

IV. QUARTERLY PRICE DEVELOPMENTS

4.1 Developments in National CPI

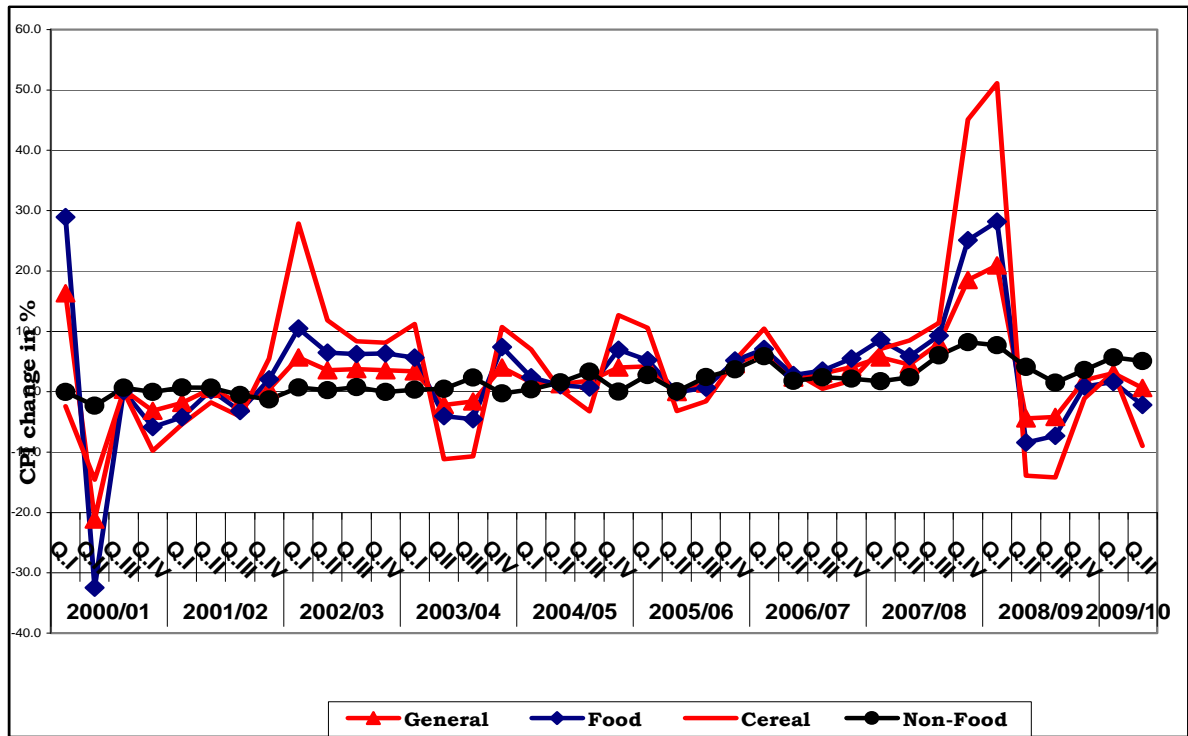
In the second quarter of 2009/10, headline, food and non-food inflation exhibited a decreasing trend (Fig. IV.1). Headline inflation stood at 0.6 percent, down by 2.5 percent relative to preceding quarter while up by 5 percent compared to the same period of last fiscal year. Both food and non-food contributed (-2.3 & -0.2 respectively) to the quarterly decline of headline inflation (Table 4.1).

Food inflation reached -2.2 percentage points in the review quarter, which was 3.8 percent lower than the previous period and 6.2 percent higher than the corresponding period of last year. The quarterly food deflation was the result of decrease in price of cereals, pulses and vegetable & fruits, which in turn exhibited by combined contribution of -4.3 percent that offsets the 2.1 percent contribution made by other food

components. Cereals, pulses and meat, on the other hand, altogether contributed -5.7 percent to the registered -3.8 percent change in food inflation over the preceding quarter (Table 4.2).

Non-food inflation dropped down by 0.6 percent to 5.1 percent in the second quarter of 2009/10 while annually rose by 1.0 percent. House rent, construction materials, water, fuel & power, which constituted the largest share of the non-food price index, and clothing & footwear were the main contributors, which collectively contributed 3.9 percent to the quarterly 5.1 percent non-food inflation. All non-food components except cigarettes & tobacco, medical care & health, personal effects and miscellaneous goods contributed to the quarterly decline of non-food inflation over the first quarter of 2009/10 (Table 4.3).

Fig.IV.1: Quarterly Movements in National Consumer Price Indices



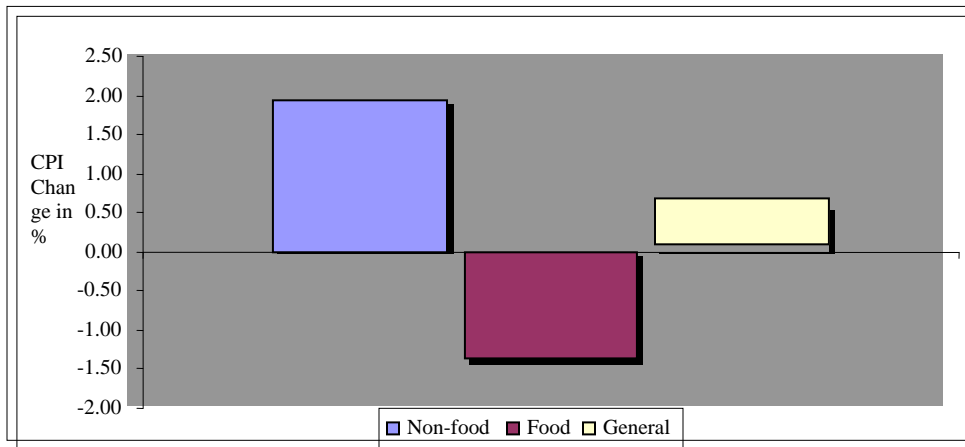
Source: Central Statistical Agency (CSA) and NBE Staff Computation

Table 4.1: Quarterly National General Consumer Prices (%)

		2008/09	2009/10		Change in		Contribution to	
		QII	QI	QII	percentage points		QII headline inflation	change in headline inflation over QI
		A	B	C	C-A	C-B		
Headline	100.0	-4.4	3.1	0.6	5.0	-2.5	0.58	-2.53
Food	57.0	-8.4	1.6	-2.2	6.2	-3.8	-1.35	-2.33
Non-Food	4.3	4.1	5.7	5.1	1.0	-0.6	1.93	-0.20

Source: CSA and NBE Staff Computation

Fig.IV.2: Quarterly Headline Inflation and Contribution of Food and Non-Food Items



Source: CSA and NBE Staff Computation

Table 4.2: Quarterly National Food Consumer Prices (%)

		2008/09	2009/10		Change in %age points		Contribution to	
		QII	QI	QII				
		A	B	C	C-A	C-B	QII food inflation	change in Food Inflation over QI
Food	57.01	-8.4	1.6	-2.2	6.2	-3.8	-2.2	-3.8
Cereals	22.54	-13.9	3.2	-9.0	4.9	12.2	-4.0	-5.5
Pulses	4.31	-1.6	-0.8	-2.6	-1.0	-1.8	-0.2	-0.1
Bread and other prepared food	1.87	4.6	2.7	1.5	-3.1	-1.2	0.1	0.0
Meat	2.82	1.0	2.3	0.4	-0.6	-2.0	0.0	-0.1
Milk, cheese and egg	1.96	3.3	2.8	2.0	-1.3	-0.8	0.1	0.0
Oil and fats	2.39	-4.2	-0.8	-0.4	3.8	0.5	0.0	0.0
Vegetables and fruits	2.55	-1.5	-10.2	-3.0	-1.5	7.2	-0.1	0.4
Spices	1.98	-22.8	4.4	13.4	36.2	9.0	0.4	0.3
Potatoes, other tubers and stems	4.16	-1.1	-9.7	6.7	7.8	16.4	0.5	1.2
Coffee, (bean, whole) and tea leaves	4.27	0.6	8.7	10.0	9.4	1.4	0.6	0.1
Other foods items	1.23	5.9	1.9	2.2	-3.7	0.3	0.0	0.0
Milling charge	1.17	0.9	7.5	3.8	2.9	-3.7	0.1	-0.1
Food taken away from home	5.76	4.1	4.5	4.7	0.6	0.2	0.4	0.0

Source: CSA and NBE Staff Computation

Table 4.3: Quarterly National Non-food Consumer Prices (%)

		2008/09	2009/10		Change in		Contribution to	
		QII	QI	QII	%age points		QII Non-food inflation	change in Non-Food Inflation over QI
		A	B	C	C-A	C-B		
Non-Food	43.00	4.1	5.7	5.1	1	-0.6	5.1	-0.6
Beverages	2.02	2.3	2.5	0.9	-1.4	-1.6	0.1	-0.1
Cigarettes and Tobacco	0.48	3.6	2.1	1.9	-1.7	-0.2	0.0	0.0
Clothing and Footwear	8.32	7.6	6.1	5.5	-2.1	-0.6	1.2	-0.1
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.56	3.3	6.0	5.8	2.5	-0.2	2.7	-0.1
Furniture, Household Equipment and Operation	3.75	3.8	5.1	4.2	0.4	-0.9	0.4	-0.1
Medical Care and Health	1.11	2.4	3.2	3.4	1.0	0.2	0.1	0.0
Transport and Communication	2.49	6.1	11.1	7.8	1.7	-3.3	0.4	-0.1
Recreation, Entertainment and Education	1.09	4.4	5.4	2.4	-2.0	-3.0	0.1	-0.1
Personal Care and Effects	0.83	2.2	7.6	7.2	5.0	-0.4	0.1	0.0
Miscellaneous Goods	2.34	0.5	3.7	1.3	0.8	-2.5	0.1	0.0

Source: CSA and NBE Staff Computation

4.2 Developments in Regional CPI

Simple average regional headline inflation became 0.68 percent in the second quarter of 2009/10, which was very close to the weighted average figure of 0.6 percent recorded at national level (Table 4.3).

On the other hand, there was a wide margin in the rates of inflation registered among regional states. The difference

between the maximum (7.1 for Afar) and the minimum (-6.9 for Gambella) quarterly headline inflation was about 14 percentage points, showing significant variation in the rate at which the cost of living is manifested in the different parts of the country. The deviation of the regional headline inflation rates from the regional average as represented by

standard deviation¹ was about 3.7 percentage points.

As compared to the preceding quarter and same quarter in last year, the regional variation in the review quarter was widened. The range and standard deviation in the first quarter of 2009/10 was 5.2 & 1.8 percent where as in the second quarter of 2008/09 it was 14 & 3.7 percent.

However, a statistical measure of dispersion known as coefficient of variation,² which is more suitable for comparing different data sets, showed a significant difference as compared to last fiscal year.

In the quarter under review, the Simple average regional food inflation was -1.8 percent, which was higher than the national weighted average of -2.2 percent. All regions, except Oromia, Gambella, Ben. Gumz, Diredawa and Amhara each registered a quarterly food inflation rate relatively higher than the regional average.

The highest rate of food inflation was registered in Afar whereas the lowest in Gambella, widening the range to 15.8 percentage points compared to 8.7 & 13.3 percentage points registered in preceding quarter and same quarter of last year. The variation in food inflation, however, has narrowed to -2.6 percent from 0.9 & -0.7 percent registered in previous quarter and corresponding quarter of last year, respectively.

Meanwhile, simple average regional non-food inflation reached 4.9 percent, which was slightly lower than the national weighted average of 5.1 percent. SNNP, Ben.Gum, Somali, Amhara and Afar regions registered a quarterly non-food inflation rates relatively greater than the regional average. The highest rate of non food inflation was recorded in Afar, but the lowest in Gambella, the range being 10.5 percentage points.

The variation in non-food inflation, measured by coefficient of variation, has widened to 0.55 percent from 0.32 percent in previous quarter of the same year while slightly narrowed down from 0.58 percent in last year same period.

¹ Standard deviation is the square root of the average of squared deviation of each data point from the common mean

² Coefficient of variation is the ratio of standard deviation to mean

Table 4.3: Annualized Regional Headline, Food and Non-Food Inflation

Regions	2008/09			2009/10						Change			Change		
	QII			QI			QII			D=C-A			D=C-B		
	A			B			C			D=C-A			D=C-B		
	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food
SNNP	-6.9	-12.9	5.1	3.1	1.1	6.3	2.3	-0.5	6.6	9.2	12.4	1.5	-0.8	-1.6	0.3
Harari	0.7	-1.5	4.0	2.6	0.6	5.3	1.2	0.4	2.2	0.5	1.9	-1.8	-1.4	-0.2	-3.1
Oromia	-5.9	-10.2	4.0	2.0	0.4	4.7	-1.2	-4.1	3.8	4.7	6.1	-0.2	-3.2	-4.5	-0.9
Tigray	-2.7	-5.8	5.0	3.3	1.1	7.2	1.8	0.6	4.0	4.5	6.4	-1.0	-1.5	-0.5	-3.2
Gambella	-6.0	-12.3	8.4	6.1	7.7	3.3	-6.9	-10.5	-0.4	-0.9	1.8	-8.8	-13.0	-18.2	-3.7
Addis Ababa	1.2	-2.6	5.3	4.5	3.3	5.7	3.1	1.4	4.6	1.9	4	-0.7	-1.4	-1.9	-1.1
Dire Dawa	1.4	0.4	3.0	2.1	1.8	2.7	0.6	-2.0	4.4	-0.8	-2.4	1.3	-1.5	-3.8	1.7
Ben. Gum	-6.5	-10.7	3.6	7.2	9.1	4.0	-3.7	-8.9	5.8	2.8	1.8	2.2	-10.9	-18.0	1.8
Somali	-4.1	-8.5	8.4	2.2	1.4	4.0	2.6	0.9	6.3	6.7	9.4	-2.1	0.4	-0.5	2.3
Afar	-3.2	-4.5	-0.6	5.9	4.9	7.8	7.1	5.3	10.1	10.3	9.8	10.7	1.2	0.4	2.3
Amhara	-3.0	-4.9	2.3	4.5	3.5	6.7	0.6	-2.1	6.2	3.6	2.8	3.9	-3.9	-5.6	-0.5
Regions Average	-3.180	-6.678	4.414	3.964	3.180	5.250	0.677	-1.764	4.867						

Source: CSA and NBE Staff Computation

	2008/09			2009/10					
	QII			QI			QII		
	A			B			C		
	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food
Mean	-3.180	-6.678	4.414	3.964	3.180	5.250	0.677	-1.764	4.867
Standard Deviation (SD)	3.123	4.535	2.566	1.821	2.933	1.661	3.664	4.601	2.696
Coefficient of Variation (CV)	-0.982	-0.679	0.581	0.459	0.922	0.316	5.412	-2.609	0.554