

III. QUARTERLY PRICE DEVELOPMENTS

3.1 National Level Price Development

General inflation stood at 2.6 percent in the second quarter of 2006/07, exhibiting a significant decrease compared with 7.3 percent in the preceding quarter. However, CPI is still higher than -0.1 percent inflation in the same period of last year. The slowdown both in food and non-food inflation has contributed to the quarterly decline in the overall price level.

In the review quarter, food inflation decreased remarkably to 2.8 percent from 7.6 percent in the preceding quarter and yet significantly higher than -0.4 percent recorded in the second quarter of 2005/06. Cereal inflation, which has 40.7 weight in the food index, was the underlining cause for the volatility in the quarterly headline inflation. In the review period, cereal inflation reached

3.3 percent compared with 10.4 percent in the preceding quarter, and -3.2 percent in the same period of last year.

In another development, core inflation, proxied by non-food inflation, reached 2.1 percent in the quarter under review depicting a significant decrease compared with 6.7 percent in the previous quarter. This was mainly due to a decline in the inflation rate of house rent, construction materials, fuel, and water and power sub-category of the CPI to 3.0 percent from 10.5 percent in the previous quarter. Compared with the same period last year, however, the quarterly core inflation depicted a 2.2 percentage point's increase.

Table 3.1 Quarterly Movements in Consumer Prices

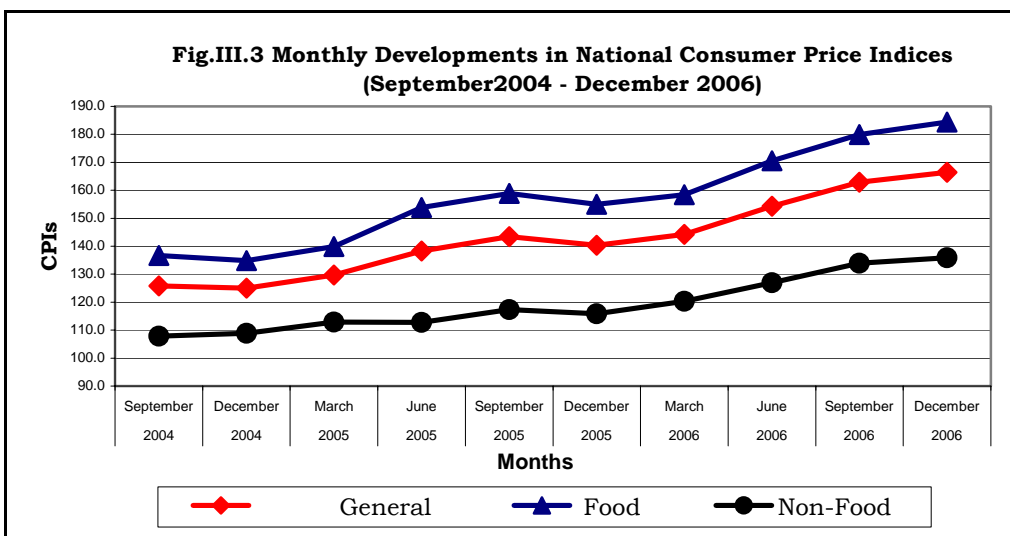
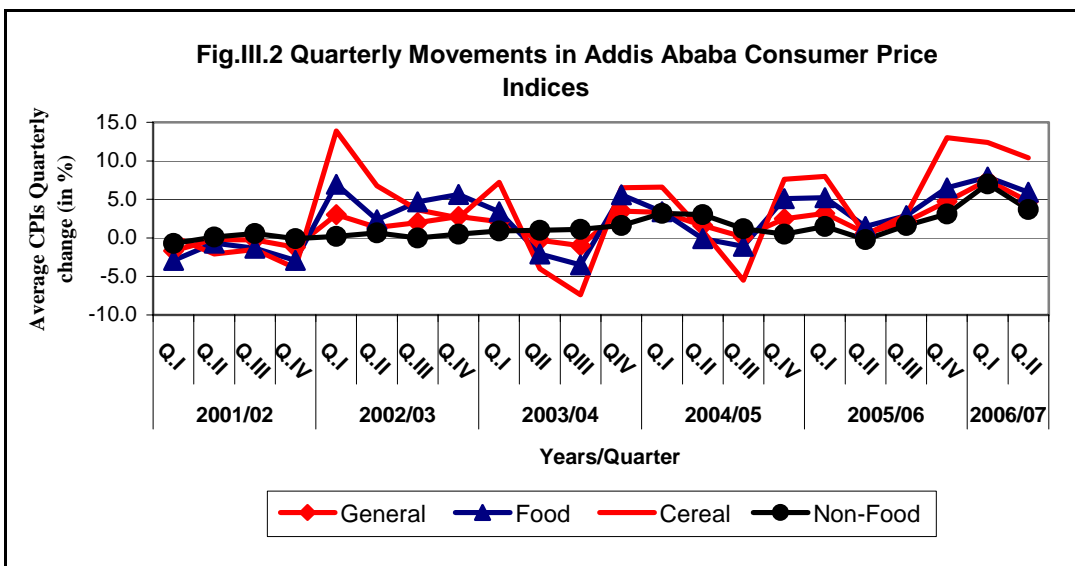
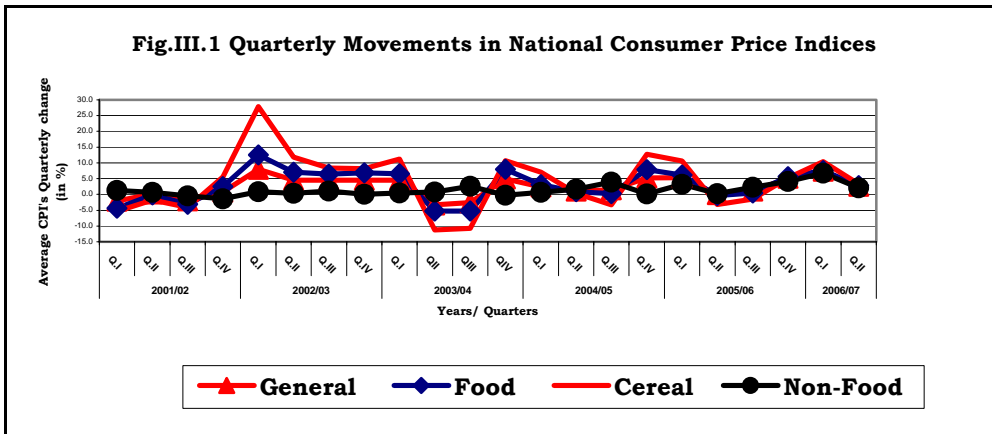
(in percent)

1. National					
Item	2005/06	2006/07		Change in Percentage Points	
	Qtr. II	Qtr.I	Qtr.II	C-A	C-B
	A	B	C		
General	-0.1	7.3	2.6	2.7	-4.7
Food	-0.4	7.6	2.8	3.2	-4.8
-Cereal	-3.2	10.4	3.3	6.5	-7.1
-Pulses	0.2	8.1	4.6	4.4	-3.5
-Oils & Fats	-0.2	-1.2	4.8	5.0	6.0
-Vegetables & Fruits	7.0	5.6	1.5	-5.5	-4.1
Non-Food	0.2	6.7	2.1	1.9	-4.6
-Beverages	1.5	1.8	1.6	0.1	-0.2
-House Rent & Others	0.8	10.5	3.0	2.2	-7.5
2. Addis Ababa					
Item	2005/06	2006/07		Change in Percentage Points	
	Qtr.II	Qtr.I	Qtr.II	C-A	C-B
	A	B	C		
General	0.6	7.5	4.7	4.1	-2.8
Food	1.5	7.9	5.9	4.4	-2.0
-Cereal	0.4	12.4	10.4	10.0	-2.0
-Pulses	0.5	11.4	4.5	4.0	-6.9
-Oils & Fats	-0.7	1.0	10.6	11.3	9.6
-Vegetables & Fruits	-1.9	-3.5	5.0	6.9	8.5
Non-Food	-0.2	7.0	3.7	3.9	-3.3
-Beverages	0.5	4.7	2.0	1.5	-2.7
-House Rent & Others	-0.1	9.7	2.7	2.8	-7.0

Source: CSA and NBE Staff Computation

quarterly inflation developments for Addis Ababa followed more or less similar trend. The review period general inflation of the capital city was 4.7 percent compared with 7.5 percent in the preceding quarter and

0.6 percent a year earlier. Both food and non-food price rises contributed to this effect. Food and non-food inflation rates decreased from 7.9 and 7.0 percent in the preceding quarter to 5.9 and 3.7 percent in the review period.



3.2 Developments in Regional Consumer Price Inflation

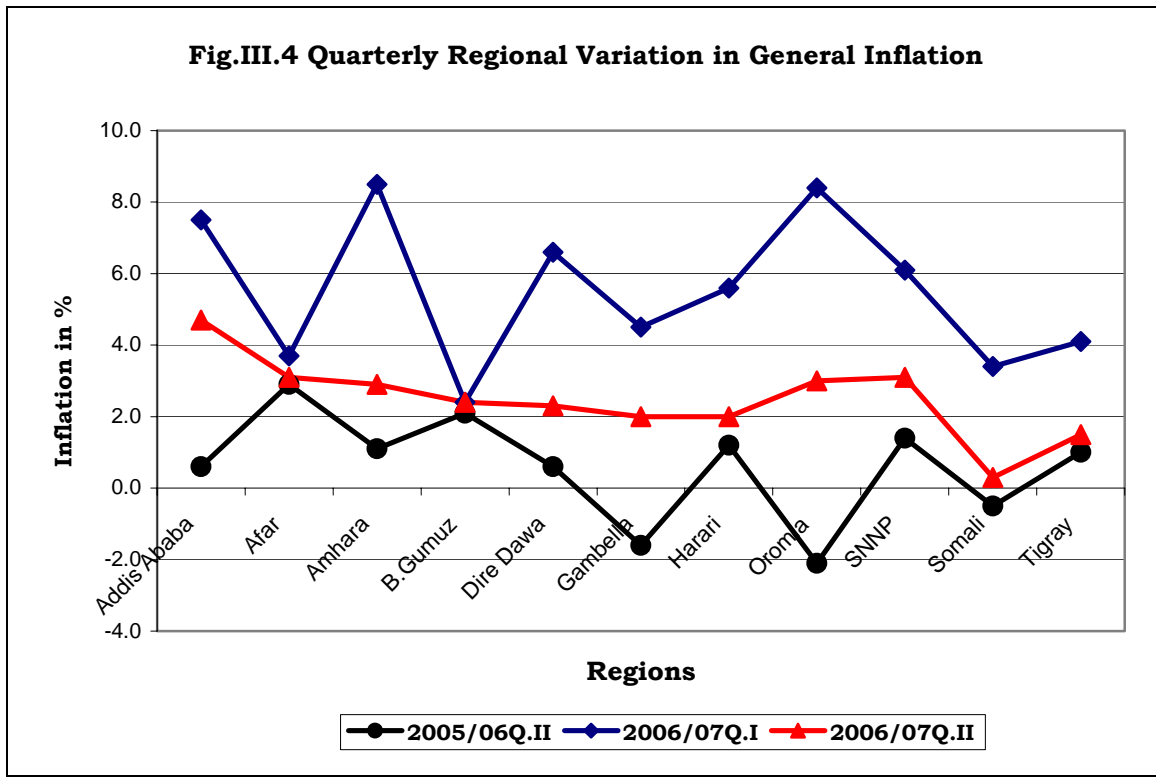
Compared with the preceding quarter, average headline inflation decreased in all regions except in Gambella, which remained at the same level, as both food and nonfood inflation decreased. However, in contrast with the same

period of last year, all regions registered higher headline inflation. Viewed against the level in the preceding quarter, the quarterly food inflation was lower in all regions.

Table 3.2 Quarterly Regional Variation in General Inflation

Year	Month	Region										
		<i>Tigray</i>	<i>Afar</i>	<i>Amhara</i>	<i>Oromia</i>	<i>Somali</i>	<i>SNNP</i>	<i>Harari</i>	<i>Gambela</i>	<i>Dire dawa</i>	<i>B. Gumuz</i>	<i>Addis Ababa</i>
2004	September	1.8	3.8	8.6	2	-0.7	3.9	2.7	0.5	1	11.7	4.9
	December	3.1	2.3	6.3	1.4	1	3.4	1.4	1.9	1.3	8.6	5.1
2005	March	6.8	2.4	5.9	4.1	5.1	6.0	3.0	5.8	3.9	6.6	6.3
	June	8.9	2.9	6.2	6.8	10.0	8.7	5.9	7.9	6.2	4.6	7.2
	September	11.5	4.8	8.2	10.4	13.5	12.8	7.7	13	8.5	4	7.7
	December	12.9	5.3	9.8	11.4	14.8	15.0	10.4	13.4	10.3	3.5	7.5
2006	March	12.3	6.3	12.2	10.3	15.5	15.5	10.7	14.7	10.4	5.4	7.5
	June	12.5	7.7	13.3	10.1	13.6	15.3	12.5	17.6	11.0	8.0	8.4
	September	11.2	9.2	13.9	10.3	11.5	15.1	14.2	15.4	11.4	10.1	10.5
	December	9.9	10.8	15.0	12.8	10.6	15.8	15.3	16.3	12.0	12.1	14.0

Source: CSA and NBE Staff Computation



Meanwhile, the quarterly core inflation went down in all regions except Benishangul-Gumuz. Year on year basis, however, non-food inflation went up significantly in Addis Ababa, Benshangul Gumuz, Dire Dawa, Oromia, SNNP and Somali.

In sum, the general CPI movements in the regions are closely tied with the movements in food prices particularly of cereals.

Table 3.3 Quarterly Regional Variation in Food Inflation

Year	Month	Region										
		Tigray	Afar	Amhara	Oromia	Somali	SNNP	Harari	Gambela	Dire dawa	B. Gumuz	A.A
2004	September	2.3	3.3	11	1.4	-1.8	3.7	0.4	4.7	-0.1	18.7	5.3
	December	3.7	0.3	7.9	-0.1	-0.6	2.4	-1.8	6.8	-0.6	13.3	3.7
2005	March	6.9	0.2	7.9	3.7	3.7	6	-0.2	10	2.6	9.7	4.8
	June	9.0	0.2	7.8	7.5	10.1	9.4	4.0	10.1	5.1	5.2	5.7
	September	12.0	3.4	10.3	12.6	16.2	13.9	7.6	14.1	8.4	3.1	7.2
	December	13.0	6.0	11.8	14.5	19.1	16.1	12.6	11.9	11.2	2.2	8.5
2006	March	12.7	9.2	14.3	13.4	22.0	16.1	14.0	13.2	11.6	4.6	10.5
	June	12.4	12.0	14.6	12.6	20.2	15.6	15.9	16.2	13.6	8.6	13.0
	September	10.2	13.6	13.4	12.4	16.6	16.3	16.8	13.2	13.4	11.6	15.9
	December	8.8	15.8	13.3	14.2	14.8	18.1	16.9	15.7	13.2	14.3	19.6

Source: CSA and NBE Staff Computation

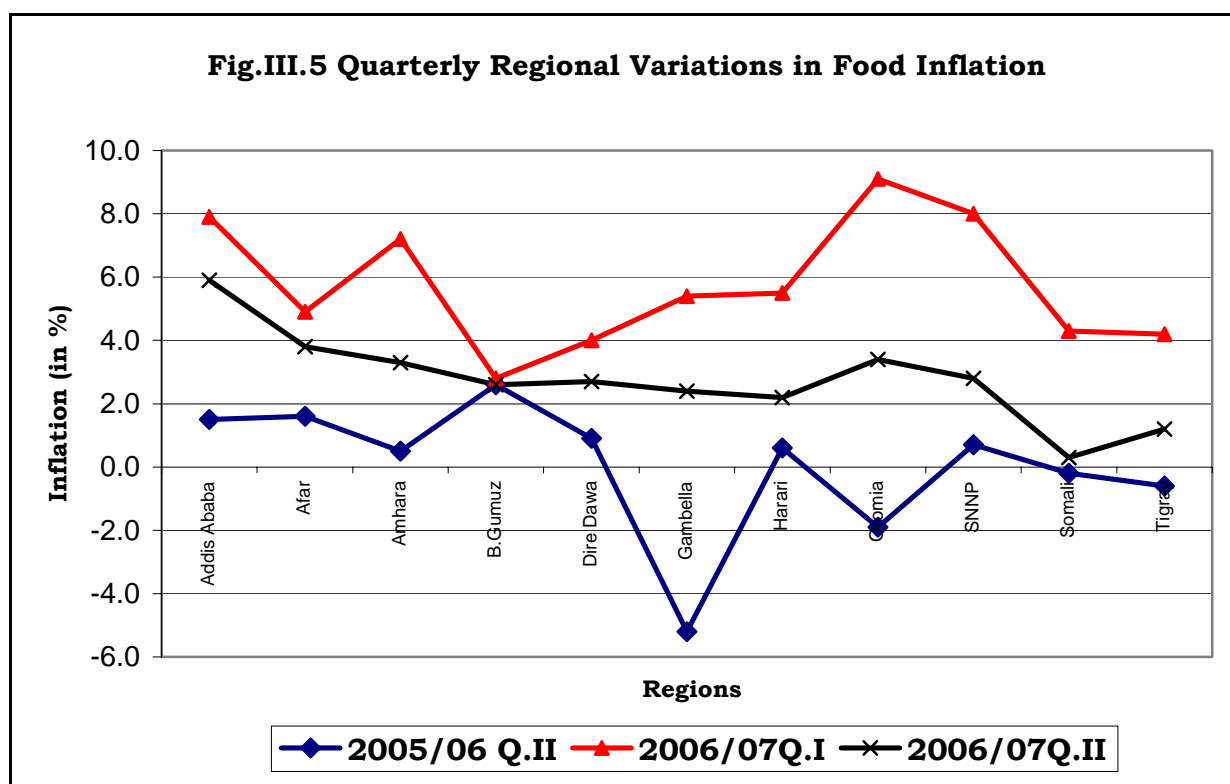


Table 3.4 Quarterly Regional Variation in Core Inflation

Year	Month	Region										
		<i>Tigray</i>	<i>Afar</i>	<i>Amhara</i>	<i>Oromia</i>	<i>Somali</i>	<i>SNNP</i>	<i>Harari</i>	<i>Gambela</i>	<i>Dire dawa</i>	<i>B. Gumuze</i>	<i>A.A</i>
2004	September	0.5	4.4	3.6	3.7	1	4.1	6.7	-6	2.9	-2.3	4.5
	December	2.9	5	2.8	4.9	3.6	5.5	8.4	-5	4.2	-1.9	6.2
2005	March	6.4	5.3	1.5	5.2	7.2	6	9.9	-1.1	6.0	0.0	7.6
	June	8.1	5.9	2.3	5	9.8	7.7	10.0	4.3	7.9	3.5	8.4
	September	9.4	6.3	3.1	5.4	9.2	11	8.6	10.9	8.9	6.5	8.2
2006	December	11.9	4.5	5.0	4.2	8.3	13.5	7.1	15.9	9.0	7.7	6.6
	March	10.8	3.1	7.0	3.2	5.6	14.7	5.0	17.3	8.4	7.5	5.2
	June	12.2	3.2	9.9	4.2	3.4	15.0	6.7	20.1	7.1	6.7	4.8
	September	13.9	4.4	15.1	5.5	3.1	13.3	9.5	19.2	8.2	6.6	6.2
2006	December	12.5	5.5	19.4	9.3	3.5	12.2	12.3	17.5	10.1	7.2	9.4

Source: CSA and NBE Staff Computation

