

V. External Sector Developments

5.1 Balance of Payments

In the third quarter of 2013/14, the overall balance of payments registered USD 169.3 million in deficit, which was much higher than USD 369.1 million surplus recorded a year ago.

Although there was a rise in export (11.8 percent) and net private transfers (3.7 percent), the quarter-on-quarter decrease in overall balance was attributed to a decline in net official transfers (39.7 percent), service trade (79.6 percent) and net capital inflow (54.4 percent) as well as a rise in imports (23.3 percent).

The fall in capital account was mainly due to a decrease in net official long-term capital inflow (60.2 percent), net foreign direct investment (6.7 percent) and short-term capital (103.8 percent).

Similarly, a decline in net services (93.3 percent), official transfers (77.7 percent), private transfers (3.1 percent), net capital inflow (53.9 percent) and a rise in imports (5.6 percent) were the factors that underlie the USD 169.3 million quarterly deficit in the overall balance of payments.

Table 5.1: Balance of Payments

(In Millions of USD)

S/N	Particulars	2012/13	2013/14		Percentage Change	
		QIII	QII	QIII	C/A	C/B
		A	B	C		
1	Exports, f.o.b.	813.1	681.2	909.4	11.84	33.50
	Coffee	152.8	85.3	164.9	7.92	93.32
	Other	660.3	595.9	744.5	12.75	24.94
2	Imports	2,990.9	3,491.9	3,688.2	23.31	5.62
	Fuel	599.0	548.9	662.3	10.57	20.66
	Cereals	222.9	198.1	62.4	-72.01	-68.50
	Aircraft	1.4	13.7	6.7	378.57	-51.09
	Imports excl. fuel, cereals, aircraft	2,167.6	2,731.1	2,956.8	36.41	8.26
3	Trade Balance (1-2)	-2,177.8	-2,810.7	-2,778.7	27.59	-1.14
4	Services, net	108.0	329.9	22.0	-79.6	-93.3
	Non-factor services, net	128.4	369.6	59.4	-53.7	-83.9
	Exports of non-factor services	651.8	992.9	614.0	-5.8	-38.2
	Imports of non-factor services	523.4	623.3	554.6	6.0	-11.0
	Income, net	-20.445	-39.7	-37.4	83.0	-5.7
	O/w Gross official int. payment	21.4	36.2	37.3	73.7	2.8
	Dividend		-4.9	-3.0	-	-38.4
5	Private transfers, net	967.7	1,035.8	1,003.7	3.72	-3.10
	o/w: Private Individuals	736.5	818.7	784.6	6.53	-4.17
6	Current account balance excluding official transfers (3+4+5)	-1,102.1	-1,444.9	-1,753.1	59.1	21.3
7	Official transfers, net	305.4	824.9	184.3	-39.65	-77.66
8	Current account balance	-796.6	-620.0	-1,568.7	96.9	153.0
9	Capital account	968.8	958.4	442.2	-54.36	-53.86
	Off. Long-term Cap., net	509.6	381.6	151.8	-70.21	-60.22
	Disbursements	515.1	413.7	167.7	-67.44	-59.46
	Amortization	5.5	32.1	15.9	189.09	-50.47
	Other pub. long-term cap.	26.5	-65.9	-56.2	-312.08	-14.72
	Foreign Direct Investment(net)	419.1	382.2	356.5	-14.94	-6.72
	Short-term Capital	13.6	260.5	-9.8	-172.06	-103.76
10	Errors and omissions	196.9	-613.9	957.2		
11	Overall balance (8+9+10)	369.1	-275.5	-169.3		
12	Financing	-369.1	275.5	169.3		
13	Reserves [Increase (-), Decrease (+)]	-365.9	276.3	170.6		
14	Central Bank (NFA)	-158.9	125.9	15.6		
	Asset	-171.8	-129.4	-13.4		
	Liabilities	12.9	255.3	29.1		
15	Commercial banks (NFA)	-207.1	150.4	155.0		
16	Debt Relief	-3.1	-0.8	-1.3		
	Principal	2.8	0.6	1.0		
	Interest	0.3	0.1	0.2		

Source: NBE Staff Compilation

Total current foreign exchange receipts in the review quarter amounted to USD 2.7 billion, 1.2 percent lower than the same period last year due to a 35.1 percent fall in official transfers.

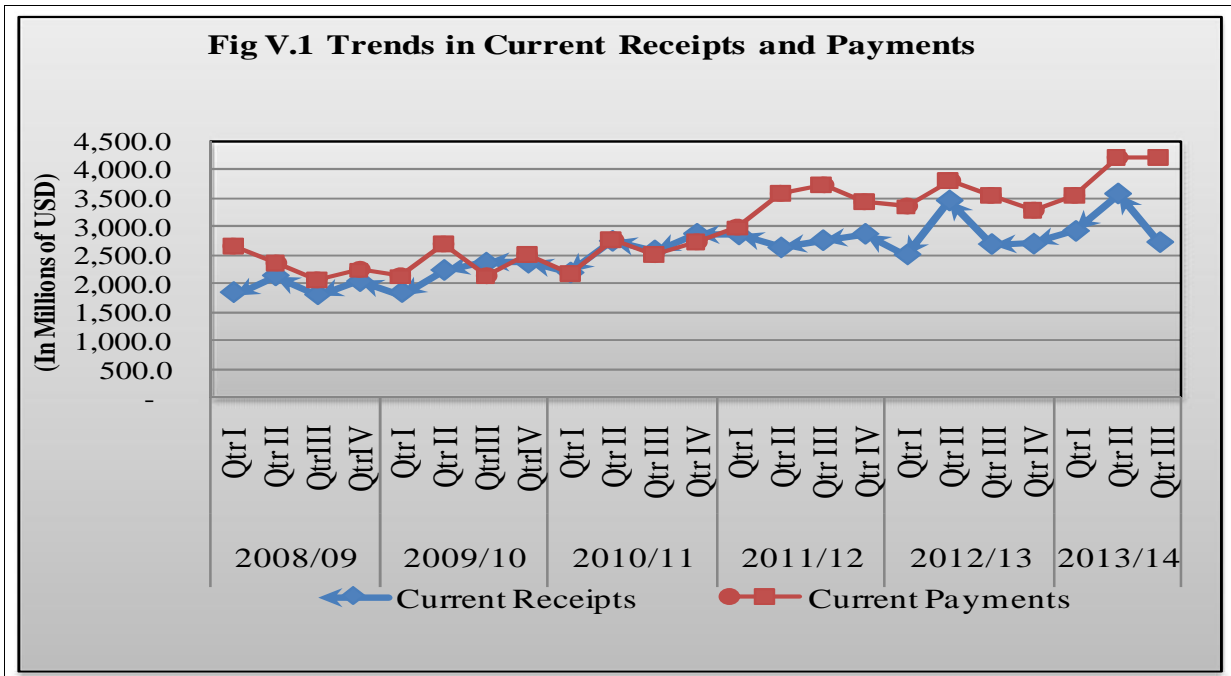
Meanwhile, total current foreign exchange payments increased by

19.4percent and stood at USD 4.3 billion on account of 23.3 percent rise in payments for merchandize imports. Consequently, the current account recorded USD 1.6 billion net outflows, about 87.3 percent higher than a year ago (Table 5.2).

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

Particulars	2012/13	2013/14		Percentage Change	
	Qtr III	QtrII	Qtr III	C/A	C/B
	A	B	C		
1. Current Receipts	2,763.58	3,585.73	2,731.66	-1.2	-23.8
Export Proceeds	813.1	681.22	909.44	11.8	33.5
Service Proceeds	652.8	994.3	616.8	-5.5	-38.0
Private Transfers	990.15	1,043.34	1,005.86	1.6	-3.6
Public Transfer	307.53	866.87	199.56	-35.1	-77.0
2. Current Payments	3,597.72	4,195.93	4,294.39	19.4	2.3
Import Payments	2,990.90	3,491.87	3,688.18	23.3	5.6
Service Payments	544.8	654.6	588.8	8.1	-10.1
Private Transfers	57.53	7.54	2.17	-96.2	-71.2
Public Transfer	4.49	41.92	15.24	239.4	-63.6
3. Net(1-2)	-834.14	-610.20	-1,562.73	87.3	156.1

Source: Staff Compilation

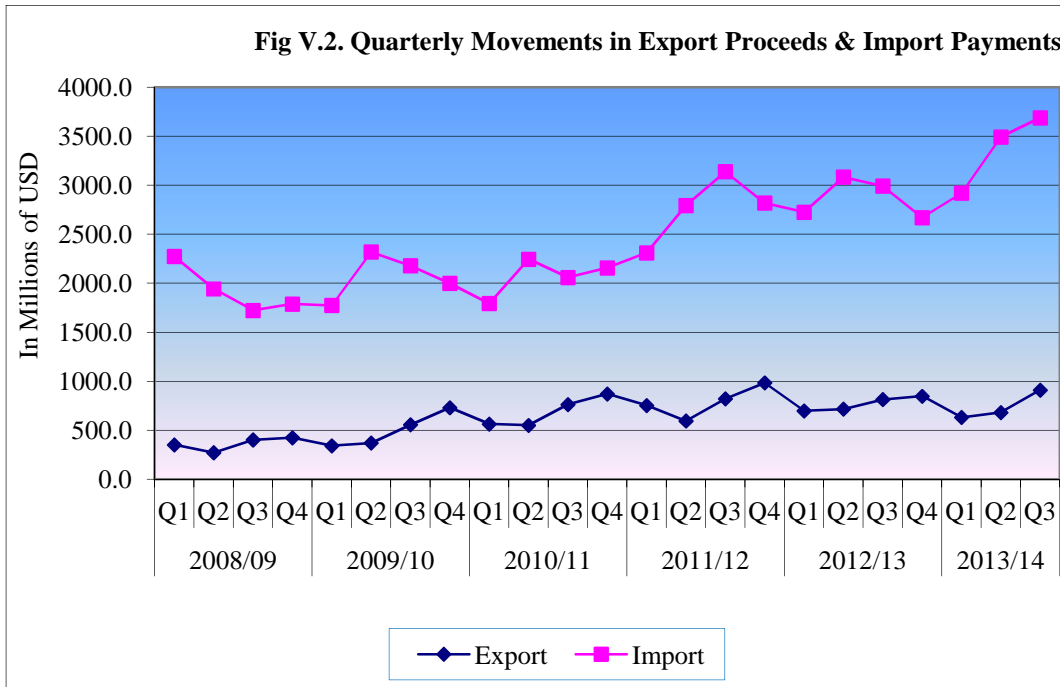


Source: NBE Staff Compilation

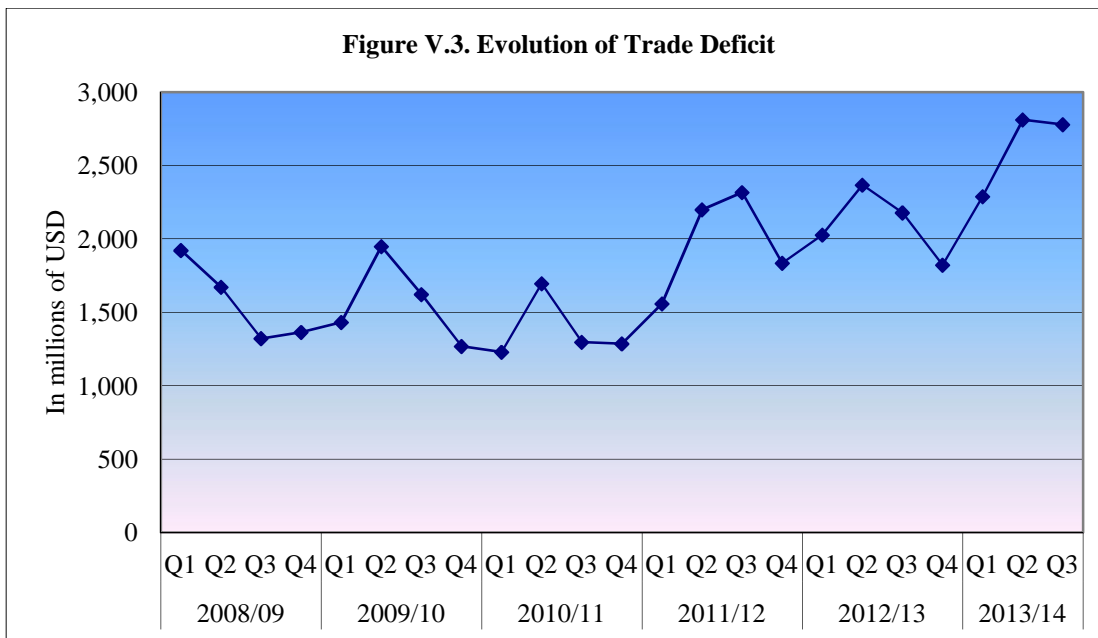
5.2 Merchandise Trade

The merchandise trade deficit in the third quarter of 2013/14 amounted to USD 2.8 billion, about 1.1 percent lower and 27.6 percent higher than the

preceding quarter and the same period last year, respectively. The widening of trade deficit on quarter-on-quarter bases was the result of strong import growth over modest growth in exports.



Source: Ethiopian Revenue and Customs Authority



Source: NBE Staff Compilation

5.2.1 Exports

Total merchandise export increased by 11.8 percent on annual and 33.5 percent quarterly basis, and reached USD 909.4 million. The annual increase resulted from higher export earnings from oil seeds (62.2 percent), coffee (7.9 percent), pulses (22.7 percent), chat (4.6 percent), flower (14.3 percent) and leather & leather products (5.7 percent).

The unit value of coffee actually received by exporters fell by 4.4 percent on annual but rose by 11.1 percent on quarterly basis. Although the current global coffee market condition is gloomy, the volume of coffee exported in the review period significantly increased by 74.1 percent and 13.0 percent vis-à-vis the previous quarter and last year same quarter, respectively.

Similarly, the value of coffee export went up to USD 164.9 million from USD 85.3 million and USD 152.8 million in the previous quarter and a year earlier, respectively. The share of coffee in total export earnings declined slightly to 18.1 percent from 18.8 percent in the third quarter of last year but increased

from 12.5 percent of the preceding quarter.

Likewise, export revenue from oilseeds surged by 62.2 percent relative to last year same period on account of both higher international price 31.3 percent and export volume 23.5 percent. Similarly, with respect to the preceding quarter, the export proceeds from oil seeds showed a 86.9 percent growth due to a 93.5 percent rise in volume of export despite a 3.4 percent decline in international price. Consequently, the share of oilseeds in total export receipts increased to 28.0 percent from 20.0 percent a quarter earlier and 19.3 percent share last year.

Earnings from export of pulses increased by 22.7 percent compared with last year same quarter on account of improvements both in volume and price. Similarly, pulses fetched 36.3 percent higher revenue over the preceding quarter owing to a 42.7 percent rise in volume despite 4.5 percent drop in price.

Export revenue from chat rose by 4.6 percent on quarter-on-quarter basis and stood at USD 66.0 million owing to a 4.3 percent increase in volume and 0.2 percent rise in international price.

In relation to the preceding quarter, however, chat export earnings went down by 8.9 percent due to a 63 percent fall in volume of export although international price increased by 146.6 percent. Receipts from chat exports accounted for 7.3 percent of the total merchandise export compared to 10.6 percent in the preceding quarter and 7.8 percent last year.

Earnings from export of flowers went up by 14.3 percent over last year same quarter owing to 2 percent improvement in international price and 12.1 percent in export volume. In the same manner, compared to preceding quarter receipts from flower exports surged by 32.3 percent as a result of a 24.1 percent rise in volume and 6.6 percent in

international price. Consequently, the share of flower export revenue in total exports slightly rose to 6.6 percent from 6.4 percent same period last year but remained unchanged with regard to the preceding quarter.

Earnings from export of leather & leather products increased by 5.7 percent on yearly but declined by 8.8 percent on quarterly terms. The rise in export revenue over last year was due to a 9.1 percent increase in export volume in spite of a 3.1 percent fall in international price. Quarterly decline in export earnings from leather and leather products was attributed to 17.3 percent in export volume despite 10.2 percent rise in international price. Consequently, the share of leather and leather products in total export revenue dropped to 3.5 percent from 3.7 percent last year same period and 5.2 percent in the preceding quarter.

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

Particulars	2012/13		2013/14				Percentage Change	
	Qtr III		Qtr II		Qtr III		C/A	C/B
	A	% share	B	% share	C	% share		
Coffee	152.8	18.8	85.3	12.5	164.9	18.1	7.9	93.4
Oilseeds	157.3	19.3	136.5	20.0	255.1	28.0	62.2	86.9
Leather & Leather products	30.3	3.7	35.1	5.2	32.0	3.5	5.7	-8.8
Pulses	66.2	8.1	59.6	8.8	81.2	8.9	22.7	36.3
Meat & Meat Products	17.6	2.2	15.8	2.3	17.2	1.9	-1.8	9.4
Fruits & Vegetables	12.8	1.6	13.8	2.0	12.3	1.4	-3.8	-11.0
Live Animals	37.33	4.6	41.61	6.1	35.72	3.9	-4.3	-14.2
Chat	63.09	7.8	72.39	10.6	65.98	7.3	4.6	-8.9
Gold	164.4	20.2	117.6	17.3	125.5	13.8	-23.6	6.8
Flower	52.2	6.4	45.1	6.6	59.6	6.6	14.3	32.3
Others	59.3	7.3	58.5	8.6	59.8	6.6	0.8	2.3
Total	813.1	100.0	681.2	100.0	909.4	100.0	11.8	33.5

Source: Ethiopian Revenue and Customs Authority

On the other hand, receipts from the export of gold declined by 23.6 percent compared with last year same quarter, but increased by 6.8 percent compared to the preceding quarter. The fall in earnings from gold, by and large, was attributed to a 21.2 percent decline in price and 3.1 percent drop in volume compared with last year same period. Consequently, its share in total export proceeds went down to 13.8 percent from 20.2 percent a year ago and 17.3 percent in the preceding quarter.

Receipts from live-animals declined by 4.3 and 14.2 percent compared to last year and the preceding quarter, respectively and reached USD 35.7 million. The annual fall in earnings

from live-animals was solely due to a 11.6 percent drop in volume. Likewise, the 14.2 percent decline in quarterly receipts from this merchandise item was ascribed to 16.4 percent slow down in volume of exports. Hence, the share of live animals in total merchandise export revenue was 3.9 percent during the review quarter.

Despite 1.0 percent increase in international price, revenue from meat & meat products declined by 1.8 percent vis-à-vis the previous year same quarter as a result of 2.8 percent decline in volume of exports. On the other hand, owing to higher volume of export earnings from meat & meat products increased by 9.4 percent on quarterly basis to reach USD 17.2 million, which

was, 1.9 percent of the total merchandise export revenue in the review quarter.

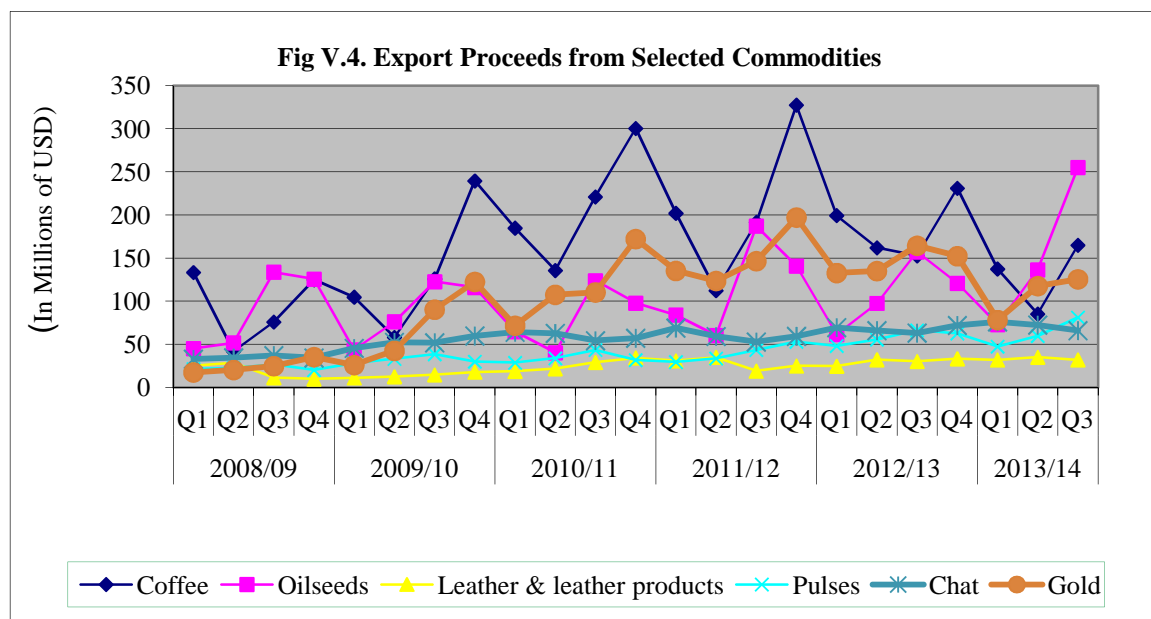
Similarly, earnings from export of fruits and vegetables decreased by 3.8 percent compared to last year same period as a result of 8.3 percent decrease in international price although volume of exports increased by 5.0 percent.

In addition, with respect to the preceding quarter, export proceeds from fruits and vegetables went down by 11.0 percent and reached USD 12.3 million as international prices fell by 22.6 percent.

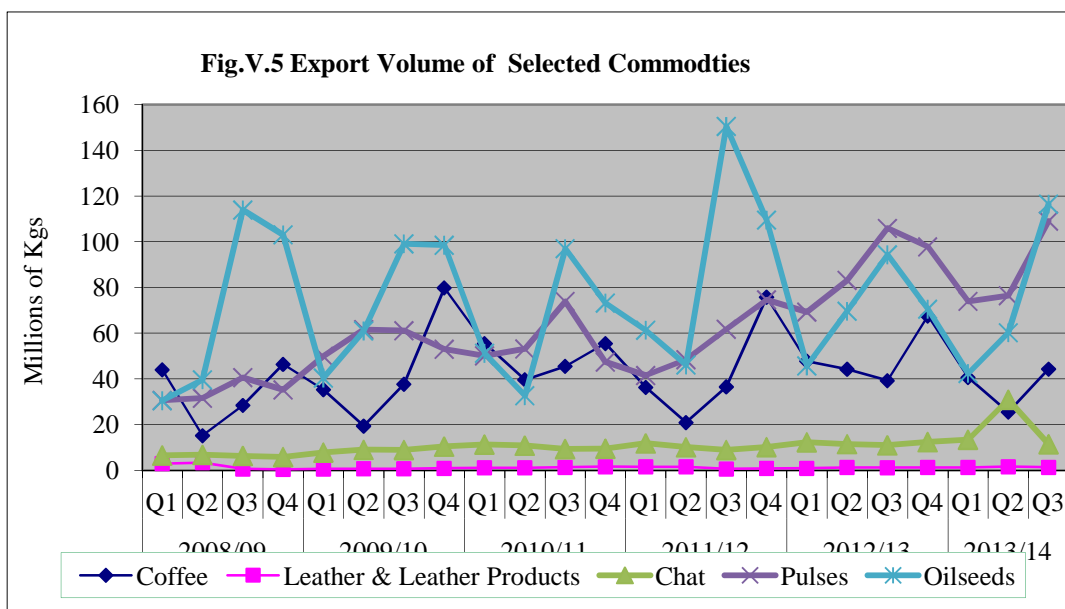
Table 5.4: Volume of Major Export Items
(In millions of kg)

Particulars	2012/13	2013/14		Percentage Change	
	Qtr III	Qtr II	Qtr III	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	39.2	25.5	44.3	13.0	74.06
Oilseeds	94.3	60.2	116.5	23.5	93.5
Leather and Leather products	1.19	1.57	1.30	9.1	-17.3
Pulses	105.9	76.4	109.0	3.0	42.7
Meat & Meat Products	3.7	3.1	3.6	-2.8	14.1
Fruits & Vegetables	34.4	31.4	36.2	5.0	15.0
Live Animals	23.0	24.4	20.4	-11.6	-16.4
Chat	10.9	30.9	11.4	4.3	-63.0
Gold	0.0034	0.0034	0.0033	-3.1	-2.8
Flower	11.3	10.2	12.7	12.1	24.1

Source: Ethiopian Revenue and Customs Authority



Source: Ethiopian Revenue and Customs Authority

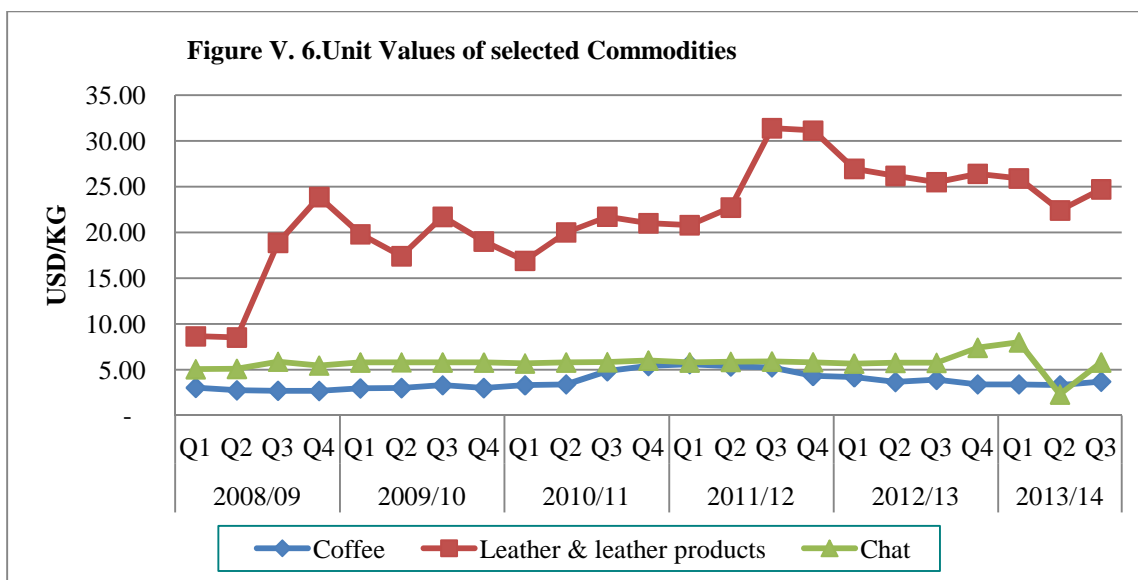


Source: Ethiopian Revenue and Customs Authority

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

Particulars	2012/13	2013/14		Percentage Change	
	Qtr III	Qtr II	Qtr III	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	3.9	3.3	3.7	-4.4	11.1
Oilseeds	1.7	2.267	2.190	31.3	-3.4
Leather and Leather products	25.5	22.4	24.7	-3.1	10.2
Pulses	0.625	0.780	0.745	19.2	-4.5
Meat & Meat Products	4.8	5.0	4.8	1.0	-4.2
Fruits & Vegetables	0.37	0.44	0.34	-8.32	-22.6
Live Animals	1.6	1.7	1.8	8.2	2.7
Chat	5.8	2.3	5.8	0.2	146.6
Gold	47,900.0	34,400.0	37,800.0	-21.2	9.8
Flower	4.61	4.42	4.71	2.0	6.6

Source: NBE Staff Compilation



Source: NBE Staff Compilation

5.2.2 Imports

Total value of merchandise import during the third quarter of 2013/14 stood at USD 3.7 billion which went up by 5.6 percent over the previous quarter owing to 16.7 percent rise in imports of capital goods, fuel (20.7 percent) and semi-finished goods (9.8 percent). The increase in imports of capital goods was due to higher import value of industrial goods (32.7 percent) although transport goods and agricultural goods import decreased by 9.7 percent and 73.3 percent, respectively. Meanwhile, payments for consumer goods and raw materials were decreased by 19.4 percent and 12.7 percent, respectively.

With respect to last year same quarter, total import increased by 23.3 percent mainly due to the rise in the value of import of capital goods (43.6 percent), consumer goods (6.7 percent), fuel (10.6 percent), semi-finished goods (28.0 percent) and raw material (14.2 percent). The growth in import value of capital goods, in turn, was attributed to a rise in import value of industrial goods (59.1 percent) and transport goods (14.2 percent). On the other hand, import value of agricultural goods decreased by 56.7 percent.

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

Particulars	2012/13		2013/14				Percentage Changes	
	Quarter III	% share	Quarter II	% share	Quarter III	% share		
	A		B		C		C/A	C/B
Raw Materials	28.7	1.0	37.5	1.1	32.8	0.9	14.2	-12.7
Semi-finished Goods	464.9	15.5	542.0	15.5	595.3	16.1	28.0	9.8
Fertilizers	119.6	4.0	112.2	3.2	186.5	5.1	56.0	66.2
Fuel	599.0	20.0	548.9	15.7	662.3	18.0	10.6	20.7
Petroleum Products	599.0	20.0	528.5	15.1	655.0	17.8	9.3	23.9
Others	0.00	0.0	20.5	0.6	7.3	0.2	415,423.9	-64.1
Capital Goods	888.5	29.7	1,093.2	31.3	1,276.2	34.6	43.6	16.7
Transport	232.1	7.8	293.7	8.4	265.1	7.2	14.2	-9.7
Agricultural	29.0	1.0	46.9	1.3	12.5	0.3	-56.7	-73.3
Industrial	627.4	21.0	752.5	21.5	998.5	27.1	59.1	32.7
Consumer Goods	882.0	29.5	1,168.1	33.5	941.1	25.5	6.7	-19.4
Durables	246.9	8.3	362.8	10.4	453.2	12.3	83.5	24.9
Non-durables	635.1	21.2	805.4	23.1	488.0	13.2	-23.2	-39.4
Miscellaneous	127.8	4.3	102.1	2.9	180.4	4.9	41.1	76.7
Total Imports	2,991.1	100.0	3,491.9	100.0	3,688.2	100.0	23.3	5.6

Source: Ethiopian Revenue and Customs Authority

Meanwhile, as a result of a 56.0 percent and 66.2 percent rise in import bills of fertilizer, payment for imports of semi-finished goods increased by 28.0 percent and 9.8 percent in relation to last year same period and the preceding quarter, respectively.

Meanwhile, fuel import bill went up by 10.6 percent over last year same period and by 20.7 percent on quarterly basis to reach USD 662.3 million.

In contrast, the value of imports of raw materials went down by 12.7 percent but increased by 14.2 percent over the

preceding quarter and the same period last year, respectively.

Similarly, import bills for consumer goods during the review period went up by 6.7 percent quarter-on-quarter basis due to 83.5 percent surge in import bill of durable goods although payment for non-durable goods decreased by 23.2 percent.

Meanwhile, imports of consumer goods showed a 19.4 percent decline over the preceding quarter on account of a 39.4 percent drop in import bill of non-durable goods.

Consequently, the share of consumer goods in total imports fell to 25.5 percent from 29.5 percent last year and 33.5 percent in the preceding quarter.

Total franco-valuta imports increased by 66.0 percent when compared to last year but decreased by 11.0 percent against the preceding quarter and stood at USD 750.2 million.

Table 5.7: Values of Franco-valuta Imports
(In millions of USD)

Commodity Group	2012/13	2013/14		Percentage Changes	
	Qtr III	Qtr II	Qtr III		
	A	B	C	C/A	C/B
Beverages	0.2	0.2	2.2	898.6	1076.6
Chemicals	2.1	1.4	6.2	190.9	332.0
Clothing	4.5	7.2	4.7	4.3	-34.0
Food and Live Animals	61.3	89.4	46.5	-24.1	-48.0
Textiles	0.5	2.8	1.2	145.0	-57.8
Tobacco	0.00	0.01	0.15	4452.6	2327.0
Soap & Polish	0.4	0.5	0.7	85.2	32.0
Fertilizer	3.4	4.1	2.3	-33.2	-44.4
Paper & Paper Manufacturing.	0.5	0.5	0.9	74.3	84.6
Metal & Metal Manufacturing.	32.1	96.1	92.0	186.2	-4.2
Med. & Pharm. Prod	40.0	204.7	45.8	14.4	-77.6
Rubber Prod.	6.9	13.0	14.7	113.1	13.4
Petroleum Product	0.1	0.15	0.52	758.5	248.1
Glass & Glass Ware	0.2	0.8	0.5	175.7	-30.5
Electrical Material	11.2	30.3	50.6	349.9	66.8
Machine	115.4	180.4	181.2	57.1	0.5
Air Craft	1.1	31.1	6.7	489.1	-78.6
Road & Motor Vehicles	50.9	52.1	76.8	50.9	47.4
Tele Apparatus	0.2	0.25	0.36	50.7	44.1
Cement	0.7	0.13	0.26	-61.7	107.3
Others	120.0	127.3	215.9	79.9	69.6
Total	451.9	842.4	750.2	66.0	-11.0

Source: Ethiopian Revenues and Customs Authority

**In this & previous quarters data on francovaluta is obtained from ERCA not NBE*

5.2.3 Direction of Trade

5.2.3.1 Exports

In the review period, the major destinations of Ethiopia's export were Asia, Europe and Africa.

Asia was the main outlet for Ethiopian export commodities accounting for 40.1 percent of the total export earnings; China (47.5 percent), Saudi Arabia (13.5 percent), Israel (8.7 percent), United Arab Emirates (5.9 percent), Japan (3.2 percent), India (2.9 percent) and Pakistan (2.3 percent) were the major Asian markets for Ethiopian exports. These countries accounted for 84.0 percent of the total export earnings from Asia.

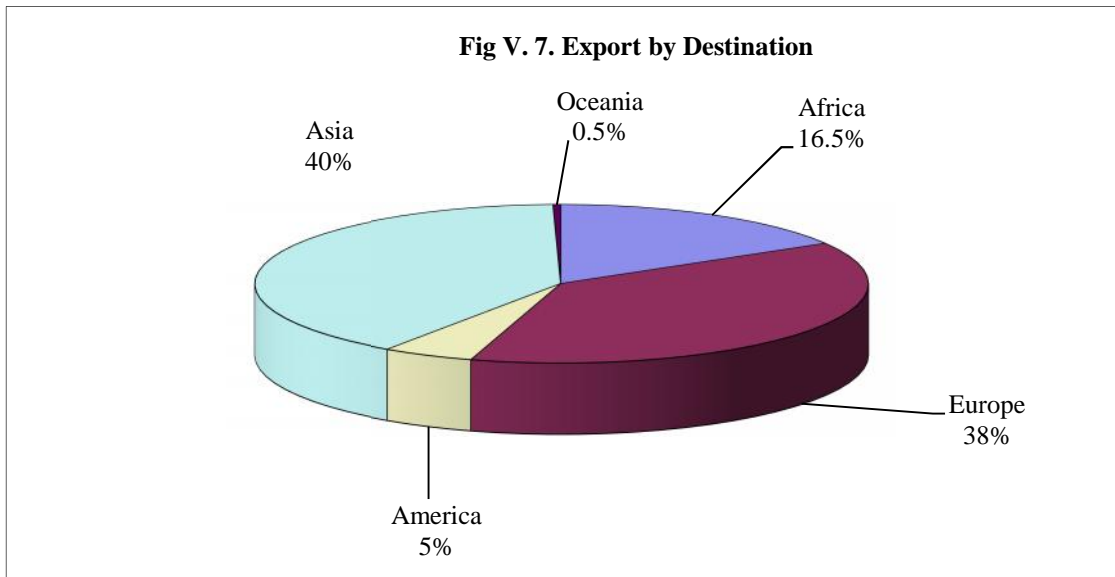
The main products exported to China were oilseeds, natural honey, leather & leather products, mineral products and textile & garments while coffee, oilseeds, meat & meat products, flower and live-animals went to Saudi Arabia. The principal export items to United Arab Emirates were meat and meat products, oilseeds, pulses, live-animals, flower and coffee. Coffee and oilseeds were the major items exported to Japan while Israel imported oilseeds, cereals and coffee. Ethiopia also exported pulses to Pakistan and pulses and oilseeds to India.

Europe accounted for 38.2 percent of Ethiopia's total export earnings. Switzerland, accounted for 36.3 percent of the total earnings from Europe, mainly from gold export, followed by the Netherlands, (14.9 percent), from flower and coffee. Germany comprised 14.2 percent of the total Ethiopia's export earnings mainly from export of coffee, textile & garments. Turkey, accounting for 8.8 percent of the total export earnings from Europe, mainly imported coffee, oilseeds and pulses. Italy, with 5.6 percent share, is the fifth major European destination mainly for leather and leather products. United Kingdom with 4.4 percent share is another European export market largely for coffee, vegetables, pulses and leather & leather products.

About 16.5 percent of Ethiopia's exports earnings were generated from markets in Africa, mainly Somalia (40.6 percent), Sudan (16.2 percent), Djibouti (16.0 percent) and Egypt (7.8 percent) which altogether accounted for 80.6 percent of the total export earnings from Africa. The main items exported to Somalia and Djibouti were

vegetables and live-animals while pulses, coffee and spices were the main exports to Sudan. Live-animals, pulses and oilseeds constitute the principal export items to Egypt.

American markets generated 4.8 percent of total Ethiopian export earnings during the third quarter of 2013/14, of which 90.8 percent went to the United States with, coffee, leather & leather products and oilseeds being the major export items.



Source: Ethiopian Revenue and Customs Authority

5.2.3.2 Imports

In the review period, Asia accounted for about 71.0 percent of Ethiopia’s total import bill. Of this, China comprises 33.4 percent, Saudi Arabia 10.9 percent, India 10.2 percent, Japan 6.2 percent, Indonesia 3.7 percent, United Arab Emirate 3.2 percent and South Korea 2.2 percent where their combined share stood at 69.8 percent.

The major items imported from China were electric materials, machine and aircraft materials, metal & metal products, road & motor vehicles, and clothing. Petroleum products and fertilizers were the main import items from Saudi Arabia. Imports from India include metal & metal products, grain, medical & pharmaceutical products and

machine and aircraft materials. Road and motor vehicles, machine & aircraft materials and rubber were the principal imports from Japan. Paper & paper products, soap and polish were the major import items from Indonesia. Imports from United Arab Emirates (UAE) constituted mainly petroleum products, machine and aircraft materials and medical & pharmaceuticals products.

Imports from European countries accounted for 19.7 percent of Ethiopia's total import bill; where the major origins were Italy (17.5 percent), Ukraine (14.3 percent), Turkey (14.2 percent), Germany (13.7 percent), Belgium (5.2 percent), United Kingdom (4.9 percent), France (4.3 percent) and Sweden (3.8 percent). Items imported from Italy include mainly machinery & aircraft materials, road and motor vehicles, medical & pharmaceutical products, metal & metal products and electrical materials. The major import items from Ukraine include fertilizers and metal & metal products. Metal & metal products, machine & aircraft materials and electrical material were imported from Turkey. Machine & aircraft materials, road & motor vehicles, metal & metal

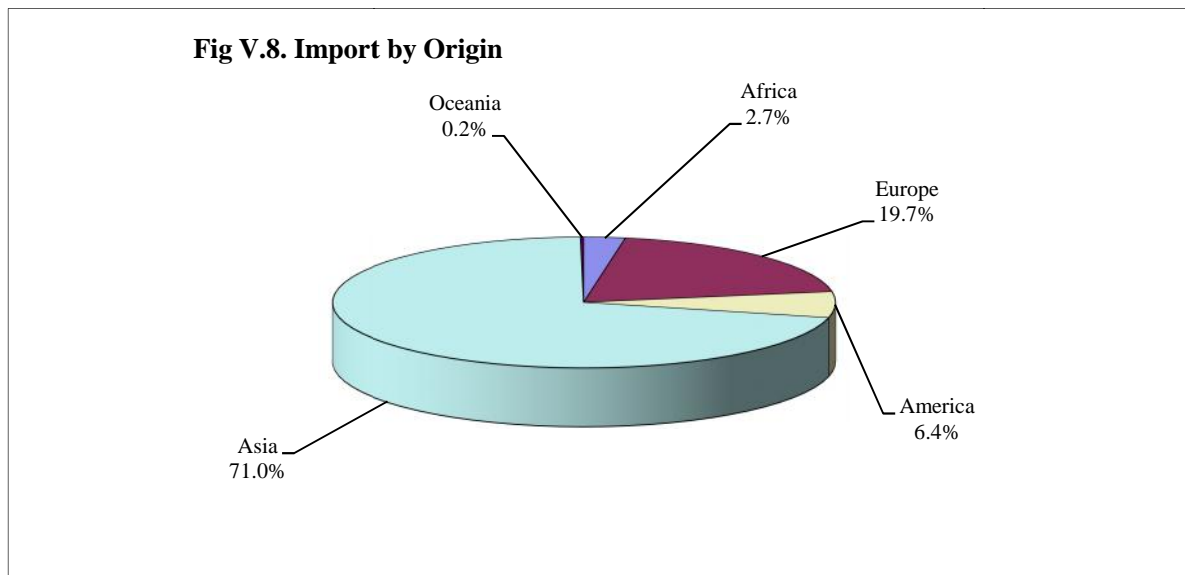
products and medical & pharmaceutical products were the major imports from Germany. Machine & aircraft materials, road & motor vehicles and beverage were imported from United Kingdom. Import items from France included machinery & aircraft materials, food & live animals, electrical materials, metal & metal products, medical & pharmaceutical products, and road & motor vehicles.

Import from Africa accounted for about 2.7 percent of the total merchandise import bills with Egypt constituting 33.5 percent followed by Sudan (24.8 percent), South Africa (23.1 percent) and Kenya (8.7 percent) which jointly took 90.1 percent of the total import bill to Ethiopia. Metal & metal products, petroleum products, clothing, food & live-animals, paper & paper products and rubber were chiefly imported from Egypt. Petroleum products, food & live-animals and soap & polish were the major items imported from Sudan. Road & motor vehicles, machine & aircraft materials were the primary imports from South Africa. The major items imported from Kenya included metal & metal products, medical & pharmaceutical

products, chemical, soap & polish and clothing.

Imports from America accounted for 6.4 percent of Ethiopia's total import bills, of which United States shares 76.9 percent, Brazil 15.2 percent and Canada 6.4 percent. Machinery & aircraft

materials, grain, road & motor vehicles and medical & pharmaceutical products were the major items imported from USA while machinery & aircraft materials and road & motor vehicles were imported from Canada.



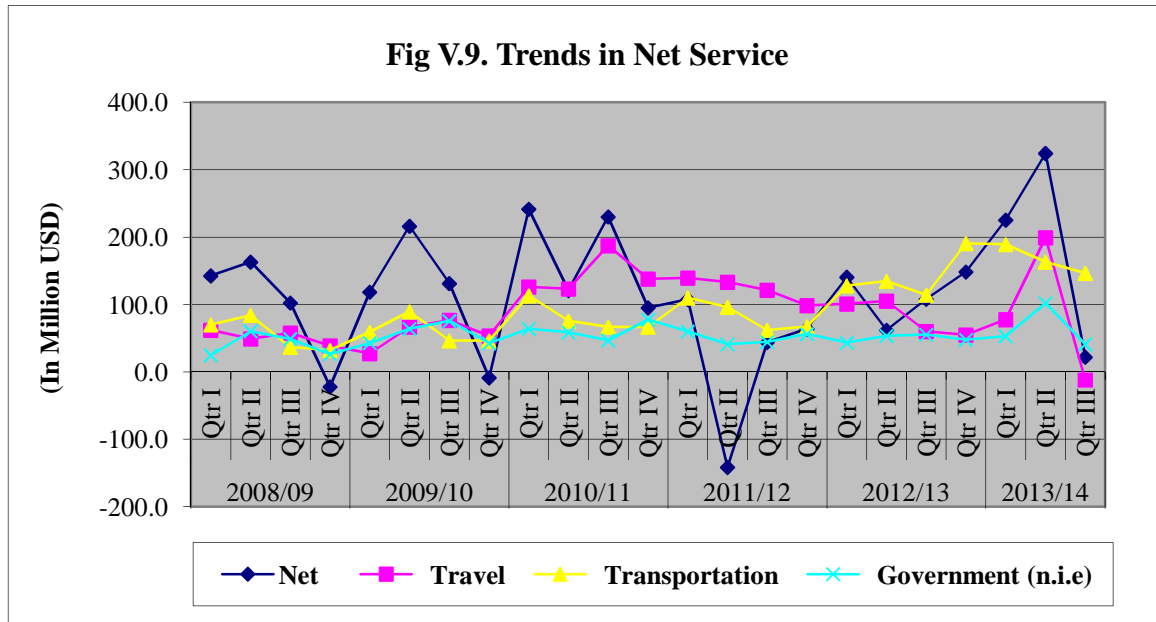
Source: Ethiopian Revenue and Customs Authority

5.3. Services and Transfers

Net receipts from services trade stood at USD 22.0 million, down from USD 108.0 million last year same period. This was attributed to the down in net travel (119.6 percent) and government services

(25.4 percent) and the rise in net payments to other service (14.6 percent).

Fig V.9. Trends in Net Service



Source; NBE Staff Compilation

Table 5.8: Developments in Service Account
(In Millions of USD)

S/N	Particulars	2012/13	2013/14		Percentage Change	
		QIII	QII	QIII	C/A	C/B
		A	B	C		
1	Investment Income (2+5)	-20.4	-39.7	-37.4	83.0	-5.7
2	Interest, net (3-4)	-20.4	-34.8	-34.4	68.2	-1.1
3	Credit	1.0	1.5	2.9	186.3	97.3
4	Debit	21.4	36.2	37.3	73.7	2.8
5	Dividend, net		-4.9	-3.0		-38.4
6	Other Services, net (7-12)	128.4	369.6	59.4	-53.7	-83.9
7	Exports of non-factor services	651.8	992.9	614.0	-5.8	-38.2
8	Travel	108.3	263.7	37.0	-65.8	-86.0
9	Transport	444.5	565.1	496.9	11.8	-12.1
10	Gov't	55.7	108.1	41.9	-24.8	-61.2
11	Other	43.3	56.0	38.2	-11.9	-31.8
12	Imports of non-factor services	523.4	623.3	554.6	6.0	-11.0
13	Travel	48.0	60.4	48.9	1.8	-19.2
14	Transport	330.2	401.3	350.5	6.2	-12.7
15	Gov't	0.3	5.6	0.6	96.7	-89.5
16	Other	144.9	155.9	154.6	6.7	-0.8
17	Net Services (18+19+20+21+22)	108.0	329.9	22.0	-79.6	-93.3
18	Travel (8 - 13)	60.3	203.3	-11.8	-119.6	-105.8
19	Transport (9 - 14)	114.3	163.8	146.4	28.0	-10.6
20	Gov't (10 - 15)	55.4	102.5	41.3	-25.4	-59.7
21	Other (11 - 16)	-101.6	-99.9	-116.4	14.6	16.5
22	Investment Income (2+5)	-20.4	-39.7	-37.4	83.0	-5.7

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

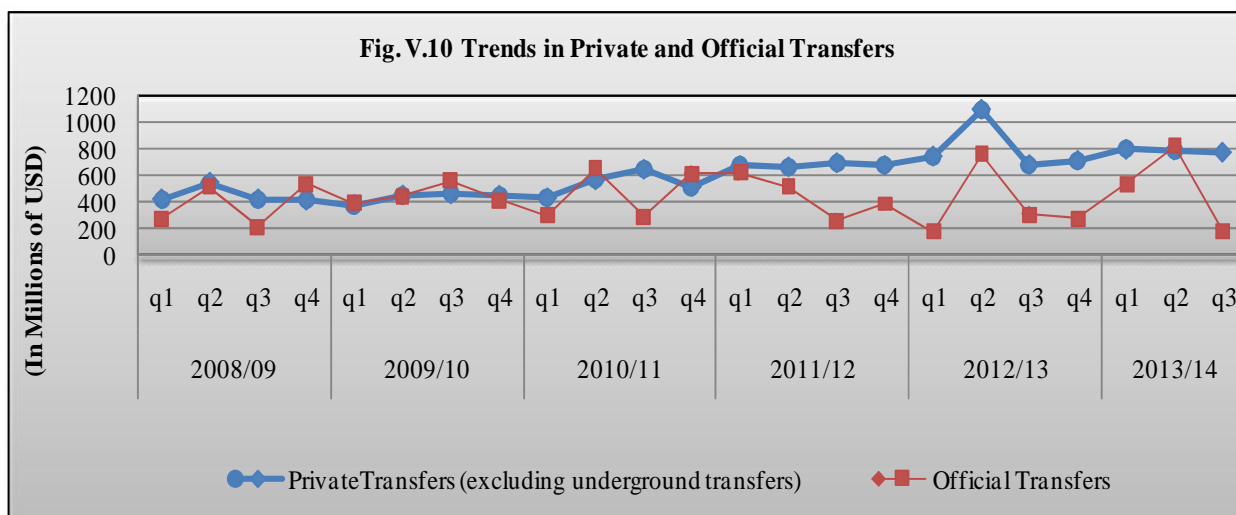
During the review period net transfer receipts decreased by 6.7 percent relative to last year same period and stood at USD 1.2 billion. The decline in net transfers was ascribed to 39.6 percent drop in official transfers while private transfers increased by 3.7 percent.

Relative to last year same period, net private transfers increased by 3.7 percent and amounted to USD 1 billion on account of the 24.6 percent rise in cash remittances from private individuals that more than offset the 23 percent drop in NGO transfers.

Table 5.9: Developments in Transfer Accounts
(In Millions of USD)

S/N	Particulars	2012/13		2013/14				Percentage Change	
		QIII	% share	Q II	% share	Q III	% share	C/A	C/B
		A		B		C			
1	Private Transfers (net) (2-11)	967.7	76.0	1035.8	55.7	1003.7	84.5	3.72	-3.10
2	Credit (3+7)	990.2	76.3	1043.3	54.6	1005.9	83.4	1.59	-3.58
3	NGO's (4+5+6)	253.7	19.5	224.6	11.8	221.2	18.3	-12.79	-1.51
4	Cash	217.0	16.7	191.3	10.0	167.1	13.9	-22.99	-12.65
5	Other	36.7	2.8	33.3	2.6	54.1	4.2	47.60	62.46
6	Food								
7	Private individuals (8+9+10)	736.5	56.8	818.7	42.9	784.6	65.1	6.53	-4.17
8	Cash	447.5	34.5	576.3	30.2	557.6	46.3	24.60	-3.24
9	Inkind	4.2	0.3	0.2	0.0	1.2	0.1	-71.46	500.00
10	Underground Private Transfers	284.8	21.9	242.3	12.7	225.9	18.7	-20.68	-6.77
11	Debit	22.4	91.5	7.5	15.2	2.2	12.6	-90.18	-70.67
12	Official Transfers (net) (13-17)	305.4	24.0	824.9	44.3	184.3	15.5	-39.66	-77.66
13	Credit (14+15+16)	307.5	23.7	866.9	45.4	199.6	16.6	-35.09	-76.98
14	Cash	307.5	23.7	866.9	45.4	189.5	15.7	-38.38	-78.14
15	Other								
16	Food								
17	Debit	2.1	8.5	41.9	84.8	15.2	87.4	628.32	-63.72
18	Total Receipts (2+13)	1,297.7	100.0	1,910.2	100.0	1,205.5	100.0	-7.10	-36.89
19	Total Payments (11+17)	24.5	100.0	49.4	100.0	17.4	100.0	-28.97	-64.78
20	Net Transfers (18+19)	1,273.2	100.0	1,860.8	100.0	1,188.1	100.0	-6.68	-36.15

Source: Staff Computation



5.4. Current Account

The current account balance (including official transfers) registered USD 1.6 billion in deficit during the third quarter of 2013/14, which was higher than USD 796.6 million deficit recorded a year ago. The widening of the current account deficit was attributed to 39.7 percent fall in net official transfers and a 23.3 percent increase in trade deficit.

5.5: Capital account

In the review period, the capital account recorded USD 442.2 million in surplus; about 54.4 percent lower than last year same period. This was due to the 70.2 percent slowdown in inflows of net official long-term capital, other public long-term capital (311.9 percent), foreign direct investment (14.9 percent) and short-term capital (172.4 percent).

5.6: Changes in Reserve Position

During the review period, the significant widening of the trade deficit resulted in a USD 169.3 million deficit in the overall balance of payments. Consequently, net foreign assets of the banking system showed USD 170.6 million reserve drawdown. Hence, gross reserves as of March 31, 2014 were sufficient to cover 1.9 months of import of goods and non-factor services projected for next year.

5.7: Developments in the Foreign Exchange Market

5.7.1: Exchange Rate Movements

In the inter-bank foreign exchange market, the average official exchange rate of the Birr depreciated by 4.8 percent and 1.3 percent compared to last year same period and the preceding quarter, respectively, to reach Birr 19.1819/USD in the third quarter of 2013/14.

On the other hand, the parallel market average exchange rate stood at Birr 19.8222/USD, which appreciated by 0.1 percent vis-à-vis last year same

period but depreciated by 1.4 percent against the preceding quarter.

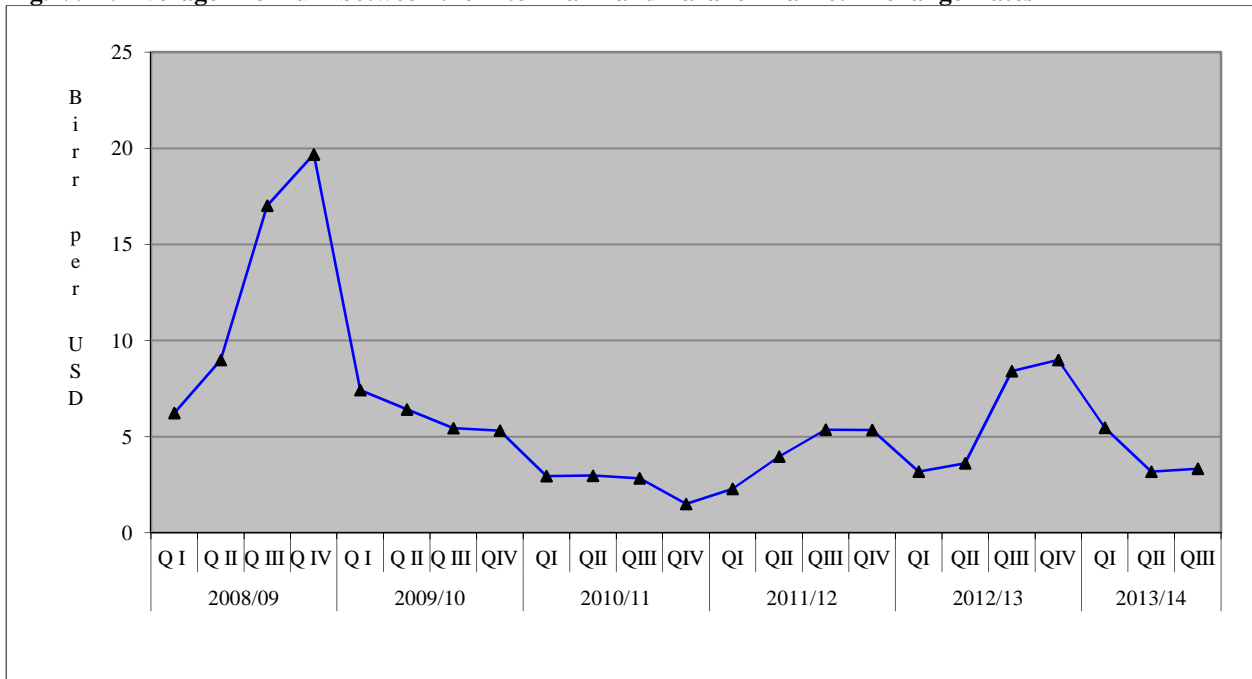
As a result of a relatively faster rate of depreciation of the Birr in the official market, the premium between the parallel and official markets narrowed to 3.3 percent from 8.4 percent in same quarter last year but widened marginally against 3.2 percent in the previous quarter (Table 5.10).

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

Period		Official Market				Parallel Market		Premium
		End Period Weighted Rate	Average Weighted rate	Amount Traded in millions of USD		End Period Rate	Average Rate	
				Total	Among CBs			
2012/13		18.6426	18.1947	15.6	3.0	19.9800	19.3025	6.09
Qtr. III	C	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
2013/14								
Qtr. II	B	19.0587	18.9390	8.2	5.0	19.6250	19.5415	3.18
October		18.8966	18.8595	3.05	2.0	19.4800	19.5300	3.56
November		18.9751	18.9388	3.05	2.0	19.4800	19.4800	2.86
December		19.0587	19.0188	2.1	1.0	19.6250	19.6144	3.13
QIII	A	19.3044	19.1819	4.30	1.20	20.0250	19.8222	3.34
January		19.1389	19.1007	2.05	1.0	19.7800	19.7417	3.36
February		19.2195	19.1812	1.20	0.20	19.9250	19.8125	3.29
March		19.3044	19.2639	1.05	0.00	20.0250	19.9125	3.37
Percentage Changes	A/B	1.3	1.3	-47.6	-76.0	2.0	1.4	4.9
	A/C	4.9	4.8	41.0	0.0	-1.3	-0.1	-60.3

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

Fig. V.11: Average Premium between the Inter-Bank and Parallel Market Exchange Rates



With regard to retail foreign exchange market, the average buying rate in foreign exchange bureau of commercial banks was Birr 19.1847/USD in the third quarter of the fiscal year, while the selling rate stood at Birr 19.5478/USD, showing 1.2 percent and 1.3 percent depreciation against the preceding quarter, respectively and 4.9 percent and 4.8 percent depreciation compared to the same quarter last year, respectively.

Thus, the average spread between the buying and the selling rates marginally narrowed to 1.89 percent from 1.91 percent the same period last year but widened compared to 1.86 percent in the preceding quarter (Table 5.11).

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

No.	Name of ForexBureaux	2012/13		2013/14				Percentage change			
		Quarter III		Quarter II		Quarter III		C/B		C/A	
		A	B	C	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases
1	Commercial Bank of Ethiopia	13,307.81	485.97	167.00	137.46	69.66	151.92	-58.3	10.5	-99.5	-68.7
2	Bank of Abyssinia	1,129.15	2119.15	1,238.88	1092.00	1,053.97	1345.88	-14.9	23.2	-6.7	-36.5
3	Dashen Bank	6,647.37	11155.67	9,737.20	9161.30	10,940.05	12281.56	12.4	34.1	64.6	10.1
4	Awash International Bank	1,681.07	3361.55	2,252.70	3284.00	2,679.32	2559.82	18.9	-22.1	59.4	-23.9
5	Construction & Business Bank	875.80	396.19	928.86	338.60	991.28	201.00	6.7	-40.6	13.2	-49.3
6	Wegagen Bank	1,023.57	906.99	1,274.68	980.48	1,160.52	811.34	-9.0	-17.3	13.4	-10.5
7	United Bank	4,970.51	4242.54	4,295.05	2345.46	4,611.59	2485.13	7.4	6.0	-7.2	-41.4
8	Development Bank	1,805.22	116.06	1,927.09	136.25	76.26	126.67	-96.0	-7.0	-95.8	9.1
9	Nib International Bank	1,666.10	1300.96	1,302.48	1418.63	1,183.53	1673.77	-9.1	18.0	-29.0	28.7
10	Lion International Bank	691.39	278.11	630.29	187.66	753.09	926.90	19.5	393.9	8.9	233.3
11	Oromia International Bank	502.34	487.94	771.31	396.54	1,006.20	599.43	30.5	51.2	100.3	22.8
12	Zemen Bank	196.51	548.41	188.78	401.59	242.21	463.35	28.3	15.4	23.3	-15.5
13	Cooperative Bank of Oromia	64.13	214.43	120.12	102.62	189.28	101.31	57.6	-1.3	195.1	-52.8
14	Buna International Bank	208.27	219.77	106.62	3.50	96.82	273.80	-9.2	7722.9	-53.5	24.6
15	Birhan International Bank	137.27	142.76	3.85	0.00	2.53	4.00	-34.4		-98.2	-97.2
16	Abay Bank	277.77	236.32	295.96	518.18	57.61	144.66	-80.5	-72.1	-79.3	-38.8
17	Addis International Bank	1,103.39	50.99	492.75	123.15	283.44	135.26	-42.5	9.8	-74.3	165.3
18	Debub Global Bank	34.10	10.50	22.99	10.41	950.03	12.14	4032.2	16.5	2686.2	15.6
19	Enat Bank	0.00	0.00	192.60	41.55	107.02	120.80	-44.4	190.7		
	Total	36,321.78	26,274.31	25,949.22	20,679.36	26,454.42	24,418.73	1.95	18.08	-27.17	-7.06
	Average Exchange Rate	18.2967	18.6470	18.9535	19.3055	19.1847	19.5478	1.22	1.26	4.85	4.83

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

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

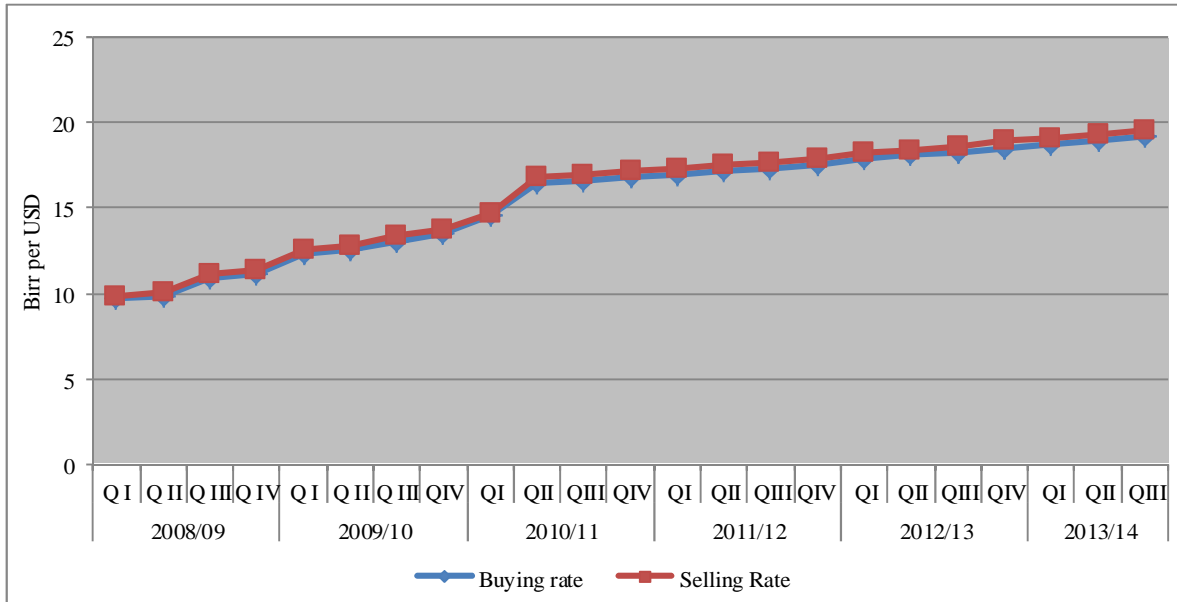
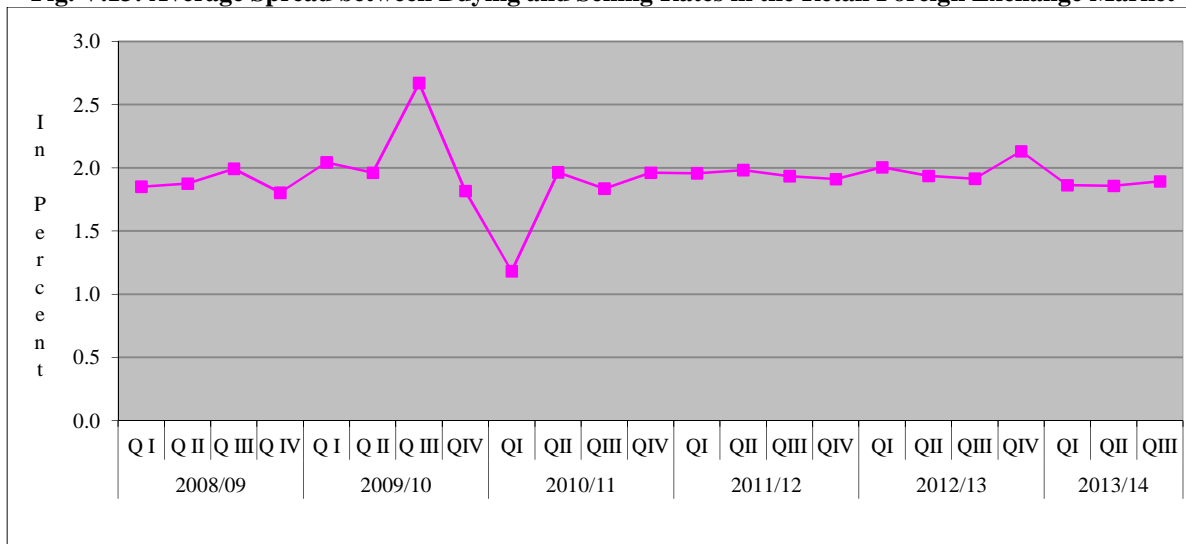


Fig. V.13: Average Spread between Buying and Selling Rates in the Retail Foreign Exchange Market



Concerning the exchange rate of major international currencies, the average exchange rate of the US dollar depreciated against Japanese Yen (145.8 percent), Pound Sterling (1.6 percent), Swiss Frank (1.1 percent) and Euro (0.8 percent), while it

appreciated by 0.07 percent against SDR on quarterly basis.

Year-on-year, the USD depreciated against Japanese Yen (125.6 percent), Pound Sterling (5.9 percent), Swiss Frank (4 percent), Euro (3.5 percent) and SDR (0.7 percent) (Table 5.12).

**Table 5.12: Period Average Exchange Rates
(USD per Other Major International Currencies)**

Period		EURO			JAPANESE YEN			SDR			POUNDSTELING			SWISS FRANK		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
2012/13																
QIII	C	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
2013/14																
QII	B	1.3609	1.3601	1.3605	0.0100	0.0100	0.0100	1.5358	1.5312	1.5335	1.6183	1.6189	1.6186	1.1069	1.1060	1.1064
October		1.3636	1.3636	1.3636	0.0102	0.0102	0.0102	1.5384	1.5376	1.5380	1.6096	1.6087	1.6091	1.1075	1.1070	1.1072
November		1.3502	1.3476	1.3489	0.0100	0.0100	0.0100	1.5311	1.5257	1.5284	1.6087	1.6048	1.6067	1.0957	1.0936	1.0946
December		1.3690	1.3690	1.3690	0.0097	0.0096	0.0097	1.5379	1.5304	1.5341	1.6366	1.6433	1.6400	1.1175	1.1175	1.1175
QIII	A	1.3690	1.3745	1.3718	0.0245	0.0245	0.0245	1.5324	1.5324	1.5324	1.6535	1.6362	1.6449	1.1190	1.1190	1.1190
January		1.3636	1.3801	1.3718	0.0539	0.0539	0.0539	1.5196	1.5196	1.5196	1.6482	1.5962	1.6222	1.1073	1.1073	1.1073
February		1.3618	1.3618	1.3618	0.0098	0.0098	0.0098	1.5379	1.5379	1.5379	1.6499	1.6499	1.6499	1.1146	1.1146	1.1146
March		1.3817	1.3817	1.3817	0.0098	0.0098	0.0098	1.5397	1.5397	1.5397	1.6625	1.6625	1.6625	1.1349	1.1349	1.1349
Percentage Changes	A/B	0.5953	1.06	0.83	145.65	146.09	145.87	-0.22	0.08	-0.07	2.18	1.07	1.62	1.09	1.17	1.13
	A/C	3.2396	3.65	3.45	125.68	125.53	125.60	0.60	0.82	0.71	6.45	5.33	5.89	4.00	4.00	4.00

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

Compared to other international currencies, the Birr also depreciated against almost all major currencies both on quarterly and yearly basis. The highest depreciation on quarterly basis was against Japanese Yen (148.1 percent), followed by Pound Sterling (2.9 percent), Swiss Frank (2.4 percent), Euro (2 percent) and SDR (1.2 percent).

Year- on year basis, the Birr depreciated vis-à-vis Japanese Yen, Pound Sterling, Swiss Frank, Euro, and SDR by 135.7 percent, 11 percent, 9 percent, 8.4 percent and 5.6 percent, in their respective order.
(Table5.13)

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

Period		Currency																	
		USD			EURO			JAPANESE YEN			SDR			POUNDSTERLING			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																			
QIII	C	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
2013/14																			
QII	B	18.9391	19.1426	19.0406	25.7696	26.0235	25.8937	0.1889	0.1906	0.1897	29.0861	29.3072	29.1954	30.6495	30.9887	30.8163	20.9624	21.1691	21.0641
October		18.8595	19.0481	18.9532	25.7157	25.9614	25.8302	0.1930	0.1948	0.1939	29.0153	29.2923	29.1500	30.3618	30.6519	30.4985	20.8910	21.0910	20.9859
November		18.9390	19.1706	19.0548	25.5575	25.8131	25.6853	0.1897	0.1916	0.1906	28.9942	29.2320	29.1131	30.4596	30.7485	30.6041	20.7435	20.9509	20.8472
December		19.0188	19.2089	19.1139	26.0356	26.2959	26.1658	0.1839	0.1853	0.1846	29.2489	29.3974	29.3232	31.1271	31.5656	31.3463	21.2528	21.4654	21.3591
QIII	A	19.1799	19.3717	19.2758	26.2628	26.5782	26.4205	0.4683	0.4731	0.4707	29.3923	29.6862	29.5392	31.7153	31.6986	31.7070	21.4624	21.6769	21.5697
January		19.1007	19.2917	19.1962	26.0441	26.4631	26.2536	1.0285	1.0390	1.0338	29.0266	29.3169	29.1718	31.4814	30.7948	31.1381	21.1503	21.3618	21.2560
February		19.1752	19.3669	19.2710	26.1191	26.3803	26.2497	0.1881	0.1899	0.1890	29.4899	29.7848	29.6373	31.6375	31.9539	31.7957	21.3734	21.5871	21.4802
March		19.2639	19.4566	19.3603	26.6252	26.8913	26.7583	0.1884	0.1902	0.1893	29.6602	29.9568	29.8085	32.0270	32.3473	32.1871	21.8635	22.0819	21.9727
Percentage Change	A/B	1.27	1.20	1.24	1.91	2.13	2.03	147.96	148.23	148.08	1.05	1.29	1.18	3.48	2.29	2.89	2.39	2.40	2.40
	A/C	4.83	4.83	4.83	8.26	8.47	8.36	135.74	135.59	135.67	5.47	5.70	5.57	11.61	10.45	11.03	9.04	9.04	9.04

Source: Staff Compilation

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

Currency	Mar-13	Dec-13	Mar-14	Percentage change	
	C	B	A	A/B	A/C
USD	18.5007	19.1464	19.4009	1.3	4.9
Pound	28.0304	31.3598	32.2444	2.8	15.0
Swedish Kroner	2.8359	2.9156	2.9884	2.5	5.4
Djibouti Frank	0.1038	0.1335	0.1089	-18.5	4.9
Swiss Frank	19.4009	21.3592	21.8701	2.4	12.7
Saudi Riyal	4.9332	5.1590	5.1729	0.3	4.9
UAE Dirham	5.0368	5.2126	5.2816	1.3	4.9
Canadian Dollar	18.2040	17.9981	17.6036	-2.2	-3.3
Japanese Yen	0.1966	0.1827	0.1896	3.7	-3.6
Euro	23.6623	26.3190	26.6472	1.2	12.6
SDR	27.6801	29.4146	29.9764	1.9	8.3

Source: Staff Compilation

5.7.2. Movements in the Real Effective Exchange Rate

Despite the concerted government efforts to contain inflation, REER of the Birr appreciated during the third quarter of the fiscal year, both on quarterly 1.2 percent and annual 4.4 percent basis as domestic price

inflation remained higher than that of Ethiopia's major trading partner countries.

NEER, however, depreciated by 0.2 against the preceding quarter and by 1.2 percent compared the same quarter last year (Table 5.15).

Table 5.15 Trends in the Real and Nominal Effective Exchange Rates

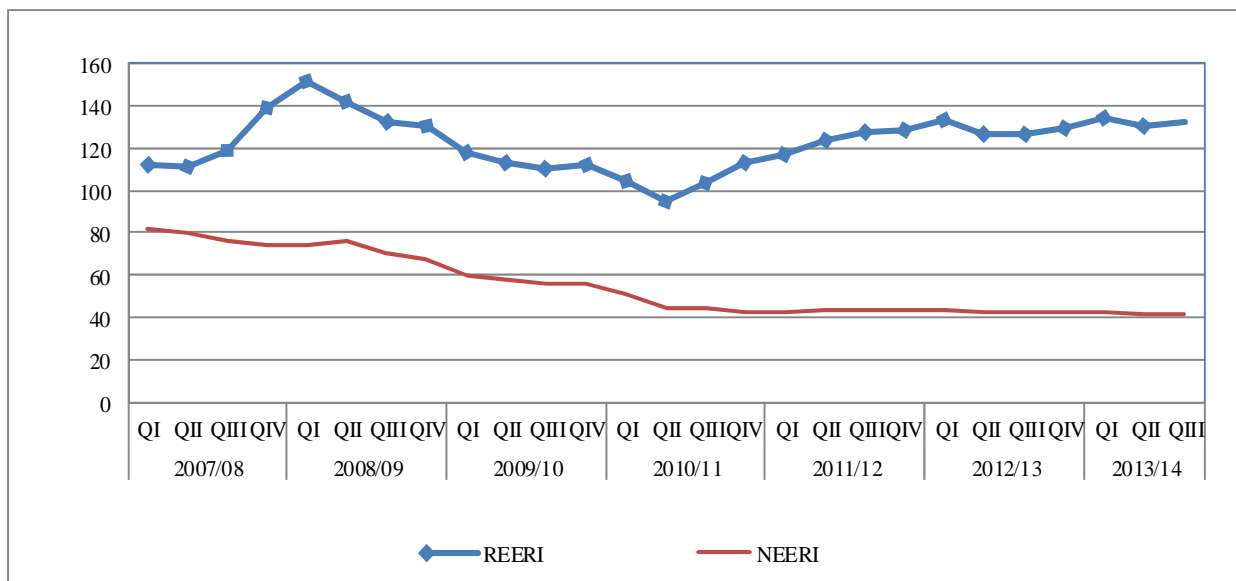
Items	2012/13		2013/14		Percentage Change	
	QIII		QII	QIII	C/B	C/A
	A	B	C			
REERI	126.6	130.6	132.2	1.2	4.4	
NEERI	42.1	41.6	41.5	-0.2	-1.2	

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.

Fig.V.14: Movements in the Real and Nominal Effective Exchange Rate

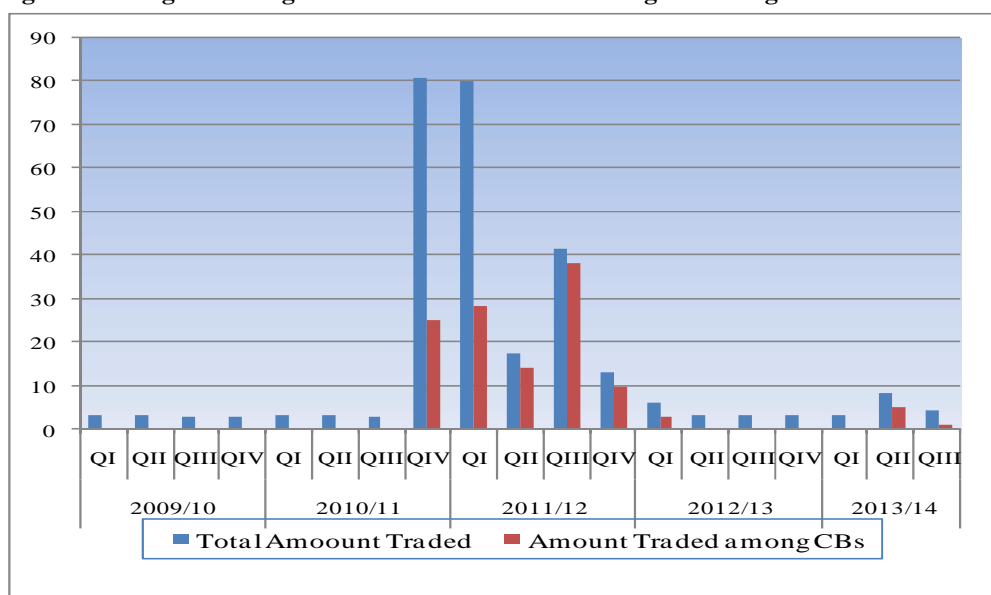


5.7.3 Volume of Transactions

In the third quarter of 2013/14, the total amount of foreign exchange traded in the inter-bank foreign exchange market was USD 4.3 million which was 47.6 percent lower than the preceding

quarter but 34.4 percent higher than last year same period. Of the total amount traded during the review period, USD 1.2 million was among commercial banks and the rest was supplied by NBE (Table5:10).

Fig V.15 Foreign Exchange Trade in the Interbank Foreign Exchange Market



In the meantime, forex bureau of commercial banks purchased USD 26.5 million and sold USD 24.4 million in foreign exchange which was 2 and 18.1 percent higher than the amount traded in the preceding

purchased by forex bureaux declined by 27.2 percent and the amount sold fell by 7.1 percent (Table5.11).

quarter, respectively. Compared to last year same period, however, the amount of foreign exchange

