

Ethiopia's Success in Inflation Reduction Witnessed by the International Body too

The International Monetary Fund (IMF) said Ethiopia has been successfully implementing policies to reduce inflation and rebuild external reserves as agreed in the ESF-supported program which will enable it to draw about 58.7 million USD.

Similarly, local sources like Central Statistical Agency and Ethiopian Grain Trade Enterprise announced the reduction of inflation particularly for food items registered below zero.

The Executive Board of the International Monetary Fund (IMF) approved recently the first review of Ethiopia's economic performance under the 14-month arrangement under the high-access component of the Exogenous Shocks Facility (ESF).

The Executive Board decision was taken on a lapse of time basis.

The approval will enable Ethiopia to draw Special Drawing Rights (SDR) 40.11 million (about US\$58.7 million), bringing total disbursements under the arrangement to SDR 113.65 million (about US\$166.2 million), according to a press statement issued by IMF.

Ethiopia has been successfully implementing policies to reduce inflation and rebuild external reserves as agreed in the ESF-supported program.

At the end of 2009, consumer price inflation had declined sharply to the single digits and international reserves recovered to just over 2 months of imports, helped by strong donor inflows and financing from the IMF.

Overall, the negative impact of the global recession has not been as severe as expected. GDP growth is projected to ease to 7 percent in 2009/10.

All of the quantitative performance criteria and indicative targets for end-December 2009 were met. The structural measures covered by the Fund-supported program were also implemented.

The second ESF review is expected to be considered this fall.

The ESF arrangement for Ethiopia was approved by the Executive Board on August 26, 2009 help Ethiopia deal with the effects of the global recession on its balance of payments.

Mean while the Central Statistical Agency (CSA) announced inflation rate in May 2010 reached 2.4 per cent in the country.

The Agency said that the inflation rate registered during the reported period was lower by 39.2 per cent than that of same time last year.

Inflation rate registered for food items is -5.7 per cent and non-food items is 17.8 per cent, it indicated.

The inflation in May 2010 was -5.7 per cent and it decreased by 58.3 per cent compared to inflation rate observed in April 2009, the Office explained.

According to the Agency, the reason for the decrease of the inflation was reduce on the price of various food items, in particular grain.

The inflation rate for non-food items in May 2010 reduced by -5.7 per cent which lower by 6.8 per cent compared to the inflation index in April 2009, the agency said.

In another development the Ethiopian Grain Trade Enterprise said the price of grain has been reduced in the current Ethiopian budget year as compared to that of in the previous year.

Grain Marketing Work Process Manager with the Enterprise, Temesgen Ababu said that the decrease was registered in the price of all types of grains.

Temesgen said sufficient amount of yield secured during the harvest season and adequate amount of grain stock contributed to the decrease in the price.

The manager said the enterprise has been striving to stabilize market. It has been distributing various grains at fair price in particular among the residents of Addis Ababa City as part of stabilizing the market.

Temesgen said there is sufficient amount of grain reserve.

The government has purchased 2.5 million quintals wheat in the current Ethiopian budget year, he said, adding, half of the stated amount of wheat has already been imported while the remaining is being transported.

The Enterprise has also exported more than 100,000 quintals coffee during the past ten months alone, he said.

Some residents of the city also said the price of grain has been reduced compared with that of last Ethiopian year.

All these facts confirmed that the country's effort in reducing inflation really succeeded.

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