

Monthly Macroeconomic Indicators for the Month of May 2007

1. Overall Economic Fundamentals

By the end of May 2007 annualized general inflation stood at 17.2 percent exceeding 16.8 percent recorded in the preceding month and 12.4 percent in the same period last year. The rise in the general inflation rate was mainly due to the relatively higher food prices, supported by a steady rise in non-food prices (which takes up 40 percent of the General CPI at the country level).

Monetary expansion continued to be moderate as broad money supply increased by 2.0 percent and 20.9 percent on monthly and annual basis, respectively, as a result of domestic credit expansion and improvements in NFA.

Interest rates on deposits except on demand deposits which slightly declined, did not change during the review month.

Concerning the external sector, both exports and imports tended to show strong growth. Yet the trade deficit widened in the month of May 2007 as the growth of imports outstripped the export growth. Year-on-year basis, however, the trade deficit has narrowed by 17.3 percent.

Regarding the exchange rate, the Birr continued to depreciate in the inter-bank market and reached Birr 8.921/ USD in May 2007 from Birr 8.848/USD a month ago. Similarly, in the parallel market, it depreciated to Birr 9.0233/USD from Birr 9.0025/USD. Accordingly, the parallel market premium went down to 1.15 percent against 1.74 percent in the preceding month due to faster depreciation of the Birr in the official market.

As for securities market, T-bills sales and purchase continued and the average weighted yield slightly rose for all the three types of maturity. Inter-bank market and discount window facilities remained dormant.

Banks continued to perform vigorously as they disbursed more new loans and collected more loans previously given during the review period. Excess reserves, however, which had been declining in the last 11 months have tended to pickup of recently to Birr 8.7 billion from Birr 6.9 billion last year same period.

2. Prices

The annualized national headline inflation stood at 17.2 percent in May 2007 rising from 16.8 percent in the preceding month and 12.4 percent last year. The review month headline inflation was significantly

higher owing to an increase in food inflation, which reached 18.1 percent by the end of the month compared to 14.4 percent a year ago. At the same time, annualized core inflation (proxied by non-food CPI), stood at double digit of 15.2 percent compared to previous month level of 14.9 percent. Year-on-year basis, non-food inflation was 7.6 percentage points higher mainly due to the significant rise in the index of “house rent, construction materials, fuel, water and power”, “beverages”, “furniture, furnishing, household equipment and operation”, “Transport and communication”, and “Clothing and food wear” components of the CPI. The observed pick up in the inflation rate of these components was mainly due to higher investment demand in these sectors.

The annual average headline inflation in Addis Ababa increased to 18.3 percent at the end of May 2007, showing 0.7 percentage points increase over the previous month.

3. Monetary Aggregates

The stock of money (M_2) at the end of May 2007 reached Birr 55.2 billion, indicating a 2.0 percent and 20.9 percent increase vis-à-vis the level in the previous month and the same period last year, respectively. The monthly and annual growth in broad money supply mainly resulted from the increase in domestic credit and net foreign asset. Component wise, both demand deposits and currency in circulation increased by 3.7 and 0.4 percent in the review period over the previous month. Similarly, saving deposit went up by 2.2 percent while time deposit declined by 1.1 percent.

In a related development, reserve money, or high-powered money, increased by 6.3 percent on monthly basis and reached Birr 26.4 billion at the end of May 2007. The yearly increase was 18.1 percent.

4. Interest rates

No significant changes have been observed in the interest rate structure of the banking system. The average saving deposit rate remained at 3 percent for public and 3.03 percent for private commercial banks. Similarly, time deposit rate stood at 3 percent for public banks and 4.27 for private banks. The weighted average deposit rate of demand deposits, however, slightly declined from 0.34 percent in the previous month to 0.33 percent in May 2007. Dashen Bank, United Bank and Wegagen Bank were the only banks paying interest on demand deposits. On the other hand, average-lending rates continued to be 8.0 and 10.5 percent for public and private banks, respectively.

5. Treasury bills market

Average weighted yield of T-bills increased to 0.604, 1.017 and 0.813 percent for 28, 91 and 182 day T-bills in the review month compared to 0.533, 0.938 and 0.807 percent in the previous month. And, the market satisfied 83.6, 85.2 and 66.7 percent of the demand for 28, 91 and 182 day T-bills, during the review month.

6. Inter-bank money market

No inter-bank money market transaction took place during the month.

7. Re-discount window facility

No request was placed through the window during the month.

8. Exchange rates

The monthly and annual rates of depreciation of the Birr against USD in the inter bank market were 0.8 and 2.6 percent, respectively. In the parallel market, however, the Birr recorded a monthly depreciation of 0.23 percent and annual appreciation of 0.58 percent. At the end of May 2007, the average official exchange rate of the Birr stood at 8.921/USD in the inter bank market and Birr 9.0233/USD in the parallel market. Consequently, the parallel market premium went down to 1.15 percent in May 2007 from 1.74 percent in the previous month. Year- on – year basis, the Birr depreciated by 2.64 percent in the inter bank market and by 0.58 percent in the parallel market leading to the fall in the premium

9. External Trade

In the review month, total value of exports amounted to USD 119.0 million, which was 0.6 percent higher than the previous month level and 12.7 percent from last year. Likewise, the total value of monthly imports has increased by 1.4 percent and stood at USD 400.7 million in May 2007. Last year, imports were USD 446.3 million. Accordingly, the merchandise trade deficit slightly increased to USD 281.7 million from USD 276.8 million recorded in the preceding month. Year-on-year basis, the total value of exports was 12.7 percent higher while imports were 10.2 percent lower.

creation								
- Permanent	40227	..	70986	54,926.0	..	91,671.0
- Temporary	58356	..	136448	107,890.	..	45,060.0
3. Interest rate								
3.1 Average Lending Rates (%)								
- Public banks	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
- Private banks	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
3.2. Average Deposit Rates (%)								
a) Saving deposit								
- Public banks	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
- Private banks	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03
b) Time deposit								
- Public banks	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
- Private banks	4.26	4.24	4.29	4.29	4.29	4.29	4.27	4.27
c) Demand deposit								
-Public banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-Private banks	0.34	0.37	0.36	0.37	0.37	0.35	0.35	0.33
Indicators	Mar. 2006	May 2006	June 2006	Sept 2006	Oct. 2006	Dec. 2006	Apr. 2007	May 2007
3.3. Inter- bank Money Market Rate (in%)			
3.4. Treasury Bill								
a) 28 day								
- Average weighted price (for 100 Birr)	99.997	99.997	99.997	99.996	99.996	99.933	99.959	99.954
- Average weighted yield (%)	0.039	0.039	0.039	0.051	0.052	0.871	0.533	0.604
-Supply (min. birr)	3553	2476.5	2476.5	2476.5	2476.5	2691.5	2649.0	2449.0
-Demand (min. birr)	4238	2781.5	2691.5	2798.5	2882.5	2862.5	2859.0	2929.0
- Satisfied demand (%)	83.84	89.03	92.01	88.50	85.90	94.00	92.65	83.61
b) 91 day								
- Average weighted price (for 100 Birr)	99.989	99.989	99.989	99.988	99.988	99.881	99.767	99.747
- Average weighted yield (%)	0.043	0.044	0.044	0.048	0.048	0.478	0.938	1.017
-Supply (min. birr)	1807.5	2215	1900.0	1300.0	2807.5	1300.0	1824.0	2500.0

-Demand (min. birr)	2927.5	2540	2410.0	1515.0	3007.5	1530.0	2239.0	2935.0
- Satisfied demand (%)	61.74	87.20	78.84	85.81	93.35	84.97	81.46	85.18
c) 182 day								
- Average weighted price (for 100 Birr)	99.988	99.988	99.988	99.987	99.987	99.000	99.599	99.591
- Average weighted yield (%)	0.023	0.024	0.024	0.025	0.026	2.026	0.807	0.813
-Supply (min. birr)	1706	200	200.0	606.0	641.0	200.0	110.0	400.0
-Demand (min. birr)	1752	200	200.0	854.0	110.0	125.0	130.0	600.0
- Satisfied demand (%)	97.37	100.00	100.00	70.96	582.73	160.00	84.62	66.67
4. Public Finance								
4.1 Budget Deficit (in mn. Birr) ¹	1911.60	..	-1552.8	-1499	..	-475.2		..
4.2. Revenue and grants	3366.40	..	5222.9	4255.4	..	6223.2		..
4.3 Expenditure ¹	5277.97	..	6745.7	5754.4	..	6698.5		..
- Recurrent	1638.47	..	1577.9	1485.6	..	1396.6		..
- Capital	2061.90	..	3030.4	2424	..	2526		..
- Regional transfers	1562.60	..	2127.1	1830	..	2759.4		..
Indicators	Mar. 2006	May 2006	June 2006	Sept 2006	Oct. 2006	Dec. 2006	Apr. 2007	May 2007
5. Monetary Aggregates (in mn. Birr) ⁴								
5.1 Broad Money	44,311.8	45,643.7	46,377.4	48,799.59	49,526.9	49,811.3	54,096.02	55,173.4
a) Monthly change (%)	2.65	2.35	1.6	0.6	1.5	2.0	1.5	2.0
b) Annual change (%)	20.2	18.4	15.3	16.9	19.5	18.3	21.3	20.9
5.2 Narrow Money Supply	22,919.6	23,528.7	23,811.9	24,946.26	25,679.94	25,592.7	28,209.32	28,818.1
- Currency outside banks	11,086.8	11,258.7	11,422.9	10,916.8	10,867.1	11,606.4	12,943.83	12,992.2
a) Monthly change (%)	4.8	4.2	1.5	-3.5	-0.5	2.6	1.3	0.4
b) Annual change (%)	29.8	19.6	14.0	16.1	17.5	20.6	19.8	15.4
- Demand deposits (net)	11,832.7	12,270.0	12,389.0	14,029.39	14,812.9	13,986.4	15,265.49	15,825.8
a) Monthly change (%)	3.5	1.2	1.0	2.2	5.6	3.5	0.9	3.7
b) Annual change (%)	11.8	10.0	9.9	18.4	26.4	20.8	26.0	29.0
5.3 Quasi-Money	21,392.3	22,115.0	22,565.5	23,853.33	23,846.9	24,218.6	25,886.70	26,355.2
- Saving deposit	19,688.8	20,183.8	20,485.5	21,529.07	21,472.8	21,677.1	22,760.99	23,262.9
a) Monthly change (%)	1.67	1.74	1.5	1.8	-0.3	0.4	1.7	2.2

6.4 Number of micro-financing institutions	27	27	27	27	27	27	27	27
7. Reserve and liquidity ratio of the Banking System (in mn.Birr)								
7.1 Actual reserves	10113.1	9065.1	8,452.1	8,654.6	8,516.3	8,839.6	9,694.88	11,343.2
7.2 Excess reserves	8075.0	6944.6	6,331.2	6,358.7	6,179.0	6,471.7	7,125.4	8,759.1
7.3 Liquidity ratio (in percent)	60.3	57.9	59.8	61.6	60.3	57.3	55.9	56.2
7.4 Outstanding credit of the banking system including claims on central government (in mn. Birr)	32071.1	34266.1	34,426.2	35,708.31	36,793.3	36,632.0	38,689.76	37,494.5
-Public banks	21210.0	23081.3	23,063.6	23,299.77	23,843.0	22,657.4	23,772.40	22,361.6
-Private banks	10861.1	11184.8	11,362.6	12,408.55	12,950.3	13,974.6	14,917.36	15,132.9
8. Import and Export (in Mn USD)								
8.1 Total Import	423.0	446.30	355.60	597.33	553.80	419.90	395.14	400.71
8.2 Total Export	95.98	105.60	112.56	60.25	63.29	89.01	118.30	119.00
Indicators	Mar. 2006	May 2006	June 2006	Sept 2006	Oct. 2006	Dec. 2006	Apr. 2007	May 2007
8.3 Coffee Export								
8.3.1 Sales value (in mn. USD)	54.1	56.8	54.6	27.4	18.5	26.1	Na	Na
a) Dry coffee sales value	33.9	37.2	37.4	5.7	4.1	18.2	Na	Na
b) Washed coffee sales value	20.2	19.6	17.2	21.7	14.4	7.9	Na	Na
8.3.2 Sales volume (in Mn Kg)	21.61	23.51	23.03	12.73	8.52	11.502	Na	Na
a) Dry coffee sales volume (in Mn Kg)	14.60	16.76	17.02	10.64	6.96	8.649	Na	Na
b) Washed coffee sales volume (in Mn Kg)	7.01	6.76	6.00	2.09	1.56	2.853	Na	Na
8.4 ICO 1976 composite USC/LB	92.76	90	86.04	95.98	95.53	108.01	99.3	100.09
9. Gross International Reserve of NBE (in months of Imports)	2.9	2.8	-	Na	Na	Na	Na	Na
10. Exchange Rates								
10.1 Average official exchange rate (Birr/US Dollar)	8.687	8.6913	8.6938	8.7009	8.7032	8.7504	8.8488	8.921
10.2 Average parallel market	9.188	8.971	8.9025	8.9089	8.9305	8.8805	9.0025	9.0233

exchange rate (Birr/US Dollar)									
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Note: - The last month figure of monetary and banking statistics used estimate values for DBE

¹Since monthly data is not available figures are quarterly.

² Includes DBE

³ The figures included borrowing of DBE.

⁴ The figures for Cooperative Bank of Oromia are included after June 2005

⁵The figures for Cooperative Bank of Oromia are included after September 2005