

## IV. PRICE DEVELOPMENTS

### 4.1 Developments in consumer price at country level

Until recently, Ethiopia has been a low inflation country in Sub-Saharan Africa. The historic peak level of inflation, 21 percent, was recorded in 1991/92, mainly due to the severe drought and absence of peace in the country. On the other hand, a significant deflation, (7.2 percent), was

observed in 2001/02 basically due to the decline in food prices associated with the bumper agricultural production following the good weather condition.

**Table 4.1: Annual Average Inflation Rates (In %)**

<b>National</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>Change in Percentage Point</b>	
<b>Item</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>C-A</b>	<b>C-B</b>
<b>General</b>	6.8	12.3	17.7	10.9	5.4
<b>Food</b>	7.7	14.0	18.8	11.1	4.8
<b>Non-Food</b>	5.2	8.0	15.2	10.0	7.2

*Source: Central Statistical Authority and NBE Staff Computation*

Since 2005/06, however, prices continued to creep up despite good agricultural produce. Moreover, non-food inflation (which takes up 40 percent of the General CPI at country level) registered a significant increase. Accordingly, general inflation at the end of fiscal year 2006/07 reached 17.7 percent, food inflation 18.8 percent and core inflation, as proxied by non-food prices, 15.2 percent from their

respective levels of 12.3, 14.0 and 8.1 percent in 2005/06.

Food price inflation in 2006/07 was attributable to a rise in the prices of cereals, pulses, oil and fats, and vegetables and fruits. The increase in core inflation was basically due to the increase in the house rent, construction materials, water, fuel and power subgroup of the CPI; and clothing and footwear subgroup.

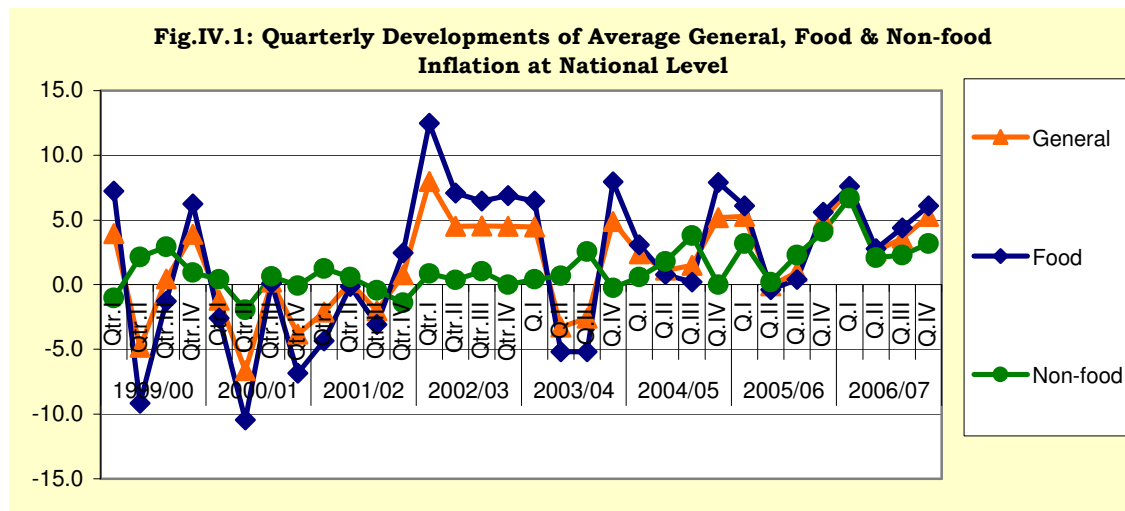
Studies and coordinated efforts are underway to identify the real and major causes of the inflation and to mitigate the adverse effects of the inflationary

pressure on the economy and the living standard of the population particularly the urban poor.

**Table 4.2: National Level Average Commodity Price Indices**

Items	2004/05	2005/06	2006/07	Percentage Change	
	A	B	C	C/A	C/B
<b>General</b>	<b>128.2</b>	<b>143.9</b>	<b>169.4</b>	<b>32.1</b>	<b>17.7</b>
<b>Food</b>	<b>139.3</b>	<b>158.8</b>	<b>188.7</b>	<b>35.5</b>	<b>18.8</b>
<i>Cereals</i>	163.9	191.1	223.1	36.1	16.7
<i>Pulses</i>	119.6	124.9	158.9	32.9	27.2
<i>Oil &amp; fats</i>	127.4	126.2	145.9	14.5	15.6
<i>Vegetables &amp; fruits</i>	118.3	132.4	171.2	44.7	29.3
<b>Non-Food</b>	<b>110.1</b>	<b>118.9</b>	<b>137.0</b>	<b>24.4</b>	<b>15.2</b>
<i>Beverages</i>	100.3	107.2	118.9	18.5	10.9
<i>House Rent &amp; others</i>	123.2	139.1	168.7	36.9	21.3

Source: Central Statistical Authority and NBE Staff Computation



## 4.2 Consumer Price Development in Regional States

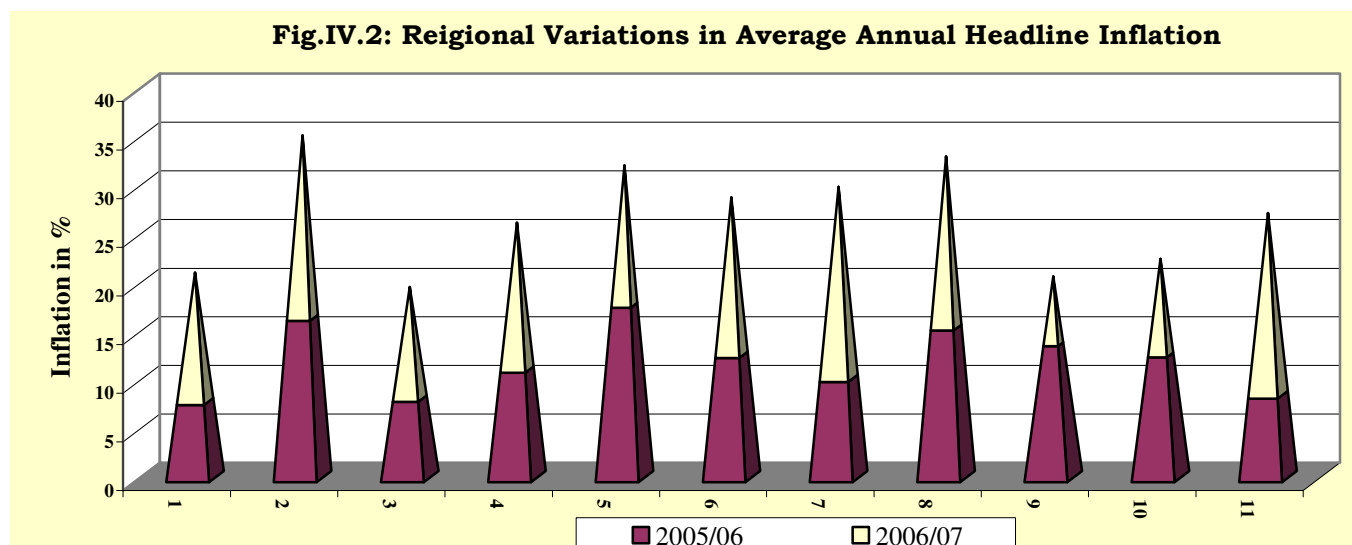
Headline inflation increased in all Regional States, but three. The lowest regional headline inflation was 7.0 percent and the highest 19.7 percent). In virtually all the regions, the rising food

inflation contributed significantly to higher headline inflation. Food price inflation ranged between 8.4 percent and 25.2 percent while non-food inflation was between 5.8 and 23.4 percent

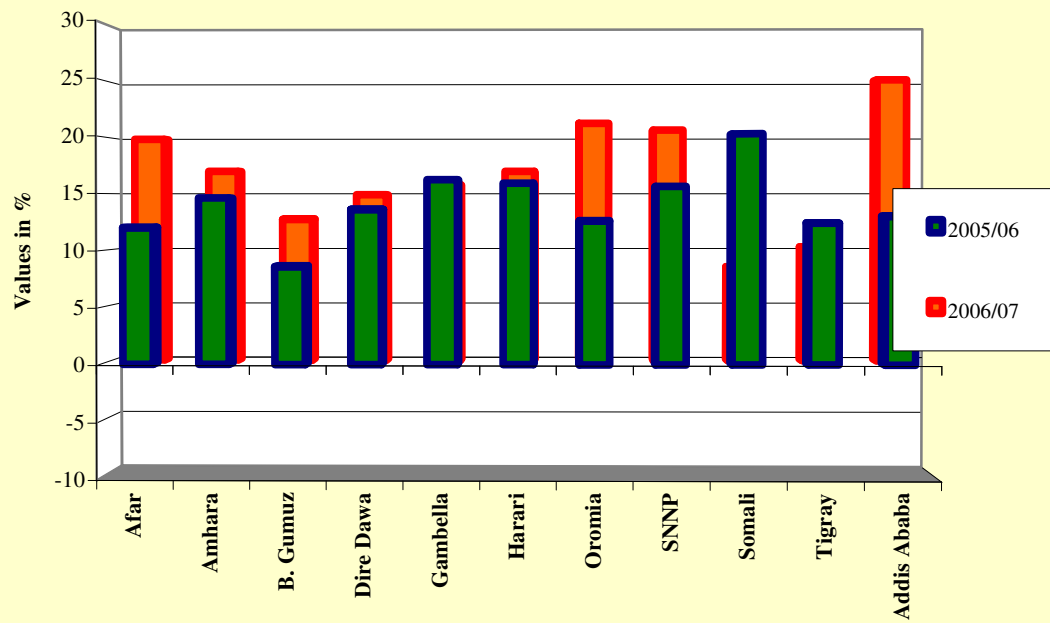
**Table 4.3: Regional Average Annual Inflation**

Regions	2006/07			2005/06		
	General	Food	Non-Food	General	Food	Non-Food
Afar	13.3	19.9	5.8	7.7	12.0	3.2
Amhara	18.8	17.0	23.4	13.3	14.6	9.9
Benishangual Gumz	11.5	12.7	8.8	8.0	8.6	6.7
Dire Dawa	15.1	14.9	15.5	11.0	13.6	7.1
Gambella	14.4	15.8	11.9	17.6	16.2	20.1
Harari	16.2	17.0	14.7	12.5	15.9	6.7
Oromia	19.7	21.3	15.5	10.1	12.6	4.2
SNNP	17.6	20.7	12.7	15.3	15.6	15.0
Somali	7.0	8.4	4.5	13.6	20.2	3.4
Tigray	9.9	10.2	9.1	12.5	12.4	12.2
Addis Ababa	18.7	25.2	13.0	8.4	13.0	4.8

Source: Central Statistical Authority and NBE Staff Computation



**Fig.IV.3: Regional Variations in Average Annual Food Inflation**



**Fig. IV.4 Regional Variations in Average Annual Non-food Inflation**

