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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR SEPTEMBER, 2014

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 DECREASES TO 6.6%

**Table 1: Changes in the NCPI for September, 2014
(September 2010 = 100)**

S/N	Main Groups	Weight	Sept-13	August -14	Sept -14	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	150.94	163.22	163.82	0.4	8.5
2	Alcoholic and Tobacco	3.3	140.27	146.27	147.28	0.7	5.0
3	Clothing and Footwear	6.7	130.26	132.94	133.18	0.2	2.2
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	155.38	171.01	171.98	0.6	10.7
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	127.65	129.84	129.83	0.0	1.7
6	Health	0.9	108.40	112.77	113.52	0.7	4.7
7	Transport	9.5	125.20	127.12	127.74	0.5	2.0
8	Communication	2.1	96.58	97.50	97.25	-0.3	0.7
9	Recreation and Culture	1.3	112.94	113.50	113.63	0.1	0.6
10	Education	1.7	113.38	119.16	119.16	0.0	5.1
11	Restaurants and hotels	6.4	133.90	137.51	139.38	1.4	4.1
12	Miscellaneous goods and services	4.5	122.79	129.58	129.71	0.1	5.6
TOTAL – ALL ITEMS INDEX		100	140.61	149.31	149.93	0.4	6.6
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	51.0	150.18	162.01	162.72	0.4	8.3
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	174.09	193.66	195.12	0.8	12.1
3	All Items Less Food	49	130.63	136.08	136.59	0.4	4.6
4	All Items Less Food and Energy	43.3	124.63	128.13	128.51	0.3	3.1

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 September, 2014 has decreased to 6.6% from 6.7% recorded in August, 2014. The decrease of Annual Headline Inflation Rate for the year ending September, 2014 explains that, the speed of price increase for commodities in the year ending September, 2014 has decreased as compared to the speed of price increase recorded for the year ended August, 2014. The overall index went up to 149.93 in September, 2014 from 140.61 recorded in September, 2013. Food and Non Alcoholic Beverages Inflation Rate has decreased to 8.5% in September, 2014 from 8.8% recorded in August, 2014.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has decreased to 8.3% in September, 2014 from 8.5% recorded in August, 2014. In addition, the 12 month index change for non food products has increased to 4.6% in September, 2014 from 4.5% recorded in August, 2014.

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 September, 2014 has stagnated at 3.1% as it was recorded in August, 2014.

Chart 1: Movement of National Consumer Price Indices (NCPI) and Inflation Rates from September, 2013 – September, 2014. (September 2010 = 100)

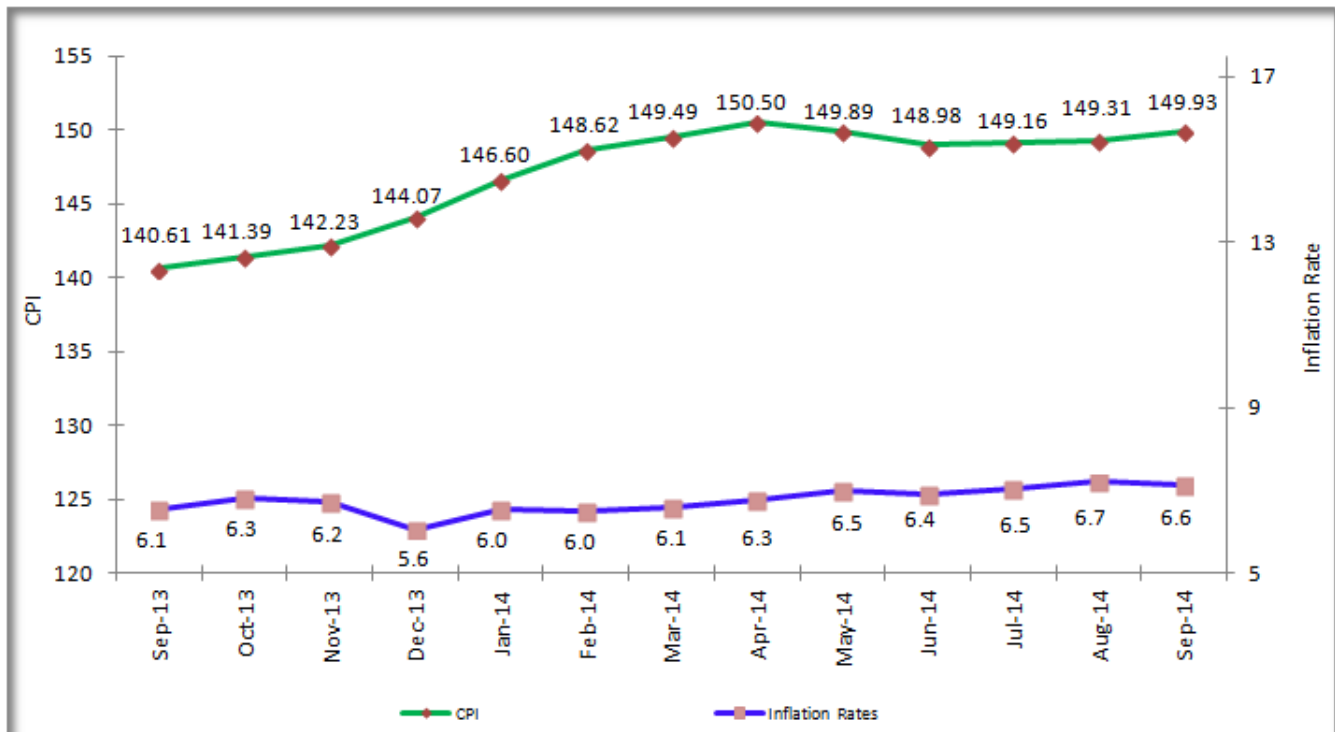


Chart number 1 above shows that; for the period of September, 2013 to September, 2014, CPI has shown an increasing trend from September, 2013 to April, 2014. However, the CPI had a relatively stable movement of prices from May, 2014 to September, 2014. Annual Headline Inflation Rates over the same period have also shown a stable trend of movement, where the lowest Inflation Rate was 5.6% in December, 2013 and the highest Inflation Rates recorded was 6.7% for the month of August, 2014.

MONTHLY HEADLINE INFLATION RATE INCREASES BY 0.4%

The Monthly Headline Inflation Rate for the month of September, 2014 has increased by 0.4% compared to an increase of 0.1% recorded in August, 2014. The overall index has increased to 149.93 in September, 2014 from 149.31 recorded in August; 2014. This increase of the overall index is attributed to the price increase of both food and non food items. Some food items that contributed to such an increase include; meat by 1.3%, fish by 1.3%, fruits by 2.3%, vegetables by 3.9%, cassava fresh by 2.3% and soft drinks by 1.3%. On the other hand, non food products which contributed to an increase of the index include; beer by 1.0%, school

uniform by 1.4%, charcoal by 1.5%, Carpets and other floor coverings by 1.0% and pharmaceutical products by 1.1%.

Purchasing Power of Tanzanian Shilling in September, 2014 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 Consumer Price Index (CPI) goes up, the Purchasing Power of a Tanzanian Shilling goes down.

The purchasing power of 100 Tanzanian Shillings has stood at TZS 66 and 70 cents in September, 2014 from September, 2010.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI from September, 2013 – September, 2014 (September 2010 = 100)

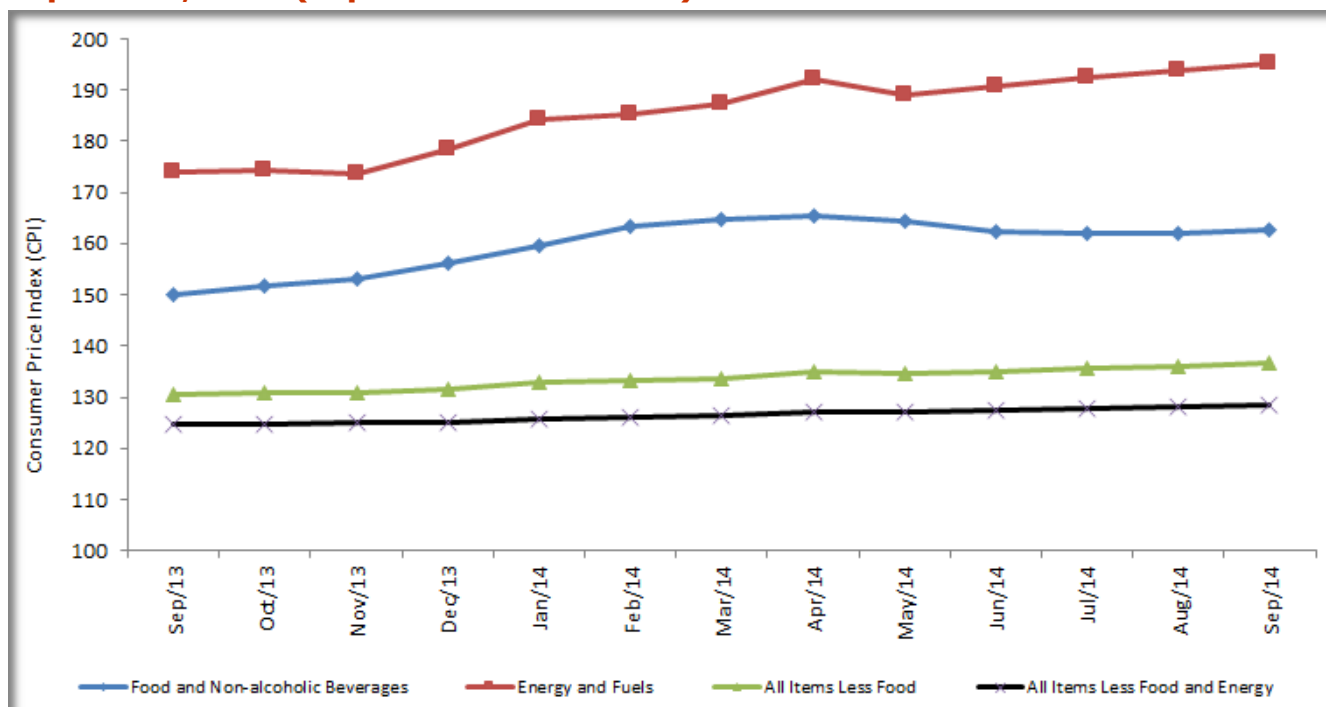


Chart number 2 above shows price movement of different groups of Consumer Price Indices from September, 2013 to September, 2014. On average, Energy and Fuel index; and Food and Non Alcoholic Beverages index have had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels portrayed unstable price movement compared to other indices. All items without food and all items without food and energy have indicated a much stable price movement.

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