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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR FEBRUARY, 2012

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. The reference period for the NCPI has been changed from December, 2001=100 to September 2010=100.

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 with 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 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 SLIGHTLY EASES TO 19.4%

**Table 1: Changes in the NCPI for February, 2012
(September 2010 = 100)**

| S/N | Main Groups | Weight | Feb-11 | Jan-12 | Feb-12 | 1 Month Percent Change | 12 Month Percent Change |
|--------------------------------|---|------------|---------------|---------------|---------------|------------------------|-------------------------|
| 1 | Food and Non Alcoholic Beverages | 47.8 | 109.32 | 135.72 | 138.47 | 2.0 | 26.7 |
| 2 | Alcoholic and Tobacco | 3.3 | 102.51 | 107.35 | 111.04 | 3.4 | 8.3 |
| 3 | Clothing and Footwear | 6.7 | 103.75 | 115.40 | 118.21 | 2.4 | 13.9 |
| 4 | Housing, Water, Electricity, Gas and Other Fuel | 9.2 | 104.45 | 123.34 | 124.82 | 1.2 | 19.5 |
| 5 | Furnishing, Housing Equipment and Routine Maintenance of the House | 6.7 | 110.21 | 117.64 | 119.28 | 1.4 | 8.2 |
| 6 | Health | 0.9 | 101.40 | 103.83 | 103.89 | 0.1 | 2.5 |
| 7 | Transport | 9.5 | 101.58 | 112.34 | 112.64 | 0.3 | 10.9 |
| 8 | Communication | 2.1 | 97.32 | 98.06 | 96.55 | -1.5 | -0.8 |
| 9 | Recreation and Culture | 1.3 | 99.33 | 103.16 | 107.94 | 4.6 | 8.7 |
| 10 | Education | 1.7 | 105.70 | 107.89 | 110.75 | 2.7 | 4.8 |
| 11 | Restaurants and hotels | 6.4 | 105.25 | 116.86 | 121.88 | 4.3 | 15.8 |
| 12 | Miscellaneous goods and services | 4.5 | 99.45 | 109.06 | 111.52 | 2.3 | 12.1 |
| TOTAL – ALL ITEMS INDEX | | 100 | 106.41 | 124.64 | 127.05 | 1.9 | 19.4 |
| Other Selected Groups | | | | | | | |
| 1 | Food - combining food consumed at home and food consumed in restaurants | 51.0 | 108.87 | 133.63 | 136.64 | 2.3 | 25.5 |
| 2 | Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel | 5.7 | 100.93 | 132.24 | 134.73 | 1.9 | 33.5 |
| 3 | All Items Less Food | 49 | 103.50 | 114.00 | 115.70 | 1.5 | 11.8 |
| 4 | All Items Less Food and Energy | 43.3 | 103.89 | 111.26 | 112.84 | 1.4 | 8.6 |

The headline Inflation Rate measures Inflation Rates when all items in the fixed basket are included. Table number 1 above reveals that, annual Headline Inflation Rate for the month of February 2012 has slightly decreased to 19.4% compared to 19.7% recorded in January 2012. The decrease of headline Inflation Rate for February 2012 explains that, the speed of price increase for commodities in February 2012 has decreased compared to the speed recorded in January 2012. However, the overall index went up to 127.05 in February 2012 from 106.41 recorded in February 2011. Food and Non alcoholic beverages Inflation Rate has decreased to 26.7% in February 2012 from 27.8% recorded in January 2012.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home went down to 25.5% in February 2012 as compared to 26.2% in January 2012. The 12 month index change for non food products remained steady at 11.8% in February 2012 as recorded in January 2012.

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 February 2012 decreased to 8.6% from 9.0% recorded in January 2012; on the other hand, the annual Inflation Rate for energy has increased to 33.5% in February 2012 from 30.1% registered in January 2012. The noted increase is highly attributed to the increase of prices for electricity by 36.7%.

Chart 1: Movement of National Consumer Price Indices (NCPI) and Inflation Rates from February, 2011 – February, 2012. (September 2010 = 100)

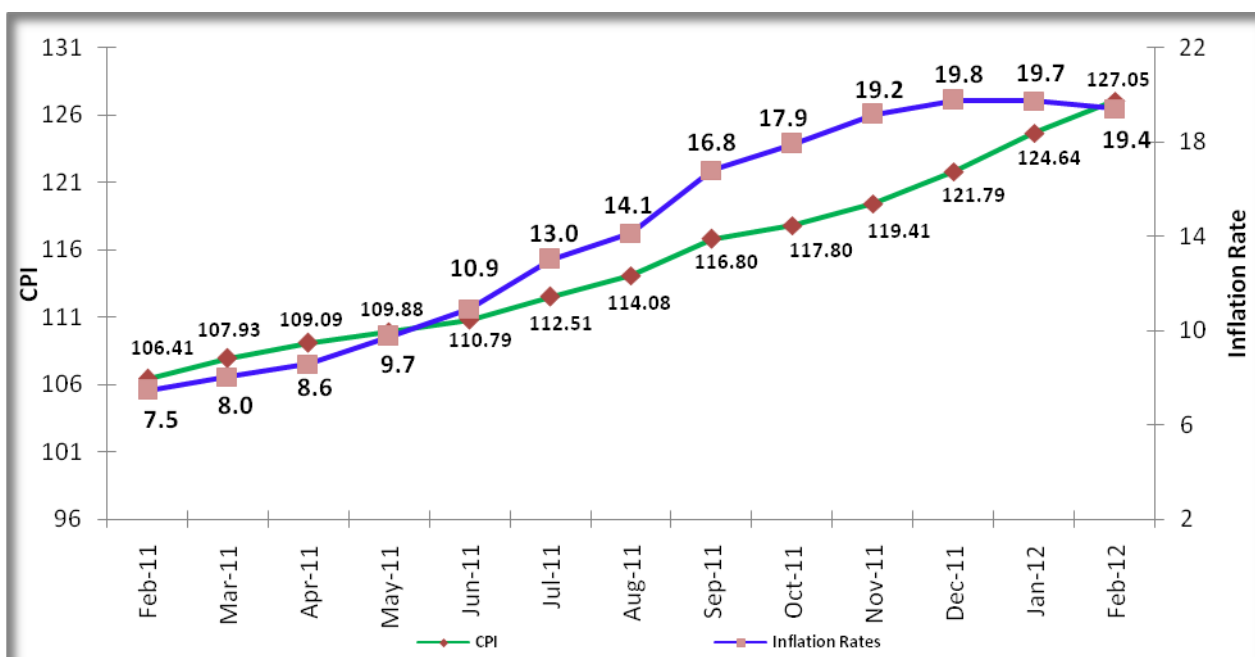


Chart number 1 above shows that; during the period of February 2011 to February 2012 CPI have shown an increasing trend in prices of commodities. Annual Headline Inflation Rates over the same period have shown a similar pattern of increasing from 7.5% in February 2011 to 19.7% in January 2012 and then decreased to 19.4% in February 2012.

MONTHLY HEADLINE INFLATION RATE WENT UP BY 1.9%

The Monthly Headline Inflation Rate for the month of February, 2012 rose by 1.9%. The overall index increased to 127.05 in February, 2012 from 124.64 in January, 2012. This increase is attributed to the increase of both food and non food prices. Food items that contributed to such increase include; rice by 6.3%, pastry-cook products by 5.0%, maize grains by 5.0%, maize flour by 4.8%, millet grain by 7.0%, beef steak by 4.0%, pork meat by 5.1%, eggs by 5.5%, pawpaw by 5.4%, vegetables by 3.3%, tea from restaurants by 4.7%, mineral spring water by 5.9% and industrial fruit juices by 4.7%. On the other hand, non food items that contributed to such increase includes; beer by 4.5%, clothing by 2.6%, footwear by

1.7%, electricity by 36.7%, sofa set by 4.0%, bed sheets by 4.3%, gas cooker by 3.1%, transport spare parts by 2.6%, still camera by 8.0%, news papers by 29.2%, food consumed in restaurants by 4.3%, toilet soap by 8.6%, and cost of grinding by 3.3%.

Purchasing Power of Tanzanian Shilling in September, 2010 Compared to February, 2012

Definition: The Purchasing Power of the consumer's Tanzanian Shilling measures the change in the value to the consumer of goods and services that a Tanzanian Shilling will 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 been decreasing, declining to TShs. 78 and 71 cents from September, 2010 to February, 2012.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI

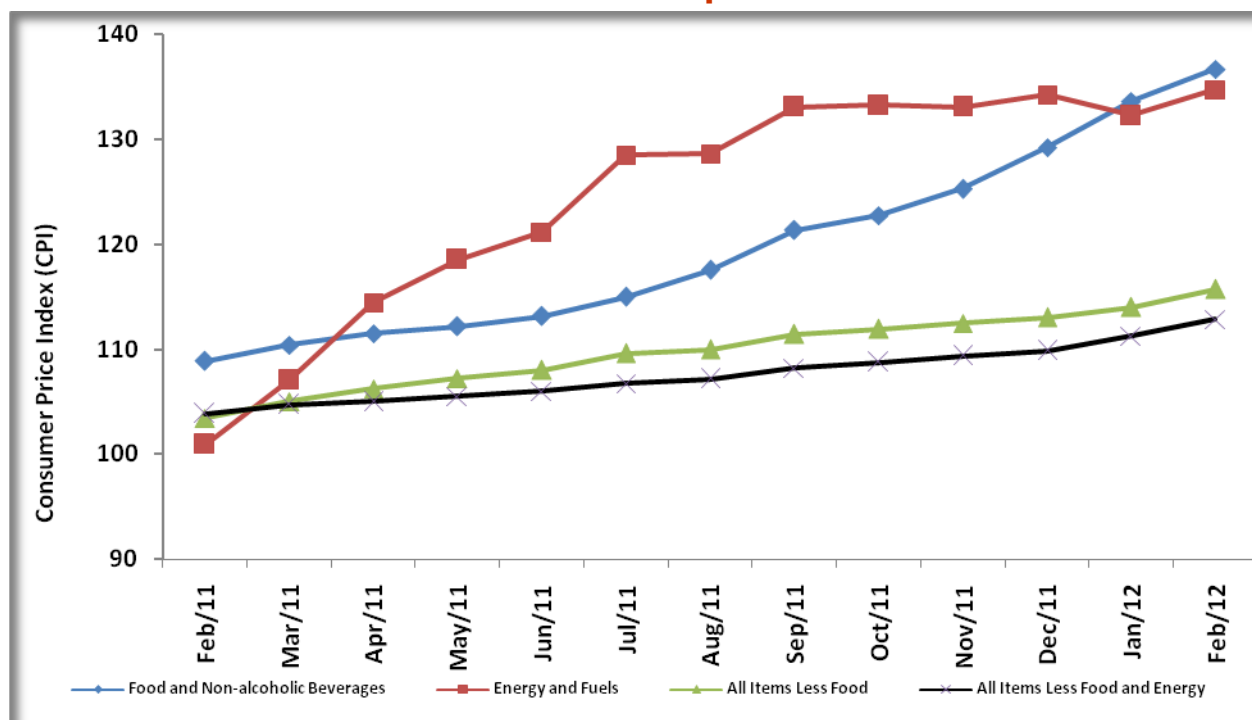


Chart number 2 above shows price movement of different groups of Consumer Price Indices from February 2011 to February 2012. On average, Food and Non Alcoholic Beverages index and; Energy and Fuel index have had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels portrayed unstable price movements compared to other indices. All items without food and all items without food and energy have shown a much stable price movements.

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