

III. QUARTERLY PRICE DEVELOPMENTS

3.1 Developments in National CPI

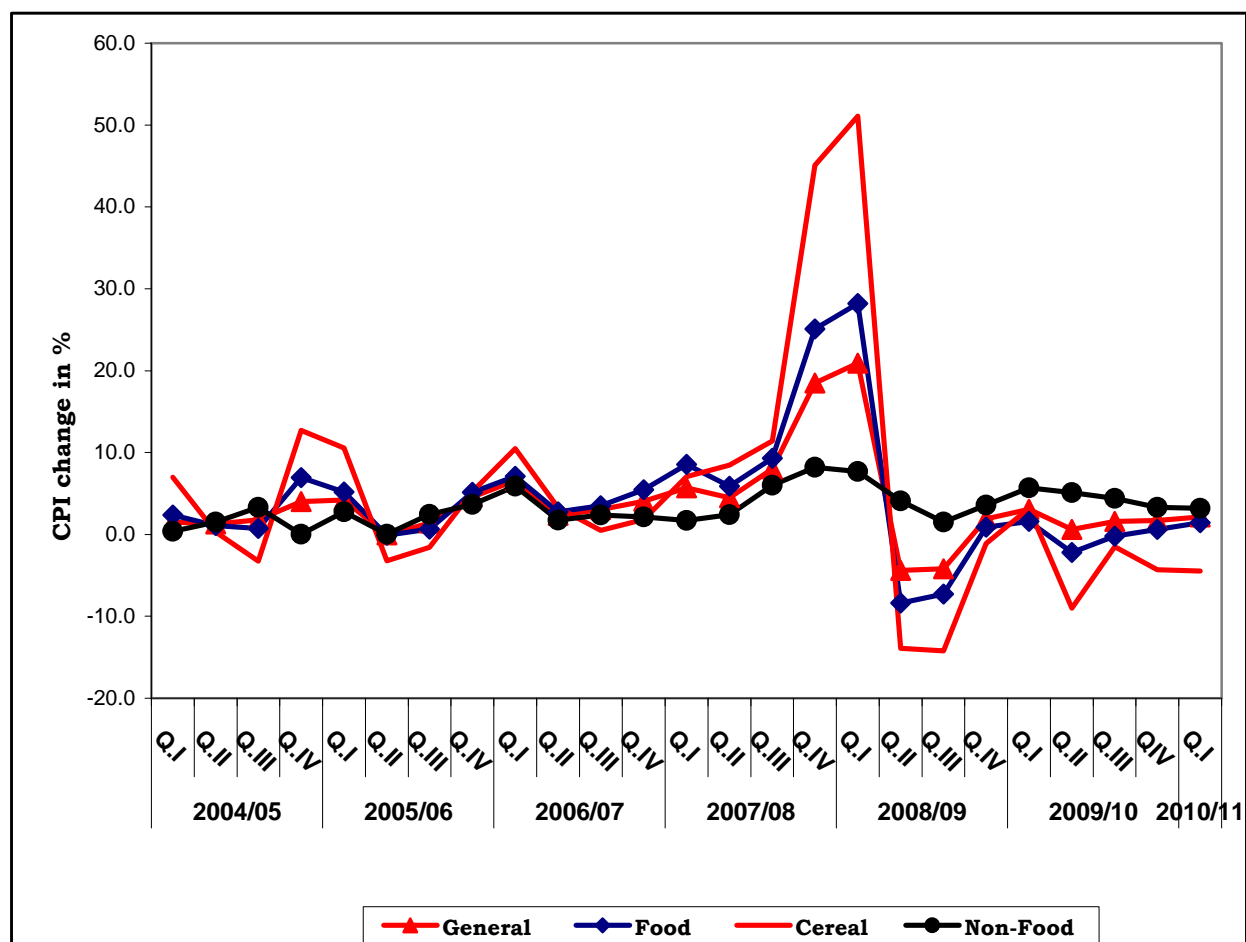
General inflation stood at 2.1 percent and tended to increase in the review quarter due to higher food price inflation compared to the previous quarter. Year-on-year basis, however, general inflation dropped by 1.0 percentage point as both food and non- food price inflation subsided by 0.2 and 2.5 percentage points, respectively (Table 3.1).

In terms of contribution to the quarterly inflation, the largest share (1.3 percent) was attributed to non-food CPI while food CPI contributed 0.8 percent. This higher contribution of non-food inflation to the quarterly inflation could be due to the recent depreciation of the Birr in the first week of September 2010 and upward trend in commodity prices at the international market.

Food inflation, which has 57 percent weight in the CPI, showed a 1.4 percent increase, indicating a 0.8 percentage point rise over the preceding quarter, but 0.2 percentage point slowdown against the corresponding quarter of last fiscal year. The quarterly rise in food inflation originated from the rise in the prices of vegetables and fruits (13.6 percentage point), coffee and tea leaves (12.7 percentage point), milk, cheese and egg (3.2 percentage point), potatoes, other tubers and stems (1.3 percentage point) and bread and other prepared food (0.9 percentage point). The remaining components of food inflation namely, cereals, pulses, meat, spices, milling charges, food taken away from home and other food items showed decline in prices (Table 3.2).

Non-food inflation with 43 percent weight in the CPI slowed down to 3.2 percent from 5.7 percent last year same quarter and 3.3 percent in the previous quarter. Cigarettes & tobacco, and transportation & communication among others, were the main factors behind the quarterly decline in non-food inflation despite increases in clothing and footwear, house rent, construction materials, water, fuel and electric power; and personal care and effects. (Table 4.3).

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

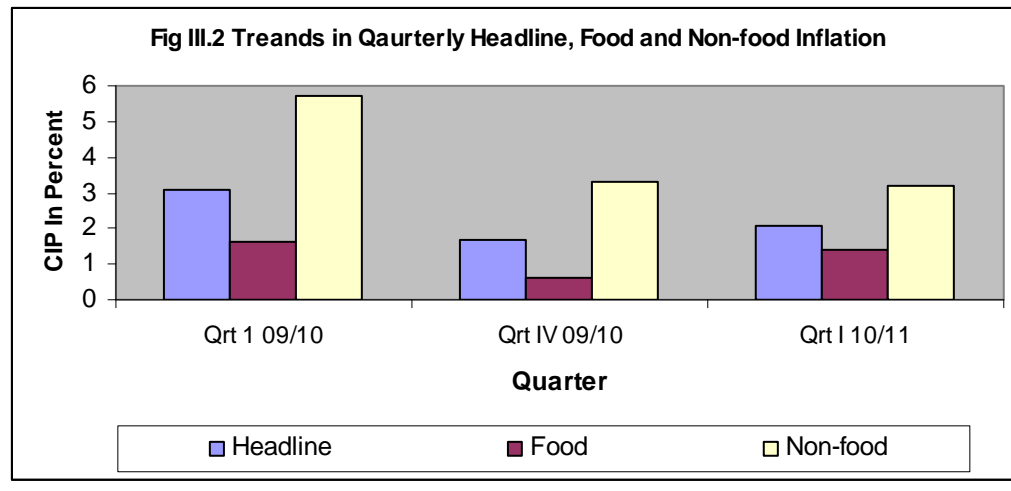


Source: Central Statistical Agency (CSA) and NBE Staff Computation

Table 3.1: Quarterly National General Consumer Prices

CPI	Weights	2009/10		2010/11	Change in percentage points		Contribution to	
		QI	QIV	QI				
		A	B	C	C-A	C-B	QI headline inflation	change in headline inflation over QIV
Headline	100.0	3.1	1.7	2.1	-1.0	0.4	2.1	0.4
Food	57.0	1.6	0.6	1.4	-0.2	0.8	0.8	0.5
Non-food	43.0	5.7	3.3	3.2	-2.5	-0.1	1.3	-0.1

Source: CSA and NBE Staff Computation



Source: CSA and NBE Staff Computation

Table 3.2: Quarterly National Food Consumer Prices

	Weights	2009/10		2010/11	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	57.01	1.6	0.6	1.4	-0.2	0.8	1.4	0.8
Cereals	22.54	3.2	-4.3	-4.5	-7.7	-0.2	-1.7	0.1
Pulses	4.31	-0.8	3.1	0.0	0.8	-3.1	0.0	-0.2
Bread and other prepared food	1.87	2.7	-0.2	0.7	-2.0	0.9	0.0	0.1
Meat	2.82	2.3	3.9	3.5	1.2	-0.4	0.2	0.0
Milk, cheese and egg	1.96	2.8	1.0	4.2	1.4	3.2	0.1	0.1
Oil and fats	2.39	-0.8	5.7	6.4	7.3	0.7	0.3	0.0
Vegetables and fruits	2.55	-10.2	4.1	17.7	27.9	13.6	0.8	0.6
Spices	1.98	4.4	32.3	13.6	9.3	-18.7	0.7	-0.6
Potatoes, other tubers and stems	4.16	-9.7	-2.3	-0.9	8.8	1.3	-0.1	0.1
Coffee, (bean, whole) and tea leaves	4.27	8.7	-0.7	12.0	3.3	12.7	0.9	0.9
Other foods items	1.23	1.9	2.5	-0.7	-2.6	-3.2	0.0	-0.1
Milling charge	1.17	7.5	4.8	-0.9	-8.4	-5.7	0.0	-0.1
Food taken away from home	5.76	4.5	2.8	2.1	-2.4	-0.7	0.2	-0.1

Source: CSA and NBE Staff Computation

Table 3.3: Quarterly National Non-food Consumer Prices

	Weights	2009/10		2010/2011	Change in percentage points		Contribution to	
		QI	QIV	QI			QI Non-food inflation	change in non-food inflation over QIV
		A	B	C	C-A	C-B		
Non-Food	43.00	5.7	3.3	3.2	-2.5	-0.1	3.2	-0.1
Beverages	2.02	2.5	2.9	2.1	-0.4	-0.8	0.1	0.0
Cigarettes and Tobacco	0.48	2.1	6.7	0.4	-1.7	-6.3	0.0	-0.1
Clothing and Footwear	8.32	6.1	4.1	4.6	-1.5	0.5	1.0	0.1
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.56	6.0	2.8	3.1	-2.9	0.3	1.4	0.1
Furniture, Household Equipment and Operation	3.75	5.1	4.1	3.6	-1.5	-0.5	0.4	-0.1
Medical Care and Health	1.11	3.2	3.0	-0.1	-3.3	-3.1	0.0	-0.1
Transport and Communication	2.49	11.1	3.5	-0.1	-	-3.6	0.0	-0.2
Recreation, Entertainment and Education	1.09	5.4	3.5	4.8	-0.6	1.3	0.1	0.0
Personal Care and Effects	0.83	7.6	2.4	4.5	-3.1	2.1	0.1	0.0
Miscellaneous Goods	2.34	3.7	1.7	0.7	-3.0	-1.0	0.0	0.0

Source: CSA and NBE Staff Computation

3.2 Developments in Regional CPI

During the review quarter, regional average headline inflation was 2.0 percent showing 0.5 percentage point increase vis-a-vis the previous quarter. All regional states, except Addis Ababa and Tigray, experienced a rise in quarterly inflation.

Harari, Amhara, Addis Ababa, Oromia, Gambela and Afar were among the regional states that registered an inflation rate greater than the regional average.

During the quarter under review, the margin in the rates of inflation among regional states was 5.4 percentage point. The maximum inflation (4.4 percent) was observed in Addis Ababa and the minimum (-1.0 percent) in Benishangul Gumz (Table 3.4). The variation in the regional headline inflation rates from the average as indicated by standard deviation was about 1.5 percentage points (Table 3.4).

The regional average food inflation in the review quarter was equal to the average national food inflation of 1.4 percent indicating a 0.8 percentage point rise over the preceding quarter. Compared to the same quarter of last fiscal year, however, food inflation slowed down by 1.6 percentage point.

Food inflation above the quarterly regional average was recorded in Addis Ababa, Harari, Oromia, Gambella, Amhara and Afar regional states. The remaining states registered average food inflation less than the regional average.

With reference to the variation in food inflation, the maximum rate of food inflation of 5.9 percent was recorded in Addis Ababa and the minimum (-3.5 percent) in Benishangul Gumz. Equally, the variation in food inflation measured by standard deviation was 2.4 percent, narrower than the preceding quarter level but wider than the same period a year ago.

The average regional non-food inflation stood at 2.8 percent, indicating 0.5 and 0.1 percentage points slow down vis-à-vis the same quarter of last year and the preceding quarter, respectively. Dire Dawa, Somali, Amhara, SNNP and Afar

regions registered quarterly non-food inflation rates higher than the regional average. The highest being recorded in Amhara regional state (4.4 percent) and the lowest in Tigray (0.8 percent).

The variation in non-food inflation measured by the standard deviation has declined to 1.1 percent in the review quarter compared to the same period of last fiscal year but slightly increased over the preceding quarter.

Table 3.4: Annualized Regional General, Food and Non-Food Inflation

Regions	2009/10						2010/2011			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	3.1	1.1	6.3	0.1	-2.7	3.7	1.5	0.2	3.0	-1.6	-0.9	-3.3	1.4	2.9	-0.7
Harari	2.6	0.6	5.3	1.7	1.2	2.4	3.2	3.8	2.5	0.6	3.2	-2.8	1.5	2.6	0.1
Oromia	2.0	0.4	4.7	1.6	0.5	3.3	2.4	1.7	3.4	0.4	1.3	-1.3	0.8	1.2	0.1
Tigray	3.3	1.1	7.2	3.1	3.1	3.0	0.3	0.0	0.8	-3.0	-1.1	-6.4	-2.8	-3.1	-2.2
Gambella	2.7	7.7	3.3	0.5	-2.1	4.2	2.1	2.6	1.3	-0.6	-5.1	-2.0	1.6	4.7	-2.9
Addis Ababa	4.5	3.3	5.7	4.5	5.3	3.9	4.4	5.9	3.1	-0.1	2.6	-2.6	-0.1	0.6	-0.8
Dire Dawa	1.8	2.1	1.8	1.4	1.6	1.2	1.5	0.0	3.5	0.3	-2.1	1.7	0.1	-1.6	2.3
Beshangul Gumz	7.2	9.1	4.0	-0.7	-3.2	2.9	-1.0	-3.5	2.4	-8.2	-12.6	-1.6	-0.3	-0.3	-0.5
Somali	2.2	1.4	4.0	0.2	-0.4	1.3	1.7	1.0	3.1	-0.5	-0.4	-0.9	1.5	1.4	1.8
Afar	2.9	2.2	3.9	2.5	2.1	3.2	2.9	2.2	3.9	0.0	0.0	0.0	0.4	0.1	0.7
Amhara	4.5	3.5	6.7	1.8	1.5	2.3	2.7	1.9	4.4	-1.8	-1.6	-2.3	0.9	0.4	2.1
Regions Average	3.3	3.0	4.8	1.5	0.6	2.9	2.0	1.4	2.8						
Standard deviation	1.6	2.9	1.6	1.5	2.6	1.0	1.5	2.4	1.1						
Coefficient of variation	0.5	1.0	0.3	1.0	4.1	0.3	0.7	1.7	0.4						

Source: CSA and NBE Staff Computation

N.B. SNNP denotes Southern Nations, Nationalities and Peoples