

## **V. External Sector Developments**

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

In the second quarter of 2012/13, the overall balance of payments registered USD 0.4 million surplus, much higher than USD 380.7 million deficit recorded a year ago.

This was attributed to the surge in private transfers (58.9 percent) and

improvement in capital account (123.2 percent), namely loan disbursement and other public long term capital.

**Table 5.1: Balance of Payments**

(In Millions of USD)

S/N	Particulars	2011/12	2012/13		Percentage Change	
		QII	QI	QII	C/A	C/B
		A	B	C		
<b>1</b>	<b>Exports,f.o.b.</b>	<b>594.5</b>	<b>698.1</b>	<b>716.1</b>	20.5	2.6
	Coffee	112.3	199.3	161.9	44.2	-18.8
	Other	482.2	498.8	554.2	14.9	11.1
<b>2</b>	<b>Imports</b>	<b>2,793.6</b>	<b>2,724.7</b>	<b>3,082.3</b>	<b>10.3</b>	<b>13.1</b>
	Fuel	531.2	529.9	520.7	-2.0	-1.7
	Cereals	254.1	97.8	110.4	-56.6	12.9
	Aircraft	27.7	0.7	3.8	-86.3	442.9
	Imports excl. fuel, cereals, aircraft	1,980.6	2,096.3	2,447.4	23.6	16.7
<b>3</b>	<b>Trade Balance (1-2)</b>	<b>-2,199.1</b>	<b>-2,026.6</b>	<b>-2,366.2</b>	<b>7.6</b>	<b>16.8</b>
<b>4</b>	<b>Services, net</b>	<b>-141.4</b>	<b>140.6</b>	<b>62.1</b>	-143.9	-55.8
	Non-factor services, net	-106.7	157.5	97.1	-191.0	-38.3
	Exports of non-factor services	749.7	733.6	743.7	-0.8	1.4
	Imports of non-factor services	856.4	576.1	646.6	-24.5	12.2
	Income, net	-34.7	-16.9	-35.0	0.9	107.1
	O/w Gross official int. payment	32.6	18.6	36.3	11.3	95.2
	Dividend	-3.9	-0.6	-1.0	-74.4	66.7
<b>5</b>	<b>Private transfers</b>	<b>771.0</b>	<b>877.4</b>	<b>1,224.8</b>	<b>58.9</b>	<b>39.6</b>
	o/w: Private Individuals	404.8	588.2	595.2	47.0	1.2
<b>6</b>	<b>Current account balance (3+4+5)</b>	<b>-1,569.5</b>	<b>-1,008.6</b>	<b>-1,079.3</b>	<b>-31.2</b>	<b>7.0</b>
<b>7</b>	<b>Official transfers</b>	<b>518.5</b>	<b>394.7</b>	<b>306.0</b>	<b>-41.0</b>	<b>-22.5</b>
<b>8</b>	<b>Current account balance (6+7)</b>	<b>-1,051.0</b>	<b>-613.9</b>	<b>-773.3</b>	<b>-26.4</b>	<b>26.0</b>
<b>9</b>	<b>Capital account</b>	<b>479.4</b>	<b>413.3</b>	<b>1,069.7</b>	<b>123.2</b>	<b>158.8</b>
	Off. Long-term Cap., net	201.1	213.2	313.7	56.0	47.2
	Disbursements	226.6	220.0	345.0	52.3	56.8
	Amortization	25.5	6.8	31.3	22.7	357.9
	Other pub. long-term cap.	8.4	-35.8	427.6		
	Foreign Direct Investment(net)	280.2	252.6	293.6	4.8	16.2
	Short-term Capital	-10.3	-16.7	34.8	-437.8	-308.7
<b>10</b>	<b>Errors and omissions</b>	<b>190.9</b>	<b>-66.0</b>	<b>-296.0</b>		
<b>11</b>	<b>Overall balance (8+9+10)</b>	<b>-380.7</b>	<b>-266.5</b>	<b>0.4</b>		
<b>12</b>	<b>Financing</b>	<b>380.7</b>	<b>266.5</b>	<b>-0.4</b>		
13	Reserves (-; Increase)	382.4	269.4	1.8		
14	Central Bank (NFA)	290.4	-132.1	-58.0		
	Asset	478.8	-232.2	-97.3		
	Liabilities	-188.4	100.1	39.3		
15	Commercial banks (net)	92.1	401.5	59.8		
16	Debt Relief	-1.7	-2.9	-2.2		
	Principal	1.3	2.5	1.1		
	Interest	0.4	0.4	1.1		

Source: NBE Staff Compilation

Total current foreign exchange receipts in the review quarter amounted to USD 3 billion, about 13.6 percent higher than the same period last year due to increases in export of goods (20.5 percent) and net private transfers (58.9 percent). It also showed a 10.6 percent growth over the preceding quarter, owing to higher net private transfers (39.6 percent), export earnings (2.6 percent) and services (1.4 percent).

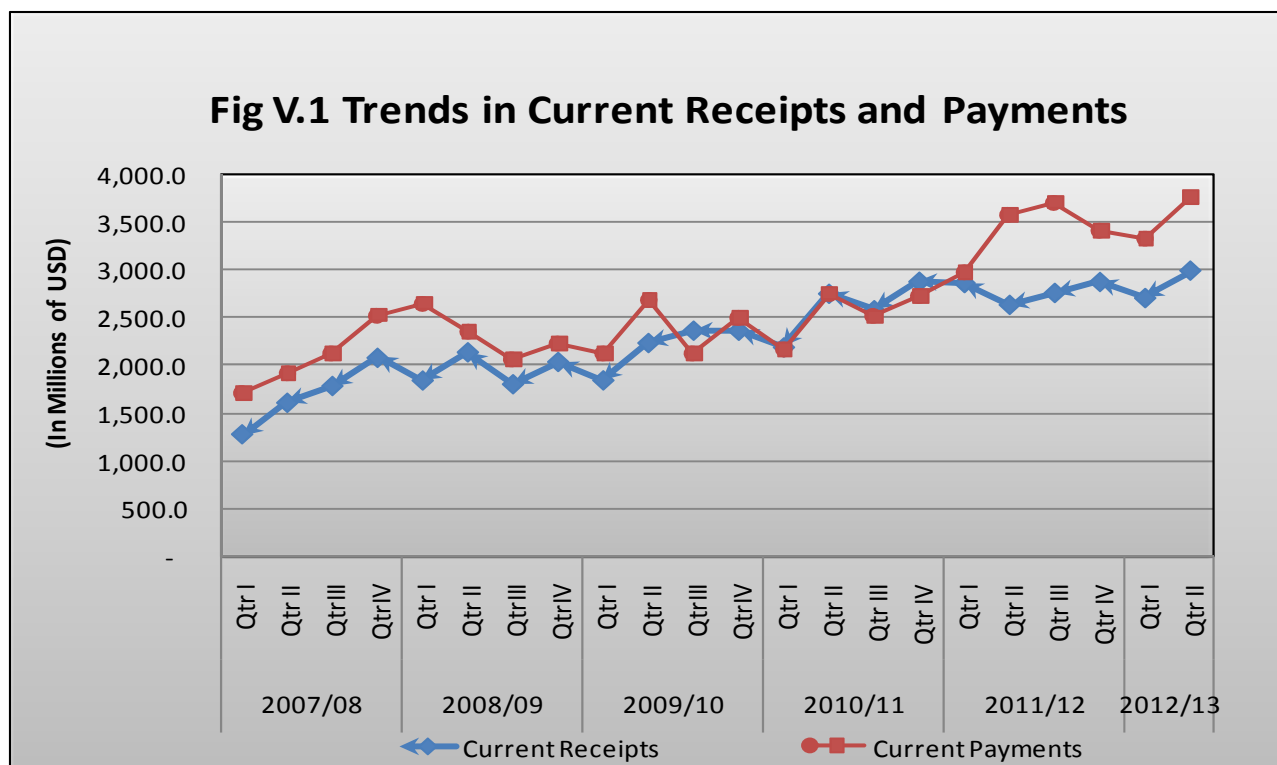
Similarly, total current foreign exchange payments rose by 2.2 percent on quarter-on-quarter basis and stood at USD 3.7 billion on account of the rise in merchandise imports (10.8 percent). Consequently, the current account balance recorded USD 772.3 million net outflows, compared to over USD1 billion last year (Table 5.2).

**Table 5.2 Current Receipts and Payments**

(In millions of USD)

Particulars	2011/12	2012/13		Percentage Change	
	Qtr II	Qtr I	Qtr II	C/A	C/B
	A	B	C		
<b>1. Current Receipts</b>	<b>2,635.5</b>	<b>2,706.1</b>	<b>2,992.9</b>	<b>13.6</b>	<b>10.6</b>
Export Proceeds	594.5	698.1	716.1	20.5	2.6
Service Proceeds	751.5	735.9	746.0	-0.7	1.4
Private Transfers(net)	771.0	877.4	1,224.8	58.9	39.6
Public Transfer(net)	518.5	394.7	306.0	-41.0	-22.5
<b>2. Current Payments</b>	<b>3,682.6</b>	<b>3,319.4</b>	<b>3,765.2</b>	<b>2.2</b>	<b>13.4</b>
Import Payments	2,793.6	2,724.7	3,082.3	10.3	13.1
Service Payments	889.0	594.7	682.9	-23.2	14.8
<b>3. Net(1-2)</b>	<b>-1,047.1</b>	<b>-613.3</b>	<b>-772.3</b>	<b>-26.2</b>	<b>25.9</b>

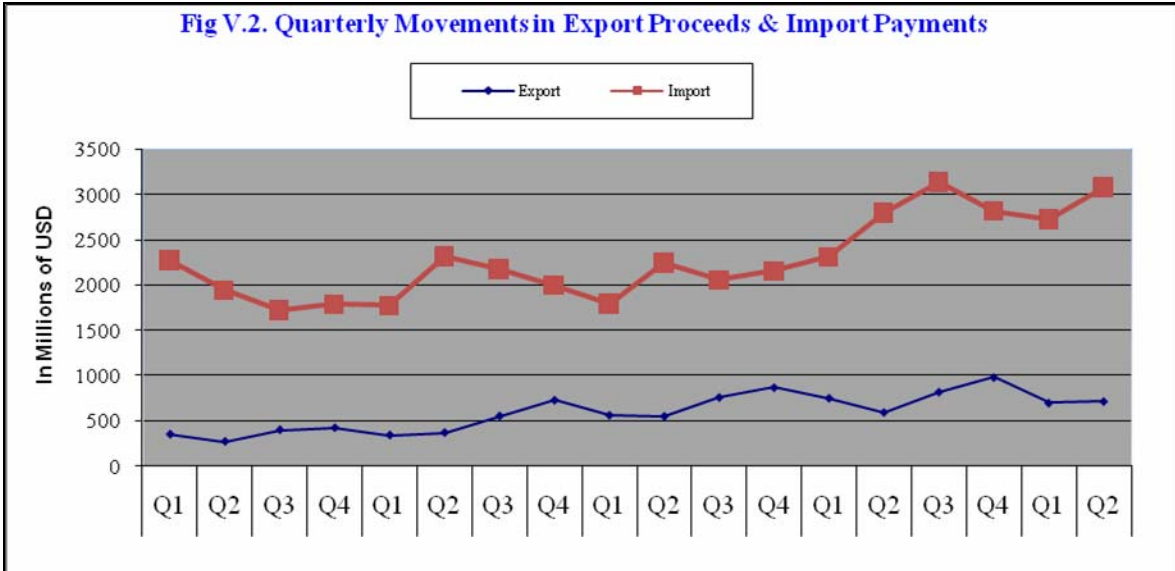
**Source:** Staff Compilation



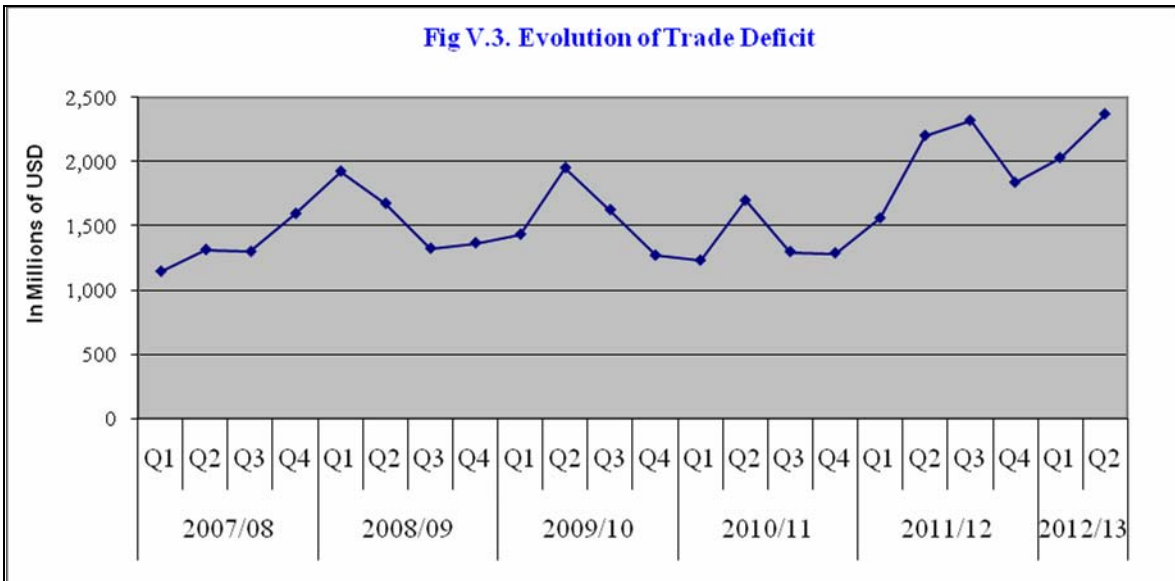
## 5.2 Merchandise Trade

The deficit in merchandise trade during the second quarter of 2012/13 stood at USD 2.4 billion and widened by 7.6 percent compared to the same period last

year as a result of higher import bill which outweighed the growth in total exports.



**Source:** Ethiopian Revenue and Customs Authority



**Source:** NBE Staff Compilation

## 5.2.1 Exports

Total merchandise exports increased by 2.6 percent on quarterly and 20.5 percent annual bases and amounted to USD 716.1 million. The annual growth in export was ascribed to higher export earnings from coffee (44.3 percent), oilseeds (61.5 percent), pulses (65 percent), gold (9.2 percent) and chat (11.5 percent) either due to higher volume or international price.

Despite decline in international price (31.7 percent), receipts from coffee export reached USD 161.9 million, due

to 44.3 percent rise in price and 111.2 percent surge in volume compared to the same quarter a year ago. Quarter wise however, coffee export revenue declined by 18.8 percent as both volume and international price decline. The share of coffee in total export earnings rose to 22.6 percent from 18.9 percent last year but tended to decline compared with the preceding quarter.

**Table 5.3 Values of Major Export Items**

(In millions of USD)

Particulars	2011/12		2012/13				Percentage Change	
	Qtr II		Qtr I		Qtr II		C/B	C/A
	A	% share	B	% share	C	% share		
Coffee	112.3	18.9	199.3	28.6	161.9	22.6	-18.8	44.3
Oilseeds	60.5	10.2	61.5	8.8	97.6	13.6	58.8	61.5
Leather & Leather products	34.9	5.9	24.7	3.5	32.2	4.5	30.3	-7.7
Pulses	33.7	5.7	48.1	6.9	55.6	7.8	15.7	65.0
Meat & Meat Products	19.7	3.3	20.5	2.9	17.0	2.4	-16.8	-13.7
Fruits & Vegetables	10.6	1.8	10.1	1.5	9.6	1.3	-5.1	-9.0
Live Animals	47.56	8.0	49.0	7.0	43.98	6.1	-10.3	-7.5
Chat	59.22	10.0	69.5	10.0	66.05	9.2	-5.0	11.5
Gold	123.6	20.8	132.7	19.0	135.0	18.9	1.7	9.2
Flower	46.4	7.8	37.2	5.3	45.1	6.3	21.3	-2.7
Others	46.1	7.8	45.5	6.5	52.0	7.3	14.3	12.7
<b>Total</b>	<b>594.5</b>	<b>100.0</b>	<b>698.1</b>	<b>100.0</b>	<b>716.1</b>	<b>100.0</b>	<b>2.6</b>	<b>20.5</b>

**Source:** Ethiopian Revenue and Customs Authority

The rise in earnings from export of oilseeds vis-à-vis same period last year was ascribed to a significant increase in

both volume (51 percent) and international price (7 percent). Similarly, the 58.8 percent rise against the preceding quarter was due to a 52.3

percent increase in the volume of export and a marginal increase in international price (4.3 percent). Consequently, the share of oilseeds export revenue increased to 13.6 percent from 10.2 and 8.8 percent last year same period and the preceding quarter, respectively.

The increase in the earnings from export of pulses compared to last year same quarter was the result of higher volume of exports (71.9 percent), despite a slight decline (4 percent) in international price. Quarter wise, export proceeds from pulses went up by 15.7 percent and reached USD 55.6 million as the volume of export increased by 20.1 percent although world price declined by 3.7 percent.

Revenue from gold export reached USD 135 million depicting 9.2 percent yearly and 1.7 percent quarterly growth rate as both volume and price of gold tended to rise. However, the share of gold export proceeds in total export revenue declined to 18.9 percent from 20.8 percent and 19 percent compared to last year same period and the previous quarter, respectively.

Earnings from export of chat went up to USD 66.1 million as a result of a 13.7 percent improvement in the volume of export in spite of a 1.9 percent fall in international prices. In contrast, against the preceding quarter, the export revenue went down by 5 percent owing to lower volume although the price increased by 1.4 percent. Consequently, chat revenue accounted for 9.2 percent of the total export proceeds of the country 10 percent lower than last year same period.

On the other hand, export revenue from live animals was USD 44 million showing 7.5 percent decline relative to last year same period on account of 19.7 percent decline in volume. It also dropped compared to the preceding quarter, solely due to a lower volume though international price went up by 3.5 percent. As a result, the share of revenue from live animals in total export earnings decreased to 6.1 percent from 8 percent a year ago.

Despite 15.2 percent increase in international price, earning from exports of leather & leather products fell by 7.7 percent on yearly terms and stood at USD 32.2 million owing to 19.9 percent

a decrease in volume. However, in relation to the preceding quarter, leather & leather products export fetched 30.3 percent, more revenue mainly due to a 34.1 percent increase in the volume despite 2.8 percent decline in international price. The receipts from these exports items accounted for 4.5 percent of the total merchandise export compared to 5.9 percent a year earlier.

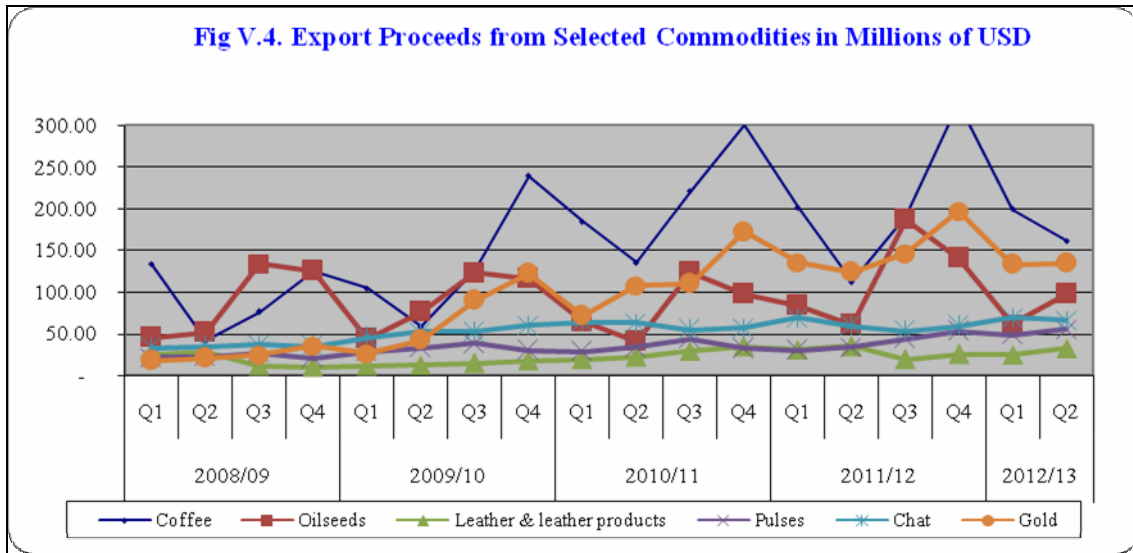
Export revenue from meat & meat products reached USD 17 million depicting a 13.7 percent decline compared to the previous year same quarter due to 21 percent drop in volume despite 9.3 percent rise in international price.

Earning from export of flower was USD 45.1 million which showed a 2.7 percent decline against the same quarter last year owing to lower volume of

export (12.1 percent) although international price improved by 10.7 percent. However, the receipt from flower exports improved by 21.3 percent as compared to the preceding quarter as both the volume and international price improved. Consequently, the share of flower in total export revenue went down to 6.3 percent from 7.8 percent a year ago.

Earnings from export of fruits and vegetables fell by 9 percent vis-à-vis last year same period solely owing to a 13.5 percent decline in the international price. Likewise, despite an increase in the international prices, export revenue from fruits and vegetables dropped by 5.1 percent on quarterly basis owing to lower volume of export.





**Source:** Ethiopian Revenue and Customs Authority

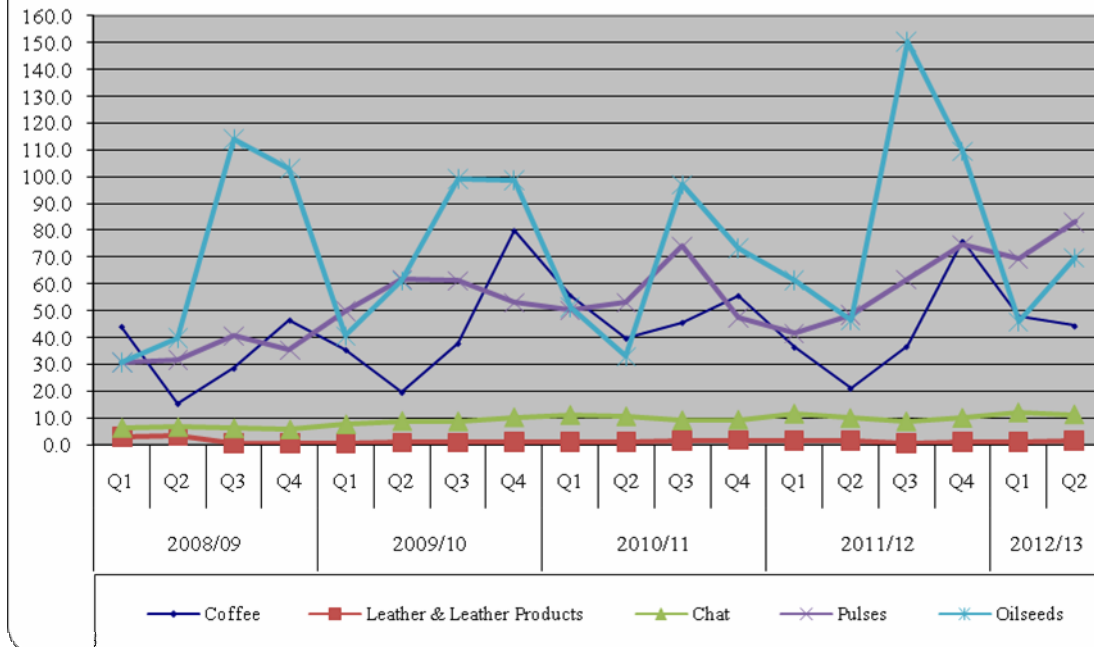
**Table 5.4 Volume of Major Export Items**

(In millions of kg.)

Particulars	2011/12		2012/13		Percentage Change	
	Qtr II	Qtr I	Qtr I	Qtr II	C/B*100-100	C/A*100-100
	A	B	B	C		
Coffee	20.9	47.8	47.8	44.2	-7.4	111.2
Oilseeds	46.1	45.7	45.7	69.6	52.3	51.0
Leather and Leather products	1.5	0.9	0.9	1.2	34.1	-19.9
Pulses	48.4	69.3	69.3	83.1	20.1	71.9
Meat & Meat Products	4.5	4.4	4.4	3.6	-18.3	-21.0
Fruits & Vegetables	29.2	34.5	34.5	30.7	-11.0	5.2
Live Animals	33.7	31.2	31.2	27.1	-13.3	-19.7
Chat	10.1	12.3	12.3	11.5	-6.3	13.7
Gold	0.0	0.0	0.0	0.0	4.7	5.4
Flower	11.6	8.7	8.7	10.2	16.5	-12.1

**Source:** Ethiopian Revenue and Customs Authority

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



**Source:** Ethiopian Revenue and Customs Authority

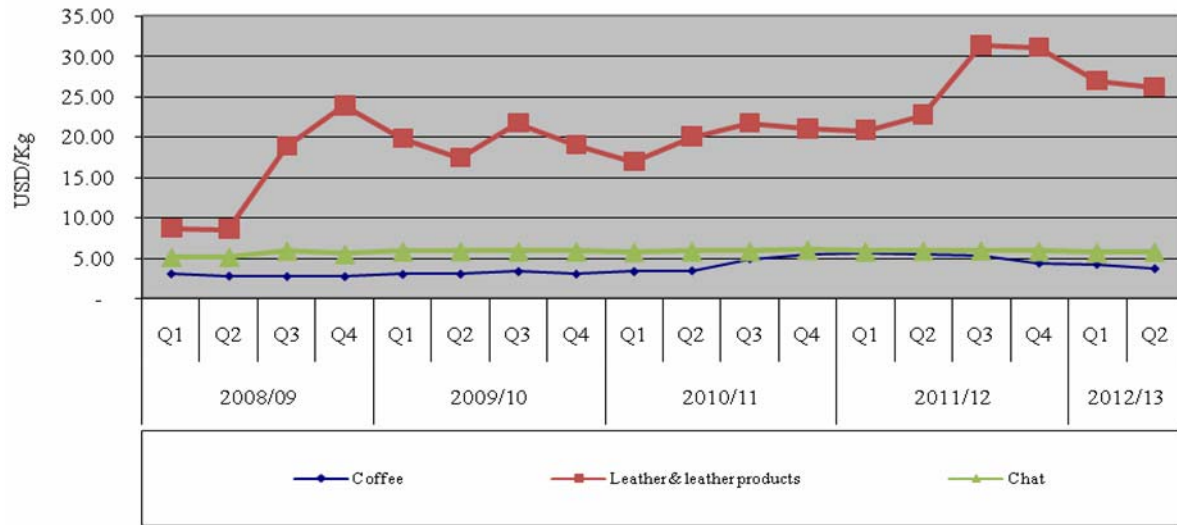
**Table 5.5 Unit value of Major Export Items**

(In USD/kg)

Particulars	2011/12		2012/13	Percentage Change	
	Qtr II	Qtr I	Qtr II	C/B*100-100	C/A*100-100
	A	B	C		
Coffee	5.4	4.2	3.7	-12.2	-31.7
Oilseeds	1.3	1.3	1.4	4.3	7.0
Leather and Leather products	22.7	26.9	26.2	-2.8	15.2
Pulses	0.7	0.7	0.7	-3.7	-4.0
Meat & Meat Products	4.3	4.7	4.8	1.8	9.3
Fruits & Vegetables	0.4	0.3	0.3	6.7	-13.5
Live Animals	1.4	1.6	1.6	3.5	15.2
Chat	5.9	5.7	5.8	1.4	-1.9
Gold (USD/gram)	50.1	53.5	52.0	-2.9	3.7
Flower	4.0	4.3	4.4	4.2	10.7

**Source:** NBE Staff Compilation

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



**Source:** NBE Staff Compilation

### 5.2.2 Imports

Total value of merchandise import during the second quarter of 2012/13 grew by 10.3 percent on yearly and 13.1 percent quarterly bases. As a result, the total import bill reached USD 3.1 billion.

The yearly increase was mainly attributed to higher imports of capital goods (41 percent) and semi-finished goods (20.8 percent).

**Table 5.6 Values of Major Import Items**

(In millions of USD)

Particulars	2011/12		2012/13				Percentage Changes	
	Quarter II	% share	Quarter I	% share	Quarter II	% share	C/B	C/A
	A		B		C			
Raw Materials	66.4	2.4	45.5	1.7	37.7	1.2	-17.3	-43.3
Semi-finished Goods	424.9	15.2	380.3	14.0	513.2	16.6	35.0	20.8
Fertilizers	76.8	2.7	11.1	0.4	90.1	2.9	711.9	17.3
Fuel	531.2	19.0	529.9	19.4	520.7	16.9	-1.7	-2.0
Petroleum Products	519.0	18.6	516.0	18.9	513.0	16.6	-0.6	-1.2
Others	12.2	0.4	13.9	0.5	7.7	0.2	-44.5	-36.6
Capital Goods	716.6	25.7	831.7	30.5	1,010.7	32.8	21.5	41.0
Transport	240.8	8.6	194.9	7.2	243.4	7.9	24.9	1.1
Agricultural	29.1	1.0	48.1	1.8	34.0	1.1	-29.3	16.7
Industrial	446.6	16.0	588.7	21.6	733.3	23.8	24.6	64.2
Consumer Goods	998.6	35.7	859.9	31.6	911.3	29.6	6.0	-8.7
Durables	267.5	9.6	259.9	9.5	301.0	9.8	15.8	12.5
Non-durables	731.1	26.2	599.9	22.0	610.3	19.8	1.7	-16.5
Miscellaneous	55.9	2.0	77.4	2.8	88.7	2.9	14.6	58.7
<b>Total Imports</b>	<b>2,793.6</b>	<b>100.0</b>	<b>2,724.7</b>	<b>100.0</b>	<b>3,082.2</b>	<b>100.0</b>	<b>13.1</b>	<b>10.3</b>

Source: Ethiopian Revenue and Customs Authority

Import of capital goods in the review period showed a 41 percent growth, vis-à-vis the same period last year. Imports of transport and industrial capital goods gave rise to the quarterly increase in overall capital goods import, while imports of transport, agricultural and industrial capital goods were the major contributing factors for quarter-on-

quarter growth of imports of capital goods in general.

Likewise, imports of semi-finished goods increased by 20.8 percent in relation to last year same period and amounted to USD 513.2 million. Similarly, it increased by 35 percent relative to the preceding quarter mainly due to a rise in the import of fertilizer.

In contrast, import bills for consumer goods during the review period went down by 8.7 percent quarter-on-quarters to USD 911.3 million mainly due to a decline in non-durable goods (16.5 percent). However, imports of consumer goods showed a 6 percent increment over the preceding quarter due to higher imports of durable goods (15.8 percent) and marginal growth of non-durable goods (1.7 percent). Consequently, the share of consumer goods in total imports fell to 29.6 percent from 35.7 percent the same period last year.

In the same period, imports of raw materials shrunk by 43.3 percent over the same period last year to USD 37.7 million.

Similarly, fuel import bill declined by 2 percent vis-à-vis a year ago and reached USD 520.7 million. It also declined by

1.7 percent compared to the preceding quarter. As a result, the share of fuel import bill in total import decreased to 16.9 percent from 19 percent in the same quarter last year.

Total franco-valuta imports increased by 12.6 percent as compared to last year but declined by 21.2 percent relative to the preceding quarter.

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

(In millions of USD)

Particulars	2011/12		2012/13	Percentage Change	
	Qtr II	Qtr I	Qtr II	C/B*100-100	C/A*100-100
	A	B	C		
Vehicles	0.000	0.0000	0.0000	-	-
Vehicle Spare Parts	0.023	0.0061	0.0179	193.91	-23.86
Other Spare Parts	0.059	0.0124	0.0564	353.95	-4.45
Textile & Ready Made	0.0002	0.00127	0.0000	-100.00	-100.00
Household Goods	0.0011	0.0000	0.0303	-	2664.92
Medicine & Medical Equip.	0.061	0.0002	0.0033	1971.83	-94.63
Food Stuffs	0.002	0.0002	0.0000	-	-
Electronic Goods	0.001	0.0047	0.0569	1114.56	5942.93
Machinery Equip. & Spare Parts	0.043	0.0013	0.1688	13200.18	296.55
Others	6.805	9.96	7.54	-24.29	10.80
<b>Total</b>	<b>6.995</b>	<b>9.99</b>	<b>7.87</b>	<b>-21.15</b>	<b>12.56</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 destination for Ethiopian exports accounting for 37.4 percent of the total value of exports during the review quarter. Switzerland, took a 50.5 percent share in total exports to Europe, and it was the largest market largely for gold export, followed by Netherlands, (13.6 percent), mainly for flower, vegetables, oilseeds, meat & meat products, textile & garments and live animal exports.

Germany accounted for 14.3 percent of the total exports, the main export items being coffee, textile & garments, flower and live animals.

Asia constituted 25.4 percent share of the total Ethiopian's exports, with China (23.3 percent), Saudi Arabia (17.9 percent), United Arab Emirates (12.8 percent), Japan (11.3 percent), Israel (6.8 percent), India (5 percent), and Hong Kong (4.7 percent) being

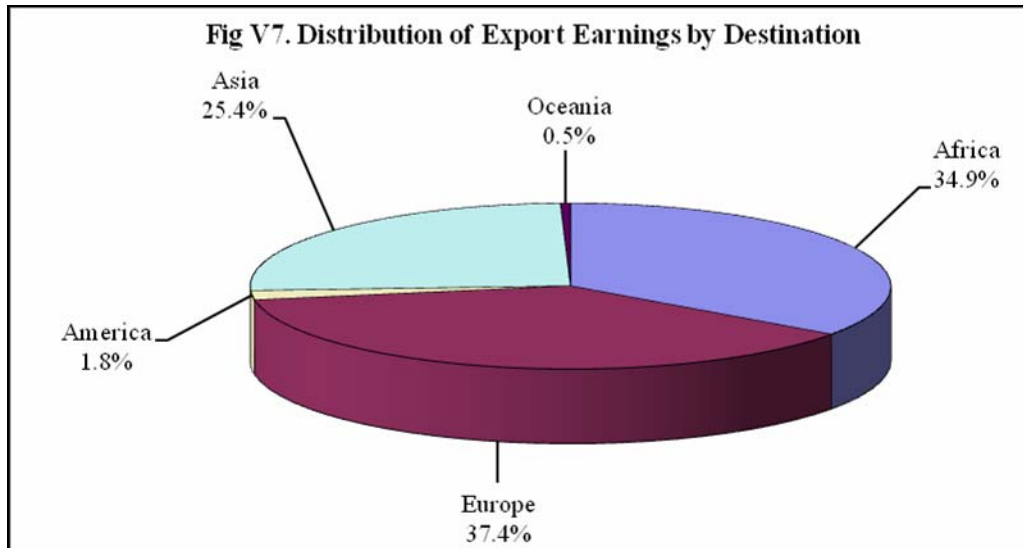
the major destinations for Ethiopian exports. Altogether, these countries' share in total export value of the country was about 82 percent.

The main export products shipped to China consisted of oilseeds, leather & leather products and textile & garments. Coffee, meat & meat products, oilseeds, live animals and textile & garments were the main exports to Saudi Arabia. Meat & meat products, oilseeds, live animals, vegetables and pulses were sent to UAE. Japan imported mainly coffee and oilseeds. Major exports to Israel were oilseeds. India imported largely pulses, mineral products and oilseeds. Leather & leather products went to Hong Kong.

About 34.9 percent of Ethiopia's export earnings generated from markets in Africa. Somalia, Djibouti and Sudan altogether accounted for 95.4 percent of the total

exports to Africa. The main export items to Somalia were coffee, vegetables, pulses, live animals, leather & leather products and flower. Ethiopian exports to Djibouti consisted of oilseeds, vegetables, live animals, flower, and textile & garments. Live animals, pulses, spices, coffee and vegetables were the main exports to Sudan.

About 1.8 percent of total Ethiopian export earnings originated from America, of which 49.3 percent was from the United States which bought largely oilseeds, coffee and leather & leather products. Brazil constituted 4.7 percent of the total Ethiopian exports to the America mainly coffee.



**Source:** Ethiopian Revenue and Customs Authority

### 5.2.3.2 Imports

About 73.5 percent of the total Ethiopian imports during the second quarter of 2012/13 originated from Asian countries where China supplied 27.2 percent, Saudi Arabia 17.3 percent, Kuwait 14.1 percent, India 11 percent and Japan 5.5 percent.

The major imports from China were electrical materials, machinery & aircraft, road & motor vehicles, metals & metal manufacturing, clothing, textiles,

rubber products, fertilizers, chemicals, medical & pharmaceutical products and paper & paper manufacturing. Petroleum products and fertilizers were the major items imported from Saudi Arabia. The main import from Kuwait was petroleum. Machinery & aircraft, metals & metal manufacturing, medical & pharmaceutical products, electrical materials, grain, road & motor vehicles, rubber products, paper & paper



manufacturing and chemicals were imported from India. Imports from Japan included mainly road & motor vehicles, machineries & aircraft and rubber products.

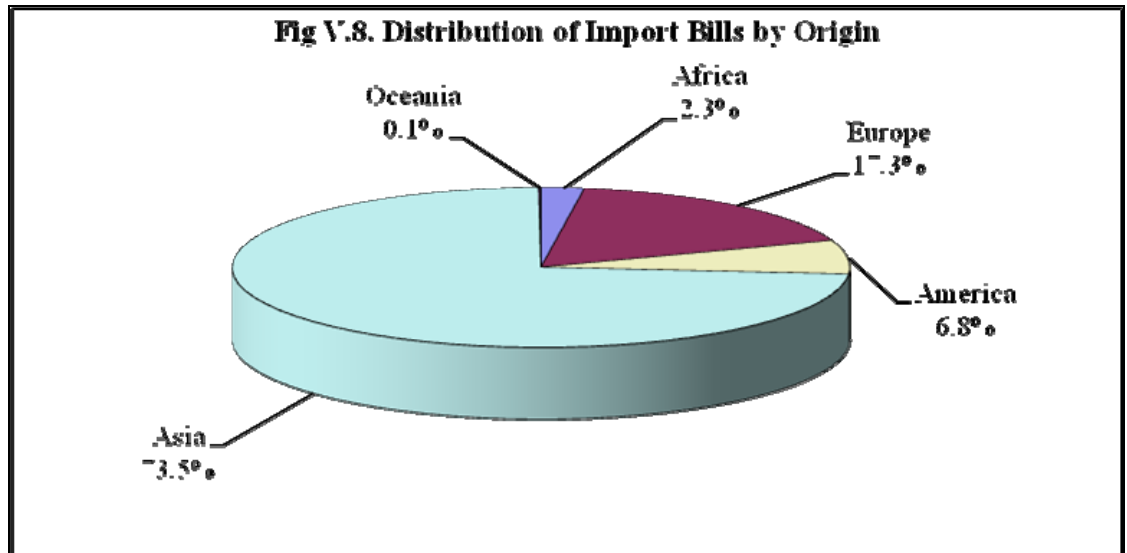
Imports from European countries accounted for 17.3 percent of total import bills with Italy (20.7 percent), Turkey (17.5 percent), Germany (9.3 percent), Belgium (7.7 percent), France (7.6 percent), Ukraine (6.8 percent), United Kingdom (4.3 percent) and Spain (3.1 percent) being the major import markets. Machinery & aircraft, road & motor vehicles, electrical materials metal & metal manufacturing, medical & pharmaceutical products, grain, and rubber products were bought from Italy, metal & metal products, machineries & aircraft and electrical materials from Turkey, machinery & aircraft, road & motor vehicles, electrical materials, metal & metal manufacturing, medical & pharmaceutical products, paper & paper manufacturing and rubber products from Germany. The major imports from Belgium included medical & pharmaceutical products, machinery & aircraft and grain.

Electrical materials, metal & metal manufacturing, machineries & aircraft, metals & metal manufacturing, medical & pharmaceutical products, food & live animals and road & motor vehicles were imported from France. Metals & metal manufacturing were imported from Ukraine. Imports from United Kingdom mainly included machinery & aircraft, road & motor vehicles, medical & pharmaceuticals products, metal & metal manufacturing, beverages and electrical materials.

Imports from America accounted for 6.8 percent of the total imports of which about 80.9 and 10 percent were from the United States of America and Brazil. Grain, machinery & aircraft, food & live animals, medical & pharmaceutical products, road & motor vehicles, metal & metal manufacturing and electrical materials were the major imports from USA while machinery & aircraft, road & motor vehicles were from Canada.

At the same time, about 2.3 percent of total import items were from African nations mainly from South Africa (45.3 percent), Egypt (34.1 percent), Kenya

(11.6 percent) and Sudan (3.8). Road & motor vehicles, machinery & aircraft, electrical materials, medical & pharmaceutical products and metal & metal manufacturing were bought from South Africa. Petroleum products, metals & metal manufacturing, rubber products, food & live animals, electrical materials and paper & paper manufacturing were imported from Egypt. Metal & metal manufacturing and chemicals came from Kenya.

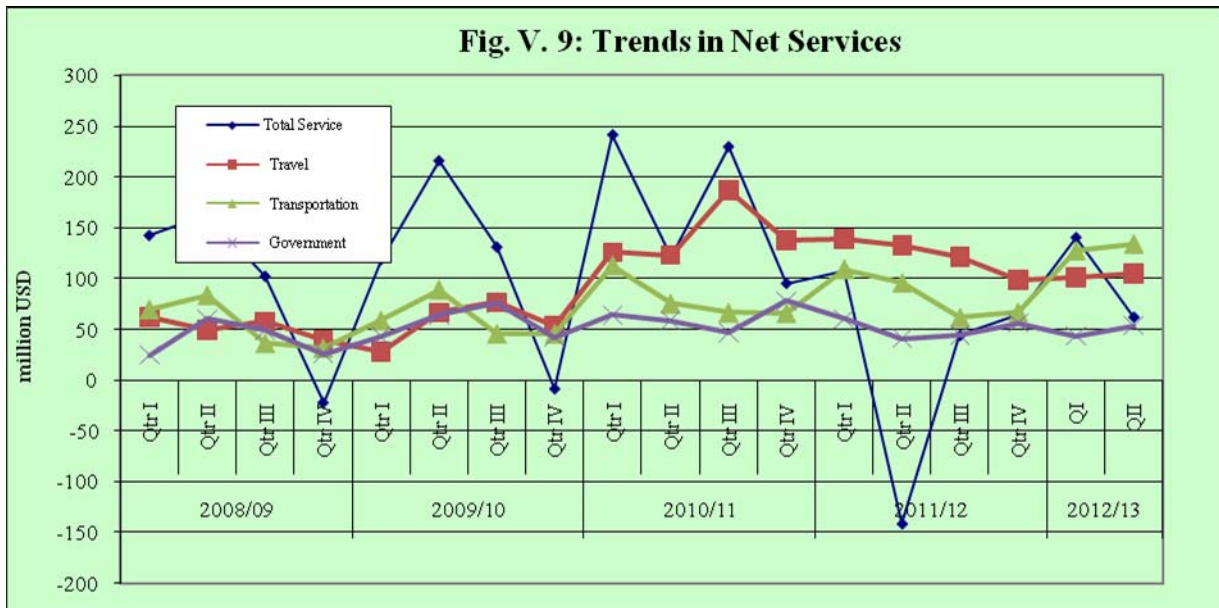


**Source:** Ethiopian Revenue and Customs Authority

### 5.3 Services and Transfers

The services account recorded USD 62.1 million net receipts, up from USD 141.4 million deficit last year same period. On account of the rise in net transport

services (39.9 percent) and government services (30.3 percent).



**Table 5.8: Developments in Services Accounts**

(In Millions of USD)

S/ N	Particulars	2011/12	2012/13		Percentage Change	
		QII	QI	QII	C/A	C/B
		A	B	C		
1	Investment Income (2+5)	-34.7	-16.9	-35.0	0.9	107.1
2	Interest, net (3-4)	-30.8	-16.3	-34.0	10.4	108.6
3	Credit	1.8	2.3	2.3	27.8	
4	Debit	32.6	18.6	36.3	11.3	95.2
5	Dividend, net	-3.9	-0.6	-1.0	-74.4	66.7
6	<b>Other Services, net (7-8)</b>	<b>-106.7</b>	<b>157.5</b>	<b>97.1</b>	<b>-191.0</b>	<b>-38.3</b>
7	Exports of non-factor services	749.7	733.6	743.7	-0.8	1.4
	Travel	187.9	145.2	153.6	-18.3	5.8
	Transport <sup>1</sup>	448.8	466.7	472.8	5.3	1.3
	Gov't <sup>2</sup>	48.8	43.4	54.0	10.7	24.4
	Other <sup>3</sup>	64.2	78.3	63.3	-1.4	-19.2
8	Imports of non-factor services	856.4	576.1	646.6	-24.5	12.2
	Travel	54.8	44.2	48.5	-11.5	9.7
	Transport <sup>1</sup>	352.6	338.9	338.2	-4.1	-0.2
	Gov't <sup>2</sup>	7.6	-	0.3	-96.1	-
	Other <sup>3</sup>	441.4	193.0	259.6	-41.2	34.5
9	<b>Net Services (10+11+12+13+14)</b>	<b>-141.4</b>	<b>140.6</b>	<b>62.1</b>	<b>-143.9</b>	<b>-55.8</b>
10	Travel	133.1	101.0	105.1	-21.0	4.1
11	Transport	96.2	127.8	134.6	39.9	5.3
12	Gov't	41.2	43.4	53.7	30.3	23.7
13	Other	-377.2	-114.7	-196.3	-48.0	71.1
14	Investment Income	-34.7	-16.9	-35	0.9	107.1

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

During the review period, total net transfer receipts increased by 18.5 and 20.1 percent relative to last year same period and previous quarter, respectively and reached USD 1.5 billion. This was ascribed to significant growth in private transfers despite decline in official transfers.

Compared to last year same period, net private transfers reached USD 1.2 billion owing to higher cash remittances from private individuals and food aid from NGO's.

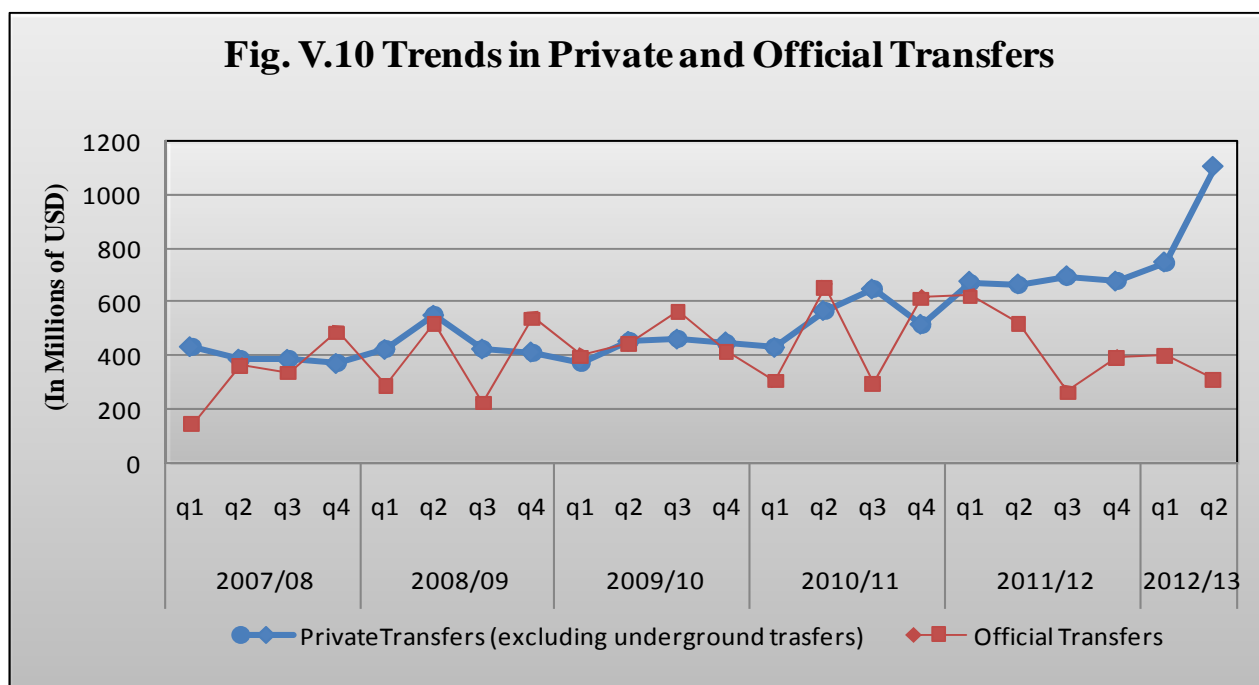
Net official transfers reached USD 306 million during the review period about 41 and 22.5 percent lower than last year and the preceding quarter as cash transfers from international financial institutions and donors declined by 42.4 and 22.3 percent, respectively.

**Table 5.9: Developments in Transfers Account**

(In millions of USD)

Particulars	2011/12		2012/13				Percentage Change	
	A	% share	B	% share	C	% share	C/A	C/B
	QII		Q I		Q II			
<b>Private Transfers</b>	<b>771.0</b>	<b>59.8</b>	<b>877.5</b>	<b>69.0</b>	<b>1222.8</b>	<b>80.0</b>	<b>58.6</b>	<b>39.3</b>
Credit	795.1	59.8	891.9	69.3	1243.5	80.2	56.4	39.4
<b>NGO's</b>	<b>390.3</b>	<b>29.4</b>	<b>303.6</b>	<b>23.6</b>	<b>648.3</b>	<b>41.8</b>	<b>66.1</b>	<b>113.5</b>
Cash	340.1	25.6	270.7	21.0	302.3	19.5	-11.1	11.7
Other	0.0	0.0	0.0	0.0	0.0	0.0		
Food	50.2	3.8	32.9	2.6	346.0	22.3	<b>588.7</b>	<b>950.5</b>
<b>Private individuals</b>	<b>404.8</b>	<b>30.5</b>	<b>588.2</b>	<b>45.7</b>	<b>595.2</b>	<b>38.4</b>	<b>47.0</b>	<b>1.2</b>
Cash	293.7	22.1	444.7	34.5	465.0	30.0	58.3	4.6
In kind	7.0	0.5	14.4	1.1	10.8	0.7	54.8	-24.9
Under ground Private Transfers	104.1	7.8	129.1	10.0	119.4	7.7	14.7	-7.5
Debit	-24.1	61.3	-14.4	95.2	-20.7	92.4	-14.0	44.1
<b>Official Transfers</b>	<b>518.5</b>	<b>40.2</b>	<b>394.7</b>	<b>31.0</b>	<b>305.7</b>	<b>20.0</b>	<b>-41.0</b>	<b>-22.5</b>
Credit	533.7	40.2	395.4	30.7	307.4	19.8	-42.4	-22.3
Cash	533.7	40.2	395.4	30.7	307.4	19.8	-42.4	-22.3
Other	0.0	0.0	0.0	0.0	0.0	0.0		
Food	0.0	0.0	0.0	0.0	0.0	0.0		
Debit	-15.2	38.7	-0.7	4.8	-1.7	7.6	-88.9	131.8
Total Receipts	1,328.8	103.0	1,287.3	101.2	1,550.9	101.5	16.7	20.5
Total Payments	-39.3	-3.0	-15.1	-1.2	-22.4	-1.5	-43.0	48.4
<b>Net Transfers</b>	<b>1,289.5</b>	<b>100.0</b>	<b>1,272.2</b>	<b>100.0</b>	<b>1,528.5</b>	<b>100.0</b>	<b>18.5</b>	<b>20.1</b>

**Source:** Staff Computation



### 5.4 Current Account

The current account balance (including official transfers) registered USD 773.3 million deficit during the second quarter of 2012/13, much lower than USD 1.05

billion deficit recorded last year same period. This was because of the rise in net services and private transfers (58.9 percent).

### 5.5 Capital account

In the review period, the capital account recorded USD 1.1 billion surplus, showing significant rises of 123.2 and 158.8 percent compared with last year same period and previous quarter,

respectively. This was due to the surge in official and other public sector net long-term loan disbursement and foreign direct investment.

## **5.6 Changes in Reserve Position**

The significant rise in private transfers and capital account which more than offset the widening trade deficit and the decline in official transfers resulted in USD 0.4 million surplus in the overall balance of payments. Consequently, net

foreign assets of the banking system showed USD 1.8 million reserve build up. Accordingly, the gross reserve as at December 31, 2012 was sufficient to cover 2.1 months of projected import of goods and non-factor services of next year.

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

### **5.7.1 Exchange Rate Movements**

During the second quarter of 2012/13, the average official exchange rate of the Birr in the inter-bank foreign exchange market was Birr 18.0782/USD which depreciated by 1.2 percent quarterly and 5.4 percent annually.

Similarly, the Birr in the parallel market depreciated by 1.6 and 5.0 percent against to the previous quarter

and last year same quarter, respectively to reach Birr 18.7333/USD.

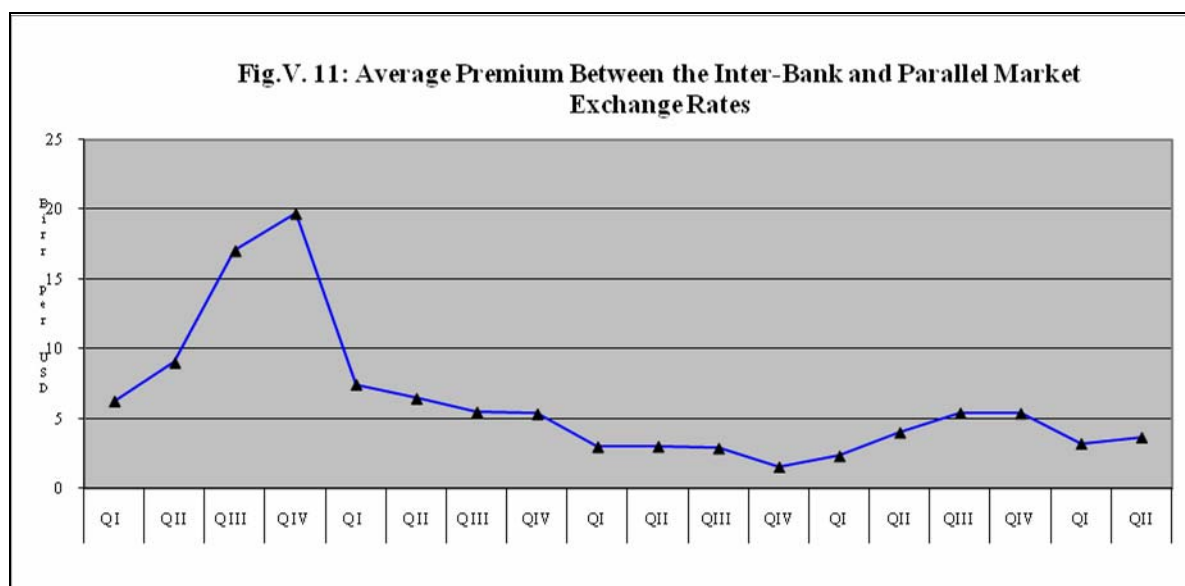
Hence, the average spread between the official and the parallel market exchange rates widened to 3.6 percent in the review period from 3.2 percent in the preceding quarter, but it narrowed compared to 4 percent in the same quarter of last year (Table 5.10).



**Table 5.10: Developments in Inter-bank and Parallel Market 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. II</b>	<b>C</b>	<b>17.2201</b>	<b>17.1522</b>	<b>17.5</b>	<b>14.2</b>	<b>17.9300</b>	<b>17.8333</b>	<b>3.97</b>
<b>October</b>		17.1277	17.1064	1.05	0.00	17.83	17.84	4.29
<b>November</b>		17.1716	17.1517	6.10	5.00	17.78	17.78	3.66
<b>December</b>		17.2201	17.1986	10.30	9.15	17.93	17.88	3.96
<b>2012/13</b>								
<b>Qtr. I</b>	<b>B</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>
<b>July</b>		17.8381	17.7984	4.10	3.00	18.3750	18.2900	2.76
<b>August</b>		17.9072	17.8763	1.15	0.00	18.6300	18.4900	3.43
<b>September</b>		17.9635	17.9368	0.90	0.00	18.6300	18.5400	3.36
<b>Qtr. II</b>	<b>A</b>	<b>18.1843</b>	<b>18.0782</b>	<b>3.3</b>	<b>0.0</b>	<b>19.4300</b>	<b>18.7333</b>	<b>3.62</b>
<b>October</b>		18.0346	18.0038	1.10	0.00	18.4300	18.4700	2.59
<b>November</b>		18.1109	18.0780	1.10	0.00	18.8750	18.6700	3.27
<b>December</b>		18.1843	18.1527	1.05	0.00	19.4300	19.0600	5.00
<b>Percentage changes</b>	<b>A/B</b>	<b>1.2</b>	<b>1.2</b>	<b>-47.2</b>	<b>-</b>	<b>4.3</b>	<b>1.6</b>	<b>13.7</b>
	<b>A/C</b>	<b>5.6</b>	<b>5.4</b>	<b>-81.4</b>	<b>-</b>	<b>8.4</b>	<b>5.0</b>	<b>-8.7</b>

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



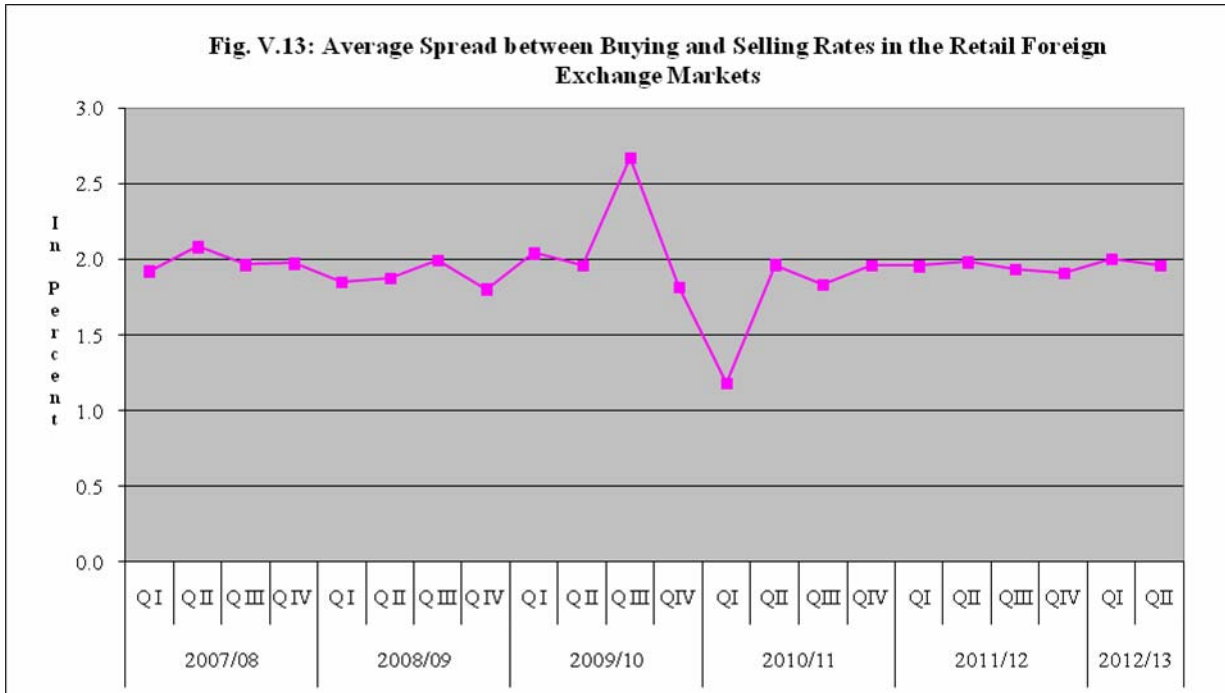
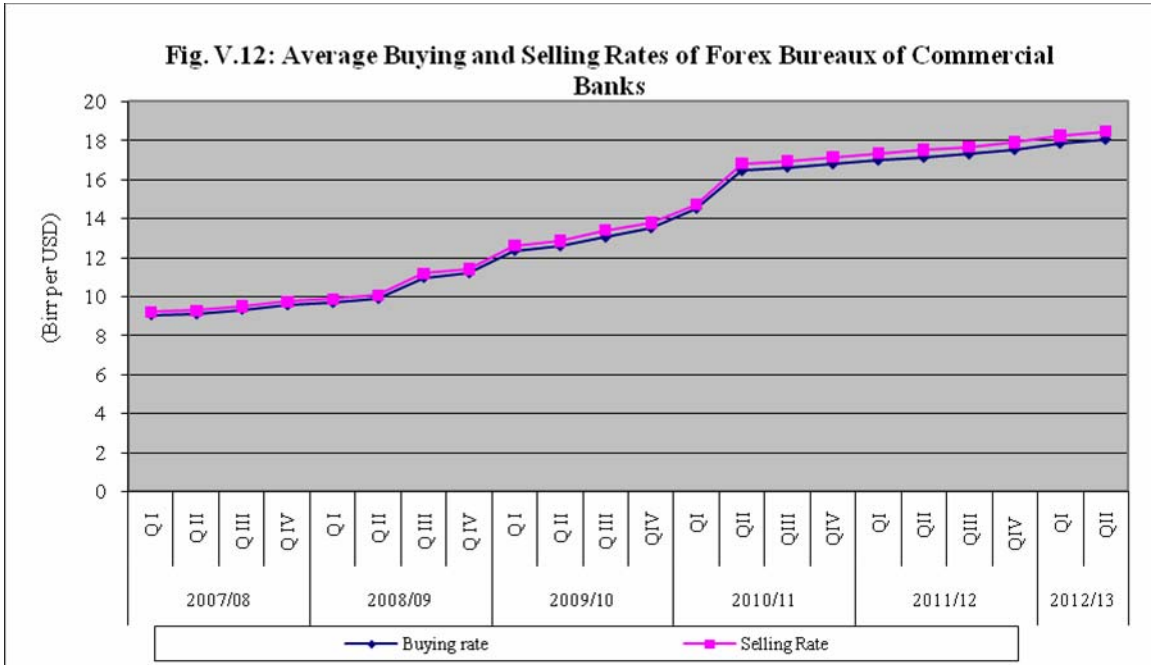
With regard to the retail foreign exchange market, the average buying rate in foreign exchange bureau of commercial banks was Birr 18.0743/USD, while the selling rate stood at Birr 18.4291/USD, showing 1.2 and 1.0 percent depreciation, respectively against the preceding quarter and 5.4 percent annual depreciation each (Table 5.11).

Thus, the average spread between the buying and the selling rates narrowed to 1.96 percent from 2.13 percent in the preceding quarter and 1.98 percent in the same period last year.

**Table 5.11: Amount of Foreign Exchange Purchased and Sold by Forex Bureaux of Commercial Banks (In '000 of USD)**

No.	Name of Forex Bureaux	2011/12		2012/13				Percentage change			
		Quarter II		Quarter I		Quarter II		C/B		C/A	
		A		B		C					
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	15,885.5	225.9	17,773.7	250.5	15,203.8	580.7	-14.5	131.9	-4.3	157.0
2	Bank of Abyssinia	1,627.9	1,507.4	1,202.8	1,595.2	1,275.4	1,685.0	6.0	5.6	-21.6	11.8
3	Dashen Bank	4,033.6	7,985.6	7,670.9	7,412.2	7,485.3	9,888.0	-2.4	33.4	85.6	23.8
4	Awash International Bank	1,823.4	3,114.6	1,718.6	3,025.3	1,913.3	3,154.7	11.3	4.3	4.9	1.3
5	Construction & Business Bank	1,341.8	263.9	1,273.5	297.2	1,495.9	78.9	17.5	-73.5	11.5	-70.1
6	Wegagen Bank	720.9	1,170.4	1,813.5	1,210.1	2,123.2	903.1	17.1	-25.4	194.5	-22.8
7	United Bank	5,440.0	3,176.2	10,002.2	2,396.4	5,854.2	2,229.4	-41.5	-7.0	7.6	-29.8
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	2,985.7	1,591.7	1,435.4	1,850.1	1,671.7	1,678.4	16.5	-9.3	-44.0	5.4
10	Lion International Bank	534.9	364.2	766.1	261.1	1,328.5	153.7	73.4	-41.1	148.4	-57.8
11	Oromia International Bank	523.4	232.1	571.5	278.3	572.8	400.2	0.2	43.8	9.4	72.4
12	Zemen Bank	433.9	917.5	336.7	897.8	286.3	551.6	-15.0	-38.6	-34.0	-39.9
13	Cooperative Bank of Oromia	83.5	317.9	206.6	127.3	135.4	207.8	-34.5	63.2	62.1	-34.6
14	Buna International Bank	246.1	12.6	241.8	239.6	970.7	73.0	301.5	-69.5	294.4	479.4
15	Birhan International Bank	125.5	309.9	65.2	14.7	128.3	31.4	96.9	113.6	2.2	-89.9
16	Abay Bank	84.6	57.2	260.5	190.4	276.4	154.9	6.1	-18.6	-	-
17	Addis International Bank	1.1	0.5	86.8	37.6	509.6	42.7	487.2	13.7	-	-
	<b>Total</b>	<b>35,891.8</b>	<b>21,247.5</b>	<b>45,425.8</b>	<b>20,083.7</b>	<b>41,230.8</b>	<b>21,813.7</b>	<b>-9.2</b>	<b>8.6</b>	<b>14.9</b>	<b>2.7</b>
	<b>Average Exchange Rate</b>	<b>17.1476</b>	<b>17.4875</b>	<b>17.8610</b>	<b>18.2411</b>	<b>18.0743</b>	<b>18.4291</b>	<b>1.19</b>	<b>1.03</b>	<b>5.40</b>	<b>5.38</b>

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



During the review period, the average exchange rate of the US dollar depreciated on quarterly basis against Swiss Frank (3.67 percent), Euro (3.23 percent), Pound Sterling (1.71 percent),

and SDR (1.21 percent), while it appreciated by 2.93 percent vis-à-vis the Japanese Yen.

On the other hand, the rate appreciated year-on-year against Japanese Yen (4.58 percent), Euro (3.86 percent), Swiss Franc (1.77 percent), SDR (1.65 percent), and Japanese Yen (4.5 percent), but it depreciated vis-à-vis Pound Sterling (2.16 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 FRANC		
		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. II</b>	<b>C</b>	<b>1.3490</b>	<b>1.3490</b>	<b>1.3490</b>	<b>0.0129</b>	<b>0.0129</b>	<b>0.0129</b>	<b>1.5622</b>	<b>1.5622</b>	<b>1.5622</b>	<b>1.5723</b>	<b>1.5723</b>	<b>1.5723</b>	<b>1.0972</b>	<b>1.0972</b>	<b>1.0972</b>
<b>October</b>		1.3685	1.3685	1.3685	0.0131	0.0131	0.0131	1.5699	1.5699	1.5699	1.5732	1.5732	1.5732	1.1130	1.1130	1.1130
<b>November</b>		1.3590	1.3590	1.3590	0.0129	0.0129	0.0129	1.5690	1.5697	1.5694	1.5823	1.5823	1.5823	1.1043	1.1043	1.1043
<b>December</b>		1.3195	1.3195	1.3195	0.0128	0.0128	0.0128	1.5477	1.5469	1.5473	1.5614	1.5614	1.5614	1.0742	1.0742	1.0742
<b>2012/13</b>																
<b>Qtr. I</b>	<b>B</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>Qtr. II</b>	<b>A</b>	<b>1.2969</b>	<b>1.2969</b>	<b>1.2969</b>	<b>0.0123</b>	<b>0.0123</b>	<b>0.0123</b>	<b>1.5364</b>	<b>1.5364</b>	<b>1.5364</b>	<b>1.6062</b>	<b>1.6062</b>	<b>1.6062</b>	<b>1.0735</b>	<b>1.0820</b>	<b>1.0778</b>
<b>October</b>		1.2969	1.2969	1.2969	0.0127	0.0127	0.0127	1.5407	1.5407	1.5407	1.6084	1.6084	1.6084	1.0719	1.0719	1.0719
<b>November</b>		1.2826	1.2826	1.2826	0.0124	0.0124	0.0124	1.5294	1.5293	1.5293	1.5963	1.5963	1.5963	1.0640	1.0640	1.0640
<b>December</b>		1.3113	1.3113	1.3113	0.0120	0.0120	0.0120	1.5390	1.5390	1.5390	1.6140	1.6140	1.6140	1.0846	1.1103	1.0974
<b>Percentage change</b>	<b>A/B</b>	3.23	3.23	3.23	-2.94	-2.93	-2.93	1.21	1.22	1.21	1.71	1.71	1.71	3.26	4.08	3.67
	<b>A/C</b>	-3.86	-3.86	-3.86	-4.59	-4.58	-4.58	-1.65	-1.65	-1.65	2.16	2.16	2.16	-2.16	-1.38	-1.77

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

As a reflection of the movement of exchange rate of the US dollar against some major international currencies, the cross rates of the Birr depreciated against Swiss Franc (4.87 percent), Euro (4.42 percent), Pound Sterling (2.88 percent) and SDR (2.38 percent), while it appreciated against Japanese Yen (1.82 percent) compared to the preceding quarter.

Similarly, the Birr depreciated annually against all the above foreign currencies.

**Table 5.13: Period Average Exchange Rates (Birr per Major Currencies)**

Period		USD			EURO			JAPANESE YEN			SDR			POUND STRELING			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>																			
<b>Qtr. II</b>	<b>C</b>	<b>17.1501</b>	<b>17.3216</b>	<b>17.2358</b>	<b>23.1347</b>	<b>23.3659</b>	<b>23.2503</b>	<b>0.2218</b>	<b>0.2240</b>	<b>0.2229</b>	<b>26.7912</b>	<b>27.0586</b>	<b>26.9249</b>	<b>26.9646</b>	<b>27.2342</b>	<b>27.0994</b>	<b>18.8157</b>	<b>19.0039</b>	<b>18.9098</b>
<b>October</b>		17.1043	17.2753	17.1898	23.4081	23.6422	23.5252	0.2233	0.2255	0.2244	26.8515	27.1201	26.9858	26.9079	27.1770	27.0425	19.0364	19.2268	19.1316
<b>November</b>		17.1496	17.3211	17.2353	23.3053	23.5383	23.4218	0.2213	0.2235	0.2224	26.9081	27.1892	27.0486	27.1359	27.4073	27.2716	18.9388	19.1282	19.0335
<b>December</b>		17.1964	17.3684	17.2824	22.6908	22.9173	22.8041	0.2208	0.2230	0.2219	26.6140	26.8665	26.7403	26.8499	27.1184	26.9842	18.4719	18.6567	18.5643
<b>2012/13</b>																			
<b>Qtr. I</b>	<b>B</b>	<b>17.8684</b>	<b>18.0471</b>	<b>17.9578</b>	<b>22.4499</b>	<b>22.6745</b>	<b>22.5622</b>	<b>0.2272</b>	<b>0.2294</b>	<b>0.2283</b>	<b>27.1260</b>	<b>27.3939</b>	<b>27.2599</b>	<b>28.2203</b>	<b>28.5025</b>	<b>28.3614</b>	<b>18.5767</b>	<b>18.7625</b>	<b>18.6696</b>
<b>July</b>		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
<b>August</b>		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
<b>September</b>		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
<b>Qtr. II</b>	<b>A</b>	<b>18.0746</b>	<b>18.2554</b>	<b>18.1650</b>	<b>23.4423</b>	<b>23.6767</b>	<b>23.5595</b>	<b>0.2230</b>	<b>0.2253</b>	<b>0.2241</b>	<b>27.7693</b>	<b>28.0470</b>	<b>27.9082</b>	<b>29.0320</b>	<b>29.3222</b>	<b>29.1771</b>	<b>19.4032</b>	<b>19.7539</b>	<b>19.5786</b>
<b>October</b>		18.0005	18.1805	18.0905	23.3449	23.5783	23.4616	0.2284	0.2307	0.2295	27.7339	28.0112	27.8725	28.9514	29.2409	29.0961	19.2943	19.4872	19.3908
<b>November</b>		18.0742	18.2551	18.1646	23.1818	23.4136	23.2977	0.2235	0.2258	0.2247	27.6417	27.9181	27.7799	28.8518	29.1400	28.9959	19.2303	19.4226	19.3264
<b>December</b>		18.1492	18.3307	18.2400	23.8001	24.0381	23.9191	0.2171	0.2193	0.2182	27.9324	28.2117	28.0721	29.2928	29.5857	29.4392	19.6850	20.3520	20.0185
<b>Percentage change</b>	<b>A/B</b>	1.15	1.15	1.15	4.42	4.42	4.42	-1.83	-1.82	-1.82	2.37	2.38	2.38	2.88	2.88	2.88	4.45	5.28	4.87
	<b>A/C</b>	5.39	5.39	5.39	1.33	1.33	1.33	0.55	0.55	0.55	3.65	3.65	3.65	7.67	7.67	7.67	3.12	3.95	3.54

**Source:** Staff Compilation



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

Currency	Dec-11	Sep-12	Dec-12	Percentage change	
	C	B	A	A/B	A/C
<b>USD</b>	17.3062	18.0533	18.2752	1.2	5.6
<b>Pound</b>	26.6637	29.2211	29.4195	0.7	10.3
<b>Swedish Kroner</b>	2.4985	2.7338	2.8045	2.6	12.2
<b>Djibouti Frank</b>	0.0971	0.1005	0.1026	2.0	5.6
<b>Swiss Frank</b>	18.3232	19.2057	19.9207	3.7	8.7
<b>Saudi Riyal</b>	4.6147	4.8140	4.8721	1.2	5.6
<b>UAE Dirhams</b>	4.7115	4.9151	4.9753	1.2	5.6
<b>Canadian Dollar</b>	16.8874	18.3993	18.3597	-0.2	8.7
<b>Japanese Yen</b>	0.2223	0.2323	0.2117	-8.8	-4.7
<b>Euro</b>	22.3337	23.2148	24.0722	3.7	7.8
<b>SDR</b>	26.9648	27.8296	28.1709	1.2	4.5

**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 year-on-year during the second quarter of 2012/13 due to relatively higher domestic inflation compared to that of major trading partner countries.

However, as a result of the concerted efforts of the government to control

domestic inflation, the annual rate of appreciation has significantly declined to 1.1 percent in the second quarter as compared to 11.7 percent in the preceding quarter.

On quarterly basis, the REER depreciated by 4.9 percent after continuous appreciation since the last two years (Table 5.15).

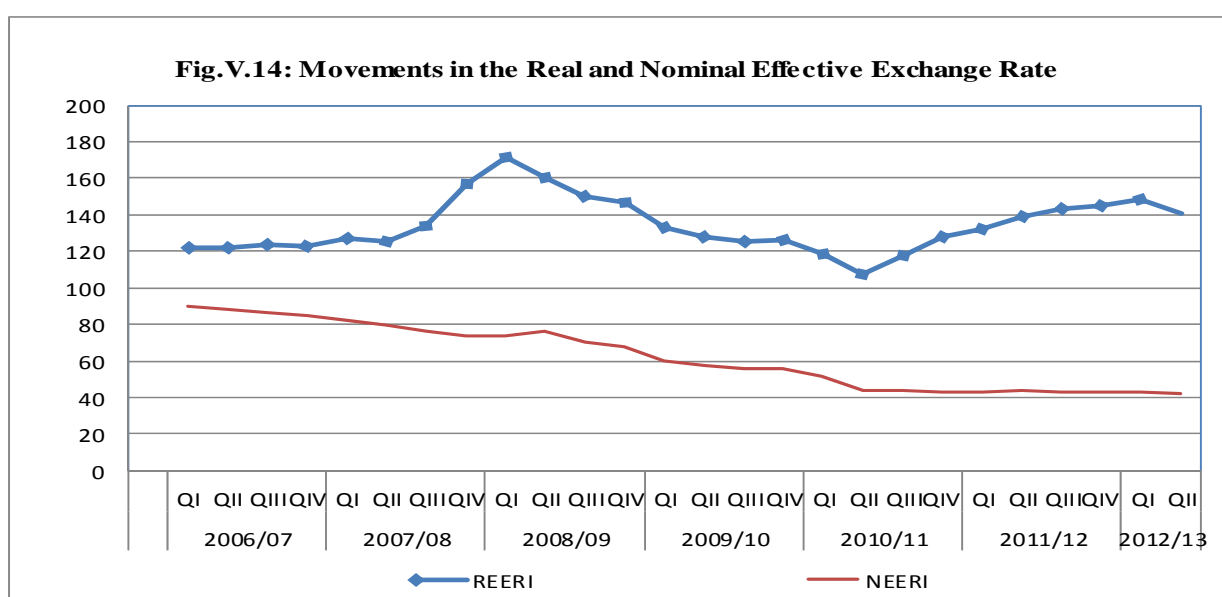
**Table 5.15 Trends in the Real and Nominal Effective Exchange Rates**

	2012/13		QII C	Percentage Change	
	QII A	QI B		C/B	C/A
	<b>REERI</b>	<b>139.5</b>		<b>148.3</b>	<b>141.1</b>
<b>NEERI</b>	<b>43.7</b>	<b>43.2</b>	<b>42.3</b>	-2.22	-3.36

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 second quarter of 2012/13, the total amount of foreign exchange traded in the inter-bank foreign exchange market was USD 3.3 million compared with USD 6.2 million in the preceding quarter and USD 17.5 million last year same period. The foreign exchange transaction was specifically between

commercial banks and NBE (Table 5.10).

In the mean time, forex bureau of commercial banks purchased USD 41.2 million and sold USD 21.8 million foreign exchange depicting 14.9 percent

growth in purchase and 2.7 percent rise in sales.

Their average buying and selling rates stood at Birr 18.0743/USD and Birr 18.4291 /USD respectively, resulting in 1.96 percent premium between the two rates (Table 5.11).

