

## V. External Sector Developments

### 5.1. Balance of Payments

During the fourth quarter of 2014/15, the overall balance of payments registered USD 79.8 million in surplus, compared to USD 410.5 million surplus a year ago.

Although there was a rise in net private transfers inflow (5 percent), the decline in merchandise export earnings (18.3 percent), net service receipts, net official transfers (61.8 percent), and net capital Inflow (12.8 percent) as well as a rise in imports (16.4 percent) led to a decline in

the quarter-on-quarter balance of payments surpluses.

The quarter-on-quarter decline in capital account surplus was mainly due to a 74.1 percent decrease in inflows of net official long-term capital inflow despite the increase in other public net long-term loan disbursement and net foreign direct investment inflow by 184.5 and 31.5 percent, respectively.

**Table 5.1: Balance of Payments**

(In Millions of USD)

S/N	Particulars	2013/14	2014/15		Percentage Change	
		QIV	QIII	QIV	C/A	C/B
		A	B	C		
<b>1</b>	<b>Exports, f.o.b.</b>	<b>979.5</b>	<b>820.8</b>	<b>800.3</b>	-18.3	-2.5
	Coffee	326.9	170.5	301.4	-7.8	76.7
	Other	652.6	650.3	499.0	-23.5	-23.3
<b>2</b>	<b>Imports</b>	<b>3,619.6</b>	<b>4,195.0</b>	<b>4,213.4</b>	<b>16.4</b>	<b>0.4</b>
	Fuel	689.8	378.8	474.2	-31.3	25.2
	Cereals	63.6	152.3	124.2	95.3	-18.5
	Aircraft	7.7	42.1	9.6	25.0	-77.1
	Imports excl. fuel, cereals,	2,858.4	3,621.9	3,605.3	26.1	-0.5
<b>3</b>	<b>Trade Balance (1-2)</b>	<b>-2,640.0</b>	<b>-3,374.2</b>	<b>-3,413.1</b>	<b>29.3</b>	<b>1.2</b>
<b>4</b>	<b>Services, net</b>	<b>-5.6</b>	<b>-76.3</b>	<b>-233.6</b>	<b>4,065.1</b>	<b>206.0</b>
	Non-factor services, net	35.6	1.8	-160.8	-551.2	-9,004.8
	Exports of non-factor	763.9	703.8	682.2	-10.7	-3.1
	Imports of non-factor	728.3	702.0	843.0	15.8	20.1
	Income, net	-41.2	-78.1	-72.8	76.6	-6.8
	O/w Gross official int.	36.3	74.7	73.5	102.4	-1.5
	Dividend	-7.3	-6.2	-2.1	-71.4	-66.1
<b>5</b>	<b>Private transfers, net</b>	<b>1,132.1</b>	<b>1,147.3</b>	<b>1,188.7</b>	<b>5.0</b>	<b>3.6</b>
	o/w: Private Individuals		911.2	908.0	24.9	-0.3
<b>6</b>	<b>Current account balance excluding official transfers</b>	<b>-1,513.5</b>	<b>-2,303.25</b>	<b>-2,457.99</b>	<b>62.4</b>	<b>6.7</b>
<b>7</b>	<b>Official transfers, net</b>	<b>338.5</b>	<b>178.5</b>	<b>129.2</b>	<b>-61.8</b>	<b>-27.6</b>
<b>8</b>	<b>Current account balance including official transfers(6+7)</b>	<b>-1,175.0</b>	<b>-2,124.7</b>	<b>-2,328.8</b>	<b>98.2</b>	<b>9.6</b>
<b>9</b>	<b>Capital account</b>	<b>2,087.5</b>	<b>774.6</b>	<b>1,820.2</b>	<b>-12.8</b>	<b>135.0</b>
	Off. Long-term Cap., net	1,407.4	114.4	364.0	-74.1	218.1
	Disbursements	1,432.1	130.2	384.2	-73.2	195.2
	Amortization	24.7	15.7	20.3	-17.8	28.9
	Other pub. Long-term cap.	310.3	68.7	883.0	184.5	1,185.1
	Foreign Direct Investment(net)	452.1	561.3	594.3	31.5	5.9
	Short-term Capital	-82.3	30.2	-21.1	-74.4	-169.8
<b>10</b>	<b>Errors and omissions</b>	<b>-502.0</b>	<b>1,136.7</b>	<b>588.4</b>		
<b>11</b>	<b>Overall balance (8+9+10)</b>	<b>410.5</b>	<b>-213.4</b>	<b>79.8</b>		
<b>12</b>	<b>Financing</b>	<b>-410.5</b>	<b>213.4</b>	<b>-79.8</b>		
13	Reserves [Increase (-), Decrease	-410.5	213.4	-79.8		
14	Central Bank (NFA)	-116.8	52.8	-97.8		
	Asset	-178.0	567.3	-93.3		
	Liabilities	61.3	-514.5	-4.5		
15	Commercial banks (NFA)	-293.8	160.6	18.0		
16	Debt Relief					
	Principal					
	Interest					

Source: NBE Staff Compilation

Total current foreign exchange receipts in the review quarter amounted to USD 2.8 billion, 13.1 percent lower than last year same period due to a decline in export earnings (18.3 percent), service proceeds (10.6 percent) and public transfers (62.3 percent).

At the same time, total current foreign exchange payments increased by 16.6

percent and stood at USD 5.1 billion mainly on account of the rise in payments for merchandise imports (16.4 percent) and service payments (19 percent). Consequently, the current account recorded USD 2.3 billion net outflows, 98.2 percent higher than a year ago (Table 5.2).

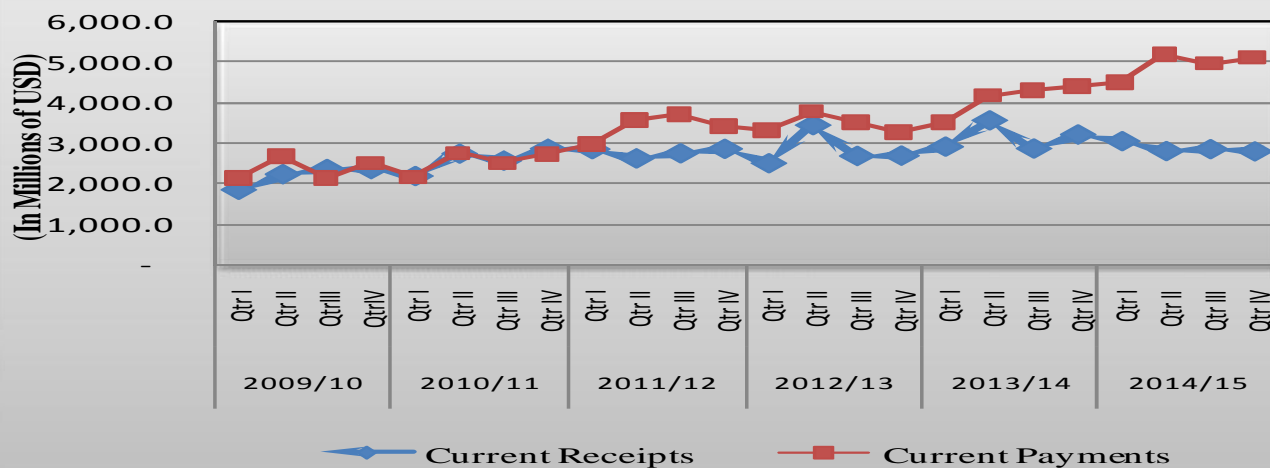
**Table 5.2: Current Receipts and Payments**

(In millions of USD)

Particulars	2013/14	2014/15		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	C/A	C/B
	A	B	C		
<b>1. Current Receipts</b>	<b>3,230.8</b>	<b>2,863.1</b>	<b>2,808.2</b>	<b>-13.1</b>	<b>-1.9</b>
Export Proceeds	979.5	820.8	800.3	-18.3	-2.5
Service Proceeds	766.4	706.5	685.0	-10.6	-3.0
Private Transfers	1,134.7	1,156.0	1,190.9	5.0	3.0
Public Transfer	350.2	179.7	132.0	-62.3	-26.5
<b>2. Current Payments</b>	<b>4,405.8</b>	<b>4,987.8</b>	<b>5,137.1</b>	<b>16.6</b>	<b>3.0</b>
Import Payments	3,619.6	4,195.0	4,213.4	16.4	0.4
Service Payments	772.0	782.8	918.6	19.0	17.3
Private Transfers	2.6	8.7	2.2	-14.0	-74.7
Public Transfer	11.7	1.2	2.8	-75.6	136.4
<b>3. Net(1-2)</b>	<b>-1,175.0</b>	<b>-2,124.7</b>	<b>-2,328.8</b>	<b>98.2</b>	<b>9.6</b>

**Source:** Staff Compilation

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

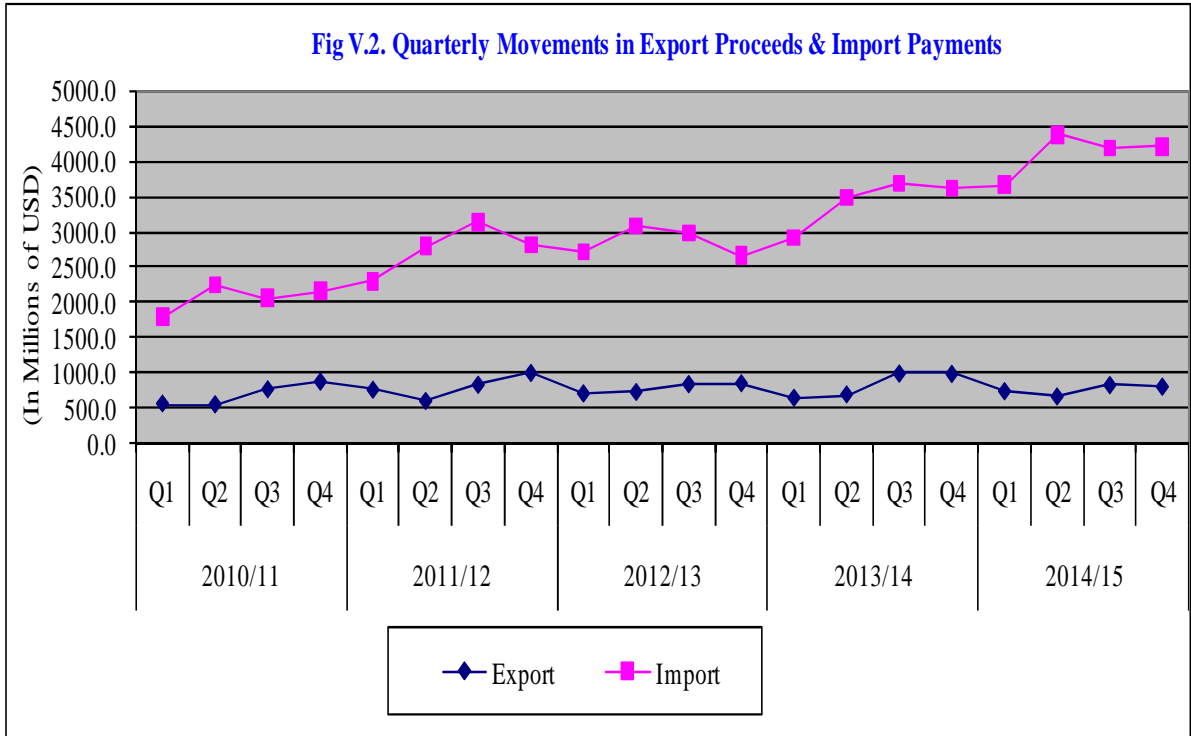


**Source:** NBE Staff Compilation

## 5.2. Merchandise Trade

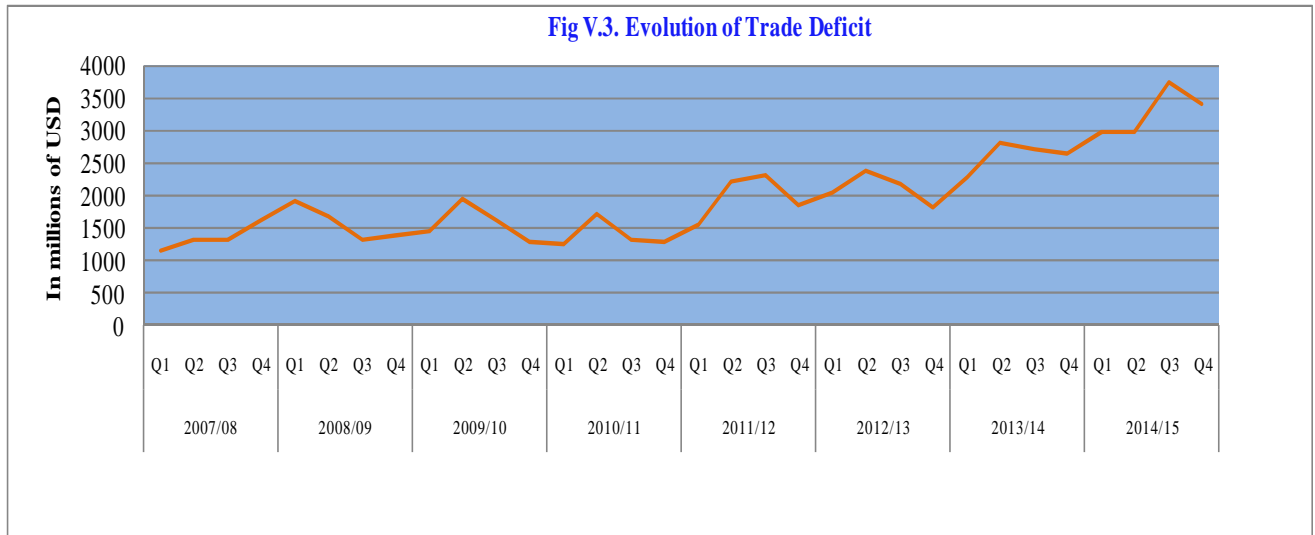
Merchandise trade deficit during the fourth quarter of 2014/15 amounted to USD 3.4 billion, 29.3 percent higher compared to the same period last year.

This widening of trade deficit was attributed to a significant increase in import bills and decline in merchandise export earnings.



**Source:** Ethiopian Revenue and Customs Authority

Note: Export data used in the above graph includes elasticity export



**Source:** NBE Staff Compilation

### 5.2.1. Exports

Total merchandise export earnings, including electricity, decreased by 18.3 percent compared to the same period last year and amounted to USD 800.3 million. The quarter-on-quarter decline resulted from lower export earnings from coffee (7.8 percent), oilseeds (13.0 percent), gold (56.4 percent), chat (21.0 percent), pulses (38.5 percent), live-animals (2.1 percent) and electricity (47.0 percent) as a result of a decrease in international price, volume of export or both.

Export earnings from coffee in the review period showing a 7.8 percent decline compared to last year on account of lower international price (0.7 percent) and volume of export (7.2 percent). Consequently, export earnings from coffee in the fourth quarter of 2014/15 decreased to USD 301.4 million from USD 326.9 a year ago. The share of coffee in total export earnings increased to 37.7 percent from 33.4 percent.

Earnings from export of oilseeds decreased by 13.0 percent relative to last year same period owing to a 27.1 percent slowdown in international price despite a *Fourth Quarter 2014/15*

19.2 percent rise in volume of export. Consequently, the share of oilseeds in total export receipt increased to 15.4 percent from 14.4 percent last year the same quarter and stood at USD 123 million.

Similarly, proceeds from gold export plummeted by 56.4 percent compared to previous year same quarter due to a 54.8 percent decline in volume of export and 3.6 percent slowdown in international price. Thus, the share of gold in total merchandise export revenue dropped to 7.3 percent from 13.8 percent a year ago and reached USD 58.8 million.

Likewise, earnings from chat decreased by 21.0 percent compared to last year same quarter and reached USD 57.1 million as export volume fell by 17.1 percent and international price by 4.7 percent. Hence, the share of chat in total export earnings decreased to 7.1 percent compared with 7.4 percent share of last year same quarter.

Earnings from pulses decelerate by 38.5 percent to USD 38.0 million owing to a 20 percent decrease in international

price and 23.2 percent in volume of export. Thus the share of pulses in total merchandise proceeds declined to 4.8 percent export earnings compared to 6.3 percent a year earlier.

Similarly, proceeds from live-animals exports stood at USD 35 million showing a 2.1 percent decline quarter - on -quarter bases. The fall in earnings from live-animals was ascribed to a 5.9 percent fall in export volume despite a 4 percent rise in international price. Consequently, the share of live-animals in total merchandise export rose to 4.4 percent from 3.6 percent last year same quarter.

Likewise, electricity export earnings declined by 47.0 percent to USD 6.7 million vis-à-vis last year same period owing to a 53.5 percent slowdown in export volume (KWH).

On the other hand, earnings from exports of flower increased by 2.8 percent to USD 57.1 million due to an increase in export volume by 5.1 percent despite 2.2 percent decline in international price. As a result, the share of flower export in total export earnings increased to 7.1

percent from 5.7 percent share of same period last year.

Earnings from export of leather & leather products went up by 11.7 percent to USD 34.3 million due to a 12 percent rise in export volume though international price marginally dropped by 0.2 percent. Hence, the share of leather & leather products in total export revenue increased to 4.3 percent from 3.1 percent a year earlier.

Receipts from meat & meat products reached USD 24.6 million depicting a 14.4 percent increase over the previous year same quarter. This was attributed to a 14.9 percent rise in volume of export despite a 0.4 percent fall in international price. The share of meat & meat products in total export earnings slightly increased to 3.1 percent from 2.2 percent last year.

Earnings from export of fruits & vegetables increased by 1.8 percent to USD 12.3 million compared to last year same period. This growth was due to a 3.1 percent rise in international price despite a 1.2 percent fall in export volume. Consequently, earnings from

export of fruits & vegetables constituted  
1.5 percent share in total merchandise  
export earnings.

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

(In millions of USD)

Particulars	2013/14		2014/15				Percentage Change	
	QIV		QIII		QIV		C/A	C/B
	A	%share	B	%share	C	%share		
Coffee	326.9	33.4	170.5	20.8	301.4	37.7	-7.8	76.7
Oilseeds	141.5	14.4	173.9	21.2	123.0	15.4	-13.0	-29.3
Leather and Leather products	30.7	3.1	34.29	4.2	34.28	4.3	11.7	-0.03
Pulses	61.9	6.3	61.5	7.5	38.0	4.8	-38.5	-38.2
Meat & Meat Products	21.5	2.2	23.4	2.9	24.6	3.1	14.4	4.9
Fruits & Vegetables	12.1	1.2	12.2	1.48	12.3	1.54	1.8	1.2
Live Animals	35.73	3.6	22.88	2.8	34.97	4.4	-2.1	52.8
Chat	72.32	7.4	65.59	8.0	57.10	7.1	-21.0	-12.9
Gold	134.9	13.8	117.1	14.3	58.8	7.3	-56.4	-49.8
Flower	55.6	5.7	55.2	6.7	57.1	7.1	2.8	3.6
Electricity*	12.6	1.28	10.6	1.29	6.7	0.8	-47.0	-37.0
Others	73.9	7.5	73.6	9.0	52.1	6.5	-29.5	-29.2
<b>Total Export</b>	<b>979.6</b>	<b>100.0</b>	<b>820.8</b>	<b>100.0</b>	<b>800.3</b>	<b>100.0</b>	<b>-18.3</b>	<b>-2.5</b>
<b>Total excluding electricity</b>	<b>967.0</b>		<b>810.3</b>		<b>793.7</b>		<b>-17.9</b>	<b>-2.0</b>

\*Electricity export for June 2014/15 is an estimate

**Source:** Ethiopian Revenue and Customs Authority



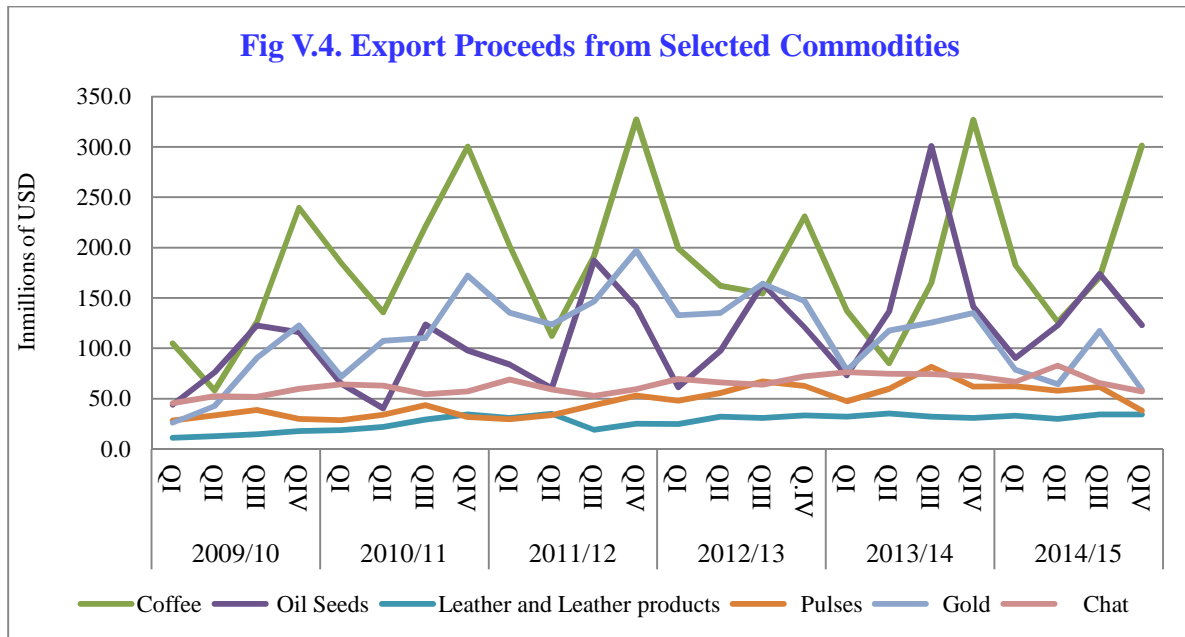
**Table 5.4: Volume of Major Export Items**

In millions of Kg

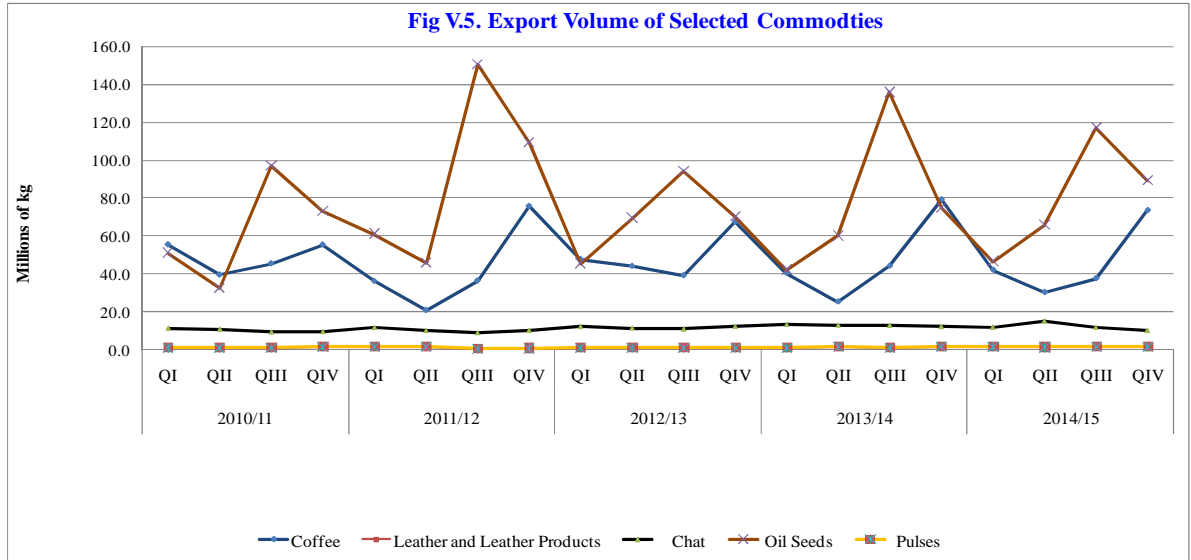
Particulars	2013/14	2014/15		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	79.3	37.7	73.6	-7.2	94.9
Oilseeds	75.1	117.1	89.5	19.2	-23.6
Leather and Leather products	1.48	1.55	1.65	12.0	6.7
Pulses	85.4	100.9	65.6	-23.2	-35.0
Meat & Meat Products	4.3	4.8	4.9	14.9	1.5
Fruits & Vegetables	39.0	34.9	38.5	-1.2	10.3
Live Animals	18.9	12.4	17.8	-5.9	42.9
Chat	12.3	11.9	10.2	-17.1	-13.9
Gold(in mill of grams)	3.73	3.35	1.69	-54.8	-49.7
Flower	12.7	12.2	13.4	5.1	9.5
Electricity (KWH) *	216.4	180.3	100.5	-53.5	-44.2

\*Electricity export for June 2014/15 is an estimate

**Source:** Ethiopian Revenue and Customs Authority



**Source:** Ethiopian Revenue and Customs Authority



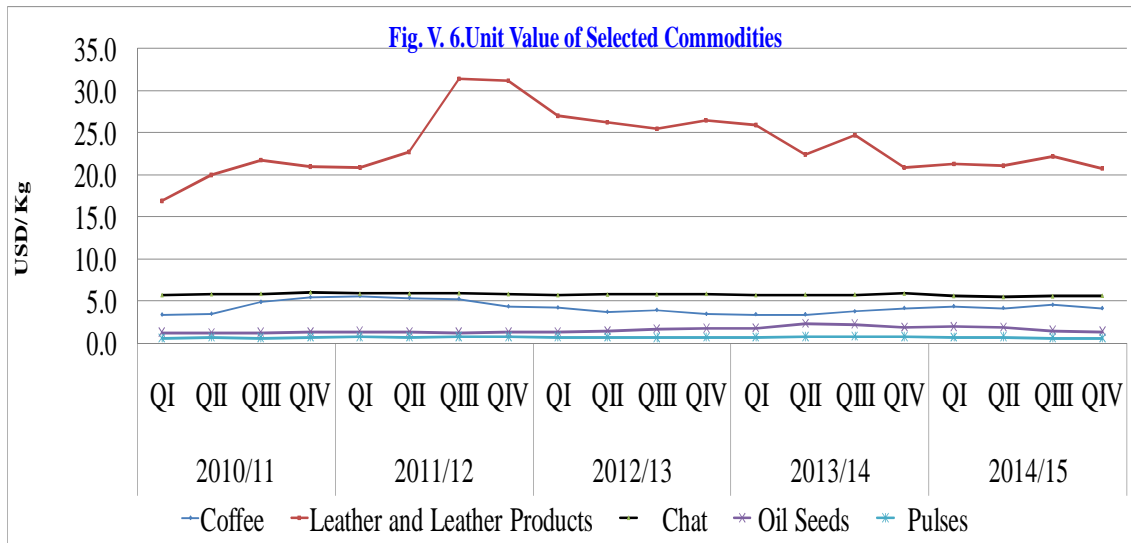
**Source:** Ethiopian Revenue and Customs Authority

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

(In USD/kg)

Particulars	2013/14	2014/15		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	4.12	4.5	4.10	-0.7	-9.3
Oilseeds	1.9	1.5	1.4	-27.1	-7.4
Leather and Leather products	20.8	22.1	20.8	-0.2	-6.3
Pulses	0.72	0.61	0.58	-20.0	-4.9
Meat & Meat Products	5.04	4.9	5.02	-0.4	3.4
Fruits & Vegetables	0.31	0.35	0.32	3.1	-8.3
Live Animals	1.9	1.8	2.0	4.0	7.0
Chat	5.9	5.5	5.6	-4.7	1.1
Gold (USD/gm)	36.2	34.9	34.9	-3.6	-0.2
Flower	4.4	4.5	4.3	-2.2	-5.4
Electricity(USD/KWH)	0.058	0.059	0.07	14.0	13.0

**Source:** NBE Staff Compilation



**Source:** NBE Staff Compilation

## 5.2.2. Imports

Total value of merchandise import during the fourth quarter of 2014/15 stood at USD 4.2 billion. With respect to last year the same quarter, the total import bill increased by 16.4 percent owing to rise in import value of capital goods (28.9 percent), consumer goods (31.4 percent) and semi-finished goods (24.3 percent) despite fuel and raw material import bill decreased by 31.3 percent and 17.4 percent, respectively. Similarly, the total import bill in the fourth quarter of 2014/15 slightly went-up by 0.4 percent compared to the preceding quarter owing to a rise in import values of semi-finished goods

(7.5 percent), fuel (25.2 percent) and raw material (38.0 percent).

Import bills for capital goods during the review period rose by 28.9 vis-à-vis same quarter last year but fall by 4.0 percent compared to the preceding quarter. The quarter-on-quarter increment of capital goods resulted from the rise in import bill of industrial capital goods (25.4 percent) and transport capital goods (53.6 percent) although payment for import of agricultural capital goods decreased by (38.0 percent). On the other hand, the fall in import value of capital goods in relation to the previous quarter resulted from the fall in import value of industrial capital

goods (3.3 percent) and transport capital goods (9.4 percent) despite an increase in import value of agricultural capital goods by 92.0 percent. Consequently, the share of capital goods bill from total import bills went up to 43.3 percent from 39.1 percent share of same period last year but went down from 45.3 percent share of the preceding quarter.

**Table 5.6: Values of Major Import Items**

(In millions of USD)

Particulars	2013/14		2014/15				Percentage Changes	
	Quarter IV	% share	Quarter III	% share	Quarter IV	% share		
	A		B		C		C/A	C/B
<b>Raw Materials</b>	<b>56.3</b>	<b>1.6</b>	<b>33.7</b>	<b>0.8</b>	<b>46.5</b>	<b>1.1</b>	<b>-17.4</b>	<b>38.0</b>
<b>Semi-finished Goods</b>	<b>559.8</b>	<b>15.5</b>	<b>647.3</b>	<b>15.4</b>	<b>695.9</b>	<b>16.5</b>	<b>24.3</b>	<b>7.5</b>
Fertilizers	91.9	2.5	180.0	4.3	163.5	3.9	77.9	-9.2
<b>Fuel</b>	<b>689.8</b>	<b>19.1</b>	<b>378.8</b>	<b>9.0</b>	<b>474.2</b>	<b>11.3</b>	<b>-31.3</b>	<b>25.2</b>
Petroleum Products	672.4	18.6	367.4	8.8	464.0	11.0	-31.0	26.3
Others	17.4	0.5	11.3	0.3	10.2	0.2	-41.3	-9.9
<b>Capital Goods</b>	<b>1416.3</b>	<b>39.1</b>	<b>1901.8</b>	<b>45.3</b>	<b>1825.2</b>	<b>43.3</b>	<b>28.9</b>	<b>-4.0</b>
Transport	284.0	7.8	481.3	11.5	436.2	10.4	53.6	-9.4
Agricultural	49.5	1.4	16.0	0.4	30.7	0.7	-38.0	92.0
Industrial	1082.9	29.9	1404.5	33.5	1358.3	32.2	25.4	-3.3
<b>Consumer Goods</b>	<b>846.5</b>	<b>23.4</b>	<b>1179.6</b>	<b>28.1</b>	<b>1112.4</b>	<b>26.4</b>	<b>31.4</b>	<b>-5.7</b>
Durables	317.2	8.8	511.3	12.2	324.2	7.7	2.2	-36.6
Non-durables	529.3	14.6	668.3	15.9	788.2	18.7	48.9	17.9
<b>Miscellaneous</b>	<b>50.8</b>	<b>1.4</b>	<b>53.8</b>	<b>1.3</b>	<b>59.2</b>	<b>1.4</b>	<b>16.6</b>	<b>10.1</b>
<b>Total Imports</b>	<b>3619.6</b>	<b>100.0</b>	<b>4195.0</b>	<b>100.0</b>	<b>4213.4</b>	<b>100.0</b>	<b>16.4</b>	<b>0.4</b>

**Source:** Ethiopian Revenue and Customs Authority

*Fourth Quarter 2014/15*

Total imports reached USD 4.21 billion showing a 16.4 percent quarter growth. Meanwhile, import bill of consumer goods was USD 1.11 billion in the review period which increased by 31.4 percent vis-à-vis same period last year owing to a 48.9 percent surge in imports of non durable and 2.2 percent of durable consumer goods. Consequently, the share of consumer goods in total imports increased to 26.4 percent from 23.4 percent last year.

Imports of semi-finished goods at USD 695.9 million were 24.3 percent higher than a year ago as imports of fertilizer went up by 77.9 percent to USD 163.5 million. Thus, in the review period, the share of semi-finished goods in total imports increased to 16.5 percent from 15.5 percent last year same period.

Fuel import bill reached USD 474.2 million about 31.3 percent lower than a year earlier. As a result, the share of fuel import in total import declined to 11.3 percent from 19.1 percent last year same period. Likewise, import value of raw materials went down by 17.4 percent to USD 46.5 million vis-à-vis same quarter last year. Hence, the share of raw materials in total imports decreased to 1.1 percent from 1.6 percent a year ago.

Total franco-valuta import bills increased by 40.7 percent compared to last year same period and stood at USD 1,254.1 million.

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

(In millions of USD)

Commodity Group	2013/14	2014/15		Percentage Changes	
	Qtr IV	Qtr III	Qtr IV	C/A	C/B
	A	B	C		
Beverages	0.3	1.4	0.1	-58.6	-89.7
Chemicals	11.8	10.1	11.1	-6.1	9.4
Clothing	4.1	4.5	10.8	161.6	138.5
Food and live animals	48.0	70.4	50.4	5.1	-28.3
Textiles	3.6	4.5	7.2	99.5	60.2
Tobacco	0.0	0.1	0.1	557.5	-7.5
Soap & polish	0.1	0.3	0.3	412.1	-6.7
Fertilizer	48.7	40.2	168.0	245.3	317.8
Paper & paper manufacturing	0.3	0.4	0.6	136.0	65.7
Metal & metal manufacturing	131.3	165.9	105.9	-19.3	-36.2
Medical and pharmaceuticals products	25.0	8.6	37.5	50.0	335.0
Rubber products	13.7	13.4	9.7	-28.9	-27.6
Petroleum Crude	0.0	0.0	-	-100.0	
Petroleum product	1.8	1.7	2.8	53.5	69.6
Glass & glass ware	1.8	5.3	2.0	6.9	-62.7
Electrical material	63.7	118.9	140.1	119.9	17.8
Machine	273.2	246.6	290.1	6.2	17.6
Air craft	7.7	42.1	47.4	515.4	12.7
Road & motor vehicles	63.3	152.5	99.9	57.8	-34.5
Tele apparatus	3.3	0.6	0.3	-91.7	-51.3
Cement	0.4	0.0	0.0	-91.2	6.3
Others	188.9	233.2	269.7	42.7	15.6
<b>Total</b>	<b>891.1</b>	<b>1,120.8</b>	<b>1,254.1</b>	<b>40.7</b>	<b>11.9</b>

Source: Ethiopian Revenues and Customs Authority

*Fourth Quarter 2014/15*

### **5.2.3. Direction of Trade**

#### **5.2.3.1 Exports**

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

Asia was the main destination for Ethiopian exports accounting for 37.1 percent of the total export earnings, during the review quarter. China, accounted for 31.1 percent of the total earnings from Asia, mainly for oilseeds, leather & leather products, coffee, natural gum, textile & garment and mineral products. Saudi Arabia, at 18.6 percent share mainly imported coffee, meat & meat products, live-animals, flowers, cereals, oilseeds, pulses and spices. Japan, with 8.9 percent share, was the third major Asian destination mainly for coffee, oilseeds, flower and bees wax. United Arab Emirates, accounting for 8.0 percent of the total export earnings from Asia, imported largely meat & meat products, live-animals, pulses, coffee and flower. Israel constituted 6.7 percent of the total export earnings mainly for export of oilseeds, coffee, cereals and spices. From the total export earnings from Asia, South Korea (5.9 percent) and (5.3 percent) India stood the sixth and seventh

major export destinations for Ethiopian exports.

Coffee and oilseeds were the principal export items to South Korea, and pulses, mineral products, leather & leather products and spices to India.

Europe accounted for 34.6 percent of the total export earnings with Germany accounting for 26.2 percent followed by Switzerland (21.6 percent), the Netherlands (19.1 percent), Belgium (7.4 percent), Italy (6.3 percent), France (4.1 percent), United Kingdom (4.0 percent) and Turkey (3.3 percent). These countries accounted for 92 percent of the total export earnings from Europe.

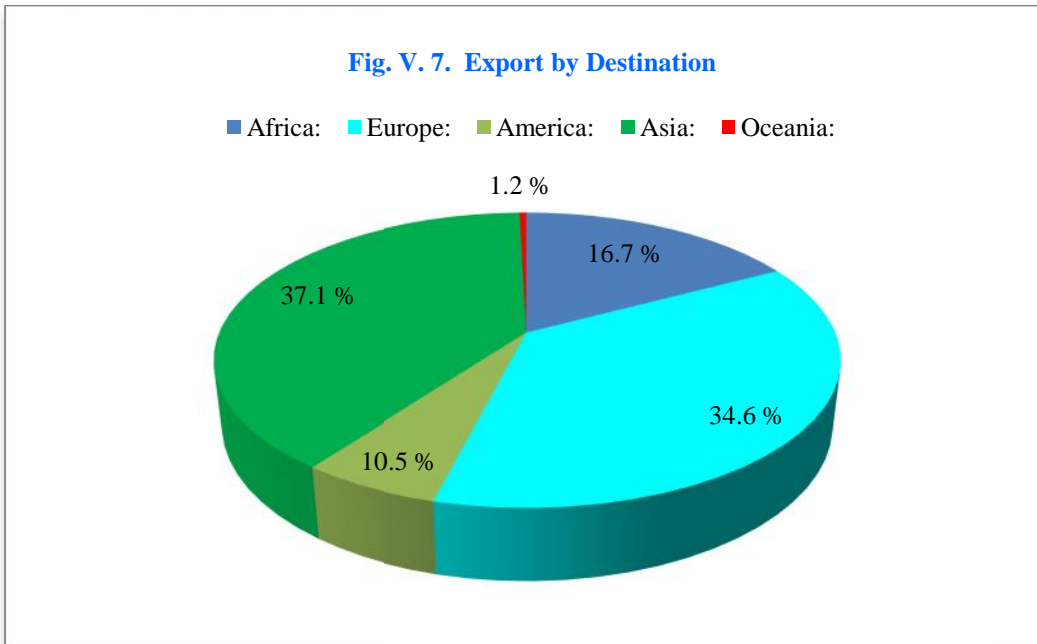
The main products exported to Germany were coffee, textile & garment, flower and bees wax while Switzerland imported gold, coffee and oilseeds. The principal export items sent to the Netherlands were flower and coffee. The major exports to Belgium were coffee, flower and pulses while Italy largely imported coffee, leather & leather products, textile & garments and flower.

Similarly, coffee, flower and pulses were the main export items to France. Major exports to United Kingdom included coffee, pulses and leather & leather products, while Turkey imported mainly coffee, pulses, and leather & leather products.

About 16.7 percent of Ethiopia's export earnings were from Africa, mainly from Somalia (44.2 percent), Djibouti (20.2 percent), Sudan (13.0 percent), Egypt (9.7 percent) and Kenya (7.2 percent) which altogether accounted for 94.3 percent of the total export earnings from Africa. The main items exported to Somalia were chat, live-animals and vegetables. Chat, live- animals and vegetables were sent to Djibouti. Main items to Sudan were coffee and spice. Exports to Egypt included live-animals, pulses and coffee while pulses, leather & leather product and textile & garments were exported to Kenya.

About 10.5 percent of total export earnings were derived from America of which 93.4 percent went to the United States and 3.3 percent to Canada. Coffee, oilseeds, leather & leather products, textile & garments and food were the major export items to the United States and coffee, leather & leather products and flower to Canada.





**Source:** Ethiopian Revenue and Customs Authority

### 5.2.3.2. Imports

In the review period, Asia accounted for 64.4 percent of the total import bill, the major origins being China (53.6 percent), India (10.3 percent), Japan (6.7 percent), Kuwait (6.6 percent), United Arab Emirates (5.4 percent), Saudi Arabia (5.1 percent) and Indonesia (4.4 percent) whose combined share stood at 92.1 percent.

Major items imported from China were electric materials, machine & aircraft materials, metal & metal manufacturing, road & motor vehicles, clothing & textiles and rubber products. Metal & metal

products, grains, machine & aircraft materials, textile, fertilizers, roads & motor vehicles, electric materials and rubber products were the main imports from India. Imports from Japan included road & motor vehicles, machine & aircraft materials, metal & metal products, electric materials and rubber products. Petroleum products were the major imports from Kuwait, and, petroleum products, chemicals, rubber products, metal & metal manufacturing, electric materials, machine & air craft materials and glass & glass from United Arab Emirates (UAE). Petroleum products,

foods & live-animals, beverages, rubbers, glass & glass ware and paper & paper manufacturing were the major imports from Saudi Arabia; and paper & paper products, soap & polish, textile, chemicals and electric materials from Indonesia.

Imports from European countries accounted for 23.1 percent of total import bills. The Netherlands (14.4 percent), Turkey (13.6 percent), Italy (13.1 percent), Sweden (10.6 percent), Belgium (8.1 percent), Germany (6.5 percent), Ukraine (5.4 percent), United Kingdom (5.2 percent), France (4.8 percent), Bulgaria (4.6 percent) and Spain (4.1 percent) were the major origins for Ethiopian imports. Altogether, these countries accounted for 90.4 percent of the total import bill from Europe.

Imports from the Netherlands included mainly fertilizer, machinery & aircraft materials, food & live-animals, metal & metal manufacturing & electric materials, road motor vehicles and rubber products. Turkey exported largely metal & metal manufacturing, machinery & aircrafts materials, electric materials and food & live-animals. The major import items from Italy were machine & aircraft materials, road & motor vehicles, fertilizers, metal & metal

manufacturing and electrical material. Major imports from Sweden were electrical material, telecom apparatus, machine & aircraft material, road & motor vehicles, fertilizer and metal & metal manufacturing while import from Belgium constituted medical & pharmaceuticals products, machine & aircraft materials and petroleum products.

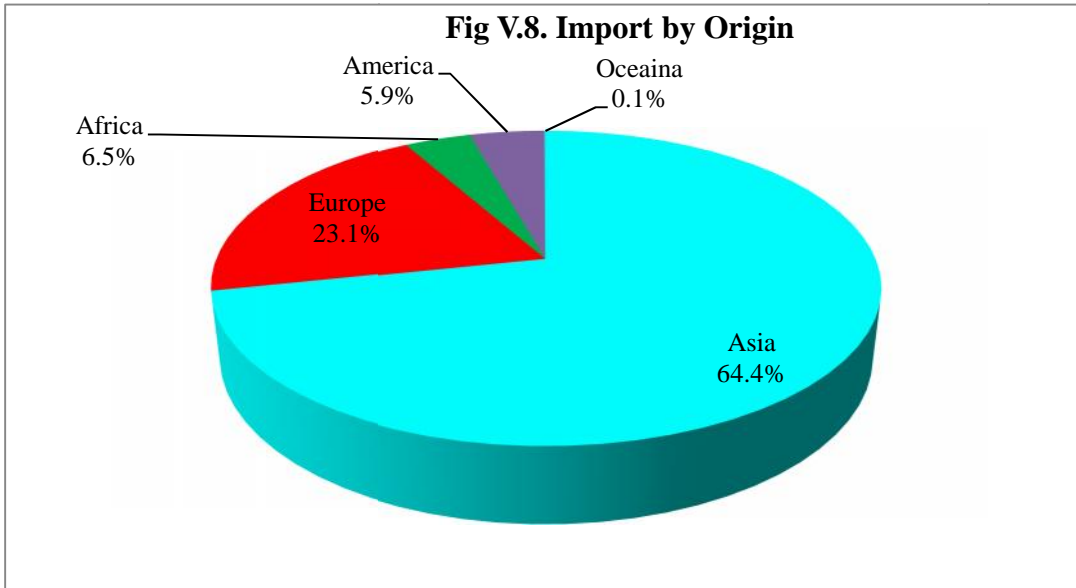
The main products imported from Germany were machine & aircraft materials, road & motor vehicles, electric materials and metal & metal manufacturing. Metal & metal manufacturing and food & live-animals were the major imports from Ukraine. Electric materials, machine & aircraft materials, road & motor vehicles and metal & metal manufacturing were imported from United Kingdom. Road & motor vehicles, machinery & aircraft materials, electric materials, fertilizer and metal & metal manufacturing were the main imports from France. Food & live-animals and machine & aircraft materials were imported from Bulgaria. Major import items from Spain were road & motor vehicles machinery & aircraft materials and metal & metal manufacturing.

Import from Africa accounted for about 6.5 percent of the total merchandise import bills with Morocco (42.0 percent), Sudan (23.1 percent), Egypt (21.0 percent), South Africa (8.0 percent) and Kenya (3.1 percent) jointly accounting for 97.2 percent of the total imports from the region.

Petroleum products, road & motor vehicles and telecom apparatus were the major imports from Morocco. Petroleum products and food & live-animals originated from Sudan. Petroleum products, metal & metal manufacturing and paper & paper manufacturing were the principal imports from Egypt. Road & motor vehicles, petroleum products and machine & aircraft materials constituted the major imports from South Africa. The major items imported from Kenya included metal & metal products, chemicals and rubber products.

Imports from America accounted for 5.9 percent of the total imports of which the United States had a 81.8 percent share followed by Brazil (7.6 percent) and Canada (3.6 percent). Machinery & aircraft materials, food & live-animals and electric materials were the major imports from USA and machinery & aircraft materials, road & motor vehicles and electric materials from Brazil.

Machinery & aircraft materials, medical & pharmaceuticals products and metal manufacturing came from Canada.



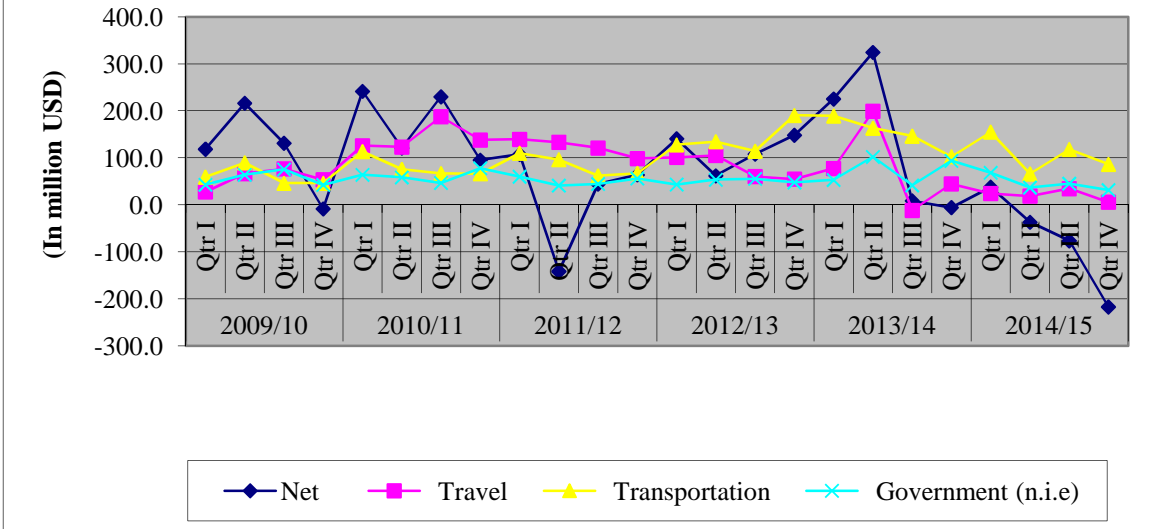
**Source:** Ethiopian Revenue and Customs Authority

### 5.3. Services and Transfers

The net payments from services trade stood at USD 233.6 million from USD 5.6 million last year same period. This was attributed to the fall in net travel (86.6 percent), transport (30.2 percent), and government services (66.2 percent) on the one hand, and a rise in payments

made to other services on the other (31.5 percent).

**Fig V.9 Trends in Net Service**



Source; NBE Staff Compilation

**Table 5.8: Developments in Services Accounts**

(In Millions of USD)

S/N	Particulars	2013/14	2014/15		Percentage Change	
		QIV	QIII	QIV	C/A	C/B
		A	B	C		
<b>1</b>	<b>Investment Income (2+5)</b>	<b>-41.2</b>	<b>-78.1</b>	<b>-72.8</b>	76.6	-6.8
2	Interest, net (3-4)	-33.9	-72.0	-70.7	108.7	-1.7
3	Credit	2.4	2.7	2.8	14.3	3.3
4	Debit	36.3	74.7	73.5	102.4	-1.5
5	Dividend, net	-7.3	-6.2	-2.1	-71.4	-66.1
<b>6</b>	<b>Other Services, net (7-12)</b>	<b>35.6</b>	<b>1.8</b>	<b>-160.8</b>	<b>-551.2</b>	<b>-9,004.8</b>
7	Exports of non-factor services	763.9	703.8	682.2	-10.7	-3.1
8	Travel	95.1	106.7	85.1	-10.5	-20.2
9	Transport	520.6	502.9	510.1	-2.0	1.4
10	Gov't	93.9	45.3	31.7	-66.2	-30.0
11	Other	54.3	48.9	55.3	1.9	13.1
12	Imports of non-factor services	728.3	702.0	843.0	15.8	20.1
13	Travel	50.5	72.1	79.1	56.7	9.8
14	Transport	418.1	384.8	438.6	4.9	14.0
15	Gov't	0.1	0.0	0.0	-69.2	-15.3
16	Other	259.5	245.1	325.3	25.3	32.7
<b>17</b>	<b>Net Services (18+19+20+21+22)</b>	<b>-5.6</b>	<b>-76.3</b>	<b>-233.6</b>	<b>4,065.1</b>	<b>206.0</b>
18	Travel (8 - 13)	44.6	34.6	6.0	-86.6	-82.8
19	Transport (9 – 14)	102.5	118.2	71.5	-30.2	-39.5
20	Gov't (10 – 15)	93.8	45.2	31.7	-66.2	-30.0
21	Other (11 – 16)	-205.3	-196.2	-269.9	31.5	37.6
22	Investment Income (2+5)	-41.2	-78.1	-72.8	76.6	-6.8

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

During the review period total net transfer receipts decreased by 10.4 percent relative to last year same period. Net transfers stood at USD 1.3 billion as net official transfers decreased by 61.8 percent.

Net private transfers, however, increased by 5 percent and amounted to USD 1.2 billion on account of 16.8 percent rise

in cash remittances and 56.2 percent in underground transfers from private individuals while NGO transfers dropped by 15 percent.

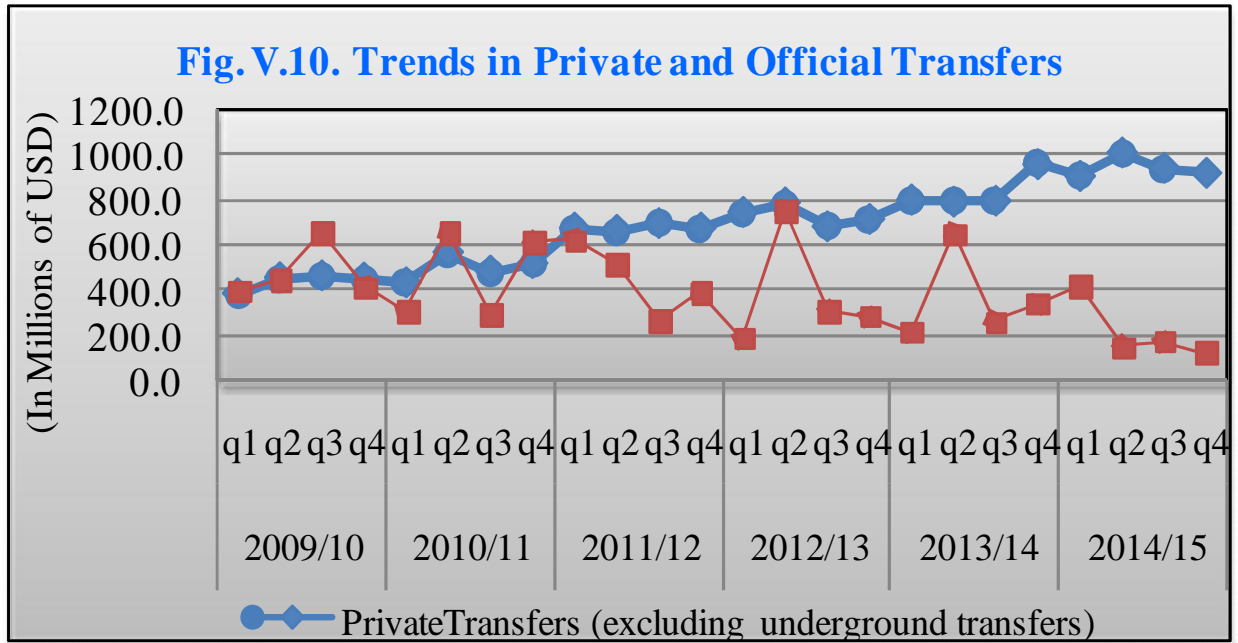
**Table 5.9: Developments in Transfer Accounts**

(In Millions of USD)

S/N	Particulars	2013/14		2014/15				Percentage Change	
		QIV	% share	Q III	%	QIV	%	C/A	C/B
		A		B	share	C	share		
1	<b>Private Transfers (Net)</b>	<b>1,132.1</b>	<b>77.0</b>	<b>1,147.3</b>	<b>86.5</b>	<b>1,188.7</b>	<b>90.2</b>	<b>5.0</b>	<b>3.6</b>
2	Credit	1,134.7	76.4	1,156.0	86.5	1,190.9	90.0	5.0	3.0
3	<b>NGO's</b>	<b>332.6</b>	<b>22.4</b>	<b>244.9</b>	<b>18.3</b>	<b>282.9</b>	<b>21.4</b>	<b>-14.9</b>	<b>15.5</b>
4	Cash	313.6	21.1	213.8	16.0	253.7	19.2	-19.1	18.7
5	Other	19.0	1.3	31.2	2.3	29.2	2.2	53.4	-6.6
6	Food	-				-			
7	<b>Private individuals</b>	<b>726.7</b>	<b>48.9</b>	<b>911.2</b>	<b>68.2</b>	<b>908.0</b>	<b>68.6</b>	<b>24.9</b>	<b>-0.3</b>
8	Cash	551.4	37.1	711.2	53.2	643.8	48.7	16.8	-9.5
9	In-kind	6.3	0.4	0.1	0.0	0.2	0.0	-97.1	49.5
10	Underground Private Transfers	169.0	11.4	199.8	15.0	264.1	20.0	56.2	32.1
11	Debit	2.6	18.1	8.7	87.9	2.2	43.8	-14.0	-74.7
12	<b>Official Transfers (Net)</b>	<b>338.5</b>	<b>23.0</b>	<b>178.5</b>	<b>13.5</b>	<b>129.2</b>	<b>9.8</b>	<b>-61.8</b>	<b>-27.6</b>
13	Credit	350.2	23.6	179.7	13.5	132.0	10.0	-62.3	-26.5
14	Cash	350.2	23.6	179.7	13.5	132.0	10.0	-62.3	-26.5
15	Other	-							
16	Food	-							
17	Debit	11.7	81.9	1.2	12.1	2.8	56.2	-75.6	136.4
18	Total Receipts	1,484.9	100.0	1,335.7	100.0	1,322.9	100.0	-10.9	-1.0
19	Total Payments	14.2	100.0	9.9	100.0	5.1	100.0	-64.5	-49.1
20	<b>Net Transfers</b>	<b>1,470.6</b>	<b>100.0</b>	<b>1,325.8</b>	<b>100.0</b>	<b>1,317.9</b>	<b>100.0</b>	<b>-10.4</b>	<b>-0.6</b>

**Source:** Staff Computation





Source; NBE Staff Compilation

#### 5.4. Current Account

The current account balance (including official transfers) registered USD 2.3 billion in deficit during the fourth quarter of 2014/15, higher than USD 1.2 billion deficit recorded a year ago. The rise in the deficit

was attributed to a significant decrease in net services receipts (4,065.1 percent), net official transfers (61.8 percent) and a widening of the trade deficit (29.3 percent).

#### 5.5. Capital account

In the review period, the capital account recorded USD 1.8 billion in surplus; about 12.8 percent lower than that of last year same period. This was due to decline in inflows of net official long-term capital

(74.1 percent), despite a rise in other official long-term capital (184.5 percent) and foreign direct investment (31.5 percent).

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

During the review period, the rise in private transfers resulted in a surplus of USD 79.8 million in overall balance of payments. Consequently, net foreign assets of the banking system showed USD 79.8 million

reserve build-up. The gross reserves as of June 30, 2015 were adequate to cover 2.5 months of import of goods and non-factor service.

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

### **5.7.1 Exchange Rate Movements**

In the inter-bank forex market, the weighted average official exchange rate of Birr with respect to USD depreciated by 5.2 percent and 1.2 percent compared to last year same period and the preceding quarter, respectively, and reached Birr 20.4466/USD.

Likewise, the average exchange rate in the parallel market stood at Birr 22.8914/USD showing 12.5 and 0.02 percent depreciation vis-à-vis last year same period and the preceding quarter, respectively.

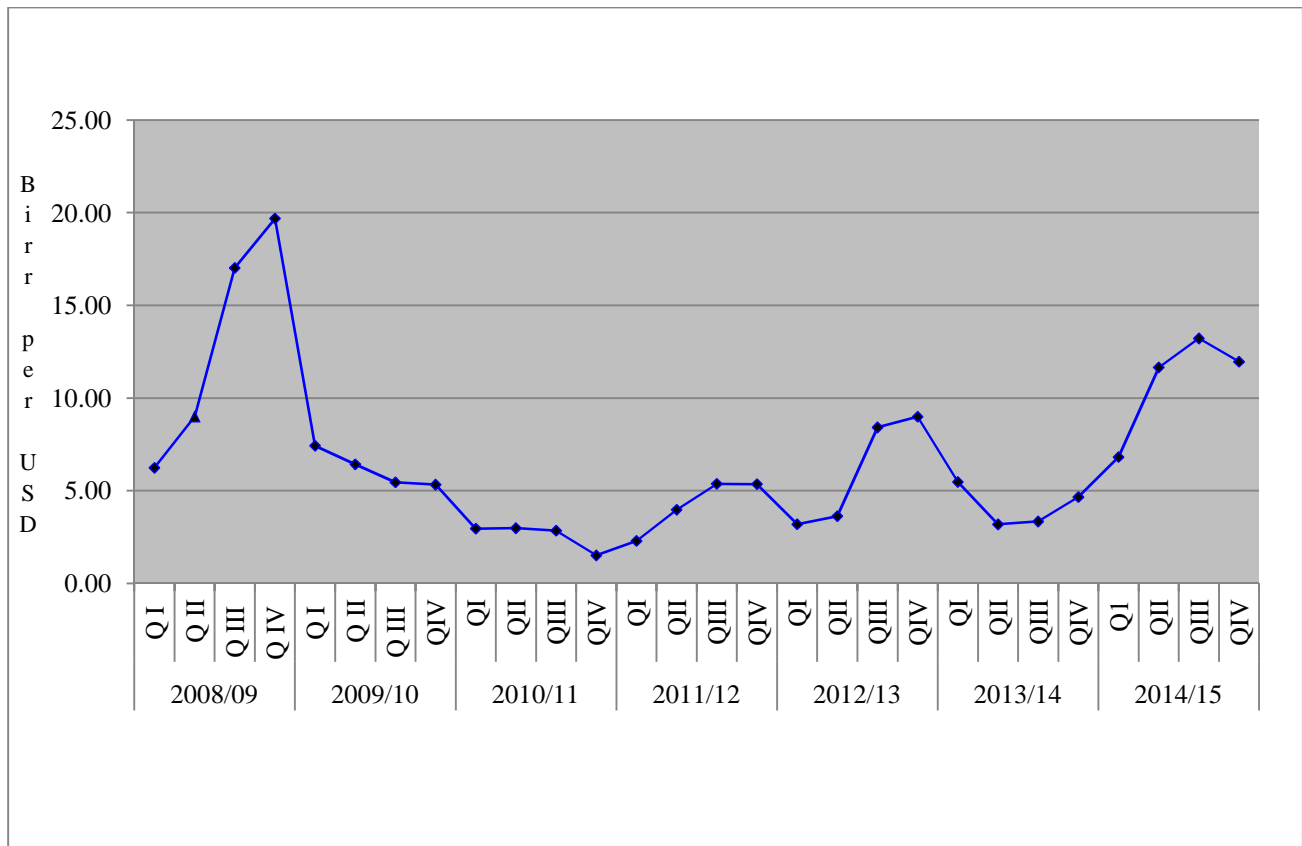
Compared to the official market, the parallel market has shown a relatively faster annual depreciation. As a result, the premium in the parallel market widened to 12 percent from 4.7 percent a year earlier, largely due to speculative practices. The premium also widened by 13.2 percent over the previous quarter as result of relatively high seasonal inflow of foreign exchange for Easter holiday, that increased the supply in the market (Table 5.10).

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

Period		Official Market				Parallel Market		Premium
		Weighted End Period Rate	Weighted Average rate	Amount Traded in millions of USD		End Period Rate	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. IV</b>	<b>C</b>	<b>19.5771</b>	<b>19.4400</b>	<b>3.0500</b>	<b>0.0000</b>	<b>20.6300</b>	<b>20.3448</b>	<b>4.65</b>
April		19.3938	19.3512	1.0500	0.0000	20.3250	20.1472	4.11
May		19.4787	19.4385	0.9500	0.0000	20.4750	20.3372	4.62
June		19.5771	19.5302	1.0500	0.0000	20.6300	20.5500	5.22
<b>2014/15</b>								
<b>Qtr. III</b>	<b>B</b>	<b>20.3293</b>	<b>20.2145</b>	<b>3.0500</b>	<b>0.0000</b>	<b>22.9250</b>	<b>22.8861</b>	<b>13.22</b>
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
<b>Qtr. IV</b>	<b>A</b>	<b>20.5659</b>	<b>20.4466</b>	<b>3.0500</b>	<b>0.0000</b>	<b>22.9050</b>	<b>22.8914</b>	<b>11.96</b>
April		20.4087	20.3708	1.0500	0.0000	22.9750	22.9139	12.48
May		20.4783	20.4453	0.9000	0.0000	22.8750	22.8875	11.95
June		20.5659	20.5238	1.1000	0.0000	22.9050	22.8728	11.45
<b>Percentage Changes</b>	<b>A/B</b>	<b>1.16</b>	<b>1.15</b>	<b>0.00</b>	<b>-</b>	<b>-0.09</b>	<b>0.02</b>	<b>-9.52</b>
	<b>A/C</b>	<b>5.05</b>	<b>5.18</b>	<b>0.00</b>	<b>-</b>	<b>11.03</b>	<b>12.52</b>	<b>157.01</b>

**Source:** National Bank of Ethiopia

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



**Source:** National Bank of Ethiopia

In the fourth quarter of 2014/15, the retail market average buying rate at the forex bureaus of commercial banks reached Birr 20.4457/USD, while the selling rate stood at Birr 20.8274/USD, depicting a 1.02 percent and 0.94 percent depreciation against the preceding quarter, and 5.16 percent and 5.17 percent depreciation compared to the same quarter last year, respectively.

As a result, the average spread between the buying and the selling rates marginally widened to 1.87 percent from 1.85 percent in contrast to the same period of last year, but narrowed from 1.95 percent in the preceding quarter (Table 5.11).

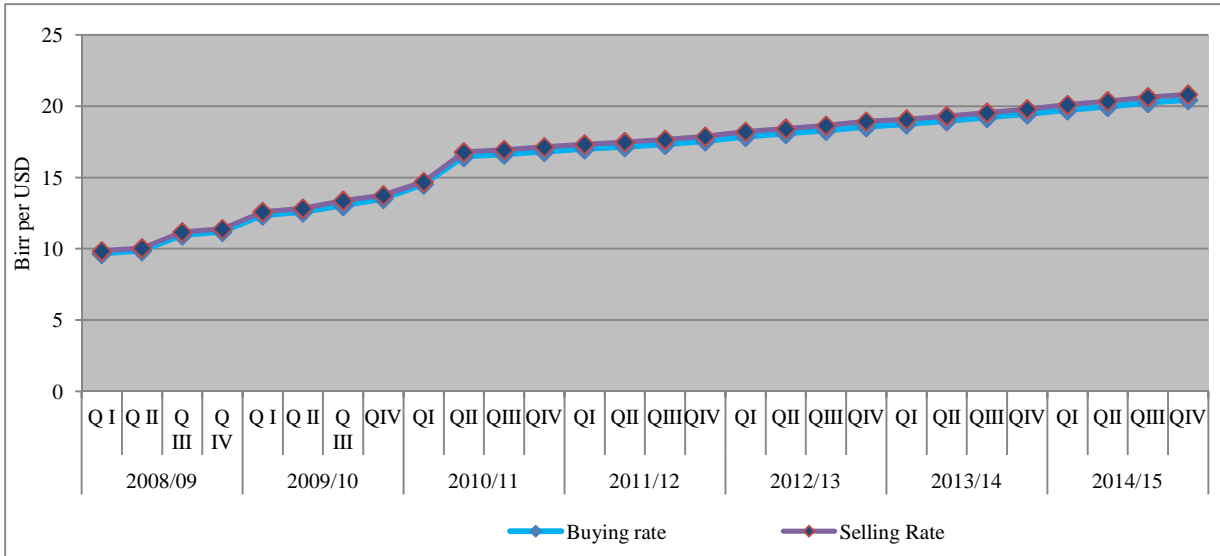
**Table 5.11: Amount of Foreign Exchange Purchased and Sold by Forex Bureau of Commercial Banks (In ‘000 of USD)**

No.	Name of ForexBureaux	2013/14		2014/15				Percentage change			
		Quarter IV A		Quarter III B		Quarter IV C		C/B		C/A	
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	79981.12	19305.66	77545.95	19825.37	60133.77	30582.44	-22.45	54.26	-24.82	58.41
2	Bank of Abyssinia	1112.17	1602.12	2062.60	2276.02	1191.52	4041.20	-42.23	77.56	7.13	152.24
3	Dashen Bank	7552.80	8933.31	5491.91	6682.61	4170.13	3661.07	-24.07	-45.21	-44.79	-59.02
4	Awash International Bank	1843.17	3570.29	1944.13	5132.18	1140.19	2599.91	-41.35	-49.34	-38.14	-27.18
5	Construction & Business Bank	1923.48	807.46	1482.75	1226.57	755.00	606.73	-49.08	-50.53	-60.75	-24.86
6	Wegagen Bank	1624.02	1025.74	992.19	854.47	1241.55	1605.25	25.13	87.86	-23.55	56.50
7	United Bank	4111.52	2643.73	2764.60	2335.00	2362.59	4837.69	-14.54	107.18	-42.54	82.99
8	Development Bank	258.99	417.09	4.52	68.75	256.20	162.06	5565.17	135.73	-1.08	-61.15
9	Nib International Bank	856.15	1550.43	975.91	2343.19	374.12	1697.20	-61.66	-27.57	-56.30	9.47
10	Lion International Bank	542.50	307.54	460.81	547.86	834.58	887.02	81.11	61.91	53.84	188.42
11	Oromia International Bank	616.21	888.22	933.42	768.61	3259.46	1264.63	249.20	64.53	428.95	42.38
12	Zemen Bank	229.82	2504.34	119.73	946.08	172.35	1193.94	43.94	26.20	-25.01	-52.33
13	Cooperative Bank of Oromia	19.57	147.94	403.79	635.02	345.30	1094.16	-14.48	72.30	1664.31	639.58
14	Buna International Bank	120.51	0.00	138.13	27.27	49.48	295.86	-64.18	984.82	-58.94	#DIV/0!
15	Birhan International Bank	0.98	24.74	320.77	388.09	2.51	13.09	-	-96.63	156.23	-
16	Abay Bank	128.63	402.76	671.51	957.13	13.44	165.53	-98.00	-82.71	-89.55	-58.90
17	Addis International Bank	750.91	134.14	139.75	171.94	253.47	274.05	81.38	59.38	-66.24	104.29
18	Debub Global Bank	269.59	203.07	44.90	62.95	131.33	80.69	192.48	28.18	-51.29	-60.27
19	Enat Bank	322.74	101.88	114.13	81.40	155.45	83.11	36.20	2.10	-51.83	-18.42
	<b>Total</b>	<b>102264.90</b>	<b>44570.49</b>	<b>96611.50</b>	<b>45330.52</b>	<b>76842.43</b>	<b>55145.62</b>	<b>-20.46</b>	<b>21.65</b>	<b>-24.86</b>	<b>23.73</b>
	<b>Average Exchange Rate</b>	<b>19.4429</b>	<b>19.8035</b>	<b>20.2386</b>	<b>20.6337</b>	<b>20.4457</b>	<b>20.8274</b>	<b>1.02</b>	<b>0.94</b>	<b>5.16</b>	<b>5.17</b>
	<b>Exchange Rate Spread (%)*</b>	<b>1.85</b>		<b>1.95</b>		<b>1.87</b>					

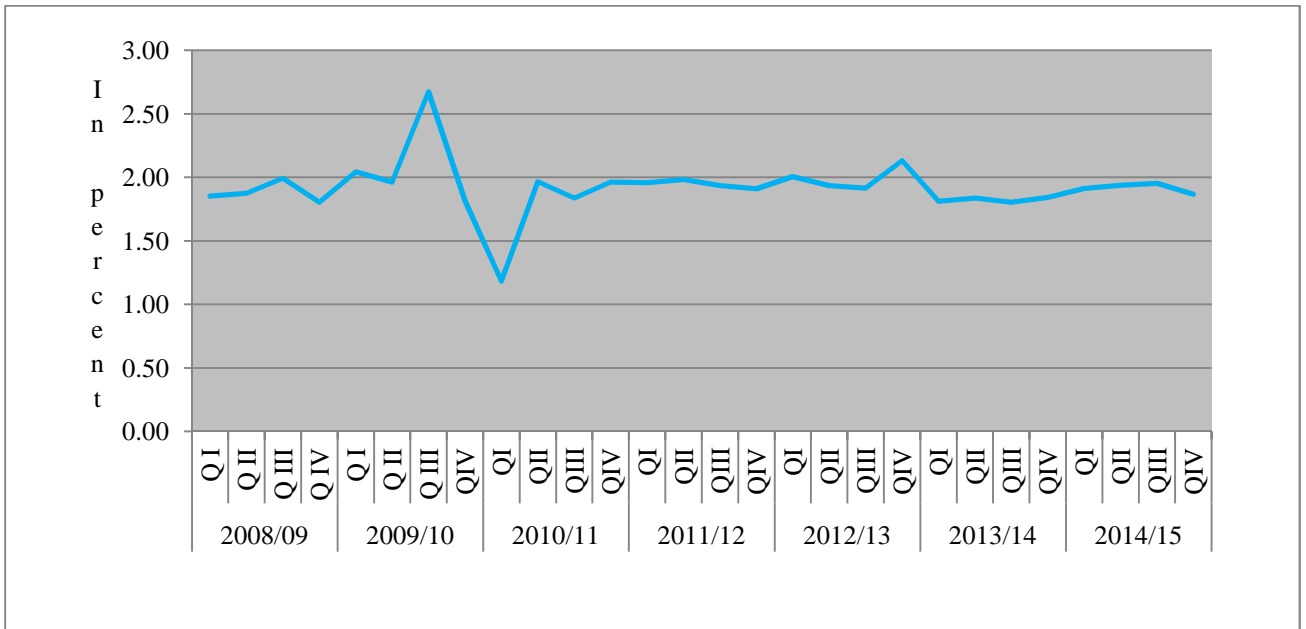
**Source:** National Bank of Ethiopia

Note: \* refers the percentage spread between forex bureaus average buying and selling exchange rate in a given quarter.

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



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



In the official exchange rate market, US dollar appreciated with respect to major international currencies vis-à-vis previous quarter by 1.9 percent against Euro, 1.7 percent against Japanese Yen and 1.4 percent against SDR. However, it depreciated against Swiss Frank (1.05 percent) and Pound Sterling (1.04 percent).

Likewise, on yearly basis, the US dollar has appreciated against Euro (19.4 percent), Japanese Yen (15.0 percent), SDR (9.8 percent), Pound Sterling (8.9 percent), and Swiss Frank (5.6 percent) (Table 5.12).

**Table 5.12: Average Official 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
<b>2013/14</b>																
QIV	C	1.3717	1.3717	1.3717	0.0096	0.0098	0.0097	1.5401	1.5401	1.5401	1.6823	1.6823	1.6823	1.1248	1.1250	1.1249
April		1.3818	1.3818	1.3818	0.0097	0.0097	0.0097	1.5317	1.5317	1.5317	1.6730	1.6730	1.6730	1.1329	1.1336	1.1333
May		1.3741	1.3741	1.3741	0.0094	0.0098	0.0096	1.5479	1.5479	1.5479	1.6850	1.6850	1.6850	1.1261	1.1261	1.1261
June		1.3591	1.3591	1.3591	0.0098	0.0098	0.0098	1.5407	1.5407	1.5407	1.6890	1.6890	1.6890	1.1153	1.1153	1.1153
<b>2014/15</b>																
QIII	B	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
QIV	A	1.1060	1.1060	1.1060	0.0082	0.0082	0.0082	1.3890	1.3890	1.3890	1.5324	1.5324	1.5324	1.0621	1.0621	1.0621
April		1.0786	1.0786	1.0786	0.0084	0.0084	0.0084	1.3822	1.3822	1.3822	1.4932	1.4932	1.4932	1.0385	1.0385	1.0385
May		1.1188	1.1188	1.1188	0.0083	0.0083	0.0083	1.4070	1.4070	1.4070	1.5505	1.5505	1.5505	1.0756	1.0756	1.0756
June		1.1205	1.1205	1.1205	0.0081	0.0081	0.0081	1.3778	1.3779	1.3778	1.5536	1.5536	1.5536	1.0721	1.0721	1.0721
Percentage Changes	A/B	-1.92	-1.92	-1.92	-1.72	-1.71	-1.71	-1.41	-1.41	-1.41	1.04	1.04	1.04	1.05	1.05	1.05
	A/C	-19.37	-19.37	-19.37	-14.38	-15.60	-15.00	-9.81	-9.81	-9.81	-8.91	-8.91	-8.91	-5.57	-5.59	-5.58

**Source:** National Bank of Ethiopia



At the same time, the bilateral exchange rate of Birr against major currencies became stronger on annual and quarterly basis. It appreciated 0.75 percent against Euro, 0.59 percent against Japanese Yen, and 0.25 percent against SDR on quarterly basis and depreciated 2.23 percent against Swiss Frank, 2.19 percent against Pound Sterling and 1.15 percent against USD.

On yearly basis, the exchange rate of Birr appreciated vis-à-vis Euro (15.2 percent), Japanese Yen (10.6 percent), SDR (5.1 percent), Pound Sterling (4.2 percent) and Swiss Frank (0.7 percent). On the other hand, Birr remained weak against US Dollar, depreciating by 5.2 percent (Table5.13).

**Table 5.13: Average Official 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>																			
QIV	C	19.4400	19.6344	19.5372	26.6619	26.9284	26.7952	0.1873	0.1919	0.1896	29.9392	30.2386	30.0889	32.7053	33.0324	32.8689	21.8648	22.0877	21.9762
April		19.3512	19.5448	19.4480	26.7278	26.9948	26.8613	0.1886	0.1900	0.1893	29.6394	29.9358	29.7876	32.3745	32.6982	32.5363	21.9235	22.1556	22.0396
May		19.4385	19.6328	19.5356	26.7180	26.9852	26.8516	0.1819	0.1929	0.1874	30.0878	30.3887	30.2382	32.7541	33.0816	32.9179	21.8889	22.1078	21.9984
June		19.5302	19.7255	19.6279	26.5399	26.8053	26.6726	0.1914	0.1928	0.1921	30.0904	30.3913	30.2408	32.9874	33.3173	33.1524	21.7818	21.9996	21.8907
<b>2014/15</b>																			
QIII	B	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
QIV	A	20.4466	20.6511	20.5489	22.6086	22.8350	22.7218	0.1687	0.1703	0.1695	28.4032	28.6876	28.5454	31.3264	31.6396	31.4830	21.7127	21.9298	21.8213
April		20.3708	20.5745	20.4727	21.9654	22.1851	22.0752	0.1704	0.1721	0.1712	28.1561	28.4376	28.2969	30.4088	30.7129	30.5608	21.1550	21.3665	21.2608
May		20.4453	20.6497	20.5475	22.8638	23.0925	22.9781	0.1698	0.1715	0.1706	28.7758	29.0635	28.9196	31.6846	32.0014	31.8430	21.9796	22.1994	22.0895
June		20.5238	20.7290	20.6264	22.9966	23.2274	23.1120	0.1658	0.1674	0.1666	28.2779	28.5616	28.4197	31.8857	32.2046	32.0451	22.0035	22.2236	22.1135
Percentage Change	A/B	1.15	1.15	1.15	-0.75	-0.75	-0.75	-0.60	-0.59	-0.59	-0.25	-0.25	-0.25	2.19	2.19	2.19	2.23	2.24	2.23
	A/C	5.18	5.18	5.18	-15.20	-15.20	-15.20	-9.96	-11.24	-10.61	-5.13	-5.13	-5.13	-4.22	-4.22	-4.22	-0.70	-0.71	-0.71

Source: Staff Compilation

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

Currency	14-June	15-March	15-June	Percentage change	
	C	B	A	A/B	A/C
USD	19.6750	20.4310	20.6688	1.16	5.05
Pound	33.4928	30.2337	32.4437	7.31	-3.13
Swedish Kroner	2.9131	2.3768	2.4838	4.50	-14.74
Djibouti Frank	0.1104	0.1146	0.1160	1.22	5.07
Swiss Frank	22.0251	21.1851	22.1316	4.47	0.48
Saudi Riyal	5.2460	5.4461	5.5108	1.19	5.05
UAE Dirhams	5.3567	5.5628	5.6274	1.16	5.05
Canadian Dollar	18.3947	16.1586	16.7291	3.53	-9.06
Japanese Yen	0.1941	0.1706	0.1682	-1.41	-13.35
Euro	26.7895	22.1451	22.9671	3.71	-14.27
SDR	30.3743	28.3234	29.0748	2.65	-4.28

**Source:** Staff Compilation

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

The REER appreciated both on annual and quarterly basis mainly due to relatively higher domestic inflation and fast depreciation of trading partners' nominal exchange rate. The quarterly appreciation

was 3.5 percent and the annual 11.9 percent. Likewise, NEER appreciated by 0.37 and 4.03 percent compared with the preceding quarter and last year same period, respectively (Table 5.15).

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

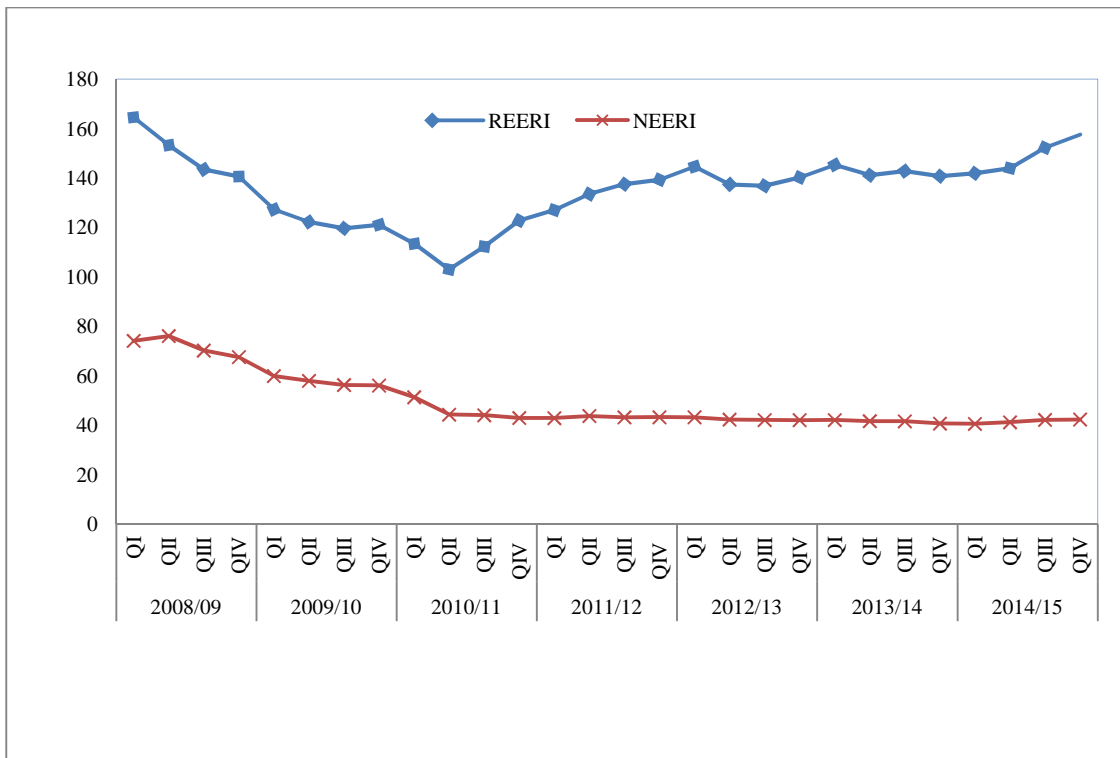
Item	2013/14		2014/15		Percentage Change	
	QIV		QIII	QIV		
	A	B	C	C/B	C/A	
<b>REERI</b>	140.8	152.3	157.6	3.52	11.92	
<b>NEERI</b>	40.7	42.1	42.3	0.37	4.03	

**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**

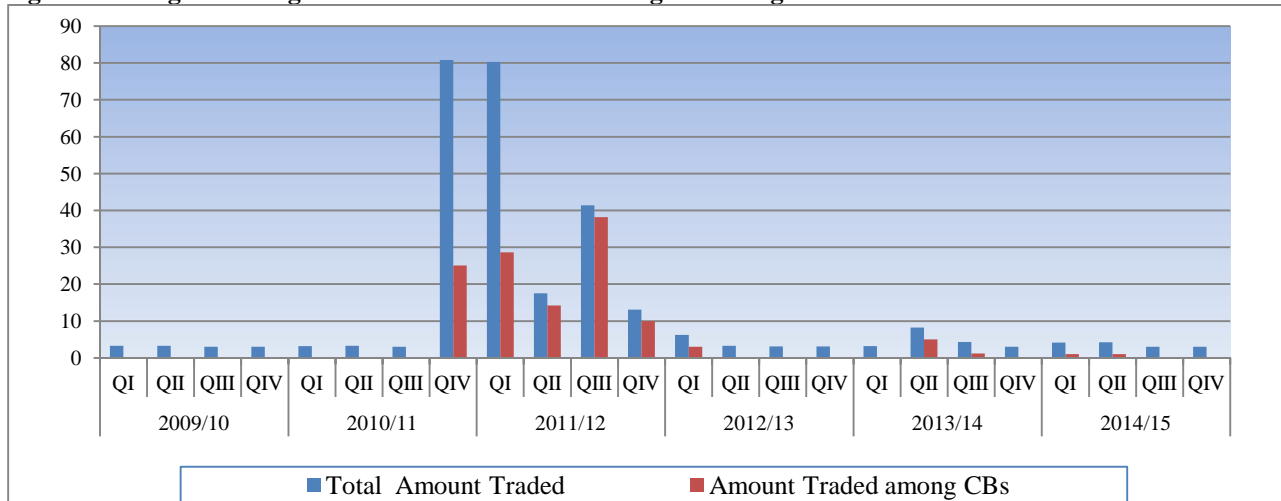


### 5.7.3 Volume of Transactions

In the fourth quarter of 2014/15, the total amount of foreign exchange traded in the inter-bank foreign exchange market amounted to USD 3.1 million, equal to that of the preceding quarter and last year same

period. NBE was the sole supplier of the foreign exchange to this market. (Table5:10).

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



At the same time, forex bureau of commercial banks purchased USD 76.8 million and sold USD 55.1 million foreign exchange which was 20.5 and 21.7 percent higher than in the preceding quarter.

Compared to last year same period, however, their purchases decreased by 24.9 percent while their sales increased by 23.7 percent (Table 5.11).