

III. Quarterly Price Developments

3.1 Developments in National CPI

During the first quarter of the fiscal year 2014/15, headline inflation declined to 1.9 percent from 4.1 percent registered in the same quarter last fiscal year owing to 2.0 percent drop in the price inflation of food & non-alcoholic beverages and 2.6 percent decrease in non-food inflation. Similarly, quarterly headline inflation went down by about 1.0 percentage point due to 1.1 and 0.8 percentage point slowdown in food & non-alcoholic beverage and non-food inflation, respectively. In the review quarter, food & non alcoholic beverage inflation contributed 1.5 percent to the headline inflation while non-food inflation contributed 0.4 percent. (Table 3.1 and Fig III.2)

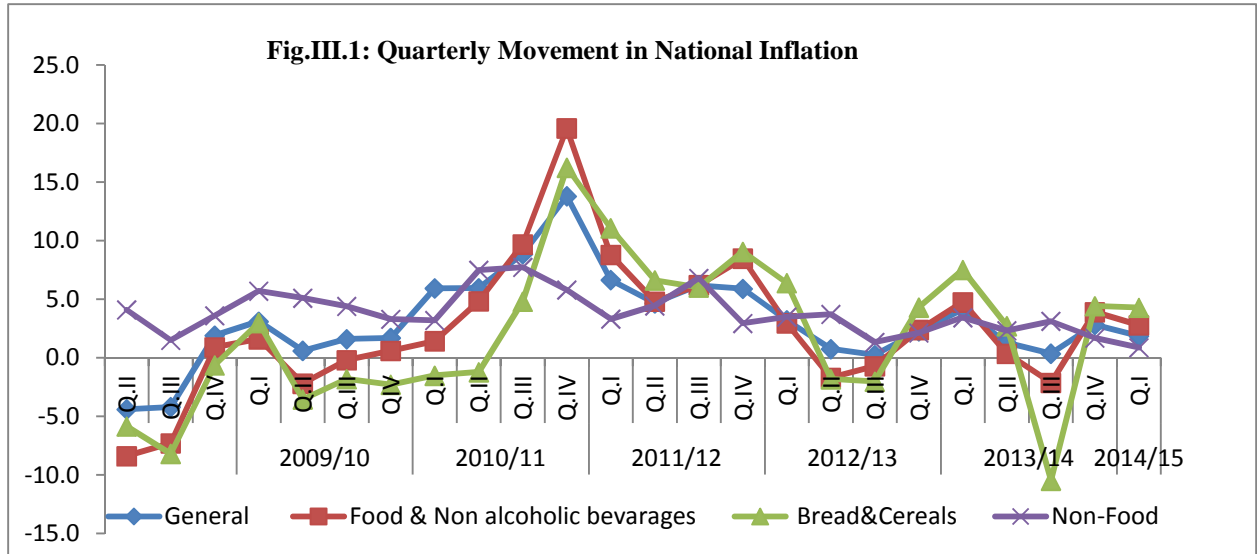
Food & non-alcoholic beverages inflation declined in the quarter compared to the previous quarter mainly due to lower prices of almost all food items. Food & non-alcoholic beverages items such as non-alcoholic beverages (13.8 percentage point), sugar jam, honey & chocolate (1.9 percentage point), vegetable (1.7 percentage point), meat (1.3 percentage

point), bread & cereals (0.1 percentage point) have recorded a quarterly price deceleration while the prices of others like fruit, oils & fats, milk, cheese and egg increased (Table 3.2). The relative quarterly decline in food inflation was presumably due to effective and timely measures taken by the government (mostly moral suasion) to control inflationary expectation following civil servants' salary increment in July 2014.

Similarly, the slowdown in non-food inflation was caused by declines in the prices of most of the non-food items such as health (3.8 percentage point), housing, water, electricity, gas and other fuels (2.3 percentage point), restaurant and hotel (1.7 percentage point), furnishings, household equipment and routine maintenance of houses (0.9 percentage point), and transport (0.9 percentage point). Meanwhile, prices of items like recreation and culture, alcoholic beverages and tobacco tended to increase (Table 3.3).

In general, continuous prudent fiscal and tight monetary policies combined with administrative measures like introduction of “*Alle Bejmla*” wholesale trade as well

as the decline in the prices of tradable goods and some imported items have contributed to the decline of inflationary pressure in the review quarter.

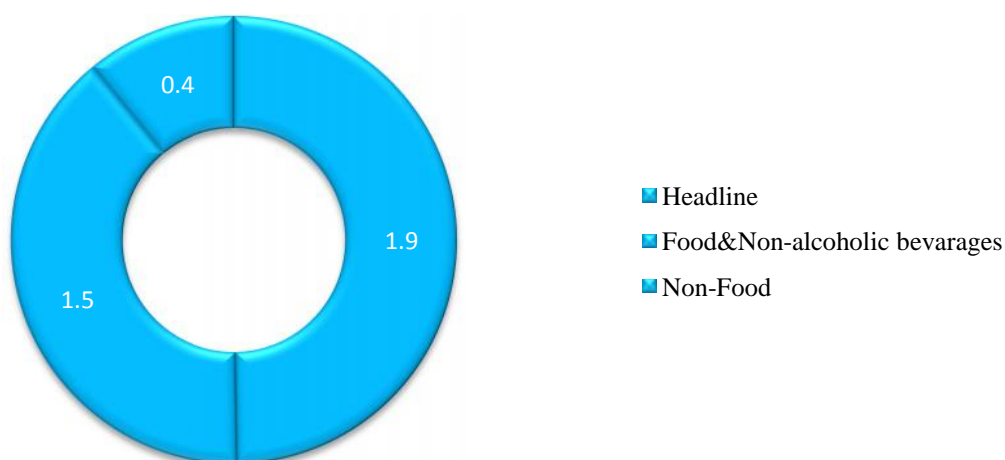


Source:CSA

Table 3.1: Quarterly National General Consumer Prices (%) (Dec2011=100)

Items	Weights	2013/14		2014/15	Change in %age Points		Contribution to	
		QI		QI	Points		QI headline inflation	Change in headline inflation
		A	B	C	C-A	C-B		
Headline	100	4.1	2.8	1.9	-2.3	-1.0	1.9	-1.0
Food & non-alcoholic beverages	53	4.7	3.9	2.8	-2.0	-1.1	1.5	-0.6
Non-Food	47	3.4	1.7	0.9	-2.6	-0.8	0.4	-0.4

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 Inflation (Dec2011=100)

Items	Weights	2013/14		2014/15	Change in %age points		Contribution to	
		Qtr I	Qtr IV	Qtr I	C-A	C-B	Qtr I food inflation	change in Food Inflation over Qtr IV
		A	B	C				
Food & Non-alcoholic beverages	52.8	4.7	3.9	2.8	-2.0	-1.1	2.8	-1.1
Bread & Cereals	18.5	7.5	4.4	4.3	-3.2	-0.1	1.5	0.0
Meat	4.3	3.6	2.5	1.2	-2.4	-1.3	0.1	-0.1
Milk, Cheese & Egg	2.2	2.5	1.5	3.4	0.9	1.9	0.2	0.1
Oils & Fats	3.7	-1.1	4.5	6.7	7.8	2.2	0.4	0.1
Fruit	0.3	-1.5	-2.9	4.4	5.9	7.3	0.0	0.0
Vegetables	13.5	5.3	-0.3	-2.0	-7.4	-1.7	-0.5	-0.4
Sugar Jam, Honey, Chocolate	1.0	1.6	1.5	-0.4	-2.0	-1.9	0.0	0.0
Food Products n.e.c	4.7	2.2	8.8	8.3	6.1	-0.5	0.7	0.0
Non-alcoholic Beverages	4.6	0.8	19.2	5.3	4.5	-13.8	0.3	-0.7

Source: CSA and NBE Staff Computation

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

Items	Weights	2013/14		2014/15	Change in %age points		Contribution to	
		Qtr I	Qtr IV	Qtr I	C-A	C-B	Qtr I non-food inflation	change in non-food inflation over Qtr IV
		A	B	C				
Non-Food	47.2	3.4	1.7	0.9	-2.6	-0.8	0.8	-0.6
Alcoholic Beverages and Tobacco	4.9	1.7	0.2	3.5	1.8	3.3	0.4	0.3
Clothing and Footwear	6.6	3.6	2.0	2.1	-1.6	0.1	0.3	0.0
Housing, Water, Electricity, Gas and Other Fuel	16.3	4.7	2.4	0.1	-4.6	-2.3	0.0	-0.8
Furnishings, Household Equipment and Routine Maintenance of Houses	5.4	1.6	1.8	0.9	-0.6	-0.9	0.1	-0.1
Health	1.1	-1.7	3.3	-0.5	1.3	-3.8	0.0	-0.1
Transport	2.8	-0.5	0.8	-0.2	0.3	-0.9	0.0	0.0
Communication	1.1	0.0	0.0	0.2	0.2	0.2	0.0	0.0
Recreation and Culture	0.6	9.3	-3.1	1.3	-8.1	4.4	0.0	0.1
Education	0.4	0.0	0.2	1.0	0.9	0.7	0.0	0.0
Restaurant Hotel	5.5	4.4	1.9	0.2	-4.1	-1.7	0.0	0.0
Miscellaneous Goods	2.6	6.2	0.1	1.0	-5.2	0.9	0.0	0.0

Source: CSA and NBE Staff Computation

3.2 Developments in Regional CPI

During the first quarter of 2014/15, regional average headline inflation went down to 1.7 percent from 4.9 percent in the same quarter last fiscal year yet slightly up from 1.2 percent registered in the previous quarter. Compared to the national headline inflation, the average regional headline inflation was lower.

Regional states such as Dire Dawa, Oromia, Harari, Addis Ababa, Tigray and Somali regions have registered higher headline inflation than the regional average. The highest 4.7 percent headline inflation was recorded in Dire Dawa while the lowest (-2.1 percent) inflation in Benishangul Gumuz, revealing a 6.8 percentage point margin.

The deviation in the regional headline inflation rates from the average as measured by standard deviation³ was 1.8 percentage point (Table 3.4).

Likewise, the regional average food & non-alcoholic beverages inflation in the first quarter of 2014/15 significantly decreased to 3.1 percent from 6.0 percent in the same quarter of last fiscal year. Food and non-alcoholic beverages inflation higher than the regional average was recorded in Dire Dawa, Harari, Oromia, Addis Ababa and Somali. The highest average food and non-alcoholic inflation was observed in Dire Dawa (7.9 percent) and the lowest in Benishangul Gumuz (-1.8 percent) resulting in a 9.7 percentage point margin.

The variation in food inflation measured by standard deviation was 3.0 percent, higher than 1.8 percent in the previous quarter (Table 3.4).

Similarly, the regional non-food inflation declined to 0.5 percent compared to 3.8 percent last year same quarter. Regional states such as Dire Dawa, Tigray, Gambella, Oromia and Amhara have registered non-food inflation rates higher than the regional average non-food inflation. The highest average non-food inflation of (2.7 percent) was seen in Dire Dawa while the lowest (-2.4 percent) was in Benishangul Gumuz. The variation in Non-food inflation measured by the standard deviation was 1.7 percent in the review quarter, which is lower than the 3.9 percent in the previous quarter (Table 3.4).

³ The standard deviation shows how much dispersion exists from the average value.
First Quarter 2014/15

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

2013/14						2014/15			Annual Change D=C-A			
QI A			QIV B			QI C						
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
4.4	4.1	4.8	2.1	2.5	1.4	0.4	0.3	0.2	-4.0	-3.8		-4.6
6.9	7.6	6.1	-0.6	3.0	-4.0	2.5	7.1	-2.2	-4.4	-0.5		-8.3
4.1	4.6	3.6	3.5	4.3	2.7	3.6	5.7	1.2	-0.6	1.1		-2.4
5.5	9.6	1.6	0.4	2.8	-1.9	2.1	1.8	2.4	-3.4	-7.8		0.8
4.3	4.2	4.4	3.8	5.1	1.9	1.5	0.9	2.4	-2.8	-3.3		-2.0
4.1	4.3	4.0	2.5	3.8	1.6	2.2	5.3	0.2	-1.9	1.0		-3.7
7.5	8.0	7.2	0.7	0.3	1.0	4.7	7.9	2.7	-2.8	-0.1		-4.5
6.0	9.5	1.7	0.9	0.5	1.3	-2.1	-1.8	-2.4	-8.2	-11.3		-4.1
1.3	1.9	0.5	0.8	-0.6	2.3	2.0	3.4	0.5	0.7	1.5		0.0
7.1	7.6	6.6	-2.8	3.5	-10.2	1.2	2.3	-0.2	-5.9	-5.3		-6.8
2.8	4.1	1.4	1.6	1.4	1.8	1.1	1.4	0.8	-1.7	-2.7		-0.6
4.9	6.0	3.8	1.2	2.4	-0.2	1.7	3.1	0.5				
1.9	2.6	2.3	1.9	1.8	3.9	1.8	3.0	1.7				
0.4	0.4	0.6	1.6	0.7	-19.8	1.0	1.0	3.3				

Source: CSA and NBE Staff Computation