

## V. EXTERNAL SECTOR DEVELOPMENTS

### 5.1 Overall Balance of Payments

During the first quarter of 2010/11, the overall balance of payments resulted in a surplus of USD 257.8 million, considerably higher than USD 179.5 million surplus in preceding quarter and USD 197.6 million deficit in the same quarter of last year.

The surplus in net services coupled with improvements in official transfers and capital account led to the surplus in the over all balance of the review quarter.

**Table 5.1 Balance of Payments**

(Millions of USD)

Ethiopian Fiscal Year	2009/10		2010/11	Percentage Change	
	QI	QIV	QI	C/B	C/A
	A	B	C		
<b>Trade Balance</b>	<b>-1431.5</b>	<b>-1267.9</b>	<b>-1229.3</b>	<b>-3.0</b>	<b>-14.1</b>
Exports	342.4	730.5	563.4	-22.9	64.6
Imports	1773.8	1998.4	1792.7	-10.3	1.1
<b>Net Services</b>	<b>118.7</b>	<b>-9.0</b>	<b>241.6</b>	<b>25060</b>	<b>104.9</b>
Travel	27.5	53.3	126	136.4	358.2
Transportation	59.3	46.2	113.4	145.5	91.2
Government (n.i.e.)	42.8	42.6	64.1	50.5	49.8
Investment income	-12.5	-24.5	-7.8	-68.2	-37.6
Interest	-8.3	-10	0.6	2120	1077.8
Cash (net)	-8.1	-9.6	0.6	2300	1271.4
Arrears	0.0	0.0	0.0		
Relief	-0.8	-0.4	0.0		
Dividend	-4.2	-14.5	-8.4	-42.1	100
Other Services	1.6	-126.6	-54.1	-57.3	-98.4
<b>Private Transfers</b>	<b>579.9</b>	<b>727.8</b>	<b>537.2</b>	<b>-26.2</b>	<b>-7.4</b>
<b>Current Account Balance(excl. public)</b>	<b>-732.9</b>	<b>-549.1</b>	<b>-450.6</b>	<b>-17.9</b>	<b>-38.5</b>

<i>transfers)</i>					
<b>Public Transfers</b>	<b>393.9</b>	<b>411.9</b>	<b>462.6</b>	<b>12.3</b>	<b>17.4</b>
<i>Current Account Balance(incl. public transfers)</i>	<i>-339.0</i>	<i>-137.2</i>	<i>12.0</i>		
<b>Non-monetary Capital</b>	<b>347.5</b>	<b>617</b>	<b>374.7</b>	<b>-39.3</b>	<b>7.8</b>
Long-term (net)	153.5	338	205.8	-39.1	34.1
Disbursements	175.9	360.6	226.8	-37.1	28.9
Repayments	22.4	22.6	21	-7	-6.4
Cash	19.2	20.8	18.7	-10.1	-2.8
Arrears	0	0	0	-	-
Relief	3.2	1.8	2.3	29.2	-28.3
Direct Investment (net)	198.3	275.9	192	-30.4	-3.1
Short-term (net)	-4.2	3.1	-23.1	-99.6	450
<b>Net Errors &amp; Omissions</b>	<b>-206.1</b>	<b>-300.3</b>	<b>-128.9</b>	<b>-57.1</b>	<b>-37.5</b>
<b>Overall Balance</b>	<b>-197.6</b>	<b>179.5</b>	<b>257.8</b>	<b>43.6</b>	
<b>Financing</b>	<b>197.6</b>	<b>-179.5</b>	<b>-257.8</b>	<b>43.6</b>	
<b>Reserves (-:increase)</b>	<b>201.6</b>	<b>-177.3</b>	<b>-255.5</b>	<b>44.1</b>	<b>-99.9</b>
<b>NBE net foreign asset</b>	<b>99.4</b>	<b>40.8</b>	<b>-229</b>	<b>-100</b>	<b>-99.9</b>
<b>CBs net foreign asset</b>	<b>102.2</b>	<b>-218.1</b>	<b>-26.5</b>	<b>-87.8</b>	<b>-99.8</b>
<b>Debt Relief</b>	<b>-4.0</b>	<b>-2.2</b>	<b>-2.3</b>	<b>7.0</b>	<b>-42.5</b>
<b>Principal</b>	<b>3.2</b>	<b>1.8</b>	<b>2.3</b>	<b>29.2</b>	<b>-28.3</b>
<b>Interest</b>	<b>0.8</b>	<b>0.4</b>	<b>0.0</b>		

Source: Staff compilation.

In the review quarter, current foreign exchange receipts amounted to USD 2.2 billion, up 22 percent over last year same quarter owing to higher revenue from export, services and public transfers.

Current payments, however, remained unchanged at USD 2.1 billion compared to a year ago. Consequently, net foreign exchange inflow reached USD 55.5 million compared to USD 338.6 million outflow a year ago (Table 5.2).

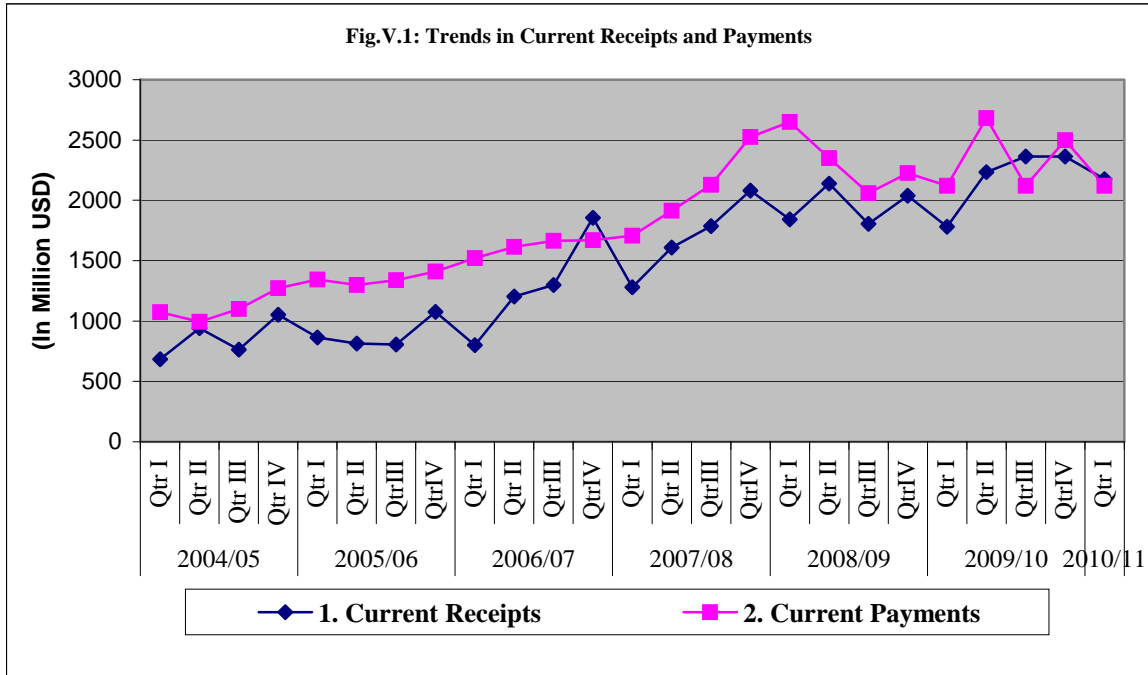
**Table 5.2 Current Receipts and Payments**

(In Million of USD)

Particulars	2009/10		2010/11	Percentage Change	
	Qtr I	Qtr IV	Qtr I	D=C/B	E=C/A
	A	B	C		
<b>1. Current Receipts</b>	<b>1,782.1</b>	<b>2,363.5</b>	<b>2,176.5</b>	-7.9	22.1
Export Proceeds	342.4	730.5	563.4	-22.9	64.5
Service Proceeds	465.6	493.3	613.3	24.3	31.7
Private Transfers(Net)	579.9	727.8	537.2	-26.2	-7.4
Public Transfer(Net)	394.2	411.9	462.6	12.3	17.4
<b>2. Current Payments</b>	<b>2,120.7</b>	<b>2,500.2</b>	<b>2,121.0</b>	-15.2	0.01

Import Payments	1,773.8	1,998.4	1,749.4	-12.5	-1.4
Service Payments	346.9	501.8	371.6	-25.9	7.1
<b>3. Net(1-2)</b>	<b>-338.6</b>	<b>-136.7</b>	<b>55.5</b>	<b>64066.7</b>	<b>98525.0</b>

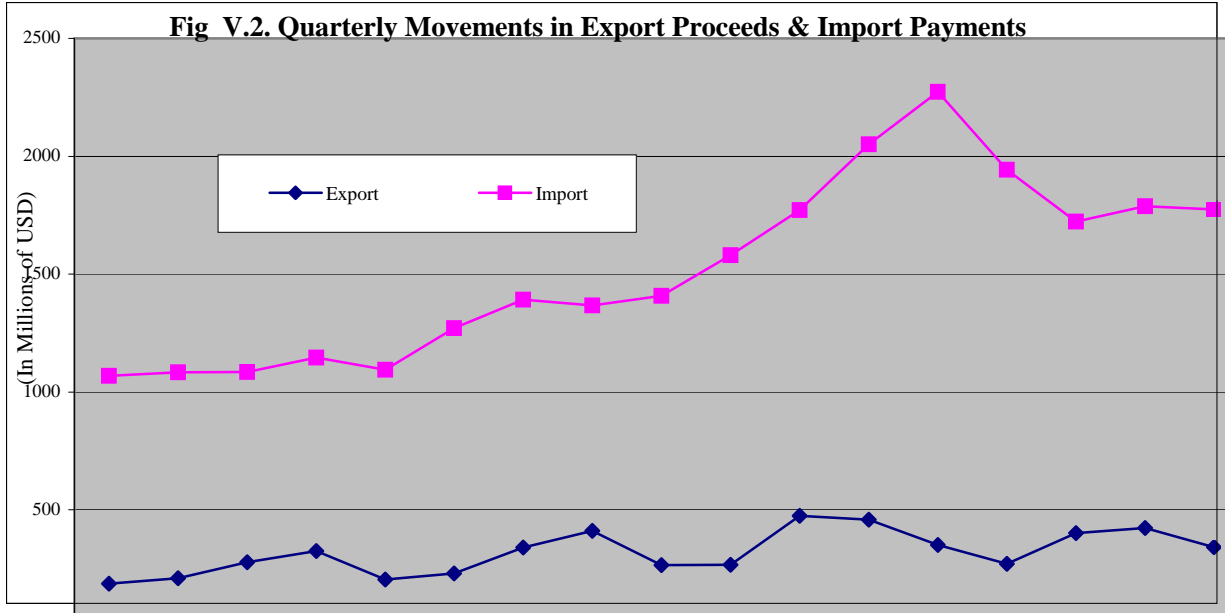
Source: Staff Compilation



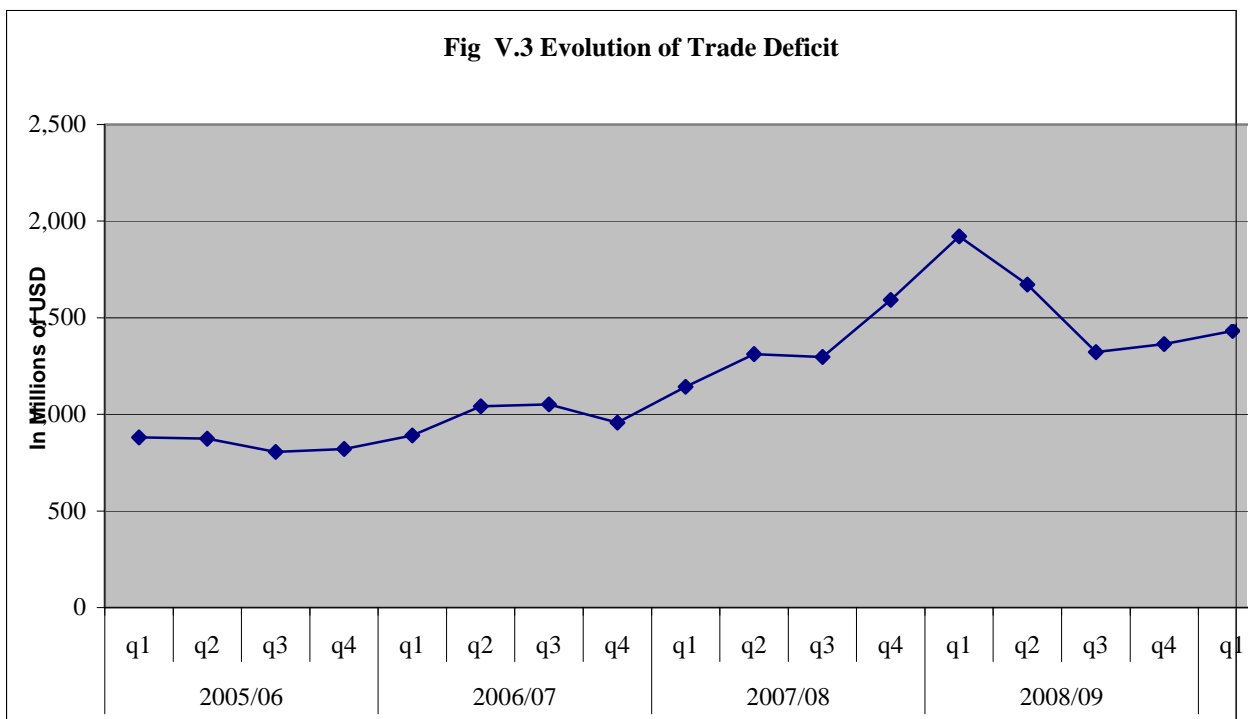
## 5.2 Merchandise Trade

Merchandise trade deficit during the first quarter of 2010/11 narrowed by 14.1 and 3.0 percent on yearly and quarterly basis respectively and stood at USD 1.23

billion. The improvement in annual trade deficit was mainly due to the significant rise in export earnings.



Source: Ethiopian Revenue and Customs Authority



Source: NBE Staff Compilation

## 5.2.1 Exports

Ethiopian merchandise exports are dominated by low value agricultural commodities and susceptible to both supply and price shocks.

Against this backdrop, total merchandise export revenue during the first quarter of 2010/11 reached USD 653.4 million, showing 64.5 percent growth over the same period last year. It, however, declined by 23 percent vis-à-vis the

preceding quarter. The remarkable annual growth in export revenue was largely attributed to higher proceeds from coffee (76.5 percent), gold (175.8 percent), chat (41 percent), live animals (100.2 percent), leather and leather products (67 percent), fruits and vegetables (94.6 percent) and meat and meat products (80 percent).

**Table 5.3 Values of Major Export Items**

(in millions of USD)

Particulars	2009/10				2010/11		Percentage Change	
	Qtr I		Qtr IV		Qtr I		C/B	C/A
	A	percentshare	B	percentshare	C	percentshare		
Coffee	104.7	30.6	239.5	32.8	184.8	32.8	-22.9	76.5
Oilseeds	43.7	12.8	116.1	15.9	64.8	11.5	-44.2	48.3
Leather & Leather products <sup>1</sup>	11.2	3.3	17.9	2.5	18.7	3.3	4.5	66.9
Pulses	28.3	8.3	30.0	4.1	28.7	5.1	-4.5	1.4
Meat & Meat Products	7.3	2.1	10.7	1.5	13.1	2.3	23.1	79.9
Fruits & Vegetables	3.0	0.9	12.9	1.8	5.9	1.1	-54.3	94.6
Live Animals	17.6	5.2	28.6	3.9	35.3	6.3	23.7	100.2
Chat	45.5	13.3	59.8	8.2	64.1	11.4	7.3	41.0
Gold	26.0	7.6	122.5	16.8	71.7	12.7	-41.5	175.8
Flower	34.8	10.2	51.2	7.0	35.3	6.3	-30.9	1.5
Others	20.2	5.9	41.3	5.7	40.8	7.2	-1.2	102.1
<b>Total</b>	<b>342.4</b>	<b>100.0</b>	<b>730.5</b>	<b>100.0</b>	<b>563.4</b>	<b>100.0</b>	<b>-22.9</b>	<b>64.6</b>

**Source:** Ethiopian Revenue and Customs Authority

<sup>1</sup> Previously known as hides and skin

The revenue from export of coffee rose 76.5 percent to USD 184.8 million, compared to the same period last year on account of 57.2 percent increase in volume and 12.2 percent improvement in international price. On quarterly terms, however, revenue from coffee export down was 23 percent as a result of lower volume of export (30.4 percent) which more than offset the 11 percent rise in world price. Coffee accounted for 32.8 percent of the total export proceedings in the review quarter marginally higher than last year.

Similarly, export proceeds from gold amounted to USD 71.7 million, showing 175.8 percent growth over the same quarter last year due to improvement in gold price in the international market. As a result, the share of gold export earning rose to 12.7 percent from 7.6 percent a year ago.

Earning from exports of oilseeds also rose 48.3 percent with respect to the same period last year and reached USD 64.8 million. This was attributed to higher volume of export (26.8 percent) and international prices (17 percent). Hence, revenue from oilseeds accounted for 11.5 percent of total export earnings, slightly lower than 12.8 percent last year.

The proceeds from chat export showed 41 percent annual growth and reached USD 64.1 million. This was solely due to the 45.3 percent surge in volume despite falling international prices. Its share in total export revenue went down to 11.4 percent in the period under review.

Live animals export fetched USD 35.3 million, depicting 100.2 and 23.7 percent increase over the period last year and the previous quarter, respectively. The yearly surge in revenue from export of live animals stemmed from increased volume and higher world prices. As a result, the share of live animals in total export earnings improved to 6.3 percent

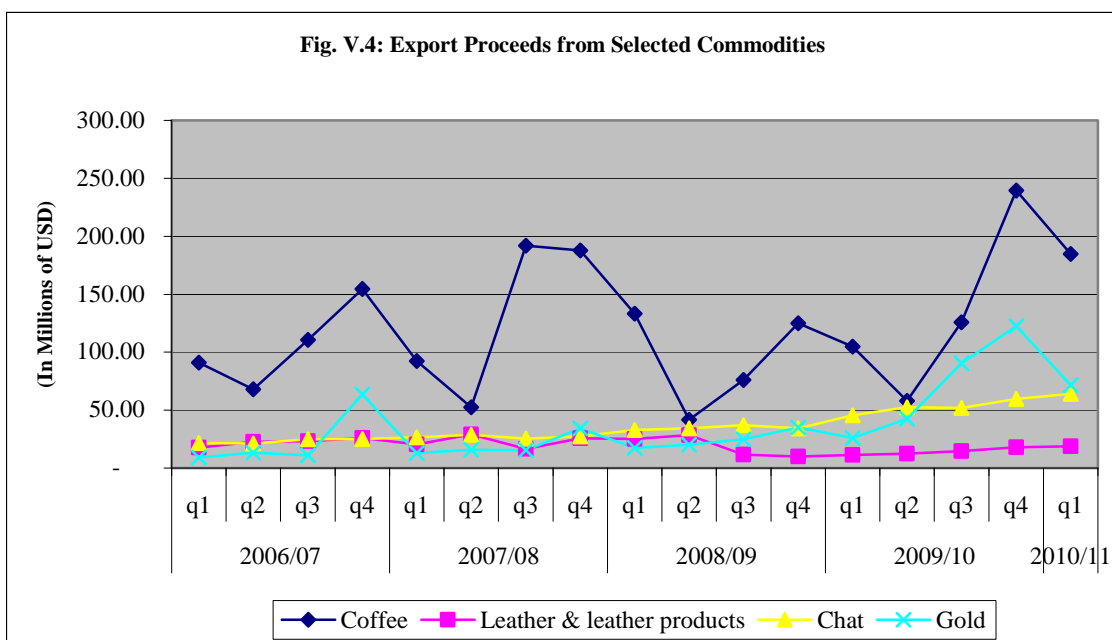
from 5.2 percent last year the same period.

Revenue from leather and leather products was USD 18.7 million, exhibiting 67 percent annual and 4.5 percent quarterly growth. The increase was wholly on account of higher volume of exports. Receipts from these export products constituted about 3.3 percent of total export earnings during the review quarter.

Earning from export of meat and meat products grew by 80 and 23.1 percent on yearly and quarterly basis, respectively. This was due to the increases of both volume and world price. Exports of fruits and vegetables also showed 95 percent annual growth to USD 5.9 million.

Proceeds from flower export reached USD 35.3 million, slightly higher than last year due to 19 percent increase in volume despite 147 percent fall in prices. On quarterly basis, however, revenue from flower export went down by 31 percent as a result of 12.7 percent decline in volume and 21 percent drop in international price. Consequently, the share of flower in total merchandise export earnings dropped to 6.3 percent during the review quarter from 10.2 percent a year ago.

The receipts from exports of pulses reached USD 28.7 million, slightly higher than last year. On quarterly basis, despite a slight improvement in world prices, earning from pulses went down by 4.5 percent owing to 5.4 percent decline in volume.



Source: Ethiopian Revenue and Customs Authority

**Table 5.4: Volume of Major Export Items**

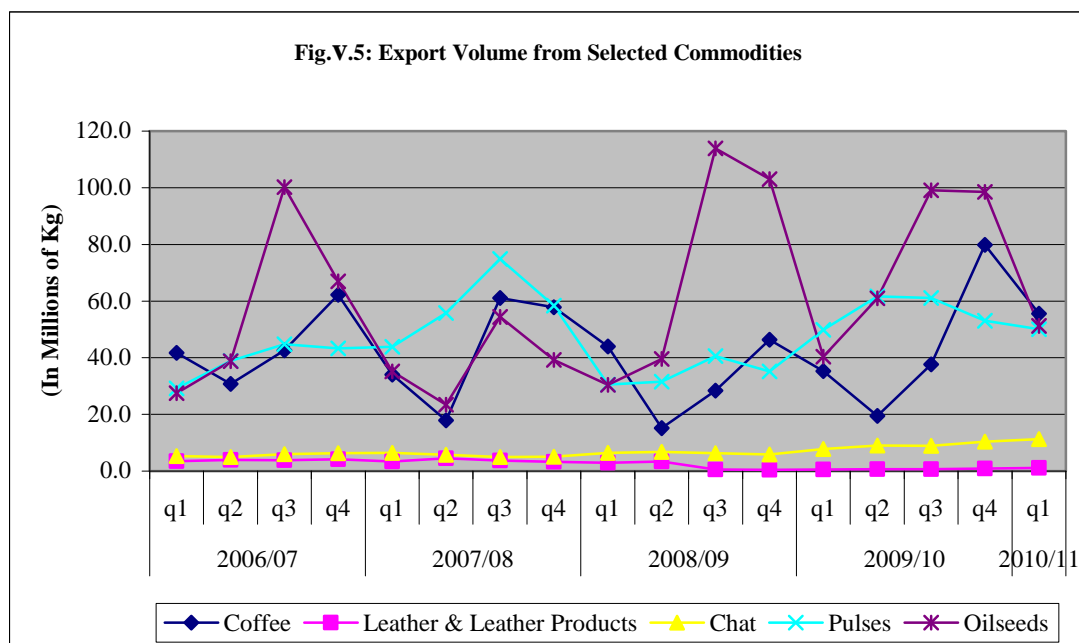
(In Millions of Kg)

Particulars	2009/10		2010/11	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/B	C/A
	A	B	C		
Coffee	35.3	79.8	55.5	-30.4	57.2
Oilseeds	40.4	98.5	51.2	-48.0	26.8
Leather and Leather products	0.6	0.94	1.11	17.7	95.4
Pulses	49.9	53.0	50.1	-5.4	0.4
Meat & Meat Products	2.1	3.2	3.6	14.6	72.7
Fruits & Vegetables	11.9	20.7	19.7	-4.9	65.0
Live Animals	13.7	20.8	26.7	28.4	95.0
Chat	7.8	10.4	11.3	9.2	45.3
Gold	0.0011	0.0035	0.002	-41.9	85.4
Flower	7.3	10.0	8.7	-12.7	19.0

Source: Ethiopian Revenue and Customs Authority

<sup>1</sup> Previously known as hides and skin





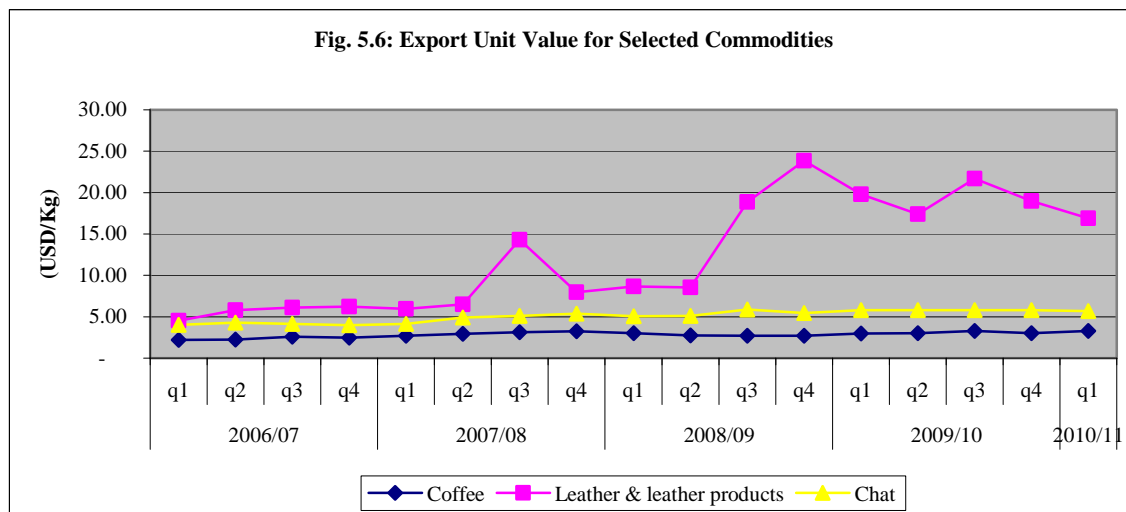
Source: Ethiopian Revenue and Customs Authority

**Table 5.5: Unit Values of Major Export Items**

Particulars	(USD/kg)				
	2009/10		2010/11	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/B	C/A
	A	B	C		
Coffee	3.0	3.0	3.3	10.9	12.2
Oilseeds	1.1	1.2	1.3	7.4	17.0
Leather and Leather products*	19.8	19.0	16.9	-11.3	-14.6
Pulses	0.6	0.6	0.6	1.0	1.0
Meat & Meat Products	3.5	3.4	3.6	7.4	4.2
Fruits & Vegetables	0.3	0.6	0.3	-51.9	17.9
Live Animals	1.3	1.4	1.3	-3.7	2.7
Chat	5.8	5.8	5.7	-1.8	-2.9
Gold	24.0	35.4	35.6	0.7	48.7
Flower	4.8	5.1	4.1	-20.9	-14.7

Source: NBE Staff Computation

\* Previously known as hides and skin



Source: NBE Staff Computation

## 5.2.2 Imports

Ethiopia's imports have been dominated by high value added manufactured products and capital goods; requiring a large amount of foreign exchange. Accordingly, total merchandise import bill during the first quarter of 2010/11 was USD 1.79 billion, showing a 10.3 percent decline on quarterly basis. The quarterly decline in total import bill was attributed to the lower imports of semi-

finished goods (12.4 percent), fuel (19.4 percent) and consumer goods (23.1 percent). Year-on-year basis, total imports showed marginal increase of 1.1 percent largely due to a 25 percent growth in imports of consumer goods 5.1 percent rise in fuel import.

**Table 5.6: Values of Major Import Items**

(in millions of USD)

	2009/10				2010/11		Percentage Changes	
	Qtr I	percent share	Qtr IV	percent share	Qtr I	percent share		
	A		B		C		C/B	C/A
<b>Raw Materials</b>	<b>60.0</b>	<b>3.4</b>	<b>23.4</b>	<b>1.2</b>	<b>33.7</b>	<b>1.9</b>	<b>43.8</b>	<b>-43.8</b>
<b>Semi-finished Goods</b>	<b>286.8</b>	<b>16.2</b>	<b>239.2</b>	<b>12.0</b>	<b>209.4</b>	<b>12.0</b>	<b>-12.4</b>	<b>-27.0</b>
Fertilizers	40.1	2.3	18.3	0.9	17.9	1.0	-2.0	-55.3
<b>Fuel</b>	<b>268.4</b>	<b>15.1</b>	<b>350.0</b>	<b>17.5</b>	<b>282.0</b>	<b>15.7</b>	<b>-19.4</b>	<b>5.1</b>
Petroleum Products	266.9	15.0	347.6	17.4	237.3	13.6	-31.7	-11.1
Others	1.6	0.1	2.5	0.1	1.6	0.1	-33.8	4.4
<b>Capital Goods</b>	<b>657.2</b>	<b>37.1</b>	<b>589.5</b>	<b>29.5</b>	<b>653.4</b>	<b>37.3</b>	<b>10.8</b>	<b>-0.6</b>
Transport	89.8	5.1	131.8	6.6	159.4	9.1	20.9	77.5
Agricultural	15.1	0.9	13.5	0.7	19.8	1.1	46.7	31.4
Industrial	552.4	31.1	444.2	22.2	474.2	27.1	6.7	-14.2
<b>Consumer Goods</b>	<b>469.8</b>	<b>26.5</b>	<b>764.3</b>	<b>38.2</b>	<b>587.8</b>	<b>33.6</b>	<b>-23.1</b>	<b>25.1</b>
Durables	168.2	9.5	249.6	12.5	216.6	12.4	-13.2	28.8
Non-durables	301.6	17.0	514.7	25.8	371.1	21.2	-27.9	23.1
<b>Miscellaneous</b>	<b>31.5</b>	<b>1.8</b>	<b>31.9</b>	<b>1.6</b>	<b>26.2</b>	<b>1.5</b>	<b>-17.9</b>	<b>-16.8</b>
<b>Total Imports</b>	<b>1,773.8</b>	<b>100.0</b>	<b>1,998.4</b>	<b>100.0</b>	<b>1,792.4</b>	<b>100.0</b>	<b>-10.3</b>	<b>1.1</b>

Source: Ethiopian Revenue and Customs Authority

Import bill for capital goods reached USD 653.4 million in the review quarter, depicting 10.8 percent quarterly growth but 0.6 percent annual decline. As a result, the share of capital goods increased to 37.3 percent compared to 29.5 percent in the preceding quarter but remained close to the same quarter of last year.

Likewise, imports of raw materials rose 43.8 percent to USD 33.7 million

compared to the preceding quarter but dropped by 43.8 percent vis-a-vis the corresponding period of last year.

Fuel import, at USD 282 million, showed a 19.4 percent quarterly decline and 5.4 percent annual increase. As a result, its share in total import dropped moderately to 15.7 percent from 17.5 percent a year earlier.

Imports of semi-finished goods went down by 12.4 and 27 percent on

quarterly and annual basis to reach USD 209.4 million owing to the fall in imports of fertilizer.

Similarly, import bill for consumer goods plummeted by 23.1 percent on quarterly basis to USD 587.8 million as a result of 13.2 and 27.9 percent declines in import of durable and non-durable goods, respectively. Year-on-year terms, however, import of consumer goods increased 25 percent. Hence, the share of consumer goods in total import bills went down to 33.6 percent from 38.2 percent in the preceding quarter but increased compared to 26.5 percent a year ago.

Meanwhile, franco-valuta imports amounted to USD 6.9 million, showing 19.3 percent quarterly increase due to higher imports of medicine, medical equipment and food stuffs. Year-on-year. However, franco valuta imports dropped by about 75 percent as a result of slow down in imports of spare parts, electronic goods, cement, and ready made and textiles.

**Table 5.7: Values of Franco valuta Imports**

(In Millions of USD)

Particulars	2009/10		2010/11	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/B	C/A
	A	B	C		
Vehicles	0.0000	0.0000	0.0000	0.0	0.0
Vehicle Spare Parts	0.0150	0.0108	0.0035	-67.7	-76.8
Other Spare Parts	0.0839	0.1146	0.0210	-81.7	-74.9
Textile & Ready Made	0.0011	0.0029	0.0003	-90.7	-76.2
Household Goods	0.0002	0.0084	0.0012	-85.9	389.3
Medicine & Medical Equip.	0.0381	0.0014	0.0435	2962.7	14.3
Food Stuffs	0.0000	0.0010	0.0056	480.7	0.0
Electronic Goods	0.0352	0.0251	0.0163	-35.0	-53.6
Machinery Equip. & Spare Part	0.0000	0.0000	0.0000	0.0	0.0
Others*	27.22	5.63	6.82	21.2	-75.0
<b>Total</b>	<b>27.39</b>	<b>5.79</b>	<b>6.91</b>	<b>19.3</b>	<b>-74.8</b>

Source: NBE

\*Includes cement import on franco valuta basis

## 5.2.3 Direction of Trade

### 5.2.3.1 Exports

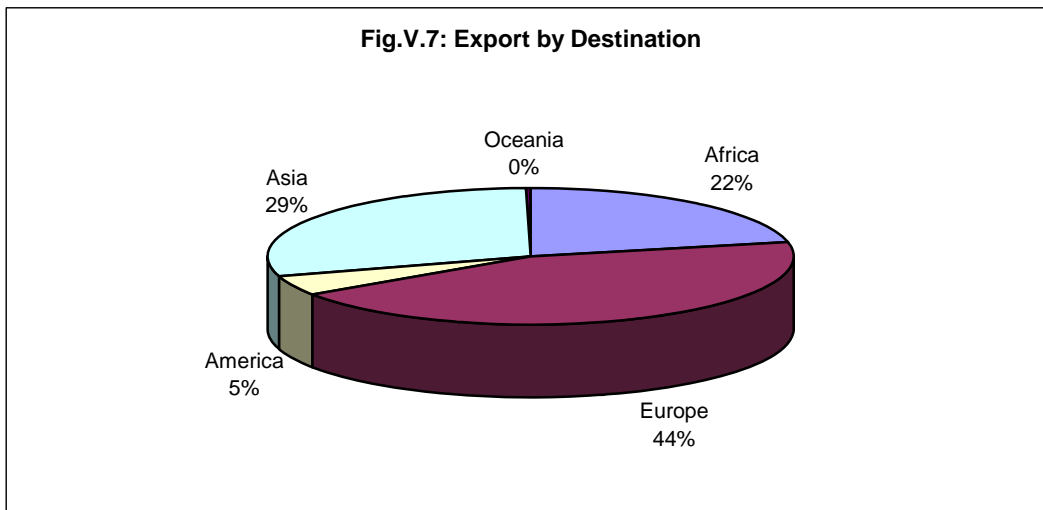
Ethiopia's commodity export is concentrated in few markets. Europe has remained the largest market and accounted for 43.9 percent of Ethiopia's total export in the first quarter of 2010/11. Within Europe, Switzerland was the largest market accounting for about 12.8 percent of total export, largely gold and coffee. Germany was the next important export destination for Ethiopian exports having about 10.6 percent share followed by the Netherlands (5.4percent), Italy (3.4 percent) and United Kingdom (2.9percent), respectively.

Asian countries have also been important export markets taking about 27.2 percent share in total exports of the country in the review period. Of the total exports shipped to Asian markets, exports to China accounted for 33.3 percent, Saudi Arabia 21 percent, United Arab Emirates (UAE) 12.7 percent, Japan 7.7 percent and Israel 5.5 percent.

Under the review quarter, export to China mainly included oilseeds, leather & leather products and mineral products. Main exports to Saudi Arabia were coffee, meat & meat products and oilseeds. UAE imported to meat & meat products, live animals and pulses.

Africa constituted about 22.6 percent of the total Ethiopian export in the review period. Somalia, Sudan and Egypt were the main destinations for about 82.4 percent of Ethiopia's total exports to Africa. Major exports to Somalia were chat, live animals and vegetables in terms of export value. Similarly, main exports to Sudan included pulses, cereals, live animals and coffee. Exports to Egypt included live animals.

America imported about 5.6 percent of Ethiopia's total exports during the first quarter of 2010/11. Of the total exports to America, USA and Canada accounted for 98.2 percent. The main export items to these two countries were coffee and oilseeds.



Source: Ethiopian Revenue and Customs Authority

### 5.2.3.2 Imports

Ethiopia's merchandise import originated mainly from Asia and Europe. Few countries from America and Africa have also been sources of imports. Imports from Asia and Europe during review quarter accounted for 68.8 and 20.7 percent while those from America and Africa constituted 6.4 and 3.8 percent respectively.

Of the total imports from Asia, the share of China and India was about 9.1 and 7.3 percent. The main imported items from these countries included machinery, electrical materials, metal, clothing and motor vehicles. UAE and Saudi Arabia were also the sources for 7.9 and 5.7 percent of total imports (mainly petroleum), respectively.

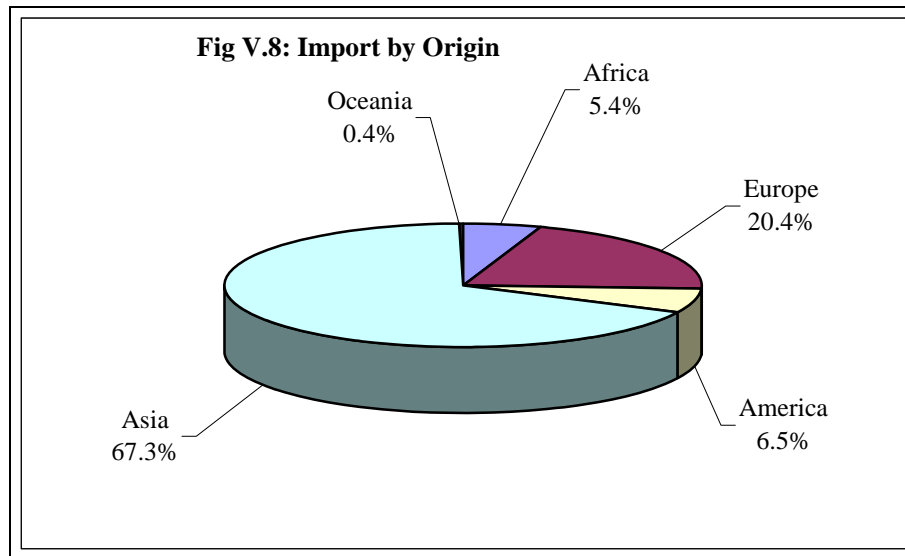
Among European countries, Italy, Turkey and Germany were the largest

exporters to Ethiopia (including electric materials, machinery, metal, medical & pharmaceutical products and road & motor vehicles).

Within America, imports from USA constituted 2.7 percent of total imports (mainly grains, machinery, electrical materials, vehicles, medical & pharmaceutical products and food & live animals). Similarly, about 3.3 percent of

total imports (largely machineries and tobacco) came from Brazil.

In Africa, Sudan, Egypt, South Africa and Kenya were the main origins of import items such as petroleum, electrical materials, metal and metal products, chemicals, paper & paper products and soap & polish.



Source: Ethiopian Revenue and Customs Authority

### 5.3 Services and Transfers

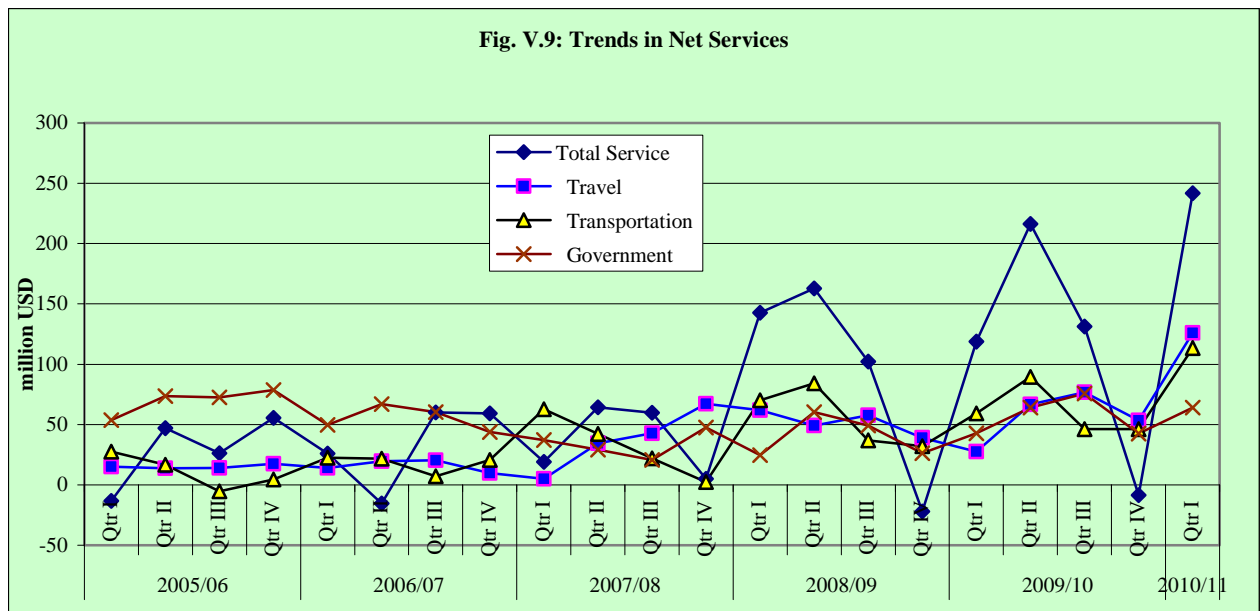
In the first quarter of 2010/11, service account registered a surplus of USD 241.7 million, 104 percent higher than the same period of last year. This was due to substantial growth in net receipts

from travel, transport and government services.

Net receipts from travel surged 358.6 percent to USD 126 million while net

transport and government services rose by 91.2 and 49.7 percent to reach USD 113.4 and USD 64.1 million, respectively. Net investment income, however, went down by 38.8 percent to USD 7.7 million.

In general, the review quarter witnessed 31.7 percent growth in net receipts, which outweighed the 7.1 percent rise in net payments.





**Table 5.8: Trends in Service Accounts**

(In Millions of USD)

Particulars	2009/10				2010/11		Percentage Change	
	Qtr I A	percent Share	Qtr IV B	percent Share	Qtr I C	percent Share	C/B	C/A
<b>Receipts</b>	<b>465.6</b>	<b>100.0</b>	<b>493.3</b>	<b>100.0</b>	<b>613.3</b>	<b>100.0</b>	<b>24.3</b>	<b>31.7</b>
Travel	60.3	13.0	85.3	17.3	162.6	26.5	90.7	169.5
Transportation	261.6	56.2	286.1	58.0	304.9	49.7	6.6	16.5
Government (n.i.e)	59.7	12.8	43.8	8.9	69.1	11.3	57.7	15.7
Investment Income	0.6	0.1	1.0	0.2	3.9	0.6	298.6	563.8
Interest	0.6	0.1	1.0	0.2	3.9	0.6	298.6	563.8
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other Services	83.3	17.9	77.2	15.6	72.8	11.9	-5.6	-12.6
Communication Services	24.7	5.3	26.8	5.4	26.7	4.4	-0.4	8.3
Construction Services	6.7	1.4	2.9	0.6	2.6	0.4	-10.3	-61.3
Insurance Services	0.0	0.0	0.4	0.1	1.5	0.2	320.3	4071.8
Financial Services	4.8	1.0	0.0	0.0	0.1	0.0	2247.1	-97.1
Computer and Information Service	0.3	0.1	0.2	0.0	0.3	0.0	53.0	11.8
Other Business Services	46.2	9.9	46.9	9.5	41.5	6.8	-11.5	-10.0
Personal, cultural and recreational	0.7	0.2	0.0	0.0	0.0	0.0	-	-
<b>Payments</b>	<b>346.9</b>	<b>100.0</b>	<b>501.8</b>	<b>100.0</b>	<b>371.6</b>	<b>100.0</b>	<b>-25.9</b>	<b>7.1</b>
Travel	32.9	9.5	31.9	6.4	36.6	9.9	14.7	11.5
Transportation	202.3	58.3	239.9	47.8	191.5	51.5	-20.2	-5.3
Government (n.i.e)	16.9	4.9	1.2	0.2	5.0	1.3	314.3	-70.5
Investment Income	13.1	3.8	25.1	5.0	11.6	3.1	-53.8	-11.5
Interest	8.9	2.6	10.5	2.1	3.2	0.9	-70.0	-64.6

cash (Banks & MOF)	8.1	2.3	10.1	2.0	3.2	0.9	-68.8	-61.2
arrears	0.0	0.0	0.0	0.0	0.0	0.0	-	-
relief	0.8	0.2	0.4	0.1	0.0	0.0	-	-
Dividend	4.2	1.2	14.5	2.9	8.4	2.3	-41.9	102.0
Other Services	81.7	23.6	203.7	40.6	126.9	34.2	-37.7	55.3
Communication Services	8.5	2.5	3.6	0.7	4.5	1.2	25.8	-46.9
Construction Services	31.8	9.2	126.7	25.2	60.7	16.3	-52.1	90.6
Insurance Services	2.7	0.8	2.8	0.6	4.4	1.2	56.9	64.7
Financial Services	0.1	0.0	0.1	0.0	0.7	0.2	1192.0	468.3
Computer and Information Service	1.6	0.5	0.9	0.2	1.5	0.4	57.2	-5.3
Other Business Services	37.0	10.7	69.6	13.9	55.1	14.8	-20.9	48.9
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
<b>Net Services</b>	<b>118.7</b>		<b>-8.5</b>		<b>241.7</b>		<b>50040</b>	<b>103.6</b>

Source: Staffs Computation

Total net transfers showed a surplus of USD 999.8 million in the review quarter, slightly (2.7 percent) higher than the same quarter last year. The marginal increase in net transfers was owing to 17.4 percent growth in official transfers from USD 393.9 million to USD 462.6 million.

Net private transfers (including NGO's transfer), which constituted 52.7 percent of the total transfers, declined to USD 537.2 million in the period under review from USD 579.2 million last year, due to

lower private individual transfers, particularly in kind and underground transfers. Private individual transfers in the form of cash (remittances), however, went up by about 25 percent to USD 230 million.

Likewise, net transfers of NGO's reached USD 235.9 million showing a 30.6 percent increase from USD 178.5 million a year earlier.

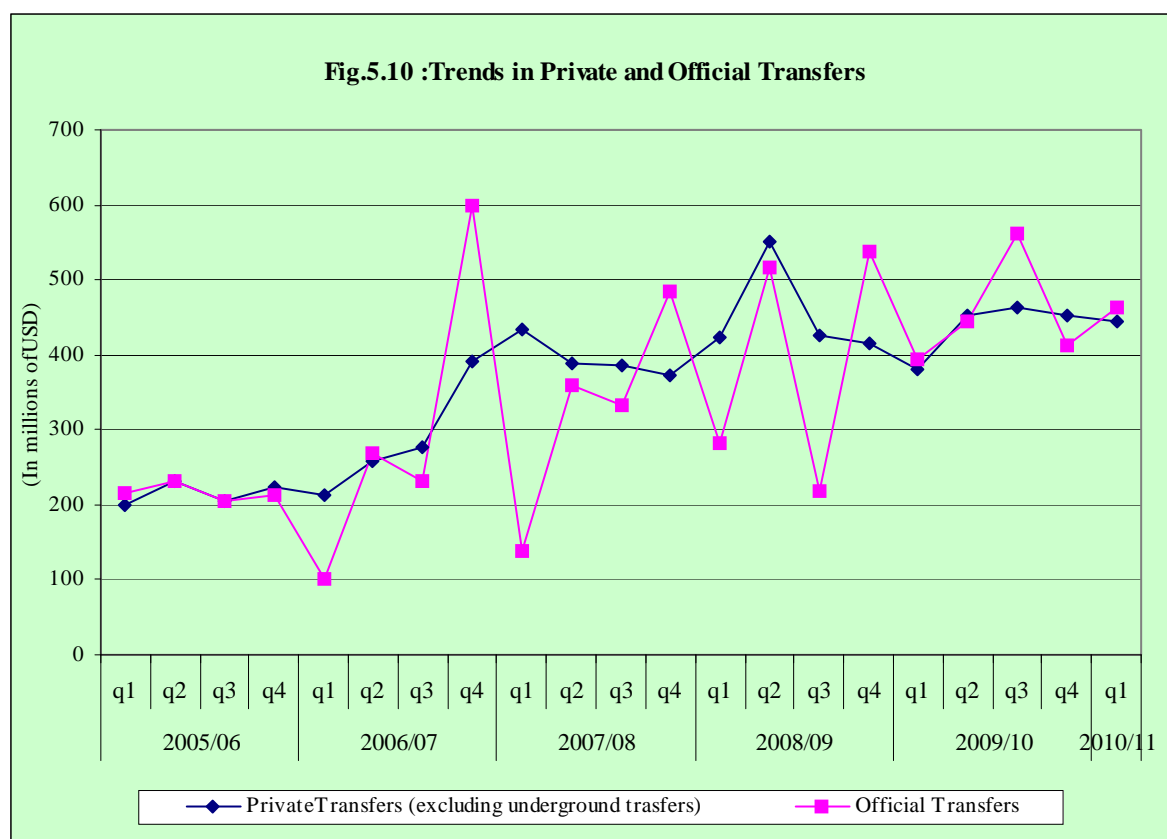
**Table 5.9: Developments in Transfer Accounts**

(In Millions of USD)

Particulars	2009/10				2010/11		Percentage Change	
	A	percent share	B	percent share	C	percent share	C/B	C/A
	Q I		Q IV		Q I			
<b>Private Transfers</b>	<b>579.9</b>	<b>59.5</b>	<b>727.8</b>	<b>63.9</b>	<b>537.2</b>	<b>53.7</b>	<b>-26.2</b>	<b>-7.4</b>
Credit	588.2	59.8	736.9	63.8	564.4	53.6	-23.4	-4.0
<b>NGO's</b>	<b>178.5</b>	<b>18.2</b>	<b>272.1</b>	<b>23.6</b>	<b>235.9</b>	<b>22.4</b>	<b>-13.3</b>	<b>32.2</b>
Cash	178.5	18.2	243.8	21.1	233.0	22.1	-4.4	30.6
Other	0.00	0.0	28.4	2.5	0.0	0.0	-	-
Food	0.00	0.0	0.0	0.0	2.9	0.3	-	-
<b>Private individuals</b>	<b>409.7</b>	<b>41.7</b>	<b>464.8</b>	<b>40.3</b>	<b>328.5</b>	<b>31.2</b>	<b>-29.3</b>	<b>-19.8</b>
Cash	184.1	18.7	183.1	15.9	230.0	21.8	25.6	24.9
In kind	27.3	2.8	5.8	0.5	6.9	0.7	19.3	-74.7
Under ground	198.3	20.2	275.9	23.9	91.6	8.7	-66.8	-53.8
Debit	-8.3	86.2	-9.1	60.5	-27.3	51.2	200.2	229.3
<b>Official Transfers</b>	<b>393.9</b>	<b>40.5</b>	<b>411.9</b>	<b>36.1</b>	<b>462.6</b>	<b>46.3</b>	<b>12.3</b>	<b>17.4</b>
Credit	395.3	40.2	417.9	36.2	488.6	46.4	16.9	23.6
Cash	361.6	36.8	372.9	32.3	486.6	46.2	30.5	34.6

Other	0.00	0.0	0.0	0.0	0.0	0.0	-	-
Food	33.7	3.4	45.0	3.9	2.0	0.2	-95.6	-
Debit	-1.3	13.8	-5.9	39.5	-26.0	48.8	337.8	1859.4
<b>Total Receipts</b>	<b>983.5</b>	<b>101.0</b>	<b>1154.8</b>	<b>101.3</b>	<b>1053.0</b>	<b>105.3</b>	<b>-8.8</b>	<b>7.1</b>
<b>Total Payments</b>	<b>-9.6</b>	<b>-1.0</b>	<b>-15.0</b>	<b>-1.3</b>	<b>-53.3</b>	<b>-5.3</b>	<b>254.6</b>	<b>454.3</b>
<b>Net Transfers</b>	<b>973.9</b>	<b>100.0</b>	<b>1139.7</b>	<b>100.0</b>	<b>999.8</b>	<b>100.0</b>	<b>-12.3</b>	<b>2.7</b>

Source: Staff Computation



In the review quarter, current account balance (including official transfers) showed a surplus of USD 12.0 million in contrast to the USD 339 million deficit a

## 5.4 Current Account

year ago. This was ascribed to improvements in net services account, private and official transfers.

## **5.5 Capital account**

The capital account surplus increased 7.8 percent to USD 374.7 million from USD 347.5 million during same quarter of last year, on account of 34.1 percent growth in long term loan disbursements. Estimated foreign direct investment inflows, however, dropped by 3.1 percent to USD 192 million.

## **5.6 Changes in Reserve Position**

As a result of the surplus in overall balance of payments, net foreign assets of the banking system registered USD 257.8 million build-up compared to USD 197.6 million draw down during the same quarter of last year. Consequently,

the gross official reserves position as at September 30, 2010 was sufficient to cover 2.0 months of import of goods and non-factor services of next year.

## **5.7 Developments in the Foreign Exchange Market**

### **5.7.1 Exchange Rate Movements**

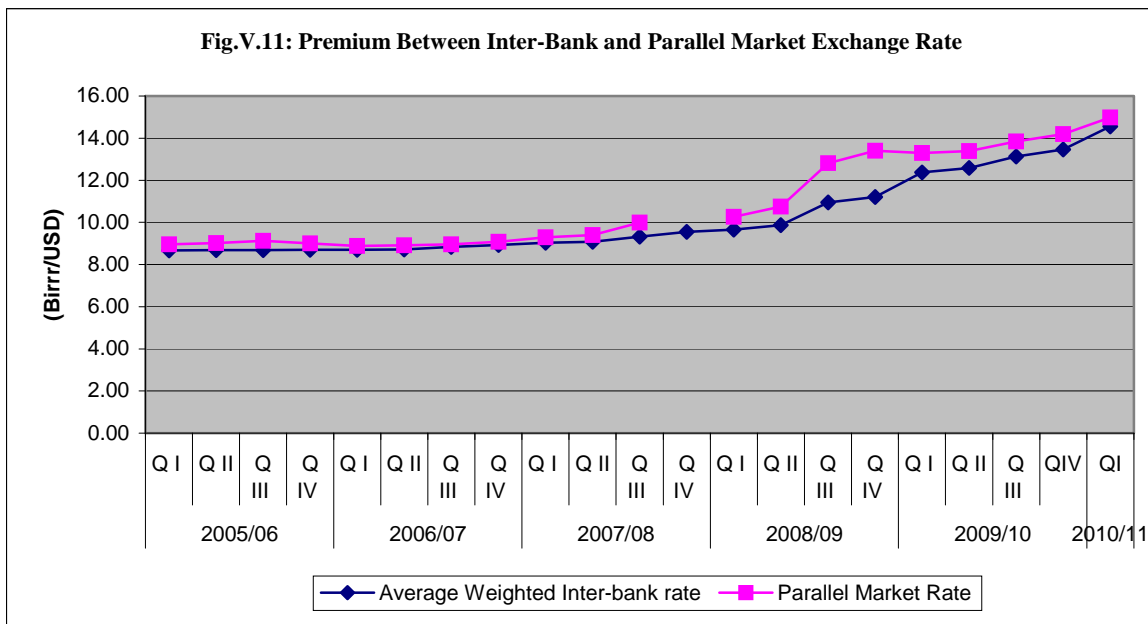
In the inter bank foreign exchange market, the official average exchange rate of the Birr stood at 14.5535/USD, depreciating by 17.6 percent relative to a year earlier and 8 percent over the preceding quarter.

Likewise, the Birr in the parallel market lost ground by depreciating 12.7 and 5.6 percent in comparison to last year and the previous quarter, respectively. Accordingly, Birr 14.9833 was exchanged for one USD. Thus, the premium between the official and parallel market rates in the stated period narrowed to 2.95 percent from 7.42 percent in the same quarter of last year and 5.4 percent in the preceding quarter (Table 5.10).

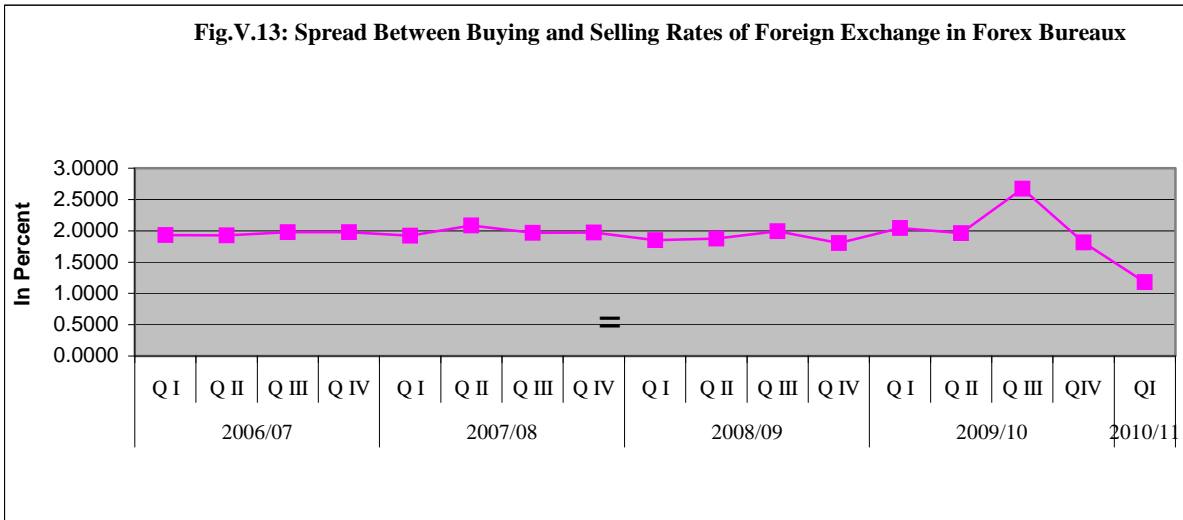
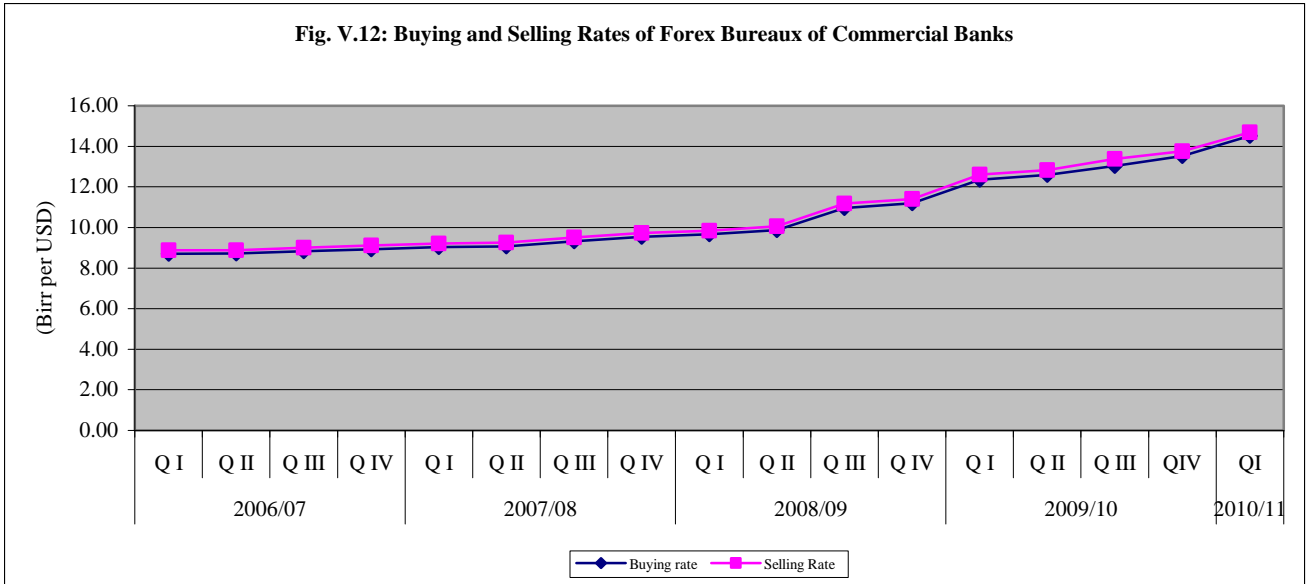
**Table 5.10: Exchange Rates in the Inter-bank Foreign Exchange Market**

Period		Rates in Birr per USD		Amount Traded in Millions of USD		Parallel Market		Premium
		End Period Rates		Total	O/w Among CBs	End Period	Average	
		Weighted Rate	Average Weighted Rate					
<b>2009/10</b>								
<b>Qtr. I</b>	<b>C</b>	<b>12.5377</b>	<b>12.3746</b>	<b>3.3</b>	<b>0.0</b>	<b>13.3000</b>	<b>13.2933</b>	<b>7.42</b>
July		12.4721	12.1111	1.15	0.0	13.4000	13.3200	9.98
August		12.5062	12.4899	1.05	0.0	13.3000	13.3800	7.13
September		12.5377	12.5227	1.05	0.0	13.3000	13.1800	5.25
<b>Qtr. IV</b>	<b>B</b>	<b>13.5321</b>	<b>13.4697</b>	<b>3.1</b>	<b>0.0</b>	<b>14.2300</b>	<b>14.1863</b>	<b>5.32</b>
April		13.451	13.4282	1.05	0.0	14.1600	14.1800	5.60
May		13.4872	13.4703	0.95	0.0	14.2100	14.1600	5.12
June		13.5321	13.5105	1.05	0.0	14.2300	14.2189	5.24
<b>2010/11</b>								
<b>Qtr. I</b>	<b>A</b>	<b>16.3888</b>	<b>14.5535</b>	<b>3.2</b>	<b>0.0</b>	<b>16.7300</b>	<b>14.9833</b>	<b>2.95</b>
July		13.5822	13.5593	1.10	0.0	14.1200	14.1700	4.50
August		13.6284	13.7312	1.10	0.0	14.1600	14.1500	3.05
September		16.3888	16.3701	1.00	0.0	16.7300	16.6300	1.59
<b>Percentage changes</b>	<b>A/B</b>	21.1	8.0	4.9	-	17.6	5.6	-44.5
	<b>A/C</b>	30.7	17.6	-1.5	-	25.8	12.7	-60.2

Source: NBE, Foreign Exchange Monitoring & Reserve Management Directorate



The average buying and selling rates of foreign exchange in forex bureaux of commercial banks during the review quarter depreciated by 7.7 and 7 percent over the previous quarter, respectively and stood at Birr 14.5220/USD. Thus, the average spread between the buying and selling rates was 1.2 percent.



The movements of US Dollar exchange rate with respect to foreign currencies

had a bearing on the exchange rate of the Birr against major foreign currencies



as USD is an intervention currency in Ethiopia.

Accordingly, the mid exchange rate of the US dollar vis-à-vis major international currencies depreciated during the first quarter of 2010/11 compared to the preceding quarter. The highest depreciation of US dollar was observed against Japanese Yen and Swiss Frank (each 7.3 percent) followed by Pound Sterling (3.6 percent), SDR (1.7 percent) and Euro (0.9 percent). Similarly, relative to last year, the US dollar lost ground in relation to Japanese Yen (9.2 percent) and Swiss Frank (3.1 percent). It, however appreciated against Euro (9.5 percent), Pound Sterling (5.8 percent) and SDR (3 percent) (Table 5.11).

**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
<b>2009/10</b>																
<b>Qtr. I</b>	<b>C</b>	<b>1.4291</b>	<b>1.4287</b>	<b>1.4289</b>	<b>0.0107</b>	<b>0.0107</b>	<b>0.0107</b>	<b>1.5625</b>	<b>1.5625</b>	<b>1.5625</b>	<b>1.6409</b>	<b>1.6409</b>	<b>1.6409</b>	<b>0.9404</b>	<b>0.9404</b>	<b>0.9404</b>
July		1.4077	1.4078	1.4077	0.0106	0.0106	0.0106	1.5519	1.5520	1.5520	1.6366	1.6367	1.6367	0.9262	0.9262	0.9262
August		1.4257	1.4257	1.4257	0.0105	0.0105	0.0105	1.5594	1.5594	1.5594	1.6561	1.6561	1.6561	0.9352	0.9352	0.9352
September		1.4538	1.4525	1.4531	0.0109	0.0109	0.0109	1.5763	1.5763	1.5763	1.6300	1.6300	1.6300	0.9597	0.9597	0.9597
<b>Qtr. IV</b>	<b>B</b>	<b>1.2822</b>	<b>1.2794</b>	<b>1.2808</b>	<b>0.0108</b>	<b>0.0109</b>	<b>0.0109</b>	<b>1.4900</b>	<b>1.4900</b>	<b>1.4900</b>	<b>1.4915</b>	<b>1.4915</b>	<b>1.4915</b>	<b>0.9032</b>	<b>0.9032</b>	<b>0.9032</b>
April		1.3416	1.3415	1.3416	0.0107	0.0107	0.0107	1.5187	1.5187	1.5187	1.5325	1.5325	1.5325	0.9356	0.9356	0.9356
May		1.2837	1.2753	1.2795	0.0108	0.0108	0.0108	1.4833	1.4833	1.4833	1.4703	1.4703	1.4703	0.8905	0.8905	0.8905
June		1.2214	1.2214	1.2214	0.0110	0.0111	0.0110	1.4681	1.4681	1.4681	1.4717	1.4717	1.4717	0.8833	0.8833	0.8833
<b>2010/11</b>																
<b>Qtr. I</b>	<b>A</b>	<b>1.2898</b>	<b>1.2953</b>	<b>1.2926</b>	<b>0.0117</b>	<b>0.0117</b>	<b>0.0117</b>	<b>1.5141</b>	<b>1.5164</b>	<b>1.5153</b>	<b>1.5490</b>	<b>1.5413</b>	<b>1.5452</b>	<b>0.9684</b>	<b>0.9698</b>	<b>0.9691</b>
July		1.2729	1.2832	1.2781	0.0114	0.0114	0.0114	1.5000	1.5000	1.5000	1.5259	1.5259	1.5259	0.9469	0.9470	0.9469
August		1.2911	1.2976	1.2943	0.0117	0.0118	0.0117	1.5190	1.5258	1.5224	1.5662	1.5718	1.5690	0.9608	0.9652	0.9630
September		1.3053	1.3053	1.3053	0.0118	0.0118	0.0118	1.5234	1.5235	1.5235	1.5549	1.5261	1.5405	0.9974	0.9974	0.9974
<b>Percentage change</b>	<b>A/B</b>	0.59	1.24	0.92	7.46	7.20	7.33	1.62	1.77	1.70	3.86	3.34	3.60	7.22	7.38	7.30
	<b>A/C</b>	-9.75	-9.33	-9.54	9.10	9.25	9.17	-3.10	-2.95	-3.02	-5.60	-6.07	-5.84	2.98	3.13	3.06

Source: Staff Compilation

Against this backdrop, the Birr depreciated against all major international currencies. The highest depreciation was witnessed vis-à-vis

Swiss Frank (15.8 percent) Japanese Yen (15.7 percent), Pound Sterling (11.5 percent), SDR (9.5 percent) and Euro (8.7 percent) (Table 5.12).

**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
<b>2009/10</b>																			
<b>Qtr. I</b>	<b>C</b>	<b>12.3562</b>	<b>12.4796</b>	<b>12.4179</b>	<b>17.6625</b>	<b>17.8337</b>	<b>17.7481</b>	<b>0.1320</b>	<b>0.1333</b>	<b>0.1327</b>	<b>19.3092</b>	<b>19.5025</b>	<b>19.4058</b>	<b>20.2769</b>	<b>20.4797</b>	<b>20.3783</b>	<b>11.6222</b>	<b>11.7384</b>	<b>11.6803</b>
July		12.0606	12.1808	12.1207	16.9815	17.1513	17.0664	0.1277	0.1289	0.1283	18.7195	18.9067	18.8131	19.7416	19.9390	19.8403	11.1725	11.2842	11.2283
August		12.4875	12.6124	12.5499	17.8038	17.9818	17.8928	0.1315	0.1328	0.1322	19.4725	19.6678	19.5701	20.6804	20.8872	20.7838	11.6778	11.7946	11.7362
September		12.5204	12.6456	12.5830	18.2022	18.3680	18.2851	0.1368	0.1382	0.1375	19.7356	19.9329	19.8343	20.4087	20.6128	20.5108	12.0163	12.1364	12.0763
<b>Qtr. IV</b>	<b>B</b>	<b>13.4676</b>	<b>13.6023</b>	<b>13.5349</b>	<b>17.2667</b>	<b>17.4014</b>	<b>17.3341</b>	<b>0.1460</b>	<b>0.1481</b>	<b>0.1470</b>	<b>20.0663</b>	<b>20.2669</b>	<b>20.1666</b>	<b>20.0859</b>	<b>20.2867</b>	<b>20.1863</b>	<b>12.1626</b>	<b>12.2843</b>	<b>12.2235</b>
April		13.4270	13.5613	13.4942	18.0129	18.1931	18.1030	0.1437	0.1452	0.1444	20.3921	20.5960	20.4941	20.5770	20.7828	20.6799	12.5629	12.6885	12.6257
May		13.4674	13.6021	13.5347	17.2882	17.3472	17.3177	0.1460	0.1475	0.1467	19.9756	20.1754	20.0755	19.8003	19.9983	19.8993	11.9929	12.1128	12.0529
June		13.5084	13.6434	13.5759	16.4991	16.6640	16.5816	0.1484	0.1516	0.1500	19.8311	20.0294	19.9302	19.8803	20.0791	19.9797	11.9322	12.0515	11.9918
<b>2010/11</b>																			
<b>Qtr. I</b>	<b>A</b>	<b>14.5110</b>	<b>14.6370</b>	<b>14.5740</b>	<b>18.7306</b>	<b>18.9674</b>	<b>18.8490</b>	<b>0.1693</b>	<b>0.1710</b>	<b>0.1701</b>	<b>21.9804</b>	<b>22.2010</b>	<b>22.0907</b>	<b>22.4838</b>	<b>22.5431</b>	<b>22.5134</b>	<b>14.0795</b>	<b>14.2205</b>	<b>14.1500</b>
July		13.5571	13.6927	13.6249	17.2575	17.5705	17.4140	0.1547	0.1562	0.1554	20.3356	20.5390	20.4373	20.6876	20.8945	20.7911	12.8377	12.9665	12.9021
August		13.6053	13.6836	13.6444	17.5651	17.7490	17.6571	0.1592	0.1608	0.1600	20.6664	20.8730	20.7697	21.3085	21.5011	21.4048	13.0727	13.2034	13.1380
September		16.3706	16.5348	16.4527	21.3691	21.5828	21.4759	0.1940	0.1959	0.1949	24.9391	25.1911	25.0651	25.4553	25.2336	25.3444	16.3282	16.4915	16.4099
<b>Percentage change</b>	<b>A/B</b>	7.75	7.61	7.68	8.48	9.00	8.74	15.91	15.46	15.68	9.54	9.54	9.54	11.94	11.12	11.53	15.76	15.76	15.76
	<b>A/C</b>	17.44	17.29	17.36	6.05	6.36	6.20	28.24	28.23	28.24	13.83	13.84	13.84	10.88	10.08	10.48	21.14	21.14	21.14

Source: National Bank of Ethiopia

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

Currency	Sep-09	Jun-10	Sep-10	Percentage change	
	C	B	A	A/B	A/C
USD	12.5989	13.5998	16.4708	21.1	30.7
Pound	20.1822	20.4704	26.0271	27.1	29.0
Swedish Kroner	1.8015	1.7395	2.4501	40.8	36.0
Djibouti Frank	0.0709	0.0781	0.0945	21.1	33.4
Swiss Frank	12.1858	12.4986	16.8430	34.8	38.2
Saudi Riyal	3.3594	3.6261	4.3917	21.1	30.7
UAE Dirhams	3.4301	3.6827	4.4843	21.8	30.7
Canadian Dollar	11.6538	12.9510	16.0331	23.8	37.6
Japanese Yen	0.1405	0.1533	0.1969	28.4	40.2
Euro	18.4234	16.5741	22.4134	35.2	21.7
SDR	19.8755	20.1222	25.4549	26.5	28.1

Source: National Bank of Ethiopia

### 5.7.2. Movements in Real Effective Exchange Rate

During the first quarter of 2010/11, the real effective exchange rate (REER) showed 19.5 percent annual and 9.1 percent quarterly depreciation. This was due to 20 percent nominal exchange rate adjustment made in September 2010 and slowdown in domestic inflation relative to that of trading partners. The faster depreciation of the real

effective exchange rate is expected to improve the country's external sector competitiveness. Similarly, the nominal effective exchange rate (NEER) depreciated by 20.1 and 8.4 percent relative to the preceding quarter and a year earlier, respectively (Table 5.14).

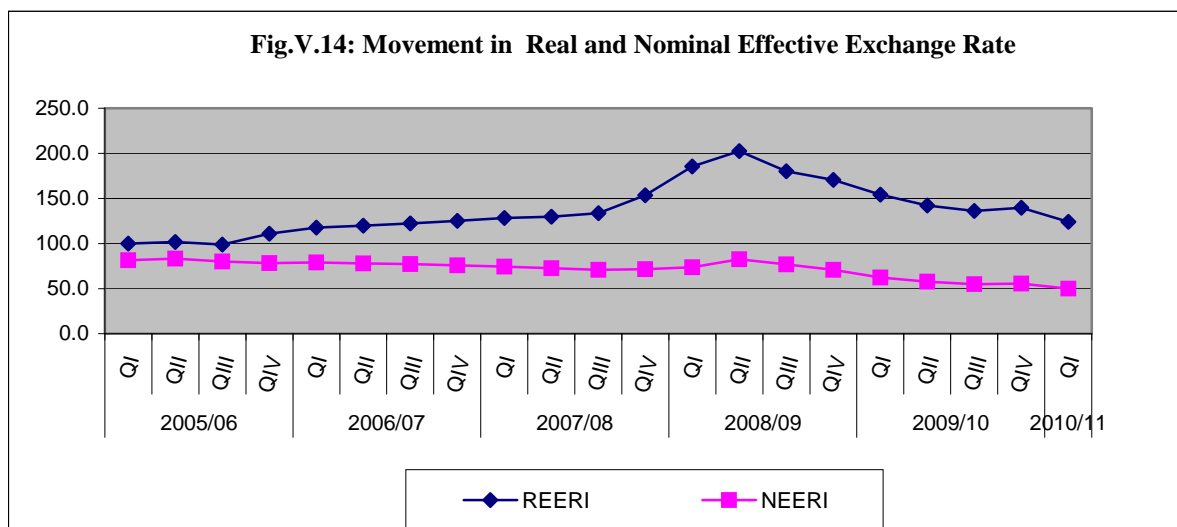
**Table 5.14 Trends in the Real Effective Exchange Rate**

	2009/10		2010/11	Percentage Change	
	QI	QIV	QI	C/B	
	A	B	C	C/B	C/A
<b>REERI</b>	154.3	136.7	124.2	<b>-9.13</b>	<b>-19.52</b>
<b>NEERI</b>	62.5	54.5	49.9	<b>-8.41</b>	<b>-20.10</b>

**REERI = Real Effective Exchange Rate Index**

**NEERI = Nominal Effective Exchange Rate Index**

Note:- A decrease in Index implies depreciation

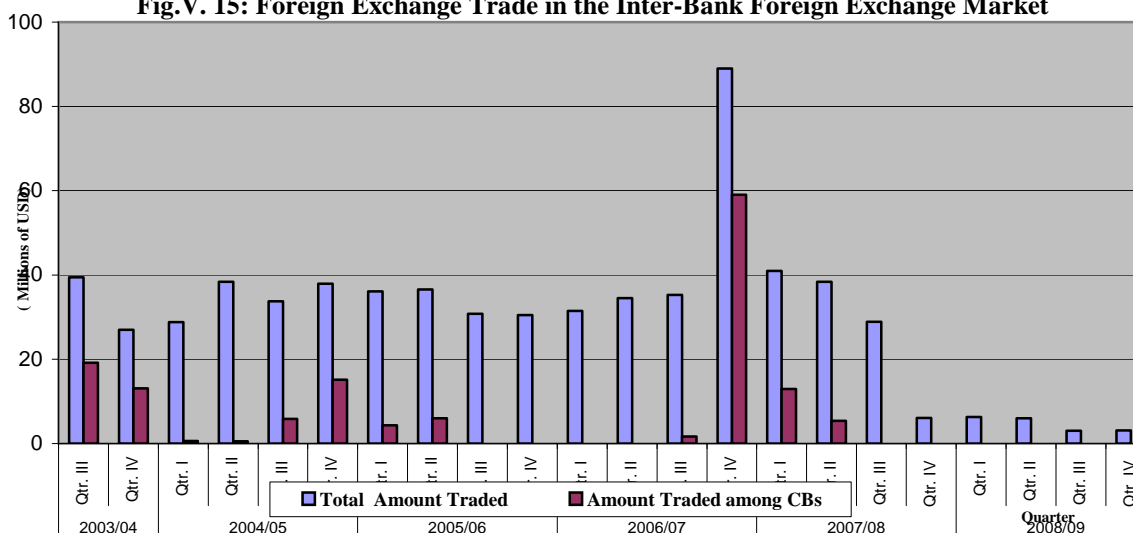


### 5.7.3 Volume of Transactions

The amount of foreign exchange traded in the inter-bank foreign exchange market during the review period rose 4.9 percent to USD 3.2 million from USD

3.1 million in previous quarter. However, it dropped 1.5 percent relative to the same period of last year. All the transactions in the interbank market were between NBE and commercial banks (Table 5.10).

**Fig.V. 15: Foreign Exchange Trade in the Inter-Bank Foreign Exchange Market**



The amount of foreign exchange purchased by forex bureaux of commercial banks during the period was USD 54.5 million, 1.5 percent lower than the preceding quarter but 45 percent higher than last year. On the other hand, their sales significantly dropped (72.4 percent quarterly and 71.4 percent annually) to USD 3.5 million,

presumably due to credit ceiling, foreign exchange shortage and/or the high cost of borrowing in terms of Birr following the massive depreciation in the first week of September 2010 (Table 5.15).

**Table 5.15: Amount of Foreign Exchange Purchased and Sold by Forex Bureaux of Commercial Banks**

(In millions of USD)

No	Name of Forex Bureaux	No of Branches	2009/10				2010/11		Percentage Change			
			Quarter I		Quarter IV		Quarter I		C/B		C/A	
			A		B		C		Purchases	Sales	Purchases	Sales
			Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	121	5.3	0.0	17.7	0.1	11.7	0.0	-34.1	-66.4	121.8	-18.2
2	Bank of Abyssinia	28	0.9	1.6	0.5	1.0	0.9	0.3	88.2	-69.6	7.9	-82.0
3	Dashen Bank	58	3.7	4.4	2.3	5.5	2.7	1.5	15.1	-72.1	-27.8	-65.0
4	Awash International Bank	15	0.4	1.9	7.6	1.7	9.9	0.4	30.3	-76.8	2304.1	-78.1
5	Construction and Business Bank	5	0.2	0.1	0.2	0.0	0.2	0.0	-10.4	-92.4	-13.1	-96.7
6	Wegagen Bank	19	2.0	1.0	8.5	0.6	10.3	0.0	21.2	-93.5	422.3	-95.7
7	United Bank	34	3.8	1.6	5.6	2.0	4.3	0.6	-22.5	-67.9	14.2	-59.9
8	Nib International Bank	30	17.7	1.4	12.5	1.5	13.6	0.4	8.2	-72.2	-23.4	-69.1
9	Lion International Bank	1	1.8	0.2	0.2	0.0	0.3	0.0	33.6	-	-85.7	-91.1
10	Oromiya Intenational Bank	7	1.6	0.1	0.1	0.0	0.2	0.0	134.6	-54.3	-85.3	-82.1
11	Zemen Bank	1	0.2	0.2	0.1	0.2	0.2	0.1	183.6	-56.8	36.5	-40.9
12	Cooperative Bank of Oromia	2	0.0	0.0	0.0	0.0	-	-	-	-	-	-
13	Buna international Bank	1	0.0	0.0	0.0	0.0	0.2	0.0	-	-	-	-
	<b>Total</b>	<b>322</b>	<b>37.6</b>	<b>12.4</b>	<b>55.4</b>	<b>12.8</b>	<b>54.5</b>	<b>3.5</b>	<b>-1.5</b>	<b>-72.4</b>	<b>45.0</b>	<b>-71.4</b>
	<b>Average Exchange Rate</b>		<b>12.3488</b>	<b>12.6039</b>	<b>13.4802</b>	<b>13.7265</b>	<b>14.5220</b>	<b>14.6937</b>	<b>7.7</b>	<b>7.0</b>	<b>17.6</b>	<b>16.6</b>



