

## II. ENERGY PRODUCTION AND PROCESSING

### 2.1 Imported Petroleum Products

The Ethiopian Petroleum Enterprise imported a total of 449,008 metric tons of petroleum products in the third quarter of fiscal year 2006/07, which was 16.1 and 31.2 percent higher than the volume imported during the preceding quarter and the same period last fiscal year, respectively.

Component wise, there was a quarterly increase of 18 percent for Jet fuel, 14.1 percent for Fuel oil and 20.4 percent for Gas oil while Regular Gasoline declined by 12 percent (See Table II.1). Gas oil and jet fuel alone accounted for 84 percent of the total imports compared to 80 percent a year ago.

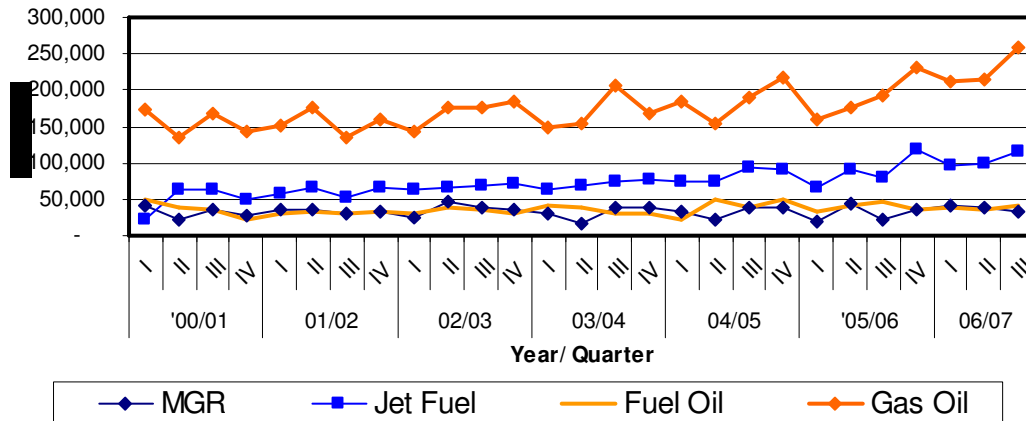
**Table II.1: Volume of Petroleum Products Imported**

(In Metric Tons)

Petroleum Products	2005/06		2006/07				Percentage Change	
	Qtr III		Qtr II		Qtr III			
	A	Share In %	B	Share In %	C	Share In %	C/A	C/B
Regular Gasoline (MGR)	22,388	7	37,679	10	33,142	7	48.0	-12.0
Jet Fuel	81,187	24	97,957	25	115,625	26	42.4	18.0
Fuel Oil	47,091	14	36,648	9	41,825	9	-11.2	14.1
Gas Oil (ADO)	191,676	56	214,559	55	258,416	58	34.8	20.4
<b>Total</b>	<b>342,342</b>	<b>100</b>	<b>386,844</b>	<b>100</b>	<b>449,008</b>	<b>100</b>	<b>31.2</b>	<b>16.1</b>

Source: Ethiopian Petroleum Enterprise (EPE)

Fig. II. 1 Trends in the Volume of petroleum products Imported



On C & F basis, a total of over Birr 2 Billion was spent on oil imports during the review quarter, which exceeded that of the previous quarter by 16.3 percent and the same quarter of the preceding fiscal year by 17.3 percent. The quarterly increase in the value of imports of petroleum products was associated with

the rise in the value of Jet-fuel (14.7 percent), Fuel Oil (20.6 percent) and Gas Oil (20.7 percent) despite 7.6 percent decline in the value of MGR. As indicated above, Gas oil and Jet Fuel accounted for 87 percent of total value of imports (C &F) in contrast with 73 percent a year ago.

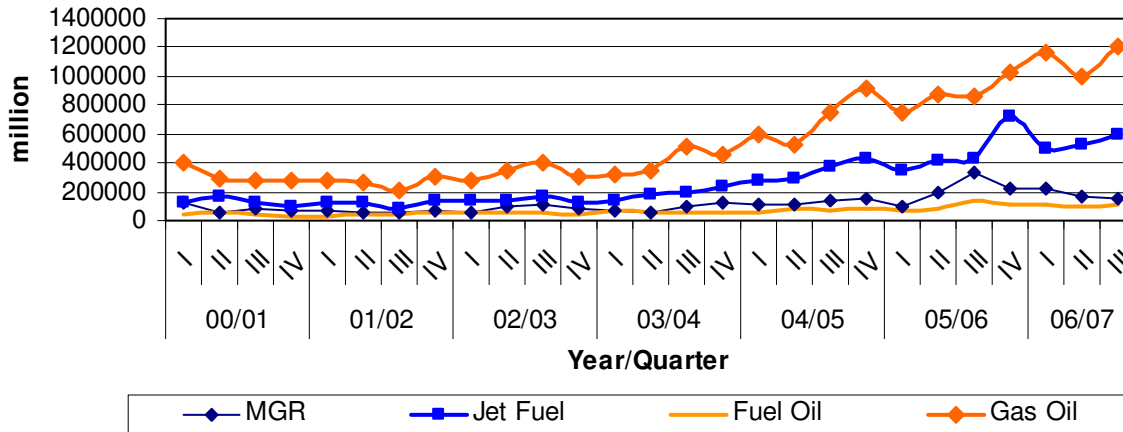
Table II.2 C&amp;F Value of Petroleum Products Imported

(In '000 Birr)

Petroleum Products	2005/06		2006/07				Percentage Change	
	Qtr III		Qtr II		Qtr III		C/A	C/B
	A	Share In %	B	Share In %	C	Share In %		
Regular Gasoline (MGR)	336,046	19	164,830	9	152,363	7	-54.7	-7.6
Jet Fuel	428,486	24	519,818	29	596,347	29	39.2	14.7
Fuel Oil	141,378	8	95,412	5	115,091	6	-18.6	20.6
Gas Oil (ADO)	860,761	49	1,000,569	56	1,207,880	58	40.3	20.7
<b>Total</b>	<b>1,766,672</b>	<b>100</b>	<b>1,780,629</b>	<b>100</b>	<b>2,071,681</b>	<b>100</b>	<b>17.3</b>	<b>16.3</b>

Source: Ethiopian Petroleum Enterprise (EPE)

Fig.II. 2 Trends in the Value of Petroleum Products Imported



At the same time, the average FOB price of petroleum products in the review quarter have shown a marginal increase of 0.4 percent over the previous quarter and a slight decline of 2.4 percent compared to the same quarter of last fiscal year.

Component wise, the FOB prices of Regular gasoline and Fuel Oil went up by

4.6 and 4.8 percent, while the prices of Jet Fuel and Gas Oil declined by 4.4 and 0.9 percent, respectively. Year on year basis, however, a significant decline in the prices of Fuel Oil (9.4 percent) and Jet Fuel (4.7 percent) outstripped the slight increase in the prices of Regular gasoline (0.3 percent) and Gas Oil (1.6 percent).

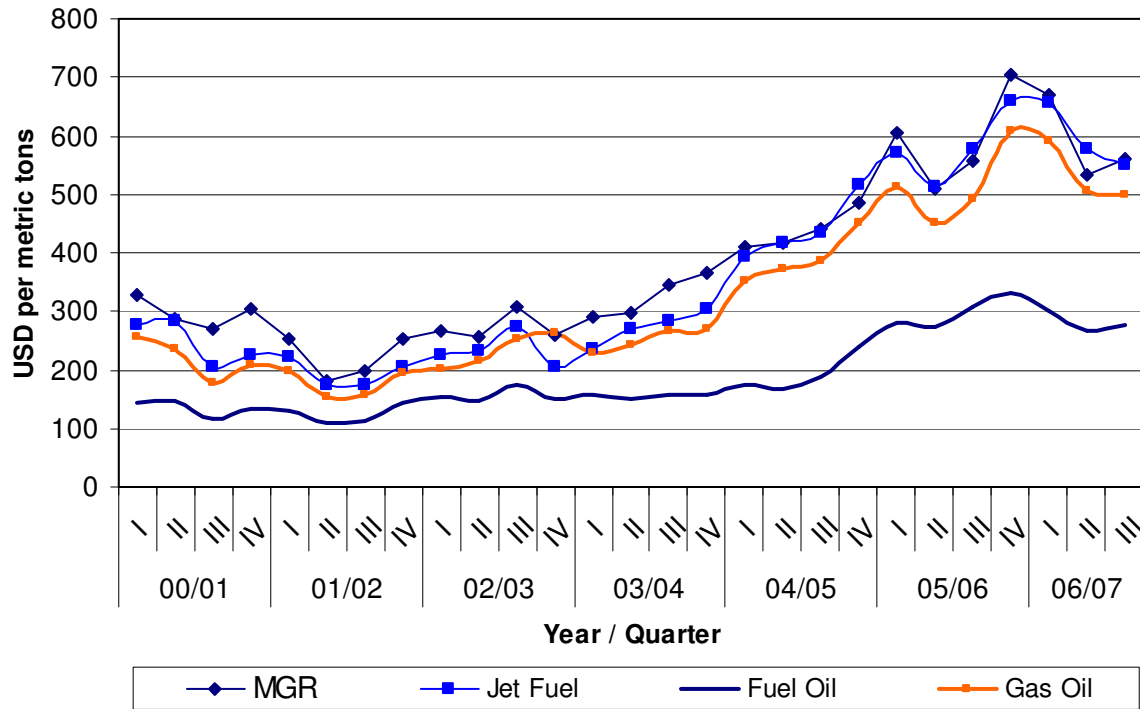
Table II.3: FOB Price of Petroleum Products Imported

(In USD/Metric Ton)

Petroleum Products	2005/06		2006/07		Percentage Change	
	Qtr III	Qtr II	Qtr III	C/A	C/B	
	A	B	C			
Regular Gasoline (MGR)	558	534.6	559.1	0.3	4.6	
Jet Fuel	579	576.5	551.2	-4.7	-4.4	
Fuel Oil	307	265.0	277.7	-9.4	4.8	
Gas Oil (ADO)	492	504.7	500.3	1.6	-0.9	
<b>Average</b>	<b>484</b>	<b>470</b>	<b>472</b>	<b>-2.4</b>	<b>0.4</b>	

Source: Ethiopian Petroleum Enterprise (EPE)

Fig. II.3 Trends in the FOB Prices of Petroleum Products Imported



On average, domestic retail prices of petroleum products, as approximated by Addis Ababa retail prices, have decreased by 3.3 percent in the review quarter due to decline in the prices of Regular Gasoline and Fuel Oil by 4.2 and 7.6 percent, respectively.

But, there were no price changes for Gas Oil and Kerosene in the review period. Compared to the same period of last year,

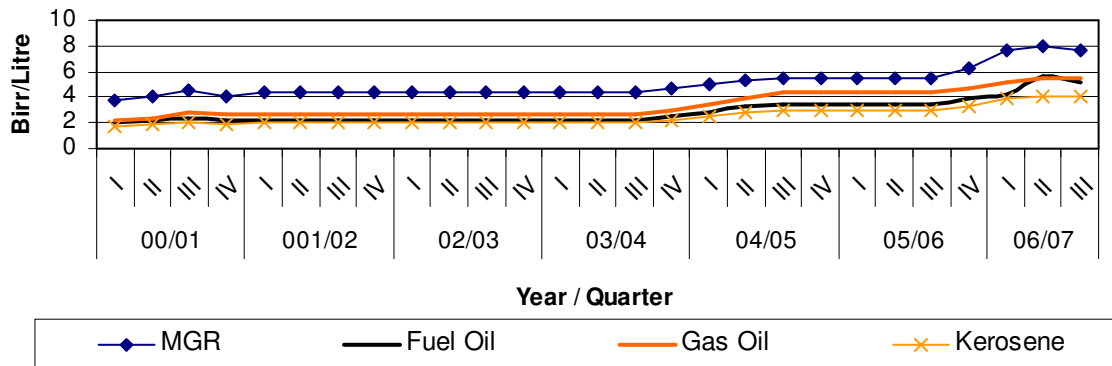
however, retail prices of fuel dramatically increased by 38 percent.

The decline in the retail prices of Regular Gasoline and Fuel Oil, during the quarter under review, indicates the government effort to stabilize fuel price in the domestic economy.

**Table II.4: The Addis Ababa Prices of Fuel (Birr/Liter)**

Petroleum Products	2005/06	2006/07		Percentage Change	
	Qtr III	Qtr II	Qtr III	C/A	C/B
	A	B	C		
Regular Gasoline (MGR)	5.5	8.0	7.7	40.0	-4.2
Fuel Oil	3.4	5.6	5.2	50.4	-7.6
Gas Oil (ADO)	4.3	5.4	5.4	26.2	0.0
Kerosene	3.0	4.1	4.1	37.3	0.0
<b>Average</b>	<b>4.1</b>	<b>5.8</b>	<b>5.6</b>	<b>38.1</b>	<b>-3.3</b>

Source: Ethiopian Petroleum Enterprise (EPE)

**Fig. II.4 Trends in Addis Ababa Retail Price**

## 2.2 Electric Generation

The total electric power generation during the review period was 836 million KWH, which was 2.3 and 14.8 percent higher than the preceding quarter and the third quarter of FY 2005/06, respectively. (See Table II.5)

Of the total electric power generated in the review quarter, hydropower accounted for 98.6percent and thermal power for the remaining 1.4 percent.

Looking at electric power generation by system category, 99 percent of electricity generation was from the interconnected system and the remaining 1 percent from the self contained system.

As per the government's Plan for Accelerated and Sustained Development to End Poverty (PASDEP), it is planned to electrify rural towns and “kebeles” by

increasing electricity generation and distribution capacity of the country.

By 2010, when the power generation projects such as Tekesze (300 MW), Gilgel-Gibe 2nd (420MW), Amertenesh (97 MW) Beles (420 MW), Wind Power (50 MW) and Yayo (100 MW) are completed, the country's power generation capacity is expected to reach 2218 MW per hour. The number of electrified cities and towns is also planned to reach 6000.

As per the information from the Ethiopian Electric Power Corporation, the number of cities and towns electrified by end 2005/06 has reached 1166.

Table II.5: Electricity Generation

(In '000KWH)

Power Source	2005/06		2006/07				Percentage Change	
	Qtr III	Share	Qtr II	Share	Qtr III	Share	C/A	C/B
	A	In %	B	In %	C	In %		
Hydropower	716,950.5	98.5	803,018.2	98.2	824,388.7	98.6	15.0	2.7
Thermal Power	11,066.0	1.5	14,335.8	1.8	11,688.5	1.4	5.6	-18.5
<b>Total</b>	<b>728,016.5</b>	<b>100.0</b>	<b>817,354.0</b>	<b>100.0</b>	<b>836,077.2</b>	<b>10.0</b>	<b>14.8</b>	<b>2.3</b>

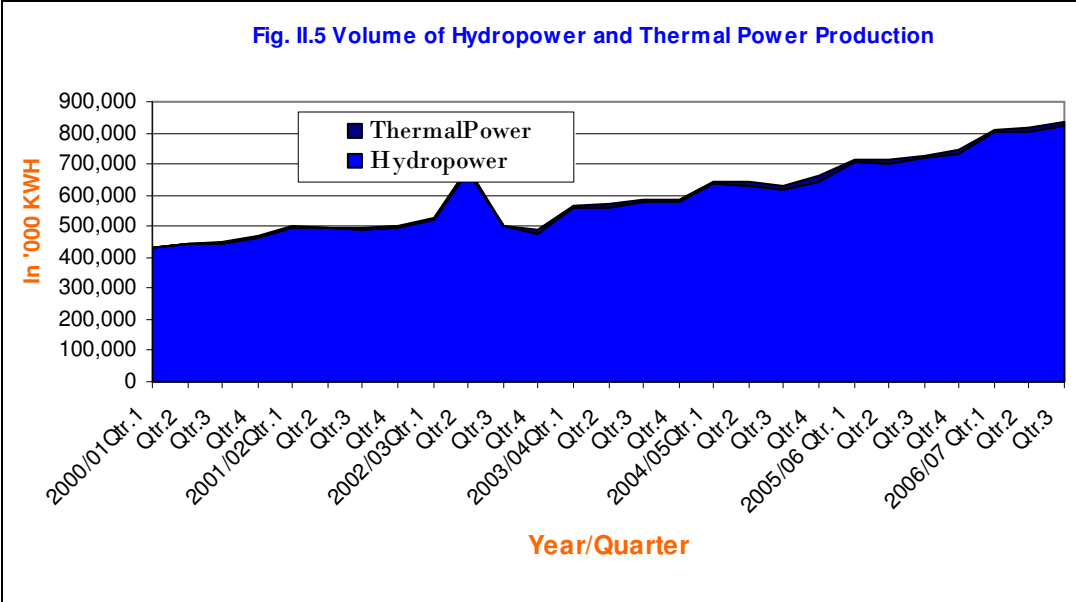
Source: Ethiopian Electric Power Corporation (EEPCo)

Table II.6: Generation of Electric Power in the Inter-Connected System (ICS) And Self-Contained System (SCS)

(In'000KWH)

System of Power Supply	2005/06		2006/07				Percentage Change	
	Qtr III	Share	Qtr II	Share	Qtr III	Share	C/A	C/B
	A	In %	B	In %	C	In %		
<b>ICS</b>								
Hydro Power	712,891	97.9	803,018	98.2	824,388.7	98.6	15.6	2.7
Thermal Power	3,373	0.5	2,105	0.3	3,654.4	0.4	8.3	73.6
<b>Sub-Total</b>	<b>716,264</b>	<b>98.4</b>	<b>805,123</b>	<b>98.5</b>	<b>828,043.1</b>	<b>99.0</b>	<b>15.6</b>	<b>2.8</b>
<b>SCS</b>								
Hydro Power	4,060	0.6	-		-			
Thermal Power	7,693	1.1	12,231	1.5	8,034.1	1.0	4.4	(34.3)
<b>Sub-Total</b>	<b>11,753</b>	<b>1.6</b>	<b>12,231</b>	<b>1.5</b>	<b>8,034.1</b>	<b>1.0</b>	<b>(31.6)</b>	<b>(34.3)</b>
<b>Grand Total</b>	<b>728,017</b>	<b>100</b>	<b>817,354</b>	<b>100</b>	<b>836,077.2</b>	<b>100.0</b>	<b>14.8</b>	<b>2.3</b>

Source: Ethiopian Electric Power Corporation (EEPCo)





### III. QUARTERLY PRICE DEVELOPMENT

#### 3.1 National Level Price Development

General inflation stood at 3.6 percent in the third quarter of 2006/07, compared with 2.6 percent in the preceding quarter and 1.0 percent in the same period of last year as food inflation continued to creep up.

In the review quarter, food inflation increased significantly to 4.4 percent from 2.8 percent in the preceding quarter and 0.4 percent in the third quarter of 2005/06. This increase in food inflation was mainly attributed to the substantial surge observed in the prices of pulses, oils and fats, and vegetables and fruits. Cereal inflation, which was the main cause for the increase in food inflation in

the first quarter of 2006/07, has continued its declining trend to 1.0 percent from 3.3 percent in the preceding quarter. However, it remained higher than the 1.5 percent decline registered in the same period last year.

In another development, core inflation, proxied by non-food inflation, stayed at 2.1 percent in the quarter under review depicting no change over the previous quarter, but showing a slight decline of 0.2 percentage points from the same quarter of last year.

**Table III.1 Quarterly Movements in Consumer Prices (in percent)**

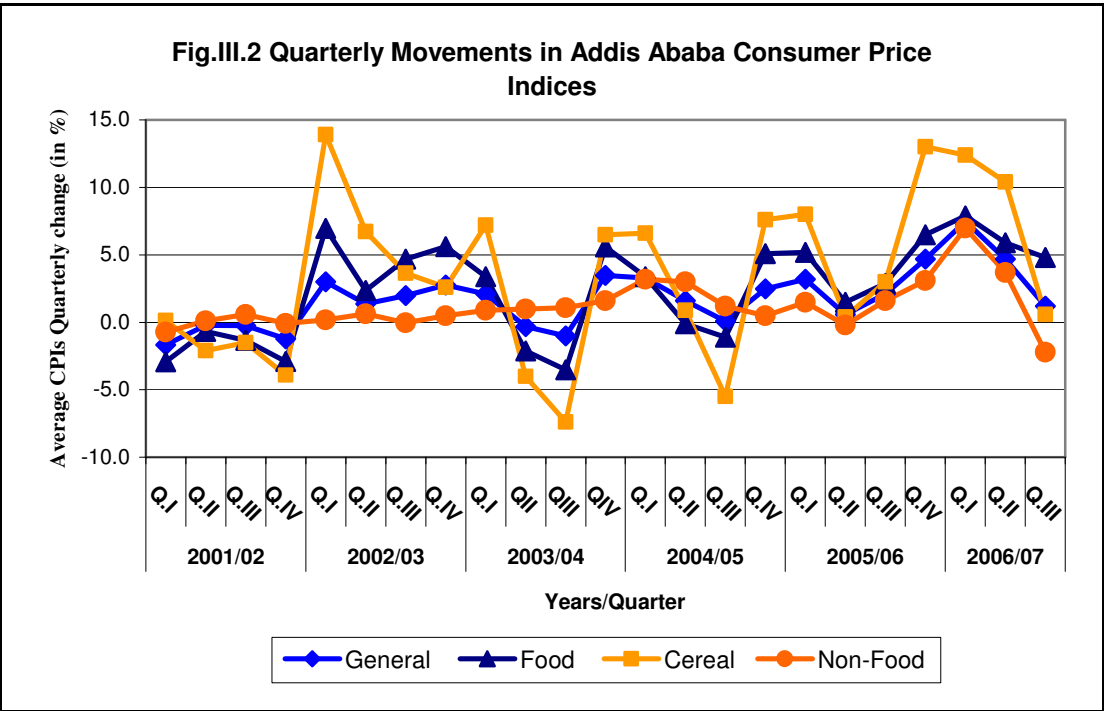
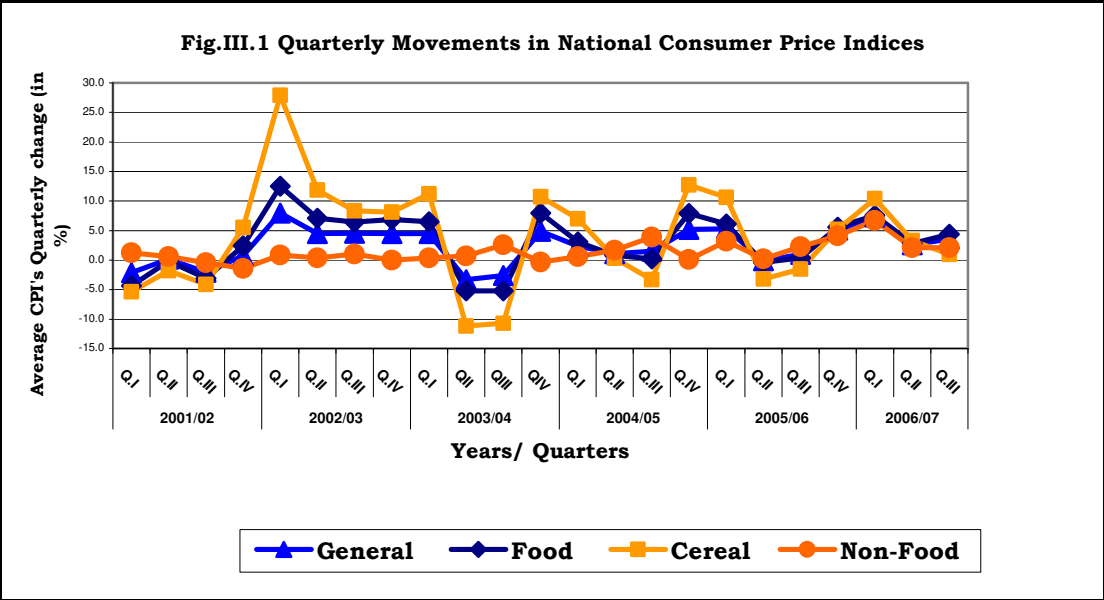
1. National					
Items	2005/06	2006/07		Change in Percentage Points	
	Qtr.III	Qtr.II	Qtr.III		
	A	B	C	C-A	C-B
General	1.0	2.6	3.6	2.6	1.0
Food	0.4	2.8	4.4	4.0	1.6
-Cereal	-1.5	3.3	1.0	2.5	-2.3
-Pulses	2.7	4.6	11.1	8.4	6.5

-Oils & Fats	2.1	4.8	11.6	9.5	6.8
-Vegetables & Fruits	8.7	1.5	8.0	-0.7	6.5
Non-Food	2.3	2.1	2.1	-0.2	0.0
-Beverages	1.0	1.6	5.4	4.4	3.8
-House Rent & Others	1.9	3.0	2.1	0.2	-0.9
-Clothing and foot wear	4.9	-0.5	2.5	-2.4	3.0
<b>2. Addis Ababa</b>					
Items	2005/06	2006/07		Change in Percentage Points	
	Qtr.III	Qtr.II	Qtr.III		
	A	B	C	C-A	C-B
General	2.1	4.7	1.2	-0.9	-3.5
Food	2.9	5.9	4.8	1.9	-1.1
-Cereal	3.0	10.4	0.6	-2.4	-9.8
- Pulses	1.1	4.5	8.7	7.6	4.2
-Oils & Fats	1.6	10.6	9.2	7.6	-1.4
-Vegetables & Fruits	4.0	5.0	13.4	9.4	8.4
Non-Food	1.6	3.7	-2.2	-3.8	-5.9
-Beverages	3.9	2.0	5.5	1.6	3.5
-House Rent & Others	1.8	2.7	-5.6	-7.4	-8.3
-Clothing and foot wear	1.7	0.2	1.2	-0.5	1.0

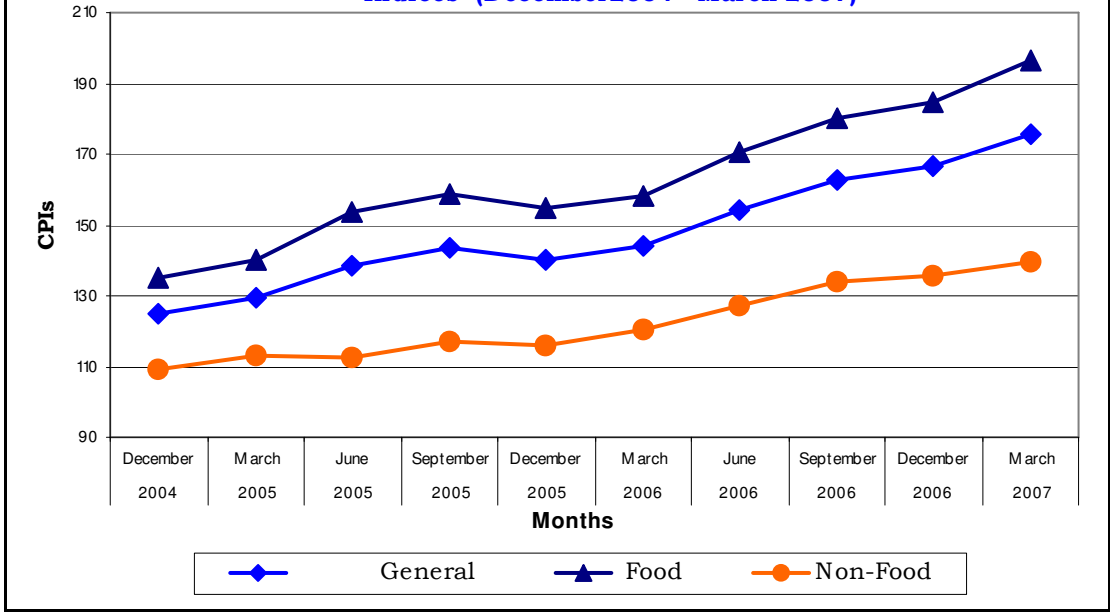
Source: CSA and NBE Staff Computation

Quarterly inflation developments for Addis Ababa followed an opposite trend to country level inflation. The review period general inflation of the city was 1.2 percent compared with 4.7 percent in the preceding quarter and 2.1 percent a year earlier. Food and non-food

inflation rates decreased from 5.9 and 3.7 percent in the preceding quarter to 4.8 and -2.2 percent in the review period due to a significant decline registered in the prices of non-food items particularly of house rent, construction materials, water, fuel and power.



**Fig.III.3 Monthly Developments in National Consumer Price Indices (December 2004 - March 2007)**



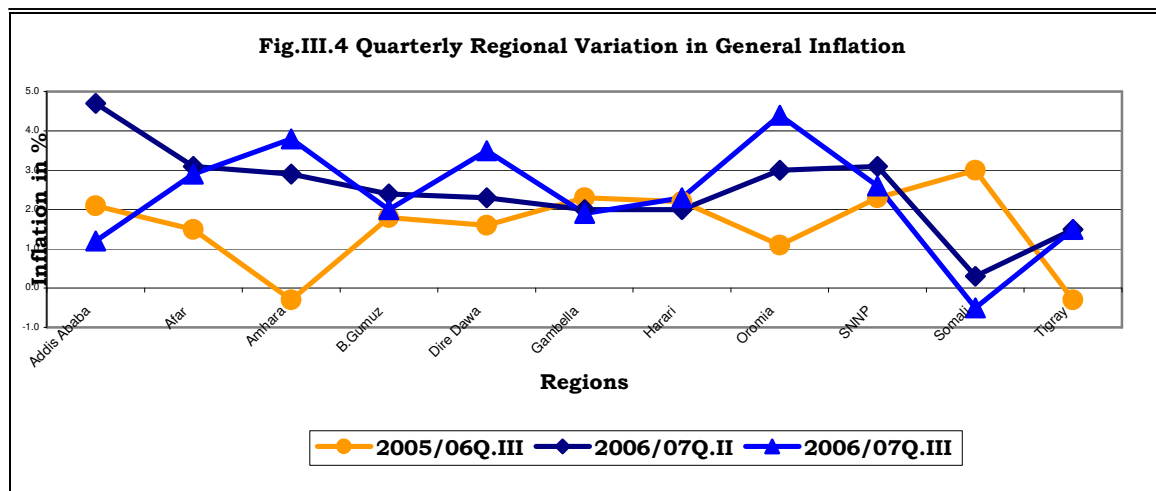
### 3.2 Developments in Regional Consumer Price Inflation

Compared with the preceding quarter, average headline inflation decreased in most regions except Amhara, Dire Dawa, Harari and Oromia which showed slight increases. In contrast with the same period of last year, however, all regions registered higher headline inflation except Addis Ababa, Gambella and Somali. Year-on-year basis, food inflation was higher in all regions except Somali.

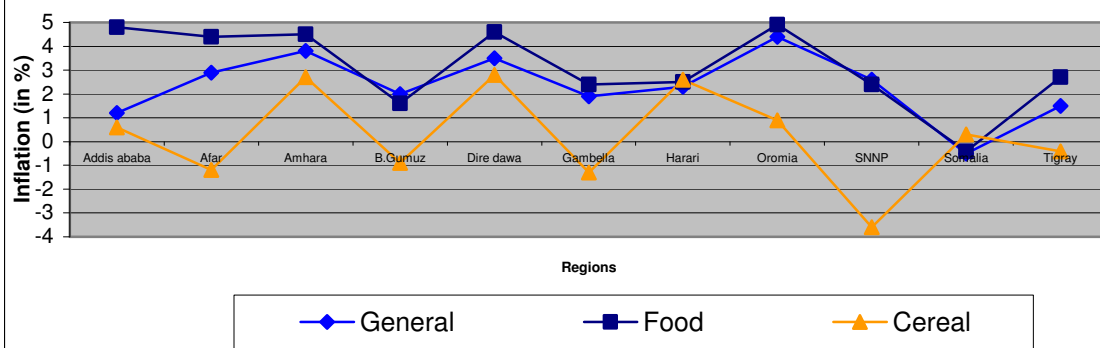
Meanwhile, the quarterly core inflation went down in all regions except

Benishangul Gumuz, Harari and Oromia. Particularly, the decline was substantial in Addis Ababa, Tigray and Somali since core inflation decreased from over 3 percent in the second quarter to below zero in the quarter under review. Year – on-year basis, non-food inflation went up significantly in Dire Dawa, Oromia, and SNNP.

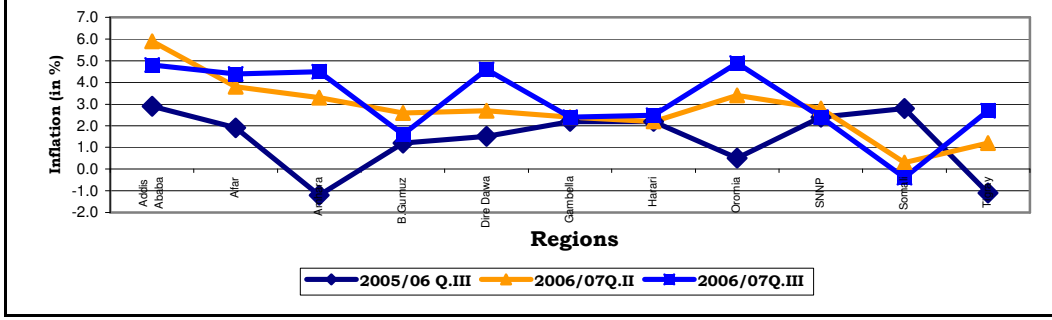
In sum, as can be inferred from Figure III.5, the general CPI movements in the Regions was closely tied with the movements in food prices particularly of cereals.



**Figure III.5 Regional Variations in General, Food and Cereal Inflation Third quarter 2006/07**



**Fig.III.6 Quarterly Regional Variations in Food Inflation**



**Fig. III.7: Quarterly movements in Regional Core inflation**

