

III. Quarterly Price Developments

3.1 Developments in National CPI

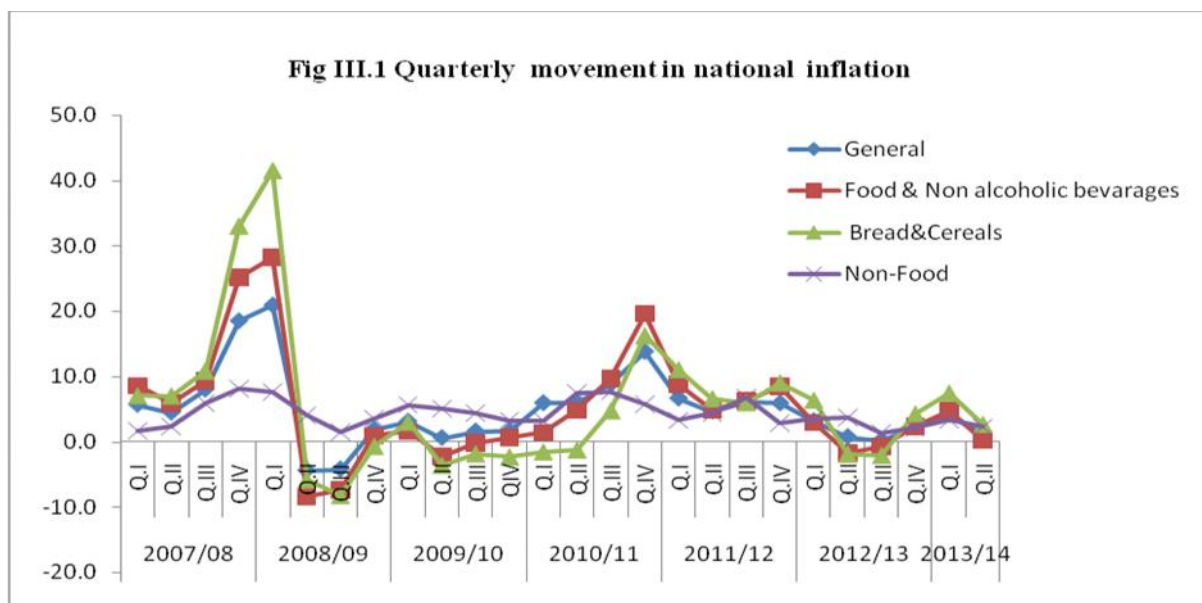
During the second quarter of the fiscal year 2013/14, headline inflation slowed down to 1.3 percent from 4.1 percent in the previous quarter on account of 4.4 percentage point decline in food & non-alcoholic beverages inflation and 1.1 percentage point drop in non-food inflation. Year-on-year basis however, headline inflation picked up by about 0.5 percent. Quarterly food & non-alcoholic beverage inflation decelerated to 0.3 percent from 4.7 percent. Similarly, core inflation declined to 2.3 percent from 3.4 percent over the same period. Core inflation contributed 1.1 percent to the quarterly headline inflation of 1.3 percent while food & non-alcoholic beverage contributed the remaining 0.2 percent (Table 3.1).

Food & non-alcoholic beverages inflation recorded a significant quarterly slowdown due to a decline in the CPI rate of all food items except fruits and oils & fats. The prices of food item decelerated were vegetables (8.8 percentage point), bread and cereals (4.8 percentage point), sugar, jam, honey & chocolate (2.3 percentage point),

meat (2.0 percentage point), other food products (1.4 percentage point), non-alcoholic beverage (1.3 percentage point), milk, cheese & egg (1.0 percentage point) (Table 3.2).

Similarly, Core inflation scaled down to 2.3 percent from 3.4 percent during the previous quarter. The decline in inflation was pronounced largely in items such as recreation and culture (6.4 percentage point), housing, water, electricity, gas and other fuels (3.1 percentage point), restaurant and hotel (1.8 percentage point) and clothing & footwear (1.0 percentage point). Meanwhile, price increases have been observed for items like health, alcoholic beverage & tobaccos and transport among others (Table 3.3).

In conclusion, given the fact that food and non-alcoholic beverages hold a 53 percent weight in Ethiopia's CPI one can infer that headline inflation tends to follow development in food inflation.



Source:CSA

Table 3.1: Quarterly National General Consumer Prices (%)

	Weights	2012/13	2013/14		Change in %age Points		Contribution to	
		QII	QI	QII	Points		QII headline inflation	Change in headline inflation
		A	B	C	C-A	C-B		
Headline	100	0.8	4.1	1.3	0.5	-2.9	1.3	-2.9
Food & Non-alcoholic beverages	53	-1.7	4.7	0.3	2.0	-4.4	0.2	-2.3
Non-Food	47	3.7	3.4	2.3	-1.4	-1.1	1.1	-0.5

Source: CSA and NBE Staff Computation

**Table 3.2: Quarterly National Food and Non-alcoholic beverages CPI inflations
(Dec2011=100)**

Item	Weights	2012/13	2013/14		Change in %age points		Contribution to	
		QII	QI	QII	C-A	C-B	QII food inflation	change in Food Inflation over QI
		A	B	C				
Food&Non-alcoholic beverages	52.8	-1.7	4.7	0.3	2.0	-4.4	0.3	-4.4
Bread & Cereals	18.5	-1.8	7.5	2.7	4.5	-4.8	1.0	-1.7
Meat	4.3	0.8	3.6	1.7	0.9	-2.0	0.2	-0.2
Milk,cheese & egg	2.2	4.4	2.5	1.5	-2.9	-1.0	0.1	0.0
Oils & Fats	3.7	-3.1	-1.1	-0.4	2.7	0.7	0.0	0.0
Fruit	0.3	13.0	-1.5	2.9	-10.1	4.4	0.0	0.0
Vegetables	13.5	-2.6	5.3	-3.5	-0.9	-8.8	-0.9	-2.3
Sugar jam,honey,chocolet	1.0	1.8	1.6	-0.8	-2.6	-2.3	0.0	0.0
Food products n.e.c	4.7	-2.9	2.2	0.8	3.7	-1.4	0.1	-0.1
Non-alcoholic beverages	4.6	-4.0	0.8	-0.5	3.5	-1.3	0.0	-0.1

Source: CSA and NBE Staff Computation

Table 3.3: Quarterly National Non-food CPI Inflations (Dec 2011=100)

Item	Weights	2012/13	2013/14		Change in %age points		Contribution to	
		QII	QI	QII	C-A	C-B	QII non-food inflation	change in non-Food Inflation over QI
		A	B	C				
Non-food	47.2	3.7	3.4	2.3	-1.4	-1.1	2.0	-0.9
Alcoholic Beverages and tobacco	4.9	4.7	1.7	6.9	2.2	5.2	0.7	0.5
Clothing and Footwear	6.6	0.8	3.6	2.7	1.9	-1.0	0.4	-0.1
Housing, water, electricity, gas and other fuel	16.3	4.2	4.7	1.6	-2.6	-3.1	0.6	-1.1
Furnishings, household equipment and routine maintenance of houses	5.4	5.2	1.6	1.8	-3.4	0.2	0.2	0.0
Health	1.1	18.5	-1.7	8.0	-10.5	9.7	0.2	0.2
Transport	2.8	1.5	-0.5	2.2	0.7	2.6	0.1	0.1
Communication	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recreation and culture	0.6	0.3	9.3	2.9	2.6	-6.4	0.0	-0.1
Education	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restaurant & hotel	5.5	4.0	4.4	2.6	-1.4	-1.8	0.0	0.0
Miscellaneous goods	2.6	2.1	6.2	-2.8	-4.9	-9.0	-0.2	-0.5

Source: CSA and NBE Staff Computation

3.2 Developments in Regional CP

During the second quarter of 2013/14, regional average headline inflation decreased to 2.7 percent from 4.9 percent in the previous quarter but, it increased by 0.9 percentage point compared to the same quarter last fiscal year. Compared to the national headline inflation, the average regional headline inflation deviated upward by 1.4 percent during the review quarter.

Except Tigray, SNNP and Addis Ababa, all regions have registered higher quarterly headline inflation than the national average headline inflation. The highest (8.7 percent) quarterly headline inflation was recorded in Dire Dawa and the lowest (-0.9 percent) inflation in Tigray, revealing about 9.6 percentage point margin.

The deviation in the regional headline inflation rates from the average as represented by standard deviation was 2.7 percentage point higher than 1.9 percentage point in the previous quarter (Table 3.4).

Similarly, the regional average food and non-alcoholic beverages inflation in the review quarter dropped to 0.6 percent compared to 6.0 percent in the previous quarter while it rose by 1.4 percentages point against the same quarter of last fiscal year. Quarterly food &

non-alcoholic beverages inflation higher than the quarterly regional average was registered in Benishangul-Gumuz, Oromia, Somali, Gambela and Afar regional states. The highest (6.3 percent) average food and non-alcoholic inflation was observed in Benishangul-Gumuz and the lowest (-3.1 percent) in Tigray revealing 9.4 percentage point margin. The variation in food inflation measured by standard deviation was 2.5 percent, somewhat lower than 2.6 percent in the previous quarter (Table 3.4).

Contrary to headline and food and non-alcoholic beverages inflation the average regional non-food inflation slightly increased to 4.6 percent from 3.8 percent in the previous quarter but, it showed a slight decline from 4.9 percent in the same quarter of last year. Regional states such as Dire Dawa, Somali and Harari have registered quarterly non-food inflation rates higher than the regional average. The highest non-food inflation of 15.8 percent was recorded in Dire Dawa and the lowest (0.7 percent) in Oromia. The variation in core inflation measured by the standard deviation was 4.2 percent in the review quarter, which is higher than the 2.3 percent in the previous quarter (Table 3.4).

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

Regions	2012/13			2013/14			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-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	1.8	-1.1	6.2	4.4	4.1	4.8	0.9	-0.7	3.1	-0.9	0.4	-3.1	-3.5	-4.8	-1.8			
Harari	1.8	1.3	2.3	6.9	7.6	6.1	2.2	-0.5	5.2	0.4	-1.8	2.9	-4.8	-8.1	-0.9			
Oromia	-0.3	-1.8	1.6	4.1	4.6	3.6	1.8	2.7	0.7	2.0	4.5	-1.0	-2.4	-1.9	-3.0			
Tigray	0.7	-2.5	4.1	5.5	9.6	1.6	-0.9	-3.1	1.5	-1.6	-0.6	-2.7	-6.4	-12.7	-0.2			
Gambella	-2.1	-4.8	2.7	4.3	4.2	4.4	1.4	1.1	1.9	3.5	5.9	-0.8	-2.9	-3.1	-2.5			
Addis Ababa	1.2	-1.8	3.6	4.1	4.3	4.0	1.3	-1.3	3.2	0.1	0.5	-0.4	-2.8	-5.6	-0.8			
Dire Dawa	4.1	-0.1	7.7	7.5	8.0	7.2	8.7	-0.2	15.8	4.6	-0.1	8.1	1.2	-8.3	8.6			
Ben. Gum	0.2	-1.3	2.2	6.0	9.5	1.7	5.3	6.3	4.0	5.2	7.6	1.8	-0.7	-3.2	2.3			
Somali	6.0	4.6	7.7	1.3	1.9	0.5	5.0	2.4	8.3	-0.9	-2.3	0.6	3.8	0.4	7.8			
Afar	4.2	0.0	10.5	7.1	7.6	6.6	1.8	1.0	2.7	-2.4	1.0	-7.8	-5.3	-6.6	-3.9			
Amhara	1.8	-0.7	4.8	2.8	4.1	1.4	1.7	-0.7	4.4	-0.1	0.0	-0.3	-1.1	-4.8	3.1			
Regions Average	1.8	-0.8	4.9	4.9	6.0	3.8	2.7	0.6	4.6									
Standard deviation	2.3	2.4	2.8	1.9	2.6	2.3	2.7	2.5	4.2									
Coefficient of variation	1.3	-3.2	0.6	0.4	0.4	0.6	1.0	4.1	0.9									

Source: CSA and NBE Staff Computation