

### III. Quarterly Price Developments

#### 3.1 Developments in National CPI

During the second quarter of the fiscal year 2014/15, quarterly headline inflation slowed down to 1.0 percent on account of a 2.6 percentage point decline in food & non-alcoholic beverages which outweighed increase in non-food inflation by 1.0 percentage point. Similarly, quarter on quarter headline inflation decelerated by about 0.3 percentage point. Food & non-alcoholic beverages inflation have declined to 0.1 percent from 0.3 percent and non-food inflation to 1.9 percent, from 2.3 percent a year earlier. Non-food inflation contributed the lion's share of 0.9 percent to the 1 percent quarterly headline inflation while food & non-alcoholic beverages contributed the remaining 0.1 percent (Table 3.1 and Fig III.2).

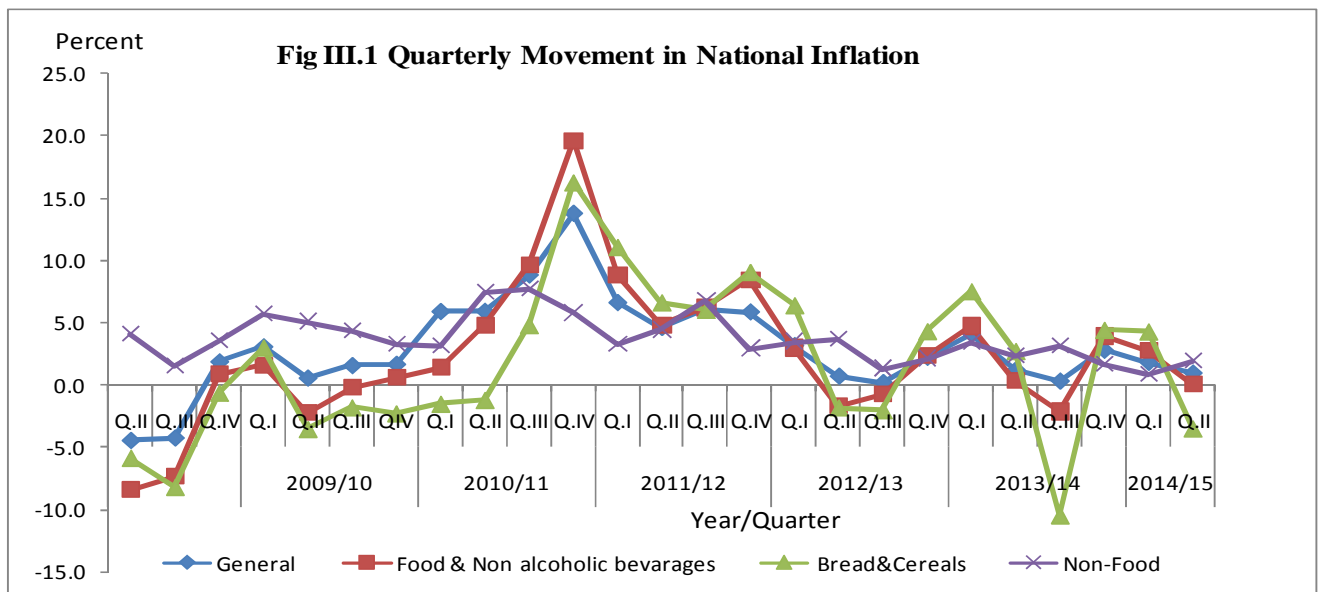
Food and non-alcoholic beverages inflation has declined in the review quarter mainly due to lower prices of almost all food items. Food items such as food products (11.6 percentage point), bread & cereals (7.8 percentage point), oils & fats (4.1 percentage point), non-

alcoholic beverages (2.9 percentage point), milk, cheese & egg (2.0 percentage point), meat (1.2 percentage point) and fruit (1.2 percentage point) have recorded a quarterly decline in price that offset the rise in the prices of vegetables (6.9 percentage point) and sugar jam, honey, chocolate (2.6 percentage point) (Table 3.2).

On the other hand, non-food inflation scaled up to 1.9 percent from 0.9 percent in the previous quarter owing to price rises mainly in health (2.0 percentage point), housing, water, electricity, gas and other fuels (1.9 percentage point), clothing and footwear (1.4 percentage point), restaurant and hotel (1.3 percentage point), furnishings, household equipment and routine maintenance of houses (0.7 percentage point) and transport (0.6 percentage point), while there were price declines with respect to alcoholic beverages and tobacco (2.1 percentage), education (1.7 percentage point) and communication (0.5 percentage point) (Table 3.3).

In general, the continuous effort by the government to tame inflationary pressure through macro policies and administrative measures like “Shemachoch” and “Alle Bejimla” have contributed to push down quarterly headline inflation during the review quarter. The decline of the prices

of tradable goods and some imported items has also helped to slow down quarterly inflation.

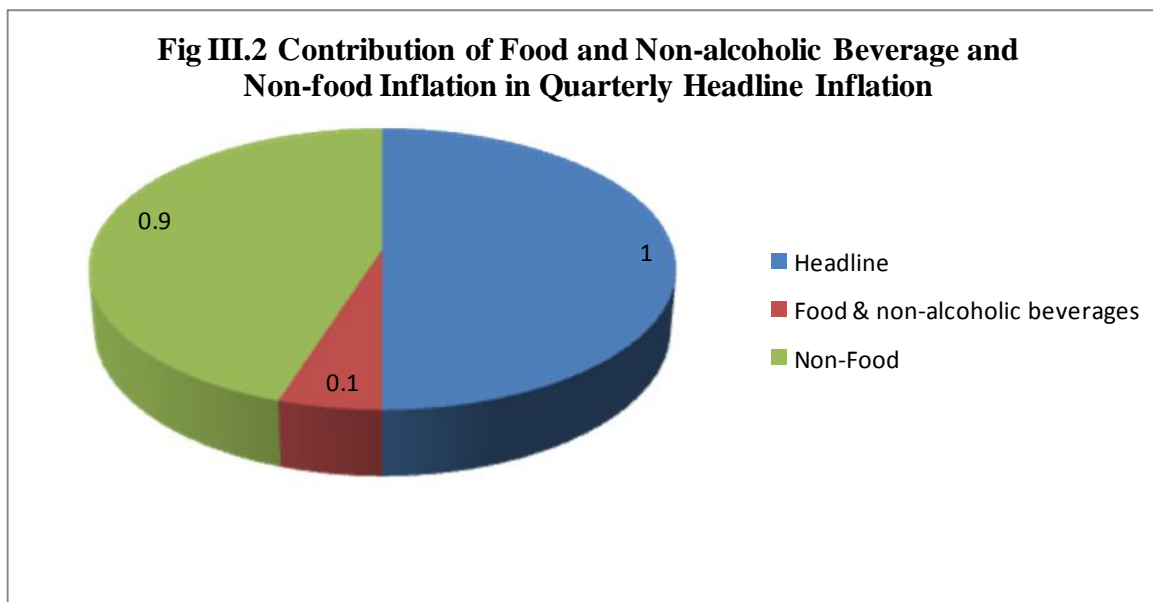


Source:CSA

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

	Weights	2013/14		2014/15		Change in %age Points		Contribution to	
		QII	QI	QI	QII	C-A	C-B	QII headline inflation	Change in headline inflation
		A	B	C					
<b>Headline</b>	<b>100</b>	<b>1.3</b>	<b>1.9</b>	<b>1.0</b>	<b>-0.3</b>	<b>-0.9</b>	<b>1.0</b>	<b>-0.9</b>	
Food & non-alcoholic beverages	53	0.3	2.8	0.1	-0.2	-2.6	0.1	-1.4	
Non-Food	47	2.3	0.9	1.9	-0.5	1.0	0.9	0.5	

Source: CSA and NBE Staff Computation



Source: NBE Staff Computation

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

Item	Weights	2013/14	2014/15		Change in %age points		Contribution to	
		QII	QI	QII	points		QII food inflation	change in Food Inflation over QI
	A	B	C	C-A	C-B			
<b>Food &amp; Non-alcoholic beverages</b>	<b>52.8</b>	<b>0.3</b>	<b>2.8</b>	<b>0.1</b>	<b>-0.2</b>	<b>-2.6</b>	<b>0.1</b>	<b>-2.6</b>
Bread & Cereals	18.5	2.7	4.3	-3.5	-6.2	-7.8	-1.2	-2.7
Meat	4.3	1.7	1.2	0.0	-1.6	-1.2	0.0	-0.1
Milk, Cheese & Egg	2.2	1.5	3.4	1.4	-0.1	-2.0	0.1	-0.1
Oils & Fats	3.7	-0.4	6.7	2.7	3.1	-4.1	0.2	-0.3
Fruit	0.3	2.9	4.4	3.2	0.3	-1.2	0.0	0.0
Vegetables	13.5	-3.5	-2.0	4.9	8.4	6.9	1.2	1.8
Sugar Jam,Honey,Chocolet	1.0	-0.8	-0.4	2.2	2.9	2.6	0.0	0.0
Food Products n.e.c	4.7	0.8	8.3	-3.3	-4.1	-11.6	-0.3	-1.1
Non-alcoholic Beverages	4.6	-0.5	5.3	2.4	2.9	-2.9	0.2	-0.2

Source: CSA and NBE Staff Computation

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

Item	Weights	2013/14	2014/15		Change in %age points		Contribution to	
		QII	QI	QII	C-A	C-B	QII non-food inflation	change in non-food inflation over QI
		A	B	C				
<b>Non-Food</b>	<b>47.2</b>	<b>2.3</b>	<b>0.9</b>	<b>1.9</b>	<b>-0.5</b>	<b>1.0</b>	<b>1.7</b>	<b>0.9</b>
Alcoholic Beverages and Tobacco	4.9	6.9	3.5	1.5	-5.4	-2.1	0.2	-0.2
Clothing and Footwear	6.6	2.7	2.1	3.5	0.8	1.4	0.5	0.2
Housing, Water, Electricity, Gas and Other Fuel	16.3	1.6	0.1	2.0	0.4	1.9	0.7	0.7
Furnishings, Household Equipment and Routine Maintenance of Houses	5.4	1.8	0.9	1.6	-0.2	0.7	0.2	0.1
Health	1.1	8.0	-0.5	1.6	-6.4	2.0	0.0	0.1
Transport	2.8	2.2	-0.2	0.4	-1.8	0.6	0.0	0.0
Communication	1.1	0.0	0.2	-0.2	-0.2	-0.5	0.0	0.0
Recreation and Culture	0.6	2.9	1.3	1.4	-1.5	0.1	0.0	0.0
Education	0.4	0.0	1.0	-0.8	-0.7	-1.7	0.0	0.0
Restaurant Hotel	5.5	2.6	0.2	1.5	-1.0	1.3	0.0	0.0
Miscellaneous Goods	2.6	-2.8	1.0	1.5	4.3	0.5	0.1	0.0

Source: CSA and NBE Staff Computation

### 3.2. Developments in Regional CPI

During the second quarter 2014/15, regional average headline inflation turned down to 0.5 percent from 1.7 and 2.6 percent in the previous quarter and the same quarter last fiscal year respectively. Compared to the national headline inflation, the average regional headline inflation deviated by 0.5 during the review quarter.

Regional states such as Tigray, Oromia Afar, Amhara and Harari have registered

higher quarterly headline inflation than the regional average headline inflation. The highest quarterly headline inflation was recorded in Tigray (4.5 percent) while the lowest (-3.5 percent) was registered in Gambela, revealing about 8.0 percentage point margin between the two.

The deviation in the regional headline inflation rates from the average as represented by standard deviation was 1.9 percent lower than 2.7 percent in the

same quarter of last fiscal year (Table 3.4).

Similarly, the regional average food and non-alcoholic beverages inflation in the second quarter of 2014/15 has decreased to 0.3 percent from 3.1 percent in the previous quarter. Quarterly food and non-alcoholic beverages inflation relatively higher than the quarterly regional average was registered in Dire Dawa, BenishangulGumuz, Harari, Oromia, Tigray, Somali and Addis Ababa. The highest average food and non-alcoholic beverages inflation was observed in Dire Dawa (1.9 percent) and the lowest in Gambela (-3.0 percent) revealing a 4.9 percentage point margin.

The variation in food inflation measured by standard deviation was 1.3 percent, lower than 2.6 percent in the same quarter of last fiscal year (Table 3.4). Likewise, the regional average non-food inflation declined to 0.7 percent from 4.5 percent registered in the same quarter of last fiscal year. Regional states such as Tigray, Afar, Oromia and Amhara have registered quarterly non-food inflation rates higher than the regional average. The highest average non-food inflation

of 8.1 percent was recorded in Tigray and the lowest (-4.2 percent) in Gambela. The variation in non-food inflation measured by the standard deviation was 3.2 percent in the review quarter, which was lower than 4.3 percent a year ago (Table 3.4).

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

Regions	2013/14			2014/15						Quarter-on-quarter Change			Quarterly Change		
	QII			QI			QII								
	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
SNNP	0.9	-0.7	3.1	0.4	0.3	0.2	-0.3	-0.6	-0.1	-1.2	0.1	-3.2	-0.7	-0.9	-0.3
Harari	2.2	-0.5	5.2	2.5	7.1	-2.2	0.6	1.2	0.0	-1.5	1.7	-5.2	-1.9	-5.9	2.1
Oromia	1.8	2.7	0.7	3.6	5.7	1.2	1.6	0.8	2.5	-0.2	-2.0	1.9	-2.0	-4.9	1.3
Tigray	-0.9	-3.1	1.5	2.1	1.8	2.4	4.5	0.7	8.1	5.4	3.8	6.6	2.4	-1.1	5.7
Gambela	1.4	1.1	1.9	1.5	0.9	2.4	-3.5	-3.0	-4.2	-4.9	-4.1	-6.1	-4.9	-3.9	-6.6
Addis Ababa	1.2	-1.7	3.3	2.2	5.3	0.2	0.3	0.4	0.2	-0.9	2.1	-3.1	-2.0	-4.9	0.0
Dire Dawa	8.7	-0.2	15.8	4.7	7.9	2.7	-0.8	1.9	-2.7	-9.5	2.1	-18.5	-5.6	-6.0	-5.4
Ben. Gum	5.3	6.3	4.0	-2.1	-1.8	-2.4	0.4	1.2	-0.4	-4.9	-5.1	-4.5	2.5	3.0	2.0
Somali	5.0	2.4	8.3	2.0	3.4	0.5	0.3	0.5	0.0	-4.7	-1.8	-8.2	-1.7	-2.9	-0.5
Afar	0.8	-0.1	1.9	1.2	2.3	-0.2	1.0	-0.5	2.9	0.1	-0.4	1.0	-0.2	-2.7	3.2
Amhara	1.7	-0.7	4.4	1.1	1.4	0.8	0.9	0.3	1.6	-0.8	1.0	-2.8	-0.2	-1.1	0.8
<b>Regions Average</b>	<b>2.6</b>	<b>0.5</b>	<b>4.5</b>	<b>1.7</b>	<b>3.1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.7</b>						
<b>Standard deviation</b>	<b>2.7</b>	<b>2.6</b>	<b>4.3</b>	<b>1.8</b>	<b>3.0</b>	<b>1.7</b>	<b>1.9</b>	<b>1.3</b>	<b>3.2</b>						
<b>Coefficient of variation</b>	<b>1.1</b>	<b>5.2</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>	<b>3.3</b>	<b>4.2</b>	<b>5.2</b>	<b>4.4</b>						

Source: CSA and NBE Staff Computation