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Our Ref: NBS/S.40/21/477

PRESS RELEASE

Date: 07th June, 2013

NATIONAL CONSUMER PRICE INDEX (NCPI) FOR MAY, 2013

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 February, 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 of 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 DECREASES TO 8.3%

**Table 1: Changes in the NCPI for May, 2013
(September 2010 = 100)**

S/N	Main Groups	Weight	May -12	April-13	May-13	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	141.19	154.94	152.48	-1.6	8.0
2	Alcoholic and Tobacco	3.3	112.85	132.62	133.18	0.4	18.0
3	Clothing and Footwear	6.7	121.92	128.14	128.44	0.2	5.3
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	129.50	154.49	154.04	-0.3	19.0
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	121.39	126.62	126.69	0.1	4.4
6	Health	0.9	105.00	108.10	108.10	0.0	3.0
7	Transport	9.5	115.08	119.96	123.68	3.1	7.5
8	Communication	2.1	96.64	96.07	95.96	-0.1	-0.7
9	Recreation and Culture	1.3	108.69	112.36	112.54	0.2	3.5
10	Education	1.7	110.75	113.16	113.16	0.0	2.2
11	Restaurants and hotels	6.4	126.59	133.42	133.53	0.1	5.5
12	Miscellaneous goods and services	4.5	114.29	119.69	119.87	0.2	4.9
TOTAL – ALL ITEMS INDEX		100	129.92	141.59	140.76	-0.6	8.3
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	51.0	139.58	152.57	150.39	-1.4	7.7
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	143.63	173.81	172.51	-0.7	20.1
3	All Items Less Food	49	118.48	128.61	129.36	0.6	9.2
4	All Items Less Food and Energy	43.3	114.70	121.81	122.87	0.9	7.1

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 May, 2013 has further decreased to 8.3% from 9.4% recorded in April, 2013. The decrease of Annual Headline Inflation Rate for the month of May, 2013 explains that, the speed of price increase for commodities in May, 2013 has decreased compared to the speed recorded in April, 2013. However, the overall index went up to 140.76 in May, 2013 from 129.92 recorded in May, 2012. Food and Non alcoholic beverages Inflation Rate has decreased to 8.0% in May 2013 from 10.2% recorded in April, 2013.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has declined to 7.7% in May, 2013 as compared to 9.7% in April, 2013. In addition, the 12 month index change for non food products has increased to 9.2% in May, 2013 from 8.9% recorded in April, 2013.

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, 2013 has increased to 7.1% from 6.5% recorded in April, 2013. Annual Inflation Rate for Energy has decreased to 20.1% in May, 2013 compared to 21.6% recorded in April, 2013.

Chart 1: Movement of National Consumer Price Indices (NCPI) and Inflation Rates from May, 2012 – May, 2013. (September 2010 = 100)

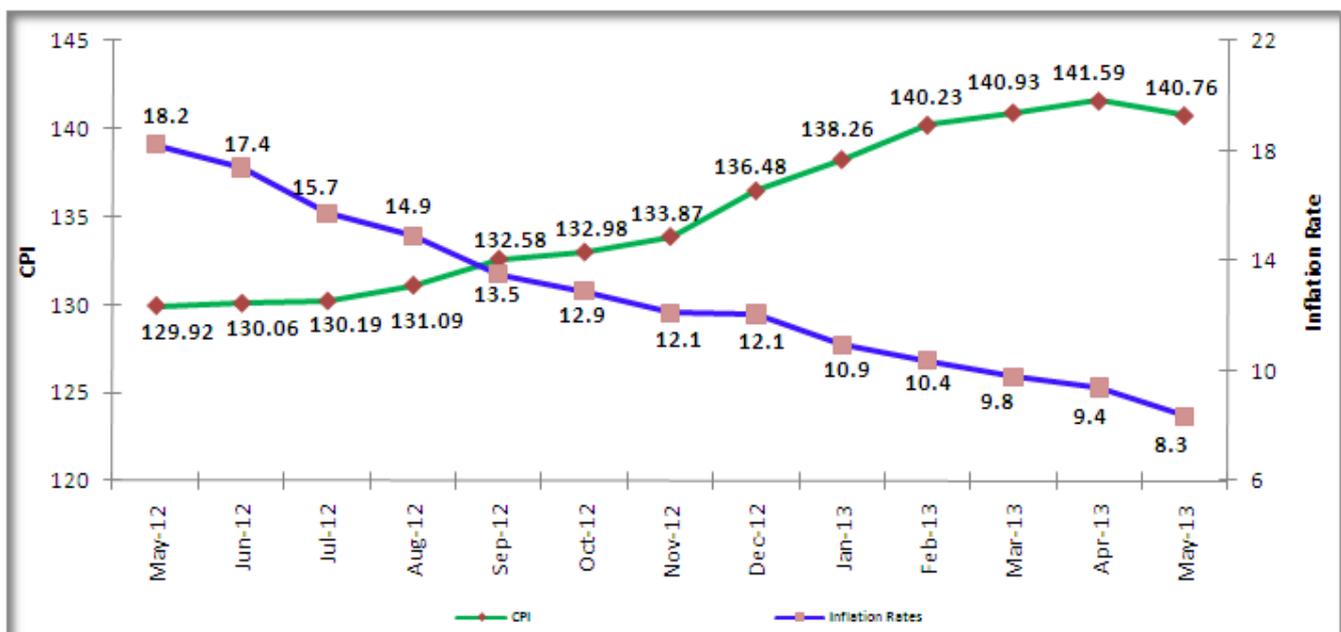


Chart number 1 above shows that; during the period of May, 2012 to May, 2013 CPI have shown a steadily increasing trend in prices of commodities. Annual Headline Inflation Rates over the same period have shown a decreasing pattern from 18.2% in May, 2012 to 8.3% in May, 2013.

MONTHLY HEADLINE INFLATION RATE DECREASES BY 0.6%

The Monthly Headline Inflation Rate for the month of May, 2013 has decreased by 0.6% compared to 0.5% recorded in April, 2013. The overall index decreased to 140.76 in May, 2013 from 141.59 in April, 2013. This decrease is highly attributed to the price decrease of food items. Food items that contributed to the decrease in the monthly inflation rate include; rice by 10.1%, maize grain by 4.5%, maize flour by 5.6%, wheat flour by 2.4%, fruits by 2.3%, natural ground nuts by 7.8%, coconut by 7.2%, onions by 1.1%, edible oils by 0.6%, sardines by 0.6%, sweet potatoes by 1.4% and sugar by 1.6%.

Purchasing Power of Tanzanian Shilling in September, 2010 Compared to May, 2013

Definition: The Purchasing Power of the consumer's Tanzanian Shilling measures the change in the value of consumer goods and services that a Tanzanian Shilling could 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 decreased to TZS 71 and 04 cents in May, 2013 from September, 2010.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI from May, 2012– May, 2013 (September 2010 = 100)

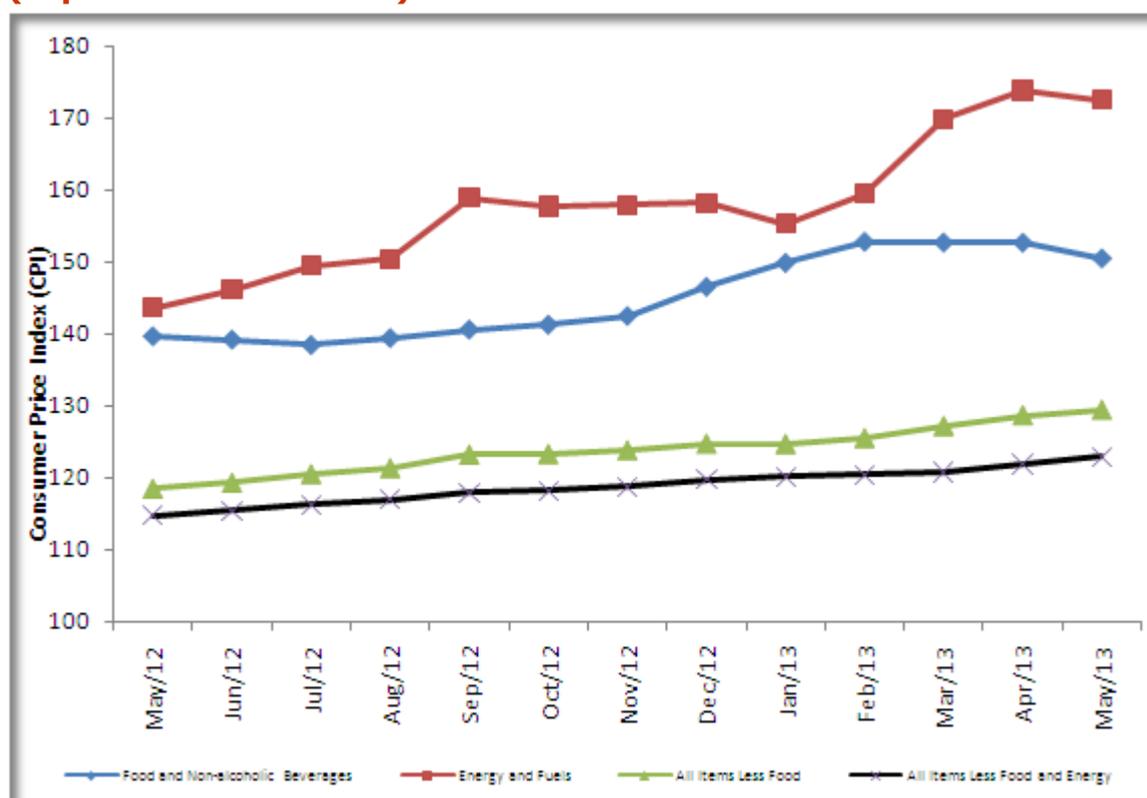


Chart number 2 above shows price movement of different groups of Consumer Price Indices from May, 2012 to May, 2013. On average, Energy and Fuel index; and Food and Non Alcoholic Beverages index have had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels portrayed 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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