

National Bureau of Statistics

P. O. Box 796 Tel: +255 (022)2122722/3
Dar es Salaam,-TANZANIA

Fax:+225 (022)2130852
E-mail: dg@nbs.go.tz



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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR SEPTEMBER, 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 16.8%

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

S/N	Main Groups	Weight	Sept-10	Aug-11	Sept-11	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	100.00	118.50	122.53	3.4	22.5
2	Alcoholic and Tobacco	3.3	100.00	105.02	105.66	0.6	5.7
3	Clothing and Footwear	6.7	100.00	107.90	109.56	1.5	9.6
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	100.00	118.67	121.69	2.5	21.7
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	100.00	113.31	114.23	0.8	14.2
6	Health	0.9	100.00	101.99	102.29	0.3	2.3
7	Transport	9.5	100.00	109.99	110.78	0.7	10.8
8	Communication	2.1	100.00	98.25	98.23	0.0	-1.8
9	Recreation and Culture	1.3	100.00	101.00	101.08	0.1	1.1
10	Education	1.7	100.00	105.79	105.79	0.0	5.8
11	Restaurants and hotels	6.4	100.00	109.93	111.53	1.5	11.5
12	Miscellaneous goods and services	4.5	100.00	103.85	106.47	2.5	6.5
TOTAL – ALL ITEMS INDEX		100	100.00	114.08	116.80	2.4	16.8
Other Selected Groups							
1	Food and Non-alcoholic Beverages - combining food consumed at home and food consumed in restaurants	51.0	100.00	117.56	121.32	3.2	21.3
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	100.00	128.61	133.06	3.5	33.1
3	All Items Less Food	49	100.00	109.96	111.45	1.4	11.4
4	All Items Less Food and Energy	43.3	100.00	107.15	108.20	1.0	8.2

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 year ended September 2011 increased to 16.8% compared to 14.1% registered in the year ended August 2011. The overall index increased to 116.80 in September 2011 from 100.00 in September 2010. Food and non alcoholic beverages inflation rate increased to 22.5% for the year ending September 2011 from 18.6% registered in August 2011.

Food and Non Food Inflation rates

The 12 month index change for food consumed at home and away from home went up to 21.3% in the year ended September 2011 as compared to 17.4% in the year ended August 2011. The 12 month index change for non food Inflation increased to 11.4% in the year ended September 2011 from 10.2% registered in the year ended August 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 figure for policy makers.

The Annual Inflation rate which excludes food and energy for the year ended September 2011 increased to 8.2% from 7.3% in year ended August 2011 and the annual Inflation rate for energy has also increased to 33.1% in September 2011 from 30.1% registered in year ended August 2011.

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

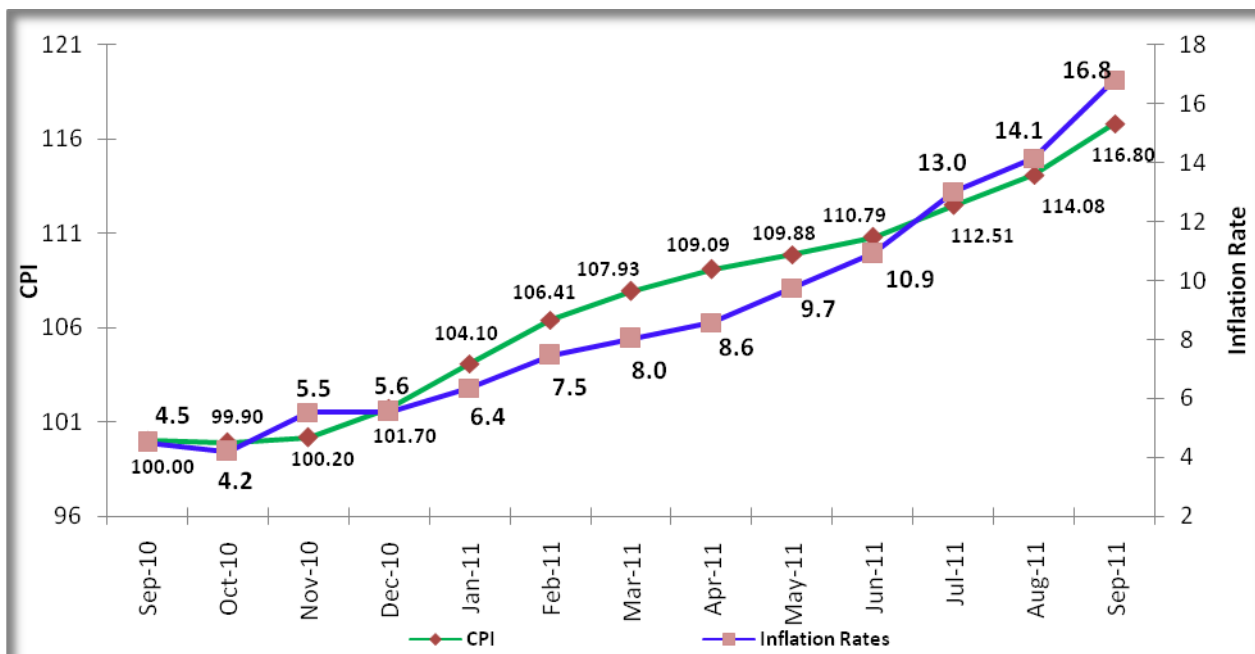


Chart 1 above shows that; CPI has shown a relatively stable trend from September 2010 to November 2010. On the other hand, CPI reveals that the period between months of December 2010 to September 2011 have had an increase in prices of commodities. Inflation rates have had decreased to 4.2% in October 2010 and started increasing up to 16.8% in September 2011.

MONTHLY HEADLINE INFLATION RATE ROSE BY 2.4%

The Monthly Headline Inflation rate for the month of September, 2011 rose by 2.4%. The overall index climbed to 116.80 in September, 2011 from 114.08 in August, 2011. This increase is highly attributed to the increase of both food and non food prices. Food items that contributed to such increase include; bread by 1.5%, pastry cook by 1.8%, maize grains by 5.1%, cassava flour by 2.2%, meat by 5.1%, fish by 6.0%, milk by 2.9%, cooking fat by 2.7%, fruits by 4.6%, sugar by 16.4 and fruit juices by 4.0%. Non food items includes; clothing

materials by 4.9%, garments for children by 1.6%, gas by 11.0%, charcoal by 8.3%, sofa set by 4.0% and cost of grinding maize by 3.4%.

Purchasing power of 100 shillings in September, 2010 compared to September, 2011

The purchasing power of the 100 Tanzania shillings has been decreasing, declining to TShs. 82 and 09 cents from September, 2010 to September, 2011.

PRICE MOVEMENTS

Chart 2: Price movements of different groups of CPI

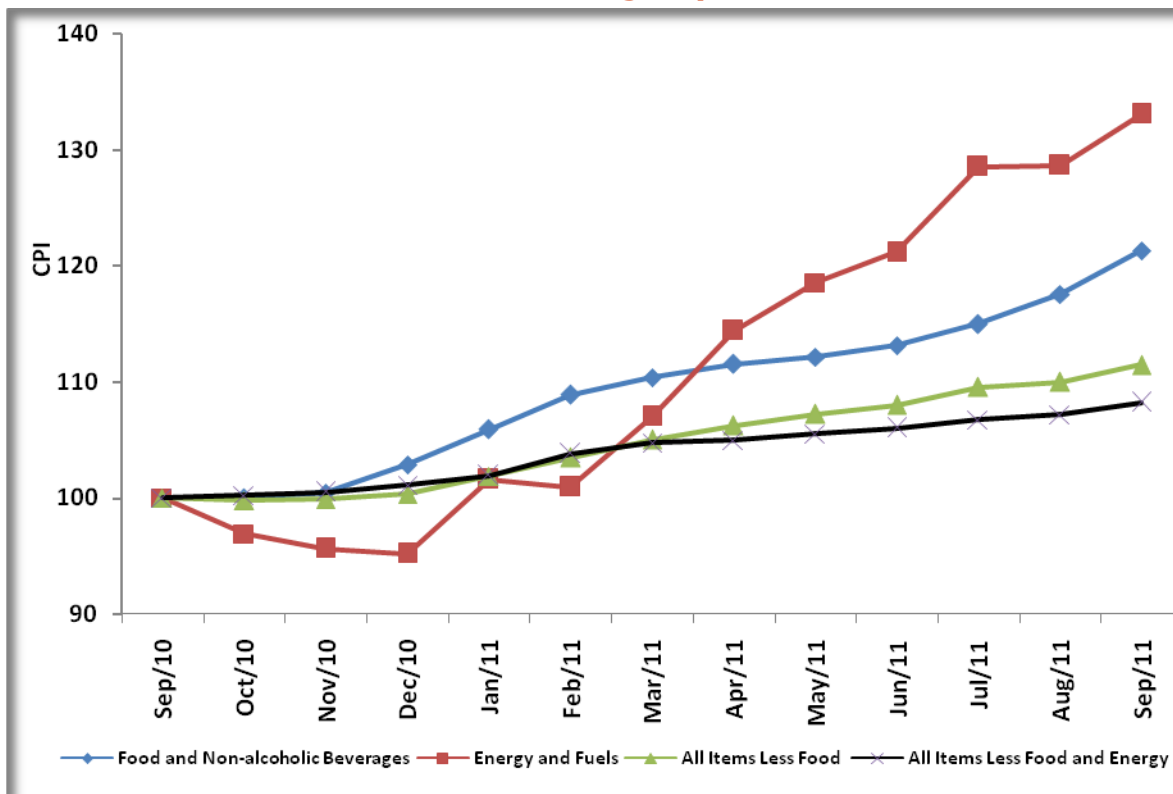


Chart 2 above shows price movement of different groups of consumer price indices. Food and non alcoholic beverages index have had an upward trend over the period of seven months compared to other indices except in month of April to September 2011, where the index of energy and fuels is higher than other indices. Over the period of twelve months, energy and fuels have portrayed unstable movements compared to other indices. All items without food and all items without food and energy have shown a much stable price movements.

**Contact person: Director General
National Bureau of Statistics**