

IV. MONETARY DEVELOPMENTS

The National Bank of Ethiopia continued closely monitoring monetary developments in order to arrest inflationary expectation and sustain the economic growth achieved in the previous year. Accordingly, during the quarter under review annual average general inflation went down to 8.2 percent from 8.5 percent last year. However, compared with the preceding quarter,

annual average of both core and general inflation went up to 19.1 and 8.2 percent from 18.4 percent and 5.4 percent respectively. This was presumably due to the recent hike in the international price of food and other imported items and 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 second quarter of the fiscal year 2010/11, broad money supply (M_2) grew by 8.6 and 29.2 percent on quarterly and annual basis respectively and reached Birr 117.8 billion due to the rise in net foreign assets and domestic credit.

Net foreign assets depicted a quarterly and annual growth of 5.9 percent and 93.5 percent respectively and contributed 23.9 and 73.0 percentage share to the growth of broad money during the specified periods.

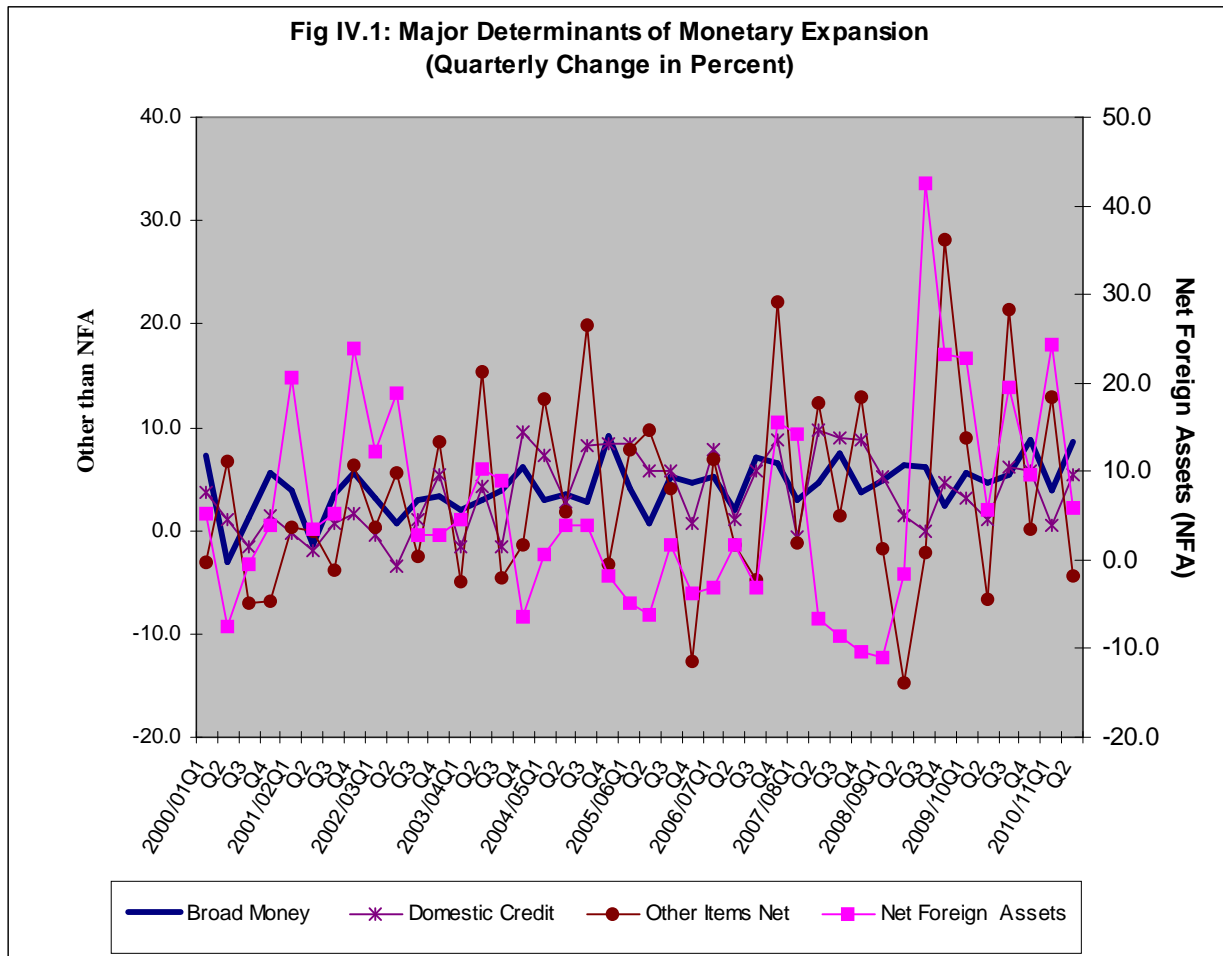
Similarly, domestic credit witnessed a 5.3 percent and 18.9 percent quarterly and annual growth due to expansion in credit to non-government sector. Credit to non-government sector increased by 13.0 percent and 29.1 percent on quarterly and annual basis while credit to the government declined by 12.7 and 4.1 percent in the same period.

Table 4. 1: Factors Influencing Broad Money

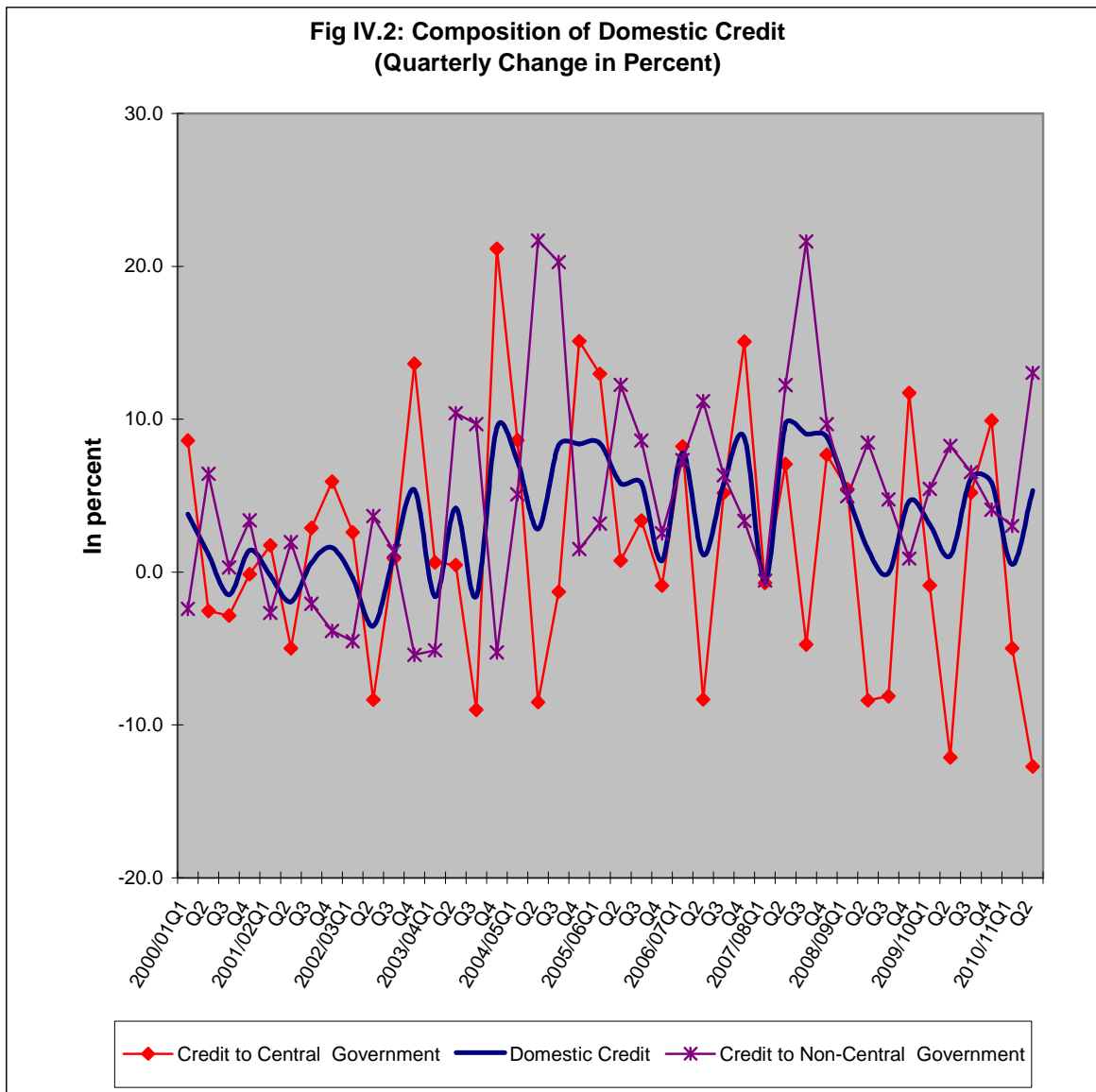
(In Millions of Birr)

Particulars	2009/10	2010/11		Percentage Change		Contribution of each components to Broad Money growth	
	Qtr. II	Qtr. I	Qtr. II	C/A	C/B	Annual	Quarterly
	(Dec. 09)	(Sept. 10)	(Dec. 10)				
	A	B	C				
1. Foreign Assets (net)	20,793.0	38,003.2	40,230.9	93.5	5.9	73.0	23.9
2. Domestic Credit	92,945.2	104,929.6	110,514.0	18.9	5.3	66.0	59.8
. Claims on Central Gov't (net)	28,555.8	31,368.1	27,374.2	-4.1	-12.7	-4.4	-42.8
. Claims on Other Sector's	64,389.4	73,561.5	83,139.7	29.1	13.0	70.5	102.6
. Financial Institutions	0.0	0.0	0.0				
. Others	64,389.4	73,561.5	83,139.7	29.1	13.0	70.5	102.6
3. Other Items (net)	22,548.9	34,470.8	32,944.6	46.1	-4.4	39.1	-16.3
4. Broad Money (M2)	91,189.3	108,462.0	117,800.2	29.2	8.6	100.0	100.0

Source: National Bank of Ethiopia



Source: NBE



Source: NBE

Component wise broad money, both narrow and quasi-money registered annual growth rates of 31.0 and 27.4 percent, respectively due to 30 percent rise in currency outside banks, 31.6 percent in demand deposit, 28.8

percent in saving deposits and 10.3 percent in time deposits.

The rise in currency outside banks reflects the seasonality factor where the demand for

currency usually goes-up during harvest season (Table 4.2). Similarly, the surge in quasi-money and demand deposit reflect the

result of an effort being made by banks in expanding their branch network.

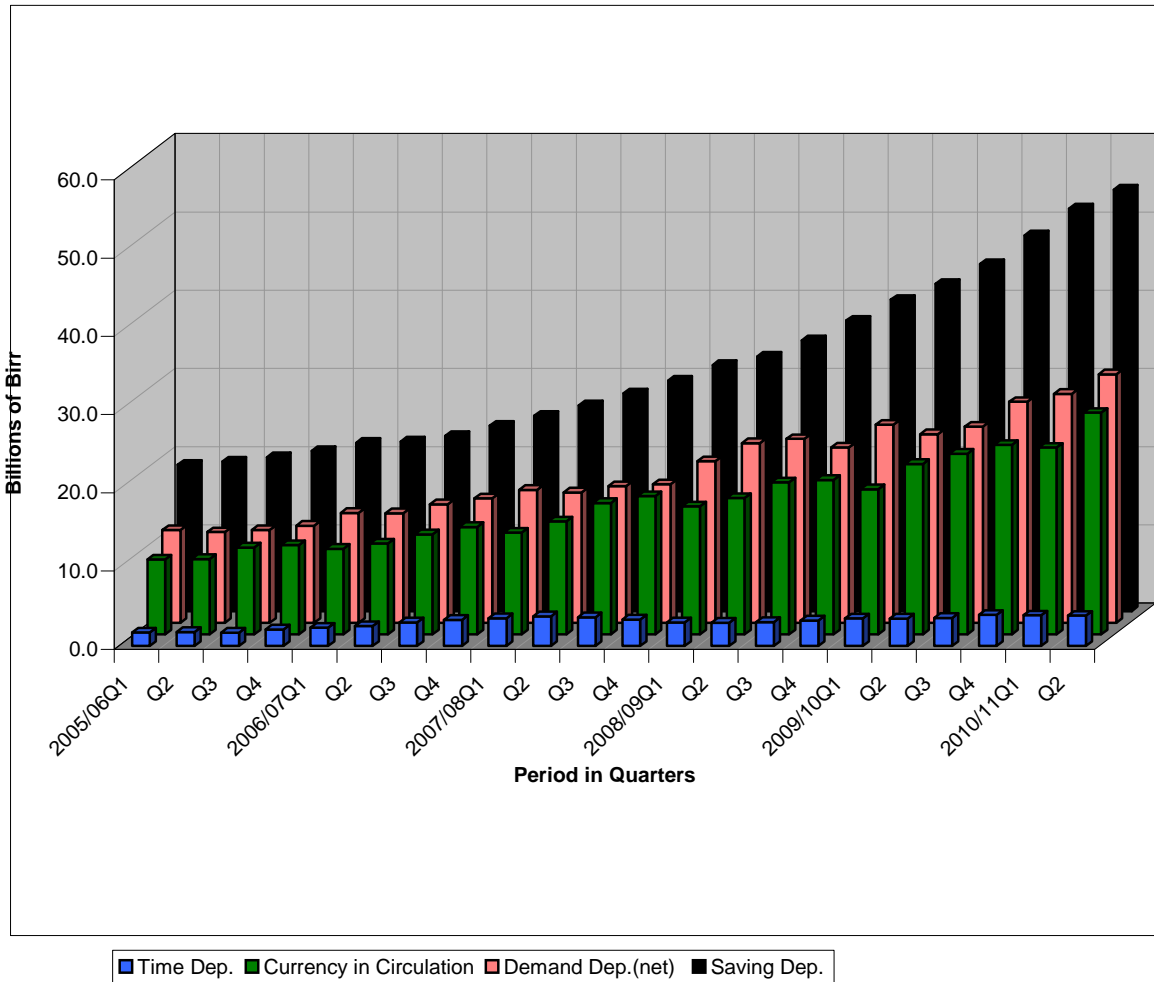
Table 4. 2:- Components of Broad Money

(In Millions of Birr)

Particulars	2009/10	2010/11		Percentage Change		Contribution of each components to Broad Money Growth	
	Qtr. II	Qtr. I	Qtr. II	C/A	C/B	Annual	Quarterly
	(Dec. 09)	(Sept. 10)	(Dec. 10)				
	A	B	C				
1. Narrow Money Supply	45,876.4	53,099.3	60,064.2	30.9	13.1	53.3	74.6
. Currency Outside Banks	21,755.8	23,849.9	28,312.3	30.1	18.7	24.6	47.8
. Demand Deposits (net)	24,120.5	29,249.4	31,751.8	31.6	8.6	28.7	26.8
2. Quasi-Money	45,312.9	55,362.7	57,736.1	27.4	4.3	46.7	25.4
. Savings Deposits	41,814.1	51,461.4	53,876.0	28.8	4.7	45.3	25.9
. Time Deposits	3,498.8	3,901.3	3,860.1	10.3	-1.1	1.4	-0.4
3. Broad Money Supply	91,189.3	108,462.0	117,800.2	29.2	8.6	100.0	100.0

Source: National Bank of Ethiopia

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



4.2 Developments in Reserve Money and Monetary Ratio

During the quarter, reserve money went up by 22.8 and 6.2 percent on annual and quarterly basis, respectively due to the rise in currency in circulation. Meanwhile,

excess reserves of commercial banks went down by 33.4 and 32.4 percent due to marginal decline in the deposits of banks at NBE and expansion in domestic credit.

Table 4 3: Reserve Money and Ratios

(In millions of Birr unless otherwise indicated)

Particulars	2009/10	2010/11		Percentage Change	
	Qtr. II	Qtr. I	Qtr. II		
	(Dec. 09)	(Sept. 10)	(Dec. 10)	C/A	C/B
	A	B	C		
1. Reserve Requirement (CB's)	12,638.31	15,159.11	16,638.17	31.65	9.76
2. Actual Reserve (CB's)*	20,464.34	22,906.26	21,850.23	6.77	-4.61
3. Excess Reserve (CB's)	7,826.03	7,747.15	5,212.06	-33.40	-32.72
4. Reserve Money	46,184.41	53,318.60	56,721.15	22.81	6.38
. Currency in Circulation	25,663.17	29,711.72	33,949.03	32.29	14.26
. Banks Deposits at NBE**	20,521.24	23,606.88	22,772.12	10.97	-3.54
5. Money Multiplier (Ratio):					
. Narrow Money to Reserve Money	0.99	1.00	1.06	6.60	6.33
. Broad Money to Reserve Money	1.97	2.03	2.08	5.18	2.09
6. Other Monetary Ratios (%):					
. Currency to Narrow Money	55.94	55.96	56.52	1.04	1.01
. Currency to Broad Money	28.14	27.39	28.82	2.40	5.20
. Narrow Money to Broad Money	50.31	48.96	50.99	1.35	4.15
. Quasi Money to Broad Money	49.69	51.04	49.01	-1.37	-3.98

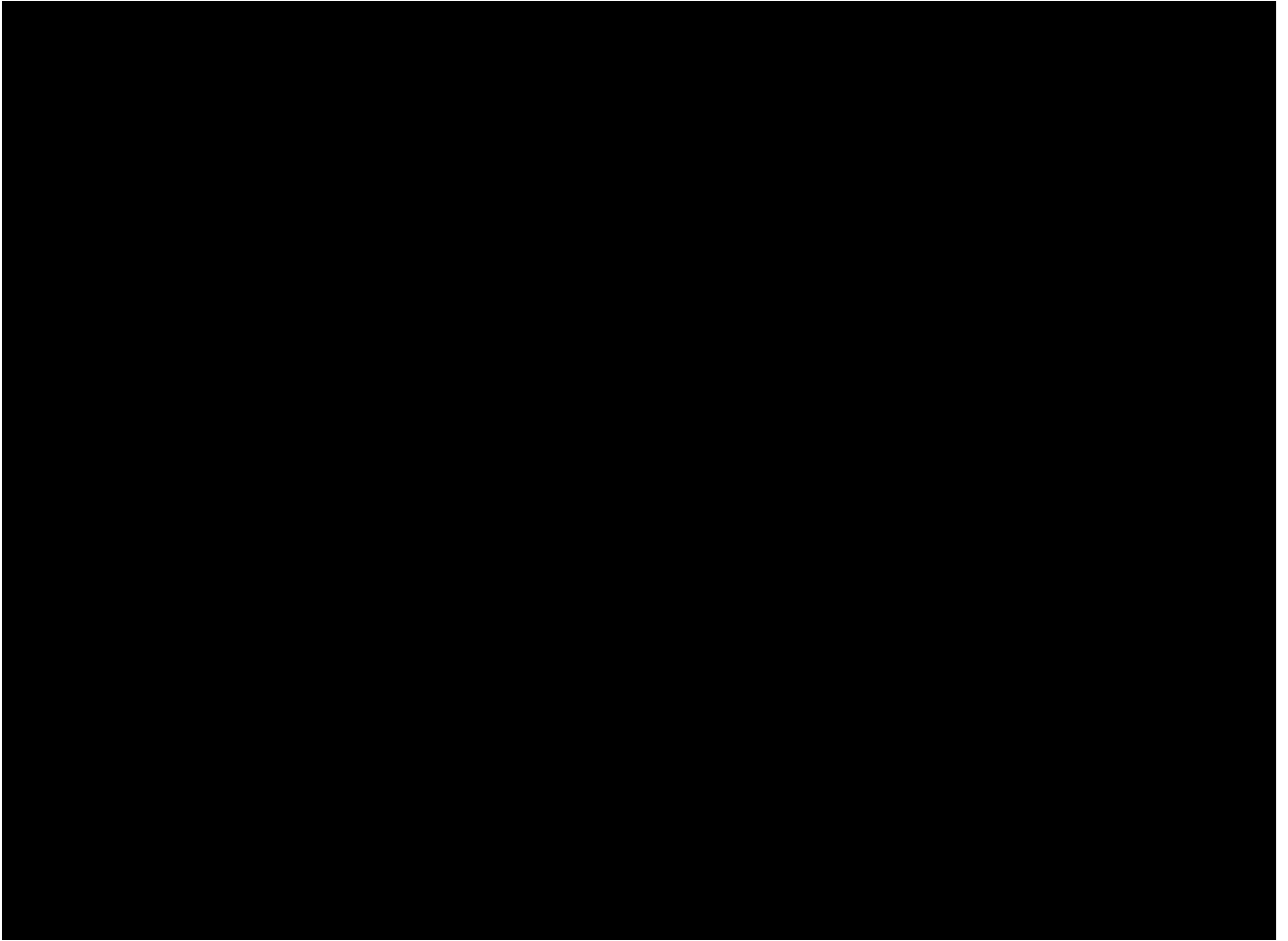
Source: National Bank of Ethiopia and commercial banks.

* The data is obtained from commercial banks balance sheet

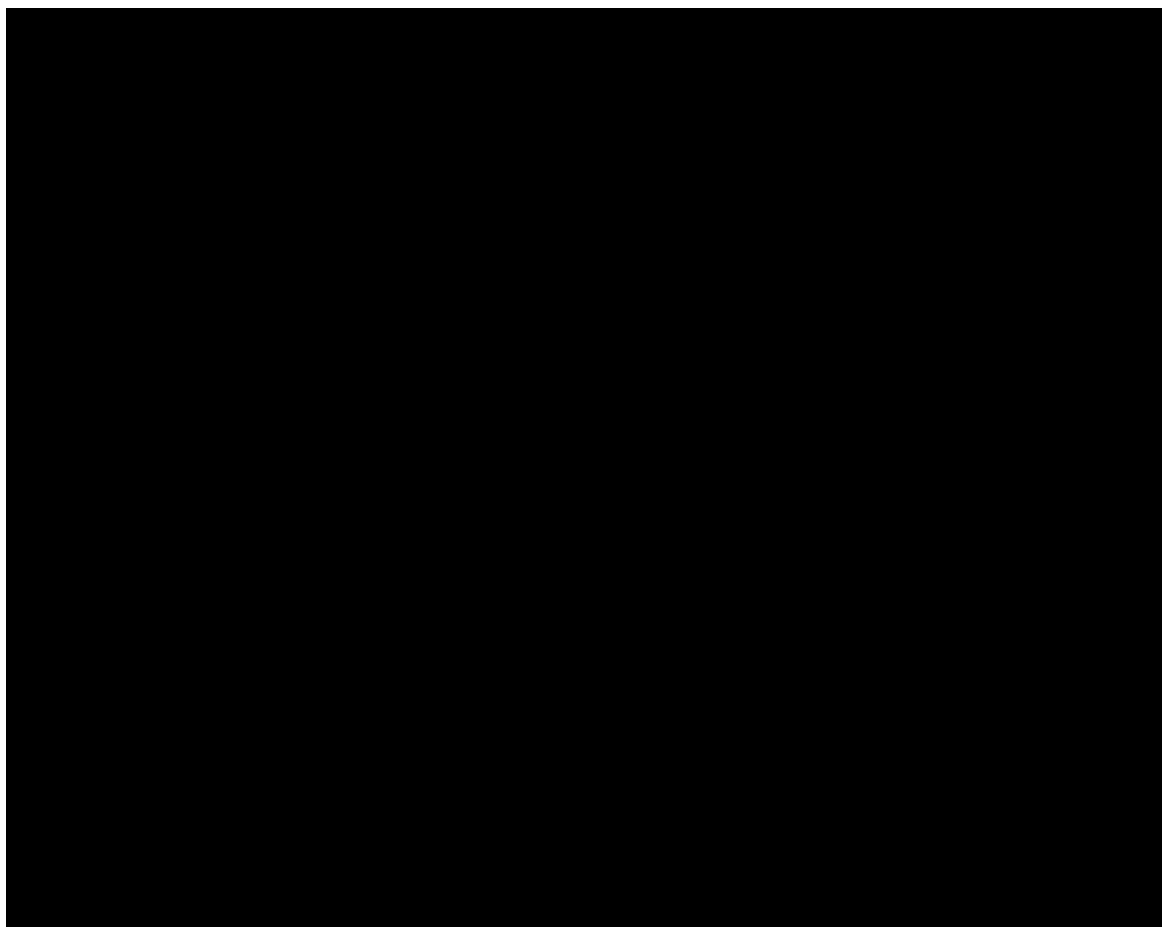
** The data is obtained from NBE balance sheet

The money multiplier, as measured by the ratio of both broad money to reserve money and narrow money to reserve money went

up by 5.2 and 6.6 percent on annual basis reflecting the expansion in domestic credit.



Source: NBE



4.3 Interest Rate Developments

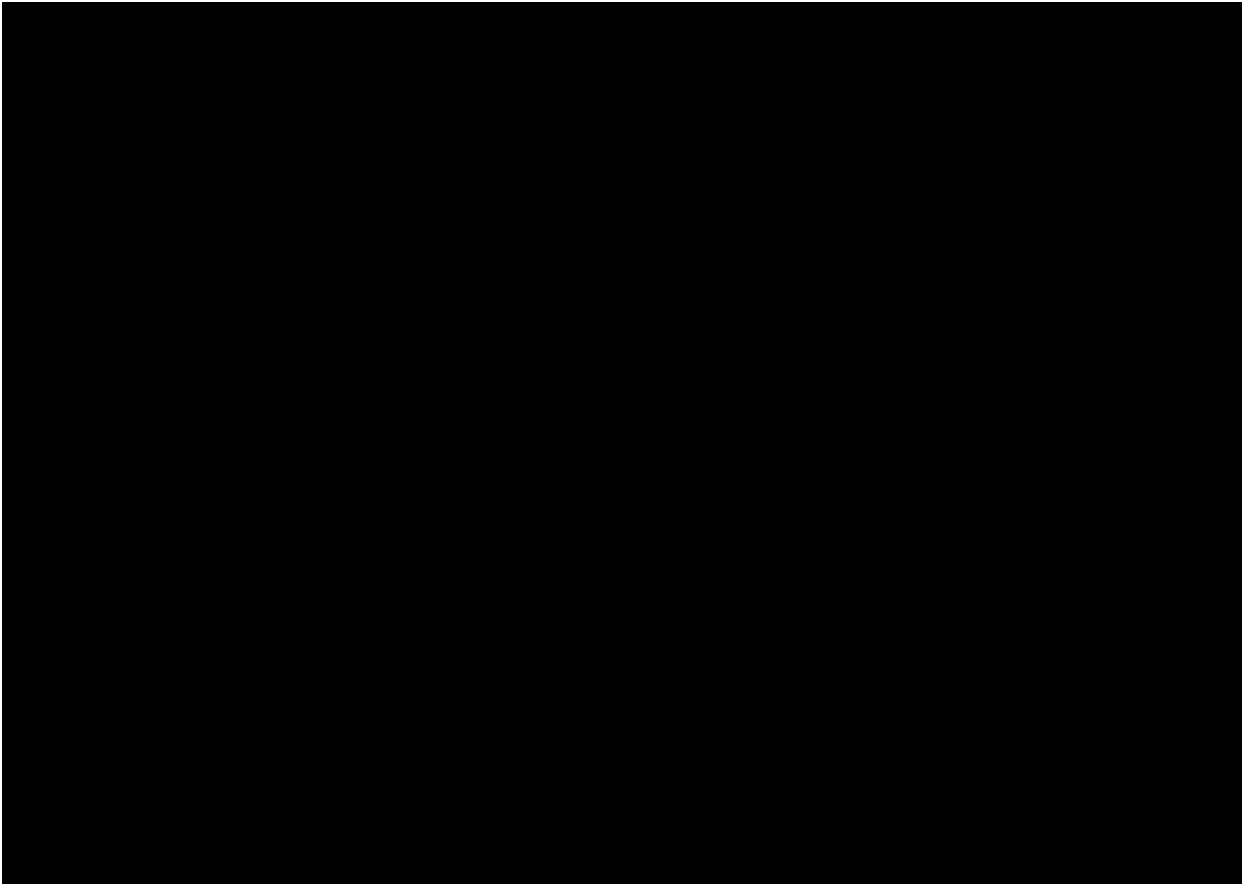
Following the upward adjustment of interest rate by NBE from 4 to 5 percent, average saving deposit rate rose to 5.38 percent from 4.50 percent in previous quarter and the same period of last year. Like wise, weighted average time deposit rate increased from 5.29 percent last year to 5.6 percent. While that of demand

deposit dropped to 0.04 from 0.06 percent. The weighted average yield on T-bills also rose to 1.353 percent from 0.806 percent a year ago. Considering annual average headline inflation of 8.2 percent during the quarter under review, all deposit rates and T-bills yields remained negative in real terms.

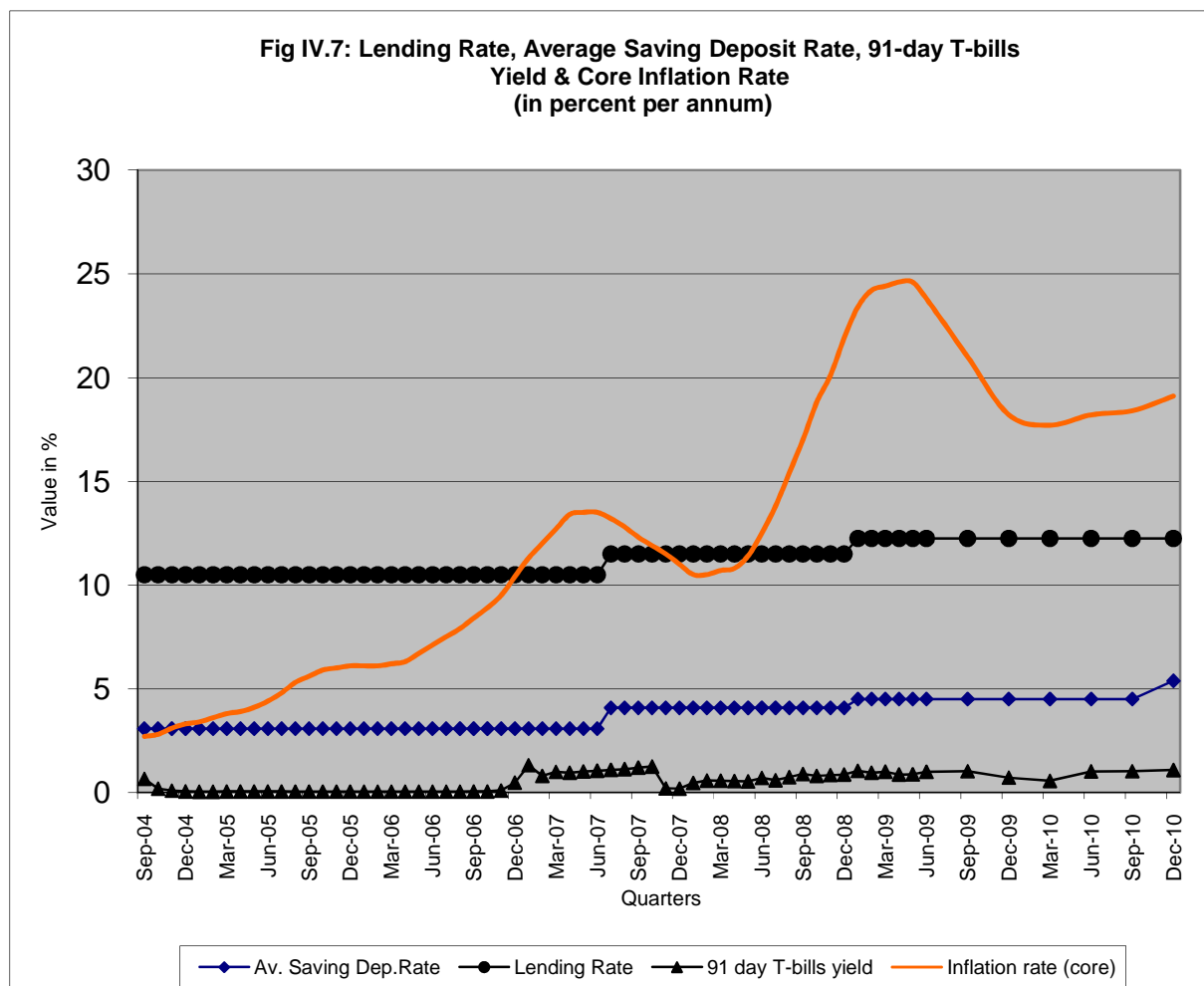
Table 4.4: Interest Rate Structure of Commercial Banks (Percent per annum)

	2009/10	2010/11		Percentage Changes	
	QII	QI	QII	Annual	Quarterly
1. Savings Deposit Rate					
Minimum	4.00	4.00	5.00	25.0	25.0
Maximum	5.00	5.00	5.75	15.0	15.0
Average Saving Rate	4.50	4.50	5.38	19.4	19.4
2. Time Deposits					
Up to 1yr	4.305	4.564	5.205	20.9	14.0
1-2 years	7.070	4.970	5.758	-18.6	15.9
Over 2 yrs	4.492	4.613	5.712	27.2	23.8
Average Time Dep. Rate (Weighted)	5.289	4.716	5.558	5.1	17.9
3. Demand Deposit (Weighted)	0.065	0.059	0.040	-39.6	-33.5
4. Lending Rate					
Minimum	8.000	8.000	8.000	0.0	0.0
Maximum	16.500	16.500	16.500	0.0	0.0
Average Lending Rate	12.250	12.250	12.250	0.0	0.0
5. T-bills Rate (Weighted)	0.806	1.240	1.353	67.8	9.1
6. Bond Yield (Simple Average)	4.000	4.000	4.000	0.0	0.0
7. Headline Inflation	8.500	5.400	8.200	-3.5	51.9
8. Food Inflation	3.300	0.800	1.500	-54.5	87.5
9. Core/non-food Inflation	18.200	18.700	19.100	4.9	2.1

Source: NBE and commercial banks



Source: NBE and Commercial banks



Source: NBE staff compilation

4.4 Developments in Financial Sector

The main financial institutions operating in Ethiopian are banks, insurance companies and microfinance institutions. At the end of the quarter under review, the number of banks operating in the country reached 16 of which 13 were private owned.

Following the opening-up of 129 branches, the total number of bank branches reached 841. As a result, the ratio of bank branch to total population¹ declined to about 95,125 from 112,359 in the preceding quarter. Of

¹ 80 million is taken for total population

the total bank branches, 37.0 percent were located in Addis Ababa. Following the opening up of 113 new branches by Commercial Bank of Ethiopia, the share of public banks increased to 47.3 percent from 40 percent in the preceding quarter.

The review quarter also witnessed a 4.8 percent rise in the total capital of the banking system that reached Birr 13.9 billion at the close of the quarter. Private banks together accounted for 43.8 percent of the total capital while public banks took the balance.

In the meantime, the number of insurance companies remained unchanged at 13. However, they increased their branches to 213 following the opening of 4 additional branches in the review quarter. Their capital, was Birr 822.0 million.

About 49.8 percent of the total insurance branches were operating in Addis Ababa. Insurance companies outreach reached 375,587² people for one branch indicating 1.9 percent increase over the preceding quarter.

Similarly, the number of microfinance institutions (MFIs) operating in the country

National Bank of Ethiopia were 30. They mobilized Birr 3.1 billion in savings deposit, up by 9.8 percent over the corresponding quarter of last year. Their credit outstanding and total assets increased reached Birr 6.2 billion and 8.8 billion, respectively showing a 2.2 and 6.1 percent rise. Microfinance institutions' are playing an increasing role by enhancing access to finance to low income groups and small scale enterprises which are outside the reach of the formal banking services due to lack of collateral.

The top five largest MFIs; namely, Amhara, Dedebit, Oromia, Omo and Addis Credit and Savings Institutions accounted for 87.3 percent of the total capital, 93.7 percent of the savings, 90.8 percent of credit and 90.7 percent of the total assets of the industry.

² Calculated by taking population as 80 million

Table 4.5: Capital and Branch Network of Banking System by the End of December 30, 2010

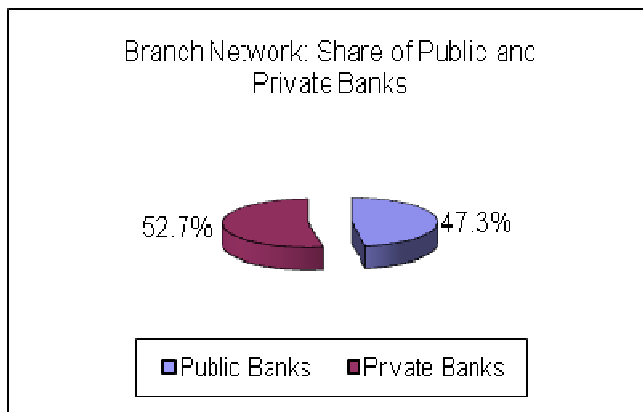
(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network												Capital		
	2009/10				2010/11				2009/10	2010/11					
	Qrt II				Qrt I				Qrt II						
	Reg	A.A	Total	% Share	Reg.	A.A	Total	% Share	Reg.	A.A	Total	% Share	Qrt II	Qrt I	Qrt II
1. Public Banks															
Commercial Bank of Ethiopia	160	49	209	31.5	169	52	221	31.0	255	79	334	39.7	5,037.0	5,528.0	5,528.0
Construction & Business Bank	17	1	18	2.7	17	15	32	4.5	17	15	32	3.8	215.0	252.0	251.0
Development Bank of Ethiopia	31	15	46	6.9	31	1	32	4.5	31	1	32	3.8	1,859.0	1,983.0	2,014.0
Total Public Banks	208	65	273	41.2	217	68	285	40.0	303	95	398	47.3	7111	7763	7793
2. Private Banks															
Awash International Bank	31	31	62	9.4	31	31	62	8.7	32	33	65	7.7	679.0	721.0	928.0
Dashen Bank	28	29	57	8.6	31	30	61	8.6	31	32	63	7.5	818.0	974.0	939.0
Abyssinia Bank	25	22	47	7.1	22	28	50	7.0	22	30	52	6.2	448.0	483.0	483.0
Wegagen Bank	23	27	50	7.5	28	23	51	7.2	28	23	51	6.1	805.0	900.0	999.0
United Bank	27	15	42	6.3	16	29	45	6.3	17	29	46	5.5	461.0	516.0	537.0
Nib International Bank	29	17	46	6.9	18	31	49	6.9	18	32	50	5.9	637.0	774.0	898.0
Cooperative Bank of Oromiya	29	4	33	5.0	35	5	40	5.6	36	5	41	4.9	154.0	171.0	174.0
Lion International Bank	9	11	20	3.0	13	11	24	3.4	13	11	24	2.9	199.0	276.0	287.0
Oromia International Bank	4	21	25	3.8	21	6	27	3.8	23	8	31	3.7	175.0	217.0	232.0
Zemen Bank	2	0	2	0.3	0	3	3	0.4	0	3	3	0.4	108.0	163.0	163.0
Buna International Bank	3	0	3	0.5	2	5	7	1.0	2	5	7	0.8	157.0	174.0	180.0
Berhan International Bank	3	0	3	0.5	3	5	8	1.1	3	5	8	1.0	96.0	108.0	115.0
Abay Bank	0	0	0	0.0	0	0	0	0.0	2	0	2	0.2	0.0	0.0	145.0
Total Private Banks	213	177	390	58.8	220	207	427	60.0	227	216	443	52.7	4,737.0	5,477.0	6,080.0
3. Grand Total Banks	421	242	663	100.0	437	275	712	100.0	530	311	841	100.0	11,848.0	13,240.0	13,873.0

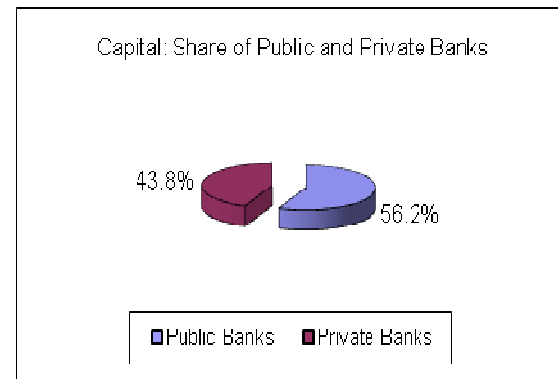
Source: Bank Supervision Directorate, NBE

Reg. stands for regions

A.A Stands for Addis Ababa



Source: Bank Supervision Directorate, NBE



Source: Bank Supervision Directorate, NBE

Table 4.6: Branch Network & Capital of Insurance Companies by the End of December 30, 2010
(Branch in Number and Capital in Millions of Birr)

Insurance Companies	Branch									Capital		
	Quarter II 2009/10			Quarter I 2010/11			Quarter II 2010/11			Quarter II	Quarter I	Quarter II
	A.A	Reg	Total	A.A	Reg	Total	A.A	Reg	Total	2009/10	2010/11	2010/11
Ethiopian Insurance Corporation	11	28	39	11	28	39	11	30	41	259.8	275.0	283
Awash Insurance Company	13	10	23	15	11	26	16	11	27	60.4	75.0	77
Africa Insurance Company	6	7	13	6	7	13	6	7	13	48.6	72.0	68
National Insurance Corporation of Ethiopia	8	8	16	8	8	16	8	8	16	18.3	23.0	21
United Insurance Company	13	7	20	15	8	23	15	8	23	47.5	81.0	66
Global Insurance Company	6	4	10	6	4	10	6	4	10	25.7	23.0	23
Nile Insurance Company	11	9	20	11	9	20	11	9	20	66.3	103.0	91
Nyala Insurance Company	8	8	16	8	8	16	8	8	16	71.9	81.0	80
Nib Insurance Company	12	8	20	12	8	20	12	8	20	49.2	77.0	77
Lion Insurance Company	6	5	11	6	5	11	6	5	11	7.7	13.0	10
Ethio-Life Insurance Company	0	0	0	0	0	0	0	0	0	3.3	4.0	22
Oromia Insurance Company	6	7	13	6	8	14	7	8	15	23.6	20.0	4
Abay Insurance Company S.C.	0	0	0	0	1	1	0	1	1	0.0	7.8	10
TOTAL	100	101	201	104	105	209	106	107	213	682.3	854.8	822.0

Source: Insurance Supervision Directorate, NBE

Reg. stands for regions

A.A : Addis Ababa

Table 4.7: Microfinance Institutions Performance as of June 2009 (In Thousands of Birr)

Particulars	2009/10		2010/11		% Change	
	Qtr.II		Qtr.I	Qtr.II	C/A	C/B
	A	B	B	C		
Total Capital	2,103,483.0	2,475,171.1	2,475,171.1	2642669.8	6.8	6.8
Saving	2,390,216.9	2,796,968.4	2,796,968.4	3071395.8	9.8	9.8
Credit	5,094,733.7	6,062,227.7	6,062,227.7	6193729.5	2.2	2.2
Total Assets	7,164,750.3	8,305,180.2	8,305,180.2	8811706.1	6.1	6.1

4.5 Activities of the Banking System

4.5.1. Resource Mobilization

Total resources mobilization by the banking system in the form of net change in deposits, loan collection and net borrowings surged by 90.7 percent over the last year same quarter due to the 214.5

percent rise in net deposit mobilization offsetting the 85 percent fall in net borrowing. Loans collection increased by 33 percent during the same period (Table 4.7).

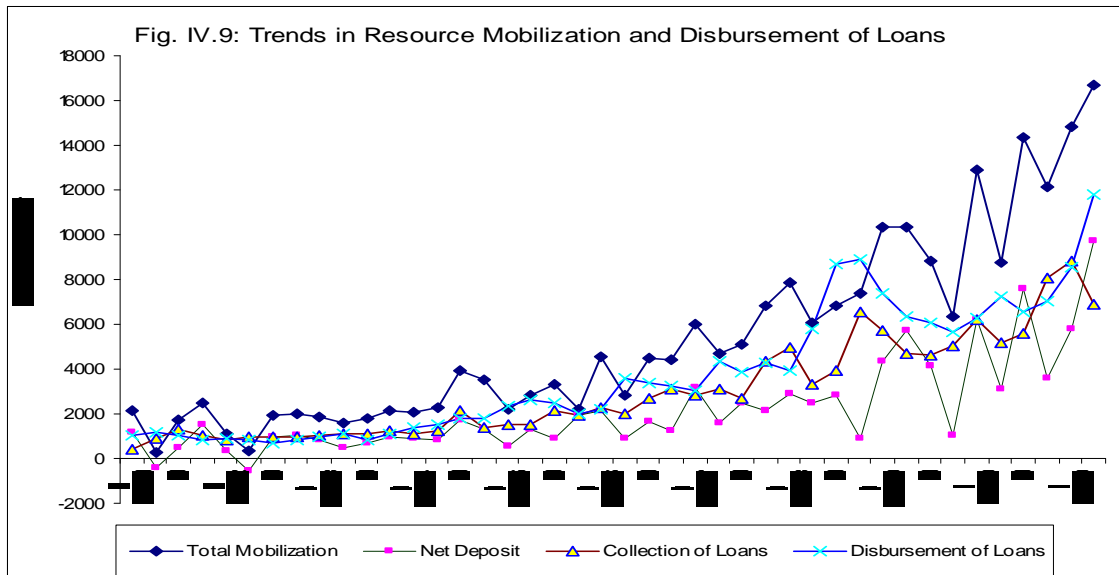
Table 4.8: Summary of Resource Mobilization & Disbursement of Banking System during Second Quarter of 2010/11

(In Millions of Birr)

(In

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr. I 2010/11	Qtr. II 2010/11	Qtr. I 2010/11	Qtr. II 2010/11	Qtr. II 2009/10	Qtr. I 2010/11	Qtr. II 2010/11		
	A	B	C	C/A	C/B				
1. Deposits (net change)	2,072.9	9,129.3	3,745.0	582.5	3,087.6	5,817.9	9,711.8	214.5	66.9
-Demand	717.2	7,395.2	1,728.2	-58.3	1,095.6	2,445.4	7,336.8	569.7	200.0
-Saving	1,326.2	1,919.5	2,096.3	494.7	1,997.7	3,422.6	2,414.2	20.8	-29.5
-Time	29.5	-185.4	-79.5	146.2	-5.6	-50.0	-39.2	596.1	-21.7
2. Borrowing (net change)	185.9	70.2	0.0	0.0	466.6	185.9	70.2	-85.0	-62.2
-Local	179.6	146.1	0.0	0.0	454.0	179.6	146.1	-67.8	-18.6
-Foreign	6.3	-76.0	0.0	0.0	12.6	6.3	-76.0	702.9	-1,309.5
3. Collection of Loans	4,056.0	2,138.6	4,766.9	4,773.1	5,198.2	8,822.9	6,911.7	33.0	-21.7
4. Total Resources Mobilized (1+2+3)	6,314.8	11,338.1	8,512.0	5,355.6	8,752.4	14,826.7	16,693.7	90.7	12.6
5. Disbursement	2,608.8	5,068.7	5,930.5	6,698.6	7,257.7	8,539.3	11,767.3	62.1	37.8
6. Change in Liquidity (4-5)	3,706.0	6,269.3	2,581.5	-1,343.0	1,494.7	6,287.5	4,926.4	229.6	-21.6
Memorandum Item:									
A. Outstanding Credit*	36,097.1	40,833.5	26,761.9	26,457.8	56,193.2	62,859.0	67,291.3	19.7	7.1
B. Outstanding Interbank Lending	220.0	222.5	0.7	0.7	336.2	220.7	223.2	-33.6	1.1

Source: Commercial Banks and staff computation



4.5.1.1 Deposit Mobilization

Total deposit liability of the banking system during the second quarter under review reached Birr 114.1 billion, up by 30.5 percent compared to last year. The growth in annual deposit mobilization was partly attributed to the rise in branch expansion and improved economic activities.

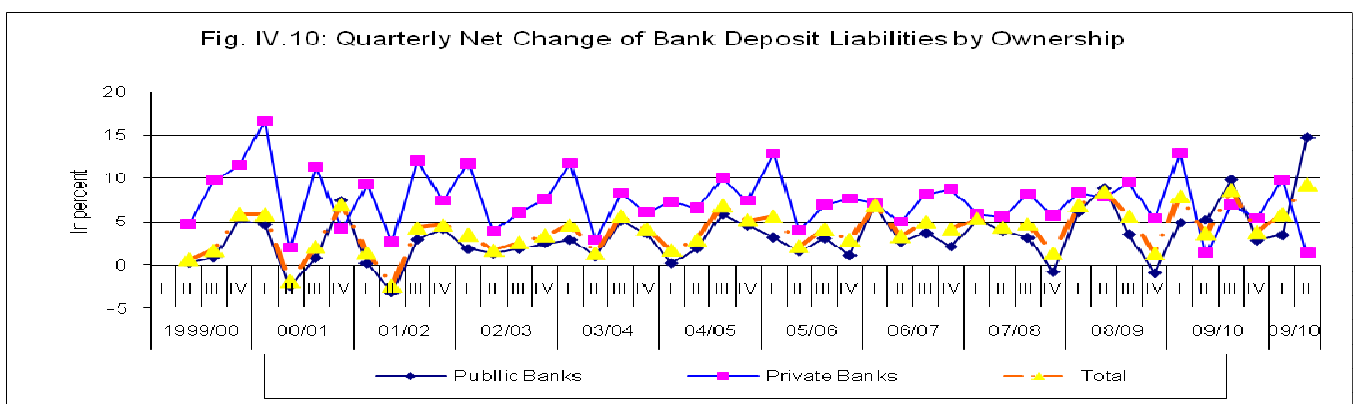
Components wise, all types of deposit except time deposit showed strong growth. Saving deposits, which constitutes 47.2 of the total deposits, rose by 28.8 percent year-on-year basis. While demand deposit increased by

34.3 percent. On the other hand, time deposits with a share of 3.8 percent went up by 9.4 on annual basis.

The share of private banks in total deposits decreased from 39.1 percent a year ago to 37.5 percent in the review quarter due to strong deposit mobilization by the state owned Commercial Bank of Ethiopia.

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

Types of Deposits	2009/10		2010/11				% Change	
	Quarter II	%	Quarter I	%	Quarter II	%		
	A	Share	B	Share	C	Share	C/A	C/B
Demand Deposit	41,642.8	47.6	48,594.5	46.5	55,915.7	49.0	34.3	15.1
Saving Deposit	41,819.8	47.8	51,472.5	49.3	53,880.8	47.2	28.8	4.7
Time Deposit	3,970.1	4.5	4,384.4	4.2	4,345.2	3.8	9.4	-0.9
Total	87,432.6	100.0	104,451.3	100.0	114,141.6	100.0	30.5	9.3
Share of Public Banks	60.9		59.6		62.5			
Share of Private Banks	39.1		40.4		37.5			



Source: Commercial banks and DBE

4.5.1.2 Collection of Loans

Loan collection by the banking system stood at Birr 6.9 billion, 33.0 percent higher than last year. Private banks collected 69 percent of the loans. About 85 percent of

the repayment was from the private sector including cooperatives and 14.0 percent from public enterprises (Table 4.11).

4.5.1.3 Borrowing

Outstanding borrowing of the banking system at the end of the quarter reached Birr 5.9 billion, up by 48.1 percent over last

year. About 85 percent of the borrowing was from domestic sources.

Table 4.10: Outstanding Borrowing of Banking System by Sources at the End of December 2010

(In Millions of Birr)

	2009/10	2010/11		Percentage change	
	Quarter II	Quarter I	Quarter II		
Banks	A	B	C	C/B	C/A
Domestic Borrowing	3,082.3	4,845.1	4,991.3	3.0	61.9
Foreign Borrowing	900.5	985.0	909.0	(7.7)	0.9
Total	3,982.8	5,830.1	5,900.3	1.2	48.1

Source: Commercial banks and DBE

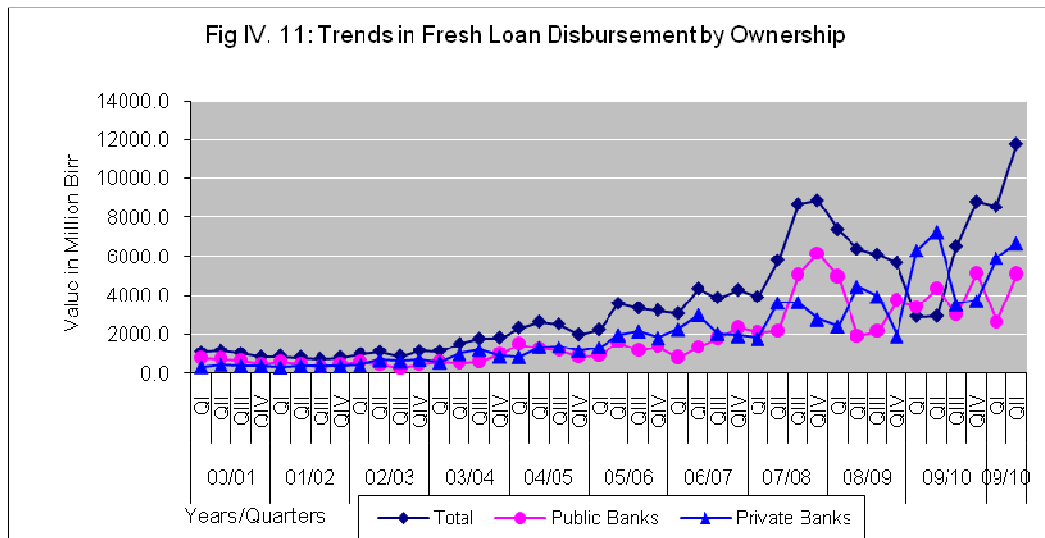
4.5.2 Disbursement of Fresh Loans

New loan disbursement by the banking sector during the second quarter of 2010/11 stood at Birr 11.8 billion, showing 62 percent increase over last year. Private banks disbursed 56.9 percent (Table 4.11).

About 89 percent of the new loans was granted to the private sector including

cooperatives the share of public enterprises was 10.6 percent.

Sector wise, 47 percent of the loans went to finance to trade (both domestic and international) followed by agriculture (17.7 percent) and industry (16.0 percent) (Table 4.10).



Source: Commercial banks and DBE

Table 4.11: Summary of Loans and Advances by Banks and Receiving Sectors from during the

Borrowing Sector	Public Banks			Private Banks			Total		
	(1)			(2)			(3)		
	D**	C**	O/S**	D**	C**	O/S**	D**	C**	O/S**
Central Government *			2969.5	0.0	0.0	1318.2			4287.7
Agriculture	2,030.5	321.6	7,134.1	50.6	48.0	592.9	2,081.2	369.6	7,727.0
Industry	1,346.3	433.0	11,121.0	536.7	479.5	3,546.5	1,883.0	912.5	14,667.5
Domestic Trade	301.1	165.5	942.8	2,185.1	1,150.9	7,112.9	2,486.2	1,316.4	8,055.7
International Trade	226.9	490.9	8,579.6	2,835.4	2,361.8	6,257.4	3,062.3	2,852.7	14,836.9
Export	131.3	81.5	3,286.8	1,856.2	1,459.7	3,164.0	1,987.4	1,541.2	6,450.8
Imports	95.6	409.4	5,292.8	1,037.4	908.6	3,900.9	1,133.1	1,318.0	9,193.7
Hotels and Tourism	20.8	40.9	569.3	60.2	48.7	868.0	81.0	89.6	1,437.3
Transport & Communication	535.1	151.6	1,847.3	407.3	225.7	1,657.9	942.4	377.3	3,505.3
Housing & Construction	300.8	324.7	5,186.7	461.2	341.2	3,685.8	762.1	665.9	8,872.5
Mines, Power & Water Res.	0.0	0.0	0.0	2.8	1.6	34.0	2.8	1.6	34.0
Others	254.3	126.5	2,159.8	45.0	64.6	410.1	299.3	191.1	2,569.8
Personal	45.9	68.5	100.9	56.1	44.4	166.0	101.9	113.0	266.9
Inter-Bank Lending	7.0	15.4	222.5	0.0	0.2	0.7	7.0	15.6	223.2
Total	5,068.7	2,138.6	40,833.5	6,698.6	4,773.1	26,457.8	11,767.3	6,911.7	67,291.3

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

Total outstanding credit of the banking system excluding corporate bond holdings stood at Birr 67.3 billion, up by 24.0 percent vis-à-vis last year.

Claims on the private sector accounted for 79 percent, public enterprises 14.2 percent and central government 6.4 percent.

About 22 percent of outstanding credit went to international trade followed by

industry (20.8 percent), housing & construction (13.2 percent) domestic trade (12.0 percent), and agriculture (11.5 percent).

The share of private banks in total outstanding credit stood at 39.3 percent reflecting 15.6 percent growth over last year.

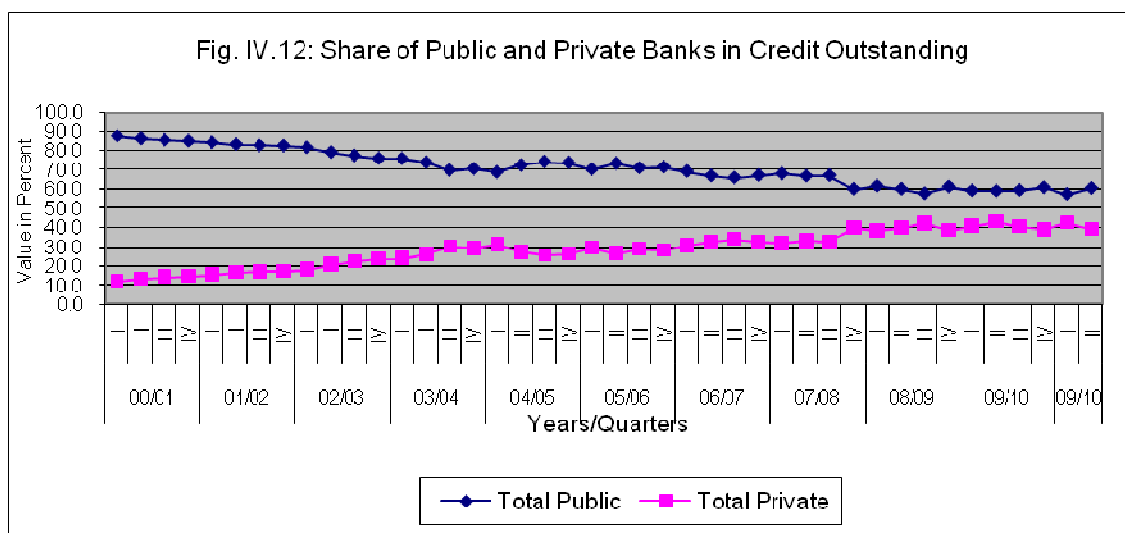
Table 4.12: Breakdown of Loans & Advances of Banking System by Clients, during Second Quarter of 2010/11

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	5,068.7	43.1	2,138.6	30.9	40,833.5	60.7
Central Government*	0.0	0.0	0.0	0.0	2,969.5	7.3
State Enterprises	1,242.8	24.5	299.4	14.0	9,513.8	23.3
Cooperatives	1,759.6	34.7	327.8	15.3	5,173.8	12.7
Private Enterprises	2,059.3	40.6	1,496.0	69.9	22,953.9	56.2
Inter-bank Lending	7.0	0.1	15.4	0.7	222.5	0.5
Private Banks	6,698.6	56.9	4,773.1	69.1	26,457.8	39.3
Central Government*	0.0	0.0	0.0	0.0	1,318.2	5.0
State Enterprises	0.0	0.0	2.7	0.1	44.7	0.2
Cooperatives	132.8	2.0	58.0	1.2	298.6	1.1
Private Enterprises	6,565.8	98.0	4,712.3	98.7	24,795.6	93.7
Inter-bank Lending	0.0	0.0	0.1	0.0	0.7	0.0
Grand Total	11,767.3	100.0	6,911.7	100.0	67,291.3	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

By the end of the second quarter, NBE's outstanding claims on the government increased by 19.5 percent against last year due to the 20.6 percent increase in direct advance offsetting the 1.4 percent decline in government deposit. Direct advances to the government increased by 20.6 and 6.5 percent on yearly and quarterly basis respectively. Similarly, deposit liabilities

went up by 13.8 percent and stood at Birr 32.4 billion due to 20.3 percent increase in central government and 11 percent in financial institutions' deposits at the NBE. Deposit of financial institution' accounted for 69 percent of the total deposit liabilities of the NBE and the rest was held by the government.

Table 4.13: Financial Activities of NBE during Second Quarter of 2010/11

(In Millions of Birr)

Particulars	2009/10	2010/11		% Change	
	Qtr. II	Qtr.I	Qtr. II	C/A	C/B
	A	B	C		
1.Loans and Advances	43,610.8	47,983.7	50,488.6	15.8	5.2
1.1. To Central Government	43,610.8	47,983.7	50,488.6	15.8	5.2
Direct Advance	34,055.2	38,557.1	41,062.0	20.6	6.5
Bonds	9,555.6	9,426.6	9,426.6	-1.4	0.0
1.2.To Development Bank of Ethiopia	0.0	0.0		-	-
2.Deposit Liabilities	28,458.6	32,253.5	32,374.9	13.8	0.4
2.1. Government	7,785.9	8,265.6	9,369.8	20.3	13.4
2.2. Financial Institutions	20,672.7	23,987.9	23,005.2	11.3	-4.1
O/W:					
- Banks	20,625.5	23,935.0	22,950.6	11.3	-4.1
- Insurance companies	47.2	52.9	54.6	15.6	3.2
3.Net Claims of NBE	15,152.2	15,730.2	18,113.7	19.5	15.2

Source: NBE

4.7 Developments in Financial Markets

4.7.1 Treasury Bills Market

The total amount of T-bills offered during the second quarter of 2010/11 reached Birr 22.2 billion reflecting a 44.5 percent surge over the same quarter of last year. Of the total T-bills offered to the market, only Birr 13.9 billion (62.3 percent) was sold. Commercial banks purchased 52.8 percent of the total bills sold.

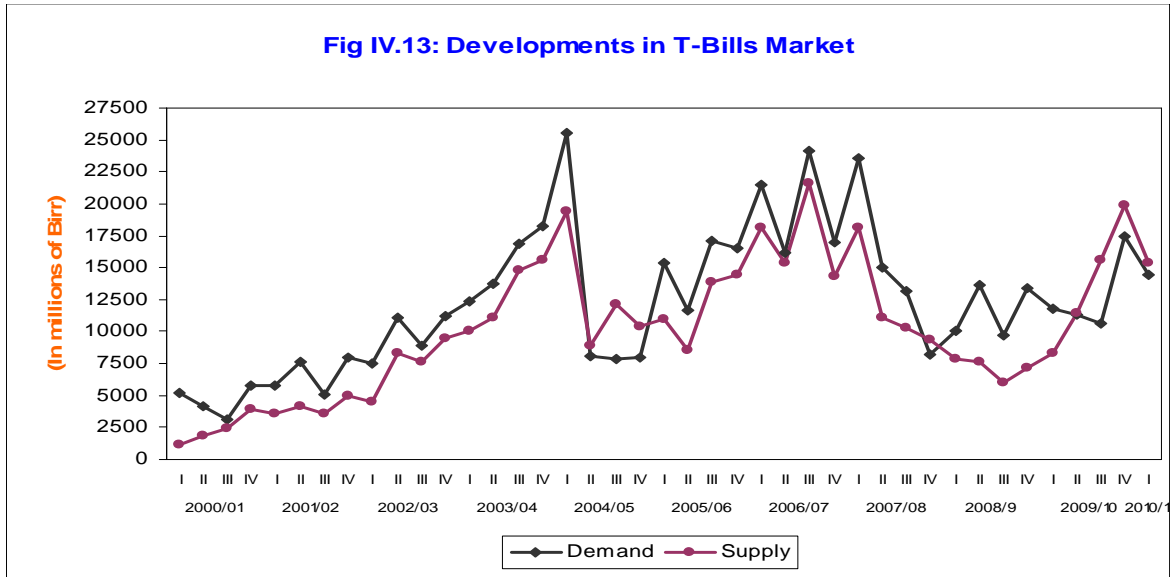
In the mean time, the stock of T-bills at the end of the quarter reached Birr 8.5 billion of which non-bank institutions held 84.4 percent.

The average weighted yield on T-bills increased to 1.161 percent from 0.735 and 1.070 percent last year and the preceding quarter, respectively.

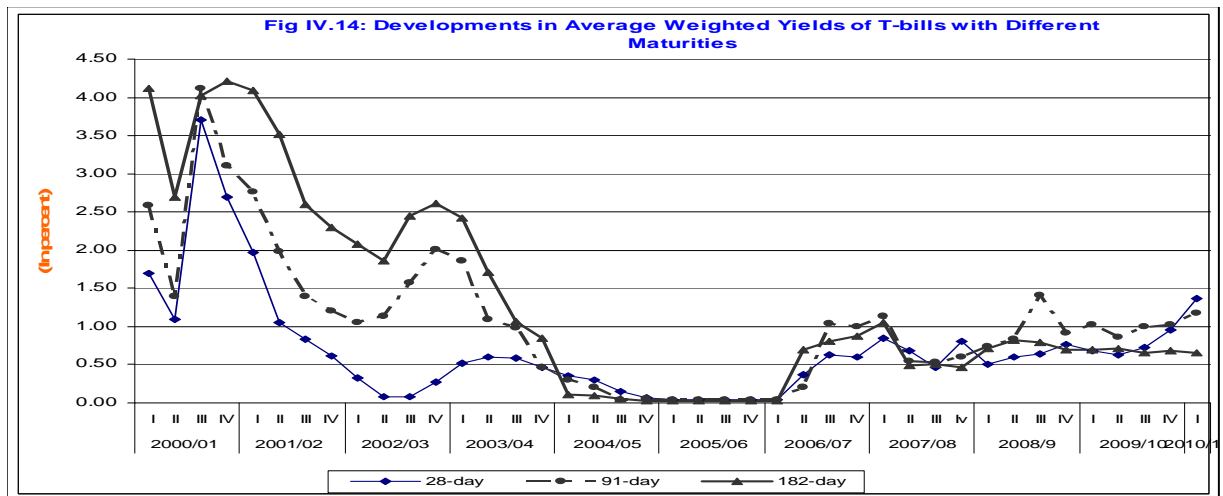
Table 4.14: Results of Treasury Bills Auction during the Second Quarter 2010/11

Particulars	2009/10	2010/11		% Change	
	Qtr. II	Qtr.I	Qtr. II		
	A	B	C	C/A	C/B
Number of Bidders	68	56	67	-1.5	19.6
Public	53	36	43	-18.9	19.4
Private	15	20	24	60.0	20.0
Number of Bids Accepted	78	72	82	5.1	13.9
Public	58	44	49	-15.5	11.4
Private	20	28	33	65.0	17.9
Amount Demanded (Mn.Birr)	11,379.16	14,436.80	15,136.25	33.0	4.8
28-day bill	2,460.00	7,990.00	8,845.00	259.6	10.7
91-day bill	7,924.34	5,226.80	5,963.36	-24.7	14.1
182-day bill	994.82	1,220.00	327.89	-67.0	-73.1
Amount Supplied (Mn.Birr)	11,386.56	15,401.36	22,249.71	95.4	44.5
28-day bill	1,190.00	8,480.00	10,150.00	752.9	19.7
91-day bill	6,451.74	5,701.36	10,292.87	59.5	80.5
182-day bill	3,744.82	1,220.00	1,806.84	-51.8	48.1
Amount Sold (Mn.Birr)	9,438.95	13,736.80	13,867.25	46.9	0.9
Banks	7,389.16	6,985.44	7,320.84	-0.9	4.8
Non-Banks	1,950.00	6,751.36	6,546.41	235.7	-3.0
Average Weighted Price for Successful Bids(Birr)	99.795	99.758	99.732	-0.06	-0.03
28-day bill	99.951	99.895	99.880	-0.07	-0.01
91-day bill	99.786	99.706	99.730	-0.06	0.02
182-day bill	99.647	99.674	99.586	-0.06	-0.09
Average Weighted Yield for Successful Bids (%)	0.735	1.070	1.161	63.3	11.0
28-day bill	0.636	1.374	1.563	145.8	13.7
91-day bill	0.859	1.181	1.086	26.5	-8.0
182-day bill	0.710	0.655	0.835	17.6	27.4
Outstanding bills at the end of Period (Mn.Br.)	9,595.78	8,847.04	8,467.25	-11.8	-4.3
Banks	2,622.00	2,145.44	1,320.84	-49.6	-38.4
Non-Banks	6,973.78	6,701.60	7,146.41	2.5	6.6

Source: NBE



Source: NBE



Source: NBE

4.7.2 Inter- Bank Money Market

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

4.7.3 Corporate Bond Market

There has been a continuous rise in corporate bond issuance by public enterprises and regional states. Accordingly, during the quarter under review, CBE purchased corporate bonds worth Birr 2.7 billion, of which about 53.0 percent was issued by public institutions and the rest by regional states.

At the end of December 31, 2010, the stock of corporate bonds held by the CBE stood at Birr 31.7 billion, of which 75.6 percent was claims on public enterprises and the rest by regional states.

Table 4.15 Corporate Bond by Holders

(In Million Birr)

Bond	2009/10			2010/11					
	QII			QI			QII		
	NP	Red	O/S	NP	Red	O/S	NP	Red	O/S
1.Puplic Enterprises	600.0	0.0	15,533.6	1,800.0	0.0	22,494.6	1,450.0	0.0	23,944.6
EEPCO	200.0	0.0	13,200.0	1,600.0	0.0	18,200.0	1300.0	0.0	19500.0
ETC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DBE	400.0	0.0	2,333.6	200.0	0.0	4,294.6	150.0	0.0	4444.6
2. Regional Governments	868.0	648.7	6,793.8	18.0	369.2	6,672.3	1,285.0	225.5	7,731.8
Oromia	187.0	17.6	1,601.5	0.0	44.0	1,588.2	180.0	22.3	1745.8
Amhara	100.0	11.4	1,192.4	0.0	57.8	1,152.4	260.0	82.2	1330.2
Tigray	84.0	0.0	689.0	0.0	37.0	659.6	55.0	8.2	706.4
SNNPRS	50.0	12.6	813.0	6.0	3.9	866.0	100.0	22.6	943.4

Dire Dawa	15.0	0.0	167.0	12.0	0.0	184.3	20.0	13.7	190.5
Harari	32.0	7.1	130.9	0.0	4.0	128.8	20.0	1.4	147.4
Addia Ababa	400.0	600.0	2,200.0	0.0	222.5	2,093.0	650.0	75.0	2668.0
3.Grand Total(1+2)	1,468.0	648.7	22,327.3	1,818.0	369.2	29,166.9	2,735.0	225.5	31,676.4

Source: CBE

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