

### III. QUARTERLY PRICE DEVELOPMENTS

#### 3.1 Developments in National CPI

During the second quarter of 2011/12 fiscal year, headline inflation slowed down to 4.6 percent from 6.6 percent in the previous quarter on account of 4 percentage point decline in food inflation which offset a 1.2 percentage point rise in core inflation. Quarterly food inflation declined to 4.8 percent against 8.8 percent during the previous quarter while core inflation increased to 4.5 percent from 3.3 percent over the same period. Food inflation contributes<sup>3</sup> 3.0 percent to headline inflation of the review quarter while non-food took the remaining 1.7 percent (Table 3.1 & Fig III.2).

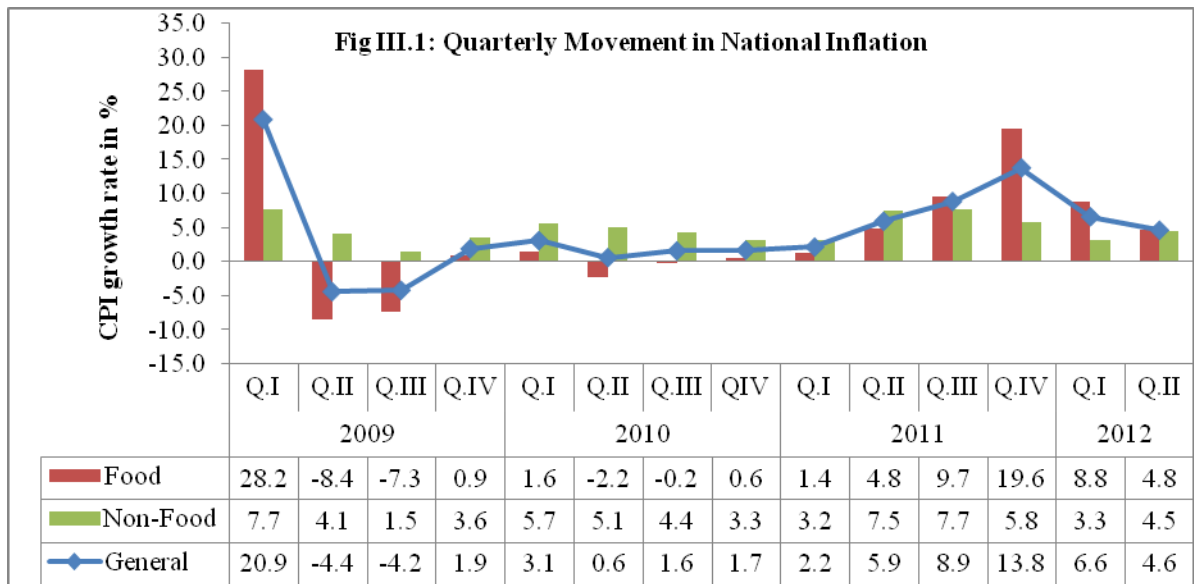
Food inflation recorded a significant slowdown on quarterly basis due to a decline in the CPI rate of most food items. Food items<sup>4</sup> such as meat, pulses, bread and other prepared foods, fats & oil, milk, spices, milling charges and food taken

away from home have registered price decline compared to the first quarter. Cereals CPI inflation has played a major role to this effect strengthening the argument that Ethiopian inflation is mainly driven by food related inflationary pressure (Table 3.2).

On the contrary, non-food inflation rate scaled up to 4.5 percent from 3.3 percent during the previous quarter. The quarterly rise in inflation rate of house rent, construction materials, water, and fuel and electric power, clothing & foot wear and miscellaneous attributed to the recorded upsurge (Table 3.3).

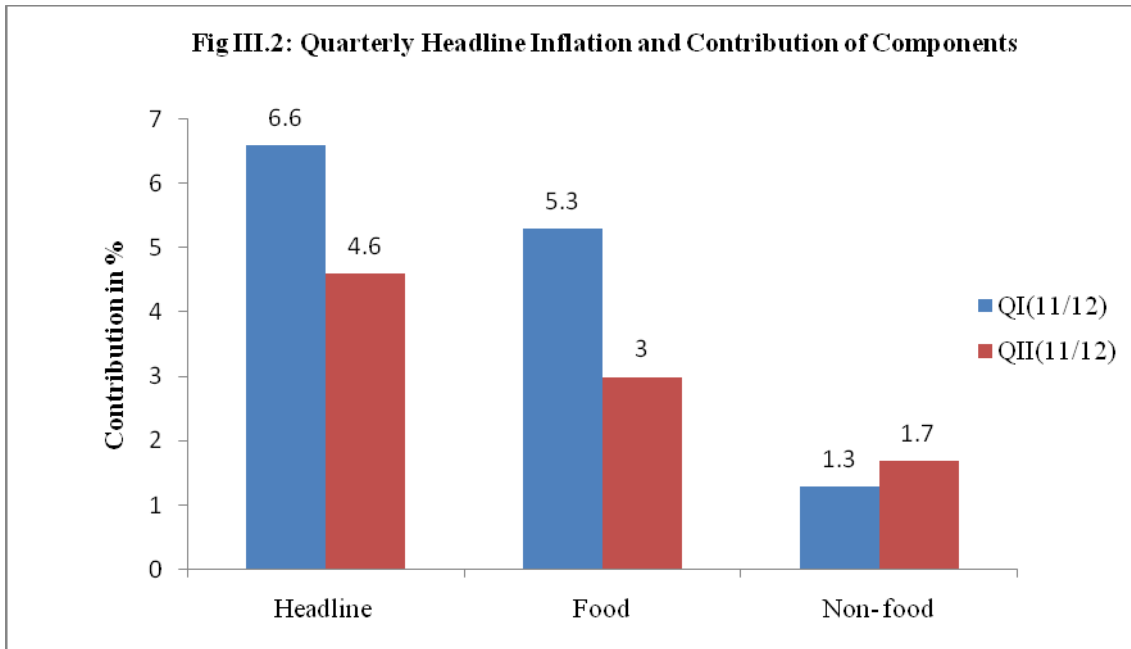
<sup>3</sup> Food inflation contribution was about 80 percent in the first quarter but declined to about 65 percent during the second quarter while that of non-food increased from about 20 percent to 35 percent. This implies that general inflation highly influenced by food inflation.

<sup>4</sup> Accounts for merely about 23 percent of the total non-food CPI weight

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

Item	Weights	2010/11	2011/12		Change in %age Points		Contribution to	
		QII	QI	QII	C-A	C-B	QI headline inflation	headline inflation over QII
		A	B	C				
Headline	100	5.9	6.6	4.6	-1.3	-2.0	4.6	-2.0
Food	57	4.8	8.8	4.8	-0.1	-4.0	3.0	-2.4
Core	43	7.5	3.3	4.5	-3.0	1.2	1.6	0.4

Source: CSA and NBE Staff Computation



**Table 3.2: Quarterly National Food Consumer Prices**

Item	Weights	2010/11	2011/12		Change in percentage points		Contribution to	
		Q II	QI	QII	C-A	C-B	QII food inflation	change in Food Inflation over QI
		A	B	C				
<b>Food as a whole</b>	<b>57.01</b>	<b>4.8</b>	<b>8.8</b>	<b>4.8</b>	<b>-0.1</b>	<b>-4.0</b>	<b>4.8</b>	<b>-4.0</b>
Cereals	22.54	-2.5	16.0	4.4	6.9	-11.5	1.8	-3.8
Pulses	4.31	9.9	18.2	4.5	-5.4	-13.7	0.3	-1.0
Bread and other prepared food items	1.87	-0.3	7.0	8.6	8.9	1.6	0.3	0.1
Meat	2.82	1.2	25.2	8.6	7.3	-16.6	0.4	-0.5
Milk, cheese and egg	1.96	7.1	4.3	2.9	-4.2	-1.4	0.1	0.0
Fats and oils	2.39	20.6	0.3	-4.6	-25.2	-4.9	-0.2	-0.2
Vegetables and fruits	2.55	23.8	-15.6	6.1	-17.7	21.8	0.3	1.1
Spices	1.98	-9.8	13.9	0.3	10.1	-13.7	0.0	-0.8
Potatoes, other tubers and stems	4.16	6.9	-3.7	11.4	4.5	15.1	0.8	1.1
Coffee (bean, whole) and tea leaves	4.27	21.7	1.0	5.8	-16.0	4.7	0.4	0.5
Other food items	1.23	5.0	2.2	4.6	-0.4	2.4	0.1	0.0
Milling charge	1.17	6.1	2.2	0.9	-5.2	-1.3	0.0	0.0
Food taken away from home	5.76	7.0	8.5	5.7	-1.3	-2.8	0.6	-0.3

**Table 3.3: Quarterly National Non-food Consumer Prices**

Item	Weights	2010/11	2011/12		Change in percentage 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>43.0</b>	<b>7.5</b>	<b>3.3</b>	<b>4.5</b>	<b>-3.1</b>	<b>1.1</b>	<b>4.5</b>	<b>1.1</b>
Beverages	2.0	2.1	10.3	7.1	5.0	-3.2	0.4	-0.1
Cigarettes and Tobacco	0.5	18.9	4.4	-4.2	23.0	-8.6	-0.1	-0.1
Clothing and Footwear	8.3	8.2	4.6	8.9	0.5	4.1	2.1	1.0
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.6	6.8	1.0	2.1	-4.7	1.1	0.9	0.5
Furniture, Household Equipment and Operation	3.8	8.4	6.2	5.4	-3.0	-0.8	0.6	-0.1
Medical Care and Health	1.1	4.8	2.2	2.8	-2.0	0.6	0.1	0.0
Transport and Communication	2.5	10.0	0.7	-2.3	12.3	-3.0	-0.1	-0.2
Recreation, Entertainment and Education	1.1	15.1	6.1	5.8	-9.4	-0.4	0.1	0.0
Personal Care and Effects	0.8	12.6	9.7	7.3	-5.2	-2.4	0.2	0.0
Miscellaneous Goods	2.3	4.1	3.3	7.4	3.3	4.1	0.3	0.1

Source: CSA and NBE Staff Computation

### 3.2 Developments in Regional CPI

During the second quarter of 2011/12, regional average general inflation was 4.5 percent lower than 8.0 and 6.5 percent in the previous quarter and same quarter last year, respectively. Regional states such as Oromia, Amhara, Gambela, Tigray, Addis Ababa and Benishangul Gumz have recorded a quarterly headline inflation above the regional simple average inflation.

During the review period, all regional states have experienced a slowdown in headline inflation. The highest quarterly headline inflation was registered in Gambella (7.1 percent) with the minimum (0.2 percent) in SNNP. This indicates 6.9 percentage point margin in the rates of inflation among the regions, which was lower than the previous quarter margin of 8.6 percentage point. The deviation in the regional headline inflation rates from the average as represented by standard deviation was 1.9 percentage points (Table 3.4).

The regional average food inflation decreased to 5.3 percent from 10.0 percent in the previous quarter but slightly up from 5.2 percent in the same

quarter of last fiscal year. Quarterly food inflation higher than the quarterly regional average was registered in Benishangul Gumz, Gambella, Addis Ababa, Afar and Amhara regional states. The highest food inflation was observed in Benshangul Gumz (9.5 percent) and the lowest in SNNP (2.6 percent) indicating 6.9 percentage point margin in the rate of food inflation among regions, significantly lower than the 17.0 percentage point margin during the previous quarter. The dispersion from the regional mean in food inflation measured by standard deviation was 2.3 percent.

Likewise, the average regional non-food inflation dropped to 3.3 percent from 4.9 and 8.0 percent in the previous quarter and same quarter a year before, respectively. Except in Dire Dawa, SNNP, Harari, Gambella, and Afar, higher non-food inflation than the regional average has been observed. The highest average non-food inflation of 7.3 percent was observed in Somali and the lowest -3.4 percent in SNNP. The variation in non-food inflation measured by the standard deviation was 3.1 percent (Table 3.4).

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Regions	2010/11			2011/2012						Annual Change			Quarterly 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	6.6	6.6	6.6	8.8	7.1	11.4	0.2	2.6	-3.4	-6.4	-3.9	-10.0	-8.6	-4.5	-14.8
Harari	7.2	6.7	7.8	5.3	7.3	2.7	3.9	4.5	3.0	-3.3	-2.2	-4.8	-1.4	-2.8	0.3
Oromia	6.5	6.3	6.7	6.5	8.1	3.7	4.9	4.7	5.2	-1.6	-1.5	-1.6	-1.6	-3.3	1.4
Tigray	1.6	-1.9	7.1	8.5	10.5	5.5	5.0	3.6	7.2	3.5	5.6	0.2	-3.5	-6.9	1.7
Gambella	5.8	5.4	6.2	13.4	17.4	6.9	7.1	9.5	2.9	1.3	4.0	-3.3	-6.3	-8.0	-4.0
Addis Ababa	6.6	2.6	10.2	5.7	8.5	3.4	5.3	6.8	4.0	-1.4	4.2	-6.3	-0.4	-1.7	0.5
Dire Dawa	6.7	5.5	8.3	6.1	9.0	1.9	2.3	2.3	2.3	-4.4	-3.1	-6.0	-3.8	-6.6	0.3
Ben. Gum	6.0	3.1	9.7	11.8	17.2	2.8	6.7	7.9	4.5	0.7	4.8	-5.2	-5.1	-9.3	1.7
Somali	12.7	15.9	6.3	4.8	4.4	5.6	4.5	3.2	7.3	-8.2	-12.7	1.0	-0.3	-1.1	1.7
Afar	6.1	4.2	9.1	7.6	8.9	5.8	4.1	7.0	0.0	-2.0	2.8	-9.1	-3.5	-1.9	-5.9
Amhara	5.3	2.7	10.1	9.0	11.4	4.4	5.1	5.9	3.5	-0.2	3.2	-6.6	-3.9	-5.5	-0.9
<b>Regions Average</b>	<b>6.5</b>	<b>5.2</b>	<b>8.0</b>	<b>8.0</b>	<b>10.0</b>	<b>4.9</b>	<b>4.5</b>	<b>5.3</b>	<b>3.3</b>						
Standard deviation	2.6	4.3	1.6	2.7	4.1	2.6	1.9	2.3	3.1						
Coefficient of variation <sup>5</sup>	0.4	0.8	0.2	0.3	0.4	0.5	0.4	0.4	0.9						

Source: CSA and NBE Staff Computation

<sup>5</sup> The ratio of standard deviation to regional average