

## V. External Sector Developments

### 5.1 Balance of Payments

In the first quarter of 2013/14, the overall balance of payments registered USD 411.4 million deficit, which was

higher than USD 266.5 million deficit a year ago. This was attributed to a 7.1 percent increase in the import value of goods and a 9.6 percent decline in export.

**Table 5.1: Balance of Payments (In Millions of USD)**

S/N	Particulars	2012/13		2013/14		Percentage Change	
		QI	QIV	QI	C/A		C/B
		A	B	C			
1	<b>Exports, f.o.b.</b>	<b>698.1</b>	<b>847.9</b>	<b>631.1</b>	<b>-9.6</b>	<b>-25.6</b>	
	Coffee	199.3	231.1	137.3	-31.1	-40.6	
	Other				-1.0	-19.9	
2	<b>Imports</b>	<b>2,724.7</b>		<b>2,919.5</b>	<b>7.1</b>	<b>9.4</b>	
	Fuel	529.9			21.9	25.6	
	Cereals	97.8	129.7	54.8	-44.0	-57.7	
	Aircraft	0.7	1.8	7.2	928.6	300.0	
	Imports excl. fuel, cereals,	2,096.3	2,023.6	2,211.8	5.5	9.3	
3	<b>Trade Balance (1-2)</b>	<b>-2,026.6</b>	<b>-1,821.4</b>	<b>-2,288.4</b>	<b>12.9</b>	<b>25.6</b>	
4	<b>Services, net</b>	<b>140.6</b>	<b>148.4</b>	<b>225.5</b>	<b>60.4</b>	<b>51.9</b>	
	Non-factor services, net	157.5	188.7	253.6	61.0	34.4	
	Exports of non-factor	733.6	723.8	800.3	9.1	10.6	
	Imports of non-factor	576.1	535.1	546.7	-5.1	2.2	
	Income, net	-16.9	-40.3	-28.1	66.5	-30.2	
	O/w Gross official int.	18.6	44.4	28.9	55.2	-35.0	
	Dividend	-0.6	-0.1	-1.2	96.5	1,079.2	
5	<b>Private transfers, net</b>	<b>877.4</b>	<b>821.3</b>	<b>921.6</b>	<b>5.0</b>	<b>12.2</b>	
	o/w: Private Individuals		571.4	619.6	5.3	8.4	
6	<b>Current account balance</b>	<b>-1,008.6</b>	<b>-851.7</b>	<b>-1,141.4</b>	<b>13.2</b>	<b>34.0</b>	
7	<b>Official transfers, net</b>	<b>184.1</b>	<b>282.3</b>	<b>538.8</b>	<b>192.7</b>	<b>90.9</b>	
8	<b>Current account balance</b>	<b>-824.5</b>	<b>-569.4</b>	<b>-602.6</b>	<b>-26.9</b>	<b>5.8</b>	
9	<b>Capital account</b>	<b>415.8</b>	<b>771.0</b>	<b>538.7</b>	<b>29.6</b>	<b>-30.1</b>	
	Off. Long-term Cap., net	215.7	647.5	91.6	-57.5	-85.9	
	Disbursements	220.0	663.2	117.1	-46.8	-82.3	
	Amortization	4.4	15.7	25.5	486.2	62.0	
	Other pub. long-term cap.	-35.8	-19.4	208.2	-682.1	-1,170.8	
	Foreign Direct Investment(net)	252.6	266.3	276.3	9.4	3.7	
Short-term Capital	-16.7	-123.3	-37.4	124.1	-69.7		
10	<b>Errors and omissions</b>	<b>142.2</b>	<b>-304.3</b>	<b>-347.5</b>			
11	<b>Overall balance (8+9+10)</b>	<b>-266.5</b>	<b>-102.8</b>	<b>-411.4</b>			
12	<b>Financing</b>	<b>266.5</b>	<b>102.8</b>	<b>411.4</b>			
13	Reserves [Increase (-), Decrease (+)]	269.4	103.5	412.8			
14	Central Bank (NFA)	-132.1	286.3	78.7			
	Asset	-232.2	367.9	-100.8			
	Liabilities	100.1	-81.5	179.5			
15	Commercial banks (NFA)	401.5	-182.8	334.2			
16	Debt Relief	-2.9	-0.8	-1.4			
	Principal	2.5	0.6	1.2			
	Interest	0.4	0.1	0.2			

Source: NBE Staff Compilation

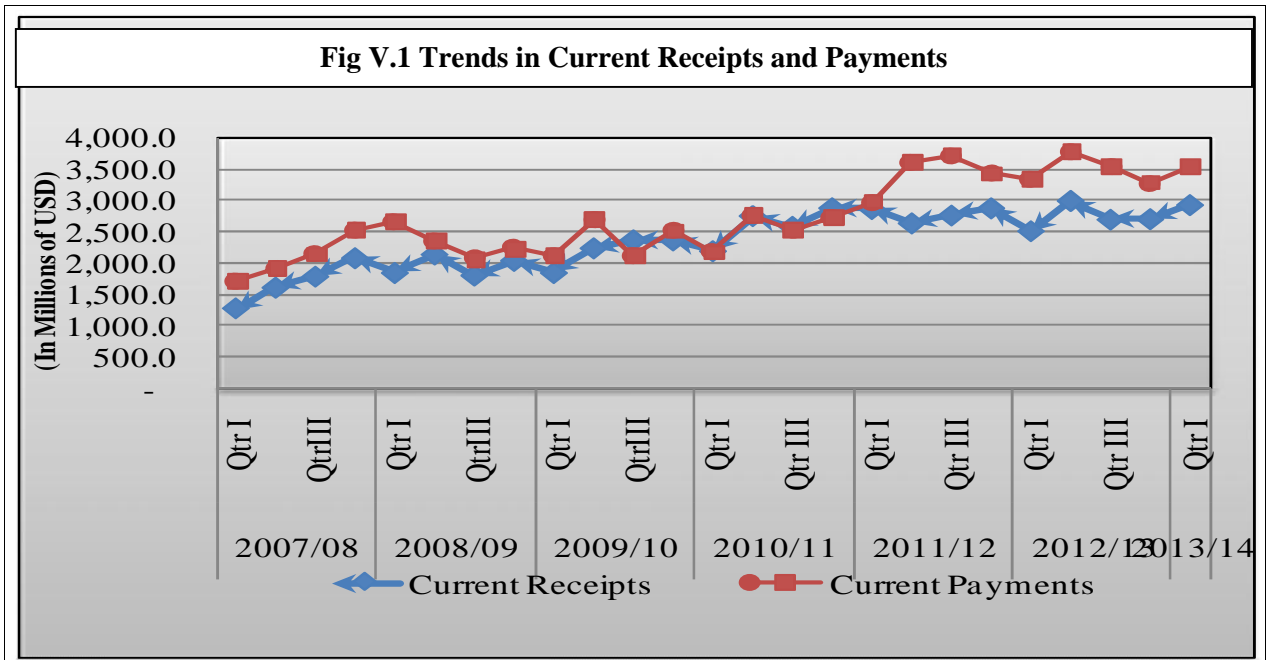
Total current foreign exchange receipts in the review quarter amounted to USD 2.9 billion, 16.6 percent higher than that of the same period last year. This was due to an increase in official transfers (203.4 percent), service proceeds (9 percent) and net private transfers (4.6 percent).

Meanwhile, total current foreign exchange payments increased by 5.8 percent and stood at USD 3.5 billion on account of higher payments (7.1 percent) for merchandise imports. Consequently, the current account (including official transfers) recorded USD 602.6 million net outflows, about 26.9 percent lower than the one registered a year ago (Table 5.2).

**Table 5.2 Current Receipts and Payments** (In millions of USD)

Particulars	2012/13		2013/14	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/A	C/B
	A	B	C		
<b>1. Current Receipts</b>	<b>2,510.6</b>	<b>2,701.4</b>	<b>2,926.6</b>	<b>16.6</b>	<b>8.3</b>
Export Proceeds	698.1	847.9	631.1	-9.6	-25.6
Service Proceeds	735.8	727.9	802.2	9.0	10.2
Private Transfers	891.9	841.7	932.6	4.6	10.8
Public Transfer	184.8	283.9	560.6	203.4	97.5
<b>2. Current Payments</b>	<b>3,335.0</b>	<b>3,270.9</b>	<b>3,529.2</b>	<b>5.8</b>	<b>7.9</b>
Import Payments	2,724.7	2,669.3	2,919.5	7.1	9.4
Service Payments	595.2	579.5	576.8	-3.1	-0.5
Private Transfers	14.4	20.4	11.1	-23.1	-45.8
Public Transfer	0.7	1.6	21.9	2883.7	1248.3
<b>3. Net(1-2)</b>	<b>-824.4</b>	<b>-569.5</b>	<b>-602.6</b>	<b>-26.9</b>	<b>5.8</b>

**Source:** Staff Compilation

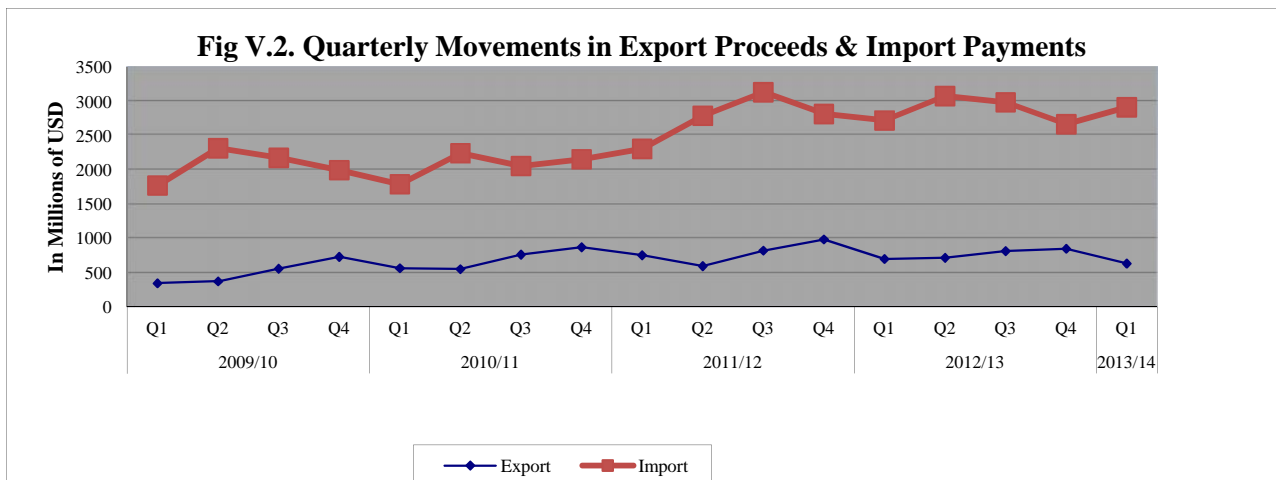


Source: NBE Staff Compilation

## 5.2 Merchandise Trade

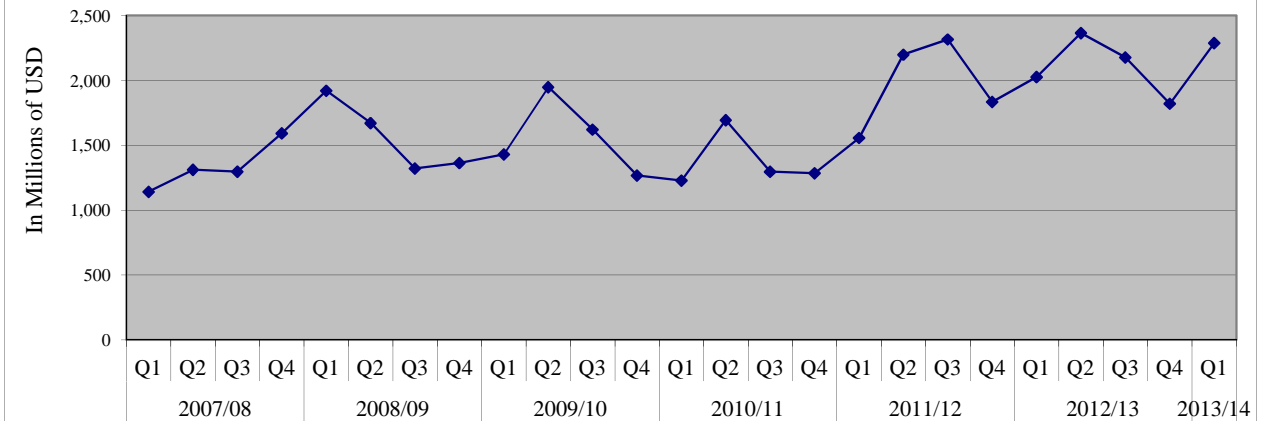
The merchandise trade deficit in the first quarter of 2013/14 amounted to Birr 2.3 billion, which was 25.6 percent and 12.9 percent higher than that of the preceding quarter and the same period last year, respectively. The deterioration in

merchandise trade balance was the result of both an increase in total import and a reduction in total export during the period.



Source: Ethiopian Revenue and Customs Authority

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



**Source:** NBE Staff Compilation

### 5.2.1 Exports

Total merchandise exports declined by 25.6 percent on quarterly and 9.6 percent on annual basis, and reached USD 631.1 million. The quarter-on-quarter decline was attributed to the fall in the export earnings from coffee (40.6 percent), gold (48.7 percent), oilseeds (39.5 percent), pulses (24.4 percent), flower (23.5 percent), leather & leather products (4.1 percent) and fruits & vegetables (11.2 percent). The decline in these export earnings in turn was the result of lower volume, prices or both.

The global coffee price continued to show no sign of recovery. The International Coffee Organization (October 2013) report indicated that the

monthly average ICO composite indicator price now stands at its lowest level since March 2009. This has adversely affected Ethiopia's coffee export. As a result, the value of coffee export in the first quarter of 2013/14 went down to USD 137.3 million from USD 199.3 million a year ago.

During the review quarter, the unit value of coffee fell by 19 percent on annual and 1.1 percent on quarterly basis. As a result of the gloomy global coffee market condition, the volume of coffee export in the review period reduced drastically by 39.9 percent and 15 percent vis-à-vis the previous quarter and last year the same quarter, respectively. The share of coffee in the

total export earnings declined to 21.8 percent from 28.6 percent in the first quarter last year and 27.3 percent in the preceding quarter.

Receipts from the export of gold also declined in 41.1 percent and 48.7 percent during the same period.

This annual fall in earnings from gold was, by and large, attributed to a 24.2 percent decline in volume of export and 50.5 percent drop in prices. Consequently, the share of revenue from gold in total export proceeds went down to 12.4 percent from 19 percent last year same quarter.

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

Particulars	2012/13		2013/14				Percentage Change	
	Qtr I		Qtr IV		Qtr I		C/A	C/B
	A	% share	B	% share	C	% share		
Coffee	199.3	28.6	231.1	27.3	137.3	21.8	-31.1	-40.6
Oilseeds	61.5	8.8	120.8	14.2	73.0	11.6	18.8	-39.5
Leather & Leather products	24.7	3.5	33.3	3.9	32.0	5.1	29.3	-4.1
Pulses	48.1	6.9	62.7	7.4	47.4	7.5	-1.3	-24.4
Meat & Meat Products	20.5	2.9	19.1	2.3	20.1	3.2	-1.9	5.1
Fruits & Vegetables	10.1	1.5	11.1	1.3	9.9	1.6	-2.7	-11.2
Live Animals	49.01	7.0	35.7	4.2	63.76	10.1	30.1	78.8
Chat	69.51	10.0	72.0	8.5	76.14	12.1	9.5	5.8
Gold	132.7	19.0	152.3	18.0	78.20	12.4	-41.1	-48.7
Flower	37.2	5.3	51.6	6.1	39.44	6.2	6.0	-23.5
Others	45.5	6.5	58.2	6.9	53.8	8.5	18.4	-7.5
<b>Total</b>	<b>698.1</b>	<b>100.0</b>	<b>847.9</b>	<b>100.0</b>	<b>631.1</b>	<b>100.0</b>	<b>-9.6</b>	<b>-25.6</b>

**Source:** Ethiopian Revenue and Customs Authority

On the other hand, export revenue from oilseeds increased by 18.8 percent relative to last year same period on account of a 28.1 percent rise in the international price despite a 7.3 percent fall in export volume. With respect to the preceding quarter, however, the export proceeds from oilseeds showed a noticeable drop of 39.5 percent solely due to a 39.9 percent decrease in the

volume of export. Consequently, the share of oilseeds in the total export receipts went down to 11.6 percent from 14.2 percent in the preceding quarter, but higher than the 8.8 percent last year.

Similarly, earnings from export of pulses went down by 1.3 percent on annual and 24.4 percent quarterly basis. In comparing with last year same quarter,

earnings from pulses dropped despite a 6.8 percent rise in volume of export owing to a 7.6 percent decline in international prices. On the other hand, the receipt from flower exports surged by 6 percent on annual terms as a result of a rise in both volume (4.5 percent) and international price (1.5 percent). Consequently, the share of flower in total export revenue rose to 6.2 percent from 5.3 percent a year ago.

Year-on-year earnings from export of leather & leather products rose by 29.3 percent solely owing to a 34.5 percent rise in volume of export there by raising the share of leather and leather products in total exports to 5.1 percent from 3.5 percent last year same period.

On the other hand, earnings from export of fruits and vegetables went down by

2.7 percent with respect to a year ago and reached USD 9.9 million. The slowdown in revenue from this source was attributed to lower volume and international prices.

Meanwhile, the export revenue from chat rose by 9.5 percent on quarter-on-quarter basis and stood at USD 76.1 million owing to an increase in both the volume of exports (9.4 percent) and international price (20.7 percent).

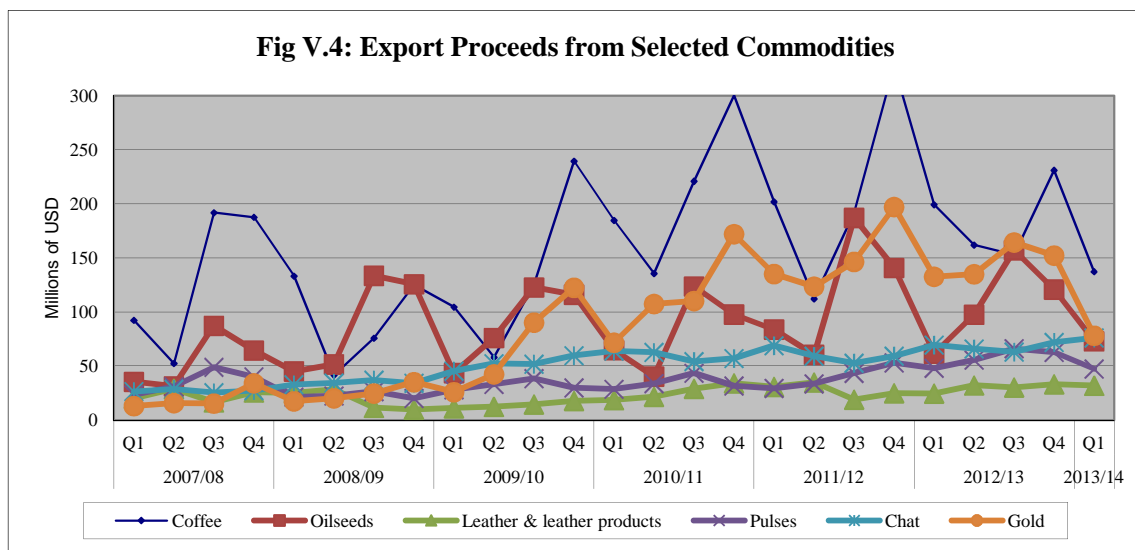
The receipts from chat exports accounted for 12.1 percent of the total merchandise export compared to 10 percent last year same period.

Despite a 8.4 percent improvement in price, export revenue from meat & meat products declined by 1.9 percent vis-à-vis the previous year same quarter owing to a 9.4 percent decline in volume.

**Table 5.4: Volume of Major Export Items (In millions of kg)**

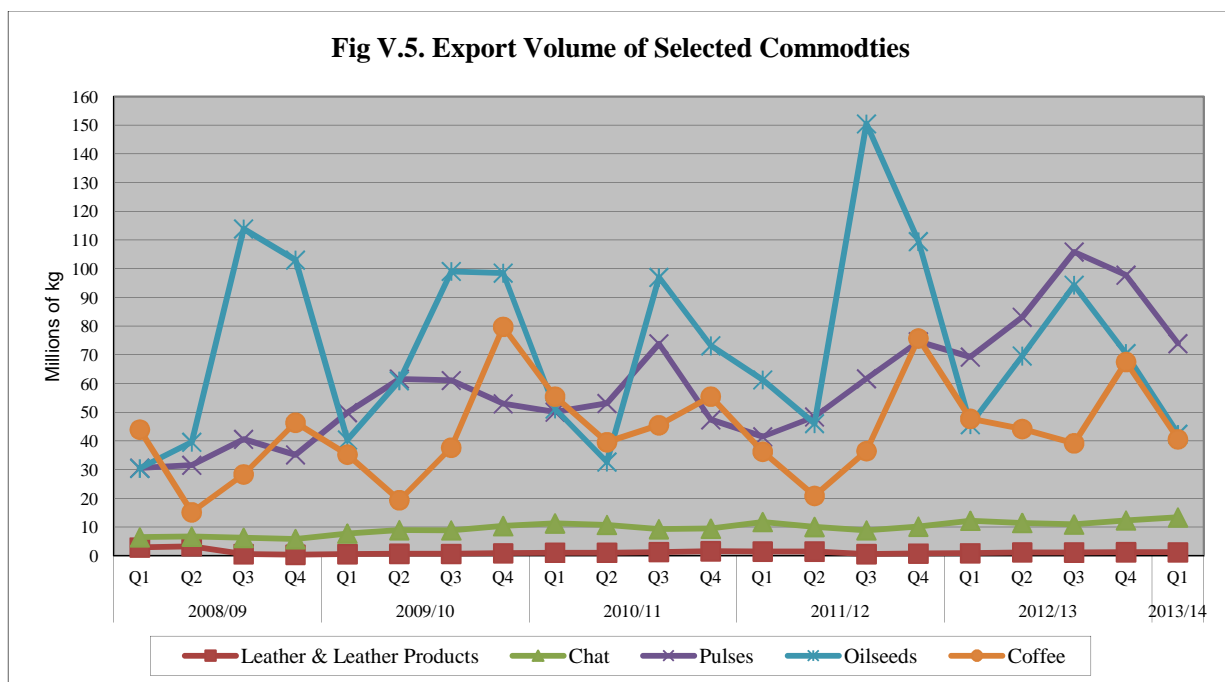
Particulars	2012/13		2013/14		Percentage Change	
	Qtr I		Qtr IV	Qtr I	C/A*100-100	C/B*100-100
	A	B	C			
Coffee	47.76	67.55	40.6	-14.97	-39.88	
Oilseeds	45.7	70.5	42.4	-7.3	-39.9	
Leather and Leather products	0.9	1.26	1.23	34.5	-2.1	
Pulses	69.3	97.8	73.9	6.8	-24.4	
Meat & Meat Products	4.38	3.8	4.0	-9.4	4.4	
Fruits & Vegetables	34.5	34.9	34.0	-1.4	-2.6	
Live Animals	31.2	19.4	36.2	15.9	87.0	
Chat	12.3	12.4	13.4	9.4	8.3	
Gold	0.0025	0.0038	0.0019	-24.2	-50.5	
Flower	8.7	12.1	9.1	4.5	-24.6	

**Source:** Ethiopian Revenue and Customs Authority



**Source:** Ethiopian Revenue and Customs Authority

**Fig V.5. Export Volume of Selected Commodities**



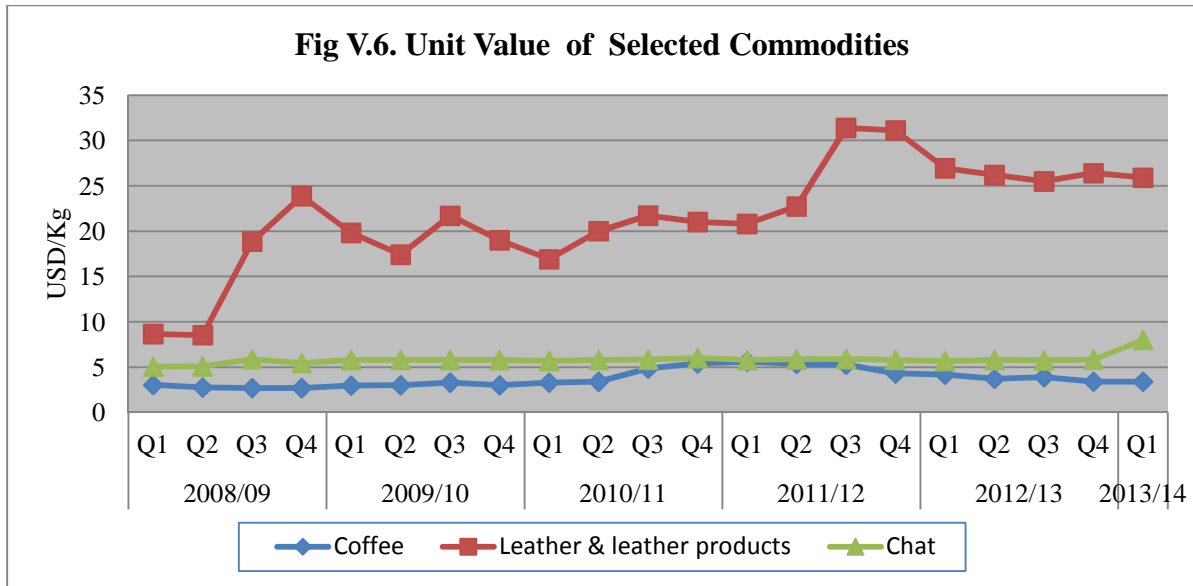
**Source:** Ethiopian Revenue and Customs Authority

**Table 5.5 Unit value of Major Export Items (In USD/kg)**

Particulars	2012/13		2013/14	Percentage Change	
	Qtr I	Qtr IV	Qtr I		
	A	B	C	C/A*100-100	C/B*100-100
Coffee	4.2	3.4	3.4	-19.0	-1.1
Oilseeds	1.345	1.71	1.723	28.1	0.6
Leather and Leather products	26.9	26.4	25.9	-3.8	-2.0
Pulses	0.694	0.641	0.641	-7.6	0.034
Meat & Meat Products	4.7	5.0	5.1	8.4	0.7
Fruits & Vegetables	0.29	0.32	0.29	-1.28	-8.9
Live Animals	1.57	1.84	1.8	12.3	-4.4
Chat	6.6	7.4	8.0	20.7	8.3
Gold	53.5	40.1	41.6	-22.3	3.7
Flower	4.26	4.26	4.32	1.5	1.5

**Source:** NBE Staff Compilation





**Source:** NBE Staff Compilation

### 5.2.2 Imports

The total merchandise import during the first quarter of 2013/14 stood at USD 2.9 billion about 7.1 percent higher than last year mainly due to the rise in the value of import of consumer goods (5.2 percent), fuel (21.9 percent) and semi-finished goods (13.7 percent). The growth in import value of consumer

goods was attributed to higher import value of durable consumer goods (29.1 percent). In contrast, import value of capital goods declined by 4.3 percent followed by non-durable consumer goods (5.1 percent), industrial goods (16 percent), raw materials (14.6 percent) and fertilizer (26.1 percent).

**Table 5.6 Values of Major Import Items** (In millions of USD)

Particulars	2012/13		2013/14				Percentage Changes	
	Quarter I	% share	Quarter IV	% share	Quarter I	% share		
	A		B		C		C/A	C/B
<b>Raw Materials</b>	<b>45.5</b>	<b>1.7</b>	<b>33.7</b>	<b>1.26</b>	<b>38.9</b>	<b>1.33</b>	<b>-14.6</b>	<b>15.4</b>
<b>Semi-finished Goods</b>	<b>380.3</b>	<b>14.0</b>	<b>395.5</b>	<b>14.82</b>	<b>432.5</b>	<b>14.81</b>	<b>13.7</b>	<b>9.4</b>
Fertilizers	11.1	0.4	71.0	2.7	8.2	0.3	-26.1	-88.4
<b>Fuel</b>	<b>529.9</b>	<b>19.4</b>	<b>514.2</b>	<b>19.3</b>	<b>645.7</b>	<b>22.1</b>	<b>21.9</b>	<b>25.6</b>
Petroleum Products	516.0	18.9	500.1	18.7	639.0	21.9	23.8	27.8
Others	13.9	0.5	14.1	0.5	6.7	0.2	-51.6	-52.4
<b>Capital Goods</b>	<b>831.7</b>	<b>30.5</b>	<b>841.8</b>	<b>31.5</b>	<b>795.7</b>	<b>27.3</b>	<b>-4.3</b>	<b>-5.5</b>
Transport	194.9	7.2	232.6	8.7	242.8	8.3	24.6	4.3
Agricultural	48.1	1.8	18.9	0.7	58.5	2.0	21.8	209.5
Industrial	588.7	21.6	590.2	22.1	494.4	16.9	-16.0	-16.2
<b>Consumer Goods</b>	<b>859.9</b>	<b>31.6</b>	<b>799.2</b>	<b>29.9</b>	<b>904.6</b>	<b>31.0</b>	<b>5.2</b>	<b>13.2</b>
Durables	259.9	9.5	281.9	10.6	335.6	11.5	29.1	19.0
Non-durables	599.9	22.0	517.3	19.4	569.1	19.5	-5.1	10.0
Miscellaneous	77.4	2.8	84.9	3.2	102.1	3.5	31.9	20.2
<b>Total Imports</b>	<b>2,724.7</b>	<b>100.0</b>	<b>2,669.3</b>	<b>100.0</b>	<b>2,919.5</b>	<b>100.0</b>	<b>7.1</b>	<b>9.4</b>

**Source:** Ethiopian Revenue and Customs Authority

Import of capital goods in the review period went down by 4.3 percent vis-à-vis the same period last year owing to lower imports of industrial goods (16 percent) which offset the rise in imports of transport (24.6 percent) and agricultural capital goods (21.8 percent).

Meanwhile, in spite of a 26.1 percent and 88.4 percent fall in import of fertilizer, imports of semi-finished goods increased by 13.7 and 9.4 percent in relation to last year same period and the preceding quarter, respectively.

Meanwhile, the fuel import bill surged by 21.9 percent vis-à-vis last year to reach USD 645.7 million.

Similarly, import of fuel increased by 25.6 percent compared to the preceding quarter.

Imports of raw materials, however, shrunk by 14.6 percent over the same period last year, but went up by 15.4 percent compared to the preceding quarter.

On the other hand, import bills for consumer goods rose by 5.2 percent quarter-on-quarter basis due to higher imports of durable goods (29.1 percent). Meanwhile, imports of consumer goods showed a 13.2 percent increment over the preceding quarter on account of both

the rise in imports of durable goods (19 percent) and non-durable goods (10 percent). Consequently, the share of consumer goods in total imports fell to 31 percent from 31.6 percent the same period last year.

Total franco-valuta imports increased by 22 percent but decreased by 3.5 percent compared to last year same period and the preceding quarter, respectively, and stood at USD 519.5 million.

**Table 5.7: Values of Franco-valuta Imports** (In millions of USD)

Commodity Group	2012/13		2013/14		Percentage Changes	
	Qtr I	Qtr IV	Qtr I	D/A		
	A	B	D	D/A	D/B	
Beverages	0.54	0.15	0.3	-53.0	74.8	
Chemicals	0.57	1.11	2.4	319.3	117.0	
Clothing	2.25	9.27	20.5	808.0	120.7	
Food and Live Animals	60.85	40.87	17.3	-71.6	-57.7	
Textiles	0.55	1.59	2.1	279.1	31.2	
Tobacco	0.004	0.003	0.01	75.5	131.0	
Soap & Polish	0.12	0.58	0.4	225.1	-33.8	
Fertilizer	1.63	2.44	1.4	-15.1	-43.2	
Paper & Paper Manufacturing.	0.75	0.63	0.9	15.2	35.8	
Metal & Metal Manufacturing.	36.58	53.41	57.7	57.7	8.0	
Med. & Pharm. Prod	69.34	58.78	93.3	34.5	58.7	
Rubber Prod.	10.10	11.23	10.6	4.6	-6.0	
Petroleum Product	0.091	0.034	0.12	37.0	262.5	
Glass & Glass Ware	0.24	0.14	0.4	72.0	189.5	
Electrical Material	12.15	14.47	15.6	28.5	7.9	
Machine	84.33	181.79	95.8	13.6	-47.3	
Air Craft	0.71	0.34	7.2	911.7	2011.0	
Road & Motor Vehicles	38.72	58.00	69.0	78.2	18.9	
Tele Apparatus	0.04728	0.07358	0.45	849.9	510.4	
Cement	9.94	0.57	0.10	-99.0	-82.0	
Others	96.44	103.04	124.1	28.7	20.4	
<b>Total</b>	<b>426.0</b>	<b>538.5</b>	<b>519.5</b>	<b>22.0</b>	<b>-3.5</b>	

Source: Ethiopian Revenues and Customs Authority

*\*In this quarter data on francovaluta is obtained from ERCA not NBE*

## 5.2.3 Direction of Trade

### 5.2.3.1 Exports

In the review period, Ethiopia's major export destinations were Europe followed by Asia and Africa. Europe, accounting for 37.8 percent of the total export earnings, continued to be the main outlet for Ethiopian export commodities. Switzerland, with a 33 percent share in total earnings from

Europe, mainly from gold export, is followed by Germany, 18.3 percent, which mainly imported coffee, textile & garments.

The Netherlands accounted for 14.6 percent of the total export earnings with the main export items being flower and coffee. United Kingdom is the fourth largest market mainly for Ethiopian coffee, vegetables, pulses and leather & leather products. Turkey, taking up 5.8

percent share in total export earnings from Europe, mainly imported coffee, oilseeds and pulses. Belgium with a 5.7 percent share largely imported coffee.

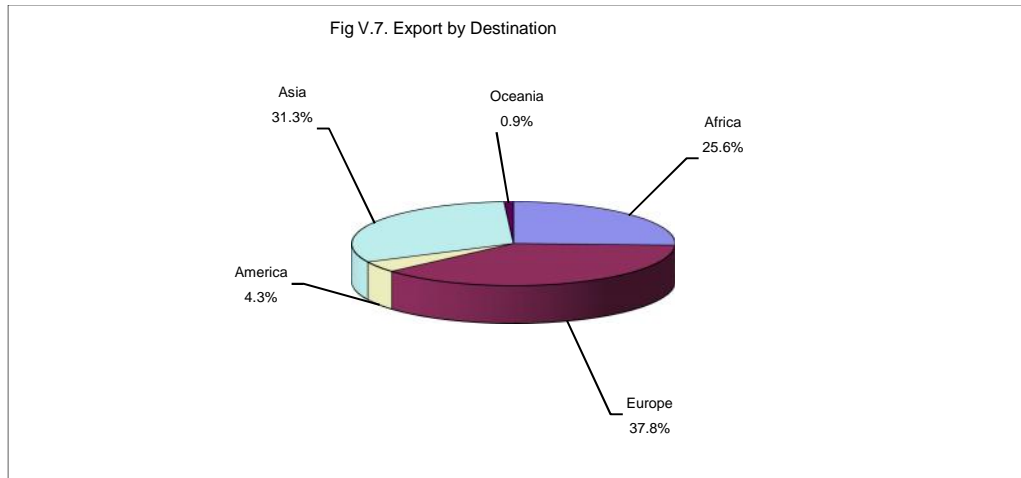
Asia constituted 31.3 percent of Ethiopia's total exports with China taking up 29.4 percent, followed by Saudi Arabia (17.2 percent), United Arab Emirates (8.6 percent), Japan (7.6 percent), Israel (6.1 percent), Yemen (5.8 percent), Pakistan (4.8 percent) and Hong Kong (4.3 percent). Altogether, these countries accounted for 90.9 percent of Ethiopia's total export earnings from Asia.

The main exports shipped to China were oilseeds, leather & leather products, mineral products and textile & garments. Coffee, meat & meat products flower and live animals were exported to Saudi Arabia. The principal exports to United Arab Emirates were meat and meat products, coffee, pulses and live animals. Coffee and oilseeds constituted the major export items sold to Japan while

oilseeds, cereals and coffee were the main exports to Israel. Ethiopia also export live animals, pulse and oilseeds to Yemen, pulses to Pakistan and leather & leather products, meat & meat products to Honk Kong.

In the meantime, about 25.6 percent of Ethiopia's export earnings were generated from markets in Africa, mainly Somalia (60.9 percent), Djibouti (12.3 percent), Sudan (10.9 percent) and Egypt (8.5 percent) which altogether accounted for 92.7 percent of the total exports to Africa. The main export items to Somalia and Djibouti were vegetables and live animals while pulses, coffee and spice were exported to Sudan. Live animals, pulses and oilseeds are the principal exports to Egypt.

America generated 4.3 percent of Ethiopia's total export earnings during the first quarter of 2013/14, of which 91.9 percent was from the United States, the major exports being coffee, oilseeds, and leather & leather products.



**Source:** Ethiopian Revenue and Customs Authority

### 5.2.3.2 Imports

Most of Ethiopia's merchandise import during the first quarter of 2013/14 was from Asian countries which accounted for about 74 percent of the total import bill. Of this, China shares 30.4 percent, Saudi Arabia 14.9 percent, India 11.8 percent, Kuwait 8.1 percent, Japan 6.7 percent, United Arab Emirates 5.3 percent and Indonesia 4.1 percent. Altogether these countries accounted for about 90.3 percent of Ethiopia's total imports from Asia.

The major imports from China were road and motor vehicles, metal and metal manufacturing, electrical materials, machines & aircraft, rubber production and textile.

Petroleum was the main import items from Saudi Arabia and Kuwait. Imports from India included metal & metal manufacturing, grain, medical & pharmaceutical products, and machines and aircrafts. Road and motor vehicles, machine & aircraft and rubber were imported from Japan. Imports from United Arab Emirates (UAE) constituted petroleum products, machines and aircraft, and road and motor vehicles. Indonesia mainly exported paper & paper manufacturing, soap & polish and electric materials.

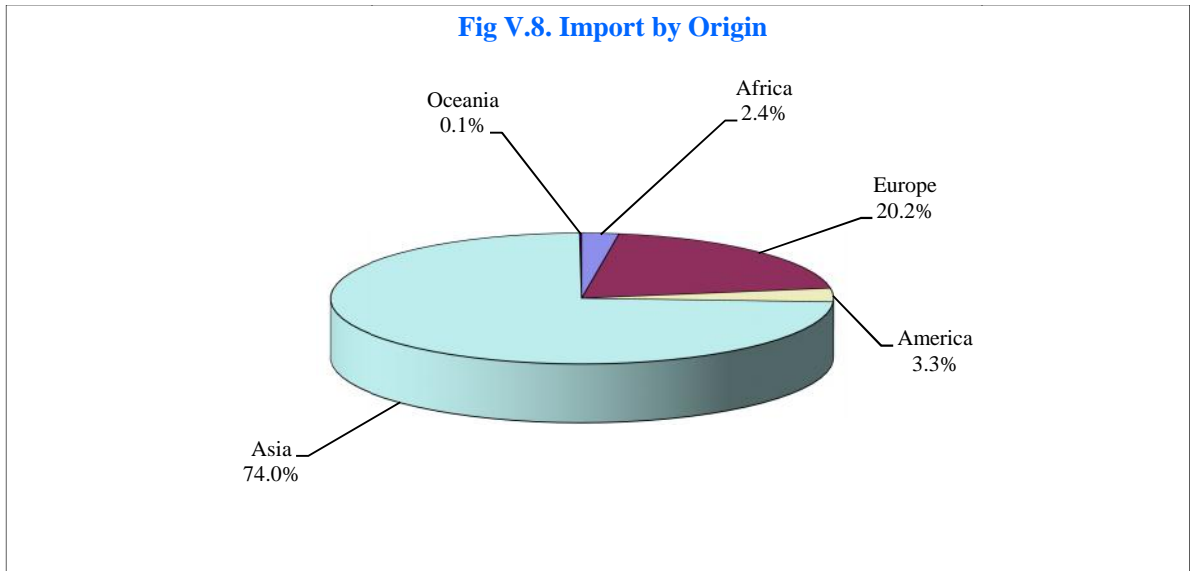
Imports from European countries accounted for 20.2 percent of Ethiopian's total import bill with Turkey having a 20.9 percent share followed by Italy (20 percent), Germany (9.6

percent), the Netherlands (8.9 percent), Ukraine (8.1 percent) and France (5 percent). The primary imports from Turkey include metal & metal manufacturing, machine & air craft and electrical materials. Machinery & aircraft, road and motor vehicles, metal & metal manufacturing and electrical material were from Italy and Germany. Medical & pharmaceutical products, food & live animal and machine & aircraft were imported from the Netherlands. The major import from Ukraine was metal & metal manufacturing. Imports from France included food & live animals, medical & pharmaceutical products, metal & metal manufacturing, electrical materials and road & motor vehicles.

Imports from Africa comprised about 2.4 percent of the total merchandise import bill with Egypt (40.7 percent), being the major exporter followed by South Africa (32.8 percent), Kenya (14.4 percent) and Sudan (3.9 percent) which jointly

accounting for 91.7 percent of imports from Africa. Metal & metal products, petroleum products, paper & paper manufacturing, electrical materials rubber and clothing were the primary imports from Egypt. Road & motor vehicles, machine & aircraft and medical & pharmaceutical products were imported from South Africa. The major imports from Kenya were soap & polish, metal & metal manufacturing, medical & pharmaceuticals products, chemical, paper & paper manufacturing, machine & aircrafts.

Imports from America accounted for 3.3 percent of Ethiopian's total import bill, of which 76.6 percent was from the United States and 17.6 percent from Brazil. Machinery & aircraft, road & motor vehicles, electrical materials and food & live animals were the major imports from USA while machinery & aircraft, road & motor vehicles, tobacco and grain originated from Canada.

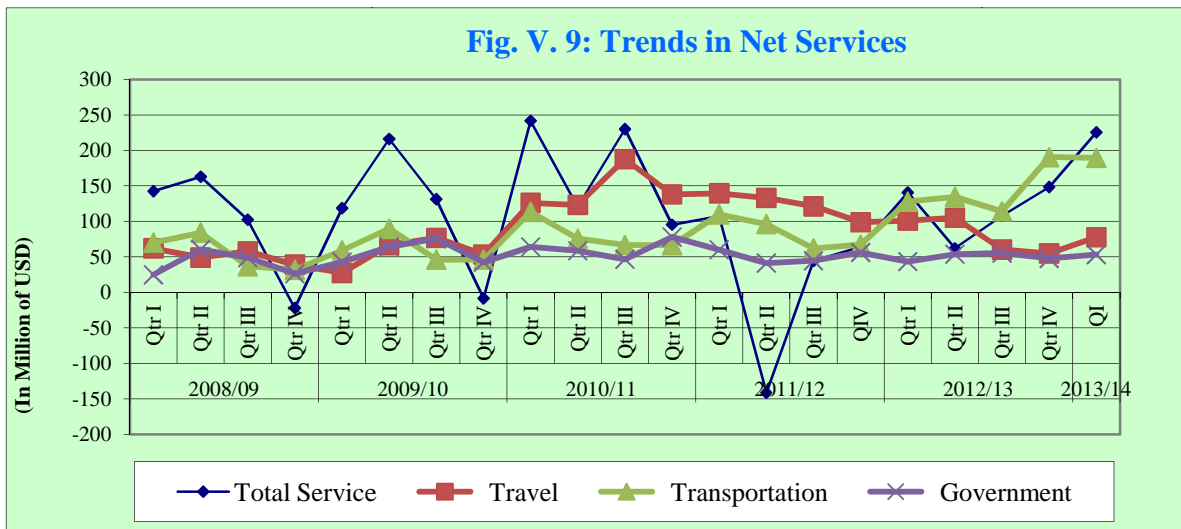


**Source:** Ethiopian Revenue and Customs Authority

### 5.3. Services and Transfers

The net receipt from services trade stood at USD 225.5 million, up from USD 140.6 million last year same period. This was attributed to the rise in net transport services (48.2 percent), government

services (22.4 percent) and slowdown in net payments to other services (42.1 percent), mainly construction service (80.1 percent).



**Source:** NBE Staff Compilation

**Table 5.8: Developments in Services Accounts** (In Millions of USD)

S/N	Particulars	2012/13		2013/14	Percentage Change	
		QI	QIV	QI		
		A	B	C	C/A	C/B
<b>1</b>	<b>Investment Income (2+5)</b>	<b>-16.9</b>	<b>-40.3</b>	<b>-28.1</b>	<b>66.5</b>	<b>-30.2</b>
2	Interest, net (3-4)	-16.3	-40.2	-27.0	65.4	-32.9
3	Credit	2.3	4.2	1.9	-16.7	-54.4
4	Debit	18.6	44.4	28.9	55.2	-35.0
5	Dividend, net	-0.6	-0.1	-1.2	96.5	1079.2
<b>6</b>	<b>Other Services, net (7-12)</b>	<b>157.5</b>	<b>188.7</b>	<b>253.6</b>	<b>61.0</b>	<b>34.4</b>
7	Exports of non-factor services	733.6	723.8	800.3	9.1	10.6
8	Travel	145.2	107.0	140.3	-3.4	31.1
9	Transport	43.4	47.9	53.1	20.5	11.2
10	Gov't	78.3	63.2	44.6	22.5	10.9
11	Other	576.1	535.1	546.7	-43.0	-29.4
12	Imports of non-factor services	44.2	52.2	62.8	-5.1	2.2
13	Travel	338.9	315.1	372.9	42.0	20.2
14	Transport	193.0	167.7	111.1	10.0	18.3
15	Gov't	0.1	0.03	-	-	-73.1
16	Other	114.7	-104.5	-66.4	-42.5	-33.8
<b>17</b>	<b>Net Services (18+19+20+21+22)</b>	<b>140.6</b>	<b>148.4</b>	<b>225.5</b>	<b>60.4</b>	<b>51.9</b>
18	Travel (8 - 13)	101.0	54.8	77.6	-23.2	41.5
19	Transport (9 - 14)	127.8	190.6	189.4	48.2	-0.6
20	Gov't (10 - 15)	43.4	47.8	53.1	22.4	11.1
21	Other (11 - 16)	-114.7	-104.5	-66.4	-42.1	-36.4
22	Investment Income (2+5)	-16.9	-40.3	-28.1	66.5	-30.2

**Source:** MoFED, Transport and Telecommunication Companies, NBE- FEMRMD and Staff Compilation

During the review period, total net transfer receipts shown increment by 37.6 percent relative to last year same period. Net transfers stood at USD 1.5 billion as net official and private transfers increased by 192.7 percent and 5 percent, respectively.

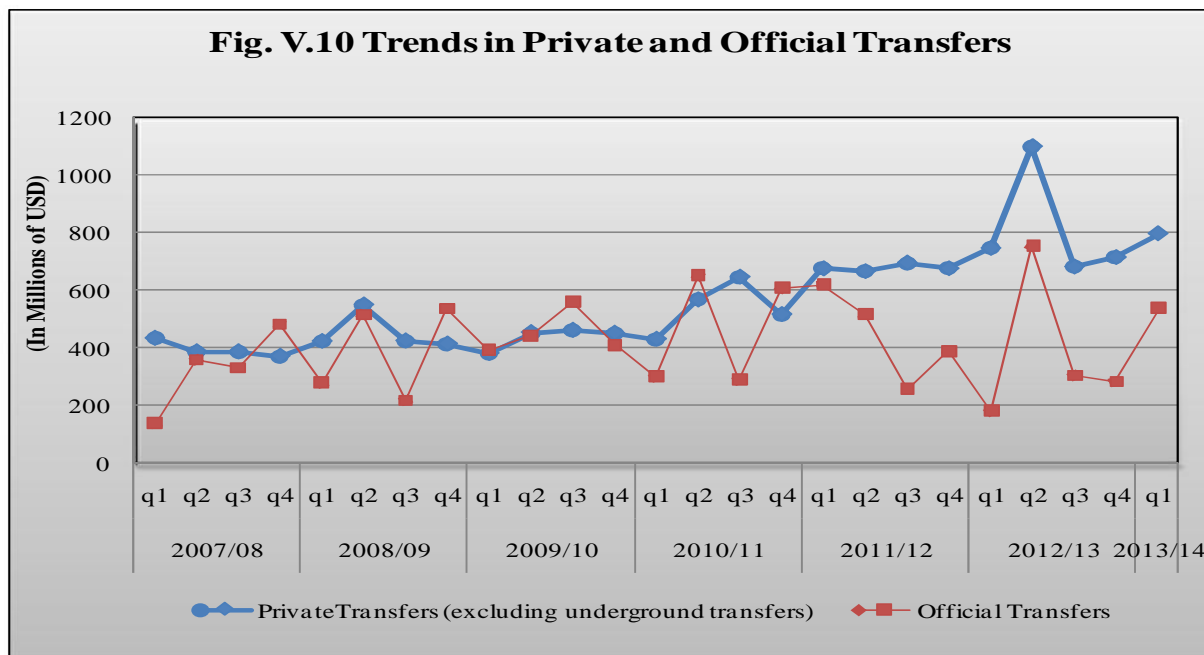
Net private transfers reached USD 921.6 million owing to the 12.8 percent and 11.7 percent rise in cash remittances from private individuals and NGO's, respectively.



**Table 5.9: Developments in Transfer Accounts** (In Millions of USD)

S/N	Particulars	2012/13				2013/14		Percentage Change	
		Q I	% share	Q IV	% share	Q I	% share	C/A	C/B
		A		B		C			
1	<b>Private Transfers (net)</b> (2-11)	<b>877.5</b>	<b>82.7</b>	<b>821.3</b>	<b>74.4</b>	<b>921.6</b>	<b>63.1</b>	<b>5.0</b>	<b>12.2</b>
2	Credit (3+7)	891.9	82.8	841.7	74.8	932.6	62.5	4.6	10.8
3	<b>NGO's</b>	<b>303.6</b>	<b>28.2</b>	<b>270.3</b>	<b>24.0</b>	<b>313.1</b>	<b>21.0</b>	<b>3.1</b>	<b>15.8</b>
4	Cash	270.7	25.1	238.0	21.1	305.5	20.5	12.8	28.3
5	Other	0.0	0.0	0.0	0.0	0.0	0.0		
6	Food	32.9	3.1	32.3	2.9	7.6	0.5	<b>-76.9</b>	<b>-76.4</b>
7	<b>Private individuals</b>	<b>588.2</b>	<b>54.6</b>	<b>571.4</b>	<b>50.8</b>	<b>619.6</b>	<b>41.5</b>	<b>5.3</b>	<b>8.4</b>
8	Cash	444.7	41.3	464.7	41.3	496.8	33.3	11.7	6.9
9	In kind	14.4	1.3	1.5	0.1	0.3	0.0	-97.7	-77.8
10	Underground	129.1	12.0	105.2	9.3	122.4	8.2	-5.2	16.3
11	Debit	-14.4	95.2	-20.4	92.6	-11.1	33.6	-23.1	-45.8
12	<b>Official Transfers (net)</b> (13-17)	<b>184.1</b>	<b>17.3</b>	<b>282.3</b>	<b>25.6</b>	<b>538.8</b>	<b>36.9</b>	<b>192.7</b>	<b>90.9</b>
13	Credit (14+15+16)	184.8	17.2	283.9	25.2	560.6	37.5	203.4	97.5
14	Cash	184.8	17.2	283.9	25.2	560.6	37.5	203.4	97.5
15	Other	0.0	0.0	0.0	0.0	0.0	0.0		
16	Food	0.0	0.0	0.0	0.0	0.0	0.0		
17	Debit	-0.7	4.8	-1.6	7.4	-21.9	66.4	2883.7	1248.3
18	Total Receipts (2+13)	1,076.7	101.4	1,125.6	102.0	1,493.3	102.3	38.7	32.7
19	Total Payments (11+17)	-15.1	-1.4	-22.0	-2.0	-32.9	-2.3	117.8	49.4
20	<b>Net Transfers (18+19)</b>	<b>1,061.6</b>	<b>100.0</b>	<b>1,103.5</b>	<b>100.0</b>	<b>1,460.4</b>	<b>100.0</b>	<b>37.6</b>	<b>32.3</b>

**Source:** Staff Computation



Source: NBE Staff Compilation

### 5.4. Current Account

The current account balance (including official transfers) registered USD 602.6 million in deficit during the first quarter of 2013/14, which was lower than USD 824.5 billion deficit recorded a year ago. The improvement in the current account was attributed to the rise in net services (60.4 percent), private transfers (5 percent) and official transfers (192.7 percent).

### 5.5. Capital account

In the review period, the capital account recorded USD 538.7 million in surplus,

about 29.6 percent higher than that of last year same period due to the higher foreign direct investment (9.4 percent) and other public long-term capital.

### 5.6. Changes in Reserve Position

During the review period, the significant widening of the trade deficit resulted in the overall balance of payments deficit of USD 411.4 million. Consequently, net foreign assets of the banking system showed USD 412.8 million drawdown in reserves and the gross reserve as at September 30, 2013 was sufficient to cover 1.8 months of import.

## **5.7 Developments in the Foreign Exchange Market**

### **5.7.1 Exchange Rate Movements**

During the first quarter of 2013/14, the average official exchange rate of the Birr in the interbank foreign exchange market depreciated by 4.9 percent and 1.1 percent compared to last year same period and the preceding quarter, respectively, to reach Birr 18.7384/USD.

Likewise, the parallel market exchange rate at Birr 19.7633/USD depreciated by 7.2 percent relative to a year ago

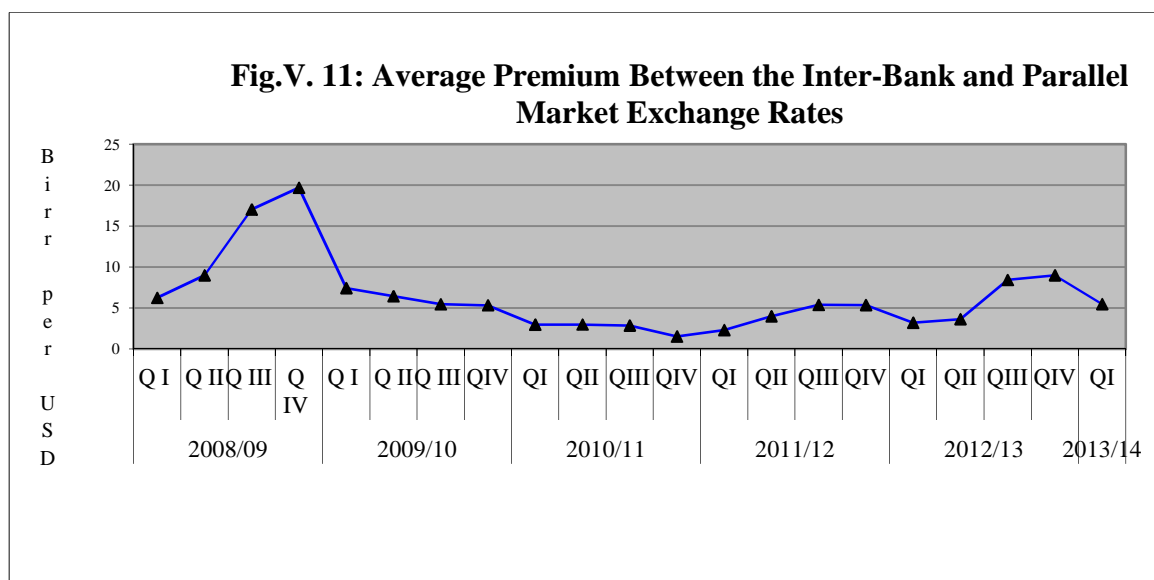
and appreciated by 2.2 percent over the preceding quarter.

Consequently, the premium between the official and parallel market rates in widened to 5.5 percent from 3.2 percent in same quarter last year but narrowed compared to 9 percent in the previous quarter (Table 5.10).

**Table 5.10: Developments in Inter-bank and Parallel Market Exchange Rates**

Period		Official Market				Parallel Market		Premium
		End Period Weighted Rate	Average Weighted Rate	Amount Traded in millions of USD		End Period Rate	Average Rate	
				Total	Among CBs			
<b>2012/13</b>								
<b>Qtr. I</b>	<b>C</b>	<b>17.9635</b>	<b>17.8705</b>	<b>6.2</b>	<b>3.0</b>	<b>18.6300</b>	<b>18.4400</b>	<b>3.19</b>
	July	17.8381	17.7984	4.10	3.00	18.38	18.29	2.76
	August	17.9072	17.8763	1.15	0.00	18.63	18.49	3.43
	September	17.9635	17.9368	0.90	0.00	18.63	18.54	3.36
<b>Qtr. IV</b>		<b>18.6426</b>	<b>18.5331</b>	<b>3.1</b>	<b>22.0</b>	<b>19.9800</b>	<b>20.2000</b>	<b>8.99</b>
	April	18.4929	18.4532	1.10	22.00	20.4300	20.3500	10.28
	May	18.5734	18.5349	1.00	0.00	20.0800	20.2400	9.20
	June	18.6426	18.6111	1.00	0.00	19.9800	20.0100	7.52
<b>2013/14</b>								
<b>Qtr. I</b>	<b>A</b>	<b>18.8255</b>	<b>18.7384</b>	<b>3.2</b>	<b>0.00</b>	<b>19.3800</b>	<b>19.7633</b>	<b>5.47</b>
	July	18.7075	18.6762	1.15	0.00	19.9300	19.8800	6.45
	August	18.7696	18.7398	1.05	0.00	19.6800	19.8500	5.92
	September	18.8255	18.7991	0.95	0.00	19.3800	19.5600	4.05
Percentage changes	A/B	1.0	1.1	1.6	-	-3.0	-2.2	-39.2
	A/C	4.8	4.9	-48.8	-	4.0	7.2	71.6

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



With regard to the retail foreign exchange market, the average buying rate in foreign exchange bureau of commercial banks during the first quarter of the fiscal year was Birr 18.7412/USD, while the selling rate stood at Birr 19.0751/USD, showing a 4.9 and 4.6 percent depreciation compared to the same quarter last year, respectively.

Thus, the average spread between the buying and the selling rates marginally narrowed to 1.8 percent from 2.1 percent in the preceding quarter and the same period last year.

**Table 5.11: Amount of Foreign Exchange Purchased and Sold by ForexBureaux of Commercial Banks (In '000 of USD)**

No.	Name of ForexBureaux	2012/13				2013/14		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	17,773.7	250.5	27,357.0	925.5	9,514.6	6,173.1	-65.2	567.0	-46.5	2364.8
2	Bank of Abyssinia	1,202.8	1,595.2	889.2	1,373.1	1,003.9	1,090.8	12.9	-20.6	-16.5	-31.6
3	Dashen Bank	7,670.9	7,412.2	6,714.7	6,380.6	5,316.3	6,925.8	-20.8	8.5	-30.7	-6.6
4	Awash International Bank	1,718.6	3,025.3	1,775.0	3,536.5	2,357.9	3,118.6	32.8	-11.8	37.2	3.1
5	Construction & Business Bank	1,273.5	297.2	1,265.5	476.2	427.4	54.7	-66.2	-88.5	-66.4	-81.6
6	Wegagen Bank	1,813.5	1,210.1	771.8	1,238.2	957.0	3,907.9	24.0	215.6	-47.2	222.9
7	United Bank	10,002.2	2,396.4	5,040.5	3,233.9	3,232.2	2,613.3	-35.9	-19.2	-67.7	9.1
8	Development Bank	0.0	0.0	1,721.1	156.1	1,462.0	49.2	0.0	0.0	0.0	-
9	Nib International Bank	1,435.4	1,850.1	1,164.2	1,844.7	1,131.8	1,758.4	-2.8	-4.7	-21.2	-5.0
10	Lion International Bank	766.1	261.1	864.4	333.5	664.7	310.5	-23.1	-6.9	-13.2	18.9
11	Oromia International Bank	571.5	278.3	343.0	495.5	414.9	226.4	21.0	-54.3	-27.4	-18.6
12	Zemen Bank	336.7	897.8	145.8	649.9	241.2	699.7	65.4	7.7	-28.4	-22.1
13	Cooperative Bank of Oromia	206.6	127.3	177.4	242.5	82.5	62.4	-53.5	-74.3	-60.0	-51.0
14	Buna International Bank	241.8	239.6	94.0	37.3	56.7	13.7	-39.7	-63.4	-76.5	-94.3
15	Birhan International Bank	65.2	14.7	121.3	186.1	2.8	1.1	-97.7	-99.4	-95.7	-92.5
16	Abay Bank	260.5	190.4	184.2	320.4	60.9	295.6	-66.9	-7.8	-	-
17	Addis International Bank	86.8	37.6	98.7	89.7	83.4	81.7	-15.5	-8.9	-	-
18	Debub Global Bank	0.0	0.0	20.0	40.3	32.8	23.2	63.9	-42.5	-	-
	<b>Total</b>	<b>45,425.80</b>	<b>20,083.74</b>	<b>48,747.82</b>	<b>21560.21</b>	<b>27,042.79</b>	<b>27,405.99</b>	<b>-44.53</b>	<b>27.11</b>	<b>-40.47</b>	<b>36.46</b>
	<b>Average Exchange Rate</b>	<b>17.8610</b>	<b>18.2411</b>	<b>18.5481</b>	<b>18.9369</b>	<b>18.7412</b>	<b>19.0751</b>	<b>1.04</b>	<b>0.81</b>	<b>4.93</b>	<b>4.65</b>

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

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

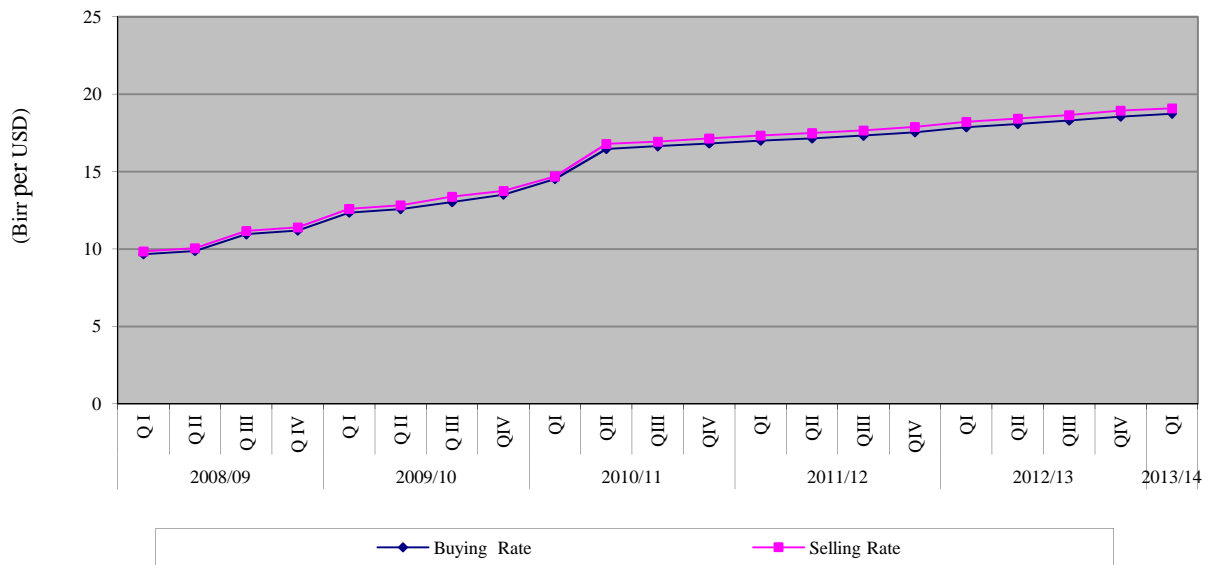
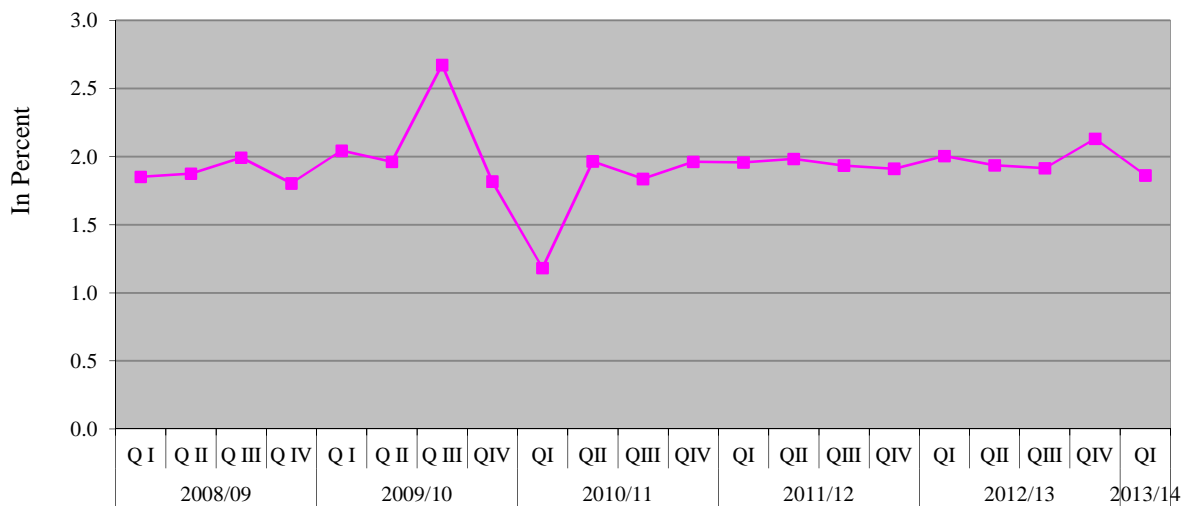


Fig. V.13: Average Spread between Buying and Selling Rates in the Retail Foreign Exchange Markets



With regard to the exchange rate of major international currencies, the average exchange rate of the US dollar showed a quarterly appreciation of 1.7 percent, 0.4 percent, 0.1 percent and 0.03 percent against Japanese Yen, SDR, Euro and Pound Sterling, respectively, while it depreciated against Swiss Frank (0.5 percent).

Likewise, year-on-year the rate appreciated against Japanese Yen (20.8 percent), Pound Sterling (1.96 percent) and SDR (0.3 percent), but depreciated against Euro (5.3 percent) and Swiss Frank (3.4 percent) (Table 5.12).



**Table 5.12: Period Average Exchange Rates (USD per Other Major International Currencies)**

Period		EURO			JAPANESE YEN			SDR			POUNDESTERLING			SWISS FRANK			
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	
<b>2012/13</b>																	
Qtr. I	C	1.2563	1.2574	1.2569	0.0127	0.0127	0.0127	1.5181	1.5192	1.5186	1.5793	1.5806	1.5799	1.0396	1.0405	1.0400	
July		1.2316	1.2316	1.2316	0.0127	0.0127	0.0127	1.5073	1.5073	1.5073	1.5588	1.5588	1.5588	1.0252	1.0252	1.0252	
August		1.2534	1.2566	1.2550	0.0127	0.0127	0.0127	1.5116	1.5155	1.5136	1.5706	1.5747	1.5726	1.0311	1.0338	1.0325	
September		1.2840	1.2840	1.2840	0.0128	0.0128	0.0128	1.5353	1.5347	1.5350	1.6084	1.6084	1.6084	1.0624	1.0624	1.0624	
Qtr. IV	B	1.3127	1.3376	1.3252	0.0101	0.0103	0.0102	1.5054	1.5338	1.5196	1.5349	1.5642	1.5495	1.0519	1.0882	1.0700	
April		1.3004	1.3004	1.3004	0.0103	0.0103	0.0103	1.5035	1.5035	1.5035	1.5285	1.5284	1.5285	1.0664	1.0664	1.0664	
May		1.3194	1.3194	1.3194	0.0099	0.0099	0.0099	1.4992	1.4992	1.4992	1.5286	1.5286	1.5286	0.9973	1.0458	1.0216	
June		1.3184	1.3931	1.3558	0.0103	0.0108	0.0106	1.5135	1.5987	1.5561	1.5475	1.6355	1.5915	1.0919	1.1524	1.1221	
<b>2013/14</b>																	
Qtr. I	A	1.3238	1.3240	1.3240	0.0100	0.0101	0.0101	1.5138	1.5139	1.5139	1.5490	1.5490	1.5490	1.0707	1.0799	1.0753	
July		1.3076	1.3082	1.3082	0.0100	0.0100	0.0100	1.5027	1.5030	1.5029	1.5174	1.5174	1.5174	1.0574	1.0851	1.0713	
August		1.3310	1.3310	1.3310	0.0100	0.0102	0.0101	1.5181	1.5181	1.5181	1.5480	1.5480	1.5480	1.0748	1.0748	1.0748	
September		1.3329	1.3329	1.3329	0.0101	0.0101	0.0101	1.5207	1.5207	1.5207	1.5816	1.5816	1.5816	1.0798	1.0798	1.0798	
Percentage change		A/B	0.85	-1.02	-0.09	-1.05	-2.26	-1.66	0.56	-1.30	-0.38	0.92	-0.97	-0.03	1.79	-0.76	0.49
Percentage change		A/C	5.37	5.30	5.34	-21.03	-20.60	-20.82	-0.28	-0.34	-0.31	-1.92	-2.00	-1.96	2.99	3.79	3.39

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

Following the movement of the US dollar, the Birr depreciated against most of the major currencies except Japanese Yen. The highest annual depreciation was vis-à-vis Euro (10.5 percent) and Swiss Frank (8.3 percent), followed by USD (4.9 percent), SDR (4.6 percent) and Pound Sterling (2.9 percent).

Similarly, the Birr depreciated on quarterly basis vis-à-vis Swiss Frank (2.45 percent), Pound Sterling (2.04 percent), Euro (1.9 percent), SDR (1.69 percent), USD (1.56 percent) and Japanese Yen (5.4 percent) (Table 5.13).

**Table 5.13: Period Average Exchange Rates (Birr per Major Currencies)**

Period		Currency																	
		USD			EURO			JAPANESE YEN			SDR			POUNDS TERLING			SWISS FRANK		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
<b>2012/13</b>																			
<b>Qtr. I</b>	<b>C</b>	<b>17.8684</b>	<b>18.0326</b>	<b>17.9505</b>	<b>22.4499</b>	<b>22.6745</b>	<b>22.5622</b>	<b>0.2272</b>	<b>0.2294</b>	<b>0.2283</b>	<b>27.1260</b>	<b>27.3939</b>	<b>27.2599</b>	<b>28.2203</b>	<b>28.5025</b>	<b>28.3614</b>	<b>18.5767</b>	<b>18.7625</b>	<b>18.6696</b>
<b>July</b>		17.7937	17.9716	17.8827	21.9137	22.1328	22.0233	0.2251	0.2274	0.2263	26.8202	27.0884	26.9543	27.7360	28.0134	27.8747	18.2424	18.4248	18.3336
<b>August</b>		17.8748	18.0101	17.9424	22.4046	22.6287	22.5166	0.2272	0.2295	0.2284	27.0201	27.2903	27.1552	28.0749	28.3556	28.2153	18.4316	18.6159	18.5237
<b>September</b>		17.9368	18.1161	18.0264	23.0315	23.2618	23.1467	0.2291	0.2314	0.2303	27.5376	27.8030	27.6703	28.8501	29.1386	28.9943	19.0562	19.2467	19.1515
<b>Qtr. IV</b>	<b>B</b>	<b>18.5330</b>	<b>18.5517</b>	<b>18.5424</b>	<b>24.3318</b>	<b>24.5752</b>	<b>24.4535</b>	<b>0.1880</b>	<b>0.1899</b>	<b>0.1890</b>	<b>27.9021</b>	<b>28.1764</b>	<b>28.0392</b>	<b>28.4523</b>	<b>28.7362</b>	<b>28.5943</b>	<b>19.4947</b>	<b>19.9926</b>	<b>19.7437</b>
<b>April</b>		18.4532	18.6377	18.5454	23.9975	24.2375	24.1175	0.1894	0.1912	0.1903	27.7449	28.0224	27.8837	28.2066	28.4869	28.3468	19.6784	19.8752	19.7768
<b>May</b>		18.5349	18.7202	18.6276	24.4613	24.7059	24.5836	0.1837	0.1855	0.1846	27.7931	28.0711	27.9321	28.3494	28.6329	28.4911	18.4852	19.5791	19.0321
<b>June</b>		18.6111	18.2972	18.4542	24.5367	24.7821	24.6594	0.1910	0.1929	0.1920	28.1681	28.4358	28.3019	28.8009	29.0889	28.9449	20.3205	20.5236	20.4221
<b>2013/14</b>																			
<b>Qtr. I</b>	<b>A</b>	<b>18.7384</b>	<b>18.9258</b>	<b>18.8321</b>	<b>24.8086</b>	<b>25.0567</b>	<b>24.9327</b>	<b>0.1881</b>	<b>0.1912</b>	<b>0.1897</b>	<b>28.3676</b>	<b>28.6586</b>	<b>28.5131</b>	<b>29.0335</b>	<b>29.3239</b>	<b>29.1787</b>	<b>20.0636</b>	<b>20.3909</b>	<b>20.2273</b>
<b>July</b>		18.6762	18.8630	18.7696	24.4217	24.6659	24.5438	0.1874	0.1892	0.1883	28.0650	28.3678	28.2164	28.3555	28.6391	28.4973	19.7472	20.3241	20.0357
<b>August</b>		18.7398	18.9272	18.8335	24.9424	25.1918	25.0671	0.1875	0.1931	0.1903	28.4484	28.7328	28.5906	29.0102	29.3003	29.1553	20.1415	20.3434	20.2424
<b>September</b>		18.7991	18.9871	18.8931	25.0618	25.3124	25.1871	0.1895	0.1913	0.1904	28.5893	28.8752	28.7323	29.7349	30.0322	29.8836	20.3022	20.5052	20.4037
<b>Percentage change</b>	<b>A/B</b>	1.11	2.02	1.56	1.96	1.96	1.96	0.05	0.70	0.38	1.67	1.71	1.69	2.04	2.04	2.04	2.92	1.99	2.45
	<b>A/C</b>	4.87	4.95	4.91	10.51	10.51	10.51	-17.18	-16.66	-16.92	4.58	4.62	4.60	2.88	2.88	2.88	8.00	8.68	8.34

**Source:** Staff Compilation

**Table 5.14: Birr per Unit of Currency End Period mid Market Rate**

Currency	Sep-12	Jun-13	Sep-13	Percentage change	
	C	B	A	A/B	A/C
USD	18.0533	18.7358	18.9197	1.0	4.8
Pound	29.2211	28.6284	30.3774	6.1	4.0
Swedish Kroner	2.7338	2.7871	2.9525	5.9	8.0
Djibouti Frank	0.1005	0.1052	0.1062	1.0	5.6
Swiss Frank	19.2057	19.8011	20.7977	5.0	8.3
Saudi Riyal	4.8140	4.9959	5.0448	1.0	4.8
UAE Dirhams	4.9151	5.1010	5.1507	1.0	4.8
Canadian Dollar	18.3993	17.9376	18.3561	2.3	-0.2
Japanese Yen	0.2323	0.1908	0.1920	0.6	-17.3
Euro	23.2148	24.4109	25.5548	4.7	10.1
SDR	27.8296	28.1998	28.9909	2.8	4.2

**Source:** Staff Compilation

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

Though the real effective exchange rate (REER) of the Birr had been appreciating since the last quarter of 2010/11 due to higher domestic inflation relative to that of major trading partner countries, the rate of appreciation has slowed down as a result of a steady drop in inflation. Accordingly, REER appreciated merely by 0.4 percent on annual terms compared to 13.9 percent

appreciation in the same quarter of last year. On quarterly basis, the REER appreciated by 3.6 percent compared to 2.4 percent in the preceding quarter.

In the review period, the NEER appreciated by 0.1 percent on quarterly but depreciated by 2.6 percent on annual basis (Table 5.15).

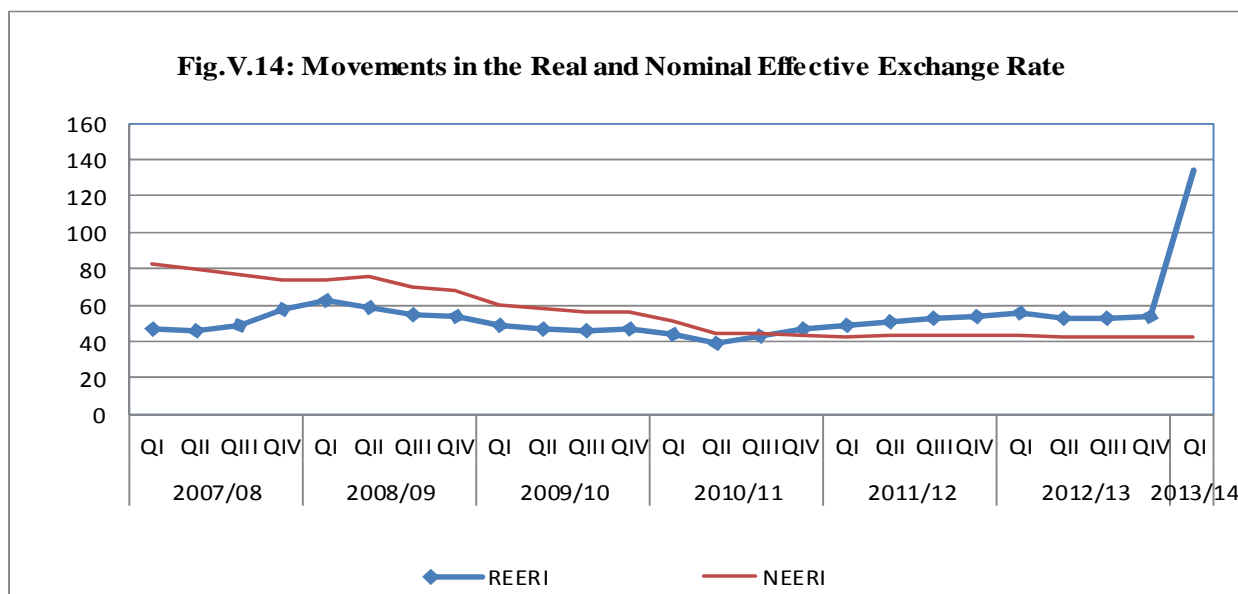
**Table 5.15 Trends in the Real and Nominal Effective Exchange Rates**

Particulars	2012/13		2013/14	Percentage Change	
	QI	QIV	QI	C/B	C/A
	A	B	C		
REERI	133.8	129.7	134.3	3.62	0.41
NEERI	43.2	42.0	42.1	0.15	-2.58

Source: Staff Compilation

**NB:**

- REERI = Real Effective Exchange Rate Index, NEERI = Nominal Effective Exchange Rate Index
- A decrease in the REERI and NEERI implies depreciation and vice versa.



### 5.7.3 Volume of Transactions

In the first quarter of 2013/14, the total amount of foreign exchange traded in the inter-bank foreign exchange market was USD 3.2 million, about 48.8 percent lower than the amount traded in the same quarter last year.

The total amount of foreign exchange traded during the review period was supplied solely by NBE (Table 5:10).

**Fig V.15 Foreign Exchange Trade in the Interbank Foreign Exchange Market**

