

## IV. Monetary Developments

### 4.1. Money Supply and Credit

Broad money supply (M<sub>2</sub>) reached Birr 349.2 billion during the third quarter of 2014/15, indicating a 27.7 percent annual growth mainly driven by 30.0 percent rise in domestic credit, offsetting a 5.1 percent decline in NFA. On the other hand, the

annual growth in domestic credit was due to a 32.2 percent increase in credit to non-central government and a modest 3.0 percent in net credit to central government (Table 4.1).

**Table 4.1 Factors Influencing Broad Money**

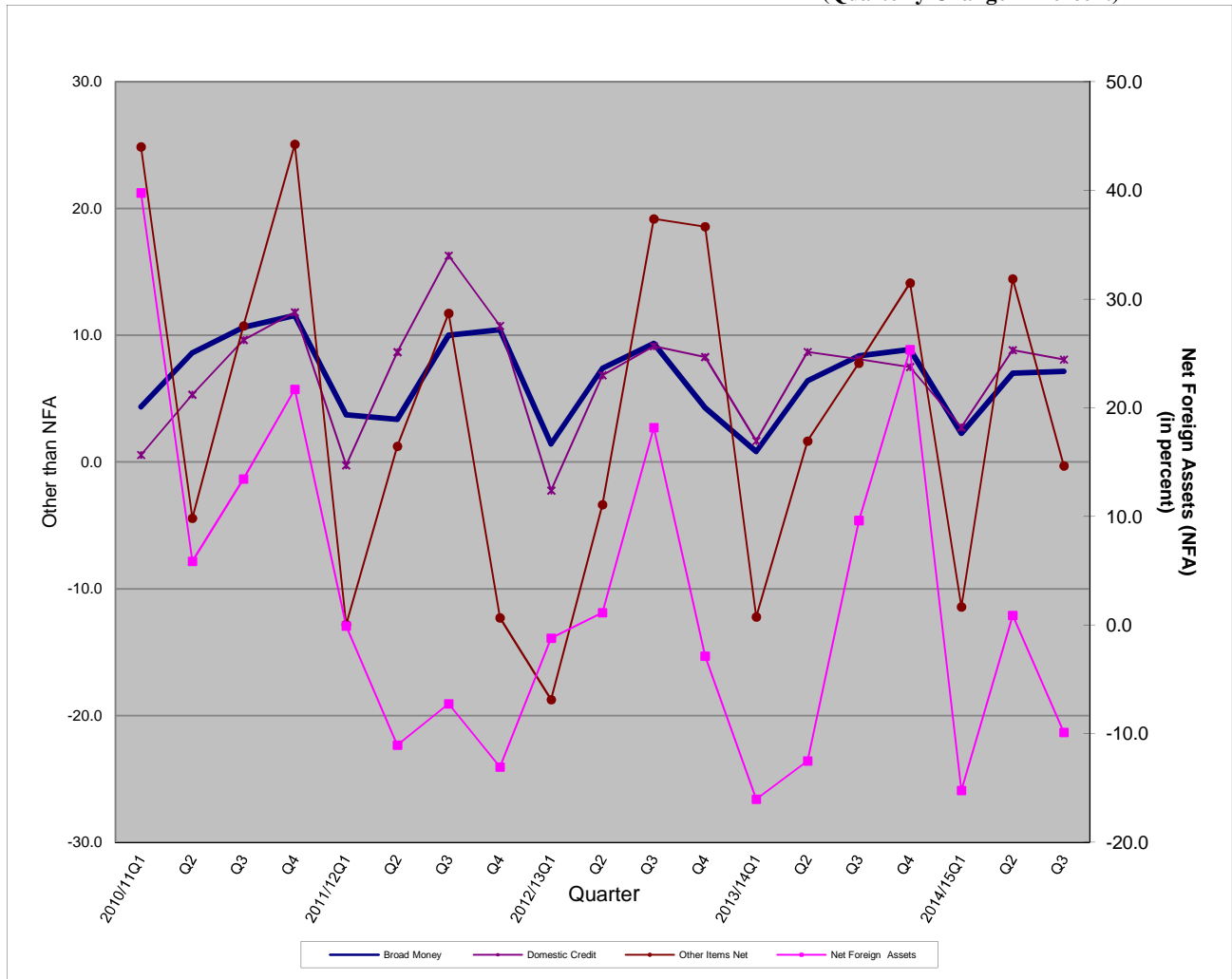
(In Millions of Birr, unless specified)

Particulars	2014		2015	Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. III	Qtr. II	Qtr. III	D=C/A	E=C/B	Annual	Quarterly
	(March.14)	(Dec.14)	(March.15)				
	A	B	C				
1. External Assets (net)	37,407.2	39,409.4	35,516.9	-5.1	-9.9	-2.5	-16.7
2. Domestic Credit	278,617.9	335,149.9	362,235.3	30.0	8.1	110.5	116.1
. Claims on Central Gov't (net)	20,630.0	23,581.2	21,242.0	3.0	-9.9	0.8	-10.0
. Claims on Non-Central Gov't	257,987.9	311,568.7	340,993.3	32.2	9.4	109.7	126.1
. Financial Institutions	17,507.0	22,157.0	22,857.0	30.6	3.2	7.1	3.0
. Others	240,480.9	289,411.7	318,136.3	32.3	9.9	102.6	123.1
3. Other Items (net)	42,556.1	48,733.1	48,587.6	14.2	-0.3	8.0	-0.6
4. Broad Money (M <sub>2</sub> )	273,469.0	325,826.3	349,164.6	27.7	7.2	100.0	100.0

Source: Staff computation, NBE

**Fig.IV.1: Major Determinants of Monetary Expansion**

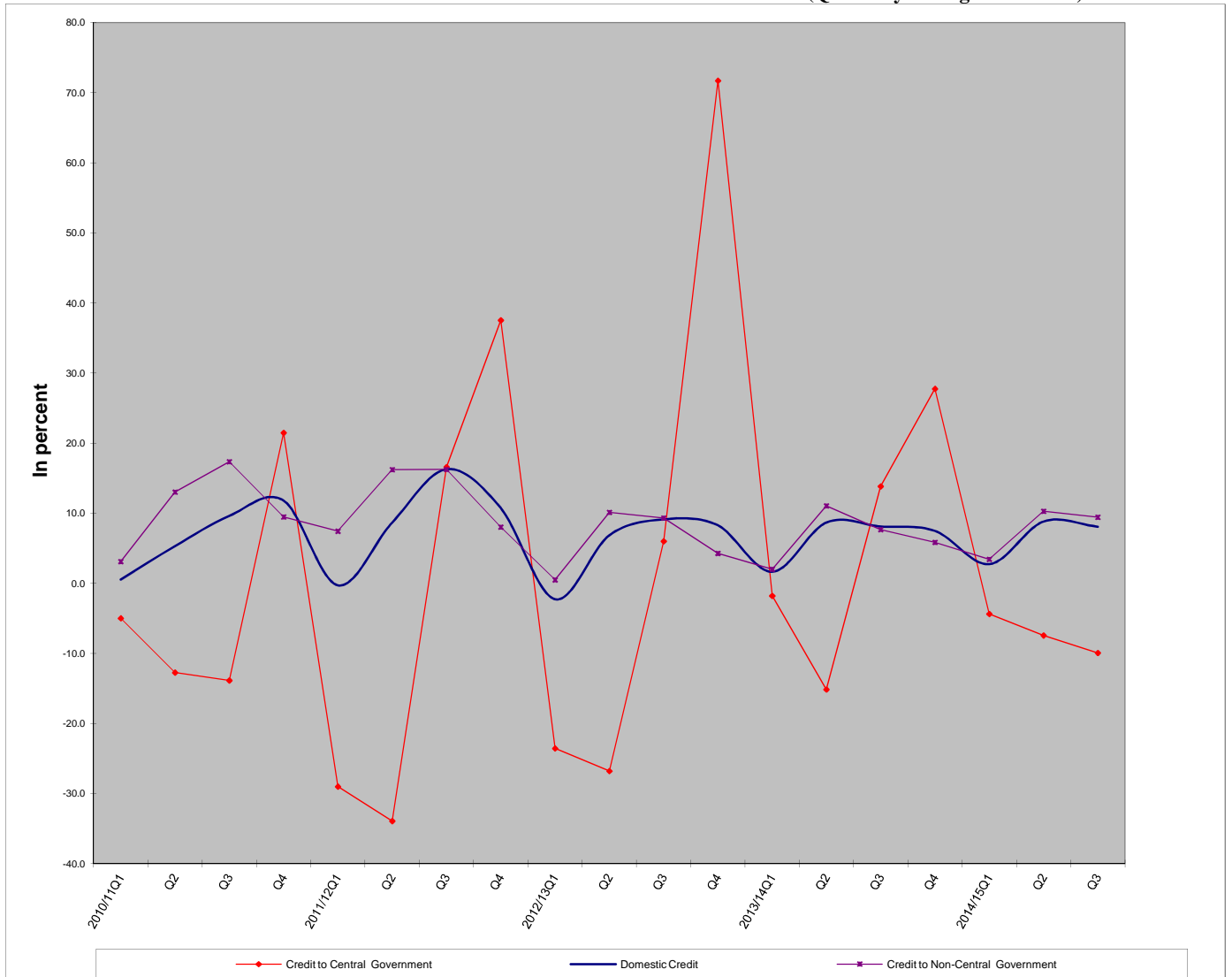
(Quarterly Change in Percent)



Source: Staff Computation, NBE

**Fig.IV.2: Composition of Domestic Credit**

**(Quarterly Change in Percent)**



Source: Staff computation, NBE

The third quarter of 2014/15 saw an annual and quarterly expansion in all components of broad money. Narrow money that comprises currency outside banks and net demand deposits, grew by 22.6 percent while quasi-money, which constitutes saving and time deposits, depicted a 31.7 percent annual surge.

Hence, narrow money contributed 36.2 percent and quasi-money 63.8 percent to the annual broad money growth rate (Table 4.2).

The increase in quasi-money was attributed to significant expansion of bank branch network which helped increased deposit mobilization and improved service outreach.

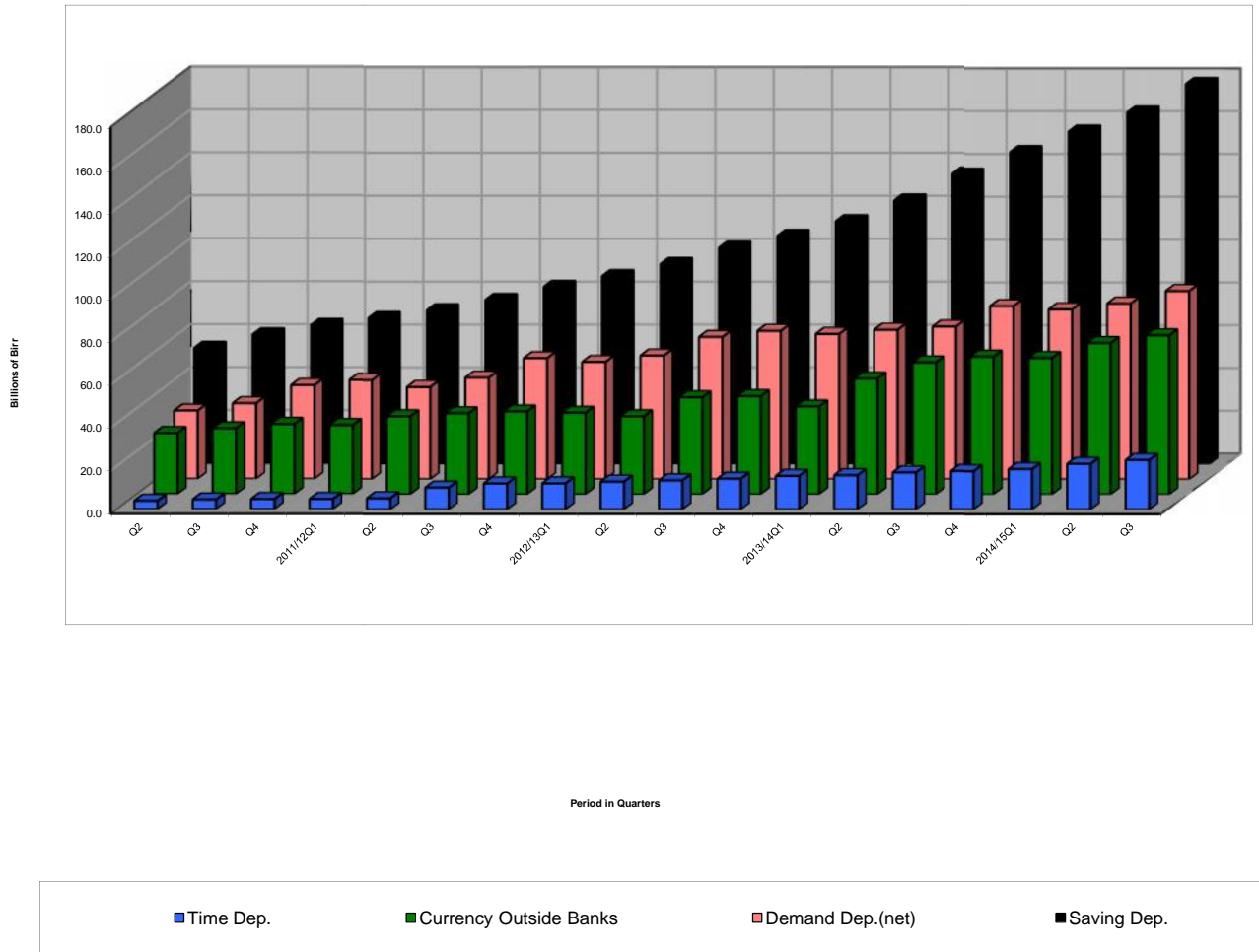
**Table 4.2: Components of Broad Money**

(In millions of Birr, unless specified)

Particulars	2014		2015	Percentage Change		Contributions of each Component to Broad Money Growth	
	QIII	QII	QIII	C/A	C/B	Annual	Quarterly
	(March. 14)	(Dec. 14)	(March. 15)				
	A	B	C				
<b>1. Narrow Money Supply</b>	121022.2	<b>140,210.4</b>	<b>148,408.8</b>	<b>22.6</b>	<b>5.8</b>	<b>36.2</b>	<b>35.1</b>
. Currency outside banks	49975.3	58,128.9	60,465.0	21.0	4.0	13.9	10.0
. Demand Deposits (net)	71046.9	82,081.5	87,943.8	23.8	7.1	22.3	25.1
<b>2. Quasi-Money</b>	<b>152,446.8</b>	<b>185,615.9</b>	<b>200,755.8</b>	<b>31.7</b>	<b>8.2</b>	<b>63.8</b>	<b>64.9</b>
. Savings Deposits	135,254.2	164,291.2	163,024.7	20.5	-0.8	36.7	-5.4
. Time Deposits	17,192.6	21,324.7	37,731.1	119.5	76.9	27.1	70.3
<b>3. Broad Money Supply</b>	<b>273,469.0</b>	<b>325,826.3</b>	<b>349,164.6</b>	<b>27.7</b>	<b>7.2</b>	<b>100.0</b>	<b>100.0</b>

Source: Staff Computation, NBE

**Fig. 3: Composition of Monetary Stock**



Source: Staff computation, NBE

## 4.2. Developments in Reserve Money and Monetary Ratio

Reserve money reached Birr 95.3 billion at the end of the third quarter of 2014/15, depicting an annual expansion of 12.8 percent while excess reserves of commercial banks decreased by 53.0 percent.

Meanwhile, the money multiplier measured by the ratio of broad money to reserve money, rose by 13.2 percent implying the increased monetization of the economy. Similarly, the ratio of narrow money to reserve money showed a 8.8 percent annual growth. (Table 4.3)

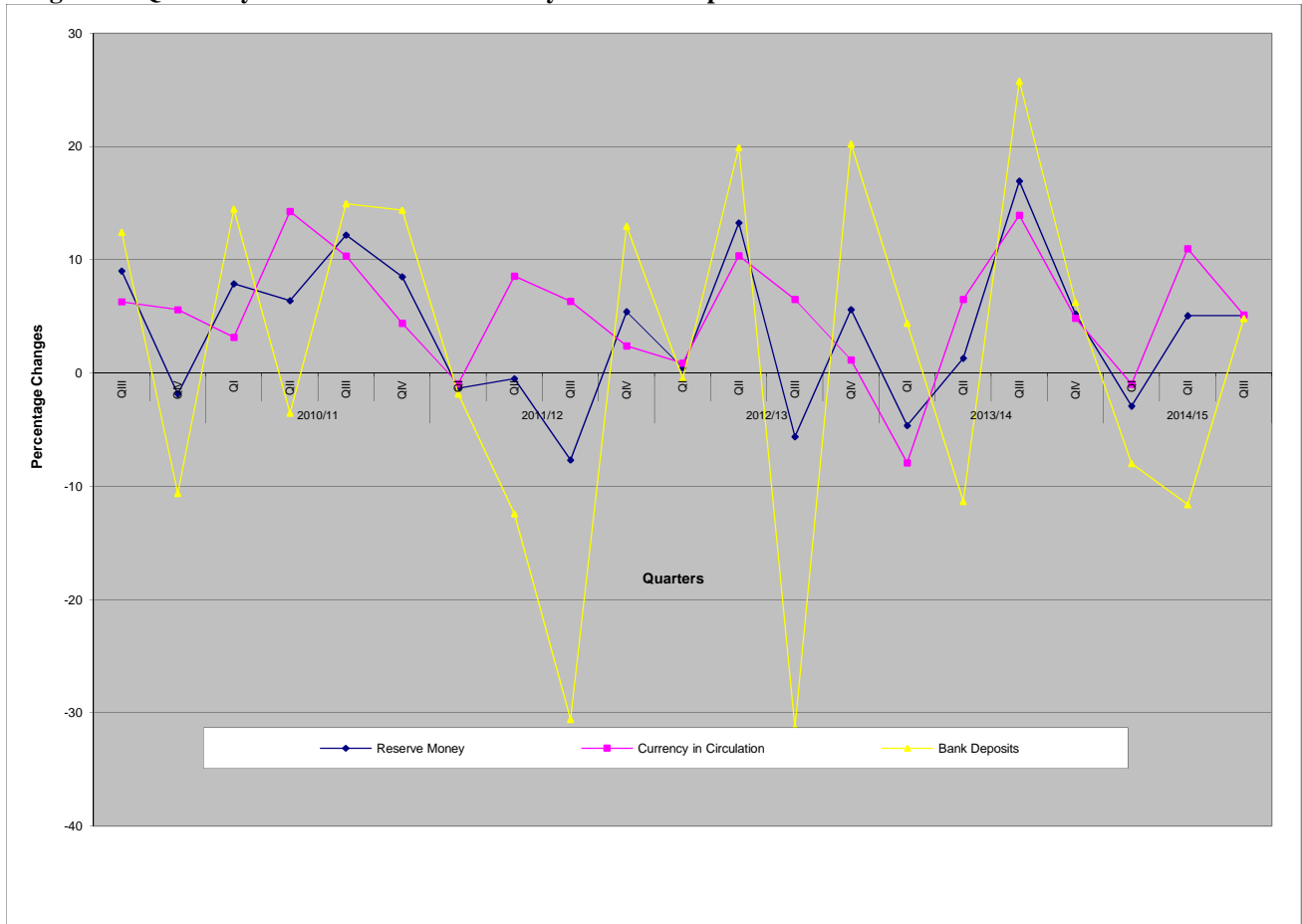
**Table 4.3: Monetary Aggregates and Ratios**

(In Millions of birr unless otherwise indicated)

Particulars	2014		2015	Percentage Change	
	Qtr. III	Qtr. II	Qtr. III		
	(March.14)	(Dec. 14)	(March.15)		
	A	B	C	C/A	C/B
<b>1. Reserve Requirement (CB's)</b>	13,574.6	15,751.2	16,729.5	23.2	6.2
<b>2. Actual Reserve (CB's)</b>	23,524.6	22,568.6	21,407.9	-9.0	-5.1
<b>3. Excess Reserve (CB's)</b>	9,950.0	6,817.4	4,678.4	-53.0	-31.4
<b>4. Reserve Money</b>	84,536.9	90,726.2	95,320.5	12.8	5.1
. Currency in Circulation	61,372.5	70,709.1	74,337.8	21.1	5.1
. Banks deposits at NBE	23,164.4	20,017.1	20,982.7	-9.4	4.8
<b>5. Money Multiplier (Ratio):</b>					
. Narrow Money to Reserve Money	1.4	1.5	1.6	8.8	0.7
. Broad Money to Reserve Money	3.2	3.6	3.7	13.2	2.0
<b>6. Other Monetary Ratios (%):</b>					
. Currency to Narrow Money	50.7	50.4	50.1	-1.2	-0.7
. Currency to Broad Money	22.4	21.7	21.3	-5.1	-1.9
. Narrow Money to Broad Money	44.3	43.0	42.5	-4.0	-1.2
. Quasi Money to Broad Money	55.7	57.0	57.5	3.1	0.9

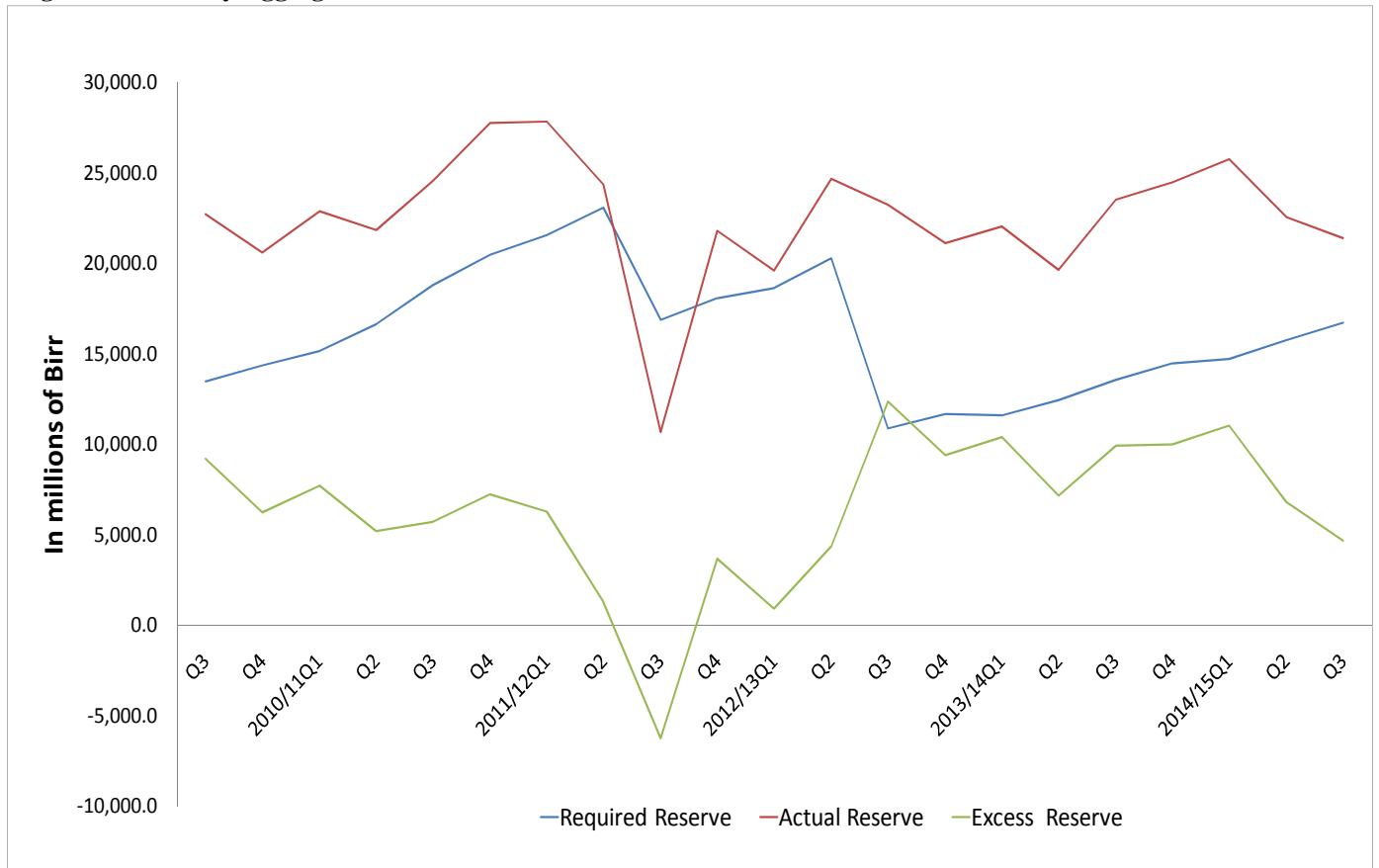
Source: NBE and Commercial Banks

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



Source: Staff Computation NBE

**Fig IV.5: Monetary Aggregates**



Source: Staff Computation NBE



### 4.3. Interest Rate Developments

Average savings deposit and lending rates remained unchanged at 5.4 and 11.88 percent, respectively. Weighted average time deposit rate, however, slightly rose by 0.2 percentage points on annual basis. Likewise, the weighted average yield on T-bills increased from

1.26 to 1.29 percent in the previous year same quarter. Considering headline inflation of 8.6 percent, all deposit rates and T-bills yields were negative while average lending rate was positive in real terms. (Table 4.4)

**Table 4.4: Interest Rate Structure of Commercial Banks** (Percent per annum)

Particulars	2013/14		2014/15	Percentage Point Changes	
	QIII	QII	QIII	Annual	Quarterly
	A	B	C	D=C-A	E=C-B
<b>1. Savings Deposit Rate 1/</b>					
Minimum	5.00	5.00	5.00	0.00	0.00
Maximum	5.75	5.75	5.75	0.00	0.00
<b>Average Saving Rate</b>	<b>5.38</b>	<b>5.38</b>	<b>5.38</b>	<b>0.00</b>	<b>0.00</b>
<b>2. Time Deposits</b>					
Up to 1yr	5.53	5.59	5.53	0.00	-0.05
1-2 years	5.65	5.72	5.67	0.02	-0.05
Over 2 yrs	5.71	5.78	5.73	0.02	-0.05
<b>Average Time Dep. Rate (Weighted)</b>	<b>5.63</b>	<b>5.70</b>	<b>5.64</b>	<b>0.01</b>	<b>-0.05</b>
<b>3. Demand Deposit (Weighted)</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>	<b>0.00</b>	<b>0.00</b>
<b>4. Lending Rate 2/</b>					
Minimum	7.50	7.50	7.50	0.00	0.00
Maximum	16.25	16.25	16.25	0	0
<b>Average Lending Rate</b>	<b>11.88</b>	<b>11.88</b>	<b>11.88</b>	<b>0.00</b>	<b>0.00</b>
<b>5. T-bills Rate (Weighted)</b>	<b>1.26</b>	<b>1.50</b>	<b>1.29</b>	<b>0.03</b>	<b>-0.20</b>
<b>6. GERD Bond Yield 3/</b>					
6.1 Maturity within 5 Years	5.50	5.50	5.50	0.00	0.00
6.1 Maturity above 5 Years	6.00	6.00	6.00	0.00	0.00
<b>7. Annual Headline Inflation</b>	<b>8.76</b>	<b>7.08</b>	<b>8.60</b>	<b>-0.16</b>	<b>1.52</b>
<b>8. Annual Food Inflation</b>	<b>6.06</b>	<b>6.38</b>	<b>10.10</b>	<b>4.04</b>	<b>3.71</b>
<b>9. Annual Core/non-food Inflation</b>	<b>11.78</b>	<b>7.84</b>	<b>7.01</b>	<b>-4.77</b>	<b>-0.83</b>

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

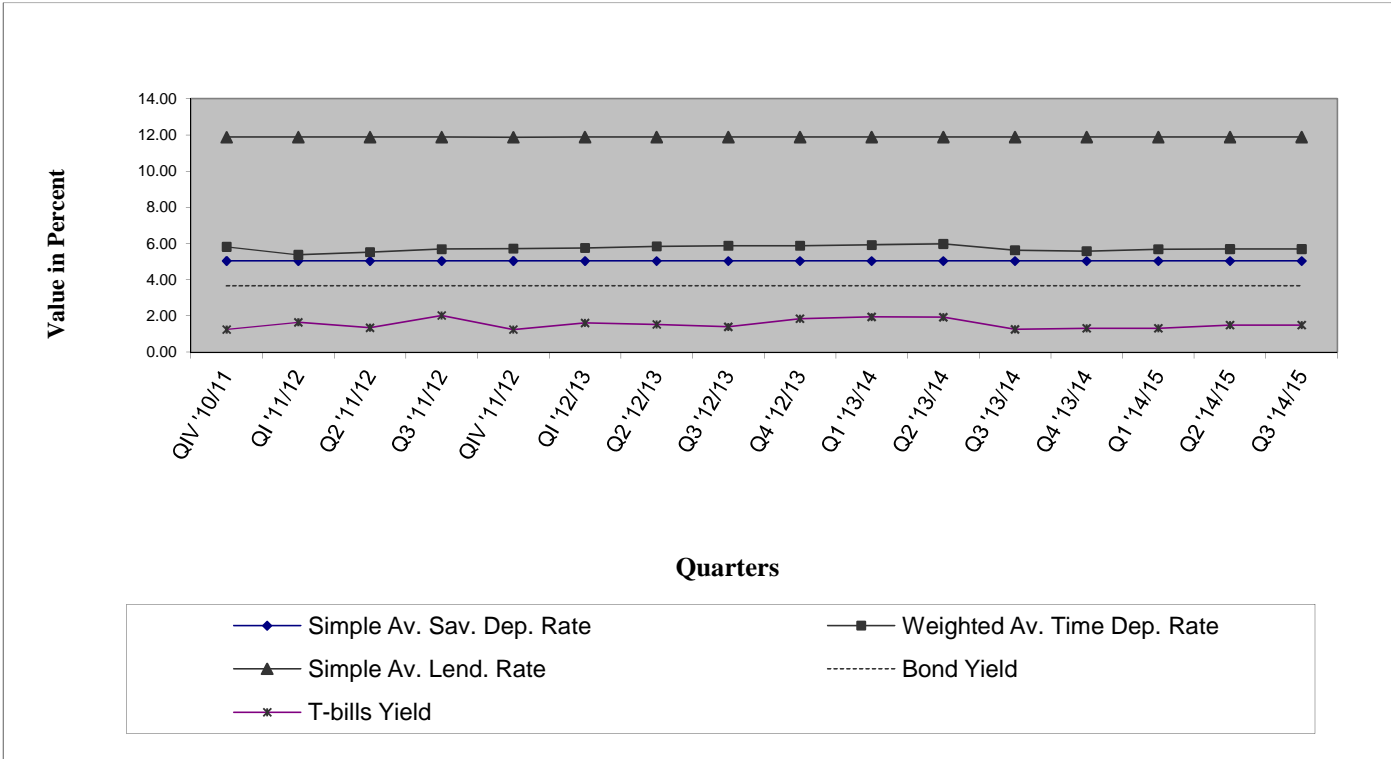
2/ NBE has no control on lending rates and the minimum & maximum rates presented here are determined by the market.

3/ GERD stands for Grand Ethiopian Renaissance Dam

Source: Staff Computation NBE

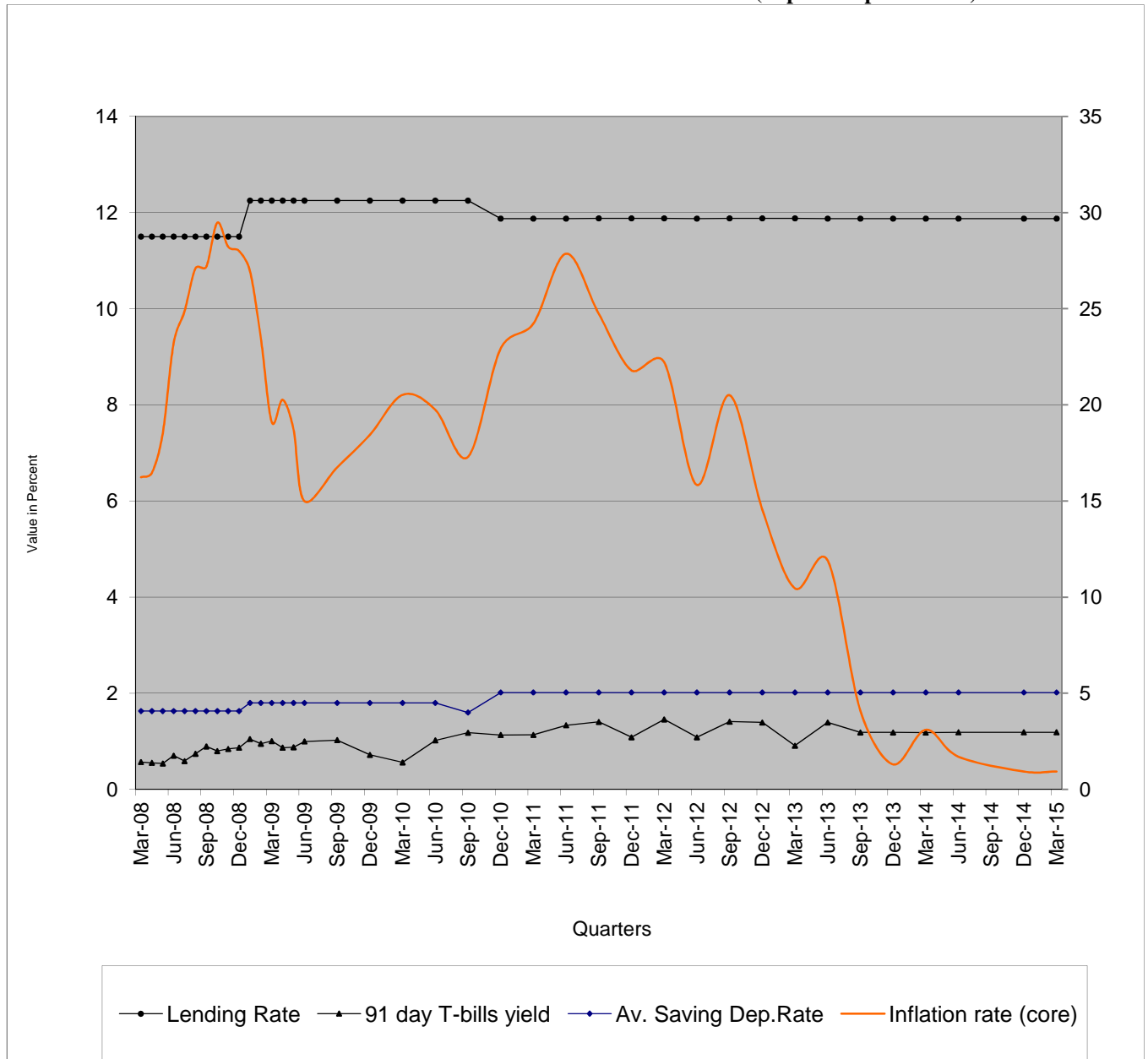
**Fig IV.6: Interest Rate Structure of Commercial Banks**

**(In percent per annum)**



Source: NBE and Commercial Banks

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



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

Source: Staff computation, NBE

#### 4.4. Developments in the Financial Sector

The main financial institutions in Ethiopia constitute banks, insurance companies and microfinance institutions. The number of banks has reached 19 as of March 2015, of which 16 were private.

About 528 new bank branches were opened, since the third quarter of 2013/14 there by raising the total number of bank branches to 2,636. As a result, bank branch to population ratio went down to 1:34,171.5<sup>4</sup> from 1:41,088 in the last year same period. About 35.4 percent of the total bank branches were located in Addis Ababa. Of the total bank branches, the share of private banks increased to 57.9 percent from 53.8 percent in the last year due to the opening of 392 additional branches compared to 136 for public banks.

Meanwhile, the total capital of the banking system depicted a 19.0 percent annual growth and reached Birr 30.5 billion, of which 55 percent was that of private banks. The share of public banks in total capital was 45 percent of which Commercial Bank of Ethiopia accounted for 35 percent while Development Bank of Ethiopia and

Construction & Business Bank held 10 percent (Table 4.5).

The number of insurance companies reached 17 of which 16 were privately owned. The number of branches increased to 369 of which about 53.4 percent were situated in Addis Ababa.

During the review quarter, the total capital of the insurance industry increased by 34.7 percent on annually basis and reached Birr 2.5 billion of which 81.1 percent was the share of private insurance companies. (Table 4.6)

As for microfinance institutions, there were 33 micro-finance institutions (MFIs) operating in the country. These MFIs mobilized a total saving deposit of Birr 14.2 billion, which was 40.1 percent higher than last year same period. Similarly, their outstanding credit expanded by 31.8 percent and reached Birr 18.7 billion. Likewise, their total assets increased by 28.0 percent to Birr 29.0 billion by the end of March 2015 (Table 4.7). All these indicators show the growing contributions of MFIs to poverty reduction both in rural and urban areas through their focus on low income segments of the society.

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<sup>4</sup> With total population projection of 90,076,014 in 2014/15

The top five largest MFIs (Amhara Credit & Saving Institute, Dedit Credit & Saving Institute, Oromia Credit & Saving Institute, Omo Credit & Saving Institute

and Addis Credit and Savings Institute) constitute 83.8 percent of the total capital, 93.7 percent of the savings, 89.8 percent of the credit and 90.4 percent of the total assets of the MFIs.

**Table 4.5: Capital and Branch Network of the Banking System**

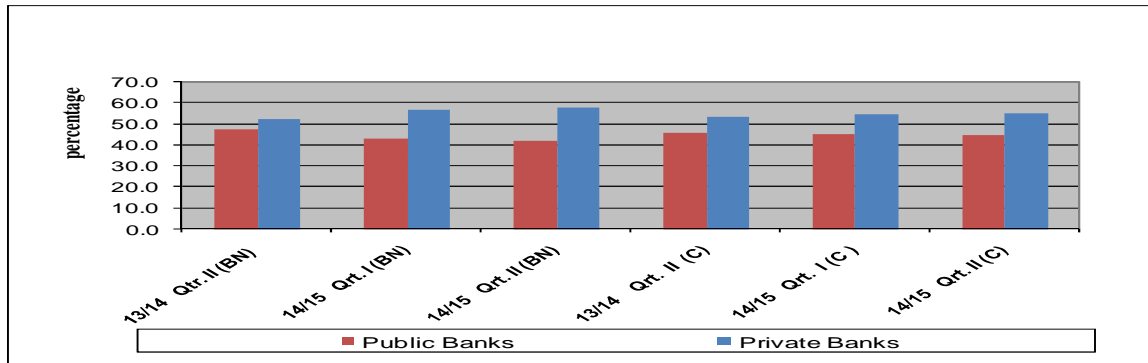
(Branch in Number & Capital in Millions of Birr)

Banks	Branch Network												Capital			
	2013/14				2014/15								2013/14	2014/15		
	Quarter III				Quarter II				Quarter III				Quarter III	Quarter II	Quarter III	
	Reg	A.A	Total	%	Reg.	A.A	Total	%	Reg.	A.A	Total	%				
<b>1. Public Banks</b>																
Commercial Bank of Ethiopia	680	147	827	39.2	755	178	933	37	771	186	957	36	9,045	10,716	10,716	
Construction & Business Bank	68	46	114	5.4	68	50	118	5	69	51	120	5	642	732	732	
Development Bank of Ethiopia	31	1	32	1.5	31	1	32	1	31	1	32	1	2,134	2,269	2,269	
<b>Total Public Banks</b>	<b>779</b>	<b>194</b>	<b>973</b>	<b>46.2</b>	<b>854</b>	<b>229</b>	<b>1,083</b>	<b>43</b>	<b>871</b>	<b>238</b>	<b>1,109</b>	<b>42</b>	<b>11,821</b>	<b>13,717</b>	<b>13,717</b>	
<b>2. Private Banks</b>																
Awash International Bank	54	87	141	6.7	86	100	186	7	95	110	205	8	1,968	2,230	2,245	
Dashen Bank	67	65	132	6.3	73	81	154	6	76	88	164	6	1,832	2,184	2,184	
Abyssinia Bank	52	53	105	5.0	62	62	124	5	63	67	130	5	1,208	1,503	1,506	
Wegagen Bank	49	47	96	4.6	56	51	107	4	63	56	119	5	1,807	2,060	2,061	
United Bank	39	54	93	4.4	57	63	120	5	61	64	125	5	1,256	1,396	1,396	
Nib International Bank	39	54	93	4.4	43	60	103	4	45	65	110	4	1,652	1,840	1,840	
Cooperative Bank of Oromiya	83	21	104	4.9	93	33	126	5	102	35	137	5	608	1,036	1,056	
Lion International Bank	34	26	60	2.8	43	34	77	3	49	37	86	3	487	561	577	
Oromia International Bank	70	26	96	4.6	89	38	127	5	99	47	146	6	585	757	767	
Zemen Bank	3	6	9	0.4	6	6	12	0	5	2	7	0	527	561	611	
Buna International Bank	39	20	59	2.8	46	29	75	3	46	34	80	3	410	526	555	
Berhan International Bank	17	20	37	1.8	31	35	66	3	32	36	68	3	410	516	558	
Abay Bank	54	16	70	3.3	66	18	84	3	69	18	87	3	382	486	547	
Addis Interational Bank	5	13	18	0.9	9	20	29	1	10	22	32	1	253	312	361	
Debut Global Bank	12	7	19	0.9	12	8	20	1	13	9	22	1	166	191	193	
Enat Bank S.C	-	3	3	0.1	3	6	9	0	3	6	9	0	251	297	332	
<b>Total Private Banks</b>	<b>617</b>	<b>518</b>	<b>1135</b>	<b>53.8</b>	<b>775</b>	<b>644</b>	<b>1,419</b>	<b>57</b>	<b>831</b>	<b>696</b>	<b>1,527</b>	<b>58</b>	<b>13,802</b>	<b>16,457</b>	<b>16,790</b>	
<b>3. Grand Total Banks</b>	<b>1,396</b>	<b>712</b>	<b>2,108</b>	<b>100</b>	<b>1,629</b>	<b>873</b>	<b>2,502</b>	<b>100</b>	<b>1,702</b>	<b>934</b>	<b>2,636</b>	<b>100</b>	<b>25,622</b>	<b>30,174</b>	<b>30,508</b>	

Source: Bank Supervision Directorate, NBE

Reg. Stands for Region

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



Source: Staff computation, NBE

Table 4.6: Branch Network &amp; Capital of Insurance Companies

(Branch in Number &amp; Capital in Millions of Birr)

S.No.	Insurance Companies	Branch									Capital		
		2013/14			2014/15						2013/14	2014/15	
		Quarter III			Quarter II			Quarter III			Quarter III	Quarter II	Quarter III
		A.A	Reg	Total	A.A	Reg	Total	A.A	Reg	Total	Capital	Capital	Capital
1	Ethiopian Insurance Corporation	18	44	62	18	48	66	18	48	66	399.3	466.4	472.8
2	Awash Insurance Company	21	12	33	22	12	34	22	12	34	167.4	195.3	206.1
3	Africa Insurance Company	6	7	13	9	8	17	9	9	18	136.3	183.1	199.3
4	National Insurance Corporation of Ethiopia	9	11	20	9	12	21	9	12	21	59.9	64.6	69.9
5	United Insurance Company	18	10	28	18	10	28	18	10	28	188.3	227.7	231.4
6	Global Insurance Company	6	5	11	6	5	11	6	5	11	58.7	79.8	91.4
7	Nile Insurance Company	14	14	28	14	17	31	14	17	31	185.1	153.7	218.0
8	Nyala Insurance Company	12	9	21	13	9	22	13	10	23	193.3	272.3	284.3
9	Nib Insurance Company	16	8	24	17	8	25	18	8	26	190.7	229.9	235.9
10	Lion Insurance Company	14	6	20	14	8	22	15	9	24	82.9	91.0	87.0
11	Ethio-Life Insurance Company	6	1	7	7	4	11	7	4	11	19.3	18.9	24.0
12	Oromia Insurance Company	14	11	25	14	12	26	17	12	29	91.3	103.1	134.2
13	Abay Insurance Company S.C.	7	5	12	7	9	16	8	9	17	34.1	90.2	99.4
14	Berhan insurance S.C	6	1	7	6	1	7	6	1	7	14.4	34.5	35.9
15	Tsehay Insurance S.C.	6	1	7	6	2	8	6	2	8	18.5	37.9	42.0
16	Lucy	2	1	3	3	2	5	3	2	5	8.7	35.1	47.4
17	Bunna Insurance S.C.	2	0	2	8	1	9	8	2	10	7.6	13.4	21.3
	<b>TOTAL</b>	<b>177</b>	<b>146</b>	<b>323</b>	<b>191</b>	<b>168</b>	<b>359</b>	<b>197</b>	<b>172</b>	<b>369</b>	<b>1,856</b>	<b>2,297</b>	<b>2,500</b>

Source: Insurance Company Directorate, NBE

**Table 4.7: Microfinance Institutions Performance as of December 31, 2014**

Particulars	2013/14		2014/15		(In Thousands of Birr)	
	Qtr.III		Qtr.II		% Change	
	A	B	C	C/A	C/B	
Total Capital	5,448,886.0	6,273,497.9	6,660,487.30	22.2	6.2	
Saving	10,168,201.8	12,995,646.3	14,243,260.10	40.1	9.6	
Credit	14,183,767.8	18,025,726.8	18,697,637.20	31.8	3.7	
Total Assets	22,622,154.3	26,746,975.6	28,963,642.30	28.0	8.3	

Source; Microfinance Supervision Directorate, NBE

## 4.5. Activities of the Banking System

### 4.5.1. Resource Mobilization

Total resources mobilized by the banking system decreased by 4.4 percent quarter-on-quarter basis due to a 11.3 percent drop in

deposit (net change) as borrowing and loan collection tended to increase. (Table 4.8)

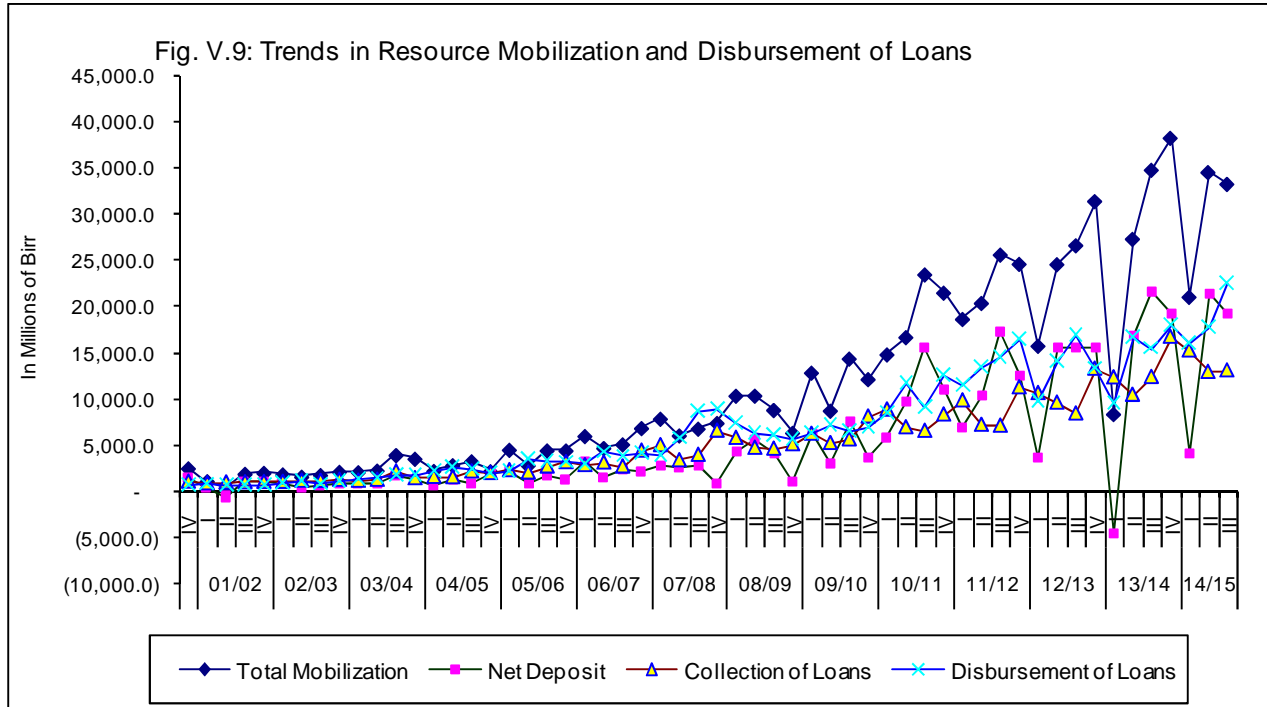
**Table 4.8: Summary of Resource Mobilization & Disbursement of the Banking System**

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr.II 2014/15	Qtr.III 2014/15	Qtr. II 2014/15	Qtr.III 2014/15	Qtr.III 2013/14	Qtr.II 2014/15	Qtr.III 2014/15		
	A	B	C	C/A	C/B				
1. Deposits (net change)	<b>16,546.9</b>	<b>11,690.2</b>	<b>4,751.7</b>	<b>7,417.0</b>	<b>21,539.64</b>	<b>21,298.6</b>	<b>19,107.2</b>	<b>-11.3</b>	<b>-10.3</b>
-Demand	9,162.3	1,766.4	839.3	2,202.3	8,087.04	10,001.6	3,968.6	-50.9	-60.3
-Saving	6,280.9	9,602.8	2,569.8	3,725.4	12,496.79	8,850.7	13,328.2	6.7	50.6
-Time	1,103.7	321.1	1,342.6	1,489.3	955.82	2,446.3	1,810.4	89.4	-26.0
2. Borrowing (net change)	<b>336.1</b>	<b>1,091.6</b>	<b>0.0</b>	<b>0.0</b>	<b>903.50</b>	<b>336.1</b>	<b>1,091.6</b>	<b>20.8</b>	<b>224.8</b>
-Local	187.9	980.9	0.0	0.0	401.74	187.9	980.9	144.2	422.2
-Foreign	148.3	110.6	0.0	0.0	501.76	148.3	110.6	-78.0	-25.4
3. Collection of Loans	5,298.8	5,867.0	7,593.1	7,185.1	12,346.00	12,891.9	13,052.1	5.7	1.2
4. Total Resources Mobilized (1+2+3)	<b>22,181.8</b>	<b>18,648.8</b>	<b>12,344.8</b>	<b>14,602.1</b>	<b>34,789.14</b>	<b>34,526.6</b>	<b>33,250.9</b>	<b>-4.4</b>	<b>-3.7</b>
5. Disbursement	7,387.2	16,444.3	10,477.6	6,135.2	15,530.46	17,864.8	22,579.5	45.4	26.4
6. Change in Liquidity (4-5)	<b>14,794.6</b>	<b>2,204.5</b>	<b>1,867.2</b>	<b>8,466.9</b>	<b>19,258.68</b>	<b>16,661.8</b>	<b>10,671.4</b>	<b>-44.6</b>	<b>-36.0</b>
Memorandum Item:									
A. Outstanding Credit*	124,452.6	138,470.2	67,582.3	67,227.5	162,893.28	192,034.9	205,697.8	26.3	7.1
B. Outstanding Interbank Lending	61.9	57.8	0.0	0.0	65.9	61.9	57.8	-12.3	-6.6

Source: Commercial Banks and staff computation

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

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



Source: Staff computation, NBE

#### 4.5.1.1. Deposit Mobilization

Total deposit liabilities of the banking system stood at Birr 337.3 billion as of March 2015 indicating a 23.2 percent annual growth rate. The growth in deposit liabilities was partly attributed to expansion of bank branches and improvements in economic activities.

Demand deposits, which accounted for 40.5 percent of total deposits, reached Birr 136.1 billion showing 12.7 percent yearly expansion. Likewise, saving deposits with 52.7 percent share in total deposits rose by 31.3 percent

while time deposits with a 7.0 percent share in total deposits surged by 33.8 percent.

The share of public banks in total deposit mobilization was 67.5 percent while that of private banks stood at 32.5 percent (Table 4.9).



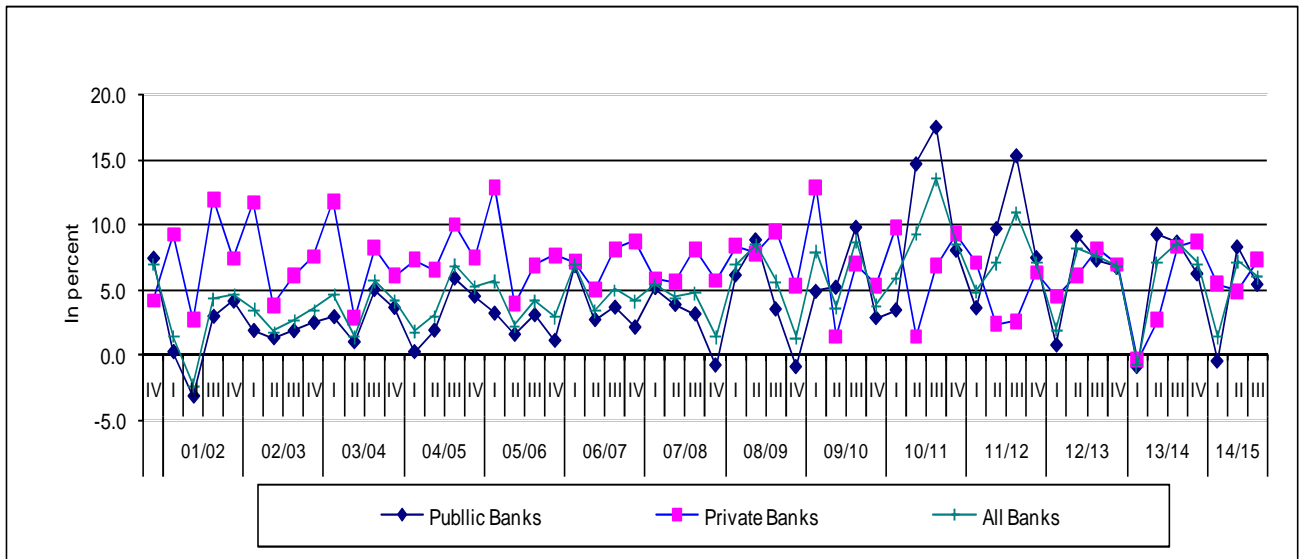
**Table 4.9: Stock of Deposits Mobilized by the Banking System**

(In Millions of Birr)

Deposit by types	Quarter III 2013/14	% Share	Quarter II 2014/15	% Share	Quarter III 2014/15	C/A	C/B
	A		B		C		
Demand Deposit	120,859.94	44.2	132,187.3	41.5	136,155.96	12.7	3.0
Saving Deposit	135,268.71	49.4	164,305.5	51.6	177,633.70	31.3	8.1
Time Deposit	17,555.75	6.4	21,687.9	6.8	23,498.23	33.8	8.3
<b>Total</b>	<b>273,684.40</b>	<b>100.0</b>	<b>318,180.7</b>	<b>100.0</b>	<b>337,287.89</b>	<b>23.2</b>	<b>6.0</b>
Share of Public Banks	68.99		67.9		67.55		
Share of Private Banks	31.01		32.1		32.5		

Source: Commercial Banks and DBE

**Fig: IV.10: Quarterly Net Change of Banks Deposit Liabilities by Ownership**



Source: Staff Computation, NBE

#### 4.5.1.2. Collection of Loans

During the review period, the banking system collected Birr 13.0 billion, about 5.7 percent higher than last year same period (Table 4.8). Of the total loan collection, the share of private banks was Birr 7.1 billion (55.0 percent) while that of public banks was Birr 5.9 billion (45.0 percent) (Table 4.11). Of the total loan collection, 87.2 percent was from private enterprises followed by public enterprises (12.8 percent) (Table 4.12).

#### 4.5.1.3. Borrowing

Total outstanding borrowing of the banking system reached Birr 30.5 billion, showing a 22.6 percent annual increase due to 25.0 percent rise in foreign and 22.2 percent in domestic borrowings. Of the total borrowing, Birr 26.6 billion (87.3 percent) was from domestic and Birr 3.9 billion (12.7 percent) from foreign sources (Table 4.10).

**Table 4.10: Public Outstanding Borrowing of the Banking System by Sources**

(In Millions of Birr)

Banks	2013/14	2014/15		Percentage change	
	Quarter III	Quarter II	Quarter III	C/B	C/A
	A	B	C		
Domestic Borrowing	21,822.9	25,690.6	26,671.1	3.8	22.2
Foreign Borrowing	3,105.7	3,770.0	3,880.6	2.9	25.0
<b>Total</b>	<b>24,928.5</b>	<b>29,460.6</b>	<b>30,551.7</b>	<b>3.7</b>	<b>22.6</b>

Source: Commercial Banks and Development Bank of Ethiopia

### 4.5.2. Disbursement of Fresh Loans

Total fresh loans disbursed by the banking system stood at Birr 22.6 billion, indicating a 45.4 percent annual growth (Table 4.8). Public banks disbursed Birr 16.4 billion (72.8 percent) while the remaining balance was disbursed by private banks (Table 4.12). About 100 percent of new loan disbursement by private banks and 57.9 percent of the loan by public banks went to the private sector (including cooperatives) (Table 4.12).

Industry was the largest beneficiary accounting for Birr 8.8 billion (39.1 percent) followed by agriculture (Birr 5.8 billion or 25.7 percent), domestic trade (Birr 2.7 billion or 12.0 percent), international trade (Birr 1.8 billion or 8.0 percent) and housing and construction (Birr 1.3 billion or 5.7 percent), (Table 4.11).

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

(In Millions of Birr)

Borrowing Sector	Public Banks			Private Banks			Total		
	(1)			(2)			(3)		
	D**	C**	O/S**	D**	C**	O/S**	D**	C**	O/S**
Central Government *	-	-	14,338	-	-	18	-	-	14,356
Agriculture	5,735	1,186	17,669	74	99	1,018	5,809	1,285	18,686
Industry	8,198	2,640	74,317	623	870	8,693	8,820	3,509	83,010
Domestic Trade	418	183	2,179	2,285	2,353	21,636	2,703	2,536	23,815
International Trade	315	296	22,220	1,497	2,262	18,499	1,811	2,558	40,719
Export	115	142	6,357	853	960	10,454	968	1,102	16,811
Imports	199	154	15,863	644	1,302	8,065	843	1,456	23,928
Hotels and Tourism	75	123	1,055	277	239	2,382	352	361	3,437
Transport & Communication	370	169	2,511	589	378	3,144	959	547	5,655
Housing & Construction	791	983	12,080	489	799	8,561	1,280	1,782	20,642
Mines, Power & Water Res.	30	12	185	3	4	56	33	15	241
Others	484	255	5,904	99	108	1,921	583	363	7,825
Personal	29	16	350	201	73	1,297	229	89	1,647
Inter-Bank Lending	-	6	58	-	-	-	-	6	58
<b>Total</b>	<b>16,444</b>	<b>5,867</b>	<b>152,866</b>	<b>6,135</b>	<b>7,185</b>	<b>67,246</b>	<b>22,579</b>	<b>13,052</b>	<b>220,112</b>

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

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

### 4.5.3. Outstanding credit

Total outstanding credit of the banking system (excluding credit to government and interbank lending) increased to Birr 205.7 billion as of March 2015, up by 26.3 percent over last year same period (Table 4.8).

About 99.9 percent of the outstanding loan of private banks was claims on private enterprises. On the other hand, 51 and 49 percent of total public banks' outstanding

loan was a claim on private enterprises and public enterprises respectively (Table 4.12).

Sector wise, credit to industry stood first with Birr 83.0 billion (40.4 percent) followed by international trade (19.8 percent), domestic trade (11.6 percent), housing & construction (10.0 percent), agriculture (9.1 percent) and the remaining balance being claims on other sectors (Table 4.11).

**Table 4.12: Breakdown of Loans & Advances of the Banking System by Clients**

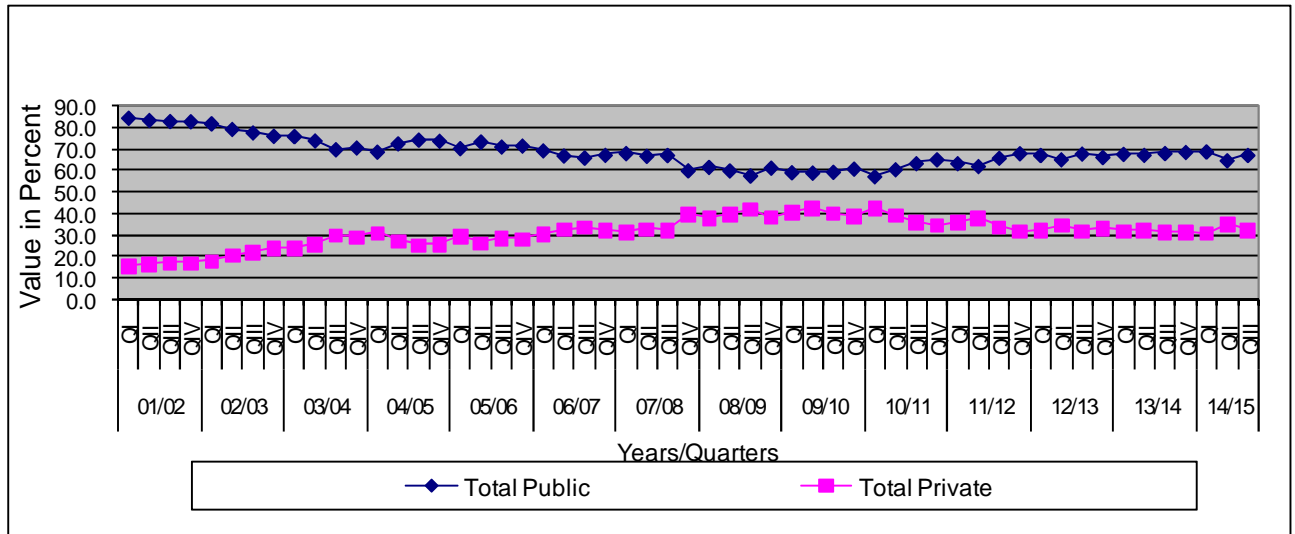
(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
<b>Public Banks</b>	<b>16,444.3</b>	<b>72.8</b>	<b>5,867.0</b>	<b>45.0</b>	<b>152,866.2</b>	<b>69.4</b>
Central Government*	0.0	0.0	0.0	0.0	14,338.2	9.4
State Enterprises	6,917.0	42.1	1,663.8	28.4	67,848.6	44.4
Cooperatives	5,057.0	30.8	1,033.4	17.6	13,441.6	8.8
Private Enterprises	4,470.3	27.2	3,163.5	53.9	57,180.1	37.4
Inter-bank Lending	0.0	0.0	6.3	0.1	57.8	0.0
<b>Private Banks</b>	<b>6,135.2</b>	<b>27.2</b>	<b>7,185.1</b>	<b>55.0</b>	<b>67,245.5</b>	<b>30.6</b>
Central Government*	0.0	0.0	0.0	0.0	18.0	0.0
State Enterprises	0.0	0.0	1.7	0.0	63.2	0.1
Cooperatives	38.8	0.6	26.2	0.4	1,284.7	1.9
Private Enterprises	6,096.4	99.4	7,157.2	99.6	65,879.7	98.0
Inter-bank Lending	0.0	0.0	0.0	0.0	0.0	0.0
<b>Grand Total</b>	<b>22,579.5</b>	<b>100.0</b>	<b>13,052.1</b>	<b>100.0</b>	<b>220,111.8</b>	<b>100.0</b>

Source: Commercial Banks and staff computation

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

**Fig: IV.12: Share of Public and Private Banks in Credit Outstanding Source: Staff computation, NBE**



#### 4.6. Financial Activities of NBE

As of end March 2015, gross claims of NBE on the central government reached Birr 81.1 billion, about 10.6 percent higher than last year same period. Of the credit to the central government, direct advance accounted for 89.0 percent, and bonds 11.0 percent. Direct advance increased by 12.4 percent while NBE’s holdings of government bonds declined by 2.3 percent during the same period.

Meanwhile, deposits of the central government and financial institutions at NBE increased by 1.7 percent on yearly and 9.5 percent on quarterly basis.

Of the total deposits, 56.9 percent was deposit of the central government which increased by 63.6 percent over last year same period (Table 4.13). Likewise, deposits by financial institutions decreased by 32.1 percent.

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

(In millions Birr)

Particulars	2013/14	2014/15		% Change	
	Qtr.III	Qtr.II	Qtr.III	C/A	C/B
	A	B	C		
<b>1.Loans and Advances</b>	<b>90,888.33</b>	<b>100,332.34</b>	<b>104,032.34</b>	<b>14.5</b>	<b>3.7</b>
1.1. To Central Government	73,381.33	78,175.34	81,175.34	10.6	3.8
Direct Advance	64,264.95	69,264.95	72,264.95	12.4	4.3
Bonds	9,116.39	8,910.39	8,910.39	-2.3	0.0
1.2.To Development Bank of Ethiopia	17,507.00	22,157.00	22,857.00	30.6	3.2
<b>2.Deposit Liabilities</b>	<b>36,834.36</b>	<b>34,207.90</b>	<b>37,468.75</b>	<b>1.7</b>	<b>9.5</b>
2.1. Government	13,021.99	13,882.20	21,308.75	63.6	53.5
2.2. Financial Institutions	23,812.37	20,325.70	16,160.00	-32.1	-20.5
O/W:					
-Banks	23,764.84	20,279.90	16,101.77	-32.2	-20.6
-Insurance companies	47.53	45.8	58.2	22.5	27.1
<b>3.Net Claims of NBE</b>	<b>54,054.0</b>	<b>66,124.4</b>	<b>66,563.6</b>	<b>23.1</b>	<b>0.7</b>

Source: NBE

## 4.7. Developments in Financial Markets

### 4.7.1. Treasury Bills Market

During the third quarter of the fiscal year 2014/15, the amount of T-bills supplied to the weekly T-bills auction market reached Birr 23.7 billion, reflecting a 23.7 percent growth over same period last year. The demand for T-bills, however, contracted by 11.5 percent to Birr 26.3 billion (Table 4.14).

All the T-bills were sold to non-bank institutions. As a result, the share of non-bank institutions in outstanding bills became 100 percent as commercial banks

stopped participating in the auction market with a view of focusing on financing the private sector.

The total outstanding T-bills at the end of the quarter reached Birr 39.3 billion, reflecting a 38.1 percent increase over same period last year.

Mean while, the annual average weighted yield of T-bills during the review quarter was 1.292 percent is about 2.3 percent higher than a year earlier (Table 4.14).

Table 4.13: Results of Treasury Bills Auction

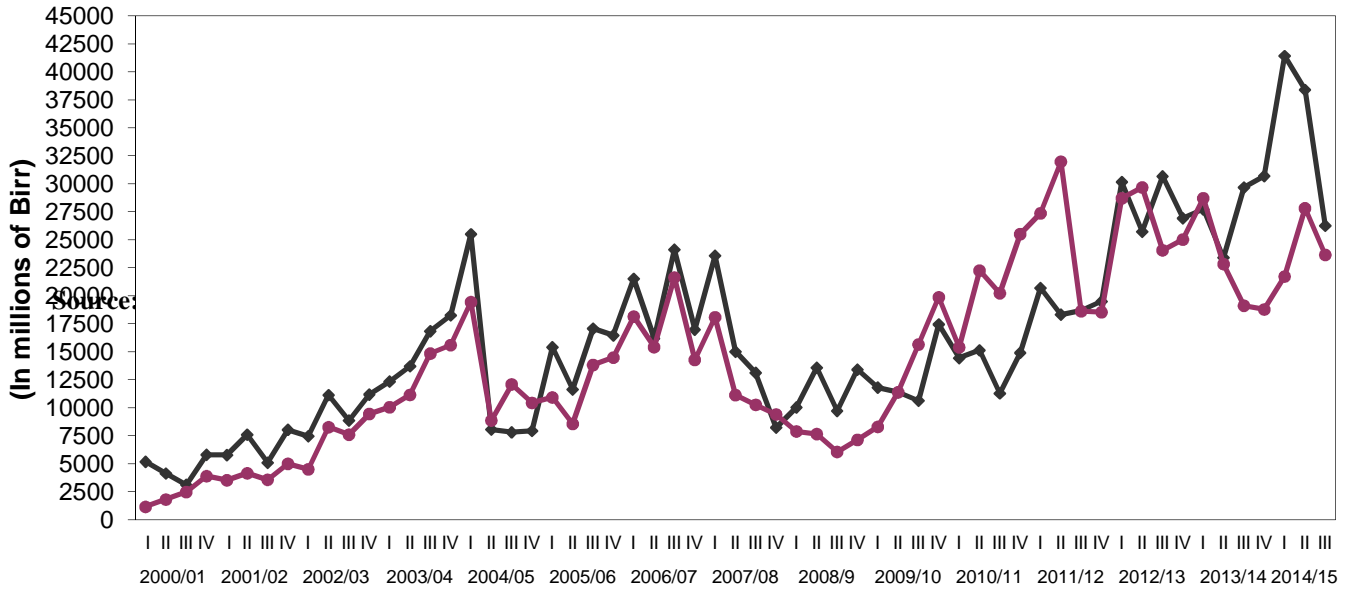
(In Millions of Birr)

Particulars	2013/14	2014/15		% Change	
	Qtr.III	Qtr.II	Qtr.III	C/A	C/B
	A	B	C		
<b>Number of Bidders</b>	<b>102</b>	<b>69</b>	<b>52</b>	<b>-49.0</b>	<b>-24.6</b>
Public	51	58	50	-2.0	-13.8
Private	51	11	2	-96.1	-81.8
<b>Number of Bids Accepted</b>	<b>192</b>	<b>95</b>	<b>59</b>	<b>-69.3</b>	<b>-37.9</b>
Public	68	77	56	-17.6	-27.3
Private	124	18	3	-97.6	-83.3
<b>Amount Demanded (Mn.Birr)</b>	<b>29,679.4</b>	<b>38,396.9</b>	<b>26,258.9</b>	<b>-11.5</b>	<b>-31.6</b>
28-day bill	4,622.0	260.0	340.0	-92.6	30.8
91-day bill	19,545.4	30,275.9	21,708.9	11.1	-28.3
182-day bill	1,411.0	5,191.0	1,210.0	-14.2	-76.7
364-day bill	4,101.0	2,670.0	3,000.0	0.0	12.4
<b>Amount Supplied (Mn.Birr)</b>	<b>19,118.9</b>	<b>27,819.4</b>	<b>23,658.4</b>	<b>23.7</b>	<b>-15.0</b>
28-day bill	963.0	260.0	240.0	-75.1	-7.7
91-day bill	13,245.9	19,633.4	19,168.4	44.7	-2.4
182-day bill	1,610.0	5,256.0	1,250.0	-22.4	-76.2
364-day bill	3,300.0	2,670.0	3,000.0	0.0	12.4
<b>Amount Sold (Mn.Birr)</b>	<b>19,820.4</b>	<b>29,293.4</b>	<b>56,553.7</b>	<b>185.3</b>	<b>93.1</b>
Banks	0.0	0.0	0.0	0.0	0.0
Non-Banks	19,820.4	29,293.4	56,553.7	185.3	93.1
<b>Average Weighted Price for Successful Bids(Birr)</b>	<b>99.257</b>	<b>99.058</b>	<b>99.254</b>	<b>0.0</b>	<b>0.2</b>
28-day bill	99.93	99.941	99.927	0.0	0.0
91-day bill	99.70	99.702	99.702	0.0	0.0
182-day bill	99.67	99.495	99.667	0.0	0.2
364-day bill	97.72	97.095	97.721	0.0	0.6
<b>Average Weighted Yield for Successful Bids(%)</b>	<b>1.263</b>	<b>1.496</b>	<b>1.292</b>	<b>2.3</b>	<b>-13.7</b>
28-day bill	0.855	0.768	0.956	11.8	24.5
91-day bill	1.184	1.197	1.199	1.3	0.1
182-day bill	0.670	1.020	0.670	0.0	-34.4
364-day bill	2.342	3.000	2.342	0.0	-21.9
<b>Outstanding bills at the end of Period (Mn.Br.)</b>	<b>28,492.4</b>	<b>36,907.4</b>	<b>39,342.9</b>	<b>38.1</b>	<b>6.6</b>
Banks	0.0	0.0	0.0	0.0	0.0
Non-Banks	28,492.4	36,907.4	39,342.9	38.1	6.6

Source: NBE

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

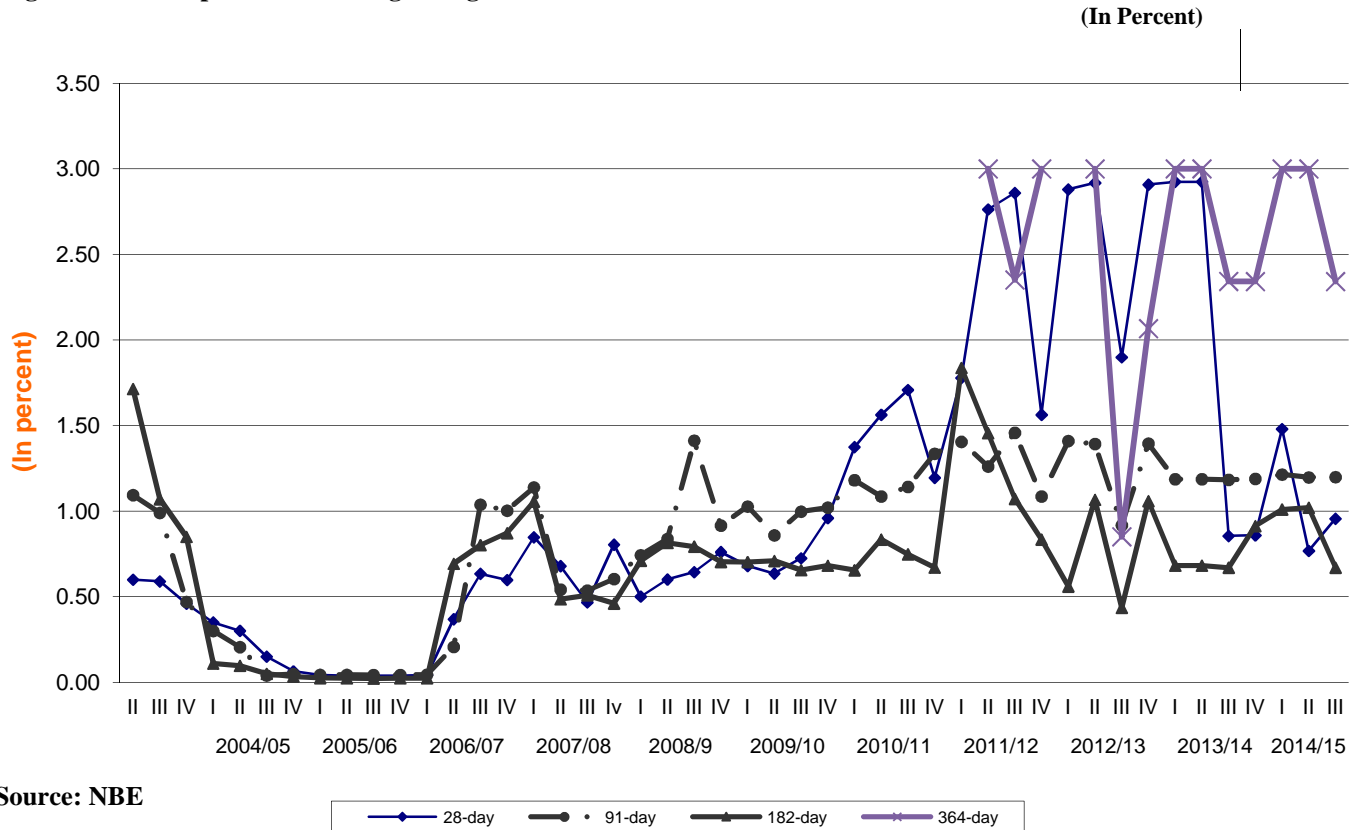
(In Millions of Birr)



—◆— Demand    —●— Supply



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



Source: NBE

#### 4.7.2. Inter- Bank Money Market

There has been no inter-bank money market transaction during the review quarter (Table 4.12).

#### 4.7.3. Corporate Bond Market

Corporate bond market remained under developed whereby merely only few public institutions and regional governments participate. The sole purchaser of these bonds is the Commercial Bank of Ethiopia (CBE).

During the quarter under review, CBE purchased corporate bonds worth Birr 12.1 billion, of which Ethiopian Electric Power

(EEP) accounted for 72.7 percent, Railways Corporation 14.0 percent and Addis Ababa Housing Development Agency (13.2 percent).

As of end March 2015, the stock of corporate bonds held by CBE stood at Birr 136.6 billion, of which 84.5 percent was claims on public enterprises and the remaining balance on regional governments (Table 4.15). Corporate

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bonds issued by EEP accounted for 92.7 percent of the total percent of the bonds issued by public enterprises and 78.6 percent of the total outstanding corporate bond balance.

**Table 4.15: Corporate Bond by holders** (Millions of Birr)

Issuer of the Bond	2013/14			2014/15					
	QIII			QII			QIII		
	NP	Red	O/S	NP	Red	O/S	NP	Red	O/S
<b>1. Public Enterprises</b>	<b>7,000.0</b>	<b>24.0</b>	<b>86,964.7</b>	<b>8,400.0</b>	<b>0.0</b>	<b>105,243.4</b>	<b>10,500.0</b>	<b>0.0</b>	<b>115,743.4</b>
EEP	7,000.0	-	83,200.0	6,800.0	-	98,500.0	8,800.0	-	107,300.0
Railways Corporation	-	-	3,100.0	1,600.0	-	6,700.0	1,700.0	-	8,400.0
DBE	-	24.0	664.7	-	-	43.4	-	-	43.4
<b>2. Regional Governments</b>	<b>825.0</b>	<b>746.7</b>	<b>15,161.2</b>	<b>2,350.0</b>	<b>266.4</b>	<b>19,570.3</b>	<b>1,600.0</b>	<b>354.6</b>	<b>20,815.8</b>
Oromia	-	72.2	852.6	-	15.3	677.6	-	45.3	632.3
Amhara	-	-	0.2	-	-	0.2	-	-	0.2
Tigray	-	126.5	284.0	-	5.9	221.8	-	1.2	220.6
SNNPRS	-	12.1	329.0	-	3.4	294.9	-	4.9	290.0
Dire Dawa	-	28.8	79.8	-	13.3	-	-	-	-
Harari	-	-	0.0	-	-	-	-	-	-
Addis Ababa Housing Development Agency	825.0	507.1	13,615.5	2,350.0	228.5	18,375.8	1,600.0	303.2	19,672.6

Source: NBE

Note: NP= New Purchase, Red. = Redemption,  
O/S= outstanding

