

## V. External Sector Developments

### 5.1 Balance of Payments

In the second quarter of 2014/15, the overall balance of payments registered USD 5.2 million deficit, compared to USD 275.5 million deficit a year ago and the USD 388.1 million deficits in the preceding quarter.

This was the outcome of the 6.2 percent decline in export, 101 percent in net

service receipts, 5.5 percent in net private transfers, 85.7 percent in net official transfers while imports surged by 25.3 percent. Capital account also depicted remarkable improvement mainly due to higher inflows of net official long-term capital (278.4 percent), other public long-term capital and net foreign direct investment (44.8 percent).

**Table 5.1: Balance of Payments**

(In Millions of USD)

S/N	Particulars	2013/14	2014/15		Percentage Change	
		QII	QI	QII	C/A	C/B
		A	B	C		
<b>1</b>	<b>Exports, f.o.b.</b>	<b>681.2</b>	<b>720.4</b>	<b>639.2</b>	<b>-6.2</b>	<b>-11.3</b>
	Coffee	85.3	182.6	126.0	47.8	-31.0
	Other	595.9	537.8	513.2	-13.9	-4.6
<b>2</b>	<b>Imports</b>	<b>3,491.9</b>	<b>3,697.5</b>	<b>4,376.2</b>	<b>25.3</b>	<b>18.4</b>
	Fuel	561.3	576.3	611.7	9.0	6.1
	Cereals	198.1	172.4	152.4	-23.1	-11.6
	Aircraft	13.7	41.6	59.5	333.9	43.0
	Imports excl. fuel, cereals, aircraft	2,718.8	2,907.2	3,552.7	30.1	22.2
<b>3</b>	<b>Trade Balance (1-2)</b>	<b>-2,810.7</b>	<b>-2,977.1</b>	<b>-3,737.0</b>	<b>33.0</b>	<b>25.5</b>
<b>4</b>	<b>Services, net</b>	<b>329.9</b>	<b>37.6</b>	<b>-32.8</b>	<b>-109.9</b>	<b>-187.1</b>
	Non-factor services, net	369.6	67.1	16.4	-95.5	-75.5
	Exports of non-factor services	992.9	854.5	786.8	-20.8	-7.9
	Imports of non-factor services	623.3	787.4	770.3	23.6	-2.2
	Income, net	-39.7	-29.4	-49.2	24.1	67.2
	O/w Gross official int. payment	36.2	26.3	43.4	19.7	64.6

	Dividend	-4.9	-5.2	-8.6	75	64.0
<b>5</b>	<b>Private transfers, net</b>	<b>1,037.0</b>	<b>930.9</b>	<b>979.7</b>	<b>-5.5</b>	<b>5.2</b>
	o/w: Private Individuals	819.9	702.7	642.2	(21.7)	(8.6)
<b>6</b>	<b>Current account balance excluding official transfers (3+4+5)</b>	<b>-1,443.7</b>	<b>-2,008.5</b>	<b>-2,790.2</b>	<b>93.3</b>	<b>38.9</b>
<b>7</b>	<b>Official transfers, net</b>	<b>864.9</b>	<b>428.7</b>	<b>123.5</b>	<b>-85.7</b>	<b>-71.2</b>
<b>8</b>	<b>Current account balance including official transfers(6+7)</b>	<b>-578.8</b>	<b>-1,579.8</b>	<b>-2,666.7</b>	<b>360.7</b>	<b>68.8</b>
<b>9</b>	<b>Capital account</b>	<b>958.4</b>	<b>1,365.2</b>	<b>2,878.4</b>	<b>200.3</b>	<b>110.8</b>
	Off. Long-term Cap., net	381.6	236.7	1,444.0	278.4	510.1
	Disbursements	413.7	284.6	1,480.2	257.8	420.1
	Amortization	32.1	47.9	36.2	12.7	-24.4
	Other pub. Long-term cap.	-65.9	427.4	791.2	-1,300.6	85.1
	Foreign Direct Investment(net)	382.2	566.9	553.5	44.8	-2.4
	Short-term Capital	260.5	134.3	89.7	-65.6	-33.2
<b>10</b>	<b>Errors and omissions</b>	<b>-655.0</b>	<b>-173.5</b>	<b>-216.9</b>	<b>-66.9</b>	<b>25.0</b>
<b>11</b>	<b>Overall balance (8+9+10)</b>	<b>-275.5</b>	<b>-388.1</b>	<b>-5.2</b>		
<b>12</b>	<b>Financing</b>	<b>275.5</b>	<b>388.1</b>	<b>5.2</b>		
13	Reserves [Increase (-), Decrease (+)]	276.3	388.1	5.2		
14	Central Bank (NFA)	125.9	8.1	-50.5		
	Asset	-129.4	-181.7	-1,078.4		
	Liabilities	255.3	189.8	1,027.9		
15	Commercial banks (NFA)	150.4	380.0	55.7		
16	Debt Relief	-0.8				
	Principal	0.6				
	Interest	0.1				

**Source:** NBE Staff Compilation

Total current foreign exchange receipts in the review quarter amounted to USD 2.55 billion, about 29.8 percent lower than the same period last year. This was due to a fall in export (6.2 percent), service proceeds (20.6 percent), private transfers (5.7 percent) and public transfers (85.4 percent).

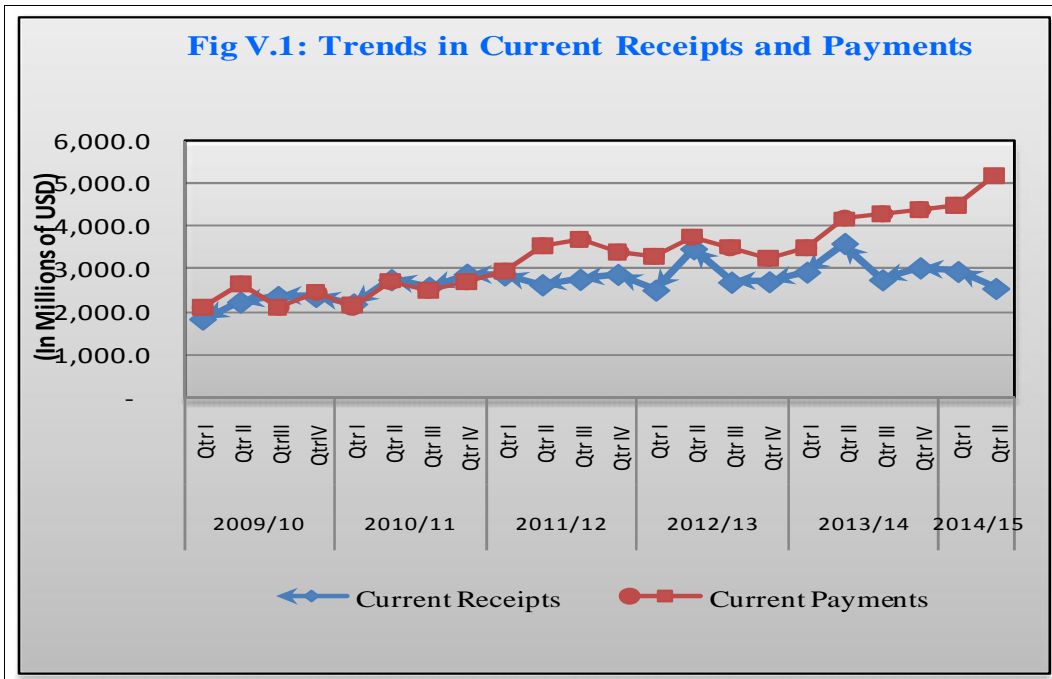
Meanwhile, total current foreign exchange payments increased by 24.0 percent and stood at USD 5.2 billion on account of the rise in payments for merchandise imports (25.3 percent) and service payments (23.8 percent). Consequently, the current account recorded USD 2.67 billion net outflows, 360.7 percent 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 II	Qtr I	Qtr II	C/A	C/B
	A	B	C		
<b>1. Current Receipts</b>	<b>3,626.92</b>	<b>2,941.52</b>	<b>2,546.97</b>	<b>-29.78</b>	<b>-13.41</b>
Export Proceeds	681.22	720.36	639.20	-6.17	-11.27
Service Proceeds	994.35	856.62	789.46	-20.60	-7.84
Private Transfers	1,044.54	932.92	985.44	-5.66	5.63
Public Transfer	906.82	431.62	132.87	-85.35	-69.22
<b>2. Current Payments</b>	<b>4,205.74</b>	<b>4,521.29</b>	<b>5,213.65</b>	<b>23.97</b>	<b>15.31</b>
Import Payments	3,491.87	3,697.45	4,376.23	25.33	18.36
Service Payments	664.40	818.97	822.25	23.76	0.40
Private Transfers	7.54	1.99	5.78	-23.42	190.87
Public Transfer	41.92	2.88	9.39	-77.59	226.18
<b>3. Net(1-2)</b>	<b>-578.82</b>	<b>-1,579.77</b>	<b>-2,666.68</b>	<b>360.71</b>	<b>68.80</b>

**Source:** Staff Compilation

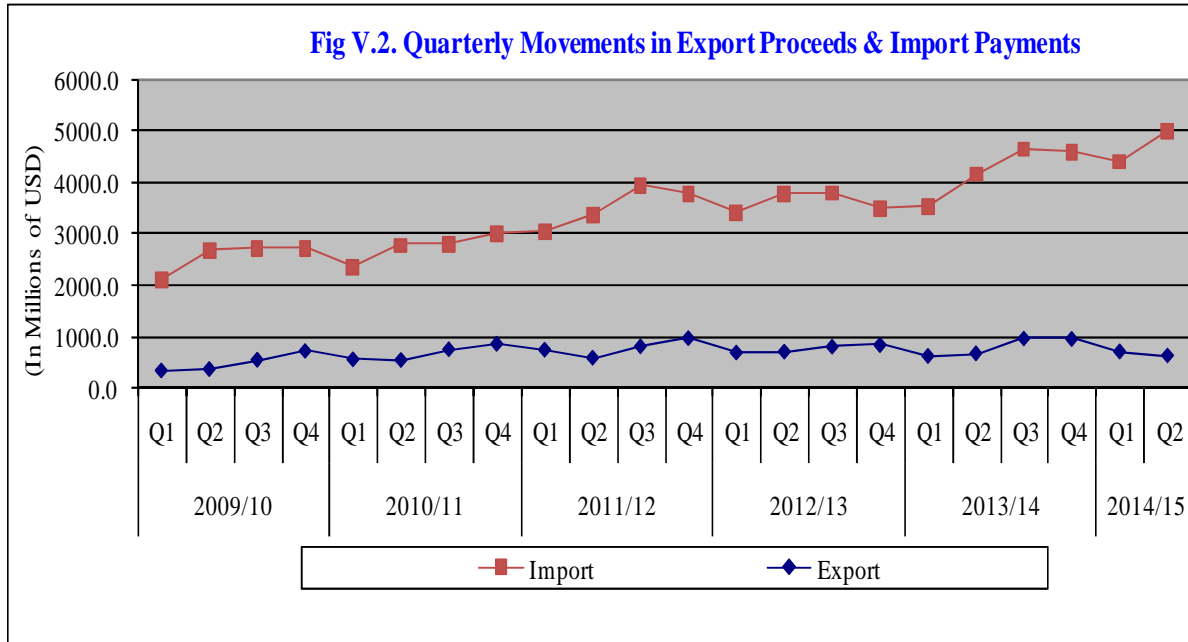


## 5.2. Merchandise Trade

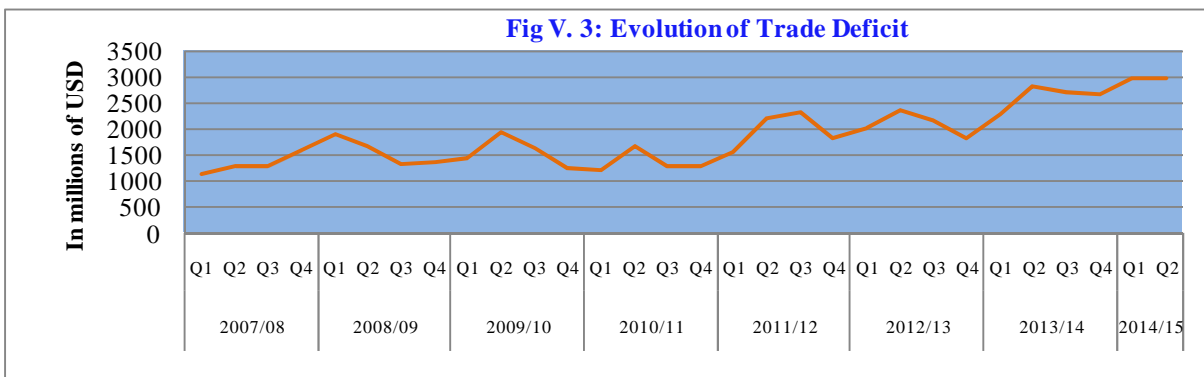
Merchandise trade deficit during the second quarter of 2014/15 amounted to USD 3.74 billion, which was 25.5 percent and 33.0 percent higher than that of the preceding quarter and the same period last year, respectively.

The widening of trade deficit was the result of strong import growth coupled with slow down in merchandise export earnings.

.  
.



**Source:** Ethiopian Revenue and Customs Authority



**Source:** NBE Staff Compilation

### 5.2.1. Exports

Total merchandise export decreased by 6.2 and 11.3 percent compared to the same period last year and the preceding quarter, respectively and it amounted to

USD 639.2 million. The quarter-on-quarter decline in export was ascribed to the fall in export earnings from oilseeds (10.0 percent), chat (1.3 percent), gold (45.3 percent), pulses (2.9 percent),

leather & leather products (14.3 percent), live-animals (30.6 percent) and fruits & vegetables (4.5 percent) due to lower volume, international price, or both.

The quarterly decline in the total export proceeds was related to poor performance in export earnings, mainly from coffee (31.0 percent), gold (18.1 percent), pulse (7.3 percent), leather & products (8.8 percent), live-animals (51.8 percent) and meat & meat products (12.2 percent).

Export earnings from coffee in the review period increased by 47.8 percent on annual terms but decreased by 31.0 percent on quarterly basis. The quarter-on-quarter growth in export earnings from coffee was associated with a significant coffee price recovery and an increase in the volume of coffee export. In the review period, coffee unit price increased by 23.7 percent vis-à-vis last year same quarter but went down by 4.4 percent compared to the previous quarter. At the same time, the volume of coffee export increased by 19.5 percent compared to last year same quarter,

while it went down by 27.8 percent over the previous quarter. Consequently, export earnings from coffee in the second quarter of 2014/15 decreased to USD 126.0 million from USD 182.6 million in the preceding quarter but increased from USD 85.3 million in the second quarter of last year. The share of coffee in total export earnings increased to 19.7 percent from 12.5 percent a year ago.

Likewise, earnings from flower depicted a 4.4 percent growth over last year same quarter owing to 5.3 percent higher volume despite a 0.9 percent fall in international price. Similarly, compared to the preceding quarter, receipts from flower export rose by 7.6 percent as a result of a 7.3 and 0.2 percent increase in volume and price, respectively. Consequently, the share of flower in total export earnings increased to 7.4 percent from 6.6 percent last year and 6.1 percent in the preceding quarter.

Receipts from meat & meat products reached USD 21 million showing a 33.3 percent surge compared with the previous year same quarter but went down by 12.2 percent vis-à-vis the

previous quarter. The quarter on quarter growth was merely attributed to 46.3 percent rise in volume despite 8.9 percent decline in international price. The share of meat & meat products in total export earnings increased to 3.3 percent from 2.3 percent last year but more or less remained the same compared to the preceding quarter.

On the other hand, export revenue from oilseeds was USD122.8 million, which, decreased by 10.0 percent relative to last year same period on account of a 18.1 percent fall in international price albeit a 9.8 percent increment in export volume. On the other hand, with respect to the preceding quarter, export proceeds from oilseeds increased by 35.9 percent due to a 41.5 percent growth in volume which outweighed the 4.0 percent decline in international price. Consequently, the share of oilseeds in total export receipts decreased to 19.2 percent from 20.0 percent last year same quarter, but increased from 12.5 percent in the preceding quarter.

Likewise, USD 73.7 million revenue from export of chat slightly dropped by 1.3 percent over last year same quarter

but increased by 10.4 percent compared with the preceding quarter. The quarter on quarter decline was due to a 3.6 percent fall in international price despite a 2.4 percent rise in volume of export. Similarly, although international price went down by 1.2 percent, volume of export went up by 11.7 percent. Hence, export proceeds from chat increased by 10.4 percent over the preceding quarter. Therefore, the share of proceeds from chat export slightly increased to 11.5 percent from 11.0 percent last year same quarter and 9.3 percent in the preceding quarter.

Revenue from gold export went down dramatically by 45.3 and 18.1 percent compared to previous year same quarter and the preceding quarter, respectively. The yearly fall in earnings from gold was due to 44.7 percent decline in volume and 1.1 percent slowdown in international price. Likewise, the drop in export earnings vis-à-vis the preceding quarter was owing to a 10.2 percent and 8.8 percent fall in volume of export and international price, respectively. Consequently, the share of gold export earnings in total merchandise export revenue went down to 10.1 percent from

10.9 percent in the previous quarter and 17.3 percent last year same quarter.

Earnings from pulses at USD 57.9 million showed a 2.9 percent quarter-on-quarter decline owing to a decrease in international prices by 2.0 percent and volume of export by 0.9 percent. Similarly, in relation to the preceding quarter, earnings from pulses was down by 7.3 percent as a result of a 9.3 percent decline in volume though international price rose by 2.2 percent. In the review period, receipt from pulses accounted for 9.1 percent of the total merchandise export earnings compared to 8.7 and 8.8 percent of the preceding quarter and same period last year, respectively.

Likewise, earnings from export of leather & leather products went down to USD 30.1 million or 14.3 and 8.8 percent vis-à-vis same quarter last year and the preceding quarter, respectively. The yearly decline in export revenue was due to a 9.2 percent short fall in volume and 5.7 percent in international price. Hence, the share of leather & leather products in total export revenue slightly

increased to 4.7 percent from 4.6 percent of the preceding quarter but declined from 5.2 percent a year earlier.

USD 28.9 million receipts from export of live- animals exhibited a 30.6 and 51.8 percent decline compared to previous year same quarter and the preceding quarter, respectively. The fall in earnings from live-animals in both cases was, by and large, attributed to a significant decline in volume of export. As a result, the share of live animals in total export revenue went down to 4.5 percent from 6.1 percent last year and 8.3 percent in preceding quarter.

Finally, earnings from export of fruits & vegetables reached USD 11.1 million which decreased by 4.5 percent compared to last year same period as a result of a 1.1 percent decrease in volume and 3.4 percent in international price. Consequently, earnings from fruits & vegetables accounted for 1.7 percent of total merchandise earnings.



**Table 5.3: Values of Major Export Items**

(In millions of USD)

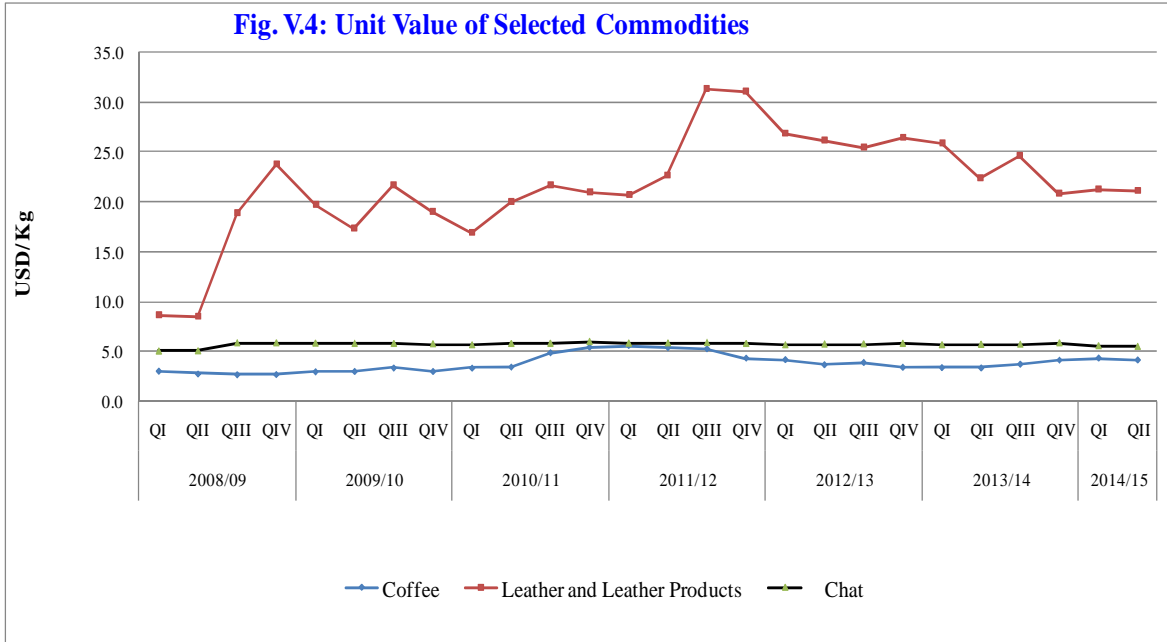
Particulars	2013/14		2014/15				Percentage Change	
	Qtr II		Qtr I		Qtr II		C/A	C/B
	A	% share	B	% share	C	% share		
Coffee	85.3	12.5	182.6	25.3	126.0	19.7	47.8	-31.0
Oilseeds	136.5	20.0	90.3	12.5	122.8	19.2	-10.0	35.9
Leather and Leather products	35.1	5.2	33.0	4.6	30.1	4.7	-14.3	-8.8
Pulses	59.6	8.8	62.4	8.7	57.9	9.1	-2.9	-7.3
Meat and Meat Products	15.8	2.3	23.9	3.3	21.0	3.3	33.3	-12.2
Fruits and Vegetables	11.6	1.7	10.3	1.4	11.1	1.7	-4.5	8.0
Live Animals	41.6	6.1	59.9	8.3	28.9	4.5	-30.6	-51.8
Chat	74.6	11.0	66.7	9.3	73.7	11.5	-1.3	10.4
Gold	<b>117.6</b>	17.3	78.5	10.9	<b>64.3</b>	10.1	-45.3	-18.1
Flower	45.1	6.6	43.8	6.1	47.1	7.4	4.4	7.6
Others	58.5	8.6	69.0	9.6	56.5	8.8	-3.4	-18.1
<b>Total</b>	<b>681.2</b>	<b>100.0</b>	<b>720.4</b>	<b>100.0</b>	<b>639.2</b>	<b>100.0</b>	<b>-6.2</b>	<b>-11.3</b>

**Source:** Ethiopian Revenue and Customs Authority**Table 5.4: Volume of Major Export Items**

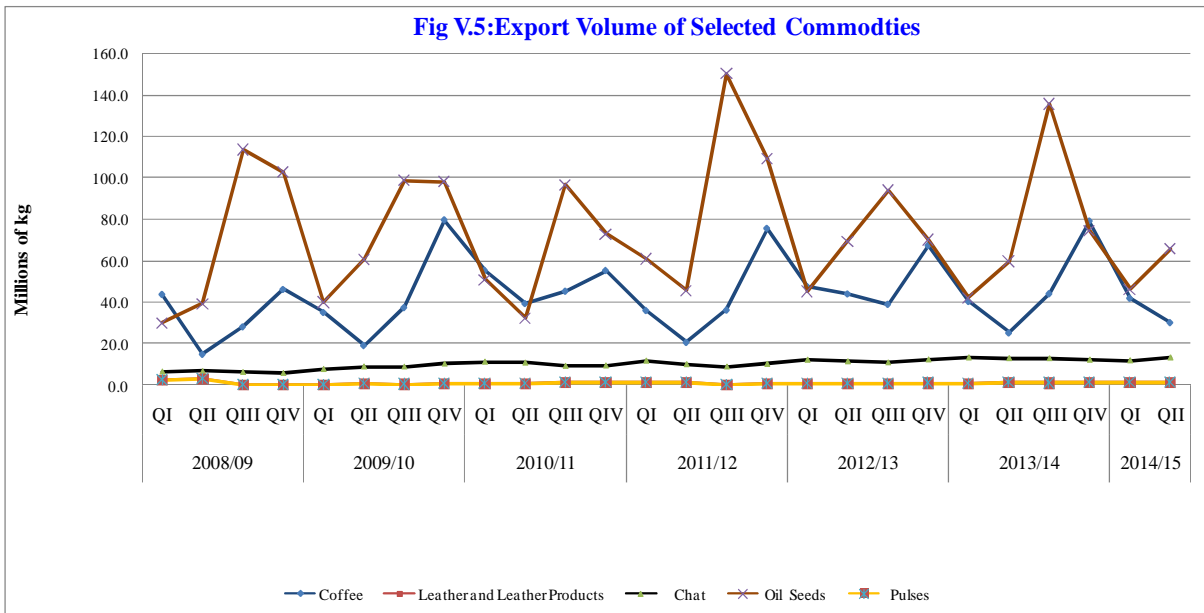
(In millions of kg)

Particulars	2013/14		2014/15		Percentage Change	
	Qtr II		Qtr I	Qtr II	C/A*100-100	C/B*100-100
	A	B	C			
Coffee	25.5	42.1	30.4	19.5	-27.83	
Oilseeds	60.2	46.7	66.1	9.8	41.5	
Leather and Leather products	1.57	1.55	1.42	-9.2	-8.2	
Pulses	83.7	91.4	82.9	-0.9	-9.3	
Meat and Meat Products	3.1	4.9	4.6	46.3	-6.6	
Fruits and Vegetables	36.0	35.6	35.6	-1.1	0.1	
Live Animals	24.4	31.2	15.3	-37.2	-51.0	
Chat	13.0	11.9	13.3	2.4	11.7	
Gold	0.0034	0.0021	0.0019	-44.7	-10.2	
Flower	10.2	10.0	10.7	5.3	7.3	

**Source:** Ethiopian Revenue and Customs Authority



**Source:** Ethiopian Revenue and Customs Authority



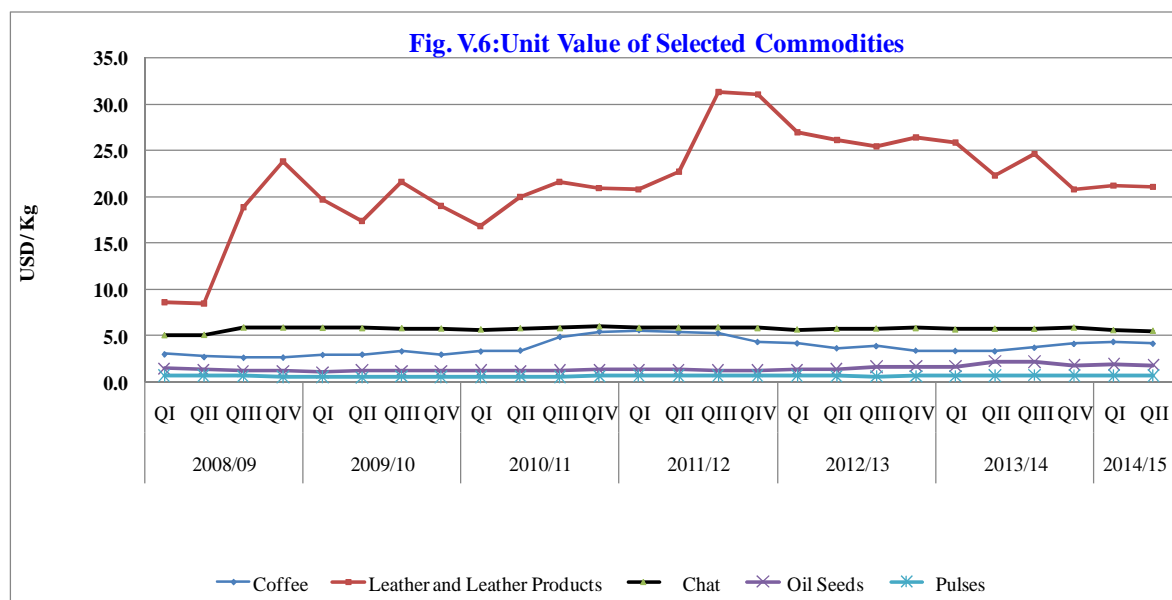
**Source:** Ethiopian Revenue and Customs Authority

**Table 5.5: Unit value of Major Export Items**

(In USD/kg)

Particulars	2013/14	2014/15		Percentage Change	
	Qtr II	Qtr I	Qtr II	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	3.3	4.3	4.1	23.7	-4.4
Oilseeds	2.3	1.934	1.857	-18.1	-4.0
Leather and Leather products	22.4	21.3	21.1	-5.7	-0.7
Pulses	0.713	0.683	0.698	-2.0	2.2
Meat and Meat Products	5.0	4.9	4.6	-8.9	-6.0
Fruits and Vegetables	0.32	0.29	0.31	-3.42	7.9
Live Animals	1.7	1.9	1.9	10.6	-1.6
Chat	5.7	5.6	5.5	-3.6	-1.2
Gold (USD/gr)	34.4	37.3	34.0	-1.1	-8.8
Flower	4.42	4.37	4.38	-0.9	0.2

Source: NBE Staff Compilation



Source: NBE Staff Compilation

## 5.2.2. Imports

Total value of merchandise import during the second quarter of 2014/15 stood at USD 4.4 billion which was 25.3

percent lower than last year same quarter, owing to higher import value of capital goods (52.2 percent), consumer

goods (1.9 percent), semi-finished goods (25.3 percent), fuel (9.0 percent) and raw material (33.9 percent).

Similarly, compared with the previous quarter, total import bill showed a 18.4

percent increase as a result of higher imports of capital goods by 25.9 percent, consumer goods (2.1 percent), semi-finished goods (37.0 percent), fuel (6.1 percent) and raw materials (25.6 percent).

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

Particulars	2013/14		2014/15				Percentage Changes	
	Quarter II	% share	Quarter I	% share	Quarter II	% share	C/A	C/B
	A		B		C			
<b>Raw Materials</b>	<b>37.6</b>	<b>1.1</b>	<b>40.1</b>	<b>1.1</b>	<b>50.4</b>	<b>1.2</b>	<b>33.9</b>	<b>25.6</b>
<b>Semi-finished Goods</b>	<b>568.9</b>	<b>16.29</b>	<b>520.0</b>	<b>14.1</b>	<b>712.6</b>	<b>16.28</b>	<b>25.3</b>	<b>37.0</b>
Fertilizers	112.2	3.2	9.4	0.3	150.0	3.4	33.6	1,494.6
<b>Fuel</b>	<b>561.3</b>	<b>16.1</b>	<b>576.3</b>	<b>15.6</b>	<b>611.7</b>	<b>14.0</b>	<b>9.0</b>	<b>6.1</b>
Petroleum Products	528.5	15.1	563.9	15.3	589.7	13.5	11.6	4.6
Others	24.8	0.7	12.3	0.3	22.0	0.5	-11.4	78.1
<b>Capital Goods</b>	<b>1,158.1</b>	<b>33.2</b>	<b>1,399.4</b>	<b>37.8</b>	<b>1,762.5</b>	<b>40.3</b>	<b>52.2</b>	<b>25.9</b>
Transport	295.3	8.5	344.7	9.3	450.7	10.3	52.7	30.8
Agricultural	47.3	1.4	14.1	0.4	10.7	0.2	-77.5	-24.2
Industrial	815.5	23.4	1,040.7	28.1	1,301.2	29.7	59.6	25.0
<b>Consumer Goods</b>	<b>1,111.0</b>	<b>31.8</b>	<b>1,109.0</b>	<b>30.0</b>	<b>1,131.7</b>	<b>25.9</b>	<b>1.9</b>	<b>2.1</b>
Durables	276.2	7.9	355.7	9.6	440.8	10.1	59.6	23.9
Non-durables	834.7	23.9	753.3	20.4	690.9	15.8	-17.2	-8.3
<b>Miscellaneous</b>	<b>55.1</b>	<b>1.6</b>	<b>52.6</b>	<b>1.4</b>	<b>107.4</b>	<b>2.5</b>	<b>94.9</b>	<b>104.0</b>
<b>Total Imports</b>	<b>3,491.9</b>	<b>100.0</b>	<b>3,697.5</b>	<b>100.0</b>	<b>4,376.2</b>	<b>100.0</b>	<b>25.3</b>	<b>18.4</b>

**Source:** Ethiopian Revenue and Customs Authority

Import of capital goods during the review period rose by 52.2 and 25.9 percent vis-à-vis same quarter last year and the preceding quarter, respectively. The quarter-on-quarter increase in capital goods imports was ascribed to the rise in imports of industrial goods (59.6 percent) and transport goods (52.7 percent) though

imports of agricultural goods declined by 77.5 percent. Similarly, the rise in imports of capital goods in relation to the previous quarter resulted from higher imports of industrial goods (25.0 percent) and transport goods (30.8 percent) although imports of agricultural capital goods dropped by 24.2 percent. Consequently,

the share of capital goods in total import bills went up to 40.3 percent from 33.2 and 37.8 percent in same period last year and the preceding quarter, respectively.

While, import of consumer goods increased by 1.9 and 2.1 percent vis-à-vis same period last year and the previous quarter respectively. This was merely attributed to higher import of durable consumer goods by 59.6 percent on yearly and 23.9 percent on quarterly basis. Imports of non-durable consumer goods, however, tended to slow down. Hence, the share of consumer goods in total import bill dropped to 25.9 percent from 31.8 percent of last year and 30.0 percent in the preceding quarter.

Likewise, import bill of fertilizers surged by 33.6 percent and that of semi-finished goods by 25.3 percent in relation to last year and by 37.0 percent, in contrast, with the previous quarter. Thus, the share of semi-finished goods in total import bills decreased to 16.28 percent from 16.29 percent a year ago.

Fuel import bill reached USD 611.7 million showing a 9.0 percent growth vis-à-vis last year same period and 6.1 percent over the preceding quarter. Accordingly, the share of fuel import bill in total import payment declined to 14.0 percent compared to 16.1 percent a year earlier and 15.6 percent last quarter.

Import value of raw materials went up by 33.9 and 25.6 percent to USD 50.4 million vis-à-vis same quarter last year and the preceding quarter, respectively. As a result, the share of raw materials in total imports increased to 1.2 percent from 1.1 percent each during these periods.

Total franco-valuta import also surged by 20.8 and 29.4 percent to USD 1.02 billion compared to a year ago and the preceding quarters with machinery, metal & metal manufacturing, road & motor vehicles, food & live animals and electrical materials taking a lion share.

**Table 5.7: Values of Franco-valuta Imports**

(In millions of USD)

Commodity Group	2013/14	2014/15		Percentage Changes	
	Qtr II	Qtr I	Qtr II		
	A	B	C	C/A	C/B
Beverages	0.2	1.35	0.1	-41.2	-92.0
Chemicals	1.4	5.4	10.4	624.4	91.8
Clothing	7.2	5.2	8.8	22.1	69.6
Food and Live Animals	89.4	48.1	75.7	-15.3	57.5
Textiles	2.8	4.4	4.3	55.3	-3.6
Tobacco	0.01	0.064	0.07	1105.2	16.6
Soap and Polish	0.5	0.2	0.3	-36.0	95.7
Fertilizer	4.1	35.0	10.7	158.5	-69.5
Paper and Paper Manufacturing.	0.5	1.1	0.5	3.8	-55.1
Metal and Metal Manufacturing.	96.1	94.5	170.1	77.0	79.9
Med. and Pharm. Prod	204.7	9.6	60.1	-70.6	528.9
Rubber Prod.	13.0	13.7	8.5	-34.7	-38.0
Petroleum Product	0.2	0.16	0.34	127.5	114.3
Glass and Glass Ware	0.8	2.2	2.0	160.3	-8.9
Electrical Material	30.3	90.8	76.3	151.7	-15.9
Machine	180.4	128.7	214.8	19.1	66.9
Air Craft	31.1	31.3	47.8	53.5	52.6
Road and Motor Vehicles	52.1	113.5	119.1	128.5	4.9
Tele Apparatus	0.2	0.52	0.52	109.0	-0.3
Cement	0.1	0.008	0.02	-85.1	136.9
Others	127.3	200.7	207.1	62.7	3.2
<b>Total</b>	<b>842.4</b>	<b>786.4</b>	<b>1017.4</b>	<b>20.8</b>	<b>29.4</b>

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

### 5.2.3. Direction of Trade

#### 5.2.3.1. Exports

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

Asia accounts for 42.4 percent of the total export earnings. China, accounted for 35.1 percent of the total earnings from Asia, mainly for oilseeds, leather & leather

products, natural gum, textile & garment and mineral products, followed by Saudi Arabia, 17.0 percent, for coffee, meat & meat products, live-animals, flowers, oilseeds and spices. Israel, with 9.5 percent share, was the third major Asian destination mainly for oilseeds, coffee and cereals. Japan accounted for 9.0 percent of the total export earnings mainly for export of coffee, oilseeds and flower. United Arab Emirates, accounting for 7.7 percent of the total export earnings from Asia, imported mainly meat & meat products, pulses, live-animals and flower. Taking 6.7 percent and 3.0 percent of the total export earnings from Asia, India and Pakistan stood as sixth and seventh major export destinations to Asia. Pulses and mineral products were the principal export items to India while pulses, spices and tea products went to Pakistan.

Europe accounted for 30.1 percent of the total export earnings with Switzerland (33.5 percent), Netherlands (21.3 percent), Germany (16.7 percent), Italy (4.6 percent), France (4.1 percent), Turkey (3.8 percent), United Kingdom (3.4 percent) and Belgium (3.4 percent), being the major markets. Altogether, these countries constituted 90.8 percent of the total export earnings from Europe.

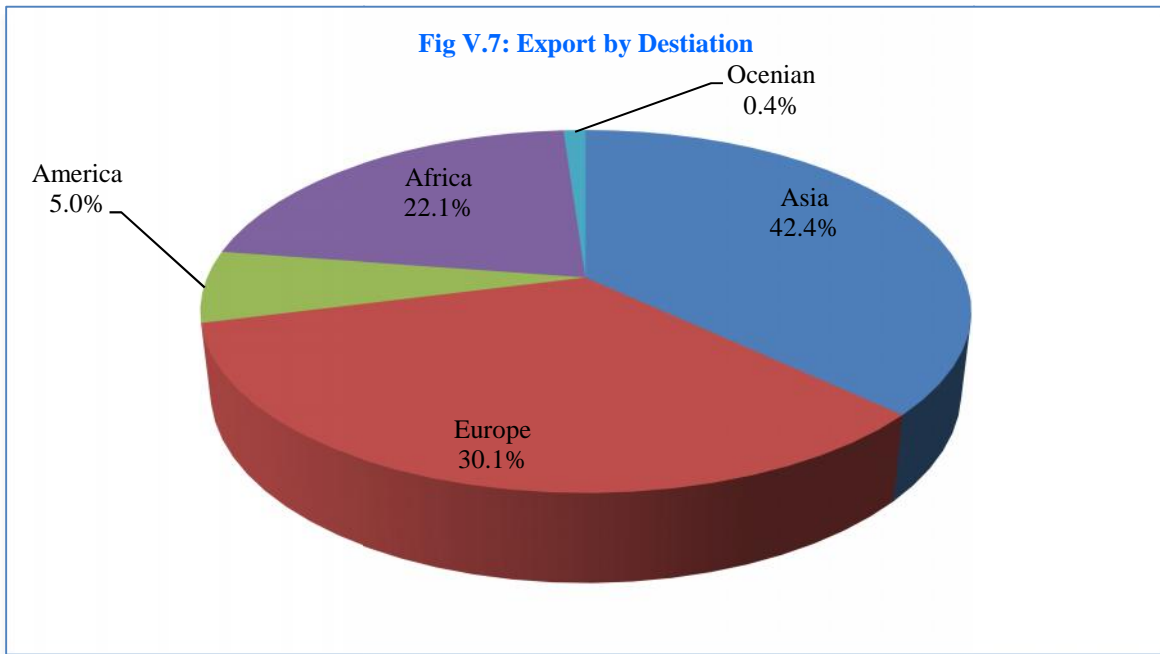
The main product exported to Switzerland was gold while flower, oilseeds, textile & garments and vegetables were sent to Netherlands. The principal export items to Germany were coffee, textile & garments, flower and pulses. Leather & leather products, coffee and textile & garments were the major items exported to Italy while textile & garments, oilseeds and pulse went to Turkey. Similarly, coffee and flower were the main export items exported to France. Likewise, the major export items to United Kingdom include coffee and leather & leather products, while coffee and flower went to Belgium.

In the meantime, about 22.1 percent of Ethiopia's exports earnings were generated from African markets mainly Somalia (45.1 percent), Sudan (17.9 percent), Djibouti (13.2 percent), Egypt (9.5 percent) and Kenya (3.4 percent) which altogether accounted for 89.1 percent of the total exports to Africa. The main items exported to Somalia were chat, live-animals and vegetables while coffee and spices went to Sudan. Main items sent to Djibouti were chat and live-animals. Likewise, major items sent to Egypt were live-animals; fruits and coffee while pulses, leather & leather

product and spices were the main export items to Kenya.

America was the market for export items that generated 5.0 percent of total export earnings during the second quarter of 2014/15, of which 66.5 percent went to the United States and 5.5 percent to Canada. Coffee, leather & leather products, mineral products and textiles & garments being the

major export items to United States while coffee, mineral products and textiles & garments being the major export items to Canada.



**Source:** Ethiopian Revenue and Customs Authority



### 5.2.3.2 Imports

In the review period, Asia accounted for 73.8 percent of the total import bill. Of this, China shares 51.5 percent, Kuwait (12.3 percent), Saudi Arabia (8.9 percent), India (8.3 percent), Japan (5.4 percent), Indonesia (3.4 percent), and United Arab Emirates (2.0 percent). Their combined share stood at 91.8 percent.

Major items imported from China were electric materials, metal & metal products, machine & aircraft material, road & motor vehicles and clothing & textiles. Likewise, petroleum products were the major imports from Kuwait, while, petroleum products, chemicals, beverage, rubber products and machine & aircraft materials were the main imports from Saudi Arabia. Similarly, metal & metal products, grains, medical & pharmaceuticals products, machine & aircraft materials, fertilizers, roads & motor vehicles and textiles constituted the main import items from India. Imports from Japan include road & motor vehicles, machine & aircraft materials, rubber products, metal & metal products and electric materials. Soap & polish, paper & paper products, textiles, chemicals and electric materials were imported from Indonesia; chemicals, petroleum products, rubber products and

metal & metal products from United Arab Emirates (UAE).

Imports from European countries accounted for 16.8 percent of total import bills, with Italy (13.7 percent), Turkey (12.4 percent), Germany (12.3 percent), Russia (9.6 percent), Ukraine (9.0 percent), Belgium (8.2 percent), United Kingdom (7.2 percent), Netherland (5.9 percent), France (4.3 percent), Spain (4.1 percent) and Rumania (2.9 percent) being the major origins. Altogether, these countries accounted for 89.6 percent of the total export earnings from Europe.

The items imported from Italy include mainly machinery & aircraft materials, road & motor vehicles, electric materials, metal & metal products, food & live-animals and rubber products, while metal & metal products, machine & aircraft materials, electric materials, rubber products and textiles were the main import items from Turkey.

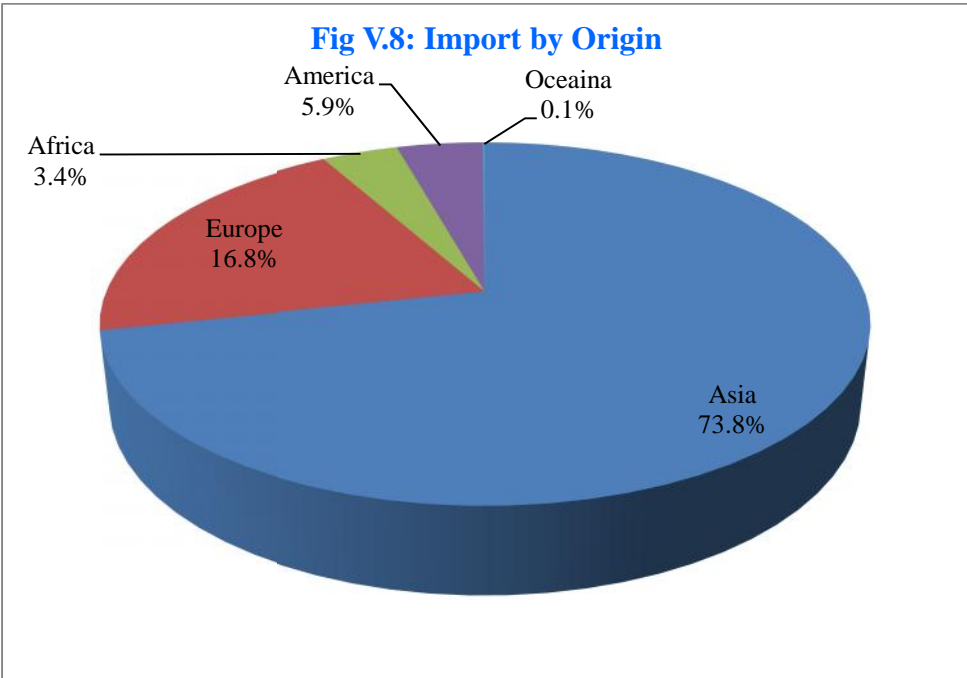
The major import items from Germany were machinery & aircraft materials, road & motor vehicles, electrical material, and metal & metal products. Food & live-

animals and metal & metal products were from Russia. Major import items from Ukraine were food & live-animals and metal & metal products. Medical & pharmaceuticals, machineries & aircraft materials and fertilizers were the principal import items from Belgium. While, machineries & aircraft materials and electric materials were the main imported items from United Kingdom. Machineries & aircraft materials, fertilizer and food & live animals were the major import from Netherland. On the other hand, import items from France include machineries & aircraft materials, electric materials and soap & polish were from Belgium. While, road motor vehicles were the major import items from Spain, food & live animals were from Rumania.

Import from Africa accounted for about 3.4 percent of the total merchandise import bills with, South Africa (26.9 percent), Egypt (21.4 percent), Sudan (19.7 percent) and Morocco (18.2 percent) and Kenya (6.4 percent) jointly accounting for 92.5 percent of the total import bill paid to the region.

Road & motor vehicles, chemicals and machine & aircraft materials were the principal import item from South Africa. Petroleum products, metal & metal manufacturing, rubber products, food & live animals, beverage and paper & paper products were the primary import items from Egypt, while petroleum products were the major imported product from Sudan and Morocco. The major items imported from Kenya included metal & metal products, machineries & aircraft materials, fertilizer and food & live animals.

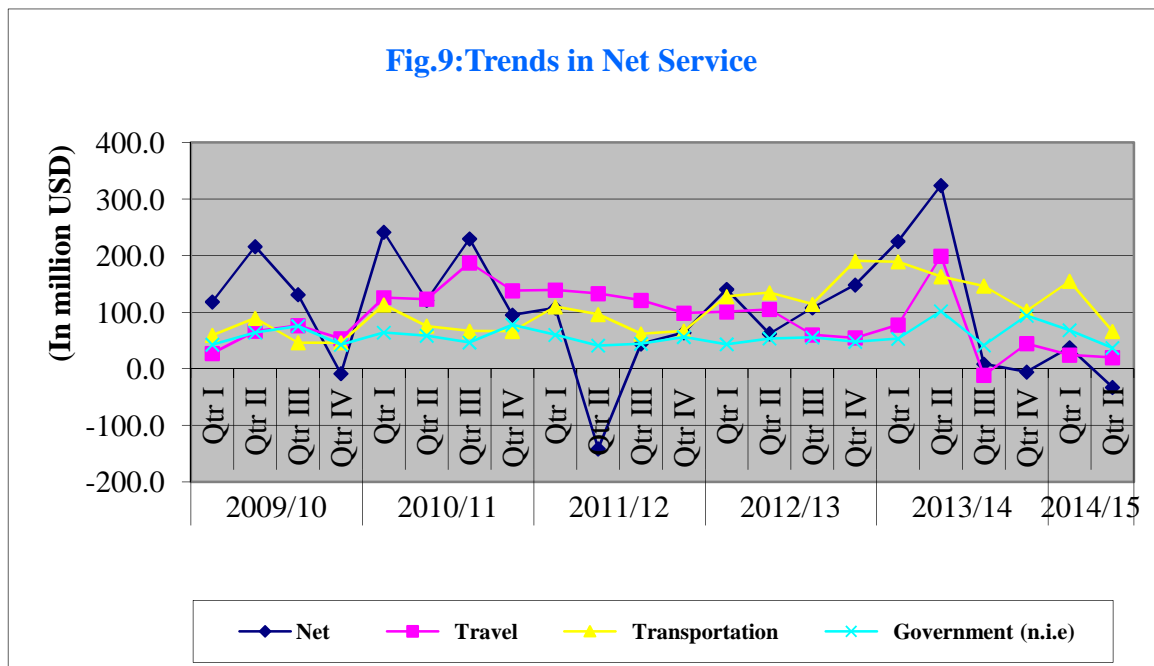
Imports from America accounted for 5.9 percent of the total import bills, of which United States shares 84.0 percent, Canada 10.4 percent and Brazil 3.2 percent. Machinery & aircraft materials, food & live animal and electric materials were the major items imported from USA while machinery & aircraft materials, fertilizer and electric materials were from Canada. Machinery & aircraft materials, road & motor vehicles and rubber products were from Brazil.



**Source:** Ethiopian Revenue and Customs Authority

### 5.3. Services and Transfers

The net receipt from services trade stood at USD 32.8 million deficit, down from USD 329.9 million surplus last year same period. This was attributed to the fall in net travel services (90.1 percent), net transport services (59.6 percent) and government services (63.9 percent).



Source; NBE Staff Compilation

**Table 5.8: Developments in Services Accounts**

(In Millions of USD)

S/N	Particulars	2013/14	2014/15		Percentage Change	
		QII	QI	QII	C/A	C/B
		A	B	C		
<b>1</b>	<b>Investment Income (2+5)</b>	<b>-39.7</b>	<b>-29.4</b>	<b>-49.2</b>	<b>24.1</b>	<b>67.2</b>
2	Interest, net (3-4)	-34.8	-24.2	-40.6	16.9	67.9
3	Credit	1.5	2.1	2.7	87.0	26.9
4	Debit	36.2	26.3	43.4	19.7	64.6
5	Dividend, net	-4.9	-5.2	-8.6	75.1	64.0
<b>6</b>	<b>Other Services, net (7-12)</b>	<b>369.6</b>	<b>67.1</b>	<b>16.4</b>	<b>-95.5</b>	<b>-75.5</b>
7	Exports of non-factor services	992.9	854.5	786.8	-20.8	-7.9
8	Travel	263.7	113.1	103.9	-60.6	-8.1
9	Transport	565.1	631.9	541.9	-4.1	-14.2
10	Gov't	108.1	68.4	38.5	-64.4	-43.7
11	Other	56.0	41.1	102.4	82.9	149.4
12	Imports of non-factor services	623.3	787.4	770.3	23.6	-2.2
13	Travel	60.4	88.8	83.7	38.5	-5.6
14	Transport	401.3	477.04	475.8	18.6	-0.3
15	Gov't	5.6	0.1	1.5	-73.3	1,562.2
16	Other	155.9	221.5	209.3	34.2	-5.5
<b>17</b>	<b>Net Services (18+19+20+21+22)</b>	<b>329.9</b>	<b>37.6</b>	<b>-32.8</b>	<b>-109.9</b>	<b>-187.1</b>
18	Travel (8 - 13)	203.3	24.3	20.2	-90.1	-17.1
19	Transport (9 - 14)	163.8	154.9	66.1	-59.6	-57.3
20	Gov't (10 - 15)	102.5	68.3	37.0	-63.9	-45.8
21	Other (11 - 16)	-99.9	-180.4	-106.8	6.9	-40.8
22	Investment Income (2+5)	-39.7	-29.4	-49.2	24.1	67.2

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

During the review period, total net transfer receipts decreased by 42 percent relative to last year same period. Net

transfers stood at USD 1.1billion as net private transfers decreased by 5.5 percent and official transfers by 85.7 percent.

account of the 23.2 percent fall in cash remittances from private individuals despite higher transfers to NGOs (52.84 percent).

Relative to last year same period, net private transfers decreased by 5.5 percent during the review period and amounted to USD 979.7 million on

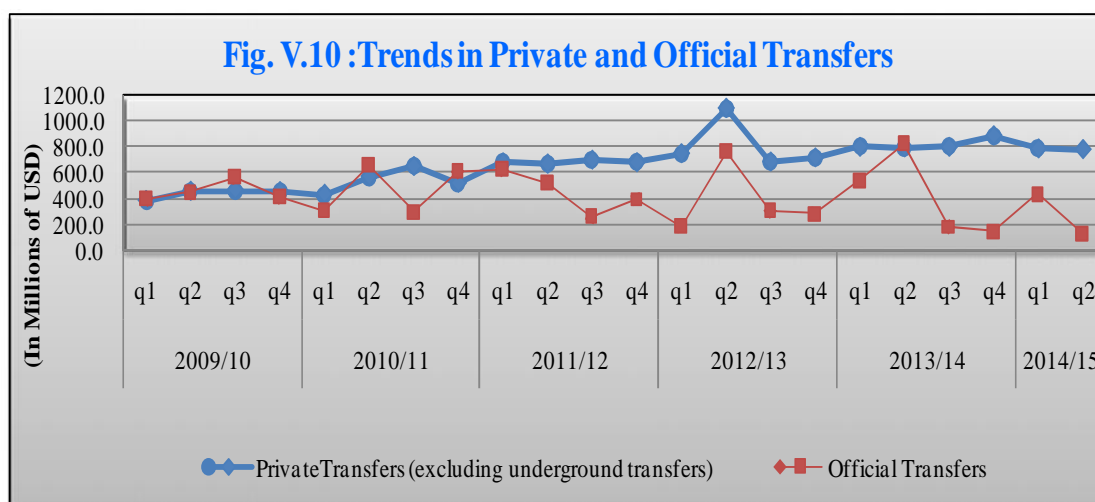
**Table 5.9: Developments in Transfer Accounts**

(In Millions of USD)

S/N	Particulars	2013/14		2014/15				Percentage Change	
		QII	%	Q I	%	QII	%	C/A	C/B
		A	share	B	share	C	share		
<b>1</b>	<b>Private Transfers (net) (2-11)</b>	<b>1,037.0</b>	<b>54.5</b>	<b>930.9</b>	<b>68.5</b>	<b>979.7</b>	<b>88.8</b>	<b>-5.53</b>	<b>5.23</b>
2	Credit (3+7)	1,044.5	53.5	932.9	68.4	985.4	88.1	-5.66	5.63
<b>3</b>	<b>NGO's (4+5+6)</b>	224.6	11.5	230.2	16.9	343.3	30.7	52.84	49.09
4	Cash	191.3	9.8	211.3	15.5	335.1	30.0	75.12	58.56
5	Food	33.3	1.7	18.9	1.0	8.2	0.4	-75.33	-56.63
6	Other								
<b>7</b>	<b>Private individuals (8+9+10)</b>	819.9	42.0	702.7	51.5	642.2	57.4	-21.68	-8.61
8	Cash	576.2	29.5	556.3	40.8	442.3	39.6	-23.24	-20.49
9	In kind	1.5	0.1	2.2	0.2	0.2	0.0	-83.95	-89.36
10	Underground Private Transfers	242.3	12.4	144.2	10.6	199.6	17.9	-17.60	38.43
11	Debit	7.5	15.2	2.0	40.8	5.8	38.1	-23.42	190.87
<b>12</b>	<b>Official Transfers (net) (13-17)</b>	<b>864.9</b>	<b>45.5</b>	<b>428.7</b>	<b>31.5</b>	<b>123.5</b>	<b>11.2</b>	<b>-85.72</b>	<b>-71.20</b>

13	Credit (14+15+16)	906.8	46.5	431.6	31.6	132.9	11.9	-85.35	-69.22
14	Cash	906.8	46.5	431.6	31.6	132.9	11.9	-85.35	-69.22
15	Food								
16	Other								
17	Debit	41.9	84.8	2.9	59.2	9.4	61.9	-77.59	226.18
18	Total Receipts (2+13)	1951.4	100.0	1364.5	100.0	1118.3	100.0	-42.69	-18.05
19	Total Payments (11+17)	49.5	100.0	4.9	100.0	15.2	100.0	-69.33	211.77
20	<b>Net Transfers (18-19)</b>	<b>1901.9</b>	<b>100.0</b>	<b>1359.7</b>	<b>100.0</b>	<b>1103.1</b>	<b>100.0</b>	<b>-42.00</b>	<b>-18.87</b>

**Source:** Staff Computation



## 5.4. Current Account

The current account balance (including official transfers) registered USD 2.67 billion in deficit during the second quarter of 2014/15, which was higher than USD 578.8 million deficit recorded a year ago. The

widening of the current account deficit was attributed to lower net services receipts (109.9 percent), net private transfers (5.5 percent), net official transfers (85.7 percent) and an increase in trade deficit (33 percent).

## **5.5. Capital account**

In the review period, the capital account recorded USD 2.88 billion in surplus; about 200.3 percent higher than last year same period. This was due to the rise in inflows of

net official long-term capital (278.4 percent), other public long-term capital and foreign direct investment (44.8 percent).

## **5.6. Changes in Reserve Position**

During the review period, the significant decline in current account balance resulted in a deficit of USD 5.2 million overall balance of payment. Consequently, net foreign assets of the banking system showed

USD 5.2 million reserves drawdown. The gross reserve as of December 31, 2014 was sufficient to cover 3.2 months of imports of goods and non-factor services projected for next year.

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

### **5.7.1 Exchange Rate Movements**

The average official exchange rate of Birr in the inter-bank foreign exchange market was Birr 19.9925/USD in the second quarter of 2014/15 showing a 5.6 percent depreciation compared to last year and 1.3 percent against the preceding quarter.

Likewise, the parallel market average exchange rate stood at Birr 22.3220/USD in the second quarter of

2014/15 and depreciated by 14.3 and 5.9 percent during the same period.

As parallel market showed a relatively faster annual and quarterly depreciation than in the official market, the premium between the two markets widened to 11.7 percent from 3.2 percent a year ago and 6.8 percent in the previous quarter (Table 5.10).

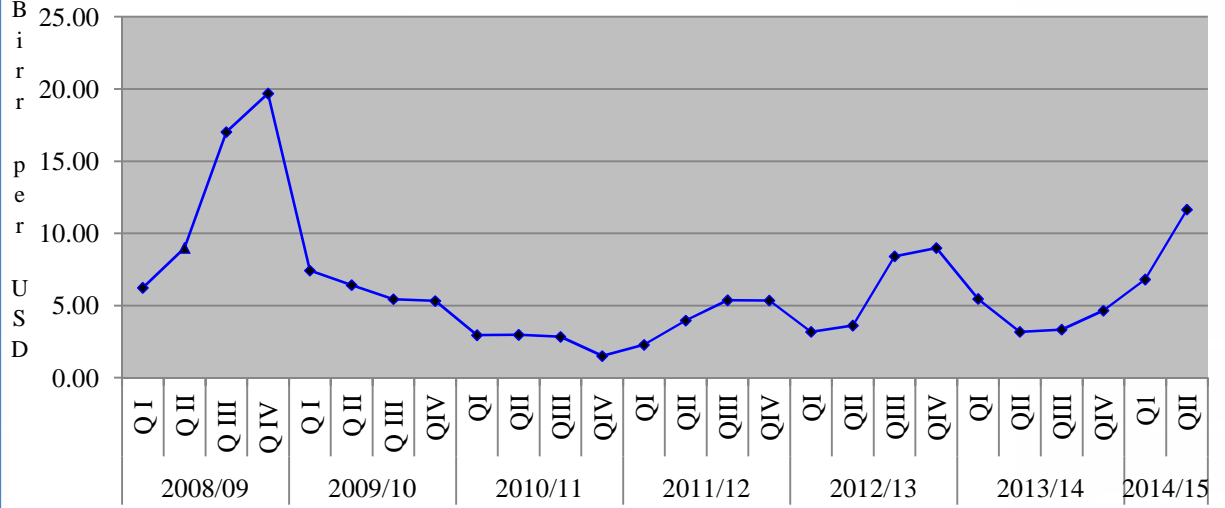


**Table 5.10: Developments in Inter-bank and Parallel Market Exchange Rates**

Period		Official Market				Parallel Market		Premium
		End Period Weighted Rate	Average Weighted rate	Amount Traded in millions of USD		End Period Rate	Simple Average Rate	
				Total	Among CBs			
<b>2013/14</b>		<b>19.5771</b>	<b>19.0748</b>	<b>18.70</b>	<b>6.20</b>	<b>20.6300</b>	<b>19.8666</b>	<b>4.15</b>
<b>Qtr. II</b>	<b>C</b>	<b>19.0587</b>	<b>18.9390</b>	<b>8.20</b>	<b>5.00</b>	<b>19.6250</b>	<b>19.5372</b>	<b>3.16</b>
October		18.8966	18.8595	3.05	2.00	19.4800	19.5250	3.53
November		18.9751	18.9388	3.05	2.00	19.4800	19.4750	2.83
December		19.0587	19.0188	2.10	1.00	19.6250	19.6117	3.12
<b>2014/15</b>								
<b>Qtr. I</b>	<b>B</b>	<b>19.8728</b>	<b>19.7288</b>	<b>4.20</b>	<b>1.00</b>	<b>21.4750</b>	<b>21.0731</b>	<b>6.81</b>
July		19.6788	19.6303	1.60	0.50	20.825	20.7028	5.46
August		19.7755	19.7296	1.55	0.50	21.325	21.1083	6.99
September		19.8728	19.8264	1.00	0.00	21.475	21.4083	7.98
<b>Qtr. II</b>	<b>A</b>	<b>20.1024</b>	<b>19.9925</b>	<b>4.25</b>	<b>1.00</b>	<b>22.9250</b>	<b>22.3220</b>	<b>11.65</b>
October		19.9545	19.9231	1.80	0.70	21.9750	21.7083	8.96
November		20.0229	19.9902	1.00	0.00	23.0250	22.2938	11.52
December		20.1024	20.0642	1.45	0.30	22.9250	22.9639	14.45
<b>Percentage Changes</b>	<b>A/B</b>	<b>1.16</b>	<b>1.34</b>	<b>1.19</b>	<b>0.00</b>	<b>6.75</b>	<b>5.93</b>	<b>71.00</b>
	<b>A/C</b>	<b>5.48</b>	<b>5.56</b>	<b>-48.17</b>	<b>-80.00</b>	<b>16.82</b>	<b>14.25</b>	<b>268.63</b>

**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**



In retail foreign exchange market, the average buying rate of commercial banks foreign exchange bureaus was Birr 19.9699/USD in the second quarter of the fiscal year, while the selling rate stood at Birr 20.3568/USD, showing 1.25 percent and 1.27 percent depreciation against the preceding quarter, respectively and 5.3 percent and 5.4 percent depreciation compared to the same quarter last year.

Thus, the average spread between the buying and the selling rates marginally widened to 1.94 percent from 1.91 percent and 1.81 percent against the preceding quarter and the same period last year (Table 11).

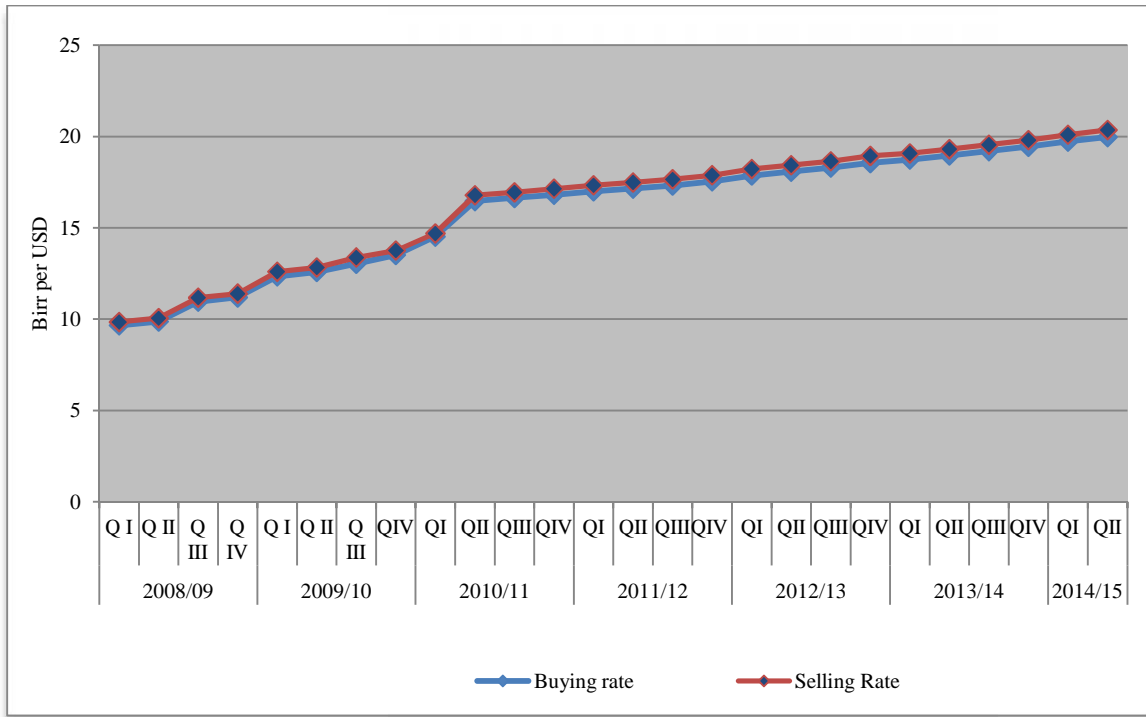
**Table 5.11: Amount of Foreign Exchange Purchased and Sold by Forex Bureau of Commercial Banks**

(In '000 of USD)

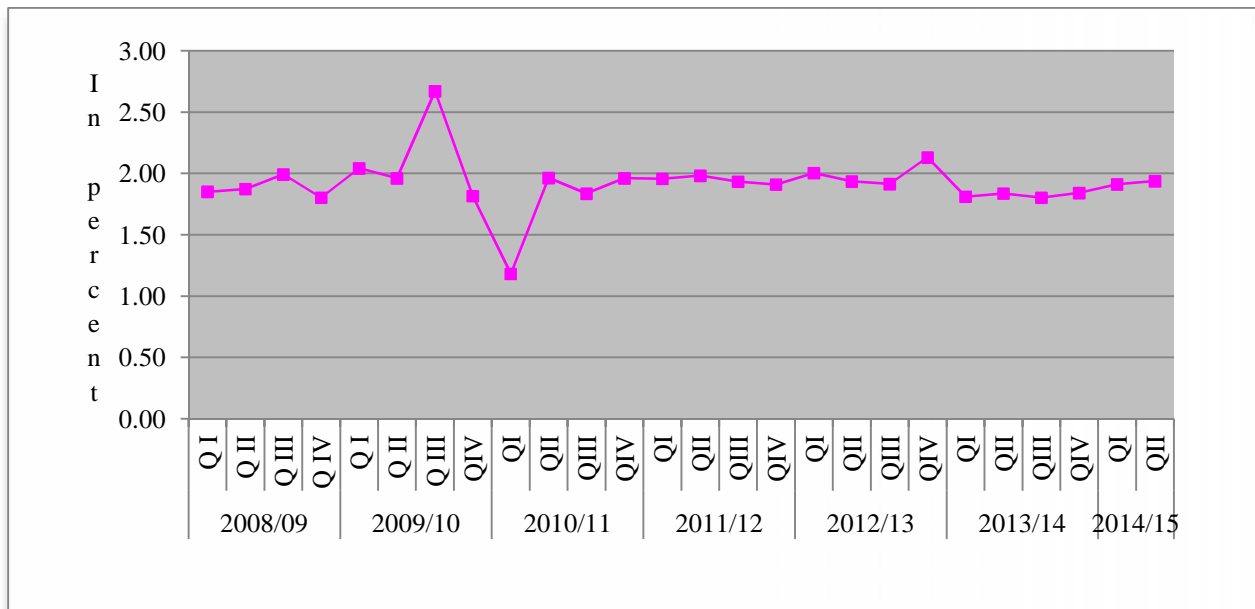
No.	Name of Forex Bureaux	2013/14		2014/15				Percentage change			
		Quarter II A		Quarter I B		Quarter II C		C/B		C/A	
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	133619.74	16509.47	83436.49	22348.87	71839.29	28064.05	-13.90	25.57	-46.24	69.99
2	Bank of Abyssinia	1238.88	1092.00	1111.57	1574.59	950.71	2124.28	-14.47	34.91	-23.26	94.53
3	Dashen Bank	9737.20	9161.30	6825.97	9203.96	6308.16	8965.75	-7.59	-2.59	-35.22	-2.13
4	Awash International Bank	2252.70	3284.00	1734.10	7309.76	1863.17	4465.17	7.44	-38.91	-17.29	35.97
5	Construction & Business Bank	928.86	338.60	1402.67	711.62	720.80	484.82	-48.61	-31.87	-22.40	43.18
6	Wegagen Bank	1274.68	980.48	1274.15	1830.85	1114.93	1415.20	-12.50	-22.70	-12.53	44.34
7	United Bank	4295.05	2345.46	2900.51	3544.73	3192.50	2693.04	10.07	-24.03	-25.67	14.82
8	Development Bank	1927.09	136.25	131.87	176.17	40.04	242.48	-69.63	37.64	-97.92	77.97
9	Nib International Bank	1302.48	1418.63	698.81	2223.81	609.67	2124.41	-12.76	-4.47	-53.19	49.75
10	Lion International Bank	630.29	187.66	503.71	599.49	415.73	590.15	-17.47	-1.56	-34.04	214.48
11	Oromia International Bank	771.31	396.54	1109.83	1062.33	873.41	1524.22	-21.30	43.48	13.24	284.38
12	Zemen Bank	188.78	401.59	207.84	893.19	166.36	937.12	-19.96	4.92	-11.88	133.35
13	Cooperative Bank of Oromia	120.12	102.62	93.79	711.35	84.32	631.02	-10.10	-11.29	-29.80	514.91
14	Buna International Bank	106.62	3.50	201.03	820.50	283.69	225.51	41.12	-72.51	166.07	6343.26
15	Birhan International Bank	3.85	0.00	0.00	45.89	4.00	1.25	-	-97.28	3.84	-
16	Abay Bank	295.96	518.18	65.83	595.46	134.00	368.58	103.57	-38.10	-54.72	-28.87
17	Addis International Bank	492.75	123.15	433.26	264.90	121.37	251.12	-71.99	-5.20	-75.37	103.92
18	Debub Global Bank	22.99	10.41	88.16	111.71	23.86	12.69	-72.93	-88.64	3.78	21.81
19	Enat Bank	192.60	41.55	153.02	101.52	96.88	273.75	-36.69	169.64	-49.70	558.81
	<b>Total</b>	<b>159401.96</b>	<b>37051.37</b>	<b>102372.63</b>	<b>54130.71</b>	<b>88842.90</b>	<b>55394.59</b>	<b>-13.22</b>	<b>2.33</b>	<b>-44.26</b>	<b>49.51</b>
	<b>Average Exchange Rate</b>	<b>18.9629</b>	<b>19.3061</b>	<b>19.7238</b>	<b>20.1010</b>	<b>19.9699</b>	<b>20.3568</b>	<b>1.25</b>	<b>1.27</b>	<b>5.31</b>	<b>5.44</b>

**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**



Regarding the exchange rate of major international currencies, the average exchange rate of the US dollar appreciated against all major currencies, namely against Japanese Yen (9.08 percent), Euro (5.6 percent), Pound Sterling (5.24 percent), Swiss Frank (5.06 percent) and SDR (3.36 percent) vis-à-vis previous quarter.

Similarly, the US dollar appreciated on yearly basis against Japanese Yen (12.1 percent), Euro (7.9 percent), Swiss Frank (5.9 percent), SDR (4.3 percent) and Pound Sterling (2.2 percent). (Table 5.12)

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

Period		EURO			JAPANESE YEN			SDR			POUNDSTELING			SWISS FRANK		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
<b>2013/14</b>																
<b>QII</b>	<b>C</b>	<b>1.3609</b>	<b>1.3601</b>	<b>1.3605</b>	<b>0.0100</b>	<b>0.0100</b>	<b>0.0100</b>	<b>1.5358</b>	<b>1.5312</b>	<b>1.5335</b>	<b>1.6183</b>	<b>1.6189</b>	<b>1.6186</b>	<b>1.1069</b>	<b>1.1060</b>	<b>1.1064</b>
October		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
November		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
December		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
<b>2014/15</b>																
<b>QI</b>	<b>B</b>	<b>1.3270</b>	<b>1.3270</b>	<b>1.3270</b>	<b>0.0096</b>	<b>0.0096</b>	<b>0.0096</b>	<b>1.5184</b>	<b>1.5184</b>	<b>1.5184</b>	<b>1.6711</b>	<b>1.6711</b>	<b>1.6711</b>	<b>1.0954</b>	<b>1.0978</b>	<b>1.0966</b>
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
<b>QII</b>	<b>A</b>	<b>1.2531</b>	<b>1.2526</b>	<b>1.2528</b>	<b>0.0088</b>	<b>0.0088</b>	<b>0.0088</b>	<b>1.4674</b>	<b>1.4674</b>	<b>1.4674</b>	<b>1.5836</b>	<b>1.5834</b>	<b>1.5835</b>	<b>1.0374</b>	<b>1.0449</b>	<b>1.0412</b>
October		1.2776	1.2775	1.2775	0.0093	0.0093	0.0093	1.4772	1.4771	1.4771	1.6076	1.6075	1.6076	1.0494	1.0724	1.0609
November		1.2484	1.2472	1.2478	0.0086	0.0086	0.0086	1.4673	1.4675	1.4674	1.5793	1.5786	1.5790	1.0372	1.0367	1.0370
December		1.2332	1.2332	1.2332	0.0084	0.0084	0.0084	1.4576	1.4576	1.4576	1.5639	1.5639	1.5639	1.0256	1.0256	1.0256
Percentage Changes	A/B	-5.57	-5.60	-5.59	-9.07	-8.78	-9.08	-3.36	-3.36	-3.36	-5.23	-5.25	-5.24	-5.30	-4.82	-5.06
	A/C	-7.93	-7.90	-7.91	-12.18	-12.05	-12.12	-4.46	-4.17	-4.31	-2.14	-2.20	-2.17	-6.28	-5.53	-5.90

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

Compared to other international currencies, the exchange rate of Birr appreciated against some major currencies, while it depreciated against others. On quarterly basis, Birr has appreciated against Japanese Yen (7.92 percent), Euro (4.36 percent), Pound Sterling (3.97 percent), Swiss Frank (3.78 percent) and SDR (2.07 percent) while it depreciated against USD by 1.34 percent.

Year- on year basis, the exchange rate of Birr appreciated vis-à-vis Japanese Yen, Euro and Swiss Frank by 7.26 percent, 2.81 percent, and 0.7 percent, respectively, while it depreciated against US Dollar (5.53 percent), Pound Sterling (3.23 percent) and SDR (1 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
<b>2013/14</b>																			
QII	C	18.9390	19.1413	19.0399	25.7722	26.0261	25.8964	0.1889	0.1906	0.1897	29.0874	29.3100	29.1974	30.6518	30.9914	30.8188	20.9649	21.1715	21.0665
October		18.8595	19.0481	18.9532	25.7157	25.9614	25.8302	0.1930	0.1948	0.1939	29.0153	29.2923	29.1500	30.3618	30.6519	30.4985	20.8910	21.0910	20.9859
November		18.9388	19.1668	19.0528	25.5653	25.8209	25.6931	0.1897	0.1916	0.1906	28.9980	29.2403	29.1192	30.4664	30.7567	30.6116	20.7507	20.9583	20.8545
December		19.0188	19.2089	19.1139	26.0356	26.2959	26.1658	0.1839	0.1853	0.1846	29.2489	29.3974	29.3232	31.1271	31.5656	31.3463	21.2528	21.4654	21.3591
<b>2014/15</b>																			
QI	B	19.7288	19.9261	19.8274	26.1859	26.4477	26.3168	0.1902	0.1919	0.1911	29.9553	30.2542	30.1047	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	0.195	0.1941	30.1209	30.42	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	30.1	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
QII	A	19.9925	20.1929	20.0927	25.0431	25.2938	25.1684	0.1751	0.1768	0.1760	29.3357	29.6303	29.4830	31.6598	31.9712	31.8155	20.7399	21.0984	20.9191
October		19.9231	20.1236	20.0233	25.4408	25.7083	25.5746	0.1846	0.1865	0.1856	29.4303	29.7246	29.5774	32.0288	32.3491	32.1889	20.9083	21.5809	21.2446
November		19.9902	20.1901	20.0902	24.9432	25.1803	25.0618	0.1725	0.1741	0.1733	29.3325	29.6293	29.4809	31.5713	31.8716	31.7214	20.7339	20.9312	20.8325
December		20.0642	20.2648	20.1645	24.7452	24.9927	24.8690	0.1682	0.1699	0.1690	29.2445	29.5369	29.3907	31.3792	31.6930	31.5361	20.5774	20.7832	20.6803
Percentage Change	A/B	1.34	1.34	1.34	-4.36	-4.36	-4.36	-7.94	-7.88	-7.92	-2.07	-2.06	-2.07	-3.96	-3.98	-3.97	-4.02	-3.54	-3.78
	A/C	5.56	5.49	5.53	-2.83	-2.81	-2.81	-7.29	-7.22	-7.26	0.85	1.09	0.98	3.29	3.16	3.23	-1.07	-0.35	-0.70

Source: Staff Compilation

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

Currency	December-13	September-14	December-14	Percentage change	
	C	B	A	A/B	A/C
USD	19.1540	19.9722	20.2029	1.16	5.48
Pound	31.5524	32.4069	31.3671	-3.21	-0.59
Swedish Kroner	2.9550	2.7559	2.5898	-6.03	-12.36
Djibouti Frank	0.1075	0.1121	0.1134	1.12	5.44
Swiss Frank	21.4827	21.0167	20.4112	-2.88	-4.99
Saudi Riyal	5.1069	5.3245	5.3824	1.09	5.39
UAE Dirhams	5.2147	5.4378	5.5001	1.14	5.47
Canadian Dollar	17.8759	17.8946	17.3744	-2.91	-2.81
Japanese Yen	0.1820	0.1826	0.1687	-7.64	-7.34
Euro	26.3482	25.3666	24.5567	-3.19	-6.80
SDR	29.5968	29.7046	29.2680	-1.47	-1.11

**Source:** Staff Compilation

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

During the second quarter of FY 2014/15, REER of the Birr appreciated both annually and quarterly as a result of relatively fast trading partners' nominal exchange rate depreciation and deflationary trend on the trading partners' side. Therefore, REER has appreciated by 1.87 percent and 2.17 percent

with respect to previous quarter and same period last year, respectively.

Similarly, NEER appreciated by 1.55 percent against the preceding quarter. On annually basis, however, the NEER of the Birr depreciated by 1.13 percent. (Table 5.15)

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

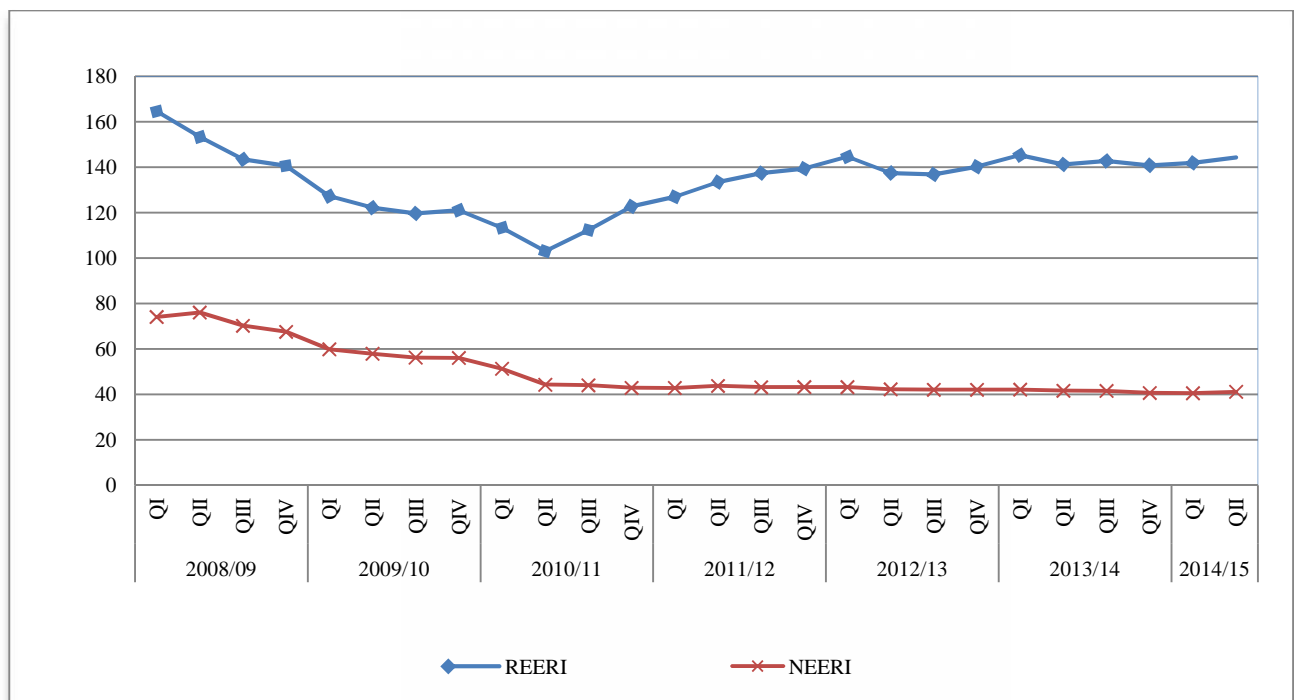
Item	2013/14		2014/15		Percentage Change	
	QI	QI	QII			
	A	B	C	C/B	C/A	
<b>REERI</b>	141.2	141.6	144.3	1.87	2.17	
<b>NEERI</b>	41.6	40.5	41.2	1.55	-1.13	

**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**

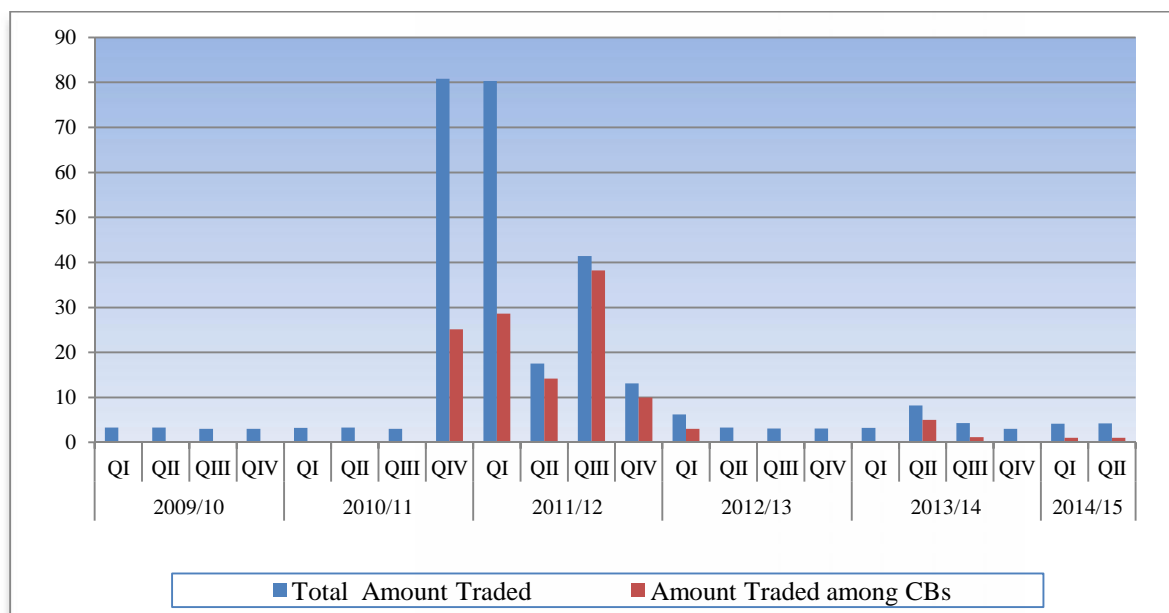


### 5.7.3. Volume of Transactions

In the second quarter of 2014/15, the total amount of foreign exchange traded in the inter-bank foreign exchange market was USD 4.3 million about 1.2 percent higher and 48.2 percent lower than the transaction made in the preceding quarter and last year same period, respectively.

Of the total amount traded during the review period, USD 1.0 million was among commercial banks while the rest was supplied directly by NBE (Table5:10).

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



In the same period, forex bureau of commercial banks purchased USD 88.8 million from and sold USD 55.4 million foreign exchange to their clients. Hence, the purchased and sold amount was 13.2 and 2.3 percent

lower than the amount traded in the preceding quarter. On yearly basis, however, the amount purchased decreased by 44.3 percent while the amount sold increased by 49.5 percent (Table5.11)