

## **I. OVERVIEW**

### **1.1. International Economic Developments**

According to the European Central Bank (ECB) Monthly Bulletin of 3/2017, global economy showed sustained growth in the fourth quarter of 2016/17. During this period, the global composite output Purchasing Managers' Index (PMI) excluding the Euro area remained at similar levels registered in the previous two quarters. The quarterly PMIs weakened in the United States whereas, it picked up in the United Kingdom in relation to the previous quarter. Amongst the emerging market economies, the index declined in China while improved in India and Brazil.

In United States, the real GDP improved in the fourth quarter vis-à-vis the previous quarter owing to the increase in real consumer spending and the recovery of inventories from low outcomes in the previous quarter. Tightening in labor market, solid increases in asset prices and the consumers' confidence supported the economic growth. Annual headline inflation in the United States declined to 1.6 percent in June mainly due to sharp decline in prices for mobile telephone.

The economic growth in Japan remains modest and the real GDP increased by 0.3 percent quarter on quarter, in the third quarter of 2016/17. Industrial production increased only moderately in the first two months of the fourth quarter. The labor market remains tight while unemployment rate stood at 3.1 percent in May 2017. Headline inflation rose further in January, standing at 0.4%, year on year.

In the United Kingdom, economic activity has slowed down markedly as the real GDP increased by 0.2 percent in the third quarter of 2016/17 compared to the 0.7 percent growth in the previous quarter due to a decline in private consumption. Annual inflation accelerated to 2.3 percent in March 2017, driven largely by energy prices and the depreciation of the pound sterling since the UK referendum on EU membership.

In China, economic growth remained robust in the fourth quarter, following the rise to 6.9 percent year on year growth. Leverage in the economy continues to rise, notwithstanding measures undertaken by the authorities to address financial market risks.

## 1.2. Macroeconomic Developments in Ethiopia

The Ethiopian economy regained the high growth performance and depicted 10.9 percent growth in 2016/17 compared to 8.0 percent growth registered in the preceding

fiscal year. The growth performance was marginally lower than the 11.1 percent growth base case scenario GTP II targeted set for the fiscal year.

### A. Inflation

Headline inflation increased to 4.6 percent during the fourth quarter of 2016/17 from 1.4 percent registered in the previous quarter wholly due to the acceleration in food & non-alcoholic beverages inflation by 7.1 percentage points in contrast to the 1.2 percentage points decline in non-food inflation. The general inflation was also higher than the 3.2 percent inflation recorded last year same quarter solely on

account of 4.3 percentage point increase in food & non-alcoholic beverages inflation, although non-food inflation declined by 1.9 percentage points. As a result, food & non-alcoholic beverages inflation and non-food inflation contributed 4.3 and 0.3 percent respectively to the headline inflation registered during the review quarter

### B. Monetary Developments

Broad money supply ( $M_2$ ) stood at Birr 573.4 billion in the fourth quarter of 2016/17, showing a 28.8 percent growth over the corresponding quarter of last year. The expansion in broad money was attributed to 28.7 percent and 76.7 percent rise in domestic credit and NFA respectively. The growth in domestic credit was driven by 79.8 percent surge in credit to

central government on the backdrop of the CBE's capitalization bid and 23.3 percent increase in credit to non-central government.

Reserve money reached Birr 139.4 billion, showing a 22.7 percent growth over last year same quarter whereby both currency in circulation and bank deposits at NBE rose by 14.1 and 42.2 percent, respectively.

### C. Interest rate

The average savings deposit and lending rates remained unchanged at 5.4 percent and 12.75 percent, respectively while weighted average time deposit rate declined by 0.03 percentage points. In contrast, the weighted average yield on T-bills slightly increased by 0.02 percentage point

compared to last year same quarter. Hence, taking June 2017 headline inflation rate of 8.8 percent, real rates of deposits and T-bill yields remained negative while average lending rate was positive 3.97 percent in real terms.

### D. Financial Sector Developments

#### 1. Banks

The number of banks operating in Ethiopia remained at 18, of which 16 were private banks. These banks opened 336 new branches during the fourth quarter of 2016/17 thereby increasing the total number of bank branches to 4,257. Therefore, currently one branch serves 22,164<sup>1</sup> people on average. Of the total bank branches, about 33 percent were located in Addis Ababa. Private banks accounted for nearly 66.6 percent of the total bank branches in the country.

Meanwhile, total capital of the banking system reached Birr 78 billion by the end of fourth quarter of 2016/17, depicting 81.1 percent annual growth mainly due to re-capitalization of CBE. Of the total capital of the banking system, private banks accounted

for 35.6 percent while that of public banks namely Commercial Bank of Ethiopia and Development Bank of Ethiopia, stood at 54.6 percent and 9.7 percent respectively or 64.4 percent.

The banking sector disbursed Birr 29 billion in new loans during the review quarter, signifying 18.7 percent annual growth. Of the total new loan disbursement, the share of public banks was 50.1 percent and that of private banks 49.9 percent.

Industry was the largest beneficiary of the fresh loans accounting for 25.6 percent followed by agriculture (16.2 percent), domestic trade (14.6 percent), housing & construction (11.5 percent) and international trade (10.5 percent). The remaining balance was taken up by other economic sectors. In the meantime, the banking sector collected

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<sup>1</sup> Total population is 94,352,000 as CSA estimation for 2017.

Birr 30.5 billion in loans, 31.2 percent higher than last year same period. Of the total loan collection, 53.5 percent was by private banks and 46.5 percent by public banks.

increased to Birr 323.0 billion depicting 22.4 percent annual growth. About 99.9 percent of the private banks' and 41.9 percent of public banks' loans went to finance the private sector.

Total outstanding credit of the banking system (excluding credit to government)

## **2. Insurance Sector**

The number of insurance companies stood at 17, of which 16 were private. Their branches increased to 492 from 426 a year ago. Of the total branches, about 53.5 percent were located in Addis Ababa. Their total capital

reached Birr 4.3 billion, of which private insurance companies accounted for 75.6 percent.

## **3. Microfinance Institutions**

There were 35 micro-finance institutions (MFIs) which jointly mobilized about Birr 26.3 billion in saving deposit, showing 42.8 percent annual growth. Total outstanding credit of these institutions increased by 28.5 percent and reached Birr 32.4 billion, highlighting the growing role of MFIs in poverty reduction and wealth creation

among low income groups of the society both in rural and urban areas. Their total asset also grew by 35.1 percent and reached Birr 49.5 billion at the end of June 2017.

## **E. External Sector and Foreign Exchange Developments**

### **1. External Sector Development**

During the fourth quarter of 2016/17, total merchandise export earnings (including electricity) increased by 11.9 percent vis-à-vis the same quarter of last year to USD

905.5 million owing to higher earnings from export of coffee (32.6 percent), electricity (66.7 percent), flower (10.5 percent), chat (6.3 percent), fruit & vegetables (13.6

percent), meat & meat products (14.5 percent), leather & leather products (13.1 percent) and other exports (115.2 percent) due to higher export volume, prices or both.

Meanwhile, total merchandise import bills increased marginally by 0.12 percent to USD 4.1 billion compared the same quarter last year. The values of fuel and capital goods imports rose by 34 and 9 percent, respectively in contrast with 16.2 percent decline in raw materials and 16.3 percent in consumer goods.

Average price of Brent crude oil, which is a point of reference for international oil price increased by 9.3 percent and reached USD 50.2 per barrel during the fourth quarter of 2016/17 compared with USD 46 a year ago.

Against this backdrop, domestic retail prices were adjusted upward whereby, average retail prices of fuel in Addis Ababa rose 19.5 percent to Birr 16.17 per liter from Birr 13.53 per liter a year ago. The price increase was largely ascribed to 31.5 percent rise in that of kerosene followed by jet fuel (27.2 percent), gas oil (15.5 percent) regular

gasoline (13 percent) and fuel oil (13.2 percent).

Total transfer receipts improved 0.3 percent to USD 1.9 billion wholly due to a 18 percent increase in private transfer receipts, which offset the 47.4 percent decline in official transfers.

Consequently, the current account balance (including official transfers) recorded USD 1.4 billion deficit lower than USD 1.6 billion deficit last year same period.

Capital account, however, recorded USD 1.8 billion surplus about 7 percent higher than that of a year earlier owing to the surge in official long-term capital (114.8), private sector long term capital (429.9 percent) and FDI inflows (1.8 percent).

As a result, the overall balance of payments recorded USD 525.1 million surplus vis-a-vis USD 181.6 million deficit a year ago.

## **2. Exchange Rate Development**

During the fourth quarter of 2016/17, the weighted average official exchange rate depreciated by 6.3 percent over the corresponding quarter of last year and stood at Birr 22.9225/USD. In contrast, the REERI appreciated by 7.9 percent, mainly due to a relatively higher domestic inflation and lower depreciation rate of Birr in relation to that of Ethiopia's main trading partners. Similarly, NEER appreciated by 1.6 percent during the same period.

### **F. Federal Government Fiscal Operations**

Total revenue and grants of the Federal government amounted to Birr 54.9 billion, in the fourth quarter of 2016/17 depicting a 9.6 percent growth over last year same quarter. Similarly, the Federal government

expenditure increased 5.5 percent to Birr 78.8 billion during the same period.

Consequently, the overall fiscal deficit (including grants) declined to Birr 23.8 billion from Birr 24.5 billion deficit recorded a year earlier.

### **G. Investment**

A total of 59 investment projects, having investment capital of Birr 394 million, became operational during the fourth quarter of 2016/17. Both the number of

investment projects and the amount of investment capital showed significant declines compared to last year same period and the preceding quarter.

## II. Energy Production and Processing

### 2.1. Import of Petroleum Products

The volume of petroleum products imported during the fourth quarter of 2016/17 amounted to 876.7 thousand metric tons, about 15.6 percent higher than last year same quarter. This was attributed to increases in import of gas oil (21.1 percent), regular gasoline (12.9 percent) and jet fuel (3.5 percent) in contrast to 11.1 percent decline in fuel oil imports.

With regard to the previous quarter, the amount of petroleum imported dropped 4.3

percent owing to a 26 percent reduction in fuel oil followed by jet fuel (21 percent) and regular gasoline (8.7 percent) while Gas oil import, rose 3.6 percent.

Of the total petroleum imports, gas oil accounted for 68.6 percent, followed by jet fuel (19.4 percent), regular gasoline (10 percent) and fuel oil (2 percent) (Table 2.1).

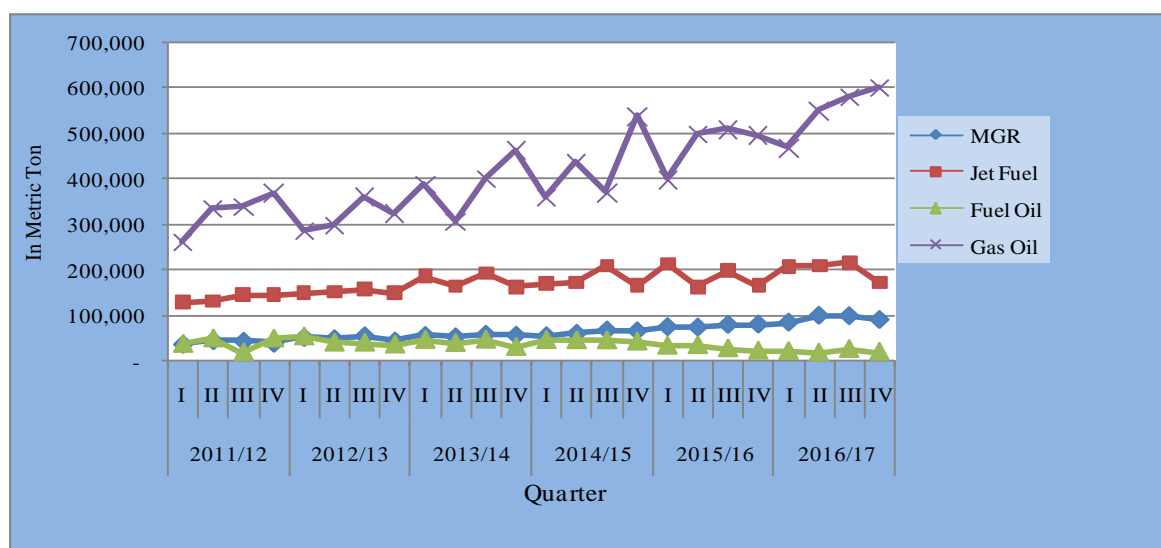
**Table 2.1: Volume of Petroleum Products Imported**

(In Metric Ton)

Petroleum Products	2015/16		2016/17				Percentage Change	
	Qtr. IV		Qtr. III		Qtr. IV			
	A	Share (In %)	B	Share (In %)	C	Share (In %)	C/A	C/B
Regular Gasoline (MGR)	77,966.0	10.3	96,423.6	10.5	88,010.8	10.0	12.9	-8.7
Jet Fuel	164,577.8	21.7	215,632.5	23.5	170,307.9	19.4	3.5	-21.0
Fuel Oil	19,479.2	2.6	23,405.8	2.6	17,310.7	2.0	-11.1	-26.0
Gas Oil (ADO)	496,459.6	65.5	580,188.0	63.4	601,081.2	68.6	21.1	3.6
Total	758,482.6	100.0	915,649.9	100.0	876,710.6	100.0	15.6	-4.3

**Source:** Ethiopian Petroleum Enterprise



**Fig.2.1: Trends in the Volume of Petroleum Products Imported**

**Source:** Ethiopian Petroleum Enterprise

Petroleum import bill reached Birr 9.9 billion, showing a 41 percent growth over last year same quarter owing to a surge in international oil price and higher import volume. All types of petroleum product saw higher import bill during the review quarter, where Gas oil registered a 47.9 percent increase followed by regular

gasoline (36.3 percent), fuel oil (32.3 percent) and jet fuel (25.3 percent).

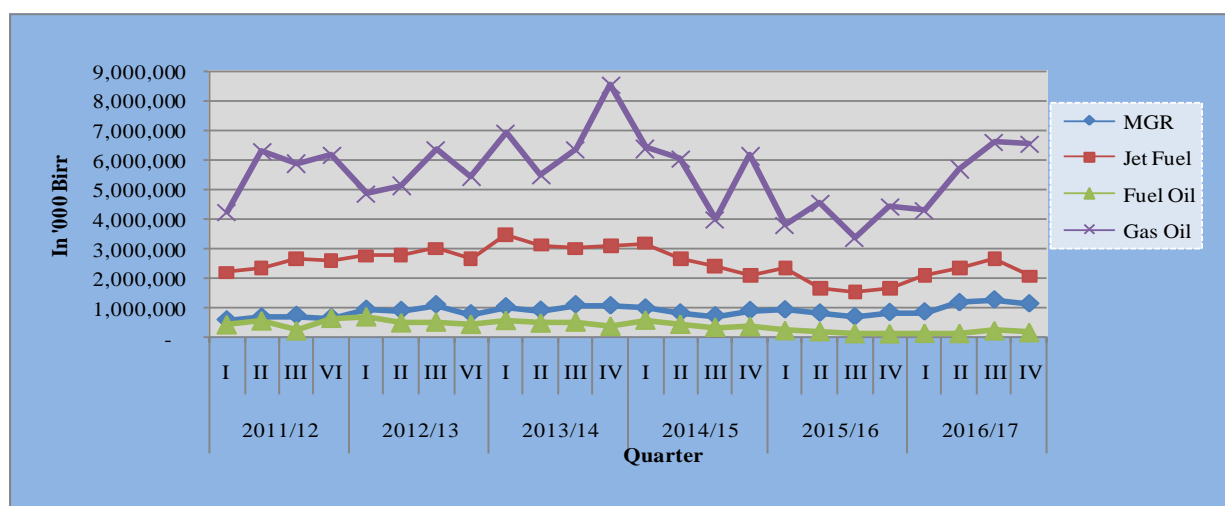
Compared with the previous quarter, the values of petroleum import depicted a 7.9 percent fall as a result of 25.3 percent contraction in fuel oil, jet fuel (22.9 percent), regular gasoline (10.6 percent) and gas oil (0.7 percent) (Table 2.2).

**Table 2.2: Value of Petroleum Products Imported**

(In '000Birr)

(in 000Birr)

Petroleum Products	2015/16		2016/17				Percentage Change	
	Qtr. IV		Qtr. III		Qtr. IV			
	A	Share (In %)	B	Share (In %)	C	Share (In %)	C/A	C/B
Regular Gasoline (MGR)	826,731.69	11.8	1,260,466.26	11.7	1,126,519.54	11.4	36.3	-10.6
Jet Fuel	1,644,085.76	23.4	2,670,659.43	24.9	2,060,305.51	20.8	25.3	-22.9
Fuel Oil	123,353.37	1.8	218,640.93	2.0	163,245.42	1.7	32.3	-25.3
Gas Oil (ADO)	4,420,545.65	63.0	6,588,794.86	61.4	6,540,180.23	66.1	47.9	-0.7
Total	7,014,716.47	100.0	10,738,561.48	100.0	9,890,250.70	100.0	41.0	-7.9

**Source:** Ethiopian Petroleum Enterprise**Fig.2.2: Trends in the Value of Petroleum Products Imported****Source:** Ethiopian Petroleum Enterprise

The average FOB price of petroleum products went up 17.2 percent in contrast with same quarter of last year due to higher FOB prices of fuel oil (42.5 percent), gas oil (16.4 percent), jet fuel (12.7 percent) and regular gasoline (10.7 percent)

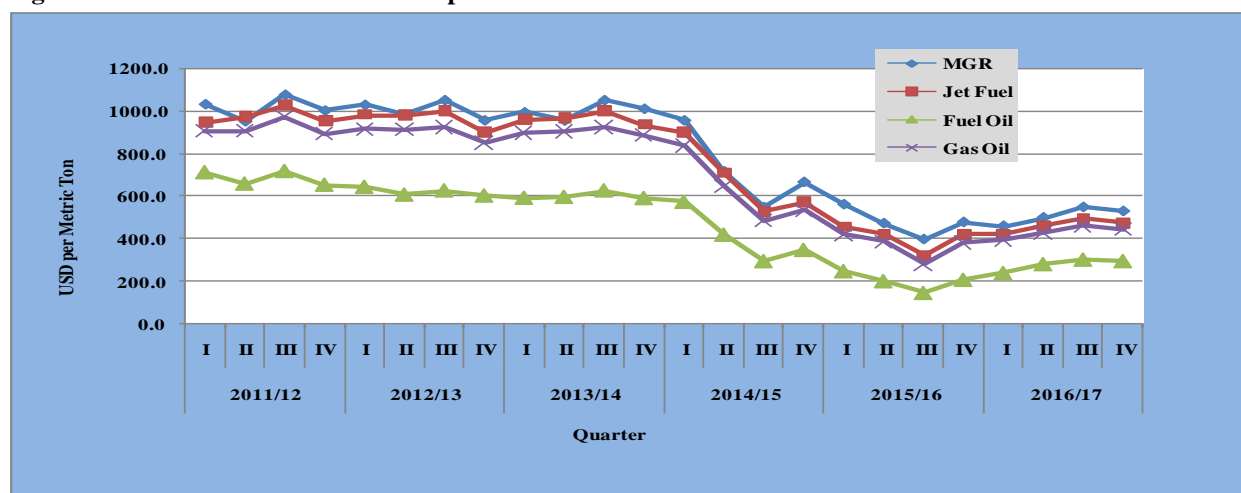
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(Table 2.3). Meanwhile, average FOB price of petroleum products contracted by 3.5 percent vis - a - vis the previous quarter owing to slowdown in FOB prices of all types of petroleum products.

**Table 2.3: FOB Price of Petroleum Products Imported**

(In USD/ Metric Ton)

Petroleum Products	2015/16	2016/17		Percentage Change	
	Qtr. IV	Qtr. III	Qtr. IV		
	A	B	C	C/A	C/B
Regular Gasoline (MGR)	477.3	547.3	528.2	10.7	-3.5
Jet Fuel	418.4	491.5	471.6	12.7	-4.0
Fuel Oil	206.8	301.7	294.6	42.5	-2.3
Gas Oil (ADO)	381.8	461.5	444.5	16.4	-3.7
<b>Average</b>	<b>371.1</b>	<b>450.5</b>	<b>434.7</b>	<b>17.2</b>	<b>-3.5</b>
Brent Crude Oil (USD/Barrel)	46.0	54.1	50.2	9.3	-7.2

**Source:** Ethiopian Petroleum Enterprise**Fig.2.3: Trends in the FOB Price of Imported Petroleum Products****Source:** Ethiopian Petroleum Enterprise

During the fourth quarter of 2016/17, the average price of Brent crude oil, which is used as a point of reference for international oil price, increased by 9.3 percent and reached

USD 50.2 per barrel compared with USD 46 a year ago. It, however, declined by 7.2 percent against the previous quarter (Table 2.3).

In line with movements in international oil prices and domestic macroeconomic considerations, retail prices of petroleum products were adjusted upwards. Thus, average retail price of fuel in Addis Ababa rose by 19.5 percent to Birr 16.17 per liter from Birr 13.53 a year ago. Similarly, the retail price of kerosene went up 31.5 percent followed by that of jet fuel (27.2

percent), gas oil (15.5 percent), fuel oil (13.2 percent) and regular gasoline (13 percent). With the exception of jet fuel, retail prices of all types of petroleum product were higher compared with the previous quarter which resulted in a 3 percent increment in the average retail price of fuel (Table 2.4).

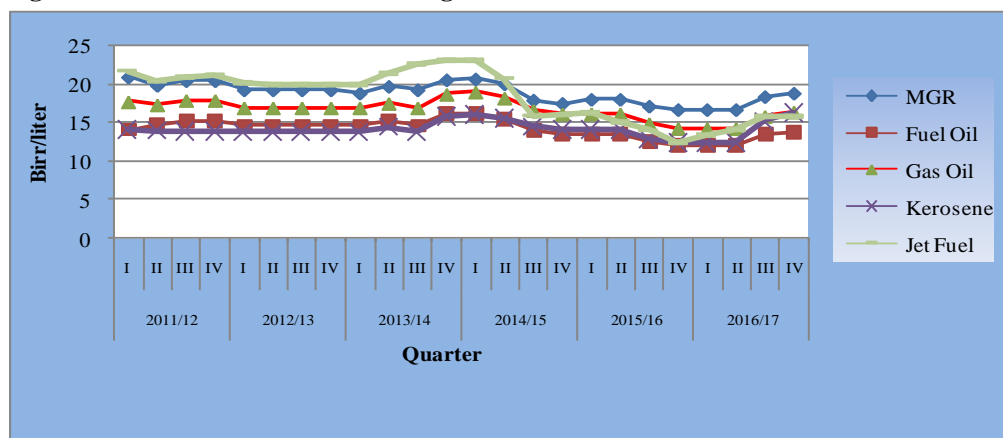
**Table 2.4: Addis Ababa Average Retail Prices of Fuel**

(Birr/Liter)

Petroleum Products	2015/16	2016/17		Percentage Change	
	Qtr. IV	Qtr. III	Qtr. IV		
	A	B	C	C/A	C/B
Regular Gasoline (MGR)	16.61	18.32	18.77	13.0	2.5
Fuel Oil	12.10	13.46	13.69	13.2	1.7
Gas Oil (ADO)	14.16	15.76	16.35	15.5	3.7
Kerosene	12.43	15.25	16.35	31.5	7.2
Jet fuel	12.34	15.74	15.70	27.2	-0.3
<b>Average</b>	<b>13.53</b>	<b>15.71</b>	<b>16.17</b>	<b>19.5</b>	<b>3.0</b>

**Source:** Ministry of Trade

**Fig. 2.4: Trends of Addis Ababa Average Retail Prices**



**Source:** Ministry of Trade

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## 2.2. Electric Power Generation

Electric power generated during the fourth quarter of 2016/17 was 3.3 billion KWH, about 16.4 percent higher than a year ago. This was attributed to 17.2 percent increase in production from hydropower sources followed by 3 percent from wind power; while energy generation from thermal source dropped 27.6 percent.

Of the total energy generated, about 95 percent was from hydropower and 5 percent from wind. The contribution of thermal power was insignificant at about 0.02 percent (Table 2.5).

By system of generation, virtually all the power was generated through inter connected system (ICS)<sup>2</sup> while self-contained system (SCS)<sup>3</sup> had minimal share (Table 2.6).

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<sup>2</sup> The generated power from different power stations stored in substations before distribution

<sup>3</sup> Power stations distribute the generated power independently

**Table 2.5: Electricity Generation by Sources**

(In '000 of K.W.H)

(in Crores of Rupees)

Power Source	2015/16		2016/17				Percentage Change	
	Qtr. IV		Qtr. III		Qtr. IV			
	A	Share (In %)	B	Share (In %)	C	Share (In %)	C/A	C/B
Hydropower	2,693,183.5	94.4	2,927,288.9	92.6	3,155,462.7	95.0	17.2	7.8
Thermal Power	1,063.9	0.0	917.1	0.0	770.7	0.0	-27.6	-16.0
Geothermal	-	-	-	-	-	-		
wind	159,727.8	5.6	232,165.7	7.3	164,516.5	5.0	3.0	-29.1
<b>Total</b>	2,853,975.2	100.0	3,160,371.7	100.0	3,320,749.9	100.0	16.4	5.1

**Source:** Ethiopian Electric Power**Table 2.6: Generation of Electricity Power in the Interconnected System (ICS) and Self Contained System (SCS)**

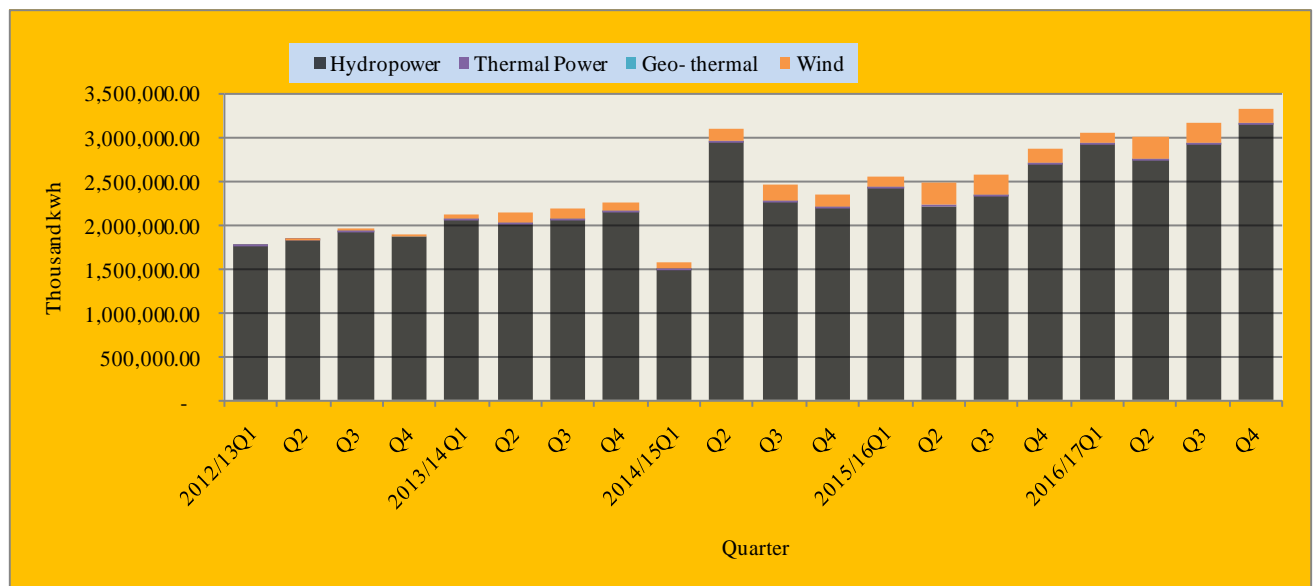
(In '000 of K.W.H)

(in Crores of Rupees)

System of Power Supply	2015/16		2016/17				Percentage Change	
	Qtr. IV		Qtr. III		Qtr. IV			
	A	Share (In %)	B	Share (In %)	C	Share (In %)	C/A	C/B
ICS								
Hydro Power	2,693,183.50	94.37	2,927,288.86	92.6	3155462.7	95.0	17.2	7.8
Thermal Power	-	-	67.16	0.0		0.0	-	-
Geothermal	-	-		0.0		0.0	-	-
Wind	159,727.83	5.60	232,165.69	7.3	164516.5	5.0	3.0	-29.1
Sub-Total	2,852,911.33	99.96	3,159,521.71	100.0	3319979.2	100.0	16.4	5.1
SCS				0.0		0.0		
Hydro Power	-	-	-	0.0		0.0	-	-
Thermal Power	1,063.90	0.04	849.97	0.0	770.7	0.0	-27.6	-9.3
Geothermal	-	-	-	0.0		0.0	-	-
wind	-	-	-	0.0		0.0	-	-
Sub-Total	1,063.90	0.04	849.97	0.0	770.7	0.0	-27.6	-9.3
Grand Total	2,853,975.23	100.00	3,160,371.68	100.0	3320749.9	100.0	16.4	5.1

**Source:** Ethiopian Electric Power

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**Fig.2.5: Volume of Electricity Production by Type**

**Source:** Ethiopian Electric Power

### III. Quarterly Price Developments

#### 3.1 Developments in National CPI

Headline inflation increased to 4.6 percent during the fourth quarter of 2016/17 from 1.4 percent a quarter earlier. It was also higher than the 3.2 percent inflation recorded last year same quarter. The rise in quarterly headline inflation was wholly attributed to acceleration in food & non-alcoholic beverages inflation by 7.1 percentage points, which offset the 1.2 percentage point decline in non-food inflation. Similarly, the headline inflation scaled up annually by 1.4 percentage point on account of a 4.3 percentage point increase in food & non-alcoholic beverages inflation. Non-food inflation, however, declined by 1.9 percentage point. Food & non-alcoholic beverages and non-food inflation contributed 4.3 and 0.3 percent, respectively, to the headline inflation registered during the review quarter (Table 3.1 and Fig 3.1).

In the review quarter, food & non-alcoholic beverages inflation surged to 8.1 percent from 1.0 percent in the previous quarter, owing to higher inflation in the prices of bread & cereals (13.4 percentage point), meat (7 percentage point),

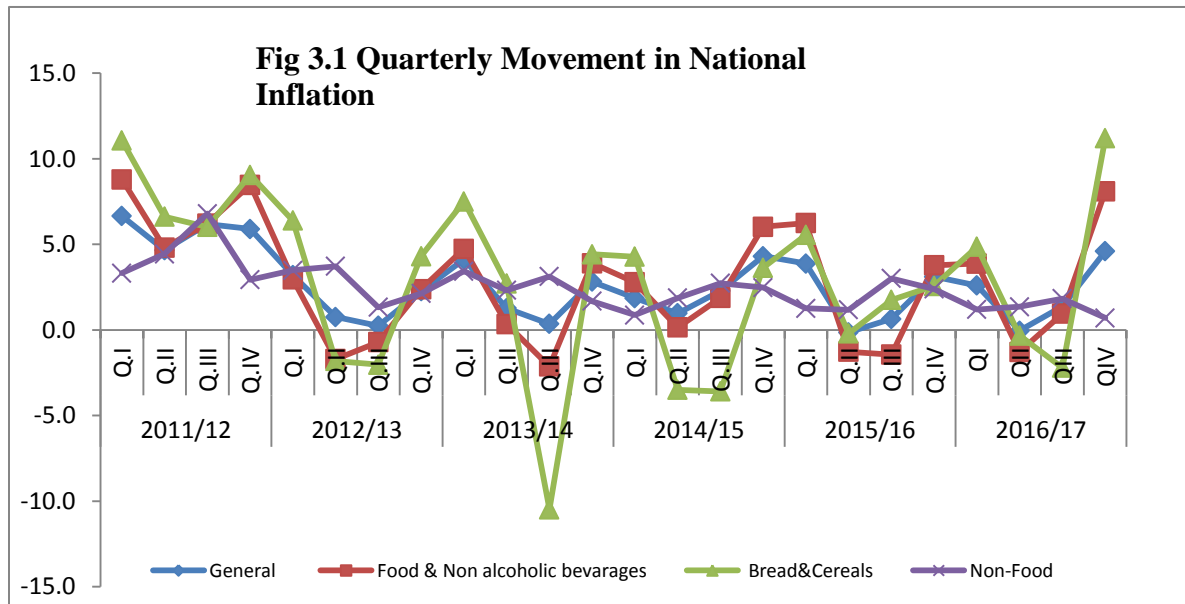
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vegetables (3.2 percentage point), milk, cheese & egg (2.8 percentage point), oil & fats (1.1 percentage point) and food products not classified elsewhere (9.7 percentage point). On the other hand, inflation related to sugar jam, honey & chocolate and non-alcoholic beverages tended to slowdown vis-à-vis the previous quarter (Table 3.2).

In contrast, non-food inflation dropped to 0.7 percent in the review quarter from 1.8 percent a quarter earlier and 2.5 percent compared to last fiscal year same quarter. The quarterly decrease in non-food inflation was attributed mainly to slowdown in inflation for alcoholic beverages and tobacco (15.5 percentage point), health (3.8 percentage point), clothing and footwear (1.7 percentage point) and housing, water, electricity, gas and other fuel (0.7 percentage point). Conversely, non-food inflation increased for communication service (5.5 percentage point), furnishings, household equipment & routine maintenance of houses (3.8 percentage point), restaurant & hotel (3.8 percentage points), recreation



& culture (1.9 percentage point) and transport service (1.4 percentage point) (Table 3.3).



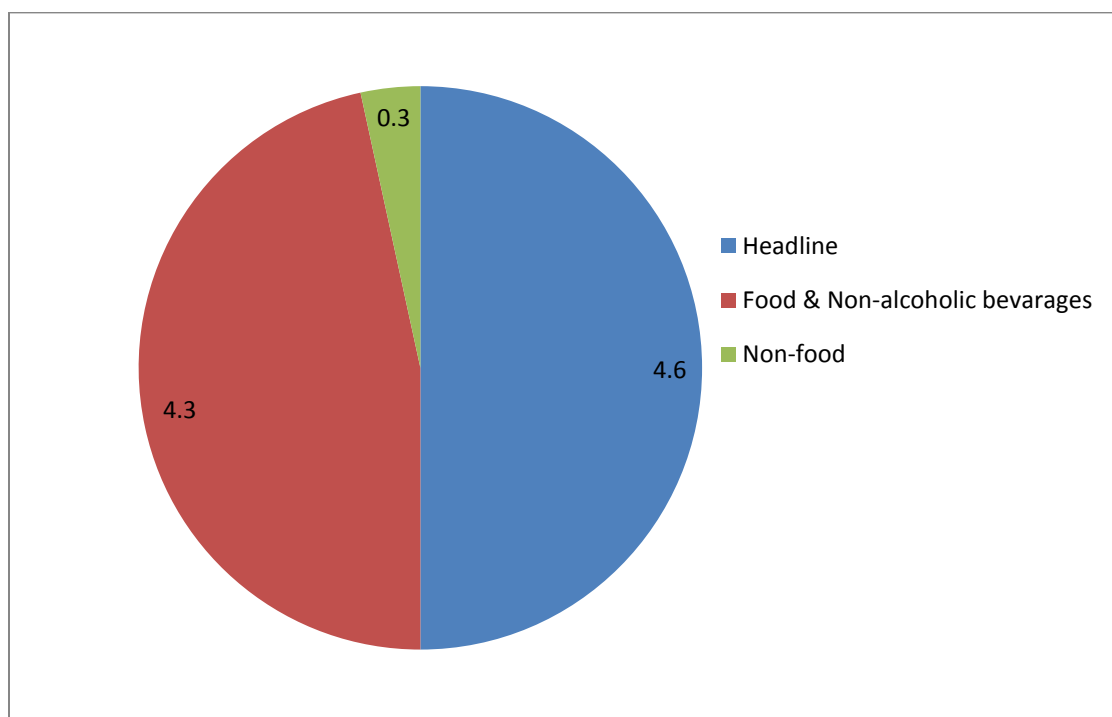
Source: CSA

**Table 3.1: Quarterly National General Consumer Prices (%) (Dec2011=100)**

	Weights	2015/16	2016/17		Change in % age Points		Contribution to QIV Headline Inflation	
		QIV	QIII	QIV				
		A	B	C	C-A	C-B		
<b>Headline</b>	100	3.2	1.4	4.6	1.4	3.1	4.6	3.4
<b>Food &amp; Non-alcoholic beverages</b>	53	3.8	1.0	8.1	4.3	7.1	4.3	1.6
<b>Non-food</b>	47	2.5	1.8	0.7	-1.9	-1.2	0.3	1.8

Source: CSA and NBE Staff Computation

**Fig 3.2: Contribution of Food and Non-alcoholic beverages and Non-food Inflation to Headline Inflation in the Fourth Quarter of 2016/17 FY**



**Source:** NBE Staff Computation

**Table 3.2: Quarterly National Food & non-alcoholic beverages CPI Inflation Dec2011=100)**

Items	Weights	2015/16	2016/17		Change in % age Points		Contribution to	
		QIV	QIII	QIV				
		A	B	C	C-A	C-B	QIV Food Inflation	Change in Food Inflation Over QIII
<b>Food &amp; Non-alcoholic beverages</b>	53	3.8	1.0	8.1	4.3	7.1	8.1	7.1
Bread & Cereals	18.5	2.6	-2.2	11.2	8.6	13.4	3.5	4.3
Meat	4.3	3.9	1.0	8.0	4.1	7.0	0.8	0.7
Milk, cheese & egg	2.2	3.3	3.0	5.7	2.4	2.8	0.3	0.2
Oils & Fats	3.7	3.2	4.2	5.3	2.1	1.1	0.4	0.1
Fruit	0.3	-2.7	3.9	4.5	7.2	0.6	0.0	0.0
Vegetables	13.5	6.7	4.5	7.7	1.0	3.2	2.1	0.9
Sugar jam, honey, chocolet	1.0	2.8	0.4	-2.2	-5.0	-2.6	0.0	0.0
Food products n.e.c	4.7	0.6	-0.3	9.4	8.9	9.7	1.0	1.0
Non-alcoholic beverages	4.6	3.7	-1.2	-1.5	-5.2	-0.3	-0.1	0.0

**Source:** CSA and NBE Staff Computation

**Table 3.3: Quarterly National Non-food CPI Inflations (Dec2011=100)**

Items	Weights	2015/16	2016/17		Change in % age Points		Contribution to	
		QIV	QIII	QIV				
		A	B	C	C-A	C-B	QIV Non-food Inflation	Change in Non- Food Inflation over QIII
<b>Non-Food</b>	<b>47</b>	<b>2.4</b>	<b>1.8</b>	<b>0.7</b>	<b>-1.8</b>	<b>-1.1</b>	<b>0.7</b>	<b>-1.2</b>
Alcoholic Beverages and Tobacco	4.9	-6.3	7.1	-8.3	-2.0	-15.5	-0.9	-1.6
Clothing and Footwear	6.6	1.0	2.1	0.4	-0.7	-1.7	0.0	-0.2
Housing, Water, Electricity, Gas and other Fuel	16.3	6.4	0.8	0.1	-6.7	-0.7	0.0	-0.3
Furnishings, Household Equipment and Routine maintenance of houses	5.4	1.0	1.3	5.1	4.0	3.8	0.6	0.4
Health	1.1	3.9	3.6	-0.2	-4.1	-3.8	0.0	-0.1
Transport	2.8	-0.3	4.4	5.8	6.0	1.4	0.2	0.1
communication	1.1	1.1	1.4	7.0	5.8	5.5	0.1	0.1
Recreation and Culture	0.6	1.3	1.3	3.2	1.9	1.9	0.0	0.0
Education	0.4	0.1	0.0	0.0	-0.1	0.0	0.0	0.0
Restaurant & Hotel	5.5	2.5	-0.3	3.6	1.1	3.8	0.4	0.5
Miscellaneous Goods	2.6	1.4	2.7	2.3	0.9	-0.4	0.1	0.0

**Source:** CSA and NBE Staff Computation

### 3.2 Developments in Regional CPI

The regional average headline inflation in the fourth quarter of 2016/17 increased to 2.7 percent from 0.8 percent a year ago. It was also marginally higher than the 2.3 percent regional average headline inflation recorded in the preceding quarter.

Among the regional states, SNNP, BenishangulGumz, Amhara, Oromia, Gambella and Afar registered quarterly headline inflation higher than the regional average. SNNP saw the highest headline inflation (6.1 percent) whereas Harari enjoyed the lowest inflation (-1.9 percent). Hence, there was 8.0 percentage point margin between the highest and lowest inflation rates.

The deviation<sup>4</sup> in the regional headline inflation rates from the average as represented by standard deviation was 3.0 percent, marginally lower than 3.7 percent seen a quarter earlier (Table 3.4).

Likewise, the regional average food & non-alcoholic beverages inflation scaled up to 6.3 percent in the fourth quarter of 2016/17 from 3.1 percent last year same quarter.

Food & non-alcoholic beverages inflation in SNNP, BenishangulGumz, Amhara, Oromia and Tigray was higher than the regional average inflation. The highest food & non-alcoholic beverages inflation was also recorded in SNNP (11.9 percent) while that of the lowest was in Afar (1.7 percent), signifying a 10.2 percentage point margin. The variation in food & non-alcoholic beverages inflation measured by standard deviation was 2.8 percent, compared to the 2.2 percent last year (Table 3.4).

On the other hand, the regional average non-food inflation dropped slightly both on quarterly and annual bases. Afar, BenishangulGumz, Amhara, Oromia, Gambella, Addis Ababa and SNNP recorded higher non-food inflation than the regional average. Non-food inflation was the highest in Afar (6.6 percent) and the lowest in Harari (-9.5 percent), revealing a 16.1 percentage point margin. The variation in non-food inflation measured by the standard deviation declined to 5.0 percent in the review quarter from about 7 percent in the previous quarter and same quarter last year (Table 3.4).

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<sup>4</sup> The standard deviation shows how much dispersion exists from the average value.

**Table 3.4: Annualized Regional General, Food & non-alcoholic beverages and Non-food Inflation**

Regions	2015/16			2016/17						Annual Change			Quarterly Change		
	QIV			QIII			QIV								
	A			B			C			D=C-A			D=C-B		
		Food & Non-alcoholic beverages	Non-food		Food & Non-alcoholic beverages	Non-food		Food & Non-alcoholic beverages	Non-food		Food & Non-alcoholic beverages	Non-food		Food & Non-alcoholic beverages	Non-food
	General			General			General			General			General		
SNNP	4.0	5.2	3.1	3.5	6.1	1.3	6.1	11.9	1.1	2.1	6.7	-2.0	2.6	5.8	-0.2
Harari	-8.9	5.0	-20.6	7.9	-2.0	19.3	-1.9	6.0	-9.5	7.0	1.0	11.1	-9.9	8.0	-28.8
Oromia	1.9	2.1	1.6	1.6	-0.2	3.8	4.4	7.1	2.3	2.6	5.0	0.8	2.8	7.4	-1.5
Tigray	-1.3	0.1	-2.6	-3.6	-1.9	-4.9	-1.4	6.5	-7.9	-0.1	6.4	-5.3	2.2	8.4	-3.1
Gambella	3.4	5.3	0.1	-0.2	1.3	-2.9	4.4	5.9	1.8	1.0	0.5	1.6	4.6	4.6	4.7
Addis Ababa	2.3	4.8	0.4	0.6	-1.7	2.4	2.5	3.6	1.7	0.2	-1.2	1.3	1.9	5.3	-0.7
Dire Dawa	0.3	5.7	-2.9	4.2	-1.8	8.0	-0.2	5.1	-3.3	-0.5	-0.6	-0.4	-4.4	6.9	-11.3
Ben. Gum	1.2	2.5	-0.6	2.8	0.7	2.9	5.8	9.3	3.9	4.6	6.8	4.5	3.1	8.6	1.1
Somali	-0.5	-0.3	-0.8	9.2	5.2	13.4	0.4	4.1	-3.1	1.0	4.4	-2.3	-8.8	-1.1	-16.5
Afar	4.4	2.1	7.0	-0.1	-3.2	3.3	4.1	1.7	6.6	-0.3	-0.4	-0.5	4.2	4.9	3.2
Amhara	2.5	1.9	3.0	-0.2	0.8	-1.1	5.3	7.6	3.0	2.8	5.7	0.0	5.4	6.8	4.0
Regions Average	0.8	3.1	-1.1	2.3	0.3	4.1	2.7	6.3	-0.3	1.9	3.1	0.8	0.3	6.0	-4.5
Standard deviation	3.7	2.2	7.0	3.7	3.0	7.1	3.0	2.8	5.0	-0.8	0.6	-2.0	-0.8	-0.2	-2.1
Coefficient of variation	4.5	0.7	-6.3	1.6	9.9	1.7	1.1	0.4	-15.5	-3.4	-0.2	-9.2	-0.5	-9.5	-17.2

**Source:** CSA and NBE Staff Computation

#### 4. MONETARY DEVELOPMENTS

##### 4.1. Money Supply and Credit

Broad money supply ( $M_2$ ) stood at Birr 573.4 billion showing a 28.8 percent annual expansion due to 109.9 percent surge in domestic credit and 12.9 percent growth in NFA. Credit to central government

increased 79.8 percent on account of the government's measure to raise CBE's capital by issuing non-interest bearing bond credit to non- government sector saw a 23.3 percent growth during the review quarter. (Table 4.1).

**Table IV. 1: Factors Influencing Broad Money**

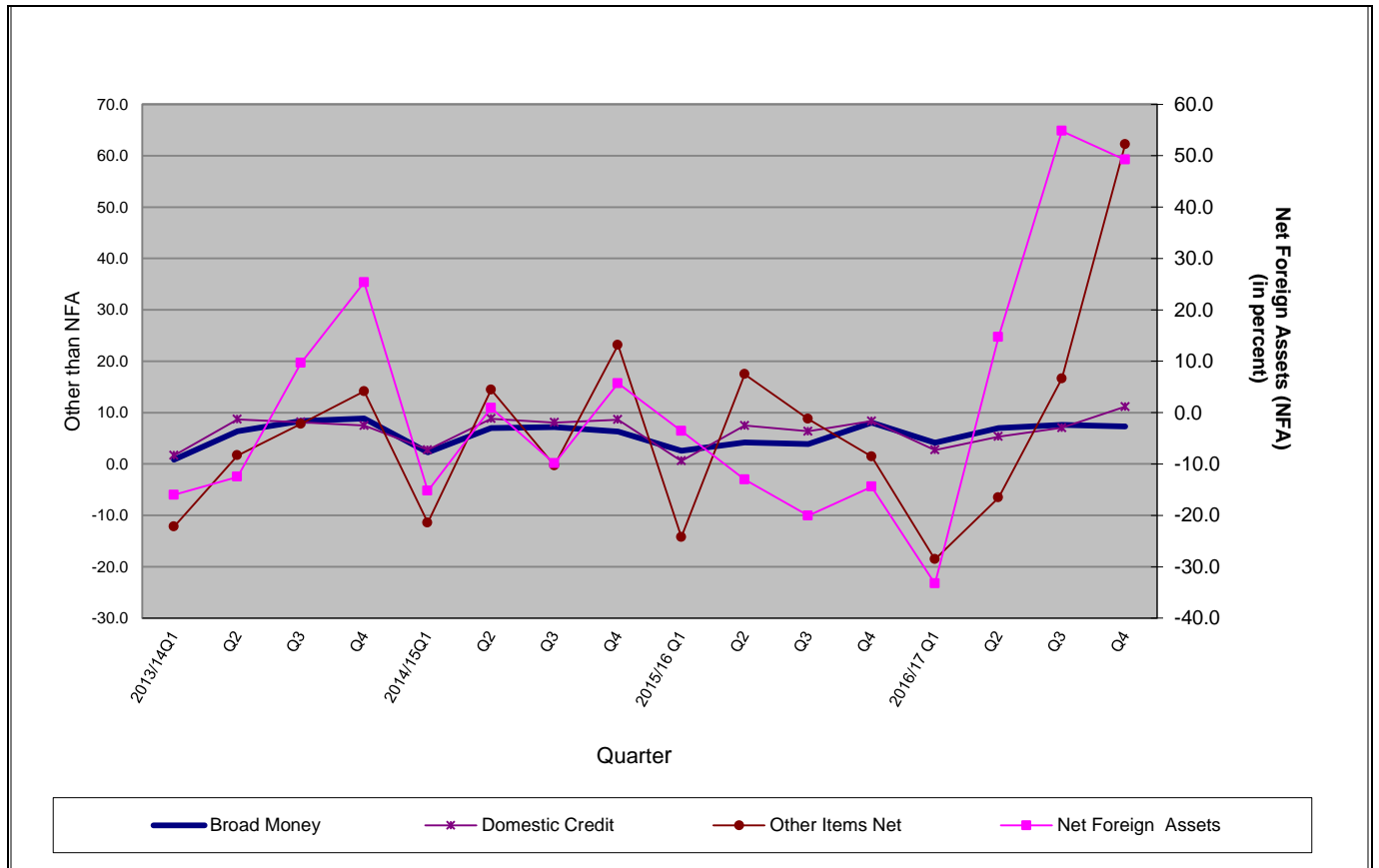
(In Millions of Birr)

Particulars	Qtr. IV	Qtr. III	Qtr. IV	Percentage Change		Contributions of Each Component to Broad Money Growth	
	(Jun. 16)	(Mar. 17)	(Jun. 17)	C/A	C/B	Annual	Quarterly
	A	B	C				
1. External Assets (net)	21,524.2	25,495.2	38,034.8	76.7	49.2	12.9	32.0
2. Domestic Credit	490,230.3	567,744.0	631,092.7	28.7	11.2	109.9	161.7
. Claims on Central Gov't (net)	47,524.4	51,572.3	85,441.8	79.8	65.7	29.6	86.5
. Claims on Non-Central Gov't	442,706.0	516,171.7	545,650.9	23.3	5.7	80.4	75.3
. Financial Institutions	25,607.0	26,607.0	27,226.0	6.3	2.3	1.3	1.6
. Others	417,099.0	489,564.7	518,424.9	24.3	5.9	79.1	73.7
3. Other Items (net)	66,488.3	59,025.4	95,743.5	44.0	62.2	22.8	93.7
4. Broad Money ( $M_2$ )	445,266.3	534,213.8	573,384.1	28.8	7.3	100.0	100.0

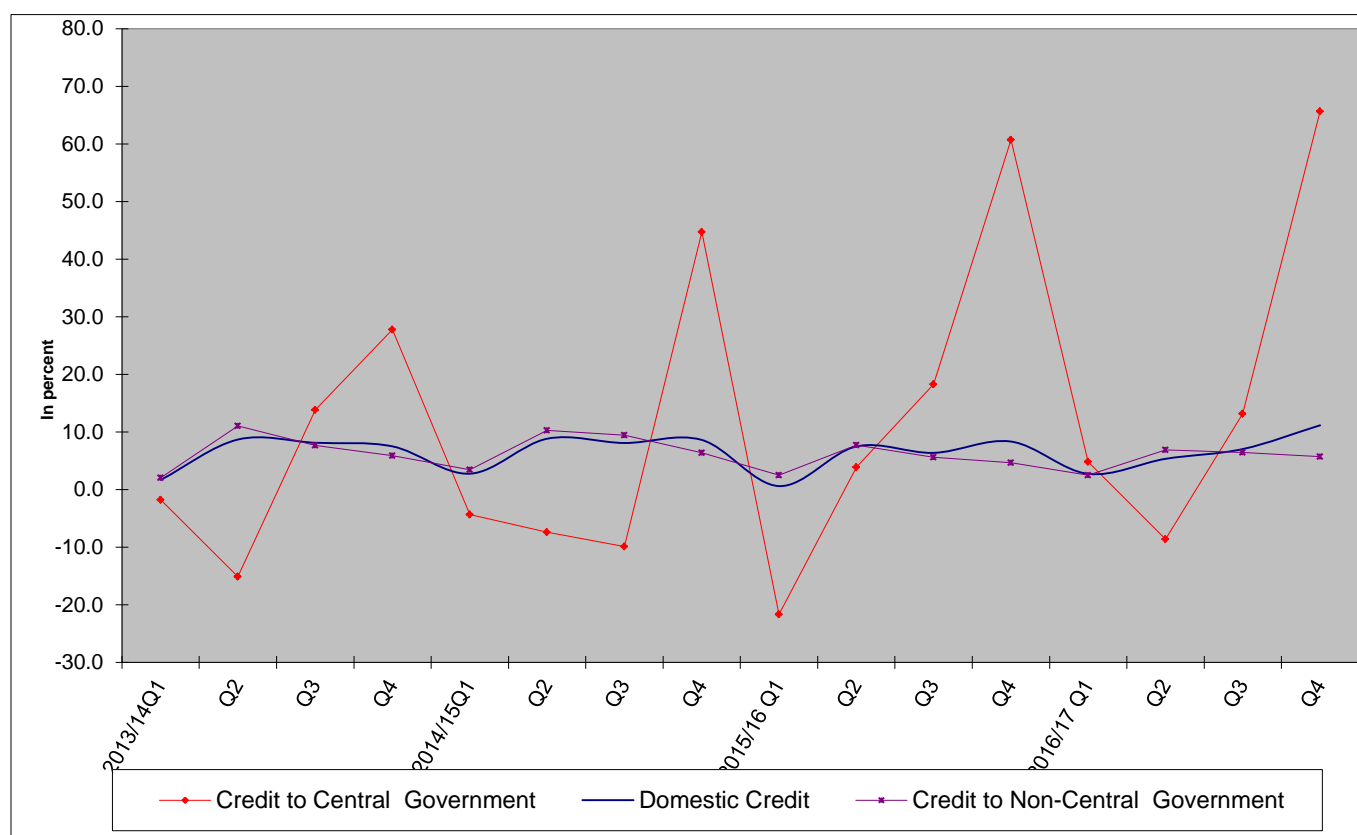
Source: Staff Computation, NBE

**Fig IV.1: Major Determinants of Monetary Expansion**

**(Quarterly Change in Percent)**



Source: Staff Computation, NBE

**Fig IV.2: Composition of Domestic Credit****(Quarterly Change in Percent)**

Source: Staff computation, NBE



Component wise, quasi-money supply increased 33.7 percent on annual and 10.0 percent, on quarterly bases while narrow money supply expanded by 21.4 percent and 3.2 percent respectively. The year-on-year contribution of narrow money to broad money growth was 29.8 percent, while that of quasi money was 70.2 percent (Table 4.2).

The surge in quasi-money was attributed to aggressive branch expansion by banks to mobilize more deposits and to improve their service outreach which contributed to modern saving culture as the income of the population tended to grow.

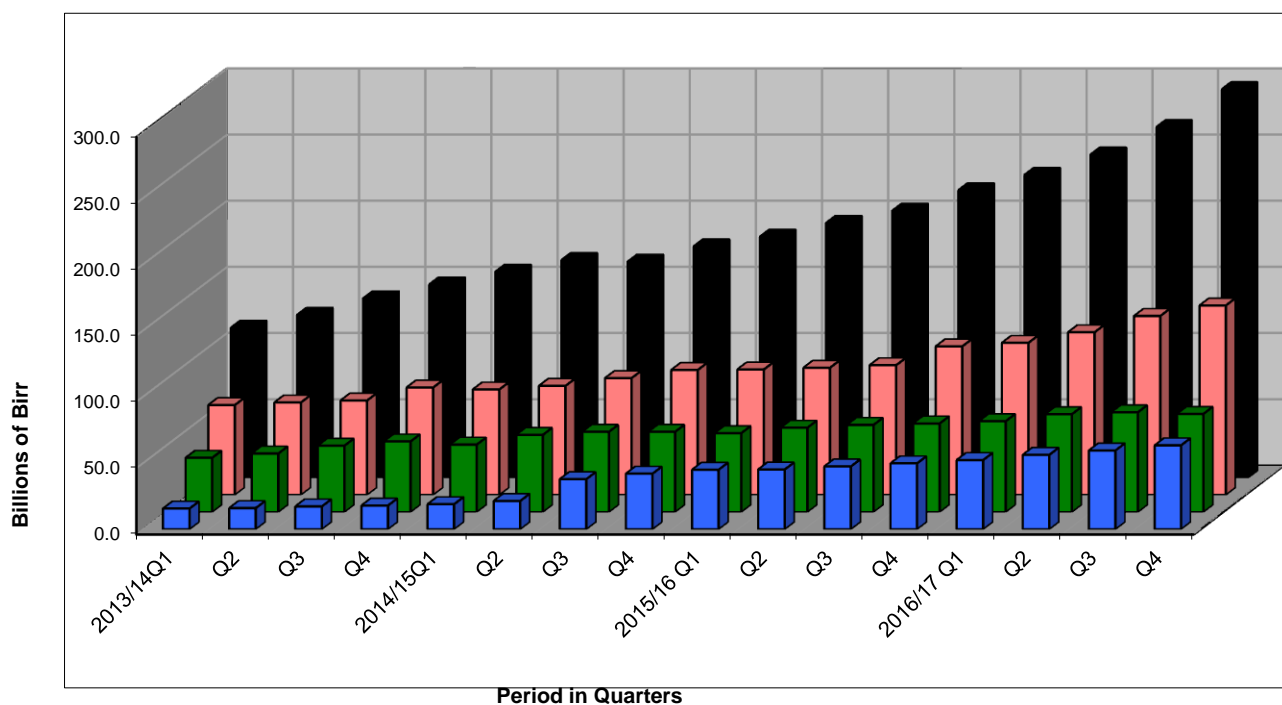
**Table 4.2: Components of Broad Money****(In millions of Birr, unless specified)**

Particulars	Qtr. IV	Qtr. III	Qtr. IV	Percentage Change		Contributions of Each Component to Broad Money Growth	
	(Jun. 16)	(Mar. 17)	(Jun. 17)	C/A	C/B	Annual	Quarterly
	A	B	C				
<b>1. Narrow Money Supply</b>	<b>178,609.7</b>	<b>210,063.2</b>	<b>216,769.6</b>	<b>21.4</b>	<b>3.2</b>	<b>29.8</b>	<b>17.1</b>
. Currency outside banks	66,686.2	75,177.9	73,917.7	10.8	-1.7	<b>5.6</b>	<b>-3.2</b>
. Demand Deposits (net)	111,923.5	134,885.3	142,851.9	27.6	5.9	<b>24.1</b>	<b>20.3</b>
<b>2. Quasi-Money</b>	<b>266,656.6</b>	<b>324,150.6</b>	<b>356,614.4</b>	<b>33.7</b>	<b>10.0</b>	<b>70.2</b>	<b>82.9</b>
. Savings Deposits	217,034.3	264,819.7	293,431.7	35.2	10.8	<b>59.6</b>	<b>73.0</b>
. Time Deposits	49,622.3	59,330.9	63,182.7	27.3	6.5	<b>10.6</b>	<b>9.8</b>
<b>3. Broad Money Supply</b>	<b>445,266.3</b>	<b>534,213.8</b>	<b>573,384.1</b>	<b>28.8</b>	<b>7.3</b>	<b>100.0</b>	<b>100.0</b>

Source: Staff Computation, NBE

**Fig. IV. 3: Composition of Monetary Stock**

Source: Staff computation, NBE



■ Time Dep.

■ Currency Outside Banks

■ Demand Dep.(net)

■ Saving Dep.

## 4.2. Developments in Reserve Money and Monetary Ratio

Reserve money reached Birr 146.3 billion at the end of 2016/17 fiscal year, showing a 22.7 percent annual growth. Similarly, excess reserves of commercial banks surged by 101.4 percent due to substantial increase in deposit mobilization by commercial banks.

The money multiplier, measured by the ratio of broad money to reserve money tended to rise while the ratio of narrow money to

reserve money witnessed a declining trend both on annual and quarterly bases. At the end of the fourth quarter of 2016/17, the ratio of narrow money to reserve money dropped by 1.1 percent while that of broad money to reserve money increased by 4.9 percent compared to the corresponding quarter of last year. The strong performance of commercial banks in mobilizing time and saving deposits was the main reason for the rise in money multiplier (Table 4.3).

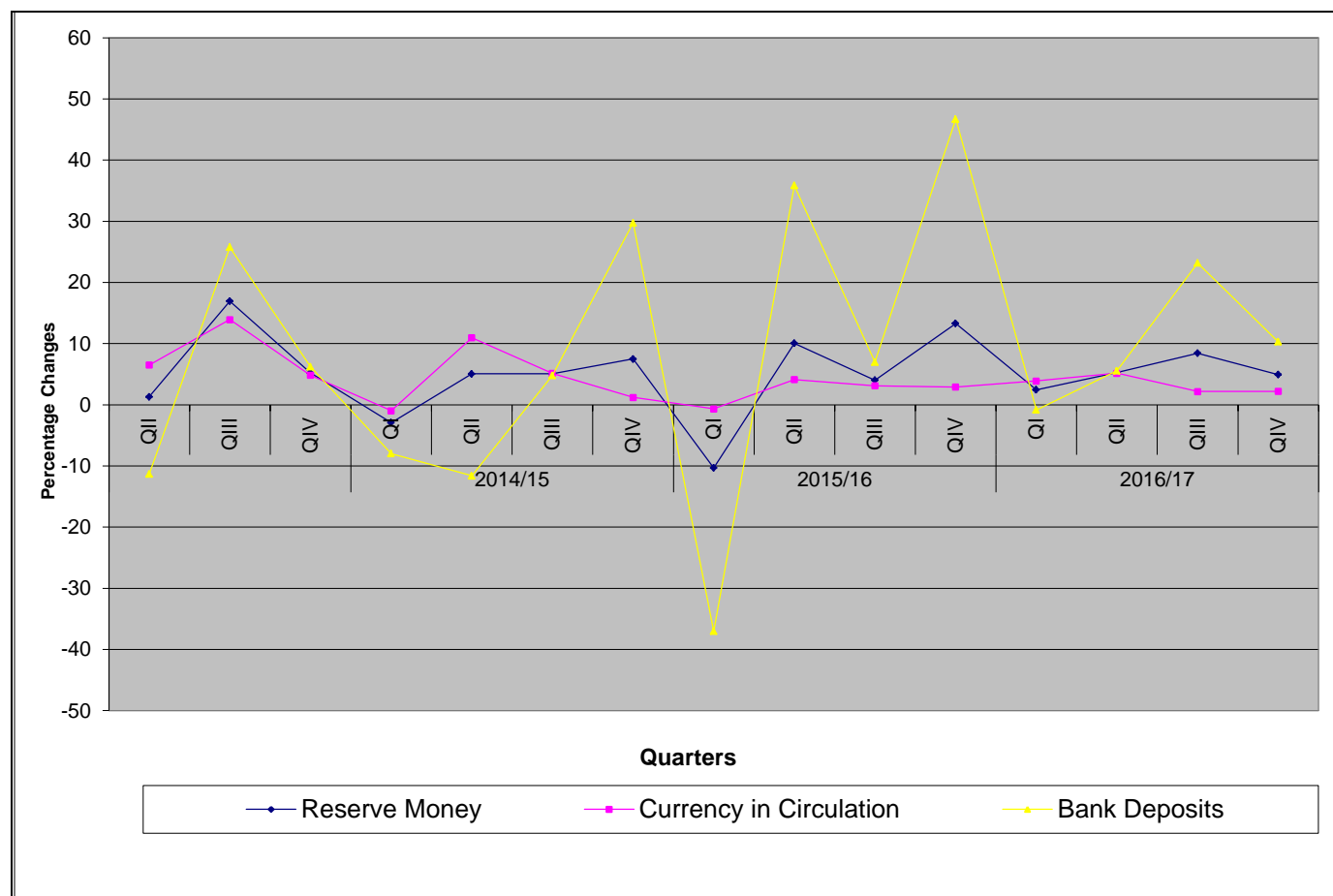
**Table 4.3: Monetary Aggregates and Ratios**

(In millions of Birr unless otherwise indicated)

Particulars	Qtr. IV	Qtr. III	Qtr. IV	Percentage Change	
	(Jun. 16)	(Mar. 17)	(Jun. 17)		
	A	B	C	C/A	C/B
<b>1. Reserve Requirement (CB's)</b>	21,745.4	26,322.9	28,278.9	30.0	7.4
<b>2. Actual Reserve (CB's)</b>	34,999.4	47,820.0	54,977.9	57.1	15.0
<b>3. Excess Reserve (CB's)</b>	13,253.9	21,497.0	26,699.0	101.4	24.2
<b>4. Reserve Money</b>	119,164.7	139,366.9	146,257.9	22.7	4.9
. <i>Currency in Circulation</i>	82,592.7	92,212.5	94,245.5	14.1	2.2
. <i>Banks deposits at NBE</i>	36,572.0	47,154.4	52,012.4	42.2	10.3
<b>5. Money Multiplier (Ratio):</b>					
. <i>Narrow Money to Reserve Money</i>	1.499	1.507	1.482	-1.117	-1.669
. <i>Broad Money to Reserve Money</i>	3.737	3.833	3.920	4.919	2.275
<b>6. Other Monetary Ratios (%):</b>					
. <i>Currency to Narrow Money</i>	46.2	43.9	43.5	-6.0	-1.0
. <i>Currency to Broad Money</i>	18.5	17.3	16.4	-11.4	-4.8
. <i>Narrow Money to Broad Money</i>	40.1	39.3	37.8	-5.8	-3.9
. <i>Quasi Money to Broad Money</i>	59.9	60.7	62.2	3.9	2.5

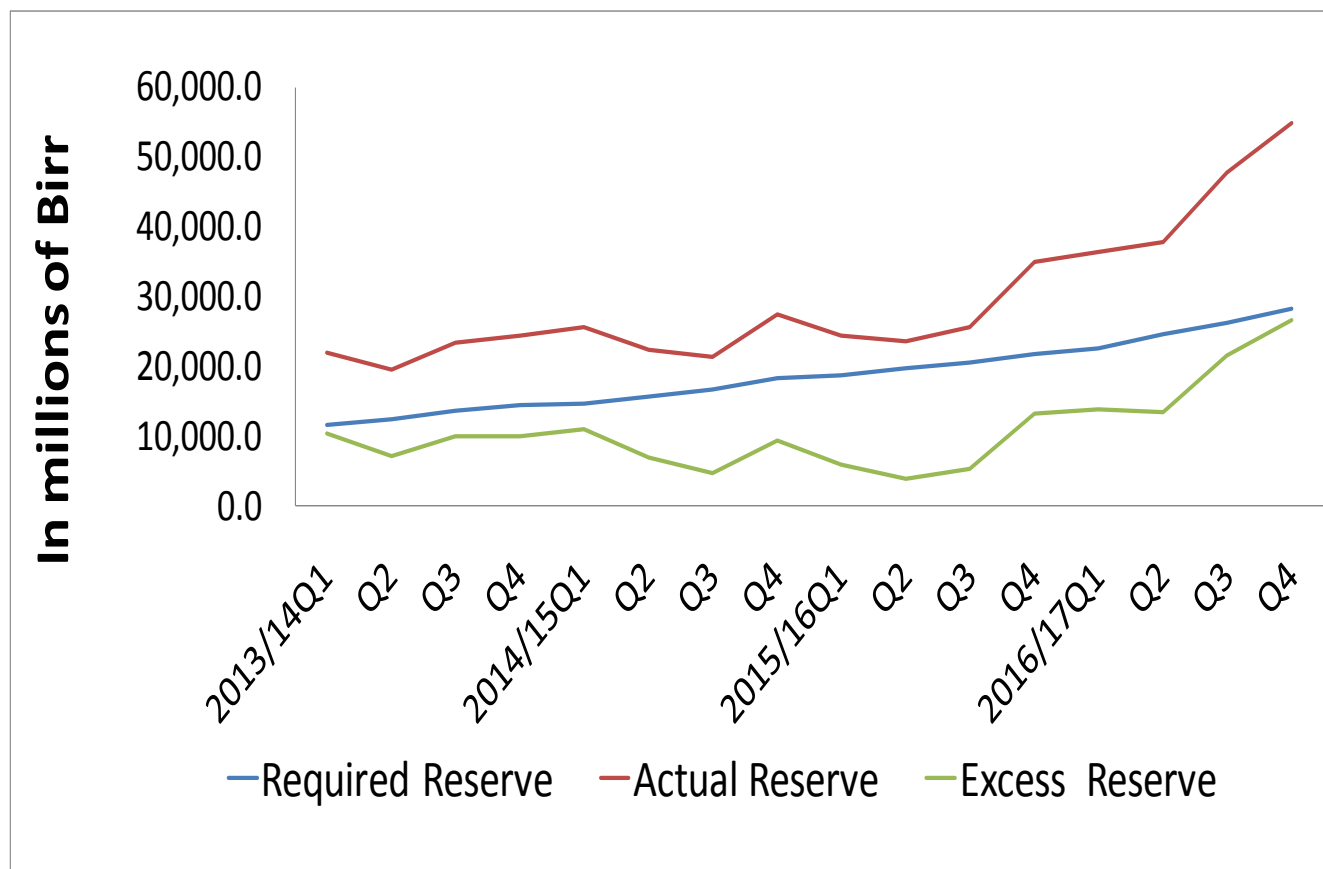
Source: Staff Computation, NBE

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



Source: Staff Computation NBE

Figure 5: Monetary Aggregates



Source: Staff Computation NBE

### 4.3. Interest Rate Developments

Average savings deposit rate and lending rate remained unchanged at 5.38 percent and 12.75 percent, respectively while weighted average time deposit rate, slightly declined by 0.03 percentage points on annual basis. At the same time, the weighted average yield on T-bills

saw marginal increase of 0.02 percentage points. Yet, considering the June 2017 annual headline inflation of 8.8 percent, all real deposit rates and the T-bills yield remained negative while the average real lending rate was positive (Table 4.4)

**Table 4.4: Interest Rate Structure of Commercial Banks (Percent per annum)**

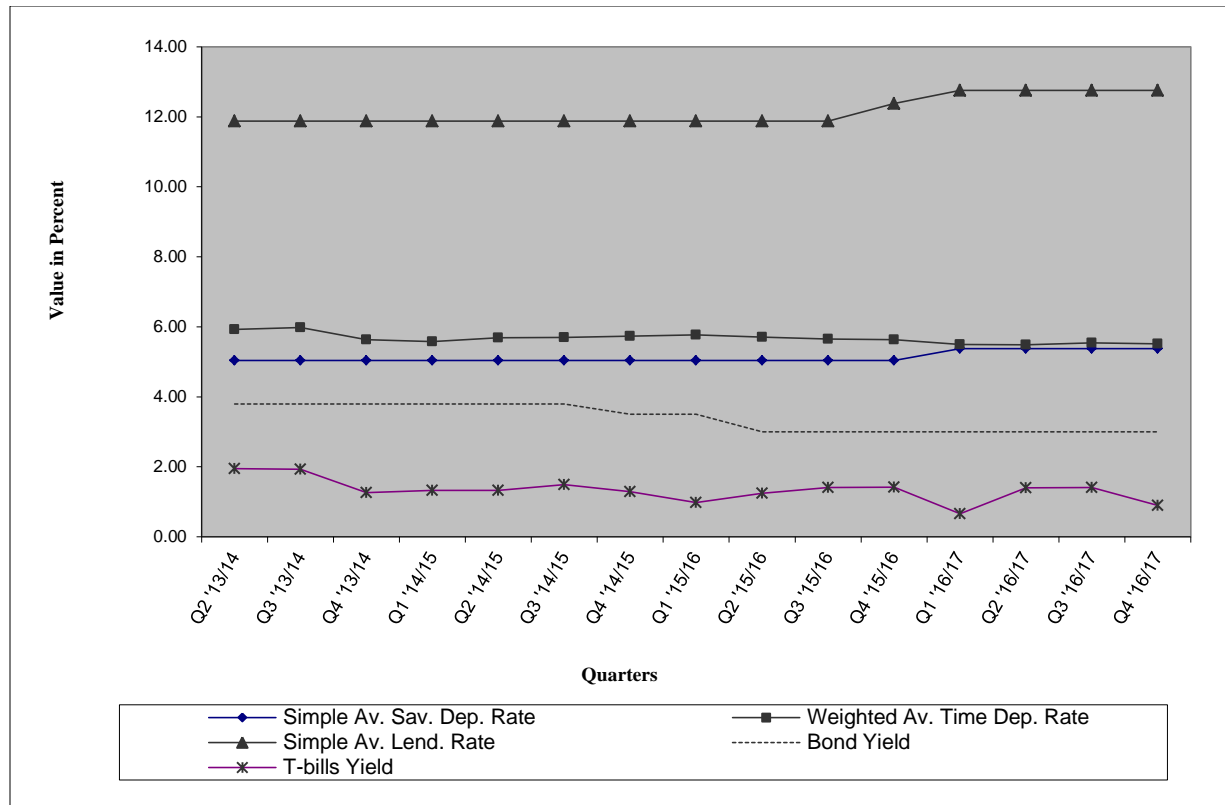
Particulars	2015/16	2016/17		Percentage point Changes	
	QIV	QIII	QIV	Annual	Quarterly
<b>1. Savings Deposit Rate 1/</b>					
Minimum	5.00	5.00	5.00	0.00	0.00
Maximum	5.75	5.75	5.75	0.00	0.00
<b>Average Saving Rate</b>	<b>5.38</b>	<b>5.38</b>	<b>5.38</b>	<b>0.00</b>	<b>0.00</b>
<b>2. Time Deposits</b>					
Up to 1yr	5.45	5.45	5.43	-0.07	-0.02
1-2 years	5.52	5.55	5.53	-0.05	-0.02
Over 2 yrs	5.54	5.59	5.58	-0.03	-0.01
<b>Average Time Dep. Rate (Weighted)</b>	<b>5.50</b>	<b>5.54</b>	<b>5.53</b>	<b>-0.03</b>	<b>-0.01</b>
<b>3. Demand Deposit (Weighted)</b>	<b>0.039</b>	<b>0.035</b>	<b>0.040</b>	<b>0.00</b>	<b>0.01</b>
<b>4. Lending Rate 2/</b>					
Minimum	7.50	7.50	7.50	0.00	0.00
Maximum	18.00	18.00	18.00	0.75	0.00
<b>Average Lending Rate</b>	<b>12.75</b>	<b>12.75</b>	<b>12.75</b>	<b>0.38</b>	<b>0.00</b>
<b>5. T-bills Rate (Weighted Average)</b>	<b>0.880</b>	<b>1.410</b>	<b>0.900</b>	<b>0.02</b>	<b>-0.51</b>
<b>6. GERD Bond Yield 3/</b>					
<b>6.1 Maturity within 5 Years</b>	5.50	5.50	5.50	0.00	0.00
<b>6.1 Maturity above 5 Years</b>	6.00	6.00	6.00	0.00	0.00
<b>7. Headline Inflation (Year-on-year)</b>	<b>7.53</b>	<b>8.47</b>	<b>8.78</b>	<b>1.26</b>	<b>0.31</b>
<b>8. Food Inflation (Year-on-year)</b>	<b>7.16</b>	<b>9.59</b>	<b>11.20</b>	<b>4.04</b>	<b>1.61</b>
<b>9. Core/non-food Inflation (Year-on-year)</b>	<b>7.94</b>	<b>7.25</b>	<b>6.09</b>	<b>-1.85</b>	<b>-1.16</b>

1/ Minimum interest rate on saving deposit is set by NBE, while some banks are paying voluntarily higher interest rate.

2/ Minimum & maximum lending rates presented here are determined by the commercial banks themselves.

3/ GERD stands for Grand Ethiopian Renaissance Dam

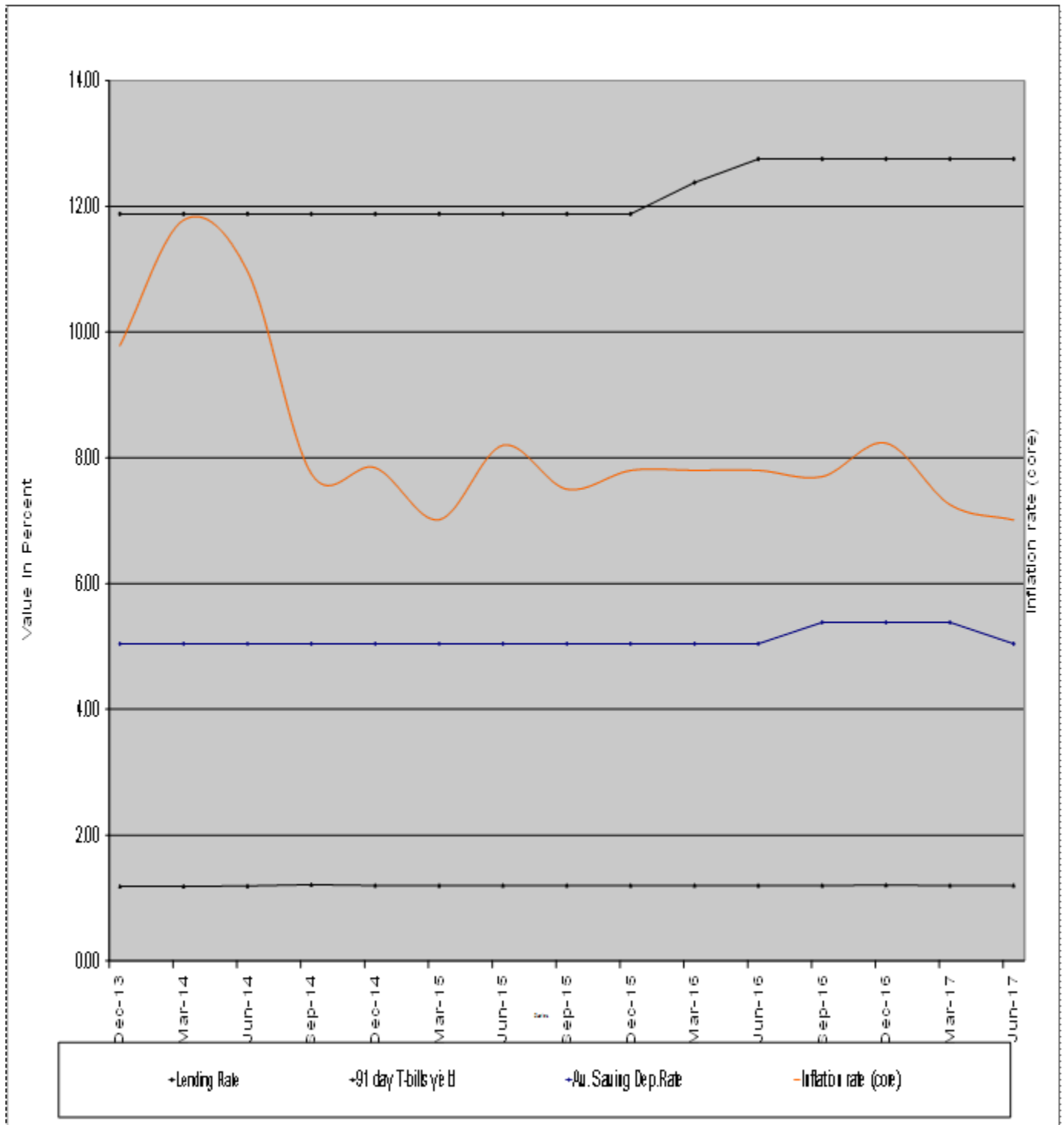
Source: Central Statistics Agency, Commercial Banks and NBE

**Fig IV.6: Interest Rate Structure of Commercial Banks****(In percent per annum)**

Source: NBE and Commercial Banks

**Fig IV.7: Average Lending Rate, Average Saving Deposit Rate, 91-day T-bills Yield & Core (Non-Food) Inflation Rate**

(in percent per annum)



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

Source: Central Statistics Agency, Commercial Banks and NBE



#### 4.4. Developments in the Financial Sector

The number of banks operating in Ethiopia remained at 18 as of June 2017 of which 16 were private and the remaining two public. In the reviewed quarter 336 new bank branches were opened, raising the total number of bank branches to 4,257. As a result, bank branch to population ratio stood at 1:22,164<sup>5</sup>. About 32.9 percent of the total bank branches were located in Addis Ababa. Of the total bank branches, the share of private banks was 66.6 percent.

Meanwhile, total capital of the banking system reached Birr 78 billion, of which public banks accounted for 64.4 percent and private banks 35.6 percent. The share of the Commercial Bank of Ethiopia, the biggest state owned bank, in total capital of the banking system, stood at 54.6 percent (Table 4.5).

At the same time, the number of insurance companies stood at 17, of which 16 were private and one public. Their branches increased to 492 from 426 a year ago. Of the total branches, about 53.5 percent were situated in Addis Ababa.

During the review quarter, the total capital of insurance companies was Birr 4.3 billion, of which 75.6 percent was that of private insurance companies (Table 4.6).

There were 35 micro-finance institutions (MFIs) operating in the country. These MFIs mobilized Birr 26.3 billion in saving deposit, which was 42.8 percent higher than last year same period. Similarly, their outstanding credit increased by 28.5 percent to reach Birr 32.4 billion, highlighting their growing role in poverty reduction and wealth creation among low income groups both in rural and urban areas. Their total asset also grew by 35.1 percent to reach Birr 49.5 billion at the end of June 2017 (Table 4.7).

The top five largest MFIs (Amhara, Dedebeit, Oromia, OMO & Addis Credit and Savings Institutions) accounted for 83.7 percent of the total capital, 93.1 percent of the deposits, 88.6 percent of the credit and 89.9 percent of the total assets of MFIs.

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<sup>5</sup> Total population is 94,352,000 as CSA estimation for 2016/17.

Table 4.5: Capital and Branch Network of the Banking System

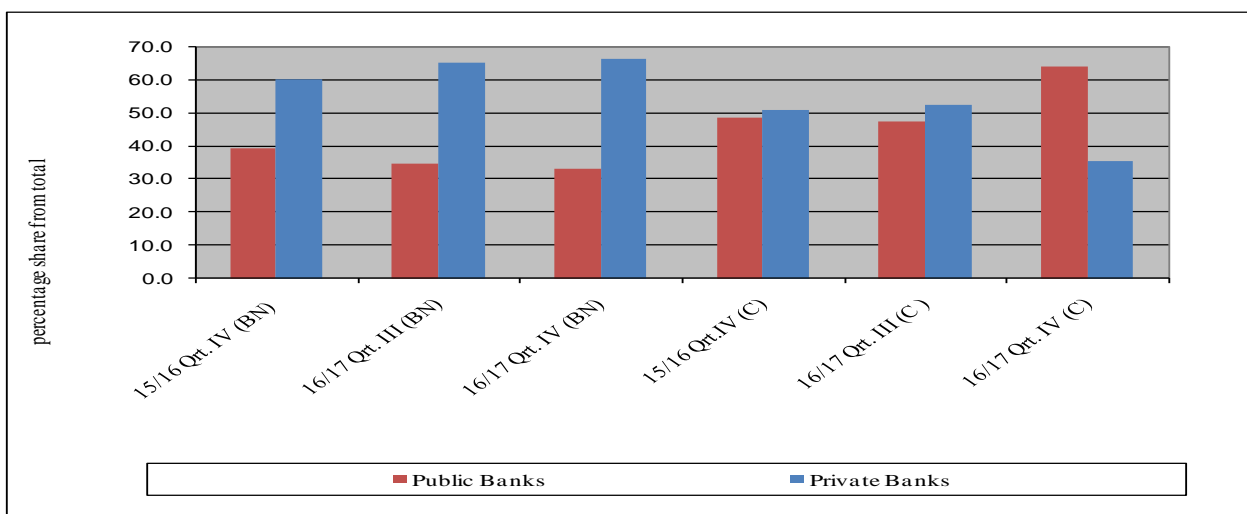
(Branch in Number &amp; Capital in Millions of Birr)

Banks	Branch Network												Capital		
	2015/16				2016/17								2015/16	2016/17	
	Quarter IV				Quarter III				Quarter IV				Quarter IV	Quarter III	Quarter IV
	Reg.	A.A	Total	%	Reg.	A.A	Total	%	Reg.	A.A	Total	%			
<b>1. Public Banks</b>															
Commercial Bank of Ethiopia	888	262	1150	34.8	935	279	1,214	31.0	1,028	282	1,310	30.8	13,558	15,910.7	42,579.6
Development Bank of Ethiopia	106	4	110	3.3	106	4	110	2.8	106	4	110	2.6	7,501	7,595.1	7,595.1
<b>Total Public Banks</b>	<b>994</b>	<b>266</b>	<b>1,260</b>	<b>38</b>	<b>1,041</b>	<b>283</b>	<b>1,324</b>	<b>33.8</b>	<b>1,134</b>	<b>286</b>	<b>1,420</b>	<b>33.4</b>	<b>21,058</b>	<b>23,505.8</b>	<b>50,174.7</b>
<b>2. Private Banks</b>															
Awash International Bank	118	127	245	7.4	179	150	329	8.4	186	153	339	8.0	3,191	3,766.8	3,807.6
Dashen Bank	118	114	232	7.0	180	132	312	8.0	184	131	315	7.4	2,809	3,236.9	3,420.9
Abyssinia Bank	84	92	176	5.3	105	109	214	5.5	140	113	253	5.9	1,838	2,141.4	2,371.0
Wegagen Bank	95	66	161	4.9	125	81	206	5.3	139	84	223	5.2	2,431	2,821.5	2,824.5
United Bank	70	74	144	4.4	97	90	187	4.8	111	93	204	4.8	1,815	1,927.1	2,221.0
Nib International Bank	69	86	155	4.7	86	105	191	4.9	92	111	203	4.8	2,254	2,395.9	2,570.2
Cooperative Bank of Oromiya	139	45	184	5.6	198	54	252	6.4	232	55	287	6.7	1,183	1,281.7	1,281.7
Lion International Bank	75	46	121	3.7	91	47	138	3.5	110	48	158	3.7	787	1,153.0	1,163.5
Oromia International Bank	148	62	210	6.4	157	71	228	5.8	164	73	237	5.6	1,070	1,269.0	1,378.3
Zemen Bank	8	5	13	0.4	7	7	14	0.4	15	7	22	0.5	800	850.7	1,050.7
Buna International Bank	56	49	105	3.2	68	68	136	3.5	74	69	143	3.4	775	1,070.9	1,152.3
Berhan International Bank	43	45	88	2.7	74	58	132	3.4	114	63	177	4.2	806	1,026.3	1,536.3
Abay Bank	89	27	116	3.5	107	37	144	3.7	112	40	152	3.6	815	1,228.0	1,139.3
Addis Interational Bank	17	26	43	1.3	19	30	49	1.2	21	32	53	1.2	570	613.0	688.4
Debub Global Bank	17	11	28	0.8	18	19	37	0.9	19	19	38	0.9	271	324.1	373.1
Enat Bank S.C	7	13	20	0.6	9	19	28	0.7	10	23	33	0.8	589	779.2	809.3
<b>Total Private Banks</b>	<b>1,153</b>	<b>888</b>	<b>2,041</b>	<b>62</b>	<b>1,520</b>	<b>1,077</b>	<b>2,597</b>	<b>66</b>	<b>1,723</b>	<b>1,114</b>	<b>2,837</b>	<b>66.6</b>	<b>22,003</b>	<b>25,885.5</b>	<b>27,788.1</b>
<b>3. Grand Total Banks</b>	<b>2,147</b>	<b>1,154</b>	<b>3,301</b>	<b>100</b>	<b>2,561</b>	<b>1,360</b>	<b>3,921</b>	<b>100.0</b>	<b>2,857</b>	<b>1,400</b>	<b>4,257</b>	<b>100.0</b>	<b>43,061</b>	<b>49,391.3</b>	<b>77,962.7</b>

Source: Bank Supervision Directorate, NBE

Reg. Stands for Region and A.A for Addis Ababa

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



Source: Staff Compilation, NBE

**Table 4.6: Branch Network & Capital of Insurance Companies***(Branch in Number & Capital in Millions of Birr)*

S.No.	Insurance Companies	Branch									Capital		
		2015/16			2016/17						2015/16	2016/17	
		Quarter IV			Quarter III			Quarter IV			Quarter IV	Quarter III	Quarter IV
		A.A	Reg	Total	A.A	Reg	Total	A.A	Reg	Total	Capital	Capital	Capital
1	Ethiopian Insurance Corporation	18	52	70	18	52	70	20	55	75	837	977	1,056
2	Awash Insurance Company	24	14	38	26	15	41	26	15	41	292	327	400
3	Africa Insurance Company	11	11	22	14	12	26	14	13	27	241	243	271
4	National Insurance Corporation of Ethiopia	15	14	29	19	15	34	19	15	34	100	93	111
5	United Insurance Company	18	10	28	20	11	31	20	11	31	323	319	334
6	Global Insurance Company	6	7	13	7	7	14	8	7	15	110	116	128
7	Nile Insurance Company	17	19	36	19	20	39	19	20	39	232	266	320
8	Nyala Insurance Company	13	10	23	15	14	29	15	15	30	328	401	391
9	Nib Insurance Company	21	9	30	24	11	35	24	13	37	316	281	328
10	Lion Insurance Company	15	13	28	16	15	31	16	15	31	91	77	83
11	Ethio-Life Insurance Company	12	4	16	15	4	19	15	4	19	81	94	100
12	Oromia Insurance Company	17	16	33	18	19	37	18	19	37	166	191	215
13	Abay Insurance Company S.C.	10	9	19	12	11	23	12	11	23	161	158	217
14	Berhan insurance S.C	7	1	8	9	2	11	9	2	11	71	79	91
15	Tsehay Insurance S.C.	8	4	12	10	5	15	10	5	15	80	98	98
16	Lucy	6	2	8	7	4	11	7	4	11	96	107	116
17	Bunna Insurance S.C.	10	3	13	11	5	16	11	5	16	65	69	73
	<b>TOTAL</b>	<b>228</b>	<b>198</b>	<b>426</b>	<b>260</b>	<b>222</b>	<b>482</b>	<b>263</b>	<b>229</b>	<b>492</b>	<b>3,590</b>	<b>3,896</b>	<b>4,332</b>

**Source:** Insurance Supervision Directorate, NBE**Table 4.7: Microfinance Institutions Performance as of June 30, 2017***(In Thousands of Birr)*

Particulars	2015/16	2016/17		% Change	
	Qtr.IV	Qtr.III	Qtr.IV		
	A	B	C	C/A	C/B
Total Capital	8,875,780.6	9,943,492.0	10,720,058.6	20.8	7.8
Saving	18,432,836.7	22,678,822.6	26,323,896.4	42.8	16.1
Credit	25,203,763.0	26,594,242.8	32,398,857.4	28.5	21.8
Total Assets	36,668,011.6	42,996,283.5	49,551,770.7	35.1	15.2

**Source:** Microfinance Supervision Directorate, NBE

## 4.5. Activities of the Banking System

### 4.5.1. Resource Mobilization

Total resources mobilized by the banking system (the sum of net change in deposit, loans collected and net change in borrowings) registered a 46.1

percent surge over the same quarter of last year (Table 4.8).

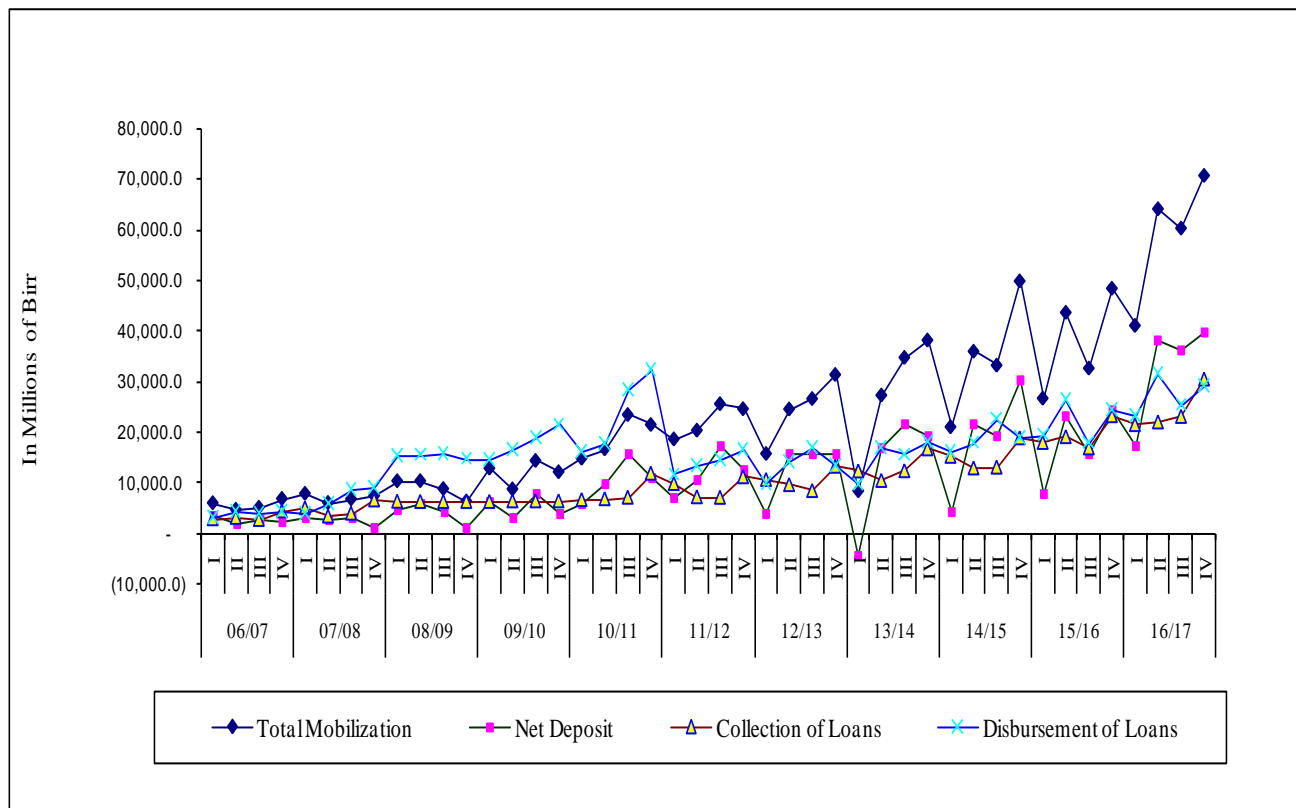
**Table 4.8: Summary of Resource Mobilization & Disbursement of the Banking System**

*(In Millions of Birr)*

Particulars	Public Banks		Private Banks		Grand Total			% Change	
	1		2		(3) = (1) + (2)				
	Qtr. III 2016/17	Qtr.IV 2016/17	Qtr.III 2016/17	Qtr.IV 2016/17	Qtr.IV 2015/16	Qtr.III 2016/17	Qtr.IV 2016/17		
	A	B	C	C/A	C/B				
1.Deposits (net change)	26,584.2	17,853.4	9,436.7	21,652.1	24,344.5	36,020.9	39,505.5	62.3	9.7
-Demand	11,892.7	-908.1	279.2	7,947.5	6,421.7	12,171.9	7,039.5	9.6	-42.2
-Saving	13,478.2	17,131.3	7,319.2	11,482.9	15,519.4	20,797.4	28,614.2	84.4	37.6
-Time	1,213.3	1,630.2	1,838.4	2,221.6	2,403.5	3,051.6	3,851.8	60.3	26.2
2. Borrowing (net change)	1,107.9	790.3	0.0	0.0	872.4	1,107.9	790.3	-9.4	-28.7
-Local	1,098.5	794.3	0.0	0.0	863.5	1,098.5	794.3	-8.0	-27.7
-Foreign	9.4	-4.1	0.0	0.0	8.9	9.4	-4.1	-145.6	-143.3
3. Collection of Loans	10,220.9	14,182.8	12,904.7	16,346.6	23,263.1	23,125.7	30,529.4	31.2	32.0
4. Total Resources Mobilized (1+2+3)	37,913.0	32,826.5	22,341.4	37,998.7	48,480.0	60,254.4	70,825.2	46.1	17.5
5. Disbursement	11,867.6	14,524.6	13,463.1	14,487.0	24,445.8	25,330.7	29,011.5	18.7	14.5
6. Change in Liquidity (4-5)	26,045.4	18,301.9	8,878.4	23,511.7	24,034.2	34,923.7	41,813.6	74.0	19.7
Memorandum Item:									
Outstanding Credit*	184,974.3	188,366.8	127,187.4	134,640.5	263,847.4	312,161.7	323,007.4	22.4	3.5

Source: Commercial Banks and staff computation

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

**Fig.IV.9: Trends in Resource Mobilization and Disbursement of Loans**

Source: Staff computation, NBE

#### 4.5.1.1. Deposit Mobilization

Total deposit liabilities of the banking system stood at Birr 568.8 billion indicating 29.8 percent annual growth rate. The growth in deposit mobilization was a cumulative effect of the expansion of bank branches, improved access to finance, growing saving culture of the society and an increase in per capita income.

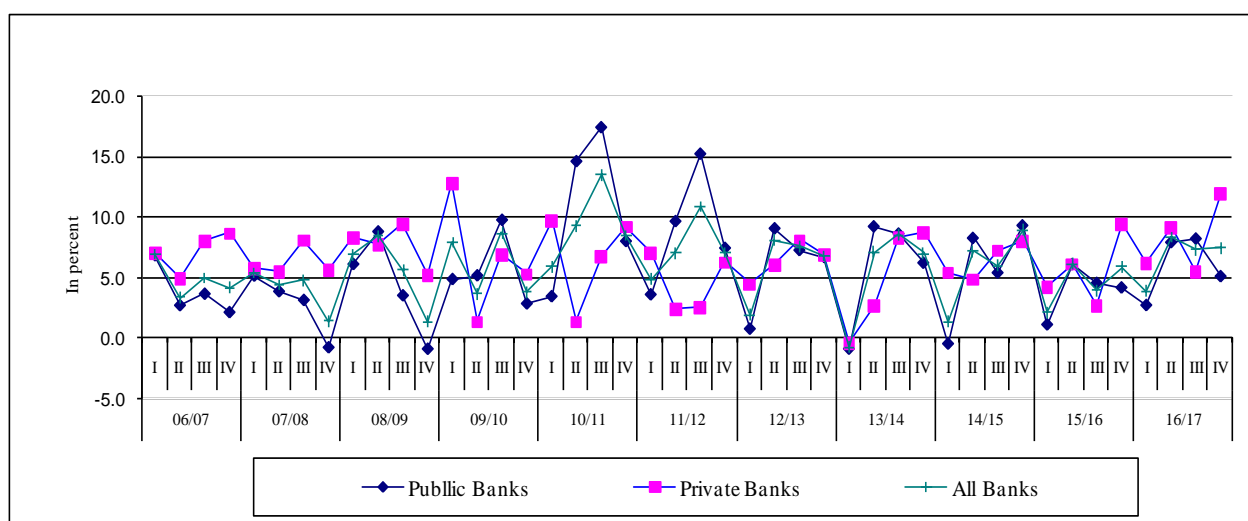
Demand deposits, which accounted for 37.3 percent of total deposits, reached Birr

212.1 billion showing a 24 percent annual growth. Similarly, saving deposits went up 35.2 percent and accounted for 51.6 percent of the total deposits while time deposits, which constituted 11.1 percent of the total deposit liabilities, rose 26.4 percent. The share of public banks in total deposits outstanding was 65.6 percent while that of private banks was 34.4 percent (Table 4.9).

**Table 4.9: Stock of Deposits Mobilized by the Banking System***(In Millions of Birr)*

Deposit by types	Quarter IV 2015/16	% Share	Quarter III 2016/17	% Share	Quarter IV 2016/17	% Share	C/A	C/B
	A		B		C			
Demand Deposit	171,019.5	39.0	205,042.6	38.7	212,082.1	37.3	24.0	3.4
Saving Deposit	217,047.8	49.5	264,836.7	50.0	293,450.9	51.6	35.2	10.8
Time Deposit	50,085.5	11.4	59,433.9	11.2	63,285.8	11.1	26.4	6.5
<b>Total</b>	<b>438,152.7</b>	<b>100.0</b>	<b>529,313.2</b>	<b>100.0</b>	<b>568,818.7</b>	<b>100.0</b>	<b>29.8</b>	<b>7.5</b>
Share of Public Banks	67.5		65.4		65.6			
Share of Private Banks	32.5		34.6		34.4			

Source: Commercial Banks and DBE

**Fig.IV.10: Quarterly Growth of Banks Deposit Liabilities by Ownership**

Source: Staff Computation, NBE

**4.5.1.2. Collection of Loans**

During the review period, the banking system collected loans amounting to Birr 30.5 billion, about 31.2 percent higher than a year earlier (Table 4.8).

Out of this sum, the share of private banks stood at 53.5 percent while that of public banks was 46.5 percent. Client wise, 91.1 percent was collected from private sector (Table 4.12).

#### 4.5.1.3. Borrowing

Outstanding borrowing of the banking system reached Birr 39.8 billion, showing a 16.9 percent annual increase.

Of the total borrowing, Birr 35 billion (87.9 percent) was from domestic and Birr 4.8 billion (12.1 percent) from external sources (Table 4.10).

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

*(In Millions of Birr)*

Banks	2015/16	2016/17		Percentage change	
	Quarter IV	Quarter III	Quarter IV		
	A	B	C	C/B	C/A
Domestic Borrowing	29,328.4	34,190.12	34,984.4	2.3	19.3
Foreign Borrowing	4,726.8	4,826.26	4,822.2	(0.1)	2.0
<b>Total</b>	<b>34,055.2</b>	<b>39,016.4</b>	<b>39,806.6</b>	<b>2.0</b>	<b>16.9</b>

**Source:** Commercial Banks and Development Bank of Ethiopia

#### 4.5.2. Disbursement of Fresh Loans

During the review quarter, Birr 29 billion was disbursed as fresh loans, indicating an 18.7 percent yearly growth. Of the total new loans disbursed, the share of public banks was 50.1 percent and that of private banks 49.9 percent (Table 4.12).

Industry was the major beneficiary of the fresh loans accounting for Birr 7.4 billion (25.6

percent) followed by agriculture (Birr 4.7 billion or 16.2 percent), domestic trade (Birr 4.2 billion or 14.6 percent), housing & construction (3.3 billion or 11.5), and international trade (Birr 3 billion or 10.5 percent). The remaining balance was taken up by other economic sectors (Table 4.11).

**Table 4.11: Summary of Banking System Loans & advances by receiving Sectors**  
(In Millions of Birr)

Borrowing Sector	Public Banks			Private Banks			Total		
	(1)			(2)			(3)		
	D**	C**	O/S**	D**	C**	O/S **	D**	C**	O/S**
Central Government *	-	-	42,594	-	-	-	-	-	42,594
Agriculture	4,566	6,347	18,515	143	181	1,527	4,708	6,529	20,042
Industry	5,980	4,203	115,851	1,434	1,524	14,127	7,414	5,727	129,978
Domestic Trade	241	519	4,816	3,984	5,026	37,014	4,225	5,544	41,830
International Trade	222	597	12,585	2,828	5,105	39,623	3,050	5,702	52,208
Export	132	176	6,796	1,197	3,122	23,222	1,330	3,298	30,018
Imports	89	421	5,789	1,631	1,983	16,401	1,720	2,404	22,190
Hotels and Tourism	91	149	1,521	435	411	4,254	527	560	5,775
Transport & Communication	168	272	4,129	1,368	1,023	10,224	1,536	1,295	14,353
Housing & Construction	784	1,536	19,167	2,542	1,920	18,803	3,326	3,456	37,971
Mines, Power & Water Res.	93	33	161	12	7	64	105	40	225
Others	2,347	503	10,771	1,052	892	5,602	3,399	1,395	16,373
Personal	32	24	850	689	256	3,403	721	280	4,253
<b>Total</b>	<b>14,525</b>	<b>14,183</b>	<b>230,961</b>	<b>14,487</b>	<b>16,347</b>	<b>134,641</b>	<b>29,012</b>	<b>30,529</b>	<b>365,601</b>

Notes: \*Refers to government borrowing in the form of bonds and treasury bills from commercial banks and DBE

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

#### 4.5.3. Outstanding Credit

Outstanding credit of the banking system (excluding credit to government) increased to Birr 323 billion, about 22.4 percent higher than last year same quarter. (Table 4.12)

Sector wise, outstanding credit to industry stood at Birr 130 billion (40.2 percent) followed by

international trade (Birr 52.2 billion or 16.2 percent), domestic trade (Birr 41.8 billion or 13 percent), housing & construction (Birr 38 billion or 11.8 percent), agriculture (Birr 20 billion or 6.2 percent) and others (Birr 20 billion or 12 percent) (Table 4.11).



Table 4.12: Breakdown of Banking System Credit by Clients

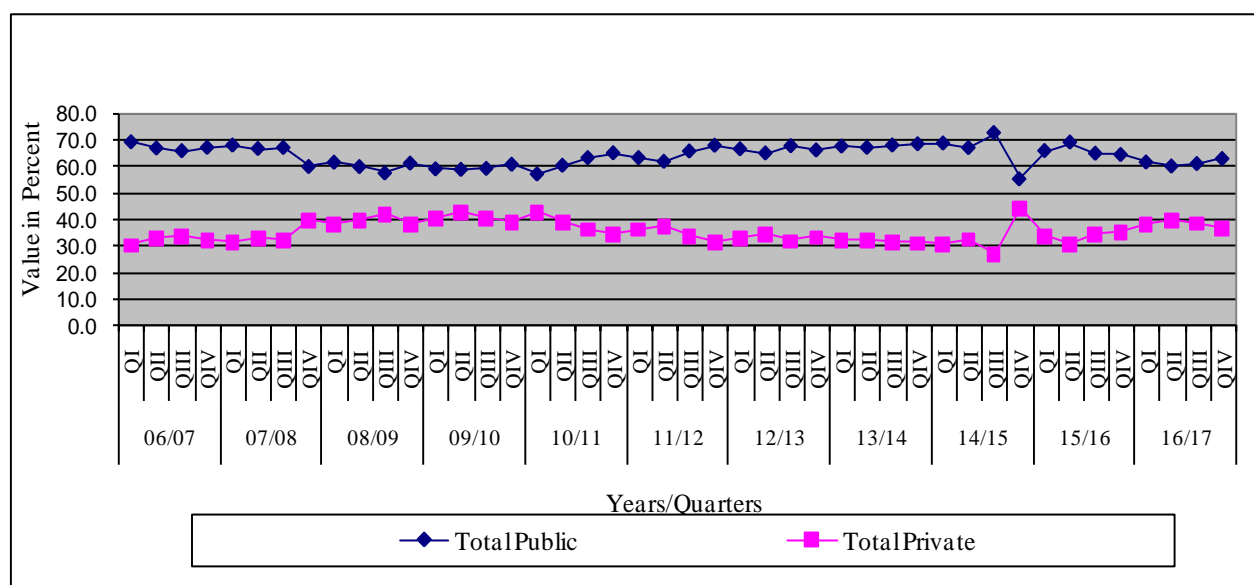
(In Millions of Birr)

Particulars	Loan Disbursement	% Share	Loan Collection	% Share	Outstanding Loan	% Share
<b>Public Banks</b>	<b>14,524.6</b>	<b>50.1</b>	<b>14,182.8</b>	<b>46.5</b>	<b>230,960.7</b>	<b>63.2</b>
Central Government*	0.0	0.0	0.0	0.0	42,593.8	18.4
State Enterprises	5,287.1	36.4	2,694.1	19.0	91,606.1	39.7
Cooperatives	4,398.4	30.3	6,199.7	43.7	11,164.5	4.8
Private Enterprises	4,839.0	33.3	5,288.9	37.3	85,596.2	37.1
<b>Private Banks</b>	<b>14,487.0</b>	<b>49.9</b>	<b>16,346.6</b>	<b>53.5</b>	<b>134,640.5</b>	<b>36.8</b>
Central Government*	0.0	0.0	0.0	0.0	0.0	0.0
State Enterprises	10.9	0.1	10.2	0.1	165.5	0.1
Cooperatives	287.9	2.0	362.0	2.2	2,312.6	1.7
Private Enterprises	14,188.1	97.9	15,974.5	97.7	132,162.4	98.2
<b>Grand Total</b>	<b>29,011.6</b>	<b>100.0</b>	<b>30,529.4</b>	<b>100.0</b>	<b>365,601.2</b>	<b>100.0</b>

Source: Commercial banks and staff computation

Notes: \*Refers to government borrowing in the form of bonds and treasury bills from commercial banks and DBE

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



Source: Staff computation, NBE

#### 4.6. Financial Activities of NBE

As of June 2017 gross claims of NBE on the central government reached Birr 135.6 billion, about 24.3 percent higher than a year earlier. Of this sum, direct advances accounted for 94.2

percent and bonds 5.8 percent. Direct advances went up by 26.8 percent during the last four quarters. On the liability side, deposit of financial institutions at NBE increased 51.3 percent over last year same period (Table 4.13).

**Table 4 .13: Financial Activities of NBE during the Fourth Quarter of 2016/17**

*(In Millions of Birr)*

Particulars	2015/16	2016/17		% Change	
	Qtr.IV	Qtr.III	Qtr.IV		
	A	B	C	C/A	C/B
<b>1.Loans and Advances</b>	<b>134,687.40</b>	<b>156,247.85</b>	<b>162,247.85</b>	<b>20.5</b>	<b>3.8</b>
1.1. To Central Government	109,080.40	129,640.85	135,640.85	24.3	4.6
Direct Advances	100,764.95	121,764.95	127,764.95	26.8	4.9
Bonds	8,315.45	7,875.90	7,875.90	-5.3	0.0
1.2.To Development Bank of Ethiopia	25,607.00	26,607.00	26,607.00	3.9	0.0
<b>2.Deposit Liabilities</b>	<b>51,696.98</b>	<b>69,012.05</b>	<b>75,987.71</b>	<b>47.0</b>	<b>10.1</b>
2.1. Government	14,042.32	19,084.80	19,031.47	35.5	-0.3
2.2. Financial Institutions	37,654.66	49,927.25	56,956.25	51.3	14.1
O/W:					
-Banks	37,608.50	48,075.69	56,920.26	51.3	18.4
-Insurance companies	46.2	32.8	36.0	-22.0	9.9
<b>3.Net Claims of NBE(1-2)</b>	<b>82,990.4</b>	<b>87,235.8</b>	<b>86,260.1</b>	<b>3.9</b>	<b>-1.1</b>

Source: NBE

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

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

During the fourth quarter of 2016/17, the amount of T-bills supplied to the weekly auction market was Birr 55.9 billion, depicting a 42.5 percent growth compared to same period last year. At the same time, demand for T-bills increased 36.7 percent and reached Birr 59.7 billion reflecting a 6.9 percent oversubscription (Table 4.14).

All the T-bills were sold, to non-bank institutions.

The total outstanding T-bills at the end of the review quarter stood at Birr 73.3 billion, reflecting a 28 percent annual increase.

The annual average weighted yield of T-bills during the review quarter was 0.904 percent showing a 36.8 percent rise over the same quarter of 2015/16 (Table 4.14).

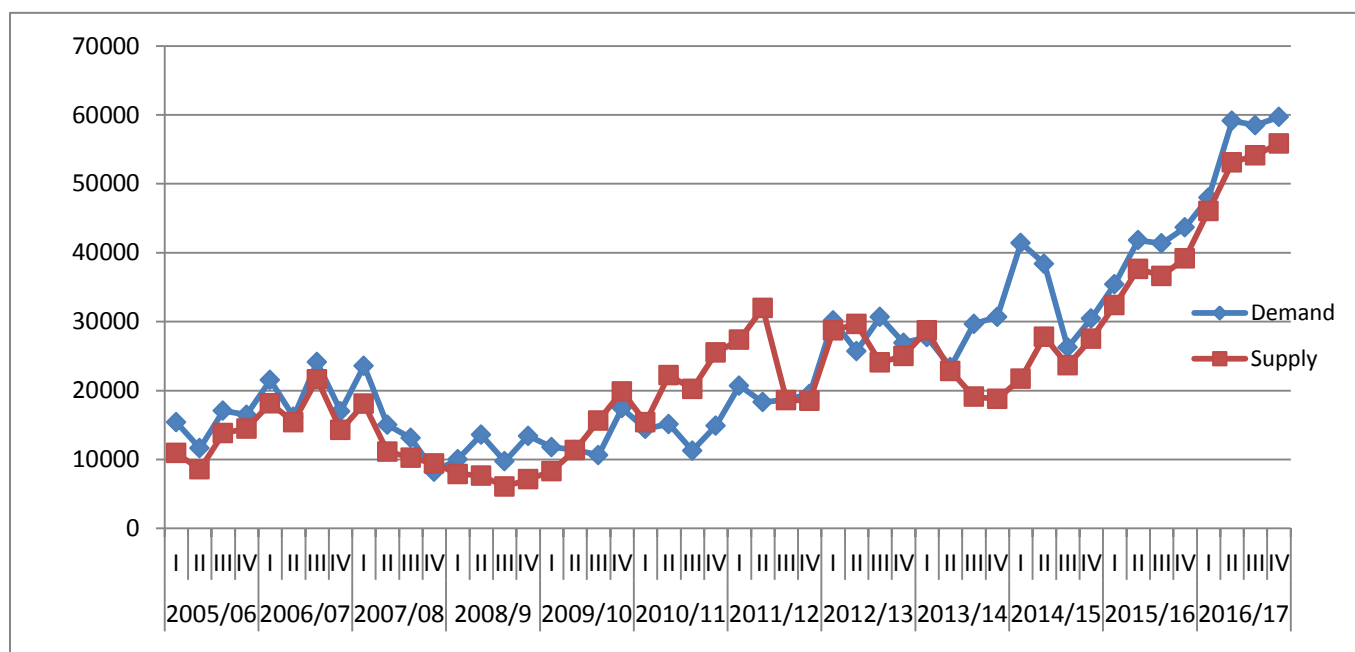
**Table 4.13: Results of Treasury Bills Auction****(In Millions of Birr)**

	2015/16	2016/17		% Change	
	Quarter IV	Quarter III	Quarter IV	C/A	C/B
	A	B	C		
<b>Number of Bidders</b>	<b>48.00</b>	<b>50.00</b>	<b>44.00</b>	<b>-8.33</b>	<b>-12.00</b>
Public	48.00	50.00	44.00	-8.33	-12.00
Private	-	-	-	0.00	0.00
<b>Number of Bids received</b>	<b>60.00</b>	<b>55.00</b>	<b>44.00</b>	<b>-26.67</b>	<b>-20.00</b>
Public	60.00	55.00	44.00	-26.67	-20.00
Private	-	-	-	0.00	0.00
<b>Amount Demanded (Mn. Birr)</b>	<b>43,680.56</b>	<b>58,499.56</b>	<b>59,699.56</b>	<b>36.67</b>	<b>2.05</b>
28-day bill	240.00	300.00	240.00	0.00	-20.00
91-day bill	42,055.56	54,883.56	58,774.56	39.75	7.09
182-day bill	685.00	516.00	685.00	0.00	32.75
364-day bill	700.00	2,800.00	-	-100.00	-100.00
<b>Amount Supplied (Mn. Birr)</b>	<b>39,200.56</b>	<b>54,138.56</b>	<b>55,868.56</b>	<b>42.52</b>	<b>3.20</b>
28-day bill	240.00	300.00	260.00	8.33	-13.33
91-day bill	37,575.56	50,522.56	54,923.56	46.17	8.71
182-day bill	1,385.00	516.00	685.00	-50.54	32.75
364-day bill	-	2,800.00	-		-100.00
<b>Amount Sold (Mn. Birr)</b>	<b>42,452.56</b>	<b>58,499.56</b>	<b>59,699.56</b>	<b>40.63</b>	<b>2.05</b>
Banks	-	-	-	0.00	0.00
Non-Banks	42,452.56	58,499.56	59,699.56	40.63	2.05
<b>Average Weighted Price for Successful bids (%)</b>	<b>74.83</b>	<b>99.11</b>	<b>74.83</b>	<b>0.00</b>	<b>-24.50</b>
28-day bill	99.94	99.94	99.94	-0.01	0.00
91-day bill	99.70	99.70	99.70	0.00	0.00
182-day bill	99.67	99.69	99.67	0.00	-0.01
364-day bill	-	97.10	-	0.00	-100.00
<b>Average Weighted Yield for Successful bids (%)</b>	<b>0.66</b>	<b>1.41</b>	<b>0.90</b>	<b>36.75</b>	<b>-35.80</b>
28-day bill	0.78	0.80	0.85	8.34	6.37
91-day bill	1.20	1.20	1.20	0.21	0.07
182-day bill	0.66	0.63	0.66	0.00	4.55
364-day bill	-	3.00	-	0.00	-100.00
<b>Outstanding bills at the end of Period (Mn.Br.)</b>	<b>57,252.56</b>	<b>69,380.56</b>	<b>73,271.56</b>	<b>27.98</b>	<b>5.61</b>
Banks	-	-	-		
Non-Banks	57,252.56	69,380.56	73,271.56	27.98	5.61

**Source: NBE**

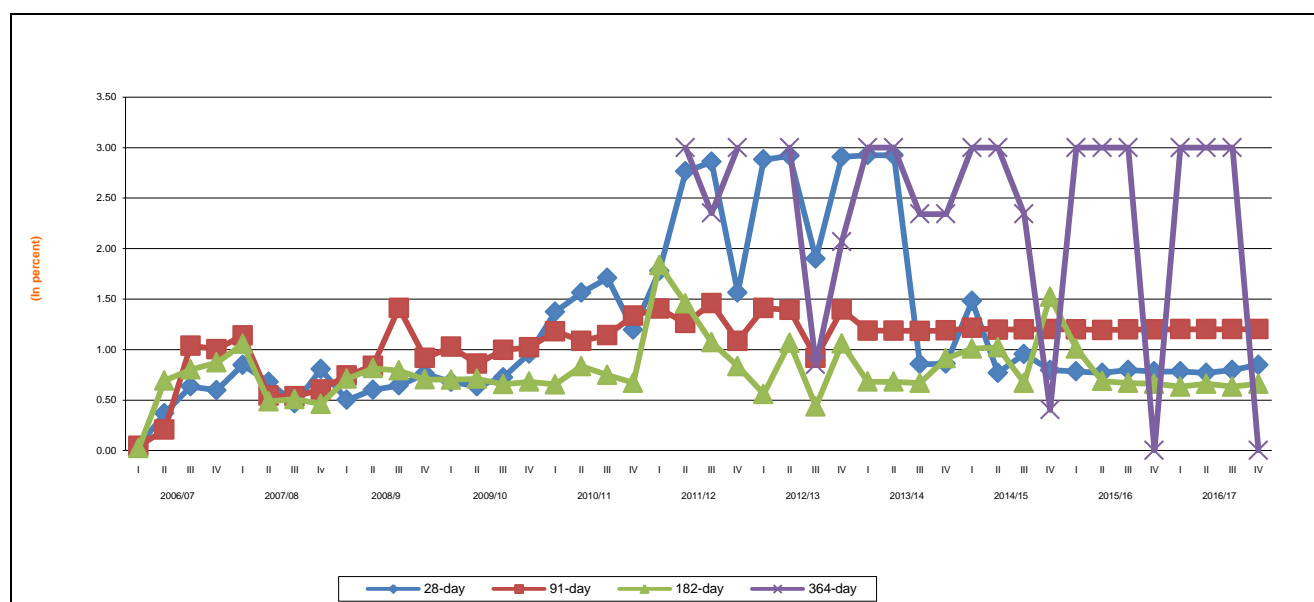
**Fig IV.14: Developments in T-Bills Market**

(In Millions of Birr)



Source: NBE

**Fig IV.14: Developments in Average Weighted Yields of T-bills with Different Maturities**  
(In Percent)



Source: NBE

**4.7.2. Inter- Bank Money Market**

No inter-bank money market transaction was conducted during the quarter under review (Table 4.12).

**4.7.3. Corporate Bond Market**

During the quarter under review, CBE purchased corporate bonds worth Birr 17.2 billion from public institutions and regional governments. Of this sum, 65.7 percent was issued by public enterprises and regional governments 34.3 percent.

At the same time, the stock of corporate bonds held by CBE stood at Birr 237.8 billion, of which 83.4 percent was claims on public enterprises and 16.4 percent claims on regional governments. Corporate bonds issued by EEPKO accounted for 90.5 percent of the total bonds issued by public enterprises and 75.4 percent of the outstanding corporate bond balance (Table 4.15).

Table 4.15: Corporate Bond by holders

(Millions of Birr)

Issuer of the Bond	2015/16			2016/17					
	QI			QIII			QIV		
	NP	Red	O/S	NP	Red	O/S	NP	Red	O/S
<b>1. Public Enterprises</b>	<b>3,800.0</b>	<b>0.0</b>	<b>131,943.4</b>	<b>8,857.5</b>	<b>78.6</b>	<b>182,821.4</b>	<b>11,300.0</b>	<b>0.0</b>	<b>198,221.4</b>
EEPCO	3,800.0	-	118,900.0	7,500.0	-	163,900.0	11,300.0	-	179,300.0
Railways Corporation	-	-	13,000.0	1,357.5	78.6	18,921.4	-	-	18,921.4
DBE	-	-	43.4	-	-	-	-	-	-
<b>2. Regional Governments</b>	<b>1,700.0</b>	<b>147.5</b>	<b>26,098.3</b>	<b>3,950.0</b>	<b>1,399.0</b>	<b>32,378.8</b>	<b>5,900.0</b>	<b>500.5</b>	<b>39,563.2</b>
Oromia	-	18.2	575.9	-	7.5	466.4	-	4.7	461.1
Amhara	-	-	0.2	-	-	0.2	-	-	0.2
Tigray	-	8.2	189.1	-	-	156.5	-	-	156.5
SNNPRS	-	11.7	278.1	-	-	7.6	-	-	7.6
Dire Dawa	-	-	-	-	-	-	-	-	0.0
Harari	-	-	-	-	-	-	-	-	-
Addis Ababa Housing Development Agency	1,700.0	109.4	25,055.0	3,950.0	1,391.5	31,748.0	5,900.0	495.8	38,937.8
<b>3. Grand Total (1+2)</b>	<b>5,500.0</b>	<b>147.5</b>	<b>158,041.7</b>	<b>12,807.5</b>	<b>1,477.6</b>	<b>215,200.2</b>	<b>17,200.0</b>	<b>500.5</b>	<b>237,784.6</b>

Source: NBE

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

## **V. External Sector Developments**

### **5.1. Balance of Payments**

During the fourth quarter of 2016/17, the overall balance of payments registered USD 525.1 million surplus compared to USD 181.6 million deficit a year ago. This was mainly attributed to 2.2 percent

improvement in merchandise trade deficit, 50.5 percent rise in net services and 16.9 percent increase in net private transfers (Table 5.1).



**Table 5.1: Balance of Payments \***

S/N	Particulars	2015/16	2016/17		Percentage Change	
		OIV	OIII	OIV		
		A	B	C	D=C/A	E=C/B
1	<b>Exports, f.o.b.</b>	<b>809.5</b>	<b>768.2</b>	<b>905.5</b>	<b>11.9</b>	<b>17.9</b>
	Coffee	253.96	232.7	336.8	32.6	44.7
	Other	555.5	535.4	568.8	2.4	6.2
2	<b>Imports</b>	<b>4,064.0</b>	<b>3,720.1</b>	<b>4,089.2</b>	<b>0.6</b>	<b>9.9</b>
	Fuel	340.7	507.4	476.6	39.9	-6.1
	Cereals	237.1	148.4	77.6	-67.3	-47.7
	Aircraft	56.4	36.1	25.2	-55.3	-30.2
	Imports excl. fuel, cereals, aircraft	3,429.7	3,028.3	3,509.8	2.3	15.9
3	<b>Trade Balance (1-2)</b>	<b>-3,254.5</b>	<b>-2,951.9</b>	<b>-3,183.7</b>	<b>-2.2</b>	<b>7.9</b>
4	<b>Services, net</b>	<b>-206.4</b>	<b>-123.1</b>	<b>-102.2</b>	<b>-50.5</b>	<b>-17.0</b>
	Non-factor services, net	-103.7	16.2	11.4	-111.0	-29.3
	Exports of non-factor services	746.3	790.5	818.4	9.7	3.5
	Imports of non-factor services	850.1	774.4	806.9	-5.1	4.2
	Factor services (Investment income), net	-102.6	-139.3	-113.6	10.7	-18.4
	Interest, net	-99.0	-119.6	-96.6	-2.5	-19.3
	Dividend, net	-3.6	-19.7	-17.0	371.7	-13.5
5	<b>Private transfers, net</b>	<b>1,379.2</b>	<b>1,305.1</b>	<b>1,611.6</b>	<b>16.9</b>	<b>23.5</b>
	o/w: NGO's, (Net)	427.2	243.8	297.2	-30.4	21.9
	Private Individuals	952.0	1,061.3	1,314.5	38.1	23.9
	<b>Current account balance excluding official transfers (3+4+5)</b>	<b>-2,081.7</b>	<b>-1,769.9</b>	<b>-1,674.2</b>	<b>-19.6</b>	<b>-5.4</b>
7	<b>Official transfers, net</b>	<b>501.6</b>	<b>246.7</b>	<b>264.3</b>	<b>-47.3</b>	<b>7.1</b>
8	<b>Current account balance including official transfers (6+7)</b>	<b>-1,580.1</b>	<b>-1,523.2</b>	<b>-1,409.9</b>	<b>-10.8</b>	<b>-7.4</b>
9	<b>Capital account</b>	<b>1,651.5</b>	<b>1,404.6</b>	<b>1,767.7</b>	<b>7.0</b>	<b>25.9</b>
	Official Long-term Capital, net	284.5	233.4	611.1	114.8	161.9
	Disbursements	315.0	255.9	644.5	104.6	151.8
	Amortization	30.5	22.6	33.5	9.8	48.1
	Other public long-term capital	303.4	105.8	249.9	-17.6	136.1
	Private sector, long term	12.8	62.2	67.9	429.9	9.2
	Foreign Direct Investment, net	889.3	920.3	905.3	1.8	-1.6
	Short-term Capital	161.5	83.0	-66.4	-141.1	-180.1
10	<b>Errors and omissions</b>	<b>-253.0</b>	<b>504.2</b>	<b>167.2</b>		
11	<b>Overall balance (8+9+10)</b>	<b>-181.6</b>	<b>385.6</b>	<b>525.1</b>		
12	<b>Financing</b>	<b>181.6</b>	<b>-385.6</b>	<b>-525.1</b>		
13	Reserves [ Increase(-), Decrease (+)]	181.6	-385.6	-525.1		
14	Central Bank (NFA)	167.0	-381.0	-409.3		
	Asset	10.2	115.4	-81.8		
	Liabilities	156.8	-496.4	-327.5		
15	Commercial banks (NFA)	14.6	-4.6	-115.8		
16	Debt Relief					
	Principal					
	Interest					
<b>Memorandum Items</b>						
	Gross Reserve in months of imports of the next year (goods & services)	2.6	2.3	2.4		
	Average Exchange Rates	21.5713	22.5832	22.9225		
	Export as percentage of GDP	4.5	3.8	4.5		
	Import as percentage of GDP	22.5	18.5	20.3		
	Trade balance as percentage of GDP	-18.0	-14.7	-15.8		
	Net services as percentage of GDP	-1.14	-0.61	-0.5		
	Private Transfers as percentage of GDP	7.6	6.5	8.0		
	Official Transfers as percentage of GDP	2.77	1.23	1.3		
	Current account balance as percentage of GDP	-8.7	-7.6	-7.0		
	Capital account balance as percentage of GDP	9.1	7.0	8.8		
	Overall balance as percentage of GDP	-1.00	1.9	2.6		

**Source:** NBE Staff Compilation

\*preliminary

The total current account receipts amounted to USD 3.6 billion, about 5.1 percent higher than a year earlier. This growth was ascribed to 11.9 percent growth in merchandize exports, 9.9 percent increase in service exports and 18.0 percent rise in private transfers. Public transfers, however, dropped by 47.4 percent.

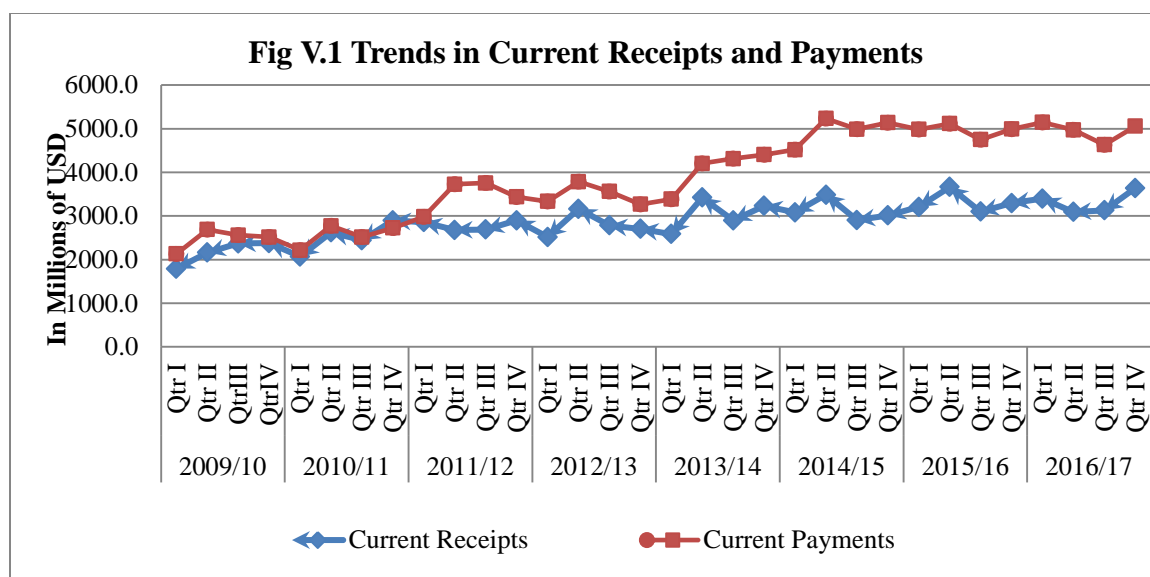
Similarly, the total current account payments slightly increased to USD 5.1 billion due to 0.6 percent increase in import payments and 153.6 percent surge in private transfers. Thus, the current account recorded USD 1.4 billion deficit which was 10.8 percent lower than a year ago (Table 5.2).

**Table 5.2 Current Receipts and Payments**

(In millions of USD)

Particulars	2015/16	2016/17		Percentage Change	
	QIV	QIII	QIV		
	A	B	C	D=C/A	E=C/B
<b>1. Current Receipts</b>	<b>3,465.57</b>	<b>3,132.48</b>	<b>3,642.28</b>	<b>5.1</b>	<b>16.3</b>
Export Proceeds	809.5	768.2	905.5	11.9	17.9
Service Proceeds	749.82	796.4	824.3	9.9	3.5
Private Transfers	1,390.85	1,318.9	1,641.1	18.0	24.4
Public Transfer	515.44	249.11	271.34	-47.4	8.9
<b>2. Current Payments</b>	<b>5,045.67</b>	<b>4,655.68</b>	<b>5,052.17</b>	<b>0.1</b>	<b>8.5</b>
Import Payments	4,064.0	3,720.1	4,089.2	0.6	9.9
Service Payments	956.19	919.5	926.5	-3.1	0.8
Private Transfers	11.63	13.71	29.5	153.6	115.1
Public Transfer	13.87	2.40	7.0	-49.4	191.9
<b>3. Net(1-2)</b>	<b>-1,580.1</b>	<b>-1,523.2</b>	<b>-1,409.9</b>	<b>-10.8</b>	<b>-7.4</b>

**Source:** NBE Staff Compilation

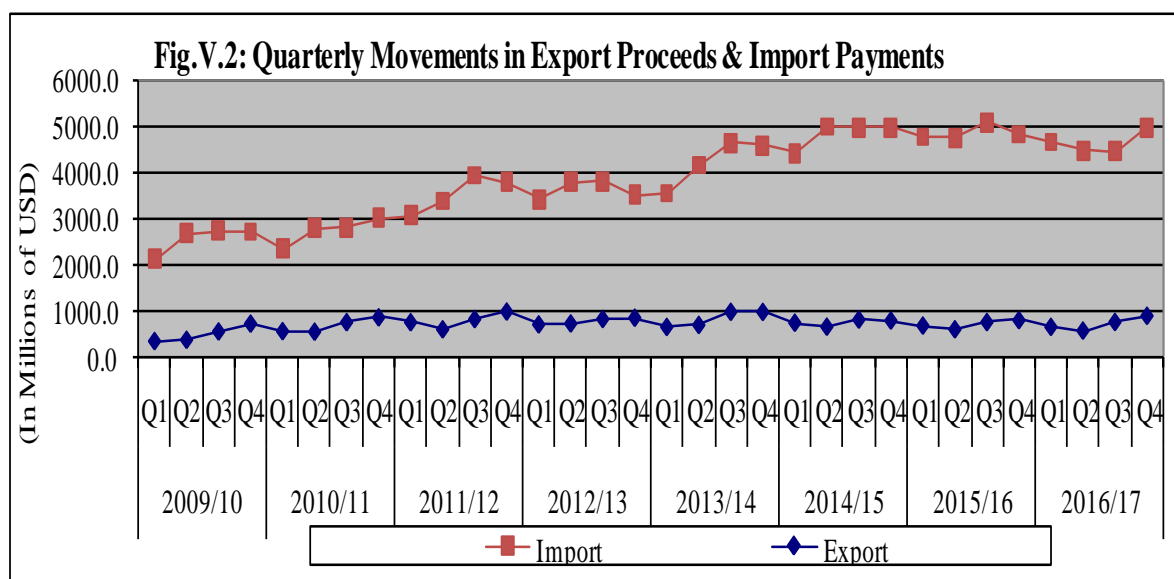


**Source:** NBE Staff Compilation

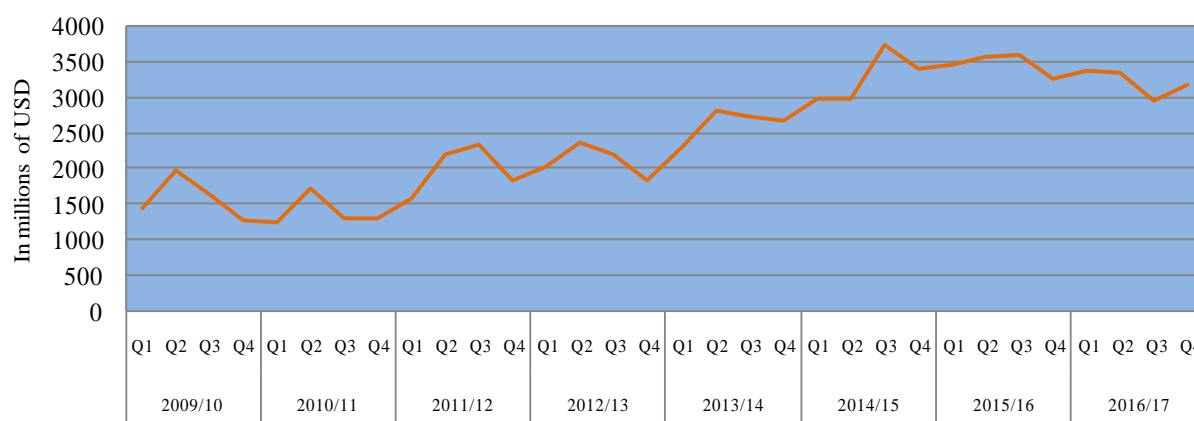
## 5.2 Balance of Trade

Merchandise trade deficit during the review quarter amounted to USD 3.2 billion, 2.2 percent lower than last year

as the growth in merchandise export earnings outweighed the increase in merchandise import payments.



**Source:** Ethiopian Revenue and Customs Authority

**Fig.V.3: Evolution of Trade Deficit**

**Source:** NBE Staff Computation

### 5.2.1 Export of Goods

Total goods exports including electricity increased by 11.9 percent vis-à-vis same quarter last year owing to the rise in export earnings from coffee (32.6 percent), leather and leather products (13.1 percent), meat & meat products (14.5 percent), fruit & vegetables (13.6 percent), chat (6.3 percent), flower (10.5 percent), electricity (66.7 percent) and other exports (115.2 percent). Export earnings from oil seeds, pulses, live animals and gold, however, tended to slow down by about 22-43 percent.

Earnings from coffee went up 32.6 percent compared to last year same

quarter and reached USD 336.8 million. This was attributed to a 56.5 percent rise in export volume despite 7.6 percent decline in international unit price. Hence, the share of coffee in total merchandise export earnings increased to 37.2 percent from 31.4 percent a year earlier.

In the meantime, earnings from export of pulses amounted to USD 54.8 million, about 42.9 percent lower than last year same quarter, on account of 49.3 percent slowdown in export volume despite a 12.6 percent increase international unit price. As a result, the share of pulses in

total export earnings decreased to 6.0 percent from 7.5 percent a year ago.

Receipts from meat & meat products grew by 14.5 percent quarter-on-quarter basis owing to 11.4 percent growth in export volume and 2.8 percent increase in international price. Hence, the share of meat & meat products in total merchandise export earnings increased marginally to 3.1 percent from 3.0 percent a year earlier.

Revenue from fruits & vegetables export increased 13.6 percent over last year same quarter on account of 18.0 percent rise in volume despite 3.7 percent slowdown in international price and the share of fruit & vegetable in total export earnings remained at 1.6 percent.

Similarly, export revenue from chat went up 6.3 percent vis-à-vis the same quarter of last year due to 5.8 percent rise in volume and 0.5 percent increase in international price. Though export earning from chat increased from last year same quarter, its share in total export earnings slightly declined from 7.5 percent to 7.2 percent.

Export earnings from electricity rose 66.7 percent compared to last year same quarter as a result of 74.1 percent surge in volume despite 4.2 percent decline in international price. Thus, the share of electricity in total export earnings increased to 2.7 percent from 1.8 percent last year same quarter.

Meanwhile, export earnings from oilseeds dropped 26.1 percent as export volume fell by 18.5 percent and international price by 9.3 percent. Thus, the share of oilseeds in total merchandise export earnings decreased to 11.2 percent from 17.0 percent last year same quarter.

Export earnings from leather & leather products increased by 13.1 percent quarter-on-quarter due to 0.9 percent increase in volume and 12.2 percent rise in international price and their share in total merchandise export earnings remained at 3.7 percent.

Revenue from export of live-animals plummeted by 42.0 percent compared to last year same quarter on account of 43.7 percent fall in export volume despite 2.9 percent increase in international price.

As a result, the share of live animals export in total merchandise exports decreased to 1.7 percent from 3.3 percent a year earlier.

Export earnings from gold also went down 22.6 percent due to 17.5 percent decline in export volume and 6.2 percent decrease in international price. Hence, the share of gold in total merchandise

export dropped to 7.1 percent from 10.3 percent last year same quarter.

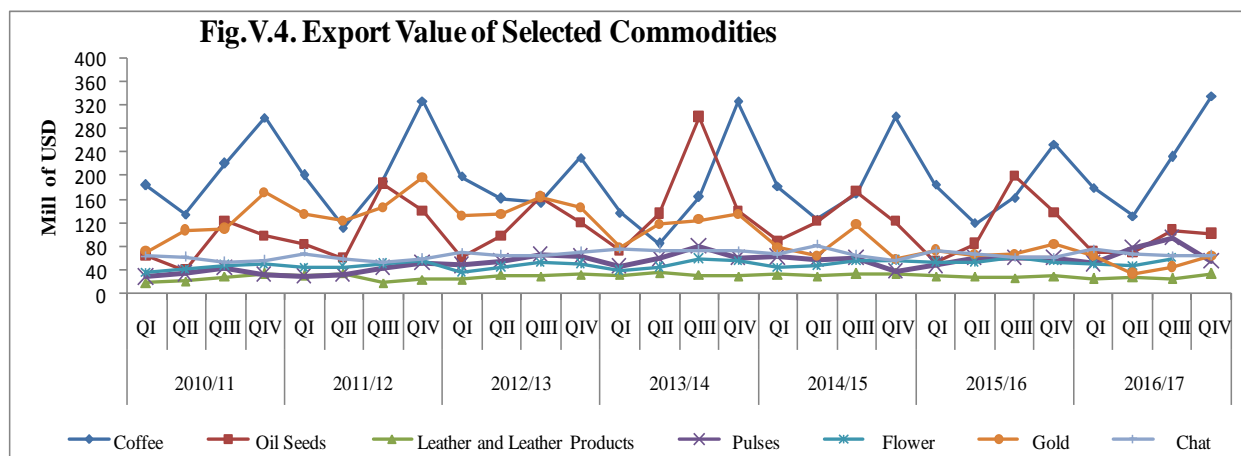
Receipts from flower export increased by 10.5 percent owing to 11.7 percent increase in volume notwithstanding 1.1 percent drop in price. As a result, the share of flower in total merchandise remained at 6.8 percent (Tables 5.3, 5.4 and 5.5).

**Table 5.3: Values of Major Export Items**

(In millions of USD)

Particulars	2015/16		2016/17				Percentage Change	
	QIV		QIII		QIV			
	A	%share	B	%share	C	%share	C/A	C/B
Coffee	254.0	31.4	232.7	30.3	336.8	37.2	32.6	44.7
Oilseeds	137.7	17.0	108.3	14.1	101.8	11.2	-26.1	-6.0
Leather and Leather products	30.0	3.7	25.2	3.3	33.9	3.7	13.1	34.4
Pulses	60.8	7.5	95.8	12.5	54.8	6.0	-9.9	-42.9
Meat & Meat Products	24.3	3.0	24.9	3.2	27.8	3.1	14.5	11.7
Fruits & Vegetables	12.7	1.6	13.5	1.8	14.5	1.6	13.6	7.2
Live Animals	26.4	3.3	9.4	1.2	15.3	1.7	-42.0	62.3
Chat	61.7	7.6	64.7	8.4	65.6	7.2	6.3	1.4
Gold	83.4	10.3	45.2	5.9	64.5	7.1	-22.6	42.8
Flower	54.8	6.8	60.5	7.9	60.6	6.7	10.5	0.2
Electricity	14.9	1.8	17.0	2.2	24.9	2.7	66.7	46.2
Others	48.9	6.0	70.9	9.2	105.3	11.6	115.2	48.4
Total Export	809.5	100.0	768.1	100.0	905.5	100.0	11.9	17.9
Total Export excluding electricity	794.5		751.1		880.7		10.8	17.2

**Source:** Ethiopian Revenues and Customs Authority, Ethiopian Electric Utility and Ethiopian Electric Power



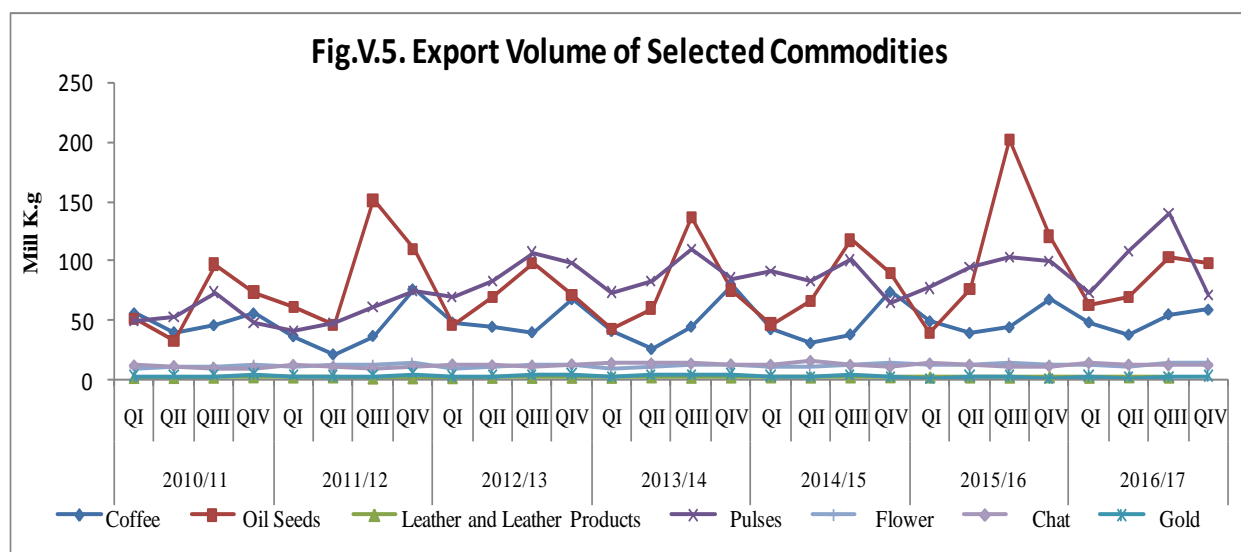
Source: NBE Staff Computation

**Table 5.4: Volume of Major Export Items**

(In millions of Kg)

Particulars	2015/16	2016/17		Percentage Change	
	QIV	QIII	QIV		
	A	B	C	C/A*100-100	C/B*100-100
Coffee	67.2	54.7	85.6	27.5	56.5
Oilseeds	120.4	102.9	98.1	-18.5	-4.7
Leather and Leather products	1.6	1.39	1.6	0.9	17.9
Pulses	100.0	139.9	71.0	-29.0	-49.3
Meat & Meat Products	4.8	5.0	5.4	11.4	8.3
Fruits & Vegetables	40.3	43.6	47.5	18.0	9.1
Live Animals	13.9	5.2	7.8	-43.7	51.7
Chat	11.0	11.6	11.6	5.8	0.2
Gold(in mill of grams)	2.35	1.39	1.94	-17.5	39.1
Flower	12.5	13.1	13.9	11.7	6.5
Electricity	252.5	304.2	439.7	74.1	44.6

Source: Ethiopian Revenues and Customs Authority, Ethiopian Electric Utility and Ethiopian Electric Power



**Source:** NBE Staff Computation

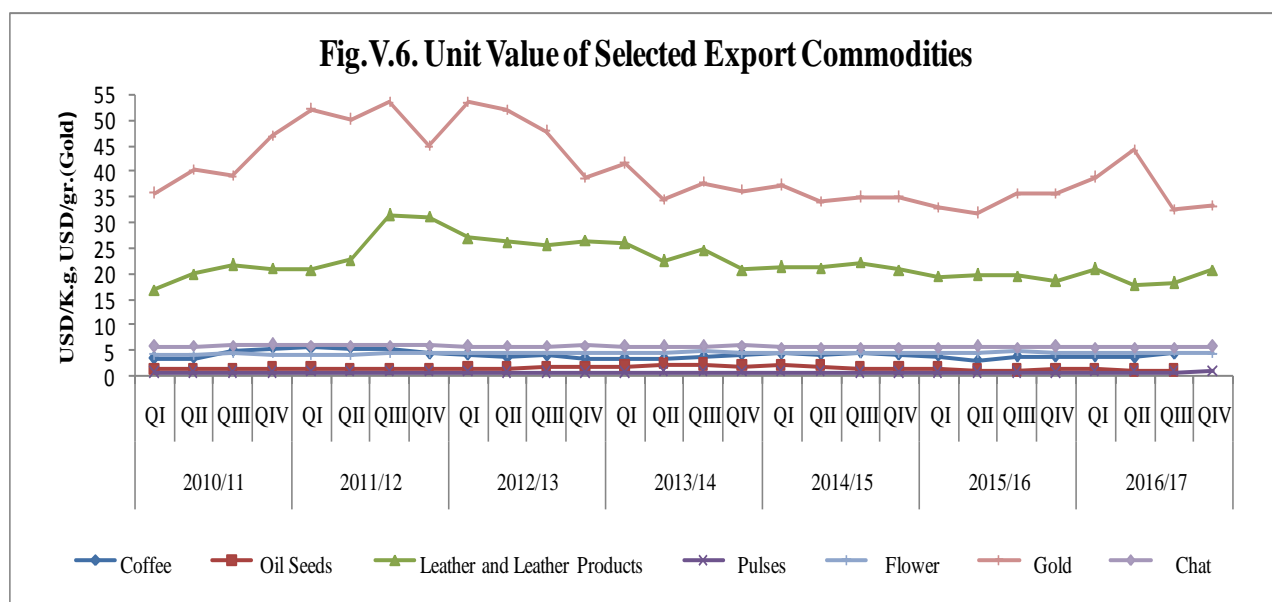
**Table 5.5: Unit Value of Major Export Items**

*(In USD/kg)*

Particulars	2015/16	2016/17		Percentage Change	
	QIV	QIII	QIV		
	A	B	C	C/A*100-100	C/B*100-100
Coffee	3.8	4.3	3.9	4.0	-7.6
Oilseeds	1.1	1.1	1.0	-9.3	-1.4
Leather and Leather products	18.5	18.2	20.8	12.2	14.1
Pulses	0.6	0.7	0.8	26.8	12.6
Meat & Meat Products	5.0	5.0	5.2	2.8	3.1
Fruits & Vegetables	0.3	0.3	0.3	-3.7	-1.8
Live Animals	1.9	1.8	1.9	2.9	7.0
Chat	5.6	5.6	5.7	0.5	1.2
Gold	35.5	32.4	33.2	-6.2	2.7
Flower	4.4	4.6	4.3	-1.1	-5.9
Electricity	0.1	0.1	0.1	-4.2	1.1

**Source:** NBE Staff Compilation





**Source:** NBE Staff Computation

### 5.2.2 Import of Goods

During the fourth quarter of 2016/17, total merchandise import amounted to USD 4.1 billion, depicting a marginal annual increase of 0.1 percent as a result of slowdown in imports of consumer goods, raw materials and semi- finished goods.

Import bills of capital goods increased 9 percent due to 14.7 percent increase in import of industrial goods, which offsets the slowdown in import bills of transport and agriculture capital goods by 5.9 and 47.7 percent, respectively. The share of capital goods in total goods import bill went up to 38.1 percent from 34.9 percent a year ago.

Likewise, import payments for consumer goods decreased by 16.3 percent vis-à-vis same quarter last year owing to 22.1 percent drop in payments for non-durable goods although durable consumer goods import rose by 1.0 percent. Hence, the share of consumer goods in total import bill went down to 28.0 percent from 34 percent last year.

Import of raw materials dropped 16.2 percent compared to same quarter last year resulting in their share in total merchandise import to fall to 0.74 percent.

At the same time, imports of semi-finished goods decreased by 0.7 percent

and their share in total imports remained around 20.1 percent.

percent from 8.4 percent a year earlier (Table 5.6).

Fuel import however, increased by 33.9 percent during the same period and its share in total imports rose to 11.2

Meanwhile, total franco-valuta import declined by 0.8 percent and stood at USD 1.2 billion and accounted for 30.2 percent of the total imports.

**Table 5.6: Values of Major Import Items**

(In millions of USD)

Particular	2015/16		2016/17				Percentage Changes	
	Qtr IV	% share from total Import	Qtr III	% share from total Import	Qtr IV	% share from total Import		
	A		B		C		C/A	C/B
<b>Raw Materials</b>	36.1	0.9	22.9	0.6	30.3	0.7	-16.2	32.2
<b>Semi-finished Goods</b>	821.9	20.2	574.7	15.5	816.3	20.1	-0.7	42.0
Fertilizers	172.0	4.2	106.4	2.9	189.9	4.7	10.4	78.5
<b>Fuel</b>	340.7	8.4	487.1	13.2	456.4	11.2	33.9	-6.3
Petroleum Products	325.0	8.0	475.4	12.8	431.4	10.6	32.7	-9.2
Others	15.7	0.4	11.7	0.3	24.8	0.6	57.6	111.6
<b>Capital Goods</b>	1420.2	34.9	1468.1	39.7	1548.5	38.1	9.0	5.5
Transport	312.4	7.7	352.2	9.5	293.9	7.2	-5.9	-16.5
Agricultural	25.7	0.6	15.6	0.4	13.4	0.3	-47.7	-14.2
Industrial	1082.1	26.6	1100.3	29.7	1241.1	30.5	14.7	12.8
<b>Consumer Goods</b>	1364.9	33.6	1081.3	29.2	1142.0	28.1	-16.3	5.6
Durables	339.0	8.3	352.1	9.5	342.3	8.4	1.0	-2.8
Non-durables	1025.9	25.2	729.1	19.7	799.7	19.7	-22.1	9.7
<b>Miscellaneous</b>	80.1	2.0	65.8	1.8	75.5	1.9	-5.7	14.8
<b>Total Imports</b>	4064.0	100.0	3699.8	100.0	4069.0	100.0	0.1	10.0

**Source:** Ethiopian Revenue & Customs Authority and Ethiopian Petroleum Enterprise

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

(In millions of USD)

Commodity Group	2015/16	2016/17		Percentage Change	
	Qtr IV	Qtr III	Qtr IV		
	A	B	C	C/A	C/B
Beverages	0.2	0.1	0.1	45.4	-34.6
Chemicals	14.7	3.6	3.4	-6.5	-76.9
Clothing	12.7	10.0	16.6	64.9	30.6
Food and live animals	170.7	90.6	73.0	-19.5	-57.3
Textiles	5.4	4.5	8.1	80.0	48.8
Tobacco	0.0	0.0	0.1	281.0	52.2
Soap & polish	0.4	0.3	0.4	21.0	3.1
Fertilizer	177.0	45.8	178.7	290.3	0.9
Paper & paper manufacturing	0.7	0.6	0.3	-39.4	-47.6
Metal & metal manufacturing	132.2	169.2	142.0	-16.1	7.4
Medical and pharmaceuticals products	29.5	8.8	8.1	-8.0	-72.7
Rubber products	11.8	13.9	11.4	-18.1	-3.9
Petroleum Crude	0.0	0.0	0.2	53106.7	45556.3
Petroleum product	1.9	4.9	2.4	-50.4	28.7
Glass & glass ware	5.4	8.5	5.1	-40.1	-5.1
Electrical material	84.6	111.2	115.6	4.0	36.6
Machine	230.5	421.3	345.1	-18.1	49.7
Road & motor vehicles	70.5	59.9	51.3	-14.5	-27.3
Tele apparatus	1.8	0.8	3.1	287.7	67.6
Cement	0.2	0.4	0.0	-99.6	-99.1
Others	328.2	282.9	262.5	-7.2	-20.0
<b>Total</b>	<b>1278.5</b>	<b>1237.3</b>	<b>1227.3</b>	<b>-0.8</b>	<b>-4.0</b>

**Source:** Ethiopian Revenues and Customs Authority

### 5.2.3 Direction of Trade

#### 5.2.3.1 Export of Goods

In the review quarter, the major destinations for Ethiopian exports were Asia, Europe and Africa. Asia accounted for 36.4 percent of the total export earnings. China, with 20.1 percent share in total export earnings from Asia, mainly imported oilseeds, leather & leather products, coffee, mineral products and pulses followed by Saudi Arabia, with 18.9 percent share and largely importing coffee, meat & meat products, live-animals and flowers. Japan accounted for 13.2 percent of the total export earnings from Asia while United Arab Emirates was the fourth largest market for Ethiopian products with 10.9 percent share. Israel had 6.0 percent share in total export earnings from Asia; it mainly imported oilseeds, chat, pulses, coffee and cereals. India had 3.1 percent share in Ethiopia's total export to Asia. Major exports to India included pulses, mineral products, spices and chat. South Korea constituted 5.6 percent share and largely imported coffee, flower and leather & leather products. All these countries accounted for 77.8 percent of Ethiopia's total export to Asia.

Europe comprised 32.8 percent of Ethiopia's total export earnings, with Switzerland

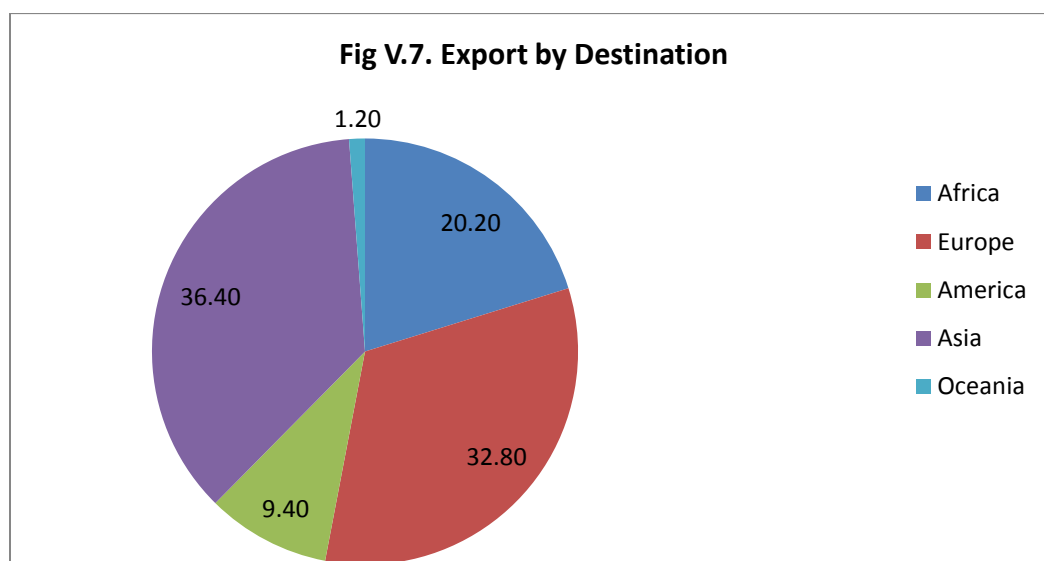
accounting for 21.7 percent, followed by Germany (20.7 percent), the Netherlands (17.7 percent), Belgium (10.7 percent), Italy (6.7 percent), United Kingdom (5.5 percent) and (Turkey 3.1 percent). These countries together had 86.1 percent share of Ethiopia's total exports to Europe.

Main commodities exported to Switzerland were gold, beverage, food, flour and leather and leather products. Coffee, textile & garment, flower, oilseeds, bees wax and pulses were the main exports to Germany. Likewise, coffee, flower, pulses, bees wax and oilseeds went to Belgium. Italy imported mainly coffee, textile & garment, leather & leather products, flower and pulses, while coffee, textile & garment, leather & leather products, flower and pulses went to United Kingdom. Turkey imported oilseeds, pulses, textile & garment and mineral products.

On the other hand, about 20.2 percent of Ethiopia's export earnings originated from markets in Africa, mainly Somalia (34.6 percent), Djibouti (17.1 percent), Sudan (15.8 percent), Kenya (14.1 percent) which altogether accounted for 81.6 percent of the total exports to Africa. The major exports to Somalia were chat, vegetables, fruits, animal

products and live-animals, while Djibouti imported chat, electricity, vegetables and live animals. Sudan imported largely electricity, coffee, spices and pulses, whereas Kenya imported pulses, cereals, leather & leather products and tea.

America accounted for 9.4 percent of Ethiopia's total export earning, of which 91.2 percent was from exports to the United States, 4.2 percent to Canada and 1.1 percent to Mexico. Coffee, leather & leather products, oilseeds, textile & garment and flower were the major export items to the United States. Canada imported mainly coffee, flower, oilseeds and leather & leather products, while Mexico imported oilseeds, coffee and mineral products.



**Source:** NBE Staff Compilation

### 5.2.3.2 Import of Goods

During the fourth quarter of 2016/17, Asia accounted for 63.8 percent of the total imports of Ethiopia. The major imports from Asia originated from China (51.8 percent), India (10.1 percent), Japan (6.1 percent), Saudi-Arabia (5.8 percent), Kuwait (4.3 percent), U.A.E. (3.5 percent), Malaysia (3.4 percent) and Indonesia (2.8 percent) whose combined share was 87.8 percent.

Major items imported from China were machinery including aircraft parts, metal & metal products, electrical materials, fertilizer, glass and glass ware. Similarly, grains, metal & metal products, fertilizer, machinery including aircraft parts, electrical materials and road motor vehicles were imported from India.

Petroleum products and metal & metal products were the major import items from Kuwait. Major imports from Japan included road motor vehicles, machinery including aircraft parts, rubber products and metal & metal products. Likewise, imports from Saudi Arabia constituted petroleum products, beverage, paper & paper products and metal & metal products. Import from UAE consisted of petroleum products, metal &

metal products, chemicals, rubber products and glass & glass ware. Machinery including aircraft parts soap & polish, electrical materials and chemicals were imported from Malaysia, while paper & paper products, soap & polish, textiles and chemicals came from Indonesia.

Imports from Europe accounted for 21.6 percent of Ethiopia's total imports with the major countries being Italy (23.9 percent), the Netherlands (16.8 percent), Turkey (16.7 percent), United Kingdom (6.2 percent), Germany (5.9 percent), Belgium (5.3 percent), France (5.2 percent) and Spain (4.6 percent). These countries jointly accounted for 84.6 percent of Ethiopia's total imports from Europe.

Major imports from Italy included metal & metal products, machinery including aircraft parts, electrical materials, road and motor vehicles and fertilizers. Machines including aircraft parts, road motor vehicles, electrical materials and metal & metal products were the major imports from the Germans. Imports from Belgium were beverages, machinery including aircraft parts, medical & pharmaceutical products, road motor vehicles and petroleum products. Import items from France were machinery including aircraft

parts, metal & metal products, electrical materials and soap & polish. Major imports from Rumania were food & live animals, machinery including aircraft parts and electrical materials, while road motor vehicles, machinery including aircraft parts and metal & metal products were from Spain.

Electrical materials, machinery including aircraft parts, road motor vehicles and fertilizers were the major imports from the United Kingdom. Major imported items from the Netherlands included food & live animals, metal & metal products, machinery including aircraft parts and chemicals. Imports from Ukraine were food & live animals, glass & glass ware, machinery including aircraft parts and fertilizers. Imports from Finland comprised metal & metal products, machinery including aircraft parts, electrical materials and road motor vehicles, while fertilizer, electrical materials, food & live animals and machinery including aircraft parts are major imports from Switzerland.

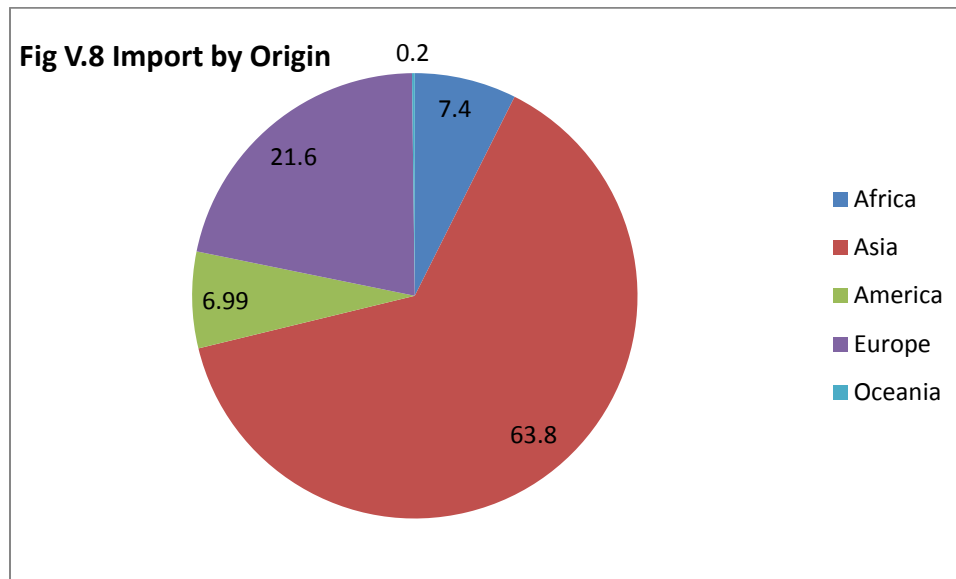
Imports from America accounted for 6.99 percent of the total import bill, of which the share of United States was 87.0 percent followed by Brazil and Canada by 5.9 percent and 5.1 percent, respectively. Machinery including aircraft parts, electrical materials,

food & live animals, fertilizers and electrical materials were the major items imported from United States. Machinery including aircraft parts, road motor vehicles, rubber products and food & live animals were the main merchandise imports from Brazil, while machinery including aircraft parts, electrical materials and metal & metal products were the main imports from Canada.

Africa accounted for about 7.4 percent of Ethiopia's total merchandise import. The major countries of origin were Morocco (47.1 percent), South Africa (20.6 percent), Egypt (17.1 percent) Sudan (10.1 percent), and Kenya (3.4 percent), which altogether constituted 98.3 percent of the total imports from the continent.

Petroleum products, beverage, machinery including aircraft parts, textile, soap & polish and electrical materials were imported from Morocco. Petroleum products, road motor vehicles, electrical materials and machinery including aircraft were the major imports from South Africa. Petroleum products, soap & polish, fertilizer and textiles were the main imports from Sudan. Likewise, petroleum products, soap & polish, machinery including aircraft parts and glass & glass ware were imported from Egypt. Imports from Kenya

constituted textiles, food & live animals, fertilizers.  
machinery including aircraft parts and

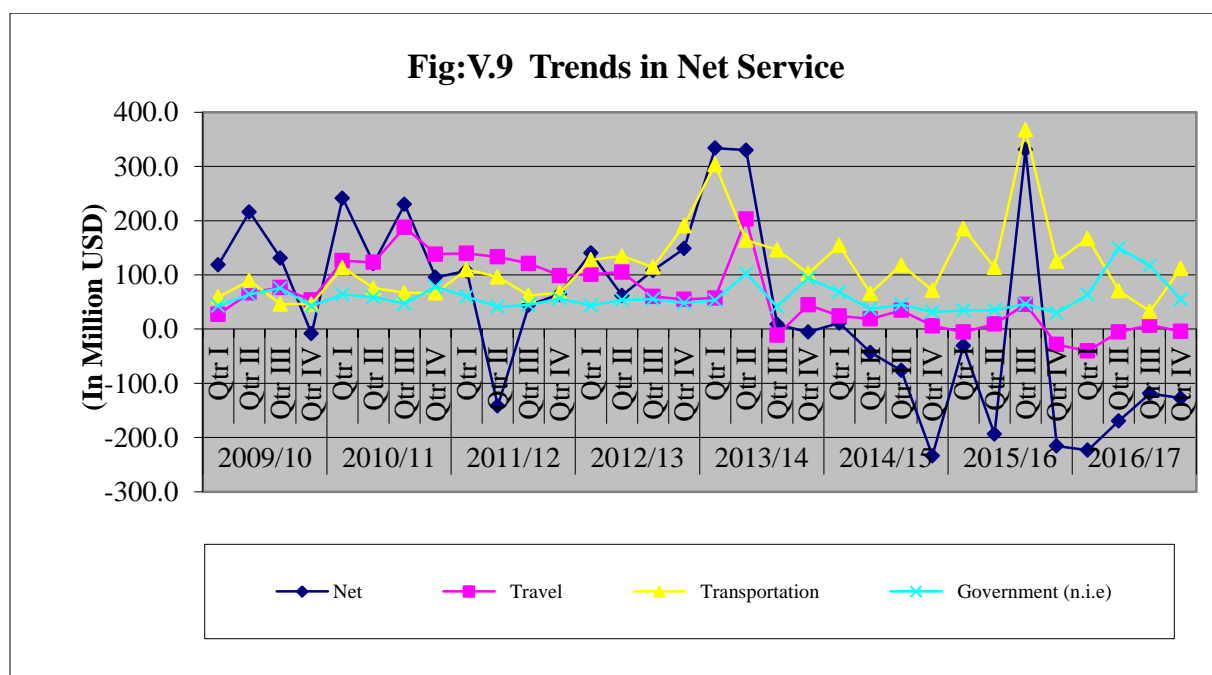


**Source:** NBE Staff Compilation



### 5.3. Services and Transfers

Net payments for services trade stood at USD 102.2 million compared with USD 206.4 million recorded last year same period. The 50.5 percent decline in net service payment was attributed to the decrease in net payment for travel and other services by 84.8 percent and 46.9 percent, respectively.



**Source:** NBE Staff Compilation

**Table 5.8: Developments in Services Accounts**

(In Millions of USD)

S/N	Particulars	2015/16	2016/17		Percentage Change	
		QIV	QIII	QIV		
		A	B	C	D=C/A	E=C/B
<b>1</b>	<b>Investment Income (2+5)</b>	<b>-102.6</b>	<b>-139.3</b>	<b>-113.6</b>	<b>10.7</b>	<b>-18.4</b>
2	Interest, net (3-4)	-99.0	-119.6	-96.6	-2.5	-19.3
3	Credit	3.5	5.8	5.9	70.3	1.7
4	Debit	102.5	125.5	102.5	0.0	-18.3
5	Dividend, net	-3.6	-19.7	-17.0	371.7	-13.5
<b>6</b>	<b>NON-FACTOR SERVICES, net (7-8)</b>	<b>-103.7</b>	<b>16.2</b>	<b>11.4</b>	<b>-111.0</b>	<b>-29.3</b>
<b>7</b>	<b>Exports of non-factor services</b>	<b>746.3</b>	<b>790.5</b>	<b>818.4</b>	<b>9.7</b>	<b>3.5</b>
8	Travel	77.6	83.6	84.4	8.6	0.9
9	Transport <sup>1</sup>	523.0	511.0	613.1	17.2	20.0
10	Government <sup>2</sup>	104.2	140.5	67.5	-35.2	-51.9
11	Other <sup>3</sup>	41.4	55.5	53.4	28.8	-3.8
<b>12</b>	<b>Imports of non-factor services</b>	<b>850.1</b>	<b>774.4</b>	<b>806.9</b>	<b>-5.1</b>	<b>4.2</b>
13	Travel	106.2	76.3	88.7	-16.4	16.3
14	Transport <sup>1</sup>	397.8	478.4	500.9	25.9	4.7
15	Government <sup>2</sup>	20.1	23.7	12.7	-36.6	-46.4
16	Other <sup>3</sup>	326.1	195.9	204.6	-37.3	4.4
<b>17</b>	<b>Net Services (18+19+20+21+22)</b>	<b>-206.4</b>	<b>-123.1</b>	<b>-102.2</b>	<b>-50.5</b>	<b>-17.0</b>
18	Travel (8-13)	-28.5	7.3	-4.3	-84.8	-159.4
19	Transport (9-14)	125.3	32.5	112.2	-10.5	244.7
20	Government (10-15)	84.1	116.7	54.8	-34.8	-53.0
21	Other (11-16)	-284.6	-140.4	-151.2	-46.9	7.7
22	Investment Income (2+5)	-102.6	-139.3	-113.6	10.7	-18.4

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

During the review period, total transfer receipts increased by 0.3 percent and reached USD 1.9 billion. This marginal growth was attributed to 18 percent increase in private transfers. While private individual transfers rose 38.1 percent. NGO transfers declined by 25.6 percent.

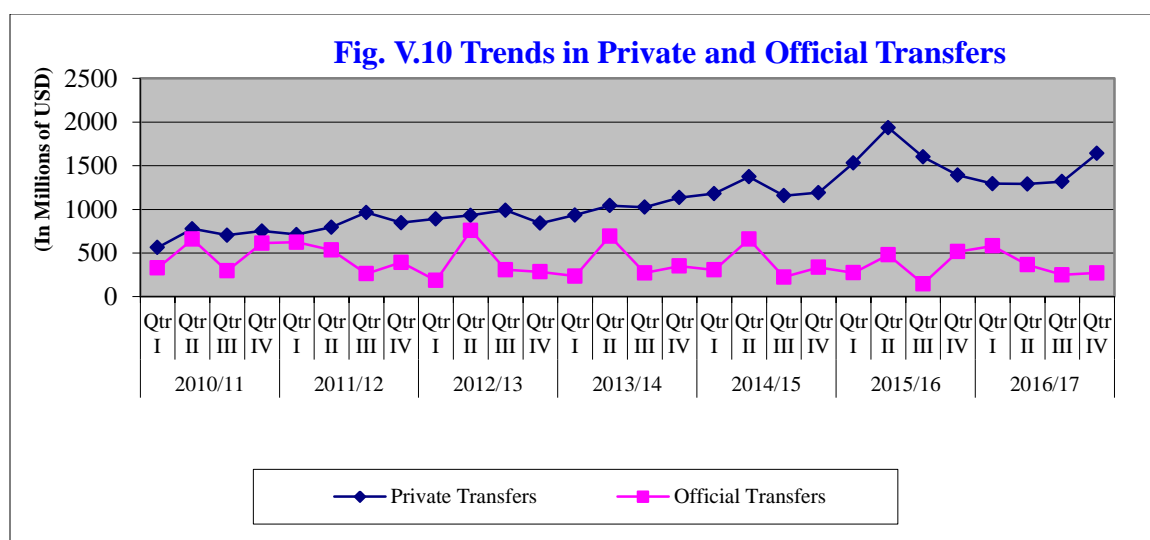
On the other hand, official transfers showed 47.4 percent decline. Total transfer payments increased by 43.1 percent due to 153.6 percent surge in private transfer payments, despite the 49.4 percent decline in official transfer payments.

**Table 5.9: Developments in Transfer Accounts**

(In Millions of USD)

(in millions of USD)

S/N	Particulars	2015/16		2016/17				Percentage Change	
		QIV	% Share*	QIII	% Share*	QIV	% Share*		
A	Share*	B	Share*	C	Share*	D=C/A	E=C/B		
1	Private transfers, net (2-5)	1,379.2	73.3	1,305.1	84.1	1,611.6	85.9	16.9	23.5
2	Credit (3+4)	1,390.9	73.0	1,318.9	84.1	1,641.1	85.8	18.0	24.4
3	NGO's	438.8	23.0	257.5	16.4	326.6	17.1	-25.6	26.8
4	Private individuals	952.0	49.9	1,061.3	67.7	1,314.5	68.7	38.1	23.9
5	Debit	11.6	45.6	13.7	85.1	29.5	80.8	153.6	115.1
6	Official transfers, net (7-8)	501.6	26.7	246.7	15.9	264.3	14.1	-47.3	7.1
7	Credit	515.4	27.0	249.1	15.9	271.3	14.2	-47.4	8.9
8	Debit	13.9	54.4	2.4	14.9	7.0	19.2	-49.4	191.9
9	Total Receipts	1,906.3	100.0	1,568.0	100.0	1,912.5	100.0	0.3	22.0
10	Total Payments	25.5	100.0	16.1	100.0	36.5	100.0	43.1	126.6
11	Net Transfers	1,880.8	100.0	1,551.8	100.0	1,876.0	100.0	-0.3	20.9

**Source:** NBE Staff Computation**Source:** NBE Staff Compilation

## **5.4. Current Account Balance**

Hence, the current account balance (including official transfers) registered USD 1.4 billion deficit during the fourth

quarter of 2016/17, compared with USD 1.6 billion deficit a year ago (Table 5.1).

## **5.5. Capital Account**

In the review period, capital account recorded USD 1.8 billion surplus, which was 7.0 percent higher than that of a year earlier. This was attributed to the increase in other public long term capital

net (114.8 percent), private sector long term capital (429.9 percent) and FDI inflows (1.8 percent) (Table 5.1).

## **5.6. Changes in Reserve Position**

Net foreign assets of the National Bank of Ethiopia and commercial banks showed a USD 409.3 million and USD

115.8 million build up, respectively. Thus, foreign reserve cover as of June 30, 2017 was 2.4 months of imports (Table 5.1).

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

### **5.7.1 Exchange Rate Movements**

During the fourth quarter of 2016/17, the weighted average official exchange rate of Birr in the inter-bank forex market reached Birr 22.9225/USD, showing a 6.3 percent annual depreciation. Likewise, the end period exchange rate of the quarter was Birr 23.1081/USD, indicating weakening of

the Birr against USD by 6.0 percent compared with same period last year.

**Table 5.10: Developments in Inter-bank Market Forex Traded and Exchange Rates (USD/ETB)**

Period		Official Market			
		End Period Weighted Rate	Average Weighted Rate	Amount Traded in millions of USD	
				Total	Among CBs
<b>2015/16</b>		<b>21.8004</b>	<b>21.1059</b>	<b>12.7</b>	<b>0.0</b>
<b>Qtr. IV</b>	<b>C</b>	<b>21.8004</b>	<b>21.5713</b>	<b>3.15</b>	<b>0.00</b>
April		21.4884	21.4293	1.00	0.00
May		21.6332	21.5642	1.05	0.00
June		21.8004	21.7205	1.10	0.00
<b>2016/17</b>					
<b>Qtr. III</b>	<b>B</b>	<b>22.7519</b>	<b>22.5832</b>	<b>3.15</b>	<b>0.00</b>
January		22.5284	22.4721	1.05	0.00
February		22.6322	22.5828	1.00	0.00
March		22.7519	22.6948	1.10	0.00
<b>Qtr. IV</b>	<b>A</b>	<b>23.1081</b>	<b>22.9225</b>	<b>3.05</b>	<b>0.00</b>
April		22.8561	22.8067	0.95	0.00
May		22.9705	22.9161	1.00	0.00
June		23.1081	23.0447	1.10	0.00
<b>Percentage Changes</b>	<b>A/B</b>	<b>1.57</b>	<b>1.50</b>	<b>-3.17</b>	
	<b>A/C</b>	<b>6.00</b>	<b>6.26</b>	<b>-3.17</b>	

**Source:** National Bank of Ethiopia

In retail foreign exchange market, the average buying rate in the forex bureau of commercial banks stood at Birr 22.9220/USD, whereas the selling rate was Birr 23.3693/USD showing 6.28 percent and 6.31 percent respective depreciation compared to the same quarter of last year.

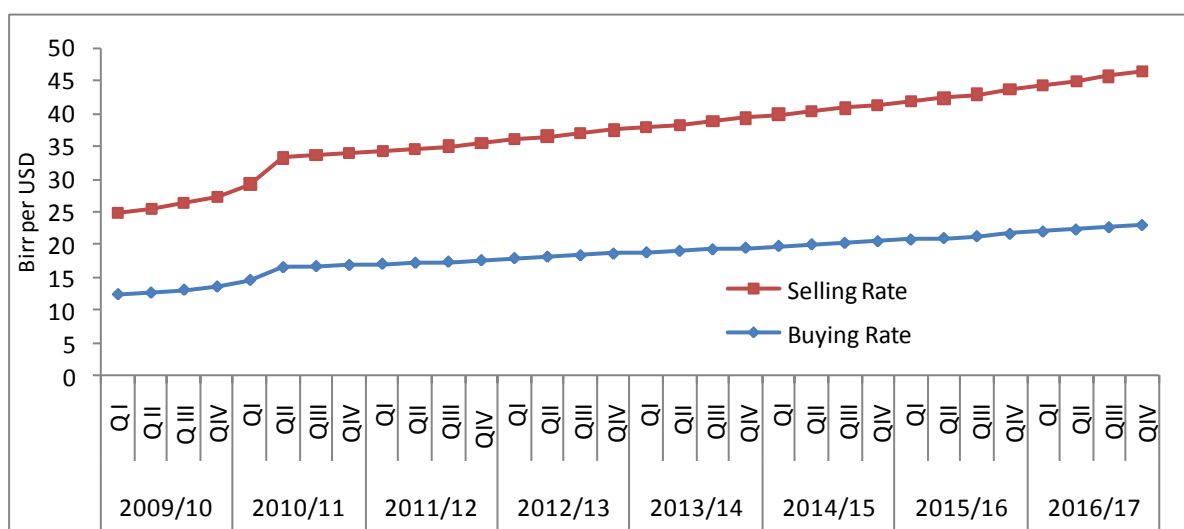
Thus, the average spread between the buying and the selling rates went up to 1.95 percent from 1.92 percent recorded a year ago (Table 5.11).

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

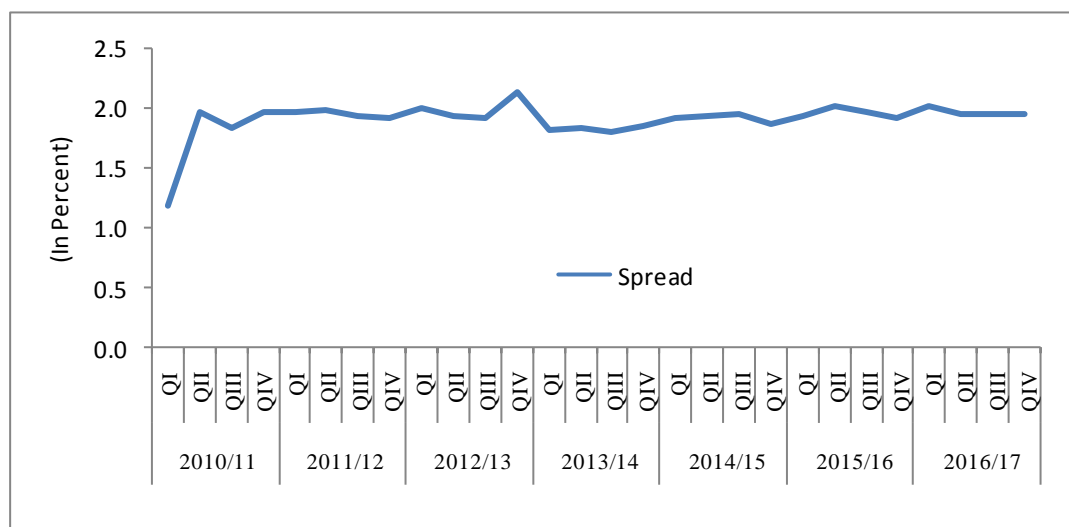
No.	Name of Forex Bureaux	2015/16		2016/17				Percentage Change			
		Quarter IV A		Quarter III B		Quarter IV C		C/B		C/A	
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	66,759.1	24,333.6	61,942.1	17,271.0	53,655.7	25,012.3	-13.38	44.82	-19.63	2.79
2	Bank of Abyssinia	958.9	2,424.8	731.7	2,835.1	1,202.6	2,263.8	64.36	-20.15	25.41	-6.64
3	Dashen Bank	3,114.8	12,864.3	3,558.8	3,950.7	2,807.8	3,873.7	-21.10	-1.95	-9.85	-69.89
4	Awash Bank	977.7	2,292.4	1,047.5	3,027.4	1,010.6	6,997.0	-3.52	131.12	3.37	205.23
5	Wegagen Bank	905.9	1,563.5	700.4	974.0	1,616.3	1,441.7	130.76	48.02	78.41	-7.79
6	United Bank	1,591.5	2,709.7	1,359.0	3,011.3	1,421.8	3,725.0	4.62	23.70	-10.66	37.47
7	Development Bank	4.2	142.2	-	65.8	-	48.7	-	-25.94	-	-65.74
8	Nib International Bank	364.0	1,719.4	225.0	1,436.2	383.2	2,493.1	70.34	73.59	5.28	45.00
9	Lion International Bank	2,375.9	1,272.1	4,498.6	938.1	5,380.7	1,484.4	19.61	58.24	126.48	16.69
10	Oromia International Bank	822.3	1,040.1	854.7	1,218.4	1,025.1	1,433.2	19.93	17.63	24.65	37.79
11	Zemen Bank	205.3	2,110.5	183.4	1,803.0	131.9	2,132.1	-28.12	18.25	-35.78	1.02
12	Cooperative Bank of Oromia	49.2	218.9	193.5	536.0	281.6	745.0	45.54	38.99	472.47	240.36
13	Buna International Bank	336.9	467.0	1,827.0	389.4	1,174.4	676.3	-35.72	73.67	248.57	44.79
14	Birhan International Bank	90.2	374.7	47.9	477.4	124.1	941.6	-	97.23	37.66	-
15	Abay Bank	30.8	268.3	56.7	261.1	68.1	459.0	20.10	75.79	121.30	71.09
16	Addis International Bank	86.4	393.9	1,308.2	331.0	1,605.7	563.9	22.74	70.33	1757.58	43.14
17	Debub Global Bank	123.6	87.1	37.0	51.8	8.2	50.3	-78.00	-2.88	-93.41	-42.20
18	Enat Bank	111.2	47.8	46.5	105.2	67.9	155.1	45.97	47.44	-39.00	224.79
	<b>Total</b>	<b>78,907.9</b>	<b>54,330.3</b>	<b>78,617.9</b>	<b>38,683.1</b>	<b>71,965.6</b>	<b>54,496.4</b>	<b>-8.46</b>	<b>40.88</b>	<b>-8.80</b>	<b>0.31</b>
	<b>Average Exchange Rate</b>	<b>21.5685</b>	<b>21.9831</b>	<b>22.5776</b>	<b>23.0161</b>	<b>22.9220</b>	<b>23.3693</b>	<b>1.53</b>	<b>1.53</b>	<b>6.28</b>	<b>6.31</b>
	<b>Exchange Rate Spread (%)*</b>	<b>1.92</b>		<b>1.94</b>		<b>1.95</b>					

**Source:** National Bank of Ethiopia

Note: \* refers the percentage spread between forex bureaus average buying and selling exchange rate in a given quarter.

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

**Source:** NBE Staff Compilation

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

**Source:** NBE Staff Compilation

In the official forex market, US dollar has depreciated on quarterly basis and appreciated on annual basis vis-à-vis selected major currencies. It weakened by 3.2 percent against Euro, 3.0 percent against Pound Sterling, 2.5 percent against Japanese Yen, 2.1 percent against SDR and 1.9

percent against Swiss Franc. Consequently, the US dollar appreciated against Pound Sterling (11.3 percent), Euro (2.6 percent), Japanese Yen (2.5 percent), SDR (2.3 percent) and Swiss Franc (1.5 percent) (Table5.12).



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

Period		EURO			JAPANESE YEN			SDR			POUNDSTELING			SWISS FRANC		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
2015/16																
QIV	C	1.1294	1.1273	1.1283	0.0092	0.0092	0.0092	1.4048	1.4048	1.4048	1.4365	1.4365	1.4365	1.0302	1.0302	1.0302
April		1.1337	1.1337	1.1337	0.0091	0.0091	0.0091	1.3944	1.3944	1.3944	1.4292	1.4292	1.4292	1.0375	1.0375	1.0375
May		1.1315	1.1316	1.1316	0.0092	0.0092	0.0092	1.4113	1.4113	1.4113	1.4541	1.4541	1.4541	1.0233	1.0233	1.0233
June		1.1229	1.1167	1.1198	0.0094	0.0095	0.0094	1.4088	1.4088	1.4088	1.4264	1.4264	1.4264	1.0299	1.0299	1.0299
2016/17																
QIII	B	1.0649	1.0649	1.0649	0.0088	0.0088	0.0088	1.3445	1.3445	1.3445	1.2377	1.2377	1.2377	0.9956	0.9956	0.9956
January		1.0608	1.0608	1.0608	0.0087	0.0087	0.0087	1.3500	1.3500	1.3500	1.2312	1.2312	1.2312	0.9898	0.9898	0.9898
February		1.0649	1.0649	1.0649	0.0088	0.0088	0.0088	1.3556	1.3556	1.3556	1.2483	1.2483	1.2483	0.9988	0.9988	0.9988
March		1.0690	1.0690	1.0690	0.0089	0.0089	0.0089	1.3278	1.3278	1.3278	1.2338	1.2337	1.2338	0.9980	0.9980	0.9980
QIV	A	1.0989	1.0984	1.0987	0.0090	0.0090	0.0090	1.3730	1.3723	1.3726	1.2749	1.2742	1.2745	1.0146	1.0141	1.0143
April		1.0705	1.0688	1.0697	0.0091	0.0091	0.0091	1.3616	1.3594	1.3605	1.2623	1.2603	1.2613	0.9989	0.9973	0.9981
May		1.1047	1.1047	1.1047	0.0089	0.0089	0.0089	1.3744	1.3744	1.3744	1.2928	1.2928	1.2928	1.0134	1.0134	1.0134
June		1.1217	1.1217	1.1217	0.0090	0.0091	0.0091	1.3830	1.3830	1.3830	1.2695	1.2695	1.2695	1.0315	1.0315	1.0315
Percentage Changes	A/B	3.20	3.14	3.17	2.38	2.51	2.45	2.12	2.07	2.09	3.00	2.94	2.97	1.91	1.86	1.89
	A/C	-2.69	-2.57	-2.63	-2.54	-2.47	-2.51	-2.27	-2.32	-2.29	-11.26	-11.30	-11.28	-1.52	-1.57	-1.54

**Source:** National Bank of Ethiopia

Likewise, the Birr depreciated against selected major currencies on quarterly and annual basis except Pound Sterling. Quarter-on-quarter bases, the Birr depreciated by 4.8 percent against Euro, 4.5 percent against Pound Sterling, 4.0 percent against Japanese Yen, 3.7 percent against SDR, 3.5 percent against Swiss Franc and 1.5 percent against USD.

On yearly basis too, the Birr lost ground against USD (6.3 percent), Swiss Franc (4.7 percent), SDR (3.9 percent), Japanese Yen (3.6 percent) and Euro (3.5 percent), while it appreciated by 5.7 percent vis-à-vis Pound Sterling (Table5.13).

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

Period		Currency																	
		USD			EURO			JAPANESE YEN			SDR			POUNDSTERLING			SWISS FRANC		
		Buying	Selling	Mid-Rate	Buying	Selling	Mid-Rate	Buying	Selling	Mid-Rate	Buying	Selling	Mid-Rate	Buying	Selling	Mid-Rate	Buying	Selling	Mid-Rate
2015/16																			
QIV	C	21.5713	21.7870	21.6792	24.3611	24.5594	24.4603	0.1994	0.2014	0.2004	30.3047	30.6078	30.4562	30.9876	31.2975	31.1425	22.2232	22.4455	22.3344
April		21.4293	21.6436	21.5364	24.2937	24.5367	24.4152	0.1949	0.1969	0.1959	29.8807	30.1795	30.0301	30.6264	30.9327	30.7796	22.2317	22.4540	22.3428
May		21.5642	21.7798	21.6720	24.4003	24.6447	24.5225	0.1980	0.2000	0.1990	30.4329	30.7372	30.5851	31.3559	31.6694	31.5127	22.0669	22.2875	22.1772
June		21.7205	21.9377	21.8291	24.3893	24.4968	24.4431	0.2053	0.2073	0.2063	30.6005	30.9066	30.7535	30.9805	31.2903	31.1354	22.3712	22.5949	22.4831
2016/17																			
QIII	B	22.5832	22.8091	22.6961	24.0478	24.2883	24.1680	0.1987	0.2005	0.1996	30.3613	30.6649	30.5131	27.9576	28.2372	28.0974	22.4822	22.7071	22.5947
January		22.4721	22.6969	22.5845	23.8341	24.0725	23.9533	0.1953	0.1969	0.1961	30.3355	30.6388	30.4871	27.6824	27.9592	27.8208	22.2403	22.4627	22.3515
February		22.5828	22.8087	22.6958	24.0484	24.2889	24.1686	0.1998	0.2018	0.2008	30.6134	30.9196	30.7665	28.1905	28.4724	28.3315	22.5561	22.7816	22.6688
March		22.6945	22.9217	22.8081	24.2608	24.5034	24.3821	0.2010	0.2030	0.2020	30.1350	30.4364	30.2857	27.9999	28.2799	28.1399	22.6504	22.8769	22.7637
QIV	A	22.9226	23.1603	23.0415	25.1930	25.4409	25.3169	0.2065	0.2088	0.2076	31.4739	31.7832	31.6285	29.2231	29.5106	29.3669	23.2589	23.4877	23.3733
April		22.8067	23.0603	22.9335	24.4150	24.6472	24.5311	0.2069	0.2094	0.2081	31.0538	31.3480	31.2009	28.7892	29.0629	28.9261	22.7824	22.9988	22.8906
May		22.9189	23.1481	23.0335	25.3180	25.5712	25.4446	0.2042	0.2062	0.2052	31.5003	31.8153	31.6578	29.6289	29.9252	29.7771	23.2256	23.4579	23.3417
June		23.0421	23.2726	23.1574	25.8458	26.1043	25.9751	0.2085	0.2107	0.2096	31.8675	32.1862	32.0269	29.2513	29.5438	29.3975	23.7689	24.0066	23.8877
Percentage Change	A/B	1.50	1.54	1.52	4.76	4.75	4.75	3.93	4.11	4.02	3.66	3.65	3.66	4.53	4.51	4.52	3.45	3.44	3.45
	A/C	6.26	6.30	6.28	3.41	3.59	3.50	3.56	3.66	3.61	3.86	3.84	3.85	-5.69	-5.71	-5.70	4.66	4.64	4.65

**Source:** NBE Staff Compilation

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

Currency	June 30, 2016	March 31, 2017	June 30, 2017	Percentage change	
	C	B	A	A/B	A/C
USD	21.9094	22.8657	23.2237	<b>1.57</b>	<b>6.00</b>
Pound	29.4309	28.4998	30.1095	<b>5.65</b>	<b>2.31</b>
Swedish Kroner	2.5751	2.5699	2.7248	<b>6.03</b>	<b>5.81</b>
Djibouti Frank	0.1229	0.1283	0.1303	<b>1.56</b>	<b>6.02</b>
Swiss Frank	22.3429	22.9760	24.2191	<b>5.41</b>	<b>8.40</b>
Saudi Riyal	5.8416	33.0972	6.1923	<b>-81.29</b>	<b>6.00</b>
UAE Dirham	5.9650	6.2247	6.3222	<b>1.57</b>	<b>5.99</b>
Canadian Dollar	16.8612	17.1523	18.8260	<b>9.76</b>	<b>11.65</b>
Japanese Yen	0.2135	0.2059	0.2061	<b>0.10</b>	<b>-3.49</b>
Euro	24.2822	24.5600	26.4866	<b>7.84</b>	<b>9.08</b>
SDR	30.5724	31.1408	32.2251	<b>3.48</b>	<b>5.41</b>

**Source:** NBE Staff Compilation

### 5.7.2. Movements in the Real Effective Exchange Rate

During the fourth quarter of 2016/17, the REERI of the Birr appreciated by 7.9 percent on annual and 0.1 percent on quarterly basis mainly due to higher domestic inflation and lower depreciation of Birr relative to that of Ethiopia's major trading partner currencies.

Likewise, the NEERI appreciated by 1.6 percent vis-à-vis last year same period due to relative appreciation of US dollar against trading partner currencies. On quarterly basis, however it depreciated by 2.9 as USD dropped against some major currencies in the recent quarters (Table 5.15).

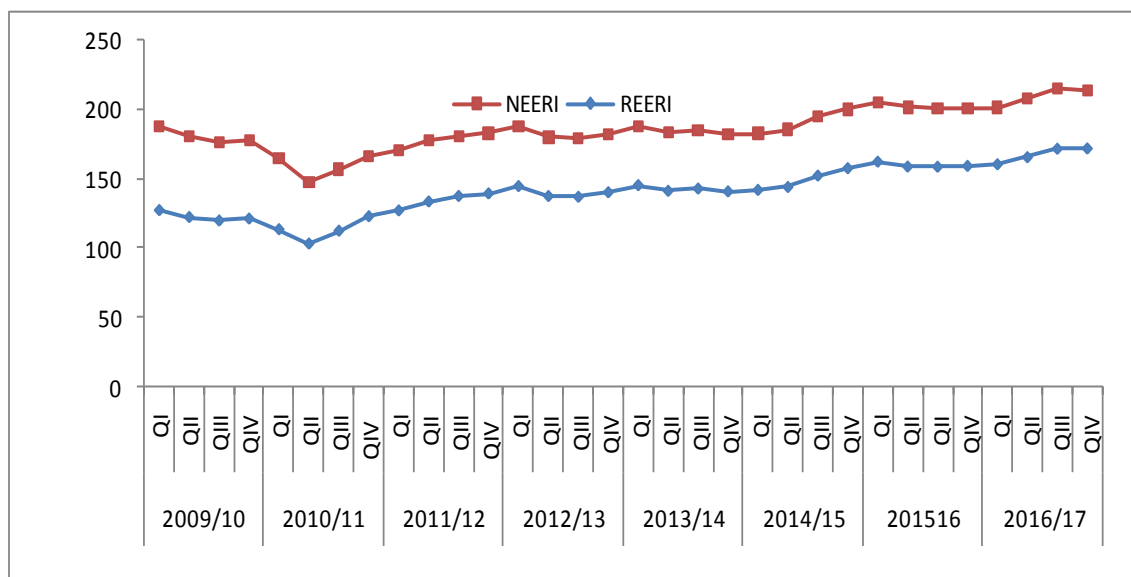
**Table 5.15 Trends in the Real and Nominal Effective Exchange Rates**

Item	2015/16	2016/17		Percentage Change	
	QIV	QIII	QIV		
	A	B	C	C/B	C/A
<b>REERI</b>	159.3	171.7	171.9	0.12	7.93
<b>NEERI</b>	41.2	43.0	41.8	-2.88	1.58

**Source:** NBE Staff Compilation

**NB:**

- REERI = Real Effective Exchange Rate Index, NEERI = Nominal Effective Exchange Rate Index
- A decrease in the REERI and NEERI implies depreciation and vice versa.

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

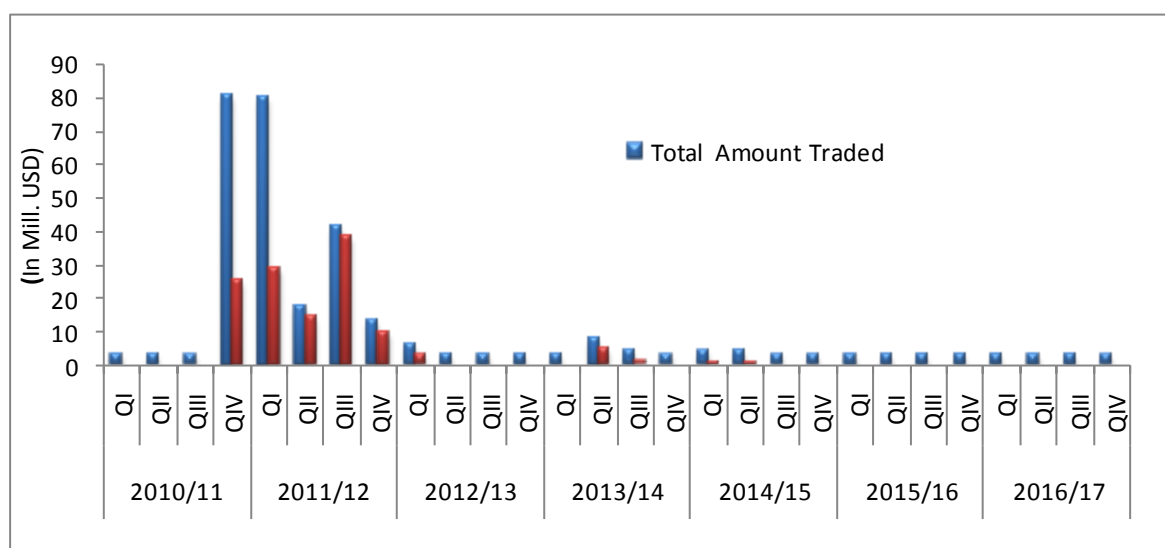
**Source:** NBE Staff Compilation

### 5.7.3 Volume of Transactions

In the fourth quarter of 2016/17, the total amount of foreign exchange traded in the inter-bank foreign exchange market was USD 3.1 million, 3.2 percent lower than the

amount traded last year same period. The total amount traded in the inter-bank market during the review period was supplied solely by NBE (Table 5:10).

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



**Source:** NBE Staff Compilation

In the same period, forex bureau of commercial banks purchased USD 72.0 million and sold USD 54.5 million foreign exchange. The amount of forex purchased

was 8.8 percent lower than a year ago while the amount sold declined by 0.3 percent (table 5.14).

## VI. FEDERAL GOVERNMENT FINANCE

During the fourth quarter of 2016/17, total revenue and grants of the Federal government was Birr 54.9 billion, depicting a 9.6 percent growth over last year same quarter.

On the other hand, the Federal government total expenditure rose by 5.5 percent and reached Birr 78.7 billion. The growth of government expenditure on quarterly basis

was attributed to the 22.7 percent increase in current expenditure and 51.1 percent surge in regional transfers while capital expenditure slowed down by 28.5 percent.

As a result, the overall fiscal balance (including grants) showed Birr 23.8 billion deficit compared to Birr 24.5 billion deficit registered a year ago.

**Table 6.1 Summary of Quarterly Federal Government Finance [in millions of Birr]**

No	Finer points	2015/16	2016/17			Percentage changes		performance rate
		QIV	Budget	QIII	QIV			
		A	B	C	D	D/A	D/C	D/B
<b>1</b>	<b>Revenue and Grants</b>	<b>50,113.9</b>	<b>194,229.6</b>	<b>41,877.6</b>	<b>54,945.4</b>	<b>9.6</b>	<b>31.2</b>	<b>28.3</b>
<b>1.1</b>	<b>Total Revenue</b>	<b>50,113.9</b>	<b>192,108.7</b>	<b>41,877.6</b>	<b>54,945.4</b>	<b>9.6</b>	<b>31.2</b>	<b>28.6</b>
	Tax Revenue	37,654.2	170,667.4	35,133.0	42,550.7	13.0	21.1	24.9
	Direct tax	9,395.2	49,307.6	7,494.4	11,653.7	24.0	55.5	23.6
	Indirect tax	28,259.0	121,359.8	27,638.7	30,897.0	9.3	11.8	25.5
	Non-Tax Revenue	12,459.7	21,441.3	6,744.6	12,394.7	(0.5)	83.8	57.8
1.2	Grant & Relief		2,120.9	-	-			
<b>2</b>	<b>Current Expenditure</b>	<b>15,178.8</b>	<b>64,671.2</b>	<b>15,472.0</b>	<b>18,620.1</b>	<b>22.7</b>	<b>20.3</b>	<b>28.8</b>
<b>3</b>	<b>Current Surplus/Deficit</b>							
	(Including Grants)	34,935.2	129,558.4	26,405.6	36,325.3	4.0	37.6	28.0
	(Excluding Grants)	34,935.2	127,437.5	26,405.6	36,325.3	4.0	37.6	28.5
<b>4</b>	<b>Capital Expenditure</b>	<b>37,307.8</b>	<b>92,214.1</b>	<b>20,559.3</b>	<b>26,671.5</b>	<b>(28.5)</b>	<b>29.7</b>	<b>28.9</b>
<b>5</b>	<b>Regional Transfers</b>	<b>22,144.4</b>	<b>99,420.1</b>	<b>26,867.0</b>	<b>33,467.6</b>	<b>51.1</b>	<b>24.6</b>	<b>33.7</b>
<b>6</b>	<b>Total Expenditure (2+4+5)</b>	<b>74,630.9</b>	<b>256,305.4</b>	<b>62,898.3</b>	<b>78,759.2</b>	<b>5.5</b>	<b>25.2</b>	<b>30.7</b>
<b>7</b>	<b>Overall Surplus/Deficit</b>							
	(Including Grants)	(24,517.0)	(62,075.8)	(21,020.7)	(23,813.8)	(2.9)	13.3	38.4
	(Excluding Grants)	(24,517.0)	(64,196.7)	(21,020.7)	(23,813.8)	(2.9)	13.3	37.1
<b>8</b>	<b>Total Financing</b>	<b>24,517.0</b>	<b>62,075.8</b>	<b>21,020.7</b>	<b>23,813.8</b>	<b>(2.9)</b>	<b>13.3</b>	<b>38.4</b>
<b>8.1</b>	<b>Net External Borrowings</b>	<b>18,644.6</b>	<b>21,455.6</b>	<b>6,586.5</b>	<b>11,377.6</b>	<b>(39.0)</b>	<b>72.7</b>	<b>53.0</b>
	External Borrowing	15,611.7	18,148.6	5,919.0	7,780.1	(50.2)	31.4	42.9
	Amortization	671.4	3,276.0	501.3	892.2	32.9	78.0	27.2
<b>8.2</b>	<b>Net Domestic Borrowings</b>	<b>10,958.7</b>	<b>34,620.2</b>	<b>12,383.9</b>	<b>3,769.6</b>	<b>(65.6)</b>	<b>(69.6)</b>	<b>10.9</b>
	Banking System	7,670.7	-	8,050.9	(103.4)	(101.3)	(101.3)	
	Non-Bank Sources	3,288.0	-	4,333.0	3,873.0	17.8	(10.6)	
<b>8.3</b>	<b>Privatization receipts</b>	<b>500.0</b>	<b>6,000.0</b>	<b>5,454.1</b>	<b>5,429.2</b>	<b>985.8</b>	<b>(0.5)</b>	<b>90.5</b>
<b>8.4</b>	<b>Others and Residuals</b>	<b>(5,586.3)</b>	<b>0.0</b>	<b>(3,403.8)</b>	<b>3,237.4</b>	<b>(158.0)</b>	<b>(195.1)</b>	

Source: Ministry of Finance and Economic Cooperation

## 6.1 Revenue and Grants

Of the total Birr 54.9 billion revenue and grants collected during the review quarter, all was earned from domestic sources as there were no grant and relief obtained. Total domestic revenue during the review period grew by 9.6 percent vis-a-vis last

year same period and reached Birr 54.9 billion, of which, tax revenue alone constituted 77.4 percent and non-tax revenues 22.6 percent.

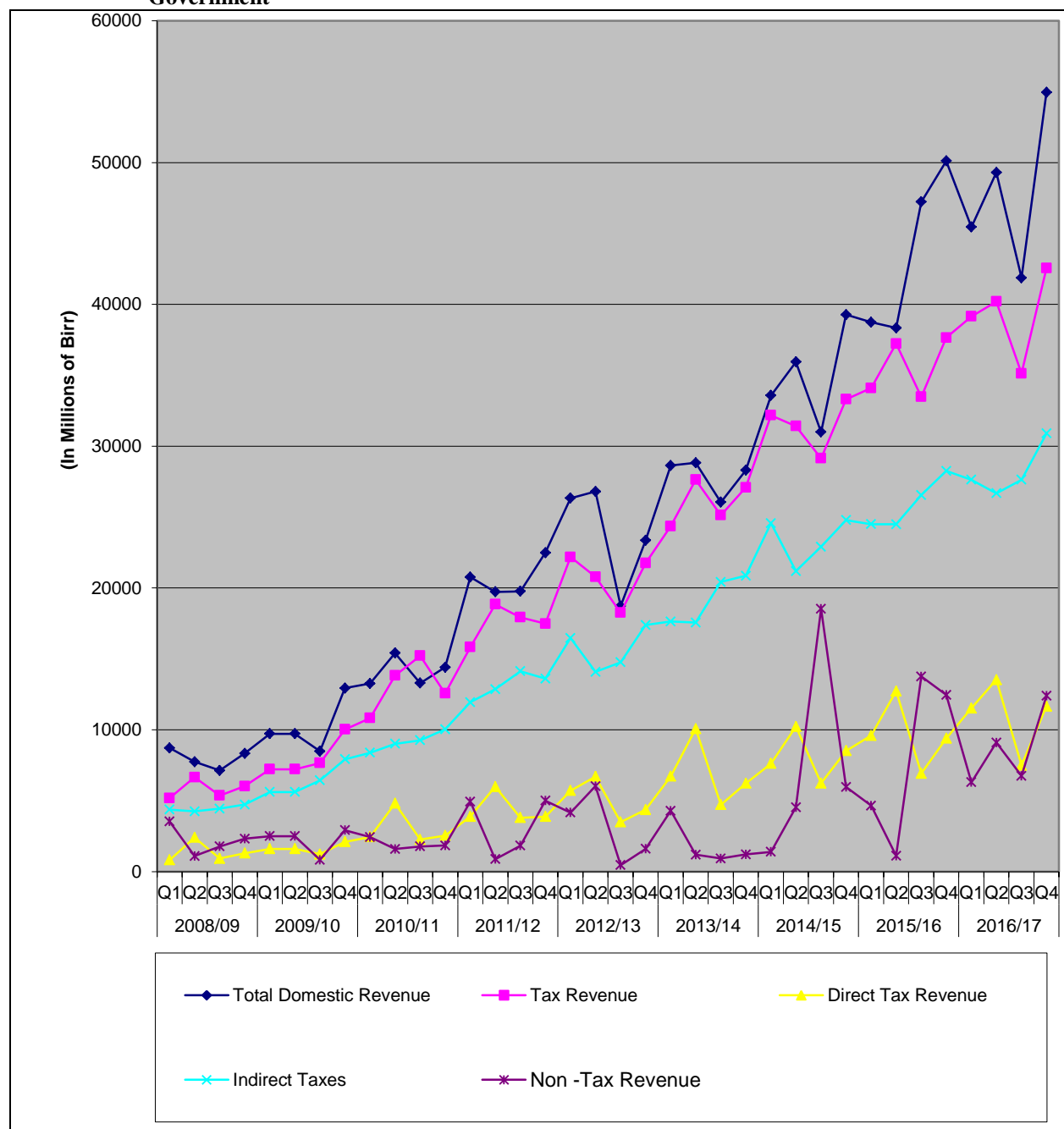


**Table 6.2. Summary of Federal Government Revenue by Component (In Millions of Birr)**

No	Particulars	2015/16	2016/17			Percentage Change		Performance Rate
		QIV	Budget	QIII	QIV			
		A	B	C	D	D/A	D/C	D/B
	<b>Total Revenue and Grants</b>	<b>50,113.9</b>	<b>194,229.6</b>	<b>41,877.6</b>	<b>54,945.4</b>	<b>9.6</b>	<b>31.2</b>	<b>28.3</b>
	<b>Total Domestic Revenue</b>	<b>50,113.9</b>	<b>192,108.7</b>	<b>41,877.6</b>	<b>54,945.4</b>	<b>9.6</b>	<b>31.2</b>	<b>28.6</b>
1	<b>Tax Revenue</b>	<b>37,654.2</b>	<b>170,667.4</b>	<b>35,133.0</b>	<b>42,550.7</b>	<b>13.0</b>	<b>21.1</b>	<b>24.9</b>
1.1	Direct Tax Revenue	9,395.2	49,307.6	7,494.4	11,653.7	24.0	55.5	23.6
1.1.1	Income Taxes	7,983.2	43,264.5	6,128.5	9,767.8	22.4	59.4	22.6
	- Personal	1,665.6	5,783.7	1,521.3	1,864.4	11.9	22.6	32.2
	- Business	6,317.6	37,480.8	4,607.1	7,903.3	25.1	71.5	21.1
1.1.2	Others <sup>1</sup>	1,412.0	6,043.0	1,365.9	1,885.9	33.6	38.1	31.2
1.2	Indirect Taxes	28,259.0	121,359.8	27,638.7	30,897.0	9.3	11.8	25.5
1.2.1	Domestic Taxes	13,019.3	49,678.4	12,103.6	14,006.0	7.6	15.7	28.2
1.2.2	Foreign Trade Taxes	15,239.7	71,681.4	15,535.1	16,891.0	10.8	8.7	23.6
	- Import	15,239.7	71,681.4	15,535.1	16,891.0	10.8	8.7	23.6
2	<b>Non-Tax Revenue</b>	<b>12,459.7</b>	<b>21,441.3</b>	<b>6,744.6</b>	<b>12,394.7</b>	<b>(0.5)</b>	<b>83.8</b>	<b>57.8</b>
3	<b>Privatization</b>	<b>500.0</b>	<b>6,000.0</b>	<b>5,454.1</b>	<b>5,429.2</b>	<b>985.8</b>	<b>(0.5)</b>	<b>90.5</b>
4	<b>Grants and Relief</b>		<b>2,120.9</b>	-	-			

Source: Ministry of Finance and Economic Cooperation

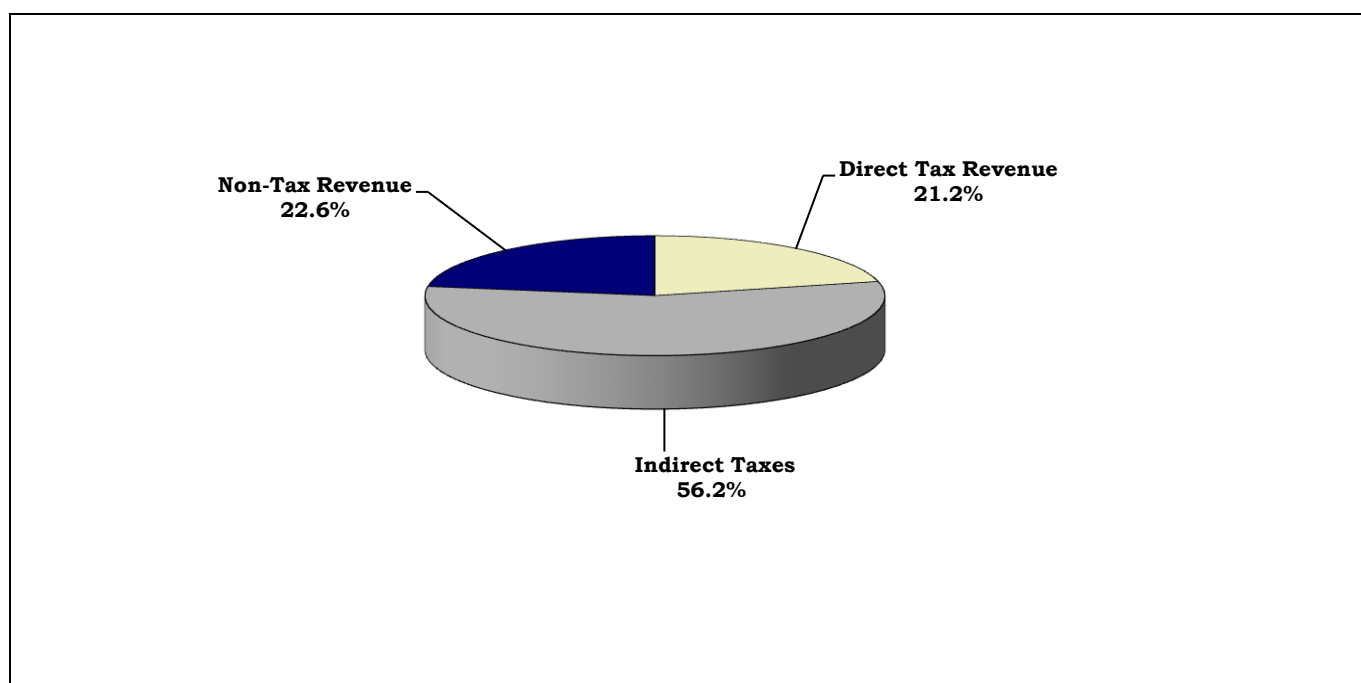
<sup>1/</sup> includes Withholding tax on import, tax on dividend, royalty and interest income

**Fig. VI.1 Quarterly Developments in Major Components of Domestic Revenue of the Federal Government**

Tax revenue reached Birr 42.5 billion depicting a 13.0 percent annual increase. Indirect tax revenue, accounting for 72.6 percent of the total tax revenue, showed a 9.3 percent annual growth and stood at Birr 30.8 billion.

Meanwhile, direct tax revenue, which mostly comprises of personal and business income tax, amounted to Birr 11.6 billion, about a 24.0 percent higher than that of a year ago.

**Fig.VI.2 Domestic Revenue by Major Components during the Fourth Quarter of 2016/17**



## 6.2 Expenditure

Total Federal government expenditure, including regional transfers, topped Birr 78.7 billion during the period and showed a 5.5 percent yearly increment. Of the total expenditure, 24 percent was earmarked for current expenditure, 34 percent for capital expenditure and 42 percent for regional

transfers (Table 6.3).

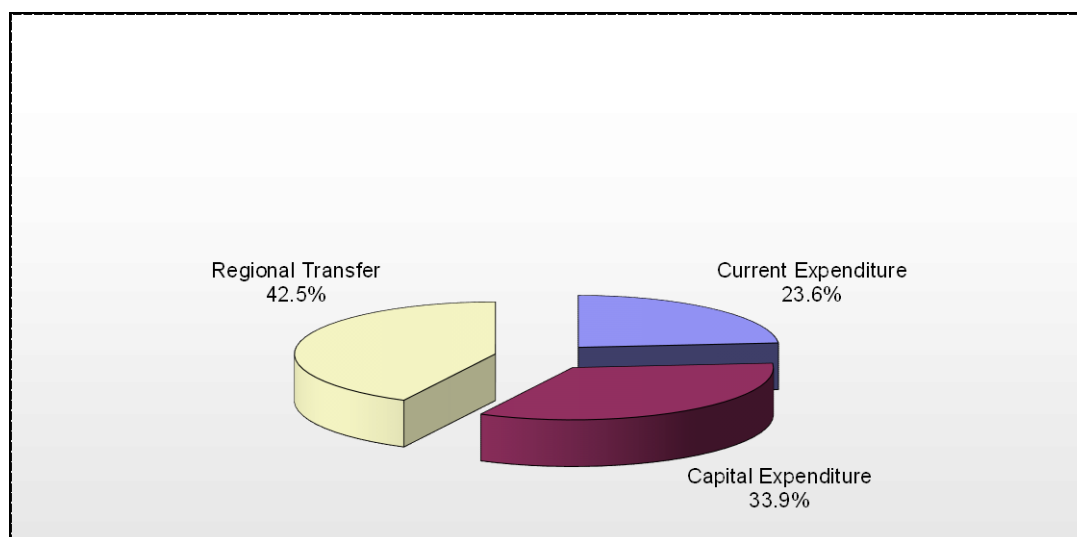
Year-on-year basis, current expenditure went up by 22.7 percent while capital expenditure went down by 28.5 percent and regional transfers by 51.1 percent.

**Table 6.3. Summary of Federal Government Expenditure by Component (In Millions of Birr)**

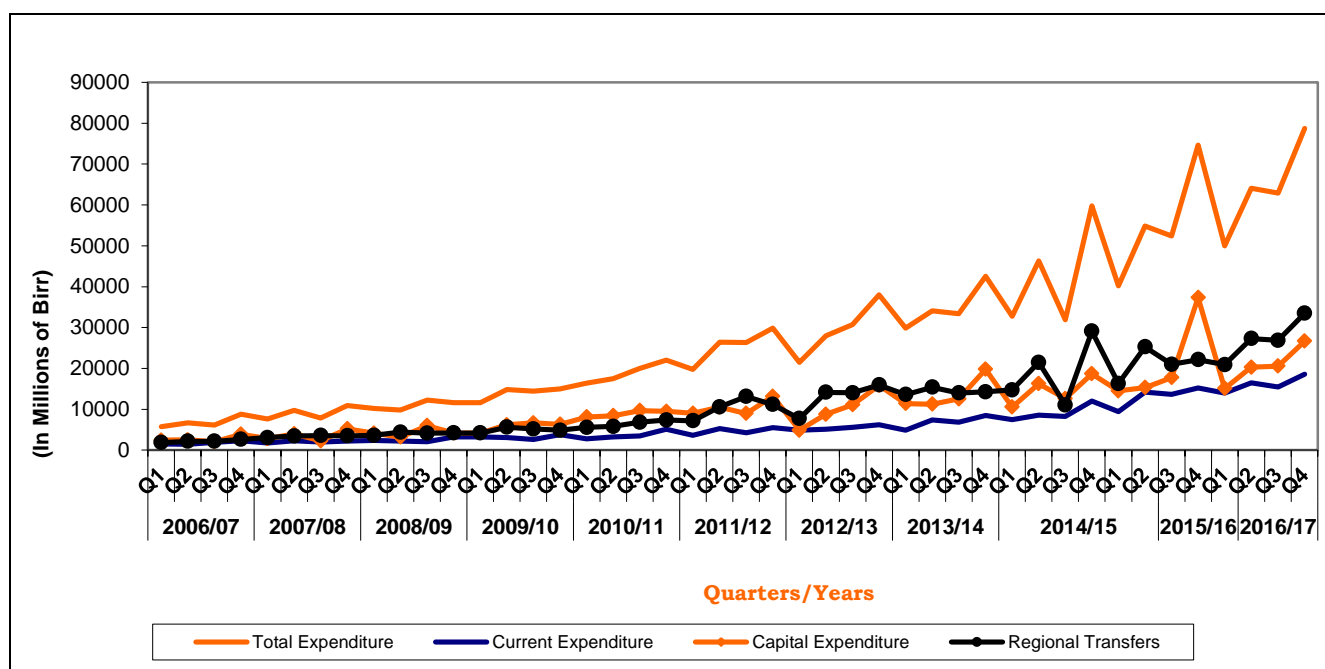
No	Particulars	2015/16	2016/17			Percentage Change		Performance Rate
		QIV	Budget	QIII	QIV			
		A	B	C	D	D/A	D/C	D/B
	<b>Total Expenditure</b>	<b>74,630.9</b>	<b>256,305.4</b>	<b>62,898.3</b>	<b>78,759.2</b>	<b>5.5</b>	<b>25.2</b>	<b>30.7</b>
1	<b>Current Expenditure</b>	<b>15,178.8</b>	<b>64,671.2</b>	<b>15,472.0</b>	<b>18,620.1</b>	<b>22.7</b>	<b>20.3</b>	<b>28.8</b>
	- General Services	4,870.3	20,202.1	5,603.6	5,725.0	17.5	2.2	28.3
	- Economic Services	903.9	3,595.2	991.7	1,319.0	45.9	33.0	36.7
	- Social Services	7,135.8	19,020.5	6,867.4	8,415.5	17.9	22.5	44.2
	- Debt Service	2,268.9	21,853.4	2,009.4	3,160.6	39.3	57.3	14.5
2	<b>Capital Expenditure</b>	<b>37,307.8</b>	<b>92,214.1</b>	<b>20,559.3</b>	<b>26,671.5</b>	<b>(28.5)</b>	<b>29.7</b>	<b>28.9</b>
	- Economic Development	26,820.9	64,118.1	13,154.0	21,469.3	(20.0)	63.2	33.5
	- Social Development	9,637.4	24,155.2	6,749.4	4,348.1	(54.9)	(35.6)	18.0
	- General Development	849.5	3,940.7	655.9	854.1	0.5	30.2	21.7
3	<b>Regional Transfers</b>	<b>22,144.4</b>	<b>99,420.1</b>	<b>26,867.0</b>	<b>33,467.6</b>	<b>51.1</b>	<b>24.6</b>	<b>33.7</b>

Source: Ministry of Finance and Economic Cooperation

**Fig VI.3: Major Components of Federal Governments Expenditure during the Fourth Quarter of 2016/17**



**Fig.VI.4: Quarterly Developments in Federal Government Expenditure by components**

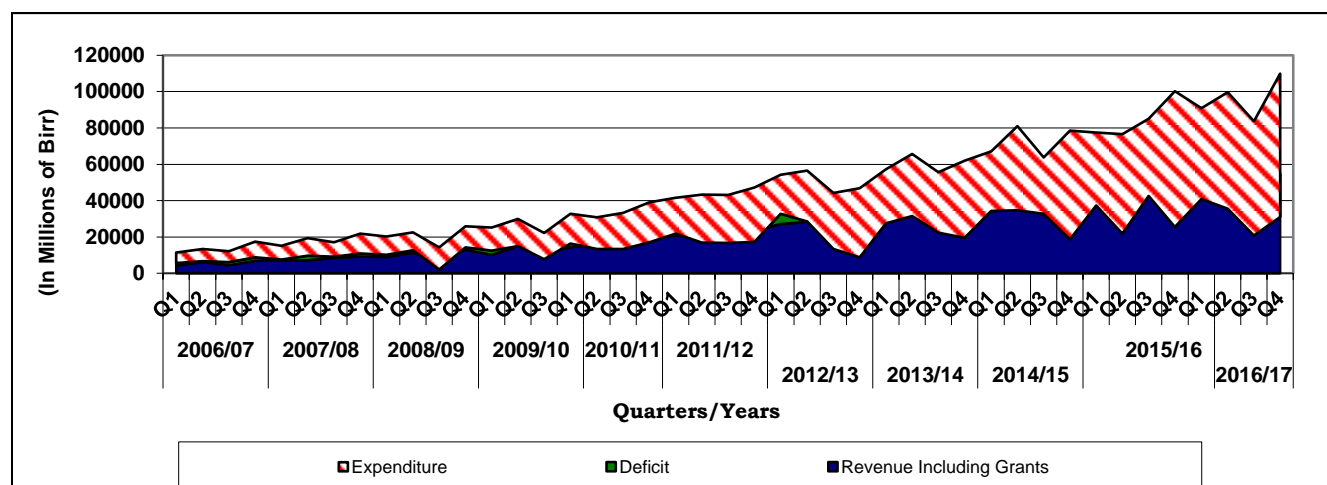


### 6.3. Deficit Financing

Budgetary operations of the Federal government resulted in deficit of Birr 23.8 billion (including grant) in the review period, which was 2.9 percent lower than

that of last year. The deficit was financed by net external borrowing, net domestic borrowing and privatization proceeds.

**Fig.VI.5 Federal Government Finance during Fourth Quarter of F.Y 2016/17**



## VII. Developments in Investment

During the review period, 59 investment projects having investment capital of Birr 394 million became operational. Both the number of investment projects and investment capital tended to slow down over same period of last year.

All reported investment projects were private, of which 93.2 percent were domestic and 6.8 percent foreign. Domestic investment projects had investment capital of Birr 376 million (95.4 percent) while that

of foreign investment comprised Birr 18.3 million (4.6 percent).

These investment projects have generated employment opportunities for 1,557 employees which was 35 percent lower than that of a year ago. Of the total employment created during the period, 59.3 percent was permanent and 40.7 percent casual (Table 7.1).

**Table 7.1: Performance of Operational Investment Projects**

Capital (In millions of Birr)

Type of Projects	Items	Capital (in millions of BDT)					
		2015/16	2016/17			Percentage Changes	
		QIV	QIII	QIV			
		A	B	C	Share	C/A	C/B
1. Total Investment	Number of projects	104	105	59	100.0	-43.3	-43.8
	Capital	1,752.7	864	394	100.0	-77.5	-54.4
	Permanent Employment	2,000	10,867	924	100.0	-53.8	-91.5
	Temporary Employment	2,336	510	633	100.0	-72.9	24.1
2. Private Investment	Number of projects	104	105	59	100.0	-43.3	-43.8
	Capital	1,752.7	864	394	100.0	-77.5	-54.4
	Permanent Employment	2,000	10,867	924	100.0	-53.8	-91.5
	Temporary Employment	2,336	510	633	100.0	-72.9	24.1
2.1 Domestic Investment	Number of projects	93	101	55	93.2	-40.9	-45.5
	Capital	1,676.6	839.0	376.0	95.4	-77.6	-55.2
	Permanent Employment	1,665	10,754	820	88.7	-50.8	-92.4
	Temporary Employment	2,240.0	498	532	84.0	-76.3	6.8
2.2. Foreign Investment	Number of projects	11	4	4	6.8	-63.6	0.0
	Capital	76.1	25.4	18.3	4.6	-76.0	-28.0
	Permanent Employment	335	113	104	11.3	-69.0	-8.0
	Temporary Employment	96	12	101	16.0	5.2	741.7
3. Public Investment	Number of projects						
	Capital						
	Permanent Employment						
	Temporary Employment						

**Source:** Ethiopian Investment Commission.

As for sectoral distribution, construction constituted the lion's share by accounting for 45.8 percent of total investment projects. Manufacturing on its part had a 30.5 percent

share followed by real estate, renting & business activities (13.5 percent), agriculture, hunting & forestry (6.8 percent), and mining & quarrying (3.4 percent). Out



of the total Birr 394 million capital invested, manufacturing sector received 62.7 percent followed by construction (20.6 percent), agriculture, hunting & forestry (8.7 percent), and real estate, renting & business activities (7.5 percent).

With regard to job opportunity, 53 percent of the permanent employment was created by manufacturing followed by construction (27.1 percent), agriculture, hunting &

forestry (10.7 percent), and real estate, renting & business activities (6.7 percent). Similarly, manufacturing sector was the leading sector by employing 45.2 percent of temporary labor force followed by mining & quarrying (19 percent) and construction (17.5 percent). The contributions of agriculture, hunting & forestry, and real estate, renting & business activities were 12 and 6.3 percent, respectively (Table 7.2).

**Table 7.2: Investment Distribution by Sector during the Fourth Quarter of 2016/17**

Sectors	No. of Proj.	Share (%)	Capital (in Million Birr)	Share (%)	Perm. Emp.	Share (%)	Temp. Emp.	Share (%)
Agriculture, hunting and forestry	4	6.8	34.3	8.7	99	10.7	76	12.0
Construction	27	45.8	81.2	20.6	250	27.1	111	17.5
Education								
Electricity, gas, steam and water supply								
Health and social work								
Hotels and restaurants								
Manufacturing	18	30.5	247.1	62.7	490	53.0	286	45.2
Mining and quarrying	2	3.4	2.0	0.5	23	2.5	120	19.0
Other community, social and personal service activities								
Real estate, renting and business activities	8	13.5	29.6	7.5	62	6.7	40	6.3
Tour operation, transport, and communication								
Wholesale, retail trade & repair service								
Others								
<b>Grand Total</b>	<b>59</b>	<b>100.0</b>	<b>394</b>	<b>100.0</b>	<b>924</b>	<b>100.0</b>	<b>633</b>	<b>100.0</b>

**Source:** Ethiopian Investment Commission.

During the review period, investment projects became operational merely in four regions. About 88.1 percent of the total projects with 91.8 percent of total investment capital went to Addis Ababa, and 8.5 percent of the projects having 5 percent of total capital to Tigray followed by Oromia and SNNPR. This pattern was similar to the regions' job creation (Table 7.3).

Table 7.3: Performance of Operational Investment Projects by Region

Capital in million Birr

	2015/16				2016/17												Growth Rate							
	QIV				QIII				QIV								C/A				C/B			
	A				B				C				Share In (%)											
Region	No of Proj	Capital	Perm emp	Tempemp	No of Proj.	Capital	Permemp	Tempemp	No of Proj.	Capital.	Perm.emp	Tempemp	No of Proj.	Capital.	Perm.emp	Temp.emp	No of Proj.	Capital.	Perm emp	Temp emp	No of Proj.	Capital.	Perm emp	Temp emp
Addis Ababa	88	1,676.6	1667	2,155	65	761.5	759	290	52	362	830	435	88.1	91.8	89.8	68.7	40.9	-78.4	-50.2	-79.8	-20.0	-52.5	9.4	50.0
Afar																								
Amhara	7	13.6	63	63	29	67.8	9,958	28																
B.Gumu																								
Dire Dawa																								
Oromia	3	42.5	195	44	2	16.6	101	10	1	8.9	25	41	1.7	2.3	2.7	6.5	66.7	-79.0	-87.2	-6.8	-50.0	-46.2	-75.2	310.0
SNNPR	1	2.2	10						1	3.5	25	25	1.7	0.9	2.7	3.9	0.0	58.2	150.0					
Gambell																								
Somali																								
Harari																								
Tigray	5	17.8	65	74	9	18.6	49	182	5	19.9	44	132	8.5	5.0	4.8	20.9	0.0	11.8	-32.3	78.4	-44.4	7.0	-10.2	-27.5
Multi-regional																								
Grand Total	104	1,752.7	2,000	2,336	105	864	10,867	510	59	394	924	633	100	100	100	100	43.3	-77.5	-53.8	-72.9	-43.8	-54.4	-91.5	24.1

Source: Ethiopian Investment Commission

## VIII. International Economic Developments

### 8.1 Overview of the World Economy<sup>6</sup>

In the fourth quarter of 2016/17, surveys showed sustained global growth. During this period, the global composite output Purchasing Managers' Index (PMI) excluding the Euro area remained at levels similar to those recorded in the previous two quarters.

Quarterly PMIs weakened in the United States, while it picked up in the United Kingdom compared with the previous quarter. Among emerging market economies, Quarterly PMIs decreased in China, but improved in India and Brazil.

In United States, real GDP growth has improved in the fourth quarter compared with the previous quarter supported by increase in real consumer spending and recovering of inventories from low outcomes in the previous quarter. The tightening in labor market, solid increases in asset prices and the consumers' confidence indexes support economic growth.

In Japan, economic growth remains modest. Real GDP increased by 0.3% quarter on quarter, in the third quarter of 2016/17. Industrial production increased only moderately in the first two months of the fourth quarter, which could be linked to weaker export performance. The labor market remains tight. The unemployment rate stood at 3.1% in May 2017.

In Euro area real GDP continued to increase in the third quarter of 2016/17, due to the positive contributions from labor market, house hold income and, to a lesser extent, changes in inventories. The latest economic indicators remain optimistic and point to robust growth in the fourth quarter of 2016/17, around the same rates as in the previous two quarters.

In the United Kingdom, economic activity has slowed down markedly. In the third quarter of 2016/17, real GDP increased by 0.2% down from 0.7% in the previous quarter due to a decline in private consumption.

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<sup>6</sup>Sections 8.1 – 8.4 are excerpted from European Central Bank monthly bulletin of 3/2017.

In China, during the fourth quarter, economic growth remained robust following the rise to 6.9% year on year growth. At the same time, leverage in the economy

continues to rise, notwithstanding measures undertaken by the authorities to address financial market risks.

## 8.2. Inflation Developments

Global inflation has moderated supported by the decline in Energy prices. Annual consumer price inflation in the member countries of the Organization for Economic Co-operation and Development (OECD) declined to 2.1% in May, due to a declining positive contribution of energy prices which more than offset the increasing contribution of food prices. Excluding food and energy, annual inflation in the OECD remained at 1.8% in May.

Annual CPI inflation in the United States decreased to 1.6% in June, while inflation excluding food and energy was stable at 1.7%. Core CPI has been dampened by a sharp decline in prices for mobile telephone. Services and weaker shelter component

mostly stemming from a decline in the energy component. The main components of core inflation also moderated, leading to a fall in CPI excluding food and energy to 2.0%.

In Japan, headline CPI inflation rose further in January, standing at 0.4%, year on year. At the same time, annual growth in the CPI excluding fresh food and energy – the Bank of Japan’s preferred measure of core inflation – strengthened to 0.2%. In U.K, annual CPI inflation accelerated to 2.3% in March 2017, driven largely by energy prices and the depreciation of the pound sterling since the UK referendum on EU membership.

## 8.3 Commodity Price

Brent crude oil prices have fluctuated in the range of USD 48 to USD 56 per barrel since early March. The extension of the output cut for nine months, which was agreed by

OPEC and 11 non-OPEC countries on 25 May 2017, was widely anticipated by markets and priced in before the meeting. Hopes raised by some participating

countries that there might be agreement on an even deeper or longer cut did not materialize, which led to a renewed price drop in the aftermath of the meeting of about 6% in US dollar terms. Regarding future prices, the futures curve is signaling largely unchanged oil prices over the next three years.

#### **8.4 Exchange Rate Developments**

In foreign exchange markets, the euro has appreciated by 2.5% in trade weighted terms since early March). Particularly, the euro appreciated vis-à-vis most other major currencies. In bilateral terms, since 9 March, the euro has strengthened by 6.3% against the US dollar, by 4.6% against the Chinese renminbi, by 1.5% against the Japanese yen and by 1.3% against the Swiss franc. The

Non-oil commodity prices have decreased by around 5%, in USD terms, since early March. This has been driven largely by a substantial decline in the price of iron ore, due to high stocks at Chinese ports and expectations of moderation in Chinese steel demand and, to a lesser extent, due to a decline in food prices. Other non-ferrous metal prices remained broadly stable.

euro also appreciated vis-à-vis the currencies of most emerging economies as well as the currencies of non-euro area EU Member States.

At the same time, the currencies of some central and eastern European Member States, including the Czech koruna, the Polish zloty and the Hungarian forint, appreciated slightly against the euro.

#### **8.5. Impact of Global Economic Development on Ethiopian Economy**

During the fourth quarter of F.Y. 2016/17 global economic activities indicators sustained continued recovery recorded in the previous two quarters. The global composite output Purchasing Managers' Index (PMI),

During same period, global inflation has moderated supported by the decline in

which measures economic health of the manufacturing sector, remained at levels similar to those recorded in the previous two quarters.

energy prices. Non-oil commodity prices including food prices have decreased by around 5%, in USD terms. Thus, the

observed decline in non-oil agricultural commodity prices might have a daunting effect on the country's export revenue. While, the decline in energy price could

reduce the country's import bills and contributes positively for the current account deficit.