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Our Ref: NBS/S.40/21/532

## **PRESS RELEASE**

Date: 8<sup>th</sup> January, 2018

### **NATIONAL CONSUMER PRICE INDEX (NCPI) FOR DECEMBER, 2017**

#### **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 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 DECREASES TO 4.0%

**Table 1: Changes in the NCPI for December, 2017, (Dec., 2015 = 100)**

S/N	Main Groups	Weight	Dec -16	Nov-17	Dec -17	1 Month Percent Change	12 Month Percent Change
1	Food and Non Alcoholic Beverages	38.5	106.95	112.99	113.57	0.5	6.2
2	Alcoholic and Tobacco	3.7	105.11	107.59	107.83	0.2	2.6
3	Clothing and Footwear	8.3	103.72	106.51	106.74	0.2	2.9
4	Housing, Water, Electricity, Gas and Other Fuel	11.6	109.93	119.21	119.00	-0.2	8.3
5	Furnishing, Housing Equipment and Routine Maintenance of the House	6.3	103.98	105.02	105.33	0.3	1.3
6	Health	2.9	104.72	106.71	106.80	0.1	2.0
7	Transport	12.5	100.32	100.10	100.33	0.2	0.0
8	Communication	5.6	99.09	98.08	98.09	0.0	-1.0
9	Recreation and Culture	1.6	101.84	103.33	102.80	-0.5	0.9
10	Education	1.5	102.64	103.51	103.51	0.0	0.8
11	Restaurants and hotels	4.2	104.24	104.54	104.55	0.0	0.3
12	Miscellaneous goods and services	3.1	102.86	105.40	105.41	0.0	2.5
<b>TOTAL – ALL ITEMS INDEX</b>		<b>100.0</b>	<b>105.04</b>	<b>108.94</b>	<b>109.21</b>	<b>0.2</b>	<b>4.0</b>
<b>Other Selected Groups</b>							
1	Food - combining food consumed at home and food consumed in restaurants	37.07	107.44	114.00	114.61	0.5	6.7
2	Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	8.68	111.66	124.34	124.38	0.0	11.4
3	All Items Less Food	62.93	103.77	106.61	106.71	0.1	2.8
4	All Items Less Food and Energy	54.25	102.51	103.78	103.88	0.1	1.3

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 December, 2017 has further decreased to 4.0% from 4.4% recorded in November, 2017. This decrease in headline inflation explains that, the speed of price change for commodities in the year ending December, 2017 has decreased compared to the speed of price change recorded in the year ended November, 2017. The overall index went up to 109.21 in December, 2017 from 105.04 recorded in December, 2016. Food and Non Alcoholic Beverages Inflation Rate for the month of December, 2017 has further decreased to 6.2% from 7.4% recorded in November, 2017.

### Food and Non Food Inflation Rates

Annual Inflation Rate for food consumed at home and away from home has decreased to 6.7% in December, 2017 from 7.9% recorded in November, 2017. In addition, the 12 month index change for non-food products has slightly decreased to 2.8% in December 2017 from 2.9% recorded in November, 2017.

## Inflation Rate excluding Food and Energy

The Annual Inflation Rate which excludes food and energy for the month of December, 2017 has decreased to 1.3% from 1.4% recorded in November, 2017.

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 December, 2016 – December, 2017. (Dec., 2015 = 100)**

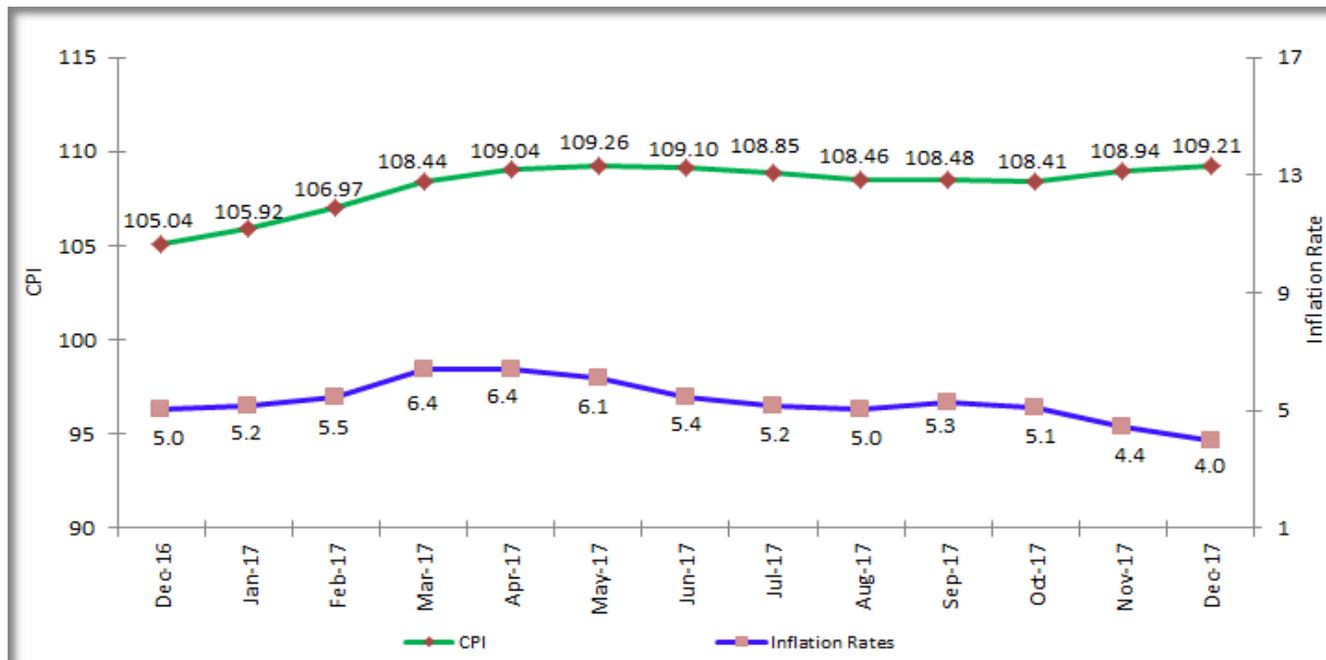


Chart number 1 above explains that; CPI has shown a relatively stable movement of prices from December, 2016 to December, 2017. In addition, Annual Headline Inflation Rates over the same period have shown a stable trend of movement from 5.0% in December, 2016 to 4.0% in December, 2017.

## MONTHLY CHANGE OF CONSUMER PRICE INDEX FROM NOVEMBER, 2017 TO DECEMBER, 2017

The Consumer Price Index from November, 2017 to December, 2017 has changed by 0.2%, compared to a change of 0.5% recorded in November, 2017. The overall index has increased to 109.21 in December, 2017 from 108.94 recorded in November, 2017. The increase of the overall index is mainly attributed to price increase for both food and non-food items. Some food items that contributed to such an increase include; maize flour by 1.3%, beans by 1.6% and round potatoes by 4.1%. Non-food items that contributed to such an increase include; boy's shirts by 1.4%, women's trousers by 1.1%, kerosene by 0.4%, diesel by 2.0% and petrol by 1.9%.

**Table 2: Trend of Price Movement and Inflation Rate from January to December, 2017, (Dec., 2015 = 100)**

Month	Overall National CPI	Headline Inflation Rates (%)	Food Inflation Rates (%)	Non Food Inflation Rates (%)	Non Food Non Energy Inflation Rates (%)
Jan-17	105.92	5.2	8.2	3.6	2.3
Feb-17	106.97	5.5	9.3	3.6	2.2
Mar-17	108.44	6.4	11.7	3.6	2.2
Apr-17	109.04	6.4	12.0	3.4	2.3
May-17	109.26	6.1	11.8	3.0	2.2
Jun-17	109.10	5.4	9.8	3.1	1.9
Jul-17	108.85	5.2	9.3	3.1	2.2
Aug-17	108.46	5.0	9.1	3.1	1.8
Sep-17	108.48	5.3	9.8	3.1	1.7
Oct-17	108.41	5.1	9.4	3.0	1.7
Nov-17	108.94	4.4	7.9	2.9	1.4
Dec-17	109.21	4.0	6.7	2.8	1.3
<b>Average 2017</b>	<b>108.42</b>	<b>5.3</b>	<b>9.6</b>	<b>3.2</b>	<b>2.0</b>
<b>Average 2016</b>	<b>102.95</b>	<b>5.2</b>	<b>7.6</b>	<b>3.1</b>	<b>2.6</b>

Table number 2 above shows the trend of price movements for commodities and Headline Inflation Rates from January to December, 2017. Overall, the Consumer Price Index for commodities remained stable over the whole period from January to December, 2017 ranging from 105.92 in January, 2017 to 109.21 in December, 2017. This movement resulted into a relatively stable Headline Inflation Rate over the same period recording the lowest Headline Inflation Rate of 4.0% in December, 2017 and the highest Headline Inflation Rate of 6.4% for the months of March and April, 2017.

Annual Average Headline Inflation Rate (from January to December, 2017) has slightly increased to 5.3% in 2017 from 5.2% recorded in 2016 (from January to December, 2016). This increase was mainly attributed to the increase in prices for both food and non-food items. Annual Average Inflation Rate for food Items increased to 9.6% in 2017 from 7.6% in 2016. In addition, Annual Average Non Food Inflation Rate for 2017 has increased to 3.2% from 3.1% recorded in 2016. On the other hand, Annual Average Inflation Rate which excludes food and energy has decreased to 2.0% in 2017 from 2.6% recorded in 2016.

**Table 2: NCPI Release Schedule for the Coming Months**

<b>NCPI Release Months</b>	<b>Release date</b>
January, 2018	08 <sup>th</sup> February, 2018
February, 2018	08 <sup>th</sup> March, 2018
March, 2018	09 <sup>th</sup> April, 2018

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