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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR MAY, 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 DECLINES TO 18.2%

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

S/N	Main Groups	Weight	May-11	Apr-12	May-12	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	112.69	140.63	141.19	0.4	25.3
2	Alcoholic and Tobacco	3.3	103.81	112.66	112.85	0.2	8.7
3	Clothing and Footwear	6.7	105.54	121.16	121.92	0.6	15.5
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	112.93	128.85	129.50	0.5	14.7
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	111.22	121.05	121.39	0.3	9.1
6	Health	0.9	101.71	104.74	105.00	0.3	3.2
7	Transport	9.5	107.89	115.14	115.08	-0.1	6.7
8	Communication	2.1	97.31	96.68	96.64	0.0	-0.7
9	Recreation and Culture	1.3	99.55	108.56	108.69	0.1	9.2
10	Education	1.7	105.79	110.75	110.75	0.0	4.7
11	Restaurants and hotels	6.4	107.70	126.00	126.59	0.5	17.5
12	Miscellaneous goods and services	4.5	100.98	113.73	114.29	0.5	13.2
TOTAL – ALL ITEMS INDEX		100	109.88	129.45	129.92	0.4	18.2
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	51.0	112.14	139.02	139.58	0.4	24.5
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	118.55	142.96	143.63	0.5	21.2
3	All Items Less Food	49	107.21	118.12	118.48	0.3	10.5
4	All Items Less Food and Energy	43.3	105.51	114.39	114.70	0.3	8.7

The Headline Inflation Rate measures inflation rates when all items in the fixed basket are included. Table number 1 above reveals that, annual Headline Inflation Rate for the month of May, 2012 has further declined to 18.2% compared to 18.7% recorded in April, 2012. The decrease of Headline Inflation Rate for May, 2012 explains that, the speed of price increase for commodities in May, 2012 has slightly decreased compared to the speed recorded in April, 2012. However, the overall index went up to 129.92 in May, 2012 from 109.88 recorded in May, 2011. Food and Non alcoholic beverages Inflation Rate has stabilized at 25.3% in May, 2012, as it was recorded in April, 2012.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home slightly declined to 24.5% in May, 2012 as compared to 24.7% in April, 2012. The 12 month index change for non food products also declined further to 10.5% in May, 2012 from 11.2% recorded in April, 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 May, 2012 decreased to 8.7% from 9.0% recorded in April, 2012; on the other hand, the Annual Inflation Rate for Energy has decreased to 21.2% in May, 2012 from 24.9% registered in April, 2012.

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

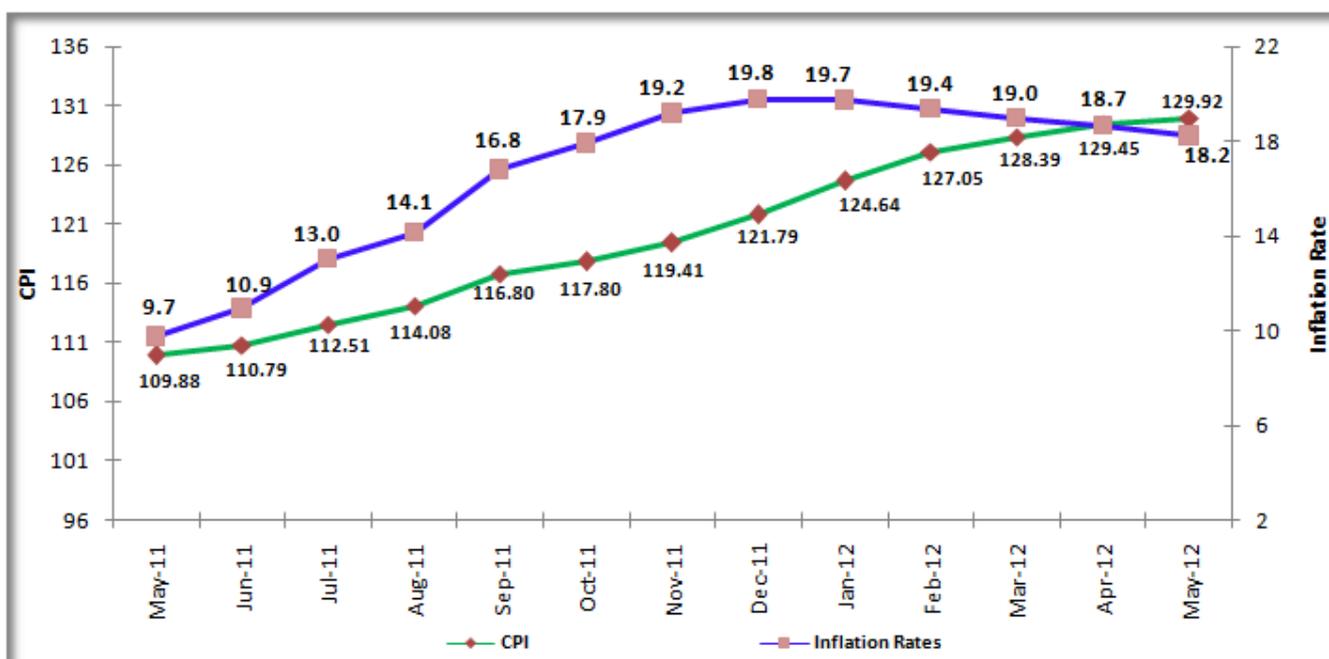


Chart number 1 above shows that; during the period of May, 2011 to May, 2012 CPI have shown an increasing trend in prices of commodities. Annual Headline Inflation Rates over the same period have shown a similar pattern of increasing from 9.7% in May, 2011 peaking at 19.8% in December, 2011. Thereafter, the trend started to decrease from 19.7% in January, 2012 to 18.2% in May, 2012.

MONTHLY HEADLINE INFLATION RATE WENT UP BY 0.4%

The Monthly Headline Inflation Rate for the month of May, 2012 increased by 0.4%. The overall index increased to 129.92 in May, 2012 from 129.45 in April, 2012. This increase is attributed to the increase of both food and non food prices. Food items that contributed to such an increase include; pastry cook products by 1.5%, white maize grains by 0.9%, maize flour by 5.1%, finger millet by 3.0%, beef without bones (steak) by 1.2%, pork meat by 0.4%, industrially bred live chicken by 2.2%, fish by 2.1%, traditionally bred live chicken by 0.6%, powdered milk by 0.6%, cooking fat by 0.9%, fruits by 0.3%, cooking banana by 5.6%, red dry beans by 2.7%, round onions by 2.2%, round potatoes by 1.0% and soft drinks by 4.1%.

Non food items that contributed to such increase includes; Spirits and liqueurs by 0.6%, beer by 0.2%, clothing materials by 0.8%, garments by 0.8%, footwear by 0.1%, charcoal by 2.2% and furniture by 1.0%.

Purchasing Power of Tanzanian Shilling in September, 2010 Compared to May, 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. 76 and 97 cents from September, 2010 to May, 2012.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI

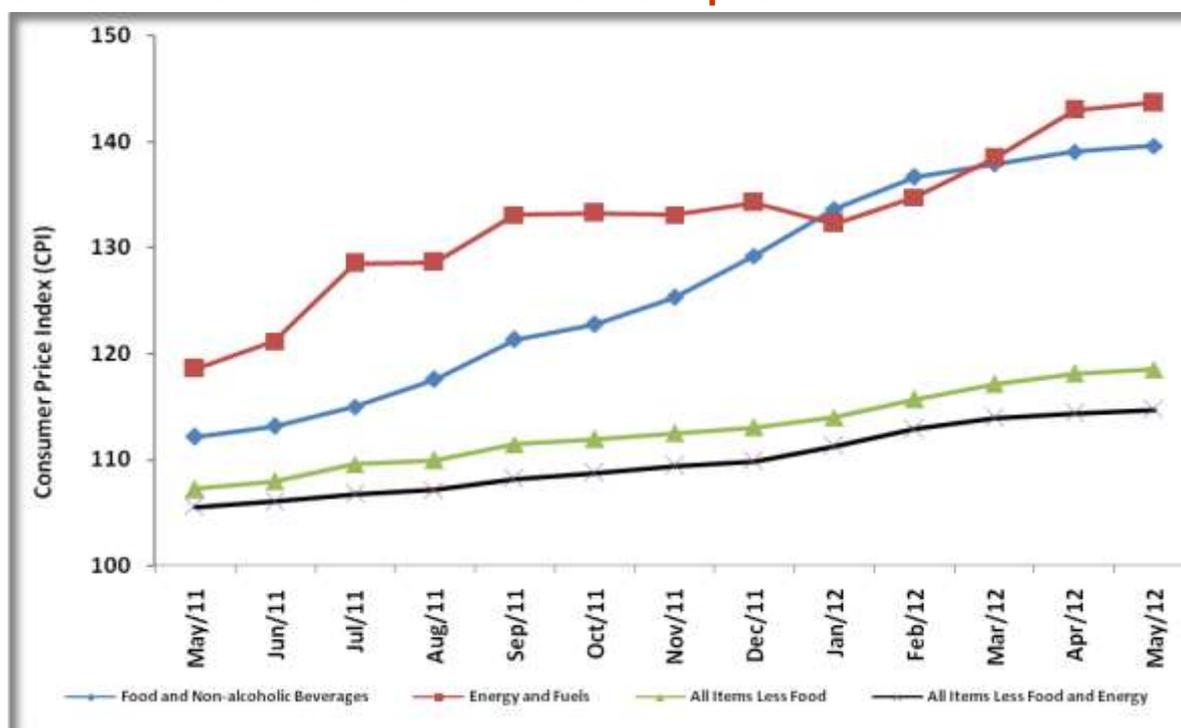


Chart number 2 above shows price movement of different groups of Consumer Price Indices from May, 2011 to May, 2012. On average, Food and Non Alcoholic Beverages index and; Energy and Fuel index have had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels portrayed 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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