

IV. MONETARY DEVELOPMENTS

The monetary policy of the country has continued to be geared towards containing inflationary pressure and ensuring price stability during the first quarter of fiscal year 2010/11. As a result, annual average general inflation dropped to 5.4 percent in September 2010 from 18.7 percent in the same period last year. Similarly, core

inflation declined from 21 percent to 18.4 percent. Compared with the preceding quarter, however, annual average of both core and headline inflation trended upwards presumably due to the fast depreciation of the exchange rate during the quarter under review (Fig IV 6).

4.1. Money Supply and Credit

At the end of the first quarter of the fiscal year 2010/11 broad money supply reached Birr 108.5 billion, indicating 3.9 percent quarterly and 24.4 percent annual growth. Net foreign assets showed 95 percent annual surge due to improved export earnings,

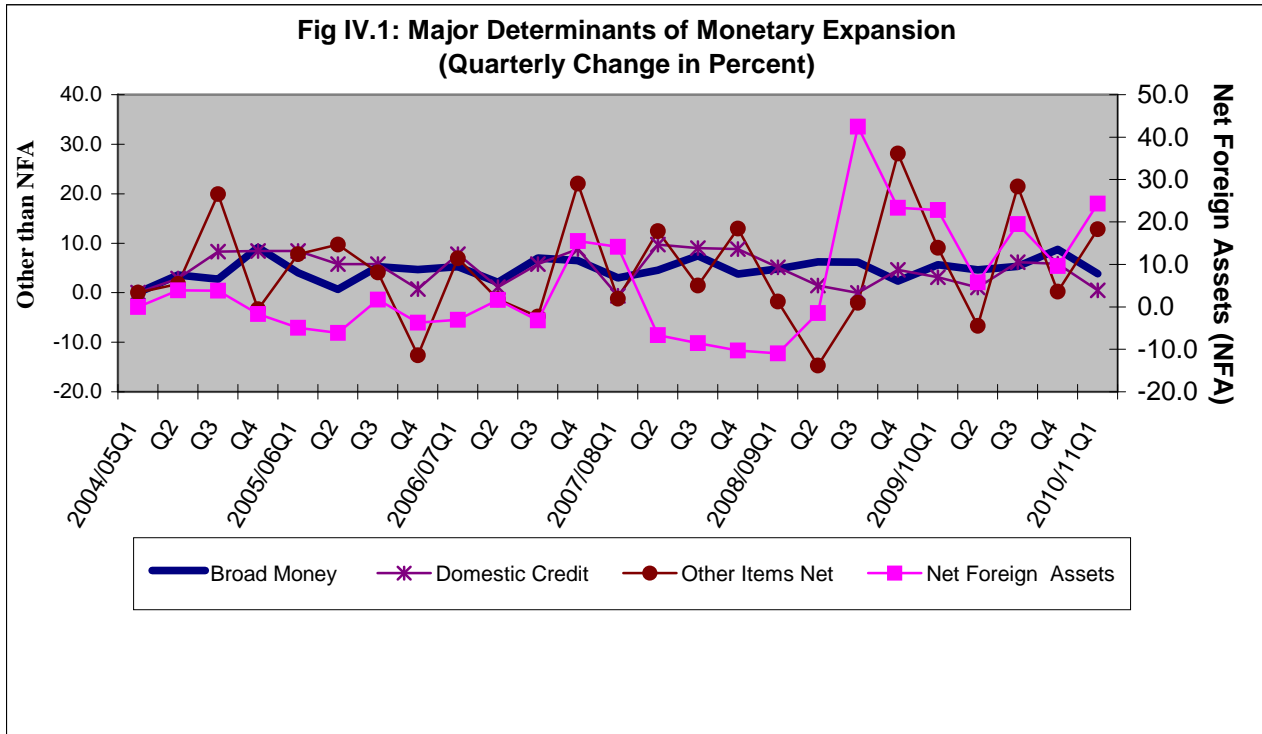
higher public transfers and increased net services and external loan disbursement. Similarly, domestic credit expanded by 14 percent as a result of increased disbursement of loans to the private sector as the economy continued to grow robustly (Table 4.1).

Table 4.1: Factors Influencing Broad Money

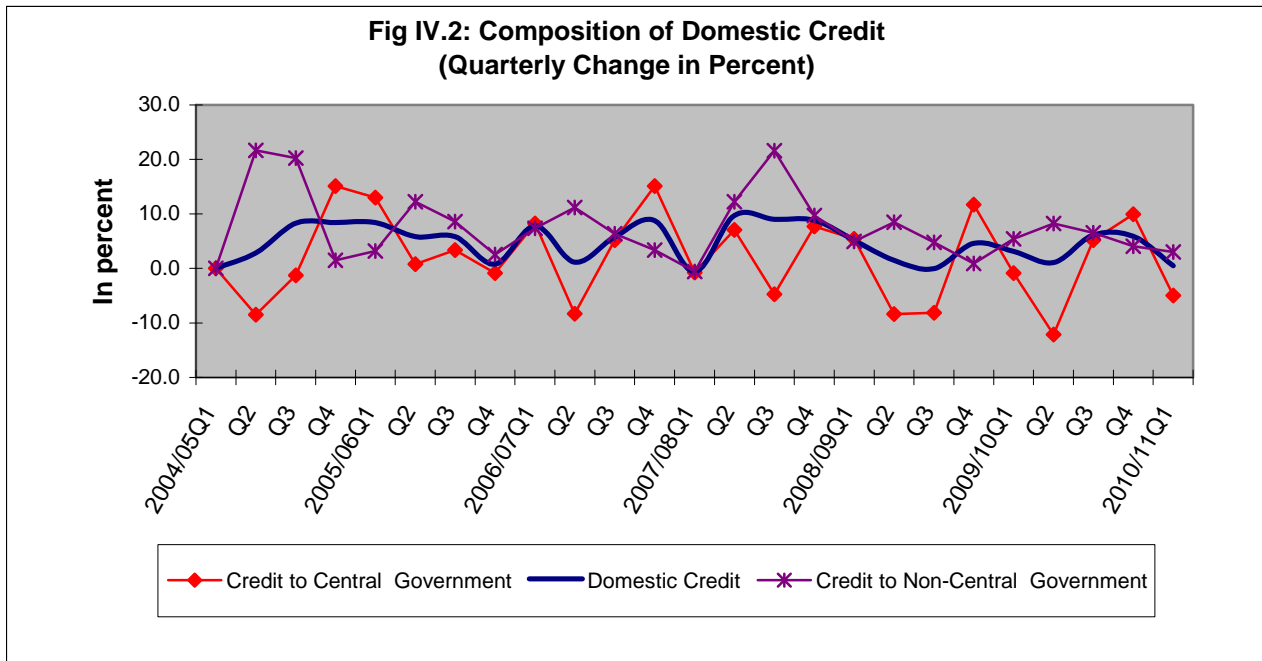
(In Millions of Birr)

Particulars	2009/10		2010/11	Percentage Change		Contribution of each components to Broad Money growth	
	Qtr. I	Qtr. IV	Qtr. I	C/A	C/B	Annual	Quarterly
	(Sept. 09)	(Jun. 10)	(Sept. 10)				
	A	B	C				
1. External Assets (net)	19,529.0	27,189.8	38,003.2	94.6	39.8	86.7	268.4
2. Domestic Credit	91,983.7	104,413.5	104,929.6	14.1	0.5	60.8	12.8
. <i>Claims on Central Gov't (net)</i>	32,500.4	33,013.1	31,368.1	-3.5	-5.0	-5.3	-40.8
. <i>Claims on Other Sector's</i>	59,483.3	71,400.4	73,561.5	23.7	3.0	66.1	53.6
. <i>Financial Institutions</i>	0.0	0.0	0.0				
. <i>Others</i>	59,483.3	71,400.4	73,561.5	23.7	3.0	66.1	53.6
3. Other Items (net)	24,357.1	27,170.9	34,470.8	41.5	26.9	47.5	181.2
4. Broad Money (M2)	87,155.5	104,432.4	108,462.0	24.4	3.9	100.0	100.0

Source: National Bank of Ethiopia



Source: NBE



From the liability side, both narrow and quasi-money registered quarterly growth rate of 1.3 and 6.5 percent due to the rise in all components of broad money except currency outside banks and time deposits.

The 1.5 percent decline in currency outside banks during the quarter indicates the

improvement in financial development measured by bank deposits and increase in quasi-money to broad money ratios. Year-on-year basis, both narrow money and quasi-money scaled up by 21.1 percent and 27.8 percent, respectively and contributed 43.5 and 56.5 percent share to the annual broad money growth rate (Table 4.2).

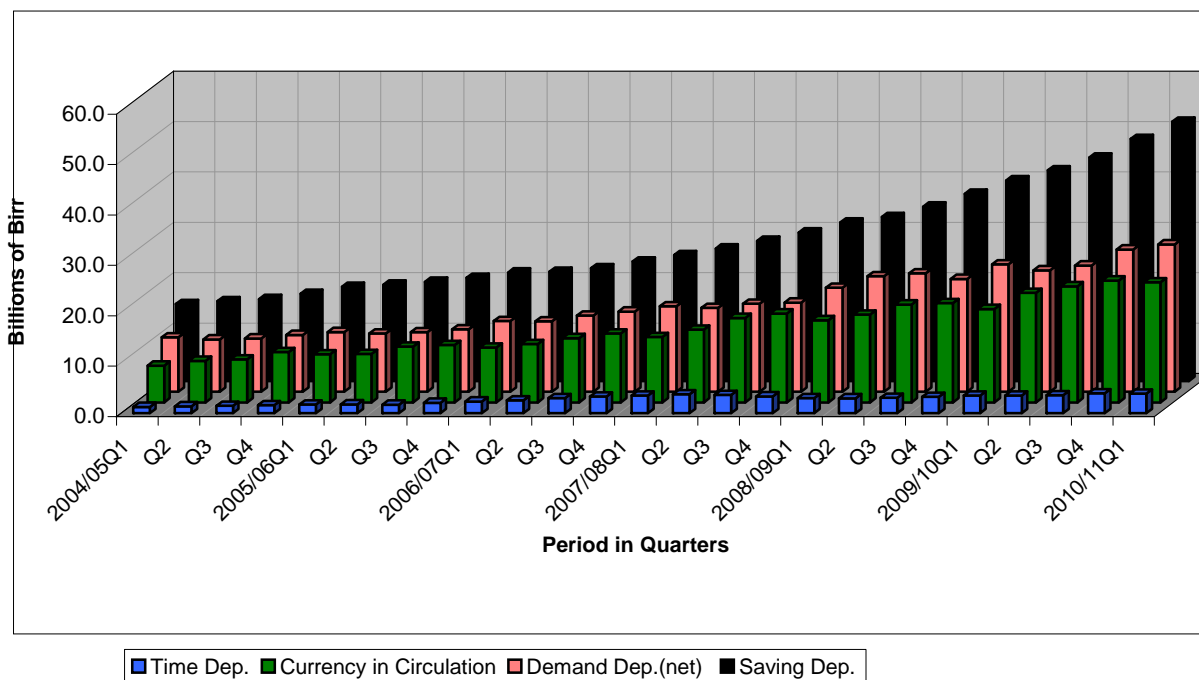
Table 4. 2:- Components of Broad Money

(In Millions of Birr)

Particulars	2009/10		2010/11	Percentage Change		Contribution of each components to Broad Money Growth	
	Qtr. I (Sept. 09)	Qtr. IV (Jun. 10)	Qtr. I (Sept. 10)	C/A	C/B	Annual	Quarterly
	A	B	C				
1. Narrow Money Supply	43,838.9	52,434.6	53,099.3	21.1	1.3	43.5	16.5
. Currency Outside Banks	18,547.2	24,206.8	23,849.9	28.6	-1.5	24.9	-8.9
. Demand Deposits (net)	25,291.7	28,227.8	29,249.4	15.6	3.6	18.6	25.4
2. Quasi-Money	43,316.6	51,997.8	55,362.7	27.8	6.5	56.5	83.5
. Savings Deposits	39,814.5	48,041.6	51,461.4	29.3	7.1	54.7	84.9
. Time Deposits	3,502.1	3,956.2	3,901.3	11.4	-1.4	1.9	-1.4
3. Broad Money Supply	87,155.5	104,432.4	108,462.0	24.4	3.9	100.0	100.0

Source: National Bank of Ethiopia

Fig. IV. 3: Composition of Monetary Stock
(First Quarter of FY 2010/11)



4.2 Developments in Reserve Money and Monetary Ratio

Reserve money registered a quarterly growth rate of 7.9 percent and stood at Birr 53.3 billion at the end of the review quarter. Component wise, currency in circulation and banks' deposit at NBE grew by 3.2 and 14.5 percent during the same period. Subsequently, excess reserve registered a 23.9 percent quarterly growth, reflecting higher resource mobilization through deposit

and loan collection by banks.

On annual basis, reserve money expanded by 13.7 percent owing to a 30.5 percent increase in currency in circulation offsetting a 2.1 percent decline in banks' deposit at NBE. As a result, excess reserves of the commercial banks went down to Birr 7.7 billion by the end of September 2010 from Birr 10.7 billion a year ago, reflecting a 27.3

percent annual slowdown.

Table IV. 3:- Reserve Money and Ratios

(In millions of Birr unless otherwise indicated)

Particulars	2009/10		2010/11	Percentage Change	
	Qtr. I	Qtr. IV	Qtr. I		
	(Sept. 09)	(Jun. 10)	(Sept. 10)		
	A	B	C	C/A	C/B
1. Reserve Requirement (CB's)	12,232.67	14,368.01	15,159.11	23.92	5.51
2. Actual Reserve (CB's)*	22,893.00	20,620.94	22,906.26	0.06	11.08
3. Excess Reserve (CB's)	10,660.34	6,252.93	7,747.15	-27.33	23.90
4. Reserve Money	46,894.41	49,424.45	53,318.60	13.70	7.88
. <i>Currency in Circulation</i>	22,773.23	28,802.93	29,711.72	30.47	3.16
. <i>Banks Deposits at NBE**</i>	24,121.19	20,621.52	23,606.88	-2.13	14.48
5. Money Multiplier (Ratio):					
. <i>Narrow Money to Reserve Money</i>	0.93	1.06	1.00	6.53	-6.13
. <i>Broad Money to Reserve Money</i>	1.86	2.11	2.03	9.45	-3.73
6. Other Monetary Ratios (percent):					
. <i>Currency to Narrow Money</i>	51.95	54.93	55.96	7.71	1.86
. <i>Currency to Broad Money</i>	26.13	27.58	27.39	4.84	-0.68
. <i>Narrow Money to Broad Money</i>	50.30	50.21	48.96	-2.67	-2.49
. <i>Quasi Money to Broad Money</i>	49.70	49.79	51.04	2.70	2.52

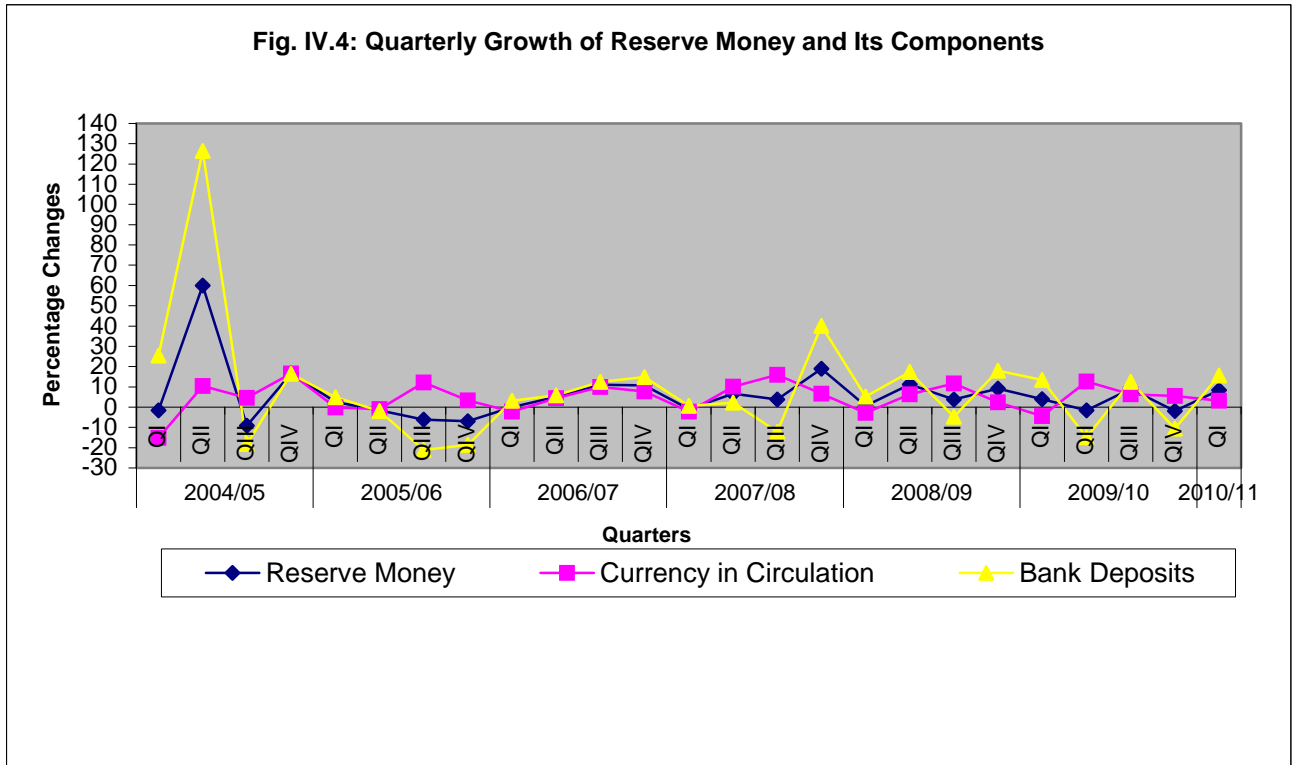
Source: National Bank of Ethiopia and commercial banks.

* The data is obtained from commercial banks balance sheet

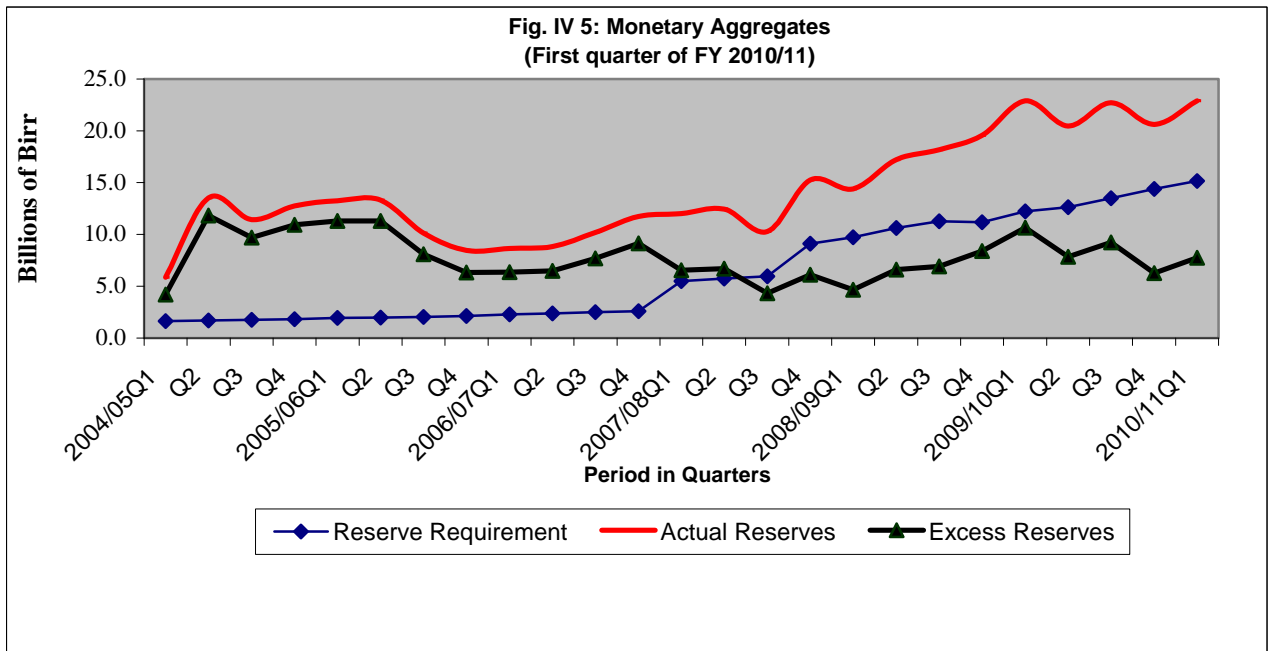
** The data is obtained from NBE balance sheet

The money multiplier slightly contracted on quarterly basis reflecting the increase in reserve money. Year-on-year basis, however, it went up due to the significant increase in currency in circulation.

Meanwhile, narrow-money to broad-money ratio declined reflecting the public's preference to hold deposits than currency presumably due to seasonality factor (Table 4.3).



Source: NBE



4.3 Interest Rate Developments

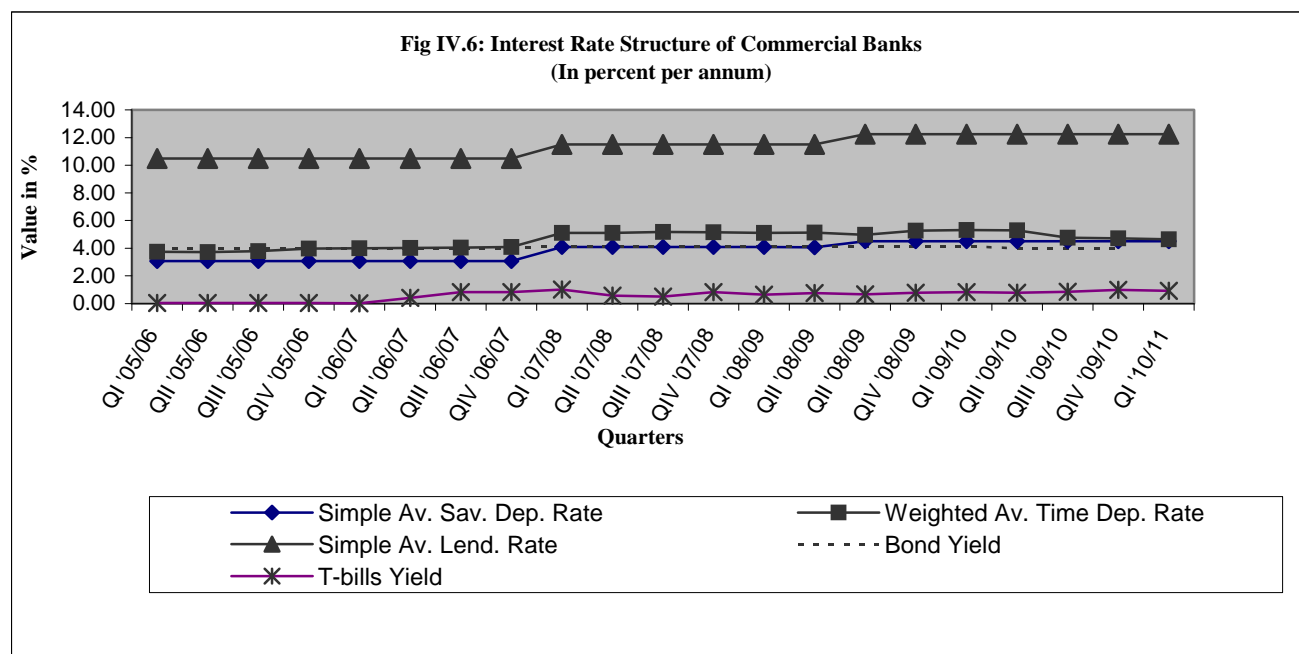
Average saving deposit and average lending rates were unchanged at 4.5 and 12.3 percent, respectively both on quarterly and annual basis. Weighted average time deposit rate, however, registered quarterly and annual decline of 1.6 and 12.6 percent, respectively. On the other hand, weighted average demand deposit rate showed a 0.4 percent quarterly rise and 14.3 percent annual decline. The weighted average yield on

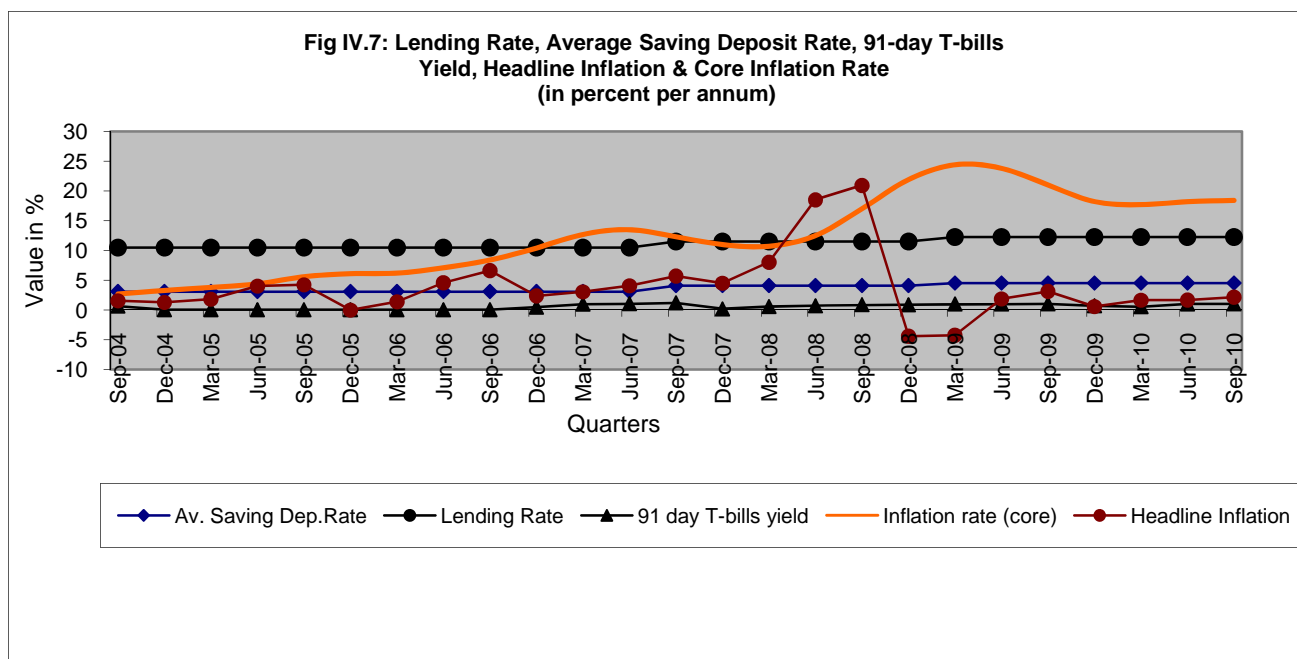
T-bills grew to 0.984 percent from 0.843 percent last year same period and 0.870 percent in the preceding quarter. Considering average headline inflation of 2.1 percent during the quarter under review, interest rates, except on T-bills, were positive in real terms.

Table 4.4: - Interest Rate Structure of Commercial Banks (Percent per annum)

	2009/10		2010/11	Percentage Changes	
	QI	QIV	QI	Annual	Quarterly
1. Savings Deposit Rate					
Minimum	4.00	4.00	4.00	0.0	0.0
Maximum	5.00	5.00	5.00	0.0	0.0
Average Saving Rate	4.50	4.50	4.50	0.0	0.0
2. Time Deposits					
Up to 1yr	4.343	4.564	4.549	4.7	-0.3
1-2 years	6.995	4.970	4.751	-32.1	-4.4
Over 2 yrs	4.581	4.613	4.616	0.8	0.1
Average Time Dep. Rate (Weighted)	5.306	4.716	4.639	-12.6	-1.6
3. Demand Deposit (Weighted)	0.070	0.059	0.060	-14.3	0.4
4. Lending Rate					
Minimum	8.00	8.00	8.00	0.0	0.0
Maximum	16.50	16.50	16.50	0.0	0.0
Average Lending Rate	12.25	12.25	12.25	0.0	0.0
5. T-bills Rate (Weighted)	0.84	0.87	0.984	16.7	13.1
6. Bond Yield (Simple Average)	4.00	4.00	4.00	0.0	0.0
7. Headline Inflation	3.1	1.7	2.1	-1.0	0.4
8. Food Inflation	1.6	0.6	1.4	-0.2	0.8
9. Core/non-food Inflation	5.7	3.3	3.2	-2.5	-0.1

Source: NBE and commercial banks





Source: NBE staff compilation

4.4 Developments in Financial Sector

Banks, insurance companies and microfinance institutions are the main financial institutions in Ethiopia. The number of banks operating in the country reached 15 at the end of September 2010. Of the total banks, 12 were privately owned.

During the review quarter, 31 new bank branches were opened, thereby raising the total number of bank branches to 712. As a result, the ratio of bank branch to total population¹ was about 112 thousand.

About 38.6 percent of the total bank branches were located in Addis Ababa reflecting a slight decline in concentration

¹ 80 million is taken for total population

from 38.9 percent last year. Of the total bank branches the share of the private banks slightly grew to 60 percent from 58.1 percent a year ago.

The total capital of the banking system reached Birr 13.2 billion at the close of the quarter. The private banks together had about 41.4 percent of the total capital. Commercial Bank of Ethiopia, the biggest state owned bank, accounted for 41.8 percent of the total capital of the banking system.

The total number of insurance companies operating in the country increased by one and stood at 13, of which 12 were privately owned. However, their total capital decreased by 12.0 percent from the preceding quarter and reached Birr 847.0 million.

The total number of insurance branches increased to 209 following the opening of 2 more branches during the quarter. Of the

National Bank of Ethiopia total branches, private insurance companies accounted for 81.3 percent. About 49.8 percent of the insurance branches were operating in Addis Ababa. Like the banking business, the outreach of insurance companies is very low as one branch serves about 383 thousand people.

The number of micro finance institutions (MFIs) operating in the country remained unchanged (30) during the quarter. These institutions together mobilized deposits amounting to Birr 2.8 billion, 5.2 percent higher than the previous quarter and 25.4 percent a year earlier. Their, credit outstanding reached Birr 6.1 billion showing a 4.1 percent rise over the preceding quarter and 20.5 percent vis-à-vis last year same period. Likewise, their total assets increased to Birr 8.3 billion by the end of the review quarter registering a 4.4 percent quarterly growth.

The improvement in the activities of microfinance institutions indicates their

increasing role in providing financial service to low income groups and individuals as well as small scale enterprises which have limited access to formal bank financing due to lack of collateral and high administrative cost.

The top 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 the savings, 90.4 percent of credit and 90.8 percent of the total assets of the industry.

Table 4.5: Microfinance Institutions Performance as of September 2010 (In Thousands of Birr)

Particulars	2009/10		2010/11	% Change	
	Qtr.I	Qtr.IV	Qtr.I	C/A	C/B
	A	B	C		
Total Capital	1,918,274.0	2,375,228.0	2,475,171.1	29.0	4.2
Saving	2,230,471.4	2,658,962.0	2,796,968.4	25.4	5.2
Credit	5,029,174.3	5,824,489.0	6,062,227.7	20.5	4.1
Total Assets	6,780,445.1	7,958,194.0	8,305,180.2	22.5	4.4

Source: Microfinance Supervision Directorate, NBE

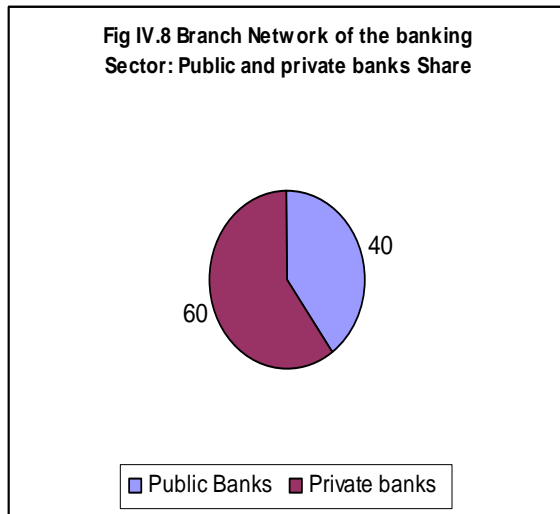
Table 4 6: Capital and Branch Network of Banking System by the End of September 30, 2010

(Branch in Number and Capital in Millions of Birr)

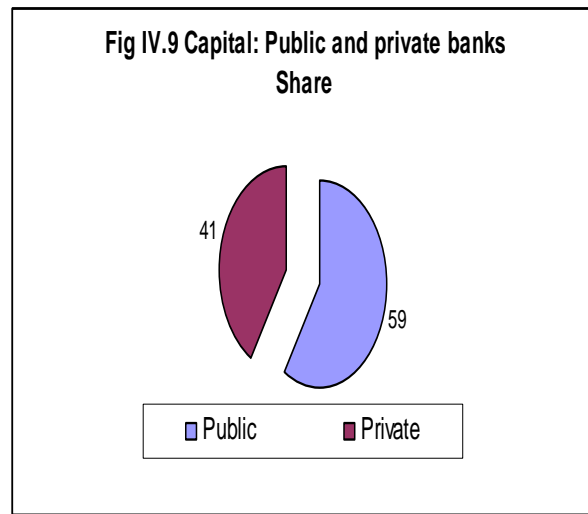
Banks	Branch Network												Capital			
	2009/10								2010/11				2009/10		2010/11	
	Quarter I				Quarter IV				Quarter I				Quarter IV	Quarter I	Quarter I	
	Reg.	A.A.	Total	percent Share	Reg.	A.A.	Total	percent Share	Reg.	A.A.	Total	percent Share				
1. Public Banks																
Commercial Bank of Ethiopia	160	49	209	32.1	160	49	209	30.7	169	52	221	31.0	5,532.0	5,041.0	5,528.0	
Construction & Business Bank	17	15	32	4.9	17	15	32	4.7	17	15	32	4.5	229.0	215.0	252.0	
Development Bank of Ethiopia	31	1	32	4.9	31	1	32	4.7	31	1	32	4.5	1,969.0	1,940.0	1,983.0	
Total Public Banks	208	65	273	41.9	208	65	273	40.1	217	68	285	40.0	7730	7196	7763	
2. Private Banks																
Awash International Bank	29	31	60	9.2	31	31	62	9.1	31	31	62	8.7	721.0	563.0	721.0	
Dashen Bank	29	26	55	8.4	29	30	59	8.7	31	30	61	8.6	967.0	819.0	974.0	
Abyssinia Bank	22	25	47	7.2	22	25	47	6.9	22	28	50	7.0	482.0	449.0	483.0	
Wegagen Bank	27	23	50	7.7	27	23	50	7.3	28	23	51	7.2	828.0	672.0	900.0	
United Bank	15	26	41	6.3	15	27	42	6.2	16	29	45	6.3	506.0	450.0	516.0	
Nib International Bank	17	28	45	6.9	17	31	48	7	18	31	49	6.9	723.0	581.0	774.0	
Cooperative Bank of Oromiya	29	4	33	5.1	32	5	37	5.4	35	5	40	5.6	169.0	153.0	171.0	
Lion International Bank	11	9	20	3.1	11	11	22	3.2	13	11	24	3.4	201.0	195.0	276.0	
Oromia International Bank	21	4	25	3.8	21	6	27	4	21	6	27	3.8	208.0	135.0	217.0	
Zemen Bank	0	1	1	0.2	0	3	3	0.4	0	3	3	0.4	121.0	102.0	163.0	
Bunna International Bank	0	1	1	0.2	0	3	3	0.4	2	5	7	1.0	169.0	0.0	174.0	
Berhan International Bank	0	0	0	0	3	5	8	1.2	3	5	8	1.1	108.0	0.0	108.0	
Total Private Banks	200	178	378	58.1	208	200	408	59.9	220	207	427	60.0	5,203.0	4,119.0	5,477.0	
3. Grand Total	408	243	651	100	416	265	681	100	437	275	712	100.0	12,933.0	11,315.0	13,240.0	

Source: Bank Supervision Directorate, NBE

Reg. stands for regions and A.A. for Addis Ababa



Source: Bank Supervision Directorate, NBE



Source: Bank Supervision Directorate, NBE

**Table 4.7 Branch Network & Capital of Insurance Companies by the End of September 30, 2010
(Branch in Number and Capital in Millions of Birr)**

Insurance Companies	Branch									Capital		
	2009/10						2010/11			Quarter I	Quarter IV	Quarter I
	Quarter I			Quarter IV			Quarter I					
	A.A	Reg.	Total	A.A	Reg.	Total	A.A	Reg.	Total	2009/10	2009/10	2010/11
Ethiopian Insurance Corporation	11	28	39	11	28	39	11	28	39	258.6	333.9	275.0
Awash Insurance Company	13	9	22	15	11	26	15	11	26	54.3	93.7	75.0
Africa Insurance Company	6	7	13	6	7	13	6	7	13	53.2	23.4	72.0
National Insurance Corporation of Ethiopia	8	8	16	8	8	16	8	8	16	15.2	105.2	23.0
United Insurance Company	12	7	19	15	7	22	15	8	23	60.5	20.4	81.0
Global Insurance Company	4	4	8	6	4	10	6	4	10	23.4	90.0	23.0
Nile Insurance Company	11	9	20	11	9	20	11	9	20	58.6	77.9	103.0
Nyala Insurance Company	8	8	16	8	8	16	8	8	16	73.6	102.7	81.0
Nib Insurance Company	12	8	20	12	8	20	12	8	20	61.5	77.0	77.0
Lion Insurance Company	6	6	12	6	5	11	6	5	11	8.5	13.2	13.0
Ethio-Life Insurance Company	0	0	0	0	0	0	0	0	0	3.1	4.4	4.0
Oromia Insurance Company	5	6	11	6	8	14	6	8	14	24.0	20.5	20.0
Abay Insurance Company S.C.	0	0	0	0	0	0	0	1	1	0.0	0.0	7.8
TOTAL	96	100	196	104	103	207	104	105	209	694.8	962.4	847.0

Source: Insurance Supervision Directorate, NBE

N.B. Reg. stands for regions

A.A. denotes Addis Ababa

4.5 Activities of the Banking System

4.5.1. Resource Mobilization

Total resources mobilized by the banking system (as measured by the sum of net change in deposit, loans collection and net change in borrowings) went up by 22.0 percent to Birr 14.8 billion at the end of the

first quarter from Birr 12 billion last year.

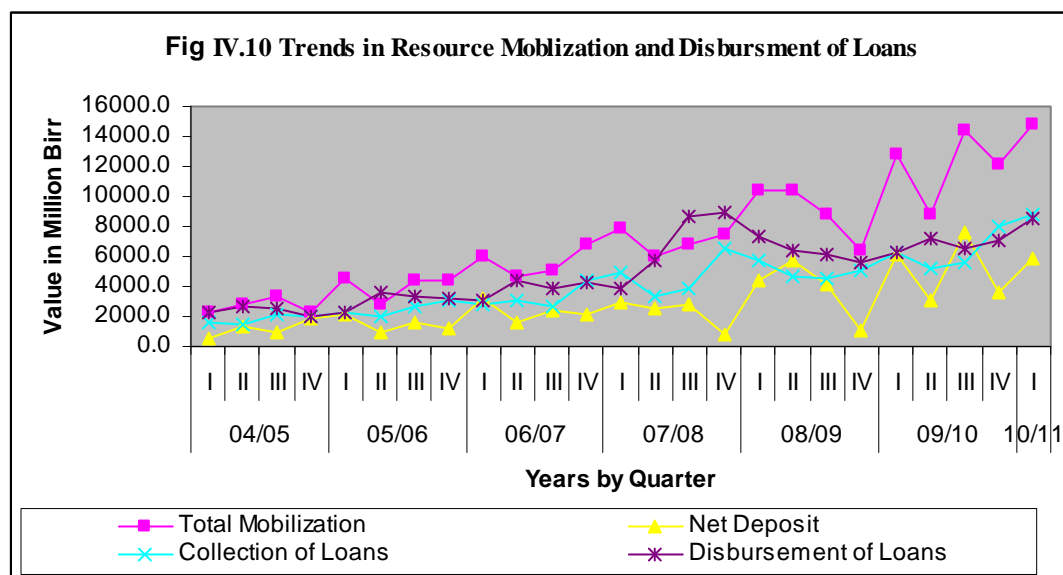
This was attributed to 61 percent rise in net deposit mobilization and 9.4 percent growth in loan collection. Net borrowing, however, dropped 61.2 percent (Table 4.7).

Table 4.8: Summary of Resource Mobilization & Disbursement of Banking System during First Quarter of 2010/11

(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			percent Change	
	1		2		(3) = (1) + (2)				
	Qtr.IV 2009/10	Qtr.I 2010/11	Qtr.IV 2009/10	Qtr.I 2010/11	Qtr.I 2009/10	Qtr.IV 2009/10	Qtr.I 2010/11	C/A	C/B
	A	B	C	A	B	C	C/A	C/B	
1. Deposits (net change)	1,664.1	2,072.9	1,941.7	3,745.0	6,193.0	3,605.9	5,817.9	-6.1	61.3
-Demand	-608.3	717.2	138.3	1,728.2	3,279.9	-470.0	2,445.4	-25.4	620.3
-Saving	1,831.6	1,326.2	1,849.9	2,096.3	2,668.8	3,681.4	3,422.6	28.2	-7.0
-Time	440.9	29.5	-46.4	-79.5	244.3	394.5	-50.0	120.5	112.7
2. Borrowing (net change)	478.7	185.9	0.0	0.0	469.4	478.7	185.9	-60.4	-61.2
-Local	384.6	179.6	0.0	0.0	228.8	384.6	179.6	-21.5	-53.3
-Foreign	94.2	6.3	0.0	0.0	240.6	94.2	6.3	-97.4	-93.3
3. Collection of Loans	3,429.6	4,056.0	4,636.0	4,766.9	6,202.1	8,065.7	8,822.9	42.3	9.4
4. Total Resources Mobilized (1+2+3)	5,572.5	6,314.8	6,577.8	8,512.0	12,864.5	12,150.3	14,826.7	15.3	22.0
5. Disbursement	3,290.1	2,608.8	3,711.4	5,930.5	6,307.5	7,001.5	8,539.3	35.4	22.0
6. Change in Liquidity (4-5)	2,282.5	3,706.0	2,866.4	2,581.5	6,557.1	5,148.8	6,287.5	-4.1	22.1
Memorandum Item:									
A. Outstanding Credit*	39,384.7	36,097.1	22,896.0	26,761.9	52,084.6	62,280.7	62,859.0	20.7	0.9
B. Outstanding Inter-bank Lending	260.0	220.0	0.9	0.7	388.7	260.9	220.7	-43.2	-15.4

Source: Commercial Banks and staff computation



Source: NBE

4.5.1.1 Deposit Mobilization

Total deposits mobilized by the banking system reached Birr 104.5 billion at the end of the first quarter of 2010/11, about 23.8 and 5.9 percent higher than a year earlier and the preceding quarter, respectively. The surge in deposit liabilities was presumably the result of the rise in bank branches, continued buoyancy in economic growth and growing awareness of the public about the importance of savings.

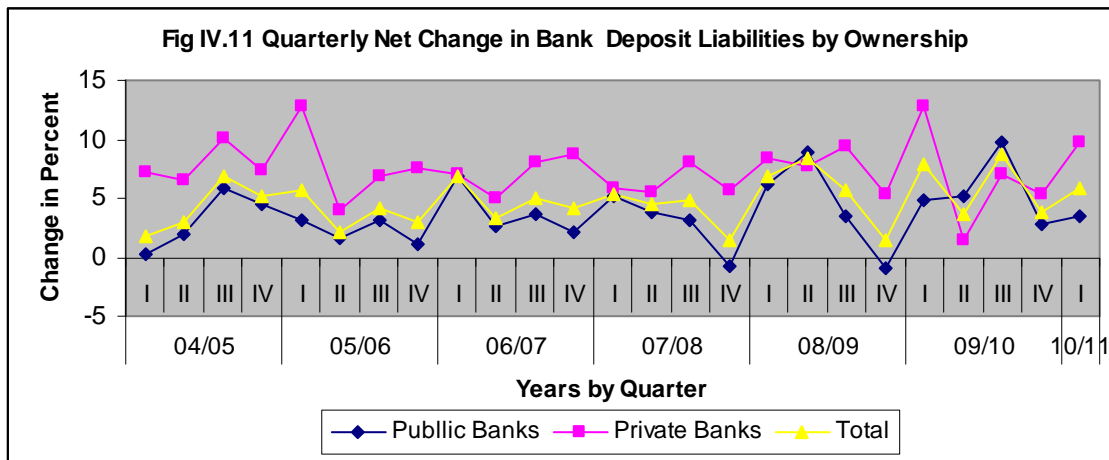
Component wise, all types of deposit except time deposit, tended to increase. Demand deposit, with a share of 46.5 percent in the total deposits, showed 19.8 percent annual and 5.3 percent quarterly surge. Similarly, time deposit with a share of 4.2 percent went up 10.3 percent yearly but exhibited 1.1 percent quarterly slowdown.

The share of the private banks in total deposits mobilized increased from 39 percent in the preceding quarter to 40.4 percent during the quarter under review.

**Table 4.9: Stock of Deposits Mobilized by Banking System by end of September 2010
(In Millions of Birr)**

Types of Deposits	2009/10				2010/11		percent Change	
	Quarter I A	percent Share	Quarter IV B	percent Share	Quarter I C	percent Share	C/A	C/B
Demand Deposit	40,547.2	48.1	46,149.0	46.8	48,594.5	46.5	19.8	5.3
Saving Deposit	39,822.2	47.2	48,049.9	48.7	51,472.5	49.3	29.3	7.1
Time Deposit	3,975.7	4.7	4,434.4	4.5	4,384.4	4.2	10.3	-1.1
Total	84,345.0	100.0	98,633.3	100.0	104,451.3	100.0	23.8	5.9
<i>Share of Public Banks</i>	60.0		61.0		59.6			
<i>Share of Private Banks</i>	40.0		39.0		40.4			

Source: Commercial Banks and DBE



Source: Commercial banks and DBE

4.5.1.2 Collection of Loans

Banks (including DBE) collected Birr 8.8 billion in loans and advances during the quarter under review reflecting a 9.4 and 42.3 percent growth over the preceding quarter and same quarter of last fiscal year, respectively. Private banks collected Birr 4.8 billion or 54.0 percent. The bulk of the loan collection was from the private sector (67.3 percent) followed by cooperatives

(23.1 percent) and public enterprises (9.2 percent) (Table 4.11).

Looking at the sectoral distribution of loan collection, 34.4 percent was from international trade followed by domestic trade (24.1 percent) and agriculture (18.3 percent) (Table 4.11).

4.5.1.3 Borrowing

Outstanding borrowing of the banking system reached Birr 5.8 billion at the end of the quarter under review, indicating a 65.8

percent annual and 3.3 percent quarterly increase. About 83 percent of the borrowing was from domestic sources.

Table 4.10: Outstanding Borrowing of Banking System**(In Millions of Birr)**

Banks	2009/10		2010/11	Percentage change	
	Quarter I	Quarter IV	Quarter I		
	A	B	C	C/B	C/A
Domestic Borrowing	2,628.3	4,665.6	4,845.1	3.8	84.3
Foreign Borrowing	887.9	978.7	985.0	0.6	10.9
Total	3,516.2	5,644.2	5,830.1	3.3	65.8

Source: Commercial banks and DBE

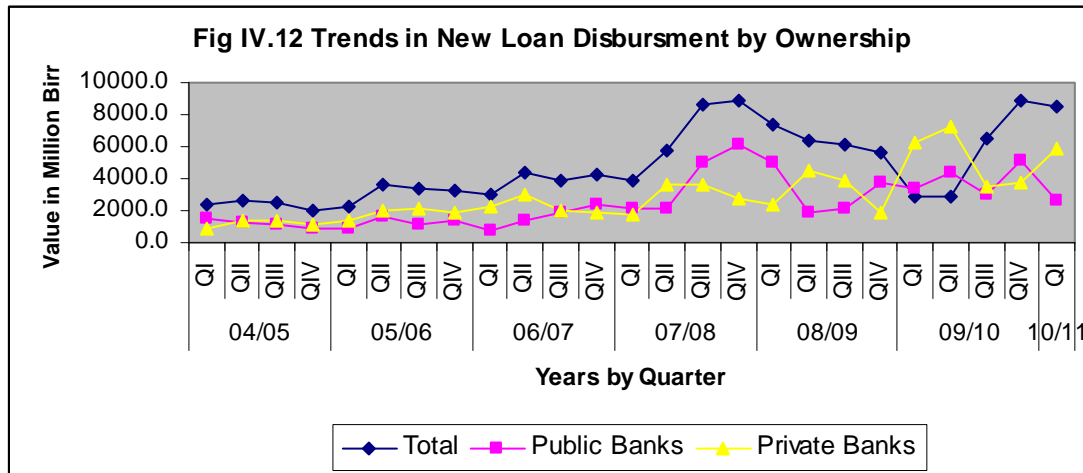
4.5.2 Disbursement of Fresh Loans

New loans granted by the banking sector during the first quarter of 2010/11 reached Birr 8.5 billion, up by 35.4 and 22.0 percent from the same quarter of last year and the preceding quarter, respectively. Private banks disbursed Birr 5.9 billion or 69.4 percent of the total to new loan (Table 4.11).

About 94 percent of the new loans went to finance the private sector including cooperatives. The share of public enterprises was 6.1 percent.

At the same time, 29.8 percent of the new loans was channeled to international trade, followed by domestic trade (26.2 percent), industry (18.1 percent), agriculture (11.0

percent) and housing & construction (6.8 percent) (Table 4.11).



Source: Commercial banks and DBE

Table 4.11: Summary of Loans and Advances by Banks and Receiving Sectors during the First Quarter of 2010/11 (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 *			3232.1			2433.5			5665.6
Agriculture	855.6	2,090.3	5,370.4	81.9	35.3	619.2	937.5	2,125.6	5,989.6
Industry	970.7	329.2	10,167.1	571.6	404.8	3,657.9	1,542.3	734.0	13,825.1
Domestic Trade	76.7	114.7	869.8	2,158.7	1,496.9	6,875.5	2,235.4	1,611.6	7,745.3
International Trade	287.1	891.8	6,729.4	2,259.6	2,146.8	5,919.6	2,546.7	3,038.6	12,649.0
Export	282.3	383.8	1,149.5	1,083.7	1,486.5	2,656.0	1,366.0	1,870.2	3,805.6
Imports	4.8	508.0	5,579.9	1,175.9	660.3	4,071.7	1,180.7	1,168.4	9,651.6
Hotels and Tourism	14.8	25.4	570.2	54.1	49.1	834.1	68.8	74.5	1,404.3
Transport & Communication	46.8	130.1	1,381.8	353.8	184.5	1,503.7	400.6	314.6	2,885.5
Housing & Construction	212.7	305.8	2,883.5	367.7	339.8	3,551.8	580.3	645.6	6,435.3
Mines, Power & Water Resources	0.0	0.0	0.0	0.2	0.8	34.8	0.2	0.8	34.8
Others	80.4	72.7	2,277.5	48.4	41.7	362.5	128.8	114.3	2,640.0
Personal	58.8	56.2	2,395.3	33.3	67.2	160.3	92.1	123.4	2,555.6
Inter-Bank Lending	5.4	39.9	220.0	1.3	0.0	0.7	6.7	39.9	220.7
Total	2,608.8	4,056.0	36,097.1	5,930.5	4,766.9	26,761.9	8,539.3	8,822.9	62,859.0

Source: Commercial Banks and staff computation

Notes: *Refers to government borrowing in the form of bonds and treasury bills from commercial banks and other sectors other than NBE ** D = Disbursement, C = Collection, O/S= Outstanding Credit

4.5.3 Outstanding Credit

Commercial banks' outstanding credit on the domestic economy stood at Birr 62.9 billion, 20.7 and 0.9 percent higher than last year and the preceding quarter, respectively.

About Birr 44.4 billion or 70.6 percent of the outstanding loans was a claim on the private sector, 13.7 percent on public

enterprises, 9 percent on central government and 6.3 percent on cooperatives.

Sector wise, 22 percent of the outstanding credit was in industry followed by international trade (20.1 percent), domestic trade (12.3 percent), housing &

construction (10.2 percent), and agriculture (9.5 percent).

system at the close of the first quarter of 2010/11.

Private banks accounted for 42.6 percent of the total outstanding loans of the banking

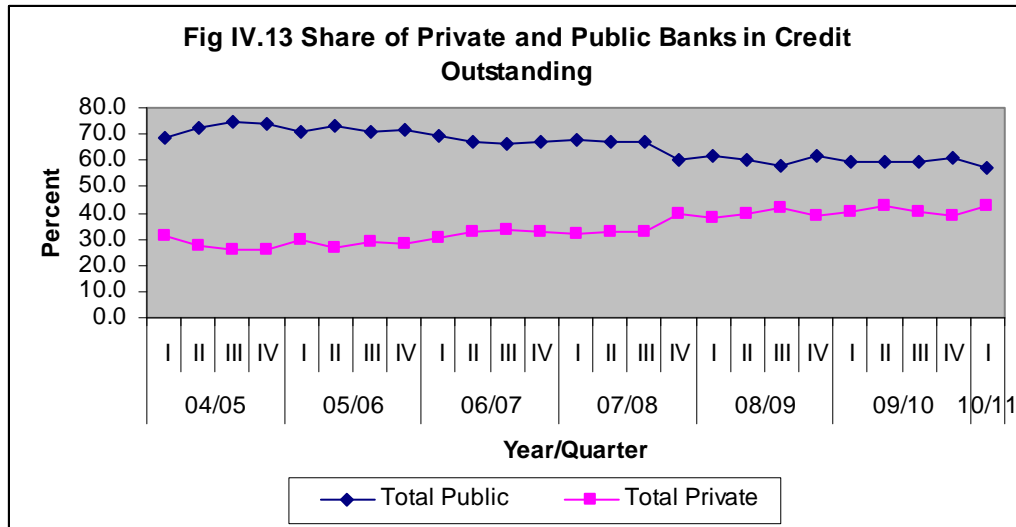
Table 4.12: Breakdown of Loans & Advances of Banking System by Clients, During First Quarter of 2010/11

(In Millions of Birr)

Particulars	Loan Disbursement	percent Share	Loan Collection	percent Share	Outstanding Loan	percent Share
Public Banks	2,608.8	30.6	4,056.0	46.0	36,097.1	57.4
Central Government*	0.0	0.0	0.0	0.0	3,232.1	9.0
State Enterprises	535.7	20.5	807.9	19.9	8,567.3	23.7
Cooperatives	627.1	24.0	1,934.5	47.7	3,738.1	10.4
Private Enterprises	1,440.7	55.2	1,273.7	31.4	20,339.5	56.3
Inter-bank Lending	5.4	0.2	39.9	1.0	220.0	0.6
Private Banks	5,930.5	69.4	4,766.9	54.0	26,761.9	42.6
Central Government*	0.0	0.0	0.0	0.0	2,433.5	9.1
State Enterprises	2.0	0.0	0.4	0.0	40.3	0.2
Cooperatives	51.7	0.9	104.6	2.2	230.4	0.9
Private Enterprises	5,875.5	99.1	4,661.9	97.8	24,057.7	89.9
Inter-bank Lending	1.3	0.0	0.0	0.0	0.0	0.0
Grand Total	8,539.3	100.0	8,822.9	100.0	62,859.0	100.0

Source: Commercial banks and DBE

Notes: * Refers to government borrowing in the form of bonds and Treasury bills from commercial banks and other sectors other than NBE



Source: NBE staff compilations

4.6 Financial Activities of NBE

NBE’s outstanding claims on the central government registered 4.3 percent quarterly and 8.3 percent annual increase and reached Birr 48 billion at the close of the first quarter of 2010/11. Direct advances accounted for 80.4 percent of the total loans & advances to the government indicating 10.9 and 5.8 percent yearly and quarterly growth, respectively. The stock of government bonds held by NBE slightly declined by 1.3 percent to Birr 9.4 billion at the end of the quarter.

NBE’s deposit liabilities stood at Birr 32.3 billion showing a 2 percent marginal increase over last year as a result of 12.1 percent rise in deposit of the central government. Deposits of financial institutions accounted for 74.3 percent of the total NBE’s liabilities.

Table 4.13: Financial Activities of NBE during First Quarter of 2010/11
In Millions of Birr

Particulars	2009/10		2010/11	percent Change	
	Qtr.I	Qtr.IV	Qtr.I	C/A	C/B
	A	B	C		
1.Loans and Advances	44,326.6	45,989.7	47,983.7	8.3	4.3
1.1. To Central Government	44,326.6	45,989.7	47,983.7	8.3	4.3
Direct Advance	34,771.0	36,434.1	38,557.1	10.9	5.8
Bonds	9,555.6	9,555.6	9,426.6	-1.3	-1.3
1.2.To Development Bank of Ethiopia	0.0	0.0		-	-
2.Deposit Liabilities	31,635.4	30,310.3	32,253.5	2.0	6.4
2.1. Government	7,372.3	7,036.6	8,265.6	12.1	17.5
2.2. Financial Institutions	24,263.1	23,273.8	23,987.9	-1.1	3.1
O/W:					
-Banks	24,215.9	23,226.5	23,935.0	-1.2	3.1
-Insurance companies	47.1	47.3	52.9	12.2	11.8
3.Net Claims of NBE	12,691.2	15,679.4	15,730.2	23.9	0.3

Source: NBE

4.7 Developments in Financial Markets

4.7.1 Treasury Bills Market

During the first quarter of 2010/11, Treasury Bills worth Birr 15.4 billion were supplied to the auction market. This amount was 85.7 percent higher than that of the same quarter of last year. Of the total T-bills offered, bills with a face value of Birr 13.7 Billion (89.2 percent) were sold showing 75.4 percent annual growth. Commercial banks purchased about 51 percent of the total T-bills sold while non-

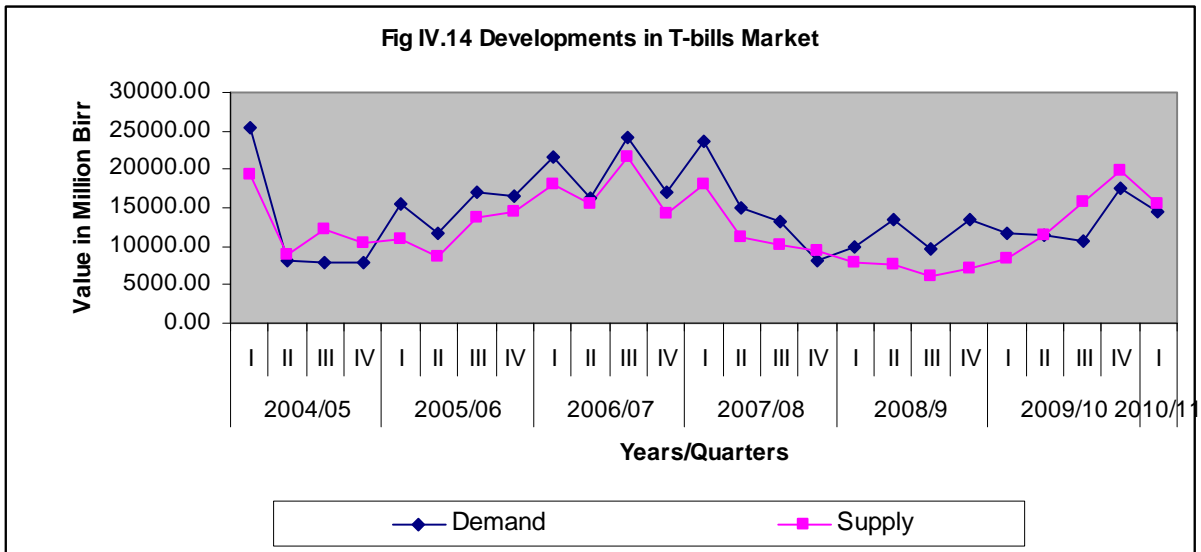
bank sector took the balance. The average weighted yield on T-bills slightly improved and reached 1.07 percent from 0.803 percent last year same period.

The stock of T-bills sold was Birr 8.8 billion at the close of the quarter under review of which 75.7 percent was held by non-bank institutions.

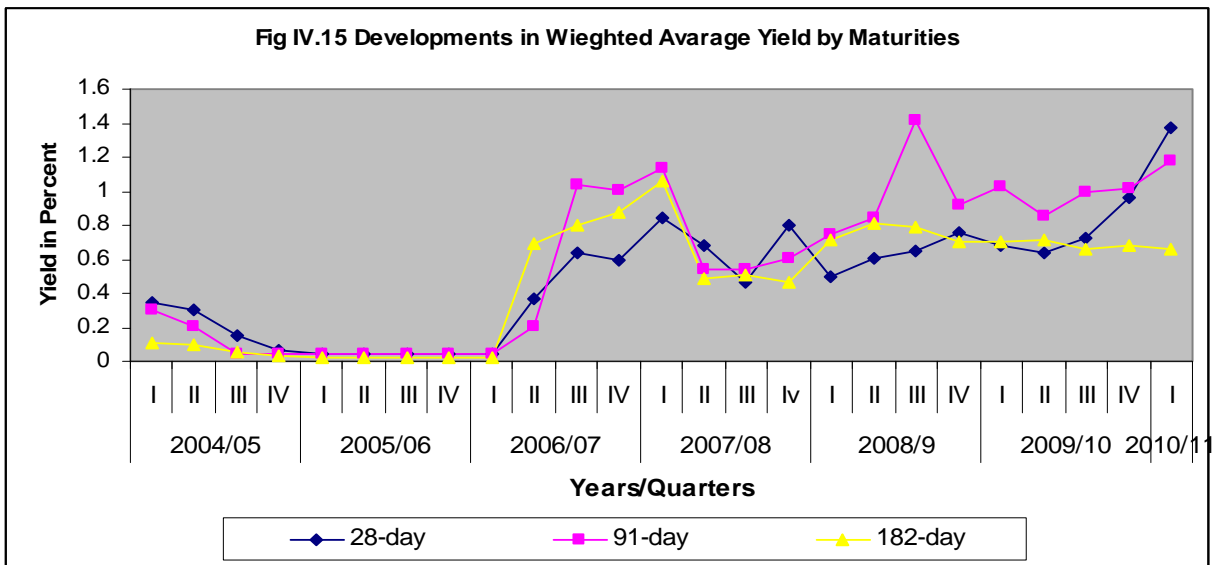
Table 4.14: Results of Treasury Bills Auctions

Particulars	2009/10		2010/11	percent Change	
	Qtr.IV	Qtr.I	Qtr.I	C/A	C/B
	A	B	C		
Number of Bidders	82	75	56	-31.7	-25.3
Public	53	55	36	-32.1	-34.5
Private	29	20	20	-31.0	0.0
Number of Bids Accepted	97	86	72	-25.8	-16.3
Public	59	63	44	-25.4	-30.2
Private	38	23	28	-26.3	21.7
Amount Demanded (Mn.Birr)	17,446.20	11,801.30	14,436.80	-17.2	22.3
28-day bill	10,150.00	3,370.00	7,990.00	-21.3	137.1
91-day bill	7,079.36	6,918.70	5,226.80	-26.2	-24.5
182-day bill	216.84	1,512.60	1,220.00	462.6	-19.3
Amount Supplied (Mn.Birr)	19,869.30	8,294.10	15,401.36	-22.5	85.7
28-day bill	8,130.00	1,360.00	8,480.00	4.3	523.5
91-day bill	8,621.30	5,344.10	5,701.36	-33.9	6.7
182-day bill	3,118.00	1,590.00	1,220.00	-60.9	-23.3
Amount Sold (Mn.Birr)	15,035.98	7,829.70	13,736.80	-8.6	75.4
Banks	8,020.00	600.00	6,985.44	-12.9	1064.2
Non-Banks	6,916.20	7,229.70	6,751.36	-2.4	-6.6
Average Weighted Price for Successful Bids(Birr)	99.778	99.781	99.758	-0.02	-0.02
28-day bill	99.926	99.948	99.895	-0.03	-0.05
91-day bill	99.746	99.745	99.706	-0.04	-0.04
182-day bill	99.661	99.651	99.674	0.01	0.02
Average Weighted Yield for Successful Bids(percent)	0.887	0.803	1.070	18.3	36.8
28-day bill	0.959	0.680	1.374	43.2	102.3
91-day bill	1.021	1.027	1.181	15.7	15.0
182-day bill	0.682	0.703	0.655	-3.9	-6.7
Outstanding bills at the end of Period (Mn.Br.)	11,566.20	8,502.12	8,847.04	-23.5	4.1
Banks	4,400.00	2,272.00	2,145.44	-51.2	-5.6
Non-Banks	7,166.20	6,230.12	6,701.60	-6.5	7.6

Source: NBE



Source: NBE



Source: NBE

4.7.2 Inter- Bank Money Market

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

4.7.2 Corporate Bond Market

During the quarter under review, CBE purchased corporate bonds worth Birr 1.8 billion, of which about 99.0 percent was issued by public enterprises with regional states taking up the balance.

At the end of September 30, 2010, the stock of corporate bonds held by CBE reached Birr 29.2 billion, of which 74.6 percent was claims on public enterprises and the rest on regional governments.

Table 4.15 Corporate Bond by Holders (In Million Birr)

Issuer of the Bond	2009/10						2010/11		
	QIV			QI			QI		
	NP	Red	O/S	NP	Red	O/S	NP	Red	O/S
1. Public Enterprises	2,600.0	0.0	20,694.6	2,600.0	0.0	20,694.6	1,800.0	0.0	22,494.6
EEPCO	2,100.0	0.0	16,600.0	2,100.0	0.0	16,600.0	1600.0	0.0	18200.0
ETC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DBE	500.0	0.0	4,094.6	500.0	0.0	4,094.6	200.0	0.0	4294.6
2. Regional Governments	196.0	224.1	7,032.7	196.0	224.1	7,032.7	18.0	369.2	6,672.3
Oromia	15.0	16.6	1,632.2	15.0	16.6	1,632.2	0.0	44.0	1588.2
Amhara	28.0	85.4	1,219.4	28.0	85.4	1,219.4	0.0	57.8	1152.4
Tigray	9.0	26.6	696.6	9.0	26.6	696.6	0.0	37.0	659.6
SNNPRS	24.0	0.0	863.9	24.0	0.0	863.9	6.0	3.9	866.0
Dire Dawa	20.0	14.0	172.3	20.0	14.0	172.3	12.0	0.0	184.3
Harari	0.0	1.0	132.8	0.0	1.0	132.8	0.0	4.0	128.8
Addis Ababa	100.0	80.5	2,315.5	100.0	80.5	2,315.5	0.0	222.5	2093.0
3. Grand Total(1+2)	2,796.0	224.1	27,727.3	2,796.0	224.1	27,727.3	1,818.0	369.2	29,166.9

Source: CBE

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