

## ETB Devaluation

The Ethiopian Birr has further devalued, after Ethiopia's macro-economic team chaired by Meles Zenawi made the decision on Friday, January 29, 2009.

Central bank Governor, Teklewold Atnafu, is a member of the macro economic team; others include Girma Birru, minister of Trade and Industry (MoTI); Sufian Ahmed, minister of Finance and Economic Development (MoFED); and Neway-Chab Gebreab, senior macro-economic advisor to the Prime Minister.

This is the fourth macro-economic policy intervention in devaluating the Birr against the dollar since October 2008. According to WM/Reuters data, the value of the Birr has depreciated by approximately 30% during this period; the largest jump was in July 2009, when the rate devalued by 10%.

Policymakers believe that the series of devaluations of the Birr has helped the export sector to remain competitive.

The federal government was hoping to earn close to three billion dollars from exports in 2009/10. This target has proven to be illusive. The performance for the first two quarters of the fiscal year has been registered at 709.6 million dollars, against what was planned which was 1.19 billion dollars. Only the export of Khat has met the plan, surpassing the 90 million dollars target for the half year by seven million dollars.

This has put pressure on the balance of payments, thus last week's policy-induced devaluation is an attempt to ensure its stability.

WM/Reuters closing mid rate 01/02/10: 13.37825

WM/Reuters closing mid rate 29/01/10: 12.73725

