

IN-DEPTH ANALYSIS OF ANNUAL HEADLINE INFLATION RATES FOR THE MONTH OF NOVEMBER, 2011

1. INTRODUCTION

The Annual Headline Inflation Rate is obtained by comparing the Consumer Price Index (CPI) of all items for the current month with the CPI of all items for the same month in previous year. The Annual headline Inflation Rates measures the speed of price movements of goods and services consumed by private households over a period of twelve months. On the other hand, a month to month Inflation Rate is obtained by comparing the CPI of the current month with the CPI of previous month in the same year. The National Bureau of Statistics compiles and disseminates both Annual Headline Inflation Rate and the month to month Inflation Rates on monthly basis.

2. TREND OF ANNUAL HEADLINE INFLATION RATE FROM JULY TO NOVEMBER, 2011

Chart 1: Trend of Annual Headline Inflation Rate from July to November, 2011

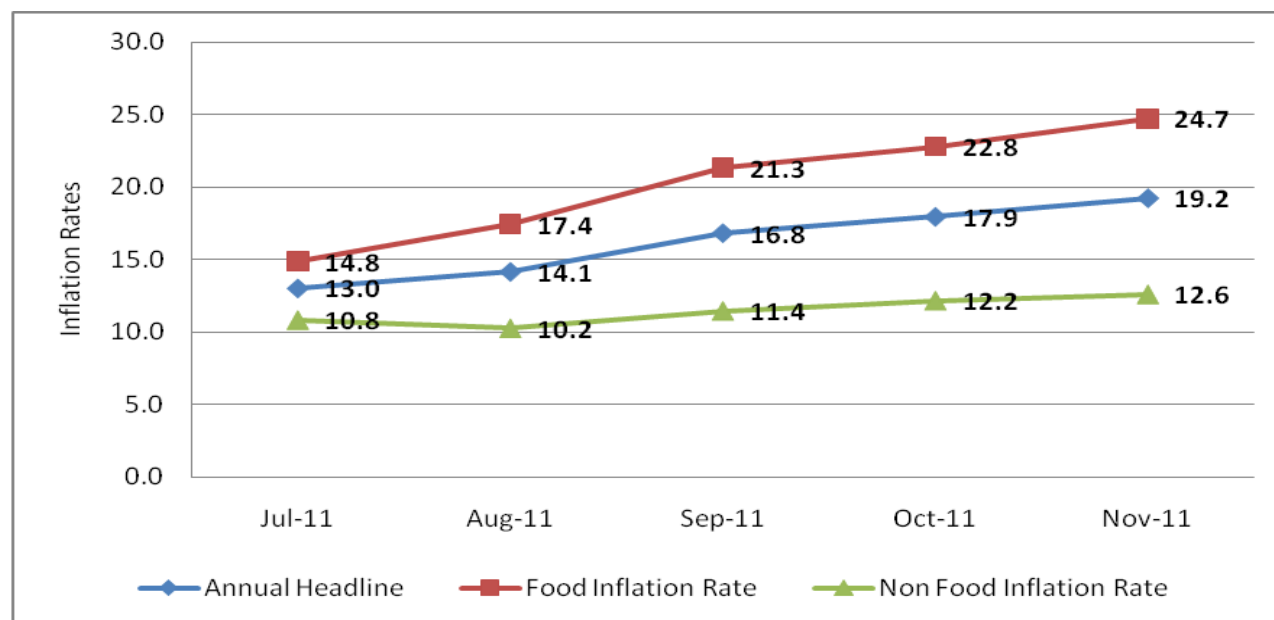


Chart 1 above shows that, Annual Headline Inflation Rate has an increasing trend from 14.8% in July 2011 to 19.2% in November, 2011. This trend is highly attributed to the increase of food prices that led to high food Inflation Rates over the period. Food Inflation Rate has increased from 14.8% in July 2011 to 24.7% in November, 2011. Changes in the prices of food items have a big impact on CPI dynamics due to the fact that, Tanzania's spend about half (47.8%) of their income on food items. Prices of food items have been increasing tremendously from July to November, 2011 which resulted to high food Inflation Rates. Among others, food items with corresponding Inflation Rates that has contributed to high food Inflation Rates includes Rice, Wheat Flour, Cassava flour, meat, fish, fruits, potatoes and sugar as shown in table 1 below:-

Table 1: Trend of Annual Headline Inflation Rates for selected food items from July to November, 2011

Product Description	Inflation Rates				
	Jul/2011	Aug/2011	Sep/2011	Oct/2011	Nov/2011
Cereals and Cereal Products					
Rice	26.2	37.5	37.8	43.0	48.2
Wheat Flour	24.5	28.7	25.6	22.7	26.7
Cassava flour	16.9	23.9	16.6	14.6	19.9
Meat					
Beef with bones	13.0	13.9	20.5	20.7	28.1
Pork meat	9.7	13.0	26.6	30.2	36.1
Industrially bred live chicken -	19.9	13.1	23.1	21.1	24.5
Traditionally bred live chicken	10.1	12.6	12.9	17.2	21.6
Fish					
Fresh fish	15.2	17.9	33.6	33.9	37.5
Fruits					
Avocado	27.2	20.2	25.4	19.6	25.2
Papaya - Pawpaw	45.5	32.7	29.1	30.9	40.3
Pineapples	8.7	-9.2	5.1	14.8	26.6
Bitter tomatoes	16.4	8.4	8.8	12.9	19.1
Sweet Potatoes	68.2	67.1	63.0	47.8	50.9
Sugar, 1Kg	13.8	23.2	42.8	45.0	49.1

Non food Inflation Rates have also shown an increasing trend from 10.8% in July 2011 to 12.6% in November, 2011, except for the month of August 2011 with 10.2%. Prices for non food items have been increasing at low speed as compared to prices for food items. This phenomenon has resulted to a lower pattern of non food Inflation Rates compared to food Inflation Rates and Annual Headline Inflation Rates over the period of July to November, 2011 as shown in chart 1 above. Non Food items with corresponding Inflation Rates that has contributed to crawling of Non food Inflation Rates includes Clothes, Natural gas, Kerosene and Charcoal as shown in table two below:-

Table 2: Trend of Annual Headline Inflation Rates for selected Non food items from July to November, 2011

Product Description	INFLATION RATES				
	Jul/2011	Aug/2011	Sep/2011	Oct/2011	Nov/2011
Clothes	10.6	10.8	11.4	12.8	13.3
Natural gas	17.1	19.5	34.9	35.3	35.5
Kerosene	68.1	68.5	69.1	68.7	71.0
Charcoal	10.2	4.2	10.8	19.5	23.8

3. TREND OF PRICE MOVEMENT FOR SELECTED FOOD ITEMS BY REGIONS

Chart 2: Price movement for Rice from July to November, 2011 by Regions

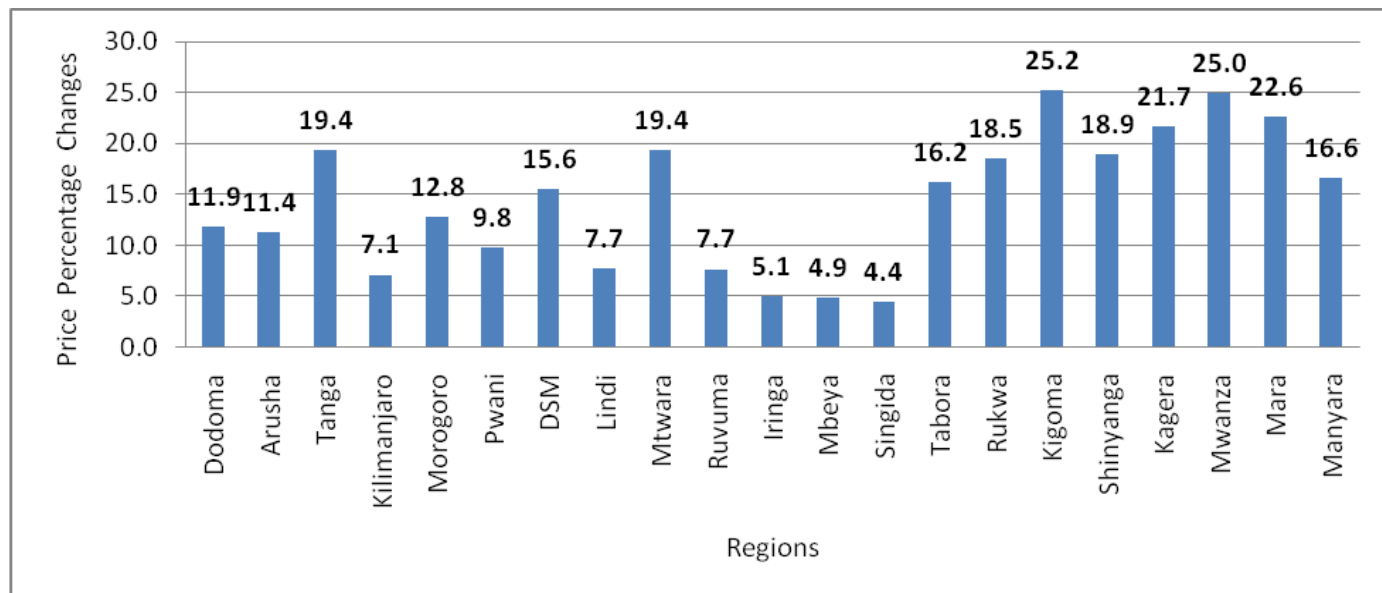
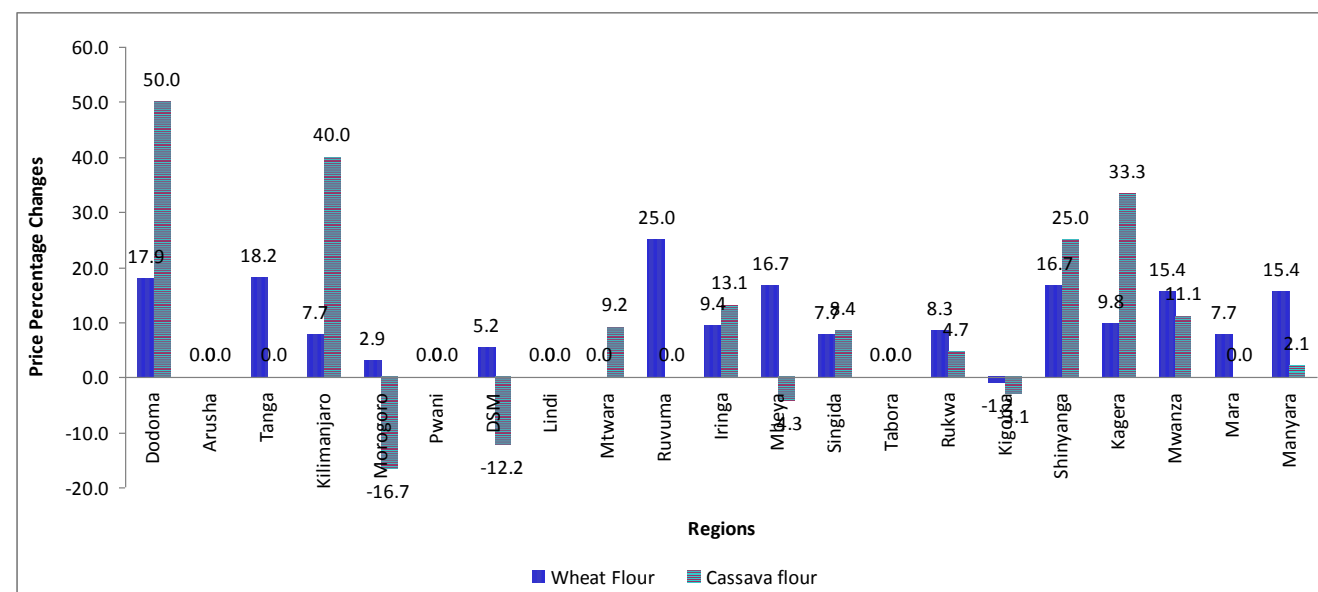


Chart 2 above reveals that, Kigoma region has the highest price changes (25.2%) for rice from July to November, 2011. It also shows that, the lake zone regions Mwanza, Mara and Kagera suffer with high price changes for rice with 25.0%, 22.6% and 21.7% respectively from July to November, 2011. Other regions as shown in chart 2 above have more than 10% price changes for rice except six regions that have recorded price changes of below 10%. Singida and Mbeya regions have shown the lowest price changes of 4.4% and 4.9% respectively.

Chart 3: Price movement for Wheat flour and Cassava flour from July to November, 2011 by Regions



Price changes for wheat and cassava flour shown in Chart 3 above, reveals different consumption pattern by regions which is either caused by high price change of commodities or preferences. Dodoma, Kilimanjaro, Kagera and Shinyanga regions has shown high price changes for cassava flour from July to November 2011 by 50.0%, 40.0%, 33.3% and 25.0% respectively. On the Other hand,

regions like Morogoro, DSM, Mbeya, and Kigoma has shown a low price changes (below 0%) of cassava flour.

Ruvuma region has shown the highest price changes (25%) for wheat flour from July to November, 2011. Other regions with high price changes for wheat flour are Dodoma (17.9%), Tanga (18.2%), Mbeya (16.7%), Shinyanga (16.7%), Mwanza (15.4%) and Manyara (15.4%). Price changes for wheat flour in the remaining regions are less than 10% as shown in Chart 3 above.

Chart 4: Price movement for Beef with bones and Fresh fish from July to November, 2011 by Regions

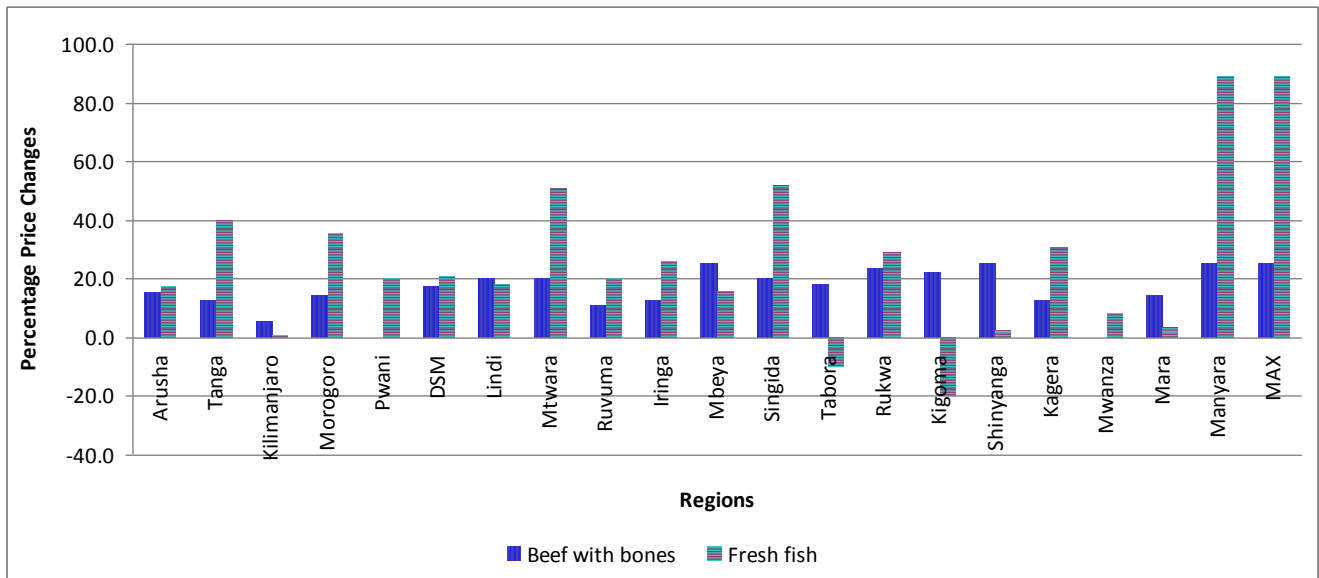
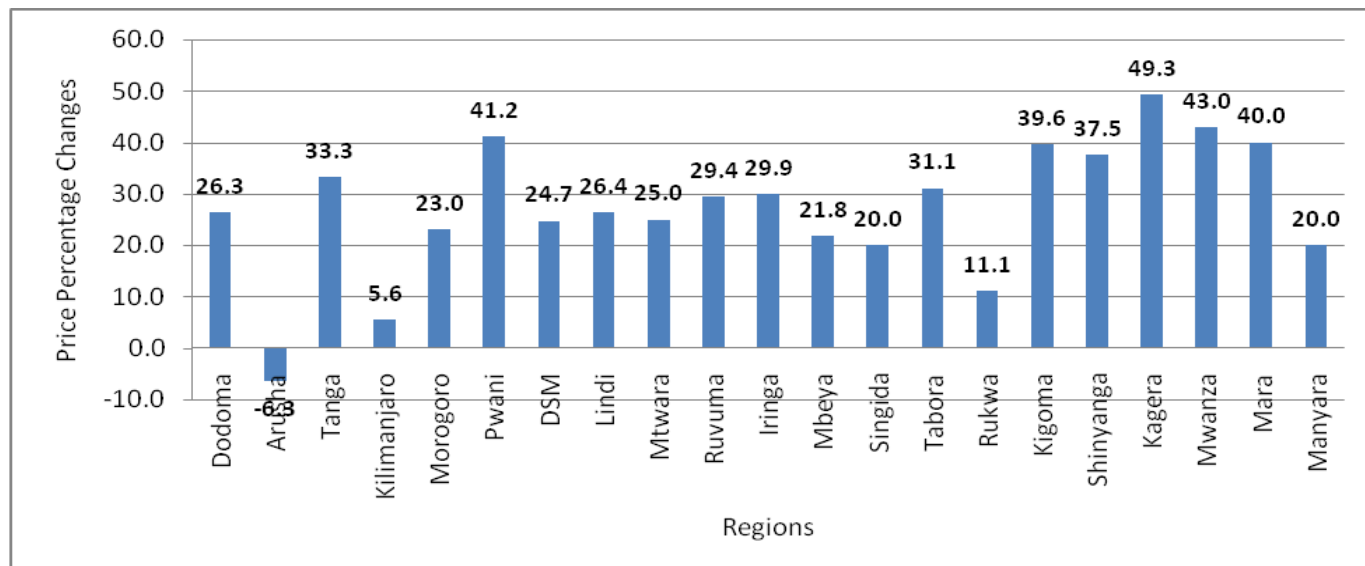


Chart 4 above shows that, prices for fresh fish and beef with bones have been increasing from July to November, 2011 but fish has the highest price changes in most of regions as compared to meat. The highest price change for fish is noted in Mara regions with 89.1% and the highest price change for meat is marked in Shinyanga regions with 25.0%.

Chart 5: Price movement for sugar from July to November, 2011 by Regions



Among food items, prices for sugar has been increasing significantly over the period of July to November, 2011 as shown in chart 5 above. Regions that had high price changes for sugar include Kagera (49.3%), Mwanza (43.0%), Mara (40.0%) and Coast regions with 41.2%. Other regions which experienced high price changes include Kigoma (39.6%), Shinyanga (37.5%), Tanga (33.3%) and Tabora region with 31.1%. Arusha and Kilimanjaro recorded low price changes of less than 10% for sugar over the period. The effect of prices for the remaining regions lies between (10-30) percent as shown in chart 5 above.

4. FACTORS AFFECTING INFLATION RATES IN TANZANIA

Basing on the analysis done above, there are various factors affecting Inflation Rates in Tanzania. Since the National Consumer Price Index in Tanzania is food driven, changes in prices for food items have highly contributed to increase in National Inflation Rates over the period. The analysis has evidently proved the price changes from all regions for food items which have highly contributed to increase in the annual headline Inflation Rates. Price increase for food items in Tanzania may results from the following reasons:-

i). Demand and Supply of food items

Regions with scarcity of food items imply low supply in the market and high demand for particular food items; this behaviour of market forces resulted to increase in the price of a particular food items. Low supply of food items in Tanzania may result into either scarcity of goods in the market or the amount of money in circulation for a particular region. Regions like Kigoma, Shinyanga Mwanza, Mara and Kagera has proved high price changes for most of food items including rice.

ii). Transportation Costs

Tanzania is a big country with different climatic conditions in different regions. High transportation costs charged from the business people when shifting food from regions with

surplus to regions with scarcity, contribute to increase in prices of a particular food item in destination region.

iii). Increase in prices for Petrol and Diesel

Petrol and Diesel are the important inputs in food production system. Frequently changes of price for these items increases the production costs and finally the price of produces food products.

iv). Increase in prices for Electricity

Electricity is mostly used to process food products in Tanzania like grinding cereals which is the staple food for most of Tanzanians. Increase in price of electricity results to an increase in prices of processed food products.

v). Shortage of food in neighbouring countries

Shortage of food products like sugar, rice and maize in neighbouring countries attract the business peoples to opt for external markets to sell their products in high prices. This result into shortage of supply of that particular food items in local market and increases in prices

vi). Imported Inflation

Most of the neighbouring countries like Uganda and Kenya have recorded high Inflation Rates than Tanzania. Importation of food items from these countries resulted into imported inflation; this is because business peoples purchases the products in high price even before importing them to the country which result into high Inflation Rates

5. RECOMMENDATIONS

In order to control National Inflation Rates, the Government of Tanzania should consider doing the following:-

- i). Conducting periodical research to identify stock and availability of food products in different regions. This will enable the Government to know regions with excess supply of food and regions with shortages for proper planning of food distribution
- ii). Continue with the effort of stabilizing supply of electricity by finding different sources of power and also invite different private investors in this sector
- iii). Continue to improve infrastructures to have smooth supply of food products from regions with surplus to scarcity regions