

## **V. External Sector Developments**

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

In the first quarter of 2012/13, the overall balance of payments registered USD 266.5 million deficit, which was much higher than USD 187.7 million deficit recorded a year ago.

The widening trade deficit on annual basis resulted from the significant rise

in merchandise imports coupled with moderate fall in export of goods.

**Table 5.1: Balance of Payments (In Millions of USD)**

S/N	Particulars	2011/12		2012/13	Percentage Change	
		QI	QV	QI	C/A	C/B
		A	B	C		
<b>1</b>	<b>Exports, f.o.b.</b>	<b>753.0</b>	<b>984.2</b>	<b>698.1</b>	<b>-7.3</b>	<b>-29.1</b>
	Coffee	201.9	327.3	199.3	-1.3	-39.1
	Other	551.1	656.9	498.8	-9.5	-24.1
<b>2</b>	<b>Imports</b>	<b>2,310.5</b>	<b>2,819.2</b>	<b>2,724.7</b>	<b>17.9</b>	<b>-3.4</b>
	Fuel	444.3	578.3	529.9	19.3	-8.4
	Cereals	169.3	74.5	97.8	-42.2	31.3
	Aircraft	11.1	1.0	0.7	-93.7	-33.0
	Imports excl. fuel, cereals, aircraft	1,685.8	2,165.3	2,096.3	24.4	-3.2
<b>3</b>	<b>Trade Balance (1-2)</b>	<b>-1,557.5</b>	<b>-1,835.0</b>	<b>-2,026.6</b>	<b>30.1</b>	<b>10.4</b>
<b>4</b>	<b>Services, net</b>	<b>107.6</b>	<b>64.6</b>	<b>140.6</b>	<b>30.7</b>	<b>117.6</b>
	Non-factor services, net	124.1	90.0	157.5	26.9	75.0
	Exports of non-factor services	761.9	664.1	733.6	-3.7	10.5
	Imports of non-factor services	637.8	574.1	576.1	-9.7	0.3
	Income, net	-16.5	-25.4	-16.9	2.4	-33.5
	O/w Gross official int. payment	11.7	26.1	18.6	59.0	-28.7
	Dividend	-7.3	-2.1	-0.6	-91.8	-71.4
<b>5</b>	<b>Private transfers</b>	<b>697.8</b>	<b>832.7</b>	<b>877.4</b>	<b>25.7</b>	<b>5.4</b>
	o/w: Private Individuals	387.1	547.5	588.2	52.0	7.4
<b>6</b>	<b>Current account balance (3+4+5)</b>	<b>-752.1</b>	<b>-937.7</b>	<b>-1,008.6</b>	<b>34.1</b>	<b>7.6</b>
<b>7</b>	<b>Official transfers</b>	<b>620.7</b>	<b>390.1</b>	<b>394.7</b>	<b>-36.4</b>	<b>1.2</b>
<b>8</b>	<b>Current account balance (6+7)</b>	<b>-131.4</b>	<b>-547.6</b>	<b>-613.9</b>	<b>367.2</b>	<b>12.1</b>
<b>9</b>	<b>Capital account</b>	<b>435.2</b>	<b>525.8</b>	<b>413.3</b>	<b>-5.0</b>	<b>-21.4</b>
	Off. Long-term Cap., net	184.8	384.4	213.2	15.3	-44.5
	Disbursements	203.3	401.0	220.0	8.2	-45.1
	Amortization	18.5	16.6	6.8	-63.0	-58.9
	Other pub. Long-term cap.	90.1	31.3	-35.8	-139.7	-214.3
	Foreign Direct Investment(net)	151.9	251.4	252.6	66.3	0.5
	Short-term Capital	8.4	-141.3	-16.7	-298.5	-88.2
<b>10</b>	<b>Errors and omissions</b>	<b>-491.6</b>	<b>-152.1</b>	<b>-66.0</b>		
<b>11</b>	<b>Overall balance (8+9+10)</b>	<b>-187.7</b>	<b>-173.9</b>	<b>-266.5</b>		
<b>12</b>	<b>Financing</b>	<b>187.7</b>	<b>173.9</b>	<b>266.5</b>		
13	Reserves (-; Increase)	190.2	174.6	269.4		
14	Central Bank (NFA)	-198.1	150.9	-132.1		
	Asset	-452.2	85.9	-232.2		
	Liabilities	254.1	64.9	100.1		
15	Commercial banks (net)	388.4	23.7	401.5		
16	Debt Relief	-2.5	-0.7	-2.9		
	Principal	2.1	0.6	2.5		
	Interest	0.4	0.1	0.4		

**Source:** NBE Staff Compilation

Total current foreign exchange receipts in the review quarter amounted to USD 2.7 billion, 4.6 percent lower than the same period last year. The decline was due to a marginal fall in export of goods & services and net public transfers (36.4 percent) that more than offset the growth in net private transfers (25.7 percent).

Meanwhile, total current foreign exchange payments rose by 11.9 percent over last year same quarter and stood at USD 3.3 billion. This was on account of the rise in merchandize imports (17.9 percent) though service payments declined by 9.4 percent. Consequently, the current account balance recorded USD 613.8 million net outflows, significantly higher than a year ago.

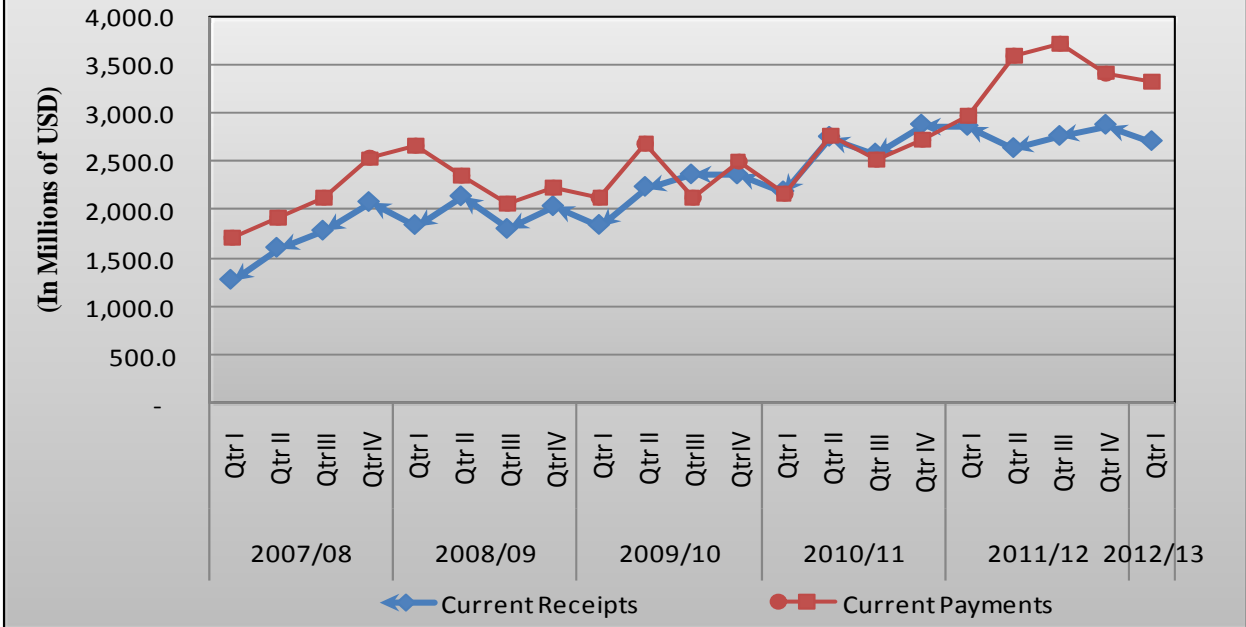
(Table 5.2)

**Table 5.2: Current Receipts and Payments** (In millions of USD)

Particulars	2011/12		2012/13	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/A	C/B
	A	B	C		
<b>1. Current Receipts</b>	<b>2,835.8</b>	<b>2,873.9</b>	<b>2,706.0</b>	<b>-4.6</b>	<b>-5.8</b>
Export Proceeds	753.0	984.2	<b>698.11</b>	-7.3	-29.1
Service Proceeds	764.4	667.0	735.82	-3.7	10.3
Private Transfers(net)	697.8	832.7	877.40	25.7	5.4
Public Transfer(net)	620.7	390.1	394.70	-36.4	1.2
<b>2. Current Payments</b>	<b>2,967.3</b>	<b>3,422.1</b>	<b>3,319.9</b>	<b>11.9</b>	<b>-3.0</b>
Import Payments	2,310.5	2,819.2	2,724.70	17.9	-3.4
Service Payments	656.8	603.0	595.20	-9.4	-1.3
<b>3. Net(1-2)</b>	<b>-131.4</b>	<b>-548.1</b>	<b>-613.8</b>	<b>367.1</b>	<b>12.0</b>

**Source:** Staff Compilation

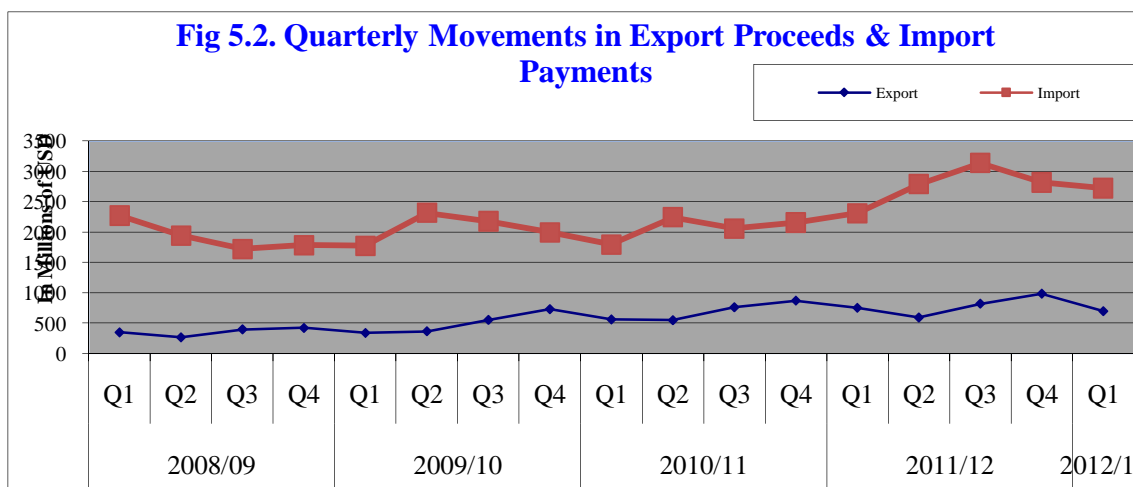
**Fig 5.1: Trends in Current Receipts and Payments**



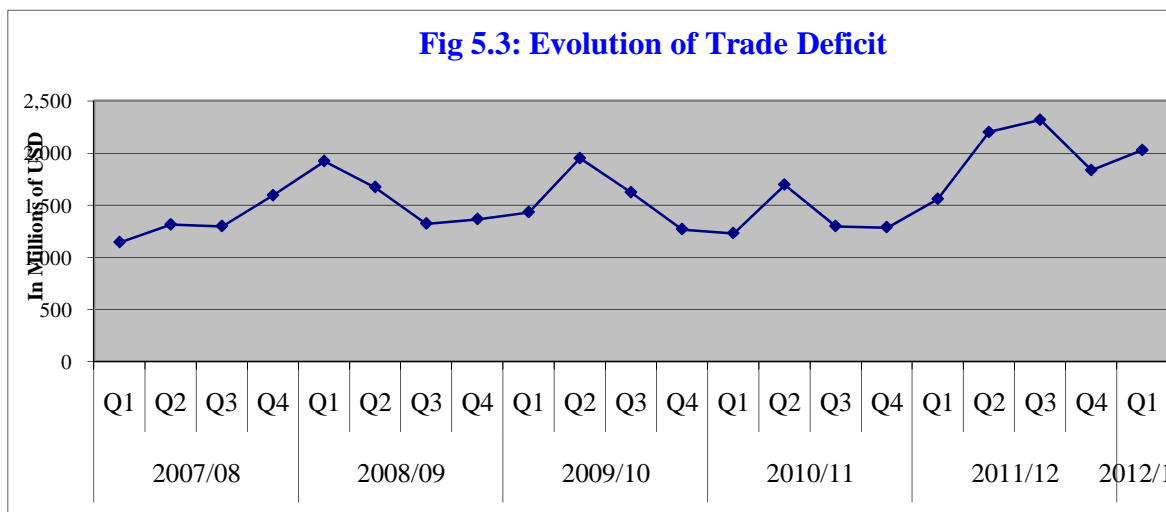
## 5.2. Merchandise Trade

The deficit in merchandise trade during the first quarter of 2012/13 was USD 2.03 billion. The deficit widened by 30.1

percent compared to the same period last year as a result of higher growth in total import than total exports.



**Source:** Ethiopian Revenue and Customs Authority



**Source:** NBE Staff Compilation

### 5.2.1. Exports

Total merchandise exports declined by 7.3 percent on quarter-on quarter bases, and reached USD 698.1 million. This was attributed to the decline in export earnings from oilseeds (26.8 percent), live animals (29 percent), flower (15.4 percent), leather & leather products (20 percent), meat & meat products (13.3 percent), coffee (1.3 percent), gold (1.8 percent) and fruits & vegetables (5.3 percent) due to lower export volume prices or both.

Despite an increase in the volume of export (31.7 percent), receipts from export of coffee stood at USD 199.3

million, recording a marginal decline of 1.3 percent as compared to the same quarter a year before as the international price of coffee fell by 25.1 percent. Coffee export revenue also recorded a 39.1 percent decline against the preceding quarter owing to lower international price (3.4 percent) and volume of export (36.9 percent). The share of coffee in the total export earnings rose to 28.6 percent from 26.8 percent in first quarter last year but declined from 33.3 percent in the preceding quarter.

**Table 5.3: Values of Major Export Items** (In millions of USD)

Particulars	2011/12				2012/13		Percentage Change	
	Qtr I		Qtr IV		Qtr I		C/B	C/A
	A	% share	B	% share	C	% share		
Coffee	201.9	26.8	327.3	33.3	199.3	28.6	-39.1	-1.3
Oilseeds	83.9	11.1	140.9	14.3	61.5	8.8	-56.4	-26.8
Leather & Leather products	30.9	4.1	25.0	2.5	24.7	3.5	-1.2	-20.0
Pulses	29.5	3.9	53.0	5.4	48.1	6.9	-9.4	62.8
Meat & Meat Products	23.6	3.1	17.1	1.7	20.5	2.9	19.6	-13.3
Fruits & Vegetables	10.7	1.4	10.2	1.0	10.1	1.5	-0.9	-5.3
Live Animals	69.03	9.2	42.1	4.3	49.01	7.0	16.3	-29.0
Chat	68.97	9.2	59.3	6.0	69.51	10.0	17.2	0.8
Gold	135.2	18.0	197.1	20.0	132.7	19.0	-32.7	-1.8
Flower	44.0	5.8	55.8	5.7	37.2	5.3	-33.3	-15.4
Others	55.2	7.3	56.3	5.7	45.5	6.5	-19.2	-17.6
<b>Total</b>	<b>753.0</b>	<b>100.0</b>	<b>984.2</b>	<b>100.0</b>	<b>698.1</b>	<b>100.0</b>	<b>-29.1</b>	<b>-7.3</b>

**Source:** Ethiopian Revenue and Customs Authority

Earnings from oilseeds declined by 26.8 percent vis-à-vis same period last year

due to a fall in both export volume (25.4 percent) and international price (1.8

percent). Similarly, against the preceding quarter, the export revenue declined by 56.4 percent solely owing to 58.3 percent decline in the volume of export. Consequently, the share of oilseeds in total export revenue dropped to 8.8 percent from 11.1 and 14.3 percent last year same period and the preceding quarter, respectively.

In the same way, export revenue from live animals declined by 29 percent relative to last year same period on account of 38.4 percent drop in volume of export and amounted to USD 49 million. With respect to the preceding quarter, however, the export proceeds showed 16.3 percent growth due to higher volume and international price. As a result, its share in the total export earnings improved to 7 percent from 4.3 percent in the preceding quarter but declined from 9.2 percent recorded last year same period.

Earnings from export of flower recorded a 15.4 percent reduction with respect to the same quarter last year owing to 18.2 percent decline in volume despite a 3.4 percent improvement in international price. The receipt from flower exports dropped by 33.3 percent as compared to

the preceding quarter and amounted to USD 37.2 million. This decrement resulted from a decline in both the volume (33 percent) and international price (0.3 percent). Consequently, the share of flower export revenue went down to 5.3 percent from 5.8 and 5.7 percent the same period last year and the preceding quarter, respectively.

Despite 29.6 percent increase in international price, earning from exports of leather & leather products fell by 20 percent on quarter-on-quarter basis and stood at USD 24.7 million owing to a 38.3 percent decrease in volume. Similarly, in relation to the preceding quarter earnings from leather & leather products declined by 1.2 percent mainly due to international price decline. The receipts from these exports accounted for 3.5 percent of the total merchandise export compared to 2.5 percent and 4.1 percent the preceding quarter and same period last year, respectively.

Export revenue from meat & meat products declined by 13.3 percent as compared to the previous year same quarter as a result of a 20.3 percent slow

down in volume. However, owing to the rise in the volume of exports and world prices, earnings from meat & meat products rose by 19.6 percent on quarterly basis to reach USD 20.5 million, which was, 2.9 percent of the total merchandise export revenue in the review quarter.

The country earned USD 132.7 million from export of gold, depicting a 1.8 and 32.7 percent decline relative to the same quarter a year ago and the preceding quarter due to a decrease in the volume of gold export. Gold export proceeds accounted for 19 percent, of the total export revenue.

Earnings from export of fruits and vegetables fell by 5.3 percent vis-à-vis last year same period owing to lower volume and international price. Likewise, despite an increase in the volume of exports, fruit and vegetable

export declined by 0.9 percent on quarterly basis as a result of lower international prices.

On the other hand, earnings from export of pulses increased significantly by 62.8 percent compared to the preceding quarter as a result of 67 percent increase in volume despite 2.6 percent decline in price. With respect to the preceding quarter, however, export proceeds from pulses went down by 9.4 percent and reached USD 48.1 million as the volume and international prices declined by 7.2 and 2.4 percent, respectively.

Similarly, earnings from export of chat went up by 0.8 percent and stood at USD 69.5 million as a result of 3.8 percent increment in the volume of export in spite of a 3 percent fall in international prices. Consequently, chat accounted for 10 percent of the total export.

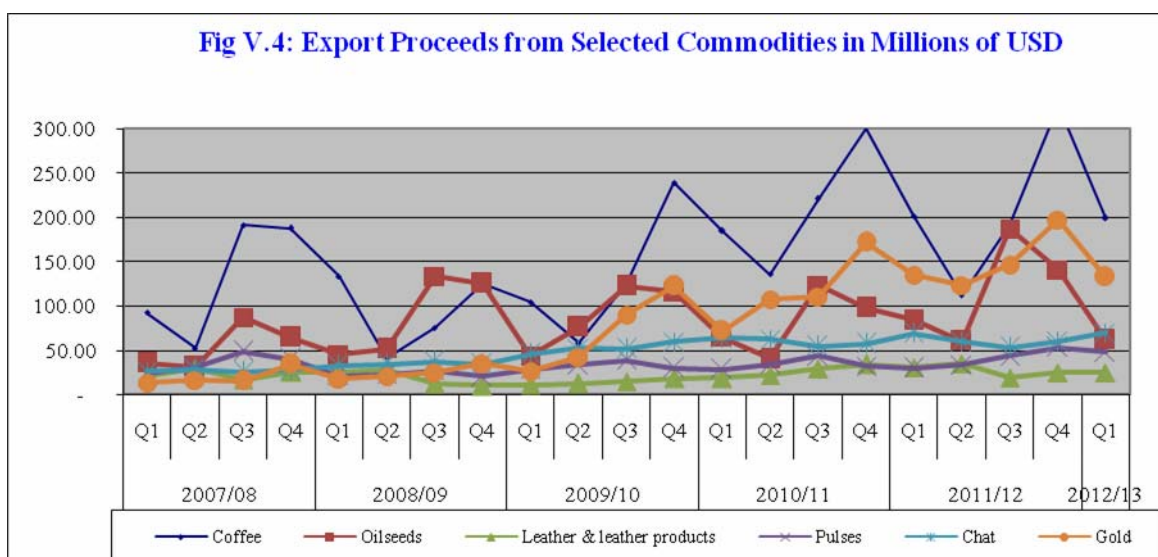


**Table 5.4: Volume of Major Export Items** (In millions of kg.)

Particulars	2011/12		2012/13	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/B*100-100	C/A*100-100
	A	B	C		
Coffee	36.26	75.74	47.8	-36.95	31.71
Oilseeds	61.3	109.5	45.7	-58.3	-25.4
Leather and Leather products	1.5	0.80	0.92	14.1	-38.3
Pulses	41.5	74.6	69.3	-7.2	67.0
Meat & Meat Products	5.50	3.7	4.4	17.9	-20.3
Fruits & Vegetables	35.6	29.3	34.5	17.8	-3.1
Live Animals	50.7	28.0	31.2	11.7	-38.4
Chat	11.8	10.2	12.3	20.1	3.8
Gold	0.0026	0.0044	0.0025	-43.5	-4.3
Flower	10.7	13.0	8.7	-33.0	-18.2

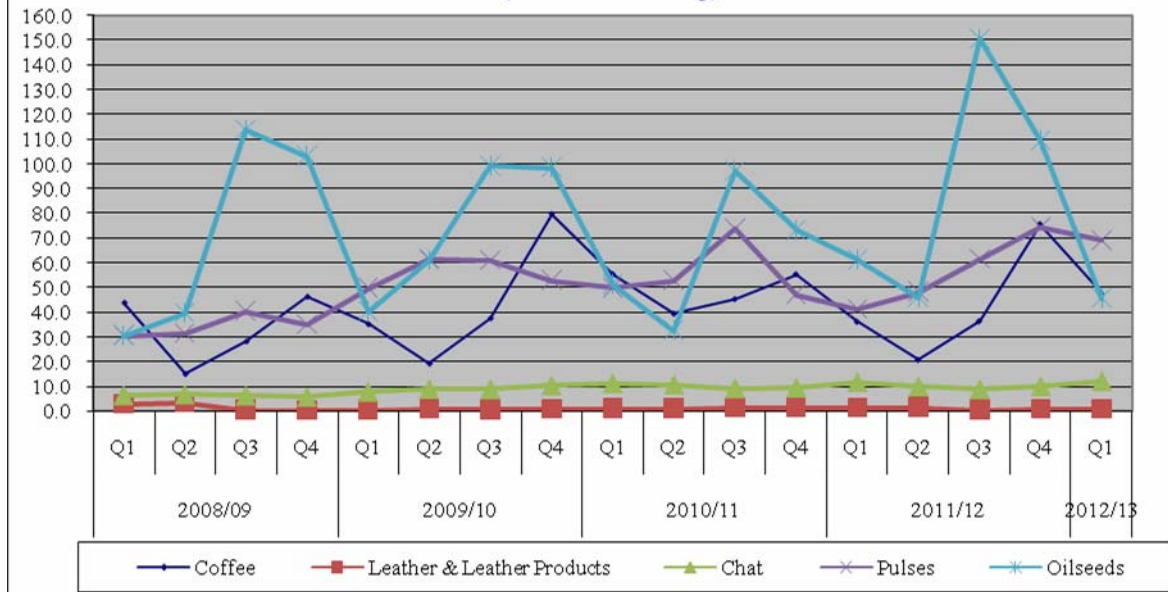
**Source:** Ethiopian Revenue and Customs Authority

**Fig V.4: Export Proceeds from Selected Commodities in Millions of USD**



**Source:** Ethiopian Revenue and Customs Authority

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



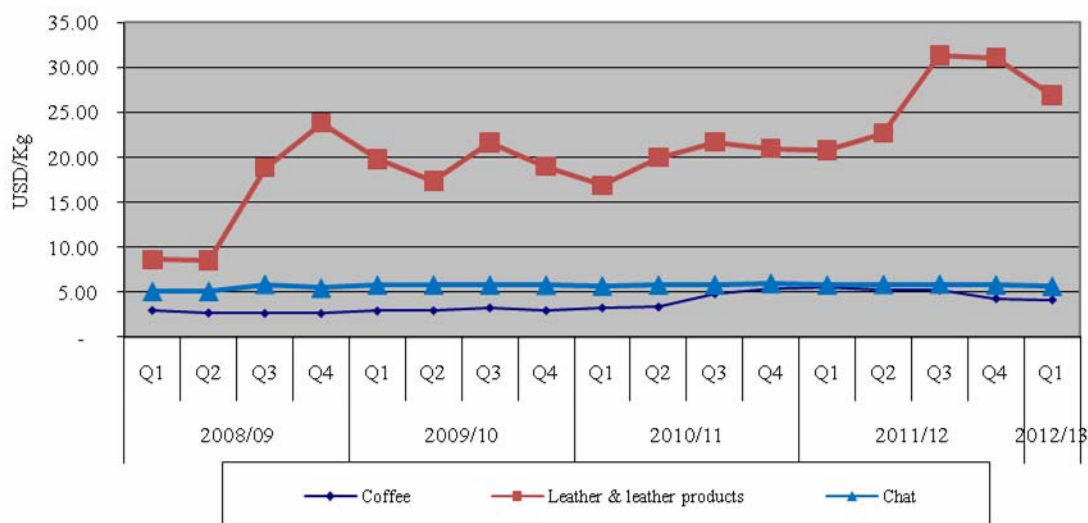
**Source:** Ethiopian Revenue and Customs Authority

**Table 5.5: Unit value of Major Export Items (In USD/kg)**

Particulars	2011/12		2012/13	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/B*100-100	C/A*100-100
	A	B	C		
Coffee	5.6	4.3	4.2	-3.4	-25.1
Oilseeds	1.37	1.29	1.34	4.5	-1.8
Leather and Leather products	20.8	31.1	26.9	-13.4	29.6
Pulses	0.712	0.711	0.694	-2.4	-2.6
Meat & Meat Products	4.3	4.6	4.7	1.4	8.8
Fruits & Vegetables	0.30	0.35	0.29	-16.0	-2.26
Live Animals	1.36	1.51	1.6	4.2	15.3
Chat	5.8	5.8	5.7	-2.4	-3.0
Gold	52.1	44.9	53.5	19.2	2.6
Flower	4.12	4.28	4.26	-0.3	3.4

**Source:** NBE Staff Compilation

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



**Source:** NBE Staff Compilation

### 5.2.2. Imports

Total merchandise import during the first quarter of 2012/13 grew by 17.9 percent on quarter-on-quarter basis but dropped by 3.3 percent in quarterly basis to USD 2.72 billion. The quarter-on-quarter increase is mainly attributed to increased imports of capital goods (46.1 percent), semi-finished goods (27

percent), and fuel (19.3 percent). With respect to the previous quarter, however, the slowdown in import of semi-finished goods, fuel and capital goods offset the rise in import of raw materials and consumer goods, leading a 3.3 percent drop in total import bill.

**Table 5.6: Values of Major Import Items** (In millions of USD)

Particulars	2011/12				2012/13		Percentage Changes	
	Quarter I	% share	Quarter IV	% share	Quarter I	% share		
	A		B		C		C/B	C/A
Raw Materials	47.2	2.0	36.8	1.3	45.5	1.7	23.9	-3.6
Semi-finished Goods	299.5	13.0	536.2	19.0	380.3	14.0	-29.1	27.0
Fertilizers	4.0	0.2	207.0	7.3	11.1	0.4	-94.6	178.1
Fuel	444.3	19.2	578.3	20.5	529.9	19.4	-8.4	19.3
Petroleum Products	433.6	18.8	571.1	20.3	516.0	18.9	-9.6	19.0
Others	10.7	0.5	7.2	0.3	13.9	0.5	92.7	29.2
Capital Goods	569.1	24.6	869.2	30.8	831.7	30.5	-4.3	46.1
Transport	166.9	7.2	212.6	7.5	194.9	7.2	-8.3	16.8
Agricultural	28.1	1.2	29.4	1.0	48.1	1.8	63.6	70.9
Industrial	374.1	16.2	627.3	22.3	588.7	21.6	-6.1	57.4
Consumer Goods	884.5	38.3	701.0	24.9	859.9	31.6	22.7	-2.8
Durables	260.1	11.3	276.8	9.8	259.9	9.5	-6.1	0.0
Non-durables	624.5	27.0	424.3	15.0	599.9	22.0	41.4	-3.9
Miscellaneous	65.9	2.9	97.6	3.5	77.4	2.8	-20.7	17.5
<b>Total Imports</b>	<b>2,310.6</b>	<b>100.0</b>	<b>2,819.1</b>	<b>100.0</b>	<b>2,724.7</b>	<b>100.0</b>	<b>-3.3</b>	<b>17.9</b>

**Source:** Ethiopian Revenue and Customs Authority

Import of capital goods in the review period showed a growth of 46.1 percent vis-à-vis the same period last year. However, it declined by 4.3 percent relative to the preceding quarter. Imports of transport and industrial goods accounted for the quarterly decline in

capital goods while imports of agricultural and industrial goods were the major contributing factors for quarter-on- quarter growth of imports. Likewise, imports of semi-finished goods increased by 27 percent over last year same quarter and amounted to USD

380.3 million mainly due to higher import of fertilizer.

Meanwhile, fuel import bill rose by 19.3 percent vis-à-vis last year same period to reach USD 529.9 million mainly due to the rise in the volume of export. As a result, the share of fuel in total imports was 19.4 percent.

In the same period, imports of raw materials shrunk by 3.6 percent to USD 45.5 million compared to a year ago accounting for 1.7 percent of the total imports.

Similarly, import bills for consumer goods during the review period went down by 2.8 percent quarter-on-quarter basis to USD 859.9 million mainly due to a 3.9 percent decline in non-durable goods. Consequently, the share of consumer goods in total imports reached 31.6 percent.

Total franco-valuta imports increased by 166.8 percent as compared to last year and stood at USD 10 million.

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

(In millions of USD)

Particulars	2011/12		2012/13	Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/B*100-100	C/A*100-100
	A	B	C		
Vehicles	0.0005	0.0000	0.000		-100.00
Vehicle Spare Parts	0.0097	0.0000	0.006		-37.22
Other Spare Parts	0.0410	0.0322	0.012	-61.39	-69.70
Textile & Ready Made	0.0015	0.00007	0.001	1780.77	-17.69
Household Goods	0.0033	0.0016	0.000	-100.00	-100.00
Medicine & Medical Equip.	0.0164	0.0051	0.000	-96.90	-99.03
Food Stuffs	0.0002	0.0000	0.000		-3.32
Electronic Goods	0.0064	0.0092	0.005	-48.95	-27.21
Machinery Equip. & Spare Parts	0.0361	0.0011	0.001	11.40	-96.48
Others	3.63	3.61	9.960	175.58	174.55
<b>Total</b>	<b>3.74</b>	<b>3.66</b>	<b>9.99</b>	<b>172.58</b>	<b>166.80</b>

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

*\*Includes import of cement on franco valuta basis.*

### 5.2.3. Direction of Trade

#### 5.2.3.1. Exports

Europe continued to be the largest export market for Ethiopian exports accounting for 46.9 percent of the total exports during the review quarter. Switzerland, with 40.6 percent, was the largest market mainly for gold export followed by Germany, (19.9 percent), for coffee, textile & garments and flower exports. The Netherlands accounted

for 10.5 percent of the total exports mainly for flower and coffee.

Belgium, with a 5.8 percent share imported coffee. Italy accounting for 5.2 percent of the total exports to the Europe, mainly imported coffee and leather & leather products.

The markets in Asia continent accounted for 27.4 percent of the total exports, with China (19.3 percent), Saudi Arabia (17.5 percent), Japan (11 percent), United Arab Emirates (7.3 percent), Israel (7 percent), India (6.7

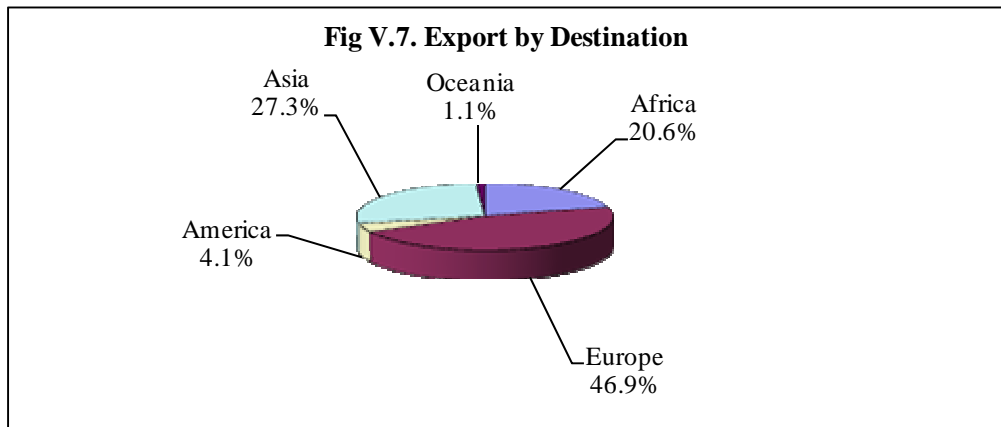
percent), Pakistan (4 percent) and Hong Kong (3.9 percent) being the major players. Altogether, these countries accounted for 76.7 percent of the total Ethiopia's commodity exports to Asia.

The main export products shipped to China were oilseeds, leather & leather products, mineral products and textile & garments while coffee, meat & meat products, flower and live animals were exported to Saudi Arabia. Coffee and oilseed were the major export items to Japan while meat & meat products and pulses were the main exports to UAE. The principal export items to Israel were oilseeds and those to India were pulses, mineral products and cotton. Pakistan

mainly purchased pulses. Leather & leather products were the main exports to Hong Kong.

Meanwhile, about 20.6 percent of Ethiopia's export revenue was generated from markets in Africa, mainly Somalia (51 percent), Djibouti (15.8 percent), Sudan (13 percent) and Egypt (11.1 percent) which altogether accounted for 90.9 percent of the total exports to Africa. The main export items to Somalia and Djibouti were vegetables and live animals while pulses, live animals, and coffee were the major exports to Egypt.

America constituted 4.1 percent of total export earnings during the first quarter of 2012/13, of which 89.1 percent went to the United States with coffee and oilseeds being the major export items.



**Source:** Ethiopian Revenue and Customs Authority

### 5.2.3.2. Imports

Ethiopia highly depended on Asia for imports of merchandise goods during the first quarter of 2012/13, with about 73 percent of the total imports originated from these countries. About (30.4 percent) of imports were from China; (13.8 percent) from India, (12.6 percent) from Saud Arabia, (5.7 percent) from Japan, (5.5 percent) from United Arab Emirates, (5.1 percent) from Indonesia and (4.9 percent) from Kuwait.

The major imports from China were machinery & aircraft, road & motor vehicles, metals & metal manufacturing, electrical materials, clothing, textiles, rubber products, chemicals, medical & pharmaceutical products, glass & glass wares, paper & paper manufacturing. Metals & metal manufacturing, machinery & aircraft, glass & glass wares, medical & pharmaceutical products, grain, rubber products, road &

motor vehicles, paper & paper manufacturing and electrical materials were also bought from India. Imports from Japan included mainly machinery and road & motor vehicles. Imports from United Arab Emirates (UAE) were mainly petroleum products, metal & metal manufacturing, electrical materials and glass & glass wares while imports from Indonesia constituted paper & paper manufacturing, soap & polish, textiles and electrical materials. Kuwait mainly supplied petroleum products.

Imports from European countries accounted for 20.3 percent of total import bills with Italy (29.6 percent), France (14.7 percent), Turkey (12.9 percent), Ukraine (8.9 percent), Germany (6 percent), and Belgium (5.6 percent) being the major origins. Medical & pharmaceutical products, road and motor vehicles, machinery &

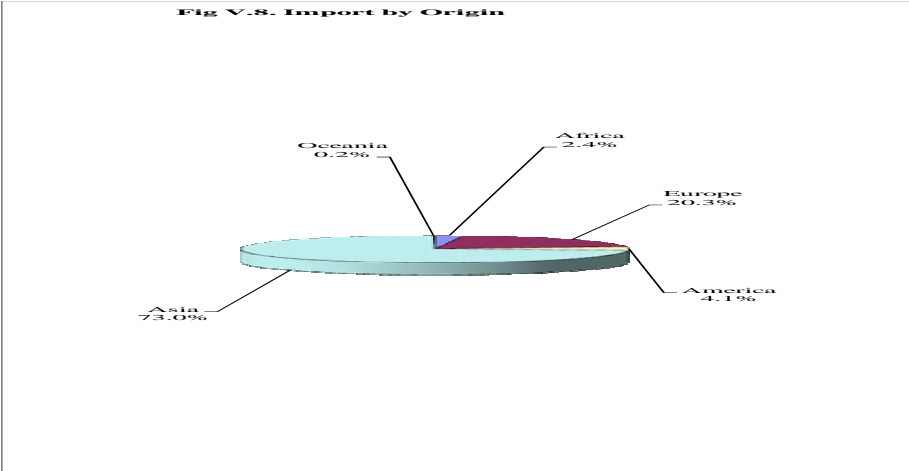


aircraft, grain, metal & metal manufacturing, electrical materials and food & live animals were from Italy while electrical materials, metal & metal manufacturing, food & live animals, machineries & aircraft and medical & pharmaceutical products were imported from France. Metal & metal products, machinery & aircraft, and electrical materials were the primary imports from Turkey. Metals & metal manufacturing and fertilizer were also imported from Ukraine. Imports from Germany mainly included machinery & aircraft, road & motor vehicles, metal & metal manufacturing, medical & pharmaceutical products and paper & paper manufacturing. Major imports from Belgium were medical & pharmaceutical, machinery & aircraft and food & live animals.

At the same time, about 2.4 percent of total import items were from African mainly from South Africa (35.9 percent), Egypt (31.7 percent), Kenya (14.4 percent) and Sudan (7.7). Road & motor vehicles and machinery & aircraft were imported from South Africa; petroleum products, metals & metal manufacturing, food & live animals and paper & paper

manufacturing were from Egypt. Meanwhile, metal & metal manufacturing and chemicals were imported from Kenya and food & live animals from Sudan.

Imports from America constituted (4.1 percent) of the total imports and about (41.3 percent) was from United States of America, (26.2 percent) from Brazil and (5.8 percent) from Canada. Machinery & aircraft, food & live animals, road & motor vehicles and medical & pharmaceutical products were the major imports from USA while machinery & aircraft, road & motor vehicles, and machinery & air craft from Canada.



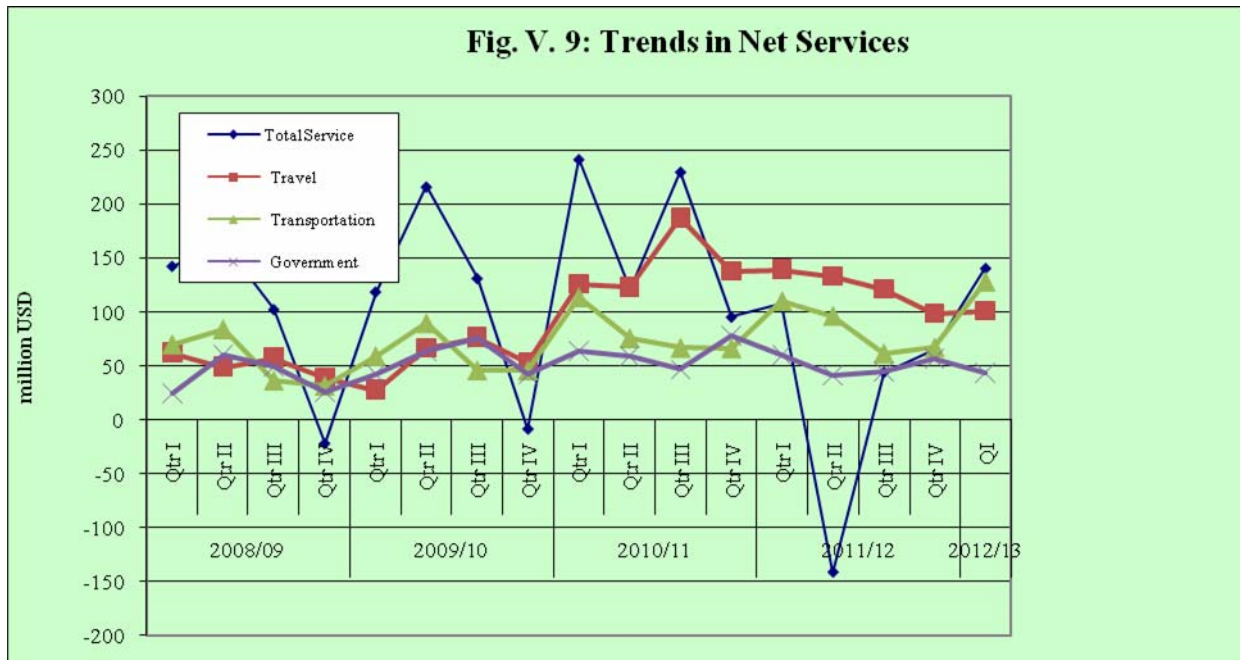
**Source:** Ethiopian Revenue and Customs Authority

### 5.3. Services and Transfers

The service account recorded USD 140.6 million net receipts, up by 30.7 and 117.6 percent vis-à-vis last year same period and the preceding quarter, respectively. The quarter-on-quarter increase in net service receipts was solely attributed to the rise in net transport services (16.4 percent) despite remarkable fall in net travel (27.7 percent), net government (27.8 percent) and net other service payments (38.1 percent).

percent) and travel (2.3 percent) that outweighs the fall in net government (22.8 percent) and other services payments (13.1 percent).

Similarly, the quarterly rise in net service receipts was mainly due to higher receipts from transport (90.5



**Table 5.8: Developments in Services Accounts** (In Millions of USD)

S/N	Particulars	2011/12		2012/13	Percentage Change	
		QI	QIV	QI		
		A	B	C	C/A	C/B
1	Investment Income (2+5)	-16.5	-25.4	-16.9	2.4	-33.5
2	Interest, net (3-4)	-9.2	-23.3	-16.3	77.2	-30.0
3	Credit	2.5	2.8	2.3	-8.0	-17.9
4	Debit	11.7	26.1	18.6	59.0	-28.7
5	Dividend, net	-7.3	-2.1	-0.6	-91.8	-71.4
6	<b>Other Services, net (7-8)</b>	<b>124.1</b>	<b>90.0</b>	<b>157.5</b>	<b>26.9</b>	<b>75.0</b>
7	Exports of non-factor services	761.9	664.1	733.6	-3.7	10.5
	Travel	184.5	140.7	145.2	-21.3	3.2
	Transport <sup>1</sup>	452.3	411.1	466.7	3.2	13.5
	Gov't <sup>2</sup>	61.3	56.2	43.4	-29.2	-22.8
	Other <sup>3</sup>	63.8	56.1	78.3	22.7	39.6
8	Imports of non-factor services	637.8	574.1	576.1	-9.7	0.3
	Travel	44.9	42.0	44.2	-1.6	5.2
	Transport <sup>1</sup>	342.5	344.0	338.9	-1.1	-1.5
	Gov't <sup>2</sup>	1.2				
	Other <sup>3</sup>	249.2	188.1	193.0	-22.6	2.6
9	<b>Net Services (10+11+12+13+14)</b>	<b>107.6</b>	<b>64.6</b>	<b>140.6</b>	<b>30.7</b>	<b>117.6</b>
10	Travel	139.6	98.7	101.0	-27.7	2.3
11	Transport	109.8	67.1	127.8	16.4	90.5
12	Gov't	60.1	56.2	43.4	-27.8	-22.8
13	Other	-185.4	-132	-114.7	-38.1	-13.1
14	Investment Income	-16.5	-25.4	-16.9	2.4	-33.5

**Source:** MoFED, Transport and Telecommunication Companies, NBE- FEMRMD and Staff Compilation.

During the review period, total net transfer receipts declined by 3.5 percent relative to last year same period and stood at USD 1.3 as official and NGO's cash transfers fell by 21.4 and 10.5 percent, respectively, despite the rise in private transfer (25.7 percent).

Net private transfers reached USD 877.5 million during the review period owing to the rise in cash remittance (26.8 percent) that more than offset the 10.5 percent decline in cash transfers from NGO's. During the same period, net official transfers declined noticeably by 36.4 percent against last year same

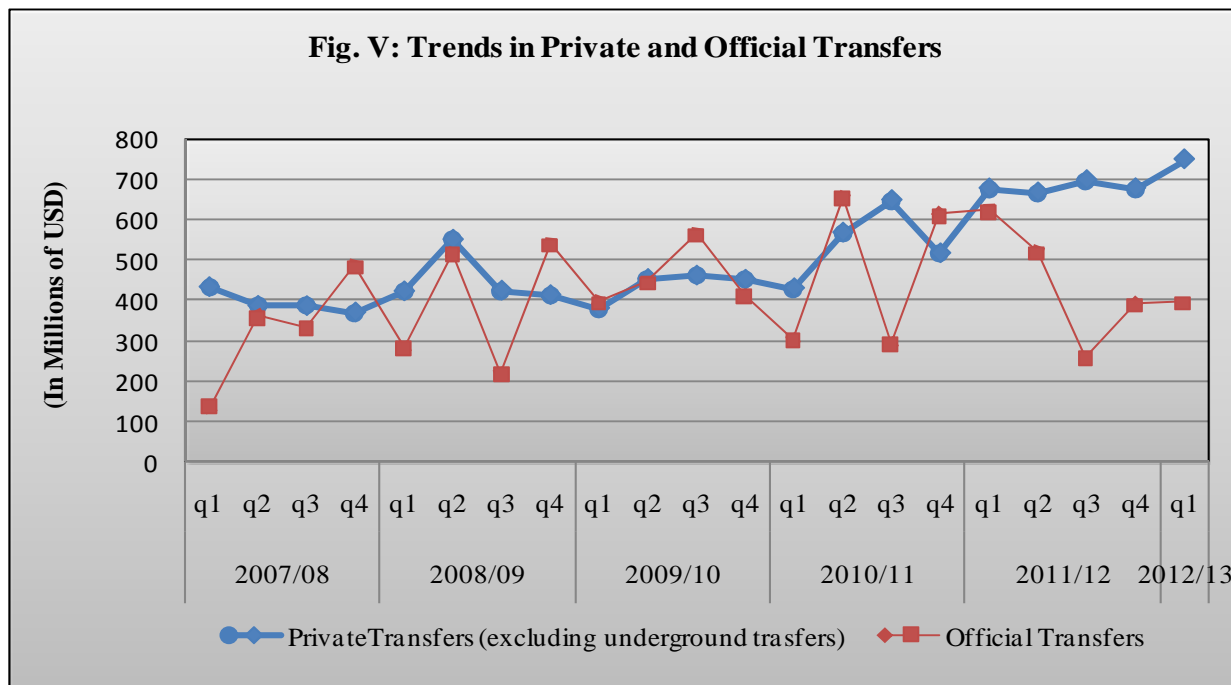
period and amounted to USD 394.7 million as cash transfers from international financial institutions and donor governments fell by 21.4 percent; but showed marginal growth on quarterly basis.

**Table 5.9: Developments in Transfer Accounts**

(In millions of USD)

Particulars	2011/12				2012/13		Percentage Change	
	A		B		C		C/A	C/B
	Q I	% share	Q IV	% share	Q I	% share		
<b>Private Transfers</b>	<b>697.8</b>	<b>52.9</b>	<b>832.4</b>	<b>68.1</b>	<b>877.5</b>	<b>69.0</b>	<b>25.7</b>	<b>5.4</b>
Credit	711.4	53.3	847.1	68.3	891.9	69.3	25.4	5.3
<b>NGO's</b>	<b>324.3</b>	<b>24.3</b>	<b>299.5</b>	<b>24.2</b>	<b>303.6</b>	<b>23.6</b>	<b>-6.4</b>	<b>1.4</b>
Cash	302.4	22.7	257.3	20.8	270.7	21.0	-10.5	5.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	22.0	1.6	42.3	3.4	32.9	2.6	50.0	-92.2
<b>Private individuals</b>	<b>387.0</b>	<b>29.0</b>	<b>547.5</b>	<b>44.2</b>	<b>588.2</b>	<b>45.7</b>	<b>52.0</b>	<b>7.4</b>
Cash	350.8	26.3	385.2	31.1	444.7	34.5	26.8	15.4
In kind	15.3	1.1	6.9	0.6	14.4	1.1	-5.5	-
Under ground Private Transfers	21.0	1.6	155.5	12.5	129.1	10.0	-	-17.0
Debit	-13.5	85.1	-14.7	85.1	-14.4	95.2	6.3	-2.0
<b>Official Transfers</b>	<b>620.7</b>	<b>47.1</b>	<b>390.1</b>	<b>31.9</b>	<b>394.7</b>	<b>31.0</b>	<b>-36.4</b>	<b>1.2</b>
Credit	623.1	46.7	392.7	31.7	395.4	30.7	-36.5	0.7
Cash	503.3	37.7	392.7	31.7	395.4	30.7	-21.4	0.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Food	119.8	9.0	0.0	0.0	0.0	0.0	-	-
Debit	-2.4	14.9	-2.6	14.9	-0.7	4.8	-69.0	-71.4
<b>Total Receipts</b>	<b>1,334.5</b>	<b>101.2</b>	<b>1,239.8</b>	<b>101.4</b>	<b>1,287.3</b>	<b>101.2</b>	<b>-3.5</b>	<b>3.8</b>
<b>Total Payments</b>	<b>-15.9</b>	<b>-1.2</b>	<b>-17.2</b>	<b>-1.4</b>	<b>-15.1</b>	<b>-1.2</b>	<b>-4.9</b>	<b>-12.3</b>
<b>Net Transfers</b>	<b>1,318.6</b>	<b>100.0</b>	<b>1,222.6</b>	<b>100.0</b>	<b>1,272.2</b>	<b>100.0</b>	<b>-3.5</b>	<b>4.1</b>

**Source:** Staff Computation



#### 5.4. Current Account

The current account balance (including official transfers) registered USD 614 million deficit during the first quarter of 2012/13, much higher than the USD 131.4 million deficit recorded last year same period.

#### 5.5. Capital account

In the review period, the capital account recorded USD 413.3 million in surplus; about 5 percent lower than last year

same period due to the fall in other public sector long-term loan disbursement (139.7 percent).

#### 5.6. Changes in Reserve Position

Reflecting the widening merchandise trade deficit, the decline in official transfers and the rise in net service payments that offset the growth in net private transfers and official loan disbursements, the overall balance of payments registered USD 266.5 million deficit during the review period.

Consequently, there has been a USD 269.4 million reserve drawdown in net foreign assets of banking system. The gross reserves as at September 30, 2012 was

sufficient to cover 2.1 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**

The average official exchange rate of the Birr in the inter-bank foreign exchange market stood at Birr 17.8705/USD during the first quarter of 2012/13, depicting a 1.8 and 5.1 percent depreciation against last quarter of the previous fiscal year and the same period last year, respectively.

On the other hand, the average exchange rate of the Birr in the parallel foreign

exchange market marginally appreciated by 0.3 percent on quarterly basis, but depreciated by 6 percent year-on-year to reach Birr 18.44/USD.

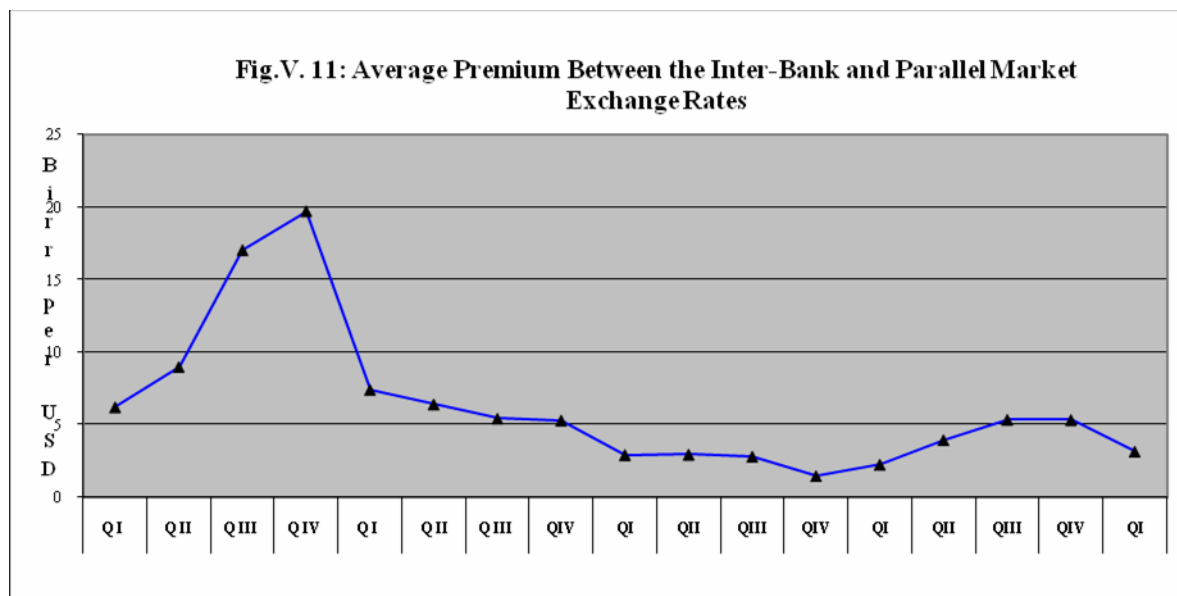
Consequently, the premium between the two market rates narrowed to 3.2 percent in the review period from 5.4 percent in the previous quarter, but widened from 2.3 percent the same quarter a year ago (Table 5.10).



**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						
<b>2011/12</b>								
<b>Qtr. I</b>	<b>C</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>
July		16.9672	16.9421	41.05	0.00	17.25	17.29	2.05
August		17.0290	17.0010	9.00	8.00	17.43	17.34	1.99
September		17.0812	17.0602	30.20	20.55	17.68	17.54	2.81
<b>Qtr. IV</b>	<b>B</b>	<b>17.7305</b>	<b>17.5503</b>	<b>13.1</b>	<b>10.0</b>	<b>18.2750</b>	<b>18.4900</b>	<b>5.35</b>
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
<b>2012/13</b>								
<b>Qtr. I</b>	<b>A</b>	<b>17.9635</b>	<b>17.8705</b>	<b>6.2</b>	<b>3.0</b>	<b>18.6300</b>	<b>18.4400</b>	<b>3.19</b>
July		17.8381	17.7984	4.10	3.00	18.3750	18.2900	2.76
August		17.9072	17.8763	1.15	0.00	18.6300	18.4900	3.43
September		17.9635	17.9368	0.90	0.00	18.6300	18.5400	3.36
Percentage changes	A/B	1.3	1.8	-53.1	-	1.9	-0.3	-40.5
	A/C	5.2	5.1	-92.3	-	5.4	6.0	39.3

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



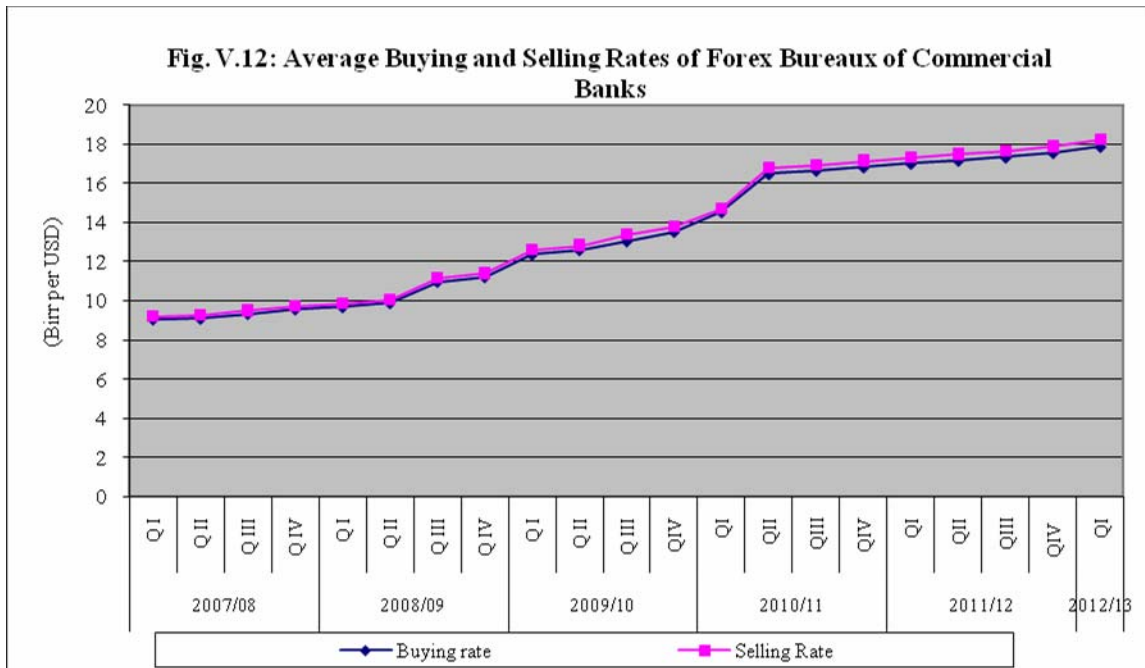
In the review period, the retail foreign exchange buying rate in the forex bureau of commercial banks reached Birr 17.8639/USD on average while the selling rate stood at Birr 18.2219/USD, depicting 1.8 percent & 1.9 percent depreciation, respectively against the preceding quarter and 5.1 percent each annual depreciation (Table 5.11).

As a result, the average spread between the buying and the selling rates was 2 percent (Fig 5.13).

**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	2011/12				2012/13		Percentage change			
		Quarter I		Quarter IV		Quarter I		C/B		C/A	
		A		B		C					
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	13,662.4	386.0	13,589.9	1337.7	17,773.7	250.5	30.8	-81.3	30.1	-35.1
2	Bank of Abyssinia	1749.8	1724.7	1109.4	2144.2	1202.8	1595.2	8.4	-25.6	-31.3	-7.5
3	Dashen Bank	3609.4	6004.6	5540.3	7144.2	7670.9	7412.2	38.5	3.8	112.5	23.4
4	Awash International Bank	1843.9	4224.3	1564.1	3528.7	1718.6	3025.3	9.9	-14.3	-6.8	-28.4
5	Construction & Business Bank	1287.5	183.4	895.6	303.6	1273.5	297.2	42.2	-2.1	-1.1	62.0
6	Wegagen Bank	744.2	1036.0	954.2	1023.5	1813.5	1210.1	90.1	18.2	143.7	16.8
7	United Bank	5554.1	2516.9	4172.4	3040.7	10,002.2	2396.4	139.7	-21.2	80.1	-4.8
8	Development Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Nib International Bank	3650.2	2293.3	1203.1	2301.8	1435.4	1850.1	19.3	-19.6	-60.7	-19.3
10	Lion International Bank	484.6	213.3	469.6	781.1	766.1	261.1	63.1	-66.6	58.1	22.4
11	Oromia International Bank	835.0	290.9	492.6	474.0	571.5	278.3	16.0	-41.3	-31.5	-4.3
12	Zemen Bank	315.3	623.2	1544.2	1634.4	336.7	897.8	-78.2	-45.1	6.8	44.1
13	Cooperative Bank of Oromia	56.6	37.5	167.3	180.3	206.6	127.3	23.5	-29.4	265.0	240.0
14	Buna International Bank	306.2	9.1	136.8	5.0	241.8	239.6	76.7	4692.0	-21.1	2535.6
15	Birhan International Bank	215.9	103.0	40.9	265.3	65.2	14.7	59.3	-94.5	-69.8	-85.7
16	Abay Bank	0.0	0.0	123.1	95.6	260.5	190.4	111.7	99.2	0.0	0.0
17	Addis International Bank	0.0	0.0	15.6	55.5	86.8	37.6	454.8	-32.3	0.0	0.0
	<b>Total</b>	<b>34,315.1</b>	<b>19,646.1</b>	<b>32,019.1</b>	<b>24,315.5</b>	<b>45,425.8</b>	<b>20,083.7</b>	<b>41.9</b>	<b>-17.4</b>	<b>32.4</b>	<b>2.2</b>
	<b>Average Exchange Rate</b>	<b>16.9994</b>	<b>17.3305</b>	<b>17.5454</b>	<b>17.8853</b>	<b>17.8639</b>	<b>18.2219</b>	<b>1.8</b>	<b>1.9</b>	<b>5.1</b>	<b>5.1</b>

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



In the mean time, the average exchange rate of the US dollar appreciated on quarterly basis against Euro (2.9 percent), Swiss Frank (2.73 percent), SDR (0.8 percent) and Pound Sterling (0.25 percent), while it depreciated by 1.9 percent vis-à-vis Japanese Yen.

Likewise, the USD appreciated year-on-year against Swiss Frank (14.6 percent), Euro (11.2 percent), SDR (4.7 percent), Pound Sterling (1.9 percent) and Japanese Yen (1.1 percent) (Table 5.12).

**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
<b>2011/12</b>																
<b>Qtr. I</b>	<b>C</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. IV</b>																
<b>Qtr. IV</b>	<b>B</b>	<b>1.2939</b>	<b>1.2939</b>	<b>1.2939</b>	<b>0.0125</b>	<b>0.0125</b>	<b>0.0125</b>	<b>1.5303</b>	<b>1.5303</b>	<b>1.5303</b>	<b>1.5833</b>	<b>1.5833</b>	<b>1.5833</b>	<b>1.0688</b>	<b>1.0688</b>	<b>1.0688</b>
<b>April</b>		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
<b>May</b>		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
<b>June</b>		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
<b>2012/13</b>																
<b>Qtr. I</b>	<b>A</b>	<b>1.2563</b>	<b>1.2563</b>	<b>1.2563</b>	<b>0.0127</b>	<b>0.0127</b>	<b>0.0127</b>	<b>1.5181</b>	<b>1.5179</b>	<b>1.5180</b>	<b>1.5793</b>	<b>1.5793</b>	<b>1.5793</b>	<b>1.0396</b>	<b>1.0396</b>	<b>1.0396</b>
<b>July</b>		1.2316	1.2316	1.2316	0.0127	0.0127	0.0127	1.5073	1.5073	1.5073	1.5588	1.5588	1.5588	1.0252	1.0252	1.0252
<b>August</b>		1.2534	1.2534	1.2534	0.0127	0.0127	0.0127	1.5116	1.5116	1.5116	1.5706	1.5706	1.5706	1.0311	1.0311	1.0311
<b>September</b>		1.2840	1.2840	1.2840	0.0128	0.0128	0.0128	1.5353	1.5347	1.5350	1.6084	1.6084	1.6084	1.0624	1.0624	1.0624
<b>Percentage change</b>	<b>A/B</b>	<b>-2.90</b>	<b>-2.90</b>	<b>-2.90</b>	<b>1.91</b>	<b>1.92</b>	<b>1.92</b>	<b>-0.80</b>	<b>-0.81</b>	<b>-0.80</b>	<b>-0.25</b>	<b>-0.25</b>	<b>-0.25</b>	<b>-2.73</b>	<b>-2.73</b>	<b>-2.73</b>
	<b>A/C</b>	<b>-11.23</b>	<b>-11.23</b>	<b>-11.23</b>	<b>-1.12</b>	<b>-1.12</b>	<b>-1.12</b>	<b>-4.72</b>	<b>-4.73</b>	<b>-4.73</b>	<b>-1.95</b>	<b>-1.90</b>	<b>-1.92</b>	<b>-14.62</b>	<b>-14.62</b>	<b>-14.62</b>

**Source:** Staff Compilation

In contrast, the Birr depreciated against Japanese Yen by 3.8 percent followed by Pound Sterling (1.6 percent) and SDR (1 percent) but, appreciated against Euro and Swiss Frank on quarterly basis.

Similarly, the Birr depreciated annually by 3.9 percent, 3.1 percent and 0.2

percent vis-à-vis Japanese Yen, Pound Sterling and SDR, respectively, while appreciated by 10.3 percent against Swiss Frank and 6.7 percent against Euro (1.1 percent) (Table 5.13).

**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 Rate
<b>2011/12</b>																			
Qtr. I	C	16.9988	17.1688	17.0838	24.0568	24.2974	24.1771	0.2186	0.2208	0.2197	27.0839	27.3548	27.2194	27.3793	27.6379	27.5086	20.6973	20.9043	20.8008
July		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
August		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
September		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
Qtr. IV	B	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	18.8451
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	19.1701
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	18.8475
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	18.5177
<b>2012/13</b>																			
Qtr. I	A	17.8684	18.0471	17.9578	22.4499	22.6745	22.5622	0.2272	0.2294	0.2283	27.1260	27.3939	27.2599	28.2203	28.5025	28.3614	18.5767	18.7625	18.6696
July		17.7937	17.9716	17.8827	21.9137	22.1328	22.0233	0.2251	0.2274	0.2263	26.8202	27.0884	26.9543	27.7360	28.0134	27.8747	18.2424	18.4248	18.3336
August		17.8748	18.0536	17.9642	22.4046	22.6287	22.5166	0.2272	0.2295	0.2284	27.0201	27.2903	27.1552	28.0749	28.3556	28.2153	18.4316	18.6159	18.5237
September		17.9368	18.1161	18.0264	23.0315	23.2618	23.1467	0.2291	0.2314	0.2303	27.5376	27.8030	27.6703	28.8501	29.1386	28.9943	19.0562	19.2467	19.1515
Percentage change	A/B	1.83	1.83	1.83	-1.11	-1.11	-1.11	3.77	3.79	3.78	1.03	1.02	1.02	1.59	1.59	1.59	-0.93	-0.93	-0.93
	A/C	5.12	5.12	5.12	-6.68	-6.68	-6.68	3.93	3.93	3.93	0.16	0.14	0.15	3.07	3.13	3.10	-10.25	-10.25	-10.25

Source: Staff Compilation

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

Currency	Sep-11	Jun-12	Sep-12	Percentage change	
	C	B	A	A/B	A/C
<b>USD</b>	17.1666	17.8192	18.0533	1.3	5.2
<b>Pound</b>	26.8658	27.7320	29.2211	5.4	8.8
<b>Swedish Kroner</b>	2.5359	2.5231	2.7338	8.4	7.8
<b>Djibouti Frank</b>	0.0963	0.1000	0.1005	0.5	4.3
<b>Swiss Frank</b>	19.1784	18.4693	19.2057	4.0	0.1
<b>Saudi Riyal</b>	4.5771	4.7513	4.8140	1.3	5.2
<b>UAE Dirham</b>	4.6736	4.8513	4.9151	1.3	5.2
<b>Canadian Dollar</b>	16.6666	17.3642	18.3993	6.0	10.4
<b>Japanese Yen</b>	0.2238	0.2243	0.2323	3.6	3.8
<b>Euro</b>	23.4033	22.1849	23.2148	4.6	-0.8
<b>SDR</b>	26.9648	26.9757	27.8296	3.2	3.2

**Source:** Staff Compilation

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

Despite the depreciation of the nominal exchange rate of the Birr, the real effective exchange rate (REER) continued to appreciate during the first quarter of the current fiscal year, and reached 11.7 percent due to relatively high domestic inflation compared to those of major trading partner countries.

However, the rate of appreciation of the REER has declined as a result of the concerted effort of the government to control inflation (Table 5.15).



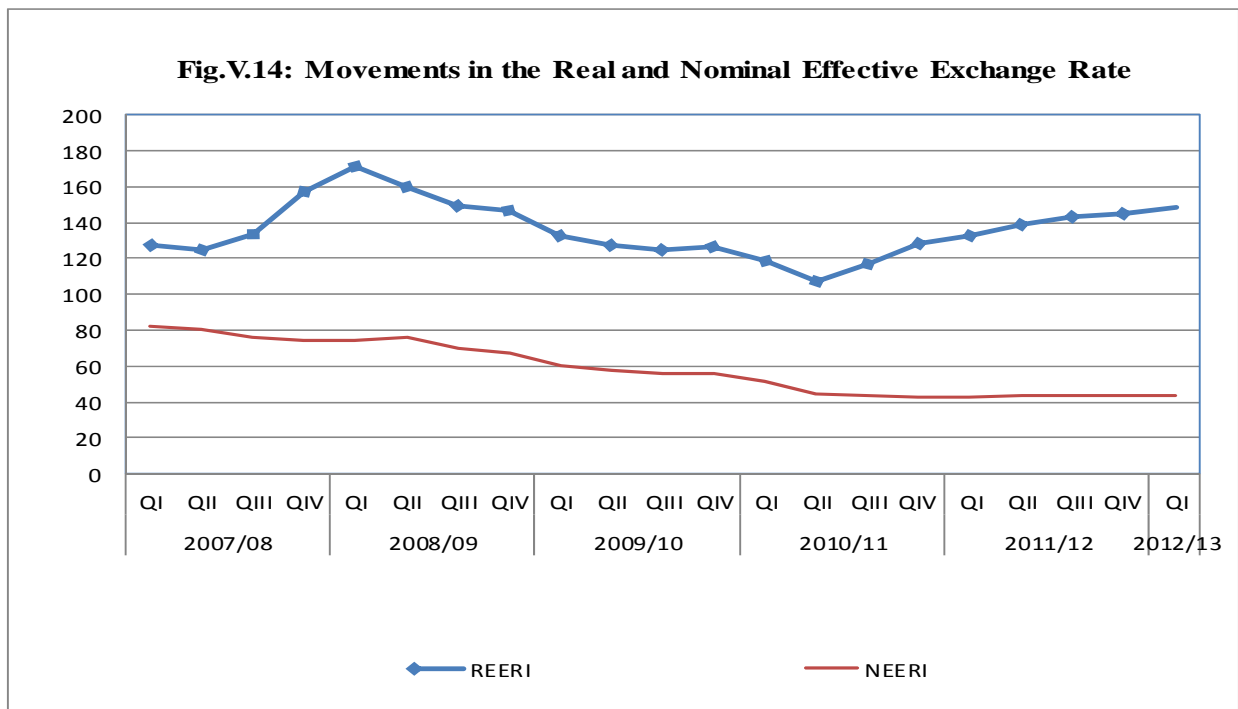
**Table 5.15: Trends in the Real and Nominal Effective Exchange Rates**

Items	2011/12		2012/13	Percentage Change	
	QI	QIV	QI		
	A	B	C	C/B	C/A
<b>REERI</b>	132.7	145.3	148.3	2.1	11.7
<b>NEERI</b>	42.8	43.2	43.2	0.0	0.9

**Source:** Staff Compilation

**NB:**

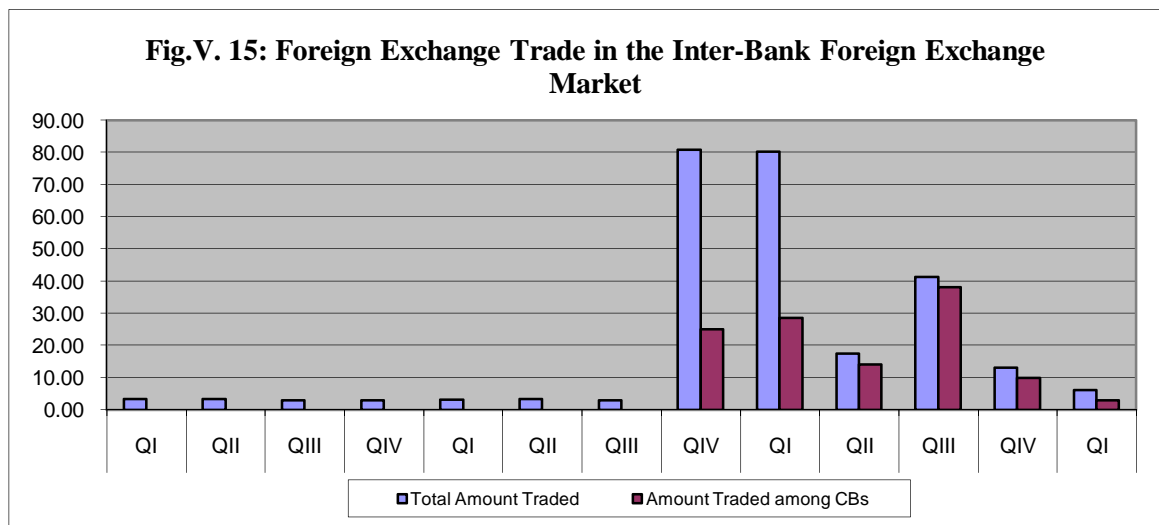
- REERI = Real Effective Exchange Rate Index, NEERI = Nominal Effective Exchange Rate Index
- A decrease in the REERI and NEERI implies depreciation and vice versa.



### 5.7.3. Volume of Transactions

In the first quarter of 2012/13, the total amount of foreign exchange traded in the inter-bank foreign exchange market was USD 6.2 million which was significantly lower than USD 13.1 million traded in the preceding quarter and USD 80.3 million last year same period.

Of the total foreign exchange traded in the inter-bank foreign exchange market, USD 3 million was among commercial banks and the remaining USD 3.2 million between NBE and commercial banks.(Table5.10)



Meanwhile, forex bureau of commercial banks purchased about USD 45.4 million and sold USD 20.1 million foreign exchange depicting 32.4 percent and 2.2 percent growth compared to last year same period.

Their average buying and selling exchange rates stood at Birr 17.8639/USD and Birr 18.2219 /USD respectively, resulting in 2.0 percent premium between the two rates (Table 5.11).