ISSN 1821 - 7761

MOFP-URT MOFP-RGoZ CMSA Capital Markets & Securities Authority TIRA PMO-LYED DEPOSIT INSURANCE BOARD

TANZANIA FINANCIAL STABILITY REPORT

December 2019

MOFP-URT MOFP-RGoZ

Capital Markets & Securities Authority

PMO-LYED

TANZANIA FINANCIAL STABILITY REPORT

December 2019

ISSN 1821-7761

For enquiries and comments contact
Directorate of Financial Sector Supervision
Bank of Tanzania
2 Mirambo Street
P.O. Box 2939
11884, Dar es Salaam
Tel: +255 22 223 5482
Fax: +255 223 4194
http://www.bot.go.tz

TABLE CONTENTS

LIST OF CHARTS, TABLES AND BOXES

CHARTS

TABLES

BOX

APPENDIX

LIST OF ACRONYMS

ATS	-	Automated Trading System
DIB	-	Deposit Insurance Board
DSE	-	Dar es Salaam Stock Exchange
EAC	-	East African Community
EFT	-	Electronic Fund Transfer
FSSI	-	Financial System Stability Index
HHI	-	Herfindahl Hirschman Index
IFRS	-	International Financial Reporting Standard
IMF	-	International Monetary Fund
JHL	-	Jubilee Holdings Limited
KA	-	Kenya Airways
NAV	-	Net Asset Value
NICOL	-	National Investment Company Limited
NPLs	-	Non- Performing Loans
PLC	-	Public Limited Company
PSSSF	-	Public Sector Social Security Fund
ROI	-	Return on Investment
TACH	-	Tanzania Automated Clearing House
TBL	-	Tanzania Breweries Limited
TCC	-	Tanzania Cigarette Company
TCCL	-	Tanga Cement Company Limited
TISS	-	Tanzania Interbank Settlement System
TMX	-	Tanzania Mercantile Exchange
TPCC	-	Tanzania Portland Cement Company
TRWA	-	Total Risk Weighted Assets
TSA	-	Treasury Single Account
TTP	-	TATEPA Limited
TZS	-	Tanzania Shilling
USD	-	United States Dollar
UTT	-	Unit Trust of Tanzania
UTT – AMIS	-	UTT Asset Management and Investment Services
WRRB	-	Warehouse Receipt Regulatory Board
ZSSF	-	Zanzibar Social Security Fund

FOREWORD

A stable and resilient financial system is quintessential to high economic growth. The Tanzania Financial Stability Forum brings together the Bank and all other stakeholders to exercise oversight over the country's financial and macroeconomic stability and ensure that the overall financial system is safe, sound and resilient to internal and external systemic risks to the economy.

The Forum monitors developments in the financial sector to identify potential systemic risks and take prompt policy actions to contain or mitigate any possible adverse impacts that can disrupt the stability of the financial system.

At the time of releasing the Tanzania Financial Stability Report of December 2019, the global economy remained strong but vulnerable to volatile financial markets and trade protectionism among major economies, which can impair the country's economy through international trade and financial markets operations.

Nonetheless, the Forum projects that the domestic economy and financial system will remain strong and resilient to emerging challenges. The optimistic projection is supported by availability of adequate capital buffer in the banking sector to withstand unanticipated vulnerabilities.

Recently, legislative measures have been taken to broaden the regulatory mandate of the Bank in order to broaden the scope of supervision in the financial sector. This was by the promulgation of Regulations that bring under the Bank's supervisory mandate Non-deposit taking microfinance services, Savings and Credit Co-operatives Society and Community Microfinance Groups. The measures will enable identification and mitigation of potential risks in the microfinance sub-sector with the objective of buttressing the safety and resilience of the financial system.

The collaborative efforts fostered by the Forum ensure that the Government and all other stakeholders are abreast in securing the financial system to sustain macroeconomic stability and the good pace of economic growth that has been consistently recorded over the recent years.

Prof. Florens D.A.M. Luoga
Governor and Chairman of Tanzania Financial Stability Forum
31st December 2019

EXECUTIVE SUMMARY

The financial system is considered stable when it continues to support economic growth in the midst of domestic and external vulnerabilities. This report, prepared by members of the Tanzania Financial Stability Forum, intends to inform stakeholders about the status of financial system in the country and other macroeconomic aspects. The report shows that domestic financial system remained resilient, efficient and effective in 2019.

The banking sector remained sound and stable, amid some challenges in asset quality. The sector experienced increase in lending, leading to more interest income and profitability. Aggregate core capital and total capital ratios stood at 16.7 percent and 17.9 percent, against regulatory thresholds of 10.0 percent and 12.0 percent, respectively. The banks liquidity remained above minimum regulatory threshold of 20 percent, at 32.4 percent. Although NPLs ratio declined to 9.8 percent from 10.4 percent, it was above the desirable level and the Bank continues to take measure to address the challenge. Borrowing by top ten banks from domestic banks increased by 25.2 percent, while from banks abroad declined by 15.4 percent. Further, the top ten banks' placements with banks abroad declined by 11.6 percent suggesting increased interbank lending to domestic market. The decline in foreign placements reflects low foreign exchange exposure.

The capital market was sound, stable and exhibited improved performance. Trading activity in equity market grew as supported by increase in turnover and active participation of foreign investors. The share of domestic market capitalization increased to 52.70 percent in December 2019 from 49.28 percent recorded in December 2018. Market capitalization concentration risk was moderate with a fair balance in market capitalization among cross-listed and domestic listed companies. The sector is expected to continue experiencing improved performance as the corporate appetite and foreign investors' participation increases.

The social security assets grew in line with increase in return on investment. As at the end of December 2019, total assets grew by 11.8 percent to TZS. 12,776.1 billion, while the total Return on Investment increased by 1.7 percent to TZS 321.4 bilion compared to December 2018. Investment in Government securities increased to 37.1 percent from 35.8 percent in December 2018. Investment in real estate declined from 21.4 percent to 14.2 percent. The shift of investment from real estate to Government securities and infrastructure has partly reduced Funds' risk exposure to low returns in property market.

Insurance Assets and Net Worth increased in line with the increase in Gross Premium Written. The sub-sector recorded growth in total assets of 11.7 percent as at the end of December 2019 compared to 8.5% in 2018.The increase was on account of Gross Premium Written. Liabilities grew by 11.3 percent due to increase in unearned premium, however this was offset by increase in assets as reflected by 12.7 percent growth in net worth to TZS 316.7 billion.

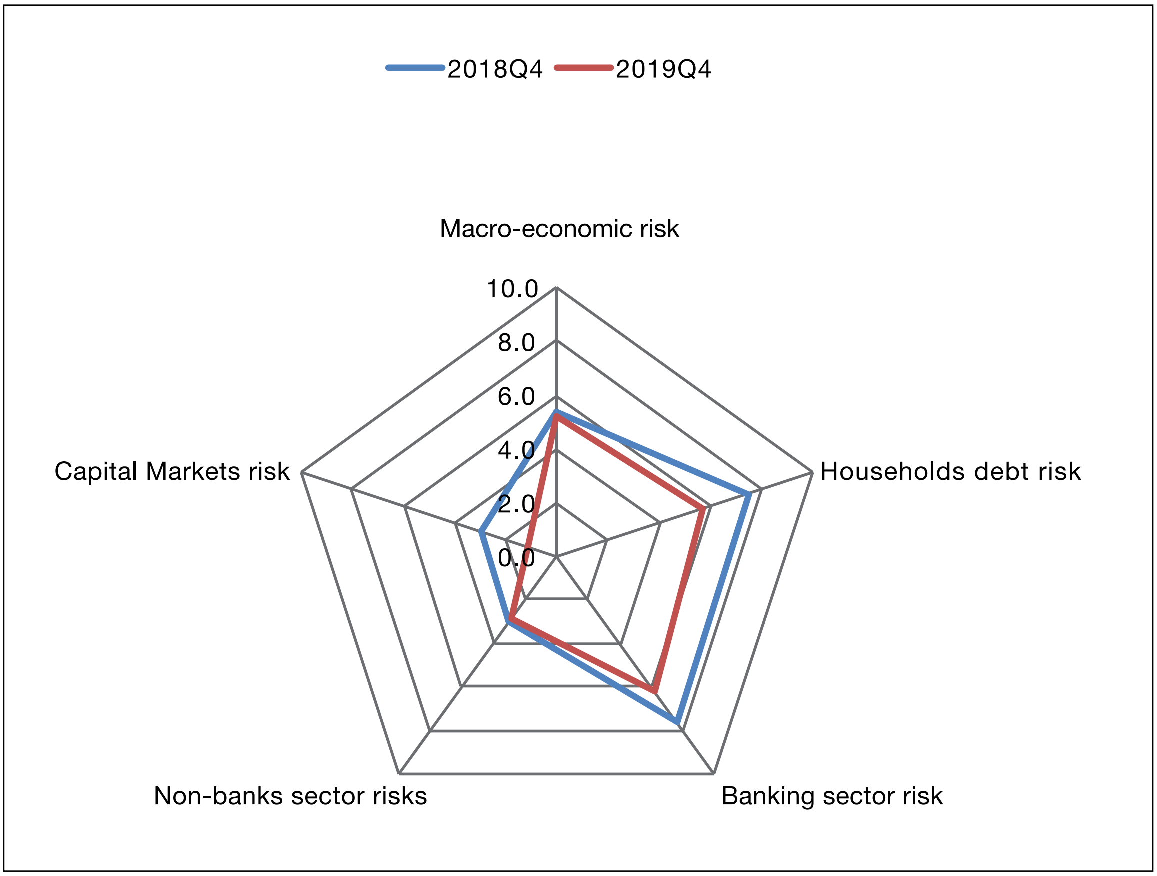
Household income improved, resulting to increased credit worthiness. The 2019 Household Financial Condition Survey results showed an increase in household income, which improved salary earners' ability to service their debt obligations and strengthened financial institutions balance sheets. Additionally, cost of borrowing for salary earners declined, which led to improved borrowers' debt-servicing capacity. Respondents revealed that, banks and other lending institutions improved their lending terms and conditions leading to reduced household indebtedness, debt-servicing cost and enhanced debt servicing capacity.

Given the policy initiatives and macro-prudential measures, domestic economy remained strong, supported by stable macro-economic environment. The accommodative policy stance undertaken by the Bank of Tanzania has led to stable inflation, exchange rate and growth of credit to private sector. Globally, growth remained subdued, owing to continued trade tensions between US and China, with growth projected to slow down in 2020. The on-going policy uncertainties in advanced countries may increase building-up of vulnerabilities through increased sovereign debt burden and weakened debt-servicing capacity. However, banking sector has accumulated adequate capital buffer to withstand potential external shocks.

In conclusion, risks emanating from global environment increased during the twelve months to December 2019, while risks arising from domestic economy decreased. The global economy is exposed to trade tension between the US and China, leading to slowdown in global trade and weakened investment. The emergence of corona virus is likely to affect global economic and financial environment. In addition, the accommodative monetary policy pursued by advanced economies may trigger volatility in the financial markets and create pressure on exchange rates and rising debt servicing cost for public and private borrowers. However, risk to domestic economy will remain moderate on account of anticipated positive economic growth, stable macroeconomic environment and business environment. In addition, risks to household financial conditions declined on account of increased income and eased credit standards, which improved their creditworthiness. Further, risk to banking sector, capital market and non- bank sector (insurance and pension sectors) declined during the past twelve months.

The identified potential risks to domestic macro-financial environment are summarized and presented by the financial stability risk map and financial system stability index below:

Financial Stability Risk Map[1]



Source: *Bank of Tanzania*

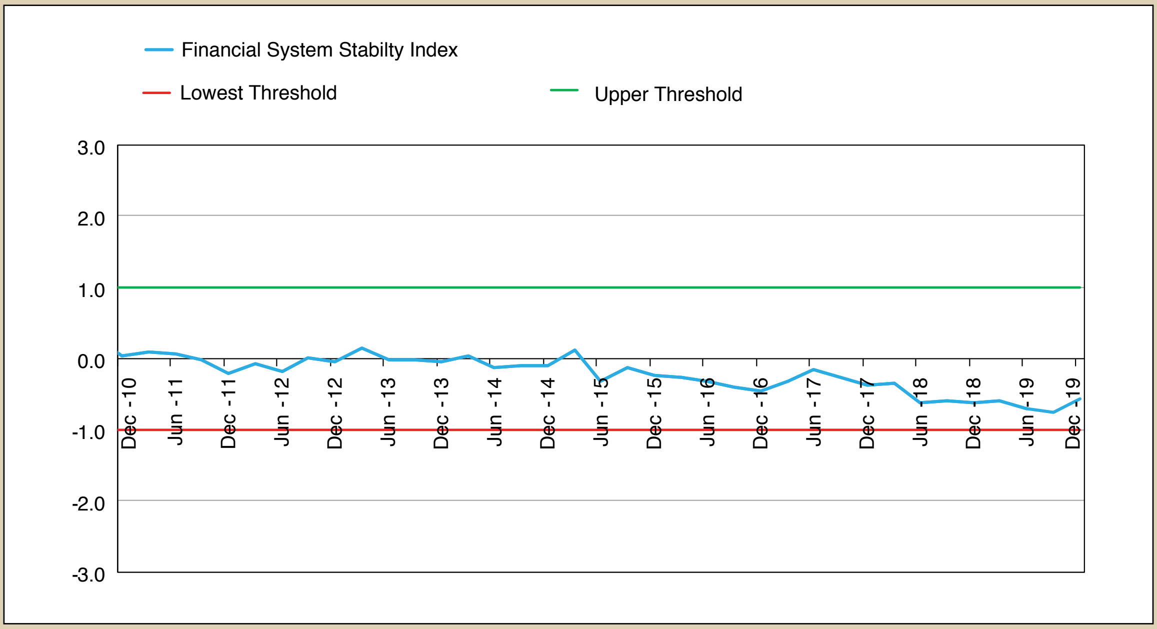
[1] The risk increases as you move from 0 to 10.

Box 1: Financial System Stability Index

Financial System Stability Index (FSSI) is an early warning indicator, which measures stability of the financial system. The Index uses financial market data and banking sector prudential indicators measuring capital, assets quality, earnings and liquidity. The indicators are transformed into a composite index using standardized common scale on the assumption that the data are normally distributed. For a stable financial system, the index should evolve within three standard deviations of (+3 and -3).

Following the assessment on financial vulnerability and soundness that was done in the December 2019, the financial system was stable and resilient to short term vulnerabilities. The FSSI improved to -0.6 as at the end of December 2019 compared to -0.8 in 2018.

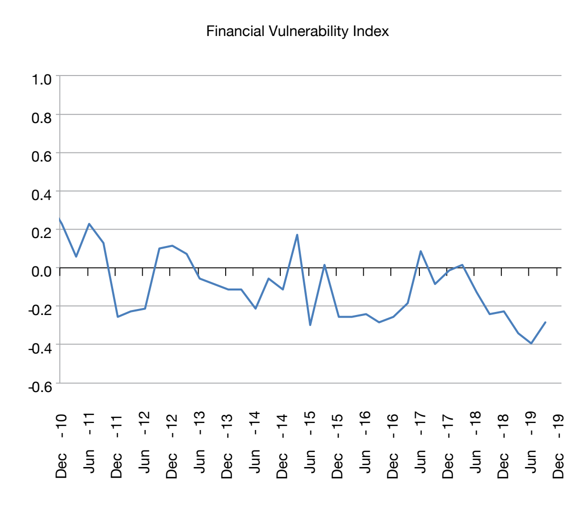
Financial System Stability Index

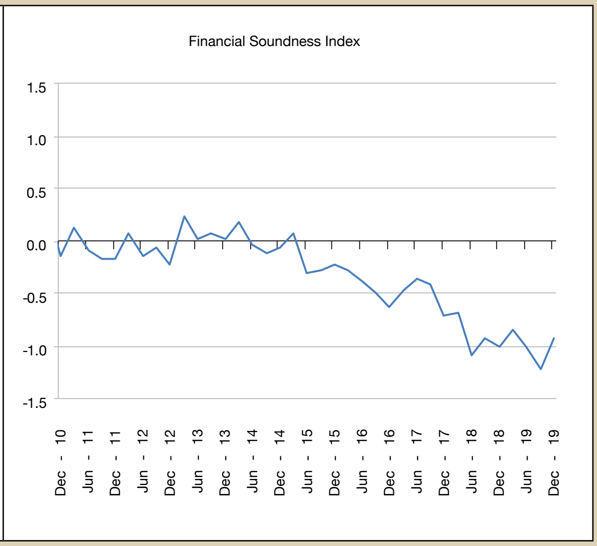


Source: *Bank of Tanzania*

The improvement was attributed to reduction of credit risk, which is partly explained by decline in the level of NPLs to 9.8 percent as at the end of December 2019 from 11.1 percent in 2018. In addition, Capital Adequacy Ratio for the banking sector remained strong at 16.7 in December 2019, above the minimum regulatory threshold of 10.0 percent reflecting improvement of resilience of the sector against shocks.

Specific Observations: FSSI since March 2015 depicted a deteriorating trend up to September 2019 approaching negative one and started to improve in December 2019. The constituents of Financial Soundness Sub-Index are the ones which pulled down the overall index despite their negative effects. However, positive effect of constituents of Financial Vulnerability Sub-Index have somewhat offset the negative effects of Financial Soundness Index therefore improved the financial stability.





Policy Implications:

Close monitoring of Financial Soundness indicators to contain negative impact on the financial stability including increase in: capital adequacy ratio (+), ratio of NPL to net of provisions of capital (-), ratio of NPL to total loans (-), total loans to total deposit ratio (-), return on assets (+) and non-interest expenses to gross income ratio (-).

Close monitoring of Financial Vulnerability indicators that have depicted a deteriorating or increasing trend and have negative impact to the overall index include increase in: IBCM rate (-), nominal exchange rate (-), T-bills rate (-) and mortgage loans (-), which contributed to a building up of systemic risk due to fall in property prices and increase in vacant spaces in commercial and residential properties.

NB: (+) means the ratio has positive impact and (–) means the ratio has negative impact on the stability of the financial system.

1.0 INTRODUCTION

Financial stability is a state whereby the financial system, including financial institutions, financial markets and payment system infrastructure, is capable to withstand economic and financial shocks in order to save the needs of the economy. The primary objective of the Financial Stability Report is to inform policy makers and other stakeholders the state of stability of the financial system in order to take appropriate and timely action, whenever necessary.

In cognizant of the importance of communicating financial stability issues, Members of the Tanzania Financial Stability Forum (TFSF) inform stakeholders about the resilience of the financial system to external and internal vulnerabilities, thereby building public confidence on the Tanzanian financial system. In carrying-out regulatory and supervisory functions, the Forum monitors, assesses and identifies potential systemic risks to promote safety and soundness of the financial system for sustainable economic growth. This report presents conditions that may have implications to domestic financial stability by analysing vulnerabilities emanating from domestic, regional and global developments. The assessment focuses on the resilience of the financial system and the main risks to financial stability, and the action to be taken to mitigate risks.

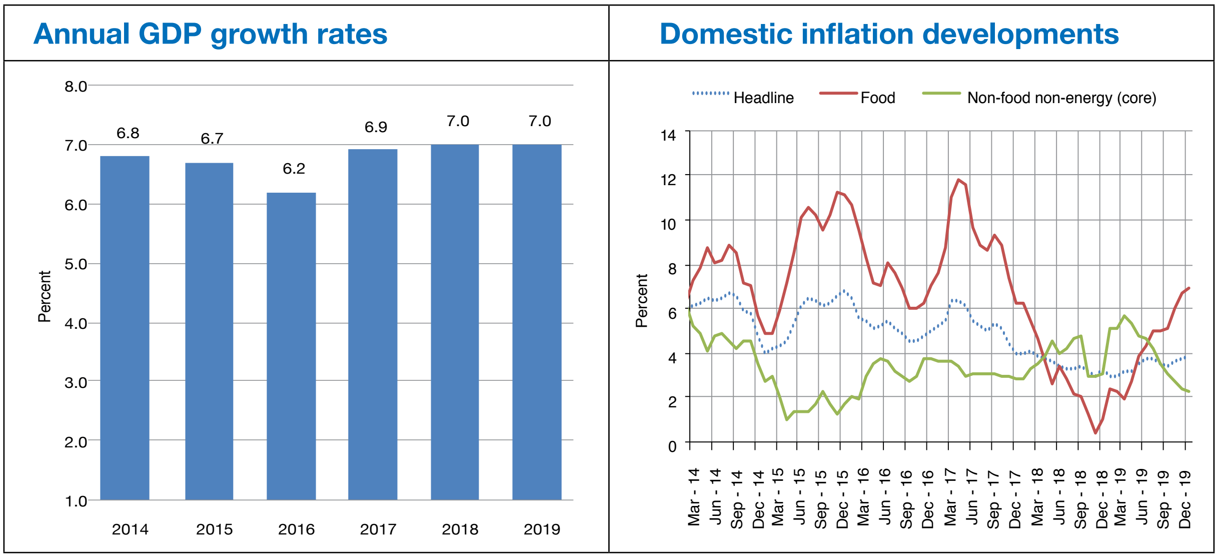
2.0 MACROECONOMIC AND FINANCIAL ENVIRONMENT

2.1 Domestic Macroeconomic and Financial Environment

Domestic economy performance continues to improve, supported by stable macroeconomic environment, investment in infrastructure and manufacturing. The economic growth remained stable and among the highest in the region, projected at 7.0 percent in 2019. This growth momentum was supported by accommodative monetary policy, improved business environment and investment in infrastructure. Subsequently, growth of credit to the private sector more than doubled to 11.1 percent in 2019 compared with 4.9 percent in 2018.

Inflation remained stable at an average of 3.4 percent in 2019, which is below the country medium-term target of 5.0 percent and within convergence criteria of the EAC of not more than 8.0 percent and a range of 3.0 and 7.0 percent for SADC (**Chart 2.1**).

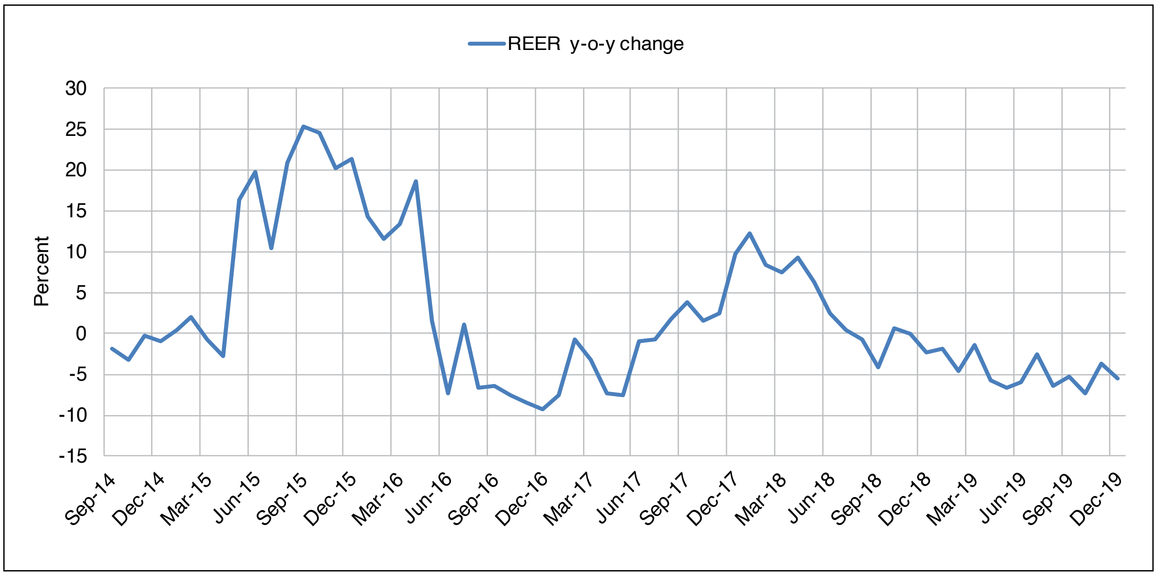
Chart 2.1: Selected macroeconomic indicators



Source: *National Bureau of Statistics and Bank of Tanzania*

External sector improved significantly as reflected by narrowing of current account deficit by 2.0 percent of GDP in 2019 from around 3.4 percent of GDP in 2018 implying the economy is capable to financing external obligations. The increase in exports was supported by a slight depreciation of Real Effective Exchange Rate and improved trade competitiveness with trading partners in gold, tourism and manufactured goods (**Chart 2.2**).

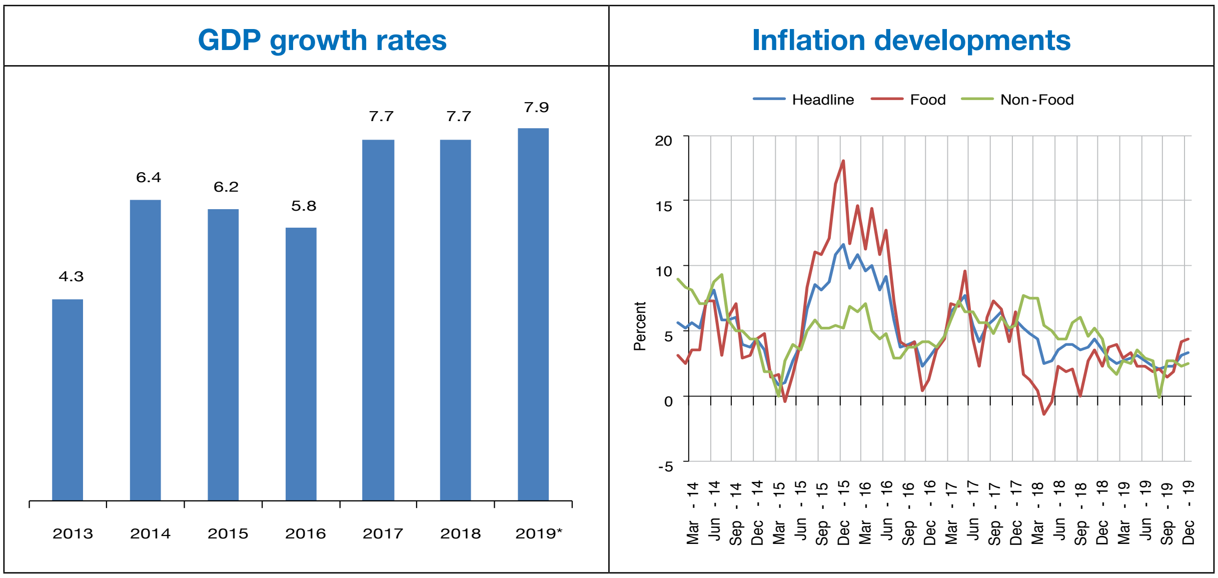
Chart 2.2: Real effective exchange rate



Source: *Bank of Tanzania*

Zanzibar economy remained strong, driven by investment in infrastructure and growth in tourism sector. Zanzibar economy registered a strong growth of 7.1 percent in 2018 driven by manufacturing, wholesale and retail trade, real estate, information and communication and fishing sub-activities. The economy is projected to grow at 7.8 percent in 2019 following the ongoing public investments in health, education and infrastructure, particularly roads, ports and airport, increased investment in tourism and related activities. Inflation rate in 2019 declined to an average of 2.7 percent from 3.9 percent in 2018 (**Chart 2.3**). Major risk to growth prospects include expected decline in export demand due to trade tensions among the major trading economies.

Chart 2.3: Selected macro-economic indicators for Zanzibar



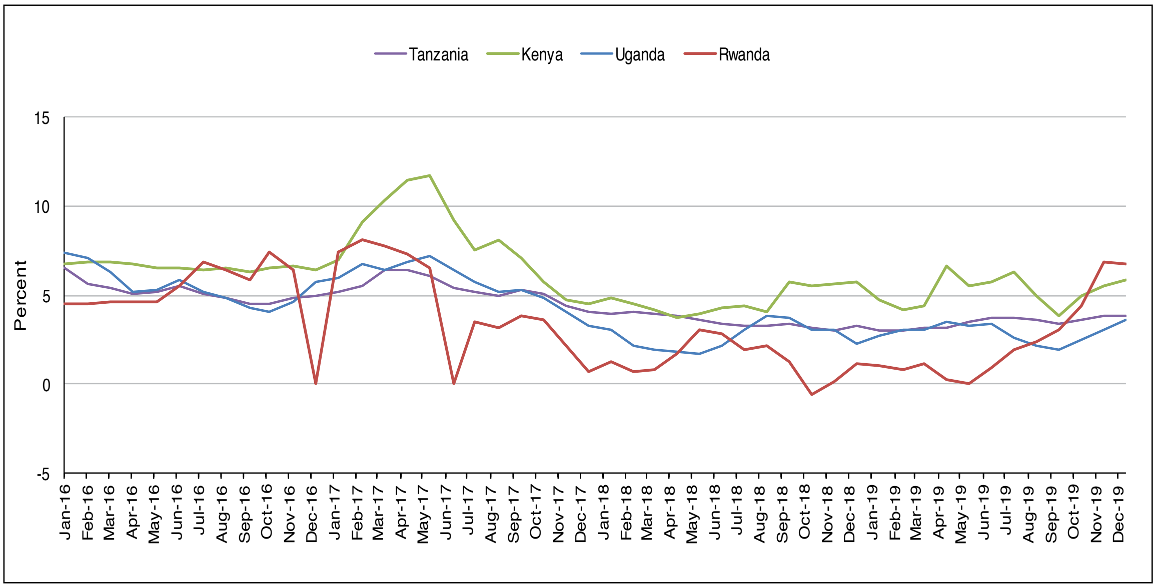
Source: *Office of Chief Government Statistician (OCGS)*

The performance of the domestic economy also depends on regional and global developments. Therefore, any downside risks to global economy may impact on domestic economy.

2.2. Regional Macro-economic and Financial Developments

Economic growth in the East African region remained strong and diverse. Growth for the region is projected to remain robust at 5.9 percent in 2019 supported by increasing public investment in infrastructure, manufacturing and services. Inflation rates in EAC countries averaged at 4.5 percent in 2019 below the convergence criteria of not more than 8.0 percent supported by improved food supply, decrease in oil, property and rental prices (**Chart 2.4**).

Chart 2.4: EAC countries inflation

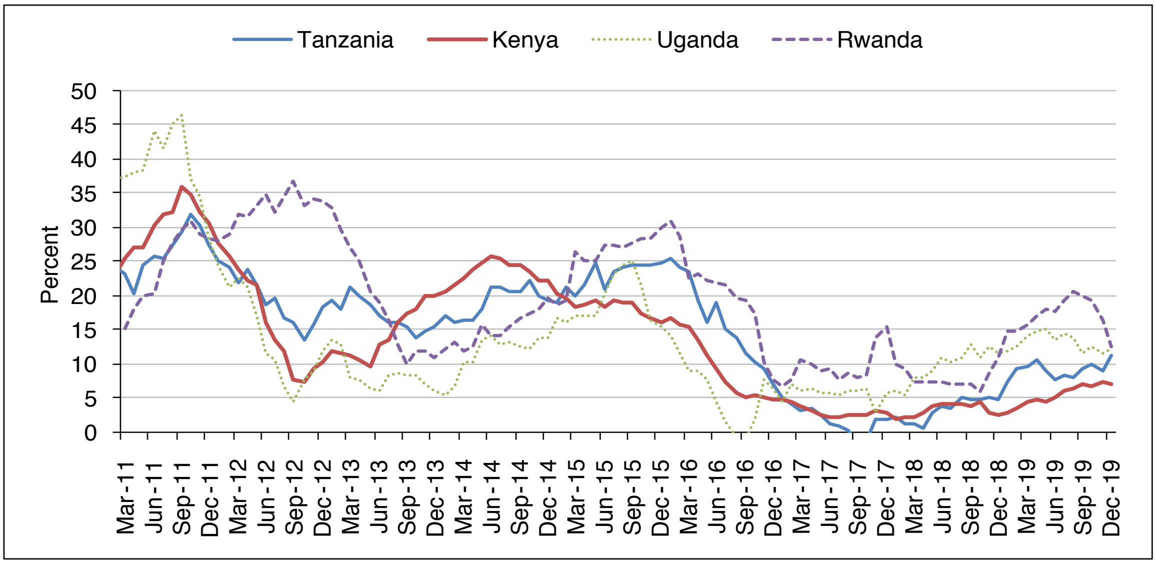


Source: *EAC Central Banks*

Credit growth in the EAC nearly doubled to 11.2 percent in 2019 from 6.1 percent in 2018, mainly due to improved business environment and eased credit conditions[2]. The outlook for credit growth in the region is positive, supported by improved macroeconomic environment, investment in public infrastructure and manufacturing (**Chart 2.5**). Growth in credit to private will stimulate and support the output growth.

[2] EAC Partners States Financial Stability Reports and BOT Banks' Lending Practices and Credit Condition Survey of 2019

Chart 2.5: EAC credit to private sector

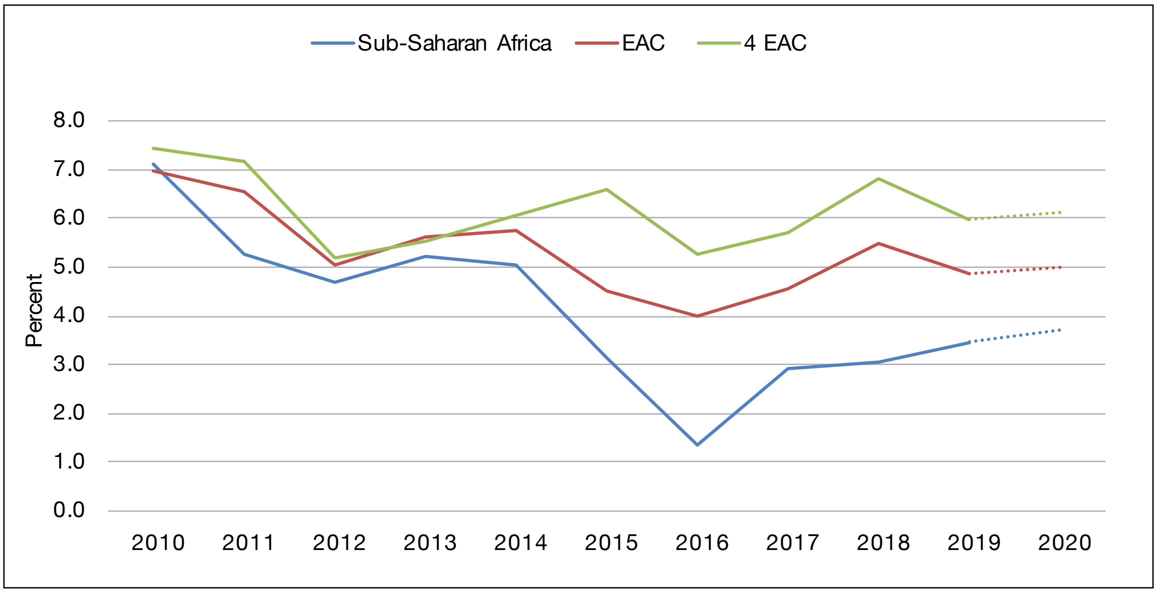


Source: *EAC Central Banks*

EAC banking sector remained well capitalized with increased profitability. The EAC Partner States banks experienced an improvement in capital. The core capital ratios for Tanzania, Kenya, Rwanda and Uganda stood at 16.7 percent, 16.3 percent, 20.3 percent and 22.1 percent, respectively above regulatory limit of 10.0 percent. In addition, the banks recorded increase in profitability on account of improved business environment in the region (**Chart 2.5**).

Growth prospects for Sub-Saharan Africa remained moderate, following lower growth in major economies. Growth is estimated at 3.3 percent in 2019 and may slightly improve by 0.2 percentage point in 2020. The slower growth is partly attributable to unfavourable external environment, in particular decline in oil prices affecting major resource intensive countries including Nigeria and Angola, and decline in industrial production in South Africa. On the other hand, the non-resource intensive countries in the region have exhibited good performance despite of challenging external environment (**Chart 2.6**).

Chart 2.6: Economic growth in Sub-Saharan Africa and EAC



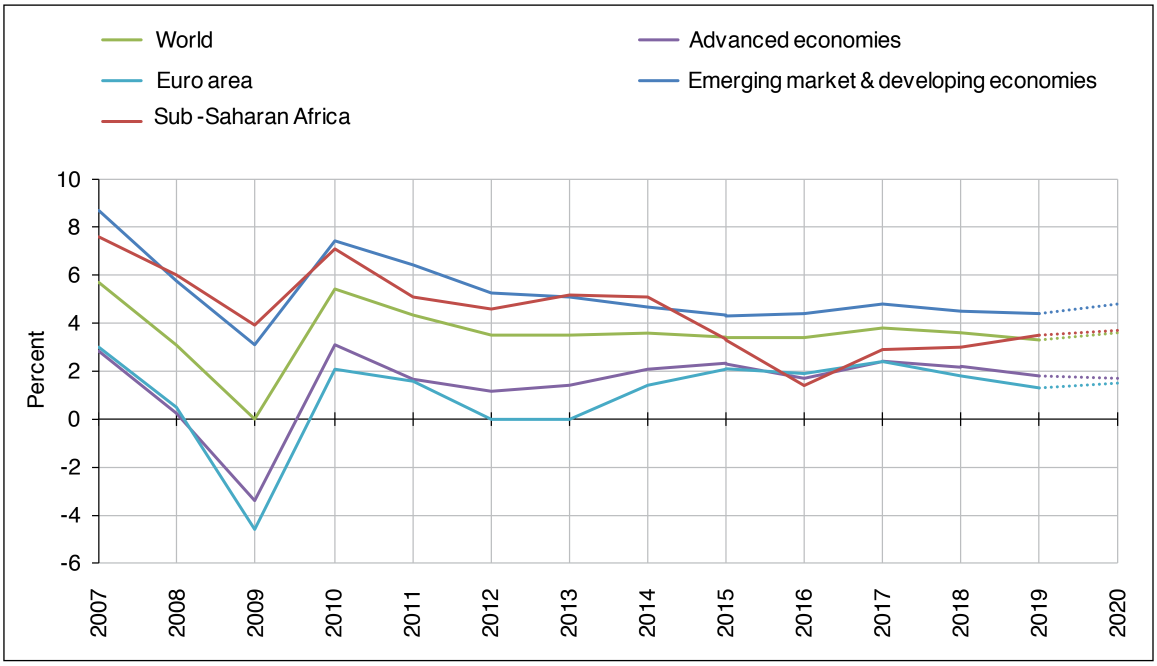
***Source:** IMF, World Economic Outlook January 2020 Note: Dotted lines denotes projections*

2.3. Global Macro-economic and Financial Developments

Global growth remained subdued, following weakening trade and investment activities. Growth is projected to slow down to 2.9 percent in 2019 compared to 3.6 percent in 2018, on account of weakening trade and investment activities, mainly due to intensified US - China trade tensions and Brexit uncertainty. Trade tension between US and China was intensified in August 2019 following imposition of import tariffs and devaluation of Yuan by US and China, respectively. These in turn contributed to policy uncertainty and reduced business confidence. These developments triggered volatility in global equity markets, a decline in global oil prices and slowing industrial production, which exerted pressure on world trade growth. Global growth is projected to pick up to 3.3 in 2020 and 3.4 in 2021 supported by improvement in household spending, growth in private consumption, firm labour market and modest inflationary pressure. However, global commodity prices and growth prospects may be affected by existence of coronavirus.

According to the IMF Global Financial Stability Report (GFSR) of October 2019, global financial conditions remained accommodative. However, slowdown in economic activity and decline in market yields increased building-up of vulnerabilities due to rising debt burden and weakened debt-servicing capacity (**Chart 2.7**). The continued increase in corporate debt burden and deterioration of financial market sentiments may lead to tightened financial conditions. In addition, trade barriers, continued trade and geopolitical tensions may worsen sovereign and corporate debt burden. However, negotiation on resolving trade disputes between US and China may support the projected growth.

Chart 2.7: World GDP growth rates



Source: *IMF, World Economic Outlook, January 2020*
Note*: Dotted lines denote projections.*

Growth outlook for advanced and emerging market economies deteriorated, reflecting increased adverse repercussions of trade disputes. Growth in advanced economies is projected to slowdown to 1.7 percent in 2019 and 1.6 percent in 2020. The decline is on backdrop of heightened global trade tensions, reduced exports, weaker demand and greater policy uncertainty. In the Euro Area growth is projected at 1.2 percent in 2019 from 1.9 percent in 2018 due to uncertainties surrounding trade policies, which affected international trade through investments and demand for goods and services, subsequently affecting export demand from Euro area. In addition, the Brexit related uncertainties continued to weaken growth in United Kingdom.

In the emerging market economies, growth is projected to slowdown to 3.7 percent in 2019 from 4.5 percent in 2018, mainly affected by trade tariffs imposed by US on Chinese exports. The spill-over effects of trade tariffs have also contributed to weakened capital flows between emerging markets and advanced economies. The eased financial conditions, which reduced cost of borrowing may increase lending to corporate sector, encourage financial risk-taking by firms and hence continued build-up of external debt burden (**Chart 2.7**).

Table 2.1: GDP growth for selected countries

Percent

							Projections	
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Germany	2.2	1.7	2.2	2.5	1.5	0.5	1.1	1.4
Japan	0.4	0.8	0.0	1.4	0.5	1.2	0.7	0.5
United Kingdom	2.9	2.3	1.8	1.8	1.4	1.2	1.4	1.5
United States	2.7	3.6	1.9	2.6	3.1	2.6	2.0	1.7
Brazil	0.5	–3.6	–3.3	1.1	1.1	0.9	2.0	2.3
China	7.3	6.9	6.7	6.8	6.6	6.1	6.0	5.8
India	7.4	8.0	8.2	7.2	6.8	6.1	7.0	6.9
Russia	0.7	–2.3	0.3	1.6	2.3	1.1	1.9	2.0
South Africa	1.7	1.3	0.3	0.7	0.8	0.4	0.8	1.0

Source: *World Economic Outlook, January 2020*

Uncertainties in global financial landscape and decline in commodity prices may affect corporate sectors' profitability and debt servicing capacity, which in turn may affect asset quality of the banking sector. Financial sector vulnerabilities such as credit risk may weigh on banks' balance sheets and constrain credit to private sector thus compromising growth prospects (**Table 2.1**)

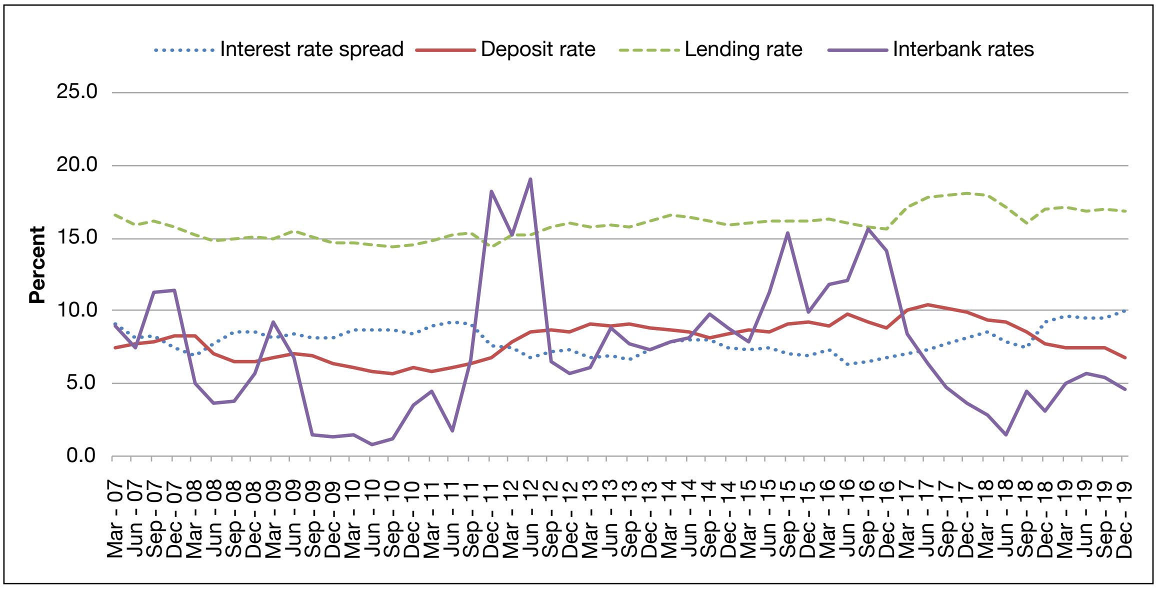
3.0 FINANCIAL SYSTEM DEVELOPMENTS

3.1 Interest Rates Developments

The average lending rates by banks remained stable with a gradual downward trend over the last two years. The rate declined to 16.9 percent in 2019 compared to 17.0 percent in 2018 and 18.0 percent in 2017. Likewise, average deposits rates behaved the same, recording a rate of 7.3 percent in 2019 compared to 8.8 percent in 2018 and 10.1 percent in 2017. The decline in deposits suggests that there is improved liquidity in the banking sector. On the other hand, lending rates have declined implying easing of credit conditions supported by improved business environment.

Similarly, interbank cash market (IBCM) rate slightly increased to 4.6 percent in December 2019 from 3.0 percent in December 2018, reflecting stable liquidity conditions in the market for the past twelve months (**Chart 3.1**). The Bank will continue to closely monitor the banking sector with a view to ensuring stability of the financial system. Going forward, the ongoing measures by the Government to improve business and regulatory environment and mandatory use of credit reference system are expected to further reduce information asymmetry, moral hazard and adverse selection of potential borrowers and therefore, reduce credit risk.

Chart 3.1: Interest rates developments



Source: *Bank of Tanzania*

3.2 Household Financial Conditions

Household financial conditions is one of the macro-prudential tools that the Bank of Tanzania uses to identify and monitor risks that may arise from the household sector through annual salary earners survey. This report presents results of the survey for 2019. The main findings from the survey show an increase in household income, suggesting improved credit worthiness. The increase was mainly associated with continued increase in employment opportunities from ongoing Government infrastructure investments and increase in foreign private investments.

Further, households accessed credit at the eased terms and conditions of lending, following financial institutions actions to lengthen loan maturity and reduce interest rates, which led to improved borrowers' debt-servicing capacity. Consequently, personal loans increased by 9.0 percent in 2019 compared to 8.8 percent in 2018. Most of the household loans were allocated for acquisition of real estate properties and business, which increases borrowers' creditworthiness because such properties can be used as collateral. A detailed 2019 survey findings for Salary Earners financial condition is presented in **Appendix 2**.

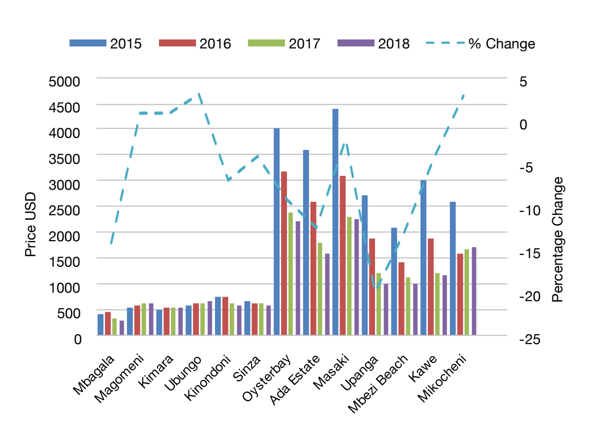
3.3 Real Estate Developments

Household investment preference in real estate and the shift to new capital city in Dodoma contributed to decline in rental prices in Dar es Salaam. Specifically, rental prices for four bedroom residential houses and selling prices for houses declined in most of the prime and sub-prime area in Dar es Salaam (**Chart 3.2**). In addition, mortgage-lending increase by 31.2 percent in 2019 compared to 2018.

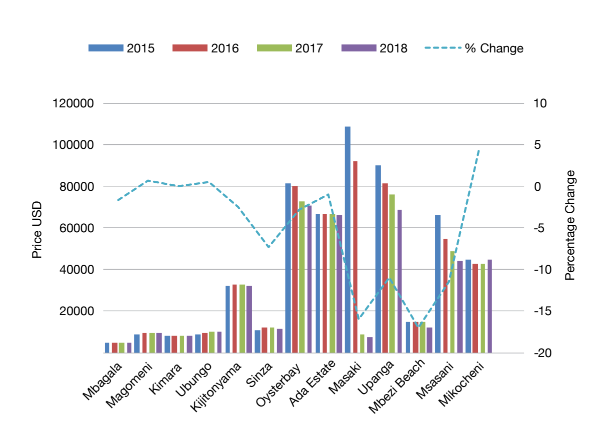
Despite a decision of financial institutions to ease terms and conditions of lending, a decline in real estate prices may reduce the ability of real estate owners to service their debts. In addition, since properties are used as collaterals for loans provided by banks, the decline in real estate prices may negatively affect the value of collateralized properties, hence increase the probability of default, which would reduce loan recovery rate. In a nutshell, instability in real estate has significant linkage to the financial system including banking, pension and insurance sectors.

Chart 3.2: Real Estate Developments

Average rental prices for four (4) bedroom property for selected areas in Dar es Salaam



Average advertised sale price for a Property measuring 100-meter square in some locations in Dar es Salaam



Source: *Bank of Tanzania*

4.0 PERFORMANCE OF THE FINANCIAL SECTOR

The domestic financial system remained resilient, efficient and effective during 2019, despite sluggish global economic conditions. For the case of the banking sector, which dominates provision of financial services, was sound, stable, profitable and liquid. Capital and liquidity levels of the banking sector were above regulatory requirements. The banking sector performance indicators, including the ratios of core capital and total capital to total risk weighted assets and off-balance sheet exposures, and liquid assets to demand liabilities were within regulatory thresholds. The ratio of non-performing loans to gross loans was above the country's desirable benchmark of 5 percent. However, due to measures taken by Bank of Tanzania and implemented by banks and microfinance institutions, the ratio is expected to gradually decline in the near future.

The Non-bank Financial Institutions (NBFIs) including insurance, capital market and social security sector also exhibited good performance. As for financial system infrastructure, the National Payment System (NPS) operated smoothly and continued to contribute efficiently towards safety and reliability in payments hence enhancing financial stability in the country. A detailed description for each subsector under the financial sector is provided below.

4.1 Banking Sub-Sector

The sub-sector continued to be dominated by commercial banks with asset composition of 92.4 percent compared to 93.8 percent of 2018, followed by development financial institutions with 4.8 percent compared to 3.4 percent during the preceding year. Out of the 92.4 percent of assets held by 39 commercial banks, top five banks accounted for 55.1 percent of the total commercial banks assets signaling systemic importance of the banks in the intermediation function. Therefore, any instability in top five banks may trigger substantial impact in the banking sub-sector hence need for close monitoring (**Table 4.1**).

Table 4.1: Composition of banking sector assets

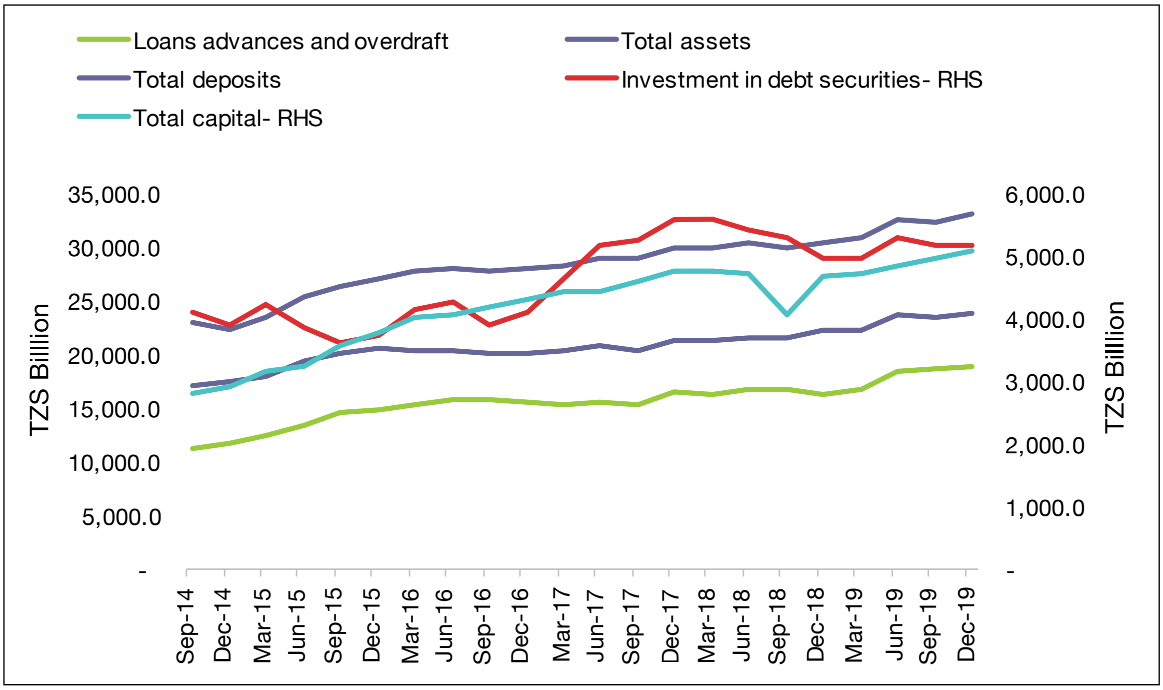
Type of Banking Institutions	Dec-17	Mar-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Commercial banks	93.8	94.3	92.5	93.8	92.9	92.9	92.7	92.4
Community banks	0.4	0.3	2.0	0.4	0.4	0.5	0.5	0.5
Microfinance Institutions	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Development Financial Institutions	3.3	3.0	3.0	3.4	4.4	4.4	4.5	4.8
Financial Insitutions	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.9
Total Assets (TZS Billion)	28,605.3	29,894.7	29,921.1	30,383.6	30,888.8	32,486.1	32,245.7	33,067.3

Source: *Bank of Tanzania*

Stability in the banking sub-sector was recorded in different indicators. For instance, the banking assets grew by 8.8 percent to TZS. 33,067.3 billion as at the end of December 2019 compared to 2018, mainly driven by retail deposit mobilization efforts through agent banking and digital platforms as well as special programme financing deposits[3]. The top five banks continued to dominate in terms of total assets and deposits accounting for 55.1 percent and 57.0 percent, respectively (**Chart 4.1, Table 4.1**).

Chart 4.1: Selected bank assets and Liabilities composition

TZS billion



Source: *Bank of Tanzania*

The banking total funding[4] grew by 8.8 percent to TZS 27,989.0 billion as at December 2019 compared to 2018 with core deposits[5] being the main source of funding. However, proportion of core deposits to total funding was 56.9 percent in 2019 compared to 61.0 percent in 2018, partly due to increase in special programme financing deposits[6], which forms part of non-core deposits. In addition, the ratio of core deposits to gross loans was 84.5 percent compared to 90.1 percent in December 2018, implying that the risk of depending on core deposits as the major source of financing gross loans decreased (**Table 4.2**).

[3] Special programme financing deposits forms a component of special account deposits in the balance sheet of banks provided to support a particular activity and channeled through banks to intended customers e.g. agriculture, SMEs etc.
[4] Total funding includes all total liabilities in the balance sheet of the banking sector.
[5] Core deposits includes saving accounts, current accounts and dormant accounts.
[6] TADB obtained funds from AfDB to support agriculture.

Table 4.2: Core deposits and total funding

Percent

Particulars	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Total core deposits (TZS billion)	14,727.7	15,023.1	15,401.2	15,312.4	15,697.8	15,537.5	16,688.1	15,610.6	15,920.2
Total funding (TZS billion)	25,235.6	25,232.1	25,698.4	25,251.8	25,716.2	26,265.5	27,654.6	27,299.3	27,989.0
Gross Loans (TZS billion)	16,343.4	16,277.7	16,947.4	17,065.0	17,425.1	18,203.5	18,302.5	18,767.1	18,847.2
Core deposits to Total funding (%)	58.4	59.5	59.9	60.6	61.0	59.2	60.3	57.2	56.9
Core deposits to Gross Loans (%)	90.1	92.3	90.9	89.7	90.1	85.4	91.2	83.2	84.5

Source: *Bank of Tanzania*

The banking sector recorded a funding gap value of TZS.437.6 billion as at the end of December 2019 compared to a gap of TZS. 969.1 billion, recorded in December 2018 reflecting an increased mismatch between assets (loans and placements abroad)[7] and liabilities (customer deposits). The gap was mainly due to increased investment in lending and placements in banks abroad. It is worth noting that, if the funding gap persists, it may exert liquidity pressure in the banking sector going forward as banks may opt for more expensive source of funding (**Table 4.3**).

Table 4.3: Funding gap as at December 2019

TZS Billion

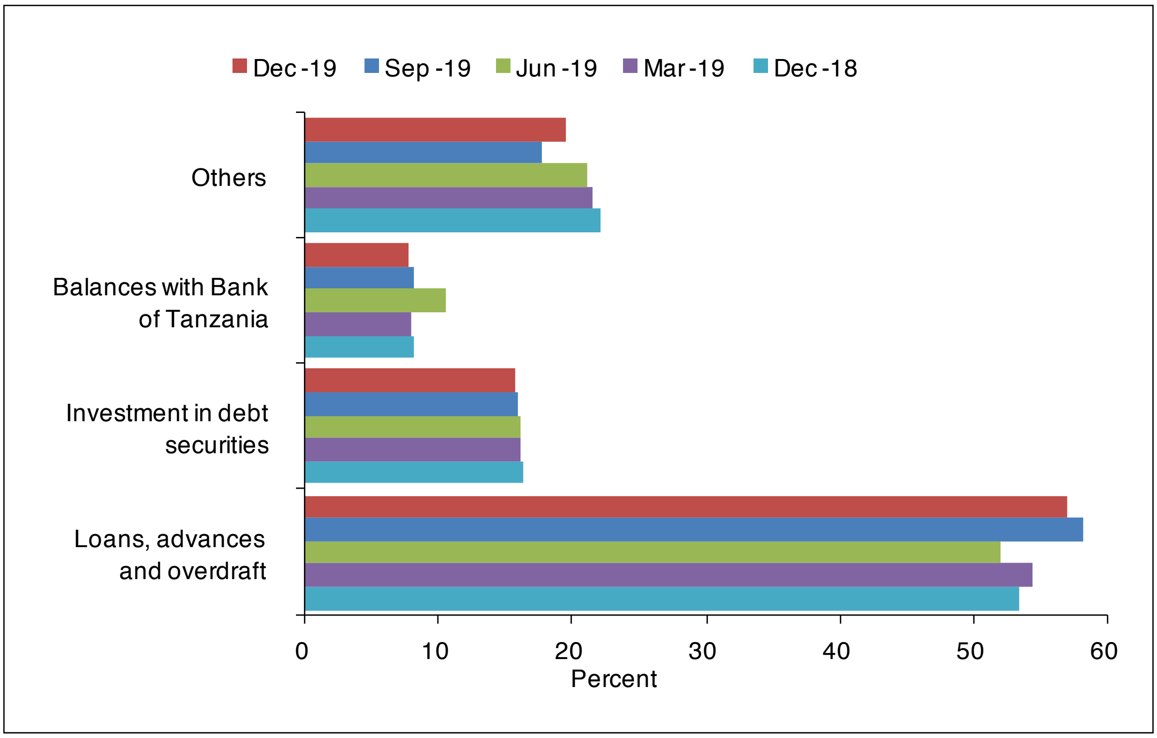
Particulars	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19
Customer Deposits (Retail funding):	19,623.6	18,878.4	20,042.4	20,487.3	21,732.8
LESS: Eaning Assets					
Loans, overdrafts and advances	*15,409.9*	16,248.6	16,260.7	17,428.6	18,847.2
Government and private securities	*3,722.7*	4,030.3	5,548.2	5,225.4	5,149.6
Due from domestic Banks	*899.6*	1,146.7	1,285.6	570.1	1,197.3
Due from Foreign Banks	*1,419.7*	1,332.2	1,317.0	1,902.3	1,938.4
Commercial and Other Bills purchased and discounted	28.3	15.9	22.9	26.8	66.2
Equity Investment	123.6	156.0	167.8	163.8	187.4
	(1,980.2)	*(4,051.3)*	*(4,559.8)*	*(4,829.6)*	*(5,653.3)*
ADD: (wholesale funding):					
Due to Domestic Banks Deposits	395.8	619.3	620.4	529.3	617.9
Due to Foreign Banks Deposits	253.6	342.4	301.6	377.4	343.3
Due to Domestic Banks Borrowing	556.8	756.5	884.9	931.7	946.3
Due to Foreign Banks Borrowing	1,009.3	1,517.5	1,694.4	1,893.7	1,500.2
Special Deposit account	291.1	313.4	318.8	635.9	1,113.0
	526.5	*(502.3)*	*(739.6)*	*(461.6)*	*(1,132.6)*
ADD: (equity component):					
Retained earnings	*919.4*	1,066.8	1,339.6	1,430.6	1,570.2
Funding gap	*1,445.9*	*564.5*	*600.0*	*969.1*	*437.6*

Source: *Bank of Tanzania*

[7] Placements with banks abroad is indicated as "*Due from foreign banks*" in Table 4.3.

Loans, advances and overdraft, which grew by 8 percent, accounted for 57.0 percent of total assets as at the end December 2019. Responding to macro-economic policy initiatives, the increase in lending in banking sector was attributable to profits, recovery efforts, accommodative monetary policy and other regulatory measures. Five large banks by asset size were major lenders implying credit concentration risk to a few banks. In addition, share of investment in government securities was 15.6 percent of total assets in 2019 (**Chart 4.2**).

Chart 4.2: Bank sector assets composition



Source: *Bank of Tanzania*

NB: Others includes placements with banks in Tanzania and abroad, equity investments, cash, bank premises furniture and equipment and inter-bank loan receivables.

Credit risk moderated as reflected by decline in NPLs ratio to 9.8 percent as at the end of December 2019 compared to 10.4 percent in the corresponding period in 2018. The banks liquidity remained above minimum regulatory threshold of 20 percent, despite a slight decline by 2.8 percentage points to a ratio of 32.4 percent in December 2019. In aggregate terms, the capital adequacy ratio was above the regulatory threshold of 10.0 percent and 12.0 percent for core and total capital, respectively. In addition, the sector recorded an increase in profitability with interest income being the main contributing factor (**Table 4.4**).

Table 4.4: Selected financial soundness indicators for the banking system

Percent

Indicators	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Capital adequacy									
Core capital/TRWA	18.4	18.7	18.2	16.3	16.1	16.6	16.2	16.7	16.7
Total capital/TRWA	20.4	20.7	20.2	18.3	18.0	18.4	18.1	18.0	17.9
Liquidity									
Liquid assets/demand liabilities	40.2	39.5	37.6	34.6	35.2	34.1	34.8	31.0	32.4
Total loans/customer deposits	81.1	80.9	83.9	84.4	85.1	88.7	84.5	87.9	88.5
Earnings and profitability									
Net interest margin	52.0	53.3	53.6	54.6	55.2	54.8	55.8	55.8	55.5
Non-interest expenses to gross income	52.4	53.8	54.6	55.3	56.1	56.2	56.7	56.7	56.4
Personnel expenses to non-interest expenses	44.6	46.1	45.7	45.3	45.6	48.0	48.8	48.0	47.9
Return on Assets	1.6	1.7	1.6	1.6	1.1	1.8	2.0	1.8	1.9
Return on Equity	4.6	7.1	6.7	6.6	3.8	7.7	8.8	7.8	8.1
Asset composition and quality									
Foreign exchange loans to total loans	35.8	35.8	36.0	34.9	33.1	32.0	30.6	28.6	30.0
Gross non-performing loans to gross loans	11.9	11.5	11.3	9.7	10.4	10.9	10.7	11.1	9.8
NPLs net of provisions to total capital	23.3	25.2	42.8	36.9	40.1	43.1	42.8	45.5	39.4
Large exposures to total capital	118.6	123.1	122.4	105.5	199.5	161.4	143.8	85.2	251.8
Net loans and advances to total assets	50.9	50.4	51.8	53.3	53.5	54.4	52.1	53.7	54.2
Sensitivity to market risk									
FX currency denominated assets to total assets	29.9	29.1	30.5	31.0	29.8	29.1	27.9	28.4	28.0
FX currency denominated liabilities to total liabilities	35.4	34.3	34.8	34.6	33.7	32.2	30.5	33.0	30.2
Net open positions in FX to total capital	2.1	0.8	3.3	5.0	6.2	5.3	6.6	7.5	8.9

Source: *Bank of Tanzania*

NOTE: *OBSE is off-balance sheet exposure and TRWA is Total Risk Weighted Assets.*

Capital Adequacy Analysis

The sector remained adequately capitalized, with increased retained earnings. As at the end of December 2019, aggregate core capital and regulatory capital ratios stood at 16.7 percent and 17.9 percent, against regulatory thresholds of 10.0 percent and 12.0 percent respectively. The strong capital buffer was partly contributed to enhancement of capital by some banks through retained earnings.

Capital adequacy analysis revealed that the top ten banks accounted for 72.2 percent of the banking sector assets, maintained capital above minimum regulatory threshold. Conversely, five small and two medium banks were under-capitalized as at the end of December 2019, comprised of three commercial banks, one cooperative bank, one community bank and one microfinance bank. Nevertheless, the Bank engaged and directed undercapitalized banks to undertake strategic measures to improve their capital positions in order to comply with minimum regulatory requirement within the agreed timeframe (**Table 4.5**).

Table 4.5: Capital adequacy analysis

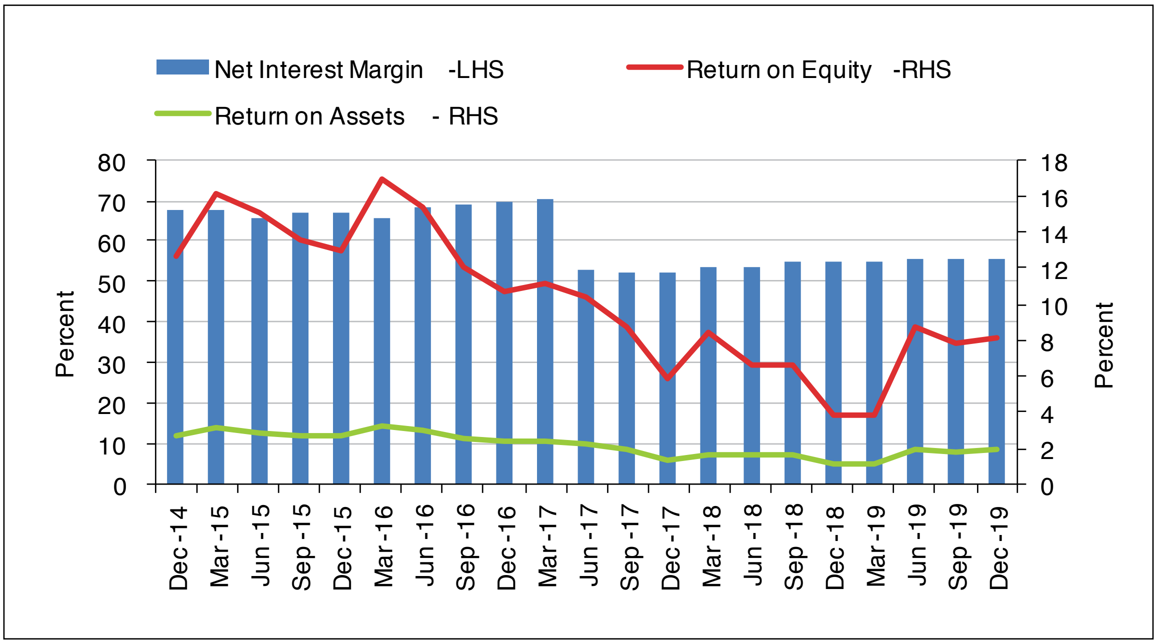
Particulars	Sep-18 Core Capital	Sep-18 Total Capital	Dec-18 Core Capital	Dec-18 Total Capital	Mar-19 Core Capital	Mar-19 Total Capital	Jun-19 Core Capital	Jun-19 Total Capital	Sep-19 Core Capital	Sep-19 Total Capital	Dec-19 Core Capital	Dec-19 Total Capital
All Banks												
<8	5	3	5	3	4	2	3	2	4	4	4	4
8-10	0	2	0	2	2	2	3	3	1	2	2	1
10-12	3	1	2	1	1	2	2	2	3	3	2	2
12-14	6	5	7	4	3	3	9	7	6	3	2	2
>14	38	41	39	43	43	44	35	38	38	40	42	43
TOTAL	52	52	53	53	53	53	52	52	52	52	52	52
Commercial Banks												
<8	2	2	2	2	2	1	1	0	1	0	1	1
8-10	0	1	0	0	2	1	2	2	1	2	2	1
10-12	3	1	1	0	1	2	1	1	3	2	1	1
12-14	5	4	7	4	3	3	8	6	5	1	2	2
>14	30	33	30	34	33	34	28	31	29	34	33	34
TOTAL	40	40	40	40	40	40	39	39	39	39	39	39
Development Financial Institutions												
<8	0	0	0	0	0	0	0	0	0	0	0	0
8-10	0	0	0	0	0	0	0	0	0	0	1	1
10-12	0	0	0	0	0	0	0	0	0	0	0	0
12-14	0	0	0	0	0	0	1	1	1	1	0	0
>14	2	2	2	2	2	2	1	1	1	1	1	1
TOTAL	2	2	2	2	2	2	2	2	2	2	2	2
Microfinance Institutions												
<8	1	1	1	1	1	1	1	1	1	1	1	1
8-10	0	0	0	0	0	0	0	0	0	0	0	0
10-12	0	0	0	0	0	0	0	0	0	0	0	0
12-14	1	1	0	0	0	0	0	0	0	0	0	0
>14	3	3	4	4	4	4	4	4	4	4	4	4
TOTAL	5	5	5	5	5	5	5	5	5	5	5	5
Community Banks												
<8	2	2	2	1	2	1	2	2	3	3	2	2
8-10	0	0	1	2	0	1	1	1	0	0	0	0
10-12	0	0	0	0	0	0	0	0	0	0	0	0
12-14	0	0	0	0	0	0	0	0	0	0	0	0
>14	4	4	3	3	4	4	3	3	3	3	4	4
TOTAL	6	6	6	6	6	6	6	6	6	6	6	6

Source: *Bank of Tanzania*

Profitability

Profitability in the banking sector increased, mainly contributed by interest income. The increase in interest income from lending and decrease in provisioning for bad and doubtful debts explained much of the increased profitability in the banking sector. Other contributing factors were return on assets and return on equity, which increased by ratios of 1.9 percent and 8.1 percent, respectively. Further, 16 small banks holding 10.5 percent of total assets for the sector experienced losses in December 2019, partly attributed to existence of NPLs and increased operational costs. However, in aggregate terms, the strong capital position for the sector continues to provide sufficient buffer for banks to absorb possible loss and ability to withstand vulnerabilities in the event of financial distress (**Chart 4.3**).

Chart 4.3: Banks' profitability

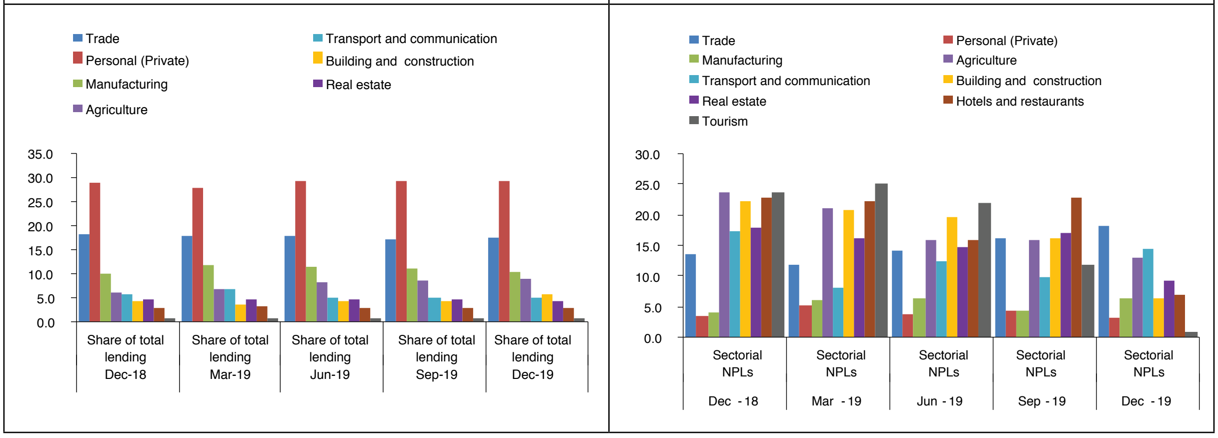


Source: *Bank of Tanzania*

Lending to private sector increased, amid declining credit risk. During the period under review, lending to private sector grew by 11.1 percent compared with 4.9 percent. The ratio of non-performing loans decreased to 9.8 percent in 2019 from 10.4 percent recorded in December 2018. The increase in credit mainly benefited trade, building and construction, real estate, agriculture and personal activities (**Chart 4.4**).

Chart 4.4: Credit and non-performing loans for selected economic activities

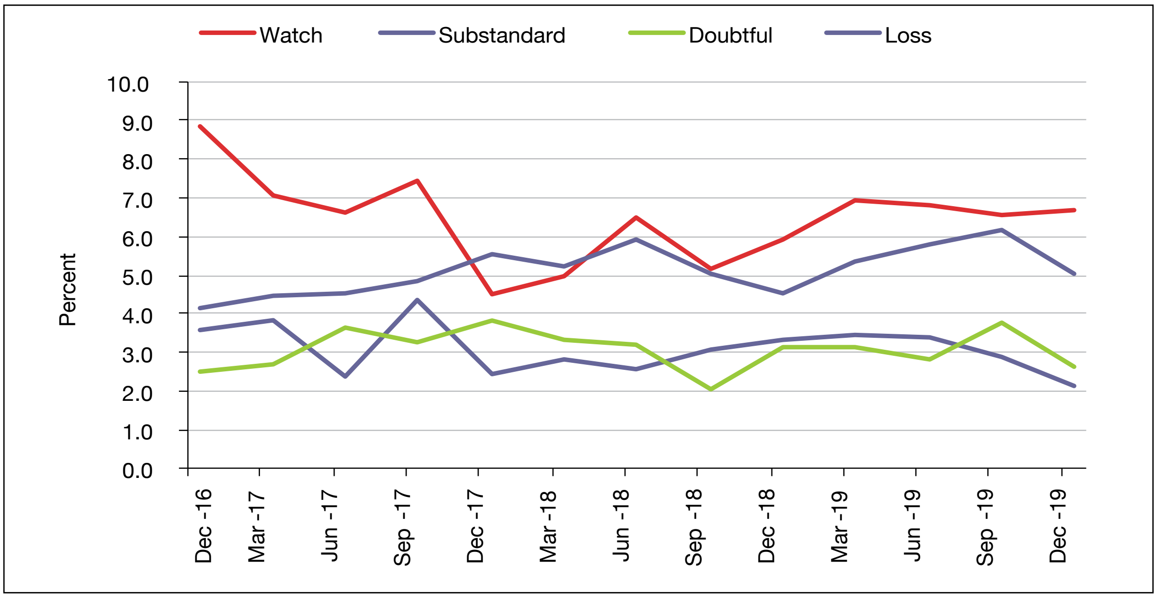
(a): Share of credit Lending for selected economic activities	(b): Non-Performing Loans for selected economic activities



Source: *Bank of Tanzania*

NPLs declined following decrease in substandard, doubtful and loss loan categories. The improvement is due to various regulatory measures taken by the Bank in addressing NPLs (**Chart 4.5**). On the other hand, the Government has taken measures to improve business environment and reduce cost of doing business, a move, which has enhanced borrowers' profitability and debt servicing capacity. In order to maintain good performance, the Bank will continue to monitor credit market through proper credit-underwriting process, mandatory use of credit reference information and enhancement of loan recovery efforts.

Chart 4.5: Development of different categories of non-performing loans



Source: *Bank of Tanzania*

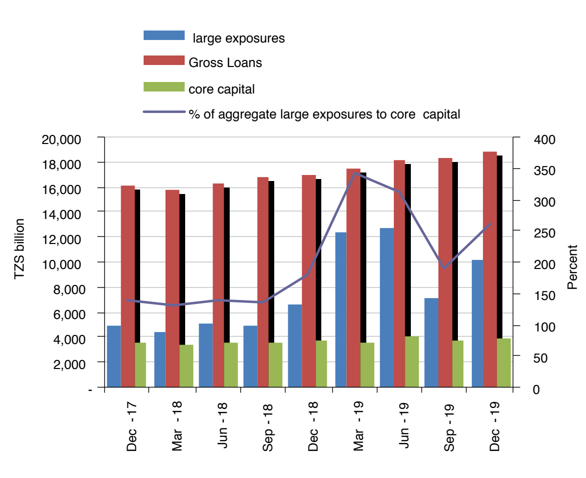
Credit concentration

Concentration of large borrowers as depicted by aggregate large exposures to core capital decreased to 263.9 percent in December 2019 from 342.4 percent recorded in December 2018, which was within the acceptable limit of 800.0 percent. However, at individual level, one community bank and four commercial banks had the ratio above the limit implying large borrower concentration, which may result into eroding capital in case of default, hence warranting close monitoring. Among the top ten banks, one bank was above the 800.0 percent threshold. Therefore, given the systemic importance in the financial system, banks with large exposure concentration levels are being monitored regularly (**Chart 4.6a**).

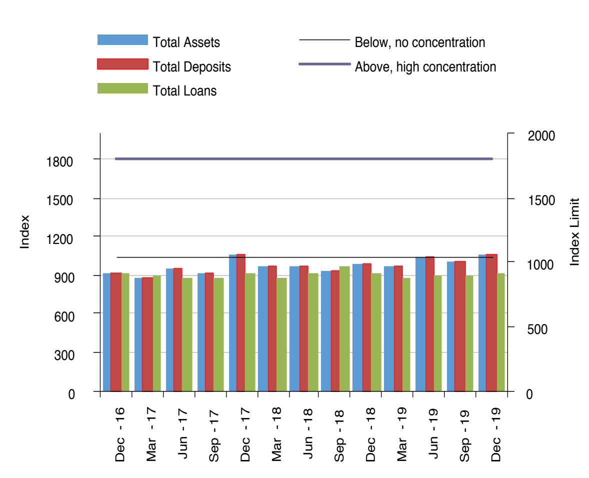
Risk diversification in terms of deposits, loans and total assets for the banking sector as measured by the Herfindahl Hirschman Index (HHI), concentration indices were 1,057; 921 and 953, respectively as at the end of December 2019. The result indicates that deposits were above the limit[8] implying that few large banks were dominating market in terms of deposit mobilization (**Chart 4.6b**).

Chart 4.6: Measures of risk diversification

(a): Credit concentration risk



(b): HHI for all banks



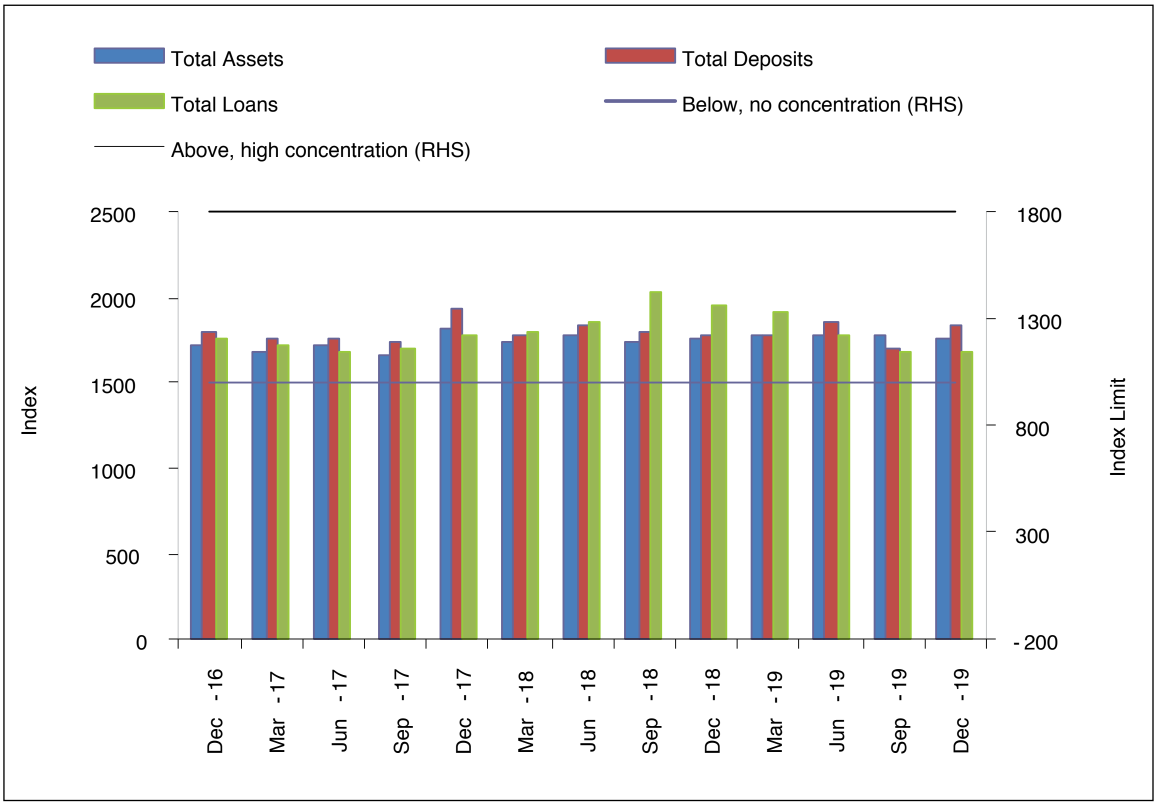
Source: *Bank of Tanzania*

The top ten banks accounted for more than 50 percent of total deposits and loans. In addition, HHI index for top ten banks indicated high concentration on total assets and deposits at 1,753 and 1,842, respectively, which were above the limit[9]. These suggest that there is concentration of customers in few banks and that few banks can influence the interest rates and affect cost of fund. As a result, small banks rely on expensive wholesale funding sources such as interbank cash market and deposits from corporate customers such as pension funds and insurance companies, which

[8] A limit of no concentration ranges from 100 to 1000.
[9] A HHI no concentration ranges from 100 to 1000 while concentration ranges from 1000 to 1800

may ultimately lead to inability for banks to honor maturing obligation. Nevertheless, the ongoing developments in digital delivery financial service provide opportunity for small banks to have access to retail deposits without having physical branches (**Chart 4.7**). Further, the introduction of interbank cash market trading platform by the Bank has increased transparency in money market.

Chart 4.7: HHI for top ten banks



Source: *Bank of Tanzania calculations*

Banks continued to minimize risk exposure in foreign currency denominated loans. As at the end of December 2019, share of foreign currency denominated loans declined to 30.4 percent from 35.5 percent in 2018, implying more dependency on local currency denominated loans, hence, reducing foreign exchange risk. In addition, the share of foreign currency denominated deposits to total deposits decreased to 27.9 percent compared to 31.0 percent in 2018 following special programme financing deposits and retail incentives saving schemes (**Table 4.6**).

Table 4.6: Foreign currency denominated loans and deposits

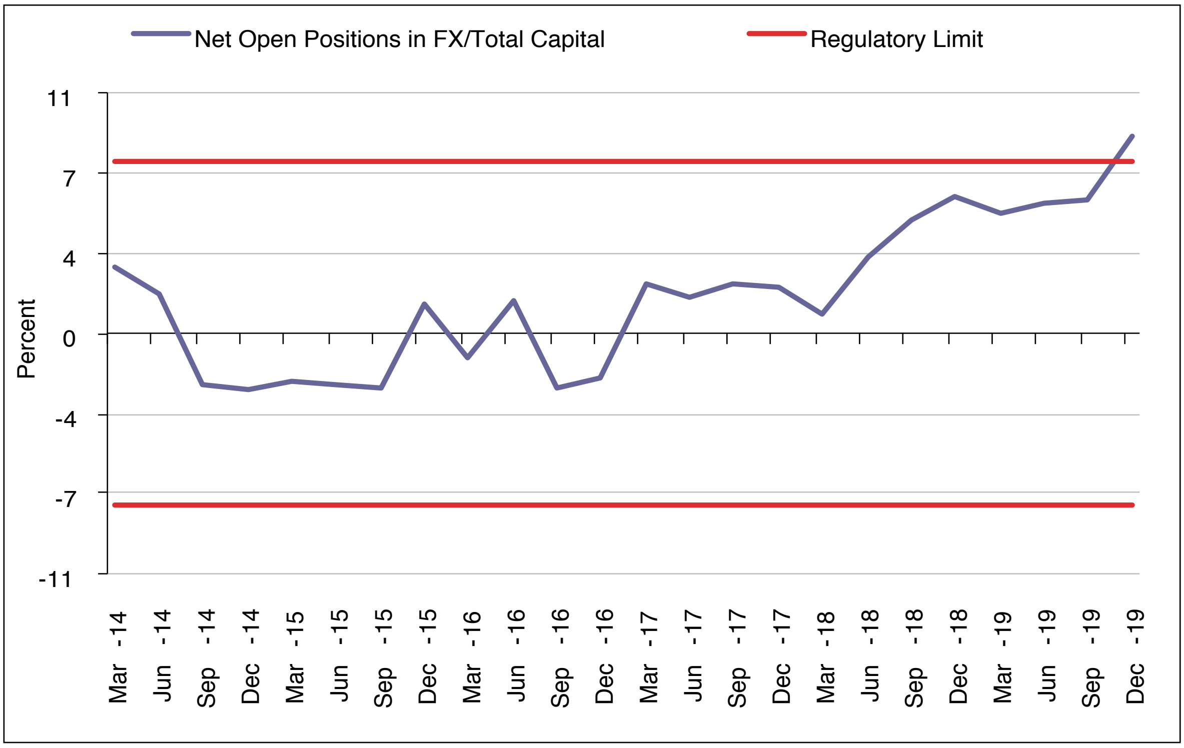
TZS billion

Particulars	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Foreign currency denominated loans	5,920.8	5,745.4	5,691.5	5,506.4	5,358.7	5,720.7
Foreign currency denominated deposits	6,888.4	6,863.1	6,452.9	6,557.5	6,919.4	6,640.8
Total loans	16,966.8	16,177.5	16,714.9	18,302.5	18,767.1	18,847.2
Total deposits	21,466.0	22,126.2	22,222.9	23,631.2	22,416.2	23,807.0
Foreign currency denominated deposits/total deposits (Percent)	32.1	31.0	29.0	27.7	30.9	27.9
Foreign currency denominated loans/total loans (Percent)	34.9	35.5	34.1	30.1	28.6	30.4
Foreign loans/foreign deposits (Percent)	79.0	73.1	75.2	77.5	83.7	79.2

Source: *Bank of Tanzania*

As at the end of December 2019, the aggregate Foreign Exchange Net Open Position was 8.6 percent, which was above the maximum regulatory limit of +/-7.5 percent. The Bank continues to enforce compliance to ensure that the ratio remains within the acceptable bands in order to mitigate potential risk of losses in the event of unfavorable exchange rate volatility. However, the stable exchange rate environment observed during the review period has improved banks resilient to foreign exchange risks (**Chart 4.8**).

Chart 4.8: Net open position to total capital



Source: *Bank of Tanzania*

Bank Lending Practices and Credit Condition

The Bank of Tanzania conducted a survey on bank lending practices and credit conditions in 2019. The objective of the survey was to monitor and assess risks emanating from banks, micro-finance institutions and Savings and Credit Cooperative Societies (SACCOS). The results indicate that banks eased terms of loans in 2019 compared to 2018 on account of increased competition in the market and the Bank of Tanzania policy decision to reduce both discount rate and statutory minimum reserve requirement. The eased terms covered cost of credit, collateral requirement, credit size and maturity profile. In addition, lending institutions reported to have intensified credit recovery efforts, increased size of credit and maturity, a move, which contributed to increased credit worthiness of the borrowers, improved credit access and reduced NPLs. This development mirrors with the ongoing increase in credit to private sector. **Appendix 3** presents detailed survey findings.

4.2 Non-banking Financial Sector

4.2.1 Capital Markets

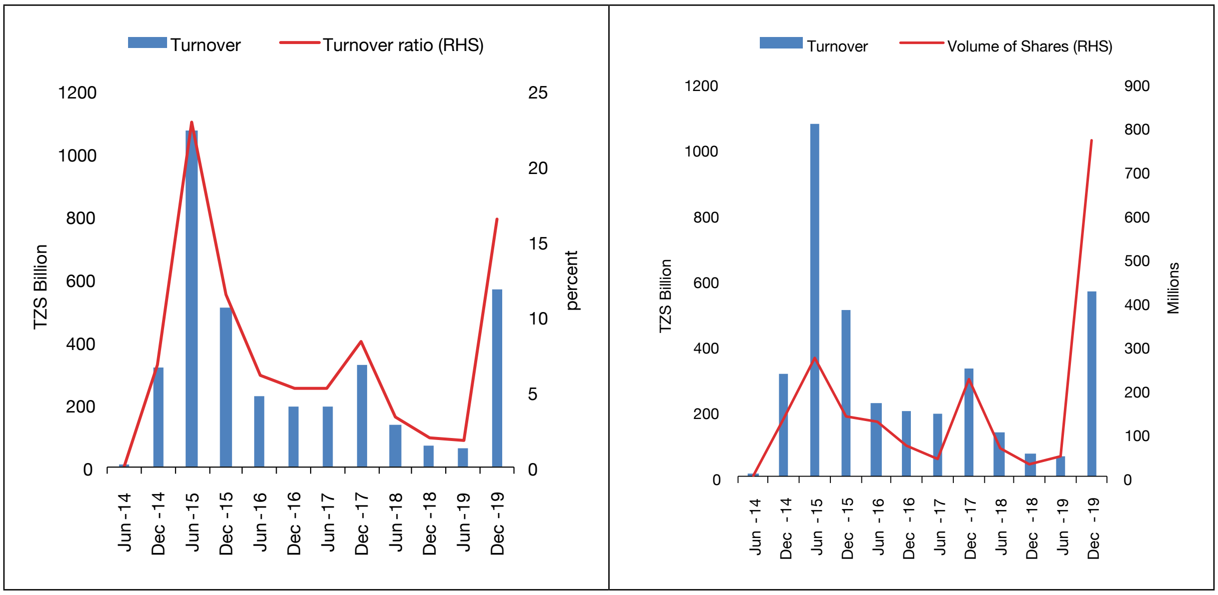
Capital market was buoyant with increase in both equity and bond markets. Trading activity in equity market increased during the year ended December 2019. The observed improvement in equity trading is explained by the increase in turnover and active participation of foreign investors. This development reflects increased participation by foreigners in equity market.

Trading activity in both government and corporate bond markets increased despite low participation of social security funds. Commercial banks continue to dominate the market. Listing of NMB corporate bond tranche three contributed to increase in corporate bond market. The Collective Investment schemes performance improved mainly attributable to issuance of Bond Fund and high return on investments in the Liquid and WatotoFunds.

Equity Market

Trading activity in the equity market depicted growth both in turnover and volume. Equity market experienced an improvement in trading activity as reflected by significant increase in both market turnover and volume. During the year ended December 2019, market turnover increased to TZS 624.82 billion from TZS 208.52 billion in December 2018. Number of shares which exchanged hands increased to 814.97 million shares from 98.75 million shares recorded during the year ended December 2018. The increase was largely driven by the increase in trading at the counter of Vodacom. In addition, trading activity was contributed by good performance of the TBL and CRDB counters (**Chart 4.9**).

Chart 4.9: Dar es Salaam Stock Exchange equity trading



Source: *Dar es Salaam Stock Exchange*

At individual level, VODA dominated trading activity accounting for 80.66 percent of the total turnover, followed by TBL 17.80 percent and CRDB by 1.83 percent. VODA emerged to be the most active counter contributing 72.85 percent of total volume traded, followed by CRDB (25.41 percent) and TBL (1.17 percent). Trading volume for VODA and TBL was driven by improved performance resulted into increased consistent with dividend payouts and active participation of foreign investors. In addition, attractive prices and tradability of CRDB shares attracted small investors who mainly hold shares for precautionary purposes and dividend.The increase in turnover and number of shares traded indicate improved market liquidity during the year ending December 2019 compared to the corresponding year in 2018 (**Table 4.7**).

Table 4.7: Individual companies' total turnover for the twelve months

COMPANIES	Jan'18 -Dec'18 TZS Million	% of Total Turnover	Jan'19 -Dec'19 TZS Million	% of Total Turnover
TBL	157,909.0	75.73	95,349.1	15.26
CRDB	10,051.5	4.82	20,908.3	3.35
TCC	8,855.4	4.25	448.6	0.07
DSE	1,855.7	0.89	2,107.9	0.34
VODA	9,905.7	4.75	504,000.5	80.66
TPCC	7,199.8	3.45	1,126.5	0.18
SWISS	10,122.7	4.85	86.3	0.01
NMB	242.1	0.12	175.1	0.03
TCCL	427.4	0.20	42.9	0.01
DCB	207.3	0.10	27.2	0.00
MKCB	410.3	0.20	3.3	0.00
TOL	802.0	0.38	205.9	0.03
NICO	360.1	0.17	282.3	0.05
MUCOBA	7.8	0.00	0.6	0.00
YETU	0.8	0.00	26.8	0.00
TICL	29.2	0.01	0.7	0.00
PAL	9.2	0.00	13.9	0.00
SWALA	30.4	0.01	7.0	0.00
MCB	2.5	0.00	1.4	0.00
MBP	76.7	0.04	2.1	0.00
TTP	15.7	0.01	1.1	0.00
TOTAL	208,521.4	100.00	624,817.6	100.00

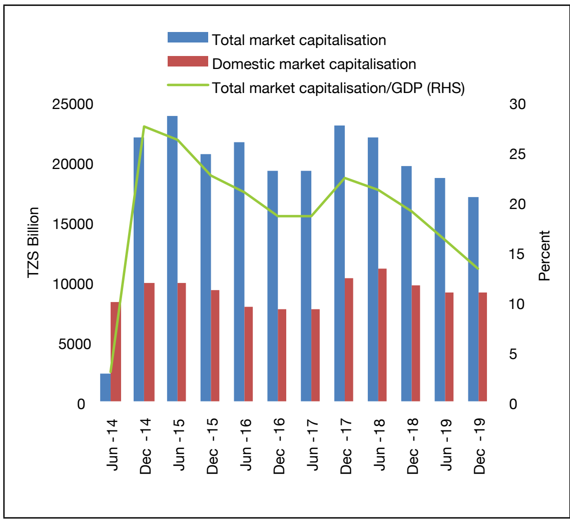
Source: *Dar es Salaam Stock Exchange*

During the year under review, the depth of equity market as measured by the ratio of total market capitalization to GDP declined to 13.22 percent from 15.21 percent due to the decline in share prices of both domestic and cross listed companies.

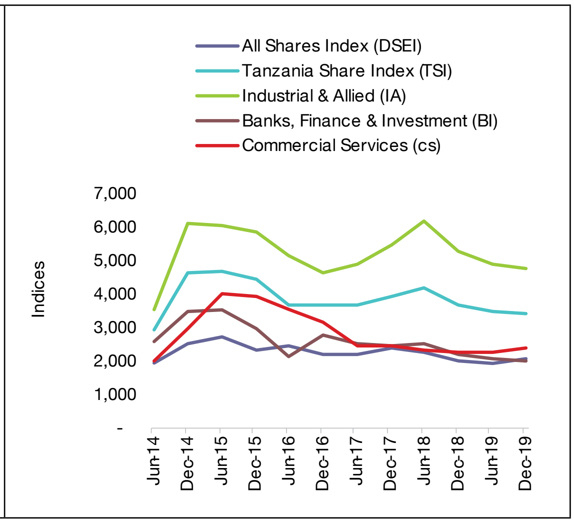
Domestic market capitalization decreased by 7.07 percent to TZS 9,010.58 billion compared to TZS 9,696.14 billion recorded as at the end of December 2018 this was largely driven by depreciation of share prices of Swissport (39.9 percent), CRDB Bank (36.7 percent), NICOL (35.2 percent), DSE (30.0 percent) and TBL (15.5 percent). With regards to Market Indices, Commecial Services (CS) index increased by 3.78 percent while Industrial Allied (IA) index and Banks, Finance and Investment (BI) index declined by 10.13 percent and 9.0 percent, respectively. The decline was due to decrease in Swissport, CRDB Bank, NICOL, DSE, and TBL share prices by 39.9 percent, 36.7 percent, 35.2 percent and 30.0 percent respectively (**Chart 4.10**).

Chart 4.10: Performance of the Dar es Salaam Stock Exchange

a) Market capitalization



b) Share indices



Source: *Dar es Salaam Stock Exchange*

Market concentration risk

Foreign companies' market share[10] measured as a percentage of market capitalization, decreased to 47.3 percent in December 2019 from 50.72 percent recorded in December 2018. This was attributed to delisting of Acacia Mining PLC (ACA) from the Dar Es Salaam Stock Exchange following the company being delisted from the primary listing Exchange at the London Stock Exchange Group (LSEG) in September 2019 and decrease in share prices of Kenya Airways (KA) and Jubilee Holdings Limited (JHL) by 75.0 percent and 15.05 percent respectively. Overall, market concentration risk was moderate with a fair balance in market capitalization among cross-listed and domestic listed companies (**Table 4.8**).

10 Market concentration risk is measured by total market capitalization distribution among all listed companies

Table 4.8: Total market capitalization of individual companies

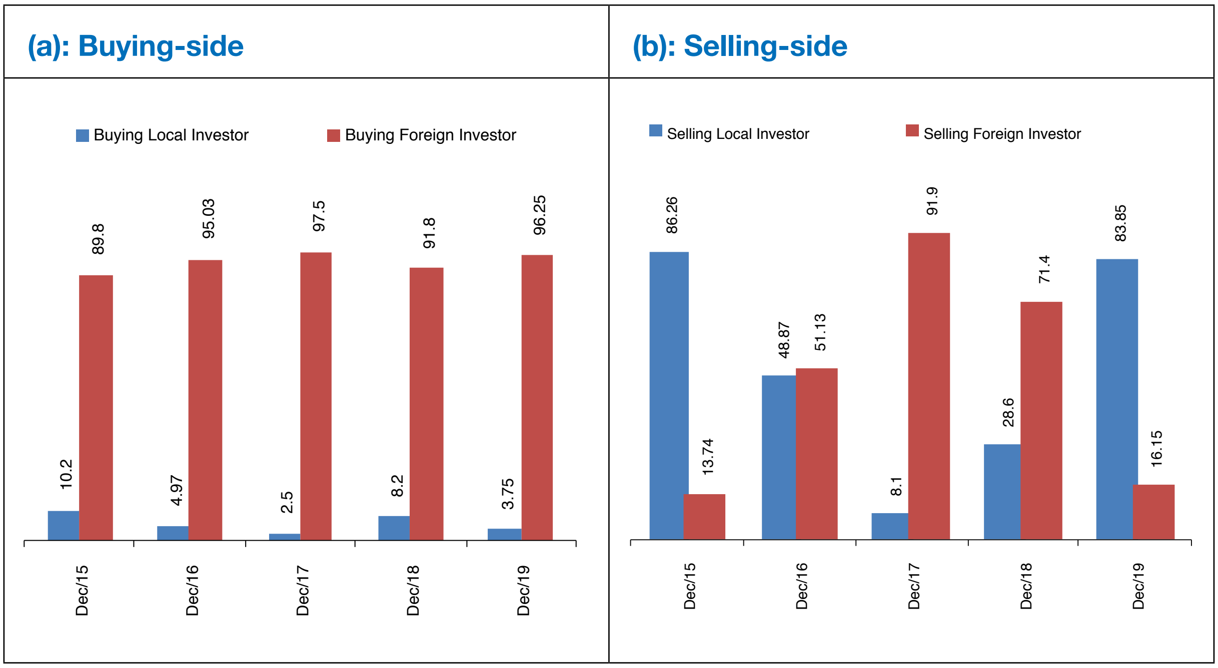
TZS Billion

No;	Cross Listed Companies	Jun-14	Dec-14	Jun-15	Dec-15	Jun-16	Dec-16	Jun-17	Dec-17	Jun-18	Dec-18	Jun-19	Dec-19
1	ACA	12.6	12.6	16.5	12.1	25.2	21.0	18.3	10.2	6.9	22.8	11.4	-
2	EABL	23.2	20.0	20.7	22.0	21.8	21.6	21.4	18.2	17.4	31.0	19.0	35.0
3	JHL	2.4	2.3	2.9	3.0	3.0	3.5	3.3	3.2	3.7	6.7	3.5	5.7
4	KA	1.6	1.1	0.9	0.7	0.6	1.0	1.2	9.6	6.1	11.4	2.7	2.8
5	KCB	14.8	14.5	14.2	12.1	10.0	10.4	13.2	12.0	14.0	25.0	13.5	35.6
6	NMG	5.8	4.2	2.9	3.4	2.9	1.8	2.2	2.1	1.7	2.9	1.1	1.7
7	USL	-	0.3	0.3	0.4	0.1	0.2	0.1	0.1	0.1	0.1	0.0	0.0
	Cross Listed Companies Market share as percent of Total Market Capitalization	60.4	55.1	58.4	53.7	63.6	59.6	59.8	55.5	50.0	50.7	51.3	47.3
No;	**Domestic Listed Companies**												
8	CRDB	3.7	4.2	3.6	5.1	3.7	3.4	2.4	1.8	1.9	3.9	1.5	2.5
9	DCB	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.3
10	DSE	-	-	-	-	-	0.1	0.1	0.1	0.2	0.3	0.2	0.2
11	MBP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
12	MCB	-	-	-	0.2	0.2	0.2	0.2	0.1	0.1	0.3	0.2	0.3
13	MKCB	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.2
14	MUCOBA	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	NICO	-	-	-	-	-	-	-	-	0.1	0.2	0.1	0.1
16	NMB	10.6	7.7	7.3	6.1	3.7	7.2	7.1	6.0	6.3	11.7	6.3	11.7
17	PAL	0.4	0.3	0.3	0.4	0.3	0.4	0.4	0.3	0.3	0.6	0.3	0.6
18	SWALA	-	0.3	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.5	0.3	0.5
19	SWIS	-	0.8	1.1	1.3	1.1	1.0	0.7	0.5	0.6	1.0	0.3	0.6
20	TBL	15.1	18.8	17.9	21.2	18.6	18.5	20.5	17.9	22.1	38.1	18.0	32.2
21	TCC	5.9	7.6	6.9	7.7	5.5	6.0	5.7	7.3	7.7	17.0	9.1	17.0
22	TCCL	0.8	1.3	1.0	0.8	0.5	0.5	0.5	0.3	0.3	0.4	0.2	0.4
23	TCIL	0.5	-	-	-	-	-	-	-	0.1	0.3	0.2	0.3
24	TOL	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.2	0.4
25	TPCC	2.2	3.3	2.6	2.6	2.0	2.2	1.7	1.1	1.3	3.7	1.9	3.6
26	TTP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
27	VODA	-	-	-	-	-	-	-	8.3	8.2	17.9	9.6	19.0
28	YETU	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
	Domestic Listed Companies Market share as percent of Total Market Capitalization	39.6	44.9	41.6	46.3	36.4	40.4	40.2	44.5	50.0	97.0	48.7	90.1

Source: *Dar es Salaam Stock Exchange*

Foreign investors continued to dominate the market during the year under review. The overall proportion of foreign investors' participation in the market has increased as evidenced by more net inflows (purchases) than out flows (sales), signaling investors' confidence on the performance of listed companies and macroeconomic environment. (**Chart 4.11**). Foreign investors continued to acquire more holdings in the equity market, on the buying side foreign investors accounted for 96.25 percent of the total turnover whereas on the selling side they accounted for 16.15 percent. However, the ongoing dominance by foreign investors poses potential market liquidity risk should the market become unattractive to them. This calls for close monitoring and promoting participation of local investors in equity market.

Chart 4.11: Investors' participation in the DSE



Source: *Dar es Salaam Stock Exchange*

During the year, individuals, corporations and banks continued to be net sellers while insurance companies and foreign investors were net buyers in the equity market. On the other hand there were no participation of social security funds which are amongst the key players in promoting liquidity in the market (**Table 4.9**)

Table.4.9: Equity trading participation in the Dar es Salaam Stock Exchange by investors' category

TZS million

	Jan 18 to Dec 18			Jan 19 to Dec 19		
Category	Purchase	Sale	Net Flows	Purchase	Sale	Net Flows
Individuals	9,788	28,294	-18,506	9,035	15,449	-6,414
Corporations	5,095	11,054	-5,959	13,991	508,105	-494,115
Social Funds	1	16,851	-16,850	-	-	-
Insurance	2,196	3,095	-899	431	91	340
Banks	-	315.19	-315	-	263	-263
Foreigners	191,435	148,906	42,529	601,362	100,910	500,451
Total	208,515	208,515	0	624,818	624,818	0

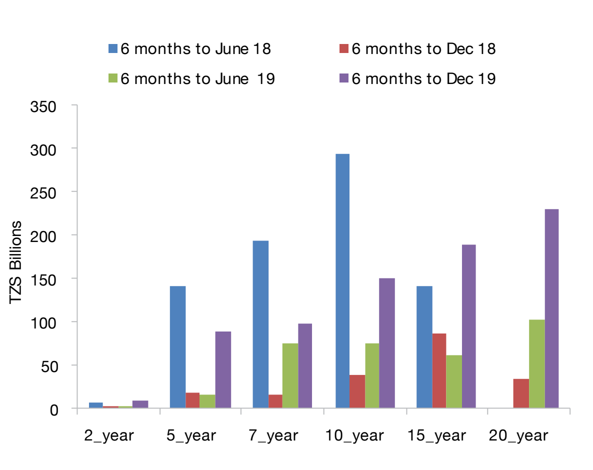
Source: *Dar es Salaam Stock Exchange*

Bond Market

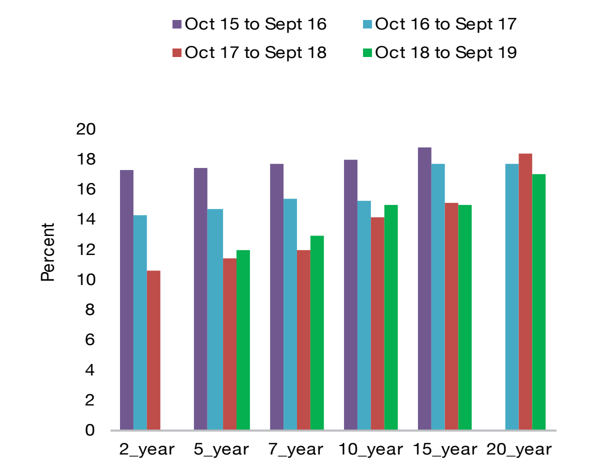
Performance of government bonds in the secondary market improved. Trading of government bonds increased by 10.13 percent to TZS 1,092.15 billion from TZS 991.65 billion traded during the year ended December 2018. The 20-year, 15-year and 10-year bonds were the most traded in the market due to their favourable yields to maturity of 17.4 percent, 15.4 percent and 15.2 percent, respectively (**Chart 4.12 a & b**).

Chart 4.12: Market performance for government bonds

(a): Turnover for government bonds



(b):Weighted average yields



Source: *Dar es salaam Stock Exchange*

Commercial banks continued to be the main participants with low participation of social security funds, partly taking advantage of price discovery to maximize their profits so as to balance their liquidity needs. Trading in government bond during the year increased despite low participation of social security funds (**Table 4.10**).

Table 4.10: Government bonds secondary market trading participation by investor categories

TZS billion

Particulars	Jan 18 to Dec 18			Jan 19 to Dec 19		
	Buy	Sell	Net Flow	Buy	Sell	Net Flow
Banks	437.4	628.5	(191.1)	412.7	682.3	(269.6)
Corporation	97.0	76.7	20.4	171.1	151.0	20.1
Individual	224.3	232.6	(8.3)	245.8	221.2	24.6
Social Funds	198.4	49.6	148.8	62.9	17.1	45.8
Insurance	17.3	4.3	13.0	18.7	2.5	16.2
EAC	17.2	0.0	17.2	181.0	18.1	162.9
Total	991.65	991.65	0	1,092.22	1,092.2	0

Source: *Dar es Salaam Stock Exchange*

Corporate Bonds

Corporate bonds market depicted high performance. Trading of corporate bonds increased by 2.74 percent to TZS 701.33 million from TZS 682.63 million traded during the year ended December 2018. The increase was attributed by listing of NMB corporate bond tranche three in August 2019.

Collective Investment Schemes

Total Net Asset Value (NAV) of Collective Investment Schemes increased. As at the end of December 2019, NAV of Collective Investment Schemes increased by 17.03 percent to TZS 329.64 billion compared to TZS 281.67 billion of December 2018. The increase was mainly attributed by the issuance of Bond fund in November 2019 and increase in NAV of Liquid and Watoto Funds by 63.98 percent and 1.63 percent respectively. Net Assets Values of Wekeza Maisha, Jikimu and Umoja Funds decreased due to decrease in the share prices of securities in which the funds have invested (**Table 4.11**).

Table 4.11: Open ended collective investment schemes

Scheme	Outstanding units (Millions)			Net Asset Value (NAV)			NAV Growth	
	Dec-18	Jun-19	Dec-19	Dec-18	Jun-19	Dec-19	Jun 19 - Dec 19	Dec 18 - Dec 19
Umoja Fund	383.8	373.9	361.3	218,809.3	215,712.2	217,343.6	0.8	-0.7
Wekeza Maisha	3.2	3.0	2.8	1,193.8	1,194.5	1,175.3	-1.6	-1.6
Watoto Fund	9.5	9.5	9.07	3,154.3	3,204.8	3,205.7	0.0	1.6
Jikimu Fund	157.5	159.6	151.8	20,280.5	20,485.1	19,775.6	-3.5	-2.5
Liquid Fund	191.3	221.2	275.2	38,230.5	46,945.0	62,690.5	33.5	64.0
Bond Fund	-	-	246.4	-	-	25,445.1	-	-
Total	745.2	767.2	800.2	281,668.4	287,541.6	329,635.8	14.6	17.0

Source: *Capital Markets and Securities Authority*

Other Fund Management Companies

The performance of funds under management declined. Assets under Management of Fund Managers slightly decreased by 0.34 percent to TZS 143.74 billion in December 2019 from TZS 144.23 billion in December 2018.

The funds placed by private clients were 45.67 percent of the total fund management portfolio, whereas the funds placed by institutional investors were 54.33 percent. Out of the fund managers, the largest portfolios are from Watumishi Housing Company-Real Estate Investment Trust (WHC-REIT) 40.28 percent of the total value of funds under management, and TSL Investment Management Limited 36.32 percent. The funds were diversified into several asset classes with 39.73 percent allocated in real estate (invested by WHC-REIT), 39.47 percent placed in short-term instruments, 17.1 percent in Treasury bonds and the remaining 3.7 percent in listed equities.

4.2.2 Insurance Sub-Sector

Insurance Assets and Net Worth increased in line with the increase in Gross Premium Written (GPW). The sub-sector recorded growth in total assets of 11.7 percent as at the end of December 2019 compared to 8.5% in 2018.The increase was on account of increase in investment resulted from growth in the volume of business in terms of Gross Premiums Written. The GPW increased by 17.3 percent due to usage of Tanzania Insurance Regulatory Authority Motor Insurance Stickers (TIRA-MIS) a system used to track motor insurance stickers as well as aggressive marketing and public awareness programs. On the other hand, liabilities grew by 11.3 percent due to increase in insurance liabilities. Nevertheless, the net worth increased by 12.7 percent to TZS 316.7 billion from TZS 280.9 billion (**Table 4.12**).

Table 4.12: Insurance sector performance

TZS Billions

Particular	31-Dec-18	31-Dec-19	% Change Dec 18 - Dec 19
Total Assets	936.0	1045.9	11.7%
Total Liabilities	655.2	729.2	11.3%
Total Net Worth	280.9	316.7	12.7%
Total Investments	647.3	729.5	12.7%

Gross Premium Written

Particular	31-Dec-18	31-Dec-19	% Change Dec 18 - Dec 19
General Insurance	587.6	693.4	18.0%
Life Assurance	104.3	118.1	13.3%
Total	**691.9**	**811.6**	**17.3%**

Source: *Tanzania Insurance Regulatory Authority*

The general insurance increased across business classes during the period under review. However, domestic companies attributed significant increase in aviation to insurance of new aircrafts. During the period under review, the market share composition for Motor Class stood at 32.0 percent followed by Fire (20.7 percent), Health (18.4 percent), Accident (7.8 percent); Engineering (7.7 percent) and Other classes combined (13.4 percent) of total general Insurance business. Life assurance, on the other hand, was dominated by Group Life Class at 79.6 percent, followed by Individual Life 18.8 percent and others 1.6 percent. Tables below indicate the position (**Table 4.13**).

Table 4.13: Market share for gross premium written as per business class

Class of Business	Dec-18	Market Share	Dec-19	Market Share	% Incr/Decr
Fire	114,094.8	19.4%	143,655.8	20.7%	25.9%
Engineering	26,190.2	4.5%	53,647.6	7.7%	104.8%
Motor	203,151.2	34.6%	222,130.7	32.0%	9.3%
Accident	45,018.5	7.7%	53,971.1	7.8%	19.9%
Marine	22,859.5	3.9%	32,466.6	4.7%	42.0%
Aviation	15,850.1	2.7%	28,550.1	4.1%	80.1%
Health	127,849.5	21.8%	127,256.1	18.4%	-0.5%
Oil & Gas	8,958.4	1.5%	4,549.0	0.7%	-49.2%
Other Gen.	23,658.3	4.0%	27,197.8	3.9%	15.0%
Total General	587,630.5	100.0%	693,424.7	100.0%	18.0%
Individual Life	20,845.3	20.0%	22,193.5	18.8%	6.5%
Group life	83,068.7	79.7%	94,013.3	79.6%	13.2%
Other life	358.0	0.3%	1,926.4	1.6%	438.1%
Total Life	104,272.0	100.0%	118,133.2	100.0%	13.3%

Source: *Tanzania Insurance Regulatory Authority*

The Sub-Sector was well capitalized with increase in return on investment. During 2019, general insurers' solvency ratio was 51.3 percent, above the minimum prudential requirement of 25.0 percent. Likewise, life insurers' solvency ratio was 24.4 percent compared to the minimum prudent standard of 8.0 percent. Despite the ratios being above the acceptable minimum level, 13 individual companies were undercapitalized. TIRA continued to require companies to inject additional capital to comply with minimum capital requirement to enhance ability of the industry to absorb shocks. The quality of assets as assessed by the rate of return on investment slightly decreased to 6.7 percent for General insurance compared to 6.8 percent during 2018. This was attributed to the greater increase in investments assets compared to from investment income. For life insurance, the rate of return on investment decreased from 4.6 percent to 3.6 percent as at end December 2019 due to decrease in return on investment in shares.

The Sub-Sector remained profitable as reflected by an increase in return on equity. As at the end of December 2019, Return on Equity (ROE) for General Insurance increased to 20.3 percent from 1.3 percent in December 2018. This was attributed to increase in underwriting income by 208.5 percent to TZS 27.9 billion and investment income by 11.3 percent to TZS 34.5 billion.

General insurers' claims incurred as a percent of net premium earned decreased to 43.8 percent by end of December 2019 compared to 52.5 percent recorded during the previous year. The decrease in general insurers' claims ratio was on account of increase in net premium earned. General insurers' expense ratio decreased by 48.6 percent from 56.1 percent in December 2018 due to decline in management expenses. The decrease in management expenses was attributed to the requirement of insurance companies to limit expenses to comply with regulatory requirement of limiting management expenses below 25 percent of the Net Premium Earned.

The general insurers' retention rate during the year ended December 2019 was 52.6 percent of total Gross Premium Written (GPW). The retention rates were consistent with the prudential retention ratio range of 30.0 percent and 70.0 percent of GPW. Likewise, Life insurers' retention ratio was 85.5 percent in December 2019 and 85.1 percent during December 2018. These ratios were within the prudential retention ratio of between 50.0 percent and 90.0 percent for Life business.

Liquidity ratio for the Sub-Sector remained stable, to withstand deviations from actuarial liabilities. General insurers' liquidity ratio increased to 105.0 percent during the period ended December 2019 compared to 97.3 percent recorded in December 2018. Similarly, Life Insurance liquidity ratio increased to 59.1 percent from 58.3 percent recorded during 2018. Liquidity ratios for General Insurance and Life insurers were above the minimum prudential requirement of 95.0 percent and 50.0 percent, respectively. This implies sub-sector's ability to withstand adverse deviations of actuarial liabilities. The sub-sector's ability to withstand adverse deviations of actuarial liabilities was satisfactory as reflected by a ratio of 45.7 percent as at end of December 2019 against the statutory maximum limit of 250.0 percent on account of capital enhancement during the period under review (**Table 4.14**).

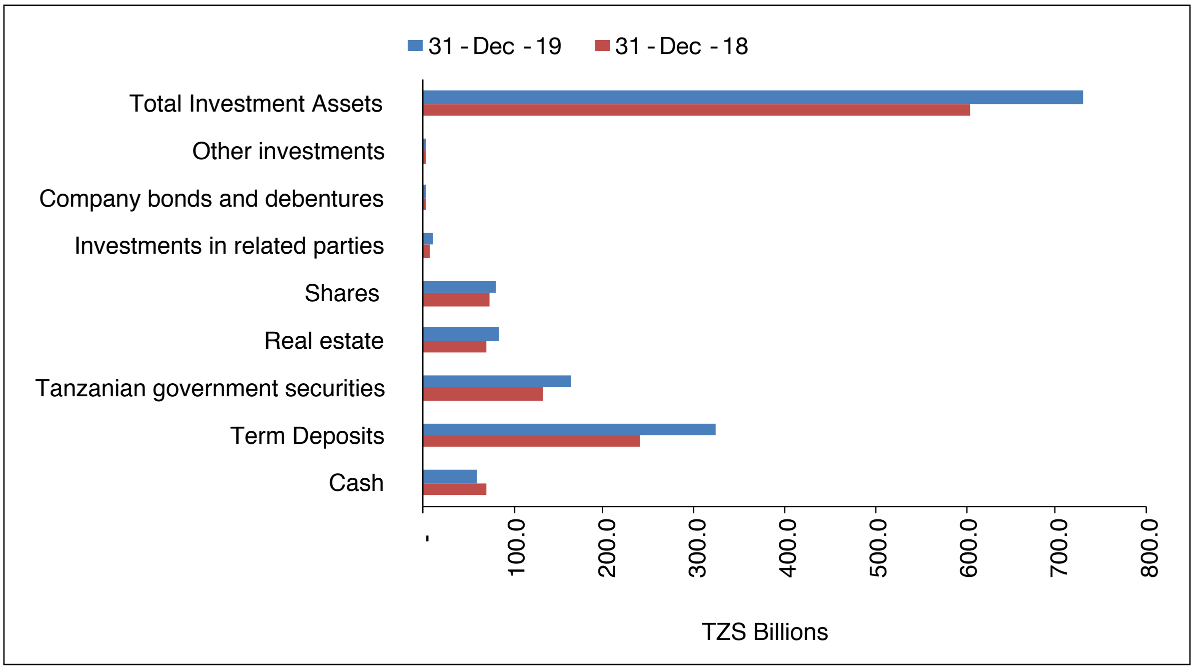
Table 4.14: Financial soundness indicators of the insurance sector (general and life)

Indicator	Statutory Requirement	Dec-2018		Dec-2019	
		General	Life	General	Life
1. Capital Ratios					
Solvency Ratio	General ≥ 25; Life ≥ 8	48.80%	28.10%	51.30%	24.40%
Change in Capital and Reserves				15.80%	-0.50%
2. Asset Quality Ratios					
Rate of Return on Investment		6.8%	4.6%	6.7%	3.6%
Investment Mix:					
Investment in government securities		22.4%	21.2%	23.0%	21.4%
Investment in bank deposits	Min 30	47.1%	30.6%	53.4%	23.1%
Investment in real estate		6.5%	24.1%	6.2%	27.1%
3. Reinsurance Ratios					
Retention Ratio	General 30<RR<70; Life 50<RR<90	54.1%	85.1%	52.6%	85.5%
4. Actuarial Liabilities (General)					
Actuarial Provisions to Capital Ratio	Max 250	54.8%		45.7%	
5. Earnings Ratios (General)					
Return on Equity		1.30%		20.3%	
6. Liquidity Ratios					
Liquidity Ratio	General ≥ 95; Life ≥ 50	97.3%	58.3%	105.0%	59.1%
Total Receivables as % of Capital & Reserves	Max 100	61.7%	48.6%	64.9%	48.9%
7. Loss Ratio		52.5%		43.8%	-
8. Expense Ratio		56.1%		48.6%	

Source: *Tanzania Insurance Regulatory Authority*

The insurers' investment assets increased by 12.7 percent to TZS 729.5 billion in December 2019 from TZS 647.3 billion in 2018, largely attributed to increase in fixed deposits by TZS 65.2 billion and government securities by TZS 22.9 billion.

Chart 4.13: Investment mix



Source: *Tanzania Insurance Regulatory Authority*

Insurance penetration and density increased to 2.1 percent and TZS 14,518.0 in December 2019 from 2.0 percent and TZS 12,377.5 in December 2018 respectively. The increase was mainly attributed to increase in Gross Premium Written during the period.

Period	Gross Premium Written (TZS Millions)			GDP (TZS Millions)	Insurance Penetration	Population (Millions)	Insurance Density (TZS)
	Life	General	Total				
Dec-18	104,272.0	587,630.5	691,902.5	34,451,359.2	2.0	55.9	12,377.5
Mar-19	25,389.0	212,018.0	237,407.0	33,714,827.6	0.7	55.9	4,247.0
Jun-19	27,765.0	158,433.0	186,198.0	34,975,991.7	0.5	55.9	3,330.9
Sep-19	30,514.0	156,907.0	187,421.0	33,009,195.4	0.6	55.9	3,352.8
Dec-19	118,133.2	693,424.7	811,557.9	39,052,911.7	2.1	55.9	14,518.0

4.2.3 Social Security Sector

Mainland Tanzania

The Social Security Sector's assets grew in line with an increase in return on investment. As at the end of December 2019, total assets grew by 11.8 percent to TZS. 12,776.1 billion, while the total Return on Investment (RoI) increased by 1.7 percent to TZS 321.4 billion compared to December 2018. Funds increased investment in fixed deposits and government securities relative to other investments mainly due to increased returns and lower risk. The Fund's market share continued to be dominated by PSSSF, which accounted for 54.9 percent followed by NSSF (31.6 percent), NHIF (11.2 percent) and WCF (2.3 percent), respectively.

The sector's ability to cover obligations slightly decreased due to increased backlog of benefit payables. The overall coverage ratio (assets against liabilities) declined to 8.8 times compare to 22.0 times[11] growth in December 2018. Similarly, liquidity of the social securities' schemes slightly declined as indicated by contributions to benefit payments ratio. As at the end of December 2019, the ratio stood at 0.9 percent from 2.1 percent recorded in the previous period.

Total income to benefit payment ratio decreased to 1.1 times as at the end of December 2019 compared to 2.4 times in December 2018 mainly on account of payment of backlog of benefits. Following merging of the Funds, PSSSF acquired matured investments leading to increase in interest income and the ability to meet short-term obligations. Furthermore, the total sector dependency ratio declined to five times in December 2019 from 10 times in December 2018 because the rate of growth of new contributing members was less than pensioners.

Efficiency of the sector as measured by administrative expenses to contribution ratio improved recording 5.9 percent which is below prudential limit of 10.0 percent compared to 10.4 percent recorded in December 2018. The main contributing factor was the continued improvement in cost management of all the Funds and cost saving from merging (**Table 4.15**).

Table 4.15: Mainland Tanzania: social security selected financial indicators

Indicators	Dec-18					Dec-19				
	PSSSF	NSSF	NHIF	WCF	TOTAL	PSSSF	NSSF	NHIF	WCF	TOTAL
Asset/Liabilities (Times)	21.9	23.0	21.9	14.1	22.0	5.5	27.9	19.2	19.8	8.8
Return on Investment (Percent)	0.5	0.1	2.2	3.5	0.6	1.7	1.3	1.8	4.6	1.7
Contibutions/Benefit payments ratio (Times)	1.4	2.2	4.3	111.1	2.1	0.4	2.6	4.5	26.8	0.9
Administration Expenses/Contributions (Percent)	6.0	9.8	13.5	27.6	9.8	5.3	1.0	12.3	24.3	4.1
Total Income/Benefit payment (Times)	1.5	2.2	5.4	154.7	2.4	0.5	3.1	5.3	40.6	1.1
Fund Balance growth						-9.3	25.9	-0.4	37.6	3.9
Dependency Ratio (Times)	9	19			10	4	17			5

Source: *Bank of Tanzania*

Investment in Government securities and real estate continued to dominate the Funds' portfolio. As at the end of December 2019, investment in Government securities increased to 37.1 percent from 35.8 percent in December 2018. On the other hand, investment in real estate declined from 21.4 percent to 14.2 percent. The shift of investment from real estate to Government securities and infrastructure has partly reduced Funds' risk exposure to low returns in property market (**Table 4.16**).

[11] Fund balance is the difference between Funds assets and liabilities in the balance sheet

Table 4.16: Mainland Tanzania: social security portfolio investment mix

Particular	Prudential Limits	Dec-18					Dec-19				
		PSSSF	NSSF	NHIF	WCF	TOTAL	PSSSF	NSSF	NHIF	WCF	TOTAL
Bank Deposits	35	-4.3	8.4	15.2	1.9	2.0	4.7	6.1	20.7	5.3	6.8
Government Debt	20-70	44.1	14.8	48.0	63.5	35.8	46.7	20.6	38.0	64.4	37.1
Commercial Paper, Promissory notes and Corporate bonds	20	0.5	0.0	0.5	0.8	0.3	0.3	0.0	0.5	0.8	0.2
Loans to Government	10	10.2	14.1	16.0	0.0	11.8	9.1	23.2	16.5	0.0	14.6
Ordinary and Preference Share	20	11.1	3.9	7.5	8.9	8.4	12.7	9.2	6.6	6.4	10.7
Unquoted shares	*5*	2.7	1.9	0.0	1.7	2.2	*6.6*	*7.2*	*0.0*	*1.0*	*6.0*
Investments in Licensed Collective Investment Schemes	30	2.9	0.4	1.3	0.0	1.8	0.0	0.3	1.3	2.2	0.3
Real Estate	30	16.3	39.0	1.2	0.0	21.4	18.1	13.2	1.3	0.0	14.2
Non-income Earning Investment Properties	*5*	4.7	18.0	0.6	0.0	8.3	*4.2*	*8.7*	*0.6*	*0.0*	*5.3*
Loans to Corporates and Cooperative Societies	10	1.1	9.4	0.4	0.0	3.7	0.5	9.4	0.4	0.0	3.6
Infrastructure Investment	25	1.6	9.2	0.0	0.0	3.8	7.5	17.9	14.7	20.9	12.3
Total Assets		**6,273.7**	**3,607.7**	**1,283.2**	**263.1**	**11,427.7**	**6,630.5**	**4,504.7**	**1,286.7**	**354.2**	**12,776.1**

Source: *Bank of Tanzania*

Zanzibar Social Security Fund performance review

Total assets of the fund as at the end of December 2019 grew by 16 percent to 504 billion compared to the similar period in 2018. This growth was attributed by increased investment income. During the period, return on investment (ROI) was 2 percent and interest on Treasury bond remained to be a major contributor of increased return on investment.

The fund ability to meet short term obligation has slightly increased to 4.87 times compare to 4.13 times of the same period in the previous year. Pension payments made by the fund decreased to 11.49 billion from 12.92 billion in 2018. During the period the ratio of pension payment to total benefit remained the same as recorded in previous year at 42 percent. The ratio of administrative cost to total contribution continued to be 10 percent inline with regulatory limit of 10 percent, implying cost efficiency to the Fund (**Table 4.17**).

Table 4.17: ZSSF selected indicators

Particulars	As at Dec 2018	As at Dec 2019
Compulsory contributions (TZS billion)	72.92	77.49
Voluntary contributions (TZS billion)	0.11	
Total contributions (TZS billion)	73.03	77.70
Benefit payments (a) (TZS billion)	17.68	15.94
Pension payments (b) (TZS billion)	12.92	11.49
Total Benefits payments (a+b) (TZS Billion)	30.60	27.43
Pension payments/Total benefit payments (percent)	0.42	0.42
Contibution income/benefit payments (a) (times)	4.13	4.87
Contributing Members (active members)	88,085	96,884
Pensioners	8,309	8,870
Dependancy ratio (times)	10.60	10.92
Investment income (TZS billion)	8.31	10.76
Investment Assets (TZS billion)	423.45	472.1
Investment Income/Investment Assets (percent)	0.02	0.02
Administrative cost (TZS billion)	7.02	7.56
Administrative cost/investment income (percent)	0.84	0.70
Administrative cost/Contribution (percent)	0.10	0.10

Investment portfolio of the Fund as at the end of December 2019 grew by 9.6 percent to 472.1 billion compared to the same period in previous year. During the period the Fund increased its investment mainly on Government stock, corporate bond, loan and real estate. On the other hand, the Fund decreased its investment on treasury bonds and land (**Table 4.18**).

Table 4.18: ZSSF investment portfolio

Particulars	Dec 2018	Dec 2019
Government Stock	26.6	42.4
Treasury Bonds	148.7	145.3
Bank Fixed Deposits	83.3	84.9
Equity Investments	14.8	15.1
Loans	5.1	8.1
Investment Property- Real estate	11.6	17.0
Investment in Land	47.4	46.6
Mapinduzi Memorial Museum Items	0.04	0.04
Mapinduzi Revolving Retaurant Items	0.6	1.0
Mapinduzi Memorial (Mapinduzi Tower)	7.3	7.3
Corporate Bond	5.7	17.3
Work in progress (WIP)	37.4	44.6
Recreation and Amusement	42.2	42.5
Total investment assets	430.7	472.1
Net Assets	434.15	504.0

Box 2: Deposit Insurance System

As at the end of December 2019, licensed deposit taking banks and financial institutions were 52 with a value of total deposits in the banking sector amounting to TZS 23,323.7 billion, whereby the total insurable deposits [12] was TZS 20,598.25 billion. The Deposit Insurance Fund (DIF) increased by 19.87 percent to TZS 520.22 billion (unaudited) as at the end of December 2019 from 433.99 billion recorded in the corresponding period in 2018. The ratio of the DIF to the value of total insurable deposits was 2.53 percent while the ratio of the Fund to the total value of insured/covered deposits was 29.87 percent as at the end of December 2019.

The ratio of fully insured deposit accounts to total number of insurable deposit accounts remained impressive at 95.69 percent against a recommended ratio of at least 90 percent. However, the value of fully insured deposit accounts to value of total insurable deposit accounts ratio remained low at 4.74 percent against a ratio of 10 percent recommended by the EAC-Monetary Affairs Committee (MAC).

The convergence criteria resolved by the EAC-MAC is to cover at least 90 percent of total deposit accounts and 10 percent of value of total deposits. In addition, it was agreed that the target fund size shall be 3 percent of the value of total deposits and 20 percent of the value of total insured deposits by year 2025.

In 2017 and 2018, seven banks namely; FBME Bank Limited, Mbinga Community Bank Plc, and Covenant Bank for Women (T) Limited, Efatha Bank Limited, Njombe Community Bank Limited, Kagera Farmers' Cooperative Bank Limited and Meru Community Bank Limited were closed and placed under liquidation. As at end of December 2019 a total of 25,033 (increase of 0.1 percent) out of 62,450 eligible depositors of the closed banks were paid by Deposit Insurance Board (DIB), representing 40.08 percent of total number of eligible depositors of the closed banks and 66.31 percent of the value of deposit insurance payable.

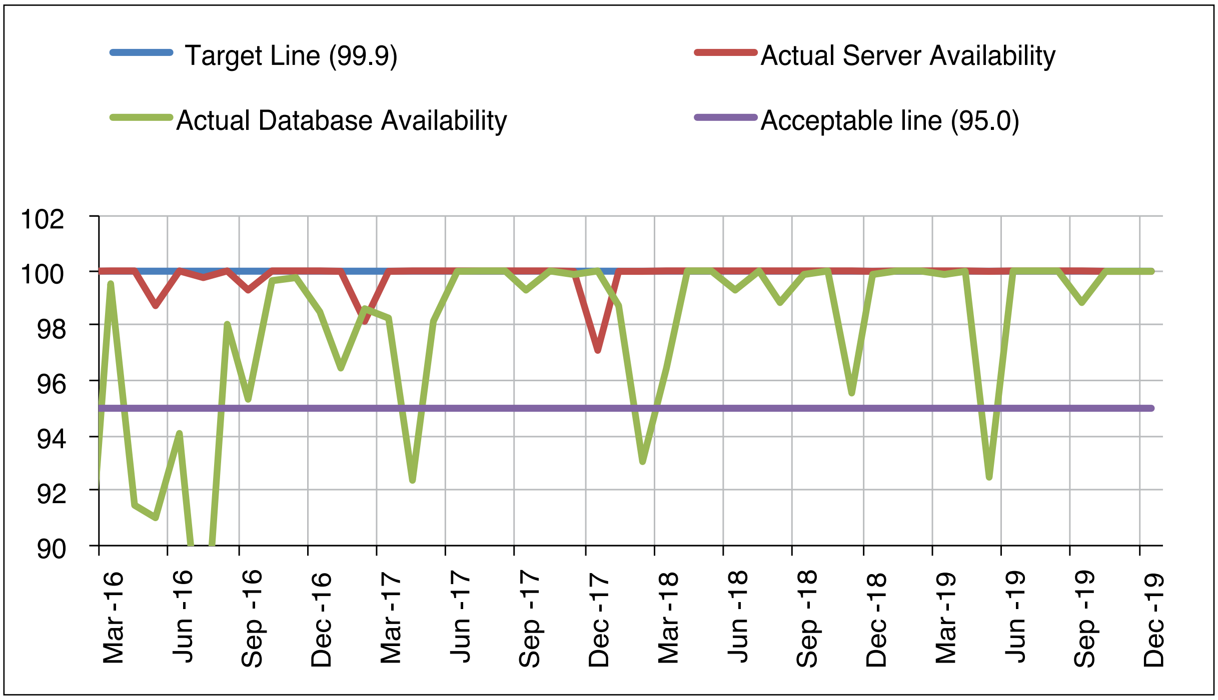
[12] Insurable deposits mean deposits eligible for deposit insurance

5.0 FINANCIAL SYSTEM INFRASTRUCTURE AND REGULATORY DEVELOPMENTS

5.1 Payment System Infrastructure

Robust and well-functioning payment system are essential attributes for provision of effective and efficient financial services and smooth functioning of financial system. During the period under review, payments, clearing and settlement systems continued to operate smoothly and efficiently with growing utilization of digital channels in financial services delivery. Large value and retail payments systems functioned without disruptions, recording an increase in values transacted with low operational, liquidity and settlement risks. Settlement risk was contained, recording negligible unsettled transactions (**Chart 5.1**).

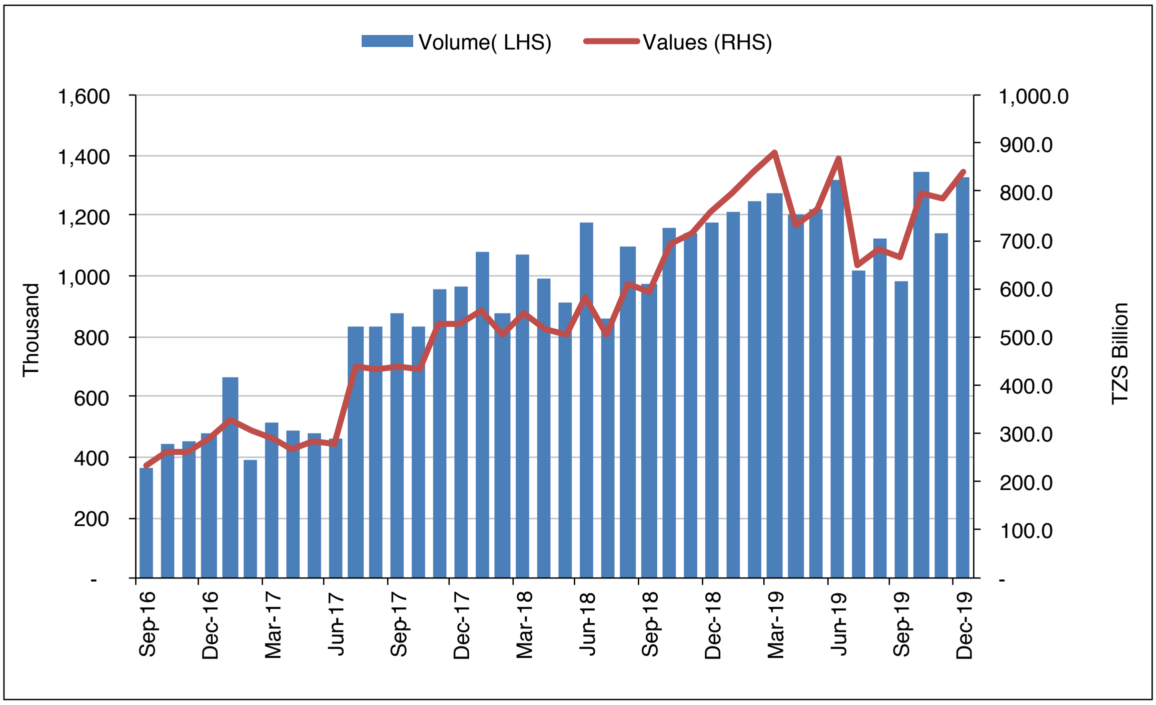
Chart 5.1: TISS availability



***Source**: Bank of Tanzania*

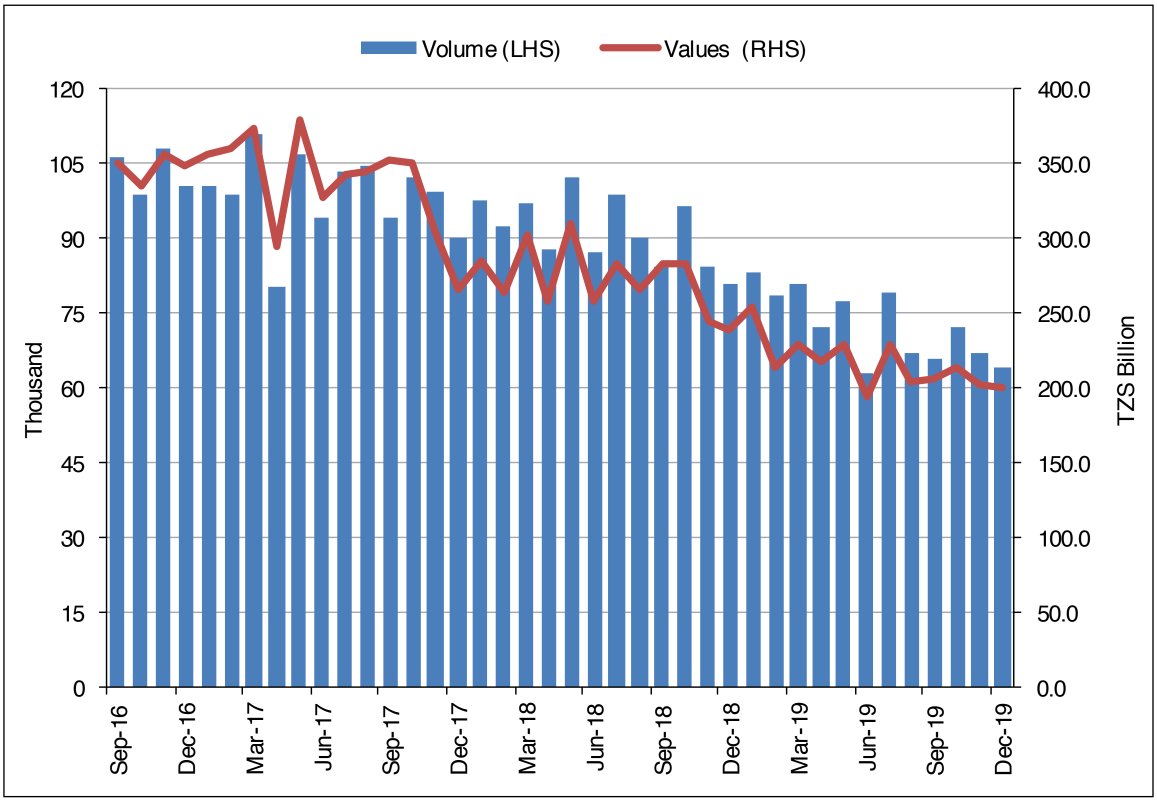
As at the end of December 2019, Electronic Fund Transfers (EFT) through Tanzania Automated Clearing House (TACH) increased by 13.7 percent to TZS 842.610 billion mainly due to continued increase of the Government's usage of digital channels for payments (**Chart 5.2**). The increased usage of EFT enhanced efficiency and security while minimizing costs associated with the use of cheques. The effect was reflected by a decline in usage of Tanzanian Shilling denominated cheques in TACH in terms of both volume and value by 20.5 percent and 15.6 percent, respectively (**Chart 5.3**)

Chart 5.2: Electronic Fund Transfers



Source: *Bank of Tanzania*

Chart 5.3: Tanzanian Shilling cheques: volumes and values



Source: *Bank of Tanzania*

Retail payment systems including TACH, card switches and mobile payment systems operated efficiently with a decline in value and volume of transactions in TACH, Automated Teller Machines (ATMs) and Point of Sales (POS). Mobile payment transactions increased in values and volume by 9.9 percent and 7.9 percent to TZS. 8,002.8 billion and 260.6 million, respectively. The increase is attributable to growing interoperability among the Mobile Network Operators (MNOs) and increased usage of mobile money services. Mobile money active accounts increased to 24.4 million compared to 23.3 million recorded in December 2018. In addition, the number of agents increased to 569,187 from 483,283 while the total Trust Account balances increased to TZS 856.5 billion from TZS 780.4 billion in the preceding period. Mobile banking transactions increased by two (2) folds while ATMs usage declined in volume and values implying a switch of users from physical platforms to internet based transactions hence reduced operations cost (**Table 5.1**)

Table 5.1: Payment systems' values and volume of transactions processed

Payment Systems	Values Transacted			Percentage Change S4 2017-S4 2018	Percentage Change S4 2018-S4 2019
	S4 2017	S4 2018	S4 2019		
TACH (TZS Billion)	264.6	237.8	200.6	-10.1	-15.6
EFT (TZS Billion)	527.1	741.2	842.6	40.6	13.7
ATM and POS (TZS Billion)	1,669.4	2,556.3	3,939.4	53.1	54.1
Mobile banking (TZS Billion)	256.2	268.0	1,017.4	4.6	279.7
Internet banking (TZS Billion)	4,840.7	4,162.7	4,586.2	-14.0	10.2
Trust Accounts (TZS Billion)	720.0	780.4	856.5	8.4	9.7
M-Payments (TZS Billion)	6,639.3	7,647.9	8,402.8	15.2	9.9
Payment Systems	**Volumes Transacted**			**Percentage Change S4 2017-S4 2018**	**Percentage Change S4 2018-S4 2019**
	S4 2017	S4 2018	S4 2019		
TACH (Thousands)	89.9	80.9	64.3	-9.9	-20.5
EFT (Thousands)	963.4	1,166.7	1,331.1	21.1	14.1
ATM and POS (Thousands)	8,120.9	10,131.0	15,034.3	24.8	48.4
Mobile banking (Thousands)	4,732.0	4,095.3	5,346.9	-13.5	30.6
Internet banking (Thousands)	241.9	406.3	408.8	68.0	0.6
M-Payments (Thousands)	224,273.6	241,582.1	260,601.7	7.7	7.9

Source: *Bank of Tanzania*

Note: S2 2017 denotes one year to December 2017, S1 2018 denotes one year to December 2018, S2 2018, denotes one year to December 2019

5.2 Regulatory Developments in the Financial System

5.2.1 Microfinance Sector

The Bank's supervisory mandate has been broadened to include supervision of non-deposit taking microfinance institutions, Savings and Credit Cooperative Societies (SACCOs) and Village Community Banks (VICOBA). In executing this mandate, the Bank has delegated some of its mandate to Tanzania Cooperatives Development Commission (TCDC) to supervise SACCOs and Local Government Authority under the President's Office – Regional Administration and

Local Government to supervise informal financial institutions including Village Community Banks (VICOBA). The measures will enable the bank to identify and mitigate potential risks emerging from microfinance and informal financial institutions with the same objective of building up a safe and resilient financial system.

5.2.2 Capital Markets

During the year, notable developments in the capital markets included amendment of DSE Trading Rules; Admission of the DSE to the World Federation of Exchanges (WFE) and attainment of the Frontier Market Status by DSE.

Amendment of DSE Trading Rules

CMSA approved amendments of the DSE Trading Rules relating to trading restriction on change of closing price based on the Volume Weighted Average Price (VWAP) and the period within which to remove the normal applicable price constraint limits for a security that remain untraded. The approval was also made in respect of amendments on reduction in the block trade threshold from TZS 1.0 billion to TZS 200 million and changing the percentage variation on the touchline price. The changes have facilitated fair price discovery process, which depends largely on market forces of demand and supply thereby enhancing market liquidity.

Admission of the DSE to the World Federation of Exchanges (WFE)

CMSA facilitated the DSE in the evaluation by the World Federation of Exchange (WFE) that led to attainment of full membership to the Federation in January 2019. The admission was granted following the evaluation confirming that the Stock Exchange, the Regulators, the Central Depository and other stakeholders of the Tanzanian capital market meet the main WFE standards and requirements in terms of compliance with market principles, efficiency and governance issues. WFE full membership status, granted to the Dar es Salaam Stock Exchange will further strengthen the visibility of Tanzania as a country, the Dar es Salaam Stock Exchange and listed companies to foreign portfolio investors, including large global fund managers.

DSE Attains Frontier Market Status

CMSA facilitated the process for evaluation of DSE in attainment of Frontier Market Status classification in September 2019. The classification was made following the review by FTSE Rusell that incorporated the assessment of global markets against a range of technical criteria and takes account of the perceptions of institutional investors. Achieving the Frontier Market Status by the FTSE Equity Country Classification has significant impact on enhancing investors' confidence, profiling and increasing visibility of Tanzania markets to global portfolio investors who have interest in frontier markets.

6.0 FINANCIAL STABILITY OUTLOOK

Strong macro-economic environment and increased capital adequacy are expected to enhance the resilience of the financial system. This is despite existence of volatility in the global financial conditions, whose spillover effects are expected to be contained by the ongoing policies and regulatory measures undertaken by the Financial Regulators. Credit risk exposure remains but measures will be taken to address its impact on the domestic financial system. Deterioration of global economy is anticipated, notably with the worsening outbreak of pandemic corona virus. Nevertheless, the ongoing easing of monetary policy by central banks in advanced economies is expected to minimize the probability of global financial distress.

The capital markets are expected to remain vibrant as the corporate appetite and foreign investor participation in Tanzania increase. In addition, Insurance sub-sector is expected to remain well capitalized and profitable benefiting from improved regulatory and business environment, hence increased ability to withstand adverse actuarial liabilities. Further, the Social Security sub-sector will continue to operate efficiently benefiting from increased liquidity, partly due to merging of the four Funds. Growing financial and technological innovations in the payment and settlement chains remain a challenge to financial system stability.

Summary of key risks

Risk to global economy	Risks to SSA and EAC	Risks to domestic economy	Risks to the banking sector	Risks to non-banking sector
Risk to global economy increased **Reasons** • Trade tensions between US & China persist. • Volatile capital flows between AE & EME • Unrealized Brexit deal • Tighter global financial conditions • Volatility in interest and exchange rates in AEs, EMEs and DEs **Challenge** Spillover effects of slowdown in global growth may translate into increased risks to the domestic economy	Risks to growth increased **Reasons** • Possibility of decrease in commodity prices • Likelihood of increased debt burden due to increase in oil prices & strengthening of US$ • Expected widening of C/A and volatility of exchange rate **Challenge** • Tighter global financial conditions which may lead to increased cost of funding • Decline in investment funding sources	Risks moderated **Reasons** • Favourable business and macroeconomic environment • Stable inflation and exchange rate • Possibility of decrease in commodity prices **Challenge** Tighter global financial conditions may result into increased risk due to spillover effects of global slowdown **Policy recommendation** Develop new tools to assess the risks that may emanate from the domestic economy specifically from the real estate and households Close monitoring of developments in the global economy	Risks increased **Reasons** 4) Existence of undercapitalized banks 5) High levels of NPLs –over 5% **Challenge** Possibility of disrupting financial system in the event of an anticipated crisis Increased NPLs may erode banks' capital position and increase the number of undercapitalized banks **Policy recommendation** Enforce contingency plan for the banking sector. Enhance compliance in credit extension and enforce mandatory use of credit reference bureau to new and existing regulated financial institutions Continue to conduct stress testing to obtain early warning risk indicators	Risks increased **Reasons** 1) Mismatch between Asset vs. liability under the Social Security Funds sector may lead to inability to honour future obligations 2) Dominance of cross listed companies in terms trading and holdings 3) Increase in mobile money transactions **Challenge** In the event of abrupt exit can deter the confidence of the stock exchange and cause exchange rate volatility **Policy recommendation** Given the continued behaviour of foreign dominance, it is recommended a study to be conducted to identify reasons for the dominance and low level of participation of local investors

APPENDICES

Appendix 1: Global real GDP growth and projections

Percent

							Projections	
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
World	3.6	3.5	3.4	3.8	3.6	2.9	3.3	3.4
Advanced economies	2.1	2.3	1.7	2.5	2.3	1.7	1.6	1.6
United States	2.7	3.6	1.9	2.6	3.1	2.6	2.2	1.7
Euro area	1.4	2.1	1.9	2.5	1.9	1.2	1.3	1.4
United Kingdom	2.9	2.3	1.8	1.8	1.4	1.2	1.4	1.5
Japan	0.4	0.8	0.0	1.4	0.5	1.2	0.8	0.5
Emerging market & developing economies	4.7	4.3	4.6	4.8	4.5	3.9	4.4	4.6
China	7.3	6.9	6.7	6.8	6.6	6.1	5.8	5.1
Sub-Saharan Africa	5.1	3.1	1.4	3.0	3.2	3.2	3.6	3.5
South Africa	1.7	1.3	0.3	0.7	0.8	0.4	0.8	1.0

Source: *IMF, World Economic Outlook, January 2020*

Appendix 2: Survey for Salary Earners Financial Condition

Introduction

Household financial conditions survey is one of the macro-prudential tool that the Bank of Tanzania uses to identify and monitor risks that may arise from the household sector. In order to assess the financial conditions of households, the Bank conducted Salary Earners Survey as a proxy for identifying vulnerabilities emanating from household sector that may pose risks to the financial system. The objective of the survey was to assess household's financial conditions in an effort to identify systemic risks emanating from household sector, which may have adverse impact on the financial system.

Rationale

The financial conditions and behaviour of households have a significant impact on the stability of the financial system because about 25.0 percent of bank loans are personal loans extended to households. In addition, about 70.0 percent of total bank deposits are household savings. Given the significant position of households on banks' balance sheets, it is important for the Bank of Tanzania to regularly monitor households' financial conditions including income, debt, and debt servicing costs, which may have adverse effect on the quality of bank assets.

Methodology

A structured questionnaire and interviews were used to capture data from banks that provide personal loans products, with a view of identifying some households' balance sheet items including household income, outstanding loans, interest, repayment, loan maturity, down payments, fees, and other personal lending information.

Survey findings

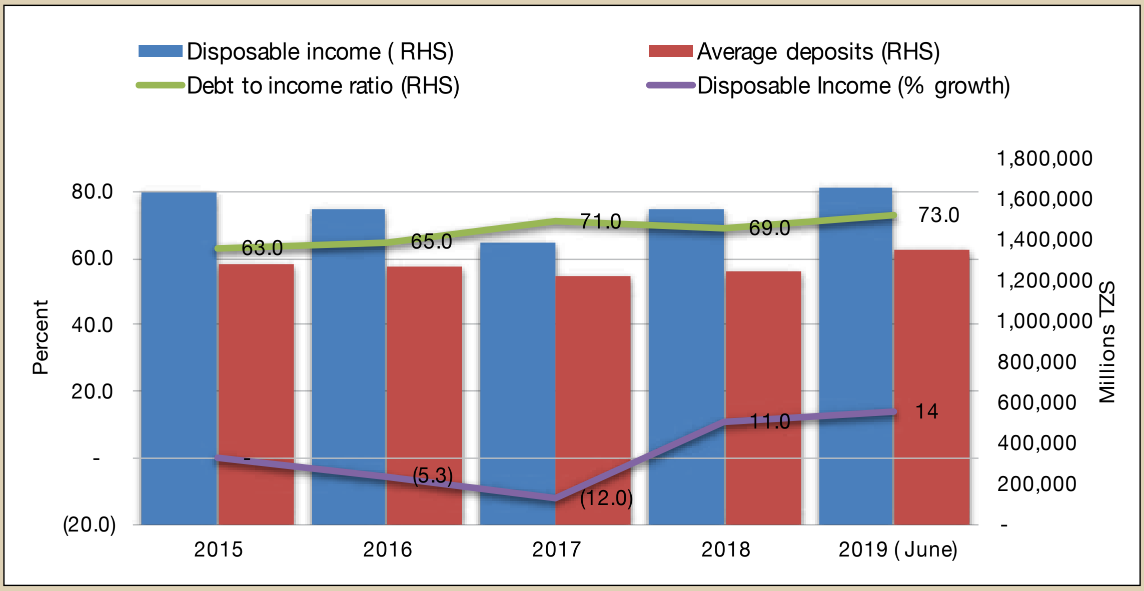
The response rate was 92.1 percent of the 58 sampled banks and financial institutions, which was significant to represent salary earner borrowers.

Salary earners income and debt to income ratio.

The 2019 survey results showed an increase in household income, resulting from increase in credit worthiness. Further, the findings revealed that the level of salary earners debt to income increased slightly to 73.0 percent in 2019 compared to 69.0 percent in 2018, driven by increased demand for credit. The results further indicated that salary earners income increased by 6.0 percent in 2019 on account of continued improvement in business environment and introduction of new Government investment projects, which created employment opportunities in Government investment projects. On the other hand, salary earners' deposits portrayed a slight increase by 9.0 percent in 2019 a reflection of an increase in income (**Chart 6.1**).

An increase in income and deposits improved salary earners' ability to service their debt obligations as well as strengthened financial institutions balance sheets. However, an increase in credit extended to household exposed lending institutions to credit risk especially to borrowers' who have invested in non-permanent activities. This situation may also expose financial institutions to liquidity challenges due to reliance to household deposits whose marginal propensity to save may be impaired by decline in income, which in turn may affect loan repayment and therefore stability of the banking sector.

Chart 6.1: Household income and debt income



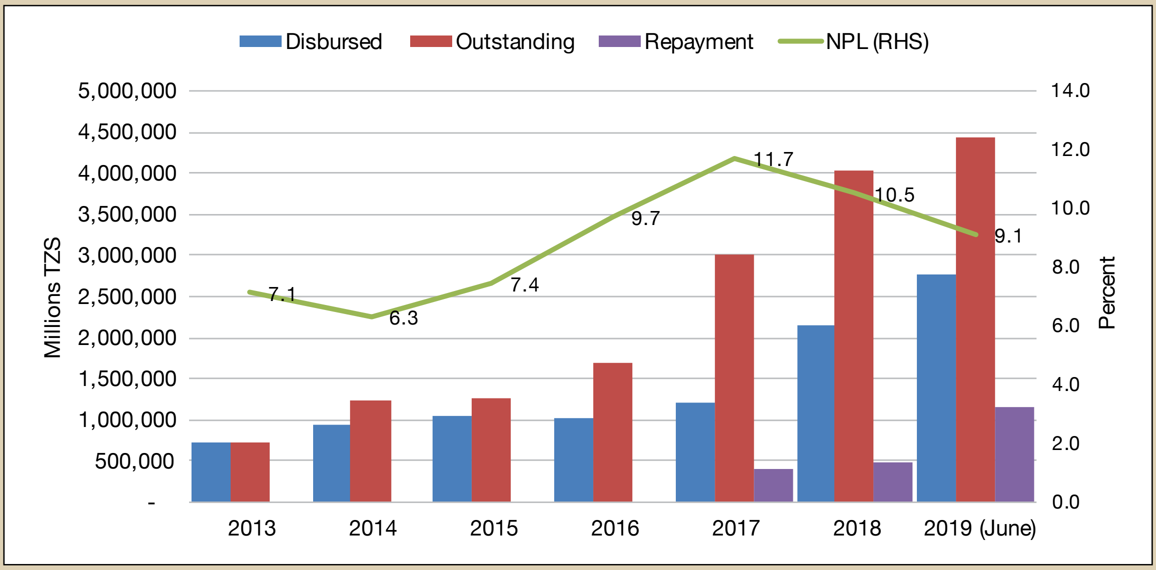
Source: *Bank of Tanzania Salary Earners Survey*

Salary earners' indebtedness and debt servicing cost

Salary earners borrowings increased, amid eased terms and conditions. Survey findings attested that disbursement of personal loans increased by 23.0 percent in 2019. Easing of terms and conditions of lending by financial institutions has reduced the cost of borrowing as lending rate decreased to 16.0 percent in September 2019 from 18.0 percent in 2018. The respondents explained that, the main reason for increased loan disbursements was high competition, particularly on personal loan products, which prompted lenders to reduce lending rate and lengthening loan maturity. Most of the banks and other lending institutions reduced lending rate, which ultimately encouraged salaried earners to increase borrowing. Survey findings revealed that, the outstanding personal loans increased by 9.0 percent in 2019 compared to 25.0 percent in 2018. The increase is supported by loan repayment, which grew by 58.0 percent in 2019, attributable to improved borrowers' willingness and ability to repay. The increase in loan repayment is a reflection of increase in households' income and creditworthiness, which support improved debt servicing capacity and eventually minimize credit risk exposures to lending institutions.

In terms of credit quality, the NPL ratio of salary earners loans declined to 9.1 percent as at the end of September 2019 from 10.5 percent in September 2018. The decrease was partly explained by stringent credit recovery measures adopted by the lending institutions, loan restructuring and increased repayment rate. However, the increased credit issuance to salary earners may trigger credit risk in the sector as household became over indebted, if household income and ability to repay loans remain unchecked for a long period (**Chart 6.2**).

Chart 6.2: Outstanding, disbursed and non-performing loans

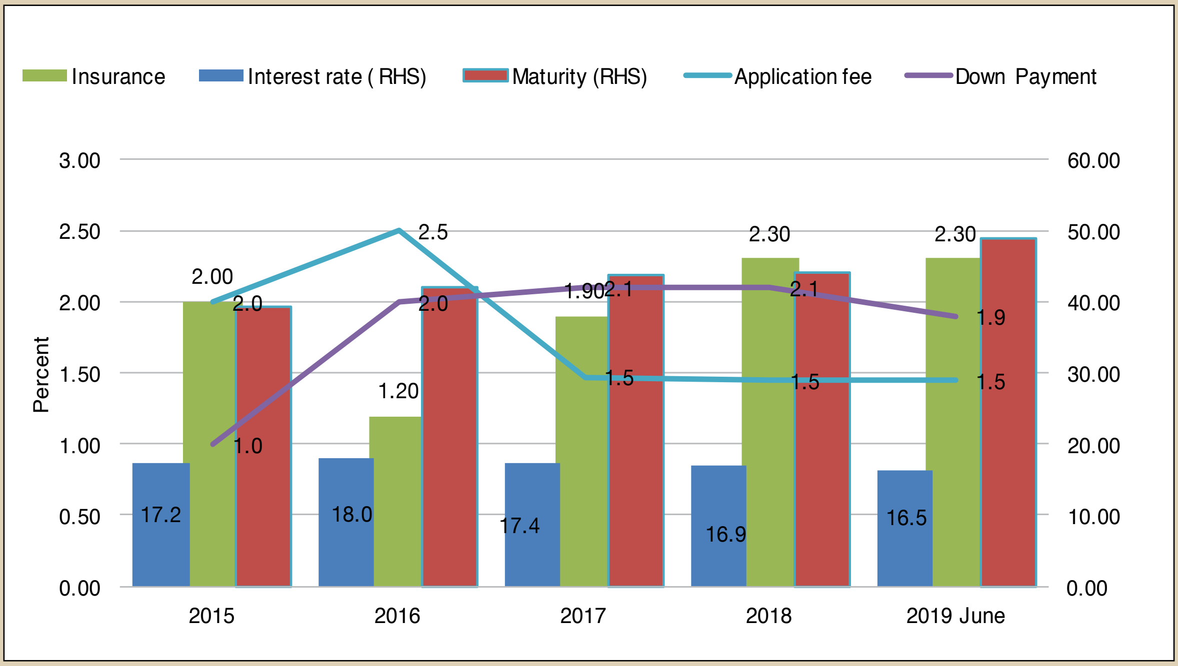


Source: 2019 *BoT Survey on Salary Earners financial condition*

Salary earners borrowing cost

Cost of borrowing for salary earners declined, which led to improved borrowers' debt-servicing capacity. Respondents revealed that, banks and other lending institutions continued to lengthen loan maturity, which eased the burden of repayment instalments, reduced lending rate, loan application fees and down payments. Average loan maturity increased to 48.8 months in 2019 from 44.1 months in 2018, whereas average lending rates decreased to 16.5 percent in 2019 from 16.9 percent in 2018 (**Chart 6.3**). The key factor that contributed to this development was increased competition for personal loans among lending institutions, which reduced reducing households' indebtedness, debt-servicing cost and enhanced debt-servicing capacity.

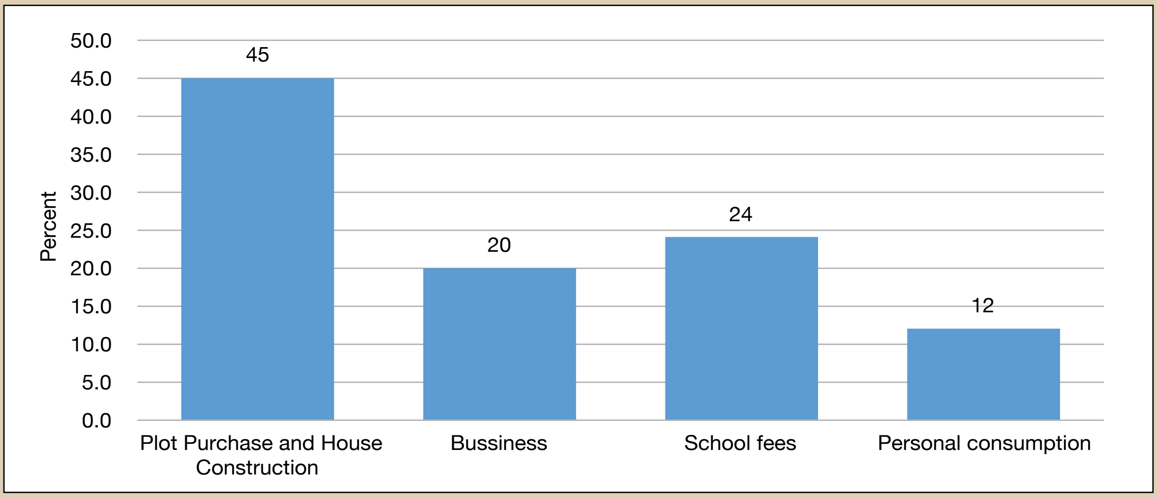
Chart 6.3: Change in interest rate, maturity, fees and insurance



***Source: 2019** BoT Survey on Salary Earners financial condition*
Salary earners loan purpose and other sources of income

The survey result also revealed that most personal loans were used for house construction and plot purchase (50.0 percent) and payment of school fees (17.5 percent). Other uses include: improvement of business investment (15.0 percent) and personal consumption (12.5 percent) and car purchase (5.0 percent (**Chart 6.4**). The decision for households to borrow for acquisition of real estate properties and business will increase borrowers' creditworthiness because such properties can be used as collateral.

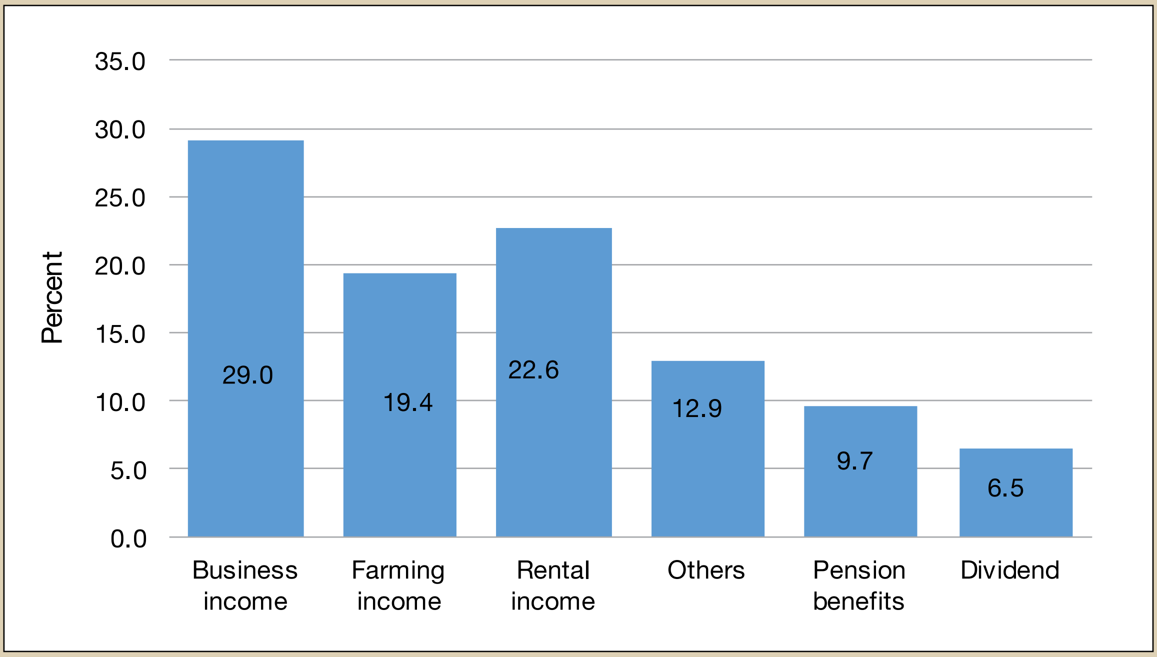
Chart 6.4: Main purpose of personal loans



***Source:** 2019 BoT Survey on Salary Earners financial condition*

The results revealed that households have other sources of income including business activities (29.0 percent), rental (22.5 percent), farming (19.4 percent), pension benefits (9.7 percent), dividends (6.5 percent) and others (12.9 percent) as illustrated in (**Chart 6.5**). These other sources of income have reduced households' reliance on salaries and wages to repay their loans, which makes financial sector less vulnerable to changes in salaries related earnings and benefits. However, since more than 70 percent of other sources of salary earners income originate from three main areas including business, agriculture and property rent, in the event of shocks it may impair the ability to repay loans hence failure to service maturing obligations.

Chart 6.5: Other sources of income



Source: *2019 Survey for Salary Earners Financial Condition*

Appendix 3: Loan Officers' Opinion Survey

Introduction

The Loan Officers' Opinion survey is one of macro-prudential tools that the Bank of Tanzania uses to monitor and assess sentiments emanating from banks, micro-finance institutions and Savings and Credit Cooperative Societies (SACCOS). The sentiments are derived from lending policies and practices including terms and conditions of loans (cost of credit, collateral requirement, maximum credit size and maturity) and credit recovery efforts. In addition, the survey assesses demand for loans, trends of non-performing loans, external sources of financing and loan to value ratio. The objective of this survey is to monitor build-up of potential systemic risks arising from credit market. The survey was conducted in August 2019, covering 152 selected lending institutions including: 38 commercial banks, 5 community banks, 22 Micro-finance Institutions (MFIs), and 94 SACCOs operating in Mainland Tanzania and Zanzibar.

Rationale

The credit service providers' perception and behaviour have significant influence on the performance of credit market. In this regard, collecting and analysing qualitative information is important for the Bank to supplement quantitative information provided by banks with a view to identify early warning indicators from the credit market, which may disrupt the functioning of the financial system. The findings of the surveys are used to inform macro-prudential policy actions as may be necessary.

Methodology

A structured questionnaire was used for gathering qualitative data. Interviews with senior credit officers and Chief Executive Officers were conducted to draw their sentiments and opinions about current and future credit market conditions. The qualitative data were analysed using Statistical Package for Social Sciences (SPSS).

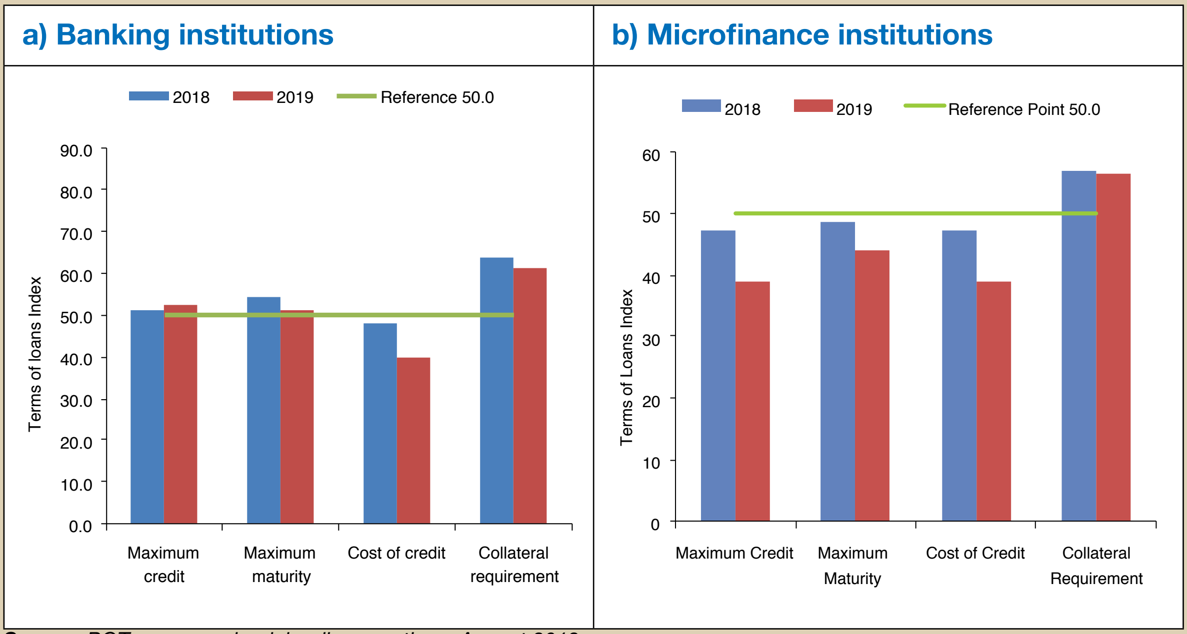
Findings

The response rate of the sampled institutions was 88.7 percent. The findings are categorized as follows: loan terms and conditions; loan applications; direction of non- performing loans (NPLs); credit recovery efforts and the outlook.

Terms and conditions of loan

The survey results revealed that in 2019 terms of loans for banks were eased compared to 2018. However, terms and conditions for Microfinance Institutions remained tightened due to lack of proper legal documentation (i.e. title deeds), delays in court proceedings, court injunctions during disposal of collaterals and lack of proper identification cards. Nevertheless, cost of credit for banks and microfinance institutions were eased due to increased competition in the market and the Bank's policy decision to reduce both discount rate and statutory minimum reserve requirement. On the other hand, maximum credit size was reported to have increased consistent with growth of private sector credit observed during the review period (**Chart 6.6**).

Chart 6.6: Changes in terms and conditions of loan



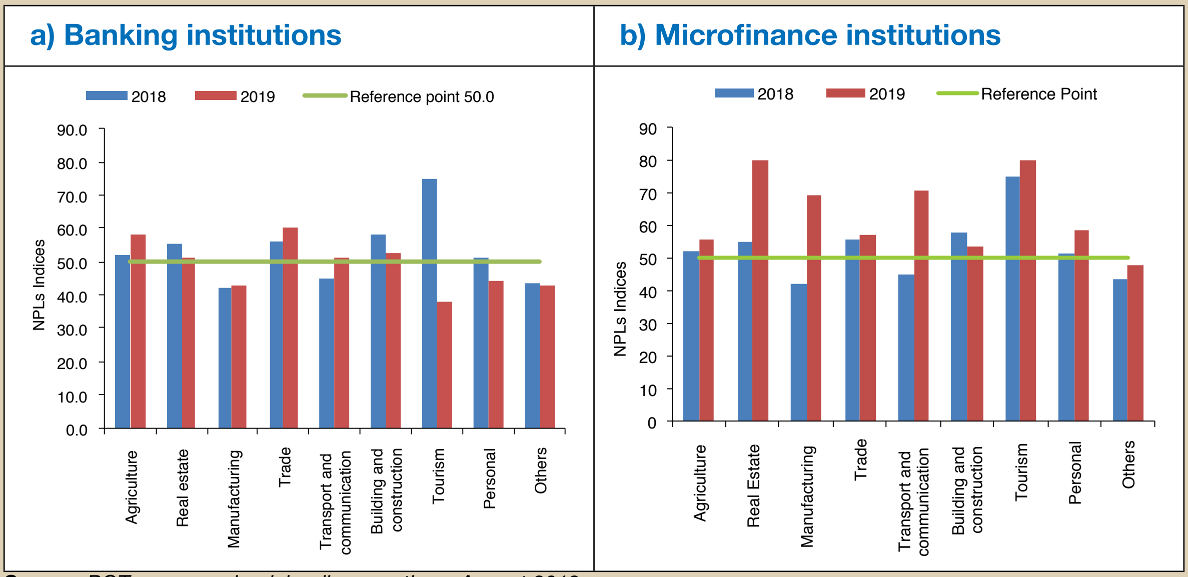
Source: *BOT survey on bank lending practices, August 2019*

Direction of non-performing loans

The sentiment on NPLs portrayed a mixed trend across sectors. According to respondents, the increase was partly attributed to decline in agricultural prices in the world market, poor agricultural returns due to drought, decline in profitability, closure of some businesses and slowdown in transport business. However, it was reported that, the level of NPLs in tourism, personal, building and construction and real estate sectors decreased mainly due to loan restructuring and write-offs of bad loans by banks, improved tourism inflows, payment of some contractors by the Government, improved business environment, financial education and mandatory usage of credit reference information.

On the other hand, Microfinance Institutions, sentiment index for NPLs was above the reference point of 50.0 percent for all sectors due to multiple borrowing, decline in business profitability and poor fund management (**Chart 6.7**).

Chart 6.7: Direction in non-performing loans



Source: *BOT survey on bank lending practices, August 2019*

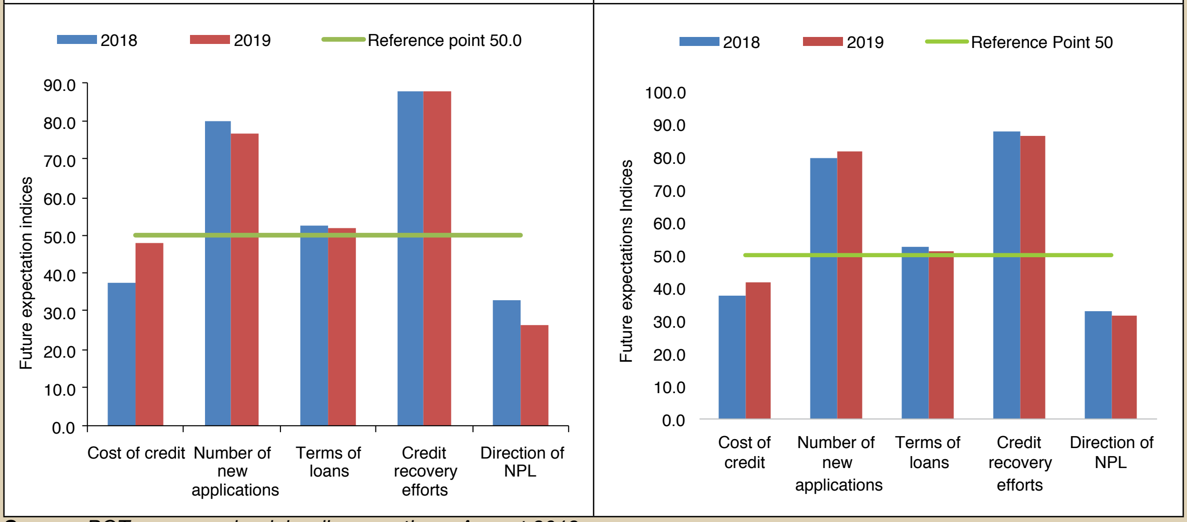
Future Expectations

According to respondents, banks anticipate to increase number of loan applications, eased term of loans and enhance recovery efforts. Reasons for the increase in number of loan applications are eased terms of loans including optimistic economic outlook, tax and business regulatory reforms, improved Government guarantees and competition. In addition, measures for intensifying loan recovery efforts by enhancing recovery units, use of actioners and improvement of collateral requirements through litigations. Nevertheless, the direction of NPLs and cost of credit are expected to remain below the reference point signaling containing of NPLs and affordable credit costs. Reasons for the anticipated decline is partly due to continued decline in Treasury bill rates and increased competition among lenders.

Similarly, according to respondents' microfinance institutions anticipate to increased number of loan applications, eased term of loans and enhance loans recovery efforts. The reasons for the increase in number of loan applications is mainly driven by increased demand for loans to cater for investments and other social needs, increase in creditworthiness of borrowers and increased liquidity emanating from internal fund mobilization. In addition, microfinance institutions anticipate to reducing cost of credit due to increased competition from commercial banks and internal fund mobilization. Further, NPLs direction is expected to decrease on account of increased loans recovery efforts, awareness to members on loan management, enactment of new Microfinance Act 2018 and mandatory usage of Credit Reference Bureau information which will minimize or address the problem of multiple borrowing (**Chart 6.8**).

Chart 6.8: Expected changes for the next twelve months

a) Banking institutions	b) Microfinance institutions



Source: *BOT survey on bank lending practices, August 2019*

Appendix 4: Quarterly performance of Dar es Salaam Stock Exchange

Particulars	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Total Market Capitalisation (TZS billion)	20,835.3	24,003.4	21,579.6	19,124.3	20,138.8	19,286.5	20,354.9	23,076.0	23,199.3	22,252.9	20,292.4	19,676.9	19,858.8	18,641.1	19,063.6	17,096.4
Domestic Market Capitalisation (TZS billion)	8,788.1	8,327.5	8,103.1	7,728.9	7,507.9	7,758.7	9,743.4	10,275.3	10,728.5	10,949.2	10,375.9	9,696.1	9,148.5	9,081.9	9,175.4	9,010.6
Cross listed market capitalization (TZS billion)	12,047.3	15,675.8	13,476.5	11,395.5	12,630.9	11,527.8	10,611.6	12,800.8	12,470.7	11,303.8	9,916.5	9,980.8	10,710.3	9,559.2	9,888.2	8,085.9
GDP (TZS billion)	103,744.6	103,744.6	103,744.6	103,744.6	116,101.9	116,101.9	116,101.9	116,101.9	116,101.9	116,101.9	116,101.9	116,101.9	116,101.9	116,101.9	116,101.9	129,364.4
Total Market Capitalisation/GDP (percent)	20.1	23.1	20.8	18.4	17.3	16.6	17.5	19.9	20.0	19.2	17.5	16.9	17.1	16.1	16.4	13.2
Market Turn-over (TZS million)	122,816.3	101,532.2	113,936.3	82,507.8	75,297.1	116,638.7	129,288.6	195,334.2	85,976.8	51,470.0	28,157.3	42,912.5	37,314.7	63,341.8	527,429.2	561,475.8
Cross listed companies (percent)	57.8	65.3	62.5	59.6	62.7	59.8	52.1	55.5	53.8	50.8	48.9	50.7	53.9	51.3	51.8	-2.1
Domestic listed companies (percent)	42.2	34.7	37.5	40.4	37.3	40.2	47.9	44.5	46.2	49.2	51.1	49.3	46.1	48.7	48.9	2.8
Share Indices																
All Shares Index (DSEI)	2,348.3	2,483.8	2,394.7	2,329.3	3,130.0	2,458.7	2,116.3	2,238.6	2,375.5	2,310.8	2,105.2	2,041.4	2,060.3	1,934.0	1,977.8	2,059.2
Tanzania Share Index (TSI)	4,172.2	3,942.6	3,905.2	3,817.7	3,549.2	3,533.8	3,751.9	3,863.8	3,982.6	4,176.3	3,950.1	3,691.4	3,482.9	3,458.2	3,493.9	3,431.1
Industrial & Allied (IA)	5,606.7	5,265.0	5,063.2	4,911.4	4,553.8	4,569.9	4,996.4	5,366.9	5,572.6	6,160.7	5,656.8	5,285.2	4,896.8	4,877.7	4,880.8	4,750.0
Banks, Finance & Investment (BI)	2,729.3	2,616.4	2,777.1	2,768.3	2,577.4	2,543.2	2,585.1	2,473.3	2,569.0	2,519.9	2,522.9	2,205.4	2,109.7	2,057.0	2,028.9	2,006.9
Commercial Services (cs)	3,764.9	3,656.1	3,545.8	3,283.5	3,137.0	2,858.0	4,146.1	2,462.2	2,468.1	2,331.3	2,295.9	2,282.8	2,242.4	2,238.1	2,369.1	2,369.1

Source: *Capital Market and Securities Authority*

Appendix 5: DSE market capitalization of individual companies

Percent

No;	Cross Listed Companies	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Sep-19	Dec-19
1	ACA	26.8	21.0	26.2	18.3	10.0	10.2	7.9	6.9	7.7	11.6	12.3	14.3	-
2	EABL	21.5	21.6	18.7	21.4	21.1	18.2	19.9	17.4	16.7	15.8	18.7	17.8	20.4
3	JHL	3.1	3.5	3.7	3.3	3.7	3.2	3.7	3.7	3.8	3.4	3.4	2.9	3.4
4	KA	0.6	1.0	1.0	1.2	0.7	9.6	5.6	6.1	5.9	5.8	3.3	1.6	1.7
5	KCB	8.0	10.4	11.1	13.2	14.3	12.0	14.6	14.0	13.3	12.7	15.0	14.3	20.9
6	NMG	2.3	1.8	2.0	2.2	2.2	2.1	2.0	1.7	1.5	1.5	1.3	0.9	1.0
7	USL	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.01	0.0
	Cross Listed Companies Market share as percent of Total Market Capitalization	62.5	59.6	62.7	59.8	52.1	55.4	53.8	50.0	48.9	50.7	53.9	51.81	47.3
No;	**Domestic Listed Companies**													
8	CRDB	3.1	3.4	2.4	2.4	2.2	1.8	1.9	1.9	2.1	2.0	1.6	1.4	1.5
9	DCB	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
10	DSE	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1
11	MBP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
12	MCB	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
13	MKCB	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1
14	MUCOBA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	NICOL								0.1	0.1	0.1	0.1	0.1	0.1
16	NMB	6.4	7.2	6.8	7.1	6.8	6.0	5.9	6.3	6.8	5.9	5.9	6.2	6.8
17	PAL	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.3	0.3	0.9	0.4
18	SWALA	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
19	SWIS	1.1	1.0	1.0	0.7	0.7	0.5	0.5	0.6	0.5	0.5	0.3	0.3	0.3
20	TBL	17.8	18.5	17.6	20.5	19.3	17.9	19.7	22.1	20.8	19.3	16.9	17.6	18.8
21	TCC	5.4	6.0	5.7	5.7	7.2	7.3	7.0	7.7	8.4	8.6	8.6	8.9	9.9
22	TCCL	0.5	0.5	0.5	0.5	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
23	TICL							0.1	0.1	0.2	0.1	0.1	0.2	0.2
24	TOL	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2
25	TPCC	1.9	2.2	1.8	1.7	1.3	0.2	1.1	1.3	1.8	1.9	1.9	1.9	2.1
26	TTP	0.1	0.1	0.1	0.1	0.1	1.1	0.0	0.0	0.0	0.0	0.0	0	0.0
27	VODA	0.0	0.0	0.0	0.0	8.5	0.0	8.2	8.2	8.8	9.1	9.0	9.9	11.1
28	YETU	0.0	0.0	0.0	0.0	0.0	8.3	0.0	0.0	0.0	0.0	0.0	0.03	0.0
	Domestic Listed Companies Market share as percent of Total Market Capitalization	37.6	40.4	37.3	40.2	47.9	44.5	46.2	50.0	51.1	49.3	46.1	48.9	52.7

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

For enquiries and comments contact
Directorate of Financial Sector Supervision
Bank of Tanzania
2 Mirambo Street
P.O. Box 2939
11884, Dar es Salaam
Tel: +255 22 223 5482
Fax: +255 223 4194
http://www.bot.go.tz