

## **IV. MONETARY DEVELOPMENTS**

Monetary policy measures were geared towards containing inflationary pressures during the third quarter of 2009/10. As a result, annual increase in the general CPI was brought down to 3.9 percent in March

2010 against 45.2 percent a year ago (Table 4.4). Prudent fiscal policy and other administrative measures taken by the government also played a key role towards slowing down inflation.

### **4.1. Money Supply and Credit**

Broad money supply (M2) growth at the end of March 2010, 19.2 percent over the year earlier reflecting a 70.1 percent surge in net foreign assets and 15.7 percent rise in domestic credit. Growth in domestic credit

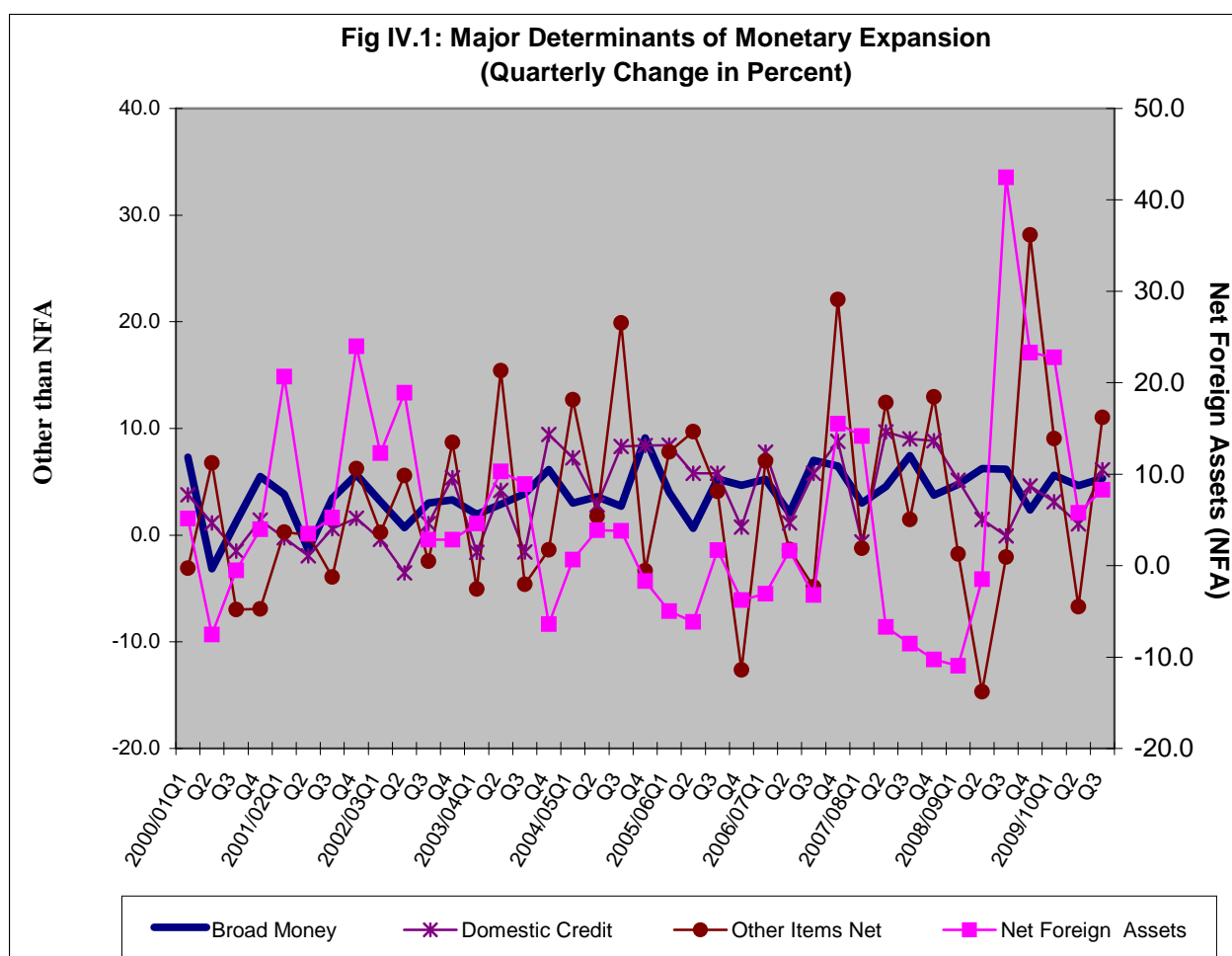
was attributed to a 22.6 percent expansion in credit to non-governmental sectors; while credit to the government showed a modest increase of 2.3 percent. .

Table 4. 1: Factors Influencing Broad Money

(In Millions of Birr)

Particulars	2008/09	2009/10		Percentage Change	
	Qtr. III	Qtr. II	Qtr. III	C/A	C/B
	(Mar. 09)	(Dec. 09)	(Mar. 10)		
	A	B	C		
<b>1. External Assets (net)</b>	<b>14,863.6</b>	<b>20,793.0</b>	<b>25,278.6</b>	<b>70.1</b>	<b>21.6</b>
<b>2. Domestic Credit</b>	<b>85,281.6</b>	<b>92,945.2</b>	<b>98,639.3</b>	<b>15.7</b>	<b>6.1</b>
. Claims on Central Gov't (net)	29,349.1	28,555.8	30,038.2	2.3	5.2
. Claims on Other Sector's	55,932.5	64,389.4	68,601.1	22.6	6.5
. Financial Institutions	0.0	0.0	0.0		
. Others	55,932.5	64,389.4	68,601.1	22.6	6.5
<b>3. Other Items (net)</b>	<b>19,581.6</b>	<b>22,548.9</b>	<b>27,870.6</b>	<b>42.3</b>	<b>23.6</b>
<b>4. Broad Money (M2)</b>	<b>80,563.5</b>	<b>91,189.3</b>	<b>96,047.3</b>	<b>19.2</b>	<b>5.3</b>

Source: NBE



Components wise, narrow money comprising currency outside banks and demand deposits increased by 12.5 percent; while quasi-money consisting of

savings and demand deposits rose by 27.1 percent on annual basis (Table 4.2).

**Table 4. 2: Components of Broad Money**

(In Millions)

Particulars	2008/09	2009/10		Percentage Change	
	Qtr. III	Qtr. II	Qtr. III		
	(Mar. 09)	(Dec. 09)	(Mar. 10)		
	A	B	C	C/A	C/B
<b>1. Narrow Money Supply</b>	<b>42,853.2</b>	<b>45,876.4</b>	<b>48,116.2</b>	<b>12.3</b>	<b>4.9</b>
. <i>Currency Outside Banks</i>	19,264.0	21,755.8	23,068.1	19.7	6.0
. <i>Demand Deposits (net)</i>	23,589.2	24,120.5	25,048.1	6.2	3.8
<b>2. Quasi-Money</b>	<b>37,710.3</b>	<b>45,312.9</b>	<b>47,931.1</b>	<b>27.1</b>	<b>5.8</b>
. <i>Savings Deposits</i>	34,659.0	41,814.1	44,362.5	28.0	6.1
. <i>Time Deposits</i>	3,051.3	3,498.8	3,568.7	17.0	2.0
<b>3. Broad Money Supply</b>	<b>80,563.5</b>	<b>91,189.3</b>	<b>96,047.3</b>	<b>19.2</b>	<b>5.3</b>

Source: NBE

**Fig IV.2: Composition of Domestic Credit  
(Quarterly Change in Percent)**

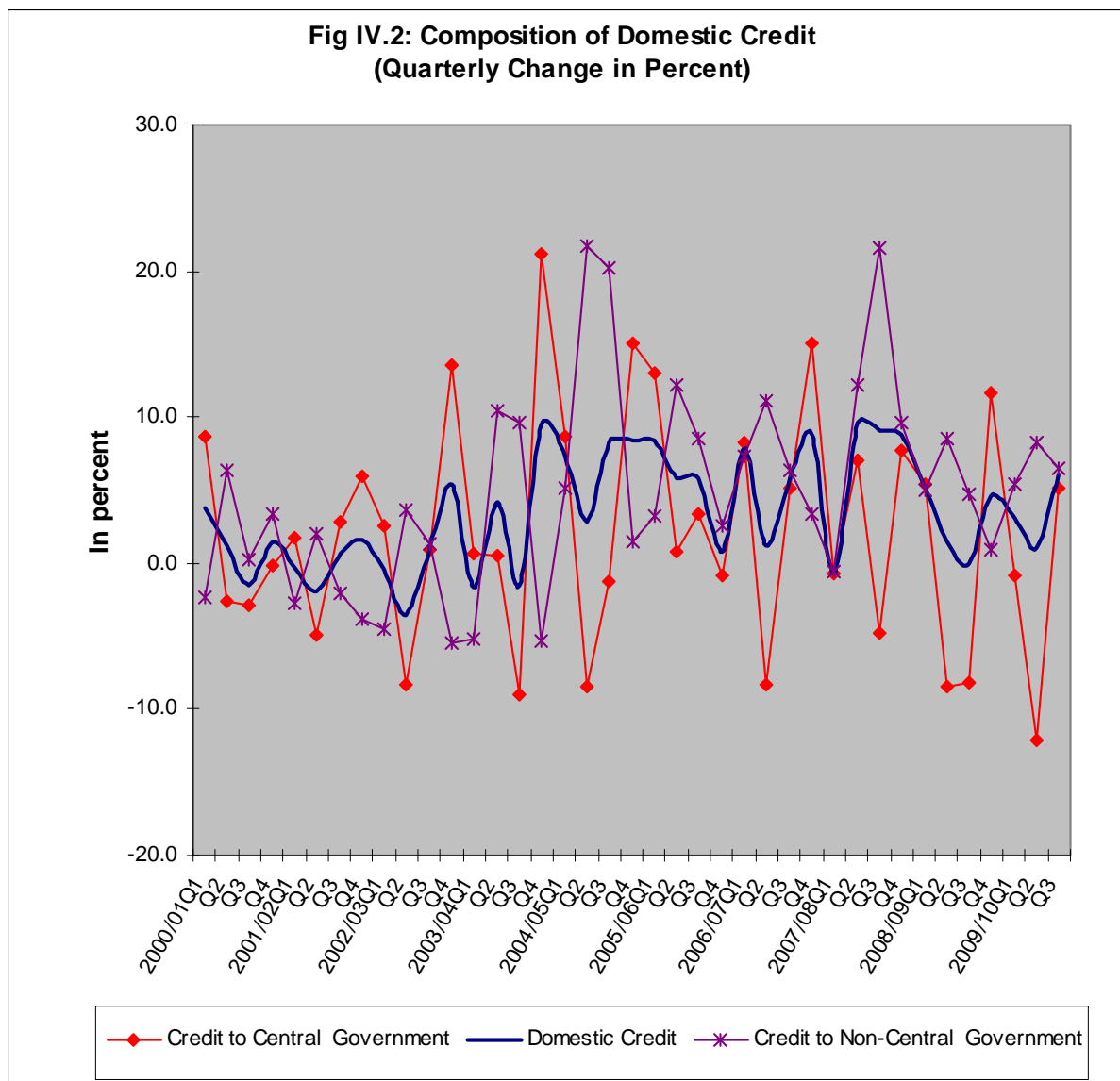
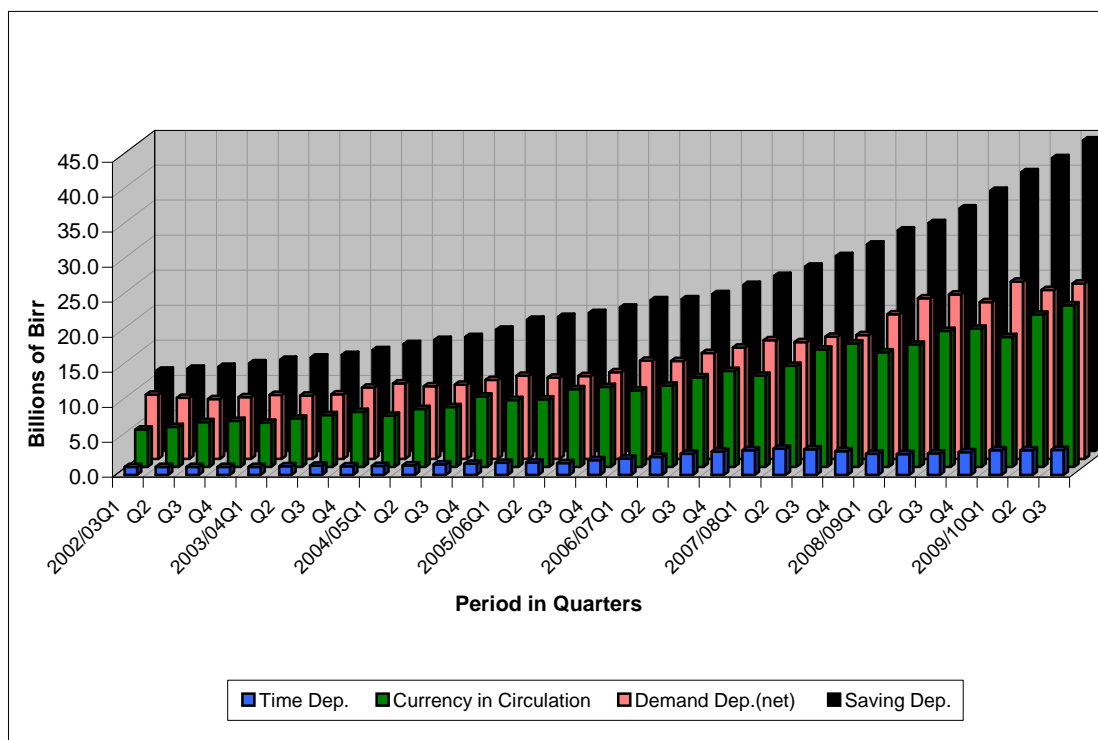


Fig. IV. 3: Composition of Monetary Stock  
(Third Quarter of FY 2009/10)



#### 4.2 Developments in Reserve Money and Monetary Ratios

Reserve money picked up by 21.8 percent on yearly terms due to the increase both in currency in circulation and commercial

banks’ reserves at the NBE. The quarterly growth in reserve money was 9 percent over the preceding quarter (Table 4.3).

**Table 4. 3: Reserve Money and Ratios**

(In Millions of Birr Unless Otherwise Indicated)

Particulars	2008/09	2009/10		Percentage Change	
	Qtr. III	Qtr. II	Qtr. III		
	(Mar. 09)	(Dec. 09)	(Mar. 10)	C/A	C/B
	A	B	C		
<b>1. Reserve Requirement (CB's)</b>	11,293.81	12,638.31	13,482.12	19.38	6.68
<b>2. Actual Reserve (CB's)*</b>	17,846.83	20,464.34	22,711.23	27.26	10.98
<b>3. Excess Reserve (CB's)</b>	6,553.02	7,826.03	9,229.10	40.84	17.93
<b>4. Reserve Money</b>	41,331.40	46,184.41	50,349.09	21.82	9.02
. <i>Currency in Circulation</i>	23,303.92	25,663.17	27,277.96	17.05	6.29
. <i>Banks Deposits at NBE**</i>	18,027.48	20,521.24	23,071.13	27.98	12.43
<b>5. Money Multiplier (Ratio):</b>					
. <i>Narrow Money to Reserve Money</i>	1.04	0.99	0.96	-7.83	-3.79
. <i>Broad Money to Reserve Money</i>	1.95	1.97	1.91	-2.13	-3.38
<b>6. Other Monetary Ratios (%):</b>					
. <i>Currency to Narrow Money</i>	54.38	55.94	56.69	4.25	1.34
. <i>Currency to Broad Money</i>	28.93	28.14	28.40	-1.82	0.92
. <i>Narrow Money to Broad Money</i>	53.19	50.31	50.10	-5.82	-0.42
. <i>Quasi Money to Broad Money</i>	46.81	49.69	49.90	6.61	0.43

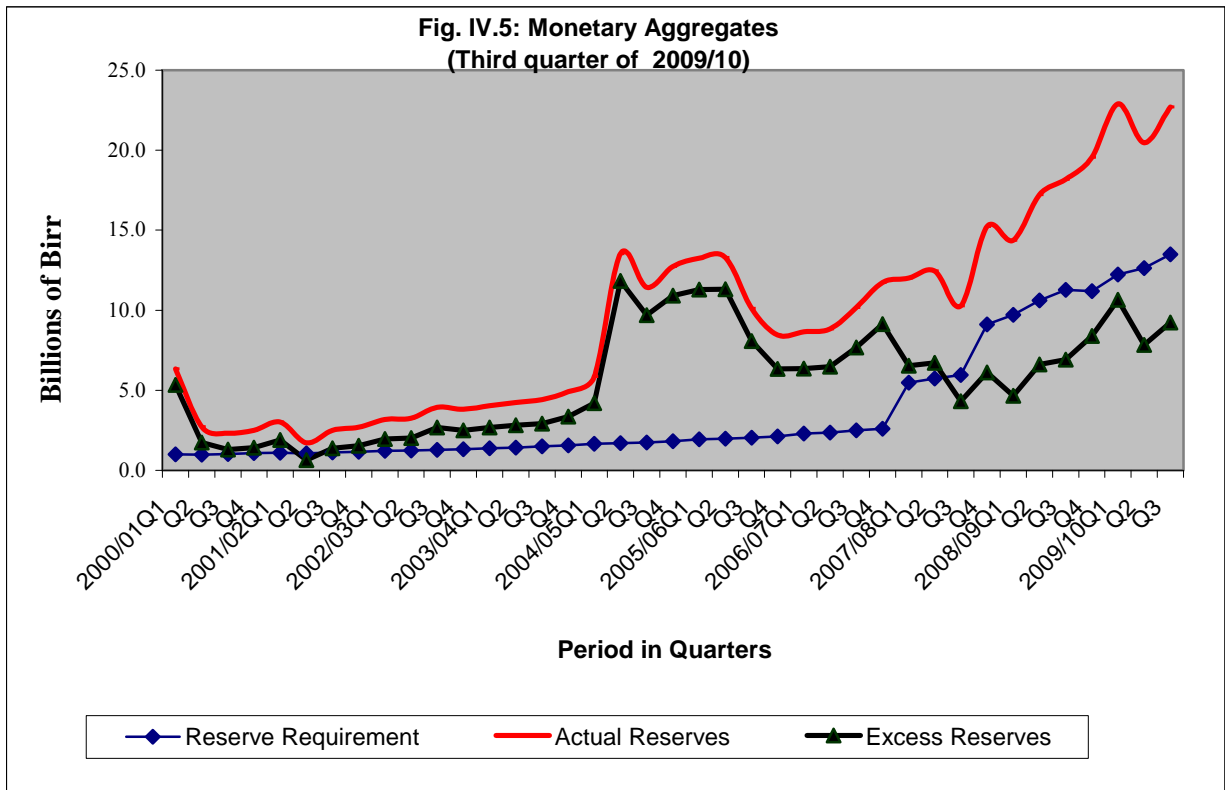
**Source:** NBE and Commercial Banks

\* Obtained from commercial banks balance sheet

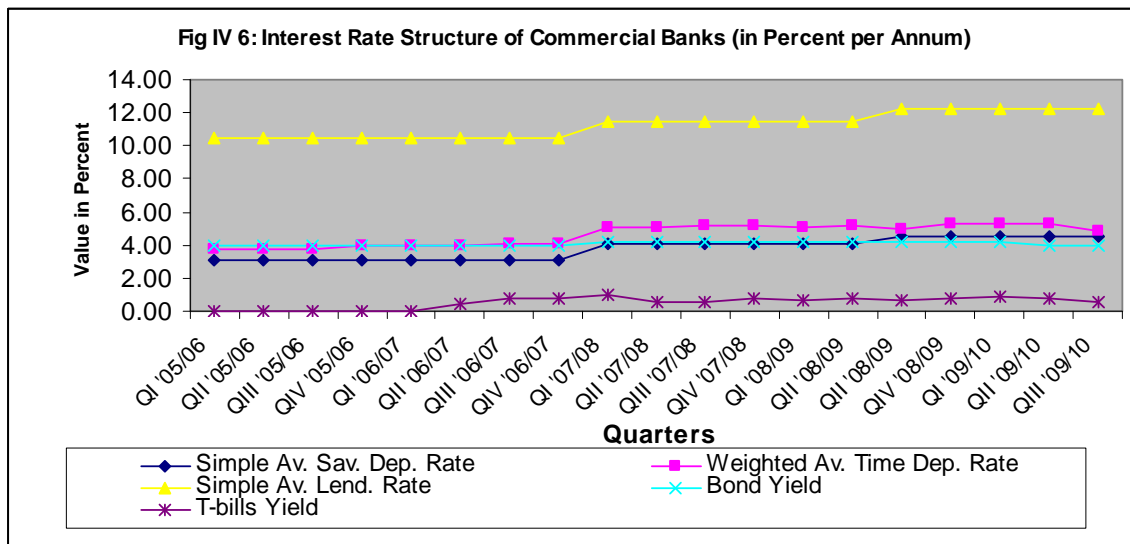
\*\* Obtained from NBE balance sheet

Both narrow and broad money multipliers revealed declining trends in the third quarter of 2009/10. The ratio of currency to narrow money indicated an increase while currency

to broad money slightly declined. Likewise, there was a fall in narrow money to broad money ratio in contrast to a rise in quasi-money to broad money ratio (Table 4.3).



Source: NBE



### **4.3 Interest Rate Developments**

Average saving deposit rate and average lending rate remained at 4.5 and 12.3 percent, whereas the weighted average time deposit rate slightly declined. Weighted average demand deposit rate, however, showed a marginal increase on annual basis but a quarterly decline.

On the other hand, the weighted average T-bills yield went up from 0.661 percent in the preceding year to 0.793 percent this

fiscal quarter. Average bond yield remained unchanged at 4.0 percent.

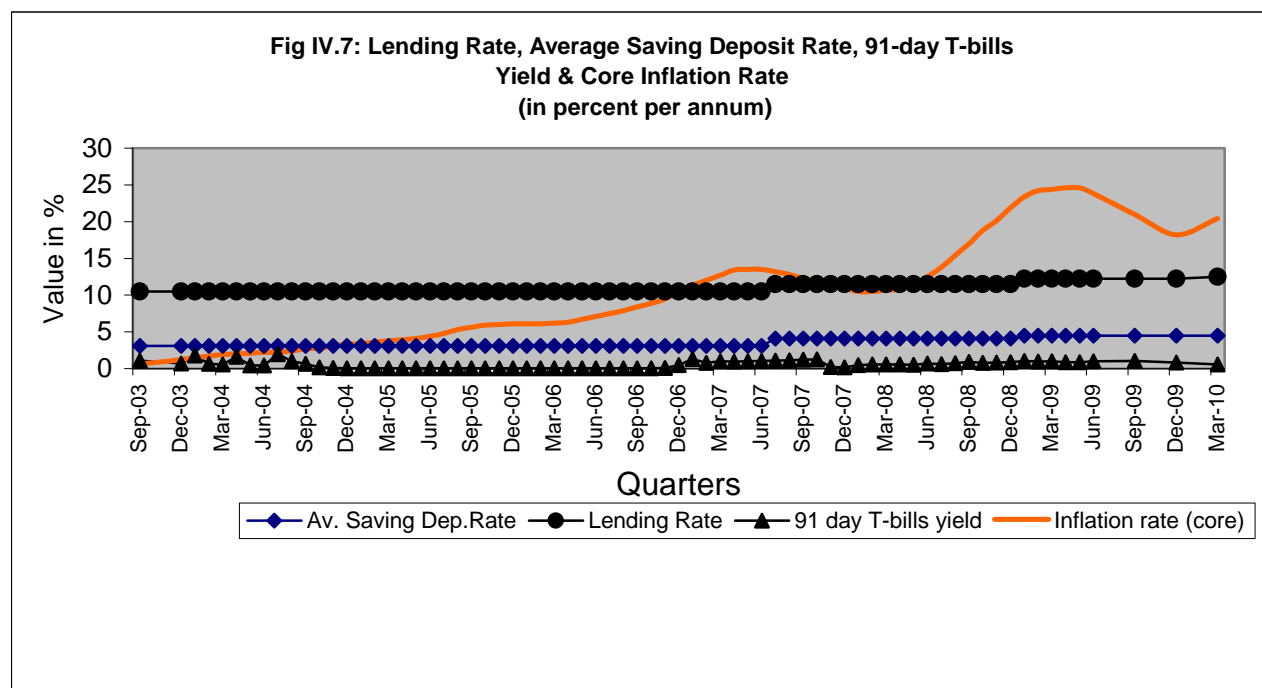
In view of the 3.9 percent average annual headline inflation at the end of the quarter, average saving, time and lending rates were positive in real terms. Weighted T-bills rate and average demand deposit rates, however, were negative.



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

Particulars	2008/09	2009/10	
	QIII	QII	QIII
1. Savings Deposit Rate			
• Minimum	4.00	4.00	4.00
• Maximum	5.00	5.00	5.00
<b>Average Savings Rate</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>
2. Time Deposit Rate			
• Up to 1 year	4.55	4.305	4.665
• 1 - 2 years	5.21	7.070	5.021
• Over 2 years	5.17	4.492	4.612
<b>Average Time Dep. Rate</b>	<b>4.98</b>	<b>5.289</b>	<b>4.766</b>
3. Demand Deposit Rate (Weighted)	0.053	0.065	0.057
4. Lending Rate			
• Minimum	8.00	8.00	8.00
• Maximum	16.50	16.50	16.50
<b>Average Lending Rate</b>	<b>12.25</b>	<b>12.25</b>	<b>12.25</b>
5. T-bills Rate (Weighted Ave.)	0.661	0.735	0.793
6. Bond Yield (Simple Average)*	4.00	4.00	4.00
7. headline inflation	45.2	8.5	3.9
8. core inflation	24.4	18.2	17.7

Source: NBE and commercial banks



Source: NBE and Commercial banks

#### **4.4 Developments in Financial Sector**

Banks, insurance companies and micro finance institutions are the main financial institutions operating in Ethiopia. The number of banks reached 15 at the end of the third quarter of 2009/10 quarter, of which 12 were private.

Some 13 new bank branches were opened during the quarter, raising the total figure to 676. Hence, the ratio of bank branch to total population improved by 1.9 percent to 118,343 from 120,664 last quarter.

About 35 percent of the total bank branches were situated in Addis Ababa. Out of the total bank branches, the share of the private banks slightly rose to 59.6 percent from 58.8 percent in the preceding quarter.

The total capital of the banking system exhibited a quarterly increase of 1.7 percent reaching Birr 12.1 billion. Private banks accounted for 40.8 per cent of the total

capital while that of Commercial Bank of Ethiopia was 41.8 percent.

Regarding insurance companies, they totaled 12 of which 11 were private. Their total capital scaled up to Birr 864.9 million from Birr 682.3 million at the end of the preceding quarter registering a quarterly rise of 27 percent. Similarly, the total branches of insurance companies increased by 4 to 205 during the review quarter. Private insurance companies accounted for 81.0 percent of the insurance branches. About 49.8 percent of the branches were positioned in Addis Ababa.

The outreach of insurance companies slightly improved by 2 percent on quarterly basis as one branch served about 390,243 people.

The number of micro finance institutions (MFIs) functioning in the country reached 30 by the end of March 2010. The total

deposits mobilized by these institutions increased by about 3 percent to Birr 2.5 billion, over the preceding quarter. Their outstanding credit also grew 1.1 percent compared with the preceding quarter and stood at Birr 5.2 billion.

Likewise, their total assets rose to Birr 7.5 billion by the end of the review quarter recording a quarterly growth of 4.0 percent.

### ***National Bank of Ethiopia***

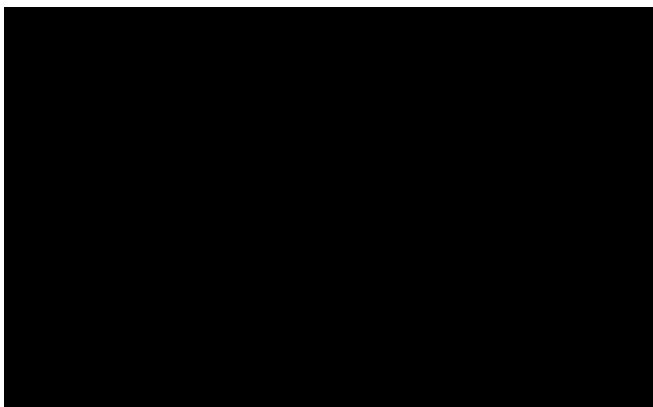
The five largest MFIs; namely, Amhara, Dedebit, Oromia, Omo and Addis Credit and Savings Institutions accounted for 87.4 percent of the total capital, 93.5 percent of deposits, 90.4 percent of credit and 90.5 percent of total assets of the microfinance sector.

Table 4.5: Capital and Branch Network of Banking System by End of March 31, 2010

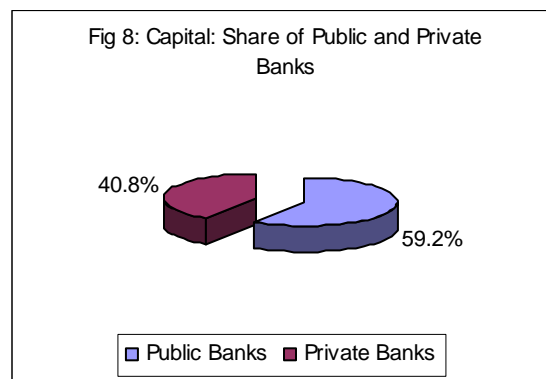
(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network								Capital	
	2009/10								2009/10	
	Quarter II				Quarter III				Quarter II	Quarter III
	Regions	Addis Ababa	Total	% Share	Regions	Addis Ababa	Total	% Share		
<b>1. Public Banks</b>										
Commercial Bank of Ethiopia	160	49	209	31.5	160	49	209	30.9	5037	5037
Construction & Business Bank	17	15	32	4.8	17	15	32	4.7	215	229
Development Bank of Ethiopia	31	1	32	4.8	31	1	32	4.7	1859	1869
<b>Total Public Banks</b>	<b>208</b>	<b>65</b>	<b>273</b>	<b>41.2</b>	<b>208</b>	<b>65</b>	<b>273</b>	<b>40.4</b>	<b>7111</b>	<b>7135</b>
<b>2. Private Banks</b>										
Awash International Bank	31	31	62	9.4	31	31	62	9.2	679	721
Dashen Bank	28	29	57	8.6	28	29	57	8.4	818	818
Abyssinia Bank	25	22	47	7.1	25	22	47	7.0	448	448
Wegagen Bank	23	27	50	7.5	23	27	50	7.4	805	822
United Bank	27	15	42	6.3	27	15	42	6.2	461	462
Nib International Bank	29	17	46	6.9	30	17	47	7.0	637	723
Cooperative Bank of Oromiya	29	4	33	5.0	32	5	37	5.5	154	156
Lion International Bank	9	11	20	3.0	10	11	21	3.1	199	201
Oromia International Bank	21	4	25	3.8	21	5	26	3.8	175	192
Zemen Bank	0	2	2	0.3	0	3	3	0.4	108	110
Bunna International Bank	0	3	3	0.5	0	3	3	0.4	157	162
Berhan International Bank	0	3	3	-	3	5	8	1.2	96	100
<b>Total Private Banks</b>	<b>222</b>	<b>168</b>	<b>390</b>	<b>59</b>	<b>231</b>	<b>172</b>	<b>403</b>	<b>60</b>	<b>4,737</b>	<b>4,915</b>
<b>3. Grand Total Banks</b>	<b>430</b>	<b>233</b>	<b>663</b>	<b>100</b>	<b>439</b>	<b>237</b>	<b>676</b>	<b>100</b>	<b>11,848</b>	<b>12,050</b>

Source: Bank Supervision Directorate, NBE



Source: Bank Supervision Directorate, NBE



Source: Bank Supervision Directorate, NBE

**Table 4.6: Branch Network & Capital of Insurance Companies by the End of March 31, 2010**  
(Branch in Number and Capital in Millions of Birr)

Insurance Companies	Branch						Capital	
	2009/10						Quarter II	Quarter III
	Quarter II			Quarter III				
	A.A	Regions	Total	A.A	Regions	Total	2009/10	2009/10
Ethiopian Insurance Corporation	11	28	39	11	28	39	259.8	338.3
Awash Insurance Company	13	10	23	13	11	24	60.4	74.7
Africa Insurance Company	6	7	13	6	7	13	48.6	83.8
National Insurance Corporation of Ethiopia	8	8	16	8	8	16	18.3	18.5
United Insurance Company	13	7	20	15	7	22	47.5	60.0
Global Insurance Company	6	4	10	6	4	10	25.7	21.9
Nile Insurance Company	11	9	20	11	9	20	66.3	77.6
Nyala Insurance Company	8	8	16	8	8	16	71.9	89.5
Nib Insurance Company	12	8	20	12	8	20	49.2	66.4
Lion Insurance Company	6	5	11	6	5	11	7.7	7.4
Ethio-Life Insurance Company	-	-	-	-	-	-	3.3	3.3
Oromia Insurance Company	6	7	13	6	8	14	23.6	23.3
<b>TOTAL</b>	<b>100</b>	<b>101</b>	<b>201</b>	<b>102</b>	<b>103</b>	<b>205</b>	<b>682.3</b>	<b>864.9</b>

Source: Insurance Supervision Directorate, NBE

Note: A.A: Addis Ababa

## 4.5 Activities of the Banking System

### 4.5.1. Resource Mobilization

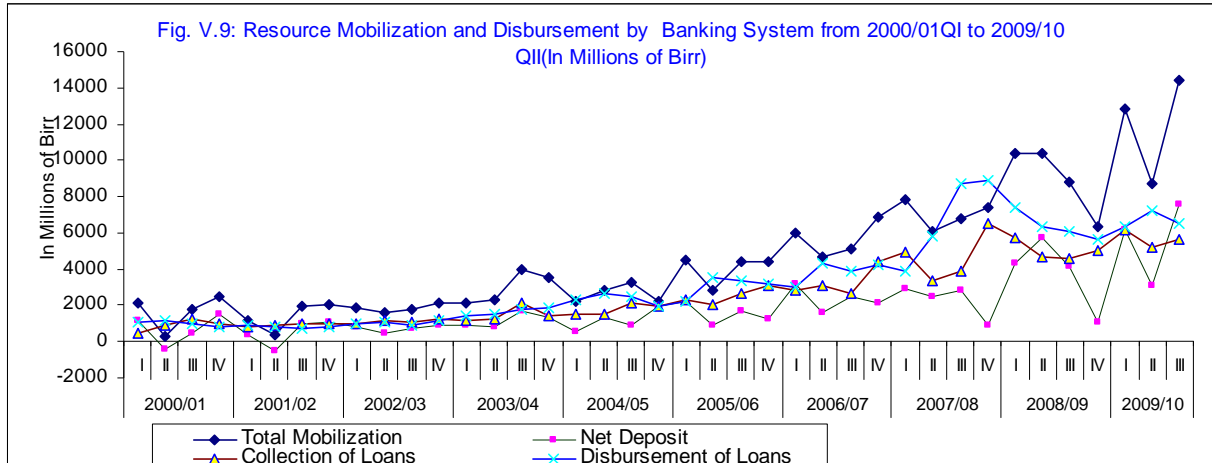
Total resources mobilized by the banking system went up by 64.3 and 62.9 percent vis-à-vis the preceding quarter and last year same quarter, respectively and reached Birr 14.8 billion. The increase in resource

mobilization was largely attributed to the expansion in net deposit mobilization (146 percent), net borrowing (153.5 percent) and loan collection (7.7 percent) (Table 4.7).

**Table 4.7: Summary of Resource Mobilization & Disbursement of Banking System during Third Quarter of 2009/10**

(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr.II 2009/10	Qtr.III 2009/10	Qtr.II 2009/10	Qtr.III 2009/10	Qtr.III 2008/09	Qtr.II 2009/10	Qtr.III 2009/10		
				A	B	C	C/A	C/B	
1. Deposits (net change)	2,625.0	5,219.9	462.7	2,374.9	4,109.9	3,087.6	7,594.8	84.8	146.0
-Demand	1,864.2	4,184.8	-768.6	791.5	1,952.3	1,095.6	4,976.3	154.9	354.2
-Saving	810.4	1,056.2	1,187.2	1,492.4	2,082.8	1,997.7	2,548.7	22.4	27.6
-Time	-49.6	-21.1	44.0	91.0	74.9	-5.6	69.9	-6.6	1,341.3
2. Borrowing (net change)	466.6	1,182.7	0.0	0.0	118.4	466.6	1,182.7	898.9	153.5
-Local	454.0	1,198.7	0.0	0.0	-5.9	454.0	1,198.7	20,389.4	164.0
-Foreign	12.6	-16.0	0.0	0.0	124.3	12.6	-16.0	-112.9	-227.0
3. Collection of Loans	1,872.7	2,042.5	3,325.6	3,558.3	4,596.1	5,198.2	5,600.8	21.9	7.7
4. Total Resources Mobilized (1+2+3)	4,964.2	8,445.1	3,788.2	5,933.2	8,824.4	8,752.4	14,378.3	62.9	64.3
5. Disbursement	2,916.7	3,008.3	4,341.0	3,517.1	6,088.7	7,257.7	6,525.4	7.2	-10.1
6. Change in Liquidity (4-5)	2,047.5	5,436.8	-552.8	2,416.1	2,735.7	1,494.7	7,852.9	187.1	425.4
Memorandum Item:									
• Outstanding Credit*	34,394.7	35,933.8	21,798.4	22,987.7	51,605.1	56,193.2	58,921.5	14.2	4.9
• Outstanding Inter-bank Lending	336.2	327.1	0.0	0.0	454.8	336.2	327.1	-28.1	-2.7



Source: NBE

#### 4.5.1.1 Deposit Mobilization

Total deposits mobilized by the banking system reached Birr 95.0 billion at the end of the third quarter of 2009/10, showing a 23.2 percent surge over last year, as new banks opened and bank branches expanded to capture deposits from the different segments of households and institutions.

Demand deposits comprising about half of total deposits rose by 19.8 percent annually;

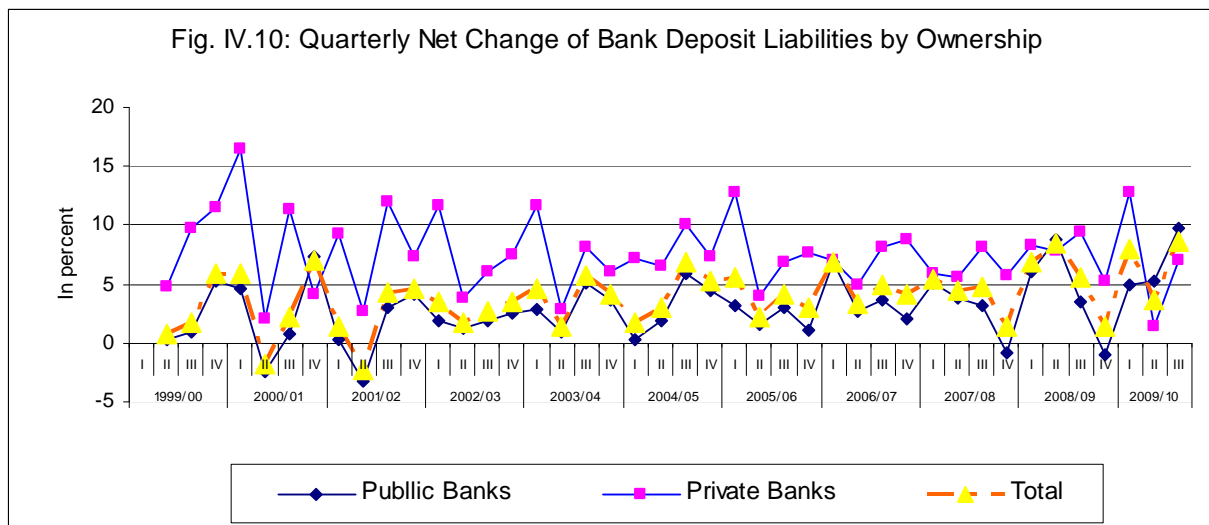
savings deposits with a share of 46.4 percent went up by 28.1 percent and time deposits with a mere 4 percent share grew 13.9 percent year-on-year bases. Of the total deposits, the share of private banks went up from 35.5 percent a year ago to 38.4 percent in the review quarter.

**Table 4.8: Stock of Deposits Mobilized by Banking System at end of March 2010**

(In Millions of Birr)

Types of Deposits	2008/09		2009/10				% Change	
	Quarter III A	% Share	Quarter II B	% Share	Quarter III C	% Share	C/A	C/B
Demand Deposit	38,925.0	50.5	41,642.8	47.6	46,619.0	49.1	19.8	11.9
Saving Deposit	34,631.1	44.9	41,819.8	47.8	44,368.5	46.7	28.1	6.1
Time Deposit	3,547.5	4.6	3,970.1	4.5	4,040.0	4.3	13.9	1.8
<b>Total</b>	<b>77,103.6</b>	<b>100.0</b>	<b>87,432.6</b>	<b>100.0</b>	<b>95,027.4</b>	<b>100.0</b>	<b>23.2</b>	<b>8.7</b>
Share of Public Banks	64.5		60.9		61.6		-4.5	1.1
Share of Private Banks	35.5		39.1		38.4		8.1	-1.8

Source: Commercial Banks and DBE



Source: Commercial Banks and DBE

#### 4.5.1.2 Collection of Loans

During the quarter under review, loan collection by the banking system reached Birr 5.6 billion which was up by 7.7 and 22 percent against the amount collected in the preceding quarter and same quarter last year, respectively. Of the total loan

collection, 63.5 percent was by private banks.

Regarding repayment, about 86.5 percent was secured from the private sector followed by public enterprises (11.1



percent) and cooperatives (2.1 percent) (Table 4.11).

international trade followed by domestic trade (20.7 percent) and housing and construction (15.8 percent) (Table 4.10).

Concerning sectoral distribution, 41.1 percent of the loan was collected from

#### **4.5.1.3 Borrowing**

The outstanding borrowing of the banking system reached Birr 5.2 billion at the end of the quarter under review, indicating a 70 percent rise over last year as both domestic

and foreign borrowing increased. About 83 percent of the borrowing was from domestic sources.

**Table 4.9: Outstanding Borrowing of Banking System by Sources at End of March 2010**  
(In Millions of Birr)

Banks	2008/09	2009/10		Percentage change	
	Quarter III	Quarter II	Quarter III	C/B	C/A
	A	B	C		
Domestic Borrowing	2,399.0	3,082.3	4,281.0	38.9	78.4
Foreign Borrowing	647.3	900.5	884.5	(1.8)	36.6
<b>Total</b>	<b>3,046.3</b>	<b>3,982.8</b>	<b>5,165.5</b>	<b>29.7</b>	<b>69.6</b>

**Source:** Commercial Banks and DBE

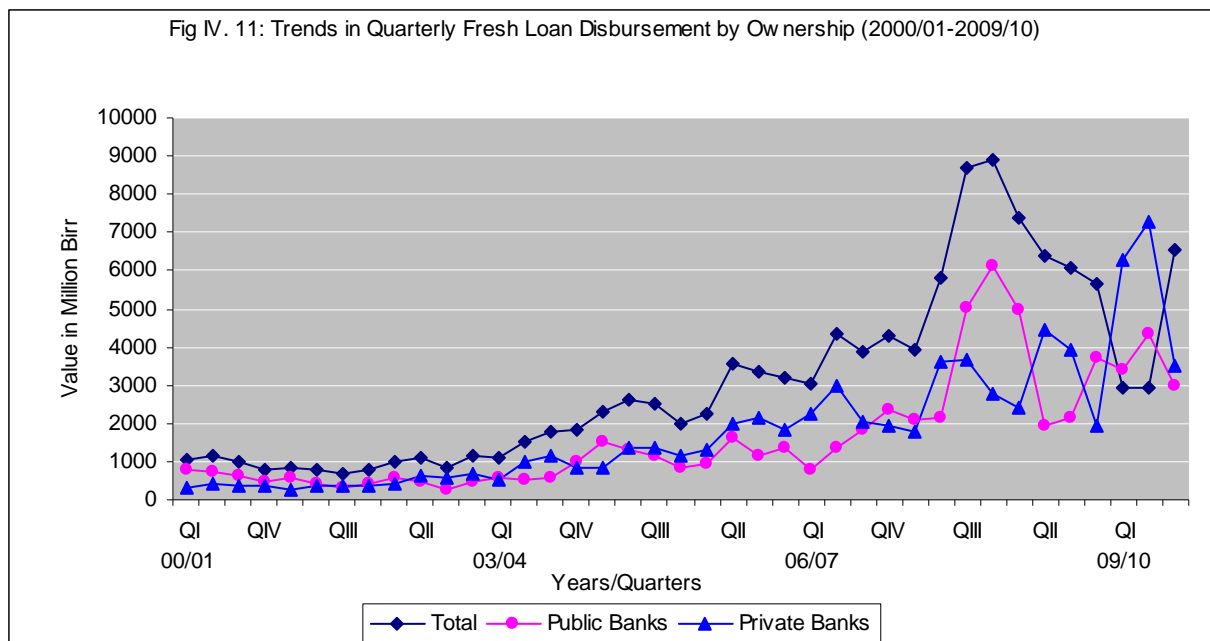
#### 4.5.2 Disbursement of Fresh Loans

The amount of new loans disbursed during the third quarter of 2009/10 amounted to Birr 6.5 billion, which was 10.1 percent lower than the preceding quarter but 7.2 percent higher than same period last year. Of the total disbursement, about 54 percent was provided by private banks (Table 4.11).

and 6.5 percent went to cooperatives and public enterprises, respectively.

On the other hand, loans to international trade constituted 34.2 percent of the total new loans followed by agriculture (16.6 percent), domestic trade (15.1 percent), industry (14.5 percent) and housing and construction (10.5 percent) (Table 4.10).

About 76 percent of the new loans was channeled to the private sector; while 15.8



Source: Commercial Banks and DBE

**Table 4.10: Summary of Loans and Advances by Banks and Receiving Sectors during Third Quarter of 2009/10**

(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 *			4331.9	0.0	0.0	1499.0	0.0	0.0	5830.9
Agriculture	1,063.1	143.1	5,315.0	19.4	71.7	632.1	1,082.5	214.8	5,947.1
Industry	719.5	180.4	8,117.0	226.8	358.7	3,153.9	946.3	539.2	11,270.9
Domestic Trade	144.3	168.7	860.4	840.2	989.5	5,679.9	984.5	1,158.2	6,540.3
International Trade	364.0	773.8	8,634.5	1,865.2	1,529.0	6,388.5	2,229.2	2,302.8	15,023.0
Export	358.4	203.7	1,981.7	1,429.6	931.7	3,353.1	1,788.0	1,135.4	5,334.8
Imports	5.6	570.1	6,652.7	435.6	597.3	3,035.4	441.2	1,167.4	9,688.2
Hotels and Tourism	29.9	23.0	551.4	70.1	50.2	672.2	100.0	73.2	1,223.6
Transport & Communication	66.5	113.4	1,473.9	224.3	156.7	1,205.2	290.8	270.2	2,679.1
Housing & Construction	465.6	557.5	4,624.8	218.4	327.1	3,263.1	684.0	884.6	7,887.9
Mines, Power & Water Res.	0.0	0.0	0.0	7.0	3.2	4.0	7.0	3.2	4.0
Others	4.3	55.0	1,611.5	14.0	50.8	356.9	18.4	105.8	1,968.4
Personal	18.1	13.3	86.3	31.7	21.4	132.0	49.9	34.7	218.4
Inter-Bank Lending	133.0	14.2	327.1	0.0	0.0	0.9	133.0	14.2	328.0
<b>Total</b>	<b>3,008.3</b>	<b>2,042.5</b>	<b>35,933.8</b>	<b>3,517.1</b>	<b>3,558.3</b>	<b>22,987.7</b>	<b>6,525.4</b>	<b>5,600.8</b>	<b>58,921.5</b>

Source: Commercial Banks and NBE 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

### 4.5.3 Outstanding Credit

The outstanding loans of banks reached Birr 58.9 billion at the end of March 2010 about 14.2 percent greater than last year. Loans provided to the private sector took accounted for 68.2 percent followed by public enterprises (14.5 percent) and central government (7.4 percent).

followed by industry (19.1 percent), housing and construction (13.4 percent), domestic trade (11.1 percent) and agriculture (10.1 percent).

Private banks accounted for 39 percent of the total outstanding loans of the banking system.

International trade was the largest recipient of bank loans with a share of 25.5 percent,

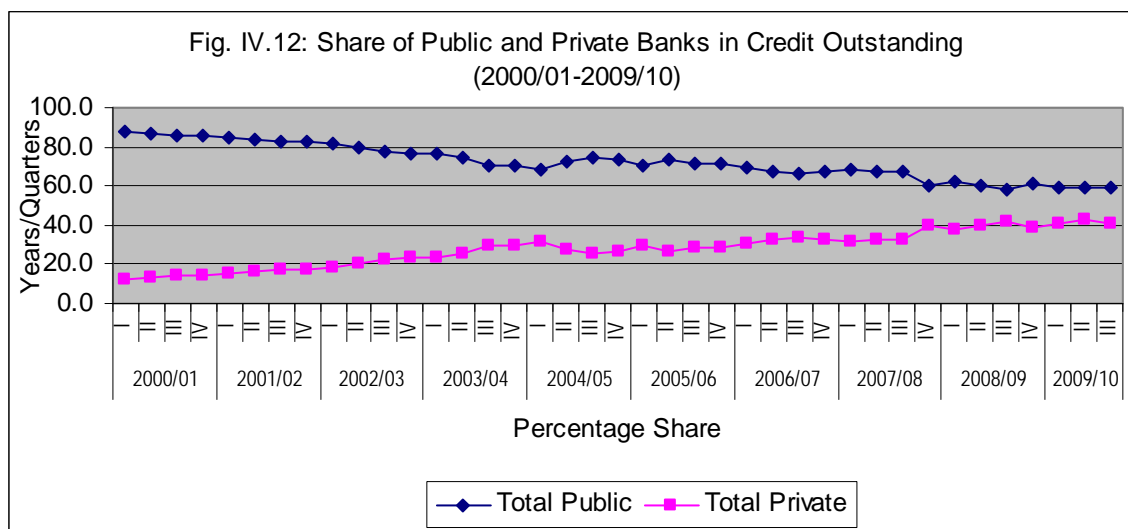
**Table 4.11: Breakdown of Loans and Advances of Banking System by Clients during Third Quarter of 2009/10**

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
<b>Public Banks</b>	<b>3,008.3</b>	<b>46.1</b>	<b>2,042.5</b>	<b>36.5</b>	<b>35,933.8</b>	<b>61.0</b>
Central Government*	0.0	0.0	0.0	0.0	4,331.9	12.1
State Enterprises	421.5	14.0	614.9	30.1	8,502.4	23.7
Cooperatives	969.1	32.2	94.2	4.6	3,796.1	10.6
Private Enterprises	1,484.7	49.4	1,319.3	64.6	18,976.4	52.8
Inter-bank Lending	133.0	4.4	14.2	0.7	327.1	0.9
<b>Private Banks</b>	<b>3,517.1</b>	<b>53.9</b>	<b>3,558.3</b>	<b>63.5</b>	<b>22,987.7</b>	<b>39.0</b>
Central Government*	0.0	0.0	0.0	0.0	1,499.0	6.5
State Enterprises	0.0	0.0	5.7	0.2	40.1	0.2
Cooperatives	63.9	1.8	24.5	0.7	245.9	1.1
Private Enterprises	3,453.2	98.2	3,528.1	99.2	21,201.7	92.2
Inter-bank Lending	0.0	0.0	0.0	0.0	0.9	0.0
<b>Grand Total</b>	<b>6,525.4</b>	<b>100.0</b>	<b>5,600.8</b>	<b>100.0</b>	<b>58,921.5</b>	<b>100.0</b>

Source: Commercial banks and DBE

\* Excludes loans and advances from NBE



Source: NBE staff compilations

## 4.6 Financial Activities of NBE

The claims of NBE on Federal government increased by 8.9 percent year-on-year terms as a result of 12 percent rise in direct

advance. Its deposit liabilities also went up by about 22 percent; while stock of

*Third Quarter 2009/10*

government bonds held by NBE slightly dropped by 1.4 percent.

claims of NBE declined by 9.8 percent compared to a year earlier as the growth in deposit liabilities far exceeded that of loans

Meanwhile, deposits of financial institutions rose 28 percent and that of the government by 5.3 percent. All in all, net

and advances.

**Table 4. 4.12: Financial Activities of NBE during Third Quarter of 2009/10**

Particulars	In Millions of Birr)			% Change	
	2008/09	2009/10			
	Qtr.III	Qtr.II	Qtr.III	C/A	C/B
	A	B	C		
<b>1.Loans and Advances</b>	<b>42,249.0</b>	<b>43,610.8</b>	<b>45,989.7</b>	<b>8.9</b>	<b>5.5</b>
1.1. To Central Government	42,249.0	43,610.8	45,989.7	8.9	5.5
Direct Advance	32,556.0	34,055.2	36,434.1	11.9	7.0
Bonds	9,693.0	9,555.6	9,555.6	-1.4	0.0
1.2.To Development Bank of Ethiopia	0.0	0.0	0.0	0.0	-
<b>2.Deposit Liabilities</b>	<b>24,867.6</b>	<b>28,458.6</b>	<b>30,310.3</b>	<b>21.9</b>	<b>6.5</b>
2.1. Government	6,682.8	7,785.9	7,036.6	5.3	-9.6
2.2. Financial Institutions	18,184.8	20,672.7	23,273.8	28.0	12.6
O/W:					
-Banks	18,144.4	20,625.5	23,226.5	28.0	12.6
-Insurance companies	40.4	47.2	47.3	17.1	0.2
<b>3.Net Claims of NBE</b>	<b>17,381.4</b>	<b>15,152.2</b>	<b>15,679.4</b>	<b>-9.8</b>	<b>3.5</b>

Source: NBE

## **4.7 Developments in Financial Markets**

### **4.7.1 Treasury Bills Market**

During the third quarter of 2009/10, Treasury Bills valued at Birr 15.7 billion were supplied to the T-bills auction market vis-à-vis the demand of Birr 10.6 billion. The supply was markedly greater than the amount offered in the preceding quarter (35.7 percent) as well as same quarter last year (158.3 percent). The demand also showed a 9.4 percent annual increase due to higher demand for 28-day bills. At the same time, the amount of T-bills sold during the quarter was Birr 9.6 billion, about 51 percent higher than that of same

quarter of last year. Commercial banks bought 72.4 percent of the T-bills sold.

The average weighted yield on T-bills improved to 0.793 percent during the third quarter compared to 0.661 percent last year. However, T-bills yield still remained negative in real terms.

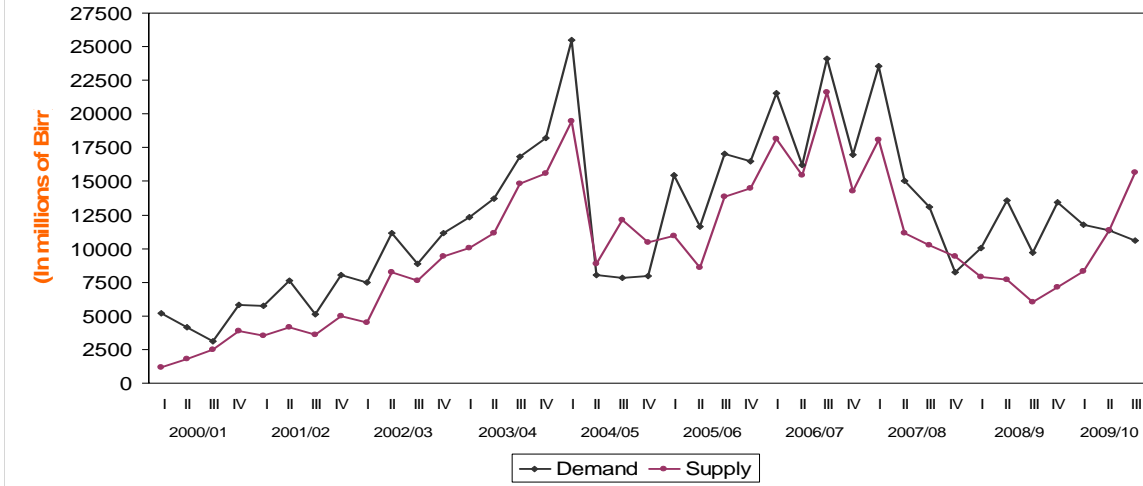
The stock of T- bills rose by 13.1 percent over of last year and reached Birr 9.1 billion of which 76.2 percent was held by non-bank institutions.

Table 4.13: Results of Treasury Bills Auction during Third Quarter 09/01

Particulars	2008/09	2009/10		% Change	
	Qtr.III	Qtr.II	Qtr.III	C/A	C/B
	A	B	C		
<b>Number of Bidders</b>	<b>51</b>	<b>68</b>	<b>55</b>	<b>7.84</b>	<b>-19.12</b>
Public	41	53	38	-7.32	-28.30
Private	10	15	17	70.00	13.33
<b>Number of Bids Accepted</b>	<b>64</b>	<b>78</b>	<b>70</b>	<b>9.38</b>	<b>-10.26</b>
Public	50	58	47	-6.00	-18.97
Private	14	20	23	64.29	15.00
<b>Amount Demanded (Mn.Birr)</b>	<b>9,720.7</b>	<b>11,379.2</b>	<b>10,631.4</b>	<b>9.37</b>	<b>-6.57</b>
28-day bill	2,000.0	2,460.0	3,780.0	89.00	53.66
91-day bill	6,530.7	7,924.3	5,631.4	-13.77	-28.94
182-day bill	1,190.0	994.8	1,220.0	2.52	22.64
<b>Amount Supplied (Mn.Birr)</b>	<b>6,059.6</b>	<b>11,386.6</b>	<b>15,653.4</b>	<b>158.32</b>	<b>37.47</b>
28-day bill	1,010.0	1,190.0	4,430.0	338.61	272.27
91-day bill	3,674.4	6,451.7	7,733.4	110.47	19.86
182-day bill	1,375.2	3,744.8	3,490.0	153.78	-6.80
<b>Amount Sold (Mn.Birr)</b>	<b>6,270.70</b>	<b>9,339.16</b>	<b>9,631.36</b>	<b>53.59</b>	<b>3.13</b>
Banks	0.00	7,389.16	6,971.36		-5.65
Non-Banks	6,270.70	1,950.00	2,660.00	-57.58	36.41
<b>Average Weighted Price for Successful Bids (Birr)</b>	<b>99.743</b>	<b>99.795</b>	<b>99.790</b>	<b>0.047</b>	<b>-0.005</b>
28-day bill	99.872	99.951	99.944	0.07	-0.01
91-day bill	99.751	99.786	99.752	0.00	-0.03
182-day bill	99.606	99.647	99.674	0.07	0.03
<b>Average Weighted Yield for Successful Bids (%)</b>	<b>0.661</b>	<b>0.735</b>	<b>0.793</b>	<b>27.918</b>	<b>7.503</b>
28-day bill	0.644	0.636	0.725	12.56	14.04
91-day bill	0.942	0.859	0.997	5.92	16.10
182-day bill	0.397	0.710	0.656	65.28	-7.63
<b>Outstanding bills at the end of Period (Mn.Br.)</b>	<b>8,082.1</b>	<b>9,595.8</b>	<b>9,144.0</b>	<b>13.14</b>	<b>-4.71</b>
Banks	1,672.0	2,622.0	2,172.0	29.90	-17.16
Non-Banks	6,410.1	6,973.8	6,972.0	8.77	-0.03

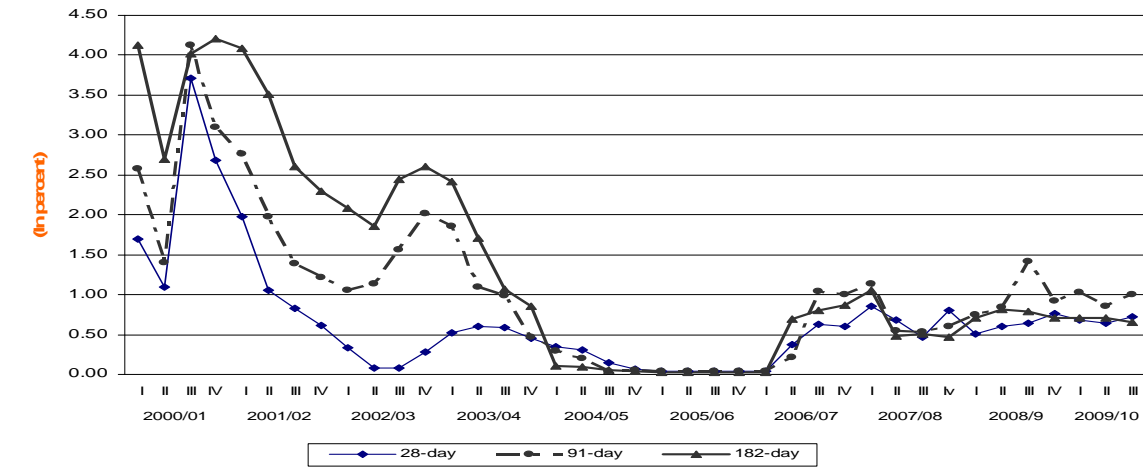
Source: NBE

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



Source: NBE

**Fig IV.14: Developments in Average Weighted Yields of T-bills with Different Maturities**



Source: NBE



#### **4.7.2 Inter- Bank Money Market**

No inter-bank money market transaction was conducted during the third quarter.

#### **4.7.3 Corporate Bond Market**

During the third quarter of 2009/10, CBE purchased corporate bonds worth about Birr 3.0 billion of which 84.5 percent was issued by state enterprises; the balance (15.5 percent) being issued by regional governments.

The stock of corporate bonds held by CBE amounted to Birr 24.6 billion at the end of March 2010, of which 71.8 percent was claims on public enterprises, and the rest on regional governments.

