

III. QUARTERLY PRICE DEVELOPMENTS

3.1 Developments in National CPI

Recent trends in inflation showed a quarterly rise in headline, food & non-food inflation. Accordingly, headline inflation went up 3.8 percentage point on quarterly basis to 5.9 percent owing to an increase both in food inflation (3.4 percentage point) and non-food inflation (4.3 percentage point). Year-on-year basis, general inflation scaled up by 5.3 percentage point as both food and non-food price inflation surged by 7.0 and 2.4 percentage points, respectively (Table 3.1).

Significant devaluation of Birr/USD in September 2010 to the tune of 20 percent, higher fuel and food prices in the international market and mismatch between domestic demand and supply 22.8 percent growth in reserve money were the main reasons behind the rise in inflationary pressure.

In terms of contribution to the 5.9 percent quarterly inflation, non-food CPI contributed 3.1 percent and food CPI 2.8 percent.

Food inflation rose to 4.8 percent during the review quarter, registering 3.4 percentage point quarterly and 7.0 percentage point annual surge. The quarterly increase in food inflation was on account of higher prices of oil and fats (14.2 percentage point), pulses (9.9 percentage point), coffee and tea leaves (9.7 percentage point), potatoes, other tubers and stems (7.8 percentage points) followed by vegetables and fruits (6.1 percentage point), milk, cheese and egg (2.9 percentage point) and cereals (2.0 percentage point). The remaining food components such as spices, meat and bread & other prepared food, however, depicted decline in prices. (Table 3.2)

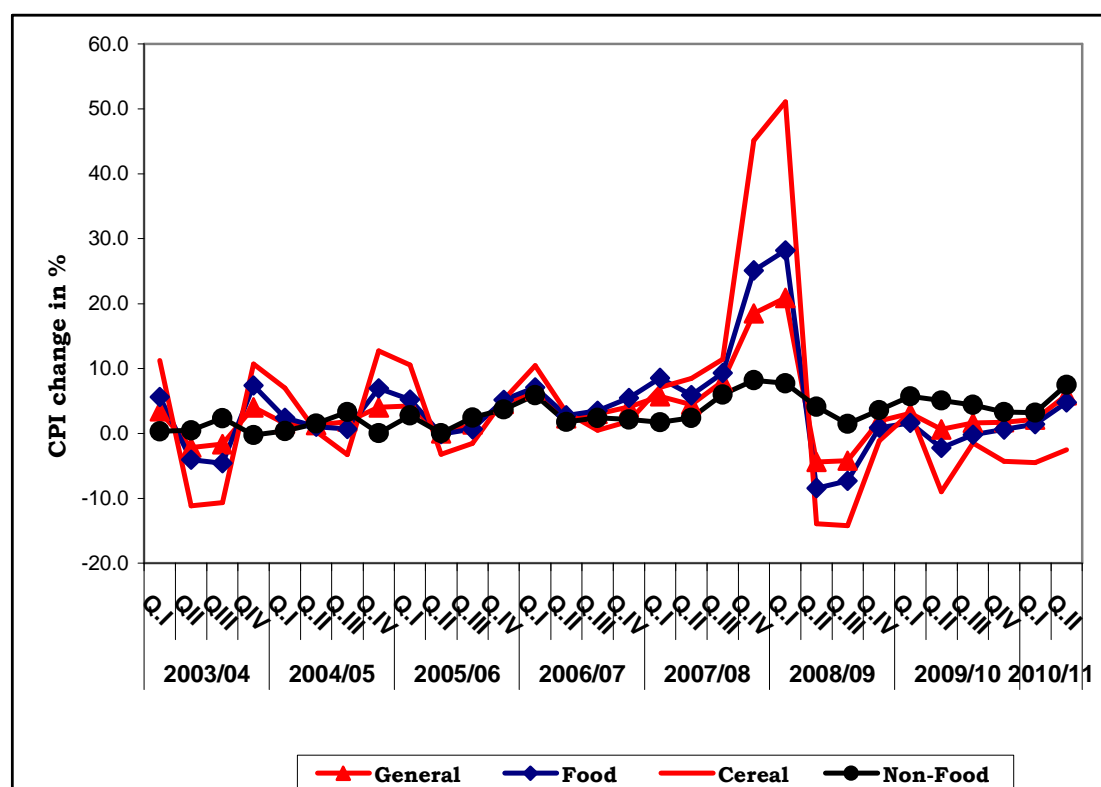
Mean while, non-food inflation jumped to 7.5 percent from 5.1 percent a year earlier and 3.2 percent in the previous quarter. All non-food components registered a rise in prices. Cigarettes & tobacco, recreation, entertainment & education and transportation & communication among others, were the main factors behind the observed quarterly surge (Table 3.3).

Table 3.1: Quarterly National General Consumer Prices

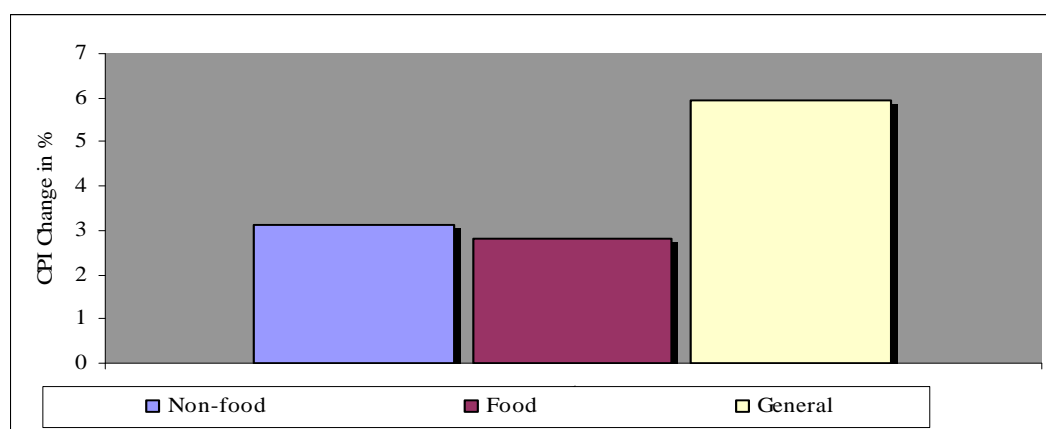
	Weights	2009/10			2010/11		Change in Percentage Points		Contribution to	
		QII		QI	QII	C-A	C-B	QII Headline Inflation	Change in Headline Inflation over QI	
		A	B	C						
Headline	100	0.6	2.1	5.9	5.3	3.8	5.9	3.8		
Food	57	-2.2	1.4	4.8	7.0	3.4	2.8	2.0		
Non-Food	43	5.1	3.2	7.5	2.4	4.3	3.1	1.8		

Source: CSA and NBE Staff Computation

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



Source: CSA and NBE Staff Computation

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

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	
		QII	QI	QII	C-A	C-B	QII Food Inflation	Change in Food Inflation over QI
		A	B	C				
Food	57.01	-2.2	1.4	4.83	7.0	3.4	4.8	3.4
Cereals	22.5	-9.0	-4.5	-2.5	6.5	2.0	-0.9	0.8
Pulses	4.31	-2.6	0.0	9.9	12.5	9.9	0.7	0.7
Bread and other prepared food	1.87	1.5	0.7	-0.3	-1.8	-1.0	0.0	0.0
Meat	2.82	0.4	3.5	1.2	0.8	-2.3	0.1	-0.1
Milk, cheese and egg	1.96	2.0	4.2	7.1	5.1	2.9	0.3	0.1
Oil and fats	2.39	-0.4	6.4	20.6	20.9	14.2	0.9	0.6
Vegetables and fruits	2.55	-3.0	17.7	23.8	26.9	6.1	1.3	0.5
Spices	1.98	13.4	13.6	-9.8	-23.2	-23.4	-0.6	-1.3
Potatoes, other tubers and stems	4.16	6.7	-0.9	6.9	0.2	7.8	0.5	0.6
Coffee, (bean, whole) and tea leaves	4.27	10.0	12.0	21.7	11.7	9.7	1.7	0.9
Other foods	1.23	2.2	-0.7	5.0	2.8	5.7	0.1	0.1

items								
Milling charge	1.17	3.8	-0.9	6.1	2.3	7.0	0.1	0.1
Food taken away from home	5.76	4.7	2.1	7.0	2.4	5.0	0.7	0.5

Source: CSA and NBE Staff Computation

Table 3.3: Quarterly National Non-food Consumer Prices

	Weights	2009/10	2010/11		Change in		Contribution to	
		QII	QI	QII	Percentage Points		QII Non-Food Inflation	Change in Non-Food Inflation over QI
		A	B	C	C-A	C-B		
Non-Food	43.00	5.1	3.2	7.5	2.4	4.3	7.5	4.3
Beverages	2.02	0.9	2.1	2.1	1.2	0.0	0.1	0.0
Cigarettes and Tobacco	0.48	1.9	0.4	18.9	16.9	18.5	0.2	0.2
Clothing and Footwear	8.32	5.5	4.6	8.2	2.7	3.6	1.9	0.8
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.56	5.8	3.1	6.8	0.9	3.7	3.1	1.7
Furniture, Household Equipment and Operation	3.75	4.2	3.6	8.4	4.2	4.8	0.9	0.5
Medical Care and Health	1.11	3.4	-0.1	4.8	1.4	4.9	0.1	0.1
Transport and Communication	2.49	7.8	-0.1	10.0	2.2	10.2	0.5	0.5
Recreation, Entertainment and Education	1.09	2.4	4.9	15.1	12.7	10.2	0.3	0.2
Personal Care and Effects	0.83	7.2	4.5	12.6	5.4	8.1	0.3	0.2
Miscellaneous Goods	2.34	1.3	0.7	4.1	2.8	3.4	0.2	0.1

Source: CSA and NBE Staff Computation

3.2 Developments in Regional CPI

Regional average headline inflation during the second quarter of 2010/11, was 5.5 percent, which was 3.5 and 4.2 percentage points higher than the preceding quarter and the same quarter of last fiscal year, respectively. Compared to the national headline inflation, the average regional headline inflation was 0.4 percentage point lower.

All regional states, except Benishangul Gumuz experienced a rise in quarterly inflation. Similarly, all regions except Amhara and Benishangul Gumuz, registered inflation rate greater than the regional average.

The deviation in the regional headline inflation rates from the average as represented by standard deviation was about 3.7 percentage points (Table 3.4).

The regional average food inflation in the review quarter was 4.3 percent, up by 2.9 percentage point vis-a-vis the preceding quarter and 6.3 percentage point compared to the same quarter of last fiscal year.

Food inflation above the quarterly regional average was recorded in Harari, Oromia, Gambella, SNNP, Somali and Dire Dawa regional states. Meanwhile, Amhara, Afar, Benishangul Gumuz, Addis Ababa and Tigray were among the regions that registered food inflation less than the regional average.

Regarding the range in food inflation, the maximum (15.4 percent) was recorded in Somali and the minimum (-3.6 percent) in Benishangul Gumuz. Similarly, the variation in food inflation measured by standard deviation was 4.9 percent.

The average regional non-food inflation scaled up by 4.4 and 2.7 percentage points vis-à-vis the preceding quarter and the same quarter of last year, respectively and stood at 7.2 percent. Dire Dawa, Addis Ababa, Harari, Tigray and Afar regions registered quarterly non-food inflation rates higher than the regional average. The highest average non-food inflation of 10.1 percent was recorded in Addis Ababa regional state and the lowest 0.2 percent in Benishangul. The variation in non-food inflation measured by the standard deviation was 2.7 percent in the review quarter (Table 3.4).

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

Regions	2009/10			2010/2011						Change			Change			
	QII			QI			QII			Change			E=C-B			
	A			B			C			D=C-A			E=C-B			
	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	
SNNP	2.3	-0.5	6.6	1.5	0.2	3.0	6.6	6.6	6.6	4.2	7.1	0.0	5.1	6.3	3.6	
Harari	1.2	0.4	2.2	3.2	3.8	2.5	5.9	4.4	7.9	4.7	3.9	5.8	2.7	0.6	5.5	
Oromia	-1.2	-4.1	3.8	2.4	1.7	3.4	6.4	6.3	6.7	7.6	10.4	2.9	4.1	4.6	3.3	
Tigray	1.8	0.6	4.0	0.3	0.0	0.8	1.7	-1.9	7.4	-0.2	-2.5	3.4	1.4	-1.9	6.7	
Gambella	4.4	-	10.5	-0.4	2.1	2.6	1.3	5.8	5.4	6.2	1.4	15.9	6.6	3.7	2.8	4.9
Addis Ababa	3.1	1.4	4.6	4.4	5.9	3.1	6.5	2.5	10.1	3.5	1.1	5.5	2.1	-3.4	7.0	
Dire Dawa	-2.0	0.6	-2.0	1.5	0.0	3.5	6.9	5.5	8.7	8.9	4.9	10.7	5.4	5.5	5.2	
Benishangul Gumuz	-8.9	-	17.4	5.1	-1.0	-3.5	2.4	-2.6	-3.6	0.2	6.3	13.8	-5.0	-1.6	-0.1	-2.2
Somali	2.6	0.9	6.3	1.7	1.0	3.1	12.4	15.4	6.3	9.8	14.5	-0.1	10.7	14.4	3.2	
Afar	6.1	4.2	9.1	2.9	2.2	9.1	6.1	4.2	9.1	0.0	0.0	0.0	3.3	2.0	0.0	
Amhara	5.3	2.7	10.1	2.7	2.7	4.4	5.3	2.7	2.7	0.0	0.0	-7.4	2.6	0.0	-1.7	
Regions Average	1.3	-2.0	4.5	2.0	1.4	2.8	5.5	4.3	7.2	4.2	6.3	2.7	8.5	2.9	4.4	
Standard deviation	4.2	6.5	3.6	2.0	2.4	1.1	3.7	4.9	2.7							
Coefficient of variation	3.1	-3.3	0.8	0.7	1.7	1.7	-0.7	0.7	0.4							

Source: CSA and NBE Staff Computation