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In reply please quote:

Our Ref: NBS/S.40/21/539

PRESS RELEASE

Date: 09th August, 2018

NATIONAL CONSUMER PRICE INDEX (NCPI) FOR THE MONTH OF JULY, 2018

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 use geometric mean of price relatives for compiling elementary index aggregates and the Lowe Index formula which is Laspeyres index formula type is used for computing higher level aggregates.

ANNUAL HEADLINE INFLATION RATE DECREASES TO 3.3%

Table 1: Changes in the NCPI for July, 2018, (Dec., 2015 = 100)

| S/N | Main Groups | Weight | July -17 | June -18 | July-18 | 1 Month Percent Change | 12 Month Percent Change |
|--------------------------------|---|--------------|---------------|---------------|---------------|------------------------|-------------------------|
| 1 | Food and Non Alcoholic Beverages | 38.5 | 114.38 | 119.14 | 117.58 | -1.3 | 2.8 |
| 2 | Alcoholic and Tobacco | 3.7 | 106.68 | 107.01 | 107.58 | 0.5 | 0.8 |
| 3 | Clothing and Footwear | 8.3 | 106.53 | 108.66 | 109.09 | 0.4 | 2.4 |
| 4 | Housing, Water, Electricity, Gas and Other Fuel | 11.6 | 114.91 | 128.50 | 129.05 | 0.4 | 12.3 |
| 5 | Furnishing, Housing Equipment and Routine Maintenance of the House | 6.3 | 104.90 | 107.29 | 107.60 | 0.3 | 2.6 |
| 6 | Health | 2.9 | 106.27 | 107.55 | 107.06 | -0.5 | 0.7 |
| 7 | Transport | 12.5 | 99.59 | 101.25 | 102.04 | 0.8 | 2.5 |
| 8 | Communication | 5.6 | 98.10 | 95.54 | 95.47 | -0.1 | -2.7 |
| 9 | Recreation and Culture | 1.6 | 102.09 | 102.52 | 102.53 | 0.0 | 0.4 |
| 10 | Education | 1.5 | 103.41 | 105.82 | 105.97 | 0.1 | 2.5 |
| 11 | Restaurants and hotels | 4.2 | 104.55 | 105.22 | 105.37 | 0.1 | 0.8 |
| 12 | Miscellaneous goods and services | 3.1 | 105.66 | 106.97 | 106.97 | 0.0 | 1.2 |
| TOTAL – ALL ITEMS INDEX | | 100.0 | 108.85 | 112.81 | 112.44 | -0.3 | 3.3 |
| Other Selected Groups | | | | | | | |
| 1 | Food - combining food consumed at home and food consumed in restaurants | 37.1 | 115.39 | 120.46 | 118.86 | -1.3 | 3.0 |
| 2 | Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel | 8.7 | 117.79 | 138.13 | 139.64 | 1.1 | 18.5 |
| 3 | All Items Less Food | 62.9 | 105.64 | 109.69 | 110.11 | 0.4 | 4.2 |
| 4 | All Items Less Food and Energy | 54.3 | 103.69 | 105.14 | 105.38 | 0.2 | 1.6 |

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 July, 2018 has slightly decreased to 3.3% from 3.4% recorded in June, 2018. The decrease of the headline inflation explains that, the speed of price change for commodities in the year ending July, 2018 has slightly decreased compared to the speed of price change recorded in the year ended June, 2018. The overall index went up to 112.44 in July, 2018 from 108.85 recorded in July, 2017. Food and Non Alcoholic Beverages Inflation Rate for the month of July, 2018 has decreased to 2.8% from 3.4% recorded in June, 2018.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has decreased to 3.0% in July, 2018 from 3.8% recorded in June, 2018. In addition, the 12 month index change for non-food products in July, 2018 has increased to 4.2% from 4.0% recorded in June, 2018.

Inflation Rate excluding Food and Energy

The Annual Inflation Rate which excludes food and energy for the month of July, 2018 has stagnated at 1.6% as it was recorded in June, 2018.

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 July, 2017 – July, 2018. (Dec., 2015 = 100)

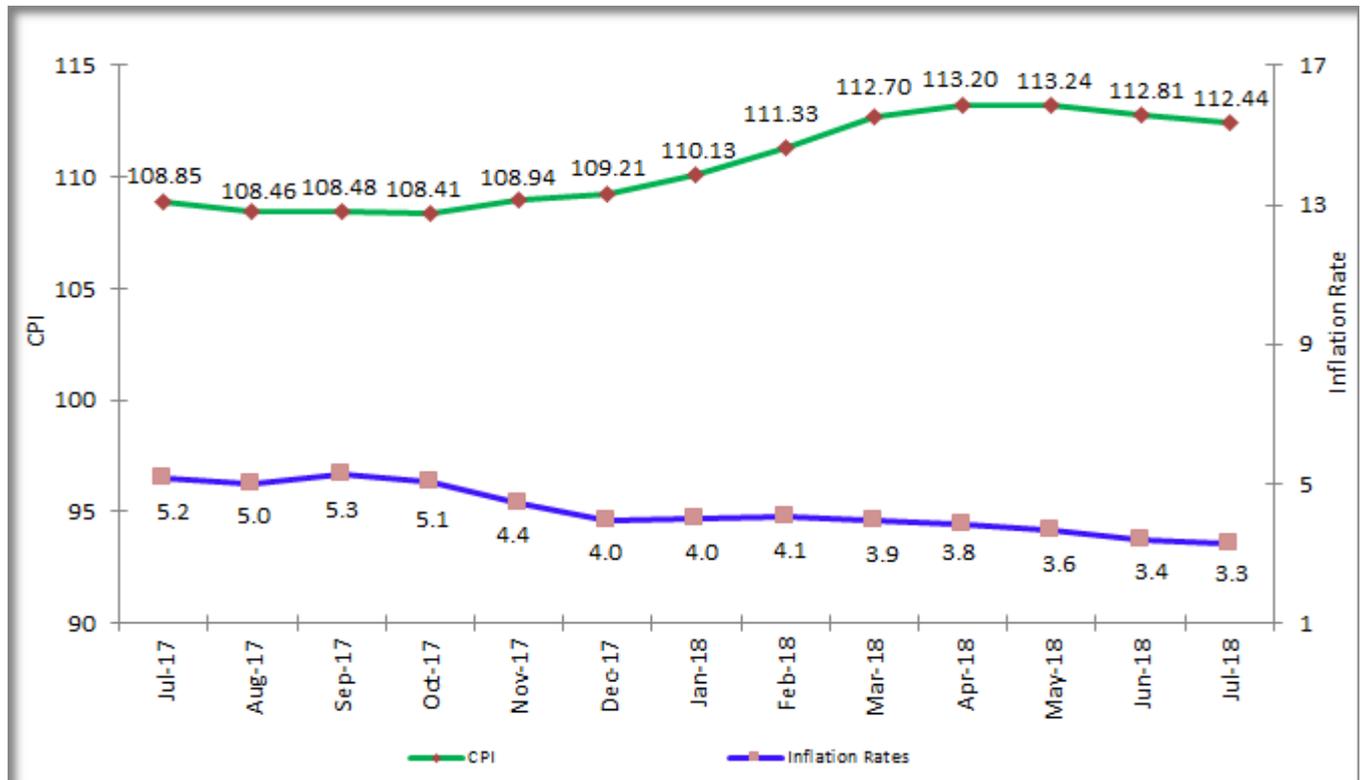


Chart number 1 above explains that; CPI has shown a relatively stable movement of prices from July, 2017 to July, 2018. In addition, Annual Headline Inflation Rates over the same period have decreased from 5.2% in July, 2017 to 3.3% in July, 2018.

MONTHLY CHANGE OF CONSUMER PRICE INDEX FROM JUNE, 2018 TO JULY, 2018

The Consumer Price Index from June, 2018 to July, 2018 has changed by negative 0.3% compared to a negative change of 0.4% recorded in June, 2018 from May, 2018. The negative change of the index for the month of July, 2018 is mainly caused by low prices for some food items due to higher supply of food items as compared the demand. The overall index has decreased to 112.44 in July, 2018 from 112.81 recorded in June, 2018. The decrease of the overall index is mainly attributed to price decrease of food items. Some food items that contributed to such decrease include; rice by 2.6, maize flour by 2.0, fruits by 3.5, vegetables by 4.1, fresh cassava by 5.6 and cooking bananas by 2.9.

Table 2: NCPI Release Schedule for the Coming Months

| NCPI Release Months | Release date |
|----------------------------|----------------------------------|
| August, 2018 | 10 th September, 2018 |
| September, 2018 | 08 th October, 2018 |
| October, 2018 | 08 th November, 2018 |

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