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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR SEPTEMBER, 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 EASES TO 13.5%

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

S/N	Main Groups	Weight	Sep-11	Aug-12	Sep-12	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	122.53	140.79	141.67	0.6	15.6
2	Alcoholic and Tobacco	3.3	105.66	126.49	127.11	0.5	20.3
3	Clothing and Footwear	6.7	109.56	123.44	124.22	0.6	13.4
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	121.69	135.71	141.71	4.4	16.5
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	114.23	123.01	123.74	0.6	8.3
6	Health	0.9	102.29	105.31	105.35	0.0	3.0
7	Transport	9.5	110.78	114.20	116.12	1.7	4.8
8	Communication	2.1	98.23	96.58	96.58	0.0	-1.7
9	Recreation and Culture	1.3	101.08	112.16	112.50	0.3	11.3
10	Education	1.7	105.79	110.75	110.75	0.0	4.7
11	Restaurants and hotels	6.4	111.53	127.53	131.00	2.7	17.5
12	Miscellaneous goods and services	4.5	106.47	115.89	115.33	-0.5	8.3
TOTAL – ALL ITEMS INDEX		100	116.80	131.09	132.58	1.1	13.5
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	51.0	121.32	139.33	140.51	0.8	15.8
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	133.06	150.36	158.90	5.7	19.4
3	All Items Less Food	49	111.45	121.33	123.19	1.5	10.5
4	All Items Less Food and Energy	43.3	108.20	116.96	117.83	0.7	8.9

The Headline Inflation Rate measures inflation rates when all items in the fixed CPI basket are included. Table number 1 above indicates that, Annual Headline Inflation Rate for the month of September, 2012 has further declined to 13.5% compared to 14.9% recorded in August, 2012. The decrease of Annual Headline Inflation Rate for the month of September, 2012 explains that, the speed of price increase for commodities in September, 2012 has further decreased compared to the speed recorded in August, 2012. However, the overall index went up to 132.58 in September, 2012 from 116.80 recorded in September, 2011. Food and Non alcoholic beverages Inflation Rate has decreased to 15.6% in September 2012 from 18.8% recorded in August, 2012.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has declined to 15.8% in September, 2012 as compared to 18.5% in August, 2012. On the other hand, the 12 month index change for non food products has slightly increased to 10.5% in September, 2012 compared to 10.3% recorded in August, 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 September, 2012 has decreased to 8.9% from 9.2% recorded in August, 2012. Contrarily to the movement of this group, Annual Inflation Rate for Energy has increased to 19.4% in September, 2012 compared to 16.9% recorded in August, 2012. The increase in Inflation Rate for Energy is highly attributed to the increase in prices for petrol by 11.4% and diesel by 6.8% from August, 2012 to September, 2012.

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

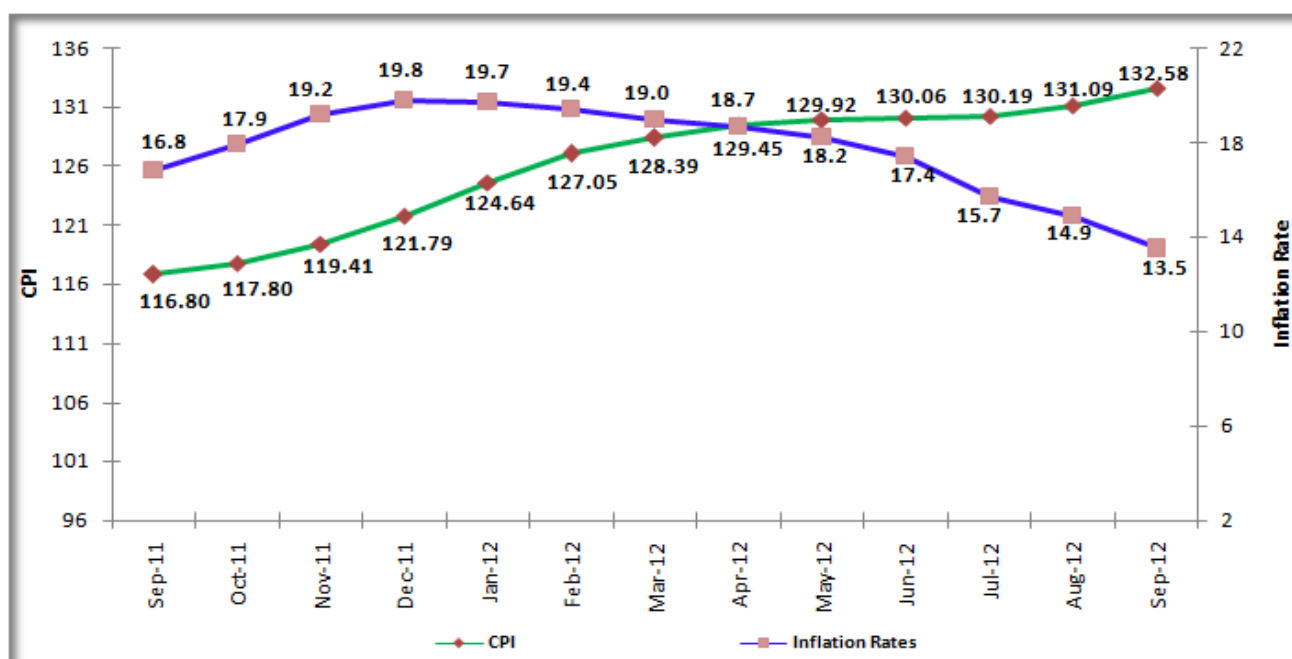


Chart number 1 above shows that; during the period of September, 2011 to September, 2012 CPI have shown a steady increasing trend in prices of commodities. Annual Headline Inflation Rates over the same period have shown a similar pattern of increasing from 16.8% in September, 2011 peaking at 19.8% in December, 2011. Thereafter, the trend started to decrease from 19.7% in January, 2012 to 13.5% in September, 2012.

MONTHLY HEADLINE INFLATION RATE WENT UP BY 1.1%

The Monthly Headline Inflation Rate for the month of September, 2012 has increased by 1.1% compared to 0.7% recorded in August, 2012. The overall index increased to 132.58 in September, 2012 from 131.09 in August, 2012. This increase is highly attributed to the price increase of Non Food items. Non Food items that contributed to such an increase include; kerosene by 2.4%, charcoal by 8.0%, diesel by 6.8%, petrol by 11.4%, monthly water bills by 7.6%, car battery by 1.4%, spirits by 3.0%, sewing machines by 1.1%, gas cooker by 1.6%, hand bags by 1.5% and hair dressing for women by 3.1%. In addition, some Food items that contributed to such an increase include; maize grains by 2.1%, wheat flour by 1.0%, cassava

flour by 3.5%, millet grains by 7.0%, beef by 2.8%, fresh fish by 6.8%, fruits by 5.9% and meals consumed in restaurants by 2.7%.

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

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 100 Tanzanian Shillings has been decreasing, declining to TZS. 75 and 43 cents from September, 2010 to September, 2012

PRICE MOVEMENTS

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

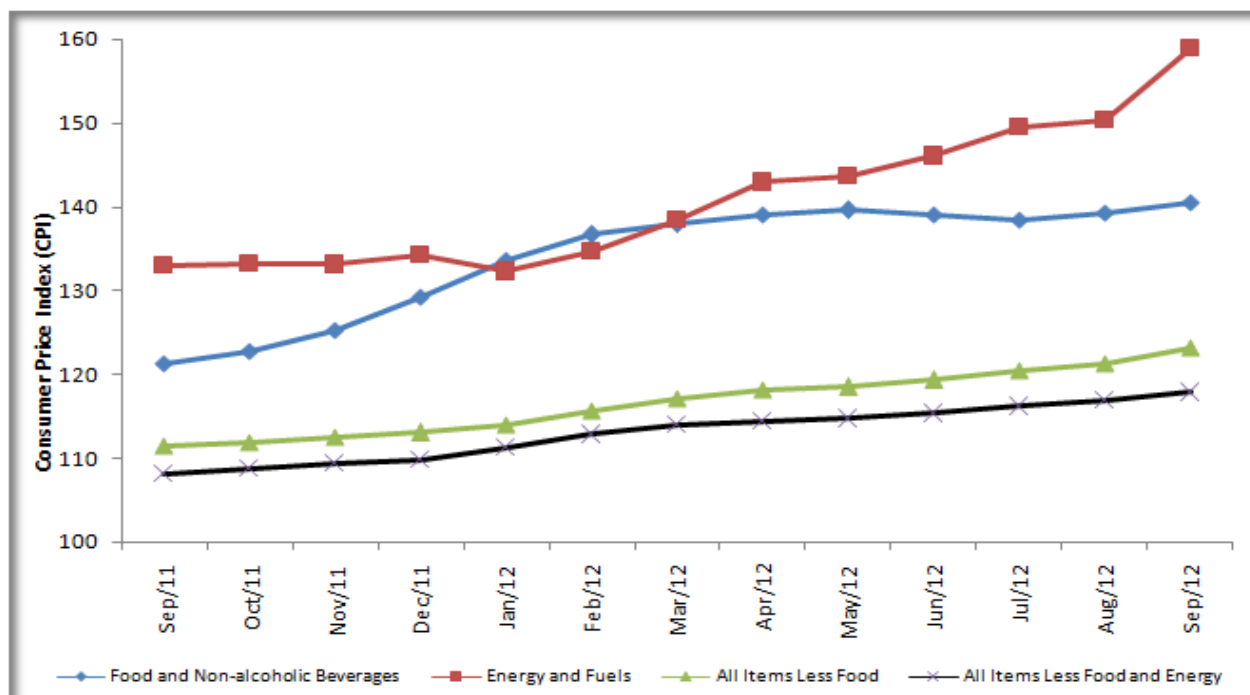


Chart number 2 above shows price movement of different groups of Consumer Price Indices from September, 2011 to September, 2012. On average, Food and Non Alcoholic Beverages index and; Energy and Fuel index have had a higher upward trend over the period compared to other indices. Furthermore, energy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

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