

## **Introduction**

The Consumer Price Index (CPI) measures the average change in the price paid by consumers for a fixed market basket of goods and services. It is usually based on household expenditure weights of the goods and services in the basket and their current market prices. The twelve CPI's (i.e., the CPI's of the 11 Regions and the CPI at Country Level) presented in this report are based on the results of the Household Income, Consumption and Expenditure Survey (HICES) conducted by the Central Statistical Authority in 1999/2000 from which expenditure weights are derived for major household goods and services of that period and adjusted using the December 2000 retail prices of the goods and services as a base period.

This report is the first of its kind in Ethiopia which consists of Regional and Country Level CPI's with December 2000 as a base period. However, similar indices had been utilized at Addis Ababa Level since 1963 and at Country, Urban and Rural Levels since 1995/96. All the twelve indices have eleven major groups each, namely: Food; Beverages; Cigarettes and Tobacco; Clothing and Footwear; House Rent, Construction Materials, Water, and Fuel and Power; Furniture, Furnishing, Household Equipment and Operation; Medical Care and Health; Transport and Communication; Recreation, Entertainment and Education; Personal Care and Effects; and Miscellaneous Goods and Services.

The Food Index, which is the major component of the General Index in all cases, has 13 sub-groups each in all indices. These are: Cereals; Pulses; Bread and Other Prepared Food; Meat; Milk, Cheese and Eggs; Vegetables and Fruits; Spices; Potatoes, Other Tubers and Stems; Coffee Beans (whole) and Tea Leaves; Other Food Items; Milling Charges; and Food taken Away from Home.

For the construction of the current consumer price indices, up to date data on retail prices are collected in the purposely selected sample market places located in representative urban centers in each zone/special weredas of the country. In each zone, a maximum of two urban centers (market places) and one urban center (market place) in each especial wereda was selected which is mainly the capital of that wereda. Hence, a total of 119 market places were selected for the retail price survey. The distribution of urban center the market place of each region and items included in the basket of commodities are given on Table A above.

In each urban center market place an enumerator is assigned for undertaking the data collection activities of the retail price survey. At the end of each budget year, these enumerators take part on training and the training concentrated on the methodology of data collection and use of field equipment to be used during the survey. The enumerators are expected to collect the monthly retail prices of goods and services by interviewing the retailers and by actually measuring the weight of the items on the spot for each month in question. In some cases, price data are also collected from consumers at the time of purchase of the goods and services. An attempt was made to reduce the time lag between the data collection and the CPI data dissemination at country and regional levels by adjusting slightly the period of data collection. That is, instead of collecting price data from 8<sup>th</sup> through 22<sup>nd</sup> days of the month in question, the newly adjusted time frame is the 1<sup>st</sup> day through 15<sup>th</sup> days of European Calendar month under consideration. To calculate the monthly regional consumer price indices, geometric mean of prices of the specific regions are used.

For the Construction of the Consumer Price Index at Country Level the contributions of the five relatively major regions in terms of the magnitude of the expenditure account for more than 95 percent. These regions are Oromiya, Amhara, SNNP, Addis Ababa and Tigray. On the other hand, the contributions of the remaining regions (Somali, Dire Dawa, Harari, Gambela, Benshangul-Gumuz and Afar) to the Country Level Consumer Price Index is about five percent.

An important factor in constructing a Consumer Price Index is to select the representative basket of goods and services. Though the procedure for choosing the basket of commodity by expenditure cut-off points, the total number of items included in the regional basket in the December 2000 based indices are given in Table A above.

**Table A: Number of Markets Covered and Basket of Commodities by Region**

<b>Sr.No</b>	<b>Region</b>	<b>Number of Markets</b>	<b>Basket of Commodities</b>
1	Tigray	8	114
2	Afar	4	85
3	Amhara	20	118
4	Oromia	24	127
5	Somalie	6	85
6	Benishangul-Gumuz	6	111
7	SNNP	31	130
8	Gambela	3	105
9	Harari	2	102
10	Addis Ababa City Administration	12	175
11	Dire Dawa Administrative Council	3	121
	<b>Total</b>	<b>119</b>	

### **Comparison of CPI Movements, Current vs Last year's Similar Months at Country Level**

The May 2007 Country Level Consumer Price Index has increased by 19.1 percent as compared to May 2006 (Table 1(a)). This increase was attributed to the rise in the indices of its components; namely: Food by 21.2 percent, Beverages by 13.2 percent, Cigarettes and Tobacco by 3.1 percent, Clothing and Footwear by 9.4 percent, House Rent, Construction Materials, Water and Fuel and Power by 19.5 percent, Furniture, Furnishings, Household Equipment and Operation by 13.5 percent, Medical Care and Health by 9.2 percent, Transport and Communication by 16.6 percent, Recreation, Entertainment and Education by 8.2 percent and Personal Care and Effects by 15.4 percent.

The 21.2 percent increase in the Food index was observed due to rise in the indices of the components of Food index (Table 1(b)) namely: Cereals by (15.7 percent), Pulses (36.1 percent), Bread and Other Prepared Food (27.4 percent), Meat (15.2 percent), Milk, Cheese and Eggs (24.9 percent), oils and Fats by (32.6 percent), Vegetables and fruits (15.2 percent), Spices (89.8 percent), Potatoes, Other Tubers and Stems (15.3 percent), Coffee and Tea Leaves (8.8 percent), Milling Charge by (18.2 percent), and Food Taken Away from Home (17.9 percent). On the other hand, decline was observed in the index of other Food Items by 8.5 percent.

## ***Comparison of CPI Movements, Current vs Last year at Country and Regional Levels***

*Table 2(a) also displays that the May 2007 Country level General Consumer Price Index has increased by 19.1 percent as compared to May 2006. This increase was attributed to the rise in the indices of its constituent regions; namely: Addis Ababa 20.2 percent, Afar 13.6 percent, Amhara 22.2 percent, Benishangul Gumuz 8.9 percent, Dire Dawa 17.0 percent, Gambela 10.6 percent, Harari 12.4 percent, Oromia 20.1 percent, SNNP 3.6 percent, Somali 6.5 percent and Tigray 12.8 percent.*

*Table 2 (b) reveals that the 21.2 percent increase in the country level Food index was observed due to a rise in the indices of the regions namely: Addis Ababa 29.2 percent, Afar 22.3 percent, Amhara 25.0 percent, Benishangul Gumuz 9.3 percent, Dire Dawa 16.4 percent, Gambela 14.2 percent, Harari 12.3 percent, Oromia 21.8 percent, SNNP 16.1 percent, Somali 2.2 percent and Tigray 15.3 percent.*

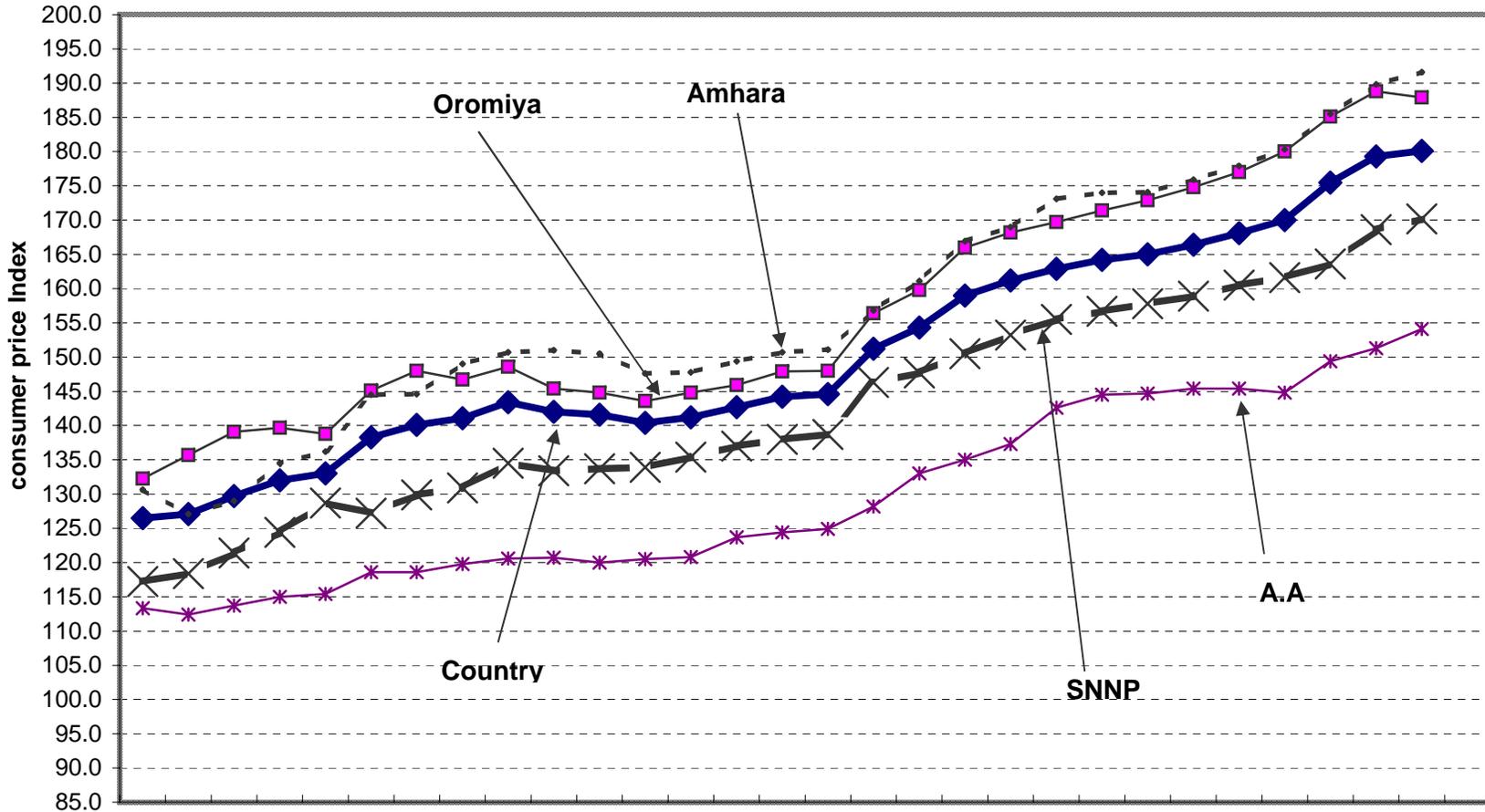




**General CPI for Country Level and Major Regions**  
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**Food CPI for Country Level and Major Regions**  
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**2005/2007**

