

V. MONETARY DEVELOPMENTS

The monetary policy has continued to be geared towards containing inflation and inflation expectations through the first quarter of 2009/10. The harmonized and tight monetary and fiscal policy measures taken since 2007/08 have brought about promising results as annual average general CPI inflation tumbled down to 18.7

percent in September 2009 from 37.2 percent same period last year. It also registered a 48.6 percentage point decline against the previous quarter.

Meanwhile, annual change in CPI decelerated to -4.1 percent from 59.6 percent a year ago due to the same effect.

5.1. Money Supply and Credit

Domestic liquidity measured by broad money supply (M₂) showed quarterly and annual growth rates of 5.6 and 22.0 percent, respectively. The quarterly increase in money supply was mainly attributed to a 22.8

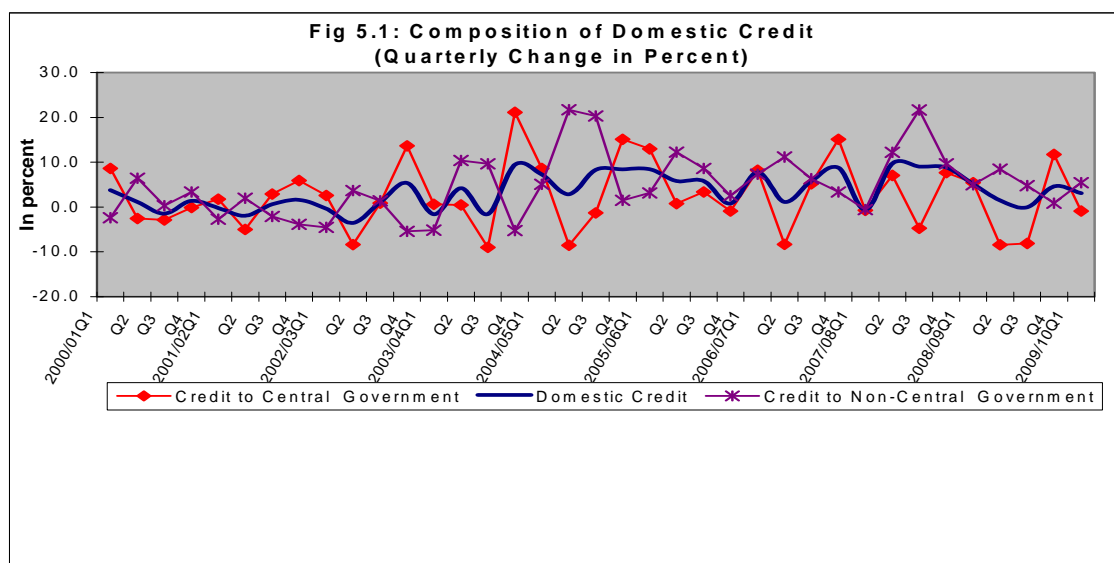
percent growth in net foreign assets and 3.1 percent rise in domestic credit. Broad money supply stood at Birr 87.2 billion at the end of September 2009.

Table 5.1: Factors Influencing Broad Money

(In Millions of Birr)

Particulars	2008/09		2009/10	Percentage Change	
	Qtr. I	Qtr. IV	Qtr. I		
	(Sept 08)	(Jun 09)	(Sept 09)		
	A	B	C	C/A	C/B
1. External Assets (net)	10,387.8	17,976.8	22,071.6	112.5	22.8
2. Domestic Credit	84,088.6	89,203.0	91,983.7	9.4	3.1
. Claims on Central Gov't (net)	34,872.4	32,786.5	32,500.4	-6.8	-0.9
. Claims on Other Sector's	49,216.2	56,416.5	59,483.3	20.9	5.4
. Financial Institutions	0.0	0.0	0.0		
. Others	49,216.2	56,416.5	59,483.3	20.9	5.4
3. Other Items (net)	23,040.0	24,670.1	26,899.8	16.8	9.0
4. Broad Money (M2)	71,436.3	82,509.8	87,155.5	22.0	5.6

Source: National Bank of Ethiopia (NBE)



Source: NBE

Components wise, both narrow and quasi-money showed quarterly expansion of 4.1 and 7.2 percent, respectively, due to the rise in all components of broad money except currency outside banks which registered a 5.9 percent quarterly decline. The slow down in currency outside banks during the

quarter is reflected in higher bank deposits and increased quasi-money to broad money ratios. Year-on-year basis, narrow money scaled up by 18.6 percent and quasi money by 25.7 percent mainly driven by the growth in savings deposits (Table 5.2).

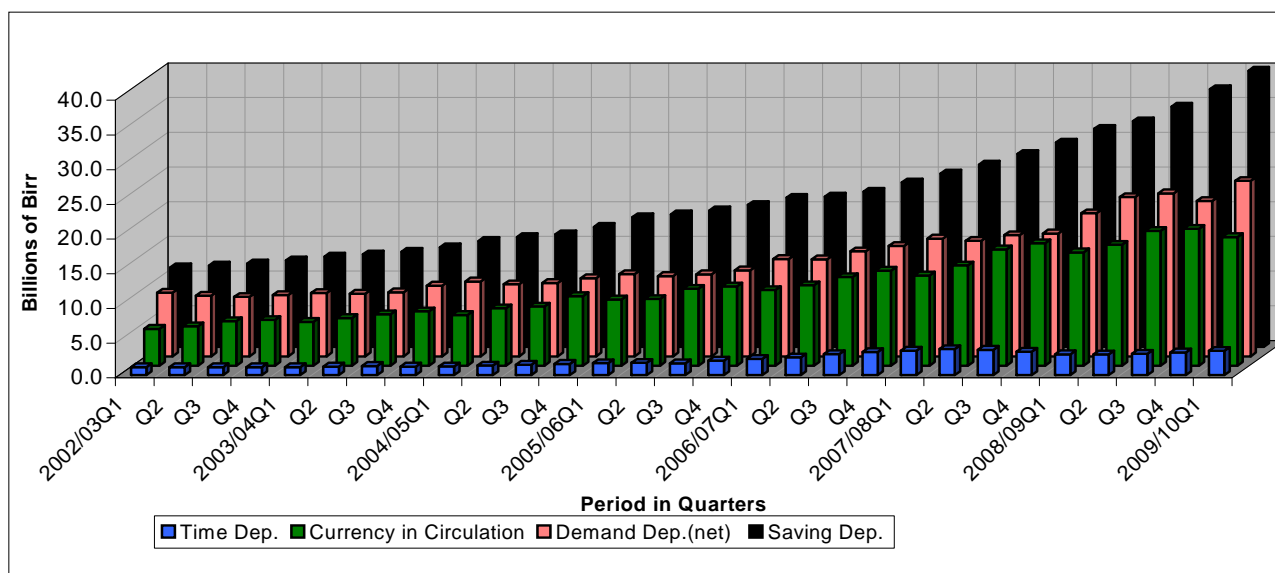
Table 5.2: Components of Broad Money

(In Millions of Birr)

Particulars	2008/09		2009/10	Percentage Change	
	Qtr. I	Qtr. IV	Qtr. I	C/A	C/B
	(Sept 08)	(Jun 09)	(Sept 09)		
	A	B	C		
1. Narrow Money Supply	36,971.5	42,112.7	43,838.9	18.6	4.1
. Currency Outside Banks	16,337.6	19,715.0	18,547.2	13.5	-5.9
. Demand Deposits (net)	20,633.9	22,397.6	25,291.7	22.6	12.9
2. Quasi-Money	34,464.8	40,397.1	43,316.6	25.7	7.2
. Savings Deposits	31,463.7	37,148.7	39,814.5	26.5	7.2
. Time Deposits	3,001.2	3,248.4	3,502.1	16.7	7.8
3. Broad Money Supply	71,436.3	82,509.8	87,155.5	22.0	5.6

Source: NBE

**Fig. 5.2: Composition of Monetary Stock
(First Quarter of FY 2009/10)**



Source: NBE

5.2. Developments in Reserve Money and Monetary Ratio

Reserve money registered a quarterly increase of about 4.0 percent and stood at Birr 46.9 billion at the end of September 2009 reflecting a 13.4 percent rise in banks' deposit at NBE which offset a 4.5 percent decline in currency in circulation. On annual basis, base money expanded 31.1 percent largely due to 49.4 percent surge in deposits

of banks at NBE and 16 percent increase in currency in circulation.

Accordingly, excess reserves of commercial banks grew to Birr 10.7 billion in September 2009 from Birr 8.4 billion a year ago. This partially reveals higher resource mobilization through deposits and loan collection.

Table 5.3: Reserve Money and Ratios

(In Millions of Birr Unless Otherwise Indicated)

Particulars	2008/09		2009/10	Percentage Change	
	Qtr. I	Qtr. IV	Qtr. I		
	(Sept 08)	(Jun 09)	(Sept 09)		
	A	B	C	C/A	C/B
1. Reserve Requirement (CB's)	9,719.83	11,183.34	12,232.67	25.85	9.38
2. Actual Reserve (CB's)*	14,371.38	19,569.38	22,893.00	59.30	16.98
3. Excess Reserve (CB's)	4,651.55	8,386.04	10,660.34	129.18	27.12
4. Reserve Money	35,783.12	45,107.02	46,894.41	31.05	3.96
<i>. Currency in Circulation</i>	19,640.12	23,836.35	22,773.23	15.95	-4.46
<i>. Banks Deposits at NBE**</i>	16,143.00	21,270.67	24,121.19	49.42	13.40
5. Money Multiplier (Ratio):					
<i>. Narrow Money to Reserve Money</i>	1.03	0.93	0.93	-9.52	0.13
<i>. Broad Money to Reserve Money</i>	2.00	1.83	1.86	-6.90	1.60
6. Other Monetary Ratios (%):					
<i>. Currency to Narrow Money</i>	53.12	56.60	51.95	-2.21	-8.22
<i>. Currency to Broad Money</i>	27.49	28.89	26.13	-4.96	-9.55
<i>. Narrow Money to Broad Money</i>	51.75	51.04	50.30	-2.81	-1.45
<i>. Quasi Money to Broad Money</i>	48.25	48.96	49.70	3.02	1.51

Source: NBE and commercial banks

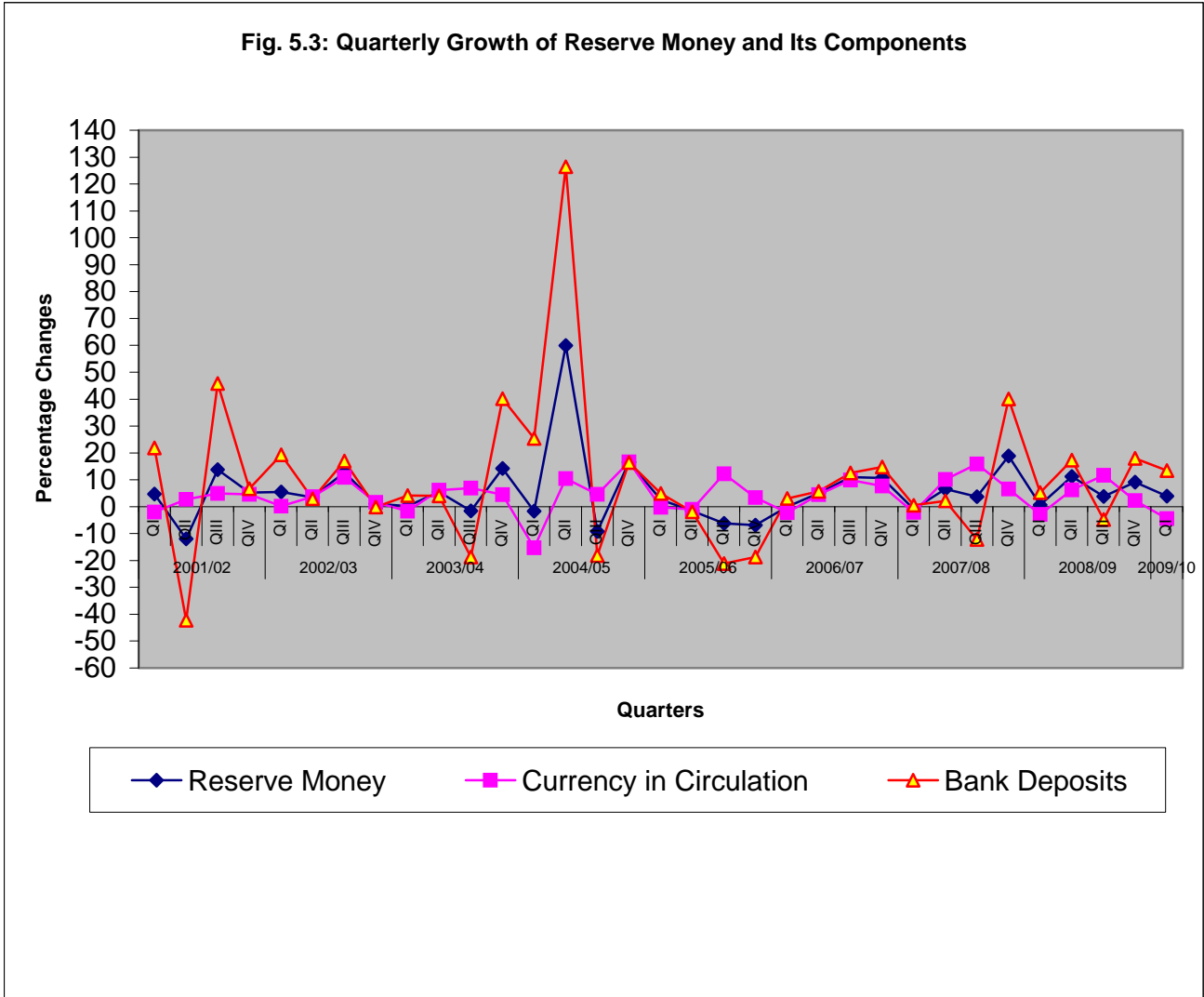
* Obtained from commercial banks balance sheet

** Obtained from NBE balance sheet

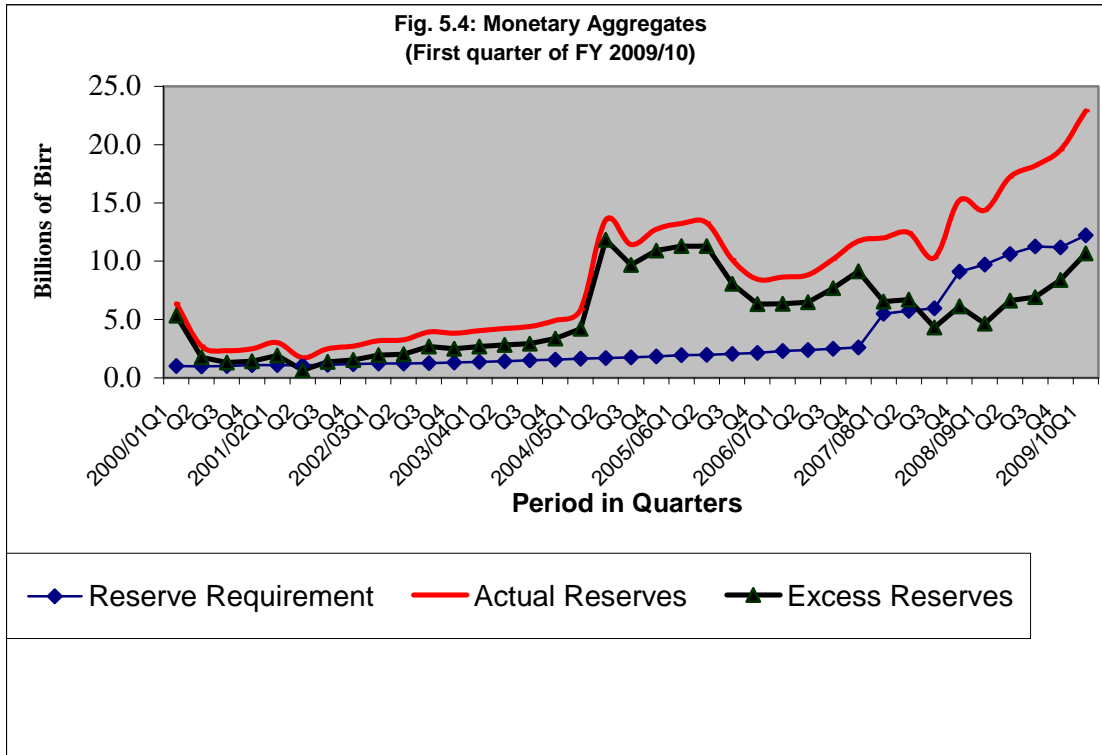
Concerning monetary ratios, narrow-money to broad money ratio declined from 51.75 percent last year to 50.3 percent this quarter; while quasi-money to broad money ratio grew from 48.25 to 49.7 percent during the same period partly reflecting the shift in the preference of the public from currency to

deposits due to seasonality factors. On the other hand, the ratio of broad money to reserve money, i.e, money multiplier, increased from 1.83 in the preceding quarter to 1.86 reflecting the decline in currency in circulation (Table 5.3).

Fig. 5.3: Quarterly Growth of Reserve Money and Its Components



Source: NBE



Source: NBE

5.3. Interest Rate Developments

Interest rates exhibited an upward trend compared to last year. Average saving deposit rate rose to 4.5 percent and average lending rate to 12.25 percent from respective levels of 4.08 and 11.5 percent. Weighted average demand deposit rate and average time deposit rate also increased to 0.07 and 5.31 percent during the stated period. The weighted

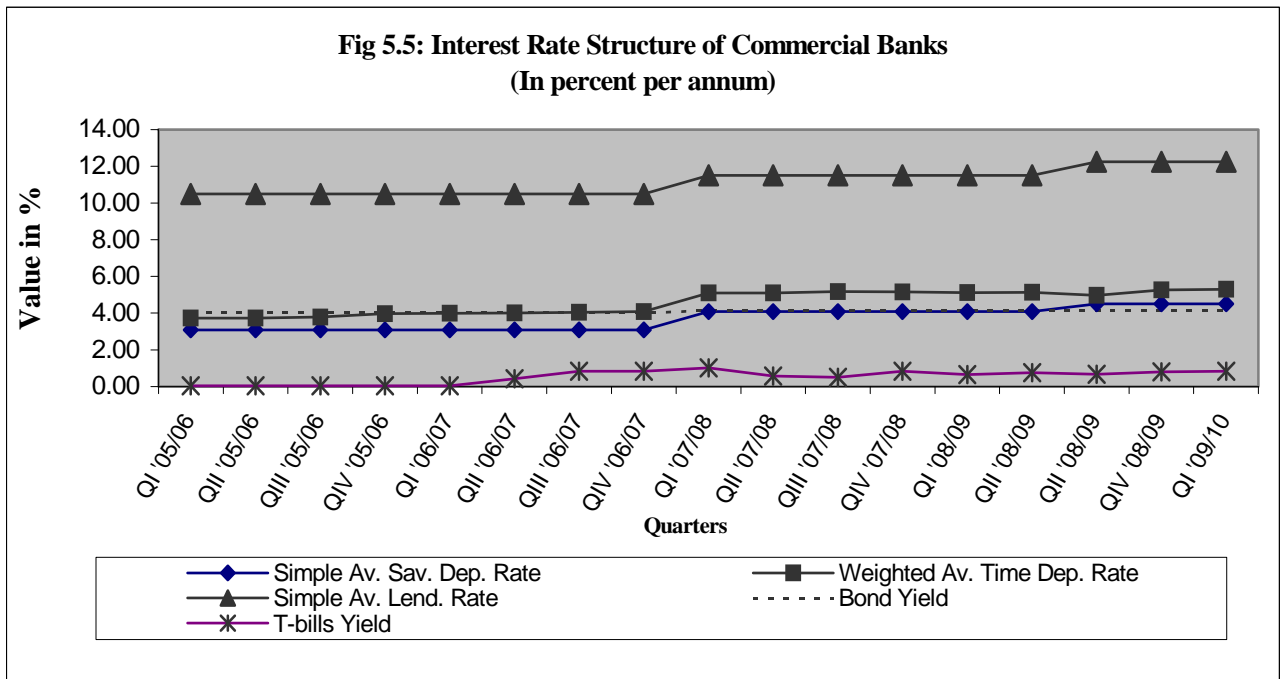
average yield on T-bills also grew to 0.80 percent from 0.65 percent in the same period of last year.

Considering headline inflation of 3.1 percent during the quarter under review, interest rate on deposits, except demand deposits, & T. bills turned positive in real terms.

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

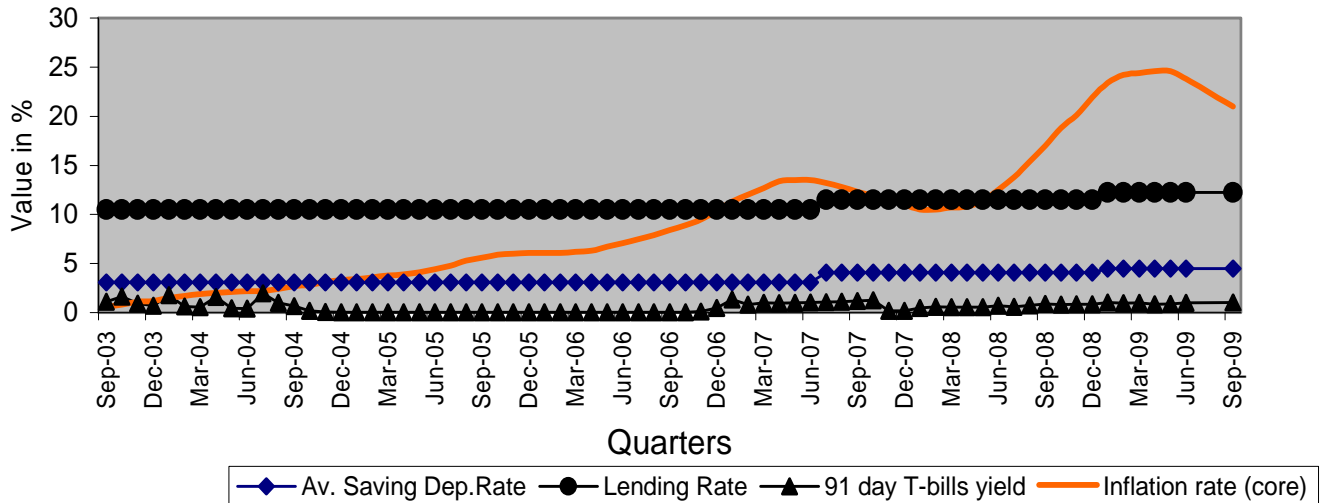
Particulars	2008/09		2009/10
	QI	QIV	QI
1. Savings Deposit Rate			
• <i>Minimum</i>	4.00	4.00	4.00
• <i>Maximum</i>	4.15	5.00	5.00
Average Savings Rate	4.08	4.50	4.50
2. Time Deposit Rate			
• <i>Up to 1 year</i>	4.674	4.580	4.343
• <i>1 - 2 years</i>	5.153	6.204	6.995
• <i>Over 2 years</i>	5.501	4.998	4.581
Average Time Dep. Rate	5.109	5.260	5.306
3. Demand Deposit Rate (Weighted)	0.039	0.057	0.070
4. Lending Rate			
• <i>Minimum</i>	8.00	8.00	8.00
• <i>Maximum</i>	15.00	16.50	16.50
Average Lending Rate	11.50	12.25	12.25
5. T-bills Rate (Weighted Ave.)	0.646	0.794	0.803
6. Headline inflation	21	1.9	3.1
7. Food inflation	28.2	0.9	1.6
8. Core/non-food inflation	7.7	3.6	5.7

Source: NBE and commercial banks



Source: NBE and Commercial banks

**Fig 5.6: Lending Rate, Average Saving Deposit Rate, 91-day T-bills Yield & Core Inflation Rate
(in percent 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 reached 14 of which 11 were privately owned.

During the first quarter of 2009/10, 20 new bank branches were opened, raising their total number to 656. Consequently, the ratio of bank branch to total population

slightly dropped to 122,408 from 126,086. Yet Ethiopia remains one of the most under banked countries in the world given its population of close to 80 million.

Some 37 percent of the total bank branches were located in Addis Ababa. Of the total bank branches, the share of private banks slightly grew to 58.4 percent from 57.1 percent in the previous quarter.

The total capital of the banking system reached Birr 11.3 billion at the close of the quarter, showing a 2.1 percent increase. The private banks together owned 36.4 per cent of the total capital. Commercial Bank of Ethiopia, the largest commercial bank of the country, accounted for 44.6 percent of the total capital of the banking system.

The total number of insurance companies operating in the country reached 12 of which 11 were privately owned. Their total capital grew to Birr 694.7 million from Birr 652.3 million at the end of the preceding quarter registering a quarterly increase of 6.5 percent. Likewise, the total number of insurance branches rose to 196 following the opening of 2 more branches during the quarter.

Like the banking industry, the outreach of insurance companies was very low as one branch serves about 409,694 people and about 49 percent of the total branches are operating in Addis Ababa.

The number of Micro Finance Institutions (MFIs) was 28 at the close of September 2009. These institutions mobilized deposits amounting to Birr 2.2 billion, up by 4.8 percent compared to the previous quarter. Similarly, credit outstanding of the MFIs stood at Birr 5.0 billion indicating a 2.0 percent increase vis-à-vis the preceding quarter. Their total assets also increased to Birr 6.8 billion by the end of the review quarter recording quarterly and annual growth of 3.0 and 19.3 percent, respectively. The improvement in microfinance institutions' activities in the economy indicates the progress in attracting low income groups and enterprises with limited access to the formal banking sector for lack of enough collateral.

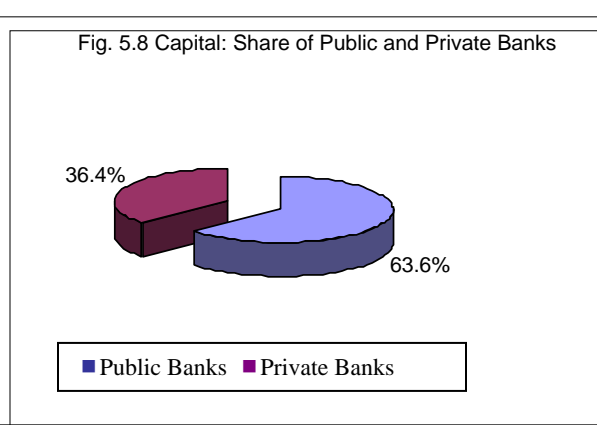
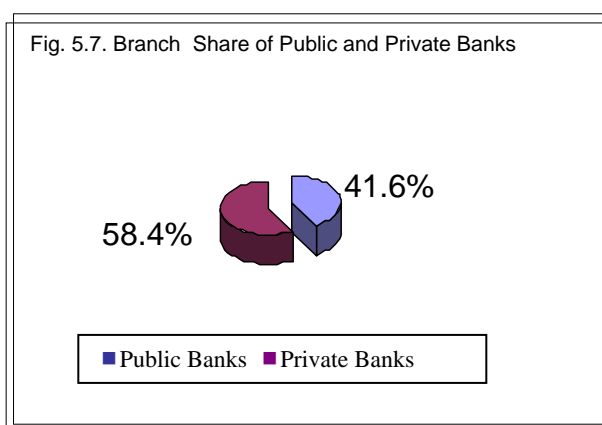
The five largest MFIs; namely, Amhara, Dedit, Oromia, Omo and Addis Credit and Savings Institutions accounted for 86.4 percent of the total capital, 93.3 percent of the savings, 89.5 percent of credit and 90.4 percent of the total assets of the industry.

Table 5.5: Capital and Branch Network of Banking System by End of September 30,2009

(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network												Capital			
	2008/09								2009/10				2008/09		2009/10	
	Quarter I				Quarter IV				Quarter I				Quarter I	Quarter IV	Quarter I	
	Regions	A.A	Total	% Share	Regions	A.A	Total	% Share	Regions	A.A	Total	% Share				
1. Public Banks																
Commercial Bank of Ethiopia	156	49	205	36.1	160	49	209	32.9	160	49	209	32.1	4561	5041	5041	
Construction & Business Bank	15	12	27	4.8	17	15	32	5.0	17	15	32	4.9	196	196	215	
Development Bank of Ethiopia	31	1	32	5.6	31	1	32	5.0	31	1	32	4.9	1916	1800	1940	
Total Public Banks	202	62	264	46.5	208	65	273	42.9	208	65	273	41.9	6673	7037	7196	
2. Private Banks																
Awash International Bank	24	29	53	9.3	29	31	60	9.4	29	31	60	9.2	508	555	563	
Dashen Bank	24	24	48	8.5	28	26	54	8.5	29	26	55	8.4	756	815	819	
Abyssinia Bank	20	25	45	7.9	22	25	47	7.4	22	25	47	7.2	408	421	449	
Wegagen Bank	23	18	41	7.2	26	23	49	7.7	27	23	50	7.7	643	656	672	
United Bank	13	23	36	6.3	15	26	41	6.4	15	26	41	6.3	470	449	450	
Nib International Bank	16	26	42	7.4	17	28	45	7.1	17	28	45	6.9	492	581	581	
Cooperative Bank of Oromia	18	2	20	3.5	23	3	26	4.1	29	4	33	5.1	150	155	153	
Lion International Bank	11	6	17	3.0	11	9	20	3.1	11	9	20	3.1	183	192	195	
Oromia International Bank		1	1	0.2	16	4	20	3.1	21	4	25	3.8	87	121	135	
Zemen Bank		1	1	0.2	0	1	1	0.2	0	1	1	0.2	91	100	102	
Bunna International Bank				0.0	0	0	0	0.0	0	1	1	0.2	-	-	-	
Total Private Banks	149	155	304	53.5	187	176	363	57.1	200	178	378	58.1	3788	4045	4119	
3.Grand Total Banks	351	217	568	100.0	395	241	636	100.0	408	243	651	100.0	10461	11082	11315	

Source: NBE



Source: NBE

Table 5.6: Branch Network & Capital of Insurance Companies by End of September 2009
(Branch in Number and Capital in Millions of Birr)

Insurance Companies	Branch									Capital		
	Quarter I 2008/09			Quarter IV 2008/09			Quarter I 2009/10			Quarter I	Quarter IV	Quarter I
	A.A	Regions	Total	A.A	Regions	Total	A.A	Regions	Total	2008/09	2008/09	2009/10
Ethiopian Insurance Corporation	11	26	37	11	28	39	11	28	39	241.5	249.4	258.6
Awash Insurance Company	13	9	22	13	9	22	13	9	22	50.1	52.9	54.3
Africa Insurance Company	6	7	13	6	7	13	6	7	13	54.7	59.0	53.2
National Insurance Corporation of Ethiopia	8	6	14	8	8	16	8	8	16	12.3	14.8	15.2
United Insurance Company	13	6	19	14	7	21	12	7	19	38.3	39.3	60.5
Global Insurance Company	4	3	7	4	3	7	4	4	8	21.2	22.9	23.4
Nile Insurance Company	10	9	19	11	9	20	11	9	20	56.2	56.4	58.6
Nyala Insurance Company	8	8	16	8	8	16	8	8	16	53.4	61.6	73.6
Nib Insurance Company	12	6	18	13	8	21	12	8	20	38.0	60.3	61.5
Lion Insurance Company	6	4	10	6	4	10	6	6	12	9.1	7.1	8.5
Ethio-Life Insurance Company				-	-	-	-	-	-		3.3	3.1
Oromia Insurance Company				4	5	9	5	6	11		25.6	24.0
TOTAL	91	84	175	98	96	194	96	100	196	574.6	652.3	694.8

Source: NBE

5.5. Activities of Banking System

5.5.1. Resource Mobilization

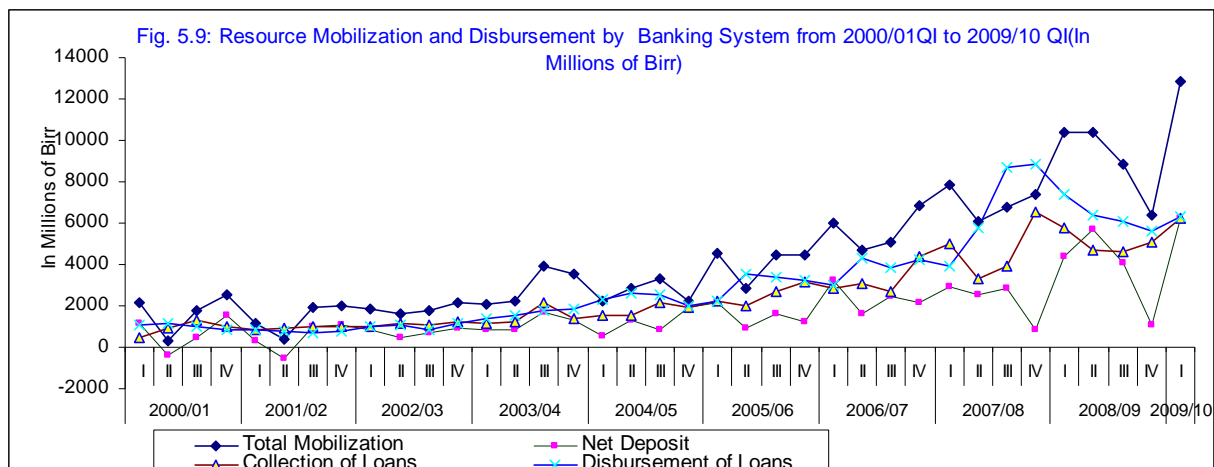
Total resources mobilized by the banking system, measured as the sum of net change in deposits, collection of loans and net change in borrowings, picked up by 25 percent and reached Birr 12.9 billion during the first quarter of 2009/10 from Birr 10.3 billion in the preceding year. This was mainly due to a surge in net deposit mobilization by 42.2 and 143 percent growth in net borrowing despite 7.8 percent decline in collection of loans.

Table 5.7: Summary of Resource Mobilization and Disbursement of Banking System during First Quarter of 2009/10

(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr.IV 2008/09	Qtr.I 2009/10	Qtr.IV 2008/09	Qtr.I 2009/10	Qtr.I 2008/09	Qtr.IV 2008/09	Qtr.I 2009/10		
	A	B	C	C/A	C/B				
1. Deposits (net change)	-449.4	2,354.0	1,497.9	3,839.1	4,354.5	1,048.4	6,193.0	42.2	490.7
-Demand	-1,764.2	1,373.3	106.5	1,906.7	2,608.2	-1,657.7	3,279.9	25.8	-297.9
-Saving	1,248.4	876.3	1,273.8	1,792.5	1,985.9	2,522.2	2,668.8	34.4	5.8
-Time	66.4	104.4	117.5	139.9	-239.5	183.9	244.3	-202.0	32.8
2. Borrowing (net change)	233.6	469.4	0.0	0.0	193.3	233.6	469.4	142.8	101.0
-Local	4.0	228.8	0.0	0.0	235.2	4.0	228.8	-2.7	5,669.5
-Foreign	229.6	240.6	0.0	0.0	16.9	229.6	240.6	1,324.4	-
3. Collection of Loans	3,149.3	2,823.2	3,774.0	3,378.9	5,753.3	6,923.3	6,202.1	7.8	-10.4
4. Total Resources Mobilized (1+2+3)	2,933.4	5,646.6	5,271.9	7,218.0	10,301.1	8,205.3	12,864.5	24.9	56.8
5. Disbursement	3,725.8	2,911.2	1,919.7	3,396.3	7,367.1	5,645.6	6,307.5	-14.4	11.7
6. Change in Liquidity (4-5)	-792.4	2,735.4	3,352.2	3,821.7	2,933.9	2,559.7	6,557.1	123.5	156.2
Memorandum Item:									
A. Outstanding Credit*	33,912.8	33,083.7	17,720.8	19,000.9	48,732.3	51,633.5	52,084.6	6.9	0.9
B. Outstanding Inter-bank Lending	427.5	388.7	0.0	0.0	359.4	427.5	388.7	8.2	-9.1

Source: Commercial Banks and Staff Computation



Source: NBE

5.5.1.1 Deposit Mobilization

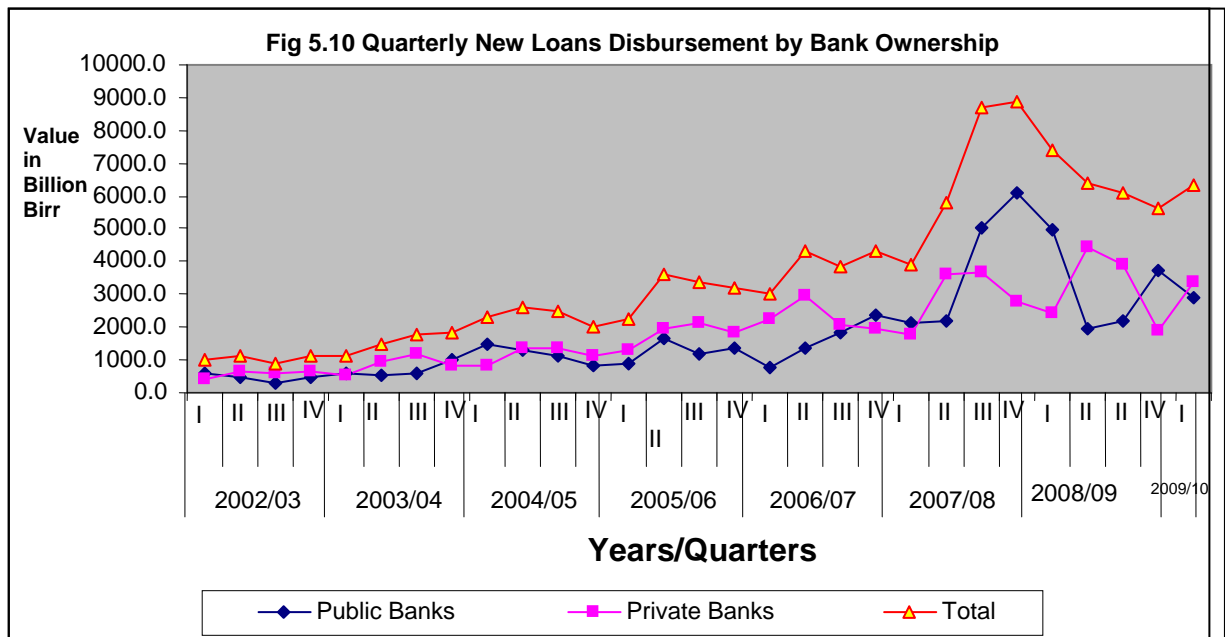
The banking system (including Development Bank of Ethiopia) accumulated a total of Birr 84.3 billion deposit liabilities indicating annual growth rate of 25.3 percent. The growth in deposit mobilization is partly attributed to the rise

in the number of bank branches, increased awareness among the public about the importance of saving, improved economic activities and decline in inflation in recent months.

Table 5.8: Stock of Deposits Mobilized by Banking System at end of September 2009

(In Millions of Birr)

Types of Deposits	2008/09				2009/10		% Change C/A C/B	
	Quarter I A	% Share	Quarter IV B	% Share	Quarter I C	% Share		
Demand Deposit	32,350.2	48.1	37,267.3	47.7	40,547.2	48.1	25.3	8.8
Saving Deposit	31,468.1	46.8	37,153.3	47.5	39,822.2	47.2	26.5	7.2
Time Deposit	3,492.5	5.2	3,731.4	4.8	3,975.7	4.7	13.8	6.5
Total	67,310.8	100.0	78,152.0	100.0	84,345.0	100.0	25.3	7.9
Share of Public Banks	64.3		64.5		60.0		-6.6	-6.9
Share of Private Banks	35.7		35.5		40.0		11.9	12.6



Source: NBE

Component wise, all types of deposits went up. Demand deposits with 48.1 percent share in total deposits increased by 25.3 percent on annual basis. Savings deposit which accounted for 47.2 percent of total deposits registered 26.5 percent yearly growth. Time deposits which

constituted 4.7 percent of total deposits recorded 13.8 percent annual increase. The share of private banks in total deposits rose to 40.0 percent from 35.7 percent in the preceding year as they aggressively expanded their outreach.

5.5.1.2 Collection of Loans

Banks collected Birr 6.2 billion in loans and advances, which was 10.4 percent lower than last year. Accordingly, private banks collected Birr 3.4 billion (54.5 percent of total loans settlement); while public owned banks collected Birr 2.9

billion. About 77 percent or Birr 4.8 billion loan was collected from private sector followed by public enterprises (12.1 percent) and cooperatives (9.6 percent) (Table 5.11).

5.5.1.3 Borrowing

Outstanding borrowing of the banking sector reached Birr 3.5 billion at the end of the quarter reflecting 15.4 percent increase over the same quarter last fiscal year.

About 75 percent of the banking sector's borrowing was from domestic and the balance from foreign sources.

Table 5.9: Outstanding Borrowing of Banking System by Sources

(In Millions of Birr)

Banks	2008/09		2009/10	Percentage change	
	Quarter I	Quarter IV	Quarter I	C/B	C/A
	A	B	C		
Domestic Borrowing	2,409.7	2,399.4	2,628.3	9.5	9.1
Foreign Borrowing	523.0	647.3	887.9	37.2	69.8
Total	2,932.7	3,046.7	3,516.2	15.4	19.9

Source: NBE

5.5.2. Disbursement of Fresh Loans

The banking sector granted a total of Birr 6.3 billion in new loans during the first quarter of 2009/10 registering 11.7 percent increase over the preceding quarter but 14.4 percent decline vis-à-vis the same quarter of last fiscal year. Private commercial banks disbursed Birr 3.4 billion, accounting for 53.8 percent of the total new loans during the stated period (Table 5.11).

About 94 percent of the new loans went to finance private sector (Table 5.11).

At the same time, 23.0 percent of the new loans was channeled to the industry, followed by international trade (21.6 percent), domestic trade (21.5 percent), housing and construction (19.4 percent) and agriculture (6.6 percent) (Table 5.10).

Table 5.10: Summary of Loans and Advances by Banks and Recipient Sectors from July to September 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 *			5358.9	0.0	0.0	0.0	0.0	0.0	5358.9
Agriculture	341.9	1,333.4	4,300.8	76.7	75.7	649.1	418.6	1,409.1	4949.9
Industry	1,147.9	159.7	6,947.6	323.8	306.5	3,204.1	1,471.7	466.2	10151.7
Domestic Trade	156.6	326.4	879.5	1,199.4	1,166.1	4,774.1	1,356.0	1,492.6	5653.5
International Trade	124.5	121.6	7,663.8	1,237.4	1,240.3	4,985.3	1,361.9	1,361.8	12649.1
Export	105.1	78.9	844.0	582.3	805.1	2,136.2	687.4	884.0	2980.3
Imports	19.3	42.7	6,819.8	655.1	435.1	2,849.1	674.5	477.8	9668.9
Hotels and Tourism	35.3	25.8	550.6	45.4	41.3	470.4	80.7	67.1	1021.1
Transport & Communication	76.7	113.5	1,523.4	155.2	140.3	1,128.5	232.0	253.8	2651.8
Housing & Construction	918.6	476.8	4,118.2	304.9	303.5	3,257.2	1,223.6	780.3	7375.5
Mines, Power & Water Res.	0.0	0.0	0.0	0.2	0.2	3.2	0.2	0.2	3.2
Others	32.1	200.0	1,269.7	18.9	90.2	452.1	51.0	290.3	1721.8
Personal	77.5	16.4	82.5	34.3	14.8	75.8	111.8	31.2	158.3
Inter-Bank Lending	0.0	49.5	388.7	0.0	0.0	1.0	0.0	49.5	389.7
Total	2,911.2	2,823.2	33,083.7	3,396.3	3,378.9	19,000.9	6,307.5	6,202.1	52,084.6

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

The outstanding credit of the banking system on domestic economy (including central government, excluding corporate bond holdings) stood at Birr 52.1 billion at the end of September 2009, registering 6.9 percent growth over last year. Of the total outstanding claims, the private sector took the lion's share (67.6 percent), followed by

public enterprises (14.4 percent) and central government (10.3 percent).

Sector wise, international trade, industry and housing and construction were the major beneficiaries accounting for 24.3, 19.5 and 14.2 percent of the total outstanding credit, respectively. Other major recipient sectors include domestic

trade (10.9 percent) and agriculture (10.3 percent).

36.5 percent at the close of the first quarter of 2009/10.

The share of the private banks in total outstanding credit has steadily increased to

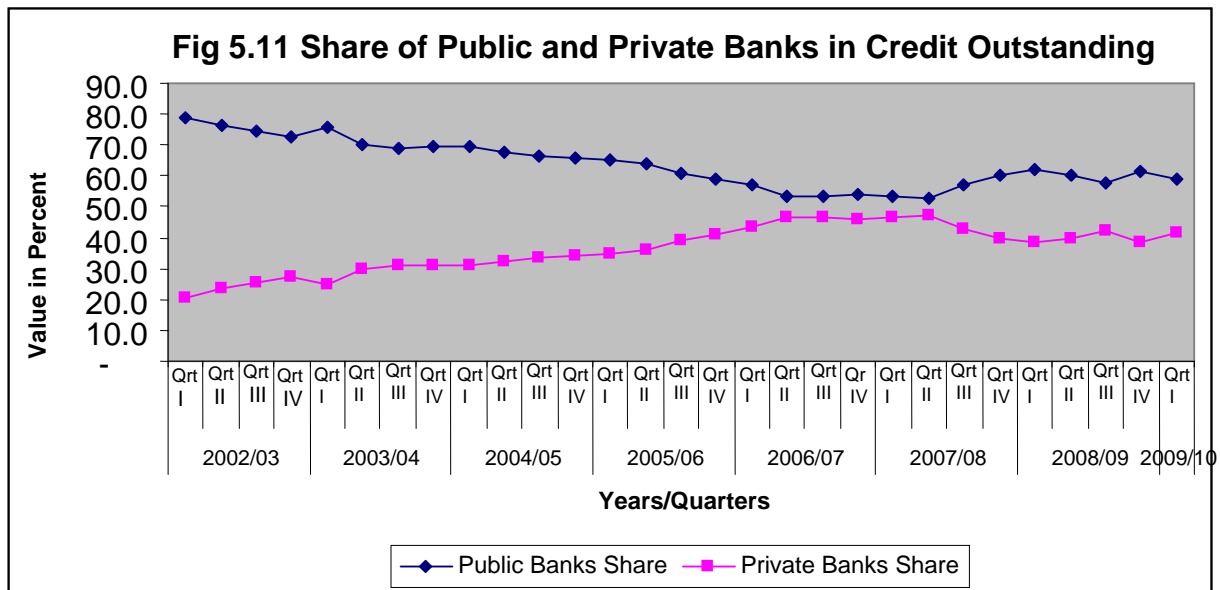
Table 5.11: Breakdown of Loans & Advances of Banking System by Clients during First Quarter of 2009/10

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	2,911.2	46.2	2,823.2	45.5	33,083.7	63.5
Central Government*	0.0	0.0	0.0	0.0	5,358.9	16.2
State Enterprises	199.2	6.8	584.6	20.7	8,511.2	25.7
Cooperatives	133.9	4.6	637.7	22.6	2,464.4	7.4
Private Enterprises	2,578.1	88.6	1,551.4	55.0	16,360.5	49.5
Inter-bank Lending	0.0	0.0	49.5	1.8	388.7	1.2
Private Banks	3,396.3	53.8	3,378.9	54.5	19,000.9	36.5
Central Government*	0.0	0.0	0.0	0.0	0.0	0.0
State Enterprises	0.0	0.0	11.5	0.3	16.0	0.1
Cooperatives	26.0	0.8	111.3	3.3	124.8	0.7
Private Enterprises	3,370.3	99.2	3,256.1	96.4	18,860.2	99.3
Inter-bank Lending	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total	6,307.5	100.0	6,202.1	100.0	52,084.6	100.0

Source: NBE

* Refers to government bonds and Treasury bill holdings



Source: NBE

5.6. Financial Activities of NBE

The outstanding claims of NBE on the central government stood at Birr 44.3 billion at the close of the first quarter of 2009/10 slightly higher than the same quarter of the preceding fiscal year. Direct advances at Birr 34.8 billion, accounted for 78.4 percent of the loans and advances to the government, registering a marginal increase of 1 percent over last year.

Stock of government bonds held by NBE slightly rose by 1.4 percent and reached Birr 9.56 billion.

NBE's deposit liabilities were Birr 31.4 billion, 32 percent higher than a year ago as a result of growth in deposits of both central government and financial institutions. Deposits of financial institutions accounted for 76.6 percent of NBE's deposit liabilities; while government deposits constituted the balance (23.3 percent).

Table 5.12: Financial Activities of NBE during First Quarter of 2009/10

Particulars	2008/09		2009/10	% Change	
	Qtr.I	Qtr.IV	Qtr.I	C/A	C/B
	A	B	C		
1.Loans and Advances	44,271.0	44,498.7	44,326.6	0.1	-0.4
1.1. To Central Government	44,271.0	44,498.7	44,326.6	0.1	-0.4
Direct Advance	34,578.0	34,891.0	34,771.0	0.6	-0.3
Bonds	9,693.0	9,607.7	9,555.6	-1.4	-0.5
1.2.To Development Bank of Ethiopia	0.0	0.0	0.0	0.0	-
2.Deposit Liabilities	23,929.6	28,054.3	31,635.4	32.2	12.8
2.1. Government	7,223.0	6,671.5	7,372.3	2.1	10.5
2.2. Financial Institutions	16,706.6	21,382.8	24,263.1	45.2	13.5
O/W:					
-Banks	16,669.2	21,337.8	24,215.9	45.3	13.5
-Insurance companies	37.4	45.0	47.1	26.0	4.8
3.Net Claims of NBE	20,341.4	16,444.4	12,691.2	37.6	-22.8

Source: NBE

5.7. Developments in Financial Markets

5.7.1. Treasury Bills Market

During the first quarter of 2009/10, Treasury bills worth Birr 8.3 billion were offered to the auction market, of which T-bills to the tune of Birr 7.8 billion were sold. This shows an 8.6 percent increase in sales over last year. Non-bank institutions purchased 92.3 percent of the total T-bills sold during the stated period. The demand for T-bills was Birr 11.8 billion, 17.5 percent higher

than the corresponding period of last year.

The average weighted yield on T-bills increased to 0.80 percent in the review quarter from 0.65 percent a year ago.

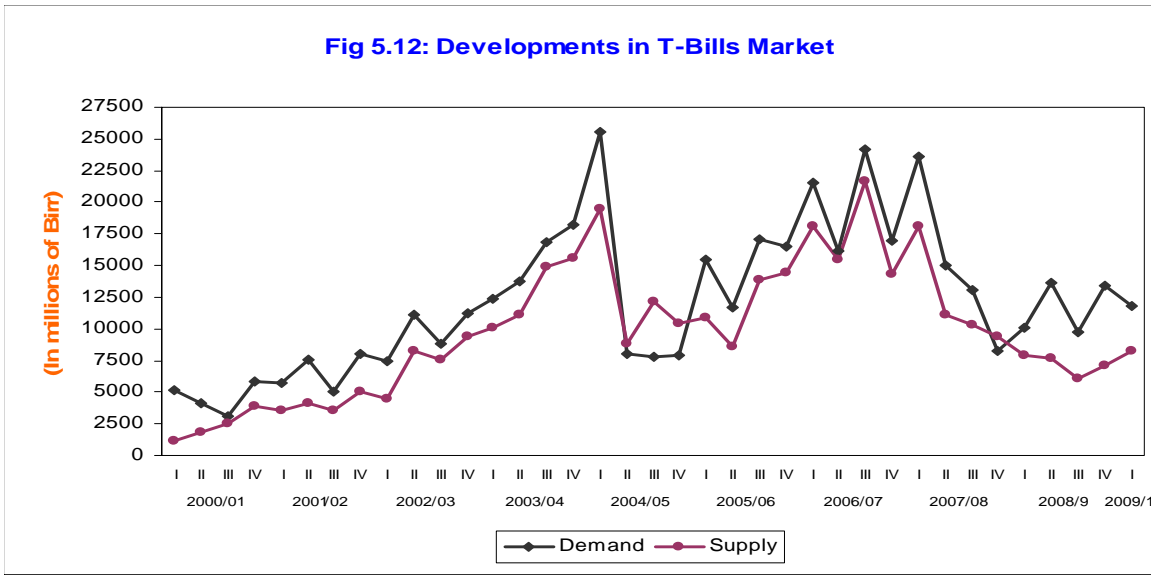
The stock of T-bills at the end of the quarter reached Birr 8.5 billion, showing 9.2 percent increase over the preceding year.

Table 5.13: Results of Treasury Bills Auction

Particulars	2008/09		2009/10	% Change	
	Qtr.I	Qtr.IV	Qtr.I	C/A	C/B
	A	B	C		
Number of Bidders	70	66	75	7.14	13.64
Public	48	43	55	14.58	27.91
Private	22	23	20	-9.09	13.04
Number of Bids Accepted	82	78	86	4.88	10.26
Public	56	48	63	12.50	31.25
Private	26	30	23	-11.54	23.33
Amount Demanded (Mn.Birr)	10,048.21	13,413.00	11,801.30	17.45	12.02
28-day bill	2,510.00	1,980.00	3,370.00	34.26	70.20
91-day bill	6,061.00	9,094.60	6,918.70	14.15	23.93
182-day bill	1,477.21	2,338.40	1,512.60	2.40	35.31
Amount Supplied (Mn.Birr)	7,622.00	7,133.30	8,294.10	8.82	16.27
28-day bill	1,305.00	990.00	1,360.00	4.21	37.37
91-day bill	3,885.00	4,341.30	5,344.10	37.56	23.10
182-day bill	2,432.00	1,802.00	1,590.00	-34.62	11.76
Amount Sold (Mn.Birr)	7,212.81	7,023.70	7,829.70	8.55	11.48
Banks	0.0	1,000.00	600.00	-	40.00
Non-Banks	7113.0	6,023.70	7,229.70	1.64	20.02
Average Weighted Price for Successful Bids(Birr)	99.809	99.788	99.781	-0.028	0.007
28-day bill	99.962	99.942	99.948	-0.01	0.01
91-day bill	99.819	99.772	99.745	-0.07	-0.03
182-day bill	99.647	99.650	99.651	0.00	0.00
Average Weighted Yield for Successful Bids (%)	0.646	0.794	0.803	25.237	0.410
28-day bill	0.501	0.761	0.680	35.71	10.71
91-day bill	0.728	0.916	1.027	41.03	12.13
182-day bill	0.710	0.704	0.703	-1.02	-0.19
Outstanding bills at the end of Period (Mn.Br.)	7,912.21	7,783.10	8,502.12	7.46	9.24
Banks	2,344.00	1,672.00	2,272.00	-3.07	35.89
Non-Banks	5,568.21	6,111.10	6,230.12	11.89	1.95

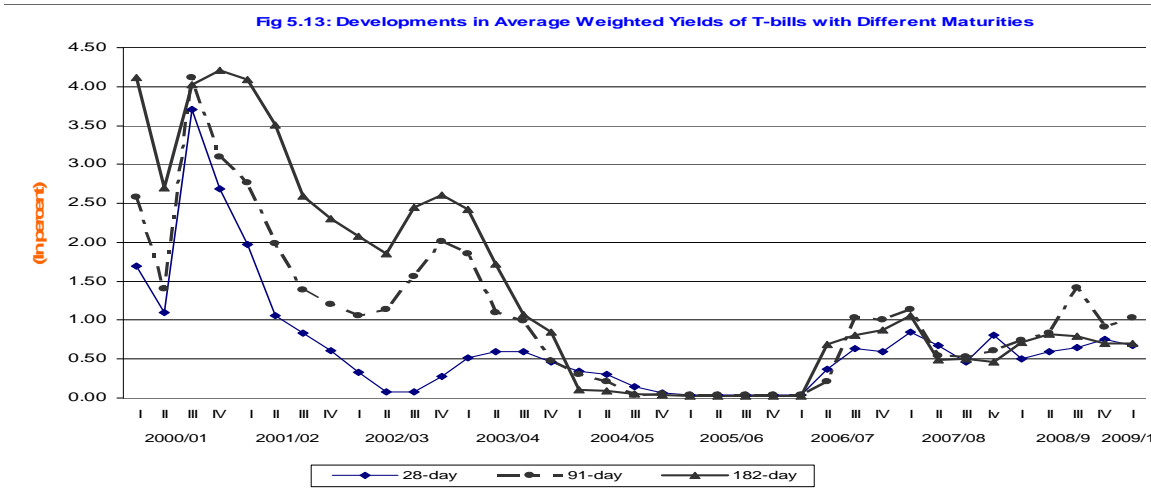
Source: NBE

Fig 5.12: Developments in T-Bills Market



Source: NBE

Fig 5.13: Developments in Average Weighted Yields of T-bills with Different Maturities



Source NBE

5.7.2. Inter- Bank Money Market

No inter-bank money market transaction was conducted during the first quarter of 2009/10 as virtually all commercial banks held excess reserves.

5.7.3. Corporate Bond Market

During the quarter under review, CBE purchased corporate bonds worth Birr 2.4 billion, of which 72.0 percent was issued by state enterprises and the remaining 28.0 percent by regional states. Compared to last year, corporate bonds issued increased 51 percent owing to continued expansion of public infrastructure facilities such as power stations and condominium houses.

By the end of the quarter, the outstanding stock of corporate bonds held by CBE reached Birr 21.5 billion of which 60.4 percent was claims on EEPCo and 30.6 percent on regional governments.

Table 5.14 Corporate Bond by Holders
(In Million Birr)

Issuer	2008/09						2009/10		
	Quarter I			Quarter IV			Quarter I		
	NP	Red.	O/S	NP	Red.	O/S	NP	Red.	O/S
A. Public Enterprises	1,200.0	43.9	11,252.9	500.0	-	13,352.9	1,700.0	119.3	14,933.6
EEPCo	900.0	-	9,500.0	200.0	-	11,600.0	1,400.0	-	13,000.0
DBE	300.0	43.9	1,752.9	300.0	-	1,752.9	300.0	119.3	1,933.6
B. Regional Governments	364.0	-	3,518.0	271.0	31.3	5,957.7	660.0	46.2	6,574.5
Oromia	98.0	-	810.0	22.0	-	1,342.0	110.0	19.9	1,432.1
Amhara	38.0	-	602.0	23.0	14.5	1,014.5	100.0	10.7	1,103.8
Tigray	-	-	365.0	30.0	-	605.0	-	-	605.0
SNNPRS	49.0	-	444.0	70.0	-	734.0	50.0	8.4	775.6
Dire Dawa	-	-	100.0	26.0	10.0	152.0	-	-	152.0
Harari	29.0	-	97.0	-	6.8	110.2	-	7.3	106.0
Addis Ababa	150.0	-	1,100.0	100.0	-	2,000.0	400.0	-	2,400.0
C. Total (A+B)	1,564.0	43.9	14,770.9	771.0	31.3	19,310.6	2,360.0	165.5	21,508.0

Source: NBE

Note: NP= New Purchase, Red. = Redemption, O/S= outstanding