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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR JANUARY, 2015

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 derived from 2007 Household Budget Survey and the price reference period is September 2010.

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.

Methodology

The NCPI has incorporated a number of methodological improvements including the use of 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 EASES FURTHER TO 4.0%

**Table 1: Changes in the NCPI for January, 2015
(September 2010 = 100)**

S/N	Main Groups	Weight	Jan-14	Dec -14	Jan -15	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	161.02	166.04	168.85	1.7	4.9
2	Alcoholic and Tobacco	3.3	141.36	148.95	148.98	0.0	5.4
3	Clothing and Footwear	6.7	131.76	135.14	135.88	0.5	3.1
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	163.49	170.65	171.48	0.5	4.9
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	128.60	130.10	130.51	0.3	1.5
6	Health	0.9	108.75	113.39	113.84	0.4	4.7
7	Transport	9.5	125.60	126.09	125.59	-0.4	0.0
8	Communication	2.1	96.73	97.12	97.26	0.1	0.5
9	Recreation and Culture	1.3	113.01	113.54	113.72	0.2	0.6
10	Education	1.7	119.14	119.17	120.54	1.2	1.2
11	Restaurants and hotels	6.4	134.85	139.50	139.77	0.2	3.6
12	Miscellaneous goods and services	4.5	123.54	129.70	130.09	0.3	5.3
TOTAL – ALL ITEMS INDEX		100	146.60	150.92	152.43	1.0	4.0
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	51.0	159.69	164.98	167.62	1.6	5.0
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	184.25	189.38	188.64	-0.4	2.4
3	All Items Less Food	49	132.96	136.26	136.59	0.2	2.7
4	All Items Less Food and Energy	43.3	125.88	128.92	129.40	0.4	2.8

The Headline Inflation Rate measures inflation rate when all items in the fixed Consumer Price Index (CPI) basket are included. Table number 1 above indicates that, Annual Headline Inflation Rate for the month of January, 2015 has further decreased to 4.0% from 4.8% recorded in December, 2014. The decrease of Annual Headline Inflation Rate for the year ending January, 2015 explains that, the speed of price increase for commodities in the year ending January, 2015 has further decreased as compared to the speed of price increase recorded for the year ended December, 2014. The overall index went up to 152.43 in January, 2015 from 146.60 recorded in January, 2014. Food and Non Alcoholic Beverages Inflation Rate has decreased to 4.9% in January, 2015 from 5.7% recorded in December, 2014.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has decreased to 5.0% in January, 2015 from 5.7% recorded in December, 2014. In addition, the 12 month index change for non food products has decreased to 2.7% in January, 2015 from 3.6% recorded in December, 2014.

Inflation Rate excluding Food and Energy

The Annual Inflation Rate which excludes food and energy for the month of January, 2015 has decreased to 2.8% from 3.1% recorded in December, 2014.

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 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 January, 2014 – January, 2015. (September 2010 = 100)

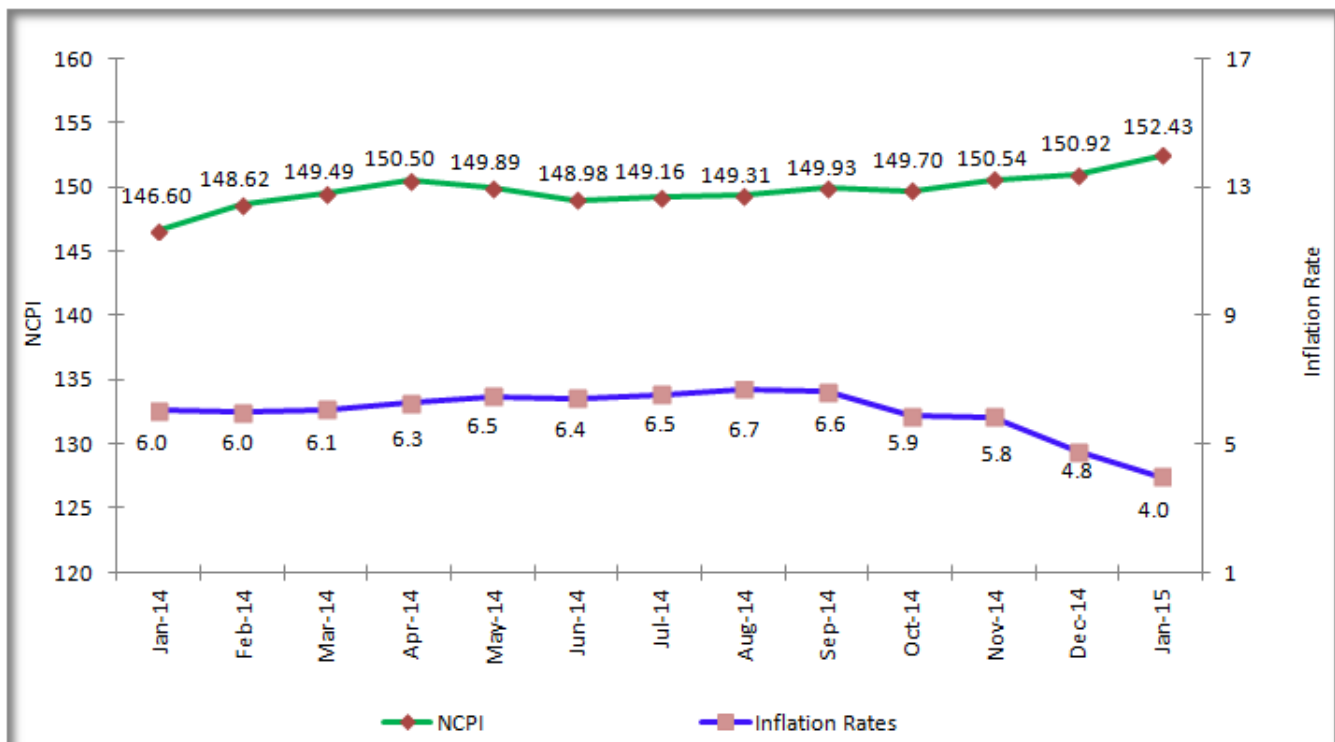


Chart number 1 above shows that; for the period of January, 2014 to January, 2015, NCPI has shown an increasing trend from January, 2014 to April, 2014. However, the NCPI had a relatively stable movement of prices from May, 2014 to January, 2015. Annual Headline Inflation Rates over the same period have shown a stable trend of movement from 6.0% in January, 2014 to 4.0% in January, 2015.

MONTHLY HEADLINE INFLATION RATE INCREASES BY 1.0%

The Monthly Headline Inflation Rate for the month of January, 2015 has increased by 1.0% compared to an increase of 0.2% recorded in December, 2014. The overall index has increased to 152.43 in January, 2015 from 150.92 recorded in December; 2014. This increase of the overall index is attributed to price increase of some food and non food items. Some food items that contributed to such increase include; rice by 1.2%, meat by 3.4%, fish by 2.0%, baby food excluding milk by 2.2% and vegetables by 3.6%. Some of the non-food items

that contributed to such increase include; garments for women by 2.0%, actual rental paid by tenants by 2.4% and charcoal by 1.6%.

Purchasing Power of Tanzanian Shilling in January, 2015 Compared to September, 2010

Definition: 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 CPI goes up, the Purchasing Power of a Tanzanian Shilling goes down.

The purchasing power of 100 Tanzanian Shillings has reached TZS 65 and 60 cents in January, 2015 from September, 2010.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of NCPI from January, 2014 – January, 2015 (September 2010 = 100)

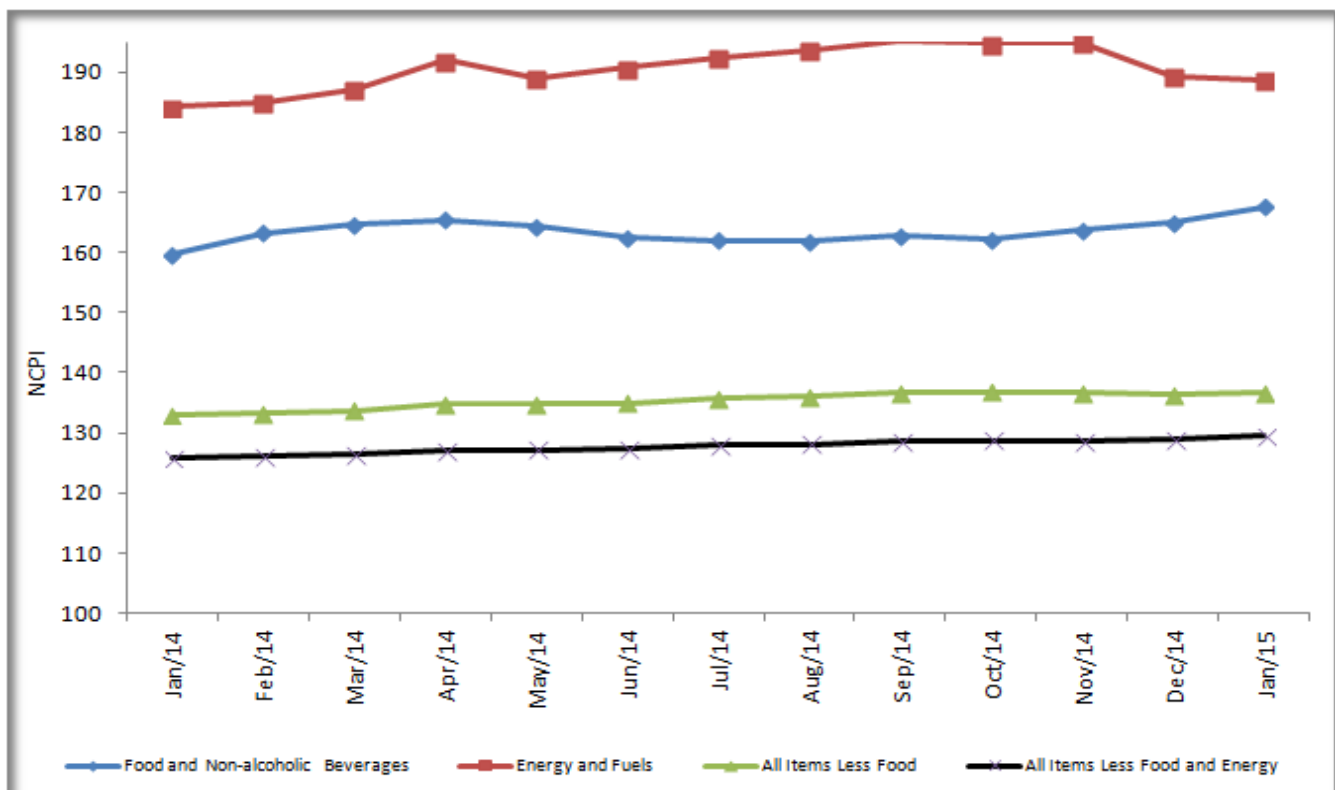


Chart number 2 above shows price movement of different groups of CPI from January, 2014 to January, 2015. On average, Energy and Fuel index; and Food and Non Alcoholic Beverages index have had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels portrayed unstable price movements compared to other indices. All items without food and all items without food and energy have indicated a much stable price movements.

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