

### III. Quarterly Price Developments

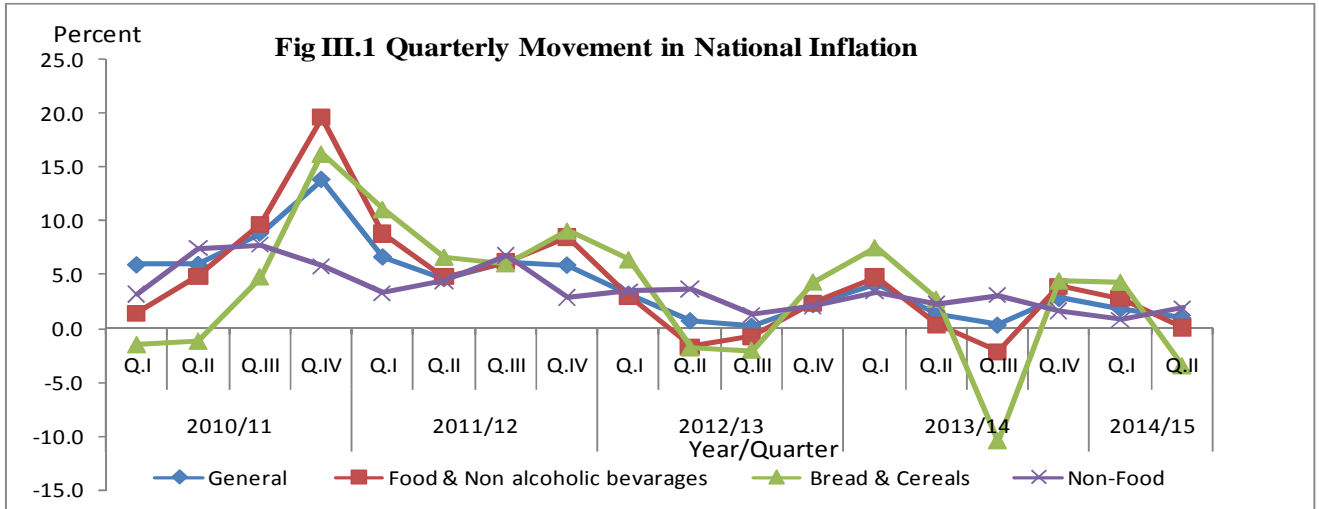
#### 3.1 Developments in National CPI

During the third quarter of 2014/15, headline inflation scaled up to 2.3 percent from 0.4 and 1.0 percent in the same quarter last year and the previous quarter, respectively. The 1.3 percent rise in quarterly headline inflation was attributed to 1.7 percent increase in food & non-alcoholic beverages inflation and 0.9 percent in non-food inflation. Quarter-on-quarter, headline inflation registered 1.9 percentage point pick up due to 4.0 percentage point hike in food & non-alcoholic beverages inflation which offset 0.4 percentage point slowdown in non-food inflation. Non-food inflation contributed 1.3 percent to the headline inflation while that of food & non-alcoholic beverage inflation was 1.0 percent (Table 3.1 and Fig III.2).

Non-food inflation has increased in the review quarter mainly on account of increases in the prices of most of the non-food items such as alcoholic beverages

and tobacco (6.2 percentage point), health (1.9 percentage point), housing, water, electricity, gas and other fuels (0.9 percentage point), education (0.8 percentage point), communication (0.7 percentage point) restaurant and hotel (0.5 percentage point), furnishings, household equipment and routine maintenance of houses (0.4 percentage point) counterbalancing the decline in the prices of transport, clothing & footwear, recreation and culture and miscellaneous goods (Table 3.3).

Similarly, food and non-alcoholic beverages inflation went up in the review period mainly due to higher prices of most food items such as food products (8.3 percentage point), fruits (4.3 percentage point), milk, cheese & egg (4.2 percentage point), vegetables (3.2 percentage point), oils & fats (2.8 percentage point) (Table 3.2).

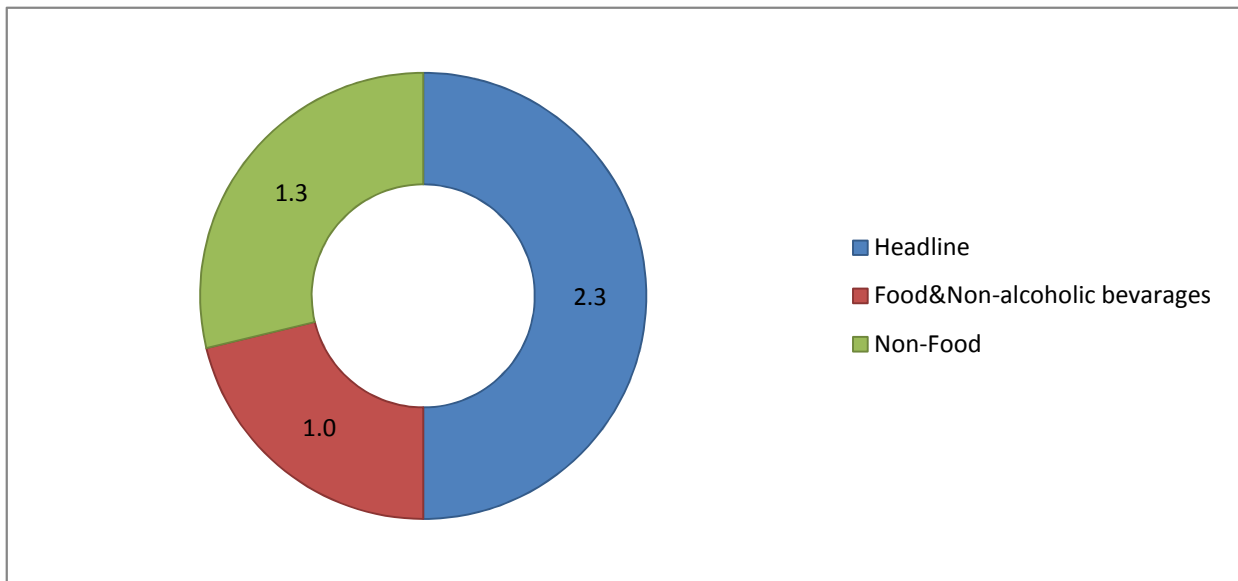


Source:CSA

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

Items	Weights	2013/14	2014/15		Change in %age Points		Contribution to	
		QIII	QII	QIII	Points		QIII headline inflation	Change in headline inflation
		A	B	C	C-A	C-B		
Headline	100	0.4	1.0	2.3	1.9	1.3	2.3	1.3
Food & non-alcoholic beverages	53	-2.1	0.1	1.9	4.0	1.7	1.0	0.9
Non-Food	47	3.1	1.9	2.7	-0.4	0.9	1.3	0.4

Source: CSA and NBE Staff Computation

**Fig.III.2: Contribution of Food and Non-alcoholic Beverages and Non-food Inflation in Quarterly Headline Inflation**

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	
		QIII	QII	QIII	QII	C-A	C-B	QIII food inflation	change in Food Inflation over QII
		A	B	C					
<b>Food &amp; Non-alcoholic beverages</b>	<b>52.8</b>	<b>-2.1</b>	<b>0.1</b>	<b>1.9</b>	<b>4.0</b>	<b>1.7</b>	<b>1.9</b>	<b>1.7</b>	
Bread & Cereals	18.5	-10.5	-3.5	-3.6	6.9	-0.1	-1.2	0.0	
Meat	4.3	1.2	0.0	2.3	1.1	2.2	0.2	0.2	
Milk, Cheese & Egg	2.2	3.8	1.4	5.5	1.8	4.2	0.3	0.2	
Oils & Fats	3.7	2.9	2.7	5.4	2.6	2.8	0.4	0.2	
Fruit	0.3	2.4	3.2	7.5	5.1	4.3	0.0	0.0	
Vegetables	13.5	5.9	4.9	8.1	2.2	3.2	2.1	0.9	
Sugar Jam, Honey, Chocolate	1.0	-1.0	2.2	-0.5	0.5	-2.7	0.0	0.0	
Food Products n.e.c	4.7	-1.7	-3.3	4.9	6.6	8.3	0.5	0.8	
Non-alcoholic Beverages	4.6	0.2	2.4	-5.7	-5.9	-8.1	-0.4	-0.5	

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	
		QIII	QII	QIII	C-A	C-B	QIII non-food inflation	change in non-food inflation over QII
		A	B	C				
<b>Non-Food</b>	<b>47.2</b>	<b>3.1</b>	<b>1.9</b>	<b>2.7</b>	<b>-0.4</b>	<b>0.9</b>	<b>2.7</b>	<b>0.9</b>
Alcoholic Beverages and Tobacco	4.9	6.5	1.5	7.7	1.2	6.2	0.8	0.7
Clothing and Footwear	6.6	2.0	3.5	2.7	0.7	-0.8	0.4	-0.1
Housing, Water, Electricity, Gas and Other Fuel	16.3	4.3	2.0	2.9	-1.5	0.9	1.1	0.3
Furnishings, Household Equipment and Routine Maintenance of Houses	5.4	3.4	1.6	2.0	-1.4	0.4	0.3	0.1
Health	1.1	3.2	1.6	3.5	0.3	1.9	0.1	0.1
Transport	2.8	1.8	0.4	-3.1	-4.9	-3.4	-0.1	-0.2
Communication	1.1	0.0	-0.2	0.5	0.5	0.7	0.0	0.0
Recreation and Culture	0.6	-1.7	1.4	0.6	2.4	-0.7	0.0	0.0
Education	0.4	0.0	-0.8	0.1	0.1	0.8	0.0	0.0
Restaurant Hotel	5.5	0.9	1.5	2.0	1.1	0.5	0.0	0.0
Miscellaneous Goods	2.6	0.2	1.5	1.4	1.2	-0.2	0.1	0.0

Source: CSA and NBE Staff Computation

### 3.2 Developments in Regional CPI

During the third quarter of fiscal year 2014/15, regional average headline inflation increased to 2.6 percent from 0.5 percent in the same quarter last fiscal year which was slightly higher than the national average.

Regional states such as, Harari, Dire Dawa, Oromia, Afar and Somali have registered higher quarterly headline inflation rates than the regional average. The highest quarterly headline inflation was recorded in Harari (4.9 percent) and the lowest (-2.1 percent) in Tigray,

revealing about 7.0 percentage point margin.

The deviation<sup>3</sup> in the regional headline inflation rates from the average as represented by standard deviation was 2.0 percent somewhat higher than 1.9 percent in the previous quarter (Table 3.4).

Similarly, the regional average food and non-alcoholic beverages inflation rose to 1.6 percent compared to 0.3 percent in the previous quarter. Higher quarterly food and non-alcoholic beverages inflation was registered in Addis Ababa, Oromia, Benishangul Gumuz, Gambela and SNNP. The highest average food & non-alcoholic beverage inflation was observed in Addis Ababa (4.2 percent) and the lowest in Tigray (-3.1 percent) revealing a 7.3 percentage point margin.

The variation in food inflation measured by standard deviation was 2.3 percent, which was 1.0 percent higher than the previous quarter (Table 3.4).

Likewise, the regional non-food inflation increased to 3.6 percent from 0.7 percent a quarter earlier. Regional states such as Harari, Afar, Dire Dawa Somali and Oromia have registered quarterly non-food inflation rates higher than the regional average. The highest average non-food inflation (9.9 percent) was in Harari and the lowest (-2.9 percent) in Benishangul Gumuz. The variation in non-food inflation measured by the standard deviation was 4.3 percent in the review quarter, which is higher than the 3.2 percent in the previous quarter. (Table3.4)

---

<sup>3</sup> The standard deviation shows how much dispersion exists from the average value.

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

Regions	2013/14			2014/15						Annual Change	
	QIII			QII			QIII			D=C-A	
	A			B			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
SNNP	1.4	1.2	1.7	-0.3	-0.6	-0.1	1.9	2.9	1.2	0.5	1.8
Harari	4.3	-1.9	11.0	0.6	1.2	0.0	4.9	0.5	9.9	0.6	2.4
Oromia	0.2	-2.8	3.8	1.6	0.8	2.5	4.2	4.1	4.3	4.0	6.9
Tigray	-0.9	-5.6	3.7	4.5	0.7	8.1	-2.1	-3.1	-1.1	-1.1	2.4
Gambela	0.0	-0.7	1.3	-3.5	-3.0	-4.2	2.4	3.7	0.2	2.3	4.4
Addis Ababa	0.9	-1.2	2.3	0.3	0.4	0.2	2.3	4.2	0.9	1.4	5.3
Dire Dawa	0.3	-3.6	3.1	-0.8	1.9	-2.7	4.6	0.0	7.7	4.2	3.5
Ben. Gum	-2.3	-8.3	5.9	0.4	1.2	-0.4	0.8	3.8	-2.9	3.1	12.1
Somali	3.5	1.6	5.6	0.3	0.5	0.0	3.9	0.9	7.4	0.5	-0.8
Afar	-2.4	-1.6	-3.3	1.0	-0.5	2.9	4.0	0.3	8.9	6.4	1.9
Amhara	0.6	-1.7	2.9	0.9	0.3	1.6	1.6	0.8	2.4	1.1	2.5
<b>Regions Average</b>	<b>0.5</b>	<b>-2.2</b>	<b>3.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.7</b>	<b>2.6</b>	<b>1.6</b>	<b>3.6</b>		
<b>Standard deviation</b>	<b>2.1</b>	<b>2.8</b>	<b>3.5</b>	<b>1.9</b>	<b>1.3</b>	<b>3.2</b>	<b>2.0</b>	<b>2.3</b>	<b>4.3</b>		
<b>Coefficient of variation</b>	<b>4.1</b>	<b>-1.3</b>	<b>1.0</b>	<b>4.2</b>	<b>5.2</b>	<b>4.4</b>	<b>0.8</b>	<b>1.4</b>	<b>1.2</b>		

Source: CSA and NBE Staff Computation