

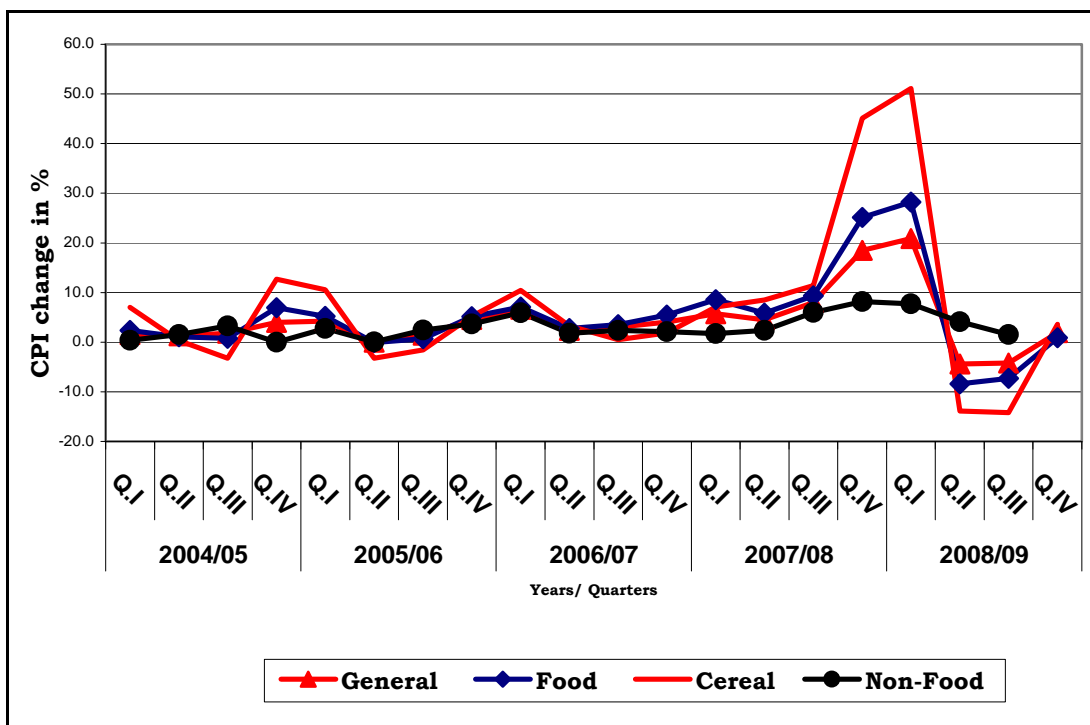
IV. QUARTERLY PRICE DEVELOPMENTS

4.1 Developments in National Consumer Price Indices

During the fourth quarter of 2008/09, headline inflation stood at 1.9 percent, higher than -4.2 percent in the previous quarter due to increase in food and non-food prices. Non-food items contributed 1.3 and food items 0.6 percentage points to the quarterly inflation. (Table 4.1). However, the 1.9 percent quarterly

headline inflation was significantly lower than the 18.5 percent price inflation recorded last year. Food and non-food price inflation tended to slowdown by about 24 and 5 percentage points respectively owing to concerted monetary and fiscal policy measures.

Fig.IV.1: Quarterly Movements in National CPI



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

The prices of cereals, pulses, bread and prepared food, oils and fats potatoes and fibers and stems, and food taken away from home in the food price index, and house rent construction materials, water,

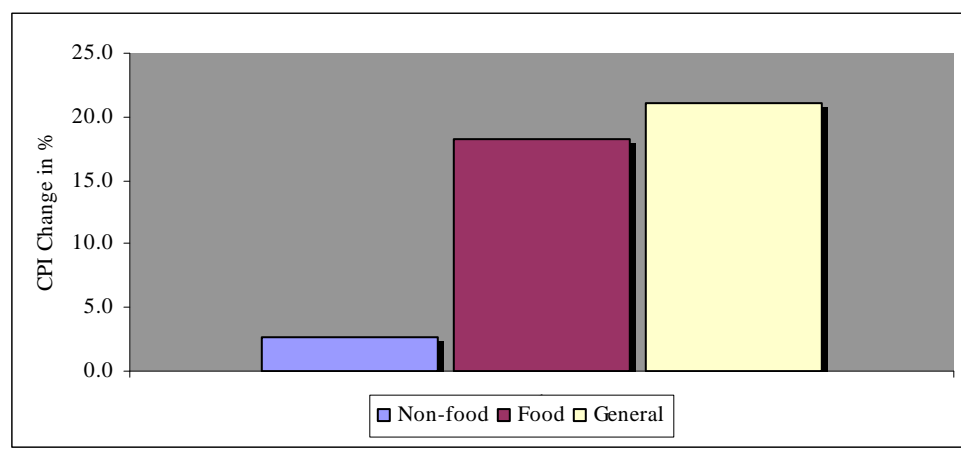
fuel and power as well as transport and communication in the non-food categories were the main contributors to the year-on-year decline in the CPI.

Table 4.1: Quarterly National General Consumer Prices (%)

	Weights	2007/08	2008/09		Change in %age points		Contribution to	
		QIV	QIII	QIV	C-A	C-B	QIV headline inflation	change in headline inflation over QIII
		A	B	C				
Headline	100.0	18.5	-4.2	1.9	-16.6	6.1	1.9	6.1
Food	57.0	25.1	-7.3	0.9	-24.2	8.1	0.6	5.3
Non-Food	43.0	8.1	1.5	3.6	-4.6	2.1	1.3	0.8

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 Consumer Prices (%)

	Weights	2007/08	2008/09		Change in % age points		Contribution to	
		QIV	QIII	QIV	C-A	C-B	QIV food inflation	change in Food Inflation over QIII
		A	B	C				
Food Items	57.01	25.1	-7.3	0.9	-24.2	8.1	0.9	8.1
Cereals	22.54	45.1	-14.2	-1.1	-46.1	13.1	-0.5	6.5
Pulses	4.31	17.5	-3.6	2.8	-14.7	6.5	0.2	0.4
Bread and other prepared food	1.87	21.5	-1.7	-0.2	-21.7	1.5	0.0	0.1
Meat	2.82	10.4	-0.3	4.8	-5.6	5.1	0.2	0.2
Milk, cheese and egg	1.96	13.4	4.1	7.2	-6.2	3.1	0.2	0.1
Oil and fats	2.39	13.3	-5.2	1.6	-11.8	6.7	0.1	0.2
Vegetables and fruits	2.55	4.9	17.2	16.1	11.2	-1.1	0.7	0.1
Spices	1.98	15.5	-34.8	20.8	-36.4	13.9	-0.8	1.1
Potatoes, other tubers and stems	4.16	19.7	11.3	3.6	-16.2	-7.8	0.3	-0.5
Coffee, (bean, whole) and tea leaves	4.27	7.8	2.6	3.1	-4.7	0.5	0.2	0.0
Other foods items	1.23	11.7	15.3	4.1	-7.6	-11.2	0.1	-0.2
Milling charge	1.17	5.3	0.5	6.0	0.7	5.4	0.1	0.1
Food taken away from home	5.76	8.8	3.7	2.6	-6.3	-1.1	0.2	-0.1

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	
		QIV	QIII	QIV	C-A	C-B	QIV Non-food inflation	change in non-food inflation over QIII
		A	B	C				
Non-Food Items	43.00	8.1	1.5	3.6	-4.6	2.1	3.6	2.1
Beverages	2.02	14.9	1.6	1.1	-13.8	-0.5	0.1	0.0
Cigarettes and Tobacco	0.48	4.2	9.3	5.8	1.6	-3.5	0.1	0.0
Clothing and Footwear	8.32	6.0	6.6	5.2	-0.9	-1.4	1.1	-0.2
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.56	9.7	-0.3	2.7	-7.0	2.9	1.2	1.3
Furniture, Household Equipment and Operation	3.75	9.0	3.5	4.2	-4.8	0.7	0.4	0.1
Medical Care and Health	1.11	4.3	2.7	5.7	1.4	3.0	0.1	0.1
Transport and Communication	2.49	4.0	-9.4	3.3	-0.7	12.7	0.1	0.6
Recreation, Entertainment and Education	1.09	2.8	2.9	4.3	1.5	1.4	0.1	0.0
Personal Care and Effects	0.83	9.6	5.3	7.7	-2.0	2.4	0.2	0.1
Miscellaneous Goods	2.34	3.5	0.3	3.9	0.4	3.6	0.2	0.2

Source: CSA and NBE Staff Computation

4.2 Developments in Regional CPI

During the quarter under review, simple average regional headline inflation stood at 2.5 percent, which was higher than the weighted average at national level.

On the other hand, there was a wide variation in the rates of inflation witnessed in regional states, showing differences in the cost of living in various parts of the country. The deviation of the regional headline Fourth Quarter 2008/09

inflation rates from the regional average as represented by standard deviation was about 1.5 percentage points compared to 3.5 percentage points a year ago exhibiting that variations in regional inflation tended to narrow.

However, the variation in food inflation has widened since same period last year as the coefficient of variation was higher (1.35 against 0.21) in the period under review.

In contrast, the variation in non-food inflation has decreased with a coefficient of variation being 0.28 compared to 0.36 in a year earlier.

Table 4.4: Annualized Regional Headline, Food and Non-Food Inflation

Regions	2007/08			2008/09						Change			Change		
	QIV			QIII			QIV			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	22.8	30.7	11.1	-4.0	-6.7	0.6	3.3	3.6	2.8	-19.5	-27.1	-8.3	7.3	10.3	2.2
Harari	21.6	32.0	10.4	-1.0	-3.1	2.1	2.2	1.8	2.8	-19.4	-30.2	-7.6	3.2	4.9	0.7
Oromia	20.7	27.1	9.8	-3.1	-6.2	3.1	2.0	1.2	3.4	-18.7	-25.9	-6.4	5.1	7.4	0.3
Tigray	18.4	24.3	8.0	-6.8	-10.0	0.4	0.2	-2.4	5.3	-18.2	-26.7	-2.7	7	7.6	4.9
Gambella	14.4	19.2	7.4	-10.6	-14.6	-3.3	5.0	6.7	2.0	-9.4	-12.5	-5.4	15.6	21.3	5.3
Addis Ababa	14.2	23.3	7.0	-2.3	-4.4	-0.2	3.4	3.3	3.4	-10.8	-20	-3.6	5.7	7.7	3.6
Dire Dawa	13.1	19.4	5.6	-0.5	-1.7	1.4	1.7	0.2	3.9	-11.4	-19.2	-1.7	2.2	1.9	2.5
Ben. Gum	11.8	15.7	5.4	-8.1	-13.0	2.1	2.3	2.3	2.4	-9.5	-13.4	-3	10.4	15.3	0.3
Somali	15.7	21.2	5.4	0.7	0.7	0.7	4.2	4.2	4.2	-11.5	-17	-1.2	3.5	3.5	3.5
Afar	13.5	20.5	3.7	-3.3	-5.1	0.1	2.7	2.5	2.9	-10.8	-18	-0.8	6	7.6	2.8
Amhara	16.0	22.0	3.7	-7.3	-10.6	1.8	0.0	-1.9	4.5	-16	-23.9	0.8	7.3	8.7	2.7
Regions Average	16.6	23.2	7.0	-4.2	-6.8	0.8	2.5	1.9	3.4						

Source: CSA and NBE Staff Computation