

## V. External Sector Developments

### 5.1 Overall Balance of Payments

The overall balance of payments during the third quarter of 2010/11 recorded USD 301 million surplus, depicting 22.3 percent improvement over the same period of last year. This was attributed to increased net service receipts, private transfers and long term capital inflows.

The deficit in merchandise trade during the review period narrowed to 19.9 percent with respect to the same period last year, largely owing to 36 percent growth in export in contrast with about 6 percent decline in import.

**Table 5.1 Balance of Payments**

(Millions of USD)

Ethiopian Fiscal Year Particulars	2009/10	2010/11		Percentage Change	
	QIII	QII	QIII	C/B	C/A
	A	B	C		
<b>Trade Balance</b>	<b>-1618.0</b>	<b>-1695.0</b>	<b>-1295.8</b>	<b>-23.6</b>	<b>-19.9</b>
Exports	559.9	550.7	762.4	38.4	36.2
Imports	2177.9	2245.7	2058.2	-8.4	-5.5
<b>Net Services</b>	<b>131.2</b>	<b>130.5</b>	<b>229.8</b>	<b>76.1</b>	<b>75.2</b>
Travel	76.7	123.2	187.6	52.3	144.6
Transportation	46.2	75.7	66.9	-11.6	44.8
Government (n.i.e.)	75.7	58.7	46.7	-20.4	-38.3
Investment income	-9.4	-20.0	-18.4	-8.0	94.9
Interest	-4.6	-12.6	-13.7	8.6	195.3
Cash (net)	-3.8	-12.9	-13.7	5.9	260.5
Arrears	0.0	0.0	0.0		
Relief	-0.8	0.3	0.0		
Dividend	-4.8	-7.4	-4.7	-36.5	-2.1
Other Services	-58.0	-107.1	-53.0	-50.5	-8.6
<b>Private Transfers</b>	<b>642.8</b>	<b>901.5</b>	<b>865.0</b>	<b>-4.0</b>	<b>34.6</b>
<i>Current Account Balance(excl. public transfers)</i>	<i>-844.0</i>	<i>-663.1</i>	<i>-201.0</i>	<i>-69.7</i>	<i>-76.2</i>
<b>Public Transfers</b>	<b>653.4</b>	<b>659.2</b>	<b>269.1</b>	<b>-59.2</b>	<b>-58.8</b>
<i>Current Account Balance(incl. public transfers)</i>	<i>-190.6</i>	<i>-3.9</i>	<i>68.1</i>	<i>1,180.3</i>	<i>2,752.1</i>
<b>Non-monetary Capital</b>	<b>308.6</b>	<b>664.2</b>	<b>751.1</b>	<b>13.1</b>	<b>143.4</b>
Long-term (net)	140.5	385.4	402.1	4.3	186.3
Disbursements	147.2	426.2	433.2	1.6	194.2

Repayments	6.8	40.8	31.1	-23.8	360.1
Cash	2.7	39.1	28.4	-27.4	959.7
Arrears	0.0	0.0	0.0		
Relief	4.1	1.7	2.7	58.8	-33.8
Direct Investment (net)	180.8	340.7	337.8	-0.9	86.8
Short-term (net)	-12.7	-61.9	11.2	118.1	188.2
<b>Net Errors &amp; Omissions</b>	<b>128.1</b>	<b>-546.0</b>	<b>-518.2</b>	<b>5.1</b>	<b>-504.5</b>
<b>Overall Balance</b>	<b>246.1</b>	<b>114.4</b>	<b>301.0</b>	<b>163.2</b>	<b>22.3</b>
<b>Financing</b>	<b>-246.1</b>	<b>-114.4</b>	<b>-301.0</b>	<b>163.2</b>	<b>22.3</b>
<b>Reserves (-:increase)</b>	<b>-241.2</b>	<b>-112.3</b>	<b>-298.3</b>	<b>165.6</b>	<b>23.7</b>
NBE net foreign asset	-48.4	-105.9	-289.8	173.7	498.3
CBs net foreign asset	-192.8	-6.4	-8.6	33.0	-95.6
<b>Debt Relief</b>	<b>-4.9</b>	<b>-2.0</b>	<b>-2.7</b>		
Principal	4.1	1.7	2.7		
Interest	0.8	0.3	0.0		

*Source: Staff compilation.*

As a result of significant growth in export proceeds, service receipts and transfers, the current receipts during the third quarter of 2010/11 increased by 9 percent over the same period last year and reached USD 2.6 billion (Table 5.2).

Meanwhile, current payments declined slightly by 1.8 percent and stood at USD 2.51 billion. While import and service payments accounted for quarter-on-quarter decline of total payments,

merchandise import payment was the sole contributor for annual fall in total payments.

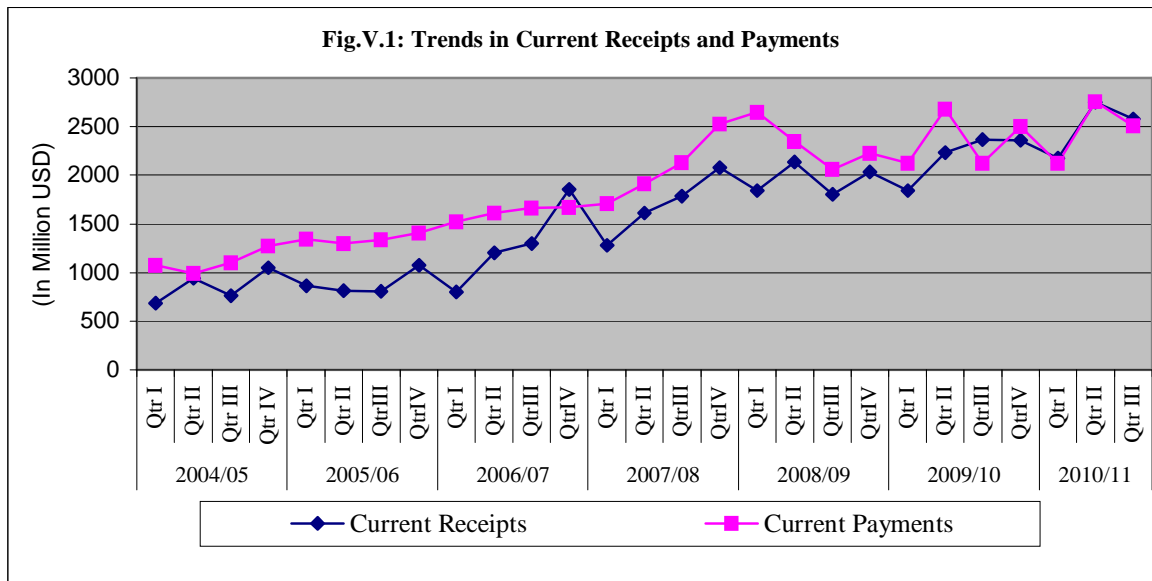
Consequently, the current account balance recorded net inflows of USD 68.1 million against net outflows of USD 190.6 million and 3.9 million respectively last year same period and the preceding quarter.

**Table 5.2 Current Receipts and Payments**

(In Million of USD)

Particulars	2009/10	2010/11		Percentage Change	
	Qtr III	Qtr II	Qtr III	D=C/B	E=C/A
	A	B	C		
<b>1. Current Receipts</b>	<b>2,363.9</b>	<b>2,750.5</b>	<b>2,577.1</b>	<b>-6.3</b>	<b>9.0</b>
Export Proceeds	559.9	550.7	762.4	<b>38.4</b>	<b>36.2</b>
Service Proceeds	507.8	639.1	680.6	<b>6.5</b>	<b>34.0</b>
Private Transfers(net)	642.8	901.5	865	<b>-4.0</b>	<b>34.6</b>
Public Transfer(net)	653.4	659.2	269.1	<b>-59.2</b>	<b>-58.8</b>
<b>2. Current Payments</b>	<b>2,554.5</b>	<b>2,754.4</b>	<b>2,509.0</b>	<b>-8.9</b>	<b>-1.8</b>
Import Payments	2,177.9	2245.7	2,058.2	<b>-8.3</b>	<b>-5.5</b>
Service Payments	376.6	508.7	450.8	<b>-11.4</b>	<b>19.7</b>
<b>3. Net(1-2)</b>	<b>-190.6</b>	<b>-3.9</b>	<b>68.1</b>	<b>72,000.0</b>	<b>64,675.0</b>

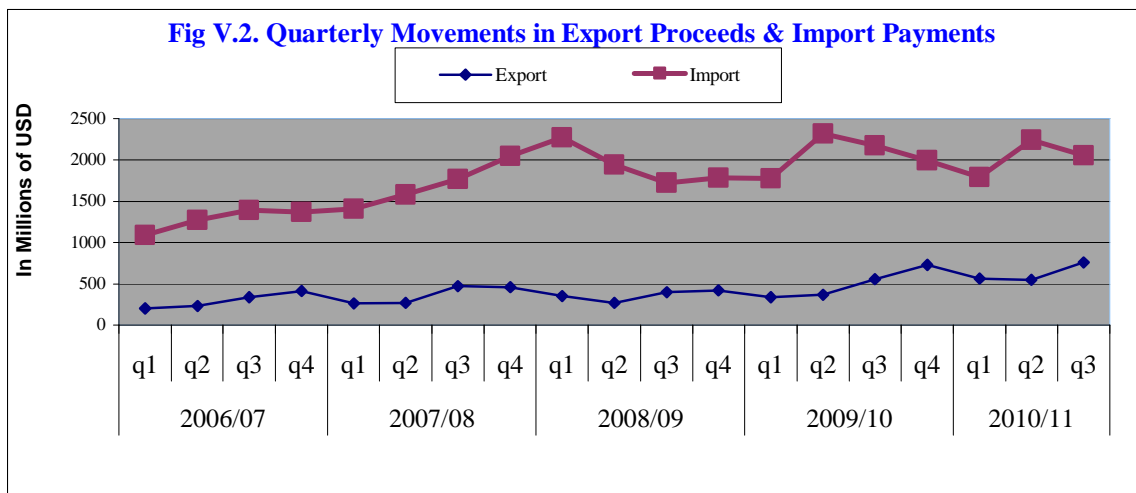
Source: Staff Compilation



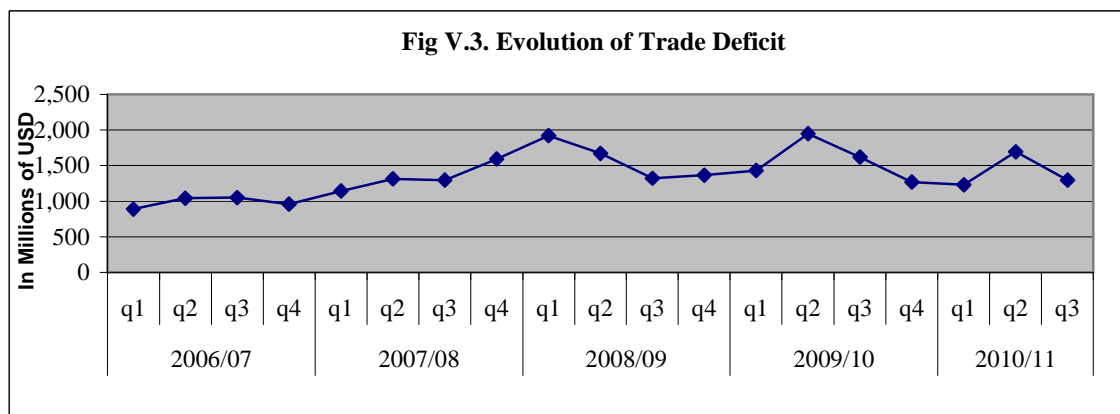
## 5.2 Merchandise Trade

The deficit in merchandise trade during the third quarter of 2010/11 stood at USD 1.3 billion, which narrowed by 20 vis-à-vis the same period last year,

respectively. The positive development in the quarterly trade balance was attributed to the strong export growth and moderate fall in total import.



Source: Ethiopian Revenues and Customs Authority



*Source: NBE Staff Compilation*

### 5.2.1 Exports

During the third quarter of 2010/11 a total of USD 762.4 million was earned from merchandise export showing 36.2 percent growth relative to the same period last year. This was mainly driven by the surge in earnings from export of coffee, gold, leather and leather products, meat & meat products, live animals, pulses, flower, chat and oilseeds.

Earning from coffee export recorded a 75.6 percent annual growth and stood at USD 221 million, on account of strong growth in volume of export (21 percent) and international price (45.2 percent).

The export revenue remained strong at 63 percent quarter-on-quarter owing to higher volume of export (15 percent) and world coffee price (41.6 percent). As a result, the share of coffee export in total revenue rose to 29 percent from 22.5 percent last year same period.

Export of gold fetched USD 110.3 million, growing by 22.2 percent year-on-year in the review period as a result of higher volume of export (5.1 percent) and international price (16.2 percent). Its share, however, went down to 14.5 percent from 16.1 percent in the same period last year.

**Table 5.3 Values of Major Export Items***(In millions of USD)*

Particulars	2009/10		2010/11				Percentage Change	
	QIII A	% share	QII B	% share	QIII C	% share	C/B	C/A
Coffee	125.8	22.5	135.7	24.6	221.0	29.0	62.9	75.6
Oil Seeds	122.8	21.9	40.4	7.3	123.7	16.2	206.6	0.8
Leather and Leather products	14.7	2.6	21.8	4.0	29.1	3.8	33.2	97.5
Pulses	38.6	6.9	33.9	6.2	43.5	5.7	28.1	12.5
Meat & Meat Prod.	8.7	1.6	15.3	2.8	16.7	2.2	9.4	92.7
Fruits & Vegetables	10.0	1.8	7.3	1.3	9.6	1.3	31.5	-4.2
Live Animals	22.3	4.0	41.3	7.5	30.3	4.0	-26.7	35.8
Chat	51.9	9.3	62.8	11.4	54.3	7.1	-13.6	4.6
Gold	90.3	16.1	107.5	19.5	110.3	14.5	2.6	22.2
Flower	45.6	8.1	41.2	7.5	48.0	6.3	16.6	5.4
Others	29.2	5.2	43.5	7.9	75.9	10.0	74.5	159.9
<b>Total</b>	<b>559.9</b>	<b>100.0</b>	<b>550.7</b>	<b>100.0</b>	<b>762.4</b>	<b>100.0</b>	<b>38.4</b>	<b>36.2</b>

*Source: Ethiopian Revenue and Customs Authority*

Export of leather and leather products amounted to USD 29.1 million, recording 97.5 percent growth over the same period last year owing to improvements in both volume of exports and world prices. It accounted for 3.8 percent of the total merchandise export compared to 2.6 percent a year ago.

Meanwhile, export revenue from live animals rose by 35.8 percent relative to last year same period to USD 30.3 million, wholly as a result of higher volume of export (41.3 percent) in spite of marginal decline in international price (4 percent). However, the share of live

animals export remained unchanged at 4 percent in annualized term.

Owing to higher volume of export and world price, export proceeds of meat & meat products accelerated by 92.7 percent to USD 16.7 million vis-à-vis the same period last year. As a result, the share of meat & meat products export in the total export improved to 2.2 percent from 1.2 percent last year.

Despite falling international prices, the receipts from pulses went up by 12.5 percent in relation to the same period last year solely on account of the increase in volume of exports.

As a result of higher volume of export, flower export earned USD 48 million, indicating a 5.4 percent increment over the same period last year. Relative to the preceding quarter, the export earning of flower also showed a 16.6 percent growth owing to moderate increase in volume.

Chat export earning improved by 4.6 percent over the same period last year to USD 54.3 million largely in response to marginal increase in volume of export. However, its share in total export revenue went down to 7.1 percent from 9.3 percent a year earlier.

Earnings from export of oilseeds rose slightly by 0.8 percent as the volume of exports declined more than the improvements in international prices.

Against the preceding quarter, however, the revenue showed a 206.6 percent increment largely owing to the surge in volume of export (196.8 percent) and a slight rise in international prices (3.3 percent).

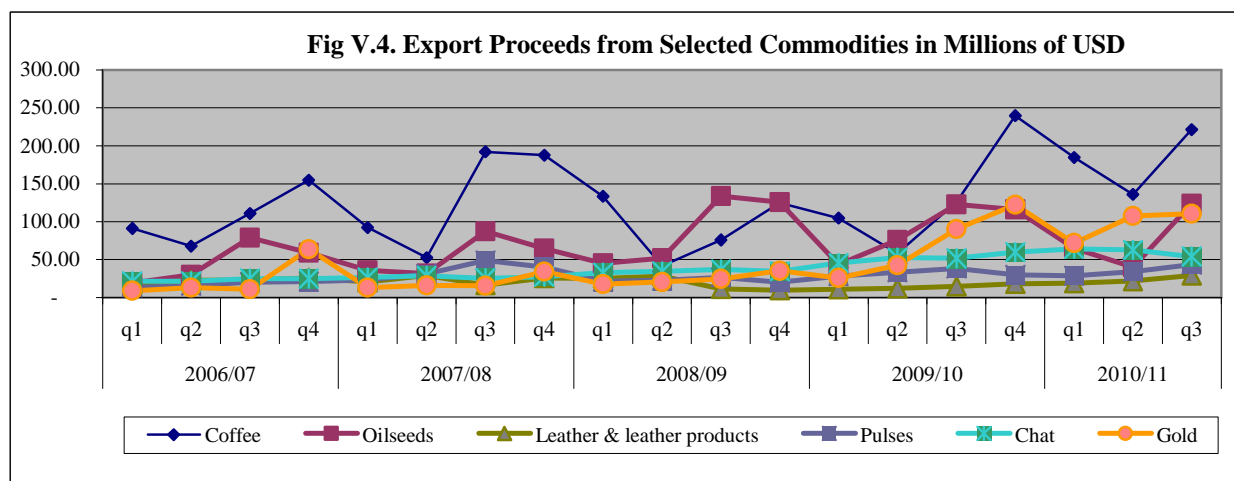
On the other hand, the receipt from fruits and vegetables exports during the review quarter declined by 4.2 percent annually to USD 9.6 million due to lower international price in spite of rising volume of export. Fruits and vegetables accounted for 1.3 percent, of the total export revenue.

**Table 5.4 Volume of Major Export Items**

(In millions of kg.)

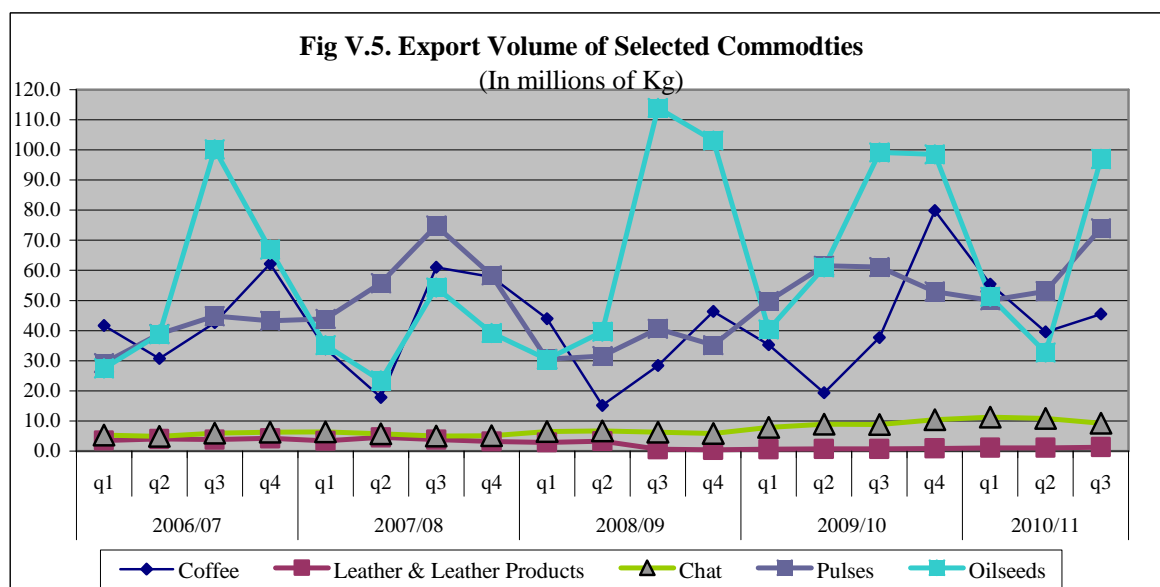
Particulars	2009/10	2010/11		Percentage Change	
	QIII	QII	QIII	C/B	C/A
	A	B	C		
Coffee	37.7	39.6	45.5	15.0	20.9
Oil Seeds	99.1	32.7	97.0	196.8	-2.1
Leather & Leather products	0.7	1.09	1.34	22.6	97.3
Pulses	61.1	53.1	73.9	39.3	20.9
Meat & Meat Prod.	2.7	4.4	4.4	0.7	66.5
Fruits & Veg.	18.0	22.6	22.3	-1.4	24.0
Live Animals	16.9	31.5	23.9	-24.1	41.3
Chat	8.9	10.8	9.3	-14.0	4.3
Gold	0.002671	0.002673	0.0028	5.0	5.1
Flower	10.3	9.9	10.9	10.0	6.0

Source: Ethiopian Revenue and Customs Authority



Source: Ethiopian Revenue and Customs Authority





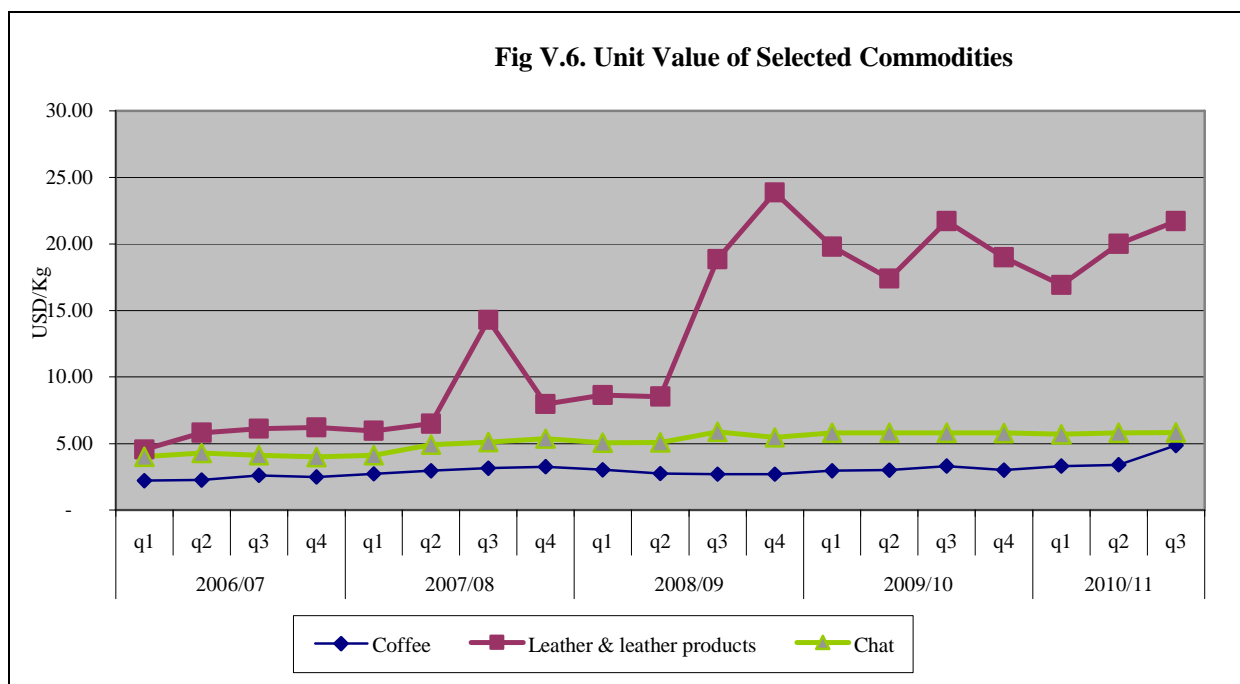
Source: Ethiopian Revenue and Customs Authority

**Table 5.5 Unit value of Major Export Items**

(In USD/kg)

Particulars	2009/10		2010/11		Percentage Change	
	QIII		QII	QIII	C/B	C/A
	A		B	C		
Coffee	3.3		3.4	4.8	41.6	45.2
Oil Seeds	1.2		1.2	1.3	3.3	2.9
Leather and Leather products	21.7		20.0	21.7	8.6	0.1
Pulses	0.6		0.6	0.6	-8.1	-7.0
Meat & Meat Prod.	3.3		3.5	3.8	8.6	15.8
Fruits & Veg	0.6		0.3	0.4	33.4	-22.7
Live Animals	1.3		1.3	1.3	-3.3	-3.9
Chat	5.8		5.8	5.8	0.5	0.4
Gold	33.8		40.2	39.3	-2.3	16.2
Flower	4.4		4.2	4.4	6.0	-0.6

Source: NBE Staff Computation



Source: NBE Staff Computation

### 5.2.2 Imports

Total merchandise import during the third quarter of 2010/11 stood at USD 2.1 billion, showing 5.4 percent annual slow down. This was attributed to lower imports of capital goods (25 percent), consumer goods (14.8 percent) and

semi-finished goods (1.5 percent). Imports of fuel and raw materials, however, increased by 50.2 and 7.5 percent, respectively during the review period.

**Table 5.6 Values of Major Import Items**

(In Millions of USD)

Particulars	2009/10		2010/11				Percentage Change	
	QIII A	% share	QII B	% share	QIII C	% share	C/B	C/A
<b>Raw Materials</b>	<b>43.6</b>	<b>2.0</b>	<b>50.3</b>	<b>2.2</b>	<b>46.9</b>	<b>2.3</b>	<b>-6.8</b>	<b>7.5</b>
<b>Semi-finished Goods</b>	<b>390.5</b>	<b>17.9</b>	<b>295.5</b>	<b>13.2</b>	<b>384.5</b>	<b>18.7</b>	<b>30.1</b>	<b>-1.5</b>
o/w Fertilizers	149.5	6.9	63.1	2.8	169.3	8.2	168.3	13.3
Cement	11.9	0.5	10.3	0.5	54.9	2.7	433	361
<b>Fuel</b>	<b>329.2</b>	<b>15.1</b>	<b>391.9</b>	<b>17.5</b>	<b>494.4</b>	<b>24.0</b>	<b>26.2</b>	<b>50.2</b>
Petroleum Products	328.1	15.1	388.6	17.3	491.0	23.8	26.4	49.7
Others	1.1	0.1	3.3	0.1	3.4	0.2	2.9	202.1
<b>Capital Goods</b>	<b>770.0</b>	<b>35.4</b>	<b>901.6</b>	<b>40.1</b>	<b>577.5</b>	<b>28.0</b>	<b>-35.9</b>	<b>-25.0</b>
Transport	149.9	6.9	193.9	8.6	170.8	8.3	-11.9	13.9
Agricultural	19.4	0.9	18.4	0.8	11.0	0.5	-40.1	-43.4
Industrial	600.7	27.6	689.3	30.7	395.7	19.2	-42.6	-34.1
<b>Consumer Goods</b>	<b>614.4</b>	<b>28.2</b>	<b>569.0</b>	<b>25.3</b>	<b>523.7</b>	<b>25.4</b>	<b>-8.0</b>	<b>-14.8</b>
Durables	229.4	10.5	213.5	9.5	206.8	10.0	-3.2	-9.9
Non-durables	385.0	17.7	355.5	15.8	317.0	15.4	-10.8	-17.7
<b>Miscellaneous</b>	<b>30.1</b>	<b>1.4</b>	<b>37.4</b>	<b>1.7</b>	<b>32.3</b>	<b>1.6</b>	<b>-13.8</b>	<b>7.2</b>
<b>Total Imports</b>	<b>2,177.8</b>	<b>100.0</b>	<b>2,245.7</b>	<b>100.0</b>	<b>2,059.2</b>	<b>100.0</b>	<b>-8.3</b>	<b>-5.4</b>

Source: Ethiopian Revenue and Customs Authority

Import bills for consumer goods during the review period stood at USD 523.7 million, down by 14.8 percent vis-à-vis last year same period owing to lower imports of durable (9.9 percent) and non-durable consumer goods (17.7 percent). As a result, the share of consumer goods in total import declined to 25.4 percent from 28.2 percent.

Likewise, import of capital goods in the review period fell substantially by 25

percent with respect to the same period last year to USD 577 million due to annual decline in imports of agricultural and industrial goods.

Meanwhile, imports of semi-finished goods contracted marginally by 1.5 percent in annual term as a result of reduction in import of cement.

On the other hand, fuel import bill during the third quarter of 2010/11 surged by 50.2 percent over the same period last year to reach USD 494.4 million largely owing to the hike in international prices. As a result, fuel import constituted 24 percent of the total import bill during the review quarter compared to 15 percent a year ago.

Total franco-valuta imports during the review quarter stood at USD 20.3 million, depicting a 50.6 percent yearly growth primarily due to higher imports of cement, vehicle spare parts and electronics goods.

In the same period, import of raw materials expanded by 7.5 percent annually to USD 47 million.

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

*(In Millions of USD)*

Particulars	2009/10	2010/11		Percentage Change	
	QIII	QII	QIII	C/B	C/A
	A	B	C		
Vehicles	0.0030	0.0014	-	-	-
Vehicle Spare Parts	0.0085	0.0061	0.1481	2322.3	1639.6
Other Spare Parts	0.0410	0.0872	0.0610	-30.1	48.8
Textile & Ready Made	0.0063	0.0000	0.0172	0.00	173.4
Household Goods	0.0048	0.0003	0.0046	1430.7	0.00
Medicine & Medical Equip.	0.0306	0.0031	0.0088	186.1	-71.2
Food Stuffs	0.0147	0.0010	0.0125	1178.2	0.00
Electronic Goods	0.0076	0.0587	0.0127	-78.3	67.9
Machinery Equip. & Spare Parts					
Others*	13.4	10.5	20.1	91.3	49.9
<b>Total</b>	<b>13.5</b>	<b>10.6</b>	<b>20.3</b>	<b>91.0</b>	<b>50.6</b>

Source: NBE, Foreign Exchange Monitoring and Reserve Management Directorate (FEFRMD)

\*Includes import of cement on franco valuta basis.

### 5.2.3 Direction of Trade

#### 5.2.3.1 Exports

Europe continued to be the largest market destination for Ethiopia's exports as it accounted for 51 percent of the total

export of the country during the third quarter of 2010/11. Switzerland, with 28.6 percent share, was the largest market mainly for gold followed by Germany (24 percent) mainly for coffee,

flower and textile & garments. The Netherlands constituted 12.1 percent of total exports, primarily for flower and vegetable exports and Italy (9.7 percent) for coffee, cereals and leather & leather products.

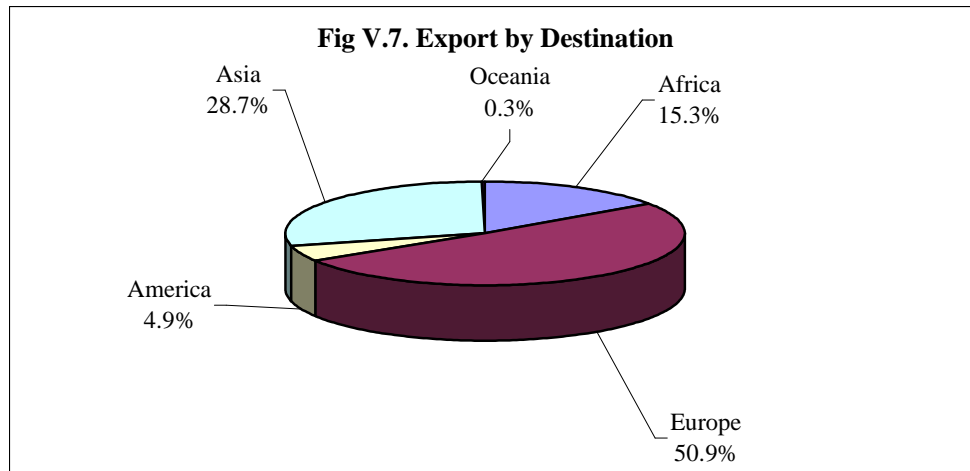
Asia stood next as important destination for Ethiopia's exports and it constituted 28.7 percent of the total exports during the review period. Of the total exports to Asia, the share of China was 39 percent, Saudi Arabia 14.3 percent, Israel 9.7 percent and United Arab Emirates 9.2 percent, India 5.7 percent, Japan 3 percent while other Asian countries accounted for the remaining balance.

The main export products to China were oilseeds, mineral products and leather & leather products. Coffee and meat & meat products were the main exports to

Saudi Arabia. Coffee and oilseed were the major export items sold to Israel. Live animals and meat & meat products went to UAE.

Meanwhile, about 15.3 percent of Ethiopia's exports were to African nations, in particular to Somalia (41.8 percent), Sudan (30 percent) Djibouti (12 percent) and Egypt (9 percent). Coffee, pulses, spices and live animals were exported to Sudan; chat and live animals to Somalia; chat and vegetables to Djibouti and live animals and pulses to Egypt.

The Americas accounted for 5 percent of Ethiopia's exports of which 85 percent, mainly coffee and oilseeds, went to the United States of America.



*Source: Ethiopian Revenue and Customs Authority*

### 5.2.3.2 Imports

The major source of Ethiopian imports remained Asia in accounted for 67 percent of the country's total imports. China supplied about 23.3 percent, Saudi Arabia 15.3 percent, United Arab Emirates (UAE) 12 percent, India 9.5 percent, Japan 8.2 percent and Malaysia 2.6 percent of the total import to Ethiopia.

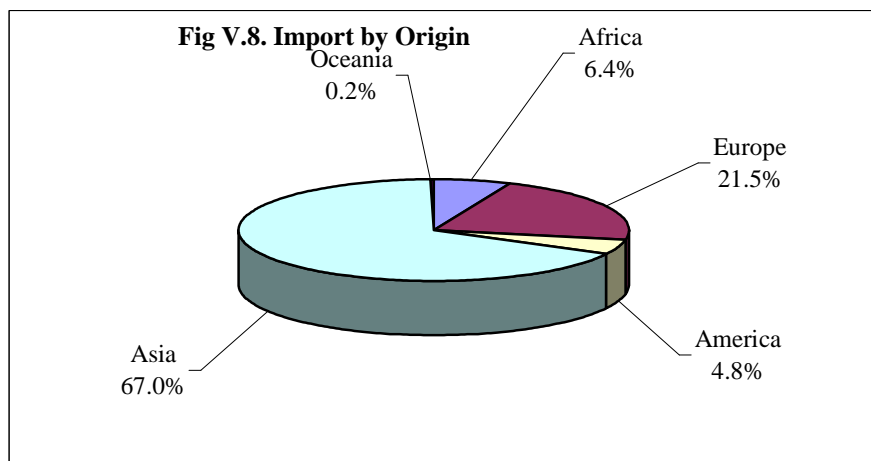
The prime imports from China were electrical materials, machinery, metals, rubber products, motor vehicles and clothing & textiles Petroleum products were the main imports from Saudi Arabia constituting about 47.1 percent of the total petroleum imports during the review period.

Medical & pharmaceutical products, machinery, electrical materials, metals and motor vehicles were the major imports from India. Petroleum products and live animals came from UAE. Imports from Japan include mainly machinery and road & motor vehicles.

European countries constituted 21.5 percent of Ethiopia's total imports during the review period. These imports include machinery, electrical materials, vehicles and metals from Italy; metal & metal products, electrical materials and machinery from Turkey; fertilizer from Ukraine and machinery from Germany.

About 6.4 percent of Ethiopia’s total imports were from African nations mainly from Sudan (54 percent), Libya (13.9 percent) and Egypt (12.2 percent). Petroleum products were imported from Sudan and Egypt and fertilizer from Libya.

In the same period, imports from America constituted 4.8 percent, mainly machinery and vehicles from USA and Brazil.



Source: Ethiopian Revenue and Customs Authority

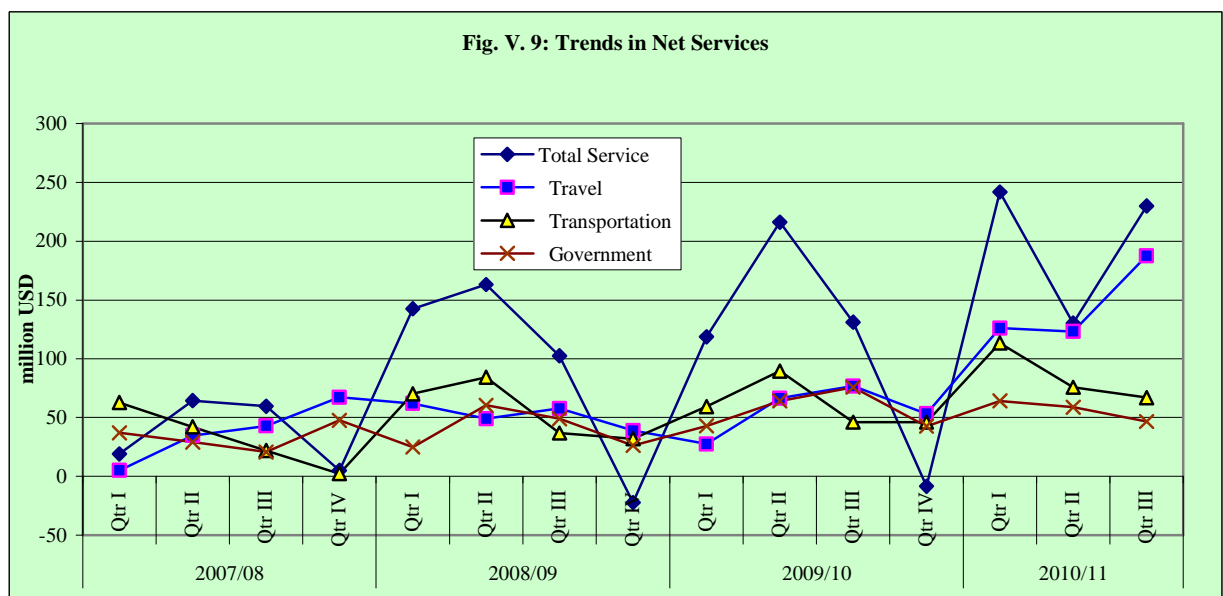
### 5.3 Services and Transfers

During the review period, service account registered USD 229.8 million net receipts, showing a significant 75 percent improvement over the same period last year.

Total receipts rose by 34 percent mainly due to higher revenues from travel, transport and other services. Total payments also went up by 19.7 percent mainly for transportation, travel and interest payments.

On net basis, the receipts from travel and transport services increased to USD 187.6 million and USD 67 million respectively from USD 76.7 million and USD 46.3 million in the same period last year. Net receipts from government

services, however, declined to USD 46.7 million from USD 76 million while net investment payments increased to USD 18.4 million from USD 9.4 million in the same period last year.





**Table 5.8: Trends in Service Accounts**

(In Millions of USD)

Particulars	2009/10		2010/11				Percentage Change	
	Qtr III A	% share	Qtr II B	% share	Qtr III C	% share	C/B*100- 100	C/A*100- 100
<b>Receipts</b>	<b>507.8</b>	<b>100.0</b>	<b>639.1</b>	<b>100.0</b>	<b>680.6</b>	<b>100.0</b>	<b>6.5</b>	<b>34.0</b>
Travel	111.8	22.0	162.4	25.4	223.9	32.9	37.8	100.1
Transportation	251.0	49.4	335.5	52.5	323.9	47.6	-3.5	29.0
Government (n.i.e)	78.2	15.4	62.4	9.8	50.7	7.4	-18.8	-35.2
Investment Income	1.1	0.2	2.1	0.3	1.7	0.3	-18.9	57.7
Interest	1.1	0.2	2.1	0.3	1.7	0.3	-18.9	57.7
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other Services	65.6	12.9	76.7	12.0	80.5	11.8	5.0	22.7
Communication Services	21.9	4.3	26.0	4.1	29.4	4.3	13.2	34.4
Construction Services	5.0	1.0	3.5	0.5	11.5	1.7	226.6	129.8
Insurance Services	1.2	0.2	0.6	0.1	0.3	0.0	-44.2	-72.8
Financial Services	0.0	0.0	0.0	0.0	0.0	0.0	-70.9	40.8
Computer and Information Service	0.1	0.0	0.0	0.0	0.0	0.0	-43.7	-82.8
Other Business Services Personal, cultural and recreational	37.4	7.4	46.5	7.3	39.3	5.8	-15.5	5.0
	0.0	0.0	0.0	0.0	0.0	0.0	-	-
<b>Payments</b>	<b>376.6</b>	<b>100.0</b>	<b>508.7</b>	<b>100.0</b>	<b>450.8</b>	<b>100.0</b>	<b>-11.4</b>	<b>19.7</b>
Travel	35.1	9.3	39.2	7.7	36.3	8.0	-7.6	3.3
Transportation	204.7	54.4	259.8	51.1	257.0	57.0	-1.1	25.5
Government (n.i.e)	2.6	0.7	3.7	0.7	4.0	0.9	7.1	53.1
Investment Income	10.5	2.8	22.2	4.4	20.1	4.5	-9.3	91.2
Interest	5.7	1.5	14.8	2.9	15.4	3.4	4.2	169.7
cash (Banks & MOF)	4.9	1.3	14.5	2.8	15.4	3.4	6.6	216.1
arrears	0.0	0.0	0.0	0.0	0.0	0.0	-	-
relief	0.8	0.2	0.3	0.1	0.0	0.0	-	-
Dividend	4.8	1.3	7.4	1.4	4.7	1.0	-36.5	-2.4
Other Services	123.6	32.8	183.8	36.1	133.5	29.6	-27.4	8.0
Communication Services	4.7	1.2	3.9	0.8	3.7	0.8	-4.5	-20.6
Construction Services	68.2	18.1	105.5	20.7	55.9	12.4	-47.0	-18.1
Insurance Services	4.3	1.2	3.0	0.6	3.4	0.8	15.0	-21.5
Financial Services	0.5	0.1	0.1	0.0	0.1	0.0	11.0	-88.2
Computer and Information Service	0.6	0.2	1.0	0.2	0.8	0.2	-25.4	25.9
Other Business Services Personal, cultural and recreational	45.2	12.0	70.4	13.8	69.6	15.4	-1.0	54.1
	0.0	0.0	0.0	0.0	0.0	0.0	-	-
<b>Net Services</b>	<b>131.2</b>		<b>130.4</b>		<b>229.8</b>		<b>76.3</b>	<b>75.2</b>

Source: Staffs Computation

Total net transfers during the review period amounted to USD 1.13 billion, down by 12.5 percent in annualized term mainly due to a significant decline in official transfers.

Net private transfers (both individual remittances and NGOs transfers),

however, increased sharply by 34.6 percent over the same period last year to USD 865 million wholly on account of the 58.7 percent surge in total individual transfers largely in the form of cash. In the mean time, NGOs' transfers dropped by 9.1 percent during the review period.

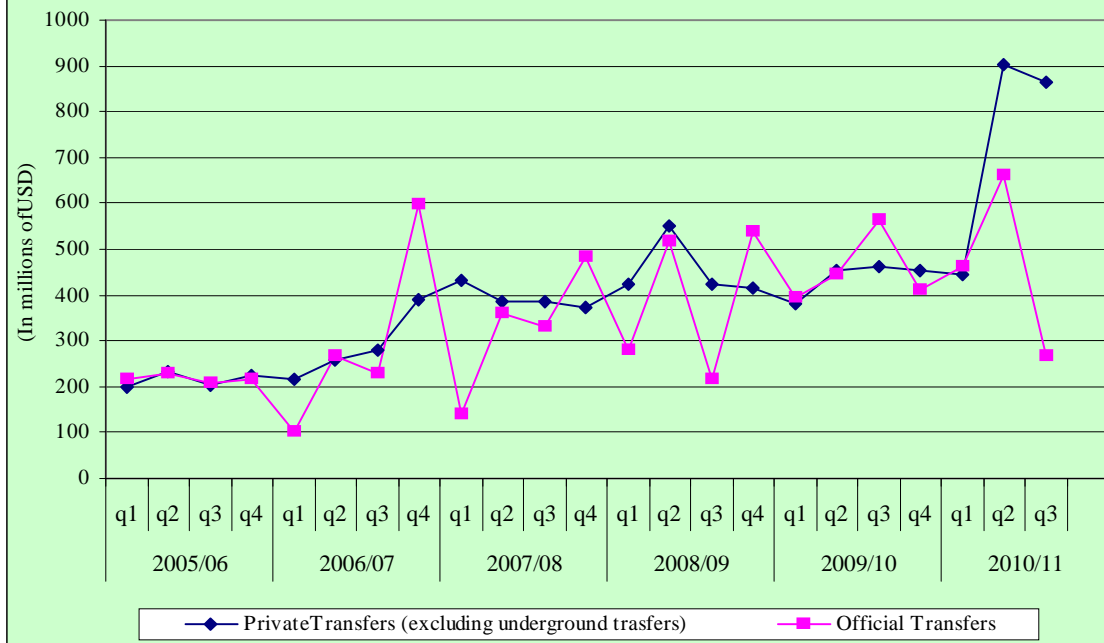
**Table 5.9: Developments in Transfer Accounts**

(In Millions of USD)

Particulars	2009/10		2010/11				Percentage Change	
	A		B		C		C/B*100-	C/A*100-
	QIII	% share	Q II	% share	Q III	% share	100	100
<b>Private Transfers</b>	<b>642.8</b>	<b>49.6</b>	<b>901.5</b>	<b>57.7</b>	<b>865.0</b>	<b>76.3</b>	<b>-4.0</b>	<b>34.6</b>
Credit	647.9	49.8	908.0	57.8	869.4	76.2	-4.2	34.2
<b>NGO's</b>	<b>233.8</b>	<b>18.0</b>	<b>226.3</b>	<b>14.4</b>	<b>212.5</b>	<b>18.6</b>	<b>-6.1</b>	<b>-9.1</b>
Cash	233.8	18.0	226.3	14.4	212.5	18.6	-6.1	-9.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	0.0	0.0	0.0	0.0	0.0	0.0	-	-
<b>Private individuals</b>	<b>414.1</b>	<b>31.8</b>	<b>681.7</b>	<b>43.4</b>	<b>65670</b>	<b>57.6</b>	<b>-3.6</b>	<b>58.7</b>
Cash	219.8	16.9	465.7	29.7	419.6	36.8	-9.9	90.9
Inkind	13.5	1.0	14.0	0.9	20.3	1.8	45.1	50.6
Under ground Transfers	180.8	13.9	202.0	12.9	217.1	19.0	7.5	20.1
Debit	-5.1	91.0	-6.5	69.7	-4.4	61.6	-32.3	-13.1
<b>Official Transfers</b>	<b>653.4</b>	<b>50.4</b>	<b>659.7</b>	<b>42.3</b>	<b>269.0</b>	<b>23.7</b>	<b>-59.2</b>	<b>-58.8</b>
Credit	653.9	50.2	662.6	42.2	271.8	23.8	-59.0	-58.4
Cash	615.8	47.3	659.6	42.0	262.9	23.0	-60.1	-57.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	38.1	2.9	3.0	0.2	8.9	0.8	198.3	-76.6
Debit	-0.5	9.0	-2.8	30.3	-2.8	38.4	-2.8	449.6
<b>Total Receipts</b>	<b>1301.8</b>	<b>100.4</b>	<b>1570.6</b>	<b>100.6</b>	<b>1141.3</b>	<b>100.6</b>	<b>-27.3</b>	<b>-12.3</b>
<b>Total Payments</b>	<b>-5.6</b>	<b>-0.4</b>	<b>-9.4</b>	<b>-0.6</b>	<b>-7.2</b>	<b>-0.6</b>	<b>-23.4</b>	<b>28.4</b>
<b>Net Transfers</b>	<b>1296.2</b>	<b>100.0</b>	<b>1561.2</b>	<b>100.0</b>	<b>1134.1</b>	<b>100.0</b>	<b>-27.4</b>	<b>-12.5</b>

Source: Staff Computation

Fig.V. 10 Trends in Private and Official Transfers



#### **5.4 Current Account**

Current account balance (including official transfers) recorded USD 68.1 million surplus in the third quarter of 2010/11 in contrast to USD 190.6 million deficit last year same period. This was attributed to narrowing of the trade deficit and improved net services.

#### **5.5 Capital account**

Likewise, the surplus in the capital account rose to USD 751 million from USD 308.6 million surplus last year owing to higher long term net loan disbursements and estimated foreign direct investment inflows.

#### **5.6 Changes in Reserve Position**

Reflecting the surplus in the overall balance of payments, foreign reserve position of the banking system increased

by USD 298.3 million during the review period. As a result, net foreign assets of NBE registered USD 289.8 million build-up, while that of commercial banks rose only by USD 8.6 million.

Hence, the NBE gross international reserve was sufficient to cover 2.5 months of imports by end March 2011.

## 5.7 Developments in the Foreign Exchange Market

### 5.7.1 Exchange Rate Movements

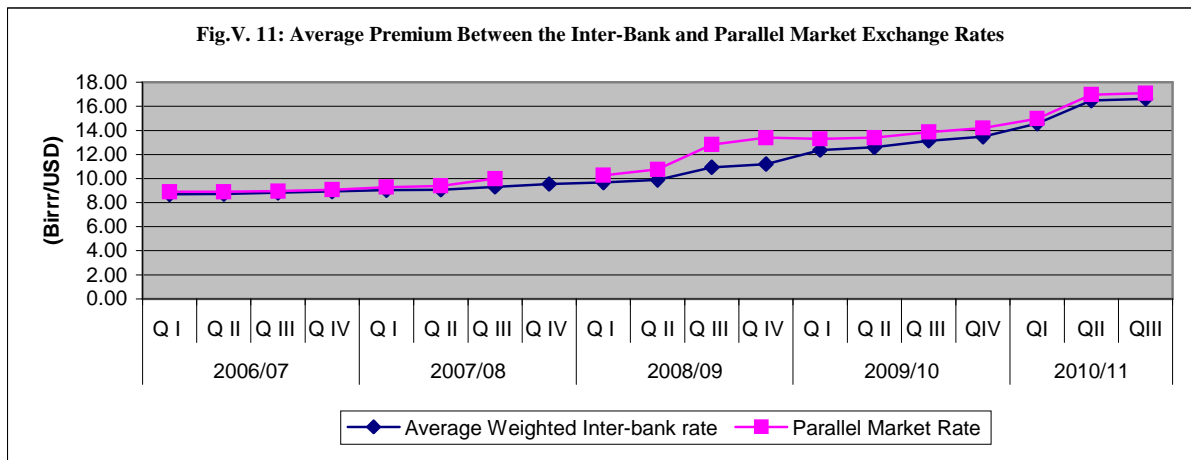
During the third quarter of 2010/11, the average inter-bank exchange rate of the Birr depreciated by 1 and 26.6 percent with respect to the previous quarter and last year same quarter and stood at Birr 16.6342/USD.

Similarly, the Birr in the parallel market weakened by 0.9 and 23.5 percent to Birr 17.1067/USD during the same period. Accordingly, the average premium between the official and parallel market rates of the Birr against USD significantly narrowed to 2.8 percent compared to the same quarter of last year (Table 5.10).

**Table 5.10: Exchange Rates in the Inter-bank and Parallel Foreign Exchange Markets**

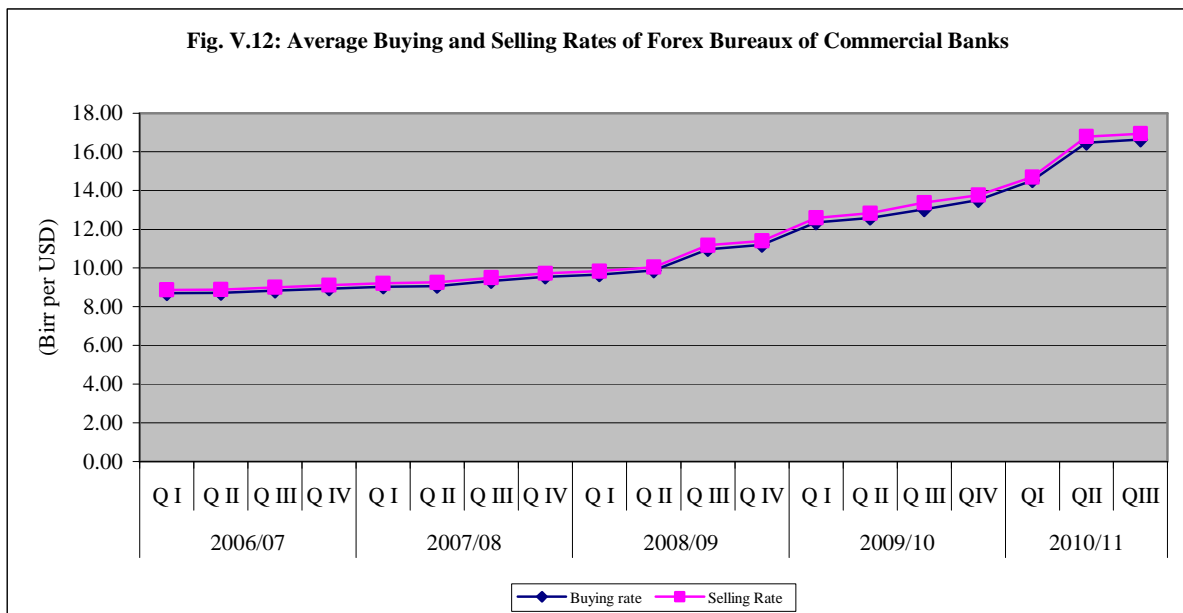
Period		End Period Rates (Birr/USD)		Amount Traded in Millions of USD		Parallel Market Rate		Premium
		Weighted Rate	Average Weighted Rate	Total	O/w Among CBs	End Period	Average	
<b>2009/10</b>								
<b>Qtr. III</b>	<b>C</b>	<b>13.4031</b>	<b>13.1342</b>	<b>3.0</b>	<b>0.0</b>	<b>14.1500</b>	<b>13.8495</b>	<b>5.45</b>
January		13.3096	12.6939	0.95	0.0	13.5000	13.4786	6.18
February		13.3501	13.3309	0.95	0.0	14.1500	13.9100	4.34
March		13.4031	13.3778	1.10	0.0	14.1500	14.1600	5.85
<b>2010/11</b>								
<b>Qtr. II</b>	<b>B</b>	<b>16.5482</b>	<b>16.4667</b>	<b>3.3</b>	<b>0.0</b>	<b>17.4800</b>	<b>16.9567</b>	<b>2.98</b>
October		16.4336	16.4134	1.05	0.0	16.8300	16.8200	2.48
November		16.4880	16.4646	1.05	0.0	16.8800	16.8500	2.34
December		16.5482	16.5221	1.15	0.0	17.4800	17.2000	4.10
<b>Qtr. III</b>	<b>A</b>	<b>16.7205</b>	<b>16.6342</b>	<b>3.0</b>	<b>0.0</b>	<b>16.9300</b>	<b>17.1067</b>	<b>2.84</b>
January		16.6009	16.5786	0.95	0.0	17.2300	17.2800	4.23
February		16.6547	16.6320	0.95	0.0	17.0250	17.0600	2.57
March		16.7205	16.6921	1.10	0.0	16.9300	16.9800	1.72
<b>Percentage changes</b>	<b>A/B</b>	1.0	1.0	-7.7	-	-3.1	0.9	-4.5
	<b>A/C</b>	24.8	26.6	0.0	-	19.6	23.5	-47.9

Source: NBE, Foreign Exchange Monitoring & Reserve Management Directorate

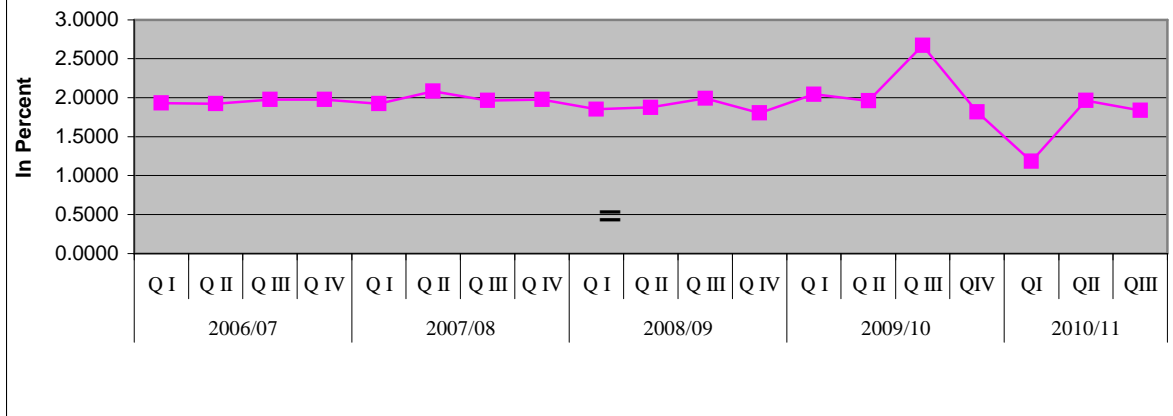


In the retail forex bureaux of commercial Banks, the average buying and selling rates depreciated by 1 and 0.9 percent over the previous quarter and the same period of last year to reach Birr

16.6389/USD and 16.9444/USD, respectively (Table 5.15). Thus, the average spread between the buying and selling rates slightly narrowed to 1.8 percent in the review period (Fig V.13).



**Fig.V.13: Spread between Buying and Selling Rates of Foreign Exchange in Forex Bureaux**



Since the Birr is pegged to the US Dollar, the movements of the US Dollar with respect to major international currencies inevitably influences the exchange rate of the Birr against these currencies. In the review quarter, the US dollar recorded highest depreciation on

quarterly basis relative to Swiss Franc (3.4 percent) and Pound Sterling (1.2 percent). It also depreciated despite marginally against Euro (0.5 percent), SDR (0.4 percent) and Japanese Yen (0.3 percent) during the review period (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. III</b>	<b>C</b>	<b>1.3893</b>	<b>1.3940</b>	<b>1.3916</b>	<b>0.0110</b>	<b>0.0111</b>	<b>0.0111</b>	<b>1.5485</b>	<b>1.5537</b>	<b>1.5511</b>	<b>1.5677</b>	<b>1.5729</b>	<b>1.5703</b>	<b>0.9486</b>	<b>0.9518</b>	<b>0.9502</b>
January		1.4388	1.4532	1.4460	0.0110	0.0111	0.0111	1.5764	1.5922	1.5843	1.6286	1.6449	1.6368	0.9739	0.9836	0.9788
February		1.3714	1.3664	1.3689	0.0111	0.0110	0.0111	1.5409	1.5353	1.5381	1.5678	1.5620	1.5649	0.9344	0.9310	0.9327
March		1.3576	1.3623	1.3599	0.0110	0.0111	0.0110	1.5283	1.5336	1.5310	1.5066	1.5118	1.5092	0.9374	0.9406	0.9390
<b>2010/11</b>																
<b>Qtr. II</b>	<b>B</b>	<b>1.3606</b>	<b>1.3605</b>	<b>1.3605</b>	<b>0.0121</b>	<b>0.0121</b>	<b>0.0121</b>	<b>1.5557</b>	<b>1.5556</b>	<b>1.5556</b>	<b>1.5817</b>	<b>1.5814</b>	<b>1.5816</b>	<b>1.0270</b>	<b>1.0269</b>	<b>1.0269</b>
October		1.3896	1.3895	1.3896	0.0122	0.0122	0.0122	1.5692	1.5691	1.5691	1.5857	1.5855	1.5856	1.0344	1.0343	1.0344
November		1.3714	1.3714	1.3714	0.0122	0.0122	0.0122	1.5633	1.5633	1.5633	1.5997	1.5990	1.5993	1.0171	1.0171	1.0171
December		1.3208	1.3205	1.3206	0.0120	0.0120	0.0120	1.5346	1.5343	1.5345	1.5597	1.5597	1.5597	1.0293	1.0293	1.0293
<b>Qtr. III</b>	<b>A</b>	<b>1.3667</b>	<b>1.3669</b>	<b>1.3668</b>	<b>0.0122</b>	<b>0.0122</b>	<b>0.0122</b>	<b>1.5623</b>	<b>1.5620</b>	<b>1.5622</b>	<b>1.6013</b>	<b>1.6010</b>	<b>1.6011</b>	<b>1.0621</b>	<b>1.0619</b>	<b>1.0620</b>
January		1.3364	1.3364	1.3364	0.0121	0.0121	0.0121	1.5448	1.5448	1.5448	1.5748	1.5748	1.5748	1.0463	1.0463	1.0463
February		1.3642	1.3649	1.3645	0.0121	0.0121	0.0121	1.5629	1.5620	1.5624	1.6120	1.6110	1.6115	1.0527	1.0521	1.0524
March		1.3995	1.3995	1.3995	0.0122	0.0122	0.0122	1.5793	1.5793	1.5793	1.6170	1.6170	1.6170	1.0874	1.0874	1.0874
<b>Percentage change</b>	<b>A/B</b>	0.44	0.47	0.46	0.29	0.27	0.28	0.43	0.41	0.42	1.24	1.24	1.24	3.43	3.41	3.4
	<b>A/C</b>	-1.63	-1.94	-1.78	10.14	9.82	10.0	0.89	0.54	0.71	2.14	1.78	2.0	11.97	11.57	11.8

Source: Staff Compilation

Likewise, the Birr weakened against major international currencies at different rates both in annualized and quarterly basis. Relative to the previous quarter, the depreciation of the Birr was highest vis-à-vis Swiss Frank (4.5 percent), Pound Sterling (2.3 percent), Euro (1.5 percent), SDR (1.4 percent)

and Japanese Yen (1.3 percent) (Table 5.12).

It also recorded substantial annual depreciation with respect to Swiss Frank (42.3 percent), Japanese Yen (39.9 percent) Pound (29.8 percent), SDR (28.2 percent) and Euro (25.1 percent) during the same period (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. III</b>	<b>C</b>	<b>13.1217</b>	<b>13.2558</b>	<b>13.1887</b>	<b>18.1767</b>	<b>18.3584</b>	<b>18.2675</b>	<b>0.1446</b>	<b>0.1459</b>	<b>0.1452</b>	<b>20.2676</b>	<b>20.4703</b>	<b>20.3690</b>	<b>20.5090</b>	<b>20.7141</b>	<b>20.6115</b>	<b>12.4129</b>	<b>12.5370</b>	<b>12.4750</b>
January		12.6597	12.7862	12.7229	18.0911	18.2720	18.1815	0.1385	0.1399	0.1392	19.8209	20.0191	19.9200	20.4775	20.6823	20.5799	12.2453	12.3677	12.3065
February		13.3288	13.5147	13.4217	18.2789	18.4617	18.3703	0.1476	0.1490	0.1483	20.5388	20.7442	20.6415	20.8962	21.1051	21.0006	12.4547	12.5792	12.5169
March		13.3766	13.4665	13.4215	18.1600	18.3416	18.2508	0.1476	0.1488	0.1482	20.4432	20.6476	20.5454	20.1532	20.3548	20.2540	12.5387	12.6641	12.6014
<b>2010/11</b>																			
<b>Qtr. II</b>	<b>B</b>	<b>16.4641</b>	<b>16.6292</b>	<b>16.5467</b>	<b>22.4000</b>	<b>22.6224</b>	<b>22.5112</b>	<b>0.1996</b>	<b>0.2016</b>	<b>0.2006</b>	<b>25.6127</b>	<b>25.8674</b>	<b>25.7400</b>	<b>26.0409</b>	<b>26.2970</b>	<b>26.1689</b>	<b>16.9079</b>	<b>17.0767</b>	<b>16.9923</b>
October		16.4109	16.5764	16.4936	22.8050	23.0331	22.9190	0.2005	0.2025	0.2015	25.7521	26.0096	25.8809	26.0221	26.2823	26.1522	16.9757	17.1455	17.0606
November		16.4620	16.6266	16.5443	22.5762	22.8019	22.6891	0.2001	0.2021	0.2011	25.7352	25.9925	25.8638	26.3347	26.5850	26.4598	16.7438	16.9112	16.8275
December		16.5195	16.6847	16.6021	21.8187	22.0321	21.9254	0.1982	0.2001	0.1992	25.3508	25.5999	25.4754	25.7659	26.0236	25.8947	17.0041	17.1733	17.0887
<b>Qtr. III</b>	<b>A</b>	<b>16.6282</b>	<b>16.7976</b>	<b>16.7129</b>	<b>22.7264</b>	<b>22.9625</b>	<b>22.8444</b>	<b>0.2022</b>	<b>0.2042</b>	<b>0.2032</b>	<b>25.9792</b>	<b>26.2390</b>	<b>26.1091</b>	<b>26.6270</b>	<b>26.8932</b>	<b>26.7601</b>	<b>17.6620</b>	<b>17.8386</b>	<b>17.7503</b>
January		16.5758	16.7416	16.6587	22.1516	22.3731	22.2624	0.2008	0.2028	0.2018	25.6070	25.8631	25.7350	26.1045	26.3655	26.2350	17.3433	17.5167	17.4300
February		16.6196	16.7954	16.7075	22.6716	22.9249	22.7982	0.2014	0.2034	0.2024	25.9743	26.2340	26.1041	26.7899	27.0578	26.9239	17.4958	17.6708	17.5833
March		16.6890	16.8559	16.7724	23.3560	23.5895	23.4727	0.2043	0.2064	0.2054	26.3564	26.6200	26.4882	26.9865	27.2564	27.1215	18.1469	18.3284	18.2377
<b>Percentage change</b>	<b>A/B</b>	1.00	1.01	1.00	1.46	1.50	1.5	1.29	1.29	1.29	1.43	1.44	1.4	2.25	2.27	2.3	4.46	4.46	4.5
	<b>A/C</b>	26.72	26.72	26.72	25.03	25.08	25.0	39.87	39.95	39.91	28.18	28.18	28.2	29.83	29.83	29.8	42.29	42.29	42.3

Source: National Bank of Ethiopia

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

Currency	Mar-10	Dec-10	Mar-11	Percentage change	
	C	B	A	A/B	A/C
USD	13.4677	16.6310	16.8041	1.0	24.8
Pound	20.3228	25.6583	26.9605	5.1	32.7
Swedish Kroner	1.8578	2.4417	2.6490	8.5	42.6
Djibouti Frank	0.0773	0.0954	0.0970	1.6	25.5
Swiss Frank	12.6803	17.6887	18.2198	3.0	43.7
Saudi Riyal	3.5911	4.4341	4.4806	1.0	24.8
UAE Dirhams	3.6667	4.5278	4.5752	1.0	24.8
Canadian Dollar	13.2192	16.5994	17.3238	4.4	31.1
Japanese Yen	0.1455	0.2040	0.2022	-0.9	38.9
Euro	18.1612	22.0260	23.6669	7.4	30.3
SDR	20.4647	25.4984	26.5629	4.2	29.8

Source: National Bank of Ethiopia

### 5.7.2. Movements in the Real Effective Exchange Rate

As a result of inflation differential with major trading partners and depreciation of the nominal exchange rate, the real effective exchange rate (REER) of the Birr depreciated by 14.7 percent annually in the third quarter of 2010/11. On quarterly basis, however, it appreciated by 3.1 percent on account of rising domestic inflation and slow depreciation pace of the nominal exchange rate. The depreciation trend of the

real effective exchange rate during the period likely contributed to improvement in

the current account balance of the country. Meanwhile, the nominal effective exchange rate (NEER) recorded 0.7 and 23 percent depreciation relative to the preceding quarter and same period last year respectively (Table 5.14).

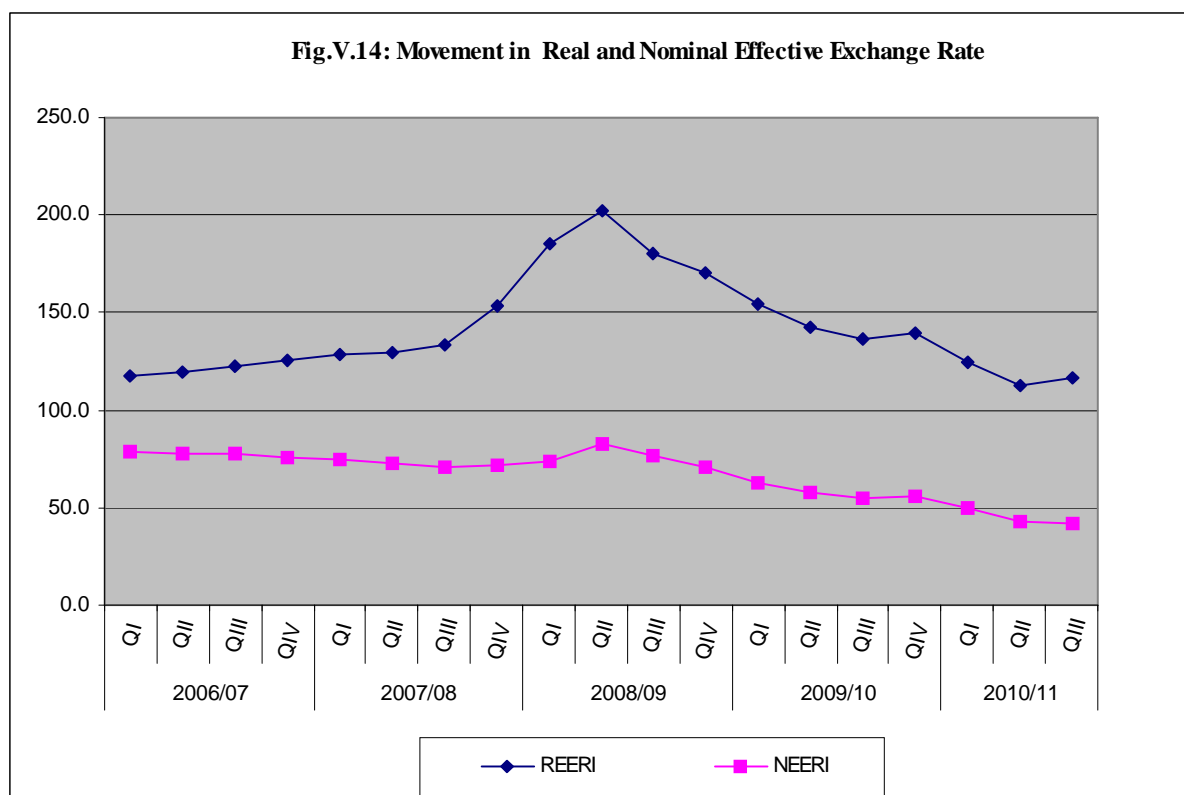
**Table 5.14 Trends in the Real and Nominal Effective Exchange Rates**

	2009/10	2010/11		Percentage Change	
	QIII	QII	QIII		
	A	B	C	C/B	C/A
<b>REERI</b>	<b>136.3</b>	<b>112.8</b>	<b>116.3</b>	3.10	-14.67
<b>NEERI</b>	<b>54.8</b>	<b>42.5</b>	<b>42.2</b>	-0.71	-22.99

*REERI = Real Effective Exchange Rate Index*

*NEERI = Nominal Effective Exchange Rate Index*

*Note:- A decrease in Index implies depreciation*



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

No	Name of Forex Bureaux	No of Branches	2009/10		2010/11				Percentage Change			
			Quarter III		Quarter II		Quarter III		C/B		C/A	
			A		B		C					
			Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	121	11.1	0.0	14.5	0.1	13.3	0.1	-8.4	20.7	19.9	92.5
2	Bank of Abyssinia	28	1.0	0.8	1.1	1.1	1.5	1.2	43.6	4.9	61.6	55.0
3	Dashen Bank	58	3.7	5.8	4.3	5.5	4.3	5.1	-0.4	-7.8	14.6	-11.9
4	Awash International Bank	15	0.5	1.1	12.6	1.8	1.0	2.6	-91.7	45.0	100.3	131.0
5	Construction and Business Bank	5	0.3	0.0	0.3	0.0	0.4	0.0	53.8	1059.9	31.2	90.7
6	Wegagen Bank	19	0.6	0.7	2.1	1.6	1.6	1.2	-22.3	-27.2	172.2	68.0
7	United Bank	34	16.2	2.5	4.8	2.0	5.4	2.2	12.3	8.5	-66.7	-12.9
8	Nib International Bank	30	43.0	1.1	13.6	1.6	21.9	1.9	61.2	21.4	-49.1	79.5
9	Lion International Bank	1	5.2	0.7	0.2	0.1	0.4	0.2	75.4	-	-93.0	-76.6
10	Oromiya Intenational Bank	7	0.2	0.1	0.2	0.1	0.4	0.3	57.8	198.7	64.2	183.2
11	Zemen Bank	1	0.2	0.2	0.2	0.4	0.2	0.3	-0.4	-10.9	24.6	78.9
12	Cooperative Bank of Oromia	2	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-
13	Buna international Bank	1	0.1	0.0	0.2	0.1	0.2	0.1	-	-	-	-
14	Birhan international Bank	1			0.0	0.0	0.0	0.2				
	<b>Total</b>	<b>322</b>	<b>82.2</b>	<b>13.0</b>	<b>54.3</b>	<b>14.4</b>	<b>50.8</b>	<b>15.1</b>	<b>-6.4</b>	<b>5.0</b>	<b>-38.2</b>	<b>16.4</b>
	<b>Average Exchange Rate</b>		<b>13.0586</b>	<b>13.3985</b>	<b>16.4649</b>	<b>16.7864</b>	<b>16.6389</b>	<b>16.9444</b>	<b>1.1</b>	<b>0.9</b>	<b>27.4</b>	<b>26.5</b>

