

III. QUARTERLY PRICE DEVELOPMENTS

3.1. Developments in National CPI

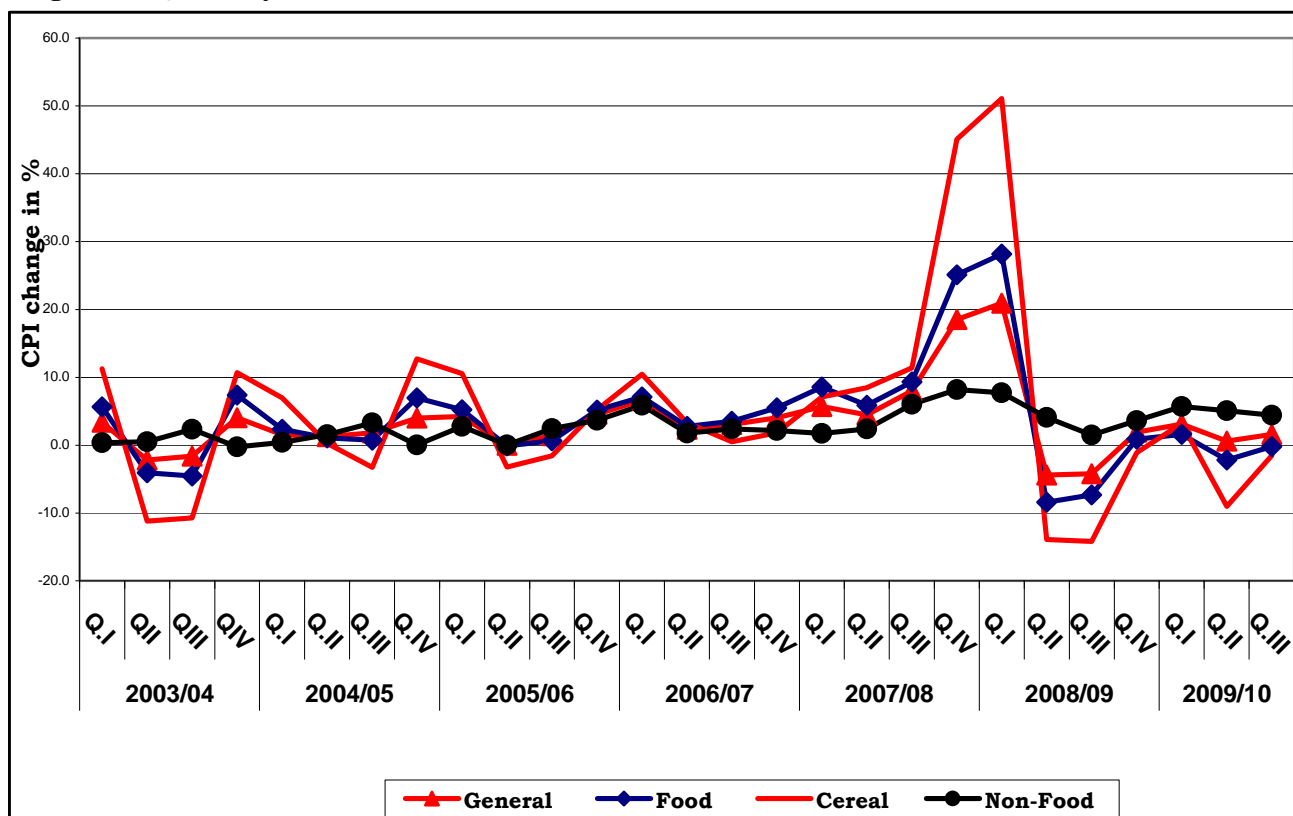
During the third quarter of 2009/10, headline and food inflation went up by 1 and 2 percentage points; while non-food inflation decelerated by 0.7 percentage point vis-à-vis the preceding quarter (Table 3.1). Year on year basis, headline inflation was 1.6 percent up by 5.8 percent on account of the rise both in food (7.1 percent) and non- food inflation (2.9 percent).

Food inflation was -0.2 percent in the review quarter, 2 and 7.1 percent higher than the previous quarter and the corresponding period of last year, respectively. The rising trend in quarterly food price inflation was largely attributed to higher prices of cereals (3.6 percent), pulses (4.4 percent), fruits and vegetables (10.4 percent), meat (2.4 percent) and oil and fats (1.7 percent). The annual surge in food inflation, however, was due to the rise in the prices of cereals (8.8 percent), pulses (5.4 percent), spices (48.9 percent), oil and fats (6.5 percent), meat (3.1 percent)

and bread and other prepared food (2.4 percent) (Table 3.2).

Non-food inflation declined by 0.7 percent to 4.4 percent in the third quarter of 2009/10 over the preceding quarter owing to deceleration in the prices of house rent, construction materials, water, fuel & power (2.3 percent), transport and communication (3.9 percent), beverages (0.5 percent), and recreation, entertainment and education (0.2 percent). Year-on-year basis, however, underlying (core) inflation increased 2.9 percentage points, due to the rise in the prices of house rent, construction materials, water, fuel & power (3.8 percent), transport and communication (13.3 percent), furniture, household equipment and operation (2.4 percent), clothing and foot wear (0.3 percent) and medical care and health (3.2 percent) (Table 3.3).

Fig. III.1: Quarterly Movements in National CPI



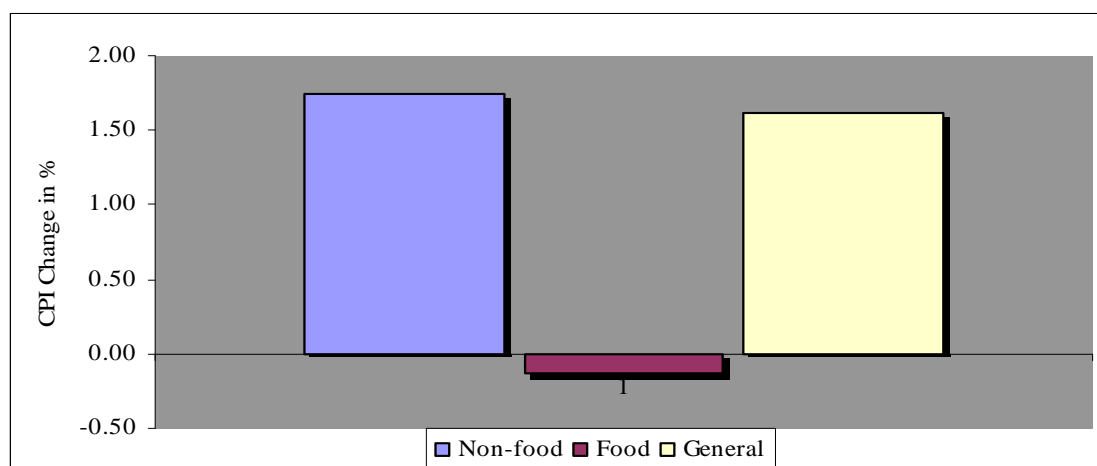
Source: Central Statistical Agency (CSA) and NBE Staff Computation

Table 3.1: Quarterly National General Consumer Price Index (%)

	Weights	2008/09		2009/10		Change in %age points		Contribution to	
		QIII		QII	QIII			QIII Headline Inflation	Change in Headline Inflation over QII
		A	B	C	C-A	C-B			
Headline	100.0	-4.2	0.6	1.6	5.8	1.0	1.6	1.0	
Food	57.0	-7.3	-2.2	-0.2	7.1	2.0	-0.1	1.2	
Non-Food	43.0	1.5	5.1	4.4	2.9	-0.7	1.7	-0.2	

Source: CSA and NBE Staff Computation

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



Source: CSA and NBE Staff Computation

Table 3.2: Quarterly National Food Consumer Price Index (%)

	Weights	2008/09	2009/10		Change in %age points		Contribution to	
		QIII	QII	QIII			QIII Food Inflation	Change in Food Inflation over QII
		A	B	C	C-A	C-B		
Food	57.01	-7.3	-2.2	-0.2	7.1	2.0	-0.2	2.0
Cereals	22.54	-14.2	-9.0	-5.4	8.8	3.6	-2.3	1.8
Pulses	4.31	-3.6	-2.6	1.8	5.4	4.4	0.1	0.3
Bread and other prepared food	1.87	-1.7	1.5	0.7	2.4	-0.8	0.1	0.0
Meat	2.82	-0.3	0.4	2.8	3.1	2.4	0.1	0.1
Milk, cheese and egg	1.96	4.1	2.0	3.9	-0.2	1.9	0.1	0.1
Oil and fats	2.39	-5.2	-0.4	1.3	6.5	1.7	0.1	0.1
Vegetables and fruits	2.55	17.2	-3.0	7.4	-9.8	10.4	0.3	0.4
Spices	1.98	-34.8	13.4	14.1	48.9	0.7	0.5	0.1
Potatoes, other tubers and stems	4.16	11.3	6.7	3.1	-8.2	-3.6	0.2	-0.2
Coffee, (bean, whole) and tea leaves	4.27	2.6	10.0	1.9	-0.7	-8.1	0.1	-0.4
Other foods items	1.23	15.3	2.2	5.1	-10.2	2.9	0.1	0.1
Milling charge	1.17	0.5	3.8	3.9	3.4	0.1	0.1	0.0
Food taken away from home	5.76	3.7	4.7	2.4	-1.3	-2.3	0.3	-0.2

Source: CSA and NBE Staff Computation

Table 3.3: Quarterly National Non-food Consumer Prices Index (%)

	Weights	2008/09	2009/10		Change in %age points		Contribution to	
		QIII	QII	QIII	C-A	C-B	QIII Non-food Inflation	Change in Non-Food Inflation over QII
		A	B	C				
Non-Food	43.00	1.5	5.1	4.4	2.9	-0.7	4.4	-0.7
Beverages	2.02	1.6	0.9	0.4	-1.2	-0.5	0.0	-0.1
Cigarettes and Tobacco	0.48	9.3	1.9	7.3	-2.0	5.4	0.1	0.1
Clothing and Footwear	8.32	6.6	5.5	6.9	0.3	1.4	1.5	0.3
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.56	-0.3	5.8	3.5	3.8	-2.3	1.6	-1.1
Furniture, Household Equipment and Operation	3.75	3.5	4.2	5.9	2.4	1.7	0.6	0.2
Medical Care and Health	1.11	2.7	3.4	5.9	3.2	2.5	0.1	0.1
Transport and Communication	2.49	-9.4	7.8	3.9	13.3	-3.9	0.2	-0.2
Recreation, Entertainment and Education	1.09	2.9	2.4	2.2	-0.7	-0.2	0.0	0.0
Personal Care and Effects	0.83	5.3	7.2	5.5	0.2	-1.7	0.1	0.0
Miscellaneous Goods	2.34	0.3	1.3	1.6	1.3	0.3	0.1	0.0

Source: CSA and NBE Staff Computation

3.2. Developments in Regional CPI

During the review period, simple average regional headline inflation stood at 0.72 percent, far below the weighted average of 1.6 percent registered at national level (Tables 3.1 and 3.4).

On the other hand, the margin in the quarterly rates of inflation recorded among regional states varied from 2.9 percent for Somali to -5.1 percent for Benishangul Gumz. Besides, there has been a rise in the price inflation in Harari

(1.5 percent), Oromia (4.0 percent), Gambella (6.4 percent), Dire Dawa (1.4 percent) and Somali (0.3 percent) while other regions witnessed slow down in inflation.

Year - on -year basis, all regions except Amhara, experienced higher inflation both in food and non-food CPI. The deviation of the regional headline inflation rates from the regional average

represented by standard deviation was about 2.3 percentage points (Table 3.5).

On the other hand, simple average regional food inflation stood at -1.1 percent which is lower than the national weighted average of -0.2 percent. All regions, except Tigray, Gambella, Addis Ababa, Benishangul Gumz and Amhara, registered a quarterly food inflation rate relatively higher than the regional average. The highest rate was recorded in Harari and the lowest in Benishangul Gumz.

Meanwhile, simple average regional non-food inflation reached 3.7 percent, slightly lower than the national weighted average of 4.4 percent. All regions, except Harari, Benishangul Gumz, Tigray, Addis Ababa, and Dire Dawa registered a quarterly non-food inflation rates relatively greater than the regional average. The highest rate was recorded in Somali; while the lowest in Harari and Oromia, with a range of 5.9 percentage points.

Table 3.4. Annualized Regional Headline, Food and Non-Food Inflation

Regions	2008/09			2009/10						Change			Change		
	QIII			QII			QIII			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	-4.0	-6.7	0.6	2.3	-0.5	6.6	1.2	-0.6	3.7	5.2	6.1	3.1	-1.1	-0.1	-2.9
Harari	-1.0	-3.1	2.1	1.2	0.4	2.2	2.7	3.7	1.5	3.7	6.8	-0.7	1.5	3.3	-0.7
Oromia	-3.1	-6.2	3.1	-1.2	-4.1	3.8	2.8	1.1	5.5	5.9	7.3	2.4	4.0	5.2	1.7
Tigray	-6.8	-10.0	0.4	1.8	0.6	4.0	-0.5	-2.4	2.8	6.3	7.6	2.4	-2.3	-3.0	-1.2
Gambella	-10.6	-14.6	-3.3	-6.9	-10.5	-0.4	-0.5	-3.4	4.2	10.1	11.2	7.5	6.4	7.1	4.6
Addis Ababa	-2.2	-4.4	-0.2	3.1	1.4	4.6	0.2	-2.3	2.5	2.4	2.1	2.7	-2.9	-3.7	-2.1
Dire Dawa	-0.5	-1.7	1.4	0.6	-2.0	4.4	2.0	1.9	2.1	2.5	3.6	0.8	1.4	3.9	-2.3
Ben. Gumz	-8.1	-13.0	2.1	-3.7	-8.9	5.8	-5.1	-9.7	2.0	2.9	3.3	0.0	-1.4	-0.8	-3.8
Somali	0.7	0.7	0.7	2.6	0.9	6.3	2.9	0.9	7.4	2.2	0.2	6.8	0.3	0.0	1.1
Afar	-3.3	-5.1	0.1	7.1	5.3	10.1	1.9	-0.1	5.1	5.2	5.0	5.0	-5.2	-5.4	-5.0
Amhara	4.1	3.8	4.5	0.6	-2.1	6.2	0.2	-1.6	3.8	-3.9	-5.4	-0.8	-0.4	0.5	-2.4
Regions Average	-3.159	-5.470	1.041	0.677	-1.764	4.867	0.715	-1.126	3.685						

Source: CSA and NBE Staff Computation

Table 3. 5. Variations in Regional CPI

	2008/09			2009/10					
	QIII			QII			QIII		
	A			B			C		
	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food
Mean	-3.159	-5.470	1.041	0.677	-1.764	4.867	0.715	-1.126	3.685
Standard Deviation (SD)	4.161	5.559	2.026	3.664	4.601	2.696	2.328	3.528	1.787
Coefficient of Variation (CV)	-1.317	-1.016	1.947	5.412	-2.609	0.554	3.258	-3.134	0.485

Source: CSA and NBE Staff Computation