

V. External Sector Developments

5.1 Overall Balance of Payments

In the first quarter of 2011/12, the overall balance of payments registered USD 187.8 millions deficit in contrast to USD 257.7 million surplus in the same period last year.

The deficit in the overall balance of was attributed to higher private transfers (43 percent), public transfers (24 percent),

long term net official loan disbursements (33.6 percent), and FDI (16.2 percent).

Meanwhile, the deficit in merchandise trade widened by 24.5 percent year-on-year in the review period import bill outstripped export growth.

Table 5.1 Balance of Payments

(in millions of USD)

Ethiopian Fiscal Year Particulars	2010/11		2011/12	Percentage Change	
	QI	QIV	QI		
	A	B	C	C/B	C/A
Trade Balance	-1229.3	-1286.1	-1530.3	19.0	24.5
Exports	563.4	870.6	753.0	-13.5	33.7
Imports	1,792.7	2,156.7	2,283.3	5.9	27.4
Net Services	241.7	95.4	121.8	27.7	-49.6
Travel	126.0	138.1	136.1	-1.4	8.0
Transportation	113.4	66.5	109.8	65.1	-3.2
Government (n.i.e.)	64.1	77.9	60.1	-22.8	-6.2
Investment income	-7.7	-23.4	-16.1	-31.3	108.6
Interest	0.7	-15.8	-9.1		
Cash (net)	0.7	-15.5	-8.7		
Arrears	0.0	0.0	0.0		
Relief	0.0	-0.3	-0.4		
Dividend	-8.4	-7.6	-7.0	-7.9	-16.7
Other Services	-54.1	-163.7	-168.1	2.7	210.7
Private Transfers	550.2	844.8	786.4	-6.9	42.9
<i>Current Account Balance(excl. public transfers)</i>	<i>-437.4</i>	<i>-345.9</i>	<i>-622.1</i>	79.9	42.2
Public Transfers	462.6	499.6	573.6	14.8	24.0
<i>Current Account Balance(incl. public transfers)</i>	<i>25.2</i>	<i>153.7</i>	<i>-48.5</i>		
Non-monetary Capital	387.7	670.7	521.6	-22.2	34.5
Long-term (net)	205.8	394.5	274.9	-30.3	33.6
Disbursements	226.8	452.7	296.7	-34.5	30.8
Repayments	21.0	58.2	21.8	-62.5	3.8
Cash	18.7	57.5	19.7	-65.7	5.3
Arrears	0.0	0.0	0.0	-	-
Relief	2.3	0.7	2.1		
Direct Investment (net)	205.0	359.0	238.2	-33.6	16.2
Short-term (net)	-23.1	-82.8	8.4		
Net Errors & Omissions	-155.1	-114.6	-660.9		
Overall Balance	257.7	709.8	-187.8	-126.5	-172.9
Financing	-257.7	-709.8	187.8		
Reserves (-:increase)	-255.4	-708.8	190.2		
NBE net foreign asset	-229.0	-306.7	-198.1		
CBs net foreign asset	-26.5	-402.1	388.4		
Debt Relief	-2.3	-1.0	-2.5		
Principal	2.3	0.7	2.1		
Interest	0.0	0.3	0.4		

Source: Staff compilation.

Owing to the rises in export proceeds, service receipts, private and official transfers, the total current foreign exchange receipts in the review quarter depicted a 31.2 percent growth over the same period last year and reached USD 2.87 billion.

merchandise imports and service payments.

Accordingly, the current account balance stood at USD 48.5 million net outflows against USD 25.2 million net inflows (Table 5.2).

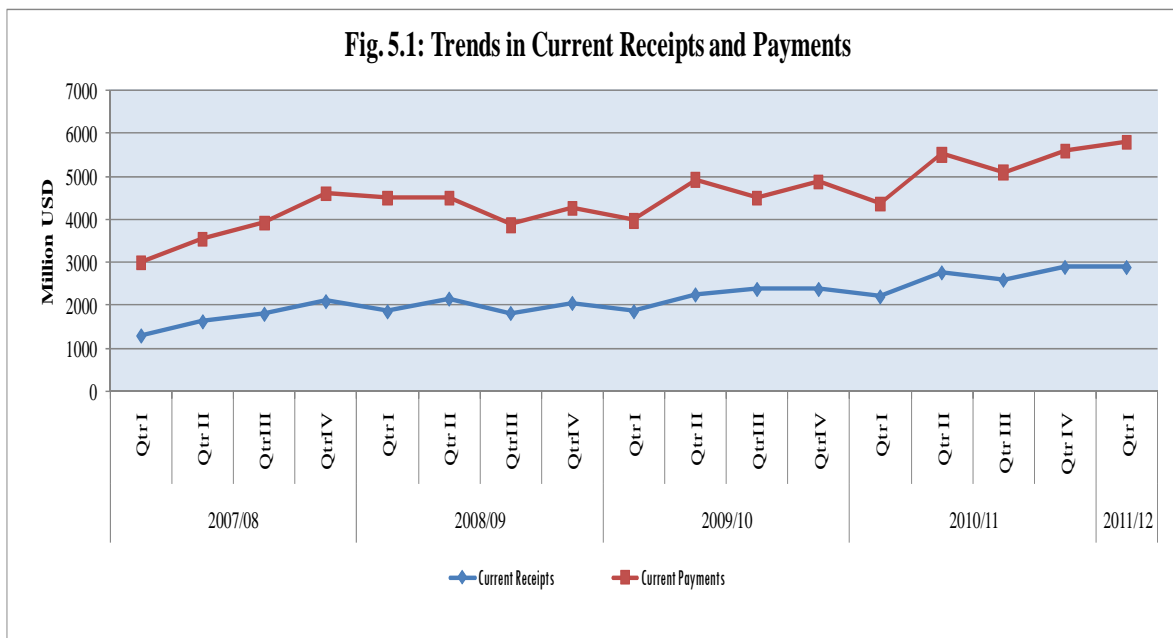
On the other hand, the total current foreign exchange payments grew by 35 percent to reach USD 2.92 billion on account of both increases in

Table 5.2 Current Receipts and Payments

(in million of USD)

Particulars	2010/11		2011/12	Percentage Change	
	Qtr I	Qtr IV	Qtr I	D=C/B	E=C/A
	A	B	C		
1. Current Receipts	2189.5	2876.4	2872.2	-0.1	31.2
Export Proceeds	563.4	870.6	753	-13.5	33.7
Service Proceeds	613.3	661.4	759.2	14.8	23.8
Private Transfers(net)	550.2	844.8	786.4	-6.9	42.9
Public Transfer(net)	462.6	499.6	573.6	14.8	24.0
2. Current Payments	2164.3	2722.7	2920.7	7.3	34.9
Import Payments	1792.7	2156.7	2283.3	5.9	27.4
Service Payments	371.6	566.0	637.4	12.6	71.5
3. Net(1-2)	25.2	153.7	-48.5		

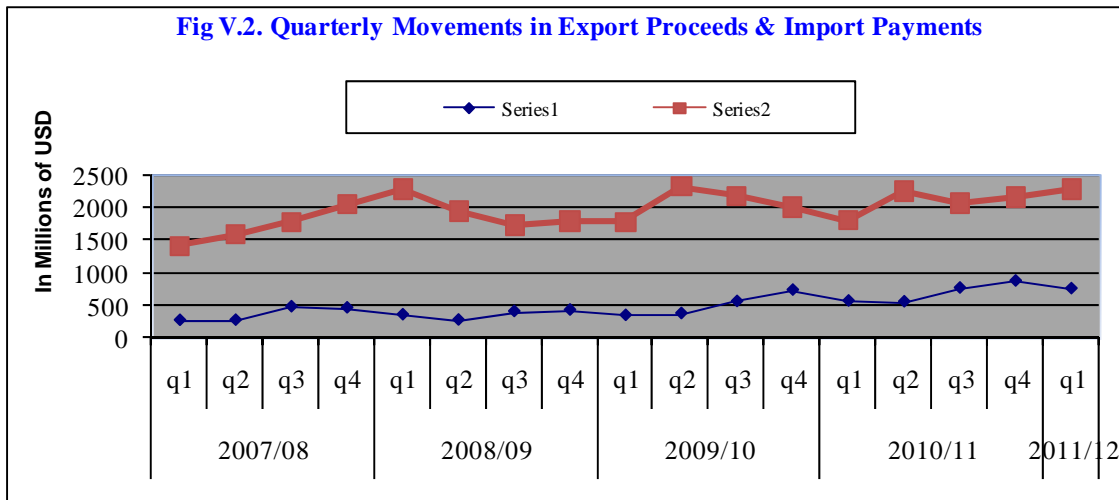
Source: Staff Compilation



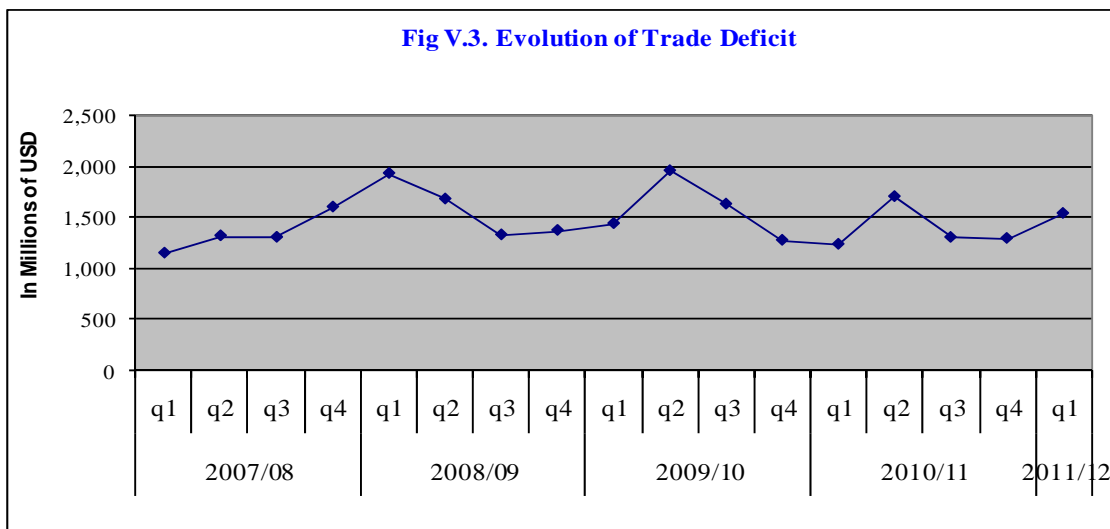
5.2 Merchandise Trade

Merchandise trade deficit widened by 24.5 percent year-on-year in the first quarter of 2011/12 and stood at USD 1530.3 million, as the growth in total import outweighed the increase in total exports. With respect to the preceding

quarter, the trade balance in the review period widened by 19 percent due to the growth in import resulting mainly from consumer goods import that overshadowed the rise in exports.



Source: Ethiopian Revenue and Customs Authority



Source: NBE Staff Compilation

5.2.1 Exports

Total merchandise export proceeds during the first quarter of 2011/12 surged by 33.7 percent vis-à-vis the same period in last year and amounted to

USD 753 million. The growth in export was attributed to higher earnings from export of gold, live animals, oil seeds, coffee, leather & leather products, meat

& meat products, flower, chat and fruit & vegetables. This was due to the rise in the international commodity prices and higher volume of exports of most products.

Nevertheless, export earnings depicted a 13.5 percent decline relative to the preceding quarter owing to the fall in earnings from exports of coffee (32.8 percent), gold (21.4 percent), oilseeds (14.1 percent), flower (13.3 percent), leather & leather products (9.5 percent), and pulses (7.2 percent).

Earning from export of coffee during the first quarter of 2011/12 increased by 9.3 percent over the same period last year

and amounted to USD 202 million wholly on account of a 67.4 percent rise in international prices that offset the 34.7 percent decline in volume of export. Coffee export proceeds constituted 26.8 percent of the total export revenue compared to 32.8 percent last year same.

Meanwhile, export of gold earned USD 135.2 million, which was 88.5 percent higher relative to the same period last year as a result of a 46.3 percent surge in international prices and 28.8 percent expansion in export volume. As a result, the share of gold export proceeds rose to 18 percent from 12.7 percent.

Table 5.3 Values of Major Export Items

(In millions of USD)

Commodities	2010/11				2011/12		Percentage change	
	QI		QIV		QI		C/B	C/A
	A	% Share	B	% share	C	% share		
<i>Coffee</i>	184.8	32.8	300.3	34.5	201.9	26.8	-32.8	9.3
<i>Oil Seeds</i>	64.8	11.5	97.8	11.2	83.9	11.1	-14.1	29.5
<i>Leather and Leather prod.</i>	18.7	3.3	34.2	3.9	30.9	4.1	-9.5	65.3
<i>Pulses</i>	28.7	5.1	31.8	3.7	29.5	3.9	-7.2	3.0
<i>Meat & Meat Prod.</i>	13.1	2.3	18.1	2.1	23.6	3.1	30.4	79.7
<i>Fruits & Veg</i>	5.9	1.1	8.7	1.0	10.7	1.4	23.3	81.1
<i>Flower</i>	35.3	6.3	50.7	5.8	44.0	5.8	-13.3	24.3
<i>Gold</i>	71.7	12.7	172.1	19.8	135.2	18.0	-21.4	88.5
<i>Live Animals</i>	35.3	6.3	41.0	4.7	69.0	9.2	68.5	95.4
<i>Chat</i>	64.1	11.4	57.1	6.6	69.0	9.2	20.7	7.5
<i>Others</i>	40.5	7.2	58.4	6.7	54.8	7.3	-6.1	35.3
Grand total	563.4	100.0	870.6	100.0	753.0	100.0	-13.5	33.7

Source: Ethiopian Revenue and Customs Authority

Likewise, export revenue from live animals increased significantly by 95.4 percent over the same period last year to USD 69 million. This was mainly attributed to 89.7 percent growth in volume of exports and a slight rise in international price. Relative to the preceding quarter, the export revenue from live animals showed a 68.5 percent growth driven by 65.3 percent increase in volume of exports and marginal (2 percent) rise in international price. Consequently, its share in the total exports improved to 9.2 percent from 6.3 percent last year same period.

Export earnings from oilseeds also recorded a 29.5 percent annual growth and stood at USD 84 million noticeably due to higher volume of exports and a slightly better international price.

In the same period, export of leather & leather products fetched USD 31 million, showing 65.3 percent annual surge as a result of 34.3 percent increase in international prices and volume of exports. Revenue from leather & leather exports accounted for 4.1 percent of the total export revenue.

Revenue derived from meat & meat products amounted to USD 23.6 million, recording a 79.7 percent year-on-year growth as a result of improved volume of exports and international prices. It accounted for 3.1 percent of the total export revenues.

On account of increased volume of export, revenue from the sale of flowers increased by 24.3 percent over the same period last year to USD 44 million. Its share in the total export revenue, however, declined to 5.8 percent from 6.3 percent.

Export of chat rose marginally by 7.5 percent over the same period last year to reach USD 69 million as a result of small increment in both volume of export and international price. Export proceeds from chat accounted for 9.2 percent, down from 11.4 percent a year ago.

Earnings from fruits and vegetables increased by 81.1 percent year-on-year wholly an account of higher export volume.

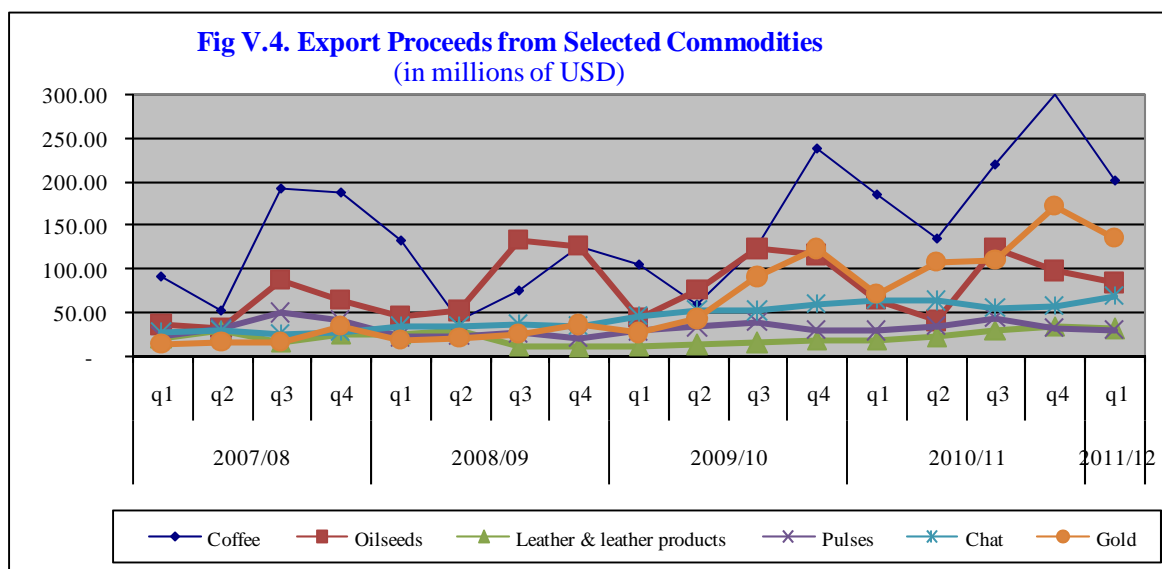
Despite 24.5 percent rise in international prices, export proceeds from pulses went up by 3 percent compared to last year and reached USD 29.5 million as the volume of export fell by 17.3 percent.

Table 5.4 Volume of Major Export Items

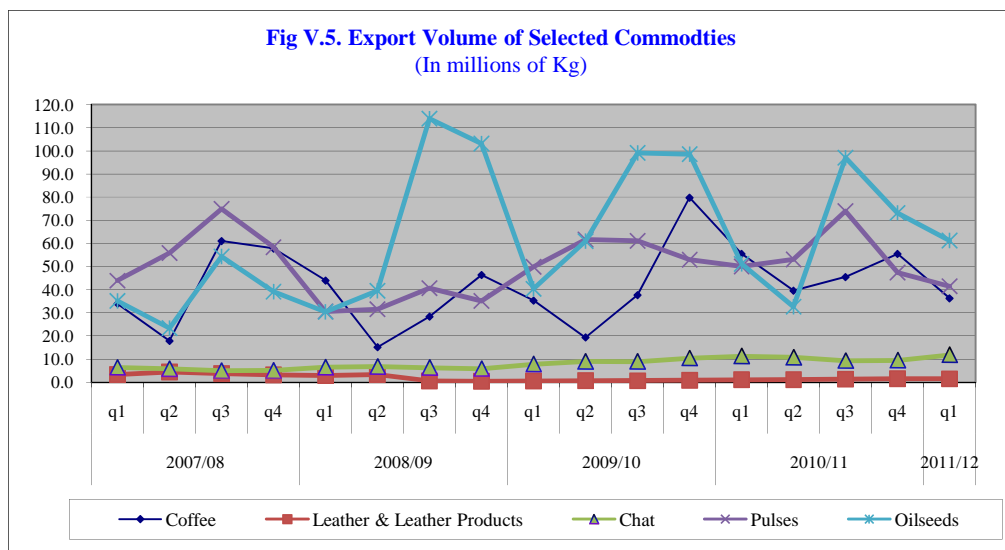
(In millions of kg.)

Particulars	2010/11		2011/12	Percentage Change	
	QI	QIV	QI	C/B*	C/A*
	A	B	C		
Coffee	55.53	55.48	36.3	-34.65	-34.70
Oilseeds	51.2	73.2	61.3	-16.3	19.6
Leather and Leather products	1.1	1.6	1.5	-8.6	34.3
Pulses	50.1	47.4	41.5	-12.5	-17.3
Meat & Meat Products	3.63	4.45	5.50	23.7	51.7
Fruits & Vegetables	19.7	27.0	35.6	32.1	81.1
Live Animals	26.7	30.7	50.7	65.3	89.7
Chat	11.3	9.5	11.8	24.1	4.3
Gold	0.0020	0.0037	0.0026	-29.4	28.8
Flower	8.7	12.1	10.7	-11.6	22.8

Source: Ethiopian Revenue and Customs Authority



Source: Ethiopian Revenue and Customs Authority



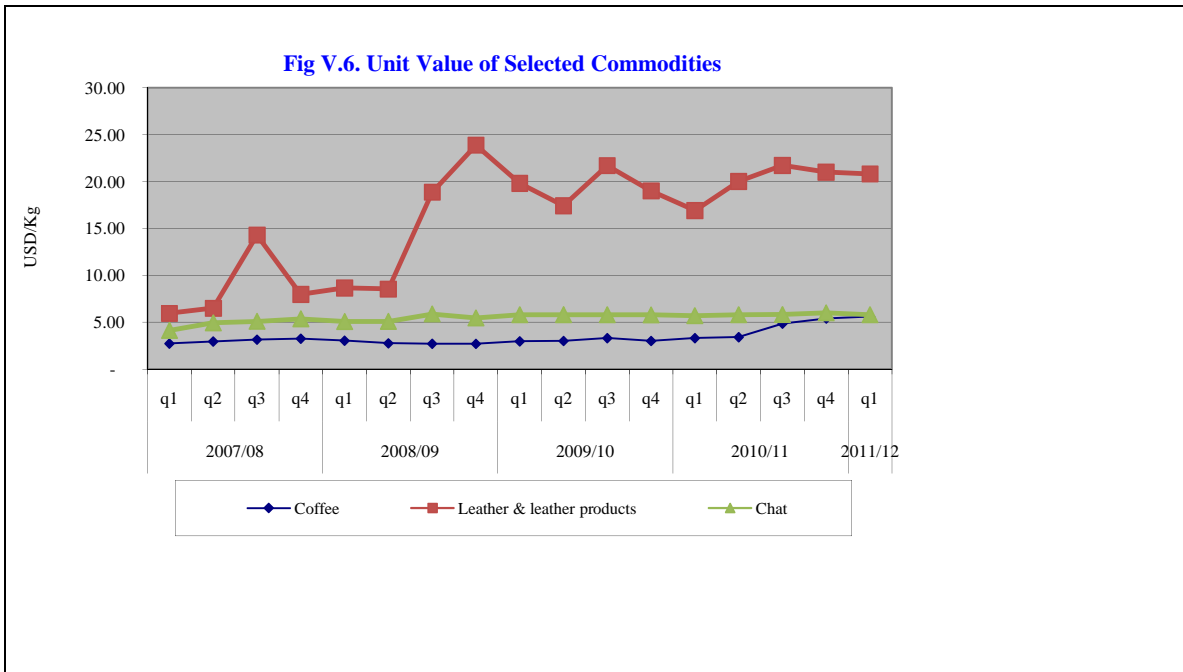
Source: Ethiopian Revenue and Customs Authority

Table 5.5 Unit value of Major Export Items

(In USD/kg)

Particulars	2010/11		2011/12	Percentage Change	
	QI	QIV	QI		
	A	B	C	C/B*	C/A*
Coffee	3.3	5.4	5.6	2.9	67.4
Oilseeds	1.26	1.33	1.4	2.6	8.3
Leather and Leather prod.	16.9	21.0	20.8	-0.9	23.1
Pulses	0.6	0.67	0.71	6.1	24.5
Meat & Meat Prod.	3.6	4.1	4.3	5.4	18.5
Fruits & Vegetables	0.3008	0.32	0.3006	-6.7	0.05
Live Animals	1.32	1.33	1.4	1.9	3.0
Chat	5.7	6	5.8	-2.7	3.1
Gold	35.6	46.9	52.1	11.3	46.3
Flower	4.07	4.2	4.12	-1.9	1.3

Source: NBE Staff Computation



Source: NBE Staff Computation

5.2.2 Imports

During the first quarter of 2011/12 total merchandise import went up by 27.4 percent on annual basis to USD 2.3 billion. Increased imports of fuel (57.4 percent) semi-finished goods (43 percent), raw materials (40 percent and

consumer goods (50.5 percent) contributed to this effect.

Table 5.6 Values of Major Import Items

(In millions of USD)

Commodities	2010/11				2011/12		Percentage Changes	
	Qtr I		Qtr IV		Qtr I		C/B	C/A
	A	% share	B	% share	C	% share		
Raw Materials	33.7	1.9	52.8	2.4	47.2	2.1	-10.5	40.0
Semi-finished Goods	209.4	11.7	338.6	15.7	299.5	13.1	-11.5	43.0
Fertilizers	17.9	1.0	92.1	4.3	4.0	0.2	-95.7	-77.8
Fuel	282.2	15.7	490.8	22.8	444.3	19.5	-9.5	57.4
Petroleum Products	280.6	15.7	488.6	22.7	433.6	19.0	-11.3	54.5
Others	1.6	0.1	2.2	0.1	10.7	0.5	387.9	562.7
Capital Goods	653.4	36.4	630.0	29.2	569.1	24.9	-9.7	-12.9
Transport	159.4	8.9	161.3	7.5	166.9	7.3	3.5	4.7
Agricultural	19.8	1.1	14.3	0.7	28.1	1.2	96.5	41.8
Industrial	474.2	26.4	454.4	21.1	374.1	16.4	-17.7	-21.1
Consumer Goods	587.8	32.8	609.9	28.3	884.5	38.7	45.0	50.5
Durables	216.6	12.1	227.1	10.5	260.1	11.4	14.5	20.0
Non-durables	371.1	20.7	382.8	17.8	624.5	27.3	63.1	68.3
Miscellaneous	26.2	1.5	34.6	1.6	38.6	1.7	11.4	47.1
Total Imports	1,792.7	100.0	2,156.7	100.0	2,283.3	100.0	5.9	27.4

Source: Ethiopian Revenue and Customs Authority

Import bills for consumer goods during the review period grew by 50.5 percent over the same quarter last year to reach USD 884.5 million owing to the rise in imports of non-durable goods (68.3 percent) and durable goods (20 percent).

The share of consumer goods in total imports rose to 38.7 percent from 32.8 percent last year.

Meanwhile, fuel import bill surged by 57.4 percent to reach USD 444.3 million mainly due to higher international price presumably in fear of the political

instability in Middle East and North Africa. The share of fuel in the total import bill increased to 19.5 percent from 15.7 percent a year ago.

Likewise, despite 77.8 percent slow down in fertilizer import, imports of semi-finished goods increased by 43 percent on annual basis and reached USD 299.5 million constituting 13.1 percent of the total imports during the review period compared to 11.7 percent last year.

Imports of raw materials expanded by 40 percent over the same period last year

and stood at USD 47.2 million. Thus, raw materials import constituted 2.1 percent of the total import, compared to 1.9 percent last year same period.

In contrast, import of capital goods at USD 569 million showed a 12.9 percent decline vis-à-vis the same period last year as a result of a 25.1 percent decline in imports of industrial goods. As a result, the share of capital goods in total

imports fell to 24.9 percent from 36.4 percent a year earlier.

During the period under review, franco-valuta imports amounted to USD 3.7 million showing a 45.8 percent decline with respect to the same period last year, due to slow down in imports of electronic goods and medicine and medical equipments.

Table 5.7: Values of Franco-valuta Imports

(In millions of USD)

Particulars	2010/11		2011/12	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/B*	C/A*
	A	B	C		
Vehicles	0.0000	0.0024	0.0005	-77.9	0.0
Vehicle Spare Parts	0.0035	0.0118	0.0097	-18.3	178.8
Other Spare Parts	0.0210	0.0900	0.0410	-54.4	95.2
Textile & Ready Made	0.0003	0.0009	0.0015	65.8	472.5
Household Goods	0.0012	0.0029	0.0033	11.9	175.3
Medicine & Medical Equip.	0.0435	0.0240	0.0164	-31.7	-62.3
Food Stuffs	0.0056	0.0029	0.0002	-93.0	-96.4
Electronic Goods	0.0163	0.0581	0.0064	-88.9	-60.6
Machinery Equip. & Spare Parts	0.0000	0.0330	0.0361	9.4	0.00
Others	6.8	3.2	3.63	14.5	-46.8
Total	6.9	3.4	3.7	10.3	-45.8

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

5.2.3 Direction of Trade

5.2.3.1 Exports

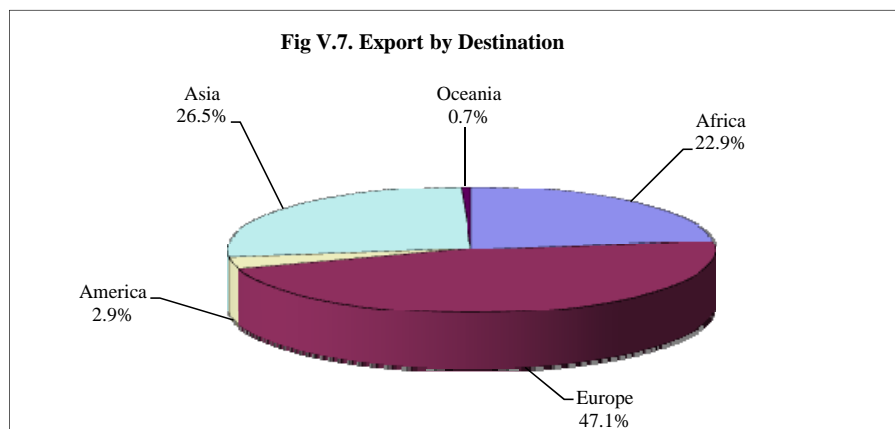
The largest market for Ethiopia's exports during the first quarter of 2011/12 was Europe, accounting for about 47.1 percent of the total exports. Out of the total export to Europe, 28.9 percent went to Switzerland (largely gold) followed by Germany 22.5 percent (mainly coffee and textile & garments). Export to the Netherlands constituted 21.2 percent of (particularly flower and gold) while export to the United Kingdom made up 6 percent (coffee, leather & leather products and chat).

About 27 percent of the total exports during the review quarter went to Asian markets, mainly China (32.3 percent), Saudi Arabia (24.9 percent), United Arab Emirates (9 percent), Japan (6 percent), and Israel (5.6 percent). These markets altogether had 77.8 percent share in the total export to Asian markets. The main export products shipped to China were oilseeds, leather

& leather products and natural gum. (coffee, meat & meat products and live animals were exported to Saudi Arabia. Meat & meat products and pulses were sold to United Arab Emirates. Japan, mainly imported coffee and oilseeds while Israel imported coffee.

About 23 percent of Ethiopia's exports went in Africa markets mainly Somalia (42.6 percent), Sudan (32.3 percent), Djibouti (11 percent) and Egypt (8.6 percent). Somalia and Sudan alone accounted for about 75 percent of the total exports to Africa. The major export items to Somalia were chat, vegetables and live animals while live animals, coffee, pulses, spices and oilseeds were shipped to Sudan. Chat, live animals and vegetables were mainly exported to Djibouti. Live animals constituted the bulk of exports to Egypt.

The share of Ethiopian exports to America markets was 2.9 percent of which 80 percent, mainly coffee went to the USA and Canada.



Source: Ethiopian Revenue and Customs Authority

5.2.3.2 Imports

During the first quarter of 2011/12, about 67.7 percent of the total imports to Ethiopia originated from Asian countries, among which China supplied 25 percent, Saudi Arabia 15.3 percent, Kuwait 11.4 percent, India 11 percent, Malaysia 6.6 percent, and Japan 6.4 percent. Machinery & aircraft, electrical materials, road and motor vehicles, metal & metal manufacturing, clothing, textiles, and rubber products were the major imports from China. Petroleum products were the primary imports from Saudi Arabia. Petroleum products were the principal imports from Kuwait. Metal & metal manufacturing,

machinery & aircraft, medical & pharmaceutical products and electrical materials were imported from India. Imports from Malaysia mainly included rubber products and soap & polish. Japan accounted for 6.4 percent of Ethiopian imports mainly road & motor vehicles, machinery & aircraft, chemicals and electrical materials.

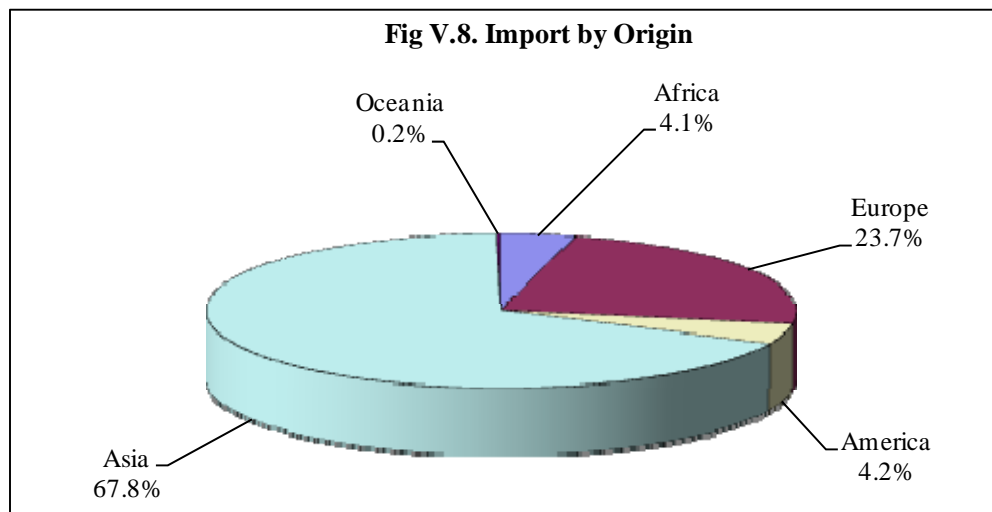
Imports from European countries constituted 23.7 percent coming mainly from Russia (21.1 percent), Italy (15.3 percent), Turkey (13.1 percent), Belgium (7.9 percent), Germany (6.4 percent), France (6.4 percent) and United Kingdom (6.2 percent). Grain was the primary import from Russia, machinery

& aircraft, grain, road & motor vehicles, metal & metal manufacturing, electrical materials from Italy. Similarly, metal & metal manufacturing were imported from Turkey, medical & pharmaceutical products, food and live animals, machinery & air craft from Belgium, machinery & aircraft, road & motor vehicles, metal & metal manufacturing from Germany, electrical material and machinery & aircraft from France, and machinery & aircraft, medical & pharmaceutical products, and machinery & aircraft from United Kingdom.

percent followed by Sudan (30.3 percent), Egypt (18.2 percent) and Kenya (9.5 percent). Road & motor vehicles were mainly imported from South Africa, petroleum products were mainly imported from Sudan, metal & metal manufacturing and petroleum products from Egypt, and metal & metal manufacturing from Kenya.

Imports from America made up 4.2 percent of which 74.4 percent was from the USA mainly grain, machinery, aircraft and road and motor vehicles.

Imports from Africa accounted for about 4.1 percent of the total quarterly imports with South Africa constituting 37.3



Source: Ethiopian Revenue and Customs Authority

5.3 Services and Transfers

Net service account recorded USD 121.8 million net receipts during the first quarter of 2011/12, showed a 49.6 percent decline compared to the same period last year. The 71.5 percent increase in total payments more than offset the 23.8 percent rise in total receipts.

payments went up owing to higher payments for transport, travel and other services.

Total service receipts grew mainly on account of higher receipts from transport and travel services while, total service

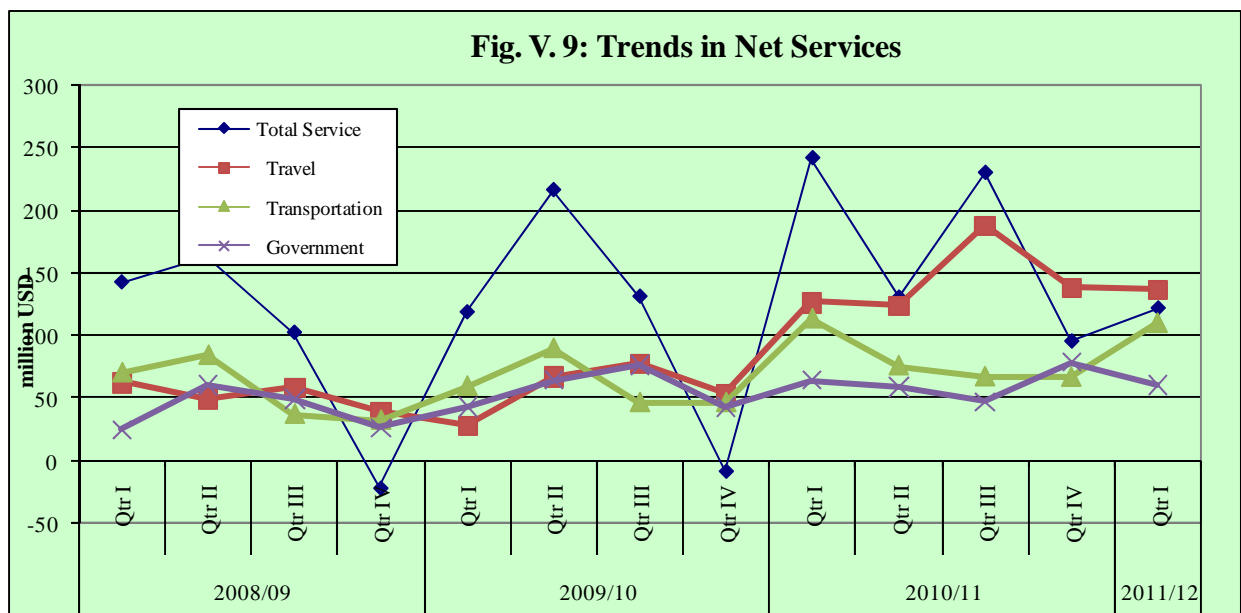


Table 5.8: Trends in Service Accounts

(In Millions of USD)

Particulars	2010/11				2011/12		Percentage Change	
	Qtr I A	% Share	Qtr IV B	% Share	Qtr I C	% Share	C/B	C/A
Receipts	613.3	100.0	661.4	100.0	759.2	100.0	14.8	23.8
Travel	162.6	26.5	173.8	26.3	179.9	23.7	3.5	10.6
Transportation	304.9	49.7	355.6	53.8	452.3	59.6	27.2	48.4
Government (n.i.e)	69.1	11.3	79.9	12.1	61.3	8.1	-23.3	-11.3
Investment Income	3.9	0.6	2.8	0.4	2.5	0.3	-8.3	-35.8
Interest	3.9	0.6	2.8	0.4	2.5	0.3	-8.3	-35.8
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other Services	72.8	11.9	49.4	7.5	63.1	8.3	27.7	-13.3
Communication Services	26.7	4.4	25.0	3.8	32.9	4.3	31.5	23.1
Construction Services	2.6	0.4	5.8	0.9	12.9	1.7	124.9	401.4
Insurance Services	1.5	0.2	1.1	0.2	0.6	0.1	-47.8	-62.0
Financial Services	0.1	0.0	0.1	0.0	0.0	0.0	-69.2	-81.1
Computer and Information Service	0.3	0.0	0.0	0.0	0.0	0.0		
Other Business Services	41.5	6.8	17.5	2.6	16.7	2.2	-4.4	-59.7
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Payments	371.6	100.0	566.0	100.0	637.4	100.0	12.6	71.5
Travel	36.6	9.9	35.7	6.3	43.8	6.9	22.7	19.5
Transportation	191.5	51.5	289.0	51.1	342.5	53.7	18.5	78.9
Government (n.i.e)	5.0	1.3	2.0	0.3	1.2	0.2	-39.8	-76.0
Investment Income	11.6	3.1	26.1	4.6	18.7	2.9	-28.6	61.0
Interest	3.2	0.9	18.5	3.3	11.7	1.8	-36.9	269.2
Cash (Banks & MOF)	3.2	0.9	18.2	3.2	11.3	1.8	-38.0	257.8
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Relief	0.0	0.0	0.3	0.0	0.4	0.1	-	-
Dividend	8.4	2.3	7.6	1.4	7.0	1.1	-8.5	-17.1
Other Services	126.9	34.2	213.2	37.7	231.2	36.3	8.5	82.2
Communication Services	4.5	1.2	12.3	2.2	30.1	4.7	144.0	565.1
Construction Services	60.7	16.3	118.3	20.9	85.6	13.4	-27.7	41.0
Insurance Services	4.4	1.2	3.6	0.6	3.7	0.6	3.3	-15.9
Financial Services	0.7	0.2	0.1	0.0	0.0	0.0	-17.0	-92.6
Computer and Information Service	1.5	0.4	0.9	0.2	1.0	0.2	6.1	-32.3
Other Business Services	55.1	14.8	77.9	13.8	110.8	17.4	42.1	101.0
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Net Services	241.7		95.4		121.8		27.7	-49.6

Source: Staffs Computation

Total net transfer receipts during the review period stood at USD 1.37 billion about by 34.3 percent higher relative to the same period last year largely, due to the surge in total private transfers.

Net private transfers (both individual remittances and NGOs transfers) grew by 43 percent over the same period last year to USD 786.4 million on account of 37.6 increase in individual remittances and 37.3 percent NGOs transfers.

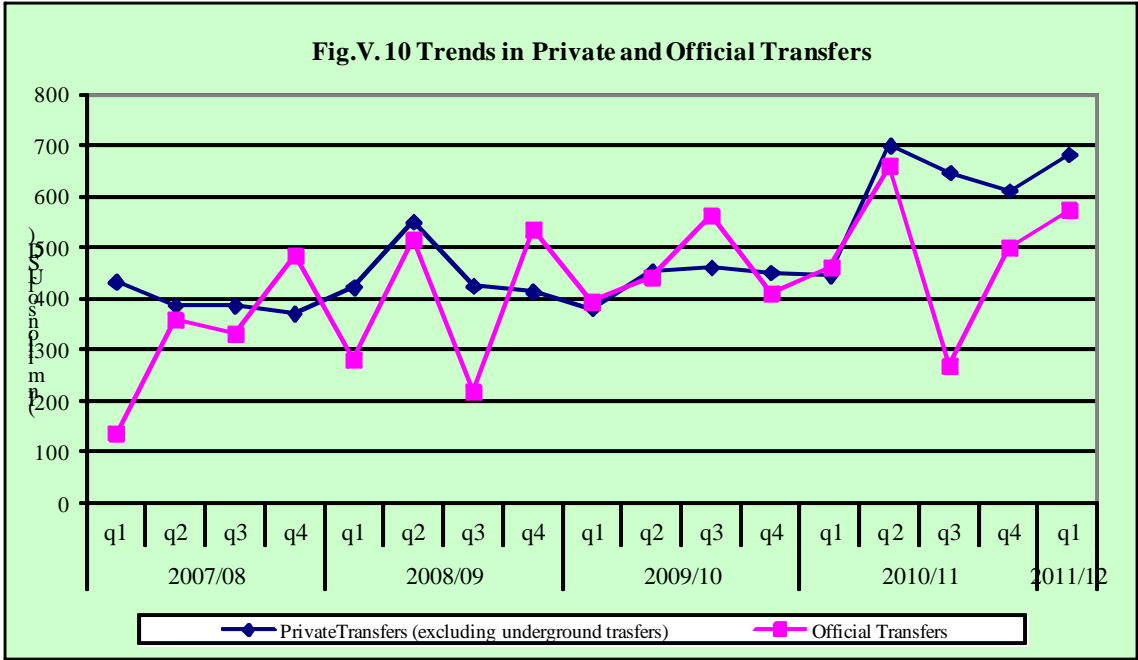
Meanwhile, net official transfers in the review period went up by 24 percent vis-a-vis last year and stood at USD 573.6 million. This was mainly driven by higher food aid.

Table 5.9: Developments in Transfer Accounts

(In Millions of USD)

Particulars	2010/11				2011/12		Percentage Change	
	A	% share	B	% share	C	% share	Change	
	Q I		Q IV		Q I		C/B	C/A
Private Transfers	550.2	54.3	844.8	62.8	786.4	57.8	-6.9	42.9
Credit	577.5	54.2	848.0	62.9	793.9	58.0	-6.4	37.5
NGO's	235.9	22.1	227.1	16.8	323.8	23.6	42.6	37.3
Cash	233.0	21.9	221.7	16.4	301.9	22.0	36.2	29.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	2.9	0.3	5.4	0.4	22.0	1.6		
Private individuals	341.5	32.0	620.9	46.0	470.1	34.3	-24.3	37.6
Cash	230.0	21.6	365.9	27.1	350.8	25.6	-4.1	52.5
In kind	6.9	0.6	22.7	1.7	15.3	1.1	-32.7	121.1
Under ground Private Transfers	104.6	9.8	232.3	17.2	104.0	7.6	-55.2	-0.6
Debit	-27.3	51.2	-3.2	71.2	-7.5	77.3	136.3	-72.4
Official Transfers	462.6	45.7	499.6	37.2	573.6	42.2	14.8	24.0
Credit	488.6	45.8	500.8	37.1	575.8	42.0	15.0	17.8
Cash	486.6	45.6	484.6	35.9	456.0	33.3	-5.9	-6.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	2.0	0.2	16.2	1.2	119.8	8.7	-	-
Debit	-26.0	48.8	-1.3	28.8	-2.2	22.7	71.4	-91.5
Total Receipts	1,066.1	105.3	1,348.8	100.3	1,369.7	100.7	1.5	28.5
Total Payments	-53.3	-5.3	-4.5	-0.3	-9.7	-0.7	117.6	-81.7
Net Transfers	1,012.8	100.0	1,344.4	100.0	1,360.0	100.0	1.2	34.3

Source: Staff Computation



5.4 Current Account

The current account including official transfers registered USD 48.5 million deficit against USD 25.2 million surplus last year. This was attributed to widening trade deficit and slow down in net services receipts.

5.5 Capital account

During the first quarter of 2011/12, capital account registered a 34.7 percent growth in comparison to the same period of last year and reached USD 521.6 million. This was due to increased long term net loan disbursement and estimated inflows of foreign direct investment.

5.6 Changes in Reserve Position

As a result of the widening trade deficit, decline in private transfers, long term loan disbursements, and FDI; the overall balance of payments registered USD 187.8 million deficit during the first quarter of 2011/12. Accordingly, net foreign assets of the banking system

dropped by USD 190.2. NBE's net foreign assets registered USD 198.1 million build-up while that of commercial banks dropped by USD 388.4 million.

5.7 Developments in the Foreign Exchange Market

5.7.1 Exchange Rate Movements

During the first quarter of 2011/12, the average exchange rate of the Birr in the inter-bank foreign exchange market stood at Birr 17.0011/USD, showing annual depreciation of 16.8 percent.

The Birr also weakened in the parallel market as it depreciated by 16.1 percent vis-à-vis last year and reached at Birr 17.39/USD during the review period. Hence, the average spread between the official and parallel market exchange rates narrowed to 2.3 percent compared to 3 percent the same period last year, mainly due to a relatively faster rate of depreciation of the official exchange rate (Table 5.10).

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

Period		Rates in Birr per USD				Amount Traded in millions of USD		Number of Trades		Parallel Market		Premium
		End Period Rates			Average Weighted Rate	Total	o/w Among CBs	Total	o/w Among CBs	End Period	Average	
		Weighted Rate	Highest	Lowest								
2010/11												
Qtr. I	C	16.3888	16.3888	13.5822	14.5535	3.2	0.0	64.0	0.0	16.7300	14.9833	2.95
July		13.5822	13.5822	13.5822	13.5593	1.1	0.0	22	0.0	14.1200	14.1700	4.50
August		13.6284	13.6306	13.6284	13.7312	1.10	0.0	22	0.0	14.1600	14.1500	3.05
September		16.3888	16.3888	16.3887	16.3701	1.00	0.0	20	0.0	16.7300	16.6300	1.59
Qtr. IV	B	16.9081	16.9081	16.7801	16.8169	80.8	25.1	95.0	11.0	17.1400	17.0700	1.51
April		16.7801	16.7803	16.7801	16.7548	52.30	24.27	42	9.0	16.9300	16.9300	1.05
May		16.8426	16.8426	16.8426	16.8158	26.95	0.80	31	2.0	17.0000	16.9500	0.80
June		16.9081	16.9081	16.9080	16.8801	1.50	0.00	22	0.0	17.1400	17.3300	2.67
2011/12												
Qtr. I	A	17.0812	17.0815	16.9667	17.0011	80.3	28.6	75.0	10.0	17.6800	17.3900	2.29
July		16.9672	16.9677	16.9667	16.9421	41.05	0.00	22	0.0	17.2500	17.2900	2.05
August		17.0290	17.0293	17.0286	17.0010	9.00	8.00	23	1.0	17.4250	17.3400	1.99
September		17.0812	17.0815	17.0809	17.0602	30.20	20.55	30	9.0	17.6800	17.5400	2.81
Percentage changes	A/B	1.0	1.0	1.1	1.1	-0.6	-	-21.1	-	3.2	1.9	52.0
	A/C	4.2	4.2	24.9	16.8	2407.8	-	17.2	-	5.7	16.1	-22.5

Source: NBE, Foreign Exchange Monitoring & Reserve Management Directorate

Concerning the retail foreign exchange market, the average buying rate of foreign bureaux during the review period was Birr 16.9991/USD while their selling rate was Birr 17.3307/USD,

showing 17.1 and 18 percent, annual depreciation. (Table 5.15).

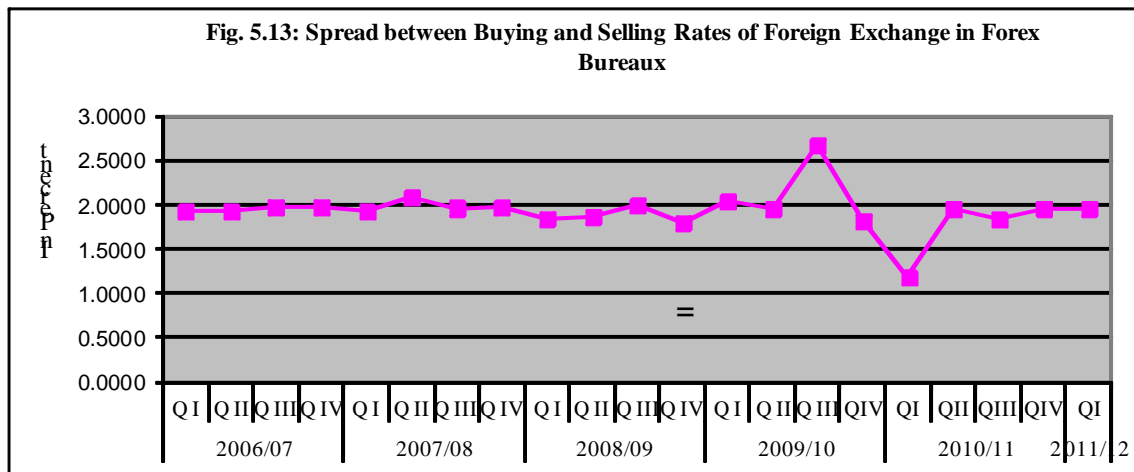
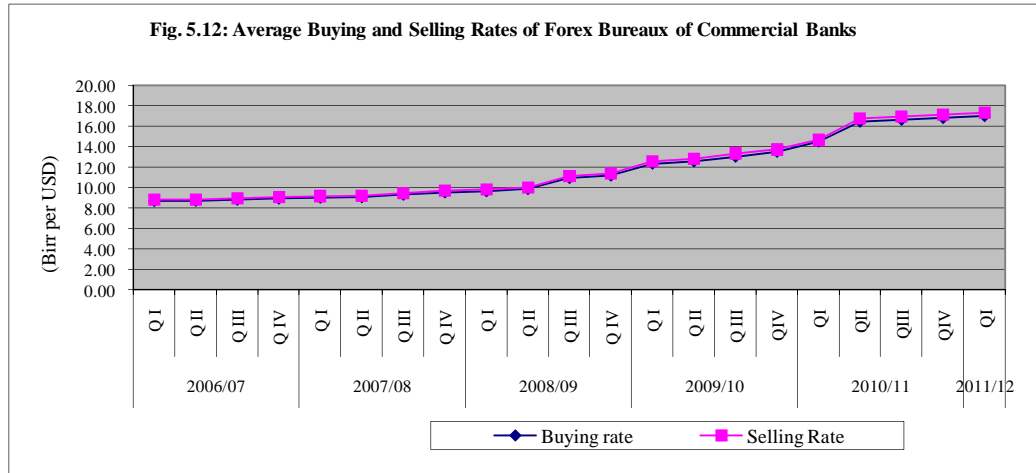
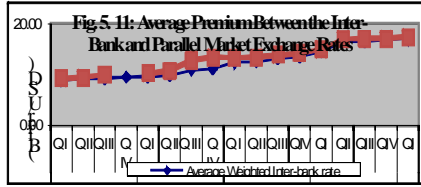
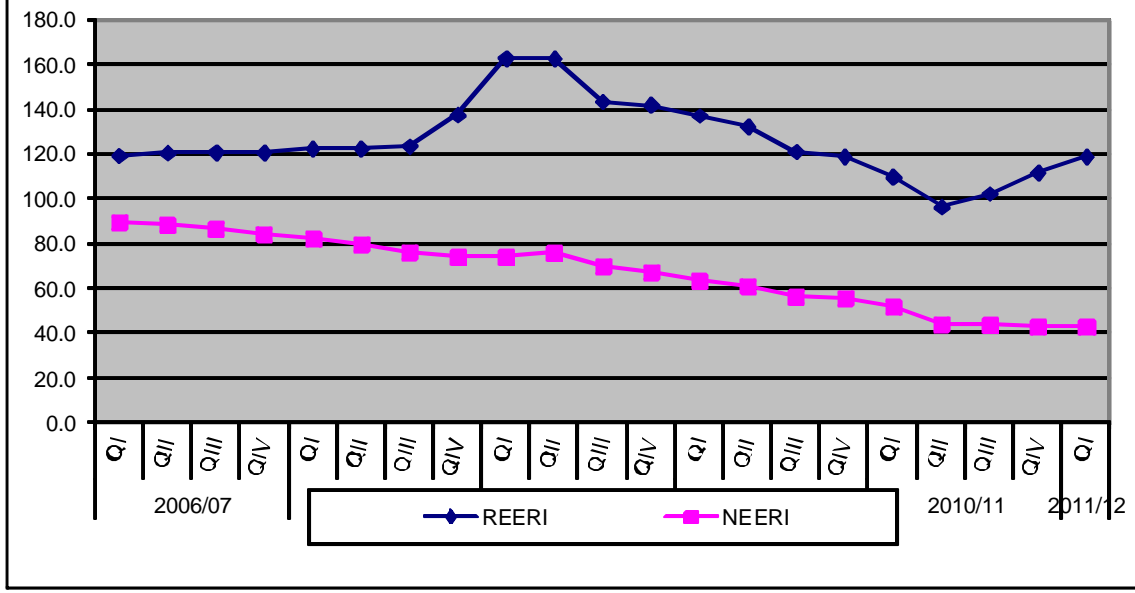


Fig.5.14: Movement in Real and Nominal Effective Exchange Rate



During the review quarter, the US dollar on the average depreciated against all major international currencies ranging from 4.2 to 25.7 percent year-on-year basis. On quarterly basis however, the US dollar depreciated against Swiss Frank (6.1 percent) and Japanese Yen (5 percent), while it appreciated vis-à-vis Euro (1.6 percent) and Pound Sterling (Table 5.11).

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

Period		EURO			JAPANESE YEN			SDR			POUND STERLING			SWISS FRANK		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
2010/11																
Qtr. I	C	1.2898	1.2953	1.2926	0.0117	0.0117	0.0117	1.5141	1.5164	1.5153	1.5490	1.5413	1.5452	0.9684	0.9698	0.9691
July		1.2729	1.2832	1.2781	0.0114	0.0114	0.0114	1.5000	1.5000	1.5000	1.5259	1.5259	1.5259	0.9469	0.9470	0.9469
August		1.2911	1.2976	1.2943	0.0117	0.0118	0.0117	1.5190	1.5258	1.5224	1.5662	1.5718	1.5690	0.9608	0.9652	0.9630
September		1.3053	1.3053	1.3053	0.0118	0.0118	0.0118	1.5234	1.5235	1.5235	1.5549	1.5261	1.5405	0.9974	0.9974	0.9974
Qtr. IV	B	1.4384	1.4389	1.4386	0.0122	0.0122	0.0122	1.5965	1.5970	1.5967	1.6305	1.6311	1.6308	1.1471	1.1474	1.1472
April		1.4403	1.4417	1.4410	0.0120	0.0120	0.0120	1.5937	1.5953	1.5945	1.6326	1.6342	1.6334	1.1101	1.1111	1.1106
May		1.4361	1.4361	1.4361	0.0123	0.0123	0.0123	1.5973	1.5973	1.5973	1.6347	1.6347	1.6347	1.1425	1.1425	1.1425
June		1.4388	1.4388	1.4388	0.0124	0.0124	0.0124	1.5984	1.5984	1.5984	1.6243	1.6243	1.6243	1.1886	1.1886	1.1886
2011/12																
Qtr. I	A	1.4153	1.4153	1.4153	0.0129	0.0129	0.0129	1.5933	1.5933	1.5933	1.6107	1.6098	1.6102	1.2176	1.2176	1.2176
July		1.4281	1.4281	1.4281	0.0126	0.0126	0.0126	1.5948	1.5948	1.5948	1.6111	1.6111	1.6111	1.2106	1.2106	1.2106
August		1.4340	1.4340	1.4340	0.0130	0.0130	0.0130	1.6042	1.6042	1.6042	1.6372	1.6346	1.6359	1.2847	1.2847	1.2847
September		1.3837	1.3837	1.3837	0.0130	0.0130	0.0130	1.5809	1.5809	1.5809	1.5838	1.5838	1.5838	1.1576	1.1576	1.1576
Percentage change	A/B	-1.61	-1.64	-1.62	5.06	5.02	5.04	-0.20	-0.23	-0.22	-1.22	-1.30	-1.26	6.15	6.12	6.14
	A/C	9.73	9.26	9.49	10.34	10.18	10.26	5.23	5.07	5.15	3.98	4.44	4.21	25.74	25.55	25.65

Source: Staff Compilation

In the same way, the Birr showed year – on-year depreciation against all major currencies. The annual depreciation was highest vis-à-vis Swiss Frank (47 percent) and Japanese Yen (29.1 percent), followed by Euro (28.3 percent) and Pound Sterling (22.2

percent). The Birr also weakened against these currencies on quarter-to-quarter basis except against Euro and Pound Sterling in which it slightly appreciated by 0.6 and 0.2 percent, respectively (Table 5.12).

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

Period		USD			EURO			JAPANESE YEN			SDR			POUND STERLING			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
2010/11																			
Qtr. I	C	14.5110	14.6370	14.5740	18.7306	18.9674	18.8490	0.1693	0.1710	0.1701	21.9804	22.2010	22.0907	22.4838	22.5431	22.5134	14.0795	14.2205	14.1500
July		13.5571	13.6927	13.6249	17.2575	17.5705	17.4140	0.1547	0.1562	0.1554	20.3356	20.5390	20.4373	20.6876	20.8945	20.7911	12.8377	12.9665	12.9021
August		13.6053	13.6836	13.6444	17.5651	17.7490	17.6571	0.1592	0.1608	0.1600	20.6664	20.8730	20.7697	21.3085	21.5011	21.4048	13.0727	13.2034	13.1380
September		16.3706	16.5348	16.4527	21.3691	21.5828	21.4759	0.1940	0.1959	0.1949	24.9391	25.1911	25.0651	25.4553	25.2336	25.3444	16.3282	16.4915	16.4099
Qtr. IV	B	16.8167	16.9793	16.8980	24.1921	24.4340	24.3131	0.2058	0.2079	0.2069	26.8505	27.1186	26.9846	27.4216	27.6959	27.5587	19.2920	19.4850	19.3885
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	18.6994
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	19.3052
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	20.1609
2011/12																			
Qtr. I	A	16.9988	17.1688	17.0838	24.0568	24.2974	24.1771	0.2186	0.2208	0.2197	27.0839	27.3548	27.2194	27.3793	27.6379	27.5086	20.6973	20.9043	20.8008
July		16.9393	17.1087	17.0240	24.1906	24.4325	24.3115	0.2130	0.2152	0.2141	27.0153	27.2854	27.1503	27.2905	27.5633	27.4269	20.5068	20.7118	20.6093
August		16.9995	17.1695	17.0845	24.3782	24.6220	24.5001	0.2205	0.2227	0.2216	27.2705	27.5432	27.4068	27.8326	28.0655	27.9490	21.8391	22.0575	21.9483
September		17.0577	17.2282	17.1429	23.6018	23.8378	23.7198	0.2221	0.2243	0.2232	26.9661	27.2357	27.1009	27.0149	27.2850	27.1499	19.7461	19.9435	19.8448
Percentage change	A/B	1.08	1.12	1.10	-0.56	-0.56	-0.56	6.19	6.18	6.19	0.87	0.87	0.87	-0.15	-0.21	-0.18	7.28	7.28	7.28
	A/C	17.14	17.30	17.22	28.44	28.10	28.27	29.12	29.13	29.13	23.22	23.21	23.22	21.77	22.60	22.19	47.00	47.00	47.00

Source: National Bank of Ethiopia

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

Currency	Sep-10	Jun-11	Sep-11	Percentage change	
	C	B	A	A/B	A/C
USD	16.6839	16.9927	17.1666	1.0	2.9
Pound	26.5208	27.2494	26.8658	-1.4	1.3
Swedish Kroner	2.5846	2.6612	2.5359	-4.7	-1.9
Djibouti Frank	0.0963	0.0954	0.0963	1.0	0.0
Swiss Frank	17.6980	20.3725	19.1784	-5.9	8.4
Saudi Riyal	4.4480	4.5308	4.5771	1.0	2.9
UAE Dirhams	4.5423	4.6264	4.6736	1.0	2.9
Canadian Dollar	16.7728	17.4588	16.6666	-4.5	-0.6
Japanese Yen	0.2026	0.2096	0.2260	7.8	11.5
Euro	22.9254	24.5272	23.4033	-4.6	2.1
SDR	26.0946	27.0234	26.5629	-1.7	1.8

Source: National Bank of Ethiopia

5.7.2. Movements in the Real Effective

Exchange Rate

After gradual decline in depreciation, the trend in the real effective exchange rate (REER) has shifted to appreciation since August 2011 annually, reflecting the erosion in the external competitiveness of the country due to continuous increase in domestic inflation.

Accordingly, the REER showed annual and quarterly appreciation of 8.3 and 6.2 percent, respectively during the first quarter of 2011/12. However, the nominal effective exchange rate (NEER) depreciated by 17.3 percent compared to the same period last year and by 0.2 percent vis-à-vis the preceding quarter (Table 5.14).

Table 5.14 Trends in the Real and Nominal Effective Exchange Rates

	2010/11		2011/12	Percentage Change	
	QI	QIV	QI		
	A	B	C	C/B	C/A
REERI	109.8	112.0	118.9	6.23	8.28
NEERI	51.7	42.9	42.8	-0.23	-17.27

Source: National Bank of Ethiopia

REERI = Real Effective Exchange Rate Index

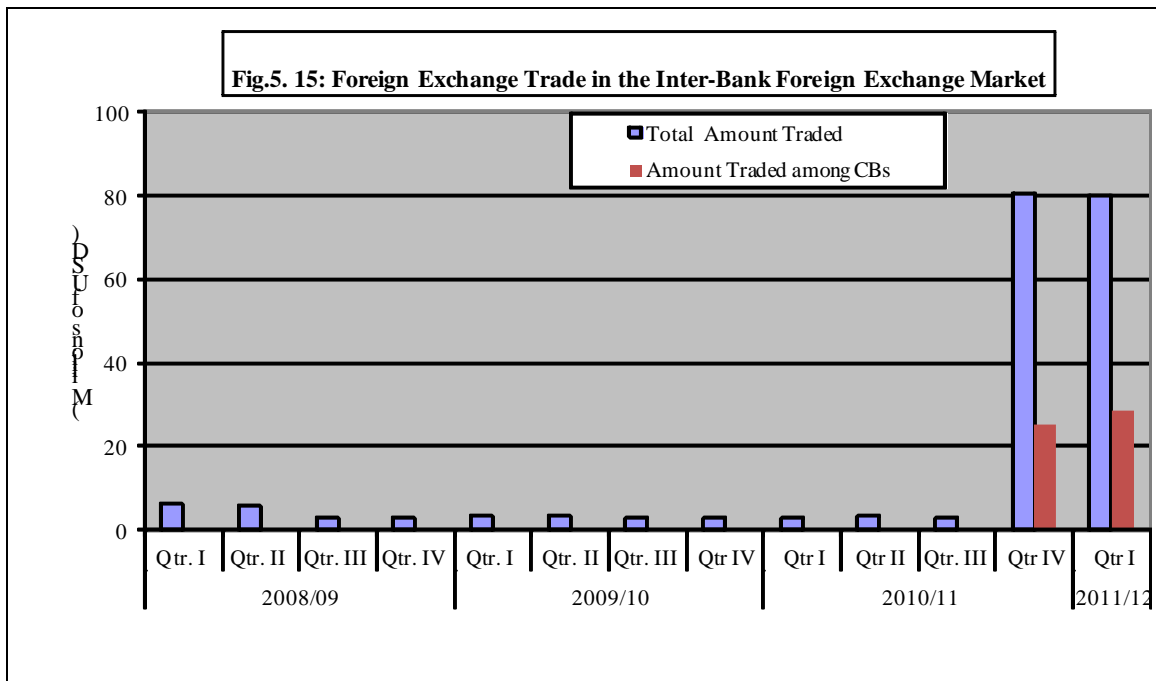
NEERI = Nominal Effective Exchange Rate Index

Note: - A decrease in Index implies depreciation

5.7.3 Volume of Transactions

During the review period, the amount of foreign exchange traded in the inter-bank foreign exchange market was USD 80.3 million, considerably higher than USD 3.2 million traded last year. Of the total foreign exchange traded in the

inter-bank market, USD 28.6 million (35.6 percent) was among commercial banks the rest being transaction between banks and NBE(Table5.10).



Meanwhile, forex bureaux purchases of foreign exchange went down by 37.1 percent on annual basis, and stood at USD 34.3 million. On the other hand, their sales of foreign exchange increased by 85.5 percent over the same period last year to reach USD 19.6 million (Table 5.15).

Table 5.15: Amount of Foreign Exchange Purchased and Sold by Forex Bureaux of Commercial Banks (In '000 of USD)

No.	Name of Forex Bureaux	No. of Branches	2010/11				2011/12		Percentage change			
			Quarter I A		Quarter IV B		Quarter I C		C/B		C/A	
			Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	121	11,659.12	72.03	16,026.39	985.75	13,662.42	385.99	-14.75	-60.84	17.18	435.88
2	Bank of Abyssinia	28	947.03	886.29	2,113.06	1,504.27	1,749.85	1,724.69	-17.19	14.65	84.77	94.60
3	Dashen Bank	58	2,700.01	4,615.18	4,182.71	4,698.89	3,609.38	6,004.56	-13.71	27.79	33.68	30.10
4	Awash International Bank	15	9,923.97	1,217.02	2,324.57	2,660.26	1,843.88	4,224.30	-20.68	58.79	-81.42	247.10
5	Construction & Business Bank	5	212.61	5.63	1,318.82	173.14	1,287.48	183.44	-2.38	5.94	505.56	3,155.67
6	Wegagen Bank	19	10,255.96	126.65	2,070.41	1,144.29	744.22	1,036.05	-64.05	-9.46	-92.74	718.01
7	United Bank	34	4,319.83	1,926.94	6,417.21	2,525.18	5,554.11	2,516.89	-13.45	-0.33	28.57	30.62
8	Nib International Bank	30	13,574.33	1,279.98	3,423.11	2,108.46	3,650.21	2,293.30	6.63	8.77	-73.11	79.17
9	Lion International Bank	1	253.82	55.15	548.26	109.88	484.63	213.29	-11.61	94.10	90.94	286.73
10	Oromia International Bank	7	235.37	42.09	724.18	206.93	834.96	290.86	15.30	40.56	254.75	591.03
11	Zemen Bank	1	246.40	297.58	249.21	535.83	315.25	623.22	26.50	16.31	27.94	109.43
12	Cooperative Bank of Oromia	2	0.00	0.00	16.95	28.33	56.61	37.45	233.91	32.22		
13	Buna International Bank	1	183.39	65.16	319.08	28.63	306.22	9.09	-4.03	-68.25	66.97	-86.05
14	Birhan International Bank	1	0.00	0.00	51.19	31.26	215.87	102.97	321.70	229.43		
	Total	323	54,511.83	10,589.71	39,785.16	16,741.10	34,315.07	19,646.09	-13.75	17.35	-37.05	85.52
	Average Exchange Rate		14.5220	14.6937	16.8122	17.1420	16.9991	17.3307	1.11	1.10	17.06	17.95

Source: NBE