

III. Quarterly Price Developments

3.1 Developments in National CPI

Headline inflation has surged to 2.8 percent in fourth quarter from 0.4 percent a quarter earlier on account of 6.0 percentage point rise in food & non-alcoholic beverages inflation offsetting a 1.4 percentage point decline in non-food inflation. Quarterly food & non-alcoholic beverage inflation rise to 3.9 percent from 2.1 percent below zero. Unlike food and non-alcoholic beverage inflation, non-food inflation decreased to 1.7 percent from 3.1 percent over the same period. Of the 2.8 percent quarterly headline inflation, food & non-alcoholic beverage inflation accounted for 2 percent and non-food inflation constituted 0.8 percent (Table 3.1 and Fig III.2).

Food and non-alcoholic beverages inflation recorded a significant quarterly increase due to a rise in the CPI rate of most food items such as non-alcoholic beverages (18.9 percentage point), bread and cereals (14.9 percentage point), other food products (10.4 percentage point), sugar jam, honey & chocolate (2.5 percentage point), oils & fats (1.7

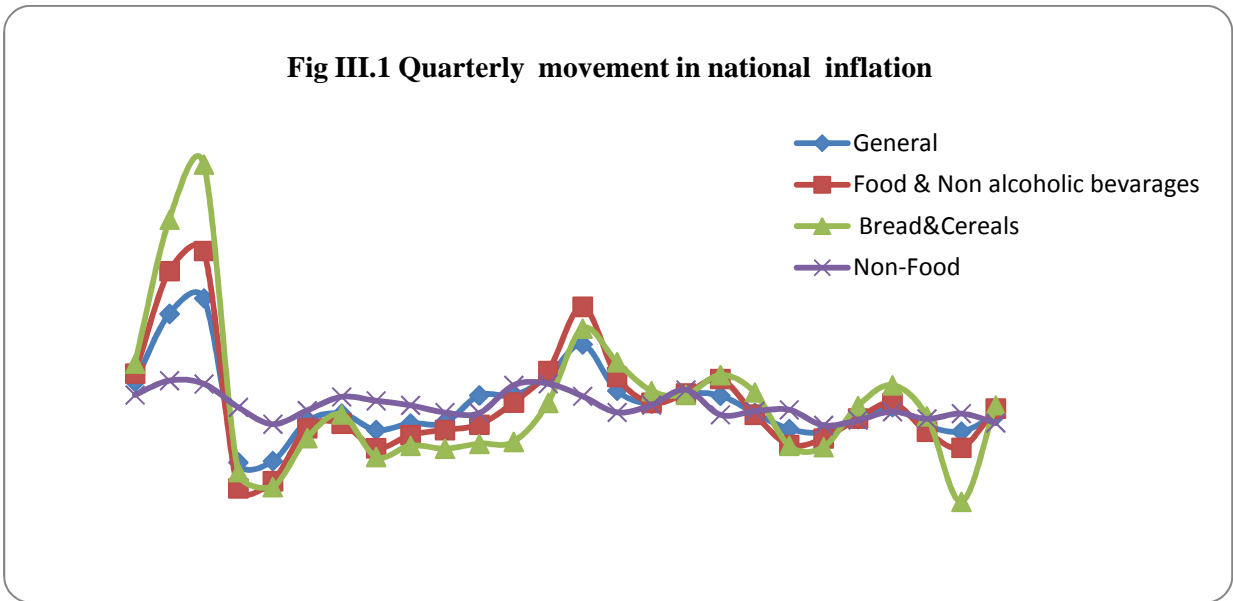
percentage point). Meanwhile, other food items such as vegetables, fruits, milk, cheese & egg saw quarterly price declines (Table 3.2). The rise in food inflation during the fourth quarter could be due to seasonality. For instance the prices of cereals and bread went up by about 14.9 percentage point during the quarter as farmers' demand for seed increases among others.

On the other hand, non-food inflation scaled down to 1.7 percent from 3.1 percent during the previous quarter due to decline in price inflation of items such as alcoholic beverages and tobacco (6.3 percentage point), housing, water, electricity, gas and other fuels (1.9 percentage point), furnishings, household equipment and routine maintenance of houses (1.5 percentage point), recreation & culture (1.4), and transport (1.1 percentage point) counterbalancing the rise in the prices of restaurant and hotel, education and health, among others (Table 3.3). The decline in non-food inflation during the fourth quarter might

be due to the consumers' lower demand for goods and services with expectation of price increase upon salary increment prospects for civil servants.

inflation had an effect on the slowdown in non-food inflation during the review quarter.

The increase in farmers' demand for seeds which presumably led to higher food



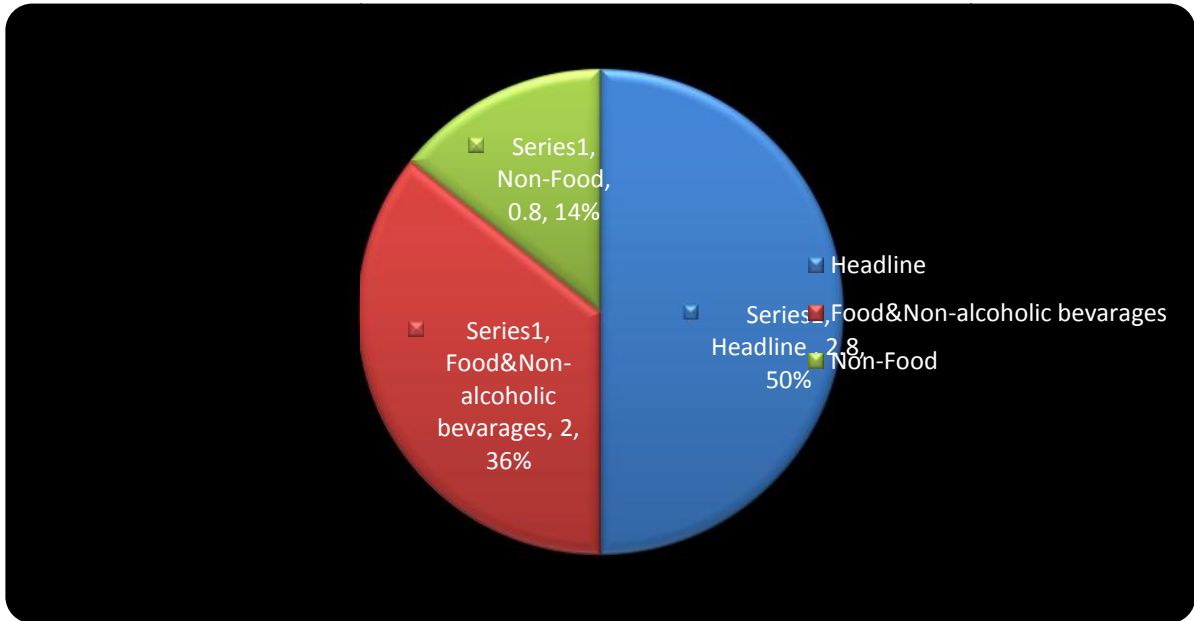
Source:CSA

Table 3.1: Quarterly National General Consumer Prices (%)

Items	Weights	2012/13	2013/14		Change in %age Points		Contribution to	
		QIV	QIII	QIV	C-A	C-B	QIV headline inflation	Change in headline inflation
		A	B	C				
Headline	100	2.2	0.4	2.8	0.6	2.4	2.8	2.4
Food & non-alcoholic beverages	53	2.4	-2.1	3.9	1.5	6.0	2.0	3.1
Non-Food	47	2.1	3.1	1.7	-0.4	-1.4	0.8	-0.7

Source: CSA and NBE Staff Computation

Fig III.2: Contribution of Food and Non-alcoholic Beverages and Non-food Inflation



Source: NBE Staff Computation

Table 3.2: Quarterly National Food and Non-alcoholic Beverages CPI Inflations (Dec2011=100)

Items	Weights	2012/13		2013/14		Change in %age points		Contribution to	
		QIV	QIII	QIV	QIII	C-A	C-B	QIV food inflation	change in Food Inflation over QIII
		A	B	C	D				
Food& Non-alcoholic beverages	52.8	2.4	-2.1	3.9	1.5	6.0	4.0	6.0	
Bread & Cereals	18.5	4.3	-10.5	4.4	0.1	14.9	1.5	5.5	
Meat	4.3	2.2	1.2	2.5	0.3	1.3	0.3	0.1	
Milk, Cheese & Egg	2.2	1.0	3.8	1.5	0.5	-2.3	0.1	-0.1	
Oils & Fats	3.7	3.2	2.9	4.5	1.3	1.7	0.3	0.1	
Fruit	0.3	-4.3	2.4	-2.9	1.4	-5.3	0.0	0.0	
Vegetables	13.5	0.9	5.9	-0.3	-1.3	-6.2	-0.1	-1.6	
Sugar Jam, Honey, Chocolate	1.0	0.4	-1.0	1.5	1.1	2.5	0.0	0.0	
Food Products n.e.c	4.7	3.2	-1.7	8.8	5.6	10.4	0.8	0.9	
Non-alcoholic Beverages	4.6	-1.8	0.2	19.2	21.0	18.9	1.1	1.1	

Source: CSA and NBE Staff Computation

Table 3.3: Quarterly National Non-food CPI Inflations (Dec2011=100)

Items	Weights	2012/13	2013/14		Change in %age points		Contribution to	
		QIV	QIII	QIV	C-A	C-B	QIII non-food inflation	change in non-food inflation over QII
		A	B	C				
Non-Food	47.2	2.1	3.1	1.7	-0.4	-1.4	1.5	-1.6
Alcoholic Beverages and Tobacco	4.9	-0.1	6.5	0.2	0.4	-6.3	0.0	-0.6
Clothing and Footwear	6.6	2.9	2.0	2.0	-0.9	0.0	0.3	0.0
Housing, Water, Electricity, Gas and Other Fuel	16.3	2.2	4.3	2.4	0.2	-1.9	0.8	-0.7
Furnishings, Household Equipment and Routine Maintenance of Houses	5.4	3.3	3.4	1.8	-1.5	-1.5	0.2	-0.2
Health	1.1	3.1	3.2	3.3	0.2	0.1	0.1	0.0
Transport	2.8	-0.6	1.8	0.8	1.3	-1.1	0.0	-0.1
Communication	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recreation and Culture	0.6	1.3	-1.7	-3.1	-4.5	-1.4	0.0	0.0
Education	0.4	1.6	0.0	0.2	-1.4	0.2	0.0	0.0
Restaurant Hotel	5.5	3.3	0.9	1.9	-1.5	1.0	0.0	0.0
Miscellaneous Goods	2.6	1.3	0.2	0.1	-1.2	-0.1	0.0	0.0

Source: CSA and NBE Staff Computation

3.2. Developments in Regional CPI

During the review quarter, regional average headline inflation scaled up to 1.2 percent from 0.4 percent in the previous quarter, yet down from 2.2 percent in the same quarter last fiscal year.

Compared to the national headline inflation, the average regional headline inflation was lower during the quarter under review.

Regional states such as Gambela, Oromia, Addis Ababa, SNNP and Amhara regions have registered quarterly headline inflation higher than the regional average. The highest quarterly headline inflation was recorded in Gambela (3.8 percent) and the lowest (-2.8 percent) in Afar, revealing about 6.6 percentage point margin.

At the same time, the deviation in the regional headline inflation rates from the average as represented by standard

deviation was 1.9 percentage point, somewhat lower than 2.0 percentage point in the previous quarter (Table 3.4). Similarly, the regional average food and non-alcoholic beverages inflation increased to 2.4 percent compared to -2.3 percent in the previous quarter. Quarterly food and non-alcoholic beverages inflation which was relatively higher than the quarterly regional average was registered in Gambela, Oromia, Addis Ababa, Afar and Harari. The highest average food and non-alcoholic inflation was observed in Gambela (5.1 percent) and the lowest in Somali(-0.6percent) revealing a 5.7 percentage point margin which was lower than the 9.9 percentage point margin in the previous quarter. The variation in food inflation measured by standard deviation was 1.8 percent, lower than 2.8 percent in the previous quarter (Table 3.4).

Unlike to headline and food & non-alcoholic beverages inflation, the average regional non-food inflation declined to -0.2percentfrom 3.3 percent in the previous quarter and 1.7 percent in the same quarter of last year. Regional states such as Oromia, Somali, Gambela

Addis Ababa, SNNP, BenishangulGumuz and Dire Dawa registered quarterly non-food inflation rates higher than the regional average. The highest average non-food inflation of 2.7 percent was recorded in Oromia and the lowest (-10.2 percent) in Afar. The variation in non-food inflation measured by the standard deviation was 3.9 percent in the review quarter, which was slightly higher than the 3.6 percent a quarter ago(Table 3.4).

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

	2012/13			2013/14						Annual Change			Quarterly Change		
	QIV			QIII			QIV								
	A			B			C			D=C-A			D=C-B		
	General	Food & Non-alcoholic beverages	Non-food	General	Food & Non-alcoholic beverages	Non-food	General	Food & Non-alcoholic beverages	Non-food	General	Food & Non-alcoholic beverages	Non-food	General	Food & Non-alcoholic beverages	Non-food
	2.0	2.3	1.5	0.6	0.8	0.4	2.1	2.5	1.4	0.0	0.2	-0.1	1.4	1.8	1.0
	-2.1	5.9	-9.9	4.3	-1.9	11.0	-0.6	3.0	-4.0	1.6	-2.9	5.9	-4.9	4.9	-15.0
	1.5	1.3	1.7	0.2	-2.8	3.8	3.5	4.3	2.7	2.1	3.0	1.1	3.3	7.1	-1.1
	5.0	5.2	4.9	-0.9	-5.6	3.7	0.4	2.8	-1.9	-4.7	-2.3	-6.8	1.3	8.4	-5.6
	4.2	5.4	2.3	0.0	-0.7	1.3	3.8	5.1	1.9	-0.4	-0.3	-0.4	3.8	5.8	0.6
aba	2.2	3.5	1.4	0.9	-1.2	2.3	2.5	3.8	1.6	0.3	0.4	0.2	1.6	5.0	-0.7
a	0.2	3.1	-2.0	0.3	-3.6	3.1	0.7	0.3	1.0	0.5	-2.8	3.0	0.4	3.8	-2.1
t	0.4	-0.4	1.5	-2.3	-8.3	5.9	0.9	0.5	1.3	0.4	0.9	-0.2	3.1	8.8	-4.6
	3.5	1.7	5.7	3.5	1.6	5.6	0.8	-0.6	2.3	-2.7	-2.3	-3.5	-2.7	-2.2	-3.3
	5.0	1.9	8.9	-2.4	-1.6	-3.3	-2.8	3.5	-10.2	-7.9	1.6	-19.2	-0.4	5.1	-6.9
	2.7	2.9	2.4	0.6	-1.7	2.9	1.6	1.4	1.8	-1.1	-1.5	-0.6	1.0	3.1	-1.1
Average	2.2	3.0	1.7	0.4	-2.3	3.3	1.2	2.4	-0.2						
	2.2	1.9	4.8	2.0	2.8	3.6	1.9	1.8	3.9						
nt of	1.0	0.7	2.8	4.7	-1.2	1.1	1.6	0.7	-19.8						

Source: CSA and NBE Staff Computation