

III. Quarterly Price Developments

3.1 Developments in National Consumer Price Index

During the second quarter of 2012/13, general inflation declined to 0.4 percent from 4.7 percent in the same period last year and 2 percent in the previous quarter (Table 3.1).

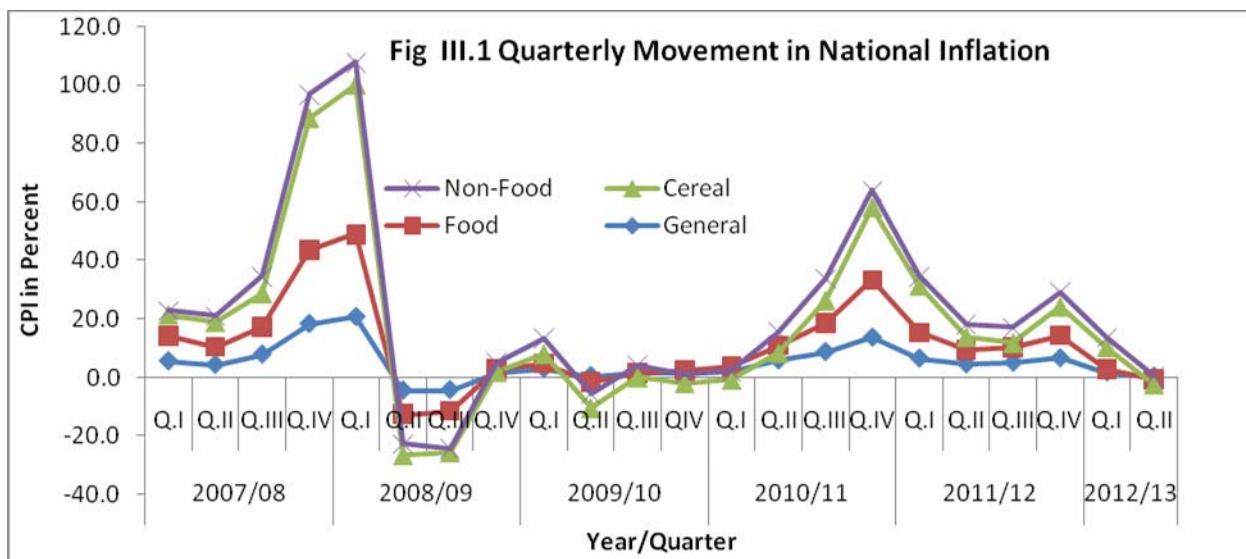
Quarterly food CPI dropped by 1.2 percent against 4.8 percent growth in the same quarter of last fiscal year and 0.9 percent in the preceding quarter. This was on account of a slowdown in the prices of food items such as cereals, pulses, fats and oils, vegetables and fruits and spices. Meanwhile, food inflation, particularly that of food taken away from home, milk, cheese & egg, potatoes, bread & other prepared food, milling charges and meat tended to decline (Table 3.2).

Core inflation scaled down to 2.9 percent from 4.5 percent in the same period last year and 3.4 percent during the preceding quarter, due to the price decline of all non

food items except cigarettes and tobacco (Table 3.3).

As a result, core inflation contributed 1.1 percent to the increase in headline inflation while food prices contributed negative 0.7 percent (Table 3.1).

To sum up, quarterly headline inflation has been declining persistently mainly driven by slow down in food inflation, proving the fact that general inflation in Ethiopia largely tends to follow developments in food inflation.



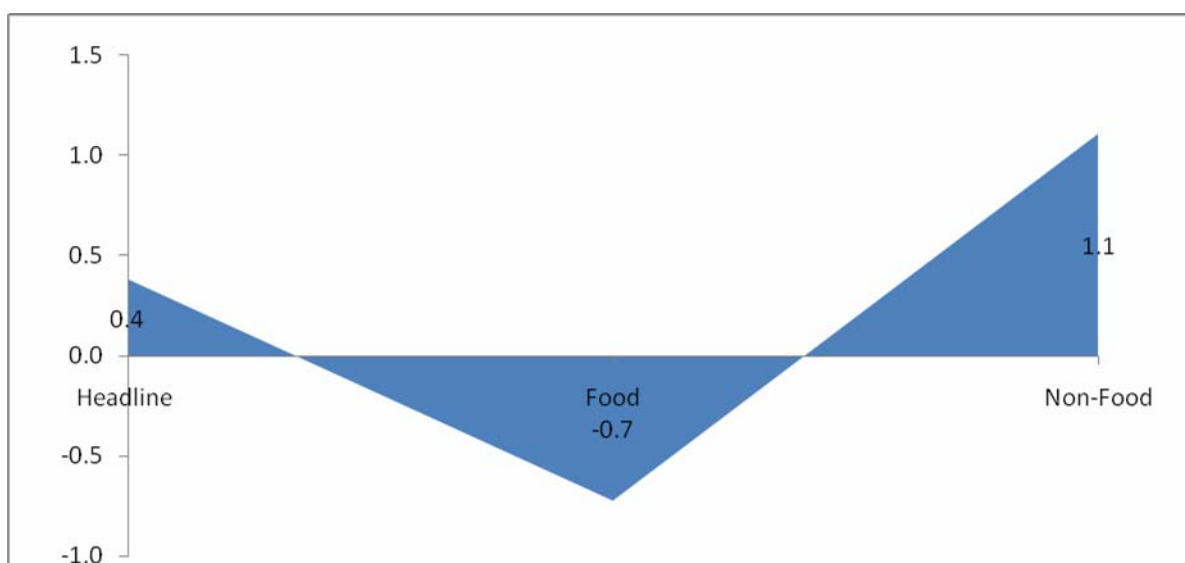
Source:CSA

Table 3.1: Quarterly National Consumer Prices Inflation (%)

Items	Weights	2011/12	2012/2013		Change in %age Points		Contribution to	
		QII	QI	QII	Points		QII headline inflation	headline inflation over QI
		A	B	C	C-A	C-B		
Headline	100	4.7	1.9	0.4	-4.3	-1.5	0.4	-1.5
Food	57	4.8	0.9	-1.2	-6.0	-2.1	-0.7	-1.3
Non-Food	43	4.5	3.4	2.9	-1.6	-0.5	1.1	-0.2

Source: CSA and NBE Staff Computation

Fig I11.2 Quarterly Headline inflation and Contribution of Food and Non-food Items



Source: CSA and NBE Staff Computation

Table 3.2: Quarterly National Food Consumer Prices Inflation

Items	Weights	2011/12	2012/13		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	57.0	4.8	0.9	-1.2	-6.0	-2.1	-1.2	-2.1
Cereals	22.5	4.4	7.5	-1.6	-6.0	-9.2	-0.6	-3.3
Pulses	4.31	4.5	-2.9	-7.8	-12.3	-4.9	-0.6	-0.4
Bread and other prepared food items	1.87	8.6	2.0	1.8	-6.8	-0.3	0.1	0.0
Meat	2.82	8.6	7.9	1.2	-7.4	-6.7	0.1	-0.3
Milk, cheese and egg	1.96	2.9	0.5	2.8	-0.1	2.4	0.1	0.1
Fats and oils	2.39	-4.6	-4.5	-2.3	2.3	2.2	-0.1	0.1
Vegetables and fruits	2.55	6.1	-17.3	-3.0	-9.1	14.4	-0.1	0.9
Spices	1.98	0.3	-11.3	-10.8	-11.1	0.5	-0.5	0.1
Potatoes, other tubers and stems	4.16	11.4	-3.1	2.1	-9.3	5.1	0.2	0.4
Coffee (bean, whole) and tea leaves	4.27	5.8	-6.9	0.1	-5.7	7.0	0.0	0.6
Other food items	1.23	4.6	4.1	0.4	-4.2	-3.7	0.0	-0.1
Milling charge	1.17	0.9	3.9	1.6	0.6	-2.3	0.0	0.0
Food taken away from home	5.76	5.7	6.0	3.1	-2.6	-2.9	0.3	-0.3

Source: CSA and NBE Staff Computation

Table 3.3: Quarterly National Non-food Consumer Prices Inflation

Item	Weights	2011/12	2012/13		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			QII non-food inflation	change in non-Food Inflation over QI
Non-Food	43.0	4.5	3.4	2.9	-1.5	-0.5	2.9	-0.5
Beverages	2.0	7.1	2.5	2.5	-4.7	-0.1	0.1	0.0
Cigarettes and Tobacco	0.5	-4.2	3.9	-1.7	2.5	-5.6	0.0	-0.1
Clothing and Footwear	8.3	8.9	3.2	5.7	-3.2	2.5	1.5	0.7
House Rent, Construction Materials, Water, and Fuel and Electric Power	20.6	2.1	5.0	1.7	-0.4	-3.3	0.7	-1.3
Furniture, Household Equipment and Operation	3.8	5.4	3.6	3.4	-2.0	-0.3	0.4	0.0
Medical Care and Health	1.1	2.7	1.0	2.1	-0.6	1.1	0.0	0.0
Transport and Communication	2.5	-2.3	-2.1	-2.7	-0.4	-0.6	-0.1	0.0
Recreation, Entertainment and Education	1.1	5.8	2.8	1.4	-4.4	-1.5	0.0	0.0
Personal Care and Effects	0.8	9.7	1.3	4.9	-4.8	3.6	0.1	0.1
Miscellaneous Goods	2.3	3.3	16.4	-3.8	-7.1	-20.2	-0.1	-0.7

Source: CSA and NBE Staff Computation

3.2 Developments in Regional CPI

The regional average headline inflation during the second quarter of 2012/13 was 0.1 percent; much lower than the 4.4 percent inflation last year same quarter and 2.2 percent in the previous quarter. All regional states, except Somali, experienced a slowdown in general inflation during the review period.

The average regional headline inflation was 0.3 percentage point lower than the national headline inflation. Headline inflation in Oromia, Tigray, Dire Dawa, Beni-shangul Gumz and Somali regional states registered higher than the regional average inflation.

Headline inflation was the highest in Somali (4.6 percent) and lowest in Gambella (-5.1 percent) revealing about 9.7 percentage point margin. Though the average regional headline inflation declined relative to the previous quarter, the range between the highest and the lowest general inflation appeared higher than in the review period. The deviation in the regional headline inflation rates from the average as represented by standard deviation was 2.3 percentage point, lower than 2.8 percentage point in the previous quarter (Table 3.4).

Likewise, in the review quarter the regional average food CPI declined by 1.3 percent against 5.3 percent and 1.4 percent food inflation in the same quarter of last fiscal year and the previous quarter, respectively. Quarterly food inflation higher than the quarterly regional average was registered in Tigray, Dire Dawa, Beni-shangul gumz and Somali regional states. The highest average food inflation was observed in Somali (3.2 percent). Food CPI declined in Gambella (-7.2 percent) revealing 10.4 percentage point margin in the rate of food inflation among regions, lower than the 14.7 percentage point margin during

the previous quarter. The variation in food inflation measured by standard deviation was 2.5 percent, same as in the preceding quarter.

Average regional non-food inflation dropped to 2.3 percent from 3.2 percent and 3.7 percent in the same quarter last year and the previous quarter respectively. Regional states such as Amhara, SNNP, Oromia, Tigray and Somali registered quarterly non-food inflation higher than the regional average. The highest average non-food inflation of 7.5 percent was recorded in Somali whereas lower non food price was indicated in Gambella (1.1 percent). The variation in regional core inflation, measured by the standard deviation was 2.2 percent in the review quarter, which was lower than the corresponding 2.8 percent in the previous quarter (Table 3.

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

Regions	2011/12			2012/13						Annual Change			Quarterly Change		
	QII			QI			QII								
	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	0.2	2.6	-3.4	2.2	0.1	5.7	0.1	-1.9	3.4	-0.1	-4.5	6.8	-2.1	-2.0	-2.3
Harari	3.9	4.5	3.0	-2.8	-7.2	6.1	-0.9	-2.3	1.1	-4.8	-6.8	-1.9	1.9	4.8	-4.9
Oromia	4.9	4.8	5.2	0.6	-1.1	3.6	0.2	-1.3	2.6	-4.8	-6.1	-2.5	-0.5	-0.3	-0.9
Tigray	5.0	3.6	7.2	5.9	4.6	7.9	1.3	-0.6	4.1	-3.7	-4.2	-3.1	-4.6	-5.2	-3.7
Gambella	7.0	9.4	2.9	2.5	1.2	5.1	-5.1	-7.2	-1.1	-12.1	-16.6	-4.0	-7.6	-8.4	-6.2
Addis Ababa	4.3	6.8	4.0	3.4	3.5	3.3	-0.1	-1.5	1.2	-4.4	-8.4	-2.7	-3.5	-5.0	-2.1
Dire Dawa	2.3	2.3	2.3	5.0	5.9	3.5	1.2	1.0	1.7	-1.1	-1.4	-0.6	-3.7	-4.9	-1.8
Ben. Gum	6.8	7.9	4.7	-0.9	-0.2	-2.1	0.3	-0.1	0.8	-6.5	-7.9	-3.9	1.2	0.2	2.9
Somali	4.2	3.2	6.3	2.0	0.5	5.3	4.6	3.2	7.5	0.4	0.0	1.2	2.6	2.7	2.3
Afar	4.2	7.0	-0.1	2.5	3.4	1.2	-0.7	-1.9	1.4	-4.8	-8.9	1.4	-3.1	-5.2	0.2
Amhara	5.1	5.9	3.5	3.4	4.3	1.3	-0.1	-1.4	2.6	-5.2	-7.3	-0.8	-3.5	-5.7	1.3
Regions Average	4.4	5.3	3.2	2.2	1.4	3.7	0.1	-1.3	2.3						
Standard deviation	1.9	2.3	3.0	2.5	3.6	2.8	2.3	2.5	2.2						
Coefficient of variation	0.4	0.4	0.9	1.2	2.7	0.8	29.9	-2.0	1.0						

Source: CSA and NBE Staff Computation