

I. OVERVIEW

1.1 International Economic Developments

According to the European Central Bank economic bulletin issue number 5/2016, global indicators for the fourth quarter of 2015/16 pointed to a subdued economic activity and trade. The vote in the United Kingdom in favor of leaving the European Union triggered some financial market volatility and escalated uncertainty about the global outlook. The global composite output Purchasing Managers' Index (PMI) recorded a further decline in the fourth quarter, falling to 51.3 the lowest value seen since end of 2012.

In United States, activity has rebounded after the soft patch at the start of 2016. The pace of economic activity slowed to 0.3 percent, quarter on quarter, in the third quarter of 2015/16 (1.1 percent in annualized terms), driven by weaker household spending and a decline in non-residential investment. However, recent data shows a rebound in GDP growth in the fourth quarter. Growth in personal consumption expenditure has increased, reflecting gains in real disposable income and households' net wealth partly as a result of improved housing market conditions.

In Japan, the growth momentum remains modest. Following the decline in the second quarter of 2015/16, GDP grew by 0.5 percent, quarter on quarter, in the third quarter of 2015/16. The latest indicators, however, point to subdued activity in the fourth quarter, as industrial production contracted in May and the Bank of Japan's Tankan survey signaled some deterioration in business conditions. Labor market conditions are tight, with the unemployment rate standing at 3.2 percent in May, the lowest level in more than two decades.

In UK, GDP growth slowed to 0.4 percent, quarter on quarter, in the third quarter of 2015/16. Activity was driven principally by strong private consumption, while investment recorded a slowdown and net exports also continued to exert a drag on growth. According to short-term indicators, the UK economy continued to expand in the fourth quarter of 2015/16 at a

relatively robust pace, similar to that seen in the previous quarter. However, the uncertainty created by the outcome of the UK referendum is likely to weigh on economic activity in the near term, in particular investment and trade.

In China, macroeconomic data remain consistent with a gradual moderation in the pace of expansion. In the fourth quarter of 2015/16 China recorded GDP growth of 6.7 percent, year on year, the same rate as in the previous quarter and in line with the growth target range of 6.5 percent to 7 percent set by the Chinese authorities for 2016. Activity has relied on government support in recent quarters. Fixed asset investment has been boosted by strong growth in infrastructure investment, while capital expenditure in the manufacturing sector has moderated.

1.2 Macroeconomic Developments in Ethiopia

Fuel prices

During the fourth quarter of the FY 2015/16, the average price of Brent crude oil, used as a point of reference for international oil price, declined by 26 percent to reach USD 46 per barrel compared with USD 62.1 a year earlier. On the other hand, the average price of Brent oil boosted by 33.8 percent compared with the previous quarter.

In line with the movements in the international oil prices and macro economic considerations, domestic retail prices were also adjusted downwards. Accordingly, the average retail price of fuel products in Addis Ababa was reduced by 12.3 percent to Birr 13.53 per liter from Birr 15.43 per liter a year ago. Similarly, the retail prices fell by 5.3 percent against the preceding quarter as the price of all types of petroleum products declined.

Inflation

During the fourth quarter of the fiscal year 2015/16, general inflation increased to 3.2 percent from 0.6 percent in the previous quarter, while it declined compared to 4.3 percent registered last fiscal year same quarter. The increase in quarterly headline inflation by 2.6 percentage point was attributed to the 5.2 percentage point rise in inflation of food & non-alcoholic beverages that offset the marginal 0.4 percentage point decline in non- food inflation. Quarter-on-quarter, headline inflation registered -1.1 percentage point slowdown on account of -2.3 percentage point decrease in food & non-alcoholic beverages inflation. In the reviewed quarter, non-food inflation contributed 1.1 percent to headline inflation while food & non-alcoholic beverages inflation contributed the remaining 0.1 percent.

Monetary Developments

During the quarter under review, broad money supply (M2) reached Birr 445.3 billion, indicating growth rate of 8.0 percent over the previous quarter and 19.9 percent vis-a-vis the same quarter of last fiscal year. The year-on-year expansion in broad money supply was largely driven by 24.6 percent rise in domestic credit offsetting a 42.7 percent slowdown of NFA. The growth in domestic credit over last year same quarter was due to a 54.7 percent surge in credit to central government and 22 percent in credit to non-central government.

Reserve money reached Birr 119.2 billion at the end of the fourth quarter of 2015/16, depicting a 16.3 percent expansion against the third quarter and 13.3 percent growth over last year same quarter. Excess reserves of commercial banks also revealed a 42.3 and 152.7 percent respective increase during the same periods.

The money multiplier measured by the ratio of broad money to reserve money, grew by 0.1 percentage point on annual basis implying the increased monetization of the economy while, the ratio of narrow money to reserve money showed 0.3 percent annual decrement.

Interest rate

Average savings deposit rate remained at 5.4 percent per annum while, average lending rate rose to 12.75 from 11.88 a year earlier. In contrast, weighted average time deposit rate, slightly declined by 0.18 percentage points. Meanwhile, weighted average yield on T-bills showed 1.43 percent annual and 1.44 percent quarter-on-quarter growth. Considering the June 2016 annual headline inflation of 7.5 percent, all real deposit rates and the T-bills yield remained negative while average real lending rate was positive.

Financial Sector Developments

Formal financial institutions operating in Ethiopia consists of banks, insurance companies and microfinance institutions. The number of banks decreased to 18 from 19 due to merger of CBB with CBE in March 2016. Out of the total 18 banks, 16 were private and 2 public owned.

a/ Banks

In the reviewed quarter, 142 new bank branches were opened, thereby raising the total number of bank branches to 3,187. As a result, one branch is estimated to serve 28,932¹ people on average. About 34.4 percent of the total bank branches were located in Addis Ababa. The share of private banks was 60.5 percent.

At the same time, the total capital of the banking system increased 4.7 percent over the preceding quarter and reached Birr 43.1 billion, of which 51.1 percent was held by private banks. The share of Commercial Bank of Ethiopia, (CBE), the biggest state owned bank, has declined to 31.5 percent from 34.8 percent a year earlier, while that of the Development Bank of Ethiopia (DBE) stood at 17.4 percent.

Total resources mobilized by the banking system (the sum of net change in deposit, loans collected and net change in borrowings) registered a 97.5 percent year-on-year increase. Total fresh loans

¹ Total population is 92,205,000 as CSA estimation for 2016.

disbursed reached Birr 24.4 billion, indicating a 48.3 percent increase during the same period. Of the total new loans, public banks disbursed Birr 13.8 billion or 56.3 percent, Birr 6.6 billion or 26.9 percent of the fresh loans went to industry followed by agriculture (Birr 5.7 billion or 23.3 percent), domestic trade (Birr 3.5 billion or 14.2 percent), housing and construction (Birr 2.7 billion or 11.1 percent) and international trade (Birr 2.6 billion or 10.8 percent).

During the review quarter, banks collected Birr 23.3 billion in loans which was 108.9 percent higher than that of last year same quarter. The share of private banks in loan collection was Birr 12.4 billion (53.1 percent). Of the total loan collected, 94.1 percent was from private enterprises.

Total outstanding credit of the banking System (excluding credit to the government and interbank lending) increased to Birr 263.8 billion by end June 2016, up by 3.6 percent on quarterly basis. Out of the total outstanding loan and advances of the private banks, 99.8 percent was claims on private sector in contrast with 46.0 percent for public banks.

b/ Insurance sector

Regarding insurance sector, the total number of insurance companies stood at 17, of which 16 were private. Their branches increased to 426 from 377 in June 2015, of which, about 54 percent was in Addis Ababa the capital city. By end of the review quarter, their total capital reached Birr 3.6 billion, of which 77 percent was that of private insurance companies.

c/ Micro-finance Institutions (MFIs)

In similar vein, the number of micro-finance institutions (MFIs) remained at 35, which mobilized Birr 18.4 billion in saving deposit, about 24.3 percent higher than a year earlier. Their outstanding credit depicted a 15.5 percent annual increase and reached Birr 25.2 billion. Their total assets also went up by 20 percent to Birr 36.7 billion by end June, 2016.

External Sector and Foreign Exchange Developments

a/ External Sector Developments

Total merchandise export earnings, including electricity, increased by 1.2 percent compared to same period last year on account of higher export earnings from oilseeds (11.9 percent), gold (41.8 percent), chat (8 percent), pulses (59.8 percent), electricity (129.9 percent) and fruits and vegetables (3.5 percent).

In contrast, merchandise import reached USD 4.1 billion, showing a 3.5 percent decline owing to lower import value of capital goods (22.2 percent), fuel (28.1 percent) and raw materials (22.3 percent) despite an increase in, import bills of consumer goods (22.7 percent) semi finished goods (18.1 percent) and miscellaneous goods (35.2 percent).

Meanwhile, transfer receipts increased by 32.6 percent relative to last year same quarter and stood at USD 2 billion. Similarly official transfers increased by 116.7 percent. Private transfers increased by 8.9 percent during the review period and amounted to USD 1.3 billion on account of 54.5 percent rise in transfer receipts of NGOs despite 5.3 percent decline in private individual transfers.

Hence, the current account balance (including official transfers) registered USD 1.5 billion deficit during the fourth quarter of 2015/16 which was lower than USD 2.1 billion deficit recorded a year ago. This was ascribed to 4.7 percent drop in merchandise trade balance and service trade balance (11.1 percent) coupled with a 8.2 percent rise in private transfers and 114.5 percent surge in official transfers.

In contrast, capital account balance recorded USD 1.9 billion surplus about 0.3 percent higher than last year same quarter due to 92.9 percent growth in net official long-term capital and 9.2 percent increase in foreign direct investment.

In a nutshell, the overall balance of payments recorded USD 181.6 million deficit vis-à-vis USD 79.8 million surplus a year earlier.

b/ Exchange rate developments

In the inter-bank forex market, the weighted average exchange rate of Birr depreciated by 5.5 percent against USD and reached Birr 21.5713/USD. Likewise, end period exchange rate was Birr 21.8004/USD, which revealed the weakening of Birr by 6 percent.

At the same time, the real effective exchange rate of the Birr (REER) appreciated by 1.1 percent quarter-on-quarter mainly due to relatively higher domestic inflation compared to very low inflation in trading partner countries. Compared to the preceding third quarter, however, the REER appreciation slowed down on account of falling domestic inflation. In addition, the depreciation of nominal effective exchange rate (NEER) played its own role for the recent decline in appreciation of REER.

On the other hand, the NEER depreciated by 2.7 percent and 2.1 percent vis-à-vis last year same quarter and the preceding quarter, respectively.

Federal Government Fiscal Operations

The Federal government collected Birr 50.1 billion revenue which was 27.6 percent higher than last year same period. Of the total domestic revenue mobilized, tax revenue constituted 75.1 percent and non-tax revenue 24.9 percent. There was no resource obtained through grant and relief in the review quarter.

Similarly, total Federal government expenditures, including regional transfers, registered a quarter-on-quarter growth rate of 24.9 percent and reached Birr 74.3 billion as all components of expenditure tended to increase. Capital expenditure accounted for Birr 37.3 billion or (50.0 percent) followed by regional transfers (Birr 22.1 billion or 30.0 percent) and current expenditure (Birr 15.2 billion or 20.0 percent).

In general, the fiscal balance of the Federal government in the fourth quarter of 2015/16 recorded Birr 24.5 billion deficit, which was higher than the deficit of last year same quarter.

Investment

The third quarter of 2015/16 saw 16 investment projects with total investment capital of Birr 77 million operational. On yearly basis, the number of investment projects and investment capital surged by 45.5 and 14.4 percent, respectively.

II. Energy Production and Processing

2.1. Import of Petroleum Products

During the fourth quarter of 2015/16, the total volume of petroleum products imported amounted to 758.5 thousands of metric tons, depicting 5.9 percent annual reduction. This was attributed to contraction in import of fuel oil (50.9 percent), gas oil (7.8 percent) and Jet fuel (0.1 percent), outweighing a 23.6 percent increase in regular gasoline imports.

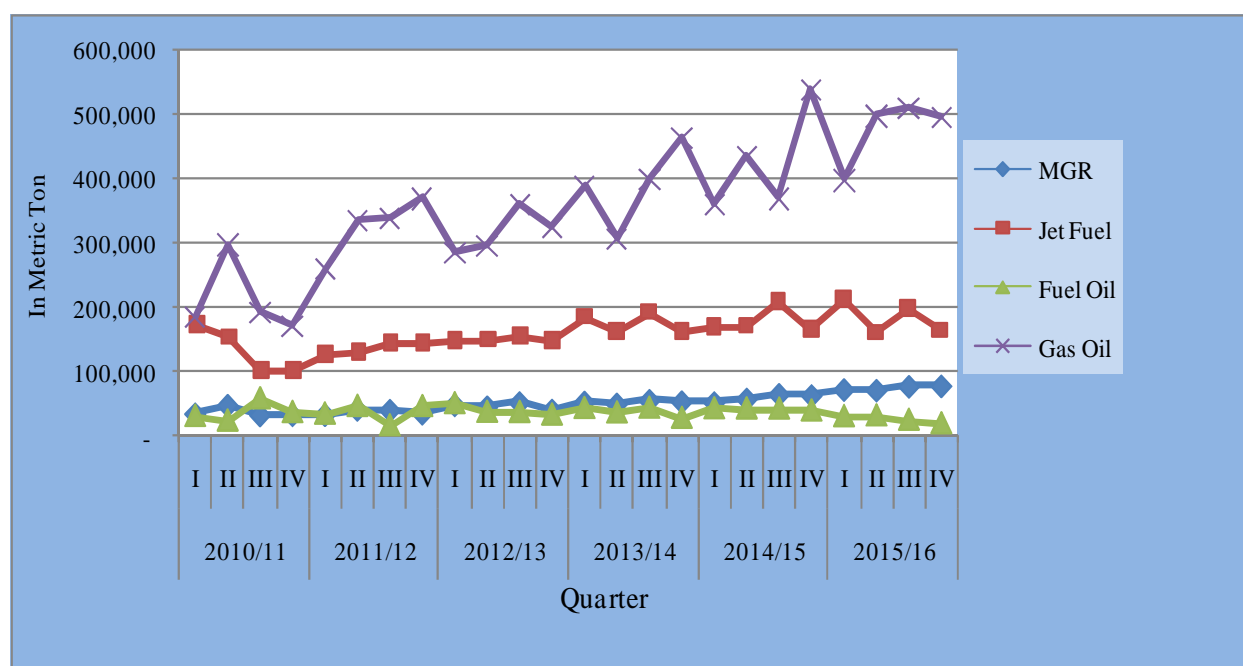
Of the total petroleum imports, gas oil accounted for 65.5 percent, jet fuel 21.7 percent, regular gasoline 10.3 percent and fuel oil 2.6 percent. The trend was similar regarding quarterly volume of petroleum products imported (Table 2.1).

Table 2.1: Volume of Petroleum Products Imported

(In Metric Ton)

| Petroleum Products | 2014/15 | | 2015/16 | | | | Percentage Change | |
|------------------------|-----------|--------------|-----------|--------------|-----------|--------------|-------------------|-------|
| | Qtr IV | | Qtr III | | Qtr IV | | | |
| | A | Share (In %) | B | Share (In %) | C | Share (In %) | C/A | C/B |
| Regular Gasoline (MGR) | 63,065.0 | 7.8 | 77,271.8 | 9.6 | 77,966.0 | 10.3 | 23.6 | 0.9 |
| Jet Fuel | 164,822.9 | 20.4 | 197,134.4 | 24.4 | 164,577.8 | 21.7 | -0.1 | -16.5 |
| Fuel Oil | 39,679.7 | 4.9 | 24,995.0 | 3.1 | 19,479.2 | 2.6 | -50.9 | -22.1 |
| Gas Oil (ADO) | 538,500.8 | 66.8 | 509,229.5 | 63.0 | 496,459.6 | 65.5 | -7.8 | -2.5 |
| Total | 806,068.3 | 100.0 | 808,630.6 | 100.0 | 758,482.6 | 100.0 | -5.9 | -6.2 |

Source: Ethiopian Petroleum Enterprise

Figure.2.1: Trends in the Volume of Petroleum Products Imported

Source: Ethiopian Petroleum Enterprise

The total import bill of petroleum reached Birr 7 billion, showing a 26.1 percent decline over same quarter of last year while it rose by 23.9 percent vis-à-vis the preceding quarter owing to improvements in international oil prices despite decreased in imported volume.

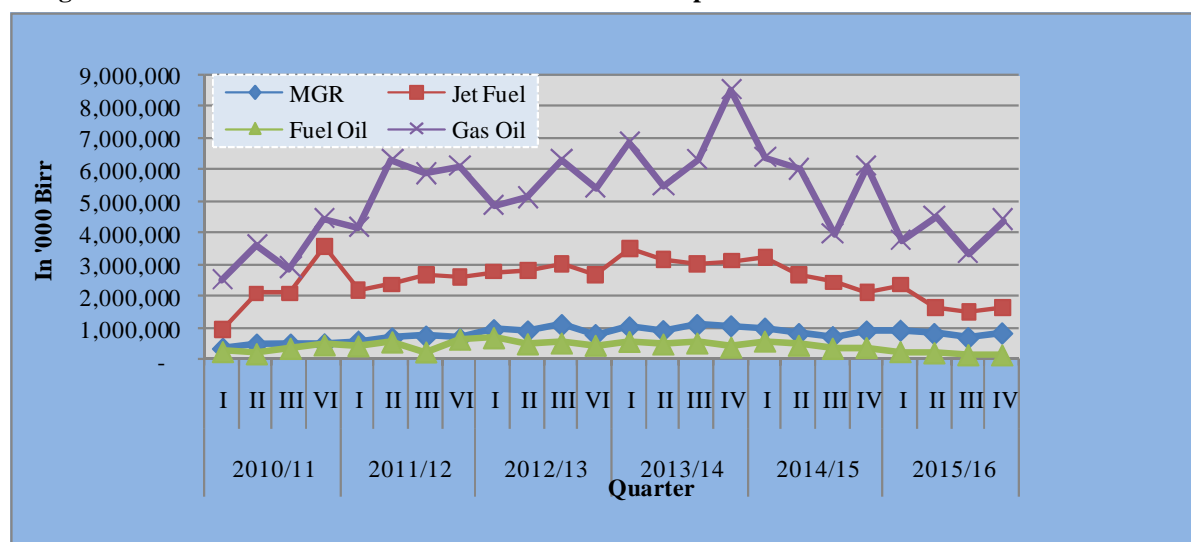
Hence, imports of gas oil, regular gasoline and jet fuel increased while fuel oil showed a 5 percent contraction. On the other hand, import bill of fuel oil declined by 65.9 percent followed by gas oil (27.9 percent), jet fuel (21.6 percent) and regular gasoline (7.5 percent) vis-à-vis same quarter of the previous year (Table 2.2).

Table 2.2: Value of Petroleum Products Imported

(In '000 Birr)

(in 000 Bbl)

| Petroleum Products | 2014/15 | | 2015/16 | | | | Percentage Change | |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|------|
| | Qtr IV | | Qtr III | | Qtr IV | | | |
| | A | Share (In %) | B | Share (In %) | C | Share (In %) | C/A | C/B |
| Regular Gasoline (MGR) | 893,675.96 | 9.4 | 677,357.31 | 12.0 | 826,731.69 | 11.8 | -7.5 | 22.1 |
| Jet Fuel | 2,097,465.37 | 22.1 | 1,513,936.19 | 26.7 | 1,644,085.76 | 23.4 | -21.6 | 8.6 |
| Fuel Oil | 362,053.71 | 3.8 | 129,878.04 | 2.3 | 123,353.37 | 1.8 | -65.9 | -5.0 |
| Gas Oil (ADO) | 6,135,301.76 | 64.7 | 3,340,336.12 | 59.0 | 4,420,545.65 | 63.0 | -27.9 | 32.3 |
| Total | 9,488,496.80 | 100.0 | 5,661,507.66 | 100.0 | 7,014,716.47 | 100.0 | -26.1 | 23.9 |

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

The 29.9 percent down turn in the average FOB price of petroleum products against same quarter of last year was due to the fall in the FOB prices of fuel oil (40.5 percent), regular gasoline (28.3 percent), gas oil (28.3

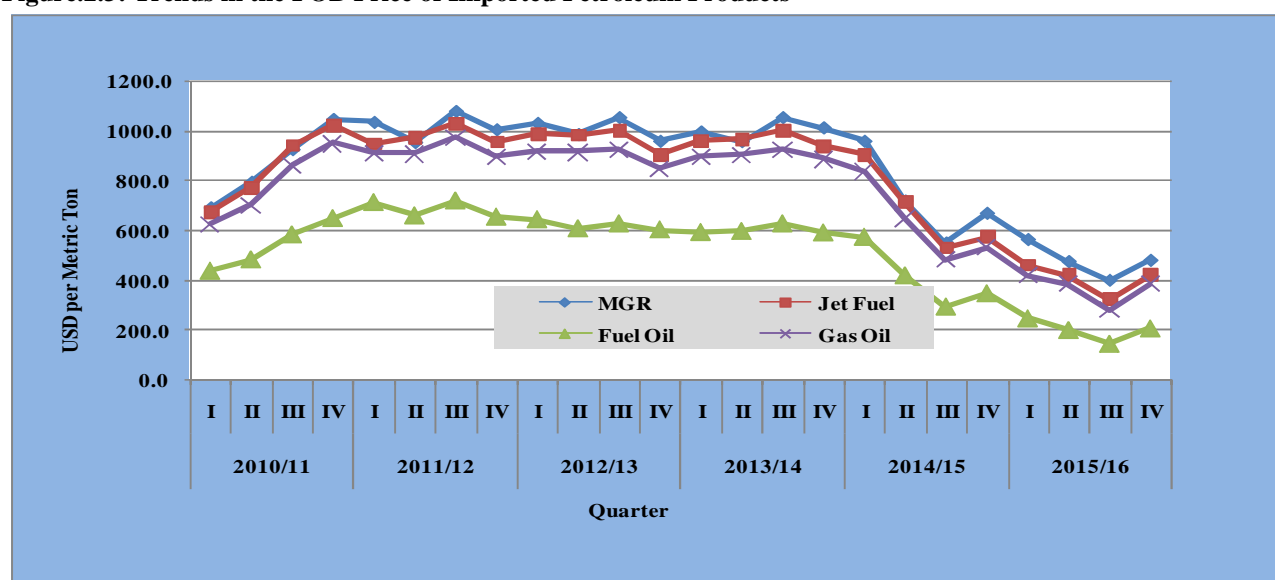
percent) and jet fuel (26.9 percent). In contrast, the average FOB price of petroleum products showed a 30.3 percent improvement compared with the preceding quarter (Table 2.3).

Table 2.3: FOB Price of Petroleum Products Imported

(In USD/ Metric Ton)

| Petroleum Products | 2014/15 | 2015/16 | | Percentage Change | |
|-------------------------------------|---------|----------|--------|-------------------|------|
| | Qtr IV | Qtr. III | Qtr IV | | |
| | A | B | C | C/A | C/B |
| Regular Gasoline (MGR) | 665.69 | 395.26 | 477.30 | -28.3 | 20.8 |
| Jet Fuel | 572.05 | 319.02 | 418.39 | -26.9 | 31.2 |
| Fuel Oil | 347.17 | 145.30 | 206.75 | -40.5 | 42.3 |
| Gas Oil (ADO) | 532.59 | 279.60 | 381.85 | -28.3 | 36.6 |
| Average | 529.37 | 284.79 | 371.82 | -29.9 | 30.3 |
| Brent Crude Oil (USD/Barrel) | 62.1 | 34.4 | 46.0 | -26.0 | 33.8 |

Source: Ethiopian Petroleum Enterprise

Figure.2.3: Trends in the FOB Price of Imported Petroleum Products

Source: Ethiopian Petroleum Enterprise

During the fourth quarter of 2015/16, the average price of Brent crude oil, used as a point of reference for international oil price, declined by 26 percent and reached USD 46

per barrel compared with USD 62.1 a year ago. In contrast, it increased by 33.8 percent over the previous quarter (Table 2.3).

In line with movements in international oil prices and macro economic considerations, domestic retail prices were adjusted accordingly. Thus, the average retail price of fuel in Addis Ababa dropped by 12.3 percent to Birr 13.53 per liter from Birr 15.43 per liter a year ago.

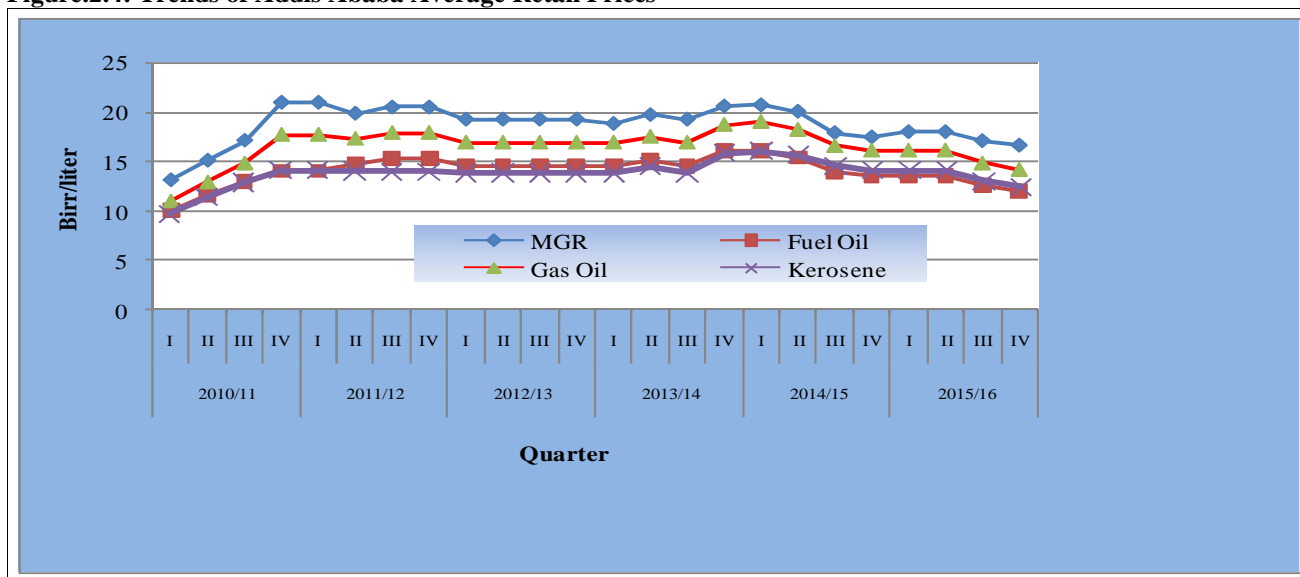
Similarly, the retail prices fell by 5.3 percent against the preceding quarter as the price of all types of petroleum products declined; jet fuel (11.5 percent), gas oil (4.4 percent), kerosene (4.4 percent), fuel oil (4 percent) and regular gasoline (2.6 percent) (Table 2.4).

Table 2.4: Addis Ababa Average Retail Prices of Fuel

(Birr/Liter)

| Petroleum Products | 2014/15 | 2015/16 | | Percentage Change | |
|------------------------|--------------|--------------|--------------|-------------------|-------------|
| | Qtr IV | Qtr III | Qtr IV | | |
| | A | B | C | C/A | C/B |
| Regular Gasoline (MGR) | 17.43 | 17.06 | 16.61 | -4.7 | -2.6 |
| Fuel Oil | 13.59 | 12.59 | 12.10 | -11.0 | -4.0 |
| Gas Oil (ADO) | 16.10 | 14.81 | 14.16 | -12.0 | -4.4 |
| Kerosene | 14.13 | 13.00 | 12.43 | -12.0 | -4.4 |
| Jet fuel | 15.89 | 13.95 | 12.34 | -22.3 | -11.5 |
| Average | 15.43 | 14.28 | 13.53 | -12.3 | -5.3 |

Source: Ministry of Trade

Figure.2.4: Trends of Addis Ababa Average Retail Prices

Source: Ministry of Trade

2.2. Electric Power Generation

Electric power generated during the fourth quarter of 2015/16 reached 2.9 billion KWH registering a 22.3 percent hike over same quarter of last year as a result of higher production from hydropower (22.5 percent) and wind (22.6 percent).

Of the total energy generated during the review period, about 94.4 percent was from hydropower and 5.6 percent from wind. The contribution of thermal power was insignificant and there was no energy production from geothermal sources (Table 2.5).

By system generation, virtually all the electric power was produced through inter connected system (ICS²) while self contained system (SCS³) had a very minimal share (Table 2.6).

² The generated power from different power stations stored in substations before distribution

³ Power stations distribute the generated power independently

Table 2.5: Electricity Generation by Sources

(In '000 of K.W.H)

| Power Source | 2014/15 | | 2015/16 | | | | Percentage Change | |
|---------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------------|-------|
| | Qtr IV | | Qtr III | | Qtr IV | | | |
| | A | Share (In %) | B | Share (In %) | C | Share (In %) | C/A | C/B |
| Hydropower | 2,198,682.6 | 94.2 | 2,332,942.6 | 90.6 | 2,693,183.5 | 94.4 | 22.5 | 15.4 |
| Thermal Power | 4,368.2 | 0.2 | 1,041.4 | 0.0 | 1,063.9 | 0.0 | -75.6 | 2.2 |
| Geothermal | - | - | - | - | - | - | | |
| wind | 130,238.4 | 5.6 | 241,744.7 | 9.4 | 159,727.8 | 5.6 | 22.6 | -33.9 |
| Total | 2,333,289.3 | 100.0 | 2,575,728.7 | 100.0 | 2,853,975.2 | 100.0 | 22.3 | 10.8 |

Source: Ethiopian Electric Power

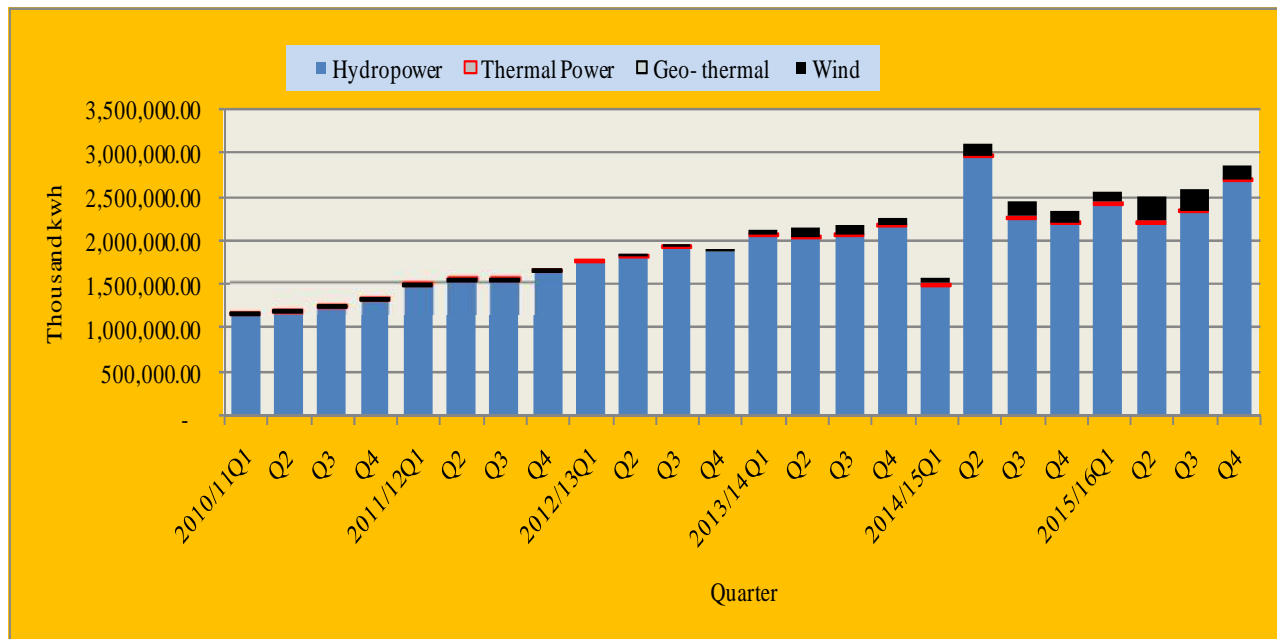
Table 2.6: Generation of Electricity Power in the Interconnected System (ICS) and Self Contained System (SCS)

(In '000 of K.W.H)

| System of Power Supply | 2014/15 | | 2015/16 | | | | Percentage Change | |
|------------------------|-----------|--------------|-----------|--------------|-----------|--------------|-------------------|-------|
| | Qtr IV | | Qtr III | | Qtr IV | | | |
| | A | Share (In %) | B | Share (In %) | C | Share (In %) | C/A | C/B |
| ICS | | | | | | | | |
| Hydro Power | 2198682.6 | 94.2 | 2332942.6 | 90.6 | 2693183.5 | 94.4 | 22.5 | 15.4 |
| Thermal Power | 3023.9 | 0.1 | 0.0 | 0.0 | - | - | - | - |
| Geothermal | 0.0 | 0.0 | 0.0 | 0.0 | - | - | - | - |
| Wind | 130238.4 | 5.6 | 241744.7 | 9.4 | 159727.8 | 5.6 | 22.6 | -33.9 |
| Sub-Total | 2331945.0 | 99.9 | 2574687.3 | 100.0 | 2852911.3 | 100.0 | 22.3 | 10.8 |
| SCS | | | | | | | | |
| Hydro Power | 0.0 | 0.0 | 0.0 | 0.0 | - | - | - | - |
| Thermal Power | 1344.3 | 0.1 | 1041.4 | 0.0 | 1063.9 | 0.0 | -20.9 | 2.2 |
| Geothermal | 0.0 | 0.0 | 0.0 | 0.0 | - | - | - | - |
| wind | 0.0 | 0.0 | 0.0 | 0.0 | - | - | - | - |
| Sub-Total | 1344.3 | 0.1 | 1041.4 | 0.0 | 1063.9 | 0.0 | -20.9 | 2.2 |
| Grand Total | 2333289.3 | 100.0 | 2575728.7 | 100.0 | 2853975.2 | 100.0 | 22.3 | 10.8 |

Source: Ethiopian Electric Power

Figure.2.5: Volume of Electricity Production by Type



Source: Ethiopian Electric Power

III. Quarterly Price Developments

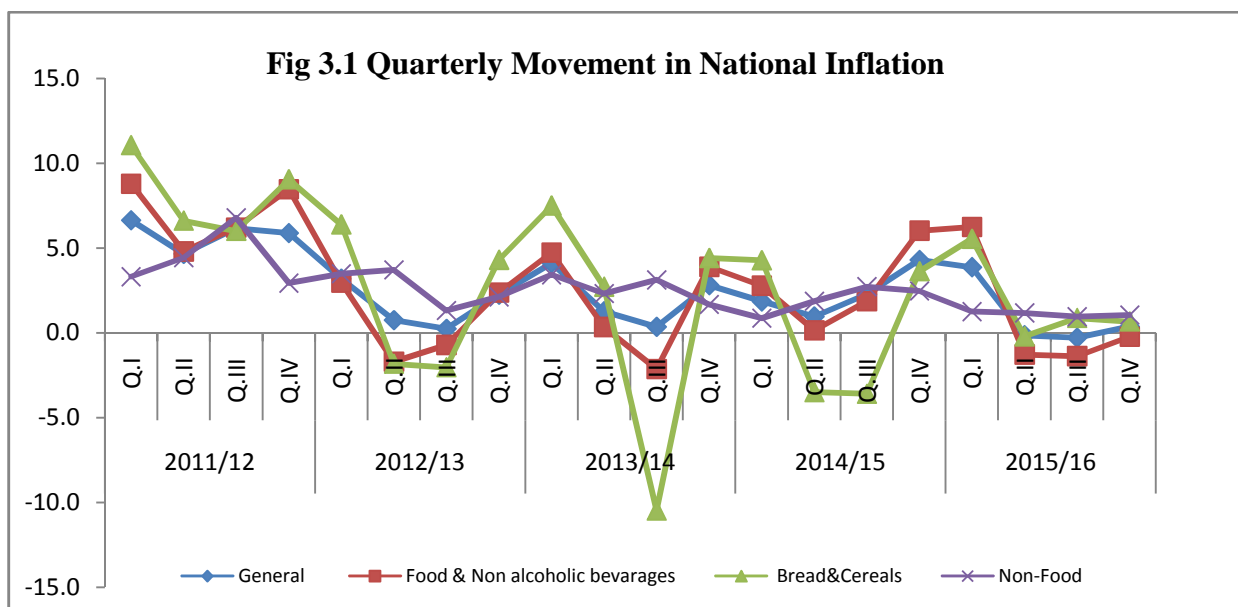
3.1 Developments in National CPI

In the fourth quarter of 2015/16, headline inflation scaled up to 3.2 percent from 0.6 percent in the previous quarter, but declined from 4.3 percent last year same quarter. The 2.6 percentage point marginal rise in quarterly headline inflation was attributed to the rise in food & non-alcoholic beverages inflation by 5.2 percentage point offsetting 0.4 percentage point the marginal decline in non- food inflation. On the other hand, quarter-on-quarter headline inflation registered -1.1 percentage point slow down on account of -2.3 percentage point decrease in food & non-alcoholic beverages inflation which contributed 1.0 percent to headline inflation compared with 1.1 percent non-food inflation (Table 3.1 and Fig 3.2).

During the review quarter, food items such as bread and cereals (2.6 percentage point), meat (3.9 percentage point), milk (3.3 percentage point), oils & fats (3.2 percentage point), vegetables (6.7 percentage point), sugar jam, honey,

chocolate (2.8 percentage point), and non-alcoholic beverages (3.7 percentage point) have recorded a quarterly inflation rise that offset the decline in inflation rates of items like fruits (0.1 percentage point). Hence, quarterly food & non-alcoholic beverages inflation went up by 3.8 percentage point (Table 3.2).

On the other hand, quarter-on-quarter, non-food inflation increased by 2.5 percentage point owing to higher inflation rates of housing, water, electricity, gas and other fuel (6.8 percentage point), health (3.9 percentage point) and restaurant & hotel (2.5 percentage point) and recreation and culture (1.3 percentage point). In contrast, inflation rates of items like alcoholic beverages and tobacco and transport declined (Table 3.3).

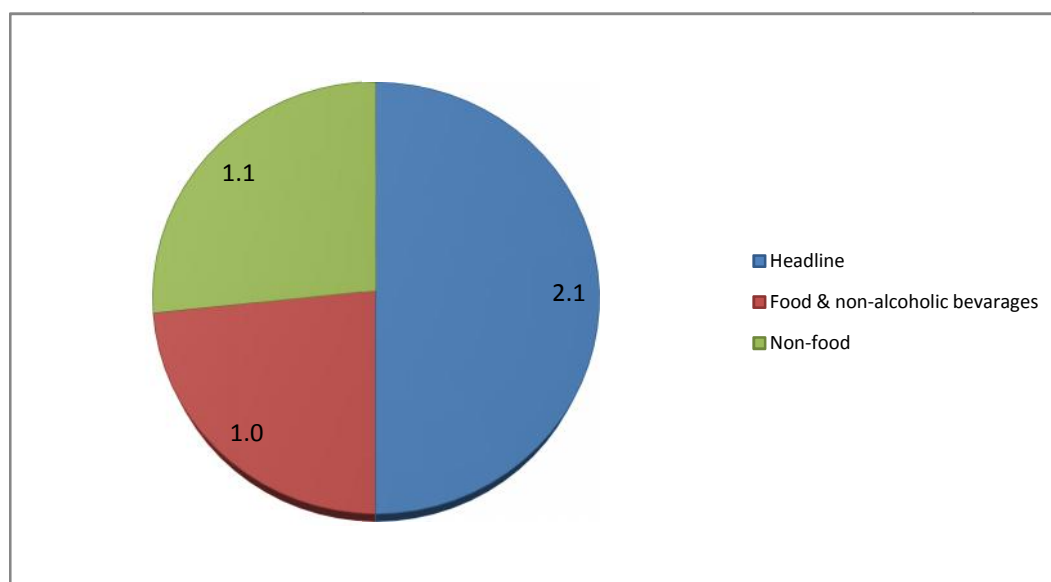


Source: CSA

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

| | | 2014/15 | 2015/16 | | Change in %age Points | | Contribution to | |
|---|---------|---------|---------|-----|-----------------------|------|------------------------|------------------------------|
| | | QIV | QIII | QIV | | | | |
| | Weights | A | B | C | C-A | C-B | QIV headline inflation | headline inflation over QIII |
| Headline | 100 | 4.3 | 0.6 | 3.2 | -1.1 | 2.6 | 2.1 | 3.0 |
| Food & non-alcoholic beverages | 53 | 6.0 | -1.5 | 3.8 | -2.3 | 5.2 | 1.0 | 1.7 |
| Non-food | 47 | 2.5 | 2.9 | 2.5 | 0.0 | -0.4 | 1.1 | 1.3 |

Source: CSA and NBE Staff Computation

FIG 3.2. Contribution of Food and Non-alcoholic beverages and Non-food Inflation in the 2015/16 FY Fourth Quarter Headline Inflation

Source: NBE Staff Computation

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

| Item | Weights | 2014/15 | 2015/16 | | Change in %age | | Contribution to | |
|---|-------------|------------|-------------|------------|----------------|------------|---------------------|-----------------------------------|
| | | QIV | QIII | QIV | points | | QIII food inflation | change in Food Inflation over QII |
| | | A | B | C | C-A | C-B | | |
| Food & Non-alcoholic beverages | 52.8 | 6.0 | -1.5 | 3.8 | -2.3 | 5.2 | 3.8 | 5.2 |
| Bread & Cereals | 18.5 | 3.6 | 1.8 | 2.6 | -1.1 | 0.8 | 0.8 | 0.3 |
| Meat | 4.3 | 3.9 | 0.8 | 3.9 | 0.0 | 3.1 | 0.4 | 0.3 |
| Milk, Cheese & Egg | 2.2 | 9.1 | 5.0 | 3.3 | -5.7 | -1.7 | 0.2 | -0.1 |
| Oils & Fats | 3.7 | 7.6 | -2.9 | 3.2 | -4.4 | 6.2 | 0.2 | 0.4 |
| Fruit | 0.3 | -1.7 | 0.5 | -0.1 | 1.6 | -0.7 | 0.0 | 0.0 |
| Vegetables | 13.5 | 6.3 | 0.0 | 6.7 | 0.4 | 6.7 | 1.8 | 1.9 |
| Sugar Jam,Honey,Chocolet | 1.0 | 1.8 | 6.1 | 2.8 | 1.0 | -3.3 | 0.0 | 0.0 |
| Food Products n.e.c | 4.7 | 21.3 | -16.2 | 0.6 | -20.7 | 16.8 | 0.1 | 2.1 |
| Non-alcoholic Beverages | 4.6 | -5.1 | -4.7 | 3.7 | 8.8 | 8.4 | 0.2 | 0.4 |

Source: CSA and NBE Staff Computation

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

| Item | Weights | 2014/15 | 2015/16 | | Change in %age points | | Contribution to | |
|--|-------------|------------|------------|------------|-----------------------|-------------|-------------------------|---------------------------------------|
| | | QIV | QIII | QIV | | | QIII non-food inflation | change in non-food inflation over QII |
| | | A | B | C | C-A | C-B | | |
| Non-Food | 47.2 | 2.5 | 2.9 | 2.5 | 0.0 | -0.4 | 2.2 | -0.5 |
| Alcoholic Beverages and Tobacco | 4.9 | 3.6 | 7.1 | -6.3 | -9.9 | 13.5 | -0.7 | -1.5 |
| Clothing and Footwear | 6.6 | 0.9 | 1.0 | 1.1 | 0.2 | 0.1 | 0.2 | 0.0 |
| Housing, Water, Electricity, Gas and Other Fuel | 16.3 | 3.9 | 3.6 | 6.8 | 2.9 | 3.2 | 2.4 | 1.2 |
| Furnishings, Household Equipment and Routine Maintenance of Houses | 5.4 | 2.1 | 3.2 | 1.0 | -1.1 | -2.1 | 0.1 | -0.2 |
| Health | 1.1 | -0.7 | 2.0 | 3.9 | 4.6 | 1.9 | 0.1 | 0.0 |
| Transport | 2.8 | -1.6 | -1.1 | -0.2 | 1.3 | 0.8 | 0.0 | 0.0 |
| Communication | 1.1 | 1.6 | -0.9 | 1.1 | -0.5 | 2.1 | 0.0 | 0.0 |
| Recreation and Culture | 0.6 | 0.5 | 3.3 | 1.3 | 0.8 | -2.0 | 0.0 | 0.0 |
| Education | 0.4 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Restaurant Hotel | 5.5 | 2.5 | 2.0 | 2.5 | 0.0 | 0.5 | 0.0 | 0.0 |
| Miscellaneous Goods | 2.6 | 1.2 | 0.9 | 1.4 | 0.2 | 0.5 | 0.1 | 0.0 |

Source: CSA and NBE Staff Computation

3.2 . Developments in Regional CPI

During the review quarter, regional average headline inflation has scaled down to 1.6 percent from 4.0 percent in the same quarter last fiscal year.

Regional states such as Harari, Dire Dawa, Somali, Afar and Tigray have registered higher quarterly headline inflation than the regional average. The highest headline inflation was recorded in Harari (6.4 percent) whereas the lowest inflation (-0.6 percent) was recorded in Benishangul

Gumuz revealing about 7.0 percentage point margin.

The deviation⁴ in the regional headline inflation rates from the average as represented by standard deviation was 2.2 percent which was slightly higher than 2.0 percent registered in the previous quarter (Table 3.4).

Likewise, the regional average food & non-alcoholic beverages inflation in the

⁴ The standard deviation shows how much dispersion exists from the average value.

fourth quarter of 2015/16 rose to 0.2 percent compared to -0.7 percent in the previous quarter. Regional states such as Dire Dawa, Somali, Harari, SNNP and Amhara have experienced higher quarterly food & non-alcoholic beverages inflation than the regional average inflation. The highest average food & non-alcoholic beverages inflation was observed in Dire Dawa (1.9 percent) and the lowest in Addis Ababa (-1.4 percent) revealing 3.3 percentage point margin. The variation in food & non-alcoholic beverages inflation measured by standard deviation was 0.9 percentage points, about 1.6 percentage point lower than the preceding quarter (Table 3.4).

On the other hand, the regional average non-food inflation went up to 3.1 percent from 2.1 percent in the previous quarter. Regional states such as Harari, Dire Dawa, Afar, Somali and Tigray saw non-food inflation rates higher than the regional average. The highest average non-food inflation (12.0 percent) was recorded in Harari and the lowest (-0.1 percent) in SNNP, with a margin of 12.1 percentage point. The variation in non-food inflation measured by the standard deviation was 3.7 percent in the review quarter, which

was similar to that of the previous quarter (Table 3.4).

During the review quarter, the inflation variation among regional states, as compared to the previous quarter, widened in the case of headline inflation but narrowed in terms of food & non-alcoholic beverages inflation whilst the variation in non-food inflation remained unchanged.

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

| Regions | 2014/15 | | | 2015/16 | | | | | | Annual Change | | | Quarterly Change | | |
|--------------------------|---------|-------------------------------|----------|---------|-------------------------------|----------|---------|-------------------------------|----------|---------------|-------------------------------|----------|------------------|-------------------------------|----------|
| | QIV | | | QIII | | | QIV | | | | | | | | |
| | A | | | B | | | C | | | D=C-A | | | D=C-B | | |
| | General | Food &Non-alcoholic beverages | Non-food | General | Food &Non-alcoholic beverages | Non-food | General | Food &Non-alcoholic beverages | Non-food | General | Food &Non-alcoholic beverages | Non-food | General | Food &Non-alcoholic beverages | Non-food |
| SNNP | 3.0 | 8.1 | -0.9 | 1.4 | 1.1 | 1.5 | 0.2 | 0.5 | -0.1 | -2.8 | -7.6 | 0.8 | -1.2 | -0.6 | -1.6 |
| Harari | 0.6 | 4.4 | -3.3 | 6.1 | 0.2 | 12.9 | 6.4 | 1.0 | 12.0 | 5.8 | -3.4 | 15.3 | 0.3 | 0.8 | -0.9 |
| Oromia | 5.5 | 7.7 | 3.0 | -1.5 | -2.9 | 0.2 | 0.0 | -0.5 | 0.6 | -5.5 | -8.3 | -2.4 | 1.5 | 2.4 | 0.4 |
| Tigray | 3.0 | 1.6 | 4.2 | 1.2 | 0.2 | 2.2 | 1.7 | 0.0 | 3.4 | -1.3 | -1.7 | -0.8 | 0.5 | -0.2 | 1.1 |
| Gambela | 2.3 | 2.0 | 3.0 | -0.1 | -0.5 | 0.6 | 0.4 | 0.2 | 0.8 | -2.0 | -1.8 | -2.2 | 0.5 | 0.6 | 0.2 |
| Addis Ababa | 4.6 | 8.8 | 1.5 | -1.5 | -3.9 | 0.5 | -0.4 | -1.4 | 0.3 | -5.0 | -10.2 | -1.2 | 1.0 | 2.5 | -0.1 |
| Dire Dawa | 5.8 | 1.1 | 8.8 | 0.9 | 0.9 | -1.4 | 4.1 | 1.9 | 5.6 | -1.7 | 0.7 | -3.2 | 3.2 | 1.0 | 6.9 |
| Ben. Gum | 2.3 | 2.9 | 1.5 | 0.2 | -1.0 | 1.7 | -0.6 | -1.0 | 0.1 | -2.8 | -3.9 | -1.4 | -0.7 | -0.1 | -1.7 |
| Somali | 7.1 | 3.0 | 11.3 | 0.4 | 0.0 | 0.8 | 2.8 | 1.1 | 4.5 | -4.3 | -1.9 | -6.8 | 2.3 | 1.0 | 3.7 |
| Afar | 7.8 | 7.4 | 8.3 | -0.1 | -2.2 | 2.5 | 2.4 | 0.0 | 5.4 | -5.3 | -7.3 | -2.9 | 2.5 | 2.2 | 2.8 |
| Amhara | 2.5 | 1.9 | 3.0 | 0.6 | -0.2 | 1.3 | 0.9 | 0.4 | 1.4 | -1.6 | -1.6 | -1.6 | 0.3 | 0.5 | 0.2 |
| Regions Average | 4.0 | 4.5 | 3.7 | 0.7 | -0.7 | 2.1 | 1.6 | 0.2 | 3.1 | | | | | | |
| Standard deviation | 2.3 | 3.0 | 4.3 | 2.0 | 1.6 | 3.7 | 2.2 | 0.9 | 3.7 | | | | | | |
| Coefficient of variation | 0.6 | 0.7 | 1.2 | 2.9 | -2.2 | 1.8 | 1.3 | 5.2 | 1.2 | | | | | | |

Source: CSA and NBE Staff Computation

4. MONETARY DEVELOPMENTS

4.1. Money Supply and Credit

Broad money supply (M₂) reached Birr 445.3 billion during the fourth quarter of 2015/16, indicating 19.9 percent annual expansion, mainly driven by 24.6 percent rise in domestic credit, despite 42.7 percent

drop in NFA. At the same time, annual growth in domestic credit was attributed to a 54.7 percent increase in credit to central government and 22.1 percent in credit to non-central government (Table 4.1).

Table 4.1 Factors Influencing Broad Money

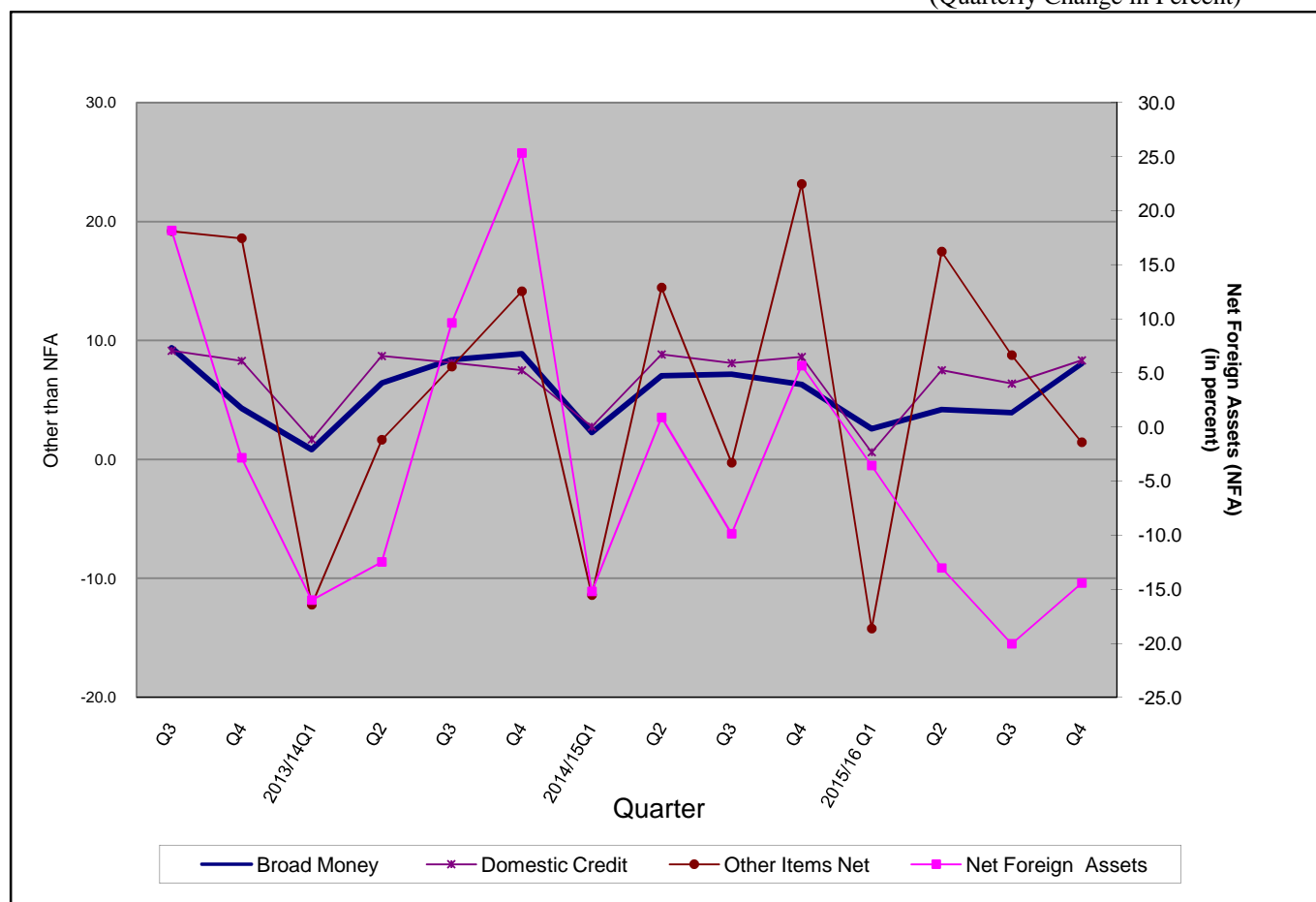
(In Millions of Birr, unless specified)

| Particulars | 2014 | | 2015 | Percentage Change | | Contributions of each Component to Broad Money Growth | |
|----------------------------------|-----------|------------|-----------|-------------------|-------|---|-----------|
| | Qtr. IV | Qtr. III | Qtr. IV | | | | |
| | (June.15) | (March.16) | (June.16) | D=C/A | E=C/B | Annual | Quarterly |
| | A | B | C | | | | |
| 1. External Assets (net) | 37,570.9 | 25,157.5 | 21,524.2 | -42.7 | -14.4 | -21.7 | -11.0 |
| 2. Domestic Credit | 393,421.7 | 452,516.2 | 490,230.3 | 24.6 | 8.3 | 130.9 | 113.8 |
| . Claims on Central Gov't (net) | 30,735.3 | 29,582.0 | 47,548.4 | 54.7 | 60.7 | 22.7 | 54.2 |
| . Claims on Non-Central Gov't | 362,686.5 | 422,934.2 | 442,682.0 | 22.1 | 4.7 | 108.2 | 59.6 |
| . Financial Institutions | 23,357.0 | 24,857.0 | 25,607.0 | 9.6 | 3.0 | 3.0 | 2.3 |
| . Others | 339,329.5 | 398,077.2 | 417,075.0 | 22.9 | 4.8 | 105.2 | 57.3 |
| 3. Other Items (net) | 59,663.8 | 65,549.2 | 66,488.3 | 11.4 | 1.4 | 9.2 | 2.8 |
| 4. Broad Money (M ₂) | 371,328.9 | 412,124.5 | 445,266.3 | 19.9 | 8.0 | 100.0 | 100.0 |

Source: Staff computation, NBE

Fig IV.1: Major Determinants of Monetary Expansion

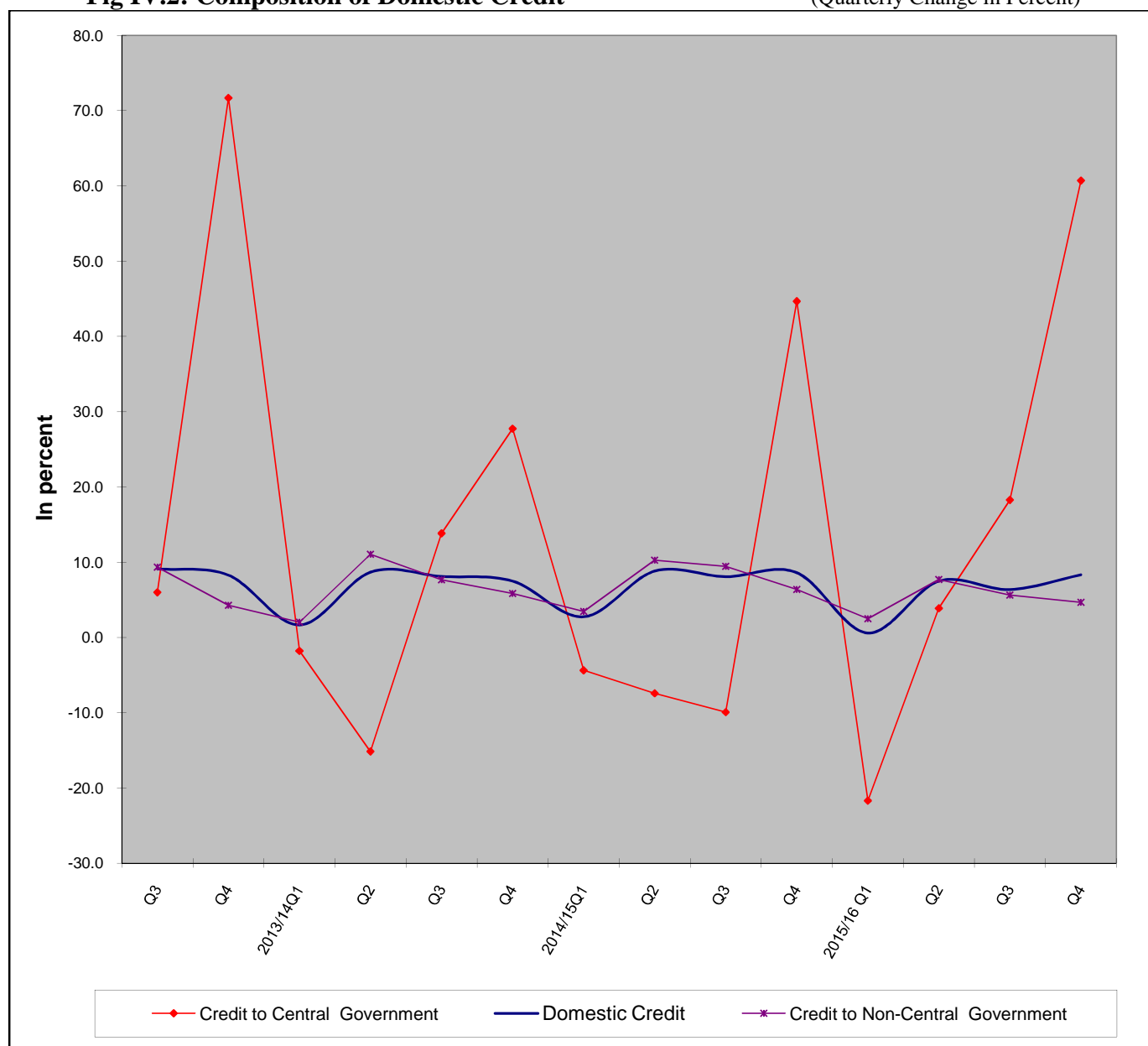
(Quarterly Change in Percent)



Source: Staff Computation, NBE

Fig IV.2: Composition of Domestic Credit

(Quarterly Change in Percent)



Source: Staff computation, NBE

Component wise, quasi-money supply showed annual and quarterly expansion of 23.1 and 7.2 percent respectively. Narrow money supply expanded by 15.5 percent and 9.4 percent on annual and quarterly basis, respectively. Year-on-year basis, both narrow money and quasi-money contributed 32.3 and

53.8 percent to the annual broad money growth (Table 4.2).

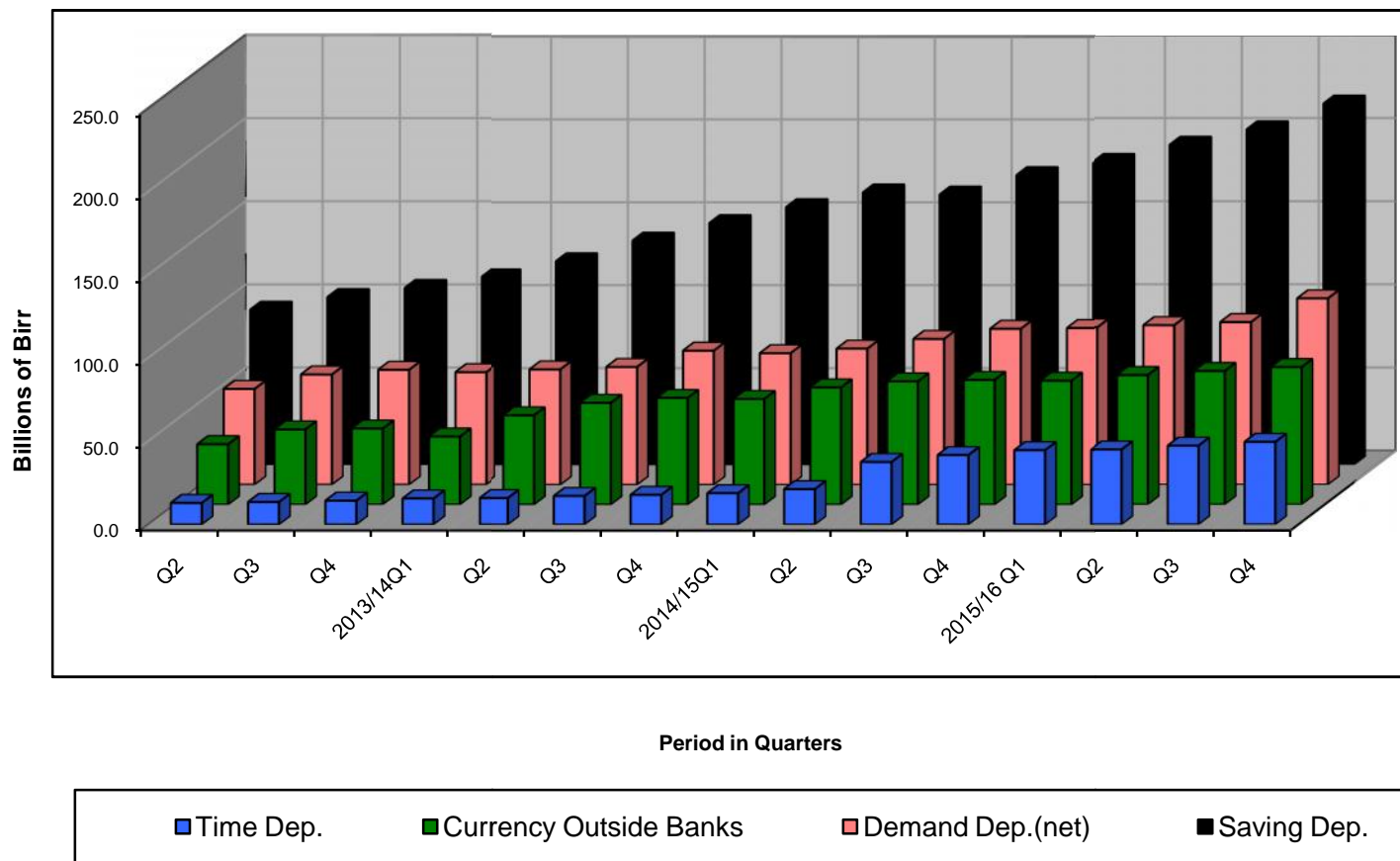
The surge in quasi-money was in line with the aggressive expansion of bank branch network and NBE's effort to maintain stable prices.

Table 4.2: Components of Broad Money

(In millions of Birr, unless specified)

| Particulars | 2015 | 2016 | | Percentage Change | | Contributions of each Component to Broad Money Growth | |
|-------------------------------|------------------|------------------|------------------|-------------------|------------|---|--------------|
| | QIV | QIII | QIV | | | | |
| | June 15) | (March. 16) | (June. 16) | C/A | C/B | Annual | Quarterly |
| | A | C | C | | | | |
| 1. Narrow Money Supply | 154,706.3 | 163,290.4 | 178,609.7 | 15.5 | 9.4 | 32.3 | 46.2 |
| . Currency outside banks | 60,460.9 | 65,623.8 | 66,686.2 | 10.3 | 1.6 | 8.4 | 3.2 |
| . Demand Deposits (net) | 94,245.4 | 97,666.6 | 111,923.5 | 18.8 | 14.6 | 23.9 | 43.0 |
| 2. Quasi-Money | 216,622.6 | 248,834.1 | 266,656.6 | 23.1 | 7.2 | 67.7 | 53.8 |
| . Savings Deposits | 174,632.0 | 201,515.3 | 217,034.3 | 24.3 | 7.7 | 57.3 | 46.8 |
| . Time Deposits | 41,990.6 | 47,318.8 | 49,622.3 | 18.2 | 4.9 | 10.3 | 7.0 |
| 3. Broad Money Supply | 371,328.9 | 412,124.5 | 445,266.3 | 19.9 | 8.0 | 100.0 | 100.0 |

Source: Staff Computation, NBE

Fig. IV. 3: Composition of Monetary Stock

Source: Staff computation, NBE

4.2. Developments in Reserve Money and Monetary Ratio

Reserve money reached Birr 119.2 billion at the end of the fourth quarter of 2015/16, depicting an annual and quarterly expansion of 16.3 percent and 13.3 percent, respectively. Excess reserves of commercial banks also showed 42.3 and 152.7 percent respective growth on annual and quarterly basis.

The money multiplier measured by the ratio of broad money to reserve money, grew by 0.1 percentage point annually implying the increased monetization of the economy, while, the ratio of narrow money to reserve money declined 0.3 percent (Table 4.3).

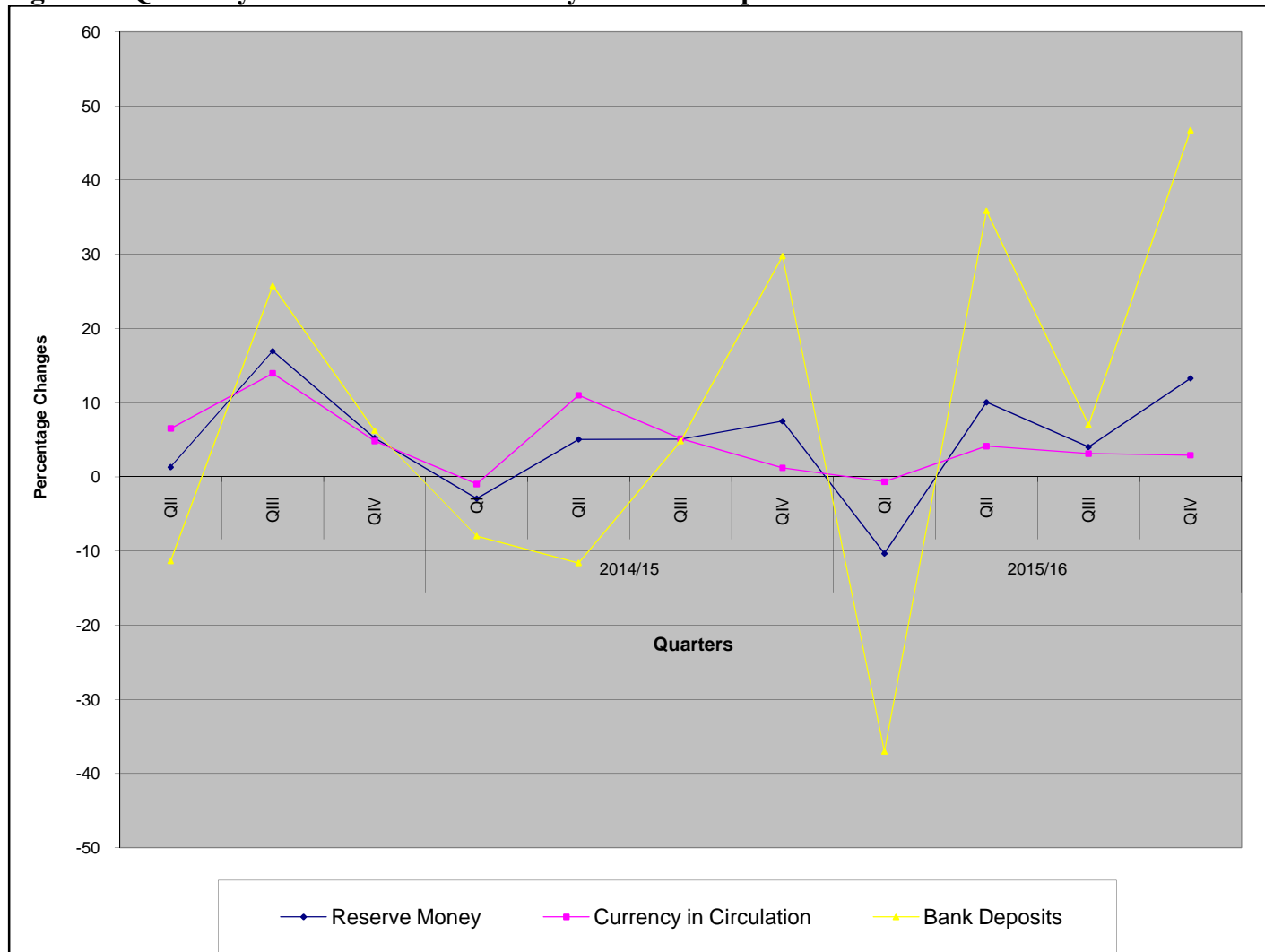
Table 4.3: Monetary Aggregates and Ratios

(In Millions of birr unless otherwise indicated)

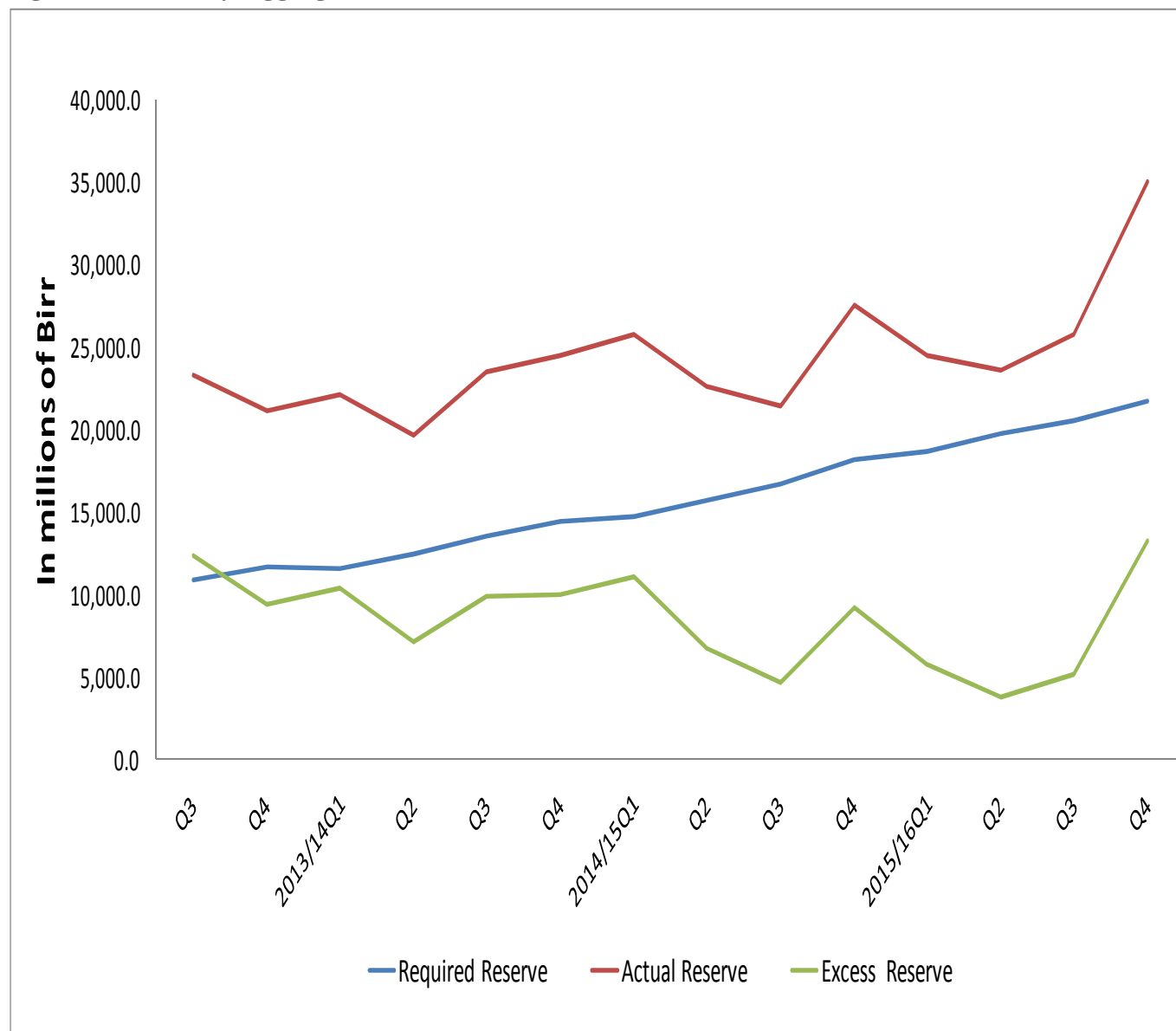
| Particulars | 2015 | 2016 | | Percentage Change | |
|---------------------------------|-----------|------------|-----------|-------------------|-------|
| | Qtr. IV | Qtr. III | Qtr. IV | | |
| | (June.15) | (March.16) | (June.16) | | |
| | A | B | C | C/A | C/B |
| 1. Reserve Requirement (CB's) | 18,250.35 | 20,521.52 | 21,745.43 | 19.2 | 6.0 |
| 2. Actual Reserve (CB's) | 27,562.60 | 25,766.75 | 34,999.38 | 27.0 | 35.8 |
| 3. Excess Reserve (CB's) | 9,312.24 | 5,245.23 | 13,253.95 | 42.3 | 152.7 |
| 4. Reserve Money | 102,467.8 | 105,185.7 | 119,164.7 | 16.3 | 13.3 |
| . Currency in Circulation | 75,240.7 | 80,258.9 | 82,592.7 | 9.8 | 2.9 |
| . Banks deposits at NBE | 27,227.1 | 24,926.8 | 36,572.0 | 34.3 | 46.7 |
| 5. Money Multiplier (Ratio): | | | | | |
| . Narrow Money to Reserve Money | 1.5 | 1.6 | 1.5 | -0.7 | -3.4 |
| . Broad Money to Reserve Money | 3.6 | 3.9 | 3.7 | 3.1 | -4.6 |
| 6. Other Monetary Ratios (%): | | | | | |
| . Currency to Narrow Money | 48.6 | 49.2 | 46.2 | -4.9 | -5.9 |
| . Currency to Broad Money | 20.3 | 19.5 | 18.5 | -8.5 | -4.8 |
| . Narrow Money to Broad Money | 41.7 | 39.6 | 40.1 | -3.7 | 1.2 |
| . Quasi Money to Broad Money | 58.3 | 60.4 | 59.9 | 2.7 | -0.8 |

Source: NBE and Commercial Banks

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



Source: Staff Computation NBE

Fig IV.5: Monetary Aggregates

Source: Staff Computation NBE

4.3. Interest Rate Developments

Average savings deposit rate remained at 5.4 percent per year while average lending interest rate increased to 12.75 from 11.88 percent a year ago. Weighted average time deposit rate, slightly declined by 0.18 percentage

points while T-bills yield rose from 1.43 to 1.44 percent. Considering the June 2016 headline inflation of 7.5 percent, all real deposit rates and the T-bill yields 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 | 2014/15 | 2015/16 | | Percentage point Changes | |
|--|--------------|--------------|--------------|--------------------------|--------------|
| | QIV | QIII | QIV | Annual | Quarterly |
| 1. Savings Deposit Rate 1/ | | | | | |
| Minimum | 5.00 | 5.00 | 5.00 | 0.00 | 0.00 |
| Maximum | 5.75 | 5.75 | 5.75 | 0.00 | 0.00 |
| Average Saving Rate | 5.38 | 5.38 | 5.38 | 0.00 | 0.00 |
| 2. Time Deposits | | | | | |
| Up to 1yr | 5.71 | 5.57 | 5.53 | -0.18 | -0.04 |
| 1-2 years | 5.78 | 5.65 | 5.60 | -0.18 | -0.04 |
| Over 2 yrs | 5.82 | 5.68 | 5.64 | -0.18 | -0.04 |
| Average Time Dep. Rate (Weighted) | 5.77 | 5.63 | 5.59 | -0.18 | -0.04 |
| 3. Demand Deposit (Weighted) | 0.03 | 0.04 | 0.04 | 0.00 | 0.00 |
| 4. Lending Rate 2/ | | | | | |
| Minimum | 7.50 | 7.50 | 7.50 | 0.00 | 0.00 |
| Maximum | 16.25 | 17.25 | 18.00 | 1.75 | 0.75 |
| Average Lending Rate | 11.88 | 12.38 | 12.75 | 0.88 | 0.38 |
| 5. T-bills Rate (Weighted) | 1.43 | 1.42 | 1.44 | 0.00 | 0.02 |
| 6. GERD Bond Yield 3/ | | | | | |
| 6.1 Maturity within 5 Years | 5.50 | 5.50 | 5.50 | 0.00 | 0.00 |
| 6.1 Maturity above 5 Years | 6.00 | 6.00 | 6.00 | 0.00 | 0.00 |
| 7. Headline Inflation (Year-on-year) | 10.40 | 7.50 | 7.50 | -2.90 | 0.00 |
| 8. Food Inflation (Year-on-year) | 12.50 | 7.30 | 7.20 | -5.30 | -0.10 |
| 9. Core/non-food Inflation (Year-on-year) | 8.20 | 7.90 | 7.80 | -0.40 | -0.10 |

1/ Minimum interest rate on saving bond is set by NBE, where as the maximum indicates the highest rate some banks are paying voluntarily.

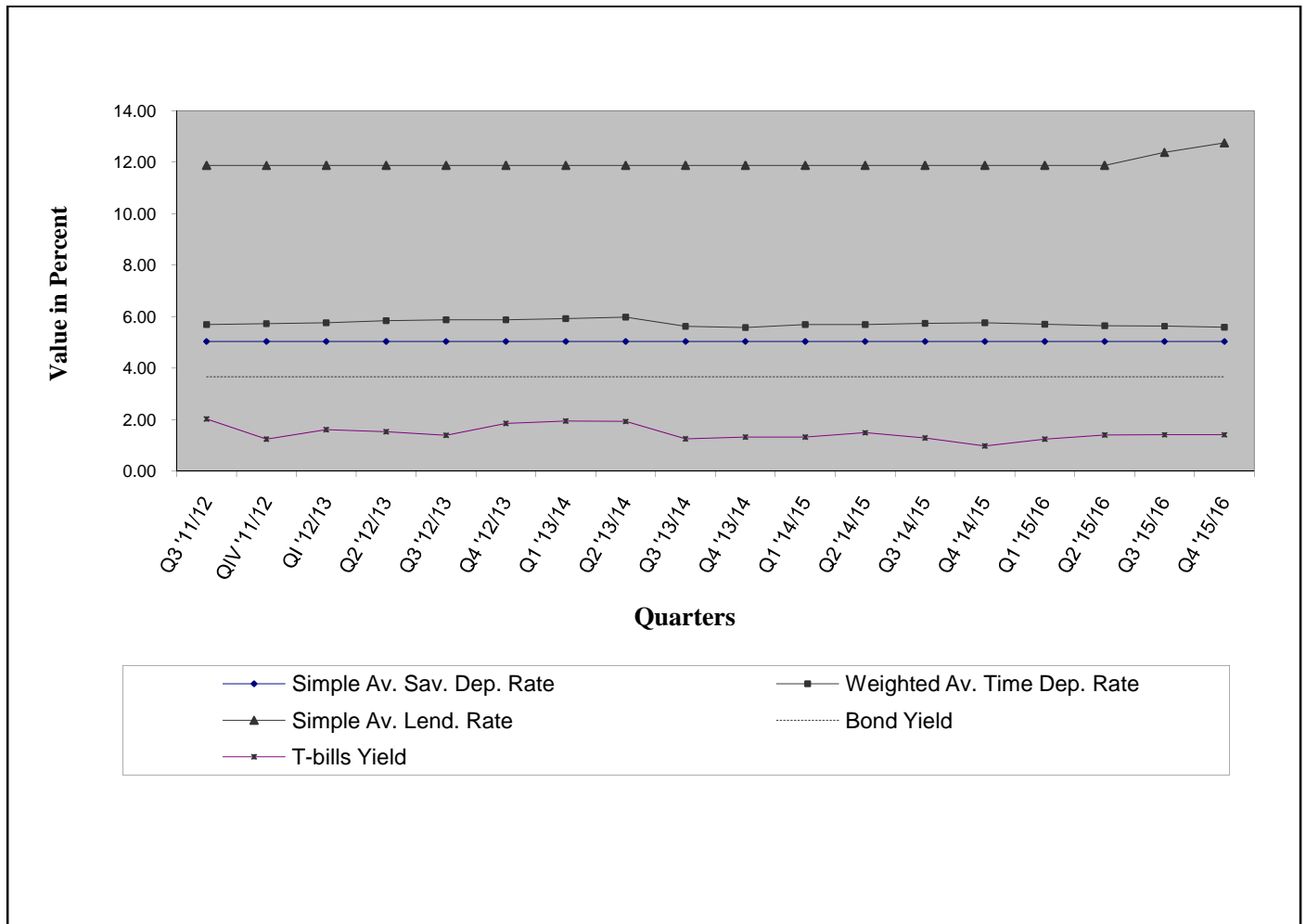
2/ NBE has no control on lending rates and the minimum & maximum rates presented here are determined by the market.

3/ GERD stands for Grand Ethiopian Renaissance Dam

Source: Staff Computation NBE

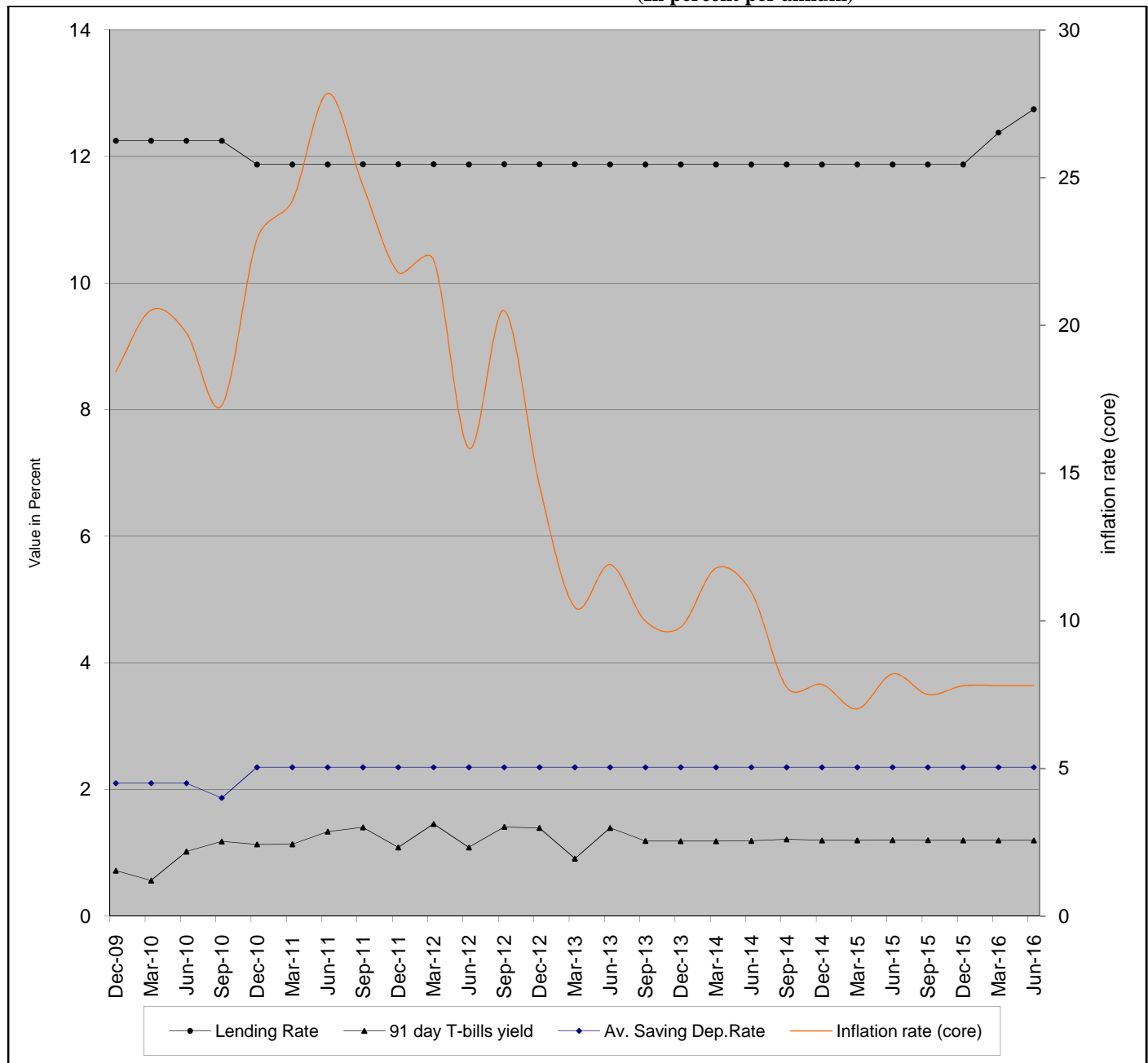
Fig IV.6: Interest Rate Structure of Commercial Banks

(In percent per annum)



Source: NBE and Commercial Banks

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



Source: Staff computation, NBE

Note:

* Inflation rate (core) is depicted on the right axis while lending rate, 91 day T-bills yield and average saving deposit rate are shown on the left axis.

4.4. Developments in the Financial Sector

The number of banks operating in Ethiopia remained at 18 as of June 2016 of which 16 were private and the remaining two public. In the reviewed quarter 142 new bank branches were opened, raising the total number of bank branches to 3,187. As a result, one branch was serving 28,932⁵ people on average. About 34.4 percent of the total bank branches were located in Addis Ababa. Of the total bank branches, the share of public banks was 39.5 percent.

Meanwhile, total capital of the banking system reached Birr 43.1 billion, of which private banks accounted for 51.1 percent and public banks 48.9 percent. The share of Commercial Bank of Ethiopia, the biggest state owned bank, in total capital of the banking system, declined to 31.5 percent from 34.8 percent a year ago, while that of Development Bank of Ethiopia stood at 17.4 percent putting the total share of public banks at 52.2 percent (Table 4.5).

At the same time, the number of insurance companies was 17, of which 16 were privately owned. The number of insurance branches

increased to 426 from 377 a year ago. Of the total branches, about 53.5 percent were located in Addis Ababa.

During the review quarter, the total capital of insurance companies reached Birr 3.6 billion, of which 77 percent went to private insurance companies (Table 4.6).

There were 35 micro-finance institutions (MFIs) operating in the country. These MFIs mobilized Birr 18.4 billion in saving deposit which was 24.3 percent higher than last year same period. Similarly, their outstanding credit increased by 15.5 percent to Birr 25.2 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 20 percent to reach Birr 36.7 billion at the end of June, 2016 (Table 4.7).

The top five largest MFIs (Amhara, Dedebeit, Oromia, Omo and Addis Credit and Savings Institutes) accounted for 83.6 percent of the total capital, 92.9 percent of the savings, 88.3 percent of the credit and 89.2 percent of the total assets of MFIs.

⁵ Total population is 92,205,000 as CSA estimation for 2016.

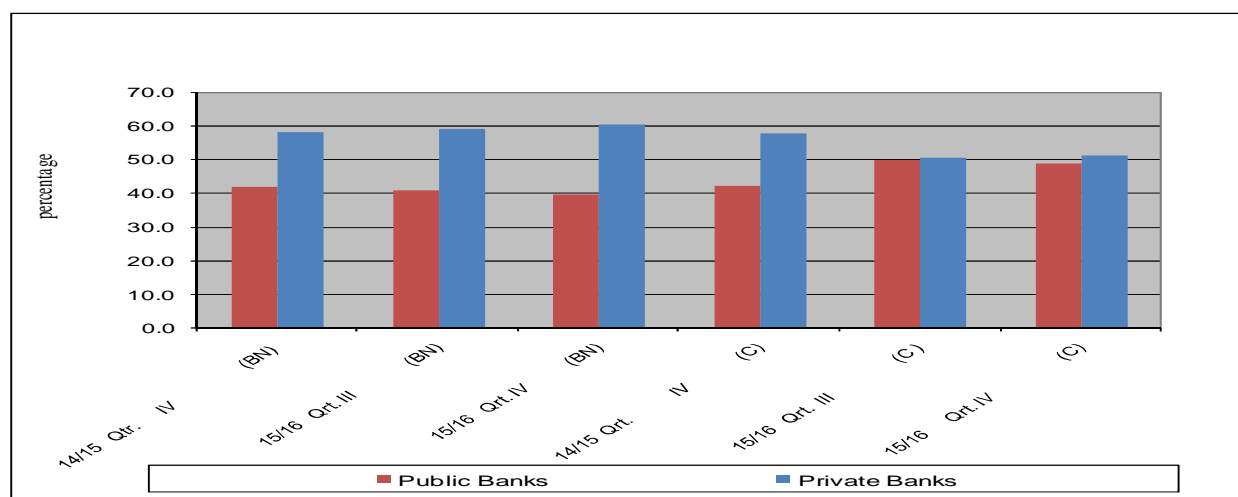
Table 4.5: Capital and Branch Network of the Banking System

(Branch in Number & Capital in Millions of Birr)

| Banks | Branch Network | | | | | | | | | | | | Capital | | |
|------------------------------|----------------|------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|-----------------|-----------------|
| | 2014/15 | | | | 2015/16 | | | | | | | | 2014/15 | 2015/16 | |
| | Quarter IV | | | | Quarter III | | | | Quarter IV | | | | Quarter IV | Quarter III | Quarter IV |
| | Reg | A.A | Total | % | Reg. | A.A | Total | % | Reg. | A.A | Total | % | | | |
| 1. Public Banks | | | | | | | | | | | | | | | |
| Commercial Bank of Ethiopia | 785 | 192 | 977 | 36.3 | 878 | 254 | 1,132 | 37.2 | 888 | 262 | 1,150 | 36.1 | 10,716 | 12,903.1 | 13,557.5 |
| Construction and Business | 69 | 51 | 120 | | - | - | - | - | - | - | - | - | - | - | |
| Development Bank of Ethiopia | 31 | 1 | 32 | 1.2 | 106 | 4 | 110 | 3.6 | 106 | 4 | 110 | 3.5 | 2,269 | 7,500.0 | 7,500.8 |
| Total Public Banks | 885 | 244 | 1,129 | 41.9 | 984 | 258 | 1,242 | 40.8 | 994 | 266 | 1,260 | 39.5 | 12,986 | 20,403.1 | 21,058.3 |
| 2. Private Banks | | | | | | | | | | | | | | | |
| Awash International Bank | 95 | 112 | 207 | 7.7 | 114 | 126 | 240 | 7.9 | 118 | 127 | 245 | 7.7 | 2,540 | 3,166.6 | 3,191.2 |
| Dashen Bank | 76 | 88 | 164 | 6.1 | 51 | 51 | 102 | 3.3 | 61 | 57 | 118 | 3.7 | 2,377 | 2,630.8 | 2,809.3 |
| Abyssinia Bank | 64 | 72 | 136 | 5.1 | 83 | 88 | 171 | 5.6 | 84 | 92 | 176 | 5.5 | 1,594 | 1,734.8 | 1,838.2 |
| Wegagen Bank | 63 | 56 | 119 | 4.4 | 92 | 64 | 156 | 5.1 | 95 | 66 | 161 | 5.1 | 2,062 | 2,426.3 | 2,431.1 |
| United Bank | 62 | 66 | 128 | 4.8 | 66 | 71 | 137 | 4.5 | 70 | 74 | 144 | 4.5 | 1,475 | 1,539.2 | 1,814.7 |
| Nib International Bank | 50 | 65 | 115 | 4.3 | 57 | 80 | 137 | 4.5 | 69 | 86 | 155 | 4.9 | 1,925 | 2,144.2 | 2,253.9 |
| Cooperative Bank of Oromiya | 106 | 35 | 141 | 5.2 | 127 | 42 | 169 | 5.6 | 139 | 45 | 184 | 5.8 | 1,059 | 1,140.2 | 1,182.7 |
| Lion International Bank | 50 | 38 | 88 | 3.3 | 70 | 44 | 114 | 3.7 | 75 | 46 | 121 | 3.8 | 602 | 713.2 | 787.2 |
| Oromia International Bank | 103 | 49 | 152 | 5.6 | 136 | 58 | 194 | 6.4 | 148 | 62 | 210 | 6.6 | 772 | 989.4 | 1,069.9 |
| Zemen Bank | 5 | 2 | 7 | 0.3 | 8 | 4 | 12 | 0.4 | 8 | 5 | 13 | 0.4 | 650 | 786.2 | 800.0 |
| Buna International Bank | 47 | 35 | 82 | 3.0 | 56 | 47 | 103 | 3.4 | 56 | 49 | 105 | 3.3 | 559 | 641.8 | 774.7 |
| Berhan International Bank | 32 | 39 | 71 | 2.6 | 36 | 44 | 80 | 2.6 | 43 | 45 | 88 | 2.8 | 622 | 748.2 | 805.9 |
| Abay Bank | 70 | 19 | 89 | 3.3 | 80 | 26 | 106 | 3.5 | 89 | 27 | 116 | 3.6 | 591 | 782.6 | 814.5 |
| Addis Interational Bank | 10 | 22 | 32 | 1.2 | 13 | 25 | 38 | 1.2 | 17 | 26 | 43 | 1.3 | 400 | 466.9 | 569.8 |
| Debab Global Bank | 13 | 9 | 22 | 0.8 | 17 | 11 | 28 | 0.9 | 17 | 11 | 28 | 0.9 | 203 | 255.1 | 270.9 |
| Enat Bank S.C | 5 | 6 | 11 | 0.4 | 6 | 10 | 16 | 0.5 | 7 | 13 | 20 | 0.6 | 392 | 552.5 | 588.6 |
| Total Private Banks | 851 | 713 | 1,564 | 58 | 1,012 | 791 | 1,803 | 59 | 1,096 | 831 | 1,927 | 60.5 | 17,823 | 20,717.6 | 22,002.5 |
| 3. Grand Total Banks | 1,736 | 957 | 2,693 | 100 | 1,996 | 1,049 | 3,045 | 100.0 | 2,090 | 1,097 | 3,187 | 100.0 | 30,808 | 41,120.7 | 43,060.8 |

Source: Bank Supervision Directorate, NBE

Reg. Stands for Region

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

Source: Staff computation, NBE

Table 4.6: Branch Network & Capital of Insurance Companies

(Branch in Number & Capital in Millions of Birr)

| S.No. | Insurance Companies | Branch | | | | | | | | | Capital | | |
|-------|--|------------|-----|-------|-------------|-----|-------|------------|-----|-------|------------|-------------|------------|
| | | 2014/15 | | | 2015/16 | | | | | | 2014/15 | 2015/16 | |
| | | 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 | 48 | 66 | 18 | 48 | 66 | 18 | 52 | 70 | 643.2 | 692.3 | 836.5 |
| 2 | Awash Insurance Company | 22 | 14 | 36 | 24 | 14 | 38 | 24 | 14 | 38 | 219.0 | 254.0 | 292.3 |
| 3 | Africa Insurance Company | 9 | 9 | 18 | 10 | 11 | 21 | 11 | 11 | 22 | 211.5 | 209.1 | 240.9 |
| 4 | National Insurance Corporation of Ethiopia | 9 | 13 | 22 | 15 | 14 | 29 | 15 | 14 | 29 | 80.8 | 93.1 | 100.0 |
| 5 | United Insurance Company | 18 | 10 | 28 | 18 | 10 | 28 | 18 | 10 | 28 | 258.4 | 280.2 | 322.5 |
| 6 | Global Insurance Company | 6 | 6 | 12 | 6 | 7 | 13 | 6 | 7 | 13 | 95.8 | 103.9 | 109.7 |
| 7 | Nile Insurance Company | 14 | 17 | 31 | 17 | 18 | 35 | 17 | 19 | 36 | 232.6 | 220.3 | 232.3 |
| 8 | Nyala Insurance Company | 13 | 10 | 23 | 13 | 10 | 23 | 13 | 10 | 23 | 286.3 | 305.9 | 327.8 |
| 9 | Nib Insurance Company | 19 | 9 | 28 | 20 | 9 | 29 | 21 | 9 | 30 | 263.6 | 272.0 | 316.3 |
| 10 | Lion Insurance Company | 15 | 10 | 25 | 15 | 12 | 27 | 15 | 13 | 28 | 96.6 | 97.7 | 91.2 |
| 11 | Ethio-Life Insurance Company | 8 | 4 | 12 | 11 | 4 | 15 | 12 | 4 | 16 | 31.8 | 75.7 | 81.3 |
| 12 | Oromia Insurance Company | 17 | 12 | 29 | 17 | 15 | 32 | 17 | 16 | 33 | 138.1 | 76.0 | 165.6 |
| 13 | Abay Insurance Company S.C. | 8 | 9 | 17 | 10 | 9 | 19 | 10 | 9 | 19 | 108.3 | 146.9 | 160.6 |
| 14 | Berhan insurance S.C | 6 | 1 | 7 | 7 | 1 | 8 | 7 | 1 | 8 | 46.9 | 68.1 | 71.3 |
| 15 | Tsehay Insurance S.C. | 6 | 2 | 8 | 8 | 3 | 11 | 8 | 4 | 12 | 48.7 | 77.0 | 80.3 |
| 16 | Lucy | 3 | 2 | 5 | 6 | 2 | 8 | 6 | 2 | 8 | 64.7 | 87.3 | 96.4 |
| 17 | Bunna Insurance S.C. | 8 | 2 | 10 | 10 | 2 | 12 | 10 | 3 | 13 | 38.8 | 59.4 | 64.6 |
| TOTAL | | 199 | 178 | 377 | 225 | 189 | 414 | 228 | 198 | 426 | 2,865.0 | 3,118.7 | 3,589.7 |

Source: Insurance Supervision Directorate, NBE

Table 4.7: Microfinance Institutions Performance as of June 30, 2016

(In Thousands of Birr)

| Particulars | 2014/15 | 2015/16 | | % Change | |
|---------------|--------------|--------------|--------------|----------|-----|
| | Qtr.IV | Qtr.III | Qtr.IV | C/A | C/B |
| | A | B | C | | |
| Total Capital | 7,187,259.5 | 8,497,744.2 | 8,875,780.6 | 23.5 | 4.4 |
| Saving | 14,832,747.4 | 17,615,103.9 | 18,432,836.7 | 24.3 | 4.6 |
| Credit | 21,827,337.3 | 23,065,977.4 | 25,203,763.0 | 15.5 | 9.3 |
| Total Assets | 30,562,012.2 | 34,667,048.6 | 36,668,011.6 | 20.0 | 5.8 |

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

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

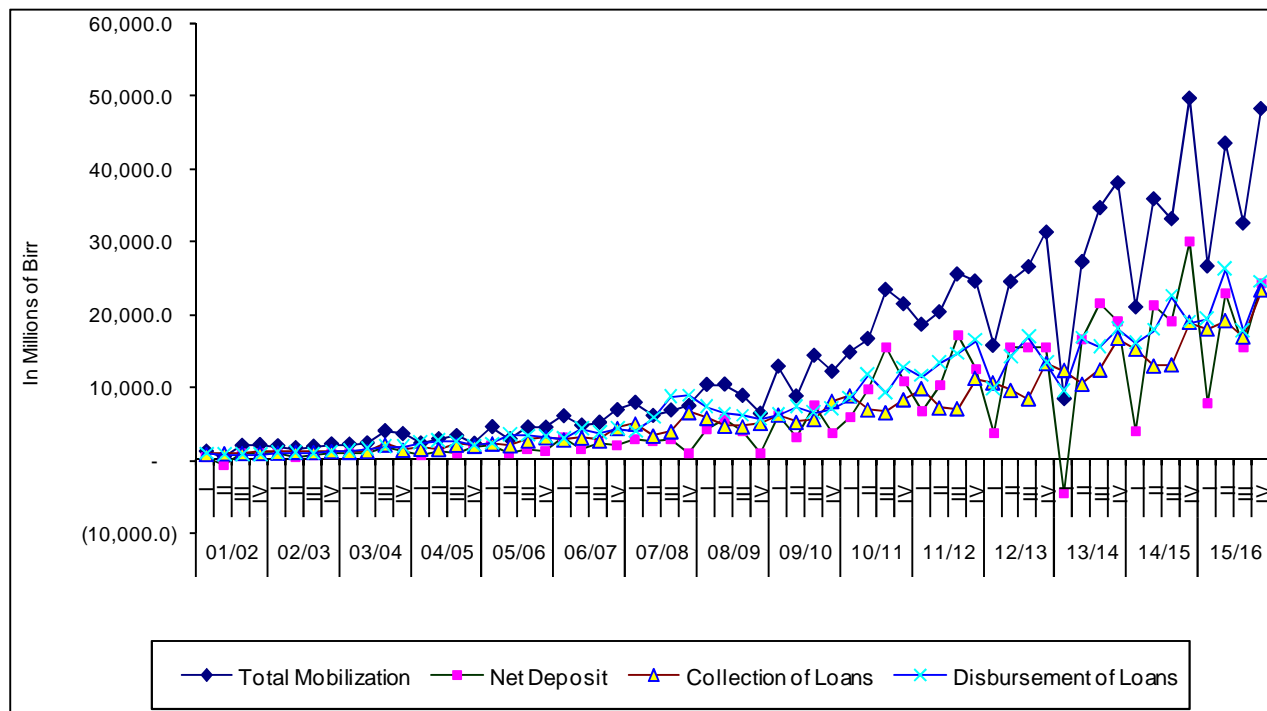
(In Millions of Birr)

(In Millions of Bdt)

| Particulars | Public Banks | | Private Banks | | Grand Total | | | % Change | |
|--------------------------------------|---------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|----------|---------|
| | 1 | | 2 | | (3) = (1) + (2) | | | | |
| | Qtr. III 2015/16 | Qtr.IV 2015/16 | Qtr.III 2015/16 | Qtr.IV 2015/16 | Qtr.IV 2014/15 | Qtr.III 2015/16 | Qtr.IV 2015/16 | | |
| | A | B | | | A | B | C | | |
| 1.Deposits (net change) | 12,163.7 | 11,665.4 | 3,491.3 | 12,679.1 | 12,400.3 | 15,655.0 | 24,344.5 | 96.3 | 55.5 |
| -Demand | 4,236.6 | 1,866.6 | -93.5 | 4,555.1 | 4,391.8 | 4,143.1 | 6,421.7 | 46.2 | 55.0 |
| -Saving | 6,524.1 | 9,276.8 | 2,708.0 | 6,242.6 | 6,084.7 | 9,232.1 | 15,519.4 | 155.1 | 68.1 |
| -Time | 1,403.0 | 522.0 | 876.8 | 1,881.5 | 1,923.8 | 2,279.8 | 2,403.5 | 24.9 | 5.4 |
| 2. Borrowing (net change) | 142.4 | 872.3 | 0.0 | 0.0 | 1,003.2 | 142.4 | 872.3 | | 512.6 |
| -Local | 40.3 | 863.5 | 0.0 | 0.0 | 923.8 | 40.3 | 863.5 | | 2,045.2 |
| -Foreign | 102.2 | 8.9 | 0.0 | 0.0 | 79.4 | 102.2 | 8.9 | | -91.3 |
| 3. Collection of Loans | 6,363.6 | 10,902.7 | 10,504.8 | 12,360.3 | 11,138.3 | 16,868.3 | 23,263.1 | 108.9 | 37.9 |
| 4. Total Resources Mobilized (1+2+3) | 18,669.7 | 23,440.5 | 13,996.1 | 25,039.5 | 24,541.8 | 32,665.8 | 48,479.9 | 97.5 | 48.4 |
| 5. Disbursement | 11,902.6 | 13,759.7 | 5,931.4 | 10,686.1 | 16,487.6 | 17,834.0 | 24,445.8 | 48.3 | 37.1 |
| 6. Change in Liquidity (4-5) | 6,767.0 | 9,680.8 | 8,064.7 | 14,353.3 | 8,054.2 | 14,831.7 | 24,034.1 | 198.4 | 62.0 |
| Memorandum Item: | | | | | | | | | |
| A. Outstanding Credit* | 165,895.3 | 170,665.6 | 88,754.3 | 93,181.7 | 110,200.6 | 254,649.5 | 263,847.4 | 139.4 | 3.6 |
| B. Outstanding Interbank Lending | 50.5 | 54.3 | 0.0 | 0.0 | 276.4 | 50.5 | 54.3 | -80.4 | 7.4 |

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 reached Birr 438.1 billion at the end of the fourth quarter of 2015/16, indicating 5.9 percent quarterly and 19.3 percent annual growth rates. The growth in deposit mobilization was partly attributed to the expansion of bank branches and improvements in the saving culture of the population as per capita income tended to grow.

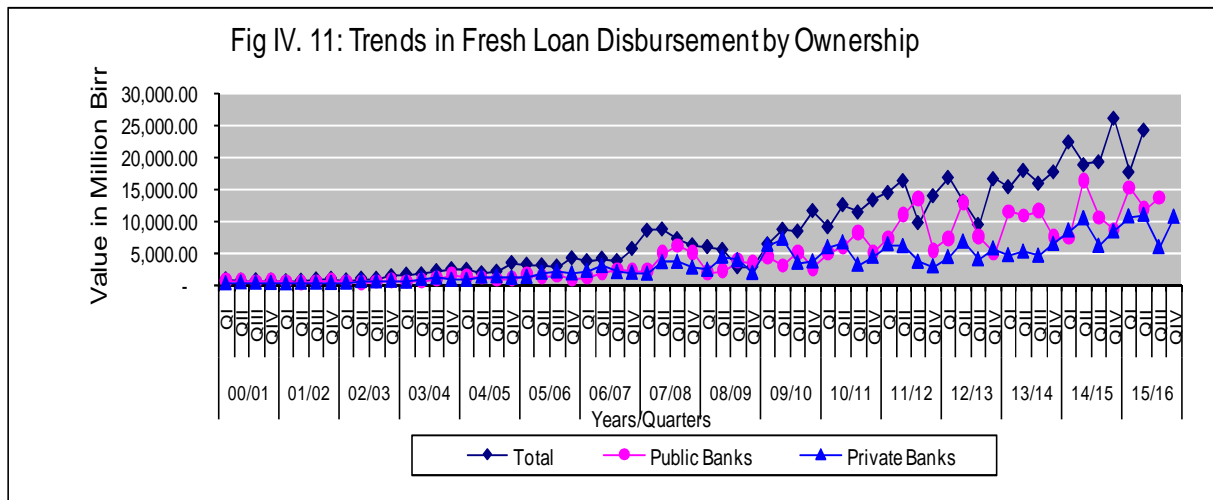
Demand deposits, which accounted for 39.0 percent of total deposits, reached Birr 171.0

billion showing an annual growth rate of 13.7 percent. Likewise, saving deposits went up 24.2 percent yearly and accounted for 49.5 percent of the total deposits. Time deposits, which constituted 11.4 percent of the total deposit liabilities, rose to 18.6 percent over the same period of last year. The share of public banks in total deposits outstanding was 66.4 percent while that of private banks was 33.6 percent (Table 4.9).

Table 4.9: Stock of Deposits Mobilized by the Banking System

(In Millions of Birr)

| Deposit by types | Quarter IV 2014/15 | % Share | Quarter III 2015/16 | % Share | Quarter IV 2015/16 | % Share | C/A | C/B |
|------------------------|-----------------------|--------------|------------------------|--------------|-----------------------|--------------|-------------|------------|
| | A | | B | | C | | | |
| Demand Deposit | 150,451.5 | 41.0 | 160,913.56 | 38.9 | 171,019.50 | 39.0 | 13.7 | 6.3 |
| Saving Deposit | 174,712.3 | 47.6 | 204,403.29 | 49.4 | 217,047.76 | 49.5 | 24.2 | 6.2 |
| Time Deposit | 42,231.7 | 11.5 | 48,324.77 | 11.7 | 50,085.46 | 11.4 | 18.6 | 3.6 |
| Total | 367,395.4 | 100.0 | 413,641.62 | 100.0 | 438,152.72 | 100.0 | 19.3 | 5.9 |
| Share of Public Banks | 67.8 | | 67.5 | | 66.4 | | | |
| Share of Private Banks | 32.2 | | 32.5 | | 33.6 | | | |

Source: Commercial Banks and DBE**Fig.IV.10: Quarterly Net Change 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 to the tune of Birr 23.3 billion, about 108.9 percent higher than last year same period (Table 4.8). The share of private banks in loan collection reached Birr 12.4 billion (53.1 percent)

while that of public banks was Birr 10.9 billion (46.9 percent). Of the total loan collection, 94.1 percent was from private enterprises (including cooperatives) (Table 4.12).

4.5.1.3. Borrowing

Total outstanding borrowing of the banking system reached Birr 32.9 billion, showing a 5.5 percent annual increase.

Of the total borrowing, Birr 29.3 billion (89.1 percent) was from domestic and Birr 3.6 billion (10.9 percent) from foreign sources (Table 4.10).

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

(In Millions of Birr)

| Banks | 2014/15 | 2015/16 | | Percentage change | |
|--------------------|-----------------|-----------------|-----------------|-------------------|------------|
| | Quarter IV | Quarter III | Quarter IV | | |
| | A | B | C | C/B | C/A |
| Domestic Borrowing | 27,411.0 | 28,515.41 | 29,328.36 | 2.9 | 7.0 |
| Foreign Borrowing | 3,770.0 | 3,572.99 | 3,581.86 | 0.2 | (5.0) |
| Total | 31,181.0 | 32,088.4 | 32,910.2 | 2.6 | 5.5 |

Source: Commercial Banks and Development Bank of Ethiopia

4.5.2. Disbursement of Fresh Loans

During the review quarter, total fresh loan disbursement was Birr 24.4 billion, indicating a 48.3 percent yearly increase. Of the total new loans, public banks disbursed Birr 13.8 billion (56.3 percent) while private banks took the remaining balance (Table 4.12).

Industry was the largest beneficiary of the fresh loans accounting for Birr 6.6 billion

(26.9 percent) followed by agriculture (Birr 5.7 billion or 23.3 percent), domestic trade (Birr 3.5 billion or 14.2 percent), housing and construction (Birr 2.7 billion or 11.1 percent), international trade (Birr 2.6 billion or 10.8 percent). The remaining balance was taken up by other sectors (Table 4.11).

Table 4.11: Summary of Loans and Advances by Banks and 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 * | - | - | 16,448 | - | - | 24 | - | - | 16,472 |
| Agriculture | 5,638 | 5,491 | 19,206 | 50 | 193 | 1,171 | 5,688 | 5,684 | 20,378 |
| Industry | 5,221 | 2,280 | 94,629 | 1,363 | 1,279 | 11,535 | 6,584 | 3,560 | 106,164 |
| Domestic Trade | 294 | 596 | 3,510 | 3,166 | 3,809 | 25,040 | 3,459 | 4,405 | 28,551 |
| International Trade | 192 | 409 | 23,940 | 2,455 | 4,141 | 27,961 | 2,648 | 4,550 | 51,900 |
| Export | 105 | 141 | 7,119 | 991 | 2,304 | 15,909 | 1,096 | 2,445 | 23,028 |
| Imports | 88 | 268 | 16,820 | 1,464 | 1,837 | 12,052 | 1,551 | 2,105 | 28,872 |
| Hotels and Tourism | 89 | 171 | 1,271 | 384 | 370 | 3,548 | 472 | 541 | 4,819 |
| Transport & Communication | 334 | 265 | 3,512 | 929 | 765 | 6,514 | 1,264 | 1,030 | 10,026 |
| Housing & Construction | 1,078 | 1,207 | 15,907 | 1,625 | 1,149 | 12,173 | 2,703 | 2,355 | 28,081 |
| Mines, Power & Water Res. | 177 | 66 | 795 | 8 | 5 | 56 | 185 | 71 | 852 |
| Others | 731 | 406 | 7,216 | 502 | 494 | 3,111 | 1,233 | 900 | 10,327 |
| Personal | 7 | 12 | 679 | 204 | 155 | 2,071 | 210 | 167 | 2,750 |
| Inter-Bank Lending | - | - | 54 | - | - | - | - | - | 54 |
| Total | 13,760 | 10,903 | 187,168 | 10,686 | 12,360 | 93,206 | 24,446 | 23,263 | 280,373 |

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

Total outstanding credit of the banking system (excluding credit to government and interbank lending) increased to Birr 263.8 billion at the end of June 2016, up by 3.6 percent on quarterly basis (Table 4.8).

Out of total outstanding loan and advances of private banks, 99.8 percent was claims on private sector (including cooperatives). In contrast, 46.0 percent of the loans and advances of public banks went to private sector and 45.2 percent to public enterprises (Table 4.12).

Sector wise, credit to industry stood at Birr 106.2 billion (40.2 percent) followed by international trade (Birr 51.9 billion or 19.7 percent), domestic trade (Birr 28.6 billion or 10.8 percent), housing & construction (Birr 28.1 billion or 10.6 percent), agriculture (Birr 20.4 billion or 7.7 percent). The remaining balance was claims on other sectors (Table 4.11). The share of private banks in total outstanding loan was 33.2 percent showing a 33.0 percent rise over the previous quarter (Table 4.12).

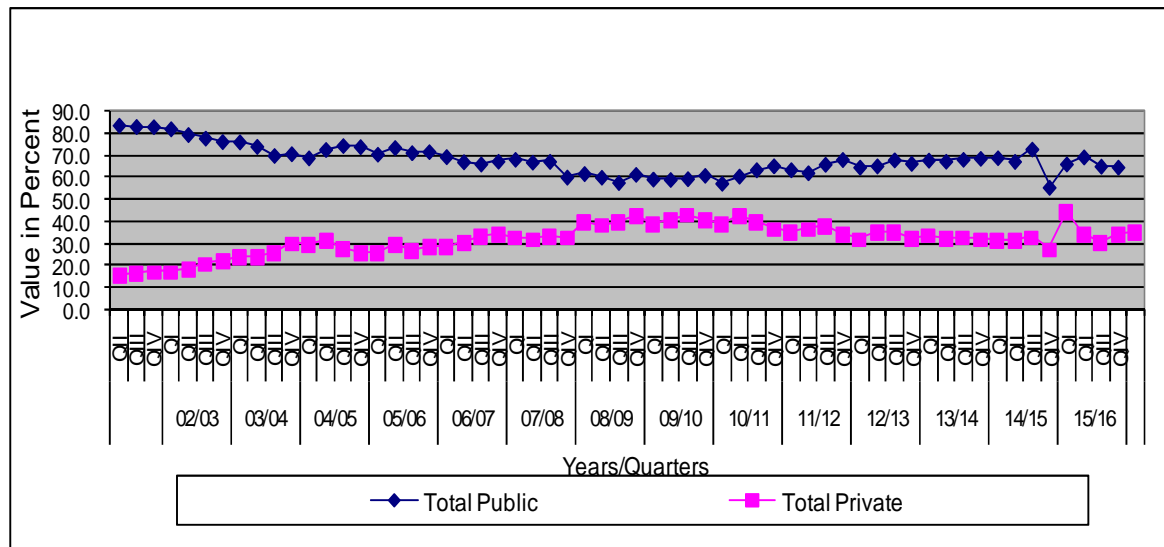
Table 4.12: Breakdown of Loans & Advances of the Banking System by Clients

(In Millions of Birr)

| Particulars | Loan Disbursement | % Share | Loan Collection | % Share | Outstanding Loan | % Share |
|----------------------|-------------------|--------------|-----------------|--------------|------------------|--------------|
| Public Banks | 13,759.7 | 56.3 | 10,902.7 | 46.9 | 187,167.5 | 66.8 |
| Central Government* | 0.0 | 0.0 | 0.0 | 0.0 | 16,447.6 | 8.8 |
| State Enterprises | 3,347.9 | 24.3 | 1,363.6 | 12.5 | 84,509.9 | 45.2 |
| Cooperatives | 5,381.1 | 39.1 | 5,266.9 | 48.3 | 12,538.6 | 6.7 |
| Private Enterprises | 5,030.7 | 36.6 | 4,272.1 | 39.2 | 73,617.2 | 39.3 |
| Inter-bank Lending | 0.0 | 0.0 | 0.0 | 0.0 | 54.3 | 0.0 |
| Private Banks | 10,686.1 | 43.7 | 12,360.3 | 53.1 | 93,205.7 | 33.2 |
| Central Government* | 0.0 | 0.0 | 0.0 | 0.0 | 24.0 | 0.0 |
| State Enterprises | 17.8 | 0.2 | 4.9 | 0.0 | 165.7 | 0.2 |
| Cooperatives | 112.0 | 1.0 | 179.2 | 1.4 | 1,165.8 | 1.3 |
| Private Enterprises | 10,556.3 | 98.8 | 12,176.2 | 98.5 | 91,850.3 | 98.5 |
| Inter-bank Lending | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Grand Total | 24,445.8 | 100.0 | 23,263.1 | 100.0 | 280,373.2 | 100.0 |

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 OutstandingSource: Staff computation, NBE

4.6. Financial Activities of NBE

Gross claims of NBE on the central government reached Birr 109.1 billion by end June 2016 about 18.3 percent higher than a year earlier. Of the credit to the central government, direct advance accounted for 92.4 percent, and bonds 7.6

percent. Direct advance went up by 21.0 percent while financial institutions' deposit at NBE increased by 34.6 percent as compared to last year same period (Table 4.13).

Table 4.13: Financial Activities of NBE during the Second Quarter of 2015/16

(In Millions of Birr)

| Particulars | 2014/15 | 2015/16 | | % Change | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------|-------------|
| | Qtr.IV | Qtr.III | Qtr.IV | | |
| | A | B | C | C/A | C/B |
| 1.Loans and Advances | 115,532.34 | 129,514.34 | 134,687.40 | 16.6 | 4.0 |
| 1.1. To Central Government | 92,175.34 | 104,657.34 | 109,080.40 | 18.3 | 4.2 |
| Direct Advance | 83,264.95 | 96,264.95 | 100,764.95 | 21.0 | 4.7 |
| Bonds | 8,910.39 | 8,392.40 | 8,315.45 | -6.7 | -0.9 |
| 1.2.To Development Bank of Ethiopia | 23,357.00 | 24,857.00 | 25,607.00 | 9.6 | 3.0 |
| 2.Deposit Liabilities | 43,077.72 | 46,058.67 | 51,696.98 | 20.0 | 12.2 |
| 2.1. Government | 15,098.54 | 20,077.26 | 14,042.32 | -7.0 | -30.1 |
| 2.2. Financial Institutions | 27,979.18 | 25,981.41 | 37,654.66 | 34.6 | 44.9 |
| O/W: | | | | | |
| -Banks | 27,951.32 | 25,951.56 | 37,608.50 | 34.6 | 44.9 |
| -Insurance companies | 27.9 | 29.8 | 46.2 | 65.6 | 54.7 |
| 3.Net Claims of NBE | 72,454.6 | 83,455.7 | 82,990.4 | 14.5 | -0.6 |

Source: NBE

4.7. Developments in Financial Markets

4.7.1. Treasury Bills Market

The amount of T-bills supplied to the weekly auction market reached Birr 39.2 billion at the end of fourth quarter, reflecting a 42.4 percent annual expansion. Similarly the demand for T-bills grew by 43.4 percent relative to a year earlier and reached Birr 43.7 billion (Table 4.14), showing 11.4 percent (or 4.5 billion) over subscription. All the T-bills were sold to non-bank institutions.

The total outstanding T-bills at the end of the quarter stood at Birr 52.3 billion, about 37.3 percent higher than a year ago.

Mean while, the annual average weighted yield of T-bills during the review quarter was 0.661 percent, about 32.6 percent lower than last year same quarter (Table 4.14).

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Table 4.13: Results of Treasury Bills Auction

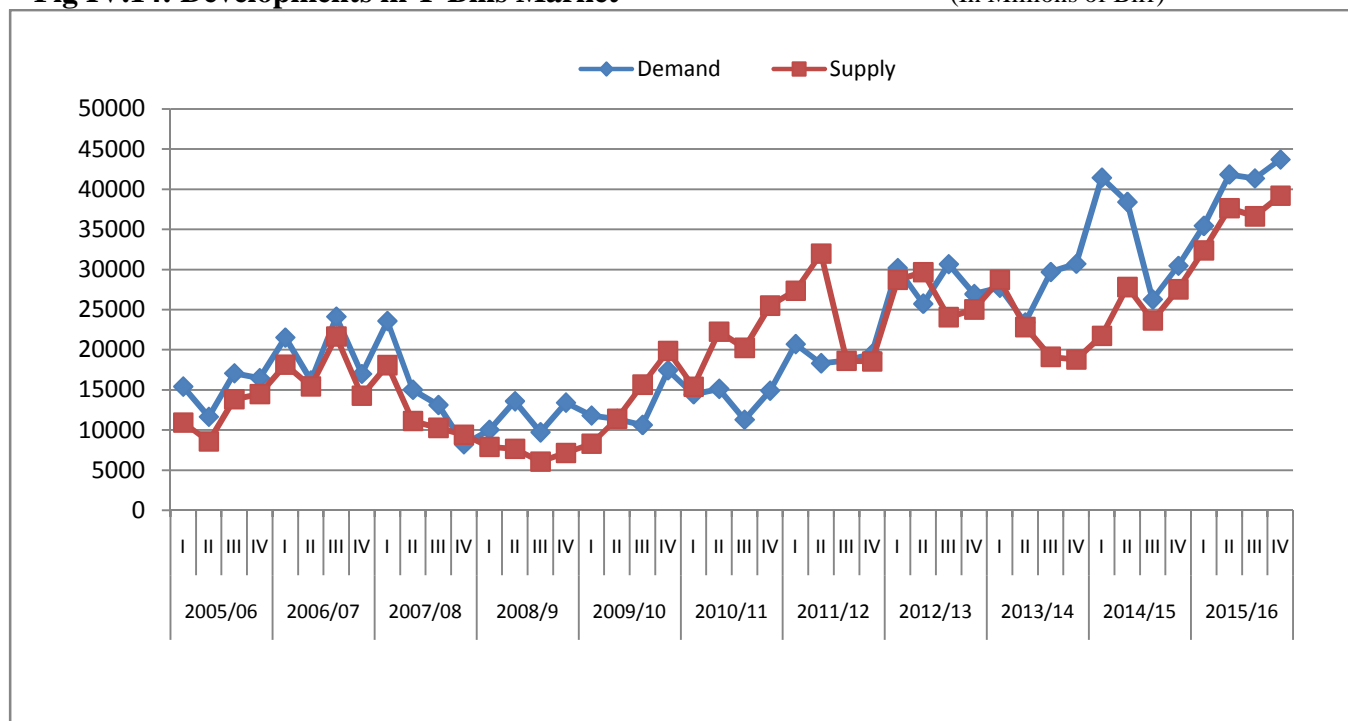
(In Millions of Birr)

| Particulars | 2014/15 | 2015/16 | | % Change | |
|--|-----------------|-----------------|-----------------|---------------|---------------|
| | Quarter IV | Quarter III | Quarter IV | C/A | C/B |
| | A | B | C | | |
| Number of Bidders | 59.0 | 53.0 | 48.0 | -18.6 | -9.4 |
| Public | 58.0 | 53.0 | 48.0 | -17.2 | -9.4 |
| Private | 1.0 | - | - | -100.0 | 0.0 |
| Number of Bids received | 62.0 | 60.0 | 60.0 | -3.2 | 0.0 |
| Public | 61.0 | 60.0 | 60.0 | -1.6 | 0.0 |
| Private | 1.0 | - | - | -100.0 | 0.0 |
| Amount Demanded (Mn. Birr) | 30,454.8 | 41,341.6 | 43,680.6 | 43.4 | 5.7 |
| 28-day bill | 360.0 | 300.0 | 240.0 | -33.3 | -20.0 |
| 91-day bill | 25,107.8 | 37,025.6 | 42,055.6 | 67.5 | 13.6 |
| 182-day bill | 4,787.0 | 1,216.0 | 685.0 | -85.7 | -43.7 |
| 364-day bill | 200.0 | 2,800.0 | 700.0 | 250.0 | -75.0 |
| Amount Supplied (Mn. Birr) | 27,536.9 | 36,628.6 | 39,200.6 | 42.4 | 7.0 |
| 28-day bill | 300.0 | 300.0 | 240.0 | -20.0 | -20.0 |
| 91-day bill | 22,745.9 | 32,312.6 | 37,575.6 | 65.2 | 16.3 |
| 182-day bill | 4,291.0 | 1,216.0 | 1,385.0 | -67.7 | 13.9 |
| 364-day bill | 200.0 | 2,800.0 | - | -100.0 | -100.0 |
| Amount Sold (Mn. Birr) | 30,394.8 | 41,341.6 | 42,452.6 | 39.7 | 2.7 |
| Banks | - | - | - | 0.0 | 0.0 |
| Non-Banks | 30,394.8 | 41,341.6 | 42,452.6 | 39.7 | 2.7 |
| Average Weighted Price for Successful bids (%) | 99.622 | 99.101 | 74.828 | -24.9 | -24.5 |
| 28-day bill | 99.939 | 99.939 | 99.940 | 0.0 | 0.0 |
| 91-day bill | 99.702 | 99.702 | 99.702 | 0.0 | 0.0 |
| 182-day bill | 99.248 | 99.667 | 99.671 | 0.4 | 0.0 |
| 364-day bill | 99.600 | 97.095 | 0.000 | -100.0 | -100.0 |
| Average Weighted Yield for Successful bids (%) | 0.981 | 1.416 | 0.661 | -32.6 | -53.3 |
| 28-day bill | 0.797 | 0.797 | 0.783 | -1.8 | -1.8 |
| 91-day bill | 1.201 | 1.198 | 1.200 | -0.1 | 0.1 |
| 182-day bill | 1.522 | 0.670 | 0.661 | -56.5 | -1.2 |
| 364-day bill | 0.403 | 3.000 | 0.000 | -100.0 | -100.0 |
| Outstanding bills at the end of Period (Mn.Br.) | 41,704.8 | 53,522.6 | 57,252.6 | 37.3 | 7.0 |
| Banks | - | - | - | 0.0 | 0.0 |
| Non-Banks | 41,704.8 | 53,522.6 | 57,252.6 | 37.3 | 7.0 |

Source: NBE

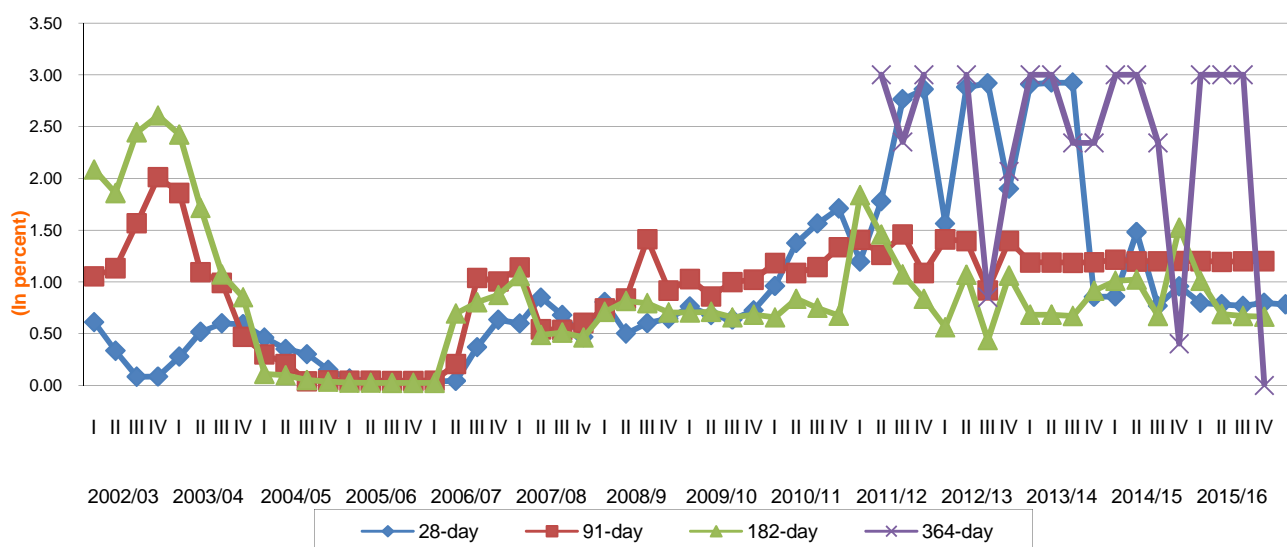
Fig IV.14: Developments in T-Bills Market

(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

There has been no inter-bank money market transaction throughout the review quarter (Table 4.12).

4.7.3. Corporate Bond Market

Meanwhile, issuance of corporate bond has confined. In this bond market, the big players were few public institutions and regional governments. Commercial Bank of Ethiopia (CBE) was the sole purchaser of these bonds. During the quarter under review, CBE purchased corporate bonds worth Birr 12.6 billion, of which 76.3 percent was issued by public enterprises and the balance by regional governments.

Thus, the stock of corporate bonds held by the CBE stood at Birr 188.7 billion by end June 2016 of which 84.0 percent was claims on public enterprises and remaining balance on regional governments (Table 4.15). Corporate bonds issued by EEPCO accounted for 90.3 percent of the bonds issued by public enterprises and 75.8 percent of the total outstanding corporate bond balance.

Table 4.15: Corporate Bond by holders

(Millions of Birr)

| Issuer of the Bond | 2014/15 | | | 2015/16 | | | | | |
|--|-----------------|--------------|------------------|-----------------|----------------|------------------|-----------------|----------------|------------------|
| | QIV | | | QIII | | | QIV | | |
| | NP | Red | O/S | NP | Red | O/S | NP | Red | O/S |
| 1. Puplic Enterprises | 11,400.0 | 0.0 | 128,143.4 | 10,100.0 | 43.4 | 148,900.0 | 9,648.9 | 0.0 | 158,548.9 |
| EEP | 7,000.0 | - | 115,100.0 | 8,100.0 | - | 133,900.0 | 9,200.0 | - | 143,100.0 |
| Railways Corporation | 4,400.0 | - | 13,000.0 | 2,000.0 | - | 15,000.0 | 448.9 | - | 15,448.9 |
| DBE | - | - | 43.4 | - | 43.4 | - | - | - | - |
| 2. Regional Governments | 4,575.0 | 844.6 | 24,545.8 | 3,500.0 | 3,596.0 | 28,470.4 | 3,000.0 | 1,269.6 | 30,200.8 |
| Oromia | - | 38.2 | 594.1 | - | 14.0 | 519.1 | - | 6.6 | 512.5 |
| Amhara | - | - | 0.2 | - | - | 0.2 | - | - | 0.2 |
| Tigray | - | 23.2 | 197.3 | - | 6.8 | 181.3 | - | 0.8 | 180.5 |
| SNNPRS | - | - | 289.8 | - | 0.2 | 7.6 | - | - | 7.6 |
| Dire Dawa | - | - | - | - | - | - | - | - | - |
| Harari | - | - | - | - | - | - | - | - | - |
| Addis Ababa Housing Development Agency | 4,575.0 | 783.2 | 23,464.4 | 3,500.0 | 3,574.9 | 27,762.2 | 3,000.0 | 1,262.2 | 29,500.0 |
| 3. Grand Total (1+2) | 15,975.0 | 844.6 | 152,689.2 | 13,600.0 | 3,639.4 | 177,370.4 | 12,648.9 | 1,269.6 | 188,749.7 |

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 2015/16, the overall balance of payments registered USD 181.6 million in deficit compared to USD 79.8 million surplus a year ago (Table 5.1).

Table 5.1: Balance of Payments

(In Millions of USD)

| S/N | Particulars | 2014/15 | 2015/16 | | Percentage Change | |
|-----------|---|-----------------|-----------------|-----------------|-------------------|--------------|
| | | QIV | QIII | QIV | | |
| | | A | B | C | C/A | C/B |
| 1 | Exports, f.o.b. | 800.1 | 765.7 | 809.5 | 1.2 | 5.7 |
| | Coffee | 301.4 | 163.4 | 254.0 | -15.7 | 55.4 |
| | Other | 498.8 | 602.3 | 555.5 | 11.4 | -7.8 |
| 2 | Imports | 4,213.4 | 4,367.4 | 4,064.0 | -3.5 | -6.9 |
| | Fuel | 474.2 | 267.1 | 340.7 | -28.1 | 27.5 |
| | Cereals | 124.2 | 436.5 | 237.1 | 90.9 | -45.7 |
| | Aircraft | 47.4 | 70.6 | 56.4 | 19.1 | -20.0 |
| | Imports excl. fuel, cereals, aircraft | 3,567.6 | 3,593.1 | 3,429.7 | -3.9 | -4.5 |
| 3 | Trade Balance (1-2) | -3,413.3 | -3,601.7 | -3,254.5 | -4.7 | -9.6 |
| 4 | Services, net | -233.6 | -145.7 | -207.8 | -11.1 | 42.6 |
| | Non-factor services, net | -160.8 | -96.6 | -151.8 | -5.6 | 57.1 |
| | Exports of non-factor services | 682.2 | 213.7 | 677.3 | -0.7 | 216.9 |
| | Imports of non-factor services | 843.0 | 310.4 | 829.1 | -1.7 | 167.1 |
| | Income, net | -72.8 | -49.1 | -56.0 | -23.1 | 14.0 |
| | O/w Gross official int. payment | 73.5 | 48.6 | 57.1 | -22.3 | 17.4 |
| | Dividend | -2.1 | -4.3 | -2.4 | 13.0 | -45.2 |
| 5 | Private transfers, net | 1,188.7 | 1,477.9 | 1,286.1 | 8.2 | -13.0 |
| | o/w: Private Individuals | 908.0 | 925.7 | 860.3 | -5.3 | -7.1 |
| 6 | Current account balance excluding official transfers (3+4+5) | -2,458.2 | -2,269.5 | -2,176.2 | -11.5 | -4.1 |
| 7 | Official transfers, net | 332.8 | 174.4 | 713.8 | 114.5 | 309.3 |
| 8 | Current account balance including official transfers(6+7) | -2,125.4 | -2,095.1 | -1,462.4 | -31.2 | -30.2 |
| 9 | Capital account | 1,907.7 | 1,337.7 | 1,913.6 | 0.3 | 43.1 |
| | Off. Long-term Cap., net | 364.0 | 243.1 | 702.2 | 92.9 | 188.9 |
| | Disbursements | 384.2 | 261.1 | 724.6 | 88.6 | 177.5 |
| | Amortization | 20.3 | 18.0 | 22.3 | 10.1 | 24.1 |
| | Other pub. Long-term cap. | 883.0 | 289.5 | 388.3 | -56.0 | 34.1 |
| | Private sector, long term | 87.5 | 146.0 | 12.8 | -85.4 | -91.2 |
| | Foreign Direct Investment(net) | 594.34 | 691.60 | 648.79 | 9.16 | -6.2 |
| | Short-term Capital | -21.1 | -32.4 | 161.5 | -866.2 | -597.8 |
| 10 | Errors and omissions | 297.5 | 443.1 | -632.7 | | |
| 11 | Overall balance (8+9+10) | 79.8 | -314.3 | -181.6 | | |
| 12 | Financing | -79.8 | 314.3 | 181.6 | | |
| 13 | Reserves [Increase (-), Decrease (+)] | -79.8 | 314.3 | 181.6 | | |
| 14 | Central Bank (NFA) | -97.8 | 418.4 | 167.0 | | |
| | Asset | -93.3 | 584.2 | 10.2 | | |
| | Liabilities | -4.5 | -165.9 | 156.8 | | |
| 15 | Commercial banks (NFA) | 18.0 | -104.1 | 14.6 | | |
| 16 | Debt Relief | | | | | |
| | Principal | | | | | |
| | Interest | | | | | |

Source: NBE Staff Compilation

Total current account receipts amounted to USD 3.5 billion, 16.7 percent higher than last year due to rise in export of goods (1.2 percent), private transfers (8.9 percent) and public transfers (116.7 percent).

Meanwhile, total current account payments decreased by 3.1 percent and

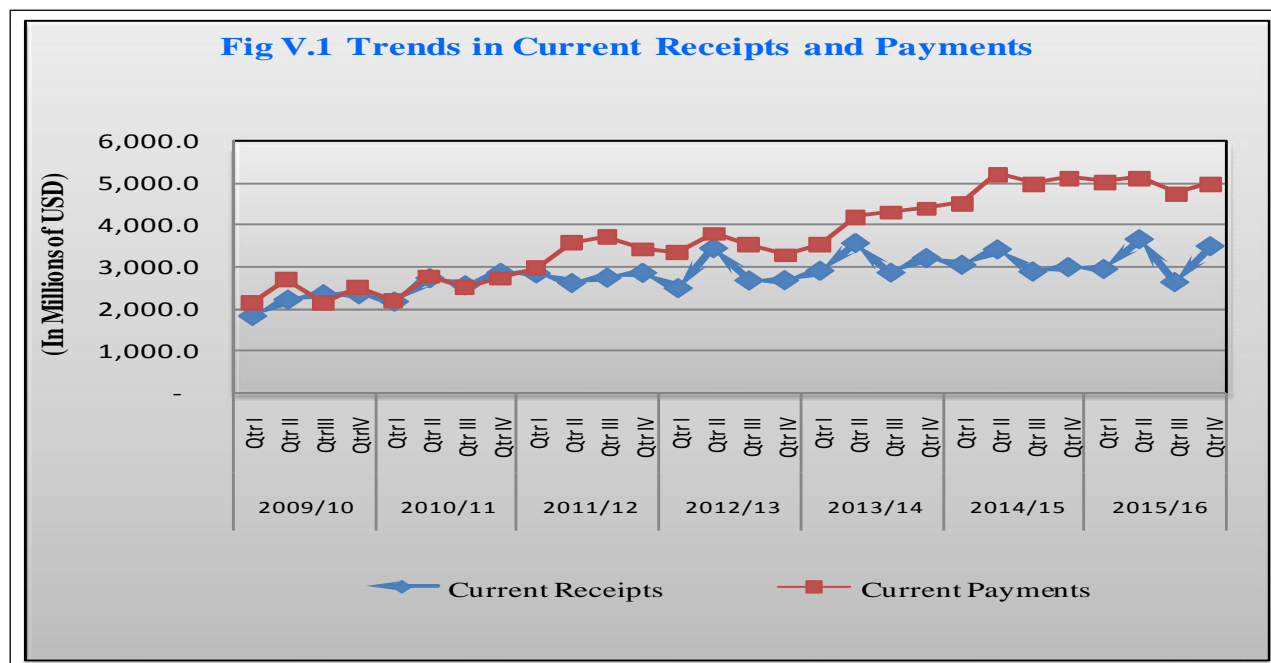
stood at USD 5 billion mainly due to the slowdown in merchandise import bill (3.5 percent) and service payments (3.3 percent). Consequently, the current account recorded USD 1.5 billion deficit which was 31.2 percent lower than a year ago (Table 5.2).

Table 5.2 Current Receipts and Payments

(In millions of USD)

| Particulars | 2014/15 | 2015/16 | | Percentage Change | |
|----------------------------|-----------------|-----------------|-----------------|-------------------|--------------|
| | Qtr IV | Qtr III | Qtr IV | | |
| | A | B | C | C/A | C/B |
| 1. Current Receipts | 3,011.7 | 2,654.3 | 3,514.8 | 16.7 | 32.4 |
| Export Proceeds | 800.1 | 765.7 | 809.5 | 1.2 | 5.7 |
| Service Proceeds | 685.0 | 217.6 | 680.8 | -0.6 | 212.9 |
| Private Transfers | 1,190.9 | 1,492.2 | 1,297.4 | 8.9 | -13.1 |
| Public Transfer | 335.6 | 178.8 | 727.2 | 116.7 | 306.6 |
| 2. Current Payments | 5,137.1 | 4,749.4 | 4,977.2 | -3.1 | 4.8 |
| Import Payments | 4,213.4 | 4,367.4 | 4,064.0 | -3.5 | -6.9 |
| Service Payments | 918.6 | 363.3 | 888.6 | -3.3 | 144.6 |
| Private Transfers | 2.2 | 14.2 | 11.3 | 412.9 | -20.4 |
| Public Transfer | 2.8 | 4.4 | 13.4 | 370.3 | 200.6 |
| 3. Net(1-2) | -2,125.4 | -2,095.1 | -1,462.4 | -31.2 | -30.2 |

Source: Staff Compilation

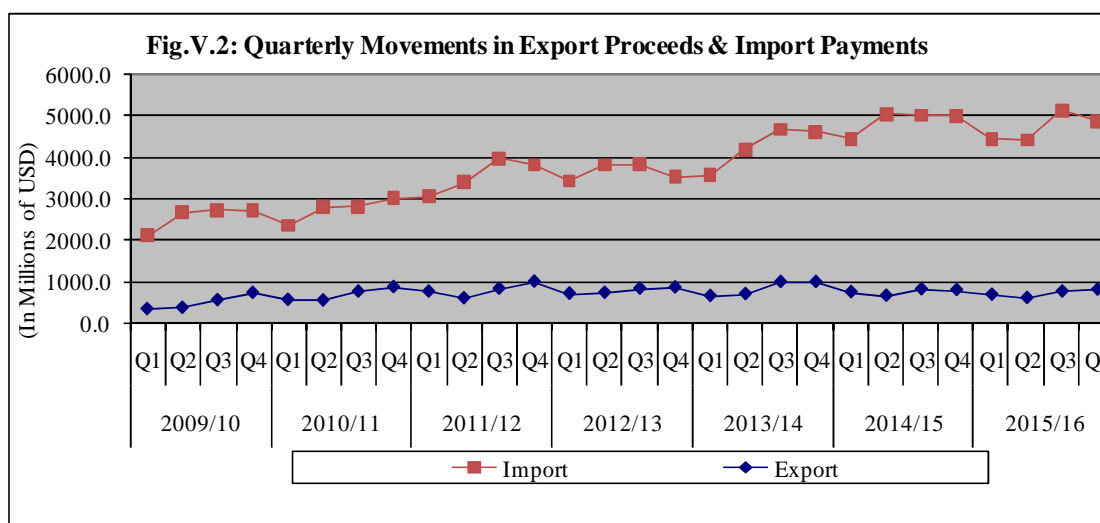


Source: NBE Staff Compilation

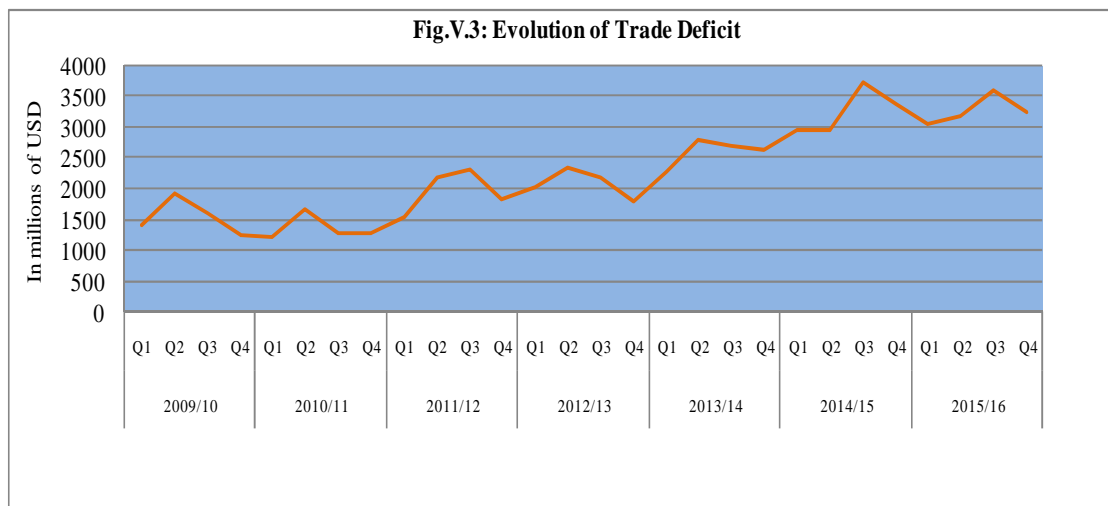
5.2 Balance of Trade

Merchandise trade deficit during the review quarter amounted to USD 3.3 billion, 4.6 percent lower than same

period last year on account of higher merchandise export earnings and decline in merchandise import bills.



Source: Ethiopian Revenue and Customs Authority



Source: NBE Staffs Computation

5.2.1. Export of Goods

Total merchandise export earnings (including electricity) increased 1.2 percent over same period last year and 5.8 percent against the preceding quarter. The quarter-on-quarter increase was attributed to higher export earnings from oilseeds (11.9 percent), gold (41.8 percent), chat (8 percent), pulses (59.8 percent), electricity (129.9 percent) and fruits and vegetables (3.5 percent).

Export revenue from oilseeds at USD 137.7 million depicted a 11.9 percent increase compared to last year same period as a result of 34.5 percent growth

in export volume despite 16.8 percent decline in international price. Thus, the share of oilseeds in total merchandise export earnings slightly rose to 17 percent from 15.4 percent a year earlier.

Similarly, export proceeds from gold surged 41.8 percent vis-à-vis the same quarter of last year owing to 39.4 percent increase in volume and 1.7 percent in international price. As a result, the share of gold in total merchandise export went up to 10.3 percent from 7.3 percent a year ago.

Meanwhile, earnings from chat export increased by 8 percent on account of 7.9 percent rise in export volume and 0.5 percent in price. Hence, the share of chat in total export earnings was 7.6 percent.

Likewise, earnings from pulses hiked by 59.8 percent and stood at USD 60.8 million due to a 52.4 percent rise in export volume and 4.9 percent growth in international price. As a result, the share of pulses in total merchandise export earnings increased to 7.5 percent from 4.8 percent a year earlier.

Electricity export earnings also improved remarkably by 129.9 percent vis-à-vis last year same period owing to 165.4 percent up surging in export volume. Consequently, the share of electricity in total merchandise export earnings increased to 1.8 percent from 0.8 percent last year same quarter.

Similarly, export earnings from fruits and vegetables increased by 3.5 percent over last year same period owing to higher export volume (4.6 percent) despite 1 percent drop in international

price. This led the share of fruits and vegetables in total export earnings to reach 1.6 percent.

Yet, the quarter witnessed declines in export values of coffee, flower, leather & leather products, live-animals and meat & meat products. Export earnings from coffee decreased by 15.7 percent on quarter-on-quarter basis as export volume dropped 8.7 percent and international price 7.7 percent. As a result, the share of coffee in total merchandise export earnings decreased to 31.4 percent from 37.7 percent last year same period.

Likewise, export proceeds from flower fell by 4 percent compared to last year same period because of 6.6 percent decline in export volume despite a 2.8 percent increase in price which resulted in the share of flower in total export earnings being decreased to 6.8 percent from 7.1 percent a year earlier.

Earnings from leather & leather products also went down by 12.6 percent vis-à-vis last year same quarter owing to a 2

percent fall in export volume and 10.8 percent international price. Consequently, the share of leather & leather products export receipt in total merchandise export went down to 3.7 percent from 4.3 percent last year same period.

Proceeds from export of live-animals decreased by 24.6 percent over last year same period as a result of 21.7 percent drop in volume and 3.7 percent in price. Leading its share in total merchandise

export revenue decline to 3.3 percent from 4.4 percent a year ago.

Receipts from meat & meat products decreased by 1.2 percent which was attributed to the 1.6 percent slowdown in export volume albeit 0.4 percent increases in international price. Thus, the share of meat & meat products in total merchandise export earnings stood at 3 percent.

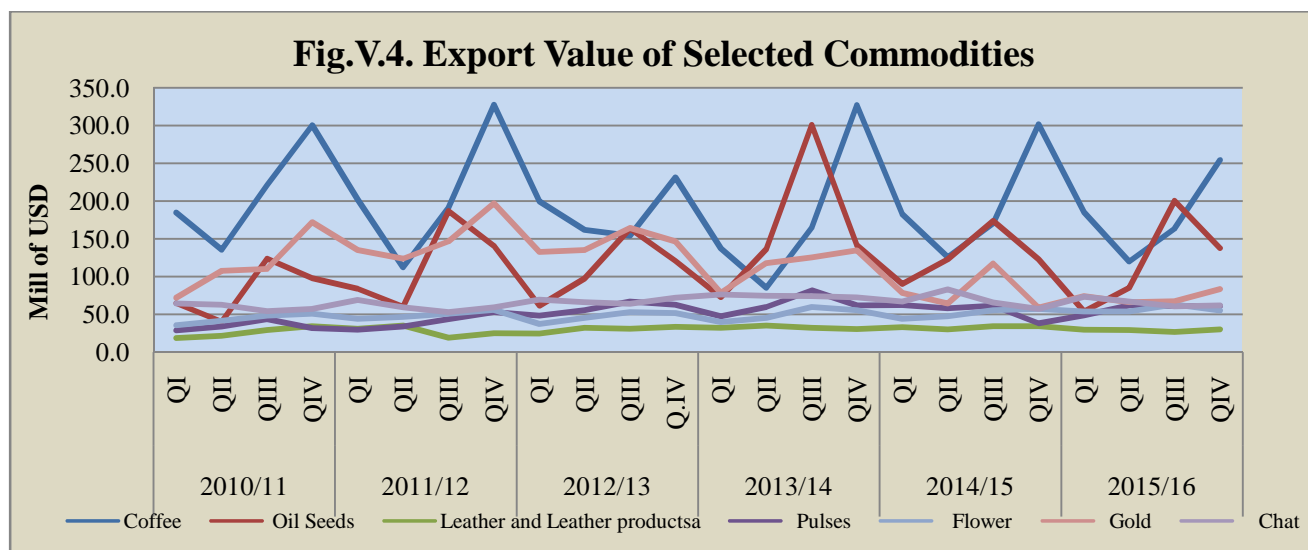
Table 5.3: Values of Major Export Items

(In millions of USD)

(in millions of USD)

| Particulars | 2014/15 | | 2015/16 | | | | Percentage Change | |
|------------------------------|---------|--------|---------|--------|-------|--------|-------------------|-------|
| | QIV | | QIII | | QIV | | | |
| | A | %share | B | %share | C | %share | C/A | C/B |
| Coffee | 301.4 | 37.7 | 163.4 | 21.4 | 254.0 | 31.4 | -15.7 | 55.4 |
| Oilseeds | 123.0 | 15.4 | 200.3 | 26.2 | 137.7 | 17.0 | 11.9 | -31.3 |
| Leather and Leather products | 34.3 | 4.3 | 26.7 | 3.5 | 30.0 | 3.7 | -12.6 | 12.3 |
| Pulses | 38.0 | 4.8 | 61.2 | 8.0 | 60.8 | 7.5 | 59.8 | -0.6 |
| Meat & Meat Products | 24.6 | 3.1 | 23.8 | 3.1 | 24.3 | 3.0 | -1.2 | 2.2 |
| Fruits & Vegetables | 12.3 | 1.5 | 13.4 | 1.7 | 12.7 | 1.6 | 3.5 | -4.6 |
| Live Animals | 34.97 | 4.4 | 20.97 | 2.7 | 26.37 | 3.3 | -24.6 | 25.7 |
| Chat | 57.10 | 7.1 | 60.68 | 7.9 | 61.66 | 7.6 | 8.0 | 1.6 |
| Gold | 58.8 | 7.3 | 67.4 | 8.8 | 83.4 | 10.3 | 41.8 | 23.7 |
| Flower | 57.1 | 7.1 | 63.0 | 8.2 | 54.8 | 6.8 | -4.0 | -13.0 |
| Electricity | 6.5 | 0.8 | 5.2 | 0.7 | 14.9 | 1.8 | 129.9 | 187.1 |
| Others | 52.1 | 6.5 | 59.5 | 7.8 | 48.9 | 6.0 | -6.1 | -17.7 |
| Total Export | 800.1 | 100.0 | 765.4 | 100.0 | 809.4 | 100.0 | 1.2 | 5.8 |
| Total Export excluding | 793.7 | | 760.2 | | 794.5 | | 0.1 | 4.5 |

Source: Ethiopian Revenue and Customs Authority



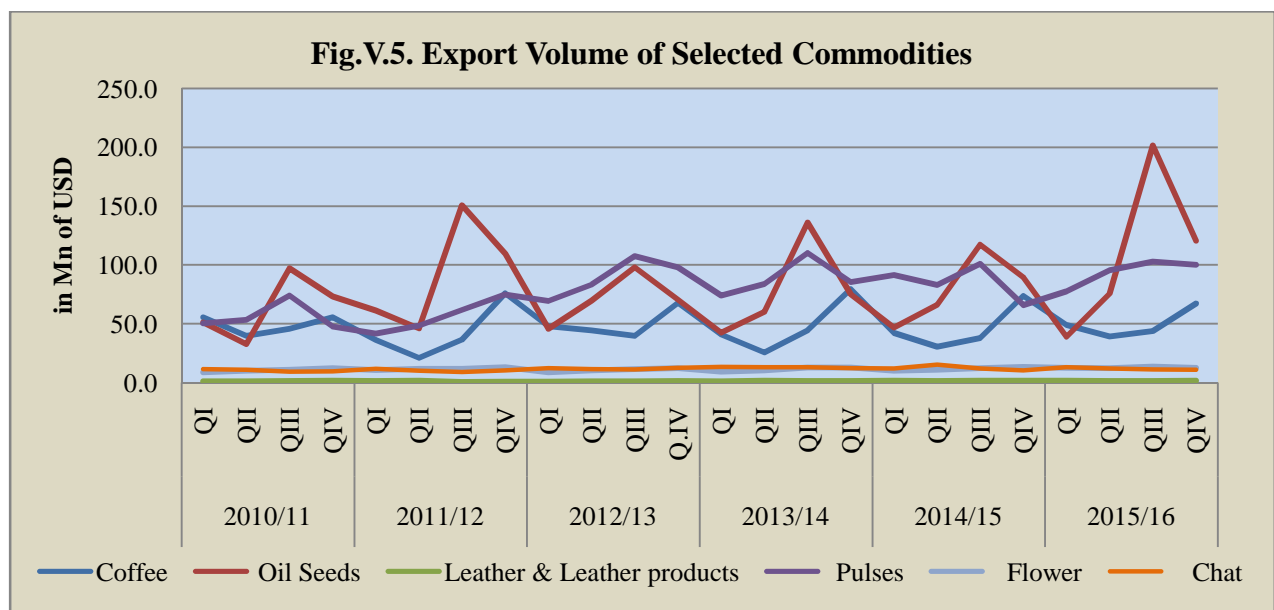
Source: NBE Staff Computation

Table 5.4: Volume of Major Export Items

In millions of Kg

| Particulars | 2014/15 | 2015/16 | | Percentage Change | |
|----------------------------|---------|---------|--------|-------------------|-------------|
| | Qtr IV | Qtr III | Qtr IV | | |
| | A | B | C | C/A*100-100 | C/B*100-100 |
| Coffee | 73.6 | 43.7 | 67.2 | -8.7 | 53.6 |
| Oilseeds | 89.5 | 201.5 | 120.4 | 34.5 | -40.2 |
| Leather & Leather products | 1.65 | 1.37 | 1.6 | -2.0 | 18.5 |
| Pulses | 65.6 | 102.7 | 100.0 | 52.4 | -2.7 |
| Meat & Meat Products | 4.9 | 4.7 | 4.8 | -1.6 | 3.2 |
| Fruits & Vegetables | 38.5 | 41.7 | 40.3 | 4.6 | -3.6 |
| Live Animals | 17.8 | 11.0 | 13.9 | -21.7 | 26.9 |
| Chat | 10.2 | 11.1 | 11.0 | 7.4 | -0.9 |
| Gold(in mill of grams) | 1.69 | 1.89 | 2.35 | 39.4 | 24.1 |
| Flower | 13.4 | 13.5 | 12.5 | -6.6 | -7.7 |
| Electricity(mill of kwh) | 95.1 | 80.4 | 252.4 | 165.4 | 213.9 |

Source: Ethiopian Revenue and Customs Authority



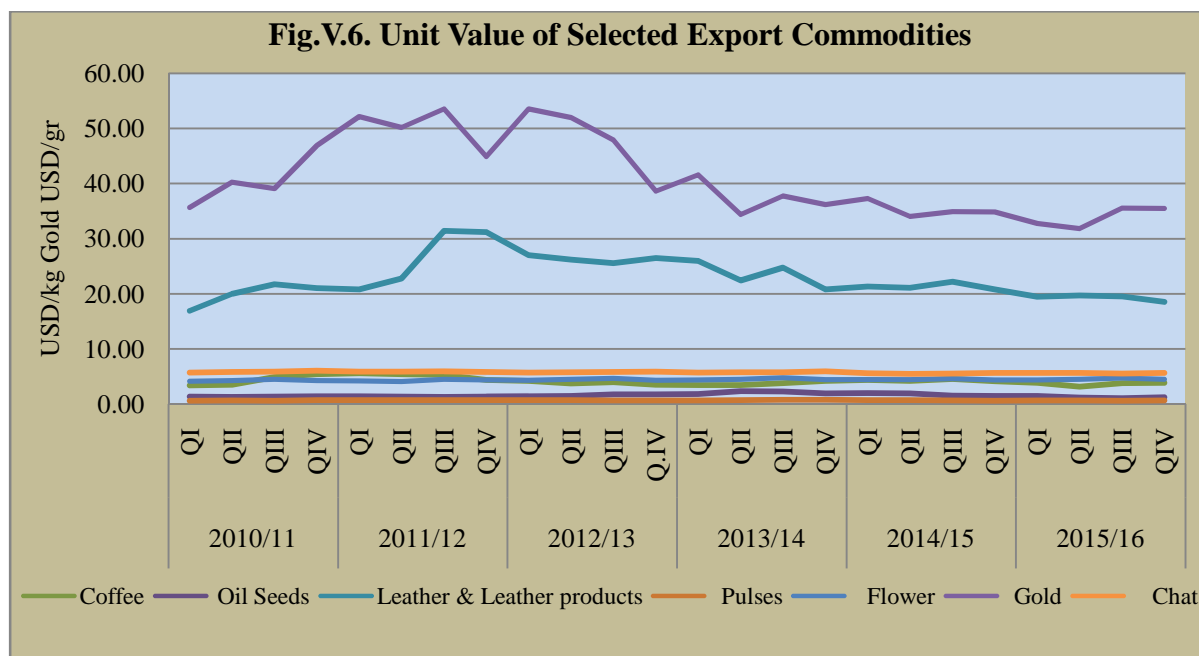
Source: NBE Staff Computation

Table 5.5: Unit Value of Major Export Items

(In USD/kg)

| Particulars | 2014/15 | 2015/16 | | Percentage Change | |
|------------------------------|---------|---------|--------|-------------------|-------------|
| | Qtr IV | Qtr III | Qtr IV | | |
| | A | B | C | C/A*100-100 | C/B*100-100 |
| Coffee | 4.1 | 3.7 | 3.8 | -7.7 | 1.2 |
| Oilseeds | 1.4 | 1.0 | 1.1 | -16.8 | 15.0 |
| Leather and Leather products | 20.8 | 19.5 | 18.5 | -10.8 | -5.2 |
| Pulses | 0.58 | 0.60 | 0.61 | 4.9 | 2.1 |
| Meat & Meat Products | 5.0 | 5.1 | 5.0 | 0.4 | -1.0 |
| Fruits & Vegetables | 0.3 | 0.3 | 0.3 | -1.0 | -1.1 |
| Live Animals | 2.0 | 1.9 | 1.9 | -3.7 | -0.9 |
| Chat | 5.6 | 5.5 | 5.6 | 0.5 | 2.6 |
| Gold (USD/gm) | 34.9 | 35.6 | 35.5 | 1.7 | -0.3 |
| Flower | 4.3 | 4.7 | 4.4 | 2.8 | -5.7 |
| Electricity (USD/kwh) | 0.1 | 0.1 | 0.1 | -13.4 | -13.8 |

Source: NBE Staff Computation



Source: NBE Staff Computation

5.2.2 Import of Goods

Total merchandise import during the review period stood at USD 4.1 billion, showing a 3.5 percent quarter-on-quarter decline owing to slowdown in import values of capital goods (22.2 percent), fuel (28.1 percent) and raw materials (22.3 percent). However, import bills for consumer goods, semi finished goods and miscellaneous goods increased by 22.7 percent, 18.1 percent and 35.2 percent, respectively.

The quarter-on-quarter decline in capital goods import payment was ascribed to

lower import values of industrial capital goods (20.3 percent), transport capital goods (28.4 percent) and agricultural capital goods (16.3 percent). Consequently, the share of capital goods in total goods import bill dropped to 34.9 percent from 43.3 percent a year ago.

Likewise, fuel import bill decreased by 28.1 percent vis-à-vis the same period last year due to lower international price⁶ despite 38.8 percent increase in volume.

⁶ During this period, international crude oil price decreased by 25.8 percent (IMF primary commodity price, August 2016)

As a result, the share of fuel in total goods import scaled down to 8.4 percent from 11.3 percent a year earlier.

Similarly, import value of raw materials decelerated by 22.3 percent compared to same period last year. Consequently, its share in total goods import bills was less than 1 percent.

On the other hand, import payments for consumer goods accelerated by 22.7 percent vis-à-vis same period last year owing to 30.2 percent hike in payments for non-durable and 4.6 percent in durable consumer goods. Thus, the share of consumer goods in total import bill

went up to 33.6 percent from 26.4 percent a year ago.

At the same time, import of semi-finished goods increased by 18.1 percent as import of chemicals, fertilizer, textile materials and other semi-finished goods increased by 49.5 percent, 5.2 percent, 4.8 percent and 18.0 percent, respectively. As a result, the share of semi-finished goods in total import bill rose to 20.2 percent from 16.5 percent a year ago.

Meanwhile, total franco-valuta import increased by 6.4 percent and stood at USD 1.3 billion which accounted for 32.8 percent of the total imports.

Table 5.6: Values of Major Import Items

(In millions of USD)

| Particular | 2014/15 | | 2015/16 | | | | 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 |
| Raw Materials | 46.5 | 1.1 | 34.1 | 0.8 | 36.1 | 0.9 | -22.3 | 6.1 |
| Semi-finished Goods | 695.9 | 16.5 | 807.7 | 18.5 | 821.9 | 20.2 | 18.1 | 1.8 |
| Fertilizers | 163.5 | 3.9 | 225.8 | 5.2 | 172.0 | 4.2 | 5.2 | -23.9 |
| Fuel | 474.2 | 11.3 | 267.1 | 6.1 | 340.7 | 8.4 | -28.1 | 27.5 |
| Petroleum Products | 464.0 | 11.0 | 260.9 | 6.0 | 325.0 | 8.0 | -30.0 | 24.6 |
| Others | 10.2 | 0.2 | 6.3 | 0.1 | 15.7 | 0.4 | 53.9 | 150.8 |
| Capital Goods | 1,825.2 | 43.3 | 1,724.9 | 39.5 | 1,420.2 | 34.9 | -22.2 | -17.7 |
| Transport | 436.2 | 10.4 | 308.5 | 7.1 | 312.4 | 7.7 | -28.4 | 1.3 |
| Agricultural | 30.7 | 0.7 | 15.2 | 0.3 | 25.7 | 0.6 | -16.3 | 69.2 |
| Industrial | 1,358.3 | 32.2 | 1,401.2 | 32.1 | 1,082.1 | 26.6 | -20.3 | -22.8 |
| Consumer Goods | 1,112.4 | 26.4 | 1,476.6 | 33.8 | 1,364.9 | 33.6 | 22.7 | -7.6 |
| Durables | 324.2 | 7.7 | 434.5 | 9.9 | 339.0 | 8.3 | 4.6 | -22.0 |
| Non-durables | 788.2 | 18.7 | 1,042.1 | 23.9 | 1,025.9 | 25.2 | 30.2 | -1.6 |
| Miscellaneous | 59.2 | 1.4 | 56.9 | 1.3 | 80.1 | 2.0 | 35.2 | 40.7 |
| Total | 4,213.4 | 100.0 | 4,367.4 | 100.0 | 4,064.0 | 100.0 | -3.5 | -6.9 |

Source: Ethiopian Revenue & Customs Authority and Ethiopian Petroleum Enterprise

Table 5.7: Values of Franco-valuta Imports

(In millions of USD)

| Commodity Group | 2014/15 | 2015/16 | | Percentage Change | |
|--------------------------------------|---------------|---------------|---------------|-------------------|--------------|
| | Qtr IV | Qtr III | Qtr IV | | |
| | A | B | C | C/A | C/B |
| Beverages | 0.1 | 2.7 | 0.2 | 44.1 | -92.2 |
| Chemicals | 11.1 | 4.2 | 14.7 | 32.7 | 252.0 |
| Clothing | 10.8 | 12.2 | 12.7 | 17.7 | 4.4 |
| Food and live animals | 50.4 | 158.8 | 170.7 | 238.6 | 7.5 |
| Textiles | 7.2 | 5.6 | 5.4 | -24.8 | -3.3 |
| Tobacco | 0.1 | 0.1 | 0.0 | -61.3 | -32.2 |
| Soap & polish | 0.3 | 0.4 | 0.4 | 15.0 | -13.2 |
| Fertilizer | 168.0 | 55.8 | 177.0 | 5.3 | 217.4 |
| Paper & paper manufacturing | 0.6 | 0.6 | 0.7 | 5.3 | 8.7 |
| Metal & metal products | 105.9 | 160.8 | 132.2 | 24.8 | -17.8 |
| Medical and pharmaceuticals products | 37.5 | 9.8 | 29.5 | -21.3 | 201.7 |
| Rubber products | 9.7 | 12.6 | 11.8 | 21.9 | -6.0 |
| Petroleum Crude | - | 0.0 | 0.0 | | 216.7 |
| Petroleum product | 2.8 | 4.8 | 1.9 | -33.4 | -60.6 |
| Glass & glassware | 2.0 | 3.1 | 5.4 | 171.1 | 74.2 |
| Electrical materials | 140.1 | 72.2 | 84.6 | -39.6 | 17.2 |
| Machine | 290.1 | 528.9 | 230.5 | -20.5 | -56.4 |
| Aircraft & Aircraft Parts | 47.4 | 70.6 | 56.4 | 19.1 | -20.0 |
| Road motor vehicles | 99.9 | 62.9 | 70.5 | -29.4 | 12.0 |
| Tele apparatus | 0.3 | 0.8 | 1.8 | 570.7 | 131.2 |
| Cement | 0.0 | 0.2 | 0.2 | 481.4 | 19.2 |
| Others | 269.7 | 334.8 | 328.2 | 21.7 | -2.0 |
| Total | 1254.1 | 1501.6 | 1335.0 | 6.4 | -11.1 |

Source: Ethiopian Revenues and Customs Authority

5.2.3 Direction of Trade

5.2.3.1 Export of Goods

During the quarter, the main destinations for Ethiopia's export were Asia, Europe, Africa and America. Asia accounted for 39.6 percent of Ethiopia's exports, of which 33.1 percent was to China, 16.3 percent to Saudi Arabia, 8.2 percent to United Arab Emirates, 7.6 percent to India, 7 percent to Japan, 5.9 percent to South Korea, 5.4 percent to Israel and 5.4 percent to Pakistan. Altogether, these countries accounted for 88.9 percent of Ethiopia's total exports to Asia.

The major commodities exported to China were oilseeds, leather & leather products, coffee, mineral products, textile & garment and natural gum. The main exports to Saudi Arabia constituted coffee, meat & meat products, live-animals, oilseeds, flowers and pulses. United Arab Emirates imported mainly meat & meat products, pulses, oilseeds, live-animals, flower and food. Similarly, India imported pulses, oilseeds, mineral products, spices, leather & leather products and chat. Major items exported to Japan included coffee, flower, oilseeds, leather and leather products, mineral

products and bees wax. South Korea imported coffee, oilseeds, leather & leather products and flower from Ethiopia. Major exports to Israel included oilseeds, cereals, coffee, beverage and textile & garments while goods exported to Pakistan were pulses, tea, spices and flower.

Europe, accounting for 34.4 percent of Ethiopia's total export earnings, was the second most important outlet. Within Europe, Switzerland accounted for 26.9 percent, Germany 18.2 percent, Netherlands 16.9 percent, Belgium 7.7 percent, Italy 5 percent, France 4.8 percent and United Kingdom 4.5 percent. These countries together accounted for 84 percent of Ethiopia's total exports to Europe.

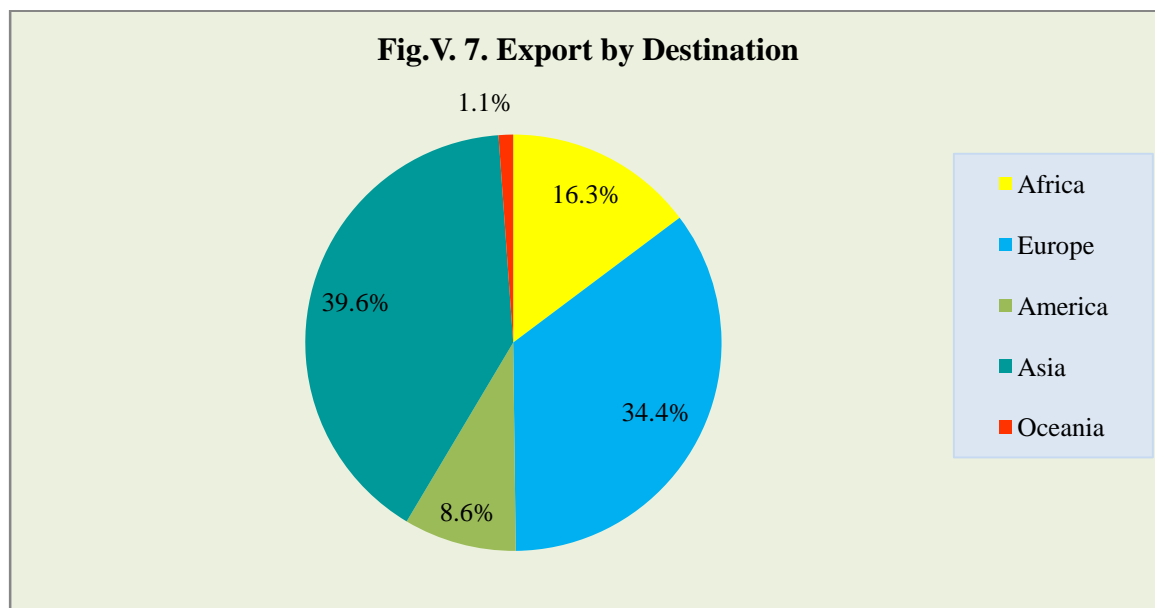
Main commodities exported to Switzerland were gold, coffee, food, beverage, spices and flour. Likewise, principal exports to Germany constituted of coffee, textile & garment, flower, natural gum and oilseeds. Flower, coffee, oilseeds, vegetables, pulses and fruits were the main exports to the Netherlands. Coffee, flower, pulses,

oilseeds, vegetables and food were the main goods exported to Belgium. Likewise, Italy imported mainly coffee, leather & leather products, oilseeds, flower and textile & garment. Textile & garment, flower, pulses and leather & leather products were the main merchandise items exported to France while coffee, flower, oilseeds, leather & leather products, vegetables and pulses went to the United Kingdom.

About 16.3 percent of Ethiopia's export earnings originated from markets in Africa, mainly Somalia (47.1 percent), Djibouti (26.8 percent), Sudan (11.5 percent), Kenya (4.5 percent) and Egypt (4.2 percent), which altogether accounted for 94.1 percent of the total exports to Africa. The major items exported to Somalia and Djibouti were chat, live-animals, fruits and vegetables. Sudan imported largely coffee, spices, oilseeds, beverage and pulses. Main exports to Kenya included pulses, leather & leather products, textile & garment, coffee and fruits while live-animals, pulses, spices, oilseeds and spices were exported to Egypt.

America accounted for 8.6 percent of Ethiopia's total export earnings, of which

89.8 percent went to the United States and 4.8 percent to Canada. Coffee, oilseeds, leather & leather products, food, textile & garments and flower were major exports to the United States while Canada imported coffee, leather & leather, food, flower, oilseeds and pulses.



Source: NBE Staff Compilation

5.2.3.2. Import of Goods

In the review period, Asia accounted for 61.5 percent of the total import bills of Ethiopia. The major imports from Asia came from China (51.8 percent), India (14.2 percent), Japan (6.0 percent), United Arab Emirates (5.9 percent), Kuwait (3.9 percent), Indonesia (3.6 percent), Malaysia (2.8 percent) and South Korea (2.2 percent) with a combined share of 90.4 percent.

Major items imported from China were metal & metal products, machines including aircraft

parts, road motor vehicles, electrical materials and clothes. Likewise, metal & metal products, machines including aircraft parts, fertilizer, grain and petroleum products were imported from India. Major imports from Japan included road motor vehicles, machine including aircraft parts, metal & metal products and electrical materials. Similarly, imports from United Arab Emirates constituted petroleum products, chemicals, metal & metal products and rubber products. Petroleum products and road motor vehicles were the major import items from Kuwait. Import from Indonesia consisted of soap &

polish, paper & paper products, textile, chemicals and electric materials. Machines including aircraft parts, soap & polish, electric materials and fertilizer were major imports from Malaysia, while machines including aircraft parts, medical & pharmaceutical products, road motor vehicles, chemicals and metal & metal products from South Korea.

Imports from Europe accounted for 24.5 percent of Ethiopia's total imports with the major countries being Italy (17.9 percent), Turkey (16.7 percent), the Netherlands (13.0 percent), Germany (10.7 percent), Ukraine (6.5 percent), Belgium (5.4 percent), France 5.2 percent), United Kingdom (4.0 percent) and Rumania (3.8 percent). These countries jointly accounted for 83.2 percent of Ethiopia's total imports from Europe.

Major imports from Italy included food & live-animals, machine including aircraft parts, road motor vehicles, metal & metal products and electrical materials. Imports from Turkey were metal & metal products, machinery

including aircraft parts, electrical materials, petroleum products and rubber products. Machines including aircraft parts, food, electric materials and metal & metal products were the major imports from the Netherlands. Imports from Germany were machines including aircraft parts, road motor vehicles, chemicals, electrical materials and metal & metal products. Import items from Ukraine were food & live-animals and metal & metal products. Major imports from Belgium were medical & pharmaceuticals products, machines including aircraft parts, petroleum products, road motor vehicles and textile, while machines including aircraft parts, electric materials, road motor vehicles, metal & metal products, fertilizer and food were from France. Imports from the United Kingdom consisted of electrical materials, machines including aircraft parts, road motor vehicles and fertilizer. The major items imported from Rumania were food & live-animals and machines including aircraft parts.

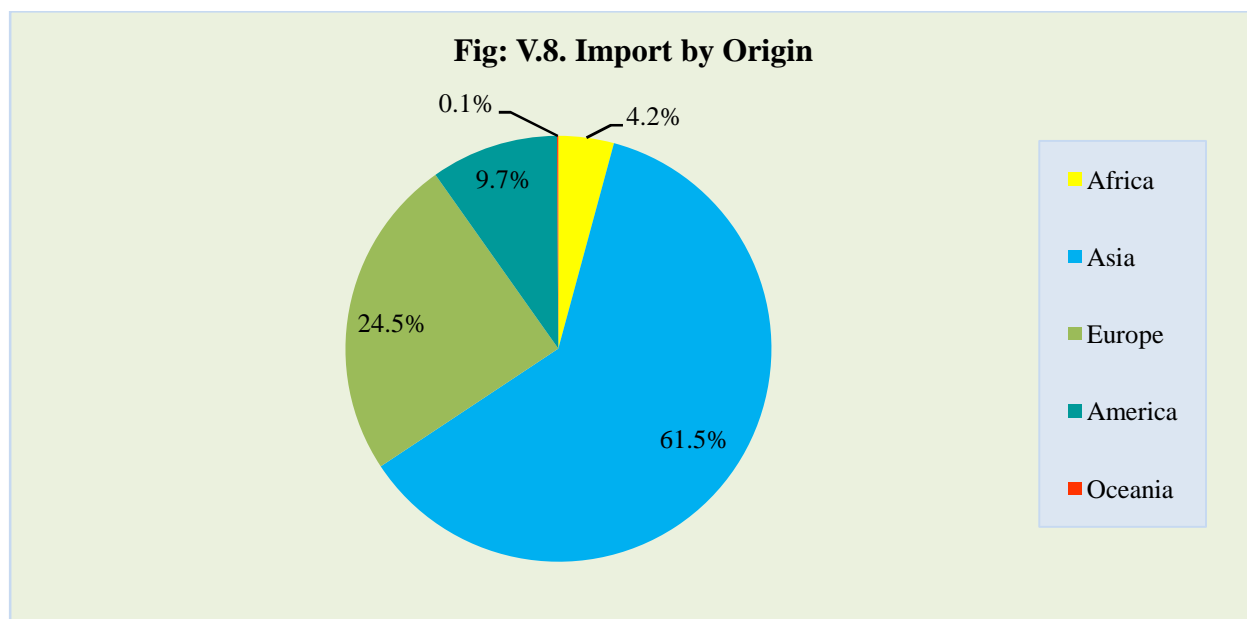
Imports from America accounted for 9.7 percent of the total import bill of which the share of United States was 93 percent with

Canada and Brazil taking up 2.7 percent and 2.2 percent, respectively. Food & live-animals, machines including aircraft parts, fertilizers and electrical materials were the major items imported from United States. Machines including aircraft parts, electrical materials, food & live-animals and chemicals were the main imports from Canada while machines including aircraft parts, road motor vehicles, food & live-animals and rubber products were the main merchandise imports from Brazil.

Africa accounted for about 4.2 percent of Ethiopia's total merchandise import. The major countries were Morocco (36.2 percent), Egypt (28.0 percent), South Africa (19.0 percent) and Sudan (7.8 percent), which altogether accounted for 91.2 percent of the total imports from the region.

Petroleum products, electrical materials, machines including aircraft parts and electrical materials were the major imports from Morocco.

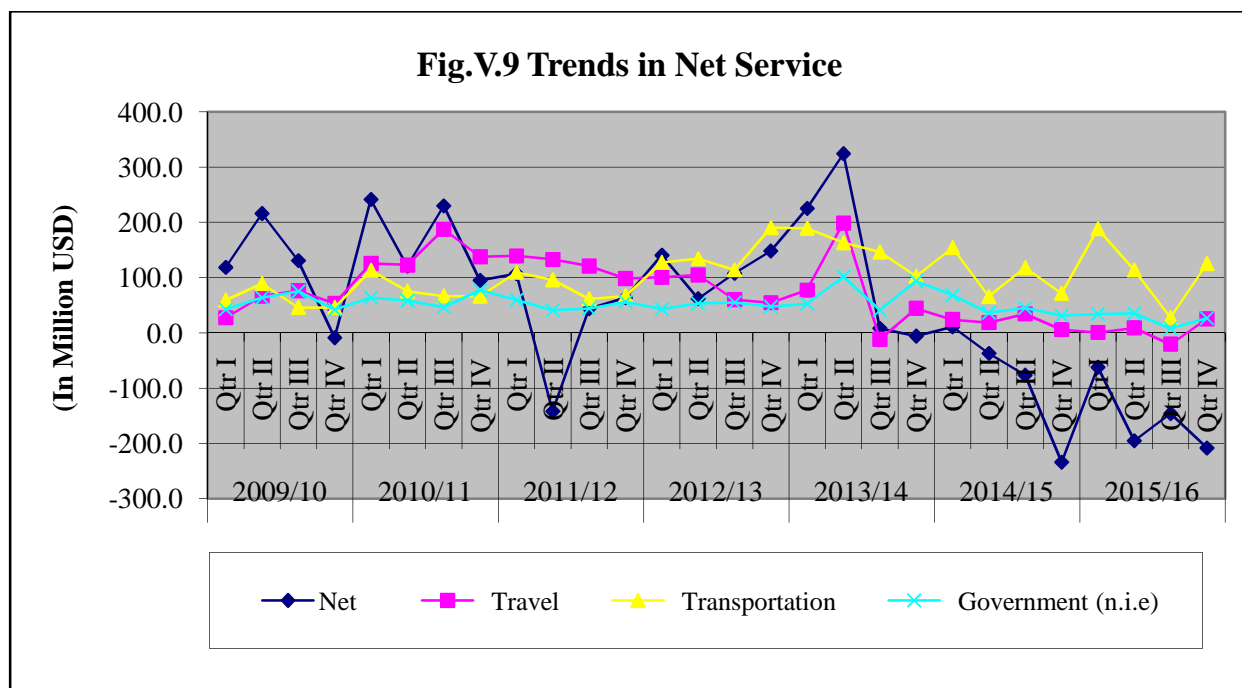
Petroleum products, soap & polish, metal & metal products, paper & paper manufacturing and food & live-animals were imported from Egypt. Imports from South Africa constituted petroleum products, road motor vehicles, machines including aircraft parts and electrical materials. Food & live-animals and petroleum products were imported from Sudan. Likewise, petroleum product, textile and soap & polish came from Kenya.



Source: NBE Staff Compilation

5.3. Services and Transfers

The net payments to services trade stood at USD 207.8 million compared with USD 233.6 million last year same period. The 11.1 percent decline in net service was attributed to 75.2 percent surge in net transport.



Source: NBE Staff Compilation

Table 5.8: Developments in Services Accounts

(In Millions of USD)

| S/N | Particulars | 2014/15 | 2015/16 | | Percentage Change | |
|-----------|--------------------------------------|---------------|---------------|---------------|-------------------|-------------|
| | | QIV | QIII | QIV | | |
| | | A | B | C | C/A | C/B |
| 1 | Investment Income (2+5) | -72.8 | -49.1 | -56.0 | -23.1 | 14.0 |
| 2 | Interest, net (3-4) | -70.7 | -44.8 | -53.6 | -24.2 | 19.7 |
| 3 | Credit | 2.8 | 3.9 | 3.5 | 25.4 | -9.6 |
| 4 | Debit | 73.5 | 48.6 | 57.1 | -22.3 | 17.4 |
| 5 | Dividend, net | -2.1 | -4.3 | -2.4 | 13.0 | -45.2 |
| 6 | Other Services, net (7-12) | -160.8 | -96.6 | -151.8 | -5.6 | 57.1 |
| 7 | Exports of non-factor services | 682.2 | 213.7 | 677.3 | -0.7 | 216.9 |
| 8 | Travel | 85.1 | 30.3 | 77.5 | -8.9 | 156.1 |
| 9 | Transport | 510.1 | 162.0 | 523.0 | 2.5 | 222.9 |
| 10 | Gov't | 31.7 | 11.3 | 36.5 | 15.1 | 223.8 |
| 11 | Other | 55.3 | 10.2 | 40.3 | -27.2 | 293.3 |
| 12 | Imports of non-factor services | 843.0 | 310.4 | 829.1 | -1.7 | 167.1 |
| 13 | Travel | 79.1 | 50.6 | 103.1 | 30.3 | 103.5 |
| 14 | Transport | 438.6 | 133.8 | 397.8 | -9.3 | 197.2 |
| 15 | Gov't | 0.0 | 2.9 | 9.5 | | |
| 16 | Other | 325.3 | 123.1 | 318.8 | -2.0 | 159.0 |
| 17 | Net Services (18+19+20+21+22) | -233.6 | -145.7 | -207.8 | -11.1 | 42.6 |
| 18 | Travel (8 - 13) | 6.0 | -20.4 | -25.6 | | 25.6 |
| 19 | Transport (9 – 14) | 71.5 | 28.2 | 125.3 | 75.2 | 344.9 |
| 20 | Gov't (10 – 15) | 31.7 | 8.4 | 27.0 | -14.8 | 221.1 |
| 21 | Other (11 – 16) | -269.9 | -112.8 | -278.5 | 3.2 | 146.9 |
| 22 | Investment Income (2+5) | -72.8 | -49.1 | -56.0 | -23.1 | 14.0 |

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

During the review period, total transfer receipts increased by 32.6 percent over last year same period and stood at USD 2 billion as official transfer receipts surged by 116.7 percent.

receipts of NGOs despite 5.3 percent decline in private individual transfer receipts.

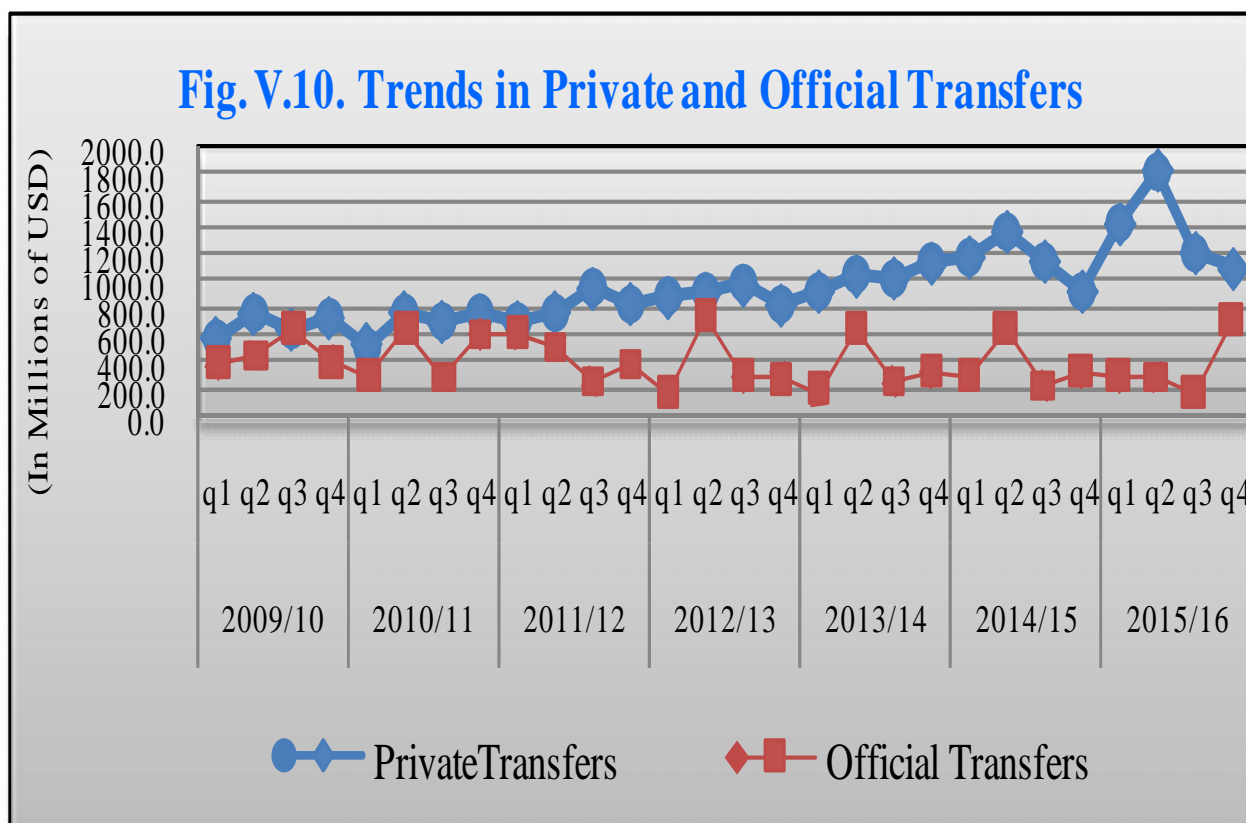
Relative to last year same period, private transfer receipts increased by 8.9 percent and amounted to USD 1.3 billion on account of 54.5 percent surge in transfer

Table 5.9: Developments in Transfer Accounts

(In Millions of USD)

| S/N | Particulars | 2014/15 | | 2015/16 | | | | Percentage | |
|-----|---------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|--------------|--------------|
| | | QIV | % | Q III | % | QIV | % | Change | |
| | | A | share | B | share | C | share | C/A | C/B |
| 1 | Private Transfers (Net) | 1,188.7 | 78.1 | 1,477.9 | 89.4 | 1,286.1 | 64.3 | 8.2 | -13.0 |
| 2 | Credit | 1,190.9 | 78.0 | 1,492.2 | 89.3 | 1,297.4 | 64.1 | 8.9 | -13.1 |
| 3 | NGO's | 282.9 | 18.5 | 566.5 | 33.9 | 437.1 | 21.6 | 54.5 | -22.8 |
| 4 | Private individuals | 908.0 | 59.5 | 925.7 | 55.4 | 860.3 | 42.5 | -5.3 | -7.1 |
| 5 | Debit | 2.2 | 43.8 | 14.2 | 76.2 | 11.3 | 45.9 | 412.9 | -20.4 |
| 6 | Official Transfers (Net) | 332.8 | 21.9 | 174.4 | 10.6 | 713.8 | 35.7 | 114.5 | 309.3 |
| 7 | Credit | 335.6 | 22.0 | 178.8 | 10.7 | 727.2 | 35.9 | 116.7 | 306.6 |
| 8 | Debit | 2.8 | 56.2 | 4.4 | 23.8 | 13.4 | 54.1 | 370.3 | 200.6 |
| 9 | Total Receipts | 1,526.5 | 100.0 | 1,671.0 | 100.0 | 2,024.6 | 100.0 | 32.6 | 21.2 |
| 10 | Total Payments | 5.1 | 100.0 | 18.7 | 100.0 | 24.7 | 100.0 | 388.9 | 32.2 |
| 11 | Net Transfers | 1,521.5 | 100.0 | 1,652.3 | 100.0 | 1,999.9 | 100.0 | 31.4 | 21.0 |

Source: Staff Computation



Source: NBE Staff Compilation

5.4. Current Account Balance

The current account balance (including official transfers) registered USD 1.5 billion deficit during the fourth quarter of 2015/16, compared with USD 2.1 billion deficit a year ago. The narrow down in the deficit of merchandise trade balance (4.7 percent) and

service trade balance (11.1 percent) coupled with the rise in private transfers (8.2 percent) and official transfers (114.5 percent) contributed to this effect.

5.5. Capital account

In the review period, capital account recorded USD 1.9 billion surplus, about 0.3 percent higher than that of last year same

period due to increased inflows of net official long-term capital (92.9 percent) and foreign direct investment (9.2 percent)

5.6. Changes in Reserve Position

Net foreign assets of the National Bank of Ethiopia and that of commercial banks showed a drawdown of USD 167 million and USD 14.6 million, respectively. Thus,

the gross international reserve as of June 30, 2016 was sufficient to cover 2.6 months of payments for import 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 exchange rate of Birr during the fourth quarter of 2015/16 depreciated against USD by 5.5 percent compared to last year same period and reached Birr 21.5713/USD.

Likewise, the end period exchange rate at the close of the quarter reached Birr 21.8004/USD, weakening by 6 percent compared with same period last year.

Table 5.10: Developments in Inter-bank Market Forex Traded and Exchange Rates of Birr per USD

| Period | | Official Market | | | |
|---------------------------|------------|--------------------------|-----------------------|----------------------------------|-------------|
| | | Weighted End Period Rate | Weighted Average rate | Amount Traded in millions of USD | |
| | | | | Total | Among CBs |
| 2014/15 | | 20.5659 | 20.0956 | 14.50 | 2.00 |
| Qtr. IV | C | 20.5659 | 20.4466 | 3.05 | 0.00 |
| April | | 20.4087 | 20.3708 | 1.05 | 0.00 |
| May | | 20.4783 | 20.4453 | 0.90 | 0.00 |
| June | | 20.5659 | 20.5238 | 1.10 | 0.00 |
| 2015/16 | | | | | |
| Qtr. III | B | 21.3641 | 21.2059 | 3.10 | 0.00 |
| January | | 21.1536 | 21.1176 | 0.95 | 0.00 |
| February | | 21.2376 | 21.1976 | 1.05 | 0.00 |
| March | | 21.3641 | 21.3025 | 1.10 | 0.00 |
| Qtr. IV | A | 21.8004 | 21.5713 | 3.20 | 0.00 |
| April | | 21.4884 | 21.4293 | 1.00 | 0.00 |
| May | | 21.6332 | 21.5642 | 1.10 | 0.00 |
| June | | 21.8004 | 21.7205 | 1.10 | 0.00 |
| Percentage Changes | A/B | 2.04 | 1.72 | 3.23 | - |
| | A/C | 6.00 | 5.50 | 4.92 | - |

Source: National Bank of Ethiopia

During the same period, average buying rate in the forex bureau of commercial banks stood at Birr 21.5685/USD, while the selling rate was Birr 21.9831/USD. This showed 1.72 percent and 1.68 percent depreciation against the preceding quarter, and 5.49 percent and 5.55 percent depreciation

compared to the same quarter of last year, respectively.

As a result, the average spread between the buying and the selling rates widened to 1.92 percent from 1.87 percent year-on-year but slightly narrowed from 1.96 percent spread in the preceding quarter (Table 5.11).

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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 | 2014/15 | | 2015/16 | | | | 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 | 60,133.8 | 30,582.4 | 67,195.4 | 22,665.8 | 66,759.1 | 24,333.6 | -0.6 | 7.4 | 11.0 | -20.4 |
| 2 | Bank of Abyssinia | 1,191.5 | 4,041.2 | 633.8 | 2,142.1 | 958.9 | 2,424.8 | 51.3 | 13.2 | -19.5 | -40.0 |
| 3 | Dashen Bank | 4,170.1 | 3,661.1 | 3,956.9 | 6,697.6 | 3,114.8 | 12,864.3 | -21.3 | 92.1 | -25.3 | 251.4 |
| 4 | Awash International Bank | 1,140.2 | 2,599.9 | 1,399.5 | 2,184.5 | 977.7 | 2,292.4 | -30.1 | 4.9 | -14.3 | -11.8 |
| 5 | Construction & Business Bank | 755.0 | 606.7 | 832.2 | 468.3 | - | - | -100.0 | -100.0 | -100.0 | -100.0 |
| 6 | Wegagen Bank | 1,241.6 | 1,605.2 | 688.9 | 1,129.9 | 905.9 | 1,563.5 | 31.5 | 38.4 | -27.0 | -2.6 |
| 7 | United Bank | 2,362.6 | 4,837.7 | 2,961.4 | 3,310.2 | 1,591.5 | 2,709.7 | -46.3 | -18.1 | -32.6 | -44.0 |
| 8 | Development Bank | 256.2 | 162.1 | 14.7 | 83.1 | 4.2 | 142.2 | -71.7 | 71.2 | -98.4 | -12.3 |
| 9 | Nib International Bank | 374.1 | 1,697.2 | 291.1 | 1,074.0 | 364.0 | 1,719.4 | 25.0 | 60.1 | -2.7 | 1.3 |
| 10 | Lion International Bank | 834.6 | 887.0 | 7,814.6 | 1,012.0 | 2,375.9 | 1,272.1 | -69.6 | 25.7 | 184.7 | 43.4 |
| 11 | Oromia International Bank | 3,259.5 | 1,264.6 | 1,788.2 | 1,207.9 | 822.3 | 1,040.1 | -54.0 | -13.9 | -74.8 | -17.8 |
| 12 | Zemen Bank | 172.3 | 1,193.9 | 127.6 | 1,528.6 | 205.3 | 2,110.5 | 60.9 | 38.1 | 19.1 | 76.8 |
| 13 | Cooperative Bank of Oromia | 345.3 | 1,094.2 | 56.6 | 318.0 | 49.2 | 218.9 | -13.0 | -31.2 | -85.8 | -80.0 |
| 14 | Buna International Bank | 49.5 | 295.9 | 110.3 | 202.4 | 336.9 | 467.0 | 205.3 | 130.7 | 581.0 | 57.9 |
| 15 | Birhan International Bank | 2.5 | 13.1 | 17.4 | 58.0 | 90.2 | 374.7 | - | 545.7 | 3493.6 | - |
| 16 | Abay Bank | 13.4 | 165.5 | 11.2 | 248.8 | 30.8 | 268.3 | 173.9 | 7.8 | 129.0 | 62.1 |
| 17 | Addis International Bank | 253.5 | 274.0 | 122.6 | 313.1 | 86.4 | 393.9 | -29.5 | 25.8 | -65.9 | 43.7 |
| 18 | Debub Global Bank | 131.3 | 80.7 | 8.6 | 94.0 | 123.6 | 87.1 | 1343.5 | -7.4 | -5.9 | 7.9 |
| 19 | Enat Bank | 155.5 | 83.1 | 64.4 | 67.2 | 111.2 | 47.8 | 72.7 | -28.9 | -28.4 | -42.5 |
| Total | | 76,842.4 | 55,145.6 | 88,095.4 | 44,805.6 | 78,907.9 | 54,330.3 | -10.43 | 21.26 | 2.69 | -1.48 |
| Average Exchange Rate | | 20.4457 | 20.8274 | 21.2047 | 21.6205 | 21.5685 | 21.9831 | 1.72 | 1.68 | 5.49 | 5.55 |
| Exchange Rate Spread (%)* | | 1.87 | | 1.96 | | 1.92 | | | | | |

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.11: Average Buying and Selling Rates of Forex Bureau of Commercial Banks

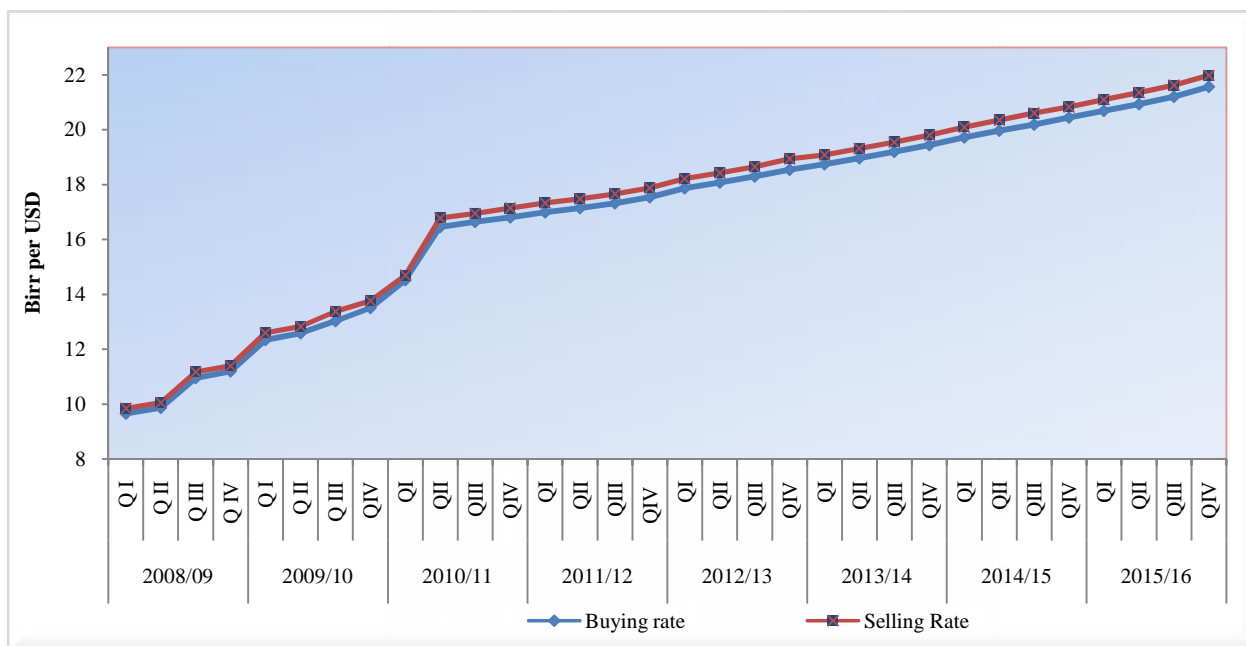
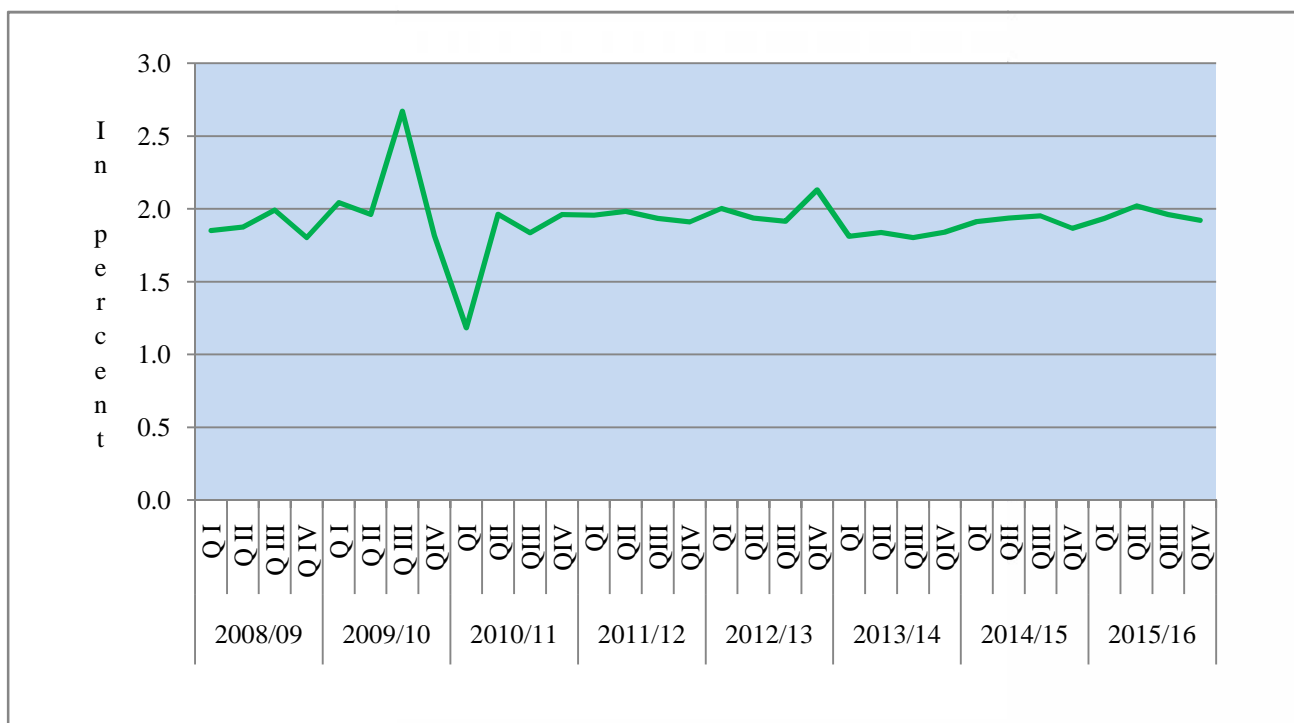


Fig. V.12: Spread between Buying and Selling Rates in the Retail Foreign Exchange Market



Compared with the preceding quarter, US dollar depreciated by 6.6 percent against Japanese Yen, 2.5 percent against Swiss Franc, 2.4 percent against Euro, and 2.1 percent against SDR and 0.3 percent against Pound Sterling. Likewise, on annual basis, it

depreciated against Japanese Yen (11.7 percent), Euro (2.0 percent) and SDR (1.1 percent), while it appreciated by 6.3 percent against Pound Sterling and 3 percent vis-à-vis Swiss Franc (Table 5.12).

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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 |
| 2014/15 | | | | | | | | | | | | | | | | |
| QIV | C | 1.1060 | 1.1060 | 1.1060 | 0.0083 | 0.0083 | 0.0083 | 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 | | | | | | | | | | | | | | | | |
| QIII | B | 1.1018 | 1.1020 | 1.1019 | 0.0087 | 0.0087 | 0.0087 | 1.3763 | 1.3766 | 1.3764 | 1.4327 | 1.4328 | 1.4328 | 1.0051 | 1.0061 | 1.0056 |
| January | | 1.0861 | 1.0861 | 1.0861 | 0.0084 | 0.0084 | 0.0084 | 1.3828 | 1.3828 | 1.3828 | 1.4450 | 1.4450 | 1.4450 | 0.9939 | 0.9939 | 0.9939 |
| February | | 1.1091 | 1.1098 | 1.1095 | 0.0087 | 0.0087 | 0.0087 | 1.3524 | 1.3532 | 1.3528 | 1.4325 | 1.4327 | 1.4326 | 1.0054 | 1.0082 | 1.0068 |
| March | | 1.1103 | 1.1102 | 1.1102 | 0.0089 | 0.0089 | 0.0089 | 1.3936 | 1.3936 | 1.3936 | 1.4207 | 1.4207 | 1.4207 | 1.0160 | 1.0160 | 1.0160 |
| QIV | A | 1.1294 | 1.1273 | 1.1284 | 0.0092 | 0.0093 | 0.0092 | 1.4048 | 1.4048 | 1.4048 | 1.4366 | 1.4366 | 1.4366 | 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 |
| Percentage Changes | A/B | 2.50 | 2.29 | 2.40 | 6.57 | 6.94 | 6.56 | 2.07 | 2.05 | 2.06 | 0.27 | 0.26 | 0.26 | 2.50 | 2.40 | 2.45 |
| | A/C | 2.12 | 1.93 | 2.03 | 11.69 | 12.10 | 11.69 | 1.14 | 1.14 | 1.14 | -6.26 | -6.26 | -6.26 | -3.00 | -3.00 | -3.00 |

Source: National Bank of Ethiopia

The Birr lost ground against selected major currencies except Pound Sterling both on annual and quarterly basis. On quarterly terms, the Birr depreciated by 8.5 percent against Japanese Yen, 4.2 percent against both Swiss Franc and Euro, 2.0 percent against Pound Sterling and 1.7 percent against USD.

Likewise, on annual basis, the Birr lost ground against Japanese Yen (18.3 percent), Euro (7.7 percent), SDR (6.7 percent) and USD (5.5 percent), while it appreciated vis-à-vis Pound Sterling by 1.1 percent associated with British depart from EU (Table5.13).

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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 |
| 2014/15 | | | | | | | | | | | | | | | | | | | |
| QIV | C | 20.4466 | 20.6511 | 20.5489 | 22.6086 | 22.8350 | 22.7218 | 0.1687 | 0.1703 | 0.1695 | 28.4033 | 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 | | | | | | | | | | | | | | | | | | | |
| QIII | B | 21.2059 | 21.4137 | 21.3098 | 23.3660 | 23.5997 | 23.4828 | 0.1837 | 0.1856 | 0.1847 | 29.1858 | 29.4776 | 29.3317 | 30.3817 | 30.6808 | 30.5281 | 21.3150 | 21.5440 | 21.4295 |
| January | | 21.1176 | 21.3288 | 21.2232 | 22.9352 | 23.1646 | 23.0499 | 0.1784 | 0.1802 | 0.1793 | 29.2015 | 29.4936 | 29.3475 | 30.5155 | 30.8206 | 30.6681 | 20.9897 | 21.1995 | 21.0946 |
| February | | 21.1976 | 21.3967 | 21.2972 | 23.5113 | 23.7464 | 23.6289 | 0.1841 | 0.1860 | 0.1851 | 28.6677 | 28.9544 | 28.8110 | 30.3657 | 30.6552 | 30.5245 | 21.3123 | 21.5730 | 21.4426 |
| March | | 21.3025 | 21.5155 | 21.4090 | 23.6515 | 23.8880 | 23.7698 | 0.1886 | 0.1905 | 0.1896 | 29.6881 | 29.9850 | 29.8366 | 30.2640 | 30.5667 | 30.3917 | 21.6431 | 21.8595 | 21.7513 |
| QIV | A | 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 | 31.1426 | 22.2233 | 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 |
| Percentage Change | A/B | 1.72 | 1.74 | 1.73 | 4.26 | 4.07 | 4.16 | 8.52 | 8.53 | 8.53 | 3.83 | 3.83 | 3.83 | 1.99 | 2.01 | 2.01 | 4.26 | 4.18 | 4.22 |
| | A/C | 5.50 | 5.50 | 5.50 | 7.75 | 7.55 | 7.65 | 18.22 | 18.24 | 18.25 | 6.69 | 6.69 | 6.69 | -1.08 | -1.08 | -1.08 | 2.35 | 2.35 | 2.35 |

Source: NBE Staff Compilation

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

| Currency | June 30, 2015 | March 31, 2016 | June 30, 2016 | Percentage change | |
|-----------------|---------------|----------------|---------------|-------------------|-------|
| | A | B | C | C/B | C/A |
| USD | 20.6688 | 21.4709 | 21.9094 | 2.04 | 6.00 |
| Pound | 32.4437 | 30.9504 | 29.4309 | -4.91 | -9.29 |
| Swedish Kroner | 2.4838 | 2.6329 | 2.5751 | -2.20 | 3.68 |
| Djibouti Frank | 0.1160 | 0.1205 | 0.1229 | 1.99 | 5.95 |
| Swiss Frank | 22.1316 | 22.3029 | 22.3429 | 0.18 | 0.95 |
| Saudi Riyal | 5.5108 | 5.7242 | 5.8416 | 2.05 | 6.00 |
| UAE Dirhams | 5.6274 | 5.8453 | 5.9650 | 2.05 | 6.00 |
| Canadian Dollar | 16.7291 | 16.4844 | 16.8612 | 2.29 | 0.79 |
| Japanese Yen | 0.1682 | 0.1912 | 0.2135 | 11.69 | 26.97 |
| Euro | 22.9671 | 24.3416 | 24.2822 | -0.24 | 5.73 |
| SDR | 29.0748 | 30.0335 | 30.5724 | 1.79 | 5.15 |

Source: NBE Staff Compilation

5.7.2. Movements in the Real Effective Exchange Rate

The real effective exchange rate of the Birr (REER) appreciated by 1.1 percent on annual basis mainly due to relatively higher domestic inflation compared to very low trading partners' inflation. However, the REER appreciation showed a declining trend over the previous quarters owing to stability of domestic inflation at the single digit target set by the NBE. In addition, the

depreciation of nominal effective exchange rate (NEER) contributed its own role for the recent decline in REER appreciation.

On the other hand, NEER depreciated by 2.7 percent and 2.1 percent vis-à-vis last year same period and the preceding quarter, respectively (Table 5.15).

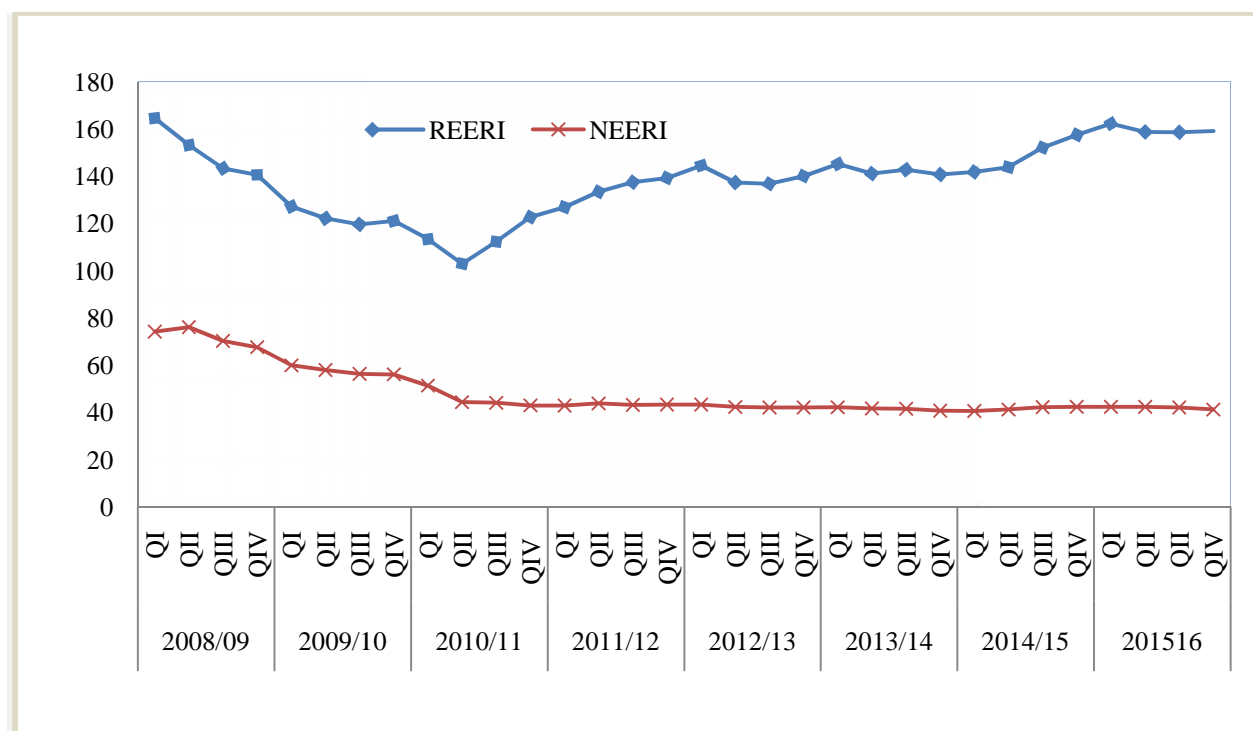
Table 5.15 Trends in the Real and Nominal Effective Exchange Rates

| Item | 2014/15 | 2015/16 | | Percentage Change | |
|--------------|---------|---------|-------|-------------------|-------|
| | QIV | QIII | QIV | | |
| | A | B | C | C/B | C/A |
| REERI | 157.6 | 158.7 | 159.3 | 0.38 | 1.05 |
| NEERI | 42.3 | 42.0 | 41.2 | -2.06 | -2.69 |

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.

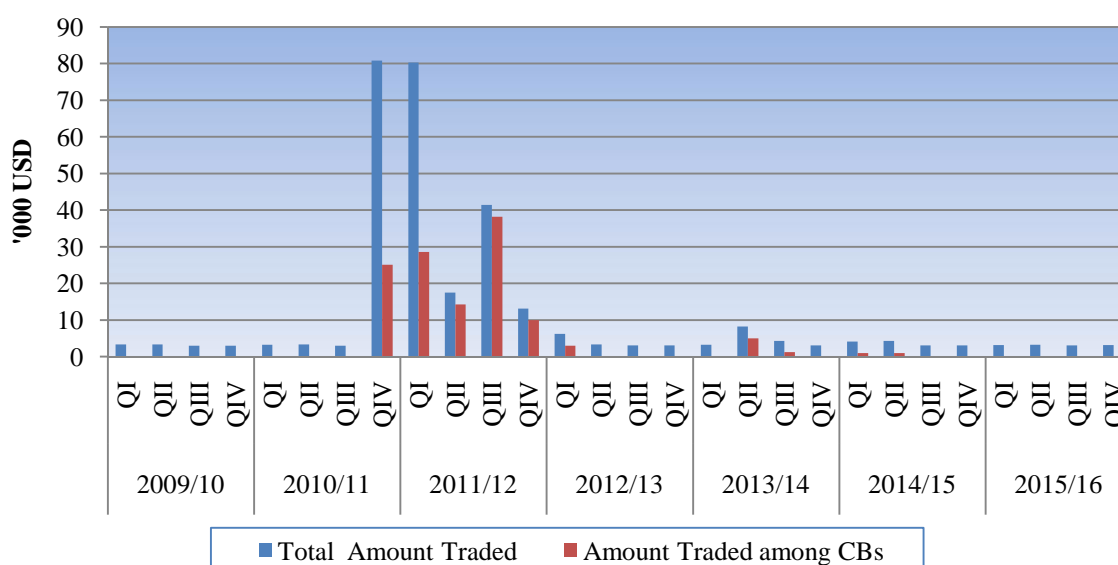
Fig.V.13: Movements in the Real and Nominal Effective Exchange Rate

5.7.3 Volume of Transactions

In the fourth quarter of 2015/16, the amount of foreign exchange traded in the inter-bank foreign exchange market was USD 3.2 million, about 3.2 percent and 4.9 percent higher than the amount traded last year same

period, and preceding quarter, respectively. All the forex amount traded in the inter-bank market during the review period was supplied solely by NBE (Table 5:10).

Fig V.14 Foreign Exchange Trade in the Interbank Foreign Exchange Market



In the same period, forex bureau of commercial banks purchased USD 78.9 million and sold USD 54.3 million foreign exchange. The amount purchased in the

review quarter was 2.7 percent higher and the amount sold was 1.5 percent lower than last year same period (Table 5.11).

VI.FEDERAL GOVERNMENT FINANCE

During the fourth quarter of 2015/16, total revenue and grants collected by the Federal government was Birr 50.1 billion, depicting 27.6 percent growth over a year ago.

Similarly, Federal government total expenditure rose by 24.9 percent and reached Birr 74.6 billion. As a result, the overall fiscal balance (including grants) depicted Birr 24.5 billion deficit compared to Birr 20.4 billion deficit a year ago.

Table 6.1 Summary of Quarterly Federal Government Finance

(In millions of Birr)

| No | Finer points | 2014/15 | 2015/16 | | | Percentage changes | | Performance rate |
|------------|----------------------------------|-----------------|------------------|-----------------|------------------|--------------------|--------------|------------------|
| | | A | B | C | D | D/A | D/C | D/B |
| | | QIV | Budget | QIII | QIV | | | |
| 1 | Revenue and Grants | 39,272.4 | 158,135.2 | 47,523.3 | 50,113.9 | 27.6 | 5.5 | 31.7 |
| 1.1 | Total Revenue | 39,272.4 | 157,060.8 | 47,232.7 | 50,113.9 | 27.6 | 6.1 | 31.9 |
| | Tax Revenue | 33,307.4 | 141,208.5 | 33,476.0 | 37,654.2 | 13.1 | 12.5 | 26.7 |
| | Direct tax | 8,518.3 | 40,688.4 | 6,924.0 | 9,395.2 | 10.3 | 35.7 | 23.1 |
| | Indirect tax | 24,789.1 | 100,520.1 | 26,552.0 | 28,259.0 | 14.0 | 6.4 | 28.1 |
| | Non-Tax Revenue | 5,965.0 | 15,852.3 | 13,756.7 | 12,459.7 | 108.9 | (9.4) | 78.6 |
| 1.2 | Grant & Relief | - | 1,074.4 | 290.6 | | | | |
| 2 | Current Expenditure | 11,995.0 | 46,828.5 | 13,660.5 | 15,178.8 | 26.5 | 11.1 | 32.4 |
| 3 | Current Surplus/Deficit | - | | | | | | |
| | (Including Grants) | 27,277.4 | 111,306.7 | 33,862.8 | 34,935.2 | 28.1 | 3.2 | 31.4 |
| | (Excluding Grants) | 27,277.4 | 110,232.3 | 33,572.2 | 34,935.2 | 28.1 | 4.1 | 31.7 |
| 4 | Capital Expenditure | 18,663.4 | 71,887.1 | 17,736.0 | 37,307.8 | 99.9 | 110.4 | 51.9 |
| 5 | Regional Transfers | 29,110.2 | 84,850.1 | 21,008.3 | 22,144.4 | (23.9) | 5.4 | 26.1 |
| 6 | Total Expenditure (2+4+5) | 59,768.6 | 203,565.6 | 52,404.8 | 74,630.9 | 24.9 | 42.4 | 36.7 |
| 7 | Overall Surplus/Deficit | - | | - | | | | |
| | (Including Grants) | (20,496.2) | (45,430.5) | (4,881.5) | (24,517.0) | 19.6 | 402.2 | 54.0 |
| | (Excluding Grants) | (20,496.2) | (46,504.8) | (5,172.1) | (24,517.0) | 19.6 | 374.0 | 52.7 |
| 8 | Total Financing | 20,496.2 | 45,430.5 | 4,881.5 | 24,517.0 | 19.6 | 402.2 | 54.0 |
| 8.1 | Net External Borrowings | 5,329.6 | 18,719.5 | 4,526.0 | 18,644.6 | 249.8 | 311.9 | 99.6 |
| | External Borrowing | 5,916.7 | 15,645.5 | 3,081.0 | 15,611.7 | 163.9 | 406.7 | 99.8 |
| | Amortization | 623.9 | 2,527.9 | 457.5 | 671.4 | 7.6 | 46.8 | 26.6 |
| 8.2 | Net Domestic Borrowings | 11,200.3 | 26,710.9 | 1,099.0 | 10,958.7 | (2.2) | 897.2 | 41.0 |
| | Banking System | 3,534.4 | - | (4,029.8) | 7,670.7 | | (290.3) | |
| | Non-Bank Sources | 7,665.9 | - | 5,128.8 | 3,288.0 | | (35.9) | |
| 8.3 | Privatization receipts | - | - | - | 500.0 | | | |
| 8.4 | Others and Residuals | 3,966.3 | 0.0 | (743.5) | (5,586.3) | (240.8) | 651.3 | |

Source: Ministry of Finance and Economic Development

6.1. Revenue and Grants

Total revenue collected during the review quarter reached Birr 50.1 billion which grew by 27.6 percent vis-a-vis last year same period. Of this sum, tax revenue constituted

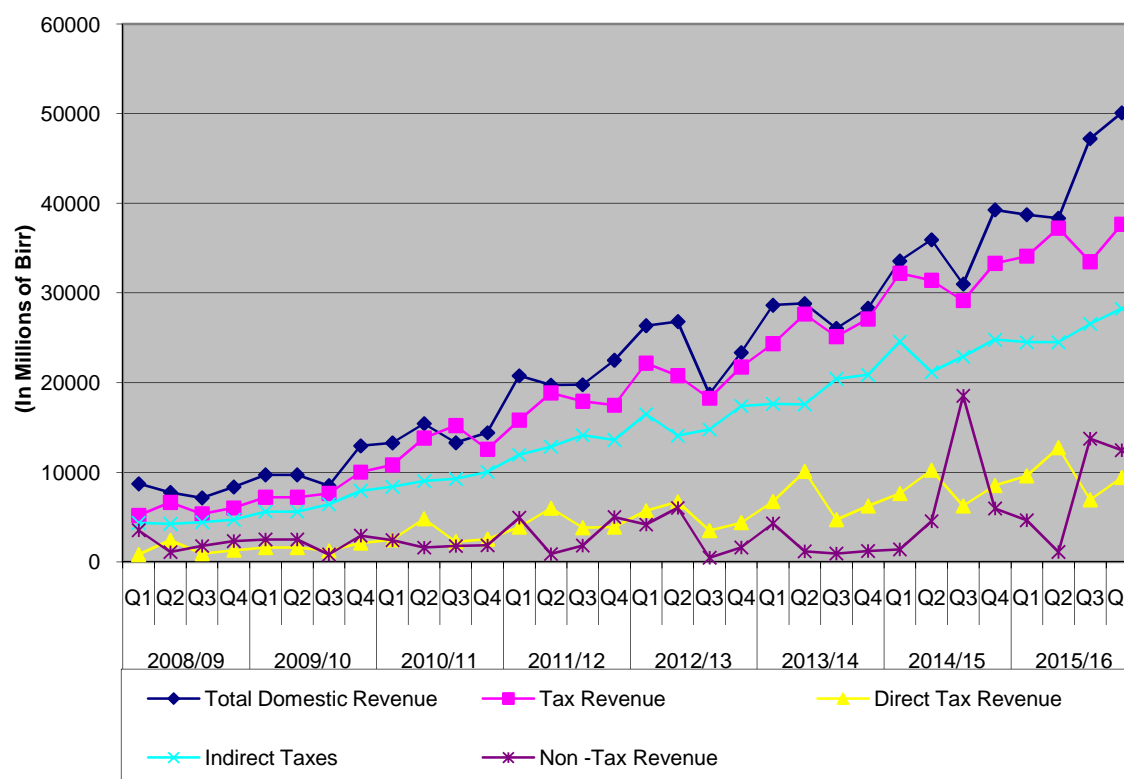
75.1 percent and non-tax revenue 24.9 percent. There were no grants and relief in the review period.

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

| No | Particulars | 2014/15 | 2015/16 | | | Percentage Change | | Performance Rate |
|-------|---------------------------------|-----------------|------------------|-----------------|-----------------|-------------------|--------------|------------------|
| | | QIV | Budget | QIII | QIV | | | |
| | | A | B | C | D | [D/A] | [D/C] | [D/B] |
| | Total Revenue and Grants | 39,272.4 | 158,135.2 | 47,523.5 | 50,113.9 | 27.6 | 5.5 | 31.7 |
| | Total Domestic Revenue | 39,272.4 | 157,060.8 | 47,232.5 | 50,113.9 | 27.6 | 6.1 | 31.9 |
| 1 | Tax Revenue | 33,307.4 | 141,208.5 | 33,475.5 | 37,654.2 | 13.1 | 12.5 | 26.7 |
| 1.1 | Direct Tax Revenue | 8,518.3 | 40,688.4 | 6,923.7 | 9,395.2 | 10.3 | 35.7 | 23.1 |
| 1.1.1 | Income Taxes | 7,449.2 | 35,671.1 | 5,782.6 | 7,983.2 | 7.2 | 38.1 | 22.4 |
| | - Personal | 1,438.7 | 4,785.3 | 1,552.9 | 1,665.6 | 15.8 | 7.3 | 34.8 |
| | - Business | 6,010.5 | 30,885.8 | 4,229.7 | 6,317.6 | 5.1 | 49.4 | 20.5 |
| 1.1.2 | Others ¹ | 1,069.1 | 5,017.3 | 1,141.1 | 1,412.0 | 32.1 | 23.7 | 28.1 |
| 1.2 | Indirect Taxes | 24,789.1 | 100,520.1 | 26,551.8 | 28,259.0 | 14.0 | 6.4 | 28.1 |
| 1.2.1 | Domestic Taxes | 11,956.2 | 41,212.5 | 10,741.2 | 13,019.3 | 8.9 | 21.2 | 31.6 |
| 1.2.2 | Foreign Trade Taxes | 12,832.9 | 59,307.6 | 15,810.6 | 15,239.7 | 18.8 | (3.6) | 25.7 |
| | - Import | 12,832.9 | 59,307.6 | 15,810.6 | 15,239.7 | 18.8 | (3.6) | 25.7 |
| 2 | Non-Tax Revenue | 5,965.0 | 15,852.3 | 13,757.0 | 12,459.7 | 108.9 | (9.4) | 78.6 |
| 3 | Privatization | | | - | 500.0 | | | |
| 4 | Grants and Relief | | 1,074.4 | 291.0 | | | | |

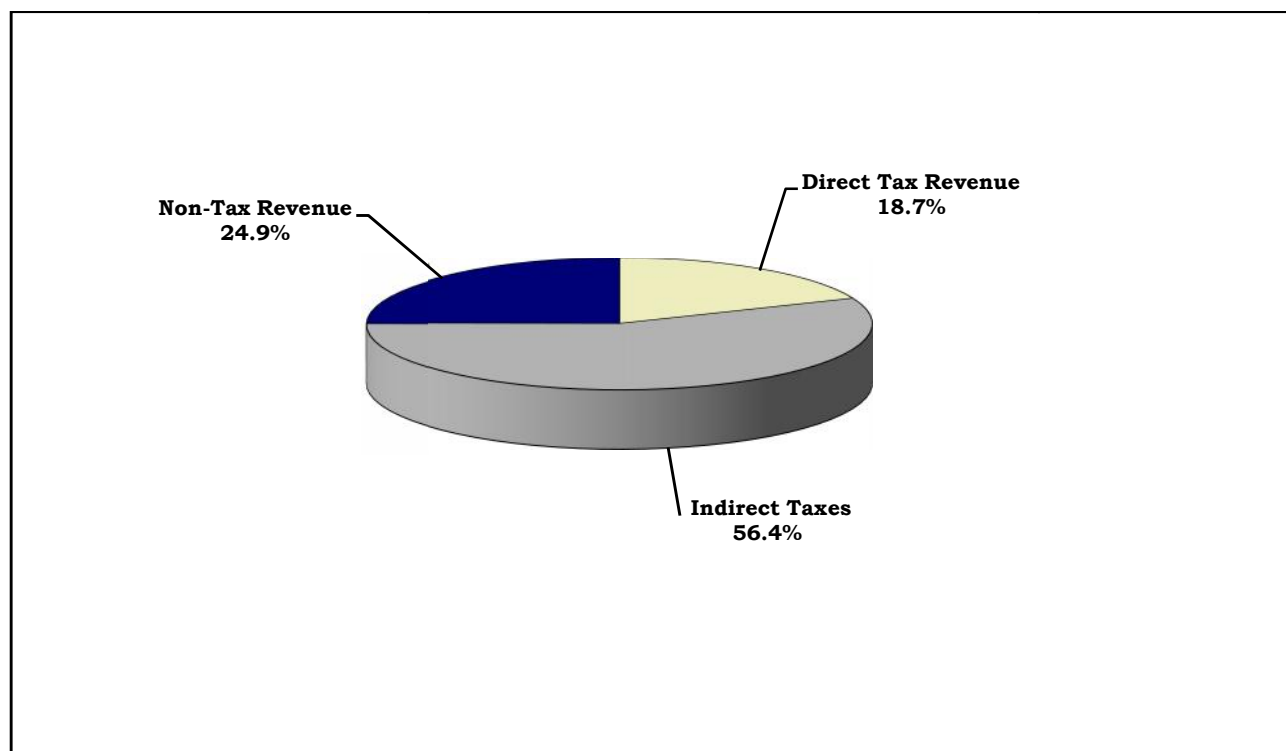
Source: Ministry of Finance and Economic Co-operation

1/ 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 amounted to Birr 37.6 billion depicting a 13.1 percent annual growth. Meanwhile, indirect tax revenue, accounting for 75 percent of total tax revenue, was 14 percent higher than the same period of last

year and stood at Birr 28.2 billion. On the other hand, direct tax revenue, which comprises personal and business income tax, reached Birr 9.3 billion, depicting 10.3 percent yearly growth.

Fig.VI.2 Domestic Revenue by Major Components during the Fourth Quarter of 2015/16

6.2. Expenditure

Total Federal government expenditure (including regional transfers) was Birr 74.6 billion, about 24.9 percent higher than a year ago. Out of the total expenditure, Birr 15.1 billion (or 20.3 percent), constituted current expenditure, Birr 37.3 billion (or 50 percent) capital expenditure and Birr 22.1 billion (or

29.7 percent) regional transfers (Table 6.3).

Year-on-year, recurrent expenditure went up by 26.5 percent as a result of the rise in its entire components except general service. Likewise, capital expenditure surged 99.9 percent due to higher expenses for economic and social development programs.

Tale 6.3 Summary of Federal Government Expenditure by components (In Millions of Birr)

| No | Particulars | 2014/15 | 2015/16 | | | Percentage Change | | Performance Rate |
|----|----------------------------|-----------------|------------------|-----------------|-----------------|-------------------|--------------|------------------|
| | | QIV | Budget | QIII | QIV | | | |
| | | [A] | [B] | [C] | [D] | [D/A] | [D/C] | [D/B] |
| | Total Expenditure | 59,769.3 | 203,565.6 | 52,403.1 | 74,630.9 | 24.9 | 42.4 | 36.7 |
| 1 | Current Expenditure | 11,995.1 | 46,828.5 | 13,660.5 | 15,178.8 | 26.5 | 11.1 | 32.4 |
| | - General Services | 4,941.6 | 16,805.9 | 5,313.1 | 4,870.3 | (1.4) | (8.3) | 29.0 |
| | - Economic Services | 561.5 | 2,862.8 | 2,503.2 | 903.9 | 61.0 | (63.9) | 31.6 |
| | - Social Services | 4,548.6 | 15,921.1 | 4,315.8 | 7,135.8 | 56.9 | 65.3 | 44.8 |
| | - Debt Service | 1,943.5 | 11,238.7 | 1,528.4 | 2,268.9 | 16.7 | 48.5 | 20.2 |
| 2 | Capital Expenditure | 18,663.5 | 71,887.1 | 17,735.2 | 37,307.8 | 99.9 | 110.4 | 51.9 |
| | - Economic Development | 11,438.6 | 49,079.8 | 12,512.0 | 26,820.9 | 134.5 | 114.4 | 54.6 |
| | - Social Development | 5,128.1 | 19,245.0 | 4,814.0 | 9,637.4 | 87.9 | 100.2 | 50.1 |
| | - General Development | 2,096.8 | 3,562.3 | 409.2 | 849.5 | (59.5) | 107.6 | 23.8 |
| 3 | Regional Transfers | 29,110.7 | 84,850.1 | 21,007.4 | 22,144.4 | (23.9) | 5.4 | 26.1 |

Source: Ministry of Finance and Economic co-operation

Fig VI.3: Major Components of Federal Government Expenditure during the Fourth Quarter of 2015/16

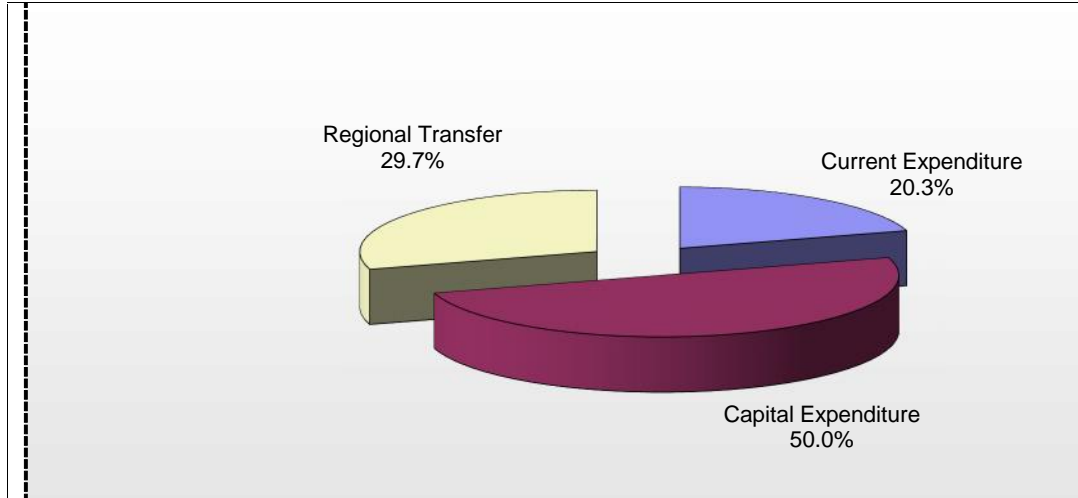
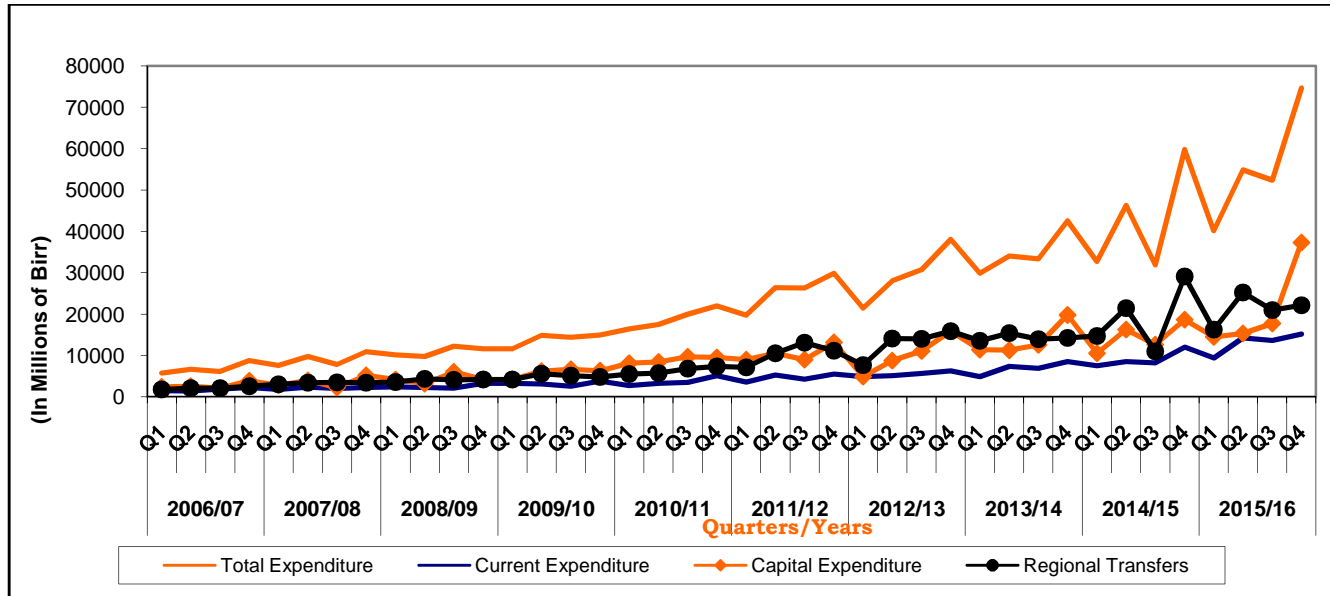


Fig.VI.4 Quarterly Development in Federal Government Expenditure by Components

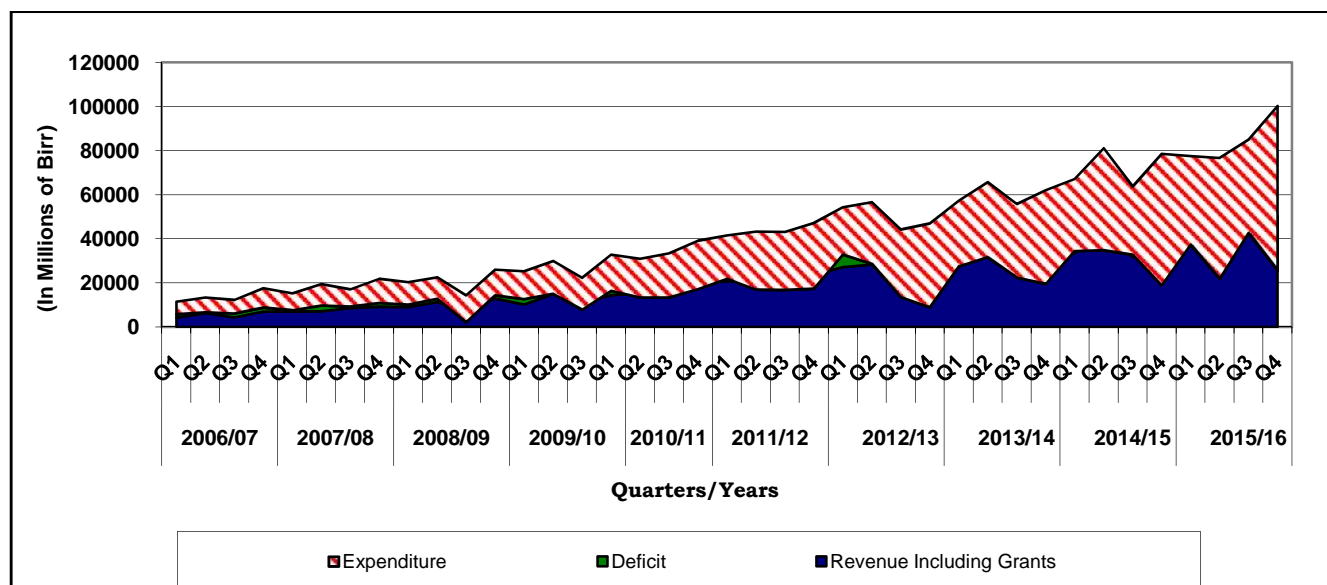


6.3. Deficit Financing

During the review period, government budgetary operations resulted in a deficit to the tune of Birr 24.5 billion (including

grant). The deficit was financed by net external, domestic borrowing and privatization proceeds.

Fig.VI.5 Federal Government Finance during Fourth Quarter of F.Y 2015/16



VII. Developments in Investment

Sixteen investment projects having investment capital of Birr 77 million became operational during the third quarter of 2015/16. Hence, the number of investment projects grew by 45.5 percent and investment capital by 14.4 percent over the previous year same period.

All the investment projects were private, of which 88 percent were domestic and 12 percent foreign. Domestic investment projects had investment capital of Birr 70.9 million (or 92 percent) while foreign investment comprised Birr 6.3 million (8 percent) showing remarkable (250 percent)

growth in domestic investment projects followed by foreign investment (71.4 percent).

These investment projects have generated employment opportunities for 184 employees of which 64 percent were permanent and 36 percent casual. Despite increased number and capital of investment projects, employment opportunity created dropped 97 percent presumably due to lower foreign investment which generally attracted larger labor force relative to domestic investment (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) | | | | | |
|-------------------------|----------------------|------------------------------|---------|------|-------|--------------------|-------|
| | | 2014/15 | 2015/16 | | | Percentage Changes | |
| | | QIII | QII | QIII | | | |
| | | A | B | C | Share | C/A | C/B |
| 1. Total Investment | Number of projects | 11 | 14 | 16 | 100 | 45.5 | 14.3 |
| | Capital | 67.5 | 54.3 | 77 | 100 | 14.4 | 42.4 |
| | Permanent Employment | 6,092 | 848 | 118 | 100 | -98.1 | -86.1 |
| | Temporary Employment | 115 | 285 | 66 | 100 | -42.6 | -76.8 |
| | | | | | | | |
| 2. Private Investment | Number of projects | 11 | 14 | 16 | 100 | 45.5 | 14.3 |
| | Capital | 67.5 | 54.3 | 77 | 100 | 14.4 | 42.4 |
| | Permanent Employment | 6,092 | 848 | 118 | 100 | -98.1 | -86.1 |
| | Temporary Employment | 115 | 285 | 66 | 100 | -42.6 | -76.8 |
| | | | | | | | |
| 2.1 Domestic Investment | Number of projects | 4 | 4 | 14 | 88 | 250.0 | 250.0 |
| | Capital | 10.5 | 24.2 | 70.9 | 92 | 575.7 | 192.7 |
| | Permanent Employment | 17 | 18 | 106 | 90 | 523.5 | 488.9 |
| | Temporary Employment | 43.0 | 73 | 64 | 97 | 48.8 | -12.3 |
| | | | | | | | |
| 2.2. Foreign Investment | Number of projects | 7 | 10 | 2 | 12 | -71.4 | -80.0 |
| | Capital | 57.0 | 30.0 | 6.3 | 8 | -88.9 | -79.0 |
| | Permanent Employment | 6,075 | 830 | 12 | 10 | -99.8 | -98.6 |
| | Temporary Employment | 72 | 212 | 2 | 3 | -97.2 | -99.1 |
| | | | | | | | |
| 3. Public Investment | Number of projects | | | | | | |
| | Capital | | | | | | |
| | Permanent Employment | | | | | | |
| | Temporary Employment | | | | | | |
| | | | | | | | |

Source: Ethiopian Investment Agency.

As for sectoral distribution, real estate, renting & business activities constituted 69 percent of total projects. Construction and manufacturing sectors each accounted for 13 percent of projects, followed by mining & quarrying taking up 6 percent. Out of the total Birr 77 million capital invested, real estate, renting & business activities attracted 70 percent, manufacturing (21 percent),

Fourth Quarter 2015/16

construction (8 percent) and mining & quarrying (1 percent).

With regard to job opportunity, about 51.7 percent of permanent employment was created by real estate, renting & business activities, 22 percent by construction and 19.5 percent by mining & quarrying. Construction was the leading sector by

employing 48.5 percent of temporary labor force. Real estate, renting & business activities, and mining & quarrying on their part accounted for 33.3 and 15.2 percent temporary employment, respectively. Manufacturing was the least sector accounting for 3 percent of temporary employment (Table 7.2).

Table 7.2: Investment Distribution by Sector during the Third Quarter of 2015/16

| Sectors | No. of Proj. | Share (%) | Capital (in Million Birr) | Share (%) | Perm. Emp. | Share (%) | Temp. Emp. | Share (%) |
|---|--------------|------------|---------------------------|------------|------------|--------------|------------|--------------|
| Agriculture, hunting and forestry | | | | | | | | |
| Construction | 2 | 13 | 6 | 8 | 26 | 22.0 | 32 | 48.5 |
| Education | | | | | | | | |
| Electricity, gas, steam and water supply | | | | | | | | |
| Health and social work | | | | | | | | |
| Hotels and restaurants | | | | | | | | |
| Manufacturing | 2 | 13 | 15.91 | 21 | 8 | 6.8 | 2 | 3.0 |
| Mining and quarrying | 1 | 6 | 1 | 1 | 23 | 19.5 | 10 | 15.2 |
| Other community, social and personal service activities | | | | | | | | |
| Real estate, renting and business activities | 11 | 69 | 54 | 70 | 61 | 51.7 | 22 | 33.3 |
| Tour operation, transport, and communication | | | | | | | | |
| Wholesale, retail trade & repair service | | | | | | | | |
| Grand Total | 16 | 100 | 77.25 | 100 | 118 | 100.0 | 66 | 100.0 |

Source: Ethiopian Investment Agency.

As for regional distribution, about 56.3 percent of the total projects with 62.2 percent of total investment capital went to Dire Dawa, and 25 percent of the projects having 25.8 percent total capital to Tigray. Addis Ababa had 12.5 percent of the projects with 8.2 percent capital. SNNPR was the least performer by constituting 6.3 and 3.9 percent of total projects and investment capital, respectively. In line with

the share of projects and capital, Dire Dawa was the best performer in permanent and temporary employment creation constituting 60.2 and 60.6 percent, respectively.

Similarly, 22.9 percent of permanent and 33.3 percent of temporary employment were created in Tigray while that of Addis Ababa was 10.2 and 3 percent, respectively (Table 7.3).

Table 7.3: Performance of Operational Investment Projects by Region

Fourth Quarter 2015/16

National Bank of Ethiopia Quarterly Bulletin

Capital (In thousands of Birr)

Source: Ethiopian Investment Commission

| | 2014/15 | | | | 2015/16 | | | | | | | | | | | |
|----------------|------------|---------|----------|---------|-------------|---------|---------|---------|-------------|----------|----------|---------|--------------|----------|----------|----------|
| | QIII | | | | QII | | | | QIII | | | | C/A | | | |
| | 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 |
| Addis Ababa | 3 | 9090.2 | 5226 | 16 | 9 | 24260.3 | 187 | 95 | 2 | 6300 | 12 | 2 | 12.5 | 8.2 | 10.2 | 3.0 |
| Afar | 3 | 8500 | 11 | 37 | | | | | | | | | | | | |
| Amhara | | | | | | | | | | | | | | | | |
| B.Gumuz | | | | | | | | | | | | | | | | |
| Dire Dawa | | | | | 2 | 20754 | 0 | 0 | 9 | 48048.9 | 71 | 40 | 56.3 | 62.2 | 60.2 | 60.6 |
| Oromia | 5 | 49942 | 855 | 62 | 2 | 8201.56 | 650 | 120 | | | | | | | | |
| SNNPR | | | | | | | | | 1 | 3000 | 8 | 2 | 6.3 | 3.9 | 6.8 | 3.0 |
| Gambella | | | | | | | | | | | | | | | | |
| Somali | | | | | | | | | | | | | | | | |
| Harari | | | | | | | | | | | | | | | | |
| Tigray | | | | | 1 | 1050 | 11 | 70 | 4 | 19900 | 27 | 22 | 25.0 | 25.8 | 22.9 | 33.3 |
| Multi-regional | | | | | | | | | | | | | | | | |
| Grand Total | 11 | 67532.2 | 6092 | 115 | 14 | 54265.9 | 848 | 285 | 16 | 77248.9 | 118 | 66 | 100.0 | 100 | 100.0 | 100.0 |

VIII. International Economic Developments

Fourth Quarter 2015/16

8.1 Overview of the World Economy⁷

According to European central bank economic bulletin issued number 5/2016, global indicators for the fourth quarter of 2015/16 point to subdued economic activity and trade. The vote in the United Kingdom in favor of leaving the European Union triggered some financial market volatility and increased uncertainty about the global outlook. The global composite output Purchasing Managers' Index (PMI) recorded a further decline in the fourth quarter, falling to 51.3 the lowest value seen since end 2012. Global trade growth has contracted further. The volume of world imports of goods fell by 0.6 percent in April 2016, on a three-month-on-three-month basis. While trade growth improved in advanced economies, it deteriorated further in emerging market economies (EMEs), particularly Asia. The short-term outlook for global trade is subdued, with the global PMI for new export orders remaining below the threshold value of 50 in June.

In United States, activity has rebounded after the soft patch at the start of 2016. The

pace of economic activity slowed to 0.3 percent, quarter on quarter, in the third quarter of 2015/16 (1.1 percent in annualized terms), driven by weaker household spending and a decline in non-residential investment. However, recent data point to a rebound in GDP growth in the fourth quarter. Growth in personal consumption expenditure has increased, reflecting gains in real disposable income and households' net wealth partly as a result of improved housing market conditions. In April and May retail sales rose at a steady pace and vehicle sales rebounded, after dipping in March. Moreover, the labor market remains resilient. US non-farm payroll employment rose by 287,000 in June, after more modest increases in the previous two months.

In Japan, the growth momentum remains modest. Following the decline in the second quarter of 2015/16, GDP grew by 0.5 percent, quarter on quarter, in the third quarter of 2015/16. The latest indicators, however, point to subdued activity in the fourth quarter, as industrial production contracted in May and the Bank of Japan's Tankan survey signaled some deterioration in business conditions. Labor market

⁷Sections 8.1 – 8.4 are excerpted from European Central Bank monthly bulletin of 5/2016.

conditions are tight, with the unemployment rate standing at 3.2 percent in May, the lowest level in more than two decades.

In UK, GDP growth slowed to 0.4 percent, quarter on quarter, in the third quarter of 2015/16. Activity was driven primarily by robust private consumption, while investment recorded a decline and net exports also continued to exert a drag on growth. According to short-term indicators, the UK economy continued to expand in the fourth quarter of 2015/16 at a relatively robust pace, similar to that seen in the previous quarter. However, the uncertainty created by the outcome of the UK referendum is likely to weigh on economic activity in the near term, in particular investment and trade.

In China, macroeconomic data remain consistent with a gradual moderation in the pace of expansion. In the fourth quarter of 2015/16 China recorded GDP growth of 6.7 percent, year on year, the same rate as in the previous quarter and in line with the growth target range of 6.5 percent to 7 percent set by the Chinese authorities for 2016. Activity has relied on government support in recent quarters. Fixed asset investment has been boosted

by strong growth in infrastructure investment, while capital expenditure in the manufacturing sector has moderated.

Growth momentum remains weak and heterogeneous across other EMEs. Activity has remained resilient in commodity importing countries, such as India where activity expanded by 7.6 percent, year on year, in the third quarter of 2015/16. Turkey also experienced sustained rates of GDP growth in the same period. However, looking ahead, the attempted military coup has increased political uncertainty, which could weigh on demand. Among commodity exporters, activity has been weak. Brazil remains in recession. However, in Russia, there are signs that the economy has bottomed out, as GDP returned to positive growth of 0.3 percent, quarter on quarter, in the third quarter of 2015/16. Capital flows towards EMEs have remained generally resilient in recent months. Taking a longer perspective, however, the gradual deceleration of economic activity in EMEs has contributed to a gradual waning of net capital flows to EMEs in recent years.

8.2. Inflation Developments

Global headline inflation remained at low levels. In the OECD countries, annual CPI inflation increased by 0.8 percent in May, the same pace as in the previous two months. The energy component has continued to weigh on inflation. OECD inflation excluding food and energy stood at 1.9 percent in May. Among large EMEs, inflation fell in China and Brazil and was unchanged in India. Having fallen sharply over the past year, inflation ticked up in Russia.

8.3 Commodity price

Brent crude oil prices have fallen slightly since early June. OPEC output increased in June, driven mainly by supply increases in Iran, Saudi Arabia and Nigeria. Non-OPEC supply also increased in June, underpinned by a partial recovery in Canadian oil production. On the demand

In United States, in June, annual headline CPI inflation declined to 1.0 percent, dampened by lower energy and food price inflation, while inflation excluding food and energy rose slightly, to 2.3 percent, the highest rate seen in four years.

In Japan, annual headline CPI inflation declined further into negative territory in May.

side, the International Energy Agency's forecasts for global oil demand growth in 2016 have been revised upwards. The prices of non-oil commodities have increased marginally since the start of June.

8.4 Exchange Rate Developments

In the foreign exchange markets, the euro weakened modestly in trade weighted terms. In bilateral terms, since 2 June the euro appreciated by 8.1 percent against the pound sterling, amid heightened uncertainty after the outcome of the UK referendum on EU membership. Higher

volatility and a decline in risk appetite supported the Japanese yen, leading to a depreciation of the euro against the Japanese currency of around 5 percent. The euro also depreciated against the US dollar, the Swiss franc and the currencies of most emerging market economies and

commodity exporting countries

8.5. Impact of Global Economic Development on Ethiopian Economy

In the fourth quarter of 2015/16, the global indicators point to reduced economic activity and trade. The quarter also witnessed a decline in global manufacturing activities. This has negatively affected the performance of Ethiopia's major Ethiopia's export items.

Global headline inflation, meanwhile, has remained at low levels mainly reflecting past energy price declines. The relatively higher domestic prices affected the country's competitiveness by making the REER appreciate. On the other hand, the fall in international prices helped to reduce the country's import bill.

The outcome of U.K. vote to exit from E.U created financial market volatility and increased uncertainty about the global outlook in the fourth quarter of 2015/16. This implies the downside risk of the world economy in the future. The weak investor confidence in the global economy, if persists for long, might affect the external sector of the Ethiopian economy through trade and FDI flows.