

II. MONETARY DEVELOPMENTS

4.1. Money Supply and Credit

The National Bank of Ethiopia has been closely monitoring monetary and financial developments so as to achieve a stable inflation rate and maintain a sustainable macroeconomic environment.

At the end of the fourth quarter, broad money supply (M₂) grew by 39.2 percent on annual basis and reached Birr 145.4 billion. The rise in broad money was mainly due to the surge in net foreign assets and domestic credit.

Net foreign assets depicted and annual growth 104.2 percent and contributed 69.2 percentage point to the growth in broad money supply.

Similarly, domestic credit witnessed 29.8 percent annual increase due to credit expansion to non-government sector. Claims on non-government sector increased by 49.7 percent on yearly terms due to the surge in claims on the private sector.

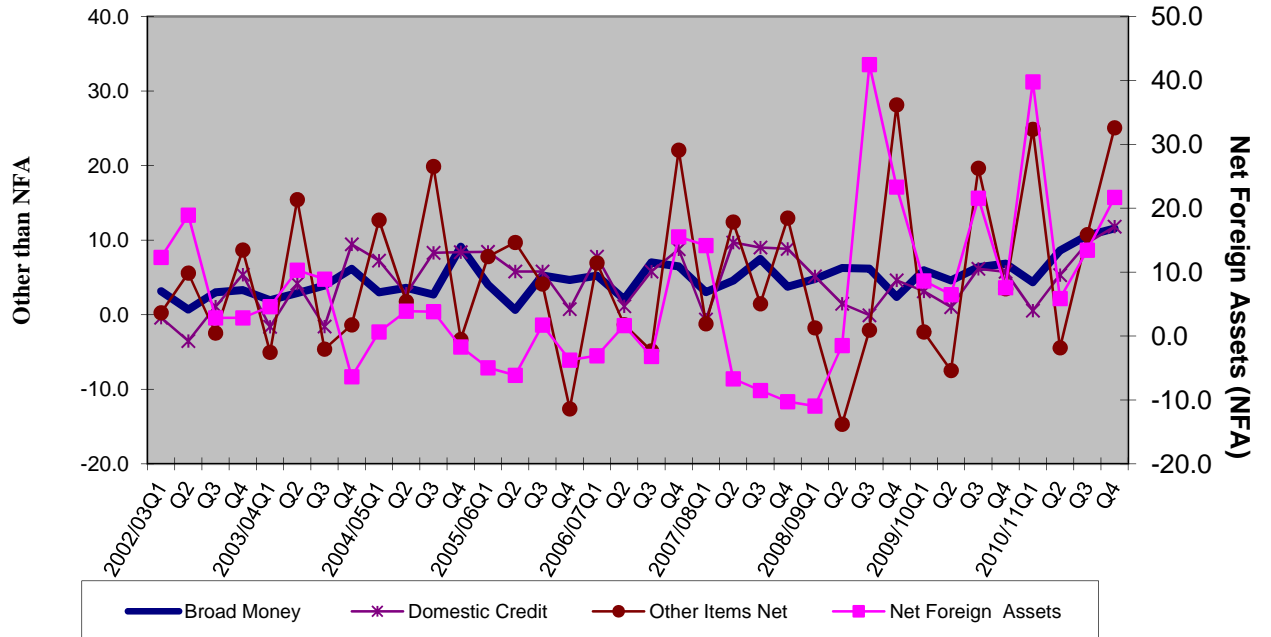
Table 4.1: Factors Influencing Broad Money

(In Millions of Birr)

Particulars	2009/10	2010/11		Percentage Change		Contribution of each components to Broad Money growth	
	Qtr. IV	Qtr. III	Qtr. IV	C/A	C/B	Annual	Quarterly
	(June 10)	(March 10)	(June 11)				
	A	B	C				
1. External Assets (net)	27,189.8	45,638.1	55,534.7	104.2	21.7	69.2	65.7
2. Domestic Credit	104,413.5	121,221.7	135,553.9	29.8	11.8	76.1	95.1
. Claims on Central Gov't (net)	33,013.1	23,583.8	28,651.7	-13.2	21.5	-10.7	33.6
. Claims on Other Sector's	71,400.4	97,638.0	106,902.2	49.7	9.5	86.7	61.5
. Financial Institutions	0.0	0.0	6,250.0				
. Others	71,400.4	97,638.0	100,652.2	41.0	3.1	71.4	20.0
3. Other Items (net)	27,170.9	36,550.1	45,711.6	68.2	25.1	45.3	60.8
4. Broad Money (M₂)	104,432.4	130,309.8	145,377.0	39.2	11.6	100.0	100.0

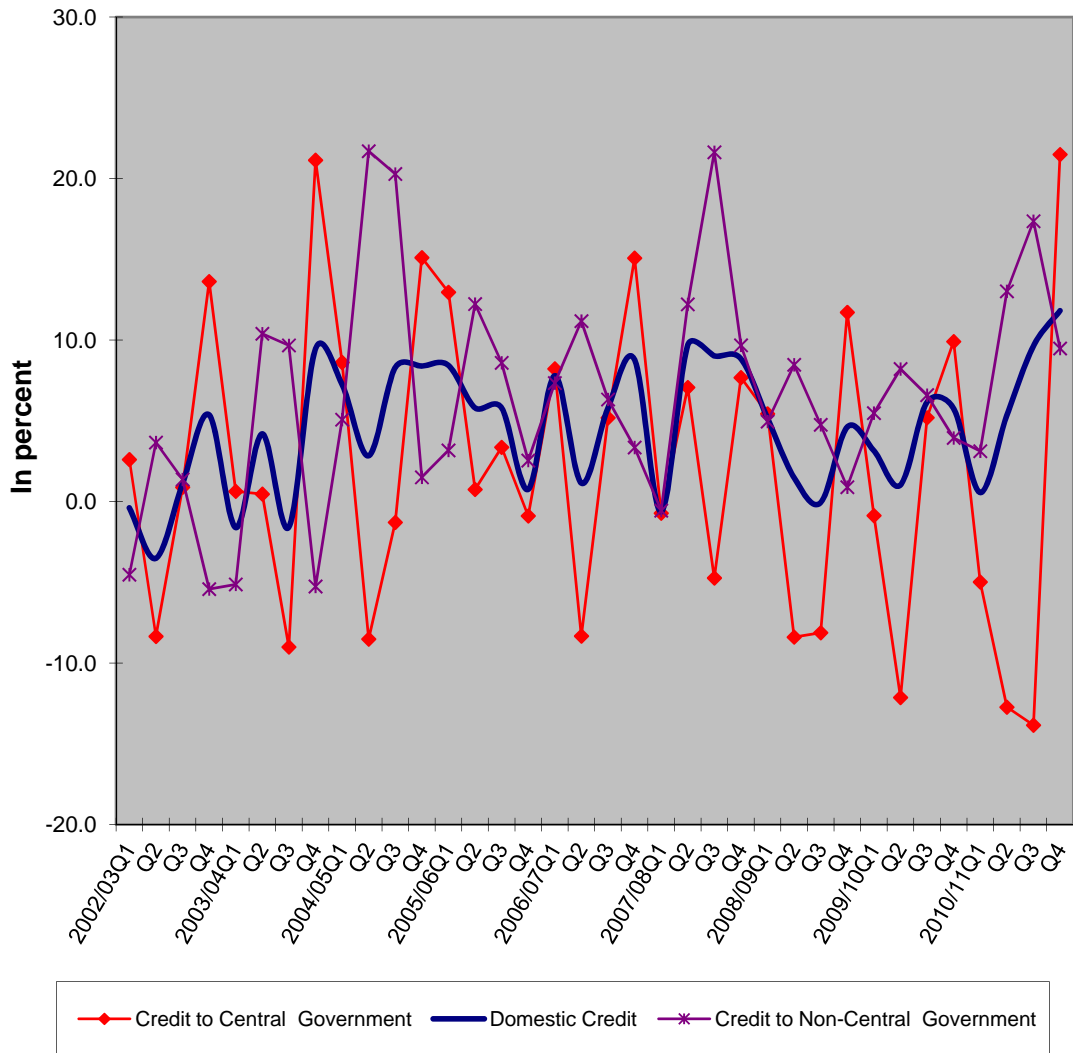
Source: National Bank of Ethiopia

**Fig IV.1: Major Determinants of Monetary Expansion
(Quarterly Change in Percent)**

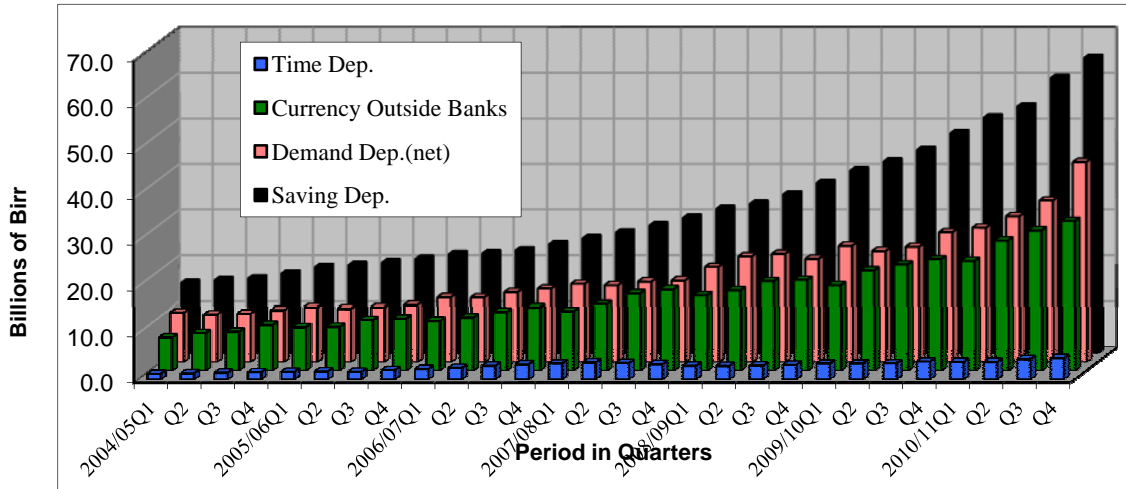


Source: NBE

**Fig IV.2: Composition of Domestic Credit
(Quarterly Change in Percent)**

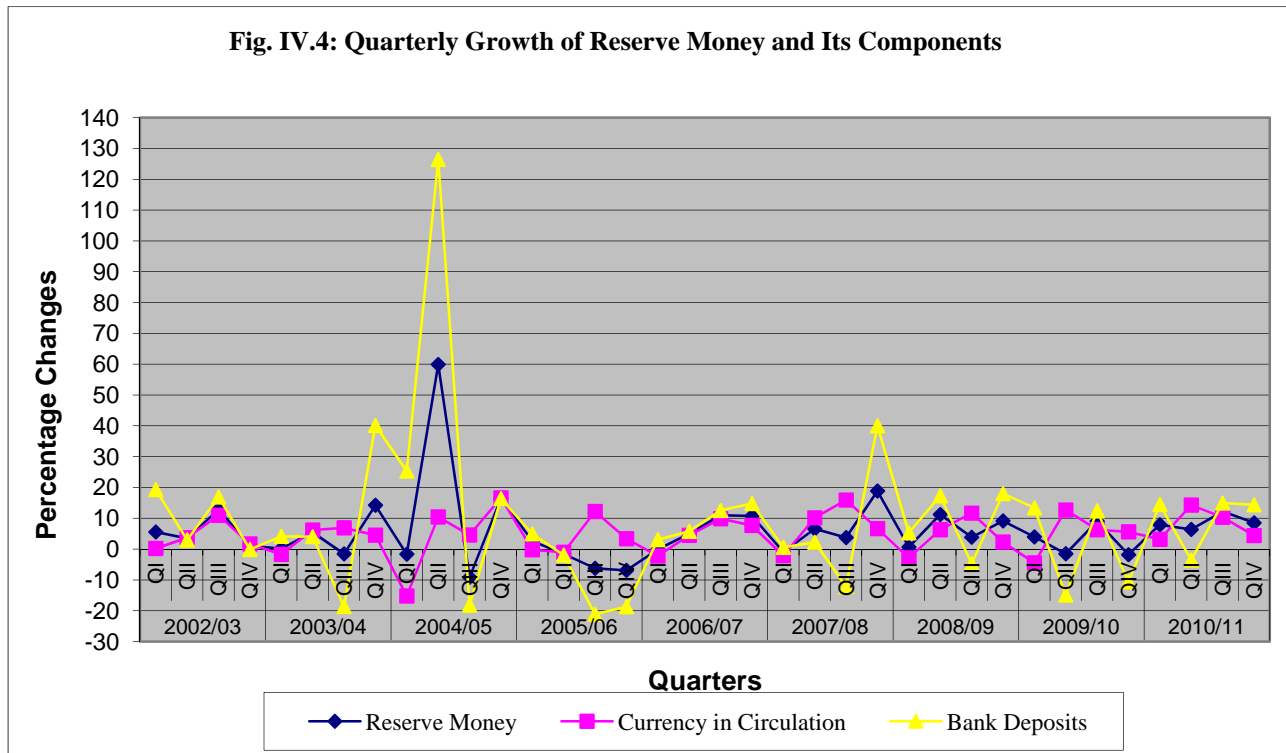


**Fig. IV. 3: Composition of Monetary Stock
(Fourth Quarter of FY 2010/11)**



Source: NBE

Fig. IV.4: Quarterly Growth of Reserve Money and Its Components



Source: NBE

Both narrow and quasi-money registered annual growth rates of 45.3 and 33.1

percent, respectively. The surge in narrow money was due to the rise in currency

outside banks (34.5 percent) and demand deposits by (54.4 percent). The rise in currency outside banks reflects the continuous rise in income. Similarly, saving and time deposits went up by 34.3 and 18.0

percent, respectively, thereby pushing up quasi-money growth to 33.1 percent largely showing growing financial intermediation related to bank branch expansion.

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. IV	Qtr. III	Qtr. IV	C/A	C/B	Annual	Quarterly
	(June 10)	(Mar. 11)	(June 11)				
	A	B	C				
1. Narrow Money Supply	52,434.6	65,706.7	76,171.0	45.3	15.9	58.0	69.5
. Currency Outside Banks	24,206.8	30,534.7	32,574.9	34.6	6.7	20.4	13.5
. Demand Deposits (net)	28,227.8	35,172.0	43,596.1	54.4	24.0	37.5	55.9
2. Quasi-Money	51,997.8	64,603.1	69,206.0	33.1	7.1	42.0	30.5
. Savings Deposits	48,041.6	60,140.4	64,539.6	34.3	7.3	40.3	29.2
. Time Deposits	3,956.2	4,462.7	4,666.4	18.0	4.6	1.7	1.4
3. Broad Money Supply	104,432.4	130,309.8	145,377.0	39.2	11.6	100.0	100.0

Source: NBE

4.2 Developments in Reserve Money and Monetary Ratio

Reserve money increased by 39.7 percent on annual and 8.5 percent on quarterly basis, mainly due to growth in currency in circulation and banks deposits at NBE. Currency in circulation scaled up by 35.8 percent year-on-year, while bank deposits at NBE surged by 45.2 percent.

The surge in net foreign asset by 104.2 percent was the main driving force for reserve money growth. Meanwhile, excess reserves of commercial banks went up by 16.1 percent over the previous year and the preceding quarter, respectively.

Table 4.3:- Reserve Money and Ratios

(In millions of Birr)

	2009/10	2010/11		Percentage Change
	Qtr. IV	Qtr. III	Qtr. IV	

Particulars	(June 10)	(March 11)	(June 11)		
	A	B	C	C/A	C/B
1. Reserve Requirement (CB's)	14,368.01	18,817.37	20,495.18	42.64	8.92
2. Actual Reserve (CB's)*	20,620.94	24,560.19	27,757.27	34.61	13.02
3. Excess Reserve (CB's)	6,252.93	5,742.82	7,262.09	16.14	26.46
4. Reserve Money	49,424.45	63,633.93	69,043.11	39.69	8.50
. <i>Currency in Circulation</i>	28,802.93	37,456.68	39,100.58	35.75	4.39
. <i>Banks Deposits at NBE**</i>	20,621.52	26,177.25	29,942.52	45.20	14.38
5. Money Multiplier (Ratio):					
. <i>Narrow Money to Reserve Money</i>	1.06	1.03	1.10	3.99	6.84
. <i>Broad Money to Reserve Money</i>	2.11	2.05	2.11	-0.35	2.82
6. Other Monetary Ratios (%):					
. <i>Currency to Narrow Money</i>	54.93	57.01	51.33	-6.55	-9.95
. <i>Currency to Broad Money</i>	27.58	28.74	26.90	-2.48	-6.43
. <i>Narrow Money to Broad Money</i>	50.21	50.42	52.40	4.35	3.91
. <i>Quasi Money to Broad Money</i>	49.79	49.58	47.60	-4.39	-3.98

Source: NBE and commercial banks.

* The data is obtained from commercial banks balance sheet

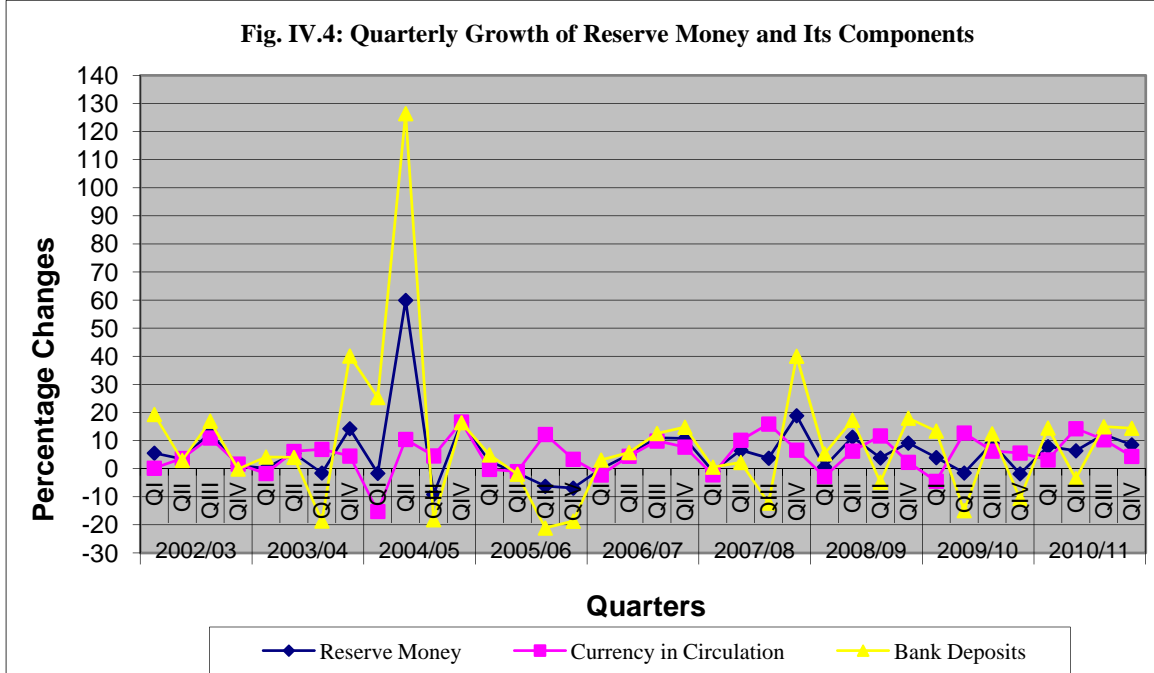
** The data is obtained from NBE balance sheet

The money multiplier, measured by the ratio of broad money to reserve money, was almost the same as the previous year implying the slowdown in monetization of the economy. On the other hand, the ratio of narrow money to reserve money increased marginally from 1.06 to 1.10 percent on annual basis. Concerning other monetary ratios, narrow-money to broad

money increased by 4.4 percent from the preceding year while quasi-money to broad money decreased by the same percentage point (Table 4.3).

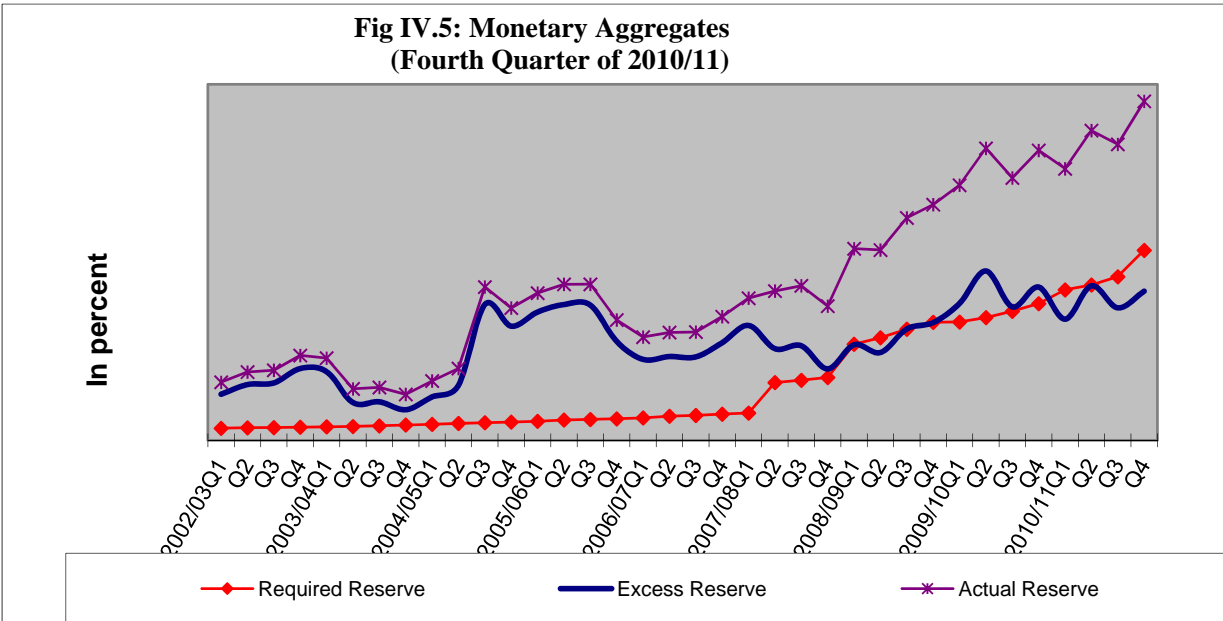
This implies an increase in demand for cash and checkable deposits for transaction purposes in the quarter under review presumably due to a higher inflation.

Fig. IV.4: Quarterly Growth of Reserve Money and Its Components



Source: NBE

Fig IV.5: Monetary Aggregates (Fourth Quarter of 2010/11)



Source: NBE

4.3 Interest Rate Developments

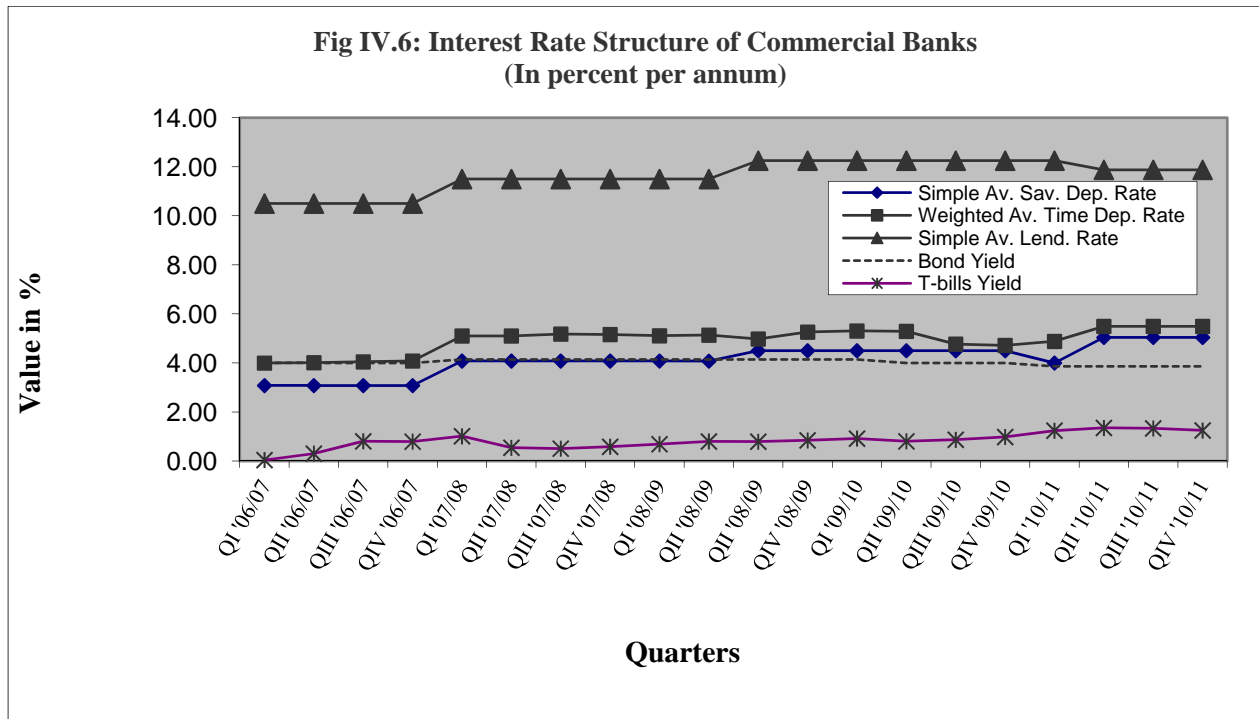
NBE raised the minimum saving deposit rate by 25% from 4.0 to 5.0 percent, effective from December 1, 2010. All banks have adjusted both their deposit and lending rates accordingly. As a result, the minimum and maximum saving deposit rates at the end of the quarter were 5.0 and 5.75 percent, respectively. Similarly, the minimum and maximum lending rates as at June 30, 2011 stood at

7.5 and 16.25 percent, respectively. But, weighted average time deposits rate increased to 5.822 from 5.0 percent a year ago. Weighted average yield on T-bills also went up from 0.984 to 1.248 percent during the same period. Considering annual average headline inflation of 18.1 percent during the quarter under review all deposit rates, lending rates and yields were negative in real terms.

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

	2009/10	2010/11	
	QIV	QIII	QIV
1. Savings Deposit Rate			
Minimum	4.00	5.00	5.00
Maximum	5.00	5.75	5.75
Average Saving Rate	4.50	5.38	5.38
2. Time Deposits			
Up to 1yr	4.241	5.712	5.708
1-2 years	6.607	5.856	5.850
Over 2 yrs	4.152	5.916	5.908
Average Time Dep. Rate (Weighted)	5.000	5.828	5.822
3. Demand Deposit (Weighted)	0.060	0.036	0.029
4. Lending Rate			
Minimum	8.00	7.5	7.5
Maximum	16.50	16.25	16.25
Average Lending Rate	12.25	11.88	11.88
5. T-bills Rate (Weighted Ave.)	0.984	1.33	1.248
6. Bond Yield (Simple Average)	4.000	3.86	3.86
7. Average Annual Headline Inflation Rate	2.8	11.3	18.1
8. Average Annual Core Inflation Rate	18.2	20.0	21.8

Source: NBE, Commercial Banks and Central Statistics Agency



4.4. Developments in the Financial Sector

The main financial institutions operating in Ethiopia are banks, insurance companies and microfinance institutions. With the opening of one new bank during the review quarter, the number of commercial banks operating in the country increased to 17 of which 13 were privately owned.

During the quarter under review, 104 new bank branches were opened, thereby raising the total number of bank branches to 970 reflecting a 42.4 percent annual expansion. As a result, the ratio of total bank branches

to population reached 82,474* from 92,379 in the preceding quarter, reflecting an impressive performance in financial service outreach. Of the total branches, 36 percent were located in Addis Ababa compared to 39 percent last year. The share of private banks in total bank branch networks declined to 50.2 percent from 59.9 percent a year ago due to the opening of more new branches by public bank, specifically CBE.

* Computed based on the assumption that total population was 80 million

Similarly, total capital of the banking system witnessed a 23.3 percent annual increase and reached Birr 16 billion.

Private banks owned 45.3 percent of the total capital while public banks took the remaining balance.

With the opening of Berhan Insurance S. C., the total number of insurance companies operating in the country rose to 14, of which only one is a public owned. As three more branches were opened in the quarter, the total number of branches reached 221, of which 50.7 percent were located in Addis Ababa.

Like the banking industry, insurance companies outreach is very low as one branch serves about 361,991 people.

Meanwhile, there were 31 micro finance institutions (MFIs) in the country. Total deposit mobilized by MFIs reached Birr 3.8 billion, reflecting a 42.1 percent growth over last year. Similarly, their credit outstanding scaled up by 20.0 percent and reached Birr 7.0 billion. Their total asset increased 27.6 percent during the same period and stood at Birr 10.2 billion (Table 4.7).

The top five largest MFIs are Amhara, Dedebit, Oromia, Omo and Addis Credit and Savings Institutions. During the quarter they accounted for 86.9 percent of the total capital, 94.0 percent of the savings, 90.1 percent of the credit and 91.1 percent of the total assets of the industry.

Table 4.5: Capital and Branch Network of Banking System by the End of June, 2011

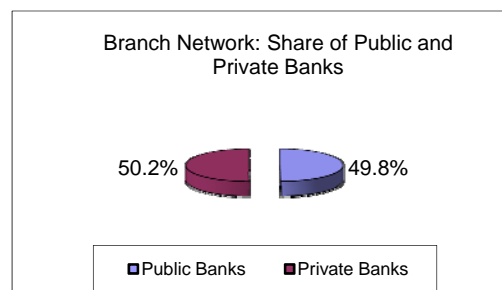
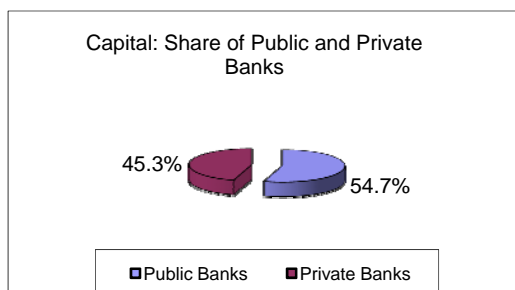
(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network												Capital			
	2009/10				2010/11								2009/10	2010/11		
	Quarter IV				Quarter III				Quarter IV				Quarter IV	Quarter III	Quarter IV	
	Reg	A.A	Total	% Share	Reg.	A.A	Total	% Share	Reg.	A.A	Total	% Share				
1. Public Banks																
Commercial Bank of Ethiopia	160	49	209	30.7	255	79	334	38.6	323	94	417	43.0	5,532	5,528.0	6,262.0	
Construction & Business Bank	17	15	32	4.7	17	15	32	3.7	17	17	34	3.5	229.0	251.0	277.0	
Development Bank of Ethiopia	31	1	32	4.7	31	1	32	3.7	31	1	32	3.3	1,969	2,018.0	2,179.0	
Total Public Banks	208	65	273	40.1	303	95	398	46.0	371	112	483	49.8	7730	7797	8718	
2. Private Banks																
Awash International Bank	31	31	62	9.1	35	33	68	7.9	36	34	70	7.2	721.0	962.0	1,104.0	
Dashen Bank	29	30	59	8.7	31	33	64	7.4	31	34	65	6.7	967.0	939.0	1,152.0	
Abyssinia Bank	22	25	47	6.9	25	32	57	6.6	25	32	57	5.9	482.0	483.0	532.0	
Wegagen Bank	27	23	50	7.3	28	23	51	5.9	29	24	53	5.5	828.0	1,008.0	1,093.0	
United Bank	15	27	42	6.2	17	31	48	5.5	18	32	50	5.2	506.0	627.0	748.0	
Nib International Bank	17	31	48	7.0	19	32	51	5.9	19	32	51	5.3	723.0	919.0	983.0	
Cooperative Bank of Oromiya	32	5	37	5.4	37	5	42	4.8	38	5	43	4.4	169.0	179.0	207.0	
Lion International Bank	11	11	22	3.2	13	11	24	2.8	17	13	30	3.1	201.0	291.0	318.0	
Oromia International Bank	21	6	27	4.0	25	8	33	3.8	25	11	36	3.7	208.0	246.0	265.0	
Zemen Bank	0	3	3	0.4	0	3	3	0.3	0	3	3	0.3	121.0	163.0	193.0	
Buna International Bank	0	3	3	0.4	2	9	11	1.3	2	9	11	1.1	169.0	184.0	220.0	
Berhan International Bank	3	5	8	1.2	3	7	10	1.2	3	7	10	1.0	108.0	122.0	138.0	
Abay Bank	0	0	0	0.0	1	5	6	0.7	7	1	8	0.8	0.0	148.0	161.0	
Addis Interational Bank	0	0	0	0.0	0	0	0	0.0	n/a	n/a		0.0	0.0	0.0	117.0	
Total Private Banks	208	200	408	59.9	236	232	468	54.0	250	237	487	50.2	5,203	6,271.0	7,231.0	
3. Grand Total Banks	416	265	681	100.0	539	327	866	100.0	621	349	970	100.0	12,933.0	14,068.0	15,949.0	

Source: Bank Supervision Directorate, NBE

Reg. stands for regions

Fig. IV.7: Share of Public and Private Banks (Branch Network and Capital)



Source: Bank Supervision Directorate, NBE

Table 4.6: Branch Network & Capital of Insurance Companies as of end June, 2011
(Branch in Number and Capital in Millions of Birr)

Insurance Companies	Branch									Capital		
	Quarter IV 2009/10			Quarter III 2010/11			Quarter IV 2010/11			Quarter IV	Quarter III	Quarter IV
	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	30	41	11	30	41	333.9	282.9	291.0
Awash Insurance Company	15	11	26	17	11	28	18	11	29	93.7	76.7	89.0
Africa Insurance Company	6	7	13	6	7	13	6	7	13	23.4	68.2	81.0
National Insurance Corporation of Ethiopia	8	8	16	8	8	16	8	8	16	105.2	20.7	27.9
United Insurance Company	15	7	22	15	8	23	15	8	23	20.4	66.5	88.0
Global Insurance Company	6	4	10	6	4	10	6	4	10	90.0	23.0	27.8
Nile Insurance Company	11	9	20	11	10	21	11	10	21	77.9	91.2	100.3
Nyala Insurance Company	8	8	16	8	8	16	8	8	16	102.7	80.5	96.3
Nib Insurance Company	12	8	20	14	8	22	14	8	22	77.0	76.9	87.4
Lion Insurance Company	6	5	11	6	5	11	6	5	11	13.2	10.1	17.3
Ethio-Life Insurance Company	-	-	-	0	0	0	0	0	0	4.4	4.0	4.9
Oromia Insurance Company	6	8	14	8	8	16	8	8	16	20.5	21.9	23.9
Abay Insurance Company S.C.	1	2	3	0	1	1	1	2	3	-	9.6	11.4
Berhan insurance S.C												9.4
TOTAL	105	105	210	110	108	218	112	109	221	962.4	832.3	955.7

Source: Insurance Supervision Directorate, NBE
Reg. stands for regions; AA denotes Addis Ababa

Table 4.7: Microfinance Institutions Performance as of June 2011

(In million Birr)

Particulars	2009/10	2010/11		% Change
	Qtr.IV	Qtr.III	Qtr.IV	

	<i>A</i>	<i>B</i>	<i>C</i>	<i>C/A</i>	<i>C/B</i>
<i>Total Capital</i>	2,375.23	2,767.19	2,945.97	24.0	6.5
<i>Saving</i>	2,658.96	3,371.30	3,779.09	42.1	12.1
<i>Credit</i>	5,824.49	6,199.16	6,991.97	20.0	12.8
<i>Total Assets</i>	7,958.19	9,407.32	10,156.39	27.6	8.0

Source: Microfinance Supervision Directorate, NBE

4.5. Activities of the Banking System

4.5.1. Resource Mobilization

Total resources mobilized by the banking system surged by about 77 percent over the same quarter of last year, higher in net

change in deposit, net borrowing and collection of loan (Table 4.8).

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

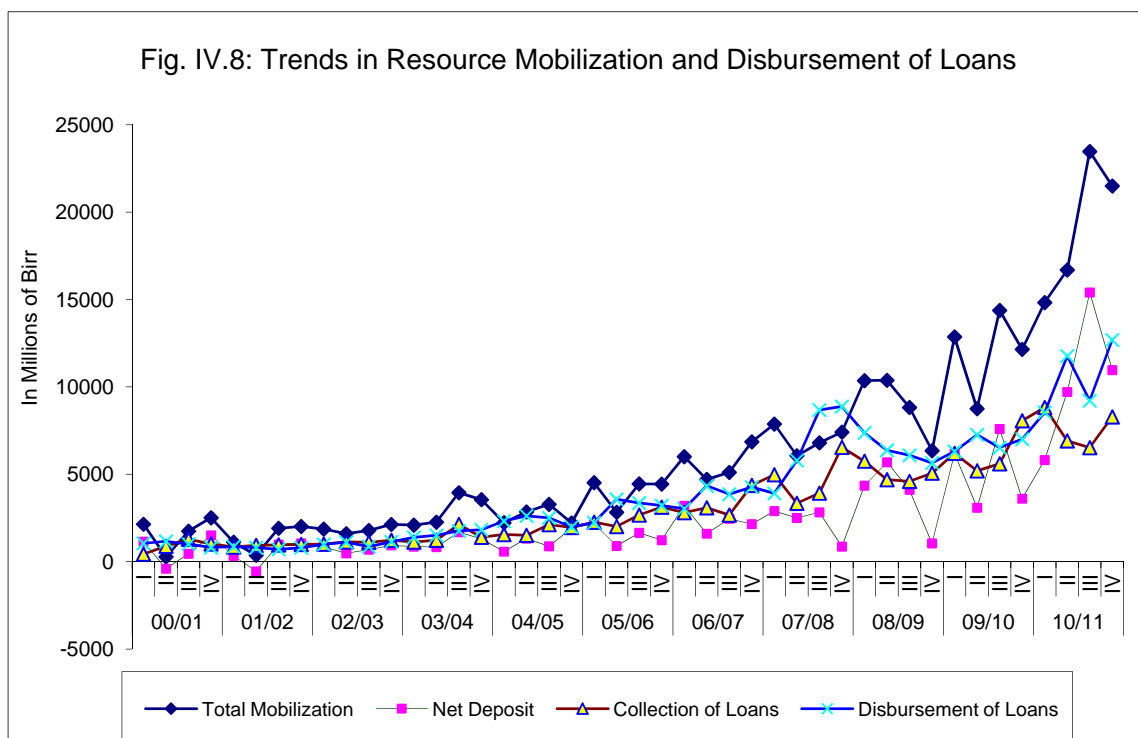
(In Millions of Birr)

Particulars	Public Banks	Private Banks	Grand Total	% Change
	1	2	(3) = (1) + (2)	

	Qtr.III 2010/11	Qtr.IV 2010/11	Qtr.III 2010/11	Qtr.IV 2010/11	Qtr.IV 2009/10	Qtr.III 2010/11	Qtr.IV 2010/11		
					A	B	C	C/A	C/B
1. Deposits (net change)	12,485.2	6,735.8	2,919.0	4,228.7	3,605.9	15,404.2	10,964.5	204.1	-28.8
-Demand	7,655.9	3,953.4	895.1	2,406.7	-470.0	8,551.0	6,360.1	1,453.2	-25.6
-Saving	4,271.8	2,597.0	1,989.8	1,783.5	3,681.4	6,261.6	4,380.5	19.0	-30.0
-Time	557.5	185.4	34.1	38.6	394.5	591.5	223.9	-43.2	-62.1
2. Borrowing (net change)	1,539.8	2,246.7	0.0	0.0	478.7	1,539.8	2,246.7	369.3	45.9
-Local	1,451.2	2,224.9	0.0	0.0	384.6	1,451.2	2,224.9	478.5	53.3
-Foreign	88.7	21.8	0.0	0.0	94.2	88.7	21.8	-76.9	-75.4
3. Collection of Loans	1,941.9	3,851.3	4,584.8	4,435.5	8,065.7	6,526.7	8,286.8	2.7	27.0
4. Total Resources Mobilized (1+2+3)	15,967.0	12,833.7	7,503.7	8,664.3	12,150.3	23,470.7	21,498.0	76.9	-8.4
5. Disbursement	6,026.0	8,252.3	3,188.6	4,435.4	7,001.5	9,214.6	12,687.7	81.2	37.7
6. Change in Liquidity (4-5)	9,941.0	4,581.5	4,315.1	4,228.8	5,148.8	14,256.1	8,810.3	71.1	-38.2
Memorandum Item:									
A. Outstanding Credit*	43,996.4	47,924.8	24,682.7	26,046.6	62,280.7	73,632.4	77,690.5	24.7	5.5
B. Outstanding Interbank Lending	183.2	12.3	0.6	0.6	260.9	183.9	12.9	-95.0	-93.0

Source: Commercial Banks and staff computation

Notes: *Includes government borrowing in the form of bonds and treasury bills from commercial banks and other sectors other than NBE



Source: NBE

4.5.1.1 Deposit Mobilization

Total deposits mobilized by the banking sector during the quarter under review reached Birr 140.5 billion, showing 42.5 percent growth over last year same period. This was partly attributed to the rise in the number of bank branches and improvements in economic activities.

Component wise, all types of deposit showed strong growth on annual basis. Saving

deposits, which constitute 45.9 of total deposits, rose by 34.3 percent, and demand deposit by 53.5 percent during same period.

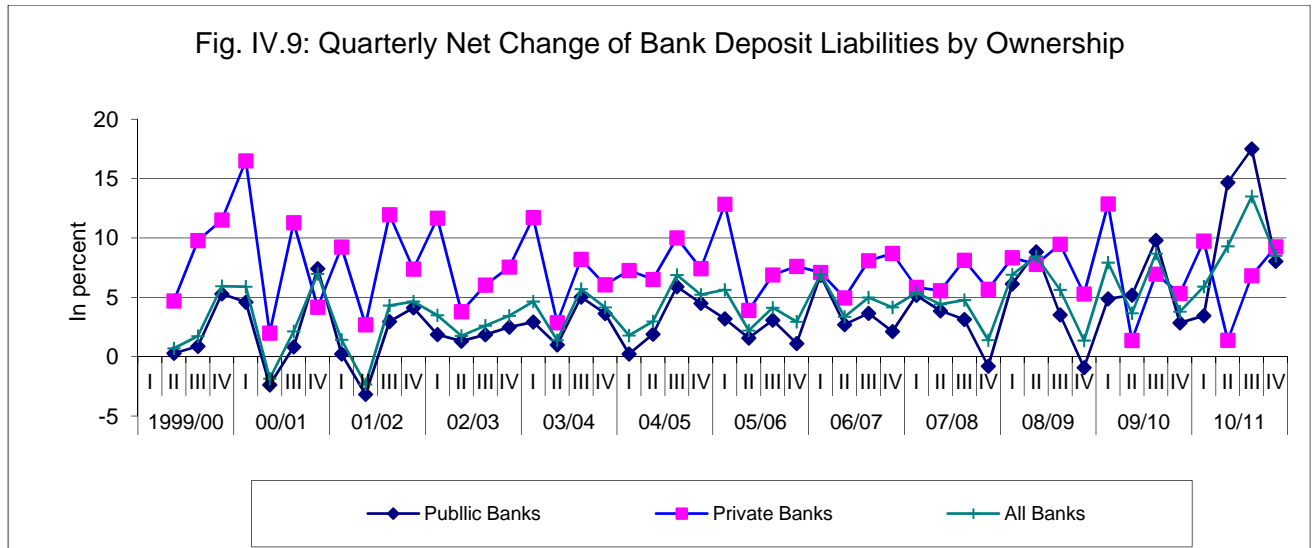
The share of private banks in deposit mobilization dropped to 35.5 percent from 39 percent a year ago while that of public banks rose to 64.5 percent presumably owing to aggressive branch expansion by CBE (Table 4.9).

Table 4.9: Stock of Deposits Mobilized by Banking System at the end of June, 2010

(In Millions of Birr)

Types of Deposits	2009/10		2010/11				% Change	
	Quarter IV A	% Share	Quarter III B	% Share	Quarter IV C	% Share	C/A	C/B
Demand Deposit	46,149.0	46.8	64,482.3	49.8	70,842.4	50.4	53.5	9.9
Saving Deposit	48,049.9	48.7	60,148.2	46.4	64,528.7	45.9	34.3	7.3
Time Deposit	4,434.4	4.5	4,936.7	3.8	5,160.6	3.7	16.4	4.5
Total	98,633.3	100.0	129,567.2	100.0	140,531.8	100.0	42.5	8.5
<i>Share of Public Banks</i>		<i>61.0</i>		<i>64.7</i>		<i>64.5</i>		
<i>Share of Private Banks</i>		<i>39.0</i>		<i>35.3</i>		<i>35.5</i>		

Source: Commercial Banks and DBE



Source: Commercial Banks and DBE

4.5.1.2 Collection of Loans

Collection of loan by the banking system reached Birr 8.3 billion, 2.7 percent higher than last year. Private banks collected Birr 4.4 billion or 53.5 percent of the total loan collection during the review period. About 96.4 percent of the total loan collection was from private enterprises including cooperatives. Loan repayment of cooperatives to private branches constitute

2 percent compared to 41 percent to public banks due to their low portfolio in the former case. (Table 4.12).

Looking at sectoral distribution, 43.8 percent of the loan was collected from trade sector (both international and domestic) followed by agriculture (25.4 percent) and industry (12.3 percent) (Table 4.11).

4.5.1.3 Borrowing

Outstanding borrowing of the banking system reached Birr 9.7 billion at the end of the fourth quarter, up by 71.6 percent vis-a-

vis last year. About 85.8 percent of the borrowing was from domestic sources.

Table 4.10: Outstanding Borrowing of Banking System by Sources at end June, 2011

(In Millions of Birr)

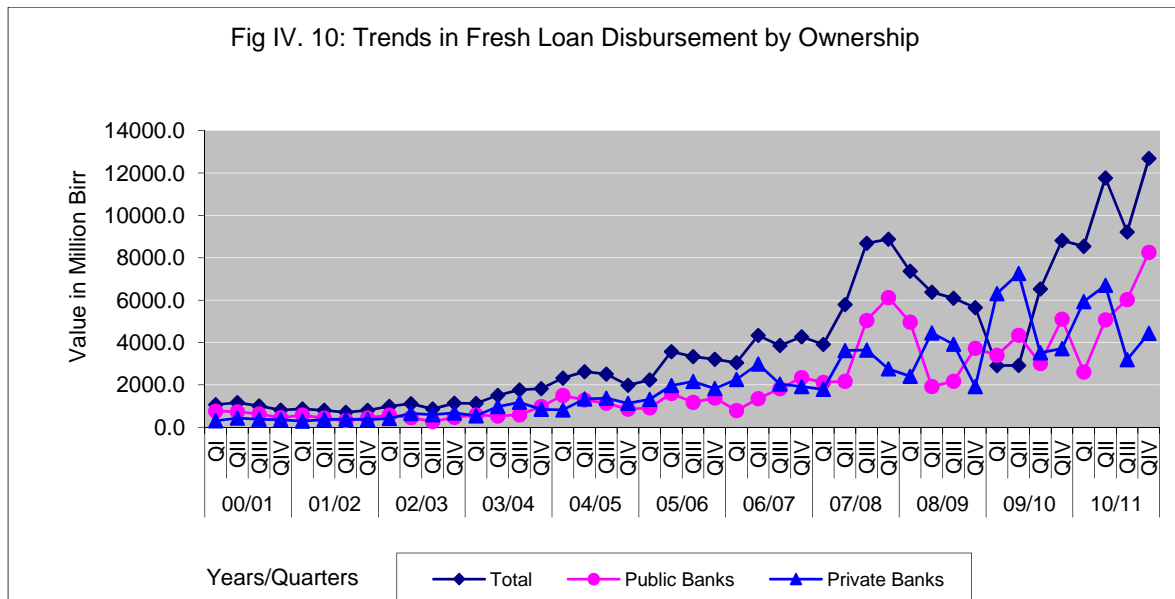
Banks	2009/10	2010/11		Percentage change	
	Quarter IV	Quarter III	Quarter IV		
	A	B	C	C/B	C/A
Domestic Borrowing	4,665.6	6,441.7	8,666.5	34.5	85.8
Foreign Borrowing	978.7	997.7	1,019.4	2.2	4.2
Total	5,644.2	7,439.3	9,686.0	30.2	71.6

Source: Commercial banks and DBE

4.5.2 Disbursement of Fresh Loans

New loans granted by the banking sector during the fourth quarter of 2010/11 reached Birr 12.7 billion showing 81.2 percent year-on-year surge. The share of private banks in new loan disbursement was Birr 4.4 billion or 35.0 percent while the balance was made by public banks (Table 4.7).

Sector wise about 42 percent of the total loans went to industry followed by international trade (23.7percent) and agriculture (13.4percent) (Table 4.11).



Source: Commercial banks and DBE

Table 4.11: Summary of Loans and Advances by Banks and Receiving Sectors during the Fourth Quarter of 2010/11

Borrowing Sector	Public Banks			Private Banks			Total		
	(1)			(2)			(3)		
	D**	C**	O/S**	D**	C**	O/S**	D**	C**	O/S**
Central Government *	0.0	0.0	2818.7	0.0	0.0	900.4	0.0	0.0	3719.1
Agriculture	1,685.3	2,010.6	10,100.3	17.2	94.9	475.0	1,702.4	2,105.5	10,575.3
Industry	4,717.9	538.3	16,753.8	549.6	479.9	3,896.8	5,267.5	1,018.2	20,650.5
Domestic Trade	26.0	219.2	684.1	1,273.9	1,522.4	6,577.0	1,299.9	1,741.6	7,261.1
International Trade	1,238.8	291.4	10,345.8	1,767.3	1,593.5	7,679.9	3,006.0	1,884.9	18,025.7
Export	64.2	157.0	3,645.0	1,030.9	964.9	3,577.8	1,095.1	1,121.9	7,222.8
Imports	1,174.6	134.4	6,700.9	736.4	628.5	4,101.9	1,910.9	762.9	10,802.8
Hotels and Tourism	13.9	26.6	474.3	155.8	48.5	961.2	169.7	75.0	1,435.5
Transport & Communication	20.9	152.9	1,830.2	168.2	223.9	1,728.4	189.1	376.8	3,558.6
Housing & Construction	381.7	385.2	5,033.9	439.2	377.8	3,989.2	820.9	763.0	9,023.1
Mines, Power & Water Res.	0.0	0.0	0.0	3.9	7.2	37.2	3.9	7.2	37.2
Others	157.2	176.3	2,587.8	17.1	57.8	488.7	174.3	234.1	3,076.6
Personal	10.7	25.7	102.3	43.2	29.8	212.7	53.9	55.5	315.0
Inter-Bank Lending	0.0	25.0	12.3	0.0	0.0	0.6	0.0	25.0	12.9
Total	8,252.3	3,851.3	50,743.5	4,435.4	4,435.5	26,947.0	12,687.7	8,286.8	77,690.5

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

Outstanding claims of the banking system on domestic economy (including central government but excluding corporate bond holding) stood at Birr 77.7 billion, up by 24.7 percent vis-à-vis last year same period (Table 4.8).

Of the total outstanding loan, Birr 60.3 billion or 77.6 percent was a claim on the private sector including cooperatives while public enterprises and central government accounted for the remainder. (Table 4.12).

Sector wise, 23.7 percent of the total outstanding loan was on international trade followed by industry (21.6 percent), agriculture (14.7 percent), housing & construction (11.9 percent) and domestic trade (10.5 percent) (Table 4.11).

The share of private banks in total outstanding loan stood at 34.7 percent compared to 36.8 percent.

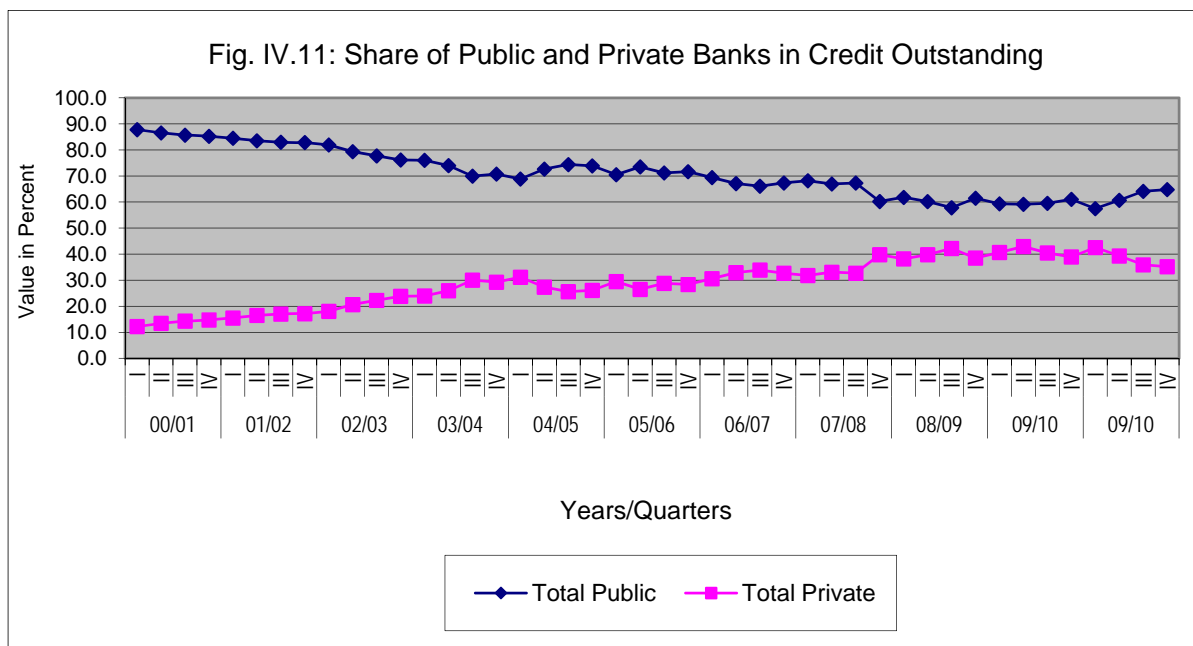
Table 4.12: Breakdown of Loans & Advances of Banking System by Clients, during Fourth Quarter of 2010/11

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	8,252.3	65.0	3,851.3	46.5	50,743.5	65.3
Central Government*	0.0	0.0	0.0	0.0	2,818.7	5.6
State Enterprises	3,786.5	45.9	273.1	7.1	13,654.7	26.9
Cooperatives	1,493.2	18.1	1,560.5	40.5	8,006.8	15.8
Private Enterprises	2,972.6	36.0	1,992.6	51.7	26,251.0	51.7
Inter-bank Lending	0.0	0.0	25.0	0.6	12.3	0.0
Private Banks	4,435.4	35.0	4,435.5	53.5	26,947.0	34.7
Central Government*	0.0	0.0	0.0	0.0	900.4	3.3
State Enterprises	4.5	0.1	2.0	0.0	33.2	0.1
Cooperatives	99.9	2.3	89.1	2.0	370.7	1.4
Private Enterprises	4,331.1	97.6	4,344.5	97.9	25,642.1	95.2
Inter-bank Lending	0.0	0.0	0.0	0.0	0.6	0.0
Grand Total	12,687.7	100.0	8,286.8	100.0	77,690.5	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: Commercial Banks and DBE

4.6 Financial Activities of NBE

NBE's outstanding net claims on the government increased by 20.3 percent against last year and reached Birr 55.3 billion.

At the end of the review quarter, NBE's liability stood at Birr 40.7 billion, up by

34.3 percent over last year owing to the growth in deposit of both central government (46.2 percent) and financial institutions (30.7 percent). Deposit of financial institutions constitute about 75 percent of NBE's liabilities and the rest being government deposits (Table 4.13)

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

(In Millions of Birr)

Particulars	2009/10	2010/11		% Change	
	Qtr.IV	Qtr.III	Qtr.IV	C/A	C/B
	A	B	C		
1.Loans and Advances	45,989.7	51,930.6	55,320.7	20.3	6.5
1.1. To Central Government	45,989.7	51,930.6	55,320.7	20.3	6.5
Direct Advance	36,434.1	42,504.0	46,265.0	27.0	8.8
Bonds	9,555.6	9,426.6	9,055.7	-5.2	-3.9
1.2. To Development Bank of Ethiopia	0.0	0.0	0.0	-	-
2.Deposit Liabilities	30,310.3	38,194.2	40,705.9	34.3	6.6
2.1. Government	7,036.6	11,276.7	10,290.9	46.2	-8.7
2.2. Financial Institutions	23,273.8	26,917.6	30,415.0	30.7	13.0
O/W:					
-Banks	23,226.5	26,861.8	30,356.7	30.7	13.0
-Insurance companies	47.3	55.8	58.3	23.2	4.4
3.Net Claims of NBE	15,679.4	13,736.3	14,614.8	-6.8	6.4

Source: NBE

4.7 Developments in Financial Markets

4.7.1 Treasury Bills Market

Despite a 28.4 percent surge in the supply

of T-bills and 17.9 percent improvement in

the average weighted yield on annual basis, the demand for T-bills declined by 14.6 percent and accounted for 58.4 percent of the total supply. As a result, the total T-bills sold went down by 5.4 percent on annual basis although, there was a 33.5 percent growth against the preceding quarter (Table 4.14).

Of the total T-bills sold, the share of commercial banks went down to 17.5 percent from 33 and 53.7 percent in the

preceding quarter and last year same period, respectively. While that of non-bank institutions tended to rise.

The stock of T-bills at the end of the quarter reached Birr 10.8 billion reflecting 6.7 percent decline against last year exclusively due to significant reduction of bank holdings accordingly. Non-bank institutions held 91.7 percent of the total outstanding bills by end June 2011.

Table 4.14: Results of Treasury Bills Auction

Particulars	2009/10	2010/11		% Change	
	Qtr.IV	Qtr.III	Qtr.IV		
	A	B	C	C/A	C/B
Number of Bidders	82	48	49	-40.24	2.08
Public	53	34	42	-20.75	23.53
Private	29	14	7	-75.86	-50.00
Number of Bids Accepted	97	67	147	51.55	119.40
Public	59	41	46	-22.03	12.20
Private	38	26	101	165.79	288.46
Amount Demanded (Mn.Birr)	17,446.20	11,281.36	14,905.62	-14.56	32.13
28-day bill	10,150.00	5,120.00	8,680.00	-14.48	69.53
91-day bill	7,079.36	4,941.36	6,028.36	-14.85	22.00
182-day bill	216.84	1,220.00	197.26	-9.03	-83.83
Amount Supplied (Mn.Birr)	19,869.30	20,231.36	25,508.24	28.38	26.08
28-day bill	8,130.00	9,470.00	13,475.90	65.76	42.30
91-day bill	8,621.30	8,941.36	10,217.04	18.51	14.27
182-day bill	3,118.00	1,820.00	1,815.30	-41.78	-0.26
Amount Sold (Mn.Birr)	14,936.20	10,581.36	14,130.62	-5.39	33.54
Banks	8,020.00	3490.000	2475.000	-	-29.08
Non-Banks	6,916.20	7091.360	11655.620	68.53	64.36

Average Weighted Price for Successful Bids(Birr)	99.778	99.748	99.748	-0.030	0.000
28-day bill	99.926	99.860	99.908	-0.02	0.05
91-day bill	99.746	99.708	99.668	-0.08	-0.04
182-day bill	99.661	99.674	99.667	0.01	-0.01
Average Weighted Yield for Successful Bids(%)	0.887	1.199	1.067	17.908	-7.808
28-day bill	0.959	1.708	1.195	24.57	-30.04
91-day bill	1.021	1.142	1.336	30.80	16.95
182-day bill	0.682	0.748	0.671	-1.65	-10.33
Outstanding bills at the end of Period (Mn.Br.)	11,566.20	9,033.25	10,796.62	-6.65	19.52
Banks	4,400.00	2170.840	900.000	-79.55	-58.54
Non-Banks	7,166.20	6862.410	9896.620	38.10	44.21

Source: NBE

Fig IV.13: Developments in T-Bills Market

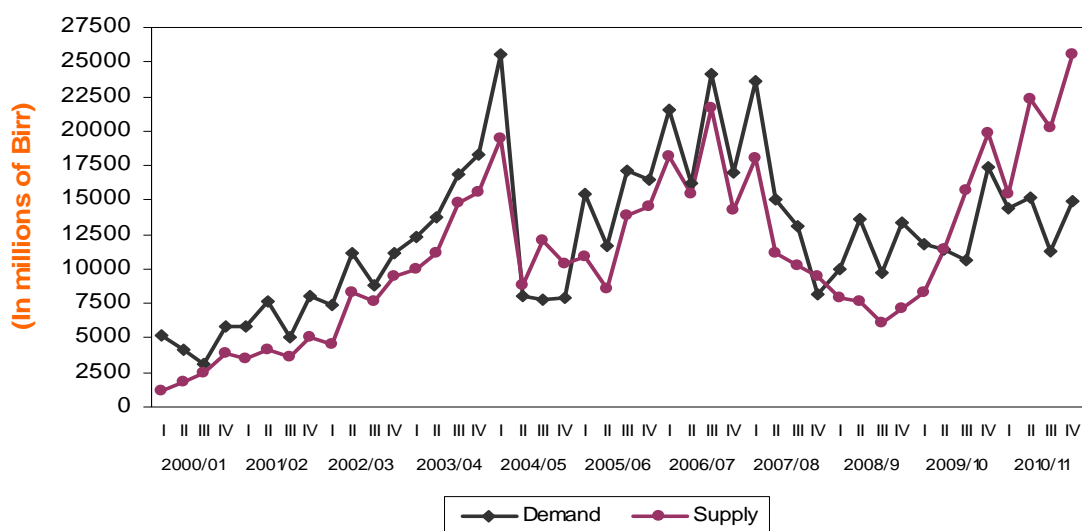
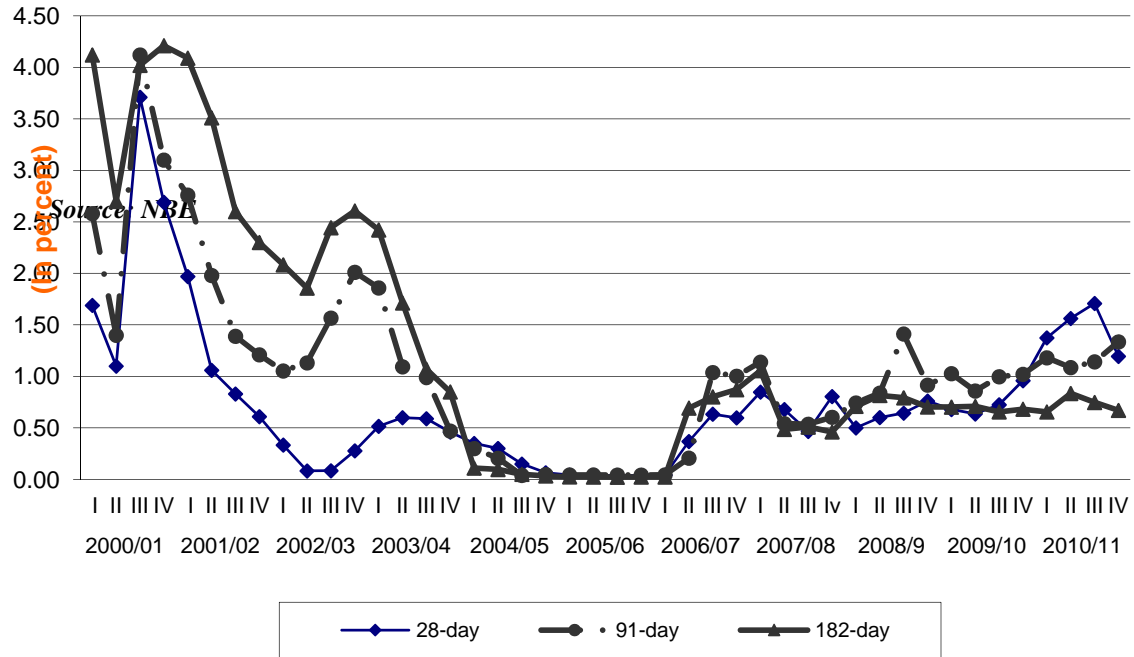


Fig IV.14: Developments in Average Weighted Yields of T-bills with Different Maturities



4.7.2 Inter- Bank Money Market

No inter-bank money market transaction was conducted during the fourth quarter of 2010/11.

4.7.3 Corporate Bond Market

Corporate bond market is not well developed in Ethiopia. The major players are few public institutions and regional governments. The main purchaser of corporate bonds is the Commercial Bank of Ethiopia (CBE).

During the quarter under review, CBE purchased corporate bonds worth Birr 3.9 billion, of which about 72 percent was issued by public enterprises and the rest by regional governments

At the end of June 2011, the stock of corporate bonds held by the CBE stood at Birr 40.3 billion, of which 81.8 percent was claims on public enterprises (mainly EEPCO) while the remaining balance, was a claim on regional states (Table 4.15).

Table 4.15. Corporate bonds by holders**(In millions birr)**

Issuer of the Bond	2009/10			2010/11					
	QIV			QIII			QIV		
	NP	Red	O/S	NP	Red	O/S	NP	Red	O/S
1.Public Enterprises	2,600.0	0.0	20,694.6	9,100.0	126.1	32,918.5	2,800.0	31,400.0	32,918.5
EEPCO	2,100.0	0.0	16,600.0	7500.0	0.0	2600.0	0.0	29600.0	27000.0
ETC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DBE	500.0	0.0	4,094.6	1600.0	126.1	200.0	4318.6	1800.0	5918.5
2. Regional Governments	196.0	224.1	7,032.7	613.0	120.8	8,223.9	1,091.0	451.5	8,858.3
Oromia	15.0	16.6	1,632.2	120.0	0.0	1865.8	164.0	25.6	2004.2
Amhara	28.0	85.4	1,219.4	0.0	69.8	1260.4	169.0	31.4	1393.1
Tigray	9.0	26.6	696.6	0.0	2.2	704.2	85.0	15.0	774.0
SNNPRS	24.0	0.0	863.9	83.0	8.4	1018.0	23.0	52.2	988.8
Dire Dawa	20.0	14.0	172.3	0.0	0.7	189.9	40.0	16.2	213.7
Harari	0.0	1.0	132.8	10.0	2.2	155.2	10.0	16.2	148.9
Addia Ababa	100.0	80.5	2,315.5	400.0	37.5	3030.5	600.0	294.9	3335.6
3.Grand Total(1+2)	2,796.0	224.1	27,727.3	9,713.0	246.9	41,142.5	3,891.0	4,770.1	40,258.3

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