

III. QUARTERLY PRICE DEVELOPMENTS

3.1. Developments in National CPI

During the third quarter of 2011/12 fiscal year, headline inflation rose to 5.2 percent from 4.6 percent in the previous quarter on account of 0.3 and 1 percentage point increase in food and non food (core inflation) respectively.

On the other hand, compared to last year same quarter, inflation slowed down by 3.7 percentage points owing to decline both in food and non food inflation by 4.6 and 2.4 percentage points respectively (Table 3.1). Food inflation contributed 3.2 percent to headline inflation of the review quarter while non-food contributed 2.1 percent (Table 3.1).

On quarterly basis, food inflation slightly rose to 5.1 percent from 4.8 percent due to an increase in the CPI rate of most food

items, such as meat, milk, cheese and egg, vegetables and fruits, coffee (bean, whole) and tea leaves, despite fall in other food items (Table 3.2).

Likewise, on-food inflation rate increased to 5.5 percent from 4.5 percent during the previous quarter. The quarterly rises in the inflation rates of cigarettes and tobacco; house rent, construction materials, water, and fuel and electric power; furniture, household equipment and operation; transport and communication attributed to the recorded upsurge (Table 3.3).

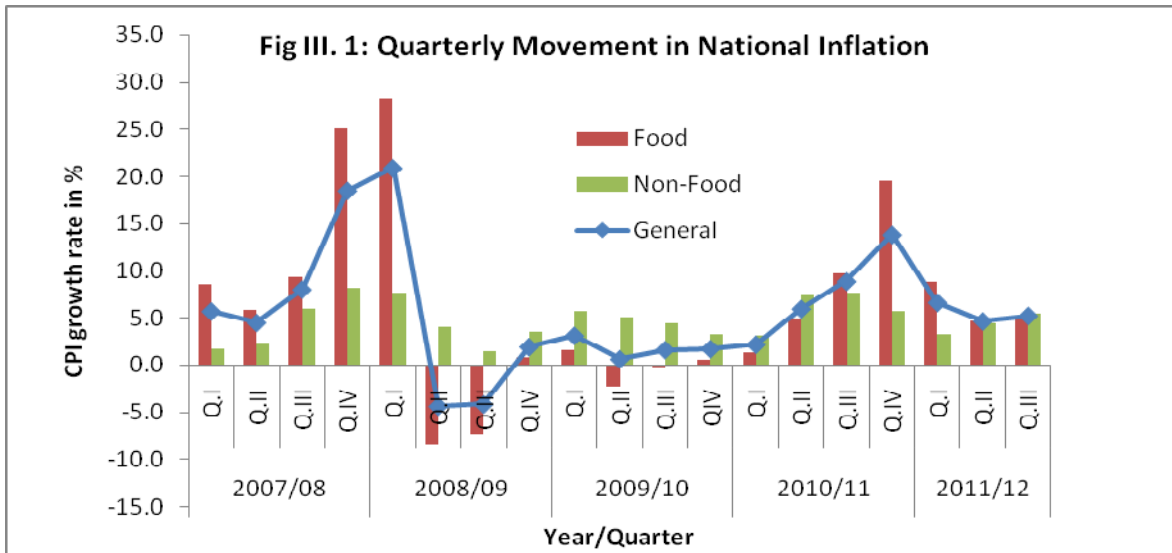


Table 3.1: Quarterly National General Consumer Prices (%)

	Weights	2010/11		2011/12		Change in %age Points		Contribution to	
		QIII	QII	QIII	C-A	C-B	QIII headline inflation	headline inflation over QII	
		A	B	C					
Headline	100	8.9	4.6	5.2	-3.7	0.6	5.2	0.6	
Food	57	9.7	4.8	5.1	-4.6	0.3	3.2	0.2	
Non-Food	43	7.8	4.5	5.5	-2.4	1.0	2.1	0.4	

Source: CSA and NBE Staff Computation

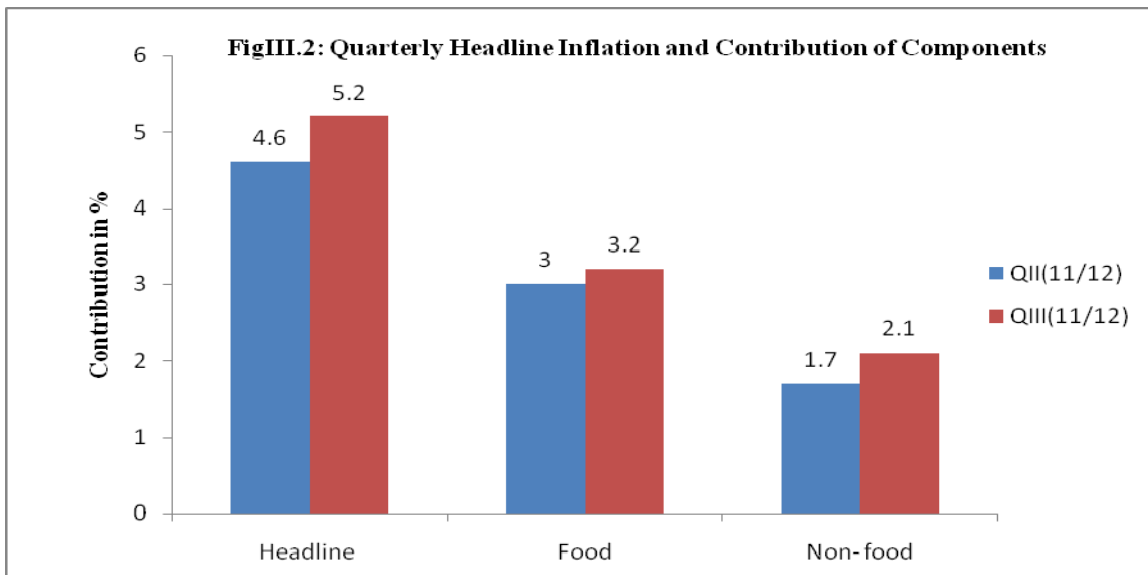


Table 3.2: Quarterly National Food Consumer Prices (%)

Item	Weights	2010/11	2011/12		Change in %age points		Contribution to	
		QIII	QII	QIII	C-A	C-B	QIII Food Inflation	Change in Food Inflation over QII
		A	B	C				
Food as a whole	57.0	9.7	4.8	5.1	-4.6	0.3	5.1	0.3
Cereals	22.5	7.7	4.4	1.5	-6.2	-3.0	0.5	-1.1
Pulses	4.31	11.3	4.5	0.1	-	-4.4	0.0	-0.4
Bread and other prepared food items	1.87	2.8	8.6	5.3	2.5	-3.3	0.2	-0.1
Meat	2.82	-8.4	8.6	11.3	19.7	2.8	0.5	0.1
Milk, cheese and egg	1.96	9.1	2.9	13.5	4.4	10.6	0.4	0.3
Fats and oils	2.39	9.9	-4.6	-8.3	18.2	-3.7	-0.4	-0.1
Vegetables and fruits	2.55	13.7	6.1	52.0	38.3	45.8	2.1	1.9
Spices	1.98	4.2	0.3	-10.8	15.0	11.1	-0.6	-0.7
Potatoes, other tubers and stems	4.16	15.9	11.4	8.7	-7.2	-2.6	0.7	-0.1
Coffee (bean, whole) and tea leaves	4.27	34.3	5.8	8.9	25.3	3.2	0.9	0.3
Other food items	1.23	-2.8	4.6	-0.2	2.6	-4.8	0.0	-0.1
Milling charge	1.17	0.2	0.9	11.8	11.6	10.9	0.2	0.1
Food taken away from home	5.76	3.6	5.7	6.6	3.0	0.9	0.6	0.1

Source: CSA and NBE staff Compilation

Table 3.3: Quarterly National Non-food Consumer Prices (%)

Item	Weights	2010/11	2011/12		Change in		Contribution to	
		QIII	QII	QIII	%age points		QIII Non-	Change in Non-
		A	B	C	C-A	C-B	Food Inflation	Food Inflation over QIV
Non-Food	43.0	7.8	4.5	5.5	-2.4	1.0	5.5	1.0
Beverages	2.0	3.6	7.1	6.6	3.0	-0.5	0.4	0.0
Cigarettes and Tobacco	0.5	4.1	-4.2	1.2	-2.9	5.4	0.0	0.1
Clothing and Footwear	8.3	10.1	8.9	8.2	-1.8	-0.7	2.1	-0.1
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.6	8.2	2.1	4.5	-3.8	2.4	1.9	1.0
Furniture, Household Equipment and Operation	3.8	4.9	5.4	7.7	2.8	2.3	0.8	0.2
Medical Care and Health	1.1	2.6	2.8	1.7	-0.9	-1.0	0.0	0.0
Transport and Communication	2.5	13.3	-2.3	0.4	-	13.0	2.7	0.1
Recreation, Entertainment and Education	1.1	2.7	5.8	3.6	0.8	-2.2	0.1	0.0
Personal Care and Effects	0.8	9.3	7.3	5.1	-4.1	-2.2	0.1	-0.1
Miscellaneous Goods	2.3	1.9	7.4	1.0	-0.9	-6.5	0.0	-0.2

Source: CSA and NBE Staff Computation

3.2. Developments in Regional CPI

During the third quarter of 2011/12, regional average general inflation was 3.9 percent, lower than 4.4 and 6.9 percent in the previous quarter and same quarter last year, respectively. Regional states such as SNNP, Oromia, Tigray and Gambela,

have recorded quarterly headline inflation above the regional simple average inflation.

During the review period, most of regional states have experienced a slow down in headline inflation, except SNNP,

Oromia and Dire Dawa. The highest quarterly headline inflation was registered in Oromia (5.9 percent) and the minimum (2.4 percent) in Somali. This indicated a 3.5 percentage point margin in the rates of inflation among regions, which was lower than the previous quarter margin of 6.9 percentage point. The deviation in the regional headline inflation rates from the average as represented by standard deviation was 1.2 percentage points (Table 3.4).

The regional average food inflation dropped to 3.5 percent from 5.3 and 7.5 percent in the previous quarter and same quarter last fiscal year, respectively. Quarterly food inflation higher than the quarterly regional average was registered in SNNP, Harari, Oromia, Tigray and Gambella regional states. The highest food inflation was observed in Gambella (7.0 percent) and the lowest in Ben.

Gumuz (-2.6 percent) indicating 9.6 percentage point margin in the rate of food inflation among regions; the dispersion from the regional mean in food inflation measured by standard deviation was 2.3 percent.

On the other hand, the average regional non-food inflation rose to 4.4 percent from 3.2 percent in the previous quarter while dropping compared to the 6.0 percent a year ago. Higher non-food inflation other than the regional average has been observed in SNNP, Oromia, Tigray, Benshangul Gumuz and Amhara regional states. The highest average non-food inflation of 12.6 percent was recorded in Benshangul Gumuz and the lowest (0.7 percent) in Harari. The variation in non-food inflation measured by the standard deviation was 3.4 percent (Table 3.4).

Table 3.4: Annualized Regional General, Food and Non-Food Inflation

Regions	2010/11			2011/2012						Annual Change			Quarterly Change		
	QIII			QII			QIII								
	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	12.5	16.8	7.3	0.2	2.6	-3.4	5.7	5.4	6.1	-6.9	-11.4	-1.2	5.5	2.8	9.5
Harari	7.8	9.9	5.1	3.9	4.5	3.0	2.7	4.1	0.7	-5.1	-5.8	-4.4	-1.2	-0.4	-2.4
Oromia	10.2	11.5	8.2	4.9	4.7	5.2	5.9	5.7	6.1	-4.3	-5.8	-2.1	0.9	0.9	1.0
Tigray	4.3	3.1	5.9	5.0	3.6	7.2	4.4	3.7	5.6	0.2	0.6	-0.4	-0.6	0.1	-1.7
Gambella	4.6	4.3	4.9	7.1	9.5	2.9	4.9	7.0	1.0	0.3	2.7	-3.9	-2.1	-2.4	-1.9
Addis Ababa	4.3	0.2	7.6	5.3	6.8	4.0	3.7	2.1	3.2	-0.6	1.9	-4.4	-0.5	-4.7	-0.8
Dire Dawa	4.6	5.0	4.0	2.3	2.3	2.3	2.9	3.2	2.3	-1.7	-1.8	-1.7	0.5	0.9	0.0
Ben. Gum	7.7	12.2	2.4	6.7	7.9	4.5	3.0	-2.0	12.6	-4.7	-14.2	10.2	-3.8	-9.9	7.9
Somali	6.4	7.4	4.3	4.5	3.2	7.3	2.4	2.9	1.4	-4.0	-4.5	-2.9	-1.8	-0.3	-5.0
Afar	7.5	6.9	8.4	4.1	7.0	0.0	3.6	3.2	4.3	-3.9	-3.7	-4.1	-0.6	-3.8	4.3
Amhara	6.0	5.0	7.9	5.1	5.9	3.5	3.8	2.9	5.5	-2.3	-2.0	-2.4	-1.3	-2.9	2.0
Regions Average	6.9	7.5	6.0	4.4	5.3	3.2	3.9	3.5	4.4						
Standard deviation	2.6	4.8	2.0	1.9	2.3	3.0	1.2	2.3	3.4						
Coefficient of variation ²	0.4	0.6	0.3	0.4	0.4	0.9	0.3	0.7	0.8						

Source: CSA and NBE Staff Computation

² The ratio of standard deviation to regional average