

III. QUARTERLY PRICE DEVELOPMENTS

3.1 National Level

General inflation rose to 8.0 percent in the third quarter of 2007/08, from 4.5 percent in the preceding quarter and 3.0 percent last year driven by both food and non -food price inflation.

In the review quarter, food inflation has increased to 9.3 percent from 5.9 percent last quarter and 3.5 percent a year ago. Cereal inflation continued to be the main driving force behind the food inflation given its large weight (around 23 percent of the general and 40 percent of food CPI). Cereal inflation was 11.4 percent compared with 8.5 percent in the

preceding quarter and 0.5 percent same period last year.

Meanwhile, core inflation, proxied by non-food inflation, reached 6.0 percent in the quarter from 2.4 percent last quarter and 2.4 percent a year earlier. This was mainly ascribed to higher inflation rates of "house rent, construction materials, fuel, water and power", "furniture furnishing, household equipment and operation", transport and communication, "and beverages sub-categories of the CPI.

Table 3.1 Quarterly Movements in Consumer Prices (%)

| I. National | | | | | | |
|--|----------------|----------------|----------------|-------------|------------------------------------|------------|
| Items | Weights | 2006/07 | 2007/08 | | Change in Percentage Points | |
| | | Qtr. III | Qtr .II | Qtr. III | C-A | C-B |
| | | A | B | C | | |
| General | 100.0 | 3.0 | 4.5 | 8.0 | 5.0 | 3.5 |
| Food | 57.01 | 3.5 | 5.9 | 9.3 | 5.8 | 3.4 |
| -Cereal | 22.54 | 0.5 | 8.5 | 11.4 | 10.9 | 2.9 |
| -Pulses | 4.31 | 6.2 | 1.7 | 5.7 | -0.5 | 4.0 |
| -Oils & Fats | 2.39 | 9.2 | 11.3 | 11.7 | 2.5 | 0.4 |
| -Vegetables & Fruits | 2.55 | 6.6 | 15.0 | 19.4 | 12.8 | 4.4 |
| -Meat | 2.82 | 2.0 | 2.3 | 6.3 | 4.3 | 4.0 |
| -Bread and other prepared food | 1.87 | 5.5 | 5.7 | 10.3 | 4.8 | 4.6 |
| -Milk, cheese & Egg | 1.96 | 1.2 | 3.3 | 9.9 | 8.7 | 6.6 |
| -Spices | 1.98 | 37.6 | 3.5 | -2.7 | -40.3 | -6.2 |
| -Potatoes, other tubers and stems | 4.16 | 2.0 | 4.9 | 21.3 | 19.3 | 16.4 |
| -Coffee & Tea leaves | 4.27 | 1.7 | 7.0 | 5.1 | 3.4 | -1.9 |
| -Other food Items | 1.23 | -3.0 | -2.4 | 12.0 | 15.0 | 14.4 |
| -Milling Charges | 1.17 | 7.0 | 0.1 | 4.2 | -2.8 | 4.1 |
| -Food taken away from home | 5.76 | 2.4 | 0.2 | 5.7 | 3.3 | 5.5 |
| Non-Food | 42.99 | 2.4 | 2.4 | 6.0 | 3.6 | 3.6 |
| -Beverages | 2.02 | 0.2 | 2.5 | 7.1 | 6.9 | 4.6 |
| -House Rent & Others | 20.56 | 2.3 | 1.9 | 6.4 | 4.1 | 4.5 |
| -Clothing & Foot wear | 8.32 | 2.8 | 3.6 | 4.5 | 1.7 | 0.9 |
| -Cigarettes & Tobacco | 0.48 | 2.7 | -0.7 | 9.9 | 7.2 | 10.6 |
| -Furniture & Household Equipment | 3.75 | 6.0 | 5.1 | 9.7 | 3.7 | 4.6 |
| -Medical care and health | 1.11 | 4.3 | 1.3 | 3.1 | -1.2 | 1.8 |
| Transport and communication | 2.49 | 0.3 | 0.0 | 7.5 | 7.2 | 7.5 |
| -Recreation, entertainment & Education | 1.09 | 0.7 | 2.8 | 3.2 | 2.5 | 0.4 |
| Personal care & Effects | 0.83 | 1.5 | 1.7 | 7.0 | 5.5 | 5.3 |
| Miscellaneous goods | 2.34 | 0.6 | 1.1 | 1.5 | 0.9 | 0.4 |

Source: CSA and NBE Staff Computation

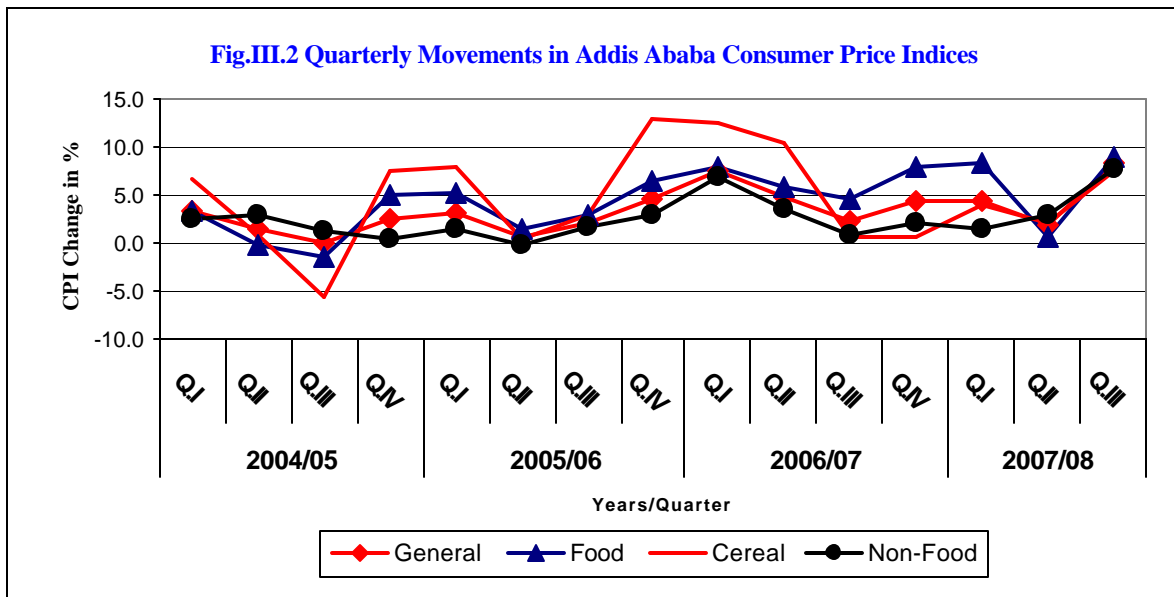
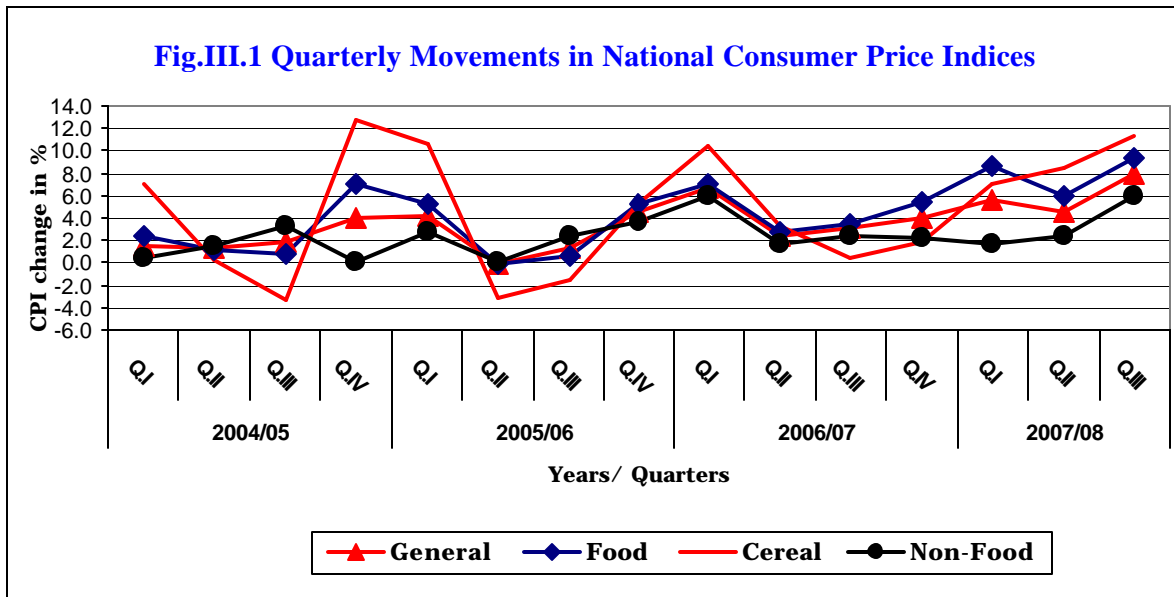
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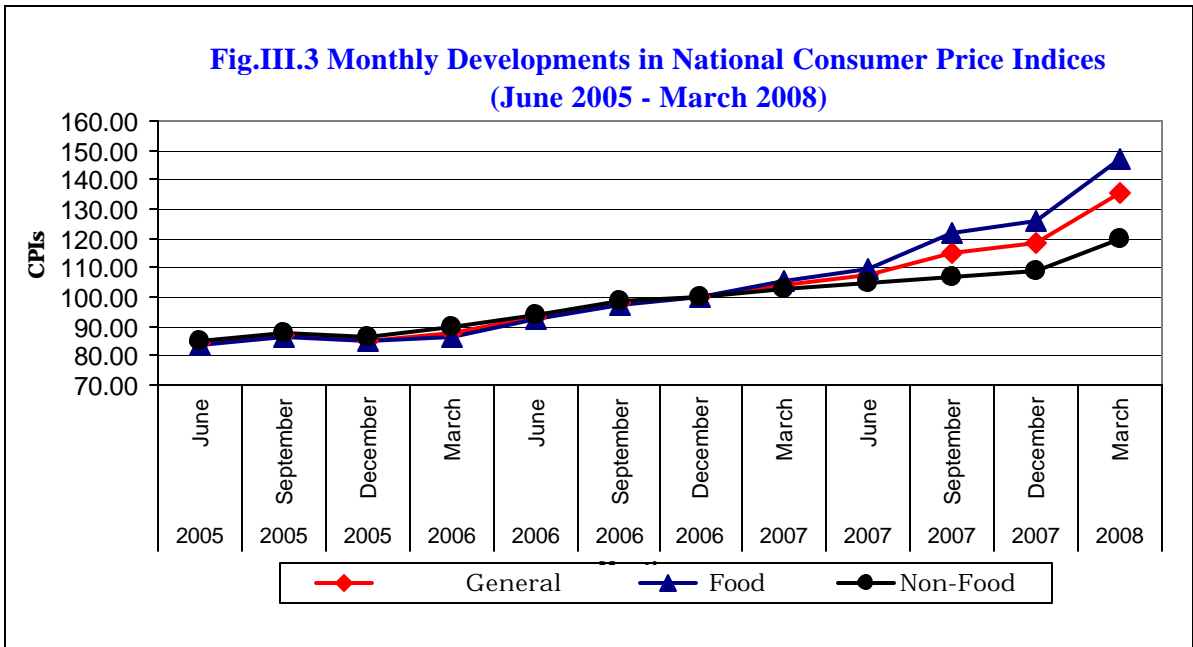
| 2. Addis Ababa | | | | | | |
|--|----------------|----------------|----------------|------------|------------------------------------|------------|
| Items | Weights | 2006/07 | 2007/08 | | Change in Percentage Points | |
| | | Qtr.III | Qtr.II | Qtr.III | C-A | C-B |
| | | A | B | C | | |
| General | 100.00 | 2.3 | 1.8 | 8.3 | 6.0 | 6.5 |
| Food | 41.01 | 4.5 | 0.6 | 8.9 | 4.4 | 8.3 |
| -Cereal | 10.71 | 0.7 | 2.0 | 7.6 | 6.9 | 5.6 |
| - Pulses | 2.44 | 8.4 | -0.5 | 9.9 | 1.5 | 10.4 |
| -Oils & Fats | 3.16 | 11.5 | 7.6 | 11.2 | -0.3 | 3.6 |
| -Vegetables & Fruits | 2.8 | 24.0 | 1.0 | -17.4 | -41.4 | -18.4 |
| -Meat | 5.27 | 2.1 | 1.5 | 2.5 | 0.4 | 1.0 |
| -Bread and other prepared food | 5.87 | 4.1 | 2.5 | 12.4 | 8.3 | 9.9 |
| -Milk, cheese & Egg | 0.8 | 3.4 | 1.6 | 4.2 | 0.8 | 2.6 |
| -Spices | 1.93 | 33.7 | -12.6 | 0.5 | -33.2 | 13.1 |
| -Potatoes, other tubers and stems | 0.67 | 8.8 | 30.6 | 96.4 | 87.6 | 65.8 |
| -Coffee & Tea leaves | 1.59 | 6.9 | 11.3 | 5.8 | -1.1 | -5.5 |
| -Other food Items | 2.06 | 0.0 | -4.3 | 15.2 | 15.2 | 19.5 |
| -Milling Charges | 0.52 | 1.5 | 3.1 | 4.6 | 3.1 | 1.5 |
| -Food taken away from home | 3.17 | 9.3 | 5.5 | 1.9 | -7.4 | -3.6 |
| Non-Food | 58.99 | 0.8 | 2.8 | 7.7 | 6.9 | 4.9 |
| -Beverages | 2.04 | 5.0 | 5.6 | 9.4 | 4.4 | 3.8 |
| -House Rent & Others | 20.84 | -0.5 | -2.5 | 7.2 | 7.7 | 9.7 |
| -Clothing & Foot wear | 7.8 | 5.2 | 12.7 | 6.0 | 0.8 | -6.7 |
| -Cigarettes & Tobacco | 0.3 | 1.1 | 1.0 | 11.1 | 10.0 | 10.1 |
| -Furniture & Household Equipment | 6.87 | 5.4 | 9.2 | 15.0 | 9.6 | 5.8 |
| -Medical care and health | 1.34 | 6.7 | 5.3 | 5.2 | -1.5 | -0.1 |
| Transport and communication | 10.56 | -1.4 | -0.6 | 7.4 | 8.8 | 8.0 |
| -Recreation, entertainment & Education | 5.53 | -4.7 | 3.1 | 4.1 | 8.8 | 1.0 |
| Personal care & Effects | 2.09 | 1.8 | 5.6 | 7.3 | 5.5 | 1.7 |
| Miscellaneous goods | 1.62 | -0.8 | -0.5 | 2.8 | 3.6 | 3.3 |

Source: CSA and NBE Staff Computation

General inflation of Addis Ababa was 8.3 percent compared with 1.8 percent in the preceding quarter and 4.5 percent a year earlier. Non-food inflation increased from 2.8 percent in the

previous quarter and 0.8 percent last year to 7.7 percent in the quarter under review. Moreover, food inflation rose from 0.6 to 8.9 percent on quarterly and 4.5 percent on annual basis.

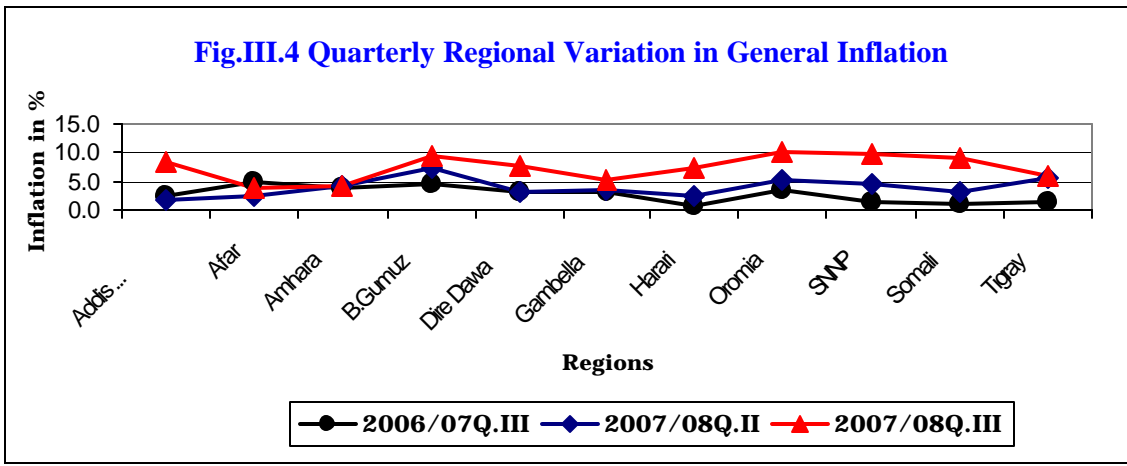




3.2 Developments in Regional Consumer Price Inflation

Compared with the preceding quarter, average headline inflation increased in all regions except Amhara. Compared with the same period last year, only Afar registered lower inflation. Viewed

against the level in the second quarter, the third quarter food inflation was higher in all regions except Amhara and Gambella.



Meanwhile, in the quarter core inflation went up in all regions except Tigray and Dire Dawa where it remained unchanged. Year-on-year basis, non-

food inflation increased in all regions except Benishangul Gumz and Dire Dawa where it stood at 3.8 percent.

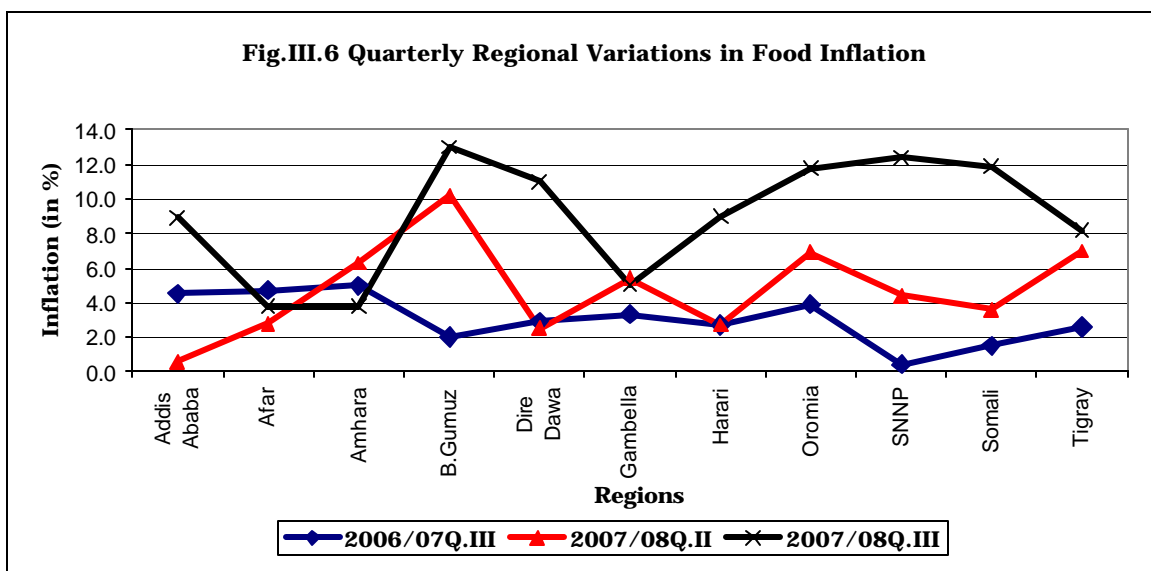
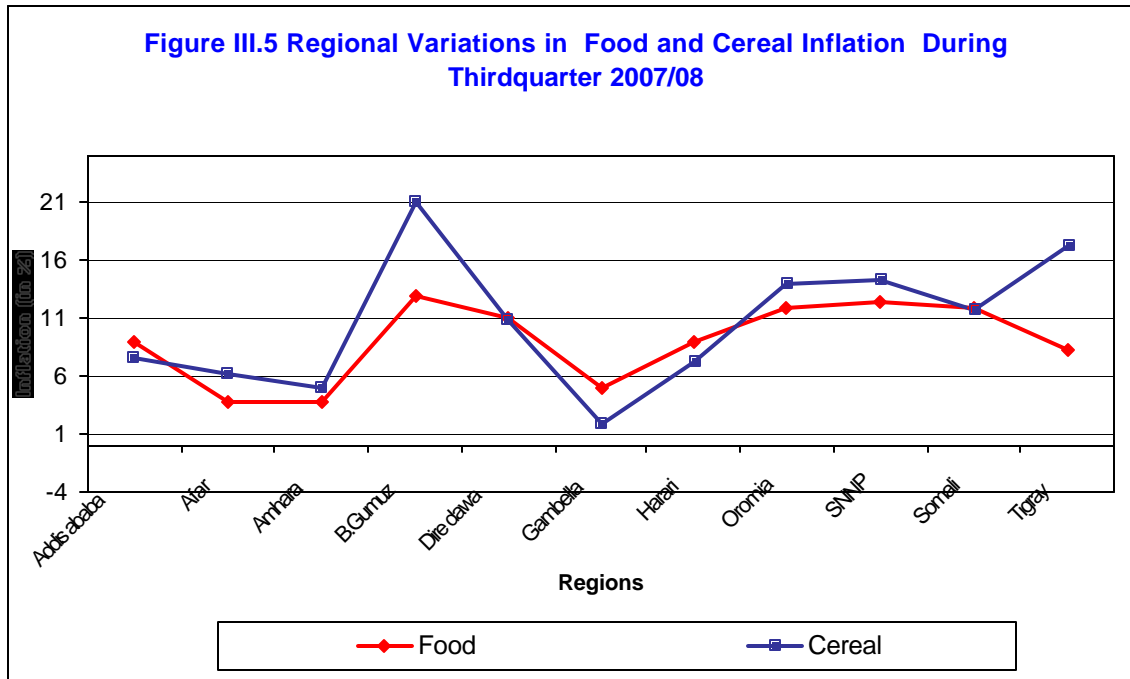


Fig. III.7: Quarterly movements in Regional Core inflation

