

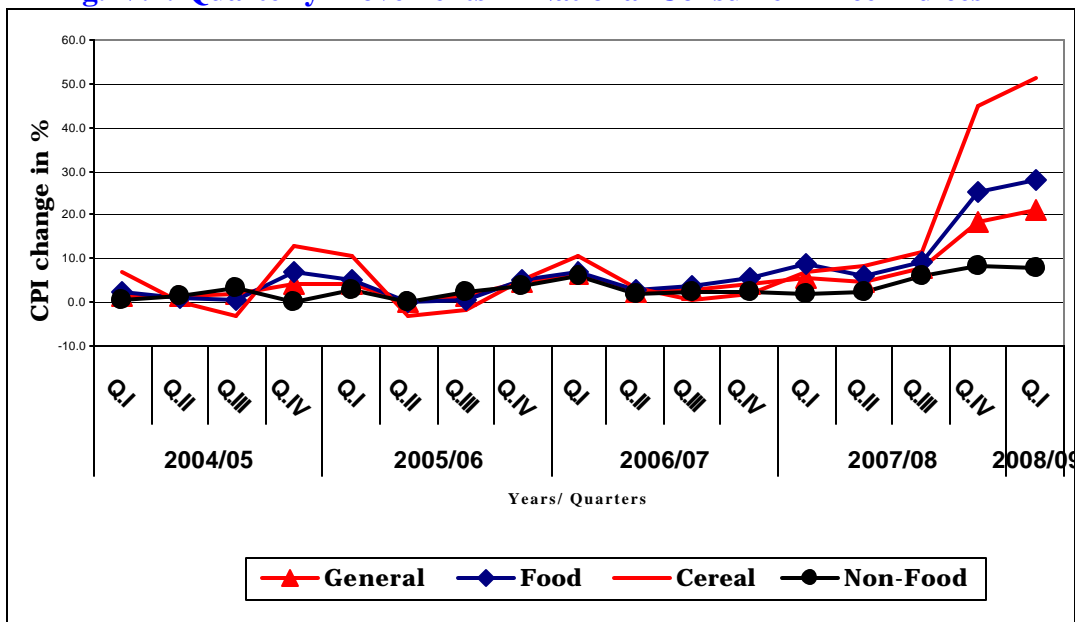
IV. QUARTERLY PRICE DEVELOPMENTS

4.1 Developments in National CPI

The first quarter of 2008/09 witnessed a continuous surge in inflation (Fig. IV.1). Accordingly, headline inflation rose to 21.0 percent from 18.5 percent in the preceding quarter and 5.7 percent same period last year. Food inflation

accounted for 18.3 percentage points of the 21.0 percent headline inflation with non-food inflation making up the balance in the review quarter (Table 4.1).

Fig.IV.1: Quarterly Movements in National Consumer Price Indices



Source: Central Statistical Agency (CSA) and NBE Staff Computation

In the review quarter, food inflation increased to 28.2 percent from 25.1 percent a quarter earlier and 8.6 percent same period of last year.

Cereals, pulses, bread and other prepared food; items and spices accounted for the chunk of the surge in the food prices. The combined contribution of these food items to the quarterly food inflation was 25.8 percentage points.

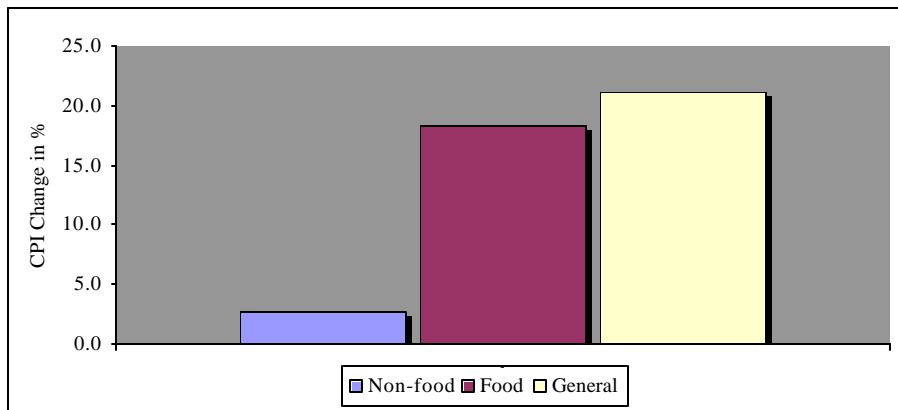
Non-food inflation on the other hand, declined to 7.6 percent during the stated period from 8.1 percent in the previous quarter. It was, however, significantly higher than 1.7 percent inflation rate recorded last year owing to higher inflation rates observed in house rent, construction materials, fuel, potable water and electric power; clothing and footwear; furniture, household equipment and operation sub-categories of the CPI, which jointly accounted for 5.5 percentage points.

Table 4.1: Quarterly National General Consumer Prices (%)

	<i>Weights</i>	2007/08		2008/09	Change in Percentage Points		Contribution to	
		QI	QIV	QI	C-A	C-B	QI headline inflation	Change in headline inflation over QIV
		A	B	C				
Headline	100.0	5.7	18.5	21.0	15.3	2.4	21.0	2.5
Food	57.0	8.6	25.1	28.2	19.7	3.1	18.3	3.0
Non-Food	43.0	1.7	8.1	7.6	5.9	-0.5	2.7	-0.5

Source: CSA and NBE Staff Computation

Fig.IV.2: Quarterly Headline Inflation and Contribution of Food and Non-Food Items



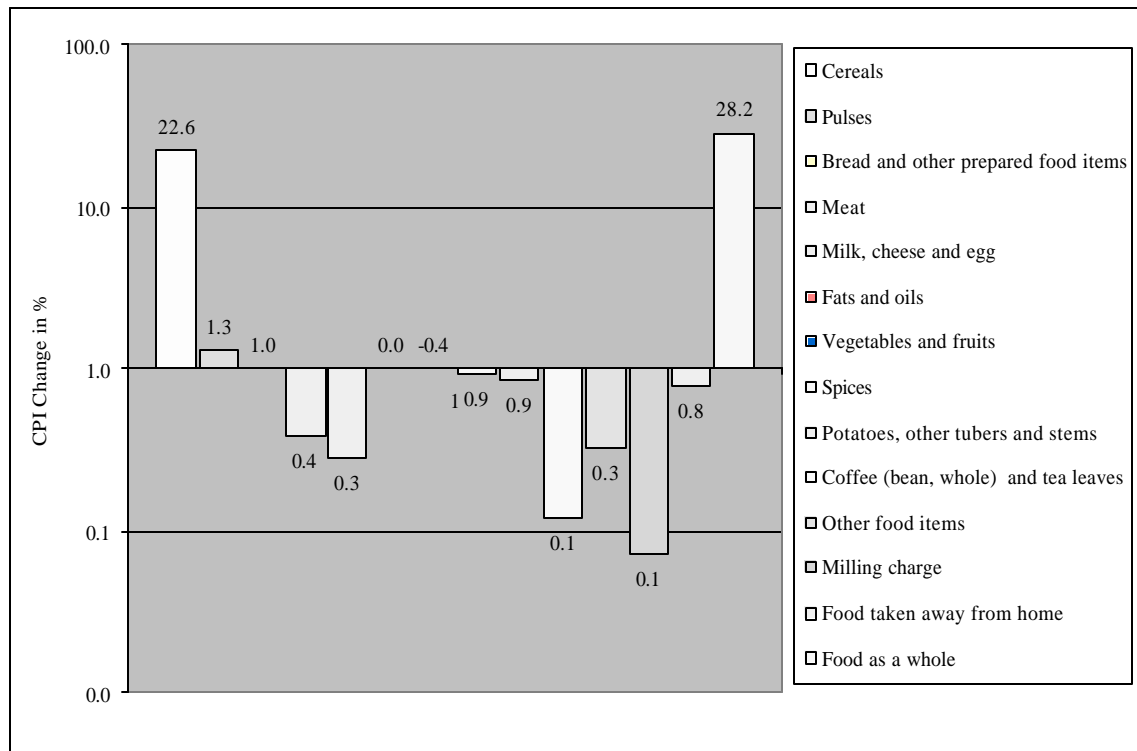
Source: CSA and NBE Staff Computation

Table 4.2: Quarterly National Food Price Inflation

	Weights	2007/08		2008/09	Change in percentage points		Contribution to	
		QI	QIV	QI	C-A	C-B	QI food inflation	Change in food inflation over QIV
		A	B	C				
Food Items	57.01	8.6	25.1	28.2	19.7	3.1	28.2	3.1
Cereals	22.54	7.1	45.1	51.1	44.0	6.0	22.6	5.4
Pulses	4.31	4.1	17.5	20.8	16.7	3.3	1.3	0.1
Bread and other prepared food items	1.87	7.1	21.5	30.9	23.8	9.4	1.0	0.3
Meat	2.82	2.7	10.4	9.9	7.2	-0.5	0.4	-0.1
Milk, cheese and egg	1.96	1.1	13.4	10.1	9.0	-3.3	0.3	-0.1
Fats and oils	2.39	7.4	13.3	-0.4	-7.8	-13.7	0.0	-0.7
Vegetables and fruits	2.55	3.5	4.9	-8.9	-12.4	-13.8	-0.4	-0.6
Spices	1.98	49.8	15.5	12.7	-37.1	-2.8	0.9	-0.3
Potatoes, other tubers and stems	4.16	2.1	19.7	12.6	10.4	-7.2	0.9	-0.5
Coffee, (bean, whole) and tea leaves	4.27	9.2	7.8	2.0	-7.2	-5.8	0.1	-0.4
Other food items	1.23	-1.1	11.7	21.4	22.5	9.7	0.3	0.1
Milling charge	1.17	-0.9	5.3	4.9	5.8	-0.4	0.1	0.0
Food taken away from home	5.76	6.7	8.8	10.1	3.4	1.3	0.8	0.0

Source: CSA and NBE Staff Computation

Fig.IV.3: Quarterly Food Inflation and Contribution of various Food Items (log scale)



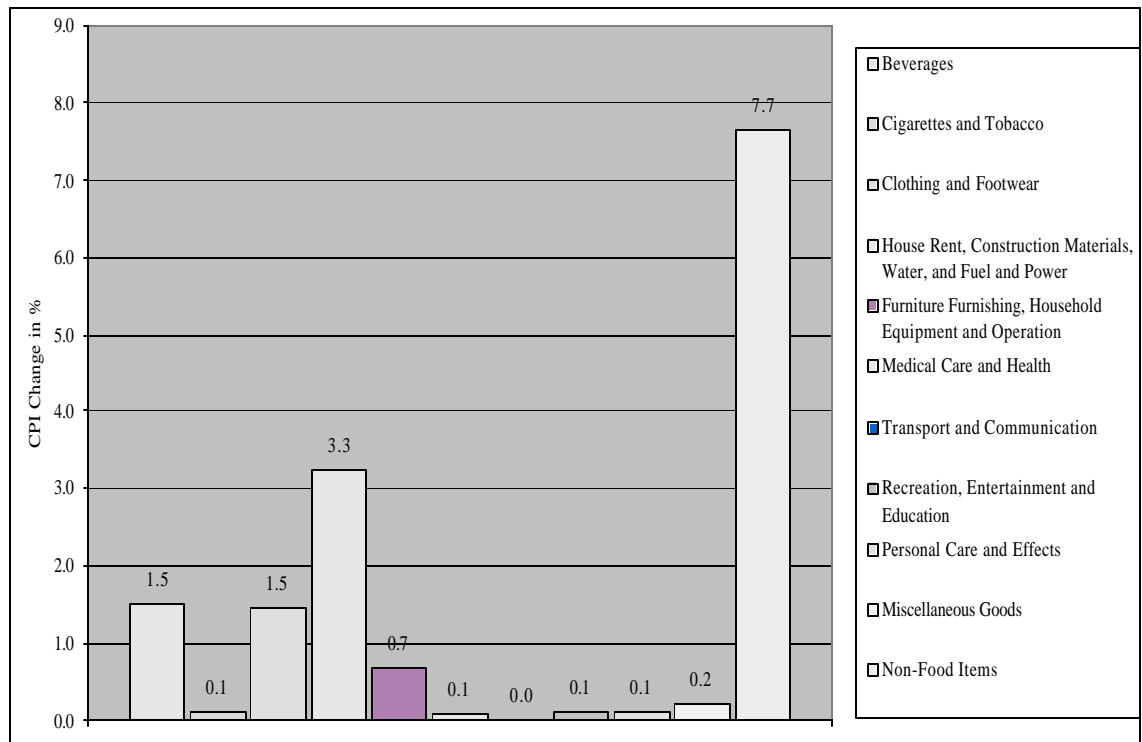
Source : CSA and NBE Staff Computation

Table 4.3 Quarterly National Non-food Price Inflation

	Weights	2007/08		2008/09	Change in %age points		Contribution to	
		QI	QIV	QI	C-A	C-B	QI Non-food inflation	change in non-food inflation over QIV
		A	B	C				
Non-Food Items	43.00	1.7	8.1	7.7	6.0	-0.4	7.6	-0.5
Beverages	2.02	-0.2	14.9	30.8	31.0	15.9	1.5	0.8
Cigarettes and Tobacco	0.48	0.7	4.2	11.4	10.7	7.2	0.1	0.1
Clothing and Footwear	8.32	3.3	6.0	7.5	4.1	1.4	1.5	0.3
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.56	1.3	9.7	6.8	5.5	-2.8	3.3	-1.3
Furniture, Household Equipment and Operation	3.75	3.4	9.0	6.9	3.6	-2.1	0.7	-0.2
Medical Care and Health	1.11	0.5	4.3	4.2	3.7	-0.1	0.1	0.0
Transport and Communication	2.49	0.0	4.0	0.1	0.1	-3.9	0.0	-0.2
Recreation, Entertainment and Education	1.09	1.6	2.8	5.7	4.1	2.9	0.1	0.1
Personal Care and Effects	0.83	2.6	9.6	6.8	4.2	-2.8	0.1	-0.1
Miscellaneous Goods	2.34	1.0	3.5	4.8	3.8	1.3	0.2	0.1

Source: CSA and NBE Staff Computation

Fig.IV.4: Quarterly Non-food Inflation and Contribution of Various Non-food Items



Source : CSA and NBE Staff Computation

4.2 Developments in Regional CPI

During the quarter under review, simple average regional headline inflation was 23.9 percent, which was 2.9 percentage points higher than the weighted average figure recorded at national level. This was due to the fact that most of the regions with higher share in the total national consumption expenditure are also the ones with higher headline inflation. For instance Oromia, Tigray, Amhara, Gambella, Benishangul Gumz, and Somali regional states registered quarterly headline inflation greater than the

regional average. Amhara, Oromia and Tigray states had significantly high share in the national consumption expenditure.

Besides, there was a wide margin in the rates of inflation registered among regional states. The difference between the maximum (Gambella) and the minimum (Addis Ababa) quarterly headline inflation was about 37.8 percentage points, showing significant variation in the rate at which the cost of living is manifested in the different

parts of the country. The deviation of the regional headline inflation rates from the regional average as represented by standard deviation¹ was about 12.4 percentage points.

As compared to the same quarter last year, this regional variation tended to widen. In the first quarter of 2007/08 fiscal year, the range was about 7.3 percentage points and standard deviation about 2.1 percentage points², both lower than those of the review quarter.

Moreover, a statistical measure of dispersion known as coefficient of variation,³ which is more suitable for comparing different data sets, showed the existence of more variation in the review quarter than the same period of last year.

Simple average regional food inflation of 33.1 percent was higher than the national weighted average of 28.2 percent. Tigray, Gambella, Benishangul Gumz and Somali each registered a quarterly food inflation rate greater than the regional average.

The highest rate of inflation was registered in Gambella; whereas the lowest in Addis Ababa bringing the range to 47.5 percentage points. Like the headline inflation, the variation in food inflation has widened since same period last year as the computed coefficient of variation was higher (0.39 against 0.29) in the period under review.

Meanwhile, simple average regional non-food inflation reached 8.3 percent, which was greater than the national weighted average of 7.7 percent. Except Addis Ababa, Dire Dawa, Somali, Afar and Harari, all the other regions registered quarterly non-food inflation rates greater than the regional average. The highest rate of inflation was recorded in Gambella and the lowest in Addis Ababa, the range being 15.7 percentage points.

Since the first quarter of 2007/08, the variation in non-food inflation has slightly declined. The computed coefficient of variation being 0.54 compared to 0.64 in the same period last year.

¹ Standard deviation is the square root of the average of the squared deviation of each data point from the common mean

² Range is the difference between maximum and minimum values in a given data

³ Coefficient of variation is the ratio of standard deviation to mean

Table 4.3: Annualized Regional Headline, Food and Non-Food Inflation

Regions	2007/08						2008/09			Change			Change		
	QI			QIV			QI			D=C-A			D=C-B		
	A			B			C			D=C-A			D=C-B		
	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food
SNNP	4.7	6.9	1.7	22.9	30.7	11.2	20.6	26.9	9.6	15.9	20	7.9	-2.3	-3.8	-1.6
Harari	6.0	9.3	2.8	21.7	32.1	10.4	18.1	25.8	8.1	12.1	16.5	5.3	-3.6	-6.3	-2.3
Oromia	4.8	7.1	1.4	20.7	27.1	9.8	21.3	27.6	8.7	16.5	20.5	7.3	0.6	0.5	-1.1
Tigray	8.3	12.6	2.2	18.4	24.3	8.0	26.2	34.3	9.9	17.9	21.7	7.7	7.8	10	1.9
Gambella	6.0	9.7	1.3	14.4	19.2	7.4	49.6	68.1	19.5	43.6	58.4	18.2	35.2	48.9	12.1
Addis Ababa	4.4	8.3	1.5	14.2	23.3	7.0	11.8	20.6	3.8	7.4	12.3	2.3	-2.4	-2.7	-3.2
DireDawa	5.4	7.6	3.0	12.8	18.9	5.6	15.0	22.6	4.7	9.6	15	1.7	2.2	3.7	-0.9
Ben. Gumz	11.6	15.4	6.7	11.8	15.7	5.5	33.3	46.4	9.7	21.7	31	3	21.5	30.7	4.2
Somali	4.3	6.1	1.5	15.7	21.2	5.4	25.5	35.6	3.9	21.2	29.5	2.4	9.8	14.4	-1.5
Afar	6.7	10.3	2.1	13.5	20.5	3.7	17.3	25.2	4.5	10.6	14.9	2.4	3.8	4.7	0.8
Amhara	7.7	10.9	2.1	16.0	22.0	3.7	24.6	31.2	8.6	16.9	20.3	6.5	8.6	9.2	4.9

Source: CSA and NBE Staff Computation