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NATIONAL CONSUMER PRICE INDEX (NCPI) FOR DECEMBER, 2021

1. METHODOLOGICAL NOTE

1.1 Definition

The NCPI measure changes over time in the cost of a fixed basket of goods and services that are purchased by a representative sample of households in Tanzania. Currently, the NCPI basket comprises of 383 goods and services, of which 132 are Food and Non-Alcoholic Beverages and 251 are Non-Food items. With regard to geographical coverage, the NCPI uses price data collected from all 26 regional headquarters in Tanzania Mainland.

1.2 Weights and a Reference Period

The NCPI weights are based on monetary expenditures relating to consumption of all households in 26 regions of Tanzania Mainland. The index weights are based on expenditures of both urban and rural households derived from 2017/18 Household Budget Survey. The reference period for base prices is the average of January to December, 2020 and the index reference period is year 2020.

1.3 Classification

The NCPI uses the UN Classification of Individual Consumption by Purpose, 2018 (UN COICOP, 2018) and is being disseminated using 13 COICOP. In addition, the rebased NCPI is disseminated together with several additional index aggregations which includes: - Core index; Energy, fuel and utilities; Non core index; services index; Goods index; Education services and products ancillary to education index and All items less food and non-alcoholic beverages.

1.4 Elementary and Higher-Level Indices

Compilation of the NCPI use geometric mean of price relatives for compiling elementary index aggregates and the Lowe Index formula (which is Laspeyres index formula type) is used for computing higher level aggregates.

2. ANNUAL HEADLINE INFLATION FOR DECEMBER, 2021 SLIGHTLY INCREASED TO 4.2%

Table 1: Changes in the NCPI for December 2021, (2020 = 100)

| S/N | Main Groups | Weight | December, 2020 | November, 2021 | December, 2021 | 1 Month Percent Change | 12 Month Percent Change |
|--------------------------------|---|--------------|----------------|----------------|----------------|------------------------|-------------------------|
| 1 | Food and non-alcoholic beverages | 28.2 | 100.97 | 103.96 | 105.90 | 1.9 | 4.9 |
| 2 | Alcoholic beverages and tobacco | 1.9 | 100.64 | 102.85 | 102.85 | 0.0 | 2.2 |
| 3 | Clothing and footwear | 10.8 | 101.10 | 105.46 | 105.65 | 0.2 | 4.5 |
| 4 | Housing, water, electricity, gas and other fuels | 15.1 | 101.20 | 104.69 | 105.14 | 0.4 | 3.9 |
| 5 | Furnishings, household equipment and routine household maintenance | 7.9 | 100.27 | 103.86 | 104.36 | 0.5 | 4.1 |
| 6 | Health | 2.5 | 100.51 | 103.39 | 103.39 | 0.0 | 2.9 |
| 7 | Transport | 14.1 | 99.49 | 104.15 | 105.33 | 1.1 | 5.9 |
| 8 | Information and communication | 5.4 | 100.94 | 102.34 | 102.42 | 0.1 | 1.5 |
| 9 | Recreation, sport and culture | 1.6 | 98.89 | 102.61 | 102.65 | 0.0 | 3.8 |
| 10 | Education services | 2.0 | 100.06 | 101.16 | 101.16 | 0.0 | 1.1 |
| 11 | Restaurants and accommodation services | 6.6 | 100.72 | 105.67 | 105.71 | 0.0 | 4.9 |
| 12 | Insurance and financial services | 2.1 | 100.03 | 100.35 | 100.36 | 0.0 | 0.3 |
| 13 | Personal care, social protection and miscellaneous goods and services | 2.1 | 99.84 | 103.34 | 103.38 | 0.0 | 3.5 |
| TOTAL – ALL ITEMS INDEX | | 100.0 | 100.73 | 104.08 | 104.92 | 0.8 | 4.2 |
| Other Selected Groups | | | | | | | |
| 1 | Core Index | 73.9 | 100.65 | 104.84 | 105.25 | 0.4 | 4.6 |
| 2 | Non-Core Index | 26.1 | 100.58 | 101.91 | 104.00 | 2.1 | 3.4 |
| 3 | Energy, Fuel and Utilities Index | 5.7 | 100.52 | 103.96 | 104.96 | 1.0 | 4.4 |
| 4 | Services Index | 37.2 | 100.21 | 103.69 | 104.03 | 0.3 | 3.8 |
| 5 | Goods Index | 62.8 | 100.88 | 104.31 | 105.46 | 1.1 | 4.5 |
| 6 | Education services and products ancillary to education Index | 4.1 | 100.06 | 103.28 | 103.36 | 0.1 | 3.3 |
| 7 | All items Less Food and Non-Alcoholic Beverages | 71.82 | 100.64 | 104.12 | 104.54 | 0.4 | 3.9 |

Note: Aggregation of referenced Indices of sub groups do not necessarily add up to All Item Index

2.1 Headline Inflation Rate

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, 2021 has slightly increased to 4.2% from 4.1% that was recorded in November, 2021. The increase of the headline inflation explains that, speed of price change for commodities for the year ended December, 2021 has slightly increased compared to the speed recorded for the year ended November, 2020. The overall index went up from 100.73 recorded in December, 2020 to 104.92 in December, 2021.

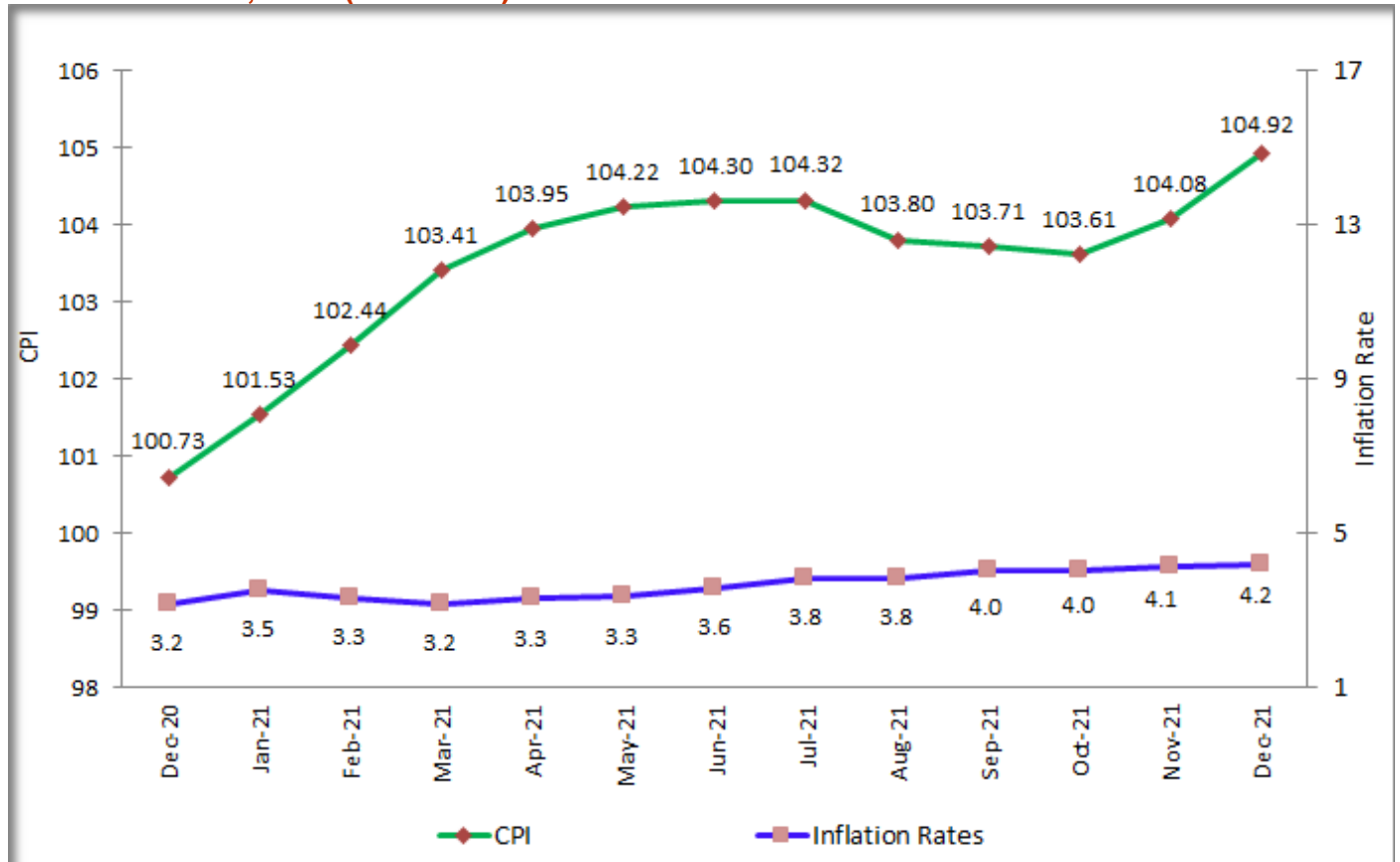
2.2 Food and Non-Alcoholic Beverages Inflation Rates

Food and Non-Alcoholic Beverages Inflation Rate for December, 2021 has slightly increased to 4.9% from 4.4% that was recorded in November, 2021. On the other hand, Annual Inflation Rate for all items without food and non-alcoholic beverages for December, 2021 has decreased to 3.9% from 4.0% that was recorded in November, 2021.

2.3 Core Inflation Rates

Computation of the Core Index, excludes items with volatile prices that is unprocessed food; energy and utilities with exception to maize flour. Exclusion of volatile prices from the total NCPI provides a more stable Inflation Rate figure for Policy Makers. The Core Index covers 297 items and the share of weight to total NCPI weight is 73.9%. The inflation rate for Core Index in December, 2021 has decreased to 4.6% from 4.7% recorded in November, 2021.

Chart 1: Movement of National Consumer Price Indices (NCPI) and Inflation Rates from December, 2020 – December, 2021. (2020 = 100)



Note: Indices for January – December, 2020 are rebased using 2020=100

Chart 1 indicates that; NCPI has shown a relatively stable price movement from December, 2020 to December, 2021. In addition, Annual Headline Inflation Rates over the same period have shown a stable trend that ranges between 3.2% in December, 2020 and March, 2021 to 4.2% in December, 2021.

3. MONTHLY CONSUMER PRICE INDEX BETWEEN NOVEMBER AND DECEMBER, 2021

The National Consumer Price Index has increased from 104.08 recorded in November, 2021 to 104.92 in December; 2021. The increase of the overall index is attributed to price increase for some food and non-food items. Some food items that contributed to an increase of the index includes: - rice by 3.7%, maize grains by 5.2%, wheat flour by 3.4%, maize flour by 3.3%, beef by 2.5%, goat meat by 1.6%, fish by 5.3%, fruits by 3.7%, vegetables by 2.3% and potatoes by 3.2%. Some Non-Food items that contributed to an increase of the index includes: materials for the maintenance of the dwelling by 5.0%, liquefied hydrocarbons by 2.3%, kerosene by 1.7%, diesel by 6.7% and petrol by 3.0%.

4. AVERAGE OF ANNUAL NATIONAL INFLATION IN 2021.

Chart 2: Trend of Annual Average National Inflation Rate for Selected Groups of Commodities in 2020 and 2021

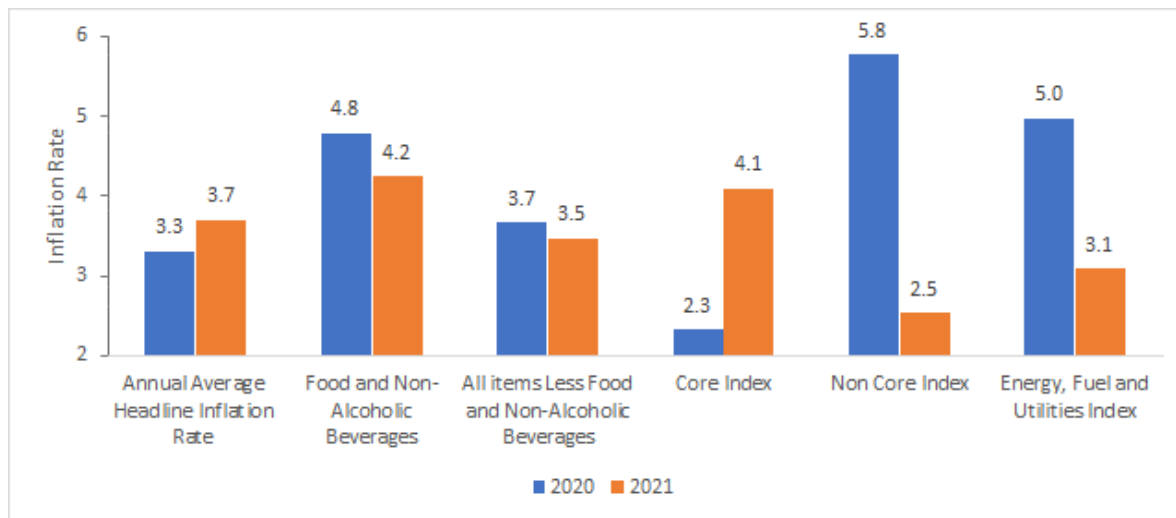


Chart Number 2 above show trend of inflation rate for selected groups of consumer goods and services for 2020 and 2021. Overall, the annual average Headline Inflation Rate (from January to December, 2021) has increased to 3.7% in 2021 from an average of 3.3% in 2020 (from January to December, 2020). The increase of annual average Headline Inflation Rate in 2021 is mainly attributed to an increase of core inflation to 4.1% from average of 2.3% recorded in 2020.

In addition, annual average Inflation Rate for Food and Non-Alcoholic Beverages has decreased to 4.2 % in 2021 from 4.8% recorded in 2020. Annual average Inflation Rate for All items without Food and Non-Alcoholic Beverages in 2021 has also decreased to 3.5% from 3.7% in 2020. Price movement for other groups had a downward trend as indicated in Chart Number 2 above.

Chart 3: General Movement of Annual Headline Inflation Rate in 2020 and 2021

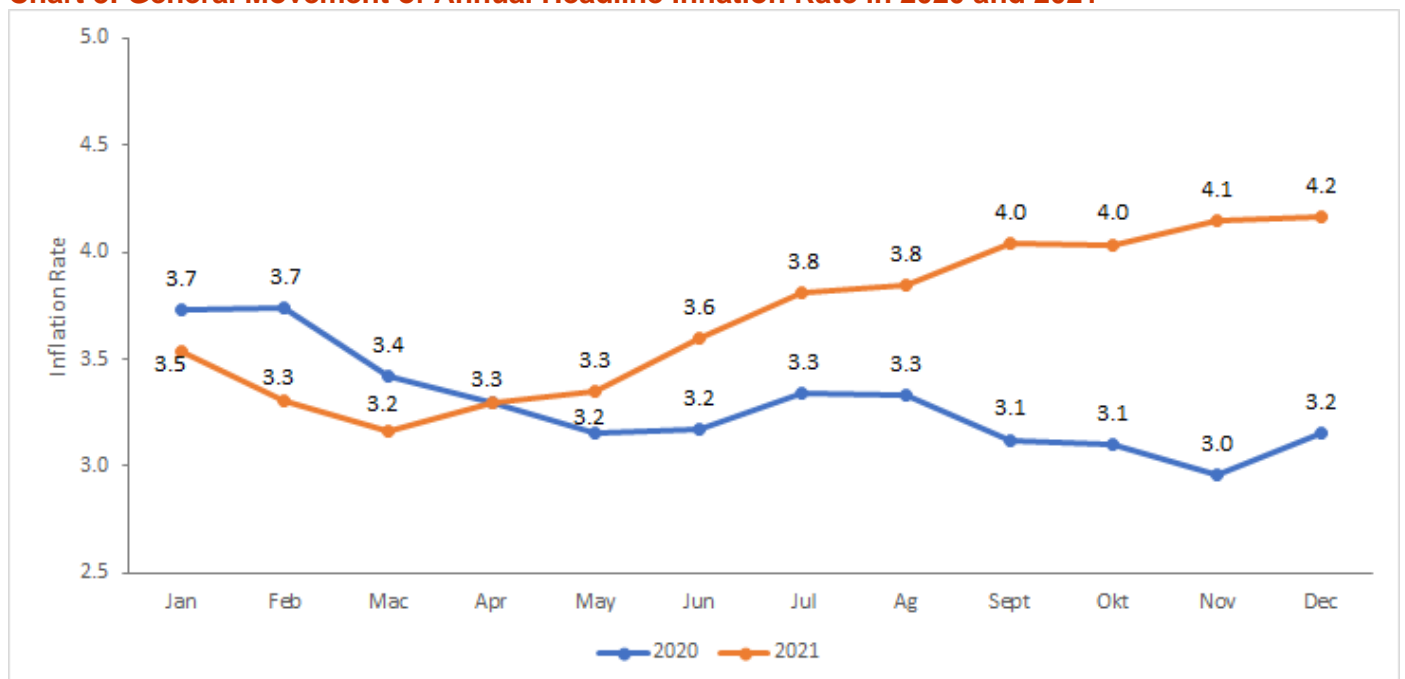


Chart 3 above show that there were relatively stable price changes for year 2021 where the lowest inflation rate was 3.2% noted in March, 2021 and its highest rate was 4.2% in December 2021. In addition, the lowest inflation rate for 2020 was 3.0% observed in November, 2020 and the highest rate was 3.7% in January and February, 2020. The pattern of inflation rates observed in 2020 and 2021 are still lower than the Government annual inflation target of 5% stated in the Monetary Policy Statement; the EAC inflation target of 8% and SADC which ranges between 3% and 7%. This creates conducive macro-environment in the country to support consistent economic growth with an assumption of other relevant factors remaining constant. Therefore, Tanzania is still performing well in terms of maintaining price stability for goods and services.

Table 3: NCPI Release Schedule for the Coming Months

| NCPI Release Months | Release date |
|----------------------------|---------------------------------|
| January, 2022 | 08 th February, 2022 |
| February, 2022 | 08 th March, 2022 |
| March, 2022 | 08 th April, 2022 |

Further information pertaining to methodology and related aspects of the NCPI process can be obtained by directing inquiries to:

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