

V. EXTERNAL SECTOR DEVELOPMENTS

5.1 Overall Balance of Payments

In the fourth quarter of 2011/12, the overall balance of payments registered USD 173.9 million deficit in contrast to USD 709.8 million surplus a year earlier. This was attributed to the huge deficit in merchandise trade (42.2 percent), the rise in net service payments (27.9 percent), and the fall in foreign direct investment (20.9 percent). However, the improvement in trade deficit (20.8 percent), net service receipts (46.5 percent) and significant rise in net official loan (41.7 percent) and grant (49.6 percent) contributed to the narrowing down of the quarterly deficit in the overall balance of payments.

Total current foreign exchange receipts rose marginally on annual terms and amounted to USD 2.9 billion. This was attributed 13.0 percent growth in export 15 percent rise in

private transfers. Similarly, the growth in export earnings (19.9 percent) service proceeds (5.4 percent) and public transfers (49.6 percent) resulted in the 5.3 percent rise in total receipts on quarterly basis.

Meanwhile, total current foreign exchange payments went up by 25.7 percent quarter-on-quarter and stood at USD 3.4 billion. This was on account of the rise in both merchandise imports and service payments. Though service payments rose during the period compared to the preceding quarter, total current payments went down by 8.3 percent on account of the fall in merchandise imports (Table 5.2).

Consequently, the current account balance recorded net outflows of USD 547.6 million, compared to the USD 951.1 million registered in the preceding quarter (Table 5.1).

Table 5.1 Balance of payments

(In million of USD)

Particulars	2010/11	2011/12		Percentage Change	
	QIV	QIII	QIV	C/B	C/A
	A	B	C		
Trade Balance	-1286.1	-2311.7	-1828.8	-20.9	42.2
Exports	870.6	821.0	984.2	19.9	13.0
Imports	2,156.7	3,132.7	2,813.0	-10.2	30.4
Net Services	95.4	54.0	68.8	27.4	-27.9
Travel	138.1	119.4	101.4	-15.1	-26.6
Transportation	66.5	61.9	67.1	8.4	0.9
Government (n.i.e.)	77.9	43.8	56.2	28.5	-27.8
Investment income	-23.4	-19.6	-25.4	29.5	8.6
Interest	-15.8	-17.4	-23.3	34.1	47.9
Cash (net)	-15.5	-17.0	-23.2	36.5	49.7
Arrears	0.0	0.0	0.0		
Relief	-0.3	-0.4	-0.1	-69.2	-55.6
Dividend	-7.6	-2.2	-2.1	-6.8	-72.8
Other Services	-163.7	-151.5	-130.5	-13.9	-20.3
Private Transfers	749.4	1045.9	866.4	-17.2	15.6
<i>Current Account Balance(excl. public transfers)</i>	<i>-441.3</i>	<i>-1211.8</i>	<i>-893.6</i>	<i>-26.3</i>	<i>102.5</i>
Public Transfers	610.8	260.7	390.1	49.6	-36.1
<i>Current Account Balance(incl. public transfers)</i>	<i>169.5</i>	<i>-951.1</i>	<i>-503.5</i>	<i>-47.1</i>	<i>-397.0</i>
Non-monetary Capital	670.7	789.5	558.5	-29.3	-16.7
Long-term (net)	394.5	268.6	415.8	54.8	5.4
Disbursements	452.7	342.7	485.7	41.7	7.3
Repayments	58.2	74.1	69.9	-5.7	20.1
Cash	57.5	71.4	69.3	-2.9	20.5
Arrears	0.0	0.0	0.0		
Relief	0.7	2.7	0.6	-77.8	-14.3
Direct Investment (net)	359.0	498.7	284.0	-43.0	-20.9
Short-term (net)	-82.8	22.3	-141.3	-734.5	70.8
Net Errors & Omissions	-130.5	-68.9	-228.9	232.3	75.5
Overall Balance	709.8	-230.4	-173.9		
Financing	-709.8	230.4	173.9		
Reserves (-:increase)	-708.8	233.5	174.6		
NBE net foreign asset	-306.7	603.5	150.9		
CBs net foreign asset	-402.1	-369.9	23.7		
Debt Relief	-1.0	-3.1	-0.7		
Principal	0.7	2.7	0.6		
Interest	0.3	0.4	0.1		

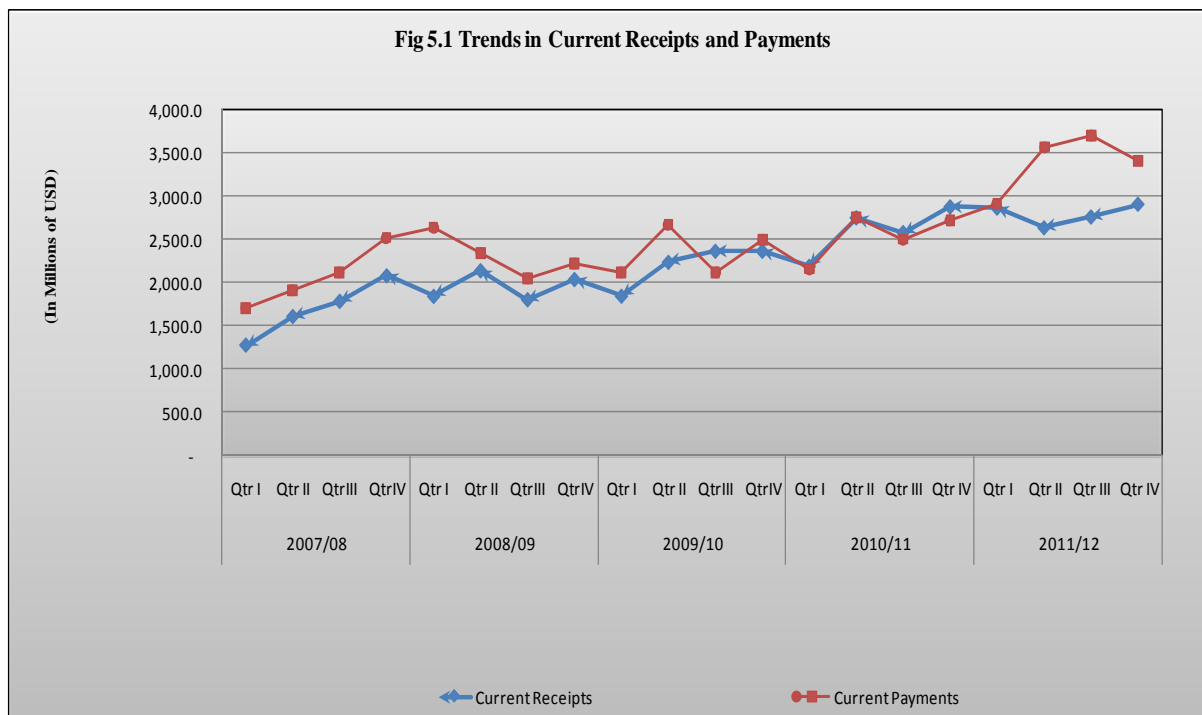
Source: NBE

Table 5.2 Current Receipts and Payments

(In millions of USD)

Particulars	2010/11	2011/12		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	D=C/B	E=C/A
	A	B	C		
1. Current Receipts	2,892.2	2,759.7	2,906.9	5.3	0.5
Export Proceeds	870.6	821.0	984.2	19.9	13.0
Service Proceeds	661.4	632.1	666.2	5.4	0.7
Private Transfers(net)	749.4	1,045.9	866.4	-17.2	15.6
Public Transfer(net)	610.8	260.7	390.1	49.6	-36.1
2. Current Payments	2,722.7	3,729.9	3,421.4	-8.3	25.7
Import Payments	2,156.7	3,132.7	2,813.0	-10.2	30.4
Service Payments	566.0	578.1	597.4	3.3	5.5
3. Net(1-2)	169.5	-951.1	-503.5	-47.1	

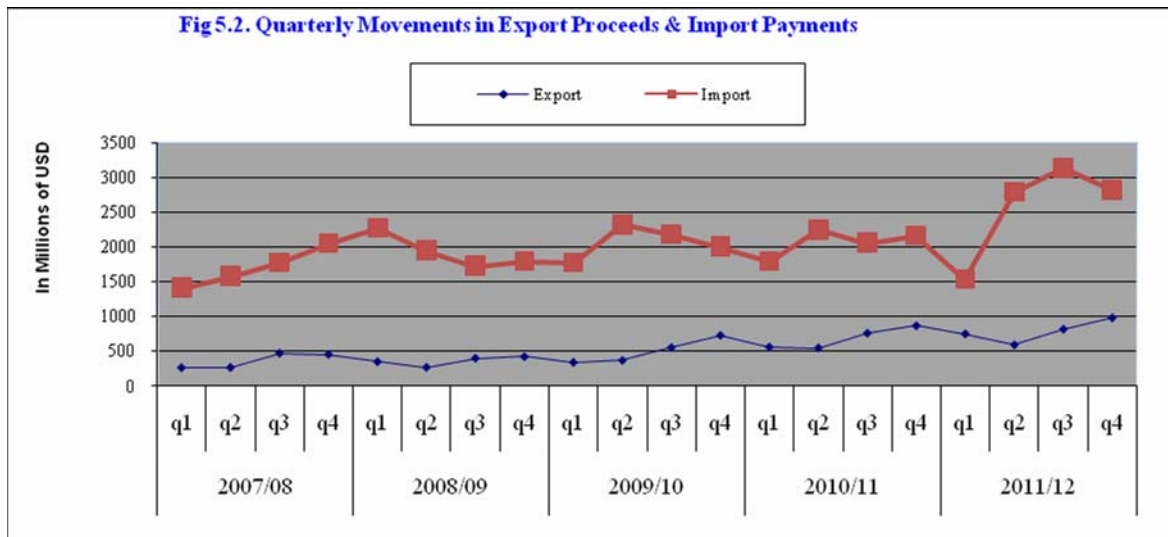
Source: Staff Compilation



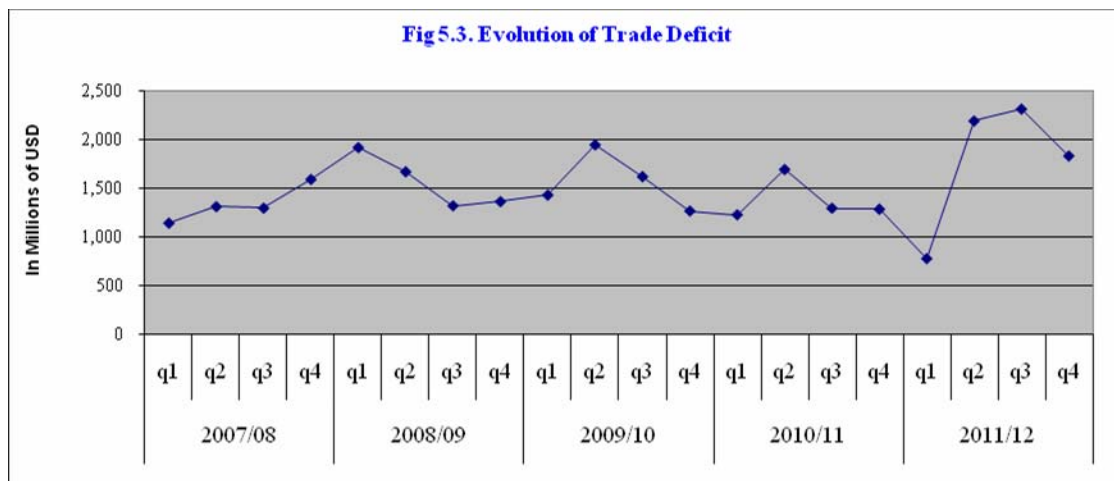
5.2 Merchandise Trade

In the fourth quarter of 2011/12, merchandise trade deficit stood at USD 1.8 billion, which widened by 42.7 percent with respect to the same period relation to the preceding quarter. The

widening of trade deficit on quarter-on-quarter basis was a result of strong growth in total import that outweighed last year but narrowed by 20.8 percent in the growth in export s.



Source: Ethiopian Revenues and Customs Authority



Source: NBE Staff Compilation

5.2.1 Exports

Total export proceeds in the fourth quarter of 2011/12 increased by 13.0 percent over last year same period and reached USD 984.2 million. This was due to higher earnings from export of coffee (9 percent), oilseeds (44.1 percent), gold (14.5 percent), pulses (66.7

percent), flower (10 percent), chat (3.8 percent), fruits & vegetables (17.9 percent) and live animals (2.9 percent) driven by enhanced volume of exports and/or improved international prices.

Table 5.3 Values of Major Export Items

(In Millions of USD)

Particulars	2010/11		2011/12				Percentage Change	
	QIV		QIII		QIV		C/B	C/A
	A	%share	B	%share	C	%share		
Coffee	300.3	34.5	191.5	23.3	327.3	33.3	70.9	9.0
Oilseeds	97.8	11.2	187.1	22.8	140.9	14.3	-24.7	44.1
Leather and Leather products	34.2	3.9	19.1	2.3	25.0	2.5	31.3	-26.8
Pulses	31.8	3.7	43.5	5.3	53.0	5.4	22.0	66.7
Meat & Meat Products	18.1	2.1	18.4	2.2	17.1	1.7	-7.0	-5.6
Fruits & Vegetables	8.7	1.0	13.4	1.6	10.2	1.0	-23.5	17.9
Live Animals	41.0	4.7	48.4	5.9	42.1	4.3	-12.9	2.9
Chat	57.1	6.6	52.8	6.4	59.3	6.0	12.3	3.8
Gold	172.1	19.8	146.5	17.8	197.1	20.0	34.6	14.5
Flower	50.7	5.8	50.9	6.2	55.8	5.7	9.6	10.0
Others	58.9	6.8	49.6	6.0	56.3	5.7	13.4	-4.5
Total	870.6	100.0	821.0	100.0	984.2	100.0	19.9	13.0

Source: Ethiopian Revenues and Customs Authority

Earnings from export of coffee stood at USD 327.3 million, up by 9 percent in relation to last year same period. This was owing to 36.5 percent increase in the volume of, despite 20 percent decline in international coffee price. Similarly, earnings from coffee export surged by 71 percent compared to the preceding quarter solely due to the rise in the volume of export. Coffee export

accounted for 33.3 percent of the total export slightly lower than 34.5 percent last year same period but 23.3 percent higher compared to the preceding quarter.

Earnings from oilseeds recorded a 44.1 percent increment quarter on quarter basis and stood at USD 140.9 million This was on account of strong growth in

volume of export (49.5 percent) despite a 3.7 percent decline in international price. Compared to the preceding quarter however, earnings from oil seeds declined by 24.7 percent owing to lower volume of exports. Consequently, the share of oilseeds in total export revenue rose to 14.3 percent from 11.2 a year ago.

Revenue from export of gold reached USD 197.1 million, showing a 14.6 percent growth on quarter-on-quarter basis. This was solely attributed to a 19.6 percent increase in the volume of gold despite decline in international price. The share of gold export in revenue stood at 20 percent almost equal to last year same period.

Earnings from export of pulses increased to USD 53 million showing a 66.7 percent growth on quarter in quarterly basis. Consequently, the share of pulses in total During the review quarter, export revenue proceeds from fruits & vegetables grew by 17.9 percent vis-à-vis the same period last year on account of higher volume of export and international price and stood at USD 10.2 million. But it declined by 23.5 percent compared to the preceding quarter owing to decline in international price (23.3 percent)

export earnings increased from 3.7 percent a year ago to 5.4 percent during the review period.

Earnings from flower export grew by 10 percent over last year owing to higher volume of export (8 percent) and marginal improvement in international price (1.8 percent), and stood at USD 55.8 million. Similarly, in relation to the preceding quarter export of flower has increased by 9.6 percent solely owing to increase in the volume of export by 13.3 percent. However, the share of flower in total export earnings remained at 5.7 percent equal to last year level.

Export proceeds from chat increased by 3.8 and 12.3 percent compared to last year same period and the preceding quarter, solely due to higher volume of export. Chat export accounted for 6 percent of the total export earnings.

and volume of export (0.3 percent). The share of fruits & vegetables in total export earnings remained (1 percent).

Export of live animals fetched USD 42.1 million, showing a 2.9 percent annual growth solely due to better international price. However, quarterly revenue declined

by 12.9 percent relative to the preceding quarter due to decline in international prices.

On the other hand, earning from export of leather & leather products reached USD25 million depicting a 26.8 percent decline over last year. Compared to the preceding quarter however, revenue from leather and leather products improved solely due to rise in the volume of export by 32.4 percent. This was mainly attributed to decline in the volume of exports (50.6 percent) despite a significant improvement in international price (48.3 percent). The share of leather & leather products in total export earnings dropped to 2.5 percent from 3.9 last year same quarter.

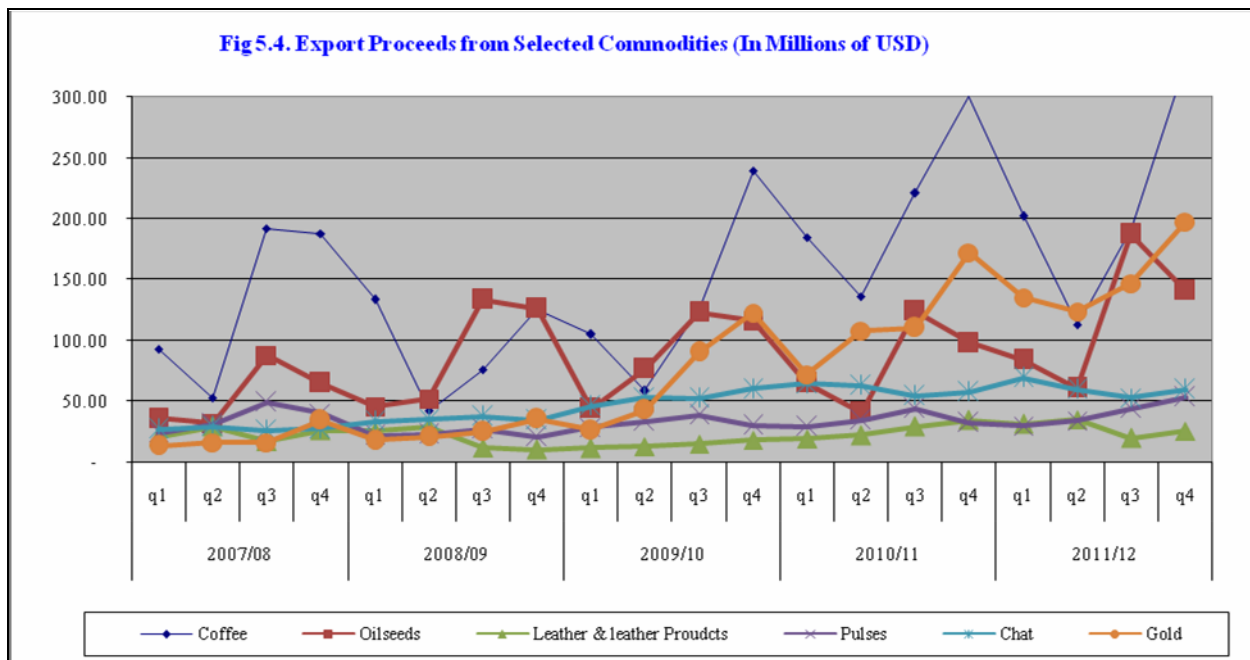
Similarly, export revenue from meat & meat products declined by 5.6 percent relative to last year same period and amounted to USD 17.1 million wholly on account of 16.4 percent in volume (16.4 percent) despite 13 percent improvement in international price. Similarly, the revenue showed a 7.1 percent fall compared to the preceding quarter due to lower volume and international price. As a result, the share of meat & meat products in total exports declined to 1.7 from 2.1 percent a year ago.

Table 5.4: Volume of Major Export Items

(In Millions of K.G.)

Particulars	2010/11	2011/12		Percentage Change	
	QIV	QIII	Q IV	C/B*100-100	C/A*100-100
	A	B	C		
Coffee	55.5	36.5	75.7	107.6	36.5
Oilseeds	73.2	150.5	109.5	-27.2	49.5
Leather & Leather products	1.63	0.61	0.80	32.4	-50.6
Pulses	47.4	61.7	74.6	20.9	57.4
Meat & Meat Products	4.4	3.9	3.7	-5.0	-16.4
Fruits & Vegetables	27.0	29.4	29.3	-0.3	8.6
Live Animals	30.7	32.5	28.0	-14.0	-8.8
Chat	9.5	8.9	10.2	14.1	7.4
Gold	0.0037	0.0027	0.004	60.5	19.6
Flower	12.1	11.5	13.0	13.1	8.0

Source: Ethiopian Revenues and Customs Authority



Source: Ethiopian Revenues and Customs Authority

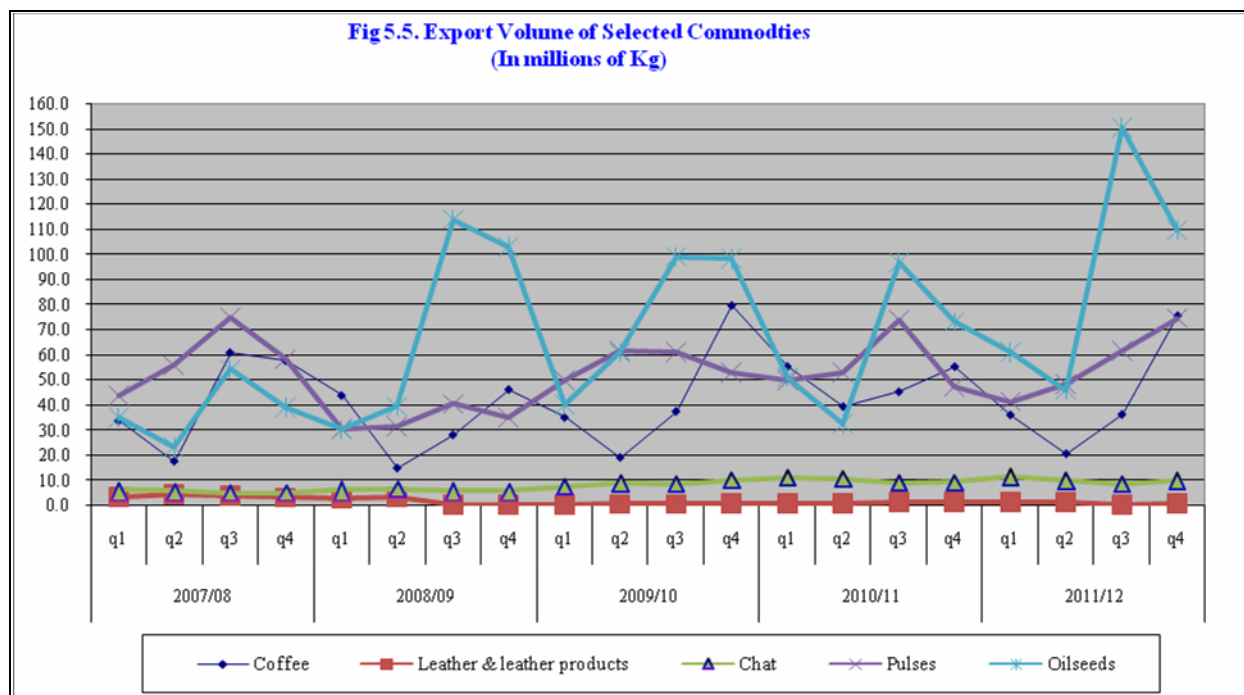
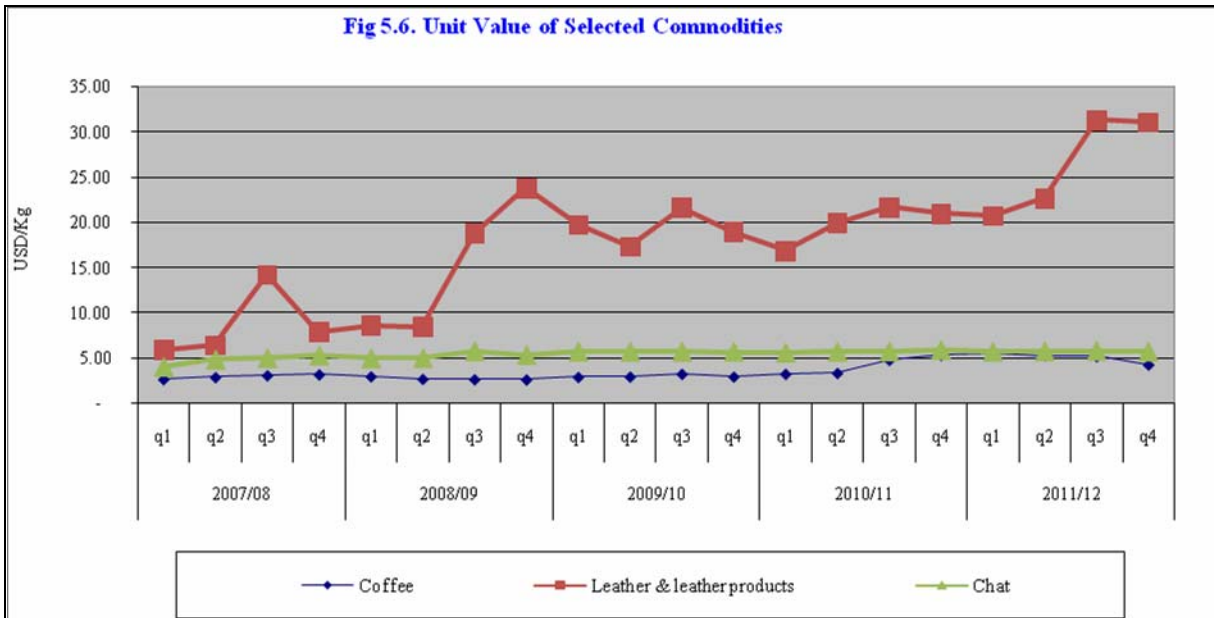


Table 5.5: Unit value of Major Export Items

(In USD/K.G.)

Particulars	2010/11	2011/12		Percentage Change	
	QIV	QIII	QIV	C/B*100-100	C/A*100-100
	A	B	C		
Coffee	5.41	5.25	4.32	-17.7	-20.1
Oilseeds	1.33	1.24	1.29	3.5	-3.6
Leather & Leather products	20.99	31.38	31.12	-0.8	48.3
Pulses	0.67	0.70	0.71	1.0	5.9
Meat & Meat Products	4.07	4.70	4.60	-2.1	12.9
Fruits & Vegetables	0.32	0.46	0.35	-23.3	8.5
Live Animals	1.34	1.49	1.51	1.3	12.8
Chat	6.01	5.91	5.81	-1.6	-3.3
Gold	46.85	53.52	44.88	-16.1	-4.2
Flower	4.20	4.41	4.28	-3.1	1.8

Source: NBE Staff Computation



Source: NBE Staff Computation

5.2.2 Imports

Total merchandise import bill during the fourth quarter of 2011/12 amounted to USD 2.8 billion about 30.7 percent higher than the same period last year. Higher imports of capital goods (38 percent), consumer goods (14.9 percent), and semi-finished goods (58.4 percent) and fuel (17.8 Percent) were the major factors behind the quarter-on-

quarter increase in imports. In relation to the preceding quarter, imports of capital goods and fuel increased by 7.7 percent and 1.3 percent, respectively. In contrast, semi-finished goods, consumer goods and raw materials went down by 23 percent, 26 percent and 25.3 percent, respectively.

Table 5.6: Values of Major Import Items

(In Millions of USD)

Particulars	2010/11		2011/12				Percentage Changes	
	QIV	% share from total import	QIII	% share from total import	QIV	% share from total import		
	A		B		C		C/B	C/A
Raw Materials	52.8	2.4	49.2	1.6	36.8	1.3	-25.3	-30.3
Semi-finished Goods	338.6	15.7	696.6	22.2	536.2	19.1	-23.0	58.4
Fertilizers	92.1	4.3	316.8	10.1	207.0	7.3	-34.6	124.8
Fuel	490.8	22.8	570.9	18.2	578.3	20.5	1.3	17.8
Petroleum Products	488.6	22.7	554.6	17.7	571.1	20.3	3.0	16.9
Others	2.2	0.1	16.3	0.5	7.2	0.3	-55.8	227.0
Capital Goods	630.0	29.2	806.7	25.7	869.2	30.8	7.7	38.0
Transport	161.3	7.5	189.4	6.0	212.6	7.5	12.2	31.8
Agricultural	14.3	0.7	32.8	1.0	29.4	1.0	-10.5	105.4
Industrial	454.4	21.1	584.5	18.6	627.3	22.3	7.3	38.0
Consumer Goods	609.9	28.3	947.5	30.2	701.0	24.9	-26.0	14.9
Durables	227.1	10.5	300.9	9.6	276.8	9.8	-8.0	21.9
Non-durables	382.8	17.8	646.6	20.6	424.3	15.0	-34.4	10.8
Miscellaneous	34.6	1.6	66.9	2.1	97.6	3.5	45.9	181.8
Total Imports	2,156.7	100.0	3,137.9	100.0	2,819.1	100.0	-10.2	30.7

Source: Ethiopian Revenues and Customs Authority

Capital goods reached USD 869.2 million, up by 38 and 7.7 percent on yearly and quarterly basis. Consequently, the share of capital goods in total import bill went up to 30.8 percent from 29.2 percent and 25.7 percent last year same period and the previous quarter, respectively.

Similarly, import bill of consumer goods was USD 701 million which showed a 14.9 percent rise on annual but by 26 percent declined on quarterly basis. The yearly rise in consumer goods import emanated from the surge in imports of durables (21.9 percent) and non durable (10.8 percent)

goods. Imports of consumer goods declined by 26 percent against the preceding quarter largely attributed to decline in import of non-durable consumer goods (34.4 percent) and durable goods (8 percent). As a result, the share of consumer goods in total import went down to 24.9 percent from 28.3 percent last year the same period.

During the review period, import of semi-finished goods recorded a 58.4 percent growth compared to a year earlier and amounted to USD 536.2 million. However, it has declined by 23 percent vis-a-vis the preceding quarter.

Similarly, fuel import bill increased by 17.8 and 1.3 percent in relation to the same period a year ago and the preceding quarter, respectively and stood at USD 578.3 million. As a result fuel accounted for 20.5 percent of the total imports, up from 22.8 percent last year.

Import of raw materials amounted to USD 36.8 million showing a 30.3 percent decline

vis-à-vis last year the same period. Its share in total imports was 1.3percent, down from 2.4 percent a year ago.

Meanwhile, import of goods on franco-valuta amounted to USD 3.7 million during the review quarter, depicting a quarter-on-quarter increase of 7.9 percent though it has significantly declined by 65.4 percent compared to the preceding quarter.

Table 5.7: Values of Franco-valuate Imports

(In Millions of USD)

Particulars	2010/11	2011/12		Percentage Change	
	Qtr IV	Qtr III	QIV	C/B*100-100	C/A*100-100
	A	B	C		
Vehicles	0.002	0.0015	0.0000	-100.0	-100.0
Vehicle Spare Parts	0.012	0.0472	0.0000	-100.0	-100.0
Other Spare Parts	0.090	0.0541	0.0322	-40.5	-64.2
Textile & Ready Made	0.0009	0.0009	0.0001	-92.7	-92.7
Household Goods	0.0029	0.0541	0.0016	-97.1	-46.2
Medicine & Medical Equip.	0.024	0.0606	0.0051	-91.6	-78.7
Food Stuffs	0.003	0.0063	0.0000	-100.0	-100.0
Electronic Goods	0.058	0.0095	0.0092	-3.6	-84.2
Machinery Equip. & Spare Parts	0.033	0.0253	0.0011	-95.5	-96.5
Others	3.168	10.33	3.61	-65.0	14.1
Total	3.394	10.59	3.66	-65.41	7.94

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

**Includes import of cement on franc valuate basis.*

5.2.3 Direction of Trade

5.2.3.1 Exports

During the fourth quarter of 2011/12, about 51.8 percent of the country's total export was destined to Europe. Of the total exports

to Europe, 38.8 percent went to Switzerland, 26.3 percent to Germany, 10 percent to the Netherlands, 5.5 percent to Italy, 4.6 percent

to Belgium and 2.2 percent to Turkey. These 6 countries altogether constituted 85.2 percent of the total exports to the continent.

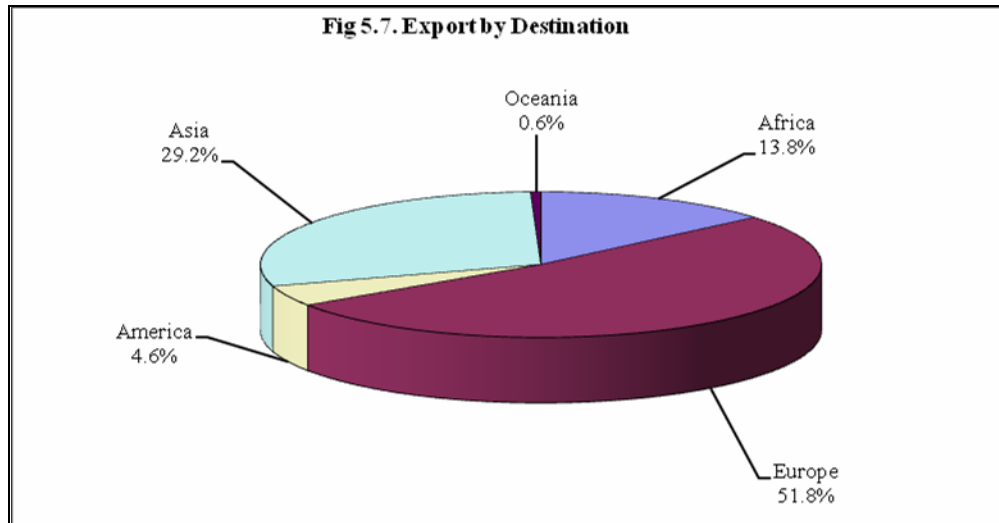
Gold export constituted the bulk of exports to Switzerland while Germany imported mainly coffee, textile & garment and flower. Flower, vegetables, coffee and oilseeds were the major export items to the Netherlands while coffee, leather & leather product, pulses and textile & garments went to Italy. The main exports shipped to Belgium were coffee and pulses.

The markets in Asia comprised of 29.3 percent of the total Ethiopian exports during the review period. Of the total exports to Asia, China, which mainly imported oilseeds, was the largest market accounting for 31.1 percent followed by Saudi Arabia (20.6 percent) mainly for coffee, oilseeds, meat & meat products and flower. Japan constituted 8.1 percent of the total exports to Asia during the review period mainly for coffee and oilseeds and UAE (6.3 percent) largely for meat & meat products, pulses,

oilseeds and vegetables. The principal exports to Pakistan were pulses and to Israel oilseeds and coffee.

About 13.8 percent of Ethiopia's exports went to African nations, in particular to Somalia (41.2 percent), Sudan (21 percent), Djibouti (17.8 percent) and Egypt (9.5 percent). Vegetables and live animals were the main exports to Somalia while coffee, live animals, spices, and pulses went to Sudan. Djibouti mainly purchased vegetables, live animals and textile & garment. Egypt also imported mainly live animals.

American continent had 4.6 percent share in total Ethiopian exports during the fourth quarter of 2011/12, of which 89 percent went to the USA and 7.7 percent to Canada. Coffee, oilseeds, minerals and leather & leather products were the major export items shipped to USA and coffee to Canada.



Source: Ethiopian Revenue and Customs Authority

5.2.3.2 Imports

Ethiopia's imports from Asia during the fourth quarter of 2011/12 accounted for about 66.9 percent of the total imports of the country. Within the continent, 26.2 percent of import was from China, 18.4 percent from Saudi Arabia, 12.9 percent from India, 11.4 percent from Kuwait, 5.8 percent from Japan and 3.4 percent from Indonesia.

Metal & metal manufacturing, machinery & air craft, road & motor vehicles, electrical materials, clothing, textile & garments and Petroleum products were the main import from Kuwait. Imports from Japan comprised of road & motor vehicles, machinery & air craft, metal & metal manufacturing and rubber products. Imports from Indonesia mainly consisted of paper & paper

rubber products were the major imports from China. The main imports from Saudi Arabia were petroleum products which constituted 52.2 percent of the total petroleum import of Ethiopia during the review period. Imports from India included metal & metal manufacturing, machinery & air craft, electrical material, grain, medical & pharmaceutical products, road & motor vehicles, rubber products and paper & paper manufacturing and textile & garments. manufacturing, soap & polish, electrical material and textiles.

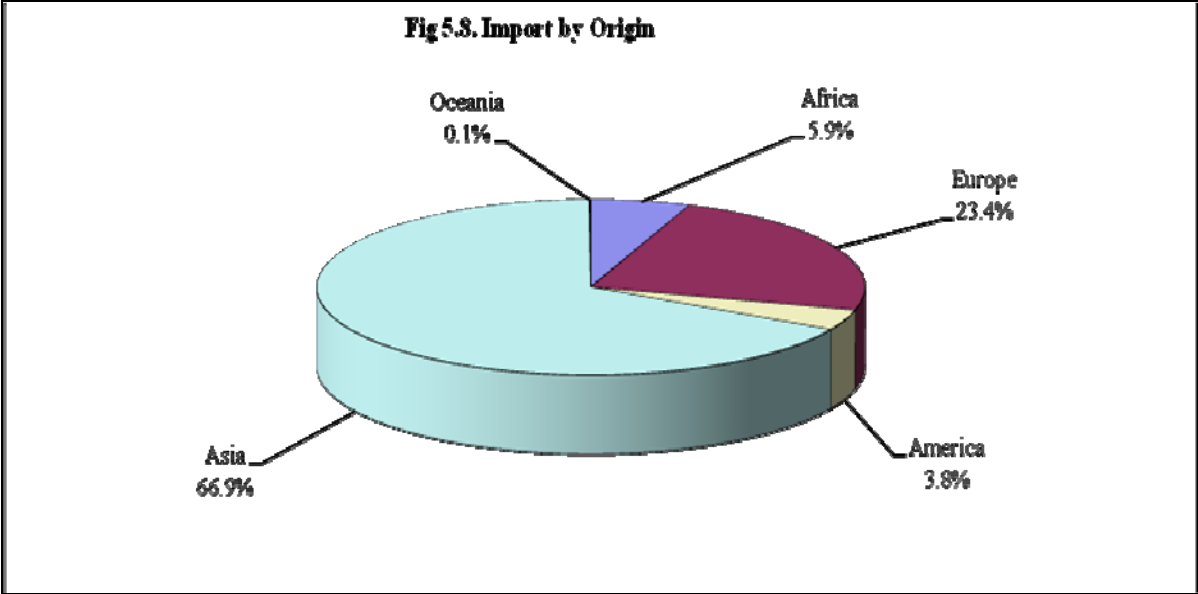
Imports from Europe accounted for 23.4 percent of Ethiopian's total imports of which 19.9 percent was from Turkey, 18.4 percent from Ukraine, 17.1 percent from Italy, 8.7

percent from France, 7.3 percent from Germany, and 5 percent Belgium. Metal & metal manufacturing, machinery & air craft, electrical material and road & motor vehicles were imported from Turkey. Fertilizer, road & motor vehicles and metal & metal manufacturing were the major import items from Ukraine. Machinery & aircraft, road & motor vehicles, grain, electrical materials, metal & metal manufacturing and rubber products came from Italy. The other major imports from Europe include electrical materials, metal & metal manufacturing, machinery & aircraft, food & live animals, medical & pharmaceutical products and road & motor vehicles from France, machinery & aircraft, road & motor vehicles, metal & metal manufacturing, medical & pharmaceutical products, electrical material and chemicals from Germany, medical & pharmaceutical products and machinery & air craft from Belgium.

Imports from African countries accounted for 5.9 percent of the total imports in the same period. The bulk of imports came

from Morocco, Sudan, Egypt, South Africa and Kenya and which altogether constituted 93.4 percent of the total imports from Africa. About 42.7 percent of imports was from Morocco mainly fertilizer. Petroleum products and metal & metal manufacturing were the major imports from Sudan. Petroleum products, metal & metal manufacturing, food & live animals and rubber products came from Egypt. Road & motor vehicles, food and live animals and medical & pharmaceutical products were the main imports from South Africa. Imports from Kenya comprised of soap & polish, chemicals and metal & metal manufacturing.

Imports from America constituted 3.8 percent of the total imports of which about 82 percent was from two countries; namely, USA and Brazil. Machinery & air craft, road & motor vehicles, grain, food & live animals, electrical materials and medical & Pharmaceutical products were the main imports from USA. Machinery & aircraft, tobacco and road & motor vehicles were the major commodities imported from Brazil.



Source: Ethiopian Revenue and Customer Authority

5.3 Services

In the fourth quarter of 2011/12, net receipts from services reached USD 68.6 million as compared to USD 95.4 million and USD 54.0 million last year same period. The year-on-year decline was attributed to slow down in net receipts from travel (26.6 percent) and government services (27.8 percent).

The total service receipts in the fourth quarter of 2011/12 grew only marginally (0.8percent) and amounted to USD 666.9 million compared to USD 661.4 million a year ago. This grow was on account of the

higher receipts from transport, government and other services. Similarly, compared to the preceding quarter, the receipts rose by 5.4 percent owing to the rise in receipts from transport and other services.

Meanwhile, total service payments increased by 6.4 percent on yearly basis and reached USD 602.2 million. The growth in payments was owing to increased payments for transport (19.0 percent) and travel services (17.6 percent).

	A	Share	B	Share	C	Share		
Receipts	661.4	100.0	636.1	100.0	666.9	100.0	4.8	0.8
Travel	173.8	26.3	165.1	26.1	140.0	21.0	-16.2	-19.0
Transportation	355.6	53.8	378.6	59.9	411.1	61.7	8.6	15.6
Government (n.i.e)	79.9	12.1	44.6	7.1	56.2	8.4	22.8	-29.6
Investment Income	2.8	0.4	1.3	0.2	2.8	0.4	115.8	1.5
Interest	2.8	0.4	1.3	0.2	2.8	0.4	115.8	1.5
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other Services	49.4	7.5	42.6	6.7	56.1	8.4	31.5	13.3
Communication Services	25.0	3.8	29.3	4.6	39.6	6.0	35.3	58.6
Construction Services	5.8	0.9	1.6	0.3	6.0	0.9	275.8	4.8
Insurance Services	1.1	0.2	0.2	0.0	0.2	0.0	37.9	-78.4
Financial Services	0.1	0.0	0.0	0.0	0.1	0.0	485.9	-25.1
Computer and Information Service	0.0	0.0	0.1	0.0	0.0	0.0	-100.0	-
Other Business Services	17.5	2.6	11.5	1.8	10.1	1.5	-12.1	-42.5
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Payments	566.0	100.0	592.0	100.0	602.2	100.0	1.7	6.4
Travel	35.7	6.3	46.6	7.9	42.0	7.0	-9.9	17.6
Transportation	289.0	51.1	316.6	54.8	344.0	57.6	8.7	19.0
Government (n.i.e)	2.0	0.3	0.8	0.1	0.0	0.0	-98.7	-99.5
Investment Income	26.1	4.6	20.9	3.6	28.2	4.7	34.9	7.9
Interest	18.5	3.3	18.7	3.2	26.1	4.4	39.9	41.3
Cash (Banks & MOF)	18.2	3.2	18.3	3.2	26.0	4.4	42.2	42.7
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Relief	0.3	0.0	0.4	0.1	0.1	0.0	-	-
Dividend	7.6	1.4	2.2	0.4	2.1	0.3	-6.8	-73.0
Other Services	213.2	37.7	206.6	34.9	188.1	31.2	-9.0	-11.8
Communication Services	12.3	2.2	40.7	7.0	25.9	4.3	-36.5	109.5
Construction Services	118.3	20.9	69.2	12.0	87.0	14.6	25.8	-26.5
Insurance Services	3.6	0.6	3.9	0.7	3.9	0.6	-1.6	7.0
Financial Services	0.06	0.01	0.044	0.007	0.0016	0.003	-63.5	-73.4
Computer and Information service	0.95	0.17	0.224	0.038	0.184	0.031	-26.9	-83.2
Other Business Services	77.9	13.8	80.1	13.8	69.7	11.7	-12.9	-10.6
Personal, cultural and recreational	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Net Services	95.4		54.0		64.7		46.7	-32.2

Source: Staff Computation

5.4 Transfers

During the review period, total net transfer receipts declined by 6.8 percent and 4.9 percent vis-à-vis last year same period and

the preceding quarter and stood at USD 1.3 billion. This was ascribed to slow down in

official cash transfers (34.1 percent) and NGO's cash transfers (10.3 percent).

The annual net private transfers (individual remittances and NGOs transfers) went up by 15.5 percent during the period under review and reached USD 865.3 million, mainly due to the rise in NGOs cash (16 percent) and food transfers coupled with an increase in individual transfers (10.4 percent).

However, on quarterly basis total net private transfers depicted a 17.9 percent decline due to 10.3 percent the fall in NGOs transfers and (19 percent) private individual transfers.

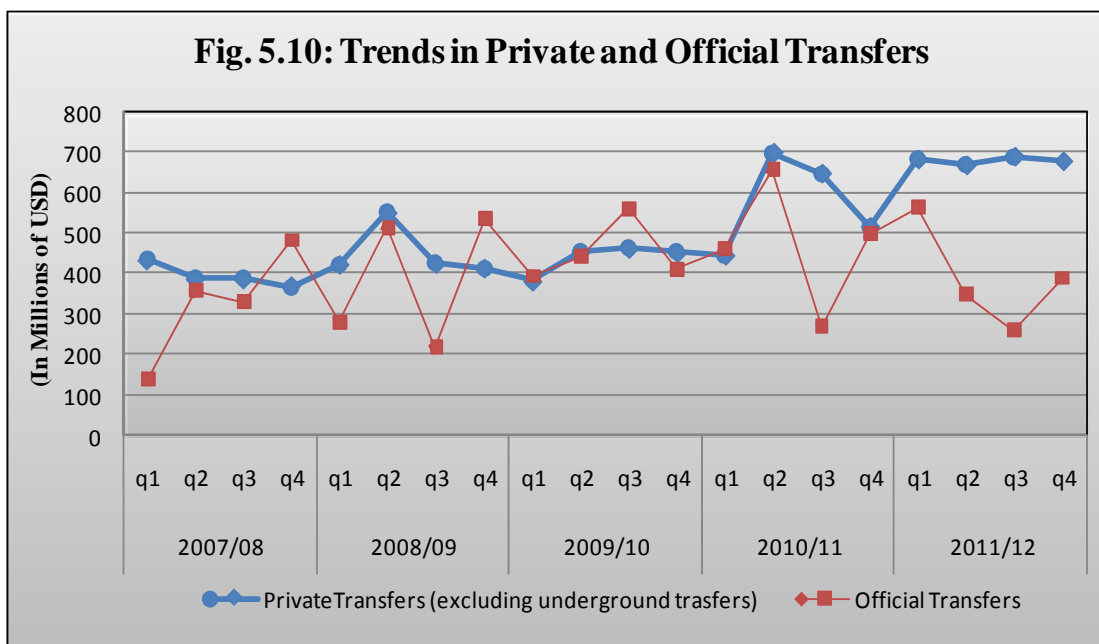
Similarly, net official transfers during the period declined noticeably by 36.1 and amounted to USD 390.1 million in contrast to USD 610.8 million recorded a year earlier. This was owing to 34 percent drop in as cash transfers from international financial institutions and donor governments Net Official transfers, however, grew by 50.9 percent compared to the previous quarter due to the 49.5 percent rise in official cash transfers.

Table 5.9: Developments in Transfer Accounts

(In millions of USD)

Particulars	2010/11		2011/12				Percentage Change		
	QIV	% share	QIII	% share	QIV	% share	C/B	C/A	
	A		B		C				
Private Transfers	749.4	55.1	1054.3	80.3	865.3	68.9	-	17.9	15.5
Credit	752.6	55.1	1074.8	80.4	879.2	69.1	-18.2	16.9	
NGO's	227.1	16.6	358.3	26.8	299.5	23.5	-	16.4	31.9
Cash	221.7	16.2	275.9	20.8	256.7	20.2	-10.3	16.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0			
Food	5.4	0.4	71.5	5.4	42.3	3.3			
Private individuals	525.5	38.5	716.5	53.6	580.2	45.6	-	19.0	10.4
Cash	270.5	19.8	317.8	24.0	385.2	30.3	21.2	42.4	
In kind	22.7	1.7	41.6	3.1	6.9	0.5	-83.5	-69.7	
Underground Private Transfers	232.3	17.0	357.1	26.9	188.1	14.8	-47.3	-19.0	
Debit	-3.2	71.2	-17.3	90.3	-13.0	83.6	-24.4	309.4	
Official Transfers	610.8	44.9	258.6	19.7	390.1	31.1	50.9	-36.1	
Credit	612.1	44.9	262.6	19.8	392.7	30.9	49.5	-35.8	
Cash	595.8	43.7	262.6	19.6	392.7	30.9	49.5	-34.1	
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-	
Food	16.2	1.2	0.0	0.0	0.0	0.0	-	-	
Debit	-1.3	28.8	-4.0	16.4	-2.6	15.1	-36.1	98.4	
Total Receipts	1,364.6	100.3	1,337.4	101.9	1,272.4	101.3	-4.9	-6.8	
Total Payments	-4.5	-0.3	-24.5	-1.9	-16.9	-1.3	-30.9	278.2	
Net Transfers	1,360.2	100.0	1,312.9	100.0	1,255.5	100.0	-4.4	-7.7	

Source: Staff Computation



5.5 Current Account

The current account balance (including official transfers) registered USD 547.6 million deficit compared to the USD 169.5 million surplus a year ago. This was on account of the widening deficit in trade balance, the rise in service payments and a

significant reduction in official transfers. Compared to the preceding growth, however, the deficit was lower as the trade deficit narrowed (20.8 percent) and net service account improved (46.5 percent)

5.6 Capital account

In the review period, the capital account recorded USD 525.8 million surplus, down by 21.6 percent relative to last year

same period as foreign direct investment declined by 30 percent.

5.7 Changes in Reserve Position

Reflecting the widened merchandise trade deficit, the fall in official transfers and the rise in service payments which more than offset the rise in net private transfers and official loan disbursements, the overall balance of payments registered USD 173.9 million deficit during the review period.

Consequently, net foreign assets of the banking system showed USD 174.6 million reserve drawdown. The gross reserve as at July 7, 2012 was sufficient to cover 1.9 months of import of goods and non-factor services of next year.

5.8 Developments in the Foreign Exchange Market

5.8.1 Exchange Rate Movements

During the fourth quarter of 2011/12, the average exchange rate of the Birr in the inter-bank foreign exchange market stood at Birr 17.55/USD, with birr losing ground by 1.4 percent vis-à-vis the preceding quarter and 4.4 percent against the same period last year.

The parallel foreign exchange rate also depreciated by 1.4 and 8.3 percent, respectively, to reach Birr 18.49/USD.

As a result, the spread between the official and the parallel market rates widened to 5.35 percent from 1.51 percent last year same period, but slightly narrowed from 5.37 percent the preceding quarter (Table 5.10).

Similarly, during the review period average buying and selling exchange rates in the retail markets reached Birr 17.5454/USD and 17.8806/USD, depicting 1.30 and 1.28 percent quarterly depreciation and 4.36 and 4.31 percent annual depreciation, respectively (Table 5.11).

Consequently, the average spread between the buying and selling exchange rates reduced by 1.2 and 2.6 percent compared to the third quarter of the fiscal year and the same period a year ago, respectively (Fig 5.13).

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

Period		Rates in Birr per USD		Amount Traded in millions of USD		Parallel Market		Premium
		End Period Rates	Average Weighted Rate	Total	o/w Among CBs	End Period	Average	
		Weighted Rate						
2010/11								
Qtr. IV	C	16.9081	16.8169	80.8	25.1	17.1400	17.0700	1.51
April		16.7801	16.7548	52.30	24.3	16.9300	16.9300	1.05
May		16.8426	16.8158	26.95	0.8	17.0000	16.9500	0.80
June		16.9081	16.8801	1.50	0.0	17.1400	17.3300	2.67
2011/12								
Qtr. III	B	17.3902	17.3107	41.4	38.2	18.9800	18.2400	5.37
January		17.2782	17.2534	32.30	31.15	17.9800	17.9300	3.92
February		17.3355	17.3113	5.05	4.00	18.3750	18.1600	4.90
March		17.3902	17.3673	4.05	3.00	18.9800	18.6300	7.27
Qtr. IV	A	17.7305	17.5503	13.1	10.0	18.2750	18.4900	5.35
April		17.4753	17.4281	7.95	7.00	18.6800	18.7000	7.30
May		17.6029	17.5476	1.10	0.00	18.3250	18.3900	4.80
June		17.7305	17.6753	4.05	3.00	18.2750	18.3800	3.99
Percentage changes	A/B	2.0	1.4	-68.4	-	-3.7	1.4	-0.3
	A/C	4.9	4.4	-83.8	-	6.6	8.3	255.7

Source: Foreign Exchange Monitoring & Reserve Management Directorate and staff compilation, NBE

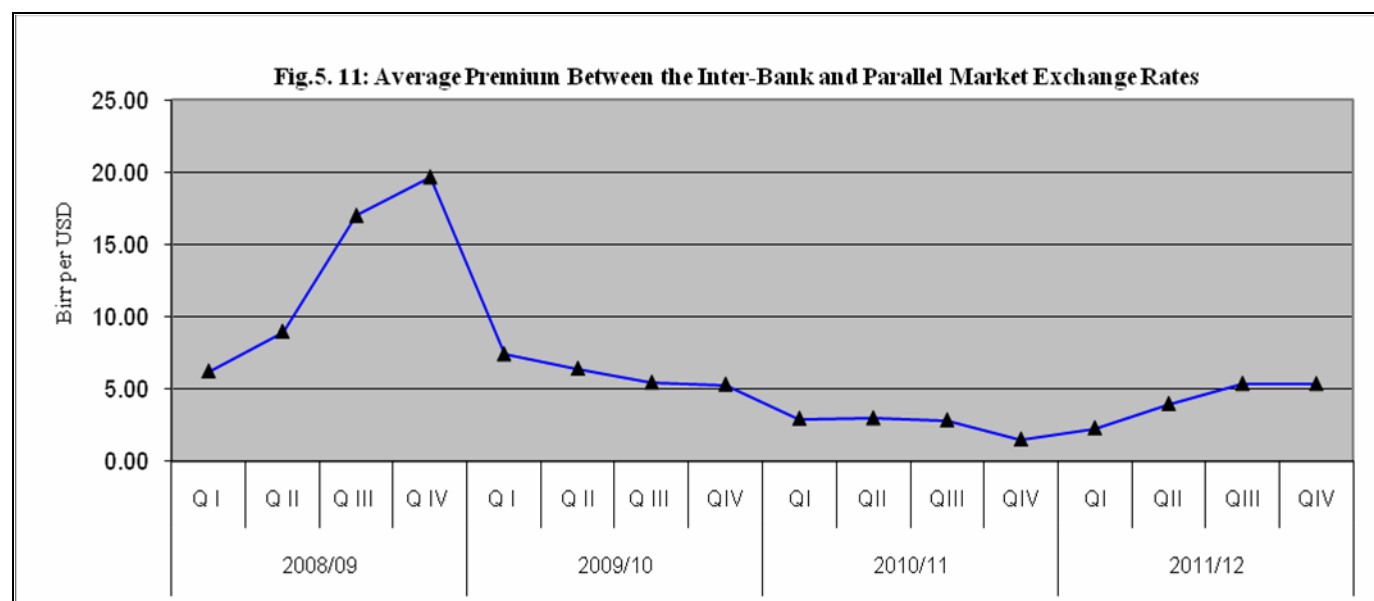
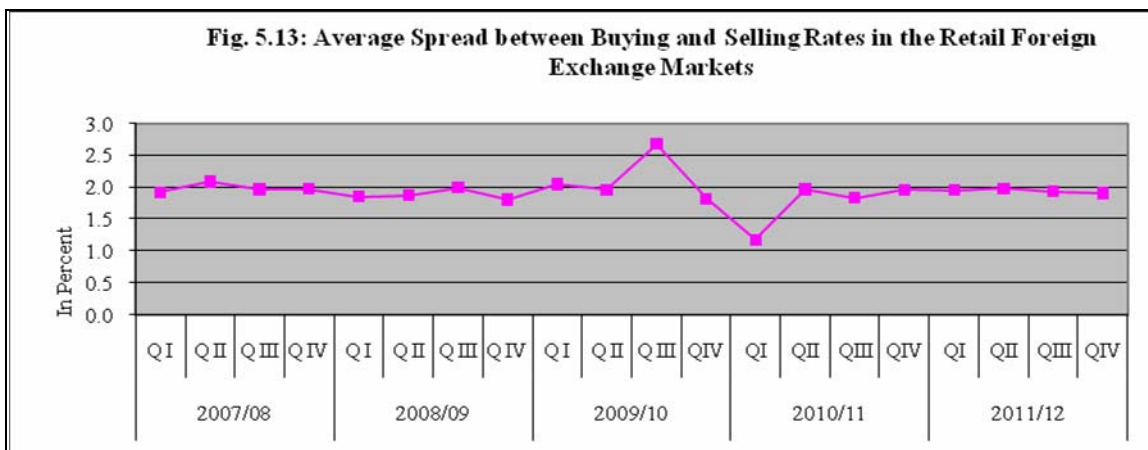
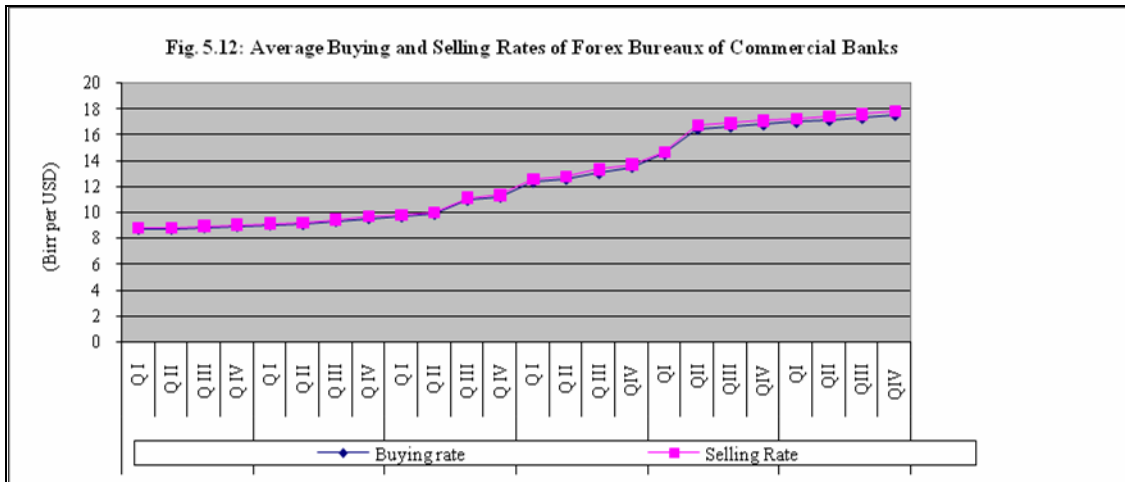


Table 5.11: Amount of Foreign Exchange Purchased and Sold by Forex Bureau of Commercial Banks

(In '000 of USD)

No.	Name of Forex Bureau	2010/11		2011/12				Percentage change			
		Quarter IV A		Quarter III B		Quarter IV C		C/B		C/A	
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	16,026.39	985.75	12,634.56	307.48	13,589.92	1337.75	7.6	335.1	-15.2	35.7
2	Bank of Abyssinia	2,113.06	1504.27	1,500.03	1866.39	1,109.40	2144.18	-26.0	14.9	-47.5	42.5
3	Dashen Bank	4,182.71	4698.89	4,059.06	8427.79	5,540.29	7144.20	36.5	-15.2	32.5	52.0
4	Awash International Bank	2,324.57	2660.26	1,851.21	3882.67	1,564.14	3528.67	-15.5	-9.1	-32.7	32.6
5	Construction & Business Bank	1,318.82	173.14	1,038.51	161.85	895.58	303.65	-13.8	87.6	-32.1	75.4
6	Wegagen Bank	2,070.41	1144.29	643.35	1214.86	954.20	1023.52	48.3	-15.7	-53.9	-10.6
7	United Bank	6,417.21	2525.18	7,130.84	3314.95	4,172.43	3040.68	-41.5	-8.3	-35.0	20.4
8	Development Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0	0.0
9	Nib International Bank	3,423.11	2108.46	1,056.30	1563.73	1,203.06	2301.78	13.9	47.2	-64.9	9.2
10	Lion International Bank	548.26	109.88	449.37	398.63	469.57	781.09	4.5	95.9	-14.4	610.8
11	Oromia International Bank	724.18	206.93	496.97	282.20	492.56	474.01	-0.9	68.0	-32.0	129.1
12	Zemen Bank	249.21	535.83	598.63	742.71	1,544.17	1634.36	157.9	120.1	519.6	205.0
13	Cooperative Bank of Oromia	16.95	28.33	190.24	161.05	167.31	180.32	-12.1	12.0	886.8	536.6
14	Buna International Bank	319.08	28.63	311.66	19.14	136.84	5.00	-56.1	-73.9	-57.1	-82.5
15	Birhan International Bank	51.19	31.26	214.76	370.48	40.91	265.27	-81.0	-28.4	-20.1	748.7
16	Abay Bank	-	-	162.91	55.97	123.06	95.56	-24.5	70.7	-	-
17	Addis International Bank	-	-	77.22	20.90	15.64	55.46	-79.7	165.4	-	-
	Total	39,785.16	16,741.10	32,415.63	22790.80	32,019.07	24,315.52	-1.22	6.69	-19.52	45.24
	Average Exchange Rate	16.8122	17.1420	17.3204	17.6554	17.5454	17.8806	1.30	1.28	4.36	4.31

Source: Staff Compilation



Concerning the exchange rate of major international currencies, the average exchange rate of the US dollar appreciated against Swiss Frank (1.47 percent), Euro (1.29 percent), Japanese Yen (1.26 percent) and SDR (0.68 percent) on quarter-on-quarter basis, while it depreciated by 0.82 percent against Pound Sterling. Similarly, USD appreciated year on year by 10.1 percent against Euro, Swiss Frank (6.84 percent), SDR (4.16 percent) and 2.91 percent against Pound Sterling. However, it depreciated vis-à-vis Japanese Yen by 1.91 percent (Table 5.12).

The Birr weakened against major international currencies during the same period. Year- on-year bases; it depreciated against Japanese Yen (6.35 percent) and Pound Sterling (2.21 percent); While it appreciated (6.16 percent) and (2.8 percent) relatively to Euro and Swiss Frank, (2.8 percent). The Birr also depreciated on quarterly basis against all major currencies with exception to Swiss frank (Table 5.13).

Table 5.12: 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
2010/11																
Qtr. IV	C	1.4384	1.4389	1.4386	0.0122	0.0122	0.0122	1.5965	1.5970	1.5967	1.6305	1.6311	1.6308	1.1471	1.1474	1.1472
April		1.4403	1.4417	1.4410	0.0120	0.0120	0.0120	1.5937	1.5953	1.5945	1.6326	1.6342	1.6334	1.1101	1.1111	1.1106
May		1.4361	1.4361	1.4361	0.0123	0.0123	0.0123	1.5973	1.5973	1.5973	1.6347	1.6347	1.6347	1.1425	1.1425	1.1425
June		1.4388	1.4388	1.4388	0.0124	0.0124	0.0124	1.5984	1.5984	1.5984	1.6243	1.6243	1.6243	1.1886	1.1886	1.1886
2011/12																
Qtr. III	B	1.3108	1.3108	1.3108	0.0126	0.0126	0.0126	1.5412	1.5403	1.5407	1.5703	1.5703	1.5703	1.0848	1.0848	1.0848
January		1.2901	1.2901	1.2901	0.0130	0.0130	0.0130	1.5341	1.5341	1.5341	1.5501	1.5501	1.5501	1.0646	1.0646	1.0646
February		1.3218	1.3218	1.3218	0.0128	0.0128	0.0128	1.5484	1.5457	1.5470	1.5796	1.5796	1.5796	1.0949	1.0949	1.0949
March		1.3206	1.3206	1.3206	0.0121	0.0121	0.0121	1.5411	1.5411	1.5411	1.5812	1.5812	1.5812	1.0948	1.0948	1.0948
Qtr. IV	A	1.2939	1.2939	1.2939	0.0125	0.0125	0.0125	1.5303	1.5303	1.5303	1.5833	1.5833	1.5833	1.0688	1.0688	1.0688
April		1.3162	1.3162	1.3162	0.0123	0.0123	0.0123	1.5424	1.5424	1.5424	1.5990	1.5990	1.5990	1.0946	1.0946	1.0946
May		1.2842	1.2842	1.2842	0.0125	0.0125	0.0125	1.5333	1.5333	1.5333	1.5960	1.5960	1.5960	1.0690	1.0690	1.0690
June		1.2813	1.2813	1.2813	0.0126	0.0126	0.0126	1.5151	1.5151	1.5151	1.5548	1.5548	1.5548	1.0428	1.0428	1.0428
Percentage change	A/B	-1.29	-1.29	-1.29	-1.25	-1.27	-1.26	-0.71	-0.65	-0.68	0.82	0.82	0.82	-1.47	-1.47	-1.47
	A/C	-10.05	-10.07	-10.06	1.94	1.88	1.91	-4.15	-4.18	-4.16	-2.90	-2.93	-2.91	-6.83	-6.85	-6.84

Source: Staff Compilation

Table 5.13: 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
2010/11																			
Qtr. IV	C	16.8167	16.9793	16.8980	24.1921	24.4340	24.3131	0.2058	0.2079	0.2069	26.8505	27.1186	26.9846	27.4216	27.6959	27.5587	19.2920	19.4850	19.3
April		16.7602	16.9109	16.8355	24.1496	24.3911	24.2704	0.2008	0.2029	0.2019	26.7195	26.9862	26.8528	27.3689	27.6426	27.5057	18.6064	18.7925	18.6
May		16.8128	16.9810	16.8969	24.1441	24.3856	24.2649	0.2070	0.2090	0.2080	26.8556	27.1235	26.9895	27.4832	27.7581	27.6206	19.2092	19.4012	19.3
June		16.8772	17.0459	16.9615	24.2826	24.5254	24.4040	0.2096	0.2117	0.2107	26.9764	27.2462	27.1113	27.4128	27.6869	27.5499	20.0606	20.2612	20.1
2011/12																			
Qtr. III	B	17.3080	17.4810	17.3945	22.6884	22.9152	22.8018	0.2186	0.2208	0.2197	26.6749	26.9258	26.8004	27.1795	27.4513	27.3154	18.7757	18.9635	18.8
January		17.2506	17.4231	17.3369	22.2546	22.4771	22.3659	0.2240	0.2263	0.2252	26.4642	26.7288	26.5965	26.7410	27.0084	26.8747	18.3649	18.5488	18.4
February		17.3086	17.4817	17.3951	22.8779	23.1066	22.9923	0.2212	0.2234	0.2223	26.8007	27.0211	26.9109	27.3410	27.6144	27.4777	18.9512	19.1407	19.0
March		17.3647	17.5383	17.4515	22.9326	23.1620	23.0473	0.2107	0.2128	0.2117	26.7599	27.0275	26.8937	27.4566	27.7312	27.5939	19.0108	19.2010	19.1
Qtr. IV	A	17.5468	17.7222	17.6345	22.7020	22.9290	22.8155	0.2189	0.2211	0.2200	26.8498	27.1183	26.9841	27.7792	28.0570	27.9181	18.7514	18.9389	18.8
April		17.4264	17.6006	17.5135	22.9365	23.1658	23.0512	0.2139	0.2160	0.2150	26.8780	27.1467	27.0123	27.8645	28.1432	28.0039	19.0747	19.2655	19.1
May		17.5447	17.7201	17.6324	22.5298	22.7551	22.6424	0.2198	0.2220	0.2209	26.9003	27.1693	27.0348	28.0010	28.2810	28.1410	18.7538	18.9413	18.8
June		17.6692	17.8459	17.7576	22.6397	22.8660	22.7529	0.2230	0.2252	0.2241	26.7712	27.0389	26.9051	27.4720	27.7467	27.6093	18.4256	18.6099	18.5
Percentage change	A/B	1.38	1.38	1.38	0.06	0.06	0.06	0.12	0.11	0.12	0.66	0.71	0.69	2.21	2.21	2.21	-0.13	-0.13	-0.
	A/C	4.34	4.38	4.36	-6.16	-6.16	-6.16	6.36	6.33	6.35	0.00	0.00	0.00	1.30	1.30	1.30	-2.80	-2.80	-2.

Source: Staff Compilation

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

Currency	Jun-11	Mar-12	Jun-12	Percentage change	
	C	B	A	A/B	A/C
USD	16.9927	17.4772	17.8192	2.0	4.9
Pound	27.2494	27.7380	27.7320	0.0	1.8
Swedish Kroner	2.6612	2.6225	2.5231	-3.8	-5.2
Djibouti Frank	0.0954	0.0981	0.1000	2.0	4.9
Swiss Frank	20.3725	19.2543	18.4693	-4.1	-9.3
Saudi Riyal	4.5308	4.6600	4.7513	2.0	4.9
UAE Dirham	4.6264	4.7582	4.8513	2.0	4.9
Canadian Dollar	17.4588	17.4684	17.3642	-0.6	-0.5
Japanese Yen	0.2096	0.2125	0.2243	5.6	7.0
Euro	24.5272	23.2062	22.1849	-4.4	-9.6
SDR	27.0234	27.0375	26.9757	-0.2	-0.2

Source: Staff Compilation

5.8.2. Movements in the Real Effective Exchange Rate

After gradual slow down in its rate of depreciation, annualized movement of real effective exchange rate (REER) has tended to appreciate in the current fiscal year due to price differential with major trading partner countries despite depreciation of the nominal exchange rate.

Accordingly, REER registered a 3.3 percent quarterly appreciation during the fourth

quarter of 2011/12. However, the year-on-year appreciation of REER has been steadily declining from 35.2 percent in the second quarter to 25.3 percent in the third quarter and further to 18.2 percent in the fourth quarter of 2011/12 as a result of the concentrated monetary and fiscal efforts of the government to tackle inflationary pressure on annualized term (Table 5.15).

Table 5.15 Trends in the Real and Nominal Effective Exchange Rates

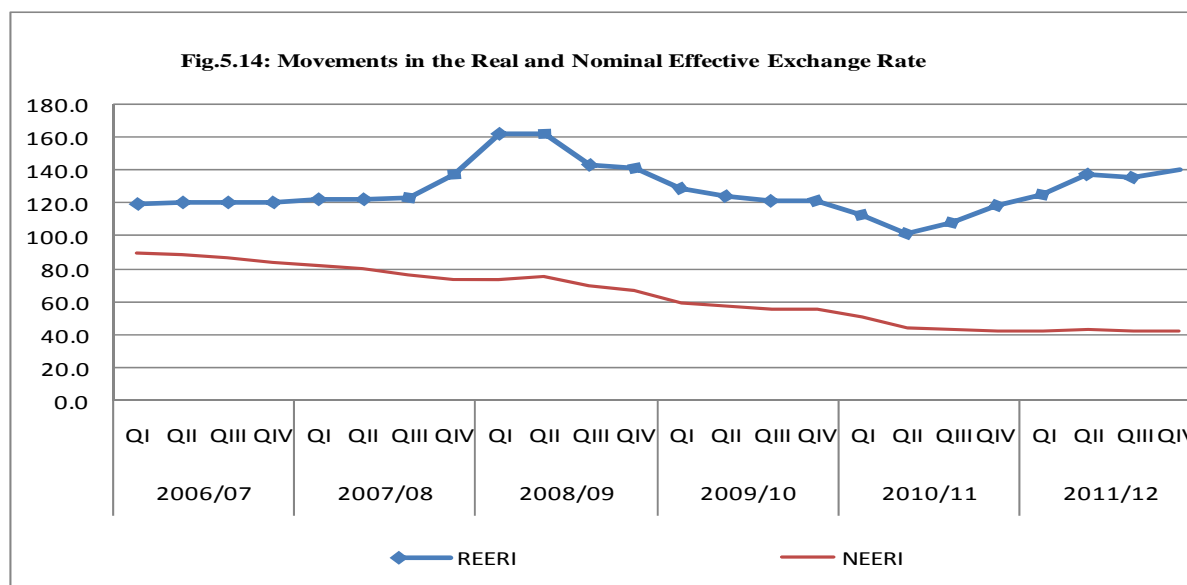
Index	2010/11	2011/12		Percentage Change	
	QIV	QIII	QIV		
	A	B	C	C/B	C/A
REERI	119.2	136.4	140.9	3.31	18.22
NEERI	42.9	43.2	43.2	0.04	0.73

Source: Staff Compilation

NB:

- REERI = Real Effective Exchange Rate Index, NEERI = Nominal Effective Exchange Rate Index
- A decrease in the REERI and NEERI implies depreciation and vice versa.

Consumer Price Index of Germany, Switzerland, UK, US, India, Japan, and Israel for the month of June is expected to change by the growth rate of previous month.



5.8.3 Volume of Transactions

During the fourth quarter of 2011/12, the total amount of foreign exchange traded in the inter-bank foreign exchange market amounted to USD 13.1 million, which is significantly lower than USD 41.4 million and USD 80.8 million traded in the previous quarter and the same period last year, respectively. Of the total foreign exchange traded in the inter-bank market, USD 10 million (76.3 percent) was among commercial banks, while the remaining USD 3.1 million was the sale from the NBE (Table 5.10).

In the mean time, forex bureau of commercial banks purchased about USD 32.0 million from their clients and sold USD 24.3 million in the same period, depicting 19.5 percent quarterly decline and 45.2 percent annual growth. Their average buying and selling exchange rate stood at birr 17.5454/USD and 17.8806/USD respectively, resulting in 1.9 percent premium between the two rates (Table