

## 4. MONETARY DEVELOPMENTS

### 4.1. Money Supply and Credit

Broad money supply (M<sub>2</sub>) reached Birr 371.2 billion during the fourth quarter of 2014/15, depicting a 6.3 percent quarterly and 24.7 percent a yearly expansion. The annual growth in broad money was mainly driven by 31.1 percent rise in domestic

credit, offsetting an 18.4 percent drop in NFA. At the same time, the annual growth in domestic credit was due to a 32.8 percent surge in credit to non-central government and 14.1 percent growth in net credit to central government (Table 4.1).

**Table 4.1 Factors Influencing Broad Money**

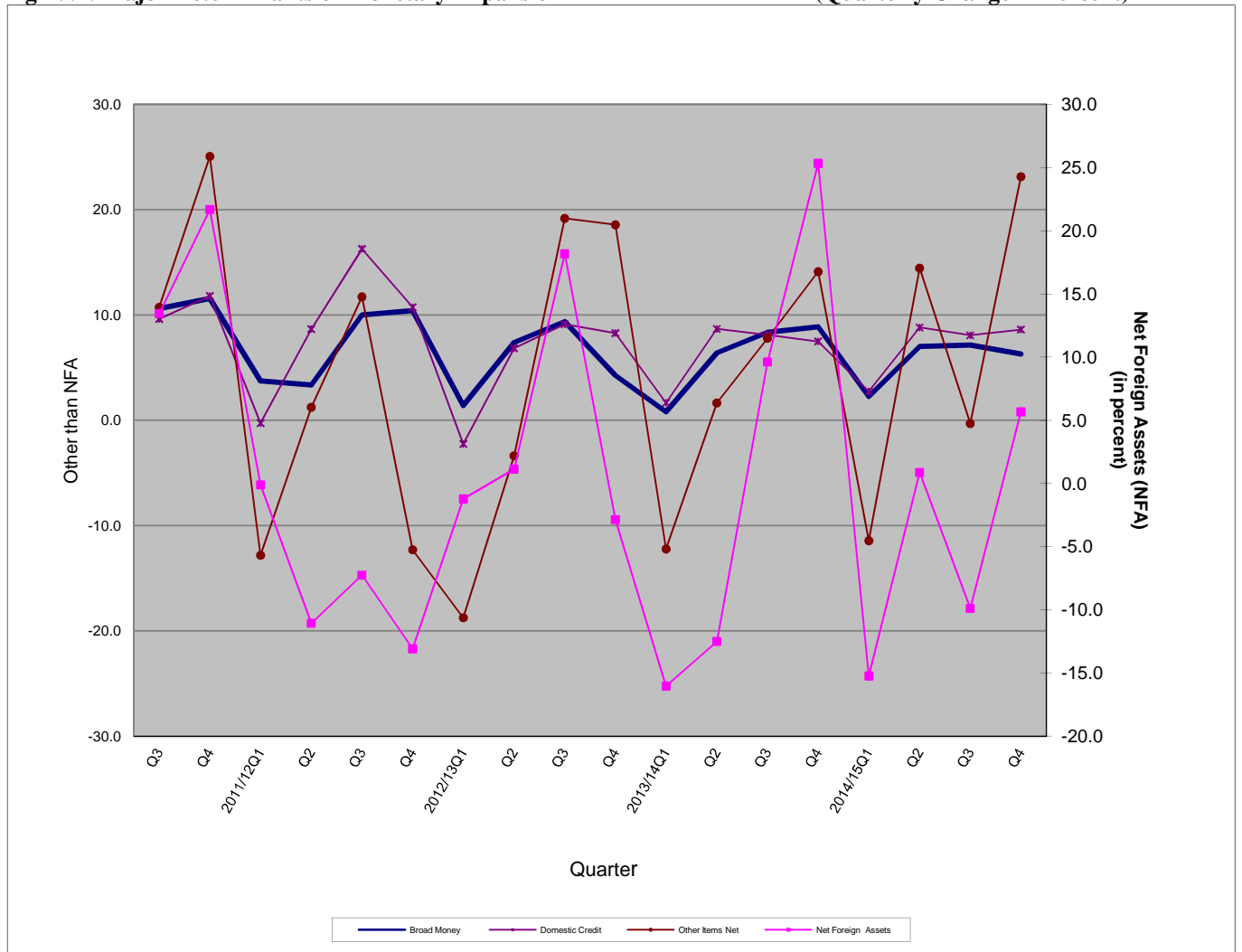
(In Millions of Birr, unless specified)

Particulars	2014		2015	Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. IV	Qtr. III	Qtr. IV				
	(June.14)	(March.15)	(June.15)	D=C/A	E=C/B	Annual	Quarterly
	A	B	C				
1. External Assets (net)	45,972.3	35,516.9	37,532.4	-18.4	5.7	-11.5	9.2
2. Domestic Credit	300,026.6	362,235.3	393,451.9	31.1	8.6	127.3	142.0
. Claims on Central Gov't (net)	26,929.7	21,242.0	30,735.3	14.1	44.7	5.2	43.2
. Claims on Non-Central Gov't	273,096.8	340,993.3	362,716.6	32.8	6.4	122.1	98.8
. Financial Institutions	20,257.0	22,857.0	23,357.0	15.3	2.2	4.2	2.3
. Others	252,839.8	318,136.3	339,359.6	34.2	6.7	117.9	96.5
3. Other Items (net)	48,252.3	48,587.6	59,831.9	24.0	23.1	15.8	51.1
4. Broad Money (M <sub>2</sub> )	297,746.6	349,164.6	371,152.4	24.7	6.3	100.0	100.0

Source: Staff computation, NBE

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

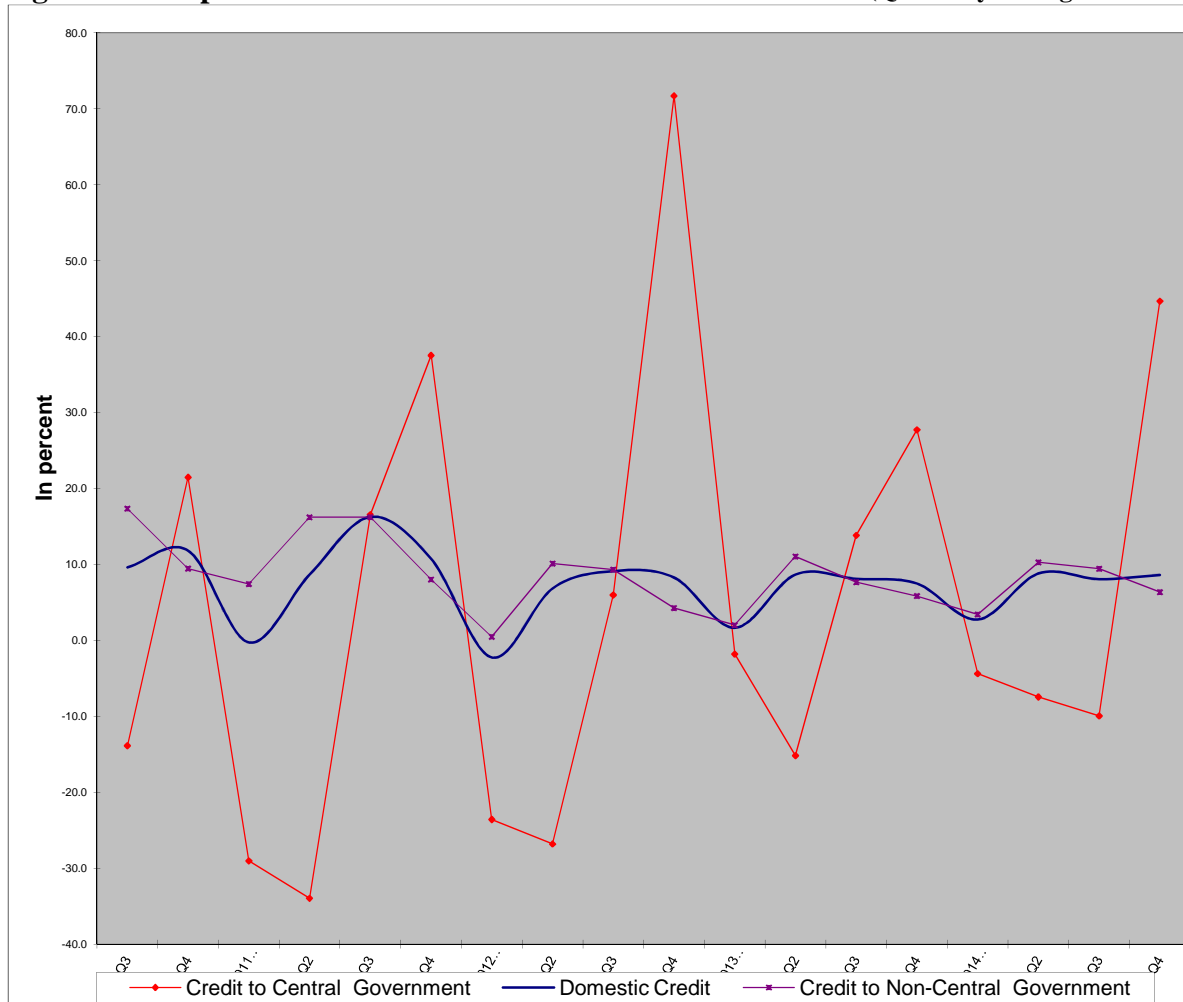
**(Quarterly Change in Percent)**



Source: Staff Computation, NBE

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

**(Quarterly Change in Percent)**



Source: Staff computation, NBE

The fourth quarter of 2014/15 witnessed an annual and quarterly expansion in all components of broad money. Accordingly, narrow money that comprises currency outside banks and net demand deposits grew by 15.3 percent on annual and 4.2 percent on quarterly basis. Quasi-money, which constitutes saving and time deposits, also depicted a 32.3 percent annual and 7.9 percent quarterly rise. Year-on-year basis, both narrow money and quasi-

money contributed 28.0 and 72.0 percent share to the annual broad money growth rate (Table 4.2).

The surge in quasi-money was the result of enhanced efforts made by banks in expanding their branch network to increase their deposit mobilization and service outreach. In addition, NBE's effort to maintain stable prices has encouraged depositors.

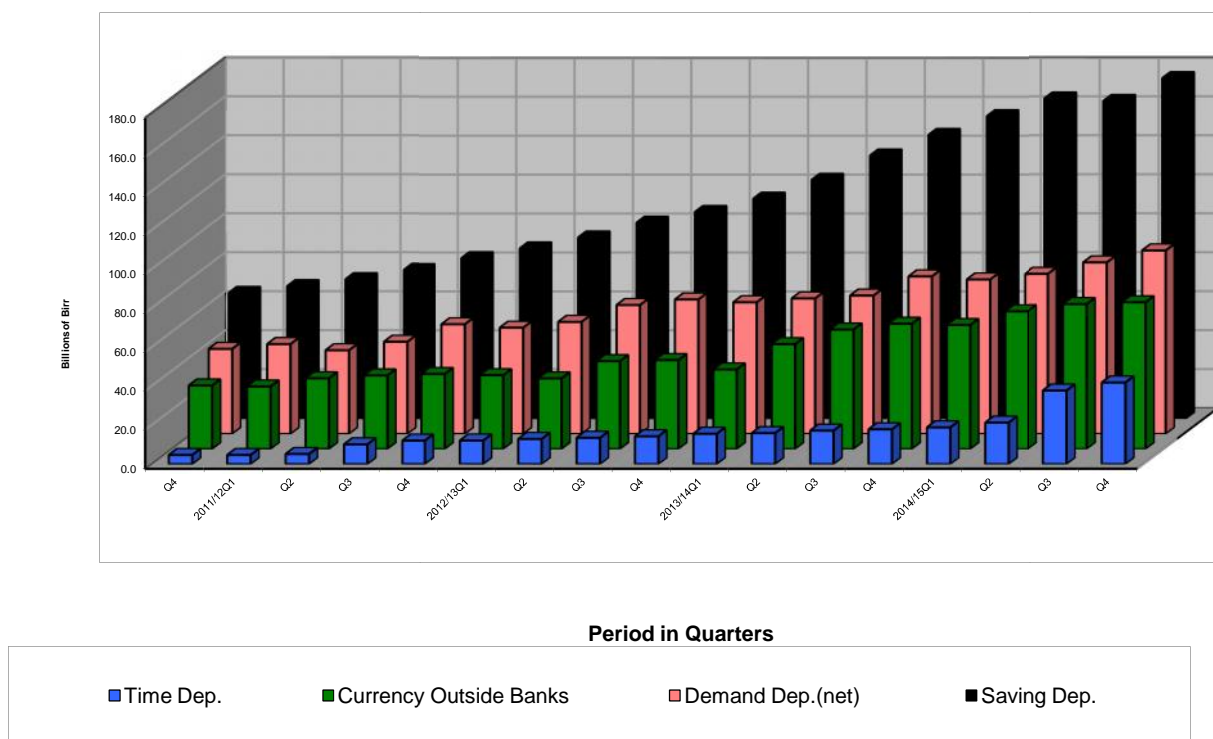
**Table 4.2: Components of Broad Money**

(In millions of Birr, unless specified)

Particulars	2014		2015	Percentage Change		Contributions of each Component to Broad Money Growth	
	QIV	QIII	QIV	C/A	C/B	Annual	Quarterly
	(June. 14)	(March. 15)	(June. 15)				
	A	B	C				
<b>1. Narrow Money Supply</b>	134063.8	<b>148,408.8</b>	<b>154,584.8</b>	<b>15.3</b>	<b>4.2</b>	<b>28.0</b>	<b>28.1</b>
. Currency outside banks	53176.0	60,465.0	60,496.3	13.8	0.1	10.0	0.1
. Demand Deposits (net)	80887.8	87,943.8	94,088.5	16.3	7.0	18.0	27.9
<b>2. Quasi-Money</b>	<b>163,682.8</b>	<b>200,755.8</b>	<b>216,567.6</b>	<b>32.3</b>	<b>7.9</b>	<b>72.0</b>	<b>71.9</b>
. Savings Deposits	136,334.0	163,024.7	174,699.1	28.1	7.2	52.3	53.1
. Time Deposits	27,348.8	37,731.1	41,868.5	53.1	11.0	19.8	18.8
<b>3. Broad Money Supply</b>	<b>297,746.6</b>	<b>349,164.6</b>	<b>371,152.4</b>	<b>24.7</b>	<b>6.3</b>	<b>100.0</b>	<b>100.0</b>

Source: Staff Computation, NBE

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



Source: Staff computation, NBE

## 4.2. Developments in Reserve Money and Monetary Ratio

Reserve money reached Birr 102.5 billion at the end of the fourth quarter of 2014/15, depicting a 14.7 percent annual and 7.5 percent quarterly expansion. Excess reserves of commercial banks dropped by 7.4 percent compared to a year earlier.

The money multiplier measured by the ratio of broad money to reserve money, grew by 8.7 percent on annual basis implying the growing monetization of the economy. Similarly, the ratio of narrow money to reserve money rose 0.5 percent (Table 4.3).

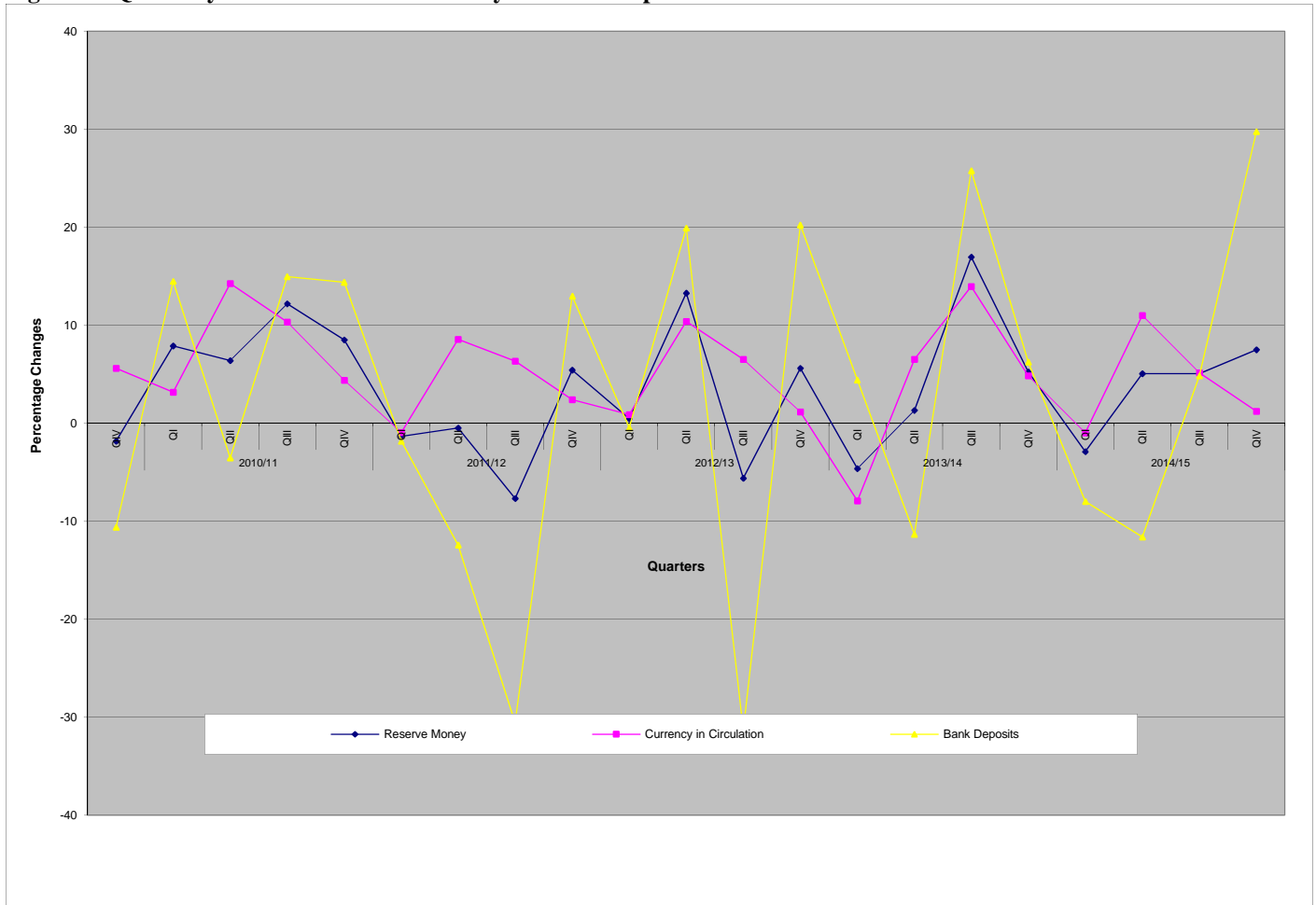
**Table 4.3: Monetary Aggregates and Ratios**

(In Millions of birr unless otherwise indicated)

Particulars	2014		2015		Percentage Change	
	Qtr. III	Qtr. III	Qtr. IV			
	(June.14)	(March.15)	(June.15)		C/A	C/B
	A	B	C			
<b>1. Reserve Requirement (CB's)</b>	14,479.4	16,729.5	18,240.5	26.0	9.0	
<b>2. Actual Reserve (CB's)</b>	24,493.3	21,407.9	27,513.5	12.3	28.5	
<b>3. Excess Reserve (CB's)</b>	10,013.9	4,678.4	9,273.1	-7.4	98.2	
<b>4. Reserve Money</b>	89,322.5	95,320.5	102,467.8	14.7	7.5	
. <i>Currency in Circulation</i>	64,355.0	74,337.8	75,240.7	16.9	1.2	
. <i>Banks deposits at NBE</i>	24,967.5	20,982.7	27,227.1	9.1	29.8	
<b>5. Money Multiplier (Ratio):</b>						
. <i>Narrow Money to Reserve Money</i>	1.5	1.6	1.5	0.5	-3.1	
. <i>Broad Money to Reserve Money</i>	3.3	3.7	3.6	8.7	-1.1	
<b>6. Other Monetary Ratios (%):</b>						
. <i>Currency to Narrow Money</i>	48.0	50.1	48.7	1.4	-2.8	
. <i>Currency to Broad Money</i>	21.6	21.3	20.3	-6.2	-4.8	
. <i>Narrow Money to Broad Money</i>	45.0	42.5	41.6	-7.5	-2.0	
. <i>Quasi Money to Broad Money</i>	55.0	57.5	58.4	6.1	1.5	

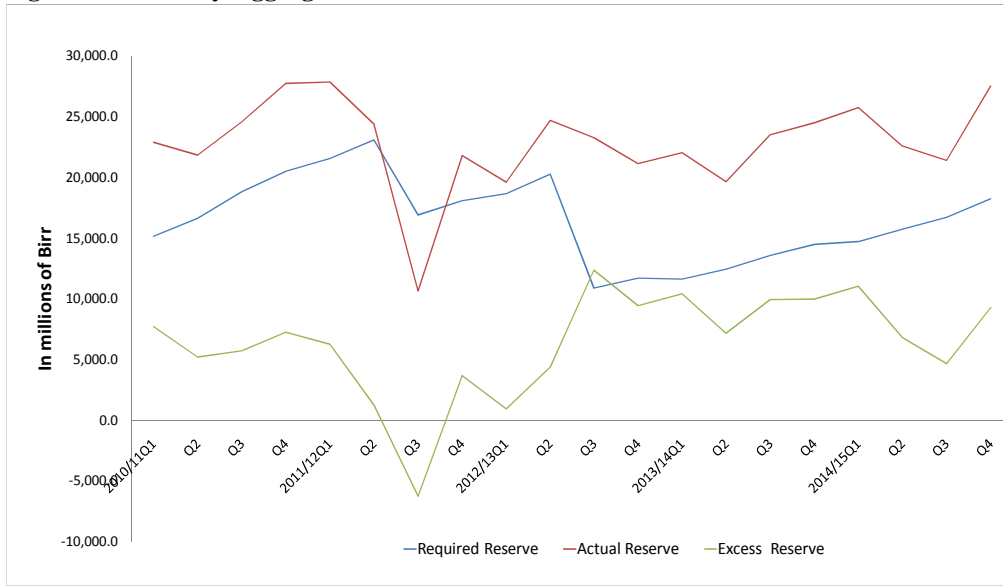
Source: NBE and Commercial Banks

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



Source: Staff Computation NBE

**Fig IV.5: Monetary Aggregates**



**Source: Staff Computation NB**



### 4.3. Interest Rate Developments

Average savings deposit and lending rates remained unchanged at 5.4 and 11.88 percent, respectively, throughout the fiscal year. Weighted average time deposit rate, however, slightly rose by 0.5 percentage points on annual basis. Meanwhile, the weighted average yield

on T-bills declined from 1.31 percent last year to 0.98 percent. Hence, given 10.5 percent headline inflation, all deposit rates and T-bills yield remained negative while average lending rate was positive in real terms by the end of the fourth quarter (Table 4.4).

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

Particulars	2013/14	2014/15		Changes	
	QIV	QIII	QIV	Annual	Quarterly
<b>1. Savings Deposit Rate 1/</b>					
Minimum	5.00	5.00	5.00	0.0	0.0
Maximum	5.75	5.75	5.75	0.0	0.0
<b>Average Saving Rate</b>	<b>5.38</b>	<b>5.38</b>	<b>5.38</b>	<b>0.0</b>	<b>0.0</b>
<b>2. Time Deposits</b>					
Up to 1yr	5.67	5.67	5.71	0.6	0.6
1-2 years	5.75	5.75	5.78	0.5	0.5
Over 2 yrs	5.79	5.79	5.81	0.4	0.4
<b>Average Time Dep. Rate (Weighted)</b>	<b>5.74</b>	<b>5.74</b>	<b>5.77</b>	<b>0.5</b>	<b>0.5</b>
<b>3. Demand Deposit (Weighted)</b>	<b>0.03</b>	<b>0.04</b>	<b>0.04</b>	<b>15.2</b>	<b>-3.2</b>
<b>4. Lending Rate 2/</b>					
Minimum	7.50	7.50	7.50	0.0	0.0
Maximum	16.25	16.25	16.25	0.0	0.0
<b>Average Lending Rate</b>	<b>11.88</b>	<b>11.88</b>	<b>11.88</b>	<b>0.0</b>	<b>0.0</b>
<b>5. T-bills Rate (Weighted)</b>	<b>1.31</b>	<b>1.29</b>	<b>0.98</b>	<b>-25.1</b>	<b>-24.1</b>
<b>6. GERD Bond Yield 3/</b>					
<b>6.1 Maturity within 5 Years</b>	<b>5.50</b>	<b>5.50</b>	<b>5.50</b>	<b>0.0</b>	<b>0.0</b>
<b>6.1 Maturity above 5 Years</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>0.0</b>	<b>0.0</b>
<b>7. Headline Inflation (Year-on-year)</b>	<b>8.46</b>	<b>8.60</b>	<b>10.45</b>	<b>23.4</b>	<b>21.5</b>
<b>8. Food Inflation (Year-on-year)</b>	<b>6.24</b>	<b>10.10</b>	<b>12.53</b>	<b>100.6</b>	<b>24.1</b>
<b>9. Core/non-food Inflation (Year-on-year)</b>	<b>10.96</b>	<b>7.01</b>	<b>6.24</b>	<b>-43.0</b>	<b>-11.0</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.

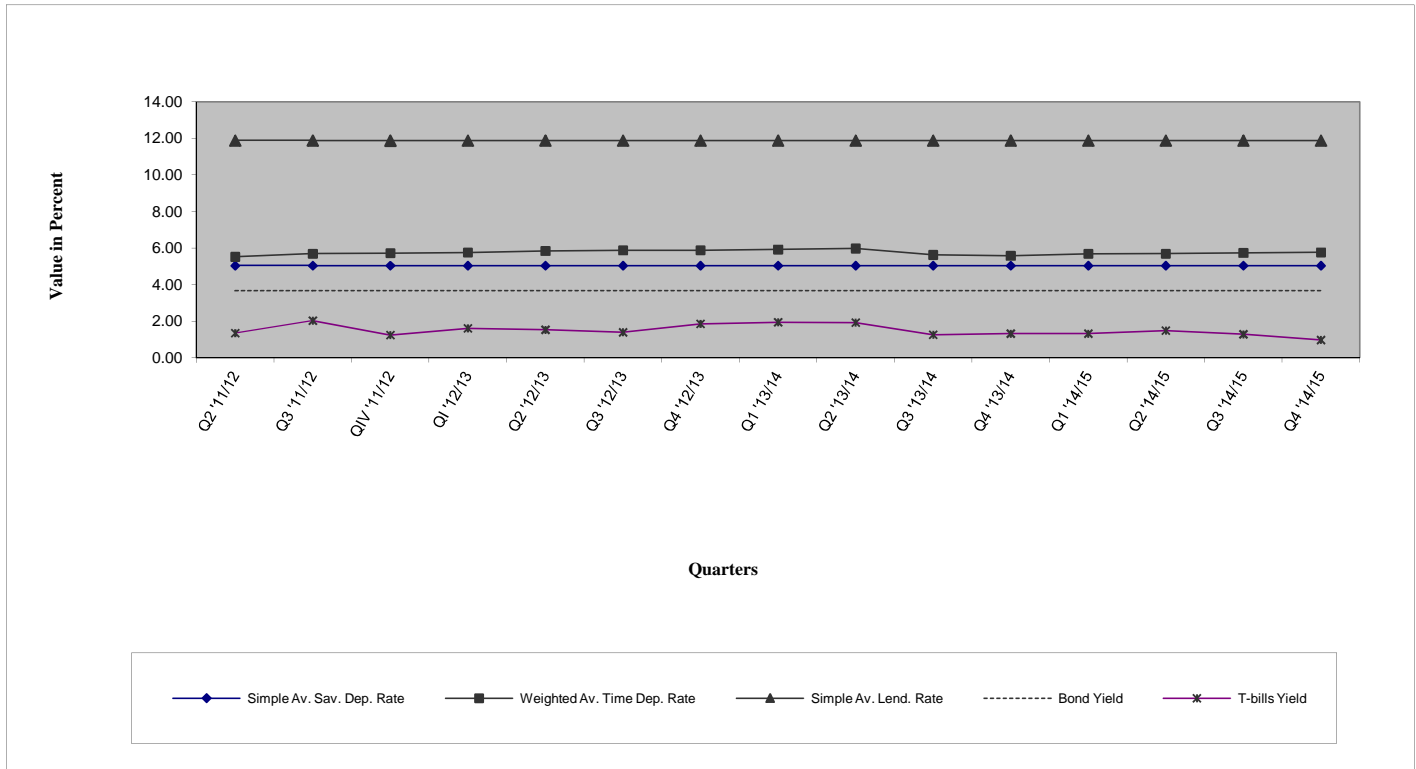
2/ NBE has no control on lending rates and the minimum & maximum rates presented here are determined by the market.

3/ GERD stands for Grand Ethiopian Renaissance Dam

Source: Staff Computation NBE

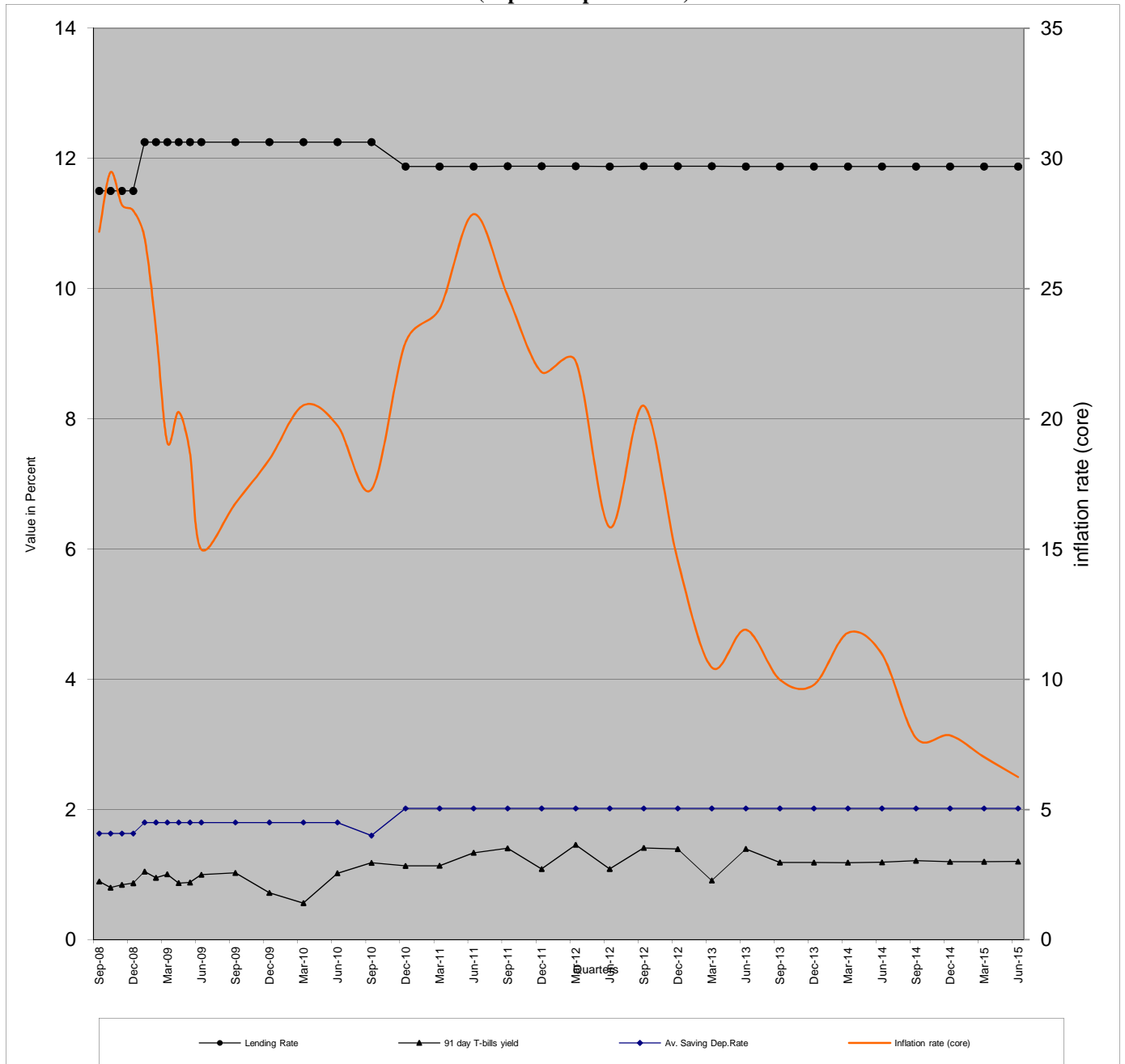
**Fig IV.6: Interest Rate Structure of Commercial Banks**

**(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)**



Source: Staff computation, NBE

\*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

#### 4.4. Developments in the Financial Sector

19 banks, 17 insurance companies and 35 microfinance institutions are operating in Ethiopia. Of the 19 banks 16 are private owned.

485 new bank branches were opened during the 2014/15 fiscal year raising the total number of bank branches to 2693. As a result, the ratio of total bank branch to population went down to 33,448.2<sup>4</sup> from 39,833.8 last year, reflecting a significant improvement in financial service outreach.

About 35.5 percent of the total bank branches were located in Addis Ababa. Of the total bank branches, the share of the private banks increased considerably to 58.1 percent from 54.6 percent a year ago as they opened additional 359 new branches compared to 126 new branches by public banks.

Meanwhile, the total capital of the banking system increased by 19.0 percent compared to last year and reached Birr 31.5 billion, of which private banks together accounted for 56.5 percent. Commercial Bank of

Ethiopia, the state owned bank, alone accounted for 34 percent of the total capital of the banking system while other two public banks took 9.5 percent (Table 4.5).

Of the 17 insurance companies operating in the country 16 were privately owned. The number of branches increased to 377 of which, about 52.8 percent were located in Addis Ababa.

By the end of the review quarter, the total capital of the insurance industry increased by 40.8 percent on annual basis and reached Birr 2.8 billion of which 77.6 percent was that of private insurance companies (Table 4.6).

There were 35 micro-finance institutions (MFIs) operating in the country. These MFIs mobilized a total saving deposit of around Birr 14.8 billion, which was 25.9 percent higher than last year same period. Similarly, outstanding credit of the MFIs scaled up by 29.5 percent and reached Birr 21.8 billion. As a result, their total assets increased by 24.6 percent to Birr 30.5 billion (Table 4.7). Given their intended purpose, MFIs in the country are

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

contributing to poverty reduction and to mobilizing savings from low-income segments of the population.

The top five largest MFIs (Amhara Credit & Saving Institute, Dedebit Credit & Saving Institute, Oromia Credit & Saving Institute, Omo Credit & Saving Institute and Addis Credit and Savings Institute) accounted for 84.2 percent of the total capital, 93.4 percent of the savings, 89.3 percent of the credit and 89.7 percent of the total assets of the industry.

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

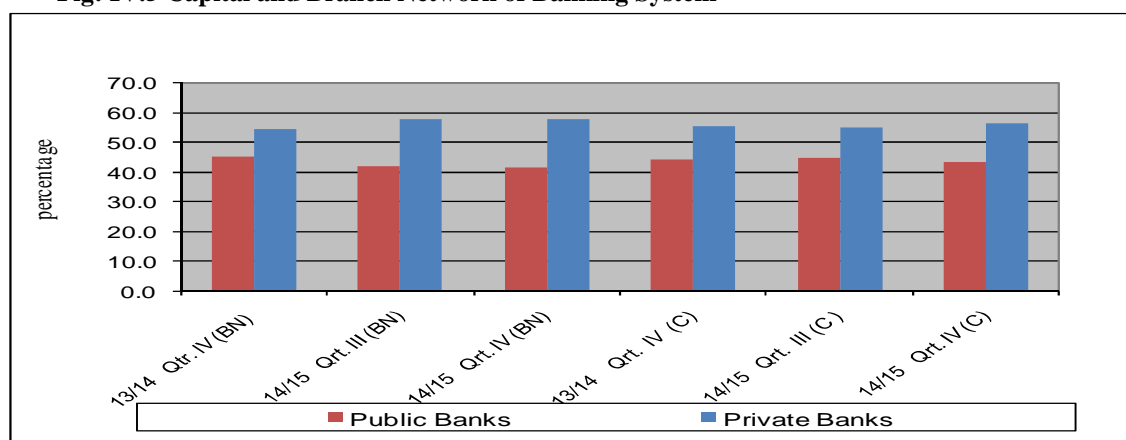
(Branch in Number & Capital in Millions of Birr)

Banks	Branch Network												Capital			
	2013/14				2014/15								2013/14	2014/15		
	Quarter IV				Quarter III				Quarter IV				Quarter IV	Quarter III	Quarter IV	
	Reg.	A.A	Total	%	Reg.	A.A	Total	%	Reg.	A.A	Total	%				
<b>1. Public Banks</b>																
Commercial Bank of	700	156	856	38.8	771	186	957	36.3	785	192	977	36.3	9,045.0	10,716.4	10,716.4	
Construction &	68	47	115	5.2	69	51	120	4.6	69	51	120	4.5	642.1	731.5	731.2	
Development Bank of	31	1	32	1.4	31	1	32	1.2	31	1	32	1.2	2,134.8	2,269.3	2,269.2	
<b>Total Public Banks</b>	<b>799</b>	<b>204</b>	<b>1003</b>	<b>45.4</b>	<b>871</b>	<b>238</b>	<b>1,109</b>	<b>42.1</b>	<b>885</b>	<b>244</b>	<b>1,129</b>	<b>41.9</b>	<b>11,821.9</b>	<b>13,717.1</b>	<b>13,716.7</b>	
<b>2. Private Banks</b>																
Awash International	62	90	152	6.9	95	110	205	7.8	95	112	207	7.7	1,979.3	2,244.9	2,540.3	
Dashen Bank	69	73	142	6.4	76	88	164	6.2	76	88	164	6.1	1,994.1	2,184.4	2,377.2	
Abyssinia Bank	55	54	109	4.9	63	67	130	4.9	64	72	136	5.1	1,326.0	1,506.4	1,594.3	
Wegagen Bank	51	49	100	4.5	63	56	119	4.5	63	56	119	4.4	1,825.8	2,061.2	2,061.9	
United Bank	44	55	99	4.5	61	64	125	4.7	62	66	128	4.8	1,334.4	1,396.3	1,475.0	
Nib International Bank	39	55	94	4.3	45	65	110	4.2	50	65	115	4.3	1,731.3	1,839.9	1,925.3	
Cooperative Bank of	84	21	105	4.8	102	35	137	5.2	106	35	141	5.2	739.9	1,056.5	1,058.7	
Lion International Bank	35	27	62	2.8	49	37	86	3.3	50	38	88	3.3	514.3	576.9	601.6	
Oromia International	80	29	109	4.9	99	47	146	5.5	103	49	152	5.6	594.3	766.6	771.7	
Zemen Bank	3	6	9	0.4	5	2	7	0.3	5	2	7	0.3	529.1	611.2	650.0	
Buna International Bank	41	22	63	2.9	46	34	80	3.0	47	35	82	3.0	446.6	555.0	559.3	
Berhan International	22	26	48	2.2	32	36	68	2.6	32	39	71	2.6	560.1	557.9	622.3	
Abay Bank	54	16	70	3.2	69	18	87	3.3	70	19	89	3.3	395.0	546.8	591.0	
Addis Interational Bank	5	16	21	1.0	10	22	32	1.2	10	22	32	1.2	277.9	361.1	399.6	
Debub Global Bank	12	7	19	0.9	13	9	22	0.8	13	9	22	0.8	177.3	193.4	202.6	
Enat Bank S.C	-	3	3	0.1	3	6	9	0.3	5	6	11	0.4	261.6	332.0	392.1	
<b>Total Private</b>	<b>656</b>	<b>549</b>	<b>1205</b>	<b>54.6</b>	<b>831</b>	<b>696</b>	<b>1,527</b>	<b>57.9</b>	<b>851</b>	<b>713</b>	<b>1,564</b>	<b>58.1</b>	<b>14,686.8</b>	<b>16,790.4</b>	<b>17,822.8</b>	
<b>3. Grand Total</b>	<b>1,455</b>	<b>753</b>	<b>2,208</b>	<b>100</b>	<b>1,702</b>	<b>934</b>	<b>2,636</b>	<b>100.0</b>	<b>1,736</b>	<b>957</b>	<b>2,693</b>	<b>100.0</b>	<b>26,508.7</b>	<b>30,507.5</b>	<b>31,539.5</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 & 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 IV			Quarter III			Quarter IV			Quarter IV	Quarter III	Quarter IV
		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	434.4	472.8	643.2
2	Awash Insurance Company	21	12	33	22	12	34	22	14	36	182.9	206.1	219.0
3	Africa Insurance Company	8	7	15	9	9	18	9	9	18	134.9	199.3	211.5
4	National Insurance Corporation of Ethiopia	9	12	21	9	12	21	9	13	22	72.6	69.9	80.8
5	United Insurance Company	18	10	28	18	10	28	18	10	28	203.1	231.4	258.4
6	Global Insurance Company	6	5	11	6	5	11	6	6	12	67.1	91.4	95.8
7	Nile Insurance Company	14	14	28	14	17	31	14	17	31	182.0	218.0	232.6
8	Nyala Insurance Company	12	9	21	13	10	23	13	10	23	206.3	284.3	286.3
9	Nib Insurance Company	17	8	25	18	8	26	19	9	28	207.3	235.9	263.6
10	Lion Insurance Company	14	6	20	15	9	24	15	10	25	83.4	87.0	96.6
11	Ethio-Life Insurance Company	6	1	7	7	4	11	8	4	12	20.3	24.0	31.8
12	Oromia Insurance Company	14	11	25	17	12	29	17	12	29	119.2	134.2	138.1
13	Abay Insurance Company S.C.	7	7	14	8	9	17	8	9	17	48.5	99.4	108.3
14	Berhan insurance S.C	6	1	7	6	1	7	6	1	7	22.4	35.9	46.9
15	Tsehay Insurance S.C.	6	2	8	6	2	8	6	2	8	24.3	42.0	48.7
16	Lucy	2	1	3	3	2	5	3	2	5	16.8	47.4	64.7
17	Bunna Insurance S.C.	4	0	4	8	2	10	8	2	10	8.6	21.3	38.8
	<b>TOTAL</b>	<b>182</b>	<b>150</b>	<b>332</b>	<b>197</b>	<b>172</b>	<b>369</b>	<b>199</b>	<b>178</b>	<b>377</b>	<b>2,034.1</b>	<b>2,500.2</b>	<b>2,865.0</b>

Source: Insurance Company Directorate, NBE

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

(In

Thousands of Birr)

Particulars	2013/14	2014/15		% Change	
	Qtr.IV	Qtr.III	Qtr.IV	C/A	C/B
	A	B	C		
Total Capital	5,652,005.7	6,660,487.3	7,187,259.5	27.2	7.9
Saving	11,784,059.6	14,243,260.1	14,832,747.4	25.9	4.1
Credit	16,855,556.8	18,697,637.2	21,827,337.3	29.5	16.7
Total Assets	24,535,850.0	28,963,642.3	30,562,012.2	24.6	5.5

Source; Microfinance Supervision Directorate, NBE

## 4.5. Activities of the Banking System

### 4.5.1. Resource Mobilization

Year-on-year basis, total resources mobilized by the banking system increased by 30.6 percent due to an increase in deposits (net

change) and loan collections by 57.1 percent and 13.1 percent, respectively, (Table 4.8).

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

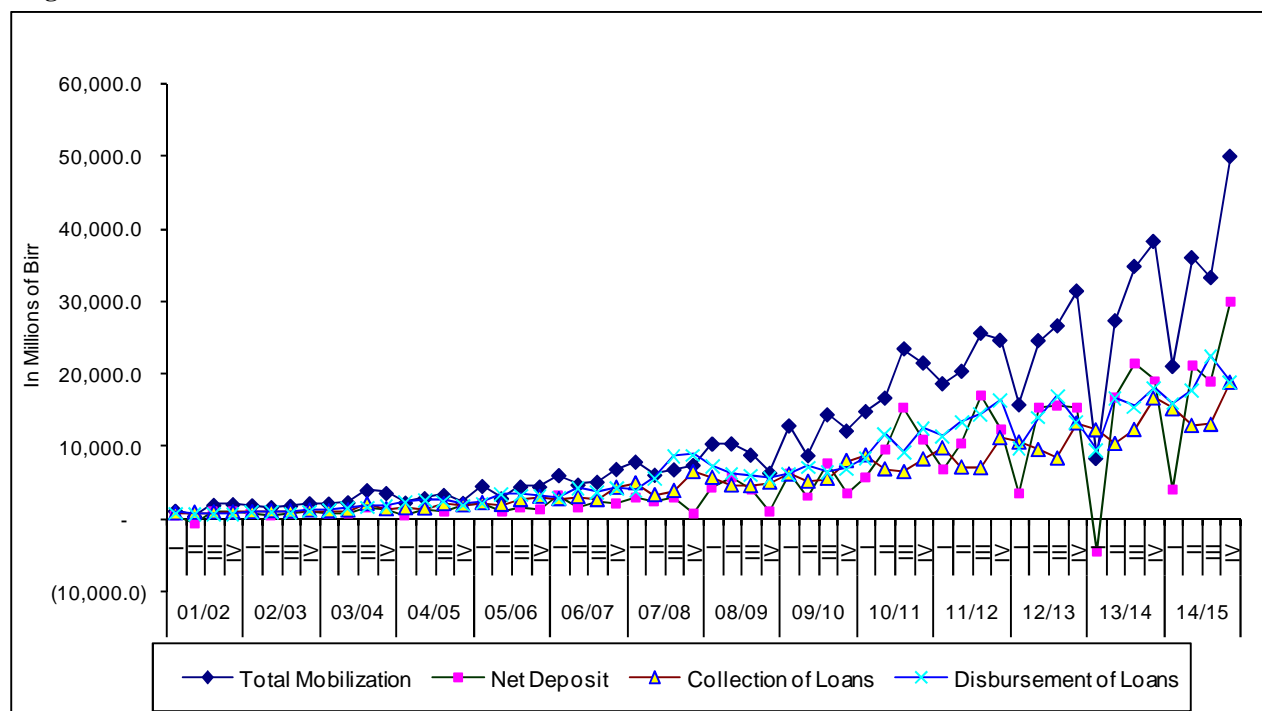
(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr.III 2014/15	Qtr.IV 2014/15	Qtr.III 2014/15	Qtr.IV 2014/15	Qtr.IV 2013/14	Qtr.III 2014/15	Qtr.IV 2014/15	C/A	C/B
	A	B	C						
1. Deposits (net change)	<b>11,690.2</b>	<b>21,272.1</b>	<b>7,417.0</b>	<b>8,835.4</b>	<b>19,163.49</b>	<b>19,107.2</b>	<b>30,107.5</b>	<b>57.1</b>	<b>57.6</b>
-Demand	1,766.4	10,364.0	2,202.3	3,931.5	7,928.19	3,968.6	14,295.5	80.3	260.2
-Saving	9,602.8	-7,479.0	3,725.4	4,557.6	10,555.62	13,328.2	-2,921.4	-127.7	-121.9
-Time	321.1	18,387.2	1,489.3	346.3	679.68	1,810.4	18,733.4	2,656.2	934.8
2. Borrowing (net change)	<b>1,091.6</b>	<b>951.3</b>	<b>0.0</b>	<b>0.0</b>	<b>2,381.60</b>	<b>1,091.6</b>	<b>951.3</b>	<b>-60.1</b>	<b>-12.9</b>
-Local	980.9	800.9	0.0	0.0	2,077.89	980.9	800.9	-61.5	-18.4
-Foreign	110.6	150.4	0.0	0.0	303.72	110.6	150.4	-50.5	35.9
3. Collection of Loans	5,867.0	9,377.5	7,185.1	9,489.5	16,685.46	13,052.1	18,867.0	13.1	44.6
4. Total Resources Mobilized (1+2+3)	<b>18,648.8</b>	<b>31,600.9</b>	<b>14,602.1</b>	<b>18,324.9</b>	<b>38,230.55</b>	<b>33,250.9</b>	<b>49,925.8</b>	<b>30.6</b>	<b>50.1</b>
5. Disbursement	16,444.3	10,559.8	6,135.2	8,417.4	18,076.34	22,579.5	18,977.2	5.0	-16.0
6. Change in Liquidity (4-5)	<b>2,204.5</b>	<b>21,041.1</b>	<b>8,466.9</b>	<b>9,907.5</b>	<b>20,154.20</b>	<b>10,671.4</b>	<b>30,948.6</b>	<b>53.6</b>	<b>190.0</b>
Memorandum Item:									
A. Outstanding Credit*	138,528.0	141,751.2	67,227.5	75,617.0	168,289.13	205,755.6	217,368.2	29.2	5.6
B. Outstanding Interbank Lending	57.8	57.8	0.0	0.0	65.9	57.8	57.8	-12.3	0.0

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 reached Birr 367.4 billion at the end of the fourth quarter of the fiscal year 2014/15, indicating a 8.9 percent quarterly and 25.5 percent annual growth rates partly due to the rise in the number of bank branches opened by commercial banks and improvements in economic activities.

Component wise, saving deposits, which accounted for 47.5 percent of total deposits, reached Birr 174.7 billion showing an annual growth rate of 19.8 percent. Demand deposits,

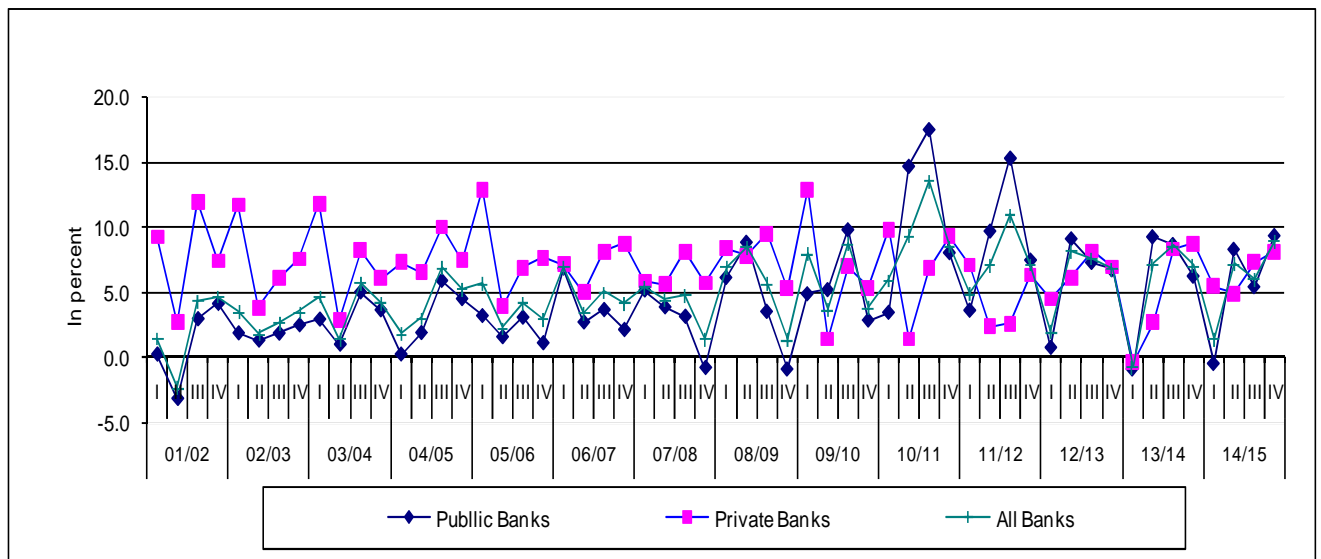
with 41.0 percent share in total deposits increased by 16.8 percent. Similarly, time deposits, which constituted 11.5 percent of the total deposit liabilities, went up by 131.6 percent over the same period.

The share of public banks in total deposit mobilization decreased by 1.5 percentage points compared to the same period last year and accounted for 67.5 percent while that of private banks was 32.5 percent slightly higher than 31 percent a year earlier (Table 4.9).

**Table 4.9: Stock of Deposits Mobilized by the Banking System****(In Millions of Birr)**

Deposit by types	Quarter IV 2013/14	% Share	Quarter III 2014/15	% Share	Quarter IV 2014/15	% Share	C/A	C/B
	A		B		C			
Demand Deposit	128,788.1	44.0	136,156.0	40.4	150,451.45	41.0	16.8	10.5
Saving Deposit	145,824.3	49.8	177,633.7	52.7	174,712.31	47.6	19.8	-1.6
Time Deposit	18,235.4	6.2	23,498.2	7.0	42,231.67	11.5	131.6	79.7
<b>Total</b>	<b>292,847.9</b>	<b>100.0</b>	<b>337,287.9</b>	<b>100.0</b>	<b>367,395.43</b>	<b>100.0</b>	<b>25.5</b>	<b>8.9</b>
Share of Public Banks	69.0		67.9		67.5			
Share of Private Banks	31.0		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 18.9 billion, which was 13.1 percent higher than last year same period (Table 4.8). Of the total loan collection, the share of private banks was

Birr 9.5 billion (50.3 percent) and that of public banks Birr 9.4 billion or 49.7 percent (Table 4.11). Of the total loan collection, 68.2 percent was from private enterprises followed by cooperatives (26.6 percent)

and public enterprises (5.2 percent) (Table 4.12).

### 4.5.1.3. Borrowing

Total outstanding borrowing of the banking system reached Birr 31.0 billion, up by 13.8 percent on annual basis due to the surge in foreign and domestic borrowings by 18.

2 and 13.2 percent respectively. Of the total borrowing, Birr 27.0 billion (87.0 percent) was from domestic sources and the remaining Birr 4.0 billion (13.0 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 IV	Quarter III	Quarter IV		
	A	B	C	C/B	C/A
Domestic Borrowing	23,900.8	26,671.51	27,049.60	1.4	13.2
Foreign Borrowing	3,409.4	3,880.62	4,031.51	3.9	18.2
<b>Total</b>	<b>27,310.1</b>	<b>30,552.1</b>	<b>31,081.1</b>	<b>1.7</b>	<b>13.8</b>

Source: Commercial Banks and Development Bank of Ethiopia

### 4.5.2. Disbursement of Fresh Loans

Total disbursement of fresh loans by the banking system reached Birr 18.9 billion showing a 5 percent annual increase (Table 4.8). Public banks disbursed Birr 10.5 billion (55.6 percent) while the remaining balance was by private banks (Table 4.12). About 99.6 percent of new loan disbursement by private banks and 54.5 percent of the public banks went to the private sector (Table 4.12).

Sector wise, agriculture was the largest beneficiary accounting for Birr 4.7 billion (25.1 percent) followed by industry (Birr 3.8 billion or 20.2 percent), domestic trade (Birr 3.3 billion or 17.3 percent), housing and construction (Birr 2.3 Billion or 12.4 percent) and international trade (Birr 2.0 billion or 10.9 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 *	-	-	14,383	-	-	18	-	-	14,401
Agriculture	4,564	5,090	17,405	203	118	1,175	4,767	5,209	18,580
Industry	2,879	1,532	76,525	951	1,038	9,687	3,830	2,570	86,212
Domestic Trade	359	462	2,137	2,926	3,319	23,199	3,284	3,780	25,336
International Trade	210	645	22,268	1,854	2,896	20,998	2,063	3,541	43,266
Export	113	107	5,879	578	1,469	11,702	691	1,576	17,581
Imports	97	538	16,389	1,275	1,427	9,333	1,372	1,965	25,723
Hotels and Tourism	46	160	935	344	312	2,656	390	472	3,591
Transport & Communication	624	184	2,803	850	501	4,486	1,474	685	7,289
Housing & Construction	1,344	1,025	13,055	1,012	1,032	9,474	2,356	2,057	22,529
Mines, Power & Water Res.	11	20	775	5	12	70	16	32	845
Others	507	246	5,420	77	131	2,408	584	377	7,828
Personal	18	14	370	195	130	1,427	213	144	1,797
Inter-Bank Lending	-	-	58	-	-	-	-	-	58
<b>Total</b>	<b>10,560</b>	<b>9,377</b>	<b>156,134</b>	<b>8,417</b>	<b>9,490</b>	<b>75,635</b>	<b>18,977</b>	<b>18,867</b>	<b>231,769</b>

Notes: \*Refers to government borrowing in the form of bonds and treasury bills from commercial banks and other sectors other than NBE

\*\* 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 217.3 billion at the end of June 2015, up by 5.6 percent on quarterly basis (Table 4.8).

About 99.8 percent of outstanding loan of private banks was claims on private enterprises including cooperatives. On the other hand, 49.2 percent, of the total public banks outstanding loan (excluding credit to government and interbank lending) was

claims on public enterprises and 50.8 percent on private enterprises (Table 4.12).

Sector wise, credit to industry was Birr 86.2 billion (39.7 percent) followed by international trade (Birr 43.2 billion or 19.9 percent), domestic trade (Birr 25.3 billion or 11.7 percent), housing & construction (Birr 22.5 billion or 10.4 percent), agriculture (Birr 18.6 billion or 8.5 percent) and other sectors taking the balance (Table 4.11).

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

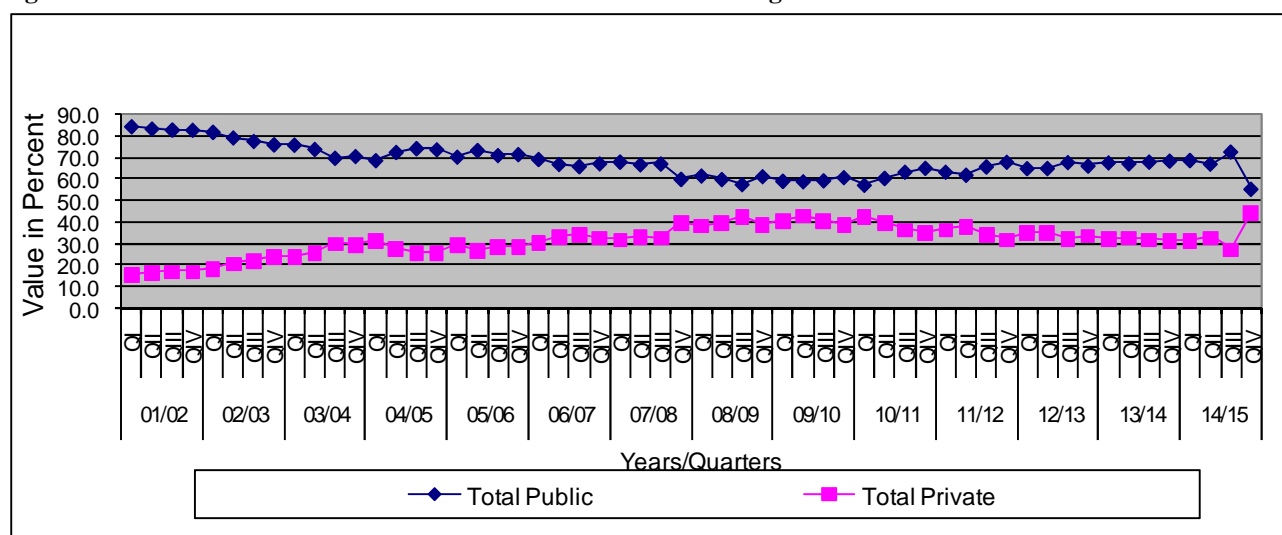
(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
<b>Public Banks</b>	<b>10,559.8</b>	<b>55.6</b>	<b>9,377.5</b>	<b>49.7</b>	<b>156,134.5</b>	<b>67.4</b>
Central Government*	0.0	0.0	0.0	0.0	14,383.3	9.2
State Enterprises	1,007.4	9.5	967.4	10.3	69,704.4	44.6
Cooperatives	3,792.4	35.9	4,992.8	53.2	12,621.0	8.1
Private Enterprises	5,759.9	54.5	3,417.2	36.4	59,368.0	38.0
Inter-bank Lending	0.0	0.0	0.0	0.0	57.8	0.0
<b>Private Banks</b>	<b>8,417.4</b>	<b>44.4</b>	<b>9,489.5</b>	<b>50.3</b>	<b>75,635.0</b>	<b>32.6</b>
Central Government*	0.0	0.0	0.0	0.0	18.0	0.0
State Enterprises	1.6	0.0	9.3	0.1	137.2	0.2
Cooperatives	28.4	0.3	29.8	0.3	1,229.8	1.6
Private Enterprises	8,387.4	99.6	9,450.5	99.6	74,250.1	98.2
Inter-bank Lending	0.0	0.0	0.0	0.0	0.0	0.0
<b>Grand Total</b>	<b>18,977.2</b>	<b>100.0</b>	<b>18,867.0</b>	<b>100.0</b>	<b>231,769.5</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 other sectors other than NBE

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



Source: Staff computation, NBE

## 4.6. Financial Activities of NBE

As at June 30, 2015, total claims of NBE on the central government reached Birr 92.1 billion, about 25.7 percent higher than a year earlier. Of the credit to the central government, direct advance accounted for 90.3 percent, and bonds 9.7 percent. Direct advance increased by 29.6 percent while government bonds held by NBE declined by 1.4 percent as compared to last year same period.

Meanwhile, deposits of the central government and financial institutions at NBE increased by 25.1 percent on annual basis and stood at Birr 43.0 billion. Of the total deposits, 35.0 percent was deposit of the central government which surged by 71.9 percent (Table 4.13). On the other hand, deposits by financial institutions increased by 9.1 percent to Birr 28 billion.

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

(In millions Birr)

Particulars	2013/14	2014/15		% Change	
	Qtr.IV	Qtr.III	Qtr.IV	C/A	C/B
	A	B	C		
<b>1.Loans and Advances</b>	<b>93,561.39</b>	<b>104,032.34</b>	<b>115,532.34</b>	<b>23.5</b>	<b>11.1</b>
1.1. To Central Government	73,304.39	81,175.34	92,175.34	25.7	13.6
Direct Advance	64,264.95	72,264.95	83,264.95	29.6	15.2
Bonds	9,039.44	8,910.39	8,910.39	-1.4	0.0
1.2.To Development Bank of Ethiopia	20,257.00	22,857.00	23,357.00	15.3	2.2
<b>2.Deposit Liabilities</b>	<b>34,432.09</b>	<b>42,987.28</b>	<b>43,077.72</b>	<b>25.1</b>	<b>0.2</b>
2.1. Government	8,793.48	21,308.75	15,098.54	71.7	-29.1
2.2. Financial Institutions	25,638.61	21,678.53	27,979.18	9.1	29.1
O/W:					
-Banks	25,587.60	21,620.30	27,951.32	9.2	29.3
-Insurance companies	51.01	58.2	27.9	-45.4	-52.1
<b>3.Net Claims of NBE</b>	<b>59,129.3</b>	<b>61,045.1</b>	<b>72,454.6</b>	<b>22.5</b>	<b>18.7</b>

Source: NBE

## **4.7. Developments in Financial Markets**

### **4.7.1. Treasury Bills Market**

The amount of T-bills supplied to the weekly T-bills auction market reached Birr 27.5 billion during the fourth quarter of the fiscal year 2014/15 reflecting a 46.6 percent annual expansion. However, the demand for T-bills contracted by 0.8 percent relative to a year earlier and reached Birr 30.4 billion (Table 4.14).

All the T-bills were sold to non-bank institutions. The total outstanding T-bills at the end of the quarter reached Birr 41.7 billion, reflecting a 29.2 percent yearly growth.

The annual average weighted yield of T-bills during the review quarter was 0.981 percent about 25.0 percent lower than similar quarter in 2013/14 (Table 4.14).

Table 4.13: Results of Treasury Bills Auction

(In Millions of Birr)

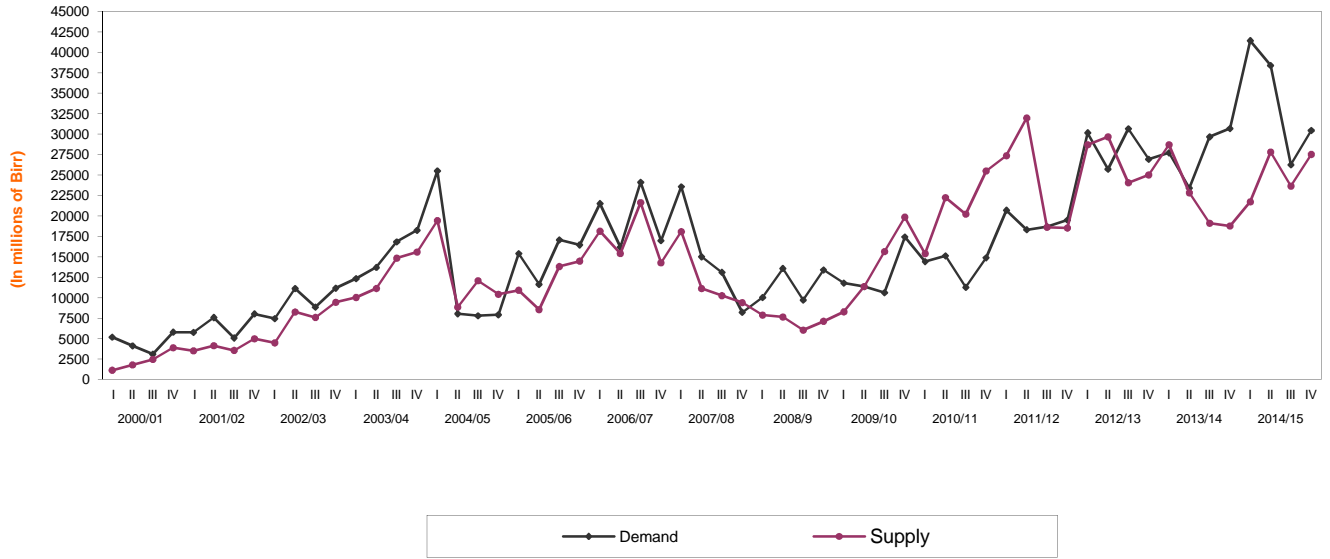
Particulars	2013/14	2014/15		% Change	
	Quarter IV	Quarter III	Quarter IV	C/A	C/B
	A	B	C		
<b>Number of Bidders</b>	<b>77</b>	<b>52</b>	<b>59</b>	<b>-23.4</b>	<b>13.5</b>
Public	54	50	58	7.4	16.0
Private	23	2	1	-95.7	-50.0
<b>Number of Bids received</b>	<b>113</b>	<b>59</b>	<b>62</b>	<b>-45.1</b>	<b>5.1</b>
Public	70	56	61	-12.9	8.9
Private	43	3	1	-97.7	-66.7
<b>Amount Demanded (Mn. Birr)</b>	<b>30,695.9</b>	<b>26,258.9</b>	<b>30,454.8</b>	<b>-0.8</b>	<b>16.0</b>
28-day bill	600.0	340.0	360.0	-40.0	5.9
91-day bill	24,657.9	21,708.9	25,107.8	1.8	15.7
182-day bill	3,391.0	1,210.0	4,787.0	41.2	295.6
364-day bill	2,047.0	3,000.0	200.0	-90.2	-93.3
<b>Amount Supplied (Mn. Birr)</b>	<b>18,782.4</b>	<b>23,658.4</b>	<b>27,536.9</b>	<b>46.6</b>	<b>16.4</b>
28-day bill	300.0	240.0	300.0	0.0	25.0
91-day bill	15,130.4	19,168.4	22,745.9	50.3	18.7
182-day bill	1,656.0	1,250.0	4,291.0	159.1	243.3
364-day bill	1,696.0	3,000.0	200.0	-88.2	-93.3
<b>Amount Sold (Mn. Birr)</b>	<b>22,551.9</b>	<b>26,158.9</b>	<b>30,394.8</b>	<b>34.8</b>	<b>16.2</b>
Banks	0.0	0.0	0.0	0.0	0.0
Non-Banks	22,551.9	26,158.9	30,394.8	34.8	16.2
<b>Average Weighted Price for Successful bids (%)</b>	<b>99.227</b>	<b>99.254</b>	<b>99.622</b>	<b>0.4</b>	<b>0.4</b>
28-day bill	99.934	99.927	99.939	0.0	0.0
91-day bill	99.704	99.702	99.702	0.0	0.0
182-day bill	99.547	99.667	99.248	-0.3	-0.4
364-day bill	97.721	97.721	99.600	1.9	1.9
<b>Average Weighted Yield for Successful bids (%)</b>	<b>1.307</b>	<b>1.292</b>	<b>0.981</b>	<b>-25.0</b>	<b>-24.1</b>
28-day bill	0.859	0.956	0.797	-7.2	-16.6
91-day bill	1.113	1.199	1.201	7.9	0.1
182-day bill	0.913	0.670	1.522	66.7	127.3
364-day bill	2.342	2.342	0.403	-82.8	
<b>Outstanding bills at the end of Period (Mn.Br.)</b>	<b>32,286.9</b>	<b>39,342.9</b>	<b>41,704.8</b>	<b>29.2</b>	<b>6.0</b>
Banks	0.0	0.0	0.0	0.0	0.0
Non-Banks	32,286.9	39,342.9	41,704.8	29.2	6.0

Source: NBE



Fig IV.14: Developments in T-Bills Market

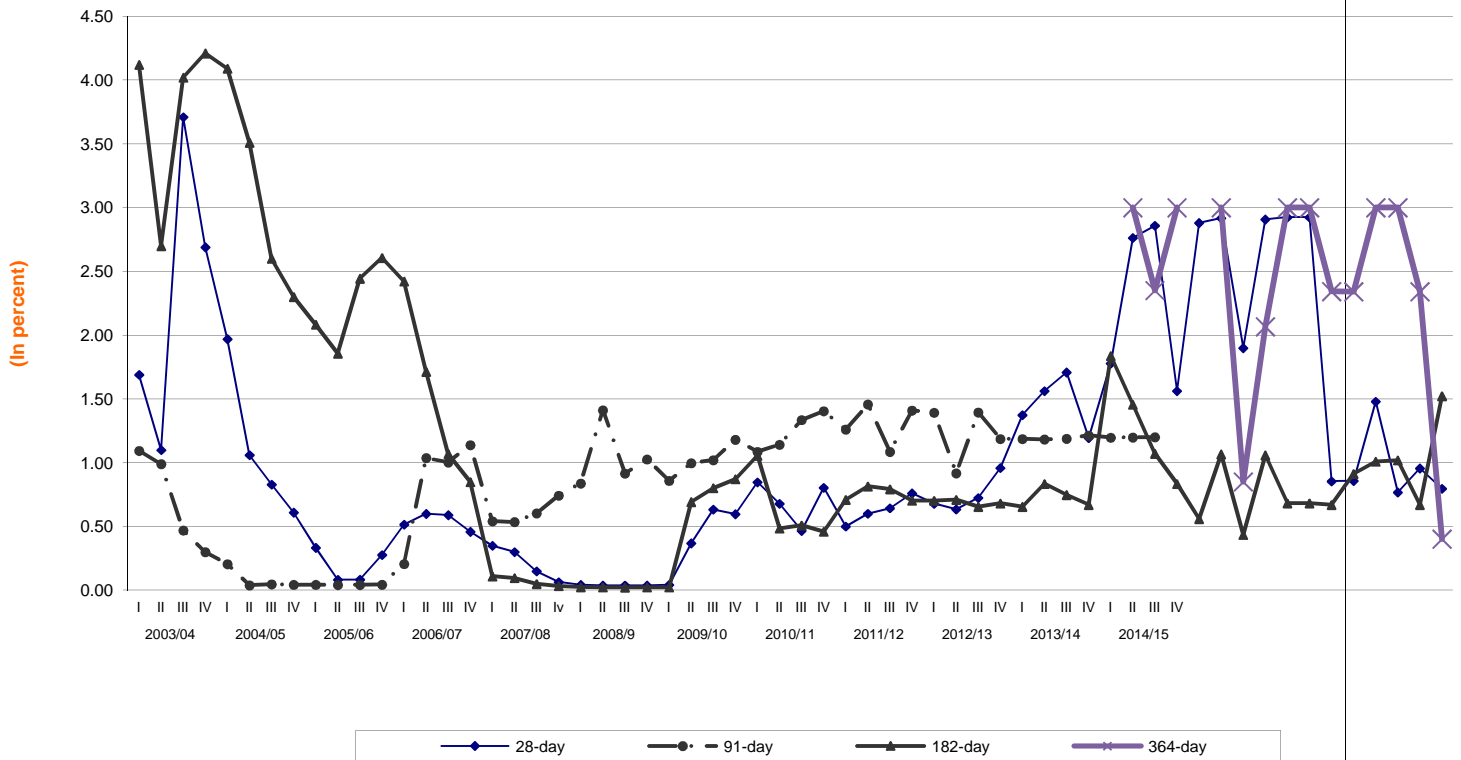
(In Millions of Birr)



Source: NBE

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**

No inter-bank money market transactions were conducted during the review quarter (Table 4.12).

### **4.7.3. Corporate Bond Market**

At this stage, the purchaser of corporate bonds is the Commercial Bank of Ethiopia (CBE) and the issuers of these bonds are mainly public institutions and regional governments. During the quarter under review, CBE purchased corporate bonds to the tune of Birr 16.0 billion, of which (Birr 7.0 billion or 43.8 percent) was from the Ethiopian electric power (EEP) followed by Railways Corporation (Birr 4.4 billion or 27.5 percent) and Addis Ababa Housing Development Agency (Birr 4.6 billion or 28.6 percent).

At the end of June 30, 2014, the stock of corporate bonds held by the CBE stood at Birr 152.7 billion, of which 84.0 percent was claims on public enterprises and the rest was on regional governments (Table 4.15). Corporate bonds issued by EEPCO accounted for 89.8 percent of the total bonds issued by public enterprises and 75.4 percent of the entire outstanding corporate bond balance.

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

Issuer of the Bond	2013/14			2014/15					
	QIV			QIII			QIV		
	NP	Red	O/S	NP	Red	O/S	NP	Red	O/S
<b>1. Public Enterprises</b>	<b>5,100.0</b>	<b>632.3</b>	<b>91,443.4</b>	<b>10,500.0</b>	<b>0.0</b>	<b>115,743.4</b>	<b>11,400.0</b>	<b>0.0</b>	<b>128,143.4</b>
EEP	3100.0	0.0	86300.0	8,800.0	-	107,300.0	7,000.0	-	115,100.0
Railways Corporation	2000.0	0.0	5100.0	1,700.0	-	8,400.0	4,400.0	-	13,000.0
DBE	0.0	632.3	43.4	-	-	43.4	-	-	43.4
<b>2. Regional Governments</b>	<b>3,300.0</b>	<b>766.6</b>	<b>17,694.6</b>	<b>1,600.0</b>	<b>354.6</b>	<b>20,815.8</b>	<b>4,575.0</b>	<b>844.6</b>	<b>24,545.8</b>
Oromia	0.0	58.0	794.6	-	45.3	632.3	-	38.2	594.1
Amhara	0.0	0.0	0.2	-	-	0.2	-	-	0.2
Tigray	0.0	11.7	272.3	-	1.2	220.6	-	23.2	197.3
SNNPRS	0.0	22.9	306.2	-	4.9	290.0	-	-	289.8
Dire Dawa	0.0	55.7	24.1	-	-	-	-	-	-
Harari	0.0	0.0	0.0	-	-	-	-	-	-
Addis Ababa Housing Development Agency	3300.0	618.3	16297.2	1,600.0	303.2	19,672.6	4,575.0	783.2	23,464.4
<b>3. Grand Total (1+2)</b>	<b>8,400.0</b>	<b>1,398.9</b>	<b>109,138.0</b>	<b>12,100.0</b>	<b>354.6</b>	<b>136,559.2</b>	<b>15,975.0</b>	<b>844.6</b>	<b>152,689.2</b>

Source: NBE

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