

V. External Sector Development

5.1 Balance of Payments

In the first quarter of 2014/15, the overall balance of payments registered USD 388.6 million deficit, which was lower than USD 411.4 million deficit a year ago but worse than USD 416 million surplus in the preceding quarter.

Although there was a 83.4 percent decline in net service receipts as well as a 26.6 percent rise in imports, the quarter-on-quarter increase in the overall balance of payments was attributed to a 14.1 percent growth in export, 11.8 percent hike in net official transfers,

214.2 percent surge in net capital inflows and 0.7 percent marginal increase in net private transfers.

The rise in capital account was mainly due to 158.3 percent surge in inflows of net official long-term capital, 105.3 percent increase in other public long-term capital and 105.2 percent growth in net foreign direct investment.

Similarly, on quarter terms, exports dropped by 25.5 percent followed by net private transfers (17.9 percent) and net capital inflow (33.9 percent) leading to a USD 388.6 million deficit in the quarterly overall balance of payments.

Table 5.1: Balance of Payments

(In Millions of USD)

S/N	Particulars	2013/14		2014/15	Percentage Change	
		QI	QIV	QI	C/A	C/B
		A	B	C		
1	Exports, f.o.b.	631.1	967.0	720.4	14.1	-25.5
	Coffee	137.3	326.9	182.6	33.0	-44.2
	Other	493.8	640.1	537.8	8.9	-16.0
2	Imports	2,919.5	3,622.4	3,697.5	26.6	2.1
	Fuel	648.8	689.8	576.3	-11.2	-16.5
	Cereals	54.8	36.4	172.4	214.6	373.6
	Aircraft	7.2	7.8	41.6	477.8	431.1
	Imports excl. fuel, cereals, aircraft	2,211.8	2,891.9	2,907.2	31.4	0.5
3	Trade Balance (1-2)	-2,288.4	-2,655.4	-2,977.1	30.1	12.1
4	Services, net	226.5	-5.6	37.6	-83.4	
	Non-factor services, net	254.7	35.6	67.1	-73.7	88.3
	Exports of non-factor services	802.0	763.9	854.5	6.5	11.9
	Imports of non-factor services	547.3	728.3	787.4	43.9	8.1
	Income, net	-28.1	-41.2	-29.4	4.6	-28.6
	O/w Gross official int. payment	28.9	36.3	26.4	-8.7	-27.5
	Dividend	-1.2	-7.3	-5.2	343.5	-28.8
5	Private transfers, net	924.3	1,133.2	931.0	0.7	-17.9
	o/w: Private Individuals	622.3	803.2	702.7	12.9	-12.5
6	Current account balance excluding official transfers (3+4+5)	-1,137.5	-1,527.8	-2,008.5	76.6	31.5
7	Official transfers, net	219.8	142.2	245.7	11.8	72.8
8	Current account balance including official transfers(6+7)	-917.7	-1,385.6	-1,762.8	92.1	27.2
9	Capital account	434.4	2,066.7	1,365.1	214.2	-33.9
	Off. Long-term Cap., net	91.6	702.0	236.6	158.3	-66.3
	Disbursements	117.1	718.6	284.6	143.0	-60.4
	Amortization	25.5	16.6	48.0	88.2	189.9
	Other pub. long-term cap.	208.1	957.5	427.3	105.3	-55.4
	Foreign Direct Investment(net)	276.3	452.1	566.9	105.2	25.4
	Short-term Capital	-141.6	-44.8	134.4	-194.9	-400.0
10	Errors and omissions	71.9	-265.2	9.0		
11	Overall balance (8+9+10)	-411.4	416.0	-388.6		
12	Financing	411.4	-416.0	388.6		
13	Reserves [Increase (-), Decrease (+)]	412.8	-416.0	388.1		
14	Central Bank (NFA)	78.7	-122.2	8.1		
	Asset	-100.8	-55.0	-181.7		
	Liabilities	179.5	-67.2	189.8		
15	Commercial banks (NFA)	334.2	-293.8	380.0		
16	Debt Relief	-1.4	0	0.6		
	Principal	1.2	0	0.5		
	Interest	0.2	0	0.1		

Source: NBE Staff Compilation

Total current receipts in the review quarter amounted to USD 2.76 billion, 5.6 percent higher than the same

period last year mainly due to 0.3 percent fall in private transfers.

Meanwhile, total current payments increased by 28.1 percent and stood at USD 4.5 billion on account of 26.7 percent rise in payments for

merchandise imports. Consequently, the current account recorded USD 1.76 billion net outflows, 92.1 percent higher than a year ago (Table 5.2).

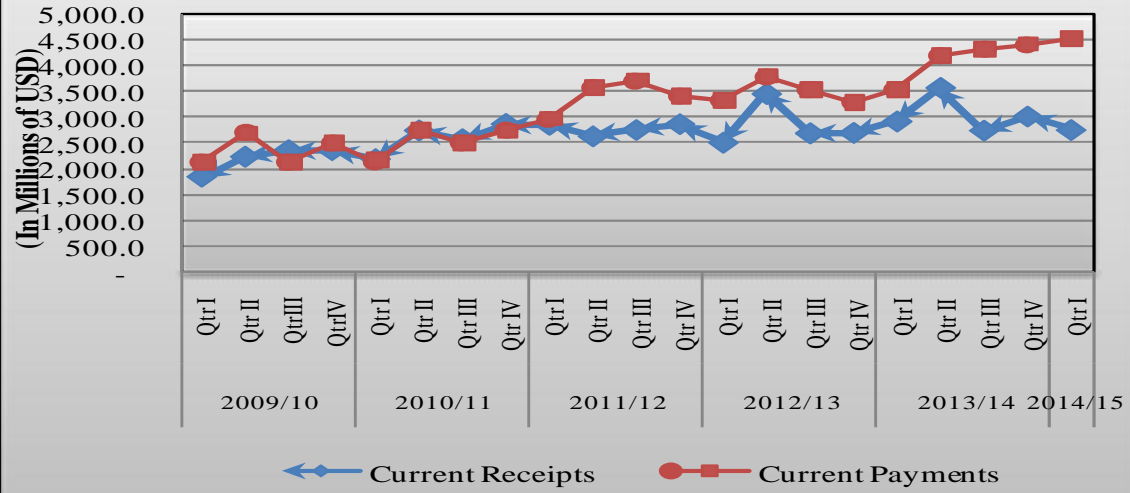
Table 5.2: Current Receipts and Payments

(In millions of USD)

Particulars	2013/14		2014/15	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/A	C/B
	A	B	C		
1. Current Receipts	2,612.81	3,023.01	2,758.51	5.58	-8.75
Export Proceeds	631.10	967.01	720.37	14.15	-25.50
Service Proceeds	803.91	766.36	856.62	6.56	11.78
Private Transfers	935.37	1,135.81	932.94	-0.26	-17.86
Public Transfer	242.43	153.84	248.57	2.53	61.58
2. Current Payments	3,530.55	4,408.61	4,521.16	28.06	2.55
Import Payments	2,919.50	3,622.40	3,697.45	26.65	2.07
Service Payments	577.36	771.97	818.97	41.85	6.09
Private Transfers	11.06	2.57	1.99	-82.04	-22.76
Public Transfer	22.64	11.67	2.75	-87.86	-76.45
3. Net(1-2)	-917.74	-1,385.59	-1,762.66	92.06	27.21

Source: NBE Staff Compilation

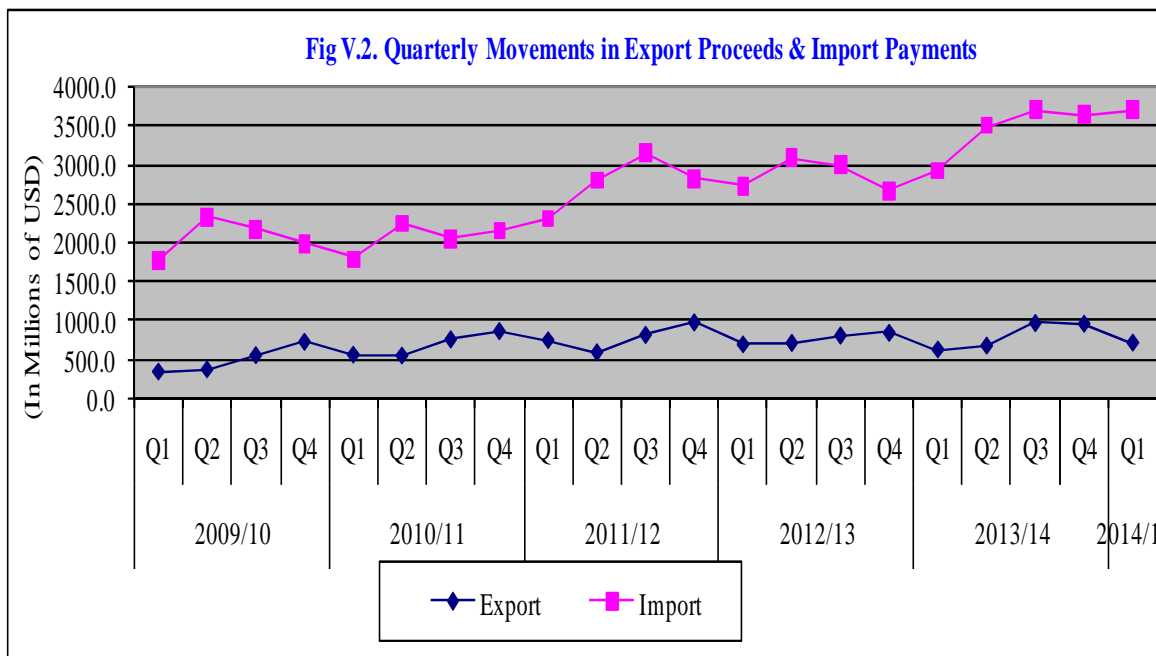
Fig.V.1: Trends in Current Receipts and Payments



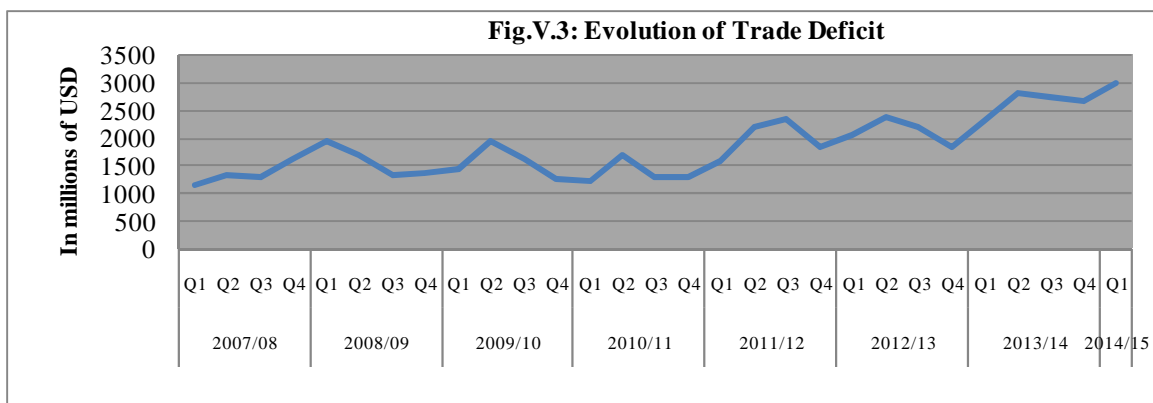
5.2 Merchandise Trade

Merchandise trade deficit during the first quarter of 2014/15 amounted to USD 2.98 billion, which was 12.1 percent and 30.1 percent higher than that of the preceding quarter and the same period last year, respectively.

The widening of trade deficit on quarter-on-quarter and quarter bases was the result of strong import growth that outpaced the growth in exports.



Source: Ethiopian Revenue and Customs Authority



Source: NBE Staff Compilation

5.2.1 Exports

Total merchandise export increased by 14.1 percent yearly but decreased by 25.5 percent on quarterly terms and reached to USD 720.4 million. The quarter-on-quarter increase resulted from rises in export earnings from coffee (32.9 percent), oilseeds (23.7 percent), pulses (31.6 percent), flowers (10.9 percent), meat & meat products (19.2 percent), leather & leather products (3.2 percent), fruits & vegetables (4.1 percent) and gold (0.4 percent). The growth in these export commodities in turn was attributed to an increase in both export volume, higher prices or both.

The quarterly decline in total export proceeds was due to lower export earnings from major export items, mainly coffee, oilseeds, flowers, fruits & vegetables, gold and chat.

Export earnings from coffee in the review period increased by 32.9 percent quarter-on-quarter but decreased by 44.2 percent on quarterly basis. The quarter-on-quarter increase in export earnings from coffee was ascribed to a significant coffee price recovery and increased volume.

In the review period, coffee unit price increased by 28.1 percent and 5.0 percent vis-à-vis last year same quarter and the previous quarter, respectively. On the other hand, though the volume of coffee exported increased by 3.8 percent over last year same quarter, it went down by 46.8 percent compared to the previous quarter.

Consequently, export earnings from coffee decreased to USD 182.6 million from USD 326.9 million in the

preceding quarter but increased from USD 137.3 million in the first quarter of 2013/14. Hence, the share of coffee export in total export earnings increased to 25.3 percent from 21.8 percent a year earlier but went down from 33.8 percent in the preceding quarter.

Likewise, export revenue from oilseeds increased by 23.7 percent relative to last year same period on account of both higher international price and export volume by 12.3 percent and 10.2 percent, respectively. With respect to the preceding quarter, however, export proceeds from oilseeds went down by 36.1 percent due to fall in the volume of export by 37.8 percent which outweighed the rise in international price by 2.6 percent. Consequently, the share of oilseeds in total export revenue increased to 12.5 percent from 11.6 percent last year same quarter, but decreased from 14.6 percent vis-a-vis the preceding quarter.

Earnings from export of pulses rose by 31.6 percent quarter-on-quarter basis and stood at USD 62.4 million owing to a 6.5 percent increase in prices and 23.6 percent surge in volume of export. In

relation to the preceding quarter, earnings from pulses increased slightly by 0.9 percent as a result of the rise in the volume of pulse export (7.0 percent) although international price decreased by 5.7 percent. Thus, receipts from pulses accounted for 8.7 percent of the total merchandise export earnings during the review quarter compared to 7.5 percent a year ago.

Similarly, earnings from export of flowers went up by 10.9 percent over last year same quarter owing to 1.1 percent improvement in international price and 9.7 percent in export volume. Compared to preceding quarter, receipt from flower export went down by 21.2 percent as a result of fall in volume of export by 21.3 percent though international price slightly increased by 0.1 percent. As a result, the share of flowers in total export revenue slightly dropped to 6.1 percent from 6.2 percent last year.

Receipts from meat & meat products increased by 19.2 percent compared with the previous year same quarter. This was attributed to 23.4 percent rise in volume of export despite 3.4 percent decline in

international price. Hence, earnings from meat & meat products reached USD 23.9 million in the review quarter accounting for 3.3 percent of the total export revenue.

Likewise, earnings from export of leather & leather products went up by 3.2 percent vis-à-vis same quarter last year due to a 25.7 percent growth in volume of export despite 17.9 percent slow down in international price while the quarterly 7.6 percent increment was attributed to both the higher price and volume of export. Consequently, the share of leather & leather products export revenue decreased to 4.6 percent from 5.1 percent last year same period.

Earnings from export of fruits & vegetables increased by 4.1 percent compared to last year same period as a result of 4.4 percent growth in volume of export albeit a 0.3 percent drop in international price.

Concerning the preceding quarter, export proceeds from fruits & vegetables went down by 15.0 percent on account of both the decline in the international price of fruits & vegetables by 6.8 percent and the volume of export by 8.7 percent. Thus, earnings from export of fruits & vegetables reached USD 10.3 million which was 1.4 percent of total merchandise earnings of the review quarter.

Proceeds from gold export reached USD 78.5 million showing a marginal increase of 0.4 percent, compared to last year same quarter on account of 12 percent increase in volume despite 10.4 percent decline in price.

Accordingly, the share of gold in total merchandise export revenue went down to 10.9 percent from 12.4 percent last year same quarter.

Table 5.3: Values of Major Export Items

(In millions of USD)

Particulars	2013/14				2014/15		Percentage Change	
	Qtr I		Qtr IV		Qtr I		C/A	C/B
	A	% share	B	% share	C	% share		
Coffee	137.3	21.8	326.9	33.8	182.6	25.3	32.9	-44.2
Oilseeds	73.0	11.6	141.5	14.6	90.3	12.5	23.7	-36.1
Leather and Leather products	32.0	5.1	30.7	3.2	33.0	4.6	3.2	7.6
Pulses	47.4	7.5	61.9	6.4	62.4	8.7	31.6	0.9
Meat and Meat Products	20.1	3.2	21.5	2.2	23.9	3.3	19.2	11.3
Fruits and Vegetables	9.9	1.6	12.1	1.3	10.3	1.4	4.1	-15.0
Live Animals	63.8	10.1	35.7	3.7	59.9	8.3	-6.1	67.6
Chat	76.1	12.1	72.3	7.5	66.7	9.3	-12.4	-7.7
Gold	78.2	12.4	134.9	14.0	78.5	10.9	0.4	-41.8
Flower	39.4	6.2	55.6	5.7	43.8	6.1	10.9	-21.2
Others	53.8	8.5	73.9	7.6	69.0	9.6	28.1	-6.7
Total	631.1	100.0	967.0	100.0	720.4	100.0	14.1	-25.5

Source: Ethiopian Revenue and Customs Authority

Earnings from export of chat decreased by 12.4 percent and 7.7 percent compared with last year same quarter and the preceding quarter, respectively. Quarter on quarter decline was due to lower volume of chat export (10.9 percent) and international price (1.7 percent). Likewise, export proceeds went down by 7.7 percent against the preceding quarter as a result of a 4.9 percent fall in international price and 3.0 percent in export volume. Therefore, the share of chat in total export revenue decreased to 9.3 percent compared with 12.1 percent last year same quarter

but slightly higher compared to 7.5 percent in the preceding quarter.

Receipts from export of live- animals declined by 6.1 percent quarter-on-quarter but increased by 67.6 percent on quarter bases. The quarter-on-quarter slowdown in earnings from live-animals was, by and large, attributed to a 13.6 percent decline in volume of export albeit 8.8 percent increase in international price. As a result, its share in total export proceeds went down to 8.3 percent from 10.1 percent last year

same quarter, but higher than 3.7 percent

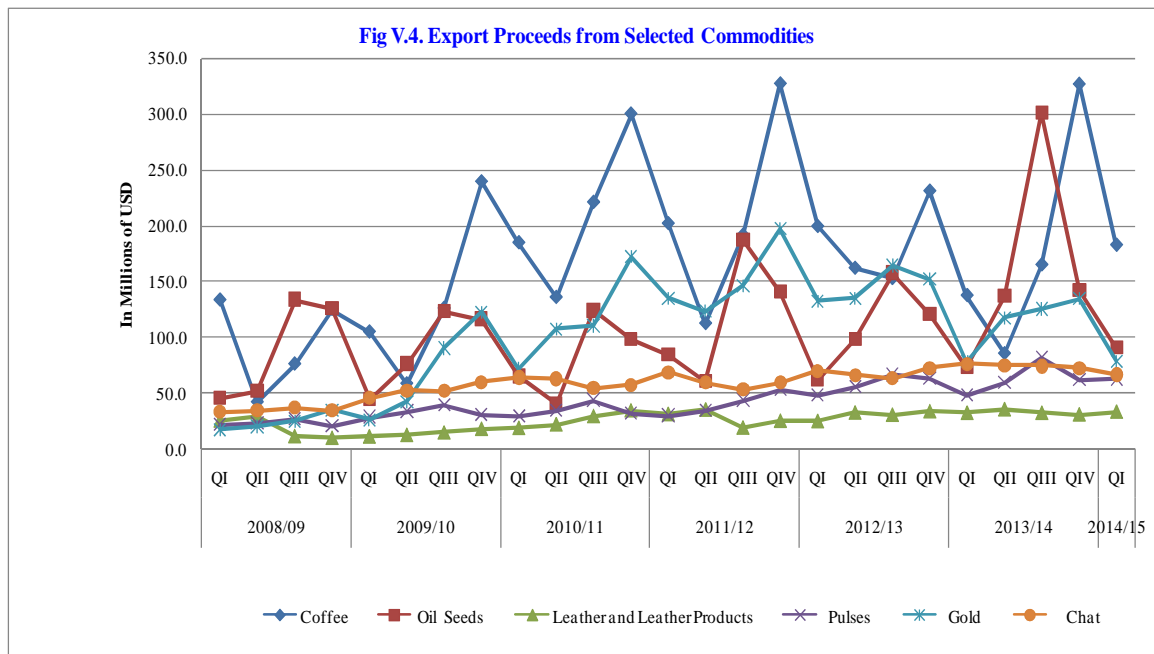
share in the preceding quarter.

Table 5.4: Volume of Major Export Items

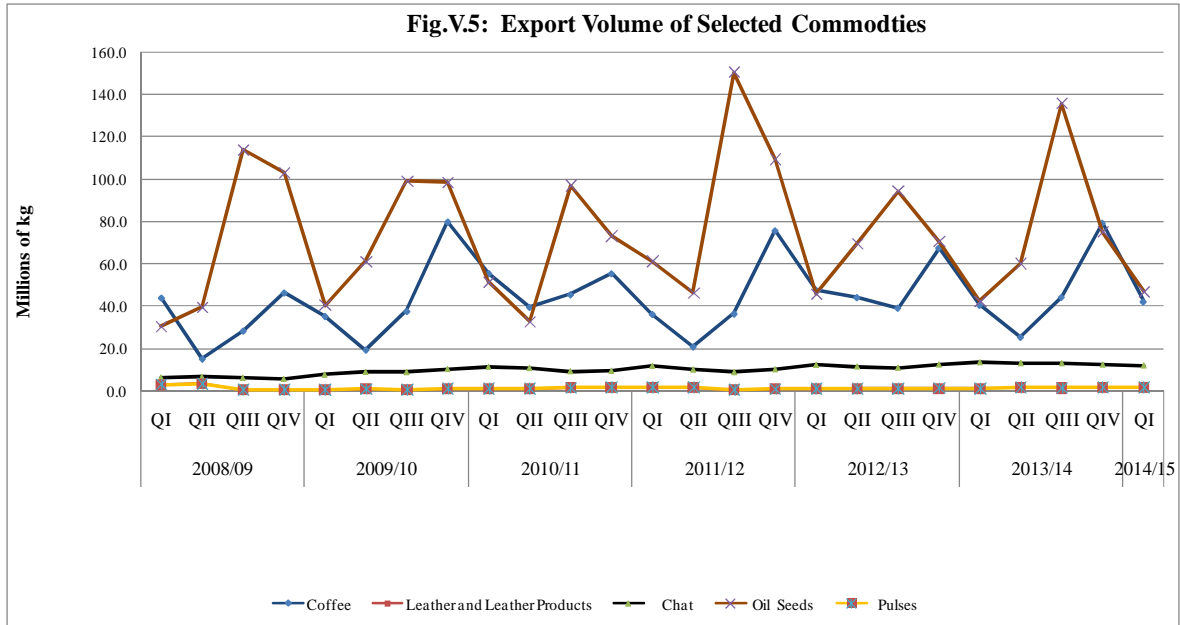
(In millions of kg)

Particulars	2013/14		2014/15	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	40.6	79.3	42.1	3.8	-46.8
Oilseeds	42.4	75.1	46.7	10.2	-37.8
Leather and Leather products	1.23	1.48	1.55	25.7	5.2
Pulses	73.9	85.4	91.4	23.6	7.0
Meat and Meat Products	4.0	4.3	4.9	23.4	14.8
Fruits and Vegetables	34.0	39.0	35.6	4.4	-8.7
Live Animals	36.2	18.9	31.2	-13.6	65.4
Chat	13.4	12.3	11.9	-10.9	-3.0
Gold	0.0019	0.0030	0.0021	12.0	-30.2
Flower	9.1	12.7	10.0	9.7	-21.3

Source: Ethiopian Revenue and Customs Authority



Source: Ethiopian Revenue and Customs Authority



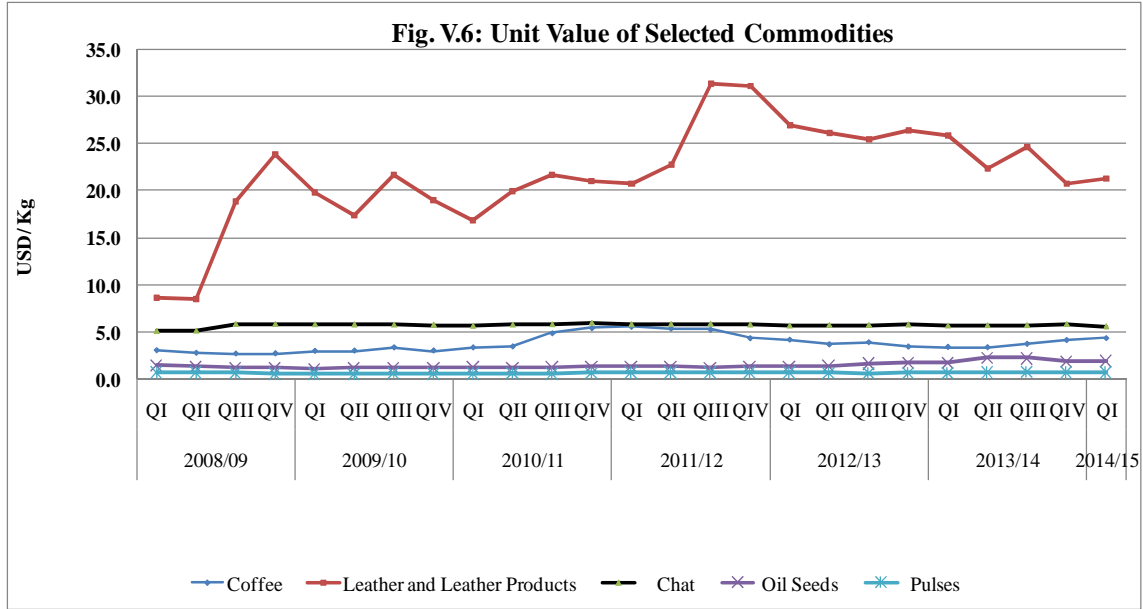
Source: Ethiopian Revenue and Customs Authority

Table 5.5: Unit value of Major Export Items

(In USD/kg)

Particulars	2013/14		2014/15	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	3.4	4.1	4.3	28.1	5.0
Oilseeds	1.7	1.885	1.934	12.3	2.6
Leather and Leather products	25.9	20.8	21.3	-17.9	2.3
Pulses	0.641	0.725	0.683	6.5	-5.7
Meat and Meat Products	5.1	5.0	4.9	-3.4	-3.1
Fruits and Vegetables	0.29	0.31	0.29	-0.3	-6.8
Live Animals	1.8	1.9	1.9	8.8	1.3
Chat	5.7	5.9	5.6	-1.7	-4.9
Gold (USD/gr.)	41.6	44.7	37.3	-10.4	-16.7
Flower	4.32	4.37	4.37	1.1	0.1

Source: NBE Staff Compilation



Source: NBE Staff Compilation

5.2.2 Imports

Total value of merchandise import during the first quarter of 2014/15 stood at USD 3.7 billion showing 26.6 percent growth recorded a year ago owing to a surge in import value of capital goods (63.8 percent), consumer goods (30.1 percent), semi-finished goods (8.6 percent) and raw materials (3.1 percent). Imports of fuel, however, went down by 11.2 percent vis-à-vis last year same period.

On the other hand, despite a fall in import bill of capital goods (1.2 percent), fuel (16.5 percent), semi finished goods (7.1 percent) and raw materials (28.8 percent), total import bill dropped by 2.1 percent compared to the preceding quarter owing to a 31 percent increase in consumer goods import (both durable and non-durable) which offset the fall in imports of other merchandise goods. Import of durable consumer goods rose by 12.1 percent while non-durable consumer goods surged by 42.3 percent.

Table 5.6: Values of Major Import Items

(In millions of USD)

Particulars	2013/14				2014/15		Percentage Changes	
	Quarter I	% share	Quarter IV	% share	Quarter I	% share	C/A	C/B
	A		B		C			
Raw Materials	38.9	1.3	56.3	1.55	40.1	1.08	3.1	-28.8
Semi-finished Goods	478.9	16.4	559.8	15.5	520.0	14.1	8.6	-7.1
Fertilizers	8.2	0.3	91.9	2.5	9.4	0.3	14.7	-89.8
Fuel	648.8	22.2	689.8	19.0	576.3	15.6	-11.2	-16.5
Petroleum Products	639.0	21.9	672.4	18.6	563.9	15.3	-11.7	-16.1
Others	9.8	0.3	17.4	0.5	12.3	0.3	26.2	-29.1
Capital Goods	854.3	29.3	1,416.4	39.1	1,399.5	37.8	63.8	-1.2
Transport	244.0	8.4	284.0	7.8	344.7	9.3	41.3	21.4
Agricultural	59.5	2.0	49.5	1.4	14.1	0.4	-76.3	-71.5
Industrial	550.8	18.9	1,082.9	29.9	1,040.7	28.1	88.9	-3.9
Consumer Goods	852.4	29.2	846.5	23.4	1,109.0	30.0	30.1	31.0
Durables	275.3	9.4	317.2	8.8	355.7	9.6	29.2	12.1
Non-durables	577.1	19.8	529.3	14.6	753.3	20.4	30.5	42.3
Miscellaneous	46.2	1.6	53.6	1.5	52.6	1.4	13.9	-1.8
Total Imports	2,919.5	100.0	3,622.4	100.0	3,697.5	100.0	26.6	2.1

Source: Ethiopian Revenue and Customs Authority

Import bill of capital goods in the review period increased by 63.8 percent but went down slightly by 1.2 percent vis-à-vis same period last year and the previous quarter, respectively. The quarter-on-quarter rise in import bill was attributed to the higher import bills of industrial goods (88.9 percent) and transport goods (41.3

percent). On the other hand, the 1.2 percent decline in import of capital goods over the preceding quarter was due to a turnaround in industrial goods (3.9 percent) and agricultural capital goods (71.5 percent). As a result, the share of capital goods in total imports increased to 37.8 percent from 29.3 percent of last year same quarter but dropped from 39.1 percent of the preceding quarter.

Imports of consumer goods during the review period rose by 30.1 and 31.0 percent vis-à-vis same quarter last year and the preceding quarter, respectively. The quarter-on-quarter and quarterly increment of consumer goods was attributed to growth in imports of durable and non durable consumer goods. Consequently, the share of consumer goods in total imports went up to 30.0 percent from 29.2 and 23.4 percent last year and the preceding quarter, respectively.

Meanwhile, fuel import bill declined by 11.2 percent vis-à-vis last year same period and reached USD 576.3 million. In the same manner, import of fuel decreased by 16.5 percent compared to the preceding quarter. The share of fuel in total import payments declined to 15.6 percent compared to 22.2 percent a year earlier and 19.0 percent in the previous quarter.

As a result of a 14.7 percent rise in import bill of fertilizer, payments for imports of semi-finished goods increased by 8.6 percent in relation to last year same period

while they declined by 7.1 percent over the preceding quarter owing to 89.8 percent fall in payments for import of fertilizer. Thus, in the review period the share of semi-finished goods in total imports decreased to 14.1 percent from 16.4 percent and 15.5 percent a year ago and a quarter earlier, respectively.

Import value of raw materials went up by 3.1 percent compared to same quarter last year but dropped by 28.8 percent vis-à-vis the preceding quarter. As a result, the share of raw materials in total imports declined to 1.1 percent from 1.6 percent and 1.3 percent in the preceding quarter and last year same period, respectively.

Total franco-valuta imports at USD 786.4 million surged by 51.4 percent compared to last year same period while they slowed down by 11.7 percent on quarterly terms. This was attributed to a decline in imports of machinery (54.8 percent), metal and metal manufacturing (28.0 percent), rubber products (21.9 percent) and medicine and medical products (86.2 percent).

Table 5.7: Values of Franco-valuta Imports

(In millions of USD)

Commodity Group	2013/14		2014/15	Percentage Changes	
	Qtr I	Qtr IV	Qtr I	C/A	C/B
	A	B	C		
Beverages	0.25	0.28	1.4	433.7	377.7
Chemicals	2.4	4.8	5.4	124.8	11.9
Clothing	20.5	6.4	5.2	-74.8	-19.6
Food and Live Animals	17.3	38.6	48.1	177.9	24.6
Textiles	2.1	2.4	4.4	112.6	82.4
Tobacco	0.0	0.0	0.1	810.3	465.8
Soap and Polish	0.4	0.4	0.2	-56.0	-61.8
Fertilizer	1.4	6.8	35.0	2423.7	418.0
Paper and Paper Manufacturing.	0.9	0.5	1.1	30.3	123.2
Metal and Metal Manufacturing.	57.7	131.3	94.5	63.8	-28.0
Med. and Pharm. Prod	93.3	69.3	9.6	-89.8	-86.2
Rubber Prod.	10.6	17.5	13.7	29.4	-21.9
Petroleum Product	0.1	0.5	0.2	28.2	-70.7
Glass and Glass Ware	0.4	1.1	2.2	433.4	94.4
Electrical Material	15.6	71.3	90.8	481.4	27.3
Machine	95.8	284.6	128.7	34.3	-54.8
Air Craft	7.2	7.8	31.3	333.1	299.9
Road and Motor Vehicles	69.0	62.3	113.5	64.6	82.4
Tele Apparatus	0.4	0.5	0.5	15.4	0.8
Cement	0.1	0.4	0.0	-92.1	-97.8
Others	124.1	184.2	200.7	61.7	9.0
Total	519.5	891.1	786.4	51.4	-11.7

Source: Ethiopian Revenues and Customs Authority**In this and previous quarters data on franco-valuta 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 Asia, Europe, Africa and America.

Accounting for 37.0 percent of the total export earnings, Asia has become the main outlet for Ethiopian export commodities. China, accounted for 20.8 percent of Ethiopia's total export earnings from Asia, mainly from oilseeds, leather & leather products, textile & garment and natural gum. Saudi Arabia, at 17.2 percent share has taken the second place by importing coffee, live-animals, meat & meat products, oilseeds and flower. Japan accounted for 12.3 percent of the total export earnings mainly from export of coffee and oilseeds. United Arab Emirates had a 12.1 percent share in total export earnings from Asia, by importing largely meat & meat products, live-animals and pulses. Israel, with a 8.7 percent share, was the fifth major Asian destination for Ethiopian exports mainly oilseeds, cereals and coffee. Comprising 4.8 percent and 3.9 percent of the total export

earnings from Asia, Yemen and India, stood at the sixth and seventh place as major export destinations in Asia. Pulses and live-animals were the principal export items to Yemen and pulses and mineral products to India.

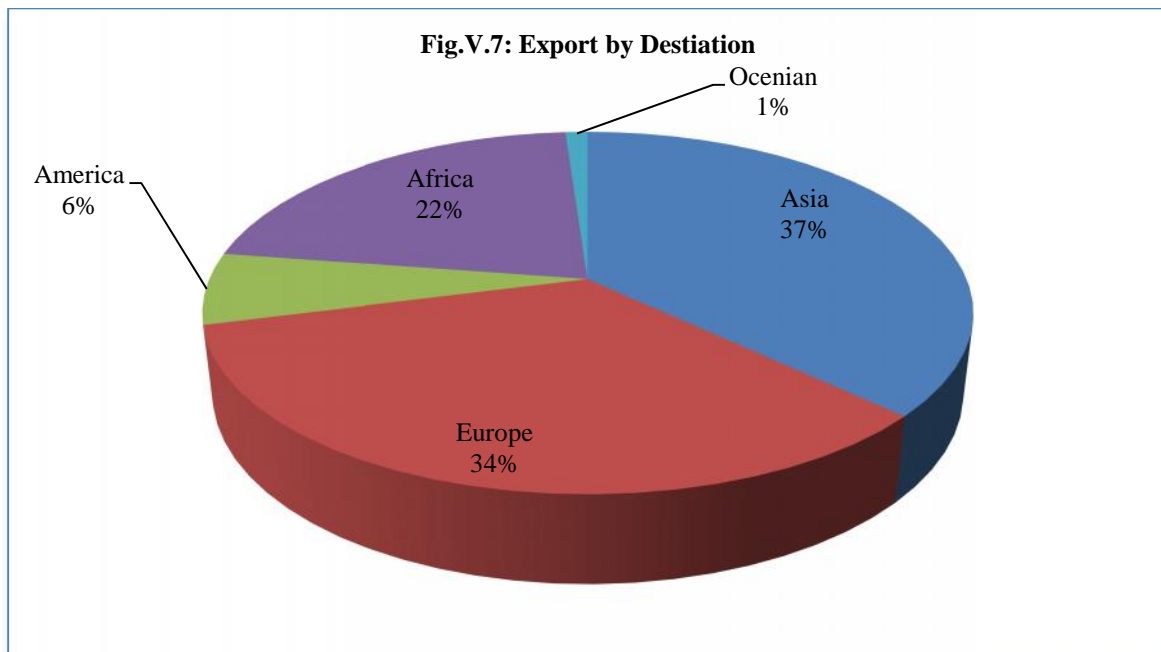
Europe accounted for 34.0 percent of the total export earnings. Switzerland (32.1 percent), Germany (19.1 percent), Netherlands (15.6 percent), Italy (6.1 percent), Belgium (5.4 percent), Turkey (4.9 percent) and France (4.5 percent), were the major markets for Ethiopian exports. These countries accounted for 87.7 percent of the total export earnings from Europe.

The main product exported to Switzerland was gold. Coffee and flowers were sent to Germany. The principal export items to the Netherlands were flowers, coffee and oilseeds. Coffee, leather & leather products and textile & garments were the major items exported to Italy. Oilseeds and pulses went to Turkey while mainly coffee and flowers were exported to France.

In the meantime, about 22 percent of Ethiopia's export earnings were generated from markets in Africa, mainly Somalia (44.8 percent), Djibouti (12.7 percent), Sudan (11.9 percent), Egypt (11.2 percent) and Kenya (4.1 percent) which altogether accounted for 84.7 percent of the total export earnings from Africa. The main items exported to Somalia were vegetables, live-animals and chat while vegetables, live-animals and chat were sent to Djibouti. Main items sent to Sudan were cereals, pulses coffee and spices. Egypt mainly imported live-animals, oilseeds and coffee while pulses, leather & leather

products and spices were the main exports to Kenya.

America constituted 6 percent of Ethiopia's total export earnings during the first quarter of 2014/15, of which 66.5 percent went to the United States. Coffee, leather & leather products and mineral products were the major export items to United States.



Source: Ethiopian Revenue and Customs Authority

5.2.3.2 Imports

In the review period, Asia accounted for 71.7 percent of Ethiopia's total import bill. Of this, China's share stood at 49.7 percent, followed by India (10.4 percent), Saudi Arabia (8.4 percent), Japan (7.5 percent), United Arab Emirates (5.0 percent), Indonesia (4.6 percent), Kuwait (3.4 percent) and South Korea (3.1 percent) whose combined share was about 92.1 percent.

The major items imported from China were metal & metal products, electric materials, machine & aircraft materials, clothing & textiles and road & motor vehicles. Likewise, metal & metal products, machine & aircraft materials, grain, fertilizer, food & live animals, roads & motor vehicles, rubber products and textile were the main import items from India. Imports from Saudi Arabia included petroleum products, chemicals, beverage, rubber products and machine & aircraft materials. Road & motor vehicles, machine & aircraft materials, rubber products and electric materials were imported from Japan, while petroleum products, chemicals, metal & metal products and rubber products were the major imports from United Arab Emirates (UAE). Imports

from Indonesia included soap & polish, paper & paper products and textiles. Likewise, petroleum products were the major imports from Kuwait, while, machine & aircraft materials, road motor vehicles, electric materials, chemicals, metal & metal products comprised the major import commodities from South Korea.

Imports from European countries accounted for 20.2 percent of total import bills. Italy was the major exporter (20.4 percent), followed by Turkey (13.2 percent), Germany (9.5 percent), Ukraine (9.0 percent), Rumania (8.5 percent), United Kingdom (7.0 percent), Spain (6.3 percent), France (5.2 percent), the Netherlands (4.7 percent) and Belgium (3.3 percent).

Imports from Italy included mainly machinery & aircraft materials, road & motor vehicles, food & live-animals and electrical materials. Metal & metal products, machine & aircraft materials and rubber products were the main imports from Turkey.

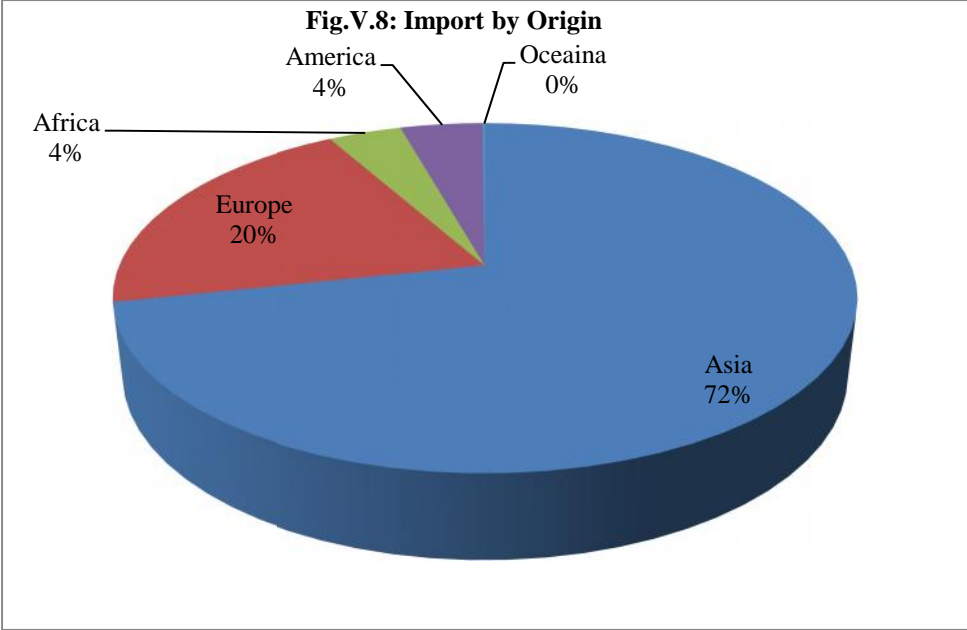
The major import items from Germany were machinery & aircraft materials, road & motor vehicles, metal & metal products and electrical materials, Food & live-animals,

metal & metal products and road & motor vehicles were imported from Ukraine. Major import items from Rumania were food & live-animals, metal & metal products and rubber products. Machinery & aircraft materials, electrical materials and textiles were the principal imports from United Kingdom, while road & motor vehicles, electric materials and metal & metal products were imported from Spain. Machinery & aircraft materials, road & motor vehicles and soap & polish were the major imports from France. On the other hand, import items from the Netherlands include fertilizer, machinery and aircraft materials. Machinery and aircraft materials, medical & pharmaceutical products and electrical materials come from Belgium.

Import from Africa accounted for about 3.8 percent of the total merchandise import bills with Egypt taking up 29.1 percent, followed by South Africa (27.7 percent), Sudan (22.7 percent) and Kenya (8.8 percent) jointly accounting for 88.3 percent of the total imports from the African region.

Metal & metal products, petroleum products and food & live-animals were the principal imports from Egypt. Road & motor vehicles, machine & aircraft materials and metal & metal products were imported from South Africa while petroleum products, chemicals and glass & glass ware were the major imports from Sudan. Imports from Kenya included metal & metal products, clothing and chemicals.

Imports from America accounted for 4.3 percent of the total import bills, of which the share of United States was 79.0 percent, followed by Brazil (11.2 percent) and Canada (4.9 percent). Machinery & aircraft materials, food & live animal and rubber products were the major items imported from USA while machinery & aircraft materials, road & motor vehicles and rubber products were from Brazil. Machinery & aircraft materials, food & live-animals and fertilizer were from Canada.

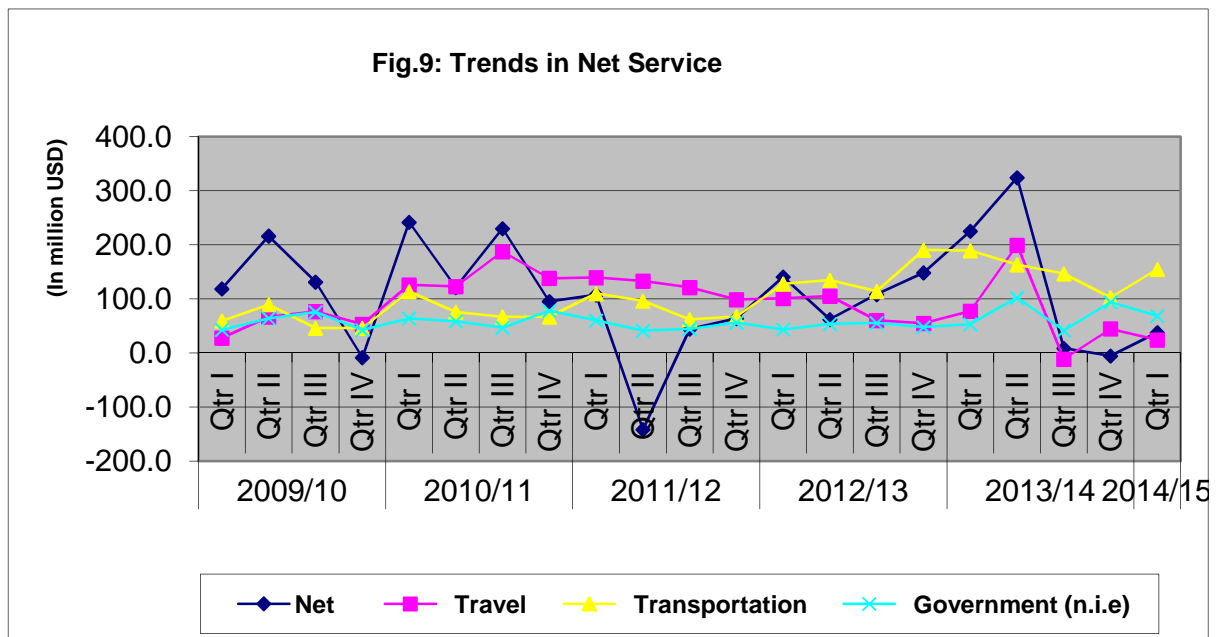


Source: Ethiopian Revenue and Customs Authority

5.3. Services and Transfers

The net receipts from services stood at USD 37.65 million significantly lower than USD 226.5 million last year same period. This was attributed to the 69.2 percent decline in net travel services, and 18.2 percent in net transport services presumably due to the outbreak of the Ebola virus in West Africa that

reduced the number of passengers coming to Ethiopia and the revenue of the Ethiopian Airlines. The 170.7 percent surge in net payments to other services also contributed to this effect.



Source: NBE Staff Compilation

Table 5.7: Developments in Services Accounts

(In Millions of USD)

S/N	Particulars	2013/14		2014/15	Percentage Change	
		QI	QIV	QI	C/A	C/B
		A	B	C		
1	Investment Income (2+5)	-28.1	-41.2	-29.4	4.6	-28.6
2	Interest, net (3-4)	-27.0	-33.9	-24.2	-10.2	-28.6
3	Credit	1.9	2.4	2.1	11.5	-12.2
4	Debit	28.9	36.3	26.4	-8.7	-27.5
5	Dividend, net	-1.2	-7.3	-5.2	343.5	-28.8
6	Other Services, net (7-12)	254.7	35.6	67.1	-73.7	88.3
7	Exports of non-factor services	802.0	763.9	854.5	6.5	11.9
8	Travel	142.0	95.1	113.1	-20.4	18.9
9	Transport	562.2	520.6	631.9	12.4	21.4
10	Gov't	53.1	93.9	68.4	28.7	-27.2
11	Other	44.6	54.3	41.1	-8.0	-24.3
12	Imports of non-factor services	547.3	728.3	787.4	43.9	8.1
13	Travel	63.1	50.5	88.8	40.6	75.8
14	Transport	372.9	418.1	477.0	27.9	14.1
15	Gov't	0.0	0.1	0.1	234.7	-20.7
16	Other	111.3	259.5	221.5	99.1	-14.7
17	Net Services (18+19+20+21+22)	226.5	-5.6	37.65	-83.4	-
18	Travel (8 - 13)	78.9	44.6	24.3	-69.2	-45.4
19	Transport (9 - 14)	189.4	102.5	154.9	-18.2	51.1
20	Gov't (10 - 15)	53.1	93.8	68.3	28.6	-27.2
21	Other (11 - 16)	-66.6	-205.3	-180.4	170.7	-12.1
22	Investment Income (2+5)	-28.1	-41.2	-29.4	4.6	-28.6

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

During the review period total net transfer receipts increased by 2.84 percent relative to last year same period. Net transfers stood at USD 1.2 billion as net official transfers increased by 11.78 percent and private transfers marginally by 0.72 percent.

At the same time, net private transfers rose by 0.72 percent during the review period and amounted to USD 931 million on account of a 12.0 percent rise in cash remittances from private individuals despite 26.5 percent reduction in transfers to NGOs.

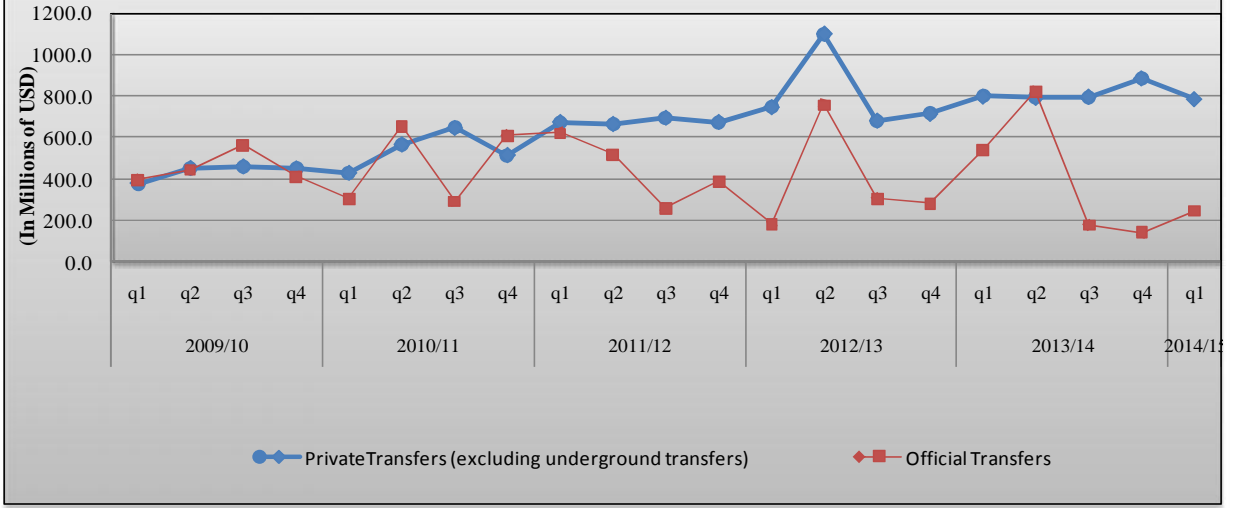
Table 5.9: Developments in Transfer Accounts

(In Millions of USD)

S/N	Particulars	2013/14				2014/15		Percentage Change	
		QI	%	Q IV	%	QI	%	C/A	C/B
		A	share	B	share	C	share		
1	Private Transfers (net) (2-11)	924.3	80.8	1133.2	88.9	931.0	79.1	0.72	-17.85
2	Credit (3+7)	935.4	79.4	1135.8	88.1	932.9	79.0	-0.26	-17.86
3	NGO's (4+5+6)	313.1	26.6	332.6	25.8	230.2	19.5	-26.46	-30.78
4	Cash	305.5	25.9	313.6	24.3	211.3	17.9	-30.82	-32.62
5	Food	7.6	0.6	19.0	1.6	18.9	1.6	148.31	-0.44
6	Other			0.0					
7	Private individuals (8+9+10)	622.3	52.8	803.2	62.3	702.7	59.5	12.92	-12.51
8	Cash	496.8	42.2	551.4	42.8	556.3	47.1	11.96	0.89
9	Inkind	5.0	0.4	6.3	0.5	2.2	0.2	-56.16	-65.30
10	Underground Private Transfers	120.4	10.2	245.5	19.0	144.2	12.2	19.77	-41.25
11	Debit	11.1	32.8	2.6	18.1	2.0	40.8	-82.04	-22.76
12	Official Transfers (net) (13-17)	219.8	19.2	142.2	11.1	245.7	20.9	11.78	72.82
13	Credit (14+15+16)	242.4	20.6	153.8	11.9	248.6	21.0	2.53	61.58
14	Cash	242.4	20.6	153.8	11.9	248.6	21.0	2.53	61.58
15	Food								
16	Other								
17	Debit	22.6	67.2	11.7	81.9	2.9	59.2	-87.27	-75.32
18	Total Receipts (2+13)	1177.8	100.0	1289.6	100.0	1181.5	100.0	0.31	-8.39
19	Total Payments (11+17)	33.7	100.0	14.2	100.0	4.9	100.0	-85.56	-65.83
20	Net Transfers (18-19)	1144.1	100.0	1275.4	100.0	1176.6	100.0	2.84	-7.74

Source: NBE Staff Computation

Fig. V.10: Trends in Private and Official Transfers



5.4 Current Account

The current account balance (including official transfers) registered USD 1.8 billion in deficit during the first quarter of 2014/15, which was higher than USD 1.4 billion deficit recorded a year ago. The widening of the deficit was attributed to a 83.4 percent fall in net services receipts and a 30.1 percent increase in trade deficit.

5.5 Capital account

In the review period, the capital account recorded USD 1.4 billion in surplus; about 214.2 percent higher than last year same period. This was due to the rise in inflows of net official long-term capital (158.3 percent), other public long-term

capital (105.3 percent) and foreign direct investment (105.2 percent).

5.6 Changes in Reserve Position

During the review period, the country registered a deficit of USD 388.6 million in overall balance of payments due to large current account deficit. Consequently, net foreign assets of the banking system showed foreign exchange reserve drawdown of USD 388.6 million. Thus, gross international reserves as of September 30, 2014 were sufficient to cover 2.2 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

Average official exchange rate of the Birr depreciated by 5.3 and 1.5 percent in the inter-bank foreign exchange market compared to last year same period and the preceding quarter, respectively, to reach Birr 19.7288/USD.

Similarly, the parallel market average exchange rate was 21.0731/USD, showing a 6.6 percent depreciation vis-à-vis last

year same period and by 3.6 percent against the preceding quarter.

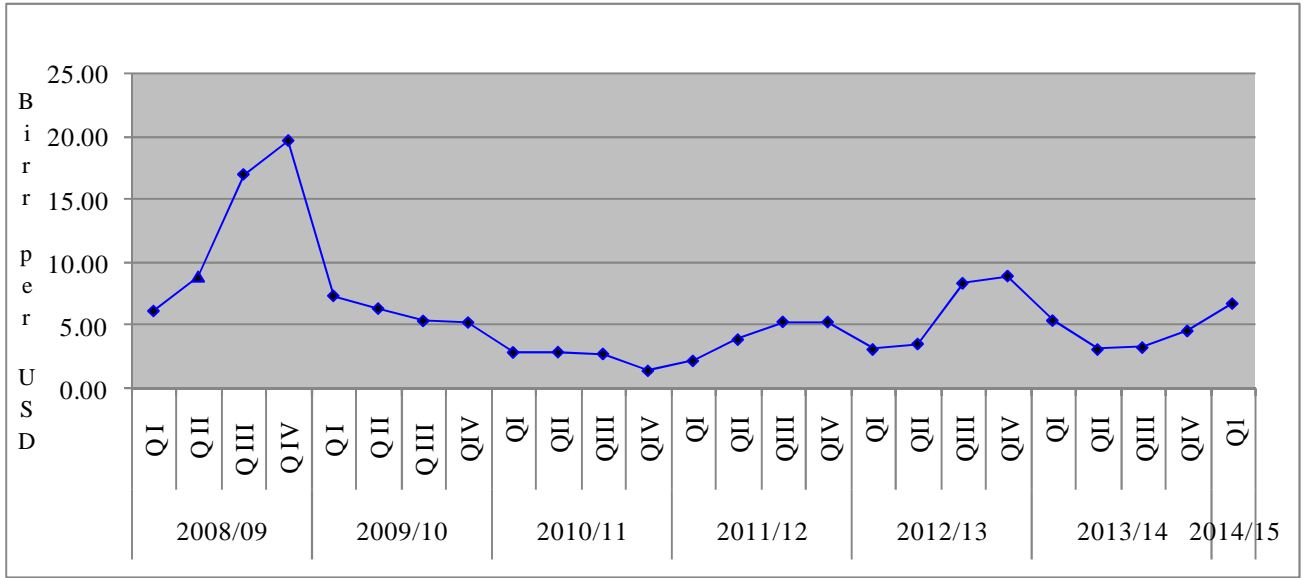
In contrast to the official market, parallel market exchange rate showed a relatively faster quarterly and year-on-year depreciation. As a result, the premium in the parallel market widened to 6.8 percent from 5.5 percent a year ago and 4.7 percent in the previous quarter (Table 5.10).

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			
2013/14		18.6426	18.1947	15.6	3.0	19.9800	19.3025	6.09
Qtr. I	C	18.8255	18.7384	3.2	0.00	19.3800	19.7621	5.46
July		18.7075	18.6762	1.15	0.00	19.9300	19.8828	6.46
August		18.7696	18.7398	1.05	0.00	19.6800	19.8472	5.91
September		18.8255	18.7991	0.95	0.00	19.3800	19.5563	4.03
Qtr. IV	B	19.5771	19.4400	3.05	0.00	20.6300	20.3448	4.65
April		19.3938	19.3512	1.05	0.0	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
2014/15								
Qtr. I	A	19.8728	19.7288	4.2	1.0	21.4750	21.0731	6.81
July		19.6788	19.6303	1.60	0.50	20.8250	20.7028	5.4634
August		19.7755	19.7296	1.55	0.50	21.3250	21.1083	6.9884
September		19.8728	19.8264	1.00	0.00	21.4750	21.4083	7.9789
Percentage Changes	A/B	1.51	1.49	36.07	0.00	4.10	3.58	46.40
	A/C	5.56	5.29	31.75	0.00	10.81	6.63	24.73

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

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



With regard to the retail foreign exchange market, the average buying rate in foreign exchange bureau of commercial banks was Birr 19.7238/USD, while the selling rate stood at Birr 20.1010/USD, showing a 1.4 and 1.5 percent depreciation against the preceding quarter and 5.3 and 5.5 percent depreciation compared to the same quarter of last year, respectively.

Thus, the average spread between the buying and the selling rates marginally widened to 1.91 percent from 1.85 and 1.71 percent against the preceding quarter and the same period last year (Table 11).

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

No.	Name of ForexBureaux	2013/14				2014/15		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	103,922.98	17,323.49	79,981.12	19,305.66	83,436.49	22,348.87	4.32	15.76	-19.71	29.01
2	Bank of Abyssinia	1,003.85	1,090.77	1,112.17	1,602.12	1,111.57	1,574.59	-0.05	-1.72	10.73	44.35
3	Dashen Bank	5,316.27	6,925.82	7,552.80	8,933.31	6,825.97	9,203.96	-9.62	3.03	28.40	32.89
4	Awash International Bank	2,357.93	3,118.58	1,843.17	3,570.29	1,734.10	7,309.76	-5.92	104.74	-26.46	134.39
5	Construction & Business Bank	427.36	54.66	1,923.48	807.46	1,402.67	711.62	-27.08	-11.87	228.22	1202.03
6	Wegagen Bank	956.96	3,907.87	1,624.02	1,025.74	1,274.15	1,830.85	-21.54	78.49	33.15	-53.15
7	United Bank	3,232.16	2,613.33	4,111.52	2,643.73	2,900.51	3,544.73	-29.45	34.08	-10.26	35.64
8	Development Bank	1,461.98	49.20	258.99	417.09	131.87	176.17	-49.08	-57.76	-90.98	258.05
9	Nib International Bank	1,131.79	1,758.36	856.15	1,550.43	698.81	2,223.81	-18.38	43.43	-38.26	26.47
10	Lion International Bank	664.69	310.47	542.50	307.54	503.71	599.49	-7.15	94.93	-24.22	93.09
11	Oromia International Bank	414.91	226.43	616.21	888.22	1,109.83	1,062.33	80.11	19.60	167.49	369.16
12	Zemen Bank	241.16	699.74	229.82	2,504.34	207.84	893.19	-9.56	-64.33	-13.81	27.65
13	Cooperative Bank of Oromia	82.55	62.44	19.57	147.94	93.79	711.35	379.23	380.82	13.62	1039.22
14	Buna International Bank	56.70	13.65	120.51	0.00	201.03	820.50	66.82	-	254.56	5910.82
15	Birhan International Bank	2.80	1.10	0.98	24.74	0.00	45.89	-100.00	85.50	-100.00	4072.13
16	Abay Bank	55.59	295.56	128.63	402.76	65.83	595.46	-48.83	47.84	18.42	101.47
17	Addis International Bank	83.39	81.72	750.91	134.14	433.26	264.90	-42.30	97.48	419.54	224.17
18	Debub Global Bank	32.80	23.18	269.59	203.07	88.16	111.71	-67.30	-44.99	168.75	382.04
19	Enat Bank			322.74	101.88	153.02	101.52	-52.59	-0.35		
	Total	121,445.9	38,556.4	102,264.9	44,570.5	102,372.6	54,130.7	0.11	21.45	-15.71	40.39
	Average Exchange Rate	18.7275	19.0477	19.4429	19.8035	19.7238	20.1010	1.44	1.50	5.32	5.53

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

Note: For FY 2013/14, forex bought and sold by commercial banks were updated.

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

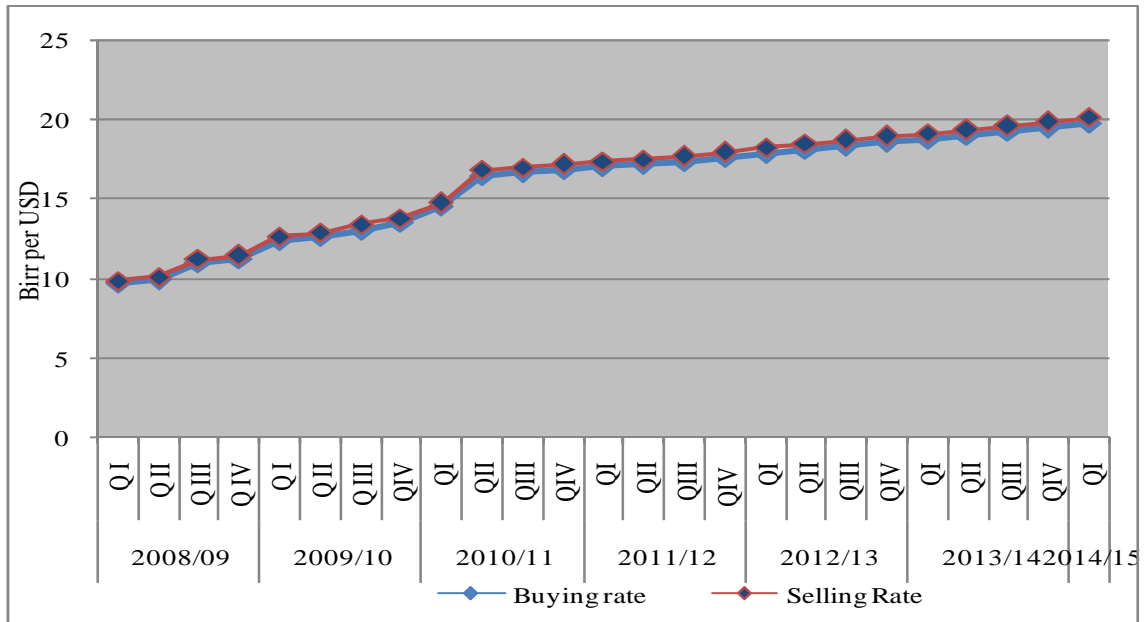
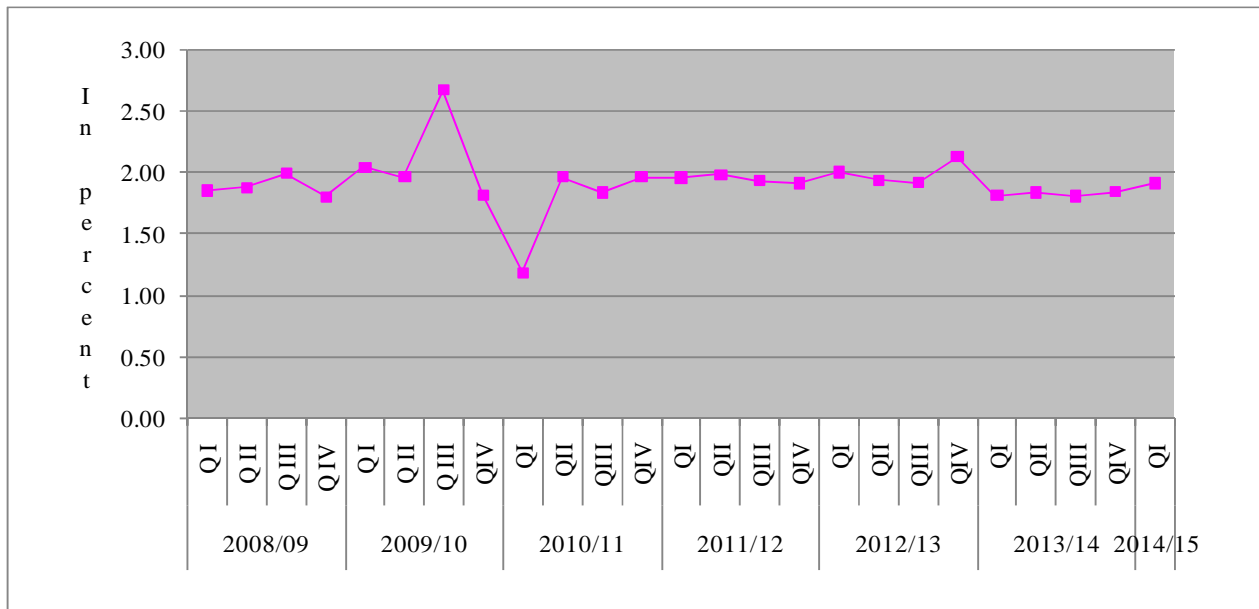


Fig.V.13: Average Spread between Buying and Selling Rates in the Retail Foreign Exchange Market



Concerning the exchange rate of major international currencies, the average exchange rate of the US dollar appreciated against all major currencies, namely SDR (1.4 percent), Euro (3.3 percent), Swiss Frank (2.5 percent), Pound Sterling (0.7 percent), and Japanese Yen (0.6 percent) on quarterly basis.

Year-on-year, terms, however, the rate depreciated against Pound Sterling (7.9 percent), Swiss Frank (2 percent), SDR (0.3 percent), and Euro (0.2 percent) while it appreciated against Japanese Yen (4.3 percent) (Table 5.12).

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

Period		EURO			JAPANESE YEN			SDR			POUND/STELING			SWISS FRANK		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
2013/14																
QI	C	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
QIV	B	1.3717	1.3717	1.3717	0.0096	0.0098	0.0097	1.5401	1.5401	1.5401	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	1.673	1.673	1.673	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	1.685	1.685	1.685	1.1261	1.1261	1.1261
June		1.3591	1.3591	1.3591	0.0098	0.0098	0.0098	1.5407	1.5407	1.5407	1.689	1.689	1.689	1.1153	1.1153	1.1153
2014/15																
QI	A	1.3270	1.3270	1.3270	0.0096	0.0096	0.0096	1.5184	1.5184	1.5184	1.6711	1.6711	1.6711	1.0954	1.0978	1.0966
July		1.3557	1.3557	1.3557	0.0098	0.0098	0.0098	1.5344	1.5343	1.5344	1.7084	1.7084	1.7084	1.1159	1.1159	1.1159
August		1.3323	1.3323	1.3323	0.0097	0.0097	0.0097	1.5181	1.5181	1.5181	1.6715	1.6715	1.6715	1.0991	1.0991	1.0991
September		1.2929	1.2929	1.2929	0.0094	0.0093	0.0094	1.5028	1.5028	1.5028	1.6333	1.6333	1.6333	1.0713	1.0785	1.0749
Percentage Changes	A/B	-3.26	-3.26	-3.26	0.09	-1.36	-0.64	-1.41	-1.41	-1.41	-0.67	-0.67	-0.67	-2.61	-2.42	-2.52
	A/C	0.23	0.22	0.22	-3.95	-4.64	-4.30	0.30	0.29	0.30	7.88	7.88	7.88	2.31	1.65	1.98

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

Compared to other international currencies, the Birr also appreciated against some major currencies both on quarterly and year-on-year basis. The highest appreciation on quarterly basis was against Euro (1.8 percent), followed by Swiss Frank (1.1 percent) though it appreciated against USD (1.5 percent), Pound Sterling (0.8 percent), Japanese Yen (0.78 percent) and SDR (0.1 percent).

Year- on year basis, the Birr depreciated vis-à-vis Pound Sterling (13.5 percent), Swiss Frank (7.5 percent), SDR (5.6 percent), Euro (5.6 percent), USD (5.3 percent) and Japanese Yen (0.75 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
2013/14																			
QI	C	18.7384	18.9258	18.8321	24.8086	25.0567	24.9327	0.1881	0.1912	0.1897	28.3676	28.6586	28.5131	29.0335	29.3239	29.1787	20.0636	20.3909	20.2273
July		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
August		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
September		18.7991	18.9871	18.8931	25.0618	25.3124	25.1871	0.1895	0.1913	0.1904	28.5893	28.875 2	28.7323	29.7349	30.0322	29.8836	20.3022	20.5052	20.4037
QIV	B	19.4400	19.6344	19.5372	26.6619	26.9284	26.7952	0.1873	0.1919	0.1896	29.9392	30.2386	30.0889	32.7053	33.0324	32.8689	21.8647	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	30.3913	30.2408	32.9874	33.3173	33.1524	21.7818	21.9996	21.8907
2014/15																			
QI	A	19.7288	19.9260	19.8274	26.1859	26.4477	26.3168	0.1902	0.1920	0.1911	29.9553	30.2542	30.1048	32.9655	33.2952	33.1304	21.6095	21.8732	21.7413
July		19.6303	19.8266	19.7284	26.6161	26.8823	26.7492	0.1931	0.1950	0.1941	30.1209	30.4200	30.2704	33.5355	33.8709	33.7032	21.9047	22.1237	22.0142
August		19.7296	19.9269	19.8282	26.2911	26.5538	26.4225	0.1917	0.1936	0.1927	29.9503	30.2498	30.1000	32.9779	33.3076	33.1428	21.6837	21.9006	21.7921
September		19.8264	20.0247	19.9256	25.6504	25.9069	25.7787	0.1858	0.1872	0.1865	29.7948	30.0928	29.9438	32.3832	32.7071	32.5451	21.2401	21.5953	21.4177
Percentage Change	A/B	1.49	1.49	1.49	-1.79	-1.79	-1.79	1.55	0.03	0.78	0.05	0.05	0.05	0.80	0.80	0.80	-1.17	-0.97	-1.07
	A/C	5.29	5.29	5.29	5.55	5.55	5.55	1.11	0.39	0.75	5.60	5.57	5.58	13.54	13.54	13.54	7.70	7.27	7.49

Source: NBE Staff Compilation

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

Currency	September-13	June-14	September-14	Percentage change	
	C	B	A	A/B	A/C
USD	18.9197	19.6750	19.9722	1.51	5.56
Pound	30.3774	33.4928	32.4069	-3.24	6.68
Swedish Kroner	2.9525	2.9131	2.7559	-5.40	-6.66
Djibouti Frank	0.1062	0.1104	0.1121	1.49	5.56
Swiss Frank	20.7977	22.0251	21.0167	-4.58	1.05
Saudi Riyal	5.0448	5.2460	5.3245	1.50	5.54
UAE Dirhams	5.1507	5.3567	5.4378	1.51	5.57
Canadian Dollar	18.3561	18.3947	17.8946	-2.72	-2.51
Japanese Yen	0.1920	0.1941	0.1826	-5.95	-4.92
Euro	25.5548	26.7895	25.3666	-5.31	-0.74
SDR	28.9909	30.3743	29.7046	-2.20	2.46

Source: NBE Staff Compilation

5.7.2. Movements in the Real Effective Exchange Rate

During the first quarter of FY 2014/15, REER of the Birr depreciated by 2.4 percent annually, as a result of weakening of nominal exchange rate of the Birr coupled with decline in domestic inflation relative to trading countries' inflation.

NEER depreciated 0.3 percent against the preceding quarter and by 3.7 percent compared to the same quarter last year. On quarterly basis, however, the REER of the Birr marginally appreciated by 0.8 percent (Table 5.15).

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

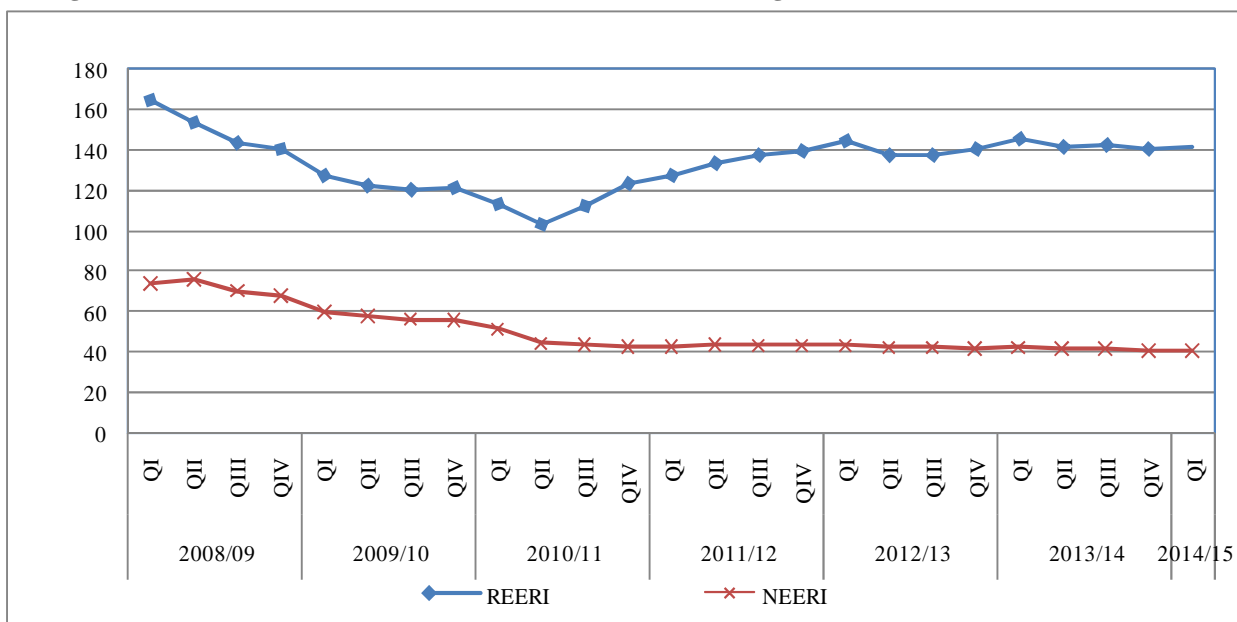
Item	2013/14		2014/15	Percentage Change	
	QI	QIV	QI	C/B	C/A
	A	B	C		
REERI	145.3	140.8	141.9	0.8	-2.4
NEERI	42.1	40.7	40.5	-0.3	-3.7

Source: NBE 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

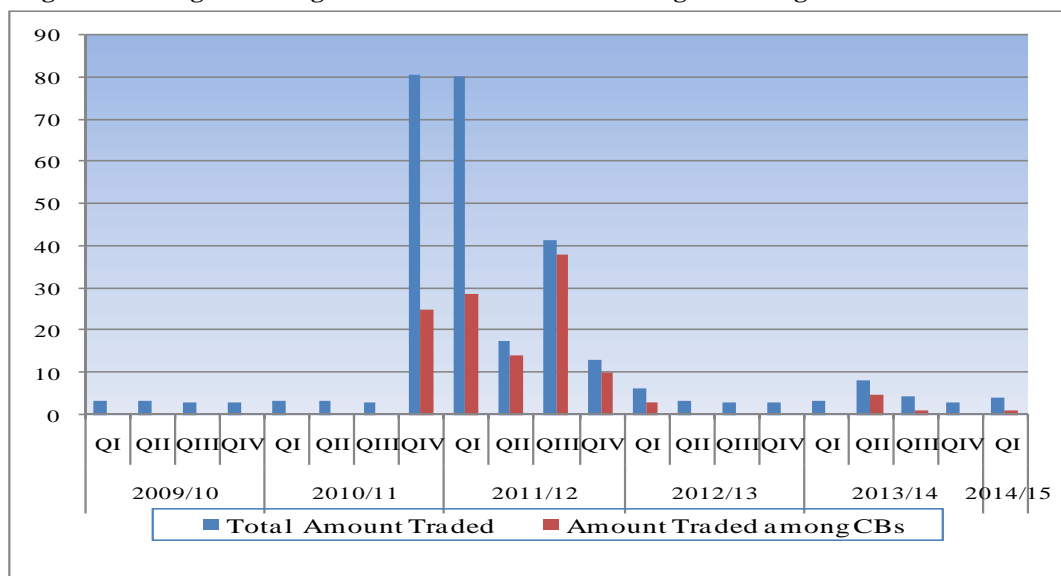


5.7.3 Volume of Transactions

In the first quarter of 2014/15, the amount of foreign exchange traded in the inter-bank foreign exchange market was USD 4.2 million which was 36.1 and 31.8 percent higher than the transactions being made in

the preceding quarter and last year same period. Of the total amount traded during the review period, USD 1.0 million was among commercial banks while the rest was supplied by NBE (Table 5.10).

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



In the meantime, forex bureau of commercial banks purchased USD 102.4 million and sold USD 54.1 million foreign exchange showing a 0.1 percent increase the purchased amount while their sales rose by 21.5 percent compared to the preceding

quarter. Quarter-on-quarter basis, however, the amount purchased declined by 15.7 percent while their sales grew by 40.4 percent (Table 5.11).