

IV. MONETARY DEVELOPMENTS

4.1. Money Supply and Credit

At the end of the first quarter under review, broad money supply (M₂) grew by 3.7 and 39.0 percent on quarterly and annual basis, respectively, and reached Birr 150.8 billion. The rise in broad money was mainly due to the increase in net foreign assets and domestic credit.

Net foreign assets depicted a quarterly decline of 0.1 percent and annual growth of 46.0 percent. It contributed -1.0 percent to the quantity and 41.3

percentage point to the annual growth in broad money supply.

Similarly, domestic credit witnessed 0.3 percent quarterly decline and 28.8 percent annual growth due to contraction in credit to government sector. Claims on non-government sector increased by 7.4 percent and 56.0 percent on quarterly and annual basis due to the surge in claims on the private sector.

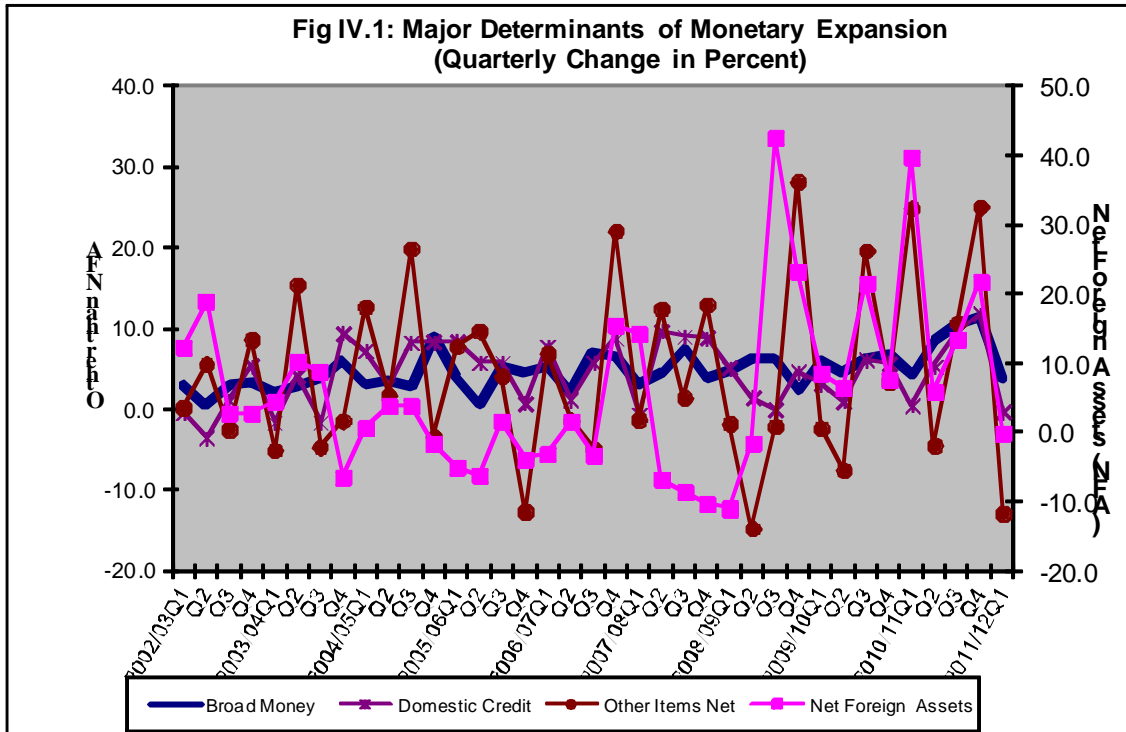
Table 4.1: Factors Influencing Broad Money

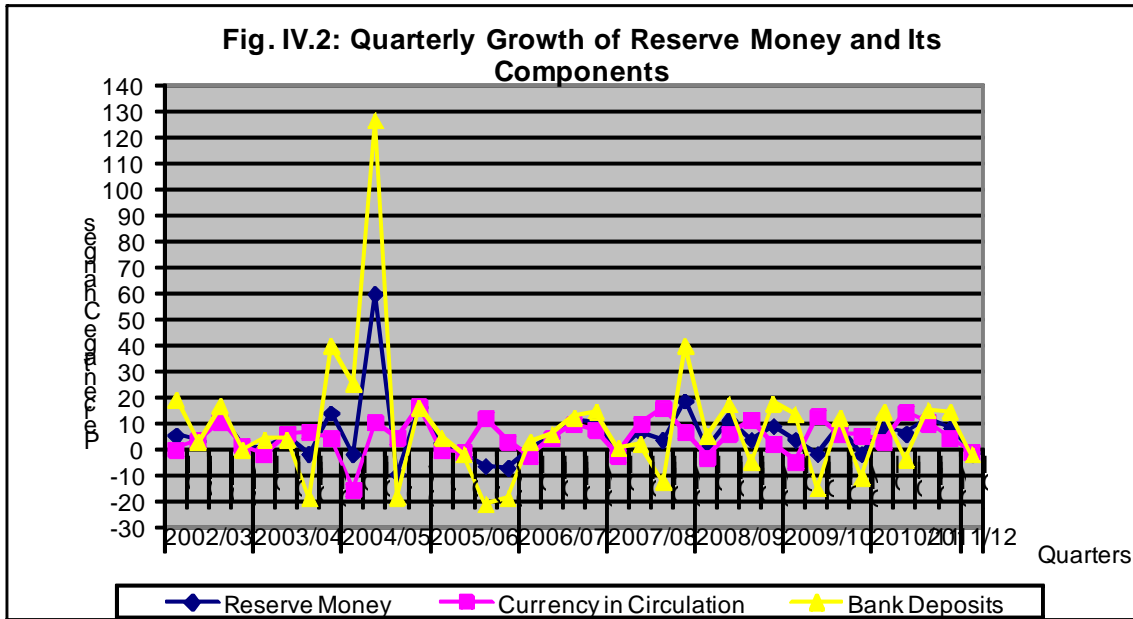
(In Millions of Birr)

Particulars	2010	2011		Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. I	Qtr. IV	Qtr. I	C/A	C/B	Annual	Quarterly
	(sep. 10)	(Jun. 11)	(sep. 11)				
	A	B	C				
1. External Assets (net)	38,003.2	55,534.7	55,479.8	46.0	-0.1	41.3	-1.0
2. Domestic Credit	104,929.6	135,553.9	135,111.2	28.8	-0.3	71.3	-8.1
. Claims on Central Gov't (net)	31,368.1	28,651.7	20,343.1	-35.1	-29.0	-26.0	-152.9
. Claims on Non-Central Gov't	73,561.5	106,902.2	114,768.0	56.0	7.4	97.3	144.8
. Financial Institutions	0.0	6,250.0	7,400.0				
. Others	73,561.5	100,652.2	107,368.0	46.0	6.7	79.8	123.6
3. Other Items (net)	34,470.8	45,711.6	39,781.1	15.4	-13.0	12.5	-109.2
4. Broad Money (M ₂)	108,462.0	145,377.0	150,809.9	39.0	3.7	100.0	100.0

Source: NBE

Source: NBE





Source: NBE

As for the components of broad money, both narrow money and quasi-money registered annual growth rate of 47.2 and 31.3 percent, respectively. The surge in narrow money was due to the 34.5 percent rise in currency outside banks and 57.5 percent surge in demand deposit. Similarly, the rise in saving and time deposits by 32.1 and 20.0

percent, respectively, has pushed up quasi-money growth to 31.3 percent.

The rise in currency outside banks reflects the continuous rise in income and public preference to hold cash. Similarly, the surge in quasi-money and demand deposit shows the expansion of banking service to a wider population.

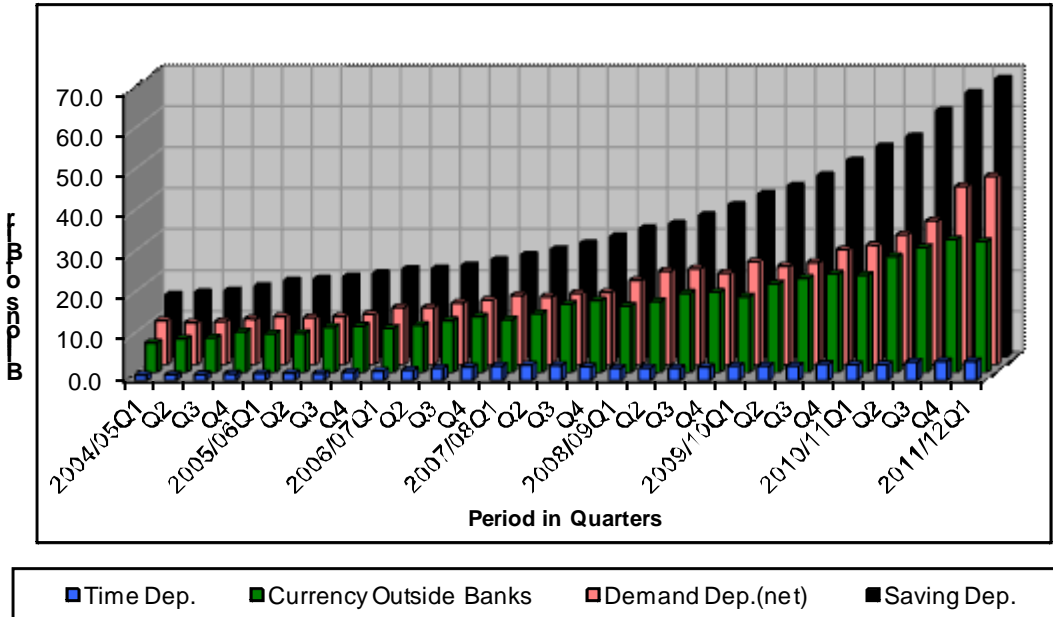
Table 4.2: Components of Broad Money

(In Millions of Birr)

Particulars	2010	2011		Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. I	Qtr. IV	Qtr. I				
	(Sep. 10)	(Jun. 11)	(Sep. 11)	C/A	C/B	Annual	Quarterly
	A	B	C				
1. Narrow Money Supply	53,099.3	76,171.0	78,142.2	47.2	2.6	59.1	36.3
. Currency outside banks	23,849.9	32,574.9	32,073.6	34.5	-1.5	19.4	-9.2
. Demand Deposits (net)	29,249.4	43,596.1	46,068.6	57.5	5.7	39.7	45.5
2. Quasi-Money	55,362.7	69,206.0	72,667.7	31.3	5.0	40.9	63.7
. Savings Deposits	51,461.4	64,539.6	67,987.8	32.1	5.3	39.0	63.5
. Time Deposits	3,901.3	4,666.4	4,679.9	20.0	0.3	1.8	0.2
3. Broad Money Supply	108,462.0	145,377.0	150,809.9	39.0	3.7	100.0	100.0

Source: NBE

Fig. IV. 3: Composition of Monetary Stock
(First Quarter of FY 2011/12)



Source: NBE

4.2. Developments in Reserve Money and Monetary Ratio

Reserve money increased by 27.8 percent on annual basis while it decreased by 1.3 on quarterly terms, mainly due to slow down in currency circulation and banks deposits at NBE. On annual basis, currency in circulation and bank deposits scaled up by 30.4 and 24.5 percent, respectively.

Meanwhile, slight fall both in net foreign assets and domestic credit led to decline in reserve money during the first quarter. Excess reserves of commercial banks also went down by 18.9 and 13.5 percent from the previous year and the preceding quarter, respectively.

Table 4.3: Reserve Money and Ratios

(In millions of Birr)

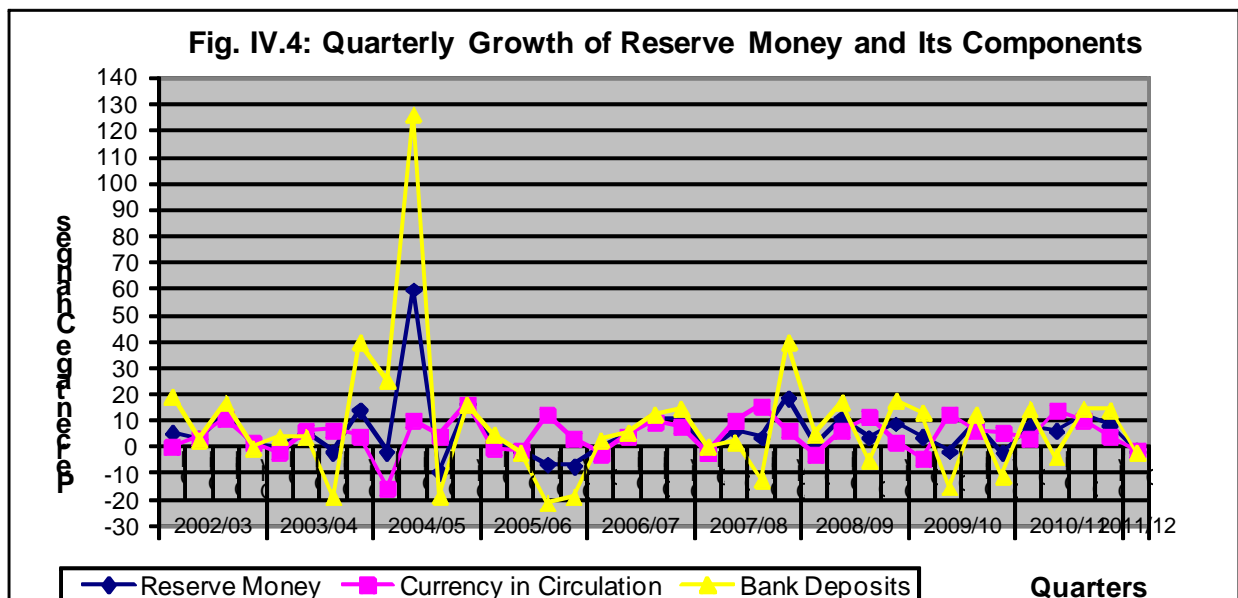
Particulars	2010	2011		Percentage Change	
	Qtr. I	Qtr.IV	Qtr. I		
	(Sep. 10)	(Jun. 11)	(Sep. 11)		
	A	B	C	C/A	C/B
1. Reserve Requirement (CB's)	15,159.11	20,495.18	21,572.99	42.31	5.26
2. Actual Reserve (CB's)	22,906.26	27,757.27	27,855.43	21.61	0.35
3. Excess Reserve (CB's)	7,747.15	7,262.09	6,282.43	-18.91	-13.49
4. Reserve Money	53,318.60	69,043.11	68,122.56	27.77	-1.33
. Currency in Circulation	29,711.72	39,100.58	38,732.57	30.36	-0.94
. Banks deposits at NBE	23,606.88	29,942.52	29,389.99	24.50	-1.85
5. Money Multiplier (Ratio):					
. Narrow Money to Reserve Money	1.00	1.10	1.15	15.18	3.97
. Broad Money to Reserve Money	2.03	2.11	2.21	8.83	5.14
6. Other Monetary Ratios (%):					
. Currency to Narrow Money	55.96	51.33	49.57	-11.42	-3.44
. Currency to Broad Money	27.39	26.90	25.68	-6.24	-4.51
. Narrow Money to Broad Money	48.96	52.40	51.82	5.84	-1.11
. Quasi Money to Broad Money	51.04	47.60	48.18	-5.60	1.22

Source: NBE and commercial banks.

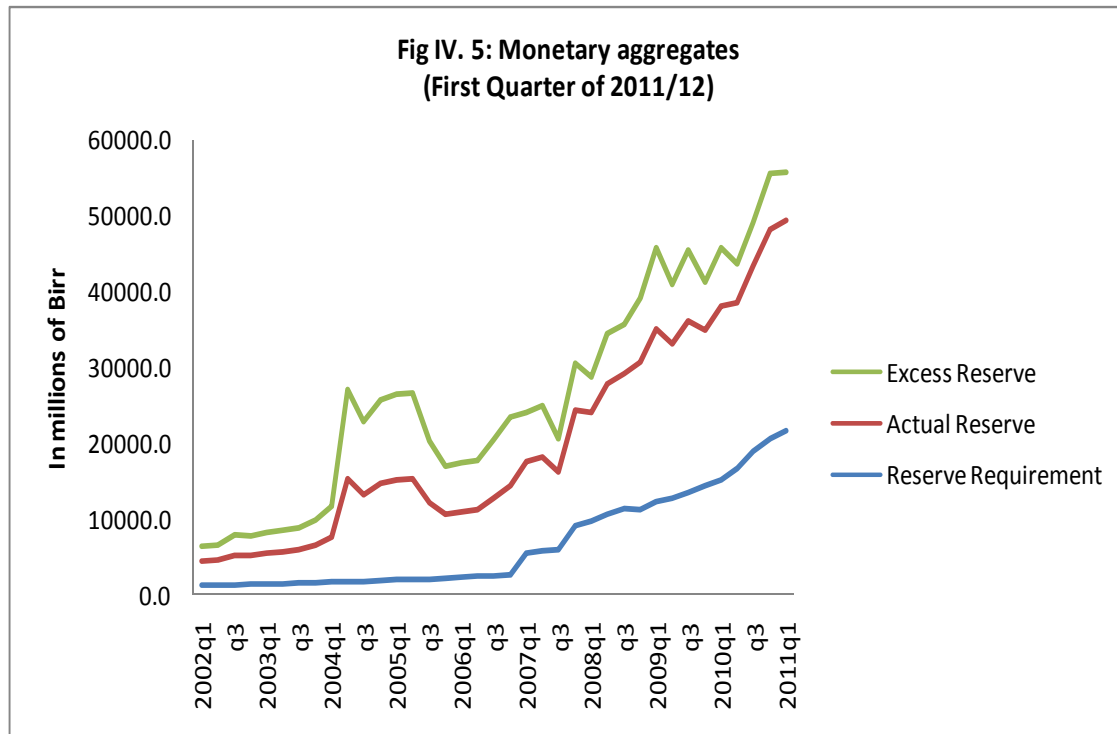
The money multiplier, measured by the ratio of broad money to reserve money, increased marginally from 2.03 to 2.21 percent on annual basis implying the increased monetization of the economy. The ratio of narrow money to reserve money also rose slightly from 1.0 to 1.15 percent on annual terms. Concerning other monetary ratios, narrow-money to broad money increased by 5.8 percent from the

preceding year while quasi-money to broad money decreased by 5.6 percent, (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 souring inflation.



Source: NBE



Source: NBE

4.3. Interest Rate Developments

Since the policy action to raise the minimum saving deposit rate by 25 percentage point from 4.0 percent to 5.0 percent effective December 1, 2010. The minimum and maximum saving deposit rates at the end of the quarter remained at 5.0 and 5.75 percent, respectively. Similarly, the minimum and maximum

lending rates stood at 7.5 and 16.25 percent. But, weighted average time deposits rate increased marginally to 5.82 from 5.38 percent in the preceding quarter.

The weighted average yield on T-bills also increased from 1.248 to 1.652

percent on quarterly basis. Considering annual average headline inflation of 26.6

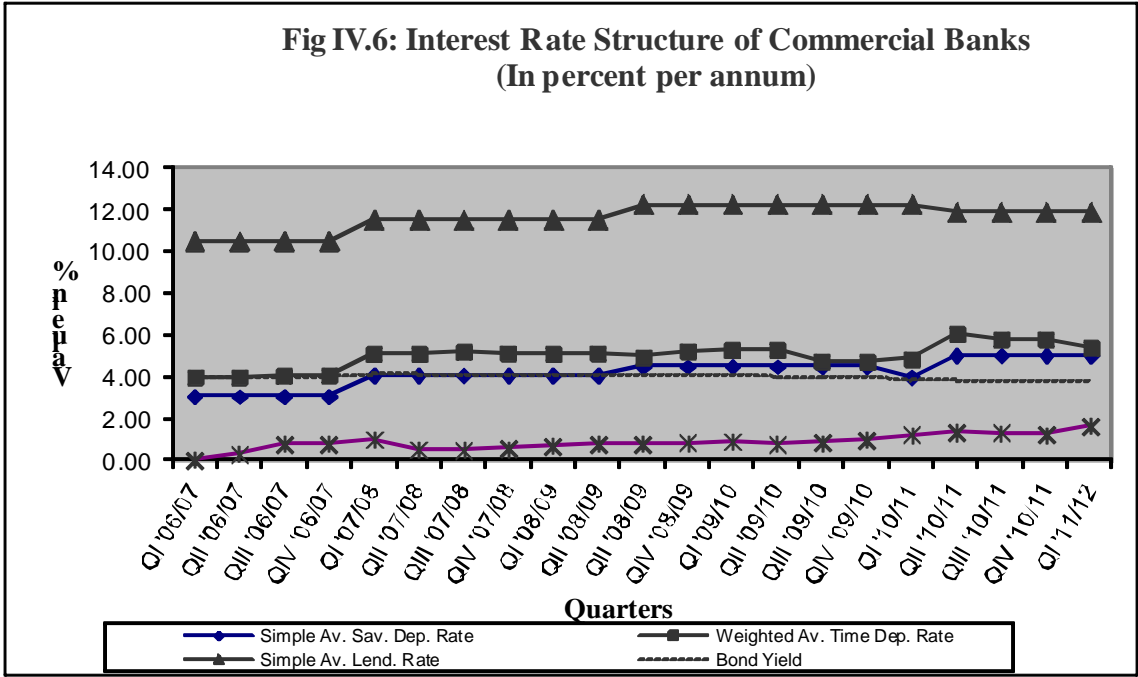
percent at the end of September 2011 interest rates were negative in real terms.

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

	2010/11		2011/12
	QI	QIV	QI
1. Savings Deposit Rate			
Minimum	4	5	5
Maximum	5	5.75	5.75
Average Saving Rate	4.5	5.38	5.38
2. Time Deposits			
Up to 1yr	4.55	5.26	5.708
1-2 years	4.79	5.41	5.85
Over 2 yrs	4.99	5.47	5.908
Average Time Dep. Rate (Weighted)	4.77	5.38	5.82
3. Demand Deposit (Weighted)	0.07	0.029	0.29
4. Lending Rate			
Minimum	8	7.5	7.5
Maximum	16.5	16.25	16.25
Average Lending Rate	12.25	11.88	11.88
5. T-bills Rate (Weighted Ave.)	1.127	1.248	1.652
6. Bond Yield (Simple Average)	3.86	3.86	3.86
7. Annual (Annualized) Headline Inflation Rate	7.5(5.4)	38.1(18.1)	40.1(26.6)
8. Annual (Annualized)Core Inflation Rate	17.3(18.4)	27.9(21.8)	24.7(24.2)

Source: NBE and commercial banks

**Fig IV.6: Interest Rate Structure of Commercial Banks
(In percent per annum)**



Source: NBE and commercial banks

4.4. Developments in the Financial Sector

The main financial institutions operating in Ethiopia are banks, insurance companies and microfinance institutions. Currently there are 17 commercial banks (including DBE) operating in the country of which 14 are privately owned.

During the first quarter under review, 47 new bank branches were opened, thereby raising the total number of bank branches to 1017 reflecting a 42.8 percent annual expansion. As a result, at the end of the first quarter, the ratio of total bank branches to population stood about 80,629*.

Of the total branches, 34.6 percent were located in Addis Ababa reflecting a decline in concentration of branches in the capital from 38.6 percent last year. The share of the private banks in the total bank branch network has declined to 48.9 percent from

* Computed based on the assumption that total population was 82 million

60 percent a year ago due to the opening of 235 new branches by public banks compared to 70 branches by private banks. Similarly, total capital of the banking system witnessed a 21.6 percent annual increase and reached Birr 16.1 billion. Private banks had 45.4 percent of the total capital while public banks took the remaining balance.

Like the banking industry, insurance companies at 14 have outreach was very low as one branch serves about 352,423 people in the country from 361,991 in preceding quarter.

The total number of insurance companies operating in the country stood at 14, of which only one is a public insurance company. With the opening of six new branches in the quarter, the total number of insurance branches reached 227, of which 52.0 percent were located in Addis Ababa.

Meanwhile, there are 31 micro finance institutions (MFIs) operating in the country. Total deposit mobilized by MFIs reached Birr 3.9 billion, showing 41.0 percent growth over last year. Similarly, their credit outstanding scaled up by 17.6 percent

and reached Birr 7.1 billion. Their total assets also increased by 22.7 percent during the same period and stood at Birr 10.2 billion (Table 4.7).

Microfinance institutions' are playing an important role in providing credit to lower income groups and small scale enterprises which otherwise could not be served by the banking sector due to lack of enough collateral.

The top five largest MFIs are Amhara, Dedit, Oromia, Omo and Addis Credit and Savings Institutions. By the end of the first quarter they accounted for 86.8 percent of the total capital, 93.6 percent of the savings, 89.4 percent of the credit and 90.3 percent of the total assets of MFI section.

1 Calculated by taking population as 80 million

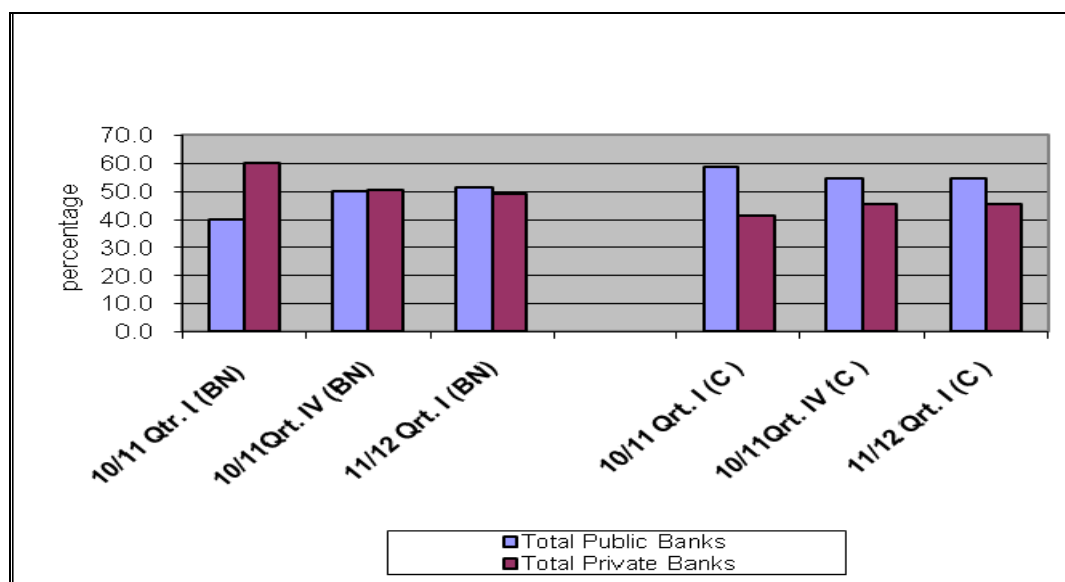
Table 4.5: Capital and Branch Network of Banking System by the End of September, 2011
(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network												Capital			
	2010/11								2011/12				2010/11		2011/12	
	Quarter I				Quarter IV				Quarter I				Quarter I	Quarter IV	Quarter I	
	Reg	A.A	Total	% Share	Reg.	A.A	Total	% Share	Reg.	A.A	Total	% Share				
1. Public Banks																
Commercial Bank of Ethiopia	169	52	221	31.0	323	94	417	43.0	358	96	454	44.6	5,528.0	6,262.0	6,231.0	
Construction & Business Bank	17	15	32	4.5	17	17	34	3.5	17	17	34	3.3	252.0	277.0	307.0	
Development Bank of Ethiopia	31	1	32	4.5	31	1	32	3.3	31	1	32	3.1	1,983.0	2,179.0	2,253.0	
Total Public Banks	217	68	285	40.0	371	112	483	49.8	406	114	520	51.1	7763	8718	8791	
2. Private Banks																
Awash International Bank	31	31	62	8.7	36	34	70	7.2	37	35	72	7.1	721.0	1,104.0	1,112.0	
Dashen Bank	31	30	61	8.6	31	34	65	6.7	31	34	65	6.4	974.0	1,152.0	1,157.0	
Abyssinia Bank	22	28	50	7.0	25	32	57	5.9	25	32	57	5.6	483.0	532.0	532.0	
Wegagen Bank	28	23	51	7.2	29	24	53	5.5	29	24	53	5.2	900.0	1,093.0	1,095.0	
United Bank	16	29	45	6.3	18	32	50	5.2	18	32	50	4.9	516.0	748.0	731.0	
Nib International Bank	18	31	49	6.9	19	32	51	5.3	19	32	51	5.0	774.0	983.0	989.0	
Cooperative Bank of Oromia	35	5	40	5.6	38	5	43	4.4	38	5	43	4.2	171.0	207.0	217.0	
Lion International Bank	13	11	24	3.4	17	13	30	3.1	17	13	30	2.9	276.0	318.0	323.0	
Oromia International Bank	21	6	27	3.8	25	11	36	3.7	26	11	37	3.6	217.0	265.0	281.0	
Zemen Bank	0	3	3	0.4	0	3	3	0.3	0	3	3	0.3	163.0	193.0	200.0	
Buna International Bank	2	5	7	1.0	2	9	11	1.1	3	7	10	1.0	174.0	220.0	224.0	
Berhan International Bank	3	5	8	1.1	3	7	10	1.0	4	8	12	1.2	108.0	138.0	145.0	
Abay Bank	0	0	0	0.0	7	1	8	0.8	12	1	13	1.3	0.0	161.0	178.0	
Addis International Bank	0	0	0	0.0	0	0	0	0.0	0	1	1	0.1	0.0	117.0	120.0	
Total Private Banks	220	207	427	60.0	250	237	487	50.2	259	238	497	48.9	5,477.0	7,231.0	7,304.0	
3. Grand Total Banks	437	275	712	100.0	621	349	970	100.0	665	352	1017	100.0	13,240.0	15,949.0	16,095.0	

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 at End of September 30,2011
(Branch in number and Capital in Millions of Birr)

Insurance Companies	Branch									Capital		
	Quarter I 2010/11			Quarter IV 2010/11			Quarter I 2011/12			Quarter I	Quarter IV	Quarter I
	A.A	Reg	Total	A.A	Reg	Total	A.A	Reg	Total	2010/11	2010/11	2011/12
Ethiopian Insurance Corporation	11	28	39	11	30	41	11	30	41	275.0	291.0	303.4
Awash Insurance Company	15	11	26	18	11	29	19	11	30	75.0	89.0	94.9
Africa Insurance Company	6	7	13	6	7	13	6	7	13	72.0	81.0	83.3
National Insurance Corporation of Ethiopia	8	8	16	8	8	16	9	8	17	23.0	27.9	15.2
United Insurance Company	15	8	23	15	8	23	15	8	23	81.0	88.0	89.5
Global Insurance Company	6	4	10	6	4	10	6	4	10	23.0	27.8	27.1
Nile Insurance Company	11	9	20	11	10	21	11	10	21	103.0	100.3	92.5
Nyala Insurance Company	8	8	16	8	8	16	9	8	17	81.0	96.3	96.0
Nib Insurance Company	12	8	20	14	8	22	14	8	22	77.0	87.4	88.2
Lion Insurance Company	6	5	11	6	5	11	6	5	11	13.0	17.3	22.5
Ethio-Life Insurance Company	0	0	-	0	0	0	0	0	0	4.0	4.9	5.3
Oromia Insurance Company	6	8	14	8	8	16	8	8	16	20.0	23.9	26.3
Abay Insurance Company S.C.	0	1	1	1	2	3	1	2	3	7.8	11.4	11.7
Berhan insurance S.C	-	-	-	-	-	-	3	0	3	-	9.4	10.9
TOTAL	104	105	209	112	109	221	118	109	227	854.8	955.7	966.7

Source: Insurance Supervision Directorate, NBE

Reg. stands for regions

Table 4.7: Microfinance Institutions Performance as of September 2011 (In Thousands of Birr)

Particulars	2010/11		2011/12	% Change	
	Qtr.I	Qtr.IV	Qtr.I		
	A	B	C	C/A	C/B
<i>Total Capital</i>	2,475,171.1	2,945,970.0	3,046,358.0	23.1	3.4
<i>Saving</i>	2,796,968.4	3,779,089.0	3,943,802.0	41.0	4.4
<i>Credit</i>	6,062,227.7	6,991,986.0	7,130,180.0	17.6	2.0
<i>Total Assets</i>	8,305,180.2	10,156,387.0	10,193,248.0	22.7	0.4

Source: Microfinance Supervision Directorate, NBE

4.5. Activities of the Banking System

4.5.1. Resource Mobilization

Total resources mobilized by the banking system went down by 13.2 percent from the preceding quarter due to a decline in both net change in deposit and net borrowing offsetting the surge in collection of loan by 37.7 percent and 10.2 percent, respectively (Table 4.8). The quarterly slow down in net change in deposit reflects seasonality

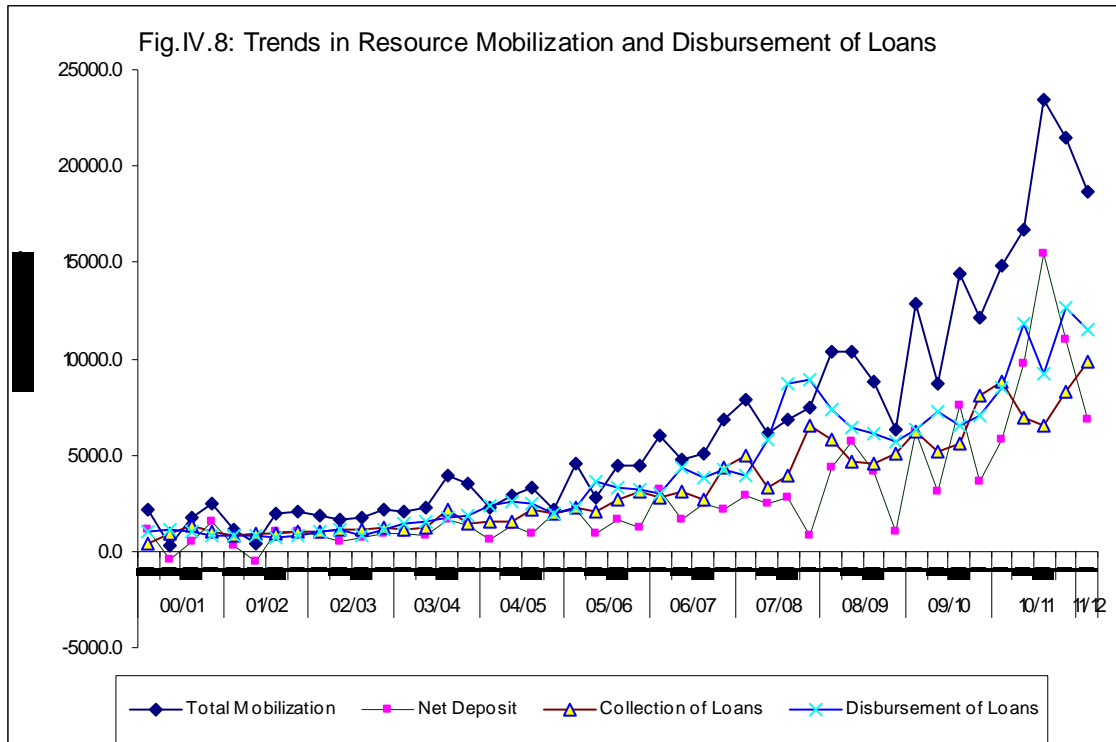
effect. On annual basis, however, total resources mobilized by the banking system scaled up by 25.8 percent due to the significant surge in net deposits and net borrowing.

Table 4.8: Summary of Resource Mobilization & Disbursement of Banking System during First Quarter of 2011/12
(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr.IV 2010/11	Qtr.I 2011/12	Qtr.IV 2010/11	Qtr.I 2011/12	Qtr.I 2010/11	Qtr.IV 2010/11	Qtr.I 2011/12		
	A	B	C	C/A	C/B				
1. Deposits (net change)	6,735.8	3,300.4	4,228.7	3,526.1	5,817.9	10,964.5	6,826.5	17.3	-37.7
-Demand	3,953.4	1,991.2	2,406.7	1,442.1	2,445.4	6,360.1	3,433.3	40.4	-46.0
-Saving	2,597.0	1,442.8	1,783.5	1,947.9	3,422.6	4,380.5	3,390.7	-0.9	-22.6
-Time	185.4	-133.6	38.6	136.1	-50.0	223.9	2.5	-105.0	-98.9
2. Borrowing (net change)	2,246.7	2,016.6	0.0	0.0	185.9	2,246.7	2,016.6	985.0	-10.2
-Local	2,224.9	2,062.9	0.0	0.0	179.6	2,224.9	2,062.9	1,048.7	-7.3
-Foreign	21.8	-46.2	0.0	0.0	6.3	21.8	-46.2	-836.1	-312.2
3. Collection of Loans	3,851.3	5,598.8	4,435.5	4,210.5	8,822.9	8,286.8	9,809.3	11.2	18.4
4. Total Resources Mobilized (1+2+3)	12,833.7	10,915.9	8,664.3	7,736.5	14,826.7	21,498.0	18,652.4	25.8	-13.2
5. Disbursement	8,252.3	5,136.3	4,464.1	6,415.3	8,539.3	12,716.4	11,551.6	35.3	-9.2
6. Change in Liquidity (4-5)	4,581.5	5,779.6	4,200.2	1,321.3	6,287.5	8,781.6	7,100.8	12.9	-19.1
Memorandum Item:									
A. Outstanding Credit*	50,743.5	53,782.6	26,947.0	30,865.1	62,859.0	73,632.4	84,647.7	34.7	15.0
B. Outstanding Interbank Lending	12.3	42.6	0.6	0.6	220.7	12.9	43.2	-80.4	234.5

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 147.4 billion, up by 41.1 and 4.9 percent on annual and quarterly basis, respectively. The growth in deposit mobilization was partly attributed to the rise in the number of bank branches and improvements in economic activities.

Component wise, all types of deposit have shown strong annual growth. Saving deposits which constituted 46.1 of total deposits rose by 32.0 and 5.3 percent year-on-year and quarterly basis, respectively. Similarly,

demand deposit rose by 52.8 and 4.8 percent during same period.

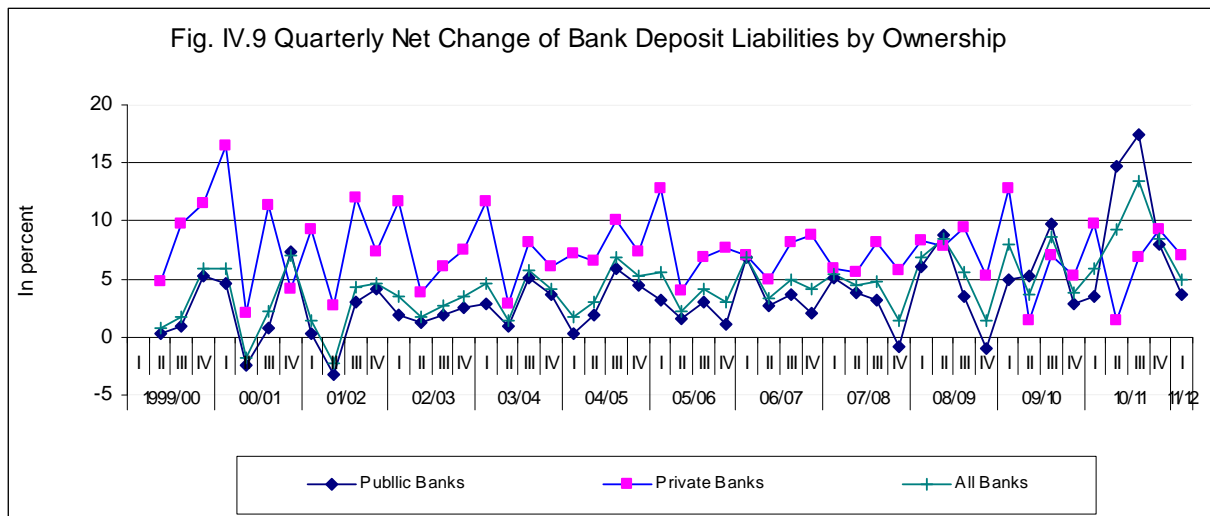
The share of private banks in deposit mobilization increased marginally to 36.3 percent from 35.5 percent in the preceding quarter but declined compared to a year earlier reflecting aggressive move on the part of public banks particularly CBE. (Table 4.9).

Table 4.9: Stock of Deposits Mobilized by Banking System at the end of September, 2011

(In Millions of Birr)

Types of Deposits	2010/11				2011/12		% Change C/A C/B	
	Quarter I A	% Share	Quarter IV B	% Share	Quarter I C	% Share		
Demand Deposit	48,594.5	46.5	70,842.4	50.4	74,275.7	50.4	52.8	4.8
Saving Deposit	51,472.5	49.3	64,528.7	45.9	67,919.4	46.1	32.0	5.3
Time Deposit	4,384.4	4.2	5,160.6	3.7	5,163.1	3.5	17.8	0.0
Total	104,451.3	100.0	140,531.8	100.0	147,358.3	100.0	41.1	4.9
Share of Public Banks	59.6		64.5		63.7			
Share of Private Banks	40.4		35.5		36.3			

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 9.8 billion, showing 11.2 and 18.4 percent increase year-on-year and quarterly basis. Private banks collected Birr 4.2 billion or 42.9 percent of the total loans leaving the rest to public banks. The

bulk of the repayment (59.2 percent) was from private enterprises followed by cooperatives (30.4percent) (Table 4.12).

Looking at the sectoral distribution, 39.6 percent of the loan was collected from trade sector (both international and domestic)

followed by agriculture (30.8 percent) and industry (12.9 percent) (Table 4.11).

4.5.1.3. Borrowing

Outstanding borrowing of the banking system reached Birr 11.7 billion at the end of the quarter, increasing by 100.7 percent over last year and 20.8 percent vis-à-vis the

preceding quarter. The lion's share of the borrowing (about 91.7 percent) was from domestic sources and the rest from foreign sources.

Table 4.10: Outstanding Borrowing of Banking System by Sources at the End of September, 2011

(In Millions of Birr)

Banks	2010/11	2011/12		Percentage change	
	Quarter I	Quarter IV	Quarter I	C/B	C/A
	A	B	C		
Domestic Borrowing	4,845.1	8,666.5	10,729.4	23.8	121.4
Foreign Borrowing	985.0	1,019.4	973.2	(4.5)	(1.2)
Total	5,830.1	9,686.0	11,702.6	20.8	100.7

Source: Commercial banks and DBE

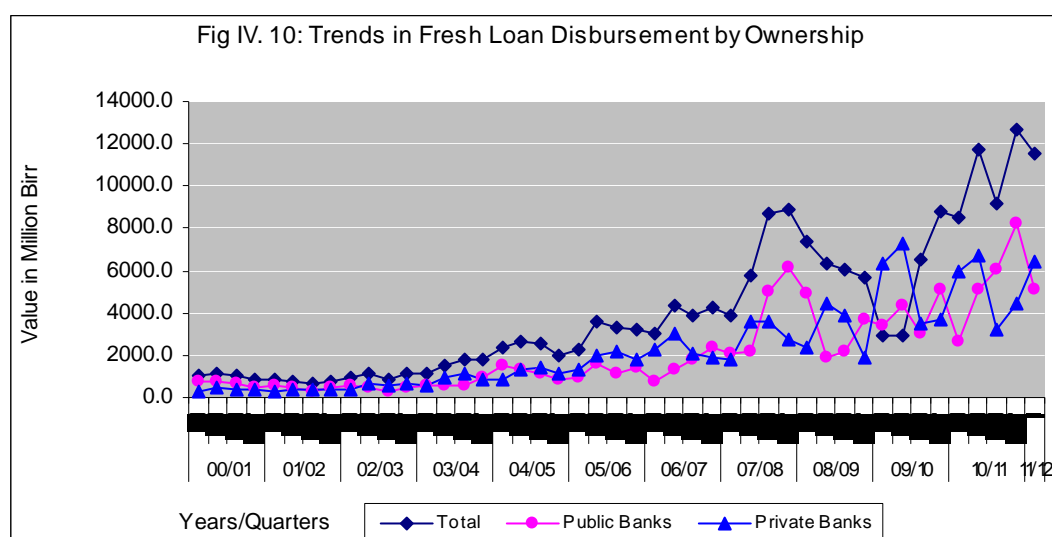
4.5.2. Disbursement of Fresh Loans

New loans granted by the banking sector during the first quarter of 2011/12 stood at Birr 11.6 billion, about 35.3 and down by 9.2 percent on annual and quarterly basis, respectively. Private banks disbursed Birr 6.4 billion (or 55.5 percent) while the balance was disbursement by public banks (Table 4.7).

About 99.2 percent of new loan disbursement of private banks went to finance private enterprises while 61.4 and 33.1 percent of the loan by public banks were channeled to

public and private enterprises, respectively (Table 4.12).

Sector wise, domestic trade was the largest beneficiary (26.2 percent), followed by international trade (25.1 percent) and industry (22.0 percent) (Table 4.11).



Source: Commercial banks and DBE

Table 4.11: Summary of Loans and Advances by Banks and Receiving Sectors during the First Quarter of 2011/12*(In Millions of Birr)*

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	5322.6	0.0	0.0	1699.1	0.0	0.0	7021.7
Agriculture	599.4	2,959.9	8203.5	166.3	56.7	596.7	765.7	3016.6	8800.1
Industry	1,951.4	891.4	18413.3	590.1	372.9	4239.0	2541.5	1264.3	22652.3
Domestic Trade	26.5	142.9	520.4	2997.3	1493.6	8309.5	3023.8	1636.6	8829.9
International Trade	1,339.4	793.5	10463.7	1514.9	1566.5	7943.0	2854.3	2360.0	18406.7
Export	89.9	90.8	2790.2	494.8	825.7	3224.2	584.7	916.5	6014.3
Imports	1,249.5	702.7	7673.6	1065.8	633.1	4761.1	2315.3	1335.8	12434.7
Hotels and Tourism	22.9	51.1	510.6	59.6	73.8	954.2	82.5	124.9	1464.8
Transport & Communication	549.3	193.8	2175.0	247.2	230.5	1847.9	796.6	424.3	4022.9
Housing & Construction	549.1	381.4	5296.1	705.7	434.1	4491.1	1254.8	815.5	9787.3
Mines, Power & Water Res.	0.0	0.0	0.0	6.5	3.6	34.4	6.5	3.6	34.4
Others	67.6	172.4	2730.1	39.3	56.1	474.7	107.0	228.5	3204.8
Personal	0.2	12.2	104.6	42.6	30.3	233.1	42.9	42.5	337.8
Inter-Bank Lending	30.3	0.2	42.6	0.0	0.0	0.0	30.3	0.2	42.6
Total	5,136.3	5,598.8	53,782.6	6,415.3	4,210.5	30,865.1	11,551.6	9,809.3	84,647.7

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 credit claims of the banking system on the domestic economy including central government but excluding corporate bond holding stood at Birr 84.6 billion, up by 34.7 percent and 15.0 percent vis-à-vis the balance in last year and the preceding quarter, respectively (Table 4.8).

Of the total outstanding loan, Birr 53.9 billion or 63.6 percent was a claim on the private sectors while public enterprises and

cooperatives accounted 20.6 and 7.4 percent, respectively (Table 4.12).

Sector wise, industry was the largest beneficiary (26.8 percent) followed by international trade (21.8 percent), housing & construction (11.6 percent), agriculture and domestic trade (10.4 percent each) (Table 4.11).

The share of private banks in total outstanding loan stood at 36.5 percent showing a marginal increase from 34.7

percent from the preceding quarter and same as last year.

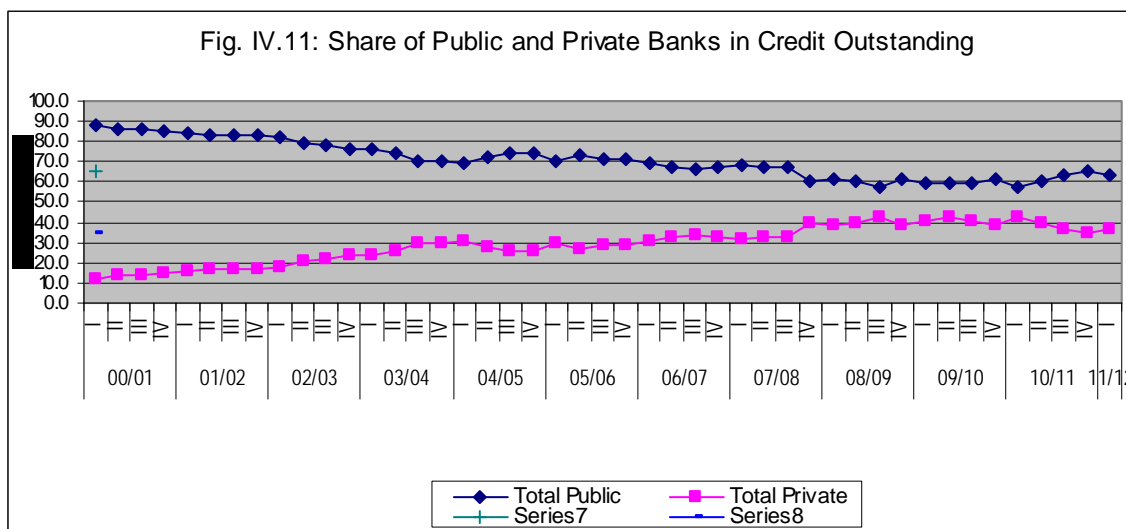
Table 4.12: Breakdown of Loans & Advances of Banking System by Clients, during First Quarter of 2011/12

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	5,136.3	44.5	5,598.8	57.1	53,782.6	63.5
Central Government*	0.0	0.0	0.0	0.0	5,322.6	9.9
State Enterprises	3,151.9	61.4	1,019.9	18.2	17,385.4	32.3
Cooperatives	254.9	5.0	2,819.5	50.4	6,047.9	11.2
Private Enterprises	1,699.2	33.1	1,759.2	31.4	24,984.1	46.5
Inter-bank Lending	30.3	0.6	0.2	0.0	42.6	0.1
Private Banks	6,415.3	55.5	4,210.5	42.9	30,865.1	36.5
Central Government*	0.0	0.0	0.0	0.0	1,699.1	5.5
State Enterprises	0.0	0.0	0.6	0.0	48.2	0.2
Cooperatives	52.0	0.8	160.7	3.8	237.9	0.8
Private Enterprises	6,363.2	99.2	4,049.2	96.2	28,879.9	93.6
Inter-bank Lending	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total	11,551.6	100.0	9,809.3	100.0	84,647.7	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 decreased by 11.4 percent against last year and reached Birr 13.9 billion. Direct advance to the central treasury remained at June 30, 2011 position. But, went up by 20.0 percent on annual basis.

percent higher than last year owing to the growth in deposit of both central government (131.5 percent) and financial institutions (24.6 percent). Deposit of financial institutions constituted about 61.0 percent of NBE's liabilities and the rest belong to government deposits (Table 4.13)

At the end of the review quarter, NBE's liability stood at Birr 49.0 billion, 52.0

Table 4.13: Financial Activities of NBE during First Quarter of 2011/12

Particulars	2010/11		2011/12	% Change	
	Qtr.I	Qtr.IV	Qtr.I	C/A	C/B
	A	B	C		
1.Loans and Advances	47,983.7	61,570.7	62,966.5	31.2	2.3
1.1. To Central Government	47,983.7	55,320.7	55,566.5	15.8	0.4
Direct Advance	38,557.1	46,265.0	46,264.9	20.0	0.0
Bonds	9,426.6	9,055.7	9,301.5	-1.3	2.7
1.2.To Development Bank of Ethiopia	0.0	6,250.0	7,400.0	-	-
2.Deposit Liabilities	32,253.5	40,705.9	49,029.6	52.0	20.4
2.1. Government	8,265.6	10,290.9	19,133.3	131.5	85.9
2.2. Financial Institutions	23,987.9	30,415.0	29,896.3	24.6	-1.7
O/W:					
-Banks	23,935.0	30,356.7	29,890.9	24.9	-1.5
-Insurance companies	52.9	58.3	5.4	-89.7	-90.7
3.Net Claims of NBE	15,730.2	20,864.8	13,936.8	-11.4	-33.2

Source: NBE

4.7. Developments in Financial Markets

4.7.1. Treasury Bills Market

As a result of the 77.7 percent surge in the supply of T-bills and a significant improvement (76.3 percent) in the average weighted yield on annual basis, the demand for T-bills increased by 43.4 percent covering 75.6 percent of the total supply. Consequently, the total T-bills sold scaled up by 32.5 percent on annual and 28.8 percent quarterly terms. (Table 4.14).

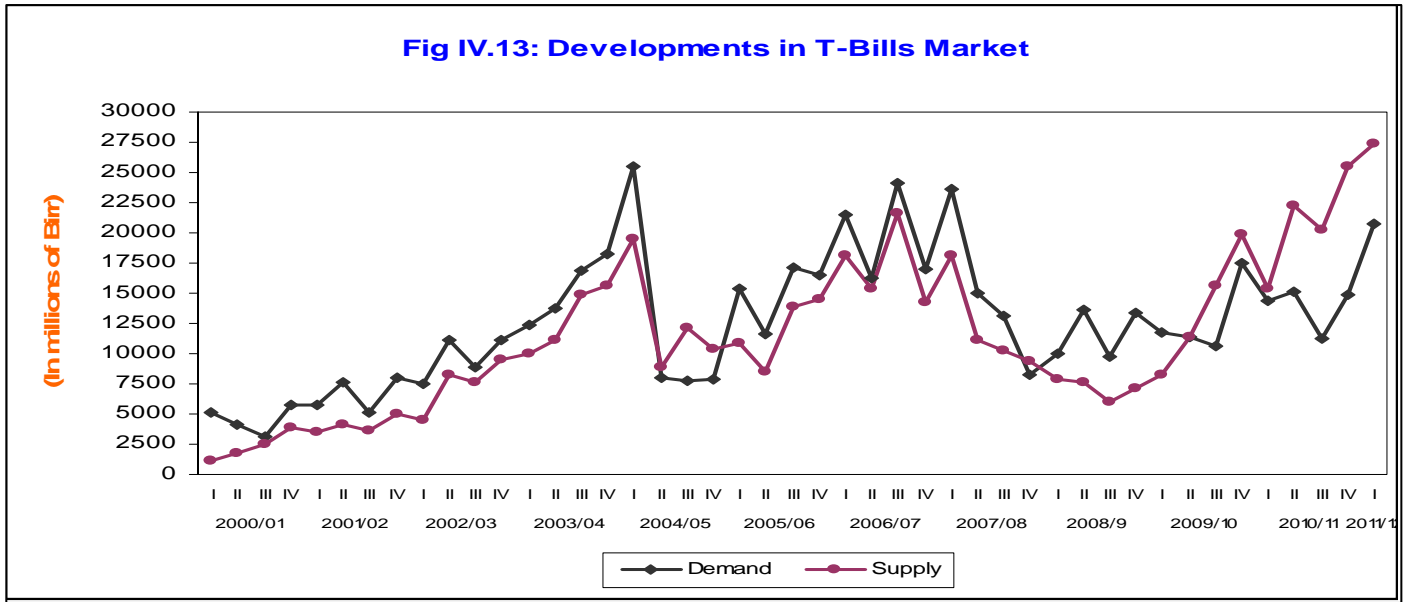
Of the total T-bills sold the share of commercial banks was 27.5 percent compared to 50.9 percent last year during the share of non-bank institutions to 72.5 from 49.1 percent a year ago.

The stock of T-bills at the end of the quarter reached Birr 10.8 billion reflecting 22.0 percent increment over the previous year of which the non-bank institutions held 91.7 percent.

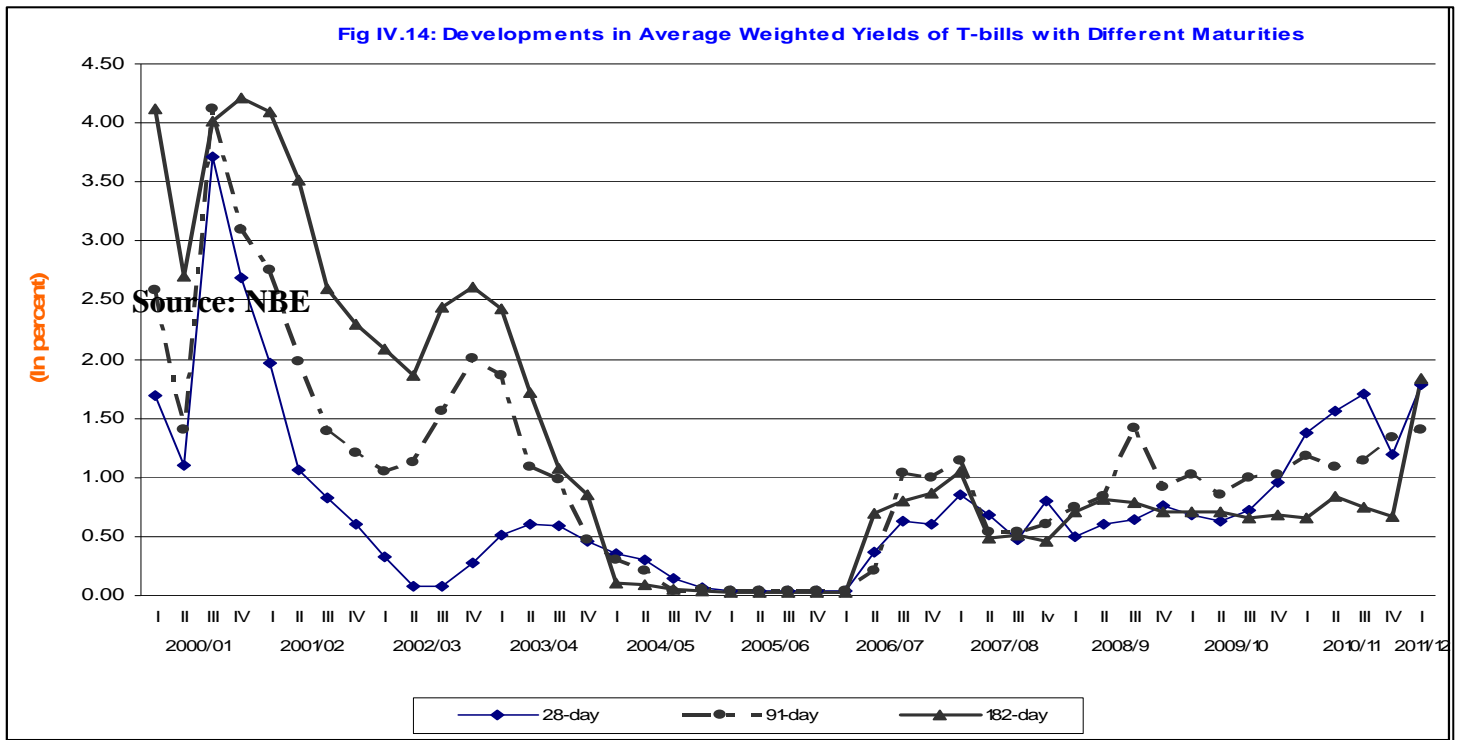
The average weighted yield at 1.674 percent surged by 76.3 and 76.0 percent over last year and preceding quarter, respectively (Table 4.14).

Table 4.14: Results of Treasury Bills Auction

Particulars	2010/11	2011/12		% Change	
	Qtr.I	Qtr.IV	Qtr.I	C/A	C/B
	A	B	C		
Number of Bidders	56	49	53	-5.36	8.16
Public	36	42	41	13.89	-2.38
Private	20	7	12	-40.00	71.43
Number of Bids Accepted	72	147	71	-1.39	-51.70
Public	44	46	48	9.09	4.35
Private	28	101	23	-17.86	-77.23
Amount Demanded (Mn.Birr)	14,436.80	14,905.62	20,701.36	43.39	38.88
28-day bill	7,990.00	8,680.00	11,940.0	49.44	37.56
91-day bill	5,226.80	6,028.36	6,541.4	25.15	8.51
182-day bill	1,220.00	197.26	2,220.0	81.97	1025.42
Amount Supplied (Mn.Birr)	15,401.36	25,508.24	27,366.90	77.69	7.29
28-day bill	8,480.00	13,475.90	11,640.0	37.26	-13.62
91-day bill	5,701.36	10,217.04	9,305.9	63.22	-8.92
182-day bill	1,220.00	1,815.30	6,421.0	426.31	253.72
Amount Sold (Mn.Birr)	13,736.80	14,130.62	18,201.36	32.50	28.81
Banks	6,985.44	2,475.00	5,010.0	-28.28	102.42
Non-Banks	6,751.36	11,655.62	13,191.4	95.39	13.18
Average Weighted Price for Successful Bids(Birr)	99.758	99.748	99.536	-0.223	-0.212
28-day bill	99.895	99.908	99.864	-0.03	-0.04
91-day bill	99.706	99.668	99.651	-0.06	-0.02
182-day bill	99.674	99.667	99.095	-0.58	-0.57
Average Weighted Yield for Successful Bids (%)	1.070	1.067	1.674	76.255	75.985
28-day bill	1.374	1.195	1.779	29.44	48.85
91-day bill	1.181	1.336	1.405	18.95	5.21
182-day bill	0.655	0.671	1.837	180.37	173.90
Outstanding bills at the end of Period (Mn.Br.)	8,847.04	12,338.06	10,796.62	22.04	-12.49
Banks	2,145.44	1,700.0	900.00	-58.05	-47.06
Non-Banks	6,701.60	10,638.1	9896.62	47.68	-6.97



Source: NBE



Source: NBE

4.7.2. Inter- Bank Money Market

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

4.7.3. Corporate Bond Market

The corporate bond market players in Ethiopia are few public institutions and regional governments, the main purchaser being Commercial Bank of Ethiopia (CBE).

During the quarter under review, CBE purchased corporate bonds worth Birr 3.9 billion, of which about 80.5 percent was issued by public enterprises and the rest by

regional governments

At the end of September 2011, the stock of corporate bonds held by the CBE stood at Birr 43.8 billion, of which 78.7 percent was claims on public enterprises (of which 74.6 percent was held by EEPCO) while the remaining balance was a claim on regional governments (Table 4.15).

Table 4.15: Corporate bonds by holders (In millions Birr).

National Bank of Ethiopia

Issuer of the Bond	2010/11						2011/12		
	QI			QIV			QI		
	NP	Red	O/S	NP	Red	O/S	NP	Red	O/S
1. Public Enterprises	1,800.0	0.0	22,494.6	2,800.0	4,318.6	31,400.0	3,100.0	0.0	34,500.0
EEPCO	1,600.0	0.0	18,200.0	2,600.0	0.0	29,600.0	3100.0	0.0	32,700.0
ETC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DBE	200.0	0.0	4,294.6	200.0	4,318.6	1,800.0	0.0	0.0	1800.0
2. Regional Governments	18.0	369.2	6,672.3	1,091.0	451.5	8,858.3	751.0	274.6	9,344.7
Oromia	0.0	44.0	1,588.2	164.0	25.6	2,004.2	0.0	10.9	1993.3
Amhara	0.0	57.8	1,152.4	169.0	31.4	1,393.1	0.0	0.0	1393.1
Tigray	0.0	37.0	659.6	85.0	15.0	774.0	40.0	26.7	787.4
SNNPRS	6.0	3.9	866.0	23.0	52.2	988.8	0.0	114.8	874.0
Dire Dawa	12.0	0.0	184.3	40.0	16.2	213.7	11.0	1.1	223.6
Harari	0.0	4.0	128.8	10.0	16.2	148.9	0.0	13.4	145.5
Addis Ababa	0.0	222.5	2,093.0	600.0	294.9	3,335.6	700.0	107.7	3927.9
3. Grand Total(1+2)	1,818.0	369.2	29,166.9	3,891.0	4,770.1	40,258.3	3,851.0	274.6	43,844.7

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