

III. Quarterly Price Developments

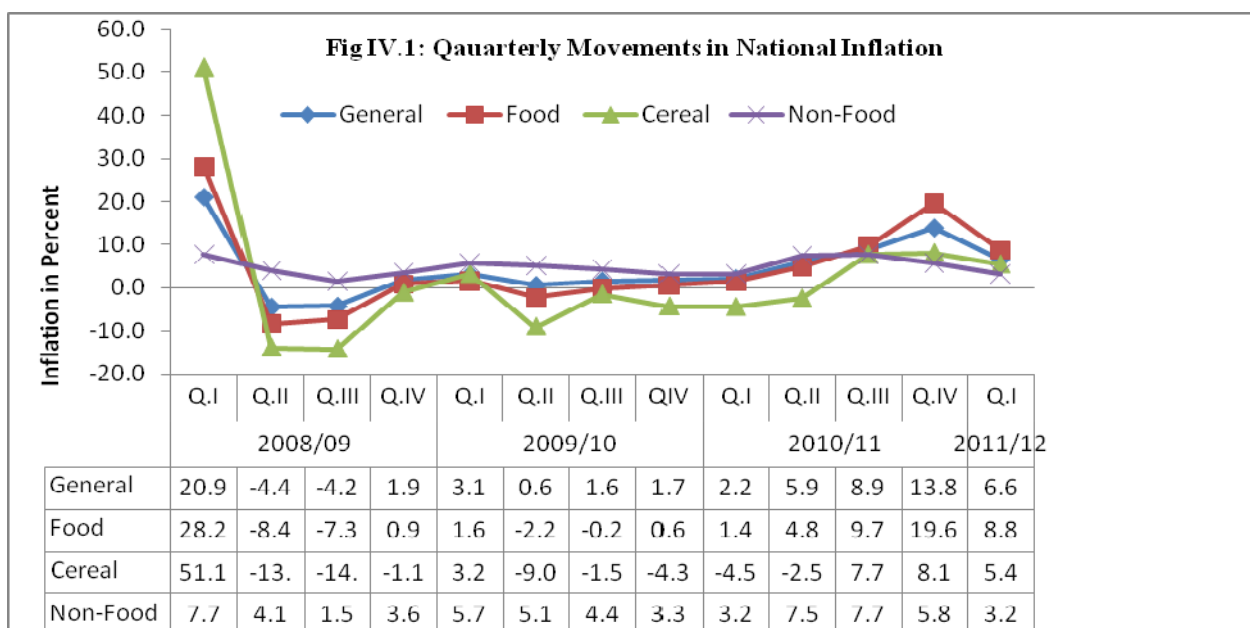
3.1. Developments in National CPI

First quarter headline inflation for the fiscal year 2011/12 was 6.6, down from 13.8 percent in the fourth quarter of 2010/11 owing to decline in both food & non-food inflation (Table 4.1) 10.8 percentage points to reach 8.8 percent. Core inflation also trended down and stood at 3.2 percent from 5.8 percent a quarter earlier in terms of contribution. Food contributed 5.3 percent while non-food contributes the remaining 1.3 percent (Table 4.1).

Food inflation was 8.8 percent during the quarter, down by 10.6 percent on quarterly basis but up by 7.4 percent annually. The remarkable drop down in food inflation on quarterly basis was due observed in fats & oil (36.1 percentage point); spices (30.1 percentage point); potatoes, other tubers & stems (23.6 percentage point); coffee & tea leaves

(16.5 percentage point); vegetables and fruits (9.8 percentage point); pulses (9.3 percentage point); cereals (8.8 percentage point); bread & other prepared food (10.2 percentage point); meat (8.8 percentage point); milk, cheese & egg (3.0 percentage point). However, meat depicted a quarterly rise (Table 4.2).

Similarly, non-food inflation rate which remained unchanged relative a year ago, scaled down to 3.2 percent from 5.8 percent in preceding quarter. The quarterly decline showed in non-food was due to drop in inflation rate of transportation & communication, house rent, construction materials, water, and fuel and electric power, cigarettes and tobacco, clothing & foot wear offsetting the slight surge in other non-food items like medical care and health, recreation and education etc (Table 4.3).



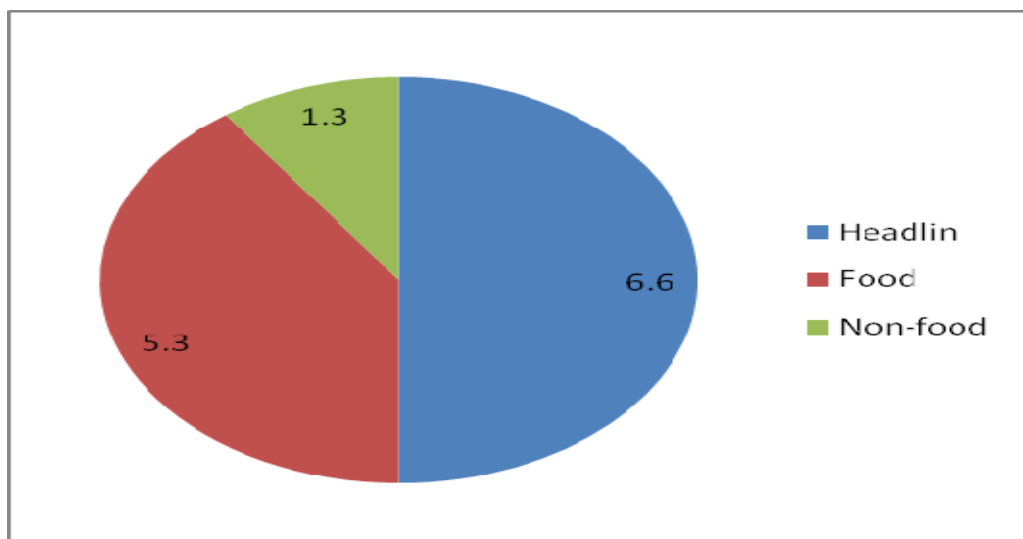
Source:CSA

Table 4.1: Quarterly National General Consumer Prices (In Percent)

Item	Weights	2010/11	2011/12		Change in %age Points		Contribution to	
		QI	QIV	QI			QI headline inflation	headline inflation over QIV
		A	B	C	C-A	C-B		
Headline	100	2.1	13.8	6.6	4.5	-7.2	6.6	-7.2
Food	57	1.4	19.6	8.8	7.4	-10.8	5.3	-6.0
Non-Food	43	3.2	5.8	3.2	0.0	-2.6	1.3	-1.2

Source: CSA and NBE Staff Computation

Fig IV.2 Quarterly Headline inflation and Contribution of Food and Non-food items



Source: CSA and NBE Staff Computation

Table 4.2: Quarterly National Food Consumer Prices

Item	Weights	2010/11		2011/12	Change in %age points		Contribution to	
		Q I	QIV	QI	C-A	C-B	QI Food inflation	Change in Food Inflation over QIV
		A	B	C				
Food as a whole	57.01	1.4	19.6	8.8	7.4	-10.8	8.8	-10.8
Cereals	22.54	-4.5	24.8	16.0	20.4	-8.8	5.4	-2.6
Pulses	4.31	0.0	27.5	18.2	18.2	-9.3	1.4	-0.6
Bread and other prepared food items	1.87	0.7	10.0	7.0	6.3	-3.0	0.2	-0.1
Meat	2.82	3.5	12.7	25.2	21.7	12.4	0.9	0.4
Milk, cheese and egg	1.96	4.2	7.3	4.3	0.1	-3.0	0.1	-0.1
Fats and oils	2.39	6.4	36.4	0.3	-6.1	-36.1	0.0	-1.7
Vegetables and fruits	2.55	17.7	-5.8	-15.6	-33.3	-9.8	-0.8	-0.4
Spices	1.98	13.6	44.0	13.9	0.3	-30.1	0.8	-1.3
Potatoes, other tubers and stems	4.16	-0.9	19.9	-3.7	-2.8	-23.6	-0.3	-1.9
Coffee (bean, whole) and tea leaves	4.27	12.0	17.6	1.0	-10.9	-16.5	0.1	-1.9
Other food items	1.23	-0.7	4.6	2.2	2.9	-2.4	0.0	-0.1
Milling charge	1.17	-0.9	5.2	2.2	3.1	-2.9	0.0	-0.1
Food taken away from home	5.76	2.1	11.3	8.5	6.5	-2.8	0.8	-0.3

Source: CSA and NBE Staff Computation

Table 4.3: Quarterly National Non-food Consumer Prices

Item	Weights	2010/11		2011/12	Change in % 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	43.0	3.2	5.8	3.2	0.0	-2.6	3.2	-2.6
Beverages	2.0	2.1	10.4	10.3	8.2	0.0	0.5	0.0
Cigarettes and Tobacco	0.5	0.4	9.9	4.4	4.0	-5.4	0.1	-0.1
Clothing and Footwear	8.3	4.6	7.6	4.6	0.0	-3.1	1.1	-0.7
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.6	3.1	3.8	1.0	-2.1	-2.8	0.4	-1.3
Furniture, Household Equipment and Operation	3.8	3.6	6.4	6.2	2.6	-0.2	0.6	0.0
Medical Care and Health	1.1	-0.1	3.0	2.2	2.4	-0.7	0.0	0.0
Transport and Communication	2.5	-0.1	14.2	0.7	0.8	-13.5	0.0	-0.7
Recreation, Entertainment and Education	1.1	4.8	2.9	6.1	1.3	3.2	0.1	0.1
Personal Care and Effects	0.8	4.5	5.9	9.7	5.2	3.9	0.2	0.1
Miscellaneous Goods	2.3	0.7	3.0	3.3	2.6	0.3	0.1	0.0

Source: CSA and NBE Staff Computation

3.2. Developments in Regional CPI

During the first quarter of 2011/12, regional average headline inflation was 7.7 percent, higher by 5.3 percentage point compared to the previous quarter, but up by 5.3 percentage point vis-à-vis the same quarter last fiscal year. Compared to the national headline inflation during the quarter, the average regional headline inflation was higher by 1.1 percentage point. Oromia, Amhara,

Gambela and Benishangul Gumz were regional states that have registered higher quarterly inflation than the regional average inflation level for the quarter.

All regional states except Harari experienced a slowdown in headline inflation during the review quarter. The highest quarterly headline inflation was registered in Oromia (14.0 percent) with the minimum of 5.4 percent inflation

registered in Harari, indicating almost 8.6 percentage point margin in the rates of inflation among the regional, lower than the previous quarter margin of 14.9 percentage point. The deviation in the regional headline inflation rates from the average as represented by standard deviation was 2.8 percentage points (Table 4.4).

The regional average food inflation in the review quarter dropped to 9.9 percent from 17.9 percent in the previous quarter but up from 1.4 percent low level in the same quarter last fiscal year. Quarterly food inflation higher than the quarterly regional average was registered in Benishangul Gumz, Gambella, Amhara, Tigray and SNNP regional states. The highest average food inflation was observed in SNNP (21.4 percent) and the lowest in Somali (4.4 percent) revealing 17.0 percentage point significant margin in the rate of food inflation among regions, lower than the 28.0 percentage point margin during the previous quarter. The variation in food inflation measured by standard deviation

was 4.1 percent, narrower than the preceding quarter and the same quarter a year ago.

Likewise, the average regional non-food inflation declined by 2.2 percentage point vis-à-vis the previous quarter, but surged by 1.7 percentage point compared to last year same period. Somali, Tigray, NSSP, Gambella, Amhara and Afar regions registered quarterly non-food inflation rates higher than the regional average. The highest average non-food inflation of 8.7 percent was observed in NSSP and the lowest 2.6 percent in Benishangul. The variation in non-food inflation measured by the standard deviation was 1.6 percent in the review quarter, which was lower than the 1.9 percent in the previous quarter (Table 4.4).

Table 4.4: Annualized Regional General, Food and Non-Food Inflation

Regions	2010/11			2011/2012						Annual Change			Quarterly Change		
	QI			QIV			QI			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	0.23	-10.8	1.6	16.6	24.4	0.0	6.5	21.4	8.7	6.3	32.3	7.1	-10.1	-3.0	8.7
Harari	3.33	3.8	2.7	8.3	9.0	7.3	5.4	7.3	2.8	2.0	3.5	0.0	0.3	-1.7	-4.7
Oromia	2.40	1.7	3.4	12.5	19.3	6.1	14.0	8.1	3.7	4.1	6.4	0.3	-6.0	-11.1	-2.4
Tigray	0.28	0.0	0.8	12.8	15.9	8.5	8.5	10.5	5.5	8.2	10.5	4.8	-4.3	-5.4	-3.0
Gambella	3.53	2.6	1.3	14.9	22.2	5.6	13.4	17.4	6.8	9.8	14.8	5.5	-1.6	2.5	15.2
Addis Ababa	5.89	8.9	3.4	8.8	11.8	6.5	5.9	8.9	3.4	0.0	0.0	0.0	-2.9	-2.9	-3.1
Dire Dawa	-0.02	1.5	0.0	10.8	16.7	3.3	6.2	8.9	2.2	6.2	7.5	2.3	-4.6	-7.7	-1.0
Ben. Gum	-0.97	-3.5	2.4	23.2	37.4	5.2	11.7	17.2	2.6	12.7	20.7	0.2	-11.5	-20.2	-2.6
Somali	1.70	1.0	3.1	10.1	10.9	8.5	4.9	4.4	6.0	3.2	3.4	2.9	-5.7	-7.2	-2.5
Afar	7.66	8.7	6.1	9.4	9.4	9.1	7.7	8.7	6.1	0.0	0.0	0.0	-1.8	-0.7	-3.3
Amhara	3.13	1.9	4.4	14.1	20.3	3.9	9.0	11.4	4.5	5.9	9.5	0.1	-5.1	-8.9	0.5
Regions Average	2.40	1.4	2.5	13.0	17.9	6.4	7.7	9.9	4.2						
Standard deviation	2.77	5.7	1.7	4.4	8.3	1.9	2.8	4.1	1.6						
Coefficient of variation	1.15	4.1	0.7	0.3	0.5	0.3	0.4	0.4	0.4						

Source: CSA and NBE Staff Computation