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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR DECEMBER, 2013

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 February, 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 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 5.6%

**Table 1: Changes in the NCPI for December, 2013
(September, 2010 = 100)**

S/N	Main Groups	Weight	Dec-12	Nov-13	Dec-13	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	148.23	154.05	157.15	2.0	6.0
2	Alcoholic and Tobacco	3.3	130.89	141.02	141.12	0.1	7.8
3	Clothing and Footwear	6.7	126.02	130.63	130.89	0.2	3.9
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	143.59	155.41	158.30	1.9	10.2
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	125.65	128.09	128.56	0.4	2.3
6	Health	0.9	106.87	108.50	108.49	0.0	1.5
7	Transport	9.5	115.97	125.17	125.43	0.2	8.2
8	Communication	2.1	96.28	96.61	96.73	0.1	0.5
9	Recreation and Culture	1.3	111.78	112.87	112.85	0.0	1.0
10	Education	1.7	110.75	113.38	113.40	0.0	2.4
11	Restaurants and hotels	6.4	131.90	134.69	134.74	0.0	2.2
12	Miscellaneous goods and services	4.5	118.48	122.91	123.22	0.3	4.0
TOTAL – ALL ITEMS INDEX		100	136.48	142.23	144.07	1.3	5.6
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	51.0	146.44	153.17	156.08	1.9	6.6
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	158.12	173.69	178.39	2.7	12.8
3	All Items Less Food	49	124.69	130.81	131.55	0.6	5.5
4	All Items Less Food and Energy	43.3	119.66	124.90	125.09	0.2	4.5

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, 2013 has further decreased to 5.6% from 6.2% recorded in November, 2013. The decrease of Annual Headline Inflation Rate for the month of December, 2013 explains that, the speed of price increase for commodities in December, 2013 has decreased compared to the speed recorded in November, 2013. However, the overall index went up to 144.07 in December, 2013 from 136.48 recorded in December, 2012. Food and Non alcoholic beverages Inflation Rate has decreased to 6.0% in December, 2013 from 7.2% recorded in November, 2013.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has decreased to 6.6% in December, 2013 as compared to 7.6% recorded in November, 2013. In addition, the 12 month index change for non food products has decreased to 5.5% in December, 2013 as compared to 5.7% recorded in November, 2013.

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, 2013 has further decreased to 4.5% from 5.3% recorded in November, 2013.

Chart 1: Movement of National Consumer Price Indices (NCPI) and Inflation Rates from December, 2012 – December, 2013. (September, 2010 = 100)

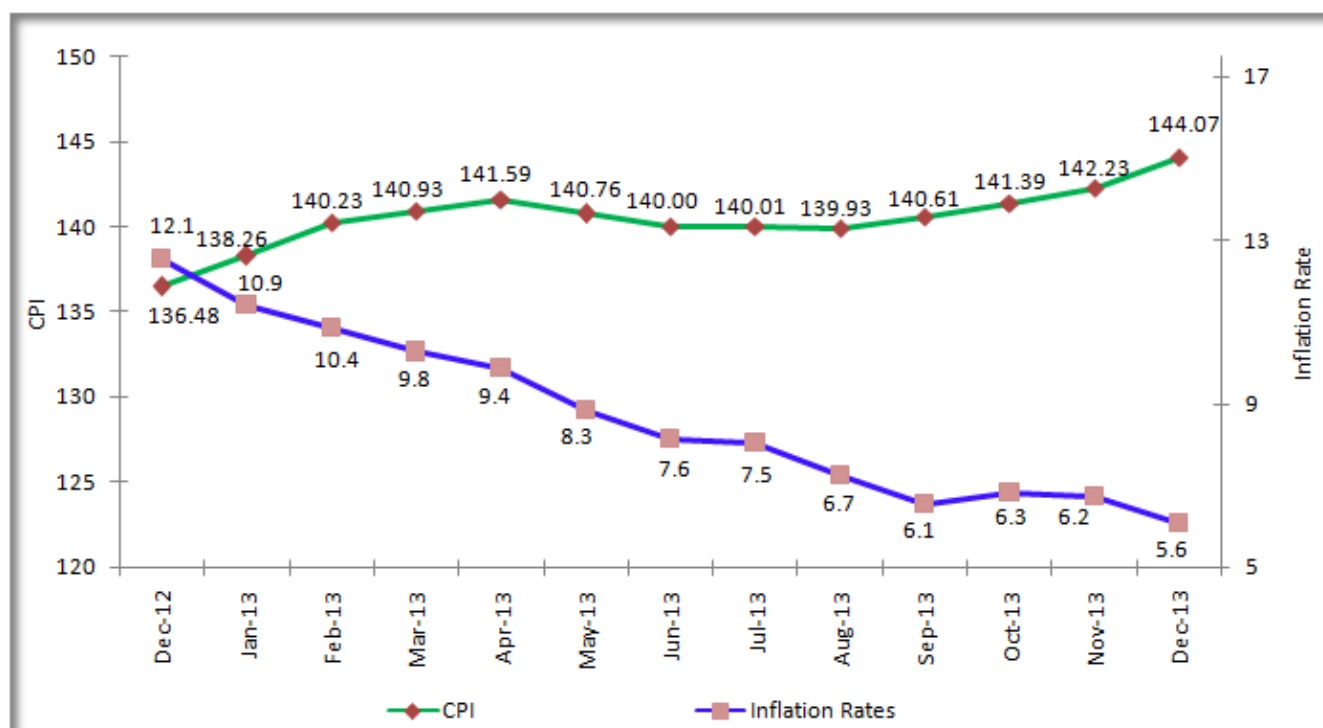


Chart number 1 above shows that; for the period of December, 2012 to December, 2013 CPI has shown mixed patterns of movements. A steadily increasing trend in prices of commodities is observed from December, 2012 to April, 2013 and a relatively stable movement of the prices is observed from May, 2013 to September, 2013. However, the CPI has had an upward trend from October, 2013 to December, 2013. Annual Headline Inflation Rates over the same period have shown a decreasing pattern from 12.1% in December, 2012 to 5.6% in December, 2013.

MONTHLY HEADLINE INFLATION RATE INCREASES BY 1.3%

The Monthly Headline Inflation Rate for the month of December, 2013 has increased by 1.3% compared to an increase of 0.6% recorded in November, 2013. The overall index increased to 144.07 in December, 2013 from 142.23 in November, 2013. This increase in the overall index is attributed to the price increase of both food and non food items. Some food items that contributed to such an increase include; rice by 0.2%, pastry cook products by 2.4%, maize grains by 1.4%, maize flour by 1.6%, cassava flour by 3.0%, traditionally bred live chicken by 1.5%, dried sardines by 2.1%, coconut by 11.5%, vegetables by 5.8%, tomatoes by 8.3%,

green peas by 12.6%, beans by 3.7%, cassava fresh by 5.1% and sweet potatoes by 7.2%. Some of the non food items that contributed to the increase of index include; materials for trousers by 1.2%, women's blouses by 1.2%, dry cleaning services by 3.6%, gas by 3.4%, kerosene by 2.1%, charcoal by 4.0%, carpets and other floor coverings by 1.7%, sewing machines by 1.3%, diesel by 1.3%, petrol by 0.2% and hairdressing and personal grooming services by 1.2%.

Purchasing Power of Tanzanian Shilling in December, 2013 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 decreased to TZS 69 and 41 cents in December, 2013 from September, 2010.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI from December, 2012–December, 2013 (September, 2010 = 100)

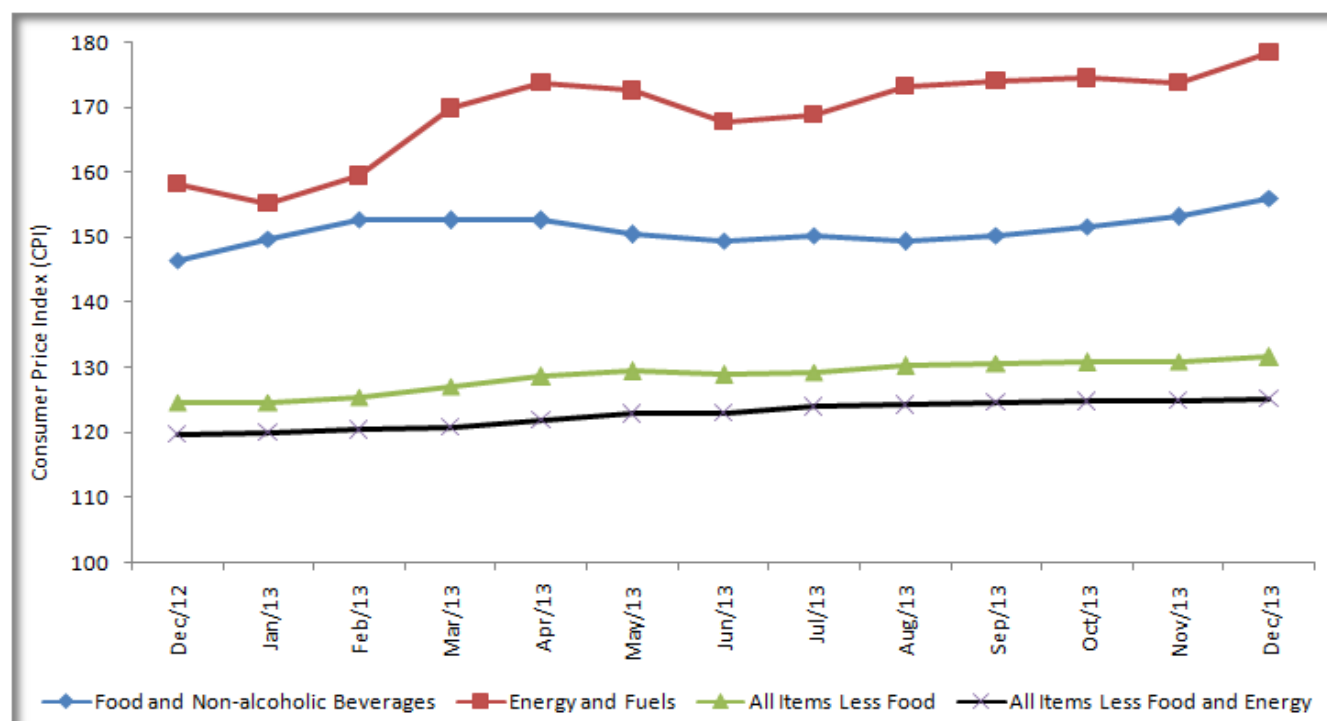


Chart number 2 above shows price movement of different groups of Consumer Price Indices from December, 2012 to December, 2013. On average, Energy and Fuel index; and Food and Non Alcoholic Beverages index have had a higher upward trend over the period compared to other indices. Furthermore, energy and 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.

TREND OF PRICE MOVEMENT AND INFLATION RATES FROM JANUARY-DECEMBER, 2013

Chart 3: Trend of Price Movement and Inflation Rate from January to December, 2013, (September, 2010 = 100)

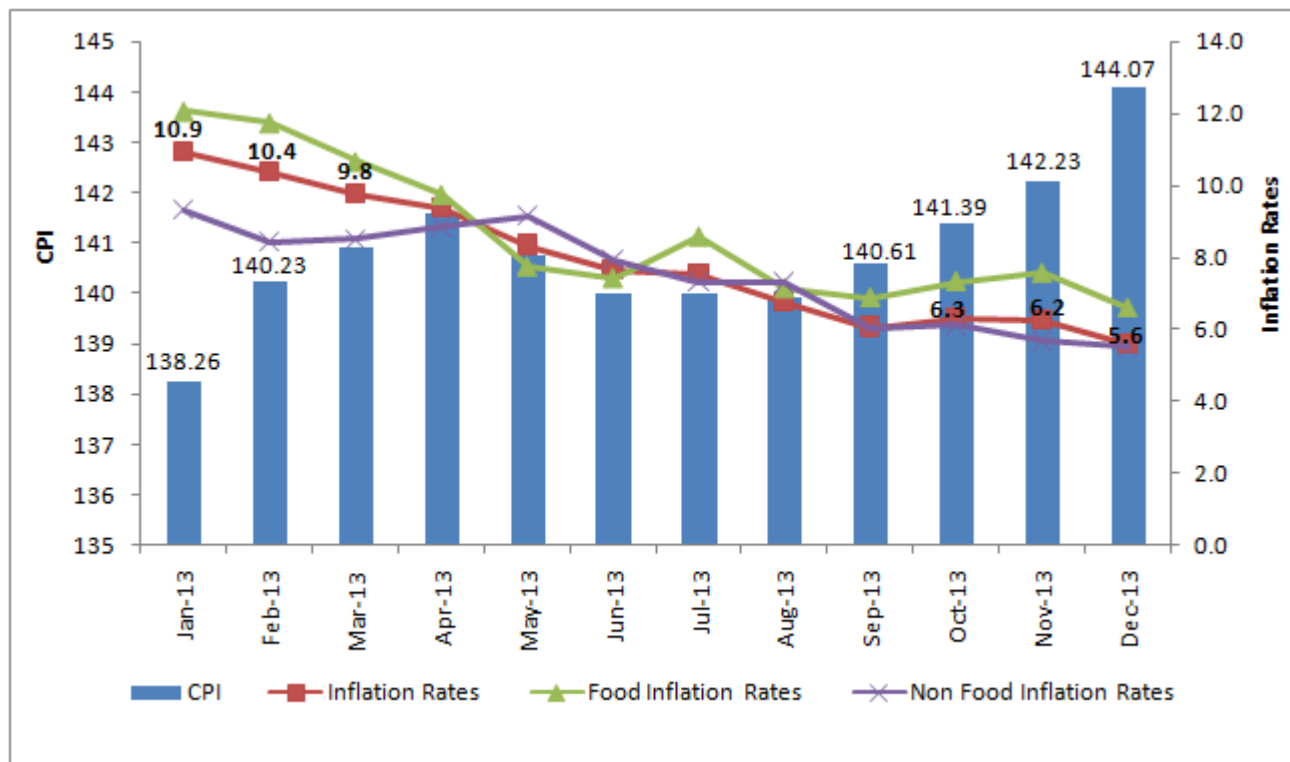


Chart 3 above shows the trend of Consumer Price Indices and Inflation Rates from January to December, 2013. The chart reveals that, Consumer Price Indices for goods and services had an upward trend for the first quarter of the year from 138.26 in January, 2013 to 141.59 in April, 2013. There was also price stability for the period of May to August, 2013 and an upward movement of prices from September to December, 2013. On average, prices for goods and services increased to 140.83 in 2013 from 130.56 in 2012. The highest price increase is noted in December, 2013 while the lowest price increase was noted in January, 2013. On the other hand, Annual Headline Inflation Rates have shown a decreasing pattern from 10.9% in January, 2013 to 5.6% in December, 2013.

Annual Average Headline Inflation Rates (from January to December, 2013) has decreased significantly to 7.9% in 2013 from 16.0% recorded in 2012 (from January to December, 2012). This decrease is highly attributed to the decrease in prices for food items especially rice and other major cereals. Annual average Food Inflation Rate for year 2013 has decreased tremendously to 8.6% from 20.2% in 2012. Furthermore, Annual Average Inflation Rate for Non Food Items has decreased to 7.5% in 2013 from 10.7% in 2012 while the Annual Average Inflation rates which excludes Food and Energy has decreased to 6.2% in 2013 from 8.8% in 2012.

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