

V. External Sector Developments

5.1. Balance of Payments

During the first quarter of 2015/16, the overall balance of payments registered USD 88.3 million in deficit compared to USD 382.6 million deficit a year ago.

This was attributed to the decline of merchandise export earnings (6.6

percent), net official transfers (41 percent), net service receipts, and net capital inflow (46.8 percent) as well as a rise in imports (12.6 percent) (Table 5.1).

Table 5.1: Balance of Payments

(In Millions of USD)

First Quarter 2015/16

1

S/N	Particulars	2014/15		2015/16	Percentage Change	
		QI	QIV	QI		
		A	B	C	C/A	C/B
1	Exports, f.o.b.	735.7	800.3	687.2	-6.6	-14.1
	Coffee	182.6	301.4	185.3	1.5	-38.5
	Other	553.1	499.0	502.0	-9.2	0.6
2	Imports	3,667.5	4,213.4	4,128.5	12.6	-2.0
	Fuel	576.3	474.2	371.6	-35.5	-21.6
	Cereals	172.6	124.2	119.6	-30.7	-3.8
	Aircraft	41.6	47.4	21.8	-47.6	-54.0
	Imports excl. fuel, cereals, aircraft	2,877.0	3,567.6	3,615.5	25.7	1.3
3	Trade Balance (1-2)	-2,931.9	-3,413.1	-3,441.3	17.4	0.8
4	Services, net	11.3	-233.6	-61.9	-646.0	-73.5
	Non-factor services, net	66.2	-160.8	28.4	-57.1	-117.7
	Exports of non-factor services	854.4	682.2	817.5	-4.3	19.8
	Imports of non-factor services	788.3	843.0	789.1	0.1	-6.4
	Income, net	-54.8	-72.8	-90.3	64.6	24.0
	O/w Gross official int.	51.7	73.5	91.4	76.6	24.3
	Dividend	-5.2	-2.1	-1.6	-69.4	-23.7
5	Private transfers, net	1,177.8	1,188.7	1,243.3	5.6	4.6
	o/w: Private Individuals	950.2	908.0	951.9	0.2	4.8
6	Current account balance excluding official transfers (3+4+5)	-1,742.7	-2,458.0	-2,259.9	29.7	-8.1
7	Official transfers, net	302.7	327.1	178.7	-41.0	-45.4
8	Current account balance including official transfers(6+7)	-1,440.1	-2,130.9	-2,081.2	44.5	-2.3
9	Capital account	1,328.1	1,820.2	706.4	-46.8	-61.2
	Off. Long-term Cap., net	144.8	364.0	235.9	62.9	-35.2
	Disbursements	160.0	384.2	251.1	56.9	-34.7
	Amortization	15.3	20.3	15.2	-0.1	-24.9
	Other pub. Long-term cap.	783.2	883.0	-23.2	-103.0	-102.6
	Foreign Direct Investment(net)	464.7	594.3	489.5	5.3	-17.6
	Short-term Capital	-64.5	-21.1	4.2	-106.6	-120.1
10	Errors and omissions	-270.7	390.4	1,286.6		
11	Overall balance (8+9+10)	-382.6	79.8	-88.3		
12	Financing	382.6	-79.8	88.3		
13	Reserves [Increase (-), Decrease (+)]	382.6	-79.8	88.3		
14	Central Bank (NFA)	2.6	-97.8	60.4		
	Asset	-58.7	-93.3	122.5		
	Liabilities	61.3	-4.5	-62.0		
15	Commercial banks (NFA)	380.0	18.0	27.8		
16	Debt Relief					
	Principal					
	Interest					

Source: NBE Staff Compilation

Total current foreign exchange receipts in the review quarter amounted to USD 2.9 billion, 4.7 percent lower than that of same period last year. This was due to decline in export earnings (6.6 percent), service receipts (4.2 percent) and public transfers (40.2 percent).

Meanwhile, total current foreign exchange payments increased by 11

percent to USD 5 billion mainly on account of higher payments for merchandise imports (12.6 percent) and services (4.4 percent). Consequently, the current account recorded USD 2.1 billion net outflows, which was 44.5 percent higher than a year ago (Table 5.2).

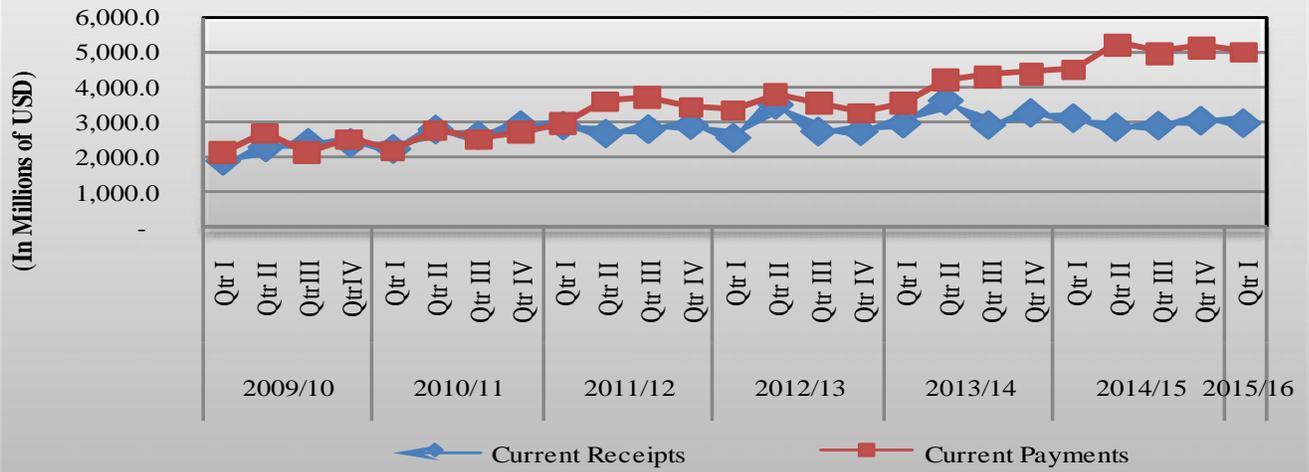
Table 5.2: Current Receipts and Payments

(In millions of USD)

Particulars	2014/15	2015/16		Percentage Change	
	Qtr I	Qtr IV	Qtr I	C/A	C/B
	A	B	C		
1. Current Receipts	3,078.7	3,006.2	2,935.2	-4.7	-2.4
Export Proceeds	735.7	800.3	687.2	-6.6	-14.1
Service Proceeds	856.6	685.0	820.2	-4.2	19.7
Private Transfers	1,180.5	1,190.9	1,244.7	5.4	4.5
Public Transfer	306.0	329.9	183.0	-40.2	-44.5
2. Current Payments	4,518.8	5,137.1	5,016.4	11.0	-2.3
Import Payments	3,667.5	4,213.4	4,128.5	12.6	-2.0
Service Payments	845.2	918.6	882.1	4.4	-4.0
Private Transfers	2.7	2.2	1.4	-47.5	-36.3
Public Transfer	3.4	2.8	4.4	30.0	54.0
3. Net(1-2)	-1,440.1	-2,130.9	-2,081.2	44.5	-2.3

Source: Staff Compilation

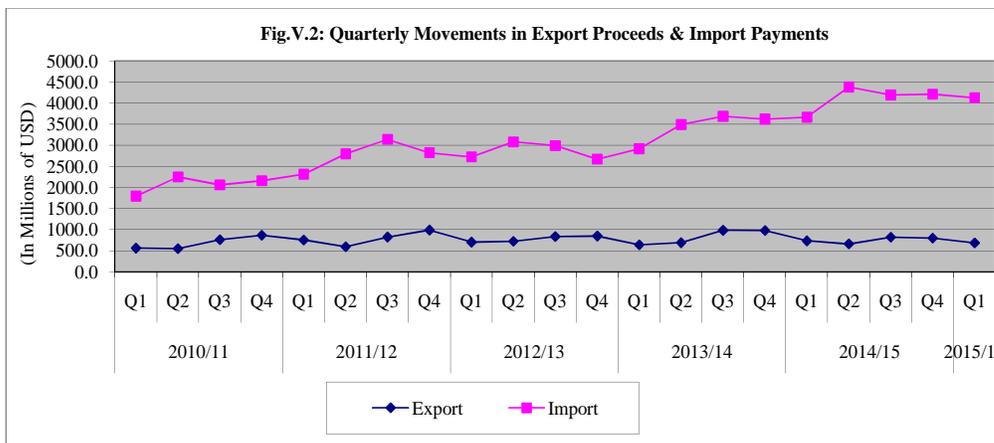
Fig.V.1: Trends in Current Receipts and Payments



Source: NBE Staff Compilation

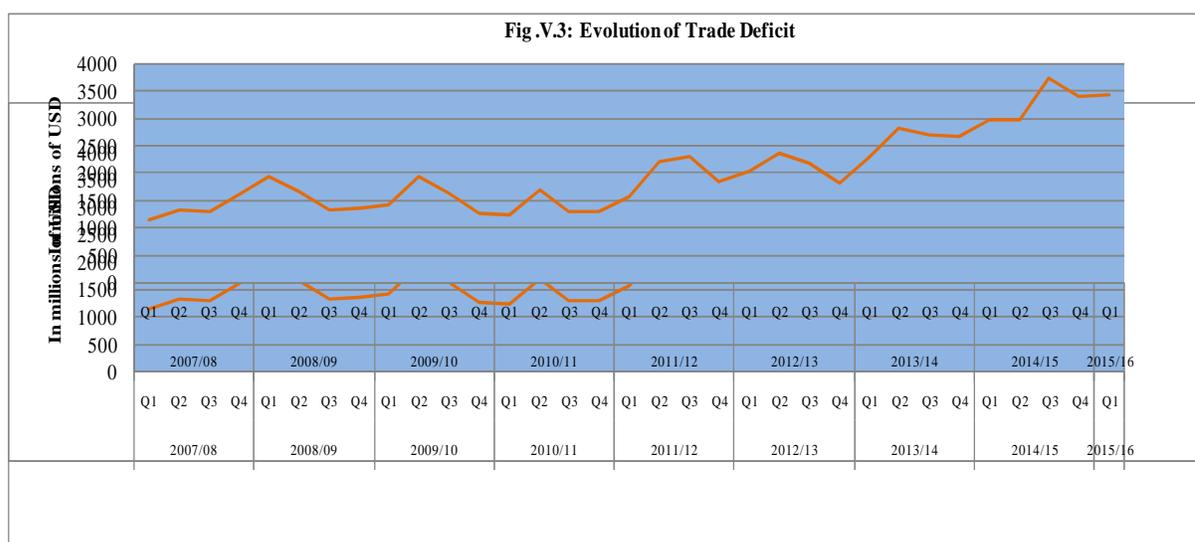
5.2. Merchandise Trade

Merchandise trade deficit during the review quarter amounted to USD 3.4 billion, 17.4 percent higher than same period last year as import bills outweighed in merchandise export earnings.



Source: Ethiopian Revenue and Customs Authority

Note: Export data used in the above graph includes electricity export



Source: NBE Staff Compilation

5.2.1 Exports

Total merchandise export earnings, including electricity, decreased by 6.6 percent and 14.1 percent compared to the same period last year and the preceding quarter, respectively and amounted to USD 687.2 million. The quarter-on-quarter decline resulted from lower export earnings from gold (5.6 percent), oilseeds (40.2 percent), pulses (21.9 percent), leather & leather products (10.4 percent) and electricity (63.9 percent) in line with a slowdown in international price, volume of export or both. The quarterly decline in export proceeds was associated with a fall in the export earnings, mainly coffee (38.5 percent), oilseeds (56.1 percent), leather

& leather products (13.7 percent), flower (5.9 percent) and electricity (17.1 percent).

Earnings from gold export went down by 5.6 percent as compared to the same period last year due to a 12.2 percent drop in international price despite a 7.4 percent increase in export volume. Hence, the share of gold in total merchandise export virtually remained at the same level last year (10.8 percent).

Similarly, earnings from oilseeds plummeted by 40.2 percent relative to last year same period on account of a 16.4 percent decrease in export volume

and 28.5 percent fall in international price. Consequently, the share of oilseeds in total export receipts decreased from 12.3 percent last year to 7.9 percent in the review period.

Earnings from pulses decreased by 21.9 percent on quarter-on-quarter basis and stood at USD 48.7 million owing to a 7.8 percent decline in price and 15.3 percent in volume of export. Thus, the share of pulses in total merchandise exports declined to 7.1 percent from 8.5 percent a year earlier.

Similarly, earnings from leather & leather products dropped 10.4 percent due to 1.9 percent decrease in volume and 8.7 percent in price. As a result, the share of leather & leather products in total export proceeds slowed down to 4.3 percent from 4.5 percent last year same period.

Similarly, electricity export declined by 63.9 percent vis-à-vis last year same period owing to a 67.2 percent drop in export volume (Kwh).

Export earnings from coffee increased by 1.5 percent over last year same period

on account of a 15.8 percent rise in volume despite 12.3 percent decline in price. Consequently, the share of coffee in total export earnings increased to 27 percent from 24.8 percent a year earlier.

Likewise, earnings from chat increased by 9.6 percent compared to last year same quarter. The quarter-on-quarter increase was due to a 9.3 percent rise in export volume and 0.2 percent in international price. As a result, the share of chat in total export earnings increased to 10.6 percent from 9.1 percent share of last year same quarter.

Export proceeds from live-animals grew by 22.1 percent over last year same period due to a 23.4 percent increase in export volume despite a 1 percent fall in international price. Consequently, the share of live-animals in total merchandise export revenue rose to 10.6 percent a year earlier.

Similarly, earnings from flower increased by 22.9 percent with respect to last year same period as a result of 24.9 percent growth in volume despite 1.6 percent slow down in international price. Hence, the share of flower in total export

earnings increased to 7.8 percent from 5.9 percent last year.

Receipts from meat & meat products increased by 8.3 percent compared with previous year same quarter. This was attributed to a 3.3 percent rise in the export volume and 3.2 percent in international price. As a result, the share of meat & meat products in total export earnings slightly increased to 3.8 percent from 3.3 percent.

Likewise, earnings from export of fruits & vegetables went up by 33.7 percent over last year same period due to a 22.2 percent and 9.4 percent rise in export volume and international price, respectively. Consequently, earnings from export of fruits & vegetables reached USD 13.7 million accounting for 2 percent of total merchandise export earnings.

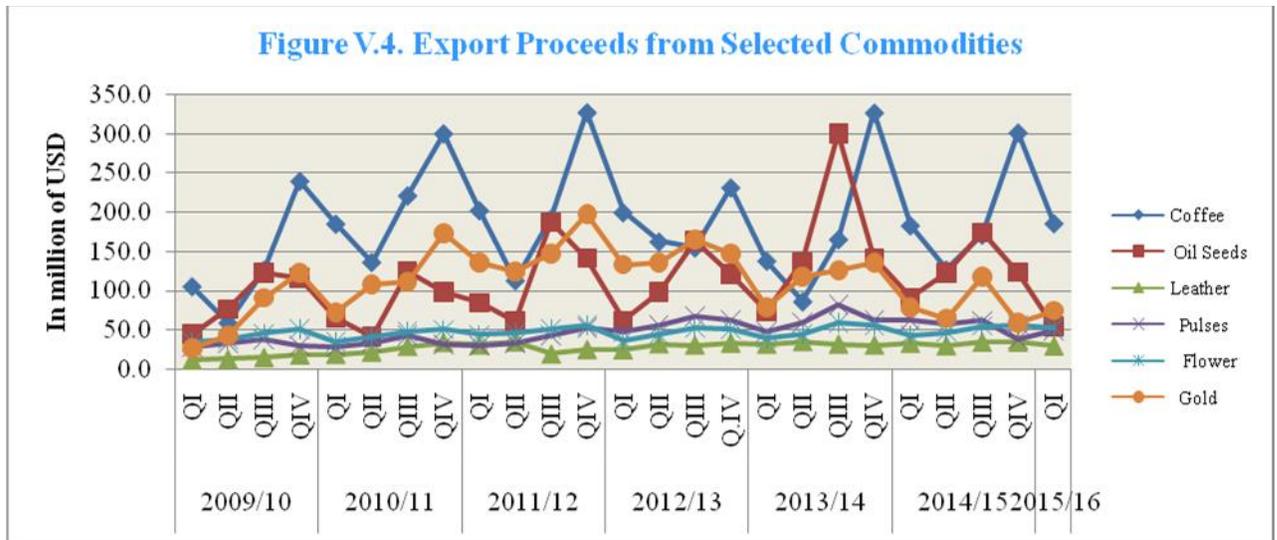
Table 5.3: Values of Major Export Items

(In millions of USD)

Particulars	2014/15				2015/16		Percentage Change	
	QI		QIV		QI		C/A	C/B
	A	%share	B	%share	C	%share		
Coffee	182.6	24.8	301.4	37.7	185.3	27.0	1.5	-38.5
Oilseeds	90.3	12.3	123.0	15.4	54.0	7.9	-40.2	-56.1
Leather and Leather products	33.0	4.5	34.3	4.3	29.6	4.3	-10.4	-13.7
Pulses	62.4	8.5	38.0	4.8	48.7	7.1	-21.9	28.2
Meat & Meat Products	23.9	3.3	24.6	3.1	25.9	3.8	8.3	5.4
Fruits & Vegetables	10.3	1.4	12.3	1.5	13.7	2.0	33.7	11.7
Live Animals	59.89	8.1	34.97	4.4	73.14	10.6	22.1	109.1
Chat	66.72	9.1	57.10	7.1	73.11	10.6	9.6	28.0
Gold	78.5	10.7	58.8	7.3	74.1	10.8	-5.6	26.0
Flower	43.8	5.9	57.1	7.1	53.8	7.8	22.9	-5.9
Electricity*	15.3	2.1	6.7	0.8	5.5	0.8	-63.9	-17.1
Others	69.0	9.4	52.1	6.5	50.4	7.3	-27.0	-3.3
Total	735.7	100.0	800.3	100.0	687.2	100.0	-6.6	-14.1
Total excluding electricity	720.4		793.7		681.7		-5.4	-14.1

Source: Ethiopian Revenue and Customs Authority

*Electricity export for first quarter of 2015/16 is an estimate



Source: Ethiopian Revenue and Customs Authority

Table 5.4: Volume of Major Export Items

In millions of Kg

Particulars	2014/15		2015/16	Percentage Change	
	QI	QIV	QI	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	42.1	73.6	48.8	15.8	-33.7
Oilseeds	46.7	89.5	39.0	-16.4	-56.4
Leather and Leather products	1.55	1.65	1.5	-1.9	-7.9
Pulses	91.4	65.6	77.4	-15.3	18.0
Meat & Meat Products	4.9	4.9	5.1	3.3	3.2
Fruits & Vegetables	35.6	38.5	43.5	22.2	12.9
Live Animals	31.2	17.8	38.5	23.4	116.9
Chat	11.9	10.2	13.1	9.3	28.0
Gold(mill of grams)	2.11	1.69	2.26	7.4	34.1
Flower	10.0	13.4	12.5	24.9	-6.4
Electricity(kwh)*	276.8	100.5	90.8	-67.2	-9.7

Source: Ethiopian Revenue and Customs Authority

*Electricity export for First Quarter of 2015/16 is an estimate

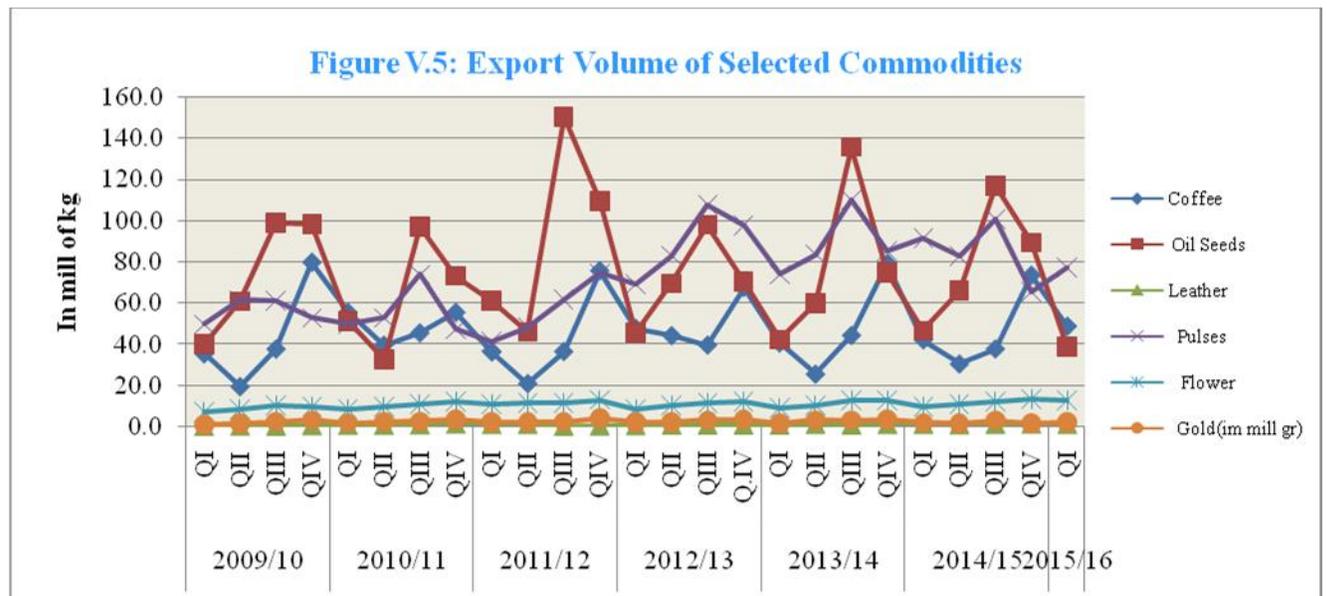
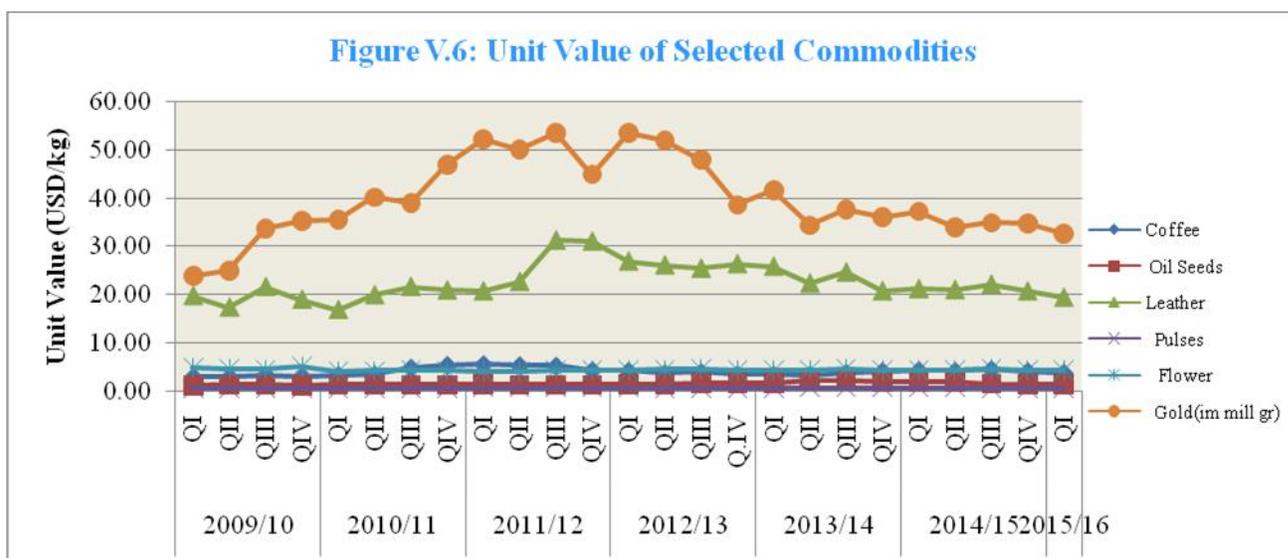


Table 5.5: Unit Value of Major Export Items (In USD/kg)

Particulars	2014/15		2015/16	Percentage Change	
	QI	QIV	QI	C/A*100-100	C/B*100-100
	A	B	C		
Coffee	4.3	4.1	3.8	-12.3	-7.3
Oilseeds	1.9	1.4	1.4	-28.5	0.6
Leather and Leather products	21.3	20.8	19.4	-8.7	-6.4
Pulses	0.68	0.58	0.63	-7.8	8.6
Meat & Meat Products	4.9	5.0	5.1	4.9	2.1
Fruits & Vegetables	0.3	0.3	0.3	9.4	-1.1
Live Animals	1.9	2.0	1.9	-1.0	-3.6
Chat	5.6	5.6	5.6	0.2	0.1
Gold(USD/gm)	37.3	34.9	32.8	-12.2	-6.0
Flower	4.4	4.3	4.3	-1.6	0.6
Electricity(USD/kwh)	0.1	0.1	0.1	10.0	-8.2

Source: NBE Staff Compilation



Source: NBE Staff Compilation

5.2.2 Import

Total merchandise import during the first quarter of 2015/16 stood at USD 4.1 billion showing a 12.6 percent growth owing to rise in import value of capital goods (33.9 percent), consumer goods (0.2 percent), semi-finished goods (35 percent) and raw materials (13.1 percent).

The quarter-on-quarter increment of capital goods resulted from higher import bill of industrial capital goods (38.6 percent), transport capital goods (17.5 percent) and agricultural capital goods (65.5 percent). Consequently, the share of capital goods in total import bills increased to 45 percent from 37.8 percent a year ago.

Table 5.6 Values of Major Import Items

(In millions of USD)

Particulars	2014/15				2015/16		Percentage Changes	
	Qtr I	% share from total Import	Qtr IV	% share from total Import	Qtr I	% share from total Import		
	A		B		C		C/A	C/B
Raw Materials	39.9	1.1	46.5	1.1	45.1	1.1	13.1	-3.0
Semi-finished Goods	520.7	14.2	695.9	16.5	703.0	17.0	35.0	1.0
Fertilizers	9.4	0.3	163.5	3.9	9.6	0.2	2.4	-94.1
Fuel	576.3	15.7	474.2	11.3	371.6	9.0	-35.5	-21.6
Petroleum Products	563.9	15.4	464.0	11.0	351.2	8.5	-37.7	-24.3
Others	12.3	0.3	10.2	0.2	20.4	0.5	65.6	100.1
Capital Goods	1,387.9	37.8	1,825.2	43.3	1,857.9	45.0	33.9	1.8
Transport	328.9	9.0	436.2	10.4	386.5	9.4	17.5	-11.4
Agricultural	14.2	0.4	30.7	0.7	23.5	0.6	65.5	-23.5
Industrial	1,044.8	28.5	1,358.3	32.2	1,448.0	35.1	38.6	6.6
Consumer Goods	1,088.8	29.7	1,112.4	26.4	1,090.5	26.4	0.2	-2.0
Durables	333.8	9.1	324.2	7.7	368.4	8.9	10.4	13.6
Non-durables	755.0	20.6	788.2	18.7	722.1	17.5	-4.4	-8.4
Miscellaneous	54.0	1.5	59.2	1.4	60.3	1.5	11.8	1.9
Total Imports	3,667.5	100.0	4,213.4	100.0	4,128.5	100.0	12.6	-2.0

Source: Ethiopian Revenue and Customs Authority

Meanwhile, import bill of consumer goods in the review period increased by 0.2 percent vis-à-vis same period last year owing to the rise in imports of durable consumer goods by 10.4 percent despite a 4.4 percent decrease in non durable goods. Thus, the share of consumer goods in total import payments decreased to 26.4 percent from 29.7 percent last year same quarter.

Imports of semi-finished goods increased by 35 percent over relative to last year same period as imports of fertilizer went up by 2.4 percent. Thus, in the review period, the share of semi-finished goods in total imports rose to 17 percent from 14.2 percent a year ago.

Likewise, import value of raw materials went up by 13.1 percent vis-à-vis same quarter last year and their share in total

imports of raw materials remained at 1.1 percent.

Fuel import bill decreased by 35.5 percent vis-à-vis the same period last year due to slow down in price.

As a result, the share of fuel in total import declined to 9 percent compared to 15.7 percent a year earlier.

Total franco-valuta import bills increased by 40.8 percent over last year same period and stood at USD 1,025.3 million.

Table 5.7: Values of Franco-valuta Imports

(In millions of USD)

Commodity Group	2014/15	2015/16		Percentage Changes	
	Qtr I	Qtr IV	Qtr I		
	A	B	C	C/A	C/B
Beverages	1.4	0.1	2.50	84.8	1630.9
Chemicals	4.0	11.1	3.36	-16.3	-69.7
Clothing	5.2	10.8	21.53	316.5	99.8
Food and live animals	48.0	50.4	51.50	7.3	2.2
Textiles	4.5	7.2	4.90	8.5	-32.3
Tobacco	0.1	0.1	0.04	-35.1	-66.4
Soap & polish	0.2	0.3	0.45	168.9	45.2
Fertilizer	28.0	168.0	35.49	26.7	-78.9
Paper & paper manufacturing	1.1	0.6	0.87	-22.0	40.8
Metal & metal manufacturing	94.6	105.9	146.03	54.4	37.9
Medical and pharmaceuticals products	9.6	37.5	12.38	29.6	-67.0
Rubber products	13.7	9.7	12.26	-10.4	26.3
Petroleum Crude	0.0	0.0	0.00	169.2	
Petroleum product	1.4	2.8	1.69	20.1	-40.3
Glass & glass ware	2.2	2.0	3.49	60.8	76.8
Electrical material	90.9	140.1	80.18	-11.8	-42.8
Machine	118.6	290.1	304.73	156.9	5.1
Air craft	41.6	47.4	21.81	-47.6	-54.0
Road & motor vehicles	70.4	99.9	58.53	-16.8	-41.4
Tele apparatus	0.5	0.3	0.32	-38.0	17.8
Cement	0.0	0.0	0.82	10108.8	2420.8
Others	192.5	269.7	262.43	36.3	-2.7
Total	728.4	1254.1	1025.34	40.8	-18.2

Source: Ethiopian Revenues and Customs Authority

5.2.3 Direction of Trade

5.2.3.1 Exports

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

Europe accounting for 37.4 percent of the total export earnings was the main outlet for Ethiopian export commodities. Within Europe, Switzerland (29.2 percent), Germany (18.7 percent), Netherlands (17.8 percent), Belgium (6.2 percent), Italy (5.3 percent), United Kingdom (4.4 percent), France (3.2 percent, Spain (2.1 percent) and Turkey (2 percent) were the major export markets. Altogether, these countries accounted for 88.9 percent of the total exports to Europe.

The main commodities exported to Switzerland were gold, coffee, chat and vegetables while coffee, textile & garment, flower, chat and pulse were the major items exported to Germany. The principal export items to the Netherlands were flower, coffee and oilseeds, and to Belgium were coffee, pulses and flower. Italy largely imported coffee, leather & leather products and flower.

Likewise, the major commodities exported to United Kingdom included coffee, leather & leather products, flower and pulses while coffee, flower and pulses went to France ; coffee, textile and garment to Spain and oilseeds, textile & garments, pulses and coffee to Turkey.

Asia constituted 28.1 percent of Ethiopian exports where Saudi Arabia (21.7 percent), China (17 percent), United Arab Emirates (11.8 percent), Israel (8.4 percent), Pakistan (7.1 percent), Japan (6.8 percent), South Korea (5.9 percent) and India (5.6 percent) were the major destinations. In total these countries accounted for 84.3 percent of the total exports to Asia. The major exports to Saudi Arabia were coffee, meat & meat products, live-animals, flowers and oilseeds. Export China constituted oilseeds, leather & leather products, mineral products, coffee and textile & garment. United Arab Emirates imported mainly meat & meat products, live-animals, pulse, food, flower, coffee and fruits while oilseeds, cereals, coffee, spices and beverage were exported to Israel. The major export items to Pakistan were pulses, tea, spice, vegetable and chat. Japan imported

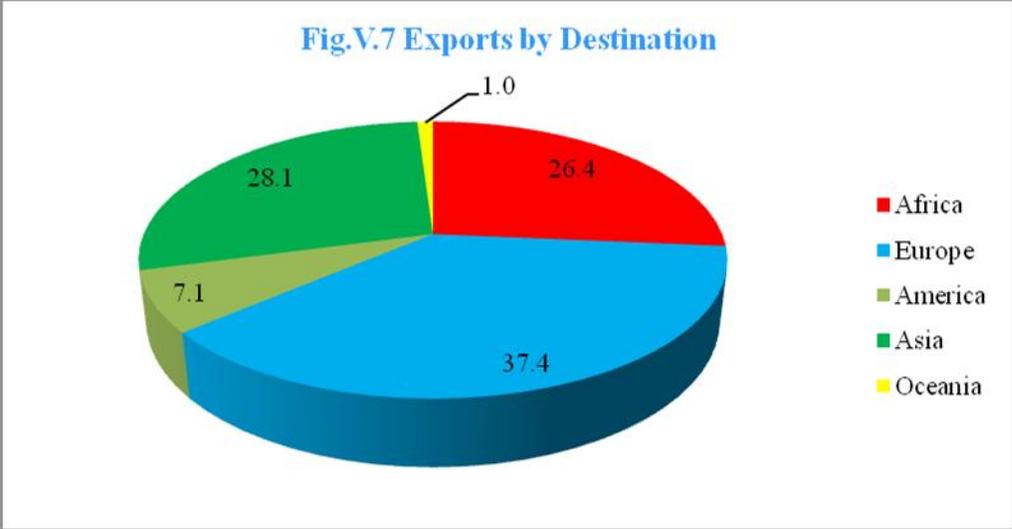
mainly coffee, oilseeds, flower, leather & leather products and bees wax. South Korea and India stood at the seventh and eighth major export destinations to Asia. Coffee, oil seeds and leather & leather products were the principal exports to South Korea and pulses, mineral products, leather & leather products and spices to India.

About 26.4 percent of Ethiopia's export earnings were generated from markets in Africa, mainly Somalia (59.6 percent), Djibouti (17.3 percent), Sudan (9.4 percent), Kenya (4.5 percent) and Egypt (3.3 percent) which altogether accounted for 94.1 percent of the total exports to Africa.

The main items exported to Somalia and Djibouti were chat, live-animals and vegetables. Sudan imported largely pulses, coffee, live-animals and spices. Major exports to Kenya included pulses, leather & leather

products and spices while live-animals and coffee were the main exports to Egypt.

America accounted for 7.1 percent of Ethiopia's total export earnings in the first quarter of 2015/16 of which 85.1 percent was from the United States and 7.3 percent from Canada. Coffee, leather & leather products, oilseeds, food and textile & garments were the major exports to the United States while Canada imported coffee, pulses, leather & leather products and food.



Source: Ethiopian Revenue and Customs Authority

5.2.3.2 Imports

In the review period, Asia accounted for 64.4 percent of the total Ethiopian import bill. In Asia the major import origins were China (50.6 percent), India (11.1percent), Kuwait (8.7 percent), Japan (7.8 percent), United Arab Emirates (4.5 percent) and Indonesia (4.2 percent) having a combined share of 86.9 percent.

Major items imported from China were metal & metal manufacturing, electric materials, machine & aircraft materials, road & motor vehicles, clothing & textiles and rubber products. Likewise, metal & metal products, grains, fertilizers, machine& aircraft materials, textile and rubber products were imported from India. Petroleum products and metal & metal products were the major import items from Kuwait. Imports from Japan included road & motor vehicles, machine & aircraft materials, rubber products, metal & metal products, electrical materials and chemicals. Petroleum products, chemicals, rubber products, electric materials, metal & metal manufacturing, machine & air craft materials, paper and paper products and glass & glassware were the major imports from United Arab Emirates (UAE). Soap & polish, paper & paper products, chemicals, textile

and electrical materials were imported from Indonesia.

Imports from European countries accounted for 26.4 percent of the total import bills with Sweden (35.4 percent), Turkey (13 percent), Italy (11.5 percent),Germany (6.9 percent), Belgium (6.6 percent), Ukraine (4.5 percent), United Kingdom (4.2 percent) and France (4.1 percent) being the major origins. These countries jointly accounted for 86.2 percent of the total imports from Europe.

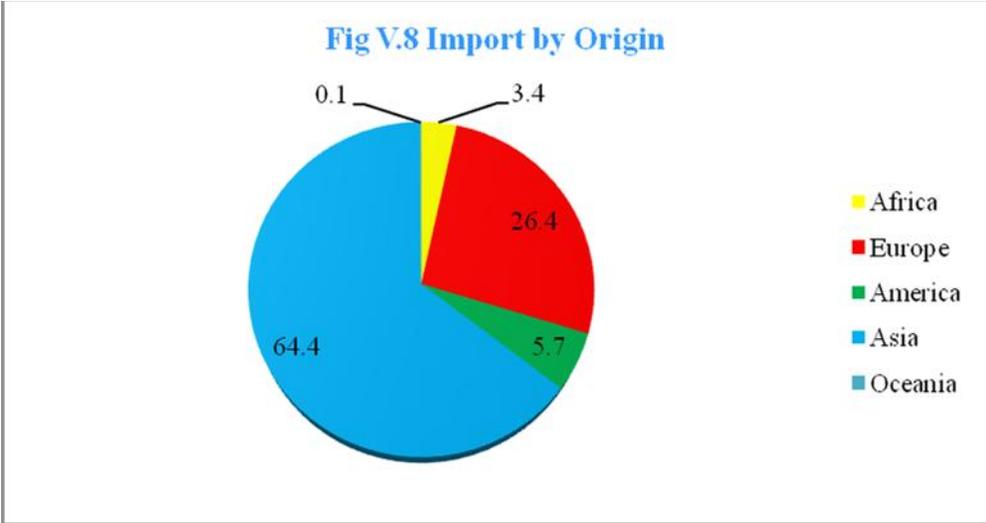
The major items imported from Sweden included electric materials, machinery & aircraft materials, road and motor vehicles, telecommunication apparatus and fertilizers. Imports from Turkey were metal & metal manufacturing, machinery & aircrafts materials, electric materials, textiles, road and motor vehicles and petroleum products.

The major imports from Italy were road & motor vehicles, machine & aircraft materials, fertilizers, metal & metal manufacturing and electrical material. Import from Germany included machine & aircraft materials, road & motor vehicles, fertilizers, electric materials and metal & metal manufacturing. Machine & aircraft

materials, electrical materials, soap and polish and glass & glassware imported from Belgium, food & live-animals, metal & metal manufacturing, soap & polish and machine & air craft materials from Ukraine and machine & aircraft materials, electric materials, road & motor vehicles and metal & metal manufacturing from United Kingdom. Road & motor vehicles, machinery & aircraft materials, electric materials, medical & pharmaceutical and fertilizer were imported from France.

Imports from America accounted for 5.7 percent of the total import bills, of which United States had 88.3 percent share, Canada 5.1 percent and Brazil 3.1 percent. Machinery & aircraft materials, food & live-animals, fertilizers and electric materials were the major items imported from USA while machinery & aircraft materials, electrical materials and metal manufacturing were imported from Canada. Machinery & aircraft materials, road & motor vehicles, food & live-animals and rubber products were the main items imported from Brazil.

Africa accounted for about 3.4 percent of the total merchandise import bills with South Africa (37.4 percent), Egypt (33.8 percent), Sudan (10.2 percent), Kenya (8.3 percent) and Morocco (3.6 percent) jointly accounting for 93.3 percent of the total import from the region. Petroleum products, road & motor vehicles, fertilizer and machine & aircraft materials were the major items imported from South Africa, petroleum products, metal & metal manufacturing and paper & paper manufacturing from Egypt, petroleum products, textile, soap & polish, electrical materials and food & live-animals from Sudan, machine & air craft materials, rubber products, metal & metal manufacturing, food & live-animals and fertilizer from Kenya, petroleum products, chemicals, soap & polish and electrical materials from Morocco.

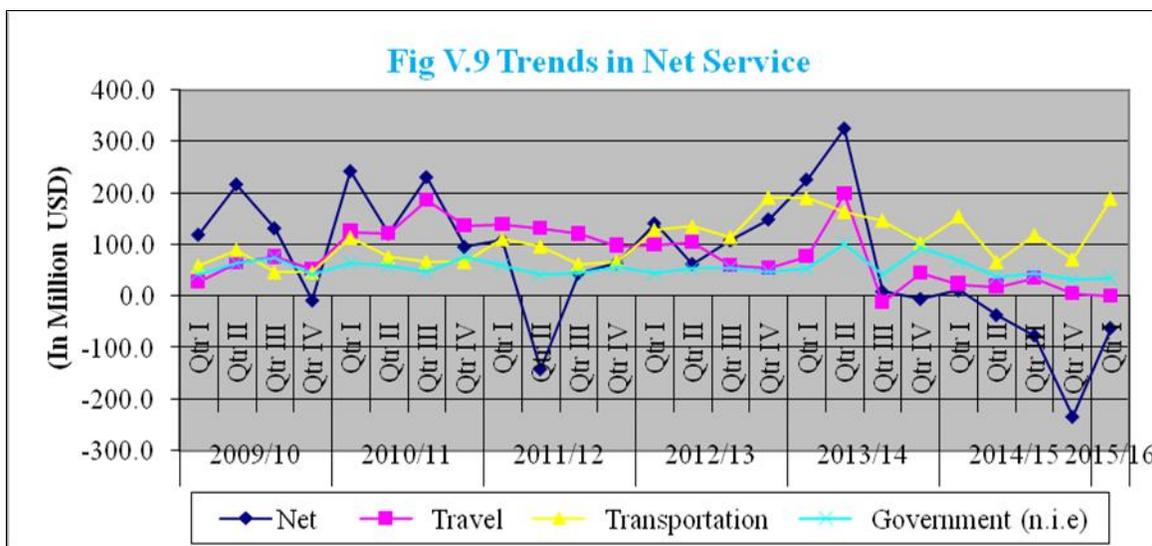


Source: Ethiopian Revenue and Customs Authority

5.3. Services and Transfers

The net payments from services trade stood at USD 61.9 million up from USD 11.3 million net receipts last year same period. This was attributed to the decline in net travel (95.8 percent) and

government services (49.3 percent) coupled with rise in payments made to other services on the other (8.2 percent).



Source: NBE Staff Compilation

Table 5.8: Developments in Services Accounts

(In Millions of USD)

S/N	Particulars	2014/15		2015/16	Percentage Change	
		QI	QIV	QI	C/A	C/B
		A	B	C		
1	Investment Income (2+5)	-54.8	-72.8	-90.3	64.6	24.0
2	Interest, net (3-4)	-49.6	-70.7	-88.7	78.8	25.4
3	Credit	2.1	2.8	2.7	24.4	-4.6
4	Debit	51.7	73.5	91.4	76.6	24.3
5	Dividend, net	-5.2	-2.1	-1.6	-69.4	-23.7
6	Other Services, net (7-12)	66.2	-160.8	28.4	-57.1	-117.7
7	Exports of non-factor services	854.4	682.2	817.5	-4.3	19.8
8	Travel	113.1	85.1	94.7	-16.3	11.3
9	Transport	631.9	510.1	644.2	1.9	26.3
10	Gov't	68.4	31.7	34.6	-49.4	9.1
11	Other	41.1	55.3	44.0	7.2	-20.4
12	Imports of non-factor services	788.3	843.0	789.1	0.1	-6.4
13	Travel	88.8	79.1	93.7	5.5	18.4
14	Transport	477.5	438.6	455.7	-4.6	3.9
15	Gov't	0.1	0.0	0.0	-98.2	-95.6
16	Other	221.9	325.3	239.8	8.1	-26.3
17	Net Services (18+19+20+21+22)	11.3	-233.6	-61.9		-73.5
18	Travel (8 - 13)	24.3	6.0	1.0	-95.8	-82.8
19	Transport (9 – 14)	154.4	71.5	188.5	22.1	163.6
20	Gov't (10 – 15)	68.3	31.7	34.6	-49.3	9.2
21	Other (11 – 16)	-180.8	-269.9	-195.8	8.2	-27.5
22	Investment Income (2+5)	-54.8	-72.8	-90.3	64.6	24.0

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

During the review period total net transfer receipts decreased by 4 percent relative to last year same period and

stood at USD 1.4 billion. The decline in transfers was attributed to 41 percent drop in net official transfers.

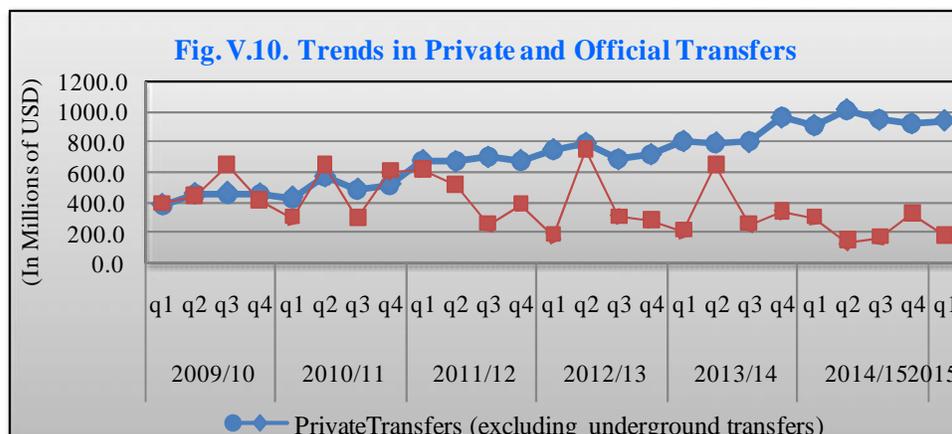
Net private transfers, however, increased by 5.6 percent during the review period and amounted to USD 1.2 billion on account of the 27.3 percent growth in transfers to NGO and 12.1 percent in underground transfers from private individuals despite 4.3 percent decline of cash remittances.

Table 5.9: Developments in Transfer Accounts

(In Millions of USD)

S/ N	Particulars	2014/15				2014/15		Percentage Change	
		QI	% share	Q IV	%	QI	%	C/A	C/B
		A		B	share	C	share		
1	Private Transfers (Net)	1,177.8	79.6	1,188.7	78.4	1,243.3	87.4	5.6	4.6
2	Credit	1,180.5	79.4	1,190.9	78.3	1,244.7	87.2	5.4	4.5
3	NGO's	230.2	15.5	282.9	18.6	292.8	20.5	27.2	3.5
4	Cash	211.3	14.2	253.7	16.7	265.0	18.6	25.4	4.4
5	Other	18.9	1.3	29.2	1.9	27.9	2.0	47.3	-4.4
6	Food								
7	Private individuals	950.2	63.9	908.0	59.7	951.9	66.7	0.2	4.8
8	Cash	680.9	45.8	643.8	42.3	651.6	45.6	-4.3	1.2
9	In-kind	2.2	0.1	0.2	0.0	0.9	0.1	-59.0	398.5
10	Underground Private Transfers	267.2	18.0	264.1	17.4	299.4	21.0	12.1	13.4
11	Debit	2.7	44.4	2.2	43.8	1.4	24.3	-47.5	-36.3
12	Official Transfers (Net)	302.7	20.4	327.1	21.6	178.7	12.6	-41.0	-45.4
13	Credit	306.0	20.6	329.9	21.7	183.0	12.8	-40.2	-44.5
14	Cash	306.0	20.6	329.9	21.7	183.0	12.8	-40.2	-44.5
15	Other								
16	Food								
17	Debit	3.4	55.6	2.8	56.2	4.4	75.7	30.0	54.0
18	Total Receipts	1,486.5	100.0	1,520.8	100.0	1,427.7	100.0	-4.0	-6.1
19	Total Payments	6.1	100.0	5.1	100.0	5.8	100.0	-4.4	14.5
20	Net Transfers	1,480.5	100.0	1,515.8	100.0	1,421.9	100.0	-4.0	-6.2

Source: Staff Computation



Source: NBE Staff Compilation

5.4. Current Account

The current account balance (including official transfers) registered USD 2.1 billion in deficit during the first quarter of 2015/16, higher than USD 1.4 billion deficit recorded a year ago. The widening of current account

deficit was attributed to the fall in net services receipts, net official transfers (41 percent) and increase in trade deficit (17.4 percent).

5.5. Capital account

In the review period, the capital account recorded USD 706.4 million in surplus; about 46.8 percent lower than that of last year same period. This was due to the decline in inflows of net other public sector

long-term capital (103 percent) and short term capital (106.6 percent) despite a rise in other official long-term capital (62.9 percent) and foreign direct investment (5.3 percent).

5.6. Changes in Reserve Position

During the review period, the widening of trade deficit, decline in net services receipts, net official transfers and capital account resulted in a deficit of USD 88.3 million

overall balance of payments. Consequently, net foreign assets of the banking system showed USD 88.3 million reserves draw-down.

The gross reserve as of September 30, 2015 was sufficient to cover 2 months of imports

of goods and non-factor services projected for next year.

5.7. Developments in the Foreign Exchange Market

5.7.1 Exchange Rate Movements

In the inter-bank forex market, weighted average official exchange rate of the Birr depreciated by 4.9 percent against USD compared to last year same period and reached Birr 20.6965/USD. Likewise, the average exchange rate of the Birr in the parallel market stood at Birr 23.0738/USD showing a 9.5 percent depreciation during the same period.

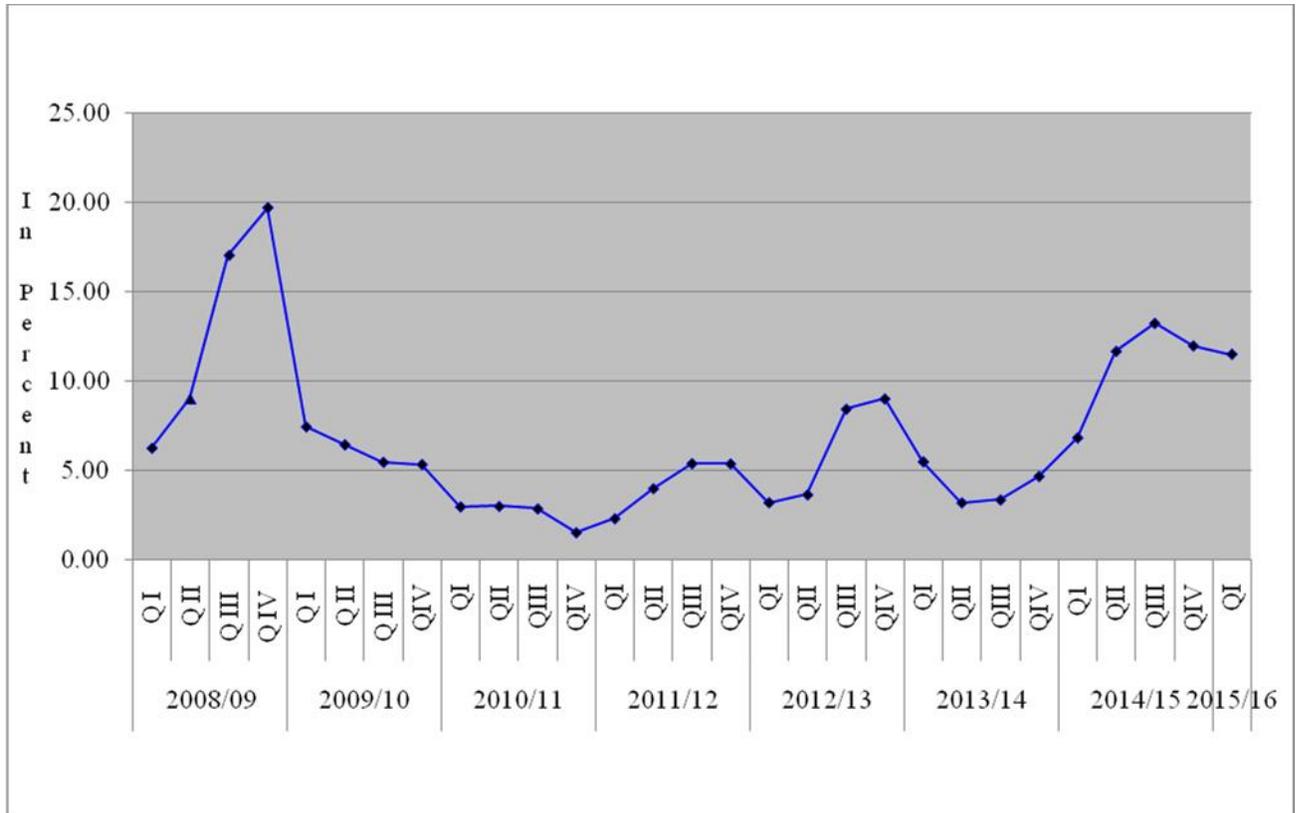
As a result, the parallel market premium widened to 11.5 percent from 6.8 percent a year earlier spurred by speculative practices of parallel market dealers (Table 5.10).

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

Period		Official Market				Parallel Market		Premium
		Weighted End Period Rate	Weighted Average rate	Amount Traded in millions of USD		End Period Rate	Average Rate	
				Total	Among CBs			
2014/15		20.5659	20.0956	14.50	2.00	22.9050	22.2932	10.94
Qtr. I	C	19.8728	19.7288	4.15	1.00	21.4750	21.0731	6.81
July		19.6788	19.6303	1.60	0.50	20.8250	20.7028	5.46
August		19.7755	19.7296	1.55	0.50	21.3250	21.1083	6.99
September		19.8728	19.8264	1.00	0.00	21.4750	21.4083	7.98
Qtr. IV	A	20.5659	20.4466	3.05	0.00	22.9050	22.8914	11.96
April		20.4087	20.3708	1.05	0.00	22.9750	22.9139	12.48
May		20.4783	20.4453	0.90	0.00	22.8750	22.8875	11.95
June		20.5659	20.5238	1.10	0.00	22.9050	22.8728	11.45
2015/16								
Qtr. I	A	20.8178	20.6965	3.15	0.00	23.1250	23.0738	11.49
July		20.6537	20.6118	1.10	0.00	22.9250	22.9472	11.33
August		20.7379	20.6978	1.05	0.00	23.2250	23.0375	11.30
September		20.8178	20.7799	1.00	0.00	23.1250	23.2366	11.82
Percentage Changes	A/B	1.22	1.22	3.28		0.96	0.80	-3.95
	A/C	4.76	4.91	-24.10		7.68	9.49	68.65

Source: National Bank of Ethiopia

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



In the first quarter of 2015/16, the retail market average buying rate of forex bureaus of commercial banks reached Birr 20.6938/USD, while the selling rate stood at Birr 21.0941/USD, depicting a 4.9 percent depreciation each compared to the same quarter of last year.

As a result, the average spread between the buying and the selling rates marginally widened to 1.93 percent from 1.91 percent a year earlier (Table 5.11).

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

No.	Name of ForexBureaux	2014/15				2015/16		Percentage Change			
		Quarter I		Quarter IV		Quarter I		C/B		C/A	
		A		B		C		Purchases	Sales	Purchases	Sales
		Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
1	Commercial Bank of Ethiopia	83,436.49	22,348.87	60,133.77	30,582.44	62,518.85	24,113.36	3.97	-21.15	-25.07	7.90
2	Bank of Abyssinia	1,111.57	1,574.59	1,191.52	4,041.20	2,662.64	2,752.02	123.47	-31.90	139.54	74.78
3	Dashen Bank	6,825.97	9,203.96	4,170.13	3,661.07	5,066.79	5,217.42	21.50	42.51	-25.77	-43.31
4	Awash International Bank	1,734.10	7,309.76	1,140.19	2,599.91	2,605.50	4,015.28	128.51	54.44	50.25	-45.07
5	Construction & Business Bank	1,402.67	711.62	755.00	606.73	994.21	726.02	31.68	19.66	-29.12	2.02
6	Wegagen Bank	1,274.15	1,830.85	1,241.55	1,605.25	1,359.75	2,074.79	9.52	29.25	6.72	13.32
7	United Bank	2,900.51	3,544.73	2,362.59	4,837.69	2,527.58	4,526.40	6.98	-6.43	-12.86	27.69
8	Development Bank	131.87	176.17	256.20	162.06	0.46	84.03	-99.82	-48.15	-99.65	-52.30
9	Nib International Bank	698.81	2,223.81	374.12	1,697.20	393.77	1,227.02	5.25	-27.70	-43.65	-44.82
10	Lion International Bank	503.71	599.49	834.58	887.02	1,115.45	1,668.89	33.65	88.15	121.45	178.38
11	Oromia International Bank	1,109.83	1,062.33	3,259.46	1,264.63	5,256.95	1,715.42	61.28	35.65	373.67	61.48
12	Zemen Bank	207.84	893.19	172.35	1,193.94	141.31	985.75	-18.01	-17.44	-32.01	10.36
13	Cooperative Bank of Oromia	93.79	711.35	345.30	1,094.16	459.09	730.23	32.95	-33.26	389.49	2.65
14	Buna International Bank	201.03	820.50	49.48	295.86	55.48	285.98	12.13	-3.34	-72.40	-65.15
15	Birhan International Bank	0.00	45.89	2.51	13.09	6.98	8.39	-	-35.92	-	-
16	Abay Bank	65.83	595.46	13.44	165.53	10.51	264.08	-21.79	59.53	-84.03	-55.65
17	Addis International Bank	433.26	264.90	253.47	274.05	351.01	399.33	38.48	45.71	-18.98	50.75
18	Debub Global Bank	88.16	111.71	131.33	80.69	20.53	72.34	-84.37	-10.35	-76.71	-35.24
19	Enat Bank	153.02	101.52	155.45	83.11	63.30	52.14	-59.28	-37.27	-58.63	-48.64
	Total	102,372.63	54,130.70	76,842.43	55,145.62	85,610.18	50,918.90	11.41	-7.66	-16.37	-5.93
	Average Exchange Rate	19.7238	20.1010	20.4457	20.8274	20.6938	21.0941	1.21	1.28	4.92	4.94
	Exchange Rate Spread (%)*	1.91		1.87		1.93					

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

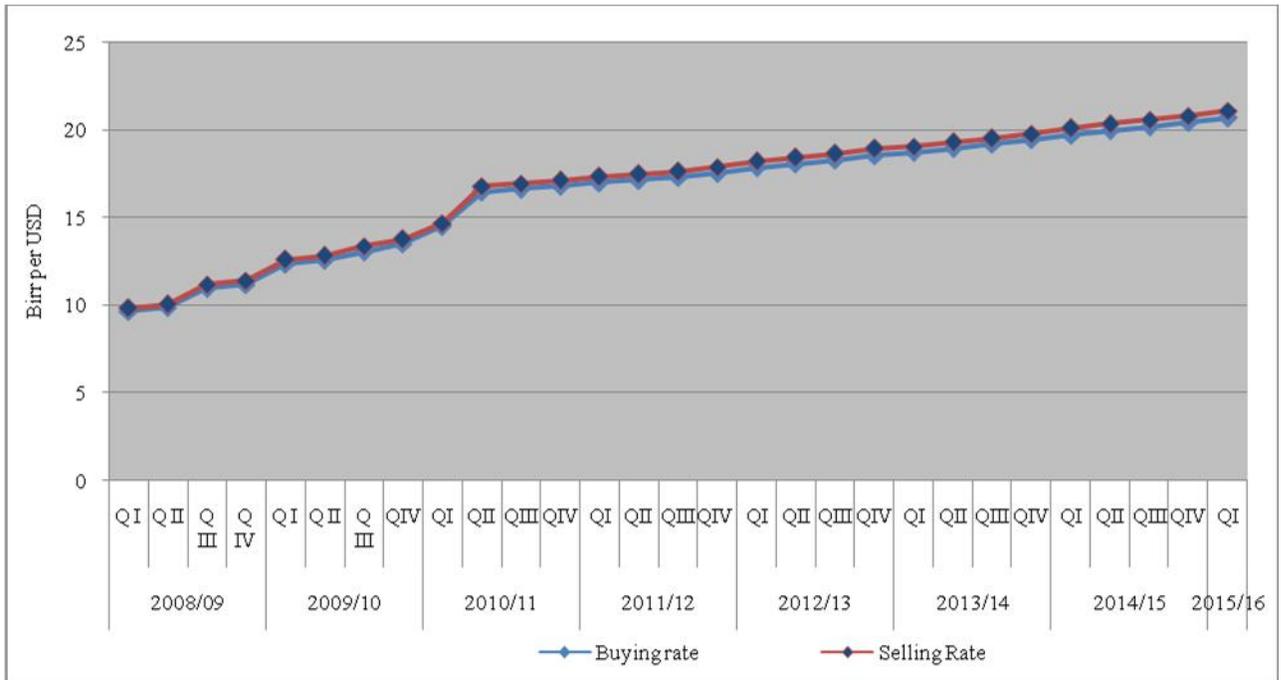
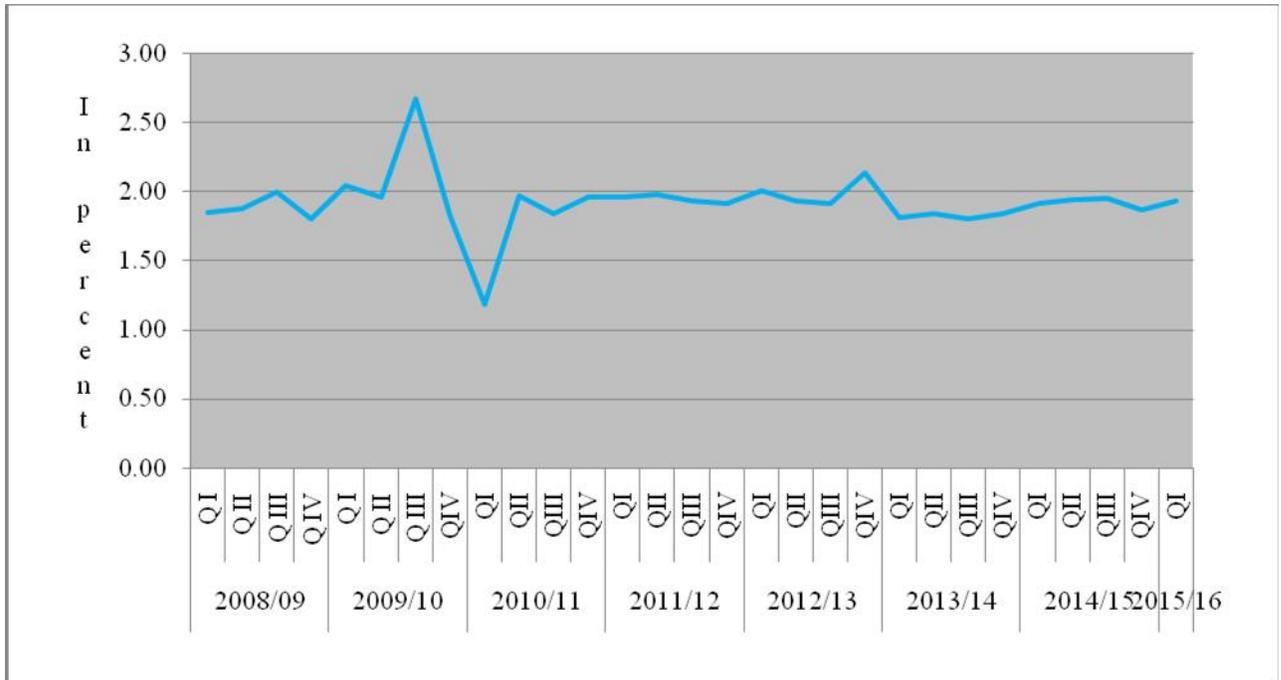


Fig.5.13: Spread between Buying and Selling Rates in the Retail Foreign Exchange Market



The US dollar appreciated with respect to major international currencies in the official forex market by 2.3 percent against Swiss Franc and 0.8 percent against Japanese Yen on quarter terms while, it depreciated against Pound Sterling (1.2 Percent), SDR (0.58 Percent) and Euro (0.57 percent).

On yearly basis, however, the US dollar appreciated against all major currencies including Euro (16.2 percent), Japanese Yen (15.1 percent), SDR (8.0 percent), Pound Sterling (7.2 percent) and Swiss Franc (5.4 percent) (Table 5.12).

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

Period		EURO			JAPANESE YEN			SDR			POUNDS TERLING			SWISS FRANC		
		Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate	Buying	Selling	Mid Rate
2014/15																
QI	C	1.3270	1.3270	1.3270	0.0096	0.0096	0.0096	1.5184	1.5184	1.5184	1.6711	1.6711	1.6711	1.0954	1.0978	1.0966
July		1.3557	1.3557	1.3557	0.0098	0.0098	0.0098	1.5344	1.5343	1.5344	1.7084	1.7084	1.7084	1.1159	1.1159	1.1159
August		1.3323	1.3323	1.3323	0.0097	0.0097	0.0097	1.5181	1.5181	1.5181	1.6715	1.6715	1.6715	1.0991	1.0991	1.0991
September		1.2929	1.2929	1.2929	0.0094	0.0093	0.0094	1.5028	1.5028	1.5028	1.6333	1.6333	1.6333	1.0713	1.0785	1.0749
QIV	B	1.1060	1.1060	1.1060	0.0082	0.0082	0.0082	1.3890	1.3890	1.3890	1.5324	1.5324	1.5324	1.0621	1.0621	1.0621
April		1.0786	1.0786	1.0786	0.0084	0.0084	0.0084	1.3822	1.3822	1.3822	1.4932	1.4932	1.4932	1.0385	1.0385	1.0385
May		1.1188	1.1188	1.1188	0.0083	0.0083	0.0083	1.4070	1.4070	1.4070	1.5505	1.5505	1.5505	1.0756	1.0756	1.0756
June		1.1205	1.1205	1.1205	0.0081	0.0081	0.0081	1.3778	1.3779	1.3778	1.5536	1.5536	1.5536	1.0721	1.0721	1.0721
2015/16																
QI	A	1.1122	1.1122	1.1122	0.0082	0.0082	0.0082	1.3971	1.3971	1.3971	1.5509	1.5509	1.5509	1.0374	1.0374	1.0374
July		1.1016	1.1016	1.1016	0.0081	0.0081	0.0081	1.3975	1.3975	1.3975	1.5564	1.5564	1.5564	1.0501	1.0501	1.0501
August		1.1124	1.1125	1.1125	0.0081	0.0081	0.0081	1.4014	1.4014	1.4014	1.5595	1.5595	1.5595	1.0331	1.0331	1.0331
September		1.1226	1.1227	1.1226	0.0083	0.0083	0.0083	1.3923	1.3924	1.3923	1.5367	1.5367	1.5367	1.0290	1.0291	1.0291
Percentage Changes	A/B	0.56	0.57	0.57	-0.84	-0.84	-0.84	0.58	0.58	0.58	1.21	1.21	1.21	-2.32	-2.32	-2.32
	A/C	-16.18	-16.18	-16.18	-15.17	-15.10	-15.13	-7.99	-7.99	-7.99	-7.19	-7.19	-7.19	-5.29	-5.50	-5.40

Source: National Bank of Ethiopia

Likewise, the bilateral exchange rates of Birr against major international currencies were stronger on annual basis as the Birr appreciated vis-à-vis most major currencies, except USD. The Birr appreciated against Euro (12.1 percent), Japanese Yen (11 percent), SDR (3.5 percent), Pound Sterling (2.6 percent) and Swiss Franc (0.8 percent).

On quarterly basis, however, the exchange rate of Birr depreciated against most major currencies mentioned above except Swiss Franc (Table5.13).

Table 5.13: Average Official Exchange Rates

(Birr per Major Currencies)

Period		Currency																	
		USD			EURO			JAPANESE YEN			SDR			POUNDS TERLING			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
2014/15																			
QI	C	19.7288	19.9260	19.8274	26.1859	26.4477	26.3168	0.1902	0.1920	0.1911	29.9553	30.2542	30.1048	32.9655	33.2952	33.1304	21.6095	21.8732	21.7413
July		19.6303	19.8266	19.7284	26.6161	26.8823	26.7492	0.1931	0.1950	0.1941	30.1209	30.4200	30.2704	33.5355	33.8709	33.7032	21.9047	22.1237	22.0142
August		19.7296	19.9269	19.8282	26.2911	26.5538	26.4225	0.1917	0.1936	0.1927	29.9503	30.2498	30.1000	32.9779	33.3076	33.1428	21.6837	21.9006	21.7921
September		19.8264	20.0247	19.9256	25.6504	25.9069	25.7787	0.1858	0.1872	0.1865	29.7948	30.0928	29.9438	32.3832	32.7071	32.5451	21.2401	21.5953	21.4177
QIV	B	20.4466	20.6511	20.5489	22.6086	22.8350	22.7218	0.1687	0.1703	0.1695	28.4032	28.6876	28.5454	31.3264	31.6396	31.4830	21.7127	21.9298	21.8213
April		20.3708	20.5745	20.4727	21.9654	22.1851	22.0752	0.1704	0.1721	0.1712	28.1561	28.4376	28.2969	30.4088	30.7129	30.5608	21.1550	21.3665	21.2608
May		20.4453	20.6497	20.5475	22.8638	23.0925	22.9781	0.1698	0.1715	0.1706	28.7758	29.0635	28.9196	31.6846	32.0014	31.8430	21.9796	22.1994	22.0895
June		20.5238	20.7290	20.6264	22.9966	23.2274	23.1120	0.1658	0.1674	0.1666	28.2779	28.5616	28.4197	31.8857	32.2046	32.0451	22.0035	22.2236	22.1135
2015/16																			
QI	A	20.6965	20.9033	20.7999	23.0195	23.2500	23.1348	0.1693	0.1710	0.1701	28.9143	29.2035	29.0589	32.0973	32.4182	32.2578	21.4702	21.6849	21.5776
July		20.6118	20.8179	20.7149	22.7051	22.9322	22.8186	0.1672	0.1689	0.1680	28.8042	29.0923	28.9482	32.0805	32.4013	32.2409	21.6444	21.8608	21.7526
August		20.6978	20.9048	20.8013	23.0253	23.2564	23.1408	0.1679	0.1696	0.1687	29.0065	29.2967	29.1516	32.2790	32.6018	32.4404	21.3829	21.5967	21.4898
September		20.7799	20.9872	20.8835	23.3282	23.5615	23.4449	0.1728	0.1745	0.1737	28.9321	29.2214	29.0768	31.9323	32.2517	32.0920	21.3834	21.5972	21.4903
Percentage Change	A/B	1.22	1.22	1.22	1.82	1.82	1.82	0.38	0.38	0.38	1.80	1.80	1.80	2.46	2.46	2.46	-1.12	-1.12	-1.12
	A/C	4.91	4.90	4.90	-12.09	-12.09	-12.09	-10.99	-10.92	-10.96	-3.48	-3.47	-3.47	-2.63	-2.63	-2.63	-0.64	-0.86	-0.75

Source: Staff Compilation

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

Currency	14- September	15-June	15- September	Percentage change	
	C	B	A	A/B	A/C
USD	19.9722	20.6688	20.9219	1.22	4.76
Pound	32.4069	32.4437	31.7030	-2.28	-2.17
Swedish Kroner	2.7549	2.4838	2.4818	-0.08	-9.91
Djibouti Franc	0.1121	0.1160	0.1174	1.21	4.77
Swiss Franc	21.0167	22.1316	21.4738	-2.97	2.17
Saudi Riyal	5.3245	5.5108	5.5767	1.19	4.74
UAE Dirhams	5.4378	5.6274	5.6952	1.20	4.73
Canadian Dollar	17.8946	16.7291	15.6286	-6.58	-12.66
Japanese Yen	0.1826	0.1682	0.1744	3.69	-4.49
Euro	25.3666	22.9671	23.4451	2.08	-7.58
SDR	29.7046	29.0748	29.3911	1.09	-1.06

Source: Staff Compilation

5.7.2. Movements in the Real Effective Exchange Rate

The real effective exchange rate of the Birr (REER) appreciated both on annual and quarterly basis by 14.3 percent and 3 percent, respectively. This is mainly due to relatively higher domestic inflation and fast depreciation of trading partners' nominal exchange rate.

Similarly, NEER appreciated by 0.14 percent and 4.5 percent compared with the preceding quarter and last year same period, respectively (Table 5.15).

Table 5.15 Trends in the Real and Nominal Effective Exchange Rates

Item	2014/15		2015/16	Percentage Change	
	QI	QIV	QI	C/B	C/A
	A	B	C		
REERI	142.1	157.6	162.4	3.00	14.29
NEERI	40.5	42.3	42.4	0.14	4.49

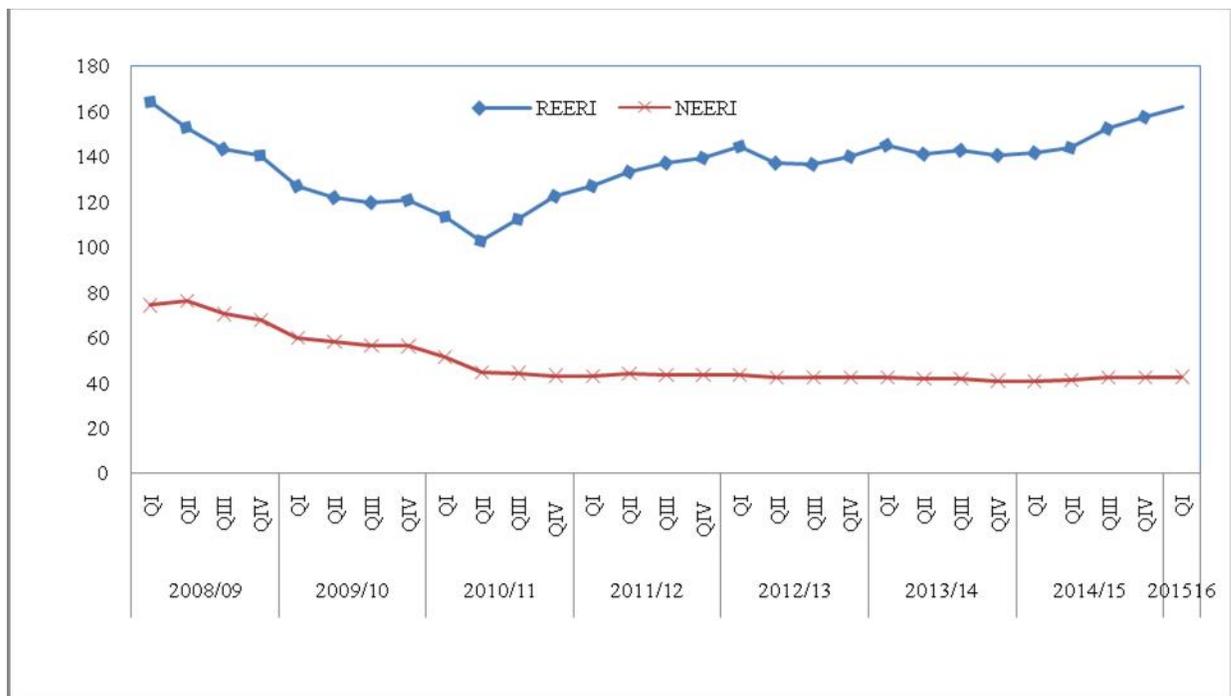
Source: Staff Compilation

NB: REERI = Real Effective Exchange Rate Index

NEERI = Nominal Effective Exchange Rate Index

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

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

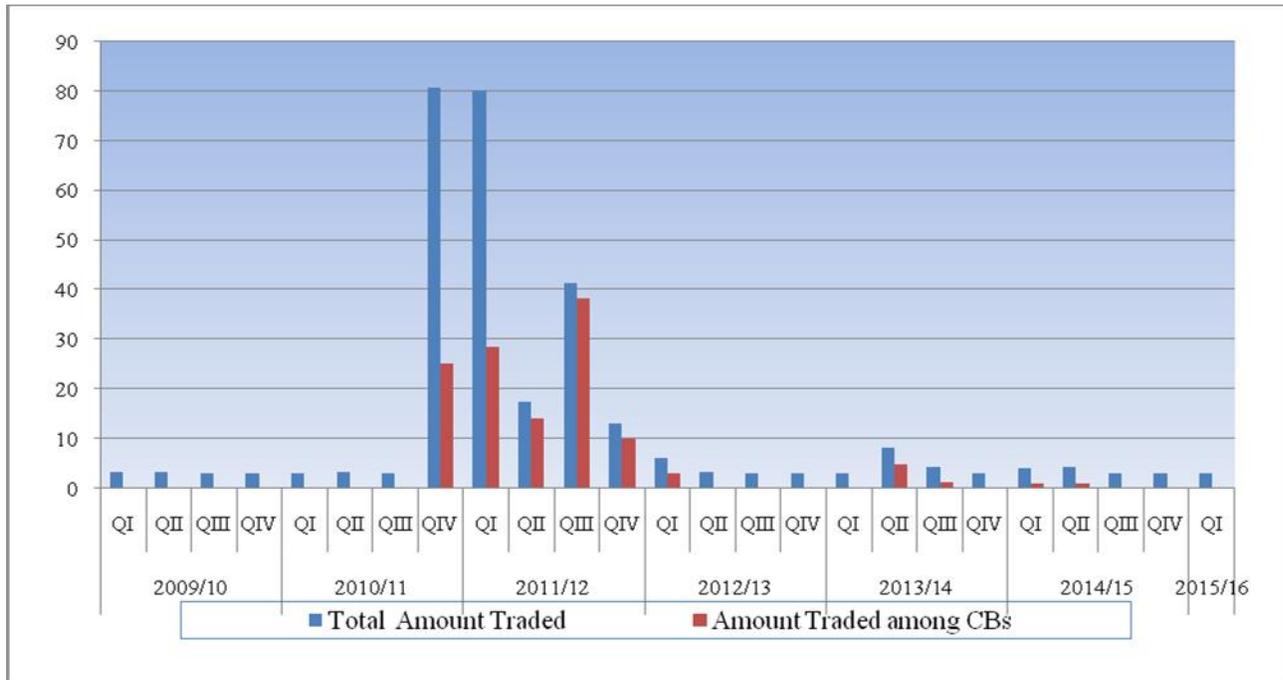


5.7.3. Volume of Transactions

In the first quarter of 2015/16, the total amount of foreign exchange traded in the inter-bank foreign exchange market was USD 3.2 million which was 24.1 percent

lower than the amount traded last year same period . The total amount traded in the inter-bank market during review period was wholly supplied by NBE (Table5:10).

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



In the same period, forex bureau of commercial banks purchased USD 85.6 million and sold USD 50.9 million foreign exchange.

The amount purchased and sold decreased by 16.4 percent and 5.9 percent, respectively, compared with a year earlier (Table5.11).