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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR SEPTEMBER, 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 DECREASES TO 6.1%

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

S/N	Main Groups	Weight	Sept-14	Aug -15	Sept -15	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	163.82	179.82	179.53	-0.2	9.6
2	Alcoholic and Tobacco	3.3	147.28	150.07	150.16	0.1	2.0
3	Clothing and Footwear	6.7	133.18	139.97	139.33	-0.5	4.6
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	171.98	171.33	174.26	1.7	1.3
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	129.83	132.25	132.65	0.3	2.2
6	Health	0.9	113.52	116.18	116.26	0.1	2.4
7	Transport	9.5	127.74	128.22	128.63	0.3	0.7
8	Communication	2.1	97.25	97.15	97.24	0.1	0.0
9	Recreation and Culture	1.3	113.63	115.17	117.36	1.9	3.3
10	Education	1.7	119.16	123.06	123.13	0.1	3.3
11	Restaurants and hotels	6.4	139.38	144.61	144.56	0.0	3.7
12	Miscellaneous goods and services	4.5	129.71	131.85	133.00	0.9	2.5
TOTAL – ALL ITEMS INDEX		100	149.93	158.81	159.04	0.1	6.1
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	51.0	162.72	178.43	178.08	-0.2	9.4
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	195.12	191.62	196.32	2.5	0.6
3	All Items Less Food	49	136.59	138.34	139.20	0.6	1.9
4	All Items Less Food and Energy	43.3	128.51	130.99	131.31	0.2	2.2

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, 2015 has decreased to 6.1% from 6.4% recorded in August, 2015. The decrease of Annual Headline Inflation Rate for the year ending September, 2015 explains that, the speed of price increase for commodities in the year ending September, 2015 has decreased as compared to the speed of price increase recorded for the year ended August, 2015. The overall index went up to 159.04 in September, 2015 from 149.93 recorded in September, 2014. Food and Non Alcoholic Beverages Inflation Rate for the Month of September 2015 has decreased to 9.6% from 10.2% recorded in August, 2015.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has slightly decreased to 9.4% in September, 2015 from 10.1% recorded in August, 2015. In addition, the 12 month index change for non food products has slightly increased to 1.9% in September, 2015 from 1.7% recorded in August, 2015.

Inflation Rate excluding Food and Energy

The Annual Inflation Rate which excludes food and energy for the month of September, 2015 has stagnated at 2.2% as it was recorded in August, 2015.

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

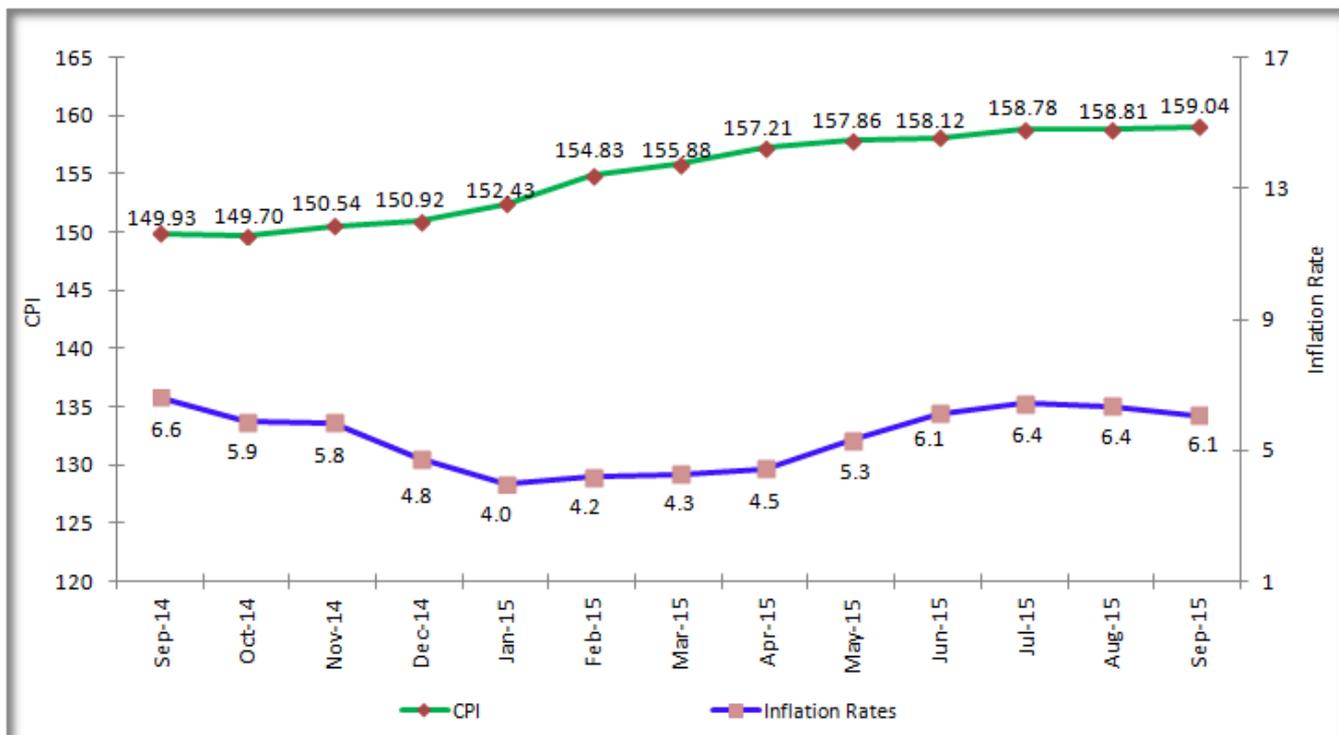


Chart number 1 above explains that; CPI has shown a relatively stable movement of prices from September, 2014 to September, 2015. In addition, Annual Headline Inflation Rates over the same period have shown a stable trend of movement from 6.6% in September, 2014 to 6.1% in September, 2015.

MONTHLY HEADLINE INFLATION RATE INCREASES BY 0.1%

The Monthly Headline Inflation Rate for the month of September, 2015 has increased by 0.1% compared to an increase of 0.02% recorded in August, 2015. The overall index has increased to 159.04 in September, 2015 from 158.81 recorded in August, 2015. This increase of the overall index is mainly attributed to price increase of non food items. Non food items that contributed to such increase include; charcoal by 7.1%, food from restaurants by 1.6%, hairdressing by 9.2%, newspapers and periodicals by 9.7%.

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

The purchasing power of 100 Tanzanian Shillings has reached TZS 62 and 88 cents in September, 2015 from September, 2010.

PRICE MOVEMENTS

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

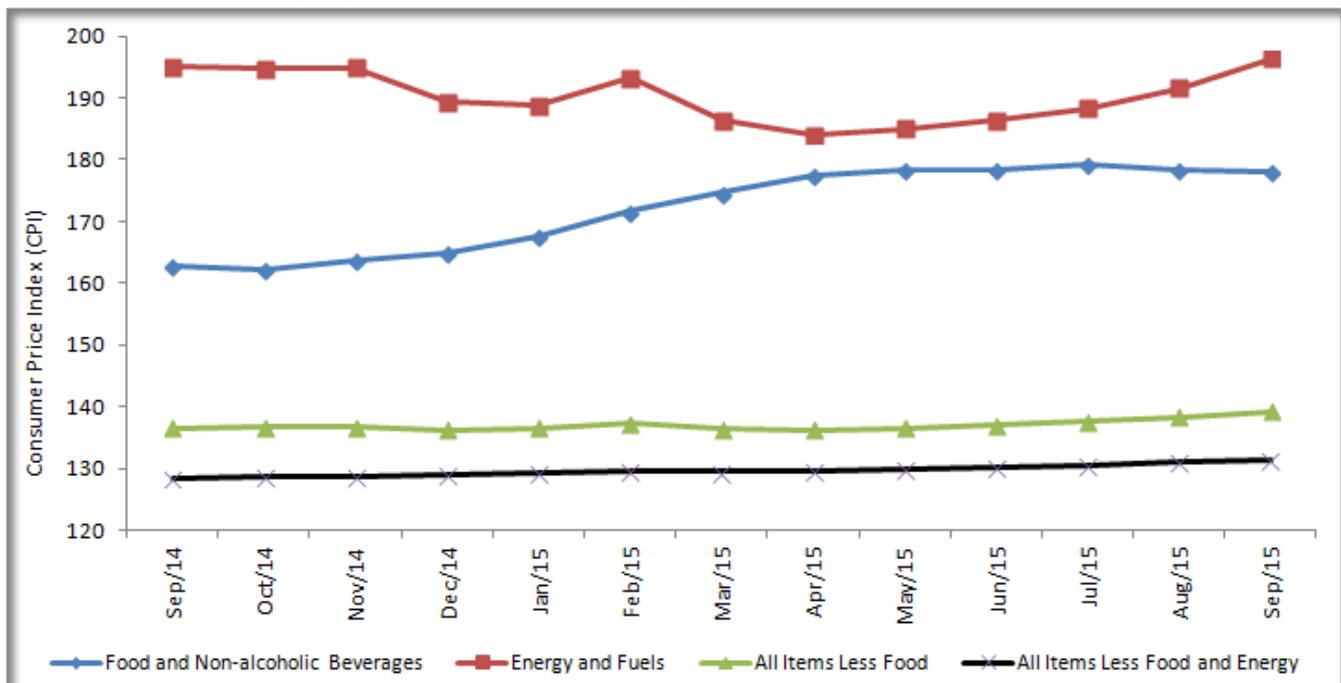


Chart number 2 above shows price movement of different groups of Consumer Price Indices from September, 2014 to September, 2015. On average, Energy and Fuel Index; and Food and Non Alcoholic Beverages Index have had a higher upward trend over the period compared to other indices. Furthermore, energy 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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