

## II. QUARTERLY PRICE DEVELOPMENTS

### 3.1. Developments in National CPI

Fiscal year 2010/11 was marked by an upward movement in inflation. Accordingly, headline inflation surged to 13.8 percent in the fourth quarter against 1.7 and 8.9 percent in the same quarter last year and the previous quarter, respectively. Food CPI rose to 19.6 percent during the period becoming the main driver of the quarterly headline inflation by contributing 11.3 percent to the general inflation. Meanwhile, core inflation tended to decline over the previous quarter with just 2.5 percent contribution for the quarterly general inflation hike (Table 4.1).

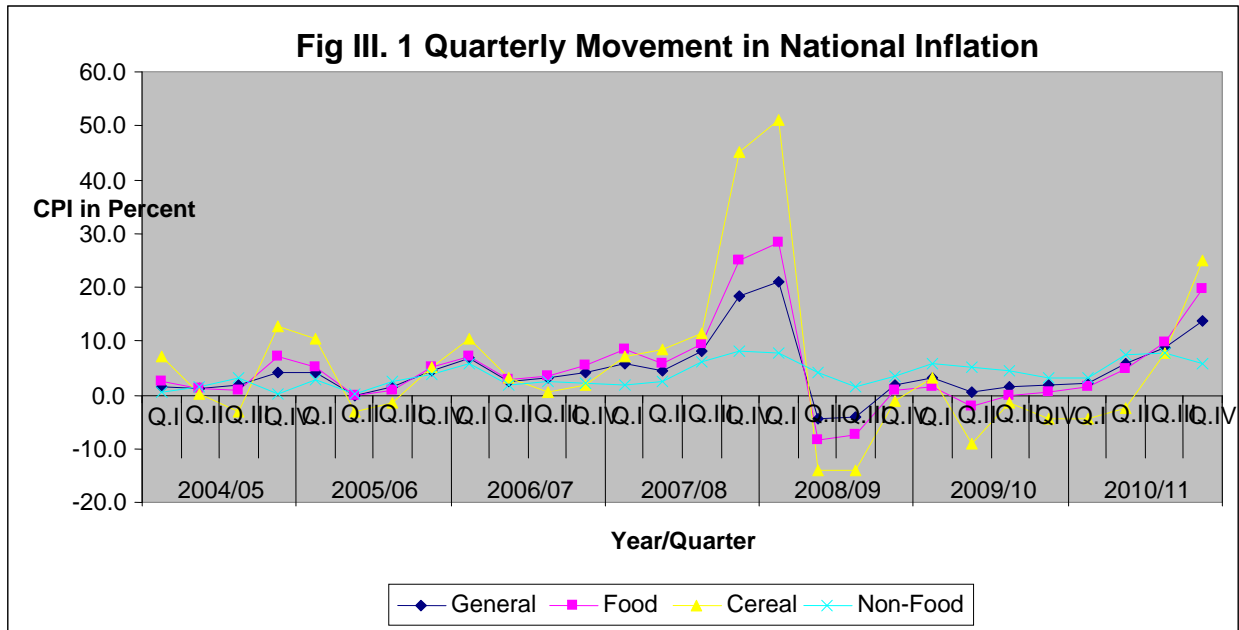
The rise in demand for food items both at international and domestic markets was one of the fundamental factors behind the quarterly price hike in Ethiopia. The surge in the prices of commodities like coffee, pulses, oilseeds and the like in international market put upward pressure on domestic price of these commodities. Besides imported inflation, lack of efficient and competitive domestic market structure

supply side constraints and significant exchange rate adjustment contributed to the continuous rise of inflation during the fiscal year 2010/11.

Food inflation surged to 19.6 percent during the quarter revealing 19.0 and 9.9 percentage point annual and quarterly surge, respectively. The remarkable rise in the annual food inflation was largely due to the price hike in fats & oil (30.7 percentage points); cereals (29.0 percentage points); pulses (24.4 percentage points); potatoes, other tubers & stems (22.1 percentage points) and coffee & tea leaves (18.3 percentage points) (Table 4.2).

Similarly, non-food inflation scaled up to 5.8 percent from 3.3 percent last year same quarter but declined marginally on quarterly basis. Transportation & communication, house rent, construction

materials, water, and fuel and electric power, cigarettes and tobacco, beverage and clothing & foot wear were the key factors behind the observed annual surge in core inflation (Table 4.3).



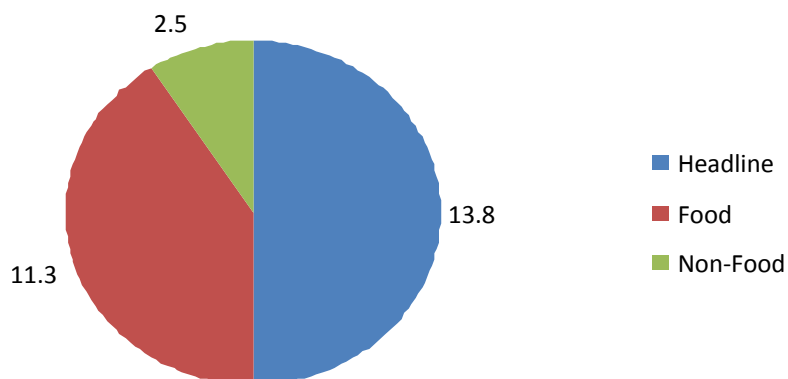
Source:CSA

**Table 3.1: Quarterly National General Consumer Prices**

	Weights	2009/10	2010/11		Change in %age Points		Contribution to	
		QIV	QIII	QIV	C-A	C-B	QIV Headline inflation	Headline inflation over QIII
		A	B	C				
Headline	100	1.7	8.9	13.8	12.1	4.9	13.8	4.9
Food	57	0.6	9.7	19.6	19.0	9.9	11.3	5.8
Non-Food	43	3.3	7.8	5.8	2.5	-2.0	2.5	-0.9

Source: CSA and NBE Staff Computation

**Fig III.2 Contribution of Food & Non-Food to Fourth Quarter  
Headline Inflation**



Source: CSA and NBE Staff Computation

**Table 3.2: Quarterly National Food Consumer Prices**

Item	Weights	2009/10	2010/11		Change in %age points		Contribution to	
		QIV	QIII	QIV	%		QIV Food inflation	Change in Food Inflation over QIII
		A	B	C	C-A	C-B		
<b>Food as a whole</b>	<b>57.01</b>	<b>0.6</b>	<b>9.7</b>	<b>19.6</b>	<b>19.0</b>	<b>9.9</b>	<b>19.6</b>	<b>9.9</b>
Cereals	22.54	-4.3	7.7	24.8	29.0	17.1	8.1	5.5
Pulses	4.31	3.1	11.3	27.5	24.4	16.2	2.0	1.2
Bread and other prepared food items	1.87	-0.2	2.8	10.0	10.2	7.2	0.4	0.3
Meat	2.82	3.9	-8.4	12.7	8.8	21.1	0.5	0.8
Milk, cheese and egg	1.96	1.0	9.1	7.3	6.3	-1.8	0.3	-0.1
Fats and oils	2.39	5.7	9.9	36.4	30.7	26.5	1.7	1.3
Vegetables and fruits	2.55	4.1	13.7	-5.8	-9.8	-19.5	-0.4	-1.3
Spices	1.98	32.3	4.2	44.0	11.7	39.8	2.2	1.9
Potatoes, other tubers and stems	4.16	-2.3	15.9	19.9	22.1	4.0	1.6	0.4
Coffee (bean, whole) and tea leaves	4.27	-0.7	34.3	17.6	18.3	-16.7	2.0	-1.2
Other food items	1.23	2.5	-2.8	4.6	2.1	7.4	0.1	0.2
Milling charge	1.17	4.8	0.2	5.2	0.4	4.9	0.1	0.1
Food taken away from home	5.76	2.8	3.6	11.3	8.5	7.7	1.1	0.7

Source: CSA and NBE Staff Computation

**Table 3.3: Quarterly National Non-food Consumer Prices**

Item	Weights	2009/10	2010/11		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				
<b>Non-Food</b>	<b>43.0</b>	<b>3.2</b>	<b>7.8</b>	<b>5.8</b>	<b>2.6</b>	<b>-2.0</b>	<b>5.8</b>	<b>-2.0</b>
Beverages	2.0	2.7	3.6	10.4	7.7	6.8	0.5	0.3
Cigarettes and Tobacco	0.5	6.8	4.1	9.9	3.1	5.8	0.1	0.1
Clothing and Footwear	8.3	4.0	10.1	7.6	3.6	-2.4	1.8	-0.5
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.6	2.8	8.2	3.8	1.0	-4.5	1.7	-2.0
Furniture, Household Equipment and Operation	3.8	4.1	4.9	6.4	2.3	1.5	0.6	0.1
Medical Care and Health	1.1	3.0	2.6	3.0	0.0	0.4	0.1	0.0
Transport and Communication	2.5	3.8	13.3	14.2	10.4	0.8	0.7	0.1
Recreation, Entertainment and Education	1.1	3.0	2.7	2.9	-0.1	0.2	0.1	0.0
Personal Care and Effects	0.8	2.4	9.3	5.9	3.5	-3.4	0.1	-0.1
Miscellaneous Goods	2.3	1.5	1.9	3.0	1.5	1.1	0.1	0.0

*Source: CSA and NBE Staff Computation*

### 3.2. Developments in Regional CPI

During the fourth quarter of 2010/11, regional average headline inflation was 12.6 percent, which was 10.2 and 5.9 percentage point higher compared to the same quarter of last fiscal year and the preceding quarter, respectively. Compared to the national headline inflation, the average regional headline inflation was 1.0 percentage point lower. SNNP, Amhara, Gambela and Benishangul Gumz were regional states with higher quarterly inflation than the national inflation level for the quarter. All regional states experienced a rise in quarterly headline inflation except

Harari. The highest quarterly headline inflation was registered in SNNP (16.6 percent) with the minimum (0.0 percent) in Afar. The deviation in the regional headline inflation rates from the average as represented by standard deviation was 4.7 percentage point (Table 4.4).

The regional average food inflation in the review quarter rose to 17.3 percent revealing 16.8 and 10.6 percentage point increase over the last year fourth quarter and the preceding quarter, respectively. Quarterly food inflation higher than the quarterly regional average was recorded

in Oromia, Benishangul Gumz, and Amhara and SNNP regional states. The highest average food inflation was observed in Benishangul Gumz (40.6 percent) and the lowest in Afar (0.0 percent). The variation in food inflation measured by standard deviation was 8.2 percent, wider than the preceding quarter and the same quarter a year ago.

Likewise, the average regional non-food inflation went up by 4.0 and 1.7 percentage point vis-à-vis the same quarter of last year and the previous quarter to reach 7.4 percent. Gambella, Somali, Harari, Tigray and Afar regions registered quarterly non-food inflation rates higher than the regional average. The highest average non-food inflation (22.0 percent) was recorded in Gambella and the lowest (0.0 percent) in SNNP. The variation in non-food inflation measured by the standard deviation was 5.6 percent in the review quarter, which was higher than the 1.9 percent for the previous quarter (Table 4.4).

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

Regions	2009/10			2010/2011						Annual Change			Quarterly Change		
	QIV			QIII			QIV			D=C-A			D=C-B		
	A			B			C								
	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food
SNNP	0.1	-2.7	3.7	12.5	16.8	7.3	16.6	24.4	0.0	16.6	27.1	-3.8	4.1	7.6	-7.3
Harari	2.7	3.7	1.5	5.5	1.2	2.6	5.1	9.0	7.5	2.3	5.3	6.0	-0.4	7.8	4.9
Oromia	1.6	0.5	3.3	10.2	11.5	8.2	12.5	19.3	6.1	10.9	18.7	2.8	2.3	7.7	-2.1
Tigray	3.1	3.1	3.0	4.2	3.1	5.9	12.8	15.9	8.5	9.8	12.8	5.5	8.6	12.9	2.6
Gambella	1.2	-2.1	4.2	4.8	4.8	4.3	14.9	14.9	22.0	13.7	17.0	17.8	10.1	10.1	17.7
Addis Ababa	4.5	5.3	3.9	4.3	0.2	7.6	8.8	11.8	6.5	4.3	6.6	2.6	4.6	11.6	-1.1
Dire Dawa	1.6	1.4	1.6	4.6	5.0	4.0	10.8	16.7	3.3	9.2	15.2	1.6	6.2	11.6	-0.8
Ben. Gumz	-0.7	-3.2	2.9	7.7	12.2	2.4	23.2	37.4	5.2	23.9	40.6	2.2	15.5	25.1	2.7
Somali	0.2	-0.4	1.3	6.4	7.4	4.3	10.6	11.5	8.5	10.4	11.9	7.2	4.2	4.1	4.2
Afar	9.4	9.4	9.4	7.4	6.9	8.2	9.4	9.4	9.4	0.0	0.0	0.0	2.0	2.5	1.3
Amhara	3.2	1.5	2.3	6.0	5.0	7.9	14.1	20.3	3.9	11.0	18.8	1.7	8.1	15.3	-3.9
<b>Regions Average</b>	<b>2.4</b>	<b>1.5</b>	<b>3.4</b>	<b>6.7</b>	<b>6.7</b>	<b>5.7</b>	<b>12.6</b>	<b>17.3</b>	<b>7.4</b>						
<b>Standard deviation</b>	2.8	3.8	2.2	2.6	5.0	2.2	4.7	8.2	5.6						
<b>Coefficient of variation</b>	1.1	2.5	0.7	0.4	0.7	0.4	0.4	0.5	0.8						