

IV. MONETARY DEVELOPMENTS

4.1. Money Supply and Credit

Broad money supply (M_2) reached Birr 171.5 billion at the end of the third quarter of the fiscal year 2011/12, revealing annual growth rate of 31.6 percent. This was due to higher domestic credit, which expanded by 40.8 percent, mainly spurred by 58.8 percent increase in credit to non- government sector.

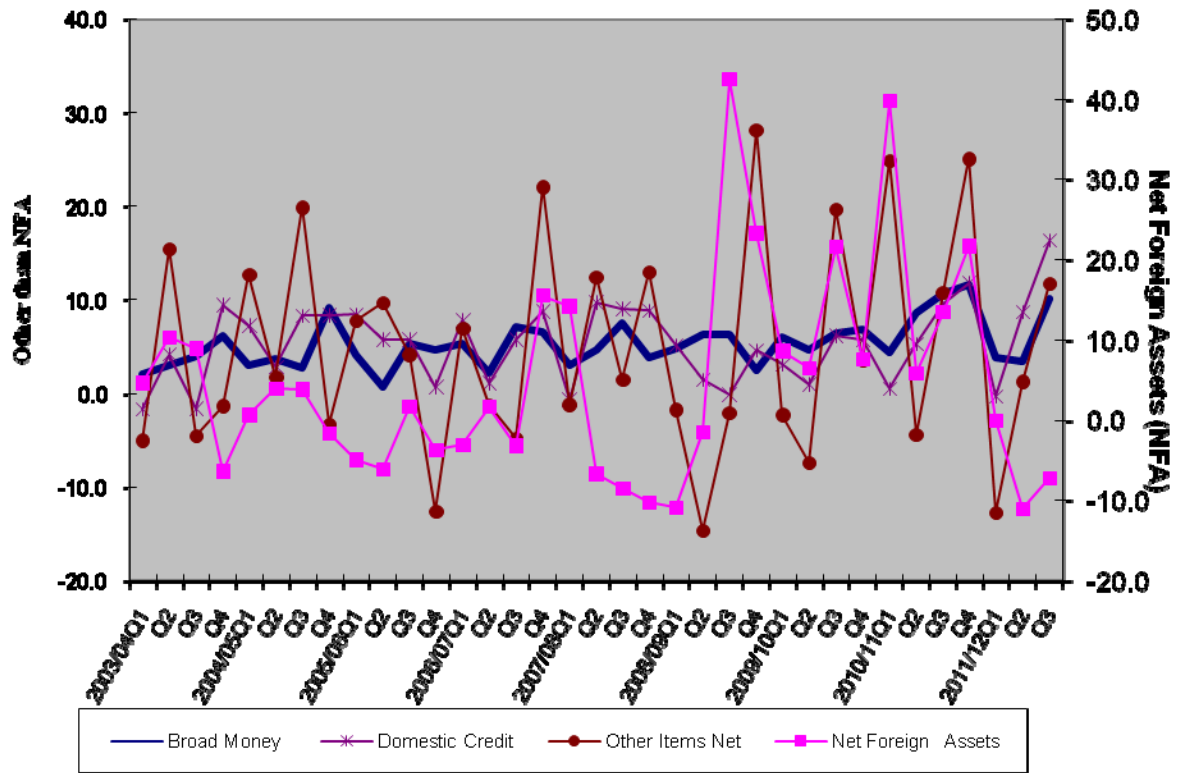
On the other hand, claims on central government went down by 33.5 percent. Meanwhile, net foreign assets went up by 0.3 percent to reach Birr 45.8 billion at the end of the review quarter (Table 4.1).

Table 4.1: Factors Influencing Broad Money (In Millions of Birr)

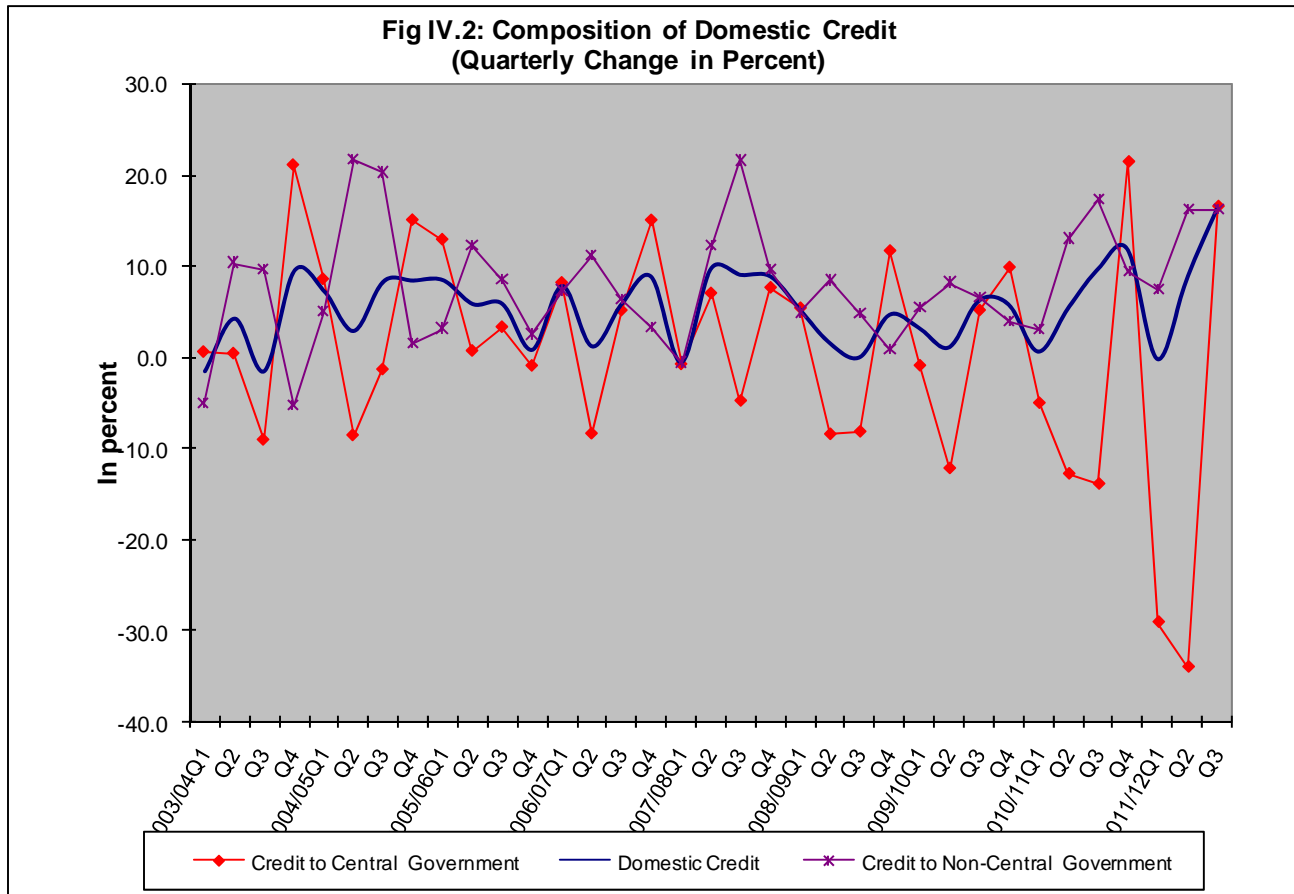
Particulars	2010/11	2011/12		Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. III	Qtr. II	Qtr. III	C/A	C/B	Annual	Quarterly
	(Mar. 11)	(Dec. 11)	(Mar. 12)				
	A	B	C				
1. External Assets (net)	45,638.1	49,345.6	45,771.8	0.29	-7.24	0.32	-22.90
2. Domestic Credit	121,221.7	146,828.0	170,731.8	40.84	16.28	120.19	153.17
. Claims on Central Gov't (net)	23,583.8	13,443.6	15,673.9	-33.54	16.59	-19.20	14.29
. Claims on Non-Central Gov't	97,638.0	133,384.4	155,057.9	58.81	16.25	139.39	138.88
. Financial Institutions	0.0	10,070.0	11,870.0	-	17.87	28.81	11.53
. Others	97,638.0	123,314.4	143,187.9	46.65	16.12	110.57	127.35
3. Other Items (net)	36,550.1	40,275.4	44,999.4	23.12	11.73	-20.51	-30.27
4. Broad Money (M_2)	130,309.8	155,898.2	171,504.3	31.61	10.01	100.00	100.00

Source: National Bank of Ethiopia

**Fig IV.1: Major Determinants of Monetary Expansion
(Quarterly Change In Percent)**



Source: National Bank of Ethiopia



Source: National Bank Ethiopia

The third quarter of the fiscal year 2011/12 also witnessed annual rise in all components of broad money. Narrow money, which comprises currency outside banks and net demand deposits, expanded by 29.3 percent on annual basis. Similarly, quasi-money that embraces both saving and time deposits depicted an annual increment of 33.9 percent. Year-on-year basis, both narrow money and quasi-money contributed 46.8

and 53.2 percent share to the annual broad money growth rate (Table 4.2).

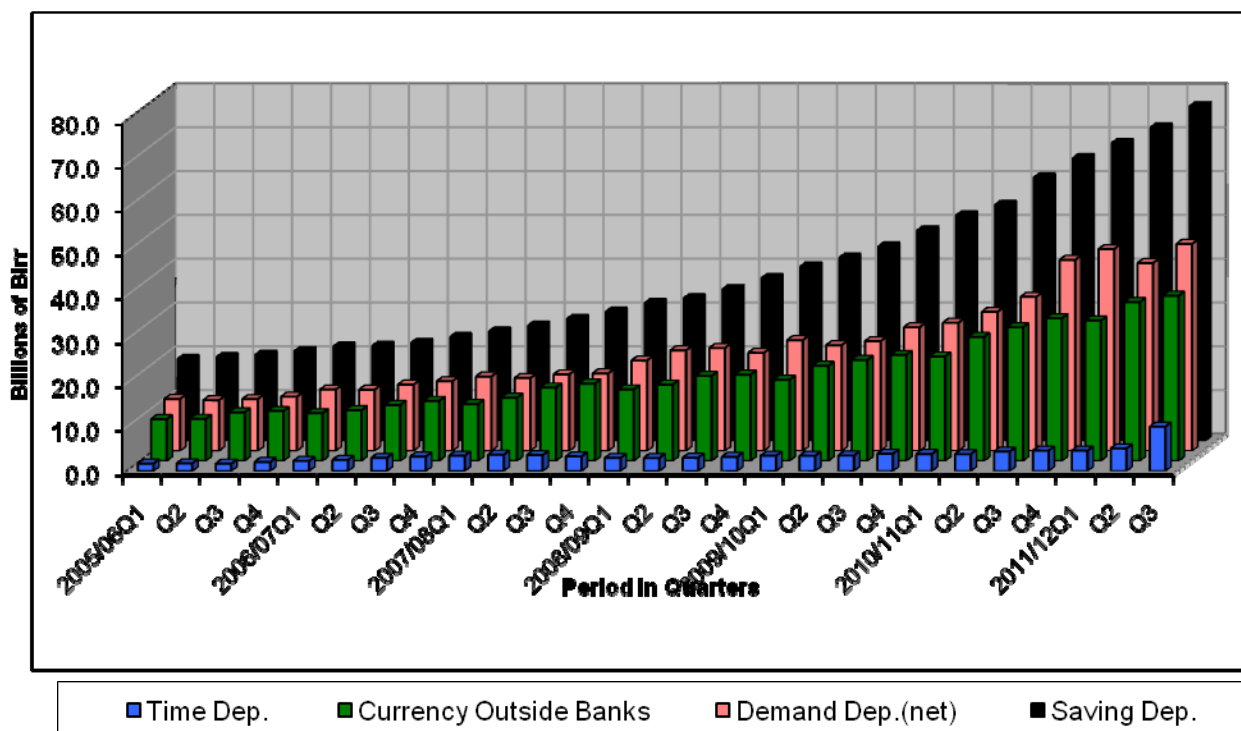
The rise in currency outside banks reflects the continuous rise in income and public preference to hold cash. Similarly, the surge in quasi-money indicates the result of a successful effort made by both public and private banks in expanding their branch network to augment their deposit Mobilization and improve their service outreach.

Table 4.2: Components of Broad Money (In Millions of Birr)

Particulars	2010/11	2011/12		Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. III	Qtr. II	Qtr. III	C/A	C/B	Annual	Quarterly
	(Mar. 11)	(Dec. 11)	(Mar. 12)				
	A	B	C				
1. Narrow Money Supply	65,706.7	79,154.6	84,974.1	29.3	7.35	46.77	37.29
. Currency outside banks	30,534.7	36,274.6	37,727.7	23.56	4.01	17.46	9.31
. Demand Deposits (net)	35,172.0	42,880.0	47,246.4	34.33	10.18	29.31	27.98
2. Quasi-Money	64,603.1	76,743.7	86,530.1	33.94	12.75	53.23	62.71
. Savings Deposits	60,140.4	71,578.4	76,393.8	27.03	6.73	39.46	30.86
. Time Deposits	4,462.7	5,165.3	10,136.4	127.14	96.24	13.77	31.85
3. Broad Money Supply	130,309.8	155,898.2	171,504.3	31.61	10.01	100.00	100.00

Source: NBE

**Fig. IV. 3: Composition of Monetary Stock
(Third Quarter of FY 2011/12)**



Source: NBE

4.2. Developments in Reserve Money and Monetary Ratio

Reserve money reached Birr 62.6 billion at the end of the third quarter of the fiscal year 2011/12, depicting a 1.7 percent slow down over last year same quarter mainly due to the fall in banks deposits at NBE³. Excess reserves of commercial banks also declined significantly both on annual and quarterly basis due to enhanced participation of

commercial banks in the weekly T- bills market.

The money multiplier measured by the ratio of broad money to reserve money, grew by 33.8 percent on annual terms implying the increased monetization of the economy. Besides, the ratio of narrow money to reserve money increased by 31.5 percent on annual basis.

³ The decline in bank deposit at the central bank was mainly explained by the downward revision of reserve requirement of commercial banks from 15 to 10 percent of net deposit.

Table 4.3: Reserve Money and Ratios (In millions of Birr)

Particulars	2010/11	2011/12		Percentage Change	
	Qtr. III	Qtr. II	Qtr. III		
	(Mar. 11)	(Dec. 11)	(Mar. 12)	C/A	C/B
	A	B	C		
1. Reserve Requirement (CB's)	18,817.4	23,095.7	16,897.2	-10.2	-26.8
2. Actual Reserve (CB's)*	24,560.2	24,380.9	10,669.5	-56.6	-56.2
3. Excess Reserve (CB's)	5,742.8	1,285.2	-6,227.7	-208.4	-584.6
4. Reserve Money	63,633.9	67,786.4	62,580.8	-1.7	-7.7
. <i>Currency in Circulation</i>	37,456.7	42,048.1	44,710.6	19.4	6.3
. <i>Banks deposits at NBE**</i>	26,177.3	25,738.2	17,870.2	-31.7	-30.6
5. Money Multiplier (Ratio):					
. <i>Narrow Money to Reserve Money</i>	1.0	1.2	1.4	31.5	16.3
. <i>Broad Money to Reserve Money</i>	2.0	2.3	2.7	33.8	19.2
6. Other Monetary Ratios (%):					
. <i>Currency to Narrow Money</i>	46.5	45.8	44.4	-4.5	-3.1
. <i>Currency to Broad Money</i>	23.4	23.3	22.0	-6.1	-5.5
. <i>Narrow Money to Broad Money</i>	50.4	50.8	49.5	-1.7	-2.4
. <i>Quasi Money to Broad Money</i>	49.6	49.2	50.5	1.8	2.5

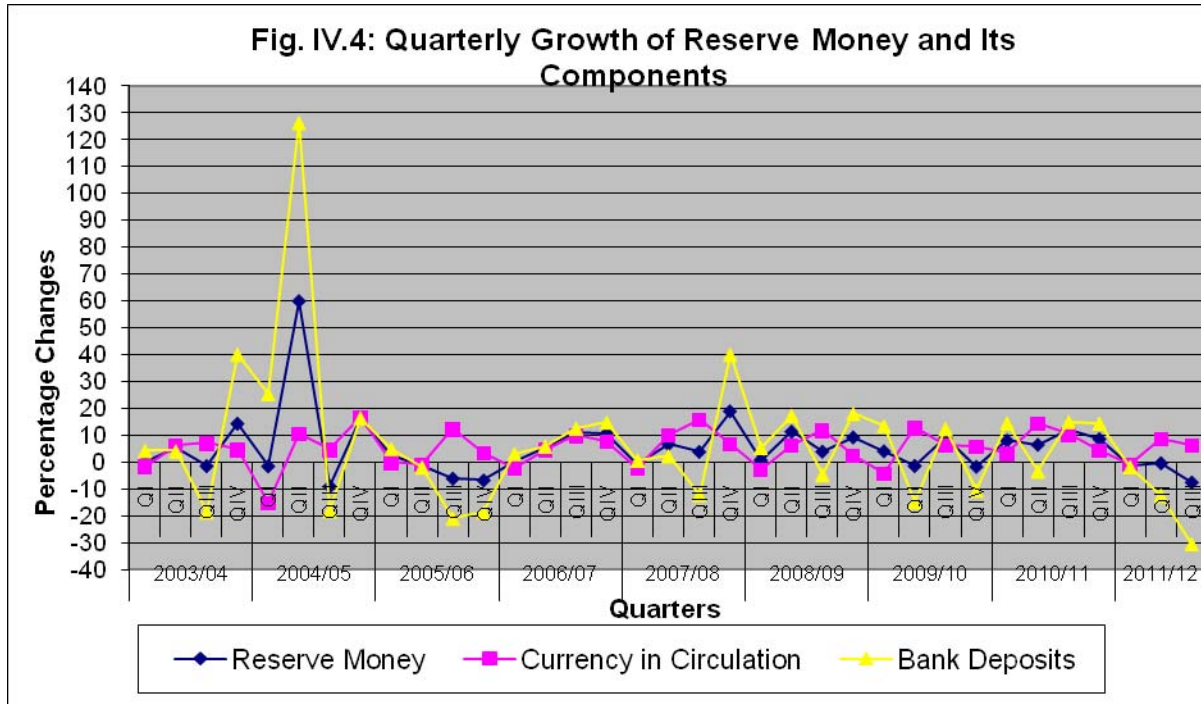
Source: NBE and Commercial Banks.

* The data is obtained from commercial banks balance sheet.

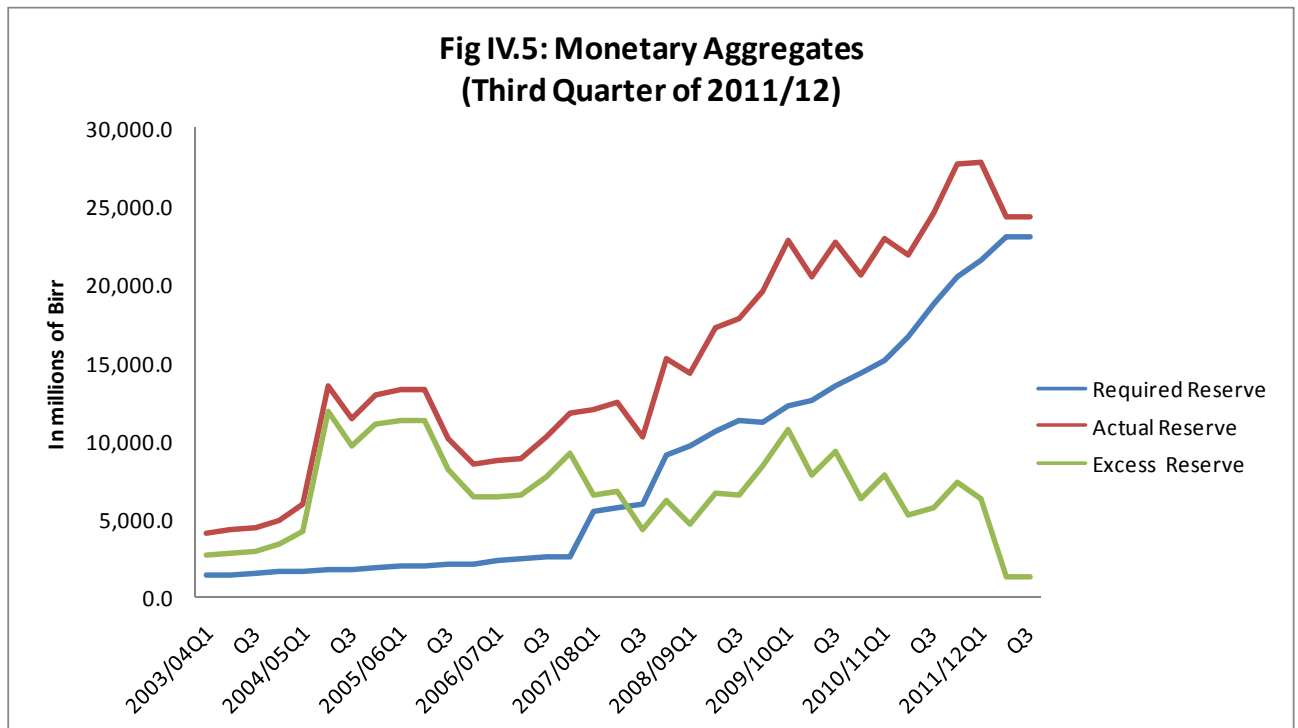
** The data is obtained from NBE balance sheet.

The slowdown in narrow money to broad money implies a decline in demand for cash and checkable deposits for

transaction purposes in the quarter under review presumably due to lower inflation.



Source: National Bank of Ethiopia



Source: National Bank of Ethiopia

4.3. Interest Rate Developments

Average saving deposit rate and average lending rates remained at 5.4 and 11.88 percent respectively both on quarterly and annual basis. Weighted average time deposit rate, however, registered annual decline of 5.6 percent. On the other hand, the yearly weighted average yield on T-

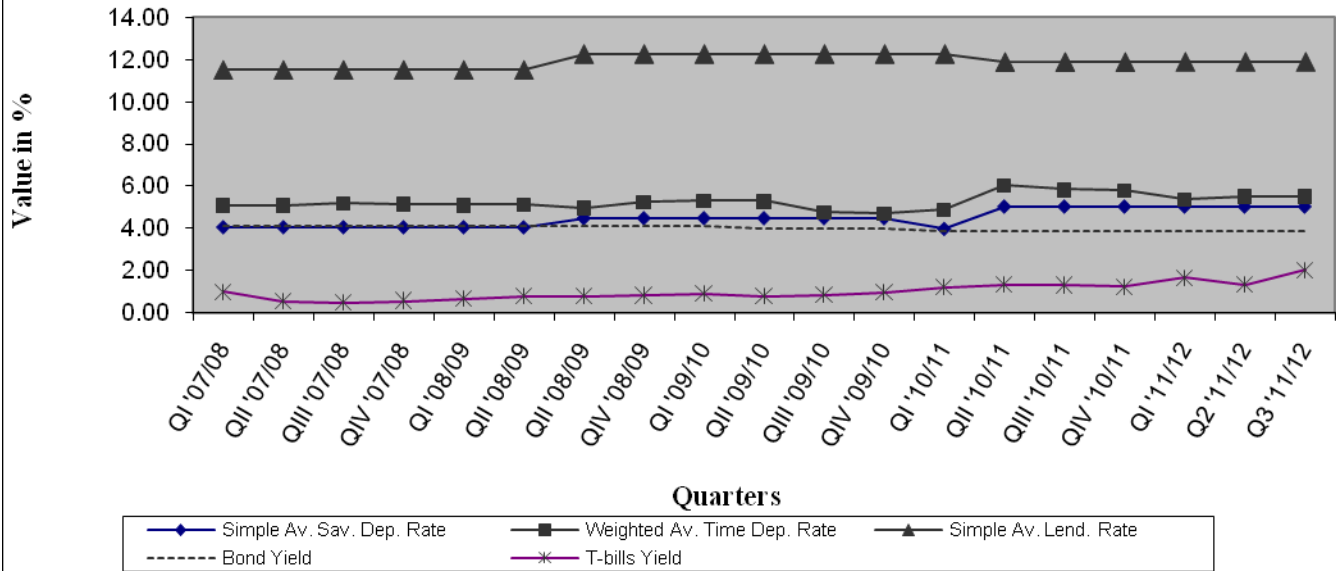
bills increased from 1.35 to 2.03 percent. Yet, considering annual headline inflation of 32.5 percent during the quarter under review, all deposit rates, lending rates and T-bills yields were negative in real terms (Table 4.4).

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

	2010/11	2011/12		Percentage Change	
	QIII	QII	QIII	Annual	Quarterly
1. Savings Deposit Rate					
Minimum	5	5	5	0.0	0.0
Maximum	5.75	5.75	5.75	0.0	0.0
Average Saving Rate	5.4	5.4	5.4	0.0	0.0
2. Time Deposits					
Up to 1yr	5.89	5.26	5.61	-4.7	6.6
1-2 years	6.07	5.41	5.71	-5.9	5.7
Over 2 yrs	6.15	5.47	5.76	-6.3	5.3
Average Time Dep. Rate (Weighted)	6.04	5.38	5.70	-5.6	5.9
3. Demand Deposit (Weighted)	0.04	0.03	0.03	-28.1	-4.0
4. Lending Rate					
Minimum	7.5	7.5	7.5	0.0	0.0
Maximum	16.25	16.25	16.25	0.0	0.0
Average Lending Rate	11.88	11.88	11.88	0.0	0.0
5. T- bills Rate (Weighted Ave.)	1.353	1.53	2.032	50.2	32.8
6. Bond Yield (Simple Average)	3.67	3.67	3.67	0.0	0.0
7. Headline Inflation	25.00	36.00	32.50	30.0	-9.6
8. Food inflation	25.55	46.68	40.90	60.1	-12.4
9. Core Inflation Rate	24.22	21.78	20.40	-15.8	-6.3

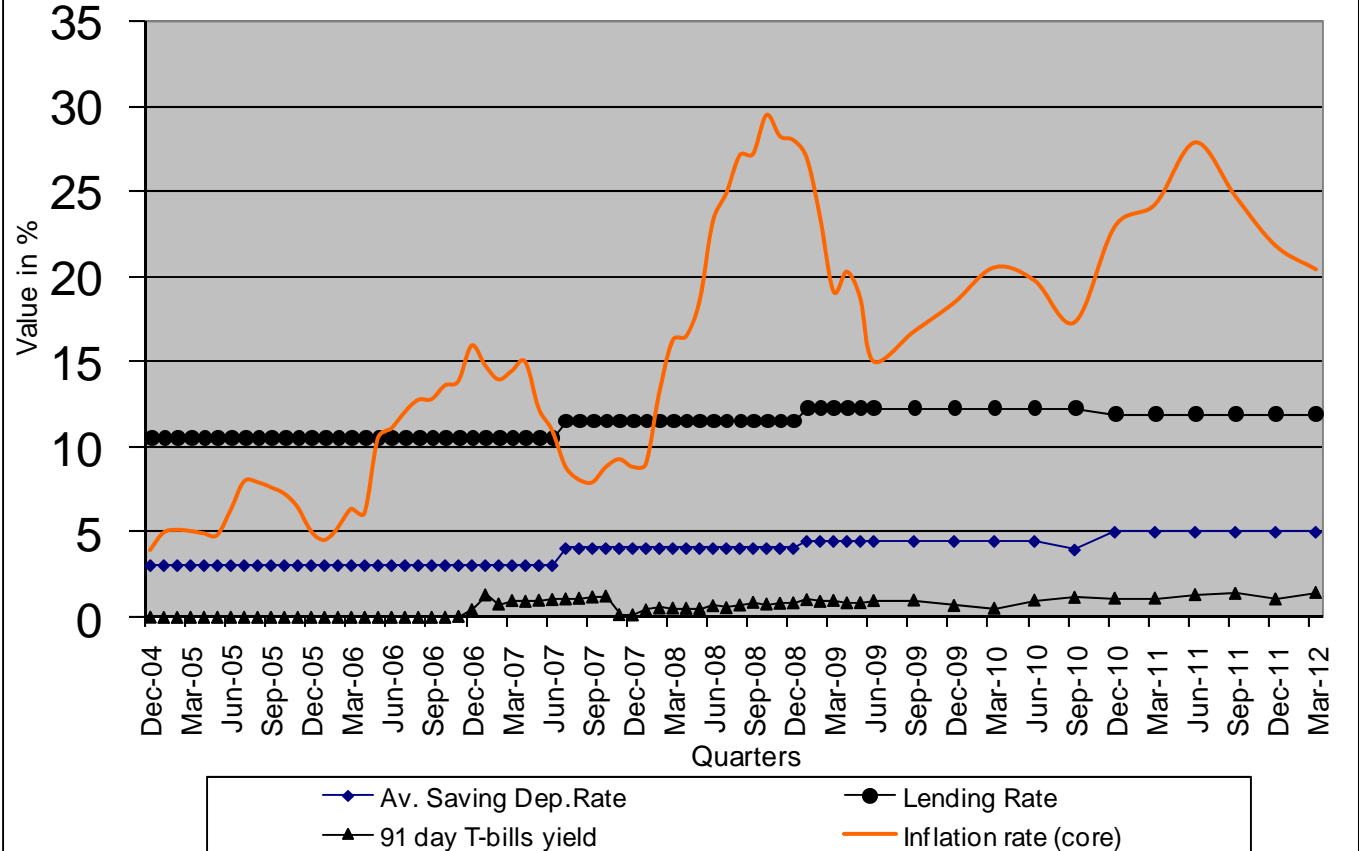
Source: National Bank of Ethiopia and commercial banks

**Fig IV.6: Interest Rate Structure of Commercial Banks
(In percent per annum)**



Source: NBE and Commercial Banks

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



Source: NBE staff compilation

4.4. Developments in the Financial Sector

Banks, insurance companies and microfinance institutions are the main financial institutions in Ethiopia. The number of banks operating in the country reached 17 at the end of March 2012 of which 14 banks were privately owned.

During the review quarter, 55 new bank branches were opened, raising the total

number of bank branches to 1,181. As a result, the ratio of total bank branch to total population went down to 67,739.2 from 71,048 in the preceding quarter, reflecting an improvement in financial service outreach.

About 33.9 percent of the total bank branches were located in Addis Ababa

reflecting the concentration of branches in the capital. Of the total bank branches, the share of private banks increased to 48.6 percent from 47.4 percent in the preceding quarter due to the opening of 40 new branches by private banks during the review quarter.

Meanwhile, the total capital of the banking system reached Birr 17.5 billion at the end of the third quarter of the fiscal year 2011/12, of which private banks together accounted for 48.2 percent. The share of the Commercial Bank of Ethiopia, the biggest state owned bank, was 35.6 percent. (Table 4.5).

The total number of insurance companies operating in the country reached 15 during the review quarter, of which 14 were privately owned. The number of branches increased to 232 from 218 last year. About 52 percent of the total branches were located in Addis Ababa, showing low outreach to other cities and towns.

The total capital of the insurance industry surged by 28.4 percent on annual basis and reached Birr 1.1 billion. The share of private insurance companies stood at 72.7 percent against 69.5 percent in the preceding quarter (Table 4.6).

On the other hand, there were 30 micro-finance institutions (MFIs) operating in the country. These MFIs mobilized a total saving deposit of Birr 4.9 billion, which was 45.5 percent higher than last year. Similarly, credit outstanding of the MFIs scaled up by 21.2 percent to reach Birr 7.5 billion. Likewise, their total assets increased by 28.1 percent to Birr 12.05 billion by the end of March 2012 (Table 4.7). In line with their intended purpose, MFIs are contributing to poverty reduction by providing loans to and mobilizing savings from the low-income segments of the population.

The top five largest MFIs (Amhara Credit & Saving, Dedebit Credit & Saving, Oromia Credit & Saving, Omo credit & saving and Addis Credit & Savings) alone accounted for 86.2 percent of the total capital, 94 percent of the savings, 89.6 percent of the credit and 90.5 percent of the total assets of the industry.

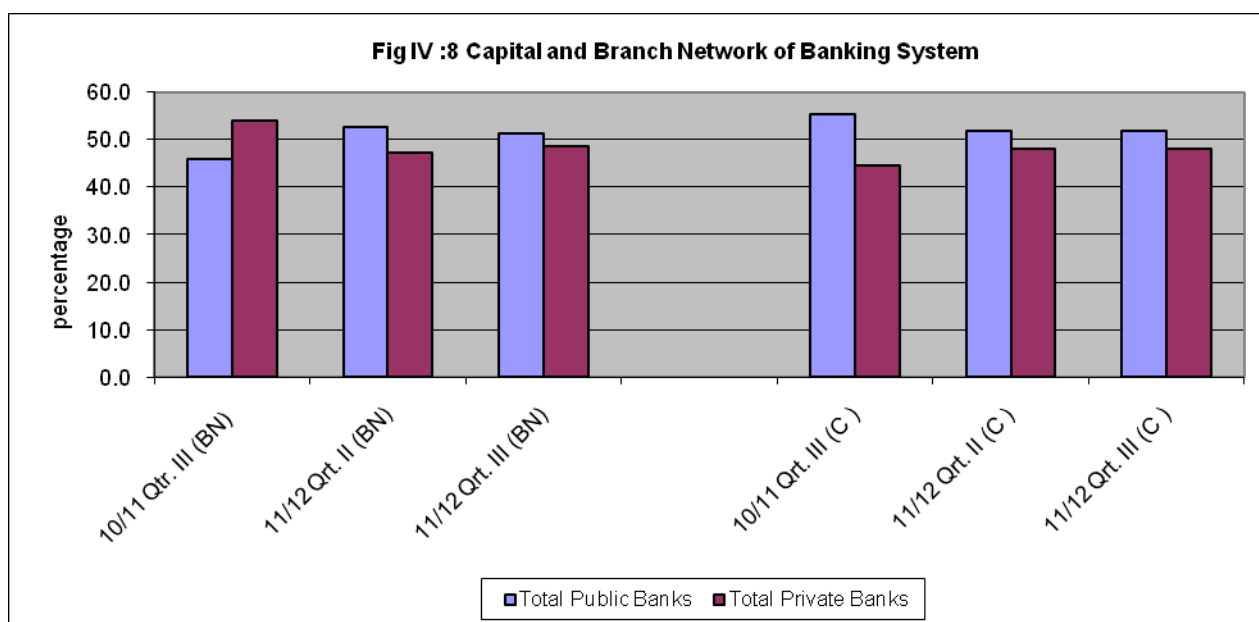
Table 4.5: Capital and Branch Network of Banking System as at March 31, 2012

(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network												Capital			
	2010/11				2011/12								2010/11	2011/12		
	Quarter III				Quarter II				Quarter III				Quarter III	Quarter II	Quarter III	
	Reg.	A.A	Total	% Share	Reg.	A.A	Total	% Share	Reg.	A.A	Total	% Share				
1. Public Banks																
Commercial Bank of Ethiopia	255	79	334	38.6	395	103	498	44.2	395	103	498	42.2	5,528.0	6,231.0	6,231.0	
Construction & Business Bank	17	15	32	3.7	40	22	62	5.5	48	29	77	6.5	251.0	285.0	364.0	
Development Bank of Ethiopia	31	1	32	3.7	31	1	32	2.8	31	1	32	2.7	2,018.0	2,254.0	2,454.0	
Total Public Banks	303	95	398	46.0	466	126	592	52.6	474	133	607	51.4	7797	8770	9049	
2. Private Banks																
Awash International Bank	35	33	68	7.9	37	40	77	6.8	37	44	81	6.9	962.0	1,249.0	1,254.0	
Dashen Bank	31	33	64	7.4	33	36	69	6.1	36	37	73	6.2	939.0	1,157.0	1,157.0	
Abyssinia Bank	25	32	57	6.6	26	32	58	5.2	29	32	61	5.2	483.0	648.0	687.0	
Wegagen Bank	28	23	51	5.9	33	26	59	5.2	33	27	60	5.1	1,008.0	1,264.0	1,267.0	
United Bank	17	31	48	5.5	23	33	56	5.0	26	36	62	5.2	627.0	784.0	785.0	
Nib International Bank	19	32	51	5.9	19	33	52	4.6	19	34	53	4.5	919.0	1,083.0	1,241.0	
Cooperative Bank of Oromia	37	5	42	4.8	42	5	47	4.2	44	6	50	4.2	179.0	243.0	287.0	
Lion International Bank	13	11	24	2.8	17	13	30	2.7	17	13	30	2.5	291.0	328.0	341.0	
Oromia International Bank	25	8	33	3.8	26	11	37	3.3	28	11	39	3.3	246.0	351.0	374.0	
Zemen Bank	0	3	3	0.3	0	3	3	0.3	2	4	6	0.5	163.0	290.0	290.0	
Buna International Bank	2	9	11	1.3	6	9	15	1.3	11	10	21	1.8	184.0	229.0	236.0	
Berhan International Bank	3	7	10	1.2	5	8	13	1.2	6	8	14	1.2	122.0	155.0	170.0	
Abay Bank	1	5	6	0.7	14	2	16	1.4	18	2	20	1.7	148.0	192.0	204.0	
Addis International Bank	0	0	0	0.0	0	2	2	0.0	1	3	4	0.3	0.0	123.0	137.0	
Total Private Banks	236	232	468	54.0	281	253	534	47.4	307	267	574	48.6	6,271.0	8,096.0	8,430.0	
3. Grand Total Banks	539	327	866	100.0	747	379	1126	100.0	781	400	1181	100.0	14,068.0	16,866.0	17,479.0	

Source: Bank Supervision Directorate, NBE

Reg. stands for regions



Source: Bank Supervision Directorate and National Bank of Ethiopia

BN denotes branch network and C= Capital

Table 4.6: Branch Network and Capital of Insurance Companies as at March 31, 2012

(Branch in number and Capital in Millions of Birr)

Insurance Companies	Branch									Capital		
	Quarter III 2010/11			Quarter II 2011/12			Quarter III 2011/12			Quarter III	Quarter II	Quarter III
	A.A	Reg	Total	A.A	Reg	Total	A.A	Reg	Total	2010/11	2011/12	2011/12
Ethiopian Insurance Corporation	11	30	41	11	30	41	11	32	43	282.9	295.9	292.2
Awash Insurance Company	17	11	28	19	11	30	19	11	30	76.7	102.5	103.7
Africa Insurance Company	6	7	13	6	7	13	6	7	13	68.2	84.8	87.6
National Insurance Corporation of Ethiopia	8	8	16	9	8	17	9	8	17	20.7	18.4	46.1
United Insurance Company	15	8	23	15	8	23	15	8	23	66.5	93.7	89.1
Global Insurance Company	6	4	10	6	4	10	6	4	10	23.0	26.3	27.9
Nile Insurance Company	11	10	21	11	10	21	11	10	21	91.2	105.1	121.3
Nyala Insurance Company	8	8	16	9	8	17	9	8	17	80.5	94.9	103.6
Nib Insurance Company	14	8	22	14	8	22	14	8	22	76.9	75.2	99.7
Lion Insurance Company	6	5	11	6	5	11	6	5	11	10.1	24.7	30.4
Ethio-Life Insurance Company	0	0	-	0	0	0	0	0	0	4.0	5.3	5.3
Oromia Insurance Company	8	8	16	8	8	16	10	8	18	21.9	21.2	29.5
Abay Insurance Company S.C.	0	1	1	1	2	3	1	2	3	9.6	11.1	10.0
Berhan insurance S.C	-	-	-	3	0	3	4	0	4	0.0	11.3	11.0
Tsehay Insurance S.C	0	0	0	0	0	0	-	-	-	-	-	11.4
TOTAL	110	108	218	118	109	227	121	111	232	832.3	970.5	1,068.7

Source: Insurance Supervision Directorate, NBE

Reg. stands for regions

Table 4.7: Microfinance Institutions Performance as at March 31, 2012

(In Thousands of Birr)

Particulars	2010/11		2011/12		% Change	
	Qtr.III		Qtr. II		Qtr.III	
	A	B	C	C/A	C/B	
Total Capital	2,767,189.0	3,269,346.0	3491468	26.2	6.8	
Saving	3,371,300.0	4,334,544.0	4903920	45.5	13.1	
Credit	6,199,163.0	7,355,089.0	7514288	21.2	2.2	
Total Assets	9,407,323.0	10,953,137.0	12048730	28.1	10.0	

Source: Microfinance Supervision Directorate, NBE

4.5. Activities of the Banking System

4.5.1. Resource Mobilization

Total resources mobilized by the banking system (as measured by the sum of net change in deposit, loans collected and net change in borrowings) went up by 9.1

percent over last year same period due to higher net deposit.

Table 4.8: Summary of Resource Mobilization and Disbursement of Banking System during 3rd Quarter of 2011/12

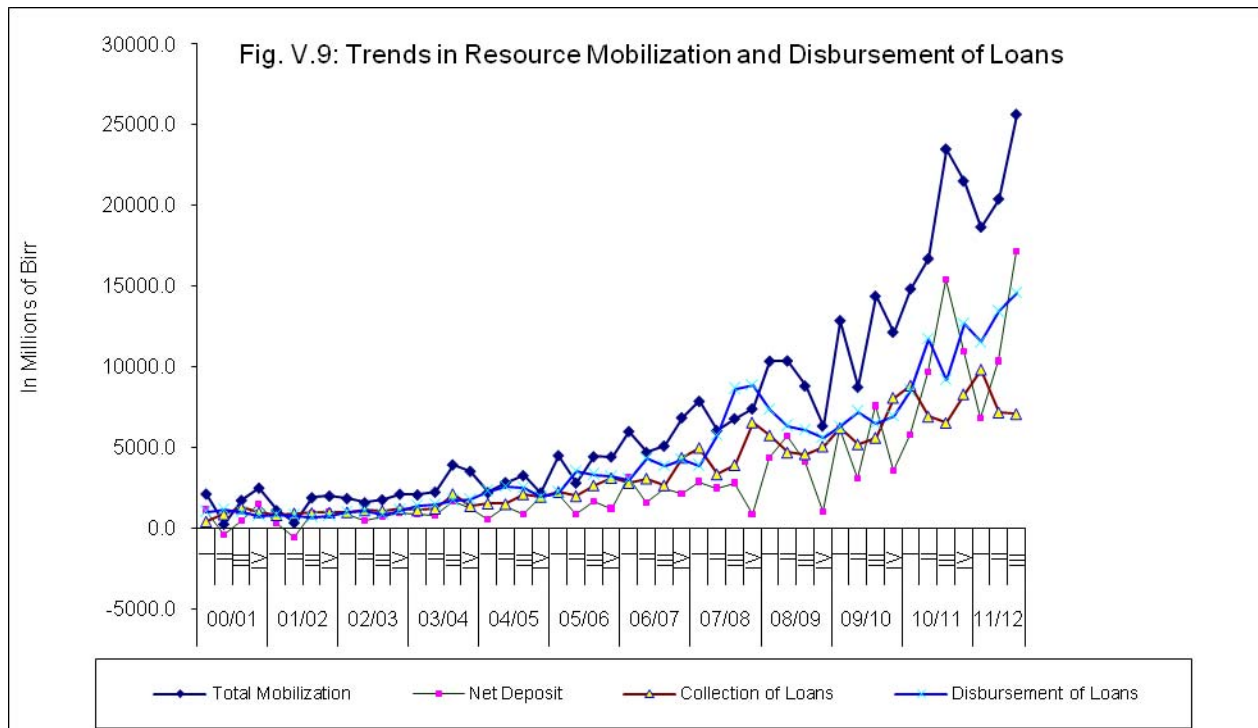
(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr. II	Qtr. III	Qtr. II	Qtr. III	Qtr. III	Qtr. II	Qtr. III		
	2011/12	2011/12	2011/12	2011/12	2010/11	2011/12	2011/12	C/A	C/B
1. Deposits (net change)	9,095.3	15,749.9	1,278.5	1,408.5	15,404.2	10,373.8	17,158.3	11.4	65.4
-Demand	6,133.2	7,925.9	71.8	-543.5	8,551.0	6,205.0	7,382.3	-13.7	19.0
-Saving	2,954.0	3,478.4	719.2	1,338.8	6,261.6	3,673.2	4,817.3	-23.1	31.1
-Time	8.1	4,345.5	487.5	613.2	591.5	495.6	4,958.7	738.3	900.6
2. Borrowing (net change)	2,838.2	1,389.0	0.0	0.0	1,539.8	2,838.2	1,389.0	-9.8	-51.1
-Local	2,838.2	1,407.4	0.0	0.0	1,451.2	2,838.2	1,407.4	-3.0	-50.4
-Foreign	0.0	-18.4	0.0	0.0	88.7	0.0	-18.4	-120.8	-
3. Collection of Loans	3,435.8	2,917.8	3,735.2	4,150.9	6,526.7	7,171.1	7,068.7	8.3	-1.4
4. Total Resources Mobilized (1+2+3)	15,369.4	20,056.7	5,013.8	5,559.4	23,470.7	20,383.1	25,616.1	9.1	25.7
5. Disbursement	7,331.8	10,940.8	6,126.5	3,663.8	9,214.6	13,458.3	14,604.6	58.5	8.5
6. Change in Liquidity (4-5)	8,037.5	9,115.9	-1,112.7	1,895.6	14,256.1	6,924.8	11,011.4	-22.8	59.0
Memorandum Item:									
A. Outstanding Credit*	55,547.3	68,054.3	33,812.4	35,071.9	73,632.4	89,359.7	103,126.2	40.1	15.4
B. Outstanding Interbank Lending	98.5	98.4	0.0	0.0	183.9	98.5	98.4	-46.5	0.0

Source: Commercial Banks and staff computation

Notes: *Excludes government borrowing in the form of bonds and treasury bills from commercial banks and other sectors other than

NBE



Source: NBE

4.5.1.1. Deposit Mobilization

Total deposit liabilities of the banking system reached Birr 174.9 billion at the end of the third quarter, indicating annual growth rate of 35 percent. This was partly attributed to the rise in the number of bank branches opened and improvements in economic activities.

Component wise, demand deposits, which accounted for 50.2 percent of the total deposits, reached Birr 87.9 billion, showing annual increase of 36.3 percent. Similarly, saving deposits, with 43.7 percent share in

total deposits went up by 27 percent during same period. Time deposits, which constituted 6.1 percent of the total deposit liabilities, surged by 115.1 percent over the same period last year.

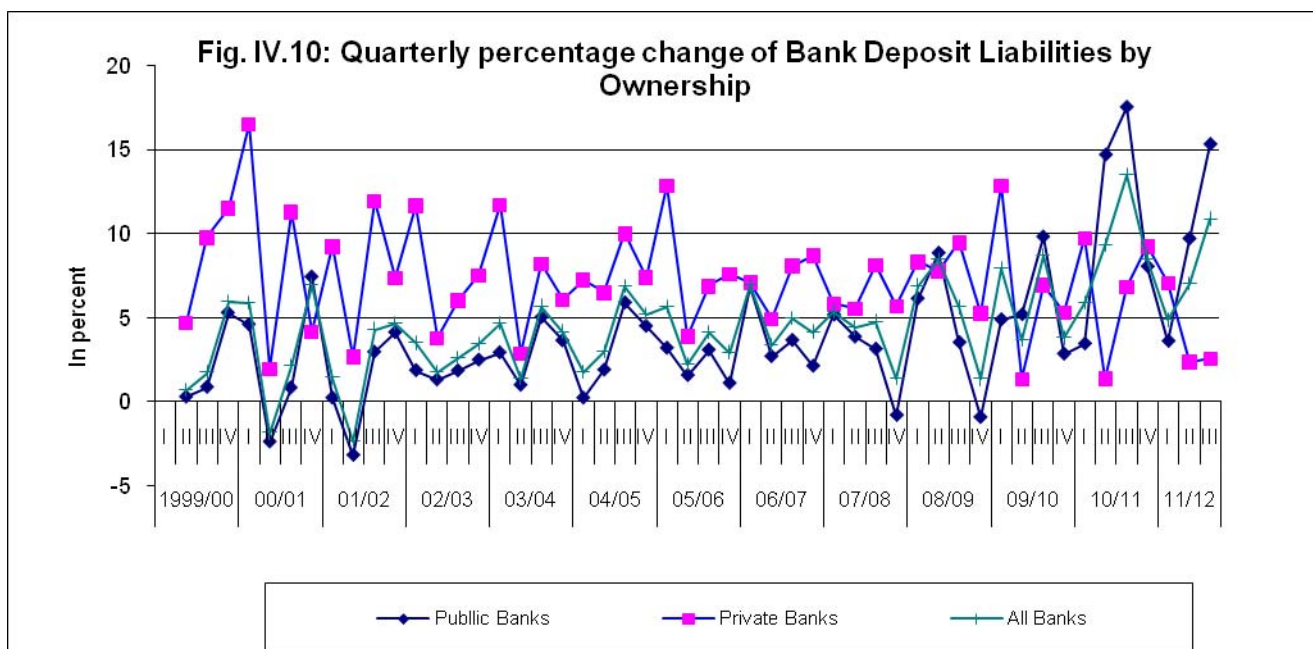
The share of public banks in total deposits mobilization increased marginally to 67.9 percent from 64.7 percent last year, while the share of private banks decreased from 35.3 to 32.1 percent (Table 4.9).

Table 4.9: Stock of Deposits Mobilized by Banking System as at March 31, 2012

(In Millions of Birr)

Types of Deposits	2010/11		2011/12				% Change	
	Quarter III A	% Share	Quarter II B	% Share	Quarter III C	% Share	C/A	C/B
Demand Deposit	64,482.3	49.8	80,480.7	51.0	87,863.0	50.2	36.3	9.2
Saving Deposit	60,148.2	46.4	71,592.6	45.4	76,409.9	43.7	27.0	6.7
Time Deposit	4,936.7	3.8	5,658.7	3.6	10,617.4	6.1	115.1	87.6
Total	129,567.2	100.0	157,732.1	100.0	174,890.4	100.0	35.0	10.9
Share of Public Banks	64.7		65.3		67.9			
Share of Private Banks	35.3		34.7		32.1			

Source: Commercial Banks and DBE



Source: Commercial Banks and DBE

4.5.1.2. Collection of Loans

During the review period, the banking system collected Birr 7.1 billion, about 8.3 percent higher than a year earlier (Table 4.8). Of the total loan collection, private banks collected Birr 4.2 billion (58.7 percent) while public banks took the remaining balance. About 79.8 percent of the total loan collection was from private enterprises followed by cooperatives (10.8 percent) and state enterprises (9.3 percent).

4.5.1.3. Borrowing

Total outstanding borrowing of the banking system reached Birr 15.9 billion, up by 9.6 percent, on annual basis due to 10.4 percent growth in domestic borrowings. Of the total borrowing, Birr 15 billion (94.1 percent) came from domestic sources while the remaining Birr 954.8 million (6 percent) was from foreign sources (Table 4.10).

Table 4.10: Outstanding Borrowing of Banking System by Sources as at March 31, 2012

(In Millions of Birr)

Banks	2010/11	2011/12		Percentage change	
	Quarter III	Quarter II	Quarter III	C/A	C/B
	A	B	C		
Domestic Borrowing	6,441.7	13,567.6	14,975.1	10.4	132.5
Foreign Borrowing	997.7	973.2	954.8	(1.9)	(4.3)
Total	7,439.3	14,540.8	15,929.9	9.6	114.1

Source: Commercial banks and DBE

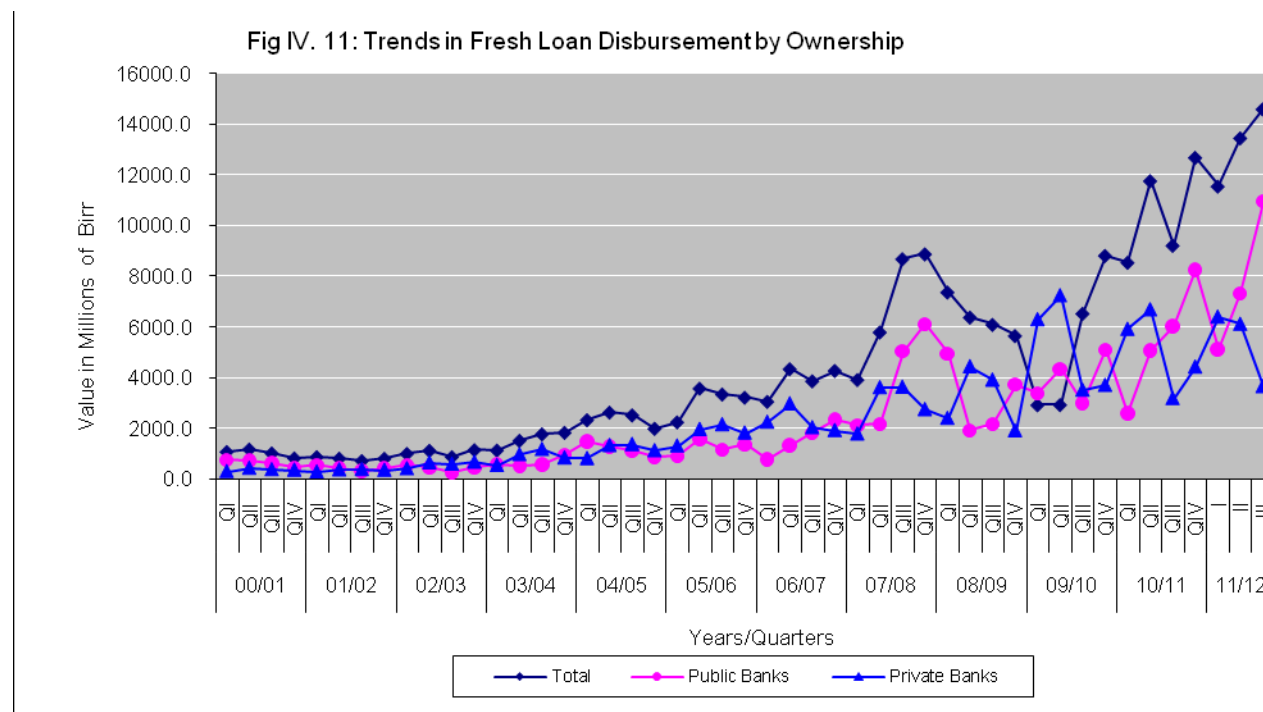
4.5.2. Disbursement of Fresh Loans

During the third quarter of the fiscal year, total fresh loan disbursement reached Birr 14.6 billion, indicating an increase of 58.5 percent compared with the same period of last year (Table 4.8). Public Banks disbursed Birr 10.9 billion or 74.9 percent while the remaining About 83.5 percent of new loan disbursement

went to finance private enterprises and cooperatives (Table 4.12).

Sector wise, agriculture was the largest beneficiary (54.2 percent), followed by industry (20.9 percent) and domestic trade (13.9 percent) (Table 4.11).

balance was made by private banks (Table 4.12).



Source: Commercial Banks and DBE

Table 4.11: Summary of Loans and Advances by Banks and Receiving Sectors in QIII, 2011/12

(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 *	0.0	0.0	2729.2	0.0	0.0	619.0	0.0	0.0	3348.2
Agriculture	5,929.5	817.1	14892.7	30.4	58.0	633.9	5959.9	875.2	15526.7
Industry	2,291.9	824.5	22674.6	388.5	516.4	4695.9	2680.5	1340.8	27370.5
Domestic Trade	1,525.5	123.1	2600.0	979.0	1463.2	10379.9	2504.5	1586.2	12979.9
International Trade	147.0	335.1	15739.3	1302.5	1288.3	9897.2	1449.5	1623.5	25636.6
Export	123.4	72.1	7059.2	687.3	518.0	4615.9	810.7	590.1	11675.2
Imports	23.6	263.1	8680.1	615.2	770.3	5281.3	638.8	1033.4	13961.4
Hotels and Tourism	38.8	35.2	514.4	101.2	66.7	1158.5	140.0	101.9	1672.9
Transport & Communication	170.5	199.6	2421.3	234.1	263.4	1902.6	404.6	463.0	4323.9
Housing & Construction	688.0	401.2	6061.3	548.1	423.3	5490.6	1236.0	824.5	11551.9
Mines, Power & Water Res.	0.0	0.0	0.0	0.0	2.0	48.1	0.0	2.0	48.1
Others	147.4	174.0	2934.4	33.4	31.2	558.1	180.7	205.2	3492.5
Personal	2.2	6.5	117.7	46.5	38.4	307.1	48.8	44.8	424.8
Inter-Bank Lending	0.0	1.6	98.4	0.0	0.0	0.0	0.0	1.6	98.4
Total	10,940.8	2,917.8	70,783.4	3,663.8	4,150.9	35,690.9	14,604.6	7,068.7	106,474.3

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

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

4.5.3. Outstanding Credit

Total outstanding credit of the banking system (excluding credit to government) reached Birr 103.1 billion at the end of March 2012, showing 40.1 percent annual increase (Table 4.8).

Of the total outstanding loan, Birr 81.0 billion or 76 percent was a claim on the private sector including cooperatives (Table 4.12).

Sector wise, credit to industry stood first with 25.7 percent share followed by international trade 24.1 percent, agriculture 14.6 percent, domestic trade 12.2 percent and housing and construction 10.8 percent (Table 4.11).

The share of private banks in the total outstanding loan stood at 33.5 percent showing a marginal decrease from 37.1 percent in the preceding quarter.

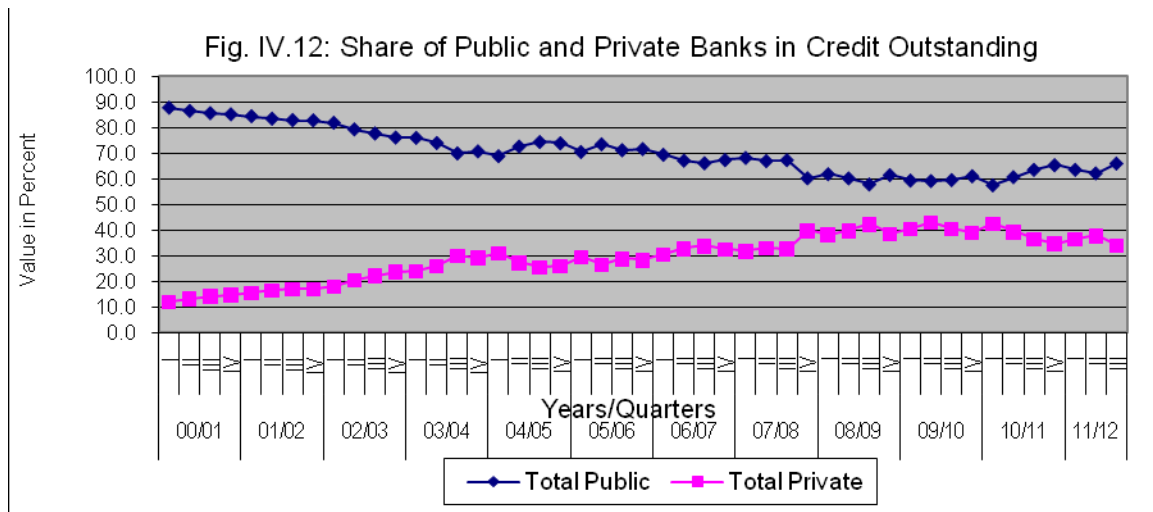
Table 4.12: Breakdown of Loans & Advances of Banking System by Clients, during third Quarter of 2011/12

(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
Public Banks	10,940.8	74.9	2,917.8	41.3	70,783.4	66.5
Central Government*	0.0	0.0	0.0	0.0	2,729.2	3.9
State Enterprises	2,414.2	22.1	655.1	22.5	21,942.7	31.0
Cooperatives	5,521.6	50.5	750.3	25.7	11,968.3	16.9
Private Enterprises	3,005.0	27.5	1,510.8	51.8	34,044.9	48.1
Inter-bank Lending	0.0	0.0	1.6	0.1	98.4	0.1
Private Banks	3,663.8	25.1	4,150.9	58.7	35,690.9	33.5
Central Government*	0.0	0.0	0.0	0.0	619.0	1.7
State Enterprises	1.5	0.0	0.4	0.0	45.0	0.1
Cooperatives	112.4	3.1	17.2	0.4	529.4	1.5
Private Enterprises	3,549.9	96.9	4,133.4	99.6	34,497.5	96.7
Inter-bank Lending	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total	14,604.6	100.0	7,068.7	100.0	106,474.3	100.0

Source: Commercial banks and DBE

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



Source: Commercial Banks and DBE

4.6. Financial Activities of NBE

As at March 31, 2012, total claims of NBE on the central government reached Birr 55.6 billion, up by 7 percent vis-à-vis same period last year. Direct advances amounted to Birr 46.3 billion (83.3 percent of the total claims), showing an annual increase of 8.8 percent. In contrast, NBE’s holdings of government bonds slightly declined by 1.4 percent to Birr 9.3 billion at the end of the review quarter.

21.1 percent against the balance the same period last year. Of the total deposits, 39.7 percent was deposit of the central government which increased year-on-year basis by 6.1 percent (Table 4.13). Deposit by financial institutions also went down by 32.4 percent during same period due to the downward revision of reserve requirement from 15 percent to 10 percent of net deposits.

Meanwhile, deposits of the central government and financial institutions at the NBE declined to Birr 30.1 billion, down by

Table 4.13: Financial Activities of NBE during Third Quarter of 2011/12

In Million of Birr)

Particulars	2010/11	2011/12		% Change	
	Qtr. III	Qtr. II	Qtr. III	C/A	C/B
	A	B	C		
1.Loans and Advances	51,930.6	65,632.5	67,432.5	29.9	2.7
1.1. To Central Government	51,930.6	55,562.5	55,562.5	7.0	0.0
Direct Advance	42,504.0	46,264.9	46,264.9	8.8	0.0
Bonds	9,426.6	9,297.5	9,297.5	-1.4	0.0
1.2.To Development Bank of Ethiopia	0.0	10,070.0	11,870.0	-	17.9
2.Deposit Liabilities	38,194.2	43,442.8	30,147.3	-21.1	-30.6
2.1. Government	11,276.7	17,307.1	11,962.1	6.1	-30.9
2.2. Financial Institutions	26,917.6	26,135.8	18,185.2	-32.4	-30.4
O/W:					
-Banks	26,861.8	26,130.2	18,177.0	-32.3	-30.4
-Insurance companies	55.8	5.5	8.1	-85.5	46.9
3.Net Claims of NBE	13,736.3	22,189.7	37,285.2	171.4	68.0

Source: NBE

4.7. Developments in Financial Markets

4.7.1. Treasury Bills Market

During the third quarter, the amount of T-bills supplied declined by about 8 percent compared with last year same period. The demand for T-bills, however surged by 65.6 percent to Birr 18.7 billion, during the same period (Table 4.14).

Of the total T-bills sold, (Birr 16.67 billion) the share of commercial banks increased to 41 percent compared to 33 percent a year ago. As a result, the share

of non-bank institutions decreased to 58.6 percent from 67 percent last year.

The stock of T-bills at the end of the quarter reached Birr 17.1 billion reflecting 88.9 percent growth over the same period last year, respectively.

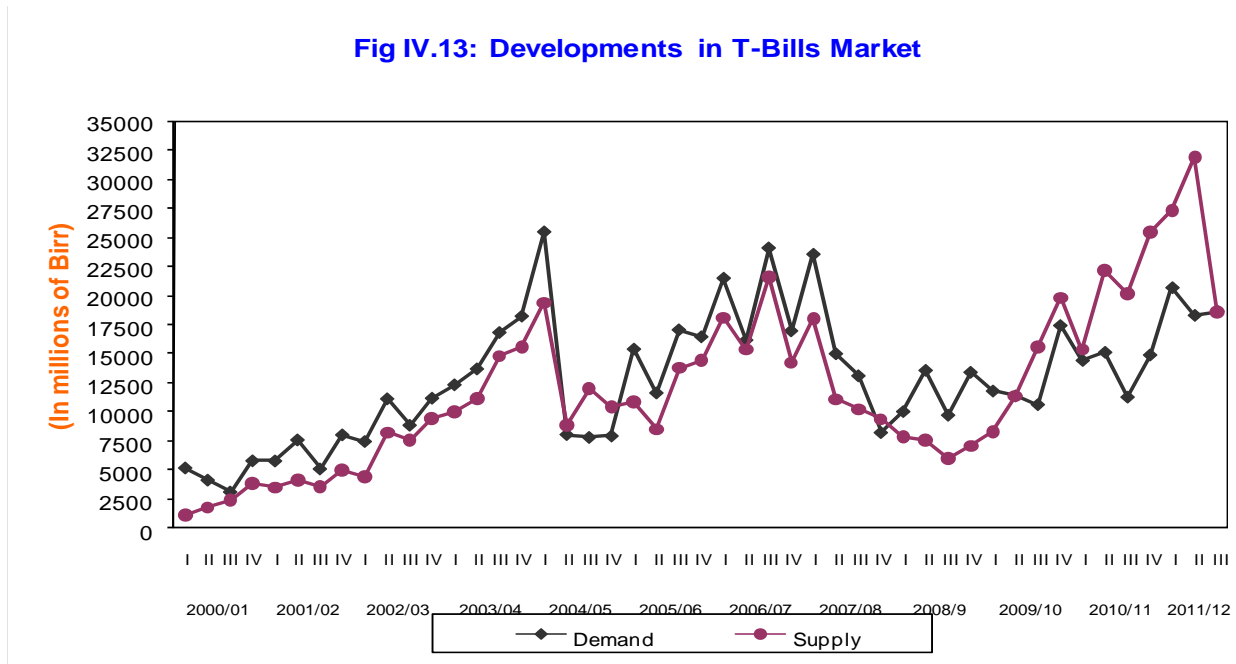
The average weighted yield also rose from 1.2 percent last year to 1.9 percent during the review period (Table 4.14).

Table 4.14: Results of Treasury Bills Auctions

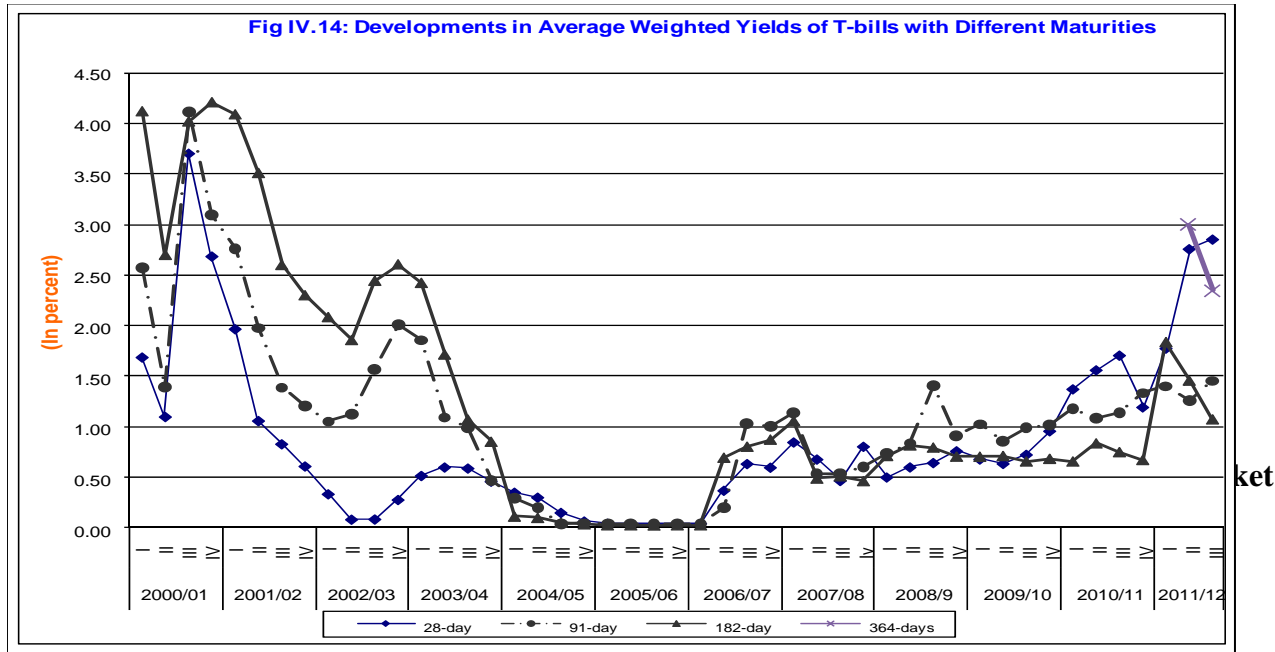
Particulars	2010/11	2011/12		% Change	
	Qtr.III	Qtr. II	Qtr.III	C/A	C/B
	A	B	C		
Number of Bidders	48	102	116	141.7	13.7
Public	34	51	49	44.1	-3.9
Private	14	51	67	378.6	31.4
Number of Bids Accepted	67	113	169	152.2	49.6
Public	41	51	59	43.9	15.7
Private	26	62	110	323.1	77.4
Amount Demanded (Mn. Birr)	11,281.36	16,646.31	18,679.58	65.6	12.2
28-day bill	5,120.00	7,214.95	6,964.92	36.0	-3.5
91-day bill	4,941.36	6,727.36	7,594.66	53.7	12.9
182-day bill	1,220.00	2,704.00	2,120.00	73.8	-21.6
364-day bill	0.00	1,670.00	2,000.00	0.0	0.0
Amount Supplied (Mn. Birr)	20,231.36	30,177.90	18,629.00	-7.9	-38.3
28-day bill	9,470.00	15,775.63	6,441.64	-32.0	-59.2
91-day bill	8,941.36	11,094.97	7,667.36	-14.2	-30.9
182-day bill	1,820.00	3,307.30	3,220.00	76.9	-2.6
364-day bill	0.00	1,800.00	1,300.00	0.0	0.0
Amount Sold (Mn. Birr)	10,581.36	16,646.31	16,679.58	57.6	0.2
Banks	3,490.00	5,424.95	6,902.52	97.8	27.2
Non-Banks	7,091.36	11,221.36	9,777.06	37.9	-12.9
Average Weighted Price for Successful Bids(Birr)	99.748	99.586	99.152	-0.12	0.04
28-day bill	99.860	99.789	99.781	-0.08	-0.01
91-day bill	99.708	99.687	99.638	-0.07	-0.05
182-day bill	99.674	99.282	99.469	-0.21	0.19
364-day bill	0.000	97.095	97.721	0.00	0.00
Average Weighted Yield for Successful Bids (%)	1.199	1.827	1.935	46.1	-2.4
28-day bill	1.708	2.763	2.859	67.3	3.5
91-day bill	1.142	1.261	1.458	27.7	15.6
182-day bill	0.748	1.456	1.072	43.3	-26.4
364-day bill	0.000	3.000	2.351		
Outstanding bills at the end of Period (Mn.Br.)	9,033.25	14,026.36	17,061.38	88.9	21.6
Banks	2,170.84	435.00	890.02	-59.0	104.6
Non-Banks	6,862.41	13,591.36	16,171.36	135.7	19.0

Source: NBE

Fig IV.13: Developments in T-Bills Market



Source: NBE



review (Table 4.12).

4.7.3. Corporate Bond Market

project.

Corporate bond market is not developed in Ethiopia; the big players are few public institutions and regional governments. The purchaser of these bonds is Commercial Bank of Ethiopia (CBE).

During the quarter under review, CBE purchased corporate bonds worth Birr 7.5 billion, of which 81.9 percent was issued by public enterprises and the rest by Addis Ababa City Administration to finance housing

At the end of March 31, 2012, the stock of corporate bonds held by the CBE stood at Birr 56 billion, of which 81.8 percent was claims on public enterprises and the remaining balance, on regional states (Table 4.15). The amount of corporate bond issued by EEPKO accounted for 78.4 percent of the total outstanding corporate bond balance about 95.9 percent of the bonds was issued by public enterprises.

Table 4.15: Corporate and Coupon Bonds by Holders (In millions birr)

Issuer of the Bond	2010/11			2011/12					
	QIII			QII			QIII		
	NP	Red	O/S	NP	Red	O/S	NP	Red	O/S
1. Public Enterprises	9,100.0	126.1	32,918.5	5,200.0	0.0	39,700.0	6,100.0	0.0	45,800.0
EEPCO	7500.0	0.0	27000.0	5200.0	0.0	37900.0	6000.0	0.0	43900.0
ETC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DBE	1600.0	126.1	5918.5	0.0	0.0	1800.0	100.0	0.0	1900.0
2. Regional Governments	613.0	120.8	8,223.9	450.0	472.7	9,322.0	1,350.0	449.5	10,222.5
Oromia	120.0	0.0	1865.8	0.0	0.0	1993.3	0.0	0.0	1993.3
Amhara	0.0	69.8	1260.4	0.0	100.0	1293.1	0.0	213.0	1080.0
Tigray	0.0	2.2	704.2	0.0	29.1	758.2	0.0	34.1	724.1
SNNPRS	83.0	8.4	1018.0	0.0	14.7	859.3	0.0	38.3	821.0
Dire Dawa	0.0	0.7	189.9	0.0	2.8	220.8	0.0	4.8	216.0
Harari	10.0	2.2	155.2	0.0	23.2	122.3	0.0	12.8	109.6
Addis Ababa	400.0	37.5	3030.5	450.0	302.9	4075.0	1350.0	146.5	5278.5
3. Grand Total(1+2)	9,713.0	246.9	41,142.5	5,650.0	472.7	49,022.0	7,450.0	449.5	56,022.5

Source: NBE

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

