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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR JANUARY, 2012

Background notes

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 224 goods and services 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 survey types of households in the 21 geographic regions of Tanzania. The index weights are based on expenditures of both urban and rural households. The reference period for the NCPI has been changed from December, 2001=100 to September 2010=100.

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 with petrol and diesel; 3) All Items Less Food; and 4) All Items Less Food and Energy.

Methodology

The NCPI has incorporated a number of methodological improvements including the use geometric means for compiling elementary index aggregates, the use of an improved index compilation system, and improved procedures for collecting and processing prices. The modified Laspeyres index formula continues to be used for computing higher level aggregates for the NCPI.

ANNUAL HEADLINE INFLATION RATE SLIGHTLY DECREASED TO 19.7%

**Table 1: Changes in the NCPI for January, 2012
(September 2010 = 100)**

S/N	Main Groups	Weight	Jan-11	Dec-11	Jan-12	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	106.16	131.09	135.72	3.5	27.8
2	Alcoholic and Tobacco	3.3	100.95	106.59	107.35	0.7	6.3
3	Clothing and Footwear	6.7	102.54	112.96	115.40	2.2	12.5
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	103.84	122.64	123.34	0.6	18.8
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	102.84	116.10	117.64	1.3	14.4
6	Health	0.9	100.41	103.38	103.83	0.4	3.4
7	Transport	9.5	101.32	112.34	112.34	0.0	10.9
8	Communication	2.1	98.48	98.14	98.06	-0.1	-0.4
9	Recreation and Culture	1.3	98.74	101.13	103.16	2.0	4.5
10	Education	1.7	104.88	105.79	107.89	2.0	2.9
11	Restaurants and hotels	6.4	103.56	113.99	116.86	2.5	12.8
12	Miscellaneous goods and services	4.5	99.97	108.60	109.06	0.4	9.1
TOTAL – ALL ITEMS INDEX		100	104.10	121.79	124.64	2.3	19.7
Other Selected Groups							
1	Food and Non-alcoholic Beverages - combining food consumed at home and food consumed in restaurants	51.0	105.88	129.20	133.63	3.4	26.2
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	101.61	134.25	132.24	-1.5	30.1
3	All Items Less Food	49	102.00	113.03	114.00	0.9	11.8
4	All Items Less Food and Energy	43.3	102.06	109.84	111.26	1.3	9.0

The headline Inflation Rate measures Inflation Rates when all items in the fixed basket are included. Table 1 above reveals that, annual Headline Inflation Rate for the month of January 2012 has slightly decreased to 19.7% compared to 19.8% recorded in December 2011. The decrease of headline Inflation Rate for January 2012 explains that, the speed of price increase for commodities in January 2012 has slightly decreased compared to the speed recorded in January 2011. However, the overall index went up to 124.64 in January 2012 from 104.10 recorded in January 2011. Food and Non alcoholic beverages Inflation Rate has increased to 27.8% in January 2012 from 27.1% recorded in December 2011.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home went up to 26.2% in January 2012 as compared to 25.6% in December 2011. The 12 month index change for non food products slightly decreased to 11.8% in January 2012 from 12.7% registered in December 2011.

Inflation Rate excluding Food and Energy

This type of CPI excludes food consumed at home and restaurants, non alcoholic beverages, petrol, diesel, gas, kerosene, charcoal 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.

The Annual Inflation Rate which excludes food and energy for the month of January 2012 increased to 9.0% from 8.7% recorded in December 2011; on the other hand, the annual Inflation Rate for energy has decreased to 30.1% in January 2012 from 41.0% registered in December 2011. The noted decrease is highly attributed to the decrease of prices for charcoal by 0.7% and kerosene by 2.3%. A small change in prices for charcoal has a big impact on the compiled index for energy and fuels because charcoal accounts for more than half (2.5%) of the total expenditure (4.7%) for energy and fuels.

Chart 1: Movement of National Consumer Price Indices (NCPI) and Inflation Rates from January, 2011 – January, 2012. (September 2010 = 100)

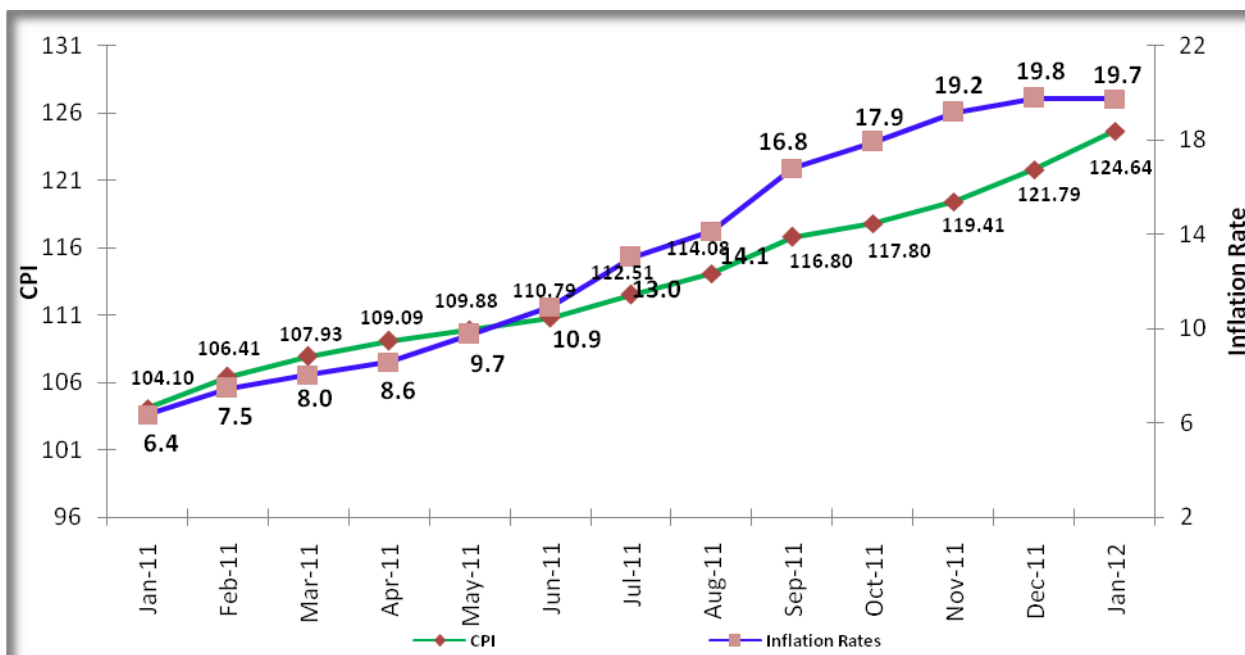


Chart 1 above shows that; during the period of January 2011 to January 2012 CPI have shown an increasing trend in prices of commodities. Annual Headline Inflation Rates over the same period have shown a similar pattern of increasing from 6.4% in January 2011 to 19.8% in December 2011 and slightly decreased to 19.7% in January 2012.

MONTHLY HEADLINE INFLATION RATE ROSE BY 2.3%

The Monthly Headline Inflation Rate for the month of January, 2012 rose by 2.3%. The overall index increased to 124.64 in January, 2012 from 121.79 in December, 2011. This increase is attributed to the increase of both food and non food prices. Food items that contributed to such increase include; rice by 13.6%, bread (2.4%), wheat flour (3.9%), meat (2.0%), fish (5.2%), fresh milk (2.7%), eggs (3.4%) and vegetables (5.6%). On the other hand, non food

items that contributed to such increase includes; beer (0.7%), men’s suits (9.7%), primary school uniform (3.5%), rents (6.5%), car tyre (4.3%), exercise books (4.8%), private primary school fees (5.0%), private secondary school fees (2.9%) and toilet soap (6.5%).

Purchasing Power of Tanzanian Shilling in September, 2010 Compared to January, 2012

Definition: The Purchasing Power of the consumer's Tanzanian Shilling measures the change in the value to the consumer of goods and services that a Tanzanian Shilling will 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 the 100 Tanzania Shillings has been decreasing, declining to TShs. 80 and 23 cents from September, 2010 to January, 2012.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI

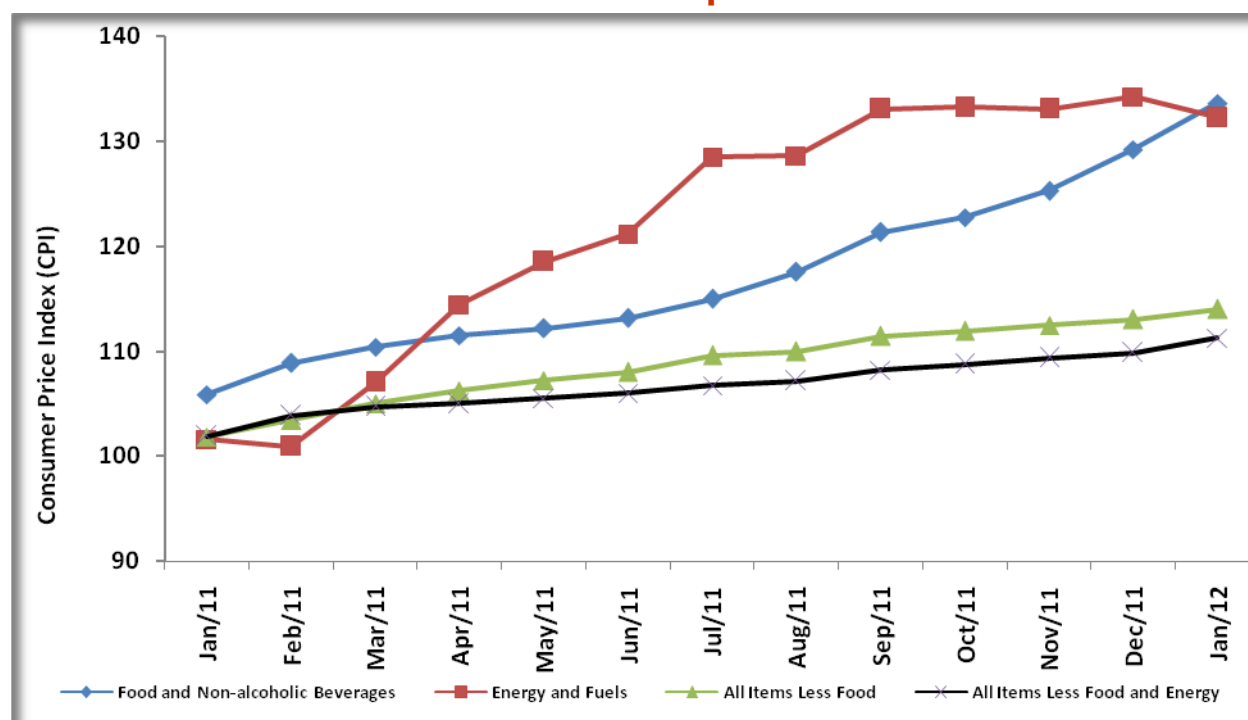


Chart 2 above shows price movement of different groups of consumer price indices from January 2011 to January 2012. On average, Food and Non Alcoholic Beverages index and; Energy and Fuel index have had a higher upward trend over the period compared to other indices except in January 2012 where the Energy and Fuels index started to decrease. Furthermore, energy and fuels portrayed unstable price movements compared to other indices. All items without food and all items without food and energy have shown a much stable price movements.

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