

## **V. External Sector Developments**

### **5.1 Overall Balance of Payments**

The overall balance of payments registered USD 380.8 million deficit in the second quarter of 2011/12 in contrary to USD 114.4 million surplus last year. This was attributed to huge increases in merchandize trade deficit (29.5 percent), net service payments

(142.5 percent), sharp fall in net official transfers (47 percent) and long-term loans (76.6 percent).

As the growth in merchandise imports outweighed the marginal increase in export of goods, the trade deficit widened by 29.5 percent

Table 5.1 Balance of Payments

(In millions of USD)

Ethiopian Fiscal Year Particulars	2010/11	2011/12		Percentage Change	
	QII	QI	QII		
	A	B	C	C/B	C/A
<b>Trade Balance</b>	<b>-1,695.0</b>	<b>-1,530.3</b>	<b>-2,194.7</b>	<b>43.4</b>	<b>29.5</b>
Exports	550.7	753.0	594.4	-21.1	7.9
Imports	2,245.7	2,283.3	2,789.1	22.1	24.2
<b>Net Services</b>	<b>121.0</b>	<b>121.8</b>	<b>-51.4</b>	<b>-142.2</b>	<b>-142.5</b>
Travel	123.2	136.1	126.1	-7.3	2.4
Transportation	75.7	109.8	96.3	-12.3	27.2
Government (n.i.e.)	58.7	60.1	38.9	-35.4	-33.8
Investment income	-20.1	-16.1	-17.8	11.1	-11.4
Interest	-12.7	-9.1	-14.6	61.6	15.0
Cash (net)	-12.4	-8.7	-14.3	64.0	15.1
Arrears	0.0	0.0	0.0		
Relief	-0.3	-0.4	-0.4	2.8	12.1
Dividend	-7.4	-7.0	-3.2	-54.3	-56.8
Other Services	-116.5	-168.1	-294.8	75.4	153.0
<b>Private Transfers</b>	<b>901.4</b>	<b>786.4</b>	<b>950.4</b>	<b>20.9</b>	<b>5.4</b>
<b>Current Account Balance(excl. public transfers)</b>	<b>-672.6</b>	<b>-622.1</b>	<b>-1295.6</b>	<b>108.3</b>	<b>92.6</b>
<b>Public Transfers</b>	<b>659.7</b>	<b>564.1</b>	<b>349.7</b>	<b>-38.0</b>	<b>-47.0</b>
<b>Current Account Balance(incl. public transfers)</b>	<b>-12.9</b>	<b>-58.0</b>	<b>-945.9</b>		
<b>Non-monetary Capital</b>	<b>664.2</b>	<b>428.2</b>	<b>538.4</b>	<b>25.8</b>	<b>-18.9</b>
Long-term (net)	385.4	181.5	90.3	-50.3	-76.6
Disbursements	426.2	203.3	226.6	11.5	-46.8
Repayments	40.8	21.8	136.3	525.4	234.1
Cash	39.1	19.7	135.0	585.3	245.3
Arrears	0.0	0.0	0.0		
Relief	1.7	2.1	1.3	-36.7	-21.8
Direct Investment (net)	340.7	238.2	458.5	92.4	34.6
Short-term (net)	-61.9	8.4	-10.3	-222.4	-83.3
<b>Net Errors &amp; Omissions</b>	<b>-537.0</b>	<b>-558.0</b>	<b>26.7</b>		
<b>Overall Balance</b>	<b>114.4</b>	<b>-187.8</b>	<b>-380.8</b>		
<b>Financing</b>	<b>-114.4</b>	<b>187.8</b>	<b>380.8</b>		
<b>Reserves (-:increase)</b>	<b>-112.3</b>	<b>190.2</b>	<b>382.4</b>		
NBE net foreign asset	-105.9	-198.1	290.4		
CBs net foreign asset	-6.4	388.4	92.1		
<b>Debt Relief</b>	<b>-2.0</b>	<b>-2.5</b>	<b>-1.7</b>		
Principal	1.7	2.1	1.3		
Interest	0.3	0.4	0.4		

Source: Staff compilation.

Total current foreign exchange receipts in the review quarter amounted to USD 2.63 billion, slightly down by 4.2 percent relative to the same period last year solely in response to a large reduction in net public transfers (47 percent) which more than offset the growth in export and service proceeds as well as private transfers. On the other hand, total current foreign exchange

payments rose strongly by 29.6 percent, on quarter-on-quarter basis and stood at USD 3.6 billion, on account of increases in both merchandise imports and service payments.

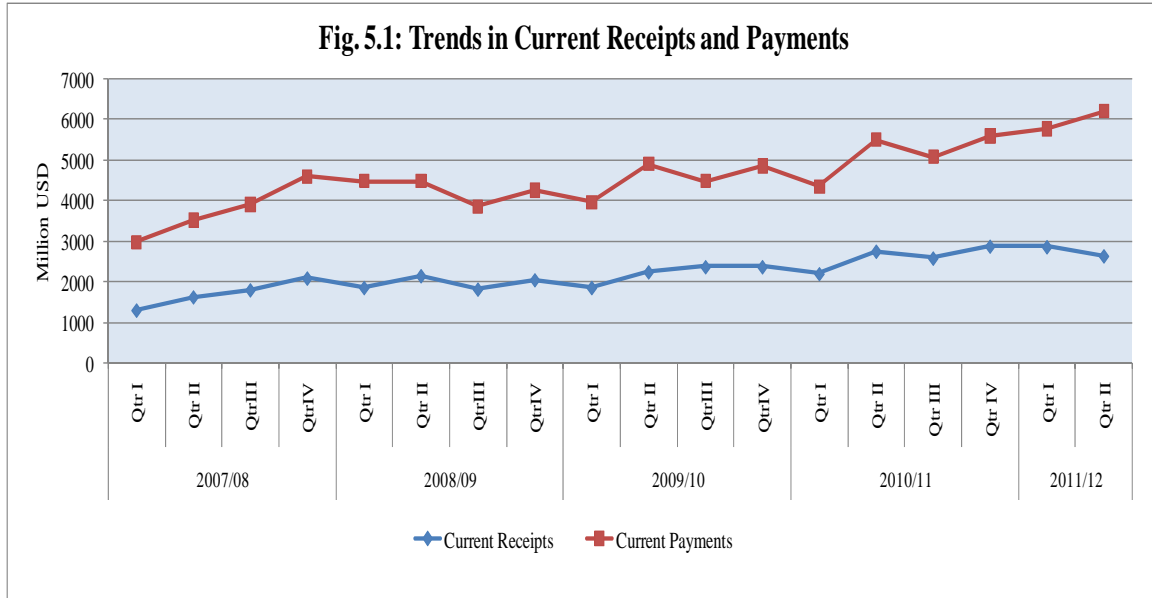
Consequently, the current account balance recorded USD 946 million net outflows, significantly high compared to the same period of last year. (Table 5.2).

**Table 5.2 Current Receipts and Payments**

(In millions of USD)

Particulars	2010/11	2011/12		Percentage Change	
	Qtr II	Qtr I	Qtr II	D=C/B	E=C/A
	A	B	C		
<b>1. Current Receipts</b>	<b>2,750.7</b>	<b>2,862.7</b>	<b>2,634.5</b>	<b>-8.0</b>	<b>-4.2</b>
Export Proceeds	550.7	753.0	594.5	-21.1	7.9
Service Proceeds	638.8	759.2	739.9	-2.5	15.8
Private Transfers(net)	901.4	786.4	950.4	20.9	5.4
Public Transfer(net)	659.7	564.1	349.7	-38.0	-47.0
<b>2. Current Payments</b>	<b>2,763.5</b>	<b>2,920.7</b>	<b>3,580.4</b>	<b>22.6</b>	<b>29.6</b>
Import Payments	2,245.7	2,283.3	2,789.1	22.2	24.2
Service Payments	517.8	637.4	791.3	24.1	52.8
<b>3. Net(1-2)</b>	<b>-12.9</b>	<b>-58.0</b>	<b>-945.9</b>		

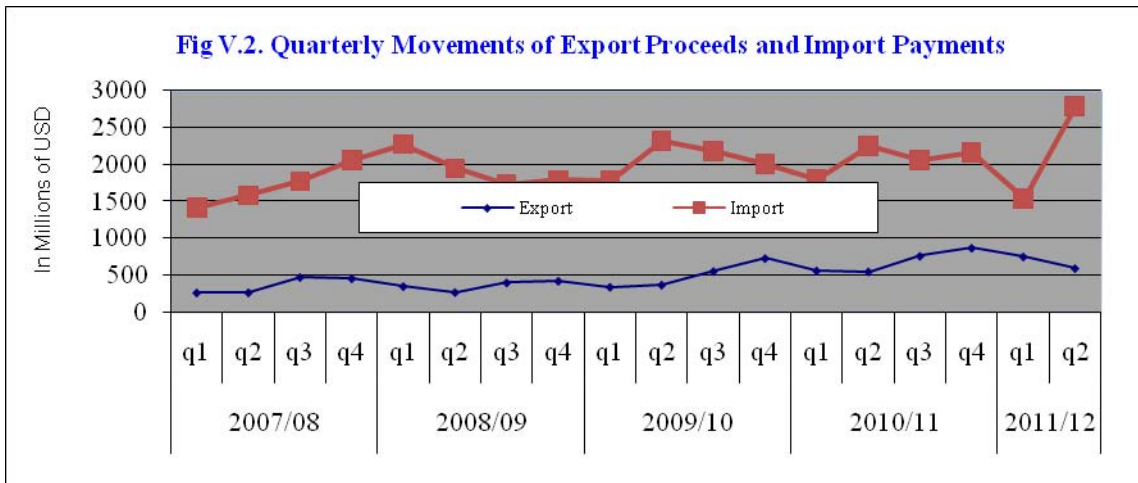
**Source:** Staff Compilation



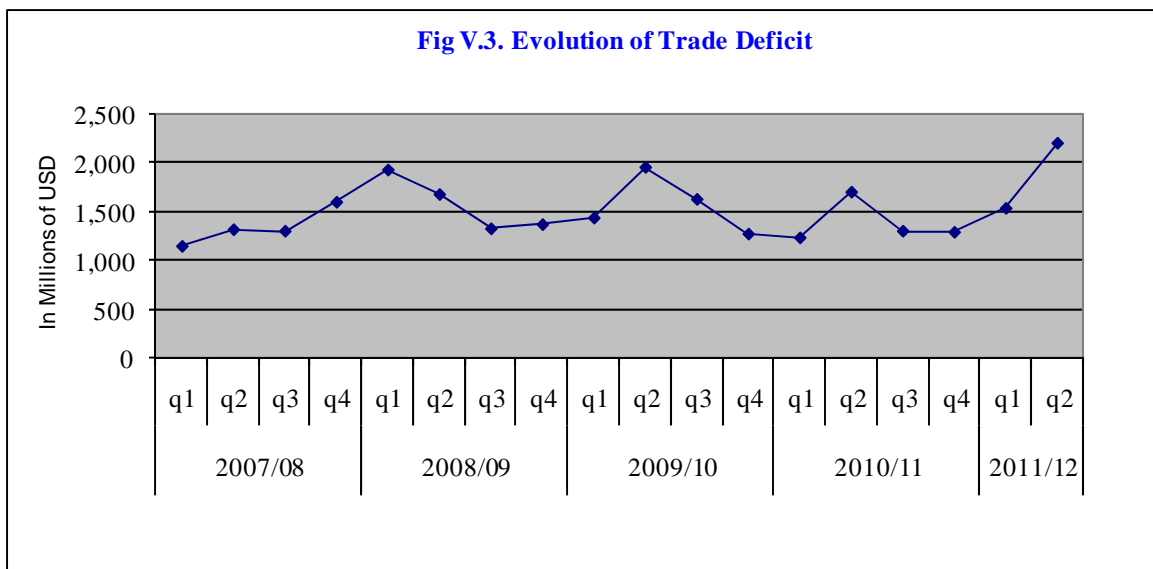
## 5.2 Merchandise Trade

The deficit in merchandise trade balance in the second quarter of 2011/12 widened by 29.5 percent over last year corresponding period and

stood at USD 2.2 billion mainly owing to the surge in imports and moderate export growth.



**Source:** Ethiopian Revenues and Customs Authority



Source: NBE Staff Compilation

### 5.2.1 Exports

Export of merchandise goods showed a by 8 percent annual growth in the second quarter of 2011/12 and amounted to USD 594.5 million. This marginal growth of was ascribed to the increase in export earnings mainly from oilseeds, gold, leather & leather products, live animals, flower, meat & meat products and fruits & vegetables, driven largely by expansion of export volume and improvement in international prices.

Export of oilseeds expanded annually by 49.8 percent to USD 60.5 million. This was attributed to higher volume and international prices. As a result, the share of oilseeds exports in total export

of goods improved to 10.2 percent from 7.3 percent last year same period.

Meanwhile, earning from export of gold increased by 15 percent vis-à-vis the same period last year to USD 123.6 million, wholly on account of 24.6 percent growth in international price despite 7.8 percent decline in volume of export. Gold export accounted for 20.8 percent of the total export earnings during the review quarter.

**Table 5.3 Values of Major Export Items**

(In millions of USD)

Particulars	2010/11		2011/12				Percentage Change	
	Qtr II		Qtr I		Qtr II			
	A	Share in %	B	Share in %	C	Share in %	C/B	C/A
Coffee	135.7	24.6	201.9	26.8	112.3	18.9	-44.4	-17.3
Oilseeds	40.4	7.3	83.9	11.1	60.5	10.2	-28.0	49.8
Leather & Leather products	21.8	4.0	30.9	4.1	34.9	5.9	12.9	59.9
Pulses	33.9	6.2	29.5	3.9	33.7	5.7	14.1	-0.7
Meat & Meat Products	15.3	2.8	23.6	3.1	19.7	3.3	-16.5	28.8
Fruits & Vegetables	7.3	1.3	10.7	1.4	10.6	1.8	-1.2	45.0
Live Animals	41.3	7.5	69.0	9.2	47.6	8.0	-31.1	15.1
Chat	62.8	11.4	69.0	9.2	59.2	10.0	-14.1	-5.7
Gold	107.5	19.5	135.2	18.0	123.6	20.8	-8.6	15.0
Flower	41.2	7.5	44.0	5.8	46.4	7.8	5.5	12.6
Others	43.5	7.9	55.2	7.3	46.1	7.8	-16.5	6.0
<b>Total</b>	<b>550.7</b>	<b>100.0</b>	<b>753.0</b>	<b>100.0</b>	<b>594.5</b>	<b>100.0</b>	<b>-21.1</b>	<b>7.9</b>

Source: Ethiopian Revenue and Customs Authority

Owing to higher international price and export volume, export proceeds from leather & leather products showed a 60 percent yearly increase. Their share in total exports also improved to 6 percent from about 4 percent a year earlier.

Live animals export also fetched USD 47.6 million, 15.1 percent higher last year. Due to both volume and international prices.

USD 46.4 million was gained from flower export depicting 12.6 percent annual growth. Hence, earning from export of flower accounted for 7.8

percent of the total exports during the review period.

Export of meat & meat products earned USD 19.7 million, registering a 28.8 percent growth over last year same period, mainly supported by higher volume of exports. On account of growth both in volume and international prices, exports of fruits & vegetables rose by 45 percent in annualized term and earned USD 10.6 million during the review period.

On the other hand, revenue from coffee export reached USD 112.3 million, depicting a 17.3 percent fall relative to the same period last year solely due to

47 percent drop in volume, in spite of 56.5 percent rise in international coffee price. As a result, its share in the total export proceeds declined to 19 percent from 24.6 percent a year ago.

lower export volume. Export of chat accounted for 10 percent of the total export revenue earned during the review period.

Likewise, export earnings from chat fell by 5.7 percent wholly on account of

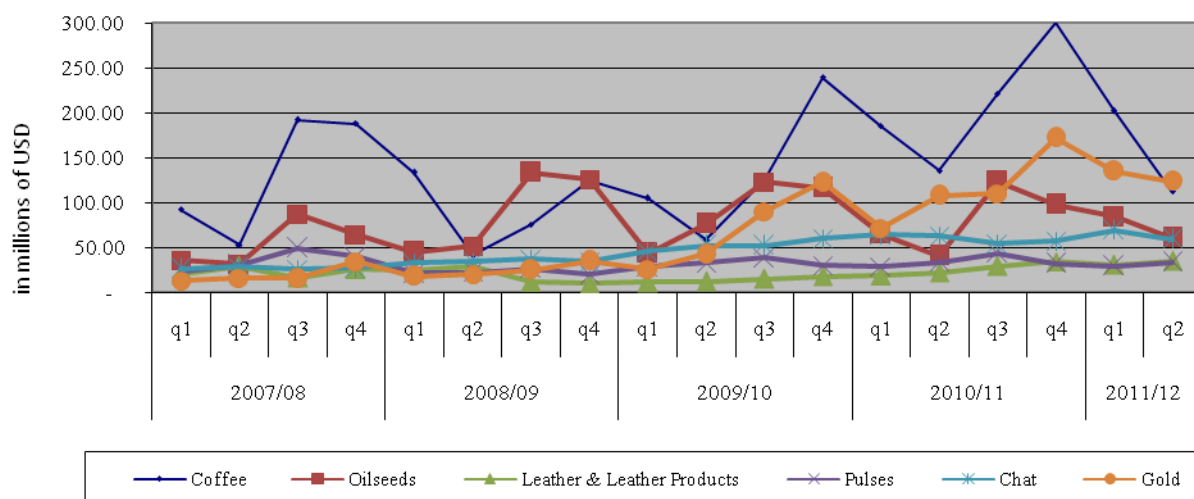
**Table 5.4 Volume of Major Export Items**

(In millions of kg)

Particulars	2010/11	2011/12		Percentage Change	
	Qtr II	Qtr I	Qtr II	C/B	C/A
	A	B	C		
Coffee	39.6	36.3	20.9	-42.3	-47.1
Oilseeds	32.7	61.3	46.1	-24.8	41.1
Leather & Leather Products	1.09	1.49	1.54	3.3	40.6
Pulses	53.1	41.5	48.4	16.6	-8.8
Meat & Meat Products	4.4	5.5	4.5	-17.6	3.3
Fruits & Vegetables	22.6	35.6	29.2	-18.1	29.0
Live Animals	31.5	50.7	33.7	-33.5	7.1
Chat	10.8	11.8	10.1	-14.4	-6.8
Gold	0.0027	0.0026	0.002	-4.9	-7.8
Flower	9.9	10.7	11.564	8.4	16.7

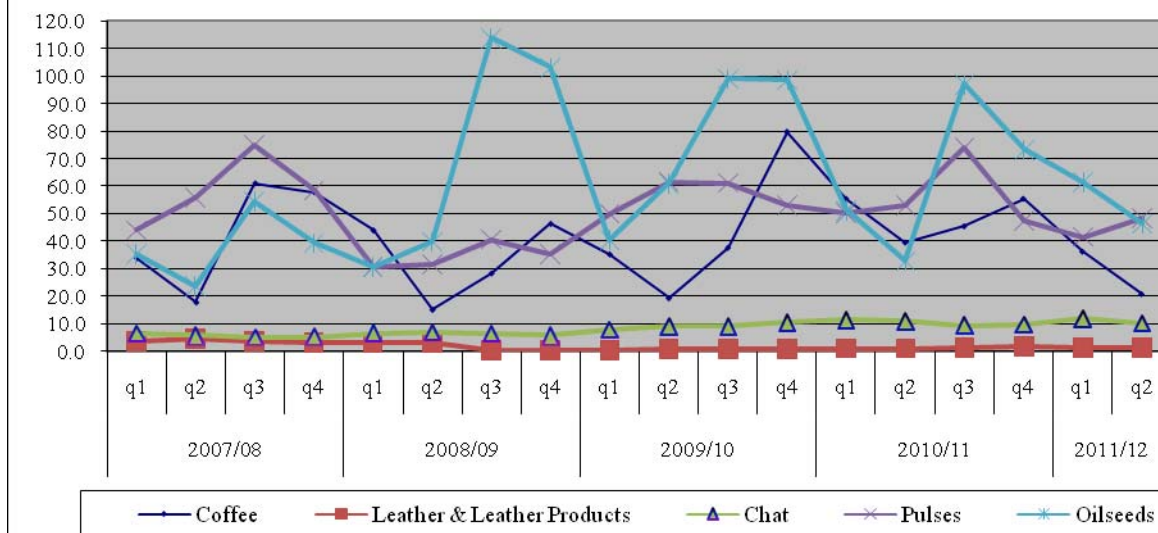
Source: Ethiopian Revenue and Customs Authority

**Fig V.4. Export Proceeds from Selected Commodities**



Source: Ethiopian Revenue and Customs Authority

**Fig V.5. Export Volume of Selected Commodities**  
(In millions of Kg)



Source: Ethiopian Revenue and Customs Authority

**Table 5.5: Unit Values of Major Export Products**

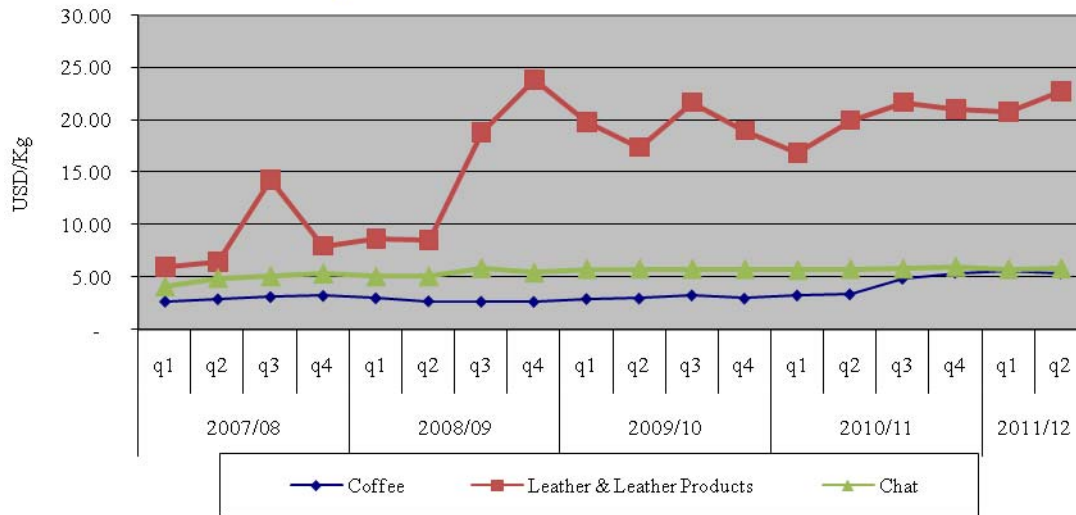
(USD/kg)

Particulars	2010/11	2011/12		Percentage Change	
	Qtr II	Qtr I	Qtr II		
	A	B	C	C/B	C/A
Coffee	3.4	5.6	5.4	-3.7	56.5
Oilseeds	1.2	1.4	1.3	-4.3	6.2
Leather & Leather Products	20.0	20.8	22.7	9.3	13.7
Pulses	0.6	0.71	0.70	-2.2	8.9
Meat & Meat Products	3.5	4.5	4.4	1.4	24.7
Fruits & Vegetables	0.32	0.30	0.4	20.5	12.4
Live Animals	1.3	1.36	1.41	3.5	7.5
Chat	5.79	5.85	5.9	0.3	1.1
Gold	40.2	52.1	50.1	-3.9	24.6
Flower	4.2	4.1	4.01	-2.6	-3.5

Source: NBE Staff Computation



**Fig V.6. Unit Value of Selected Commodities**



Source: NBE Staff Computation

### 5.2.2 Imports

Total merchandise import during the second quarter of 2011/12 amounted to USD 2.8 billion, up by 24.2 percent over last year same period. This was

attributed to the increases in imports of consumer goods, fuel, semi-finished goods and raw materials.

**Table 5.6 Values of Major Import Items**

(In millions of USD)

Commodities	2010/11		2011/12				Percentage Changes	
	Qtr II	Share in %	Qtr I	Share in %	Qtr II	Share in %		
	A		B		C		C/B	C/A
<b>Raw Materials</b>	<b>50.3</b>	<b>2.2</b>	<b>47.2</b>	<b>2.1</b>	<b>66.4</b>	<b>2.4</b>	<b>40.7</b>	<b>32.0</b>
<b>Semi-finished Goods</b>	<b>295.5</b>	<b>13.2</b>	<b>299.5</b>	<b>13.1</b>	<b>424.9</b>	<b>15.2</b>	<b>41.8</b>	<b>43.8</b>
Fertilizers	63.1	2.8	4.0	0.2	76.8	2.8	3	21.7
<b>Fuel</b>	<b>391.9</b>	<b>17.4</b>	<b>444.3</b>	<b>19.5</b>	<b>531.2</b>	<b>19.0</b>	<b>19.5</b>	<b>35.6</b>
Petroleum Products	388.6	17.3	433.6	19.0	519.0	18.6	19.7	33.6
Others	3.3	0.1	10.7	0.5	12.2	0.4	13.1	267.5
<b>Capital Goods</b>	<b>901.6</b>	<b>40.1</b>	<b>569.1</b>	<b>24.9</b>	<b>716.6</b>	<b>25.7</b>	<b>25.9</b>	<b>-20.5</b>
Transport	193.9	8.6	166.9	7.3	240.8	8.6	44.3	24.2
Agricultural	18.4	0.8	28.1	1.2	29.1	1.0	3.7	58.7
Industrial	689.3	30.7	374.1	16.4	446.6	16.0	19.4	-35.2
<b>Consumer Goods</b>	<b>569.0</b>	<b>25.3</b>	<b>884.5</b>	<b>38.7</b>	<b>998.6</b>	<b>35.8</b>	<b>12.9</b>	<b>75.5</b>
Durables	213.5	9.5	260.1	11.4	267.5	9.6	2.9	25.3
Non-durables	355.5	15.8	624.5	27.3	731.1	26.2	17.1	105.7
<b>Miscellaneous</b>	<b>37.4</b>	<b>1.7</b>	<b>38.6</b>	<b>1.7</b>	<b>51.4</b>	<b>1.8</b>	<b>33.3</b>	<b>37.4</b>
<b>Total Imports</b>	<b>2,245.7</b>	<b>100.0</b>	<b>2,283.3</b>	<b>100.0</b>	<b>2,789.1</b>	<b>100.0</b>	<b>22.1</b>	<b>24.2</b>

Source: Ethiopian Revenue and Customs Authority

Import bills for consumer goods surged by 75.5 percent over the same quarter last year and stood at USD 998.6 million mainly due to sharp increase in non-durable import goods (105.7 percent) and moderate growth of durable imports (25.3 percent). Import of consumer goods constituted 35.8 percent of total imports, up from 25.3 percent last year same period.

Fuel import, accounting for 19 percent of total imports during the review period, soared by 35.6 percent to USD 531.2 million over the same period last

year largely in response to international oil price hike.

In the same period, imports of semi-finished goods increased strongly by 43.8 percent compared to last year and reached at USD 425 million. As a result, semi finished import goods accounted for 15.2 percent in the total import bill, up from about 13 percent.

Likewise, raw materials imports went up by 32 percent to USD 66.4 million against last year same period.

In contrast, import of capital goods went down by 20.5 percent year-on-year in

the review period to USD 716.6 million wholly on account of a 35.2 percent decline in industrial goods. Consequently, the share of capital goods in total imports bill fell to 25.7 percent from 40.1 percent last year same period.

Meanwhile, import of goods on franco-valuta basis valued at USD 7 million, declined by 34.2 percent in relation to the same period last year. (Table 5.7).

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

(In Millions of USD)

Particulars	2010/11	2011/12		Percentage Change	
	Qtr II	Qtr I	Qtr II	C/B	C/A
	A	B	C		
Vehicles	0.001	0.0005	0.0000	-100.0	-100.00
Vehicle Spare Parts	0.006	0.0097	0.0234	142.3	283.57
Other Spare Parts	0.087	0.0410	0.0591	43.95	-32.29
Textile & Ready Made	0.0	0.00154	0.0002	-84.08	
Household Goods	0.0003	0.0033	0.0011	-66.44	265.85
Medicine & Medical Equipment	0.003	0.0164	0.0612	272.69	1883.90
Food Stuffs	0.001	0.0002	0.0015	660.60	55.36
Electronic Goods	0.059	0.0064	0.0009	-85.37	-98.40
Machinery, Equipment & Spare Parts	0.000	0.0361	0.0426	17.97	
Others*	10.483	3.63	6.81	87.64	-35.06
<b>Total</b>	<b>10.639</b>	<b>3.74</b>	<b>7.00</b>	<b>86.95</b>	<b>-34.23</b>

Source: NBE, Foreign Exchange Monitoring and Reserve Management (FEMRD)

\*Includes franco valuta cement import

## 5.2.3 Direct ion of Trade

### 5.2.3.1 Exports

Europe is the largest market for Ethiopia's merchandise exports. In the second quarter of 2011/12, Europe accounted for 44.6 percent of the total exports from Ethiopia. Switzerland, with 47.5 percent market share is the largest destination mainly for export of gold. The Netherlands and Germany

with 16.1 and 14 percent share are the major markets largely for flower coffee, textile & garments and leather & leather products United Kingdom accounted for 4.5 percent of Ethiopia's exports during the review quarter.

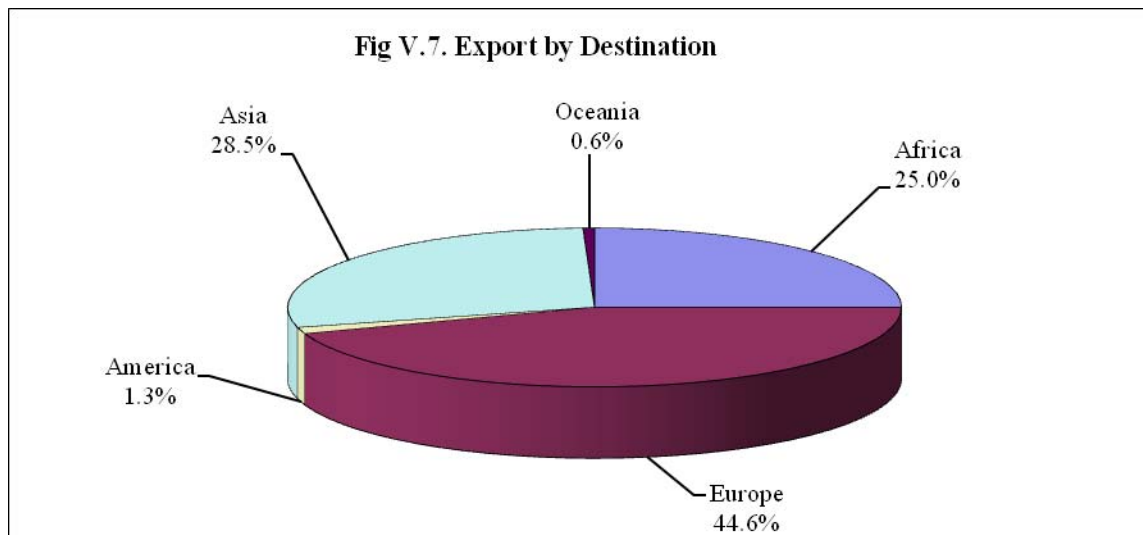
Asia constituted about 28.5 percent of Ethiopia's export. The major markets are China (28.7 percent), Saudi Arabia (27.7 percent), United Arab Emirates (12.1

percent), Israel (7.4 percent) and India (4 percent). These countries imported mainly coffee, oilseeds, pulse, leather & leather, meat & meat products and live animals.

Meanwhile, about 25 percent of Ethiopia's exports were shipped to African markets particularly Somalia (44.2 percent), Sudan (32 percent), Djibouti (13.8 percent) and Egypt (6.4 percent). The major export items to

these markets include chat, vegetables, live animals, coffee, pulses and spices.

America accounted for mere 1.3 percent Ethiopia's exports during the review period of which 82 percent, mainly coffee, went to the United States of America and Canada.



**Source:** Ethiopian Revenue and Customs Authority

### 5.2.3.2 Imports

Asian countries were the dominant suppliers for about 63.4 percent of Ethiopia's imports of goods during the second quarter of 2011/12. Of the total imports 28.5 percent were from China, 20.7 percent from Saudi Arabia, 16.1

percent from India, 7.5 percent from Japan and 4 percent from Indonesia. Machinery & air craft, electrical materials, road & motor vehicles, metal & metal manufacturing, clothing, textiles, and rubber products were the main import item from China Petroleum

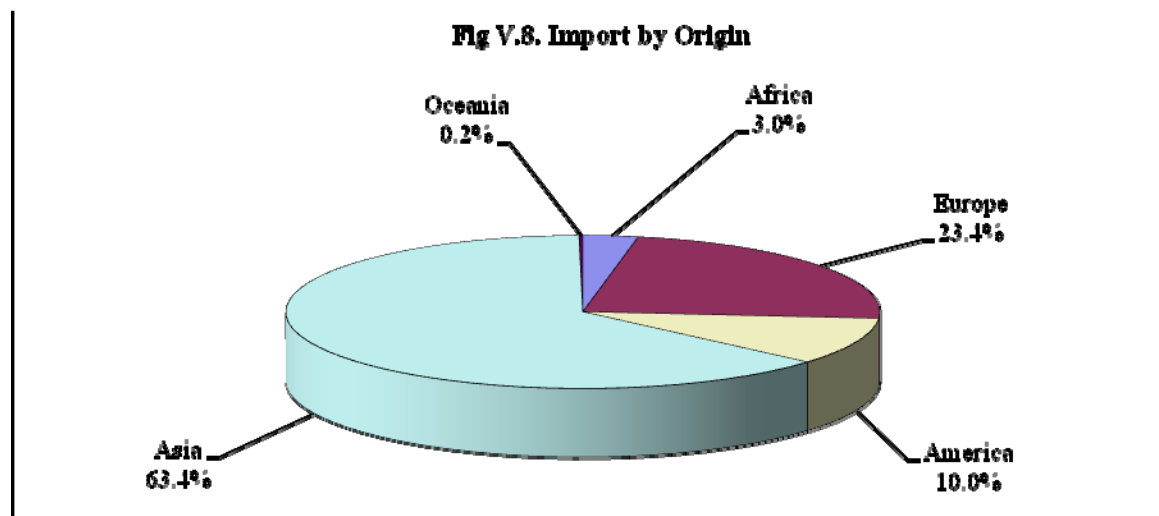
products were largely from Saudi Arabia. Metal & metal manufacturing, machinery & aircraft, medical & pharmaceutical products, road & motor vehicles and electrical materials were imported from India. Imports of road & motor vehicles and machinery & aircraft originated from Japan while paper and paper manufacturing and soap & polish were imported mainly from Indonesia.

Meanwhile, imports from Europe constituted about 23.4 percent of Ethiopia's imports mainly from Russia (21 percent), Italy (16.4 percent), Turkey (16.5 percent), Germany (7.9 percent), France (4.8 percent), Sweden (4.2 percent) and Belgium (2.3 percent). The major imports include grain, fertilizer, machinery & aircraft, food & live animals, road & motor vehicles, metal &

metal manufacturing, electrical materials machineries, food & live animals, medical & pharmaceutical products and road & motor vehicles.

Imports from Africa accounted for 3 percent of Ethiopia's total imports. They mainly consist of petroleum products, road & motor vehicles and metal & metal manufacturing from South Africa (34.3 percent), Sudan (28.1 percent) and Egypt (21.4 percent).

In the same period, Ethiopia's imports from America, accounted for 10 percent of which about 86.1 percent were from the United States of America. They included mainly grain, machinery & aircraft, food & live animals, medical & pharmaceutical products and road & motor vehicles.



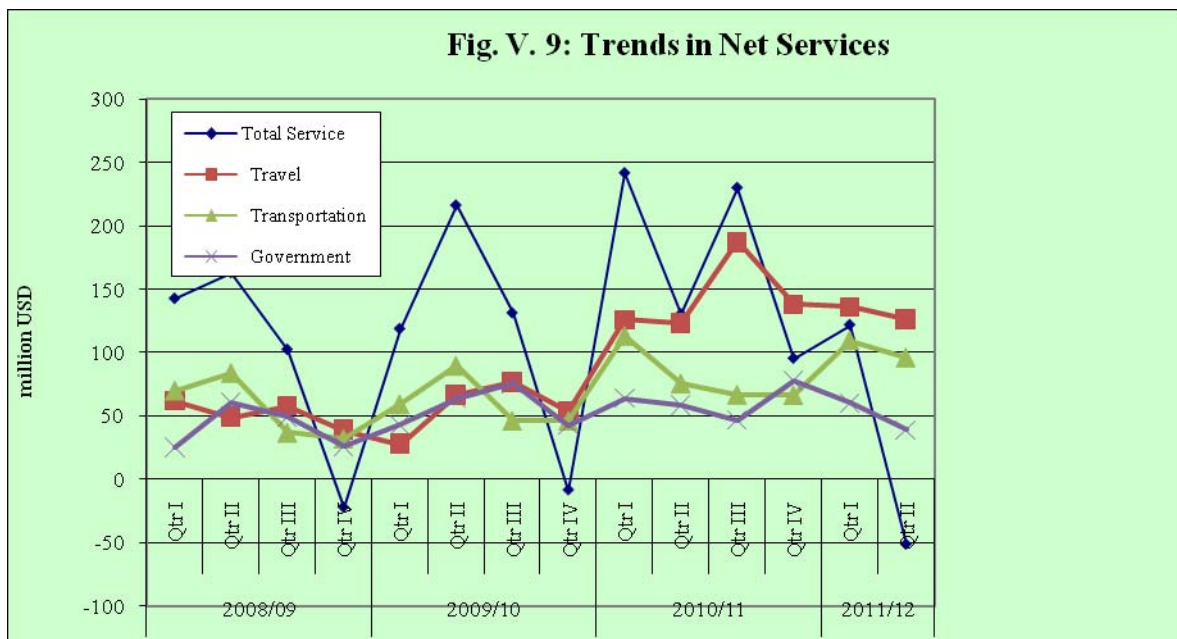
**Source:** Ethiopian Revenues and Customs Authority

### 5.3 Services and Transfers

In the second quarter of 2011/12, the service account recorded USD 51.4 million net payments against USD 121 million net service receipts last year same period.

Total service receipts increased by 15.8 percent mainly due to higher receipts from transport (33.8 percent) and travel (11 percent) services.

On the other hand, the total service payments rose sharply by a 52.8 percent in the same period as a result of higher payments for transport (35.7 percent), travel (38 percent) and other services (86 percent), in particular of construction and communication services.



**Table 5.8: Trends in Service Accounts**

(In Millions of USD)

Particulars	2010/11		2011/12				Percentage Change	
	Qtr II	%	Qtr I	%	Qtr II	%	C/B	C/A
	A	Share	B	Share	C	Share		
<b>Receipts</b>	<b>638.8</b>	<b>100.0</b>	<b>759.2</b>	<b>100.0</b>	<b>739.9</b>	<b>100.0</b>	<b>-2.5</b>	<b>15.8</b>
Travel	162.4	25.4	179.9	23.7	180.3	24.4	0.2	11.0
Transportation	335.5	52.5	452.3	59.6	448.8	60.7	-0.8	33.8
Government (n.i.e)	62.4	9.8	61.3	8.1	45.0	6.1	-26.5	-27.8
Investment Income	2.1	0.3	2.5	0.3	1.8	0.2	-28.9	-15.8
Interest	2.1	0.3	2.5	0.3	1.8	0.2	-28.9	-15.8
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other Services	76.4	12.0	63.1	8.3	63.9	8.6	1.2	-16.4
Communication Services	25.7	4.0	32.9	4.3	40.3	5.4	22.5	56.5
Construction Services	3.5	0.5	12.9	1.7	9.8	1.3	-24.3	179.4
Insurance Services	0.6	0.1	0.6	0.1	0.6	0.1	-2.5	-5.8
Financial Services	0.0	0.0	0.0	0.0	0.0	0.0	-80.2	-86.3
Computer and Information Service	0.0	0.0	0.0	0.0	0.1	0.0		
Other Business Services	46.5	7.3	16.7	2.2	13.2	1.8	-21.2	-71.6
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
<b>Payments</b>	<b>517.8</b>	<b>100.0</b>	<b>637.4</b>	<b>100.0</b>	<b>791.3</b>	<b>100.0</b>	<b>24.1</b>	<b>52.8</b>
Travel	39.2	7.6	43.8	6.9	54.1	6.8	23.7	37.9
Transportation	259.8	50.2	342.5	53.7	352.6	44.6	2.9	35.7
Government (n.i.e)	3.7	0.7	1.2	0.2	6.2	0.8	419.7	67.6
Investment Income	22.2	4.3	18.7	2.9	19.7	2.5	5.7	-11.1
Interest	14.8	2.9	11.7	1.8	16.5	2.1	41.7	11.6
Cash (Banks & MOF)	14.5	2.8	11.3	1.8	16.2	2.0	43.0	11.6
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Relief	0.3	0.1	0.4	0.1	0.4	0.0	-	-
Dividend	7.4	1.4	7.0	1.1	3.2	0.4	-54.5	-56.8
Other Services	192.9	37.3	231.2	36.3	358.7	45.3	55.1	85.9
Communication Services	13.0	2.5	30.1	4.7	61.9	7.8	105.4	376.0
Construction Services	105.5	20.4	85.6	13.4	219.3	27.7	156.3	107.9
Insurance Services	3.0	0.6	3.7	0.6	3.6	0.5	-2.2	22.8
Financial Services	0.1	0.0	0.0	0.0	0.1	0.0	13.6	-4.0
Computer and Information Service	1.0	0.2	1.0	0.2	0.7	0.1	-30.3	-31.4
Other Business Services	70.4	13.6	110.8	17.4	73.1	9.2	-34.0	3.9
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
<b>Net Services</b>	<b>121.0</b>		<b>121.8</b>		<b>-51.4</b>		<b>142.2</b>	<b>142.5</b>

Source: Staff Computation

During the review period, total net transfers declined by 16.7 percent relative to last year same period and stood at USD 1.3 billion.

Net private transfers (both individual remittances and NGOs transfers) however, went up by 5.4 percent to reach USD 950.4 million, mainly due to higher NGOs cash and food transfers (70.2 percent) while private individual transfers dropped by 14.5 percent.

In contrary, net official transfers during the same period ----- by 47 percent to

USD 349.7 million against last year same period as cash transfers from international financial institutions and donors fell sharply by 46.4 percent.



**Table 5.9: Developments in Transfer Accounts**

(In millions of USD)

Particulars	2010/11		2011/12				Percentage Change	
	A	% share	B	% share	C	% share	C/B	C/A
	QII		Q I		Q II			
<b>Private Transfers</b>	<b>901.4</b>	<b>57.7</b>	<b>786.4</b>	<b>58.2</b>	<b>950.4</b>	<b>73.1</b>	<b>20.9</b>	<b>5.4</b>
Credit	908.0	57.8	793.9	58.4	968.3	73.2	22.0	6.6
<b>NGO's</b>	<b>226.3</b>	<b>14.4</b>	<b>323.8</b>	<b>23.8</b>	<b>385.2</b>	<b>29.1</b>	<b>19.0</b>	<b>70.2</b>
Cash	226.3	14.4	301.9	22.2	335.0	25.3	11.0	48.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	0.0	0.0	22.0	1.6	50.2	3.8		
<b>Private individuals</b>	<b>681.7</b>	<b>43.4</b>	<b>470.1</b>	<b>34.6</b>	<b>583.1</b>	<b>44.1</b>	<b>24.0</b>	<b>-14.5</b>
Cash	465.7	29.7	350.8	25.8	293.7	22.2	-16.3	-36.9
In kind	14.0	0.9	15.3	1.1	7.0	0.5	-54.2	-50.0
Under ground Private Transfers	202.0	12.9	104.0	7.6	282.4	21.4	171.5	39.8
Debit	-6.5	69.7	-7.5	77.3	-17.9	81.9	138.1	174.0
<b>Official Transfers</b>	<b>659.7</b>	<b>42.3</b>	<b>564.1</b>	<b>41.8</b>	<b>349.7</b>	<b>26.9</b>	<b>-38.0</b>	<b>-47.0</b>
Credit	662.6	42.2	566.3	41.6	353.7	26.8	-37.5	-46.6
Cash	659.6	42.0	446.5	32.8	353.7	26.8	-20.8	-46.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	3.0	0.2	119.8	8.8	0.0	0.0	-	-
Debit	-2.8	30.3	-2.2	22.7	-4.0	18.1	78.6	39.1
Total Receipts	1,570.6	100.6	1,360.2	100.7	1,322.0	101.7	-2.8	-15.8
Total Payments	-9.4	-0.6	-9.7	-0.7	-21.9	-1.7	124.6	133.1
<b>Net Transfers</b>	<b>1,561.2</b>	<b>100.0</b>	<b>1,350.5</b>	<b>100.0</b>	<b>1,300.1</b>	<b>100.0</b>	<b>-3.7</b>	<b>-16.7</b>

Source: Staff Computation

**Fig.V. 10 Trends in Private and Official Transfers**



## **5.4 Current Account**

The current account balance (including official transfers) registered 946 million in deficit during the second quarter of 2011/12 compared to a deficit of USD 13 million last year same period as trade deficit widened, net service payments rose and official transfers significantly dropped.

## **5.5 Capital account**

In the review period, the capital account recorded USD 538.4 million in surplus which was 19 percent lower than a year ago. This was attributed to lower disbursements which overshadowed the increase in estimated FDI inflows.

## **5.6 Changes in Reserve Position**

Reflecting a widening merchandise trade deficit and current account deficit the overall balance of payments registered USD 380.8 million in deficit during the

review period resulting in reserve drawn down of the banking system. Hence, the gross reserves of the country as of December 31, 2011 was sufficient to cover 2.7 months of import of goods and non-factor services of next year.

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

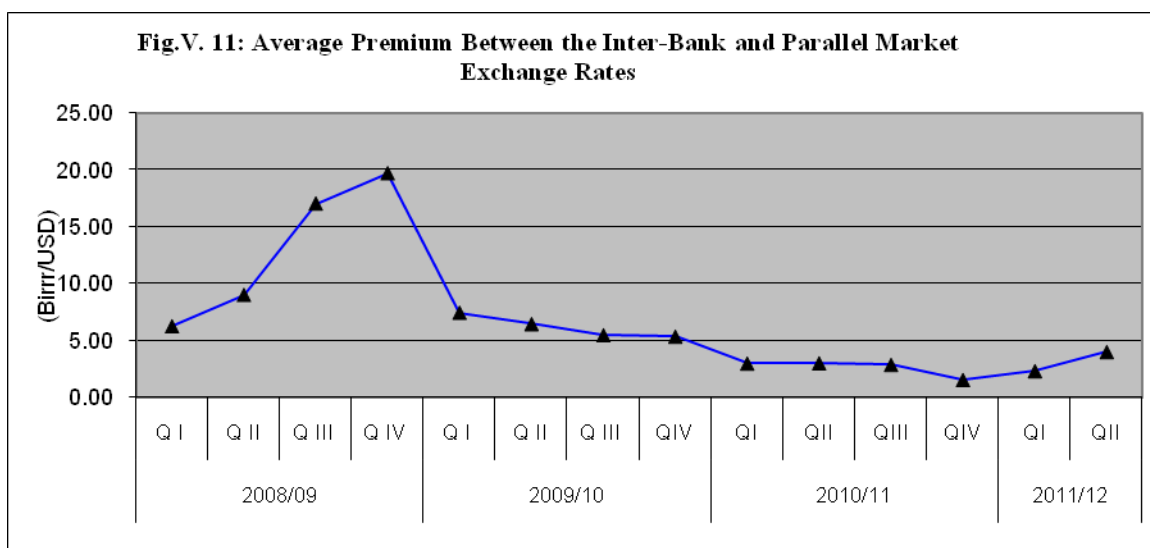
### **5.7.1 Exchange Rate Movements**

During the second quarter of 2011/12, the average official exchange rate of the Birr weakened by 4.2 percent with respect to last year same period, and reached Birr 17.1522/USD.

Meanwhile, the parallel average exchange rate stood at Birr 17.8333/USD, depicting a 5.2 percent annual depreciation. Consequently, the average premium between the official and parallel market rates widened to 4 percent from 3 percent (Table 5.10).

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

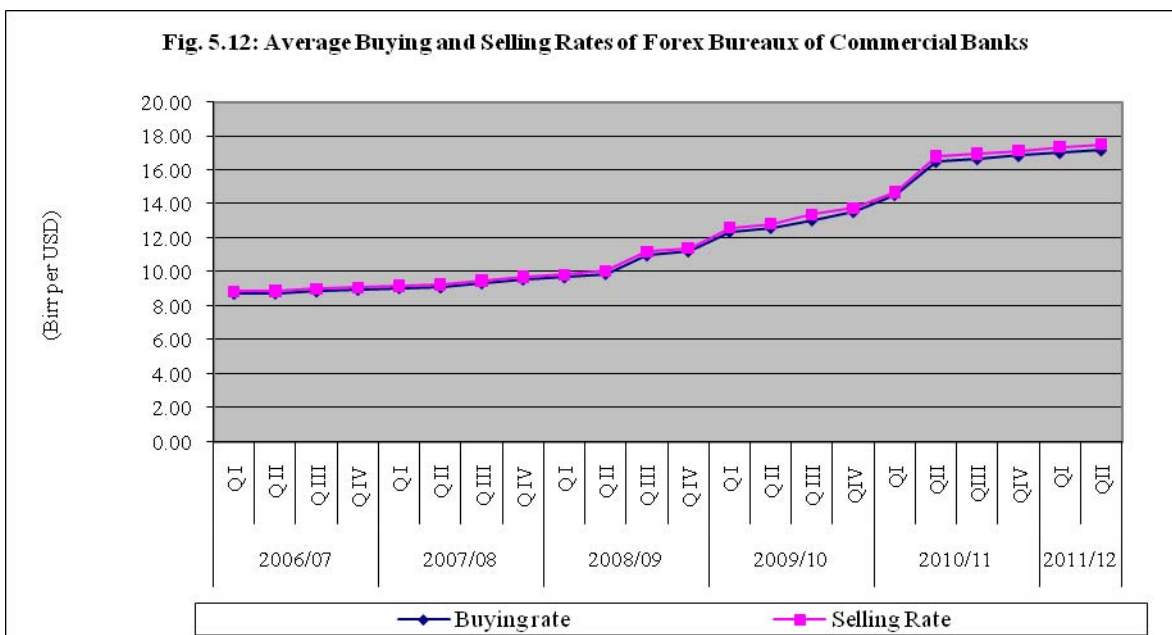
Period		Inter-bank Market Rate				Parallel Market Rate (Birr/USD)		Premium
		End Period Rates (Birr/USD)		Amount Traded in Millions of USD		End Period	Average	
		Weighted Rate	Average Weighted Rate	Total	O/w Among CBs			
<b>2010/11</b>								
<b>Qtr. II</b>	<b>C</b>	<b>16.5482</b>	<b>16.4667</b>	<b>3.3</b>	<b>0.0</b>	<b>17.4800</b>	<b>16.9567</b>	<b>2.98</b>
<b>October</b>		16.4336	16.4134	1.1	0.0	16.8300	16.8200	2.48
<b>November</b>		16.4880	16.4646	1.05	0.0	16.8800	16.8500	2.34
<b>December</b>		16.5482	16.5221	1.15	0.0	17.4800	17.2000	4.10
<b>2011/12</b>								
<b>Qtr. I</b>	<b>B</b>	<b>17.0812</b>	<b>17.0011</b>	<b>80.3</b>	<b>28.6</b>	<b>17.6800</b>	<b>17.3900</b>	<b>2.29</b>
<b>July</b>		16.9672	16.9421	41.05	0.00	17.2500	17.2900	2.05
<b>August</b>		17.0290	17.0010	9.00	8.00	17.4250	17.3400	1.99
<b>September</b>		17.0812	17.0602	30.20	20.55	17.6800	17.5400	2.81
<b>Qtr. II</b>	<b>A</b>	<b>17.2201</b>	<b>17.1522</b>	<b>17.5</b>	<b>14.2</b>	<b>17.9300</b>	<b>17.8333</b>	<b>3.97</b>
<b>October</b>		17.1277	17.1064	1.05	0.00	17.8250	17.8400	4.29
<b>November</b>		17.1716	17.1517	6.10	5.00	17.7750	17.7800	3.66
<b>December</b>		17.2201	17.1986	10.30	9.15	17.9300	17.8800	3.96
<b>Percentage Changes</b>	<b>A/B</b>	0.8	0.9	-78.3	-	1.4	2.5	
	<b>A/C</b>	4.1	4.2	436.9	-	2.6	5.2	

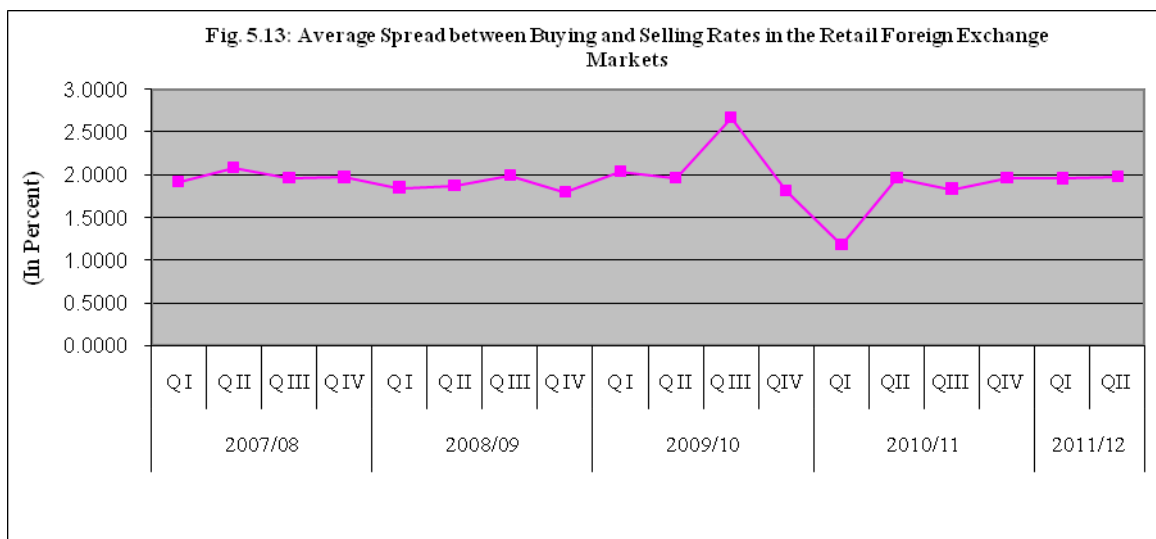


Source: NBE, Foreign Exchange Monitoring & Reserve Management Directorate

Likewise, both average buying and selling exchange rates in the retail markets during the review quarter 2011/12 depreciated by 4.1 and 4.2 percent against last year same period to reach Birr 17.1476/USD and 17.4875/USD, respectively (Table 5.15). As a result, the average spread between the buying and selling exchange rates

increased by 1.5 percent vis-a-vis same period last year(Fig 5.13).





During the review quarter, the average exchange rate of the US dollar depreciated against Japanese Yen, SDR, and Swiss Franc at the rate of 6.67, 0.42, and 6.84 percent respectively, on quarter-to-quarter basis. It however, appreciated against Euro (0.85 percent) and Pound Sterling (0.59 percent) (Table 5.11).

**Table 5.11: Period Average Exchange Rates (USD per Other Major International Currencies)**

Period		EURO			JAPANESE YEN			SDR			POUND STERLING			SWISS FRANK		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
<b>2010/11</b>																
<b>Qtr. II</b>	<b>C</b>	<b>1.3606</b>	<b>1.3605</b>	<b>1.3605</b>	<b>0.0121</b>	<b>0.0121</b>	<b>0.0121</b>	<b>1.5557</b>	<b>1.5556</b>	<b>1.5556</b>	<b>1.5817</b>	<b>1.5814</b>	<b>1.5816</b>	<b>1.0270</b>	<b>1.0269</b>	<b>1.0269</b>
<b>October</b>		1.3896	1.3895	1.3896	0.0122	0.0122	0.0122	1.5692	1.5691	1.5691	1.5857	1.5855	1.5856	1.0344	1.0343	1.0344
<b>November</b>		1.3714	1.3714	1.3714	0.0122	0.0122	0.0122	1.5633	1.5633	1.5633	1.5997	1.5990	1.5993	1.0171	1.0171	1.0171
<b>December</b>		1.3208	1.3205	1.3206	0.0120	0.0120	0.0120	1.5346	1.5343	1.5345	1.5597	1.5597	1.5597	1.0293	1.0293	1.0293
<b>2011/12</b>																
<b>Qtr. I</b>	<b>B</b>	<b>1.4153</b>	<b>1.4153</b>	<b>1.4153</b>	<b>0.0129</b>	<b>0.0129</b>	<b>0.0129</b>	<b>1.5933</b>	<b>1.5933</b>	<b>1.5933</b>	<b>1.6107</b>	<b>1.6098</b>	<b>1.6102</b>	<b>1.2176</b>	<b>1.2176</b>	<b>1.2176</b>
<b>July</b>		1.4281	1.4281	1.4281	0.0126	0.0126	0.0126	1.5948	1.5948	1.5948	1.6111	1.6111	1.6111	1.2106	1.2106	1.2106
<b>August</b>		1.4340	1.4340	1.4340	0.0130	0.0130	0.0130	1.6042	1.6042	1.6042	1.6372	1.6346	1.6359	1.2847	1.2847	1.2847
<b>September</b>		1.3837	1.3837	1.3837	0.0130	0.0130	0.0130	1.5809	1.5809	1.5809	1.5838	1.5838	1.5838	1.1576	1.1576	1.1576
<b>Qtr. II</b>	<b>A</b>	<b>1.3490</b>	<b>1.3490</b>	<b>1.3490</b>	<b>0.0129</b>	<b>0.0129</b>	<b>0.0129</b>	<b>1.5622</b>	<b>1.5622</b>	<b>1.5622</b>	<b>1.5723</b>	<b>1.5723</b>	<b>1.5723</b>	<b>1.0972</b>	<b>1.0972</b>	<b>1.0972</b>
<b>October</b>		1.3685	1.3685	1.3685	0.0131	0.0131	0.0131	1.5699	1.5699	1.5699	1.5732	1.5732	1.5732	1.1130	1.1130	1.1130
<b>November</b>		1.3590	1.3590	1.3590	0.0129	0.0129	0.0129	1.5690	1.5697	1.5694	1.5823	1.5823	1.5823	1.1043	1.1043	1.1043
<b>December</b>		1.3195	1.3195	1.3195	0.0128	0.0128	0.0128	1.5477	1.5469	1.5473	1.5614	1.5614	1.5614	1.0742	1.0742	1.0742
<b>Percentage change</b>	<b>A/B</b>	-4.68	-4.68	-4.68	0.59	0.59	0.59	-1.95	-1.95	-1.95	-2.38	-2.33	-2.36	-9.89	-9.89	-9.89
	<b>A/C</b>	-0.85	-0.84	-0.85	6.67	6.67	6.67	0.42	0.42	0.42	-0.60	-0.58	-0.59	6.84	6.84	6.84

Source: Staff Compilation

Similarly, the Birr depreciated against all major currencies quarter-on-quarter basis, the highest annual depreciations being against Swiss Frank (11.3

8percent) and Japanese Yen (11.2 percent), followed by SDR (4.6 percent), USD (4.2), Pound Sterling (3.6 percent).



**Table 5.12: Period Average Exchange Rates (Birr per Major Currencies)**

Period		USD			EURO			JAPANESE YEN			SDR			POUND STERLING			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>2010/11</b>																			
<b>Qtr. II</b>	<b>C</b>	<b>16.4641</b>	<b>16.6292</b>	<b>16.5467</b>	<b>22.4000</b>	<b>22.6224</b>	<b>22.5112</b>	<b>0.1996</b>	<b>0.2016</b>	<b>0.2006</b>	<b>25.6127</b>	<b>25.8674</b>	<b>25.7400</b>	<b>26.0409</b>	<b>26.2970</b>	<b>26.1689</b>	<b>16.9079</b>	<b>17.0767</b>	<b>16.9923</b>
<b>October</b>		16.4109	16.5764	16.4936	22.8050	23.0331	22.9190	0.2005	0.2025	0.2015	25.7521	26.0096	25.8809	26.0221	26.2823	26.1522	16.9757	17.1455	17.0606
<b>November</b>		16.4620	16.6266	16.5443	22.5762	22.8019	22.6891	0.2001	0.2021	0.2011	25.7352	25.9925	25.8638	26.3347	26.5850	26.4598	16.7438	16.9112	16.8275
<b>December</b>		16.5195	16.6847	16.6021	21.8187	22.0321	21.9254	0.1982	0.2001	0.1992	25.3508	25.5999	25.4754	25.7659	26.0236	25.8947	17.0041	17.1733	17.0887
<b>2011/12</b>																			
<b>Qtr. I</b>	<b>B</b>	<b>16.9988</b>	<b>17.1688</b>	<b>17.0838</b>	<b>24.0568</b>	<b>24.2974</b>	<b>24.1771</b>	<b>0.2186</b>	<b>0.2208</b>	<b>0.2197</b>	<b>27.0839</b>	<b>27.3548</b>	<b>27.2194</b>	<b>27.3793</b>	<b>27.6379</b>	<b>27.5086</b>	<b>20.6973</b>	<b>20.9043</b>	<b>20.8008</b>
<b>July</b>		16.9393	17.1087	17.0240	24.1906	24.4325	24.3115	0.2130	0.2152	0.2141	27.0153	27.2854	27.1503	27.2905	27.5633	27.4269	20.5068	20.7118	20.6093
<b>August</b>		16.9995	17.1695	17.0845	24.3782	24.6220	24.5001	0.2205	0.2227	0.2216	27.2705	27.5432	27.4068	27.8326	28.0655	27.9490	21.8391	22.0575	21.9483
<b>September</b>		17.0577	17.2282	17.1429	23.6018	23.8378	23.7198	0.2221	0.2243	0.2232	26.9661	27.2357	27.1009	27.0149	27.2850	27.1499	19.7461	19.9435	19.8448
<b>Qtr. II</b>	<b>A</b>	<b>17.1501</b>	<b>17.3216</b>	<b>17.2358</b>	<b>23.1347</b>	<b>23.3659</b>	<b>23.2503</b>	<b>0.2218</b>	<b>0.2240</b>	<b>0.2229</b>	<b>26.7912</b>	<b>27.0586</b>	<b>26.9249</b>	<b>26.9646</b>	<b>27.2342</b>	<b>27.0994</b>	<b>18.8157</b>	<b>19.0039</b>	<b>18.9098</b>
<b>October</b>		17.1043	17.2753	17.1898	23.4081	23.6422	23.5252	0.2233	0.2255	0.2244	26.8515	27.1201	26.9858	26.9079	27.1770	27.0425	19.0364	19.2268	19.1316
<b>November</b>		17.1496	17.3211	17.2353	23.3053	23.5383	23.4218	0.2213	0.2235	0.2224	26.9081	27.1892	27.0486	27.1359	27.4073	27.2716	18.9388	19.1282	19.0335
<b>December</b>		17.1964	17.3684	17.2824	22.6908	22.9173	22.8041	0.2208	0.2230	0.2219	26.6140	26.8665	26.7403	26.8499	27.1184	26.9842	18.4719	18.6567	18.5643
<b>Percentage change</b>	<b>A/B</b>	0.89	0.89	0.89	-3.83	-3.83	-3.83	1.48	1.48	1.48	-1.08	-1.08	-1.08	-1.51	-1.46	-1.49	-9.09	-9.09	-9.09
	<b>A/C</b>	4.17	4.16	4.16	3.28	3.29	3.28	11.12	11.11	11.12	4.60	4.61	4.60	3.55	3.56	3.56	11.28	11.29	11.28

Source: National Bank of Ethiopia

**Table 5.13: Birr per Unit of Currency End Period mid Market Rate**

Currency	Dec-10	Nov-11	Dec-11	Percentage change	
	C	B	A	A/B	A/C
USD	16.6310	17.1666	17.3062	0.8	4.1
Pound	25.6583	26.8658	26.6637	-0.8	3.9
Swedish Kroner	2.4417	2.5359	2.4985	-1.5	2.3
Djibouti Frank	0.0954	0.0963	0.0971	0.8	1.8
Swiss Frank	17.6887	19.1784	18.3232	-4.5	3.6
Saudi Riyal	4.4341	4.5771	4.6147	0.8	4.1
UAE Dirhams	4.5278	4.6736	4.7115	0.8	4.1
Canadian Dollar	16.5994	16.6666	16.8874	1.3	1.7
Japanese Yen	0.2040	0.2260	0.2223	-1.6	9.0
Euro	22.0260	23.4033	22.3337	-4.6	1.4
SDR	25.4984	26.5629	26.6960	0.5	4.7

Source: National Bank of Ethiopia

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

After slow down in its rate of depreciation, annualized movement of real effective exchange rate (REER) shifted to appreciation since the first quarter of 2011/12 wholly due to the steadily increase of domestic inflation.

Accordingly, the REER appreciated year-on-year by 35.2 percent driven by accelerated domestic inflation. Meanwhile the nominal effective exchange rate weakened slightly by 1.3 percent against the same period last year (Table 5.14).

**Table 5.14 Trends in the Real and Nominal Effective Exchange Rates**

	2010/11	2011/12		Percentage Change	
	QII	QI	QII		
	A	B	C	C/B	C/A
<b>REERI</b>	<b>102.0</b>	<b>125.5</b>	<b>137.8</b>	9.84	35.16
<b>NEERI</b>	<b>44.3</b>	<b>42.8</b>	<b>43.7</b>	2.01	-1.30

**Source:** National Bank of Ethiopia

**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.

**5.7.3 Volume of Transactions**

The foreign exchange traded in the inter-bank foreign exchange market during the second quarter of 2011/12 amounted to USD 17.5 million, compared with USD 3.3 million a year ago. Of the total

foreign exchange traded, USD 14.2 million (or 81.1 percent) was among commercial banks while the remaining USD 3.3 million was supplied by the NBE (Table5.10).

In the meantime, forex bureau of commercial banks purchased about USD 36 million from and sold USD 21.2 million to their clients. Purchases dropped by 34 percent while sales surged by 47.6 percent over last year same period. Their average buying and selling rates stood at Birr 17.147/USD and Birr 17.4875/USD respectively, resulting in a 2 percent premium between the two rates (Table 5.15).

**Table 5.15: Amount of Foreign Exchange Purchased and Sold by Forex Bureaux of Commercial Banks (In '000 of USD)**

No.	Name of Forex Bureaux	2010/11		2011/12				Percentage change			
		Quarter II A		Quarter I B		Quarter II C		C/B		C/A	
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	14548.68	69.49	13662.42	385.99	15885.52	225.95	16.3	48.5	9.2	225.2
2	Bank of Abyssinia	1070.46	1149.71	1749.85	1724.69	1627.86	1507.35	-7.0	77.4	52.1	31.1
3	Dashen Bank	4306.24	5502.29	3609.38	6004.56	4033.56	7985.56	11.8	123.0	-6.3	45.1
4	Awash International Bank	12647.02	1759.91	1843.88	4224.30	1823.42	3114.63	-1.1	63.7	-85.6	77.0
5	Construction & Business Bank	292.21	3.41	1287.48	183.44	1341.80	263.86	4.2	133.8	359.2	7638.7
6	Wegagen Bank	2111.22	1644.60	744.22	1036.05	720.86	1170.43	-3.1	103.0	-65.9	-28.8
7	United Bank	4814.88	2026.64	5554.11	2516.89	5439.98	3176.21	-2.1	116.2	13.0	56.7
8	Development Bank	0.00	0.00	0.00	0.00	0.00	0.00				
9	Nib International Bank	13578.69	1605.60	3650.21	2293.30	2985.75	1591.70	-18.2	59.4	-78.0	-0.9
10	Lion International Bank	208.35	100.49	484.63	213.29	534.87	364.20	10.4	160.8	156.7	262.4
11	Oromia International Bank	242.78	87.23	834.96	290.86	523.43	232.14	-37.3	69.8	115.6	166.1
12	Zemen Bank	247.28	354.28	315.25	623.22	433.88	917.46	37.6	137.2	75.5	159.0
13	Cooperative Bank of Oromia	9.30	0.00	56.61	37.45	83.53	317.91	47.6	838.9	798.2	
14	Buna International Bank	189.64	91.23	306.22	9.09	246.11	12.60	-19.6	128.6	29.8	-86.2
15	Birhan International Bank	0.00	0.00	215.87	102.97	125.50	309.85	-41.9	290.9		
16	Abay Bank	0.00	0.00	0.00	0.00	84.62	57.19				
17	Addis International Bank	0.00	0.00	0.00	0.00	1.10	0.50				
	<b>Total</b>	<b>54266.7</b>	<b>14394.9</b>	<b>34315.1</b>	<b>19646.1</b>	<b>35891.8</b>	<b>21247.5</b>	<b>4.6</b>	<b>8.2</b>	<b>-33.9</b>	<b>47.6</b>
	<b>Average Exchange Rate</b>	<b>16.4649</b>	<b>16.7864</b>	<b>16.9991</b>	<b>17.3318</b>	<b>17.1476</b>	<b>17.4875</b>	<b>0.9</b>	<b>90.9</b>	<b>4.1</b>	<b>4.2</b>

Source: NBE

