NATIONAL BANK OF ETHIOPIA

2020/21 ANNUAL REPORT

NATIONAL BANK OF ETHIOPIA

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NATIONAL BANK
OF ETHIOPIA

National Bank of Ethiopia

Prepared by:

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2020/21

Annual Report

Currency and Time

Currency	Currency Unit: Birr (Br) Exchange Rate: Look at 66
Time	Fiscal Year: July 8th to july 7th Coffee Year: October to September Calender Year: September 11 to September 10

** There is a difference of about 73/4 Years between the Gergorian and the Ethiopian Calander

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Mr. Gebreyesus Gunte
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(Director, Change Management, Planning and Communication Directorate & Member)

Mr. Gebreyesus Gunte
(Senior Advisor to the Governor, Member & Secretary)

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(Governor & Chairman)

H.E. Mr. Fikadu Digafie (Vice
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Mr. Mohammed Abdela
(D/Director, Change Management , Planning and Communication Directorate)

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Indicators	2015/16 (2008)	2016/17 (2009)	2017/18 (2010)	2018/19 (2011)	2019/20 (2012)	2020/21 (2013)	2021/22 (2014)	2022/23 (2015)
1. Country Profile								
Land Area (total, In Sq.Km)	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million
Arable Land (% of total area)	NA	12.00	13	14.2	14.32	14.41	16.2	16.2
Agricultural Irrigated Land (% of totalAgricultural area)	NA	NA	4.0	4.0	4.7	5	6%	6.20%
Population Density (person per sq.km)*	101.00	104.00	106	109	112	115	123	127
2. Social Indicators								
Population total, in millions (Mid-Year population)	91.2	93.4	95.5	97.6	99.75	101.9	104.1	105.7
(o/w Urban Poulation, in %)	19.9	20.3	21	22.8	22.8	22.8	22.8	28.2
Working Age Population (In Millions)								
Urban	12.2	*12.8*	*12*	*13.13*	*14.03*	*15.01*	*16.04*	*31.1*
Rural	39.7	*40.8*	*42*	*43.06*	*44.28*	*45.8*	*46.6*	*40.4*
Total	52.0	*53.6*	*56*	*56.19*	*58.31*	*60.81*	*62.64*	*61.7*
Age Dependency Ratio	75.0	75	69	69	69	69	69	62
Life Expectancy at Birth (Male - Female)	60.2-64.2	60.2-64.2	62.4-66.6	62.4-66.6	62.4-66.7	65.5	65.5	65.5
Crude Birth Rate	30.3:1000	30.3:1000	27:1000	27:1000	27:1001	27:1002	27:1003	27:1000
Crude Death Rate	7.2:1000	7.2:1000	6	6	6	6:03	6.00	6.30
Natural Rate of Population Increase (In %)	2.31	2.31	2	2	2	2	2	2:07
Total Fertility Rate	3.94chil:W	3.94chil:W	3.5chil:W	3.5chil:W	3.5chil:W	4.6chil:W	4.6chil:W	4.1
People : Hospital Beds	2850:1	2980:1	3617:1	1,312	2750	2720	2900	3225: 1 bed
People : Physician[1]	14045:1	22766:1	26635:1	10,521:1	9977:1	8448:1	7576	5737
People : Nurse [1]	1999:1	1194:1	1780:1	1620:1	1705	1473	1415	983
Infant Mortality Rate	62.4:1000	62.4:1000	53.3:1000	53.3:1000	43.3:1000	47:1001	47:1000	34:1000
Access to Safe Water (In %)								
Country Level	61.0	66.0	*71*	*76*	*79.3*	*58.5*	*58.76*	*67.1*
Urban Population	52.5	55.0	*60*	*66*	*66.5*	*62.95*	*71.97*	*75.7*
Rural Population	63.1	68.0	*74*	*79*	*82.7*	*57.26*	*59.76*	*64.5*
Student-Teacher Ratio								
Primary (1-8)	*46:1*	*43.00*	*43*	*39*	*39*	*34.8*	*34.6*	36.4
Secondary (9-12)	26.5:1	43.00	*43*	*22.5*	*24*	*27.4*	*27.7*	26.6
Technical & Vocational	12.6:1	11.00	*26*	*13.3*	*13.3*	*1:11*	*1:11*	*1:18*
Student-School Ratio								NA
Primary (1-8)	573:1	580.00	*567*	*628*	*528*	512.7	*526.6*	517.6
Secondary (9-12)	767.2:1	754.00	*741*	*568*	*940*	1017	*1063*	1009.6
Technical & Vocational	523:1	329.00	*318*	*246.8:1*	*246.6:1*	*177*	*158*	151.5

Continued….

Indicators	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(2008)	(2009)	(2010)	(2011)	(2012)	(2013)	(2014)	(2015)
3. Macroeconomic Indicators								
3.1. Real sector Development[2]								
GDP at Current Market Price (In Mn. Birr)	1,568,097.45	1,832,553.7	2,202,373	2,696,223.0	3,374,747	4341387.1	6,157,538	8,722,308
Nominal GDP Growth Rate (In %)	17.7	16.9	20.2	22.4	25.5	28.6	41.8	42.4
Average Marginal Exchange Rate (Birr per USD)	21.1	22.4	26.1	28.1	31.3	39.0	48.57	53.283
GDP at Current Market Price (In Mn. USD)	74,296.6	81,760.4	84,355.6	95,951.0	107,673	111271.2	126,783	163,698
Nominal GDP per Capita (In USD)	814.6	875.8	883.3	983.1	1,080	1091.8	1,218	1,549
Real GDP per Capita (In Birr)	8,864.0	18,257.5	19,205	20,360.2	21,144.7	21,863.35	22,542.21	22,798,071.26
Real GDP per Capita Growth Rate (In %)	3.4	8.0	5	6	4	3.4	3.1	101035.0
GDP Deflator (% change)	9.5	6.7	12.5	13.2	18.2	21.8	34.7	32.9
Real GDP at constant basic price (In Mn. Birr)	1,449,397.5	1,596,481.6	1,719,491	1,874,689.3	1,989,587.7	2,114,238.3	2,248,571.6	2,439,478,100.7
Real GDP at constant market price (In Mn. Birr)	1,568,097.5	1,717,127.2	1,834,066	1,987,157.5	2,109,180.1	2,228,170.1	2,346,644.1	2,409,921,417.8
Real GDP Growth Rate (In %)	8.0	10.1	7.7	9.0	6.1	6.3	6.1	7.2
Agriculture & Allied Activties(In Billion Birr)	544.1	580.4	600.9	623.8	650.3	686.4	728.4	774.0
Industrial Sector (In Billion Birr)	343.9	413.8	464	526.2	576.9	618.8	649.2	694.2
Service Sector(In Billion Birr)	575.9	619.3	674	745.7	786.8	836.2	899.8	971.3
Agriculture & Allied Activties (% of GDP)	37.5	36.4	34.9	33.3	32.7	32.5	32.4	32.1
Industrial Sector (% of GDP)	23.7	25.9	27.0	28.1	29.0	29.3	28.9	28.8
Service Sector (% of GDP)	39.7	38.8	39.2	39.8	39.5	39.6	40	40.3
Private Consumption Expenditure	1,042,264.6	1,219,365.9	1,441,581.1	1,848,070.0	2,360,896	3,134,994	4,764,429	6882737.9
Government Consumption Expenditure	174,598.8	203,607.9	225,523.2	247,362.0	307,769	383,565	453,263	551106.6
Investment	585,665.0	704,596.0	751,626.2	948,866.0	1,037,685	1,216,585	1,560,325	1,933,863
Exports	122,500.8	139,830.1	184,282.1	213,437.0	239,229	329,634	507,692	575,062
Imports	424,749.9	430,233.2	502,112.9	561,512.0	571,230	723,391	1,128,171	1,220,461
Resource Balance	(302,249.0)	(290,403.0)	(317,831.0)	(348,075.0)	-329,096	-394,236	-620,479	-645,400
Gross Private Consumption (% of GDP)	66.5	66.5	65.5	68.5	69.96	72	77.4	78.9
Gross Government Cosumption (% of GDP)	11.1	11.1	10.2	9.2	9.1	8.84	7.4	6.3
Gross Domestic Fixed Investment (% of GDP)	37.3	38.4	34.1	35.2	30.7	28.02	25.3	22.2
Resource Balance (% of GDP)	(19.3)	(15.8)	(14.4)	(12.9)	(9.8)	-9.08	-10.1	-7.4
3.2. Monetory Indictors								
Narrow Money Supply (M1) (In Mn. Birr)	178,609.66	216,769.62	281,154.66	308,937.13	360,585.50	437,391.97	588,015.82	706,142.20
Broad Money Supply (M2) (In Mn. Birr)	445,266.25	573,384.05	740,572.88	886,752.53	1,037,646.33	1,348,266.15	1,715,310.03	2,170,848.37
Net Foreign Assets (In Mn. Birr)	21,524.19	38,034.79	39,376.20	14,506.19	(8,321.31)	(812.32)	(111,427.54)	(160,097.68)
Reserve Requirement (CBs)	21,745.43	28,278.91	36,385.76	44,861.74	51,952.51	67,732.37	119,022.55	150,325.15
Interest Rate (In %)								
Minimum Deposit Rate	5.00	5.00	7	7	7	7	7	7
Lending Rate	12.75	12.75	13.5	13.5	14.25	14.25	14.25	14.25
Total Net Domestic Credit (in mn. Birr)	490,230.35	631,092.73	784,621.73	963,699.91	1,176,926.45	1,481,844.43	1,930,621.80	2,444,435.50
Government	47,524.36	85,441.85	102,002.83	109,799.21	137,082.91	214,275.16	422,864.02	573,675.72
Other Sectors	442,705.99	545,650.89	682,618.90	853,900.70	1,039,843.53	1,267,569.27	1,507,757.78	1,870,759.78

Continued….

Indicators	2015/16 (2008)	2016/17 (2009)	2017/18 (2010)	2018/19 (2011)	2019/20 (2012)	2020/21 (2013)	2021/22 (2014)	2022/23 (2015)
3.3. Inflation (CPI growth rate)[3]								
Country Level								
-General inflation	9.7	7.4	14.60	12.60	19.90	20.20	33.80	32.60
-Food inflation	11.2	7.2	13.40	13.10	23.30	23.20	40.30	31.70
-Non-Food inflation (core inflation)	8.1	7.5	15.80	11.90	15.80	16.40	25.15	33.90
Addis Ababa								
-General inflation	10.3	2.3	16.5	14.6	18.8	19.5	29.8	37.3
-Food inflation	16.6	1.2	8.7	15	25.9	26.2	36.6	35.5
-Non-Food inflation (core inflation)	5.8	3.2	22.6	14	13.9	14.4	24.1	39.0
3.4. External Trade(In Mn.USD)								
Export of goods & services	6077.3	6257.2	7095.9	7694.9	7715.7	8498.9	10457.7	10855.8
Import of goods & services	20552.1	19714.0	19707.4	20704.8	18828.3	19177.0	23845.0	23394.5
Net trade in goods & services	-14474.7	-13456.9	-12611.4	-13009.9	-11112.6	-10678.0	-13387.3	-12538.6
Current account balance including official transfers	-6655.1	-6543.2	-5285.0	-4948.0	-4401.9	-3190.7	-5145.1	-4637.4
Capital account balance	6554.1	*6885.3*	6184.6	4822.4	4326.5	3785.8	2723.7	3504.9
Overall balance of payments	-830.9	*658.6*	-201.6	-941.6	-833.4	298.7	-2149.8	-752.0
3.5. Government Finance (In Mn .Birr[4])								
Total Revenue (including grants)	243,671.6	269,105.9	287,562.1	344,936.5	394,965.8	478,888.1	566,753.6	717,586.7
Total Revenue (excluding grants)	230,657.3	256,629.0	269,648.2	311,317.4	354,312.8	444,582.6	540,060.5	685,459.1
o/w Tax-Revenue	*189,717.2*	*210,135.9*	*235,229.5*	*268,457.4*	*311,476.5*	*388,763.5*	*477,770.3*	*593,232.1*
Tax-Revenue as % of GDP	*14.7*	*14.0*	*12.3*	*11.6*	*10.5*	*10.2*	*8.8*	*7.9*
Total Expenditures	272,930.1	329,286.8	354,205.3	413,105.7	480,143.2	599,006.7	779,099.0	938,771.6
Current Expenditures	*131,902.8*	*176,703.0*	*210,470.2*	*238,156.6*	*275,967.0*	*363,596.9*	*517,043.4*	*582,854.6*
Capital Expenditures	*141,027.3*	*152,583.8*	*143,735.1*	*174,949.1*	*204,176.1*	*235,409.7*	*262,055.7*	*355,917.0*
Equity Contribution (Sinking Fund)								
Special Programs	-	-	-	-	-	-		
Total Expenditures as % of GDP	*17.4*	*18.0*	*16.1*	*15.4*	*14.2*	*13.8*	*12.7*	*10.8*
Current Surplus/Deficit	111,768.8	92,402.9	77,091.9	106,779.9	118,998.8	115,291.2	49,710.3	134,732.1
Overall Budget Deficit (including grants)	(29,258.5)	(60,180.9)	(66,643.2)	(68,169.2)	(85,177.4)	(120,118.5)	(212,345.4)	(221,184.9)
Deficit as % of GDP	(1.9)	(3.3)	*(3.0)*	*(2.5)*	*(2.5)*	*(2.8)*	*(3.4)*	*(2.6)*
Overall Budget Deficit (excluding grants)	(42,272.8)	(72,657.8)	(84,557.1)	(101,788.3)	(125,830.4)	(154,424.0)	(239,038.5)	(253,312.4)
Deficit as % of GDP	(2.7)	(4.0)	*(3.8)*	*(3.8)*	*(3.7)*	*(3.6)*	*(3.9)*	*(2.9)*
3.6. Exchange Rate (Birr/ USD)								
Inter-Bank Forex Market Rate[5]								
** Period weighted Average*	21.1059	22.4137	26.1082	28.0543	31.3427	39.0163	48.5673	53.2830
** End period*	21.8004	23.1081	27.2621	28.9109	34.9822	43.6910	51.9938	54.5943

Continued….

Indicators	2015/16 (2008)	2016/17 (2009)	2017/18 (2010)	2018/19 (2011)	2019/20 (2012)	2020/21 (2013)	2021/22 (2014)	2022/23 (2015)
3.7. Treasury Bill Market (In Mn .Birr)								
T-Bills Demanded (Total)	161,575.24	225,321.24	323,991.24	422,633.54	242,155.09	284,783.55	599,478.63	595,231.34
T-Bills Sold	161,475.24	225,321.24	323,991.24	422,633.54	242,155.09	238,799.55	582,268.63	576,081.34
Average Weighted Yield (in %)	1.438	1.424	1.420	1.741	4.808	7.970	9.459	9.70
T-Bills Outstanding by holder	57,252.56	73,271.56	111,213.56	138,054.36	23,724.00	116,559.95	317,169.59	341,869.53
Banks	-	-	-	*650.00*	*5,604.00*	*52,040.00*	*195,432.29*	146,568.05
Non-Banks	57,252.56	73,271.56	*111,213.56*	*137,404.36*	*18,120.00*	*64,519.95*	*121,737.30*	195,301.48
3.8. Inter Bank Money Market Rate[5]								
3.9. Financial Institutions								
Number of Commercial Banks	17.00	17.00	17.00	17.00	17.00	18.00	30.00	31.00
(o/w Private banks)	16.00	16.00	16.00	16.00	16.00	17.00	28.00	29.00
Number of Bank Branches	3,301.00	4,257.00	4,757.00	5,564.00	6,511.00	7,344.00	8,944.00	11,281.00
Population : Bank Branch	27,932.00	22,164.00	20,286.50	17,732.20	15,702.00	13,921.00	11,516.00	9,514.00
Number of Insurance Companies	17.00	17.00	17.00	17.00	18.00	18.00	18.00	18.00
(o/w Private Insurance Companies)	16.00	16.00	16.00	16.00	17.00	17.00	17.00	17.00
Number of Insurance Branches	426	492.00	532.00	568.00	605.00	635.00	690.00	741.00
Population : Insurance Branch	216,443.00	191,772.00	181,396.00	173,848.00	168,983.00	160,629.92	149,272.50	144,846.00
Number of Development Banks	1.00	1.00	1	1	1	1	1	1
Number of Development Bank Branches	110	110.00	107	107	93	82	83	83
Number of Micro-financial Institutions	35.00	35.00	38	38	39	39	43	47

Source : Ministries of Agriculture, Finance and Economic Development, Health, and Education, National Bank of Ethiopia, Centeral Statistical Authority, … etc

Note:-

***population is estimated using component method after 2006/2007**

1. Excluding manpower out side the Ministry of Health.
2. The GDP data series is revised on basis of 2015/16 =100 base year
3. Inflation data is calculated using the new base year (December 2016=100)
4. Figures for government finance are preliminary estimates from 1999/00 onwards.
5. Inter-bank money market was first introduced in Aug.1998 and Inter-bank forex market started as of September 1998, and the daily trasactions introduced beginning from october 24, 2001.

*Mid year population was obtained from MoFED

GOVERNOR'S NOTE

1. The Ethiopian economy registered 6.3 percent growth in 2020/21which was, slightly higher than the 6.1 percent expansion in the previous year. This growth was broad based with industry growing at 7.3 percent', service 6.3 percent, and agriculture 5.6 percent. As a result, the share of industry in GDP increased slightly to 29.3 percent from 29.0 percent a year ago while that of service sector remained around 39.6 percent. In contrast, the share of agriculture to GDP dropped marginally to 32.5 percent from 32.7 percent over the same period. This reflects a gradual but steady shift in the structure of the economy towards developing manufacturing sector and promoting export-led growth while continuing to give due attention to modernizing the agriculture sector which has dominated the country's economy for decades in terms of employment, foreign exchange earnings, supply of raw materials and market for domestic industries.

2. In addition, the robust and sustained economic growth recorded over the last 15 years has led to improvement in income inequality and poverty reduction. Accordingly, per capita income has continuously increased and reached USD 1,092 in 2020/21. Investment to GDP ratio stood at 28.0 percent while that of domestic savings was 19.0 percent.

3. Despite NBE's attempt to tight monetary stance, inflation has remained off the single digit target in the past four years. The annual average headline inflation slightly increased to 20.2 percent in 2020/21 from 19.9 percent a year earlier wholly due to the rise in non-food inflation by 0.5 percentage point against a 0.1 percentage point decline in food inflation. Meanwhile, annual headline inflation rose to 24.6 percent from 21.5 percent, solely driven by 5.9 percentage point increase in food inflation despite 0.6 percentage point slowdown in non-food inflation.

4. Regarding fiscal operations, the government has pursued prudent fiscal policy that focused on increasing tax revenue by strengthening tax administration and covering a greater proportion of government expenditures from domestic resources. Meanwhile, government expenditures have largely been geared towards supporting

capital expenditure and enhancing pro-poor social spending programs and safety nets. Thus, domestic revenue registered a 21.2 percent annual growth while general government expenditure showed a 24.8 percent increment resulting in a budget deficit equivalent to 2.8 percent of GDP which was lower than the 3 percent target.

5. As for forex developments, taking into account the country's level of development, Ethiopia has continued to maintain managed float exchange rate regime to ensure external competitiveness. Accordingly, the Birr was allowed to depreciate by 24.5 percent in nominal terms against US Dollar during 2020/21 while the real effective exchange rate marginally appreciated by 0.3 percent as a result of rising domestic inflation and appreciation of the Birr vis-à-vis the currencies of the trading partners.

6. The Ethiopian financial sector has been broadly safe, sound, well capitalized and profitable. In 2020/21, commercial banks opened 833 new branches which raised the total number of branches to 7,344 from 6,511 last year. Their deposit mobilization surged by 30.3 percent, while loan collection rose 1.5 percent and loan disbursement 21.5 percent. Their non-performing loan was within the required ceiling of 5 percent. Similarly, insurance companies and microfinance institutions have scaled up their outreach by expanding their network and products.

7. Total merchandise exports saw a remarkable growth of 21.1 percent over the preceding fiscal year mainly driven by earnings from coffee, gold, flower, chat, electricity, fruits & vegetables and meat & meat products. On the other hand, total merchandise import recorded a 2.9 percent slowdown solely due to a significant growth in import of consumer goods mainly cereal and other foods. As a result, trade deficit, as proportion of GDP, narrowed to 9.6 percent from 10.1 percent a year ago. Similarly, current account, including official transfers, recorded a higher deficit compared to past years. Capital account surplus has also moderately slowed down vis-à-vis the preceding year. Consequently, the overall balance of payments registered a surplus in contrast to a deficit in the previous year. Thus, the country's gross international reserve was adequate to cover 2.2 months of import of goods and non-factor services of next fiscal year.

8. To sum up, despite the challenges with respect to COVID-19 pandemic and the law enforcement measures in Northern part of the country, the Ethiopian economy remained resilient showing robust growth in 2020/21. Looking ahead, the economic performance in 2021/22 is envisaged to be more positive supported mainly by improved macroeconomic stability, conducive weather condition and friendly investment policies despite some perceived down side risks including volatile export commodity prices and inflation pressure. Similarly, the effective implementation of the three year "Home Grown Economic Reform Program" and attending policy measures is expected to contribute towards developing a modern, vibrant, competitive and sound financial system, and enhanced access to financial services and financial inclusion which will ultimately lead to poverty reduction and inclusive economic growth and development.

9. Finally, in light of the planned achievements during the review fiscal year, I would like to congratulate all members of the NBE management and staffs for their unrelenting commitment in realizing the strategic objectives of the Bank and in contributing to the country's overall macroeconomic stability and growth. I am also convinced that they will continue to exert their efforts to achieve more results for the socio-economic development and sound living standards of our society in the coming FY 2021/22 and beyond.

THE OVERALL ECONOMIC PERFORMANCE

I. THE OVERALL ECONOMIC PERFORMANCE

1.1. Economic Growth

The Ethiopian economy continued to register growth in 2020/21 amid the instability in northern part of the country and the impact of COVID-19 pandemic. During the review fiscal year, real GDP showed a 6.3 percent growth, slightly higher than the 6.1 percent growth last year.

The growth of real GDP was 3.7 percentage point lower than the average growth rate target set in the Ten Years Development Plan, but significantly higher than the 3.4 percent growth estimate of the Sub - Saharan African countries (IMF and WEO Update, June 2020).

The growth of real GDP in 2020/21 was attributed to the growth of industry (7.3 percent), services (6.3 percent) and agriculture (5.5 percent). Nominal GDP per capita stood at USD 1,092, depicting a 1.1 percent marginal improvement relative to the previous year (Table 1.1).

The growth of the Ethiopian economy is projected at 8.7 percent in 2021/22 compared to 4.9 percent growth forecast for the world and 3.8 percent for Sub-Saharan Africa economies (IMF,WEO, October 2021).

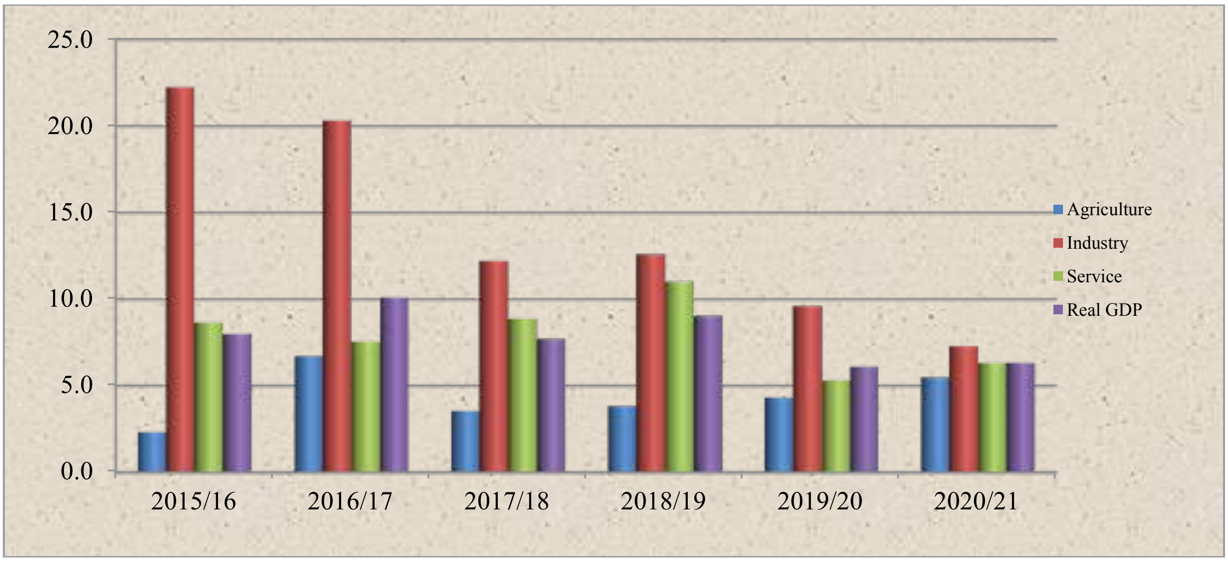
Table 1.1: Sectoral Contributions to GDP and GDP Growth

(In Billions of Birr)

Items		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Sector	Agriculture	544.1	580.4	600.9	623.8	650.3	686.4
	Industry	343.9	413.8	464.4	526.2	576.9	618.8
	Services	575.9	619.3	673.9	745.7	786.9	836.2
Total		1,463.9	1,613.5	1,739.3	1895.7	2,014.1	2,141.4
Less FISIM		14.5	17.0	19.8	21.0	24.5	27.2
Real GDP		1,449.4	1,596.5	1,719.5	1,874.7	1,989.6	2,114.2
Growth in Real GDP		8.0	10.1	7.7	9.0	6.1	6.3
Per capita GDP (USD) (Nominal)		815	876	883	985	1,080	1,092
Growth rate in Per capita GDP		9.5	7.5	0.9	11.6	9.6	1.1
Mid-year population(in millions)		91.2	93.4	95.5	97.6	99.7	101.9
Share in GDP (in %)	Agriculture	37.5	36.3	34.9	33.3	32.7	32.5
	Industry	23.7	25.9	27.0	28.1	29.0	29.3
	Services	39.7	38.8	39.2	39.8	39.5	39.6
Agriculture	Absolute Growth	2.3	6.7	3.5	3.8	4.3	5.5
	Contribution to GDP growth	0.9	2.5	1.3	1.3	1.4	1.8
	Contribution in %	11.3	24.6	16.5	14.6	22.8	29.0
Industry	Absolute Growth	22.2	20.3	12.2	12.6	9.6	7.3
	Contribution to GDP growth	4.7	4.8	3.1	3.6	2.6	2.1
	Contribution in %	58.8	47.3	40.8	39.5	42.4	33.6
Services	Absolute Growth	8.7	7.5	8.8	11.0	5.3	6.3
	Contribution to GDP growth	3.4	3.0	3.4	4.1	2.1	2.4
	Contribution in %	42.5	29.4	44.0	45.8	34.3	38.3

Source: Planning and Development Commission

Fig.I.1: Real GDP Growth by Major Sectors (in Percent)



Source: Planning and Development Commission

Meanwhile, agriculture grew by 5.5 percent in 2020/21, higher than the 4.3 percent growth recorded in the previous year mainly due to improvement in crop production, animal farming and hunting.

In 2020/21, total grain production amounted to 341.8 million quintals depicting a 2 percent annual increment. Of the total crop production was cereal production, 9.4 percent pulses and 2.3 percent oil seeds. Cereals and pulses production increased by 1.8 and 6.5 percent partly on account of 0.6 and 7.1 percent expansion in cultivated land areas, respectively. However, the production of oilseeds showed 7.7 percent contraction owing to 6.6 percent a decline in cultivated land area (Table 1.2).

The total land cultivated area for crop production reached 13.0 million hectares, of which cereals production accounted for 81.2 percent, pulses 12.9 percent and oil seeds 5.9 percent (Table 1.2).

Table 1.2: Estimates of Agricultural Production and Cultivated Areas of Major Grain Crops for Private Peasant Holdings-Meher Season

[*Area and production are in thousands of hectars and quintals, respectively*]

Agricultural Production	2017/18		2018/19		2019/20		2020/21	
	Cultivated Area	Total Production	Cultivated Area	Total Production	Cultivated Area	Total Production	Cultivated Area	Total Production
Cereals	10,232	267,789	10,358	277,638	10,478	296,726	10,538	302,054
(Annual % Change)	0.1	5.5	1.2	3.7	1.2	6.9	0.6	1.8
Pulses	1,598	29,785	1,620	30,113	1,563	30,051	1,674	32,000
(Annual % Change)	3.1	5.8	1.4	1.1	-3.5	-0.2	7.1	6.5
Oilseeds	846	8,550	747	7,850	820	8,421	766	7,774
(Annual % Change)	5.1	1.9	-11.7	-8.2	9.8	7.3	-6.6	-7.7
Total	12,676	306,124	12,727	315,602	12,862.0	335,199	12,979	341,829
(Annual % Change)	0.8	5.4	0.4	3.1	1.1	6.2	0.9	2.0

Source: Central Statistical Agency (CSA)

During 2021, the share of agriculture in GDP declined to 32.5 percent while its contribution to GDP growth improved to 29 percent compared to the preceding year (Table 1.1). Crop production had a lion's share in agriculture accounting for 65.1 percent where animal farming & hunting and forestry had a 26 percent and 8.6 percent respective share. While crop production showed a 5.7 percent growth, animal farming & hunting and forestry registered 5.8 and 3.9 percent expansion, respectively (Table 1.3).

Industrial sector showed a 7.3 percent annual growth and constituted a 29.3 percent share in total GDP and it contributed 33.6 percent to the overall GDP growth (Table1.1). With 5.1 percent growth, the manufacturing accounted for 23.4 percent of the industrial output. Construction industry registered 6.6 percent expansion with 72.2 percent share in industrial output, with roads, railways, dams and residential houses construction, playing a significant role.

The growth momentum in mining and quarrying sector continued in 2020/21 and saw a 115.4 percent expansion partly due to the conducive policy measures taken by the National Bank of Ethiopia to incentivize the miners to opt for more formal marketing channels. Yet, its contribution to industrial production is still minimal (1.8 percent). Meanwhile, electricity & water had a 2.7 percent share in industrial production (Table1.3).

Service sector continued to dominate the economy in 2020/21 as its share in GDP stood at 39.6 percent and its contribution to the GDP growth was 38.3 percent (Table 1.1). The 6.3 percent growth in service sector was largely attributed to the expansion of real estate, renting & business activities (8.9 percent), transport & communication (7.0 percent), wholesale & retail trade (6.3 percent), other services (6.2 percent), public administration & defense (4.9 percent) and hotels & restaurants (2.6 percent) (Table 1.3).

Table 1.3: Growth and Percentage Distribution of Major Agricultural, Industrial and Service Sub-sectors

		Sectors	2016/17	2017/18	2018/19	2019/20	2020/21
Agriculture	Growth rate	Crop	8.2	4.7	3.0	4.7	5.7
		Animal Farming and Hunting	4.2	0.6	6.0	3.3	5.8
		Forestry	3.6	3.5	3.8	3.9	3.9
		Fishing	0.5	11.3	2.3	2.8	1.7
	Share in Agriculture	Crop	64.5	65.3	64.8	65.0	65.1
		Animal Farming and Hunting	26.4	25.6	26.2	25.9	26.0
		Forestry	8.8	8.8	8.8	8.8	8.6
		Fishing	0.2	0.3	0.3	0.3	0.2
Industry	Growth rate	Mining and Quarrying	-29.8	-20.8	-21.9	91.4	115.4
		Manufacturing	24.7	5.5	7.7	7.5	5.1
		Electricity and Water	4.9	3.3	4.0	7.2	8.9
		Construction	20.7	15.7	15.0	9.9	6.6
	Share in Industry	Mining and Quarrying	1.0	0.7	0.5	0.9	1.8
		Manufacturing	26.9	25.3	24.3	23.9	23.4
		Electricity and Water	2.8	2.6	2.7	2.6	2.7
		Construction	69.3	71.4	72.5	72.6	72.2
Service	Growth rate	Whole Sale and Retail Trade	6.5	12.3	11.7	6.4	6.3
		Hotels and Restaurants	0.1	6.5	9.0	2.2	2.6
		Transport and Communications	15.1	6.4	21.0	1.2	7.0
		Real Estate, Renting and Business Activities	4.4	6.2	7.5	9.5	8.9
		Public Administration and Defense	13.2	8.9	9.0	2.3	4.9
		Others*	6.4	6.8	7.5	6.4	6.2
	Share in Service	Whole Sale and Retail Trade	34.8	35.9	35.9	36.3	36.3
		Hotels and Restaurants	6.7	6.6	6.5	6.3	6.0
		Transport and Communications	13.1	12.8	14.0	13.4	13.5
		Real Estate, Renting and Business Activities	11.3	11.0	10.7	11.1	11.4
		Public Administration and Defense	11.4	11.4	11.2	10.9	10.7
		Others*	22.7	22.3	21.7	22.1	22.0

Source: Planning and Development Commission

* Includes: financial intermediation, education, health and social work, private households with employed persons and other community, social and personal services.

1.2. GDP by Expenditure Components

Total consumption expenditure (public and private) to GDP ratio rose marginally to 81.0 percent in 2020/21 compared to 79.2 percent last year wholly on account of 2.2 percentage point increase in private consumption expenditure vis-a-vis 0.3 percentage point decline in public consumption expenditure.

As a result, gross domestic saving to GDP ratio contracted to 19.0 percent from 20.8 percent (Table 1.4). Domestic saving showed 17.1 percent increment, while total consumption expenditure exhibited 31.7 percent expansion.

Meanwhile, gross capital formation accounted for 28 percent of GDP, depicting 2.6 percentage point short fall from the previous year. Similarly, domestic absorption to GDP ratio stood at 109.1 percent.

Table: 1.4: Expenditure on GDP and Gross Domestic Savings

(Percentage of GDP)

Year	Domestic Absorption	Consumption Expenditure			Gross Capital Formation	Resource Balance	Exports of Goods & Services	Imports of Goods & Services	Gross Domestic Savings
		Total	Govt.	Pvt.					
2005/06	119.6	88.9	17.9	71.0	30.7	(22.0)	13.4	35.3	11.1
2006/07	111.3	84.3	15.4	69.0	27.0	(18.7)	12.3	31.0	15.7
2007/08	114.1	86.9	14.3	72.5	27.3	(18.8)	11.0	29.8	13.1
2008/09	113.6	85.9	13.0	72.9	27.7	(17.6)	10.2	27.8	14.1
2009/10	116.3	86.2	12.6	73.6	30.1	(18.7)	13.2	31.9	13.8
2010/11	113.8	82.7	11.8	70.9	31.1	(14.5)	16.3	30.7	17.3
2011/12	116.4	80.4	9.5	71.0	36.0	(17.4)	13.4	30.8	19.6
2012/13	115.2	82.2	10.2	71.9	33.0	(16.1)	12.2	28.2	17.8
2013/14	116.2	79.3	10.6	68.8	36.8	(17.0)	11.3	28.4	20.7
2014/15	116.1	77.9	10.3	67.6	38.2	(20.4)	9.1	29.5	22.1
2015/16	115.0	77.6	11.1	66.5	37.3	(19.3)	7.8	27.1	22.4
2016/17	116.1	77.6	11.1	66.5	38.4	(15.8)	7.6	23.5	22.4
2017/18	109.8	75.7	10.2	65.5	34.1	(14.4)	8.4	22.8	24.3
2018/19	112.9	77.7	9.2	68.5	35.2	(12.9)	7.9	20.8	22.3
2019/20	109.8	79.2	9.1	70.0	30.6	(9.8)	7.1	16.9	20.8
2020/21	**109.1**	**81.0**	**8.8**	**72.2**	**28.0**	**(9.1)**	**7.6**	**16.7**	**19.0**
Average 2016/17-2020/21	**111.5**	**78.3**	**9.7**	**68.6**	**33.3**	**(12.4)**	**7.7**	**20.1**	**21.7**
Average 2011/12-2020/21	**113.6**	**78.9**	**10.0**	**68.9**	**34.8**	**(15.2)**	**9.2**	**24.5**	**21.1**

Source: Planning and Development Commission

1.3. Micro and Small-Scale Enterprises

A total of 115,200 micro and small scale enterprises (MSEs) employing about 585.1 thousand people and receiving more than Birr 5 billion in loans for running their businesses were operating in 2020/2021.

Table 1.5: Numbers, Amount of Credit and Jobs Created through MSEs

(Credit in Millions of Birr)

Particulars	2018/19	2019/20	2020/21
No. of MSE's	110,253	111,547	115,200
Amount of credit	7,311.8	7,670.7	5,016.2
No of total employment	882,098	1,569,163	585,119

Source: Federal Urban Job Creation and Food Security Agency (FeUJCFSA)

In terms of regional distribution, 39.9 percent of the MSEs were located in Oromia followed by Amhara (34.5 percent), SNNPR (7.2 percent), Addis Ababa (6.7 percent), Sidama (6.5 percent) and Somali (3 percent) regional states. With respect to total loans, SMEs in Amhara received 34 percent, Addis Ababa 25.7 percent, Oromia 22 percent, SNNPR 11.7 percent, Sidama & Dire Dawa 2.4 percent each. Of the total jobs created by these enterprises, 49.4 percent was in Oromia, 20.8 percent in Amhara, 11.3 percent in SNNPR, 6.4 percent in Sidama, 6.1 percent in Addis Ababa and 2.8 percent in Somali. (Table 1.6)

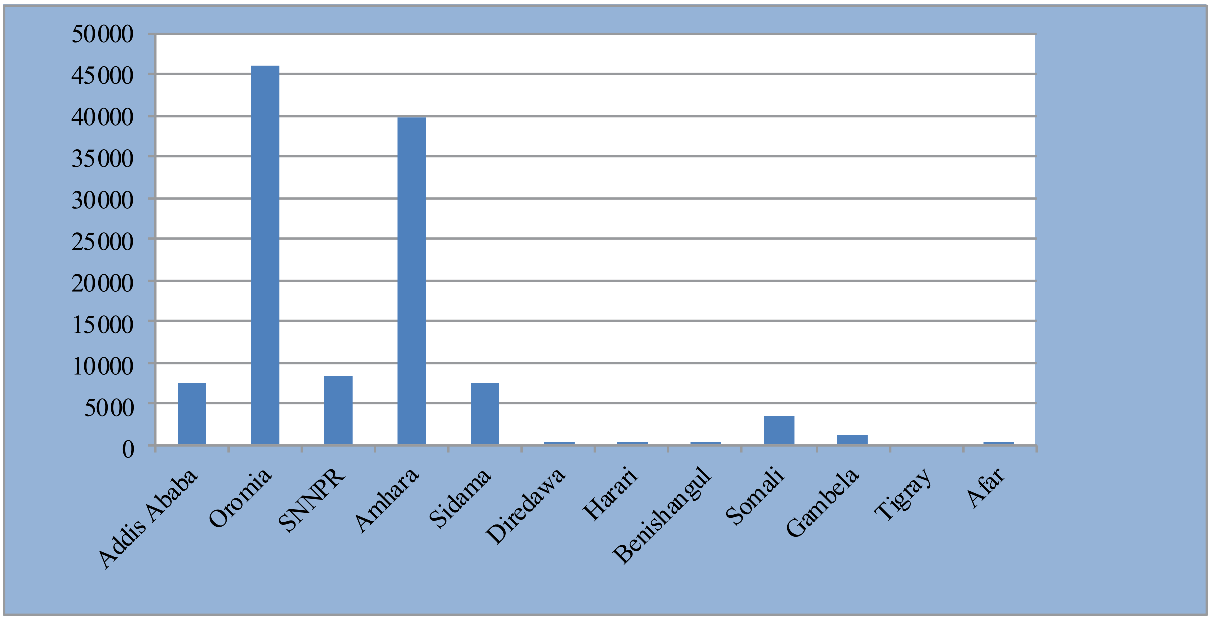
Table 1.6: Number of MSEs, Amount of Credit and Jobs Created through MSEs by Region

(Credit in Millions of Birr)

	Addis Ababa	Oromia	SNNPR	Amhara	Sidama	Dire Dawa	Harari	Benishangul	Somali	Gambela	Tigray	Afar	Total
No. of MSEs	7,667	45,989	8,264	39,699	7,468	492	291	429	3,480	1,131	-	290	115,200
Amount of credit	1,291.5	1,105.1	588.1	1,704.5	119.8	120.2	19.7	3.3	61.2	3.0	-	-	5,016.2
No. of total Employment created by MSEs	35,740	289,015	66,376	121,970	37,347	1,810	810	2,128	16,220	5,119	-	8,584	585,119
	Regional Percentage Share												
No. of MSEs	6.7	39.9	7.2	34.5	6.5	0.4	0.3	0.4	3.0	1.0	-	0.3	100
Amount of credit	25.7	22.0	11.7	34.0	2.4	2.4	0.4	0.1	1.2	0.1	-	-	100
No. of total Employment created by MSEs	6.1	49.4	11.3	20.8	6.4	0.3	0.1	0.4	2.8	0.9	-	1.5	100

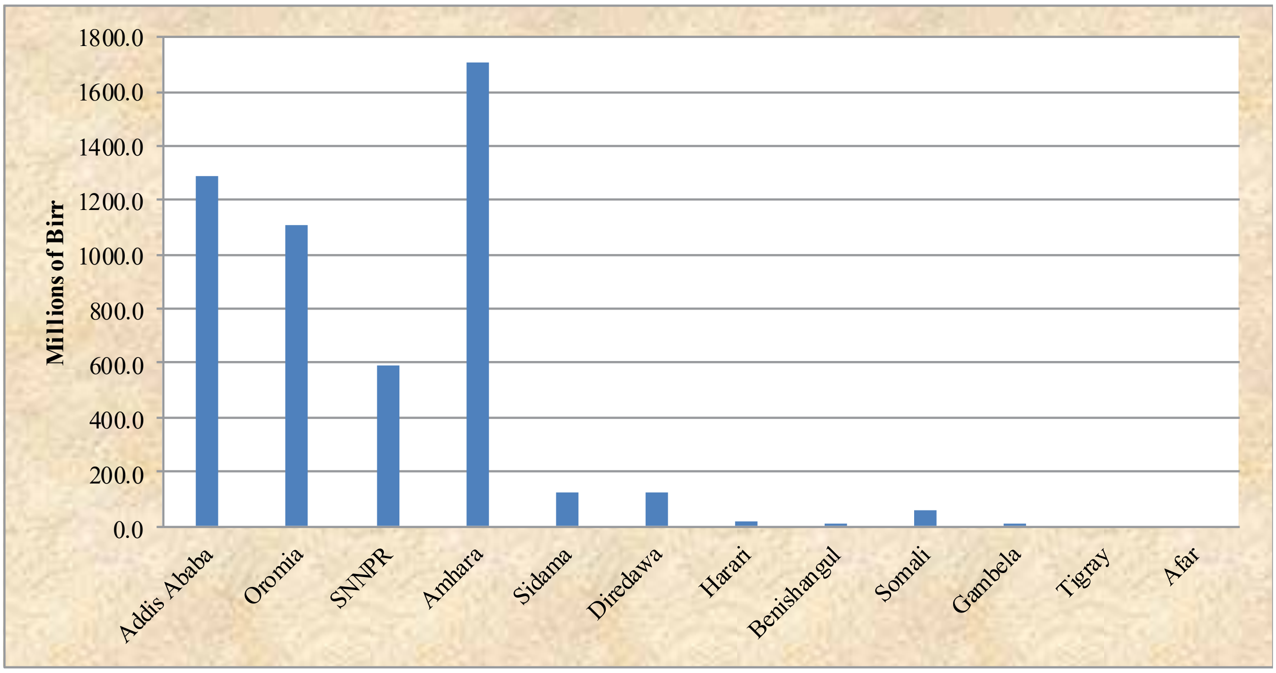
Source: **FeUJCFSA**

Fig.I.2: Number of Distribution of MSEs by region during 2020/21



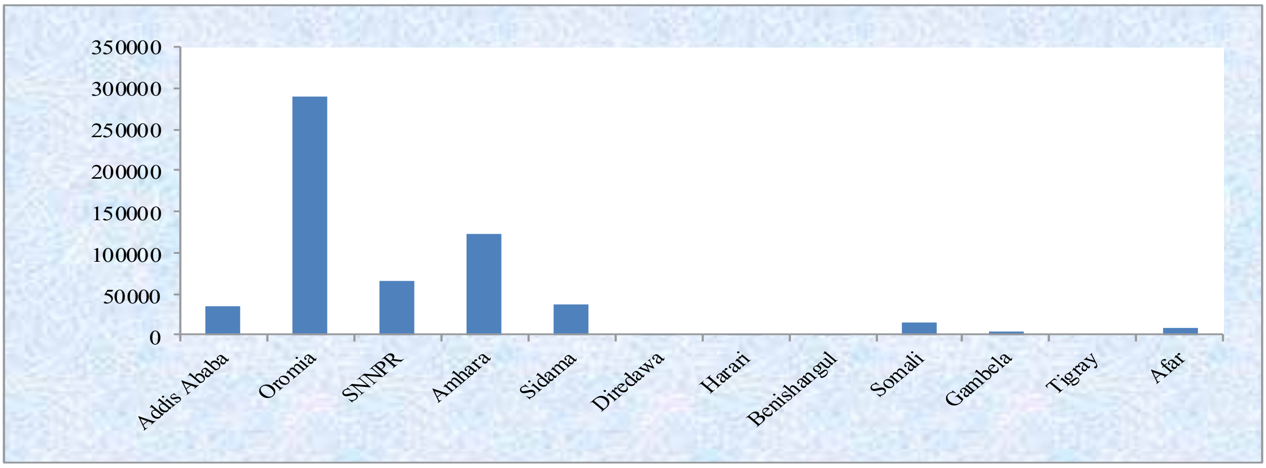
Source: FeUJCFSA

Fig.I.3: Annual Credit Distribution by region in 2020/21



Source: FeUJCFSA

Fig.I.4: Distribution of Employment Created by MSEs during 2020/21



Source: **FeUJCFSA**

1.4. Access to Water Supply

During 2020/21, the proportion of people having access to potable water supply increased by 2 percentage point to 58.5 percent (57.3 percent rural and 63 percent urban population) relative to 56.5 percent (54.9 percent rural and 63.2 percent urban people) coverage a year ago. In other words, urban areas had relatively better access than the rural areas (Table 1.7).

In terms of regional states, Dire Dawa had 84.9 percent of people with access to potable water followed by Harari (76.5 percent), Gambella (75.8 percent), Amahara (69.5 percent), Benishangul Gumuz (64.3 percent), Addis Ababa (62.6 percent), Tigray (60.7 percent), Oromia (60.4 percent), Afar (58.8 percent), SNNPR (48.2 percent) and Somali (33.2 percent).

Looking at regional Urban areas' access to potable water, Dire Dawa had 95.4 percent, Gambella 77.6 percent, Tigray 69 percent, Amhara 67.1 percent, Afar 65.2 percent Oromia 64.0 percent, Addis Ababa 62.6 percent), Benishangul Gumuz 58.0 percent, SNNPR 55.6 percent, Somali 51.8 percent, and Harari 41.4 percent.

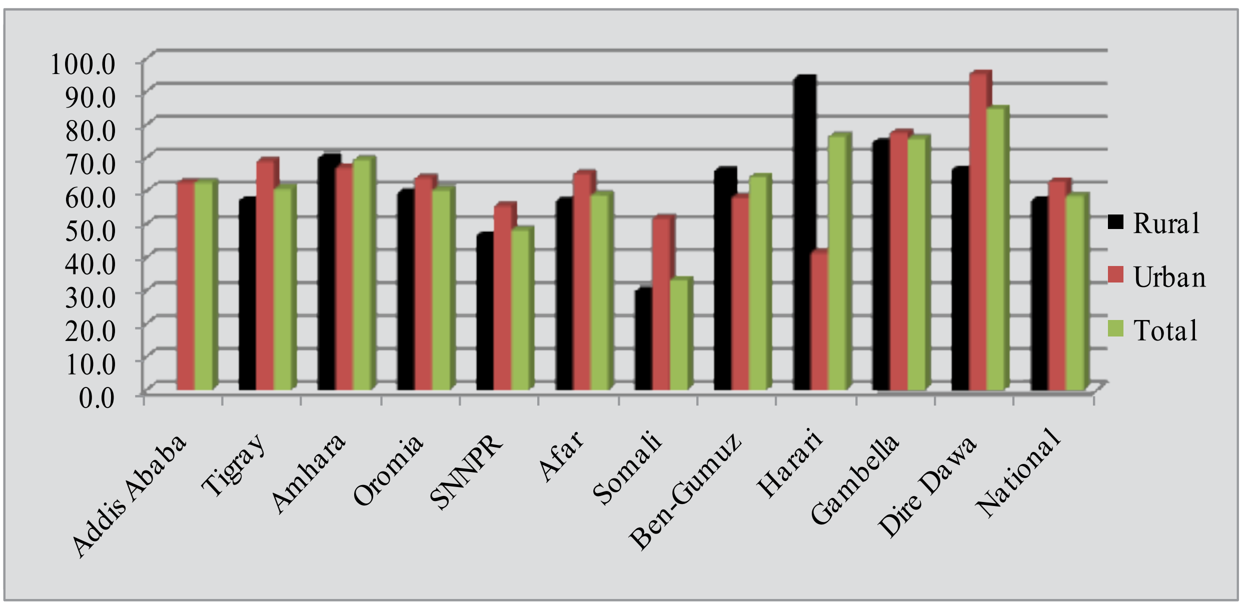
In terms of access to potable water in rural areas, Harari registered the highest (94.0 percent) followed by Gambella (74.8 percent), Amahara (70.1 percent), Dire Dawa (66.5 percent), Benshangul Gumuz (66.3 percent), Oromia 59.5 percent, Tigray (57.2 percent), Afar (57.1 percent), SNNPR (46.7 percent) and Somali (29.9 percent) (Table 1.7).

Table 1.7: Percentage of People with Access to Potable Water by Regio

Regions	2019/20			2020/21			Change in percentage point		
	Rural	Urban	Total	Rural	Urban	Total			
	A	B	C	D	E	F	D-A	E-B	F-C
Tigray[1]	57.51	72.46	61.76	57.21	68.98	60.66	-0.3	-3.5	-1.1
Afar	57.13	63.42	58.41	57.05	65.23	58.77	-0.1	1.8	0.4
Amhara	69.11	67.52	68.81	70.08	67.06	69.50	1.0	-0.5	0.7
Oromia	55.40	67.10	56.90	59.51	64.00	60.35	4.1	-3.1	3.4
SNNPR	45.29	52.54	46.55	46.65	55.55	48.24	1.4	3.0	1.7
Somali	26.58	35.84	27.95	29.93	51.79	33.18	3.4	16.0	5.2
B.Gumuz	64.10	58.07	62.72	66.29	58.03	64.34	2.2	0.0	1.6
Gambella	72.05	80.80	75.17	74.79	77.55	75.80	2.7	-3.2	0.6
Harari	94.00	42.54	65.00	94.00	41.40	76.54	0.0	-1.1	11.5
D. Dawa	67.96	98.43	87.31	66.49	95.38	84.90	-1.5	-3.0	-2.4
AA		63.72	63.72		62.59	62.59	-	-1.1	-1.1
Total	54.87	63.20	56.54	57.26	62.95	58.5	2.4	-0.2	2.0

Source: Ministry of Water, Irrigation and Energy and NBE Staff Computation[1]

Fig.I.5: Access to Water Supply by Region in 2020/21 (in percent)



Source: Ministry of Water, Irrigation and Energy; and NBE Staff Computation

[1] Estimated based on 2019/20 data

[2] Calculated and revised based on second water supply inventory.

1.5. Developments in Education Sector

The education sector has been improving in terms of coverage during the last few years whose objectives are producing efficient, effective and innovative citizens which can contribute to the realization of the country's vision to become a middle income country by 2025.

During 2020/21, primary and middle school education (1-8 grades) enrolments went down from 20.4 million in 2019/20 to 18.4 million in 2020/21; depicting a 9.8 percent decline compared to last year as a result of conflict in northern part of the country, hence, the current fiscal year report does not include data on Tigray region. The number of primary schools in 2020/21 reached 35,980; out of this 30,038 (83.5 percent) were located in rural areas and 3,612 (10 percent) in urban centers.

On the other hand, secondary education enrolment showed improvement by 2.1 percent relative to last year and reached to 3.5 million. By the end of 2020/21 the number of secondary schools reached 3,481 exhibiting a 5.6 percent decline over the previous year.

The technical & vocational education and training (TVET) enrolment was 283,968; depicting 26.6 percent decrement against the previous year. In 2020/21 there were 1,602 TVET institutions in the country under both government and non-government ownership.

Education share of the annual government expenditure was 25.7 percent which was slightly higher than the preceding year by 0.7 percentage point.

Table 1.8: Education Sector Data

Indicators	2014/15 2007	2015/16 2008	2016/17 2009	2017/18 2010	2018/19 2011	2019/20 2012	2020/21 2013
Number of primary schools (urban, rural) & including others	33,373	34,867	35,887	36,437	37,039	37,742	35,980
i Urban	4,769	24,985	5,185	5,504	5,799	5,305	3,612
ii. Rural	28,604	29,856	30,654	30,933	31,188	31,586	30,038
Number of secondary schools(urban, rural) & including others	2,830	3,156	3,380	3,589	3,739	3,687	3,481
i. Urban	1,891	1,973	20,53	2,171	2,247	1,938	1,379
ii. Rural	939	1,178	1,321	1,418	1,490	1,525	1,770
No of TVET centers (public, private, mission)	919	919	919	919	1,567	1,568	1,602
Number of tertiary level institutions (public, private)	171	172	171	177	227	329	332
Universities	33	37	37	49	50	55	56
Participation of women in higher education institutions (%)	35	34.1	34.9	34.1	35.5	39.7	45.5
Primary enrolment (in millions)	18.7	20.0	20.8	20.7	20.04	20.4	18.4
Secondary enrolment (in thousands)	2,108	2,421	2,559	2,666	2,820	3,466	3,540
TVET enrolment	265,745	304,139	302,083	292,378	317,727	386,811	283,968
Middle school (Grade 7-8) enrolment	66.3	71.11	74.4	80	79.8	81.8	70.0
a. Girls' gross enrolment ratio (%)	64.8	68.9	71.4	75.4	76.2	78.5	72.2
b. Boys' gross enrolment ratio (%)	67.8	73.3	77.3	82.7	83.2	84.9	67.8
Gross primary (Grade 1-6) enrolment ratio (%)	104	108.7	111.4	109.3	104.64	104.9	102.6
a. Girls' gross enrolment ratio (%)	99.5	103.5	105.7	103.5	99.23	99.8	97.3
b. Boys' gross enrolment ratio (%)	108.5	113.7	117	115	109.93	109.9	107.8
Tigray	118.8	114.1	116.7	117.5	112.94	108.6	Not collected
Afar	70.3	66.2	66.0	59.5	56.90	53.6	64.4
Amhar	110.3	111.6	112.1	107.7	102.46	96	88.0
Oromia	94.8	104.3	106.2	107.2	106.21	107.9	113.8
Somali	91.7	95.9	91.3	95.6	84.13	90.4	100
Ben.Gumuz	107.0	109.6	117.8	119.2	114.40	110.6	110.7
SNNPR	108.4	115.5	123.9	116.7	106.50	111.5	92.4
Gambella	151.4	154.4	150.3	145.7	148.27	156.6	169.3
Harari	101.8	107.9	110.7	110.8	121.30	130	135.9
A.A	150.6	146.3	138.8	134.9	135.02	132.7	112.8
Dire Dawa	67.5	70.2	108.6	105.8	110.43	110.5	116.1
Primary net enrolment rate (%)	94.3	100.3	99.9	100.05	94.7	95.3	86.4
No. of students registered in the primary schools(1-6) (in millions)	12.8	13.6	13.5	13.5	12.7	12.8	15.3
No. of students registered in the middle schools(7-8) (in millions)	5.9	6.4	7.3	7.2	7.3	7.6	3.1

Indicators	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	2007	2008	2009	2010	2011	2012	2013
Number of students registered in the secondary schools (9-12) (in millions)			2.6	2.7	2.8	3.5	3.5
Completion rate of primary School (%)	51.3	54.3	54.1	57.7	62.1	71	69.8
Girls/boys ratio in primary schools (%)	89.8	89	88.4	88.1	88.1	88.6	89.1
Girls/boys ratio in secondary schools (%)	89.9	89.7	88.4	86.4	84.7	85	90.4
Girls/boys ratio in TVET (%)	109.7	108.1	105.4	103.4	81.8	50.5	49.5
Girls/boys ratio in higher education (%)	49.9	51.8	55.6	51.8	52.1	53	54
Grade 1-8(primary) repetition rates (%)	7.3	6.7	7.2	5.3	4.1	5	4
Primary school dropout rate (%)	9.9	10.1	11.7	11.1	17.5	13.9	14.5
1st grade dropout rate (%)	23.9	19	16.8	19.5	25	22	25.8
Pupil to teacher ratio							
i. Grade (1-8)	46	46	43	43	39	39	34.8
ii. Grade (9-12)	26.4	26.5	26	26	22.5	24	27.4
iii. TEVT	16.5	12.6	11	15	13.3	13.3	11.0
iv. In higher education	26.4	20.1	13.3	17	20.3	30	30
Pupil to Section Ratio							
i. Grade (1-8)	54	55	43	56	53	52.5	43.7
ii. Grade (9-12)	57	54	57	56	49.7	64.3	47.5
Number of class rooms in primary schools	3,41086	365,530	457,309	380,979	502,738	379,601	422,139
Pupil to Textbook Ratio							
i. Grade(1-8)	4.2	3.8	4.2	4.1	4	4	NA
ii. Grade(9-12)	13	11.8	10.3	12	10.9	9	7.9
Pupil to School Ratio							
i. Grade(1-8)	573	580	567	628	628	528	512.7
ii. Grade(9-12)	767.2	754	741	568		940	1017
iii. TEVT	383	331	329	318	246.8	NA	NA
Proportion of pupils starting grade 1 who reach grade 5(%)	55.75	56.5	53.5	53	53	54	NA
Percentage of female enrolled in under graduate degree (%)	34.7	34.1	35.7	36	37	37.8	37.5
Percentage of female graduated in under-graduate degree (%)	28.5	33.4	31.3	33.2	35.8	NA	38
Percentage of female enrolled in post-graduate degree	23.8	23.1	17.8	16.6	18.1	10	20.2
Percentage of female graduated in post-graduate degree	16.7	18.9	18.3	17.6	20.0	NA	24.7
Annual education share of the national expenditure{%}	24.9	24.3	26.1	25	24.9	25.0	25.7

Note:

a. The previously classification of Primary Education in Ethiopia which consists grades (1to 8), and was implemented in two cycles, Primary 1st cycle (Grades 1-4), and Primary 2nd cycle (Grades 5-8). Based on the new education road map, since 2020/21 the classification system has been changed to Primary (Grades 1-6) and Middle school (Grades 7-8).

b. Following the current conflict in the northern part of Ethiopia, the report does not include Tigray region.

1.6. Telecommunication

Telecommunication is one of the prime infrastructure services needed for rapid economic growth and modernization as it has a significant impact in attracting investment, creating market opportunities, enhancing competitiveness and boosting regional economic integration.

Cognizant of this fact, the Ethiopian government has made huge investment in telecom sector, focusing on improving quality of service, expansion of service coverage and enhancing institutional capacity. This policy measure has enhanced the capacity of Ethio-Telecom in terms of customer acquisition, customer satisfaction and provision of quality services to customers.

Accordingly, the total number of subscribers has reached 56.2 million in 2020/21 depicting a 21.9 percent annual expansion a owing to a 22 percent rise in mobile voice and 52.3 percent increase in internet & data subscribers despite a 6.8 percent decline in fixed voice service subscribers.

Of the total subscribers, mobile voice subscribers accounted for 96.6 percent followed by internet & data 1.8 percent and fixed voice service 1.6 percent. (Table 1.13)

Table 1.9: Number of Subscribers (In 000')

Service Type	2019/20	2020/21	Percentage Change
Total subscriber base	**46,154**	**56,246**	21.9
Mobile voice subscriber	44,515	54,329	22.0
Internet and data subscriber	660	1,005	52.3
Fixed voice service subscriber	979	912	-6.8
Internet and data user	23,799	24,923	4.7
Mobile voice	**44,515**	**54,329**	22.0
Residential	44,034	53,667	21.9
Enterprises	480	662	37.9
Broad band & internet subscriber	**212**	**637**	200.5
Residential	137	453	230.7
Enterprises	75	184	145.3
Narrow band data & internet subscriber	**266**	**367**	38.0
Residential	1	1	-
Enterprises	265	366	38.1
Fixed voice	**979**	**367**	-62.5
Residential	604	540	-10.6
Enterprises	375	372	-0.8
Broad band data & internet user	**23,533**	**24,554**	4.3
Broad band data Residential	23,259	24,234	4.2
Broad band data enterprise	274	319	16.4
Narrow data & internet user	**266**	**369**	38.7
Narrow band residential	1	1	-
Narrow band enterprise	265	368	38.9

Source: Ethio-Telecom

Note: Total subscriber base doesn't include internet and data user.

The country's telecommunication penetration rate (telecom density) also increased from 45.9 percent in 2019/20 to 54.8 percent in 2020/21 due to improvement in mobile density to 52.9 percent from 44.9 percent while internet and data density marginally increased to 24.3 percent from 24.0 percent. On the contrary, fixed line density went down to 0.9 per 100 subscribers relative to 1.0 per 100 subscribers (Table 1.14).

Table 1.10: Telecom Density

Tele density/100 Subscribers*	2017/18	2018/19	2019/20	2020/21
Fixed line	1.2	1.2	1.0	0.9
Mobile	39.8	41.9	44.9	52.9
Total	41.0	43.1	45.9	54.8
Internet and data	18.5	21.8	24.0	24.3

Source: Ethio-Telecom

*Tele-density is mobile plus fixed telephone subscribers per 100 inhabitants

Ethio-telecom earned Birr 55.8 billion income in 2020/21 which was 17 percent higher than Birr 47.7 billion a year earlier. Its total expenses also increased 12.5 percent to Birr 25.9 billion during the same period. Consequently, gross profit of the enterprise stood at Birr 29.9 billion recording a 21.2 percent annual growth (Table 1.16).

Table 1.11: Financial Performance and Asset of Ethio -Telecom

(In Billions of Birr)

Finance and Asset	2018/19	2019/20	2020/21	Percentage Change	
	A	B	C	C/A	C/B
Income	36.3	47.7	55.8	53.7	17.0
Expense	20.5	23.03	25.9	26.3	12.5
Gross Profit	15.7	24.67	29.9	90.4	21.2
Assets	54.1	59.1	39.1	-27.7	-33.8
Fixed Gross	-	-	-	-	-
Depreciation	4.7	4.1	5.4	14.9	31.7

Source: Ethio – Telecom

ENERGY PRODUCTION

II. ENERGY PRODUCTION

2.1. Electric Power Generation

Ethiopia is estimated to have a hydro-power production potential of 45,000 MW, a geothermal potential of 10,000 MW and 1.3 million MW potential from wind farm. The country's generating capacity; however, is largely based on hydropower reservoirs as nine of its major rivers are suitable for hydroelectric power generation.

Considering the increasing power demand and capacity shortfall in the system and with a view to have a better power generation mix, the country has ventured to diversify its production of renewable energy to wards wind and geothermal sources.

Accordingly, Adama II wind farm has a generating capacity of 153 MW and, combined with Adama I (51MW) and Ashegoda (120 MW), the total energy production from wind has reached 324 MW. In addition, the construction of Aysha 300 MW wind power project is under way.

Ethiopia is also identified as having a huge solar energy potential due to its geographical location near the equator. In its bid to become a major power exporter and green economy in East Africa, the country is building several geothermal power plants.

The amount of electric power generated in 2020/21 was about 15.5 billion KWH, depicting a 2.2 percent annual expansion. About 95.6 percent of the electric power was generated through hydropower, 3.9 percent from wind and 0.5 percent from biomass sources. The total electric energy generated from hydropower increased to 14.9 billion KWH from 14.4 billion KWH a year earlier showing a 3.1 percent annual growth. Energy production from biomass and wind; however, showed 59.0 percent and 0.1 percent decline respectively (Table 2.1).

Table 2.1: Electric Power Generation in ICS and SCS (In '000 KWH)

Source		2018/19		2019/20		2020/21		Percentage Change	
		[A]	Share (In %)	[B]	Share (In %)	[C]	Share (In %)	[C/A]	[C/B]
ICS	Hydro Power	13,211,643.83	95.5	14,403,774.7	94.8	14,850,391.3	95.6	12.4	3.1
	Thermal Power	-	-	-	-	-	-	-	-
	Geothermal	-	-	-	-	-	-	-	-
	Wind	584,735.35	4.2	609,026.6	4.0	608,171.7	3.9	4.0	-0.1
	Biomass	43,254.50	0.3	179,372.6	1.2	73,491.9	0.5	69.9	-59.0
Sub Total		**13,839,633.7**	**100**	**15,192,173.8**	**100**	**15,532,055.0**	**100**	**12.2**	**2.2**
SCS	Hydro Power	-	-	-	-	-	-	-	-
	Thermal Power	-	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-	-
Total	Hydro Power	13,211,643.83	95.5	14,403,774.7	94.8	14,850,391.3	95.6	12.4	3.1
	Thermal Power	-	0.0	-	-		-	-	-
	Geothermal	-	0.0	-	-	-	-	-	-
	Wind	584,735.35	4.2	609,026.6	4.0	608,171.7	3.9	4.0	-0.1
	Biomass	43,254.50	0.0	179,372.6	1.2	73,491.9	0.5	69.9	-59.0
Grand Total		**13,839,633.7**	**100**	**15,192,173.8**	**100**	**15,532,055.0**	**100**	**12.2**	**2.2**

Source: Ethiopian Electric Power

2.2. Volume and Value of Petroleum Imports

During 2020/21, about 3.7 billion metric tons of petroleum products worth Birr 72.6 billion were imported by the Ethiopian Petroleum Enterprise. The total volume of imported petroleum, however, shrank by 3.8 percent owing to the decline in import volume of jet fuel (30.7 percent) and gas oil (1.3 percent) which offset the increase in import of regular gasoline (13 percent) and fuel oil (8.9 percent).

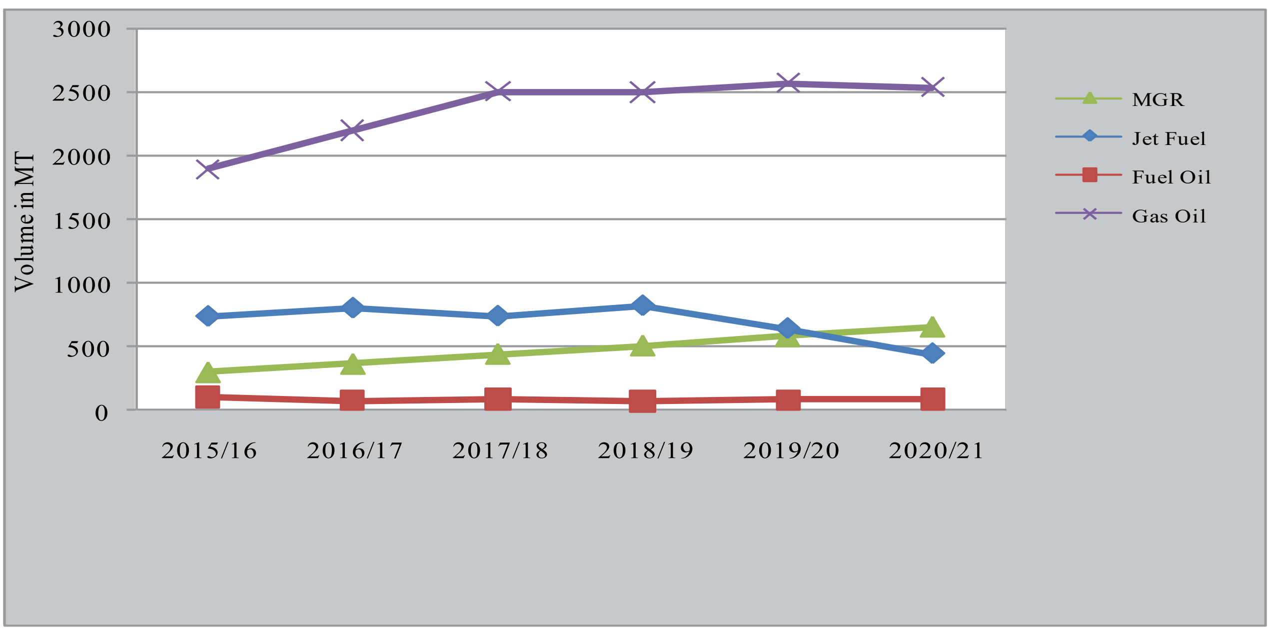
On the other hand, the total value of petroleum imports increased 17.0 percent over last year mainly due to higher international oil prices which lead the higher import values of fuel oil (53.8 percent) regular gasoline (53.3 percent) and gas oil (18.6 percent) in contrast with the decline in import value of jet fuel (23.6 percent) (Table 2.2) and (Fig.II.1 & Fig.II.2).

Table 2.2: Volume and Value of Petroleum Imports

Petroleum Products	2019/20		2020/21		Percentage Change	
	Volume	Value	Volume	Value		
	A	B	C	D	C/A	D/B
Regular Gasoline (MGR)	577,442.0	9,650,401.7	652,573.0	14,797,531.0	13.0	53.3
Jet Fuel	641,131.1	11,102,669.9	444,022.3	8,479,010.5	-30.7	-23.6
Fuel Oil	80,447.4	958,067.6	87,573.4	1,473,387.6	8.9	53.8
Gas Oil (ADO)	2,568,176.1	40,345,726.1	2,535,455.2	47,857,142.2	-1.3	18.6
Total	**3,867,196.6**	**62,056,865.3**	**3,719,623.8**	**72,607,071.3**	**-3.8**	**17.0**

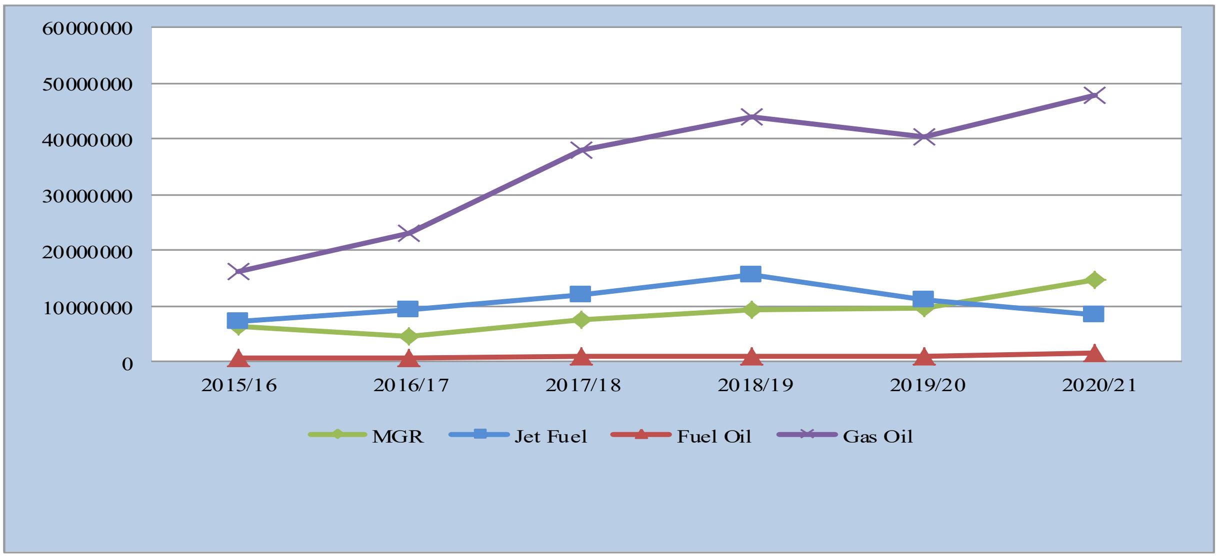
Source: Ethiopian Petroleum Enterprise

Fig.II.1: Trends in Volume of Petroleum Imports (In '000)



Source: Ethiopian Petroleum Enterprise

Fig.II.2: Trends in Value of Petroleum Imports (In '000)



Source: Ethiopian Petroleum Enterprise

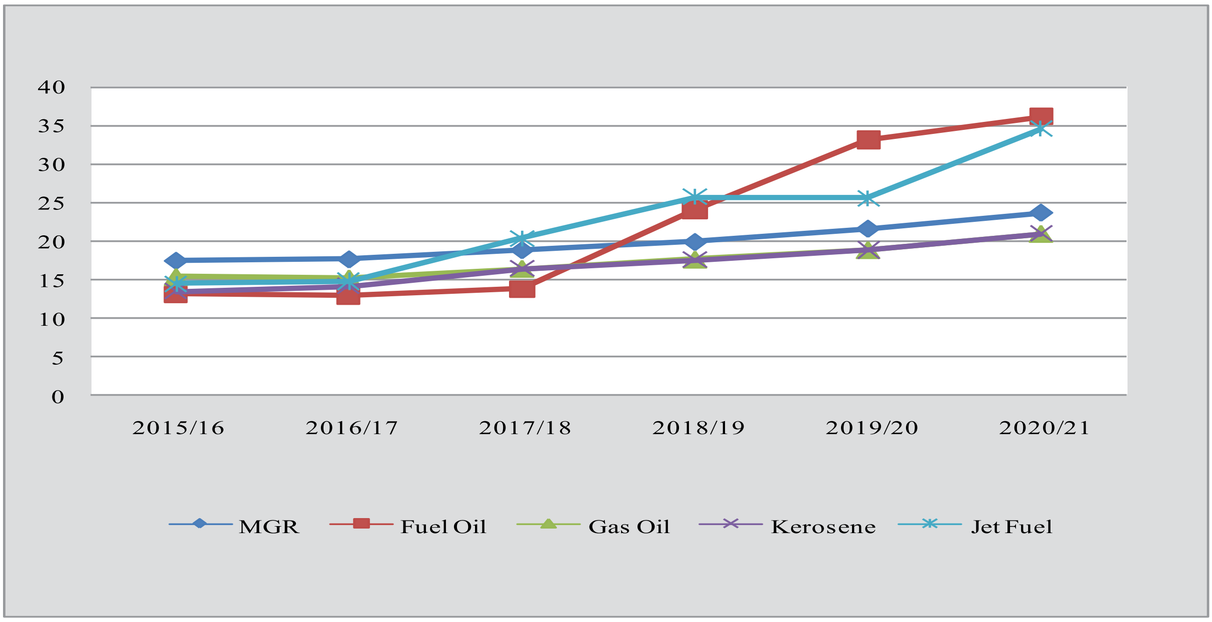
In line with the increase in international oil prices, domestic retail prices were also adjusted up wards. Thereby rising, the retail prices of jet fuel 36.0 percent followed by gas oil and kerosene by 11.1 percent each, regular gasoline by 9.6 percent and fuel oil by 9.2 percent (Table 2.3).

Table 2.3: Annual Retail Prices of Petroleum Products in Addis Ababa (Birr/liter)

Year	Quarter	Regular Gasoline (MGR)	Fuel Oil	Gas Oil	Kerosene	Jet fuel
	Qtr.1	18.77	13.69	16.35	16.35	24.50
	Qtr.2	19.38	19.38	17.30	17.30	31.25
	Qtr.3	20.02	30.64	17.95	17.95	21.33
	Qtr.4	21.08	32.21	18.51	18.51	25.44
2018/19	**Average**	**19.82**	**23.98**	**17.53**	**17.53**	**25.63**
	Qtr.1	21.53	32.91	18.75	18.75	24.68
	Qtr.2	21.53	32.91	18.75	18.75	26.58
	Qtr.3	21.53	32.91	18.75	18.75	27.50
	Qtr.4	21.53	33.34	18.75	18.75	22.62
2019/20	**Average**	**21.53**	**33.02**	**18.75**	**18.75**	**25.35**
	Qtr.1	21.53	32.91	18.75	18.75	25.87
	Qtr.2	21.87	33.27	18.98	18.98	24.74
	Qtr.3	25.12	37.96	22.42	22.42	35.51
	Qtr.4	25.86	40.05	23.18	23.18	51.76
	Average	**23.59**	**36.05**	**20.83**	**20.83**	**34.47**
2020/21	**Annual percentage change**	**9.6**	**9.2**	**11.1**	**11.1**	**36.0**

Source: Ethiopian Petroleum Enterprise

Fig.II.3: Trends in Average Fuel Price in Addis Ababa



Source: Ethiopian Petroleum Enterprise.

PRICE DEVELOPMENTS

III. PRICE DEVELOPMENTS

3.1. Developments in Consumer Price at National Level

In 2020/21, annual average headline inflation stood at 20.2 percent compared to 19.9 percent a year ago. This was attributed to 0.5 percent rise in non-food inflation despite 0.1 declines in food & non-alcoholic beverages inflation (Table 3.1).

Annual average food & non-alcoholic beverages inflation slowed down to 23.2 percent owing to lower inflation of fruits (20.4 percentage point), meat (10.1 percentage point), vegetables (9.8 percentage point), and bread & cereals (1.7 percentage point), (Table 3.3 and Fig 3.1).

On the other hand, annual average non-food inflation scaled up to 16.4 percent due to higher price inflation of services including health (11.4 percentage point), communication (7.9 percentage point), transport (6.1 percentage point), clothing & footwear (5.0 percentage point), alcoholic beverages & tobacco (4.4 percentage point), recreation & culture (3.5 percentage point), furnishings, household equipment & routine maintenance of houses (3.3 percentage point), and education (0.3 percentage point) (Table 3.4 and Fig 3.1).

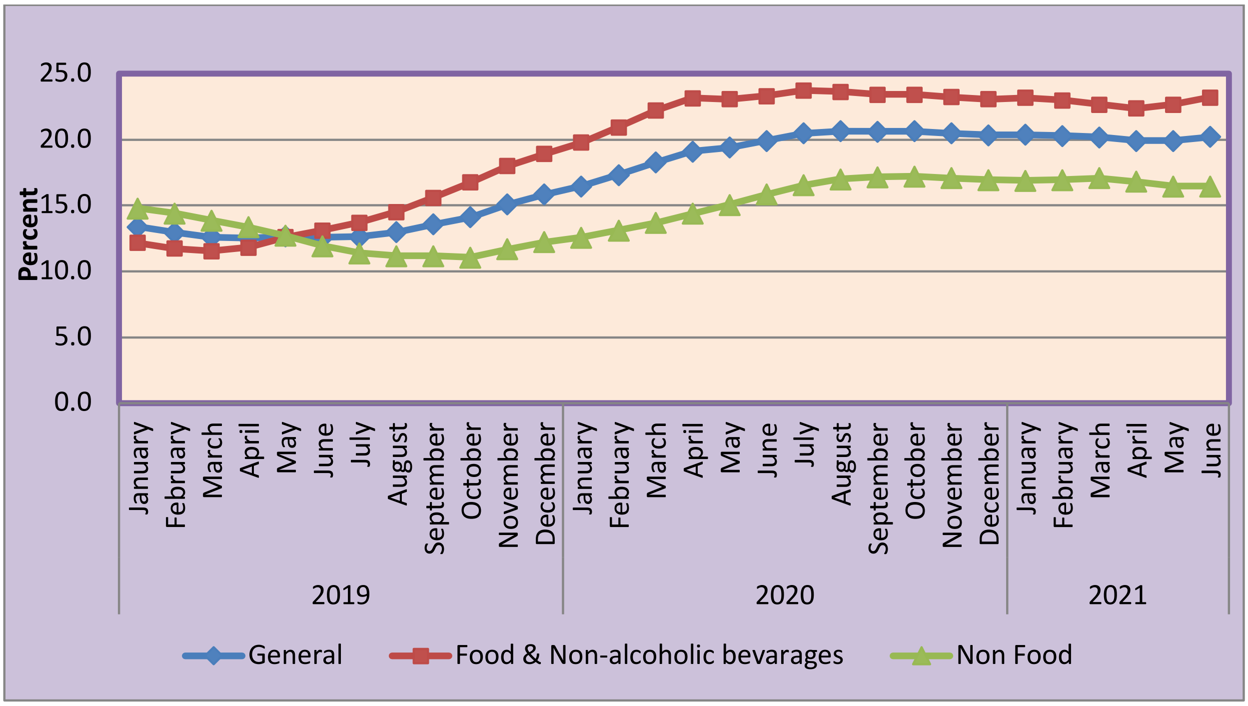
Likewise, annual headline inflation went up to 24.6 percent from 21.6 percent a year ago on account of 5.9 percentage point increase in food & non-alcoholic beverages inflation (Table 3.2 and Fig.3.2).

Table 3.1: Annual Average Inflation Rates (in %)

Items	Weight	2019/20	2020/21	Change (in %age Points)	Contribution to Change in Headline Inflation (%age points)
		A	B	B-A	C
General	**100**	19.9	20.2	0.3	0.3
Food &Non-alcoholic beverages	**54**	23.3	23.2	-0.1	-0.1
Non-Food	**46**	15.9	16.4	0.5	0.3

***Source**: CSA and NBE Staff Computation*

Fig.III.1: Developments in Average National Inflation Rates



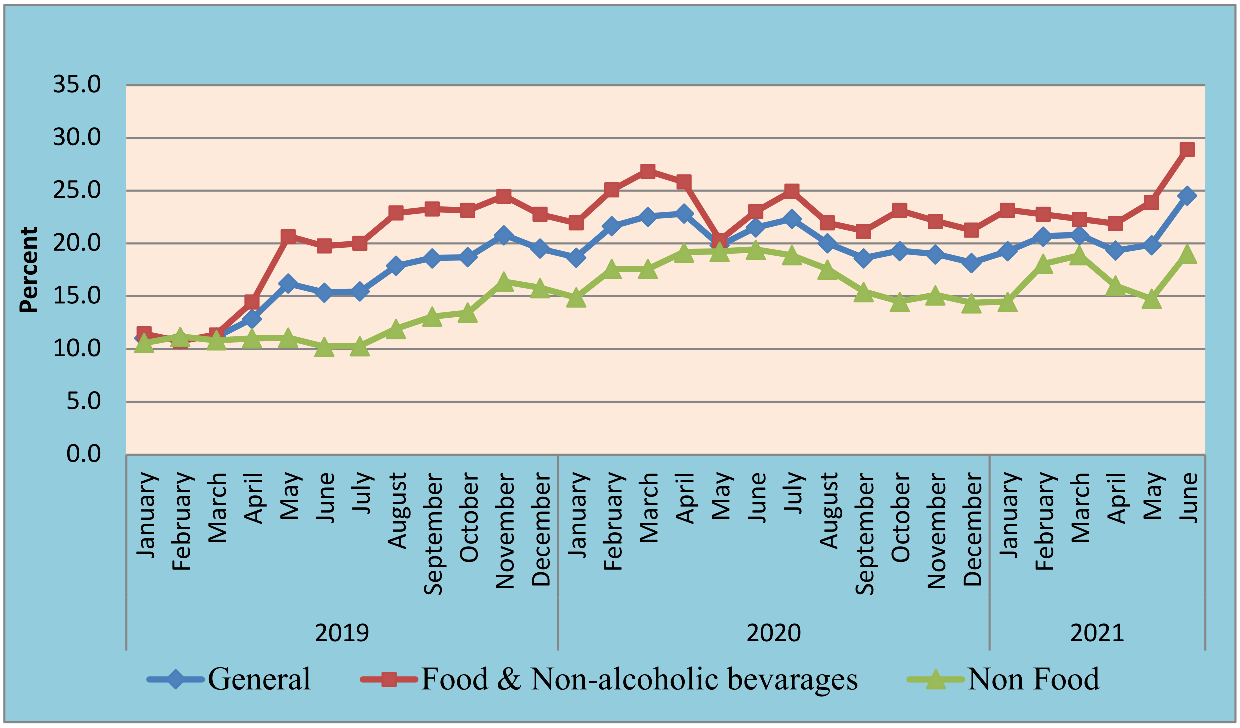
***Source**: CSA and NBE Staff Computation*

Table 3.2: Annual Inflation Rates (in %)

Items	Weight	2019/20	2020/21	Change (in %age Points)	Contribution to Change in Headline Inflation(%age points)
		A	B	B-A	C
General	**100**	21.5	24.6	3.1	3.1
Food &Non-alcoholic beverages	**54**	23.1	29.0	5.9	3.2
Non-Food	**46**	19.7	19.1	-0.6	-0.3

Source: CSA and NBE Staff Computation

Fig.III.2: Development in Annual National Inflation Rate



Source: CSA and NBE Staff Computation

Table 3.3: Annual Average Food Inflation Rates (in %)

(Dec2016=100)

Items	**Weight**	**2019/20**	**2020/21**	**Change(in %age Points)**	**Contribution to Change in Food Inflation(%age points)**
		A	**B**	**B-A**	**C**
Food & Non-alcoholic beverages Inflation	0.54	23.3	23.2	-0.1	-0.1
Bread & Cereals	0.17	28.3	26.6	-1.7	-0.3
Meat	0.04	24.3	14.2	-10.1	-0.4
Fish and sea food	0.00	8.4	25.6	17.1	0.0
Milk, cheese & egg	0.03	13.5	21.7	8.2	0.3
Oils & Fats	0.04	12.6	32.3	19.7	0.9
Fruit	0.00	24.8	4.4	-20.4	-0.1
Vegetables	0.12	27.9	18.0	-9.8	-1.2
Sugar jam, honey, chocolate	0.01	3.2	4.2	1.0	0.0
Food products n.e.c	0.06	20.1	27.6	7.5	0.4
Non-alcoholic beverages	0.05	14.2	28.1	14.0	0.7

***Source**: CSA and NBE Staff Computation*

Table 3.4: Annual Average Non- Food Inflation Rates (in %)

(Dec2016=100)

Items	Weight	2019/20	2020/21	Change(in %age Points)	Contribution to Change in Non-Food Inflation(%age points)
		A	B	B-A	C
Non-Food Inflation	0.46	15.9	16.4	0.5	0.3
Alcoholic Beverages and tobacco	0.05	18.7	23.1	4.4	0.2
Clothing and Footwear	0.06	9.0	14.1	5.0	0.3
Housing, Water, Electricity, Gas and other Fuel	0.17	19.4	14.2	-5.1	-0.9
Furnishings, Household Equipment and Routine maintenance of houses	0.05	9.4	12.6	3.3	0.2
Health	0.01	16.0	27.5	11.4	0.2
Transport	0.02	23.8	30.0	6.1	0.2
Communication	0.02	0.7	8.6	7.9	0.2
Recreation and culture	0.00	10.5	14.1	3.5	0.0
Education	0.00	7.5	7.8	0.3	0.0
Restaurant & hotel	0.05	18.4	17.0	-1.4	-0.1
Miscellaneous Goods	0.03	15.4	17.6	2.2	0.1

***Source**: CSA and NBE Staff Computation*

3.2 Consumer Price Developments in Regional States

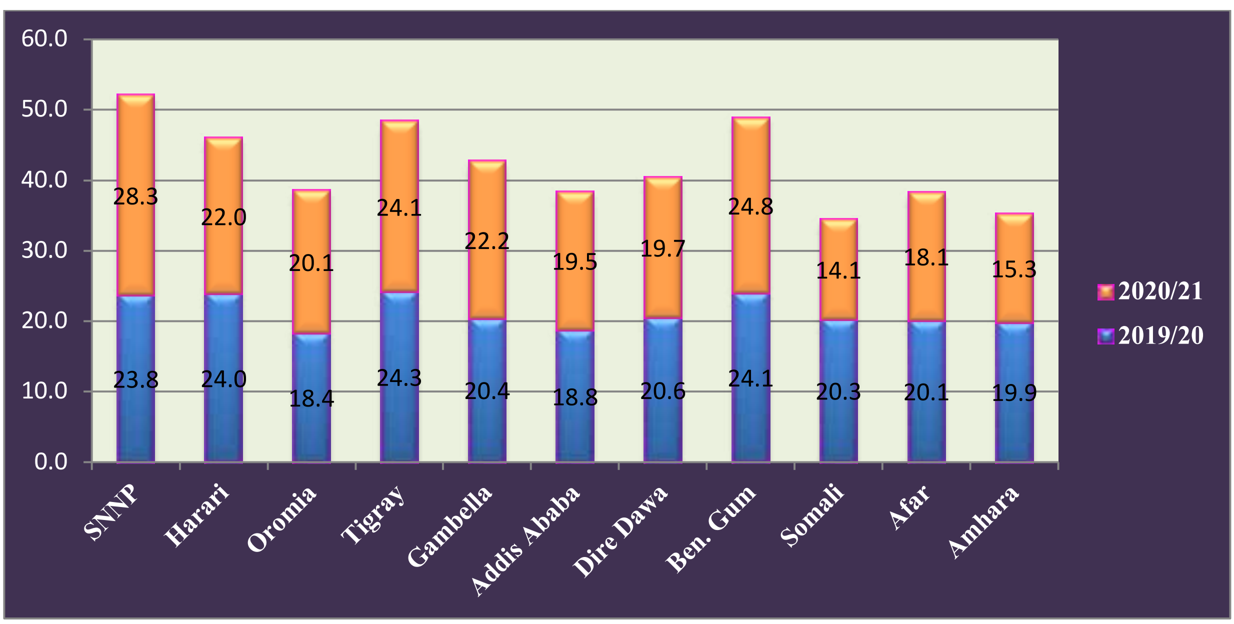
In 2020/21, the regional simple average headline inflation dropped to 20.7 percent from 21.3 percent in the preceding year. However, SNNP, Benshanlgul-Gomuz, Tigray, Gambella and Harari registered annual headline inflation greater than the regional simple average headline inflation where SNNP regional state faced the highest headline inflation (28.3 percent) while Somali saw the lowest inflation a (14.1 percent), revealing a 14.2 percentage point margin in headline inflation between the regions. (Table 3.5)

Table 3.5: Regional Average Annual Inflation (2020/21 FY)

Regions	2019/20			2020/21			Change		
	General	Food &Non-alcoholic beverages	Non-food	General	Food &Non-alcoholic beverages	Non-food	General	Food &Non-alcoholic beverages	Non-food
	A	B	C	D	E	F	G=D-A	H=E-B	I=F-C
SNNP	23.8	24.5	22.8	28.3	30.2	25.6	4.5	5.8	2.7
Harari	24.0	26.2	22.2	22.0	22.2	21.8	-2.0	-4.0	-0.4
Oromia	18.4	23.9	11.3	20.1	23.8	14.8	1.7	0.0	3.5
Tigray	24.3	26.1	22.5	24.1	28.9	19.3	-0.2	2.9	-3.3
Gambela	20.4	22.8	17.4	22.2	26.1	16.9	1.8	3.3	-0.5
Addis Ababa	18.8	25.9	13.9	19.5	26.2	14.4	0.7	0.3	0.5
Dire Dawa	20.6	25.6	16.1	19.7	26.6	13.3	-0.8	0.9	-2.9
Ben. Gumuz	24.1	29.9	18.6	24.8	28.7	20.7	0.7	-1.2	2.1
Somali	20.3	20.3	20.4	14.1	13.5	14.8	-6.2	-6.8	-5.6
Afar	20.1	26.3	13.9	18.1	22.2	13.5	-2.0	-4.1	-0.5
Amhara	19.9	23.7	15.6	15.3	18.6	11.4	-4.6	-5.2	-4.2
Regions Average	**21.3**	**25.0**	**17.7**	**20.7**	**24.3**	**17.0**			
Standard deviation	**2.2**	**2.4**	**3.9**	**4.1**	**5.0**	**4.4**			
Coefficient of variation	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.3**			

Sources: CSA and NBE's staff computation

Fig.III.3: Variation in Regional Annual Average Headline Inflation

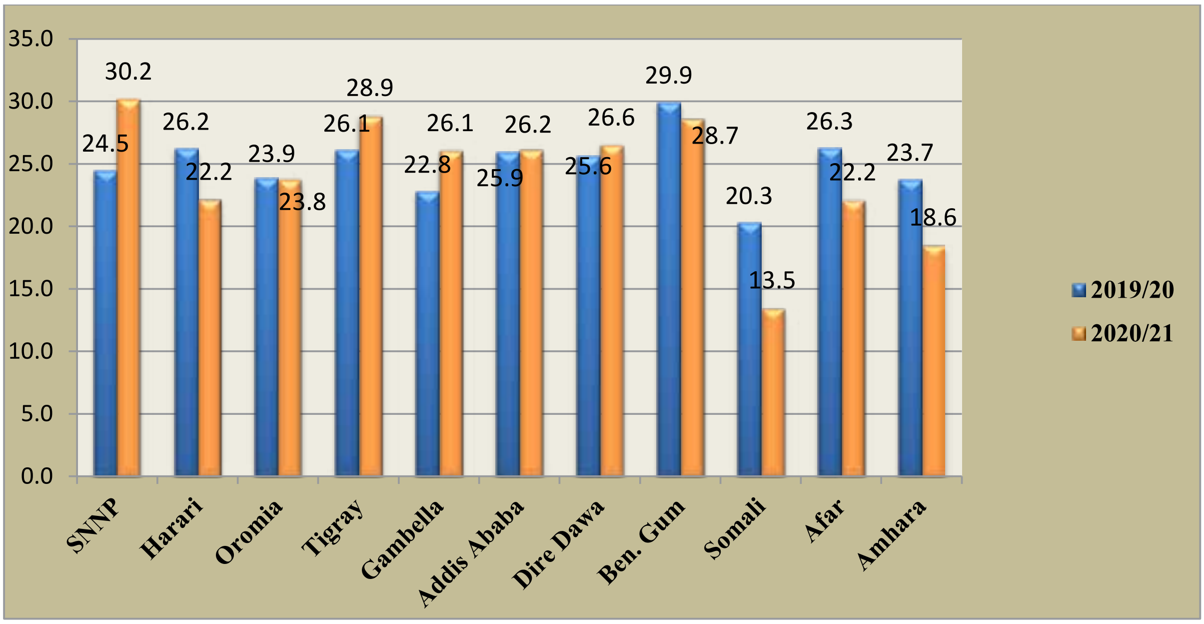


Sources: CSA and NBE's staff computation

The regional food & non-alcoholic beverages simple average inflation slowed down to 24.3 percent in 2020/21 from 25.0 percent last year. Food & non-alcoholic beverages inflation in SNNP, Benshanlgul-Gomuz, Dire Dawa, Addis Ababa and Gambella, however, was higher than the regional simple average inflation.

The highest food & non-alcoholic beverages inflation (30.2 percent) was registered in SNNP and the lowest (13.5 percent) in Somali resulting in 16.7 percentage point margin among the regions (Table 3.5).

Fig.III.4: Variation in Regional Annual Average Food & Non-alcoholic Beverages Inflation

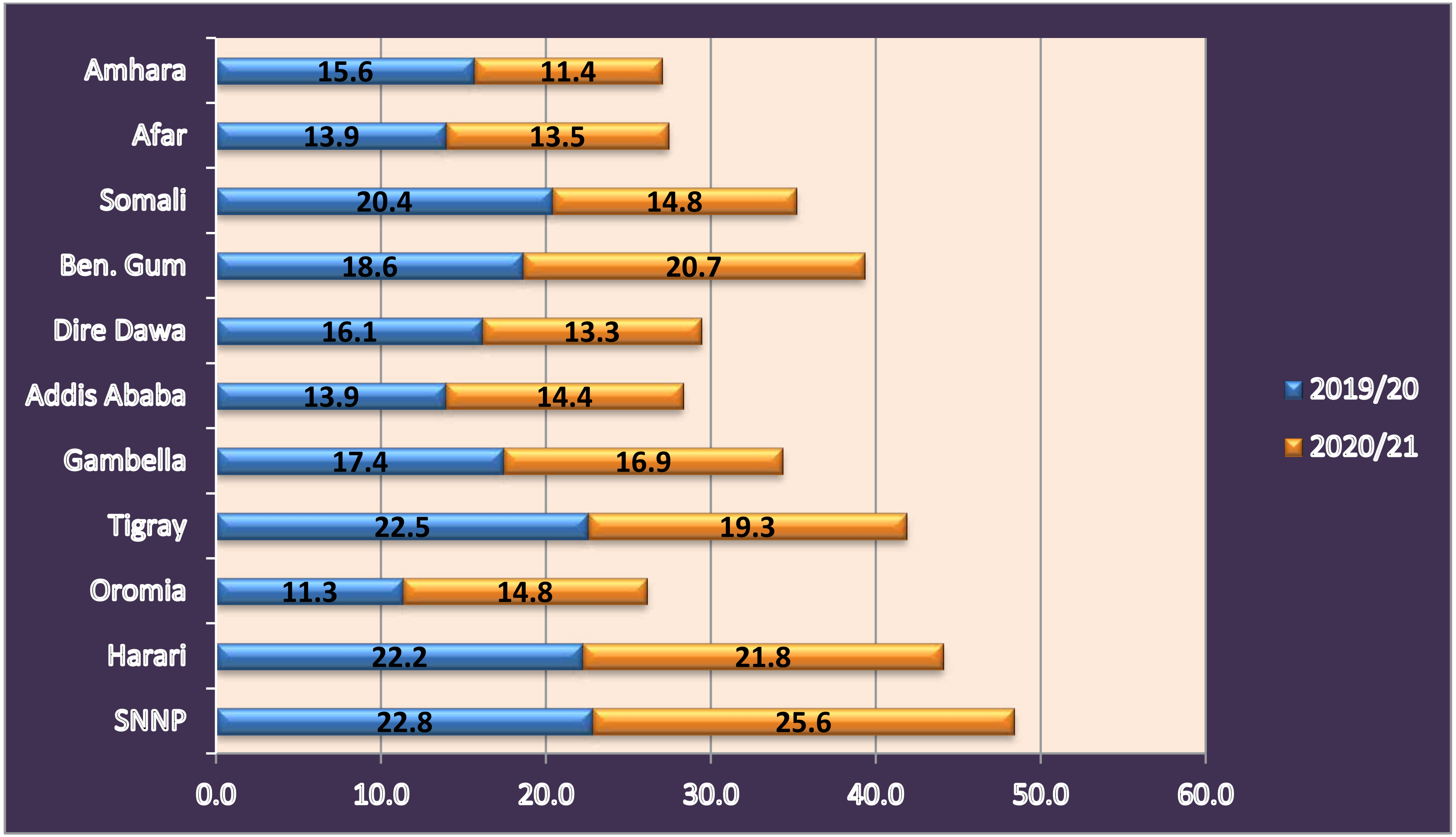


Sources: *CSA and NBE's staff computation*

Similarly, the regional simple average non-food inflation decelerated to 17.0 percent from 17.7 percent during the same period. SNNP, Harari, Benshangul-Gumuz, and Tigray regions had higher non-food inflation than the regional simple average (Table 3.5).

SNNP suffered the highest non-food inflation (25.6 percent) and Amhara the lowest non-food inflation (11.4 percent) showing a 14.2 percentage point margin in non-food inflation among the regions (Table 3.5).

Fig.III.5: Variation in Regional Annual Average Non-food Inflation



***Source**: CSA and NBE Staff Computation*

MONETARY AND FINANCIAL DEVELOPMENTS

IV. MONETARY AND FINANCIAL DEVELOPMENTS

4.1. Monetary Developments and Policy

The monetary policy stance of the NBE continued to focus on maintaining price stability and supporting sustainable economic growth of the country. Despite the efforts to adhere to its prudent monetary policy stance, inflation has remained off target for the past twelve consecutive months.

4.1.1 Developments in Monetary Aggregates

At the end of 2020/21, domestic liquidity, as measured by broad money supply (M2), reached Birr 1.35 trillion, reflecting a 29.9 percent annual growth mainly due to the surge in domestic credit (25.9 percent) and significant improvements in net external asset (90.2 percent). The growth of domestic credit was attributed to 56.3 percent increase in credit to the central government and 21.9 percent to non-central government (Table 4.2).

Narrow money supply expanded 21.3 percent due to the rise in demand deposits and currency outside banks, signifying the improvement in money demand for transaction purposes. Similarly, quasi-money, that comprises savings and time deposits, surged by 34.5 percent and reached Birr 910.8 billion by end 2020/21 as commercial banks increased their deposit mobilization by opening additional new branches (Table 4.1). In addition, NBE's currency demonetization measure and cash withdrawal limit regulations played a role in enhancing banks deposit mobilization efforts.

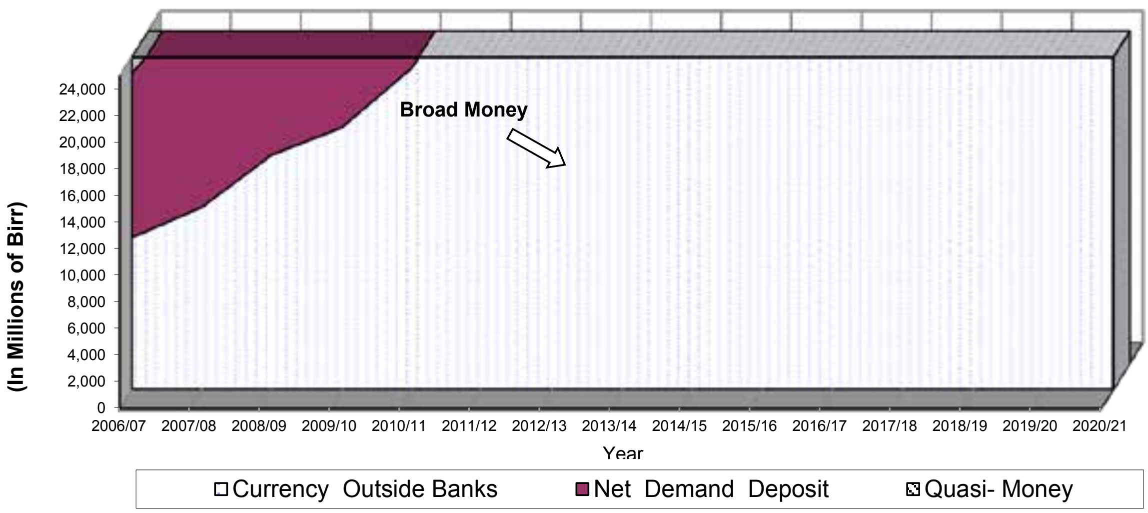
Table 4.1: **Components of Broad Money**

(Value in millions of birr)

Particulars	Year Ended June 30				Annual Percentage Change		
	2017/18	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Narrow Money Supply	**281,154.7**	**308,937.1**	**360,585.5**	**437,392.0**	**9.9**	**16.7**	**21.3**
. Currency Outside Banks	86,417.3	92,017.0	109,071.8	133,621.3	6.5	18.5	22.5
. Demand Deposits (net)	194,737.4	216,920.2	251,513.7	303,770.7	11.4	15.9	20.8
Quasi-Money	**459,418.2**	**577,815.4**	**677,060.8**	**910,874.2**	**25.8**	**17.2**	**34.5**
. Savings Deposits	382,549.4	487,302.1	589,174.1	816,380.3	27.4	20.9	38.6
. Time Deposits	76,868.8	90,513.3	87,886.8	94,493.8	17.8	-2.9	7.5
Broad Money Supply	**740,572.9**	**886,752.5**	**1,037,646.3**	**1,348,266.1**	**19.7**	**17.0**	**29.9**

Source: NBE

Fig.IV.1: Major Components of Broad Money



Source: NBE

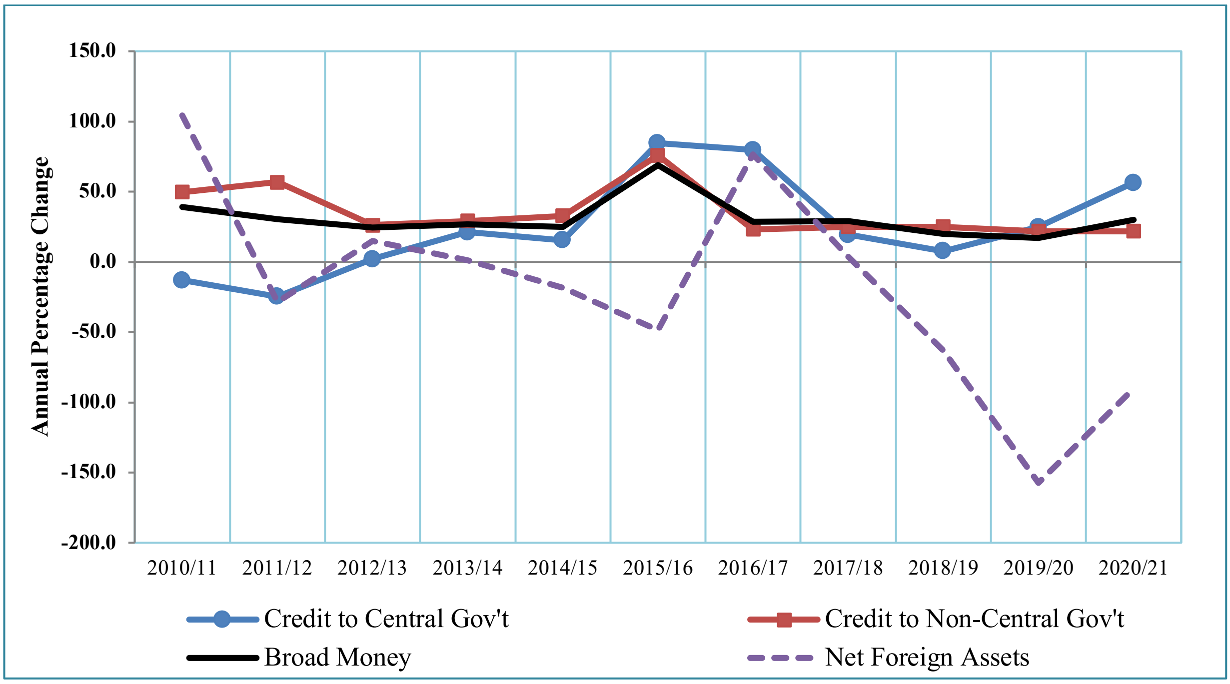
Table 4.2: Factors Influencing Broad Money

(Value in millions of birr)

Particulars	Year Ended June 30				Annual Percentage Change		
	2017/18	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
External Assets (net)	**39,376.2**	**14,505.2**	**-8,321.3**	**-812.3**	**-63.2**	**-157.4**	**90.2**
Domestic Credit	**784,621.7**	**963,699.9**	**1,176,926.4**	**1,481,844.4**	**22.8**	**22.1**	**25.9**
. Claims on Central Gov't (net)	102,002.8	109,799.2	137,082.9	214,269.2	7.6	24.8	56.3
. Claims on Non-Central Gov't	682,618.9	853,900.7	1,039,843.5	1,267,575.3	25.1	21.8	21.9
Other Items (net)	**83,425.0**	**91,452.6**	**130,957.8**	**132,766.0**	**9.6**	**43.2**	**1.4**
Broad Money (M2)	**740,572.9**	**886,752.5**	**1,037,646.3**	**1,348,266.1**	**19.7**	**17.0**	**29.9**

Source: NBE

Fig.IV.2: Major Determinants of Monetary Growth



Source: NBE

4.1.2. Developments in Reserve Money and Monetary Ratios

During 2020/21, reserve money or base money recorded 7.2 percent growth and reached Birr 264.3 billion. The increase in reserve money was wholly attributed to 16.5 percent rise in currency in circulation vis-a-vis 5.1 percent decline in bank deposits at the NBE. Meanwhile, in determinant wise, net domestic credit showed 25.9 percent increment while net foreign assets surged 90.2 percent. Excess reserves of commercial banks reached Birr 62.0 billion at the end of June 2020/21 compared with Birr 53.3 billion a year ago.

As an indicator of financial deepening, the ratio of broad money supply (M_2) to GDP[2], stood at 0.35 compared to 0.31 the previous year, reflecting improvements in financial liquidity and depth. Similarly, money multiplier, defined as narrow money to reserve money, rose to 1.85 from 1.46 while the ratio of broad money, to reserve money increased to 5.37 from 4.21 positions due to the significant growth in saving deposits (Table 4.3).

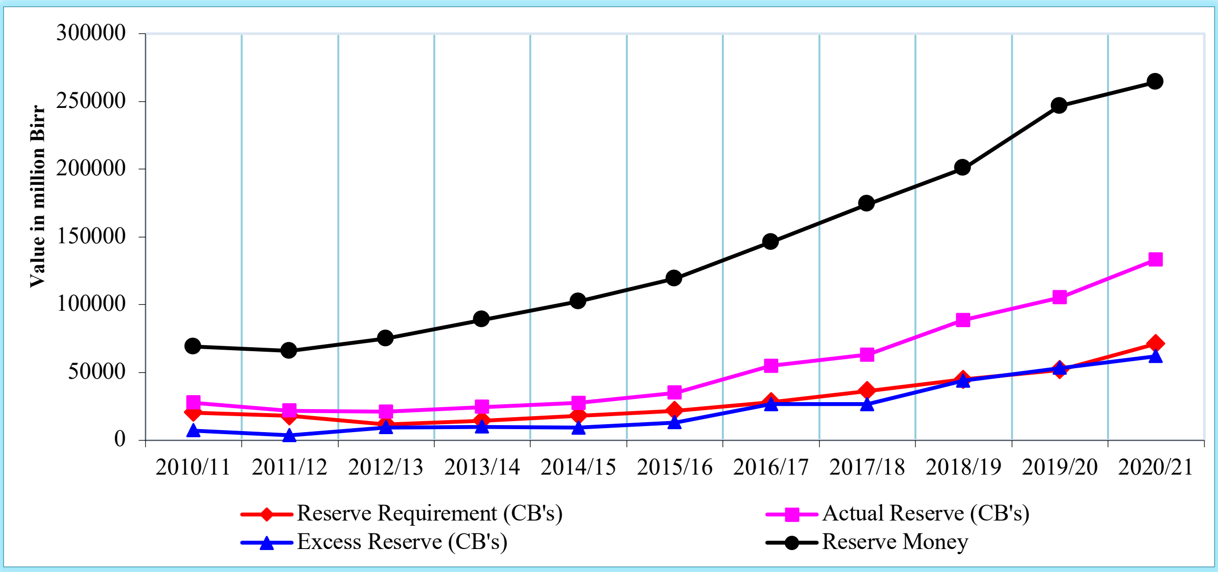
[3]The 2020/21 GDP (measured at current market price) is estimated assuming by an average GDP growth rate of FY 2015/16 to 2019/20.

Table 4.3: Reserve Money and Monetary Ratios

Particulars	Year Ended June 30				Annual Percentage Change		
	2017/18	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Reserve Requirement (CB's)	36,385.8	44,861.8	51,952.6	71,237.1	23.3	15.8	37.1
Actual Reserve (CB's)	63,117.8	88,723.4	105,289.1	133,265.7	40.6	18.7	26.6
Excess Reserve (CB's)	26,732.0	43,861.7	53,336.5	62,028.6	64.1	21.6	16.3
Reserve Money	**174,175.4**	**200,749.3**	**246,545.4**	**264,301.8**	15.3	22.8	7.2
. Currency in Circulation	112,911.0	121,800.0	140,521.1	163,709.1	7.9	15.4	16.5
. Bank Deposits	61,264.5	78,949.2	106,024.2	100,592.8	28.9	34.3	-5.1
Money Multiplier (Ratio):							
. Narrow Money to Reserve Money	1.77	1.80	1.46	1.85	1.27	-18.58	26.44
. Broad Money to Reserve Money	5.09	5.17	4.21	5.37	1.53	-18.58	27.66
Other Monetary Ratios (%):							
. Currency to Narrow Money	29.79	30.25	30.25	27.93	1.56	0.00	-7.67
. Currency to Broad Money	10.38	10.51	10.51	9.61	1.30	0.00	-8.55
. Narrow Money to Broad Money	34.84	34.75	34.75	34.42	-0.25	0.00	-0.96
. Quasi Money to Broad Money	65.16	65.25	65.25	65.58	0.14	0.00	0.51
M2/GDP Ratio*	0.34	0.33	0.31	0.35	-2.94	-6.06	12.90

Source: NBE

Fig.IV.3: Reserve Money



Source: NBE

4.2. Developments in Interest Rate

In 2020/21, both minimum and maximum saving deposit interest rates remained unchanged at 7.0 and 9.0 percent, respectively. As a result, average saving deposit rate stood at 8 percent and weighted average demand deposit rate at 0.04 percent. Weighted average time deposit rate, however, declined slightly to 7.80 percent year ago from 7.94 percent a year ago. The simple average lending interest rate reached 14.25 percent.

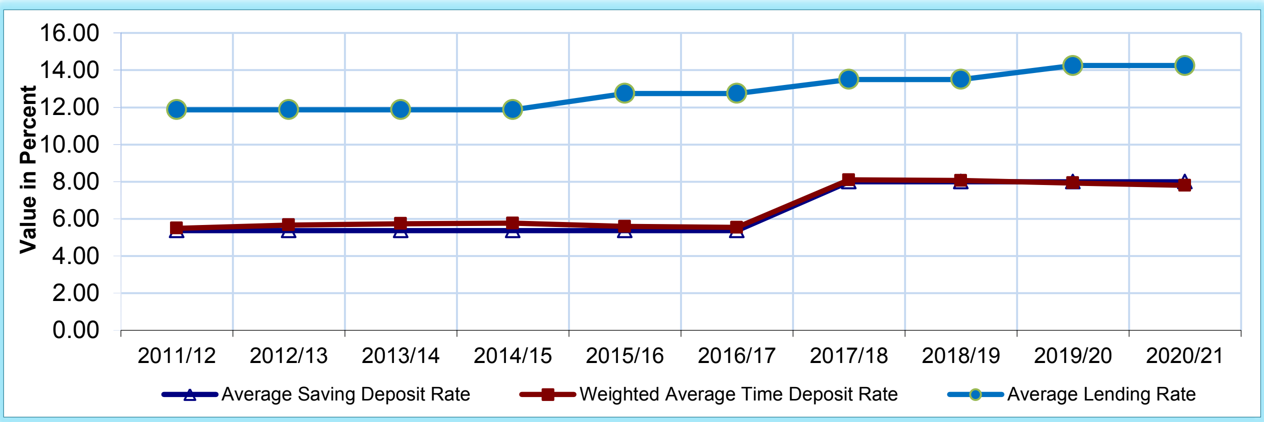
Hence, both deposit and lending real interest rates were negative 16.6 and 10.35 percent in real terms, given 24.5 percent headline inflation in June 2021 (Table 4.4).

Table 4.4: Interest Rate Structure of Commercial Banks (In percent per annum)

Rates	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
1. Deposit Rate							
1.1 Savings Deposit (Simple Average)	**5.38**	**5.38**	**5.38**	**8**	**8**	**8**	**8**
Minimum	5	5	5	7	7	7	7
Maximum	5.75	5.75	5.75	9	9	9	9
1.2 Time deposit (Weighted Average)	**5.77**	**5.59**	**5.54**	**8.09**	**8.07**	**7.94**	**7.8**
Up to 1 year	5.71	5.53	5.43	8.05	8.02	7.88	7.75
1 -2 years	5.78	5.6	5.57	8.1	8.07	7.94	7.81
Over 2 years	5.81	5.64	5.63	8.13	8.11	7.99	7.83
1.3 Demand Deposit (Weighted Average)	**0.04**	**0.04**	**0.04**	**0.04**	**0.04**	**0.04**	**0.04**
2. Lending Rate (Average)	**11.88**	**12.75**	**12.75**	**13.5**	**13.5**	**14.25**	**14.25**
Minimum	7.5	7.5	7.5	7	7	7	7
Maximum	16.25	18	18	20	20	21.5	21.5
3. T-bills (Nominal)	**1.43**	**1.44**	**1.42**	**1.42**	**1.74**	**4.54**	**7.97**
4. Headline Inflation (Year-on-Year)	**10.4**	**7.5**	**8.8**	**14.7**	**15.3**	**21.6**	**24.6**
5. Real Rate of Interest on:							
5.1 Saving Deposit (1.1 - 4)	-5.03	-2.13	-3.43	-6.7	-7.28	-13.55	-16.6
5.2 Time Deposit (1.2 - 4)	-4.64	-1.91	-3.26	-6.61	-7.21	-13.62	-16.8
5.3 Lending (2 - 4)	1.47	5.25	3.95	-1.2	-1.78	-7.3	-10.35

Source: NBE

Fig.IV.4: Interest Rate Structure of Commercial Banks



Source: NBE

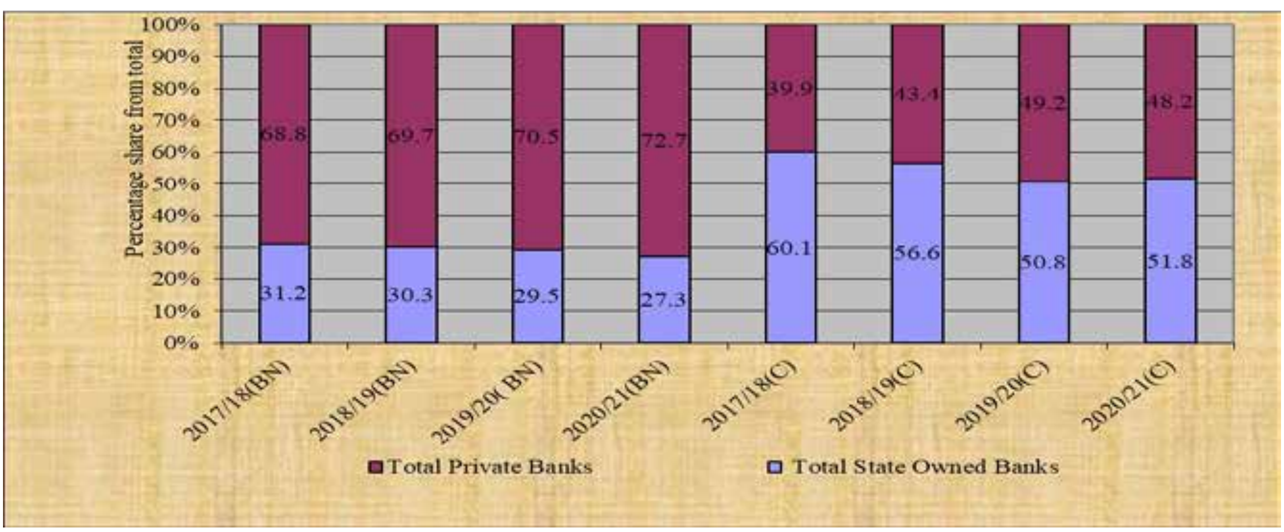
4.3. Developments in Financial Sector

Banks, insurance companies and micro-finance institutions are the major financial institutions operating in Ethiopia. By the end of 2020/21, the number of banks reached 19, including the newly opened interest free bank (ZamZam bank) which opened 833 new branches during the review financial year, thereby raising the total number of bank branches to 7,344 from 6,511 last year. About 34.5 percent of the bank branches were located in Addis Ababa. As a result, one bank branch serves about 14,000 people[3].

Major branch expansion was undertaken by Awash International Bank (129 branches), Abyssinia Bank (96 branches), Commercial Bank of Ethiopia (95 branches), Nib International Bank (89 branches), Abay Bank (67 branches), Buna Bank (62 braches), Cooperative Bank of Oromia (51 branches), United Bank (39 branches) and Debub Global Bank (37 branches). The share of private banks in total branch network rose to 72.5 percent from 70.5 percent last year. Total capital of the banking industry increased by 36.2 percent and reached Birr 153.7 billion by the end of June 2021 (Table 4.5).

Similarly, the number of insurance companies stood at 18, whose branches rose to 632 after they opened 27 new branches in 2020/21. Of the total branches, about 54.6 percent of total insurance branches were situated in Addis Ababa. 85.8 percent were private insurance companies. Insurance companies increased their total capital by 14.7 percent to Birr 11.1 billion whose share of private insurance companies was 73.6 percent and that of public insurance company was 26.4 percent (Table 4.6).

Fig.IV.5: Branch Network and Capital of Banking System (2017/18-2020/21)



Source: Commercial Banks including DBE

[4] CSA population projection for 2020/21 was 102,816,000

Table.4.5: Branch Network and Capital of the Banking System at the Close of June 30, 2021

(Branch in Number and Capital in Millions of Birr)

Banks	Branch Network								Capital			
	2019/20				2020/21				2019/20		2020/21	
	Regions	Addis Ababa	Total	% Share	Regions	Addis Ababa	Total	% Share	Total Capital	% Share	Total Capital	% Share
1. State Owned Banks												
Commercial Bank of Ethiopia	1,423	402	1825	28.0	1,489	431	1920	26.1	49,646.0	44.0	50,342.5	32.7
Development Bank of Ethiopia	88	5	93	1.4	77	5	82	1.1	7,676.5	6.8	29,235.5	19.0
Total State Owned Banks	**1,511**	**407**	**1918**	**29.5**	**1,566**	**436**	**2002**	**27.3**	**57,322.5**	**50.8**	**79,578.0**	**51.8**
2. Private Banks												
Awash International Bank	285	196	481	7.4	381	229	610	8.3	8,095.9	7.2	11,084.4	7.2
Dashen Bank	277	159	436	6.7	302	167	469	6.4	5,464.4	4.8	6,757.4	4.4
Abyssinia Bank	358	221	579	8.9	423	252	675	9.2	4,179.2	3.7	6,425.7	4.2
Wegagen Bank	254	145	399	6.1	271	148	419	5.7	4,137.1	3.7	4,987.1	3.2
United Bank	186	165	351	5.4	206	184	390	5.3	4,374.5	3.9	5,091.1	3.3
Nib International Bank	153	174	327	5.0	198	218	416	5.7	4,950.8	4.4	5,689.8	3.7
Cooperative Bank of Oromiya	348	82	430	6.6	371	110	481	6.5	3,906.3	3.5	5,968.7	3.9
Lion International Bank	186	86	272	4.2	203	86	289	3.9	2,767.1	2.5	3,246.6	2.1
Oromia International Bank	206	108	314	4.8	219	109	328	4.5	3,650.6	3.2	4,328.9	2.8
Zemen Bank	22	30	52	0.8	25	42	67	0.9	2,376.8	2.1	3,543.0	2.3
Buna International Bank	130	114	244	3.7	169	137	306	4.2	2,552.4	2.3	2,993.5	1.9
Berhan International Bank	135	121	256	3.9	152	139	291	4.0	2,742.5	2.4	3,434.4	2.2
Abay Bank	149	83	232	3.6	199	100	299	4.1	2,580.1	2.3	3,367.2	2.2
Addis International Bank	31	50	81	1.2	36	60	96	1.3	1,113.3	1.0	1,307.7	0.9
Debub Global Bank	36	46	82	1.3	52	67	119	1.6	1,099.9	1.0	1,554.1	1.0
Enat Bank	27	30	57	0.9	37	43	80	1.1	1,584.8	1.4	1,814.5	1.2
Zamzam Bank S.S					1	6	7	0.1			2555.5	1.7
Total Private Banks	**2,783**	**1,810**	**4,593**	**70.5**	**3,245**	**2,097**	**5,342**	**72.7**	**55,576**	**49.2**	**74,149**	**48.2**
3.Grand Total Banks	**4,294**	**2,217**	**6511**	**100**	**4,811**	**2,533**	**7344**	**100.0**	**112,898.2**	**100.0**	**153,727.4**	**100.0**

Source: Commercial Banks including DBE

Table.4.6: Branch Network & Capital of Insurance Companies as at June 30, 2021

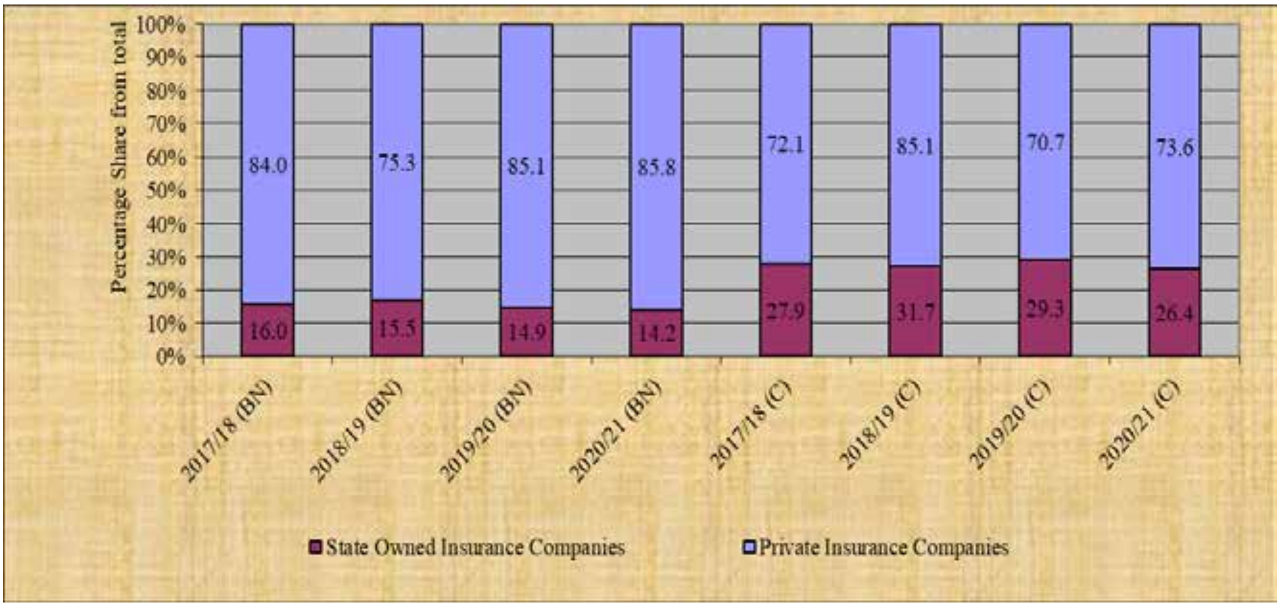
(Branch in Number and Capital in Millions of Birr)

No.	Insurance Companies	Branch						Capital		
		2019/20			2020/21			2019/20	2020/21	% Change
		A.A	Regions	Total	A.A	Regions	Total	A	B	C=B/A
1	Ethiopian Insurance Corporation	25	65	90	25	65	90	2,828.0	2,924.0	3.4
2	Awash Insurance Company	28	20	48	29	23	52	1,311.0	1,551.0	18.3
3	Africa Insurance Company	18	14	32	18	14	32	283.0	367.0	29.7
4	National Insurance Corporation of Ethiopia	22	17	39	22	17	39	175.0	206.0	17.7
5	United Insurance Company	28	12	40	28	12	40	676.0	723.0	7.0
6	Global Insurance Company	12	8	20	12	8	20	198.0	230.0	16.2
7	Nile Insurance Company	26	22	48	29	22	51	627.0	678.0	8.1
8	Nyala Insurance Company	16	17	33	17	18	35	891.0	1,049.0	17.7
9	Nib Insurance company	27	14	41	28	14	42	597.0	718.0	20.3
10	Lion Insurance Company	16	19	35	16	20	36	221.0	380.0	71.9
11	Ethio-Life & General Insurance S.C	18	5	23	18	6	24	165.0	187.0	13.3
12	Oromia Insurance Company	22	20	42	22	21	43	548.0	690.0	25.9
13	Abay Insurance S.C	15	13	28	15	14	29	331.0	382.0	15.4
14	Berhan Insurance S.C	12	7	19	13	8	21	162.0	215.0	32.7
15	Tsehay Insurance S.C	18	9	27	19	9	28	212.0	310.0	46.2
16	Lucy Insurance	12	5	17	16	6	22	141.0	112.0	-20.6
17	Bunna Insurance S.C.	14	9	23	16	12	28	169.0	214.0	26.6
18	Zemen Insurance S.C.	0	0	0	2	1	0	115	130.0	13.0
	Total	**329**	**276**	**605**	**345**	**290**	**632**	**9,650**	**11,066**	**14.7**

Source: Insurance Companies

Note: A.A=Addis Ababa

Fig.IV.6: Branch Network and Capital of Insurance Companies (2017/18-2020/21)



Source: Insurance Companies

At the same time, the number of micro-finance institutions (MFIs) reached 39, whose total capital and total asset increased by 43.4 and 13.8 percent and stood at Birr 27.9 billion and Birr 105 billion, respectively.

In addition, MFIs' deposit mobilization and credit expanded remarkably. Compared to last year, their deposit increased 17.2 percent to Birr 52.4 billion while their outstanding credit rose 6.7 percent to Birr 69.3 billion (Table 4.7).

The five largest MFIs, namely, Amhara, Dedebit, Oromia, Omo & Addis Credit and Savings Institutions accounted for 84.8 percent of the total capital, 88.8 percent of total deposit, 82.7 percent of total credit and 84.3 percent of total assets of MFIs by the end of 2020/21.

Table 4.7: Microfinance Institutions Performance as of June 30, 2021 ***(In Thousands of Birr)***

Particulars	2019/20	2020/21	% Change
	A	*B*	*B/A*
Total Capital	19,440,089.7	27,875,026.1	43.4
Saving	44,714,061.1	52,404,252.3	17.2
Credit	64,901,669.5	69,275,733.1	6.7
Total Assets	92,200,086.4	104,960,572.8	13.8

Source:MFIs

4.3.1 Resource Mobilization

The total resources mobilized by the banking system in the form of deposit, borrowing and loan collection went up 51.5 percent and reached Birr 505.2 billion at the end of 2020/21 (Table 4.8) partly bolstered by the NBE's Legal Tender Protection Directive that restricts cash holding & cash withdrawals as well as the demonetization measure undertaken during the review fiscal year. As result, the total deposit liabilities of the banking system rose to Birr 1.4 trillion, witnessing a 30.3 percent growth. Of the total deposits, saving deposits accounted for 60.3 percent, demand deposits 32.4 percent and time deposit 7.3 percent (Table 4.9).

Saving deposits showed 38.7 percent increment while demand and time deposits registered 23.4 percent and 3.9 percent growth.

The share of private banks in total deposit mobilization increased to 45.7 percent from 42.6 percent last year due to their opening of 749 new branches. Meanwhile, CBE alone mobilized 54.3 percent of the total deposits due to its extensive branch network.

Raising funds through borrowing remained insignificant as most of the banks were sufficiently liquid due to increased deposit mobilization and collection of loans. Their total outstanding borrowing reached Birr 84.2 billion compared to Birr 80.4 billion a year earlier due to higher borrowings by the Development Bank of Ethiopia (DBE). Of the total borrowing, domestic sources accounted for 81.3 percent and foreign sources 18.7 percent. Net borrowing stood at Birr 3.7 billion of which 98.7 percent was from foreign and 1.3 percent from local sources) (Tables 4.8 & 4.9).

Moreover, banks loan collection was Birr 186 billion in 2020/21, showing only 1.5 percent increment. Of which private banks collected 65.8 percent of the total loan disbursed (Table 4.8).

Table 4.8: Annual Resource Mobilization & Disbursing Activities of Commercial Banks and DBE (Specialized Bank) as of June 30, 2021

(In Millions of Birr)

Particulars	2018/19			2019/20			2020/21			Percent Change	
	Public Banks	Private Banks	Total (A)	Public Banks	Private Banks	Total (B)	Public Banks	Private Banks	Total (C)	C/A	C/B
1. Deposits (net change)	*89,057.9*	*80,312.8*	*169,370.7*	*54,185.8*	*87,596.1*	**141,781.9**	*139,813.4*	*175,598.7*	**315,412.0**	*86.2*	*122.5*
Demand	26,635.9	18,046.6	44,682.5	26,561.5	14,414.6	40,976.1	27,982.7	55,519.9	83,502.5	86.9	103.8
Savings	48,599.6	56,379.1	104,978.7	37,084.8	64,818.0	101,902.8	115,460.6	112,694.2	228,154.8	117.3	123.9
Time	13,822.4	5,887.1	19,709.5	(9,460.6)	8,363.5	(1,097.1)	(3,629.9)	7,384.6	3,754.7	(80.9)	(442.3)
2. Borrowing (net change)	*7,181.8*	-	*7,181.8*	*8,286.9*	-	**8,286.9**	*3,739.4*	-	**3,739.4**	*(47.9)*	*(54.9)*
Local	4,639.3	-	4,639.3	5,652.5	-	5,652.5	49.4	-	49.4	(98.9)	(99.1)
Foreign	2,542.5	-	2,542.5	2,634.4	-	2,634.4	3,690.0	-	3,690.0	45.1	40.1
3. Collection of Loans	75,418.4	81,016.5	156,434.9	90,378.0	92,947.5	183,325.5	63,548.9	122,451.5	186,000.4	18.9	1.5
4. Total Resources Mobilized (1+2+3)	*171,658.1*	*161,329.3*	*332,987.4*	*152,850.7*	*180,543.5*	**333,394.2**	*207,101.7*	*298,050.2*	**505,151.9**	*51.7*	*51.5*
5. Disbursement	136,309.3	99,984.6	236,293.8	149,925.9	121,240.1	271,166.0	121,322.2	208,128.8	329,451.0	39.4	21.5
6. Change in Liquidity (4-5)	*35,348.8*	*61,344.7*	*96,693.5*	*2,924.8*	*59,303.5*	**62,228.3**	*85,779.5*	*89,921.4*	**175,700.9**	*81.7*	*182.3*
Memorandum Item:											
7. Outstanding Credit	599,571.0	257,940.7	857,511.7	685,095.0	347,108.1	1,032,203.0	763,657.4	519,626.4	1,283,283.8	49.7	24.3

Source: Commercial Banks Including DBE

Table 4.9: Deposits and Borrowings of Commercial Banks and Specialized Bank as of June 30, 2021

(In Millions of Birr)

	2018/19	2019/20	2020/21	% Change	
	A	B	C	D=B/A	E=C/B
A. Deposits					
-Demand	315,352.5	356,328.6	439,831.1	13.0	23.4
-Savings	487,562.2	589,465.0	817,619.8	20.9	38.7
-Time	96,713.8	95,616.7	99,371.4	-1.1	3.9
Total	**899,628.4**	**1,041,410.3**	**1,356,822.3**	**15.8**	**30.3**
B. Borrowings					
-Local	62,764.4	68,416.9	68,466.3	9.0	0.1
-Foreign	9,391.5	12,026.0	15,716.0	28.1	30.7
Total	**72,156.0**	**80,442.9**	**84,182.3**	**11.5**	**4.6**

Source: Commercial Banks & DBE

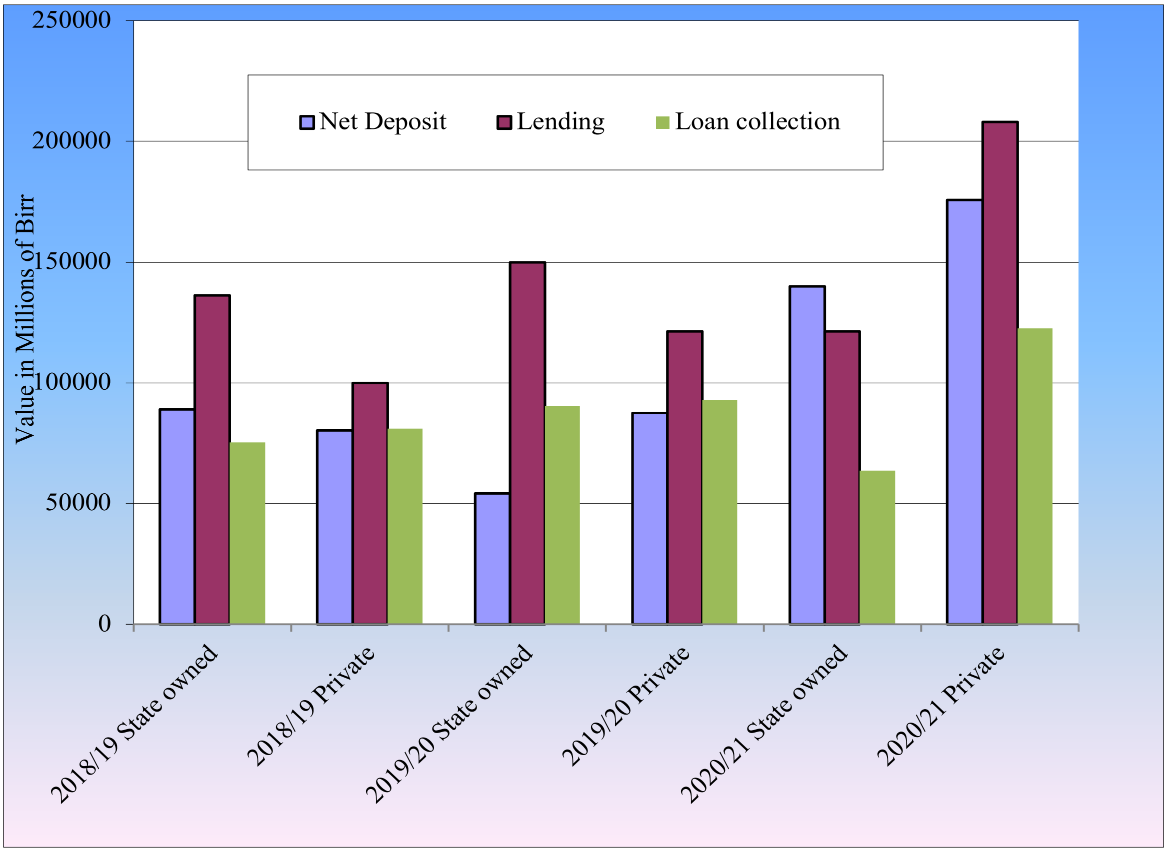
Table.4.10: Loans and Advances by Lenders									(In Millions of Birr)
	2019/20			2020/21			Percentage Change		
	D*	C*	O/S*	D*	C*	O/S*			
Lenders	A	B	C	D	E	F	D/A	E/B	F/C
A.State Owned Banks									
1.Commercial Bank of Ethiopia	141,415.24	82,692.53	633,991.45	111,458.44	54,336.81	708,225.96	-21.2	-34.3	11.7
2.Development Bank of Ethiopia	8,510.66	7,685.47	51,103.50	9,863.79	9,212.12	55,431.44	15.9	19.9	8.5
Sub-Total	***149,925.9***	***90,378.0***	***685,094.9***	***121,322.2***	***63,548.9***	***763,657.4***	**-19.1**	**-29.7**	**11.5**
B. Private Banks									
3 Awash International Bank	10,151.3	12,053.7	56,870.0	24,887.4	12,426.3	87,107.0	145.2	3.1	53.2
4. Dashen Bank	15,279.9	12,839.1	42,454.0	32,893.1	19,616.2	62,835.9	115.3	52.8	48.0
5. Bank of Abyssinia	9,763.6	3,900.9	37,594.6	33,455.0	11,987.7	77,344.0	242.7	207.3	105.7
6. Wegagen Bank	13,406.8	9,440.1	23,861.1	7,934.6	8,407.2	27,349.0	-40.8	-10.9	14.6
7. United Bank	7,633.7	7,583.6	26,288.1	11,943.7	11,449.3	34,702.8	56.5	51.0	32.0
8. Nib International Bank	10,426.1	5,956.7	25,887.8	14,007.3	7,922.1	34,480.7	34.3	33.0	33.2
9. Cooperative Bank of Oromia	17,699.9	12,207.3	34,213.9	28,541.0	14,879.1	55,265.0	61.2	21.9	61.5
10. Lion Interenational Bank	6,810.8	3,855.5	19,559.7	4,413.3	3,307.1	22,795.3	-35.2	-14.2	16.5
11. Oromia International Bank	7,078.2	7,102.1	20,228.8	4,635.0	4,456.1	14,257.1	-34.5	-37.3	-29.5
12. Zemen Bank	2,657.7	3,291.8	9,920.6	10,281.0	8,317.1	25,755.8	286.8	152.7	159.6
13.Berhan International Bank	4,974.7	4,614.5	12,651.5	7,541.5	4,698.3	17,705.8	51.6	1.8	39.9
14.Bunna International Bank	4,960.2	2,464.4	11,528.1	6,317.9	2,244.9	18,320.4	27.4	-8.9	58.9
15.Abay Bank	5,543.4	3,582.2	11,467.3	12,659.5	5,675.4	19,580.2	128.4	58.4	70.7
16. Addis International Bank	704.6	698.0	3,487.0	1,272.9	1,184.5	4,535.9	80.7	69.7	30.1
17. Debub Global Bank	2,864.1	1,552.8	4,549.5	5,692.2	3,276.6	8,447.6	0.0	0.0	0.0
18. Enat Bank	1,285.1	1,804.8	6,545.9	1,653.5	2,603.7	9,144.1	0.0	0.0	0.0
Sub-Total	***121,240.0***	***92,947.5***	***347,108.1***	***208,128.8***	***122,451.5***	***519,626.4***	**71.7**	**31.7**	**49.7**
Grand Total	***271,165.9***	***183,325.5***	***1,032,203.0***	***329,451.0***	***186,000.4***	***1,283,283.8***	**21.5**	**1.5**	**24.3**
Source: Commercial Banks including DBE									
D*=Disbursement, C*=Collection, O/S*= Outstanding Credit									

4.3.2 New Lending Activities

All banks including Development Bank of Ethiopia (DBE), disbursed Birr 329.5 billion in fresh loans, depicting a 21.5 percent increase over last year (Table 4.10). Of the total new loans, about 63.2 percent was disbursed by private banks and 36.8 percent by public banks (Table 4.11).

Of the total fresh loan disbursed, international trade accounted for 20.1 percent, followed by industry (18.4 percent), domestic trade (15.2 percent), housing and construction (13.5 percent), agriculture (9.3 percent), mines, power and water resource (6.1 percent) and others (17.4 percent) (Table 4.12).

Fig.IV.7: Development in Net Deposit, Lending and Loan Collection Activities of the Banking System (2018/19-2020/21



Source: Commercial Banks and DBE

Table 4.11: Percentage Share of Loans and Advances by Lenders

Lenders	2019/20			2020/21			Percentage change		
	D*	C*	O/S*	D*	C*	O/S*			
	A	B	C	D	E	F	D/A	E/B	F/C
A.State Owned Banks									
1.Commercial Bank of Ethiopia	52.2	45.1	61.4	33.8	29.2	55.2	-35.1	-35.2	-10.1
2.Development Bank of Ethiopia	3.1	4.2	5.0	3.0	5.0	4.3	-4.6	18.1	-12.8
Sub-Total	***55.3***	***49.3***	***66.4***	***36.8***	***34.2***	***59.5***	**-33.4**	**-30.7**	**-10.3**
B.Private Banks									
3 Awash International Bank	3.7	6.6	5.5	7.6	6.7	6.8	101.8	1.6	23.2
4. Dashen Bank	5.6	7.0	4.1	10.0	10.5	4.9	77.2	50.6	19.1
5. Bank of Abyssinia	3.6	2.1	3.6	10.2	6.4	6.0	182.0	202.9	65.5
6. Wegagen Bank	4.9	5.1	2.3	2.4	4.5	2.1	-51.3	-12.2	-7.8
7. United Bank	2.8	4.1	2.5	3.6	6.2	2.7	28.8	48.8	6.2
8. Nib International Bank	3.8	3.2	2.5	4.3	4.3	2.7	10.6	31.1	7.1
9. Cooperative Bank of Oromia	6.5	6.7	3.3	8.7	8.0	4.3	32.7	20.1	29.9
10. Lion Interenational Bank	2.5	2.1	1.9	1.3	1.8	1.8	-46.7	-15.5	-6.3
11. Oromia International Bank	2.6	3.9	2.0	1.4	2.4	1.1	-46.1	-38.2	-43.3
12. Zemen Bank	1.0	1.8	1.0	3.1	4.5	2.0	218.4	149.0	108.8
13.Berhan International Bank	1.8	2.5	1.2	2.3	2.5	1.4	24.8	0.4	12.6
14.Bunna International Bank	1.8	1.3	1.1	1.9	1.2	1.4	4.8	-10.2	27.8
15. Abay Bank	2.0	2.0	1.1	3.8	3.1	1.5	88.0	56.2	37.3
16. Addis International Bank	0.3	0.4	0.3	0.4	0.6	0.4	48.7	67.3	4.6
17. Debub Global Bank	1.1	0.8	0.4	1.7	1.8	0.7	0.0	0.0	0.0
18. Enat Bank	0.5	1.0	0.6	0.5	1.4	0.7	0.0	0.0	0.0
Sub-Total	***44.7***	***50.7***	***33.6***	***63.2***	***65.8***	***40.5***	**41.3**	**29.8**	**20.4**
Grand Total	***100.0***	***100.0***	***100.0***	***100.0***	***100.0***	***100.0***	**0.0**	**0.0**	**0.0**

Source: Commercial Banks including DBE

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

4.3.3 Outstanding Loans

Outstanding credit of the banking system (including corporate bond) grew 24.3 percent and amounted to Birr 1.28 trillion at the end of June 2021. Mines, power and water resources accounted for 25.1 percent of the outstanding credit followed by industry (21.3 percent), international trade (15.4 percent), housing and construction (11.0 percent), domestic trade (9 percent), 'transport and communication (6.6 percent) and others (11.6 percent) (Table 4.12).

The share of private sector, including cooperatives, in outstanding credit was Birr 670.5 billion (or 52.2 percent) reflecting 38.4 percent annual increase (Table 4.13).

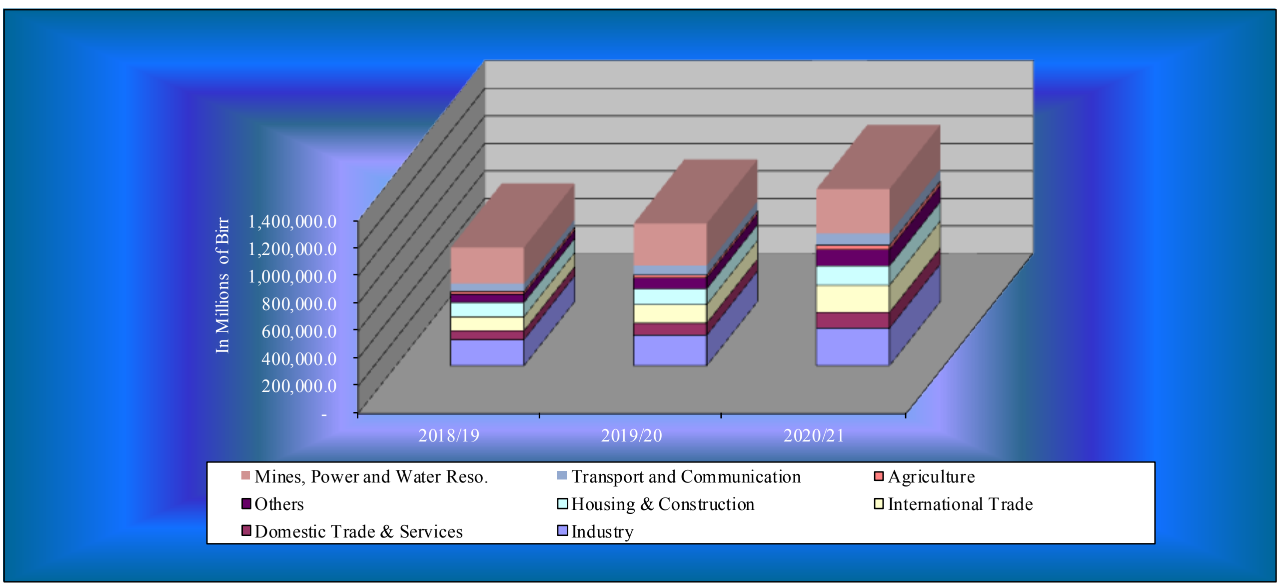
Table 4.12: Loans & Advances by Economic Sectors *(In Millions of Birr)*

Economic Sectors	2019/20			2020/21			Percentage Change		
	D*	C*	O/S*	D*	C*	O/S*	D*	C*	O/S*
	A	B	C	D	E	F	D/A	E/B	F/C
Agriculture	24,902.4	26,393.9	21,087.3	30,779.8	23,503.6	31,823.6	23.6	(11.0)	50.9
Industry	43,074.1	33,626.5	221,731.9	60,607.1	26,899.1	272,983.8	40.7	(20.0)	23.1
Domestic Trade	36,400.9	29,373.1	87,819.1	49,961.6	34,441.9	115,088.1	37.3	17.3	31.1
International Trade	38,292.8	34,233.6	134,070.9	66,142.3	46,743.3	197,283.0	72.7	36.5	47.1
Export	28,017.8	22,771.0	89,219.4	51,706.4	34,766.0	135,921.5	84.5	52.7	52.3
Import	10,490.8	11,462.5	44,851.4	14,436.0	11,977.3	61,361.5	37.6	4.5	36.8
Hotels and Tourism	5,286.8	4,136.4	17,576.7	8,173.0	4,334.5	25,963.8	54.6	4.8	47.7
Transport and Communication	25,035.3	13,578.3	68,741.8	16,429.1	5,099.5	85,175.4	(34.4)	(62.4)	23.9
Housing and Construction	25,534.5	22,130.7	115,534.0	44,530.4	24,264.2	140,572.0	74.4	9.6	21.7
Mines, Power and Water resource	48,531.5	5,957.8	303,992.3	20,168.8	1,733.1	322,522.5	(58.4)	(70.9)	6.1
Others	4,583.0	3,762.9	11,436.4	9,105.5	5,985.4	22,306.4	98.7	59.1	95.0
Personal	19,308.7	10,132.3	50,212.7	23,553.3	12,996.0	69,565.2	22.0	28.3	38.5
Total	**271,165.9**	**183,325.6**	**1,032,203.0**	**329,451.0**	**186,000.4**	**1,283,283.8**	**21.5**	**1.5**	**24.3**

Source: Commercial Banks & Staff Computation

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

Fig.IV.8: Sectorial Breakdown of Bank Credit (2018/19-2020/21)



Source: Commercial Banks including DBE

Table 4.13: Loans and Advances by Borrowers								(In Millions of Birr)
Borrowing Clients	2017/18	2018/19	2019/20	2020/21			Percentage change	
	O/S*	O/S*	O/S*	D*	C*	O/S*		
	A	B	C	D	E	F	G=F/B	H=F/C
Public Enterprises	401,517.5	463,351.1	547,616.6	67,161.5	12,055.1	612,774.3	32.2	11.9
Cooperatives	16,724.6	18,532.1	19,891.0	34,697.4	27,326.0	29,129.8	57.2	46.4
Private & Individuals	267,738.5	359,100.3	464,695.4	227,592.2	146,619.3	641,379.7	78.6	38.0
Total	***685,980.5***	***840,983.5***	***1,032,203.0***	***329,451.0***	***186,000.4***	***1,283,283.8***	52.6	24.3

Source: Commercial Banks & DBE

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

4.4. Financial Activities of NBE

As of June 2021, NBE's gross claims on central government stood at Birr 281.9 billion about 22.4 percent higher than a year earlier. Of the total credit to the central government, bonds accounted for 70.4 percent and direct advance 29.6 percent.

Meanwhile, NBE's outstanding claims on DBE was Birr 56.6 billion showing a 2.6 percent reduction relative to last year same period.

On the liability side, total deposits declined by 3.5 percent to Birr 137.6 billion due to lower deposits of the financial institutions at NBE (Table 4.14).

Table 4.14: Financial Activities of National Bank of Ethiopia at the Close of June 30, 2021

(In Millions of Birr)

Particulars	2018/19	2019/20	2020/21	% Change	
	A	B	C	D=B/A	E=C/B
Loans and Advances (1+2)	**246,828.0**	**288,380.4**	**338,505.4**	**16.8**	**17.4**
1.Claims on Central Gov't	**194,685.3**	**230,237.7**	**281,862.6**	**18.3**	**22.4**
1.1 Direct Advance	187,264.9	31,000.0	83,500.0	-83.4	169.4
1.2 Bonds	7,420.4	199,237.7	198,362.6	2585.0	-0.4
2. Claims on DBE	**52,142.7**	**58,142.7**	**56,642.7**	**11.5**	**-2.6**
3. Deposit Liabilities	**101,541.6**	**142,563.3**	**137,565.8**	**40.4**	**-3.5**
3.1 Government	22,513.9	34,526.8	36,843.5	53.4	6.7
3.2 Financial Institutions	79,027.7	108,036.6	100,722.4	36.7	-6.8

Source:National Bank of Ethiopia

4.5 Developments in Financial Markets

Despite absence of secondary market in Ethiopia, government bonds were occasionally issued to finance government expenditures and/ or to absorb excess liquidity in the banking system.

4.5.1. Treasury Bills Market

During 2020/21, total T-bills offered to the T-bills auction market showed a 42.9 percent increment and reached Birr 330.7 billion while demand for T-bills increased 17.1 percent to reach Birr 284.8 billion. This indicated that the market was undersubscribed by Birr 45.9 billion (13.9 percent). Thus, the amount of T-bills sold during the fiscal year was Birr 238.8 billion which was lower than the demand by Birr 46 billion.

At the end of 2020/21, total outstanding T-bills amounted to Birr 116.6 billion, about 391 percent higher than the preceding fiscal year. This was mainly attributed to the policy change on the issuance of T-bills since December 2019.

Commercial Banks' participation in T-bill auction market has shown significant improvement and accounted for Birr 52.0 billion or 44.6% of the total outstanding T-Bills where that of non-bank institutions stood at Birr 64.5 billion or 55.4 % (Table 4.15).

Average weighted yield of all types of T-bills increased to 7.97 percent from 4.536 percent during the review period (Table 4.15). The highest yield was recorded for the 364-day T-bills and the lowest 28-day T-bills with a corresponding yield rate of 9.032 and 6.826 percent, respectively.

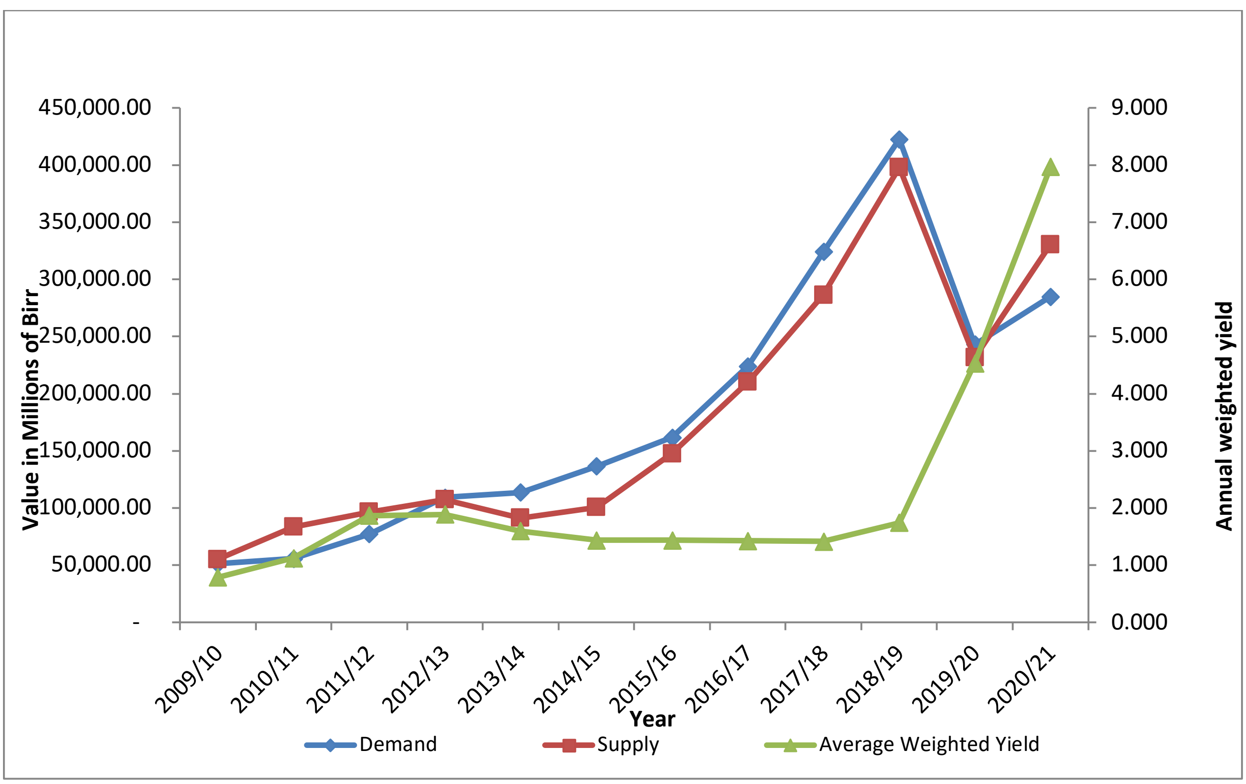
Table 4.15: Results of Annual Treasury Bills Auction

(In millions of Birr)

Particulars	2018/19		2019/20		2020/21		Percentage Change	
	A		B		C		C/A	C/B
Number of Bidders	**192.00**		**163.00**		**403.00**		**109.90**	**147.24**
Amount Demanded (Mn.Birr)	**422,633.54**		**243,155.09**		**284,783.55**		**(32.62)**	**17.12**
28-day bill	1,670.00		2,583.00		41,148.55		2,363.99	1,493.05
91-day bill	388,670.54		221,726.09		136,590.30		(64.86)	(38.40)
182-day bill	2,077.00		14,096.00		72,176.30		3,375.03	412.03
364-day bill	30,216.00		4,750.00		34,868.40		15.40	634.07
Amount Supplied (Mn.Birr)	**397,958.24**		**231,486.88**		**330,673.00**		**(16.91)**	**42.85**
28-day bill	1,040.00		3,106.00		30,230.00		2,806.73	873.28
91-day bill	364,184.24		203,649.88		108,117.00		(70.31)	(46.91)
182-day bill	2,022.00		19,981.00		132,476.00		6,451.73	563.01
364-day bill	30,712.00		4,750.00		59,850.00		94.87	1,160.00
Amount Sold (Mn.Birr)	**422,633.54**		**234,839.09**		**238,799.55**		**(43.50)**	**1.69**
Banks	650.00		5,980.00		97,130.41		14,843.14	1,524.25
Non-Banks	421,983.54		228,859.09		141,669.15		(66.43)	(38.10)
Average Weighted Price for Successful bids(Birr)	**98.80**		**97.89**		**96.37**		**(2.46)**	**(1.55)**
28-day bill	99.94		99.69		99.48		(0.46)	(0.21)
91-day bill	99.70		98.94		97.97		(1.73)	(0.98)
182-day bill	99.68		97.66		96.29		(3.40)	(1.40)
364-day bill	95.87		95.25		91.74		(4.31)	(3.69)
Average Weighted Yeild for Successful bids(%)	**1.74**		**4.54**		**7.97**		**357.70**	**75.71**
28-day bill	0.80		4.04		6.83		755.58	68.97
91-day bill	1.20		4.29		8.30		589.53	93.20
182-day bill	0.64		4.81		7.72		1,108.71	60.61
364-day bill	4.32		5.00		9.03		108.85	80.65
Outstanding bills at the end of period(Mn.Br.)	**138,054.36**	**Share %**	**23,724.00**	**Share %**	**116,559.95**	**Share %**	**(15.57)**	**391.32**
Banks	650.00	0.47	5,604.00	23.62	52,040.00	44.65		
Non-Banks	137,404.36	99.53	18,120.00	76.38	64,519.95	55.35	(53.04)	256.07
Public Servants Social Security Agency	72,015.56	52.16	11,690.00	49.27	43,869.95	37.64	(39.08)	275.28
Development Bank of Ethiopia	30,216.00	21.89	-	-	-	-	(100.00)	-
Private Organizations' Employees Social	31,841.80	23.06	6,430.00	27.10	20,600.00	17.67	(35.31)	220.37
Other Non-Bank Institutions	3,331.00	2.41	-	-	50.00	0.04	(98.50)	-

Source NBE.

Fig IV.9: Annual trends of T- Bills Market and its weighted Yield



4.5.2. Corporate Bond Market

CBE's corporate bond purchase during 2020/21 dropped 39.2 percent to Birr 43.8 billion.

At the same time, total amount of corporate bond redeemed stood at Birr 8.5 Billon, with Addis Ababa city administration, Ethiopian Electric power & Ethiopian Electric Utility and regional governments being the major issuers (Table 4.16).

As a result, total outstanding bond holding registered showed 9.8 perent annual growths and reached Birr 444.9 billion at the end of the fiscal year. The share of EEPA & EEU in outstanding corporate bond was 72.13 percent, while that of Ethio Railway Corporation, Addis Ababa City Administration and regional states stood at 16.05 percent, 11.72 percent and 0.11 percent, respectively.

Table 4.16: Disbursement, Redemption and Outstanding of Coupon and Corporate Bond of CBE

(In Millions of Birr)

Particulars	Annual			Percentage Change
	2018/19	2019/20	2020/21	
	Actual	A	B	B/A
1. Corporate Bond Purchases by holders	**71,800.00**	**71,971.84**	**43,768.87**	**-39.19**
EEPCO and EEU	47,800.00	47,716.23	19,856.55	**-58.39**
Regional governments		-	0.00	-
Development Bank of Ethiopia	0.00	-	0.00	-
City Government of Addis Ababa	9,000.00	2,700.00	13,587.37	-
Railway Corporation	15,000.00	21,555.61	10,324.95	
Private Sector	-	-		-
2. Redemption of Bonds by Clients	**24,644.62**	**21,796.64**	**8,496.49**	**-61.0**
EEPCO and EEU	228.75	5,156.04	1,316.56	-74.5
Regional governments	20.29	52.65	38.07	-27.7
Development Bank of Ethiopia			0.00	-
City Government of Addis Ababa	23,112.35	8,712.39	7,141.87	-18.0
Railway Corporation	1,283.24	7,875.56	0.00	-
Private Sector	-			-
3. Outstanding Bonds by Clients	**338,580.36**	**405,235.41**	**444,871.73**	**9.8**
EEPCO and EEU	263,921.3	302,345.73	320,885.72	6.1
Regional governments	568.7	516.02	467.59	-9.4
Development Bank of Ethiopia	-	-	-	0.0
City Government of Addis Ababa	31,184.7	45,686.69	52,132.19	14.1
Railway Corporation	42,905.7	56,686.98	71,386.23	25.9
Private Sector	-	-	-	-

Source: Commercial Bank of Ethiopia

4.5.3. Inter-bank Money Market

There has been no interbank money market transaction during the review period.

DEVELOPMENTS IN EXTERNAL SECTOR

V. DEVELOPMENTS IN EXTERNAL SECTOR

5.1. Overall Balance of Payments

The overall balance of payments registered USD 298.7 million in surplus in 2020/21 compared to USD 833.4 million deficit a year earlier. This positive development was attributed to lower deficit in goods trade, recovery of service account balance and higher net private transfers despite decline in net official transfers and net capital account inflows.

Services in account registered USD 29.7 million in surplus in contrast to USD 219 million deficit while merchandise trade deficit narrowed by 2 percent. In addition, net private transfers increased by 18 percent whereas official transfers slumped by 10.2 percent. As a result, the current account deficit (including official transfers) showed a 28.3 percent contraction to USD 3.2 billion and its share in GDP stood at 2.8 percent (Table 5.1).

Table 5.1: Balance of Payments[1]

(In Millions of USD)

S/N	Particulars	2018/19	2019/20*	2020/21	Percentage Change	
		A	B	C	B/A	C/B
1	**Exports, f.o.b.**	**2,666.5**	**2,987.7**	**3,617.0**	**12.0**	**21.1**
	Coffee	764.1	855.9	909.4	12.0	6.3
	Other	1,902.4	2,131.8	2,707.6	12.1	27.0
2	**Imports**	**15,112.0**	**13,881.3**	**14,287.9**	**-8.1**	**2.9**
	Fuel	2,600.7	2,088.1	1,940.8	-19.7	-7.1
	Cereals	598.7	843.2	1,336.7	40.8	58.5
	Aircraft	870.3	65.9	130.4	-92.4	97.8
	Imports excl. fuel, cereals, aircraft	11,042.3	10,884.1	10,879.9	-1.4	0.0
3	**Trade Balance (1-2)**	**-12,445.5**	**-10,893.6**	**-10,670.9**	**-12.5**	**-2.0**
4	**Services, net**	**-564.4**	**-219.0**	**29.7**	**-61.2**	**-113.5**
	Non-factor services, net	39.0	393.7	586.9	910.7	49.1
	Exports of non-factor services	4,948.9	4,686.4	4,894.6	-5.3	4.4
	Imports of non-factor services	4,910.0	4,292.7	4,307.7	-12.6	0.4
	Income, net	-603.3	-612.7	-557.2	1.5	-9.1
	O/w Gross official int. payment	682.8	654.4	564.9	-4.2	-13.7
	Dividend, net			-0.1		
5	**Private transfers, net**	**5,975.2**	**5,185.7**	**6,118.4**	**-13.2**	**18.0**
	o/w: Private Individuals	5,292.4	4,275.1	4,931.3	-19.2	15.4
6	**Current account balance excluding off. Transfers (3+4+5)**	**-7,034.7**	**-5,926.9**	**-4,522.8**	-15.7	-23.7
7	**Official transfers, net**	**2,086.7**	**1,525.0**	**1,368.9**	**-26.9**	**-10.2**
8	**Current account balance including official transfers(6+7)**	**-4,948.0**	**-4,401.9**	**-3,153.9**	**-11.0**	**-28.3**
9	**Capital account**	**4,822.4**	**4,326.5**	**3,818.6**	**-10.3**	**-11.7**
	Off. Long-term Cap., net	1,645.7	2,613.4	893.7	58.8	-65.8
	Disbursements	1,841.7	2,821.2	1,018.0	53.2	-63.9
	Amortization	196.0	207.8	124.3	6.0	-40.2
	Other pub. long-term cap.	-249.0	-720.9	-848.7	189.6	17.7
	Private sector, long term	264.2	164.3	153.4	-37.8	-6.6
	Foreign Direct Investment(net)	3,015.4	2,419.2	3,955.4	-19.8	63.5
	Short-term Capital	146.1	-149.4	-335.3	-202.3	124.4
10	**Errors and Omissions [11-(9+8)]**	**-816.1**	**-758.0**	**-365.9**		
11	**Overall balance (-13)**	**-941.6**	**-833.4**	**298.7**		
12	**Financing (13+16)**	**941.6**	**833.4**	**-298.7**		
13	Reserves [Increase(-), Decrease (+)] (14+15)	941.6	833.4	-298.7		
14	Central Bank (NFA)	916.7	770.1	386.4		
	Asset	-567.8	304.5	244.0		
	Liabilities	1,484.5	465.6	142.4		
15	Commercial banks (NFA)	25.0	63.3	-685.1		
16	Debt Relief					
	Principal					
	Interest					

Source: NBE Staff Compilation

[1] *2020/21 data are Preliminary*

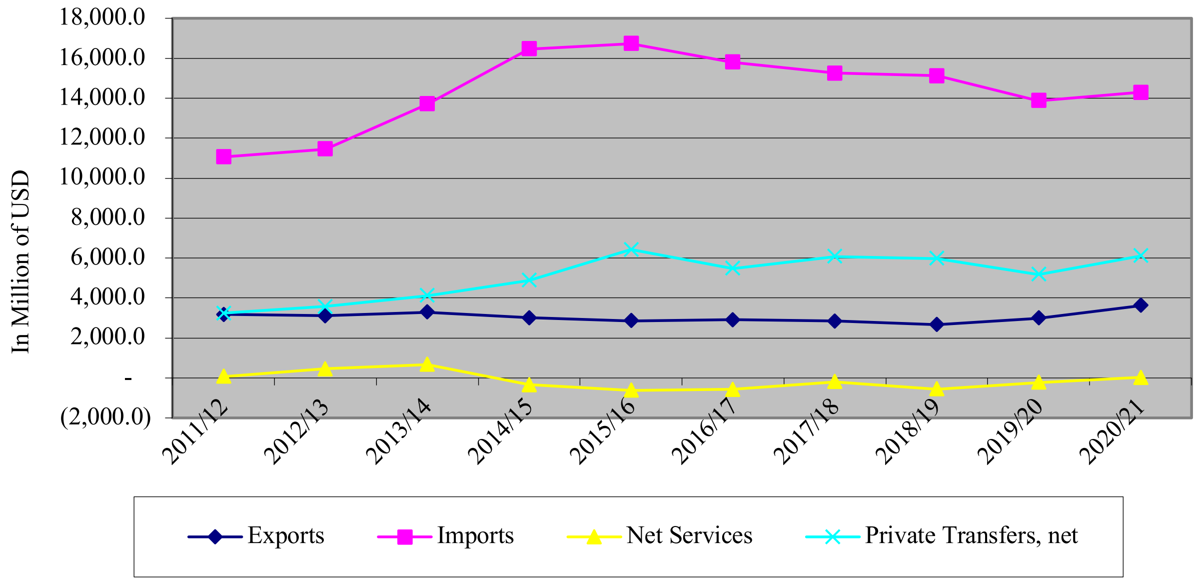
**Some items are revised*

Table 5.2: Components of Current Account as Percentage of GDP

Particulars	2018/19	2019/20	2020/21	Percentage Change	
	A	B	C	B/A	C/B
Trade Balance	-13.0	-10.1	-9.6	-22.0	-5.2
Net Services	-0.6	-0.2	0.03	-65.4	-113.1
Net Private Transfers	6.2	4.8	5.5	-22.7	14.2
Net Private Transfers	2.2	1.4	1.2	-34.9	-13.1
Current Account Deficit (excluding official transfers)	-7.3	-5.5	-4.1	-25.0	-26.2
Current Account Deficit (including official transfers)	-5.2	-4.1	-2.8	-20.8	-30.7

Source: NBE Staff Compilation

Fig. V.1 Trends in Components of Current Account



Source: NBE Staff Computations

5.2. Developments in Merchandise Trade

5.2.1 Balance of Trade

In 2020/21, merchandise trade balance recorded USD 10.7 billion which was slightly lower than USD 10.9 billion in the preceding year as the increase in goods export earnings outweighed the rise in import bill. Hence, merchandise trade deficit as a proportion of GDP stood at 9.6 percent compared to 10.1 percent a year ago.

5.2.2 Merchandise Export

Total merchandise export in 2021/21 amounted to USD 3.6 billion showing a 21.1 percent annual growth owing to higher export earnings from coffee (6.3 percent), gold (242 percent), flower (11.4 percent), chat (24.1 percent), electricity (36.2 percent), fruits & vegetables (17.7 percent) and meat & meat products (11.7 percent).

The increase in export earnings from coffee stood at USD 909.4 million driven by 15.9 percent rise in international price despite 8.3 percent drop in its export volume. The share of coffee in total merchandise export revenue declined to 25.1 percent from 28.6 percent last year.

Likewise, gold export generated USD 672 million which was 242 percent higher than the preceding year. This was attributed to a 187.7 percent increase in volume and 18.9 percent in international price. NBE's revision of the gold purchase price was the main reason for higher performance in gold export. As a result, the share in gold in total merchandise export significantly improved to 18.6 percent from 6.6 percent last year.

In the same way, export revenue from flower grew 11.4 percent and reached USD 470 million as both export volume and world price increased 7.6 and 3.6 percent, respectively. However, the share of flower in total export earnings declined to 13.0 percent from 14.1 percent a year ago.

Receipts from chat export amounted to USD 402.5 million depicting a 24.1 percent annual growth due to a 24.6 percent increase in export volume despite 0.5 percent fall in international price. Thus, the share of chat total export earning stood at 11.1 percent.

Earnings from export of electricity went up 36.2 percent to USD 90.5 million owing to 43.0 percent rise in export volume in spite of 4.7 percent decline in international price. Accordingly, its share in total merchandise export earnings slightly improved to 2.5 percent from 2.2 percent last year.

Revenue from export of fruits & vegetables increased 17.7 percent as export volume rose 16.0 percent and international price 1.5 percent. However, their share in total merchandise export receipts slightly declined to 1.9 percent from 2.0 percent a year earlier.

Receipts from meat & meat product export went up 11.7 percent over last year wholly driven by 14.1 percent increase in export volume despite a 2.1 percent drop in international price. However, their share in total export revenue constituted just 2.1 percent.

On the other hand, export earnings from oilseeds declined 2.7 percent and stood at USD 335.5 million due to a 6.3 percent fall in world price although its export volume increased 3.8 percent. Hence, revenue from oil seeds accounted for 9.3 percent of the total merchandise export earnings.

Proceeds from pulses export slightly dropped (0.4 percent) and generated USD 233.8 million as export volume declined 20.7 percent despite a 25.6 percent increase in international price. As a result, its share in total merchandise export decreased to 6.5 percent from 7.9 percent in the previous year.

Earnings from exports of leather & leather products recorded a 49.4 percent decline due to the fall in export volume (35.5 percent) and international price (21.5 percent). Consequently, the share of leather and leather products in total merchandise export shrank to 1.0 percent from 2.4 percent last year.

Similarly, receipts from textile & textile products fell 12.9 percent wholly on account of 17.4 percent decline in international price. The share of textile & textile products in total exports accounted for 4.1 percent compared to 5.7 percent a year ago.

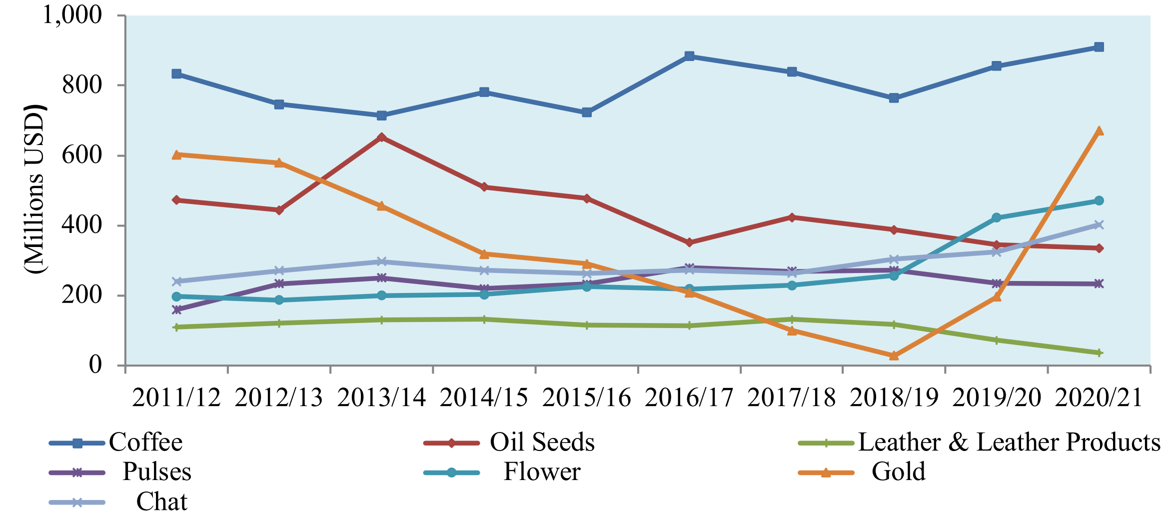
Export earnings from live-animals decreased 17.0 percent owing to 10.7 percent decline in export volume and 7.1 percent in international price. Thus, the share of live-animals in total merchandise export decreased to 1.2 percent from 1.8 percent a year ago.

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

Particulars	2018/19		2019/20		2020/21		Percentage Change	
	A	%share	B	%share	C	%share	B/A	C/B
Coffee	764.1	28.7	855.9	28.6	909.4	25.1	12.0	6.3
Oilseeds	387.8	14.5	345.0	11.5	335.5	9.3	-11.0	- 2.7
Leather and Leather products	117.4	4.4	72.0	2.4	36.5	1.0	-38.6	-49.4
Pulses	272.3	10.2	234.8	7.9	233.8	6.5	-13.8	- 0.4
Meat & Meat Products	88.6	3.3	67.4	2.3	75.3	2.1	-23.9	11.7
Fruits & Vegetables	60.9	2.3	58.8	2.0	69.3	1.9	- 3.4	17.7
Textile & Textile Prod.	152.9	5.7	168.9	5.7	147.1	4.1	10.5	-2.9
Live Animals	45.8	1.7	54.1	1.8	44.9	1.2	18.1	-17.0
Chat	303.6	11.4	324.4	10.9	402.5	11.1	6.9	24.1
Gold	27.9	1.0	196.5	6.6	672.0	18.6	604.5	242.0
Flower	256.6	9.6	422.3	14.1	470.6	13.0	64.6	11.4
Electricity	55.8	2.1	66.4	2.2	90.5	2.5	19.2	36.2
Others	132.9	5.0	121.1	4.1	129.5	3.6	- 8.9	7.0
Total Export	**2,666.5**	**100.0**	**2,987.7**	**100.0**	**3,617.0**	**100.0**	**12.0**	**21.1**

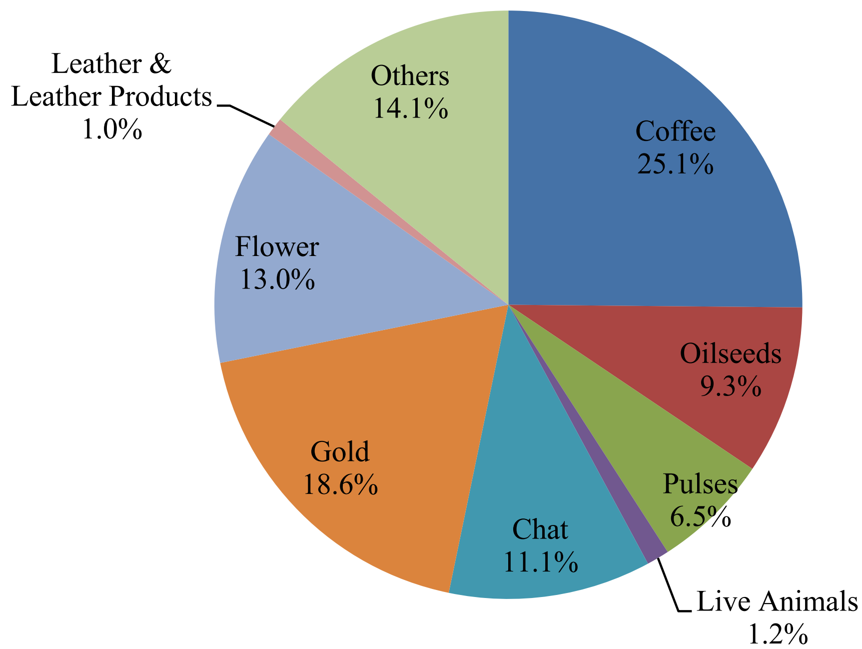
Source: Ethiopian Customs Commission and Ethiopian Electric Power

Fig.V.2: Foreign Exchange Earnings from Selected Export Items



Source: NBE Staff Computation

Fig.V.3: Export Share of Selected Commodities (2020/21)



Source: NBE Staff Computation

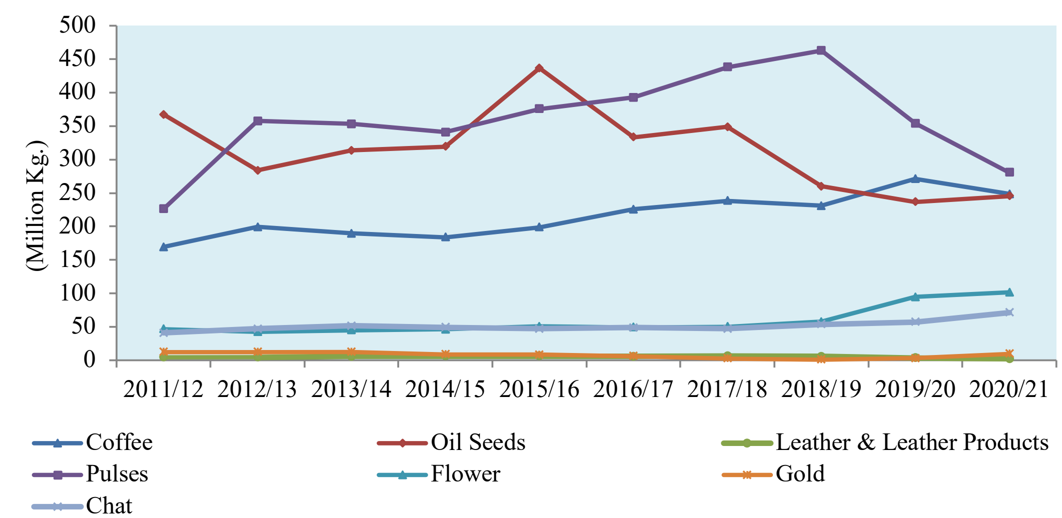
Table 5.4: Volume of Major Exports

(In millions of kg unless stated otherwise)

Particulars	2018/19	2019/20	2020/21	Percentage Change	
	A	B	C	B/A*100-100	C/B*100-100
Coffee	230.93	271.11	248.65	17.40	-8.28
Oilseeds	260.00	236.50	245.48	-9.04	3.79
Leather and Leather Products	5.59	3.55	2.29	-36.48	-35.50
Pulses	462.82	354.01	280.60	-23.51	-20.74
Meat & Meat Products	17.72	12.82	14.63	-27.65	14.13
Fruits & Vegetables	175.62	191.18	221.70	8.86	15.96
Textile & Textile Prod.	19.89	22.80	24.05	14.63	5.47
Live Animals	24.35	29.40	26.26	20.74	-10.66
Chat	53.57	57.14	71.21	6.67	24.63
Gold(*In mn. of grams*)	0.82	3.32	9.56	306.55	187.68
Flower	57.85	94.39	101.58	63.17	7.62
Electricity(In mn of kwh)	968.59	1,145.25	1,637.22	18.24	42.96

Source: Ethiopian Customs Commission and Ethiopian Electric Power

Fig.V.4 Export Volume of Selected Commodities



Source: NBE Staff Computation

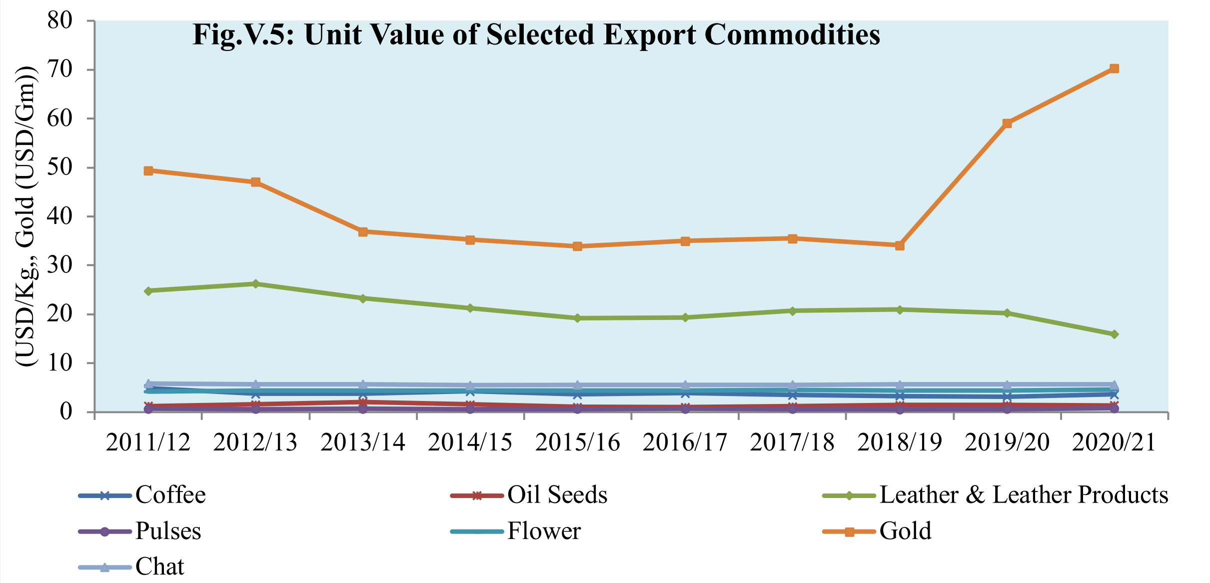
Table 5.5: Unit Value of Major Export Items

(In USD/kg unless stated otherwise)

Particulars	2018/19	2019/20	2020/21	Percentage Change	
	A	B	C	B/A*100-100	C/B*100-100
Coffee	3.31	3.16	3.66	-4.59	15.85
Oilseeds	1.49	1.46	1.37	-2.20	-6.30
Leather and Leather Products	20.99	20.28	15.92	-3.40	-21.49
Pulses	0.59	0.66	0.83	12.74	25.62
Meat & Meat Products	5.00	5.26	5.15	5.14	-2.11
Fruits & Vegetables	0.35	0.31	0.31	-11.22	1.51
Textile & Textile Prod.	7.69	7.41	6.12	-3.62	-17.40
Live Animals	1.88	1.84	1.71	-2.17	-7.09
Chat	5.67	5.68	5.65	0.18	-0.47
Gold(*USD/grams*)	34.12	59.12	70.28	73.28	18.88
Flower	4.44	4.47	4.63	0.85	3.56
Electricity(USD/kwh)	0.06	0.06	0.06	0.80	-4.70

Source: Ethiopian Customs Commission and Ethiopian Electric Power

Fig.V.5: Unit Value of Selected Export Commodities



Source: NBE Staff Computation

5.2.3. Import of Goods

In 2020/21, total merchandise import bill reached USD 14.3 billion depicting 2.9 percent increase over last fiscal year solely due to higher imports of consumer goods. Hence, import of goods to GDP ratio stood at 12.8 percent.

Consumer goods import bill stood at USD 5.5 billion, about 36.4 percent higher than last year due to a 51.1 percent surge in imports of non-durable goods despite 12.8 percent reduction in imports of durable goods. As a result, the share of consumer goods in total imported goods increased to 38.3 percent from 28.9 percent of in 2019/20.

Payments for capital goods imports dropped 5.9 percent owing to higher import values of transport goods (12 percent) and industrial capital goods (4.5 percent). Imports of agricultural capital goods, however, rose 1.5 percent. Hence, the share of capital goods in total merchandise imports slowed down to 27.2 percent from 29.7 percent a year ago.

Likewise, import value of fuel declined 7.1 percent to USD 1.9 billion on account of the fall in international price (5.2 percent) and import volume (1.9 percent). Hence, its share in total merchandise import contracted to 13.6 percent from 15.0 percent last year.

Similarly, USD 2.7 million was paid for imports of semi-finished goods, which showed a 13.8 percent declined despite 15.2 percent increase in import of fertilizer. As a result, semi-finished goods accounted for 18.8 percent of the total merchandise import which was lower than the 22.4 percent share in 2019/20.

In the same way, import bill of raw materials declined 14.3 percent and accounted for 1.0 percent of the total goods import payment made a year ago (Table 5.6).

Table 5.6: Value of Imports by End Use *(In Millions of USD)*

Categories	2018/19		2019/20		2020/21		Percentage change	
	A	% share	B	% share	C	% share	B/A	C/B
Raw Materials	**151.5**	**1.0**	**162.2**	**1.2**	**138.9**	**1.0**	**7.0**	**-14.3**
Semi-finished Goods	**2,778.8**	**18.4**	**3,110.7**	**22.4**	**2,681.0**	**18.8**	**11.9**	**-13.8**
Fertilizers	499.7	3.3	597.8	4.3	688.6	4.8	19.6	15.2
Fuel	**2,600.7**	**17.2**	**2,088.1**	**15.0**	**1,940.8**	**13.6**	**-19.7**	**-7.1**
Petroleum Products	2,493.4	16.5	2,003.7	14.4	1,839.3	12.9	-19.6	-8.2
Others	107.3	0.7	84.3	0.6	101.3	0.7	-21.4	20.1
Capital Goods	**5,030.6**	**33.3**	**4,122.0**	**29.7**	**3,879.7**	**27.2**	**-18.1**	**-5.9**
Transport	1,429.2	9.5	397.6	2.9	349.9	2.4	-72.2	-12.0
Agricultural	58.6	0.4	88.2	0.6	89.5	0.6	50.7	1.5
Industrial	3,542.9	23.4	3,636.2	26.2	3,440.3	24.1	2.6	-5.4
Consumer Goods	**4,273.1**	**28.3**	**4,010.6**	**28.9**	**5,472.4**	**38.3**	**-6.1**	**36.4**
Durables	1,200.7	7.9	920.5	6.6	803.1	5.6	-23.3	-12.8
Non-durables	3,072.3	20.3	3,090.1	22.3	4,669.3	32.7	0.6	51.1
Miscellaneous	**277.2**	**1.8**	**387.8**	**2.8**	**175.0**	**1.2**	**39.9**	**-54.9**
Total Import	**15,112.0**	**100.0**	**13,881.3**	**100.0**	**14,287.9**	**100.0**	**-8.1**	**2.9**

Source: Ethiopian Customs Commission and Ethiopian Petroleum Enterprise

5.2.4. Direction of Trade

5.2.4.1. Export of Goods

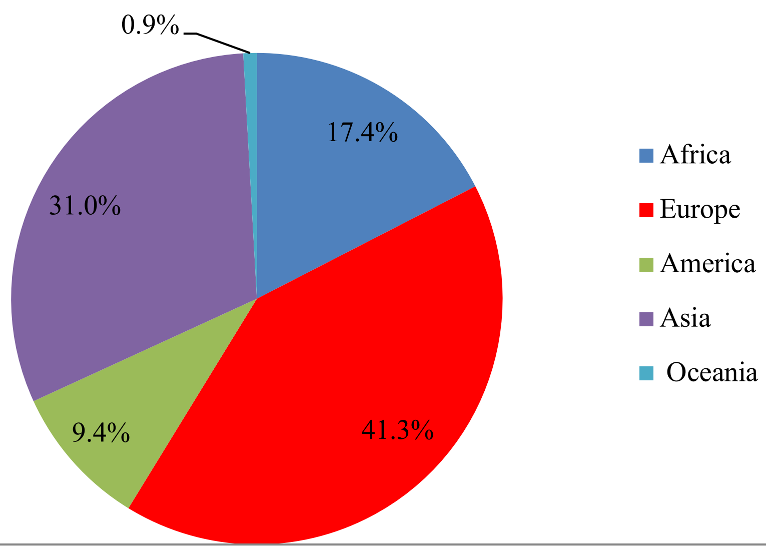
The major destinations for Ethiopian merchandise export during 2019/20 were Asia, Europe and Africa. Europe accounted for 41.3 percent of Ethiopia's total export of goods. Switzerland was the largest market for Ethiopia's export with a 45.4 percent share in total export earnings followed by the Netherlands (19.7 percent), Germany (8.9 percent), Belgium (6.1 percent), Italy (3.2 percent), United Kingdom (2.2 percent), France (1.9 percent), Turkey (1.5 percent) and Spain (1.0 percent). These countries had 89.9 percent share in Ethiopia's total export of goods to Europe during 2019/20.

Asia had a 31.0 percent share in Ethiopia's total export of goods, with exports to Saudi Arabia accounting for 18.7 percent, followed by United Arab Emirates (14.7 percent), India (6.7 percent), Japan (6.6 percent), South Korea (6.1 percent), China (6.0 percent), Israel (6.0 percent), Singapore (4.5 percent), Indonesia (2.8 percent), Yemen (2.8 percent) and Taiwan (1.7 percent). These countries altogether constituted 76.6 percent of Ethiopia's total export to Asia.

Ethiopia's export destined to African countries had a 17.4 percent share. The exports were mainly to Somalia (33.5 percent), Djibouti (15.0 percent), Sudan (13.5 percent), Kenya (1.5 percent), South Africa (1.0 percent), Nigeria (1.0 percent) and Egypt (0.8 percent), which altogether accounted for 66.2 percent of the total export of goods to Africa.

America constituted 9.4 percent of Ethiopia's total goods export of which, 81.2 percent went to the United States, 5.0 percent to Canada and 0.6 percent to Mexico. These countries accounted for 86.8 percent Ethiopia's total export of goods to America.

Fig.V.6: Export by Destination (2020/21)



Source: NBE Staff Compilation

5.2.4.2 Import of Goods

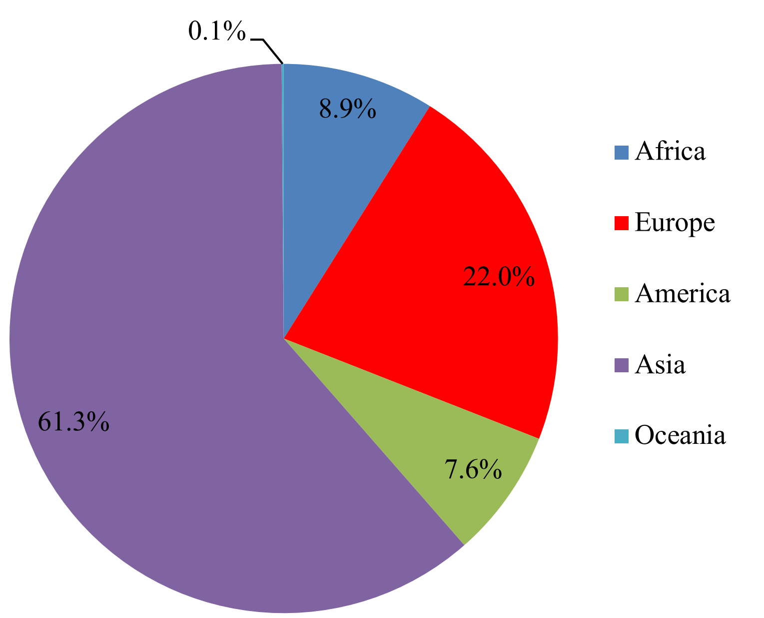
Ethiopia's imports largely originated from Asia, which accounted for 61.3 percent of the total imports of the country. These include imports from China (37.3 percent), India (20.1 percent), U.A.E (10.7 percent), Malaysia (7.0 percent), Saudi-Arabia (5.6 percent), Kuwait (5.3 percent), Indonesia (3.7 percent), South Korea (2.5 percent), Singapore (1.6 percent) and Thailand (1.5 percent) which altogether constituted 95.4 percent of the total Ethiopian imports from Asia.

Ethiopia's, imports from Europe accounted for 22.0 percent of the total imports with the major imports being from countries including Turkey (24.0 percent), Ukraine (12.8 percent), Italy (10.9 percent), United Kingdom (9.0 percent), Germany (6.9 percent), France (6.0 percent), Belgium (6.0 percent), Russia (3.8 percent), Rumania (3.5 percent), the Netherlands (3.1 percent), Switzerland (2.4 percent) and Spain (2.0 percent), which jointly had 90.5 percent share in of Ethiopia's total imports from Europe.

Ethiopia imported about 8.9 percent of its total merchandise imports from Africa, the major origins being Morocco (45.8 percent), Egypt (22.2 percent), South Africa (11.3 percent), Djibouti (10.9 percent), Kenya (4.4 percent) and Sudan (2.3 percent), which in contribution constituted 97.0 percent of the total imports from the African continent.

Imports from America accounted for 7.6 percent of Ethiopia's total imports, with the United States having 88.4 percent share followed by Canada (4.3 percent) and Brazil (4.1 percent).

Fig.V.7: Import By Origin (2020/21)



Source: NBE Staff Compilation

5.3 Services and Transfers

5.3.1 Services

During 2020/21, net services account recorded USD 29.7 million in surplus compared with USD 219 million deficit last year. This was attributed to the significant improvement in travel service (106.4 percent) and government services (170.1 percent). However, the surplus in transport service declined by 17.5 percent while the deficit in other services and investment income widened by 12 percent and 9.1 percent, respectively.

Table 5.7 Services Accounts (In Millions of USD)

No	Particulars	2018/19	2019/20	2020/21	Percentage Change	
		A	B	C	D=B/A	E=C/B
1	**Investment Income (2+5)**	**-603.3**	**-612.7**	**-557.2**	**1.5**	**-9.1**
2	Interest, net (3-4)	-603.3	-612.7	-557.1	1.5	-9.1
3	Credit	79.5	41.7	7.8	-47.5	-81.4
4	Debit	682.8	654.4	564.9	-4.2	-13.7
5	Dividend, net			-0.1		
6	**NON-FACTOR SERVICES, net (7-8)**	**39.0**	**393.7**	**586.9**	**910.7**	**49.1**
7	Exports of non-factor services	4,948.9	4,686.4	4,894.6	-5.3	4.4
	Travel	868.1	853.8	1,124.8	-1.6	31.7
	Transport [1]	3,420.8	3,381.4	3,233.9	-1.2	-4.4
	Gov't [2]	354.6	131.0	184.9	-63.1	41.2
	Other [3]	305.4	320.2	351.0	4.8	9.6
8	Imports of non-factor services	4,910.0	4,292.7	4,307.7	-12.6	0.4
	Travel	646.2	521.0	437.9	-19.4	-16.0
	Transport [1]	2,775.9	2,489.0	2,497.2	-10.3	0.3
	Gov't [2]	71.8	71.0	23.0	-1.1	-67.6
	Other [3]	1,416.1	1,211.7	1,349.6	-14.4	11.4
9	**Net Services (10+11+12+13+14)**	**-564.4**	**-219.0**	**29.7**	**-61.2**	**-113.5**
10	Travel	221.9	332.8	686.9	50.0	106.4
11	Transport	644.9	892.5	736.7	38.4	-17.5
12	Gov't	282.8	59.9	161.9	-78.8	170.1
13	Other	-1,110.7	-891.5	-998.6	-19.7	12.0
14	Investment Income	-603.3	-612.7	-557.2	1.5	-9.1

Source: MoF, Transport and Telecommunication Companies, NBE- FEMEMD and Staff Compilation.

1/ Includes Ethiopian Airlines receipts and payments

2/ Includes transactions with Embassies and international organizations such as UN-ECA, AU, EU, IMF and WB

3/ Includes communication, construction, insurance, financial, information, other business

5.3.2. Unrequited Transfers

Net unrequited transfers grew 11.6 percent in 2020/21 and amounted to USD 7.5 billion, as net private transfers rose 18 percent outweighing the 10.2 percent reduction in net official transfers.

Meanwhile, transfers from private individuals, which comprised of 64.5 percent of total transfers during the period, registered 15.4 percent growth, net official transfers dropped 10.2 percent.

Table 5.8: Unrequited Transfers

(In Millions of USD)

S/N	Particulars	2018/19 A	2018/19 % share	2019/20 B	2019/20 % share	2020/21 C	2020/21 % share	Percentage Change B/A	Percentage Change C/B
1	**Private Transfers, net**	**5,975.2**	**74.1**	**5,185.7**	**77.3**	**6,118.4**	**81.7**	**-13.2**	**18.0**
1.1	Receipts	5,993.4	73.7	5,210.4	76.2	6,140.0	80.3	-13.1	17.8
	NGO's	**701.0**	**8.6**	**935.3**	**13.7**	**1,208.6**	**15.8**	**33.4**	**29.2**
	Cash	561.7	6.9	532.7	7.8	715.6	9.4	-5.2	34.3
	Food	139.3	1.7	402.6	5.9	493.1	6.4	189.0	22.5
	Other								
	Private Individuals	**5,292.4**	**65.0**	**4,275.1**	**62.5**	**4,931.3**	**64.5**	**-19.2**	**15.4**
1.2	Payments	18.2	24.5	24.6	18.9	21.5	13.3	35.5	-12.6
2	**Official Transfers, net**	**2,086.7**	**25.9**	**1,525.0**	**22.7**	**1,368.9**	**18.3**	**-26.9**	**-10.2**
2.1	Receipts	2,142.6	26.3	1,630.8	23.8	1,509.6	19.7	-23.9	-7.4
	Cash	2,133.5	26.2	1,630.8	23.8	1,509.4	19.7	-23.6	-7.4
	Food	3.2		-		-			
	Other	6.0		-		0.1		-100.0	
2.2	Payments	55.9	75.5	105.8	81.1	140.7	86.7	89.1	33.0
	Total Receipts	8,136.0	100.0	6,841.2	100.0	7,649.6	100.0	-15.9	11.8
	Total Payments	74.1	100.0	130.4	100.0	162.3	100.0	76.0	24.4
3	**Net Transfers**	**8,061.9**	**100.0**	**6,710.7**	**100.0**	**7,487.3**	**100.0**	**-16.8**	**11.6**

Source: National Disaster Risk Management Commission, MoF and NBE

5.4. Current Account

In 2020/21, current account deficit, including official transfers, narrowed to USD 3.2 billion from USD 4.4 billion last year as merchandise trade deficit contracted a deficit in net services turned to a surplus, and net private transfers improved in contrast to slowdown in net official transfers.

5.5 Capital Account

Capital account recorded USD 3.8 billion in surplus, which was 11.7 percent lower than that of last year largely owing to the 65.8 percent decline in long term net official capital, 17.7 percent and 6.6 percent net private long term capital.

Foreign direct investment, however, registered 64.1 percent increment and reached USD 4 billion, (including USD 845 million receipt from Telecom privatization).

5.6 Changes in Reserve Position

Net foreign asset 5 of the banking system amounted to USD 298.7 million at the end of 2020/21 as net foreign assets of commercial banks increased to 685.1 million while that of the NBE showed a USD 386.4 million drawdown. Thus, gross international reserves as of June 30, 2021 was adequate to cover 2.2 months of imports of goods and non-factor services.

5.7 External Debt

By end of 2020/21, Ethiopia's external debt stock reached USD 29.5 billion, depicting a 2.2 percent annual growth mainly due to increased debt (8 percent) owed to multilateral creditors although debt from bilateral and commercial sources declined by 7.4 percent and 7.6 percent, respectively. Hence, the country's external debt stock to GDP ratio stood at 26.5 percent. Commercial debt stock reached USD 3.3 billion, showing 7.6 percent year-on-year reduction and accounting for 11.3 percent of the total debt stock. Of the total debt stock, 66 percent was owed to multilateral and 22.7 percent to bilateral creditors. However, the external debt burden, measured by debt services to export of goods and non-factor services ratio, decreased to 21.7 percent from 26.1 percent last year.

Table 5.9: External Public Debt

(In Millions of USD)

Particulars	2018/19	2019/20	2020/21	Percentage Change	
	A	B	C	D=B/A	E=C/B
Annual Debt	**2,812.0**	**3,328.3**	**1,411.1**	**18.4**	**-57.6**
Debt Stock	**27,076.2**	**28,894.6**	**29,537.4**	**6.7**	**2.2**
Multilateral	15,973.9	18,037.5	19,488.2	12.9	8.0
Bilateral	7,290.1	7,242.4	6,708.6	-0.7	-7.4
Commercial	3,812.2	3,614.7	3,340.7	-5.2	-7.6
Debt Services	**2,036.2**	**2,003.3**	**1,843.9**	**-1.6**	**-8.0**
Principal repayments	1,406.8	1,396.3	1,370.0	-0.7	-1.9
Interest payments	629.4	607.0	473.9	-3.6	-21.9
Debt Stock to GDP Ratio (in %)	**28.2**	**26.8**	**26.5**	**-4.9**	**-1.1**
Debt stock to export of goods and non-factor services	**3.6**	**3.8**	**3.5**	**5.9**	**-7.8**
Receipt from Goods & Non-factor Services	**7,615.4**	**7,674.0**	**8,511.5**	**0.8**	**10.9**
Debt service ratio (In percent)1/	**26.7**	**26.1**	**21.7**	**-2.4**	**-17.0**
Arrears					
Principal					
Interest					
Relief					
Principal					
Interest					

Source: MoF and NBE

1/ Ratio of debt service to receipts from export of goods and non-factor services

5.8 Developments in Foreign Exchange Markets

5.8.1. Developments in Nominal Exchange Rate

Weighted average exchange rate of the Birr in the inter-bank foreign exchange market was Birr 39.0163/USD at the end of 2020/21 showing a 24.9 percent annual depreciation (Table 5.10).

In the retail foreign exchange market, the average buying and selling rates of the Birr depreciated by 26.2 and 26.7 percent, respectively resulting in a 2.1 percent spread between the two rates.

Table 5.10: Inter-Bank Exchange Rates of Birr per USD

Period	Average Weighted Rate	Amount Traded in millions of USD		Number of Trades	
		Total	o/w Among CBs	Total	o/w Among CBs
2018/19	**28.0543**	**12.6**	**0.0**	**251.0**	**0.0**
Qtr. I	27.4295	3.1	0.0	62.0	0.0
Qtr. II	27.8137	3.3	0.0	65.0	0.0
Qtr. III	28.2700	3.2	0.0	63.0	0.0
Qtr. IV	28.7039	3.1	0.0	61.0	0.0
2019/20	**31.3427**	**12.6**	**0.0**	**256.0**	**0.0**
Qtr. I	29.0947	3.2	0.0	64.0	0.0
Qtr. II	30.2107	3.3	0.0	66.0	0.0
Qtr. III	32.2146	3.1	0.0	62.0	0.0
Qtr. IV	33.8507	3.0	0.0	64.0	0.0
2020/21	**39.0163**	**12.4**	**0.0**	**248.0**	**0.0**
Qtr. I	35.7771	3.1	0.0	62.0	0.0
Qtr. II	37.8663	3.3	0.0	65.0	0.0
Qtr. III	39.8933	3.1	0.0	61.0	0.0
Qtr. IV	42.5284	3.0	0.0	60.0	0.0

Source: NBE, Foreign Exchange Monitoring & Reserve Management Directorate and EEAIRD Staff Compilation

Table 5.11: End Period Mid-Market Rates

(USD per Unit of Foreign Currency)

Currency	2018/19	2019/20	2020/21	Percentage Change	
	A	B	C	B/A	C/B
Pound Sterling	1.2701	1.2322	1.3834	-2.98	12.27
Swedish Kroner	0.1078	0.1076	0.1173	-0.19	8.99
Djibouti Franc	0.0056	0.0056	0.0056	0.01	0.00
Swiss Franc	1.0226	1.0588	1.0855	3.54	2.53
Saudi Riyal	0.2666	0.2665	0.2666	-0.03	0.03
UAE Dirham	0.2722	0.2722	0.2722	0.00	0.00
Canadian Dollar	0.7615	0.7322	0.8080	-3.84	10.34
Japanese Yen	0.0093	0.0093	0.0090	0.62	-3.06
Euro	1.1371	1.1284	1.1902	-0.77	5.48
SDR	1.3896	1.3783	1.4286	-0.81	3.65

Source: Staff Compilation

On the other hand, at end period mid-market exchange rate, the US dollar depreciated against Pound Sterling (12.3 percent), Canadian Dollar (10.3 percent), Euro (5.5 percent), Swedish Kroner (9.0 percent), SDR (3.7 percent), Swiss Franc (2.5 percent) and Saudi Riyal (0.03 percent), while it appreciated against Japanese Yen (3.1 percent). Nevertheless, USD remained stable vis-à-vis Djibouti Franc and UAE Dirhams (Table 5.11).

Table 5.12: End Period Mid-Market Rates

(Birr per Unit of Foreign Currency)

Currency	2018/19	2019/20	2020/21	Percentage Change	
	A	B	C	B/A	C/B
USD	29.0555	35.1571	43.9095	21.00	24.89
Pound	36.9033	43.3216	60.7444	17.39	40.22
Swedish Kroner	3.1325	3.7833	5.1500	20.78	36.12
Djibouti Franc	0.1630	0.1973	0.2464	21.01	24.89
Swiss Franc	29.7121	37.2230	47.6655	25.28	28.05
Saudi Riyal	7.7471	9.3708	11.7077	20.96	24.94
UAE Dirhams	7.9095	9.5705	11.9531	21.00	24.89
Canadian Dollar	22.1257	25.7429	35.4767	16.35	37.81
Japanese Yen	0.2694	0.3280	0.3971	21.75	21.07
Euro	33.0390	39.6713	52.2610	20.07	31.74
SDR	40.3755	48.4571	62.7291	20.02	29.45

Source: Staff Compilation

Likewise, the Birr depreciated against all major international currencies, such as Pound Sterling (40.2 percent), Canadian Dollar (37.8 percent), Swedish Kroner (36.1 percent), Euro (31.7 percent), SDR (29.5 percent), Swiss Franc (28.1 percent), USD (24.9 percent), Djibouti Franc (24.9 percent), Saudi Riyal (24.9 percent), UAE Dirham (24.9 percent), and Japanese Yen (21.1 percent) (Table 5. 12).

5.8.2. Movements in the Real Effective Exchange Rates

The real effective exchange rate (REER) of the Birr has been appreciating since 2010/11 as result of higher domestic inflation and stronger US dollar relative to its major trading partners' currencies. However, the Birr exchange rate deprecated in real terms in 2017/18 and 2019/20 but it appreciated in 2018/19 and 2020/21. The Birr appreciated by 0.3 percent in 2020/21 as the gains from the surge in trading partners' price was neutralized by the rising domestic inflation and the appreciation of Birr vis-à-vis that of trading partners.

Meanwhile, the nominal effective exchange rate (NEER) of the Birr appreciated significantly by 80.1 percent compared to 8.9 percent depreciation in the preceding year due to a significant depreciation of Sudanese Pound vis-à-vis USD following the decision of the Central Bank of Sudan to float the currency (Table 5.13).

Table 5.13: Trends in Real and Nominal Effective Exchange Rates

Fiscal Year	REERI	NEERI	Percentage Change	
			REERI	NEERI
2011/12	139.4	43.2	13.5	0.7
2012/13	140.2	42.0	0.6	-2.7
2013/14	140.8	40.7	0.4	-3.3
2014/15	157.6	42.3	11.9	4.0
2015/16	159.3	41.2	1.1	-2.7
2016/17	171.2	41.8	7.5	1.6
2017/18	164.0	37.2	-4.2	-10.9
2018/19	198.6	42.4	21.1	13.9
2019/20	179.0	38.6	-9.9	-8.9
2020/21	179.5	69.6	0.3	80.1

Source: NBE Staff Compilation

An increase in REERI and NEERI indicates appreciation and vice versa.

***Where**: REERI = Real Effective Exchange Rate Index*

NEERI = Nominal Effective Exchange Rate Index

5.8.3. Foreign Exchange Transactions

In FY 2020/21, the amount of foreign exchange transacted in the inter-bank foreign exchange market was USD 12.4 million, showing 1.2 percent reduction relative to last year. All the foreign exchange traded in the inter-bank foreign exchange market was supplied by the National Bank of Ethiopia (Table 5.10).

During the same fiscal year, forex bureaus of commercial banks purchased USD 202 million from customers which was significantly lower than that of the preceding year. Similarly, their foreign exchange sales declined sharply by 63.2 percent to USD 92.4 million (Table 5.14).

Table 5.14: Foreign Exchange Transactions by Forex Bureaus of Commercial Banks

(In Millions of USD)

Name of Forex Bureau	2018/19		2019/20		2020/21		Percentage Change	
	A	B	C	D	E	F	E/C	F/D
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
Commercial Bank of Ethiopia	318.2	172.5	226.5	90.4	127.2	22.7	-43.8	-74.9
Bank of Abyssinia	16.3	29.4	7.1	18.5	2.5	9.1	-64.7	-50.7
Dashen Bank	26.2	29.9	15.8	22.0	15.0	12.7	-4.9	-42.4
Awash International Bank	28.0	45.9	6.2	38.3	3.5	12.9	-43.1	-66.2
Construction & Business Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wegagen Bank	27.2	15.0	12.1	6.4	4.4	2.7	-63.6	-57.5
United Bank	38.0	26.9	110.9	15.5	18.9	5.1	-83.0	-66.9
Development Bank	0.1	7.1	0.0	0.4	0.0	0.1	13.2	-75.2
Nib International Bank	10.2	7.5	3.4	5.4	3.0	2.8	-12.9	-47.7
Lion International Bank	65.8	5.3	53.8	4.1	4.1	0.3	-92.4	-93.5
Oromia International Bank	23.8	15.4	18.6	12.1	11.3	2.9	-39.4	-75.8
Zemen Bank	2.3	16.0	0.3	13.2	0.3	11.7	-8.8	-11.5
Cooperative Bank of Oromia	6.1	12.2	0.6	9.7	0.7	3.8	12.7	-61.0
Buna International Bank	20.1	4.3	6.2	1.9	1.3	0.5	-78.5	-72.8
Birhan International Bank	4.1	10.0	0.5	6.1	1.3	2.2	141.6	-64.3
Abay Bank	17.4	1.2	1.7	0.9	0.8	0.5	-53.3	-46.7
Addis International Bank	10.4	3.5	5.4	2.0	3.5	0.8	-36.0	-63.0
Debub Global Bank	1.5	1.9	5.5	1.7	3.9	0.8	-28.1	-53.3
Enat Bank	5.0	5.1	6.9	2.3	0.3	0.8	-95.6	-64.7
Total	**620.7**	**409.1**	**481.4**	**250.8**	**202.0**	**92.4**	**-58.0**	**-63.2**
Average Exchange Rate	**31.3088**	**31.8546**	**31.2573**	**31.8315**	**39.0402**	**39.8018**	**24.9**	**25.0**

Source: Staff Compilation

GENERAL GOVERNMENT FINANCE

VI. GENERAL GOVERNMENT FINANCE

6.1. General

In 2020/21, the overall fiscal performance of the general government indicated a significant deterioration in the overall fiscal deficit (excluding grants) amounting to Birr 120.1 billion (Table 7.4). Similarly, the ratio of primary deficit to GDP increased to 2.8 percent compared to a year earlier (Table 7.1).

General government revenue (including grants) rose 21.2 percent over last year (Table 7.2) and the total revenue to GDP ratio reached 11.0 percent, which was slightly higher than last fiscal year. General government expenditure also showed a 24.8 percent increment although its ratio to GDP dropped to 13.8 percent from 14.2 percent a year ago (Table 7.1).

Table 6.1: Measuring Fiscal Sustainability

Fiscal Year	PD/GDP	IP/RR	Ddebt/GDP	R(Debt)	R(GDP)	Exp/GDP	Rev/GDP	R(OR)
2008/09	-0.9	3.2	26.9	11.5	35.1	17.4	12.1	34.8
2009/10	-1.3	2.9	27.5	17.1	14.2	18.8	14.2	34.1
2010/11	-1.6	2.8	26.8	29.8	33.4	18.6	13.7	28.3
2011/12	-1.2	2.2	25.6	39.5	46.1	16.8	13.9	48.8
2012/13	-2.0	2.4	27.4	23.4	15.5	18.1	14.6	20.6
2013/14	-2.6	2.6	28.6	28.4	21.1	17.5	13.8	17.8
2014/15	-2.5	2.9	31.8	31.1	16.6	18.6	15.1	27.7
2015/16	-1.9	3.1	31.3	24.6	16.9	17.4	14.7	23.6
2016/17	-3.3	3.2	34.4	28.7	16.9	18.0	14.0	11.3
2017/18	-3.0	4.3	35.7	24.3	20.0	16.1	12.3	5.1
2018/19	-2.5	4.3	35.7	22.8	22.5	15.3	11.5	15.5
2019/20	-2.5	3.8	35.3	23.6	25.2	14.2	10.5	13.8
2020/21	-2.8	5.4	34.1	24.5	28.6	13.8	11.0	25.5

Source: Staff Computation

PD=Primary Deficit

IP/RR = Share of interest payments in Recurrent revenue

Ddebt/GDP = Ratio of Domestic Debt to GDP

R(Debt) = Growth rate of Domestic Debt

R(GDP) = Growth rate of GDP at current market price

Exp/GDP = Ratio of General Government Expenditure to GDP

Rev/GDP = Ratio of General Government Revenue to GDP

R(OR) = Growth rate of ordinary Revenue

6.2 Revenue and Grants

A total of Birr 478.9 billion revenue (including grants), was collected in 2020/21 depicting 21.2 percent annual growth. Of the total revenue, domestic revenue, at Birr 444.6 billion registered a 25.5 percent year-on-year surge. About 87.4 percent of domestic revenue was generated from taxes and 12.6 percent from non-taxes.

Tax revenue expanded by 24.8 percent, mainly owing to 31.6 percent growth in direct taxes, which comprise income & profit taxes and urban & rural land use fees. Income and profit taxes alone accounted for 97.6 percent of the direct taxes. On the other hand, Birr 214.8 billion was collected from indirect taxes which constituted 55.3 percent of the total tax revenues.

Revenue from import duties and taxes increased 6.2 percent and covered 49.6 percent of the indirect tax revenue.

Revenue from non-tax sources amounted to Birr 55.8 billion, showing 30.3 percent annual increase largely due to higher income from charges and fees, government investment sales of goods and services and other revenues.

External grants, however, were just Birr 34.3 billion, about 15.6 percent lower than that of last year.

All in all, performance of total revenue and grants was 94.9 percent of the annual plan set for 2020/21 (Table 7.2).

Table 6.2: Summary of General Government Revenue by Component (in millions of Birr)

Particulars	2019/20 [A] Pre. Act	2020/21 [B] Revised Budget	[c] Pre. Act	Percentage Change [C/A]	Performance Rate [C/B]
Total Revenue and Grants	**394,965.8**	**504,726.5**	**478,888.1**	**21.2**	**94.9**
Total Revenue 1/	**354,312.8**	**449,019.9**	**444,582.6**	**25.5**	**99.0**
Tax Revenue	**311,476.5**	**380,653.3**	**388,763.5**	**24.8**	**102.1**
1. Direct Tax Revenue	**132,214.5**	**144,457.3**	**173,965.5**	**31.6**	**120.4**
1.1 Income and Profit Taxes	**129,479.3**	**140,363.6**	**169,788.3**	31.1	121.0
Personal	49,869.6	56,706.7	66,032.0	32.4	116.4
Business	64,664.1	59,532.0	87,012.6	34.6	146.2
Others 2/	14,945.6	24,124.8	16,743.6	12.0	69.4
1.2 Rural Land Use Fee	358.0	452.1	391.9	9.5	86.7
1.3 Urban Land Use Fee	2,377.3	3,641.7	3,785.3	59.2	103.9
2. Indirect Taxes	**179,261.9**	**236,196.0**	**214,798.0**	**19.8**	**90.9**
2.1 Domestic Taxes	78,886.5	114,816.5	108,160.1	37.1	94.2
2.2 Foreign Trade Taxes	100,375.4	121,379.5	106,637.8	6.2	87.9
Import	100,375.4	121,379.5	106,637.8	6.2	87.9
Export					
3. Non-Tax Revenue	**42,836.3**	**68,366.6**	**55,819.2**	**30.3**	**81.6**
3.1 Charges and Fees	4,095.2	3,983.7	5,394.6	31.7	135.4
3.2 Govt. Invt. Income 3/	17,488.9	23,083.0	20,926.3	19.7	90.7
3.3 Reimb. And Property Sales	203.4	663.5	680.3	234.5	102.5
3.4 Sales of Goods & Services	5,794.2	6,358.5	7,399.0	27.7	116.4
3.5 Others 4/	15,254.6	34,277.9	21,419.0	40.4	62.5
4. Grants	**40,653.0**	**55,706.6**	**34,305.5**	**(15.6)**	**61.6**

Source: Ministry of Finance

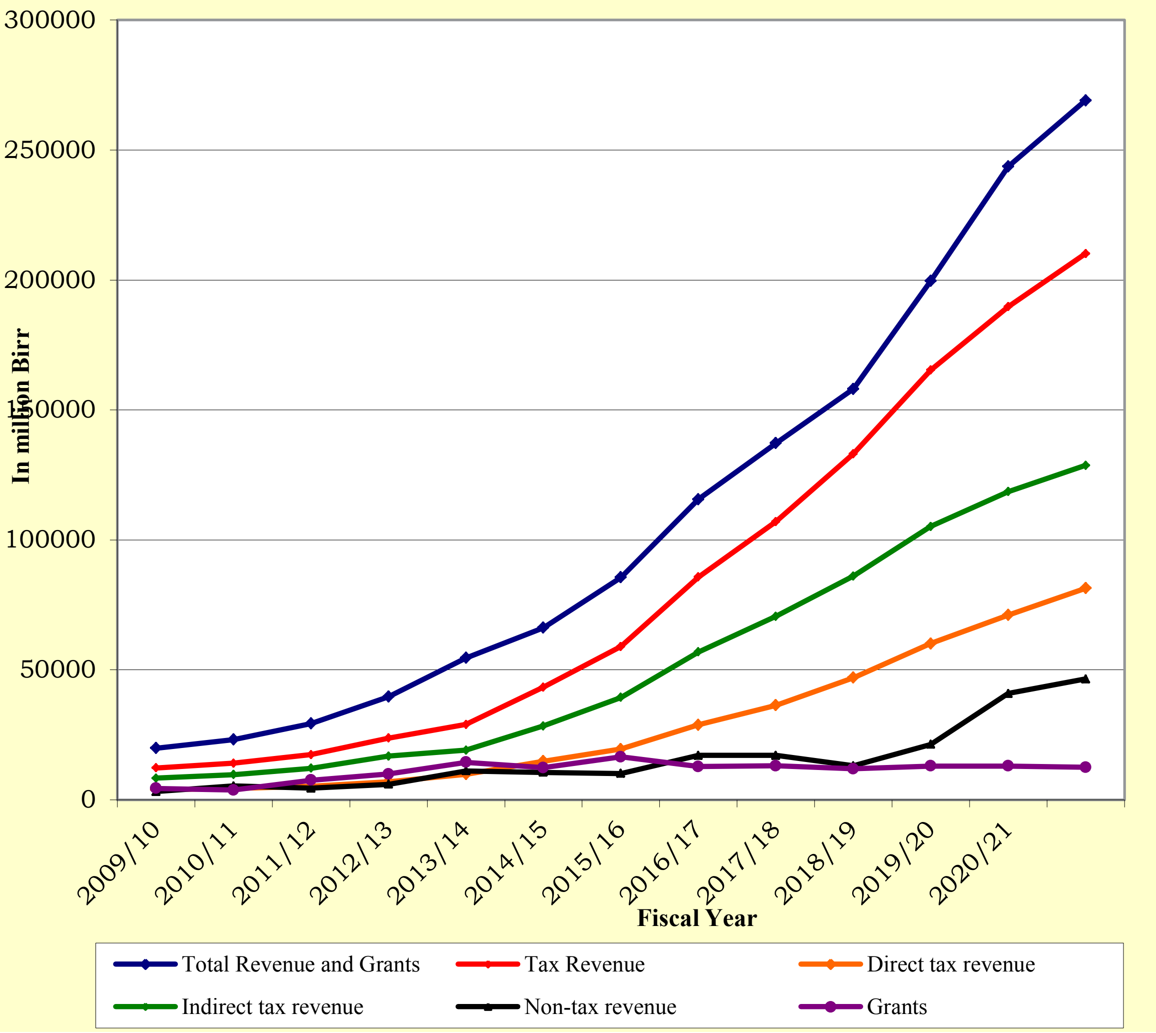
1/ It does not include privatization proceeds

2/ Others include rental income tax, with holding income tax on imports, interest income tax, capital gains tax, agricultural income and other incomes

3/Gov. Investment income includes : Residual surplus, capital charge, interest payments and state dividend

4/ Other extra ordinary, miscellaneous, pension contribution and other revenue

Fig.VI.1: Trend of General Government Revenue by Component



6.3. Expenditure

During 2020/21, total general government expenditure stood at Birr 599 billion which was 24.8 percent higher than last year due to an increase both in current and capital expenditures.

Current expenditure rose 31.8 percent and amounted to Birr 363.6 billion and accounted for 60.7 percent of the total expenditure. The greater portion of the expenditure was allocated to finance social services.

Similarly, capital expenditure increased 15.3 percent and reached Birr 235.4 billion on account of higher spending on economic, social and general developments. Capital expenditure constituted 39.3 percent of the total expenditure.

In summary, expenditure performance was 95.7 percent of the annual budget plan (Table 7.3).

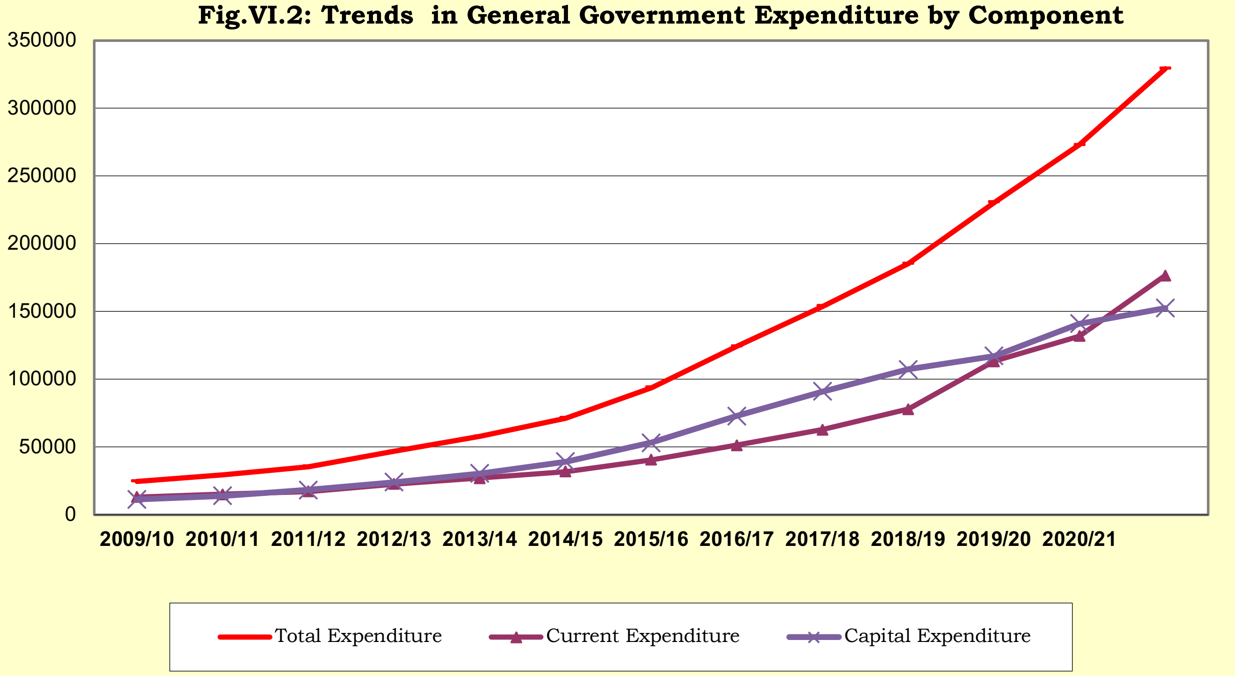
Table 6.3: Summary of General Government Expenditure

(in millions of Birr)

Particulars	2019/20 [A] Pre actual	2020/21 [B] Revised Budget	2020/21 [C] Pre actual	Percentage Change [C/A]	Performance Rate [C/B]
Total Expenditure	**480,143.2**	**625,992.9**	**599,006.7**	**24.8**	**95.7**
1. Current Expenditure	**275,967.0**	**362,012.0**	**363,596.9**	**31.8**	**100.4**
General Services	89,920.2	93,221.9	129,678.9	44.2	139.1
Economic Services	36,323.1	44,369.6	42,497.7	17.0	95.8
Social Services	130,356.0	152,838	160,366.1	23.0	104.9
Interest and Charges	13,481.1	19,765.1	24,001.0	78.0	121.4
Others (miscellaneous)	5,886.6	51,817.1	7,053.2	19.8	13.6
2. Capital Expenditure	**204,176.1**	**263,980.9**	**235,409.7**	**15.3**	**89.2**
Economic Development	132,629.1	172,150.0	146,692.3	10.6	85.2
Social Development	51,316.1	61,925.8	59,535.2	16.0	96.1
General Development	20,231.0	29,905.2	29,182.2	44.2	97.6
3. Special programs	-	-	-	-	-

Source: Ministry of Finance

Fig.VI.2: Trends in General Government Expenditure by Component



6.4 Deficit Financing

General government budget operations in 2020/21 resulted in Birr 120.1 billion deficit which was 41 percent higher than the previous year (Table 7.4). The deficit was financed by borrowing from external and domestic sources.

Table 6.4: Summary of General Government Finance (in millions of Birr)

Particulars	2019/20 [A] Pre. Act	2020/21 [B] Revised Budget	2020/21 [C] Pre. Act	Percentage Change [C/A]	performance rate [C/B]
Total Revenue and Grants	**394,965.8**	**504,726.5**	**478,888.1**	**21.2**	**94.9**
Revenue	354,312.8	449,019.9	444,582.64	25.5	99.0
Grants	40,653.0	55,706.6	34,305.49	(15.6)	61.6
Total Expenditure	**480,143.2**	**625,992.9**	**599,006.7**	**24.8**	**95.7**
Current Expenditure	275,967.0	362,012.0	363,596.91	31.8	100.4
Capital Expenditure	204,176.1	263,980.9	235,409.74	15.3	89.2
Special Programs					
Overall Surplus/ Deficit					
(Including Grants)	**(85,177.4)**	**(121,266.4)**	**(120,118.5)**	**41.0**	**99.1**
(Excluding Grants)	**(125,830)**	**(176,973)**	**(154,424)**	**22.7**	**87.3**
Total Financing	**85,177.4**	**121,266.4**	**120,118.5**	**41.0**	**99.1**
Net External Borrowings	**59,528.8**	**34,865.8**	**21,808.28**	**(63.4)**	**62.5**
Gross Borrowing	66,127.3	46,621.2	26,803.66	(59.5)	57.5
o/w Special Programs					
Amortization Paid	6,598.5	11,755.4	4,995.38	(24.3)	42.5
HIPC relief & MDRI					
Net Domestic Borrowings	**42,104.0**	**86,400.7**	**108,684.90**	**158.1**	**125.8**
Banking System	5,214.8		54,120.90	937.8	
Non-Banking Systems	36,889.2		54,564.00	47.9	
Privatization Receipts	**-**	-	**-**		
Others and Residuals	**(16,455.4)**	**(0)**	**(10,374.66)**	**(37.0)**	

Source: Ministry of Finance

INVESTMENT

VII. INVESTMENT

A total of 785 projects with Birr 34.1 billion capital became operational in 2020/21. The number of projects was significantly higher than 84 projects a year ago. All of the projects were private investments.

Of the total investment projects, 752 or 95.8 percent, with registered capital of Birr 31.1 billion (91.3 percent) were domestic investment while the remaining 33 projects (4.2 percent) with Birr 3.0 billion capital were foreign.

Average capital per project for domestic investors was Birr 41.4 million while that of foreign investors was Birr 89.9 million, implying that foreign investment projects were more capital intensive than domestic projects.

Job opportunity created by these investment projects was estimated at 11,768 permanent and 6,132 temporary workers; showing significant job expansion compared to the previous year (Table 7.1).

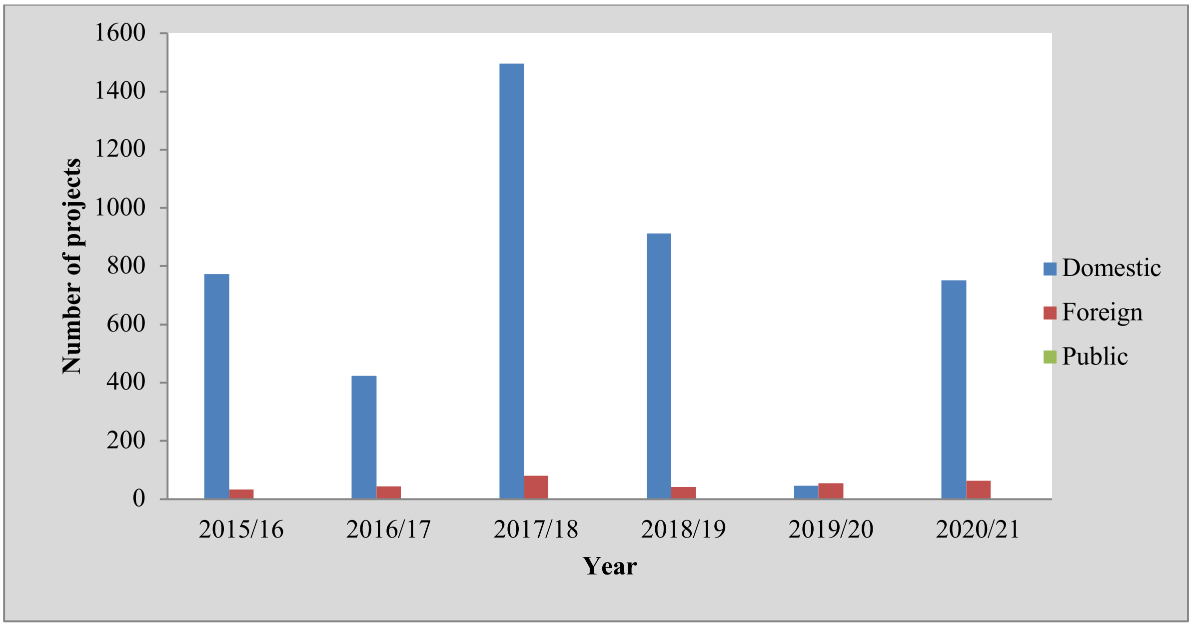
Table 7.1: Number of Projects, Capital and Jobs Created by Operational Investment

(Capital in millions of Birr)

Components		2018/19	2019/20	2020/21		Percentage change	
		A	B	C	Share	C/A	C/B
1. Total Investment	Number	976	84	785	100.0	-19.6	834.5
	Capital	8,951.7	1,320.3	34,073.4	100.0	280.6	2,480.7
	Permanent Workers	22,631	3,211	11,768	100.0	-48.0	266.5
	Temporary Workers	10,541	1,634	6,132	100.0	-41.8	275.3
1.1. Total Private	Number	976	84	785	100.0	-19.6	834.5
	Capital	8,951.7	1,320.3	34,073.4	100.0	280.6	2,480.7
	Permanent Workers	22,631	3,211	11,768	100.0	-48.0	266.5
	Temporary Workers	10,541	1,634	6,132	100.0	-41.8	275.3
1.1.1. Domestic	Number	913	47	752	95.8	-17.6	1,500.0
	Capital	7,836.4	675.5	31,105.6	91.3	296.9	4,505.1
	Permanent Workers	12,692	110	8,578	72.9	-32.4	7,698.2
	Temporary Workers	6,896	272	5,013	81.8	-27.3	1,743.0
1.1.2. Foreign	Number	63	37	33	4.2	-47.6	-10.8
	Capital	1,115.3	644.9	2,967.7	8.7	166.1	360.2
	Permanent Workers	9,939	3,101	3,190	27.1	-67.9	2.9
	Temporary Workers	3,645	1,362	1,119	18.2	-69.3	-17.8
1.2.Public	Number	-	-	-	-	-	-
	Capital	-	-	-	-	-	-
	Permanent Workers	-	-	-	-	-	-
	Temporary Workers	-	-	-	-	-	-

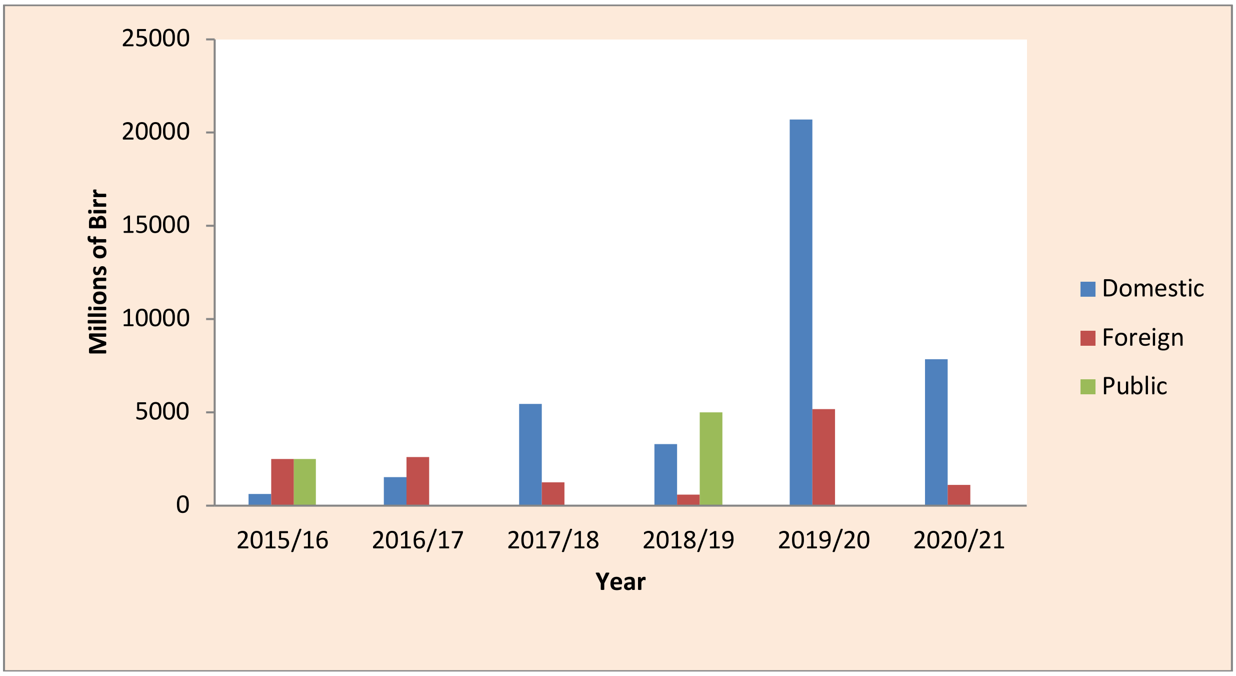
Source: Ethiopian Investment Commission

Fig.VII.1: Number of Operational Investment Projects by Type



Source: Ethiopian Investment Commission.

Fig.VII.2: Capital of Operational Investment Projects by Type



Source: Ethiopian Investment Commission

7.1. Investment by Sector

Of the total investment projects, 30.8 percent were engaged in manufacturing, 30.3 percent in real estate, renting & business activities, 28.5 percent in construction, 4.3 percent in tour operation, transport & communication, 2.3 percent in hotel & restaurant, 1.1 percent in health & social work and 2.7 percent in other sectors.

As for investment capital, manufacturing constituted 35.5 percent followed by real estate renting & business activities (30.6 percent), hotel & restaurant (17.3 percent), construction (5.3 percent), health & social work (2.5 percent), tour operation, transport & communication (2 percent) and the remaining sectors accounted for 6.8 percent (Table 7.2).

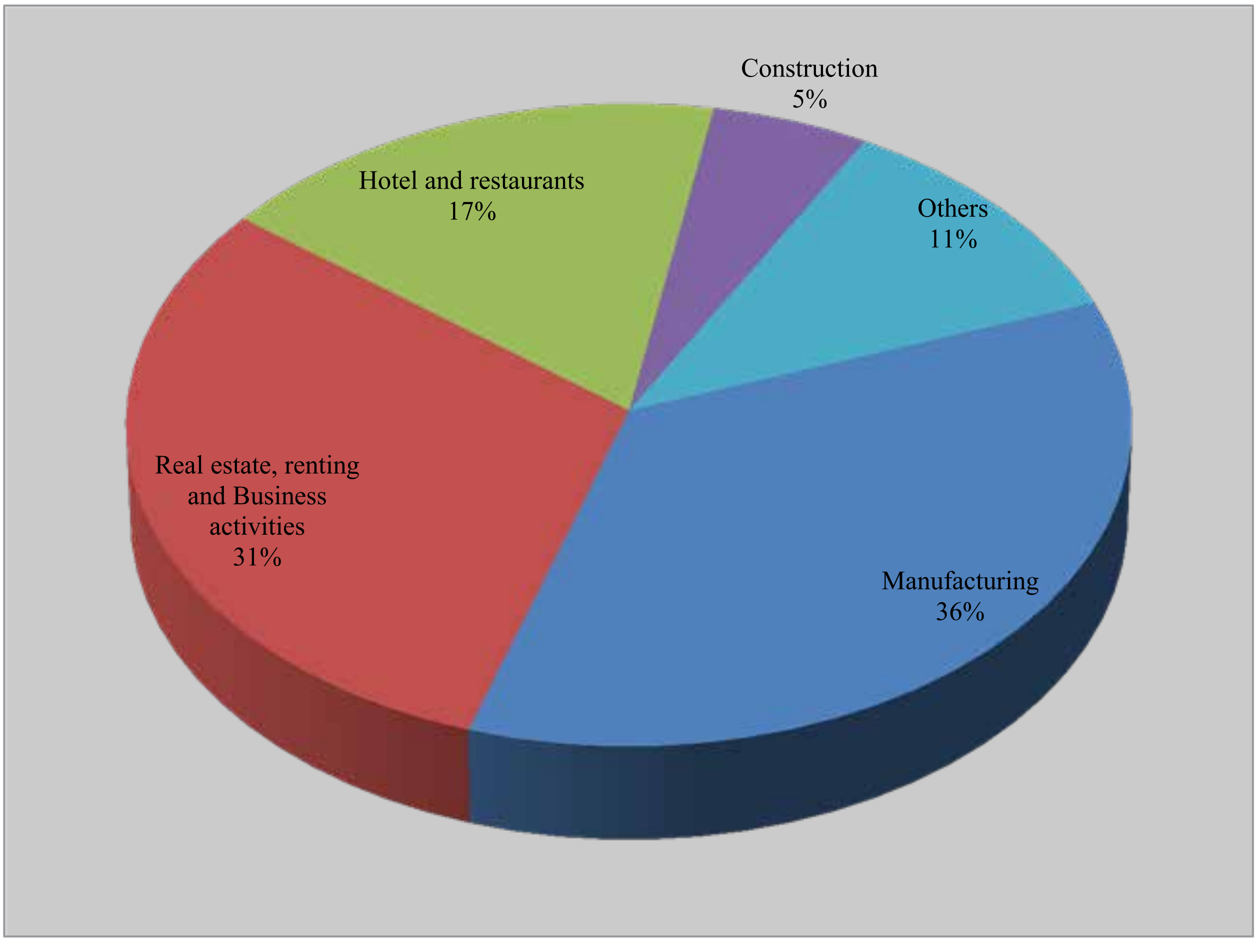
Table: 7.2: Numbers and Capital of Operational Investment Projects by Sector

(Capital in millions of Birr)

Sectors	2018/19		2019/20		2020/21		Percentage share	
	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital
Manufacturing	337	4,647.0	42	710.1	242	12,097.0	30.8	35.5
Agriculture, hunting and forestry	27	297.7	1	10.5	6	114.5	0.8	0.3
Real estate, renting and Business activities	404	1,909.3	15	98.3	238	10,426.5	30.3	30.6
Hotel and restaurants	7	39.5	3	307.9	18	5,887.4	2.3	17.3
Education	6	68.2	1	2.5	2	13.0	0.3	0.0
Health and social work	5	25.3	3	18.0	9	864.1	1.1	2.5
Construction	176	1,745.7	15	135.5	224	1,799.1	28.5	5.3
Tour operation, transport and communication	5	20.0	2	17.9	34	669.2	4.3	2.0
Whole sale, retail trade and repair service	-	-	-	-	3	381.5	0.4	1.1
Mining and quarrying	4	38.2	-	-	-	-	-	-
Electricity, gas, steam and water supply	-	-	-	-	-	-	-	-
Other community, social and personal service activities	2	82.0	-	-	1	5.0	0.1	-
Others	3	78.8	2	19.6	8	1,816.1	1.0	5.3
Grand Total	**976**	**8,951.7**	**84**	**1,320.3**	**785**	**34,073.4**	**100.0**	**100.0**

Source: Ethiopian Investment Commission.

Fig.VII.3: Distribution of Operational Investment Capital by Sector in 2020/21



<u>Source</u>: Ethiopian Investment Commission

Others*: Includes agriculture, hunting and forestry, education, health & social work, tour operation & transport, mining & quarrying, other community, social and personal service activities, wholesale, retail trade & repair service and others.

7.2. Distribution by Region

In terms of regional distribution, 711 of the projects (90.6 percent) with a registered capital of Birr 30.8 billion (90.5 percent) were located in Addis Ababa while 41 projects (5.2 percent) having Birr 285.2 million capital where in Amhara region. There were no operational investment projects in other regions during the review period. Although, 33 projects (4.2 percent) with Birr 3 billion capital became operational in multiregional projects during the fiscal year (Table 7.3).

Table 7.3: Number and Capital of Operational Projects by Region

(Capital in millions of Birr)

Regions	2018/19		2019/20		2020/21		Percentage share	
	No. of projects	Investment Capital	No. of projects	Investment Capital	No. of projects	Investment Capital	No. of projects	Investment Capital
Tigray	49	265.6	1	15.0	-	-	0.0	0.0
Afar	-	-	-	-	-	-	0.0	0.0
Amhara	20	152.5	6	10.9	41	285.2	5.2	0.8
Oromia	157	560.4	-	-	-	-	0.0	0.0
Somali	-	-	-	-	-	-	0.0	0.0
Benishangul-Gumuz	-	-	-	-		-	0.0	0.0
SNNPR	-	-	-	-	-	-	0.0	0.0
Gambella	-	-	-	-	-	-	0.0	0.0
Harari	-	-	-	-	-	-	0.0	0.0
Addis Ababa	681	6,838.4	40	649.6	711	30,820.4	90.6	90.5
Dire Dawa	-	-	-	-	-	-	0.0	0.0
Multiregional Projects	69	1,134.7	37	644.9	33	2,967.7	4.2	8.7
Grand Total	**976**	**8,951.7**	**84**	**1,320.3**	**785**	**34,073.4**	**100.0**	**100.0**

Source: Ethiopian Investment Commission.

INTERNATIONAL DEVELOPMENTS

VIII. INTERNATIONAL DEVELOPMENTS

8.1. International Economic Developments

8.1.1. Overview of the World Economy

The global economic activity in 2020 was contracted by 3.2 percent while it projected to grow at 6.0 percent in 2021, moderating to 4.9 percent in 2022. The projected growth is mainly driven from advanced economies, particularly the United States, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across the group.

The growth in advanced economy prospects have been revised up for 2021 and 2022 from expected further normalization in the second half of 2021 as vaccine rollout proceeds and with additional fiscal support. The significantly improved outlook for the US economy derives from the impact of anticipated legislation boosting infrastructure investment and strengthening the social safety net in the second half of 2021. The additional support is expected to lift 2021 US GDP growth by 0.3 percentage points and 2022 growth by 1.1 percentage points, with positive spillovers to trading partners. This shift is partially offset by the forecast downgrade in 2021 for Japan, reflecting tighter restrictions in the first half of the year as caseloads picked up. Japan is anticipated to see a stronger rebound in the second-half of 2021, as vaccination proceeds and the economy fully reopens, improving its growth forecast for 2022. Similar strengthening momentum is expected in France, Germany, Italy, and Spain later this year, carrying over into 2022.

For emerging market and developing economies the forecast is revised down 0.4 percentage points in 2021 compared with the April world economic outlook, largely because of growth markdowns for emerging Asian economies. Growth prospects in India have been downgraded following the severe second COVID wave during March to May and expected slow recovery in confidence from that setback. Similar dynamics are at work in the ASEAN-5 group (Indonesia, Malaysia, Philippines, Thailand, Vietnam), where recent infection waves are causing a drag on activity. Meanwhile, China's 2021 forecast is revised down 0.3 percentage point on a scaling back of public investment and overall fiscal support.

Growth forecasts for other regions have generally been revised up for 2021, largely reflecting the stronger-than-anticipated outturns in the first quarter. The forecast upgrade for Latin America and the Caribbean results mostly from upward revisions in Brazil and Mexico, reflecting better-than expected first quarter outturns, favorable spillovers to Mexico from the improved outlook for the United States, and booming terms of trade in Brazil. Projections are revised up for the Middle East and Central Asia due to robust activity in some countries (such as Morocco and Pakistan), partially offset by downgrades of some others. In Saudi Arabia, the non-oil growth projection has been revised up, but the overall GDP forecast has been downgraded relative to the April world economic outlook on account of subdued oil production below the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) quota earlier in the year. The 2021 forecast for sub-Saharan Africa is unchanged relative to the April world economic outlook, with an upgrade for South Africa following a strong positive surprise in the first quarter offset by downward revisions in other countries. The worsening pandemic developments in sub-Saharan Africa are expected to weigh on the region's recovery.

For low-income developing country group, the 2021 growth forecast is marked down 0.4 percentage point, with the slow rollout of vaccines as the main factor weighing on the recovery (partially offset by stronger external demand from advanced economies).

Table 8.1: Overview of World Economic Outlook and Projection

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Particulars	2019	2020	Projection	
			2021	2022
World Output	**2.8**	**-3.2**	**6.0**	**4.9**
Advanced Economies	1.6	-4.6	5.6	4.4
United States	2.2	-3.5	7.0	4.9
Euro Area	1.3	-6.5	4.6	4.3
Japan	0.0	-4.7	2.8	3.0
United Kingdom	1.4	-9.8	7.0	4.8
Emerging Market & Developing Economies	3.7	-2.1	6.3	5.2
Middle East and Central Asia	1.4	-2.6	4.0	3.7
Sub-Saharan Africa	3.2	-1.8	3.4	4.1
Nigeria	2.2	-1.8	2.5	2.6
South Africa	0.2	-7.0	4.0	2.2
World Trade Volume (goods & services)*	**0.9**	**-8.2**	**9.7**	**7.0**
Imports				
Advanced Economies	2.0	-9.0	9.0	7.3
Emerging Market and Developing Economies	-0.9	-8.0	12.1	7.1
Exports				
Advanced Economies	1.2	-9.4	8.0	6.6
Emerging Market and Developing Economies	0.4	-5.2	11.6	5.8
Commodity Prices (US dollars)				
Oil	-10.2	-32.7	56.6	2.6
Non- fuel(average based on world commodity import weights)	0.8	6.7	26.5	-0.8
Consumer Prices**				
Advanced Economies	1.4	0.7	1.6	1.7
United Stated	1.8	1.2	2.3	2.4
Euro Area	1.2	0.3	1.4	1.2
Japan	0.5	0.0	0.1	0.7
Emerging Market & Developing Economies	5.1	5.4	6.5	5.4
China	2.9	2.4	1.2	1.9
Mexico	3.6	3.4	3.5	3.1
Turkey	15.2	12.3	13.6	11.8
Brazil	3.7	3.2	4.6	4.0
Russia	4.5	3.4	4.5	3.4
Sub-Sahara Africa	8.5	10.8	9.8	7.8
Angola	17.1	22.3	22.3	13.1
Nigeria	11.4	13.2	16.0	13.5
Ghana	7.2	9.9	9.0	8.2

Source: IMF, World Economic Outlook, July, 2021

*IMF, World Economic Outlook, October 2021

** IMF, World Economic Outlook, October 2020 for the period 2019 and April 2021 for the period 2020-22

8.1.2. World Trade

Global volume of world trade in goods and services during 2020 is declined by 8.2 percent in volume terms. It is estimated to expand by 9.7 percent in 2021 and is projected to increase by 7.0 percent in 2022. Imports of goods and services by advanced economies declined by 9.0 percent in 2020 and estimated to rise by 9.0 percent in 2021. Similarly, imports by emerging market and developing economies declined by 8.0 percent and forecasted to grow by 9.0 percent and 7.3 percent in 2021 and 2022, respectively. Likewise, export of goods and services from advanced economies is also declined by 9.4 percent in 2020 and forecasted to expand by 8.0 percent and 6.6 percent in 2021 and 2022, respectively. Likewise, export of goods and services from emerging market and developing economies is declined by 5.2 percent for the year 2020 and projected to increase by 11.6 percent and 5.8 percent during 2021 and 2022, respectively.

8.1.3. Inflation and Commodity Prices

Headline inflation rates have increased rapidly in the United States and in some emerging market and developing economies. In most cases, rising inflation reflects pandemic related supply-demand mismatches and higher commodity prices compared to their low base from a year ago. And price pressures are expected to subside in 2022. In some emerging market and developing economies, price pressures are expected to persist because of elevated food prices, lagged effects of higher oil prices, and exchange rate depreciation lifting the prices of imported goods. However, great uncertainty surrounds inflation prospects—primarily stemming from the path of the pandemic, the duration of supply disruptions, and how inflation expectations may evolve in this environment.

Commodity prices are expected to increase at a significantly faster pace than assumed in the April 2021 world economic outlook. Amid the strengthening global recovery, oil prices are expected to rise close to 60 percent above their low base in 2020. Non-oil commodity prices are expected to rise close to 30 percent above 2020 levels, reflecting particularly strong increases in the price of metals and food.

8.1.4. Exchange Rate

In foreign exchange markets, the euro appreciated slightly in trade-weighted terms in the context of an improved economic outlook for the euro area. Since 11 March 2021, the nominal effective exchange rate of the euro, as measured against the currencies of 42 of the euro areas most important trading partners, strengthened by 0.5 percent. The euro appreciated against the US dollar (by 1.9 percent), reflecting the improved outlook for the euro area economy as the pace of vaccination picked up, coupled with the weakness of the dollar, which declined from the end of March alongside US Treasury yields. The euro also appreciated against the Japanese yen (by 2.7 percent), the pound sterling (by

0.4 percent) and the Chinese renminbi (by 0.3 percent). The euro appreciated strongly (by 17.5 percent) against the Turkish lira, which experienced broad-based weakness, while depreciating markedly (by 8.5 percent) against the Brazilian real, which broadly strengthened on the back of rebounding commodity prices. The euro also depreciated against the Swiss franc (by 1.4 percent) and the currencies of several non-euro area EU Member States, including the Hungarian forint, the Czech koruna and the Polish zloty.

2020/21, the global economy is projected to

8.2. Implications of International Economic Developments on the Ethiopia Economy

grow 6.0 percent while commodity prices of both oil and non-oil commodities, are expected to increase significantly. These developments will have both positive and negative impact on the Ethiopian economy. While improvements in the global economy will create demand for our export commodities, and help Ethiopia to register robust growth in merchandise export receipts, however, higher price of oil will exert higher pressure on the country's trade balance and international resources.

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AUDIT SERVICES
CORPORATION

NATIONAL BANK OF ETHIOPIA

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2021

National Bank Of Ethiopia
Annual Financial Statements
For the year ended 30 June 2021
(In Ethiopian Birr)

Statement of Director's Responsibility

The Directors are responsible for the preparation and fair presentation of the financial statements of National Bank of Ethiopia ("The Bank"), comprising the statement of financial position as at 30 June 2021, statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

To enable the Directors, meet those responsibilities, the Board of Directors (the "Board") and management sets standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded, and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

To their best knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review. The Directors have reviewed the performance and financial position of the Bank to the date of signing of these financial statements and its prospects based on prepared budgets and are satisfied that the Bank is a going concern and, therefore, have adopted the going concern assumption in the preparation of these financial statements.

Approval of the annual financial statements

The financial statements on pages 5 to 106 were approved by the Governor on behalf of the Board of Directors on 15 March 2024.

Signed on behalf of the Directors

H.E. Mamo Esmelealem Mihretu.................................... Date: 15 March 2024

Mamo Esmelealem Mihretu
Governor

National Bank of Ethiopia
Board of Directors

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Office of the Federal Auditor General
Audit Service Corporation

INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
NATIONAL BANK OF ETHIOPIA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Bank of Ethiopia (the Bank) which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 30 June 2021, its financial performances and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainity Related to Going Concern

The accompanying financial statements for the year ended 30 June 2021 have been prepared assuming that the Bank will continue as a going concern. As discussed in Note 2(a) to the financial statements, the Bank has suffered losses from operation and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 2(a) to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole. and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ASC

(continued)

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Report on the Audit of the Financial Statements (continued)

***Key Audit Matters** (continued)*

Revenue and expense

There are risks that interest income and expenses may not be properly calculated and recorded. We compared the current year's income and expenditure with the prior year to analyse the variation. We enquired and documented the reasons for variations. We selected samples of recorded interest income and expense and checked their computation and examined supporting documentation to verify the correctness of the amounts recoded. Based on our assessment we found no concerns regarding revenue and expense recognition.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.

- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Woizero Azeb Tekleselassie.

Audit Services Corporation

15 March 2024

National Bank Of Ethiopia
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	Note	30 June 2021	30 June 2020
Interest income	4	15,192,248,676	11,231,830,101
Interest expense	4	(7,112,968,066)	(5,140,190,224)
Net interest income		**8,079,280,610**	**6,091,639,877**
Fee and commissions income	5	5,275,779,907	4,409,152,231
Revenue from sale of gold	6	23,521,232,945	1,042,029,0[illegible]3
Other income	7	387,782,238	451,864,278
Net non-interest income		**29,184,795,090**	**5,903,045,522**
Net operating income		**37,264,075,700**	**11,994,685,399**
Currency costs	8 (a)	(3,484,411,693)	(292.769.194)
General and administration costs	8 (b)	(8,134,257,531)	(2.212,269,456)
Salaries and related benefits	8 (c)	(351,934,756)	(260,472.516)
Gold purchase, refinery, and other related costs	8 (d)	(25,475,596.714)	(821.703.463)
Impairment losses on financial assets	8(e),9,15	(1,259.549,635)	(563.991.800)
Operating surplus/Loss before (un) realised gains / (losses)		**(1,441,674,629)**	**7,843,478,970**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation	24 (b)	(2.807.931)	(78.407,024)
Fair value gains/(losses) on monetary gold	11 (a)	2,480,191	(855,887)
Fair value gains / (losses) on financial assets	10 & 28	(24,812,828)	1.366.957.792
Other comprehensive income		**(25,140,568)**	**1,287,694,881**
Total comprehensive income		**(1,466,815,197)**	**9,131,173,851**

The notes on pages 9 to 106 are an integral part of these financial statements.

National Bank Of Ethiopia
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Assets	Note	30 June 2021	30 June 2020
Balances due from foreign entities - Commercial banks	9 (c)	28,144,049,258	20,653,052,148
Balances due from foreign entities – Central banks	9 (d)	94,285,262,858	81,958,441,772
Cash - foreign currencies	9 (e)	1,527,579,239	4,381,892,903
Funds held with IMF	9 (f)	527,514,382	567,343,715
Monetary gold	11 (a)	-	495,951,038
Gold commodity	11 (b)	3,631,590,539	3,280,634,229
Loans to government banks	9 (b)	170,649,011,900	169,258,817,952
Loans to private commercial banks	9 (h)	1,695,719,093	34,413,090
Investment securities	10	24,195,070,571	14,335,890,889
Property and equipment	13	1,322,476,445	1,375,915,699
Other assets	15	17,680,945,135	6,567,645,243
Intangible asset	14	5,109,046	11,009,804
Due from Government of Ethiopia	9 (a)	294,146,968,065	243,185,737,950
Right of use asset	16	1,993,206	2,146,530
Total assets		**637,813,289,737**	**546,108,892,962**
Liabilities			
Currency in circulation	20	163,709,691,732	140,521,127,309
Deposits due to local financial institutions, government, and government institutions	17	317,517,568,532	267,432,190,177
Funds due to international financial institutions	18	57,665,508,321	44,305,871,855
Due to other institutions	19	88,038,683,383	70,480,701,572
Due to the Ministry of Finance	23	5,374,906,270	15,695,777,487
Deferred revenue	22 (d)	1,135,555	1,324,645
Lease liability	16	2,235,951	2,348,737
Provisions	21	17,148,151	30,453,561
Employee benefits	24	174,632,863	154,882,403
Other liabilities	25	1,947,772,604	2,653,393,644
Total Liabilities		**634,449,283,362**	**541,278,071,390**
Equity			
Capital	26 (a)	500,000,000	500,000,000
General reserve	26 (b)	(941,674,629)	500,000,000
Retained earnings	26 (b)	-	-
Fair value reserve	26 (e)	248,031,586	270,364,223
Defined benefit reserve	24 /26(f)	52,076,914	54,884,845
International reserve valuation	26 (c)	3,849,198,654	3,849,198,654
Other reserve	26 (g)	(343,626,150)	(343,626,150)
Total equity		**3,364,006,375**	**4,830,821,572**
Total liabilities and equity		**637,813,289,737**	**546,108,892,962**

The notes on pages 9 to 106 are an integral part of these financial statements.

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	Note	Capital	General reserve	Other Reserve	International reserve valuation	Retained earnings	Defined benefit reserve	Fair value reserve	Total Equity
Balance as of 1 July 2019		**500,000,000**	**500,000,000**	**(343,626,150)**	**3,849,198,654**	-	**133,291,869**	**(1,095,737,683)**	**3,543,126,690**
Total comprehensive income:									
Profit for the year	26 (d)	-	-	-	-	7,843,478,970	-	-	**7,843,478,970**
Other comprehensive income	26 (f)	-	-	-	-	-	(78,407,024)	1,366,101,906	**1,287,694,882**
Total comprehensive income		-	-	-	-	**7,843,478,970**	**(78,407,024)**	**1,366,101,906**	**9,131,173,852**
Transactions with owners of the Bank:									
Transfer to / (from) General reserve	26 (b)	-	-	-	-	-	-	-	-
Transfer to MOF	23/26 (d)	-	-	-	-	(7,843,478,970)	-	-	**(7,843,478,970)**
Balance as at 30 June 2020		**500,000,000**	**500,000,000**	**(343,626,150)**	**3,849,198,654**	-	**54,884,845**	**270,364,223**	**4,830,821,572**
Total comprehensive income:									
Profit for the year	26 (d)	-	-	-	-	(1,441,674,629)	-	-	**(1,441,674,629)**
Other comprehensive income	26 (f)	-	-	-	-	-	(2,807,931)	(22,332,637)	**(25,140,568)**
Total comprehensive income		-	-	-	-	**(1,441,674,629)**	**(2,807,931)**	**(22,332,637)**	**(1,466,815,197)**
Transactions with owners of the Bank:									
Transfer to / (from) Other reserve	26 (b)	-	(1,441,674,629)	-	-	1,441,674,629	-	-	-
Transfer to/(from) MOF	23/26 (d)	-	-	-	-	-	-	-	-
Balance as of 30 June 2021		**500,000,000**	**(941,674,629)**	**(343,626,150)**	**3,849,198,654**	-	**52,076,914**	**248,031,586**	**3,364,006,375**

The notes on pages 9 to 106 are an integral part of these financial statements.

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Cash flows from operating activities:	Note	30 June 2021	30 June 2020* Re-arrenged
Operating surplus for the year		(1.441,674,629)	7.843.478.970
Impairment of loans and advances	8(e),9, 15	1,259,549,635	563.991.800
Depreciation and amortization	13, 14	116,864,906	111,801,627
Net interest income	4	(8,079,280,610)	(6,091.639.877)
Dividend income	7	(30,867,477)	(2.242.599)
Interest paid on lease obligation	16	134,234	140,987
Fair value gains on financial assets		-	1,308,456,128
Loss/ (Gain) on disposal of property, plant, and equipment	13	15,460	(2,262,598)
		(8,175,258,481)	**3,731,724,438**
Changes in working capital:			
Loans to government banks and commercial banks	9 (b, c, h)	828,979,555	(71,799,943,263)
Other assets	15	(11,113,552,552)	969,237,237
Deposits due from foreign entities – central banks (IBRD investment)	9(g)	(1.260,108,752)	(863,786,359)
Currency in circulation	20	23,188,564,423	18,721.108,185
Due to International financial institutions	18	3,502,975,598	24.077.227.003
Due to other institutions	19	17,557,981,811	10,415,104,947
Deposits due to local financial institutions, government, and government institutions	17	50,075,002.056	78,479,828,739
Monetary gold	11(a)	498,431,229	(171.946.025)
Gold commodity	11 (b)	(350,956,310)	(2,475,756,225)
Due from Government of Ethiopia	9 (a)	(51.802.488.135)	(49.516.213.219)
Provisions	21	(13,305.410)	16,577.169
Deferred revenue	22 (d)	(189.090)	969.008
Employee benefits	24	16,942,529	5.520.768
Other liabilities	25	(705,621,040)	2,036,954.327
Interest income received		10,889.904.792	8,156,538.866
Interest expense paid		(7,102.609,112)	(5,119,136,697)
Net cash provided by operating activities		**26,034,693,111**	**16,664,008,899**
Cash flows from investing activities:			
Disposal of property, plant and equipment		-	3.073.823
Dividends received		30.867477	2.242.599
Increase in investment securities	10	(27.314.300)	-
Acquisition of properties and equipment	13	(57.387,030)	(141.209.188)
Acquisition of intangibles	14	-	(4,034,351)
Net cash used in investing activities		**(53,833,853)**	**(139,927,117)**
Cash flows from financing activities:			
Payments on finance lease obligations	16	(247,020)	(247,020)
Remittance of annual profits to the Ministry of Finance	23	(10,320,871,214)	(6,766.300,000)
Net cash from financing activities		**(10,321,118,234)**	**(6,766,547.020)**
Increase (decrease) in cash and cash equivalents		**15,659,741,024**	**9,757,534,762**
Cash and cash equivalents at beginning of period	9 (g)	102,455,721,073	92.698.186.311
Cash and cash equivalents at end of period	9 (g)	**118,115,462,097**	**102,455,721,073**

Fair value related adjustments of investment securities and qouta share of IMF are excluded from the cashflow statement (as per IAS-7 p.43). For detail refer note (no.10)

*In order to improve comparability some of the comparative balances have been re-arranged

The notes on pages 9 to 106 are an integral part of these financial statements.

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1. Reporting entity

National Bank of Ethiopia ("the Bank") is the Central Bank of Ethiopia. It was established by Order No. 30/1963 as an autonomous institution. It is governed by the National Bank of Ethiopia Establishment (as Amended) Proclamation No. 591/2008 and is wholly owned by the Government of the Federal Democratic Republic of Ethiopia.

Its principal place of business is Addis Ababa.

It operates as the Central Bank of Ethiopia and acts as the banker, fiscal agent and financing advisor of the Government of Ethiopia and is domiciled in Ethiopia.

2. Basis of preparation

(a) Going concern

The National Bank of Ethiopia recorded a net operating loss of Birr 1.4 billion, which resulted in a negative General Reserve balance of Birr 0.9 billion at the end of 30 June 2021. This was largely due to: (1) an impairment owing to a sovereign credit downgrade of government and government bank related securities plus loans and advances; and (2) a depreciation of the local currency which resulted in exchange losses.

The Board and Management of the Bank have assessed the implications arising out of the negative General Reserve position. In their view, the Bank will continue to operate on a going basis as a recapitalization plan, in coordination with the Ministry of Finance, is expected to be in place to improve NBE's balance sheet and since more favourable macroeconomic conditions are envisaged in line with on-going and wide-ranging policy reforms. The Directors also view there to be minimal risk regarding the Bank's ability to generate enough income to cover its monetary policy operations and other operational costs. Based on the above, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus, the Bank continues to adopt the going concern basis of accounting in preparing its annual financial statements.

(b) Statement of compliance

The accompanying financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

On 15 March 2024, the Governor authorized the issuance of the accompanying financial statements.

Basis of preparation (Continued)

(c) Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the following significant items:

1. Financial instruments measured at amortised cost and at fair value;
2. Monetary gold measured at fair value; and
3. Measurement of defined benefits obligations: key actuarial assumptions.

(d) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates (the "Functional currency").

The financial statements are presented in Ethiopian Birr (ETB), which is the Bank's functional currency, and all values are rounded to the nearest Birr, except when otherwise indicated.

(e) Use of judgments and estimates

In preparing these financial statements. management has made judgments. estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Judgments

Information about judgement made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

Note 3 (b (ii)) - Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding;

Note 3 (b (viii)) - Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition. determining methodology for incorporating forward-looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models used to measure ECL: and

Note 3 (e) - Leases; whether a contract contains a lease.

2. Basis of preparation (Continued)

(e) Use of judgments and estimates (Continued)

Estimates on uncertainties and assumptions

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively in the financial statements.

Information on assumptions and uncertainty of estimates posing a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the year ending 30 June 2021 is included in the following notes as set out below:

Note 3 (b (i; ii)) – identification and measurement of financial instruments;
Note 3 (c) and (d) – useful lives and salvage value of tangible and intangible assets;
Note 3 (k) – measurement of employee benefits liability: key actuarial assumptions;
Note 3 (b) (viii) - impairment of financial instruments: key assumptions used in estimating recoverable cash flows; and
Note 3 (j) and (t) – recognition and measurement of provisions and contingencies.

Thc accounting policies set out below have been applied consistently to all periods presented in these financial statements.

ɪ. Significant accounting policies

(a) Foreign currency transactions

Transactions in foreign currencies on a day to day basis are recorded at the respective buying and selling rate. The closing balances on these foreign currency accounts at the close of business are translated using the mid-exchange rate.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the mid-exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the mid-exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

(b) Financial instruments

(i) Recognition and initial measurement

The Bank initially recognizes cash, loans and advances, deposits, and debt securities on the date on which they are originated. All other financial instruments (including assets designated at fair value through profit or loss) are initially recognized on the trade date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

a. Financial assets:

On initial recognition, financial assets are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL);
- Elected at fair value through other comprehensive income (equities only); or
- Designated at FVTPL

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued)

Financial assets include both debt and equity instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its Business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the Business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL); or
- Designated at FVTPL

Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

(a.) Financial assets (continued)

Classification of debt instruments is determined based on:
(i) The business model under which the asset is held; and
(ii) The contractual cash flow characteristics of the instrument.

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Bank's business model assessment is based on the following-categories:

- *Held to collect:* The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- *Held to collect and for sale:* Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- *Other business model:* The business model is neither held-to-collect nor held-to-collect and for sale.

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Business model assessment (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Bank's continuing recognition of the assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g., periodical reset of interest rates.

Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Assessment whether contractual cash flows are solely payments of principal and interest (continued)

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI). Upon derecognition, realized gains and losses are reclassified from OCI and recorded in non-interest income in the Statement of Profit or Loss and Other Comprehensive Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Premiums, discounts, and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Debt instruments measured at FVOCI (Continued)

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The allowance for credit losses (ACL) on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the Statement of Profit or Loss and Other Comprehensive Income. The accumulated allowance recognised in OCI is recycled to the Statement of Profit or Loss and Other Comprehensive Income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

i) Are held for trading purposes;
ii) Are held as part of a portfolio managed on a fair value basis; or
iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income as part of non-interest income. Realized and unrealized gains and losses are recognized as part of non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated. the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. The decision to designate relates to assets that otherwise meet requirements to be measured at amortised cost or as at FVOCI but are designated as at FVTPL to reduce account mismatch.

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Debt instruments designated at FVTPL (Continued)

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Elected at fair value through other comprehensive income (FVOCI).

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in the Statement of Income as part of non-interest income. Subsequent to initial recognition the changes in fair value are recognized as part of non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments measured at FVOCI

At initial recognition, there is an irrevocable option for the Bank to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the Statement of Profit or Loss and Other Comprehensive Income. As such, there is no specific impairment requirement.

Dividends received are recorded in Interest income in the Statement of Profit or Loss and Other Comprehensive Income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Statement of Profit or Loss and Other Comprehensive Income on sale of the security.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

b. Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

The financial instruments at NBE have been classified into one of the following categories and their measurement criteria defined as follows based on their nature and business purpose:

Financial assets	**Measurement criteria**
Due from Government of Ethiopia (*Note 9(a)*)	Amortised cost
Loans to government banks (*Note 9(b)*)	Amortised cost
Due from foreign institutions – commercial banks (*Note 9 (c)*)	Amortised cost
Due from foreign institutions – central banks (*Note 9(d)*)	Amortised cost
Cash - foreign currencies (*Note 9 (e)*)	Amortised cost
Funds held with IMF (*Note 9 (f)*)	Amortised cost
Loans to private commercial banks (*Note 9 (h)*)	Amortised cost
Loans to employees (*Note 15 (a)*)	Amortised cost
Investment securities (*Note 10*)	Fair value through OCI

Financial liabilities	**Measurement criteria**
Deposits from banks and government *(Note 17)*	Amortised cost
Due to international financial institutions *(Note 18)*	Amortised cost
Due to other institutions *(Note 19)*	Amortised cost
Currency in circulation *(Note 20)*	Fair value

(b) Financial instruments (continued)

(iii) Derecognition

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities:

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Bank also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Modifications of financial assets and financial liabilities

Financial assets:

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre-modification interest rate.

Financial liabilities:

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

(v) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Bank has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(vi) Amortized cost measurement

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(b) Financial instruments (continued)

(vii) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

There is no active market or observable prices to measure the Bank's financial assets or financial liabilities at fair value. Fair value of financial assets and financial liabilities is determined at each reporting date for disclosure in the financial statements purposes only.

(viii) Impairment of financial assets

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(viii) Impairment of financial assets (continued)

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of Expected Credit Losses (ECL)

Expected Credit Losses (ECL) is a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

(b) Financial instruments (continued)

(viii) Impairment of financial assets (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

3. **Significant accounting policies (continued)**

(b) Financial instruments (continued)

(viii) Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

There are also international support mechanisms in place to provide the necessary support to NBE as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of loss allowance in the statement of financial position

Loss allowances for Expected Credit Losses (ECL) are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

3. Significant accounting policies (continued)

(c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation, cumulative impairment losses and residual value.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within operating and administrative expenses in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank and the cost of the item can be measured reliably. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Land is not depreciated.

The estimate useful lives and residual values of significant items of property and equipment are as follows:

Asset classification	Useful life	Depreciation rate	Residual value
Buildings	20 years	5%	25%
Furniture and fittings	5 years	20%	1%
Office and other equipment	5 years	20%	1%
Motor vehicles	5 years	20%	25%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

3. Significant accounting policies (continued)

(d) Intangible assets

(i) Software

Software acquired by the Bank is measured at cost less accumulated amortization and any accumulated impairment losses. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. All other expenditure is expensed as incurred.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life. from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is 5 years this is amortised at a rate of 20% less the residual value. The estimated residual value of software for the current period and comparative periods is nil. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Leases

(i) Bank acting as a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate.

After the commencement date, the Bank measures the right-of-use asset applying a cost model (cost less any cumulative depreciation and any cumulative impairment). In the case of the lease liability, the Bank measures it by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments

Significant accounting policies (continued)

(e) Leases (continued)

(i) Bank acting as a lessee (continued)

made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease of 12 months or less and leases of low-value assets defined as those below ETB 135,000 (equivalent to USD 5,000 at an exchange rate of USD1 to ETB27, the prevailing mid rate as at 2016). The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Bank acting as a lessor – Finance leases

Where the Bank is the lessor, it determines at lease inception whether each of its leases is an operating or finance lease.

Finance lease

A lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within receivables.

At the commencement date, the Bank recognizes assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. After the initial measurement, the Bank recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Operating lease

A lease agreement that does not transfer substantially all of the risks and rewards incidental to the ownership of the asset to the lease is classified as an operating lease.

The Bank recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Bank applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

3. Significant accounting policies (continued)

(f) Taxes

The Bank is exempt from income tax as defined under article 23 of Proclamation No. 591/2008.

(g) Accounting for currency expenses

The cost relating to printing of bank notes and minting of coins are charged to profit or loss in the period in which the notes and coins are received by the bank from the printing company.

(h) Currency in circulation

Notes and coins in circulation are recorded at fair value. The fair value of notes and coins approximates their carrying value and represents the nominal value of all bank notes and coins held by the public and commercial banks.

(i) Inventories

The bank holds gold, office and other consumables as inventory. Included in the office and other consumables are spare parts, stationery items, fuel and lubricants, tyres and inner tubes and cleaning and sanitary items. Refer to Note 15(c) for the qualitative disclosures.

Gold inventory is initially measured at the lower of cost and net realisable value while office and other consumables are measured at cost.

Cost of inventories comprises of purchase price (after deducting trade discounts), and related tax and duty for imports, any costs directly attributable to the acquisition of the stock item such as transport costs, labour costs, unpacking, temporary warehousing fees and inspection costs and destination charges in case of imports.

Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for costs of realisation. The cost of inventories to the Bank is determined on a First in First Out (FIFO) basis.

(j) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably as at the Statement of Financial Position date, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognized for future operating losses. Provisions at NBE are recognized in respect of legal cases and bonus payments to employees as well as to board members who are not employees of the bank.

Significant accounting policies (continued)

(k) Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank accounts not only for its legal obligation but also for any constructive obligation that arise from the Bank's customary practices. A customary practice in place gives rise to a constructive obligation where the Bank has no realistic alternatives but to pay employee benefits.

The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets is deducted.

The discount rate is the yield at the reporting date on governmental bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. This method takes into account various parameters, specific to the Ethiopia market such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, general inflation rate as well as any other relevant financial assumptions. The net liability recognized with respect to post-employment benefit plans is the difference between the present value of the defined-benefit obligation and the fair value of any plan assets, if any.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss during which the services are rendered. The annual expenses recognized in the profit or loss statement under "Salaries and employee benefits" with respect to defined-benefit plans includes the current service cost (the rights vested by each employee during the period in return for service rendered), the net interests linked to the effect of discounting the net defined-benefit liability, the past service cost arising from plan amendments or curtailments, and the effect of any plan settlements.

Remeasurements of the net defined-benefit liability are recognized in other comprehensive income in the period they arise and are never reclassified to profit or loss. These include: all actuarial gains and losses arising from defined benefit plans.

3. Significant accounting policies (continued)

(k) Employee benefits (continued)

(ii) Short-term benefits

Short-term benefit obligations consist of salaries, bonuses, and any non-monetary benefits. They exclude the following benefits which are expected to be paid over periods exceeding 12 months: funeral expenses; medical expenses for pension employees; prize pay; severance pay and leave benefits. Short-term benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses if the Bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employees, and the obligation can be estimated reliably.

(iii) Termination benefits

Termination benefits are employee benefits payable in exchange for the termination of an employee's contract as a result of either a decision by the Bank to terminate a contract of employment before legal retirement age, or a decision by an employee to accept voluntary redundancy in exchange for these benefits. Some of the termination benefits at NBE include severance payments.

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognizes costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iv) Long-term benefits

These are benefits, other than short-term benefits, post-employment benefits and termination benefits. These benefits relate to compensation deferred for more than 12 months, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined benefit post-employment benefits except that the revaluation items are recognized in the profit or loss and not in equity.

(l) General reserve

The General reserve is defined in the NBE proclamation No. 591/2008. The balance of this reserve fund is dependent on the Capital amount. The limit of the General reserve should equal the Capital account. The proclamation defines that 20% (twenty percent) of net profit shall be paid each financial year into the General reserve fund until such fund equals the paid-up capital of the National Bank. The remaining 80% (eighty percent) shall be credited to the account of the Ministry of Finance (MOF).

Where the General reserve fund equals the paid-up capital of the Bank, the total amount of the net profit shall be credited each financial year to the account of the Ministry of Finance (MOF). Net losses of the National Bank shall be debited to the General reserve fund. If at any time, as a result of net losses sustained by the Bank, the General reserve fund is less than the paid-up capital, the fund is replenished as per proclamation guidance until it equals the paid-up capital.

(m) Revenues

Revenue comprises of:

— Interest income (Note 3 (m))
— Revenue from gold (Note 3(n))
— Fee and commission (Note 3(n))

(n) Interest

Effective interest rate
Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial assets: or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs, fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3. Significant accounting policies (continued)

(n) Interest (continued)

Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss.

Calculation of interest income and expenses

In calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation of interest income and expenses

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis; and
- interest expense on lease liabilities.

Interest income and expense on all assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of assets and liabilities in net trading income.

Significant accounting policies (continued)

(o) Revenues from contracts with customers

Revenue from sale of gold, fee and commission income from contracts with customers is based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant terms, and the related revenue recognition policies.

Type of product (good or service)	Nature and timing of satisfaction of performance obligations, including significant payment terms
Gold	NBE recognizes revenue from gold when the customer receives right and ownership of the gold. This occurs when a deal is struck between the Bank and the customer on pricing and the customer takes possession of the product. The Bank's performance obligation is satisfied at a point in time when the gold is delivered to the customer.
Fee and commission income	The Bank provides foreign currency transactions services to banks, government and government agencies in Ethiopia. It also provide services relating to selling gold, issuance of bonds and treasury bills on behalf of the government. Transaction based fees are charged to the customer when the transaction takes place. The Bank's performance obligations are satisfied at a point in time.

(p) Dividend income

Dividend income is recognized when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss (FVPTL) or other revenue based on the underlying classification of the equity investment.

(q) Due from Government of Ethiopia

Balances due from the Government of Ethiopia arise from the following transactions:

- Direct advances bearing interest at 3% per annum, issued with no maturity date;
- Bonds bearing interest at the rate of 2% per annum which mature on 03 October 2044; and
- Non-interest bearing bond that is expected to mature in 2034.

Other than non-interest-bearing bonds which are measured at fair value by discounting them using a market related interest rate, all other balances due from the Government of Ethiopia are measured at amortized cost.

3. Significant accounting policies (continued)

(r) Funds held at/due to International Monetary Fund (IMF)

Ethiopia has been a member of the International Monetary Fund (IMF) since 1966. The Bank is the designated depository for IMF's holdings of Ethiopia's currency. IMF currency holdings are held in form of either promissory notes which are payable on demand or in the No. 1 and No. 2 Accounts, which are deposit accounts of the IMF with the Bank.

Borrowings from and repayments to the IMF are denominated in Special Drawing Rights (SDRs). The SDR balances in the two IMF accounts (No. 1 and No. 2) are translated into Birr at the prevailing exchange rates as at 30 April of each year and any unrealized gains or losses resulting thereof are accounted for in accordance with accounting policy on foreign currencies and posted to either the currency valuation adjustment asset account where there is an exchange gain or the currency valuation adjustment – IMF financing liability account in the case of an exchange loss.

(s) Gold

NBE is mandated by the Government to buy gold deposits locally and sell the same in international markets. NBE works in conjuction with the Ministry of Mines and Ethiopian Geology survey to undertake gold purchase activities. The Ministry is responsible for verifying purity of gold purchased by the Bank. NBE recognizes three types of gold transactions which are: gold commodity; gold in transit and monetary gold.

Gold commodity comprises of raw gold or gold bullion which is sourced locally before it is refined and sold abroad. Gold commodity not sold at year end is considered as inventory and is measured at the lower of cost and net realizable value.

Gold in transit refers to gold that is held by the refineries or is in transit to refineries before it is processed to gold bullion. It is measured at the lower of cost and net realizable value.

Monetary gold refers to gold that is held in foreign financial institutions to enable the bank to build an international reserve. NBE invests a maximum of 8,000 ounces of gold in the form of time deposits at Commerz Bank.

In the absence of an accounting standard that specifically applies to accounting for transaction relating to monetary gold, NBE chose to apply IAS 8:10 and 11 (Accounting Policies, Changes in Accounting Estimates and Errors) and guidance issued by World Gold Council on how to account for gold by monetary authorities. This guidance was prepared with reference to the conceptual framework of current financial reporting standards and uses similar terminology as far as possible.

NBE measures monetary gold at fair value with gains and losses being recognized in statement of other comprehensive income (OCI).

Significant accounting policies (continued)

(t) Contingencies

The Bank, discloses by way of a note, a contigent liablity when a condition or circumstance at the end of the reporting period of which the eventual result, either beneficial or prejudicial, can only be confirmed upon the occurrence or non-occurrence of one or more uncertan future events which are beyond the control of the Bank.

(u) Comparatives

Where necessary, comparatives figures have been adjusted to conform to changes in presentation in the current year.

(v) New Standards, amendments and interpretations

(i) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2021

A number of new standards, amendments to standard and interpretations are not yet effective for the period ended 30 June 2021 and have not been applied in preparing these financial statements. These are summarized as follows:

Standards / Interpretations	Effective for annual periods beginning on or after
- Onerous Contracts: Cost of Fulfilling a Contract (IAS 37 amendment)	1 July 2022
- Annual Improvements to IFRS Standards (2018 – 2020) (IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments)	1 July 2022
- Property, Plant and Equipment: Proceeds before Intended Use (IAS 16 amendment)	1 July 2022
- Reference to the Conceptual Framework (IFRS 3 amendment)	1 July 2022
- Insurance Contracts (IFRS 17)	1 July 2023
- Insurance Contracts (IFRS 17 amendments)	1 July 2023
- Classification of liabilities as current or non-current (IAS 1 amendment)	1 July 2023
- Definition of Accounting Estimates (IAS 8 amendment)	1 July 2023
- Disclosure Initiative: Accounting Policies (IAS 1 and IFRS Practice Statement 2 amendment)	1 July 2023
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (IAS 12 amendment)	1 July 2023
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IFRS 10 and IAS 28 amendment)	Deferred indefinitely by amendments made in December 2015

IFRS 17 (Insurance Contracts) and IFRS 17 amendments (Insurance Contracts), Annual Improvements to IFRS Standards (2018 – 2020) (IFRS 1 and IAS 41 amendments) and Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (IAS 12 amendment) are not applicable to the business of the entity and will therefore have no impact on future financial statements. The director's opinion on the impact of the application of the remaining Standards and Interpretations will be as follows:

3. Significant accounting policies (continued)

(v) New Standards, amendments and interpretations (continued)

(i) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2021 (continued)

Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprises both:

— the incremental costs – e.g. direct labour and materials; and
— an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply for annual reporting periods beginning on or after 1 July 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted.

The Bank will make an assessment of the impact of this adoption.

Annual Improvements to IFRS Standards 2018-2020

IFRS 9 Financial Instruments	The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
IFRS 16 Leases	The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

3. Significant accounting policies (continued)

(v) New Standards, amendments and interpretations (continued)

(i) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2021 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 July 2022 with earlier application permitted.

The Bank will make an assessment of the impact of this adoption.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

—costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
—costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments apply for annual reporting periods beginning on or after 1 July 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

The Bank will make an assessment of the impact of this adoption.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment has:
—updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;

3. Significant accounting policies (continued)

(v) New Standards, amendments and interpretations (continued)

(i) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2021 (continued)

—added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after 1 July 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Bank will make an assessment of the impact of this adoption.

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments are to be applied retrospectively from the effective date.

The Bank will make an assessment of the impact of this adoption.

***Definition of accounting estimates* (Amendments to IAS 8)**

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

3. Significant accounting policies (continued)

(v) New Standards, amendments and interpretations (continued)

(i) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2021 (continued)

— The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
— Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
— Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
— The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
— A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 July 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Bank will make an assessment of the impact of this adoption.

Disclosure Initiative: Accounting Policies **(Amendments to IAS 1 and IFRS Practice Statement 2)**

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

The Board has issued amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

— requiring companies to disclose their material accounting policies rather than their significant accounting policies;
— several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material:
— clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;

3. Significant accounting policies (continued)

(v) New Standards, amendments and interpretations (continued)

(i) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2021 (continued

— clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;

— accounting policy information may be material because of its nature, even if the related amounts are immaterial;

— accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and

— the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The amendments are effective from 1 July 2023 but may be applied earlier.

The Bank will make an assessment of the impact of this adoption.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)**

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognised in full if the underlying assets are impaired.

In response to this conflict and the resulting diversity in practice, on 11 September 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

The Bank will make an assessment of the impact of this adoption.

4. Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method and are analyzed as follows:

Interest income	For year ended 30 June 2021	For year ended 30 June 2020
Advance to Central Treasury	1,378,232,878	1,794,485,329
Priority sector loans	2,067,048,423	1,890,045,684
Foreign time deposits	46,644,676	396,492,734
Call and ordinary accounts	4,471,705	721,907,531
Foreign securities	10,164,073	73,438,318
Advance to domestic banks	7,670,520,550	3,312,237,463
Government bonds	4,015,166,371	3,043,223,042
Total interest income	**15,192,248,676**	**11,231,830,101**

Interest expense	For year ended 30 June 2021	For year ended 30 June 2020
NBE bills to domestic banks	3,106,362,225	3,345,115.729
Government deposits	1,094,252.509	874,506.706
International Monetary Fund	5,533,769	64,817,230
Correspondent banks	3,559,635	3,516,013
Interest on time deposits	2.800,398,499	778.429.978
General Resource Account (GRA) charge on Special Drawing Rights (SDR) Purchase[1]	102,861,429	73,804,568
Total interest expense	**7,112,968,066**	**5,140,190,224**

[1] Refer to Note 22 (b) for details on this disclosure item

5. Fee and commission income

Exchange service commission

	For year ended 30 June 2021	For year ended 30 June 2020
Foreign exchange transfers	1,010,227,455	1.104,103,949
Local banks	3,067,944,262	1,987,668.389
Government and Government institutions	1,046,203,233	1,170,087,936
Exchange service commission	**5,124,374,950**	**4,261,860,274**
Service charge commission		
Treasury bills	149,249,719	146.787,053
Commission charged on local sale of gold	2,155,239	504,904
Service charge commission	**151,404,958**	**147,291,957**
Total fee and commission income	**5,275,779,908**	**4,409,152,231**

6. Revenue from sale of gold *

	For year ended 30 June 2021	For year ended 30 June 2020
Local sales	15,170,958	12,244,175
Foreign sales	23,506,061,987	1,029,784,838
	23,521,232,945	**1,042,029,013**

*Revenue from sale of gold was less than the gold purchase cost due to the increase on premium which was paid to the suppliers of the gold on the world gold price that prevails on the day of the supply from 5% to 10%-29% depending on the amount of the gold they supply to the Bank.

7. Other income

	For year ended 30 June 2021	For year ended 30 June 2020
Dividend income	30,867,476	2,242,598
Postage, telephone and telex refunds	94,676	100,456
License fee*	13,468,554	13.524.278
Auction fee	111,885	64.148
Penalty on currency sorting	-	650
Stationery and printing	3,205	53,100
Sundries	40,242.596	48.873,027
Service charge on cheque books	10,532	6,808
Income from local currency notes	-	67,540
Amortisation of deferred revenue	351,860	273,930
Write back income	40,000	409,979
Grant assistance under the Catastrophe Containment and Relief Trust **	264,015,783	386,247,766
Reimbursements From Ministry of Finance - IMF	38,575,671	-
	387,782,238	**451,864,280**

***License fees:** These are earned from the issuance of new and renewal of business licenses to financial institutions giving them mandate to operate in Ethiopia. The financial institutions that are licensed include: banks, microfinance institutions as well as insurance businesses, insurance agencies, insurance actuaries, insurance surveyors and insurance brokers.

**Refer to Note 22 (b) for details on this disclosure item

National Bank Of Ethiopia
Annual Financial Statements
For the year ended 30 June 2021
(In Ethiopian Birr)

8. Operating expenses

a). Currency costs

	For year ended 30 June 2021	For year ended 30 June 2020
Printing of bank notes	3,290,494,937	292,769,194
Minting of coins	193,916,756	-
Total currency costs	**3,484,411,693**	**292,769,194**

b). General and administration costs

	For year ended 30 June 2021	For year ended 30 June 2020
Depreciation and Amortization	115,181,878	105,838,758
Depreciation – Right of use asset	153,324	153,324
Loss on foreign exchange differences*	7,266,412,156	1,992,787,714
Fuel and lubricants	1,905,275	1,943,974
Membership fees	2,105,925	1,003,232
Travelling and per diem	8,619,184	6,950,199
Stationery and printing	9,399,894	6,124,407
Transportation of currency	120,585,351	9,246,868
Repairs and maintenance costs	32,796,606	21,270,226
Advertisements	3,538,183	604,193
Communications	8,619,855	10,719,594
Utilities	3,293,846	4,787,454
Reuters' Service	3,644,462	3,308,719
Insurance	15,099,016	6,966,711
Tuition fees	644,687	1,376,069
Subscriptions	645,831	993,002
Audit fee	1,275,925	1,274,461
Bankers' Club	1,542,129	1,542,000
Uniforms	1,999,358	3,238,312
Entertainment	3,134,078	2,214,201
Board fees	1,479,000	1,424,000
Legal expenses	26,218	834,930
Miscelleanous	532,155,350	27,667,108
Total general and administration expenses	**8,134,257,531**	**2,212,269,456**

* **Loss on foreign exchange differences;** This balance arises from the net impact/differences resulting from translating a given number of units of foreign currencies into the bank`s reporting currency, that is, ETB at different exchange rates.

8. Operating expenses (continued)

c). Salaries and related benefits

	For year ended 30 June 2021	For year ended 30 June 2020
Staff salaries	204,205,577	132,210,652
Periodic employees' benefits costs	16,942,529	5,520,768
Overtime	12,058,835	7,926,080
Bonus	15,142,564	27,618,589
Medical expenses	16,521,570	12,961,827
Representation allowance	15,519,225	14,046,483
Fuel and transportation allowance	28,099,339	22,825,378
Housing allowance	28,740,628	28,060,917
Salary outsourcing	13,731,000	8,820,984
Accumulated leave expenditure	973,489	480,838
Total salaries and related benefits	**351,934,756**	**260,472,516**

d). Gold purchase, refinery and other related costs

	For year ended 30 June 2021	For year ended 30 June 2020
Gold purchase costs	25,417,275,682	809,593,121
Gold transport and other costs	58,321,032	12,110,342
	25,475,596,714	**821,703,463**

e). Impairment losses on financial instruments

	For year ended 30 June 2021	For year ended 30 June 2020
Balance as at 1 July – Financial assets[1]	(796,357,310)	(232,419,217)
Balance as at 1 July – Other assets: Loans to employees[2]	(468,273)	(445,124)
Balance as at 1 July – Other assets: Staff advances[3]	(969,328)	(938,769)
Total balance as at 1 July	**(797,794,910)**	**(233,803,110)**
Charged to profit or loss – Financial assets[1]	(1,259,296,975)	(563,938,093)
Charged to profit or loss – Other assets: Loans to employees[2]	(378,285)	(23,149)
Charged to profit or loss – Other assets: Staff advances[3]	125,625	(30,558)
Total charged to profit or loss	**(1,259,549,635)**	**(563,991,800)**
Total cumulative impairment losses	**(2,057,344,545)**	**(797,794,910)**

[1]Financial assets relate to instruments held in favour of the bank or owed to the bank by other financial institutions. The bank holds the following financial assets: loans due from the Government of Ethiopia, loans to Government banks; as well as call, current and time deposits held with foreign commercial and central banks.

[2]The bank provides interest free loans to employees. These loans are checked off against the staff payroll. However, in some cases employees may leave the Bank without settling their due loans in full. The Bank therefore assesses each of the cases and provides an impairment loss allowance against the outstanding staff loan balance.

[3]The Bank also provides staff advances to employees for field work purpose.

9. Financial assets

The following balances represent financial assets disclosures after factoring in expected credit loss (ECL):

	30 June 2021	30 June 2020
Due from Government of Ethiopia *(a)*	295,446,886,895	243.652.143.972
Loans to government banks *(b)*	171,403,158,255	169,583,439,505
Due from foreign institutions – commercial banks *(c)*	28,145,553,570	20,658,381.883
Due from foreign institutions – central banks *(d)*	94.285.262,858	81.958.441.772
Cash - foreign currencies* *(e)*	1.527,579,239	4.381.892.903
Funds held with IMF*(f)*	527,514,382	567,343,714
Loans to private commercial banks*(h)*	1,695,803,883	34,413.090
Total Gross amounts	**593,031,759,082**	**520,836,056,839**

Allowance for credit losses	**30 June 2021**	**30 June 2020**
Due from Government of Ethiopia *(a)*	(1,299,918,830)	(466,406,022)
Loans to government banks *(b)*	(754,146,355)	(324,621.554)
Due from foreign institutions - commercial banks *(c)*	(1,504,312)	(5,329,734)
Loans to private commercial banks(h)	(84,788)	-
Total impairment	**(2,055,654,285)**	**(796,357,310)**
Financial assets net of allowance for credit losses	**590,976,104,797**	**520,039,699,529**

Allowance for credit losses movement	**30 June 2021**	**30 June 2020**
Balance as at 1 July	(796,357,310)	(232,419,217.)
Charged to profit or loss	(1,259,296,975)	(563.938.093)
Balance as at 30 June	**(2,055,654,285)**	**(796,357,310)**

*These financial assets were not impaired.

For the rest of the financial assets that were impaired, the following disclosures denote the impairment of the same.

9. Financial assets (continued)

(a) Due from Government of Ethiopia

	30 June 2021	30 June 2020
Direct advance[1]	83,500,000,000	31,000,000,000
Non-interest-bearing bond[2]	4,960,391,902	5,661,642,623
Interest bearing bonds[3]	193,207,833,361	193,211,839,717
Loan to Ministry of finance	13,778,661,632	13,778,661,632
Less: allowance for credit losses	(1,299,918,830)	(466,406,022)
	294,146,968,065	**243,185,737,950**

[1]NBE issues on a regular basis a perpetual direct advance to the government which bears interest at the rate of 3% per annum.

[2]NBE has issued a non-interest-bearing bond with a maturity date of 1 July 2034. The bond has been measured at the present value of all its future cash receipts discounted at an effective interest rate of 3%. The bank determined this to be the prevailing market rate of interest for similar bonds issued to the government. NBE has reclassified day one fair value gains and losses of non-interest-bearing bond financial assets in order to eliminate any accounting mismatch which would otherwise arise.

[3]NBE has issued a 2% annual interest bonds which mature on 3 October 2044.

In period ended 30 June 2020, following the passing of a policy decision by the board of directors, the bank restructured the direct advance loan balance outstanding as at 30 June 2019 of ETB. 187.264.945,000 and ETB 5.000,000.000 being part of direct advance loan issued during the period to a 2% government bond which is payable in thirty equal semi-instalments starting from 03 April 2030.

NBE does not require collateral or guarantee to loan funds to the Government of Ethiopia.

(b) Loans to government banks

	30 June 2021	30 June 2020
Development Bank of Ethiopia priority sector loans[1]	57.388,274.954	58.919.548.927
Commercial Bank of Ethiopia bonds[2]	113,674,038,045	110.663.890.578
Commercial Bank of Ethiopia short term loan[3]	340.845.256	-
Less: allowance for credit losses	(754,146.355)	(324,621,553)
	170,649,011,900	**169,258,817,952**

[1]NBE issues loans to DBE for priority sector investment projects and charges interest at the rate of 5%. These loans have loan tenure of 5 years.

9. Financial assets (continued)

[2]The Bank issues two types of bonds to the Commercial Bank of Ethiopia. The first are term bonds for amounts ETB 81.4 billion and ETB 9.0 billion. The principal amounts of these bonds shall become due within 10 years from the date of receipt by CBE. The interest on these bonds is paid semi-annually. The second type of bond is a coupon bond, these being numbers 055 -- 058 with total amounts of ETB 16 billion due within one year from the date of receipt by CBE repayable in 4 equal semi-annual installments. Both types of bonds bear 7% interest.

[3]The bank extended one year credit facilities aimed at supporting borrowers from hotel and tourism sectors to cope with the COVID-19 pandemic and attract a 5% interest rate.

NBE does not require collateral or guarantee to loan funds to government banks.

(c) Due from foreign institutions – commercial banks

	30 June 2021	30 June 2020
Due from foreign institutions – commercial banks	28,145,553,570	20,658,381,882
Less: Impairment	(1,504,312)	(5,329,734)
	28,144,049,258	**20,653,052,148**

The balance due from commercial banks by NBE represents call, current and time deposit accounts held with the following foreign institutions: CITIBANK New York (USD); JP Morgan Chase (USD); National Westminster - London (GBP); Nordea Bank (NOK); Commerz International bank (XAU / XAG); Commerz bank AG Luxemburg (USD and GBP); Commerz bank AG Frankfurt; Bank of Tokyo (YEN) and Standard Chartered Bank – London (GBP).

(d) Due from foreign institutions – central banks

The Bank maintains call, current and time deposits with several central banks domiciled in Europe. USA and Asia. These central banks include: Federal Reserve Bank of New York (USD); Bank for International Settlements (BIS); Bank of England (GBP); Deutsche Bundesbank (EURO); Banque Nati de Belgique (EURO); Banca D'Italia (EURO); International Bank of Reconstruction and Development (IBRD) and Central Bank of The United Arab Emirate .

(e) Cash - foreign currencies

This relates to cash held by NBE in foreign currency denominations.

The foreign currency balances are translated to Ethiopian Birr (ETB) at each reporting date using the spot rate applicable on that date. As at 30 June 2021, NBE held foreign currency balances worth ETB. 1.527.579.239 (2020: ETB 4,381,892.903).

9. Financial assets (continued)

(f) Funds held with IMF

This is stock of IMF currency for NBE held by IMF. The account which is denominated in SDR is used to deposit funds to effect payments against IMF obligations such as loan repayments. The SDR currency is derived from a basket of 5 currencies (USD, EURO, GBP, JPY and Yuan).

(g) Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including foreign currencies on hand, balances held with foreign institutions – commercial and central banks and funds held with IMF.

Cash and cash equivalents comprise:	**For year ended 30 June 2021**	**For year ended 30 June 2020**
Balances due from foreign entities – Commercial banks	28,144,049,258	20,653,052,148
Balances due from foreign entities – Central banks	94,285,262,858	81,958,441,772
Cash - foreign currencies	1,527,579,239	4,381,892,903
Funds held with IMF	527,514,382	567,343,715
	124,484,405,737	**107,560,730,538**
Less: IBRD* investment with maturity period over three months	(6,368,943,640)	(5,105,009,465)
	118,115,462,097	**102,455,721,073**

* IBRD - The International Bank for Reconstruction and Development
For further details on cash and cash equivalents, refer to notes 9 (c, d, e, f and g) above.

(h) Loans to private commercial banks

In the financial period ended 30 June 2021, NBE extended one-year credit facilities to 15 local commercial Banks worth ETB 1,578,199,970 in total of which ETB 1,294,521,678 was outstanding as at 30 June 2021; and one-month credit facilities to 7 local commercial Banks worth ETB 20,200,000,000 in total of which ETB 401,282,192 was outstanding as at 30 June 2021. The loans are aimed at promoting financial sector stability and temporarily support the hotel and tourism sectors cope with the COVID-19 pandemic and attract a 5% & 4.5% interest.

These outstanding loans are guaranteed by NBE bills and other govervement securities worth ETB 3,754,277,091.

10. Investment securities

The Bank holds the following investments in shares:

	30 June 2021	30 June 2020
International Monetary Fund quota	23,854,237,253	13,997,559,043
African Export-Import Bank	238,330,379	264,342,196
Africa Re-insurance	102,502,939	73,989,650
	24,195,070,571	**14,335,890,889**

On initial recognition the bank made an irrevocable election to present in other comprehensive income the changes in the fair value of all its investments in shares not held for trading. The changes in the fair values of the investment instruments were as follows:

	Amount ETB
Opening balances – 1 July 2019	**12,100,176,482**
Fair value adjustments – IMF	2,177,212,742
Fair value adjustments – other securities	58,501,665
Closing balances – 30 June 2020	**14,335,890,889**
Fair value adjustments – IMF	9,856,678,210
Fair value adjustments – other securities	(24,812,828)
Additional share acquisition by dividend payement (70 shares of African Export-Import Bank)	27,314,300
Closing balances – 30 June 2021	**24,195,070,571**

IMF quota refers to NBE's share of membership to the IMF. The quota is determined upon admission to the IMF and is increased periodically under general quotas reviews. Its valuation is done on a quarterly basis by the IMF.

11. Gold

(a) Monetary gold

The Bank holds gold deposits at Commerz Bank to enable the bank to build an international reserve but sold at September 30, 2020. The value of gold held as time deposits in Commerz bank is as follows:

	Amount ETB
Opening balances – 30 June 2019	324,860,900
Exchange rate adjustments	171,946,025
Fair value adjustments	(855,887)
Closing balances – 30 June 2020	**495,951,038**
Exchange rate adjustments	51.685.226
Fair value adjustments	(256,708)
Closing balances – 30 September 2020	**547,379,557**
Gold Sold	(547,379,557)
Closing balances – 30 June 2021	**-**

11. Gold (Continued)

(b) Gold commodity

Gold commodity comprises of raw gold or gold bullion which is sourced locally before it is refined and sold abroad. Gold commodity not sold at year end is considered as inventory and is measured at lower of cost and net realizable value.

The value of commodity gold is as follow;

	30 June 2021	30 June 2020
Opening balance	3,280,634,229	804,878,004
Purchases	26,477,470,888	3,517,931,528
Sales	(26,126,514,577)	(1,042,175,303)
Closing balance	**3,631,590,539**	**3,280,634,229**

12. Related parties

(a) Parent and ultimate controlling party

The National Bank of Ethiopia was established in 1963 under order No. 30/1963 and is fully owned by the government of Ethiopia through the Ministry of Finance (MOF).

In the normal course of its operations, the Bank enters into transactions with related parties who include the following:

No	Related party	Nature of relationship	Nature of transaction with related party
1	Key management personnel	Members of the management team at NBE	Normal business terms
2	Commercial Bank of Ethiopia (CBE	Associate	Normal business terms
3	Development Bank of Ethiopia (DBE)	Associate	Normal business terms
4	Government of Ethiopia through The Ministry of Finance (MOF)	Owner	Normal business terms

(b) Key management personnel

The key management personnel of the National Bank of Ethiopia comprise of the following:

i.) The Board which includes the Governor and Vice governor in charge of monetary stability cluster
ii.) Vice-Governor – Financial Institutions Supervision
iii.) Vice-Governor – Corporate Services

12. Related parties (continued)

Key management members received the following remuneration during the years ended 30 June 2021 and 30 June 2020:

	30 June 2021	30 June 2020
Short-term employee benefits	4,594,349	3,749,207
Other long-term benefits	258,070	170,817
Post-employment benefits	2,029,173	1,736,393
	6,881,592	**5,656,417**

Compensation of the Bank's key management personnel includes all short- and long-term benefits as well as consideration of their post-employment benefits. Some of the key management personnel, who are not part of NBE staff such as some of the Board members, are only entitled to monthly board fee and annual bonus. These amounts are also included within salaries and related benefits note (Note 8 (c)).

(c) Loans to key management personnel

In accordance with the Bank's policy, NBE issues interest-free loans to key management personnel whose collateral is personal guarantees from NBE members of staff.

At the end of each reporting period, the Bank performs an impairment assessment on the outstanding balances and provides for expected credit losses. The impairment loss has been included in the sum of impairment losses of all staff loan balances for the periods ended 30 June 2021 and 30 June 2020. The loans to key management and the impairing arisng thereof for these periods were as follows:

	30 June 2021	30 June 2020
Gross loans to key management (governor and vice-governors)	217,140	702,299
Impairment	(1,734)	(4,891)
Net loans to key management (governor and vice-governors)	**215,406**	**697,408**

(d) Other related parties transactions

The Bank entered into related party transactions whose terms were not equivalent to those that prevail in arm's length transactions. These transactions include loans, deposits and foreign currency transactions.

The volumes of the related party transactions, outstanding balances at the end of the year and the related expenses and incomes for the year are as follows:

(d) Other Related parties transactions (continued)

i.) Transactions with Commercial Bank of Ethiopia:

	30 June 2021	30 June 2020
CBE Term Bonds	113,674,038,045	110,663,890,578
Commercial Bank of Ethiopia A/R (ETB)	12,761,725,440	-
Commercial Bank of Ethiopia short term loan	340,845,256	-
	126,776,608,741	**110,663,890,578**

The above amounts are the gross carrying amounts before impairment.
The interest earned on the CBE Term Bonds & short term loan was ETB 7,457,865,922 (**2020:** ETB 4,045,233,715). The impairment loss on CBE Term bond & short term loan was ETB 501,647,166 (**2020:** ETB 211,836,039).

ii.) Transactions with Development Bank of Ethiopia:

	30 June 2021	30 June 2020
DBE Priority loan	57,388,274,954	58,919,548,927
	57,388,274,954	**58,919,548,927**

The above amounts are the gross carrying amounts before impairment.

The interest earned on the DBE priority loan was ETB 2,067,048,423(**2020:** ETB 1,890,045,684). The impairment loss on DBE priority loan was ETB 252,499,189 (**2020**: ETB 112,785,515).

13. Property and equipment

2021		Balance at 30 June 2020	Additions	Disposals	Reclassifications	Adjustments	Balance at 30 June 2021
Cost	ETB						
Buildings		1,326,103,661		-	2,330,317	-	1,328,433,978
Office and other equipment		382,309,282	24,538,442	-	-	-	406,847,724
Office furniture and fittings		22,864,542	4,978,829	-	-	-	27,843,371
Motor vehicles		90,718,909	7,652,516	(41,370)	44,036,067	-	142,366,122
Work in progress*		117,685,513	20,217,243	-	(46,366,384)	(1,319,740)	90,216,632
		1,939,681,907	**57,387,030**	**(41,370)**	-	**(1,319,740)**	**1,995,707,827**
Depreciation							
Building		(198,888,147)	(49,794,487)	-	-	-	(248,682,634)
Office and other equipment		(311,076,410)	(37,366,518)	-	-	(209,963)	(348,652,891)
Office furniture and fittings		(16,542,551)	(2,863,507)	-	-	-	(19,406,058)
Motor vehicles		(37,259,100)	(19,256,609)	25,910	-	-	(56,489,799)
		(563,766,208)	**(109,281,121)**	**25,910**		**(209,963)**	**(673,231,382)**
Net carrying amount	**ETB**	**1,375,915,699**	**(51,894,091)**	**(15,460)**	-	**(1,529,703)**	**1,322,476,445**

* The reclassification on the work in progress class of assets relates to reclassification of motor vehicles assets amounting to ETB 44,036,069 and building assets amounting to ETB 2,330,317.

Aggregate value of PPE purchase price amaounting Birr 219,714,403 are fully depreciated and has a residual value of birr 2,218,176 were still in use.

13. Property and equipment (continued)

2020		Balance at 30 June 2019	Additions	Disposals	Reclassifications	Adjustments	Balance at 30 June 2020
Cost	**ETB**						
Buildings		1,325,897,709	205,952	-	-	-	1,326,103,661
Office and other equipment		356,568,440	25,740,842	-	-	-	382,309,282
Office furniture and fittings		19,507,026	3,357,516	-	-	-	22,864,542
Motor vehicles		65,610,408	26,834,334	(1,725,833)	-	-	90,718,909
Work in progress*		38,144,564	85,070,544	-	(4,034,351)	(1,495,244)	117,685,513
		1,805,728,147	**141,209,188**	**(1,725,833)**	**(4,034,351)**	**(1,495,244)**	**1,939,681,907**
Depreciation							
Building		(149,163,492)	(49,724,655)	-	-	-	(198,888,147)
Office and other equipment		(272,963,540)	(37,832,920)	-	-	(279,950)	(311,076,410)
Office furniture and fittings		(14,309,807)	(2,232,744)	-	-	-	(16,542,551)
Motor vehicles		(27,598,385)	(10,575,323)	914,608	-	-	(37,259,100)
		(464,035,224)	**(100,365,642)**	**914,608**		**(279,950)**	**(563,766,208)**
Net carrying amount	**ETB**	**1,341,692,923**	**40,843,546**	**(811,225)**	**(4,034,351)**	**(1,775,194)**	**1,375,915,699**

*The reclassification on the work in progress class of assets relates to reclassification of intangible assets amounting to ETB. 4,034,351.

14. Intangible assets

		Software
Cost		
Balance at 30 June 2020	ETB	94,522,849
Additions / transfers from CWIP		-
Balance at 30 June 2021*		**94,522,849**
Amortization and impairment		
Balance at 30 June 2020		(83,513,045)
Additions		(5,900,757)
Balance at 30 June 2021		**(89,413,802)**
Net carrying amount	**ETB**	**5,109,046**

		Software
Cost		
Balance at 30 June 2019	ETB	90,488,498
Additions		4,034,351
Balance at 30 June 2020		**94,522,849**
Amortization and impairment		
Balance at 30 June 2019		(78,039,930)
Additions		(5.473.115)
Balance at 30 June 2020		**(83,513,045)**
Net carrying amount	**ETB**	**11,009,804**

Intangible assets relate to software that includes banking and other related softwares.
In the financial period ended 30 June 2021, NBE not acquired new software. There were no idle assets and changes relating to the useful lifes of intangible assets as at 30 June 2021 and 30 June 2020.
*Aggregate value of Intangible assets relate to software amaounting Birr 65,019,062 are fully amortized were still in use.

15. Other assets

	30 June 2021	30 June 2020
Advances to CBE for gold purchases	4.115.737,373	4.276.525,268
Sundry receivables from CBE	12,761,725,440	-
Commemorative souvenirs in gold and silver	10,119,596	10,392,425
Loans to employees *(a)*	56.494.289	46,076,289
Staff advances *(b)*	475,409	136,231
Office and other consumables *(c)*	18,506,572	22,386,664
Uncleared effects	5,128,849	5,196,172
Sundry receivables	824,001,990	2,239,677,041
Miscellaneous*	(111,244,383)	(32,744,847)
	17,680,945,135	**6,567,645,243**

15. Other assets (continued)

* The balances under the miscellaneous account relate to the following items: CMD unadjusted notes in circulation, Claim on CBs and FEMRMD - Treasury suspense account. The FEMRMD - Treasury suspense account is the biggest contributor to the negative debit balance as Shown in the periods 30 June 2021.

(a) Loans to employees

The Bank extends interest free loans, which are therefore at a lower rate compared to the prevailing market rates and bear annual interest of 17.6%, to all its staff in accordance with the Bank's policy.The loans are repayable within three years and are secured by a guarantor. The bank does not perform a fair valuation of these loans since the tenure/duration of these loans is short-term in nature and the credit exposure to the bank is minimal.

The Bank performs an impairment test on a continuous basis and provides an allowance for impairment losses at the reporting date.

Loans to employees for the two periods were as follows:

	30 June 2021	30 June 2020
Gross Loans to employees	57,340,845	46,544,560
Cumulative impairment losses	(846,556)	(468,271)
Net Loans to employees	**56,494,289**	**46,076,289**

Movement of impairment losses for staff loan accounts	30 June 2021	30 June 2020
Balance as at 1 July	468,271	445,122
Charged to profit or loss	378,285	23,149
Balance as at 30 June	**846,556**	**468,271**

(b) Staff advances

The following table shows the staff advances breakdown:

	30 June 2021	30 June 2020
Gross staff advances	1,319,112	1,105,559
Cumulative Impairment losses	(843,703)	(969,328)
Net staff advances	**475,409**	**136,231**

15. Other assets (continued)

(b) Staff advances (continued)

Movement of impairment losses for staff advances	30 June 2021	30 June 2020
Balance as at 1 July	(969,328)	(938,770)
Charged to profit or loss	125,625	(30,558)
Balance as at 30 June	**(843,703)**	**(969,328)**

(c) Office and other consumables

The breakdown of office and other consumables items is as shown below:

Office and other consumables	30 June 2021	30 June 2020
Gross carrying amount	18,310,657	48,146,664
Office and other consumables – adjustments	195,915	(25,760,000)
Net carrying amount	**18,506,752**	**22,386,664**

The Bank's office and other consumables comprise of spare parts, stationary items, uniforms, stocks of facilities for office equipment, buildings, sorting and shredding machine, cleaning and sanitary materials, fuel and lubricant, tyres and inner tubes. These office and other consumables are not meant for resale and are therefore measured at cost.

16. Right of use assets

The Bank leases some buildings within Ethiopia. Information about leases for which the Bank is a lessee is presented below:

Right-of-use assets:

	30 June 2021	30 June 2020
Cost		
Balance at the beginning of the year	2,759,826	2,759,826
Balance as at 30 June	**2,759,826**	**2,759,826**
Depreciation		
Balance as at 1 July	(613,296)	(459,972)
Charge for the year	(153,324)	(153,324)
Balance at 30 June	(766,620)	(613.296)
Net carrying value	**1,993,206**	**2,146,530**

16. Right of use assets (continued)

Lease liabilities:

	30 June 2021	30 June 2020
Balance at beginning of the year	2,348,737	2,454,770
Interest expense	134,234	140,987
Payments made during the year	(247,020)	(247,020)
Net carrying value	**2,235,951**	**2,348,737**

Maturity analysis:

	30 June 2021	30 June 2020
Less than 1 year	226,435	226,435
1 – 2 years	247,020	247,020
3 – 5 years	761,645	761,645
More than 5 years	1,976,222	2,202,657
Total	**3,211,322**	**3,437,757**

NBE calculated lease related assets and liabilities per its accounting policy disclosed on Note 3(e). As a lender of last resort, the Bank is not subject to conventional borrowing patterns of a commercial bank. In the event that the Bank had to borrow funds equivalent to the value of the right of use asset, the Bank would be financed by the Government through issuance of a bond. The Bank used an incremental borrowing rate that is equivalent to the Grand Renaissance bond issued by the government. The Grand Renaissance bond was issued at a rate of 6%. The Bank adopted this rate as its incremental borrowing rate for purposes of computing its lease liabilities. The Bank had no short-term lease commitments in period ended 30 June 2021 therefore no lease expense was recognized in statement of profit or loss and other comprehensive income.

17. Deposits due to local financial institutions, government, and government institutions

Deposits due to financial institutions and the Government were as follows:

Domestic currency deposits	30 June 2021	30 June 2020
Deposits from banks	100,710,322,708	108,028,031,138
NBE bills payable to domestic banks[1]	81,200,806,277	80,771,186,208
Deposits from insurance companies[2]	12,057,509	8,557,454
Government and governmental agencies[3]	73,698,384,359	34,526,757,236
	255,621,570,853	**223,334,532,036**
Foreign currency deposits		
Government and governmental agencies	61,895,997,679	44,097,658,141
	61,895,997,679	**44,097,658,141**
Deposits from banks and government	**317,517,568,532**	**267,432,190,177**

17. Deposits due to local financial institutions, government, and government institutions (continued)

[1]NBE requires that all private commercial banks purchase bills equivalent to 27% of their monthly loans to customers. NBE issues five-year bills at a rate of 3% in order to foster financial stability within the country and control inflation. The interest rate was increased to 5% with effect from 1 September 2018.
[2]All insurance companies are required to deposit 5% of their annual net earned premium with NBE. The amounts of deposits with NBE are adjusted on an annual basis depending on the growth in an insurance company's net earned premium. These deposits do not earn any interest and neither does NBE reinvest this money.
[3]The Government and Government agencies deposit money with NBE. These deposits are denominated in both domestic and foreign currencies with domestic deposits earning interest at the rate of 3% pa. The obligation arising from NBE holding these deposits is measured at cost i.e. the actual value of the deposit. The finance cost is recognized as an expense in the statement of profit or loss over the period NBE holds the deposit. The interest payments to Ministry of Finance (MOF) are done monthly.

Deposits from banks is made up of the following:

	30 June 2021	30 June 2020
Payment and Settlement accounts	23,429,799,228	48,275,478,383
Reserve accounts	69,379,588,242	52,761,372,107
Issue accounts	7,900,935,238	6,991,180,648
	100,710,322,708	**108,028,031,138**

18. Due to International Financial institutions

Deposits due to international financial institutions were as follows:

	30 June 2021	30 June 2020
International Monetary Fund (IMF)	57,658,648,195	44,252,602,818
International Bank for Reconstruction and Development (IBRD)	5,998,275	52,407,187
International Development Association	705,068	705,068
Multilateral Investment Guarantee Agency	156,782	156,782
	57,665,508,321	**44,305,871,855**

NBE holds funds it has received from international financial institutions as either loans or direct bank deposits that it is obliged to repay back as per the membership agreements. The obligation is measured at amortized cost.
NBE has four types of obligations to IMF as follows:

International Monetary Fund	30 June 2021	30 June 2020
IMF deposits	17,994,053,802	8,137,375,592
IMF loans	8,383,103,560	6,670,154,507
SDR allocation	8,068,655,566	6,232,237,452
Promissory notes	23,212,835,267	23,212,835,267
	57,658,648,195	**44,252,602,818**

19. Due to other institutions

	30 June 2021	30 June 2020
Deposits from foreign institutions		
Foreign currency deposits due to International institutions	219,683,383	166,501.572
Time deposits due to Saudi Arabia[1]	43,909,500,000	35.157,100,000
Time deposit due to Abu Dhabi[2]	43,909,500,000	35,157,100,000
	88,038,683,383	**70,480,701,572**

[1]Saudi Arabia deposited a time deposit worth USD 1billion with NBE in November 2015 for a period of 6 years at an interest rate of 3%. NBE received an additional time deposit of USD 500 Million in period ended 30 June 2019.The two parties agreed to a new repayment plan. NBE did not offer any collateral for the time deposit.

[2]NBE received a new time deposit of amount USD 1 billion from Abu Dhabi Fund in period ended 30 June 2019 at a fixed interest rate of 3% per annum payable semi annually.

20. Currency in circulation

	30 June 2021	30 June 2020
Notes	162.501.673.534	139.342.751.657
Coins	1.208.018.198	1.178.375.652
	163,709,691,732	**140,521,127,309**

NBE issues notes and coins on behalf of the government to the country to run the economy; monitor the inflation rates and maintain economic stability. These are non-interest-bearing liabilities and are due on demand.

21. Provisions

	Bonuses	Legal	Total
Balances at 30 June 2019	**11,787,757**	**2,088,635**	**13,876,392**
Increases (decrease) recorded in profit or loss	27.618.589	746.337	28.364.926
Paid during the year	(11.787.757)	-	(11.787.757)
Balances at 30 June 2020	**27,618,589**	**2,834,972**	**30,453,561**
Increases (decrease) recorded in profit or loss	15.142.564	(829.385)	14.313.179
Provisions used during the year	(27.618.589)	-	(27.618.589)
Balances at 30 June 2021	**15,142,564**	**2,005,587**	**17,148,151**

Bonus represent short-term benefits arising from past services provided by employees and are expected to be paid within the next 12 months. Legal provisions represent various claims that are pending outcome at the courts which the Bank's legal team has dermined that Bank is more than probable to lose. The Bank has created a provision for this amount to ensure the Bank is covered when the legal claims are decided against the Bank. The Bank is currently not involved in cases with determined amount therefore no provision was recognised for the period ended 30 June 2021.

A provision of ETB 829.385 has since been reversed as two cases were decided in favor of NBE and settled within 2021 FY.

22. Government grants

(a) Land grant

NBE was awarded five (5) parcels of land by the Federal government on which the Bank constructed buildings for its own use. Below are the details of the land awarded by Federal government:

Location	Sub-city	Landholding certificate issue date	Size (metres squared)	Lease term
Addis Ababa	Akaki Kaliti	28 February 2000	165,067	Refer to comment below[2]
Addis Ababa	Lideta	17 July 2011	7,669	
Addis Ababa	Lideta	12 January 1999	5,862	
Addis Ababa	Lideta[1]	01 July 1978	-	
Addis Ababa	Kirkos	04 December 2018	4,869	

[1] The bank awaits a revised land holding certificate which will determine the correct sizes of the parcel of land

[2] At the time of award of these parcels of land, there were no lease terms defined as they were indicated as old possessions in the certificate of ownership. Further the bank has not been making any lease payments on these properties

The Bank was awarded additional six (6) parcels of land by the regional governments and chartered cities which were awarded free of charge. The Bank settled displacement cost and annual government land use rates related to the land awarded. The land was donated to NBE in order to enhance the Banks' ability to provide central banking services to institutions in various regions and cities. The right to use additional land in Kombolcha (Amhara region) commenced on 9 February 2016 and is still in progress. There are no unfulfilled conditions or contingencies attached to this government grants.

Below are the details of land awarded by the regional governments:

Regional government	Location	Landholding certificate issue date	Size (metres squared)	Lease term
Diredawa	Dire dawa	06 July 2017	12,000	99 years
Amhara	Bahir Dar City	20 October 2015	12,000	70 years
SNNP	Hawasa	05 August 2016	10,855	99 years
SNNP	Wolata Sodo[1]	29 October 2015	12,000	Refer to comment [1] below
Tigre	Mekele[1]	20 October 2015	8,807	
Amhara	Kombolcha[2]	09 February 2016	12,000	Refer to comment [2] below

22. Government grants (continued)

(a) Land grant

[1] No lease term defined for these two (2) parcels of land. The certificate of ownership for these two parcels of land indicates these as old possessions.
[2] The bank has received a temporary documentation for this parcel of land and currently awaits the official land holding certificate that should define the lease term.
The bank received all six (6) parcels of land free of any lease payments from the regional governments and is not expected to make any lease payments even on the parcels of land with a defined lease term.

The Bank has incurred the following costs in fulfilling the land grant conditions and contingencies.

Regional government	Location	Displacement costs ETB
Diredawa	Dire dawa	2,822,639
SNNP	Wolata Sodo	8,059,041
SNNP	Hawasa	195,498
Amhara	Kombolcha	2,094,363

The above displacement costs have been recorded under capital work in progress (CWIP). The costs will be capitalized under buildings when the construction is finalised for the same.

(b) Monetary donation

Monetary grants refer to donations received in the form of money. The Bank received a monetary donation for the purchase of twenty laptops from Rural Financial Intermediation Programme II (RUFIP) on 14 May 2018.

The laptops were purchased for use by the Microfinance Supervision Directorate to enhance efficiency in provision of services to Microfinance institutions. The Bank adopted government grant accounting for asset-based grants and recognizes the laptops at cost under property and equipment.

The laptops have been classified under property and equipment.

On April 13, 2020, IMF executive board determined that Ethiopia was eligible and qualified for grant assistance for immediate debt service relief in accordance with the Catastrophe (COVID 19) Containment and Relief Trust (CCRT) instrument. The IMF executive board approved Ethiopia's request for grant assistance on April 30, 2020. The fund disbursed a grant assistance of XDR 8,022,000 (Equivalent ETB 372,529,647). NBE utilized the grant assistance to repay Ethiopia's Poverty Reduction and Growth Trust (PRGT) principal obligations falling due between April 14, 2020 and October 13, 2020.

On May 6. 2020 the IMF executive board approved a grant assistance for XDR 295,404 (Equivalent ETB 13,718,118.65) to Ethiopia CCRT umbrella account. The grant assistance was used to pay Ethiopia's eligible General Resource Account (GRA) charges falling due between April 14, 2020 and October 13, 2020 on GRA credit that was outstanding on April 14, 2020.

22. Government grants (continued)

(c) Non-monetary donation

Non-monetary grants refer to donations received in kind. The Bank received one motor vehicle from the European Union on 01 October 2003 and two motor vehicles (Toyota land cruiser station wagon) from RUFIP for the RUFIP project on 7 September 2005. The Bank also received donated hardware and software from World Bank for the CIC system project in the year 2011 and 2012.

The Bank recognised the motor vehicles at fair value using the gross method while the computer software and hardware were recognized at nominal value using the gross method.

There are no unfulfilled conditions or contingencies attached to these donations

(d) Deferred revenue

		Deferred revenue
Cost		
Balance at 30 June 2020	ETB	1,904,841
Additions		162,770
Balance at 30 June 2021		**2,067,611**
Amortization		
Balance at 30 June 2020		(580,196)
Additions		(351,860)
Balance at 30 June 2021		**(932,056)**
Net balance	**ETB**	**1,135,555**

		Deferred revenue
Cost		
Balance at 30 June 2019	ETB	661,903
Additions		1,242,938
Balance at 30 June 2020		**1,904,841**
Amortization		
Balance at 30 June 2019		(306,266)
Additions		(273,930)
Balance at 30 June 2020		**(580,196)**
Net balance	**ETB**	**1,324,645**

NBE received as donations two VPN boxes from Swift Company and two servers locally from the RUFIP grant. The costs of these items, which include import duty and value added tax (VAT) that was settled by NBE, have been capitalized as property and equipment. The bank received as donations two I pad from Civil Service Commition on April 2021 and two laptop from Ministry of Finance on January 2021.

23. Due to the Ministry of Finance

	30 June 2021	30 June 2020
Balance as at 30 June	15,695,777,487	14,618,598,516
Less: Dividends paid during the year	(10,320,871,217)	(6,766,300,000)
	5,374,906,270	**7,852,298,516**
Add: Operating surplus for the year	-	7,843,478,971
Balance as at 30 June	**5,374,906,270**	**15,695,777,487**

The Bank is owned by the Government through the Ministry of Finance. It is expected to remit all profits earned during the year as dividends to the Ministry subject to having fulfilled the required threshold for its General reserves (Note 26).

24. Employee benefits

(a) Movements in the present value of defined benefit obligations (DBO)

	30 June 2021	30 June 2020
Defined Benefit Obligations (DBO) at beginning of the year	154,882,403	70,954,611
Current service costs	23,654,892	7,939,743
Interest cost	20,026,295	9,082,190
Past service cost	-	-
Remeasurements generated during the period	14,223,404	6,112,414
Payments/Settlements in the year	(40,962,062)	(17,613,579)
Included in profit or loss	171,824,932	76,475,379
Actuarial losses/ (gains) recognized in other comprehensive income	2,807,931	78,407,024
Defined Benefit Obligations (DBO at the end of the year	**174,632,863**	**154,882,403**

This defined benefit plan exposes the Bank to actuarial risks, such as longevity risk, currency risk, interest risk and market risk.

(b) Actuarial losses/ (gains) recognized in other comprehensive income

	30 June 2021	30 June 2020
Cumulative amount at 1 July	54,884,845	133,291,869
Recognized during the year	(2,807,931)	(78,407,024)
Actuarial losses/(gains)	**52,076,914**	**54,884,845**

(In Ethiopian Birr)

24. Employee benefits (continued)

(c) Actuarial assumptions

The principal actuarial assumptions at the reporting date are detailed below:

	30 June 2021	30 June 2020
Discount rate	12.93%	12.20%
Salary increase rate	15.00%	14.00%
Long term inflation rate	11.00%	10.00%
Long term medical inflation rate	12.50%	12.50%

The assumed discount rates are derived from rates available on government bonds for which the timing and amounts of payments match the timing and the amounts of our projected post-employment benefits pay-outs.

Reasonably possible changes at the reporting date, in any of the actuarial assumptions and assuming that all the other variables remain constant, would have affected the defined benefit obligations as of 30 June 2021 by the amounts shown below:

Sensitivity analysis:

	30 June 2021		30 June 2020	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (0.50% movement)	315,570.00	(1,593,023.00)	(7,555,433)	8,501,175
Salary increase rate (1.00% movement)	747,420.00	(2,724,825.00)	6,719,635	(5,766,827)

The above sensitivity analysis has been determined based on reasonably possible changes on the actuarial assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

25. Other liabilities

Other liabilities as of the reporting dates are as follows:

	30 June 2021	30 June 2020
Letters of Credit	805,376,625	2,223,051,354
Accounts payable	621,264,659	375,234,618
Sundry creditors	521,131,320	55,107,672
	1,947,772,604	**2,653,393,644**

26. Capital and other reserves

(a) Capital

Capital is defined in the NBE proclamation No. 591/2008 and has been set at ETB 500 M (**2019:** ETB 500 M) as per parliamentary mandate. Any changes in the Capital are determined through review of economic policy issues and the need to manage macro-economic policy issues and maintain market stability.

Capital is meant to act as a risk management tool and covers the Bank against any risk and also prevents insolvency. The Bank is wholly owned by the Government of the Federal Democratic Republic of Ethiopia.

(b) General reserve

The General Reserve is a statutory reserve and is defined in the NBE proclamation No. 591/2008. The Balance of this reserve is dependent on the Capital amount. The proclamation defines that 20% (twenty percent) of the net profit shall be paid each financial year into the General reserve fund until the fund equals the paid-up capital of the National Bank. The remaining 80% (eighty percent) shall be credited to the account of the Ministry of Finance (MOF).

Where the General reserve fund equals the paid-up capital of the Bank, the total amount of the net profit shall be credited each financial year to the account of the Ministry of Finance (MOF). Net losses of the National Bank shall be debited to the General reserve fund. If at any time, as a result of net losses sustained by the Bank, the General reserve fund is less than the paid-up capital, the fund is replenished as per proclamation guidance until it equals the paid-up capital.

The General Reserve has been below the current Capital account balance of ETB 500M. Therefore, further transfers to this reserve are required.

(c) International reserve valuation

This reserve was set up to absorb foreign currency gains and losses during translation. The NBE proclamation and parliamentary directives have not set any limits or thresholds for this reserve.

The balance of this reserve account is not available for distribution since it relates to unrealized effects from foreign currency translations.

(d) Retained earnings

This reserve acts as a temporary reserve. The proclamation states that 20% of annual profits be transferred to the General reserve till it match the Capital. After this limit has been reached, all profits earned during the year are transferred to the Ministry of Finance (MOF) as dividends.

26. Capital and other reserves (continued)

(e) Fair value reserve

This reserve comprises the cumulative net change in the fair value changes investment securities and monetary gold. All unrealized gains and losses are recognized in other comprehensive income and credited to the fair value reserve until the investment is derecognized or impaired. This reserve is not available for distribution.

(f) Defined benefit reserve

This reserve represents the present value of the defined benefit obligation that the Bank has set aside to enable pay-out of employees' long-term and post-employment liabilities as they fail due. This reserve is not available for distribution.

(g) Other reserve

This reserve arises from the IFRS transition adjustments. This reserve is not available for distribution.

27. Financial risk review

The Bank is involved in policy-oriented activities including targeted inflationary monetary policy using monetary controlling instruments. With this regard, the Bank's risk management framework differs from the risk management frameworks for commercial banks because of the difference in their perspective objectives and the nature of assets and liabilities. The Bank's overall risk management programme focuses on the Bank's role of maintaining price and exchange rate stability and supporting sustainable economic growth.

The Bank is exposed to a wide array of risks such as foreign currency liquidity, credit, foreign exchange rate, interest rate and gold price movement risks. Financial risk management requires identifying sources of risks, measuring of risks, and designing and implementing appropriate risk management tools, techniques and structure.

The Financial risks have been measured using foreign exchange liquidity gap, interest sensitive asset-liability gap, single foreign currency asset-liability open positions, and credit risk exposure measurement techniques. The major sources of Bank's financial risks are mismatches of assets and liabilities, counter party failure to repay the balances, changes in foreign exchange and interest rate as well as movement in gold prices.

27. Financial risk review (continued)

The responsibility for risk management is decentralized and is carried out by the different directorates with the Board of Directors providing oversight role. A Risk management team is responsible for advising the management on the monitoring and management of all risks that the Bank faces. The Internal Audit and Risk Management Directorate (IAMRD) is responsible for the development and regular update of the Risk Management Framework. The Directorate regularly reviews and monitors the implementation and effectiveness of the risk management process, including the development of an appropriate risk management culture across the Bank.

The main financial risks to which the Bank is exposed include:

a.) Financial risks include:

i. Credit risk

ii. Market risks including: Interest rate risk; Gold commodity price risk and Foreign exchange risk

b.) Liquidity risk

c.) Non-financial risks include:

- Operational risk
- Human resource risk
- Reputational risk
- Cyber security risk assessment

i.) Credit risk

Credit risk is the risk of loss arising from the failure of a borrower, issuer. counterparty or customer to meet its financial obligation to the Bank. Credit risk could result from complete or partial failure of the counterparties to fulfill their contractual financial obligations with the Bank in accordance with agreed terms or from change in credit quality.

Credit risk exposures arise from investment securities, balances due from banking institutions, funds held with IMF, loans, and advances as well as other assets. The Bank has no significant concentrations of credit risk except for the securities relating to Government of Ethiopia.

Management of credit risk is through a choice of depository banks. The Bank's choice of depository banks is confined to top international banks that meet the set eligibility criteria of financial soundness on long-term credit rating (A), short-term credit rating (F1), composite rating and capital adequacy.

The amount that best represents the Bank's maximum exposure to credit risk is per the statement of financial position.

The Bank assesses the credit quality of these assets. None of the balances have had their terms renegotiated as a result of non-performance. Management monitors the credit exposure of staff on a continuous basis, taking into account their financial position, past experience and other factors.

27. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments the amounts in the table represent the amounts committed.

	30 June 2021 Staging			
Financial assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances due from foreign entities – commercial banks	28,145,553,570	-	-	28,145,553,570
Balances due from foreign entities – Central banks	94,285,262,858	-	-	94,285,262,858
Cash - foreign currencies	1,527,579,239	-	-	1,527,579,239
Funds held with IMF	527,514,382	-	-	527,514,382
Loans to government banks	171,403,158,255	-	-	171,403,158,255
Loans to private commercial banks	1,695,803,883	-	-	1,695,803,883
Other assets – Staff loans	56,949,010	-	391,835	57,340,845
Other assets – Staff advances	395,351	125,617	839,543	1,360,511
Due from Government of Ethiopia	295,446,886,895	-	-	295,446,886,895
Total gross exposure	**593,089,103,443**	**125,617**	**1,231,378**	**593,090,460,438**
Loss allowance	(2,056,112,164)	(1,003)	(1,231,378)	(2,057,344,545)
Carrying amount	**591,032,991,279**	**124,614**	**-**	**591,033,115,893**

27. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

Credit quality analysis

	30 June 2020 Staging			
Financial assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances due from foreign entities – commercial banks	20,658,381,883	-	-	20,658,381,883
Balances due from foreign entities – Central banks	81,958,441,772	-	-	81,958,441,772
Cash - foreign currencies	4,381,892,903	-	-	4,381,892,903
Funds held with IMF	567,343,714	-	-	567,343,714
Loans to government banks	169,583,439,504	-	-	169,583,439,504
Loans to private commercial banks	34,413,090	-	-	34,413,090
Other assets – Staff loans	46,399,427	-	145,133	46,544,560
Other assets – Staff advances	151,048	8,664	968,216	1,127,928
Due from Government of Ethiopia	243,652,143,972	-	-	243,652,143,972
Total gross exposure	**520,882,607,313**	**8,664**	**1,113,349**	**520,883,729,326**
Loss allowance	(796,681,501)	(60)	(1,113,349)	(797,794,910)
Carrying amount	**520,085,925,812**	**8,604**	**-**	**520,085,934,416**

Impairment of loans is recognised - on an individual or collective basis - in three stages under IFRS 9. Stage 1 refers to default events that are possible within the next 12 months from loan origination. Stage 2 refers to significant increase in credit risk since initial recognition. Stage 3 refers to an increase in a loan's credit risk to the point where it is considered credit impaired. Further explanations on the approaches to staging are included in Note 3 (b).

27. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

Credit Risk Exposure

Credit Risk Exposure by Credit Rating

The table below shows the credit ratings by rating agencies for the different counterparties that the Bank engages with and denotes the credit quality of financial assets traded with these entities.

No	List of Correspondent Banks – Current Accounts Balances	Type of Institution	Credit Ratings as of 30 June 2021		
			Fitch	S&P	Moody's
1	Federal Reserve Bank	Central Bank	AAA	AA+	Aaa
2	BIS Basel	Central Bank	AAA	AAA	Aaa
3	Bank of England	Central Bank	AA-	AA	Aa3
4	Deutsche Bundesbank	Central Bank	A-	A-	A1
5	Banca D'Italia	Central Bank	BBB	BBB	Baa2
6	Banque Nati De Belgique	Central Bank	AA-	A-	A2
7	Commerzbank	Commercial Bank	BBB	A-	A1
8	Citibank New York	Commercial Bank	AA-	A+	Aa3
9	Bank of Tokyo	Commercial Bank	A-	A	A1
10	JP Morgan Chase Bank	Commercial Bank	AA	A+	A2
11	National Westminster	Commercial Bank	A+	A	A-1
12	Standard Chartered Bank, London	Commercial Bank	A+	A+	A1
13	Nordea Bank	Commercial Bank	AA-	A-	A2

a.) Amounts arising from ECL
Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The Bank assesses significant increase in credit risk at portfolio level, of which the definition varies based on the asset type and contractual obligation of the counterparty.

27. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)
Inputs, assumptions and techniques used for estimating impairment (continued)

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently.

When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
– The criteria are capable of identifying significant increases in credit risk before an exposure is In default;
– The average time between the identification of a significant increase in credit risk and default appears reasonable;
– there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default
The Bank considers a financial asset to be in default when:
– The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);
– A counterparty goes into delinquency, liquidation or forbearance;
– For short – term loans, the borrower is in arrears beyond the contractual maturity date; or
– it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.
In assessing whether a borrower is in default, the Bank considers indicators that are:
– Qualitative: e.g. breaches of covenant and liquidation;
– Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank due to credit distress; and
– based on data sourced internally and obtained from external sources.
Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

27. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of exposures has increased significantly since its initial recognition and the measurement of ECL. Internal information considered in forward-looking ECL estmates includes macro-economic data and forecasts by NBE's Economic Modeling and Statatistical Analysis Directorate. This is in addition to historical sovereign local currency 12- month default rates for. B -Negative rated entities. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data and, has estimated relationships between macro-economic variables and credit risk and credit losses.

The Bank formulates three economic scenarios: a base case, which is the median scenario. and two less likely scenarios, one upside and one downside. The base case scenario is primarily aligned with the macroeconomic model's information value output which is a measure of the predictive power of the model as well as base macroeconomic projections for identified macroeconomic variables. The upside and downside scenarios are based on a combination of a percentage error factor as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities. The Bank also applies qualitative management adjustments to the scenario weighting based on economic outlook.

In line with the expected, as well as experienced, Expected Credit Loss forward - looking volatility arising from the economic impact of the COVID 19 global crisis, the Bank has analysed and applied additional scenario analysis as well as stress tests to the macroeconomic overlay model. This includes application of stress tests on the downside scenario macroeconomic projections as well as qualitative adjustments to the base, upside and downside scenario weights. The Bank continues to monitor the economic impact of COVID 19 on its credit risk profile as well as forward - looking Expected Credit Loss estimates and shall effect updates to it's IFRS 9 forward - looking estimates as and when significant changes in the overall macroeconomic environment are experienced.

27. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

The key drivers for credit risk for each of the Bank's economic sectors are summarized below:

Financial year ended	Macro Economic Factors					
	GDP	Fiscal	Exchange rate	Money supply	Debt	Inflation
30 June 2021	-GDP EXPENDITURE: Savings, USDbn	Total expenditure, USDbn	-	-	-Total debt service ETBbn	-Consumer price index, 2010 = 100, ave
30 June 2020	-Nominal GDP; ETB bn -Exports of goods and services, ETBbn	-Total expenditure, USDbn	-Real effective exchange rate; index	-M2, ETBbn	-	-

The macroeconomic data used as at 30 June 2021 included the following key indicators for Ethiopia for the years 2021 to 2022:

Macro Economic Factor	30 June 2021	30 June 2022
GDP EXPENDITURE: Savings, USDbn	27.40	32.10
FISCAL: Total expenditure, USDbn	15.35	16.04
DEBT SERVICE: Total debt service ETBbn	73.1	105.2
INFLATION: Consumer price index, 2010 = 100, ave	218.6	292.9

Predicted relationships between the key macroeconomic indicators and 12 – month soverign default rates have been developed based on analysing annual historical data over the past 9 years.

The following are probability weightings applied in the forward - looking scenario analysis as at June 2021

	Upside	Median (Central)	Downside
30 June 2021	10%	70%	20%

27. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing facility whose terms have been modified may be derecognised and the renegotiated loan recognised as a new facility at fair value in accordance with the accounting policy set out in Note 3 (a (IV)).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
– The rationale for modification; with
- The Bank's assessment of available and supportable information with regards to the counterparty's credit risk profile prior to and after modification.

When modification results in derecognition, a new facility is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).
The Bank may renegotiate loans to banks in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.
The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of covenants.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.
Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3 (a (viii)). A Counterparty needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

27. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

– Probability of default (PD);
– Loss given default (LGD); and
– Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.
The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank primarily estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD is measured at segment level. For segments with no previous default experience, the Bank applies a minimum LGD approach, benchmarking against the Basel internal ratings – based measurement approach.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that primarily include risk assessment of the Bank's counterparties.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

27. Financial risks (continued)

a. Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

Measurement of ECL

		External rating used	
Segment	**Exposure ETB**	**PD**	**LGD**
Government	295,446,886,895	S&P default studies	Basel
Government banks	171,403,158,255	S&P default studies	Basel
Foreign deposits	122,958,331,947	S&P default studies	Basel
Local commercial banks	1,695,803,870	Basel	Basel

No	**List of Active Depository Banks**	**Type of Institution**	**Credit Ratings as of 30 June 2021**		
			Fitch	**S&P**	**Moody's**
1	Commercial Bank of Ethiopia	Commercial Bank	NR	NR	NR

ii.) Market risk

'Market risk' is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimizing the return on risk.

Market risks arise from open positions in interest rate, currency and equity prices, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

Equity price risk

Equity price risk refers to the potential loss in fair value resulting from adverse changes in the fair value of stocks that the Bank has invested in. Equity price risk is subject to regular monitoring but is not currently significant in relation to the Bank's overall results and financial position.

27. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Interest rate risk

Interest rate risk is the exposure of the Bank's financial assets and liabilities to adverse movements in interest rates. If unexpected changes arise in interest rates, there is a possibility of loss due to sensitivity of the Bank's assets and liabilities to rate variability.

The main source of the Bank's interest rate risk is re-pricing risk. Bank's interest-bearing assets and liabilities may be re-priced at different times and rates. The Bank's foreign currency reserve may be exposed to foreign currency interest rate risk when the adjustment of the rates earned and paid on different instruments are re-priced. When interest rates change, these differences can change the cash flows and spread between foreign assets and foreign liabilities of similar maturities or re-pricing frequencies.

The Bank measures its interest rate exposure using a maturity/re-pricing schedule that distributes interest-sensitive assets and liabilities into "time-bands" according to their maturity or time remaining to their next re-pricing. The size of the gap for a given time band (assets less liabilities that re-price or mature within that time band) gives an indication of the Bank's re-pricing risk exposure.

The Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for interest rate fluctuations. The Foreign Exchange Monitoring and Reserve Management (FEMRMD) Directorate is the monitoring body for compliance within these limits. These day-to-day activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations.

27. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Interest rate risk

The following is a summary of the Bank's interest rate risk gap position on financial instruments. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

30 June 2021	1 – 3 months ETB	3 – 12 months ETB	1 - 5 years ETB	Over 5 years ETB	Non-interest-bearing ETB	Total ETB
Financial assets						
Due from Government of Ethiopia	-	942,888,361	92,540,683,174	195,703,004,628	4,960,391,902	294,146,968,065
Loans to government banks	-	8,058,682,105	72,217,631,835	90,372,697,960		170,649,011,900
Loans to private commercial banks	-	1,695,719,093				1,695,719,093
Due from foreign institutions - commercial Banks	-	28,144,049,258		-		28,144,049,258
Due from foreign institutions - central Banks	-	94,285,262,858		-		94,285,262,858
Funds held with IMF	-	-	527,514,382	-		527,514,382
Other assets – Uncleared effects	-				5,128,849	5,128,849
Other assets - Loans to employees	-	56,494,289				56,494,289
Other assets - Staff advances	-	516,808				516,808
Total financial assets	-	**133,183,612,772**	**165,285,829,391**	**286,075,702,588**	**4,965,520,751**	**589,510,665,502**
Financial liabilities						
Deposits from banks & government	-		-	-	317,517,568,532	317,517,568,532
Funds due to international financial institutions	-	57,665,508,321			-	57,665,508,321
Due to other institutions	-				88,038,683,383	88,038,683,383
Total financial liabilities	-	**57,665,508,321**	-	-	**405,556,251,915**	**463,221,760,236**
Interest rate risk sensitivity gap	-	**75,518,104,451**	**165,285,829,391**	**286,075,702,588**	**(400,590,731,164)**	**126,288,905,266**

27. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Interest rate risk

30 June 2020	1 – 3 months ETB	3 – 12 months ETB	1 - 5 years ETB	Over 5 years ETB	Non-interest-bearing ETB	Total ETB
Financial assets						
Due from Government of Ethiopia	-	942,894,717	59,925,708,672	176,582,631,660	5,734,502,901	243,185,737,950
Loans to government banks	-	5,068,031,545	164,190,786,407	-	-	169,258,817,952
Loans to private commercial banks	-	34,413,090	-	-	-	34,413,090
Due from foreign institutions - commercial Banks	-	20,653,052,148	-	-	-	20,653,052,148
Due from foreign institutions - central Banks	-	81,958,441,772	-	-	-	81,958,441,772
Funds held with IMF	-	-	567,343,715	-	-	567,343,715
Other assets – Uncleared effects	-				5,196,172	5,196,172
Other assets - Loans to employees	-	46,076,289	-	-	-	46,076,289
Other assets - Staff advances	-	158,599	-	-	-	158,599
Total financial assets	-	**108,703,068,160**	**224,683,838,794**	**176,582,631,660**	**5,739,699,073**	**515,709,237,687**
Financial liabilities						
Deposits from banks and government	-		-	-	267,432,190,177	267,432,190,177
Funds due to international financial institutions	-	44,305,871,855	-	-	-	44,305,871,855
Due to other institutions	-		-	-	70,480,701,572	70,480,701,572
Total financial liabilities	-	**44,305,871,855**	-	-	**337,912,891,749**	**382,218,763,604**
Interest rate risk sensitivity gap	-	**64,397,196,305**	**224,683,838,794**	**176,582,631,660**	**(332,173,192,676)**	**133,490,474,083**

27. Financial risk review (continued)
a.) Financial risks (continued)
ii.) Market risk (continued)

Interest rate risk sensitivity analysis

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase or decrease as a result of such changes which may cause either an increase or decrease in profit or loss. The impact on financial assets and liabilities of an increase or decrease in interest rates by 0.5 percent would be as follows:

30 June 2021	Effect on Profit/Loss		Effect on Equity	
Financial Instruments	**0.5% increase**	**0.5% decrease**	**0.5% increase**	**0.5% decrease**
Financial assets				
Loans to employees	293,507	(293,507)	293,507	(293,507)
Due from Government of Ethiopia	1,414,027,667	(1,414,027,667)	1,414,027,667	(1,414,027,667)
Loans to government institutions	857,015,791	(857,015,791)	857,015,791	(857,015,791)
Due from foreign institutions - central Banks	474,063,886	(474,063,886)	474,063,886	(474,063,886)
Loans to private commercial banks	8,479,019	(8,479,019)	8,479,019	(8,479,019)
Due from foreign institutions - commercial Banks	140,727,768	(140,727,768)	140,727,768	(140,727,768)
Total assets (ETB)	**2,894,607,638**	**(2,894,607,638)**	**2,894,607,638**	**(2,894,607,638)**
Financial liabilities				
Due to local financial institutions, Government and governmental agencies	(1,587,587,843)	1,587,587,843	(1,587,587,843)	1,587,587,843
Due to other institutions	(440,193,417)	440,193,417	(440,193,417)	440,193,417
Total liabilities (ETB)	**(2,027,781,260)**	**2,027,781,260**	**(2,027,781,260)**	**2,027,781,260**
Net interest (increase)/ decrease	**866,826,378**	**(866,826,378)**	**866,826,378**	**(866,826,378)**
Impact on profits	**866,826,378**	**(866,826,378)**	**866,826,378**	**(866,826,378)**

27. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Interest rate risk sensitivity analysis (continued)

30 June 2020	**Effect on Profit/Loss**		**Effect on Equity**	
Financial Instruments	**0.5% increase**	**0.5% decrease**	**0.5% increase**	**0.5% decrease**
Financial assets				
Loans to employees	238,362	(238,362)	238,362	(238,362)
Due from Government of Ethiopia	1,155,903,199	(1,155,903,199)	1,155,903,199	(1,155,903,199)
Loans to government institutions	849,862,677	(849,862,677)	849,862,677	(849,862,677)
Due from foreign institutions - central Banks	438,997,089	(438,997,089)	438,997,089	(438,997,089)
Loans to private commercial banks	172,065	(172,065)	172,065	(172,065)
Due from foreign institutions - commercial Banks	105,783,729	(105,783,729)	105,783,729	(105,783,729)
Total assets (ETB)	**2,550,957,121**	**(2,550,957,121)**	**2,550,957,121**	**(2,550,957,121)**
Financial liabilities				
Due to local financial institutions, Government and governmental agencies	(1,337,160,951)	1,337,160,951	(1,337,160,951)	1,337,160,951
Due to other institutions	(352,403,508)	352,403,508	(352,403,508)	352,403,508
Total liabilities (ETB)	**(1,689,564,459)**	**1,689,564,459**	**(1,689,564,459)**	**1,689,564,459**
Net interest (increase)/ decrease	**861,392,662**	**(861,392,662)**	**861,392,662**	**(861,392,662)**
Impact on profits	**861,392,662**	**(861,392,662)**	**861,392,662**	**(861,392,662)**

27. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Foreign Exchange rate risk

Foreign exchange rate fluctuation risk is the risk of adverse movements in exchange rates that will result in a decrease in value of foreign exchange assets or an increase in the value of foreign currency liabilities. Foreign exchange fluctuations expose the Bank to changes in the amounts of foreign assets and liabilities held by the Bank. The Bank measures its foreign exchange risk using a single foreign currency open position based on balance sheet amounts in spot markets. It is a risk of volatility due to a mismatch and adverse exchange rate movements during a period in which it has an open balance sheet position in an individual foreign currency.

The mid-exchange rate of major currencies against the Ethiopian Birr at each year end was as follows;

Currency	30 June 2021	30 June 2020
US dollar (USD)	43.91	35.16
Great Britain Pound (GBP)	60.74	43.31
EURO	52.26	39.67
Special drawing rights (SDR)	62.73	48.46
Ounce of Gold (XAU)	77,667.04	62,300.94
Norwegian Krone (NOK)	5.12	3.64
Japanese Yen (JPY)	0.40	0.33

27. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Foreign Exchange risk (continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 30 June 2021. Included in the table are the Bank's financial instruments categorized by currency:

	USD	GBP	EUR	SDR	XAU	NOK	JYP	Others	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
At 30 June 2021									
Assets									
Due from foreign institutions - commercial Banks	25,354,928,689	2,693,283,594	67,407,942	-	621	206,531	29,727,952	(1,759)	28,145,553,570
Due from foreign institutions - central Banks	92,597,747,610	1,214,892,990	3,304,210	-	-	-	-	469,318,049	94,285,262,859
Funds held with IMF	-	-	-	527,514,382	-	-	-	-	527,514,382
Foreign currencies	1,444,145,218	30,592,647	32,716,170	-	-	-	3,971,000	16,154,204	1,527,579,239
Total financial assets	**119,396,821,517**	**3,938,769,231**	**103,428,322**	**527,514,382**	**621**	**206,531**	**33,698,952**	**485,470,494**	**124,485,910,050**
Liabilities									
Deposits from banks and government	(55,982,140,030)	(107,533,751)	(5,781,932,911)	-	-	(24,390,987)	-	-	(61,895,997,679)
Funds due to international financial institutions	-	-	-	(16,451,759,126)	-	-	-	-	(16,451,759,126)
Due to other institutions	(87,819,000,000)	-	(209,062,547)	-	-	-	-	(10,620,836)	(88,038,683,383)
Total financial liabilities	**(143,801,140,030)**	**(107,533,751)**	**(5,990,995,458)**	**(16,451,759,126)**	**-**	**(24,390,987)**	**-**	**(10,620,836)**	**(166,386,440,188)**
Net position	**(24,404,318,513)**	**3,831,235,480**	**(5,887,567,136)**	**(15,924,244,744)**	**621**	**(24,184,456)**	**33,698,952**	**474,849,658**	**(41,900,530,138)**

27. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Foreign Exchange risk (continued)

	USD	GBP	EUR	SDR	XAU	NOK	JYP	Others	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
At 30 June 2020									
Assets									
Due from foreign institutions - commercial Banks	18,400,406,283	1,723,208,595	22,704,162	-	498,431,727	146,663	13,484,338	114	20,658,381,882
Due from foreign institutions - central Banks	81,089,904,975	866,139,255	2,397,542	-	-	-	-	-	81,958,441,772
Funds held with IMF	-	-	-	567,343,714	-	-	-	-	567,343,714
Foreign currencies	4,159,984,642	33,694,619	114,609,592	-	-	185,046	-	73,419,005	4,381,892,904
Total financial assets	**103,650,295,900**	**2,623,042,469**	**139,711,296**	**567,343,714**	**498,431,727**	**331,709**	**13,484,338**	**73,419,119**	**107,566,060,272**
Liabilities									
Deposits from banks and government	(41,835,597,783)	(3,919,037)	(2,225,175,136)	-	-	(32,966,186)	-	-	(44,097,658,142)
Funds due to international financial institutions	-	-	-	(12,912,710,150)	-	-	-	-	(12,912,710,150)
Due to other institutions	(70,314,200,000)	-	(158,699,247)	-	-	-	-	(7,802,325)	(70,480,701,572)
Total financial liabilities	**(112,149,797,783)**	**(3,919,037)**	**(2,383,874,383)**	**(12,912,710,150)**	-	**(32,966,186)**	-	**(7,802,325)**	**(127,491,069,864)**
Net position	**(8,499,501,883)**	**2,619,123,432**	**(2,244,163,087)**	**(12,345,366,436)**	**498,431,727**	**(32,634,477)**	**13,484,338**	**65,616,794**	**(19,925,009,592)**

27. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

The table below shows the result of a sensitivity analysis demonstrating the effect of the ETB weakening/strengthening by 10% against all the major currencies with all other variables held constant on the profit or loss and equity. A negative amount in the table reflects a potential net reduction in profit or loss and equity while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the ETB would have resulted in an equivalent but opposite impact:

Financial Instruments	**Effect on Profit/Loss**		**Effect on Equity**	
	10% increase (Weakening)	**10% decrease (Strengthening)**	**10% increase (Weakening)**	**10% decrease (Strengthening)**
30 June 2021				
Financial assets	12,448,591,004	(12,448,591,004)	12,448,591,004	(12,448,591,004)
Financial liabilities	(16,638,644,020)	16,638,644,020	(16,638,644,020)	16,638,644,020
Net Impact (ETB)	**(4,190,053,016)**	**4,190,053,016**	**(4,190,053,016)**	**4,190,053,016**

Financial Instruments	**Effect on Profit/Loss**		**Effect on Equity**	
	10% increase (Weakening)	**10% decrease (Strengthening)**	**10% increase (Weakening)**	**10% decrease (Strengthening)**
30 June 2020				
Financial assets	10,806,942,635	(10,806,942,635)	10,806,942,635	(10,806,942,635)
Financial liabilities	(12,749,106,987)	12,749,106,987	(12,749,106,987)	12,749,106,987
Net Impact (ETB)	**(1,942,164,352)**	**1,942,164,352**	**(1,942,164,352)**	**1,942,164,352**

Gold commodity price risk

Gold commodity price risk is the risk that gold commodity prices will change adversely. It refers to uncertainties of future market values and size of the future income, caused by fluctuations in the prices of gold commodities. The Bank as part of its operations, is responsible for purchase and sale of gold commodities. Gold by nature is subject to price fluctuation risk. The average gold per ounce for the last 1 year and the effect of a 10% change in the same on profit/loss and equity are shown below:

Period	**Average price of gold/Ounce**	**Effect on Profit/Loss**		**Effect on Equity**	
	ETB	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
30 June 2021	77,280.64	7,728	(7,728)	7,728	(7,728)
30 June 2020	61,990.94	6,199	(6,199)	6,199	(6,199)

27. Financial risk review (continued)

b.) Liquidity risk (continued)

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset in a timely manner at reasonable prices. Some liabilities in the Bank's books have no fixed maturity including Currency in circulation and Domestic currency deposits from banks, insurance companies and Government and governmental agencies.

Liquidity risk represents the potential loss to the Bank if it is unable to settle its financial obligations as they fall due and is represented through a maturity mismatch assessment between foreign exchange assets and liabilities.

This risk emanatcs from the nature of banking business, from the macro factors that are exogenous to the Bank, as well as from financing and operational policies that are internal to the Bank.

In Ethiopian Birr, there is no liquidity risk as the Bank is able to create Birr liquidity through its market operations.

For foreign currency, in addition to holding appropriate cash balances, the Bank manages liquidity through holding a portfolio of liquid foreign exchange reserves.

The Foreign Exchange Monitoring and Reserve Management Directorate (FEMRMD) monitors and reviews information on the Bank's liquidity developments and reports risk exposures and funding needs to the Executive Management on a regular basis. The FEMRMD mitigates its foreign currency liquidity risk by conducting detailed analysis of the maturities of foreign currency asset-liability gap size. The Bank sets limits, where appropriate, on liquidity metrics and employs monitoring and controlling of liquidity risk exposures for each maturity ladder.

The table below analyses the Bank's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

27. Financial risk review (continued)

b.) Liquidity risk

At 30 June 2021	**Upto 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Assets				
Due from Government of Ethiopia	942,888,361	97,501,075,076	195,703,004,628	294,146,968,065
Loans to government Banks	8,058,682,105	72,217,631,835	90,372,697,960	170,649,011,900
Loans to private commercial Banks	1,695,719,093	-	-	1,695,719,093
Due from foreign institutions - commercial Banks	28,144,049,258			28,144,049,258
Due from foreign institutions - central Banks	94,285,262,858			94,285,262,858
Funds held with IMF	-	527,514,382		527,514,382
Other assets - Loans to employees	56,494,289			56,494,289
Other assets - Staff advances	516,808			516,808
Total financial assets	**133,183,612,772**	**170,246,221,293**	**286,075,702,588**	**589,505,536,653**
Liabilities				
Deposits from local financial institutions, government and government institutions	(317,517,568,532)			(317,517,568,532)
Funds due to international financial institutions	(57,665,508,321)			(57,665,508,321)
Due to other institutions	(88,038,683,383)			(88,038,683,383)
Due to the Ministry of Finance	(5,374,906,270)			(5,374,906,270)
Other liabilities	(1,947,772,604)			(1,947,772,604)
Total financial liabilities	**(470,544,439,110)**	-	-	**(470,544,439,110)**
Net maturity difference	**(337,360,826,338)**	**170,246,221,293**	**286,075,702,588**	**118,961,097,543**

27. Financial risk review (continued)

b.) Liquidity risk (continued)

At 30 June 2020	Upto 12 months	1 - 5 years	Over 5 years	Total
Assets				
Due from Government of Ethiopia	942,894,717	65,660,211,573	176,582,631,660	243,185,737,950
Loans to government Banks	5,068,031,545	164,190,786,407		169,258,817,952
Loans to private commercial Banks	34,413,090	-	-	34,413,090
Due from foreign institutions - commercial Banks	20,653,052,148			20,653,052,148
Due from foreign institutions - central Banks	81,958,441,772			81,958,441,772
Funds held with IMF	-	567,343,715		567,343,715
Other assets - Loans to employees	46,076,289			46,076,289
Other assets - Staff advances	158,599			158,600
Total financial assets	**108,703,068,160**	**230,418,341,695**	**176,582,631,660**	**515,704,041,515**
Liabilities				
Deposits from local financial institutions, government and government institutions	(267,432,190,177)	-	-	(267,432,190,177)
Funds due to international financial institutions	(44,305,871,855)	-	-	(44,305,871,855)
Due to other institutions	(70,480,701,572)	-	-	(70,480,701,572)
Due to the Ministry of Finance	(15,695,777,487)	-	-	(15,695,777,487)
Other liabilities	(2,653,393,644)	-	-	(2,653,393,644)
Total financial liabilities	**(400,567,934,735)**	**-**	**-**	**(400,567,934,735)**
Net maturity difference	**(291,864,866,575)**	**230,418,341,695**	**176,582,631,660**	**115,136,106,780**

27. Financial risk review (continued)

c.) Non-financial risks

i.) Strategic risk

Strategic risk might arise from the deviation of monetary policy target, which may adversely affect the economy and the effectiveness of financial institutions in following set policies and directives, its monetary policy operations and supervisory activities and governance of financial institutions that determine stability of the financial sector.

The Bank manages its strategic risk by undertaking effective monetary policy which include; monitoring the country's exchange rate policy, conducting periodic economic studies, forecasting the balance of payments, money supply, prices and other relevant statistical indicators of the Ethiopian economy. These measures are useful in the analysis, formulation and determination of its monetary, saving and exchange policies.

Further, the Bank undertakes prudential onsite and offsite inspection and monitoring of the financial sector on a continuous basis that is aimed at ensuring the soundness of the country's financial system.

ii.) Operational risk

Operational risk is the financial and non-financial risk to the Bank that could result in financial loss, reputational damage or inability to achieve business objectives. This could arise from human errors, failure of internal processes, people and systems or from external events. Operational risks to the Bank includes: legal, security, business disruption, project management, human resource, IT systems and general business practices and fraud risks.

The Bank has made continuous efforts to minimize losses from operational risks by establishing effective internal control systems which prevent or detect all errors and situations which might cause losses through failure of people or processes. The work units of the Bank perform their activities based on their respective policies and procedures and take their own roles and responsibilities to manage operational risks emanating from their activities on their day to day business operations.

iii.) Cyber security risk

The Bank is exposed to cyber security risk. This is the inherent risk arising from technologies, processes and practices designed to protect the Bank's information assets, that is, computers, networks, programs and data from unauthorized access.

27. Financial risk review (continued)

c.) Non-financial risks (continued)

iii.) Cyber security risk (continued)

The Bank performs an assessment of this risk at two different levels of management to identify the potential risk and manage proactively to ensure the Bank's information security is safeguarded. At strategic management level, creating security policies dealing with people issues and evaluating threats and risks. Tactical management level deals with how the security systems are developed and implemented to meet policy requirements.

iv.) Reputational risk

This is the risk associated with the real or perceived loss of credibility and effectiveness as a result of negative publicity arising from a failure to comply with applicable laws or in managing risks, lack of fulfillment of roles and objectives or other external events.

It can be viewed as secondary since the reputational damage is usually caused by a loss or failure in the following areas: strategic; finance or operational risk.

The Bank has the responsibility to stabilize the value of money, the soundness and efficiency of the financial system and the issue of currency (Bank notes and coins). All of these matters have direct impact on all citizens; therefore, how the Bank communicates to the public is of critical importance to maintaining its credibility and in the successful fulfillment of its responsibilities.

In managing reputational risk, the Bank communicates to the public by crafting a consistent message regarding its role and policies and ensures that this message is effectively communicated to the public.

v.) Custodial risk on statutory deposits

The Bank is a custodian of government bonds and securities that are pledged by insurance companies as statutory deposits pursuant to the provisions of insurance business proclamation No. 746/2012. The Bank has a responsibility to keep the bond certificates safe to avoid any financial losses. As at 30 June 2021, the Bank held in its custody government bonds and securities worth ETB 978,920,475. These securities are recorded as off-balance sheet items.

To mitigate the risk, the Bank records and keeps all copies of statutory deposits certificates in its custody in secure vaults.

28. Fair value of financial instrument

a. Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- *Level 1:* Inputs that are quoted market prices (unadjusted) inactive markets for identical instruments.
- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices inactive markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects the effect of non-performance risk.

The following sets out the Bank's basis of establishing fair values of financial instruments:

Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

Loans and advances to government, government institutions and staff are net of allowance for impairment. The estimated fair value of the loans represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value hence their fair values approximate their carrying amounts.

Estimated fair value of fixed interest-bearing deposits and bonds without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates, hence their fair value approximates their carrying amounts.

28. Fair value of financial instruments (continued)

b. Accounting classifications (continued)

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for cash and cash equivalents, receivables and payables, whose carrying amounts are a reasonable approximation of fair value, or for lease liabilities. The tables below include both instruments measured at fairvalue and those that are not.

30 June 2021	Carrying amounts				Fair value			
	Amortised cost	FV – OCI	FVTPL	Total carrying amounts	Level 1	Level 2	Level 3	Total
	ETB		ETB	ETB	ETB	ETB	ETB	ETB
Financial Instruments measured at fair value								
Financial assets								
Investment securities	-	24,195,070,571	-	**24,195,070,571**	-	24,195,070,571	-	**24,195,070,571**
Financial Instruments not measured at fair value								
Financial Assets:								
Due from Government of Ethiopia	294,146,968,065	-	-	294,146,968,065	-	-	294,146,968,065	294,146,968,065
Loans to government banks	170,649,011,900	-	-	170,649,011,900	-	-	170,649,011,900	170,649,011,900
Loans to private commercial banks	1,695,719,093	-	-	1,695,719,093	-	-	1,695,719,093	1,695,719,093
Due from foreign institutions - commercial banks	28,144,049,258	-	-	28,144,049,258	-	-	28,144,049,258	28,144,049,258
Due from foreign institutions - central Banks	94,285,262,858	-	-	94,285,262,858	-	-	94,285,262,858	94,285,262,858
Funds held with IMF	527,514,382	-	-	527,514,382	-	-	527,514,382	527,514,382
Other assets - Loans to employees	56,494,289	-	-	56,494,289	-	-	56,494,289	56,494,289
Other assets - Staff advances	516,808	-	-	516,808	-	-	516,808	516,808
Total financial assets	**589,505,536,653**	**24,195,070,571**	-	**613,700,607,224**	-	**24,195,070,571**	**589,505,536,653**	**613,700,607,224**
Liabilities								
Deposits from local financial institutions, government and gioverment entities	317,517,568,532	-	-	317,517,568,532	-	-	317,517,568,532	317,517,568,532
Funds due to international financial institutions	57,665,508,321	-	-	57,665,508,321	-	-	57,665,508,321	57,665,508,321
Due to other institutions	88,038,683,383	-	-	88,038,683,383	-	-	88,038,683,383	88,038,683,383
Due to the Ministry of Finance	5,374,906,270	-	-	5,374,906,270	-	-	5,374,906,270	5,374,906,270
Total financial liabilities	**468,596,666,506**	-	-	**468,596,666,506**	-	-	**468,596,666,506**	**468,596,666,506**

28. Fair value of financial instruments (continued)

b. Accounting classifications (continued)

30 June 2020	Carrying amounts				Fair value			
	Amortised cost	FV – OCI	FVTPL	Total carrying amounts	Level 1	Level 2	Level 3	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Instruments measured at fair value								
Financial assets								
Investment securities	-	14,335,890,889	-	14,335,890,889	-	14,335,890,889	-	14,335,890,889
Financial Instruments not measured at fair value								
Financial Assets:								
Due from Government of Ethiopia	243,185,737,950	-	-	243,185,737,950	-	-	243,185,737,950	243,185,737,950
Loans to government banks	169,258,817,952	-	-	169,258,817,952	-	-	169,258,817,952	169,258,817,952
Loans to private commercial banks	34,413,090	-	-	34,413,090	-	-	34,413,090	34,413,090
Due from foreign institutions - commercial banks	20,653,052,148	-	-	20,653,052,148	-	-	20,653,052,148	20,653,052,148
Due from foreign institutions - central Banks	81,958,441,772	-	-	81,958,441,772	-	-	81,958,441,772	81,958,441,772
Funds held with IMF	567,343,715	-	-	567,343,715	-	-	567,343,715	567,343,715
Other assets - Loans to employees	46,076,289	-	-	46,076,289	-	-	46,076,289	46,076,289
Other assets - Staff advances	158,599	-	-	158,599	-	-	158,599	158,599
Total financial assets	**515,704,041,515**	**14,335,890,889**	-	**530,039,932,404**	-	**14,335,890,889**	**515,704,041,515**	**530,039,932,404**
Liabilities								
Deposits from local financial institutions, government and giovernment entities	267,432,190,177	-	-	267,432,190,177	-	-	267,432,190,177	267,432,190,177
Funds due to international financial institutions	44,305,871,855	-	-	44,305,871,855	-	-	44,305,871,855	44,305,871,855
Due to other institutions	70,480,701,572	-	-	70,480,701,572	-	-	70,480,701,572	70,480,701,572
Due to the Ministry of Finance	15,695,777,487	-	-	15,695,777,487	-	-	15,695,777,487	15,695,777,487
Total financial liabilities	**397,914,541,091**	-	-	**397,914,541,091**	-	-	**397,914,541,091**	**397,914,541,091**

28. Fair value of financial instruments (continued)

c. Level 3 reconciliation

The following table shows reconciliation from the beginning balance to the ending balance for fair value measurements in level 3 of the fair vale hireachy

30 June 2021	Due from Government of Ethiopia	Loans to government banks	Loans to private commercial banks	Due from foreign institutions - commercial banks	Due from foreign institutions - central Banks	Funds held with IMF	Other assets - Loans to employees	Other assets - Staff advances	Total financial assets
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Assets									
Balance as 1 July 2020	**243,185,737,950**	**169,258,817,952**	**34,413,090**	**20,653,052,148**	**81,958,441,772**	**567,343,715**	**46,076,289**	**158,599**	**515,704,041,515**
Total gains and losses	-	-	-	-	-	-	-	-	-
in P&L	2,786,323,042	8,758,990,924	224,346,904	49,612,069	9,725,653	438,420	(846,556)	(843,703)	**11,827,746,753**
in OCI									
Amounts loaned out	26,375,515	(3,485,536,881)	1,436,959,099	10,556,039,634	16,724,557,614	(438,420)	11,264,556	1,201,912	**25,270,423,029**
Amounts repaid in advance									
Settlements	446,895,058			(3,114,654,593)	(4,407,462,181)	(39,829,333)			**(7,115,051,049)**
Conversions	47,701,636,500	(3,883,260,094)							**43,818,376,405**
Transfer into level 3	-	-		-	-	-	-	-	
Balance as at 30th June 2021	**294,146,968,065**	**170,649,011,900**	**1,695,719,093**	**28,144,049,258**	**94,285,262,858**	**527,514,382**	**56,494,289**	**516,808**	**589,505,536,653**

30 June 2021	Deposits from local financial institutions, government and government entities	Funds due to international financial institutions	Due to other institutions	Due to the Ministry of Finance	Total financial liabilities
	ETB	ETB	ETB	ETB	ETB
Financial Liabilities					
Balance as 1 July 2020	**267,432,190,177**	**44,305,871,855**	**70,480,701,572**	**15,695,777,487**	**397,914,541,091**
Total gains and losses	-	-	-	-	-
in P&L	4,200,614,733	111,954,834	2,800,398,499	-	**7,112,968,066**
in OCI					
Amounts loaned out	53,202,472,052	13,294,090,543	14,757,583,312	-	**81,254,145,907**
Amounts repaid in advance					
Settlements	(7,317,708,430)	(46,408,911)	-	(10,320,871,217)	**(17,684,988,558)**
Conversions					
Transfer into level 3	-	-	-	-	-
Balance as at 30th June 2021	**317,517,568,532**	**57,665,508,321**	**88,038,683,383**	**5,374,906,270**	**468,596,666,506**

28. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

30 June 2020	Due from Government of Ethiopia	Loans to government banks	Loans to private commercial banks	Due from foreign institutions - commercial banks	Due from foreign institutions - central Banks	Funds held with IMF	Other assets - Loans to employees	Other assets - Staff advances	Total financial assets
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Assets									
Balance as 1 July 2019	193,056,315,952	95,599,501,832	-	18,664,807,327	76,063,049,116	187,285,310	20,276,362	2,121,459	**383,593,357,358**
Total gains and losses in P&L	2,886,556,837	5,610,657,846	549,806,733	614,787,022	77,877,233	2,915,510	(468,271)	969,328	**9,741,163,582**
in OCI	-	(1,308,456,127)	-	-	-	-	-	-	**(1,308,456,127)**
Amounts loaned out	13,778,661,632	4,159,212,606	(515,393,643)	10,912,435,309	25,622,432,085	377,142,895	26,268,198	-	**54,360,759,082**
Amounts repaid in advance	-	-	-	-	-	-	-	-	-
Settlements	1,053,684,887.00	(13,934,164,416.00)	-	(9,538,977,510)	(19,804,916,662)	-	-	(993,532)	**(42,225,367,233)**
Conversions	32,410,518,642	79,132,066,211	-	-	-	-	-	-	**111,542,584,853**
Transfer into level 3	-	-	-	-	-	-	-	-	-
Balance as at 30th June 2020	**243,185,737,950**	**169,258,817,952**	**34,413,090**	**20,653,052,148**	**81,958,441,772**	**567,343,715**	**46,076,289**	**158,599**	**515,704,041,515**

30 June 2020	Deposits from local financial institutions, government and government entities	Funds due to international financial institutions	Due to other institutions	Due to the Ministry of Finance	Total financial liabilities
	ETB	ETB	ETB	ETB	ETB
Financial Liabilities					
Balance as 1 July 2019	188,784,350,335	18,055,745,550	60,213,242,241	14,618,598,516	**281,671,936,642**
Total gains and losses in P&L	4,219,622,435	142,137,810	778,429,980	-	**5,140,190,225**
in OCI	-	-	-	-	-
Amounts loaned out	84,257,285,032	26,107,988,495	9,489,029,351	-	**119,854,302,878**
Amounts repaid in advance	-	-	-	-	-
Settlements	(9,829,067,625)	-	-	(6,766,299,999)	**(16,595,367,624)**
Conversions	-	-	-	-	-
Transfer into level 3	-	-	-	7,843,478,970	**7,843,478,970**
Balance as at 30th June 2020	**267,432,190,177**	**44,305,871,855**	**70,480,701,572**	**15,695,777,487**	**397,914,541,091**

28. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

Total gains or losses for the year in the above table are presented in the statement of profit or loss and the OCI as follows:

30 June 2021	Due from Government of Ethiopia	Loans to government banks	Loans to private commercial banks	Due from foreign institutions - commercial banks	Due from foreign institutions - central Banks	Funds held with IMF	Other assets - Loans to employees	Other assets - Staff advances	Total financial assets
	ETB		ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Assets									
Total gains and losses recognised in the P&L	2,786,323,042	8,758,990,924	224,346,904	49,612,069	9,725,653	438,420	(846,556)	(843,703)	**11,827,746,753**
Net trading income	-	-	-	-	-	-	-	-	-
Net trading income from other financial instruments carried at fair value	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-
Total gains and losses recognised in the OCI	-	-	-	-	-	-	-	-	-
Fair Value reserve (debt instruments) - net change in fair value	-	-	-	-	-	-	-	-	-
Fair Value reserve (equity instruments) - net change in fair value	-	-	-	-	-	-	-	-	-
Profit or loss - attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:	-	-	-	-	-	-	-	-	-
Net trading income	5,223,549,970	9,513,137,280	224,431,694	51,116,381	9,725,653	438,420	-	-	**15,022,399,397**

28. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

30 June 2021	Deposits from local financial institutions, govermnent and gioverrnment entities	Funds due to international financial institutions	Due to other institutions	Due to the Ministry of Finance	Total financial liabilities
	ETB		ETB	ETB	ETB
Financial Liabilities					
Total gains and losses recognised in the P&L	4,200,614,733	111,954,834	2,800,398,499	-	**7,112,968,066**
Net trading income	-	-	-	-	-
Net trading income from other financial instruments carried at fair value	-	-	-	-	-
Other revenue	-	-	-	-	-
Total gains and losses recognised in the OCI	-	-	-	-	-
Fair Value reserve (debt instruments) - net change in fair value	-	-	-	-	-
Fair Value reserve (equity instruments) - net change in fair value	-	-	-	-	-
Profit or loss - attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:	-	-	-	-	-
Net trading income	4,200,614,733	111,954,834	2,800,398,499	-	**7,112,968,066**

28. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

30 June 2020	Due from Government of Ethiopia	Loans to government banks	Loans to private commercial banks	Due from foreign institutions - commercial banks	Due from foreign institutions - central Banks	Funds held with IMF	Other assets - Loans to employees	Other assets - Staff advances	Total financial assets
	ETB		ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Assets									
Total gains and losses recognised in the P&L	2,886,556,837	5,610,657,846	549,806,733	614,787,022	77,877,233	2,915,510	(468,271)	969,328	**9,741,163,582**
Net trading income	-	-	-	-	-	-	-	-	-
Net trading income from other financial instruments carried at fair value	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-
Total gains and losses recognised in the OCI	-	-	-	-	-	-	-	-	-
Fair Value reserve (debt instruments) - net change in fair value	-	(1,308,456,127)	-	-	-	-	-	-	**(1,308,456,127)**
Fair Value reserve (equity instruments) - net change in fair value	-	-	-	-	-	-	-	-	-
Profit or loss - attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:	-	-	-	-	-	-	-	-	-
Net trading income	4,660,120,236	5,935,279,398	549,806,733	1,118,400,265	70,647,237	2,791,081	-	-	**12,337,044,950**

28. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

30 June 2020	Deposits from local financial institutions, govermnent and giovernment entities	Funds due to international financial institutions	Due to other institutions	Due to the Ministry of Finance	Total financial liabilities
	ETB		ETB	ETB	ETB
Financial Liabilities					
Total gains and losses recognised in the P&L	4,219,622,435	142,137,810	778,429,980	-	**5,140,190,224**
Net trading income	-	-	-	-	-
Net trading income from other financial instruments carried at fair value	-	-	-	-	-
Other revenue	-	-	-	-	-
Total gains and losses recognised in the OCI	-	-	-	-	-
Fair Value reserve (debt instruments) - net change in fair value	-	-	-	-	-
Fair Value reserve (equity instruments) - net change in fair value	-	-	-	-	-
Profit or loss - attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:	-	-	-	-	-
Net trading income	4,219,622,435	142,137,810	778,429,980	-	**5,140,190,224**

29. Commitments

A commitment is an enforceable, legally binding agreement to make a payment in the future for the purchase of goods or services. These amounts are not recorded in the statement of financial position since the Bank has not yet received the goods or services from the suppliers. The amounts below are what the Bank has committed to pay as at 30 June 2021 based on current expected contract prices.

Commitments	30 June 2021	30 June 2020
Office and other equipment	20,141,434	8,186,800
Office furniture and fittings	-	-
Office and other consumables	681,570	-
Work in progress	23,921,406	18,824,542
Professional consultancy services	14,587,540	12,820,628
Motor vehicles	-	5,761,000
Total capital commitments	**59,331,949**	**45,592,970**

These capital commitments will be funded from internal resources.

30. Events after the reporting period

1. In November 2021 and January 2022, rating agencies standard and poor's (S&P) and Fitch Ratings downgraded Ethiopia's sovereign rating to CCC with negative outlook and CCC ratings respectively. This was mainly occasioned by the rising probability of the government's inclusion of commercial creditors as part of its debt restructure strategy as well as application and approval of debt relief from the Paris club of lenders.

   The credit downgrade will significantly increase the government's probability of default for the financial year 2022. This is in turn expected to increase the expected credit loss (ECL) provisions for financial assets held by the government and affiliate institutions for the financial year. The Bank continues to monitor the country's credit risk assessment by various external rating bodies and shall seek to align its sovereign credit risk appetite to the same.

2. The bank allowed commercial banks to redeem NBE Bills before their maturity for the following classes of NBE bills:
   (1) Bills expected to mature between September 2021 and June 2022. This was done to relieve commercial banks from their temporary liquidity shortfalls.
   (2) Bills expected to mature between July 2022 to August 2025 for the purpose of government treasury bills purchase.

30. Events after the reporting period (continued)

3. Following decision by the Bank's board of directors in October 2022, the bank restructured the direct advance loan balance outstanding as at 07 October 2022 of ETB. 236,500,000,000 to a 2% government bond which is payable in thirty equal semi annual instalments as from 08 April 2033. Besides the interest rate for direct advance and government and government institutions deposit restructured from 3% to 2%.

4. The bank has issued the following directives after the reporting period. A reliable estimate of their financial effect cannot be made as at the issuance of these financial statements.

   (1) A directive cited as: Open Market Operations and Standing Facilities Directive No. MFAD/OMO&SFs/001/2021 was issued on 2 August 2021 establishing open market operations and standing facilities as instruments with an aim to effectively manage liquidity in the financial system for purposes of conducting monetary policy. This directive is applicable to financial transactions between the National Bank and Banks operating in Ethiopia that maintains reserve requirements with National Bank for the purpose of open market operations and standing facilities. It seeks to absorb or inject liquidity from and into the financial system and states that all transactions conducted using these Open Market Operations and Standing Facilities shall be in Ethiopian Birr. The directive allows the National Bank to conduct any of the following open market operations: main or standard operations, fine-tuning or non-standard operations; or structural operations. The National Bank may further use any of the following instruments for its open-market operations: repo or reserve repo transactions, granting collateralized loans, outright transactions, issuing NBE certificates or conducting deposit-taking operations. This directive serves to ensure the NBE through its powers and duties can regulate and determine the supply and availability of money and credit as well as the applicable interest rates for the purpose of maintaining price and financial stability that is conducive to the balanced growth of the Ethiopian economy.

   (2) A directive on Licensing and supervision of banking business cited as Reserve requirement - 8th replacement directive No. SBB/84/2022 was issued on 9 June 2022 mandating banks to open two separate Birr accounts with the National Bank of Ethiopia to be used as follows: a reserve account that is used exclusively to maintain the reserve balance amounting to 7% on average in every calendar month, of all Birr and foreign currency deposit liabilities held in the form of demand/current deposits, savings deposits and time deposits. Further, the same banks shall maintain at all times a minimum of 5% of all Birr and foreign currency deposit liabilities held in the form of demand/current deposits, savings deposits and time deposits. The banks shall also not withdraw any money from its reserve account without prior approval of the Bank Supervision Directorate of the National Bank of Ethiopia. In addition, the banks can request for transfer to Payment and Settlement accounts maintained with the National Bank if daily reserve ratio is above 5%, however, these banks must ensure that average

30. Events after the reporting period (continued)

reserve ratio of a calendar month is 7% at minimum. Banks are also expected to maintain a payments and settlement account to be used to carry out all day-to-day transactions of the banks through the National Bank. This new directive has brought in changes on the minimum reserve balance that banks can hold as stipulated in the previous directive with a view to ensuring NBE exercises its mandate as vested in it to oversee monetary management, regulation and supervision of banks. The previous directive cited as Reserve Requirement – 7th Replacement directives No. SBB/80/2021 was issued on 1 September 2021 mandated banks to open two separate Birr accounts with the National Bank of Ethiopia to be used as follows: a reserve account that is used exclusively to maintain the reserve balance amounting to 7% on average in every calendar month, of all Birr and foreign currency deposit liabilities held in the form of demand/current deposits, savings deposits and time deposits and a payments and settlement account which mandated that banks shall use a payments and settlement account to be used to carry out all day-to-day transactions of banks through the National Bank of Ethiopia.

(3) A directive on licensing and supervision of banking business cited as: Investment on DBE bonds Directive No. SBB/81/2021 was issued on 1 September 2021. The directive is applicable to all commercial banks operating in Ethiopia and stipulates the following: commercial banks shall invest on an annual basis a minimum of 1% of its outstanding loans and advance in DBE Bond until the aggregated bond holding equals 10% of its total outstanding loans and advances; the audited total outstanding loans and advance position of a bank as of June 30 of each year shall be used as a basis to determine the required level of investment in the following year; the DBE bond shall have a maturity of 3 years starting from the issue date and shall pay a bond rate of at least 2 percentage points higher than the minimum interest rate paid on saving deposit at the time of issuance and interest on these DBE bonds shall be paid annually. The directive further states that the DBE bonds shall explicitly be guaranteed by the Federal Government of Ethiopia, fully and unconditionally. From an administration perspective, banks shall annually submit investment in DBE bond showing the amount of outstanding loans and advances and amounts of annual investment in DBE bonds within 3 days from their investment with the National Bank debiting Payment and Settlement Account of the bank based on the bank's report and at the same time credit Payment and Settlement Account of DBE for the same amount. DBE shall annually submit interest on each bank's investment in DBE Bond report to the National Bank within 3 days from June 30 of each year and shall debit Payment and Settlement Account of DBE based on its report and at the same time credit Payment and Settlement Account of each commercial bank with for the respective amount. The main purpose of this directive is to secure stable and long-term funding so as to sustainably finance development-oriented projects.

30. Events after the reporting period (continued

(4) A directive on licensing and supervision of banking business directives cited as: Foreign Currency Intermediation by banks Directive No. SBB/82/2021 (1st Replacement) issued on 1 December 2021. The directive is applicable to all banks operating in Ethiopia and seeks to direct the banks to the following: that banks may engage in foreign currency intermediation; where banks engage in foreign currency intermediation, they will be exempted from acquiring a separate permission from the National Bank for transactions to be expressed in foreign currency; the banks shall be eligible to acquire external loans in foreign currency provided that the loans meet a grace period on principal payment of at least 6 months and the repayment period of at least 2 years (including the grace period). The directive further stipulates that foreign currency acquired through external borrowing shall be utilized only for extending credits in foreign currency to foreign currency generating activities in Ethiopia; facilitating imports of priority goods as per national bank's directive on transparency in foreign currency allocation and foreign exchange management; or depositing at the National Bank or at a foreign correspondent bank in foreign currency. Other aspects of the directive speak to the external borrowing not being subject to foreign surrender requirement; the governance through which banks can extend credit in foreign currency to foreign currency generating activities; the minimum required foreign currency deposit balance in the debt service reserve account and framework around which banks may buy debt service insurance in foreign currency against its external debt service obligations. This directive was issued to enable the NBE through its mandate to regulate the amount of external indebtedness of banks and other financial institutions and further to grant permissions for transactions taking place in Ethiopia in currencies other than the Ethiopian legal tender currency and ensure NBE maintains overall responsibility of ensuring that banks are properly managing their foreign exchange and credit risks.

(5) Foreign Exchange Surrender Requirements for Banks Directive (as Amended) directive No. FXD/78/2022 was issued on 6 January 2022 mandating all banks to surrender seventy percent (70%) of receipts from export of goods, services, private transfers (remittance) and NGO's transfers to the National Bank of Ethiopia monthly within the first five working days of the following month. This directive aims at ensuring that the banking environment in Ethiopia is safe and stable. This directive repeals previous directive – cited as FXD/72/2021 which was issued on 01 September 2021. The previous directive mandated banks to surrender 50% of their receipts only from export of goods, services, private transfers (remittance) and NGO's transfers to the NBE every month within the first five working days of the next month with the NBE in return crediting the payment and settlement of the bank with equivalent amount in Birr at the prevailing mid exchange rate. Both directives outlined the applicable penalties for failure to adhere to the foreign exchange surrender reporting requirement. Both directives set fines of USD 10,000 for each day of delayed surrender up to a maximum of five working days following the final day of surrender. The aim of the two directives is to safeguard and promote the achievement of safe and stable foreign exchange market in Ethiopia by setting foreign exchange exposure limits and foreign exchange surrender requirements on Banks.

30. Events after the reporting period (continued

(6) Retention and Utilization of Export Earnings and Inward Remittances directive No. FXD/79/2022 was issued on 6 January 2022 mandating all banks to surrender seventy percent (70%) of foreign exchange earnings from export of goods, services, private transfers (remittance) and NGO's transfers to the National Bank of Ethiopia. The directive also confers rights to licensed exporters of goods and services and recipients of inward remittances to retain twenty percent (20%) of their export earnings in foreign currency indeterminately in a retention account and either use these funds for the importation of goods and payment of services or sell the foreign currency held at prescribed rates. The directive further instructs that the remaining ten percent (10%) be surrendered to the respective bank at the prevailing buying exchange rate immediately on the day of the receipt and the bank to effect the payment of the equivalent Birr to an eligible customer. This directive replaces the previous directive – cited as FXD /73/2021 and which was issued on 01 September 2021. The previous directive mandated banks on how to open foreign exchange retention accounts for eligible exporters of goods, services and inward remittances. The directive further guided that banks were required to surrender 50% of the Foreign currency earnings from export of goods and services, private transfers (remittance) and NGO's transfers to the NBE as well as only credit funds in retention accounts only when the recipient (beneficiary) has given written authority and banks can credit funds in retention account for merchants and/or entities licensed by the NBE to collect credit card/debit card/prepaid card/payments for goods and service they sell. Overall, the directive aimed at incentivizing eligible exporters of goods and services and recipients of inward remittances in line with the power and responsibility vested on the NBE.

5. The National Bank of Ethiopia is responsible for supply of bank notes and coins throughout the country. The bank has no branches in regions and hence delegated commercial banks to act as its agent banks (issue branches) with responsibility to distribute and collect banknotes/coins across the country on behalf of NBE. The following issue branches have been operating in security tensioned areas and thus the issue accounts held by each branch are not fully reconciled. These are:
   (1) Endaselassie issue branch (CBE)
   (2) Adwa issue branch (CBE)
   (3) Dessie issue branch (CBE)
   (4) Dessie issue branch (Dashen Bank)
   (5) Nedjo Inssue branch (CBE)

   In total, the potential loss is expected to be in birr 1,539,577,832 due to the state of armed unrest in the aforementioned areas. Actual losses will be audited and reported in collaboration with the concerned stakeholders (agent banks) to quantify the loss.

STATISTICAL ANNEXES

Table 1: Estimates of Agricultural Production and Cultivated Areas of Major Grain Crops

(For Private Peasant Holdings)

Years/ Variables	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21	
	2008		2009		2010		2011		2012		2013	
	Cultivated area^z	Total production^y	Cultivated area^z	Total production^y	Cultivated area^z	Total production^y	Cultivated area^z	Total production^y	Cultivated area^z	Total production^y	Cultivated area^z	Total production^y
Cereals	**9974.3**	**231288.0**	**10,219.4**	**253,847.2**	**10,232.5**	**267,789.7**	**10,358.8**	**277,638.3**	**10,478.2**	**296,726.5**	**10,538.3**	**302,054.3**
Teff	2866.1	44713.8	3,017.9	50,204.4	3,023.3	52,834.0	3,076.5	54,034.7	3,101.2	57,357.1	2,928.2	55,099.6
Barley	944.4	18567.0	959.3	20,249.2	951.9	20,529.9	811.7	17,675.1	950.7	23,780.1	926.1	23,391.1
Wheat	1664.6	42192.6	1,696.1	45,378.5	1,696.9	46,429.6	1,747.9	48,380.7	1,789.4	53,152.7	1,897.4	57,801.3
Maize	2111.5	71508.4	2,135.6	78,471.7	2,128.9	83,958.8	2,367.7	94,927.7	2,274.3	96,357.3	2,526.2	105,570.9
Sorghum	1854.7	43233.0	1,882.0	47,521.0	1,896.3	51,692.5	1,829.6	50,243.6	1,828.2	52,655.8	1,679.3	45,173.5
Millet	465.5	9402.5	456.2	10,170.6	456.0	10,308.2	446.9	10,356.2	455.6	11,259.6	480.3	12,030.2
Oats	22.1	402.7	24.0	491.8	25.8	526.3	14.8	301.4	21.3	457.5	15.5	305.0
Rice	45.5	1268.1	48.4	1,360.0	53.1	1,510.1	63.3	1,718.5	57.6	1,706.3	85.3	2,682.2
Pulses	**1652.8**	**27692.7**	**1,549.9**	**28,146.3**	**1,598.8**	**29,785.8**	**1,620.4**	**30,113.4**	**1,563.8**	**30,052.0**	**1,675.0**	**32,000.0**
Horse Beans	444.0	8486.5	427.7	8,780.1	437.1	9,217.6	492.2	10,419.5	466.7	10,067.5	504.6	10,706.4
Chick Peas	258.5	4726.1	225.6	4,441.5	242.7	4,994.2	239.7	4,591.7	208.9	4,351.9	220.7	4,573.2
Haricot Beans	357.3	5402.4	290.2	4,839.2	306.1	5,209.7	288.6	4,883.1	281.1	4,855.4	311.6	5,525.6
Field Peas	221.4	3233.9	212.5	3,481.4	220.5	3,685.1	216.7	3,608.1	223.7	3,905.6	219.9	3,762.4
Lentils	100.7	1339.3	113.7	1,662.7	119.0	1,751.4	99.7	1,408.1	87.4	1,193.3	84.5	1,130.2
Soya beans	38.2	812.4	36.6	812.3	38.0	864.6	64.7	1,494.5	54.5	1,256.2	83.8	2,086.8
Grass peas	159.1	2876.7	151.3	2,971.0	143.0	2,866.0	130.5	2,604.1	145.5	3,126.8	143.9	2,899.2
Gibto	16.8	187.2	19.9	274.1	17.8	246.2	17.5	239.5	19.2	360.5	15.6	293.1
Oil Seeds	**859.1**	**7848.1**	**804.8**	**8,392.0**	**846.4**	**8,550.7**	**747.8**	**7,850.1**	**820.8**	**8,421.4**	**766.2**	**7,774.6**
Neug	281.0	2563.3	281.2	3,024.3	290.4	3,233.4	257.9	2,963.2	258.0	2,916.4	191.8	2,148.0
Linseed/Flax	85.4	885.5	80.4	879.1	79.0	882.0	83.6	966.8	69.2	796.9	78.9	804.6
Rapeseed	30.0	550.4	23.7	434.0	18.0	328.6	20.6	382.1	23.0	420.5	7.9	125.8
Sunflower	7.4	67.3	6.7	79.5	7.9	95.7	6.4	80.3	7.6	95.7	4.2	42.9
Ground nuts	67.1	1039.4	74.9	1,296.4	80.8	1,451.7	84.2	1,440.9	87.9	1,565.3	113.5	2,050.7
Sesame	388.2	2742.2	337.9	2,678.7	370.1	2,559.0	294.8	2,016.6	375.1	2,626.5	369.9	2,602.6
Total	**12486.3**	**266828.8**	**12,574.1**	**290,385.6**	**12,677.8**	**306,126.3**	**12,727.1**	**315,602.0**	**12,862.8**	**335,199.8**	**12,979.5**	**341,828.9**
Percentage change												
Cereals	***-1.8***	***-2.0***	***2.5***	***9.8***	***0.1***	***5.5***	***1.2***	***3.7***	***1.2***	***6.9***	***0.6***	***1.8***
Pulses	***6.1***	***3.6***	***(6.2)***	***1.6***	***3.2***	***5.8***	***1.4***	***1.1***	***(3.5)***	***(0.2)***	***7.1***	***6.5***
Oil Seeds	***0.4***	***3.3***	***-6.3***	***6.9***	***5.2***	***1.9***	***(11.6)***	***(8.2)***	***9.8***	***7.3***	***(6.7)***	***(7.7)***
Total	***-0.6***	***-1.3***	***0.7***	***8.8***	***0.8***	***5.4***	***0.4***	***3.1***	***1.1***	***6.2***	***0.9***	***2.0***

Source: Central Statistical Authority (CSA)

^{z} In Thousands of Hectars.

^{y} In Thousands of Quintals.

* Estimates are corrected and adjusted based on the previous survey of CSA and the 1993/94 MOA-CSA crop assessment result.

** Unreliable estimates but included in the total " Others ".

' Meher' Season refers to the period starting from the month of September to February.

Table 2: GDP By Economic Activity at Constant Prices

(In millions of Birr)

Sectors/Year	2006	2007	2008	2009	2010	2011	2012	2013
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Agriculture, Hunting and Forestry	498,733.6	530,341.5	542,700.2	579,022.9	599,331.4	622,220.3	648,711.8	684,733.9
Crop	312,338.7	334,768.6	346,293.6	374,649.8	392,291.8	404,049.6	422,966.5	446,919.4
Animal Farming and Hunting	142,601.9	149,246.8	146,959.5	153,170.4	154,038.0	163,279.5	168,722.4	178,571.3
Forestry	46,751.8	48,368.2	49,447.1	51,202.7	53,001.7	54,891.1	57,022.9	59,243.3
Fishing	1,057.4	1,381.1	1,381.9	1,389.4	1,546.7	1,581.8	1,614.0	1,653.4
Mining and Quarrying	8,506.2	6,328.5	6,116.8	4,296.9	3,402.8	2,658.9	5,089.3	10,960.7
Manufacturing	63,764.0	75,383.5	89,246.7	111,249.6	117,410.7	127,986.7	137,601.5	144,618.9
Large and Medium Scale Manufacturing	40,743.0	50,174.6	61,687.4	73,528.2	77,966.5	87,691.9	96,268.6	102,266.2
Small Scale and Cottage Industries	25,895.4	26,874.8	27,559.2	37,721.5	39,444.2	40,294.7	41,332.9	42,352.7
Electricity and Water	9,165.6	9,577.4	11,015.5	11,552.5	11,929.0	14,115.4	15,136.4	16,476.2
Construction	144,420.0	190,028.6	237,545.0	286,749.6	331,691.4	381,443.8	419,078.0	446,721.7
Whole Sale and Retail Trade	166,337.5	186,850.2	202,241.5	215,351.0	241,936.3	268,037.0	285,293.1	303,217.7
Hotels and Restaurants	27,758.6	35,971.8	41,601.3	41,625.2	44,335.3	48,143.8	49,220.4	50,484.9
Transport and Communications	166,337.5	186,850.2	202,241.5	215,351.0	241,936.3	104,436.2	105,579.6	113,090.7
Financial Intermediation	27,758.6	35,971.8	41,601.3	41,625.2	44,335.3	57,368.6	65,290.3	71,158.1
Real Estate, Renting and Business Activities	62,114.2	64,690.9	67,062.9	70,005.2	74,364.3	79,942.0	87,510.2	95,299.7
Public Administration and Defense	54,681.3	57,979.5	62,259.2	70,488.5	76,754.1	83,662.0	85,612.2	89,770.1
Education	35,679.7	38,963.0	42,385.6	41,031.0	42,520.8	44,221.6	44,784.1	45,694.9
Health and Social Work	12,510.3	14,137.2	15,669.4	16,767.9	18,153.4	20,747.2	23,414.2	26,554.3
Other Community , Social & Personal Services	17,193.4	17,828.7	18,371.3	19,198.4	20,178.0	21,454.2	21,995.5	22,426.8
Private Households with Employed Persons	14,758.3	15,401.2	16,063.8	16,633.3	17,276.0	17,707.4	18,115.5	18,515.9
Total	1,227,058.7	1,355,280.4	1,463,883.2	1,613,519.9	1,739,254.9	1,895,726.7	2,014,046.2	2,141,377.8
Less : FISIM	10,512.8	12,393.0	14,485.8	17,038.3	19,763.6	21,037.4	24,527.2	27,214.5
Gross Value Added at Constant Basic Prices	1,216,015.3	1,342,555.9	1,449,397.5	1,596,481.6	1,719,491.3	1,874,689.3	1,989,519.0	2,114,163.2
Taxes on Products	104,547.5	115,169.8	118,700.0	120,645.6	114,575.2	112,468.2	119,603.2	113,917.7
GDP at Constant Market Prices	1,320,688.1	1,457,857.6	1,568,097.5	1,717,127.2	1,834,066.5	1,987,157.5	2,109,122.2	2,228,081.0

Source: MoF

Table 3: Growth Rate Of GDP By Economic Activity at Constant Prices

(In percent)

Industry/Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	2011/12.	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Agriculture, Hunting and Forestry	4.9	7.1	5.4	6.3	2.3	6.7	3.5	3.8	4.3	5.6
Crop	5.0	8.2	6.6	7.2	3.4	8.2	4.7	3	4.7	5.7
Animal Farming and Hunting	5.4	5.2	2.1	4.7	-1.5	4.2	0.6	6	3.3	5.8
Forestry	3.1	3.3	4.2	3.5	2.2	3.6	3.5	3.8	3.9	3.9
Fishing	21.3	19.4	32.5	30.6	0.1	0.5	11.3	2.3	2	1.7
Mining and Quarrying	12.7	6.3	-3.2	-25.6	-3.3	-29.8	-20.8	-21.9	91.4	115.4
Manufacturing	11.8	16.9	16.6	18.2	18.4	24.7	5.5	7.7	7.5	5.1
Large and Medium Scale Manufacturing	15.9	24.2	21.6	23.1	22.9	19.2	6.0	10	9.8	6.2
Small Scale and Cottage Industries	4.2	1.9	4.3	3.8	2.5	36.9	4.6	3	2.6	2.5
Electricity and Water	13.5	10.0	6.8	4.5	15.0	4.9	3.3	4	7.2	8.9
Construction	31.5	38.7	23.9	31.6	25.0	20.7	15.7	15	9.9	6.6
Whole Sale and Retail Trade	12.5	10.1	17.7	12.3	8.2	6.5	12.3	11.7	6.4	6.3
Hotels and Restaurants	10.1	19.1	26.6	29.6	15.6	0.1	6.5	9	2.2	2.6
Transport and Communications	12.6	16.5	12.7	13.3	13.7	15.1	6.4	21	1.1	7.0
Financial Intermediation	23.6	-12.2	14.3	7.5	9.6	18.3	10.7	10.1	10.2	9.0
Real Estate, Renting and Business Activities	3.8	3.9	3.9	4.1	3.7	4.4	6.2	7.5	9.5	8.9
Public Administration and Defense	3.1	7.6	11.0	6.0	7.4	13.2	8.9	9	2.3	4.9
Education	4.5	10.1	2.6	9.2	8.8	-3.2	3.6	4	1.8	2.0
Health and Social Work	9.4	12.3	19.3	13.0	10.8	7.0	8.3	14.3	12.9	13.4
Other Community , Social & Personal Services	12.4	18.4	3.8	3.7	3.0	4.5	5.1	6.3	2.5	2.0
Private Households with Employed Persons	16.1	8.2	4.4	4.4	4.3	3.5	3.9	2.5	2.3	2.2
Total	8.6	9.9	10.3	10.4	8.0	10.2	7.8	8.9	6.2	6.3
Less : FISIM	-10.6	6.4	19.4	17.9	16.9	17.6	16.0	7	14.3	11.0
Gross Value Added at Constant Basic Prices	8.7	9.9	10.3	10.4	8.0	10.1	7.7	9	6.1	6.3
Taxes on Products	8.0	18.3	9.9	10.2	3.1	1.6	-5.0	-1.8	6.3	-4.7
GDP at Constant Market Prices	8.6	10.6	10.3	10.4	7.6	9.5	6.8	8.3	6.1	5.6

Source: MoFED

Table 4: Value of Aggregate Output, Consumption, Investment and Savings at Current Prices

(In Millions of Birr)

Description / Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	2010 /11	2011 /12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Gross Value Added at Current Basic Prices	489,127.3	710,011.5	818,870.1	1,002,350.9	1,226,637.4	1,449,397.5	1,703,798.2	2,064,789.2	2,543,623.0	3,182,998.0	4,119,419.9
Taxes on Products, net	39,431.0	56,882.0	70,618.0	86,098.0	105,128.7	118,700.0	128,755.5	137,583.5	152,600.0	191,351.0	221,967.3
GDP at Current Market Prices	528,579.8	766,915.5	889,644.9	1,088,631.8	1,331,983.7	1,568,097.5	1,832,553.7	2,202,372.7	2,696,223.0	3,374,349.0	4,341,387.1
Incomes from ROW, net	(1,120.2)	(1,659.8)	(1,942.8)	(2,914.6)	(5,275.1)	(5,122.4)	(10,884.1)	(14,349.1)	(13,104.0)	(18,270.0)	(21,735.9)
Gross National Income at Current Basic Prices	488,007.1	708,351.7	816,927.4	999,436.3	1,221,362.3	1,444,275.0	1,692,914.1	2,050,440.2	2,530,519.0	3,164,728.0	4,097,683.9
Gross National Income at Current Market Prices	527,459.6	765,255.7	887,702.1	1,085,717.2	1,326,708.6	1,562,975.0	1,821,669.6	2,188,023.6	2,683,118.6	3,356,079.5	4,319,651.2
Current Transfers from ROW, net	74,261.2	86,849.9	93,355.1	106,357.3	128,400.8	155,964.2	154,959.4	188,527.3	240,392.0	218,029.0	300,237.5
Gross National Disposable Income	601,720.8	852,105.6	981,057.2	1,192,074.5	1,455,109.4	1,718,939.2	1,976,628.9	2,376,550.9	2,923,510.0	3,574,109.0	4,619,888.7
Government Final Consumption Expenditure	62,346.1	72,783.5	91,074.7	115,104.0	137,245.8	174,598.8	203,607.9	225,523.2	247,362.0	307,769.0	383,565.3
Private Final Consumption Expenditure	374,882.4	544,140.3	639,963.8	748,560.3	900,516.9	1,042,264.6	1,219,365.9	1,441,581.1	1,848,070.0	2,360,896.0	3,134,993.8
Gross Capital Formation (Investment)	164,525.7	275,811.3	293,930.7	400,841.2	508,975.9	585,665.0	704,596.0	751,626.2	948,866.0	1,037,685.0	1,216,584.9
Exports of Goods and Services	85,950.4	102,886.6	108,227.1	123,496.0	121,532.2	122,500.8	139,830.1	184,282.1	213,437.0	239,229.0	329,634.5
Imports of Goods and Services	162,487.1	236,383.9	251,300.6	308,691.3	393,188.5	424,749.9	430,233.2	502,112.9	561,512.0	571,230.0	723,391.3
Resource Balance	(76,536.7)	(133,497.3)	(143,073.5)	(185,195.3)	(271,656.3)	(302,249.2)	(290,403.1)	(317,830.8)	(348,075.0)	(332,001.0)	(393,756.8)
Gross Domestic Savings	91,351.3	149,991.7	158,606.3	224,967.5	294,221.0	351,234.0	409,579.8	535,268.5	600,791.0	705684	822,828.0
Gross National Savings	164,492.3	235,181.8	250,018.7	328,410.1	417,346.8	502,075.8	553,655.1	709,446.7	828,078.0	905,444.0	1,101,329.6
Mid-year Population (In Million)	80.7	82.7	84.8	87.0	89.1	91.2	93.4	95.5	97.6	99.7	101.9
Per Capita Nominal GDP (In Birr)	6,551.5	9,268.6	10,486.5	12,520.2	14,953.4	17,192.4	19,630.4	23,061.5	27,625.0	33,845.0	42,598.7
Per Capita Real GDP (In Birr)	12,356.3	13,090.3	14,118.3	15,189.1	16,366.5	17,192.4	18,393.9	19,204.9	20,312.5	21,153.1	21,862.5
Average Exchange Rate (Birr/USD)	16.1	17.3	18.3	19.1	20.1	21.1	22.4	26.1	28.1	31.3	39.0
Real GDP (In USD)	61,852.2	62,777.3	65,528.4	69,237.3	72,546.1	74,296.6	76,610.6	70,249.0	70,666.9	67,287.5	57,106.5
Nominal GDP (In USD)(Million)	32,794.8	44,449.6	48,671.9	57,071.7	66,282.4	74,296.6	81,760.4	84,356.0	96,107.0	107,660.0	111,271.2
Per Capita Nominal GDP (In USD)	406.5	537.2	573.7	656.4	744.1	814.6	875.8	883.3	985.0	1,080.0	1,091.8
Per Capita Real GDP (In USD)	766.6	758.7	772.4	796.3	814.4	814.6	820.7	735.6	724.3	675.0	560.3
GDP Deflator	0.53	0.71	0.74	0.82	0.91	1.00	1.07	1.20	1.36	1.60	1.95

Source: Planning commission

Table 5: Growth Rates of Aggregate Output, Consumption, Investment and Savings

(Inpercent

Description / Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	2011 /12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
GDP at Current Basic Prices	45.2	15.3	22.4	22.4	18.2	17.6	21.2	23.3	25.4	29.4
Taxes on Products, net	44.3	24.1	21.9	22.1	12.9	8.5	6.9	10.9	25.4	16.0
GDP at Current Market Prices	45.1	16.0	22.4	22.4	17.7	16.9	20.2	22.5	25.4	28.6
Incomes from ROW, net	(48.2)	(17.0)	(50.0)	(81.0)	(2.9)	(112.5)	(31.8)	(33.0)	(10.5)	13.2
Gross National Income at Current Basic Price	45.2	15.3	22.3	22.2	18.3	17.2	21.1	23.3	25.5	29.5
Gross National Income at Current Market Price	45.1	16.0	22.3	22.2	17.8	16.6	20.1	22.5	25.5	28.7
Current Transfers from ROW, net	17.0	7.5	13.9	20.7	21.5	(0.6)	21.7	25.7	(3.6)	42.7
Gross National Disposable Income	41.6	15.1	21.5	22.1	18.1	15.0	20.2	22.8	23.2	29.6
Government Final Consumption Expenditure	16.7	25.1	26.4	19.2	27.2	16.6	10.8	9.7	24.4	24.5
Private Final Consumption Expenditure	45.1	17.6	17.0	20.3	15.7	17.0	18.2	27.9	27.7	32.6
Gross Capital Formation (Investment)	67.6	6.6	36.4	27.0	15.1	20.3	6.7	26.2	9.4	17.9
Exports of Goods and Services	19.7	5.2	14.1	(1.6)	0.8	14.1	31.8	15.9	12.0	37.0
Imports of Goods and Services	45.5	6.3	22.8	27.4	8.0	1.3	16.7	11.8	1.7	27.0
Resource Balance	(74.4)	(7.2)	(29.4)	(46.7)	(11.3)	3.9	(9.4)	(9.5)	4.6	19.6
Gross Domestic Savings	64.2	5.7	41.8	30.8	19.4	16.6	30.7	12.2	17.5	17.1
Gross National Savings	43.0	6.3	31.4	27.1	20.3	10.3	28.1	16.4	12.5	23.2
Mid-year Population (in Million)	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.2	2.2	2.2
Per Capita GDP (Birr) (Nominal)	41.5	13.1	19.4	19.4	15.0	14.2	17.5	19.8	22.5	25.8
Per Capita GDP (Birr) (Real)	5.9	7.9	7.6	7.8	5.0	7.0	4.4	5.8	4.1	3.3
Average Exchange Rate (Birr/USD)	7.0	5.9	4.4	5.4	5.0	6.2	16.5	7.6	11.5	24.5
Real GDP (USD)	1.5	4.4	5.7	4.8	2.4	3.1	(8.3)	0.6	(4.8)	(15.1)
GDP at Current Market Prices(USD)	35.5	9.5	17.3	16.1	12.1	10.0	3.2	13.7	12.2	3.3
Per Capita GDP (USD) (Nominal)	32.2	6.8	14.4	13.4	9.5	7.5	0.9	11.5	9.6	1.1
Per Capita GDP (USD) (Real)	(1.0)	1.8	3.1	2.3	0.0	0.7	(10.4)	(1.5)	(6.8)	(17.0)
Percentage Change in GDP Deflator	33.5	4.9	11.0	10.8	9.5	6.7	12.5	13.3	17.6	21.8

Source: Planning commission

Table 6: Summary of External Public Debt

(In Millions of Birr)

	,2015/16 (2008)	,2016/17 (2009)	,2017/18 (2010)	,2018/19 (2011)	,2019/20 (2012)	,2020/21 (2013)
EXTERNAL DEBT						
Disbursed *	449,037.6	539,568.8	703,692.2	782,938.1	1,010,797.0	1,290,519.1
Undisbursed	n.a	n.a	n.a	n.a	n.a	n.a
DRAWINGS (gross)	73,812.2	66,379.3	92,796.0	79,206.1	106,682.1	55,046.6
REPAYMENTS (1)	-16,306.7	-19,479.7	-30,619.4	-40,207.1	-44,604.7	-54,356.4
DEBT SERVICING (2)	23,872.4	29,345.3	42,480.4	58,195.8	64,035.1	73,138.2
Principal	16,306.7	19,479.7	30,619.4	40,207.1	44,604.7	54,356.4
Interest (3)	7,565.7	9,865.6	11,861.0	17,988.7	19,430.4	18,781.9
DEBT SERVICE TO EXPORT OF GOODS RATIO	39.4	45.0	57.4	77.8	68.4	52.1
EXTERNAL DEBT TO TO GDP (%)**	28.6	29.4	32.0	29.1	30.0	29.7
EXPORT OF GOODS	60,526.4	65,167.1	74,044.8	74,807.7	93,641.5	140,327.0
GDP (Current Basic Price)	1,568,097.5	1,832,786.0	2,200,120.6	2,690,751.4	3,374,746.9	4,341,387.1

Source: Ministry of Finance and Economic Development

*Excludes State defence Credits and Ruble denominated debt.

(1)-on cash basis; includes repayments of Trust Fund Loans , and repurchases from IMF.

(2)-on accrual basis; includes repayments of Trust Fund Loans, and repurchases from IMF.

(3) - Includes IMF charges and interest.

**Revised based on rebased GDP series

NB: USD to birr coversion is made by using annual average exchange rate.

Table 7: Balance of Payments

(In Millions of Birr)

G.C.	,2013/14	,2014/15	,2015/16	,2016/17	,2017/18	,2018/19	,2019/20	,2020/21
EFY	(2006)	(2007)	(2008)	(2009)	(2010)	(2011)	(2012)	(2013)
TRADE BALANCE	-198,611.2	-270,301.4	-292,474.9	-289,030.5	-324,244.9	-349,148.8	-341,436.0	-417,133.3
Export(f.o.b)	62,947.9	60,443.8	60,526.4	65,167.1	74,044.8	74,807.7	93,641.5	140,327.0
Coffee	13,626.8	15,683.9	15,253.7	19,795.6	21,905.1	21,436.5	26,824.8	35,480.3
Other Exports	49,321.1	44,759.9	45,272.7	45,371.5	52,139.7	53,371.2	66,816.7	104,846.7
Imports (c.i.f.)	-261,559.1	-330,745.2	-353,001.4	-354,197.6	-398,289.7	-423,956.5	-435,077.5	-557,460.3
Fuel	-49,081.4	-41,013.5	-28,260.8	-40,876.9	-60,553.0	-72,961.5	-65,445.6	-75,723.6
Other Imports	-212,477.7	-289,731.7	-324,740.5	-313,320.8	-337,736.7	-350,995.0	-369,632.0	-481,736.7
Net Services	12,715.4	-6,943.6	-13,027.4	-12,588.8	-5,221.1	-15,833.5	-6,862.8	1,156.9
Travel	5,602.3	1,681.7	-1,386.5	-951.7	7,146.7	6,225.9	10,431.2	26,800.9
Other Transportation	13,658.8	8,242.8	11,209.2	8,569.4	13,494.3	18,091.2	27,972.4	28,743.3
Government(n.i.e.)	5,551.5	3,661.7	7,600.2	8,625.2	5,641.9	7,935.0	1,878.4	6,314.9
Investment Income	-2,914.6	-5,358.0	-7,849.3	-11,214.0	-11,410.1	-16,925.9	-19,203.0	-21,739.9
Other Services	-9,182.6	-15,171.9	-22,601.0	-17,617.7	-20,094.0	-31,159.7	-27,942.0	-38,962.3
Net Goods & Services	-185,895.8	-277,245.0	-305,502.3	-301,619.3	-329,466.0	-364,982.3	-348,298.9	-415,976.4
Private Transfers (net)	78,477.7	98,099.1	135,680.5	122,945.6	158,601.1	167,629.9	162,534.4	238,718.0
Current Account Balance	-107,418.1	-179,145.9	-169,821.8	-178,673.7	-170,864.9	-197,352.4	-185,764.5	-177,258.4
Public Transfers (net)	27,911.7	30,301.9	29,359.9	32,014.6	32,678.7	58,540.8	47,797.8	53,408.6
Non Monetary Capital (net)	78,866.1	157,085.6	138,330.8	154,325.0	161,503.2	135,289.6	135,603.6	148,987.8
Public long-term (net)*	50,373.7	112,141.5	67,020.2	57,928.2	68,083.1	46,595.6	64,463.4	7,743.3
Short-term	510.3	690.1	2,322.0	2,913.8	-3,792.1	4,099.0	-4,682.9	-13,081.3
FDI	27,982.1	44,254.0	68,988.6	93,483.1	97,212.3	84,595.0	75,823.2	154,325.8
Net errors and Omissions	**-1,207.8**	**-18,719.8**	**-15,405.0**	**7,096.2**	**-28,580.3**	**-22,895.0**	**-23,758.0**	**-13,483.4**
Overall Balance	**-1,848.1**	**-10,478.1**	**-17,536.1**	**14,762.1**	**-5,263.3**	**-26,417.1**	**-26,121.1**	**11,654.6**
Financing :	1,848.1	10,478.1	17,536.1	-14,762.1	5,263.3	26,417.1	26,121.1	-11,654.6
Monetary Authorities (Reseves), net	1,914.0	10,478.1	17,536.1	-14,762.1	5,263.3	26,417.1	26,121.1	-11,654.6
Arrears Change	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Relief	-65.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cancellation	-65.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sorce: NBE Staff Compilation

*Includes other public sector long-term loan and private loan

NB: USD to birr coversion is made by using annual average exchange rate.

Table 8: Value of Major Exports

(In Thousands of Birr)

Commodity	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	(2008)	(2009)	(2010)	(2011)	(2012)	(2013)
Coffee	15,267,166.7	19,897,558.9	21,893,480.4	21,490,708.9	27,043,809.8	34,661,479.2
Oilseeds	10,076,702.8	7,891,362.5	11,188,854.0	10,921,323.8	11,016,053.3	12,447,184.5
Leather and Leather Products	2,424,089.0	2,558,995.8	3,455,808.7	3,285,473.7	2,224,782.4	1,321,048.4
Pulses	4,886,962.9	6,276,562.9	7,124,264.4	7,659,551.2	7,407,897.8	8,810,339.8
Meat Products	2,026,532.5	2,214,721.7	2,661,968.0	2,484,948.7	2,131,090.9	2,766,305.2
Fruits & Vegetables	1,128,060.7	1,257,748.5	1,603,497.1	1,709,468.5	2,526,266.2	2,554,855.5
Sugar	-	115,431.7	133,582.5	106,710.5	47,105.5	7,807.8
Gold	6,113,142.1	4,683,990.8	2,605,757.2	775,705.7	6,572,639.3	23,960,756.7
Oil Cakes	-	-	-	-	-	-
Live Animals	3,090,572.3	1,506,508.9	1,539,071.6	1,287,954.6	1,671,089.2	1,618,980.7
Chat	5,511,986.7	6,113,689.6	6,882,238.3	8,511,121.5	8,498,636.8	14,515,995.0
Petroleum Products	-	-	-	-	-	-
Bee's Wax	51,326.1	60,566.7	81,311.4	67,657.8	65,655.6	65,370.4
Tantalem	151,563.5	137,861.4	246,007.6	274,291.8	155,501.4	160,642.4
Cotton	11.6	-	140,351.4	8,572.2	8,218.7	-
Text. & Text. Prdts	1,633,981.4	2,004,285.7	2,695,228.8	4,296,263.5	5,315,818.7	5,297,133.7
Cereals and Flour	185,207.8	645,101.2	156,779.6	81,940.5	138,438.3	707,424.0
Natural Gum	175,997.8	266,180.1	233,800.6	144,922.8	157,860.5	119,822.9
Civet	-	-	-	-	-	-
Hop	-	-	-	-	-	-
Animal Fodder	-	-	-	-	-	-
Natural Honey	41,928.3	31,343.9	23,694.8	13,468.4	16,438.1	2,867.5
Marble	-	-	-	-	-	-
Flower	4,737,809.0	4,905,507.6	5,982,071.2	7,228,221.9	13,780,893.8	17,130,702.7
Beverage	109,780.9	90,513.2	108,799.4	114,745.8	112,973.8	180,564.1
Spices	566,214.9	554,729.1	441,282.3	381,907.9	506,971.9	578,556.0
Others	1,759,529.8	2,473,083.9	2,919,189.8	2,529,996.2	2,685,166.8	1,960,770.5
Others	9,362,025.1	11,108,606.1	12,947,205.4	15,074,331.0	22,878,281.8	26,138,483.9
RE-exports	-	-	-			
Total	**59,938,566.96**	**63,685,744.10**	**72,117,038.93**	**73,374,955.85**	**92,083,308.60**	**128,868,607.09**

Table 9: Quantity of Major Exports

(In Metric Tons)

Commodity	2011/12 (2004)	2012/13 (2005)	2013/14 (2006)	2014/15 (2007)	2015/16 (2007)	2016/17 (2009)	2017/18 (2010)	2018/19 (2011)	2019/20 (2012)	2020/21 (2013)
Coffee	169,408.06	199,127.77	189,669.31	183,870.70	198,658.11	225,747.01	238,572.83	230,931.42	271,111.52	248,653.58
Oilseeds	367,436.15	283,853.59	313,526.60	319,461.91	436,573.50	333,514.13	348,548.01	260,001.58	236,504.53	245,479.33
Leather and Leather products	4,435.66	4,614.91	5,573.06	6,174.96	5,983.46	5,890.12	6,400.79	5,590.40	3,551.27	2,290.59
Pulses	226,157.63	357,518.78	353,022.19	340,736.88	375,425.13	392,743.28	438,061.53	462,821.56	354,010.48	280,603.44
Meat Products	17,665.96	15,466.31	14,971.98	19,034.52	18,965.08	19,564.98	19,954.85	17,719.23	12,819.96	14,631.78
Fruits & Vegetables	123,538.30	135,184.35	145,436.23	150,148.72	167,076.37	178,569.19	188,976.92	175,619.64	191,183.11	221,695.57
Sugar	11.18	0.02	-	-	-	51,126.64	35,958.09	43,706.24	17,515.03	2,511.84
Gold	12.19	12.31	11.64	9.04	8.58	5.97	2.82	0.82	3.32	9.56
Oil Cakes		-	-	-	-	-	-	-	-	-
Live Animals	144,885.27	100,888.37	105,827.48	77,860.31	77,779.01	36,066.48	31,936.99	24,346.65	29,395.64	26,262.97
Chat	41,052.87	47,163.67	51,689.76	49,204.18	47,000.13	48,818.10	47,023.94	53,565.91	57,136.13	71,209.90
Petroleum Products		-	-	-	-	-	-	-	-	-
Bee's Wax	367.09	411.93	334.70	520.38	267.65	302.34	358.70	283.18	258.01	229.00
Tantalem	294.58	75.72	87.91	147.79	185.90	229.30	2,860.36	386.20	76.08	66.77
Cotton	126.93	5,673.61	751.98	8.29	0.34	-	3,529.38	252.91	80.00	-
Text. & Text. Prdts	10,799.76	15,935.97	18,638.34	14,858.30	12,281.54	16,192.82	16,761.81	19,888.80	22,798.39	24,045.62
Cereals and Flour	12,265.32	6,819.15	19,968.19	39,171.91	11,403.59	71,737.19	11,805.28	3,579.95	4,670.14	25,144.37
Natural Gum	3,503.66	3,268.07	3,402.88	3,472.77	2,351.01	3,383.90	2,482.77	1,111.41	1,384.59	769.68
Civet	-	-	-	-	-	-	-	-	-	-
Hop	-	-	-	-	-	-	-	-	-	-
Animal Fodder	48.93	40.01	-	-	-	-	-	-	-	-
Natural Honey	876.66	839.54	742.35	681.18	592.53	444.10	316.30	134.43	152.14	15.61
Marble	-	-	-	-	-	-	-	-	-	-
Flower	46,797.66	42,438.23	44,720.52	46,330.67	50,629.10	49,356.08	50,100.88	57,849.31	94,389.84	101,578.88
Beverage	3,829.13	3,971.20	2,201.69	2,990.00	4,213.56	3,943.14	3,566.97	4,404.93	4,430.26	5,310.98
Spices	17,207.29	24,239.60	21,261.15	19,146.48	13,374.79	12,427.56	12,576.85	11,589.88	12,499.67	12,823.23

Source: Ethiopian Customs Commission

Table 10: Value of Major Imports

(Thousands of Birr)

Period	Live Animals	Beverages	Tobacco	Petroleum Crude	Petroleum Prod.****	Chemicals	Fertilizers	Pharm. Prod	Soap & Polish	Rubber Prod.	Paper Manfc.
2010/11	3,966,149	167,354	230,682	0	22,299,884	1,118,884	5,665,269	5,054,381	685,949	2,515,039	1,137,791
2011/12	12,692,391	206,514	270,210	0	35,868,583	1,357,151	10,503,430	6,488,435	1,128,549	3,373,729	1,843,948
2012/13	11,635,650	261,691	193,101	0	26,565,255	2,092,402	5,332,244	7,169,253	907,442	4,030,338	2,064,095
2013/14	9,165,826	533,829	91,441	18	47,619,870	3,647,031	7,808,484	2,389,297	2,186,493	5,858,244	1,992,580
2014/15	13,155,398	570,045	94,776	200	39,822,539	3,751,995	8,641,772	2,568,987	2,186,737	5,979,668	2,062,833
2015/16	24,592,888	746,323	153,595	109	27,005,493	3,616,705	10,491,320	2,531,734	2,694,456	6,350,622	2,525,557
2016/17	14,830,981	699,400	122,286	3,729	39,143,280	3,323,962	12,279,084	2,091,492	3,090,001	6,708,574	2,457,186
2017/18	22,346,613	843,503	107,047	1,795	58,613,987	4,277,092	12,361,827	1,495,997	3,299,739	6,438,707	2,180,534
2018/19	19,283,197	547,466	107,233	885	69,942,603	5,355,212	17,709,856	2,431,705	3,923,383	7,698,856	2,964,510

Table 10 continued:

Period	Textiles	Clothings	Glass & Glass Ware	Metal Manfc.	Machinery & Aircraft	Road Motor Vehicles	Electrical Materials	Grain*	Telecomm. Appara.	Others	GRAND TOTAL
2010/11	1,982,717	2,430,231	334,932	10,778,367	16,015,252	13,180,603	7,195,551	2,739,632	73,258	34,861,069	129,693,362
2011/12	2,892,344	4,218,310	522,024	19,678,247	20,529,023	17,831,730	8,696,845	10,436,910	80,038	43,405,637	191,587,139
2012/13	2,744,224	4,449,522	722,828	21,688,480	28,035,377	20,493,273	11,912,689	9,865,215	96,583	46,476,571	196,871,016
'2013/14	4,622,749	5,442,436	1,942,407	29,939,445	36,774,861	23,820,186	22,735,293	5,603,599	349,551	54,917,318	261,837,358
2014/15	5,819,130	6,802,500	2,477,281	45,631,138	45,707,264	31,471,855	43,251,536	2,971,791	1,489,172	69,309,407	330,794,233
2015/16	5,669,241	7,990,759	2,731,966	46,750,241	58,130,972	33,759,296	37,416,225	3,617,393	1,212,163	78,644,190	353,013,856
2016/17	5,416,692	8,529,700	3,376,822	41,572,482	56,981,595	33,498,960	30,086,052	3,847,407	7,730,645	82,328,213	354,271,135
2017/18	5,039,340	9,639,953	3,159,828	37,072,741	65,746,027	27,957,776	28,222,631	5,975,107	428,242	107,882,087	397,115,468
2018/19	6,145,566	6,571,190	2,989,311	40,675,845	59,368,139	22,151,317	27,929,885	4,653,401	1,364,754	126,233,238	423,394,151
2019/20	9,389,053	5,910,193	3,276,373	51,308,076	69,932,130	9,497,824	25,002,128	4,674,500	610,593	119,663,926	432,189,352
2020/21	10,385,932	7,877,484	3,026,514	53,117,272	78,005,719	4,859,279	32,953,170	19,960,579	809,586	164,455,699	559,341,145

* Included in "Food & Live Animals".

Source: Ethiopian Customs Commission

Table 11: Volume of Major Imports

(in Metric Tones)

Period	Food & Live Animals	Beverages	Tobacco	Petroleum Crude	Petroleum Prod.	Chemicals	Fertilizers	Medical & Pharm. Prod	Soap & Polish	Rubber Prod.
2010/11	547,512.7	2,308.8	2,228.5	-	1,795,018.8	56,496.0	622,239.2	15,022.9	34,381.8	37,465.4
2011/12	1,818,239.2	3,380.2	2,114.6	-	2,160,455.6	65,088.8	907,129.9	15,442.9	52,956.6	38,732.2
2012/13	1,105,099.7	13,902.5	7,115.5	7,384.2	1,506,402.8	92,926.1	402,556.6	23,612.5	162,562.4	32,775.3
2013/14	1,098,316.9	15,727.9	1,258.8	0.3	2,623,450.8	183,439.5	11,765.6	924.0	43,511.0	84,386.5
2014/15	1,556,755.8	19,058.0	1,148.3	7.4	2,822,058.9	182,043.5	13,804.2	950.6	51,552.3	87,619.2
2015/16	3,162,932.8	22,234.2	1,719.1	1.3	3,043,561.0	185,477.7	14,155.6	1,280.9	66,325.2	242,399.6
2016/17	1,863,068.2	25,010.1	1,440.2	2.6	3,445,456.0	174,373.4	23,800.8	842.3	62,997.9	106,916.3
2017/18	2,217,510.2	26,551.5	1,202.6	50.9	3,770,588.9	183,265.1	15,421.0	1,105.1	84,336.7	124,577.2
2018/19	1,822,744.5	16,807.4	1,164.8	30.0	3,820,223.0	199,647.8	33,959.8	1,150.6	114,565.9	97,938.9
2019/20	2,773,553.3	16,825.8	1,010.0	53.9	3,867,196.1	718,932.3	24,071.8	31,766.5	85,684.7	111,569.5
2020/21	4,153,337.6	16,308.9	1,303.0	147.0	3,719,623.1	176,366.0	22,352.1	808.8	83,410.9	92,909.1

Table 11 Continued:

Period	Paper & Paper Manfc.	Textiles	Clothings	Glass & Glass Ware	Metal & Metal Manfc.	Machinery & Aircraft	Road Motor Vehicles	Electrical Materials	Grain*	Telecomm. Appara.
2010/11	57,452.1	38,370.2	31,669.4	25,489.8	772,360.7	231,077.7	133,737.9	64,156.8	438,137.4	1,134.6
2011/12	89,205.8	46,129.4	37,796.9	45,244.9	904,607.4	151,778.3	241,940.5	76,974.4	1,679,919.7	917.4
2012/13	94,055.2	41,858.8	36,103.1	56,403.7	992,746.4	207,980.6	177,514.2	89,945.7	1,252,139.3	1,102.4
2013/14	113,120.3	66,313.0	41,513.8	188,603.6	1,392,828.4	367,372.0	186,099.4	173,869.1	735,463.4	533.9
2014/15	96,423.9	81,769.5	110,349.1	215,500.2	1,646,691.0	288,534.3	211,528.3	230,648.1	258,852.9	503.6
2015/16	120,939.2	535,911.0	511,001.1	1,450,218.2	11,290,987.4	2,226,215.5	1,435,282.4	1,341,928.8	3,281,134.3	3,618.7
2016/17	122,068.3	105,571.3	51,937.5	332,152.8	1,817,012.2	331,153.8	351,494.6	127,280.9	341,047.4	280.1
2017/18	89,634.4	88,081.1	50,756.5	232,072.1	1,381,381.2	255,910.3	204,680.5	119,953.9	640,192.1	264.5
2018/19	105,345.9	140,618.8	45,285.6	194,706.0	1,695,672.5	234,828.2	159,140.1	131,509.1	538,413.5	280.4
2019/20	138,210.5	120,255.0	27,295.3	161,693.5	1,743,124.7	223,926.9	83,162.6	122,689.1	738,036.9	430.6
2020/21	153,513.0	127,478.8	26,875.7	99,087.8	1,402,145.2	183,969.3	28,862.0	94,220.0	2,012,278.3	232.3

* Included in "Food & Live Animals".

Source: Ethiopian Customs Commission

Table 12: Value of Imports, by End Use

In Millions of Birr

Components	2014/15 (2007)	2015/16 (2008)	2016/17 (2009)	2017/18 (`2010)	2018/19 (`2011)	2019/20 (`2012)	2020/21 (2013)
RAW MATERIALS	3,426.40	3,147.26	2,809.23	3,617.87	4,233.32	5,070.88	5,400.91
SEMI-FINISHED GOODS	51,856.36	61,207.76	58,840.49	65,669.07	78,116.49	97,796.04	105,406.69
Chemicals	6,398.19	7,389.96	7,524.19	8,910.53	10,858.90	16,743.30	18,890.76
Fertilizers	10,163.58	9,167.59	8,354.88	13,001.60	14,219.85	19,517.00	28,031.17
Textile Materials	1,311.24	1,335.60	1,580.89	1,589.57	2,276.95	3,485.51	5,359.73
Others	33,983.34	43,314.60	41,380.52	42,167.37	50,760.78	58,050.24	53,125.03
FUEL	40,943.09	28,246.34	40,940.19	61,013.95	72,941.90	64,685.48	76,625.78
Crude Petroleum	0.20	0.11	3.73	1.80	0.88	1.96	10.32
Petroleum Products	39,822.54	27,005.49	39,143.28	58,613.99	69,942.60	62,056.89	72,597.46
Others	1,120.35	1,240.74	1,793.18	2,398.17	2,998.41	2,626.62	4,017.99
CAPITAL GOODS	138,421.22	143,943.46	135,285.20	136,684.08	140,570.41	128,229.80	151,669.63
Transport	34,176.24	32,362.86	32,005.58	29,339.13	39,817.70	12,249.42	13,690.16
Tyres for Heavy Vehicle	2,741.61	2,818.81	3,186.58	2,628.97	3,172.73	4,191.33	4,299.83
Heavy Road Motor Vehicle	19,986.57	20,520.03	22,400.17	18,666.44	11,441.56	5,652.14	2,954.13
Aircraft	3,826.27	3,462.96	3,362.78	7,529.52	24,229.19	2,033.72	5,328.32
Others	7,621.78	5,561.06	3,056.05	514.20	974.22	372.22	1,107.88
Agricultural	1,444.71	1,761.37	1,691.39	1,343.02	1,616.02	2,745.65	3,422.46
Industrial	102,800.27	109,819.23	101,588.23	106,001.93	99,136.69	113,234.74	134,557.01
CONSUMER GOODS	90,614.30	111,228.72	109,625.01	122,572.11	119,758.04	124,714.69	213,380.89
Consumer Durables	32,305.54	33,062.24	38,146.76	35,022.62	33,670.41	28,525.81	31,313.80
Radio & Television	3,008.95	3,069.50	9,556.66	2,836.57	3,417.15	1,947.48	2,061.47
Tyres, Cars & Other Veh.	1,258.24	1,211.53	1,435.07	1,624.56	1,511.83	1,596.76	1,477.42
Cars & Other Vehicles	7,305.98	9,342.33	9,917.73	12,001.85	9,999.35	3,455.56	812.32
Others	20,732.38	19,438.89	17,237.31	18,559.64	18,742.09	21,526.01	26,962.59
Consumer Non- Durables	58,308.75	78,166.48	71,478.24	87,549.49	86,087.63	96,188.88	182,067.09
Cereals	12,065.34	21,856.74	12,363.68	20,043.62	16,734.20	26,055.01	53,253.48
Other Food	8,988.00	13,252.27	13,007.05	16,254.14	15,642.11	16,738.49	32,012.30
Medical & Pharmaceutical	11,823.44	13,636.15	15,028.19	14,814.52	21,133.74	21,356.68	26,642.51
Textile Fabrics	11,523.90	13,056.13	12,979.33	14,797.76	11,089.57	12,300.45	18,599.28
Others	13,908.07	16,365.19	18,099.98	21,639.45	21,488.01	19,738.25	51,559.52
MISCELLANEOUS	5,532.88	5,240.32	6,771.02	7,558.39	7,773.99	11,692.47	6,857.24
TOTAL IMPORTS	**330,794.23**	**353,013.86**	**354,271.13**	**397,115.5**	**423,394.15**	**432,189.35**	**559,341.15**

Sources: Ministry of Revenue

Table 13: Value of Imports, by Country of Origin:

In Thousands of Birr

countries	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	2008	2009	2010	2011	2012	2013
Djibouti	25.5	54.6	7,505.5	269,451.0	1,226,326.3	5,657,336.4
Kenya	704,623.9	775,026.6	883,937.3	1,139,053.5	2,682,248.7	2,237,418.7
Sudan	885,021.3	2,697,548.6	2,500,770.0	2,303,862.7	2,295,903.2	1,107,245.5
U.A.E	9,676,619.7	8,283,685.2	14,283,917.6	15,436,918.6	17,282,832.8	36,910,293.4
France	4,176,288.1	4,505,121.3	4,756,805.0	4,355,547.8	8,257,770.3	7,481,685.2
Germany	7,849,773.2	5,711,671.2	7,256,006.1	9,018,930.8	9,208,171.1	8,345,258.5
Italy	13,340,823.0	15,518,259.6	13,370,601.9	9,585,488.8	8,191,163.0	13,317,722.6
Netherlands	4,140,318.9	4,540,832.5	6,172,113.2	5,203,113.3	4,678,959.5	3,780,241.5
U.K.	4,277,114.5	3,750,299.2	5,981,832.7	9,114,791.7	9,216,314.9	11,152,568.7
Russia	3,983,984.5	947,736.5	2,472,934.4	3,422,604.1	2,116,402.5	4,712,302.7
Yugoslavia	0.0	0.3	0.0	0.0	0.0	0.0
U.S.A.	26,691,945.0	22,894,078.3	31,244,388.2	38,161,945.4	33,114,719.7	38,100,962.8
China, P. Rep.	117,251,124.0	114,932,245.7	100,864,789.1	109,790,427.2	112,353,466.1	126,418,108.2
Japan	14,792,746.8	15,545,024.5	13,546,649.0	10,523,030.1	5,490,339.1	4,139,127.9
Saudi Arabia	7,964,804.7	10,728,630.6	9,089,126.5	6,854,464.4	14,250,180.6	19,549,678.9
Rest of the World	137,278,642.6	143,440,920.4	184,684,091.2	198,214,521.2	201,824,554.2	276,431,194.0
Total Import	**353,013,855.7**	**354,271,134.9**	**397,115,467.6**	**423,394,150.7**	**432,189,352.0**	**559,341,145.1**

Sources: Ethiopian Ministry of Revenue

Table 14: Values of Export by Countries of Destination*

(In Thousand of Birr)

countries	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	(2003)	(2004)	(2005)	(2006)	(2007)	(2008)	(2009)	(2010)	(2011)	(2012)	(2013)
Djibouti	1,002,921	1,459,098	2,237,359	3,657,884	1,594,047	2,205,921	2,283,065	3,312,768	3,572,337	3,702,736	4,497,508.4
Kenya	127,738	176,617	190,938	383,110	586,440	618,827	1,186,102	1,057,669	566,102	439,609	1,616,543.8
Sudan	2,275,081	3,012,327	1,675,097	1,550,096	1,649,715	1,333,608	983,314	2,690,710	1,945,939	2,168,104	3,168,442.1
U.A.R	1,210,935	1,327,262	1,434,080	1,505,223	1,968,395	1,663,203	2,694,756	2,890,041	3,660,308	3,936,157	7,145,156.7
France	757,780	932,783	602,490	685,633	721,353	679,966	827,505	815,455	556,438	890,053	2,181,537.6
Germany	5,154,884	5,321,133	4,200,734	3,578,888	4,206,156	3,374,501	3,943,247	4,729,676	3,117,964	5,026,821	5,745,974.7
Italy	1,707,725	1,390,960	1,185,007	1,193,640	1,089,195	966,201	1,347,709	1,485,536	1,195,539	1,401,025	2,839,821.4
Netherlands	2,668,056	3,722,699	3,029,773	3,733,608	3,590,928	3,705,136	4,177,990	5,001,314	5,843,402	9,670,553	10,695,072.7
U.K.	921,147	980,160	859,631	1,034,641	701,778	807,237	1,290,346	1,158,598	1,158,806	1,052,198	2,357,712.9
Russia	125,733	212,833	215,319	382,323	305,929	332,653	386,109	471,865	344,778	369,995	1,891,810.4
Yugoslavia	-	-	0	0	0	45,940	0	0	0	0	
U.S.A.	1,941,403	1,533,048	2,055,430	2,528,811	3,516,787	3,284,623	4,317,231	6,649,832	5,358,010	6,784,201	8,495,485.6
China, P.Rep.	4,024,701	5,669,068	4,660,202	7,588,195	7,378,001	6,430,788	5,111,010	6,301,807	4,035,157	2,635,421	3,731,565.0
Japan	628,239	796,091	1,617,076	1,304,904	1,965,575	1,212,783	2,233,317	2,377,677	3,385,579	3,566,011	3,495,238.4
Saudi Arabia	2,227,262	3,551,459	2,754,806	3,516,771	4,039,152	3,642,647	4,400,225	4,971,483	5,072,646	6,484,675	7,463,486.1
Rest of the World	19,751,961	24,409,230	29,405,617	29,599,272	26,546,929	29,421,718	28,503,818	28,798,566	33,761,221	46,112,922	63,543,251.2
Total Export	**44,525,565**	**54,494,767**	**56,123,558**	**62,242,999**	**59,860,381**	**59,725,753**	**63,685,744**	**72,712,995**	**73,574,227**	**94,240,481**	**128,868,607.1**

* Export value of Gold is not included in this table for the years before 2003/04

Sources: Ethiopian Customs Authority

Table 15: Trade Balance with Major Trading Partners

(In Thousands of Birr)

Trading Country	2015/16 (2008)	2016/17 (2009)	2017/18 (2010)	2018/19 (2011)	2019/20 (2012)	2020/21 (2013)
Djibouti	- 4,016.00	- 4,018.00	- 4,020.00	- 4,022.00	- 4,024.00	- 4,026.00
Kenya	2,205,895.91	2,283,009.94	3,305,262.37	3,302,886.37	2,476,410.09	- 1,159,828.00
Sudan	- 85,796.43	411,075.40	173,731.42	- 572,951.51	- 2,242,639.74	- 620,874.88
U.A.E	448,586.45	- 1,714,234.10	189,939.59	- 357,923.38	- 127,799.00	2,061,196.66
France	- 8,013,416.29	- 5,588,929.30	- 11,393,876.20	- 11,776,610.13	- 13,346,675.45	- 29,765,136.69
Germany	- 3,496,322.40	- 3,677,616.68	- 3,941,350.04	- 3,799,109.79	- 7,367,717.62	- 5,300,147.55
Italy	- 4,475,272.13	- 1,768,424.37	- 2,526,330.43	- 5,900,966.85	- 4,181,349.91	- 2,599,283.75
Netherlands	- 12,374,622.20	- 14,170,550.33	- 11,885,066.35	- 8,389,949.56	- 6,790,138.34	- 10,477,901.21
U.K.	- 435,183.35	- 362,842.14	- 1,170,799.45	640,289.00	4,991,593.40	6,914,831.20
Russia	- 3,469,877.49	- 2,459,953.18	- 4,823,234.75	- 7,955,985.63	- 8,164,116.46	- 8,794,855.85
Yugoslavia	- 3,651,331.50	- 561,627.87	- 2,001,069.82	- 3,077,825.86	- 1,746,407.72	- 2,820,492.31
U.S.A.	45,939.89	- 0.26	- 0.00	-	-	-
China, P.Rep.	- 23,407,322.41	- 18,576,846.83	- 25,190,511.74	- 32,853,753.41	- 28,083,399.33	- 29,605,477.20
Japan	-110,607,521.54	-109,821,235.92	- 94,562,982.35	-105,805,088.06	-109,852,809.46	-122,686,543.20
Saudi Arabia	- 13,579,963.40	- 13,311,707.06	- 11,168,972.25	- 7,187,269.43	- 2,059,092.16	- 643,889.53
Rest of the World	- 4,322,157.13	- 6,328,405.58	- 4,117,643.49	- 1,831,636.29	- 7,900,269.49	- 12,086,192.84
OverallTrade Balance	-107,856,924.66	-114,937,102.51	-155,885,525.19	-164,453,300.28	-155,711,632.28	-212,887,942.84

Source: Ethiopian Customs Commission

Table 16: Components of Broad Money

(In Millions of Birr)

End of period	Currency outside Banks	Net Demand Deposit	Money Supply	Quasi Money	Broad Money
	1	2	3=1+2	4	5=3+4
1999/00	5,914.3	7,136.0	13,050.3	9,127.5	22,177.8
2000/01	5,911.8	7,834.0	13,745.8	10,770.4	24,516.2
2001/02	5,461.9	8,690.6	14,152.5	12,139.5	26,292.1
2002/03	6,582.0	8,834.8	15,416.8	13,643.4	29,060.2
2003/04	7,843.9	10,192.1	18,036.0	15,590.0	33,626.0
2004/05	10,026.0	11,265.1	21,291.1	18,920.7	40,211.7
2005/06	11,422.9	12,389.0	23,811.9	22,565.5	46,377.4
2006/07	13,708.4	15,909.3	29,617.7	27,034.2	56,651.9
2007/08	17,654.1	17,696.3	35,350.4	32,831.8	68,182.1
2008/09	19,715.0	22,397.6	42,112.7	40,397.1	82,509.8
2009/10	24,206.8	28,227.8	52,434.6	51,997.8	104,432.4
2010/11	32,574.9	43,596.1	76,171.0	69,206.0	145,377.0
2011/12	38,537.1	56,312.7	94,849.9	94,548.9	189,398.8
2012/13	45,671.0	69,074.7	114,745.7	120,567.9	235,313.6
2013/14	53,161.4	80,887.8	134,063.8	163,682.8	297,746.6
2014/15	60,460.9	94,245.4	154,706.3	216,622.6	371,328.9
2015/16	66,686.2	111,923.5	178,609.7	266,656.6	445,266.3
2016/17	73,917.7	142,851.9	216,769.6	356,614.4	573,384.1
2017/18	86,417.3	194,737.4	281,154.7	459,418.2	740,572.9
2018/19	92,017.0	216,920.2	308,937.1	577,815.4	886,752.5
2019/20	109,071.8	251,513.7	360,585.5	677,060.8	1,037,646.3
2020/21	133,621.3	303,770.7	437,392.0	910,874.2	1,348,266.1

Source: National Bank of Ethiopia

Table 17: Domestic Credit by Sector

(In Millions of Birr)

End of Period	Gross Grand Total	Claims on Central Gov't: Total	Claims on Central Gov't: National Bank	Claims on Central Gov't: Comm. Banks	Claims on Non-Central Gov't: Total	Claims on Non-Central Gov't: Loans & Advances	Claims on Non-Central Gov't: Bills Disc.	Claims on Non-Central Gov't: Invest-ments	Claims on Non-Central Gov't: Priority sec. loan to DBE
	1=2+5	2=3+4	3	4	5 = 6 to 9	6*	7	8	9
1998/99	23,942.7	13,053.8	10,562.2	2,491.6	10,888.9	10,883.2	-	5.7	-
1999/00	31,283.7	19,423.4	16,533.1	2,890.3	11,860.3	11,852.1	-	8.2	-
2000/01	34,035.1	21,357.4	14,342.5	7,014.9	12,677.7	12,667.6	-	10.1	-
2001/02	28,099.0	15,985.1	8,986.7	6,998.4	12,113.9	12,082.4	-	31.5	-
2002/03	28,689.4	17,229.8	9,387.6	7,842.2	11,459.7	11,417.1	-	42.6	-
2003/04	31,653.0	19,199.2	9,389.2	9,809.9	12,453.8	12,245.1	-	208.7	-
2004/05	40,873.5	21,673.8	19,540.0	2,133.9	19,199.7	15,927.0	-	3,272.7	-
2005/06	49,298.6	25,266.4	19,095.7	6,170.6	24,032.2	19,431.1	-	4,601.1	-
2006/07	61,846.9	30,337.6	24,855.6	5,482.1	31,509.2	23,493.8	-	8,015.5	-
2007/08	78,475.1	33,075.7	35,405.8	(2,330.1)	45,399.4	33,600.6	-	11,798.8	-
2008/09	89,205.9	32,786.5	37,827.2	(5,040.7)	56,419.4	38,802.0	-	17,617.4	-
2009/10	104,416.2	33,013.1	39,340.3	(6,327.2)	71,403.1	47,603.6	-	23,799.5	-
2010/11	135,558.6	28,651.7	45,323.7	(16,672.1)	106,906.9	61,871.3	-	38,785.6	6,250.0
2011/12	189,122.1	21,557.4	45,344.1	(23,786.7)	167,564.6	94,617.0	-	60,445.6	12,502.0
2012/13	233,406.4	21,965.5	55,377.3	(33,411.8)	211,440.8	114,384.6	-	80,549.2	16,507.0
2013/14	299,729.6	26,630.8	64,211.9	(37,581.2)	273,098.9	141,975.8	-	110,866.0	20,257.0
2014/15	393,439.8	30,735.3	77,076.8	(46,341.6)	362,704.5	185,501.9	-	153,845.6	23,357.0
2015/16	490,230.4	47,524.4	95,038.1	(47,513.7)	442,706.0	226,849.2	-	190,249.8	25,607.0
2016/17	631,092.8	85,441.8	120,891.0	(35,449.2)	545,650.9	283,835.2	-	234,589.8	27,226.0
2017/18	784,621.8	102,002.8	140,206.9	(38,204.0)	682,618.9	346,302.9	-	289,023.3	47,292.7
2018/19	963,699.9	109,799.2	172,171.4	(62,372.2)	853,900.7	443,362.2	-	358,395.8	52,142.7
2019/20	1,176,926.7	137,082.9	195,711.0	(58,628.1)	1,039,843.8	571,812.0	-	409,889.1	58,142.7
2020/21	1,481,844.4	214,269.2	245,019.2	(30,750.0)	1,267,575.3	758,869.4	-	452,063.2	56,642.7

Source: National Bank of Ethiopia

* Includes Claims on Other Financial Institutions

Table 18: Gold & Foreign Exchange Holdings of the National Bank of Ethiopia and Commercial Banks

End of Fisical Year	Gross Gold and Foreign Exchange Holdings						Foreign Liabilities			Net Gold & Foreign Exchange		
	Gross Total	National Bank of Ethiopia International Reserves				CBs' Foreign Exchange						
		NBE Total	Gold	Foreign Exchange	Reserve Tranche		Total Liab.	Comm. Banks	NBE	Total	NBE	Comm. Banks
	1=2+6	2=3 to 5	3	4	5	6	7=8+9	8	9	10=11+12	11=2-9	12=6-8
1998/99	8,839.9	3,588.8	2.8	3,508.9	77.1	5,251.1	2,752.1	1,685.1	1,067.0	6,087.8	2,521.8	3,566.0
1999/00	7,814.5	2,921.7	2.8	2,840.5	78.4	4,892.8	3,043.9	2,089.5	954.4	4,770.6	1,967.3	2,803.3
2000/01	7,829.5	2,907.8	2.9	2,829.6	75.3	4,921.7	3,029.5	1,815.4	1,214.1	4,800.0	1,693.7	3,106.3
2001/02	11,470.7	5,743.6	2.9	5,660.0	80.7	5,727.1	3,648.3	1,703.3	1,945.0	7,822.4	3,798.6	4,023.8
2002/03	14,427.2	7,988.2	2.9	7,899.3	86.0	6,439.0	3,378.1	1,674.7	1,703.4	11,049.1	6,284.8	4,764.3
2003/04	17,449.8	11,307.3	2.5	11,213.3	91.6	6,142.5	4,452.0	1,889.5	2,562.4	12,997.8	8,744.9	4,253.0
2004/05	19,963.5	13,704.9	57.0	13,556.5	91.3	6,258.6	6,095.5	1,979.8	4,115.7	13,868.0	9,589.2	4,278.8
2005/06	16,759.0	10,071.7	89.2	9,889.6	92.8	6,687.3	4,649.5	1,735.8	2,913.6	12,109.6	7,158.0	4,951.5
2006/07	19,514.9	11,977.3	429.3	11,448.5	99.5	7,537.7	6,174.6	1,986.3	4,188.3	13,340.4	7,789.0	5,551.4
2007/08	16,735.5	8,708.7	5.5	8,589.2	114.0	8,026.8	5,069.9	2,301.9	2,768.0	11,665.6	5,940.7	5,725.0
2008/09	26,434.3	17,214.6	18.2	17,069.0	127.5	9,219.7	8,457.5	3,076.5	5,380.9	17,976.8	11,833.7	6,143.1
2009/10	42,350.1	27,289.3	443.3	26,700.3	145.7	15,060.8	15,160.3	3,254.3	11,906.0	27,189.8	15,383.3	11,806.5
2010/11	79,945.5	51,551.4	1,395.2	49,960.5	195.7	28,394.2	24,410.9	5,715.5	18,695.4	55,534.7	32,856.0	22,678.7
2011/12	64,119.0	40,101.4	2,038.1	37,868.1	195.3	24,017.6	26,738.5	5,484.2	21,254.3	37,380.5	18,847.1	18,533.4
2012/13	72,658.1	44,140.0	2,253.2	41,685.1	201.8	28,518.1	27,009.6	7,515.2	19,494.4	45,648.5	24,645.6	21,002.9
2013/14	77,878.0	50,624.5	1,217.6	49,188.5	218.4	27,253.5	31,905.7	7,995.1	23,910.6	45,972.3	26,713.9	19,258.4
2014/15	82,741.8	66,817.7	79.3	66,423.1	315.3	15,924.1	45,170.9	8,326.6	36,844.3	37,570.9	29,973.4	7,597.6
2015/16	95,055.0	74,156.7	1,113.9	72,711.3	331.5	20,898.2	73,530.8	9,880.5	63,650.3	21,524.2	10,506.4	11,017.7
2017/18	102,738.9	77,617.4	750.5	76,448.4	418.4	25,121.5	63,362.7	14,504.8	48,858.0	39,376.2	28,759.4	10,616.8
2018/19	127,270.4	98,726.6	804.9	97,484.0	437.8	28,543.8	112,765.3	18,006.4	94,758.9	14,505.2	3,967.8	10,537.4
2019/20	147,202.7	112,086.4	3,280.6	108,280.4	525.4	35,116.3	155,524.2	24,578.2	130,946.0	-8,321.5	-18,859.6	10,538.0
2020/21	202,804.7	125,859.7	628.2	124,551.3	680.2	76,945.0	203,617.1	33,850.4	169,766.7	-812.4	-43,907.0	43,094.6

Source: National Bank of Ethiopia (NBE)

CBs' = Commercial Banks'

Table 19: Treasury Bills Auction Results

Period	Amount Offered	Number of Bidders			Amount Demanded in millions of Birr			Amount Sold in millions of Birr			Annual Weighted Yield
		Bank	Non-bank	Total	Bank	Non-bank	Total	Bank	Non-bank	Total	
2008/09	28471.9	83.0	178.0	261.0	21974.5	24792.7	46767.2	2672.0	25167.8	27839.8	0.520
2009/10	55203.3	82	198	280	23386.9	27871.2	51258.1	13902.0	27834.5	41736.5	0.652
2010/11	83390.7	65	155	220	23715.3	32044.8	55760.0	20271.3	32044.8	52316.0	1.305
2011/12	96511.9	202	204	406	26712.7	50482.1	77194.8	24212.7	50482.1	74694.8	1.944
2012/13	107484.5	394	210	604	51493.5	62185.7	109184.5	51493.5	62185.7	109184.5	2.203
2013/14	88074.94	226	240	466	31226.00	81608.55	112834.55	16989.0	76933.5	94233.3	1.503
2014/15	100,739.44	-	248	248	-	136,536.77	136,536.77	-	110,593.34	110,593.34	1.340
2015/16	145,877.44	-	217	217	-	161,575.24	161,575.24	-	199,199.98	199,199.98	1.323
2016/17	204,543.24	-	200	200	-	225,321.24	225,321.24	-	225,321.24	225,321.24	1.298
2017/18	286,494.24	-	192	192	-	323,991.24	323,991.24	-	323,991.24	323,991.24	1.341
2018/19	397,958.24	3.00	189	192	650.00	421,983.54	422,633.54	650.00	421,983.54	422,633.54	1.410
2019/20	231,486.88	35	128	163	11,143.00	232,012.09	243,155.09	5,980.00	228,859.09	234,839.09	4.526
2020/21	330,673.00	286	117	403	127,679.00	157,104.55	284,783.55	109,655.86	129,143.70	238,799.55	7.977

Table 20: Employment Created by Domestic & Foreign Investment Projects Which Have Commenced Operation, by Sector

Sector	2009(2016/17)		2010(2017/18)		2011(2018/19)		2012(2019/20)		2013(2020/21)	
	Perm. Empl.	Temp. Emp	Perm. Empl.	Temp. Emp	Perm. Empl.	Temp. Emp	Perm. Empl.	Temp. Emp	Perm. Empl.	Temp. Emp
Agriculture, hunting and forestry	6,082	859	259	2428	536	1,862	3	5	27	2
Construction	3,346	5,232	1664	2738	3,368	1,788	100	168.0	1,837	961
Education	89	0	16	23	200	154	2	2.0		
Electricity, gas, steam and water supply			0	250						
Fishing										
Health and social work	20	5	44	220	43	8	6	6	74	23
Hotels and restaurants	23	35	97	64	173	75	35	20	391	192
Manufacturing	6,016	3,143	123,353	8,070	15,918	5,142	2,858	1,387	6,657	2,116
Mining and quarrying	74	299	96	414	35	92				
Other community, social and personal service activities	37	8	125,002	109	19	12				
Real estate, renting and business activities	4,989	187	81,347	21,710	2,269	1,303	52	41	1868	2362
Transport, Storage and Communication	28	7	23	28	44		121	0	807	388
Wholesale, retail trade & repair service			2	0					23	66
Others*	8		100	160	26	105	34	5	84	22
Grand Total	**20,712**	**9,775**	**332,003**	**36,214**	**22,631**	**10,541**	**3,211**	**1,634**	**11,768**	**6,132**

Table 21: Number and Investment Capital of Domestic & Foreign Investment Projects Which Have Commenced Operation by Sector

[in millions of Birr]

Sector	2009(2016/17)		2010(2017/18)		2011(2018/19)		2012(2019/20)		2013(2020/21)	
	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital
Agriculture, hunting and forestry	14.0	119.6	42.0	322.8	27.0	297.7	1.0	10.5	6.0	114.5
Construction	199.0	1,081.9	344.0	3,002.1	176.0	1,745.7	15.0	135.5	224.0	1,799.1
Education	4.0	6.1	7.0	67.8	6.0	68.2	1.0	2.5	2.0	13.0
Electricity, gas, steam and water supply			1.0	100.0						
Fishing										
Health and social work	3.0	13.7	15.0	276.4	5.0	25.3	3.0	18.0	9.0	864.1
Hotels and restaurants	2.0	9.5	5.0	57.8	7.0	39.5	3.0	307.9	18.0	5,887.4
Manufacturing	149.0	1,888.0	578.0	14,494.8	337.0	4,647.0	42.0	710.1	242.0	12,097.0
Mining and quarrying	8.0	18.7	7.0	81.0	4.0	38.2				
Other community, social and personal service activities	4.0	5.2	46.0	245.8	2.0	82.0			1.0	5.0
Real estate, renting and business activities	81.0	5,737.4	496.0	7,204.8	404.0	1,909.3	15.0	98.3	238.0	10,426.5
Transport, Storage and Communication	3.0	14.7	5.0	11.4	5.0	20.0	2.0	17.9	34.0	669.2
Wholesale, retail trade & repair service			1.0	2.0					3.0	381.5
Others*	1.0	1.9	3.0	9.5	3.0	78.8	2.0	19.6	8.0	1,816.1
Grand Total	**468.0**	**8,896.9**	**1,550.0**	**25,876.2**	**976.0**	**8,951.7**	**84.0**	**1,320.3**	**785.0**	**34,073.4**

Table 22: Number and Capitalof Domestic & Foreign Investment Projects Which Have Commenced Operation, by Region

[in millions of Birr]

Sector	2009(2016/17)		2010(2017/18)		2011(2018/19)		2012(2019/20)		2013(2020/21)	
	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital
Addis Ababa	376	8307.5	1,362	19,839.3	681	6,838.4	40	650	711	30,820
Afar			46	380.0						
Amhara	42	104.5	15	39.7	20	152.5	6	11	41	285.2
B.Gumze			1	2.0						
Dire Dawa										
Gambella										
Harari										
Multiregional			59.0	5,217.5	69	1,135	37	645	33	2,967.7
Oromia	19	336			157	560.4				
SNNPR	10	83.5	1	2.5						
Somali										
Tigray	21	65.9	66	395.3	49	265.6	1	15		
Grand Total	**468**	**8896.9**	**1,550**	**25,876.3**	**976**	**8,951.7**	**84.0**	**1,320.3**	**785.0**	**34,073.4**

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