



National Bureau of Statistics

Tel: +255 (0) 22-2122722/3
Fax: +225 (0) 22-2130852
E-mail: dg@nbs.go.tz;
Website: www.nbs.go.tz

18 Kivukoni Road
P.O. Box 796
11992 Dar es Salaam,
TANZANIA



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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR DECEMBER, 2016

METHODOLOGICAL NOTE

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 278 goods and services of which 97 are Food and Non Alcoholic Beverages and 181 are Non Food items 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 households in the 25 geographic regions of Tanzania. The index weights are based on expenditures of both urban and rural households derived from 2011/12 Household Budget Survey and the price reference period is December, 2015.

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.

Elementary and Higher Level Indices

The NCPI has incorporated a number of methodological improvements including the use of geometric mean of price relatives for compiling elementary index aggregates, the use of an improved index compilation system, and improved procedures for collecting and processing prices. The Lowe Index formula which is Laspeyres index formula type continues to be used for computing higher level aggregates for the NCPI.

ANNUAL HEADLINE INFLATION RATE INCREASED TO 5.0%

Table 1: Changes in the NCPI for December, 2016, (Dec., 2015 = 100)

S/N	Main Groups	Weight	Dec-15	Nov-16	Dec-16	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	38.5	100.00	105.25	106.95	1.6	7.0
2	Alcoholic and Tobacco	3.7	100.00	104.99	105.11	0.1	5.1
3	Clothing and Footwear	8.3	100.00	103.27	103.72	0.4	3.7
4	Housing, Water, Electricity, Gas and Other Fuel	11.6	100.00	110.58	109.93	-0.6	9.9
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.3	100.00	103.15	103.98	0.8	4.0
6	Health	2.9	100.00	104.59	104.72	0.1	4.7
7	Transport	12.5	100.00	100.00	100.32	0.3	0.3
8	Communication	5.6	100.00	99.05	99.09	0.0	-0.9
9	Recreation and Culture	1.6	100.00	101.72	101.84	0.1	1.8
10	Education	1.5	100.00	102.64	102.64	0.0	2.6
11	Restaurants and hotels	4.2	100.00	104.23	104.24	0.0	4.2
12	Miscellaneous goods and services	3.1	100.00	102.74	102.86	0.1	2.9
TOTAL – ALL ITEMS INDEX		100.0	100.00	104.32	105.04	0.7	5.0
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	37.07	100.00	105.68	107.44	1.7	7.4
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	8.68	100.00	111.94	111.66	-0.2	11.7
3	All Items Less Food	62.93	100.00	103.65	103.77	0.1	3.8
4	All Items Less Food and Energy	54.25	100.00	102.33	102.51	0.2	2.5

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 December, 2016 has increased to 5.0% from 4.8% recorded in November, 2016. The Annual Headline Inflation Rate for the year ending December, 2016 explains that, the speed of price increase for commodities in the year ending December, 2016 has increased as compared to the speed of price increase recorded for the year ended November, 2016. The overall index went up to 105.04 in December, 2016 from 100.00 recorded in December, 2015. Food and Non Alcoholic Beverages Inflation Rate for the Month of December, 2016 has increased to 7.0% from 6.2% recorded in November, 2016.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has increased to 7.4% in December, 2016 from 6.4% recorded in November, 2016. In addition, the 12 month index change for non-food products has stagnated at 3.8% in December, 2016 as it was recorded in November, 2016.

Inflation Rate excluding Food and Energy

The Annual Inflation Rate which excludes food and energy for the month of December, 2016 has slightly decreased to 2.5% from 2.6% recorded in November, 2016.

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, firewood 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 December, 2015 – December, 2016. (Dec., 2015 = 100)

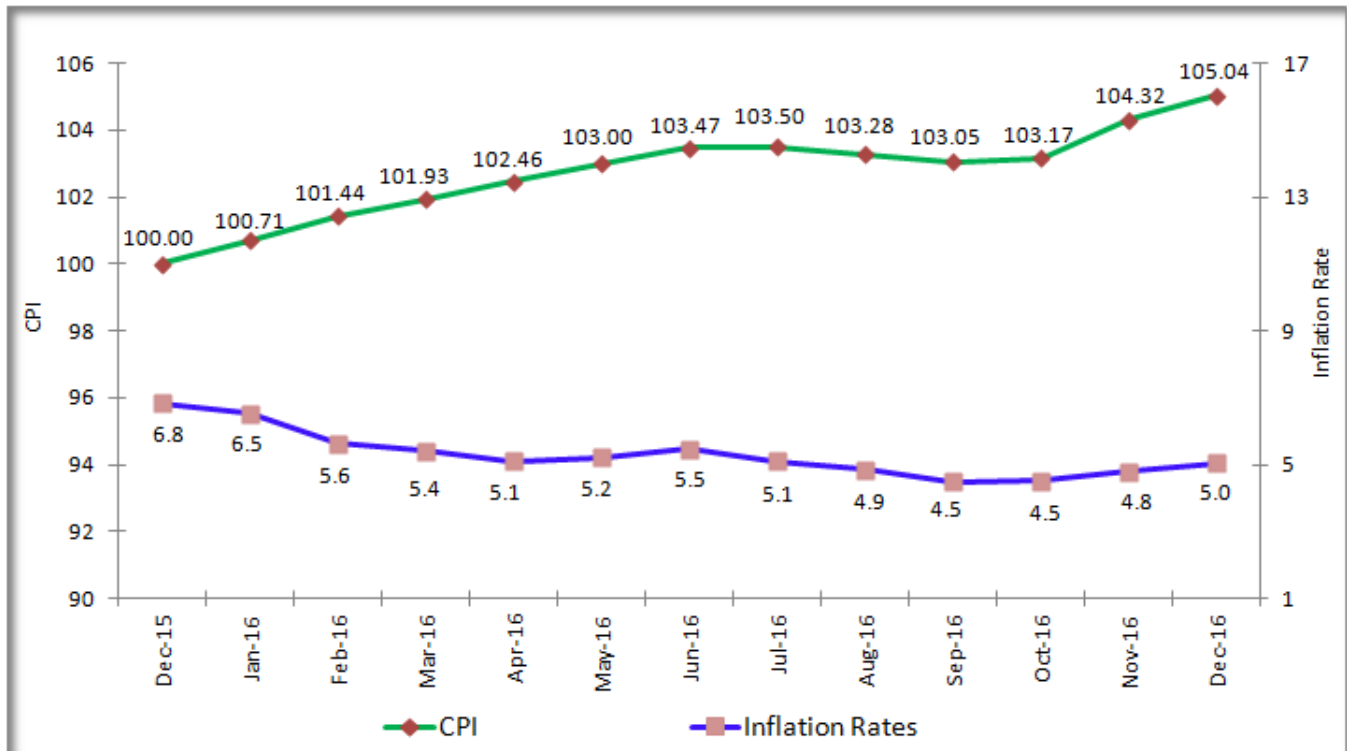


Chart number 1 above explains that; CPI has shown a relatively stable movement of prices from December, 2015 to December, 2016. In addition, Annual Headline Inflation Rates over the same period have shown a stable trend of movement from 6.8% in December, 2015 to 5.0% in December, 2016.

MONTHLY HEADLINE INFLATION RATE FOR DECEMBER, 2016 INCREASED BY 0.7%

The Monthly Headline Inflation Rate for the month of December, 2016 has increased by 0.7% compared to an increase of 1.1% recorded in November, 2016. The overall index has increased to 105.04 in December, 2016 from 104.32 recorded in November; 2016. The increase of the overall index is mainly attributed to price increase of food items. Some food items that contributed to such an increase include; maize grains by 12.6%, maize flour by 12.2%, sorghum grain by 8.9%, cassava flour by 3.5%, lentils by 12.5%, cooking bananas by 4.7% and dry beans by 3.3%.

PURCHASING POWER OF TANZANIAN SHILLING IN DECEMBER, 2016 FROM DECEMBER, 2015

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 95 and 20 cents in December, 2016 compared to TZS 95 and 98 cents in November, 2016.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI from December, 2015 – December, 2016 (Dec., 2015 = 100)

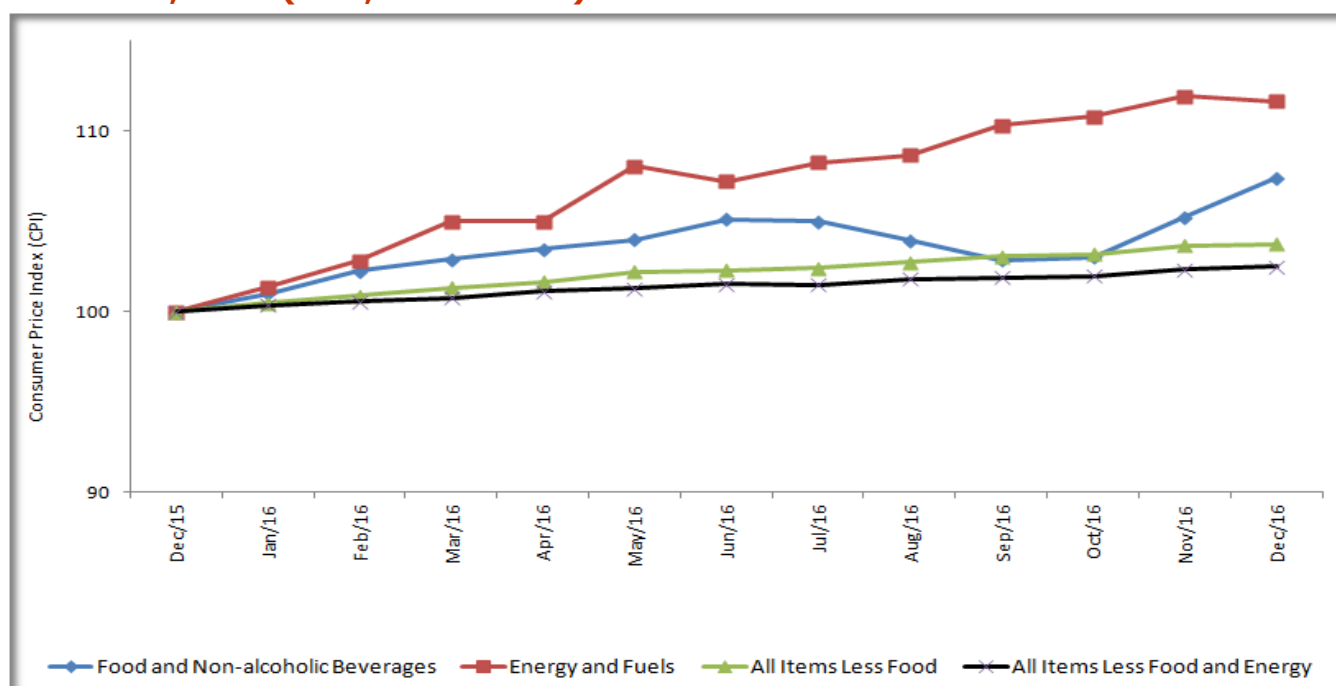


Chart number 2 above shows price movement of different groups of Consumer Price Indices from December, 2015 to December, 2016. On average, Energy and Fuel Index; and Food and Non Alcoholic Beverages indices have had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels portrayed unstable price movements compared to other indices. Indices for all items without food and all items without food and energy have indicated a much stable price movements.

Table 2: Trend of Price Movement and Inflation Rate from January to December, 2016, (Dec., 2015 = 100)

Month	Overall National CPI	Headline Inflation Rates (%)	Food Inflation Rates (%)	Non Food Inflation Rates (%)	Non Food Non Energy Inflation Rates (%)
Jan-16	100.71	6.5	10.3	2.0	2.4
Feb-16	101.44	5.6	9.1	1.9	2.5
Mar-16	101.93	5.4	8.0	3.0	2.8
Apr-16	102.46	5.1	7.3	3.5	3.0
May-16	103.00	5.2	7.2	3.8	3.0
Jun-16	103.47	5.5	8.3	3.6	3.0
Jul-16	103.50	5.1	7.8	3.2	2.6
Aug-16	103.28	4.9	7.0	3.0	2.6
Sep-16	103.05	4.5	6.1	2.7	2.4
Oct-16	103.17	4.5	6.0	2.9	2.4
Nov-16	104.32	4.8	6.4	3.8	2.6
Dec-16	105.04	5.0	7.4	3.8	2.5
Average 2016	102.95	5.2	7.6	3.1	2.6
Average 2015	97.89	5.6	8.6	1.8	2.3

Table number 2 above shows the trend of price movements for commodities and Headline Inflation Rates from January to December, 2016. Overall, the Consumer Price Index for commodities remained stable over the whole period from January to December, 2016 ranging from 100.71 in January, 2016 to 105.04 in December, 2016. This movement resulted into a relatively stable Headline Inflation Rate over the same period recording the lowest Headline Inflation Rates of 4.5% for the months of September and October, 2016 and the highest Headline Inflation Rate of 6.5% in January, 2016.

Annual Average Headline Inflation Rate (from January to December, 2016) has decreased to 5.2% in 2016 from 5.6% recorded in 2015 (from January to December, 2015). This decrease was mainly attributed to the decrease in prices for food items. Annual Average Inflation Rate for food Items decreased to 7.6% in 2016 from 8.6% in 2015. On the other hand, Annual Average Non Food Inflation Rate for 2016 has increased to 3.1% from 1.8% recorded in 2015. In addition, Annual Average Inflation Rate which excludes food and energy has slightly increased to 2.6% in 2016 from 2.3% recorded in 2015.

Table 3: NCPI Survey Schedule for the Coming Months

NCPI Survey Months	Release date
January, 2017	08 th February, 2017
February, 2017	08 th March, 2017
March, 2017	10 th April, 2017

**Contact person: Director General
National Bureau of Statistics**