

V. External Sector Developments

5.1 Balance of Payments

In the fourth quarter of 2012/13, the overall balance of payments registered USD 102.8 million in deficit, much lower than USD 173.9 million deficit recorded a year ago.

Although, there was a decline in import bill by 5.3 percent and a significant rise in net service receipts (129.7 percent) and net capital inflow (46.6 percent), the widening quarter-on-quarter deficit in the overall

balance of payments was attributed to a 13.8 percent fall in export, private transfers (1.4 percent), and official transfers (27.6 percent). The rise in the capital account was mainly due to a 68.5 percent increase in net official long-term capital inflows and 5.9 percent growth in net foreign direct investment.

Table 5.1: Balance of Payments

(In Millions of USD)

S/N	Particulars	2011/12	2012/13		Percentage Change	
		QIV	QIII	QIV	C/A	C/B
		A	B	C		
1	Exports ,f.o.b.	984.2	813.1	847.9	-13.8	4.3
	Coffee	327.3	152.8	231.1	-29.4	51.2
	Other	656.9	660.3	616.8	-6.1	-6.6
2	Imports	2,819.2	2,990.9	2,669.3	-5.3	-10.8
	Fuel	578.3	599.0	514.2	-11.1	-14.2
	Cereals	74.5	222.9	129.7	74.1	-41.8
	Aircraft	1.0	1.4	1.8	72.3	28.6
	Imports excl. fuel, cereals, aircraft	2,165.3	2,167.6	2,023.6	-6.5	-6.6
3	Trade Balance (1-2)	-1,835.0	-2,177.8	-1,821.4	-0.7	-16.4
4	Services, net	64.6	108.0	148.4	129.7	37.4
	Non-factor services, net	90.0	128.4	188.7	109.7	46.9
	Exports of non-factor services	664.1	651.8	723.8	9.0	11.0
	Imports of non-factor services	574.1	523.4	535.1	-6.8	2.2
	Income, net	-25.4	-20.4	-40.3	58.7	97.1
	O/w Gross official int. payment	26.1	21.4	44.4	1.9	24.0
	Dividend	-2.1		-0.1	-95.2	
5	Private transfers	832.7	967.7	821.3	-1.4	-15.1
	o/w: Private Individuals	547.5	736.5	571.4	4.4	-22.4
6	Current account balance (3+4+5)	-937.7	-1,102.1	-851.7	-9.2	-22.7
7	Official transfers	390.1	305.4	282.3	-27.6	-7.6
8	Current account balance (6+7)	-547.6	-796.6	-569.4	4.0	-28.5
9	Capital account	525.8	968.8	771.0	46.6	-20.4
	Off. Long-term Cap., net	384.4	509.6	647.5	68.5	27.0
	Disbursements	401.0	515.1	663.2	65.4	28.8
	Amortization	16.6	5.5	15.7	-5.4	187.8
	Other pub. long-term cap.	31.3	26.5	-19.4	-162.1	-173.3
	Foreign Direct Investment(net)	251.4	419.1	266.3	5.9	-36.5
	Short-term Capital	-141.3	13.6	-123.3	-12.7	-1,008.2
10	Errors and omissions	-152.1	196.9	-304.3		
11	Overall balance (8+9+10)	-173.9	369.1	-102.8		
12	Financing	173.9	-369.1	102.8		
13	Reserves [Increase (-), Decrease (+)]	174.6	-365.9	103.5		
14	Central Bank (NFA)	150.9	-158.9	286.3		
	Asset	85.9	-171.8	367.9		
	Liabilities	64.9	12.9	-81.5		
15	Commercial banks (NFA)	23.7	-207.1	-182.8		
16	Debt Relief	-0.7	-3.1	-0.8		
	Principal	0.6	2.8	0.6		
	Interest	0.1	0.3	0.1		

Source: NBE Staff Compilation

Total current foreign exchange receipts in the review quarter amounted to USD 2.7 billion, about 6.6 percent lower than same period last year. The decline was due to a decrease in export of goods (13.8 percent), private transfers (1.4 percent) and net official transfers (27.7 percent) which more than offset the rise in service proceeds (9.1 percent).

Meanwhile, total current foreign exchange payments declined by 4.9

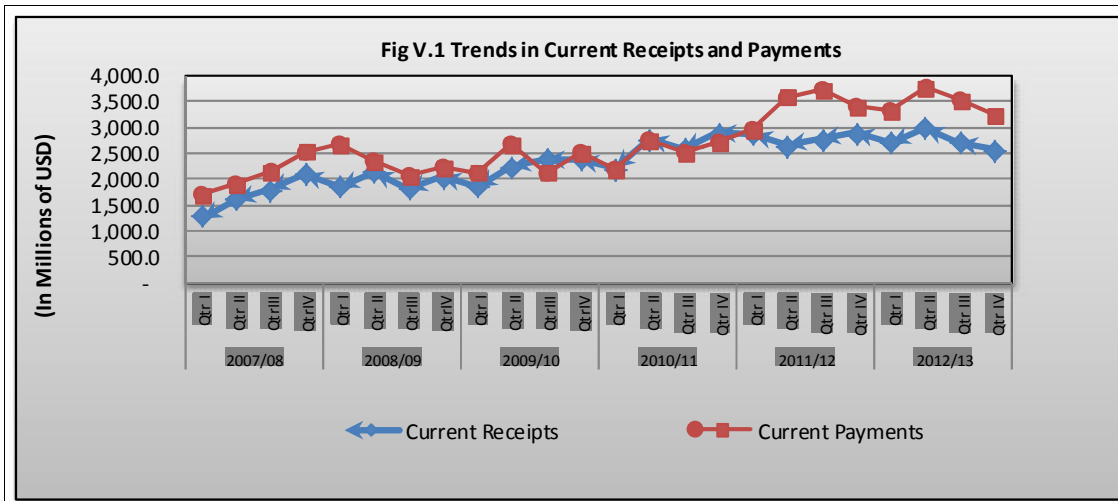
percent quarter-on-quarter basis and stood at USD 3.3 billion, on account of the decline in payments for merchandise imports (5.3 percent) and service import (3.9 percent). Consequently, the current account recorded USD 569.4 million net outflows, about 4 percent higher than last year (Table 5.2).

Table 5.2: Current Receipts and Payments

(In millions of USD)

Particulars	2011/12	2012/13		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	C/A	C/B
	A	B	C		
1. Current Receipts	2,890.9	2,763.5	2,701.4	-6.6	-2.2
Export Proceeds	984.2	813.1	847.9	-13.8	4.3
Service Proceeds	667.0	652.7	727.9	9.1	11.5
Private Transfers	847.0	990.2	841.7	-0.6	-15.0
Public Transfer	392.7	307.5	283.9	-27.7	-7.7
2. Current Payments	3,439.2	3,560.1	3,270.8	-4.9	-8.1
Import Payments	2,819.2	2,990.9	2,669.3	-5.3	-10.8
Service Payments	603.0	544.7	579.5	-3.9	6.4
Private Transfers	14.4	22.4	20.4	41.7	-8.9
Public Transfer	2.6	2.1	1.6	-38.5	-23.8
3. Net(1-2)	-547.6	-796.6	-569.4	4.0	-28.5

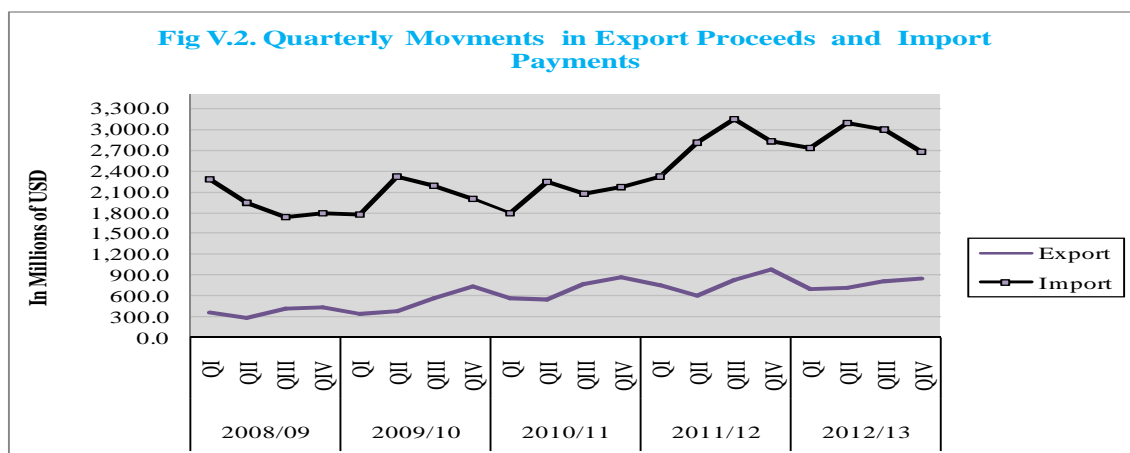
Source: Staff Compilation



5.2 Merchandise Trade

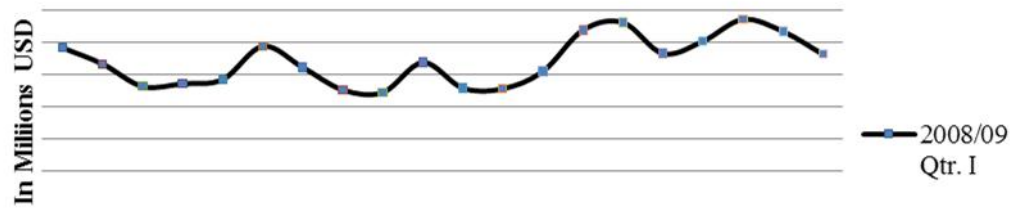
The deficit in merchandise trade during the fourth quarter of 2012/13 stood at USD 1.8 billion, which narrowed by 0.7 percent compared to the same period last year. As compared to the fourth quarter

of the preceding year, the total merchandise export and import in the review quarter went down by 13.9 percent and 5.3 percent, respectively.



Source: Ethiopian Revenue and Customs Authority

Fig. V.3. Evolution of Trade Deficit



Source: NBE Staff Compilation

5.2.1 Exports

During the fourth quarter of 2012/13, total export decreased by 13.9 percent over the same quarter last year. This was ascribed to the decline in export earnings from coffee (29.4 percent), gold (22.7

percent), oilseeds (14.3 percent), flower (7.5 percent) and live animals (15.3 percent) as a result of lower international prices.

Table 5.3 Values of Major Export Items

(In millions of USD)

Particulars	2011/12		2012/13				Percentage Change	
	Qtr IV		Qtr III		Qtr IV		C/A	C/B
	A	% Share	B	% Share	C	% Share		
Coffee	327.3	33.3	152.8	18.8	231.1	27.3	-29.4	51.3
Oilseeds	140.9	14.3	157.3	19.3	120.8	14.2	-14.3	-23.2
Leather & Leather products	25.0	2.5	30.3	3.7	33.3	3.9	33.2	9.9
Pulses	53.0	5.4	66.2	8.1	62.7	7.4	18.3	-5.3
Meat & Meat Products	17.1	1.7	17.6	2.2	19.1	2.3	11.7	8.8
Fruits & Vegetables	10.2	1.0	12.8	1.6	11.1	1.3	8.5	-13.0
Live Animals	42.1	4.3	37.3	4.6	35.7	4.2	-15.3	-4.5
Chat	59.3	6.0	63.1	7.8	72.0	8.5	21.3	14.1
Gold	197.1	20.0	164.4	20.2	152.3	18.0	-22.7	-7.3
Flower	55.8	5.7	52.2	6.4	51.6	6.1	-7.5	-1.2
Others	56.3	5.7	59.3	7.3	58.2	6.9	3.4	-1.9
Total	984.2	100.0	813.1	100.0	847.9	100.0	-13.9	4.3

Source: Ethiopian Revenue and Customs Authority

Quarter-on-quarter basis, receipts from export of coffee fell by 29.4 percent owing to both the decline in the international price (20.9 percent) and volume of export (10.8 percent). Accordingly, the share of coffee in total export earnings went down to 27.3 percent from 33.3 percent last year.

Similarly, earnings from export of gold amounted to USD 152.3 million, which dropped by 22.2 percent compared to a year ago. This decline was attributed to 10.6 percent drop in international price and 13.5 percent fall in volume. Hence, the share of gold in total exports decreased to 18.0 percent from 20.0 percent last year same quarter.

Meanwhile export earnings from oil seeds totaled USD 120.8 million, about 14.3 percent lower than a year earlier as a result of 35.6 percent the fall in volume of export. Consequently, its share in total export earning was to 14.2 percent close to last year's level.

In comparison with the fourth quarter of the previous year, earning from flower export declined by 7.5 percent owing to USD 51.6 million owing to slowdown in

both volume of export (7.2 percent) and international price (0.4 percent), taking up a 6.1 percent share in the total export revenues.

Likewise, revenue from export of live animals amounted to USD 35.7 million, which was down by 15.3 percent compared to last year. This decline in earnings was attributed to lower volume of export despite higher international prices. Revenue from live animal's export constituted 4.4 percent of the total export earnings.

On the other hand, earnings from pulses rose by 18.3 percent, despite a fall in the international price (9.8 percent) due to a 31.1 percent growth in volume. Consequently, the share of pulses in total export increased to 7.4 percent from 5.4 percent a year ago.

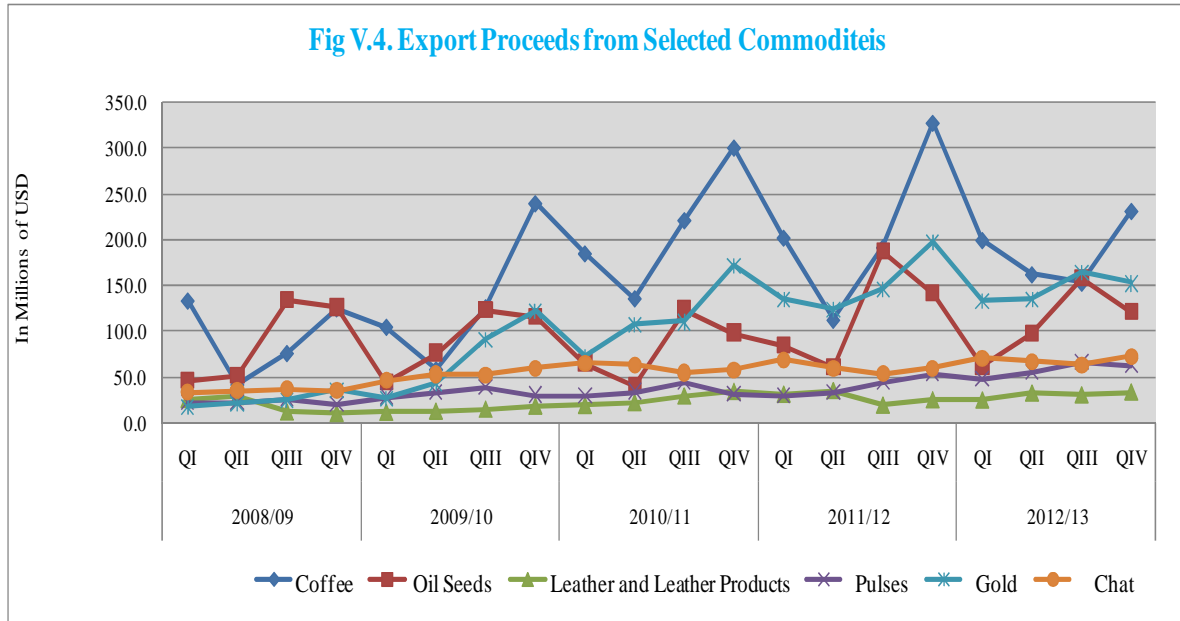
Quarter-on-quarter earnings from export of chat went up by 21.3 percent and stood at USD 72.0 million as a result of 21.2 percent improvement in the volume of export and marginal rise (0.1 percent) in international prices. Thus, the share of chat in total export increased to 8.5 percent from 6 percent last year same quarter.

Similarly, earning from the export of meat and meat products went up by 11.7 percent over same period last year due to higher volume of export and international prices. Consequently, the share of meat and meat products in total export revenue rose to 2.3 percent from 1.7 percent last year.

Leather and leather products fetched USD 33.3 million in revenue showing a 33.2 percent annual growth owing to a significant improvement in the volume

of export (56.7 percent) despite slowdown in international prices. Hence, the share of leather and leather products in total export earnings rose from 2.5 percent to 3.9 percent during the review quarter.

Earnings from fruits and vegetables improved by 8.5 percent compared to the fourth quarter of last year as a result of higher volume of exports (19.2 percent) in the price of 9 percent fall in the international price.



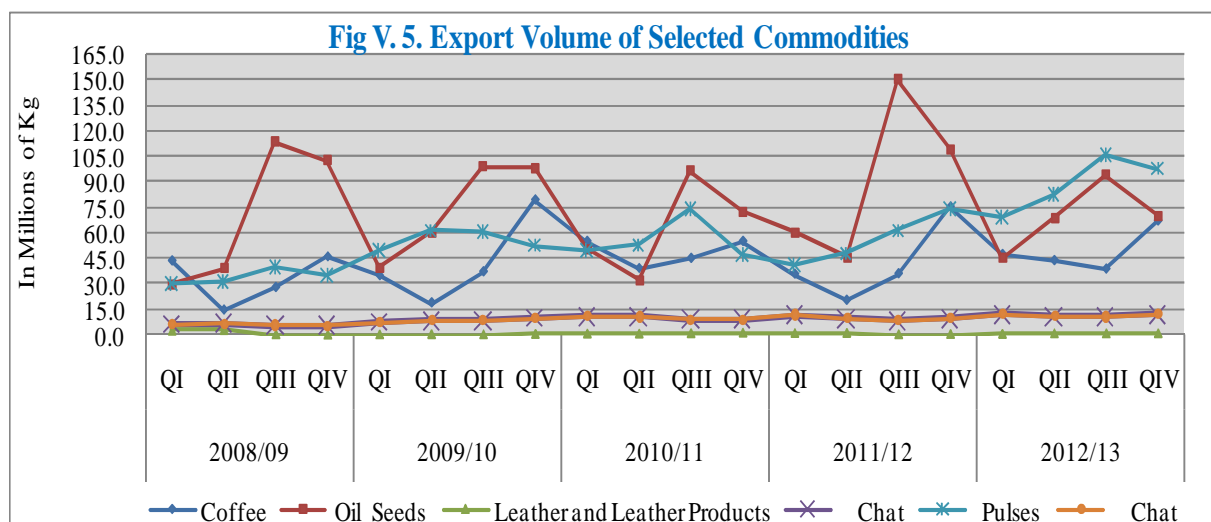
Source: Ethiopian Revenue and Customs Authority

Table 5.4 Volume of Major Export Items

(In Millions of Kg)

Particulars	2011/12		2012/13		Percentage Change	
	Qtr IV		Qtr III	Qtr IV		
	A	B	C	C/A*100-100	C/B*100-100	
Coffee	75.7	39.2	67.5	-10.8	72.2	
Oilseeds	109.5	94.3	70.5	-35.6	-25.2	
Leather and Leather products	0.8	1.2	1.3	56.7	6.1	
Pulses	74.6	105.9	97.8	31.1	-7.6	
Meat & Meat Products	3.7	3.7	3.8	2.3	3.5	
Fruits & Vegetables	29.3	34.4	34.9	19.2	1.4	
Live Animals	28.0	23.0	19.4	-30.8	-16.0	
Chat	10.2	10.9	12.4	21.2	13.0	
Gold	0.0044	0.003	0.0038	-13.5	10.7	
Flower	13.0	11.3	12.1	-7.2	7.1	

Source: Ethiopian Revenue and Customs Authority



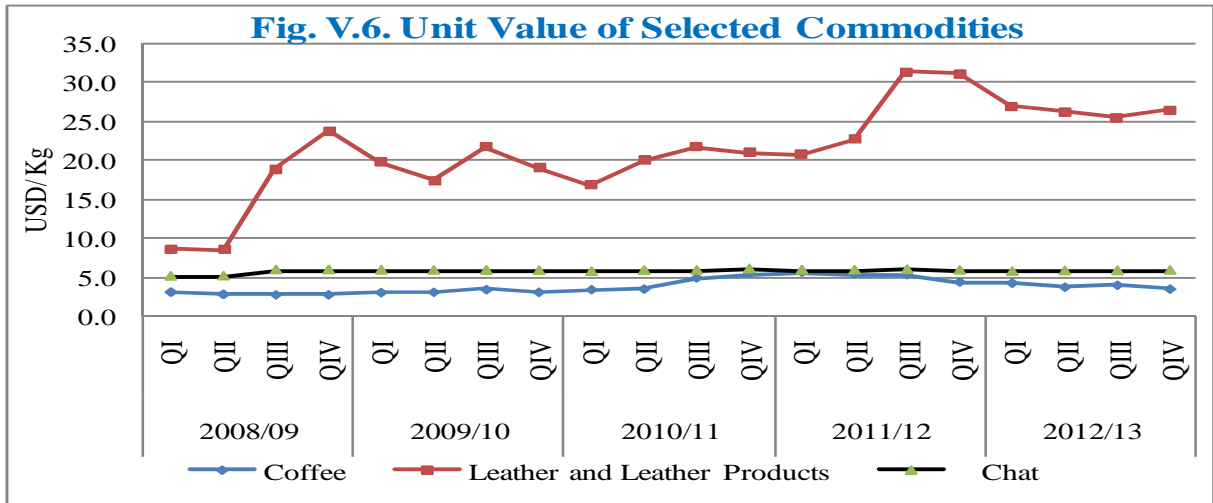
Source: Ethiopian Revenue and Customs Authority

Table 5.5 Unit value of Major Export Items

(In USD/kg)

Particulars	2011/12	2012/13		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	4.3	3.9	3.4	-20.9	-12.1
Oilseeds	1.3	1.67	1.71	33.17	2.7
Leather and Leather products	31.1	25.5	26.4	-15.0	3.8
Pulses	0.7	0.63	0.64	-9.80	2.6
Meat & Meat Products	4.6	4.8	5.0	9.2	5.1
Fruits & Vegetables	0.3	0.4	0.3	-9.0	-14.3
Live Animals	1.5	1.6	1.8	22.3	13.8
Chat	5.81	5.76	5.82	0.13	0.98
Gold	44.88	47.90	40.10	-10.6	-16.3
Flower	4.28	4.6	4.26	-0.4	-7.68

Source: NBE Staff Compilation



Source: NBE Staff Compilation

5.2.2 Imports

Total imports declined by 5.3 percent to USD 2.67 billion from USD 2.82 billion last year. This quarter-on-quarter decline was mainly attributed to lower imports

of capital goods (3.2 percent), fuel (11.1 percent), semi-finished goods (26.2 percent) and raw materials (8.3 percent).

Table 5.6 Values of Major Import Items

(In millions of USD)

Particulars	2011/12		2012/13				Percentage Changes	
	Quarter IV	% Share	Quarter III	% Share	Quarter IV	% Share		
	A		B		C		C/A	C/B
Raw Materials	36.8	1.3	28.7	1.0	33.7	1.3	-8.3	17.4
Semi-finished Goods	536.2	19.0	464.9	15.5	395.5	14.8	-26.2	-14.9
Fertilizers	207.0	7.3	119.6	4.0	71.0	2.7	-65.7	-40.7
Fuel	578.3	20.5	599.0	20.0	514.2	19.3	-11.1	-14.2
Petroleum Products	571.1	20.3	599.0	20.0	500.1	18.7	-12.4	-16.5
Others	7.2	0.3	0.002	0.0	14.1	0.5	96.1	799,504.4
Capital Goods	869.2	30.8	888.5	29.7	841.8	31.5	-3.2	-5.3
Transport	212.6	7.5	232.1	7.8	232.6	8.7	9.4	0.2
Agricultural	29.4	1.0	29.0	1.0	18.9	0.7	-35.6	-34.7
Industrial	627.3	22.3	627.4	21.0	590.2	22.1	-5.9	-5.9
Consumer Goods	701.0	24.9	882.0	29.5	799.2	29.9	14.0	-9.4
Durables	276.8	9.8	246.9	8.3	281.9	10.6	1.9	14.2
Non-durables	424.3	15.0	635.1	21.2	517.3	19.4	21.9	-18.5
Miscellaneous	97.6	3.5	127.8	4.3	84.9	3.2	-13.0	-33.6
Total Imports	2,819.1	100.0	2,991.1	100.0	2,669.3	100.0	-5.3	-10.8

Source: Ethiopian Revenue and Customs Authority

The total import bill of capital goods amounted to USD 841.8 million, down by 3.2 percent in contrast to the same period last year due to slowdown in imports of agricultural and industrial goods. Capital goods accounted for 31.5 percent of total import bill (Table 5.6).

Likewise, imports of consumer goods reached USD 799.2 million; constituting 29.9 percent of the total imports which went up by 14.0 percent over the same period. Consequently, the share of consumer goods total import increased to 29.9 percent from 24.9 percent last year.

The total fuel import bill amounted to USD 514.2 million, down by 11.1 percent quarter-on-quarter basis.

Accordingly, fuel imports took 19.3 percent share in total import, slightly lower than 20.5 percent share a year ago.

In the meantime, import of semi-finished goods went down to USD 395.5 million, showing 26.2 percent decline vis-à-vis the same quarter of last year.

Meanwhile, in spite of rose in imports of raw materials by 17.4 percent at the same time, imports of raw material at USD 33.7 million were 8.3 percent lower than the corresponding period last year.

Franco valuta imports also contracted by 84.4 percent during the same period; owing to lower imports of spare parts, cements, electric goods and household goods.

Table 5.7: Values of Franco-valuta Imports

(In thousands of USD)

Particulars	2011/12	2012/13		Percentage Change	
	Qtr IV	Qtr III	Qtr IV	C/A*100-100	C/B*100-100
	A	B	C		
Vehicles	0.00	0.00	0.00	-	-
Vehicle Spare Parts	0.00	0.00	0.55	-	-
Other Spare Parts	32.12	12.99	1.38	-95.7	-89.38
Textile & Ready Made	0.08	0.00	0.35	425.4	-
Household Goods	1.57	1.17	0.00	-100.0	-100.00
Medicine & Medical Equip.	5.11	0.00	0.08	-98.4	-
Food Stuffs	0.00	0.00	0.00	-	-
Electronic Goods	9.17	0.00	1.37	-85.1	-
Machinery Equip. & Spare Parts	1.14	0.79	0.00	-100.0	-100.00
Cement	3590.17	691.22	566.33	-84.2	-18.07
Others	23.98	12.65	0.77	-96.8	-93.88
Total	3663.41	718.82	570.84	-84.42	-20.59

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

5.2.3 Direction of Trade

5.2.3.1 Exports

Europe continued to rank top as Ethiopia's major export market destination constituting 45 percent of the total export during the review quarter.

Switzerland accounted for 40.0 percent of Ethiopia's export to Europe, followed by Germany (20.3 percent) and the Netherlands (12.3 percent). Gold and

flower were the main export items to Switzerland.

On the other hand, Germany largely imported coffee (81.8 percent) of the total export and textile and garment (14.1 percent).

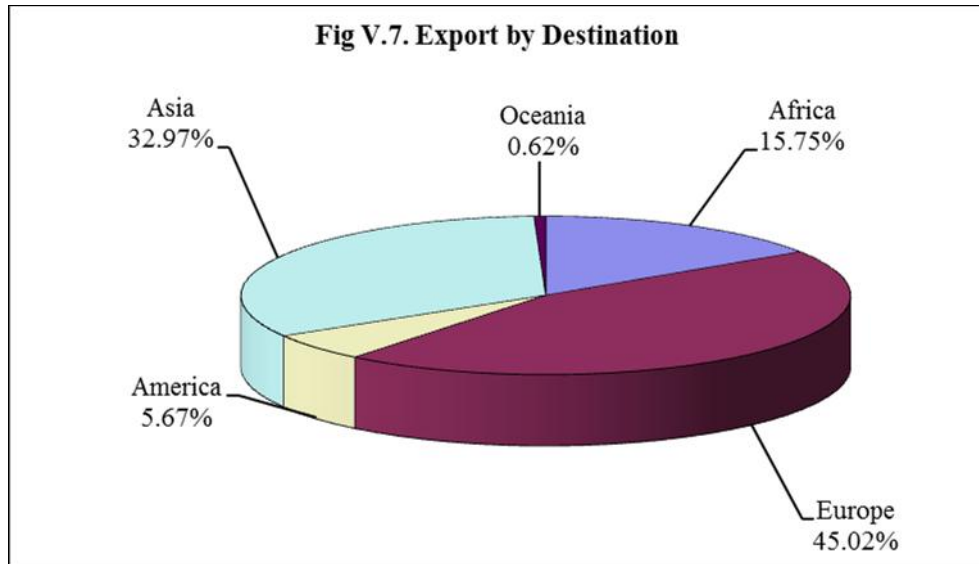
Export to Asia constituted 33.0 percent of the total export of the fourth quarter with China (31.8 percent), Saudi Arabia (15.8 percent), Japan (9.6 percent), United Arab Emirates (7.9 percent), Israel (5.1 percent), Pakistan (4.9 percent) and India (4.6 percent) being the major destinations for Ethiopian exports. Altogether, these countries accounted for 79.7 percent of Ethiopia's total commodity exports to Asia.

Exports to China were mainly oilseeds, (87.7 percent) and leather & leather products (5.9 percent). Similarly, the main export products to Saudi Arabia constituted coffee (60 percent), live animals (11.6 percent) and meat and meat products (16.4 percent). The principal export to Japan was coffee. Likewise, coffee, meat and meat products and pulses were the major exports to United Arab Emirates. Israel

mainly imported oil seeds (82.3 percent), while Pakistan mainly imported pulses, exports to India by and large were leather & leather products, mineral products and pulses.

Meanwhile, about 15.8 percent of Ethiopia's exports to Africa, mainly Somalia (51.3 percent), Sudan (16.2 percent), Djibouti (14.7 percent) and Egypt (10.5 percent) which altogether accounted for 92.6 percent of the total exports to the continent. The main export items to Somalia were vegetables and live animals. Ethiopian exports to Djibouti consisted mainly of vegetables, live animals and fruits, while those of Sudan were mainly live animals, coffee, pulses and spices. Pulses and live animals were the main export item to Egypt.

America constituted 5.7 percent of the Ethiopia's total exports during the fourth quarter of 2012/13, of which 91.6 percent went to the United States which imported mainly coffee, oilseeds and leather & leather products. Coffee was the major export to Canada accounting for 6 percent of the total exports to America's.



Source: Ethiopian Revenue and Customs Authority

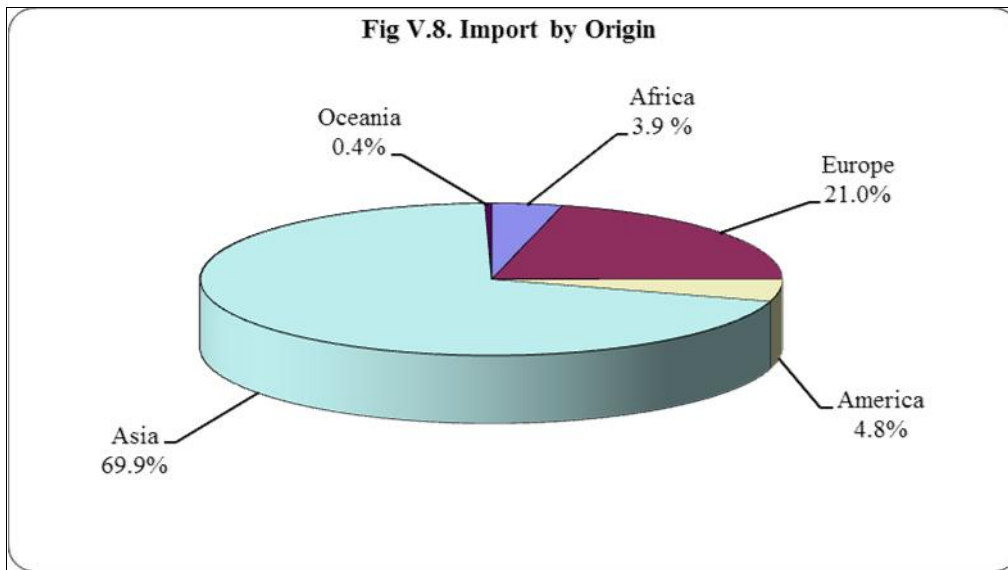
5.2.3.2 Imports

About 69.9 percent of Ethiopia’s import originated from Asia where China accounted for 32.2 percent, followed by Saudi Arabia (17.9 percent), India (15.4 percent), Japan (6.1 percent) and United Arab Emirates (5.6 percent). The major imports from China included machine and machinery equipment, aircraft machinery, road and motor vehicles, metal and metal manufacturing, electrical material and clothes.

Meanwhile, about 21.0 percent of Ethiopia’s imports were from Europe of which Turkey accounted for 30.6 percent followed by Italy (18.2 percent), Germany (11.0 percent), the Netherlands (7.8 percent) and France (6.2 percent). Metal and metal manufacturing, machine equipment and aircraft machinery were the major import items from Turkey. Similarly, the main imports from Italy were machine equipment and aircraft, road and motor vehicles.

Imports from America constituted about 4.8 percent of the total import value. Import from the United States accounted for about 58.2 percent of total imports from America, followed by Brazil (28.5 percent) and Canada (10.4 percent). Machine equipment and aircraft machinery, food and grain, road and motor vehicles were the main import items from the United States.

About 3.91 percent of Ethiopia's imports in the review period were from Africa mainly from South Africa (40.5 percent), Egypt (32.6 percent) and Libya (14.6), which altogether accounted for about 87.7 percent of the total imports from Africa. Road and motor vehicles, machinery and aircraft machinery and electrical materials, comprise the larger share of imports from South Africa. Imports from Egypt included rubber products, metal and metal manufacturing and electric materials.

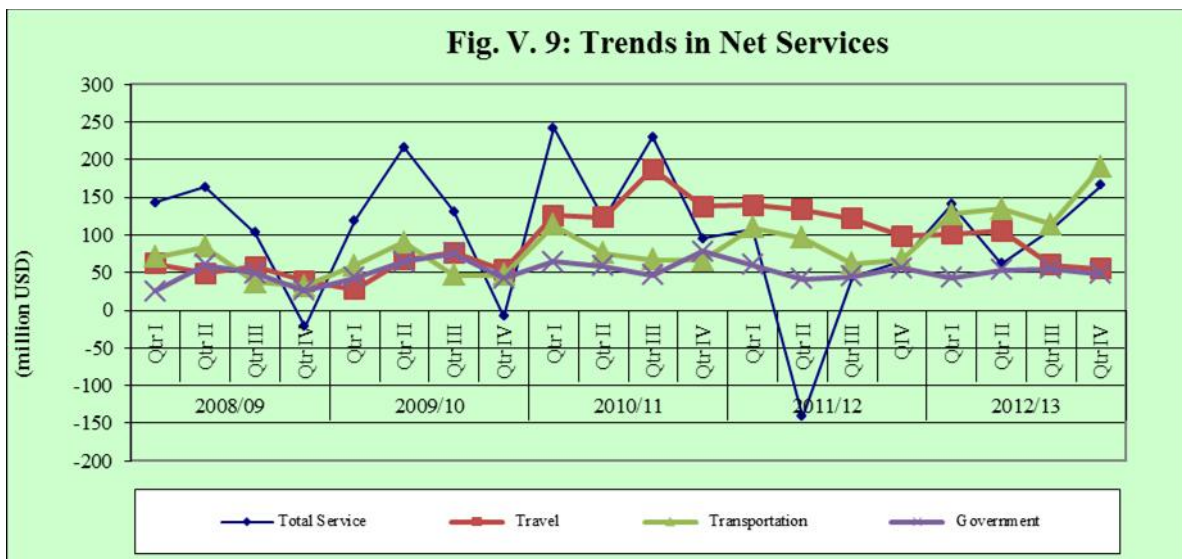


Source: Ethiopian Revenue and Customs Authority

5.3 Services and Transfers

The net receipts from export of services stood at USD 148.4 million, up from USD 64.6 million recorded last year same period. The quarter-on-quarter increase in net service receipts was

attributed to the rise in net transport services (184.1 percent) and decline in other services payments (20.8 percent) despite a fall in net travel (44.5 percent) and government services (14.9 percent).



Source; NBE Staff Compilation

Table 5.7: Developments in Services Accounts

(In Millions of USD)

S/N	Particulars	2011/12	2012/13		Percentage Change	
		QIV	QIII	QIV	C/A	C/B
		A	B	C		
1	Investment Income (2+5)	-25.4	-20.4	-40.3	58.7	97.1
2	Interest, net (3-4)	-23.3	-20.4	-22.4	-3.9	9.6
3	Credit	2.8	1.0	4.2	50.0	320.0
4	Debit	26.1	21.4	44.5	69.9	107.1
5	Dividend, net	-2.1		-0.1	-95.2	
6	Other Services, net (7-12)	90.0	128.4	188.7	109.7	46.9
7	Exports of non-factor services	664.1	651.8	723.8	9.0	11.0
8	Travel	140.7	108.3	107.0	-24.0	-1.2
9	Transport	411.1	444.5	505.7	23.0	13.8
10	Gov't	56.2	55.7	47.9	-14.8	-14.0
11	Other	56.1	43.3	63.2	12.7	46.0
12	Imports of non-factor services	574.1	523.4	535.1	-6.8	2.2
13	Travel	42.0	48.0	52.2	24.3	8.8
14	Transport	344.0	330.2	315.1	-8.4	-4.6
15	Gov't		0.3	0.1		-66.7
16	Other	188.1	144.9	167.7	-10.8	15.8
17	Net Services (10+11+12+13+14)	64.6	108.0	148.4	129.7	37.4
18	Travel (8 - 13)	98.7	60.3	54.8	-44.5	-9.1
19	Transport (9 - 14)	67.1	114.3	190.6	184.1	66.8
20	Gov't (10 - 15)	56.2	55.4	47.8	-14.9	-13.7
21	Other (11 - 16)	-132	-101.6	-104.5	-20.8	2.9
22	Investment Income (2+5)	-25.4	-20.4	-40.3	58.7	97.1

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

During the review period, total net transfer receipts were USD 1.1 billion which decreased by 9.7 percent relative to last year same period because of slowdown in official transfers by 27.6

percent and private transfers by 1.4 percent.

Relative to last year same period, net private transfers reached USD 821.3 million during the review period owing

of which private individual transfers rose by 4.4 percent to USD 571.4 million mainly due to higher cash transfers. Transfers from NGO's in the form of cash and food, however, declined by 9.8 percent.

The share of official transfers in total transfers went down to 25.6 percent

during the review quarter compared to 31.9 percent a year ago, while that of private transfers increased from 68.1 to 74.4 percent.

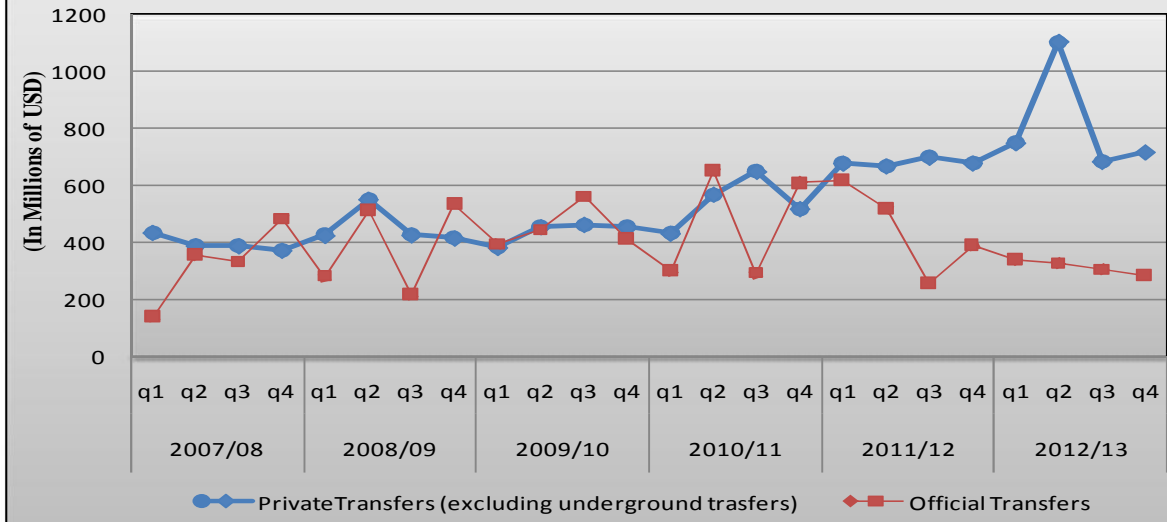
Table 5.9: Developments in Transfer Accounts

(In millions of USD)

S/N	Particulars	2011/12		2012/13				Percentage Change	
		A	%	B	%	C	%	C/A	C/B
		QIV	share	QIII	share	QIV	share		
1	Private Transfers (net) (2-11)	832.4	68.1	967.7	76.0	821.3	74.4	-1.4	-15.1
2	Credit (3+7)	847.1	68.3	990.2	76.3	841.7	74.8	-0.6	-15.0
3	NGO's (4+5+6)	299.5	24.2	253.6	19.5	270.3	24.0	-9.8	6.6
4	Cash	257.3	20.8	217.0	16.7	238.0	21.1	-7.5	9.7
5	Other	0.0	0.0	0.0	0.0	0.0	0.0	-	-
6	Food	42.3	3.4	36.7	2.8	32.3	2.9	-23.7	-12.0
7	Private individuals (8+9+10)	547.5	44.2	736.5	56.8	571.4	50.8	4.4	-22.4
8	Cash	385.2	31.1	447.5	34.5	464.7	41.3	20.6	3.9
9	In kind	6.9	0.6	4.2	0.3	1.5	0.1	-78.8	-65.2
10	Underground Private Transfers	155.5	12.5	284.8	21.9	105.2	9.3	-32.3	-63.1
11	Debit	-14.7	85.1	-22.4	91.5	-20.4	92.6	39.2	-8.9
12	Official Transfers (net) (13-17)	390.1	31.9	305.4	24.0	282.3	25.6	-27.6	-7.6
13	Credit (14+15+16)	392.7	31.7	307.5	23.7	283.9	25.2	-27.7	-7.7
14	Cash	392.7	31.7	307.5	23.7	283.9	25.2	-27.7	-7.7
15	Other	0.0	0.0	0.0	0.0	0.0	0.0		
16	Food	0.0	0.0	0.0	0.0	0.0	0.0		
17	Debit	-2.6	14.9	-2.1	8.5	-1.6	7.4	-36.7	-22.3
18	Total Receipts (2+13)	1,239.8	101.4	1,297.7	101.9	1,125.6	102.0	-9.2	-13.3
19	Total Payments (11+17)	-17.2	-1.4	-24.5	-1.9	-22.0	-2.0	27.9	-10.0
20	Net Transfers (18+19)	1,222.6	100.0	1,273.2	100.0	1,103.5	100.0	-9.7	-13.3

Source: Staff Computation

Fig. V.10 Trends in Private and Official Transfers



5.4 Current Account

The current account balance (including official transfers) registered USD 569.4 million in deficit during the fourth quarter of 2012/13, about 4 percent higher than the USD 547.6 million

deficit recorded last year same period. The decline in export (13.8 percent), private transfers (1.4 percent) and official transfers (27.6 percent) contributed to this effect.

5.5 Capital account

In the review period, the capital account recorded USD 771.0 million in surplus showing a 46.6 percent surge over last year same quarter. This was due to an

increase in official long term net disbursement (68.5 percent) and foreign direct investment (5.9 percent).

5.6 Changes in Reserve Position

As a result of the above developments in exports, transfers and capital account the surplus in the overall balance of payments widened to reach USD 102.8 million which was USD 173.8 million lower than last year same period. Consequently, net foreign assets of the

banking system showed USD 103.5 million reserves build up, and the country's gross reserves as of end June, 2013 was sufficient to cover 1.9 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

In the interbank foreign exchange market, the average official exchange rate of the Birr depreciated by 5.6 percent compared to last year same period to reach Birr 18.5331/USD.

Likewise, the parallel market average exchange rate depreciated by 9.2 percent

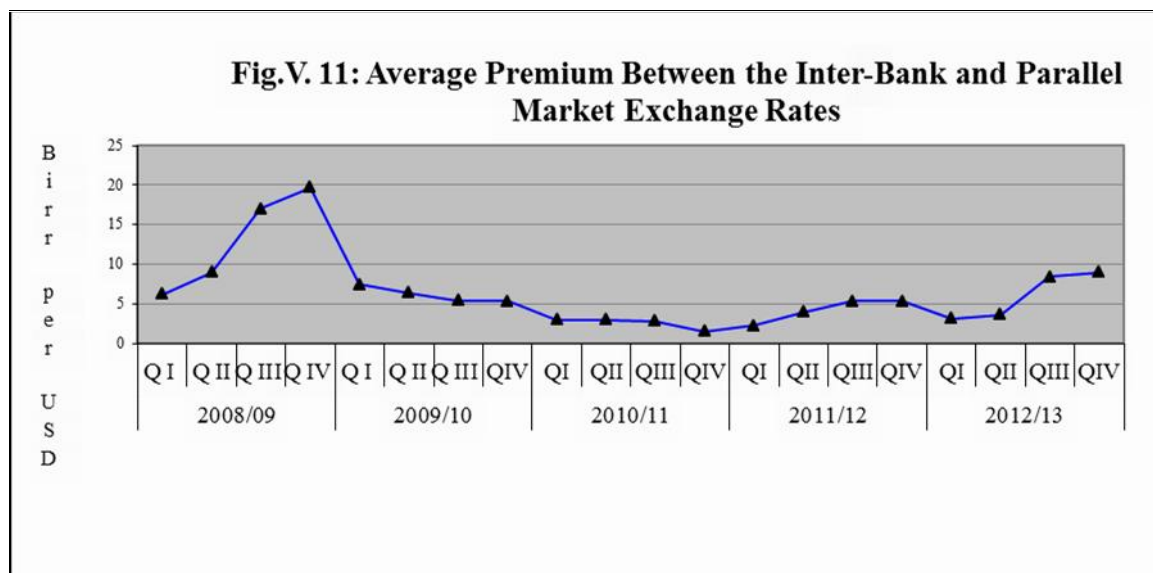
relative to the rate a year ago and stood at Birr 20.1988/USD.

Consequently, the premium between the official and parallel market rates in the review quarter widened to 9 percent from 5.4 percent a year ago (Table 5.10).

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

S/N	Period	Inter-bank Market				Rates in Birr per USD in Parallel Market		Premium
		Rates in Birr per USD		Amount Traded in millions of USD		End Period	Average	
		End Period	Weighted Average	Total	o/w Among CBs			
A	2011/12	17.7305	17.2536	152.2	90.9	18.2750	17.9883	4.26
B	Qtr. IV	17.7305	17.5503	13.1	10.0	18.2750	18.4900	5.35
	April	17.4753	17.4281	7.95	7.0	18.6800	18.7000	7.30
	May	17.6029	17.5476	1.10	0.0	18.3250	18.3900	4.80
	June	17.7305	17.6753	4.1	3.0	18.2750	18.3800	3.99
C	2012/13	18.6426	18.1947	15.6	25.0	19.8800	19.3022	6.09
D	Qtr. III	18.4086	18.2971	3.1	0.0	20.2800	19.8367	8.41
	January	18.2589	18.2233	1.05	0.0	19.7300	19.5600	7.34
	February	18.3305	18.2962	1.00	0.0	19.9750	19.8800	8.66
	March	18.4086	18.3718	1.0	0.0	20.2800	20.0700	9.24
E	Qtr. IV	18.6426	18.5331	3.1	22.0	19.8800	20.1988	8.99
	April	18.4929	18.4532	1.10	22.0	20.4300	20.3500	10.28
	May	18.5734	18.5349	1.00	0.0	20.0800	20.2400	9.20
	June	18.6426	18.6111	1.0	0.0	19.8800	20.0063	7.50
F	Percentage changes							
	E/D	1.27	1.29	1.64		-1.97	1.83	6.82
	E/B	5.14	5.60	-76.34	120.00	8.78	9.24	67.87

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



Concerning the retail foreign exchange market, the average buying rate in

foreign exchange bureaus of commercial banks was Birr 18.5481/USD during the

fourth quarter of the fiscal year, while 18.9369/USD, showing a 5.7 and 5.9 percent depreciation vis-à-vis the same quarter of last year, respectively (Table 5.11).

the selling rate stood at Birr

Thus, the average spread between the buying and the selling rates was 2.1 percent.

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 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	13,589.92	1337.75	13,307.81	485.97	27,357.03	925.53	105.6	90.5	101.3	-30.8
2	Bank of Abyssinia	1,109.40	2144.18	1,129.15	2119.15	889.21	1373.08	-21.2	-35.2	-19.8	-36.0
3	Dashen Bank	5,540.29	7144.20	6,647.37	11155.67	6,714.69	6380.59	1.0	-42.8	21.2	-10.7
4	Awash International Bank	1,564.14	3528.67	1,681.07	3361.55	1,774.99	3536.52	5.6	5.2	13.5	0.2
5	Construction & Business Bank	895.58	303.65	875.80	396.19	1,265.49	476.22	44.5	20.2	41.3	56.8
6	Wegagen Bank	954.20	1023.52	1,023.57	906.99	771.75	1238.21	-24.6	36.5	-19.1	21.0
7	United Bank	4,172.43	3040.68	4,970.51	4242.54	5,040.53	3233.92	1.4	-23.8	20.8	6.4
8	Development Bank	0.00	0.00	1,805.22	116.06	1,721.08	156.10	-4.7	34.5		
9	Nib International Bank	1,203.06	2301.78	1,666.10	1300.96	1,164.17	1844.73	-30.1	41.8	-3.2	-19.9
10	Lion International Bank	469.57	781.09	691.39	278.11	864.41	333.48	25.0	19.9	84.1	-57.3
11	Oromia International Bank	492.56	474.01	502.34	487.94	343.02	495.54	-31.7	1.6	-30.4	4.5
12	Zemen Bank	1,544.17	1634.36	196.51	548.41	145.78	649.92	-25.8	18.5	-90.6	-60.2
13	Cooperative Bank of Oromia	167.31	180.32	64.13	214.43	177.38	242.50	176.6	13.1	6.0	34.5
14	Buna International Bank	136.84	5.00	208.27	219.77	94.03	37.30	-54.9	-83.0	-31.3	645.9
15	Birhan International Bank	40.91	265.27	137.27	142.76	121.34	186.14	-11.6	30.4	196.6	-29.8
16	Abay Bank	123.06	95.56	277.77	236.32	184.19	320.42	-33.7	35.6	49.7	235.3
17	Addis International Bank	15.64	55.46	1,103.39	50.99	98.71	89.70	-91.1	75.9	531.0	61.7
18	Debub Global Bank			34.10	10.50	20.01	40.31	-41.3	283.9		
	Total	32,019.07	24,315.52	36,321.78	26,274.31	48,747.82	21,560.21	34.21	-17.94	52.25	-11.33
	Average Exchange Rate	17.5454	17.8806	18.2967	18.6454	18.5481	18.9369	1.37	1.56	5.71	5.91

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

Fig. V.12: Average Buying and Selling Rates of Forex Bureaux of Commercial Banks

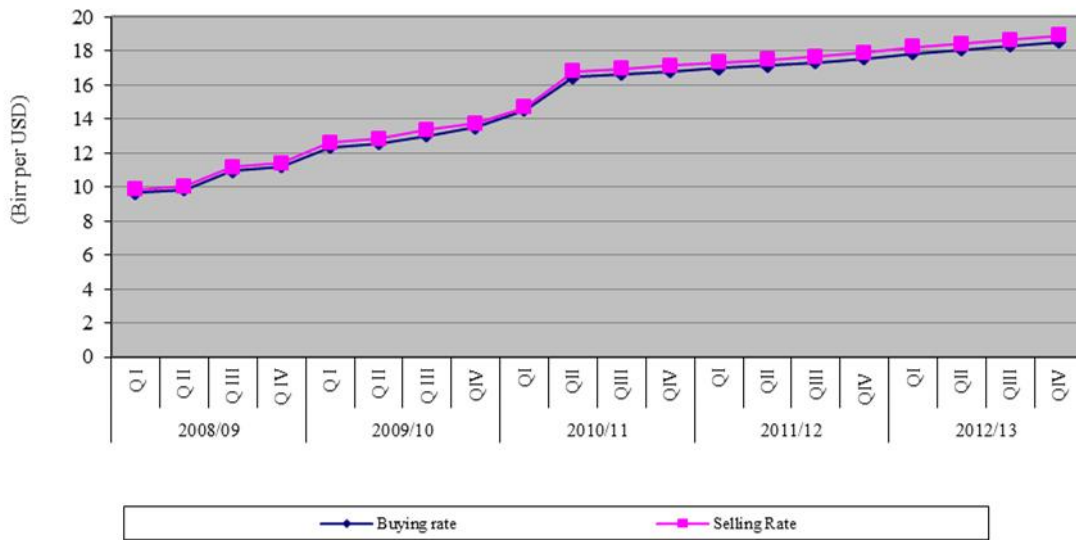
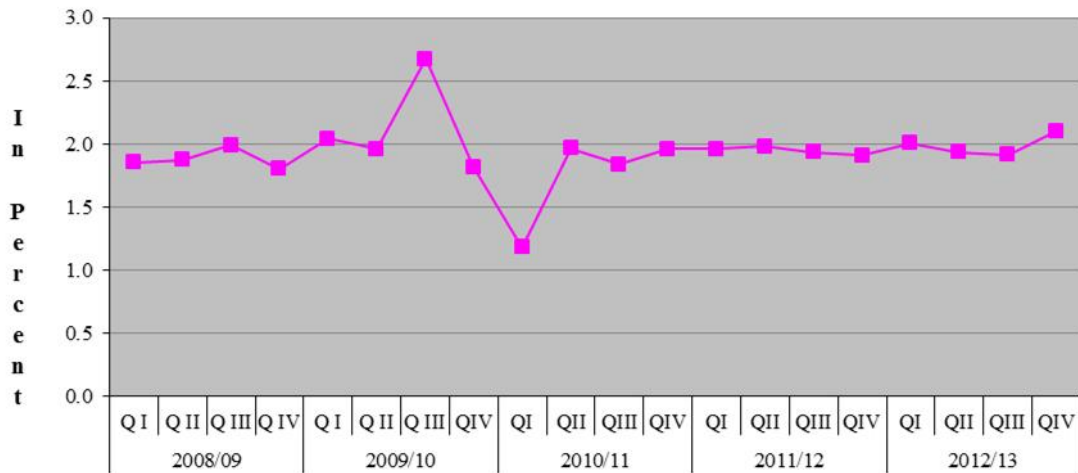


Fig. V.13: Average Spread between Buying and Selling Rates in the Retail Foreign Exchange Markets



As for major international currencies, the average exchange rate of the US dollar on annual terms appreciated by 17.9 percent, 2.1 percent and 0.7 percent against Japanese Yen, Pound Sterling

and SDR respectively, while it depreciated against Euro (2.4 percent) and Swiss Frank (0.12 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
2011/12																
QIV	C	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
2012/13																
QIII	B	1.3261	1.3261	1.3261	0.0109	0.0109	0.0109	1.5233	1.5199	1.5216	1.5534	1.5534	1.5534	1.0759	1.0759	1.0759
January		1.3418	1.3418	1.3418	0.0113	0.0113	0.0113	1.5356	1.5356	1.5356	1.5999	1.5999	1.5999	1.0824	1.0824	1.0824
February		1.3391	1.3391	1.3391	0.0107	0.0107	0.0107	1.5300	1.5199	1.5250	1.5520	1.5520	1.5520	1.0878	1.0878	1.0878
March		1.2974	1.2974	1.2974	0.0106	0.0106	0.0106	1.5042	1.5042	1.5042	1.5082	1.5082	1.5082	1.0575	1.0575	1.0575
QIV	A	1.3127	1.3376	1.3252	0.0101	0.0103	0.0102	1.5054	1.5338	1.5196	1.5349	1.5642	1.5495	1.0519	1.0882	1.0700
April		1.3004	1.3004	1.3004	0.0103	0.0103	0.0103	1.5035	1.5035	1.5035	1.5285	1.5284	1.5285	1.0664	1.0664	1.0664
May		1.3194	1.3194	1.3194	0.0099	0.0099	0.0099	1.4992	1.4992	1.4992	1.5286	1.5286	1.5286	0.9973	1.0458	1.0216
June		1.3184	1.3931	1.3558	0.0103	0.0108	0.0106	1.5135	1.5987	1.5561	1.5475	1.6355	1.5915	1.0919	1.1524	1.1221
Percent age change	A/ B	-1.01	0.87	-0.07	-6.55	-4.88	-5.71	-1.17	0.92	-0.13	-1.19	0.70	-0.25	-2.23	1.14	-0.55
	A/ C	1.46	3.38	2.42	-18.67	-17.14	-17.90	-1.62	0.23	-0.70	-3.06	-1.21	-2.13	-1.58	1.82	0.12

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

Following the movements of the US dollar against some major international currencies, the Birr depreciated against most major currencies (except against Japanese Yen). It depreciated against

Euro (7.2 percent) USD (5.2 percent) Swiss Frank (4.8 percent), SDR (3.9 percent) and Pound Sterling (2.4 percent). (Table 5.12)

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

Period		Currency																	
		USD			EURO			JAPANESE YEN			SDR			POUNDS TERLING			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
2012/13																			
QIV	C	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
2012/13																			
QIII	B	18.2971	18.4801	18.3886	24.2598	24.5025	24.3811	0.1987	0.2008	0.1997	27.8682	28.0854	27.9815	28.4156	28.6998	28.5577	19.6835	19.8803	19.7819
January		18.2233	18.4055	18.3144	24.4513	24.6959	24.5736	0.2055	0.2080	0.2068	27.9828	28.2626	28.1227	29.1547	29.4463	29.3005	19.7248	19.9220	19.8234
February		18.2962	18.4792	18.3877	24.4923	24.7372	24.6148	0.1966	0.1986	0.1976	27.9874	28.0826	28.0491	28.3837	28.6676	28.5257	19.8978	20.0968	19.9973
March		18.3718	18.5555	18.4637	23.8359	24.0742	23.9551	0.1939	0.1958	0.1948	27.6345	27.9108	27.7727	27.7084	27.9855	27.8470	19.4279	19.6222	19.5251
QIV	A	18.5330	18.5517	18.5424	24.3318	24.5752	24.4535	0.1880	0.1899	0.1890	27.9021	28.1764	28.0392	28.4523	28.7362	28.5943	19.4947	19.9926	19.7437
April		18.4532	18.6377	18.5454	23.9975	24.2375	24.1175	0.1894	0.1912	0.1903	27.7449	28.0224	27.8837	28.2066	28.4869	28.3468	19.6784	19.8752	19.7768
May		18.5349	18.7202	18.6276	24.4613	24.7059	24.5836	0.1837	0.1855	0.1846	27.7931	28.0711	27.9321	28.3494	28.6329	28.4911	18.4852	19.5791	19.0321
June		18.6111	18.2972	18.4542	24.5367	24.7821	24.6594	0.1910	0.1929	0.1920	28.1681	28.4358	28.3019	28.8009	29.0889	28.9449	20.3205	20.5236	20.4221
Percentage change	A/B	1.29	0.39	0.84	0.30	0.30	0.30	-5.35	-5.44	-5.39	0.12	0.32	0.21	0.13	0.13	0.13	-0.96	0.56	-0.19
	A/C	5.62	4.68	5.15	7.18	7.18	7.18	-14.11	-14.11	-14.11	3.92	3.90	3.91	2.42	2.42	2.42	3.96	5.56	4.77

Source: Staff Compilation

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

Currency	Jun-12	Mar-13	Jun-13	Percentage change	
	C	B	A	A/B	A/C
USD	17.4043	18.5007	18.7358	1.3	7.7
Pound	27.7320	28.0304	28.6284	2.1	3.2
Swedish Kroner	2.5231	2.8359	2.7871	-1.7	10.5
Djibouti Frank	0.1000	0.1038	0.1052	1.3	5.1
Swiss Frank	18.4693	19.4009	19.8011	2.1	7.2
Saudi Riyal	4.7513	4.9332	4.9959	1.3	5.1
UAE Dirhams	4.8513	5.0368	5.1010	1.3	5.1
Canadian Dollar	17.3642	18.2040	17.9376	-1.5	3.3
Japanese Yen	0.2242	0.1966	0.1908	-3.0	-14.9
Euro	22.1849	23.6623	24.4109	3.2	10.0
SDR	26.9757	27.6801	28.1998	1.9	4.5

Source: Staff Compilation

5.7.2. Movements in the Real Effective Exchange Rate

Real effective exchange rate (REER) of the Birr appreciated by 0.6 percent during the fourth quarter of the fiscal year as compared to 13.5 percent in the same quarter of last year.

On quarterly basis, the REER appreciated by 2.4 percent in the review period vis-a- vis 0.4 percent depreciation in the preceding quarter.

On the other hand, nominal effective exchange rate, the (NEER) depreciated by 2.7 percent and 0.1 percent vis-à-vis

last year same period and the preceding quarter (Table 5.15).

Table 5.15 Trends in the Real and Nominal Effective Exchange Rates

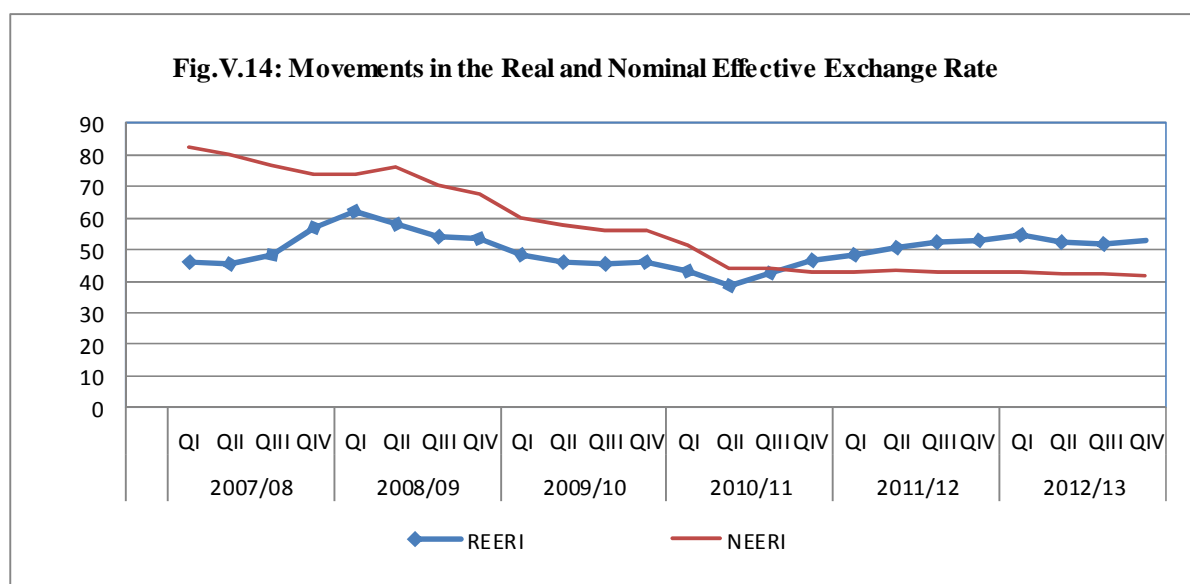
	2011/12	2012/13		Percentage Change	
	QIV	QIII	QIV		
	A	B	C	C/B	C/A
REERI	52.9	52.0	53.2	2.4	0.6
NEERI	43.2	42.1	42.0	-0.1	-2.7

Source: Staff Compilation

NB:

REERI = Real Effective Exchange Rate Index, NEERI = Nominal Effective Exchange Rate Index

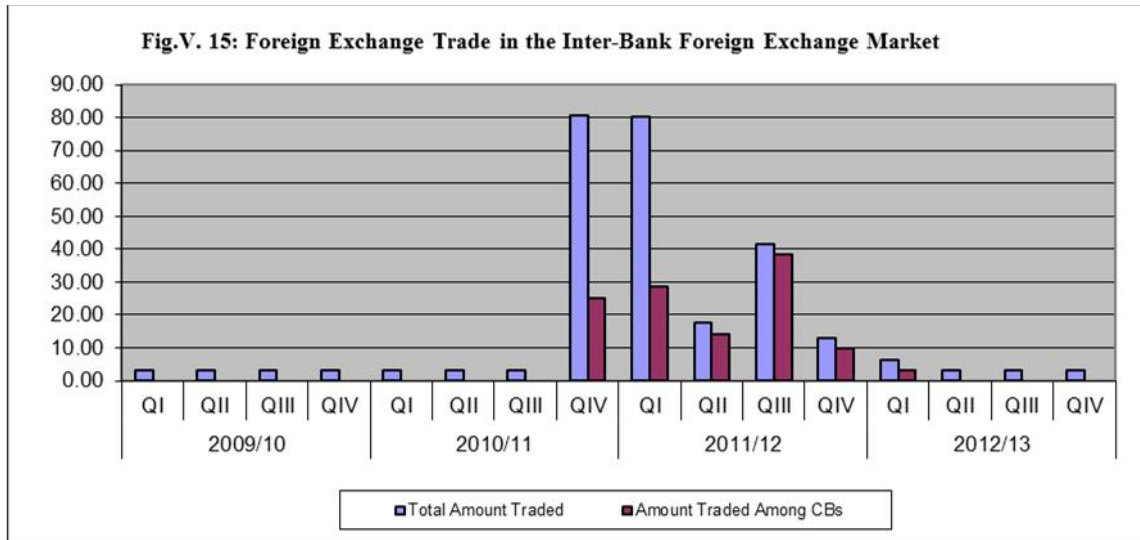
A decrease in the REERI and NEERI implies depreciation and vice versa.



5.7.3 Volume of Transactions

In the fourth quarter of 2012/13, the total amount of foreign exchange traded in the inter-bank foreign exchange market was USD 3.1 million which was 76.3 percent lower than the transaction made a year ago.

The total amount of foreign exchange traded during the review period was solely between NBE and banks (Table 5.10).



The overall purchase of foreign exchange by forex bureau of commercial banks increased by 52.3 percent against the same quarter of last year, while their sales went down by 11.3 percent. The average buying and selling exchange rates stood at Birr

18.5481/USD and Birr 18.9369/USD respectively, resulting in a 2.1 percent premium between the two rates (Table 5.11).