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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR JUNE, 2017

METHODOLOGICAL NOTE

Definition

The NCPI measures the change over time in the cost of a fixed basket of goods and services that are purchased by a representative sample of households in Tanzania. A basket includes a list of 278 goods and services of which 97 are Food and Non Alcoholic Beverages and 181 are Non Food items that are being priced on monthly basis.

Weights and a Reference Period

The NCPI weights are based on monetary expenditures relating to consumption for all households in the 25 geographic regions of Tanzania. The index weights are based on expenditures of both urban and rural households derived from 2011/12 Household Budget Survey and the price reference period is December, 2015.

Classification

The NCPI follows the internationally recommended Classification of Individual Consumption by Purpose (COICOP). NCPI is being disseminated with indices for the 12 major groups of COICOP as well as several additional index aggregations. These additional indices are; 1) Food and Non-alcoholic Beverages - combining food consumed at home and food consumed in restaurants; 2) Energy and Fuels - combining electricity and other fuels for use at home including petrol and diesel; 3) All Items Less Food; and 4) All Items Less Food and Energy.

Elementary and Higher Level Indices

The NCPI has incorporated a number of methodological improvements including the use of geometric mean of price relatives for compiling elementary index aggregates, the use of an improved index compilation system, and improved procedures for collecting and processing prices. The Lowe Index formula which is Laspeyres index formula type continues to be used for computing higher level aggregates for the NCPI.

ANNUAL HEADLINE INFLATION RATE DECREASES TO 5.4%

Table 1: Changes in the NCPI for June, 2017, (Dec., 2015 = 100)

S/N	Main Groups	Weight	June-16	May-17	June-17	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	38.5	105.14	116.04	115.20	-0.7	9.6
2	Alcoholic and Tobacco	3.7	103.59	106.50	106.66	0.2	3.0
3	Clothing and Footwear	8.3	102.43	105.67	106.35	0.6	3.8
4	Housing, Water, Electricity, Gas and Other Fuel	11.6	107.14	113.35	114.72	1.2	7.1
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.3	101.50	104.72	104.79	0.1	3.2
6	Health	2.9	103.75	105.99	106.07	0.1	2.2
7	Transport	12.5	99.25	100.17	99.61	-0.6	0.4
8	Communication	5.6	99.04	98.10	98.10	0.0	-1.0
9	Recreation and Culture	1.6	101.26	102.04	102.03	0.0	0.8
10	Education	1.5	102.37	103.11	103.16	0.0	0.8
11	Restaurants and hotels	4.2	103.77	104.33	104.50	0.2	0.7
12	Miscellaneous goods and services	3.1	101.68	105.53	105.48	-0.1	3.7
TOTAL – ALL ITEMS INDEX		100.0	103.47	109.26	109.10	-0.1	5.4
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	37.07	105.66	116.89	116.07	-0.7	9.8
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	8.68	107.22	116.12	118.22	1.8	10.3
3	All Items Less Food	62.93	102.30	105.29	105.52	0.2	3.1
4	All Items Less Food and Energy	54.25	101.52	103.56	103.49	-0.1	1.9

The Headline Inflation Rate measures inflation rate when all items in the fixed CPI basket are included. Table number 1 above indicates that, Annual Headline Inflation Rate for the month of June, 2017 has further decreased to 5.4% from 6.1% recorded in May, 2017. This decrease in headline inflation explains that, the speed of price change for commodities in the year ending June, 2017 has further decreased as compared to the speed of price change recorded in May, 2017. The overall index went up to 109.10 in June, 2017 from 103.47 recorded in June, 2016. Food and Non Alcoholic Beverages Inflation Rate for the Month of June, 2017 has decreased to 9.6% from 11.6% recorded in May, 2017.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has decreased to 9.8% in June, 2017 from 11.8% recorded in May, 2017. In addition, the 12 month index change for non-food products has increased to 3.1% in June, 2017 from 3.0% recorded in May, 2017.

Inflation Rate excluding Food and Energy

The Annual Inflation Rate which excludes food and energy for the month of June, 2017 has decreased to 1.9% from 2.2% recorded in May, 2017.

The NCPI used to compute this type of Inflation Rate excludes food consumed at home and restaurants, non alcoholic beverages, petrol, diesel, gas, kerosene, charcoal, firewood and electricity. Excluding food and energy which are the most volatile components in the total NCPI could provide a more stable Inflation Rate figure for Policy Makers.

Chart 1: Movement of National Consumer Price Indices (NCPI) and Inflation Rates from June, 2016 – June, 2017. (Dec., 2015 = 100)

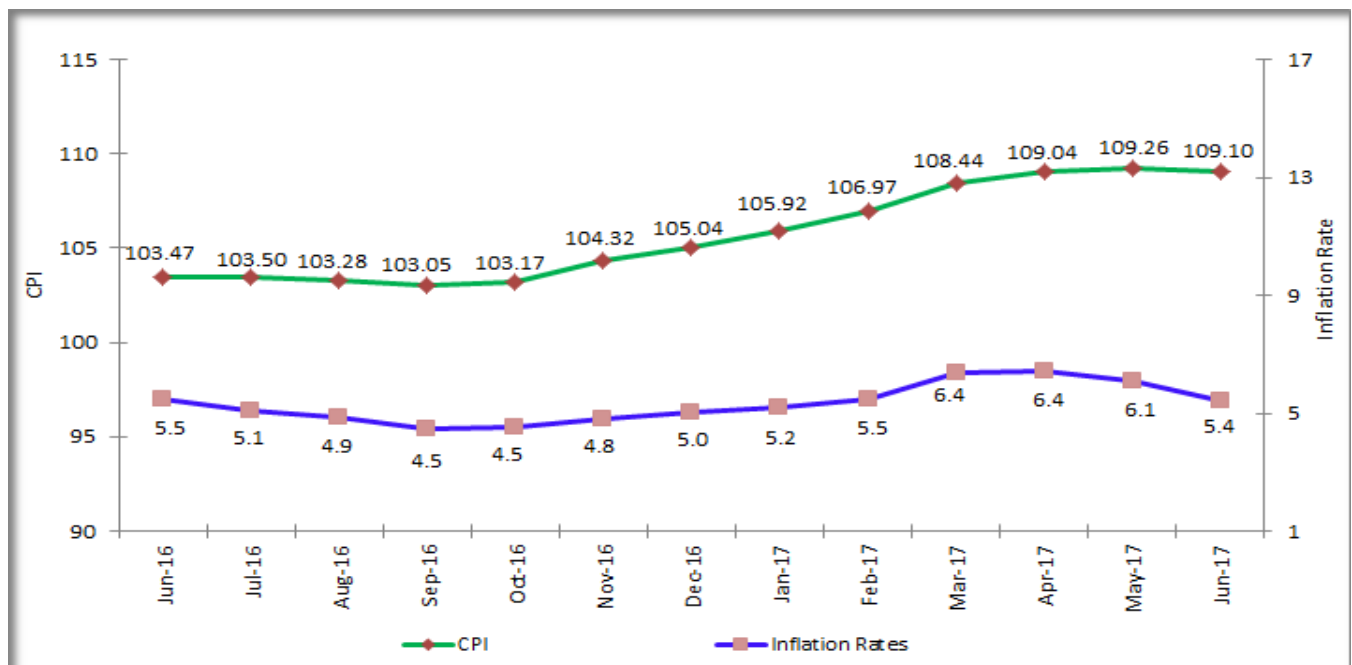


Chart number 1 above explains that; CPI has shown a relatively stable movement of prices from June, 2016 to June, 2017. In addition, Annual Headline Inflation Rates over the same period have shown a stable trend of movement from 5.5% in June, 2016 to 5.4% in June, 2017.

MONTHLY HEADLINE INFLATION RATE FOR JUNE, 2017 DECREASED BY 0.1%

The Monthly Headline Inflation Rate for the month of June, 2017 has decreased by 0.1% compared to an increase of 0.2% recorded in May, 2017. The overall index has decreased to 109.10 in June, 2017 from 109.26 recorded in May, 2017. The decrease of the overall index is mainly attributed to price decrease of some food items. Some food items that contributed to such a decrease include; maize grains by 5.1%, maize flour by 2.4%, cassava flour by 1.9%, oranges by 2.4%, sardines by 3.2%, vegetables by 5.7%, beans by 1.8% and round potatoes by 6.2%.

PURCHASING POWER OF TANZANIAN SHILLING IN JUNE, 2017 FROM DECEMBER, 2015

The Purchasing Power of the consumer's Tanzanian Shilling measures the change in the value of consumer goods and services that a Tanzanian Shilling could buy at different periods. That is, if the overall level of Consumer Price Index (CPI) goes up, the Purchasing Power of a Tanzanian Shilling goes down.

The purchasing power of 100 Tanzanian Shillings has slightly gained to TZS 91 and 66 cents in June, 2017 compared to TZS 91 and 53 cents in May, 2017.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI from June, 2016 – June, 2017 (Dec., 2015 = 100)

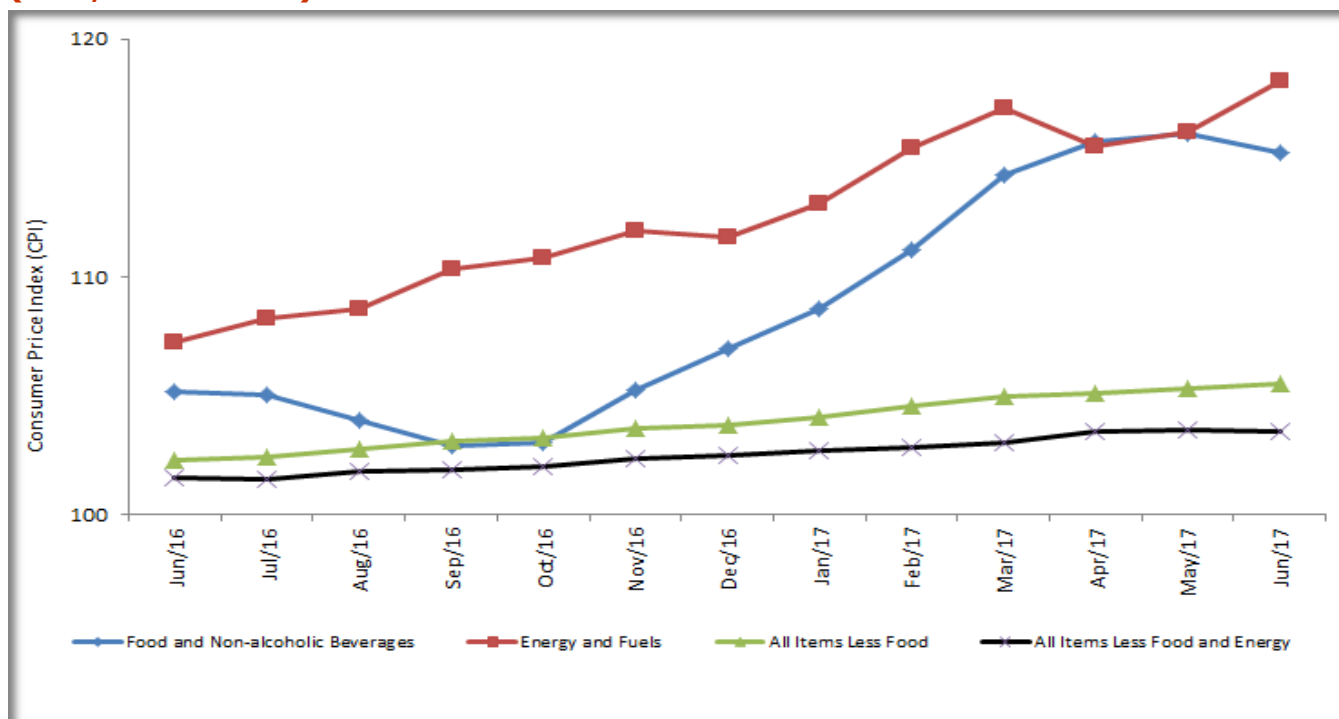


Chart number 2 above shows price movement of different groups of Consumer Price Indices from June, 2016 to June, 2017. On average, Energy and Fuel Index; and Food and Non Alcoholic Beverages indices have had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels portrayed unstable price movements compared to other indices. Indices for all items without food and all items without food and energy have indicated a much stable price movements.

Table 2: NCPI Survey Schedule for the Coming Months

NCPI Survey Months	Release date
July, 2017	08 th August, 2017
August, 2017	08 th September, 2017
September, 2017	09 th October, 2017

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