

III. QUARTERLY PRICE DEVELOPMENTS

3.1. Developments in National CPI

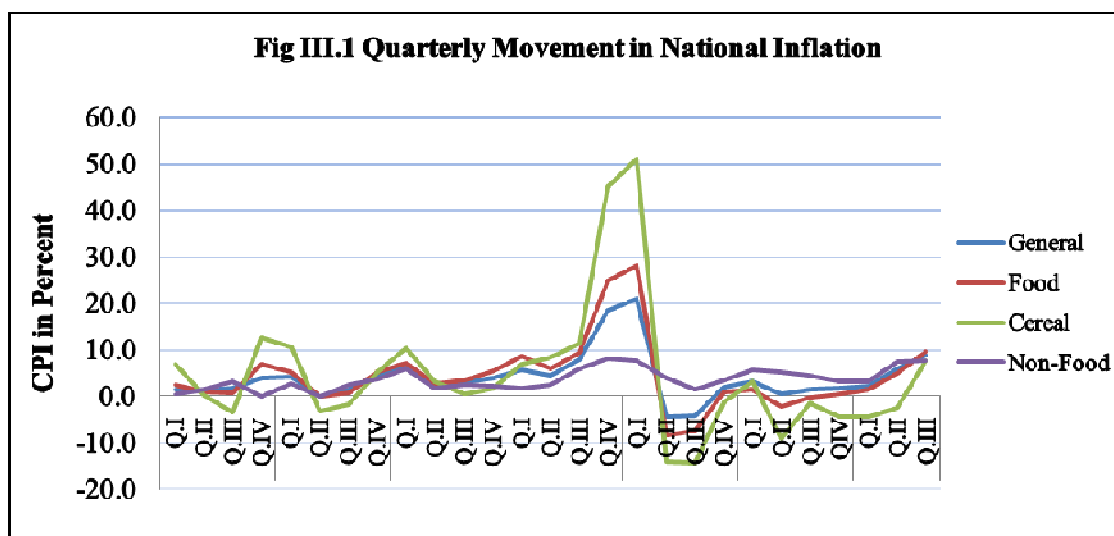
Inflation continued to rise in the third quarter of 2010/11. As a result, quarterly headline inflation reached 8.9 percent showing 7.3 and 3.0 percentage points growth over last year same period and the previous quarter, respectively due to the surge in both food and non-food inflation. Food inflation contributed 5.6 percent to the quarterly headline inflation while that of non-food inflation 3.3 percent to the headline inflation (Table 3.1).

The fundamental reasons behind the recent upward pressure in inflation include imported inflation associated with increasing oil and food prices, rising domestic aggregate demand, money supply and oligopolistic market structure.

Food inflation was 9.7 percent in the review quarter, up by 4.9 percentage points relative to preceding quarter and 9.9 percentage points against a year ago. The annual increase in food inflation was on account of hike in price inflation of coffee & tea leaves (32.4 percentage

point); cereals (13.1 percentage point); potatoes, other tubers & stems (12.8 percentage point); pulses (9.4 percentage point); fats & oil (8.5 percentage point); vegetables & fruits (6.3 percentage point); milk, cheese & egg (5.2 percentage point) and bread & other prepared food (2.1 percentage point). However, the prices of spices & meat, tended to slow down during the review period (Table 3.2).

Similarly, non-food inflation scaled up to 7.7 percent from 4.4 percent last year same quarter and 7.5 percent in the previous quarter. Transportation & communication (9.9 percentage points) house rent, construction materials, water, and fuel and electric power (4.7 percentage points), personal care & effects (3.7 percentage points), beverage (3.3 percentage points) and clothing & foot wear (2.7 percentage points) were the major factors behind the 3.4 percentage points yearly rise in core inflation (Table 3.3).

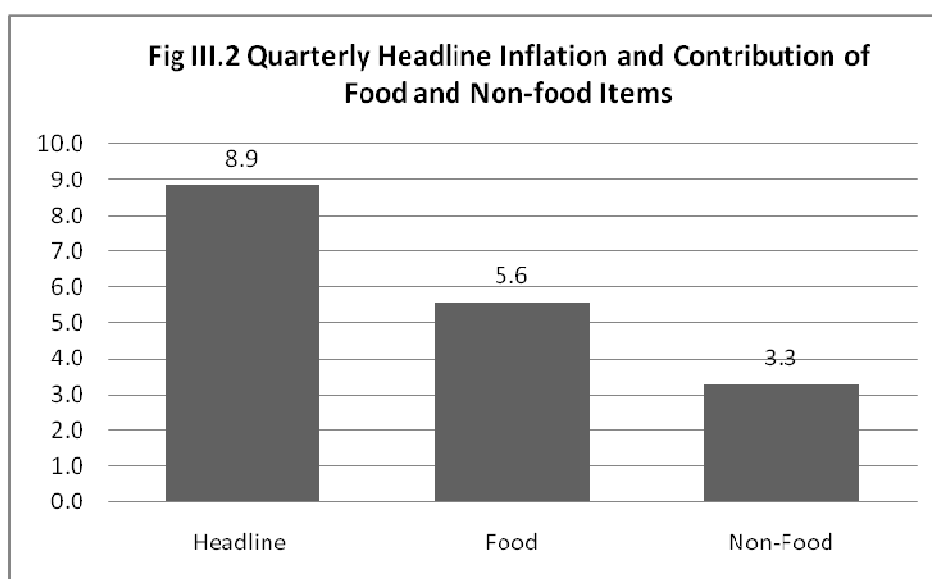


Source:CSA

Table 3.1: Quarterly National General Consumer Price Index

	Weights	2009/10	2010/11		Change in %age Points		Contribution to	
		QIII	QII	QIII	C-A	C-B	QIII Headline Inflation	Headline Inflation over QII
		A	B	C				
Headline	100	1.6	5.9	8.9	7.3	3.0	8.9	2.9
Food	57	-0.2	4.8	9.7	9.9	4.9	5.6	2.8
Non-Food	43	4.4	7.5	7.7	3.3	0.2	3.3	0.2

Source: CSA and NBE Staff Computation



Source: CSA and NBE Staff Computation

Table 3.2: Quarterly National Food Consumer Price Index

Item	Weights	2009/10	2010/11		Change in %age Points		Contribution to	
		QIII	QII	QIII	C-A	C-B	QIII Food Inflation	Change in Food Inflation over QII
		A	B	C				
Food as a whole	57.01	-0.2	4.8	9.7	9.9	4.9	9.7	4.9
Cereals	22.54	-5.4	-2.5	7.7	13.1	10.2	2.6	3.4
Pulses	4.31	1.8	9.9	11.3	9.4	1.3	0.8	0.1
Bread and other prepared food items	1.87	0.7	-0.3	2.8	2.1	3.1	0.1	0.1
Meat	2.82	2.8	1.2	-8.4	-11.2	-9.6	-0.4	-0.4
Milk, cheese and egg	1.96	3.9	7.1	9.1	5.2	2.0	0.3	0.1
Fats and oils	2.39	1.3	20.6	9.7	8.5	-10.9	0.5	-0.4
Vegetables and fruits	2.55	7.4	23.8	13.7	6.3	-10.1	0.9	-0.4
Spices	1.98	14.1	-9.8	4.2	-10.0	14.0	0.2	0.8
Potatoes, other tubers and stems	4.16	3.1	6.9	15.9	12.8	9.0	1.2	0.7
Coffee (bean, whole) and tea leaves	4.27	1.9	21.7	34.3	32.4	12.6	3.2	1.4
Other food items	1.23	5.1	5.0	-2.8	-7.9	-7.8	-0.1	-0.2
Milling charge	1.17	3.9	6.1	0.2	-3.7	-5.9	0.0	-0.1
Food taken away from home	5.76	2.4	7.0	3.5	1.1	-3.5	0.4	-0.3

Source: CSA and NBE Staff Computation

Table 3.3: Quarterly National Non-Food Consumer Price Index

Item	Weights	2009/10	2010/11		Change in %age points		Contribution to	
		QIII	QII	QIII			QIII Non-Food Inflation	Change in Non-Food Inflation over QII
		A	B	C	C-A	C-B		
Non-Food	43.0	4.4	7.5	7.7	3.4	0.3	7.7	0.3
Beverages	2.0	0.4	2.1	3.6	3.3	1.5	0.2	0.1
Cigarettes and Tobacco	0.5	7.3	18.9	4.0	-3.3	-14.9	0.1	-0.2
Clothing and Footwear	8.3	6.9	8.2	9.7	2.7	1.5	2.2	0.3
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.6	3.5	6.8	8.2	4.7	1.4	3.7	0.6
Furniture, Household Equipment and Operation	3.8	5.9	8.4	4.9	-1.0	-3.5	0.5	-0.4
Medical Care and Health	1.1	5.9	4.8	2.6	-3.3	-2.2	0.1	-0.1
Transport and Communication	2.5	3.9	10.0	13.8	9.9	3.8	0.7	0.2
Recreation, Entertainment and Education	1.1	2.2	15.1	2.7	0.5	-12.4	0.1	-0.3
Personal Care and Effects	0.8	5.5	12.6	9.3	3.7	-3.3	0.2	-0.1
Miscellaneous Goods	2.3	1.6	4.1	1.9	0.3	-2.2	0.1	-0.1

Source: CSA and NBE Staff Computation

3.2. Developments in Regional CPI

During the third quarter of 2010/11, regional average headline inflation was 7.0 percent, which was 0.3 and 6.3 percentage point 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 lower by 1.9 percentage point as all regional states, except SNNP, Harari and Oromia, recorded

quarterly inflation lower than the national average.

Most regional states experienced a rise in quarterly inflation except Gambela, Addis Ababa, DireDawa, Somali and Afar regional states. The highest quarterly headline inflation was registered in Benishangul Gumz (12.8 percent) and the minimum 3.2 percent in Somali. This resulted in the 9.6

percentage points margin in the rates of inflation among regional states. The deviation in the regional headline inflation rates from the average as represented by standard deviation was 2.7 percentage points (Table 3.4).

The regional average food inflation in the review quarter was 7.9 percent indicating 3.0 percentage point rise over the preceding quarter and 9.0 percentage points in the same quarter of last fiscal year. Food inflation higher than the quarterly regional average was experienced by Harari, Oromia, Benishangul Gumz and SNNP regional states.

The highest average food inflation was registered in SNNP (16.8 percent) and the lowest in Addis Ababa (0.2 percent) witnessing a 17.0 percentage point margin in the rate of food inflation among regions. Slightly lower than 17.3 percentage point margin observed in the preceding quarter.

The variation in food inflation measured by standard deviation was 4.8 percent, somewhat wider than the preceding

quarter and the same quarter a year earlier.

Meanwhile, the average regional non-food inflation scaled up by 2.4 percentage points to 6.1 percent vis-à-vis the same quarter of last year, but slowed down by 1.9 percentage point compared to the previous quarter. Addis Ababa, Harari, Oromia, Amhara and Afar regions experienced quarterly non-food inflation rates higher than the regional average.

The highest average non-food inflation of 8.2 percent was recorded in Oromia and Afar regional states and the lowest 2.4 percent in Benishangul.

The variation in non-food inflation measured by the standard deviation was 1.9 percent in the review quarter, which was higher than the 1.5 percent observed in the previous quarter (Table 3.4).

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

Regions	2009/10			2010/11						Annual Change			Quarterly Change		
	QIII A			QII B			QIII 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	1.2	-0.6	3.7	6.6	6.6	6.6	12.5	16.8	7.3	11.3	17.4	3.6	5.9	10.2	0.7
Harari	2.7	3.7	1.5	5.9	4.4	7.9	9.6	12.3	6.2	6.8	8.6	4.7	3.6	7.9	-1.8
Oromia	2.8	1.1	5.5	6.4	6.3	6.7	10.2	11.5	8.2	7.4	10.4	2.8	3.7	5.3	1.5
Tigray	-0.5	-2.4	2.8	1.7	-1.9	7.4	4.1	3.1	5.6	4.6	5.5	2.8	2.4	5.0	-1.8
Gambella	-0.5	-3.4	4.2	5.8	5.4	6.2	5.1	4.8	5.5	5.6	8.2	1.3	-0.7	-0.7	-0.7
Addis Ababa	0.2	-2.3	2.5	6.6	2.6	10.2	4.2	0.2	7.5	4.0	2.5	5.1	-2.4	-2.4	-2.7
Dire Dawa	2.0	1.9	2.1	6.7	5.5	8.2	5.8	7.2	4.1	3.9	5.3	2.0	-0.8	1.7	-4.1
Ben. Gum	-5.1	-9.7	2.0	6.1	3.1	9.7	7.7	12.2	2.4	12.8	21.9	0.4	1.6	9.1	-7.3
Somali	2.9	0.9	7.4	12.4	15.4	6.3	6.2	7.1	4.3	3.2	6.2	-3.2	-6.2	-8.4	-2.0
Afar	1.9	-0.1	5.1	6.1	4.2	9.1	6.0	6.6	8.2	4.1	6.7	3.0	-0.1	2.4	-0.9
Amhara	0.2	-1.6	3.8	5.3	2.7	10.1	6.1	5.0	7.9	5.8	6.5	4.1	0.7	2.3	-2.2
Regions Average	0.7	-1.1	3.7	6.3	4.9	8.0	7.0	7.9	6.1						
Standard deviation	2.3	3.5	1.8	2.4	4.2	1.5	2.7	4.8	1.9						
Coefficient of Variation	3.3	-3.1	0.5	0.4	0.9	0.2	0.4	0.6	0.3						

Source: CSA and NBE Staff Computation