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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR DECEMBER, 2011

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 ROSE TO 19.8%

**Table 1: Changes in the NCPI for December, 2011
(September 2010 = 100)**

S/N	Main Groups	Weight	Dec-10	Nov -11	Dec-11	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	103.17	126.80	131.09	3.4	27.1
2	Alcoholic and Tobacco	3.3	100.75	105.78	106.59	0.8	5.8
3	Clothing and Footwear	6.7	102.15	111.70	112.96	1.1	10.6
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	98.30	121.85	122.64	0.6	24.8
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	101.30	115.34	116.10	0.7	14.6
6	Health	0.9	100.36	103.25	103.38	0.1	3.0
7	Transport	9.5	101.03	112.58	112.34	-0.2	11.2
8	Communication	2.1	99.36	98.20	98.14	-0.1	-1.2
9	Recreation and Culture	1.3	97.95	101.15	101.13	0.0	3.2
10	Education	1.7	99.94	105.82	105.79	0.0	5.9
11	Restaurants and hotels	6.4	100.36	112.97	113.99	0.9	13.6
12	Miscellaneous goods and services	4.5	100.02	107.78	108.60	0.8	8.6
TOTAL – ALL ITEMS INDEX		100	101.70	119.41	121.79	2.0	19.8
Other Selected Groups							
1	Food and Non-alcoholic Beverages - combining food consumed at home and food consumed in restaurants	51.0	102.85	125.27	129.20	3.1	25.6
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	95.23	133.08	134.25	0.9	41.0
3	All Items Less Food	49	100.32	112.48	113.03	0.5	12.7
4	All Items Less Food and Energy	43.3	101.09	109.38	109.84	0.4	8.7

The headline Inflation Rate measures Inflation Rates when all items in the fixed basket are included. Table 1 above reveals that, annual Headline Inflation Rate for the month of December 2011 has further increased to 19.8% compared to 19.2% recorded in November 2011. The overall index went up to 121.79 in December 2011 from 101.70 recorded in December 2010. Conversely, food and non alcoholic beverages Inflation Rate has also increased to 27.1% in December 2011 from 26.1% recorded in November 2011.

Food and Non Food Inflation Rates

The 12 month index change for food consumed at home and away from home went up to 25.6% in December 2011 as compared to 24.7% in November 2011. The 12 month index change for non food Inflation Rate increased to 12.7% in December 2011 from 12.6% registered in November 2011.

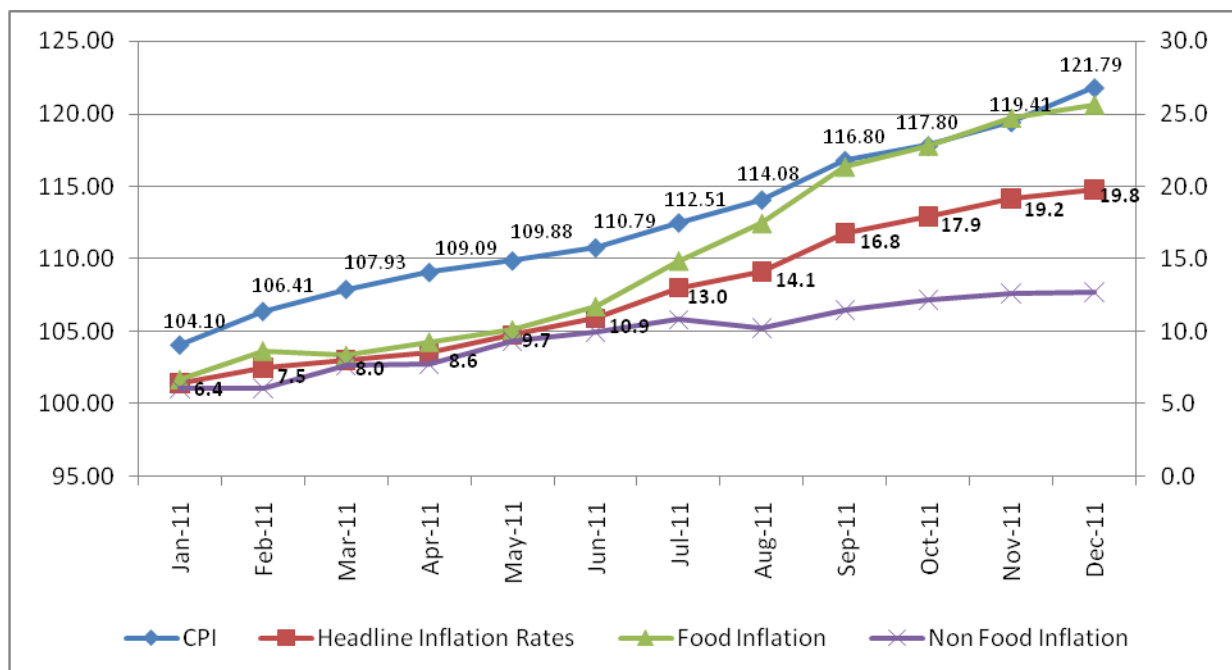
Inflation Rate excluding Food and Energy

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 2011 slightly decreased to 8.7% from 8.8% recorded in November 2011, however the annual Inflation Rate for energy has increased to 41.0% in December 2011 from 39.2% registered in November 2011.

TREND OF ANNUAL HEADLINE INFLATION RATE FROM JANUARY TO DECEMBER, 2011

Chart 1: Trend of Annual Headline Inflation Rates from January to December, 2011



On average as shown in chart 1 above; Consumer Price Indices, Headline Inflation Rates, Food and Non Food Inflation Rates have shown a similar pattern of increasing each month from January to December, 2011. Annual average Headline Inflation Rates has increased from 5.5% in year 2010 to 12.7% in 2011; this is an increase of 7.2 percentage points. On average month to month Headline Inflation Rates was 1.4% from January to December, 2011.

MONTHLY HEADLINE INFLATION RATE ROSE BY 2.0%

The Monthly Headline Inflation Rate for the month of December, 2011 rose by 2.0%. The overall index increased to 121.79 in December, 2011 from 119.41 in November, 2011. This increase is primarily attributed to the increase of food prices. Food items that contributed to such increase include; rice by 10.6%, bread (2.4%), pastry products (1.9%), meat (4.0%), fish (2.4%), preserved milk (4.0%), oil and fats (3.2%), lemons (6.2%), groundnuts (7.2%), vegetables (5.5%) and honey by 3.1%.

Purchasing Power of Tanzanian Shilling in September, 2010 Compared to December, 2011

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 the 100 Tanzania Shillings has been decreasing, declining to TShs. 82 and 11 cents from September, 2010 to December, 2011.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI

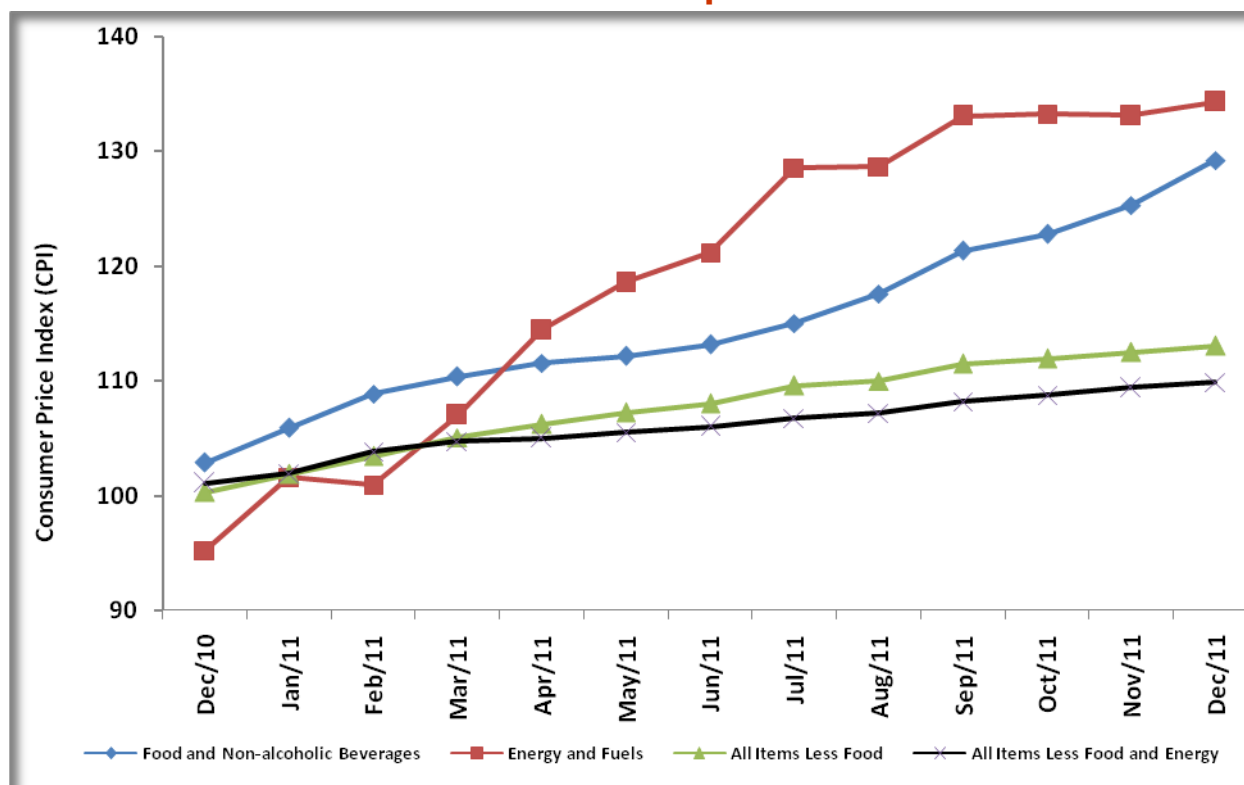


Chart 2 above shows price movement of different groups of consumer price indices. Food and Non Alcoholic Beverages index have had a higher upward trend over the period of four months (December, 2010 to March, 2011) compared to other indices except in months of April to December 2011, where the index of energy and fuels is higher than other indices. Over the period of twelve months, 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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