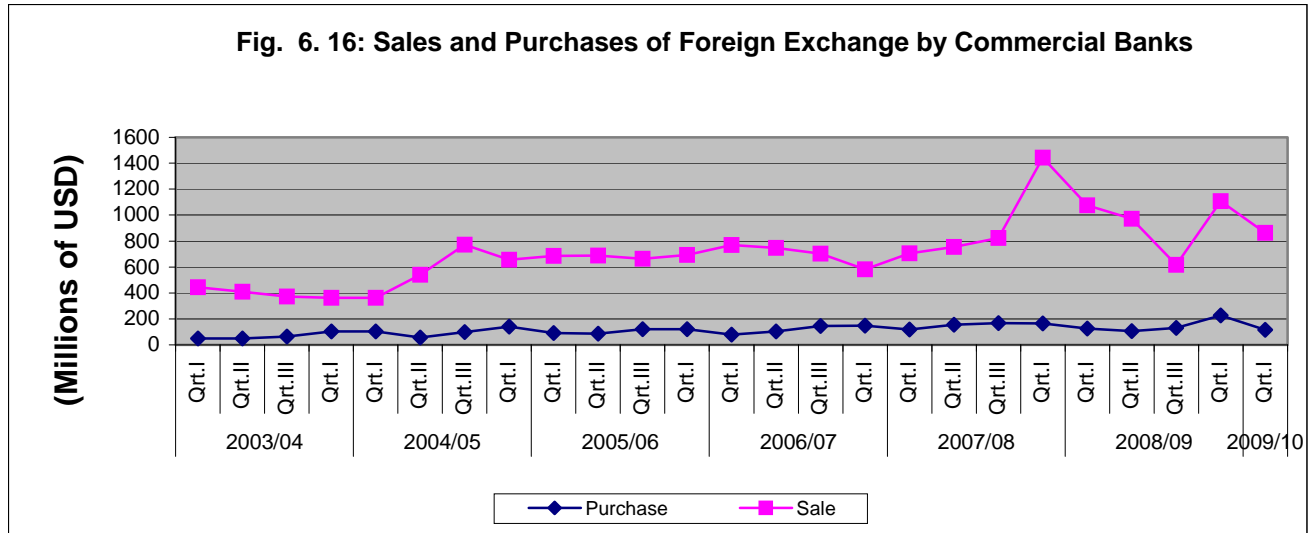
Figure 6.15: Foreign Exchange Trade in the Inter-Bank Foreign Exchange Market



Source: NBE

In the retail market, commercial banks purchased foreign exchange from exporters amounting to USD 116.7 million, which was 48.4 and 7.4 percent lower than the preceding quarter and last year largely reflecting the seasonality of export earnings. On the other hand, they sold USD 863.0 million to importers. Their sales also fell by 22.1 and 19.7 percent on quarterly and annual basis presumably due to foreign exchange pressure. About 43.4 percent of the total purchase and 45.6 percent of the sales was conducted by private banks.

Meanwhile, forex bureaux whose number reached 322 by end September 2009, purchased foreign exchange to the tune of USD 37.6 million which was 30.5 percent on higher than a year ago, possibly owing to improved conference tourism and depreciation of the Birr. Their sales, however plummeted by 30.7 percent during the same period.



Source: NBE

Table 6.15: Amount of Foreign Exchange Purchased and Sold by Commercial Banks
(In millions of USD)

Name of Forex Bureau	2008/09				2009/10		Percentage Change			
	Quarter I		Quarter IV		Quarter I		C/B		C/A	
	A	B	B	A	C	C	B	A	A	
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
Commercial Bank of Ethiopia	36.5	688.4	162.9	804.2	66.1	469.8	-59.4	-41.6	80.9	-31.8
Bank of Abyssinia	21.2	58.1	6.2	35.6	11.5	73.6	86.3	106.8	-45.9	26.7
Dashen Bank	30.3	107.4	26.2	82.8	18.3	99.0	-30.1	19.5	-39.5	-7.9
Awash International Bank	6.2	34.5	6.4	37.3	1.9	15.7	-70.2	-57.7	-69.1	-54.4
Construction & Business Bank	0.0	11.0	0.4	8.4	0.1	7.9	-85.5	-5.9	-	-28.1
Wegagen Bank	22.6	74.5	11.3	52.4	9.5	115.4	-15.5	120.3	-57.7	54.8
United Bank	0.0	47.4	0.0	51.3	0.0	31.1	-	-39.3	-	-34.3
Development Bank	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-
Nib International Bank	8.9	52.4	12.5	31.2	9.3	45.2	-25.8	45.1	3.6	-13.8
Lion International Bank	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-
Oromia International Bank	0.0	1.5	0.0	0.0	0.0	0.0	-	-	-	-
Zemen Bank	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-
Cooperative Bank of Oromia	0.0	0.0	0.0	4.0	0.0	5.3	-	31.0	-	-
Total	125.8	1075.2	225.9	1107.2	116.7	863.0	-48.4	-22.1	-7.2	-19.7
Average Exchange Rate	9.6614	9.8564	11.2057	11.4259	12.3899	12.6378	10.5678	10.6066	28.2412	28.2192

Source: NBE

Table 6.16: Amount of Foreign Exchange Purchased and Sold by Forex Bureau of Commercial Banks

(In millions of USD)

Name of Forex Bureau	No of Branches	2008/09				2009/10		Percentage Change			
		Quarter I		Quarter IV		Quarter I		C/B		C/A	
		A	B	C		Purcha	Sales	Purcha	Sales	Purcha	Sales
		Purcha	Sales	Purchases	Sales	Purchases	Sales	Purcha	Sales	Purcha	Sales
Commercial Bank of Ethiopia	121	10.16	7.76	5.86	0.03	5.26	0.03	-10.3	0.0	-48.2	-99.6
Bank of Abyssinia	28	1.12	1.03	0.53	0.81	0.88	1.64	66.2	102.3	-21.3	59.8
Dashen Bank	58	3.22	2.81	2.82	5.27	3.74	4.39	32.4	-16.6	16.1	56.5
Awash International Bank	15	0.61	2.05	0.29	1.46	0.41	1.86	43.6	26.9	-32.1	-9.6
Construction & Business Bank	5	0.44	0.24	0.20	0.04	0.24	0.06	20.0	33.2	-44.0	-76.4
Wegagen Bank	19	2.07	1.82	1.71	0.10	1.96	0.10	14.9	0.0	-5.0	-94.5
United Bank	34	2.57	1.05	2.98	1.34	3.78	1.60	27.0	20.0	47.3	52.8
Nib International Bank	30	8.64	1.12	8.73	2.17	17.72	1.38	103.1	-36.3	105.2	22.8
Lion International Bank	1	0.00	0.00	1.07	0.05	1.78	0.21	65.7	-	-	-
Oromia Intenational Bank	7	0.00	0.00	0.03	0.00	1.61	0.08	-	-	-	-
Zemen Bank	1	0.00	0.00	0.10	0.04	0.18	0.17	-	-	-	-
Cooperative Bank of Oromia	2	0.01	0.01	0.00	0.05	0.03	0.01	-	-	-	-
Buna International Bank	1	0.00	0.00	0.00	0.00	0.00	0.00	-	-	-	-
Total	322	28.82	17.89	24.32	11.35	37.60	11.52	54.6	1.5	30.5	-35.6
Average Exchange Rate		9.6639	9.8428	11.1954	11.3973	12.3453	12.5975	10.3	10.5	27.7	28.0

Source: NBE