

V. MONETARY DEVELOPMENTS

In the second quarter of 2009/10 monetary policy continued to be geared towards containing inflationary pressures. Tight monetary policy coupled with prudent fiscal policy

measures have helped to reduce annual general CPI inflation down to 7.1 percent in December 2009 from 39.3 percent a year earlier.

5.1. Money Supply and Credit

At the close of the second quarter of the fiscal year 2009/10, broad money supply reached Birr 91.2 billion, showing annual increase of 20.1 percent due to significant growth in net foreign assets (128 percent) and domestic credit (8.9

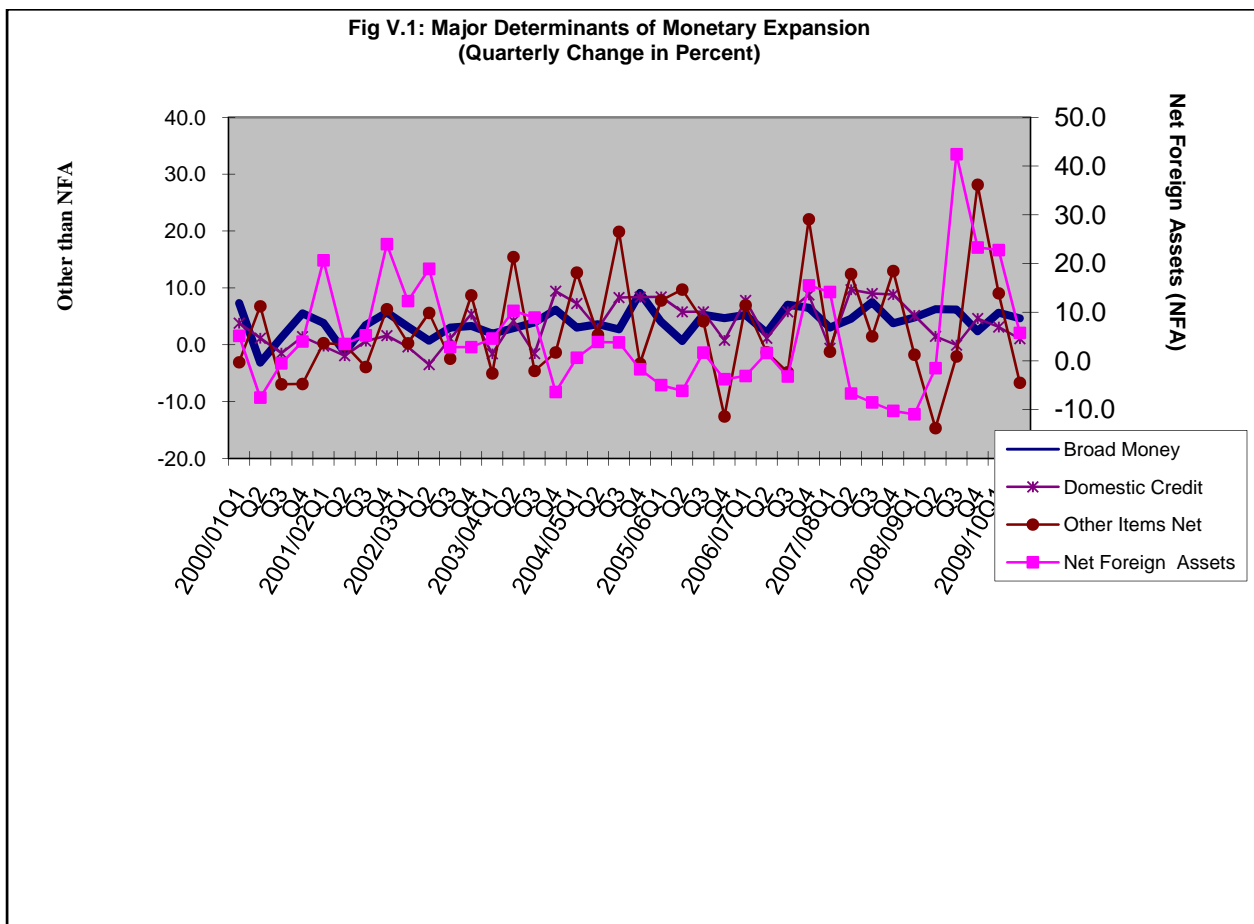
percent). Domestic credit to non-government sectors rose 20.6 percent; while credit to government dropped by 10.6 percent consistent with the prudent fiscal and monetary policy directions.

Table 5. 1: Factors Influencing Broad Money

(In Millions of Birr)

Particulars	2008/09	2009/10		Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. II	Qtr. I	Qtr. II	C/A	C/B	Annual	Quarterly
	(Dec. 08)	(Sept. 09)	(Dec. 09)				
	A	B	C				
1. External Assets (net)	10,233.5	22,071.6	23,343.3	128.1	5.8	85.8	31.5
2. Domestic Credit	85,327.7	91,983.7	92,945.2	8.9	1.0	49.8	23.8
. Claims on Central Gov't (net)	31,944.4	32,500.4	28,555.8	-10.6	-12.1	-22.2	-97.8
. Claims on Non-Central Gov't	53,383.3	59,483.3	64,389.4	20.6	8.2	72.0	121.6
. Financial Institutions	0.0	0.0	0.0				
. Others	53,383.3	59,483.3	64,389.4	20.6	8.2	72.0	121.6
3. Other Items (net)	19,657.1	26,899.8	25,099.2	27.7	-6.7	35.6	-44.6
4. Broad Money (M2)	75,904.0	87,155.5	91,189.3	20.1	4.6	100.0	100.0

Source: NBE



Components wise, narrow money supply went-up by 13.6 percent largely owing to 24.8 percent growth in currency outside banks. Quasi-money also surged by 27.6 percent as savings and time deposits

mobilization improved by 28.5 and 17.5 percent, respectively.

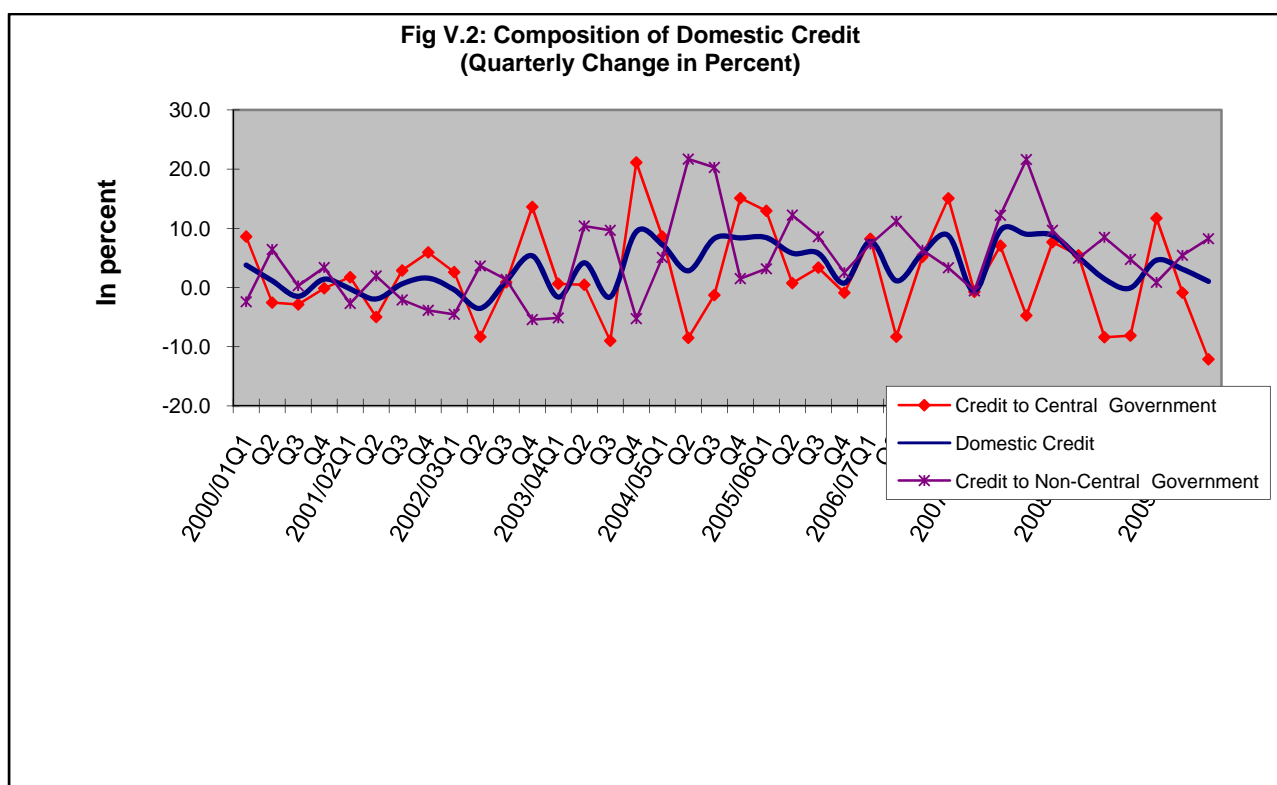
Currency outside banks accounted for about 24 percent of the broad money supply; while 76 percent was attributed to deposits.

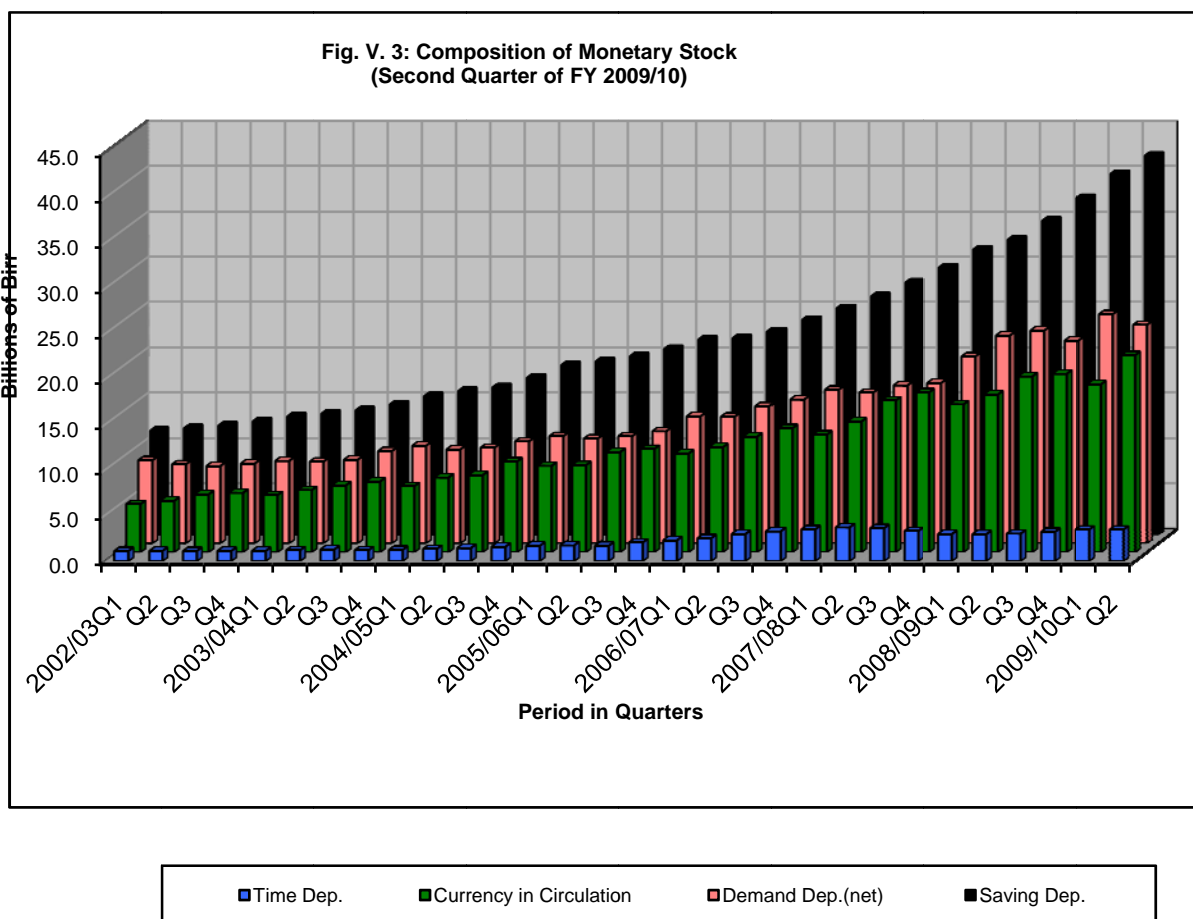
Table 5. 2: Components of Broad Money

(In Millions of Birr)

Particulars	2008/09		2009/10		Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. II		Qtr. I	Qtr. II	C/A	C/B	Annual	Quarterly
	(Dec. 08)		(Sept. 09)	(Dec. 09)				
	A	B	C					
1. Narrow Money Supply	40,382.4	43,838.9	45,876.4	13.6	4.6	35.9	50.5	
. Currency outside banks	17,432.9	18,547.2	21,755.8	24.8	17.3	28.3	79.5	
. Demand Deposits (net)	22,949.5	25,291.7	24,120.5	5.1	-4.6	7.7	-29.0	
2. Quasi-Money	35,521.6	43,316.6	45,312.9	27.6	4.6	64.1	49.5	
. Savings Deposits	32,543.8	39,814.5	41,814.1	28.5	5.0	60.6	49.6	
. Time Deposits	2,977.8	3,502.1	3,498.8	17.5	-0.1	3.4	-0.1	
3. Broad Money Supply	75,904.0	87,155.5	91,189.3	20.1	4.6	100.0	100.0	

Source: NBE





5.2 Developments in Reserve Money and Monetary Ratio

Reserve money reached Birr 46.2 billion showing a 16 percent year-on-year growth as both currency in circulation and deposits of banks at the NBE tended to increase. It is also a reflection of the significant growth in

net foreign assets aided by better export performance, private individual transfers, capital and services accounts.

Table 5. 3: Reserve Money and Ratios (In Millions of Birr Unless Otherwise Indicated)

Particulars	2008/09	2009/10		Percentage Change	
	Qtr. II (Dec. 08)	Qtr. I (Sept. 09)	Qtr. II (Dec. 09)		
	A	B	C		
	1. Reserve Requirement (CB's)	10,612.00	12,232.67	12,638.31	19.09
2. Actual Reserve (CB's)*	17,221.77	22,893.00	20,464.34	18.83	-10.61
3. Excess Reserve (CB's)	6,609.77	10,660.34	7,826.03	18.40	-26.59
4. Reserve Money	39,803.43	46,894.41	46,184.41	16.03	-1.51
. <i>Currency in Circulation</i>	20,870.35	22,773.23	25,663.17	22.96	12.69
. <i>Banks Deposits at NBE**</i>	18,933.09	24,121.19	20,521.24	8.39	-14.92
5. Money Multiplier (Ratio):					
. <i>Narrow Money to Reserve Money</i>	1.01	0.93	0.99	-2.09	6.26
. <i>Broad Money to Reserve Money</i>	1.91	1.86	1.97	3.54	6.24
6. Other Monetary Ratios (%):					
. <i>Currency to Narrow Money</i>	51.68	51.95	55.94	8.24	7.69
. <i>Currency to Broad Money</i>	27.50	26.13	28.14	2.35	7.71
. <i>Narrow Money to Broad Money</i>	53.20	50.30	50.31	-5.44	0.02
. <i>Quasi Money to Broad Money</i>	46.80	49.70	49.69	6.18	-0.02

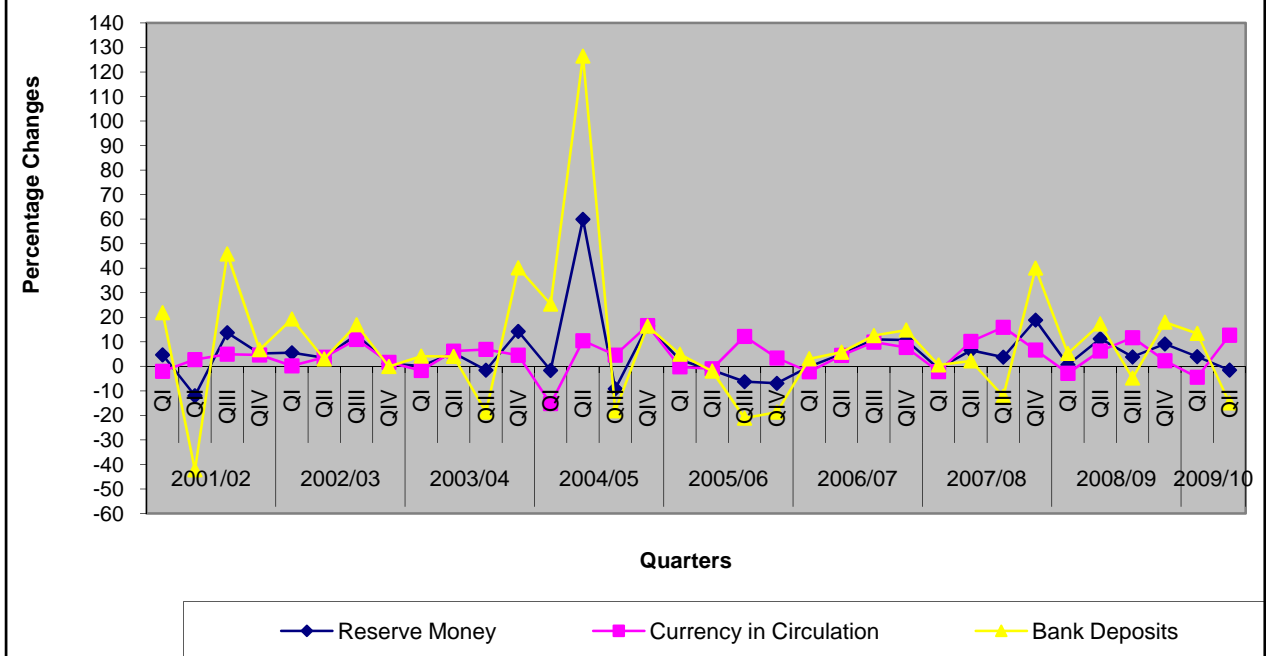
Source: NBE and Commercial Banks

* Obtained from commercial banks balance sheet

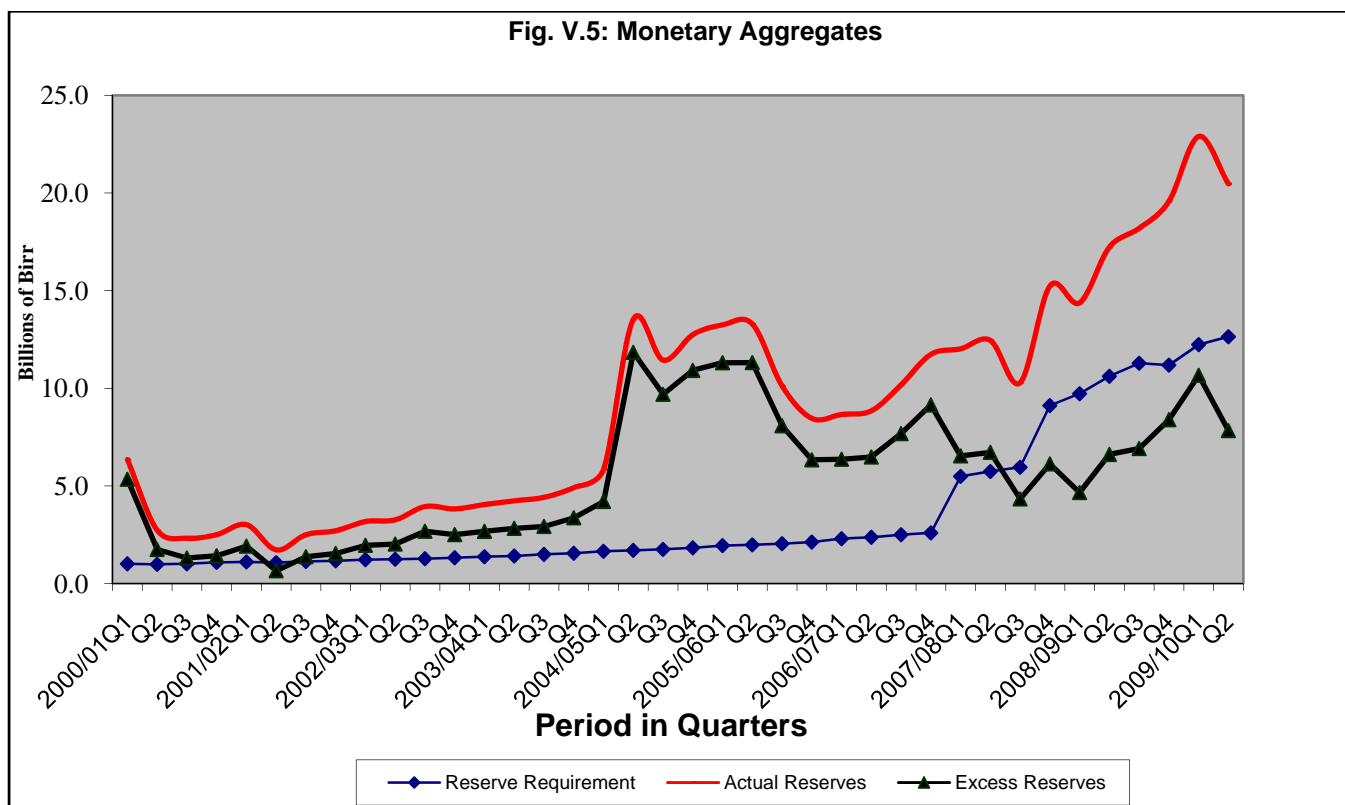
** Obtained from NBE balance sheet

Similarly, the money multiplier (the ratio of broad money to reserve money) was 1.79 compared with 1.91 a year ago (Table 4.3).

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



Source: NBE



5.3 Interest Rate Developments

Average deposit and lending rates exhibited modest increases on annual basis. Average interest rate on savings deposit rose to 4.5 percent, time deposit to 5.29 percent and demand deposit rate to 0.065 percent. The weighted average yield on T-bills, however, went down to 0.778 percent from 0.886 percent in the

same quarter last year. Average yield on bonds remained unchanged at 4 percent.

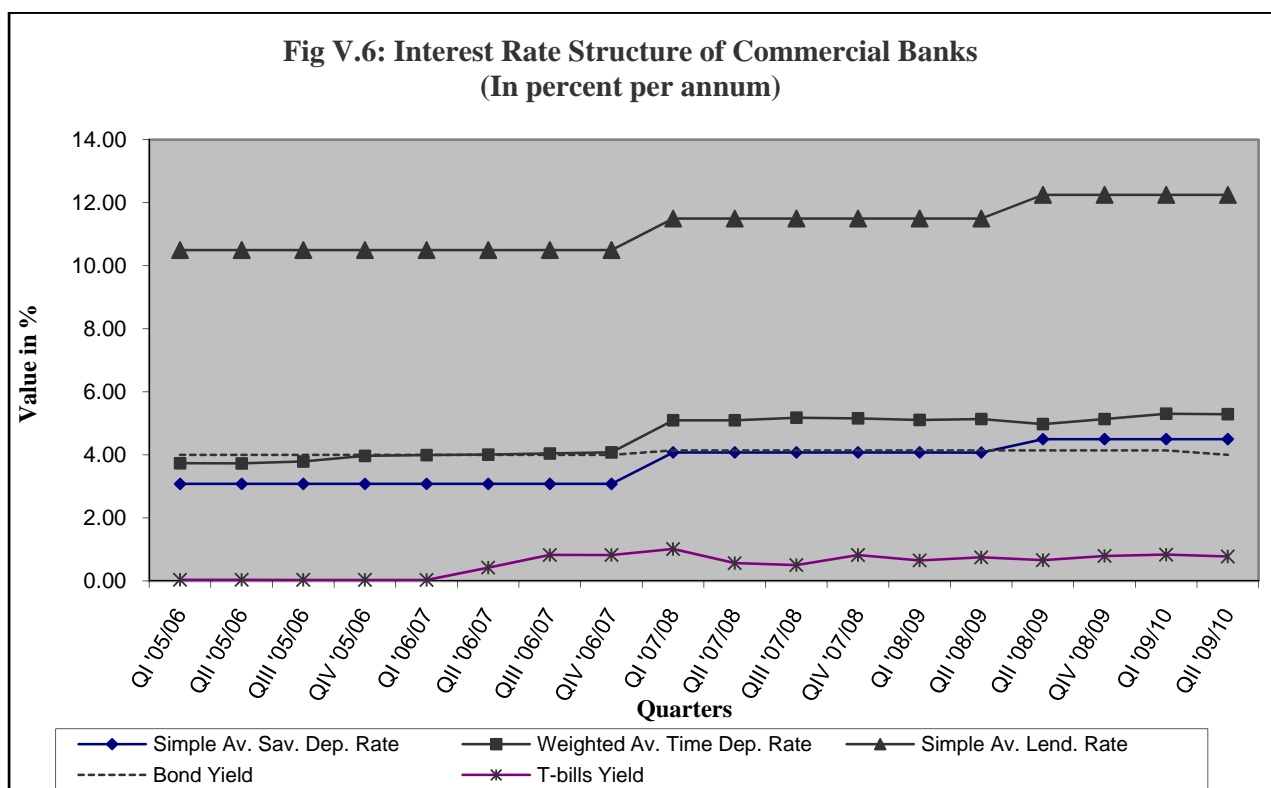
Considering annual headline inflation of 7.1 percent in December 2009, all deposit rates and the yields on T-bills and bonds remained negative in real terms while all lending rates were positive.

Table 5. 4: Interest Rate Structure of Commercial Banks

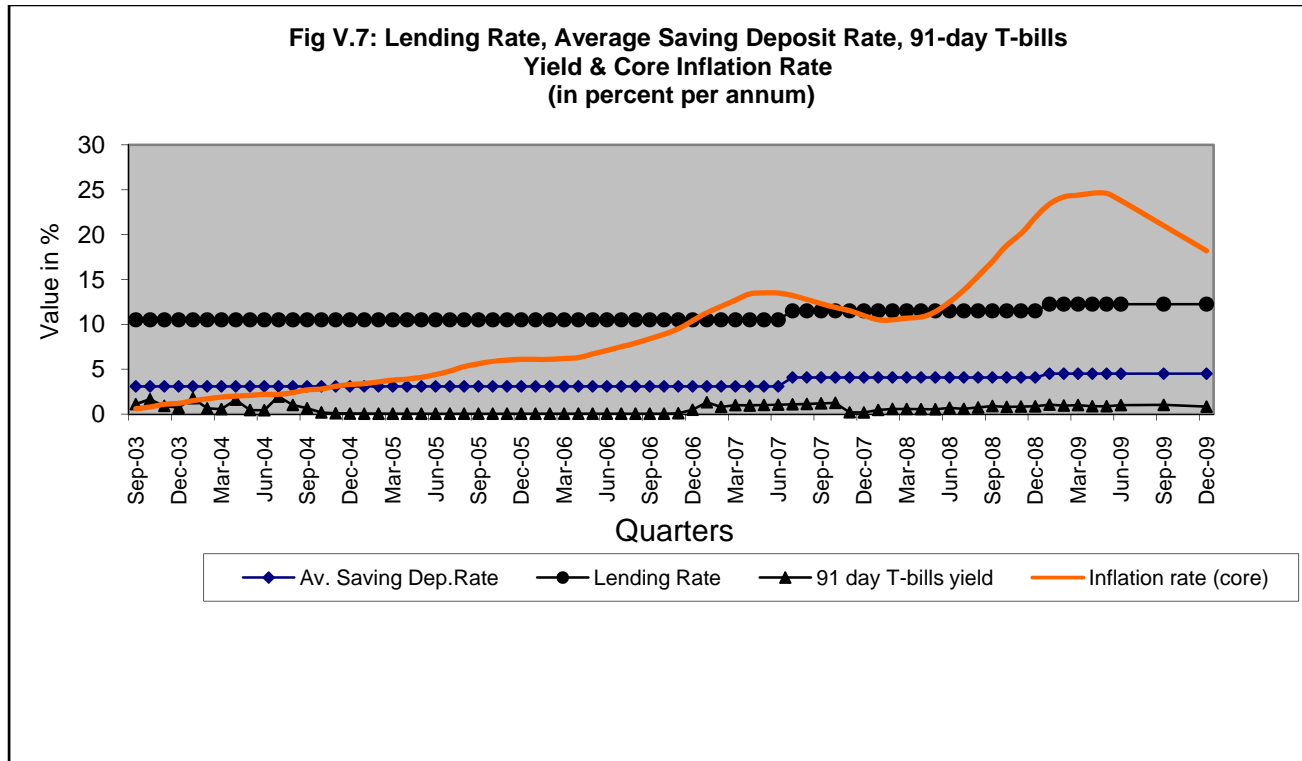
(In % per annum)

Particulars	2008/09	2009/10	
	QII	QI	QII
1. Savings Deposit Rate			
• Minimum	4.00	4.00	4.00
• Maximum	4.15	5.00	5.00
Average Savings Rate	4.08	4.50	4.50
2. Time Deposit Rate			
• Up to 1 year	4.698	4.343	4.305
• 1 - 2 years	5.277	6.995	7.070
• Over 2 years	5.434	4.581	4.492
Average Time Dep. Rate	5.136	5.306	5.289
3. Demand Deposit Rate (Weighted)	0.050	0.070	0.065
4. Lending Rate			
• Minimum	8.00	8.00	8.00
• Maximum	15.00	16.50	16.50
Average Lending Rate	11.50	12.25	12.25
5. T-bills Rate (Weighted Ave.)	0.886	0.835	0.778
6. Bond Yield (Simple Average)*	4.000	4.000	4.000

Source: NBE and Commercial Banks



Source: NBE and Commercial Banks



5.4 Developments in Financial Sector

A new bank began operations during the second quarter under review raising the number of domestic banks to 15. Of these banks, 12 were privately owned.

Moreover, 12 new bank branches were opened increasing the total number of bank branches to 663. Consequently, the ratio of bank branch to total population is estimated

to have reached 120,664 in the review quarter.

Concerning the distribution of bank branches, 58.5 percent were located in Addis Ababa. Out of the total bank branch networks, the share of private banks has reached 59.1 percent.

At the same time, the total capital of banks was Birr 11.8 billion at the end of the quarter of which private banks together accounted for 40 percent. The share of Commercial Bank of Ethiopia was 42.5 percent.

Similarly, the number of insurance companies increased by 1 to 12 at the close of the quarter under review. All but one of the insurance companies were privately owned. Total capital of insurance companies was Birr 682.3 million, and the number of their branches rose to 201 as 5 more branches were opened during the quarter making their population-branch ratio 398,000. Looking at the regional distribution of the branches, 49.8 percent were situated in Addis Ababa.

National Bank of Ethiopia

The number of micro finance institutions (MFIs) operating in the country reached 30 as at December 2009. These institutions jointly mobilized deposits amounting to Birr 2.4 billion, up by 9.1 percent against the preceding quarter. Credit outstanding of the MFIs also reached Birr 5.1 billion higher by 2.0 percent vis-à-vis the preceding quarter.

Similarly, their total assets increased to Birr 7.2 billion by the end of the review quarter registering quarterly growth of 5.9 percent.

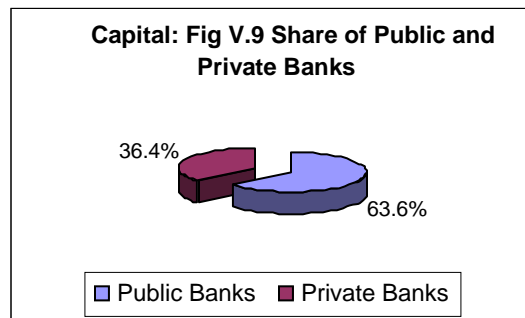
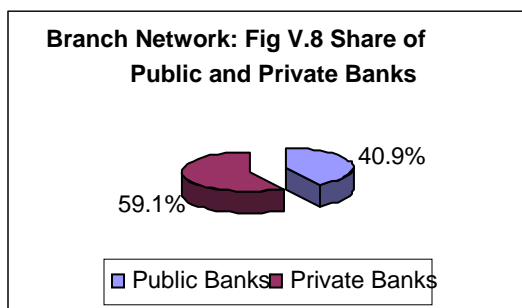
The top five largest MFIs; namely, Amhara, Dedebit, Oromia, Omo and Addis Credit and Savings Institutions accounted for 87.0 percent of the total capital, 93.4 percent of the savings, 90.0 percent of credit and 90.4 percent of the total assets of the IMF industry.

Table 5.5: Capital and Branch Network of Banking System by the End of December 31, 2009

(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network								Capital	
	2009/10								2009/10	
	Quarter I				Quarter II				Quarter I	Quarter II
	Regions	Addis Ababa	Total	% Share	Regions	Addis Ababa	Total	% Share		
1. Public Banks										
Commercial Bank of Ethiopia	49	160	209	32.1	49	160	209	31.3	5041	5037
Construction & Business Bank	15	17	32	4.9	15	17	32	4.8	215	215
Development Bank of Ethiopia	31	1	32	4.9	1	31	32	4.8	1940	1859
Total Public Banks	65	208	273	41.9	65	208	273	40.9	7196	7111
2. Private Banks										
Awash International Bank	29	31	60	9.2	31	31	62	9.3	563	679
Dashen Bank	29	26	55	8.4	28	29	57	8.5	819	818
Abyssinia Bank	22	25	47	7.2	22	25	47	7.0	449	448
Wegagen Bank	27	23	50	7.7	23	27	50	7.5	672	805
United Bank	15	26	41	6.3	17	27	44	6.6	450	461
Nib International Bank	17	28	45	6.9	17	29	46	6.9	581	637
Cooperative Bank of Oromiya	29	4	33	5.1	29	4	33	4.9	153	154
Lion International Bank	11	9	20	3.1	9	11	20	3.0	195	199
Oromia International Bank	21	4	25	3.8	4	21	25	3.7	135	175
Zemen Bank	0	1	1	0.2	2	1	3	0.4	102	108
Buna International Bank	0	1	1	0.2	3	1	4	0.6	-	157
Berhan International Bank	0	0	0	-	3	0	3	0.4	-	96
Total Private Banks	200	178	378	58.1	206	188	394	59.1	4119	4737
3. Grand Total Banks	265	386	651	100.1	271	396	667	100.0	11315	11848

Source: Bank Supervision Directorate, NBE



Source: Bank Supervision Directorate, NBE

Table 5.6: Branch Network & Capital of Insurance Companies by the End of December 31, 2009
(Branch in Number and Capital in Millions of Birr)

Insurance Companies	Branch						Capital	
	2009/10						2009/10	
	Quarter I			Quarter II			Quarter I	Quarter II
	A.A	Regions	Total	A.A	Regions	Total		
Ethiopian Insurance Corporation	11	28	39	11	28	39	258.6	259.8
Awash Insurance Company	13	9	22	13	10	23	54.3	60.4
Africa Insurance Company	6	7	13	6	7	13	53.2	48.6
National Insurance Corporation of Ethiopia	8	8	16	8	8	16	15.2	18.3
United Insurance Company	12	7	19	13	7	20	60.5	47.5
Global Insurance Company	4	4	8	6	4	10	23.4	25.7
Nile Insurance Company	11	9	20	11	9	20	58.6	66.3
Nyala Insurance Company	8	8	16	8	8	16	73.6	71.9
Nib Insurance Company	12	8	20	12	8	20	61.5	49.2
Lion Insurance Company	6	6	12	6	5	11	8.5	7.7
Ethio-Life Insurance Company	-	-	-	-	-	-	3.1	3.3
Oromia Insurance Company	5	6	11	6	7	13	24.0	23.6
TOTAL	96	100	196	100	101	201	694.8	682.3

Source: Insurance Supervision Directorate, NBE

5.5 Activities of the Banking System

5.5.1. Resource Mobilization

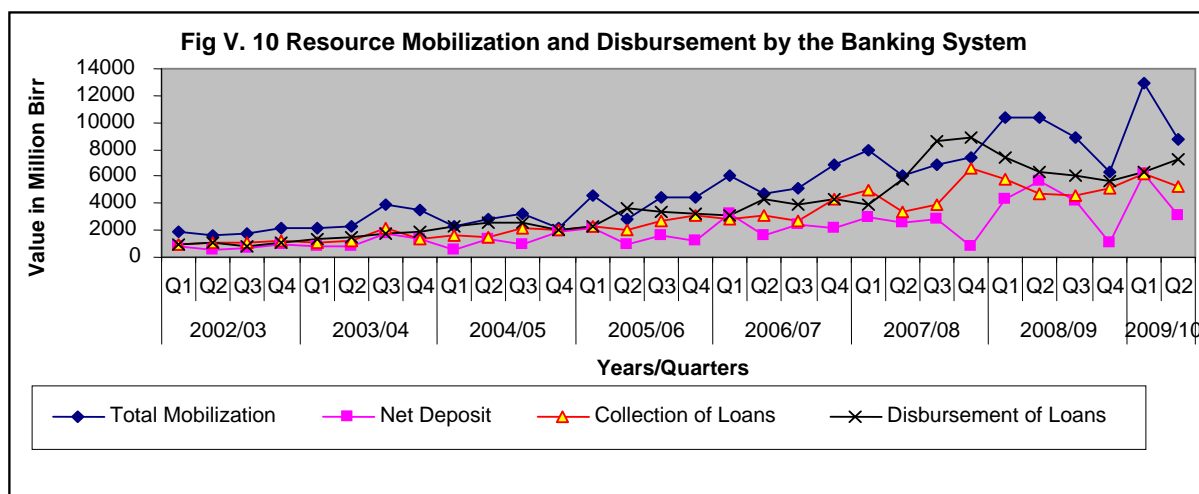
Total resources mobilized by the banking system dropped by 15.6 percent compared to the preceding year on account of

declines in net change in deposits (except savings deposits), and borrowing offsetting higher loan collection.

Table 5.7: Summary of Resource Mobilization & Disbursement of Banking System during Second Quarter of 2009/10
(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	2009/10		2009/10		2008/09	2009/10			
	Qtr.I	Qtr.II	Qtr.I	Qtr.II	Qtr.II	Qtr.I	Qtr.II		
	A	B	C	C/A	C/B				
1. Deposits (net change)	2,354.0	2,625.0	3,839.1	462.7	5,682.9	6,193.0	3,087.6	-45.7	-50.1
-Demand	1,373.3	1,864.2	1,906.7	-768.6	4,622.5	3,279.9	1,095.6	-76.3	-66.6
-Saving	876.3	810.4	1,792.5	1,187.2	1,080.2	2,668.8	1,997.7	84.9	-25.1
-Time	104.4	-49.6	139.9	44.0	-19.9	244.3	-5.6	-71.7	-102.3
2. Borrowing (net change)	469.4	466.6	0.0	0.0	-4.7	469.4	466.6	-10,002.4	-0.6
-Local	228.8	454.0	0.0	0.0	-4.7	228.8	454.0	-9,735.0	98.4
-Foreign	240.6	12.6	0.0	0.0	0.0	240.6	12.6	-	-
3. Collection of Loans	2,823.2	1,872.7	3,378.9	3,325.6	4,692.9	6,202.1	5,198.2	10.8	-16.2
4. Total Resources Mobilized (1+2+3)	5,646.6	4,964.2	7,218.0	3,788.2	10,371.1	12,864.5	8,752.4	-15.6	-32.0
5. Disbursement	2,911.2	2,916.7	3,396.3	4,341.0	6,375.6	6,307.5	7,257.7	13.8	15.1
6. Change in Liquidity (4-5)	2,735.4	2,047.5	3,821.7	-552.8	3,995.5	6,557.1	1,494.7	-62.6	-77.2
Memorandum Item:									
A. Outstanding Credit*	33,083.7	34,394.7	19,000.9	21,798.4	49,978.1	52,084.6	56,193.2	12.4	7.9
B. Outstanding Inter-bank Lending	388.7	336.2	0.0	0.0	406.4	388.7	336.2	-17.3	-13.5

Source: NBE Staff Computations



Source: NBE Staff Computations

5.5.1.1 Deposit Mobilization

At the end of the second quarter of 2009/10, the amount of deposits mobilized by the banking system (including Development Bank of Ethiopia) reached Birr 87.4 billion, 19.8 percent higher than the same quarter of last year.

Table 5.8: Stock of Deposits Mobilized by Banking System by End December 2009
(In Millions of Birr)

Types of Deposits	2008/09		2009/10				% Change	
	Quarter II	%	Quarter I	%	Quarter II	%		
	A	Share	B	Share	C	Share	C/A	C/B
Demand Deposit	36,972.7	50.7	40,547.2	48.1	41,642.8	47.6	12.6	2.7
Saving Deposit	32,548.3	44.6	39,822.2	47.2	41,819.8	47.8	28.5	5.0
Time Deposit	3,472.6	4.8	3,975.7	4.7	3,970.1	4.5	14.3	-0.1
Total	72,993.6	100.0	84,345.0	100.0	87,432.6	100.0	19.8	3.7

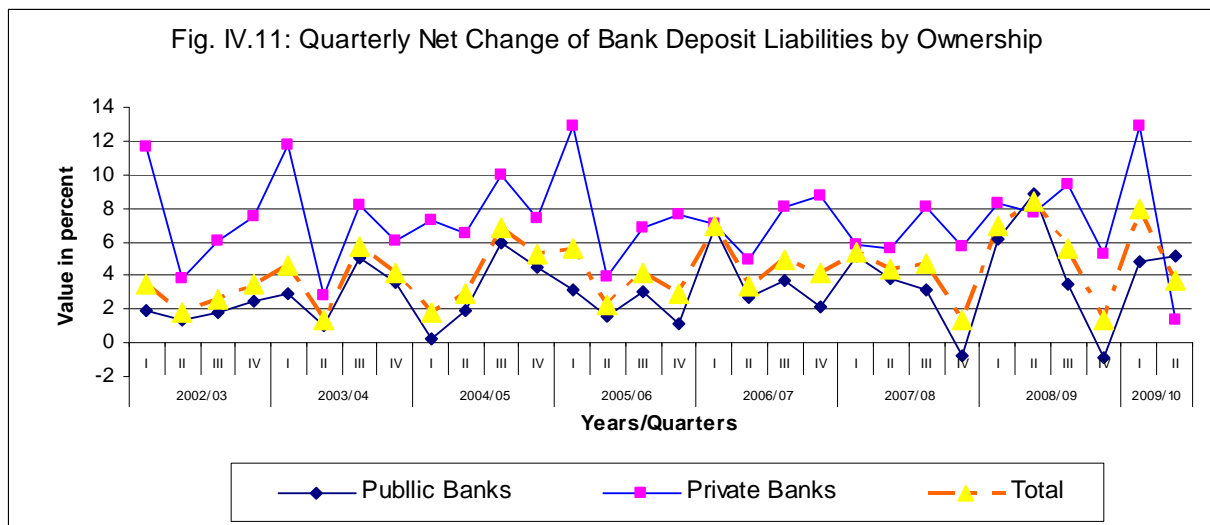
Source: Commercial banks and Development Bank of Ethiopia

Table 5.9: Stock of Deposits Mobilized by Banking System by end December 2009
(In Millions of Birr)

Types of Deposits	2008/09		2009/10				% Change	
	Quarter II	% Share	Quarter I	% Share	Quarter II	% Share		
	A		B		C		C/A	C/B
Public Banks								
Demand Deposit	28944.8	42.9	29434.8	34.9	31298.9	35.8	8.1	6.3
Saving Deposit	17128.3	28.5	19963.2	23.7	20773.7	23.8	21.3	4.1
Time Deposit	1009.6	1.6	1246.6	1.5	1196.9	1.4	18.6	-4.0
Sub-Total	47082.7	64.5	50644.6	60.0	53269.5	60.9	13.1	5.2
Private Banks								
Demand Deposit	8027.9	11.0	11112.4	13.2	10343.8	11.8	28.8	-6.9
Saving Deposit	15420.0	21.1	19858.9	23.5	21046.2	24.1	36.5	6.0
Time Deposit	2463.0	3.4	2729.1	3.2	2773.1	3.2	12.6	1.6
Sub-Total	25910.9	35.5	33700.4	40.0	34163.1	39.1	31.8	1.4
Grand Total	72993.6		84345.0		87432.6			
<i>Percentage Shares</i>								
<i>Public Banks</i>		64.5		60.0		60.9		
<i>Private Banks</i>		35.5		40.0		39.1		

All types of deposits increased both year-on-year basis. Demand deposits with 47.6 percent share in total deposits increased by 12.6 percent; while savings deposit, which accounted for 47.8 percent, picked up by 28.5 percent over the same period. Time deposits

whose share in total deposits was 4.6 percent rose by 14.3 percent. The share of private banks in total deposits was 39.1 percent. Dashen Bank had the highest share (28.3 percent) in total deposits mobilized by private banks followed by Awash International Bank (16.3 percent).



5.5.1.2 Collection of Loans

During the second quarter of 2009/10, loan collection by the banking system amounted to Birr 5.2 billion, about 11.0 percent higher than the same quarter of last year.

During the review period, loan collection by private banks reached Birr 3.3 billion (64.0 percent); while public banks collected Birr 1.9 billion. Nearly 87 percent of the

total loan collection was from the private sector followed by public enterprises (Table 5.11).

5.5.1.3 Borrowing

Outstanding borrowing of the banking sector reached Birr 4.0 billion at the end of the quarter under review reflecting 36.0 percent increase over the same quarter of last year as borrowing both from domestic and external sources surged by 28 and 72 percent, respectively. About 77 percent of the total borrowing was from domestic sources.

Table 5.10: Outstanding Borrowing of Banking System by Sources at the End of December 2009

(In Millions of Birr)

Banks	2008/09 Quarter II A	2009/10		Percentage change	
		Quarter I B	Quarter II C	C/B	C/A
	Domestic Borrowing	2,405.0	2,628.3	3,082.3	17.3
External Borrowing	523.0	887.9	900.5	1.4	72.2
Total	2,927.9	3,516.2	3,982.8	13.3	36

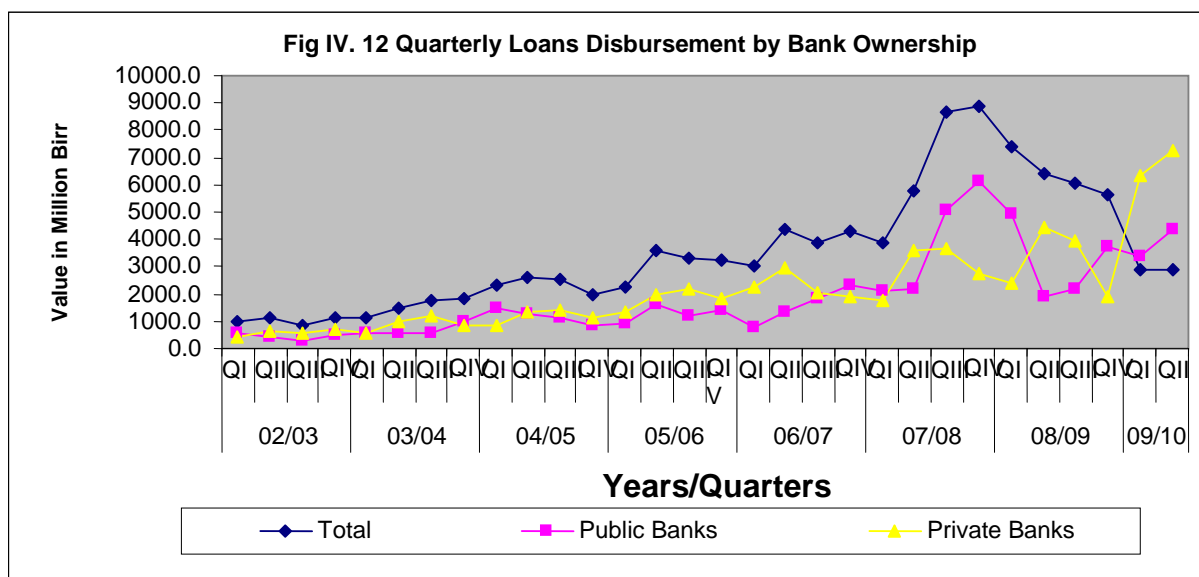
Source: Commercial Banks and Development Bank of Ethiopia

5.5.2 Disbursement of Fresh Loans

The banking sector disbursed new loans to the tune of Birr 7.3 billion during the second quarter of fiscal year 2009/10, about 14 percent higher than last year. Of the total disbursement, private banks accounted for 59.8 percent (Table 5.11).

Nearly 91 percent of the new loans went to finance the private sector (Table 5.11). Moreover, 28.8 percent of the new loans were channeled for international trade followed by domestic trade (27.7 percent),

housing & construction (16.0 percent) and industry (14.4 percent) (Table 4.10).



Source: Commercial Banks and Development Bank of Ethiopia

Table 5.11: Summary of Loans and Advances by Banks and Receiving Sectors from July to December 2009

(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 *			4346.4	0.0	0.0	1050.0	0.0	0.0	5396.4
Agriculture	446.1	278.5	4,398.8	61.9	63.9	643.1	508.1	342.4	5,041.9
Industry	804.3	239.8	7,429.4	241.9	345.5	3,263.2	1,046.1	585.3	10,692.7
Domestic Trade	193.9	279.9	829.9	1,819.4	1,023.6	5,885.8	2,013.3	1,303.5	6,715.7
International Trade	344.5	223.5	8,911.0	1,748.9	1,291.8	5,755.2	2,093.4	1,515.3	14,666.3
Export	181.7	110.0	1,564.7	1,115.5	799.3	2,664.2	1,297.2	909.3	4,228.9
Imports	162.8	113.5	7,346.3	633.4	492.4	3,091.0	796.2	606.0	10,437.3
Hotels and Tourism	14.0	35.7	679.6	53.1	27.7	373.8	67.1	63.3	1,053.4
Transport & Communication	98.0	123.2	1,535.5	98.5	158.6	1,088.6	196.5	281.8	2,624.1
Housing & Construction	855.2	498.8	4,446.7	239.1	333.8	3,259.2	1,094.3	832.7	7,705.9
Mines, Power & Water Res.	0.0	0.0	0.0	0.0	1.7	2.0	0.0	1.7	2.0
Others	129.1	117.0	1,396.5	47.8	64.4	396.4	176.9	181.4	1,792.9
Personal	31.7	20.3	84.8	30.3	14.4	80.1	62.0	34.7	164.9
Inter-Bank Lending	0.0	56.0	336.2	0.0	0.2	0.9	0.0	56.3	337.1
Total	2,916.7	1,872.7	34,394.7	4,341.0	3,325.6	21,798.4	7,257.7	5,198.2	56,193.2

Source: Commercial banks

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

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

5.5.3 Outstanding Credit

Outstanding credit of the banking system (including holdings of government securities) reached Birr 56.2 billion at the end of the review quarter, 12.4 percent higher than the same quarter of last year. The private sector was the major beneficiary of bank credit with a share of 69.9 percent followed by public enterprises (15.1 percent) and central government (9.6 percent).

Meanwhile, international trade, industry and housing & construction were the three

largest recipient sectors with respective shares of 26.1, 19.0 and 13.7 percent. Other major recipients included domestic trade (12.0 percent), central government (9.6 percent), agriculture (9.0 percent), transport & communication (4.7 percent) and hotels & tourism (1.9 percent).

The share of the private banks in total bank credit reached 38.8 percent at the close of the review quarter.

Table 5.12: Breakdown of Loans & Advances of Banking System by Clients, during Second Quarter of 2009/10

(In Millions of Birr)

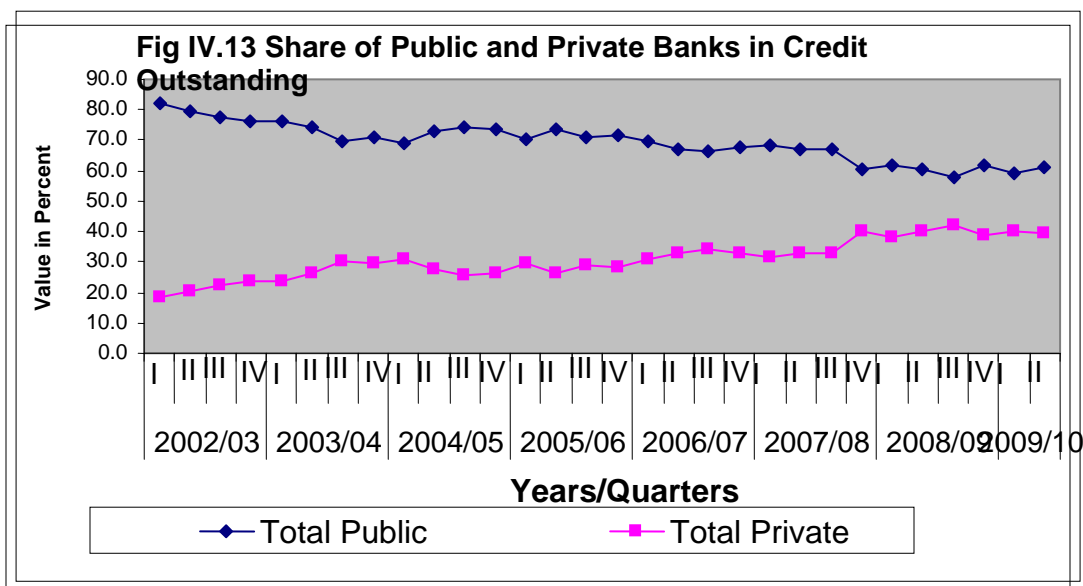
Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	2,916.7	40.2	1,872.7	36.0	34,394.7	61.2
Central Government*	0.0	0.0	0.0	0.0	4,346.4	12.6

Second Quarter 2009/10

State Enterprises	313.2	10.7	363.8	19.4	8,467.7	24.6
Cooperatives	255.8	8.8	227.7	12.2	2,475.7	7.2
Private Enterprises	2,347.6	80.5	1,225.1	65.4	18,789.4	54.6
Inter-bank Lending	0.0	0.0	56.0	3.0	315.6	0.9
Private Banks	4,341.0	59.8	3,325.6	64.0	21,798.4	38.8
Central Government*	0.0	0.0	0.0	0.0	1,050.0	0.0
State Enterprises	0.0	0.0	2.3	0.1	43.5	0.2
Cooperatives	74.2	1.7	36.0	1.1	199.5	0.9
Private Enterprises	4,266.8	98.3	3,287.0	98.8	20,504.5	94.1
Inter-bank Lending	0.0	0.0	0.2	0.0	0.9	0.0
Grand Total	7,257.7	100.0	5,198.2	100.0	56,193.2	100.0

Source: Commercial banks and Development Bank of Ethiopia

*Refer government borrowing in the form of bonds and treasury bills from banks



Source: NBE Staff Computations

5.6 Financial Activities of NBE

Outstanding claims of NBE on the central government stood at Birr 43.6 billion, about 1.5 percent higher than the same quarter of

last year. Direct advances, which accounted for 78.1 percent of the claims, showed a slight annual increase of 2.4 percent.

NBE's deposit liabilities reached Birr 28.5 billion, 12.0 percent higher than a year ago mainly due to increased government

deposits with NBE. About 73 percent of NBE's deposit liabilities come from financial institutions (mainly banks).

Table 5.13: Financial Activities of NBE during Second Quarter of 2009/10

(In Millions of Birr)

Particulars	2008/09	2009/10		% Change	
	Qtr.II	Qtr.I	Qtr.II	C/A	C/B
	A	B	C		
1.Loans and Advances	42,949.0	44,326.6	43,610.8	1.5	-1.6
1.1. To Central Government	42,949.0	44,326.6	43,610.8	1.5	-1.6
Direct Advance	33,256.0	34,771.0	34,055.2	2.4	-2.1
Bonds	9,693.0	9,555.6	9,555.6	-1.4	0.0
1.2.To Development Bank of Ethiopia	0.0	0.0	0.0	0.0	-
2.Deposit Liabilities	25,410.3	31,635.4	28,458.6	12.0	-10.0
2.1. Government	6,215.8	7,372.3	7,785.9	25.3	5.6
2.2. Financial Institutions	19,194.5	24,263.1	20,672.7	7.7	-14.8
O/W:					
-Banks	19,156.1	24,215.9	20,625.5	7.7	-14.8
-Insurance companies	38.3	47.1	47.2	23.1	0.1
3.Net Claims of NBE	17,538.7	12,691.2	15,152.2	-13.6	19.4

Source: NBE

5.7 Developments in Financial Markets

5.7.1 Treasury Bills Market

Treasury bills worth Birr 11.4 billion were offered for sale during the second quarter of 2009/10 of which Birr 9.3 billion were sold. Of the total amount sold, 79.1 percent was to commercial banks. The total demand for T-bills was Birr 11.4 billion during the quarter, with a slow down of 16.2 percent compared to the same quarter of last year.

T-bills outstanding at the end of the quarter reached Birr 9.6 billion, showing an 18 percent increase over last year. Of the total outstanding T-bills, 72.7 percent was held by non-bank institutions.

The average weighted yield on T-bills dropped to 0.735 percent vis-à-vis 0.751 percent a year ago exclusively due to lower yield on 182-day bills.

Table 5.14: Results of Treasury Bills Auction

Particulars	2008/09	2009/10		% Change	
	Qtr.II	Qtr.I	Qtr.II		
	A	B	C	C/A	C/B
Number of Bidders	74	75	68	-8.1	-9.3
Public	54	55	53	-1.9	-3.6
Private	20	20	15	-25.0	-25.0
Number of Bids Accepted	84	86	78	-7.1	-9.3
Public	60	63	58	-3.3	-7.9
Private	24	23	20	-16.7	-13.0
Amount Demanded (Mn.Birr)	13,585.3	11,801.3	11,379.2	-16.2	-3.6
28-day bill	3,951.9	3,370.0	2,460.0	-37.8	-27.0
91-day bill	7,791.4	6,918.7	7,924.3	1.7	14.5
182-day bill	1,842.0	1,512.6	994.8	-46.0	-34.2
Amount Supplied (Mn.Birr)	7,657.0	8,294.1	11,386.6	48.7	37.3
28-day bill	960.0	1,360.0	1,190.0	24.0	-12.5
91-day bill	4,031.0	5,344.1	6,451.7	60.1	20.7
182-day bill	2,666.0	1,590.0	3,744.8	40.5	135.5
Amount Sold (Mn.Birr)	7,532.2	7,829.7	9,339.2	24.0	19.3
Banks	1,672.0	600.0	7,389.2	341.9	1131.5
Non-Banks	5,760.4	7,229.7	1,950.0	-66.1	-73.0
Average Weighted Price for Successful Bids(Birr)	99.808	99.781	99.795	-0.013	0.014
28-day bill	99.954	99.948	99.951	0.00	0.00
91-day bill	99.792	99.745	99.786	-0.01	0.04
182-day bill	99.678	99.651	99.647	-0.03	0.00
Average Weighted Yield for Successful Bids(%)	0.751	0.803	0.735	-1.540	-7.264
28-day bill	0.601	0.680	0.636	5.79	-6.43
91-day bill	0.838	1.027	0.859	2.50	-16.37
182-day bill	0.815	0.703	0.710	-12.91	1.01
Outstanding bills at the end of Period (Mn.Br.)	8,131.6	8,502.1	9,595.8	18.01	12.86
Banks	1,672.0	2,272.0	2,622.0	56.82	15.40
Non-Banks	6,459.6	6,230.1	6,973.8	7.96	11.94

Source: NBE

Fig IV.14: Developments in T-Bills Market

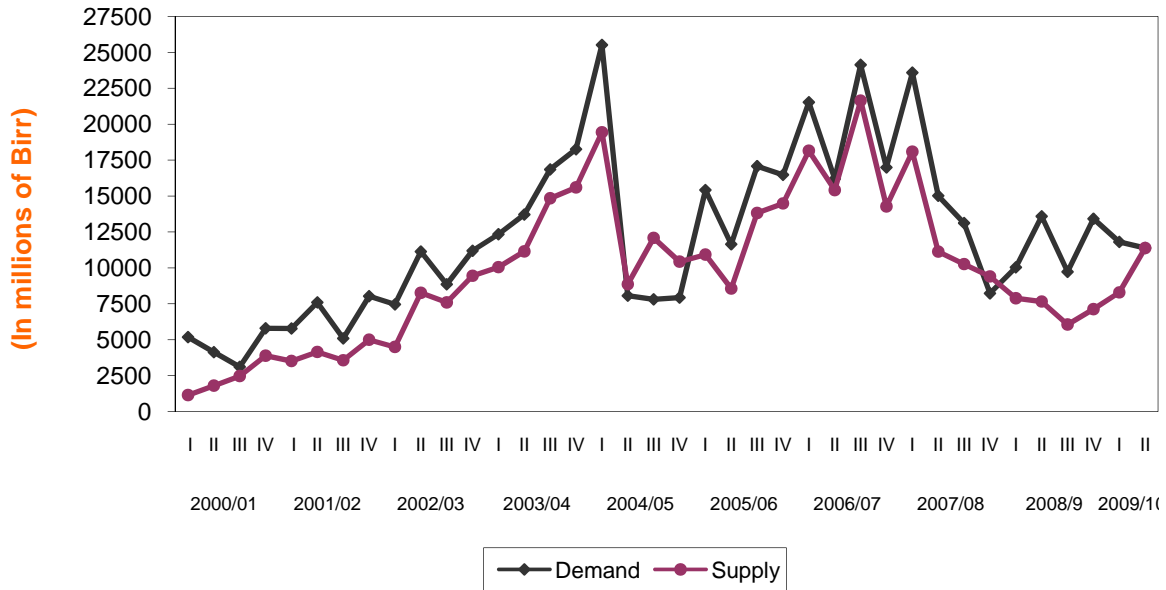
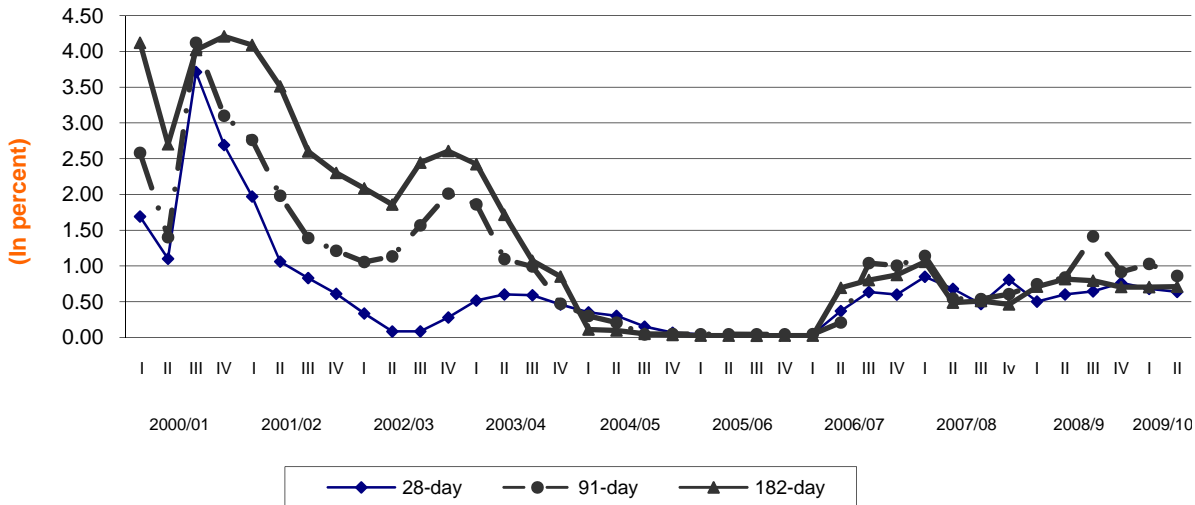


Fig IV.15: Developments in Average Weighted Yields of T-bills with Different Maturities



5.7.2 Inter- Bank Money Market

There has been no inter-bank money market transaction during the second quarter of 2009/10 as the banking system continued to

have excess reserves which rose from Birr 6.6 billion last year to Birr 7.8 billion in the review quarter.

5.7.3 Corporate Bond Market

During the quarter under review, Commercial Bank of Ethiopia purchased corporate bonds worth Birr 1.5 billion compared to Birr 2.6 billion a year earlier. Of the new corporate bonds, 40.9 percent was issued by state enterprises and 59.1 percent by regional states for housing projects.

Hence, CBE's stock of outstanding corporate bonds reached Birr 22.3 billion, with a 28.5 percent annual increase. Of the total outstanding corporate bonds, 59.1 percent was claims on EEPCo, 10.5 percent on DBE and 30.4 percent on regional governments.

Table 5.15 Corporate Bond by Holders

(In Millions of Birr)

Issuer of Bond	2008/09			2009/10					
	QII			QI			QII		
	NP	Red.	O/S	NP	Red.	O/S	NP	Red.	O/S
1.Puplic Enterprises	1,300.0	0.0	12,552.9	1,700.0	119.3	14,933.6	600.0	0.0	15,533.6
2. Regional Governments	1,310.0	0.0	4,828.0	660.0	46.2	6,574.5	868.0	648.7	6,793.8
3.Grand Total(1+2)	2,610.0	0.0	17,380.9	2,360.0	165.5	21,508.0	1,468.0	648.7	22,327.3

Source: Commercial Bank of Ethiopia

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