

III. QUARTERLY PRICE DEVELOPMENTS

3.1 National Level Price Development

General inflation rose to 5.3 percent in the fourth quarter of 2006/07, from 3.6 percent in the preceding quarter and 5.1 percent in the same period of last year. Both higher food and non-food inflations have contributed to the quarterly increase in the overall price level.

In the review quarter, food inflation increased to 6.1 percent from 4.4 percent in the preceding quarter and 5.6 percent in the fourth quarter of 2005/06 as prices of cereals, spices and oils and fats tended to creep up. Quarterly cereal inflation increased to 1.6 percent compared with 1.0 percent in the preceding quarter.

However, as compared to the same period of a last year, cereal inflation was lower by 3.6 percentage points. Cereals

account for 40.7 percent of the food index.

In another development, core inflation, proxied by non-food inflation, reached 3.2 percent in the quarter under review compared with 2.3 percent in the previous quarter. This was mainly due to an increase in the inflation rate of "house rent, construction material, fuel, and water and power" sub-category of the CPI to 3.2 percent from 2.1 percent in the previous quarter, among others. In contrast with the same period last year, however, the quarterly core inflation was down by 0.9 percentage points from 4.1 percent.

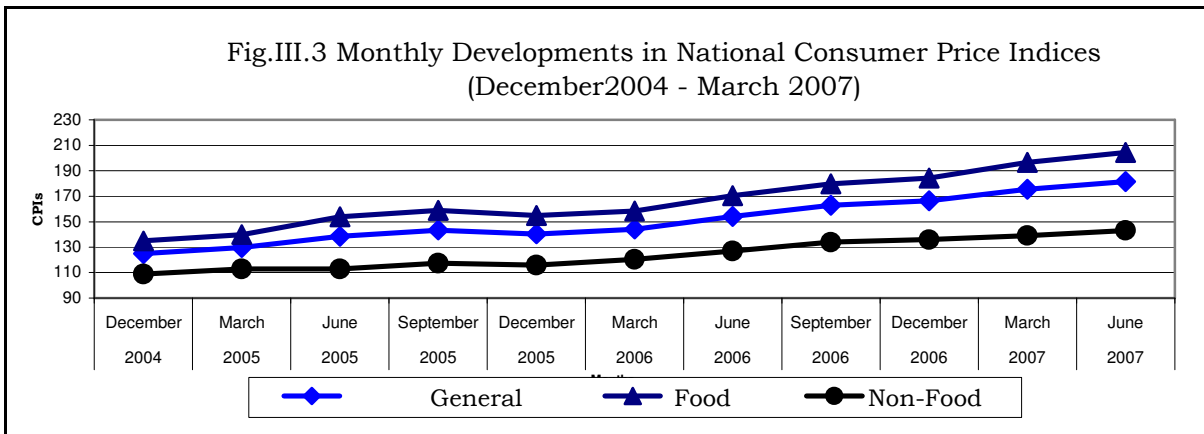
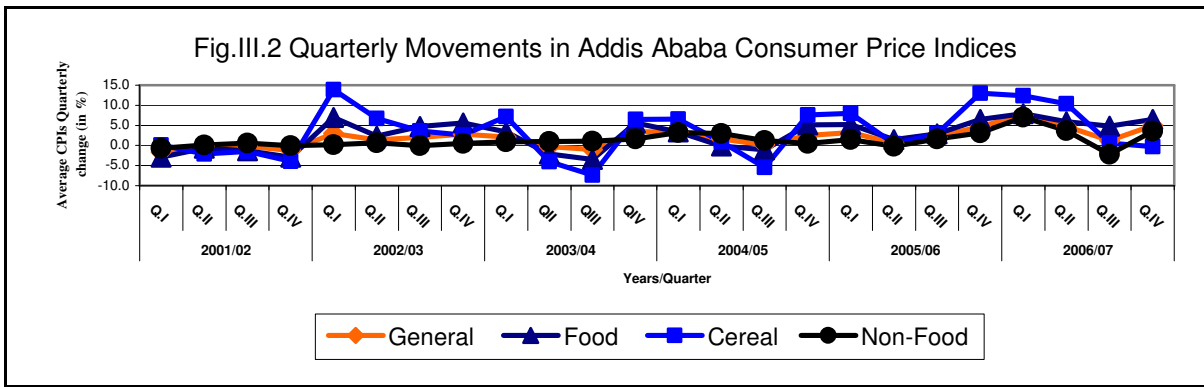
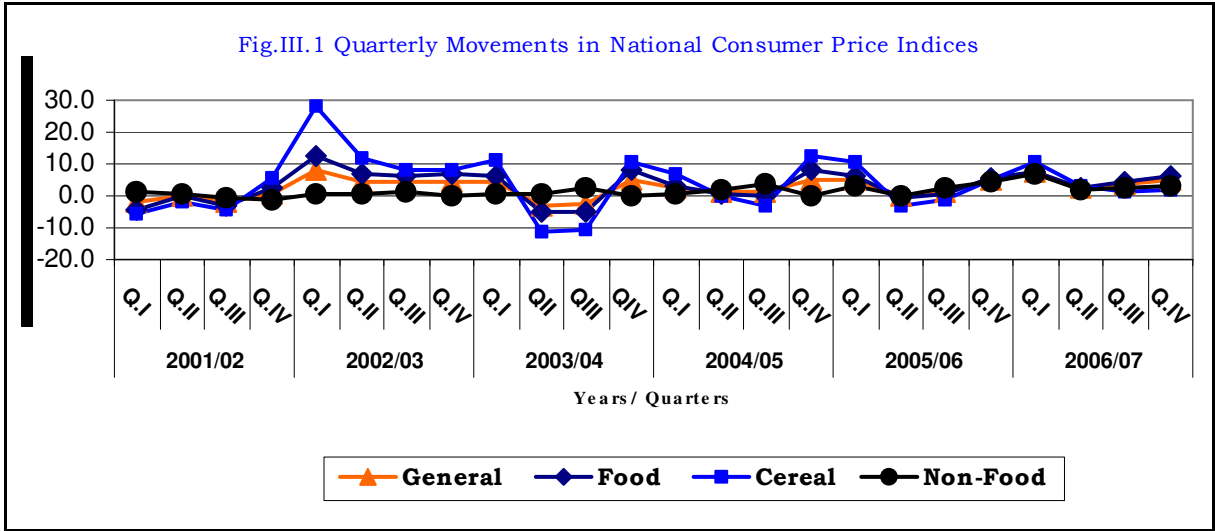
Table III.1 Quarterly Movements in Consumer Prices (in percent)

1. National					
Items	2005/06	2006/07		Change in Percentage Points	
	Qtr.IV	Qtr.III	Qtr.IV		
	A	B	C	C-A	C-B
General	5.1	3.6	5.3	0.2	1.7
Food	5.6	4.4	6.1	0.5	1.7
-Cereal	5.2	1.0	1.6	-3.6	0.6
-Pulses	5.6	11.1	7.7	2.1	-3.4
-Oils & Fats	2.1	11.6	14.9	12.8	3.3
-Vegetables & Fruits	12.2	8.0	4.4	-7.8	-3.6
Non-Food	4.1	2.3	3.2	-0.9	1.1
-Beverages	3.3	5.4	5.7	2.4	0.3
-House Rent & Others	5.7	2.1	3.2	-2.5	1.1
-Clothing & Foot wear	1.3	3.0	1.7	0.4	-1.3
2. Addis Ababa					
Items	2005/06	2006/07		Change in Percentage Points	
	Qtr.IV	Qtr.III	Qtr.IV		
	A	B	C	C-A	C-B
General	4.7	1.2	5.0	0.3	3.8
Food	6.5	4.8	6.5	0.0	1.7
-Cereal	13.0	0.6	-0.3	-13.3	-0.9
-Pulses	2.9	8.7	3.4	0.5	-5.3
-Oils & Fats	0.4	9.2	14.0	13.6	4.8
-Vegetables & Fruits	0.3	13.4	2.8	2.5	-10.6
Non-Food	3.1	-2.2	3.5	0.4	5.7
-Beverages	6.2	5.5	3.8	-2.4	-1.7
-House Rent & Others	2.8	-5.6	3.5	0.7	9.1
-Clothing & Foot wear	0.5	0.7	4.7	4.2	4.0

Source: CSA and NBE Staff Computation

Quarterly inflation developments for Addis Ababa followed more or less similar trend of country level inflation. The review period general inflation of the city was 3.8 and 0.3 percentage points higher than 1.2 percent in the

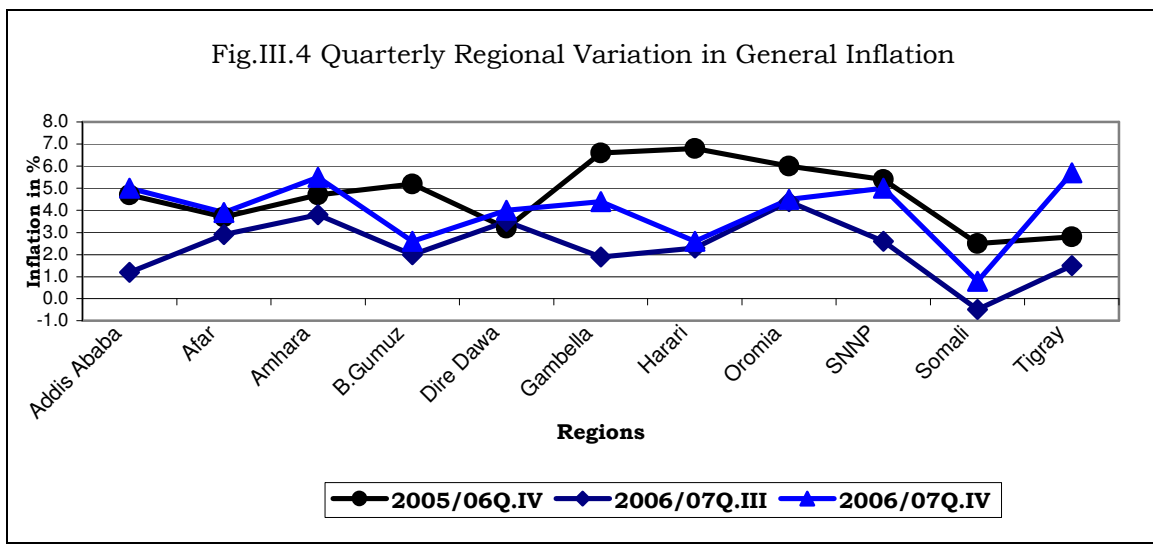
preceding quarter and 4.7 percent a year earlier, respectively. Both food and non-food price rise contributed to this effect. Food and non-food inflation rates increased from 4.8 and -2.2 percent in the preceding quarter to respective 6.5 and 3.5 percent in the review period.



3.2 Developments in Regional Consumer Price Inflation

Compared with the preceding quarter, average headline inflation increased in all regions. Compared with the same period last year, however, all regions registered lower headline inflation

except in 5 regions including Addis Ababa. Viewed against the level in the preceding quarter, the quarterly food inflation was higher in all regions except in four regions.



Meanwhile, compared with the preceding quarter, the quarterly core inflation went up in all regions, except Somali. Year-on-year basis, non-food inflation showed significant rise in three regions.

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

Fig.III.5 Regional Variations in General, Food and Cereal Inflation Fourth quarter 2006/07

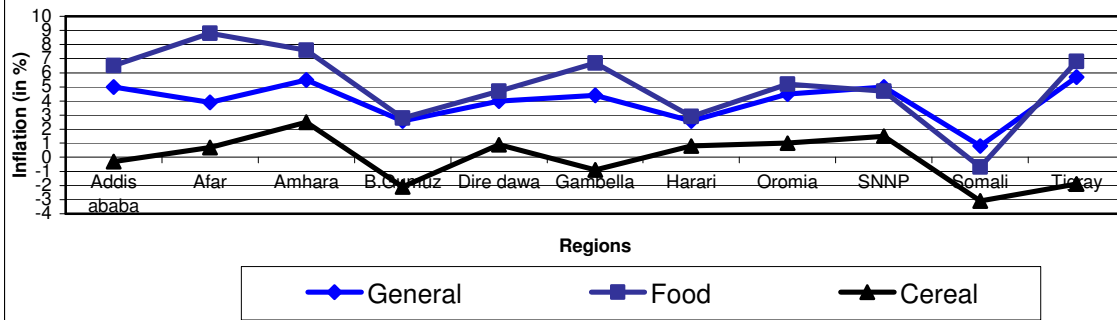


Fig.III.6 Quarterly Regional Variations in Food Inflation

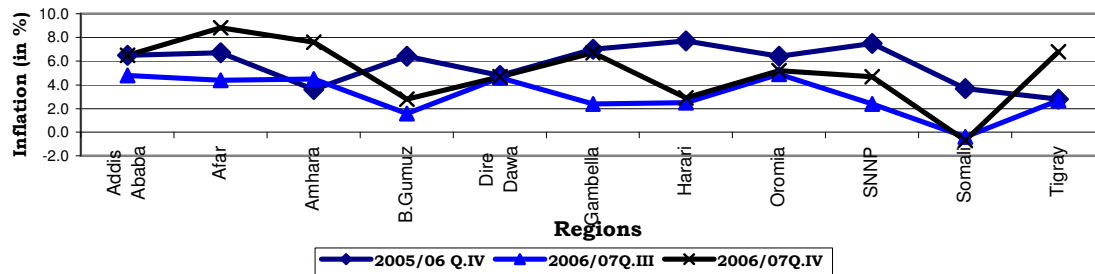


Fig. III.7: Quarterly movements in Regional Core inflation

