

## V. External Sector Developments

### 5.1 Overall Balance of Payments

The overall balance of payments during the fourth quarter of 2010/11 resulted in USD 709.8 million surplus, which was significantly higher than the same period of last year.

This was attributed to the growth in net service receipts, private and public transfers, long term official loan disbursements and FDI inflows.

Meanwhile, the deficit in merchandise trade during the review period slightly widened by 1.4 percent year-on-year and reached USD 1286 million.

**Table 5.1 Balance of Payments**

(In millions of USD)

Ethiopian Fiscal Year Particulars	2009/10	2010/11		Percentage Change	
	QIV	QIII	QIV	C/B	C/A
	A	B	C		
<b>Trade Balance</b>	<b>-1267.9</b>	<b>-1295.8</b>	<b>-1286.1</b>	<b>-0.7</b>	<b>1.4</b>
Exports	730.5	762.4	870.6	14.2	19.2
Imports	1,998.4	2,058.2	2,156.7	4.8	7.9
<b>Net Services</b>	<b>-8.5</b>	<b>230.0</b>	<b>95.4</b>	<b>-58.5</b>	<b>1,226.7</b>
Travel	53.3	187.6	138.1	-26.4	159.1
Transportation	46.2	66.9	66.5	-0.6	43.9
Government (n.i.e.)	42.6	46.7	77.9	66.8	82.9
Investment income	-24.0	-18.4	-23.4	27.0	-2.5
Interest	-9.5	-13.7	-15.8	15.1	66.5
Cash (net)	-9.1	-13.7	-15.5	13.1	70.3
Arrears	0.0	0.0	0.0		
Relief	-0.4	0.0	-0.3		27.0
Dividend	-14.5	-4.7	-7.6	-61.7	47.6
Other Services	-126.6	-52.8	-163.7	210.0	29.3
<b>Private Transfers</b>	<b>727.8</b>	<b>865.0</b>	<b>844.8</b>	<b>-2.3</b>	<b>16.1</b>
<i>Current Account Balance(excl. public transfers)</i>	<i>-548.6</i>	<i>-200.8</i>	<i>-345.9</i>	<i>-72.3</i>	<i>36.9</i>
<b>Public Transfers</b>	<b>411.9</b>	<b>269.1</b>	<b>465.1</b>	<b>72.9</b>	<b>12.9</b>
<i>Current Account Balance(incl. public transfers)</i>	<i>-136.6</i>	<i>68.3</i>	<i>119.2</i>	<i>74.6</i>	<i>-187.2</i>
<b>Non-monetary Capital</b>	<b>617.0</b>	<b>750.7</b>	<b>670.7</b>	<b>-10.7</b>	<b>8.7</b>
Long-term (net)	338.0	401.7	394.5	-1.8	16.7
Disbursements	360.6	433.2	452.7	4.5	25.5
Repayments	22.6	31.5	58.2	84.8	157.9
Cash	20.8	28.4	57.5	102.5	176.6

Arrears	0.0	0.0	0.0		
Relief	1.8	3.1	0.7	-77.4	-60.7
Direct Investment (net)	275.9	337.8	359.0	6.3	30.1
Short-term (net)	3.1	11.2	-82.8		
<b>Net Errors &amp; Omissions</b>	<b>-300.8</b>	<b>-517.6</b>	<b>-80.1</b>	<b>84.5</b>	<b>73.4</b>
<b>Overall Balance</b>	<b>179.5</b>	<b>301.4</b>	<b>709.8</b>	<b>135.5</b>	<b>295.5</b>
<b>Financing</b>	<b>-179.5</b>	<b>-301.4</b>	<b>-709.8</b>		
<b>Reserves (-:increase)</b>	<b>-177.3</b>	<b>-298.3</b>	<b>-708.8</b>		
NBE net foreign asset	40.8	-289.8	-306.7		
CBs net foreign asset	-218.1	-8.6	-402.1		
<b>Debt Relief</b>	<b>-2.2</b>	<b>-3.1</b>	<b>-1.0</b>		
Principal	1.8	3.1	0.7		
Interest	0.4	0.0	0.3		

**Source:** Staff compilation.

Total current foreign exchange receipts amounted to USD 2.84 billion in the review quarter, depicting a 20.2 percent growth over the same period last year.

Meanwhile, total current payments went up by 9 percent annually and stood at USD 2.72 billion owing to the increase

in merchandize imports and service payments.

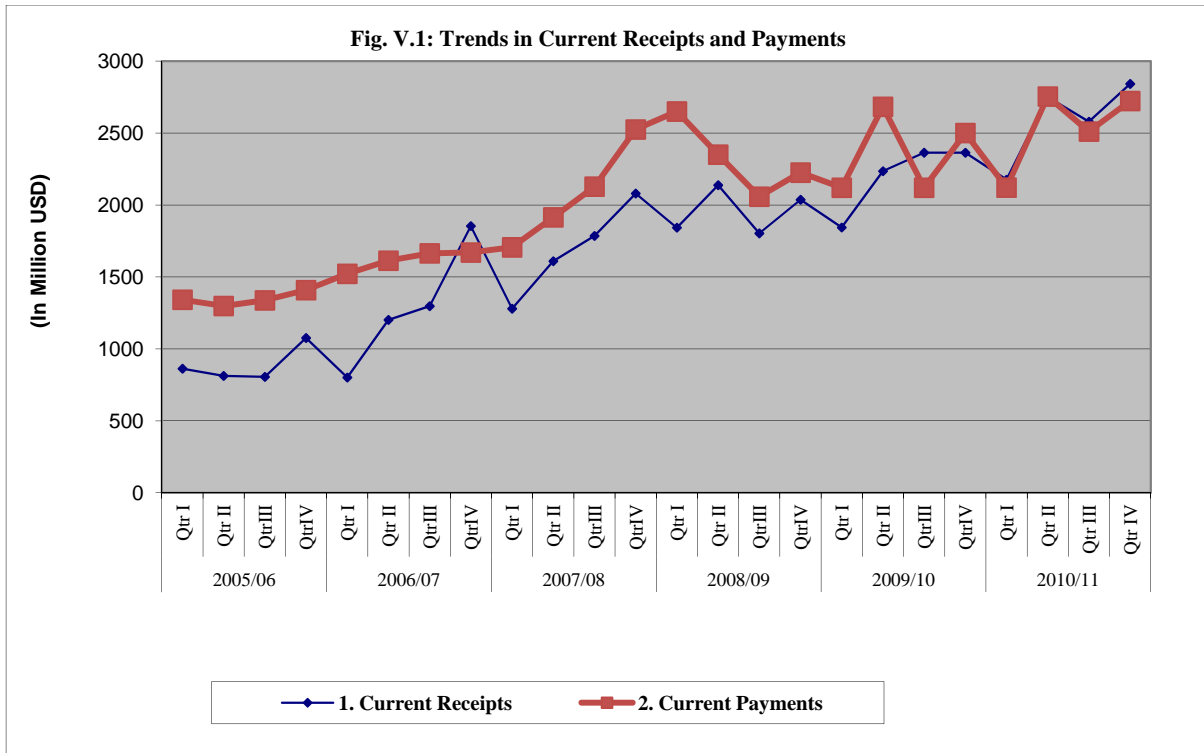
Consequently, the current account balance recorded USD 119.2 million net inflows against USD 136.7 million net outflows last year same period (Table 5.2).

**Table 5.2 Current Receipts and Payments**

(In million of USD)

Particulars	2009/10	2010/11		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	D=C/B	E=C/A
	A	B	C		
<b>1. Current Receipts</b>	<b>2363.5</b>	<b>2579.0</b>	<b>2841.9</b>	<b>10.2</b>	<b>20.2</b>
Export Proceeds	730.5	762.4	870.6	14.2	19.2
Service Proceeds	493.3	682.5	661.4	-3.1	34.1
Private Transfers(net)	727.8	865.0	844.8	-2.3	16.1
Public Transfer(net)	411.9	269.1	465.1	72.8	12.9
<b>2. Current Payments</b>	<b>2500.2</b>	<b>2,510.7</b>	<b>2722.7</b>	<b>8.4</b>	<b>8.9</b>
Import Payments	1998.4	2,058.2	2156.7	4.8	7.9
Service Payments	501.8	452.5	566.0	25.1	12.8
<b>3. Net(1-2)</b>	<b>-136.7</b>	<b>68.3</b>	<b>119.2</b>	<b>74.5</b>	<b>187.2</b>

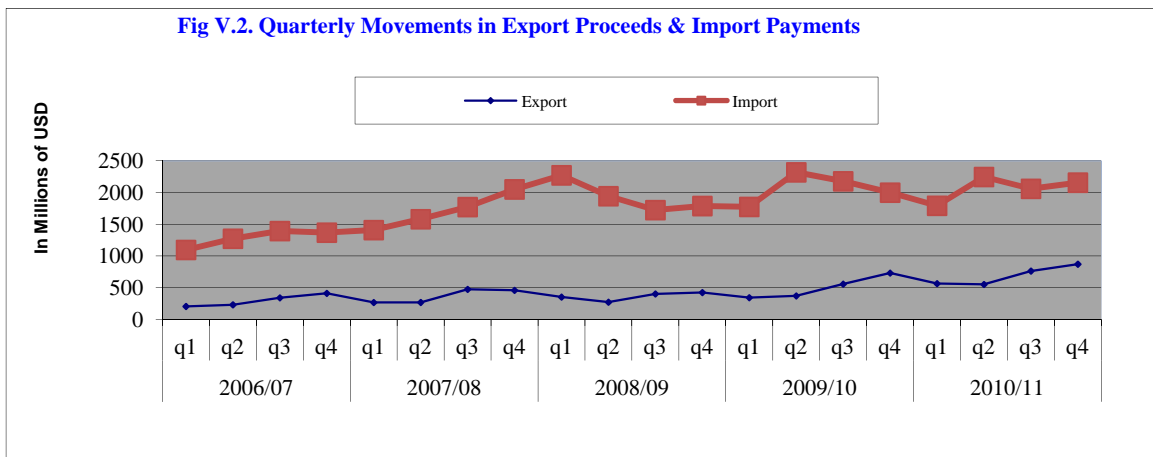
Source: Staff Compilation



## 5.2 Merchandise Trade

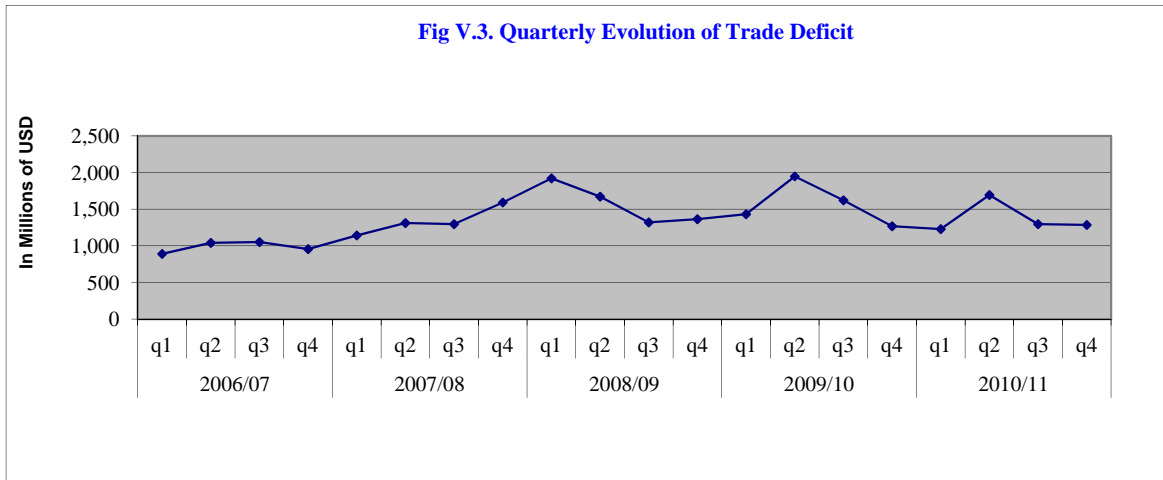
The deficit in merchandise trade during the fourth quarter of 2010/11 was USD 1.3 billion, which widened marginally by 1.4 percent compared to the same

period last year as the growth in total imports outweighed the growth in total exports .



Source: Ethiopian Revenue and Customs Authority

**Fig V.3. Quarterly Evolution of Trade Deficit**



Source: NBE Staff Compilation

### 5.2.1 Exports

Total merchandise exports reached USD 870.6 million recording 19.2 percent year-on-year growth as a result of higher earnings from coffee (25.4 percent), gold (40.4 percent), live animals (43.5 percent), leather & leather products (90.8 percent), meat & meat products (69.6 percent) and pulses (6 percent).

Despite falling in volume of export, receipts from coffee grew strongly by 25.4 percent and stood at USD 300.3 million solely on account of a 80.4 percent surge in international prices. The export revenue also recorded a noticeable growth of 36 percent relative

to the preceding quarter due to 21.8 percent increase in volume and 11.5 percent improvement in world coffee price. As a result, the share of coffee in total export earnings rose to 34.5 percent from 32.8 percent a year ago.

Export of gold fetched USD 172.1 million, depicting a 40.4 percent annual growth largely due to international price (32.4 percent) and volume of export (6.1 percent). Gold export proceeds accounted for 19.8 percent compared to 16.8 percent recorded last year same period.

**Table 5.3 Values of Major Export Items**

(In millions of USD)

Particulars	2009/10		2010/11				Percentage Change	
	Qtr IV		Qtr III		Qtr IV		C/B	C/A
	A	% share	B	% share	C	% share		
Coffee	239.5	32.8	221.0	29.0	300.3	34.5	35.9	25.4
Oilseeds	116.1	15.9	123.7	16.2	97.8	11.2	-21.0	-15.8
Leather & Leather products	17.9	2.5	29.1	3.8	34.2	3.9	17.5	90.8
Pulses	30.0	4.1	43.5	5.7	31.8	3.7	-26.8	6.0
Meat & Meat Products	10.7	1.5	16.7	2.2	18.1	2.1	8.1	69.6
Fruits & Vegetables	12.9	1.8	9.6	1.3	8.7	1.0	-9.4	-32.9
Live Animals	28.6	3.9	30.3	4.0	41.0	4.7	35.2	43.5
Chat	59.8	8.2	54.3	7.1	57.1	6.6	5.3	-4.4
Gold	122.5	16.8	110.3	14.5	172.1	19.8	56.0	40.4
Flower	51.2	7.0	48.0	6.3	50.7	5.8	5.5	-0.9
Others	41.3	5.7	75.9	10.0	58.9	6.8	-22.4	42.5
<b>Total</b>	<b>730.5</b>	<b>100.0</b>	<b>762.4</b>	<b>100.0</b>	<b>870.6</b>	<b>100.0</b>	<b>14.2</b>	<b>19.2</b>

**Source:** Ethiopian Revenue and Customs Authority

Likewise, earning from exports of leather & leather products rose sharply by 90.8 percent annually and stood at USD 34.2 million. This was largely attributed to higher volume of exports and international prices. The receipts of these exports constituted 4 percent of the total merchandise export compared to 2.5 percent a year ago.

Meanwhile, export revenue from live animals expanded by 43.5 percent to USD 41 million relative to last year same period, wholly on account of 47.6 percent growth in volume of export out weighing a 2.7 percent decline in international price. With respect to the

preceding quarter, the export proceeds from living animal showed 35.2 percent growth due to 28.3 percent higher volume and 5.4 percent price increase. As a result, the share of revenue from live animals in the total exports improved to 4.7 percent from 4 a year ago.

Owing to the rise in volume of exports and world prices, revenue from meat & meat export surged by 69.6 percent on yearly basis and reached USD 18.1 million. Revenue from meat & meat products constituted 2.1 percent of the total merchandise export.

Export proceeds from pulses improved by 6 percent over the same period last year to USD 31.8 million as prices rose by 18.6 percent while the volume dropped by 10.6 percent.

Earnings from export of oilseeds declined by 15.8 percent and 21 percent vis-à-vis the same period last year and the previous quarter, respectively solely due to lower volume.

Despite rising in volume of exports, receipts from fruit and vegetable contracted by 33 percent on annual basis entirely owing to falling international prices.

Similarly, earnings from export of chat went down by 4.4 percent and stood at USD 57.1 million as a result of 8.2

percent reduction in volume despite a 4.1 percent improvement in prices. Consequently, chat accounted for 6.6 percent of the total export, down from 8.2 percent last year same period.

Revenue from flower exports also dropped slightly (1 percent) year-on-year to USD 50.7 million solely driven by 18.3 percent drop in international price contrary to 25.2 percent increase in volume. Nevertheless, the export earning recorded a 5.5 percent growth over previous quarter owing to robust growth in volume of export albeit 4.7 percent decline in international price. The share of flower export went down to 5.8 percent from 7 and 6.3 percent last year and the preceding quarter, respectively.

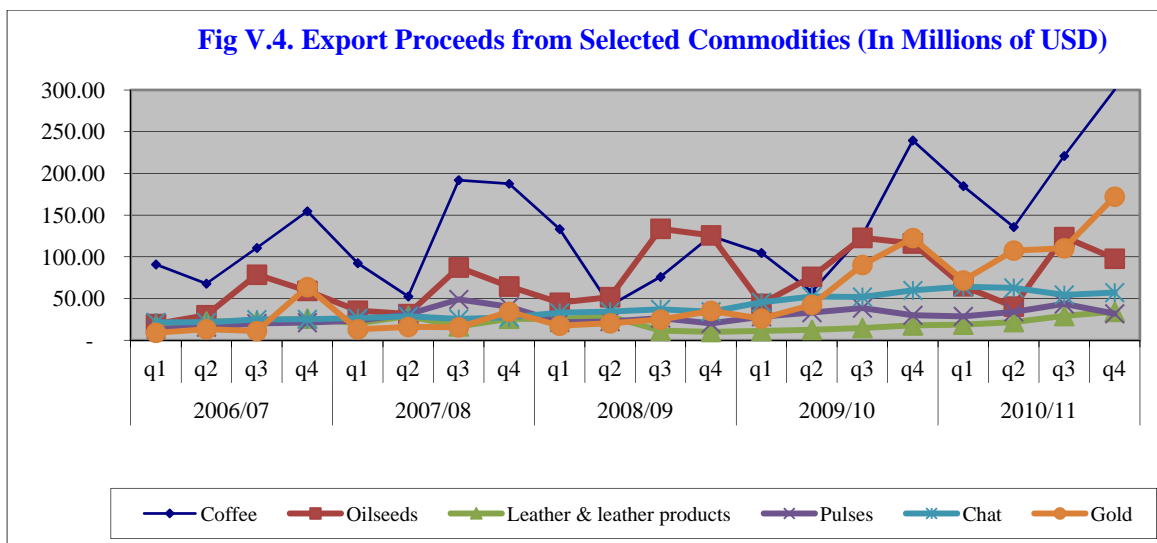
#### **Table 5.4 Volume of Major Export Items**

(In millions of kg.)

Particulars	2009/10	2010/11		Percentage Change	
	QIV	Qtr III	QIV	C/B	C/A
	A	B	C		
Coffee	79.8	45.5	55.5	21.8	-30.5
Oilseeds	98.5	97.0	73.2	-24.5	-25.7
Leather and Leather products	0.9	1.3	1.6	21.6	73.0
Pulses	53.0	73.9	47.4	-35.9	-10.6
Meat & Meat Products	3.16	4.42	4.45	0.6	40.7
Fruits & Vegetables	20.7	22.3	27.0	21.0	30.4
Live Animals	20.8	23.9	30.7	28.3	47.4
Chat	10.4	9.3	9.5	2.0	-8.2
Gold	0.0035	0.0028	0.0037	30.8	6.1
Flower	10.0	10.9	12.1	10.7	21.2

Source: Ethiopian Revenue and Customs Authority

Fig V.4. Export Proceeds from Selected Commodities (In Millions of USD)



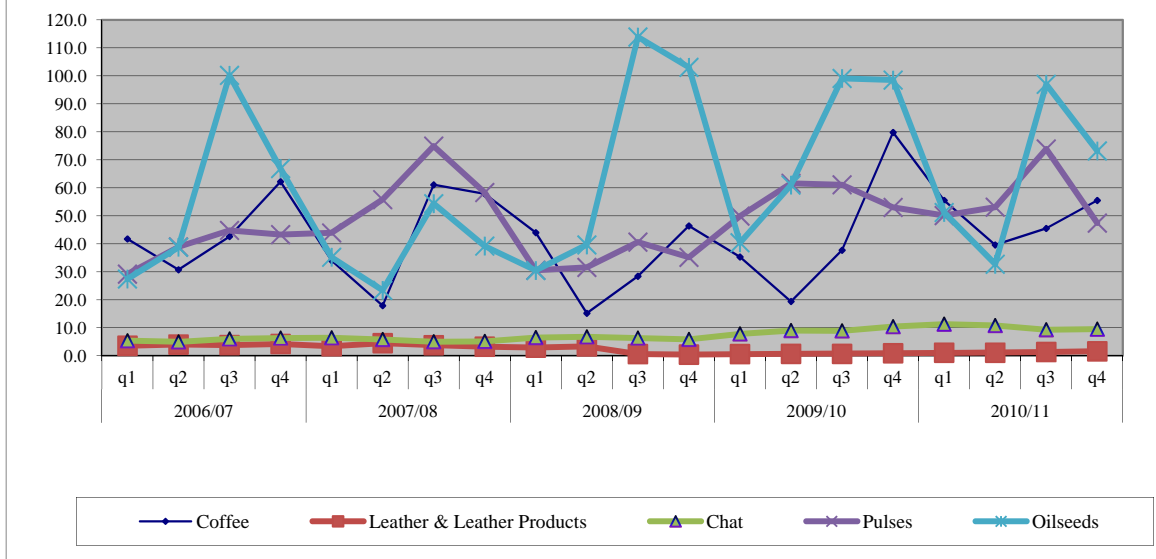
Source: Ethiopian Revenue and Customs Authority

All in all, the growth in total merchandise export revenue during the fourth quarter of 2010/11 resulted largely from the strong rise in international prices of major export

products and partly due to improved volumes for some of the export commodities (Tables 5.4 and 5.5).



**Fig V.5. Export Volume of Selected Commodities**  
(In millions of Kg)



Source: Ethiopian Revenue and Customs Authority

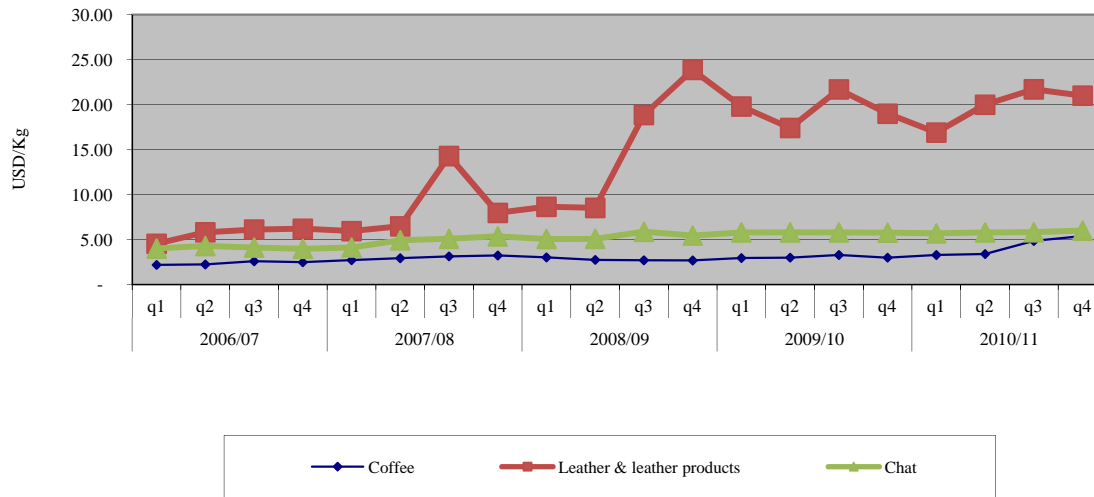
**Table 5.5 Unit Value of Major Export Items**

(In USD/kg)

Particulars	2009/10	2010/11		Percentage Change	
	QIV	Qtr III	QIV	C/B	C/A
	A	B	C		
Coffee	3.0	4.9	5.4	11.5	80.4
Oilseeds	1.18	1.28	1.33	4.7	13.1
Leather and Leather products	19.0	21.7	21.0	-3.3	10.3
Pulses	0.57	0.59	0.67	14.2	18.6
Meat & Meat Products	3.4	3.8	4.1	7.4	20.6
Fruits & Vegetables	0.6	0.4	0.3	-25.1	-48.5
Live Animals	1.4	1.27	1.34	5.4	-2.7
Chat	5.78	5.82	6.0	3.2	4.1
Gold	35.4	39.3	46.9	19.2	32.4
Flower	5.1	4.4	4.2	-4.7	-18.3

Source: NBE Staff Compilation

**Fig V.6. Unit Value of Selected Commodities**



**Source:** NBE Staff Compilation

### 5.2.2 Imports

Total merchandise import during the fourth quarter of 2010/11 grew moderately by 8 and 4.8 percent on annual and quarterly terms to USD 2.2 billion. Higher import bill of fuel (40.2

percent), semi-finished goods (41.5 percent), capital goods (7 percent) and raw materials (125.1 percent) contributed to the 8 percent annual increase in total imports.

**Table 5.6 Values of Major Import Items**

(In millions of USD)

Particulars	2009/10		2010/11				Percentage Changes	
	QIV	% share	QIII	% share	QIV	% share		
	A		B		C		C/B	C/A
<b>Raw Materials</b>	23.4	1.2	46.9	2.3	52.8	2.4	12.5	125.1
<b>Semi-finished Goods</b>	239.2	12.0	384.4	18.7	338.6	15.7	-11.9	41.5
Fertilizers	18.3	0.9	169.3	8.2	92.1	4.3	-45.6	403.3
<b>Fuel</b>	350.0	17.5	494.4	24.0	490.8	22.8	-0.7	40.2
Petroleum Products	347.6	17.4	491.0	23.9	488.6	22.7	-0.5	40.6
Others	2.5	0.1	3.4	0.2	2.2	0.1	-35.3	-10.2
<b>Capital Goods</b>	589.5	29.5	572.1	27.8	630.0	29.2	10.1	6.9
Transport	131.8	6.6	173.5	8.4	161.3	7.5	-7.1	22.4
Agricultural	13.5	0.7	11.1	0.5	14.3	0.7	28.9	5.8
Industrial	444.3	22.2	387.5	18.8	454.4	21.1	17.3	2.3
<b>Consumer Goods</b>	764.3	38.2	528.1	25.7	609.9	28.3	15.5	-20.2
Durables	249.6	12.5	211.3	10.3	227.1	10.5	7.5	-9.0
Non-durables	514.7	25.8	316.9	15.4	382.8	17.8	20.8	-25.6
<b>Miscellaneous</b>	31.9	1.6	32.2	1.6	34.6	1.6	7.4	8.4
<b>Total Imports</b>	1,998.4	100.0	2,058.2	100.0	2,156.7	100.0	4.8	7.9

Source: Ethiopian Revenue and Customs Authority

Import of capital goods showed a moderate growth of 7 percent vis-à-vis the same period last year and stood at USD 630 million driven by higher imports of transport and industrial goods.

Meanwhile, fuel import bill surged by 40.2 percent to reach USD 490.8 million mainly due to the hike in international price presumably due to the political instability in the Middle East and North

Africa countries since the beginning of 2011. As a result, the share of fuel in total imports increased to 22.8 percent from 17.5 percent a year earlier.

Likewise, imports of semi-finished goods increased by 41.5 percent on annual basis mainly due to an increase in import of fertilizer.

At the same time, imports of raw materials surged by 125.1 percent over the same period last year to USD 52.8

million. Thus, raw materials import constituted 2.4 percent of the total import compared to 1.2 percent last year same period.

In contrast, import bill for consumer goods depicted a 20.2 percent annual drop to USD 610 million owing to lower imports of non-durable goods (25.6 percent) and durable goods (9 percent). However, imports of consumer goods showed a 15.5 percent increment over the preceding quarter largely due to

higher imports of non-durable goods (20.8 percent) and durable goods (7.5 percent). Consequently, the share of consumer goods in total imports fell to 28.3 percent from 38.2 percent last year.

Total franco-valuta imports dropped by 41.4 and 83.3 percent as compared to last year the same period and the preceding quarter respectively stood at USD 3.4 million..

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

(In millions of USD)

Particulars	2009/10	2010/11		Percentage Change	
	QIV	Qtr III	QIV	C/B	C/A
	A	B	C		
Vehicles	0.00	0.00	0.002	0.0	0.0
Vehicle Spare Parts	0.01	0.15	0.01	-91.9	10.1
Other Spare Parts	0.11	0.06	0.09	47.7	-21.4
Textile & Ready Made	0.00	0.02	0.001	94.5	-67.9
Household Goods	0.01	0.00	0.003	-36.3	-65.3
Medicine & Medical Equip.	0.00	0.01	0.02	172.3	1591.3
Food Stuffs	0.00	0.01	0.003	-77.3	197.3
Electronic Goods	0.03	0.01	0.06	356.8	131.3
Machinery Equip. & Spare Parts	0.00	0.00	0.03	0.0	0.0
Others*	5.63	20.06	3.17	-84.2	-43.7
<b>Total</b>	<b>5.79</b>	<b>20.32</b>	<b>3.39</b>	<b>-83.30</b>	<b>-41.4</b>

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

*\*Includes import of cement on franco valuta basis.*

## 5.2.3 Direction of Trade

### 5.2.3.1 Exports

A large share of Ethiopia's commodity exports were destined to Europe, Asia, Africa and America during the fourth quarter of 2010/11.

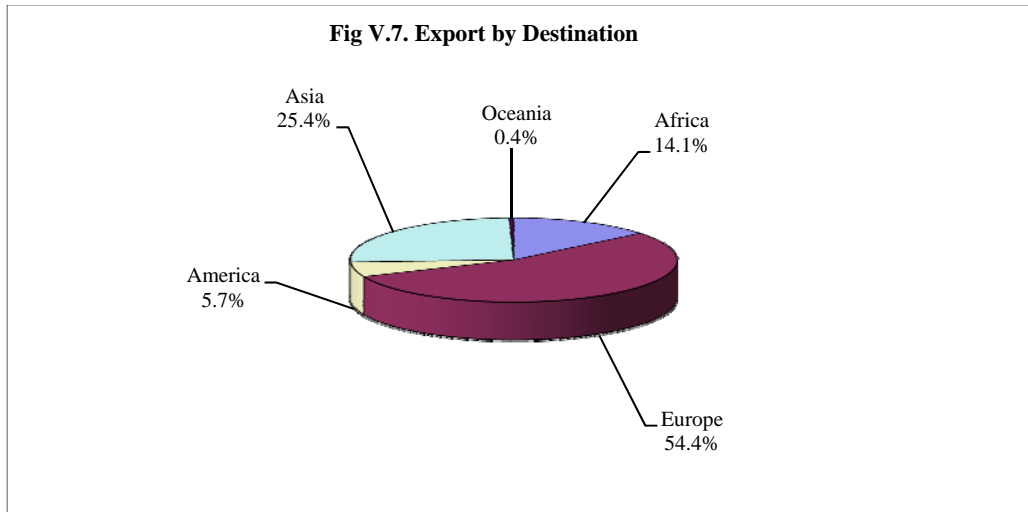
Europe continued to be the vastest market with about 54.4 percent share in total exports during the review quarter. Switzerland, accounting for 36.7 percent, was the largest market in Europe largely for gold export followed by Germany 23.6 percent mainly for coffee, flower and textile & garments exports. The Netherlands constituted 10 percent of the total exports in particular for flower while Italy took up 7.7 percent primarily for export of coffee and leather & leather products.

Asia comprised 25.4 percent of the total Ethiopian exports with China (38.2 percent), Saudi Arabia (18 percent), Israel (18.7 percent), United Arab Emirates (8 percent), Japan (5.5 percent) and Hong Kong (3.5 percent) making up 81.7 percent of the total exports to Asia.

The main export products shipped to China were oilseeds, mineral products and leather & leather products. Coffee, live animals and meat & meat products were exported to Saudi Arabia, Coffee and oilseeds to Israel and pulses, live animals and meat & meat products to UAE.

Meanwhile, about 14.1 percent of Ethiopia's exports went to Africa, mainly Somalia (42.5 percent), Sudan (31 percent), Djibouti (13 percent) and Egypt (8.6 percent). Somalia and Sudan alone accounted for 73.6 percent of the total exports to Africa. Coffee, pulses, spices and live animals were shipped to Sudan, chat and live animals to Somalia, chat and vegetables to Djibouti and live animals and pulses to Egypt.

America took 5.7 percent share in the total exports during the fourth quarter of 2010/11, of which 82.6 percent, mainly coffee and oilseeds, were to the United States.



**Source:** Ethiopian Revenue and Customs Authority

### 5.2.3.2 Imports

Ethiopia largely imports from Asia countries. About 65.1 percent of the total imports during the fourth quarter of 2010/11 originated from Asia. China supplied 23.3 percent, United Arab Emirates 14 percent, India 12.7 percent, Japan 8.3 percent, Saudi Arabia 8 percent and Malaysia 5 percent.

The prime imports from China were electrical materials, machinery, metals, rubber products, road & motor vehicles, clothing & textiles and chemicals. Petroleum products were imported mainly from United Arab Emirates and Saudi Arabia, accounting for 46.6 and 29.2 percent of the total petroleum import of the nation. Medical &

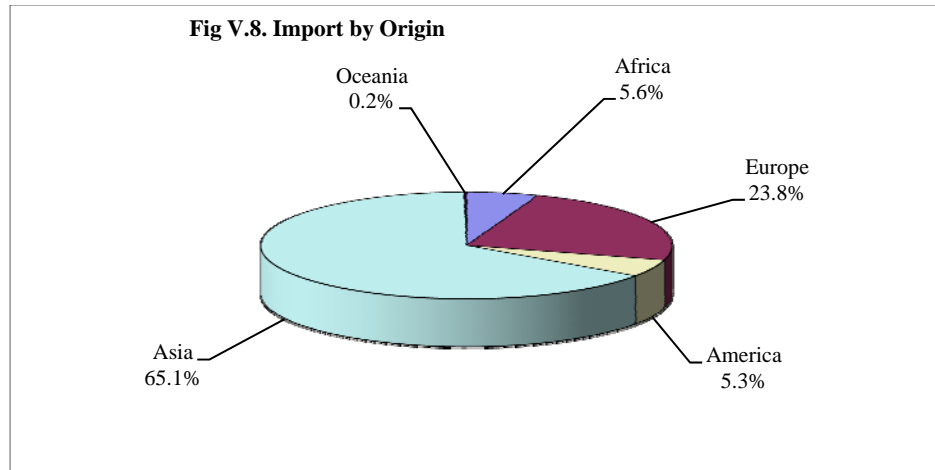
pharmaceutical products and parts of machinery, electrical materials, metals and road & motor vehicles were also imported from India. Imports from Japan included mainly machinery and road & motor vehicles.

Imports from European countries constituted 23.8 percent largely from Turkey (21 percent), Italy (19.2 percent), Germany (11 percent), France (10 percent), UK (5 percent), Sweden (4.7 percent) and Spain (4.6 percent). Metal & metal products, machinery and electrical materials were the primary imports from Turkey while machinery, vehicles and metals from Italy. Machinery, metal & metal products, road & motor vehicles and electrical

materials were also imported from Germany and France.

At the same time, about 5.6 percent of the total Ethiopian imports originated from African mainly from Morocco (27.8 percent), Egypt (26.3 percent), Sudan (24.2 percent) and South Africa (13.3 percent). Fertilizer was imported from Morocco, metal & metal products, petroleum and rubber products from Egypt, Petroleum products from Sudan and machinery and road & motor vehicles from South Africa.

Imports from America constituted 5.3 percent of the total imports of which about 56.4 and 23.3 percent were from the United States of America and Brazil respectively. The imports were mainly machinery and grain.



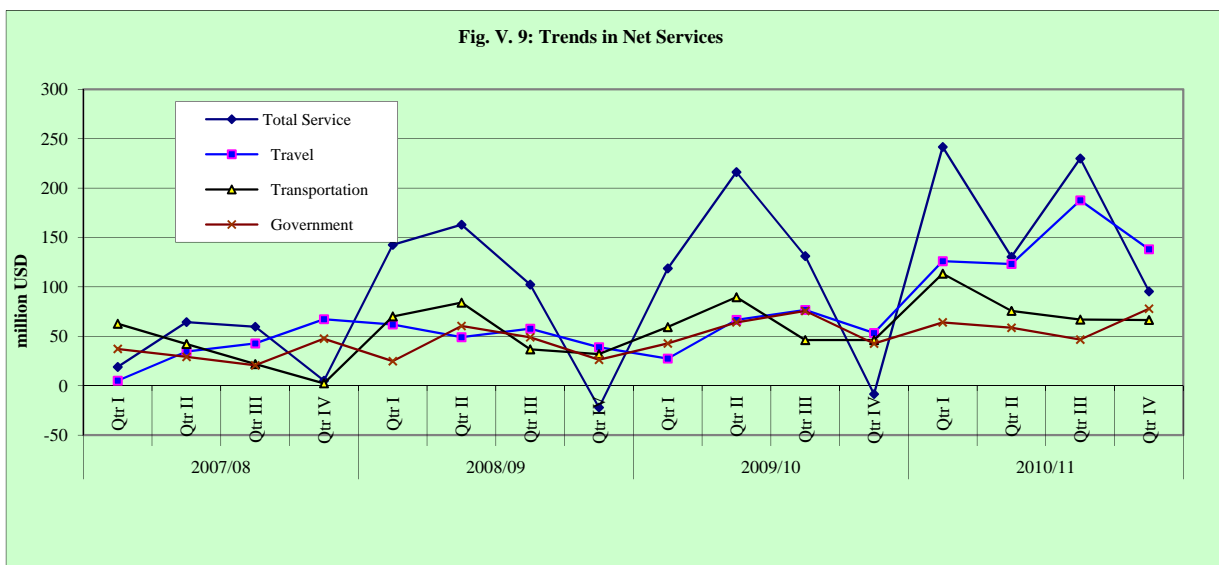
**Source:** Ethiopian Revenue and Customs Authority

### 5.3 Services and Transfers

The service account recorded USD 95.4 million net receipts compared with USD 8.5 million net payment in the same period last year.

Year-on-year total service receipts rose by 34.1 percent during the review period

mainly on account of revenues from travel, transport and government services. On the other hand, total service payments grew by 12.8 percent largely due to higher payments for transport and other services coupled with a slight rise in travel service payments.



**Source:-** Staff compilation



**Table 5.8: Trends in Service Accounts**

(In Millions of USD)

Particulars	2009/10		2010/11				Percentage Change	
	Qtr IV	%	Qtr III	%	Qtr IV	%	C/B	C/A
	A	Share	B	Share	C	Share		
<b>Receipts</b>	<b>493.3</b>	<b>100.0</b>	<b>682.5</b>	<b>100.0</b>	<b>661.4</b>	<b>100.0</b>	<b>-3.1</b>	<b>34.1</b>
Travel	85.3	17.3	223.9	32.8	173.8	26.3	-22.4	103.8
Transportation	286.1	58.0	323.9	47.5	355.6	53.8	9.8	24.3
Government (n.i.e)	43.8	8.9	50.7	7.4	79.9	12.1	57.7	82.4
Investment Income	1.0	0.2	1.7	0.3	2.8	0.4	59.2	178.9
Interest	1.0	0.2	1.7	0.3	2.8	0.4	59.2	178.9
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other Services	77.2	15.6	82.4	12.1	49.4	7.5	-40.0	-35.9
Communication Services	26.8	5.4	31.3	4.6	25.0	3.8	-20.0	-6.7
Construction Services	2.9	0.6	11.5	1.7	5.8	0.9	-49.8	99.9
Insurance Services	0.4	0.1	0.3	0.0	1.1	0.2	231.6	206.1
Financial Services	0.06	0.011	0.0	0.08	0.1	0.0	672.0	1342.9
Computer and Information Service	0.2	0.0	0.022	0.0	0.0	0.0	-100	-100
Other Business Services	46.9	9.5	39.3	5.8	17.5	2.6	-55.4	-62.7
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
<b>Payments</b>	<b>501.8</b>	<b>100.0</b>	<b>452.5</b>	<b>100.0</b>	<b>566.0</b>	<b>100.0</b>	<b>25.1</b>	<b>12.8</b>
Travel	31.9	6.4	36.3	8.0	35.7	6.3	-1.6	11.7
Transportation	239.9	47.8	257.0	56.8	289.0	51.1	12.5	20.5
Government (n.i.e)	1.2	0.2	4.0	0.9	2.0	0.3	-50.0	65.1
Investment Income	25.1	5.0	20.1	4.4	26.1	4.6	29.9	4.3
Interest	10.5	2.1	15.4	3.4	18.5	3.3	19.8	75.4
Cash (Banks & MoFED)	10.1	2.0	15.4	3.4	18.2	3.2	18.1	79.7
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Relief	0.4	0.1	0.0	0.0	0.3	0.0	-	-
Dividend	14.5	2.9	4.7	1.0	7.6	1.4	63.3	-47.4
Other Services	203.7	40.6	135.1	29.9	213.2	37.7	57.8	4.6
Communication Services	3.6	0.7	5.4	1.2	12.3	2.2	130.4	243.0
Construction Services	126.7	25.2	55.9	12.4	118.3	20.9	111.6	-6.6
Insurance Services	2.8	0.6	3.4	0.8	3.6	0.6	5.7	27.7
Financial Services	0.052	0.0	0.065	0.0	0.059	0.0	-8.2	15.1
Computer and Information Service	0.947	0.2	0.8	0.2	0.949	0.2	24.5	0.3
Other Business Services	69.6	13.9	69.6	15.4	77.9	13.8	11.9	11.9
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
<b>Net Services</b>	<b>-8.5</b>	<b>100.0</b>	<b>230.0</b>	<b>100.0</b>	<b>95.4</b>	<b>100.0</b>	<b>-58.5</b>	

Source: Staff compilation

Total net receipts from transfers during the review period amounted to USD 1.31 billion, depicting a 15 percent annual growth as a result of higher private and official transfers.

465.1 million as a result of higher disbursements of official grants from multilateral and bilateral donors. Food aid/transfers dropped by 64 percent.

Net private transfers (both individual remittances and NGOs transfers) grew by 16.1 percent over the same period last year and reached USD 844.8 million largely on account of the surge in individual remittances (33.6 percent) offsetting 16.6 percent fall in NGO transfers.

Likewise, net official transfers during the review period rose by 13 percent vis-à-vis the same period last year to USD

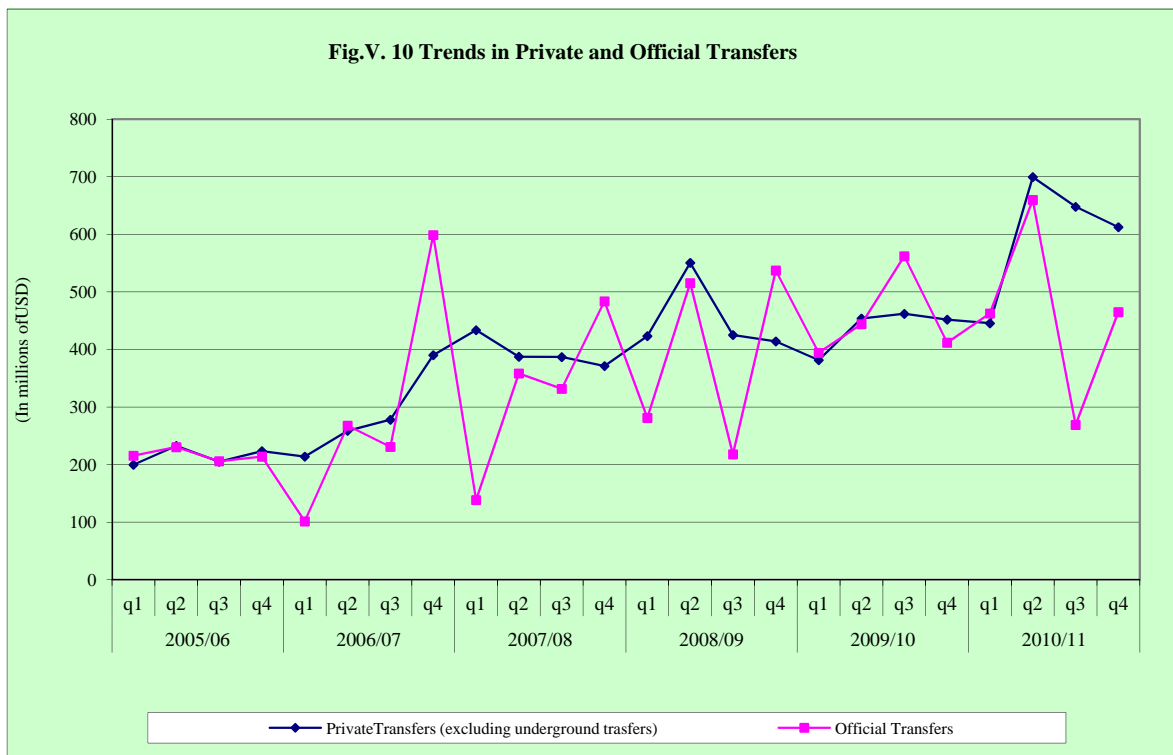
**Table 5.9: Developments in Transfer Accounts**

(In Millions of USD)

Particulars	2009/10		2010/11				Percentage Change	
	A	%	B	%	C	%	C/B	C/A
	QIV	share	Q III	share	Q IV	share		
<b>Private Transfers</b>	<b>727.8</b>	<b>63.9</b>	<b>865.0</b>	<b>76.3</b>	<b>844.8</b>	<b>64.5</b>	-2.3	16.1
Credit	736.9	63.8	869.4	76.2	848.0	64.5	-2.5	15.1
<b>NGO's</b>	<b>272.1</b>	<b>23.6</b>	<b>212.5</b>	<b>18.6</b>	<b>227.1</b>	<b>17.3</b>	6.9	-16.6
Cash	243.8	21.1	212.5	18.6	221.7	16.9	4.3	-9.1
Other	28.4	2.5	0.00	0.0	0.0	0.0	-	-

Food	0.00	0.0	0.00	0.0	5.4	0.4	-	-
<b>Private individuals</b>	<b>465.0</b>	<b>40.3</b>	<b>657.0</b>	<b>57.6</b>	<b>620.9</b>	<b>47.2</b>	-5.5	33.6
Cash	183.1	15.9	419.6	36.8	365.9	27.8	-12.8	99.8
Inkind	5.8	0.5	20.3	1.8	22.7	1.7	11.7	291.8
Underground Private								
Transfers	275.9	23.9	217.1	19.0	232.3	17.7	7.0	-15.8
Debit	-9.1	60.5	-4.4	61.6	-3.2	71.2	-28.1	-64.9
<b>Official Transfers</b>	<b>411.9</b>	<b>36.1</b>	<b>269.0</b>	<b>23.7</b>	<b>465.1</b>	<b>35.5</b>	72.9	12.9
Credit	417.8	36.2	271.8	23.8	466.3	35.5	71.6	11.6
Cash	372.9	32.3	262.9	23.0	450.1	34.2	71.2	20.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	44.9	3.9	8.9	0.8	16.2	1.2	82.3	-63.9
Debit	-5.9	39.5	-2.8	38.4	-1.3	28.8	-53.3	-78.2
<b>Total Receipts</b>	<b>1,154.8</b>	<b>101.3</b>	<b>1,141.3</b>	<b>100.6</b>	<b>1,314.3</b>	<b>100.3</b>	<b>15.2</b>	<b>13.8</b>
<b>Total Payments</b>	<b>-15.0</b>	<b>-1.3</b>	<b>-7.2</b>	<b>-0.6</b>	<b>-4.5</b>	<b>-0.3</b>	<b>-37.7</b>	<b>-70.2</b>
<b>Net Transfers</b>	<b>1,139.7</b>	<b>100.0</b>	<b>1,134.1</b>	<b>100.0</b>	<b>1,309.9</b>	<b>100.0</b>	<b>15.5</b>	<b>14.9</b>

Source: Staff compilation



## 5.4 Current Account

As a result of improved net service account and higher private and public net transfers, the current account (including official transfers) recorded USD 119.2 million in surplus during the review period in contrast to USD 136.6 million deficit last year same period.

## 5.5 Capital account

The surplus in capital account showed 8.7 percent year-on-year growth and stood at USD 670.7 million. This was ascribed to higher long term net loan disbursements and estimated foreign direct investment.

## 5.6 Changes in Reserve Position

Reflecting the net receipts from services, private and official transfers and long term loan disbursements as well as FDI, the overall balance of payments registered USD 709.8 million in surplus during the fourth quarter of 2010/11. As a result, net foreign assets of the banking system increased by USD 708.8 million

of which USD 306.7 million was that of the NBE. The reserve coverage, was enough to cover 3.1 months of imports.

## 5.7 Developments in the Foreign Exchange Market

### 5.7.1 Exchange Rate Movements

The official average exchange rate of the Birr in the inter-bank foreign exchange market showed a 25 and 1.1 percent annual and quarterly depreciation during the fourth quarter of 2010/11 and reached Birr 16.8169/USD.

Likewise, the parallel market the Birr depreciated on average rate by 20.3 percent relative to a year earlier while it appreciated slightly by 0.2 percent against the previous quarter and stood at Birr 17.07/USD. As a result, the average spread between the official and parallel market rates during the stated period narrowed to 1.5 percent from 5.3 and 2.8 percent a year ago and the preceding quarter respectively (Table 5.10).

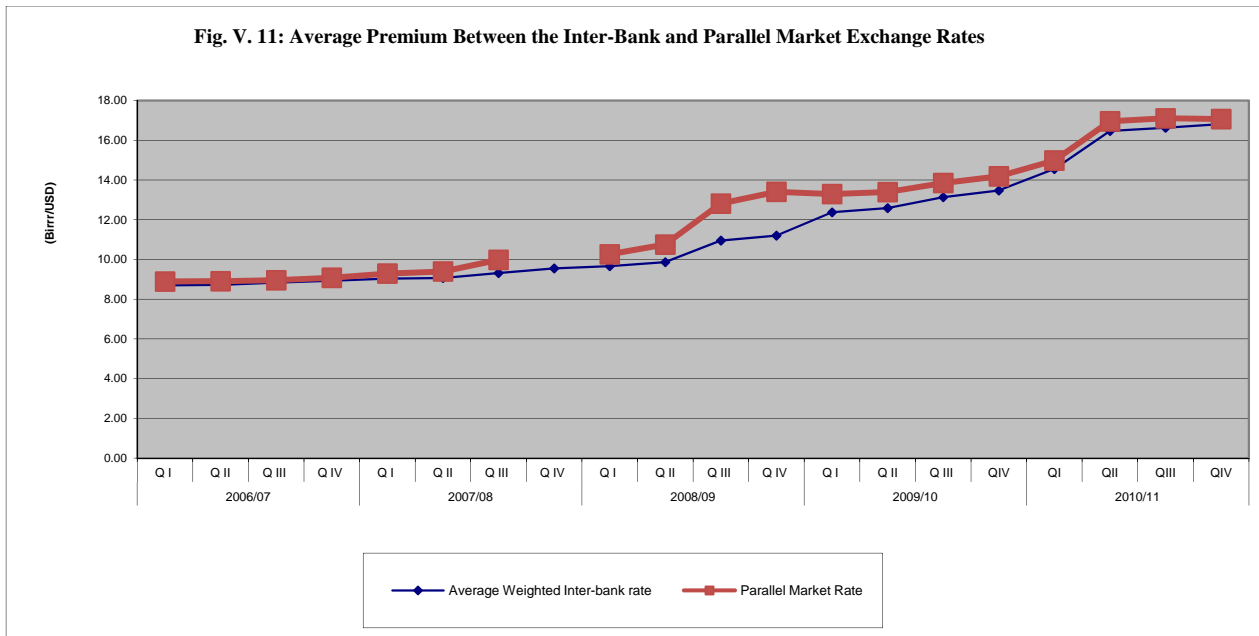
**Table 5.10: Exchange Rates in the Inter-bank and Parallel Foreign Exchange Markets**

Period					Premium
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		Rates in Birr per USD		Amount Traded in Millions of USD		Parallel Market		
		End Period Rates				End Period	Average	
		Weighted Rate	Average Weighted Rate	Total	O/w Among CBs			
<b>2009/10</b>								
<b>Qtr. IV</b>	<b>C</b>	<b>13.5321</b>	<b>13.4697</b>	<b>3.1</b>	<b>0.0</b>	<b>14.2300</b>	<b>14.1863</b>	<b>5.32</b>
April		13.4510	13.4282	1.05	0.0	14.1600	14.1800	5.60
May		13.4872	13.4703	0.95	0.0	14.2100	14.1600	5.12
June		13.5321	13.5105	1.05	0.0	14.2300	14.2189	5.24
<b>2010/11</b>								
<b>Qtr. III</b>	<b>B</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>Qtr. IV</b>	<b>A</b>	<b>16.9081</b>	<b>16.8169</b>	<b>80.8</b>	<b>25.1</b>	<b>17.1400</b>	<b>17.0700</b>	<b>1.51</b>
April		16.7801	16.7548	52.30	24.27	16.9300	16.9300	1.05
May		16.8426	16.8158	26.95	0.80	17.0000	16.9500	0.80
June		16.9081	16.8801	1.50	0.00	17.1400	17.3300	2.67
<b>Percentage changes</b>	<b>A/B</b>	1.1	1.1	2591.7	-	1.2	-0.2	-47.0
	<b>A/C</b>	24.9	24.9	2547.5	-	20.4	20.3	-71.7

**Source:** NBE, Foreign Exchange Monitoring & Reserve Management Directorate

**Fig. V. 11: Average Premium Between the Inter-Bank and Parallel Market Exchange Rates**



Meanwhile, retail average buying and selling exchange rates of the Birr against the USD in the forex bureaux of commercial banks stood at Birr 16.8122/USD and Birr 17.1420/USD, showing quarterly depreciation of 1 and 1.2 percent, respectively. On yearly basis, however, both buying and selling exchange rates strongly depreciated by 24.4 and 24.6 percent, respectively (Table 5.15).

Consequently, the average spread between the buying and selling exchange rates in the retail market stood at 1.96 percent (Fig 5.13).

Fig. V.12: Average Buying and Selling Rates of Forex Bureaux of Commercial Banks

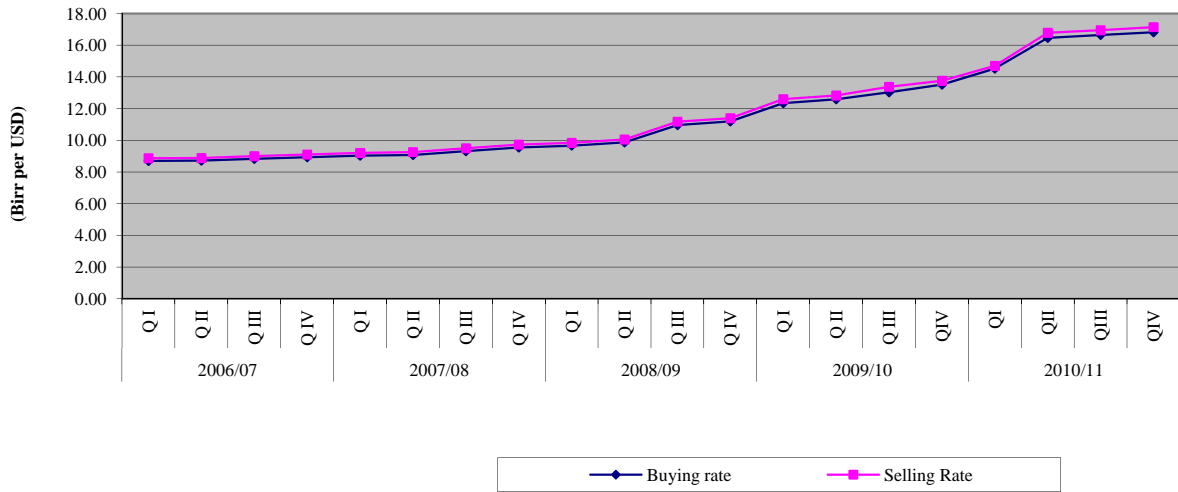
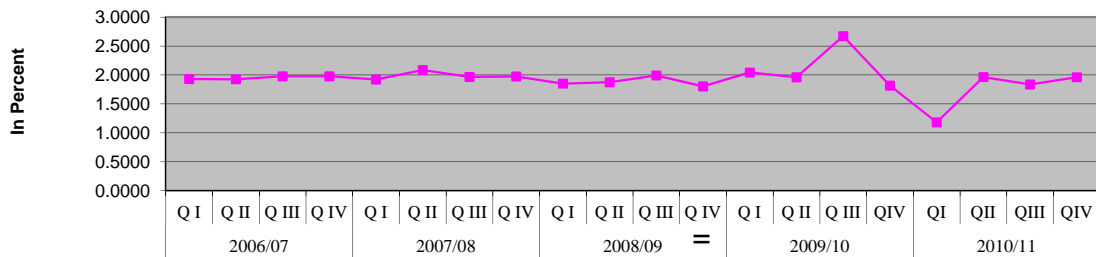


Fig. V.13: Spread between Buying and Selling Rates of Foreign Exchange in Forex Bureaux



The exchange rate of the US dollar against major international currencies experienced depreciation during the fourth quarter of 2010/11. For instance, compared to the preceding quarter, the US dollar depreciated with respect to Swiss Frank (8 percent), Euro (5.3 percent), Pound Sterling (1.9 percent) and Japanese Yen (0.7 percent), during the period. Similarly, compared to the corresponding period of last year, the US

dollar showed significant depreciation relative to Euro (71.8 percent), Pound Sterling (26.2 percent), and Swiss Frank (25 percent) while it appreciated sharply by 97.6 percent against Japanese Yen (Table 5.11).

**Table 5.11: Period Average Exchange Rates (USD per Other Major Currencies)**

Period		EURO			JAPANESE YEN			SDR			POUND STERLING			SWISS FRANK		
		Buyin g	Sellin g	Mid Rate	Buyin g	Sellin g	Mid Rate	Buyin g	Sellin g	Mid Rate	Buyin g	Sellin g	Mid Rate	Buyin g	Sellin g	Mid Rate
<b>2009/10</b>				<b>0.837</b>			<b>0.513</b>			<b>1.494</b>			<b>1.292</b>			<b>0.917</b>
<b>Qtr. IV</b>	<b>C</b>	<b>1.2822</b>	<b>0.8358</b>	<b>2</b>	<b>0.0108</b>	<b>0.5136</b>	<b>5</b>	<b>1.4900</b>	<b>1.4946</b>	<b>6</b>	<b>1.4915</b>	<b>1.2925</b>	<b>5</b>	<b>0.9032</b>	<b>0.9192</b>	<b>5</b>
April		1.3416	0.0107	0.010	0.0107	1.5187	7	1.5187	1.5325	5	1.5325	0.9356	6	0.9356	0.9836	8
May		1.2837	1.2753	1.279	0.0108	0.0108	8	1.4833	1.4833	3	1.4703	1.4703	3	0.8905	0.8905	5
June		1.2214	1.2214	1.221	0.0110	0.0111	0	1.4681	1.4681	1	1.4717	1.4717	7	0.8833	0.8833	3
<b>2010/11</b>																
<b>Qtr. III</b>	<b>B</b>	<b>1.3667</b>	<b>1.3669</b>	<b>1.366</b>	<b>0.0122</b>	<b>0.0122</b>	<b>0.012</b>	<b>1.5623</b>	<b>1.5620</b>	<b>1.562</b>	<b>1.6013</b>	<b>1.6010</b>	<b>1.601</b>	<b>1.0621</b>	<b>1.0619</b>	<b>1.062</b>
January		1.3364	1.3364	1.336	0.0121	0.0121	0.012	1.5448	1.5448	1.544	1.5748	1.5748	1.574	1.0463	1.0463	1.046
February		1.3642	1.3649	1.364	0.0121	0.0121	0.012	1.5629	1.5620	1.562	1.6120	1.6110	1.611	1.0527	1.0521	1.052
March		1.3995	1.3995	1.399	0.0122	0.0122	0.012	1.5793	1.5793	1.579	1.6170	1.6170	1.617	1.0874	1.0874	1.087
<b>Qtr. IV</b>	<b>A</b>	<b>1.4384</b>	<b>1.4389</b>	<b>1.438</b>	<b>0.0122</b>	<b>0.0122</b>	<b>0.012</b>	<b>1.5965</b>	<b>1.5970</b>	<b>1.596</b>	<b>1.6305</b>	<b>1.6311</b>	<b>1.630</b>	<b>1.1471</b>	<b>1.1474</b>	<b>1.147</b>
April		1.4403	1.4417	1.441	0.0120	0.0120	0.012	1.5937	1.5953	1.594	1.6326	1.6342	1.633	1.1101	1.1111	1.110
May		1.4361	1.4361	1.436	0.0123	0.0123	0.012	1.5973	1.5973	1.597	1.6347	1.6347	1.634	1.1425	1.1425	1.142
June		1.4388	1.4388	1.438	0.0124	0.0124	0.012	1.5984	1.5984	1.598	1.6243	1.6243	1.624	1.1886	1.1886	1.188
<b>Percentage change</b>	<b>A/ B</b>	5.3	5.3	5.3	0.6	0.7	0.7	2.2	2.2	2.2	1.8	1.9	1.9	8.0	8.1	8.0



	A/ C	12.2	72.2	71.8	12.9	-97.6	-97.6	7.2	6.9	6.8	9.3	26.2	26.2	27.0	24.8	25.0
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**Source:** Staff Compilation

Reflecting the depreciation of the US dollar relative to major international currencies, the exchange rate of the Birr also weakened against these currencies on quarter-to-quarter and annual terms. The Birr recorded highest depreciation against Swiss Frank (58.6 percent) Japanese Yen (40.7 percent), Euro (40.3 percent) and Pound Sterling (36.5 percent) year-on-year basis. It also weakened against Swiss Frank (9.2 percent) and Euro (6.4 percent) followed by Pound Sterling ( 3 percent) and Japanese Yen (1.8 percent) compared to the preceding quarter (Table 5.12).

**Table 5.12: Period Average Exchange Rates (Birr per Major Currencies)**

Period		USD			EURO			JAPANESE YEN			SDR			POUND STERLING			SWISS FRA	
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling
<b>2009/10</b>																		
<b>Qtr. IV</b>	<b>C</b>	<b>13.4676</b>	<b>13.6023</b>	<b>13.5349</b>	<b>17.2667</b>	<b>17.4014</b>	<b>17.3341</b>	<b>0.1460</b>	<b>0.1481</b>	<b>0.1470</b>	<b>20.0663</b>	<b>20.2669</b>	<b>20.1666</b>	<b>20.0859</b>	<b>20.2867</b>	<b>20.1863</b>	<b>12.1626</b>	<b>12.2843</b>
April		13.4270	13.5613	13.4942	18.0129	18.1931	18.1030	0.1437	0.1452	0.1444	20.3921	20.5960	20.4941	20.5770	20.7828	20.6799	12.5629	12.6885
May		13.4674	13.6021	13.5347	17.2882	17.3472	17.3177	0.1460	0.1475	0.1467	19.9756	20.1754	20.0755	19.8003	19.9983	19.8993	11.9929	12.1128
June		13.5084	13.6434	13.5759	16.4991	16.6640	16.5816	0.1484	0.1516	0.1500	19.8311	20.0294	19.9302	19.8803	20.0791	19.9797	11.9322	12.0515
<b>2010/11</b>																		
<b>Qtr. III</b>	<b>B</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>
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
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
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
<b>Qtr. IV</b>	<b>A</b>	<b>16.8167</b>	<b>16.9793</b>	<b>16.8980</b>	<b>24.1921</b>	<b>24.4340</b>	<b>24.3131</b>	<b>0.2058</b>	<b>0.2079</b>	<b>0.2069</b>	<b>26.8505</b>	<b>27.1186</b>	<b>26.9846</b>	<b>27.4216</b>	<b>27.6959</b>	<b>27.5587</b>	<b>19.2920</b>	<b>19.4850</b>
April		16.7602	16.9109	16.8355	24.1496	24.3911	24.2704	0.2008	0.2029	0.2019	26.7195	26.9862	26.8528	27.3689	27.6426	27.5057	18.6064	18.7925
May		16.8128	16.9810	16.8969	24.1441	24.3856	24.2649	0.2070	0.2090	0.2080	26.8556	27.1235	26.9895	27.4832	27.7581	27.6206	19.2092	19.4012

June		16.8772	17.0459	16.9615	24.2826	24.5254	24.4040	0.2096	0.2117	0.2107	26.9764	27.2462	27.1113	27.4128	27.6869	27.5499	20.0606	20.2612
Percentage change	A/B	1.1	1.1	1.1	6.5	6.4	6.4	1.8	1.8	1.8	3.4	3.4	3.4	3.0	3.0	3.0	9.2	9.2
	A/C	24.9	24.8	24.9	40.1	40.4	40.3	40.9	40.4	40.7	33.8	33.8	33.8	36.5	36.5	36.5	58.6	58.6

Source: National Bank of Ethiopia

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

Currency	Jun-10	Mar-11	Jun-11	Percentage change	
	C	B	A	A/B	A/C
USD	13.5998	16.8041	16.9927	1.1	24.9
Pound	20.4704	26.9605	27.2494	1.1	33.1
Swedish Kroner	1.7395	2.6490	2.6612	0.5	53.0
Djibouti Frank	0.0781	0.0970	0.0954	-1.7	22.2
Swiss Frank	12.4986	18.2198	20.3725	11.8	63.0
Saudi Riyal	3.6261	4.4806	4.5308	1.1	25.0
UAE Dirhams	3.7027	4.5752	4.6264	1.1	24.9
Canadian Dollar	12.9510	17.3238	17.4588	0.8	34.8
Japanese Yen	0.1533	0.2022	0.2096	3.7	36.8
Euro	16.5741	23.6669	24.5272	3.6	48.0
SDR	20.1222	26.5629	27.0234	1.7	34.3

Source: National Bank of Ethiopia

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

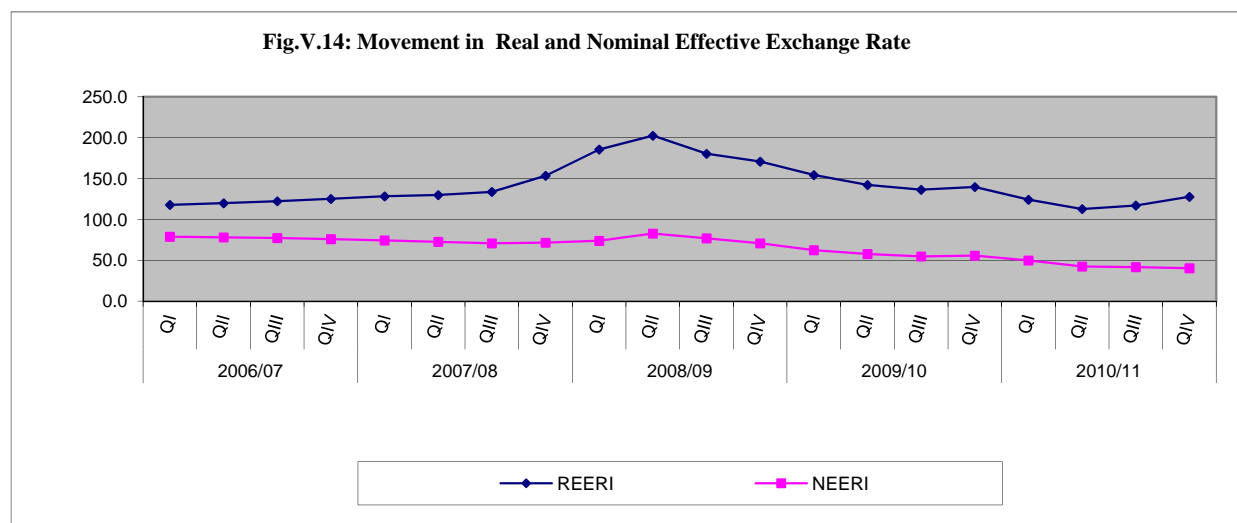
The pace of depreciation in the real effective exchange rate (REER) slowed down to 6 percent year-on-year in the fourth quarter of 2010/11 from 14.1 percent in the preceding quarter mainly due to the rise in domestic prices relative to that of major trading partners. However, the nominal effective exchange rate (NEER) in the same period depreciated by 25.7 percent compared with the same period last year (Table 5.14).

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

	2009/10	2010/11		Percentage Change	
	QIV	QIII	QIV		
	A	B	C	C/B	C/A
<b>REERI</b>	135.7	117.1	127.7	9.12	-5.85
<b>NEERI</b>	54.4	41.8	40.4	-3.31	-25.70

Source: National Bank of Ethiopia

**REERI = Real Effective Exchange Rate Index**  
**NEERI = Nominal Effective Exchange Rate Index**  
 Note: - A decrease in Index implies depreciation

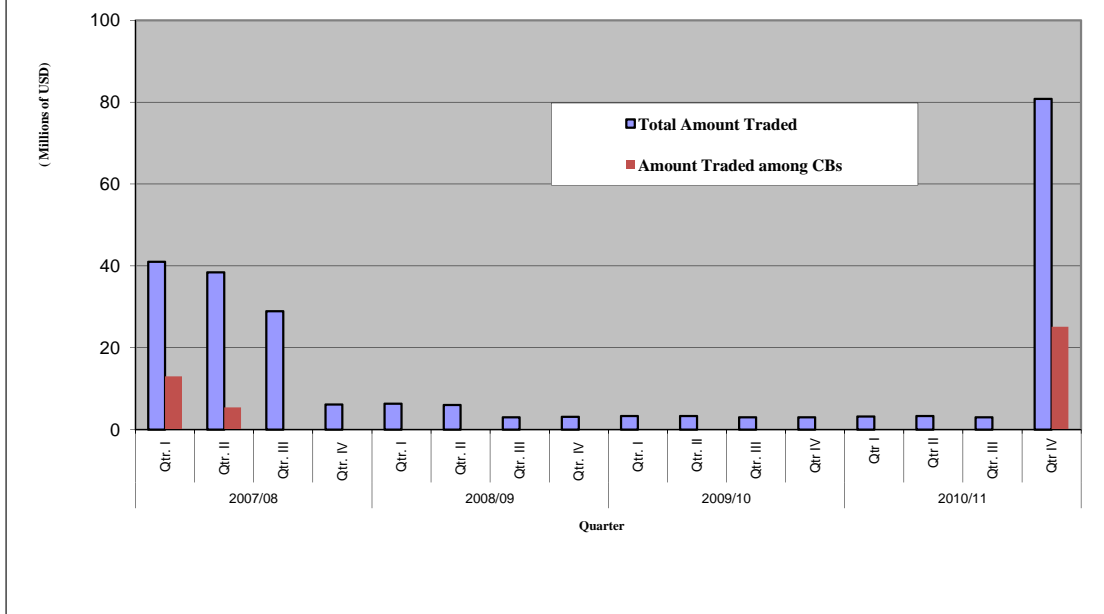


### 5.7.3 Volume of Transactions

The amount of foreign exchange traded in the inter-bank foreign exchange market significantly rose to USD 80.8 million during the fourth quarter of 2010/11 from USD 3 million in the

preceding quarter and USD 3.1 million last year. Out of the total amount of foreign exchange transaction, USD 25.1 million was traded among commercial banks and the balance (USD 55.7 million) between NBE and commercial banks (Table 5.10).

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



Foreign exchange purchased by forex bureaux of commercial banks during the review period stood at USD 39.7 million, down by 28.4 percent compared to the same period last year. On the other

hand, forex bureaux sold USD 16.7 million, to their customers depicting a 29.6 percent growth over the same period (Table 5.15)

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

**(In millions of USD)**



No	Name of Forex Bureaux	No of Branches	2009/10		2010/11				Percentage Change			
			Quarter IV		Quarter III		Quarter IV		C/B		C/A	
			A		B		C					
			Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	121	17.7	0.1	13.3	0.1	16.0	1.0	20.3	1075.3	-9.4	1279.1
2	Bank of Abyssinia	28	0.5	1.0	1.5	1.2	2.1	1.5	37.4	24.8	320.0	54.9
3	Dashen Bank	58	2.3	5.5	4.3	5.1	4.2	4.7	-2.5	-7.5	78.3	-14.9
4	Awash International Bank	15	7.6	1.7	1.0	2.6	2.3	2.7	122.7	4.2	-69.5	52.4
5	Construction and Business Bank	5	0.2	0.0	0.4	0.0	1.3	0.2	193.4	337.8	455.6	604.4
6	Wegagen Bank	19	8.5	0.6	1.6	1.2	2.1	1.1	26.2	-4.5	-75.5	78.7
7	United Bank	34	5.6	2.0	5.4	2.2	6.4	2.5	18.7	14.8	15.1	26.2
8	Nib International Bank	30	12.5	1.5	21.9	1.9	3.4	2.1	-84.4	8.2	-72.7	37.2
9	Lion International Bank	1	0.2	0.0	0.4	0.2	0.5	0.1	50.1	-	188.7	126.0
10	Oromiya Intenational Bank	7	0.1	0.0	0.4	0.3	0.7	0.2	89.0	-20.6	621.9	574.0
11	Zemen Bank	1	0.1	0.2	0.2	0.3	0.2	0.5	1.1	69.7	186.8	133.6
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	0.1	0.2	0.1	0.3	0.0	-	-	-	-
14	Birhan international Bank	1			0.0	0.0	0.1	0.3				
	<b>Total</b>	<b>322</b>	<b>55.5</b>	<b>12.9</b>	<b>50.8</b>	<b>15.1</b>	<b>39.7</b>	<b>16.7</b>	<b>-21.8</b>	<b>10.2</b>	<b>-28.4</b>	<b>29.6</b>
	<b>Average Exchange Rate</b>		<b>13.5136</b>	<b>13.7599</b>	<b>16.6389</b>	<b>16.9444</b>	<b>16.8122</b>	<b>17.1420</b>	<b>1.0</b>	<b>1.2</b>	<b>24.4</b>	<b>24.6</b>