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PRESS RELEASE

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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR MAY, 2014

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 derived from 2007 Household Budget Survey and the price reference period is September 2010.

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.

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 INCREASES TO 6.5%

**Table 1: Changes in the NCPI for May, 2014
(September 2010 = 100)**

S/N	Main Groups	Weight	May-13	April -14	May -14	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	47.8	152.48	166.99	165.81	-0.7	8.7
2	Alcoholic and Tobacco	3.3	133.18	141.65	141.95	0.2	6.6
3	Clothing and Footwear	6.7	128.44	132.29	132.41	0.1	3.1
4	Housing, Water, Electricity, Gas and Other Fuel	9.2	154.04	168.67	166.84	-1.1	8.3
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	126.69	129.74	129.78	0.0	2.4
6	Health	0.9	108.10	111.96	112.04	0.1	3.6
7	Transport	9.5	123.68	126.34	126.57	0.2	2.3
8	Communication	2.1	95.96	96.71	96.63	-0.1	0.7
9	Recreation and Culture	1.3	112.54	113.24	113.25	0.0	0.6
10	Education	1.7	113.16	119.18	119.16	0.0	5.3
11	Restaurants and hotels	6.4	133.53	136.38	137.06	0.5	2.6
12	Miscellaneous goods and services	4.5	119.87	128.90	129.78	0.7	8.3
TOTAL – ALL ITEMS INDEX		100	140.76	150.50	149.89	-0.4	6.5
Other Selected Groups							
1	Food - combining food consumed at home and food consumed in restaurants	51.0	150.39	165.48	164.45	-0.6	9.3
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	172.51	191.93	188.97	-1.5	9.5
3	All Items Less Food	49	129.36	134.87	134.70	-0.1	4.1
4	All Items Less Food and Energy	43.3	122.87	126.99	127.21	0.2	3.5

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, 2014 has increased to 6.5% from 6.3% recorded in April, 2014. The increase of Annual Headline Inflation Rate for the year ending May, 2014 explains that, the speed of price increase for commodities in the year ending May, 2014 has increased as compared to the speed of price increase recorded for the year ended April, 2014. The overall index went up to 149.89 in May, 2014 from 140.76 recorded in May, 2013. Food and Non Alcoholic Beverages Inflation Rate has increased to 8.7% in May, 2014 from 7.8% recorded in April, 2014.

Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has increased to 9.3% in May, 2014 from 8.5% recorded in April, 2014. In addition, the 12 month index change for non food products has decreased to 4.1% in May, 2014 from 4.9% recorded in April, 2014.

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, 2014 has decreased to 3.5% from 4.3% recorded in April, 2014.

Chart 1: Movement of National Consumer Price Indices (NCPI) and Inflation Rates from May, 2013 – May, 2014. (September 2010 = 100)

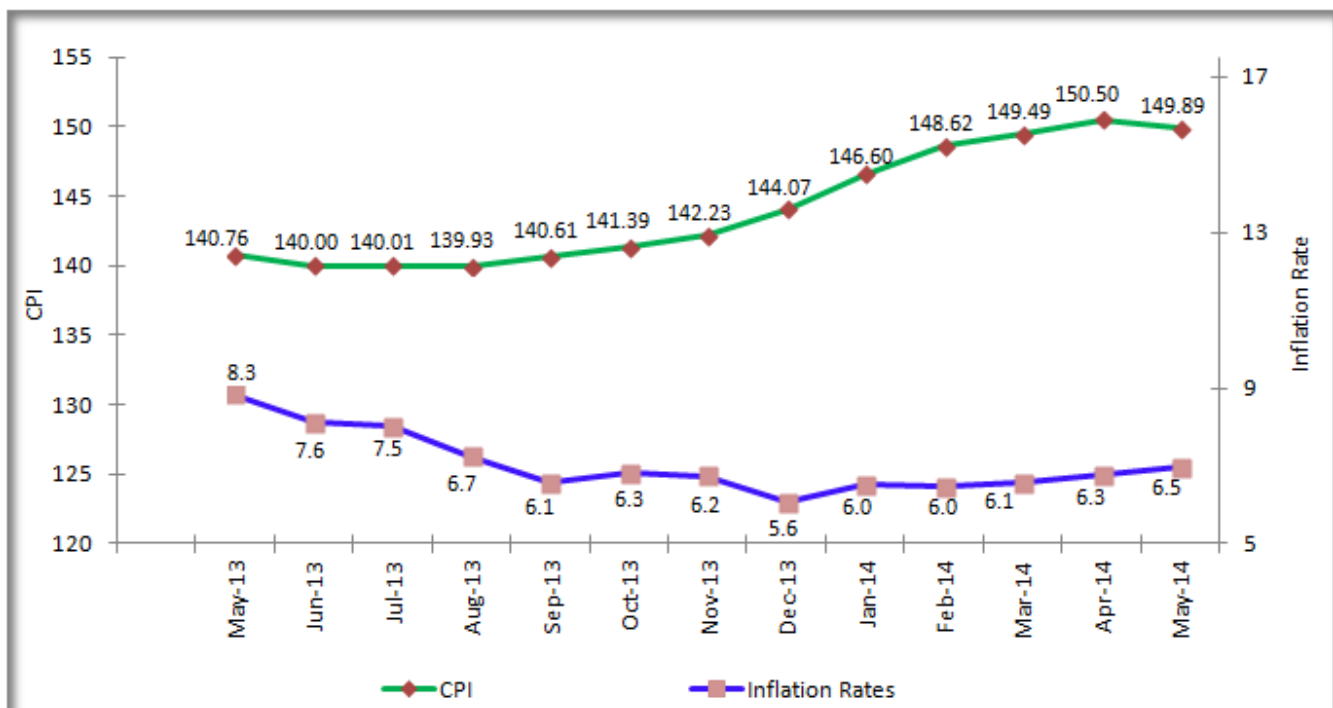


Chart number 1 above shows that; for the period of May, 2013 to May, 2014 CPI has shown a relatively stable movement of prices from May, 2013 to September, 2013. Thereafter, the CPI had an upward trend from October, 2013 to May, 2014. Annual Headline Inflation Rates over the same period have shown a decreasing pattern from 8.3% in May, 2013 to 6.5% in May, 2014.

MONTHLY HEADLINE INFLATION RATE DECREASES BY 0.4%

The Monthly Headline Inflation Rate for the month of May, 2014 has slightly decreased by 0.4% compared to an increase of 0.7% recorded in April, 2014. The overall index decreased to 149.89 in May, 2014 from 150.50 in April, 2014. This decrease of the overall index is attributed to price decrease of both food and non food items. Some food items that contributed to such a decrease include; maize grains by 4.9%, cassava flour by 2.9%, dried sardines by 3.5%, dried fish by 6.2%, citrus fruits by 5.6%, coconut by 2.8% and vegetables by 2.3%. On the other hand, charcoal and gas are the main non food items which attributed to a decrease of the index by 1.3% and 2.6% respectively.

Purchasing Power of Tanzanian Shilling in May, 2014 Compared to September, 2010

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 66 and 72 cents in May, 2014 from September, 2010.

PRICE MOVEMENTS

Chart 2: Price Movements of Different Groups of CPI from May, 2013 – May, 2014 (September 2010 = 100)

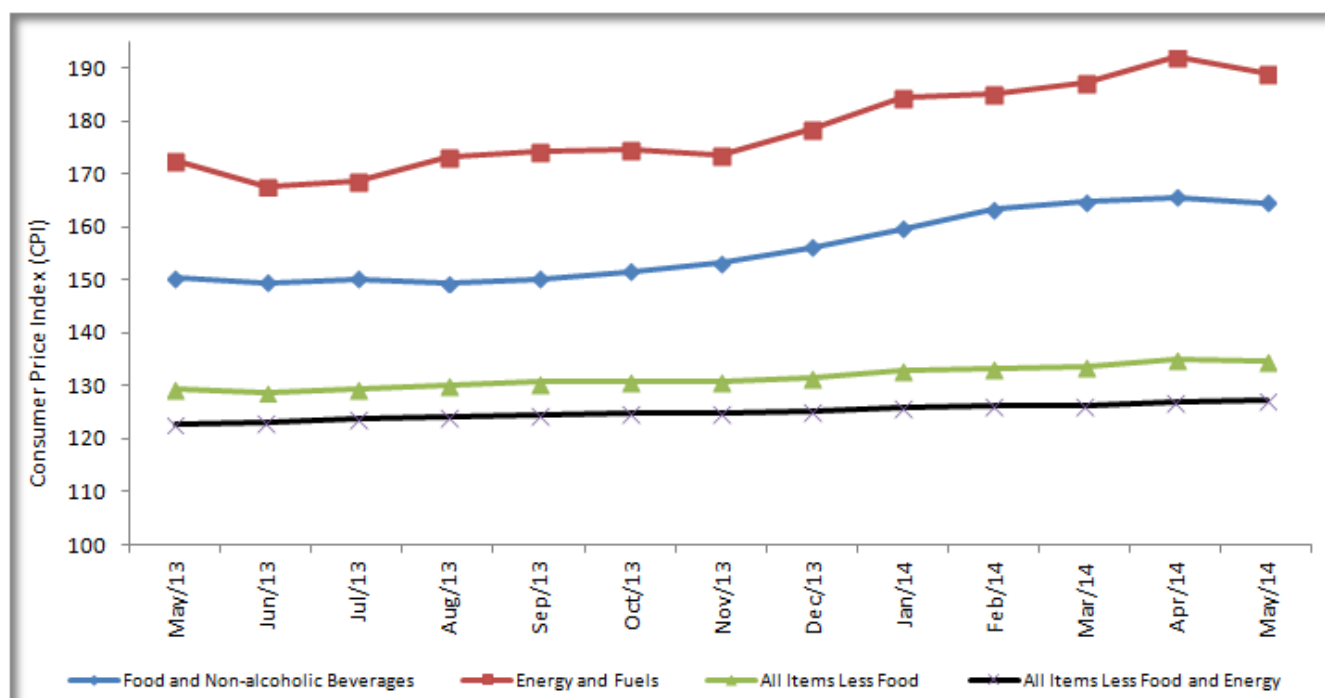


Chart number 2 above shows price movement of different groups of Consumer Price Indices from May, 2013 to May, 2014. On average, Energy and Fuel index; and Food and Non Alcoholic Beverages index have had a higher upward trend over the period compared to other indices. Furthermore, energy and fuels portrayed 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.

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