

4. Monetary Developments

4.1. Money Supply and Credit

Broad money supply (M₂) reached Birr 304.5 billion at the end of the first quarter of 2014/15, revealing quarterly growth rate of 2.3 percent and annual expansion by 28.4 percent. The annual expansion in broad

money was mainly driven by 29.8 percent rise in domestic credit which in turn was accentuated by a 31.0 percent increase in credit to non-government and an 18.1 percent rise to government (Table 4.1).

Table 4.1 Factors Influencing Broad Money

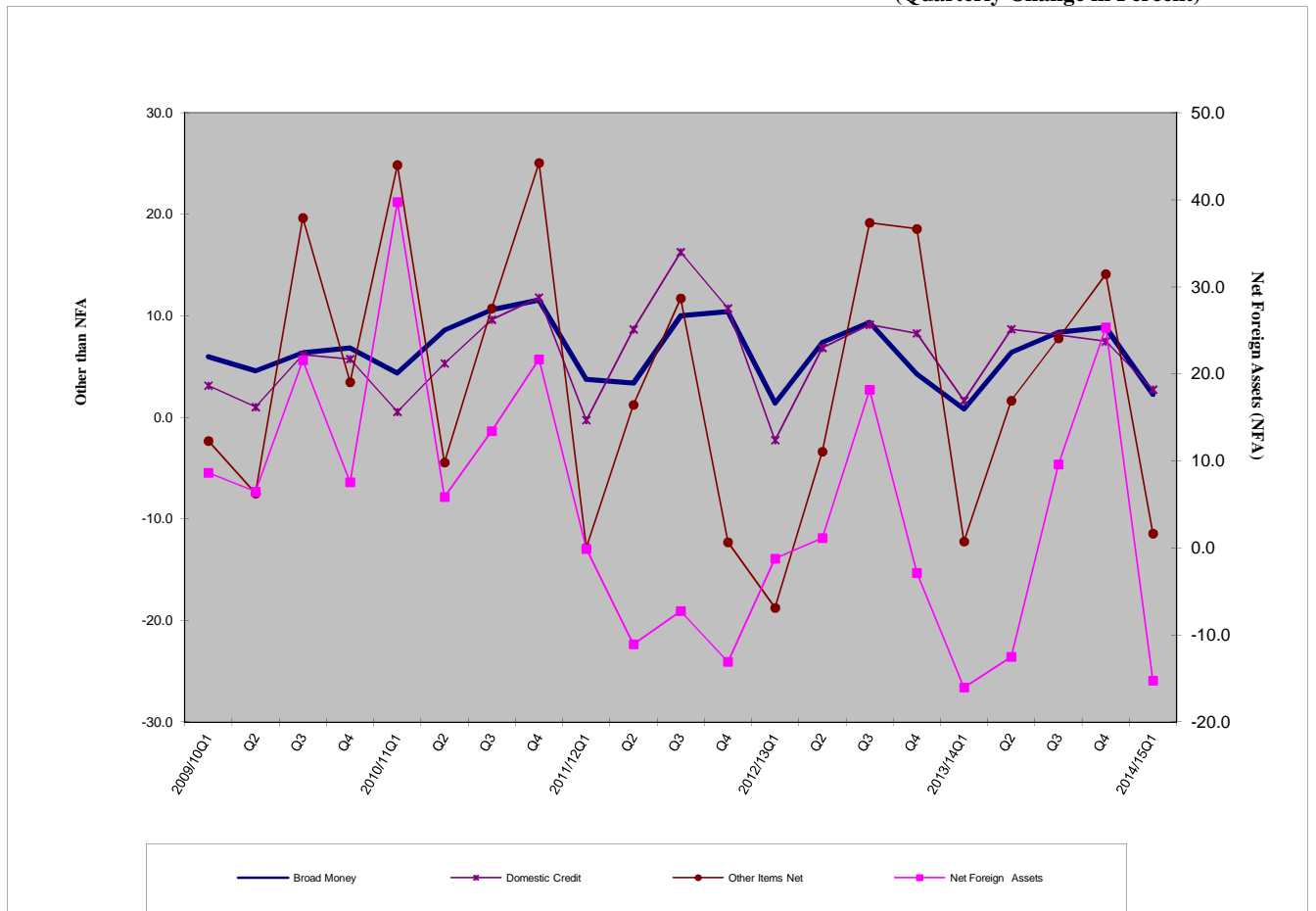
(In Millions of Birr unless otherwise indicated)

Particulars	2013/14		2014/15	Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. I	Qtr. IV	Qtr. I	D=C/A	E=C/B	Annual	Quarterly
	(Sept)	(June)	(Sept)				
	A	B	C				
1. External Assets (net)	38,325.1	46,079.4	39,063.2	1.9	-15.2	1.1	-104.4
2. Domestic Credit	237,290.0	299,727.6	307,971.8	29.8	2.8	105.1	122.6
. Claims on Central Gov't (net)	21,574.8	26,630.8	25,470.0	18.1	-4.4	5.8	-17.3
. Claims on Non-Central Gov't	215,715.2	273,096.8	282,501.8	31.0	3.4	99.3	139.9
. Financial Institutions	16,807.0	20,257.0	21,957.0	30.6	8.4	7.7	25.3
. Others	198,908.2	252,839.8	260,544.8	31.0	3.0	91.6	114.6
3. Other Items (net)	38,444.2	48,075.0	42,581.0	10.8	-11.4	6.1	-81.7
4. Broad Money (M ₂)	237,170.9	297,732.0	304,454.1	28.4	2.3	100.0	100.0

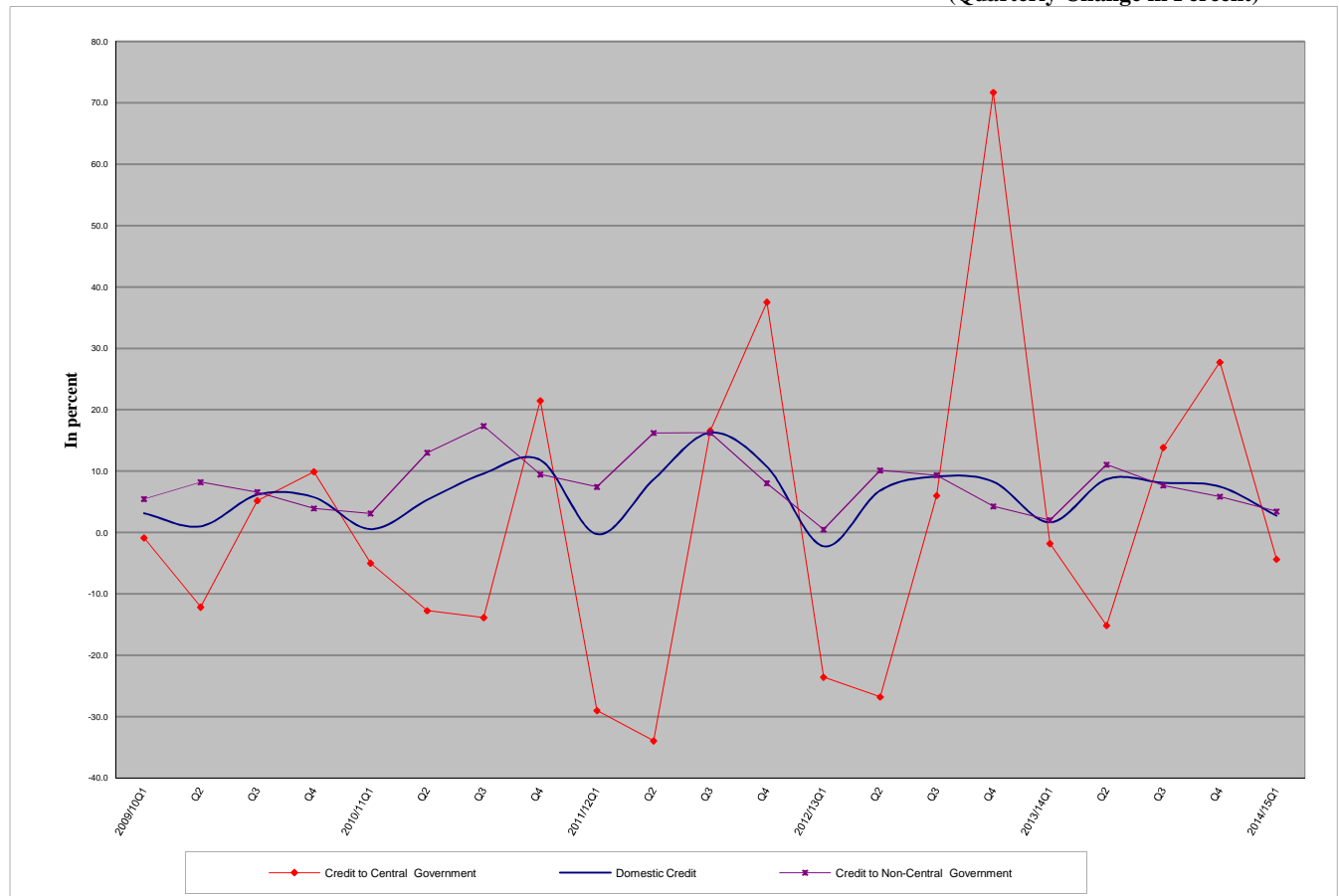
Source: NBE Staff computation

Fig.IV.1: Major Determinants of Monetary Expansion

(Quarterly Change in Percent)



Source: NBE Staff computation

Fig.IV.2: Composition of Domestic Credit**(Quarterly Change in Percent)****Source:** NBE Staff computation

During the first quarter of 2014/15, quasi-money deposits registered an increment on annual and quarterly bases while narrow money showed a slight quarterly decline. Accordingly, narrow money, which comprises currency outside banks and net demand deposits, grew by 19.9 percent annually but declined by 2.9 percent on quarterly basis. Quasi-money, which constitutes saving and time deposits, depicted a 35.5 percent annual and 6.5 percent quarterly increment. Year-on-year basis, both narrow money and quasi-

money contributed 32.2 and 67.8 percent share to the annual broad money growth rate (Table 4.2).

The surge in quasi-money was due to aggressive expansion of bank branches to enhance deposit mobilization and improve service outreach.

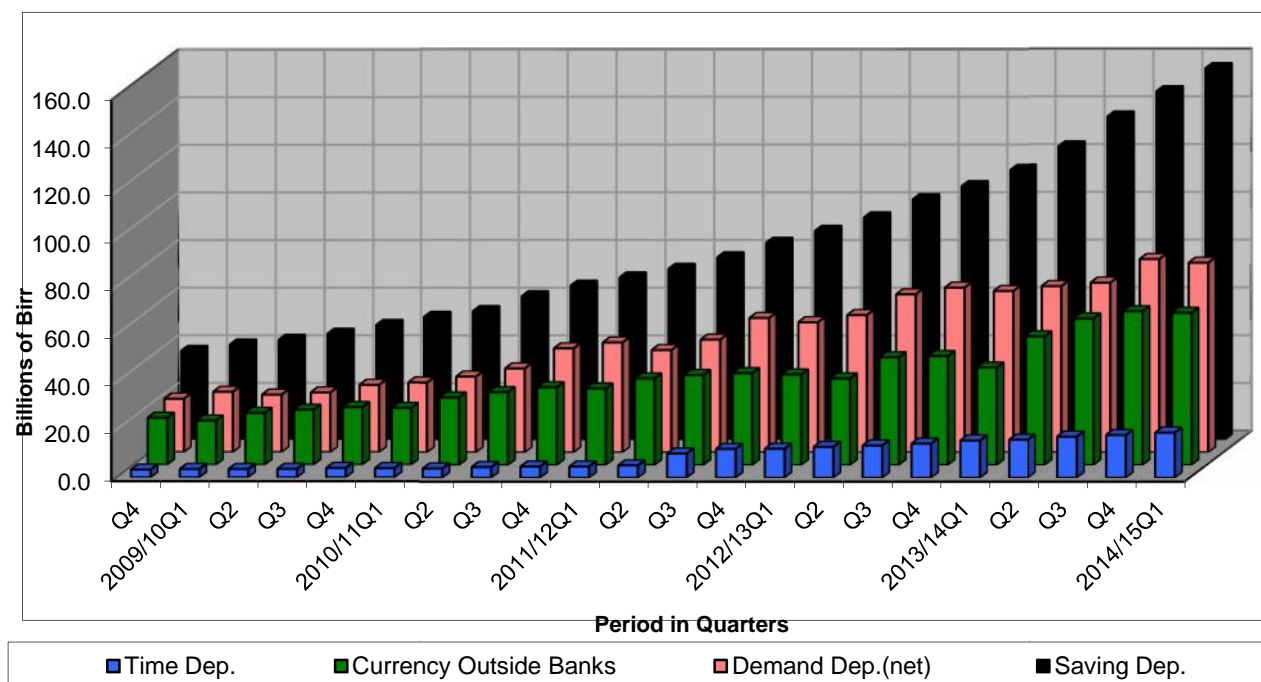
Table 4.2: Components of Broad Money

(In millions of Birr unless otherwise specified)

Particulars	2013/14		2014/15	Percentage Change		Contributions of each Component to Broad Money Growth (%)	
	QI	QIV	QI	C/A	C/B	Annual	Quarterly
	(Sept)	(June)	(Sept)				
	A	B	C				
1. Narrow Money Supply	108,497.7	134,049.2	130,138.2	19.9	-2.9	32.2	-58.2
. Currency outside banks	40,872.5	53,161.4	50,782.7	24.2	-4.5	14.7	-35.4
. Demand Deposits (net)	67,625.2	80,887.8	79,355.5	17.3	-1.9	17.4	-22.8
2. Quasi-Money	128,673.2	163,682.8	174,315.9	35.5	6.5	67.8	158.2
. Savings Deposits	113,061.6	145,810.5	155,437.5	37.5	6.6	63.0	143.2
. Time Deposits	15,611.6	17,872.3	18,878.4	20.9	5.6	4.9	15.0
3. Broad Money Supply	237,170.9	297,732.0	304,454.1	28.4	2.3	100.0	100.0

Source: NBE Staff Computation

Fig.3: Composition of Monetary Stock



Source: NBE Staff computation

4.2. Developments in Reserve Money and Monetary Ratio

Reserve money reached Birr 86.4 billion at the end of the first quarter of 2013/14, depicting an annual growth rate of 21.0 percent but a quarterly contraction of 2.9 percent. Meanwhile, excess reserves of commercial banks increased by 5.9 and 10.3 on annual and quarterly bases, respectively.

The money multiplier, measured by the ratio of broad money to reserve money, grew by 3.3 percent on annual basis implying increased monetization of the economy. On the other hand, the ratio of narrow money to reserve money showed a 6.3 percent annual decline which was attributed to expansion of banking services that resulted in increased mobilization of quasi-money deposits (Table 4.3).

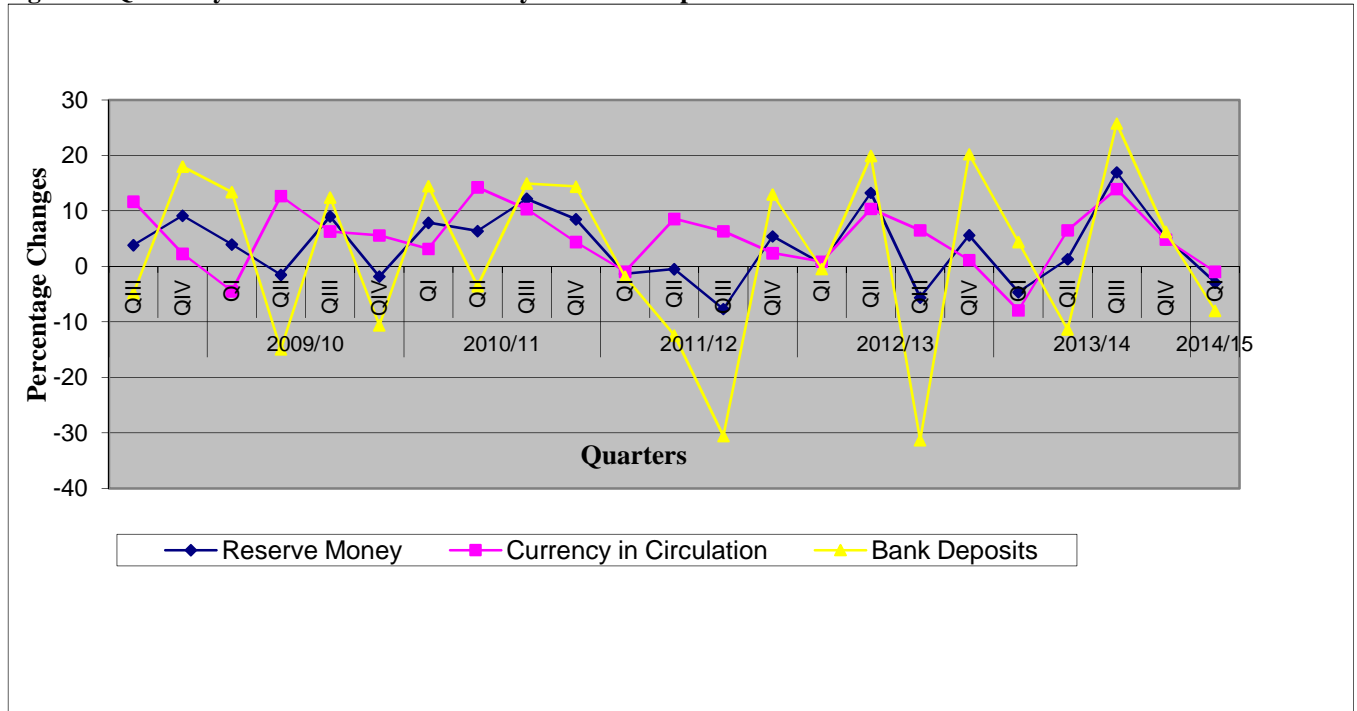
Table 4.3: Monetary Aggregates and Ratios

(In Millions of birr unless otherwise indicated)

Particulars	2013/14		2014/15	Percentage Change	
	Qtr. I	Qtr. IV	Qtr. I		
	(Sept)	(Jun)	(Sept)		
	A	B	C	C/A	C/B
1. Reserve Requirement (CB's)	11,613.8	14,479.4	14,711.8	26.7	1.6
2. Actual Reserve (CB's)	22,048.6	24,493.3	25,759.2	16.8	5.2
3. Excess Reserve (CB's)	10,434.8	10,013.9	11,047.4	5.9	10.3
4. Reserve Money	71,346.8	88,951.0	86,360.0	21.0	-2.9
. Currency in Circulation	50,571.6	64,340.5	63,714.2	26.0	-1.0
. Banks deposits at NBE	20,775.2	24,610.5	22,645.8	9.0	-8.0
5. Money Multiplier (Ratio):					
. Narrow Money to Reserve Money	1.6	1.5	1.5	-6.3	0.0
. Broad Money to Reserve Money	3.4	3.3	3.5	3.3	5.3
6. Other Monetary Ratios (%):					
. Currency to Narrow Money	44.1	48.0	49.0	11.1	2.0
. Currency to Broad Money	20.8	21.6	20.9	0.7	-3.2
. Narrow Money to Broad Money	47.1	45.0	42.7	-9.3	-5.1
. Quasi Money to Broad Money	52.9	55.0	57.3	8.3	4.1

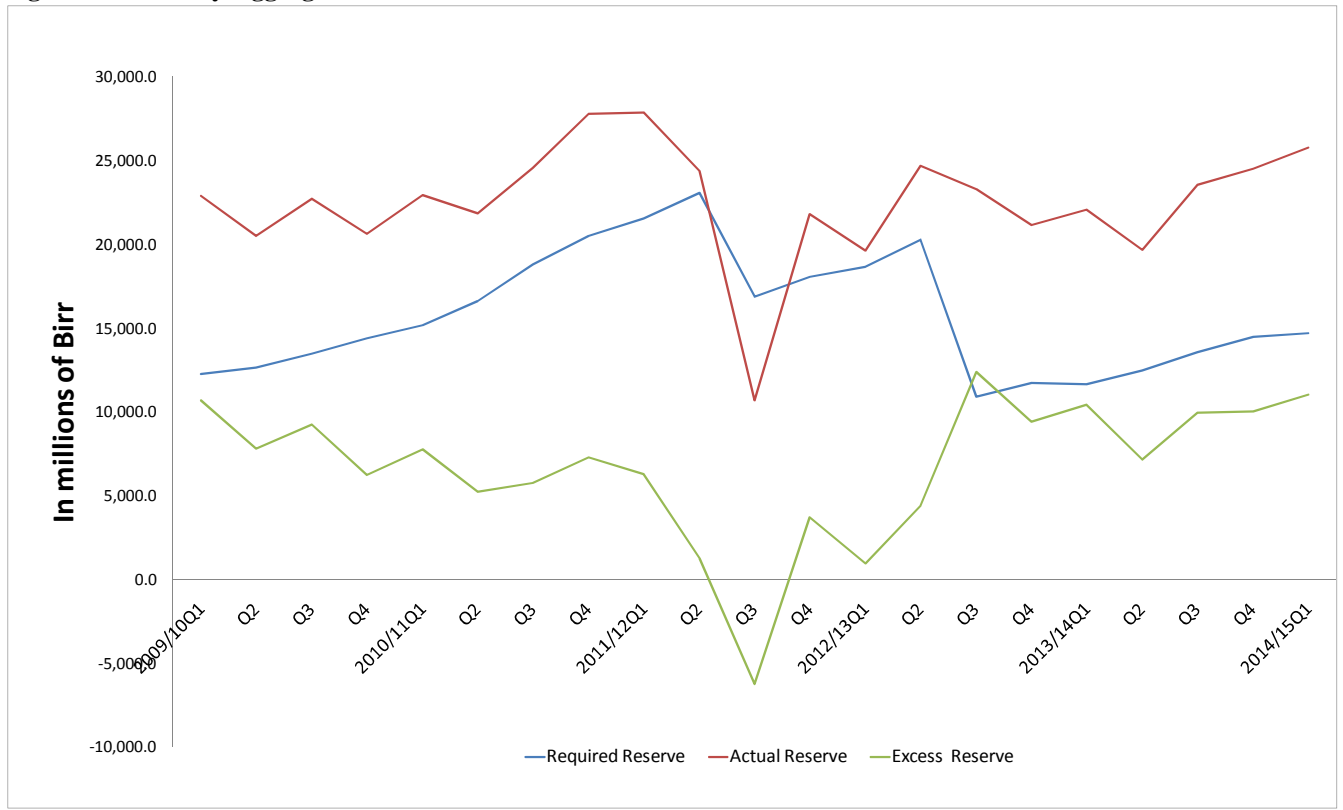
Source: NBE and Commercial Banks

Fig.IV.4: Quarterly Growth of Reserve Money and Its Components



Source: NBE Staff Computation

Fig.IV.5: Monetary Aggregates



Source: NBE Staff Computation

4.3. Interest Rate Developments

Average savings deposit and lending rates remained unchanged at 5.4 and 11.88 percent, respectively, while weighted average time deposit rate slightly rose by 0.4 percentage points on annual bases. On the other hand, weighted average yield on T-bills decreased to 1.68 percent during the first

quarter from 1.95 percent a year ago.

Considering annual headline inflation of 5.6 percent in September 2014, all deposit rates, except time deposit, and T-bills yield remained negative while average lending rate was positive in real terms (Table 4.4).

Table 4.4: Interest Rate Structure of Commercial Banks

(Percent per annum)

Particulars	2013/14		2014/15	Percentage	
	QI	QIV	QI	Annual	Quarterly
1. Savings Deposit Rate 1/					
Minimum	5.00	5.00	5.00	0.0	0.0
Maximum	5.75	5.75	5.75	0.0	0.0
Average Saving Rate	5.38	5.38	5.38	0.0	0.0
2. Time Deposits					
Up to 1yr	5.56	5.55	5.59	0.5	0.6
1-2 years	5.67	5.68	5.72	0.8	0.6
Over 2 yrs	5.72	5.74	5.77	0.9	0.6
Average Time Dep. Rate (Weighted)	5.65	5.66	5.69	0.7	0.6
3. Demand Deposit (Weighted)	0.03	0.03	0.03	10.0	0.0
4. Lending Rate 2/					
Minimum	7.50	7.50	7.50	0.0	0.0
Maximum	16.25	16.25	16.25	0.0	0.0
Average Lending Rate	11.88	11.88	11.88	0.0	0.0
5. T-bills Rate (Weighted)	1.95	1.33	1.68	-13.8	26.7
6. GERD Bond Yield 3/					
6.1 Maturity within 5 Years	5.50	5.50	5.50	0.0	0.0
6.1 Maturity above 5 Years	6.00	6.00	6.00	0.0	0.0
7. Headline Inflation (Year-on-year)	6.90	8.50	5.60	-18.8	-34.1
8. Food Inflation (Year-on-year)	4.30	6.20	3.60	-16.3	-41.9
9. Core/non-food Inflation (Year-on-year)	10.00	11.00	7.70	-23.0	-30.0

1/ Minimum interest rate on saving bond is set by NBE, where as the maximum indicates the highest rate some banks are paying voluntarily.

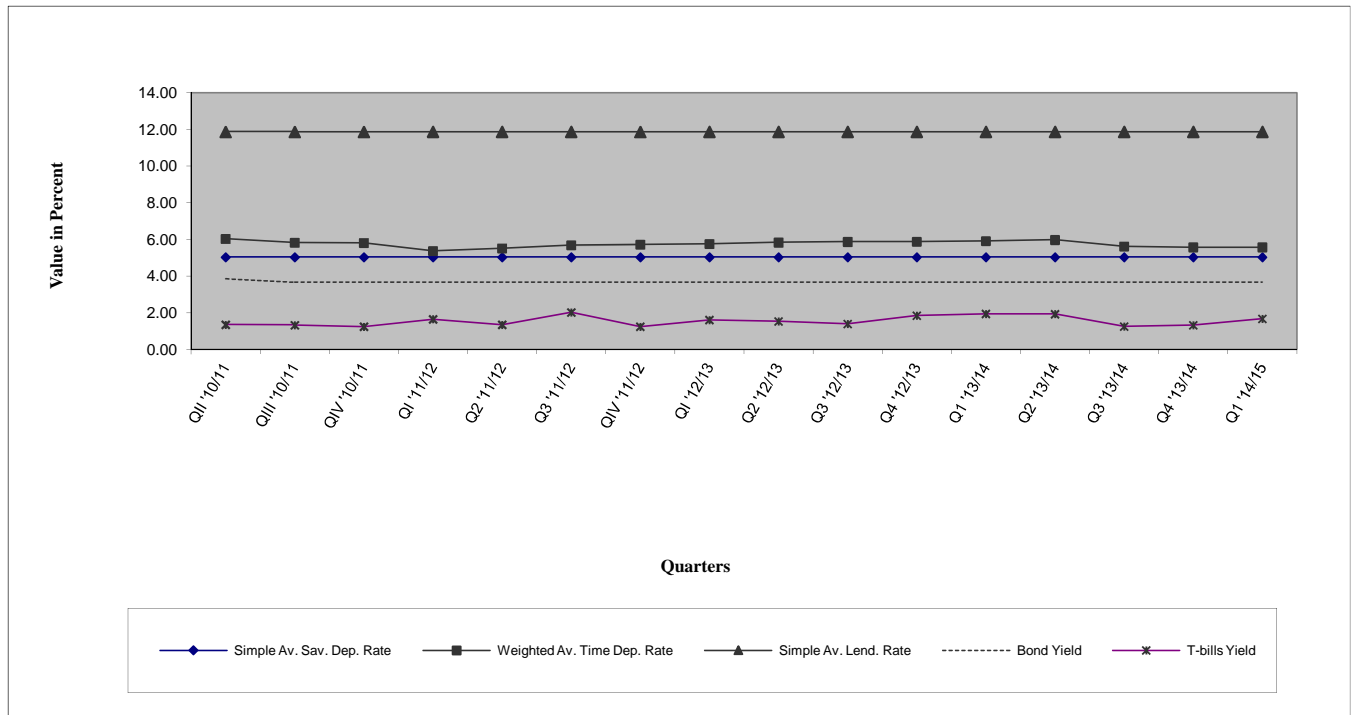
2/ NBE has no control on lending rates and the minimum & maximum rates presented here are determined by the market.

3/ GERD stands for Grand Ethiopian Renaissance Dam

Source: NBE Staff Computation

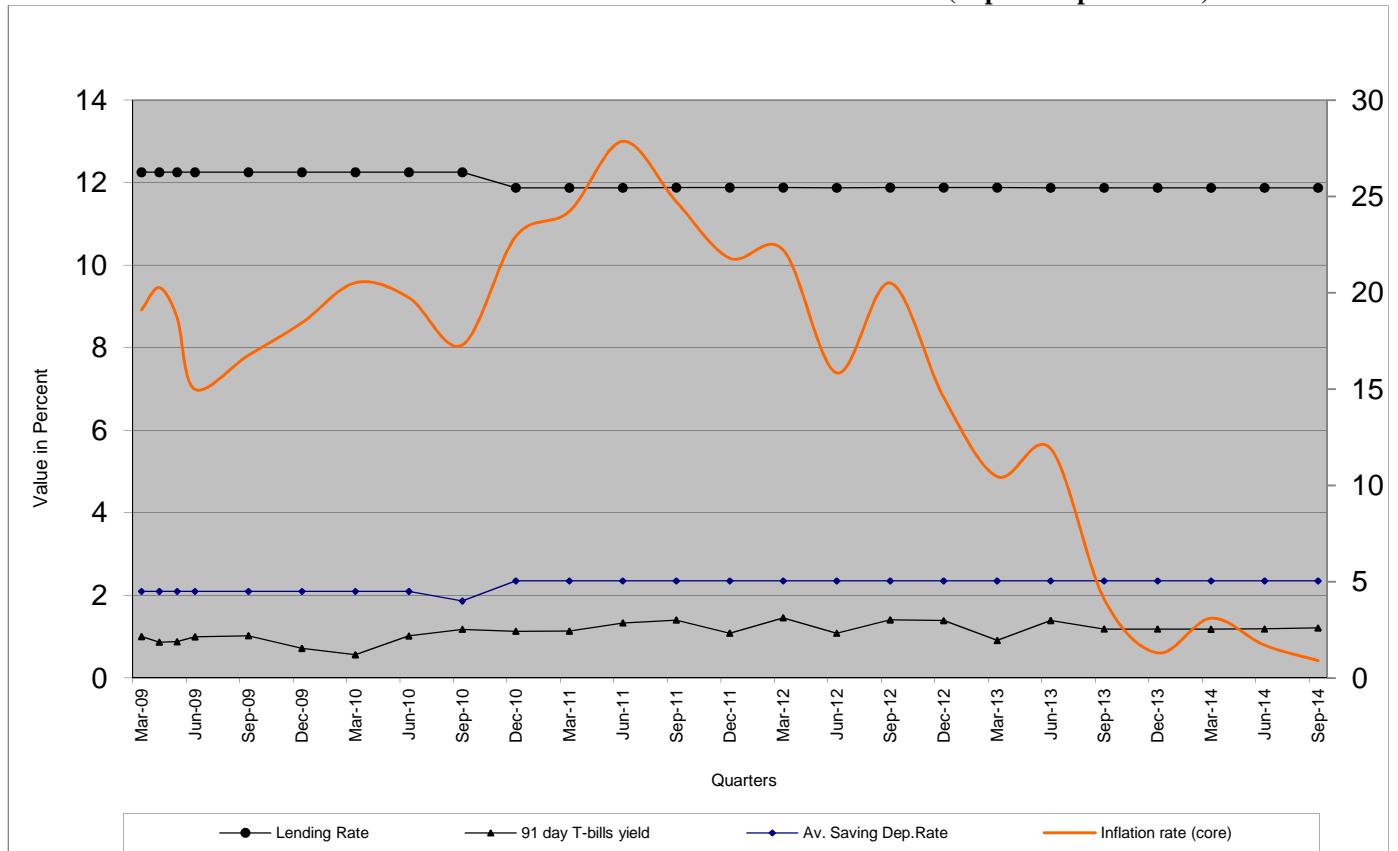
Fig. IV.6: Interest Rate Structure of Commercial Banks

(In percent per annum)



Source: NBE and Commercial Banks

Fig.IV.7: Average Lending Rate, Average Saving Deposit Rate, 91-day T-bills Yield & Core Inflation Rate (in percent per annum)



*While the inflation rate (core) is depicted on the right axis lending rate, 91 day T-bills yield and average saving deposit rate is depicted on the left axis.

Source: NBE Staff computation

4.4. Developments in the Financial Sector

Banks, insurance companies and microfinance institutions are the main financial institutions in Ethiopia. The number of banks operating in the country has reached 19 of which 16 were privately owned.

Compared to the first quarter of 2013/14, 491 new bank branches were opened, raising the total number of bank branches to 2,323. As a result, the ratio of total bank branch to population went down to 38,774.8⁴ from 46,888.6 last year same period, reflecting a significant annual improvement in financial service outreach.

About 34.5 percent of the total bank branches were located in Addis Ababa. Of the total bank branches, the share of private banks increased to 55.8 percent from 50.1 percent last year same period. Private Banks opened additional 379 new branches compared to 112 new branches by public banks in annual basis.

Meanwhile, the total capital of the banking system increased by 18.9 percent compared to last year same quarter and reached Birr 28.7 Billion, of which private banks together took 52.3 percent of the total capital. Commercial Bank of Ethiopia, the state owned bank, alone accounted for 37.3 percent of the total capital of the banking system. The remaining balance (10.4 percent) belonged to Development Bank of Ethiopia and Construction & Business Bank (Table 4.5).

The number of insurance companies reached 17 during the review quarter, of which 16 were private. Their total branch network expanded to 337 from 284 during last year same quarter. Of the total branches, about 54.0 percent were located in Addis Ababa, which depicts a relatively high concentration of insurance services and outreach in the capital.

During the review quarter, the total capital of the insurance industry increased by 31.5 percent on annually basis and reached Birr 2.2 billion of which the share of private insurance companies was 79.0 percent and last year same quarter stood 63.2 percent which was marginally increased to 15.8 percent (Table 4.6).

⁴ Total population is a CSA estimation of 90 million as of 2014/15

On the other hand, there were 32 micro-finance institutions (MFIs) operating in the country. These MFIs mobilized a total saving deposit of Birr 11.8 billion, which was 16.2 and 52.3 percent higher than during the preceding quarter and last year same period, respectively. Similarly, their outstanding credit went up by 23.2 and 28.9 percent on quarterly and annual basis, respectively, and reached Birr 17.5 billion. As a result, their total assets increased by 10.9 and 34.7 percent on quarterly and annual bases, respectively, and reached Birr 25.1 billion by the end of September 2014

(Table 4.7). Hence, MFIs are significantly contributing to poverty reduction efforts by providing financial intermediation mainly to low-income groups both in urban and rural areas.

The top five largest MFIs (Amhara, Dedebit, Oromia, Omo and Addis Credit and Savings Institute) alone accounted for 84.5 percent of the total capital, 93.9 percent of the savings, 90.1 percent of the credit and 90.5 percent of the total assets of the MFIs.

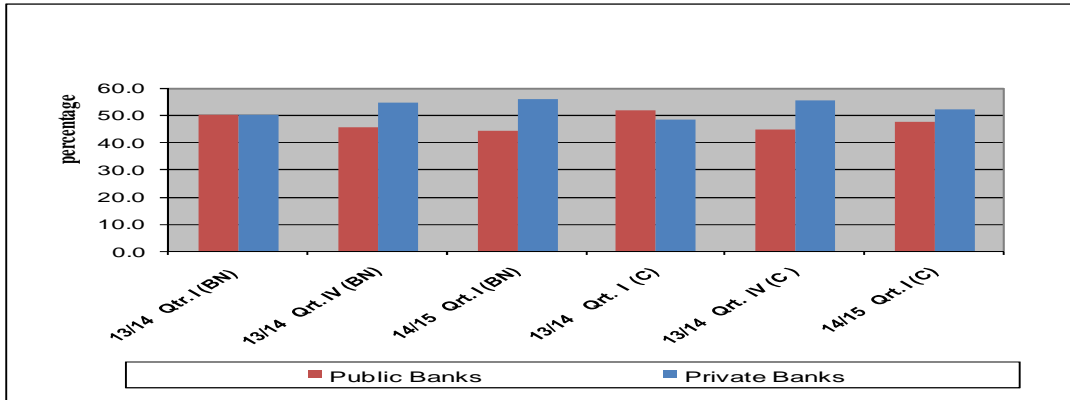
Table 4.5: Capital and Branch Network of the Banking System

(Branch in Number & Capital in Millions of Birr)

Banks	Branch Network												Capital		
	2013/14								2014/15				2013/14		2014/15
	Quarter I				Quarter IV				Quarter I				Quarter I	Quarter IV	Quarter I
	Reg	A.A	Total	%	Reg.	A.A	Total	%	Reg.	A.A	Total	%	Quarter I	Quarter IV	Quarter I
1. Public Banks															
Commercial Bank of Ethiopia	635	140	775	42.3	700	156	856	38.8	716	163	879	37.8	9,037	9,045	10,703
Construction & Business Bank	67	40	107	5.8	68	47	115	5.2	68	47	115	5.0	556	642	731
Development Bank of Ethiopia	31	1	32	1.7	31	1	32	1.4	31	1	32	1.4	2,888	2,135	2,269
Total Public Banks	733	181	914	49.9	799	204	1,003	45.4	815	211	1,026	44.2	12,481	11,822	13,704
2. Private Banks															
Awash International	48	73	121	6.6	62	90	152	6.9	67	93	160	6.9	1,642	1,979	1,987
Dashen Bank	62	59	121	6.6	69	73	142	6.4	69	76	145	6.2	1,505	1,994	2,010
Abyssinia Bank	45	50	95	5.2	55	54	109	4.9	58	54	112	4.8	911	1,326	1,334
Wegagen Bank	39	45	84	4.6	51	49	100	4.5	51	49	100	4.3	1,569	1,826	1,918
United Bank	33	47	80	4.4	44	55	99	4.5	47	58	105	4.5	1,056	1,334	1,339
Nib International Bank	30	42	72	3.9	39	55	94	4.3	40	55	95	4.1	1,453	1,731	1,731
Cooperative Bank of	62	12	74	4.0	84	21	105	4.8	88	28	116	5.0	569	740	756
Lion International Bank	25	24	49	2.7	35	27	62	2.8	39	31	70	3.0	455	514	538
Oromia International	50	22	72	3.9	80	29	109	4.9	87	36	123	5.3	504	594	561
Zemen Bank	3	5	8	0.4	3	6	9	0.4	5	6	11	0.5	429	529	670
Buna International Bank	26	15	41	2.2	41	22	63	2.9	44	26	70	3.0	335	447	484
Berhan International	13	12	25	1.4	22	26	48	2.2	24	29	53	2.3	322	560	499
Abay Bank	37	10	47	2.6	54	16	70	3.2	66	18	84	3.6	354	395	425
Addis Interational Bank	2	10	12	0.7	5	16	21	1.0	7	19	26	1.1	211	278	294
Debub Global Bank	10	5	15	0.8	12	7	19	0.9	12	7	19	0.8	143	177	182
Enat Bank S.C	0	2	2	0.1	-	3	3	0.1	2	6	8	0.3	212	262	282
Total Private	485	433	918	50.1	656	549	1,205	54.6	706	591	1,297	55.8	11,670	14,687	15,010

Source: NBE Bank Supervision Directorate

Reg. Stands for Region

Fig.IV.5: Capital and Branch Network of Banking System

Source: NBE Staff computation,

Table 4.6: Branch Network & Capital of Insurance Companies

(Branch in Number & Capital in Millions of Birr)

S.No.	Insurance Companies	Branch									Capital		
		2013/14						2014/15			2013/14		2014/15
		Quarter I			Quarter IV			Quarter I			Quarter I	Quarter IV	Quarter I
		A.A	Reg	Total	A.A	Reg	Total	A.A	Reg	Total	Capital	Capital	Capital
1	Ethiopian Insurance Corporation	11	38	49	18	44	62	18	44	62	385.7	434	452
2	Awash Insurance Company	21	12	33	21	12	33	21	12	33	165.2	183	194
3	Africa Insurance Company	6	7	13	8	7	15	8	8	16	118.8	135	152
4	National Insurance Corporation of Ethiopia	9	10	19	9	12	21	9	12	21	64.9	73	74
5	United Insurance Company	16	9	25	18	10	28	18	10	28	176.5	203	211
6	Global Insurance Company	6	5	11	6	5	11	6	5	11	48.4	67	71
7	Nile Insurance Company	11	12	23	14	14	28	14	15	29	172.5	182	192
8	Nyala Insurance Company	12	9	21	12	9	21	12	9	21	164.5	206	239
9	Nib Insurance Company	15	8	23	17	8	25	17	8	25	167.0	207	227
10	Lion Insurance Company	13	5	18	14	6	20	14	7	21	52.2	83	97
11	Ethio-Life Insurance Company	5	0	5	6	1	7	6	2	8	22.6	20	19
12	Oromia Insurance Company	14	9	23	14	11	25	14	11	25	72.1	119	118
13	Abay Insurance Company S.C.	5	4	9	7	7	14	7	8	15	14.8	49	60
14	Berhan insurance S.C	6	1	7	6	1	7	6	1	7	18.3	22	25
15	Tsehay Insurance S.C.	5	0	5	6	2	8	6	2	8	12.3	24	35
16	Lucy	0	0	0	2	1	3	2	1	3	8.5	17	22
17	Bunna Insurance S.C.	0	0	0	4	-	4	4	-	4	6.7	9	8
	TOTAL	155	129	284	182	150	332	182	155	337	1,671	2,034	2,198

Source: NBE Insurance Supervision Directorate

Table 4.7: Microfinance Institutions Performance as of September 30, 2014

(In Thousands of Birr)

Particulars	2013/14		2014/15	% Change	
	Qtr. I	Qtr. IV	Qtr. I	C/A	C/B
	A	B	C		
Total Capital	4,721,370.3	5,448,886.0	5,932,660.8	25.7	8.9
Saving	7,760,712.2	10,168,201.8	11,820,095.8	52.3	16.2
Credit	13,563,922.3	14,183,767.8	17,480,448.3	28.9	23.2
Total Assets	18,624,989.7	22,622,154.3	25,091,780.8	34.7	10.9

Source; NBE Microfinance Supervision Directorate

4.5. Activities of the Banking System

4.5.1. Resource Mobilization

Total resources mobilized by the banking system dropped by 44.9 percent against the preceding quarter due to a decrease in deposit (net change) and borrowing (net change) mobilized as well as loans collected. However, year-on-year basis, total resources

mobilized by the banking system increased by 89.9 percent due to an increase in borrowing (net change) and loan collections by 194.7 percent and 23.6 percent, respectively, (Table 4.8).

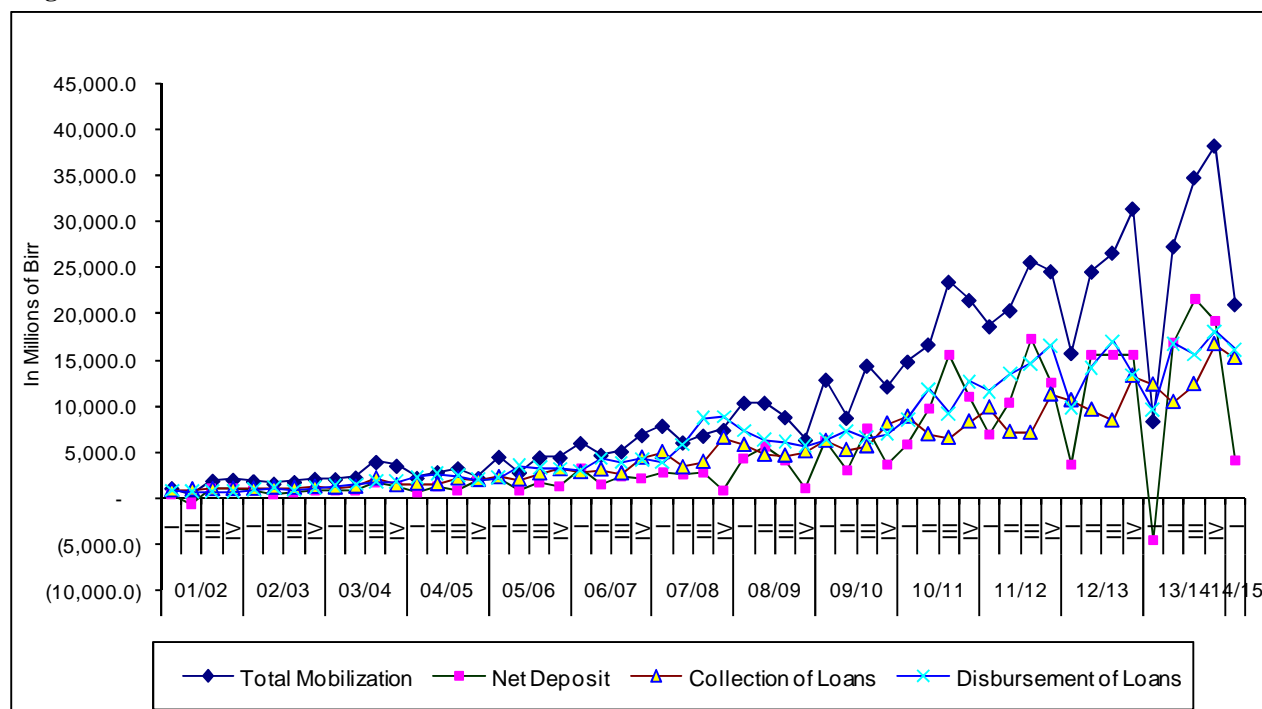
Table 4.8: Summary of Resource Mobilization & Disbursement of the Banking System

(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr.IV 2013/14	Qtr.I 2014/15	Qtr.IV 2013/14	Qtr.I 2014/15	Qtr.I 2013/14	Qtr.IV 2013/14	Qtr.I 2014/15	C/A	C/B
	A	B	C						
1. Deposits (net change)	11,766.2	-985.4	7,397.3	5,019.6	-1,829.6	19,163.5	4,034.2	-320.5	-78.9
-Demand	4,953.4	-6,719.1	2,974.8	116.7	-9,946.5	7,928.2	-6,602.4	-33.6	-183.3
-Saving	6,799.5	5,177.6	3,756.1	4,452.9	6,788.69	10,555.6	9,630.5	41.9	-8.8
-Time	13.3	556.1	666.3	450.0	1,328.20	679.7	1,006.1	-24.2	48.0
2. Borrowing (net change)	2,381.6	1,814.3	0.0	0.0	615.66	2,381.6	1,814.3	194.7	-23.8
-Local	2,077.9	1,601.9	0.0	0.0	545.28	2,077.9	1,601.9	193.8	-22.9
-Foreign	303.7	212.3	0.0	0.0	70.38	303.7	212.3	201.7	-30.1
3. Collection of Loans	8,828.7	7,438.8	7,856.7	7,764.4	12,298.26	16,685.5	15,203.2	23.6	-8.9
4. Total Resources Mobilized (1+2+3)	22,976.5	8,267.7	15,254.0	12,784.0	11,084.33	38,230.5	21,051.7	89.9	-44.9
5. Disbursement	11,622.8	7,521.9	6,453.5	8,537.6	9,572.56	18,076.3	16,059.4	67.8	-11.2
6. Change in Liquidity (4-5)	11,353.7	745.8	8,800.5	4,246.5	1,511.78	20,154.2	4,992.2	230.2	-75.2
Memorandum Item:									
A. Outstanding Credit*	114,598.1	114,306.6	53,691.1	57,993.7	134,649.04	168,289.1	172,300.3	28.0	2.4
B. Outstanding Interbank Lending	65.9	61.9	0.0	0.0	588.5	65.9	61.9	-89.5	-6.1

Source: Commercial Banks and staff computation

Notes: *Excludes bonds and treasury bills holding of commercial banks and Development Bank of Ethiopia (DBE)

Fig.V.9: Trends in Resource Mobilization and Disbursement of Loans

Source: NBE Staff computation

4.5.1.1 Deposit Mobilization

Total deposit liabilities of the banking system reached Birr 296.9 billion at the end of the first quarter of 2014/15, indicating a quarterly and annual growth rate of 1.4 and 26.1 percent, respectively. The growth in deposit mobilization was partly attributed to expansion of bank branches and improvements in economic activities.

Component wise, demand deposits, which accounted for 41.2 percent of total deposits, went up to Birr 122.2 billion showing an annual growth rate of 15.1 percent. However, it declined by 5.1 percent as compared to the preceding quarter. Saving deposits, with 52.3 percent share in total deposits increased by 6.6

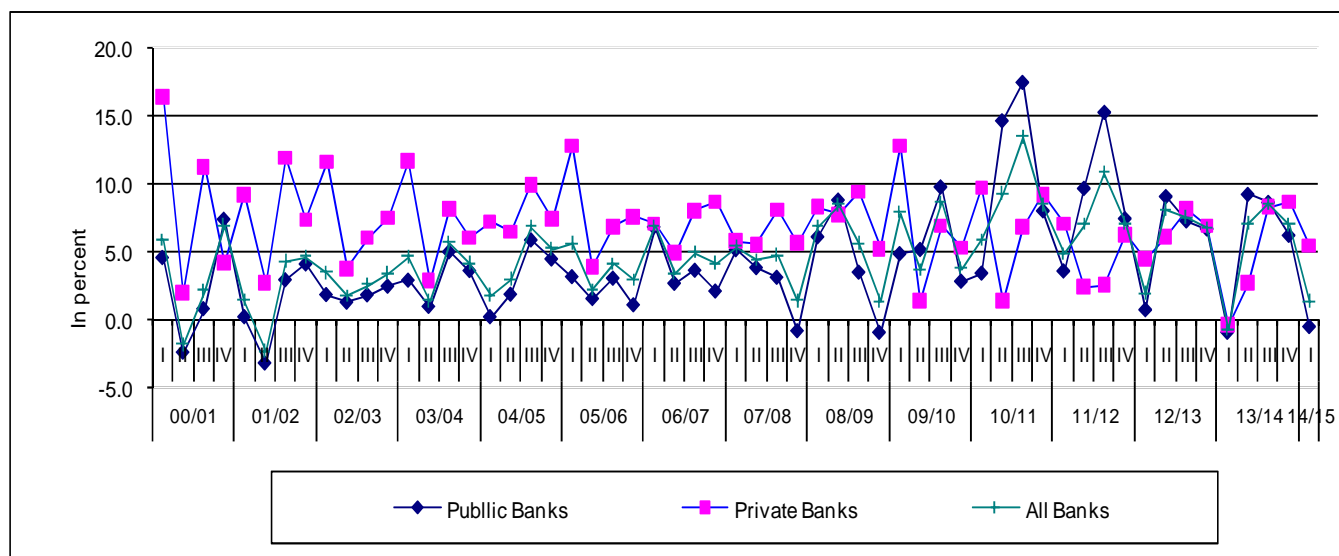
and 37.5 percent as compared to the previous quarter and the same period last year respectively. Similarly, time deposits, which constituted 6.5 percent of the total deposit liabilities, also went up by 5.5 and 19.5 percent over the same period.

Thus the share of public banks in total deposit mobilization decreased by 0.35 percentage points against the preceding year and accounted for 67.2 percent while the private banks mobilized the remaining balance (Table 4.9).

Table 4.9: Stock of Deposits Mobilized by the Banking System

(In Millions of Birr)

Deposit by types	Quarter I 2013/14	% Share	Quarter IV 2013/14	% Share	Quarter I 2014/15	% Share	C/A	C/B
	A		B		C			
Demand Deposit	106,197.1	45.1	128,788.1	44.0	122,185.7	41.2	15.1	-5.1
Saving Deposit	113,077.2	48.0	145,824.3	49.8	155,454.8	52.4	37.5	6.6
Time Deposit	16,097.4	6.8	18,235.4	6.2	19,241.5	6.5	19.5	5.5
Total	235,371.8	100.0	292,847.9	100.0	296,882.1	100.0	26.1	1.4
Share of Public Banks	67.6		68.5		67.2			
Share of Private Banks	32.4		31.5		32.8			

Source: Commercial Banks and DBE**Fig.IV.10: Quarterly Net Change of Banks Deposit Liabilities by Ownership****Source:** NBE Staff Computation

4.5.1.2. Collection of Loans

During the review period, the banking system collected Birr 15.2 billion, about 23.6 percent higher than last year same period (Table 4.8). Of the total loan collection, private banks' share was Birr 7.76 billion (51.1 percent) while that of public banks was Birr 7.4 billion (48.9 percent) (Table 4.11). Of the total loan collection, 69.7 percent was from private enterprises followed by cooperatives (22.2 percent) and public enterprises (8.0 percent) (Table 4.12).

4.5.1.3. Borrowing

Total outstanding borrowing of the banking system reached Birr 29.1 billion, showing a 21.9 percent growth on annual basis due to the surge in both domestic and foreign borrowings. Of the total borrowing, Birr 25.5 billion (87.6 percent) was from domestic sources which increased by 18.5 percent while the remaining Birr 3.6 billion (12.4 percent) was from foreign sources with 52.7 percent surge (Table 4.10).

Table 4.10: Public Outstanding Borrowing of the Banking System by Sources
(In Millions of Birr)

Banks	2013/14		2014/15	Percentage change	
	Quarter I	Quarter IV	Quarter I	C/B	C/A
	A	B	C		
Domestic Borrowing	21,520.1	23,900.8	25,502.7	6.7	18.5
Foreign Borrowing	2,371.6	3,409.4	3,621.7	6.2	52.7
Total	23,891.7	27,310.1	29,124.4	6.6	21.9

Source: Commercial Banks and Development Bank of Ethiopia

4.5.2. Disbursement of Fresh Loans

During the first quarter of 2014/15, total fresh bank loan disbursement reached Birr 16.1 billion, indicating a 67.8 percent annual increase but a decline by 11.2 percent as compared to the preceding quarter (Table 4.8). Public banks disbursed Birr 7.5 billion (46.8 percent) while the remaining balance was disbursed by private banks (Table 4.12). About 99.9 percent of new loan disbursement by private banks and 51 percent of the loan

disbursed by public banks went to the private sector (Table 4.12).

Sector wise, Industry was the largest beneficiary accounting for Birr 5.9 billion (36.7 percent) followed by Domestic trade (Birr 3.5 billion) or (22.1 percent), International trade (Birr 2.2 billion) or (13.5 percent), Agriculture (Birr 1.5 billion) or (9.3 percent), and Housing and Construction (Birr 1.4 billion) or (8.8 percent) (Table 4.11)

Table 4.11: Summary of Loans and Advances by Banks and Receiving Sectors

(In Millions of Birr)

Borrowing Sector	Public Banks			Private Banks			Total		
	(1)			(2)			(3)		
	D**	C**	O/S**	D**	C**	O/S**	D**	C**	O/S**
Central Government *	-	-	14,358.9	-	-	2.0	-	-	14,360.9
Agriculture	1,251.5	3,562.5	13,035.3	237.5	130.3	925.0	1,489.0	3,692.8	13,960.3
Industry	4,584.1	1,858.8	64,728.6	1,316.8	726.8	7,775.2	5,900.9	2,585.7	72,503.8
Domestic Trade	138.8	330.9	1,208.4	3,412.1	2,891.5	17,359.5	3,551.0	3,222.4	18,567.9
International Trade	340.7	341.9	14,783.4	1,833.2	2,385.9	15,425.3	2,173.8	2,727.8	30,208.7
Export	82.4	111.2	4,247.2	830.7	1,401.3	7,085.9	913.1	1,512.5	11,333.1
Imports	258.3	230.7	10,536.3	1,002.4	1,164.9	8,339.4	1,260.7	1,395.6	18,875.7
Hotels and Tourism	95.8	136.6	867.0	271.1	174.5	2,178.6	366.9	311.1	3,045.5
Transport & Communication	114.6	152.2	2,409.3	439.7	355.7	3,278.3	554.4	507.9	5,687.6
Housing & Construction	615.1	795.7	11,687.7	799.3	712.5	8,474.5	1,414.3	1,508.2	20,162.2
Mines, Power & Water Res.	92.0	5.7	600.9	2.4	11.4	77.1	94.5	17.2	678.0
Others	284.9	243.9	4,689.6	156.9	134.6	1,778.2	441.9	378.5	6,467.8
Personal	4.3	4.3	296.5	68.6	60.7	721.9	72.9	65.0	1,018.4
Inter-Bank Lending	-	6.3	61.9	-	-	-	-	6.3	61.9
Total	7,521.9	7,438.8	128,727.4	8,537.6	7,764.4	57,995.7	16,059.4	15,203.2	186,723.2

Source: Commercial Banks and staff computation

Notes: *Refers to government borrowing in the form of bonds and treasury bills from commercial banks and DBE

** D = Disbursement, C = Collection, O/S= Outstanding Credit

4.5.3. Outstanding Credit

Total outstanding credit of the banking System (excluding credit to government and interbank lending) increased to Birr 172.3 billion at the end of September 2014, up by 2.4 percent on quarterly and 28 percent on annual basis (Table 4.8).

About 98.8 percent of outstanding loan of private banks was a claim on private enterprises while the remaining balance was claim on cooperatives (1.1 percent). On the other hand, 48.5, 43.1 and 8.4 percent of the total public banks outstanding loan (excluding credit to government and interbank lending) was a claim on public enterprises, private enterprises, and cooperatives, respectively (Table 4.12).

Sector wise, credit to Industry stood first with Birr 72.5 billion (42.1 percent) followed by International trade (Birr 30.2 billion) or (17.5 percent), Housing & Construction (Birr 20.2 billion) or (11.7 percent), Domestic trade (Birr 18.6 billion) or (10.8 percent), Agriculture (Birr 13.9 billion) or (8.1 percent) and the remaining balance was claims on other sectors (Table 4.11).

The share of private banks in total outstanding loan stood at 33.7 percent showing an increase of 5.5 percentage points against the preceding quarter.

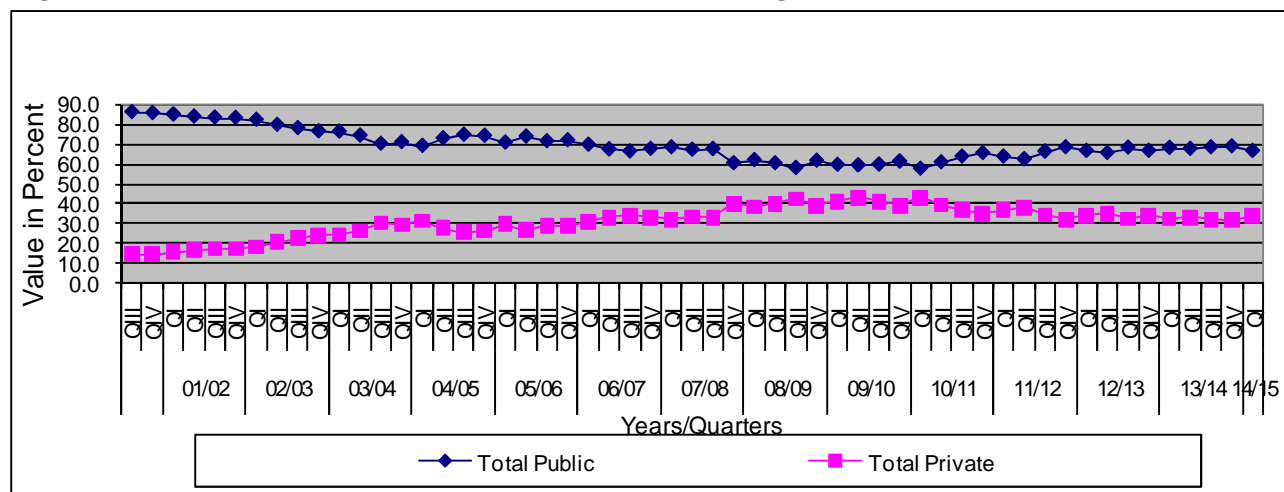
Table 4.12: Breakdown of Loans & Advances of the Banking System by Clients
(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	7,521.9	46.8	7,438.8	48.9	128,727.4	68.9
Central Government*	0.0	0.0	0.0	0.0	14,358.9	11.2
State Enterprises	3,749.7	49.9	1,217.8	16.4	55,407.6	43.0
Cooperatives	703.9	9.4	3,258.2	43.8	9,608.0	7.5
Private Enterprises	3,068.3	40.8	2,956.5	39.7	49,290.9	38.3
Inter-bank Lending	0.0	0.0	6.3	0.1	61.9	0.0
Private Banks	8,537.6	53.2	7,764.4	51.1	57,995.7	31.1
Central Government*	0.0	0.0	0.0	0.0	2.0	0.0
State Enterprises	0.0	0.0	5.1	0.1	63.6	0.1
Cooperatives	12.5	0.1	113.1	1.5	609.1	1.1
Private Enterprises	8,525.1	99.9	7,646.1	98.5	57,321.0	98.8
Inter-bank Lending	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total	16,059.4	100.0	15,203.2	100.0	186,723.2	100.0

Source: Commercial Banks and staff computation

Notes: *Refers to government borrowing in the form of bonds and treasury bills from commercial banks and DBE

Fig:IV.12: Share of Public and Private Banks in Credit Outstanding



Source: NBE Staff computation

4.6. Financial Activities of NBE

As at September 30, 2014, total claims of NBE on the central government reached Birr 73.2 billion, increasing by 17.2 percent vis-à-vis the same period last year. Of this sum, direct advance accounted for 87.8 percent, and bonds 12.2 percent. Direct advance increased by 16.3 as compared to the same period last year. In contrast, NBE's holdings of government bonds dropped by 2.3 percent during the same period.

Meanwhile, deposits of the central government and financial institutions at

NBE stood at Birr 37.8 billion, increased by 9.9 percent and 0.1 percent on quarterly and annual basis respectively. Of the total deposits, 38.1 percent was deposit of the central government which increased by 58.5 percent as compared to the preceding quarter but declined by 12.9 percent as compared to last year the same period (Table 4.13). On the other hand, deposits by financial institutions increased by 10.2 percent as compared to last year same period but declined by 7.5 percent as compared to the preceding quarter.

Table 4.13: Financial Activities of NBE during the First Quarter of 2014/15

Particulars	2013/14		2014/15	% Change	
	Qtr.I	Qtr.IV	Qtr.I	C/A	C/B
	A	B	C		
1.Loans and Advances	81,188.33	93,561.39	95,132.34	17.2	1.7
1.1. To Central Government	64,381.33	73,304.39	73,175.34	13.7	-0.2
Direct Advance	55,264.95	64,264.95	64,264.95	16.3	0.0
Bonds*	9,116.39	9,039.44	8,910.39	-2.3	-1.4
1.2.To Development Bank of Ethiopia	16,807.00	20,257.00	21,957.00	30.6	8.4
2.Deposit Liabilities	37,759.95	34,374.12	37,786.01	0.1	9.9
2.1. Government	16,548.01	9,092.45	14,407.98	-12.9	58.5
2.2. Financial Institutions	21,211.94	25,281.67	23,378.03	10.2	-7.5
O/W:					
-Banks	21,172.26	25,230.66	23,327.02	10.2	-7.5
-Insurance companies	39.68	51.0	51.0	28.6	0.0
3.Net Claims of NBE	43,428.4	59,187.3	57,346.3	32.0	-3.1

Source: NBE

4.7. Developments in Financial Markets

4.7.1. Treasury Bills Market

The amount of T-bills supplied to the weekly T-bills auction market reached Birr 21.7 billion, during the first quarter of the fiscal year 2014/15, reflecting a 20.5 percent contraction compared to same period last year. The demand for T-bills, however, expanded by 49.4 percent relative to a year earlier and reached Birr 41.4 billion (Table 4.14).

Of the total T-bills sold, the share of commercial banks dropped to zero during the period under review as non-bank institutions bought the entire amount as commercial banks were encouraged to

provide more loans to the private sector rather than investing in T-bills. As a result, the share of non-bank institutions in outstanding T-bills rose to 100 percent from 91.5 percent a year earlier.

The total outstanding T-bills at the end of the quarter reached Birr 35.3 billion, reflecting a 28.7 percent increase against the same period last year.

The annual average weighted yield of T-bills during the review quarter was 1.676 percent about 14.0 percent lower than a year ago (Table 4.14).

Table 4.13: Results of Treasury Bills Auction

(In Millions of Birr)

Particulars	2013/14		2014/15	Percentage Change	
	Qtr.I	Qtr.IV	Qtr.I	C/A	C/B
	A	B	C		
Number of Bidders	134.0	77.0	68.0	-49.3	-11.7
Public	61.0	54.0	53.0	-13.1	-1.9
Private	73.0	23.0	15.0	-79.5	-34.8
Number of Bids Accepted	283.0	113.0	106.0	-62.5	-6.2
Public	81.0	70.0	74.0	-8.6	5.7
Private	202.0	43.0	32.0	-84.2	-25.6
Amount Demanded (Mn.Birr)	27,732.9	30,695.9	41,426.3	49.4	35.0
28-day bill	11,783.0	600.0	520.0	-95.6	-13.3
91-day bill	11,689.9	24,657.9	34,846.3	198.1	41.3
182-day bill	1,510.0	3,391.0	3,310.0	119.2	-2.4
364-day bill	2,750.0	2,047.0	2,750.0	0.0	34.3
Amount Supplied (Mn.Birr)	27,338.9	18,782.4	21,724.9	-20.5	15.7
28-day bill	11,670.0	300.0	240.0	-97.9	-20.0
91-day bill	11,308.9	15,130.4	17,284.9	52.8	14.2
182-day bill	3,060.0	1,656.0	1,450.0	-52.6	-12.4
364-day bill	1,300.0	1,696.0	2,750.0	0.0	62.1
Amount Sold (Mn.Birr)	27,732.9	22,551.9	24,746.4	-10.8	9.7
Banks	11,073.0	0.0	0.0	-100.0	0.0
Non-Banks	16,659.9	22,551.9	24,746.4	48.5	9.7
Average Weighted Price for Successful Bids(Birr)	99.059	99.227	99.045	0.0	-0.2
28-day bill	99.776	99.934	99.887	0.1	0.0
91-day bill	99.705	99.704	99.698	0.0	0.0
182-day bill	99.661	99.547	99.500	-0.2	0.0
364-day bill	97.095	97.721	97.095	0.0	-0.6
Average Weighted Yield for Successful Bids(%)	1.948	1.326	1.676	-14.0	26.4
28-day bill	2.924	0.859	1.480	-49.4	72.3
91-day bill	1.187	1.189	1.214	2.3	2.1
182-day bill	0.682	0.913	1.010	48.0	10.6
364-day bill	3.000	2.342	3.000	0.0	28.1
Outstanding bills at the end of Period (Mn.Br.)	27,431.9	32,286.9	35,294.4	28.7	9.3
Banks	2,340.0	0.0	0.0	-100.0	0.0
Non-Banks	25,091.9	32,286.9	35,294.4	40.7	9.3

Source: NBE

Fig.IV.14: Developments in T-Bills Market

(In Millions of Birr)

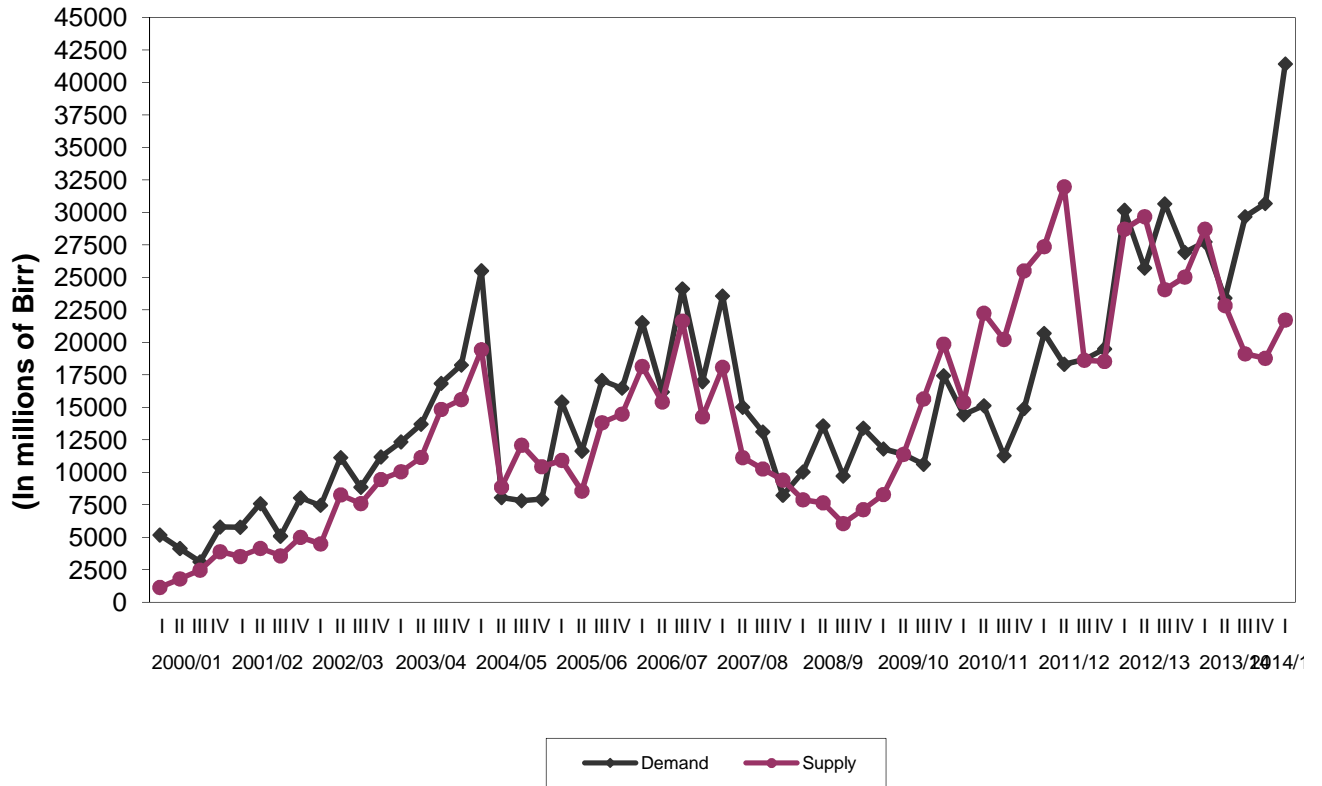
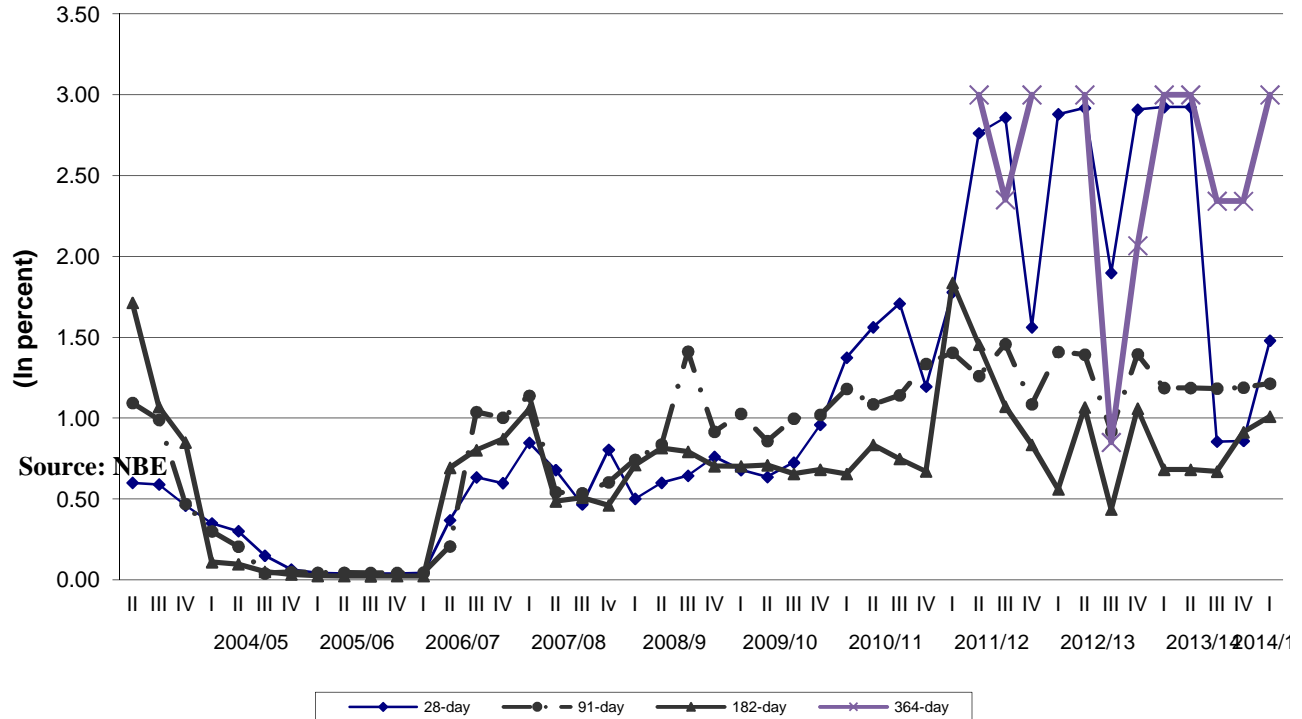


Fig.IV.14: Developments in Average Weighted Yields of T-bills with Different Maturities (In Percent)

4.7.2. Inter- Bank Money Market

There has been no inter-bank money market transaction during the review quarter as virtually all commercial banks had excess

reserves (Table 4.12).

4.7.3. Corporate Bond Market

Corporate bond market is not well developed in Ethiopia and the big players are few public institutions and regional governments. The purchaser of these bonds was Commercial Bank of Ethiopia (CBE).

During the quarter under review, CBE purchased corporate bonds worth Birr 5.4 billion, which was exclusively from EEPKO.

At the end of September 30, 2014, the stock of corporate bonds held by CBE stood at Birr 114.3 billion, of which 84.7 percent was claims on public enterprises and the remaining balance on regional governments (Table 4.15). Corporate bonds issued by EEPKO accounted for 94.7 percent of the total bonds issued by public enterprises and 80.2 percent of the entire outstanding corporate bond balance.

Table 4.15: Corporate Bond by holders

(Millions of Birr)

Issuer of the Bond	2013/14						2014/15		
	QI			QIV			QI		
	NP	Red	O/S	NP	Red	O/S	NP	Red	O/S
1. Public Enterprises	5,100.0	0.0	70,888.7	5,100.0	632.3	91,443.4	5,400.0	0.0	96,843.4
EEPCO	5,100.0	-	70,200.0	3,100.0	-	86,300.0	5,400.0	-	91,700.0
Railways Corporation	-	-	-	2,000.0	-	5,100.0	-	-	5,100.0
DBE	-	-	688.7	-	632.3	43.4	-	-	43.4
2. Regional Governments	1,125.0	835.6	13,880.1	3,300.0	766.6	17,694.6	325.0	532.8	17,486.8
Oromia	-	287.8	1,024.9	-	58.0	794.6	-	101.7	692.9
Amhara	-	0.0	0.2	-	-	0.2	-	-	0.2
Tigray	-	88.4	492.0	-	11.7	272.3	-	44.6	227.7
SNNPRS	-	101.3	375.1	-	22.9	306.2	-	7.8	298.4
Dire Dawa	-	10.2	188.9	-	55.7	24.1	-	10.8	13.3
Harari	-	-	0.0	-	-	-	-	-	0.0
Addis Ababa Housing Development Agency	1,125.0	347.9	11,799.0	3,300.0	618.3	16,297.2	325.0	367.9	16,254.3
3. Grand Total (1+2)	6,225.0	835.6	84,768.9	8,400.0	1,398.9	109,138.0	5,725.0	532.8	114,330.2