

## 4. MONETARY DEVELOPMENTS

### 4.1. Money Supply and Credit

Broad money supply (M<sub>2</sub>) reached Birr 273.5 billion at the end of the third quarter of 2013/14, revealing annual growth rate of 21.2 percent. The expansion in broad money supply was solely driven by a 29.4 percent rise in domestic credit offsetting a 21.7

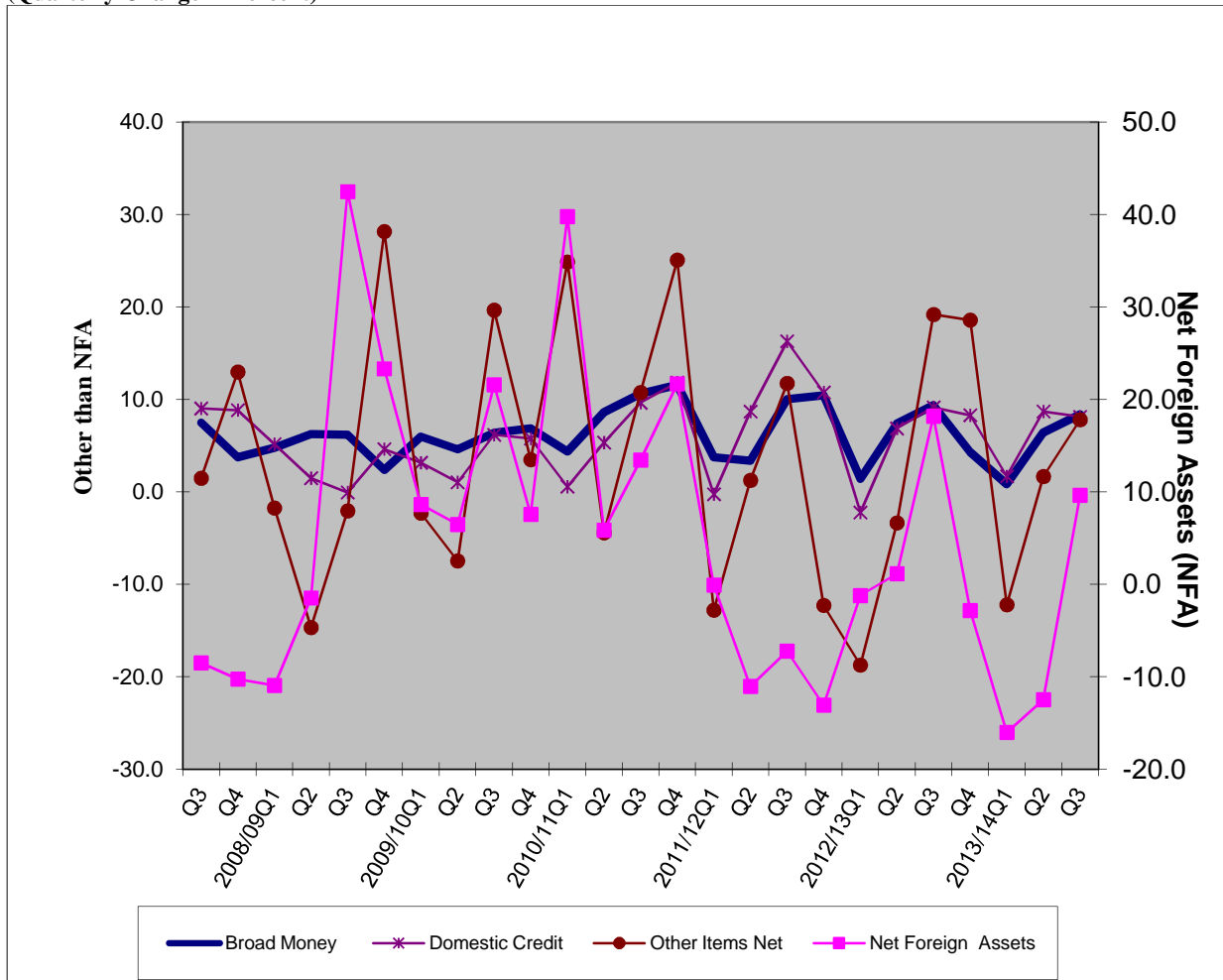
percent fall in net foreign assets of the banking system. The annual expansion in domestic credit was due to 27.2 percent increase in credit to non-central government and 62.9 percent surge net credit to central government (Table 4.1).

**Table 4.1 Factors Influencing Broad Money**  
(In Millions of Birr)

Particulars	2013		2014	Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. III	Qtr. II	Qtr. III				
	(March.13)	(Dec. 13)	(March.14)	C/A	C/B	Annual	Quarterly
	A	B	C				
1. External Assets (net)	46,981.5	33,534.5	36,763.3	-21.7	9.6	-21.3	15.3
2. Domestic Credit	215,542.1	257,897.0	278,832.5	29.4	8.1	132.2	99.1
. Claims on Central Gov't (net)	12,792.2	18,308.9	20,844.6	62.9	13.8	16.8	12.0
. Claims on Non-Central Gov't	202,749.9	239,588.1	257,987.9	27.2	7.7	115.4	87.1
. Financial Institutions	14,807.0	17,207.0	17,507.0	18.2	1.7	5.6	1.4
. Others	187,942.9	222,381.1	240,480.9	28.0	8.1	109.7	85.7
3. Other Items (net)	36,935.8	39,079.9	42,126.8	14.1	7.8	10.8	14.4
4. Broad Money (M <sub>2</sub> )	225,587.9	252,351.5	273,469.0	21.2	8.4	100.0	100.0

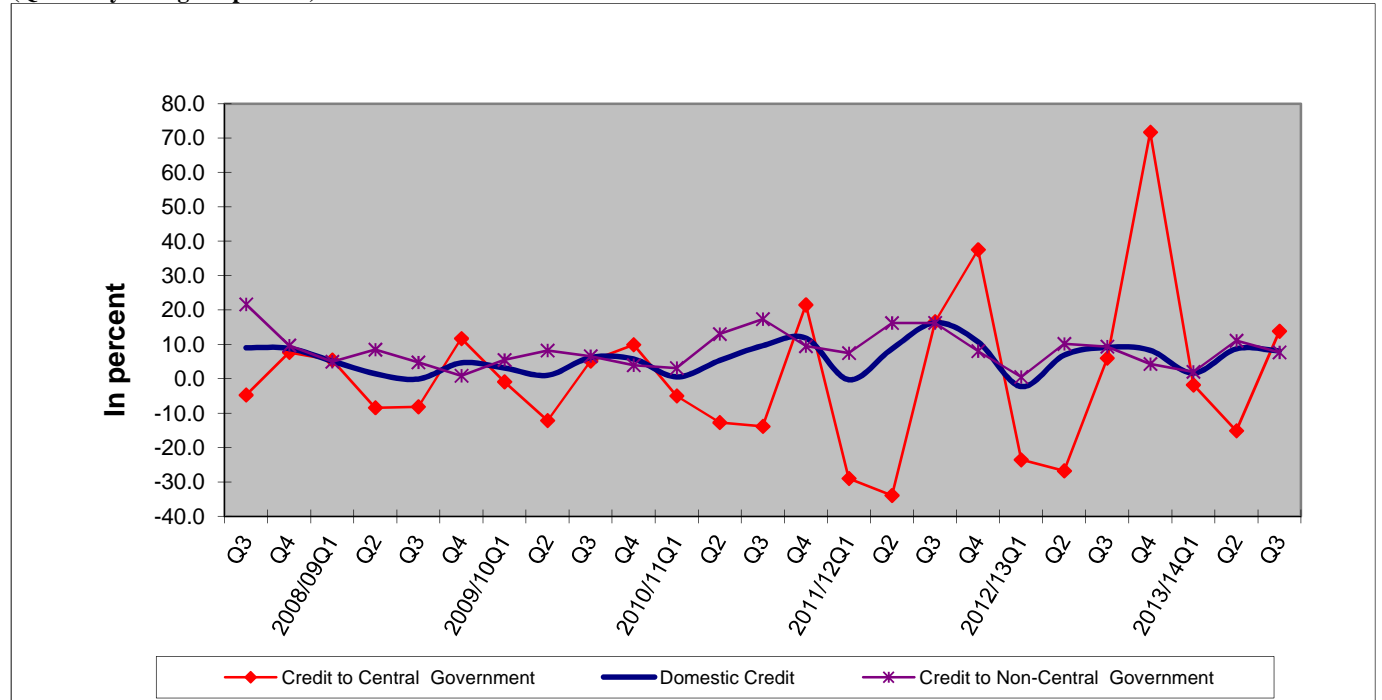
Source: Staff computation, NBE

**Fig IV.1: Major Determinants of Monetary Expansion  
(Quarterly Change in Percent)**



Source: Staff computation, NBE

**Fig IV.2: Composition of Domestic Credit**  
(Quarterly change in percent)



Source: Staff computation, NBE

The third quarter of 2013/14 witnessed an annual and quarterly rise in all components of broad money supply. Accordingly, narrow money that comprises currency outside banks and net demand deposits grew by 8.7 percent on annual and 6.5 percent on quarterly bases. Quasi-money, that constitutes saving and time deposits also depicted a 33.4 percent annual and 9.9 percent quarterly increment. Year-on-year basis, both narrow money and quasi-money contributed 20.2 and 79.8 percent share to the annual broad money growth rate (Table 4.2).

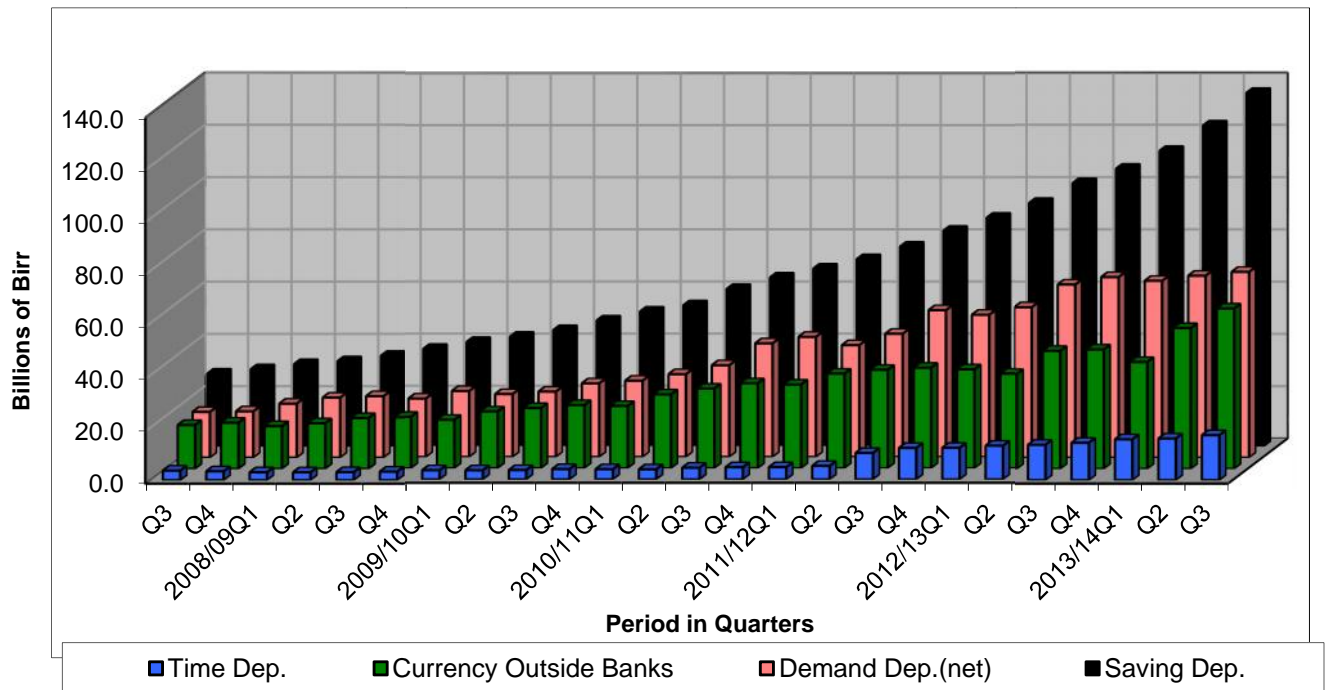
The annual and quarterly increase in currency outside banks reflects the continuous rise in income and public preference to hold cash. Similarly, the surge in quasi-money indicates a successful effort made by both public and private banks to expand their branch network in order to enhance their deposit mobilization and access to finance.

**Table 4.2: Components of Broad Money**  
(In millions of Birr)

Particulars	2013		2014	Percentage Change		Contributions of each Component to Broad Money Growth	
	Qtr. III	Qtr. II	Qtr. III				
	(March.13)	(Dec. 13)	(March.14)	C/A	C/B	Annual	Quarterly
	A	B	C				
<b>1. Narrow Money Supply</b>	<b>111,345.7</b>	<b>113,665.3</b>	<b>121,022.2</b>	<b>8.7</b>	<b>6.5</b>	<b>20.2</b>	<b>34.8</b>
. Currency outside banks	45,142.4	44,085.7	49,975.3	10.7	13.4	10.1	27.9
. Demand Deposits (net)	66,203.3	69,579.6	71,046.9	7.3	2.1	10.1	6.9
<b>2. Quasi-Money</b>	<b>114,242.2</b>	<b>138,686.3</b>	<b>152,446.8</b>	<b>33.4</b>	<b>9.9</b>	<b>79.8</b>	<b>65.2</b>
. Savings Deposits	100,726.5	122,757.5	135,254.2	34.3	10.2	72.1	59.2
. Time Deposits	13,515.7	15,928.7	17,192.6	27.2	7.9	7.7	6.0
<b>3. Broad Money Supply</b>	<b>225,587.9</b>	<b>252,351.5</b>	<b>273,469.0</b>	<b>21.2</b>	<b>8.4</b>	<b>100.0</b>	<b>100.0</b>

Source: Staff Computation, NBE

Fig. IV. 3: Composition of Monetary Stock



Source: Staff computation, NBE

## 4.2. Developments in Reserve Money and Monetary Ratio

Reserve money reached Birr 84.5 billion at the end of the third quarter of 2013/14, depicting an annual increment of 19.1 percent and quarterly growth of 16.9 percent. Excess reserves of commercial banks, however, decreased by 19.6 percent on annual basis, but recorded a quarterly growth of 38.8 percent. The annual decrease in excess reserves was largely due to a rise in credit to deposit ratio from 96.5 to 98.7 percent. Moreover, Commercial Banks' loan has registered an annual increase of 22 percent.

The money multiplier measured by the ratio of broad money to reserve money, grew by 1.2 percent on annual basis implying the increased monetization of the economy.

The ratio of narrow money to reserve money, however, showed 8.7 percent annual decline (Table 4.3).

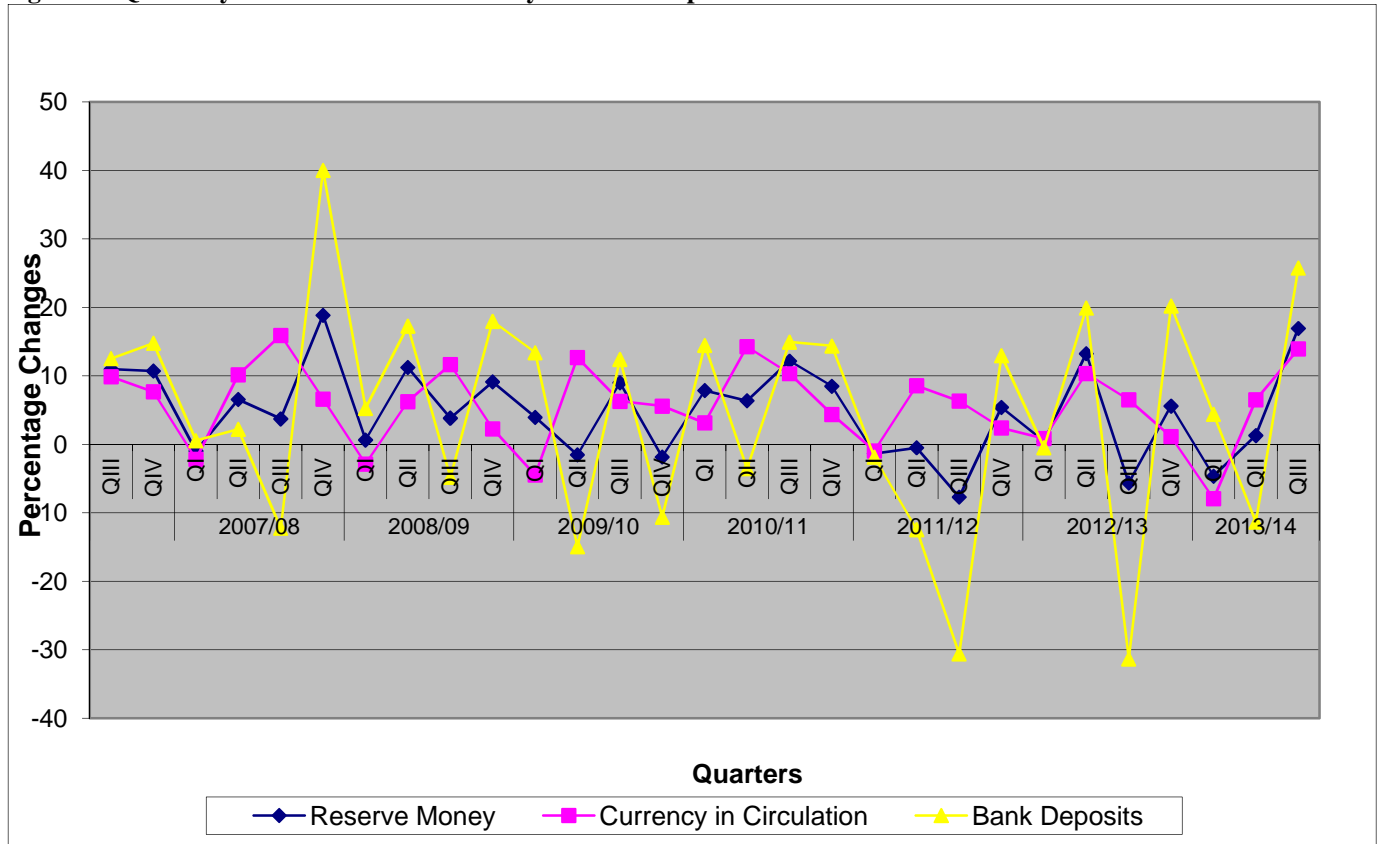
Table 4.3: Monetary Aggregates and Ratios

(In Millions of birr unless otherwise indicated)

Particulars	2013		2014	Percentage Change	
	Qtr. III	Qtr. II	Qtr. III		
	(March.13)	(Dec. 13)	(March.14)		
	A	B	C	C/A	C/B
<b>1. Reserve Requirement (CB's)</b>	10,887.12	12,467.16	13,574.56	24.68	8.88
<b>2. Actual Reserve (CB's)</b>	23,267.02	19,634.78	23,524.59	1.11	19.81
<b>3. Excess Reserve (CB's)</b>	12,379.90	7,167.62	9,950.02	-19.63	38.82
<b>4. Reserve Money</b>	70,981.71	72,283.29	84,536.85	19.10	16.95
. <i>Currency in Circulation</i>	54,292.91	53,864.09	61,372.47	13.04	13.94
. <i>Banks deposits at NBE</i>	16,688.81	18,419.21	23,164.39	38.80	25.76
<b>5. Money Multiplier (Ratio):</b>					
. <i>Narrow Money to Reserve Money</i>	1.57	1.57	1.43	-8.74	-8.96
. <i>Broad Money to Reserve Money</i>	3.18	3.49	3.23	1.79	-7.34
<b>6. Other Monetary Ratios (%):</b>					
. <i>Currency to Narrow Money</i>	48.76	47.39	50.71	4.00	7.01
. <i>Currency to Broad Money</i>	24.07	21.34	22.44	-6.75	5.14
. <i>Narrow Money to Broad Money</i>	49.36	45.04	44.25	-10.34	-1.75
. <i>Quasi Money to Broad Money</i>	50.64	54.96	55.75	10.08	1.43

Source: NBE and Commercial Banks

Fig. IV.4: Quarterly Growth of Reserve Money and Its Components



Source: Staff Computation NBE

Fig IV.5: Monetary Aggregates



Source: Staff Computation NBE

### 4.3. Interest Rate Developments

Average savings deposit and lending rates remained unchanged at 5.4 and 11.88 percent, respectively, throughout the review quarter. Weighted average time deposit rate, however, registered annual yearly increase of 5.2 percentage point. On the other hand, weighted average yield on T-bills slightly decreased from 1.53 percent to 1.26 percent on annual terms.

Considering annual headline inflation of 8.8 percent during the quarter under review, all deposit rates and T-bill yield remained negative while average lending rate was positive in real terms. (Table 4.4)



Table 4: - Interest Rate Structure of Commercial Banks

(Percent per annum)

Particulars	2012/13	2013/14		Percentage Changes	
	QIII	QII	QIII	Annual	Quarterly
<b>1. Savings Deposit Rate 1/</b>					
Minimum	5.00	5.00	5.00	0.0	0.0
Maximum	5.75	5.75	5.75	0.0	0.0
<b>Average Saving Rate</b>	<b>5.38</b>	<b>5.38</b>	<b>5.38</b>	<b>0.0</b>	<b>0.0</b>
<b>2. Time Deposits</b>					
Up to 1yr	5.45	5.65	5.80	6.5	2.7
1-2 years	5.67	5.74	5.92	4.3	3.1
Over 2 yrs	5.70	5.79	5.97	4.8	3.3
<b>Average Time Dep. Rate (Weighted)</b>	<b>5.61</b>	<b>5.73</b>	<b>5.90</b>	<b>5.2</b>	<b>3.0</b>
<b>3. Demand Deposit (Weighted)</b>	<b>0.03</b>	<b>0.03</b>	<b>0.02</b>	<b>-10.9</b>	<b>-5.0</b>
<b>4. Lending Rate 2/</b>					
Minimum	7.50	7.50	7.50	0.0	0.0
Maximum	16.25	16.25	16.25	0.0	0.0
<b>Average Lending Rate</b>	<b>11.88</b>	<b>11.88</b>	<b>11.88</b>	<b>0.0</b>	<b>0.0</b>
<b>5. T-bills Rate (Weighted)</b>	<b>1.53</b>	<b>1.93</b>	<b>1.26</b>	<b>-17.7</b>	<b>-34.7</b>
<b>6. Bond Yield (Simple Average)</b>	<b>3.67</b>	<b>3.67</b>	<b>3.67</b>	<b>0.0</b>	<b>0.0</b>
<b>7. Headline Inflation (Year-on-year)</b>	<b>7.60</b>	<b>7.70</b>	<b>8.80</b>	<b>15.8</b>	<b>14.3</b>
<b>8. Food Inflation (Year-on-year)</b>	<b>5.20</b>	<b>5.90</b>	<b>6.10</b>	<b>17.3</b>	<b>3.4</b>
<b>9. Core/non-food Inflation (Year-on-year)</b>	<b>10.50</b>	<b>9.80</b>	<b>11.80</b>	<b>12.4</b>	<b>20.4</b>

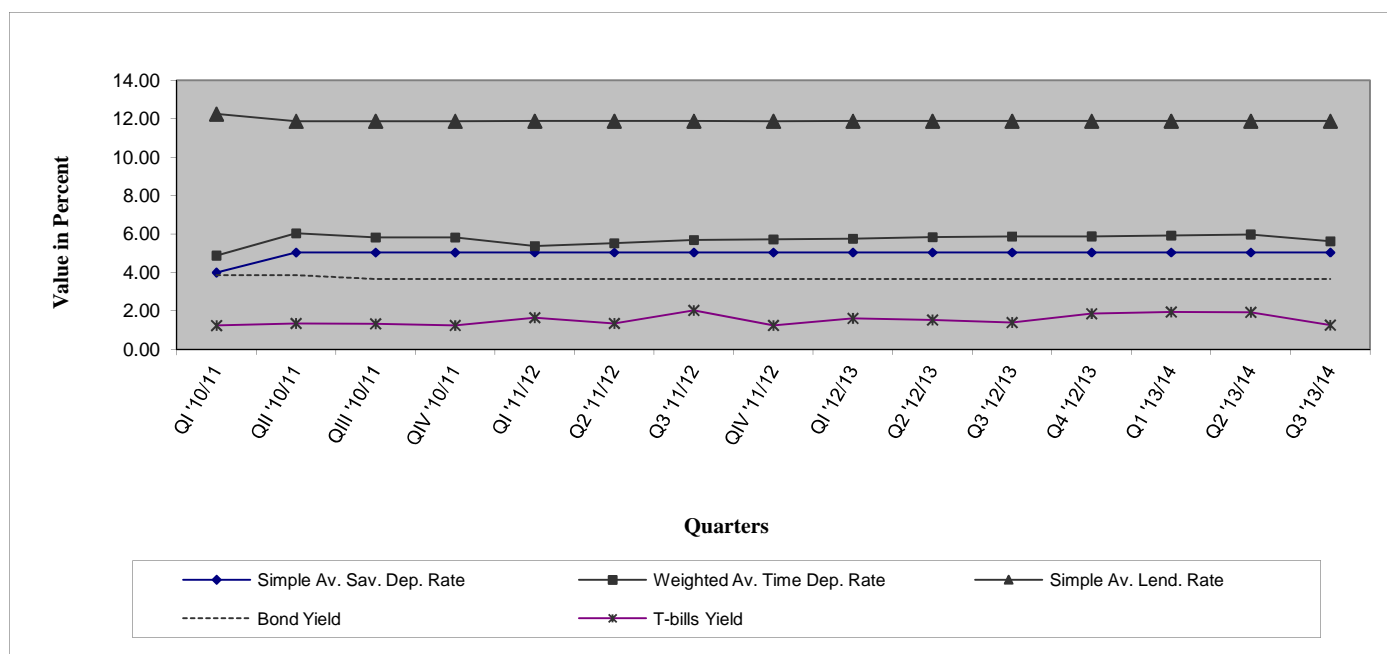
1/ The minimum interest rate set by NBE and the maximum shows the highest rate the industry is paying.

2/ NBE has no control on lending rates and the minimum & maximum rates presented here are determined by the market.

Source: Staff Computation, NBE

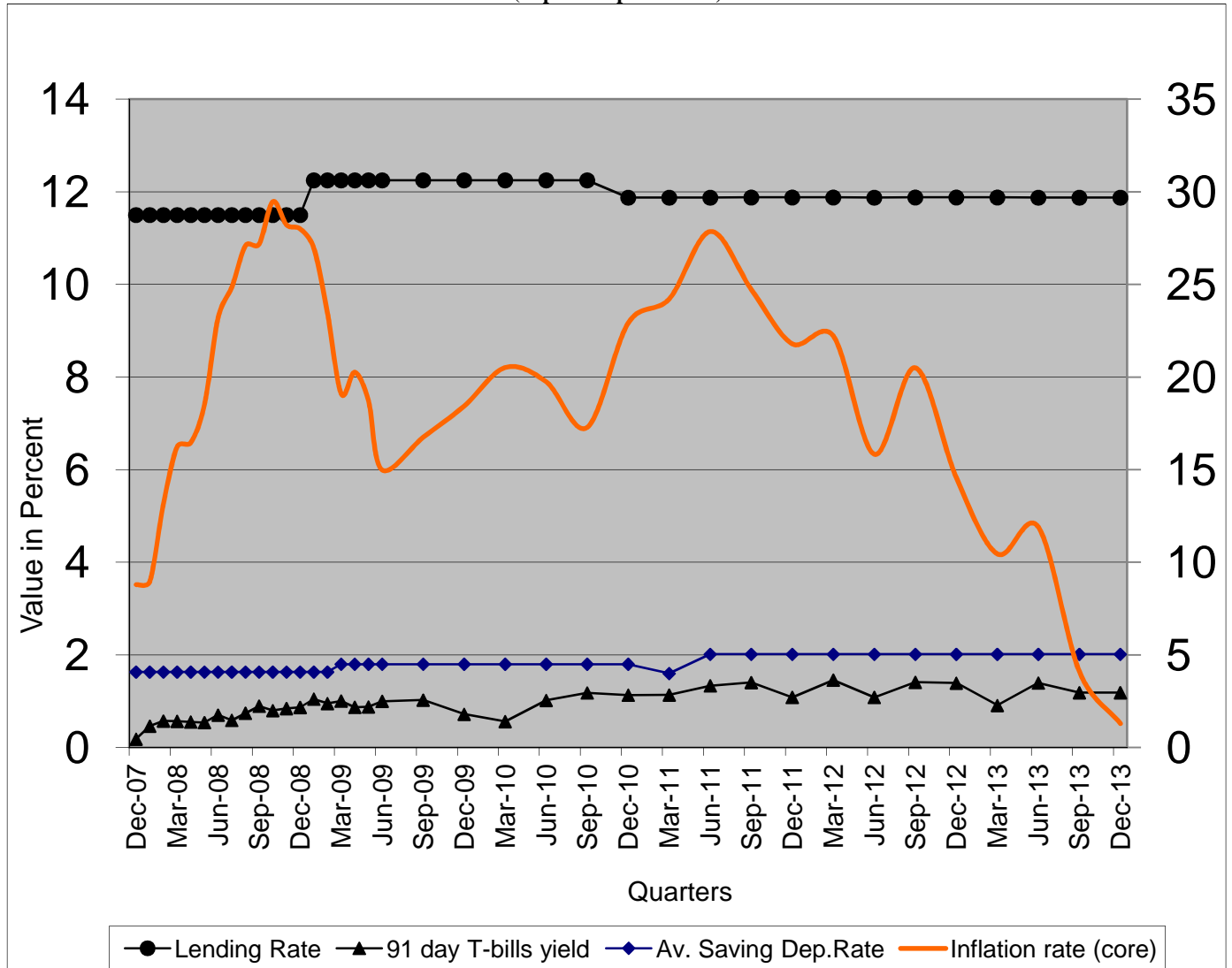
Fig IV.6: Interest Rate Structure of Commercial Banks

(In percent per annum)



Source: NBE and Commercial Banks

**Fig IV.7: Average Lending Rate, Average Saving Deposit Rate, 91-day T-bills Yield & Core Inflation Rate (in percent per annum)**



\*While the inflation rate (core) is depicted on the right axis, lending rate, 91 day T-bills yield and average saving deposit rate are depicted on the left axis

Source: Staff computation, NBE

#### 4.4. Developments in the Financial Sector

Banks, insurance companies and microfinance institutions are the main financial institutions in Ethiopia. The number of banks operating in the country reached 19 as at the end of March 2014, of which 16 were owned privately.

During the review quarter, 93 new bank branches were opened, raising the total number of bank branches to 2,108. As a result, the ratio of total bank branch to population went down to 41,088 from 42,985 in the preceding quarter, reflecting a significant quarterly improvement in financial service outreach.

Of the total bank branches, about 33.8 percent of the total bank branches were located in Addis Ababa. At the same time, of the total bank branches, the share of private banks increased marginally to 53.8 percent from 47.5 percent in the preceding quarter due to the opening of 77 new branches by private banks surpassing 16 new branches opened by public banks during the review quarter.

The total capital of the banking system increased by 2.8 percent compared to the preceding quarter and reached Birr 25.6

billion, of which private banks together took a 53.9 percent share.

Commercial Bank of Ethiopia, the biggest state owned bank, accounted for 35.3 percent of the total capital of the banking system while that of Development Bank of Ethiopia and Construction & Business Bank constituted 10.8 percent (Table 4.5).

The total number of insurance companies operating in the country reached 17 during the review quarter, of which 16 were privately owned. Their branches increased to 323 from 293 during the preceding quarter. Of the total branches, about 54.8 percent were located in Addis Ababa.

During the review quarter, the total capital of the insurance industry increased by 6.6 percent on quarterly basis and reached Birr 1.86 billion. The share of private insurance companies in total capital was 78.5 percent compared with 77.4 percent a quarter earlier (Table 4.6).

On the other hand, there were 31 micro-finance institutions (MFIs) operating in the country. These MFIs mobilized a total saving deposit of Birr 10.2 billion, which was 17.5 percent and 47.1 percent higher

than the amount mobilized during the preceding quarter and last year same period, respectively. Similarly, outstanding credit of MFIs scaled up by 3.3 and 31.7 percent on quarterly and annual basis, respectively, and reached Birr 14.2 billion. Similarly, their total assets increased by 10.9 percent and 36.8 percent on quarterly and annual bases and reached Birr 22.6 billion by the end of March 2014 (Table 4.7). Hence, MFIs in the country are contributing to poverty reduction by

supplying credit and mobilizing deposit services to low income groups both in rural and urban.

The top five largest MFIs (Amhara Credit & Saving, Dedebit Credit & Saving, Oromia Credit & Saving, Omo Credit & Saving and Addis Credit and Savings) accounted for 85 percent of the total capital, 93.9 percent of the savings, 89.9 percent of the credit and 90.5 percent of the total assets of the industry.

Table 4.5: Capital and Branch Network of Banking System

(Branch in Number &amp; Capital in Millions of Birr)

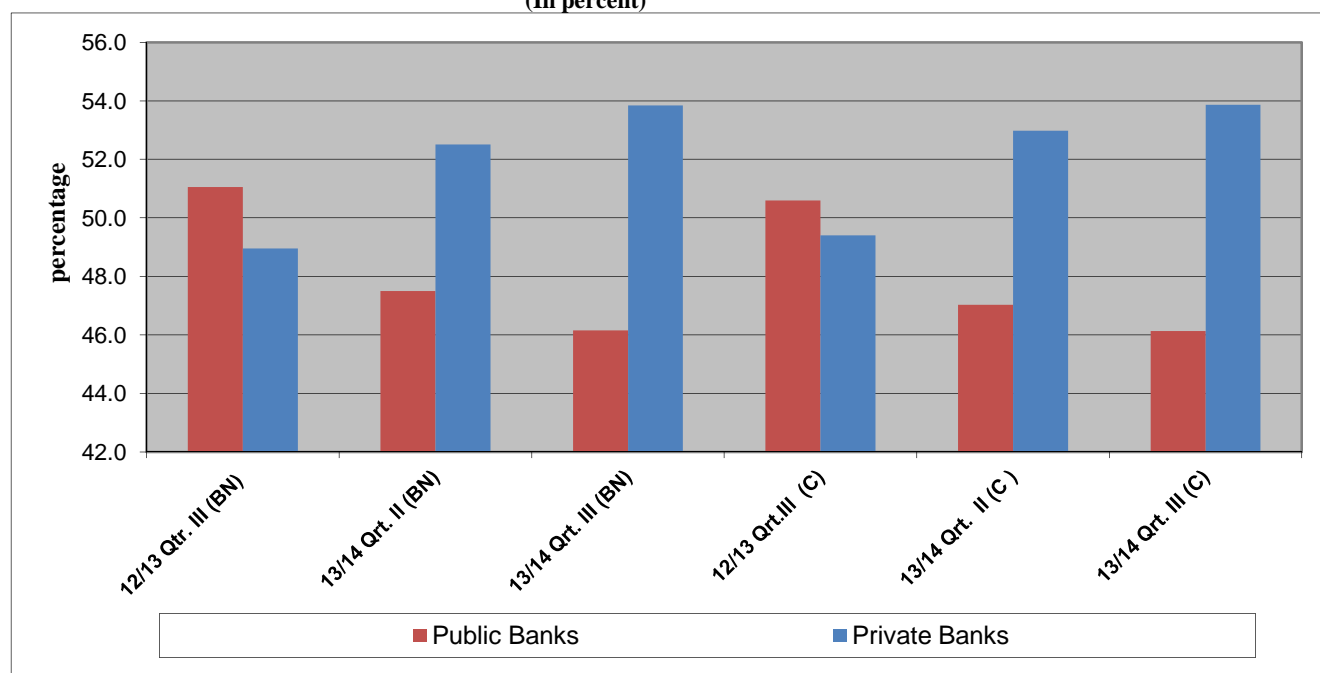
Banks	Branch Network												Capital		
	2012/13				2013/14								2012/2013	2013/2014	
	Quarter III				Quarter II				Quarter III				Quarter III	Quarter II	Quarter III
	Reg.	A.A.	Total	%	Reg.	A.A.	Total	%	Reg.	A.A.	Total	%	Quarter III	Quarter II	Quarter III
<b>1. Public Banks</b>															
Commercial Bank of	560	133	693	88	669	147	816	40	680	147	827	39	7,586.2	9,045	9,045
Construction & Business	62	38	100	13	65	44	109	5	68	46	114	5	464.8	556	642
Development Bank of	31	1	32	4	31	1	32	2	31	1	32	2	2,556.0	2,134	2,134
<b>Total Public Banks</b>	<b>653</b>	<b>172</b>	<b>825</b>	<b>51</b>	<b>765</b>	<b>192</b>	<b>957</b>	<b>47</b>	<b>779</b>	<b>194</b>	<b>973</b>	<b>46</b>	<b>10,607.0</b>	<b>11,735</b>	<b>11,821</b>
<b>2. Private Banks</b>															
Awash International	46	62	108	14	53	78	131	7	54	87	141	7	1,457.1	1,942	1,968
Dashen Bank	50	52	102	13	67	63	130	6	67	65	132	6	1,353.1	1,828	1,832
Abyssinia Bank	38	42	80	10	45	50	95	5	52	53	105	5	842.7	962	1,208
Wegagen Bank	35	36	71	9	49	47	96	5	49	47	96	5	1,488.7	1,710	1,807
United Bank	30	41	71	9	36	52	88	4	39	54	93	4	878.5	1,230	1,256
Nib International Bank	27	40	67	8	37	45	82	4	39	54	93	4	1,380.3	1,644	1,652
Cooperative Bank of	55	8	63	8	75	15	90	4	83	21	104	5	479.1	608	608
Lion International Bank	23	21	44	6	34	26	60	3	34	26	60	3	401.7	472	487
Oromia International	39	18	57	7	68	24	92	5	70	26	96	5	464.5	574	585
Zemen Bank	3	5	8	1	3	6	9	0	3	6	9	0	399.8	513	527
Buna International Bank	17	12	29	4	38	19	57	3	39	20	59	3	317.9	375	410
Berhan International	11	11	22	3	16	17	33	2	17	20	37	2	292.4	372	410
Abay Bank	36	9	45	6	51	12	63	3	54	16	70	3	285.3	360	382
Addis Interational Bank	2	7	9	1	2	11	13	1	5	13	18	1	190.1	222	253
Debut Global Bank	10	3	13	2	11	6	17	1	12	7	19	1	125.3	165	166
Enat Bank S.C	0	2	2	0	-	2	2	0	-	3	3	0		242	251
<b>Total Private Banks</b>	<b>422</b>	<b>369</b>	<b>791</b>	<b>49</b>	<b>585</b>	<b>473</b>	<b>1,058</b>	<b>53</b>	<b>617</b>	<b>518</b>	<b>1,135</b>	<b>54</b>	<b>10,356</b>	<b>13,220</b>	<b>13,802</b>
<b>3. Grand Total Banks</b>	<b>1,075</b>	<b>541</b>	<b>1,616</b>	<b>100</b>	<b>1,350</b>	<b>665</b>	<b>2,015</b>	<b>100</b>	<b>1,396</b>	<b>712</b>	<b>2,108</b>	<b>100</b>	<b>20,963</b>	<b>24,955</b>	<b>25,622</b>

Source: Bank Supervision Directorate, NBE

Reg. Stands for Region

Fig:IV.5 Capital and Branch Network of Banking System

(In percent)



Source: Staff computation, NBE

Table 4.6: Branch Network &amp; Capital of Insurance Companies

(Branch in Number &amp; Capital in Millions of Birr)

S.No.	Insurance Companies	Branch									Capital		
		2012/13			2013/14						2012/13	2013/14	
		Quarter III			Quarter II			Quarter III			Quarter III	Quarter II	Quarter III
		A.A	Reg	Total	A.A	Reg	Total	A.A	Reg	Total	Capital	Capital	Capital
1	Ethiopian Insurance Corporation	11	37	48	14	38	52	18	44	62	368.3	394	399
2	Awash Insurance Company	20	12	32	21	12	33	21	12	33	117.5	157	167
3	Africa Insurance Company	6	7	13	6	7	13	6	7	13	103.3	127	136
4	National Insurance Corporation of Ethiopia	9	10	19	9	10	19	9	11	20	45.7	71	60
5	United Insurance Company	16	8	24	16	9	25	18	10	28	135.1	179	188
6	Global Insurance Company	6	4	10	6	5	11	6	5	11	36.1	53	59
7	Nile Insurance Company	11	11	22	12	14	26	14	14	28	151.0	155	185
8	Nyala Insurance Company	12	9	21	12	9	21	12	9	21	139.8	176	193
9	Nib Insurance Company	15	8	23	15	8	23	16	8	24	126.3	180	191
10	Lion Insurance Company	10	5	15	14	5	19	14	6	20	48.1	64	83
11	Ethio-Life Insurance Company	3	0	3	5	-	5	6	1	7	15.6	22	19
12	Oromia Insurance Company	11	8	19	14	9	23	14	11	25	55.4	92	91
13	Abay Insurance Company S.C.	1	2	3	6	4	10	7	5	12	12.7	21	34
14	Berhan insurance S.C.	6	1	7	6	1	7	6	1	7	6.8	19	14
15	Tsehay Insurance S.C.	5	0	5	6	-	6	6	1	7	4.1	14	19
16	Lucy	0	0	0	-	-	0	2	1	3	8.7	9	9
17	Bunna Insurance S.C.	0	0	0	-	-	0	2	-	2	0.0	8	8
	<b>TOTAL</b>	<b>142</b>	<b>122</b>	<b>264</b>	<b>162</b>	<b>131</b>	<b>293</b>	<b>177</b>	<b>146</b>	<b>323</b>	<b>1,374</b>	<b>1,742</b>	<b>1,856</b>

Source: Insurance Company Directorate, NBE

Table 4.7: Microfinance Institutions Performance as of March 31,2014

(In Thousands of Birr)

S.No	Particulars	2012/13	2013/14		Percentage Change	
		Qtr.III	Qtr.II	Qtr.III	C/A	C/B
		A	B	C		
1	<b>Total Capital</b>	4,289,244.9	5,067,786.4	5,448,886.00	27.0	7.5
2	<b>Saving</b>	6,913,012.2	8,656,854.1	10,168,201.80	47.1	17.5
3	<b>Credit</b>	10,770,101.3	13,730,150.5	14,183,767.77	31.7	3.3
4	<b>Total Assets</b>	16,535,690.4	20,406,718.8	22,622,154.27	36.8	10.9

Source; Microfinance Supervision Directorate, NBE

## 4.5. Activities of the Banking System

### 4.5.1. Resource Mobilization

Total resources mobilized by the banking system surged by 27.3 percent over the preceding quarter due to higher net change in borrowing, net change in deposit and loans collected. Year-on-year, total resources mobilized by the

banking system rose by 30.6 percent as a result of a 38 percent increase in net change in deposits and 46.9 percent in loan collection (Table 4.8).

**Table 4.8: Summary of Resource Mobilization & Disbursement of Banking System**

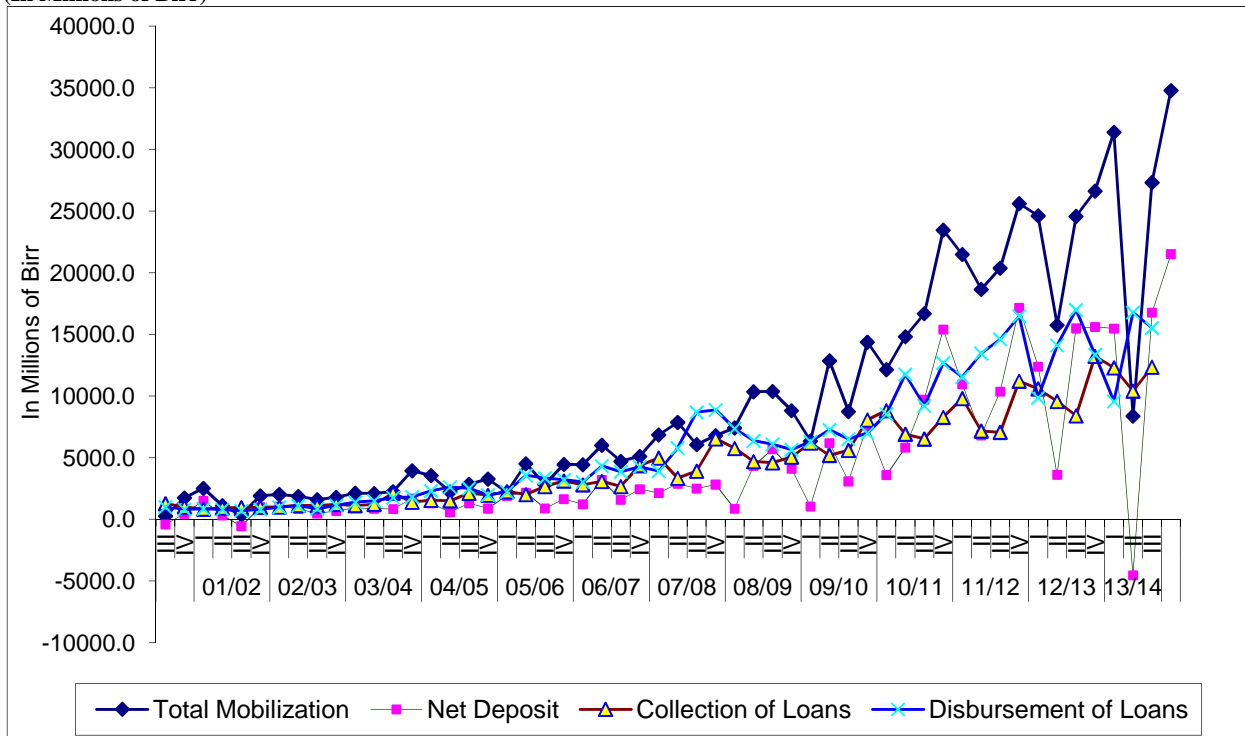
(In Millions of Birr)

Particulars	Public Banks		Private Banks		Grand Total			Percentage Change	
	1		2		(3) = (1) + (2)				
	Qtr.II 2013/14	Qtr.III 2013/14	Qtr.II 2013/14	Qtr.III 2013/14	Qtr.III 2012/13	Qtr.II 2013/14	Qtr.III 2013/14	C/A	C/B
1. Deposits (net change)	<b>14,720.5</b>	<b>15,032.3</b>	<b>2,052.5</b>	<b>6,507.4</b>	<b>15,606.72</b>	<b>16,773.0</b>	<b>21,539.6</b>	<b>38.0</b>	<b>28.4</b>
-Demand	6,267.0	6,257.2	308.9	1,829.8	7,422.42	6,575.8	8,087.0	9.0	23.0
-Saving	8,295.6	8,959.9	1,399.1	3,536.9	7,596.09	9,694.7	12,496.8	64.5	28.9
-Time	157.9	-184.8	344.6	1,140.6	588.20	502.5	955.8	62.5	90.2
2. Borrowing (net change)	<b>133.3</b>	<b>903.5</b>	<b>0.0</b>	<b>0.0</b>	<b>2,624.74</b>	<b>133.3</b>	<b>903.5</b>	<b>-65.6</b>	<b>577.8</b>
-Local	-99.0	401.7	0.0	0.0	2,392.64	-99.0	401.7	-83.2	-505.8
-Foreign	232.3	501.8	0.0	0.0	232.10	232.3	501.8	116.2	116.0
3. Collection of Loans	4,461.5	5,965.5	5,953.5	6,380.5	8,402.39	10,415.0	12,346.0	46.9	18.5
4. Total Resources Mobilized (1+2+3)	<b>19,315.3</b>	<b>21,901.3</b>	<b>8,006.0</b>	<b>12,887.8</b>	<b>26,633.85</b>	<b>27,321.3</b>	<b>34,789.1</b>	<b>30.6</b>	<b>27.3</b>
5. Disbursement	11,529.3	10,907.9	5,256.8	4,622.5	16,989.76	16,786.0	15,530.5	-8.6	-7.5
6. Change in Liquidity (4-5)	<b>7,786.0</b>	<b>10,993.4</b>	<b>2,749.2</b>	<b>8,265.3</b>	<b>9,644.09</b>	<b>10,535.3</b>	<b>19,258.7</b>	<b>99.7</b>	<b>82.8</b>
Memorandum Item:									
A. Outstanding Credit*	101,873.7	111,181.7	49,407.5	51,777.5	132,931.76	151,281.2	162,959.2	22.6	7.7
B. Outstanding Interbank Lending	0.0	0.0	0.0	0.0	189.32	0.0	0.0	-100.0	0.0

Source: Commercial Banks and staff computation

Notes: \*Excludes bonds and treasury bills holding of commercial banks and Development Bank of Ethiopia (DBE).

**Fig. V.9: Trends in Resource Mobilization and Disbursement of Loans  
(In Millions of Birr)**



Source: Staff computation, NBE

#### 4.5.1.1. Deposit Mobilization

Total deposit liabilities of the banking system reached Birr 273.7 billion at the end of the third quarter of the fiscal year 2013/14, indicating a 8.5 percent quarterly and 23.3 percent annual growth rate. The growth in deposit mobilization was partly attributed to the opening of new bank branches and improvement in economic activities.

Component wise, demand deposits, which accounted for 44.2 percent of total deposits, reached Birr 120.9 billion showing quarterly and annual growth rates of 7.2 percent and 12.7 percent, respectively.

Similarly, saving deposits, with 49.4 percent share in total deposits increased by 10.2 percent and 34.3 percent while time deposits, which constituted 6.4 percent share went up by 5.8 percent and 25.4 percent during the same period.

The share of public banks in total deposit mobilization increased marginally by 1.41 percentage points against the preceding quarter and accounted for 69 percent while private banks took the remaining balance. (Table 4.9)



**Table 4.9: Stock of Deposits Mobilized by Banking System**

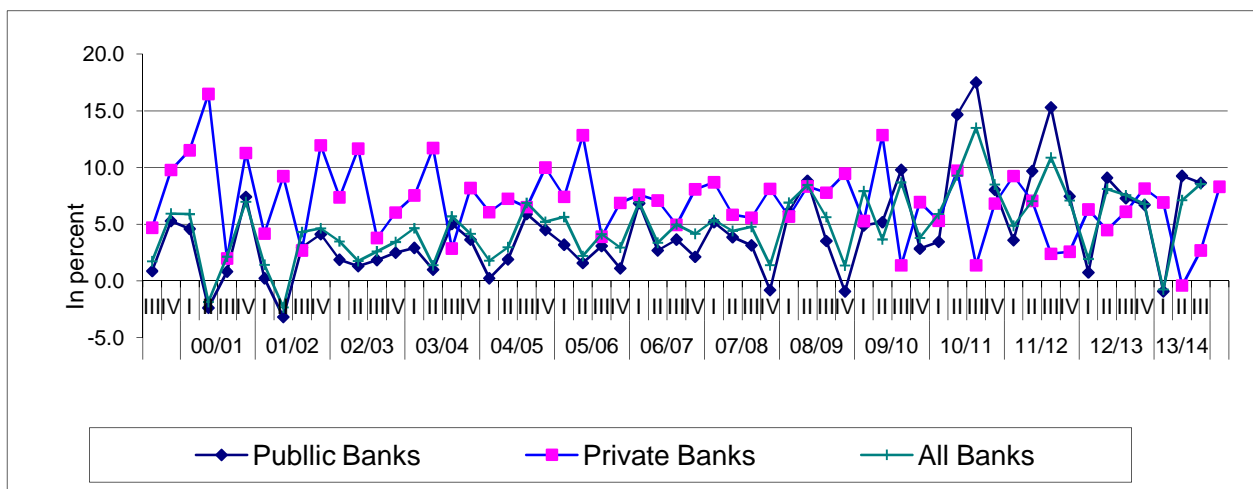
(In Millions of Birr)

Deposit by types	Quarter III 2012/13	% Share	Quarter II 2013/14	% Share	Quarter III 2013/14	% Share	C/A	C/B
	A		B		C			
Demand Deposit	107,279.72	48.3	112,772.9	44.7	120,859.94	44.2	12.7	7.2
Saving Deposit	100,738.05	45.4	122,771.9	48.7	135,268.71	49.4	34.3	10.2
Time Deposit	14,003.50	6.3	16,599.9	6.6	17,555.75	6.4	25.4	5.8
<b>Total</b>	<b>222,021.28</b>	<b>100.0</b>	<b>252,144.8</b>	<b>100.0</b>	<b>273,684.40</b>	<b>100.0</b>	<b>23.3</b>	<b>8.5</b>
Share of Public Banks	67.93		67.58		68.99			
Share of Private Banks	32.07		32.42		31.01			

Source: CommercialBanks and DBE

**Fig. IV.10: Quarterly Net Change of Bank Deposit Liabilities by Ownership**

(In Percent)



Source: Staff Computation, NBE

#### 4.5.1.2. Collection of Loans

During the review period, the banking system collected Birr 12.4 billion, about 18.5 percent higher than the preceding quarter and 46.9 percent against last year same period (Table 4.8). Of the total loan collection, the share of private banks was Birr 6.4 billion (51.7 percent) while that of public banks Birr 5.96 billion (48.3 percent) (Table 4.11). Similarly, 71.3 percent of the total loan collection was derived from private enterprises followed by public enterprises (17.5

percent) and cooperatives (11.1 percent) (Table 4.12).

#### 4.5.1.3. Borrowing

Total outstanding borrowing of the banking system went up by 15.9 percent to Birr 25 billion on annual basis due to 75.3 percent surge in foreign borrowing. Of the total borrowing, Birr 21.8 billion (87.5 percent) was from domestic sources and Birr 3.1 billion (12.5 percent) from foreign sources (Table 4.10).

**Table 4.10: Public Outstanding Borrowing of Banking System by Sources.**

(In Millions of Birr)

Banks	2012/13	2013/14		Percentage change	
	Quarter III	Quarter II	Quarter III	C/B	C/A
	A	B	C		
Domestic Borrowing	18,830.5	21,421.1	21,822.9	1.9	15.9
Foreign Borrowing	1,771.2	2,603.9	3,105.7	19.3	75.3
<b>Total</b>	<b>20,601.7</b>	<b>24,025.0</b>	<b>24,928.5</b>	<b>3.8</b>	<b>21.0</b>

Source: Commercial Banks and Development Bank of Ethiopia

#### 4.5.2. Disbursement of Fresh Loans

During the third quarter of the fiscal year, total fresh loan disbursement reached Birr 15.5 billion, indicating a 7.5 and 8.6 percent quarterly and annual decline, respectively (Table 4.8). Public banks disbursed Birr 10.9 billion (70.2 percent) while the remaining balance was by private banks (Table 4.12).

Sector wise, industry was the largest beneficiary accounting for Birr 5.4 billion (34.7 percent) followed by agriculture Birr 3.97 billion (25.6 percent), housing and construction Birr 1.8 billion (11.6 percent), domestic trade Birr 1.7 billion (11.1 percent) and international trade Birr 1.6 Billion (10.7 percent) (Table 4.11).

**Table 4.11: Summary of Loans and Advances by Banks and Receiving Sectors during third quarter of 2013/14**  
(In Millions of Birr)

Borrowing Sector	Public Banks			Private Banks			Total		
	(1)			(2)			(3)		
	D**	C**	O/S**	D**	C**	O/S**	D**	C**	O/S**
Central Government *	0.0	0.0	11386.9	0.0	0.0	2.0	0.0	0.0	11388.9
Agriculture	3,954.1	1,624.9	17844.4	19.7	102.9	740.6	3,973.79	1727.8	18585.0
Industry	4,869.7	2,442.3	53625.9	513.3	659.0	6107.7	5,382.99	3101.4	59733.6
Domestic Trade	343.2	210.8	1505.1	1381.7	1915.1	15595.7	1,724.90	2125.9	17100.9
International Trade	125.7	486.3	19165.3	1539.4	2271.0	14597.4	1,665.13	2757.4	33762.7
Export	33.6	147.0	7597.1	1010.6	1160.8	7835.1	1,044.29	1307.9	15432.2
Imports	92.1	339.3	11568.2	528.8	1110.2	6762.0	620.84	1449.5	18330.2
Hotels and Tourism	121.0	51.2	818.3	149.1	199.1	1824.3	270.04	250.3	2642.6
Transport & Communication	6.6	173.3	2470.0	246.1	354.9	2640.3	252.70	528.2	5110.3
Housing & Construction	1,217.6	702.0	11023.9	578.1	675.6	7706.7	1,795.68	1377.6	18730.6
Mines, Power & Water Res.	10.2	14.6	291.8	30.6	14.5	95.7	40.75	29.2	387.6
Others	247.5	243.7	4091.3	107.0	136.8	1854.0	354.60	380.6	5945.3
Personal	12.3	3.7	279.7	57.4	51.6	615.3	69.67	55.3	895.0
Inter-Bank Lending	0.0	12.7	65.9	0.2	0.0	0.0	0.21	12.7	65.9
<b>Total</b>	<b>10,907.9</b>	<b>5,965.5</b>	<b>122,568.5</b>	<b>4,622.5</b>	<b>6,380.5</b>	<b>51,779.5</b>	<b>15,530.5</b>	<b>12,346.0</b>	<b>174,348.1</b>

Notes: \*Refers to government borrowing in the form of bonds and treasury bills from commercial banks and other sectors other than NBE

\*\* D = Disbursement, C = Collection, O/S= Outstanding Credit

### 4.5.3. Outstanding Credit

Total outstanding credit of the banking system (excluding credit to government) increased to Birr 162.95 billion at the end of March 2014, showing a 7.7 percent quarterly rise (Table 4.8).

About 99.9 percent of the outstanding loan of private banks was claims on private enterprises (including cooperatives) and 0.1 percent on public enterprises. On the other hand, 41.2 percent of the total public banks' outstanding loan was claims on public enterprises; 49.5 percent on private enterprises, including cooperatives, and 9.3 percent on government. (Table 4.12)

Sector wise, credit to industry stood first with Birr 59.7 billion (34.3 percent) followed by international trade Birr 33.8 billion (19.4 percent), housing & Construction Birr 18.7 billion (10.7 percent), agriculture Birr 18.6 billion (10.7 percent) and domestic trade Birr 17.1 billion (9.8 percent), and the remaining balance was claim on other sectors (Table 4.11).

The share of private banks in total outstanding loan stood at 29.7 percent showing a marginal decrease of 1.4 percentage points against the preceding quarter.

Table 4.12: Breakdown of Loans &amp; Advances of Banking System by Clients during third quarter of 2013/14

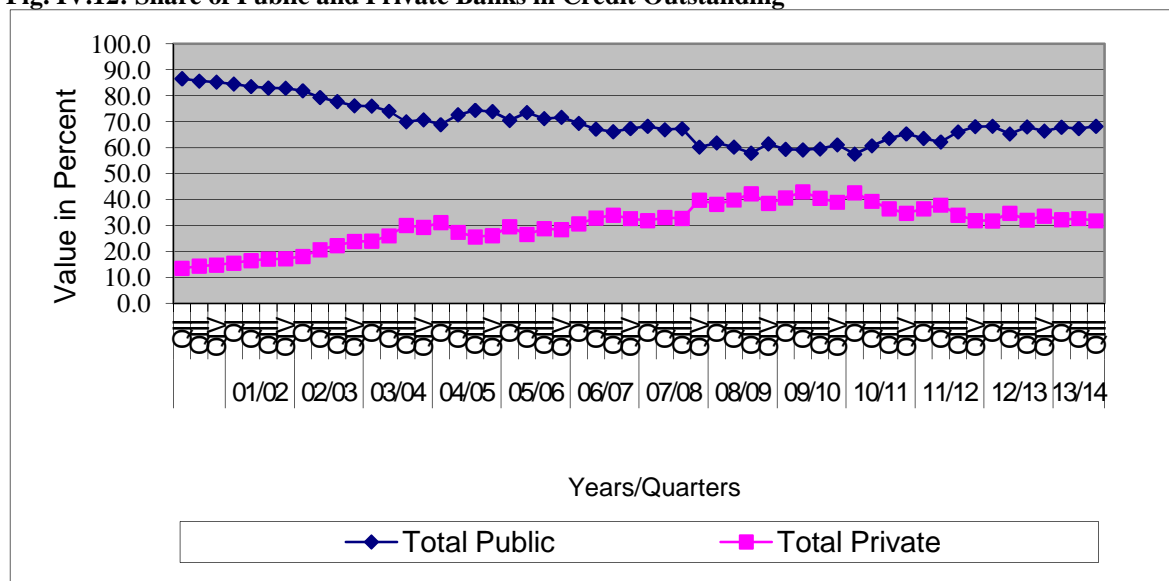
(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
<b>Public Banks</b>	<b>10,907.9</b>	<b>70.2</b>	<b>5,965.5</b>	<b>48.3</b>	<b>122,568.5</b>	<b>70.3</b>
Central Government	0.0	0.0	0.0	0.0	11,386.9	9.3
State Enterprises	3,752.0	34.4	2,153.1	36.1	50,451.6	41.2
Cooperatives	3,728.1	34.2	1,340.9	22.5	12,917.6	10.5
Private Enterprises	3,427.8	31.4	2,458.9	41.2	47,746.6	39.0
Inter-bank Lending	0.0	0.0	12.7	0.2	65.9	0.1
<b>Private Banks</b>	<b>4,622.5</b>	<b>29.8</b>	<b>6,380.5</b>	<b>51.7</b>	<b>51,779.5</b>	<b>29.7</b>
Central Government	0.0	0.0	0.0	0.0	2.0	0.0
State Enterprises	23.0	0.5	6.6	0.1	50.5	0.1
Cooperatives	23.8	0.5	29.6	0.5	738.2	1.4
Private Enterprises	4,575.7	99.0	6,344.3	99.4	50,988.9	98.5
Inter-bank Lending	0.0	0.0	0.0	0.0	0.0	0.0
<b>Grand Total</b>	<b>15,530.5</b>	<b>100.0</b>	<b>12,346.0</b>	<b>100.0</b>	<b>174,348.1</b>	<b>100.0</b>

Source: Commercial Banks and staff computation

Notes: \*Refers to government borrowing in the form of bonds and treasury bills from commercial banks and other sectors other than NBE

Fig. IV.12: Share of Public and Private Banks in Credit Outstanding



Source: Staff computation, NBE

#### 4.6. Financial Activities of NBE

As at March 31, 2014, total claims of NBE on the central government reached Birr 64.4 billion, increasing by 27.6 percent vis-à-vis the same period last year. Direct advance accounted for 78.4 percent of the total claims, while the remaining 21.4 percent was in the form of bonds. Direct advance increased by 27.9 percent while NBE's government bondholdings dropped by 18.2 percent compared to last year same period.

Meanwhile, deposits of the central government and financial institutions at

NBE stood at Birr 36.6 billion which increased by 4.9 percent on quarterly and 1.7 percent on annual bases. Of the total deposits, 35 percent was deposit of the central government which declined by 19.0 percent and 28.7 percent vis-a-vis the preceding quarter and last year same period, respectively (Table 4.13). On the other hand, deposits by financial institutions increased by 40.3 and 17.9 percent as compared to last year same period and the preceding quarter, respectively.

**Table 4.13: Financial Activities of NBE during Second Quarter of 2013/14**

Particulars	2012/13	2013/14		% Change	
	Qtr.III	Qtr.II	Qtr.III	C/A	C/B
	A	B	C		
<b>1.Loans and Advances</b>	<b>65,261.6</b>	<b>72,601.55</b>	<b>81,901.55</b>	<b>25.5</b>	<b>12.8</b>
1.1. To Central Government	50,454.6	55,394.55	64,394.55	27.6	16.2
Direct Advance	50,264.9	55,264.95	64,264.95	27.9	16.3
Bonds	189.7	129.60	129.60	-31.7	0.0
1.2. To Development Bank of Ethiopia	14,807.0	17,207.00	17,507.00	18.2	1.7
<b>2.Deposit Liabilities</b>	<b>34,924.5</b>	<b>36,009.69</b>	<b>36,619.74</b>	<b>4.9</b>	<b>1.7</b>
2.1. Government	17,952.5	15,813.77	12,807.36	-28.7	-19.0
2.2. Financial Institutions	16,972.0	20,195.91	23,812.37	40.3	17.9
O/W:					
-Banks	16,948.1	20,156.18	23,764.84	40.2	17.9
-Insurance companies	23.9	39.74	47.53	99.0	19.6
<b>3.Net Claims of NBE</b>	<b>30,337.1</b>	<b>36,591.9</b>	<b>45,281.8</b>	<b>49.3</b>	<b>23.7</b>

Source: NBE

## **4.7. Developments in Financial Markets**

### **4.7.1. Treasury Bills Market**

During the third quarter of fiscal year 2013/14, the amount of T-bills supplied to the weekly auction market reached Birr 19.1 billion, reflecting a 20.6 percent decline compared to same period last year. The demand for T-bills, however, grew by 12.6 percent relative to a year earlier and reached Birr 29.7 billion (Table 4.14).

Of the total T-bills sold, the share of commercial banks during the review quarter dropped to zero as they focused more on lending to private sector.

The total outstanding T-bills at the end of the quarter reached Birr 28.5 billion, reflecting a 20.4 percent yearly increase indicating the growing size of the market.

The annual average weighted yield of T-bills during the review quarter was 1.236 percent which was lower than 9.8 percent a year earlier. The highest average yield (2.3 percent) was for long-term (364-day) maturity bills (Table 4.14).

Table 4.13: Results of Treasury Bills Auction

(In Millions of Birr)

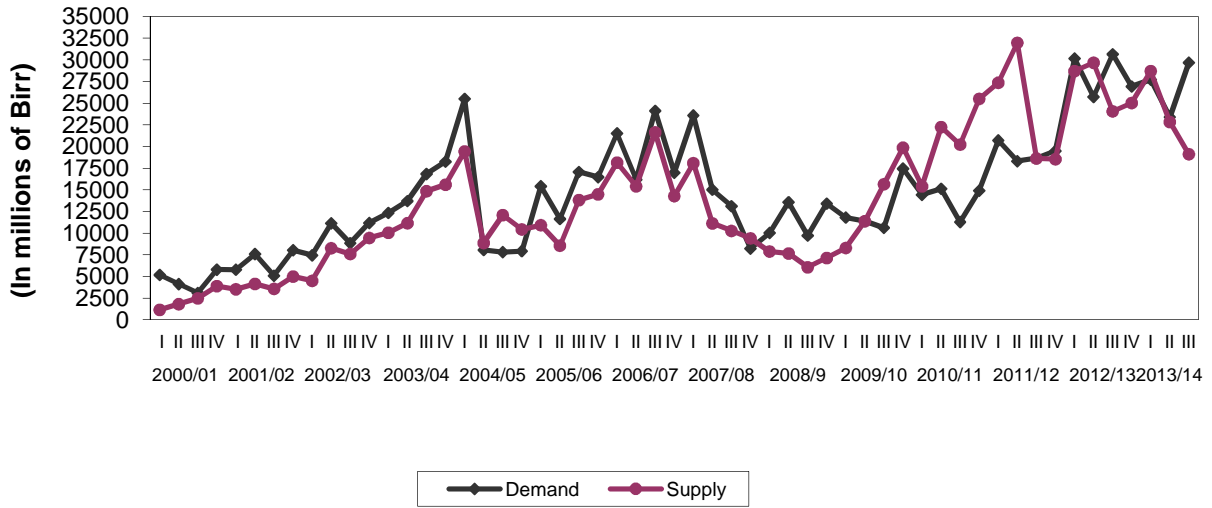
Particulars	2012/13		2013/14	Percentage Change	
	Qtr.III	Qtr.II	Qtr.III	C/A	C/B
	A	B	C		
<b>Number of Bidders</b>	<b>140</b>	<b>102</b>	<b>102</b>	<b>-27.1</b>	<b>0.0</b>
Public	65	60	51	-21.5	-15.0
Private	75	42	51	-32.0	21.4
<b>Number of Bids Accepted</b>	<b>307</b>	<b>195</b>	<b>192</b>	<b>-37.5</b>	<b>-1.5</b>
Public	143	76	68	-52.4	-10.5
Private	164	119	124	-24.4	4.2
<b>Amount Demanded (Mn.Birr)</b>	<b>26,359.1</b>	<b>23,409.9</b>	<b>29,679.4</b>	<b>12.6</b>	<b>26.8</b>
28-day bill	10,833.0	6,214.0	4,622.0	-57.3	-25.6
91-day bill	10,366.1	13,405.9	19,545.4	88.6	45.8
182-day bill	2,160.0	2,120.0	1,411.0	-34.7	-33.4
364-day bill	3,000.0	1,670.0	4,101.0	0.0	145.6
<b>Amount Supplied (Mn.Birr)</b>	<b>24,065.4</b>	<b>22,834.9</b>	<b>19,118.9</b>	<b>-20.6</b>	<b>-16.3</b>
28-day bill	8,868.0	5,009.0	963.0	-89.1	-80.8
91-day bill	9,177.4	11,699.9	13,245.9	44.3	13.2
182-day bill	3,020.0	3,256.0	1,610.0	-46.7	-50.6
364-day bill	3,000.0	2,870.0	3,300.0	0.0	15.0
<b>Amount Sold (Mn.Birr)</b>	<b>26,359.1</b>	<b>23,199.9</b>	<b>19,820.4</b>	<b>-24.8</b>	<b>-14.6</b>
Banks	10,003.0	5,674.0	0.0	-100.0	-100.0
Non-Banks	16,356.1	17,525.9	19,820.4	21.2	13.1
<b>Average Weighted Price for Successful Bids(Birr)</b>	<b>99.2</b>	<b>99.1</b>	<b>99.3</b>	<b>0.0</b>	<b>0.2</b>
28-day bill	99.8	99.8	99.9	0.1	0.2
91-day bill	99.7	99.7	99.7	0.0	0.0
182-day bill	99.7	99.7	99.7	0.0	0.0
364-day bill	97.7	97.1	97.7	0.0	0.6
<b>Average Weighted Yield for Successful Bids(%)</b>	<b>1.401</b>	<b>1.934</b>	<b>1.263</b>	<b>-9.9</b>	<b>-34.7</b>
28-day bill	1.899	2.891	0.855	-55.0	-70.4
91-day bill	0.918	1.186	1.184	28.9	-0.2
182-day bill	0.436	0.660	0.670	53.7	1.5
364-day bill	2.351	3.000	2.342	-0.4	-21.9
<b>Outstanding bills at the end of Period (Mn.Br.)</b>	<b>23,669.1</b>	<b>28,510.9</b>	<b>28,492.4</b>	<b>20.4</b>	<b>-0.1</b>
Banks	2,993.0	1,863.0	0.0	-100.0	-100.0
Non-Banks	20,676.1	26,647.9	28,492.4	37.8	6.9

Source: NBE



Fig IV.14: Developments in T-Bills Market

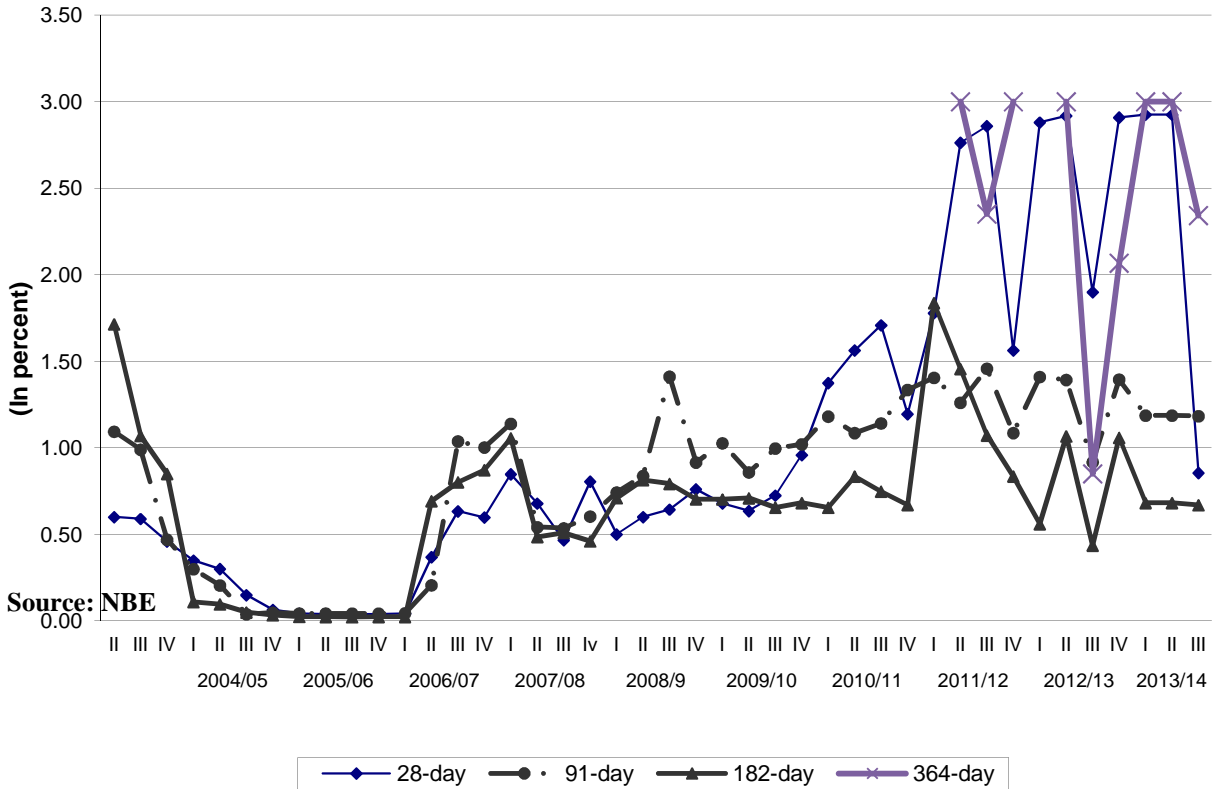
(In Millions of Birr)



Source: NBE

Fig IV.14: Developments in Average Weighted Yields of T-bills with Different Maturities

(In Percent)



Source: NBE

#### **4.7.2. Inter- Bank Money Market**

No inter-bank money market transaction was conducted during the quarter under

review (Table 4.12).

#### **4.7.3. Corporate Bond Market**

Corporate bond market is not a well developed in Ethiopia and it is limited to a few public institutions and regional governments. The purchaser of these bonds is the Commercial Bank of Ethiopia (CBE).

During the quarter under review, CBE purchased corporate bonds worth Birr 7.8 billion, of which 85.1 percent was issued by public enterprises and the balance by regional governments.

At the end of March 31, 2014, the stock of corporate bonds held by CBE stood at Birr 102.1 billion, of which 86.5 percent was claims on public enterprises and the remaining on regional governments (Table 4.15). Corporate bonds issued by EEPSCO accounted for 89.4 percent of the bonds issued by public enterprises and 81.4 percent of the entire outstanding corporate bond balance.

**Table 4.15: Corporate Bond by holders**  
(Millions of Birr)

Issuer of the Bond	2011/12			2013/14					
	QIII			QII			QIII		
	NP	Red.	O/S	NP	Red.	O/S	NP	Red.	O/S
<b>1.Puplic Enterprises</b>	<b>3,600.0</b>	<b>0.0</b>	<b>61,788.7</b>	<b>8,300.0</b>	<b>0.0</b>	<b>81,213.7</b>	<b>7,225.0</b>	<b>24.0</b>	<b>88,414.7</b>
EPCO	3600.0	0.0	60900.0	6000.0	0.0	76200.0	7000.0	0.0	83200.0
Railway Corporation	0.0	0.0	0.0	2000.0	0.0	3100.0	0.0	0.0	3100.0
DBE	0.0	0.0	688.7	0.0	0.0	688.7	0.0	24.0	664.7
SHDE*	0.0	0.0	200.0	300.0	0.0	1225.0	225.0	0.0	1450.0
<b>2. Regional Governments</b>	<b>1,500.0</b>	<b>516.8</b>	<b>12,631.0</b>	<b>1,450.0</b>	<b>547.2</b>	<b>13,858.0</b>	<b>600.0</b>	<b>746.8</b>	<b>13,711.2</b>
Oromia	0.0	69.3	1820.4	0.0	100.0	924.8	0.0	72.2	852.6
Amhara	0.0	125.3	19.9	0.0	0.0	0.2	0.0	0.0	0.2
Tigray	0.0	37.6	657.4	0.0	81.5	410.5	0.0	126.6	284.0
SNNPRS	0.0	70.4	678.1	0.0	34.0	341.1	0.0	12.1	329.0
Dire Dawa	0.0	1.3	201.6	0.0	80.3	108.6	0.0	28.9	79.8
Harari	0.0	10.0	84.6	0.0	0.0	0.0	0.0	0.0	0.0
Addis Ababa	1500.0	202.8	9168.9	1450.0	251.4	12072.6	600.0	507.0	12165.5
<b>3. Grand Total(1+2)</b>	<b>5,100.0</b>	<b>516.8</b>	<b>74,419.7</b>	<b>9,750.0</b>	<b>547.2</b>	<b>95,071.7</b>	<b>7,825.0</b>	<b>770.8</b>	<b>102,125.9</b>

Source: NBE

Note: NP= New Purchase, Red. = Redemption, O/S= outstanding

\*Saving Houses Development Enterprise

