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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR DECEMBER, 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 STAGNATES AT 12.1%

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

S/N	Main Groups	Weight	Dec-11	Nov-12	Dec-12	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	131.09	143.77	148.23	3.1	13.1
2	Alcoholic and Tobacco	3.3	106.59	128.30	130.89	2.0	22.8
3	Clothing and Footwear	6.7	112.96	125.12	126.02	0.7	11.6
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	122.64	142.92	143.59	0.5	17.1
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	116.10	124.99	125.65	0.5	8.2
6	Health	0.9	103.38	106.29	106.87	0.5	3.4
7	Transport	9.5	112.34	115.22	115.97	0.6	3.2
8	Communication	2.1	98.14	96.52	96.28	-0.3	-1.9
9	Recreation and Culture	1.3	101.13	112.11	111.78	-0.3	10.5
10	Education	1.7	105.79	110.75	110.75	0.0	4.7
11	Restaurants and hotels	6.4	113.99	131.19	131.90	0.5	15.7
12	Miscellaneous goods and services	4.5	108.60	116.35	118.48	1.8	9.1
TOTAL – ALL ITEMS INDEX		100	121.79	133.87	136.48	1.9	12.1
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	51.0	129.20	142.39	146.44	2.8	13.3
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	134.25	157.87	158.12	0.2	17.8
3	All Items Less Food	49	113.03	123.78	124.69	0.7	10.3
4	All Items Less Food and Energy	43.3	109.84	118.66	119.66	0.8	8.9

The Headline Inflation Rate measures inflation rates when all items in the fixed Consumer Price Index (CPI) basket are included. Table number 1 above indicates that, Annual Headline Inflation Rate for the month of December, 2012 has stagnated at 12.1% as recorded in November, 2012. The Annual Headline Inflation Rate for the month of December, 2012 explains that, the speed of price increase for commodities in December, 2012 has remained unchanged compared to the speed recorded in November, 2012. However, the overall index went up to 136.48 in December, 2012 from 121.79 recorded in December, 2011. Food and Non alcoholic beverages Inflation Rate has decreased to 13.1% in December 2012 from 13.4% recorded in November, 2012.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has also declined to 13.3% in December, 2012 as compared to 13.7% in November, 2012. On the other hand, the 12 month index change for non food products has increased to 10.3% in December, 2012 from 10.1% recorded in November, 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 December, 2012 has increased to 8.9% from 8.5% recorded in November, 2012. Conversely, the Annual Inflation Rate for Energy has decreased to 17.8% in December, 2012 compared to 18.6% recorded in November, 2012.

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

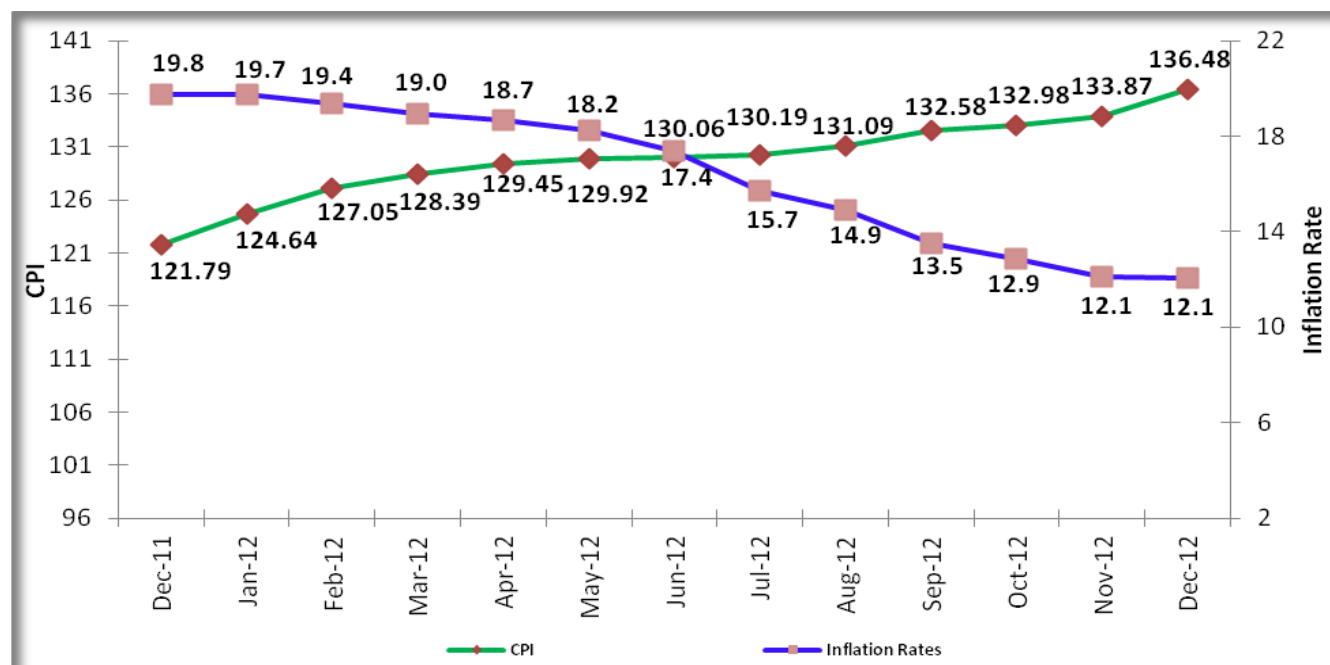


Chart number 1 above shows that; during the period of December, 2011 to December, 2012 CPI have shown a steady increasing trend in prices of commodities. Annual Headline Inflation Rates over the same period have shown a decreasing pattern from 19.8% in December, 2011 to 12.1% in December, 2012.

MONTHLY HEADLINE INFLATION RATE WENT UP BY 1.9%

The Monthly Headline Inflation Rate for the month of December, 2012 has increased by 1.9% compared to 0.7% recorded in November, 2012. The overall index increased to 136.48 in December, 2012 from 133.87 in November, 2012. This increase is attributed to the price increase of both food and non food items. Food items that contributed to such an increase include; rice by 6.4%, maize grains by 16.8%, maize flour by 14.6%, cooking fat by 2.5%, meat by 1.8%, milk by 1.7%, oranges by 3.6%, lemons by 6.3%, pawpaw by 3.7%, cooking banana by 7.0% and vegetables by 3.6%. Non food items that contributed to the increase in monthly inflation rate include clothing by 0.7%, footwear by 0.8%, carpets by 1.4%, household tools and equipments by 1.1%, diesel by 0.8%, petrol by 3.0%, accommodation by 1.8%, hair dressing by 3.3% and cost of grinding by 3.2%.

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

Definition: The Purchasing Power of the consumer's Tanzanian Shilling measures the change in the value of consumer of goods and services that a Tanzanian Shilling can 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 TZS. 73 and 27 cents from September, 2010 to December, 2012

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI from December, 2011–December, 2012 (September 2010 = 100)

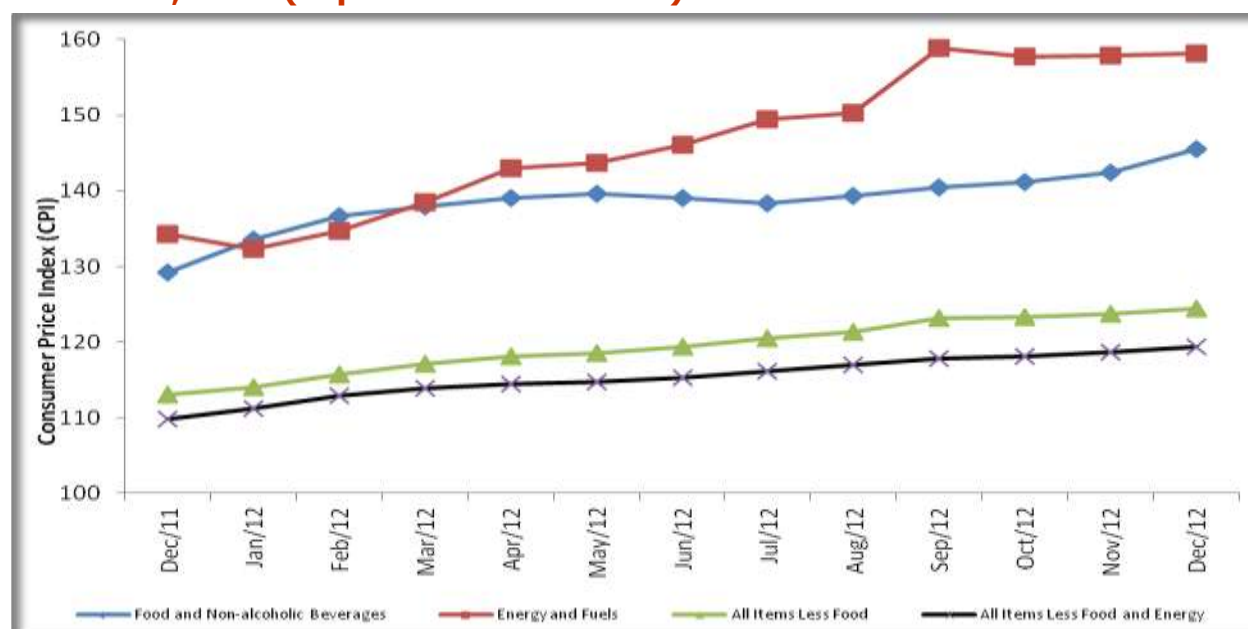
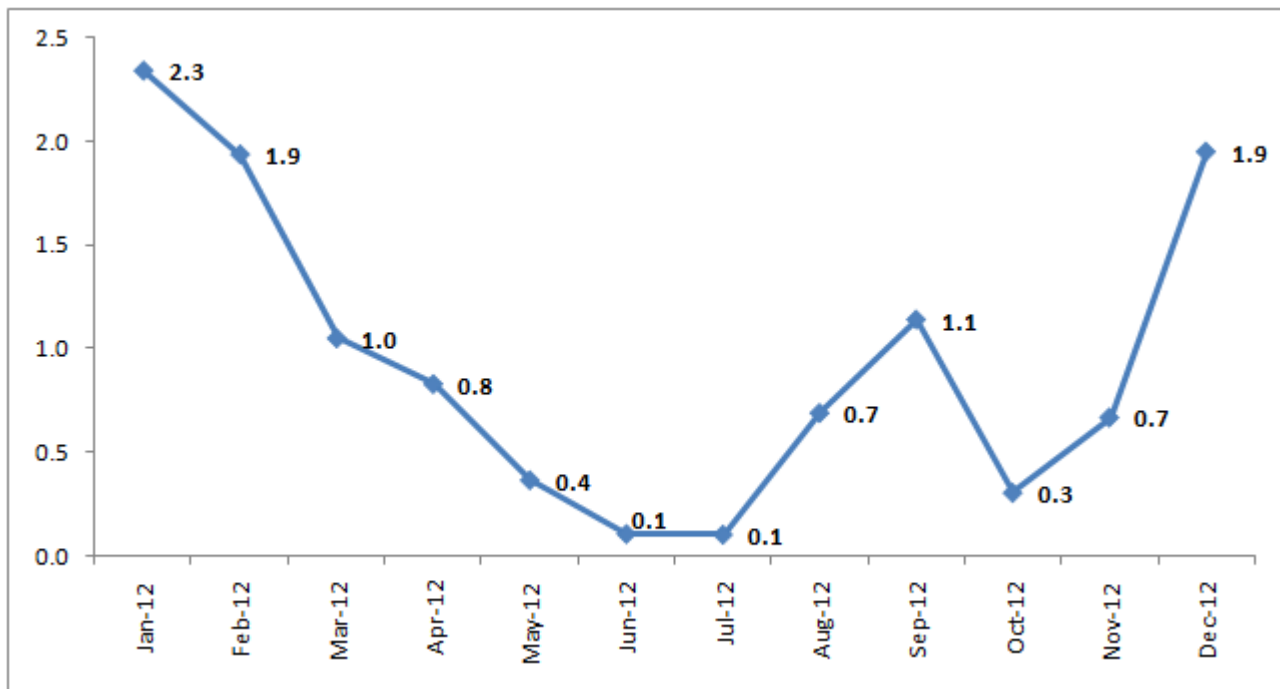


Chart number 2 above shows price movement of different groups of Consumer Price Indices from December, 2011 to December, 2012. On average, Food and Non Alcoholic Beverages index and; Energy and Fuel index had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels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

ANNUAL AVERAGE INFLATION RATES FOR THE YEAR 2012

**Chart 3: Month to Month Inflation Rates from January to December, 2012
(September 2010 = 100)**



Annual average CPI for the period of 12 months from January to December, 2012 has increased to 130.56 in 2012 from 112.55 recorded in 2011. The annual average Headline Inflation Rates has increased to 16.0% in 2012 from 12.7% registered in 2011, this is an increase of 3.3 percentage points. On average, month to month Headline Inflation Rates increased by 1.0% from January to December, 2012 as shown in Chart number 3 above.

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