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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR MAY, 2016

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 survey types of 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 has incorporated a number of methodological improvements including the use of geometric mean of price relatives for compiling elementary index aggregates, the use of an improved index compilation system, and improved procedures for collecting and processing prices. The Lowe Index formula which is Laspeyres index formula type continues to be used for computing higher level aggregates for the NCPI.

ANNUAL HEADLINE INFLATION RATE SLIGHTLY INCREASES TO 5.2%

Table 1: Changes in the NCPI for May, 2016, (Dec., 2015 = 100)

S/N	Main Groups	Weight	May-15	April-16	May-16	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	38.5	97.17	103.48	104.00	0.5	7.0
2	Alcoholic and Tobacco	3.7	98.57	102.62	103.42	0.8	4.9
3	Clothing and Footwear	8.3	97.49	101.28	101.91	0.6	4.5
4	Housing, Water, Electricity, Gas and Other Fuel	11.6	99.58	106.43	108.33	1.8	8.8
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.3	97.19	101.59	101.43	-0.2	4.4
6	Health	2.9	96.63	102.81	102.98	0.2	6.6
7	Transport	12.5	97.32	98.68	98.83	0.2	1.6
8	Communication	5.6	99.47	98.57	98.89	0.3	-0.6
9	Recreation and Culture	1.6	97.06	100.66	100.82	0.2	3.9
10	Education	1.5	99.68	102.23	102.37	0.1	2.7
11	Restaurants and hotels	4.2	98.63	103.60	103.44	-0.1	4.9
12	Miscellaneous goods and services	3.1	97.64	101.15	101.45	0.3	3.9
TOTAL – ALL ITEMS INDEX		100	97.91	102.46	103.00	0.5	5.2
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	37.07	97.48	104.05	104.54	0.5	7.2
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	8.68	99.10	105.02	108.07	2.9	9.0
3	All Items Less Food	62.93	98.50	101.65	102.23	0.6	3.8
4	All Items Less Food and Energy	54.25	98.38	101.11	101.29	0.2	3.0

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, 2016 has slightly increased to 5.2% from 5.1% recorded in April, 2016. The increase of Annual Headline Inflation Rate for the year ending May, 2016 explains that, the speed of price increase for commodities in the year ending May, 2016 has increased as compared to the speed of price increase recorded for the year ended April, 2016. The overall index went up to 103.00 in May, 2016 from 97.91 recorded in May, 2015.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has decreased to 7.2% in May, 2016 from 7.3% recorded in April, 2016. In addition, the 12 month index change for non food products has increased to 3.8% in May, 2016 from 3.5% recorded in April, 2016.

Inflation Rate excluding Food and Energy

The Annual Inflation Rate which excludes food and energy for the month of May, 2016 has stagnated at 3.0% as it was recorded in April, 2016.

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 May, 2015 – May, 2016. (Dec., 2015 = 100)

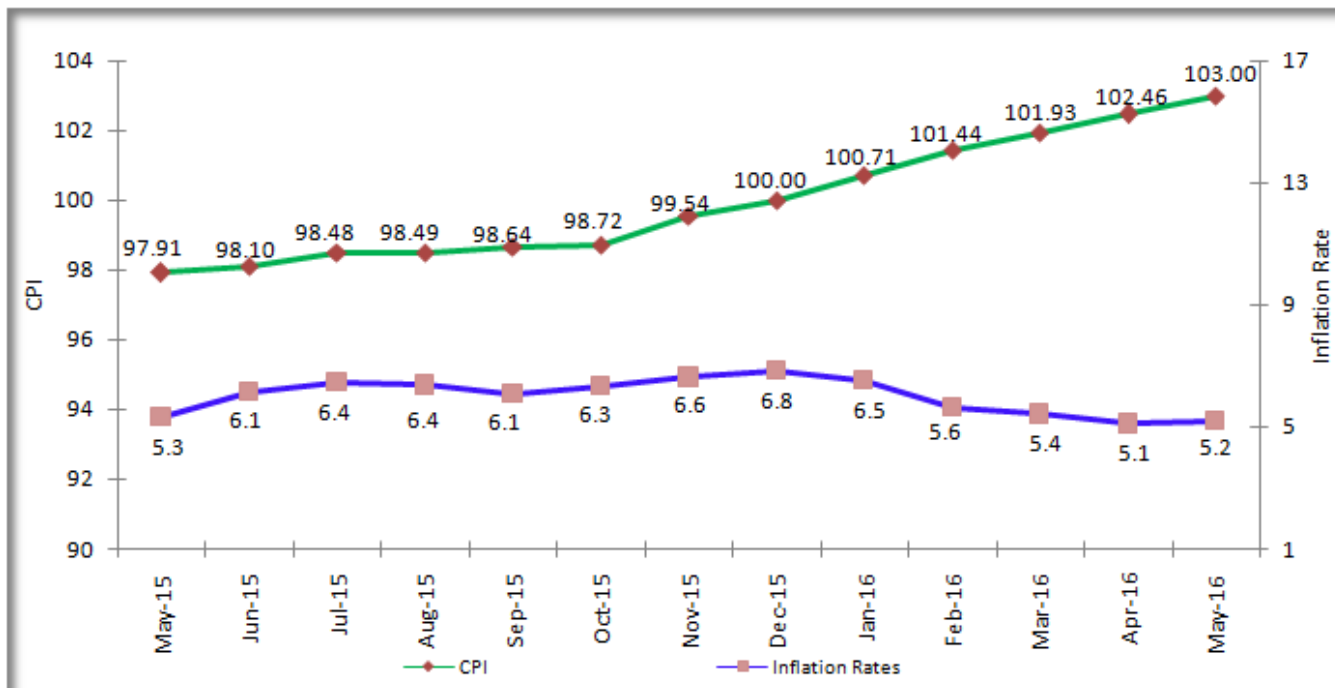


Chart number 1 above explains that; CPI has shown a relatively stable movement of prices from May, 2015 to May, 2016. In addition, Annual Headline Inflation Rates over the same period have shown a stable trend of movement from 5.3% in May, 2015 to 5.2% in May, 2016.

MONTHLY HEADLINE INFLATION RATE FOR MAY, 2016 STAGNATED AT 0.5%

The Monthly Headline Inflation Rate for the month of May, 2016 has stagnated at 0.5% as it was recorded in April, 2016. The overall index has increased to 103.00 in May, 2016 from 102.46 recorded in April, 2016. This increase of the overall index is attributed to price increase of both food and non food items. Some food items that contributed to such increase include; maize grains by 1.5%, cassava flour by 6.2%, poultry meat by 2.6%, peas by 5.8%, fresh cassava by 8.0% and cooking bananas by 2.7%. On the other hands, non food items that contributed to such increase include; kerosene by 2.9%, charcoal by 2.5%, diesel by 4.6%, petrol by 2.5% and equipment for sport, camping and open air recreation by 7.8%.

PURCHASING POWER OF TANZANIAN SHILLING IN MAY, 2016 FROM DECEMBER, 2015

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 reached TZS 97 and 09 cents in May, 2016 from December, 2015.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI from May, 2015 – May, 2016 (Dec., 2015 = 100)

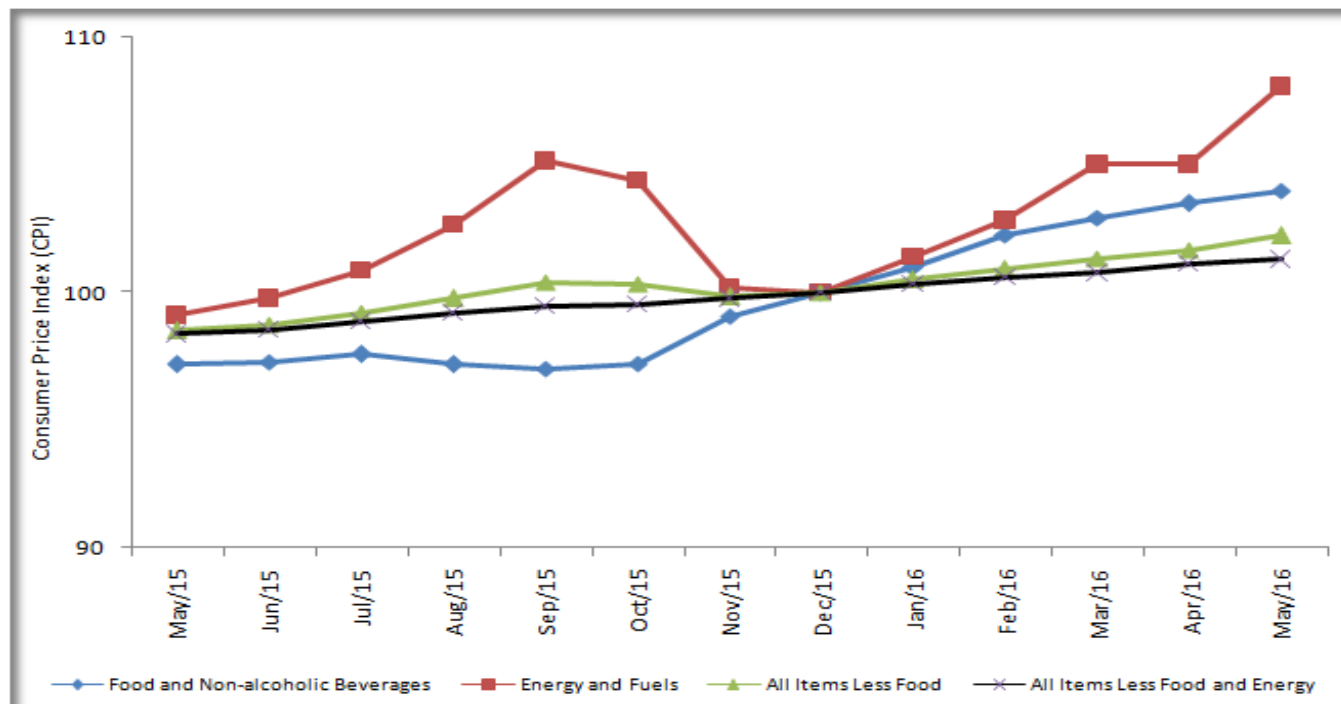


Chart number 2 above shows price movement of different groups of Consumer Price Indices from May, 2015 to May, 2016. On average, Energy and Fuel Index; and Food and Non Alcoholic Beverages Index have had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels portrayed unstable price movements compared to other indices. All items without food and all items without food and energy have indicated a much stable price movements.

Table 2: NCPI Survey Schedule for the Coming Months

NCPI Survey Months	Release date
June, 2016	08 th July, 2016
July, 2016	08 th August, 2016
August, 2016	08 th September, 2016

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