

III. Quarterly Price Developments

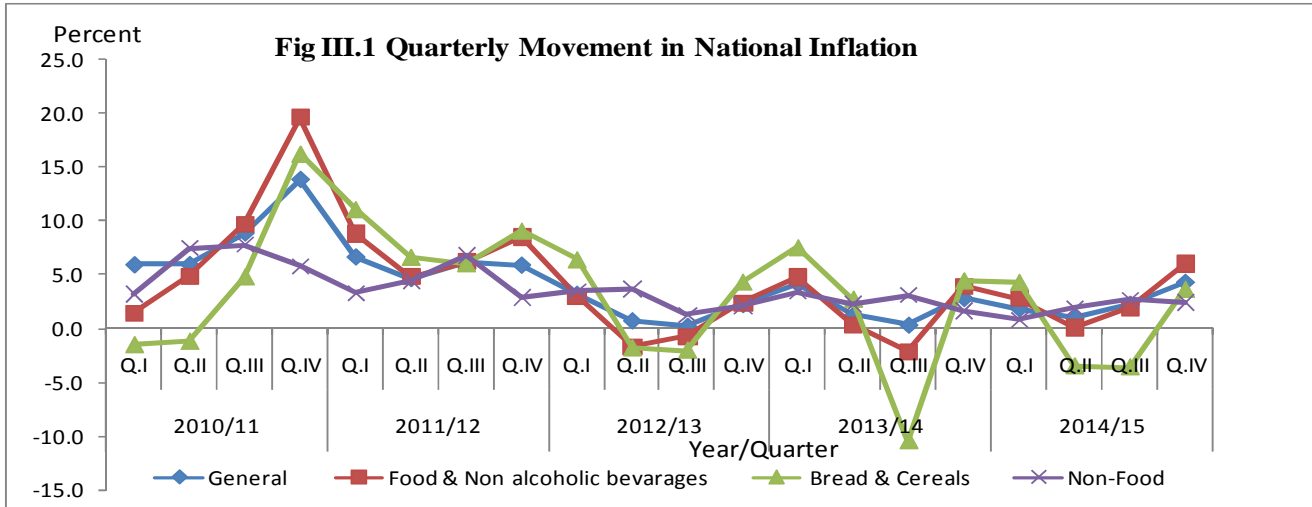
3.1 Developments in National CPI

During the fourth quarter of the fiscal year 2014/15, headline inflation has risen to 4.3 percent from 2.8 and 2.3 percent in the same quarter last year and the previous quarter, respectively. The rise in quarterly headline inflation by 2.0 percentage point was attributed to higher food & non-alcoholic beverages inflation by 4.2 percentage point offsetting the marginal decline in non-food inflation by 0.3 percentage point. Quarter-on-quarter headline inflation registered 1.5 percentage point increase owing to 2.1 percentage point rise in food & non-alcoholic beverages inflation and the increase in non food inflation by 0.8 percentage point. In the reviewed quarter, food & non alcoholic beverage inflation contributed 3.1 percent to the headline inflation while non-food inflation contributed the remaining 1.2 percent (Table 3.1 and Fig III.2).

Food and non-alcoholic beverages inflation has increased in the review period due to the

hike in the inflation rate of almost all food items. Specifically food products (16.4 percentage point), bread & cereals (7.2 percentage point), milk, cheese & egg (3.5 percentage point), sugar jam, honey, chocolate (2.3 percentage point), oils & fats (2.2 percentage point), meat (1.7 percentage point) and non-alcoholic beverages (0.6 percentage point)(Table 3.2).

On the contrary, non-food inflation declined in the review quarter mainly on account of a slowdown in the inflation rates of items such as health (4.2 percentage point), alcoholic beverages and tobacco (4.1 percentage point), clothing and footwear (1.8 percentage point). Inflation for items like transport , communication, housing, water, electricity, gas & other fuel, restaurant & hotel, furnishings, household equipment and routine maintenance of houses however have tended to increase (Table 3.3).



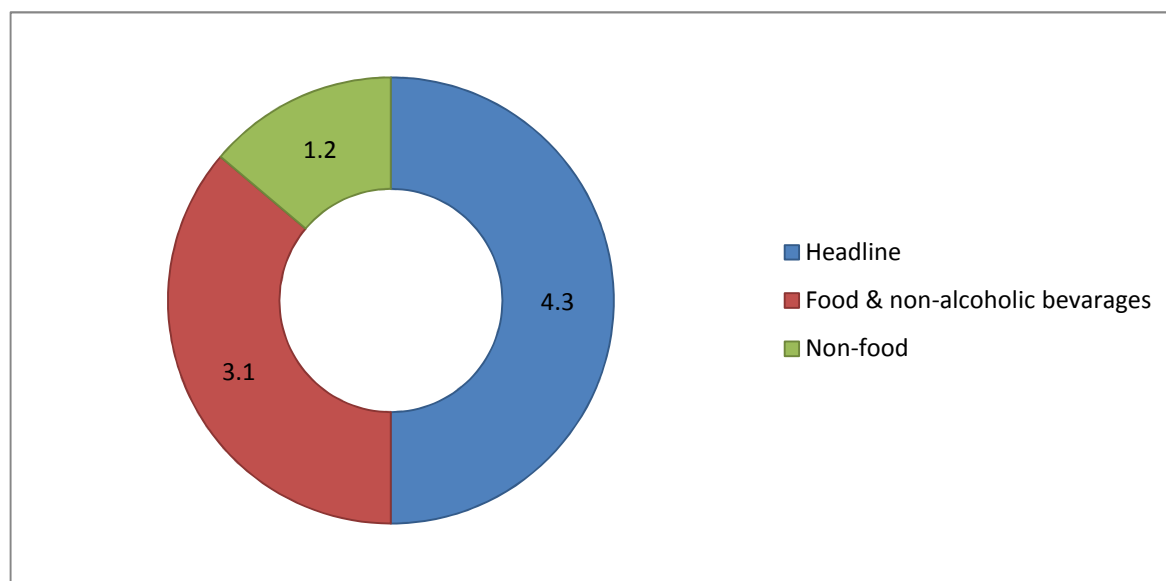
Source:CSA

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

	Weights	2013/14		2014/15		Change in %age Points		Contribution to	
		QIV	QIII	QIV			QIV headline inflation	Change in headline inflation	
		A	B	C	C-A	C-B			
Headline	100	2.8	2.3	4.3	1.5	2.0	4.3	2.0	
Food & non-alcoholic beverages	53	3.9	1.9	6.0	2.1	4.2	3.1	2.1	
Non-Food	47	1.7	2.7	2.5	0.8	-0.3	1.2	-0.1	

Source: CSA and NBE Staff Computation

FIG III.2. Contribution of Food and non-alcoholic beverages and Non-food Inflation in Quarterly Headline Inflation*Fourth Quarter 2014/15*



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	
		QIV	QIII	QIV	points		QIV food inflation	change in Food Inflation over QIII
	A	B	C	C-A	C-B			
Food & Non-alcoholic beverages	52.8	3.9	1.9	6.0	2.1	4.2	6.0	4.2
Bread & Cereals	18.5	4.4	-3.6	3.6	-0.8	7.2	1.2	2.4
Meat	4.3	2.5	2.3	3.9	1.5	1.7	0.4	0.2
Milk, Cheese & Egg	2.2	1.5	5.5	9.1	7.6	3.5	0.5	0.2
Oils & Fats	3.7	4.5	5.4	7.6	3.1	2.2	0.5	0.2
Fruit	0.3	-2.9	7.5	-1.7	1.2	-9.1	0.0	0.0
Vegetables	13.5	-0.3	8.1	6.3	6.6	-1.8	1.7	-0.4
Sugar Jam,Honey,Chocolet	1.0	1.5	-0.5	1.8	0.3	2.3	0.0	0.0
Food Products n.e.c	4.7	8.8	4.9	21.3	12.5	16.4	2.0	1.6
Non-alcoholic Beverages	4.6	19.2	-5.7	-5.1	-24.2	0.6	-0.3	0.1

Source: CSA and NBE Staff Computation

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

Fourth Quarter 2014/15

Item	Weights	2013/14	2014/15		Change in %age points		Contribution to	
		QIV	QIII	QIV	C-A	C-B	QIV non-food inflation	change in non-food inflation over QIII
		A	B	C				
Non-Food	47.2	1.7	2.7	2.5	0.8	-0.3	2.1	-0.3
Alcoholic Beverages and Tobacco	4.9	0.2	7.7	3.6	3.4	-4.1	0.4	-0.4
Clothing and Footwear	6.6	2.0	2.7	0.9	-1.1	-1.8	0.1	-0.3
Housing, Water, Electricity, Gas and Other Fuel	16.3	2.4	2.9	3.9	1.5	1.0	1.4	0.4
Furnishings, Household Equipment and Routine Maintenance of Houses	5.4	1.8	2.0	2.1	0.3	0.1	0.2	0.0
Health	1.1	3.3	3.5	-0.7	-4.0	-4.2	0.0	-0.1
Transport	2.8	0.8	-3.1	-1.6	-2.3	1.5	-0.1	0.1
Communication	1.1	0.0	0.5	1.6	1.6	1.1	0.0	0.0
Recreation and Culture	0.6	-3.1	0.6	0.5	3.6	-0.1	0.0	0.0
Education	0.4	0.2	0.1	0.1	-0.1	0.0	0.0	0.0
Restaurant Hotel	5.5	1.9	2.0	2.5	0.6	0.4	0.0	0.0
Miscellaneous Goods	2.6	0.1	1.4	1.2	1.1	-0.1	0.1	0.0

Source: CSA and NBE Staff Computation

3.2. Developments in Regional CPI

During the review quarter, regional average headline inflation has increased to 4.0 percent from 1.2 percent in the same quarter last fiscal year and 2.6 percent in the previous quarter, which was slightly lower than the national headline inflation.

Regional states such as Afar, Somali, Dire Dawa, Oromia and Addis Ababa have registered higher quarterly headline inflation than the regional average. The highest quarterly headline inflation was recorded in Afar (7.8 percent) and the

Fourth Quarter 2014/15

lowest inflation of 0.6 percent in Harari, revealing about 7.2 percentage point margin in the rates of inflation between the regions.

The deviation³ in the regional headline inflation rates from the average as represented by standard deviation was 2.3 percent slightly higher than 2.0 percent in the previous quarter (Table 3.4).

³ The standard deviation shows how much dispersion exists from the average value.

Similarly, the regional average food and non-alcoholic beverages inflation in the fourth quarter of 2014/15 has increased to 4.4 percent compared to 1.6 percent in the previous quarter. Regional states such as Addis Ababa, SNNP, Oromia and Afar have registered higher quarterly headline inflation than the regional average headline inflation. The highest average food and non-alcoholic inflation was observed in Addis Ababa (8.8 percent) and the lowest in Dire Dawa (1.1 percent) revealing 7.7 percentage point margin.

The variation in food inflation measured by standard deviation was 3.0 percent, higher than 2.3 percent in the previous quarter (Table 3.4).

Likewise, the regional non-food inflation slightly went up to 3.7 percent from 3.6 percent in the previous quarter. Regional states such as Somali, Dire Dawa, Afar and Tigray saw quarterly non-food inflation rates higher than the regional average. The highest average non-food inflation of 11.3 percent was recorded in Somali and the lowest (-3.3 percent) in Harari. The variation in non-food inflation measured by the standard deviation was 4.3 percent in

the review quarter, which was the same as the previous quarter (Table 3.4).

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

Regions	2013/14			2014/15						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
SNNP	2.1	2.5	1.4	1.9	2.9	1.2	3.0	8.1	-0.9	0.9	5.6	-2.3	1.0	5.2	-2.1
Harari	-0.6	3.0	-4.0	4.9	0.5	9.9	0.6	4.4	-3.3	1.2	1.4	0.7	-4.3	3.9	-13.2
Oromia	3.5	4.3	2.7	4.2	4.1	4.3	5.5	7.7	3.0	2.0	3.5	0.2	1.3	3.7	-1.4
Tigray	0.4	2.8	-1.9	-2.1	-3.1	-1.1	3.0	1.6	4.2	2.7	-1.2	6.1	5.1	4.8	5.3
Gambela	3.8	5.1	1.9	2.4	3.7	0.2	2.2	1.8	3.0	-1.6	-3.2	1.1	-0.1	-1.8	2.8
Addis Ababa	2.5	3.8	1.6	2.3	4.2	0.9	4.6	8.8	1.5	2.1	5.0	-0.1	2.3	4.6	0.6
Dire Dawa	0.7	0.3	1.0	4.6	0.0	7.7	5.8	1.1	8.8	5.0	0.9	7.8	1.2	1.2	1.1
Ben. Gum	0.9	0.5	1.3	0.8	3.8	-2.9	2.3	2.9	1.5	1.4	2.4	0.2	1.5	-0.9	4.3
Somali	0.8	-0.6	2.3	3.9	0.9	7.4	7.1	3.0	11.3	6.3	3.6	9.0	3.1	2.2	3.9
Afar	-2.8	3.5	-10.2	4.0	0.3	8.9	7.8	7.4	8.3	10.6	3.9	18.5	3.8	7.1	-0.7
Amhara	1.6	1.4	1.8	1.6	0.8	2.4	2.5	1.9	3.0	0.9	0.5	1.2	0.8	1.1	0.6
Regions Average	1.2	2.4	-0.2	2.6	1.6	3.6	4.0	4.4	3.7						
Standard deviation	1.9	1.8	3.9	2.0	2.3	4.3	2.3	3.0	4.3						
Coefficient of variation	1.6	0.7	-19.8	0.8	1.4	1.2	0.6	0.7	1.2						

Source: CSA and NBE Staff Computation