

### III. Quarterly Price Developments

#### 3.1 Developments in National CPI

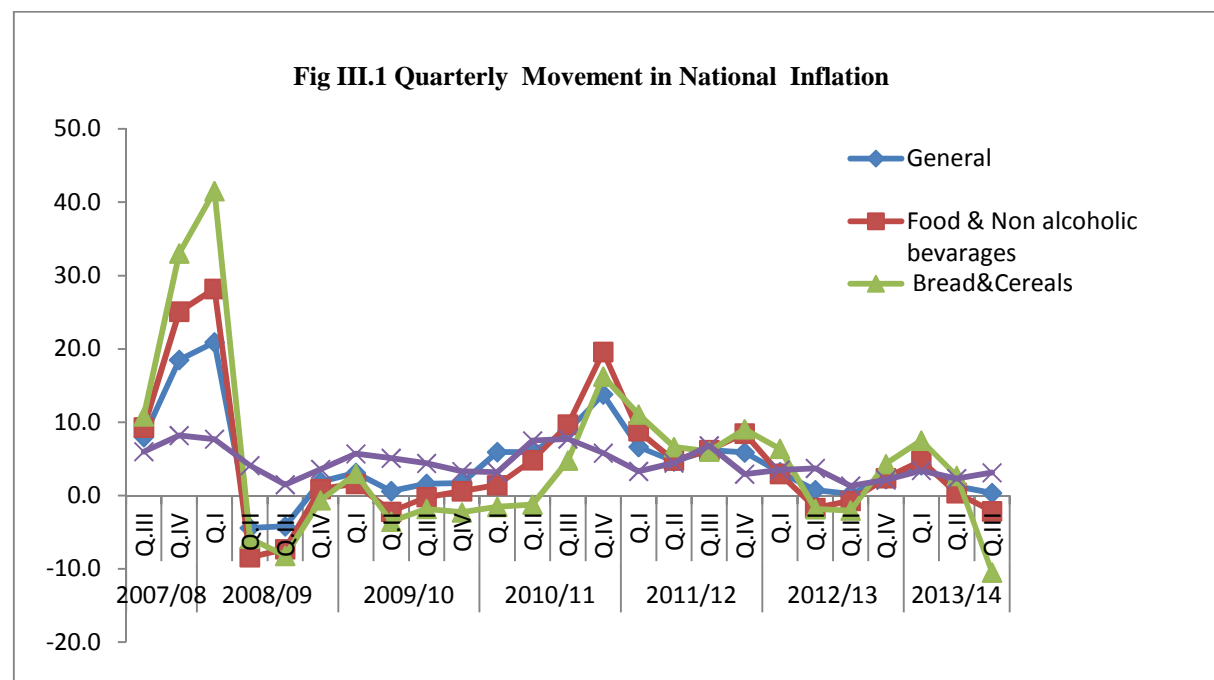
During the third quarter of the fiscal year 2013/14, headline inflation slowed down to 0.4 percent from 1.3 percent in the previous quarter on account of a 2.5 percentage point decline in food & non-alcoholic beverages inflation. Quarterly food & non-alcoholic beverage inflation decelerated to -2.1 percent against 0.3 percent increase during the previous quarter while non-food inflation slightly went up to 3.1 percent from 2.3 percent over the same period. Non-food inflation contributed 1.5 percent to the quarterly headline inflation of 0.4 percent counterbalancing the 1.1 percent below zero inflation in food and non-alcoholic beverage (Table 3.1).

Food and non-alcoholic beverages inflation recorded a significant quarterly downturn due to a decline in the CPI rate of most food items like bread and cereals (13.2 percentage point), other food products (2.4 percentage point), meat (5.0 percentage point), fruit (5.0 percentage point), sugar, jam, honey & chocolate (0.2 percentage point). Meanwhile, the prices of

vegetables and oils & fats among others tended to pick up (Table 3.2).

On the contrary, non-food inflation scaled up to 3.1 percent from 2.3 percent over the previous quarter due to an increase in inflation of non-food items including miscellaneous goods (2.9 percentage point), housing, water, electricity, gas and other fuels (2.7 percentage point), furnishings, household equipment and routine maintenance of houses (1.6 percentage point) offsetting the decline in prices of items like health, recreation & culture and transport among others. (Table 3.3)

To sum up, though core inflation contributed the lion's share to the rise in general quarterly CPI inflation, about 3.1 percentage of the 0.9 percentage point slowdown in headline inflation was attributed to food & non-alcoholic beverages inflation. Presumably, due to 'meher' production as indicated by relatively significant decline in bread and cereal prices which account for 18.5 percent of the total food and non-alcoholic beverages CPI.



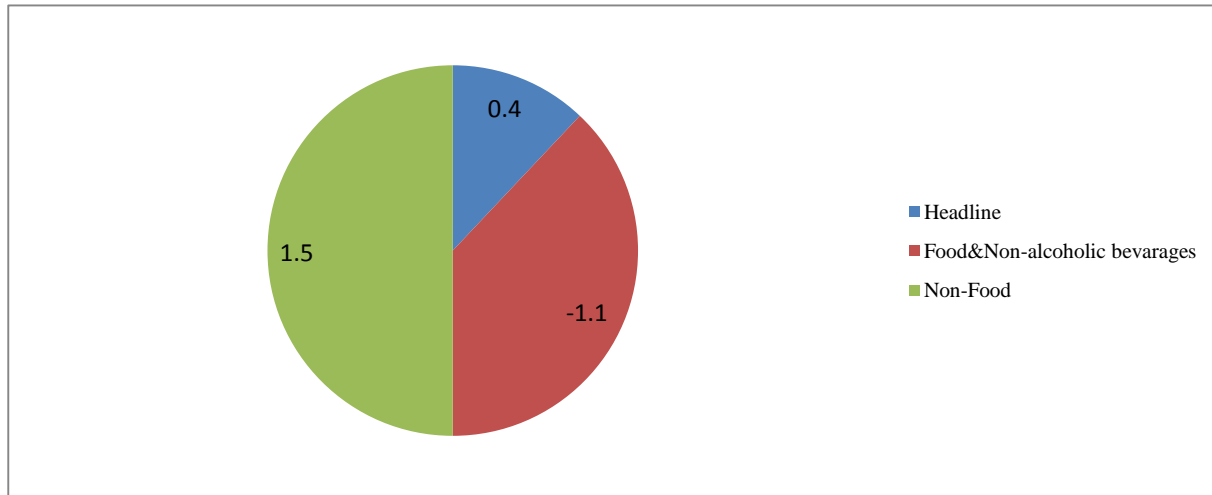
Source:CSA

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

Items	Weights	2012/13		2013/14		Change in %age Points		Contribution to	
		QIII	QII	QII	QIII	C-A	C-B	QIII headline inflation	Change in headline inflation
		A	B	C					
<b>Headline</b>	<b>100</b>	<b>0.2</b>	<b>1.3</b>	<b>0.4</b>	<b>0.1</b>	<b>-0.9</b>	<b>0.4</b>	<b>-0.9</b>	
Food & Non-alcoholic beverages	53	-0.7	0.3	-2.1	-1.4	-2.5	-1.1	-1.3	
Non-Food	47	1.3	2.3	3.1	1.8	0.8	1.5	0.4	

Source: CSA and NBE Staff Computation

**Fig III.2. Contribution of Food and Non-alcoholic Beverages and Non- food Inflation**



Source: NBE Staff Computation

**Table 3.2: Quarterly National Food and Non-alcoholic Beverages CPI Inflation (Dec 2011=100)**

Items	Weights	2012/13			2013/14		Change in %age points		Contribution to	
		QIII		QII	QIII	C-A	C-B	QIII food	change in	
		A	B	C						

							inflation	Food Inflation over QII
<b>Food&amp; Non-alcoholic Beverages</b>	<b>52.8</b>	<b>-0.7</b>	<b>0.3</b>	<b>-2.1</b>	<b>-1.4</b>	<b>-2.5</b>	<b>-2.1</b>	<b>-2.5</b>
Bread &Cereals	18.5	-2.0	2.7	-10.5	-8.4	-13.2	-3.9	-4.9
Meat	4.3	2.9	1.7	1.2	-1.8	-0.5	0.1	0.0
Milk, Cheese & Egg	2.2	4.4	1.5	3.8	-0.7	2.3	0.2	0.1
Oils &Fats	3.7	0.5	-0.4	2.9	2.3	3.3	0.2	0.2
Fruit	0.3	-3.1	2.9	2.4	5.5	-0.5	0.0	0.0
Vegetables	13.5	-0.1	-3.5	5.9	5.9	9.4	1.5	2.4
Sugar Jam, Honey ,Chocolate	1.0	3.7	-0.8	-1.0	-4.7	-0.2	0.0	0.0
Food Products n.e.c	4.7	-2.3	0.8	-1.7	0.7	-2.4	-0.1	-0.2
Non-alcoholic Beverages	4.6	-5.3	-0.5	0.2	5.6	0.7	0.0	0.0

Source: CSA and NBE Staff Computation

**Table 3.3: Quarterly National Non-food CPI Inflations**  
(Dec2011=100)

Items	Weights	2012/13	2013/14		Change in %age points		Contribution to	
		QIII	QII	QIII	C-A	C- B	QIII non- food inflation	change in non-food inflation over QII
		A	B	C				

<b>Non-Food</b>	<b>47.2</b>	<b>1.3</b>	<b>2.3</b>	<b>3.1</b>	<b>1.8</b>	<b>0.8</b>	<b>3.0</b>	<b>1.0</b>
Alcoholic Beverages and tobacco	4.9	4.1	6.9	6.5	2.4	-0.4	0.7	0.0
Clothing and Footwear	6.6	2.9	2.7	2.0	-0.9	-0.7	0.3	-0.1
Housing, Water, Electricity, Gas and Other Fuel	16.3	0.1	1.6	4.3	4.2	2.7	1.5	1.0
Furnishings, Household Equipment and Routine maintenance of houses	5.4	1.5	1.8	3.4	1.9	1.6	0.4	0.2
Health	1.1	1.0	8.0	3.2	2.1	-4.8	0.1	-0.1
Transport	2.8	-3.0	2.2	1.8	4.8	-0.3	0.1	0.0
Communication	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recreation and Culture	0.6	-0.2	2.9	-1.7	-1.5	-4.6	0.0	-0.1
Education	0.4	1.4	0.0	0.0	-1.4	0.0	0.0	0.0
Restaurant & Hotel	5.5	2.5	2.6	0.9	-1.5	-1.7	0.0	0.0
Miscellaneous Goods	2.6	3.0	-2.8	0.2	-2.8	2.9	0.0	0.2

Source: CSA and NBE Staff Computation

### 3.2 Developments in Regional CPI

During the third quarter of 2013/14, regional average headline inflation decreased to 0.4 percent in the review quarter from 2.7 percent in the previous quarter. It, however, remained unchanged compared to the same quarter of last fiscal year.

Regional states such as Harari, Somali, Addis Ababa, SSNP and Amhara have registered higher quarterly headline

inflation than the regional average. The highest quarterly headline inflation was recorded in Harari (4.3 percent) while the lowest inflation (-2.4 percent) was in Afar, revealing about 6.7 percentage point margin in the rates of inflation between the regions.

The deviation in the regional headline inflation rates from the average as represented by standard deviation was 2.0 percentage point which was lower than 2.7 percentage point recorded in the previous quarter (Table 3.4).

The regional average food and non-alcoholic beverages inflation in the review quarter was 2.3 percent below zero in contrast with -1.6 percent in the same quarter last fiscal year. Quarterly food and non-alcoholic beverages inflation was lower than the quarterly regional average in most regional states except Dire Dawa, Oromiya, BenishangulGumuz and Tigray. The highest average food and non-alcoholic inflation was observed in Somali (1.6 percent) and the lowest in BenishangulGumuz(-8.3percent) revealing a9.9 percentage point margin in the rate of food and non-alcoholic beverages inflation among regions. The variation in food inflation measured by standard deviation was 2.8 percent, somewhat higher than 2.5 percent in the previous quarter (Table 3.4).

Similarly, the average regional non-food inflation declined to 3.3percentfrom 4.6 percent in the previous quarter but, it was slightly higher than 2.6 percent in the same quarter of last year. Regional states including Harari, BenishangulGumuz, Somali,

Oromia and Tigray have registered quarterly non-food inflation rates higher than the regional average. The highest average non-food inflation of 11 percent was recorded in Harari while the lowest (-3.3 percent) was observed inAfar. The variation in non-food inflation measured by the standard deviation was 3.6 percent in the review quarter, slightly lower than the 4.2 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		
	QIII			QII			QIII			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	1.4	1.2	1.7	0.9	-0.7	3.1	0.6	0.8	0.4	-0.8	-0.4	-1.3	-0.2	1.5	-2.6
Harari	2.1	-2.8	7.3	2.2	-0.5	5.2	4.3	-1.9	11.0	2.2	0.9	3.6	2.1	-1.4	5.8
Oromia	0.4	-0.3	1.2	1.8	2.7	0.7	0.2	-2.8	3.8	-0.2	-2.5	2.6	-1.5	-5.5	3.2
Tigray	0.0	-1.3	1.2	-0.9	-3.1	1.5	-0.9	-5.6	3.7	-0.9	-4.3	2.4	0.0	-2.4	2.2
Gambella	0.0	-1.2	1.9	1.4	1.1	1.9	0.0	-0.7	1.3	0.1	0.5	-0.6	-1.4	-1.8	-0.7
Addis Ababa	0.5	-1.7	2.1	1.3	-1.3	3.2	0.9	-1.2	2.3	0.4	0.6	0.2	-0.4	0.1	-0.9
Dire Dawa	1.1	-2.2	3.7	8.7	-0.2	15.8	0.3	-3.6	3.1	-0.7	-1.3	-0.6	-8.4	-3.3	12.7
Ben. Gum	-1.0	-4.2	3.3	5.3	6.3	4.0	-2.3	-8.3	5.9	-1.2	-4.1	2.7	-7.6	-14.6	1.9
Somali	-0.6	-0.7	-0.6	5.0	2.4	8.3	3.5	1.6	5.6	4.1	2.3	6.2	-1.6	-0.8	-2.7
Afar	0.1	-3.4	5.0	1.8	1.0	2.7	-2.4	-1.6	-3.3	-2.6	1.8	-8.3	-4.2	-2.6	-6.0
Amhara	0.6	-0.6	1.9	1.7	-0.7	4.4	0.6	-1.7	2.9	-0.1	-1.1	1.0	-1.2	-1.0	-1.5
<b>Regions Average</b>	<b>0.4</b>	<b>-1.6</b>	<b>2.6</b>	<b>2.7</b>	<b>0.6</b>	<b>4.6</b>	<b>0.4</b>	<b>-2.3</b>	<b>3.3</b>						
<b>Standard deviation</b>	<b>0.9</b>	<b>1.5</b>	<b>2.1</b>	<b>2.7</b>	<b>2.5</b>	<b>4.2</b>	<b>2.0</b>	<b>2.8</b>	<b>3.6</b>						
<b>Coefficient of variation</b>	<b>2.2</b>	<b>-1.0</b>	<b>0.8</b>	<b>1.0</b>	<b>4.1</b>	<b>0.9</b>	<b>4.7</b>	<b>-1.2</b>	<b>1.1</b>						