

V. External Sector Developments

5.1 Balance of Payments

In the fourth quarter of 2013/14, the overall balance of payments registered USD 416 million in surplus, much higher than USD 102.8 million deficit a year ago.

Although there was a (49.6 percent) decline in net official transfers and net service receipts (103.8 percent) as well as a rise in imports (35.7 percent), the quarter-on-quarter increase in the overall balance of payments was attributed to a 14.8 percent growth in export, net capital inflows (168.1 percent) and net private transfers (38.0 percent).

The growth in capital account was mainly due to an 8.4 percent increase in inflows of net official long-term capital, net foreign direct investment (69.8 percent) and other public long-term capital.

Similarly, increases in exports (6.3 percent), net private transfers (10.6 percent) and net capital inflow (368.0 percent) were the major factors that underlie the USD 416 million quarterly surplus in the overall balance of payments.

Table 5.1: Balance of Payments

(In Millions of USD)

S/N	Particulars	2012/13	2013/14		Percentage Change	
		QIV	QIII	QIV	C/A	C/B
		A	B	C		
1	Exports, f.o.b.	842.3	909.4	967.0	14.8	6.3
	Coffee	231.1	164.9	326.9	41.5	98.3
	Other				4.7	-14.0
2	Imports					-1.8
	Fuel					3.6
	Cereals	129.7	62.4	36.4	-71.9	-41.7
	Aircraft	1.8	6.7	7.8	335.2	17.4
	Imports excl. fuel, cereals,	2,023.6	2,956.8	2,891.9	42.9	-2.2
3	Trade Balance (1-2)	-1,827.0	-2,778.7	-2,655.4	45.3	-4.4
4	Services, net	148.4	8.6	-5.6	-103.8	-165.4
	Non-factor services, net	188.7	52.3	35.6	-81.1	-31.9
	Exports of non-factor	723.8	615.4	763.9	5.5	24.1
	Imports of non-factor	535.1	563.1	728.3	36.1	29.3
	Income, net	-40.3	-43.7	-41.2	2.3	-5.6
	O/w Gross official int.	44.4	42.1	36.3	-18.2	-13.7
	Dividend	-0.1	-4.5	-7.3	7,245.6	63.6
5	Private transfers, net	821.3	1,024.3	1,133.2	38.0	10.6
	o/w: Private Individuals					0.2
6	Current account balance	-857.4	-1,745.9	-1,527.8	78.2	-12.5
7	Official transfers, net	282.3	177.7	142.2	-49.6	-20.0
8	Current account balance	-575.1	-1,568.2	-1,385.6	140.9	-11.6
9	Capital account	771.0	441.6	2,066.7	168.1	368.0
	Off. Long-term Cap., net	647.5	111.8	702.0	8.4	528.0
	Disbursements	663.2	124.7	718.6	8.3	476.2
	Amortization	15.7	12.9	16.6	5.2	28.2
	Other pub. long-term cap., net	-19.4	-16.8	957.5	-5,025.3	-5791.2
	Foreign Direct Investment	266.3	356.5	452.1	69.8	26.8
	Short-term Capital	-123.3	-9.8	-44.8	-63.7	355.3
10	Errors and omissions	-298.7	1,306.1	-265.2		
11	Overall balance (8+9+10)	-102.8	179.5	416.0		
12	Financing	102.8	-179.5	-416.0		
13	Reserves [Increase (-), Decrease (+)]	103.5	-178.2	-416.0		
14	Central Bank (NFA)	286.3	-130.4	-122.2		
	Asset	367.9	190.0	-55.0		
	Liabilities	-81.5	-320.4	-67.2		
15	Commercial banks (NFA)	-182.8	-47.9	-293.8		
16	Debt Relief	-0.8	-1.3	0.0		
	Principal	0.6	1.0	0.0		
	Interest	0.1	0.2	0.0		

Source: NBE Staff Compilation

Total current foreign exchange receipts in the review quarter amounted to USD 3.02 billion about 12.14 percent higher than the same period last year mainly due to a 14.8 percent rise in merchandise export proceeds and private transfers (34.95 percent).

account of higher payments for merchandise imports (35.71 percent). Consequently, the current account recorded USD 1.39 billion net outflows, 140.94 percent higher than a year ago (Table 5.2).

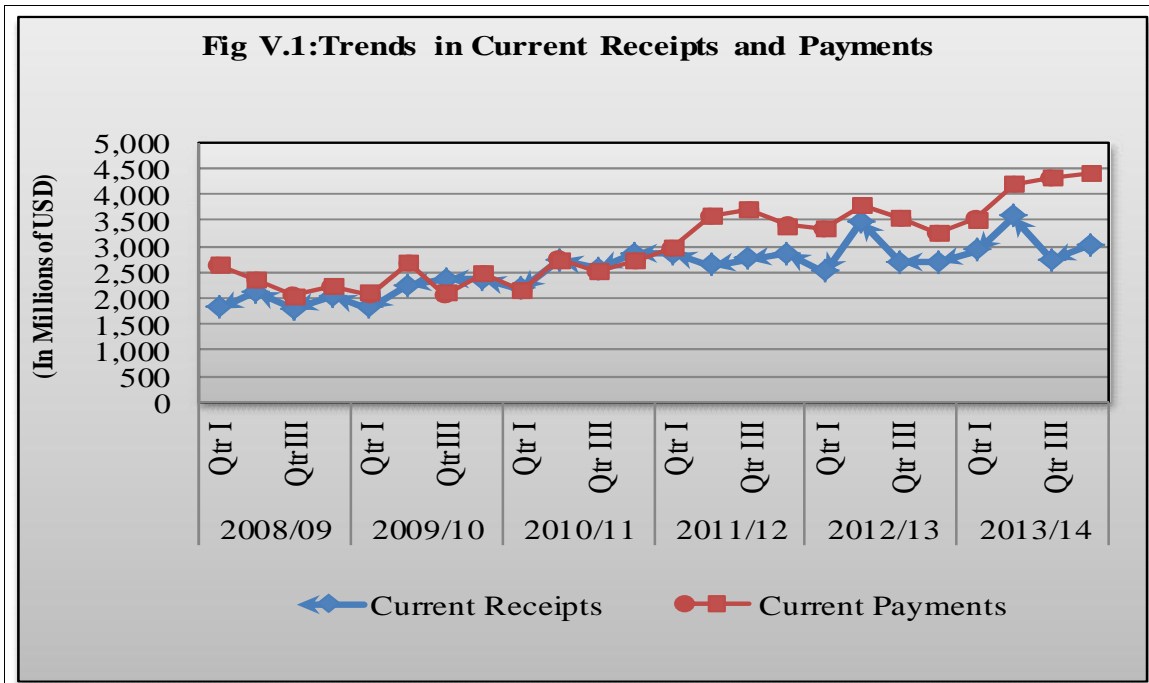
Meanwhile, total current foreign exchange payments increased by 34.78 percent and stood at USD 4.41 billion on

Table 5.2: Current Receipts and Payments

(In millions of USD)

Particulars	2012/13	2013/14		Percentage Change	
	Qtr IV	Qtr III	Qtr IV		
	A	B	C	C/A	C/B
1. Current Receipts	2,695.87	2,747.08	3,023.01	12.14	10.04
Export Proceeds	842.28	909.44	967.01	14.81	6.33
Service Proceeds	728.00	618.22	766.36	5.27	23.96
Private Transfers	841.67	1,026.44	1,135.81	34.95	10.66
Public Transfer	283.91	192.99	153.84	-45.82	-20.29
2. Current Payments	3,270.94	4,315.24	4,408.61	34.78	2.16
Import Payments	2,669.30	3,688.18	3,622.40	35.71	-1.78
Service Payments	579.60	609.64	771.97	33.19	26.63
Private Transfers	20.42	2.17	2.57	-87.41	18.32
Public Transfer	1.62	15.24	11.67	620.04	-23.44
3. Net(1-2)	-575.07	-1,568.16	-1,385.59	140.94	-11.64

Source: Staff Compilation

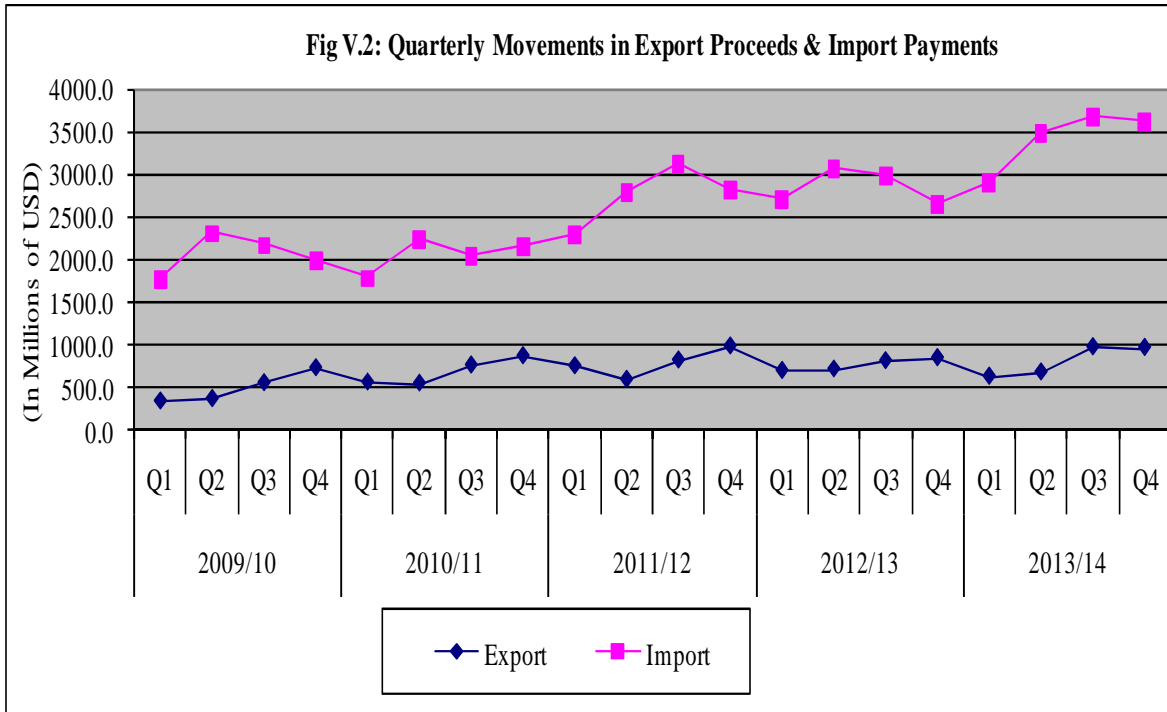


Source: NBE Staff Compilation

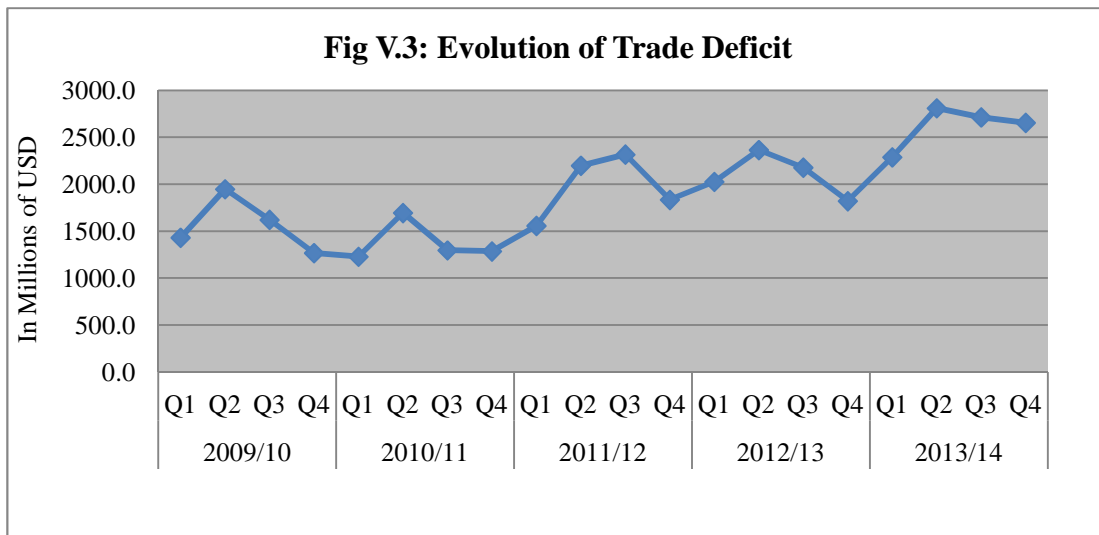
5.2. Merchandise Trade

The deficit in merchandise trade during the fourth quarter of 2013/14 amounted to 2.66 billion, which was 2.1 percent lower and 45.8 percent higher than that of the preceding quarter and the same

period last year, respectively. The widening trade deficit on quarter-on-quarter bases was the result of strong import growth over growth in exports.



Source: Ethiopian Revenue and Customs Authority



Source: NBE Staff Compilation

5.2.1. Exports

Total merchandise export at USD967 million showed a 14.8 percent growth compared to the same period last year but decreased by 0.9 percent vis -a-vis the preceding quarter. The quarter-on-quarter increase resulted from the rise in the export earnings from coffee (41.5 percent), oil seeds (17.1 percent), chat (0.5 percent), flower (7.8 percent), live-animals (0.2 percent), meat & meat products (12.6 percent) and fruits & vegetables (8.7 percent). The rise in these export earnings in turn was attributed to an increase in volume of export, prices or both.

Despite a surge in export earnings from coffee (98.3 percent), gold (7.5 percent) and meat & meat products (24.6 percent), total export earning on quarter bases slightly went down by 0.9 percent owing to fall in export earnings from oilseeds (53.0 percent), chat (2.7 percent), pulse (24.3 percent), flower (6.9 percent), live-animals (21.6 percent), leather & leather products (4.2 percent) and fruits & vegetables (2.2 percent).

Revenue from coffee export was increased by 41.5 percent on annual and 98.3 percent on quarterly basis. This was ascribed to a significant rise both in value and volume of coffee export. The volume of coffee export in the review period increased by 78.9 percent vis-à-vis the previous quarter and 17.4 percent compared to last year same quarter. Similarly, unit price of coffee rose by 10.8 and 20.5 percent over the previous quarter and last year the same quarter, respectively. Consequently, earnings from coffee export in the fourth quarter of 2013/14 reached USD 326.9 million from USD 164.9 million a quarter earlier and USD 231.1 million in corresponding quarter of last year. Hence, the share of coffee in total export earnings increased to 33.8 percent from 27.4 percent a year ago.

Likewise, revenue from oilseeds export went up by 17.1 percent relative to last year same period on account of 10 percent improvement in international price and 6.4 percent growth in export volume. With respect to the preceding quarter, however, export revenue from oilseeds dropped by 53.0 percent due to a 44.8 percent decline in volume and

14.9 percent slowdown in international price. Consequently, the share of oilseeds in total export receipts slightly increased to 14.6 percent from 14.3 percent last year same quarter, but it decreased from 30 percent compared to the preceding quarter.

Despite 0.5 percent decline in volume, earnings from chat export rose by 0.5 percent on quarter-on-quarter basis and stood at USD 72.3 million owing to a 0.9 percent marginal increase in international price. In relation to the preceding quarter, however, export earnings from chat went down by 2.7 percent due to a 5.0 percent fall in volume although international price increased by 2.5 percent. The share of chat export in total export earnings accounted for 7.5 percent compared to 8.5 percent last year same quarter.

Similarly, earnings from flower export grew by 7.8 percent over last year same quarter owing to improvement both in international price (2.5 percent) and export volume (5.1 percent). Compared to preceding quarter, however, receipts from flower export went down by 6.9 percent as international price decline by 7.2 percent despite a 0.4 percent

increase in volume. Consequently, the share of flower export in total revenue slightly declined to 5.7 percent from 6.1 percent a year ago.

Receipts from live-animals at USD 35.7 million increased marginally by 0.2 percent over last year same quarter, but dropped by 21.6 percent compared to the preceding quarter. The quarterly fall in earnings from live-animals was solely due to lower volume of export (28.4 percent). On the other hand, yearly moderate increase in earnings from live animals export was attributed to improved volume of exports (2.7 percent) despite a 2.4 percent fall in international price. Thus, the share of live animals export in total export revenue went down to 3.7 percent from 4.2 percent a year earlier.

Likewise, USD 21.5 million revenues from meat & meat products depicted 12.6 and 24.6 percent surge compared with the previous year same quarter and the preceding quarter, respectively, on account of both higher international price and volume of export. As a result, earnings from these merchandise items accounted for 2.2 percent of total exports which was close to last year level.

Earnings from export of fruits & vegetables reached USD12.1 million on showing 8.7 percent increase over last year same period as a result of 11.5 percent increase in volume despite a 2.5 percent decline in international price. With respect to the preceding quarter, however, revenue from fruits & vegetables export went down by 2.2 percent as international price fell by 8.5 percent. Consequently, revenue from

export of fruits & vegetables accounted for 1.3 percent of total merchandise export earnings.

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

Particulars	2012/13		2013/14				Percentage Change	
	Qtr IV		Qtr III		Qtr IV		C/A	C/B
	A	% share	B	% share	C	% share		
Coffee	231.1	27.4	164.9	16.9	326.9	33.8	41.5	98.3
Oilseeds	120.8	14.3	300.9	30.8	141.5	14.6	17.1	-53.0
Leather and Leather products	33.3	4.0	32.0	3.3	30.7	3.2	-8.0	-4.2
Pulses	62.7	7.4	81.8	8.4	61.9	6.4	-1.3	-24.3
Meat and Meat Products	19.1	2.3	17.3	1.8	21.5	2.2	12.6	24.6
Fruits and Vegetables	11.1	1.3	12.4	1.3	12.1	1.3	8.7	-2.2
Live Animals	35.67	4.2	45.57	4.7	35.73	3.7	0.2	-21.6
Chat	71.98	8.5	74.29	7.6	72.32	7.5	0.5	-2.7
Gold	146.7	17.4	125.5	12.9	134.9	14.0	-8.1	7.5
Flower	51.6	6.1	59.6	6.1	55.6	5.7	7.8	-6.9
Others	58.2	6.9	61.2	6.3	73.9	7.6	27.0	20.7
Total	842.3	100.0	975.5	100.0	967.0	100.0	14.8	-0.9

Source: Ethiopian Revenue and Customs Authority

**Updated based on ERCA Revision*

On the other hand, receipts from the export of gold reached USD 134.9 million which showed 8.1 percent decline compared to previous year same quarter but 7.5 percent increase over the preceding quarter. The yearly fall in earnings from gold was, by and large, attributed to a 20.6 percent decline in volume of export albeit 15.8 percent increase in international price. As a result, the share of gold in total export proceeds went down to 14 percent from 17.4 percent last year same quarter, but rose from 12.9 percent in the preceding quarter.

Similarly, earning from export of pulses which stood at USD 61.9 million was 1.3 and 24.3 percent lower than that of last year same quarter and the preceding quarter, respectively. The yearly decline was due to lower volume of export (12.7 percent) despite 13 percent rise in international price. Likewise, the 24.3 percent quarterly drop was associated with low volume (2.5 percent) and

international price (24.4 percent). Therefore, the share of pulses in total export proceeds decreased to 6.4 percent compared with 7.4 and 8.4 percent of quarter on quarter base and quarterly shares, respectively.

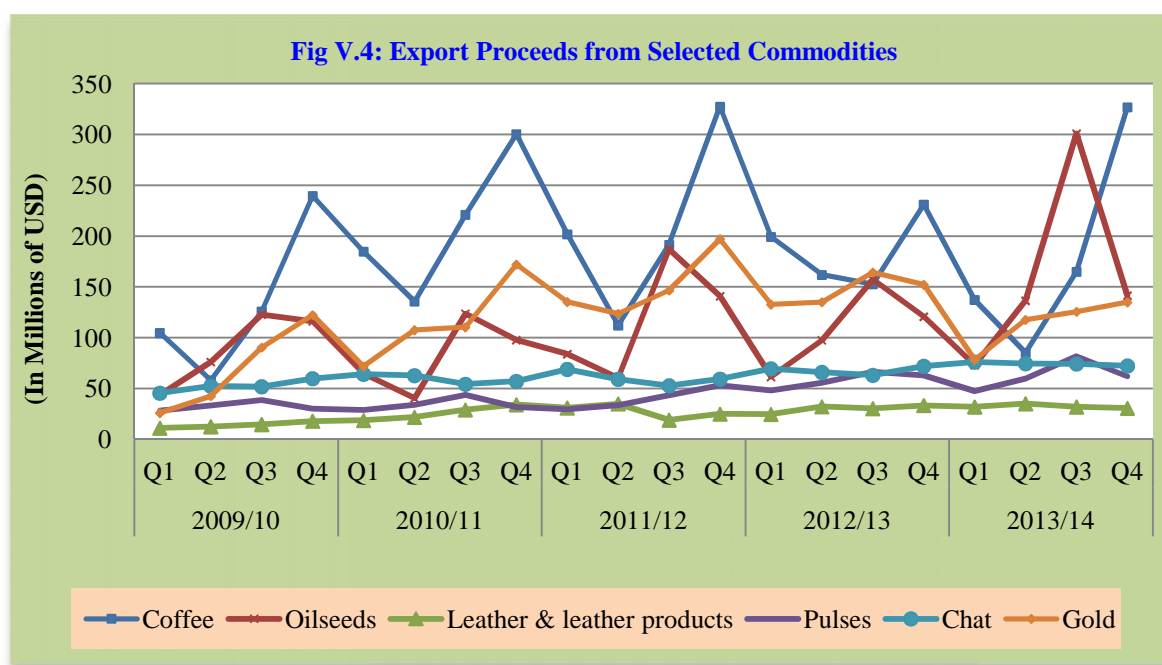
Finally, earnings from export of leather & leather products were USD 30.7 million showing 8 percent annual and 4.2 percent quarterly decline. The slowdown in export revenue over that of same period last year was due to 21.3 percent drop in international price despite 17 percent increase in export volume.

Similarly, quarterly decline in revenue originating from these merchandise items was on account of a 15.8 percent fall in international price in contrast to 13.8 percent growth in export volume. Consequently, the share of leather & leather products in total export revenue decreased to 3.2 percent from 4.0 percent last year same period and 3.3 percent in the preceding quarter.

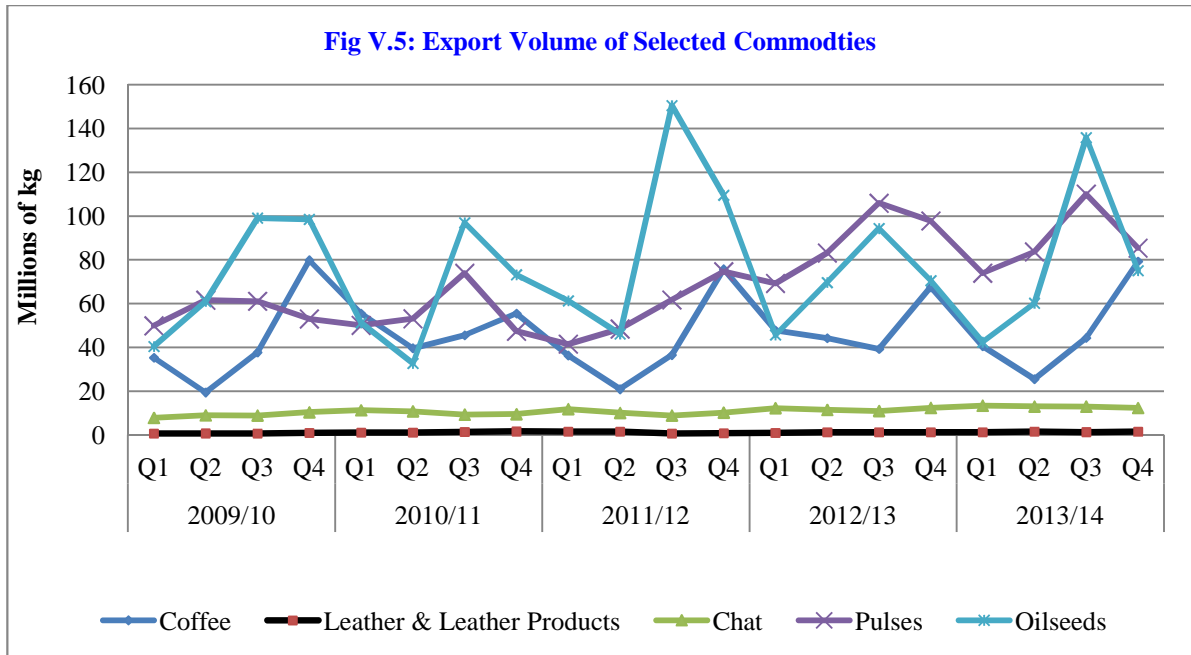
Table 5.4: Volume of Major Export Items (In millions of kg)

Particulars	2012/13	2013/14		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	67.5	44.3	79.3	17.4	78.9
Oilseeds	70.5	135.9	75.1	6.4	-44.8
Leather and Leather products	1.3	1.3	1.5	17.0	13.8
Pulses	97.8	110.0	85.4	-12.7	-22.4
Meat and Meat Products	3.8	3.6	4.3	12.2	18.4
Fruits and Vegetables	34.9	36.4	39.0	11.5	6.9
Live Animals	19.4	26.4	18.9	-2.4	-28.4
Chat	12.4	13.0	12.3	-0.5	-5.0
Gold	0.004	0.0033	0.0030	-20.6	-9.3
Flower	12.1	12.7	12.7	5.1	0.4

Source: Ethiopian Revenue and Customs Authority



Source: Ethiopian Revenue and Customs Authority

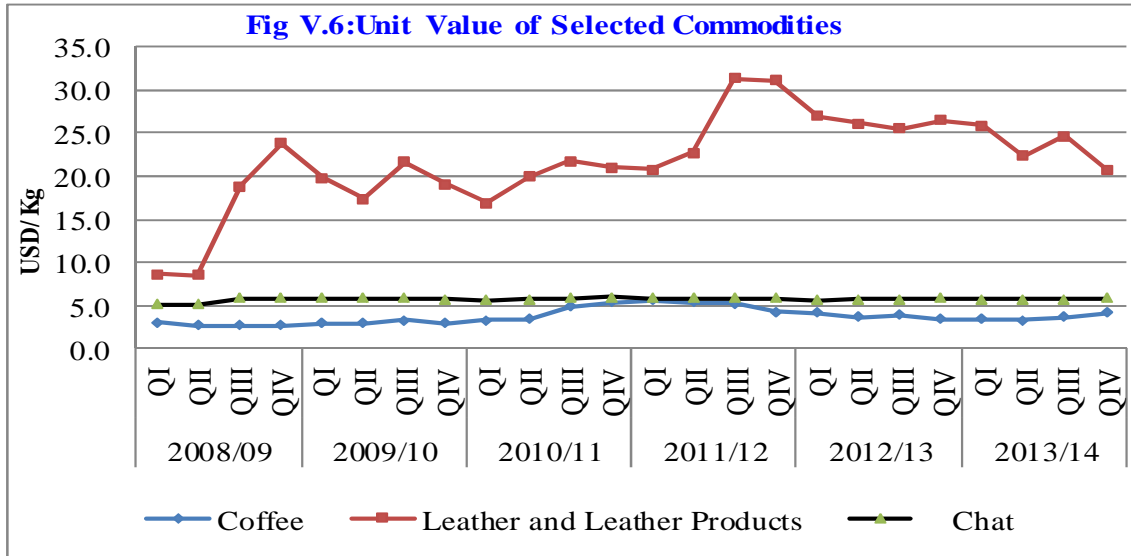


Source: Ethiopian Revenue and Customs Authority

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

Particulars	2012/13	2013/14		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	3.4	3.7	4.1	20.5	10.8
Oilseeds	1.7	2.215	1.9	10.0	-14.9
Leather and Leather	26.4	24.7	20.8	-21.3	-15.8
Pulses	0.6	0.743	0.7	13.0	-2.5
Meat and Meat Products	5.0	4.8	5.0	0.3	5.2
Fruits and Vegetables	0.3	0.34	0.3	-2.53	-8.5
Live Animals	1.8	1.7	1.9	2.7	9.5
Chat	5.8	5.7	5.9	0.9	2.5
Gold (USD/gr)	38.6	37.8	44.7	15.8	18.4
Flower	4.26	4.71	4.37	2.5	-7.2

Source: NBE Staff Compilation



Source: NBE Staff Compilation

5.2.2. Imports

Total value of merchandise import during the fourth quarter of 2013/14 stood at USD 3.6 billion which went up by 35.7 percent over last year same quarter owing to rise in import value of capital goods (58.6 percent), consumer goods (2.6 percent), fuel (33.5 percent), semi-finished goods (33.6 percent) and raw materials (66.3 percent). The increment in import value of capital goods was associated with higher payments for imports of industrial goods (70.1 percent), transport goods (21.5 percent) and agricultural goods (158 percent), while the increase in import of semi-finished goods was mainly

attributed to higher import of fertilizer (29.5 percent).

On quarterly bases, despite higher import payment for capital goods (4.6 percent), fuel (3.6 percent) and raw materials (71.0 percent), total imports went down by 1.8 percent as a result of lower import bill for consumer goods (12.8 percent) and semi-finished goods (11.3 percent). Imports of consumer goods dropped due to declines both in import value of non-durable consumer goods (3.6 percent) and durable consumer good (22.8 percent).

Imports of semi-finished goods slowed down because of a 50.7 percent drop in imports of fertilizer.

Table 5.6: Values of Major Import Items

(In millions of USD)

Particulars	2012/13		2013/14				Percentage Changes	
	Quarter IV	% share	Quarter IV	% share	Quarter IV	% share		
	A		B		C		C/A	C/B
Raw Materials	33.7	1.3	32.8	0.9	56.0	1.5	66.3	71.0
Semi-finished Goods	395.5	14.8	595.3	16.1	528.2	14.6	33.6	-11.3
Fertilizers	71.0	2.7	186.5	5.1	91.9	2.5	29.5	-50.7
Fuel	514.2	19.3	662.3	18.0	686.3	18.9	33.5	3.6
Petroleum Products	500.1	18.7	655.0	17.8	672.4	18.6	34.5	2.7
Others	14.1	0.5	7.339	0.2	13.8	0.4	-2.0	88.6
Capital Goods	841.8	31.5	1,276.	34.6	1,335.	36.9	58.6	4.6
Transport	232.6	8.7	265.1	7.2	282.6	7.8	21.5	6.6
Agricultural	18.9	0.7	12.5	0.3	48.8	1.3	158.0	289.1
Industrial	590.2	22.1	998.5	27.1	1,003.	27.7	70.1	0.5
Consumer Goods	799.2	29.9	941.1	25.5	820.2	22.6	2.6	-12.8
Durables	281.9	10.6	453.2	12.3	349.6	9.7	24.0	-22.8
Non-durables	517.3	19.4	488.0	13.2	470.6	13.0	-9.0	-3.6
Miscellaneous	84.9	3.2	180.4	4.9	196.3	5.4	131.2	8.8
Total Imports	2,669.	100.	3,688.	100.	3,622.	100.	35.7	-1.8

Source: Ethiopian Revenue and Customs Authority

Capital goods import in the review period surged by 58.6 and 4.6 percent vis-à-vis same period last year and the previous quarter, respectively. The yearly growth in capital goods import bill was attributed to the rise in industrial goods (70.1 percent), transport goods (21.5 percent) and agricultural capital goods (158.0 percent).

Similarly, due to increment in import bills of industrial goods (0.5 percent), transport goods (6.6 percent) and agricultural capital goods (289.1 percent), import bills of capital goods in the review period increased over the preceding quarter by 4.6 percent. As a result share of capital goods import bill from total import payment increased to 36.9 percent from 34.6 percent of the

previous quarter and 31.5 percent of last year the same quarter.

Import bills for consumer goods during the review period went up by 2.6 percent quarter-on-quarter basis due to the rise in import bill of durable goods by 24.0 percent although payment for non-durable goods decreased by 9.0 percent. On the other hand, import bills of consumer goods showed a 12.8 percent decrement over the preceding quarter on account of fell in import bill of both durable goods by 22.8 percent and non-durable goods by 3.6 percent. Consequently, the share of consumer goods bill from total import bills went down to 22.6 percent from 25.5 percent in the preceding quarter and 29.9 percent of same period last year.

Likewise, fuel import bill raised by 33.5 percent vis-à-vis last year same period and reached USD 686.3 million. In the same manner, import of fuel increased by 3.6 percent compared to the preceding quarter. The share of fuel import bill from total import payment increased to 18.9 compared to 18.0 percent of the previous quarter but decreased from 19.3 percent share of last year the same period.

Meanwhile, as a result of a 29.5 percent rise in import bill of fertilizers payment for imports of semi-finished goods increased by 33.6 percent in relation to last year same period. Compared to the preceding quarter however; import bill for semi-finished goods decreased by 11.3 percent owing to the fall in payment for import of fertilizer (50.7 percent). Thus, in the review period the share of semi-finished goods import bills decreased to 14.6 percent from 16.1 and 14.8 percent share of the preceding quarter and last year the same period, respectively.

Import value of raw materials went up by 71.0 and 66.3 percent over the previous quarter and the same period last year, respectively. As a result, raw materials import bills increased to 1.5 percent from 0.9 percent and 1.3 percent share of the preceding quarter and last year the same period, respectively.

Total franco-valuta import bills increased by 65.5 percent compared to last year same period and 18.8 percent over the preceding quarter, and stood at USD 891.1 million.

Table 5.7: Values of Franco-valuta Imports

(In millions of USD)

Commodity Group	2012/13	2013/14		Percentage Changes	
	Qtr IV	Qtr III	Qtr IV		
	A	B	C	C/A	C/B
Beverages	0.1	2.2	0.3	95.3	-87.0
Chemicals	1.1	6.2	4.8	336.1	-21.8
Clothing	9.3	4.7	6.4	-30.7	35.7
Food and Live Animals	40.9	46.5	38.6	-5.6	-17.1
Textiles	1.6	1.2	2.4	52.9	109.1
Tobacco	0.0	0.2	0.0	271.7	-92.5
Soap and Polish	0.6	0.7	0.4	-23.8	-35.2
Fertilizer	2.4	2.3	6.8	176.9	193.6
Paper and Paper Manufacturing.	0.6	0.9	0.5	-20.7	-43.9
Metal and Metal Manufacturing.	53.4	92.0	131.3	145.9	42.7
Med. and Pharm. Prod	58.8	45.8	69.3	17.8	51.2
Rubber Prod.	11.2	14.7	17.5	55.7	18.8
Petroleum Product	0.0	0.5	0.5	1485.1	4.0
Glass and Glass Ware	0.1	0.5	1.1	694.2	111.5
Electrical Material	14.5	50.6	71.3	392.8	41.0
Machine	181.8	181.2	284.6	56.5	57.0
Air Craft	0.3	6.7	7.8	2186.6	17.4
Road and Motor Vehicles	58.0	76.8	62.3	7.3	-18.9
Tele Apparatus	0.1	0.4	0.5	598.7	44.3
Cement	0.6	0.3	0.4	-34.8	39.6
Others	103.0	215.9	184.2	78.8	-14.7
Total	538.5	750.2	891.1	65.5	18.8

Source: Ethiopian Revenues and Customs Authority**In this and previous quarters data on francovaluta is obtained from ERCA not NBE*

5.2.3. Direction of Trade

5.2.3.1. Exports

In the review period, the major destinations for Ethiopia's export were Europe, Asia and Africa.

Europe was the main destination for Ethiopian exports accounting for 39.2 percent of the total exports. Within Europe, Switzerland accounted for 35.8 percent followed by the Netherlands (18.1 percent), Germany (16.9 percent), Belgium (5.5 percent), France (4.6 percent), and United Kingdom (3.9 percent). Altogether, these countries constituted for 84.8 percent of the total export from Ethiopia.

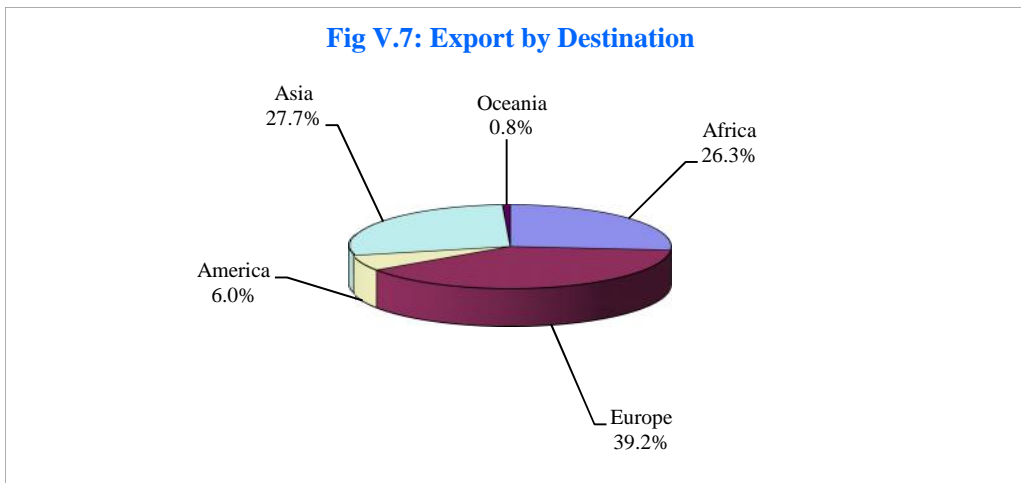
The main product exported to Switzerland was gold, while flower, oilseeds and coffee were sent to the Netherlands. The principal export items to Germany were coffee, textile and garment. Coffee and oilseeds were the major items exported to Belgium and France, while United Kingdom imported coffee, oilseeds and vegetables.

Asia accounted for 27.7 percent of the total Ethiopian exports with China having 23.9 percent share. Exports to China, mainly constituted oilseeds, leather & leather products, and coffee followed by Saudi Arabia, (19.8 percent), which imported coffee, oilseeds, meat & meat products, live animals, pulses and flower. Japan accounted for 9.8 percent of the total Ethiopian export mainly coffee and oilseeds. United Arab Emirates imported 8.8 percent of the total Ethiopian exports to Asia, and it mainly imported coffee, meat & meat products, pulses, textile and garment and oilseeds. Israel, with a 6.7 percent share, is the sixth major Asian destination for Ethiopian exports mainly oilseeds, cereals and coffee. Within Asia, Indonesia and South Korea, stood the seventh major export destinations with 3.9 percent each. Pulses were the principal export items to Indonesia while coffee and oilseeds went to South Korea.

In the meantime, about 26.3 percent of Ethiopia's exports were destined to African markets, mainly Djibouti (50.5 percent), Somalia (34.8 percent) and Sudan (5.7 percent) which altogether accounted for 91.0 percent of the total exports to Africa. The main items exported to Djibouti and Somalia were coffee, vegetables, oilseeds, live animals, chat, flower and pulses while coffee, cereals, spices, pulses and textiles and garments were the main exports to Sudan.

mainly, coffee, oilseeds and leather & leather products.

Export to America constituted 6.0 percent of total Ethiopian exports during the fourth quarter of 2013/14, of which 89.0 percent went to the United States which imported



Source: Ethiopian Revenue and Customs Authority

5.2.3.2. Imports

In the review period, Asia accounted for about 74.0 percent of the total import bill. Of this, China shares 34.8 percent, Saudi Arabia 17.2 percent, Kuwait 15.9 percent, India 7.5 percent, Japan 4.6 percent, Indonesia 3.7 percent and United Arab Emirate 3.7 percent with their combined share reaching 87.4 percent.

The major items imported from China were metal & metal products, machine & aircraft materials, electric materials, road and motor vehicles and clothing. On the other hand, petroleum products and chemicals were the main import items from Saudi Arabia. Imports from India include metal & metal products, machine & aircraft materials, medical & pharmaceutical products, and grain. Road and motor vehicles, machine & aircraft materials and rubber were imported from Japan, soap and polish, paper & paper products from Indonesia, petroleum products, chemicals, metal & metal products, rubber, and soap and polish from UAE.

Imports from European countries accounted for 17.9 percent of the total Ethiopian imports with Italy accounting for 18.1 percent, followed by Germany

(18.0 percent), Turkey (16.6 percent), Belgium (11.3 percent), United Kingdom (4.8 percent), Ukraine (4.1 percent), Spain (4.0 percent), Czech (3.9 percent), the Netherlands (3.8 percent) and France (3.5 percent)

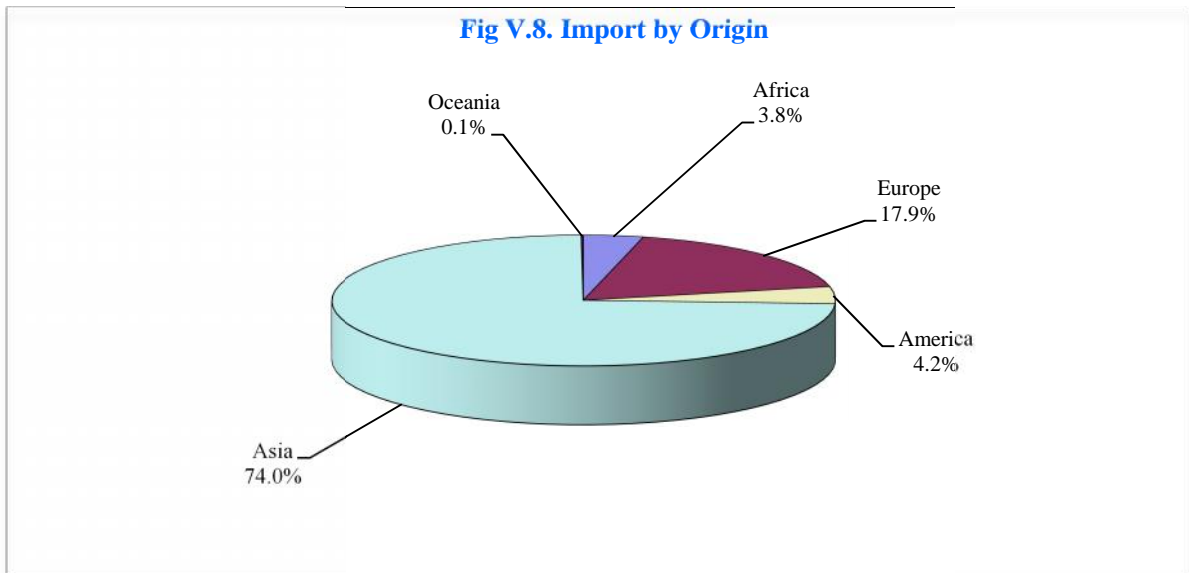
Imports from Italy and Germany include mainly machinery& aircraft materials, road and motor vehicles, electrical materials, metal & metal products, rubber products, and medical and pharmaceutical products. At the same time, metal & metal products, machine & air craft materials, and electrical materials were imported from Turkey. Machinery& aircraft materials, medical & pharmaceutical products and metal & products were principal imports from Belgium. Machinery and aircraft materials, electric materials, road and motor vehicles, and metal & metal manufacturing were the main imports from United Kingdom. Ukraine exports to Ethiopia were mainly metal & metal products, food and live animals, and electric materials On the other hand, road and motor vehicles, machinery and aircraft materials and electric materials were imported from Spain, while machinery and aircraft materials,

electrical materials , metal & metal products came from Czech, machineries and aircraft materials and road and motor vehicles were imported from the Netherlands and machinery and aircraft materials, metal & metal products, and food and live animals from France.

Ethiopian imports from Africa accounted for about 3.8 percent of the total merchandise imports with Morocco taking up 25.7 percent, followed by South Africa (24.1 percent), Egypt (22.2 percent), Sudan (14.6 percent) and Kenya (5.8 percent) jointly accounting for 92.4 percent of the total Ethiopian imports from the region. Fertilizer was the principal import from Morocco. Road and motor vehicles, petroleum products, and machine and aircraft materials were the primary imports from South Africa. Petroleum products, metal & metal products, clothing, food and live-animals, and chemicals were the

major imported products from Egypt. Petroleum products, chemicals, food and live-animals and soap and polish were imported from Sudan. The major items imported from Kenya included metal & metal products, clothing, chemicals, and soap and polish.

Imports from America accounted for 4.2 percent of the total import bills, of which 85.7 percent was from the United States,9.4 percent from Brazil and 3.0 percent from Canada. Machinery and aircraft materials, medical & pharmaceutical products, food and live animal, electric materials, and road and motor vehicles were the major items imported from USA while machinery and aircraft materials and road and motor vehicles and tobacco from Brazil. Machinery and aircraft materials and chemicals were imported from Canada.

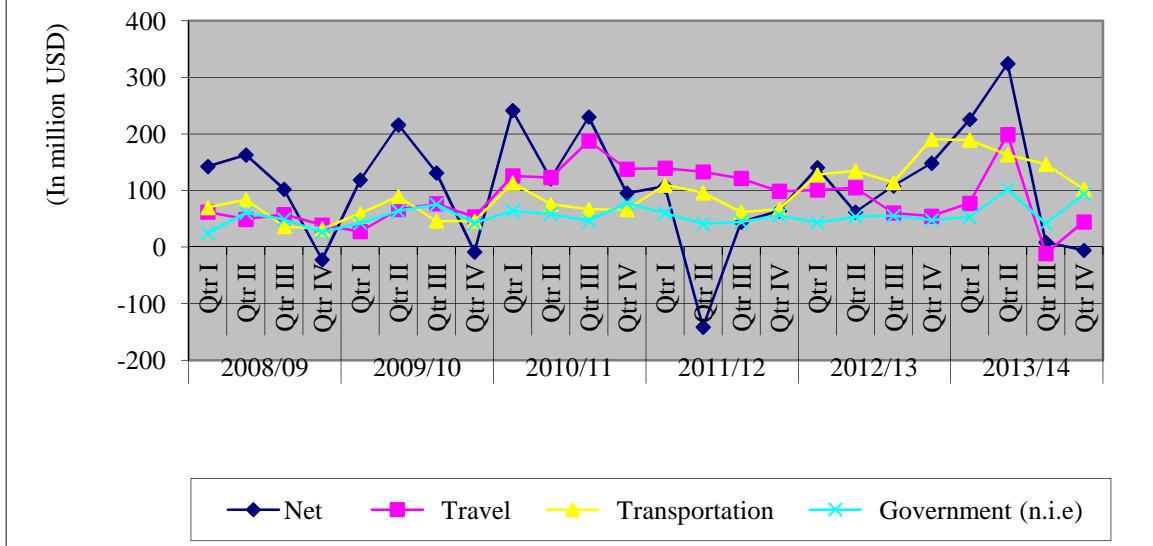


Source: Ethiopian Revenue and Customs Authority

5.3. Services and Transfers

Net receipts from services trade showed a USD 5.6 million deficit, compared to USD 148.4 million surplus last year same period. This was attributed 18.6 percent decline in net travel services and 46.2 percent drop in net transport services.

Fig.9: Trends in Net Service



Source: NBE Staff Compilation

Table 5.7: Developments in Service Account

(In Millions of USD)

S/N	Particulars	2012/13	2013/14		Percentage Change	
		QIV	QIII	QIV	C/A	C/B
		A	B	C		
1	Investment Income (2+5)	-40.3	-43.7	-41.2	2.33	-5.64
2	Interest, net (3-4)	-40.2	-39.2	-33.9	-15.68	-13.57
3	Credit	4.2	2.9	2.4	-42.07	-15.01
4	Debit	44.4	42.1	36.3	-18.18	-13.67
5	Dividend, net	-0.1	-4.5	-7.3	7245.60	63.60
6	Other Services, net (7-12)	188.7	52.3	35.6	-81.12	-31.85
7	Exports of non-factor services	723.8	615.4	763.9	5.54	24.14
8	Travel	107.0	38.0	95.1	-11.14	150.14
9	Transport	505.7	496.9	520.6	2.95	4.77
10	Gov't	47.9	42.1	93.9	96.14	123.01
11	Other	63.2	38.3	54.3	-14.15	41.76
12	Imports of non-factor services	535.1	563.1	728.3	36.10	29.34
13	Travel	52.2	49.5	50.5	-3.27	2.11
14	Transport	315.1	350.5	418.1	32.70	19.29
15	Gov't	0.1	0.6	0.1	13.50	-80.76
16	Other	167.7	162.5	259.5	54.77	59.71
17	Net Services (18+19+20+21+22)	148.4	8.6	-5.6	-103.78	-165.37
18	Travel (8 - 13)	54.8	-11.4	44.6	-18.64	-489.77
19	Transport (9 - 14)	190.6	146.4	102.5	-46.22	-30.00
20	Gov't (10 - 15)	47.8	41.5	93.8	96.31	125.90
21	Other (11 - 16)	-104.5	-124.2	-205.3	96.45	65.24
22	Investment Income (2+5)	-40.3	-43.7	-41.2	2.33	-5.64

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

During the review period total net transfer receipts increased by 15.6 percent relative to last year same period and stood at USD 1.3 billion. Net official transfers decreased by 49.64

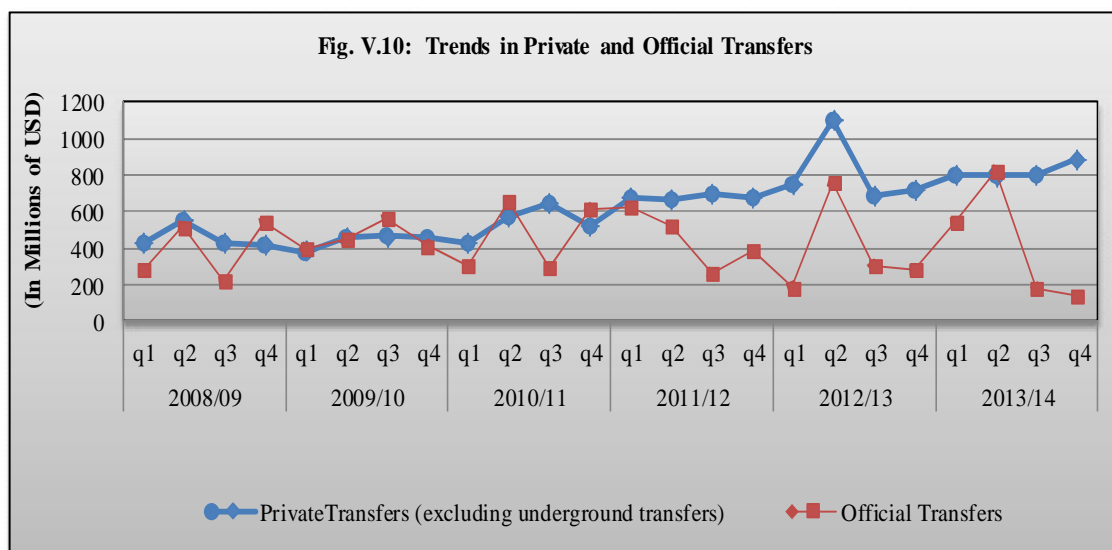
percent to USD 142.2 million whereas private transfers increased by 38.0 percent to USD 1.13 billion relative to last year same period, on account of the 18.64 percent rise in cash remittances from private individuals and 23.1 percent increase in transfers to NGOs.

Table 5.9: Developments in Transfer Accounts

(In Millions of USD)

S/N	Particulars	2012/13		2013/14				Percentage Change	
		QIV	%	Q III	%	Q IV	%	Change	
		A	share	B	share	C	share	C/A	C/B
1	Private Transfers (net) (2-11)	821.3	74.4	1024.3	85.2	1133.2	88.9	37.99	10.64
2	Credit (3+7)	841.7	74.8	1026.4	84.2	1135.8	88.1	34.95	10.66
3	NGO's (4+5+6)	270.3	24.0	225.0	18.5	332.6	25.8	23.07	47.83
4	Cash	238.0	21.1	170.9	14.0	313.6	24.3	31.76	83.50
5	Other	32.3	2.9	54.1	4.8	19.0	1.7	-41.07	-64.86
6	Food					0.0			
7	Private individuals (8+9+10)	571.4	50.8	801.4	65.7	803.2	62.3	40.57	0.22
8	Cash	464.7	41.3	558.5	45.8	551.4	42.8	18.64	-1.27
9	In kind	1.5	0.1	17.1	1.4	6.3	0.5	333.62	-62.89
10	Underground Private Transfers	105.2	9.3	225.9	18.5	245.5	19.0	133.36	8.68
11	Debit	20.4	92.6	2.2	12.5	2.6	18.1	-87.41	18.32
12	Official Transfers (net) (13-17)	282.3	25.6	177.7	14.8	142.2	11.1	-49.64	-20.02
13	Credit (14+15+16)	283.9	25.2	193.0	15.8	153.8	11.9	-45.82	-20.29
14	Cash	283.9	25.2	193.0	15.8	153.8	11.9	-45.82	-20.29
15	Other								
16	Food								
17	Debit	1.6	7.4	15.2	87.5	11.7	81.9	620.04	-23.44
18	Total Receipts (2+13)	1125.6	100.0	1219.4	100.0	1289.6	100.0	14.58	5.76
19	Total Payments (11+17)	22.0	100.0	17.4	100.0	14.2	100.0	-35.37	-18.23
20	Net Transfers (18+19)	1103.5	100.0	1202.0	100.0	1275.4	100.0	15.57	6.11

Source: Staff Computation



5.4. Current Account

The current account balance (including official transfers) registered USD 1.4 billion in deficit during the fourth quarter of 2013/14, which was higher than USD 575.1 million deficit recorded

a year ago. The widening current account deficit was attributed to 103.8 percent drop in net services receipts, 49.6 percent in net official transfers and 45.3 percent increase in trade deficit.

5.5. Capital account

In the review period, the capital account recorded USD 2.1 billion in surplus, about 168.1 percent higher than last year same period. This was due to the rise in

inflows of net official long-term capital (8.4 percent), foreign direct investment (69.8 percent) and other public long-term capital.

5.6. Changes in Reserve Position

During the review period, the significant increase in capital account resulted in USD 416 million surplus in overall

balance of payments. Consequently, net foreign assets of the banking system showed USD 416 million reserve

buildup. Hence, international gross reserve of the country as end June, 2014 was sufficient to cover 2.1 months of

payments for import of goods and non-factor services projected for next year.

5.7. Developments in the Foreign Exchange Market

5.7.1. Exchange Rate Movements

In the fourth quarter of 2013/14, the average official exchange rate of the Birr in the inter-bank foreign exchange market was Birr 19.44/ USD showing a 4.9 percent depreciation compared to last year same period and 1.4 percent against the preceding quarter.

In the same way, parallel market average exchange rate stood at Birr 20.34/USD, with a 0.7 percent depreciation vis-à-vis last year same

period and 2.6 percent against a quarter earlier.

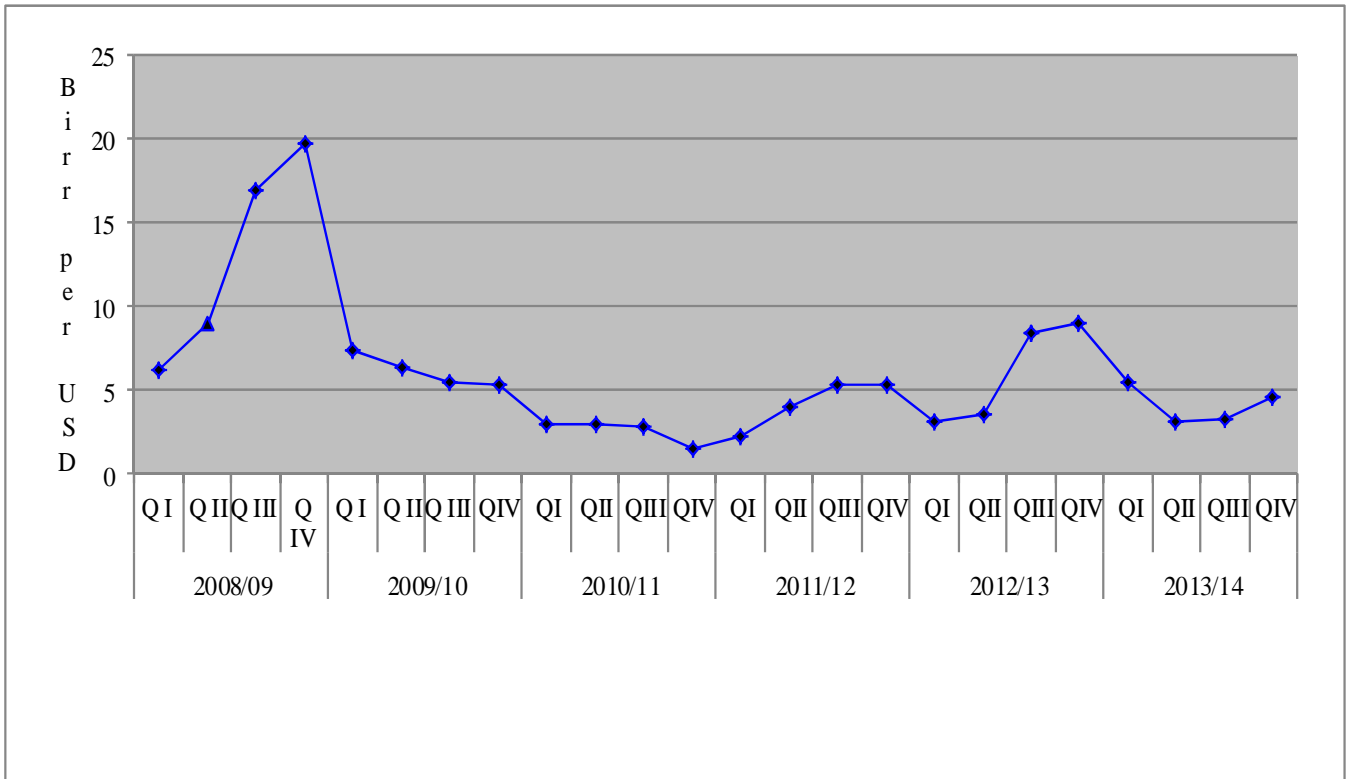
As a result, the premium between the parallel and official market narrowed to 4.7percent from 9 percent last year same period. The premium, however, tended to widen by 3.3 percent in contrast with the previous quarter (Table 5.10).

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

Period		Official Market				Parallel Market		Premium
		End Period Weighted rates	Average Weighted Rate	Amount Traded in millions of USD		End Period Rate	Average Rate	
				Total	Among CBs			
2012/13		18.6426	18.1947	15.6	3.0	19.9800	19.3025	6.09
Qtr. IV	C	18.6426	18.5331	3.1	0.00	19.9800	20.2000	8.99
April		18.4929	18.4532	1.10	0.00	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
2013/14								
Qtr. III	B	19.3044	19.1819	4.30	1.20	20.0250	19.8222	3.34
January		19.1389	19.1007	2.05	1.00	19.7800	19.7417	3.36
February		19.2195	19.1812	1.20	0.20	19.9250	19.8125	3.29
March		19.3044	19.2639	1.05	0.00	20.0250	19.9125	3.37
Qtr. IV	A	19.5771	19.4400	3.05	0.00	20.6300	20.3448	4.65
April		19.3938	19.3512	1.05	0.00	20.3250	20.1472	4.11
May		19.4787	19.4385	0.95	0.00	20.4750	20.3372	4.62
June		19.5771	19.5302	1.05	0.00	20.6300	20.5500	5.22
Percentage Changes	A/B	1.41	1.35	29.07	-100	3.02	2.64	39.22
	A/C	5.01	4.89	-1.61	0.00	3.25	0.72	-48.28

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

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



Meanwhile, the retail foreign exchange buying rate of forexbureaux of commercial banks averaged Birr 19.4238/USD, depicting a 1.25 percent quarterly and 1.3 percent annual depreciation. Meanwhile the selling rate stood at Birr 19.8024/USD showing a 4.7percentyearly and 4.6 percent quarterly depreciation.

As a result, average premium between buying and selling exchange rates of forexbureax marginally narrowed to 1.95 percent from 2.1 percent a year ago, but widened compared to 1.9 percent in the preceding quarter (Table 5.11).

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

No.	Name of Forex Bureau	2012/13		2013/14				Percentage change			
		Quarter IV A		Quarter III B		Quarter IV C		C/B		C/A	
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	27,357.03	925.53	69.66	151.92	198.89	88.21	185.52	-41.93	-99.27	-90.47
2	Bank of Abyssinia	889.21	1,373.08	1,053.97	1345.88	1,112.17	1,602.12	5.52	19.04	25.07	16.68
3	Dashen Bank	6,714.69	6,380.59	10,940.05	12281.56	7,552.80	8,933.31	-30.96	-27.26	12.48	40.01
4	Awash International Bank	1,774.99	3,536.52	2,679.32	2559.82	1,843.17	3,570.29	-31.21	39.47	3.84	0.95
5	Construction & Business Bank	1,265.49	476.22	991.28	201.00	1,923.48	807.46	94.04	301.72	51.99	69.55
6	Wegagen Bank	771.75	1,238.21	1,160.52	811.34	1,624.02	1,025.74	39.94	26.43	110.43	-17.16
7	United Bank	5,040.53	3,233.92	4,611.59	2485.13	4,111.52	2,643.73	-10.84	6.38	-18.43	-18.25
8	Development Bank	1,721.08	156.10	76.26	126.67	258.99	417.09	239.62	229.28	-84.95	167.20
9	Nib International Bank	1,164.17	1,844.73	1,183.53	1673.77	856.15	1,550.43	-27.66	-7.37	-26.46	-15.95
10	Lion International Bank	864.41	333.48	753.09	926.90	542.50	307.54	-27.96	-66.82	-37.24	-7.78
11	Oromia International Bank	343.02	495.54	1,006.20	599.43	616.21	888.22	-38.76	48.18	79.64	79.24
12	Zemen Bank	145.78	649.92	242.21	463.35	229.82	2,504.34	-5.11	440.48	57.65	285.33
13	Cooperative Bank of Oromia	177.38	242.50	189.28	101.31	19.57	147.94	-89.66	46.03	-88.97	-38.99
14	Buna International Bank	94.03	37.30	96.82	273.80	120.51	0.00	24.46	-100.00	28.16	-100.00
15	Birhanu International Bank	121.34	186.14	2.53	4.00	0.98	24.74	-61.30	518.50	-99.19	-86.71
16	Abay Bank	184.19	320.42	57.61	144.66	128.63	402.76	123.28	178.42	-30.16	25.70
17	Addis International Bank	98.71	89.70	283.44	135.26	750.91	134.14	164.93	-0.82	660.72	49.55
18	Dehub Global Bank	20.01	40.31	950.03	12.14	269.59	203.07	-71.62	1572.75	1247.40	403.73
19	Enat Bank	-	-	107.02	120.80	322.74	101.88	201.57	-15.66		
	Total	48,747.82	21,560.21	26,454.42	24,418.73	22,482.66	25,353.05	-15.01	3.83	-53.88	17.59
	Average Exchange Rate	18.5481	18.9369	19.1847	19.5478	19.4238	19.8024	1.25	1.30	4.72	4.57

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

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

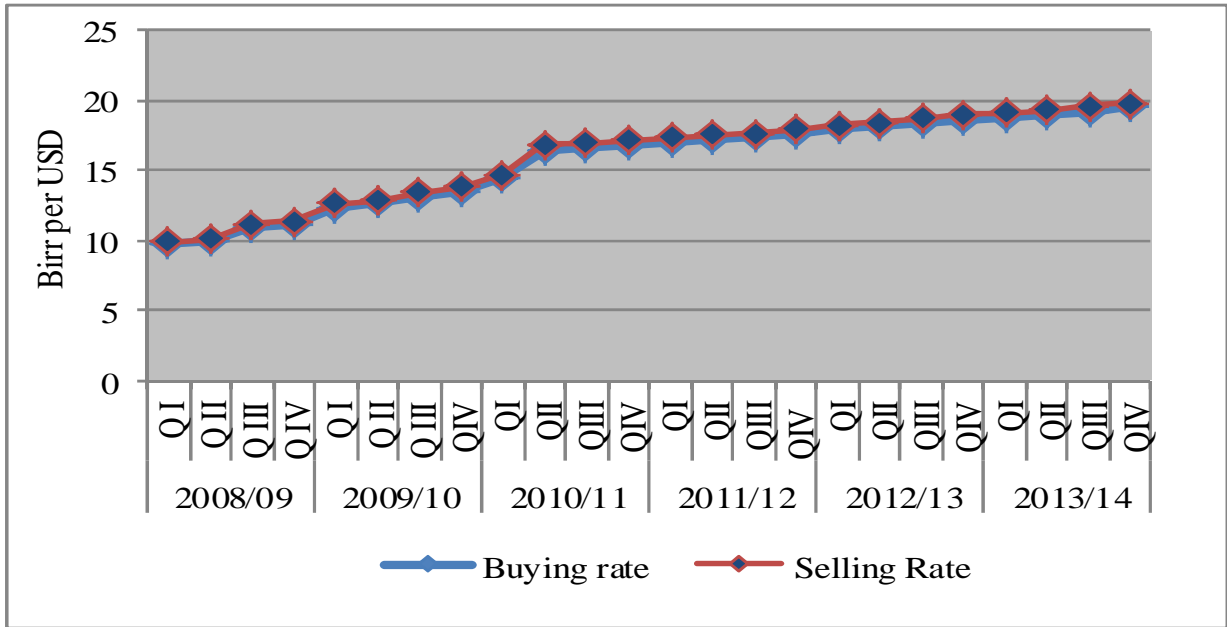
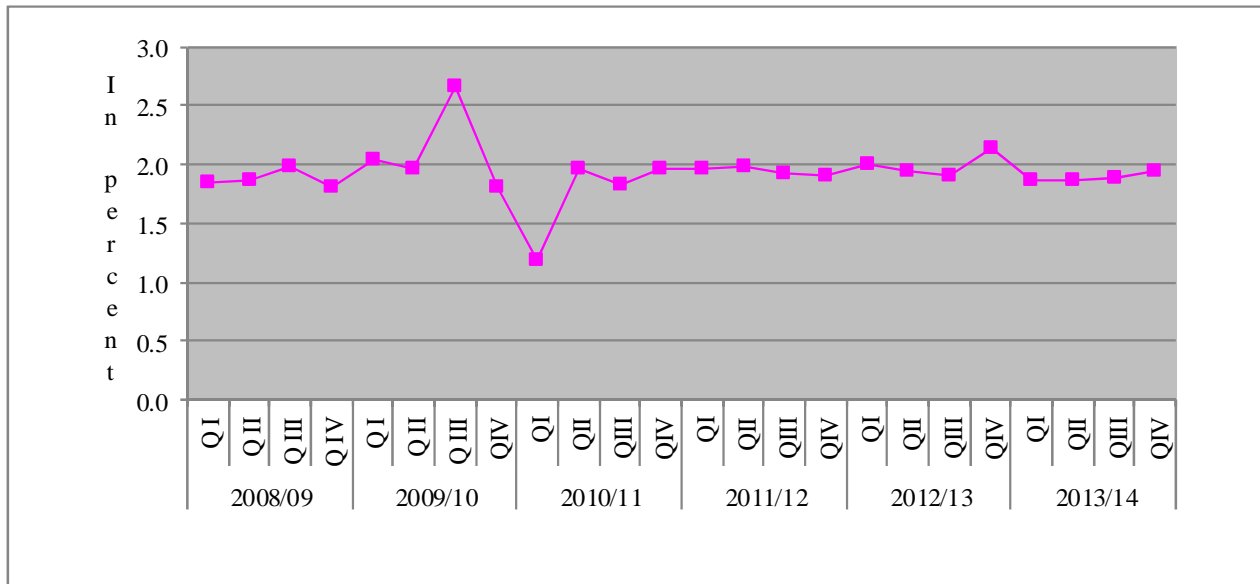


Fig. V.13: Average Spread between Buying and Selling Rates in the Retail Foreign Exchange Market



Concerning the exchange rate of major international currencies, exchange rate of the US dollar on average depreciated against SDR (9.1 percent), Pound Sterling (3.9 percent), Swiss Franc (1.7 percent) and Euro (0.8 percent), while it appreciated by 2.7 percent against Japanese Yen on quarterly basis.

Year-on-year, the rate of depreciation against SDR was 10.1 percent, Pound Sterling (8.6 percent), Swiss Franc (5.1 percent), Euro (3.5 percent), but it appreciated against Japanese Yen (5.5 percent) (Table 5.12).

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

Period		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
2012/13																
QIV	C	1.3127	1.3376	1.3252	0.0102	0.0103	0.0103	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
2013/14																
QIII	B	1.3609	1.3601	1.3605	0.0100	0.0099	0.0100	1.5358	1.5312	1.5335	1.6183	1.6189	1.6186	1.1069	1.1060	1.1064
January		1.3636	1.3636	1.3636	0.0102	0.0102	0.0102	1.5384	1.5376	1.5380	1.6096	1.6087	1.6091	1.1075	1.1070	1.1072
February		1.3502	1.3476	1.3489	0.0100	0.0100	0.0100	1.5311	1.5257	1.5284	1.6087	1.6048	1.6067	1.0957	1.0936	1.0946
March		1.3690	1.3690	1.3690	0.0097	0.0096	0.0097	1.5379	1.5304	1.5341	1.6366	1.6433	1.6400	1.1175	1.1175	1.1175
QIV	A	1.3717	1.3717	1.3717	0.0096	0.0098	0.0097	1.5401	1.8051	1.6726	1.6823	1.6823	1.6823	1.1248	1.1250	1.1249
April		1.3818	1.3818	1.3818	0.0097	0.0097	0.0097	1.5317	1.5317	1.5317	1.6730	1.6730	1.6730	1.1329	1.1336	1.1333
May		1.3741	1.3741	1.3741	0.0094	0.0098	0.0096	1.5479	1.5479	1.5479	1.6850	1.6850	1.6850	1.1261	1.1261	1.1261
June		1.3591	1.3591	1.3591	0.0098	0.0098	0.0098	1.5407	2.3358	1.9383	1.6890	1.6890	1.6890	1.1153	1.1153	1.1153
Percentage Changes	A/B	0.79	0.85	0.82	-3.34	-1.68	-2.68	0.28	17.89	9.07	3.96	3.92	3.94	1.61	1.71	1.67
	A/C	4.49	2.54	3.51	-5.25	-5.48	-5.52	2.31	17.69	10.07	9.61	7.55	8.57	6.93	3.38	5.13

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

Likewise, Birr weakened against almost all major international currencies both on quarterly and year-on-year terms. The highest depreciation on quarterly basis was against SDR (10.7 percent), followed by Pound Sterling (3.7 percent), Swiss Franc (1.9 percent), Euro (1.4 percent), though it appreciated against Japanese Yen (59.7).

Year-on-year, the Birr depreciated vis-à-vis SDR (16.7 percent), Pound Sterling (15 percent), Swiss Franc (11.3 percent), Euro, (9.6 percent) and Japanese Yen (0.4 percent) (Table5.13).

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
2012/13																			
QIV	C	18.5330	18.5517	18.5424	24.3318	24.5752	24.4535	0.1880	0.1899	0.1890	27.9021	28.1764	28.0392	28.4523	28.7362	28.5943	19.4947	19.9926	19.7437
April		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
May		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
June		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
2013/14																			
QIII	B	19.1799	19.3717	19.2758	26.2628	26.5782	26.4205	0.4683	0.4731	0.4707	29.3923	29.6862	29.5392	31.7153	31.6986	31.7070	21.4624	21.6769	21.5697
January		19.1007	19.2917	19.1962	26.0441	26.4631	26.2536	1.0285	1.0390	1.0338	29.0266	29.3169	29.1718	31.4814	30.7948	31.1381	21.1503	21.3618	21.2560
February		19.1752	19.3669	19.2710	26.1191	26.3803	26.2497	0.1881	0.1899	0.1890	29.4899	29.7848	29.6373	31.6375	31.9539	31.7957	21.3734	21.5871	21.4802
March		19.2639	19.4566	19.3603	26.6252	26.8913	26.7583	0.1884	0.1902	0.1893	29.6602	29.9568	29.8085	32.0270	32.3473	32.1871	21.8635	22.0819	21.9727
QIV	A	19.4400	19.6344	19.5372	26.6619	26.9284	26.7952	0.1873	0.1919	0.1896	29.9392	35.4767	32.7079	32.7053	33.0324	32.8689	21.8648	22.0877	21.9762
April		19.3512	19.5448	19.4480	26.7278	26.9948	26.8613	0.1886	0.1900	0.1893	29.6394	29.9358	29.7876	32.3745	32.6982	32.5363	21.9235	22.1556	22.0396
May		19.4385	19.6328	19.5356	26.7180	26.9852	26.8516	0.1819	0.1929	0.1874	30.0878	30.3887	30.2382	32.7541	33.0816	32.9179	21.8889	22.1078	21.9984
June		19.5302	19.7255	19.6279	26.5399	26.8053	26.6726	0.1914	0.1928	0.1921	30.0904	46.1055	38.0980	32.9874	33.3173	33.1524	21.7818	21.9996	21.8907
Percentage Change	A/B	1.36	1.36	1.36	1.52	1.32	1.42	-60.00	-59.43	-59.72	1.86	19.51	10.73	3.12	4.21	3.66	1.87	1.89	1.89
	A/C	4.89	5.84	5.37	9.58	9.58	9.58	-0.38	1.07	0.35	7.30	25.91	16.65	14.95	14.95	14.95	12.16	10.48	11.31

Source: Staff Compilation

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

Currency	June-13	March-14	June-14	Percentage change	
	C	B	A	A/B	A/C
USD	18.7358	19.4009	19.6750	1.41	5.01
Pound	28.6284	32.2444	33.4928	3.87	16.99
Swedish Kroner	2.7871	2.9884	2.9131	-2.52	4.52
Djibouti Frank	0.1052	0.1089	0.1104	1.38	4.99
Swiss Frank	19.8011	21.8701	22.0251	0.71	11.23
Saudi Riyal	4.9959	5.1729	5.2460	1.41	5.01
UAE Dirham	5.1010	5.2816	5.3567	1.42	5.01
Canadian Dollar	17.9376	17.6036	18.3947	4.49	2.55
Japanese Yen	0.1908	0.1896	0.1941	2.35	1.72
Euro	24.4109	26.6472	26.7895	0.53	9.74
SDR	28.0595	29.9764	30.3743	1.33	8.25

Source: Staff Compilation

5.7.2. Movements in the Real Effective Exchange Rate

Due to the concerted effort of the government to contain inflation in a single digit, REER of the Birr depreciated during the fourth quarter of the fiscal year by 1.5 percent against the preceding quarter. However, the Birr appreciated by 0.4 percent vis-à-vis the same quarter last year, due to

relatively higher domestic price compared to major trading partner countries.

NEER, however, depreciated by 2.2 against the preceding quarter and by 3.3 percent compared to the same quarter last year. (Table 5.15)

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

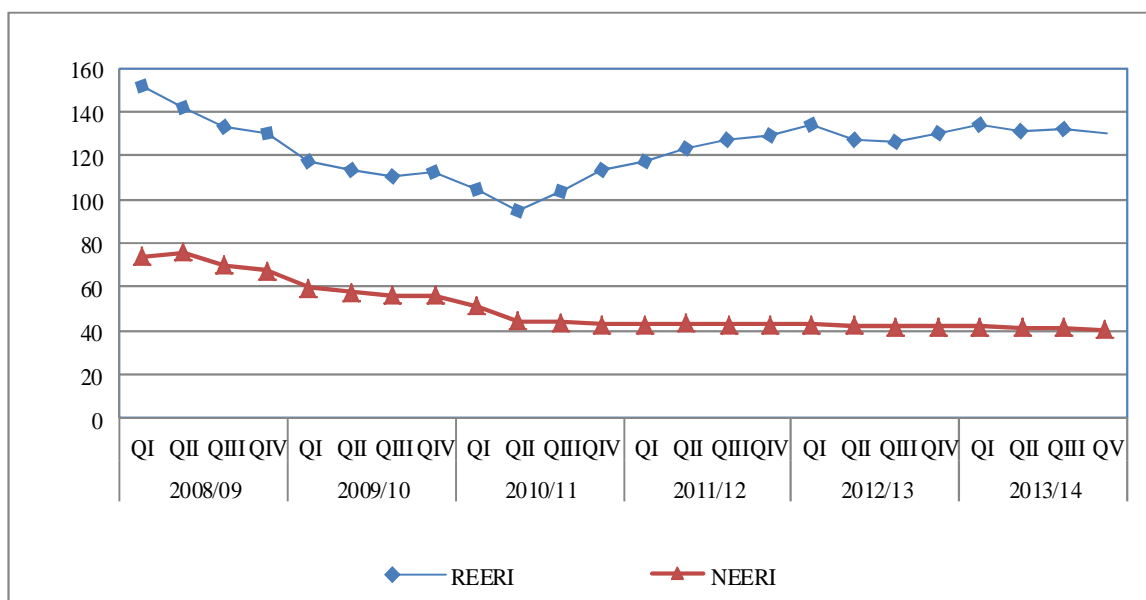
ITEMS	2012/13	2013/14		Percentage change	
	QIV	QIII	QIV		
	A	B	C	C/B	C/A
REERI	129.7	132.2	130.2	-1.5	0.4
NEERI	42.0	41.5	40.7	-2.2	-3.3

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.

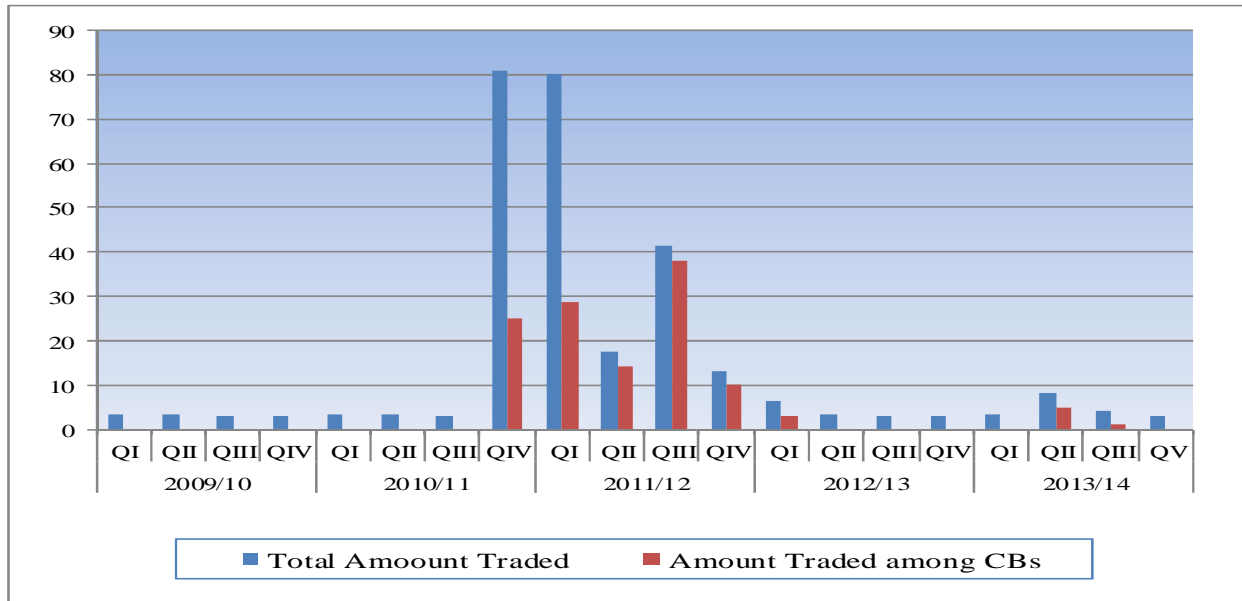
Fig.V.14: Movements in the Real and Nominal Effective Exchange Rate



Total foreign exchange traded in the inter-bank foreign exchange market during the fourth quarter of 2013/14 amounted to USD 3.1 million, lower than USD 15.6 million traded last year same period and USD 4.3 million in the preceding quarter.

The total amount of foreign exchange traded during the review period was fully supplied by the National Bank of Ethiopia (Table5:10).

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



In the meantime, total foreign exchange bought by forexbureaux of commercial banks stood at USD 22.5 million, down by 15 and 53.9 percent vis-à-vis the preceding quarter and the same period last year,

respectively. On the other hand, total foreign exchange sales of the forexbureaux during the same period amounted to USD 25.4 million, depicting a 3.8 percent quarterly and 17.6 percent yearly growth (Table 5.11).