

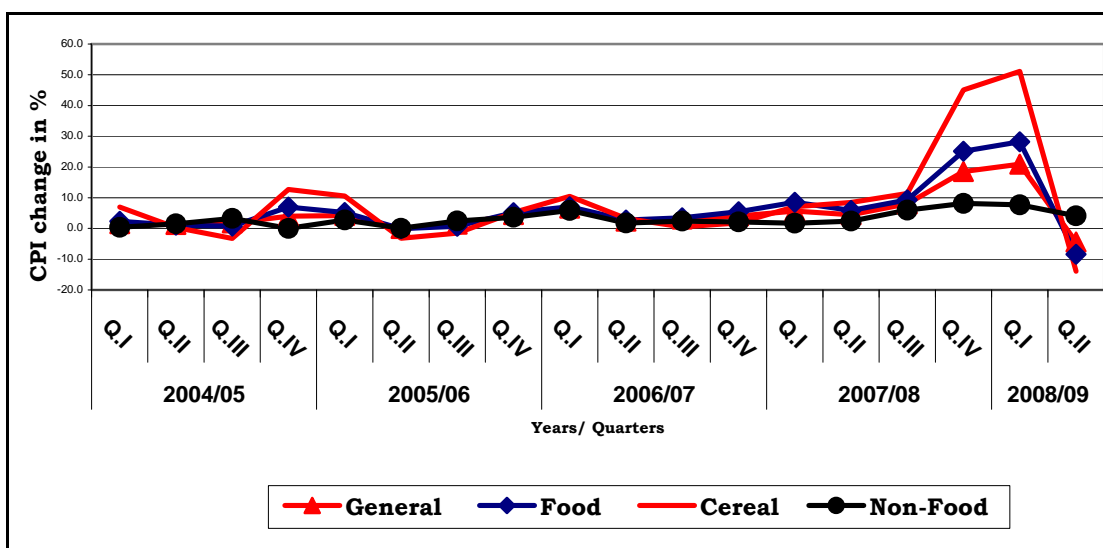
IV. QUARTERLY PRICE DEVELOPMENTS

4.1 Developments in National CPI

The second quarter of 2008/09 witnessed a slowdown in the quarterly inflation (Fig. IV.1). Headline inflation declined to - 4.4 percent from 20.9 percent in the preceding quarter and 4.5 percent same period last year. Food inflation

contributed -5.7 percentage points to the 4.4 percent quarterly fall in headline inflation; while non-food inflation positively contributed 1.3 percentage points (Table 4.1).

Fig.IV.1: Quarterly Movements in National CPI



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

In the review quarter, food inflation went down to -8.4 percent from 28.2 percent a quarter earlier and 5.9 percent same period last year.

Cereals, spices, oils and fats and pulses accounted for the bulk of the decrease in

the food prices. The combined contribution of these food items to the quarterly decline in food inflation was -8.9 percentage points. The decline in food inflation (36.6 percentage point) over the preceding quarter was the result of a 29.8 percent drop in the prices

indices of cereals, 2.4 percent in spices, and 1.4 percent in pulses.

Non-food inflation also moderated to 4.1 percent from 7.7 percent in the previous quarter but still higher than 2.4 percent

inflation rate recorded last year same quarter, owing to higher inflation rates observed in all components except beverages and furniture, household equipment and operations sub-categories of the CPI.

Table 4.1: Quarterly National General Consumer Prices (%)

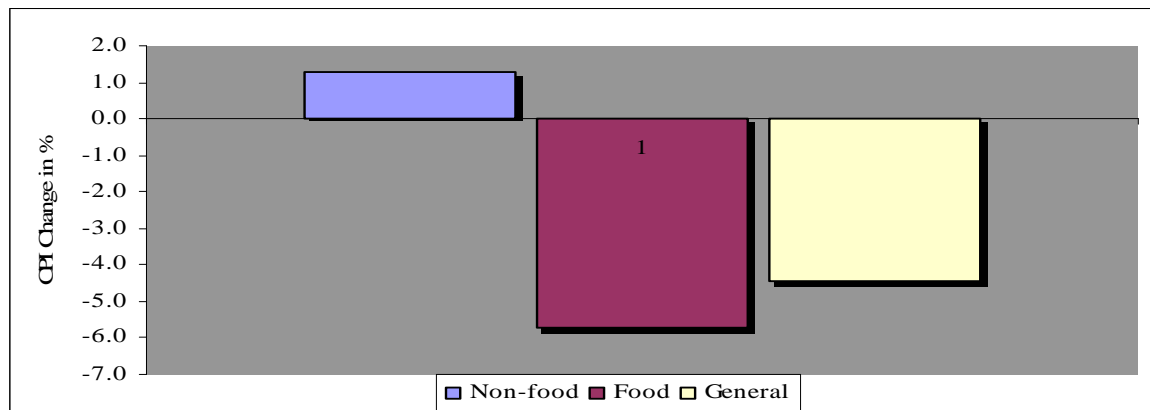
	Weights	2007/08	2008/09		Change in % age Points		Contribution to	
		QII	QI	QII	C-A	C-B	QII headline inflation	change in headline inflation over QI
		A	B	C				
Headline	100.0	4.5	20.9	-4.4	-8.9	-25.4	-4.4	-25.4
Food	57.0	5.9	28.2	-8.4	-14.3	-36.6	-5.7	-24.0
Non-Food	43.0	2.4	7.7	4.1	1.7	-3.5	1.3	-1.4

Source: CSA and NBE Staff Computation

The slow down in the inflation rate of house rent, construction materials, potable water, fuel, electric power; beverages;

furniture, household equipment and operation has contributed for the 3.5 percentage fall in non-food inflation.

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 Consumer Prices (%)

	2007/08	2008/09	Change in	Contribution to
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		QII	QI	QII	%age points		QII food inflation	change in Food Inflation over QI
		A	B	C	C-A	C-B		
Food	57.01	5.9	28.2	-8.4	-14.3	-36.6	-8.4	-36.6
Cereals	22.54	8.5	51.1	-13.9	-22.3	-64.9	-7.2	-29.8
Pulses	4.31	1.7	20.8	-1.6	-3.2	-22.4	-0.1	-1.4
Bread and other prepared food	1.87	5.7	30.9	4.6	-1.1	-26.3	0.2	-0.8
Meat	2.82	2.3	9.9	1.0	-1.3	-9.0	0.0	-0.4
Milk, cheese and egg	1.96	3.3	10.1	3.3	0.0	-6.8	0.1	-0.2
Oil and fats	2.39	11.3	-0.4	-4.2	-15.5	-3.8	-0.1	-0.1
Vegetables and fruits	2.55	15.0	-8.9	-1.5	-16.4	7.5	0.0	0.3
Spices	1.98	3.5	12.7	-22.8	-26.3	-35.5	-1.5	-2.4
Potatoes, other tubers and stems	4.16	4.9	12.6	-1.1	-6.0	-13.6	-0.1	-0.9
Coffee, (bean, whole) and tea leaves	4.27	7.0	2.0	0.6	-6.4	-1.4	0.0	-0.1
Other foods items	1.23	-2.4	21.4	5.9	8.4	-15.5	0.1	-0.2
Milling charge	1.17	0.1	4.9	0.6	0.5	-4.4	0.0	-0.1
Food taken away from home	5.76	0.2	10.1	4.1	4.0	-6.0	0.3	-0.5

Source: CSA and NBE Staff Computation

Table 4.3: Quarterly National Non-food Consumer Prices (%)

	Weights	2007/08	2008/09		Change in %age points		Contribution to	
		QII	QI	QII	C-A	C-B	QII Non-food inflation	change in non-food inflation over QI
		A	B	C				
Non-Food	43.00	2.4	7.7	4.1	1.7	-3.6	4.1	-3.6
Beverages	2.02	2.5	30.8	2.3	-0.2	-28.5	0.1	-1.4
Cigarettes and Tobacco	0.48	-0.7	11.4	3.6	4.3	-7.8	0.0	-0.1
Clothing and Footwear	8.32	3.6	7.5	7.6	4.0	0.1	1.5	0.0
House Rent, Construction Materials, Water as well as Fuel and Electric Power	20.56	1.9	6.8	3.3	1.4	-3.5	1.6	-1.7
Furniture, Household Equipment and Operation	3.75	5.1	6.9	3.8	-1.3	-3.1	0.4	-0.3
Medical Care and Health	1.11	1.3	4.2	2.4	1.1	-1.8	0.1	0.0
Transport and Communication	2.49	0.0	0.1	6.1	6.1	6.0	0.3	0.3
Recreation, Entertainment and Education	1.09	2.8	5.7	4.4	1.6	-1.3	0.1	0.0
Personal Care and Effects	0.83	1.7	6.8	2.2	0.5	-4.6	0.0	-0.1
Miscellaneous Goods	2.34	1.1	4.8	0.5	-0.5	-4.3	0.0	-0.2

Source: CSA and NBE Staff Computation

4.2 Developments in Regional CPI

During the quarter under review, simple average regional headline inflation was -3.2 percent, which was 1.2 percentage points higher than the weighted average figure recorded at national level. Besides, there was a wide variation in the rates of inflation registered among regional states. For instance Tigray, Amhara, Addis Ababa, Dire Dawa and Harari regional states registered quarterly headline inflation greater than the regional average. Amhara and Tigray are among the states that had significantly high share in the national consumption expenditure.

The difference between the maximum (1.4 percent for Dire Dawa) and the minimum (-7 percent for SNNP) quarterly headline inflation shows the variation 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 3.1 percentage points higher than about 1.6 percentage points² in 2007/08.

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

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 -6.7 percent was higher than the national weighted average of -8.4 percent. SNNP, Oromia, Gambella, Benishangul Gumz and Somali regions each registered a quarterly food inflation rate lower than the regional average.

The highest rate of inflation was registered in Dire Dawa; and the lowest in SNNP bringing the range to 13.3 percentage points. Like the headline inflation, the variation in food inflation has widened since the same period last year as the computed coefficient of variation was higher (0.67 against 0.57) in the period under review.

Meanwhile, simple average regional non-food inflation reached 4.4 percent, which was greater than the national weighted average of 4.1 percent. SNNP,

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

Tigray, Gambella, Addis Ababa and Somali registered quarterly non-food inflation rates greater than the regional average. The highest rate of inflation was recorded in Somali and the lowest in Afar, the range being 9.1 percentage points.

slightly increased. The computed coefficient of variation being 0.58 compared to 0.51 in the same period last year.

Since the first quarter of 2007/08, the variation in non-food inflation has

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

Regions	2007/08			2008/09						Change			Change		
	QII			QI			QII			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	4.4	5.1	20.6	26.9	9.6	-7.0	-12.9	5.0	-11.7	-17.3	-0.1	-27.6	-39.8	-4.6
Harari	2.5	2.7	2.3	18.1	25.8	8.1	0.6	-1.6	4.0	-1.9	-4.3	1.7	-17.5	-27.4	-4.1
Oromia	5.1	6.9	2.1	21.3	27.6	8.7	-5.9	-10.2	4.0	-11	-17.1	1.9	-27.2	-37.8	-4.7
Tigray	5.5	7.0	3.2	26.2	34.3	9.9	-2.7	-5.8	5.0	-8.2	-12.8	1.8	-28.9	-40.1	-4.9
Gambella	3.6	5.4	1.1	49.6	68.1	19.5	-6.0	-12.3	8.4	-9.6	-17.7	7.3	-55.6	-80.4	-11.1
Addis Ababa	1.8	0.6	2.8	11.8	20.6	3.8	1.2	-2.6	5.3	-0.6	-3.2	2.5	-10.6	-23.2	1.5
D. Dawa	3.1	2.5	3.8	15.0	22.6	4.7	1.4	0.4	3.0	-1.7	-2.1	-0.8	-13.6	-22.2	-1.7
B. Gumz	7.5	10.2	3.8	33.3	46.4	9.7	-6.5	-10.7	3.6	-14	-20.9	-0.2	-39.8	-57.1	-6.1
Somali	3.3	3.6	2.8	25.5	35.6	3.9	-4.0	-8.5	8.5	-7.3	-12.1	5.7	-29.5	-44.1	4.6
Afar	2.4	2.8	1.8	17.3	25.2	4.5	-3.2	-4.6	-0.6	-5.6	-7.4	-2.4	-20.5	-29.8	-5.1
Amhara	4.3	6.3	0.2	24.6	31.2	8.6	-3.0	-4.9	2.3	-7.3	-11.2	2.1	-27.6	-36.1	-6.3
Regions Average	4.0	4.8	2.6	23.9	33.1	8.3	-3.2	-6.7	4.4						

Source: CSA and NBE Staff Computation