

National Bank of Ethiopia

III QUARTERLY PRICE DEVELOPMENT

3.1 National Level Price Development

The level of general inflation for the first quarter of 2004/05 stood at 2.8 percent, which exhibited a significant decline compared with 5.4 percent (the second highest level since 1990/00) in the preceding quarter and 4.5 percent in the same period last year. Declining food inflation, which was again influenced by low level of cereal inflation, contributed to the fall in the overall price.

During the first quarter of 2004/05-food inflation dropped to 3.1 percent, compared with its high level of 8 percent in the preceding quarter and 6.5 percent in the first quarter of 2003/04. Quarterly cereal inflation, which was the under line cause for declining quarterly headline as well as food inflation, has followed the same trend. For the review period, cereal inflation reached at 7.0 percent compared with 10.7 percent in the preceding quarter.

Non-food inflation, proxied by core inflation, reached 2.8 percent the third highest quarterly inflation since 1999/2000. Core inflation during the review period was higher by 0.9 and 2.3 percentage point compared with the respective level of the preceding quarter and the same period last year. The growth in quarterly core inflation was a reflection of the upward movement in the prices of construction materials, oil, house rent etc.

Quarterly inflation developments for Addis Ababa show similar results with country level inflation. The general inflation during the review period was 3.3 percent compared with 3.5 percent in the preceding quarter and 2.1 percent a year earlier. Food inflation declined from 5.6 percent to 3.4 percent to the review period. On the other hand, non-food inflation jumped from 1.8 percent in the preceding quarter and 0.9 percent in the same period last year to 3.3 percent in the review period. (Table 3.1).

Table 3.1 Quarterly Movements in Consumer Prices (in %)

1. National					
Items	2003/04		2004/05	Percentage Point	
	Qtr.I	Qtr.IV	Qtr.I		
	A	B	C	C-A	C-B
General	4.5	5.4	2.8	-1.6	-2.6
Food	6.5	8.0	3.1	-3.4	-4.9
-Cereal	11.2	10.7	7.0	-4.2	-3.7
-Pulses	4.2	3.9	2.8	-1.4	-1.0
-Oils & Fats	-3.1	2.1	-2.6	0.5	-4.7
-Vegetables & Fruits	-7.0	6.8	-12.5	-5.4	-19.3
Non-Food	0.4	1.8	2.7	2.3	0.9
-Beverages	0.0	-0.9	1.4	1.4	2.3
-House Rent & Others	1.5	-0.7	1.8	0.3	2.5
2. Addis Ababa					
Items	2003/04		2004/05	Percentage Point	
	Qtr.I	Qtr.IV	Qtr.I		
	A	B	C	C-A	C-B
General	2.1	3.5	3.3	1.2	-0.2
Food	3.4	5.6	3.4	0.0	-2.2
-Cereal	7.2	6.5	6.6	-0.6	0.1
-Pulses	3.6	4.2	6.9	3.3	2.7
-Oils & Fats	-0.7	1.5	-0.5	0.2	-2.0
-Vegetables & Fruits	-1.0	7.6	-4.8	-3.8	-12.3

Non-Food	0.9	1.8	3.2	2.3	1.5
-Beverages	-0.1	0.9	0.1	0.2	-0.8
-House Rent & Others	2.3	1.4	4.8	2.5	3.4

Source: CSA and NBE Staff Computation

3.2 Developments in Regional Consumer Price Inflation

For most of the regions, quarterly consumer price index has gone down during the review period. Compared with the preceding quarter the average headline inflation declined except for Benishangul Gumz, Harari and Somali regions. On the other hand, compared with the same period last year, except for Addis Ababa, Dire Dawa, Somali and Harari regions, other regions registered lower headline inflation during the quarter under review. Food inflation in Regional States has followed similar trend like that of the country level inflation.