

V. External Sector Developments

5.1 Balance of Payments

In the third quarter of 2014/15, the overall balance of payments registered USD 213.4 million deficit, compared to USD 179.5 million surplus a year ago. While net capital inflows and net private transfers tended to increase, merchandise export, net services and net official transfers dropped significantly. Imports also exhibited a 13.9 percent growth over last year same period.

Capital account saw a 97.1 percent increase in surplus mainly due to higher

inflows of net official long-term capital inflow (36.6 percent), other public net long-term loan disbursement and net foreign direct investment inflow (48 percent).

Similarly, an increase in net services deficit (181.2 percent), decrease in net private transfers (11.9 percent), and a fall in net capital inflow (69.1 percent) were the major underlying factors for the quarterly deficit in the overall balance of payments.

Table 5.1: Balance of Payments

(In Millions of USD)

S/N	Particulars	2013/14	2014/15		Percentage Change	
		QIII	QII	QIII	C/A	C/B
		A	B	C		
1	Exports, f.o.b.	984.8	662.5	820.8	-16.6	23.9
	Coffee	164.9	126.0	170.5	3.4	35.3
	Other	819.9	536.5	650.3	-20.7	21.2
2	Imports	3,684.5	4,382.6	4,195.0	13.9	-4.3
	Fuel	673.2	611.7	378.8	-43.7	-38.1
	Cereals	126.3	152.5	152.3	20.6	-0.1
	Aircraft	6.7	59.5	42.1	527.4	-29.3
	Imports excl. fuel, cereals, aircraft	2,878.2	3,559.0	3,621.9	25.8	1.8
3	Trade Balance (1-2)	-2,699.7	-3,720.1	-3,374.2	25.0	-9.3
4	Services, net	8.6	-36.9	-103.8	-1,309.8	181.2
	Non-factor services, net	52.3	13.9	2.7	-94.9	-80.7
	Exports of non-factor services	615.4	787.9	703.5	14.3	-10.7
	Imports of non-factor services	563.1	774.0	700.8	24.5	-9.5
	Income, net	-43.7	-50.8	-106.5	143.6	109.6
	O/w Gross official int. payment	42.1	43.4	103.0	144.7	137.5
	Dividend	-4.5	-10.1	-6.2	37.8	-39.0
5	Private transfers, net	1,022.8	1,221.2	1,075.9	5.2	-11.9
	o/w: Private Individuals	800.0	880.9	839.7	5.0	-4.7
6	Current account balance excluding official transfers (3+4+5)	-1,668.3	-2,535.8	-2,402.1	44.0	-5.3
7	Official transfers, net	255.7	143.7	151.8	-40.6	5.6
8	Current account balance including official transfers(6+7)	-1,412.6	-2,392.1	-2,250.4	59.3	-5.9
9	Capital account	470.0	2,995.3	926.3	97.1	-69.1
	Off. Long-term Cap., net	203.2	1,447.1	277.5	36.6	-80.8
	Disbursements	250.7	1,484.6	293.1	16.9	-80.3
	Amortization	47.5	37.6	15.7	-67.0	-58.3
	Other pub. long-term cap.	-79.9	906.8	90.9		-90.0
	Foreign Direct Investment(net)	356.5	551.7	527.7	48.0	-4.3
	Short-term Capital	-9.8	89.7	30.2		-66.3
10	Errors and omissions	1,122.2	-608.4	1,110.8		
11	Overall balance (8+9+10)	179.5	-5.2	-213.4		
12	Financing	-179.5	5.2	213.4		
13	Reserves [Increase (-), Decrease (+)]	-178.2	5.2	213.4		
14	Central Bank (NFA)	-130.4	-50.5	52.8		
	Asset	190.0	-1,078.4	567.3		
	Liabilities	-320.4	1,027.9	-514.5		
15	Commercial banks (NFA)	-47.9	55.7	160.6		
16	Debt Relief	-1.3				
	Principal	1.0				
	Interest	0.2				

Source: NBE Staff Compilation

Total current foreign exchange receipts in the review quarter amounted to USD 2.8 billion, 4.6 percent lower than the same period last year due to a fall in export earnings (16.6 percent) and public transfers (43.5 percent).

Meanwhile, total current foreign exchange payments increased by 16.3

percent and stood at USD 5 billion mainly on account of the rise in payments for merchandise imports (13.9 percent) and service payments (32.9 percent). Consequently, the current account recorded USD 2.3 billion net outflows, about 59.3 percent higher than a year ago (Table 5.2).

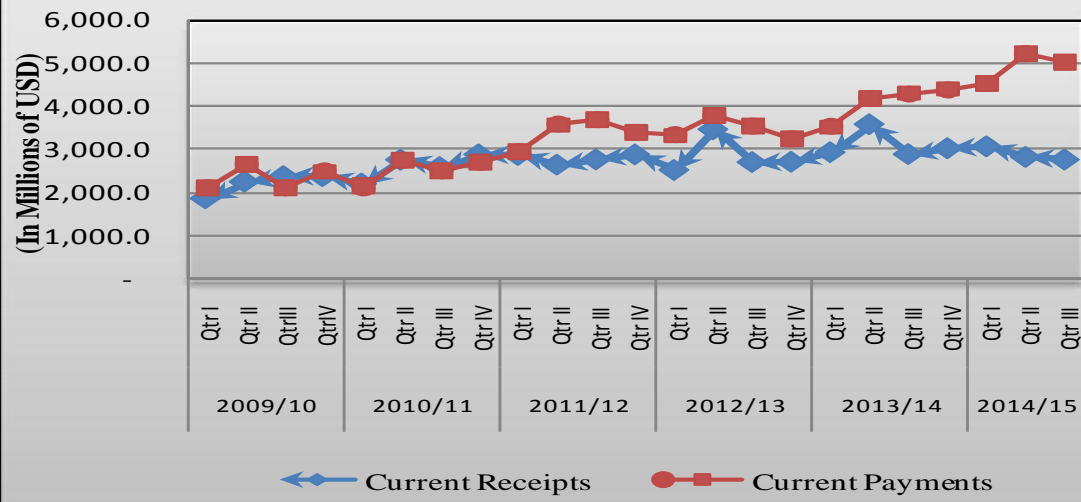
Table 5.2 Current Receipts and Payments

(In millions of USD)

Particulars	2013/14	2014/15		Percentage Change	
	Qtr III	Qtr II	Qtr III	C/A	C/B
	A	B	C		
1. Current Receipts	2,898.9	2,833.4	2,764.5	-4.6	-2.4
Export Proceeds	984.8	662.5	820.8	-16.6	23.9
Service Proceeds	618.2	790.6	706.1	14.2	-10.7
Private Transfers	1,025.0	1,227.2	1,084.6	5.8	-11.6
Public Transfer	270.9	153.1	153.0	-43.5	-0.1
2. Current Payments	4,311.5	5,225.6	5,014.9	16.3	-4.0
Import Payments	3,684.5	4,382.6	4,195.0	13.9	-4.3
Service Payments	609.6	827.5	809.9	32.9	-2.1
Private Transfers	2.2	6.0	8.7	301.0	46.1
Public Transfer	15.2	9.4	1.2	-92.1	-87.2
3. Net(1-2)	-1,412.6	-2,392.1	-2,250.4	59.3	-5.9

Source: Staff Compilation

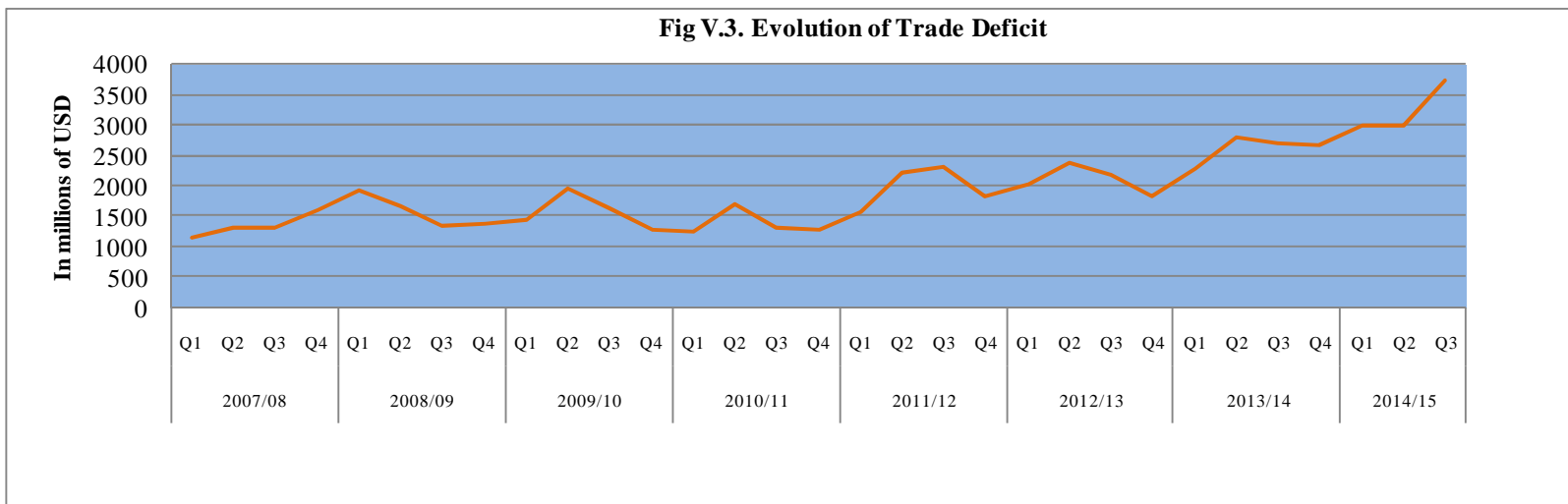
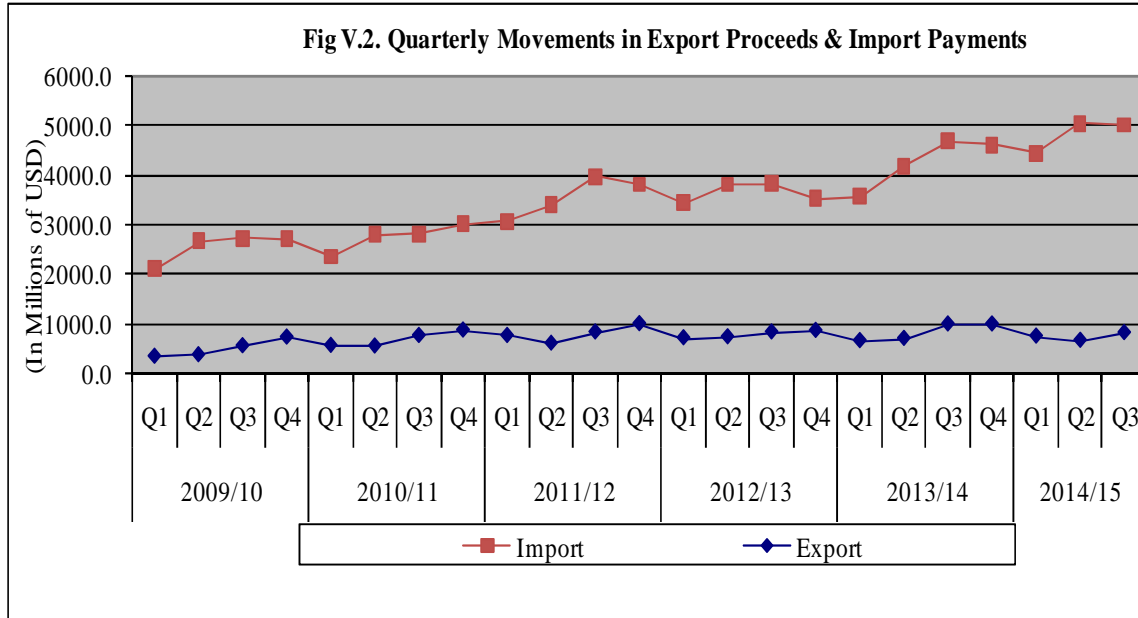
Fig V.1 Trends in Current Receipts and Payments



5.2 Merchandise Trade

Merchandise trade deficit during the third quarter of 2014/15 amounted to USD 3.4 billion, 25 percent higher than last year.

This widening of trade deficit was the result of a strong import growth and slowdown in merchandise export earnings



Source: Ethiopian Revenue and Customs Authority

Source: NBE Staff Compilation

5.2.1 Exports

Total merchandise export earnings stood at USD 820.8 million showing a 16.6 percent drop compared to same period last year. This was attributed to declines in export earnings from oilseeds (42.2 percent), gold (6.7 percent), chat (11.7 percent), pulses (24.8 percent), flower (7.5 percent), live-animals (49.8 percent) and fruit & vegetables (1.6 percent) owing to slowdown in international price, volume of export or both.

On quarter basis, however, merchandise export rose by 23.9 percent due to rise in export earnings of major export items, mainly coffee (35.3 percent), oilseeds (41.7 percent), gold (82.2 percent), pulses (6.3 percent), flower (17.2 percent), leather & products (14.3 percent) and meat & meat products (12.5 percent).

Export revenue from oilseeds decreased by 42.2 percent relative to last year same period on account of a 33 percent fall in international price and 13.8 percent in export volume. Consequently, the share of oilseeds in total export revenue increased from 18.5 percent in the preceding quarter to 21.2 percent but

decreased from 30.6 percent last year same quarter.

Similarly, proceeds from gold export dropped by 6.7 percent compared to the previous year same quarter while it increased by 82.2 percent vis-à-vis the preceding quarter. The fall in earnings from gold compared to last year was due to a 7.5 percent decline in international price despite 0.9 percent rise in export volume. The rise in export earnings vis-à-vis the preceding quarter was due to a 77.5 percent increase in volume and 2.7 percent in international price. Hence, the share of gold in total merchandise export revenue rose to 14.3 percent from 9.7 and 12.7 percent in the previous quarter and last year same quarter, respectively.

Likewise, earnings from export of chat decreased by 11.7 and 21 percent compared to last year same quarter and the preceding quarter, respectively. The quarter-on-quarter decline was due to 8.5 percent slowdown in export volume and 3.5 percent in international price.

As a result, the share of chat in total export earnings increased to 8.0 percent compared with 7.5 percent last year.

Earnings from pulses decreased by 24.8 percent on quarter-on-quarter basis and stood at USD 61.5 million owing to 18 percent drop in international price and 8.3 percent in volume of export.

Thus, the share of pulses in total exports declined to 7.5 percent compared to 8.3 percent a year earlier.

Likewise, earnings from flower export exhibited a 7.5 percent slowdown with respect to last year same quarter owing to 3.6 percent fall in volume and 4 percent in international price. Consequently, the share of flower in total export earnings slightly increased to 6.7 percent from 6.1 percent a year ago.

Receipts from live-animals export declined by 49.8 percent over the previous year same quarter. This was largely attributed to 52.8 percent decline in volume. As a result, the share of live animals in total export proceeds went down to 2.8 percent from 4.6 percent last year same quarter.

Earnings from export of fruits & vegetables reached USD 12.2 million and about 1.6 percent lower than last

year same period as a result of 4.3 percent decline in volume. Consequently, earnings from export of fruits & vegetables accounted for 1.5 percent of total merchandise export earnings of the review quarter.

Likewise, export earnings from coffee at USD 170.5 million depicted a 3.4 percent quarter-on-quarter increase owing to 21.5 percent improvement in coffee price. As a result, the share of coffee in total export earnings increased to 20.8 percent from 16.7 and 19 percent share last year same quarter and the preceding quarter, respectively.

Earnings from export of leather & leather products went up by 7.1 percent over last year and stood at USD 34.3 million. The modest rise in leather & leather products export was due to 19.4 percent increase in export volume albeit 10.3 percent fall in international price. Thus, the share of leather & leather products in total export revenue increased to 4.2 percent from 3.3 percent a year ago.

Receipts from meat & meat products reached USD 23.4 million showing a 35.8 percent annual increase as their

volume improved by 34 percent and international price 1.4 percent. The share of meat & meat products in total export earnings increased to 2.9 percent from 1.8 percent last year same period.

On the other hand, electricity export earnings increased by 14.1 and 2.9 percent

vis-à-vis last year same period and the preceding quarter, respectively. The quarter-on-quarter growth was attributed to 16.8 percent rise in export volume (kwh) while the quarterly increment was due to higher price (1.4 percent) and export volume (1.5 percent).

Table 5.3 Values of Major Export Items

(In millions of USD)

Particulars	2013/14		2014/15				Percentage Change	
	QIII		QII		QIII		C/A	C/B
	A	%share	B	%share	C	%share		
Coffee	164.9	16.7	126.0	19.0	170.5	20.8	3.4	35.3
Oilseeds	300.9	30.6	122.8	18.5	173.9	21.2	-42.2	41.7
Leather and Leather products	32.0	3.3	30.0	4.5	34.3	4.2	7.1	14.3
Pulses	81.8	8.3	57.9	8.7	61.5	7.5	-24.8	6.3
Meat & Meat Products	17.3	1.8	20.8	3.1	23.4	2.9	35.8	12.5
Fruits & Vegetables	12.4	1.3	12.8	1.9	12.2	1.5	-1.6	-5.2
Live Animals	45.57	4.6	30.77	4.6	22.9	2.8	-49.8	-25.6
Chat	74.29	7.5	83.01	12.5	65.6	8.0	-11.7	-21.0
Gold	125.5	12.7	64.3	9.7	117.1	14.3	-6.7	82.2
Flower	59.6	6.1	47.1	7.1	55.2	6.7	-7.5	17.2
Electricity	9.3	0.9	10.3	1.6	10.6	1.3	14.1	2.9
Others	61.2	6.2	56.8	8.6	73.6	9.0	20.2	29.6
Total Export	984.8	100.0	662.5	100.0	820.8	100.0	-16.6	23.9
Total excluding electricity	975.5		652.2		810.3		-16.9	24.2

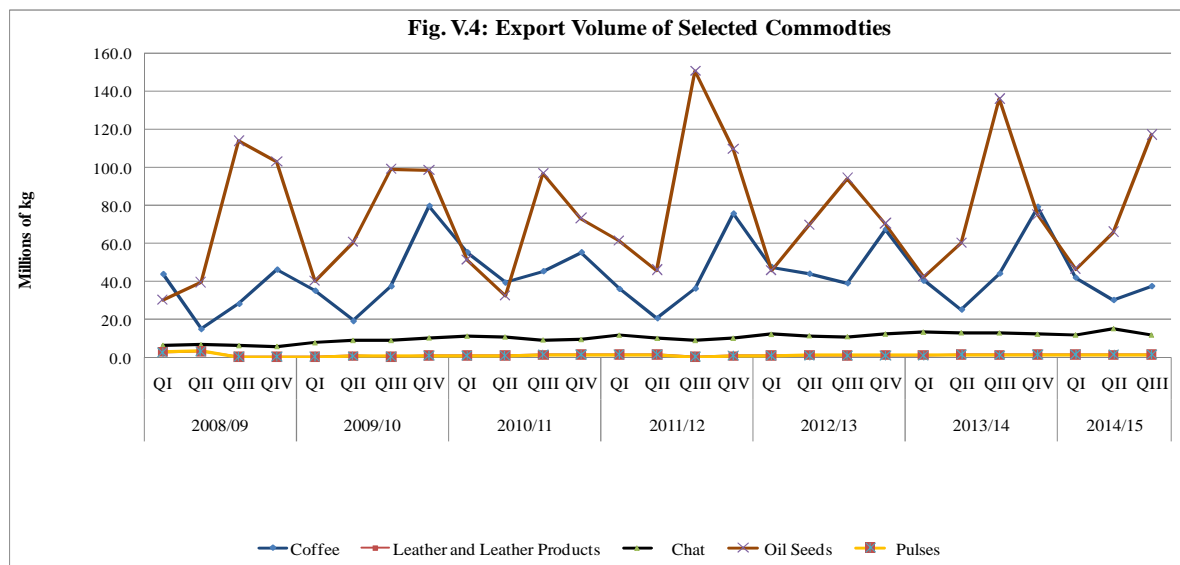
Source: Ethiopian Revenue and Customs Authority

Table 5.4 Volume of Major Export Items

(In millions of kg)

Particulars	2013/14	2014/15		Percentage Change	
	Qtr III	Qtr II	Qtr III	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	44.3	30.4	37.7	-14.9	24.1
Oilseeds	135.9	66.1	117.1	-13.8	77.2
Leather and Leather products	1.30	1.42	1.55	19.4	8.8
Pulses	110.0	82.9	100.9	-8.3	21.7
Meat & Meat Products	3.6	4.4	4.8	34.0	9.7
Fruits & Vegetables	36.4	41.2	34.9	-4.3	-15.4
Live Animals	26.4	16.4	12.4	-52.8	-24.2
Chat	13.0	15.2	11.9	-8.5	-22.1
Gold(in mill of grams)	3.32	1.89	3.35	0.9	77.5
Flower	12.7	10.7	12.2	-3.6	13.6
Electricity	154.4	177.7	180.3	16.8	1.5

Source: Ethiopian Revenue and Customs Authority



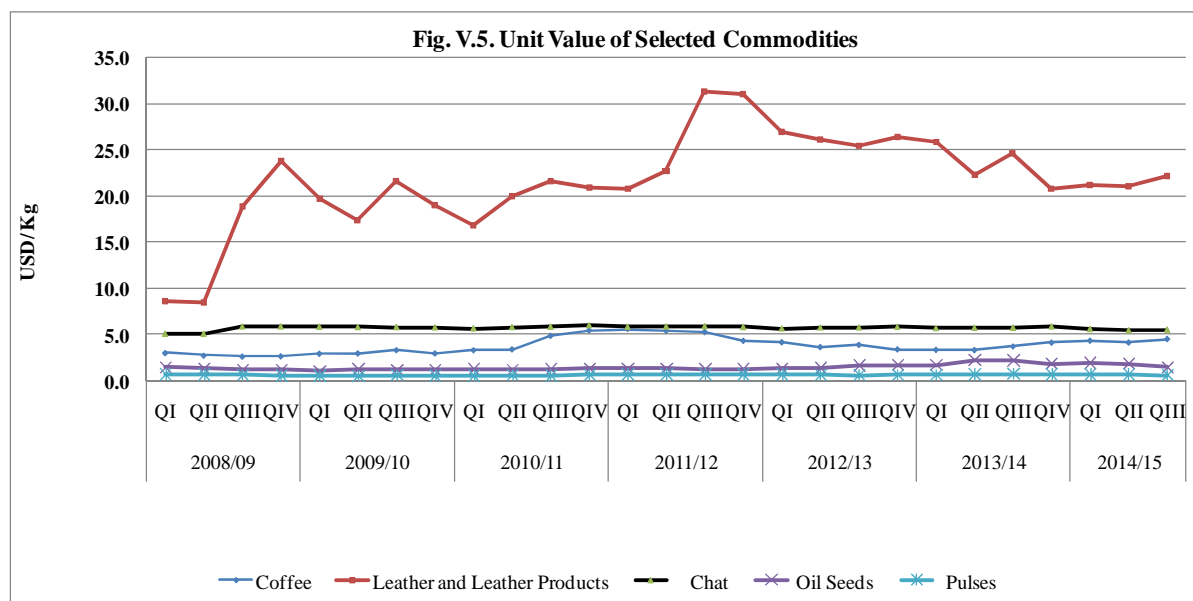
Source: Ethiopian Revenue and Customs Authority

Table 5.5 Unit Value of Major Export Items

(In USD/kg)

Particulars	2013/14	2014/15		Percentage Change	
	Qtr III	Qtr II	Qtr III	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	3.7	4.1	4.5	21.5	9.1
Oilseeds	2.2	1.9	1.5	-33.0	-20.0
Leather and Leather products	24.7	21.1	22.1	-10.3	5.1
Pulses	0.74	0.70	0.61	-18.0	-12.7
Meat & Meat Products	4.8	4.7	4.9	1.4	2.6
Fruits & Vegetables	0.3	0.3	0.3	2.9	12.1
Live Animals	1.7	1.9	1.8	6.5	-1.9
Chat	5.7	5.5	5.5	-3.5	1.4
Gold	37.8	34.0	34.9	-7.5	2.7
Flower	4.7	4.4	4.5	-4.0	3.1
Electricity	0.1	0.1	0.1	-2.3	1.4

Source: NBE Staff Compilation



Source: NBE Staff Compilation

5.2.2 Imports

Total value of merchandise import during the third quarter of 2014/15 stood at USD 4.2 billion which went up by 13.9 percent over last year same quarter owing to rise in import value of capital goods (34.2 percent), consumer goods (33.3 percent) and semi-finished goods (3.7 percent). The value of fuel and raw materials, however, declined by 43.7 and 0.2 percent, respectively.

Import bills for capital goods during the review period rose by 34.2 percent vis-à-vis the same quarter last year. The quarter-on-quarter growth was attributed to an increase in imports of industrial goods (23.4 percent), transport goods (80.8 percent) and agricultural capital goods (25.9 percent).

Consequently, the share of capital goods in total import bill went up to 45.3 percent from 38.5 percent a year earlier.

Table 5.6 Values of Major Import Items

(In millions of USD)

Particulars	2013/14		2014/15				Percentage Changes	
	Quarter III	% share	Quarter II	% share	Quarter III	% share	C/A	C/B
	A		B		C			
Raw Materials	33.8	0.9	50.4	1.2	33.7	0.8	-0.2	-33.2
Semi-finished	624.1	16.9	714.4	16.3	647.3	15.4	3.7	-9.4
Fertilizers	186.5	5.1	150.0	3.4	180.0	4.3	-3.5	20.0
Fuel	673.2	18.3	611.7	14.0	378.8	9.0	-43.7	-38.1
Petroleum	655.0	17.8	589.7	13.5	367.4	8.8	-43.9	-37.7
Others	18.26	0.5	22.0	0.5	11.3	0.3	-37.9	-48.4
Capital Goods	1,416.7	38.5	1,767.4	40.3	1,901.8	45.3	34.2	7.6
Transport	266.2	7.2	452.6	10.3	481.3	11.5	80.8	6.4
Agricultural	12.7	0.3	10.8	0.2	16.0	0.4	25.9	48.1
Industrial	1,137.8	30.9	1,304.0	29.8	1,404.5	33.5	23.4	7.7
Consumer Goods	884.8	24.0	1,130.1	25.8	1,179.6	28.1	33.3	4.4
Durables	307.5	8.3	438.7	10.0	511.3	12.2	66.3	16.6
Non-durables	577.3	15.7	691.4	15.8	668.3	15.9	15.8	-3.3
Miscellaneous	51.9	1.4	108.6	2.5	53.8	1.3	3.6	-50.5
Total Imports	3,684.5	100.0	4,382.6	100.0	4,195.0	100.0	13.9	-4.3

Source: Ethiopian Revenue and Customs Authority

Meanwhile, import bill of consumer goods surged by 33.3 percent over last year same period owing to a 66.3 percent hike in import bill of durable and 15.8 percent non durable consumer goods. As a result, the share of consumer goods in total import payments went up to 28.1 percent from 24 percent a year ago.

Compared to last year same period, payments for imports of semi-finished goods increased by 3.7 percent though import bill of fertilizers went down by 3.5 percent.

Thus, the share of semi-finished goods in total imports decreased to 15.4 percent from 16.9 percent last year same period.

Fuel import bill decreased by 43.7 percent vis-à-vis last year leading to the decline of its share in total import payment to 9 percent from 18.3 percent during the same period.

Similarly, import value of raw materials went down marginally by 0.2 percent vis-à-vis same quarter last year and accounted for 0.8 percent of the total imports.

Total franco-valuta imports increased by 49.4 percent over last year same period and stood at USD 1.1 billion.

Table 5.7: Values of Franco-valuta Imports

(In millions of USD)

Commodity Group	2013/14	2014/15		Percentage Changes	
	Qtr III	Qtr II	Qtr III	C/A	C/B
	A	B	C		
Beverages	2.0	0.1	1.4	-30.0	1101.7
Chemicals	8.9	8.5	10.1	13.8	19.1
Clothing	3.7	8.8	4.5	21.3	-48.4
Food and live animals	65.3	75.7	70.4	7.8	-7.1
Textiles	2.4	4.3	4.5	85.0	5.6
Tobacco	0.21	0.07	0.13	-36.7	79.4
Soap & polish	2.5	0.3	0.3	-86.9	0.7
Fertilizer	23.6	9.7	40.2	70.3	316.1
Paper & paper manufacturing	0.5	0.5	0.4	-17.2	-25.4
Metal & metal manufacturing	96.2	169.6	165.9	72.5	-2.2
Medical and pharmaceuticals products	19.1	60.1	8.6	-54.8	-85.6
Rubber products	12.3	8.6	13.4	9.4	55.8
Petroleum Crude	0.0	0.00	0.00		-100.0
Petroleum product	3.5	2.2	1.7	-52.7	-22.7
Glass & glass ware	1.2	2.0	5.3	357.6	166.2
Electrical material	56.3	76.6	118.9	111.2	55.3
Machine	175.2	203.5	246.6	40.8	21.2
Air craft	6.7	59.5	42.1	527.4	-29.3
Road & motor vehicles	50.5	115.09	152.55	201.8	32.5
Tele apparatus	0.7	0.53	0.56	-14.9	7.1
Cement	0.3	0.0	0.0	-88.4	60.8
Others	219.1	207.5	233.2	6.4	12.4
Total	750.2	1,013.1	1,120.8	49.4	10.6

Source: Ethiopian Revenues and Customs Authority

**In this and previous quarters data on franco valuta is obtained from ERCA not from NB*

5.2.3 Direction of Trade

5.2.3.1 Exports

The major destinations of Ethiopia's export were Asia, Europe, Africa and America.

Asia, accounting for 39.5 percent of the total export earnings, was the main outlet for Ethiopian commodity exports. China, accounted for 39.1 percent of the total export earnings from Asia, mainly for oilseeds, leather & leather products, natural gum, textile & garment and mineral products, followed by Saudi Arabia, with 16.3 percent, for coffee, meat & meat products, live-animals, flowers, oilseeds and spices. Israel, with 7.9 percent share, was the third major Asian destination mainly for oilseeds, cereals, textiles, spices and coffee. United Arab Emirates, accounting for 6.5 percent of the total export earnings from Asia, imported mainly meat & meat products, pulses, live-animals and flower. India with 5.5 percent share imported mainly pulses, minerals and leather & leather products. Japan and Pakistan took 4.5 and 3.7 percent share as the sixth and seventh major export destinations to Asia.

Coffee and oilseeds were the principal export items to Japan while pulses and spices went to Pakistan.

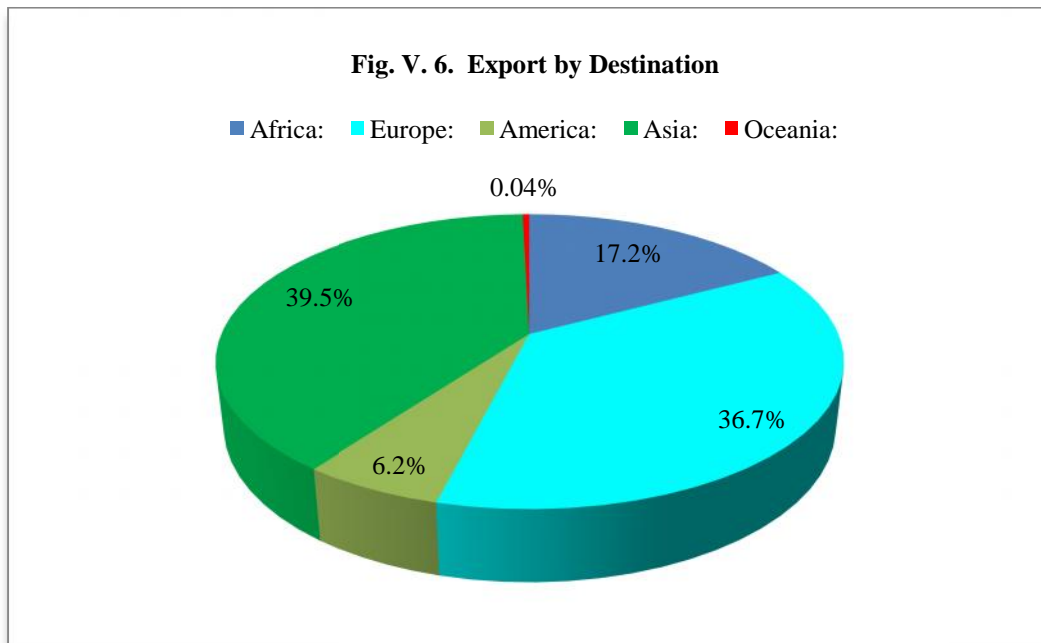
Europe accounted for 36.7 percent of the total export earnings. Switzerland (38.9 percent), Germany (19 percent), Netherlands (15.4 percent), Turkey (5.3 percent), Italy (4.6 percent), Belgium (4.3 percent), United Kingdom (2.8 percent) and France (1.9 percent) were the major markets, which altogether, took 92.2 percent of the total export earnings from Europe.

The main product exported to Switzerland was gold while Germany mainly imported coffee, textile & garments, flower and pulses. The principal export items to the Netherlands were flower, coffee and pulses. The major items exported to Turkey included oilseeds, textile & garments and pulses while coffee, leather & leather products and textile & garments were exported to Italy. Similarly, coffee and flower were the main export items to Belgium. Major exports to United Kingdom were coffee and leather & leather products, while coffee and flower went to France.

In the meantime, about 17.2 percent of Ethiopia's exports earnings were generated

from markets in Africa, mainly Somalia (45.5 percent), Sudan (19.2 percent), Djibouti (17.8 percent), Egypt (6.8 percent) and Kenya (5.9 percent) which altogether accounted for 95.2 percent of the total export earnings from Africa. The main items exported to Somalia were chat, live-animals and vegetables while coffee, pulses and spices exported to Sudan. Main exports to Djibouti were chat, live-animals and vegetables. Likewise, live-animals, fruits and coffee were the major exports to Egypt while Kenya imported pulses, leather & leather product and spices. Export items to America generated 6.2 percent of total export earnings during the

third quarter of 2014/15, of which 86.7 percent was to United States and 4.3 percent to Canada. Coffee, oilseeds, leather & leather products, textile & garments and mineral products were the major export items to these countries.



Source: Ethiopian Revenue and Customs Authority

5.2.3.2 Imports

In the review period, Asia accounted for 71.5 percent of the total imports. Of this, China shares 62.2 percent, India (9.5 percent), Japan (5.2 percent), Kuwait (4.3 percent), Saudi Arabia (4.2 percent), Indonesia (3.3 percent), and United Arab Emirates (3.1 percent). Their combined share stood at 91.8 percent.

Major items imported from China were metal & metal products, electric materials, machine & aircraft materials, road & motor vehicles, machine & air craft and clothing & textiles. Likewise, metal & metal products, fertilizer, grains, machine & aircraft materials, roads & motor vehicles and textile were the main imports from India. Imports from Japan include road & motor vehicles, machine & aircraft materials, rubber products, electric materials and metal & metal products. Petroleum products were the major imports from Kuwait. Petroleum products, electric materials, paper and paper manufacturing were imported from Saudi Arabia. Paper & paper products, textile, chemicals and electric material constituted the main imports from Indonesia. Petroleum products, chemicals, machine & air craft materials, electrical materials and glass &

glass wear the major import items from United Arab Emirates (UAE).

Imports from European countries accounted for 18.4 percent of total import bills of which Italy (16.9 percent), Germany (15.5 percent), Turkey (12.3 percent), Sweden (9 percent), United Kingdom (8.2 percent), France (6.9 percent), Netherlands (5.8 percent), Russia (4.3 percent), Spain (3.8 percent), Bulgaria (3.5 percent), Belgium (2.5 percent) and Ukraine (2.2 percent) were the major origins. Altogether, these countries accounted for 90.9 percent of the total export earnings from Europe during the review quarter.

Items imported from Italy include mainly fertilizer, machinery & aircraft materials, road & motor vehicles, metal & metal products, electric materials, food & live-animals and rubber products. Imports from Germany were machinery & aircraft materials, food and live-animals, road & motor vehicles, electrical materials and metal & metal products.

The major import items from Turkey were metal & metal products, machine & aircraft materials, petroleum products, electric

materials, road & motor vehicles, rubber products and textiles.

Sweden mainly exported electrical materials, road & motor vehicles, machine & aircraft materials, metal & metal manufacturing. Imports from France were machine & aircraft materials, metal & metal manufacturing, paper & paper manufacturing and electrical materials.

Machinery & aircraft materials and electric materials were the main import items from United Kingdom. Similarly, machinery & aircraft materials, food & live-animals and electrical materials constituted imports from the Netherlands. Machinery & aircraft materials, paper & paper manufacturing and road & motor vehicles were imported from Russia while road & motor vehicles and metal & metal manufacturing came from Spain.

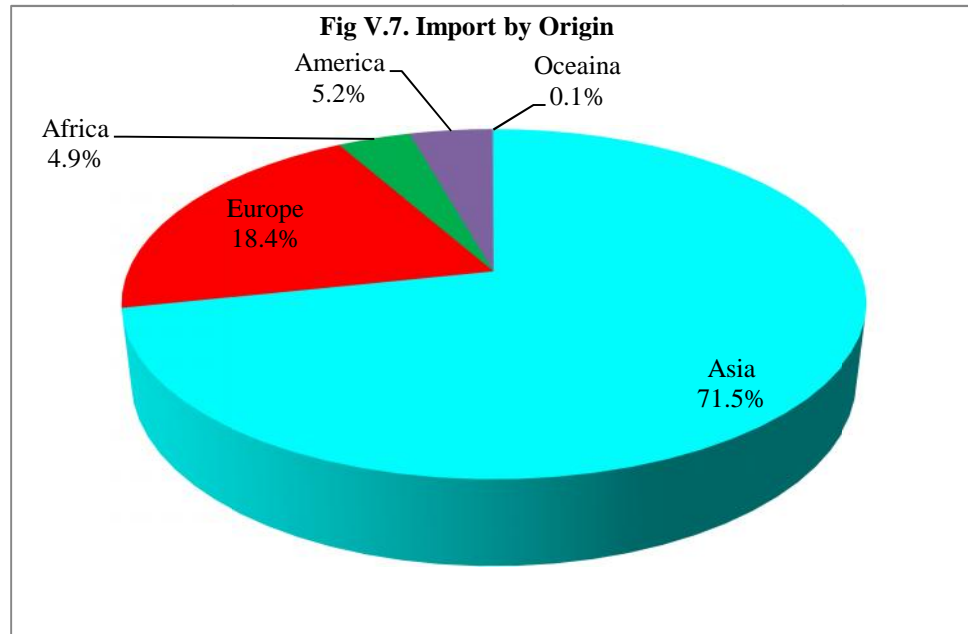
Major import items from Bulgaria were food & live-animals and machinery & aircraft materials while medical & pharmaceuticals, machinery & aircraft materials and metals were the principal imports from Belgium. Metal & metal manufacturing and food & live-animals were major imports from Ukraine.

Import from Africa accounted for about 4.9 percent of the total merchandise import bills with, Morocco (40.3 percent), South Africa (23.3 percent), Egypt (20.9 percent), Sudan (8.4 percent) and Kenya (4.1 percent) jointly accounting for 97 percent of the total imports from the region.

Electrical materials, metal & metal manufacturing and machine & aircraft materials were major imported from Morocco while petroleum products, road & motor vehicles and machine & aircraft materials were the principal imports from South Africa. Petroleum products metal & metal manufacturing, paper & paper products, food & live-animals and rubber products were imported from Egypt. Petroleum products and food & live-animals were the major imports from Sudan. Major items imported from Kenya included metal & metal products, chemicals and fertilizer.

Imports from America accounted for 5.2 percent of the total import bills, of which United States accounted for 91 percent, Brazil 4 percent and Canada 2.7 percent. Machinery & aircraft materials, food & live-animals and electric materials were the major items imported from USA, and machinery & aircraft materials, road & motor vehicles and food and live-animals from Brazil.

Machinery & aircraft materials, food & live-animals and metal & metal manufacturing were imported from Canada.

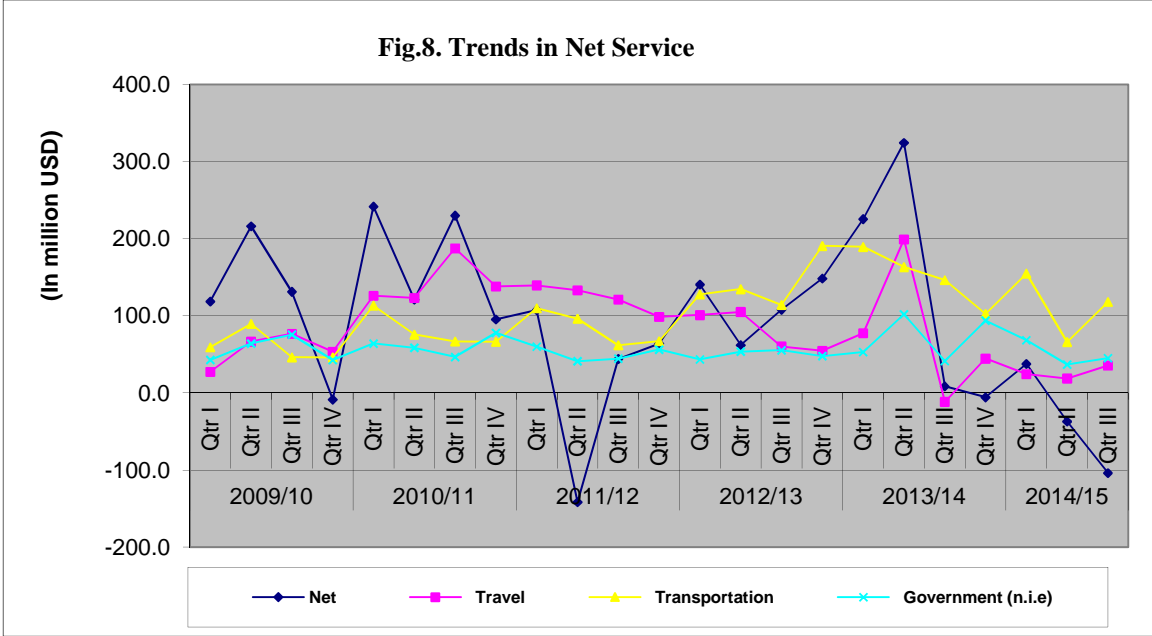


Source: Ethiopian Revenue and Customs Authority

5.3. Services and Transfers

Net receipts from services trade stood at USD 103.8 million deficit from USD 8.6 million surplus last year same period. This deficit in net receipts was attributed to 19.3 percent decline in net transport

services and 143.6 percent surge in investment income.



Source; NBE Staff Compilation

Table 5.8: Developments in Services Accounts

(In Millions of USD)

S/N	Particulars	2013/14	2014/15			Percentage Change	
		QIII	QII	QIII	C/A	C/B	
		A	B	C			
1	Investment Income (2+5)	-43.7	-50.8	-106.5	143.6	109.6	
2	Interest, net (3-4)	-39.2	-40.6	-100.3	155.7	146.7	
3	Credit	2.9	2.7	2.7	-6.0	-0.8	
4	Debit	42.1	43.4	103.0	144.7	137.5	
5	Dividend, net	-4.5	-10.1	-6.2	37.8	-39.0	
6	Other Services, net (7-12)	52.3	13.9	2.7	-94.9	-80.7	
7	Exports of non-factor services	615.4	787.9	703.5	14.3	-10.7	
8	Travel	38.0	105.0	106.3	179.7	1.2	
9	Transport	496.9	541.9	502.9	1.2	-7.2	
10	Gov't	42.1	38.5	45.3	7.5	17.5	
11	Other	38.3	102.5	48.9	27.8	-52.3	
12	Imports of non-factor services	563.1	774.0	700.8	24.5	-9.5	
13	Travel	49.5	86.2	70.9	43.3	-17.8	
14	Transport	350.5	475.8	384.8	9.8	-19.1	
15	Gov't	0.6	1.6	0.0	-93.0	-97.4	
16	Other	162.5	210.4	245.1	50.8	16.5	
17	Net Services (18+19+20+21+22)	8.6	-36.9	-103.8	-1,309.8	181.2	
18	Travel (8 - 13)	-11.4	18.8	35.5	-410.0	88.7	
19	Transport (9 - 14)	146.4	66.1	118.2	-19.3	78.8	
20	Gov't (10 - 15)	41.5	36.9	45.2	8.9	22.5	
21	Other (11 - 16)	-124.2	-108.0	-196.2	57.9	81.7	
22	Investment Income (2+5)	-43.7	-50.8	-106.5	143.6	109.6	

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

During the review period, total net transfer receipts decreased by 4 percent relative to last year same period and stood at USD 1.2 billion. The decline was due to a 40.6 percent slowdown in official transfers.

Meanwhile, net private transfers increased by 5.2 percent and amounted to USD 1.1 billion as cash remittances

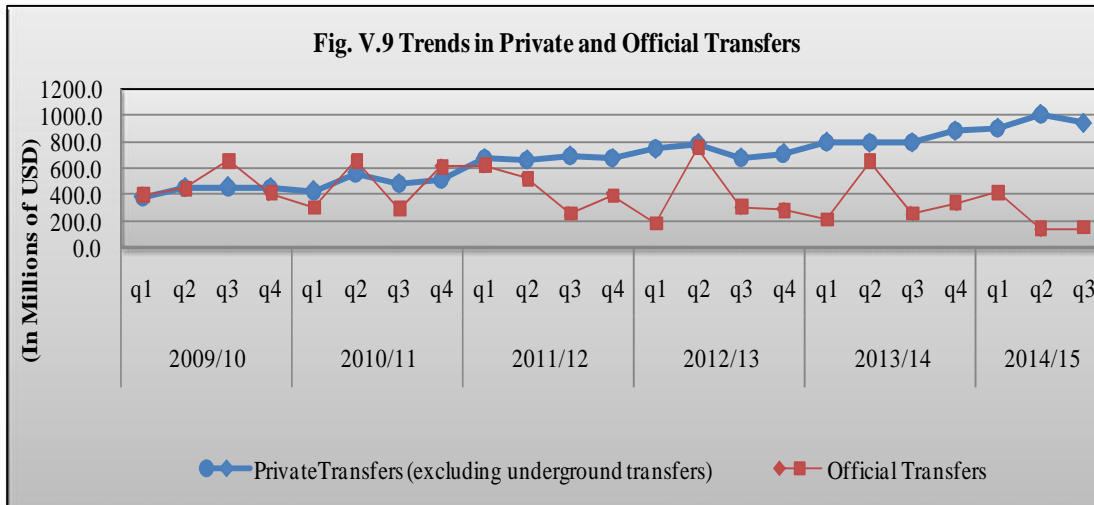
from private individuals went up 27.4 percent coupled with 8.8 percent growth in NGO transfers.

Table 5.9: Developments in Transfer Accounts

(In Millions of USD)

S/N	Particulars	2013/14		2014/15				Percentage Change	
		QIII	%	Q II	%	QIII	%	Change	
		A	share	B	share	C	share	C/A	C/B
1	Private Transfers	1,022.8	80.0	1,221.2	89.5	1,075.9	87.6	5.2	-11.9
2	Credit	1,025.0	79.1	1,227.2	94.7	1,084.6	83.7	5.8	-11.6
3	NGO's	225.0	17.4	346.4	26.7	244.9	18.9	8.8	-29.3
4	Cash	170.9	13.2	338.1	26.1	213.7	16.5	25.0	-36.8
5	Other	54.1	4.2	8.2	0.6	31.2	2.4	-42.3	280.1
6	Food								
7	Private individuals	800.0	61.7	880.9	68.0	839.7	64.8	5.0	-4.7
8	Cash	558.5	43.1	676.8	52.2	711.2	54.9	27.4	5.1
9	In-kind	17.1	1.3	0.2	0.0	0.1	0.0	-99.3	-48.2
10	Underground Private Transfers	224.4	17.3	203.8	15.7	128.4	9.9	-42.8	-37.0
11	Debit	2.2	12.5	6.0	38.8	8.7	87.9	301.0	46.1
12	Official Transfers	255.7	20.0	143.7	10.5	151.8	12.4	-40.6	5.6
13	Credit	270.9	20.9	153.1	11.8	153.0	11.8	-43.5	-0.1
14	Cash	270.9	20.9	153.1	11.8	153.0	11.8	-43.5	-0.1
15	Other								
16	Food								
17	Debit	15.2	87.5	9.4	61.2	1.2	12.1	-92.1	-87.2
18	Total Receipts	1,295.9	100.0	1,380.3	100.0	1,237.5	100.0	-4.5	-10.3
19	Total Payments	17.4	100.0	15.4	100.0	9.9	100.0	-43.1	-35.5
20	Net Transfers	1,278.5	100.0	1,365.0	100.0	1,227.6	100.0	-4.0	-10.1

Source: Staff Computation



5.4. Current Account

The current account balance (including official transfers) registered USD 2.3 billion in deficit during the third quarter of 2014/15, which was higher than USD 1.4 billion deficit recorded a year ago.

The widening current account deficit was attributed to lower net services receipts, net official transfers decreased by 40.6 percent and deterioration in trade deficit by 25 percent.

5.5. Capital account

In the review period, the capital account recorded USD 926.3 million in surplus; about 97.1 percent higher than last year same period. This was due to 36.6 percent

growth in net official long-term capital and 48 percent expansion in foreign direct investment.

5.6. Changes in Reserve Position

During the review period, the significant decline in current account balance resulted in USD 213.4 million deficit in overall

balances of payments. Consequently, net foreign assets of the banking system showed a USD 213.4 million reserves drawdown.

The gross reserve as of March 31, 2015 was sufficient to cover 2.4 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

The average official exchange rate of Birr with respect to USD in the inter-bank foreign exchange market depreciated by 5.4 percent compared to last year same period and reached Birr 20.2145/USD at the end of the third quarter of 2014/15.

Similarly, the average exchange rate in parallel market stood at Birr

22.8861/USD showing a 15.5 percent year-on-year depreciation.

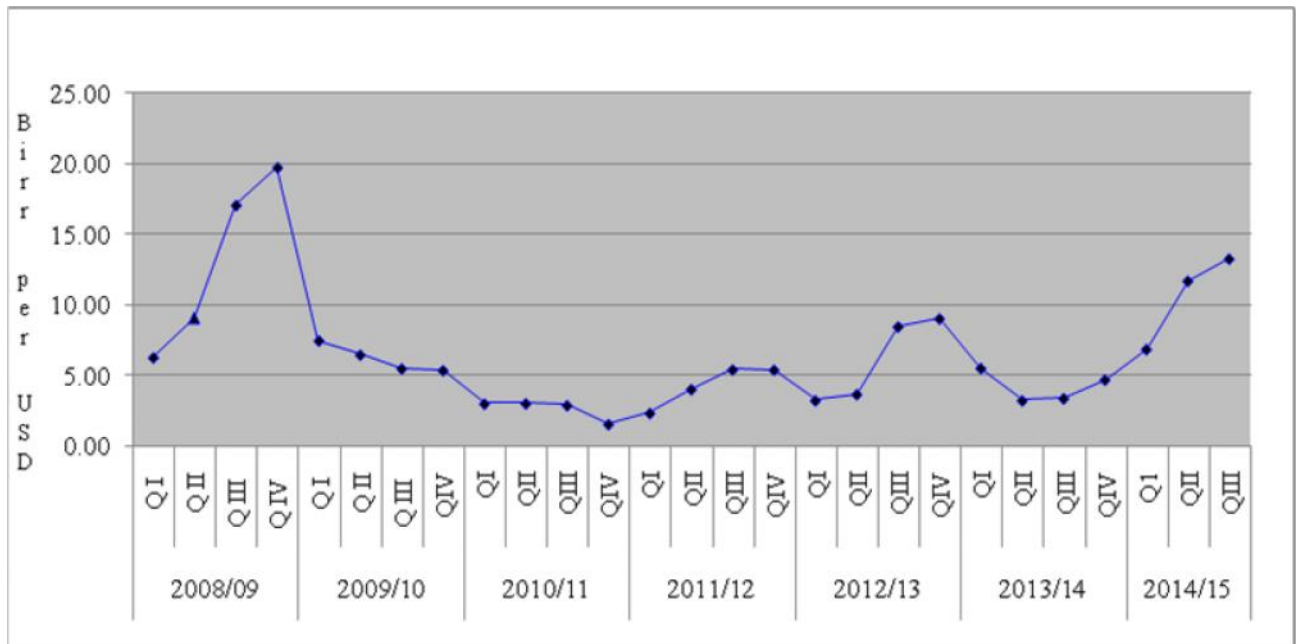
As the Birr exhibited a relatively faster depreciation than the official market, the premium widened to 13.2 percent from 3.3 percent a year earlier (Table 5.10).

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		19.5771	19.0748	18.70	6.20	20.6300	19.8666	4.15
Qtr. III	C	19.3044	19.1819	4.3000	1.2000	20.0250	19.8222	3.34
January		19.1389	19.1007	2.0500	1.0000	19.7800	19.7417	3.36
February		19.2195	19.1812	1.2000	0.2000	19.9250	19.8125	3.29
March		19.3044	19.2639	1.0500	0.0000	20.0250	19.9125	3.37
2014/15								
Qtr. II	B	20.1024	19.9925	4.25	1.00	22.9250	22.3220	11.65
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
Qtr. III	A	20.3293	20.2145	3.0500	0.0000	22.9250	22.8861	13.22
January		20.1716	20.1396	1.0000	0.0000	22.8750	22.8028	13.22
February		20.2494	20.2126	1.0000	0.0000	22.9250	22.8750	13.17
March		20.3293	20.2914	1.0500	0.0000	22.9250	22.9806	13.25
Percentage Changes	A/B	1.13	1.11	-28.24	-100.00	0.00	2.53	13.49
	A/C	5.31	5.38	-29.07	-100.00	14.48	15.46	295.93

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

Fig. V.10: Average Premium between the Inter-Bank and Parallel Market Exchange Rates



In retail forex market, the average buying rate of foreign exchange bureaus was Birr 20.2386/USD while the selling rate stood at Birr 20.6337/USD, depicting 6.7 and 6.9 percent depreciation compared to the same quarter last year, respectively.

Thus, the average spread between the buying and the selling rates marginally widened to 1.95 percent from 1.81 percent. (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 III A		Quarter II B		Quarter III C		C/B		C/A	
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	133619.74	16509.47	71839.29	28064.05	77545.95	19825.37	7.94	-29.36	-41.97	20.08
2	Bank of Abyssinia	1238.88	1092.00	950.71	2124.28	2062.60	2276.02	116.95	7.14	66.49	108.43
3	Dashen Bank	9737.20	9161.30	6308.16	8965.75	5491.91	6682.61	-12.94	-25.47	-43.60	-27.06
4	Awash International Bank	2252.70	3284.00	1863.17	4465.17	1944.13	5132.18	4.35	14.94	-13.70	56.28
5	Construction & Business Bank	928.86	338.60	720.80	484.82	1482.75	1226.57	105.71	153.00	59.63	262.25
6	Wegagen Bank	1274.68	980.48	1114.93	1415.20	992.19	854.47	-11.01	-39.62	-22.16	-12.85
7	United Bank	4295.05	2345.46	3192.50	2693.04	2764.60	2335.00	-13.40	-13.29	-35.63	-0.45
8	Development Bank	1927.09	136.25	40.04	242.48	4.52	68.75	-88.71	-71.65	-99.77	-49.54
9	Nib International Bank	1302.48	1418.63	609.67	2124.41	975.91	2343.19	60.07	10.30	-25.07	65.17
10	Lion International Bank	630.29	187.66	415.73	590.15	460.81	547.86	10.84	-7.17	-26.89	191.94
11	Oromia International Bank	771.31	396.54	873.41	1524.22	933.42	768.61	6.87	-49.57	21.02	93.83
12	Zemen Bank	188.78	401.59	166.36	937.12	119.73	946.08	-28.03	0.96	-36.58	135.58
13	Cooperative Bank of Oromia	120.12	102.62	84.32	631.02	403.79	635.02	378.85	0.63	236.16	518.81
14	Buna International Bank	106.62	3.50	283.69	225.51	138.13	27.27	-51.31	-87.91	29.55	679.23
15	Birhan International Bank	3.85	0.00	4.00	1.25	320.77	388.09	-	30947.1	8231.7	-
16	Abay Bank	295.96	518.18	134.00	368.58	671.51	957.13	401.12	159.68	126.89	84.71
17	Addis International Bank	492.75	123.15	121.37	251.12	139.75	171.94	15.14	-31.53	-71.64	39.62
18	Debub Global Bank	22.99	10.41	23.86	12.69	44.90	62.95	88.20	396.22	95.30	504.46
19	Enat Bank	192.60	41.55	96.88	273.75	114.13	81.40	17.81	-70.26	-40.74	95.91
	Total	159401.96	37051.37	88842.90	55394.59	96611.50	45330.52	8.74	-18.17	-39.39	22.35
	Average Exchange Rate	18.9629	19.3061	19.9699	20.3568	20.2386	20.6337	1.35	1.36	6.73	6.88

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

Fig. V.11: Average Buying and Selling Rates of Forex Bureau of Commercial Banks

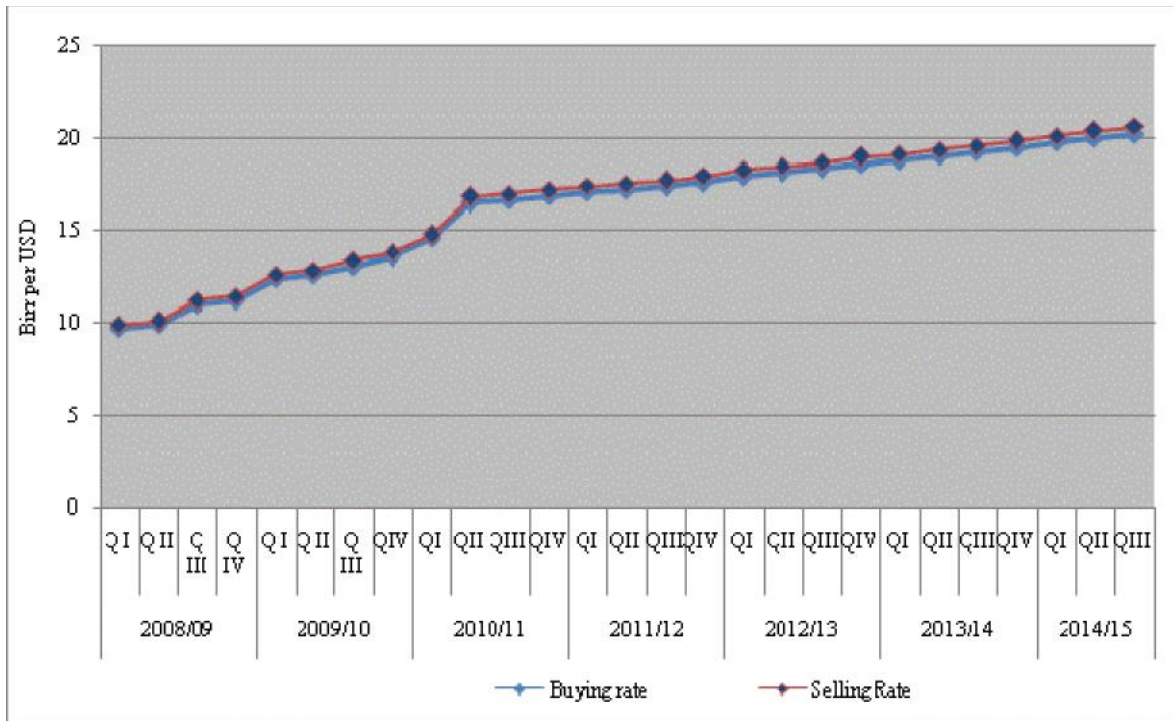
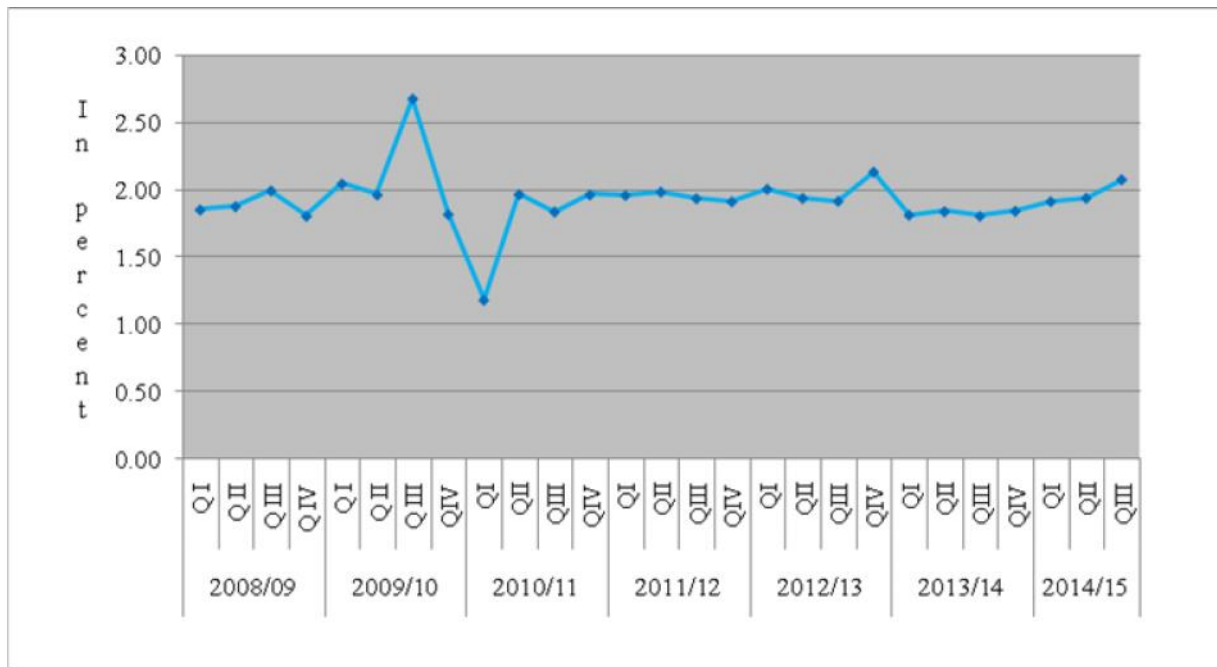


Fig. V.12: Average Spread between Buying and Selling Rates in the Retail Foreign Exchange Market



The cross rate of US dollar against most major international currencies exhibited appreciation in the third quarter of 2014/15 vis-à-vis both previous quarter and last year same period. Accordingly, on quarterly terms it appreciated against Euro (10.0 percent), Pound Sterling (4.2 percent), Japanese Yen (4.2 percent), and SDR (4.0

percent). However, it depreciated against Swiss Frank by 1.0 percent.

Likewise, on yearly basis, the US dollar appreciated against Euro (17.8 percent), Japanese Yen (13.7 percent), SDR (8.1 percent), Pound Sterling (7.9 percent), Swiss Frank (6.1 percent) (Table 5.12).

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

Period		EURO			JAPANESE YEN			SDR			POUNDESTLING			SWISS FRANK		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
2013/14																
QIII	C	1.3699	1.3753	1.3726	0.0097	0.0097	0.0097	1.5328	1.5328	1.5328	1.6549	1.6376	1.6462	1.1197	1.1197	1.1197
January		1.3636	1.3801	1.3718	0.0096	0.0096	0.0096	1.5196	1.5196	1.5196	1.6482	1.5962	1.6222	1.1073	1.1073	1.1073
February		1.3643	1.3642	1.3642	0.0098	0.0098	0.0098	1.5391	1.5391	1.5391	1.6539	1.6539	1.6539	1.1169	1.1169	1.1169
March		1.3817	1.3817	1.3817	0.0098	0.0098	0.0098	1.5397	1.5397	1.5397	1.6625	1.6625	1.6625	1.1349	1.1349	1.1349
2014/15																
QII	B	1.2531	1.2526	1.2528	0.0088	0.0088	0.0088	1.4674	1.4674	1.4674	1.5836	1.5834	1.5835	1.0374	1.0449	1.0412
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
QIII	A	1.1276	1.1276	1.1276	0.0084	0.0084	0.0084	1.4088	1.4088	1.4088	1.5166	1.5166	1.5166	1.0511	1.0510	1.0511
January		1.1624	1.1624	1.1624	0.0084	0.0084	0.0084	1.4273	1.4273	1.4273	1.5203	1.5203	1.5203	1.0621	1.0621	1.0621
February		1.1367	1.1367	1.1367	0.0084	0.0084	0.0084	1.4124	1.4124	1.4124	1.5306	1.5306	1.5306	1.0699	1.0699	1.0699
March		1.0838	1.0838	1.0838	0.0083	0.0083	0.0083	1.3868	1.3868	1.3868	1.4990	1.4990	1.4990	1.0212	1.0210	1.0211
Percentage Changes	A/B	-10.01	-9.98	-10.00	-4.18	-4.16	-4.17	-3.99	-3.99	-3.99	-4.23	-4.21	-4.22	1.32	0.59	0.95
	A/C	-17.68	-18.01	-17.85	-13.70	-13.73	-13.71	-8.09	-8.09	-8.09	-8.35	-7.39	-7.87	-6.13	-6.13	-6.13

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

Similarly, the bilateral exchange rate of Birr against major currencies became stronger in third quarter of 2014/15 except against USD and Swiss Frank. Therefore, on quarterly basis, Birr appreciated against Euro (9.0 percent), Pound Sterling (3.2 percent), Japanese Yen (3.1 percent), and SDR (2.9 percent), while it depreciated against Swiss Frank and USD by 2.0 percent and 1.1 percent, respectively.

On yearly basis, the exchange rate of Birr appreciated vis-à-vis Euro (13.4 percent), Japanese Yen (9.5 percent), SDR (3.2 percent), Pound Sterling (2.9 percent) and Swiss Frank (1.1 percent). On the other hand, Birr remained weak against US Dollar in the same period depreciating by 5.4 percent (Table5.13).

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

Period		Currency																	
		USD			EURO			JAPANESE YEN			SDR			POUNDS TERLING			SWISS FRANK		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
2013/14																			
QIII	C	19.1820	19.3738	19.2779	26.2819	26.5975	26.4397	0.1875	0.1894	0.1884	29.4028	29.6968	29.5498	31.7445	31.7281	31.7363	21.4791	21.6938	21.5865
January		19.1007	19.2917	19.1962	26.0441	26.4631	26.2536	0.1862	0.1880	0.1871	29.0266	29.3169	29.1718	31.4814	30.7948	31.1381	21.1503	21.3618	21.2560
February		19.1812	19.3730	19.2771	26.1764	26.4381	26.3073	0.1880	0.1898	0.1889	29.5216	29.8168	29.6692	31.7250	32.0423	31.8837	21.4235	21.6378	21.5307
March		19.2639	19.4566	19.3603	26.6252	26.8913	26.7583	0.1884	0.1902	0.1893	29.6602	29.9568	29.8085	32.0270	32.3473	32.1871	21.8635	22.0819	21.9727
2014/15																			
QII	B	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
QIII	A	20.2145	20.4166	20.3156	22.7798	23.0076	22.8937	0.1697	0.1714	0.1705	28.4748	28.7596	28.6172	30.6558	30.9624	30.8091	21.2391	21.4500	21.3446
January		20.1396	20.3410	20.2403	23.3849	23.6187	23.5018	0.1700	0.1717	0.1708	28.7362	29.0236	28.8799	30.6130	30.9191	30.7660	21.3702	21.5839	21.4770
February		20.2126	20.4146	20.3136	22.9630	23.1927	23.0779	0.1704	0.1722	0.1713	28.5476	28.8331	28.6904	30.9385	31.2479	31.0932	21.6247	21.8410	21.7328
March		20.2914	20.4943	20.3929	21.9914	22.2114	22.1014	0.1686	0.1703	0.1694	28.1406	28.4220	28.2813	30.4159	30.7201	30.5680	20.7225	20.9253	20.8239
Percentage Change	A/B	1.11	1.11	1.11	-9.04	-9.04	-9.04	-3.10	-3.09	-3.09	-2.93	-2.94	-2.94	-3.17	-3.16	-3.16	2.41	1.67	2.03
	A/C	5.38	5.38	5.38	-13.33	-13.50	-13.41	-9.52	-9.51	-9.51	-3.16	-3.16	-3.16	-3.43	-2.41	-2.92	-1.12	-1.12	-1.12

Source: Staff Compilation

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

Currency	14-Mar	14-Dec	15-Mar	Percentage change	
	C	B	A	A/B	A/C
USD	19.3969	20.2029	20.4310	1.13	5.33
Pound	32.2474	31.3671	30.2337	-3.61	-6.24
Swedish Kroner	2.9922	2.5898	2.3768	-8.22	-20.57
Djibouti Frank	0.1088	0.1134	0.1146	1.10	5.33
Swiss Frank	21.8828	20.4112	21.1851	3.79	-3.19
Saudi Riyal	5.1718	5.3824	5.4461	1.18	5.30
UAE Dirhams	5.2807	5.5001	5.5628	1.14	5.34
Canadian Dollar	17.4842	17.3744	16.1586	-7.00	-7.58
Japanese Yen	0.1898	0.1687	0.1706	1.13	-10.12
Euro	26.6863	24.5567	22.1451	-9.82	-17.02
SDR	29.9721	29.2680	28.3234	-3.23	-5.50

Source: Staff Compilation

5.7.2. Movements in the Real Effective Exchange Rate

The REER, which shows Ethiopia's external sector competitiveness, appreciated during the third quarter of 2014/15 both on annual and quarterly basis. This was mainly attributed to relatively faster depreciation of the nominal exchange rate and low inflation in major trading partner countries.

Therefore, REER appreciated by 5.7 and 6.6 percent while NEER appreciated by 2.4 and 1.4 percent compared with the preceding quarter and last year same period figure (Table 5.15).

Table 5.15 Trends in the Real and Nominal Effective Exchange Rates

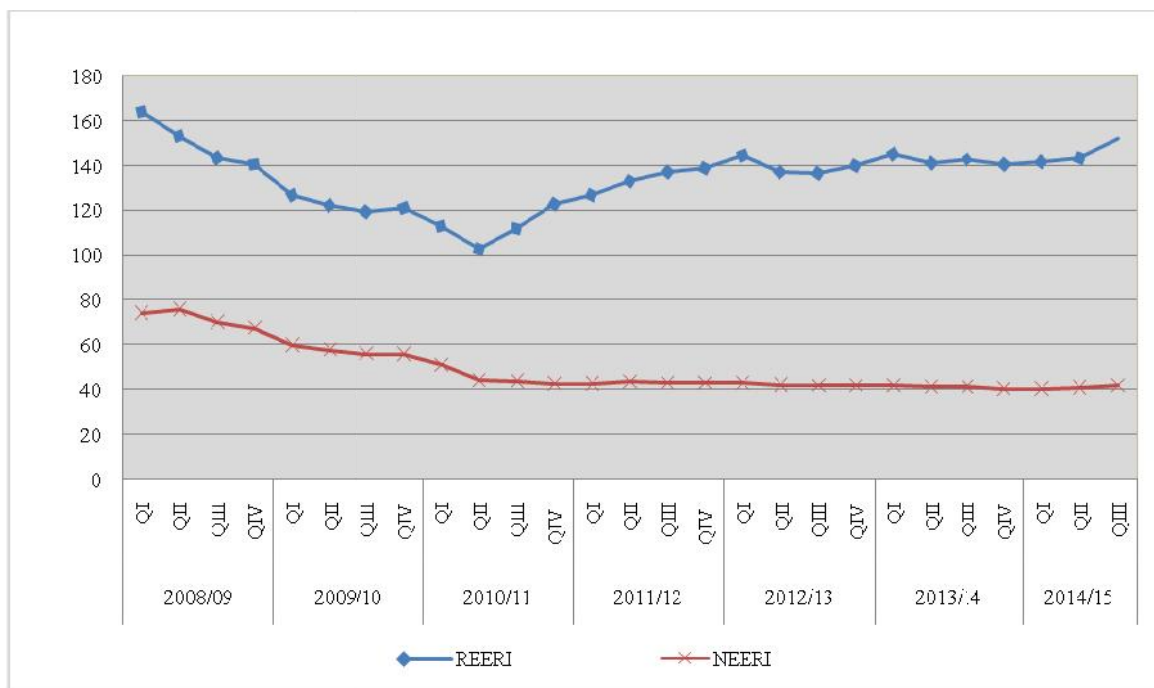
Item	2013/14		2014/15		Percentage Change	
	QIII		QII	QIII		
	A	B	C	C/B	C/A	
REERI	142.9	144.0	152.3	5.74	6.57	
NEERI	41.5	41.2	42.1	2.37	1.42	

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.13: Movements in the Real and Nominal Effective Exchange Rate

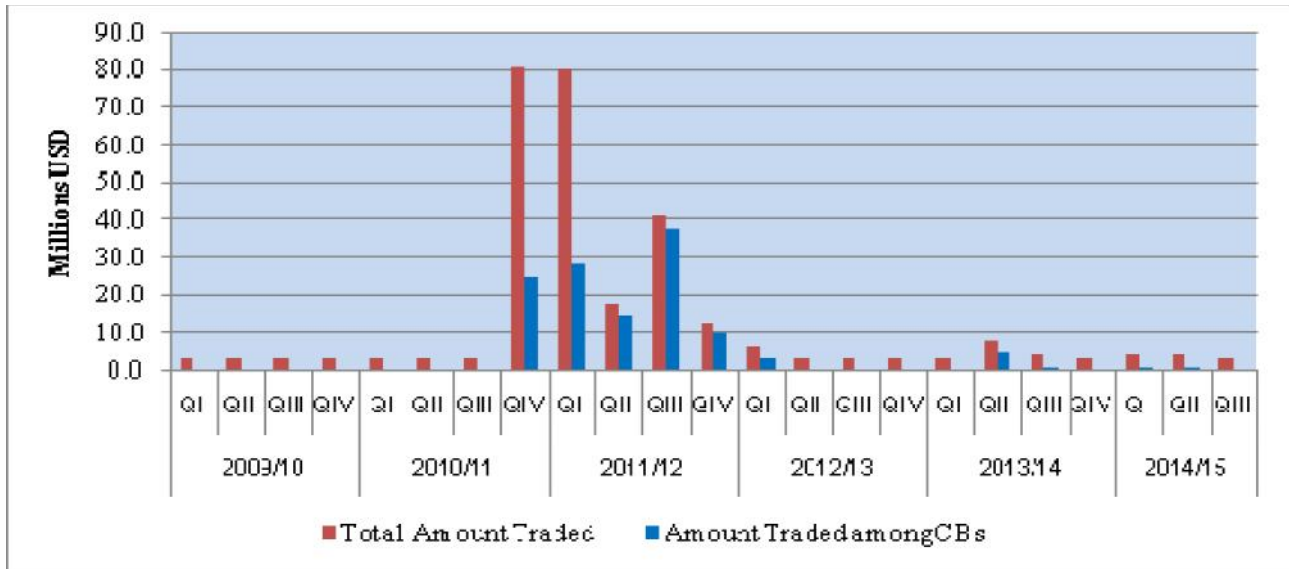


5.7.3 Volume of Transactions

In the third quarter of 2014/15, the total amount of foreign exchange traded in the inter-bank foreign exchange market was USD 3.1 million; about 29.1 percent lower than last year same period. The total amount traded in the inter-bank market during

review period was fully supplied by NBE. (Table5:10).

Fig V.14 Foreign Exchange Trade in the Interbank Foreign Exchange Market



In the third quarter of 2014/15, forex bureaux purchased USD 96.6 million which was about 39.4 percent lower than a year earlier.

Meanwhile, their sales amounted to USD 45.3 million showing a 22.4 percent increase. (Table 5.11)