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BANK OF TANZANIA

FINANCIAL STABILITY REPORT

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LIST OF ACRONYMS

DSE	-	Dar es Salaam Stock Exchange
EAC	-	East African Community
EMEs	-	Emerging Market Economies
ESM	-	Especially Mentioned credit accommodation
FSR	-	Financial Stability Report
GDP	-	Gross Domestic Product
IMF	-	International Monetary Fund
NFC	-	Non-Financial Corporate Sector
NPLs	-	Non- Performing Loans
RGoZ	-	Revolutionary Government of Zanzibar
ROE	-	Return on Equity
SACCOS	-	Savings and Credit Co-operative Societies
SADC	-	Southern African Development Community
SMEs	-	Small and Medium Enterprises
SSA	-	Sub-Saharan Africa
SSRA	-	Social Security Regulatory Authority
TFSF	-	Tanzania Financial Stability Forum
TIRA	-	Tanzania Insurance Regulatory Authority
TISS	-	Tanzania Interbank Settlement System
TRWA	-	Total Risk Weighted Assets
TZS	-	Tanzania Shilling
URT	-	United Republic of Tanzania
US	-	United States
USD	-	United States Dollar

FOREWORD

The Financial Stability Report (FSR) published every six months, in March and September, aims to create awareness about the vulnerabilities in the financial system and to inform about the resilience of the financial sector to stress. The ultimate objective of a stable financial system is to support a vibrant and growing economy and offer easy access to financial services across the country to all of its population. The FSR is a useful periodical health check of our financial system and I hope this issue once again provides useful information and guidance to all stakeholders.

Since the release of the September 2015 FSR, global risks have been elevated with weaker growth prospects than earlier anticipated amid tighter financial conditions and lower commodity prices. While these conditions remain challenging, the domestic financial system continued to be resilient supported by adequate liquidity and capital buffer, reinforced by positive macroeconomic environment, diversified export base and low oil prices given that Tanzania is a net oil importer.

In this period, the Bank issued the Payment Systems Licensing and Approval Regulation, 2015 to lay ground for operationalisation of the National Payment Systems Act, 2015. This gives explicit mandate to the Bank for licensing and supervision of all payment services providers, a major development in the financial system regulatory infrastructure considering the growing role of mobile money and other digital platforms in financial services delivery in the country.

Going forward increased role of non-bank financial intermediaries and interaction between the financial system and the rest of the world may pose risk to the domestic financial system. Accordingly, the Bank in collaboration with other financial sector regulators will intensify surveillance and expand macro-prudential toolkit in order to preserve the stability of the financial system.

Against this backdrop, this report highlights policy recommendations to mitigate the identified potential risks under the auspices of the Tanzania Financial Stability Forum. The Forum is composed of the Ministry of Finance and Planning – URT, Ministry of Finance - RGoZ, Tanzania Insurance Regulatory Authority, Social Security Regulatory Authority, Capital Markets and Securities Authority, Deposit Insurance Board and the Bank of Tanzania.

Prof. Benno Ndulu
Governor
31st March 2016

EXECUTIVE SUMMARY

The prolonged slowdown of growth in the emerging market economies, contributed to pessimistic global growth outlook. The global growth projections for 2016 were revised downwards to 3.2 percent from the October 2015 projections of 3.4 percent (IMF, World Economic Outlook, April 2016). The downgrade is attributable to China's economic slowdown and downward trend in commodity prices that have impacted growth in emerging market and developing economies. Expectations of the rise in the US Federal Reserve interest rate has increased volatility in the global financial markets, triggering capital outflows from several emerging market economies (EMEs); this in-turn has caused exchange rate depreciations and subsequent burden to entities that have borrowed in foreign currency. In addition, modest recovery in some advanced economies which are challenged by very low inflation, low investments, weak demand and high sovereign debt, together with UK voting to exit from European Union may cause further slowdown in the global economy.

Growth in Sub-Saharan Africa is vulnerable to sustained low commodity prices. Growth in the region is expected to slow-down to 3.0 percent in 2016 from 3.4 percent in 2015. This is partly attributable to low demand for imported raw materials by China which is undergoing structural transformation from manufacturing to a more services and high tech oriented economy. The regional growth was further worsened by prolonged low global oil prices, mainly affecting oil exporting countries which account for about half of the region's GDP. US Federal Reserve end of quantitative easing exposes some countries to capital flight, high cost of external borrowing and weakening of their currencies which may lead to build-up of public and private sector indebtedness.

The domestic economy was able to withstand risks on account of the diversified economy and beneficial effects of declining oil prices. Growth of the economy is expected to remain strong at 7.2 percent in 2016 compared with 7.0 percent in 2015, benefiting from its export diversity, government's commitment to invest further in infrastructure and industrial development, and increased construction activity. Inflation is projected to remain at single digits level, underpinned by favourable domestic food supply, subdued oil prices and prudent monetary policy. Nevertheless, the weaker external environment and expected increase in interest rate in the USA may have spill-over effects on the economy through pressure on exchange rate, and rising debt services for dollar denominated debt.

Risk emanating from Non-Financial Corporate (NFC) sector moderated due to decrease in foreign currency denominated loan relative to equity, and increased use of internal financing as opposed to borrowing from banking system. Overall, NFC Sector Survey conducted in December 2015 revealed that firms' foreign currency denominated debt relative to equity declined while borrowing in local currency relative to equity increased. The outlook for NFC sector performance in the next 12 months is optimistic due to expected increased profitability and general business performance. This is confirmed by the increase in the *overall performance sentiment index*[1] to 61.8 percent in 2015 from 46.6 percent in 2014. Since firms are expected to enhance usage of internal

[1] The index measures dispersion of change. When above 50 percent the indicator is interpreted as increasing, when 50 percent to sustain and below 50 percent is decline.

financing as a result of expected increased profitability, potential risks to the banking sector from NFC borrowing will be lowered.

Household debt to disposable income increased in recent months, but may level off going forward. Debt to disposable income (proxied by the ratio of personal loan to employees' compensation) increased to 35.0 percent in March 2016 from 34.3 percent in September 2015. However, it remains relatively at low level compared to other countries in the SADC region (South Africa 78.3 percent, Mauritius 79.0 percent and Namibia 76.2 percent). Credit risk from households in the next six months is expected to remain broadly unchanged as banks take conservative lending stance to household.

Growth in household debt servicing cost ratio remained broadly unchanged. In the period ending March, 2016, the debt-servicing ratio increased to 10.4 percent from 10.1 percent in September, 2015. The debt servicing costs increased in conjunction with the rising share of personal loans in total bank loans and relatively high interest rates.

The banking sector remained sound as reflected by financial soundness indicators, but faced risk stemming from declining asset quality. In aggregate terms, capital and liquidity ratios remained above prudential requirements, at 18.0 percent and 36.6 percent against 12.5 percent and 20.0 percent, respectively except for few banks which require close monitoring. In contrast, the asset quality declined as depicted by an increase in Non-Performing Loans (NPLs), which were 8.3 percent of total loans at end March 2016, compared with 6.8 percent in September 2015. The NPLs were concentrated in credit extended to personal, agriculture and trade categories; all together constituted about 56.2 percent of the total NPLs at end March 2016 compared to 52.0 percent in September 2015.

Although the ratio increased, overall sector's capital buffer was sufficient to cover unexpected losses. The loan to deposit ratio has also increased to 82.7 percent at end March 2016 from 78.9 percent at end September 2015 matching the rapid private sector credit growth. The developments have compelled some banks to pursue other funding options domestically and abroad, hence exposing them to interest and foreign exchange volatilities.

The Dar es Salaam Stock Exchange trading activity slowed down while share price indices recorded a decline. Total turnover for the quarter ending March 2016 was TZS 123.0 billion compared to TZS 220.0 billion recorded in September 2015. The decline is partly associated with normalization of markets after a period of high volumes traded following removal of capital controls to non-residents in May 2014. In addition, All Shares Index declined by 3.9 percent on account of decline in profitability of some listed companies, leading to a fall in total market capitalization by 4.0 percent despite new listings. However, both the index and volume traded remained within long-term trend and do not signal any significant risk.

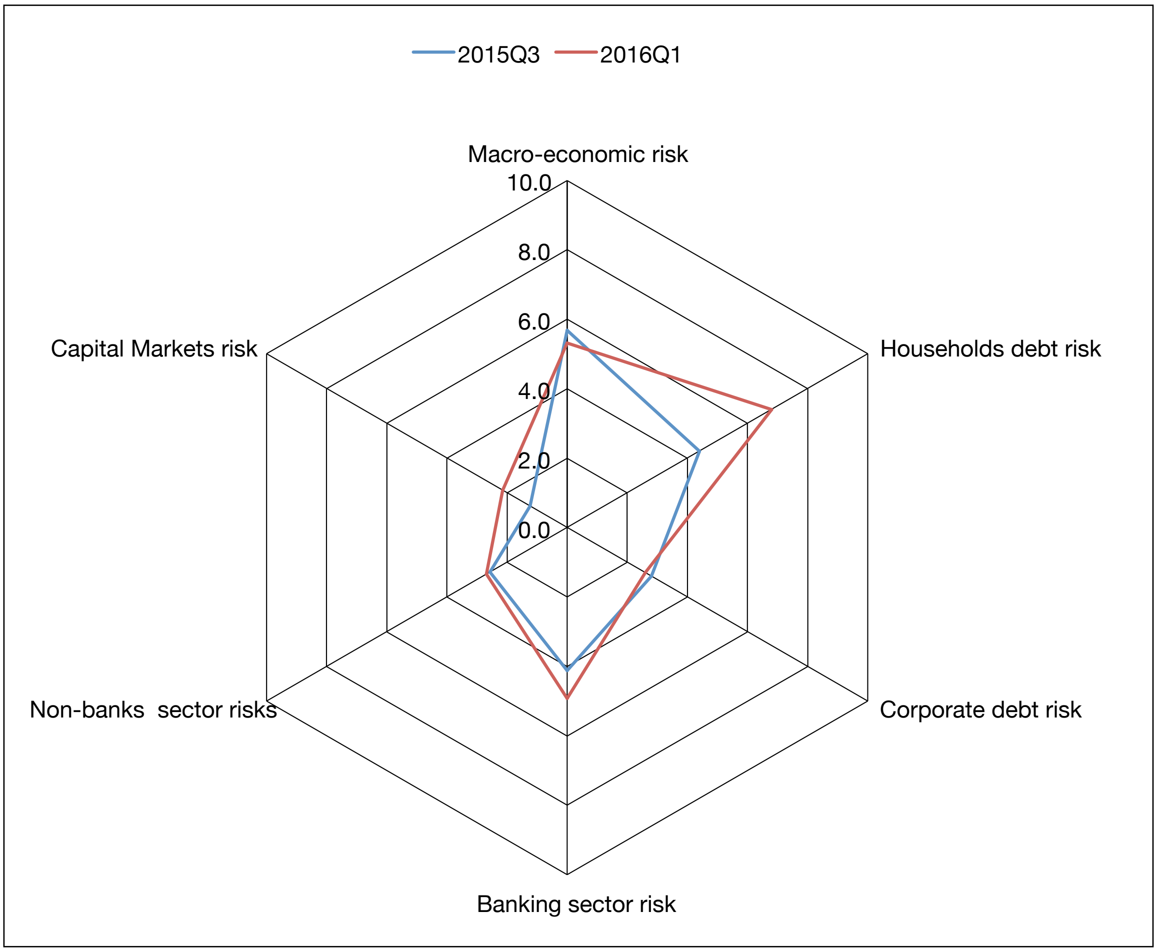
Insurance sector remained healthy as reflected by financial soundness indicators albeit declining profitability. The sector remained solvent with adequate liquidity and diversified investment portfolio. While investments in government securities and term deposits increased, investments in real estate declined in 2015 relative to 2014, implying a reduced risk exposure to the sector currently facing declining rental prices. The change in the investment mix contributed to improvement in general and life insurers' liquidity ratios which increased to 112.9 percent and 58.3 percent as at end December 2015 compared to 109.3 percent and 57.2 percent in the preceding year, respectively and both were within the prudential requirements.

Social Security Sector remained diversified, with increased membership albeit with a decline in Return on Investment. Generally, the sector complied with Investment Guidelines in terms of portfolio diversification. In addition, the sector attracted new membership from informal sector supported mobile money platform contributed to increase in new membership which grew by 9.0 percent to 2,345,869 in December 2015 from June 2015 Return on Investment declined to 2.1 percent from 4.8 percent in the same period.

The payment systems continued to operate with minimum disruptions and settlement risks. The volume and value transacted through Tanzania Interbank Settlement System (TISS) grew on account of increased usage by government agencies, financial institutions and individuals. Despite increase in transactions the system maintained its server and database uptime availability of 100 percent and 98.3 percent, respectively. Meanwhile, during the period the Bank issued the Payment Systems Licensing and Approval Regulations, 2015 to allow for licencing and supervision of all payments services providers. This is expected to enhance regulatory oversight and mitigation of potential risks in the payments systems.

In conclusion, risk emanating from global environment increased during the six months to March 2016, while risks arising from domestic economy remained moderate. The global economy is exposed to uncertainties surrounding normalization of monetary policy in the US, and China rebalancing together with slowdown in growth. As a result, global economic recovery remained sluggish, with volatile financial markets elevating potential risks to domestic financial system through exchange rate volatility and rising debt services on external borrowing. The banking sector was exposed to increased Non-Performing Loans mainly contributed by personal loans and loans to agricultural sector and trade. On the other hand, credit risks arising from the corporate sector were moderate. The identified risks are presented in the financial stability risk map in page ix:

Financial Stability Risk Map



Financial Stability Outlook and Recommendations

The main risks to the stability of the domestic financial system in the next six months to September 2016 are summarized in the risk map. The risks are analysed and rated from low to high basing on their probability of occurrence, and the potential impact to domestic financial stability, should the risk build-up and materialize.

Risks to Financial Stability in the Next Six Months

Risk	Probability	Impact
Global Economy		
Tightening global financial condition		
Depreciation of exchange rate		
Export price falls		
Corporates		
Increase in Non-Financial Corporate debt		
Banking Sector		
Increase in Non-Performing Loans		

KEY

High	3	
Medium	2	
Low	1	

Risks arising from the global financial environment are expected to increase on account of further tightening of the US monetary policy. This may trigger strengthening of US dollar against other currencies and create domestic financial markets volatility.

Domestic economy is expected to remain strong despite persistent low commodity prices. The positive outlook is underpinned by diverse export base, declining oil prices and favourable macroeconomic environment.

Non-Performing Loans are expected to level off. This is based on the expectation that banks will enhance prudential risk management thus reducing the level of Non-Performing Loans in banking sector.

Risks arising from corporate sector are expected to decline, as reflected by overall performance sentiment index. Total corporate leverage is expected to decrease in terms of domestic and foreign denominated debts.

Based on outlook, domestic financial system is expected to remain resilient in the next six months. To minimize potential risks to the stability of the financial systems, the following recommendations are proposed.

1) Overall, NPLs to personal, agriculture and trade remained high, calling for close monitoring going forward.

2) Remain vigilant and take appropriate macro-prudential policy instruments mix to mitigate spill over effects of tight global financial conditions.

1.0 MACROECONOMIC AND FINANCIAL ENVIRONMENT

1.1 Global Macroeconomic Environment

Prolonged slow global economic recovery coupled with weak investment demand and lower commodity prices heightened risks to economic and financial conditions. The global growth projections for 2016 were revised downwards to 3.2 percent from the October 2015 projections of 3.4 percent (IMF, World Economic Outlook, April 2016). The weak recovery is exacerbated by slowdown in China and persistent low commodity prices that have negatively affected commodity exporting countries. In addition, some advanced economies are challenged by risks emanating from low inflation, low investments, weak demand and high sovereign debt. These macroeconomic imbalances made some economies to employ different policy options; most of the advanced economies continued with accommodative monetary policy save for US while several Emerging Market Economies pursued tight monetary policy to preserve the value of their currencies. These policy actions may further weaken recovery of the global economy and tighten financial conditions.

Advanced economies continued to recover slowly with uneven growth. Weak external demand, stringent financial conditions and appreciation of the US dollar were constraining growth prospects in advance economies despite accommodative monetary policy and lower oil prices. Growth in the US remained strong in 2015 and is expected to remain solid on account of recovering housing and labour markets and easy financial conditions, while in the euro area growth prospects are challenged by very low inflation and large sovereign debt overhang (**Table 1.1**). In addition, political uncertainties related with refugees surge in several countries and UK voting to exit from the European Union may further derail the growth of the region.

Table 1.1: Global Real GDP Growth and Projections

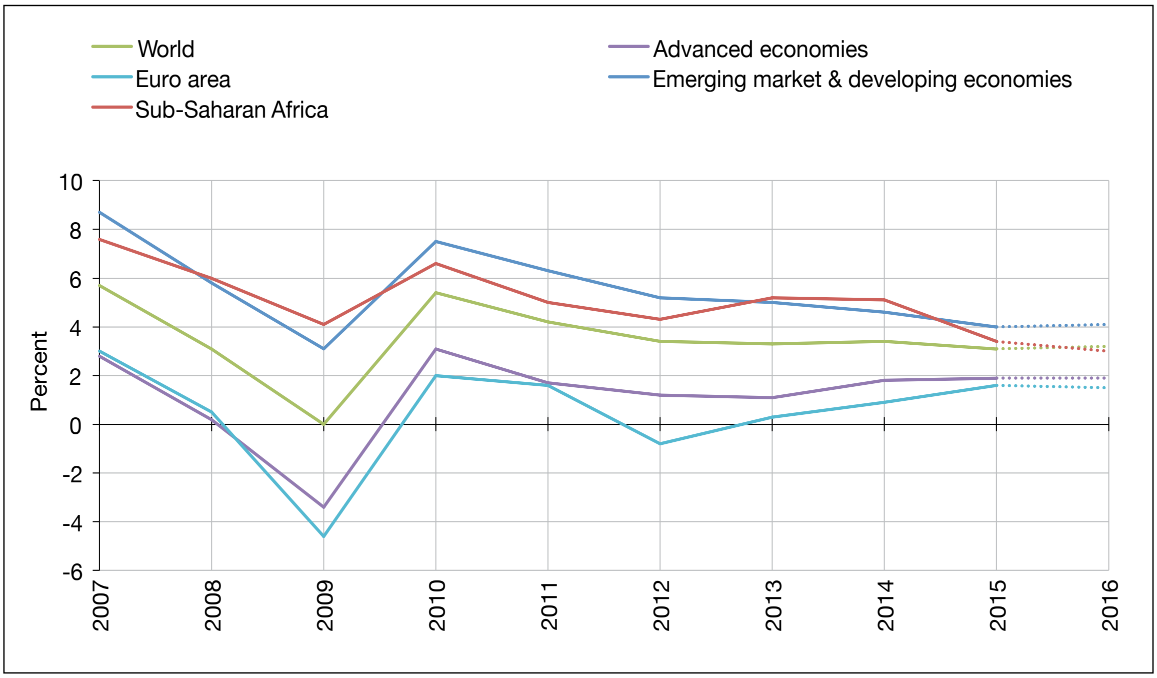
Percent

	2010	2011	2012	2013	2014	2015	Projections 2016	Projections 2017
World	**5.4**	**4.2**	**3.4**	**3.3**	**3.4**	**3.1**	**3.2**	**3.5**
Advanced Economies	**3.1**	**1.7**	**1.2**	**1.1**	**1.8**	**1.9**	**1.9**	**2.0**
United States	2.5	1.6	2.2	1.5	2.4	2.4	2.4	2.5
Euro Area	2.0	1.6	-0.8	0.3	0.9	1.6	1.5	1.6
Japan	4.7	-0.5	1.7	1.6	-0.1	0.5	0.5	-0.1
United Kingdom	1.9	1.6	0.7	1.7	3.0	2.2	1.9	2.2
Emerging Market & Developing Economies	**7.5**	**6.3**	**5.2**	**5.0**	**4.6**	**4.0**	**4.1**	**4.6**
China	10.6	9.5	7.7	7.7	7.3	6.9	6.5	6.2
Sub-Saharan Africa	**6.6**	**5.0**	**4.3**	**5.2**	**5.1**	**3.4**	**3.0**	**4.0**
South Africa	3.0	3.2	2.2	2.2	1.5	1.3	0.6	1.2

Source: *IMF, World Economic Outlook Database, April, 2016*

Tighter global financial conditions and China's economic rebalancing would weigh on growth prospects in emerging and developing markets economies. Prospects for growth in EMEs remain uneven among countries and generally weaker. This will be attributed by low commodity prices and continued slowdown of China's growth accompanied by economic rebalancing which has adverse spill-over effect through investments and trade (**Chart 1.1**). The spill-over effects will be amplified by uncertainty in the pace of normalization of US monetary policy which may lead to net capital outflows, posing the risk of further depreciation of EMEs currencies.

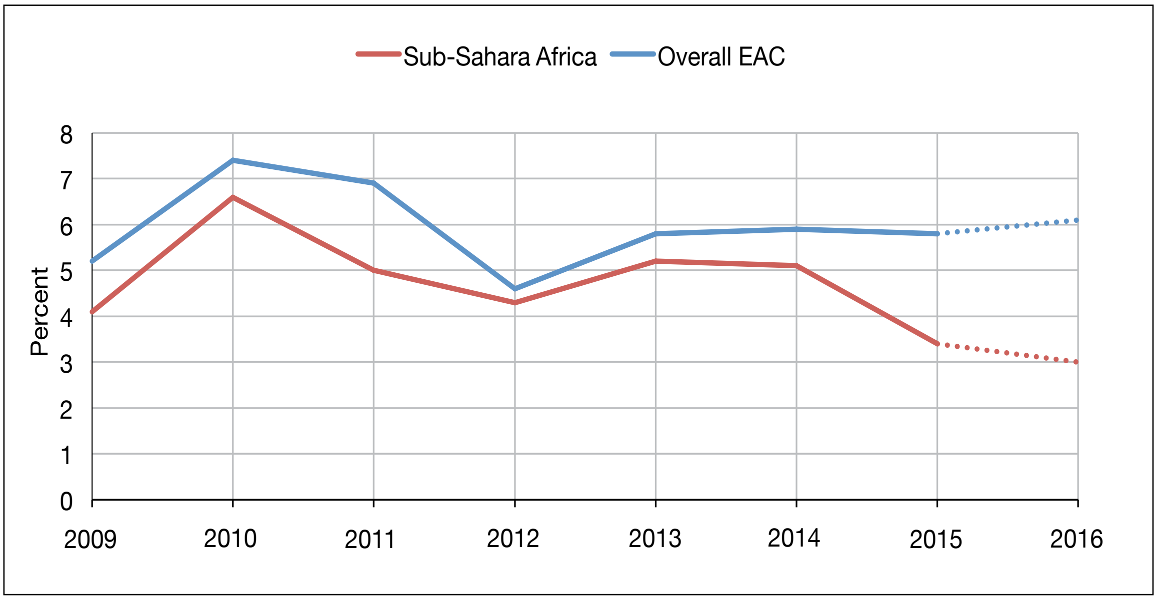
Chart 1.1: World GDP Growth Rates



Source: *IMF, World Economic Outlook, April, 2016*

Sustained low commodity prices pose potential risks to growth in Sub-Saharan Africa. SSA oil exporting countries which account for about half of the region's GDP will continue to be affected by prolonged low oil prices. On the other hand, the net gain to oil importing countries will be smaller than expected as many of these economies export non-renewable goods whose prices have dropped in part due to slowdown in China which import about 40 percent of total global metal. These external shocks will derail growth in the region which is expected to slow down to 3.0 percent in 2016 from 3.4 percent in 2015 (**Chart 1.2**). With limited fiscal buffer to offset trade deficit many countries may become more vulnerable to over indebtedness and exchange rates volatility may be inevitable.

Chart 1.2: Economic Growth in sub-Saharan Africa and EAC



Source: *IMF, World Economic Outlook Database, April, 2016*

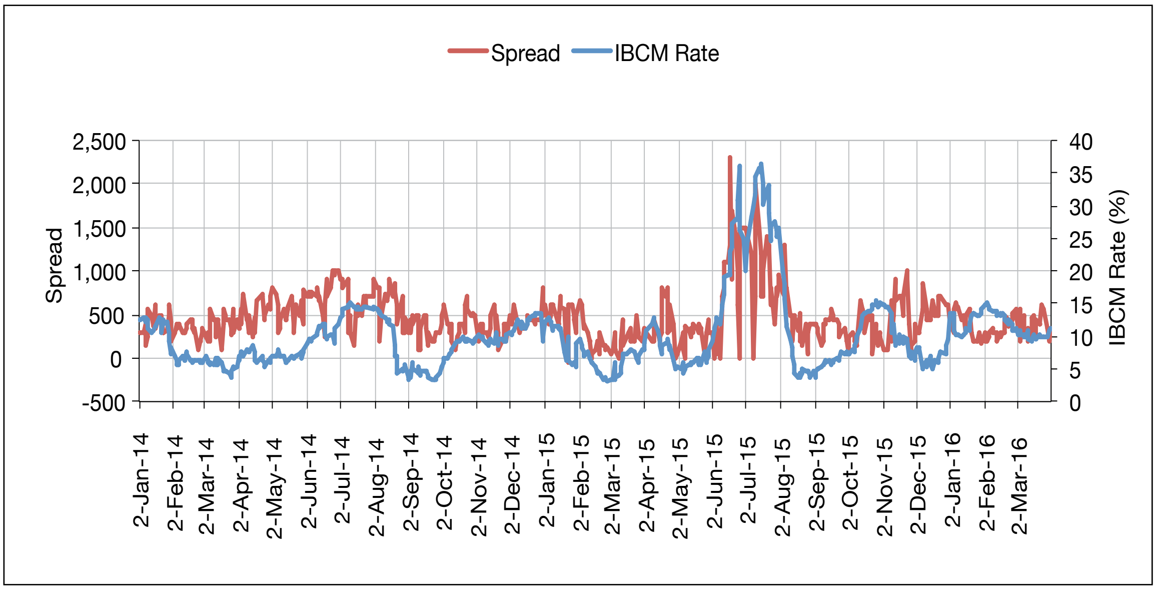
Growth in the EAC region is projected to remain strong but vulnerable to external shocks. GDP growth is projected to improve to 6.1 percent in 2016 from 5.8 percent in 2015 (IMF SSA Regional Economic Outlook, April 2016) mostly driven by increased private consumption and investment in infrastructure. However, tighter global financial conditions may expose the region to risks arising from potential increase in cost of borrowing for financing infrastructure investments.

1.2 Domestic Macroeconomic Environment

Domestic macroeconomic environment is expected to remain strong and resilient to internal and external shocks. The economy grew by 7.0 percent in 2015 and the outlook remains positive at 7.2 percent in 2016, buoyed by Government's commitment to invest further in infrastructure and industrial development, and increased construction activity. On the external sector front, the current account deficit improved to 4.8 percent of GDP during the year ending March 2016 compared with 9.3 percent in the corresponding period in 2015 mainly due to low oil prices and increased exports of goods and services. The external position is expected to improve further, on the basis of increase in export growth of manufactured goods, regional transit trade and tourism.

Inflation is also projected to remain at single digits level, underpinned by favourable domestic food supply conditions and appropriate monetary policy instruments mix. Prudent liquidity management actions undertaken by the Bank of Tanzania helped to stabilize the exchange rate and narrowed the interest rate spread in the interbank cash market to 370 basis points at end March 2016 from 614 basis points at end September 2015 (**Chart 1.3** and **Chart 1.4**).

Chart 1.3: Interbank Cash Market Rate from January 2014 to March 2016



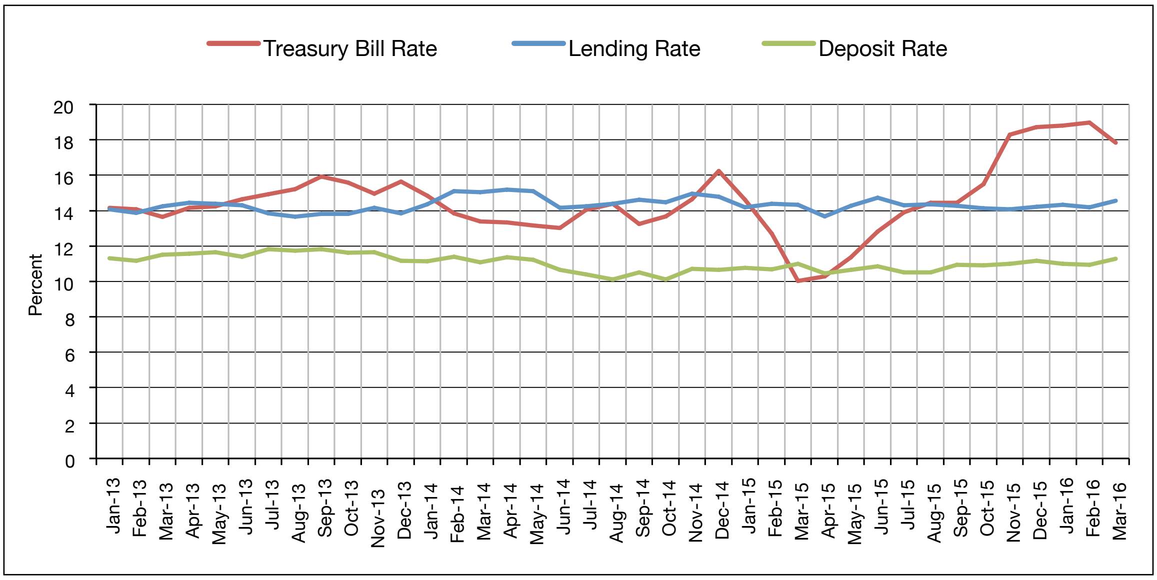
Source: *Bank of Tanzania*

Chart 1.4: Development of TZS against US Dollar (Jan 2010=100)

Source: *Bank of Tanzania*

The policy actions will continue to stabilize the exchange rate and narrowing further interest rate spread in the interbank cash market. In addition, Treasury bills rates which were elevated since October 2015 are gradually declining (**Chart 1.5**). Going forward cost of funds are expected to decline further thus reducing market risks.

Chart 1.5: One Year Interest Rate Movements; 2010-2016

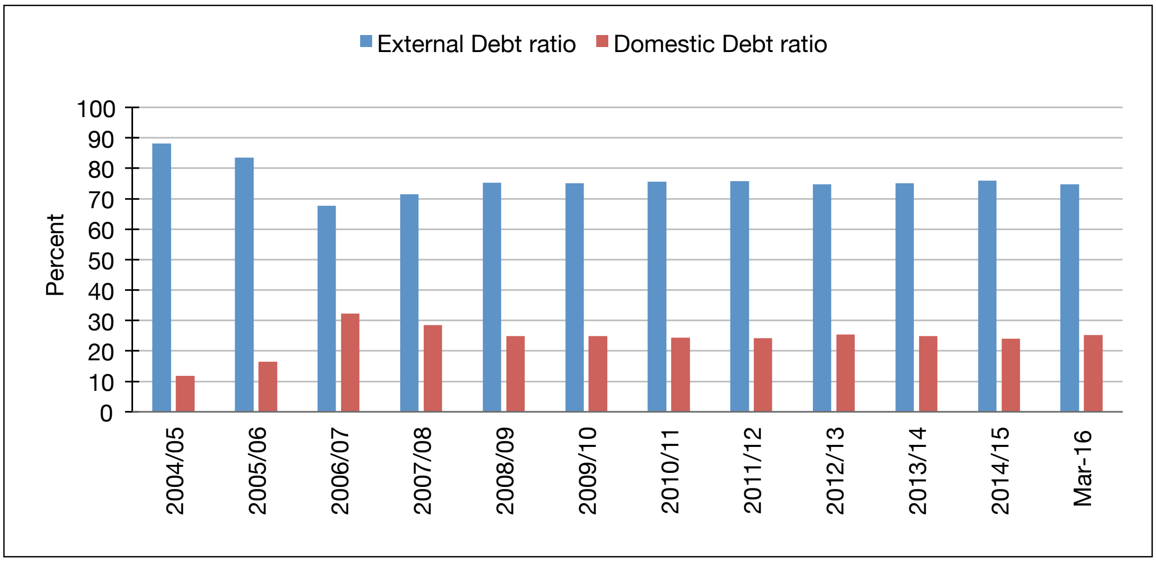


Source: *Bank of Tanzania*

However, risks to domestic macroeconomic environment remain, attributable to uncertainties in the US exit from accommodative monetary policy which may weaken the shilling and tighten global financial conditions. These developments may exert inflationary pressure into the domestic economy hence raising the cost of imports and making repayments and external borrowing expensive and subsequently worsening government and private sector balance sheets.

Public debt portfolio is exposed to exchange rate risk due to dominance of external debt. The proportion of public external debt remains high at about three quarters of the total public debt (**Chart 1.6**) with debt service in the next 12 months of about 1.6 percent of GDP or USD 773.5 million. This exposes fiscal operations to exchange rate risk.

Chart 1.6: Public Debt Shares



Source*: Ministry of Finance and Planning and Bank of Tanzania*

Relative decline of concessional external debt financing increases government exposure to external shocks. The share of concessional debt was 67.5 percent of total external debt as at end of March 2016, compared to 69.0 percent a year earlier. The recent relative decline in concessional financing and the possibility of Tanzania moving to middle income group may necessitate the Government to opt for more non-concessional borrowing. This may gradually change the debt maturity profile, exposing the country to global interest and exchange rate volatility (**Table 1.2**).

Table 1.2: Concessional and Non-Concessional Public Debt Millions of USD

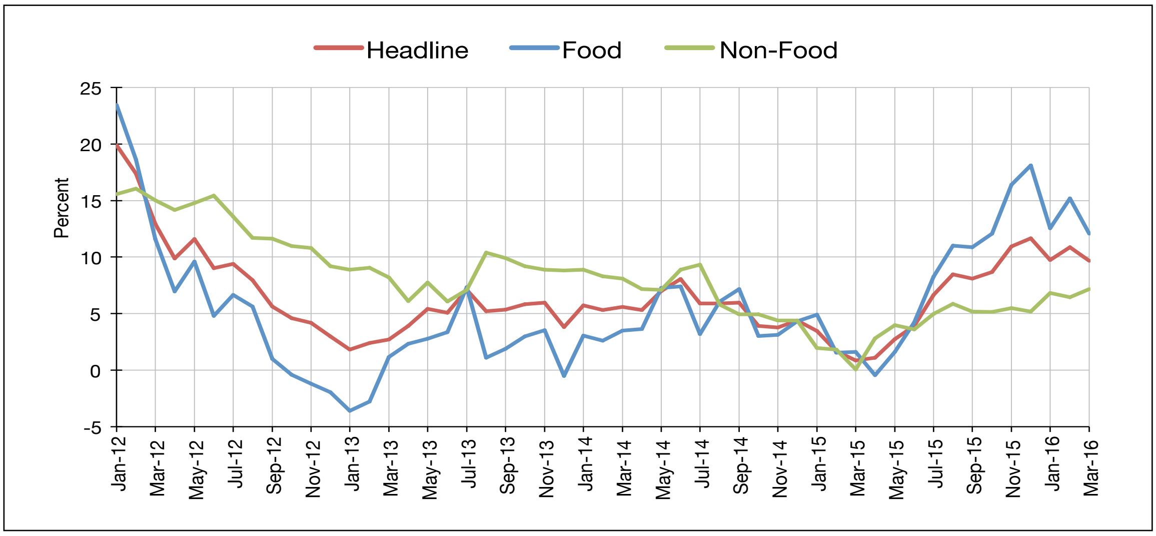
	Mar-15		Jun-15		Mar-16	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Concessional	7,464.6	68.8	7,898.1	68.4	8,164.3	67.5
Non-concessional	3,378.3	31.2	3,654.2	31.6	3,937.0	32.5
Total	10,842.8	100.0	11,552.3	100.0	12,101.3	100.0

Source: *Ministry of Finance and Planning*

The large share of domestic public debt bears fixed interest rates, thus lowering its vulnerability to interest rate risk. However, during the year ending March 2016, the average debt maturity shortened to 3.8 from 4.5 years in the corresponding period in 2015, thus posing rolling-over risk.

Zanzibar macroeconomic environment remained stable but vulnerable to internal and external factors. GDP growth rate stood at 6.6 percent in 2015 compared with 7.0 percent in 2014, driven mainly by industry (10.6 percent), services (8.0 percent) and Agriculture, Forestry and Fishing (2.7 percent). Increase in prices of some food items exerted pressure on domestic inflation which was 9.7 percent in March 2016 compared with 0.9 percent in March 2015 (**Chart 1.7**). Despite a surge in cloves exports and travelling receipts, its impact was dampened by the increase in the value of imported capital and consumer goods, contributing to widening of the current account deficit by 37 percent to US dollar 96.7 million in March 2016.

Chart 1.7: Zanzibar Inflation Rate Developments



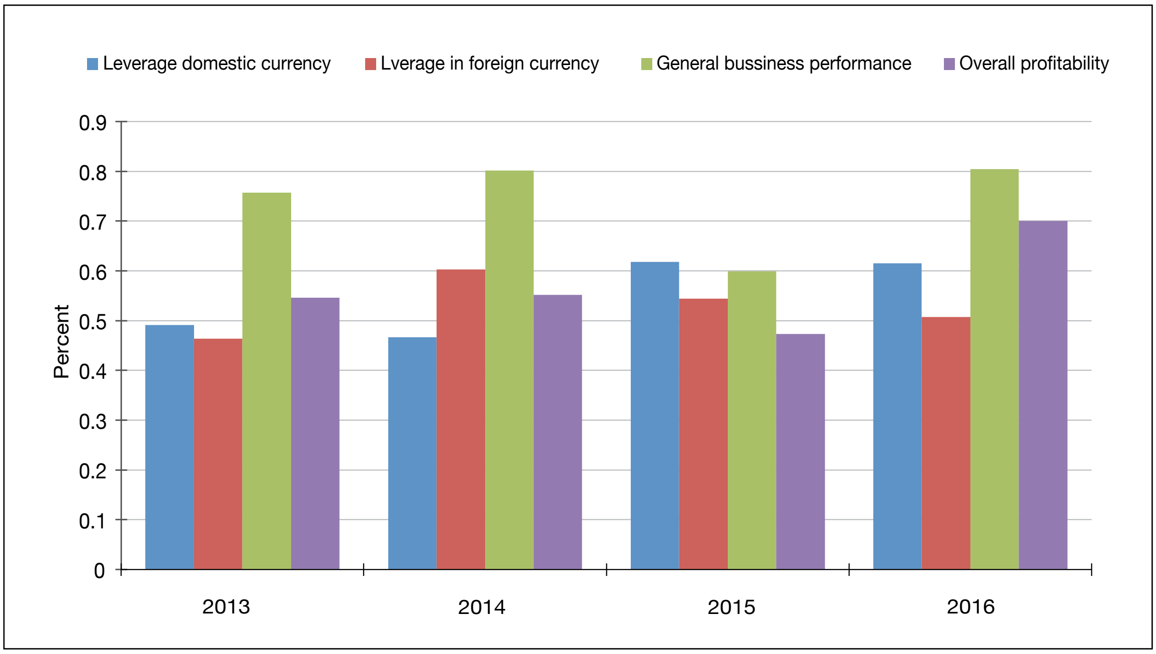
Source*: Office of Chief Government Statistician (OCGS).*

2.0 NON-FINANCIAL CORPORATE AND HOUSEHOLD SECTORS

2.1 Non-Financial Corporate Sector

Risks from Non-Financial Corporate Sector have lessened as depicted by decrease in foreign currency denominated leverage ratio. Overall, Non-financial Corporate (NFC) Sector Survey conducted in December 2015 revealed that firms' foreign denominated debt relative to equity declined while borrowing in local currency relative to equity increased.

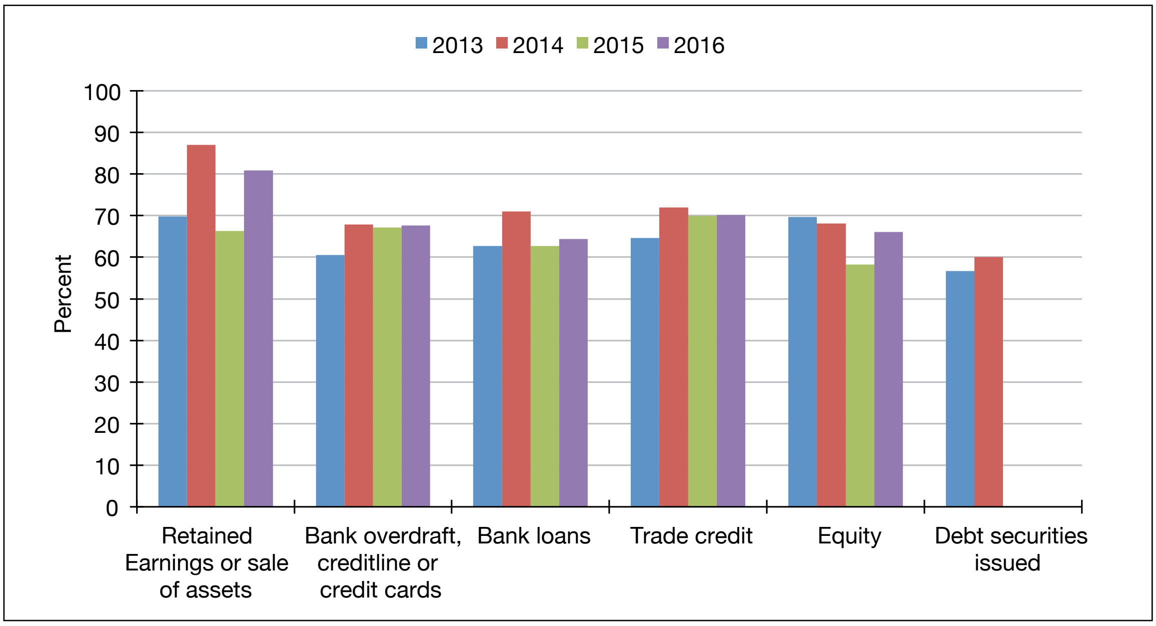
Chart 2.1: NFC's Overall Leverage, Business Performance and Profitability



Source: *BOT Non-Financial Corporate Sector Survey*

The outlook of NFC sector performance in the next twelve months is optimistic as confirmed by the increase in the overall performance sentiment index to 61.8 percent in 2015 from 46.6 percent in 2014 (**Chart 2.1**). Both, foreign and domestic currency denominated leverage ratios are expected to decrease, driven by a gradual shift from domestic and foreign debt financing to retained earnings and equity. This will minimize potential risk to financial system arising from corporate sector (**Chart 2.2**).

Chart 2.2: NFC Sources of Financing



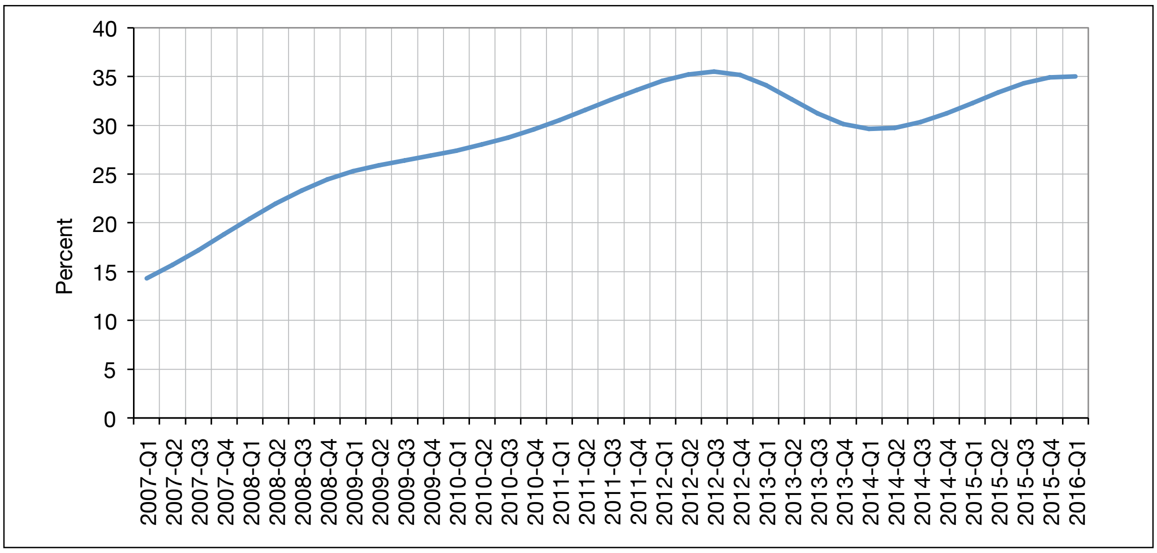
Source: *BOT Non-Financial Corporate Sector Survey.*

2.2 Household Financial Conditions

2.2.1 Household Debt to Disposable Income

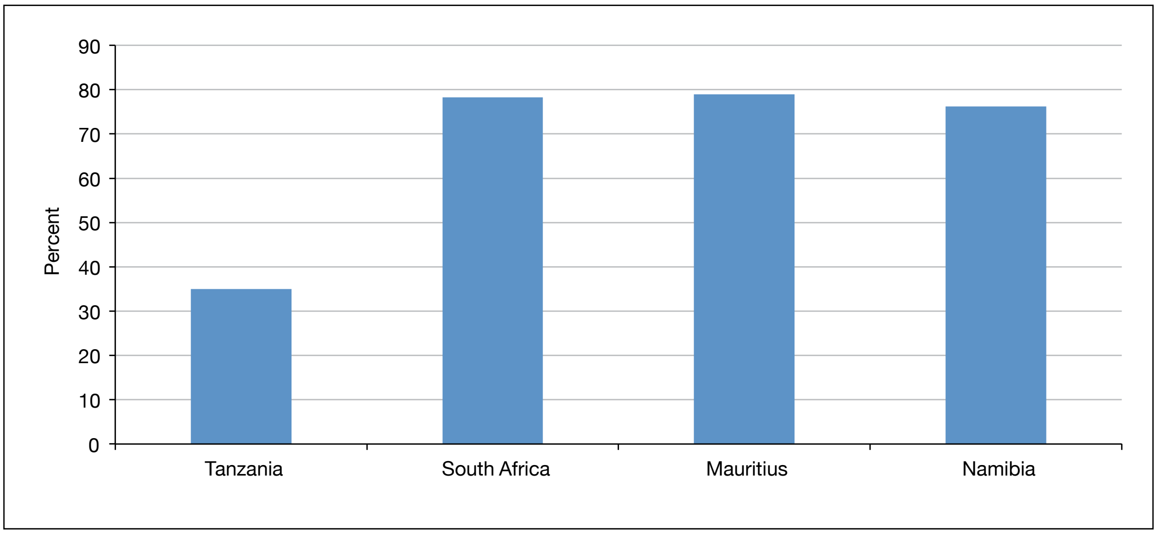
Household debt to disposable income increased in recent months, but may level off going forward. Debt to disposable income (proxied by the ratio of personal loan to employees' compensation) increased to 35.0 percent in March 2016 from 34.3 percent in September 2015 (**Chart 2.3**). However, it remains relatively at low level compared to other countries in the SADC region (South Africa 78.3 percent, Mauritius 79.0 percent and Namibia 76.2 percent). Credit risk from households in the next six months is expected to remain broadly unchanged as banks take conservative lending stance to household (**Chart 2.4**).

Chart 2.3: Household Debt to Disposable Income



Source: *National Bureau of Statistics and BOT calculations.*

Chart 2.4: Household Debt to Disposable income Ratio in Selected Countries

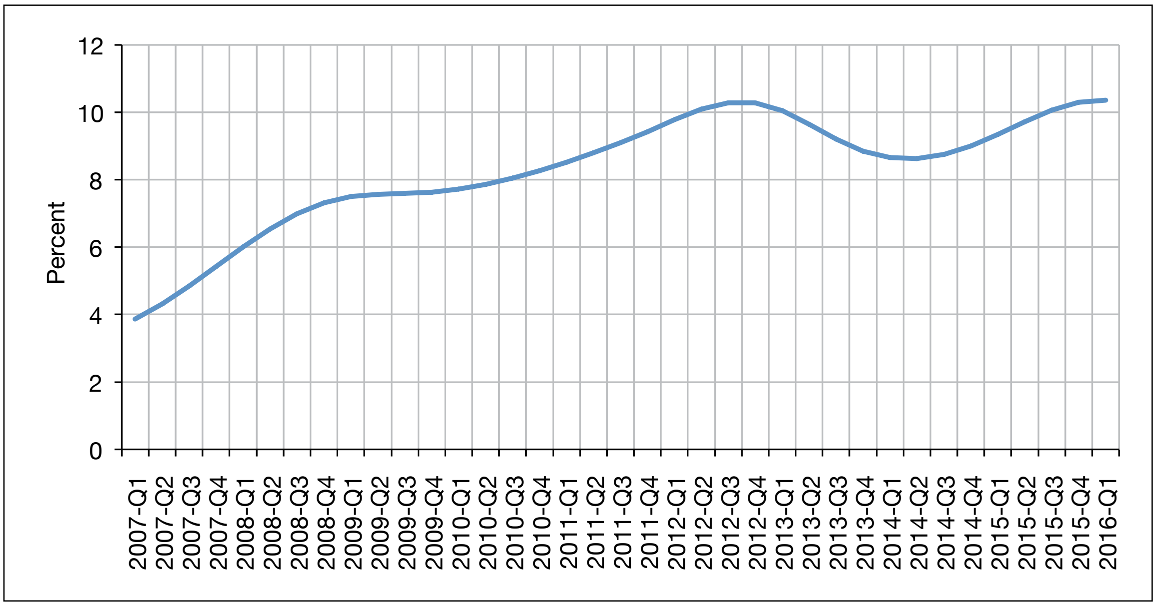


Source: *Mauritius Financial Stability Report, Aug 2015 and BOT Computations.*

2.2.2 Household Debt Servicing Costs

The debt servicing cost increased along with the rapid growth of bank credit to household. In the period ending March, 2016, the debt-servicing ratio increased to 10.4 percent from 10.1 percent in September, 2015. The debt servicing costs increased in conjunction with the rising share of personal loans in total bank loans and relatively high interest rates (**Chart 2.5**).

Chart 2.5: Household Debt Servicing Ratios



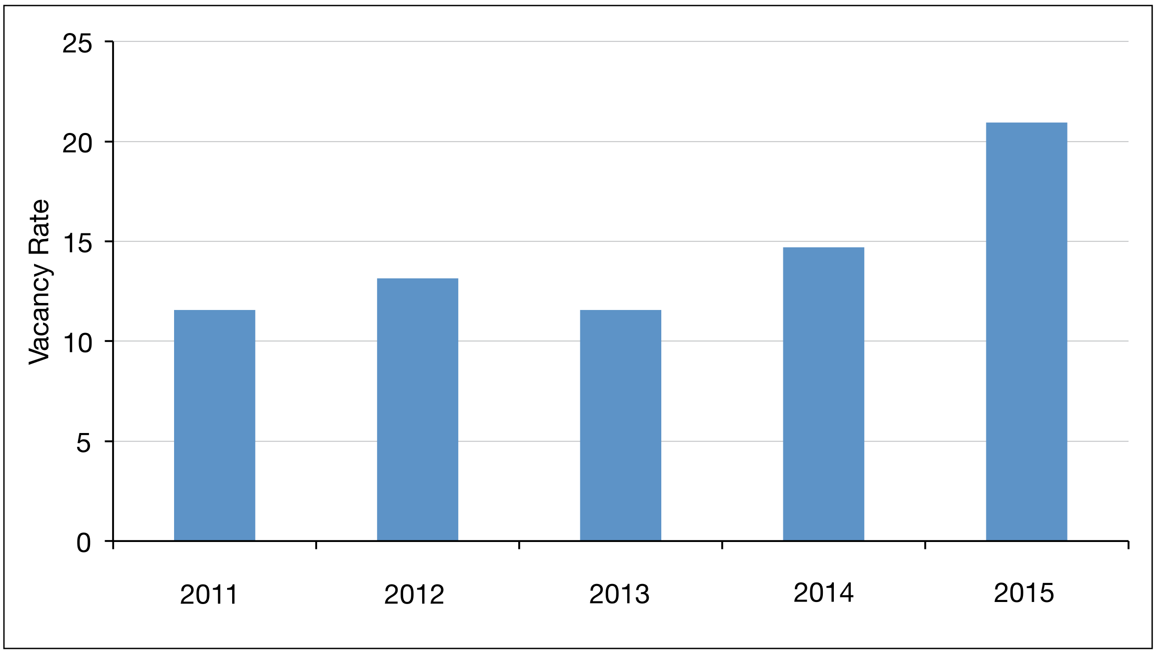
Source: *National Bureau of Statistics and BOT Calculations*

2.3 Real Estate Sector Performance

2.3.1 Commercial Rental Price

Vacant rental spaces increased amid declining rental prices for properties. The survey results of real estate key developers[2] shows that, on average the number of vacant rental space for commercial properties in major cities and towns increased by 20.9 percent in 2015 compared to 14.7 percent in 2014 (**Chart 2.6**). on the other hand, average rental prices per square meter declined to US dollar 11.9 in 2015 from US dollar 12.2 in 2014. It is worth noting that, this was a short term observation however it warrants close monitoring going forward.

Chart 2.6: Average Commercial Property Vacant Rate



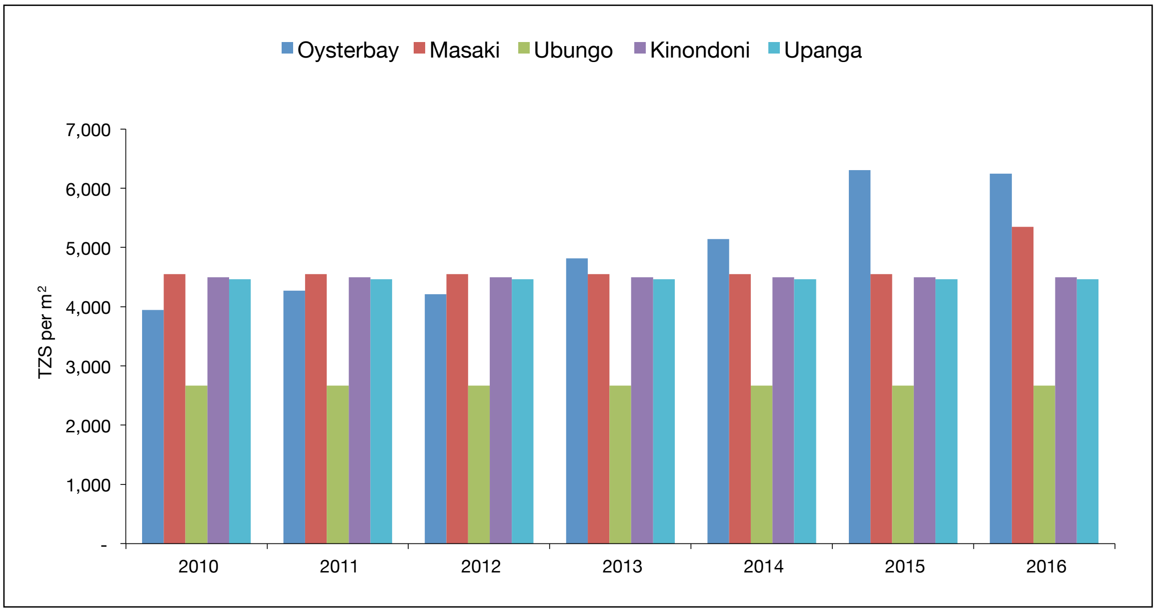
Source*: BOT Real Estate Survey*

2.3.2 Residential Rental Price

Residential rental price is expected to decline. The real estate survey established that most real estate owners fix rental prices for a period of five years; as a result, average prices remained broadly unchanged since 2010. However, in some prime areas in Dar es Salaam the rental prices decreased due to increase in number of commercial and residential buildings (**Chart 2.7**). Should this trend persist, housing mortgage financing institutions and real estate investors will be exposed to credit and investment income risks, respectively.

[2] Survey conducted to public and private developers in April, 2016 in Dar es salaam.

Chart 2.7: Residential Rental Price in Dar es Salaam Prime Areas



Source: *BOT survey on Real Estate*

3.0 PERFORMANCE OF THE FINANCIAL SECTOR

The banking sector continued to play a dominant role in the financial system, with its market share averaging 71.3 percent in the year ending March 2016. Pension funds accounted for 26.5 percent while insurance companies and collective investment schemes accounted for 1.9 percent and 0.5 percent, respectively. The dominance of the banking sector in the financial system is a common phenomenon in developing economies.

3.1 Banking Sector

The banking sector capital and liquidity ratios remained above regulatory requirement at end March 2016, although differences existed at individual level. However, asset quality declined as depicted by increase in the ratio of Non-Performing Loans (NPLs) to Gross Loans and was concentrated in agriculture and personal loans (**Table 3.1**).

Table 3.1: Selected Financial Soundness Indicators for the Banking System (In Percent)

Indicator	Statutory Req./ Acceptable level	2014		2015				2016
		Mar	Dec	Mar	Jun	Sep	Dec	Mar
Capital Adequacy								
Core Capital/TRWA	Min 12.5	18.5	16.7	17.9	16.1	16.7	17.5	18.0
Total capital/TRWA	Min 14.5	19.4	17.8	19.1	17.6	18.7	19.5	20.0
Liquidity								
Liquid Assets/Demand Liabilities	Min 20.0	37.1	35.6	35.5	37.3	35.7	37.2	37.0
Total Loans/Customer Deposits		71.2	74.3	76.8	76.6	78.9	78.9	82.6
Earning and Profitability								
Net Interest Margin (NIM)		69.1	67.5	67.5	65.9	67.1	67.0	65.6
Non-Interest Expenses/Gross Income		63.2	66.8	63.8	65.1	67.2	68.1	63.1
Personnel expenses to non-interest expenses		46.7	44.1	44.6	45.9	44.7	44.1	45.5
Return on Assets (PBT/Average Total Assets)		3.4	2.7	3.1	2.9	2.7	2.7	3.2
Return on Equity-ROE (PAT/Average Shareholders' funds)		15.5	12.6	16.2	15.1	13.5	13.0	16.9
Asset Composition and Quality								
Foreign Exchange Loans to Total Loans		33.6	36.8	37.5	38.6	37.8	38.0	37.8
Gross Non-Performing Loans to Gross Loans	5.0	8.4	6.6	6.5	6.6	6.8	6.6	8.3
NPLs net of provisions/Total Capital		16.6	12.6	14.0	16.5	15.7	14.2	17.0
Large Exposures to Total Capital		105.3	106.8	137.0	124.0	126.8	124.1	128.7
Net Loans and advances to Total assets		51.0	53.1	53.3	53.2	54.6	54.7	55.1
Sensitivity to Market Risk								
FX Currency Denominated Assets/Total Assets		28.2	30.3	31.7	34.2	34.9	34.7	33.6
FX Currency Denominated Liabilities/Total Liabilities		32.6	35.8	37.6	39.8	39.6	39.7	38.9
Net Open Positions in FX/Total Capital	5.5	2.9	-2.5	-2.1	-2.2	-2.4	1.3	-1.1

***Source**: Bank of Tanzania*

The capacity of banking sector to absorb losses without resorting to depositors' funds continued to strengthen. Core capital to risk weighted assets remained above the regulatory minimum requirement of 12.5 percent, increasing to 18.0 percent in March 2016 from 16.7 percent in September 2015. The strengthening of capital was attributed to increase in profit, paid up share capital and premium. Large banks had capital levels above minimum regulatory requirements, when combined with medium banks over 95 percent were above regulatory requirements (**Table 3.2**).

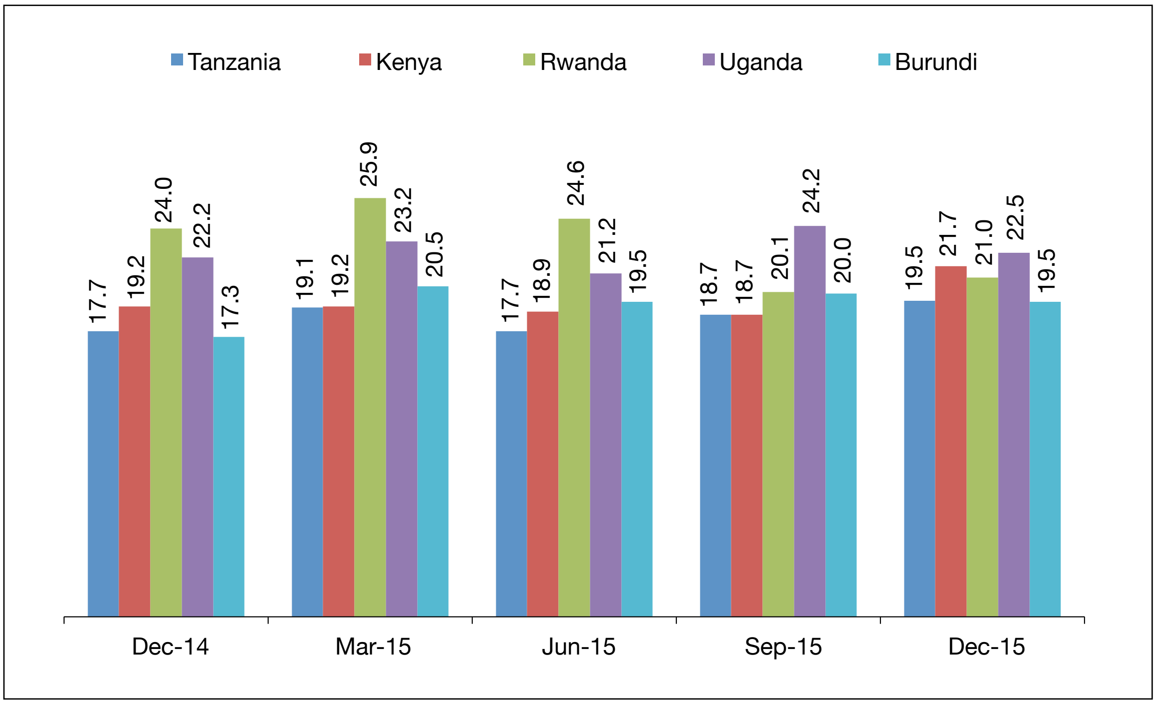
Table 3.2: Capital Adequacy Analysis

All Banks	Sep-15		Dec-15		Mar-16	
	Core Capital	Total Capital	Core Capital	Total Capital	Core Capital	Total Capital
<8	9	8	7	7	7	7
8-10	2	2	3	3	3	3
10-'12	5	2	6	1	6	1
12-14	8	7	6	6	6	6
>14	34	39	36	41	36	41
Large Banks	Sep-15		Dec-15		Mar-16	
	Core Capital	Total Capital	Core Capital	Total Capital	Core Capital	Total Capital
<8	0	0	0	0	0	0
8-10	0	0	0	0	0	0
10-'12	1	0	1	0	1	0
12-14	2	2	1	1	1	1
>14	7	8	8	9	8	9
Large and Medium Banks	Sep-15		Dec-15		Mar-16	
	Core Capital	Total Capital	Core Capital	Total Capital	Core Capital	Total Capital
<8	1	1	1	1	1	1
8-10	1	0	0	0	0	0
10-'12	3	1	3	0	3	0
12-14	5	5	4	3	4	3
>14	10	13	12	16	12	16

Source: *Bank of Tanzania*

The banking sector in all EAC member states had capital adequacy ratios above regulatory requirements to meet unforeseeable risks as at end December 2015 (**Chart 3.1**).

Chart 3.1: EAC Capital Levels

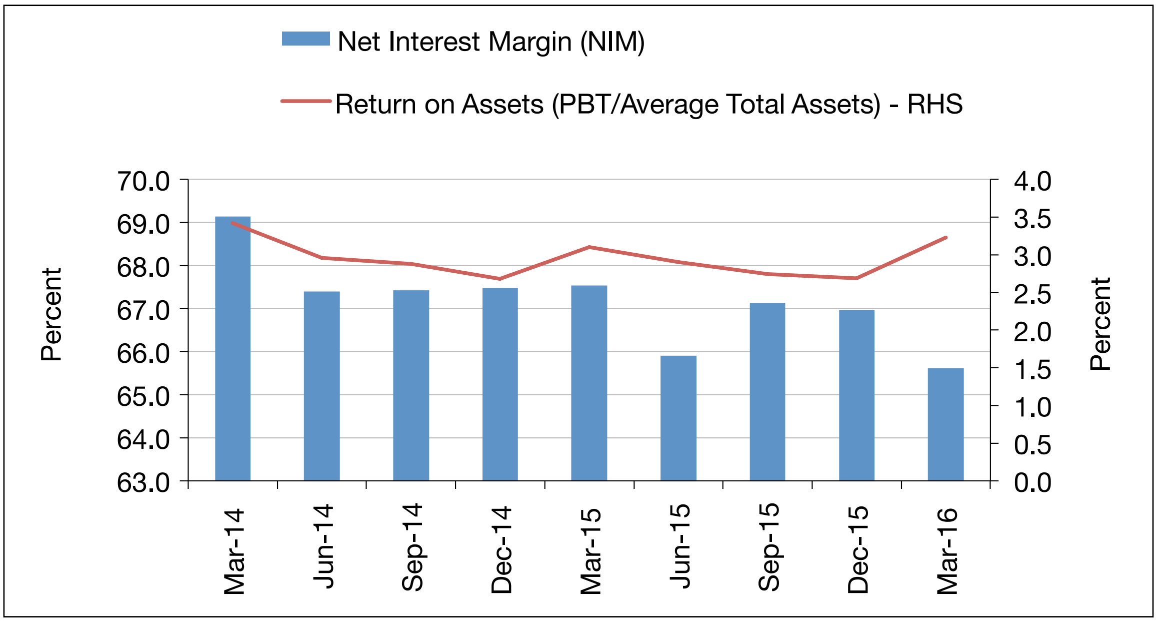


Source: *Bank of Tanzania*

Liquidity risk declined as reflected by the ratio of liquid assets to demand liabilities. The ratio remained above the regulatory requirement of 20.0 percent at 36.6 percent in March 2016 compared with 35.7 percent recorded in September 2015. Similarly, loan-to-deposit-ratio increased to 82.7 percent in March 2016 from 78.9 percent in September 2015, mostly driven by ongoing transfers of some parastatals' deposits from commercial banks to special accounts held at the Bank of Tanzania and rapid growth of credit to private sector. Consequently, some banks are opting for alternatives funding sources domestically and abroad to boost their assets, however at the risk of high interest and exchange rates volatility.

The banking sector remained profitable with improved operational efficiency. The banking system recorded improvement in operational overheads as reflected by decline in non-interest expenses relative to gross income. Return on assets increased to 3.2 percent from 2.7 percent in September 2015, mainly attributed by increase in returns on Government securities and non-interest income (**Chart 3.2**).

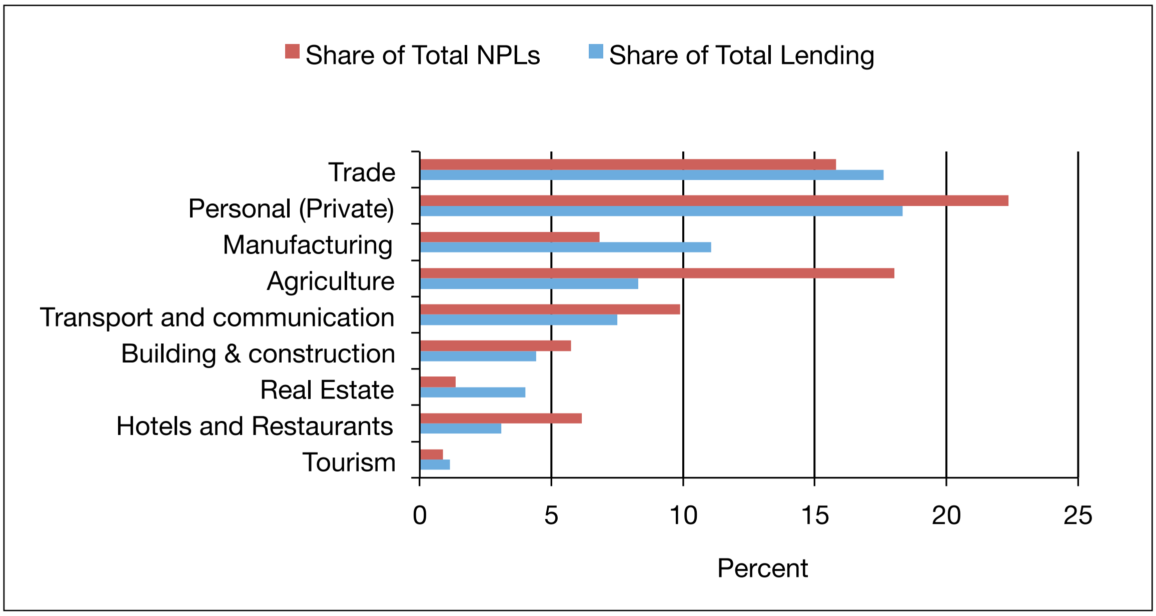
Chart 3.2: Banks' Profitability



Source: *Bank of Tanzania*

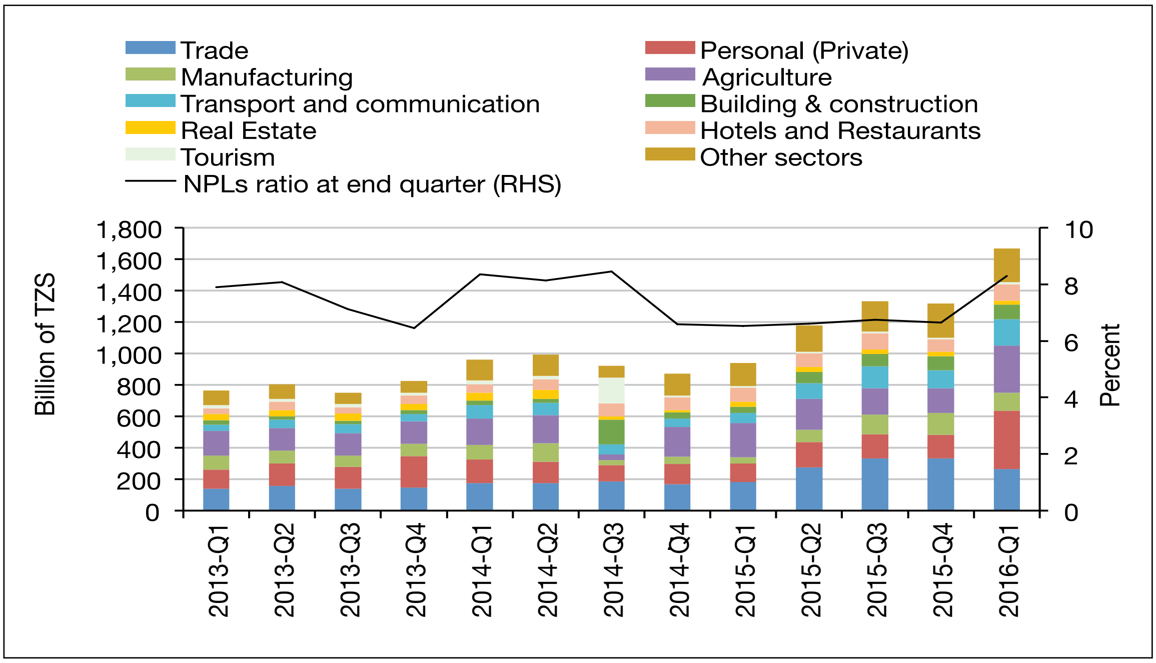
Credit risk increased attributable to poor performance in agriculture and personal loan portfolio. The ratio of Gross Non-Performing Loans (NPLs) to Gross Loans, increased to 8.3 percent at end March 2016, from 6.8 percent in September 2015. Personal activity which received the largest proportion of credit to the private sector recorded the highest NPLs; partly attributed to retrenchment of workers in some sectors. On the other hand, lending to agriculture activity remained almost the same, but recorded increase in NPLs; driven by restructuring of some corporate agricultural related loans which continued to perform poorly (**Chart 3.3** and **3.4**).

Chart 3.3: Credit and Non-Performing Loans to Selected Economic Activities at end of March 2016



Source: *Bank of Tanzania*

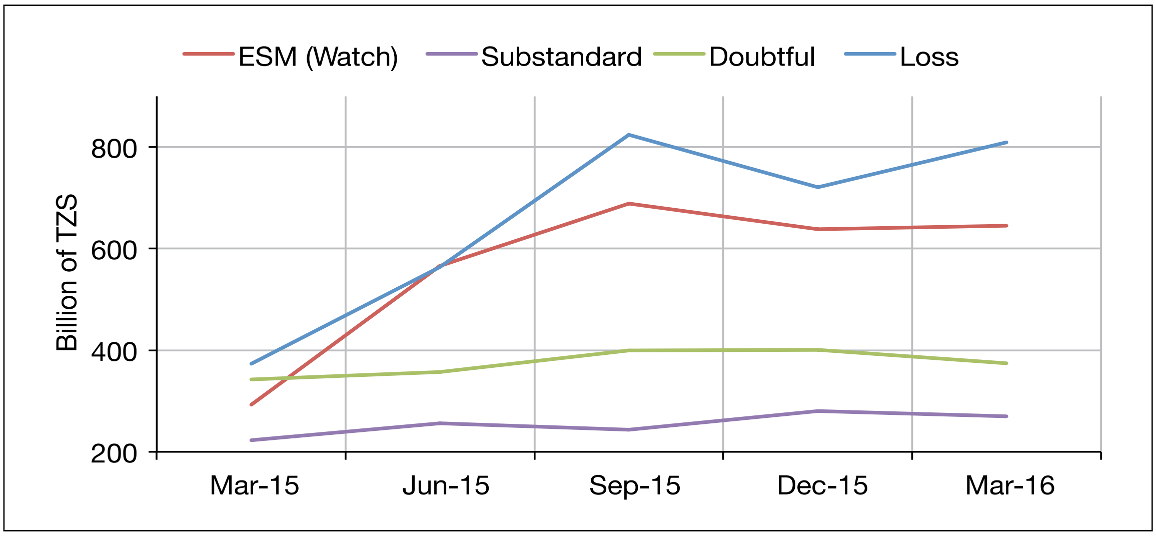
Chart 3.4: Non-Performing Loans and NPLs Ratios



Source: *Bank of Tanzania*

In addition, the level of Especially Mentioned credit accommodation (ESM), an indicator of future losses is picking up. While it declined by 6.4 percent in December 2015, it increased by 1.0 percent in March 2016 (**Chart 3.5**). This signals potential increase in NPLs, thus warranting close monitoring.

Chart 3.5: Development of Different Categories of Non-Performing Loans

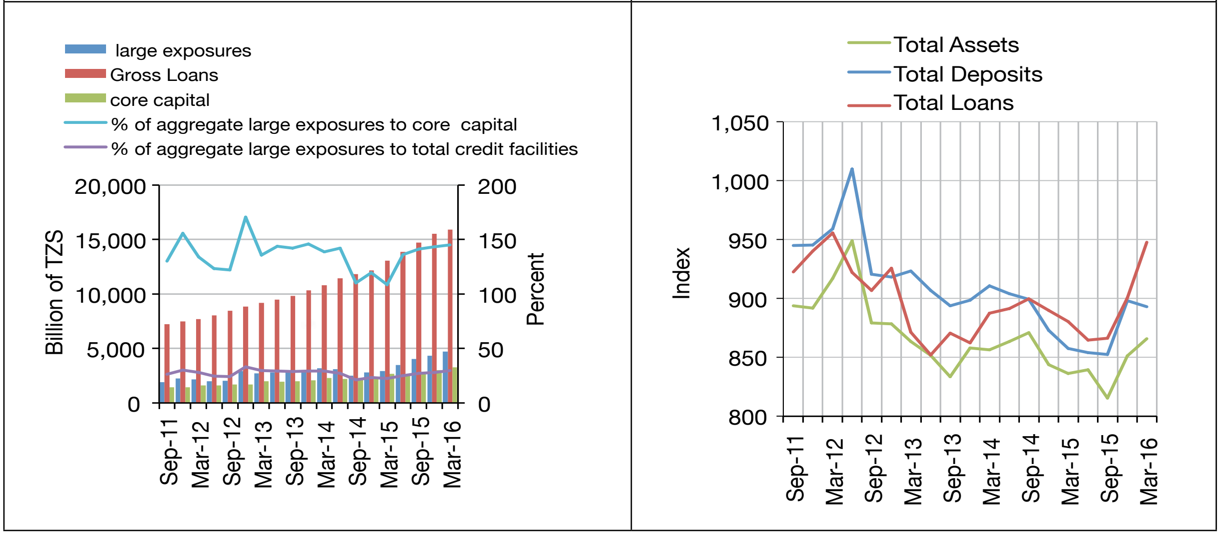


Source: *Bank of Tanzania*

Despite the increase in NPLs, the portfolio was diversified as reflected by a low ratio of aggregate large exposures to core capital which was 145.0 percent in March 2016, below the regulatory limit of 800.0 percent (**Chart 3.6a**). This is partly associated with the structure of bank credit market which is dominated by small and medium scale borrowers.

Chart 3.6: Measures of Risk Diversification

a: Credit Concentration Risk	b: Herfindahl Hirschman Index (HHI)

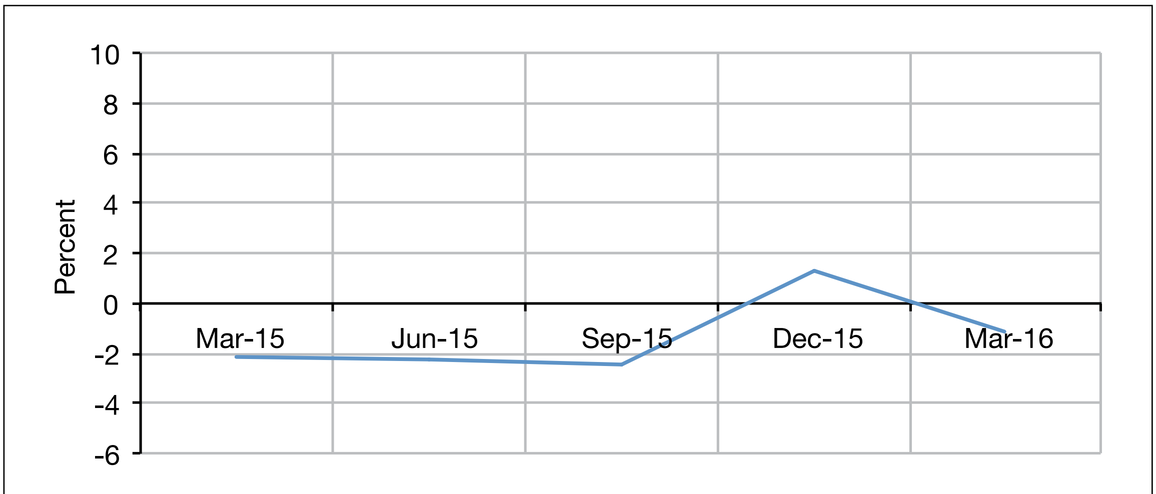


***Source**: Bank of Tanzania*

The banking sector remained diversified in terms of deposits, loans and assets holdings albeit with growing concentration. During the six months to March 2016, the Herfindahl Hirschman Index (HHI) which measures the market concentration increased but all indices were within the no concentration range of between 100 and 1000 (**Chart 3.6b**). The growing concentration is partly associated with increasing outreach and introduction of new products by large banks.

The banking sector exposure to foreign exchange risk remained low as reflected by narrowing of Net Open Position. The consolidated overall foreign exchange exposure of banks averaged -1.1 percent in March 2016 compared to -2.4 percent at end September 2015. This improvement implies that banks balance sheet exhibited fairly low currency mismatch, moderating potential losses in the event of exchange rate volatility (**Chart 3.7**).

Chart 3.7: Development of Tanzania Net Open Position to Total Capital



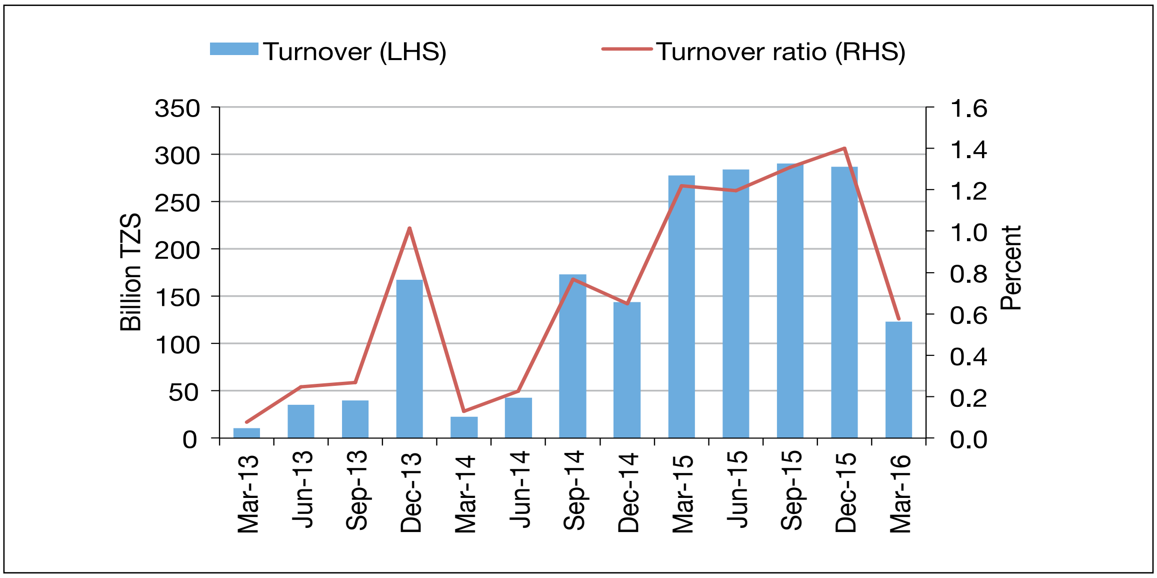
***Source**: Bank of Tanzania*

3.2 Non-Banking Financial Sector

3.2.1 Capital Markets

Equity markets experienced slowdown in trading activity as reflected by decline in turnover. During the quarter ending March 2016, total turnover was TZS 123.0 billion below TZS 220.0 billion recorded in September 2015, partly attributable to normalization after a period of high volumes traded, following removal of restrictions on non-residents participation in equity markets in May 2014. The turnover ratio declined to 0.6 percent in March 2016 from 1.3 percent recorded in September 2015, reflecting low level of market liquidity (**Chart 3.8**).

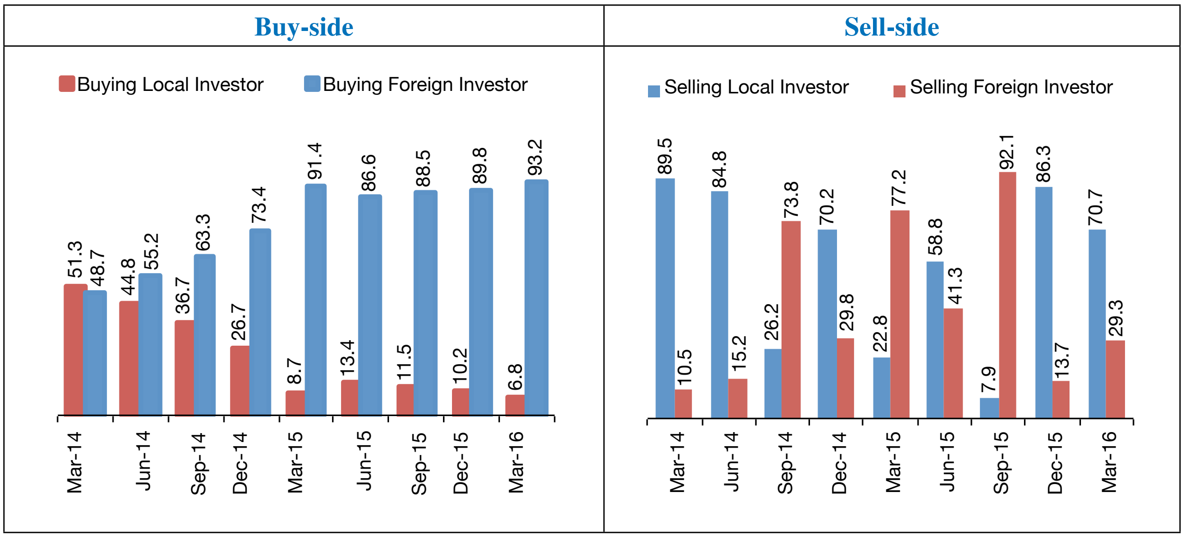
Chart 3.8: Turnover Ratios



Source: *Dar es Salaam Stock Exchange*

In terms of participation, non-resident buyers continued to participate primarily on a buying side while local investors dominated the selling side in the last two quarters.

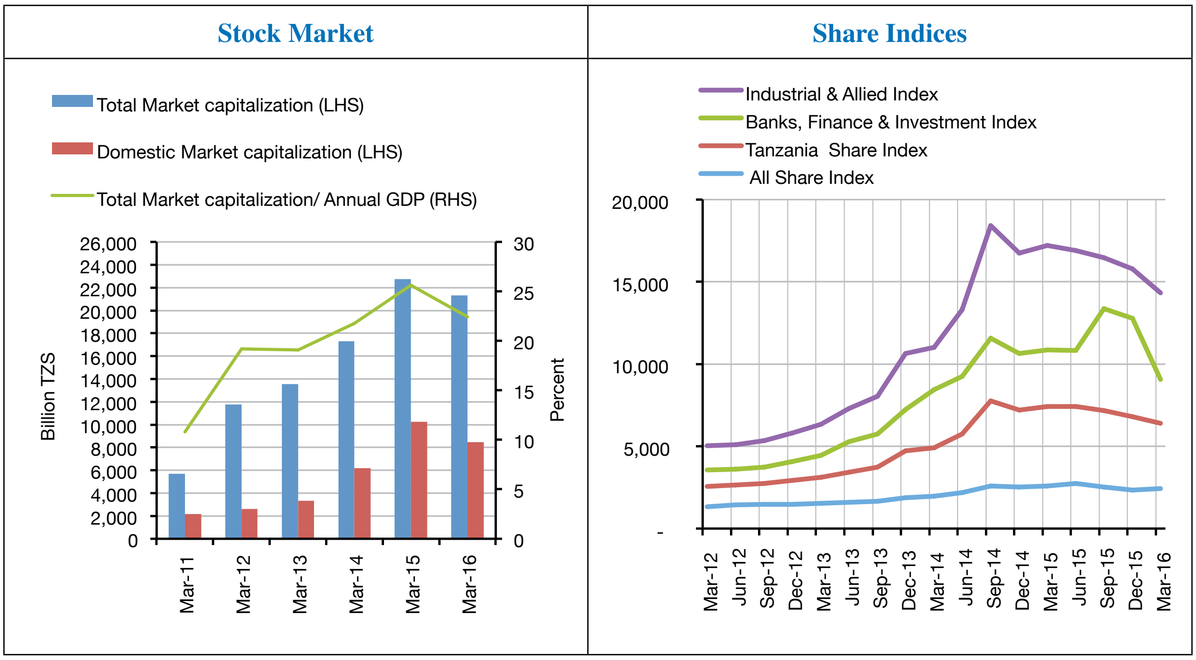
Chart 3.9: Dar es Salaam Stock Exchange Investor Participation



Source: *Dar es Salaam Stock Exchange*

The DSE All Share Index decreased by 3.9 percent to 2,432.04, and the total market capitalization declined by 4.0 percent. The decline in the index was somewhat driven by decrease in profitability. This led to the decline in market capitalization despite new listings of Mwalimu Commercial Bank and Yetu Microfinance PLC (**Chart 3.10**). However, both the index level and volume traded remain within normal long term ranges and do not appear to represent any significant risk.

Chart 3.10: Performance of the Dar es Salaam Stock Exchange



***Source**: Dar es Salaam Stock Exchange*

Fall in equity markets share prices affected collective investment schemes assets. On a long term basis, four Funds which invest in equity continued to experience stable performance, despite a marginal fall in share prices during the six months to March 2016. However, the funds remain exposed to share price volatility and market risk. Meanwhile, the Liquid Fund which invested in fixed deposits and government securities, experienced growth in Net Asset Value (**Table 3.3**).

Table 3.3: Open Ended Collective Investment Schemes

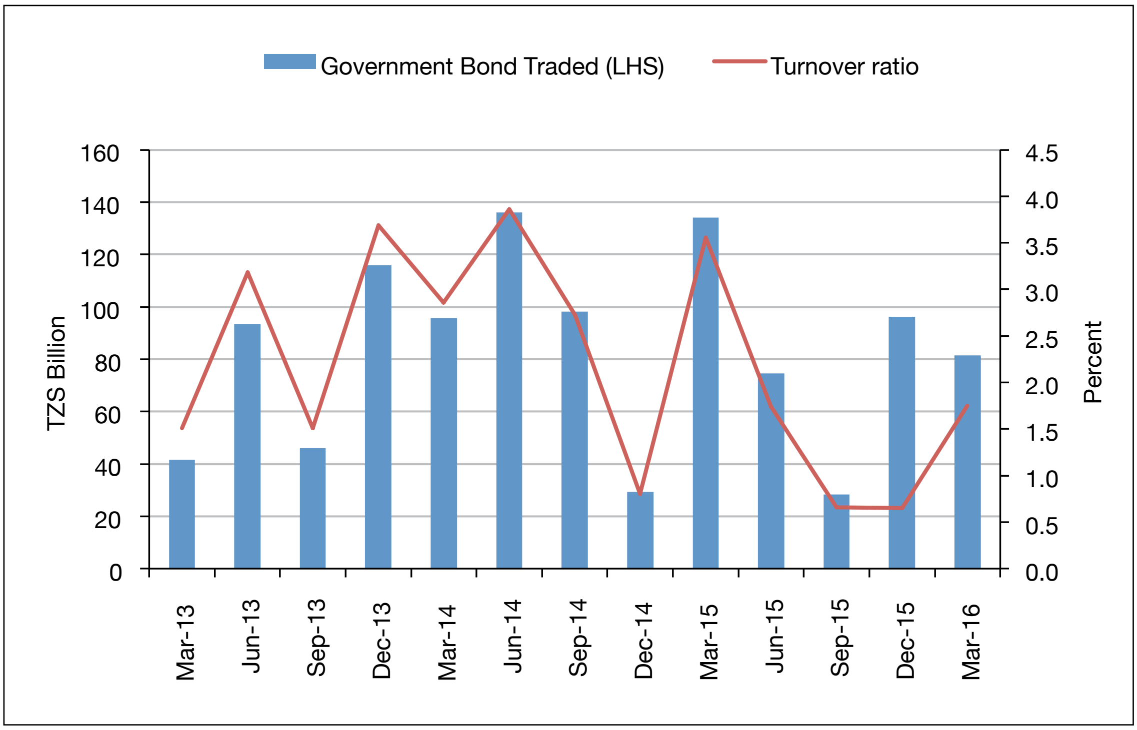
Millions of TZS

Scheme	Scheme Size			Net Asset Value			NAV Growth	
	Mar-15	Dec-15	Mar-16	Mar-15	Sep-15	Mar-16	Mar 15-Mar 16	Sept 15- Mar 16
Umoja Fund	211,815.9	221,313.3	218,867.9	453.2	468.8	470.6	3.8	0.4
WekezaMaisha	3,492.9	3,455.4	3,526.2	305.5	303.1	308.6	1.0	1.8
Jikimu Fund	18,485.9	26,296.0	27,625.6	131.8	131.4	123.4	-6.4	-6.1
Watoto Fund	2,652.8	2,805.2	2,924.9	282.6	286.4	277.0	-2.0	-3.3
Liquid Fund	601.8	709.5	2,658.5	124.2	131.7	141.5	13.9	7.4

***Source**: Capital Markets and Securities Authority*

Secondary market trading for government bonds remained within normal trading volume ranges. Trade activities were TZS 177.5 billion during six months to March 2016 compared to TZS 102.8 billion in the corresponding six-months in 2015 (**Chart 3.11**). The market remained illiquid as depicted by low turnover ratio, mainly on account of buy-and-hold behaviour of most of the participants in the primary market, and price discovery challenges. It is worth noting that, despite the capital account liberalization for the EAC residents, their participation remained negligible; the one-year minimum holding period appears to be a limiting factor among others.

Chart 3.11: Market Performance for Government Bonds



Source: *Bank of Tanzania*

3.2.2 Insurance Sector

The sector's assets growth remained strong with fair diversification of investment mix. Total assets grew by 19.2 percent as at December 2015 compared to an average of 17.3 percent in the preceding two years. Growth in assets is partly attributed to capital enhancement to meet regulatory requirement and retained earnings. In addition, growth in housing mortgage loans and personal loan issuance which tend to require the ceding of life assurance policies as collateral, led to increase in life assurance premium by 14.2 percent and subsequently assets of the sector (**Table 3.4**).

The sector continued to maintain a diversified investment portfolio with increased investment in government securities and term deposits, while investment in real estate declined in 2015 relative to 2014 (**Table 3.5**).

The sector remained resilient as depicted by strong solvency ratio for both general and life insurers. Solvency ratios for general and life insurance stood at 66.4 and 26.4 respectively, which were above the prudential requirements (**Table 3.5**).

Table 3.4: Insurance Sector Performance

Billions of TZS | *Percentage Change*

Particular	Dec-12	Dec-13	Dec-14	Dec-15	Dec 12-Dec 13	Dec 13-Dec 14	Dec 14 - Dec 15
Total Assets	450.5	519.0	620.0	738.8	15.2	19.5	19.2
Total Liabilities	317.0	343.7	401.7	476.5	8.4	16.9	18.6
Total Net Worth	133.7	175.3	218.3	262.3	31.1	24.5	20.2
Total Investments	299.5	348.6	397.1	464.5	16.4	13.9	17.0
Gross Premium Written	Dec-12	Dec-13	Dec-14	Dec-15	Dec 12-Dec 13	Dec 13-Dec 14	Dec 14 - Dec 15
General Insurance	417.6	417.6	494.0	548.1	0.0	18.3	11.0
Life Assurance	56.4	56.5	60.4	69.0	0.2	6.9	14.2
Total	474.0	474.1	554.4	617.1	0.0	16.9	11.3

***Source**: Tanzania Insurance Regulatory Authority*

General and life insurers' liquidity ratios increased slightly, to 112.9 percent and 58.3 percent, respectively as at end December 2015 compared to 109.3 percent and 57.2 percent, respectively in the preceding year. The sector's liquidity ratios remained compliant with the prudential requirements of 95.0 percent and 50.0 percent for general and life insurers, respectively.

Table 3.5: Financial Soundness Indicators of the Insurance Sector (General and Life)

Indicator	Statutory Requirement	Dec-14		Dec-15	
		General	Life	General	Life
Capital Ratios					
Solvency Ratio	General ≥ 25; Life ≥ 8	66.7	28.1	66.4	26.4
Change in Capital and Reserves		24.0	27.7	24.3	-0.8
Asset Quality Ratios					
Rate of Return on Investment		10. 9	9.9	13	5.7
Investment Mix:					
Investment in government securities		15.2	6.3	15.9	8.6
Investment in bank deposits	Min 30	57.2	33.2	60.0	36.0
Investment in real estate		11.4	31	10.5	31.5
Reinsurance Ratios					
Retention Ratio	General 30<RR<70; Life 50<RR<90	53.6	85.5	56.8	84.6
Actuarial Liabilities (General)					
Actuarial Provisions to Capital Ratic	Max 250	42.3		38.1	
Earnings Ratios (General)					
Return on Equity		12.3		5.8	
Liquidity Ratios					
Liquidity Ratio	General ≥ 95; Life ≥ 50	109.3	57.2	112.9	58.3
Total Receivables as % of Capital & Reserves	Max 100	73.4	33.2	75.8	32.7
Loss Ratio		55.1	29.5	17.1	6.3

***Source**: Tanzania Insurance Regulatory Authority*

The profitability of the sector declined on account of underwriting losses. The level of underwriting losses increased to TZS 10,751 million in 2015 from TZS 1,332 million in 2014. This was one of the factors which lead to the reduction in profitability as illustrated by the Return on Equity (ROE), thus warranting close monitoring.

3.2.3 Social Security Sector

Tanzania Mainland

The social security sector recorded volatile profitability as measured by the Return on Assets (ROA). During the six months to December 2015, quarterly ROA fluctuated associated with uneven income streams of the sector. On the other hand, Return on Investment declined to 2.1 percent from 4.8 percent in June 2015, partly due to in operational costs (**Table 3.6**).

The sector remained stable despite the decline in coverage ratio. The coverage ratio declined to 13.0 percent in December 2015 from 16.9 in June 2015, depicting that liabilities are growing faster than assets. This increases pressure on profitability of the sector thus calling for close monitoring of their investment mix.

The social security schemes' membership increased driven by mobile money technology. Membership increased by 9.0 percent to 2,345,869 at end December 2015 from June 2015. The increase was driven by introduction of new schemes targeting informal sector, an initiative by the funds to increase coverage which is enabled by technology advancements.

The investment mix for Pension funds is diversified and generally within prudential limits. All investments were within regulatory limits with the exception of loans to government. The Government is in the process of verifying these loans with a view to issue non-cash bond. Investment in real estate has remained within prudential limits, although going forward monitoring is required due to pressure on rental income.

Table 3.6: Tanzania Mainland: Social Security Selected Financial Soundness Indicators

Percent

Particular	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Benefit Payments/contribution income	71.5	94.6	89.0	48.2	67.6	88.6	77.4
Return on Investment(Invested Return/Invested Assets)	6.8	8.8	7.4	4.1	4.8	1.9	2.1
Return On Assets	7.2	2.6	4.7	8.6	7.5	2.9	5.0
Administrative Cost/Contributions	7.6	12.4	9.5	11.3	8.2	15.5	11.9
Dependency Ratio	4.1	4.1	4.1	4.1	2.2	0.2	2.2
Coverage Ratio	15.7	24.6	16.1	19.5	16.9	11.1	13.0
Liquid Assets/Benefit Payments	2.2	9.2	4.5	3.8	3.0	7.9	3.5

Source: *Bank of Tanzania.*

Table 3.7: Tanzania Mainland: Social Security Portfolio Investment Mix

Percent

Particulars	Prudential Limit as Percentage of Total Assets	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Bank Deposits	35	11.2	9.4	9.4	10.7	9.3	8.0
Government Debt Securities	20-70	19.5	20.1	18.8	18.2	18.8	20.3
Commercial Paper, Promissory notes and Corporate bonds	20	0.2	0.2	0.4	0.5	0.3	0.3
Loans to Government	10	17.6	19.3	21.6	21.7	20.9	21.0
Ordinary and Preference Share	20	11.0	10.8	9.5	9.4	9.4	8.8
Investments in Licensed Collective Investment Schemes	30	1.4	1.5	1.4	1.4	1.5	1.5
Real Estate	30	20.0	21.1	17.6	18.9	19.3	16.5
Loans to Corporate and Cooperative Societies	10	7.0	5.6	6.8	3.9	3.8	4.0
Infrastructure Investment	25	2.5	2.6	2.7	1.8	2.3	2.5
Other Assets		9.5	9.4	11.9	13.5	14.4	17.2
Total Assets		8,670.4	8,727.0	9,473.5	9,909.8	10,035.0	10,058.8

Source: *Bank of Tanzania*

3.3 Cross-Sector Linkages in the Financial System

Banks' placements abroad declined, partly associated with stabilization of exchange rate and decline in import bill. The top ten banks, which are major players in IFEM, reduced their placements abroad. However, deposits and borrowings from abroad increased to TZS 583.0 billion from TZS 198.4 billion, the borrowing was mainly for on-lending to SMEs, with about 80.0 percent extended in local currency thus exposing banks to foreign exchange risk (**Table 3.8**).

Table 3.8: Financial System Interconnectedness (Top Ten Banks)

Billions TZS

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Placements with Banks Abroad	626.8	598.8	751.0	1125.6	931.8	688.6
Placements with Domestic Banks	418.3	412.5	441.5	399.3	325.5	626.4
Deposits from Pension Funds	268.5	236.1	286.7	287.1	357.3	267.3
Deposits from Insurance Companies	184.4	156.7	213.4	117.3	229.1	253.7
Borrowings from Domestic Banks	297.7	373.2	243.3	428.4	351.1	375.2
Deposits and borrowing from Foreign Banks	228.5	107.6	108.2	198.4	497.6	583.0
Inter-bank Contingent Claims to Foreign Banks	252.8	235.9	262.4	225.1	251.9	369.4
Deposits from Mobile Network Operators	451.0	452.0	451.8	532.8	583.7	569.1

Source*: Bank of Tanzania*

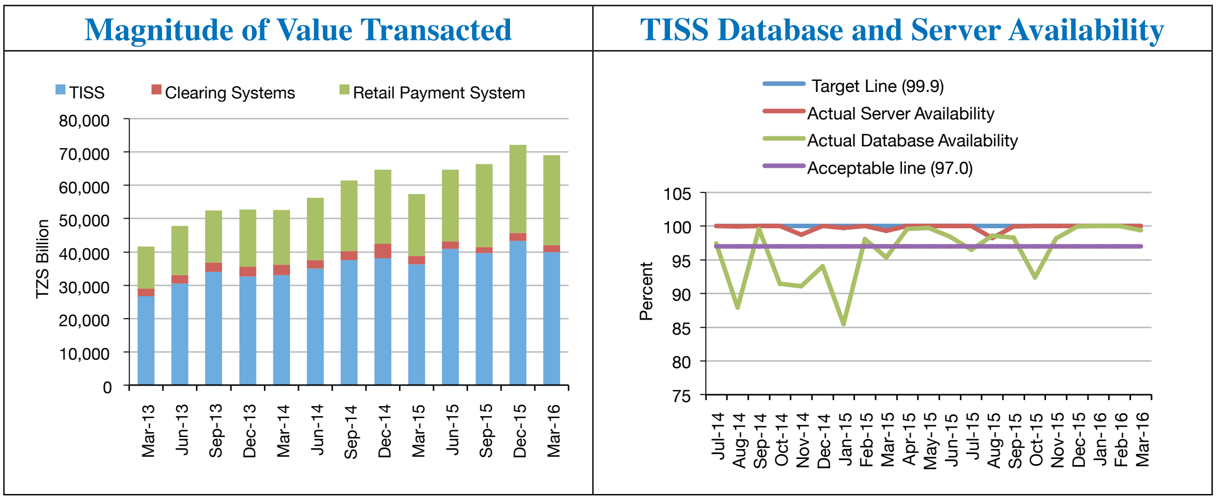
Non-Bank Financial Institutions deposits with the banking sector exhibited mixed performance. Insurance sector deposits in the top 10 banks grew by 116.3 percent to TZS 253.7 billion while social security sector deposits declined by 6.9 percent to TZS 267.3 billion during the year ending March, 2016. The decline in social security sector deposits can be explained by changes in investment strategy during the period.

4.0 FINANCIAL SYSTEM INFRASTRUCTURE AND REGULATORY DEVELOPMENTS

4.1 Payment Systems

The payment systems operated smoothly without major disruptions with increased interconnectivity. During the six months to March 2016, the Tanzania Interbank Settlement System (TISS) continued to clear large proportion of non-cash transactions in the country with more government agencies joining the system. The system improved its uptime availability as depicted by server and database uptime levels and operated with adequate liquidity, thus minimizing operational and settlement risks, respectively (**Chart 4.1**). Ongoing efforts to enhance and modernize TISS would minimize financial distress as more government agencies join the system

Chart 4.1: Performance of Payment Systems



***Source**: Bank of Tanzania*

4.2 Financial System Regulatory Developments

4.2.1 National Payment System

The Bank has issued regulations to operationalize the National Payment Systems Act, 2015 with a view to enhance payment systems oversight. The Payment Systems Licensing and Approval Regulation, 2015 was issued to allow for licensing and supervision of all payment services providers. Further, for the licensed payment systems providers wishing to issue electronic money services, the Electronic Money Regulations 2015 requires them to establish a separate legal entity for such services. In addition, the Electronic Money Regulation, 2015 will, among other things, requires banks to adopt the Europay Mastercard and Visa (EMV) compliant card payment instruments (ATMs, cards, POS). Enforcement of these regulations which will commence on 1st July 2016 is expected to minimize potential risks that may arise from provision of payment services and issuance of electronic money

4.2.2 Social Security Sector

The SSRA issued the Social Security Schemes (Data Management) Guidelines, 2016, and the Social Security Schemes (Risk Management) Guidelines, 2016, for data management and enhancement of risk management in the sector, respectively, in line with best practices.

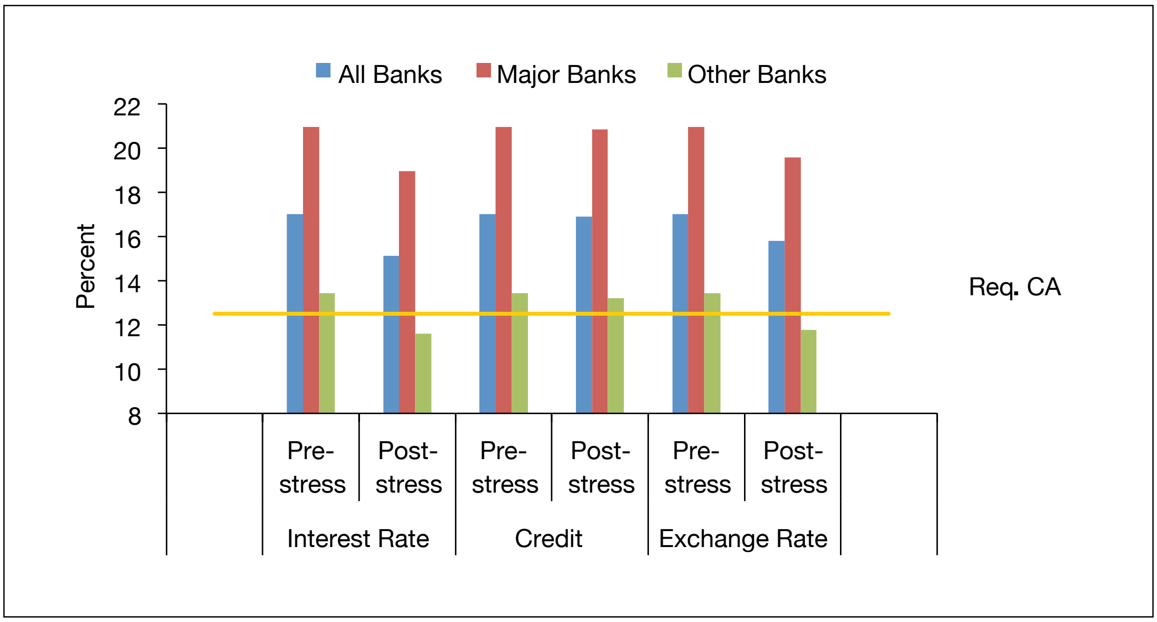
5.0 FINANCIAL SYSTEM RESILIENCE AND RECOMMENDATIONS

5.1 Financial System Resilience

Banking Sector Resilience

The banking system remained resilient as attested by stress testing result. The banking system was subjected to credit, interest rate and foreign exchange shocks for the quarter ending March 2016. Results revealed that overall the banking system was resilient, recording capital adequacy ratios above the minimum requirement. However, on individual basis some banks were susceptible to interest rate and foreign exchange risks (**Chart 5.1**).

Chart 5.1: Stress Testing Results of the Banking System



Source*: Bank of Tanzania*
Note: *Reg. CA means statutory capital requirement ratio*

5.2 Policy Recommendations

Domestic financial system is expected to remain resilient in the next six months. To minimize potential risks to the stability of the financial systems, the following recommendations are proposed:

1. Overall, NPLs to personal, agriculture and trade remained high, calling for close monitoring going forward.

2. Remain vigilant and take appropriate macro-prudential policy instruments mix to mitigate spill over effects of tight global financial conditions.

APPENDICES

Appendix 1:Global Economic Performance (Real growth rates in percent)

	Actual					Projections			Difference from January 2016 WEO projections	
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2016**	**2017**
World output	**5.4**	**4.2**	**3.4**	**3.3**	**3.4**	**3.1**	**3.2**	**3.5**	**-0.2**	**-0.1**
Advanced economies	**3.1**	**1.7**	**1.2**	**1.1**	**1.8**	**2.0**	**1.9**	**2.0**	**-0.2**	**-0.1**
USA	2.5	1.6	2.2	1.5	2.4	2.6	2.4	2.5	-0.2	-0.1
Euro area	2.0	1.6	-0.8	0.3	0.9	1.5	1.6	1.6	-0.2	-0.1
Japan	4.7	-0.5	1.7	1.6	-0.1	0.6	1.0	-0.1	-0.5	-0.4
United Kingdom	1.9	1.6	0.7	1.7	3.0	2.2	1.9	2.2	-0.3	-0.2
Emerging and Developing Economies	**7.5**	**6.3**	**5.2**	**5.0**	**4.6**	**4.0**	**4.1**	**4.6**	**-0.2**	**-0.1**
Emerging and Developing Asia	**9.6**	**7.9**	**6.8**	**7.0**	**6.8**	**6.6**	**6.4**	**6.3**	**0.1**	**0.1**
China	10.6	9.5	7.7	7.7	7.3	6.9	6.5	6.2	0.2	0.2
India	10.3	6.6	5.1	6.9	7.3	7.3	7.5	7.5	0.0	0.0
Asean-5				5.1	4.6	4.6	4.9	5.1	0.1	0.0
Sub-Saharan	**6.6**	**5.0**	**4.3**	**5.2**	**5.1**	**3.4**	**3.0**	**4.0**	**-0.6**	**-0.8**
Excluding Nigeria and South Africa	6.2	5.9	5.2	6.4	5.7	4.7	4.4	5.4		
Nigeria	10.0	4.9	4.3	5.4	6.3	2.7	2.3	3.5		
South Africa	3.0	3.2	2.2	2.2	1.5	1.3	0.6	1.2		
Oil Exporting	8.5	4.6	3.8	5.7	5.9	2.6	2.2	3.4		
Oil Importing	5.3	5.3	4.6	4.8	4.4	4.0	3.6	4.4		
SADC	**4.2**	**4.3**	**3.7**	**4.2**	**3.5**	**2.7**	**2.4**	**2.9**		
Excluding South Africa										
EAC Overall	**7.4**	**6.9**	**4.6**	**5.8**	**5.9**	**5.8**	**6.1**	**6.3**		
Kenya	8.4	6.1	4.5	5.7	5.3	5.6	6.0	6.1		
Rwanda	6.3	7.5	8.8	4.7	7.0	6.9	6.3	6.7		
Tanzania	6.4	7.9	5.1	7.3	7.0	7.0	6.9	6.8		
Uganda	7.7	6.8	2.6	3.9	4.9	5.0	5.3	5.7		
Burundi	5.1	4.2	4.0	4.0	4.7	-4.1	3.4	3.9		
<u>Memorandum</u>										
World Commodity prices (U.S. dollars)										
Oil				-0.9	-7.5	47.2	-31.6	17.9	-14.0	3.0
Nonfuel				-1.2	-4.0	17.5	-9.4	-0.7	-0.1	1.1

Source: *IMF, World Economic Outlook, April, 2016; SSA Region Economic Outlook, April, 2016*
Note: Asean-5 *includes Indonesia, Malaysia, Thailand, Philippines, and Vietnam.*
Oil prices *are simple average prices of UK Brent Dubai Fateh, and West Texas intermediate crude oil.*
Nonfuel *are average based on world commodity export weights*

Appendix 2: Annual GDP Performance by Economic Activity – Mainland Tanzania

Economic Activity	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014r	2015p
Sector Share in GDP											
GDP at market prices	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Agriculture and Fishing	**29.1**	**28.4**	**26.8**	**27.3**	**27.2**	**26.3**	**25.2**	**24.8**	**23.8**	**23.0**	**23.0**
Agriculture	**27.3**	**26.7**	**25.2**	**25.7**	**25.7**	**24.8**	**23.8**	**23.4**	**22.5**	**21.8**	**21.8**
Crops	15.7	14.8	13.5	13.7	13.8	13.4	13.0	12.9	12.1	12.5	
Fishing	**1.7**	**1.7**	**1.6**	**1.6**	**1.5**	**1.5**	**1.4**	**1.4**	**1.3**	**1.3**	**1.3**
Industry and construction	**19.4**	**19.7**	**20.2**	**20.4**	**20.0**	**20.5**	**21.3**	**21.1**	**21.5**	**22.2**	**22.2**
Mining and quarrying	4.2	3.5	3.5	3.0	3.4	3.4	3.3	3.4	3.3	3.4	3.4
Manufacturing	6.6	6.8	7.0	7.4	7.4	7.5	7.5	7.4	7.3	7.3	7.3
Electricity Gas &Water	2.0	1.8	1.8	1.8	1.7	1.8	1.6	1.6	1.6	1.6	1.6
Construction	6.7	7.6	7.9	8.2	7.5	7.8	8.9	8.7	9.3	9.9	9.9
Services	**46.8**	**47.4**	**47.4**	**46.8**	**47.0**	**47.6**	**47.8**	**48.8**	**48.7**	**48.8**	**48.8**
Trade and repairs	9.1	9.5	9.9	10.0	9.7	10.0	10.4	10.2	10.0	10.2	10.2
Hotels and restaurants	1.9	1.9	1.8	1.8	1.7	1.6	1.6	1.6	1.5	1.5	1.5
Transport & Communications	8.1	8.4	8.2	8.1	8.7	9.4	9.2	9.7	10.2	10.6	10.6
Financial & Insurance	2.2	2.5	2.8	3.2	3.6	3.8	4.0	4.0	4.0	4.1	4.1
Real estate and business services	10.8	10.7	10.1	10.0	9.8	10.0	9.6	9.7	9.6	9.2	9.2
Public administration & defence	8.5	8.1	8.1	7.2	6.8	6.1	6.5	6.8	6.8	6.6	6.6
Education	3.0	3.0	3.2	3.3	3.4	3.4	3.3	3.4	3.3	3.3	3.3
Health	1.6	1.7	1.6	1.6	1.7	1.6	1.6	1.7	1.7	1.7	1.7
Other social and personal services	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
less FISIM	-1.0	-1.2	-1.2	-1.3	-1.4	-1.4	-1.6	-1.6	-1.5	-1.5	-1.5
Taxes on products	5.7	5.6	6.8	6.8	7.2	7.1	7.3	7.0	7.5	7.5	7.5
GDP Growth Rate											
GDP at market prices (2007=100)	**7.9**	**4.7**	**8.5**	**5.6**	**5.4**	**6.4**	**7.9**	**5.1**	**7.3**	**7.0**	**7.0**
Agriculture and Fishing	**5.5**	**2.4**	**2.4**	**7.5**	**5.1**	**2.7**	**3.5**	**3.2**	**3.2**	**3.4**	**3.4**
Agriculture	**5.4**	**2.3**	**2.5**	**7.5**	**5.4**	**2.8**	**3.5**	**3.3**	**3.1**	**3.5**	**3.5**
Crops	6.6	-1.4	-1.5	7.8	5.5	3.7	4.8	4.2	4.0	3.5	
Fishing	**6.7**	**2.8**	**0.9**	**7.2**	**0.5**	**0.9**	**2.6**	**2.9**	**5.5**	**2.0**	**2.0**
Industry and construction	**11.7**	**6.2**	**11.0**	**6.5**	**3.3**	**9.1**	**12.0**	**4.0**	**9.5**	**10.3**	**10.3**
Mining and quarrying	16.0	-13.7	9.2	-9.8	18.7	7.3	6.3	6.7	3.9	9.4	9.4
Manufacturing	9.4	8.4	11.5	11.4	4.7	8.9	6.9	4.1	6.5	6.8	6.8
Electricity Gas &Water	6.2	-2.8	3.9	5.1	4.4	7.8	-2.9	3.1	8.1	6.8	6.8
Construction	13.0	19.2	13.1	9.7	-3.8	10.3	22.9	3.2	14.6	14.1	14.1
Services	**8.1**	**6.0**	**8.5**	**4.2**	**5.8**	**7.8**	**8.4**	**7.2**	**7.1**	**7.2**	**7.2**
Trade and repairs	5.8	9.4	12.9	6.5	2.7	10.0	11.3	3.8	4.5	10.0	10.0
Hotels and restaurants	3.6	3.4	4.5	3.3	1.0	3.7	4.1	6.7	2.8	2.2	2.2
Transport & Communications	10.8	7.9	6.0	4.6	12.9	15.4	5.9	10.9	12.7	10.6	10.6
Finance & Insurance	8.3	19.1	21.7	18.8	18.4	12.6	14.8	5.1	6.2	10.8	10.8
Real estate and business services	6.8	3.6	2.9	4.0	3.4	8.3	3.3	6.4	5.9	3.2	3.2
Public administration & defence	13.6	-0.3	9.1	-6.3	-0.7	-5.0	15.9	9.1	7.8	3.9	3.9
Education	4.0	7.7	13.2	9.5	9.2	6.4	5.6	7.4	4.3	4.8	4.8
Health	7.8	9.9	7.0	5.5	7.4	3.3	5.3	11.4	8.8	8.1	8.1
Other social and personal services	3.0	4.9	5.4	5.2	4.6	5.6	5.8	6.6	5.6	5.8	5.8
less FISIM	10.1	23.4	11.7	6.8	20.0	7.9	22.6	1.2	0.1	9.7	9.7
Taxes on products	7.8	3.5	31.0	4.8	12.8	3.8	12.1	0.4	14.2	7.7	7.7
Contribution to GDP growth rate											
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Agriculture and Fishing	**20.5**	**14.7**	**7.9**	**36.1**	**25.9**	**11.5**	**11.6**	**15.9**	**10.9**	**11.6**	**11.6**
Agriculture	**19.0**	**13.6**	**7.8**	**34.1**	**25.7**	**11.3**	**11.1**	**15.2**	**9.9**	**11.2**	**11.2**
Crops	13.2	-4.8	-2.7	18.9	14.1	7.9	8.2	10.6	7.2	6.2	
Fishing	**1.5**	**1.1**	**0.2**	**2.1**	**0.1**	**0.2**	**0.5**	**0.8**	**1.0**	**0.4**	**0.4**
Industry and construction	**27.6**	**25.8**	**25.7**	**23.7**	**12.5**	**28.5**	**31.2**	**16.7**	**27.6**	**31.9**	**31.9**
Mining and quarrying	7.9	-12.3	3.8	-6.1	10.4	3.8	2.7	4.3	1.8	4.4	4.4
Manufacturing	7.7	11.9	9.3	14.4	6.5	10.4	6.6	6.0	6.6	7.2	7.2
Electricity Gas &Water	1.6	-1.2	0.9	1.6	1.4	2.2	-0.6	1.0	1.7	1.5	1.5
Construction	10.4	27.4	11.8	13.8	-5.8	12.2	22.6	5.5	17.5	18.8	18.8
Services (RHS)	**47.6**	**60.4**	**47.4**	**35.7**	**50.2**	**57.4**	**50.5**	**67.1**	**47.8**	**50.3**	**50.3**
Trade and repairs	6.8	18.4	14.5	11.5	5.0	15.2	14.4	7.6	6.3	14.3	14.3
Hotels and restaurants	0.9	1.4	1.0	1.1	0.3	1.0	0.9	2.1	0.6	0.5	0.5
Transport & Communications	10.7	13.8	5.9	6.8	19.4	20.9	7.1	19.6	17.0	15.6	15.6
Financial & Insurance	2.3	9.1	6.5	9.5	10.8	7.1	7.1	4.0	3.4	6.2	6.2
Real estate and business services	9.3	8.3	3.6	7.4	6.4	12.8	4.2	11.9	7.9	4.3	4.3
Public administration	13.8	-0.6	8.7	-9.2	-1.0	-5.4	12.2	11.6	7.3	3.8	3.8
Education	**1.5**	**4.9**	**4.8**	**5.5**	**5.6**	**3.4**	**2.4**	**4.8**	**2.0**	**2.3**	**2.3**
Health	**1.6**	**3.4**	**1.4**	**1.6**	**2.3**	**0.9**	**1.1**	**3.5**	**2.0**	**2.0**	**2.0**
Other social and personal services	**0.7**	**1.8**	**1.1**	**1.5**	**1.4**	**1.4**	**1.2**	**2.0**	**1.2**	**1.3**	**1.3**
less FISIM	**-1.3**	**-5.1**	**-1.7**	**-1.5**	**-4.6**	**-1.8**	**-4.1**	**-0.4**	**0.0**	**-2.0**	**-2.0**
Taxes on products	**5.6**	**4.2**	**20.7**	**5.9**	**16.0**	**4.3**	**10.8**	**0.6**	**13.7**	**8.2**	**8.2**

Source: *NBS and BOT Calculations*

Appendix 3: Annual GDP Performance by Economic Activity – Zanzibar

Economic Activity	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014r	2015p
Sectoral Share in total GDP												
GDP at market prices	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Agriculture and Fishing	**21.9**	**21.5**	**26.0**	**24.7**	**25.0**	**24.4**	**24.2**	**23.1**	**20.2**	**21.4**	**19.9**	**19.9**
Agriculture	**17.9**	**17.5**	**20.8**	**19.6**	**19.8**	**19.5**	**19.4**	**18.1**	**15.3**	**16.6**	**15.1**	**15.1**
Crops	13.7	13.3	14.6	13.5	13.8	13.7	13.7	12.7	9.9	11.4	9.9	9.9
Fishing	**3.9**	**4.0**	**5.3**	**5.1**	**5.2**	**4.9**	**4.8**	**5.0**	**4.9**	**4.7**	**4.8**	**4.8**
Industry and construction	**13.5**	**13.7**	**17.2**	**16.8**	**18.0**	**17.9**	**17.9**	**19.4**	**19.9**	**19.2**	**19.0**	**19.0**
Mining and quarrying	0.7	0.8	1.1	1.1	1.3	1.4	1.4	1.5	1.7	1.5	1.5	1.5
Manufacturing	5.1	5.0	8.9	8.5	8.1	8.0	7.9	7.8	7.7	7.7	7.9	7.9
Electricity Gas &Water	1.6	1.6	0.8	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7
Construction	6.1	6.3	6.4	6.4	7.8	7.8	7.9	9.3	9.8	9.3	9.0	9.0
Services	**49.1**	**49.3**	**47.6**	**49.4**	**49.0**	**49.6**	**49.9**	**49.5**	**49.4**	**48.3**	**49.6**	**49.6**
Trade & repairs	9.1	9.9	11.1	11.6	10.1	9.2	8.8	8.6	7.4	7.1	7.5	7.5
Hotels & restaurants	5.7	7.7	8.9	8.8	7.9	7.5	7.3	7.9	7.7	7.8	7.8	7.8
Transport & communication	7.8	8.1	4.9	6.4	7.0	6.8	7.8	8.1	8.8	8.2	8.7	8.7
Financial intermediation	1.7	1.8	3.1	3.5	3.4	4.0	4.4	4.3	4.4	4.3	4.4	4.4
Real estate & business services	1.0	1.0	6.4	6.4	6.5	6.5	6.6	6.4	6.6	6.6	6.6	6.6
Public administration	16.4	13.5	8.0	7.7	9.0	10.6	10.2	9.5	10.1	9.9	10.3	10.3
Other social and personal services	0.4	0.4	1.2	1.2	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0
Less FISIM			0.75	0.86	0.87	1.05	1.09	1.16	1.16	1.19	1.24	1.24
Taxes on products	15.6	15.6	9.9	10.0	8.9	9.2	9.1	9.1	11.6	12.4	12.8	12.8
GDP Growth Rate												
DP at market prices (2007=100)	**6.5**	**4.9**	**99.8**	**5.7**	**4.2**	**6.2**	**4.3**	**9.3**	**4.9**	**7.2**	**7.0**	**6.8**
Agriculture and Fishing	**2.8**	**2.9**	**99.7**	**0.2**	**5.5**	**3.8**	**3.3**	**4.7**	**-8.3**	**13.2**	**-0.4**	**-0.4**
Agriculture	**-3.9**	**-2.6**	**18.9**	**-5.8**	**1.3**	**-1.9**	**-0.5**	**-6.4**	**15.4**	**8.5**	**-9.4**	**-9.4**
Crops	2.0	1.6	99.7	-2.1	6.6	5.1	4.3	1.7	18.4	22.9	-7.2	-7.2
Fishing	**4.8**	**6.3**	**99.7**	**2.4**	**5.4**	**1.9**	**1.5**	**13.9**	**2.5**	**3.6**	**8.9**	**8.9**
Industry and construction	**12.5**	**6.6**	**99.7**	**3.5**	**11.6**	**5.4**	**4.6**	**18.4**	**7.5**	**3.4**	**6.0**	**6.0**
Mining and quarrying	4.2	15.5	99.7	9.1	19.8	12.6	6.6	18.4	12.7	-3.6	4.9	4.9
Manufacturing	-5.1	2.4	99.6	0.5	-0.4	4.7	3.5	7.0	3.6	6.9	9.9	9.9
Electricity Gas &Water	6.0	7.5	99.9	7.5	0.0	1.8	0.0	19.0	5.8	4.1	5.3	5.3
Construction	37.6	8.8	99.8	6.3	27.6	5.2	5.7	29.8	9.9	1.9	3.0	3.0
Services	**6.7**	**5.3**	**99.8**	**9.4**	**3.3**	**7.1**	**4.8**	**8.3**	**4.8**	**4.6**	**9.9**	**9.9**
Trade and repairs	2.2	14.8	99.7	9.9	-8.9	-3.1	-1.1	7.7	10.4	2.9	13.0	13.0
Hotels and restaurants	11.5	39.9	99.7	4.5	-6.5	1.1	1.8	18.1	1.5	9.5	6.9	6.9
Transport & Communications	6.9	9.8	99.9	37.4	14.7	3.1	19.2	14.2	13.7	0.0	13.3	13.3
Finance & Insurance	19.1	13.7	-99.6	21.0	1.0	25.0	14.5	5.9	7.6	5.1	10.6	10.6
Real estate and business services	4.7	4.7	98.4	4.8	6.8	5.9	5.7	6.6	6.8	7.7	7.5	7.5
Public administration & defence	6.9	13.5	99.9	1.3	22.3	25.7	-0.1	1.7	12.0	5.2	10.8	10.8
Other social and personal services	4.3	4.3	99.2	4.3	0.5	4.4	3.3	7.9	0.1	6.5	5.3	5.3
less FISIM				21.0	5.2	28.1	8.6	15.7	4.8	10.8	11.4	11.4
Taxes on products	6.4	4.9	99.8	6.5	-7.3	10.2	3.4	9.6	33.4	14.1	10.2	10.2
Contribution to GDP growth rate												
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Agriculture and Fishing	**9.7**	**12.8**	**21.4**	**0.8**	**32.3**	**15.0**	**19.0**	**12.1**	**37.1**	**-1.3**	**19.9**	**19.9**
Agriculture	**6.8**	**7.7**	**17.5**	**-1.5**	**25.7**	**13.4**	**17.3**	**4.9**	**34.7**	**-7.3**	**15.1**	**15.1**
Crops	4.4	4.6	13.3	-5.4	21.3	11.3	13.8	2.5	31.4	-11.7	9.9	9.9
Fishing	**3.0**	**5.1**	**4.0**	**2.3**	**6.6**	**1.6**	**1.7**	**7.1**	**2.4**	**6.0**	**4.8**	**4.8**
Industry and construction	**24.6**	**18.3**	**13.7**	**10.6**	**46.6**	**15.5**	**19.1**	**35.2**	**9.5**	**16.5**	**19.0**	**19.0**
Mining and quarrying	0.5	2.4	0.8	1.8	5.4	2.7	2.2	2.8	-0.8	1.0	1.5	1.5
Manufacturing	-4.5	2.5	5.0	0.8	-0.9	6.1	6.5	6.0	7.3	10.9	7.9	7.9
Electricity Gas &Water	1.4	2.4	1.6	1.0	0.0	0.2	0.0	1.4	0.4	0.6	0.7	0.7
Construction	27.2	11.0	6.3	7.0	42.1	6.6	10.4	25.0	2.6	4.0	9.0	9.0
Services (RHS)	**50.3**	**53.3**	**49.3**	**77.4**	**38.4**	**54.9**	**54.6**	**43.3**	**30.6**	**66.7**	**48.3**	**48.3**
Trade and repairs	3.2	27.6	9.9	19.4	24.5	-4.9	-2.3	7.2	3.0	13.2	7.5	7.5
Hotels and restaurants	9.7	47.2	7.7	7.0	13.5	1.3	3.2	14.2	10.1	7.8	7.8	7.8
Transport & Communications	8.2	15.7	8.1	32.3	22.3	3.5	30.6	11.8	0.0	15.6	8.7	8.7
Financial & Insurance	4.4	4.7	1.8	11.4	0.8	13.7	13.6	2.8	3.1	6.5	4.4	4.4
Real estate and business services	0.7	0.9	0.9	5.4	10.4	6.2	8.7	4.7	7.0	7.1	6.6	6.6
Public administration	17.3	45.6	13.5	1.8	40.7	37.0	-0.2	1.9	7.3	15.5	10.3	10.3
Other social and personal services	0.2	0.3	0.4	0.9	0.1	0.8	0.9	0.9	0.9	0.8	1.0	1.0
less FISIM				-2.8	-1.1	-3.9	-2.1	-1.8	-1.7	-2.0	-1.2	-1.2
Taxes on products	15.4	15.6	15.6	11.3	17.3	14.5	7.2	9.4	22.8	18.1	12.8	12.8

***Source**: Office of the Chief Government Statistician and BOT Calculations*

Appendix 4: Selected Macroeconomic Indicators

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National debt to GDP	58.8	33.8	32.1	30.3	34.0	36.9	34.9	35.7	37.9	38.4	39.9
o/w External Debt	48.9	25.4	24.5	24.5	21.6	24.2	24.2	22.3	25.0	26.3	26.7
Inflation rate	5.0	7.2	7.0	10.3	12.2	7.6	12.6	16.0	7.7	6.1	5.3
Trade weighted Exchange rate Index (TWERI)	93.2	104.8	100.0	97.2	93.4	92.2	104.8	111.4	82.0	85.6	88.7
Non- Financial Corporate Debt to GDP				10.7	10.01	10.7	11.3	11.5	12.3	12.9	8.6
Household Debt to Disposable Income											
Including Informal Sector			18.4	17.7	18.0	19.6	20.8	22.6	23.0	24.0	24.3
Excluding Informal Sector			45.8	40.6	43.8	50.1	56.1	63.7	64.5	67.1	69.5
Growth rate of Household Disposable income											
Including informal sector	61.8	15.2	14.0	22.7	9.6	10.4	14.04	12.4	12.4	13.3	
Excluding informal sector	8.5	12.3	18.5	40.6	4.1	6.2	10.3	9.3	14.5	16.0	
Growth Rate of Per-capital income	2.3	0.7	1.1	5.0	2.7	2.7	3.8	5.3	2.7	4.2	

Source.: *Bank of Tanzania*

Appendix 5: Growth Rate of Commercial Banks Lending by Sector

Percent

End of Period	Agriculture	Financial Intermediaries	Mining & Quarrying	Manufacturing	Building & Construction	Real Estate	Transport & Communication	Trade	Tourism	Hotels & Restaurants	Electricity	Personal
Sep-14	-0.7	38.2	42.1	24.6	30.0	7.4	20.5	25.3	22.7	15.0	65.1	13.2
Oct-14	4.1	32.5	51.4	27.2	31.3	4.9	32.6	34.6	22.3	17.8	56.7	14.6
Nov-14	5.3	26.9	21.4	22.6	21.2	6.6	17.0	21.9	31.1	16.4	68.0	24.0
Dec-14	9.6	23.7	71.9	19.4	28.3	1.5	27.2	22.7	14.2	17.5	9.4	20.6
Jan-15	-1.3	21.2	57.0	22.4	24.7	0.4	31.7	25.9	24.2	19.1	9.3	22.3
Feb-15	-2.1	33.1	72.4	31.8	25.0	-2.5	34.2	28.6	24.9	17.8	3.2	22.1
Mar-15	-0.9	16.5	60.1	21.9	27.9	-0.9	23.7	35.7	19.1	14.1	8.0	17.6
Apr-15	2.8	14.7	51.8	20.3	22.4	4.8	24.5	39.3	13.9	19.3	14.6	18.9
May-15	6.0	18.0	99.9	32.8	23.1	11.7	31.9	32.7	29.7	24.2	22.5	23.9
Jun-15	7.6	3.0	54.3	26.3	13.2	8.1	30.8	27.3	28.5	10.0	14.6	22.1
Jul-15	6.0	-7.5	50.1	30.7	22.9	19.7	24.8	24.6	31.3	13.6	16.3	25.3
Aug-15	12.9	-14.5	55.7	36.7	19.5	22.0	28.4	14.7	21.5	33.6	16.3	24.8
Sep-15	15.4	1.3	44.4	20.7	12.7	38.8	31.2	25.0	23.9	20.9	10.9	25.1
Oct-15	12.2	1.5	59.6	25.0	9.4	28.0	18.8	17.9	24.2	23.0	16.2	25.0
Nov-15	11.0	12.1	73.8	23.7	9.7	30.6	35.8	22.9	7.9	23.4	10.1	17.0
Dec-15	11.1	30.2	65.5	22.3	12.3	35.8	33.0	16.0	36.4	18.0	-0.3	29.8
Jan-16	22.1	3.2	60.7	22.9	13.3	41.0	28.0	9.4	13.4	18.2	8.2	32.9
Feb-16	16.1	9.1	58.8	14.9	19.1	43.6	24.3	8.9	32.4	15.2	13.8	38.0
Mar-16	11.2	24.3	64.0	20.6	9.7	42.2	27.3	2.2	24.3	16.2	5.8	37.2

Source: *Bank of Tanzania*

Appendix 6: Non Performing Loans by Sector

Billions of TZS

	Mar-13	Jun-13	Sep-13	Dec-16	Mar-14	Jun-14	Sep-14	Dec-14	Mar-14	Jun-15	Sep-15	Dec-15	Mar-16
Agriculture	138.5	157.7	164.0	122.5	164.8	197.3	213.3	189.5	200.2	190.0	211.3	227.8	300.5
Financial Intermediaries	18.5	18.2	18.8	15.2	38.5	41.4	45.9	40.6	38.8	54.5	57.5	39.9	47.1
Mining and quarrying	11.7	2.9	3.5	0.7	8.1	7.8	7.5	7.8	8.5	10.1	26.1	43.0	27.9
Manufacturing	96.3	85.4	75.8	72.9	92.5	94.1	108.3	47.9	46.8	42.7	58.8	117.9	114.0
Building & construction	28.6	16.1	20.8	15.6	22.5	22.2	22.6	21.8	23.8	55.5	62.4	56.8	95.8
Real Estate	32.6	40.0	24.1	26.5	32.5	33.8	36.9	15.1	15.2	15.2	8.7	14.7	22.9
Leasing	0.0	0.0	0.3	0.3	0.3	0.7	0.4	2.1	2.2	0.1	0.2	0.2	0.2
Transport and communication	33.6	55.0	39.7	42.8	63.3	70.1	66.0	61.0	58.2	75.2	81.5	140.0	164.8
Trade	132.9	135.0	124.8	113.3	140.0	142.0	163.0	138.9	153.8	188.7	185.9	314.6	263.5
Tourism	20.9	18.4	25.2	36.6	41.3	38.5	40.3	29.5	35.0	14.7	14.2	14.6	14.9
Hotels and Restaurants	38.0	68.0	39.4	51.3	62.4	67.4	90.1	80.8	62.2	85.9	83.1	105.1	102.7
Warehousing and Storage	0.0	0.0	0.0	0.0	0.4	1.0	0.1	0.0	1.8	0.1	0.2	0.2	1.4
Electricity	0.8	0.2	0.3	0.3	0.1	2.3	2.2	2.1	2.3	2.2	2.1	1.6	4.4
Gas	7.2	13.0	8.9	6.1	5.3	6.2	9.3	8.7	11.9	11.7	12.9	30.1	33.4
Water	0.6	1.1	1.0	0.7	0.0	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.5
Education	15.2	8.6	6.2	6.7	8.2	13.6	10.3	11.6	13.3	18.3	19.8	28.5	24.6
Health	1.7	1.9	1.3	1.7	3.0	11.2	12.0	10.6	10.4	11.3	13.2	13.9	7.7
Other Services	24.2	19.0	21.9	18.9	30.5	51.6	49.9	38.1	28.7	36.7	47.7	63.9	67.7
Personal (Private)	108.9	122.5	121.5	110.4	111.1	131.9	127.6	109.3	89.5	114.1	96.9	187.5	373.1

Source: *Bank of Tanzania*

Appendix 7: Financial Soundness Indicators of the EAC Banking System

Percent

	Sep-15					Dec-15				
	Tanzania	Kenya	Uganda	Rwanda	Burundi	Tanzania	Kenya	Uganda	Rwanda	Burundi
Capital Adequacy										
Core Capital/TRWA+OBSE	16.7	15.5	17.6	21.3	16.3	17.5	18.2	18.6	19.9	17.3
Total capital/TRWA+OBSE	18.7	18.7	20.1	24.2	18.4	19.5	21.7	21.0	22.5	19.5
Liquidity										
Liquid Assets/Demand Liabilities	35.7	37.4	48.6	46.8	76	37.2	38.1	50.0	45.7	73.7
Total Loans/Customer Deposits	78.9	89.5	64.6	87	84.1	78.9	87.1	64.1	89.5	87.7
Earnings and Profitability										
Net Interest Margin (NIM)	67.1	35.2	62.1	8.1	55.2	67	33.9	65.8	8.1	59.0
Non-Interest Expenses/Gross Income	67.2	38.7	60.8	80.5	68.1	68.1	39.3	62.4	81.1	68.4
Return on Assets-ROA (PBT/Average Total Assets)	2.7	3.3	3.9	2.3	4.6	2.7	3.1	3.7	2.1	8.1
Asset Quality										
Gross non-performing Loans/gross Loans	6.8	5.4	3.8	6.3	12.2	5.0	6.1	5.3	6.2	13.3
NPLs net of provisions/Total Capital	15.7	7.5	7.4	5.1	8.7	10.1	9.5	10.5	5.2	10.1
Earning Assets/Total Assets		87.9	68.7	95.2	67.4		61.6	69.2	78.8	68.2
Sensitivity to market risk										
FX Currency Denominated Assets/Total Assets	34.9	17.3	41.3	38.7	16.1	34.7	16.9	37.5	37.2	15.9
FX Currency Denominated Liabilities/Total Liabilities	39.6	24.6	47.6	86.1	19.7	39.7	24.1	44.2	81.7	18.1
Net Open Positions in FX/Total Capital	-2.4	2.6	-3.0	-7.0	-2.7	1.3	3.5	-5.3	-5.7	3.9

***Source**: Bank of Tanzania*

Appendix 8: Quarterly Performance of Dar es Salaam Stock Exchange

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Total Market Capitalization (TZS Billions)	13,515.8	14,057.9	14,842.0	16,464.3	17,300.7	18,902.2	22,576.3	22,090.4	22,743.3	23,721.5	22,166.4	20,494.7	21,308.2
Domestic Market Capitalization (TZS Billions)	3,323.3	3,865.6	4,308.6	5,979.8	6,175.8	7,490.0	11,021.8	9,925.5	10,235.9	9,927.1	9,809.9	9,527.9	8,470.4
Cross listed Market Capitalization (TZS Billions)	10,192.6	10,192.3	10,533.4	10,484.5	11,124.8	11,412.2	11,554.5	12,164.9	12,507.4	13,794.4	12,356.5	10,966.8	12,837.8
GDP (TZS Billions)	70,953.2	70,953.2	70,953.2	70,953.2	79,442.5	79,442.5	79,442.5	79,442.5	89,775.9	89,775.9	89,775.9	89,775.9	94,981.4
Total Market Capitalization/GDP (Percent)	19.0	19.8	20.9	23.2	21.8	23.8	28.4	27.8	28.6	26.4	24.7	22.8	22.4
% of domestic listed Companies	24.6	27.5	29.0	36.3	35.7	39.6	48.8	44.9	45.0	41.9	44.3	46.5	39.8
% of cross listed Companies	75.4	72.5	71.0	63.7	64.3	60.4	51.2	55.1	55.0	58.2	55.7	53.5	60.2
Market Turn-over (TZS Millions)	10,423.9	34,933.6	40,051.3	167,050.8	22,622.5	42,691.5	173,284.2	143,636.2	277,316.9	283,684.0	222,248.6	286,856.9	122,816.3
Share Indices													
All Share Index	1,521.5	1,582.5	1,607.1	1,866.6	1,958.1	2,172.7	2,172.7	2,519.6	2,596.3	2,726.8	2,531.1	2,333.8	2,432.0
Tanzania Share Index	1,582.1	1,840.1	2,051.0	2,843.5	2,936.7	3,561.6	5,190.9	4,672.6	4,830.0	4,684.1	4,631.9	4,478.1	3,972.1
Banks, Finance & Investment Index	1,343.0	1,860.1	2,020.0	2,510.9	3,541.1	3,502.8	3,790.1	3,452.3	3,444.0	3,409.8	6,194.5	5,964.1	2,643.2
Industrial & Allied (IA)	1,881.7	1,998.2	2,284.0	3,414.6	3,541.1	4,071.1	6,869.3	6,101.0	6,350.0	6,072.4	3,096.4	3,017.2	5,280.2
Commercial Services (CS)	-	-	1,890.7	1,998.6	2,007.0	1,721.5	2,509.2	2,973.8	3,635.2	4,016.1	3,974.2	3,953.3	3,932.3

***Source**: Dar es salaam Stock Exchange*

Appendix 9: Tanzania Mainland: Composition of Social Security Investment Portfolio

Percent

Particulars	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Bank Deposits	7.5	10.2	11.2	9.4	9.4	10.7	9.3	8.0
Government Debt	18.6	19.5	19.5	20.1	18.8	18.2	18.8	20.3
Commercial Paper, Promissory notes and Corporate bonds	0.3	0.3	0.2	0.2	0.4	0.5	0.3	0.3
Loans to Government	19.9	18.1	17.6	19.3	21.6	21.7	20.9	21.0
Ordinary and Preference Share	10.4	12.4	11.0	10.8	9.5	9.4	9.4	8.8
Investments in Licensed Collective Investment Schemes	1.4	1.5	1.4	1.5	1.4	1.4	1.5	1.5
Real Estate	19.3	17.0	20.0	21.1	17.6	18.9	19.3	16.5
Loans to Corporates and Cooperative Societies	7.8	6.7	7.0	5.6	6.8	3.9	3.8	4.0
Infrastructure Investment	2.4	2.1	2.5	2.6	2.7	1.8	2.3	2.5
Other Assets	12.3	12.2	9.5	9.4	11.9	13.5	14.4	17.2
Total Assets (TZS Billions)	7,082.4	8,376.3	8,670.4	8,727.0	9,473.5	9,909.8	10,035.0	10,058.8

Source: *Bank of Tanzania*

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