

V. EXTERNAL SECTOR DEVELOPMENTS

5.1 Overall Balance of Payments

During the third quarter of 2009/10, the overall balance of payments recorded a surplus of USD 246.1 million, around three fold compared to USD 88.1

million registered in the preceding quarter largely reflecting the surge in export earning, private and official transfers and estimated foreign direct investment. Nevertheless, it is lower than the surplus of USD 312.9 million a year ago.

Table 5.1 Balance of Payments

(In Millions of USD)

Ethiopian Fiscal Year	2008/09	2009/10			
Particulars	QIII	QII	QIII	Percentage Change	
	A	B	C	D=C/B	E=C/A
Trade Balance	-1,321.6	-1,948.4	-1,621.9	-16.8	22.7
Exports	401.6	370.4	555.9	50.1	38.4
Imports	1,723.1	2,318.8	2,177.9	-6.1	26.4
Net Services	102.4	216.2	130.9	-39.5	27.8
Travel	57.7	66.6	76.7	15.2	32.8
Transportation	36.9	89.6	46.2	-48.4	25.4
Government (n.i.e.)	49.0	64.1	75.7	18.1	54.5
Investment income	-7.1	-9.3	-9.7	4.3	36.0
Interest	-1.5	-5.9	-4.9	-16.9	226.7
Cash (net)	-1.5	-5.9	-4.9	-16.9	226.7
Relief	0.0	0.0	0.0	-	-
Arrears	0.0	-0.2	-0.8	342.1	-
Dividend	-5.6	-3.4	-4.8	41.2	-14.8
Other Services	-34.1	5.2	-58.0	-1215.4	70.3
Private Transfers	581.5	810.4	889.6	9.8	53.0
Current Account Balance (excl. public transfers)	-637.6	-921.8	-601.4	-34.8	-5.7
Public Transfers	218.0	444.0	562.2	26.6	157.9
Current Account Balance (incl. public transfers)	-419.7	-477.8	-39.3	-91.8	-90.6
Non-monetary Capital	528.1	778.2	555.4	-28.6	5.2
Long-term (net)	360.8	411.7	140.5	-65.9	38.9
Disbursements	366.2	434.4	147.2	-66.1	40.2
Repayments	5.4	22.8	6.8	-70.3	125.0

Cash	2.4	22.0	2.7	-87.8	111.7
Arrears	0.0	0.0	0.0	-	-
Relief	3.0	0.7	4.1	474.6	136.0
Direct Investment (net)	156.3	356.6	427.6	19.9	273.5
Short-term (net)	11.0	10.0	-12.7	-227.0	-115.6
Net Errors & Omissions	204.6	-212.3	-270.0	27.2	-132.0
Overall Balance	312.9	88.1	246.1	179.4	78.7
Financing	-312.9	-88.1	-246.1	179.4	-21.3
Reserves (-:increase)	-309.9	-87.2	-241.2	176.6	-22.2
NBE net foreign asset	-245.0	-33.4	-48.4	45.0	-80.2
CBs net foreign asset	-64.9	-53.8	-192.8	258.4	197.0
Debt Relief	-3.0	-0.9	-4.9	446.7	64.0
Principal	3.0	0.7	4.1	474.6	36.0
Interest	0.0	0.2	0.8	342.1	-

Source: Staff compilation

Current foreign exchange receipts amounted to USD 2.52 billion in the review quarter, 53.4 percent higher than last year on account of higher revenue from coffee, gold, *chat*, flower, pulses and live animals. At the same time,

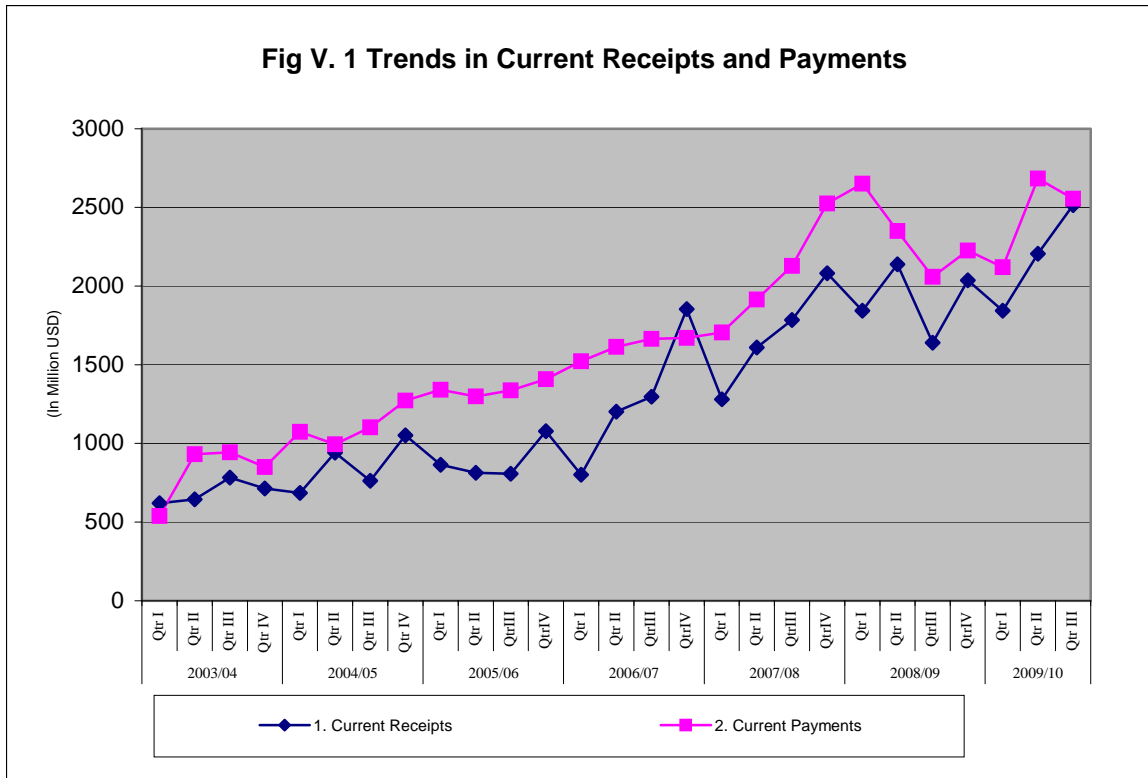
current payments rose by 24 percent to USD 2.56 billion due to an increase in all import payments except raw materials. Consequently, net out flow narrowed to USD 39.3 million deficit from USD 419.6 million a year earlier.

Table 5.2 Current Receipts and Payments

(In Millions of USD)

Particulars	2008/09	2009/10		Percentage Change	
	Qtr III	Qtr II	Qtr III	D=C/B	E=C/A
	A	B	C		
1. Current Receipts	1,639.7	2,205.5	2,515.2	14.0	53.4
Export Proceeds	401.6	370.4	555.9	50.1	38.4
Service Proceeds	438.6	580.6	507.5	-12.6	15.7
Private Transfers (Net)	581.5	810.4	889.6	9.8	53.0
Public Transfer (Net)	218.0	444.0	562.2	26.6	157.9
2. Current Payments	2,059.3	2,683.2	2,554.5	-4.8	24.0
Import Payments	1,723.1	2,318.8	2,177.9	-6.1	26.4
Service Payments	336.2	364.4	376.6	3.3	12.0
3. Net (1-2)	-419.6	-477.8	-39.3	-91.8	-90.6

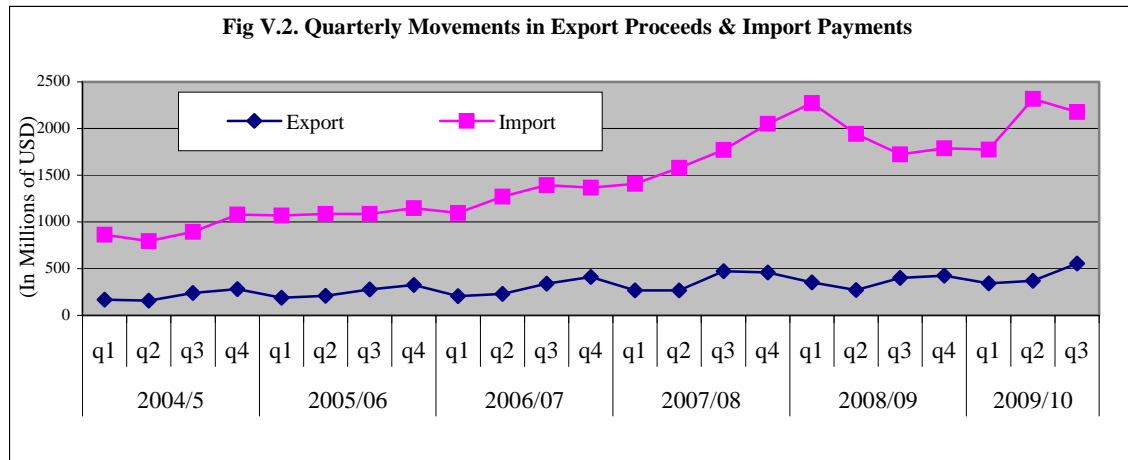
Source: Staff compilation



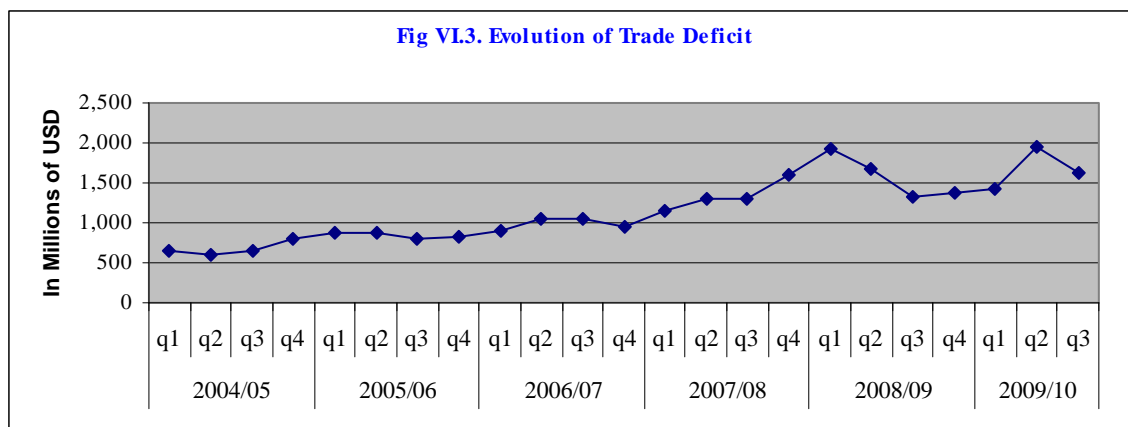
5.2 Merchandise Trade

During the quarter under review, merchandise trade deficit shrank to USD 1.62 billion, down by 16.8 percent against the preceding quarter, but widened by 22.7 percent compared to

same period last year. The quarterly decline in trade deficit was the outcome of substantial growth in export earning (50.1 percent) and a slowdown in import (6.1 percent).



Source: Ethiopian Revenue and Customs Authority



Source: NBE Staff Compilation

5.2.1 Exports

Total export proceeds during the third quarter of 2009/10 went up markedly by 50.1 percent on quarterly and 38.4 percent on annual basis. The year-on-year growth was attributed to the surge

in export earnings from coffee (65.8 percent), *chat* (39.7 percent), pulses (45.4 percent), flower (18.9 percent), gold (26.4 percent), leather and leather products (27.6 percent), fruits and vegetables (33.9 percent), meat and meat

products (41.8 percent) and live animals (84.8 percent) largely owing to higher volume and better international prices.

Export earnings from oilseeds, however, showed a slight decline (8 percent) due to lower volume.

Table 5.3: Values of Major Export Items

(In Millions of USD)

Particular	2008/09		2009/10				Percentage change	
	Qtr III A	% Share	Qtr II B	% Share	Qtr III C	% Share	C/B	C/A
Coffee	75.9	18.9	58.2	15.7	125.8	22.6	116.1	65.8
Oilseeds	133.6	33.3	76.1	20.5	122.8	22.1	61.3	-8.1
Leather and Leather Products ¹	11.5	2.9	12.5	3.4	14.7	2.6	17.5	27.6
Pulses	26.6	6.6	33.2	9.0	38.6	6.9	16.4	45.4
Meat & Meat Products	6.1	1.5	7.3	2.0	8.7	1.6	18.6	41.8
Fruits & Vegetables	2.3	0.6	5.5	1.5	10.0	1.8	82.8	339.3
Live Animals	12.1	3.0	22.2	6.0	22.3	4.0	0.3	84.8
<i>Chat</i>	37.1	9.2	52.4	14.1	51.9	9.3	-1.1	39.7
Gold	24.8	6.2	42.5	11.5	90.3	15.5	112.4	264.3
Flower	38.4	9.6	38.6	10.4	45.6	8.2	18.1	18.9
Others	33.2	8.3	21.8	5.9	29.2	5.3	33.9	-11.9
Total	401.6	100.0	370.4	100.0	555.9	100.0	50.1	38.4

Source: Ethiopian Revenue and Customs Authority

¹ Previously known as hides and skin

During the review quarter, export proceeds from coffee rose by 116.1 percent over the preceding quarter and reached USD 125.8 million. The growth was ascribed to the increased volume (94 percent) and higher international price (12.1 percent). It also showed a 65.8 percent growth vis-à-vis same period last year on account of increased volume of export by 32.5 percent as well as

improvement in world coffee price by 25.4 percent. Revenue obtained from coffee accounted for 22.6 percent compared to 18.9 percent registered in the same period last year.

Likewise, quarterly export earnings from pulses rose by 16.4 percent owing to improved international prices despite a slight decline in volume. On annual basis, export revenue from pulses showed a 45.5 percent surge solely on

account of increased volume in spite of decline in international price.

Similarly, proceeds from oilseeds went up by 61.3 percent quarterly, but plummeted by 8.1 percent year-on-year basis reaching USD 122.8 million. Despite marginal decline in international prices, the surge in quarterly revenue was wholly due to higher volume of exports (62.4 percent). Hence, proceeds from oilseeds export accounted for 22.1 percent of the total export earnings, exceeding the 20.5 percent registered last quarter.

Income from the export of leather and leather products was USD 14.7 million, 17.5 percent greater than the preceding quarter following the rise in international prices (25.5 percent) offsetting the 5.7 percent fall in volume. Thus, receipts from these commodities accounted for merely 2.6 percent of the total merchandise export revenue of the review period.

Flower exports fetched USD 45.6 million during the review quarter, about 18 and 19 percent higher vis-à-vis the previous quarter and same period last

year, respectively. The annual growth in income was on account of the rise both in volume and international price. The share of flower export in total exports was 8.2 percent, down from 10.4 percent last quarter.

The country earned USD 90.3 million from the export of gold during the review quarter, exhibiting a 112.4 percent quarterly and 264.3 percent annual increase. As a result, its share in export revenue was 16.2 percent.

During the review quarter, the export of live animals fetched some USD 22.3 million, growing marginally by 0.3 percent over the previous quarter, but significantly (84.8 percent) year-on-year basis solely due to the volume of exports.

Export earnings from meat and meat products rose 18.6 percent compared to the previous quarter on account of the rise in volume and international prices.

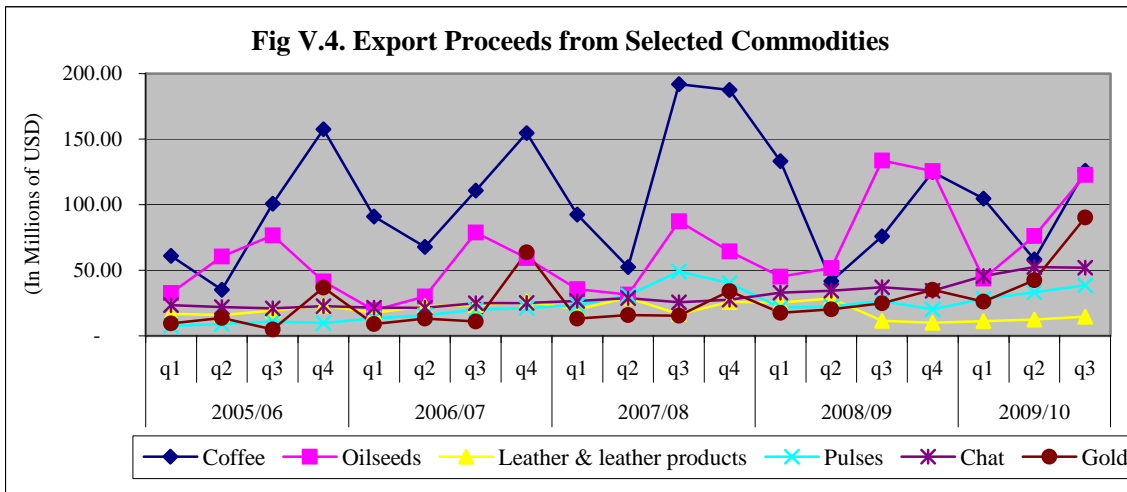
Revenue from these export items indicated a 41.8 percent surge over the same period last year primarily due to higher volume compensating the fall in prices.

Meanwhile, revenue from fruits and vegetables reached USD 10 million, showing a 82.8 and 339.3 percent

growth on quarterly and annual basis, respectively.

On the other hand, export proceeds from *chat* slightly dropped by 1.1 percent on quarterly basis, but depicted 39.7 percent annual increase to USD 51.9 million.

Export proceeds from *chat* accounted for 9.3 percent of the total export revenue.



Source: Ethiopian Revenue and Customs Authority

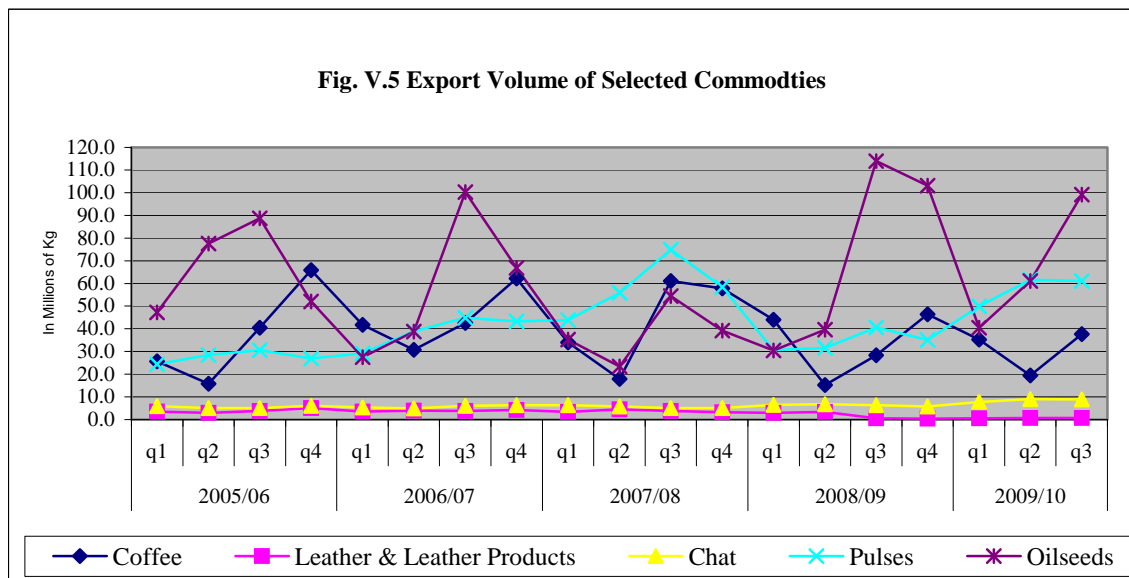
Table 5.4: Volume of Major Export Items

(In Millions of Kg)

Particulars	2008/09	2009/10		Percentage Change	
	Qtr III	Qtr II	Qtr III	C/B	C/A
	A	B	C		
Coffee	28.4	19.4	37.7	93.9	32.5
Oilseeds	113.9	61.0	99.1	62.4	-13.0
Leather and Leather Products ¹	0.6	0.72	0.68	-5.7	10.7
Pulses	40.6	61.6	61.1	-0.8	50.4
Meat & Meat Products	1.8	2.3	2.7	17.3	49.2
Fruits & Vegetables	9.1	15.7	18.0	14.3	97.5
Live Animals	8.0	16.5	16.9	2.5	112.0
Chat	6.3	9.0	8.9	-0.8	41.5
Gold	0.0012	0.0017	0.0027	57.9	116.6
Flower	8.8	8.4	10.3	22.0	16.7

Source: Ethiopian Revenue and Customs Authority

¹ Previously known as hides and skin



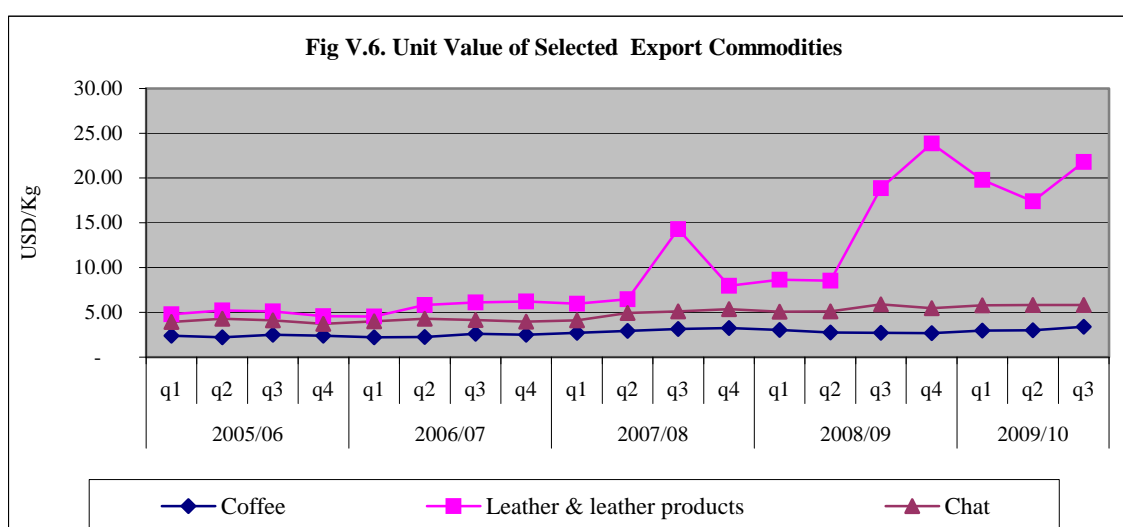
Source: Ethiopian Revenue and Customs Authority

Table 5.5: Unit Values of Major Export Items

Particulars	(USD/kg)				
	2008/09	2009/10		Percentage Change	
	Qtr III	Qtr II	Qtr III	C/B	C/A
	A	B	C		
Coffee	2.7	3.0	3.4	12.1	25.4
Oilseeds	1.18	1.25	1.24	-0.7	5.4
Leather and Leather Products ^a	18.8	17.4	21.8	25.5	16.0
Pulses	0.7	0.5	0.6	17.1	-3.5
Meat & Meat Products	3.4	3.2	3.3	1.3	-4.6
Fruits & Vegetables	0.2	0.3	0.6	60.1	122.8
Live Animals	1.5	1.3	1.3	-1.8	-12.2
Chat	5.9	5.814	5.810	-0.1	-1.2
Gold	20099.6	25139.1	33808.2	34.5	68.2
Flower	4.35	4.6	4.43	-3.4	1.7

Source: NBE Staff Computation

^a Previously known as hides and skin



Source: NBE Staff Computation

5.2.2 Imports

The total import bill during the third quarter of 2009/10 fell by 6.1 percent to USD 2.2 billion on quarterly basis. Year-on-year, however, it rose by 26.4 percent due to increased value of imports of all types except raw materials, which

dropped by 43.4 percent. The reduction on quarterly import bill was chiefly driven by the fall in imports of fuel, raw materials, capital as well as consumer goods.

Table 5.6: Values of Major Import Items**(In Millions of USD)**

Particulars	2008/09		2009/10				Percentage Change	
	Qtr III A	% Share	Qtr II B	% Share	Qtr III C	% Share	C/B	C/A
Raw Materials	77.1	4.5	85.25	3.7	43.6	2.0	-48.8	-43.4
Semi-finished Goods	276.7	16.1	310.00	13.4	390.5	17.9	26.0	41.1
Fertilizers	97.7	5.7	41.50	1.8	149.5	6.9	260.2	52.9
Fuel	220.0	12.8	363.02	15.7	329.2	15.1	-9.3	49.6
Petroleum Products	219.3	12.7	360.46	15.5	328.1	15.1	-9.0	49.6
Others	0.7	0.0	2.56	0.1	1.1	0.1	-56.1	56.2
Capital Goods	594.7	34.5	869.58	37.5	770.0	35.4	-11.5	29.5
Transport	96.1	5.6	138.44	6.0	149.9	6.9	8.2	56.0
Agricultural	9.1	0.5	11.75	0.5	19.4	0.9	65.3	113.2
Industrial	489.5	28.4	719.39	31.0	600.7	27.6	-16.5	22.7
Consumer Goods	529.7	30.7	667.21	28.8	614.4	28.2	-7.9	16.0
Durables	156.9	9.1	217.73	9.4	229.4	10.5	5.4	46.2
Non-durables	372.8	21.6	449.48	19.4	385.0	17.7	-14.4	3.3
Miscellaneous	24.8	1.4	23.72	1.0	30.1	1.4	26.9	21.4
Total Imports	1,723.1	100.0	2,318.8	100.0	2,177.8	100.0	-6.1	26.4

Source: Ethiopian Revenue and Customs Authority

Import bills for capital goods stood at USD 770 million, depicting 29.5 percent rise over the same period last year. As a result, the share of capital goods in the total imports stood at 35.4 percent.

Similarly, the value of imported consumer goods showed a 16 percent annual increase to USD 614.4 million. Consumer goods accounted for 28.2 percent of the total imports; lower than 30.7 percent share last year.

Fuel import bill reached USD329.2 million, about 49.6 percent higher than same period last year. Its share in total imports was 15.1 percent compared to 12.8 percent a year ago.

Imports of raw materials reached USD 43.6 million; with a 43.4 percent surge over last year.

Meanwhile, franco-valuta imports stood at USD 13.5 million, declining by 73.1 percent over the same period last year due to the slow down in imports of cement, vehicles, medicine and medical equipment, electronic goods, vehicle spare parts and other items.

Imports of semi-finished goods during the review quarter reached USD 390.5 million, 41.1 percent higher than last

year and accounted for 17.9 percent of the total import bill.

Table 5.7: Values of Franco Valuta Imports

(In Millions of USD)

Particulars	2008/09	2009/10		Percentage Change	
	QIII	QII	QIII	C/B	C/A
	A	B	C		
Vehicles	0.0299	0.0000	0.0030	0.00	-90.0
Vehicle Spare Parts	0.0117	0.0251	0.0085	-66.1	-27.5
Other Spare Parts	0.0835	0.0740	0.0410	-44.6	-50.9
Textile & Ready Made	0.0003	0.0002	0.0063	2736.8	1716.4
Household Goods	0.0002	0.0000	0.0048	0.00	2041.4
Medicine & Medical Equip.	0.7255	0.0687	0.0306	-55.4	-95.8
Food Stuffs	0.0019	0.0002	0.0147	5847.3	687.1
Electronic Goods	0.0258	0.0240	0.0076	-68.4	-70.6
Machinery Equip. & Spare Parts	0.0000	0.0000	0.0000	0.00	0.00
Others*	48.2	50.0	13.4	-73.2	-72.3
Total	49.1	50.26	13.5	-73.1	-72.5

Source: NBE, Foreign Exchange Statistics and Monitoring Dept. (FESMD)

*Includes franco valuta cement import

5.2.3 Direction of Trade

5.2.3.1 Exports

European markets, the largest destination for Ethiopia's exports, accounted for 38.5 percent of the country's total export during the third quarter of 2009/10. Among European countries, Switzerland, the sole importer of Ethiopia's gold, remained the bigger market followed by Germany, which mainly imports flower. The Netherlands, the main importer of flower and vegetables was the third largest destination for the country's export

commodities, followed by Belgium that principally imports coffee.

Exports shipped to Asian markets during the review quarter constituted 32.7 percent of the total export volume of the exports to Asia, China accounted for 39.7 percent, Saudi Arabia 17.9 percent, Israel 12.7 percent and United Arab Emirates (UAE) 8.8 percent.

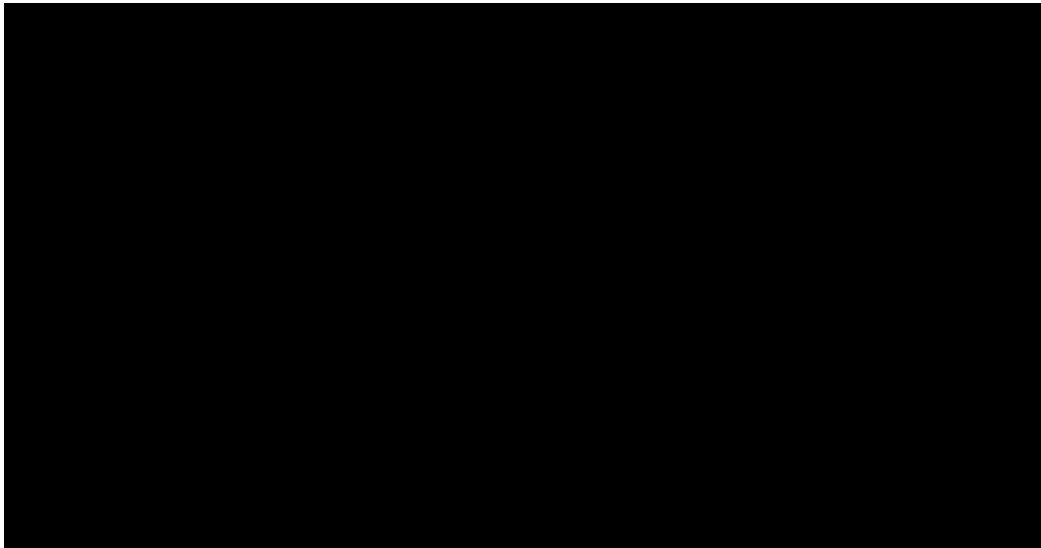
The major export item to China was oilseeds, while live animals, pulses and meat and meat products were the main export items to UAE. Export products to Saudi Arabia comprise of coffee,

oilseeds and meat and meat products, while oilseeds was the main export to Israel.

About 24.7 percent of total exports went to African countries of which Somalia, South Africa and the Sudan together accounted for 77.5 percent. Somalia was the main market for Ethiopia's *chat* (92.2 percent) and live animals (7.2 percent). Gold was the major export to

South Africa whereas pulses, coffee and live animals were exported to the Sudan.

The Americas accounted for 3.8 percent of Ethiopia's total exports of which USA and Canada make up 86.1 and 13.1 percent, respectively. The principal export products sent to USA include coffee and oilseeds, while Canada imported coffee.



Source: Ethiopian Revenue and Customs Authority

5.2.3.2 Imports

About 67.6 percent of Ethiopia's total imports during the third quarter of 2009/10 originated from Asian countries including China, Saudi Arabia, India and Japan which altogether accounted for 68.7 percent of total imports from the continent. Major imports from China include electrical materials, machinery, metals, chemicals, rubber products, clothing and textile and motor vehicles.

Saudi Arabia was the main source (about 95.6 percent) of Ethiopia's petroleum imports.

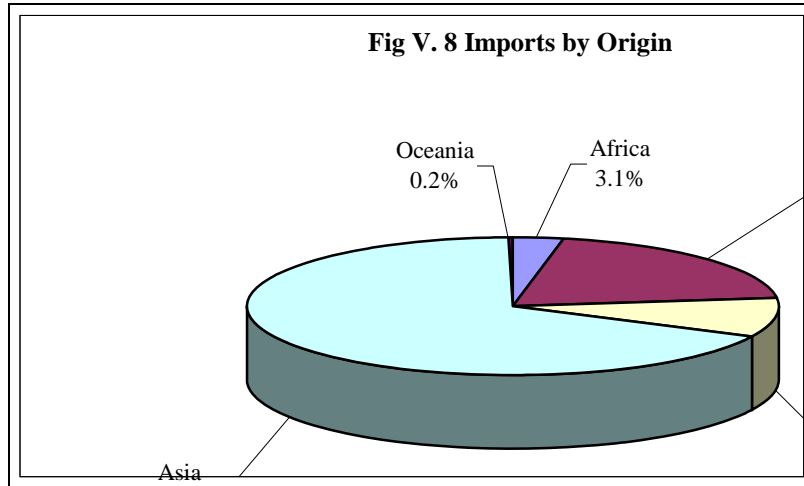
Medical and pharmaceutical products, machinery, electrical materials, metals and metal products, rubber products, road and motor vehicles were the main items imported from India. Motor vehicles, machinery and rubber products came from Japan.

Meanwhile, Ethiopia imported about 20 percent of its total merchandise imports

from European countries constituting Russia, Italy, Turkey, Germany, and Bulgaria. About 99.3 percent of the country's fertilizer imports originated from Russia while imports mainly machinery, electrical materials, metals, vehicles, food and live animals and grain were from Italy. Metal and metal products and machinery were the chief import items from Turkey. Similarly, imports from Germany constituted electrical materials, vehicles and machinery while Bulgaria exported mainly grain.

Of the total import items during the review quarter, about 9.2 percent was from America; USA and Brazil accounting for 98.7 percent of imports from the America's. The principal import items from USA included grain, machinery, medical and pharmaceutical products, food and live animals; while Brazil exported machinery and vehicles.

Ethiopia imported about 3.1 percent of its total import from African countries mainly from the Sudan, Egypt, South Africa and Kenya. Imports from the Sudan constituted chiefly petroleum.



Source: Ethiopian Revenue and Customs Authority

5.3 Services and Transfers

The surplus in service account during the review period increased by 27.8 percent to USD 130.9 million due to improvements in net receipts from

travel, transport and government services.

Fig. V.9. Trends in Net Services

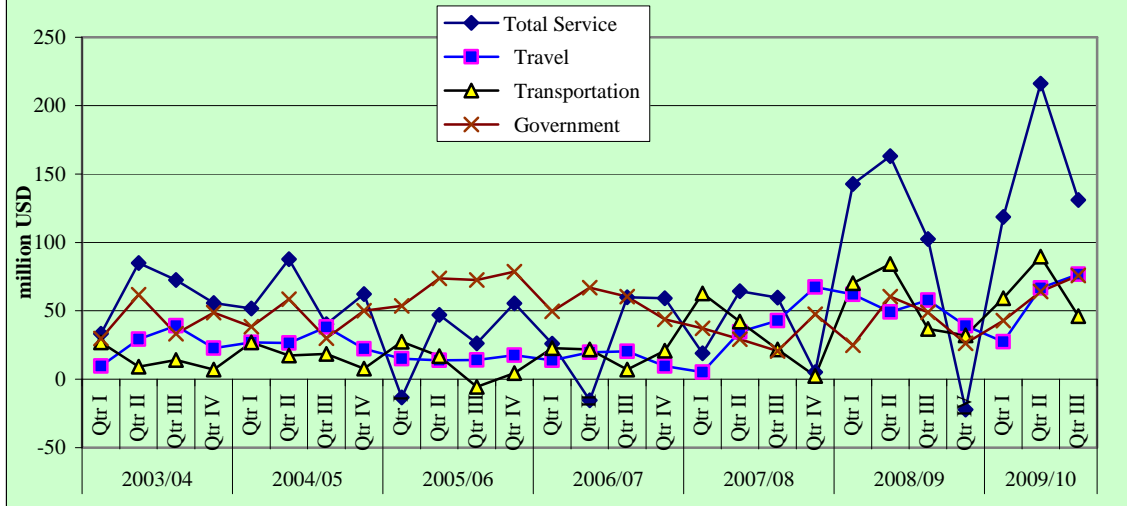


Table 5.8: Trends in Service Accounts

(In Millions of USD)

Particulars	2008/09		2009/10				Percentage Change	
	Qtr III	% Share	Qtr II	% Share	Qtr III	% Share	C/B	C/A
	A		B		C			
Receipts	438.6	100.0	580.6	100.0	507.5	100.0	-12.6	15.7
Travel	89.5	20.4	102.6	17.7	111.8	22.0	9.0	24.9
Transportation	205.8	46.9	302.6	52.1	251.0	49.5	-17.1	22.0
Government (n.i.e)	50.8	11.6	70.9	12.2	78.2	15.4	10.4	53.9
Investment Income	2.9	0.7	0.7	0.1	0.8	0.2	20.8	-71.1
Interest	2.9	0.7	0.7	0.1	0.8	0.2	20.8	-71.1
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other Services	89.6	20.4	103.9	17.9	65.6	12.9	-36.8	-26.8
Communication Services	23.6	5.4	23.7	4.1	21.9	4.3	-7.7	-7.3
Construction Services	5.1	1.2	7.8	1.3	5.0	1.0	-35.8	-2.7
Insurance Services	0.0	0.0	0.0	0.0	1.2	0.2	2828.7	3604.5
Financial Services	8.9	2.0	4.8	0.8	0.0	0.0	-99.8	-99.9
Computer and Information Service	0.2	0.0	0.2	0.0	0.1	0.0	-36.0	-30.1
Other Business Services	51.7	11.8	67.3	11.6	37.4	7.4	-44.4	-27.7
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Payments	336.2	100.0	364.4	100.0	376.6	100.0	3.3	12.0
Travel	31.8	9.5	36.0	9.9	35.1	9.3	-2.5	10.5
Transportation	168.9	50.2	213.0	58.4	204.7	54.4	-3.9	21.2
Government (n.i.e)	1.9	0.6	6.8	1.9	2.6	0.7	-62.1	39.6
Investment Income	10.0	3.0	10.0	2.7	10.5	2.8	5.3	4.6
Interest	4.4	1.3	6.6	1.8	5.7	1.5	-13.2	29.5
Cash (Banks & MOF)	4.4	1.3	6.4	1.8	4.9	1.3	-23.7	10.5
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Relief	0.0	0.0	0.2	0.1	0.8	0.2	-	-
Dividend	5.6	1.7	3.4	0.9	4.8	1.3	41.1	-14.9
Other Services	123.7	36.8	98.6	27.1	123.6	32.8	25.4	0.0
Communication Services	4.7	1.4	33.8	9.3	4.7	1.2	-86.1	-0.6
Construction Services	88.8	26.4	27.4	7.5	68.2	18.1	149.5	-23.1
Insurance Services	1.3	0.4	2.2	0.6	4.3	1.2	96.1	244.3
Financial Services	0.3	0.1	0.0	0.0	0.5	0.1	1497.6	103.6
Computer and Information Service	2.0	0.6	2.4	0.6	0.6	0.2	-74.4	-69.9
Other Business Services	26.6	7.9	32.8	9.0	45.2	12.0	37.7	70.0
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Net Services	102.4		216.2		130.9		-39.4	27.9

Source: Staff Compilation

Total net transfers in the review period rose to USD 1.45 billion from USD 799.5 million last year owing to higher private and official transfers. Net official transfers went up to 562.7 million from USD 218 million a year ago as a result of increased cash transfers.

all in cash form, climbed by 20 percent reaching USD 233.8 million. Net transfers from private individuals also increased to USD 660.9 million, from USD 392 million last year of which USD 219.8 million was in cash.

Net private transfers from private individuals and NGOs amounted to USD 889.6 million, showing a 52.4 percent growth over last year. NGOs' transfers,

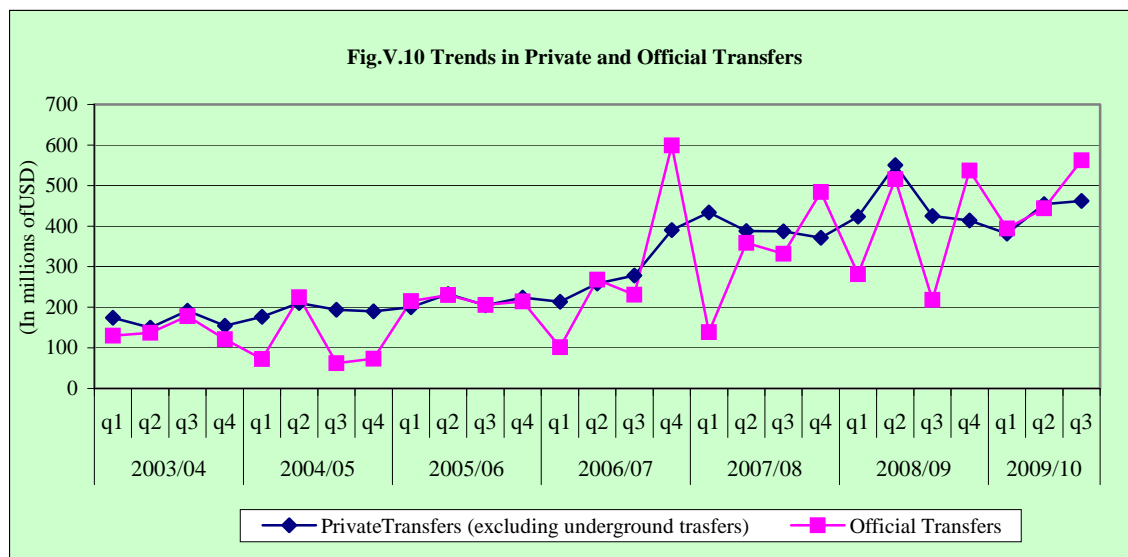
Table 5.9: Developments of Transfer Accounts

(In Millions of USD)

Particulars	2008/09		2009/10				Percentage Change	
	A		B		C		C/B	C/A
	Q III	% share	Q II	% share	Q III	% share		
Private Transfers	581.5	72.7	810.4	64.6	889.6	61.3	9.8	53.0
Credit	587.2	72.6	814.5	64.6	894.7	61.4	9.8	52.4
NGO's	195.1	24.1	204.5	16.2	233.8	16.0	14.3	19.8
Cash	195.1	24.1	204.5	16.2	233.8	16.0	14.3	19.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Private individuals	392.1	48.5	610.1	48.4	660.9	45.3	8.3	68.5
Cash	186.7	23.1	203.3	16.1	219.8	15.1	8.1	17.7
In kind	49.1	6.1	50.2	4.0	13.5	0.9	-73.1	-72.5
Underground Private Transfers	156.3	19.3	356.6	28.3	427.6	29.3	19.9	173.6
Debit	-5.7	60.9	-4.1	75.5	-5.1	91.0	24.0	-10.7
Official Transfers	218.0	27.3	444.0	35.4	562.2	38.7	26.6	157.9
Credit	221.6	27.4	445.4	35.4	562.7	38.6	26.3	153.9
Cash	195.4	24.2	388.9	30.9	524.6	36.0	34.9	168.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	26.2	3.2	56.5	4.5	38.1	2.6	-32.6	-
Debit	-3.7	39.1	-1.3	24.5	-0.5	9.0	-62.2	-86.3

Total Receipts	808.9	101.2	1259.9	100.4	1457.4	100.4	15.7	80.2
Total Payments	-9.4	-1.2	-5.4	-0.4	-5.6	-0.4	2.9	-40.3
Net Transfers	799.5	100.0	1254.4	100.0	1451.8	100.0	15.7	81.6

Source: Staff Compilation



5.4 Current Account

Mirroring the narrowing trade deficit but a rise in net official and private transfers, the current account deficit (including official transfers) dropped to USD 39.3 million against USD 419.7 million in the same quarter of last year.

5.5 Capital Account

The surplus in capital account rose to USD 555.4 million in the review quarter compared to USD 528 million last year as a result of the rise in estimated foreign

direct investment as investment climate continued to improve.

5.6 Changes in Reserve Position

Reflecting the surplus in overall balance of payments, net foreign assets of the banking system showed USD 246.1 million build-up as net foreign assets of NBE and commercial banks rose by USD 48.4 million and USD 192.8 million, respectively. The latter was largely attributed to improved export

performance. As a result, the gross official reserves of the country as of March 2010 was enough to cover 2.0 months of import of goods and non-factor services of next year.

The official average weighted exchange rate of Birr in the inter bank foreign exchange market depreciated by 4.4 percent to Birr 13.1342/USD over the third quarter of 2009/10. Year-on-year depreciation was 19.9 percent. Likewise, the parallel market exchange rate depreciated by 3.4 percent to Birr 13.8495/USD on quarterly and 8.1 percent on annual basis. Hence, the spread between the official and parallel market exchange rates narrowed to 5.4 percent from 6.4 percent largely due to accelerated depreciation of official market rate.

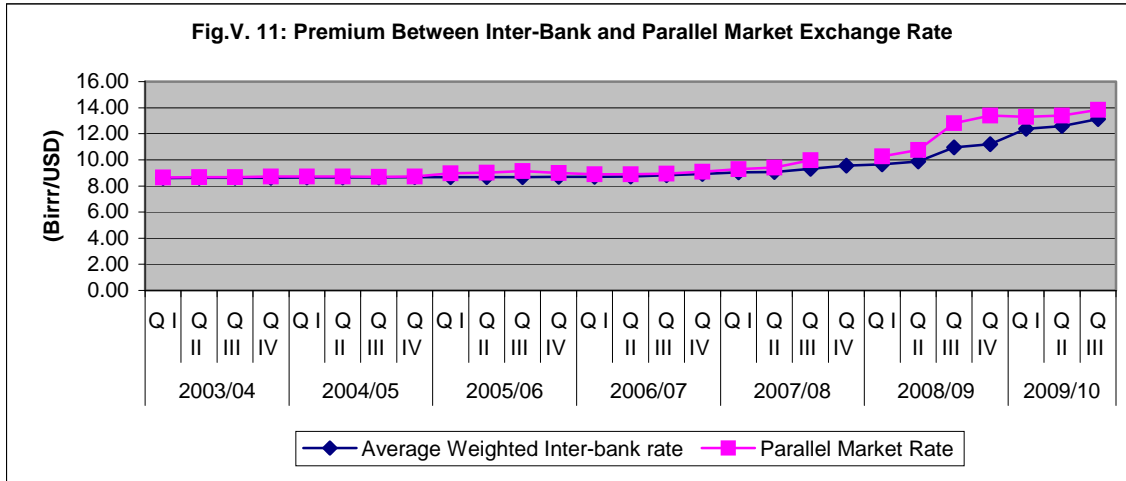
5.7 Developments in Foreign Exchange Market

5.7.1 Exchange Rate Movements

Table 5.10: Exchange Rates in Inter-bank Foreign Exchange Market

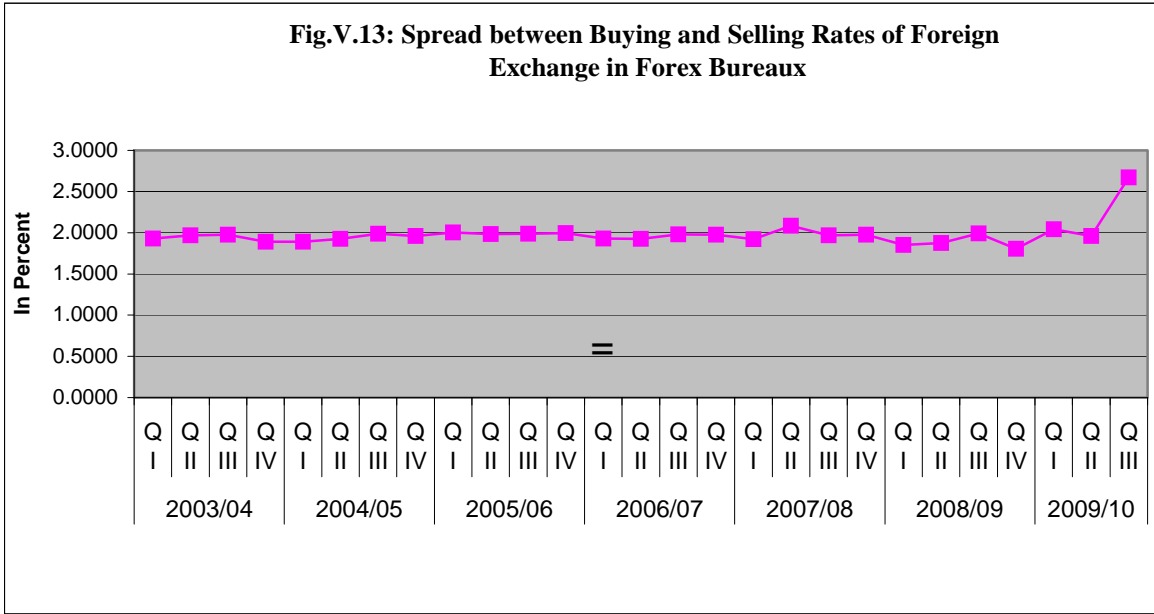
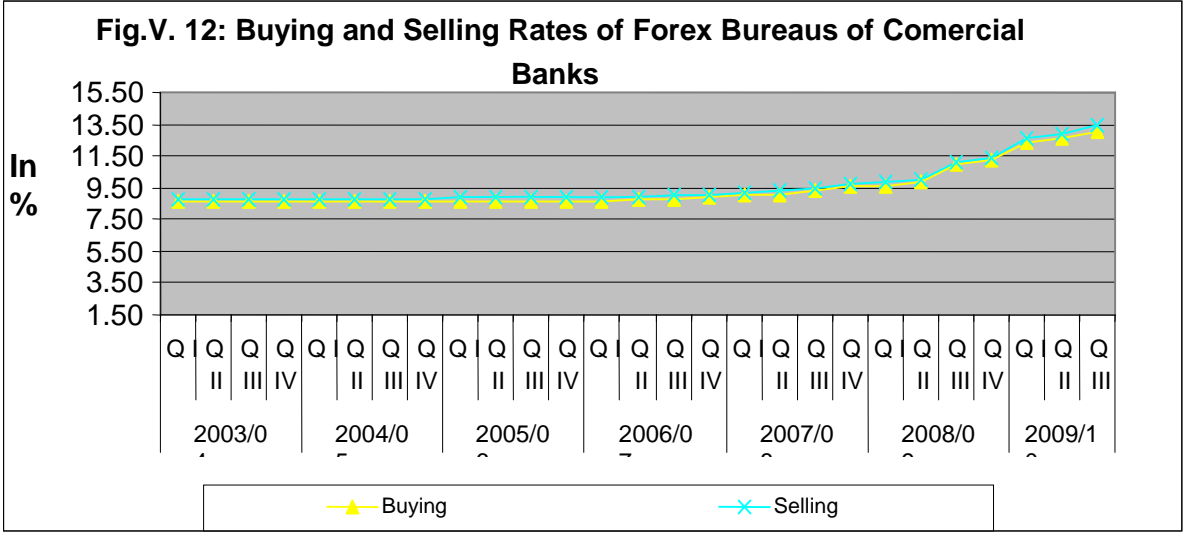
Period		Rates in Birr per USD				Amount Traded in millions of USD		Number of Trades		Parallel Market		Premium
		End Period Rates			Aver. Weighted Rate	Total	o/w Among CBs	Total	o/w Among CBs	End Period	Aver.	
		Weighted Rate	Highest	Lowest								
2008/09												
Qtr. III	C	11.1109	11.1109	11.0181	10.9521	3.0	0.0	387.0	0.0	13.4000	12.8163	17.02
January		11.0181	11.0181	11.0181	10.7380	1.00	0.0	119	0.0	12.4000	12.2640	14.21
February		11.0527	11.0527	11.0527	11.0364	1.00	0.0	129	0.0	13.1000	12.9500	17.34
March		11.1109	11.1109	11.1109	11.0820	1.00	0.0	139	0.0	13.4000	13.2350	19.43
2009/10												
Qtr. II	B	12.6416	12.6416	12.5653	12.5851	3.3	0.0	334.0	0.0	13.5000	13.3933	6.42
October		12.5653	12.5653	12.5653	12.5522	1.10	0.0	156	0.0	13.3000	13.3200	6.12
November		12.5980	12.5980	12.5980	12.5825	1.00	0.0	155	0.0	13.4500	13.4000	6.50
December		12.6416	12.6416	12.6416	12.6207	1.15	0.0	23	0.0	13.5000	13.4600	6.65
Qtr. III	A	13.4031	13.4031	12.6777	13.1342	3.0	0.0	60.0	0.0	14.1500	13.8495	5.45
January		13.3096	13.3096	12.6777	12.6939	0.95	0.0	19	0.0	13.5000	13.4786	6.18

February		13.3501	13.3501	13.3500	13.3309	0.95	0.0	19	0.0	14.1500	13.9100	4.34	
March		13.4031	13.4031	13.4031	13.3778	1.10	0.0	22	0.0	14.1500	14.1600	5.85	
Percentage changes	A/B	6.0	6.0	0.9	4.4	-7.7			-82.0	-	4.8	3.4	-15.2
	A/C	20.6	20.6	15.1	19.9	0.0			-84.5	-	5.6	8.1	-68.0



Looking at the exchange rate in the retail forex bureaus, the average buying rate during the review period depreciated by 3.5 percent to Birr 13.0289/USD. The selling rate also dropped by 4.3 percent to Birr 13.3770/USD. Both rates weakened by 18.9 and 19.7 percent, respectively compared to same period

last year. The average spread between the two rates was 2 percent.



The mid exchange rate of US Dollar with respect to major international currencies appreciated in the third quarter of 2009/10. For instance, the US Dollar appreciated relatively highest against Euro (5.8 percent), Pound Sterling (4.4 percent), followed by Swiss Frank (3.4 percent), SDR (2.9 percent)

and Japanese Yen (1.1 percent). However, it depreciated against all the major currencies compared to same period last year. The highest depreciation was against Pound Sterling (9.5 percent) and Swiss frank (8.4 percent), Euro (6.1 percent), SDR (3.7 percent) and Japanese Yen (3.2 percent).

Table 5.11: 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. III	C	1.3120	1.3119	1.3119	0.0107	0.0107	0.0107	1.4953	1.4953	1.4953	1.4338	1.4338	1.4338	0.8720	0.8817	0.8768
January		1.3399	1.3398	1.3398	0.0111	0.0111	0.0111	1.5158	1.5158	1.5158	1.4429	1.4429	1.4429	0.8909	0.9180	0.9045
February		1.2790	1.2790	1.2790	0.0108	0.0108	0.0108	1.4872	1.4873	1.4872	1.4408	1.4408	1.4408	0.8583	0.8603	0.8593
March		1.3171	1.3167	1.3169	0.0102	0.0102	0.0102	1.4827	1.4827	1.4827	1.4176	1.4176	1.4176	0.8667	0.8668	0.8667
2009/10																
Qtr. II	B	1.4736	1.4821	1.4778	0.0111	0.0112	0.0112	1.5930	1.6022	1.5976	1.6369	1.6464	1.6417	0.9808	0.9865	0.9837
October		1.4818	1.4818	1.4818	0.0111	0.0111	0.0111	1.5895	1.5895	1.5895	1.6180	1.6180	1.6180	0.9785	0.9785	0.9785
November		1.4922	1.5033	1.4978	0.0112	0.0113	0.0112	1.5990	1.6108	1.6049	1.6627	1.6750	1.6688	0.9879	0.9952	0.9915
December		1.4466	1.4611	1.4538	0.0112	0.0113	0.0112	1.5905	1.6064	1.5984	1.6300	1.6463	1.6382	0.9761	0.9859	0.9810
Qtr. III	A	1.3893	1.3940	1.3916	0.0110	0.0111	0.0111	1.5485	1.5537	1.5511	1.5677	1.5729	1.5703	0.9486	0.9518	0.9502
January		1.4388	1.4532	1.4460	0.0110	0.0111	0.0111	1.5764	1.5922	1.5843	1.6286	1.6449	1.6368	0.9739	0.9836	0.9788
February		1.3714	1.3664	1.3689	0.0111	0.0110	0.0111	1.5409	1.5353	1.5381	1.5678	1.5620	1.5649	0.9344	0.9310	0.9327
March		1.3576	1.3623	1.3599	0.0110	0.0111	0.0110	1.5283	1.5336	1.5310	1.5066	1.5118	1.5092	0.9374	0.9406	0.9390
Percentage change	A/B	-5.72	-5.94	-5.83	-0.98	-1.29	-1.13	-2.79	-3.03	-2.91	-4.23	-4.46	-4.35	-3.29	-3.52	-3.41
	A/C	5.89	6.26	6.08	3.01	3.32	3.16	3.56	3.91	3.74	9.34	9.71	9.52	8.78	7.95	8.36

Source: Staff Compilation

Accordingly, the Birr appreciated against Euro and Pound Sterling by 1.8 and 0.3 percent, respectively on quarterly basis year-on-year terms. However, it depreciated against Japanese Yen (3.1 percent), SDR (1.2 percent) and Swiss Frank (0.7 percent).

Table 5.12: 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. III	C	10.9330	11.0422	10.9876	14.3435	14.4849	14.4142	0.1171	0.1183	0.1177	16.3452	16.5087	16.4270	15.6754	15.8321	15.7537	9.5296	9.7330	9.6313
January		10.6850	10.7918	10.7384	14.3043	14.4474	14.3759	0.1185	0.1197	0.1191	16.1915	16.3538	16.2727	15.4071	15.5612	15.4841	9.5123	9.9085	9.7104
February		11.0348	11.1450	11.0899	14.1135	14.2546	14.1840	0.1196	0.1207	0.1201	16.4112	16.5753	16.4933	15.8992	16.0581	15.9787	9.4712	9.5879	9.5295
March		11.0791	11.1899	11.1345	14.6126	14.7528	14.6827	0.1134	0.1145	0.1139	16.4328	16.5971	16.5149	15.7198	15.8770	15.7984	9.6052	9.7025	9.6538
2009/10																			
Qtr. II	B	12.5833	12.7091	12.6462	18.5160	18.7011	18.6085	0.1401	0.1415	0.1408	20.0170	20.2172	20.1171	20.5688	20.7745	20.6717	12.3247	12.4480	12.3863
October		12.5509	12.6764	12.6137	18.5984	18.7844	18.6914	0.1391	0.1405	0.1398	19.9497	20.1491	20.0494	20.3081	20.5112	20.4097	12.2814	12.4042	12.3428
November		12.5800	12.7059	12.6430	18.7608	18.9484	18.8546	0.1406	0.1420	0.1413	20.1033	20.3044	20.2039	20.9035	21.1126	21.0080	12.4197	12.5439	12.4818
December		12.6189	12.7451	12.6820	18.1887	18.3706	18.2796	0.1406	0.1420	0.1413	19.9981	20.1981	20.0981	20.4949	20.6998	20.5973	12.2731	12.3958	12.3344
Qtr. III	A	13.1217	13.2558	13.1887	18.1767	18.3584	18.2675	0.1446	0.1459	0.1452	20.2676	20.4703	20.3690	20.5090	20.7141	20.6115	12.4129	12.5370	12.4750
January		12.6597	12.7862	12.7229	18.0911	18.2720	18.1815	0.1385	0.1399	0.1392	19.8209	20.0191	19.9200	20.4775	20.6823	20.5799	12.2453	12.3677	12.3065

February		13.3288	13.5147	13.4217	18.2789	18.4617	18.3703	0.1476	0.1490	0.1483	20.5388	20.7442	20.6415	20.8962	21.1051	21.0006	12.4547	12.5792	12.5169
March		13.3766	13.4665	13.4215	18.1600	18.3416	18.2508	0.1476	0.1488	0.1482	20.4432	20.6476	20.5454	20.1532	20.3548	20.2540	12.5387	12.6641	12.6014
Percentage change	A/B	4.28	4.30	4.29	-1.83	-1.83	-1.83	3.18	3.12	3.15	1.25	1.25	1.25	-0.29	-0.29	-0.29	0.72	0.72	0.72
	A/C	20.02	20.05	20.03	26.72	26.74	26.73	23.40	23.37	23.38	24.00	24.00	24.00	30.84	30.84	30.84	30.26	28.81	29.53

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

Table 5.13: Birr per Unit of Currency End Period Mid Market Rate

Currency	Mar-09	Dec-09	Mar-10		Percentage change
	C	B	A	A/B	A/C
USD	11.1637	12.7029	13.4677	6.0	20.6
Pound	15.9652	20.4085	20.3228	-0.4	27.3
Swedish Kroner	1.3491	1.7785	1.8578	4.5	37.7
Djibouti Frank	0.0628	0.0715	0.0773	8.1	23.0
Swiss Frank	9.7397	12.2746	12.6803	3.3	30.2
Saudi Riyal	2.9766	3.3866	3.5911	6.0	20.6
UAE Dirham	3.0392	3.4583	3.6667	6.0	20.6
Canadian Dollar	8.8756	12.0773	13.2192	9.5	48.9
Japanese Yen	0.1138	0.1376	0.1455	5.8	27.8
Euro	14.7852	18.2541	18.1612	-0.5	22.8
SDR	16.6347	19.9349	20.4647	2.7	23.0

Source: National Bank of Ethiopia – BFED

5.7.2. Movements in Real

Effective Exchange Rate

As a result of the inflation differential with major trading partners as well as continuous depreciation of the nominal

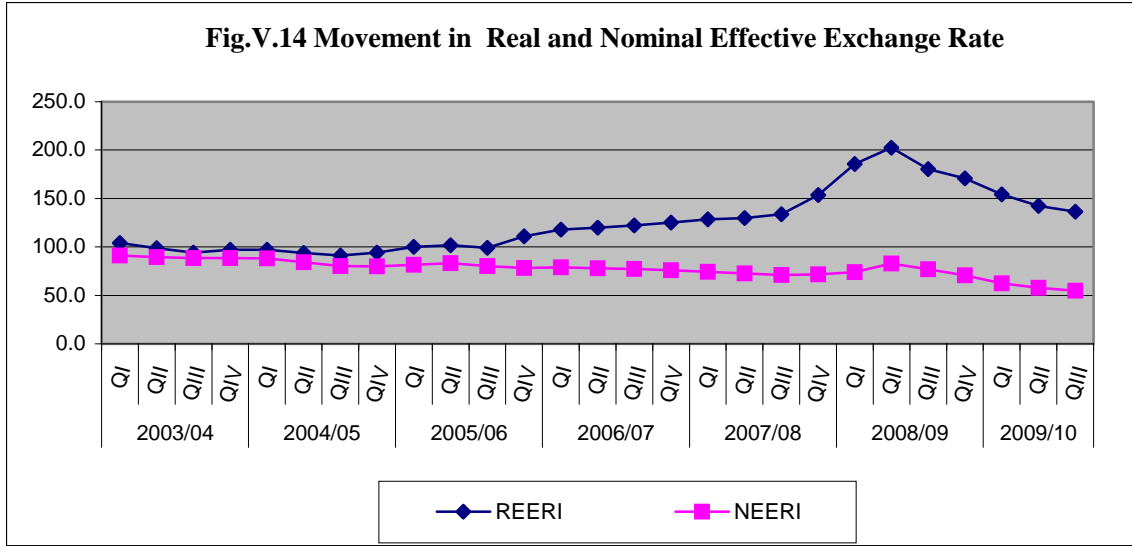
exchange rate both quarterly (5.2%) and annually (28.9%), the real effective exchange rate of the Birr depreciated by 4.2 and 24.4 percent on quarterly and yearly terms.

Table 5.14 Trends in Real Effective Exchange Rate

	2008/09	2009/10		Percentage Change	
	QIII	Q II	Q III	C/B	C/A
	A	B	C		
REERI	180.3	142.2	136.3	-4.2	-24.4
NEERI	77.0	57.8	54.8	-5.2	-28.9

REERI = Real Effective Exchange Rate Index

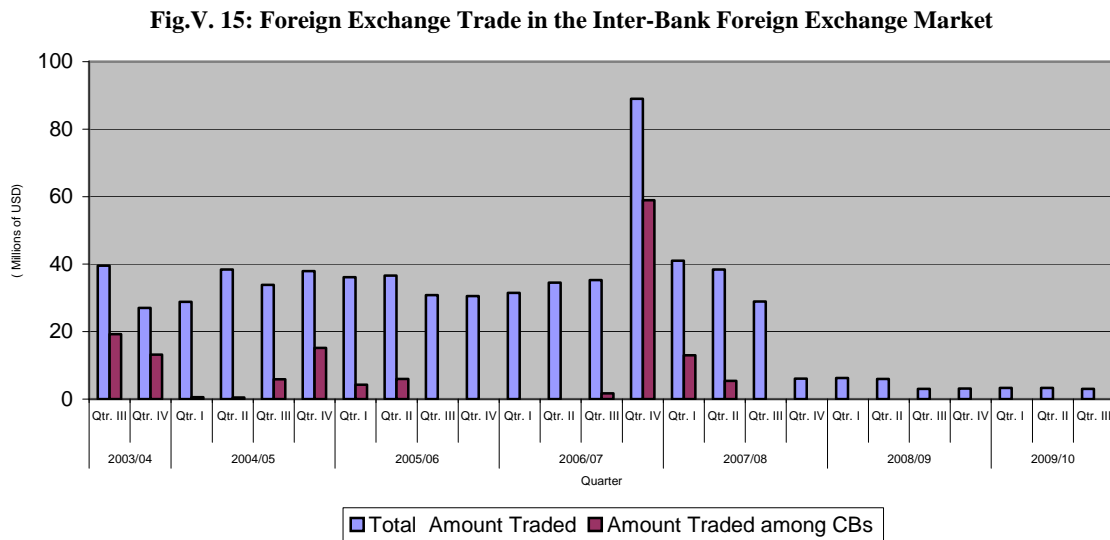
NEERI = Nominal Effective Exchange Rate Index



decline against that of the previous quarter. All the transactions were conducted between NBE and commercial banks.

5.7.3 Volume of Transactions

The amount of foreign exchange traded in the inter-bank foreign exchange market during the third quarter was USD 3.0 million, showing a 7.7 percent



In the retail market, forex bureaus' purchases of foreign exchange in the review quarter surged by 94.2 and 63.9 percent on quarterly and annual basis, respectively, reaching USD 82.2 million.

Likewise, their foreign exchange sales rose to USD 13.0 million from USD 11.4 million in the preceding quarter and USD 14.3 million a year earlier.

**Table 5.15: Amount of Foreign Exchange Purchased and Sold by Forex Bureau of Commercial Banks
(In millions of USD)**

No	Name of Forex Bureau	No of Branches	2008/09		2009/10				Percentage Change			
			Quarter II		Quarter II		Quarter III		C/B		C/A	
			A		B		C					
			Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	121	20.9	0.4	6.6	0.1	11.1	0.0	68.9	-17.0	-46.9	-89.6
2	Bank of Abyssinia	28	0.8	1.2	0.6	0.8	1.0	0.8	52.1	-6.8	23.1	-32.6
3	Dashen Bank	58	7.2	5.7	3.8	4.9	3.7	5.8	-1.8	17.5	-47.9	1.3
4	Awash International Bank	15	0.5	1.2	0.4	1.3	0.5	1.1	25.7	-11.6	9.0	-8.2
5	Construction & Business Bank	5	0.3	0.1	0.1	0.1	0.3	0.0	137.4	-67.0	3.5	-70.8
6	Wegagen Bank	19	2.2	1.7	0.8	1.0	0.6	0.7	-19.8	-31.9	-72.3	-57.1
7	United Bank	34	4.4	1.8	4.9	1.8	16.2	2.5	234.0	42.0	272.9	39.7
8	Nib International Bank	30	13.6	2.3	24.2	1.1	43.0	1.1	77.9	-1.9	215.8	-52.4
9	Lion International Bank	1	0.3	0.0	0.7	0.0	5.2	0.7	615.0	-	1594.9	-
10	Oromiya International Bank	7	0.0	0.0	0.2	0.0	0.2	0.1	50.2	94.7	-	-
11	Zemen Bank	1	0.0	0.0	0.1	0.2	0.2	0.2	162.8	3.1	-	-
12	Cooperative Bank of Oromia	2	0.0	0.0	0.0	0.1	0.0	0.0	-70.9	-71.0	-	-
13	Buna international Bank	1	0.0	0.0	0.0	0.0	0.1	0.0	-	-	-	-
Total		322	50.1	14.3	42.3	11.4	82.2	13.0	94.2	14.3	63.9	-9.3
Average Exchange Rate			10.9577	11.1760	12.5829	12.8297	13.0289	13.3770	3.5	4.3	18.9	19.7