



**MONETARY
POLICY STATEMENT**
The Midterm Review

**GOVERNOR
BANK OF TANZANIA**

February 2008



14th February 2008

**The Hon. Mustafa Mkulo (MP),
Minister for Finance and Planning,
United Republic of Tanzania,
Dar es Salaam.**

Dear Hon. Minister,

LETTER OF TRANSMITTAL

I hereby submit the mid-term review of the Monetary Policy Statement (MPS) of the Bank of Tanzania for 2007/08, in accordance with the Bank of Tanzania Act 2006, Section 21 Subsections (1) to (7).

The Statement reviews the implementation of monetary policy in the first half of 2007/08, and describes policy measures to be implemented by the Bank during the remainder of the year. These measures are aimed at dampening the inflationary pressures in the economy, while at the same time, ensuring smooth functioning of domestic financial markets.

The Statement is organised in four parts. After the Executive Summary, Part I is devoted to modalities for monetary policy implementation. Part II explains how the Bank of Tanzania implemented its monetary policy during the first half of the fiscal year. Finally, Part III and IV, evaluate





macroeconomic developments during the period under review and the outlook of monetary policy during the remainder of the year, respectively.

A handwritten signature in black ink, appearing to read "B. Ndulu".

Prof. Benno J. Ndulu
GOVERNOR
BANK OF TANZANIA





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EXECUTIVE SUMMARY

Economic Growth

Tanzania's economic performance has been strong over the recent past, supported by prudent macroeconomic policies and far reaching structural reforms. In particular, sound financing of government operations, including substantial assistance from donors, has been well complemented by a prudent monetary policy stance. A combination of a fiscal policy with minimum net domestic borrowing and a restrictive monetary policy resulted into subdued level of inflation, while allowing a rapid expansion of credit to the private sector. This has translated to high growth, adequate reserves and a sustainable public debt position.

According to the new series of national accounts released by the National Bureau of Statistics in September 2007, the economy is estimated to have grown by 6.7 percent in 2006 and at an average rate of 7.0 percent since 2001. This impressive performance was spearheaded by high growth rates recorded in communications activities (19.2 percent), mining (15.6 percent), financial intermediation (11.4 percent), trade (9.5 percent), construction (9.5 percent) and manufacturing (8.5 percent). The economy is expected to maintain its strong growth momentum in the medium term. It is estimated that for 2007, the growth rate will exceed 7.0 percent.

Inflation Developments

Inflation has remained above the country's medium term target of 6 percent, mainly due to high inflation expectations triggered by the rising domestic oil prices reflecting world market prices and increase in global food prices. In July 2007, headline inflation reached its highest level of 9.0 percent since January 1999, when single digit inflation rate was





achieved for the first time. However, a combination of improved domestic food supply and tight monetary policy stance, succeeded to reduce inflation-implying that the rate at which domestic prices were increasing relative to the previous year declined. For instance, between October 2006 and October 2007, average domestic consumer prices increased at a rate of 7.1 percent, whereas between December 2006 and December 2007, average prices increased at a slower rate of 6.4 percent.

Monetary Policy Stance

The Bank continued to focus on mopping up excess liquidity from the economy, mainly emanating from foreign exchange inflows for government budget support, so as to achieve appropriate liquidity levels and dampen inflationary pressures in the economy.

A tight monetary policy stance, which in the past had relied heavily on sale of Treasury bills to absorb the excess liquidity out of the system, had pushed up Treasury bill yields to record high levels. Thus, in a bid to achieve reasonable market determined interest rates, and minimize the adverse impact of high interest rates on domestic credit, the Bank opted for a mix of instruments. It stepped up foreign exchange sales in the inter-bank market for sterilization purposes and carried out repurchase agreements with commercial banks more frequently to fine-tune the level of liquidity in the economy, thereby reducing reliance on T-bills. Subsequently the move eased pressure on interest rates.

In an effort to strengthen transparency in monetary policy and maintain stability in financial markets, the Bank introduced monthly communications with market players within a day or two after the conclusion of the Monetary Policy Committee (MPC) meetings. The first meeting was conducted in December 2007, which informed market





players on the decisions of the MPC and the rationale of the monetary policy stance. In addition, the Bank will continue to hold quarterly press conferences to inform the public on economic developments, and solicit feedback on the Bank's monetary policy performance.

Financial Market Developments

The Bank took steps to foster competitive bidding in Treasury bill auctions. Effective 9th January 2008, the Bank reduced the frequency of Treasury bill auctioning from weekly to once fortnightly and T-bonds to once a month. Besides influencing competitive bidding in the Treasury bills market, and thus reduce interest rates on Treasury bills and bonds, this move is also expected to steer trading of securities in the secondary market. The new policy strategy has started to bear fruits. The weighted average yield of Treasury bills declined to 10.89 percent by the end of January 2008 from the peak of 17.07 percent recorded in June 2007.

In the foreign exchange market, the Bank decided to remain neutral beginning October 2007, which helped to break the entrenched expectations that the shilling will always lose value against the dollar even when the latter was depreciating rapidly. The value of the shilling has since strengthened consistent with the obtaining market fundamentals. The shilling exchange rate appreciated from an average of TZS 1,277.43 per US dollar in July 2007 to an average of TZS 1,165.15 in December. The appreciation of the shilling has provided partial cushion against the sharp rise in the price of oil and imported inflation on other consumer goods.

Financial Intermediation

Financial deepening improved during the year to December 2007. The





ratio of money supply (M3) to GDP expanded to 28.9 percent from 27.0 percent registered during the corresponding period last year. Deposits to GDP ratio expanded to around 23 percent up from 21.5 percent during the same period. The proportion of private sector loans to deposits has improved as well, reaching 61.8 percent compared to 53.1 percent recorded in the previous year.

Commercial banks' credit to the private sector continued to maintain strong growth, reaching 42.2 percent during the period, compared to the target of 35 percent for the year ending December 2007. In terms of credit concentration, manufacturing activities accounted for 19.3 percent, trade 17.2 percent, agriculture 9.9 percent, transport and communication 7.0 percent.

Government Budgetary Operations

Fiscal performance for the first six months of 2007/08 (July - December) was impressive, especially on revenue collections. Tax revenue collections amounted to TZS 1,652.0 billion (or 8.2 percent of GDP), exceeding the target by TZS 75.0 billion. Expenditure was slightly lower than planned, mainly due to the slowness of the procurement process. By the end of December 2007, total expenditure reached TZS 2,966.2 billion or 14.7 percent of GDP compared to 16.4 percent planned for the period. Cumulatively from July to December 2007, fiscal operations recorded an overall deficit of TZS 448.5 billion, equivalent to 2.2 percent of GDP.

External Sector Developments

On the external sector front, the deficit in the current account widened during 2007, on account of increase in imports, which outpaced increase in exports. Provisional statistics indicate that exports of goods and





services increased by 14.7 percent, while imports rose by 23.3 percent. The weak performance in traditional exports, which recorded an annual change of 8.6 percent, contributed to lower export earnings, whereas much of the increase in imports was mainly attributed to a surge in goods imports which registered an annual increase of 24.9 percent. However, it is worth noting that the surge in imports was mainly associated with capital goods imports - a phenomenon that reflects increased investment in the economy.

Meanwhile, the Bank's gross international reserves rose to USD 2,761.2 million as at the end of December 2007 compared with USD 2,139.7 million recorded at the end of December 2006. This level of reserves is enough to cover about 5 months of imports of goods and services.

Economic Developments in Zanzibar

During 2006, the economy grew by 6.1 percent, slightly below the projected target of 6.2 percent. The growth was mainly driven by robust performance in agriculture, as well as tourism. Overall performance of the economy in 2007 is projected at 6.6 percent.

Inflation Developments

Annual headline inflation, as measured by changes in the consumer price index (CPI), has been increasing over the recent past. Annual inflation averaged 11.4 percent in 2006, up from an average of 9.7 percent recorded in 2005. The average inflation rate increased further to 13.1 percent in 2007. The persistent increase in inflation is mainly attributed to high food prices in times of food shortages, and a pass-through of rising international oil prices to other domestic prices. The Zanzibar government has put up measures to address the rising trend of inflation.





The measures include pursuing prudent expenditure management, increasing revenue collection efforts, and promoting domestic food production through provision of irrigation and extension services. The Government waived import duties on food grains to encourage importation of food by the private sector.

Government Budgetary Operations

Budgetary operations during the period (July-December 2007), recorded a deficit of TZS 5.8 billion. During the period under review, total resources amounted to TZS 91.7 billion; out of which TZS 52.6 billion or 57.4 percent was domestic revenue and TZS 39.1 billion, equivalent to 42.6 percent was from foreign sources.

External Sector Developments

During the year ending December 2007, the external current account improved significantly, recording a surplus of USD 30.1 million compared to a surplus of USD 18.6 million recorded during the corresponding period in 2006. The improvement was largely attributed to an increase in export receipts and official foreign grants, amid modest decline in the import bill. During 2007, total export earnings for Zanzibar stood at USD 102.9 million, while the annual import bill was USD 93.8 million.





PART I

1.0 MODALITIES FOR MONETARY POLICY IMPLEMENTATION

The Mission of the Bank of Tanzania is to maintain price stability that is conducive to the attainment of macroeconomic stability with the objective of promoting a high and sustainable rate of economic growth. In conducting monetary policy, the Bank of Tanzania follows the modalities stipulated in the Bank of Tanzania Act 2006. The Bank uses a combination of indirect instruments to contain liquidity within desired levels. This includes the sale of Treasury bills and bonds; and sale of foreign exchange. Also, the Bank actively uses Repurchase Agreements (REPOs) to manage short term liquidity movements. The liquidity management effort is further supplemented by periodic adjustments in the pricing of the liquidity windows at the central bank - namely the discount rate and the Lombard rate, to ensure a consistent level of liquidity in the economy.

The Modalities of Monetary Policy Implementation

- At the beginning of every fiscal year, the Bank of Tanzania sets annual monetary policy targets in its Monetary Policy Statement. The targets are reviewed at mid-year.
- The Monetary Policy Statement is submitted to the Minister for Finance and Planning, who tables it to the Parliament.
- The same procedure is followed in the submission of half-year review of monetary policy implementation.
- The monetary Policy Committee of the Board of the Bank of





Tanzania, chaired by the Governor, closely monitors monetary policy implementation on a monthly basis.

- At the operational level, the Liquidity Management Committee discusses progress on monetary policy implementation on a weekly and daily basis and draws plans for the day or the week.





PART II

2.0 REVIEW OF MONETARY POLICY IMPLEMENTATION DURING THE FIRST HALF OF 2007/08

The monetary policy objectives of the Bank of Tanzania for 2007/08 focused on maintaining an appropriate level of liquidity in the economy, while supporting the broader macroeconomic objectives of the government. The thrust of government policies during 2007/08 was to promote broad based growth, through enhanced investment in infrastructure while maintaining poverty reduction initiatives. The government continued to take measures to improve the business environment to ensure that the private sector continues to be the engine of growth.

Specifically the government aimed at achieving the following:-

- Real economic growth rate of 7.3 percent in 2007.
- Inflation rate of 6.0 percent by June 2008 (Revised upwards from 4.5 percent targeted earlier mainly due to unforeseen persistent rise in international oil prices).
- Domestic recurrent revenue of TZS 3,517.0 billion equivalent to 18.0 percent of GDP.
- Total expenditure of TZS 6,066.8 billion equivalent to 31.3 percent of GDP.
- Official foreign exchange reserves, sufficient to cover 5 months of imports of goods and services in 2007/8.

In support of the above macroeconomic objectives of the Government and in light of the inflation expectations during 2007/08, the monetary





policy of the Bank of Tanzania aimed at achieving the following targets:-

- Attaining an annual growth rate of money supply of 21.0 percent by end June 2008;
- Maintaining adequate level of international reserves equivalent to a minimum of 5 months of imports of goods and services; and
- Allowing commercial banks credit to the private sector to grow at an annual rate of 39.5 percent, consistent with the projected GDP growth for 2007/08.

Significant improvements were made by the Bank of Tanzania with regard to transparency and predictability of monetary policy. The Bank initiated meetings with Chief Executives of commercial banks within a day or two of the conclusion of the monthly Monetary Policy Committee (MPC) meetings. The meetings focus on the decisions of the MPC and the rationale of the monetary policy stance adopted by the Bank for the month. The first such meeting with Chief Executive Officers was held in December 2007. In addition, the Bank held a quarterly meeting with media to inform the public on economic developments, and solicit feedback on the Bank's performance.

2.1 Liquidity Management

During the period under review, the Bank continued to focus on mopping up excess liquidity so as to achieve appropriate liquidity levels and dampen inflationary pressures in the economy. In addition, the Bank was also concerned with high and volatile yields on government securities - which increased the cost of liquidity management and also affected commercial banks lending to the private sector.

In the first half of 2007/08, the economy received substantial amount of both public and private foreign exchange inflows including budget





support funds and foreign investments. To sterilize the resulting excess liquidity, the Bank issued additional Treasury bills, complemented by resumed net foreign exchange sales and frequent use of repurchase agreements. While the policy stance was to tighten liquidity generally, the Bank opened its liquidity windows, namely Lombard and intraday facilities to commercial banks, especially when bank liquidity became tight due to seasonal factors such as the increased demand for cash during festive seasons or end of quarter tax payment demands. On the other hand, the Government implemented an effective expenditure management policy, coupled with increased revenue collections. These measures also helped to reduce excess liquidity in the economy, and thus enable the Bank to bring monetary growth back to track, especially beginning November 2007.

2.2 Interest Rates

Following the need to address high and volatile Treasury bill rates, the Bank reduced over dependence on Treasury bills for liquidity management by increasing sales of foreign exchange. Furthermore, effective 9th January, 2008 the Bank reduced the frequency of Treasury bills auctioning from weekly to once fortnightly and Treasury bonds to once a month. The move was taken mainly to foster competitive bidding, and stimulate secondary trading of securities.

These efforts paid off, as the upward trend on interest rates reversed. Commercial banks also responded accordingly. In the Treasury bills market, the overall weighted average Treasury bill yield for all maturities declined significantly from 17.07 percent in June 2007 to only 11.40 percent in December 2007. Overall time deposit rate improved from 7.83 percent in June 2007 to 8.26 percent in December, 2007, while 12-months deposits rate increased from 9.25 percent to 10.2 percent.





Lending rates dropped slightly from 16 percent to 15.25 percent. Negotiated rates were even better. By December 2007, negotiated deposit rate stood at 11.04 percent and lending rate at 11.98 percent.

2.3 Money Supply

The Bank uses reserve money as an operating target to influence the desired growth of money supply conducive for the targeted rates of inflation and economic growth. The measures undertaken by the Bank during the period succeeded in containing average reserve money growth broadly within targets, except for the first quarter of 2007/08. Consequently, extended broad money supply (M3) growth averaged at 21.2 percent between July and December 2007, compared to the average of 24.1 percent targeted for the period under review. The slow pace of M3 growth is attributed to the appreciation of the shilling against the US dollar that subsequently reduced the growth of foreign currency deposits in banks. Growth of broad money supply (M2), which excludes foreign currency deposits, averaged 26.5 percent, compared to the targeted 30.3 percent. The increase in M2 was largely driven by strong growth of time deposits, in line with improved interest rates, and growth in demand deposits reflecting robust business activities during the period under review.



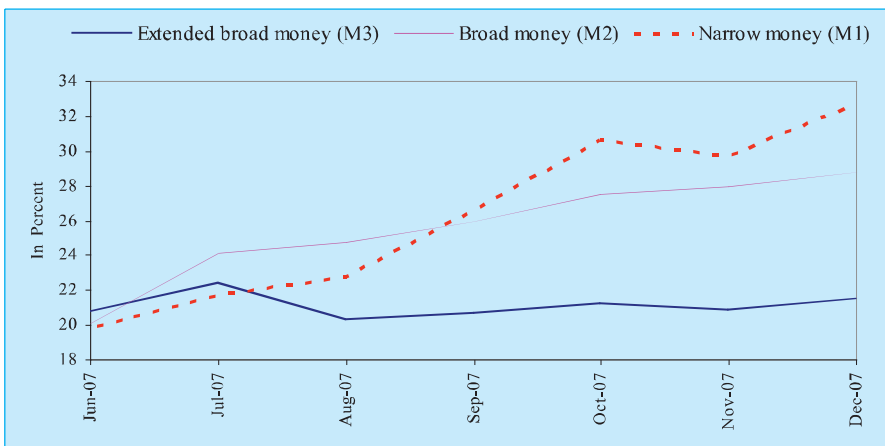


**Table 2.1: Tanzania: Developments in Selected Monetary Aggregates
(Billions of TZS)**

	Jun-06	Dec-06	Jun-07	Dec-07	Absolute Change		Annual Percentage Change	
					Jun-Dec 2006	Jun-Dec 2007	Jun-07	Dec-07
Extended Broad Money (M3)	4299.1	4798.8	5190.0	5827.7	499.8	637.7	20.7	21.4
Broad Money (M2)	2945.5	3193.8	3538.2	4112.1	248.3	573.9	20.1	28.8
Currency in Circulation	856.2	975.6	1049.6	1164.2	119.4	114.6	22.6	19.3
Demand Deposits	942.7	954.8	1106.7	1398.0	12.2	291.3	17.4	46.4
Time Deposits	455.2	469.7	517.8	570.0	14.5	52.2	13.8	21.4
Savings Deposits	691.5	793.7	864.1	980.0	102.2	115.9	25.0	23.5
Foreign Currency Deposits	1353.5	1605.0	1651.8	1715.6	251.5	63.8	22.0	6.9
Net Foreign Assets	3073.2	3566.0	3541.6	3678.0	492.8	136.4	15.2	3.1
Bank of Tanzania	2212.3	2516.7	2704.2	3080.1	304.4	375.8	22.2	22.4
Deposit Money Banks	860.8	1049.3	837.4	598.0	188.5	-239.4	-2.7	-43.0
Net Domestic Assets	1835.1	1842.0	2257.6	2758.9	6.9	501.3	23.0	49.8
Domestic Credit	2169.5	1951.2	2477.7	2474.7	-218.2	-3.0	14.2	26.8
Claims on Government (net)	512.6	-77.0	217.4	-409.1	-589.7	-626.5	-57.6	430.9
Claims on Government	965.4	1338.2	1764.2	1766.1	372.8	1.8	82.7	32.0
Government Deposits	452.8	1415.2	1546.8	2175.1	962.4	628.3	241.6	53.7
Claims on the private sector	1656.8	2028.3	2260.3	2883.8	371.5	623.5	36.4	42.2
Other Items: Net	-334.4	-109.3	-220.2	284.2	225.1	504.4	-34.2	-360.1

Source: Bank of Tanzania.

Chart 2.1 Growth Rate of Money Supply - July to December 2007





2.4 Private Sector Credit

Despite the tight monetary policy stance pursued by the Bank of Tanzania, credit to private sector was allowed to grow sufficiently to support the anticipated rapid growth of the economy. This was supported by the fiscal side, as government reduced its domestic borrowing requirements, leaving room for domestic financing of productive sectors. Under the monetary policy program for the quarter ending December 2007, commercial banks' credit to the private sector expanded by 42.2 percent, compared with the program target of 34.8 percent for the year ending December. On the contrary, the government was expected to reduce its domestic debt, so as to release more resources for lending to the private sector. By the end of December 2007, the government had made a net repayment of TZS 254 billion to the banking system. In terms of credit concentration, most of it was held in manufacturing activities 19.3 percent, trade 17.2 percent, agriculture 9.9 percent, transport and communication 7.0 percent.

During the period, the Bank also supported the implementation of the second generation financial sector reforms, relating to long-term finance, lease finance, pension sector, insurance sector, mortgage finance, credit information data bank, and putting in place effective legal and regulatory framework to facilitate collateralized lending.

It is worth noting that, during the year to December 2007, financial deepening improved significantly. The ratio of money supply (M3) to GDP expanded to 28.9 percent from an average of 25.8 percent in June 2007, while deposits to GDP ratio expanded to 23 percent from 20.6 percent. The proportion of private sector loans to deposits improved to an average of 61.8 percent compared with 53.1 percent recorded in the similar period of previous year.

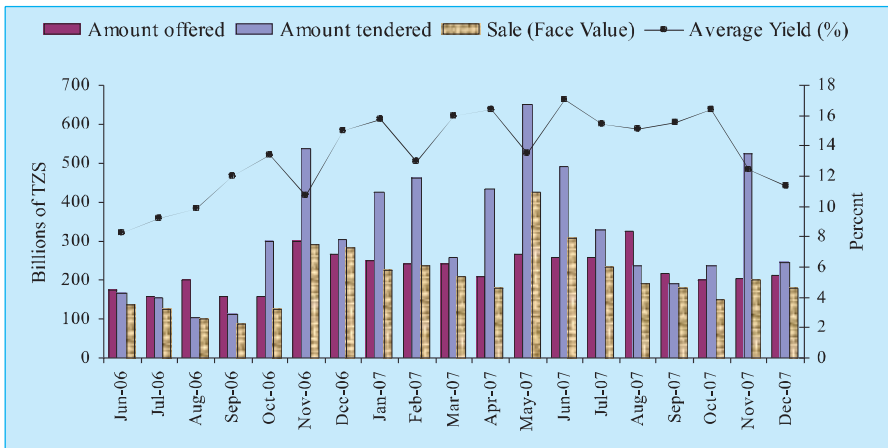




2.5 Financial Market Developments

During the period under review, Treasury bills worth TZS 1,492.0 billion were offered for sale by the Bank to roll-over the maturing securities and mop up excess liquidity. Bids worth TZS 3,083.0 billion were received, out of which TZS 1,266.3 billion were successful. Yields declined to an average of 11.40 percent in December 2007, from 17.07 percent recorded in June 2007.

Chart 2.2: Developments in Treasury bills Market



In the foreign exchange market, a total of USD 694.8 million was transacted compared to USD 619.2 million traded in the same period last year. The shilling recorded significant gains against the US dollar, appreciating from an average of TZS 1,277.43 per US dollar in July 2007 to TZS 1,165.15 per US dollar in December 2007. This represents an average appreciation of 8.8 percent. The magnitude of the appreciation of the shilling against the US dollar during the period was mainly





associated with the large increase of foreign exchange in the market, and the weakening of the US dollar against major currencies in the recent past.

Between July and December 2007, the main sources of foreign exchange supply in the economy included donor inflows for budget support, which amounted to USD 916.8 million, export proceeds of USD 1,892.2 million and an estimated private current transfers amounting to USD 35.6 million.

2.6 Foreign Exchange Operations and Reserve Management

Foreign exchange operations of the Bank of Tanzania are guided by the need to promote stable market determined exchange rates, and maintain adequate level of foreign reserves, without compromising its primary objective of price stability. During the period under review, the Bank participated in the foreign exchange market to complement other monetary policy instruments in managing liquidity. The Bank sold USD 246 million on net basis, and as a result mopped-up liquidity equivalent to TZS 288 billion from the economy.

In the face of strong foreign exchange inflows for budget support coupled with net sales of foreign exchange by the Bank, the supply of foreign exchange in the inter-bank market exceeded the demand. Consequently, the shilling appreciated beginning August 2007, in contrast to the depreciating trend recorded in the previous period. From September - December 2007, the shilling appreciated by about 7.6 percent in nominal terms. Meanwhile, the country's gross international reserves increased from USD 2,245.0 million in June 2007 to USD 2,761.2 million at the end of December 2007, enough to cover about 5 months of imports of goods and services.





PART III

3.0 REVIEW OF OTHER MACROECONOMIC DEVELOPMENTS

3.1 Economic Growth

Tanzania's economic performance has been strong, with real GDP growth reaching 6.7 percent in 2006 and averaging 7 percent since 2001. A rebound in agricultural production and improved power supply resulting from favourable weather conditions, provide hope for economic growth to exceed 7 percent in 2007. The activities that continue to drive economic growth in Tanzania are communications (19.2 percent), mining (15.6 percent), financial intermediation (11.4 percent), trade (9.5 percent), construction (9.5 percent) and manufacturing (8.5 percent). The growth momentum is supported by the rapid credit expansion. However, the strong growth is yet to be translated into significant poverty reduction. To make significant inroads into alleviating poverty, the strong growth needs to be sustained for long periods. In this regard, the remaining structural deficiencies in the economy need to be addressed to enhance private sector contribution to rapid economic growth.

3.2 Inflation Developments

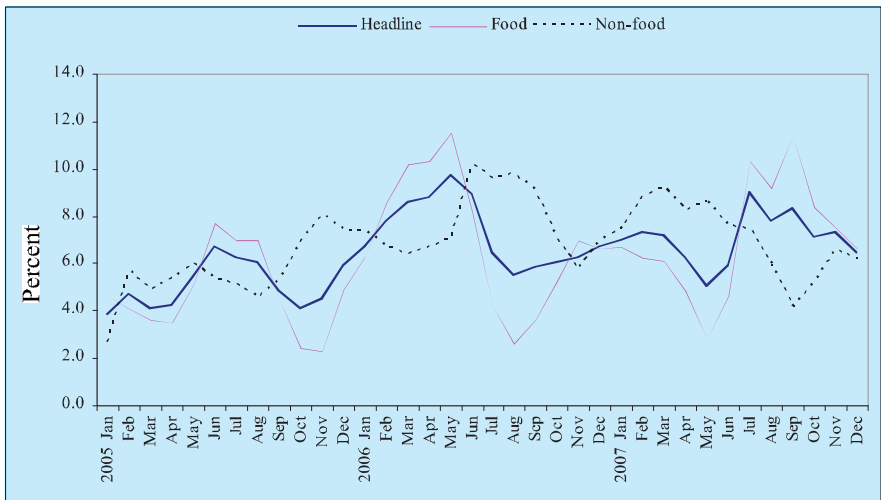
Inflation has remained above the medium term target of 6 percent, mainly due to rising inflation expectations triggered by the rising domestic oil prices parallel with world market prices and increase in food prices during times of food shortages. Evidently, the strong pass-through of high oil prices to other costs in the economy - such as costs of production and transportation has contributed to the upward pressure on prices of





most consumer products, including food, drinks and other manufactured products. In July 2007, headline inflation reached its highest level of 9.0 percent since January 1999, when single digit inflation rates began. The Bank of Tanzania continued to tighten its monetary policy stance in moderation of monetary expansion, while the improvement of domestic food supply during 2006/07, had a favourable impact on food prices. As a result, headline inflation declined to 7.1 percent in October 2007 and by December 2007 annual inflation eased to 6.4 percent.

Chart 3.1: Tanzania: Annual Headline, Food, Non-food inflation



In the coming months, inflationary pressures are expected to be driven by the recent increase in electricity tariffs, the rise in wages and salaries, and the persistent increase in international oil prices. In addition, the recent upward pressure on international food prices due to increased demand for bio-fuels, will take its toll on imported food prices which will in turn exert an upward pressure on domestic inflation. The Bank is determined





to continue to implement prudent monetary policy stance to ensure that money supply in the economy is in line with the production of goods and services. Otherwise, too much liquidity creates upward pressure on domestic prices and hence inflation.

On the supply side, the Government is taking measures to address the looming food shortages in the country. First, the Government conducted an in-depth assessment of the food supply situation in the country. The findings indicated that 21 districts were experiencing shortages and would need immediate supply of food relief. By the end of January 2008, the Government had supplied a total of 625.8 tons of food. Second, import tariffs on food grains had been waived to promote food imports by the private sectors in a bid to beef-up domestic food supply. Third, plans are underway for the Government to import 300,000 tons of cereals to ensure that the strategic grain reserve is adequate for any eventuality.

3.3 Government Finance

The overall fiscal performance for Tanzania Mainland during the first six months of 2007/08 (July - December) remained on track, with strong growth in tax revenue collections.

Total revenue during the period under review amounted to TZS 1,759.0 billion against the target of TZS 1,734.0 billion. Tax revenue collections performed impressively, reaching TZS 1,652.0 billion (or 8.2 percent of GDP), which is well above the target by TZS 75.0 billion. The good performance in tax revenue is attributed to enhanced tax administration, including measures to minimize revenue leakages and improve compliance. As for non-tax revenue the performance was TZS 49.9 billion lower than the target of TZS 157.0 billion. The underperformance in non-tax revenue during the period under review was attributed to delay





in the implementation of some of the measures aimed at boosting revenue such as tourism receipts, wildlife and hunting fees. During the period under review, the Government received grants amounting to TZS 974.4 billion. Consequently, available resources amounted to TZS 2,733.4 billion compared to the target of TZS 2,906.6 billion.

On the other hand, total government expenditure (recurrent and development) during July - December 2007 was slightly lower than planned, mainly attributed to a slow procurement process. Cumulatively from July to end December 2007, total expenditure reached TZS 2,966.2 billion or 14.7 percent of GDP compared to TZS 3,310.8 billion or 16.4 percent of GDP planned for the period. Recurrent expenditure was TZS 1,550.2 billion against TZS 2,056.6 billion estimated for the period under review, whereas development expenditure amounted to TZS 1,416.0 billion, being above the estimate for the period by TZS 177.0 billion. This outturn in development expenditure was possible following front-loading of the foreign development partners' funds during the period. Foreign component of the development expenditure amounted to TZS 1,003.4 billion against the estimate of TZs 721.5 billion.

On overall, fiscal operations registered a deficit (adjusted to cash) amounting to TZS 448.5 billion. During the period under review, net foreign loans amounted to TZS 1,073.3 billion, part of which was used to finance the deficit. The balance was used to build government reserves to the tune of TZS 624.8 billion.

3.4 External Sector Developments

During 2007, the current account recorded a deficit of USD 2,056.2 million. Total export earnings for the year amounted to USD 3,703.6 million, while imports reached USD 6,306.3 million. By major





compositions, traditional export crops, once the major foreign exchange earner, improved by 8.6 percent over the year, earning USD 290.1 million. Mineral exports stood at USD 886.5 million out of which gold exports amounted to USD 762.9 million. Exports of manufactured goods earned USD 309.2 million, whereas fish and fish products realized USD 137.7 million. As regards to services, total receipts amounted to USD 1,697.0 million during the year, with tourism accounting for a lion share.

On the import side, the largest proportion to total imports for the year came from intermediate goods, which accounted for 41.3 percent and capital goods (36.0 percent). In particular, oil imports rose sharply by 31.3 percent over the levels recorded in 2006. The surge in the value of imported oil stemmed from both the huge volumes imported and the rising prices in the world market. In 2007, 2.5 million tons were imported compared to 2.0 million tons of the previous year. The average price per ton for oil imported in Tanzania was USD 581.2 in 2007, up from an average price of USD 574.2 recorded in 2006. On the other hand, the average world market price for white products was USD 601.63 per ton in 2006, but increased to USD 673.6 in 2007.

Going forward, Tanzania has to promote and sustain an export-led economic growth as an effective poverty reduction strategy. In the past several decades, countries that have grown rapidly and that have sharply reduced poverty are those that have pursued export expansion, particularly of the processed and manufactured products.





Table 3.1: Tanzania: Current Account Balance

Million of USD							
	December		2007 ^p		Year Ending December		
	2005	2006	November	December	2006 ^p	2007 ^p	% Change
Goods Account (net)	-92.1	-198.6	-432.2	-206.7	-2,128.1	-2,820.4	32.5
Exports	180.5	173.6	197.4	171.5	1,736.0	2,006.6	15.6
Imports	272.6	372.2	629.7	378.2	3,864.1	4,826.9	24.9
Services Account (net)	-12.6	6.7	-7.3	4.5	244.9	217.6	-11.1
Receipts	102.6	125.8	130.0	124.0	1,494.2	1,697.0	13.6
Payments	115.3	119.1	137.3	119.5	1,249.4	1,479.4	18.4
Goods and services (net)	-104.8	-191.9	-439.5	-202.2	-1,883.3	-2,602.8	38.2
Exports of goods and services	283.1	299.4	327.4	295.5	3,230.2	3,703.6	14.7
Imports of goods and services	387.9	491.2	767.0	497.7	5,113.5	6,306.3	23.3
Income Account (net)	-3.4	-8.6	-5.2	-9.0	-84.6	-67.8	-19.9
Receipts	9.4	4.7	11.6	11.1	80.3	109.3	36.0
Payments	12.8	13.2	16.8	20.1	164.9	177.1	7.4
Current Transfers (net)	42.8	301.8	35.5	39.0	588.6	614.4	4.4
Inflows	47.9	107.6	41.0	44.8	654.5	686.9	4.9
o/w General Government	39.4	99.7	32.7	36.5	559.6	589.2	5.3
Outflows	5.0	-194.1	5.5	5.9	65.9	72.4	9.9
Current Account Balance	-65.3	101.3	-409.2	-172.3	-1,379.3	-2,056.2	49.1

Note: p = Provisional data; Totals may not add up due to rounding of numbers
Source: International Economics Department, Bank of Tanzania

3.5 Economic Developments in Zanzibar

Economic Growth

During 2006, the economy of Zanzibar grew by 6.1 percent, slightly below the projected target of 6.2 percent. The growth was mainly driven by robust performance in agriculture, as well as tourism. Overall performance of the economy in 2007 is projected at 6.6 percent.

Inflation Developments

Annual headline inflation, as measured by changes in the consumer price index (CPI), has been increasing over the recent past. Annual inflation





averaged 11.4 percent in 2006, up from an average of 9.7 percent recorded in 2005. The average inflation rate increased further to 13.1 percent in 2007. The persistent increase in inflation is mainly attributed to high food prices in times of food shortages, and a pass-through of rising international oil prices to other domestic prices. The Zanzibar government has put up measures to address the rising trend of inflation. The measures include pursuing prudent expenditure management, increasing revenue collection efforts, and promoting domestic food production through provision of irrigation and extension services. The Government waived import duties on food grains to encourage importation of food by the private sector.

Government Finance

During the period between July to December 2007, government budgetary deficit before grants stood at TZS 32.4 billion. However, after considering grants amounting to TZS 39.1 billion, budgetary operations registered a surplus of TZS 6.6 billion.

Total resources during the six months under review amounted to TZS 91.7 billion, out of which TZS 52.6 billion was from domestic sources, while the balance was from the foreign sources. Total government expenditure reached TZS 85.1 billion.

During the period under review, domestic revenue reached TZS 52.6 billion, against the target of TZS 57.4 billion. Tax revenue amounted to TZS 50.0 billion, while non-tax revenue amounted to TZS 2.6 billion, compared to the target of TZS 5.4 billion.

VAT and excise duty were the drivers of tax revenue collections amounting to TZS 18.0 billion; surpassing the target of TZS 16.8 billion,





and accounted for 36.0 percent of the tax revenue. Tax on imports reached TZS 12.2 billion, slightly below the target of TZS 12.3 billion and accounted for 24.4 percent of the tax revenue. Income taxes amounted to TZS 6.0 billion; below the target of TZS 8.1 billion. Revenue from income tax collections was not satisfactory mainly due to low collection of PAYE attributed to delay in consolidating civil servants emoluments in the government payroll; and non-collection of skill development levy due to legal impediments.

During the period of July-December 2007, total expenditure reached TZS 85.1 billion, below the projected TZS 92.2 billion, mainly due to decline in expenditure of other charges. Recurrent expenditure amounted to TZS 57.0 billion, against the ceiling of TZS 64.6 billion. Wages and salaries amounted to TZS 27.8 billion, explaining about 49 percent of the recurrent expenditure. Expenditure on other charges amounted to TZS 28.7 billion, while interest payments amounted to TZS 0.5 billion. Development expenditure amounted to TZS 28.1 billion, which was slightly above the target of TZS 27.5 billion. About 79 percent (i.e TZS 22.1 billion) of the development expenditure was financed from foreign assistance, and the balance was from domestic sources to the tune of TZS 6.0 billion.

External Sector Development

Zanzibar current account in 2007, improved significantly to a surplus of USD 30.1 million, marking a rise of 62.0 percent from USD 18.6 million registered in 2006. The rebound was largely attributed to increase in official foreign grants. However, trade account recorded a deficit of USD 73.0 million compared to a deficit of USD 60.1 million recorded in the previous year, as import bill rose sharply.





During 2007, total exports proceeds amounted to USD 102.9 million, almost the same level as in the previous year. The main foreign exchange earner for Zanzibar economy is services whose receipts amounted to USD 90.6 million, up from USD 89.9 million, representing 88 percent of total exports receipts. Specifically, the services account recorded a surplus of USD 38.8 million, being an increase from a surplus of USD 33.1 million recorded in the previous year. During the year under review, travel receipts (mainly tourism) amounted to USD 75.1 million, accounting for 82.9 percent of the services receipts. Meanwhile, clove exports amounted to USD 4.4 million, down from USD 7.9 million; whereas seaweed earnings amounted to USD 2.1 million and manufactured good exports getting USD 3.6 million.

The import bill for 2007 was USD 93.8 million, an increase from USD 79.7 million recorded in 2006. Capital goods imports rose to USD 45.7 million, while the value of imported oil stood at USD 22.4 million. Food and food stuffs imports amounted to USD 6.7 million.





PART IV

4.0 MACROECONOMIC POLICY FRAMEWORK FOR 2007/08

The macroeconomic targets of the government for the year ending June 2008 aimed at achieving :-

- Real economic growth rate of 7.3 percent in 2007.
- Inflation rate of 6.0 percent by June 2008 (revised upwards from 4.5 percent targeted earlier mainly due to unforeseen persistent rise in international oil prices).
- Domestic recurrent revenue of TZS 3,517.0 billion equivalent to 18.0 percent of GDP.
- Total expenditure of TZS 6,066.8 billion equivalent to 31.3 percent of GDP.
- Official foreign exchange reserves, sufficient to cover 5 months of imports of goods and services in 2007/8.

In support of the above macroeconomic targets of the Government and in light of the inflation expectations during 2007/08, the monetary policy of the Bank of Tanzania aimed at achieving the following targets :-

- Attaining an annual growth rate of money supply of 21.0 percent by end June 2008;
- Maintaining adequate level of international reserves equivalent to a minimum of 5 months of imports of goods and services; and
- Allowing commercial banks credit to the private sector to grow at an





annual rate of 39.5 percent, consistent with the projected GDP growth for 2007/08.

4.1 Monetary Policy Implementation for the Remainder of 2007/08

The Bank of Tanzania will continue to implement prudent monetary policy, conducive to low and stable inflation, while ensuring the availability of sufficient credit to the private sector. In recognizing the presence of high inflationary pressures in the economy triggered by the high international oil prices, global food inflation, and the recent increase in power tariffs, the Bank of Tanzania will put in place measures within its control to ameliorate the implications of the above cost-push factors on domestic prices. Also, during the remaining period of the year, the Bank will determine the current actual demand for money, estimate the inflationary implications of the above changes, and use the findings to adjust the monetary policy stance accordingly.

The Bank will also continue to strengthen transparency in monetary policy as well as maintain stability in financial markets. Along these lines, the Bank will continue with its monthly communications with market players on the objectives and the rationale of monetary policy measures to be undertaken. In addition, the Bank intends to hold quarterly meeting with the Finance and Economic Affairs Committee of the Parliament, and will continue to hold quarterly press conferences to inform the public on economic developments and solicit feed back on the Bank's monetary policy performance.

4.2 Liquidity Management

Strengthening the effectiveness of monetary policy to contain liquidity





expansion within desired levels is key to reducing inflationary pressures, and promotes realistic interest rates in the economy. Consequently, during the remaining half of 2007/08, the Bank will strive to improve the efficacy of the existing monetary policy instruments, and enhance the conduct of open market operations in order to influence competitive pricing of traded monetary policy instruments. In addition, the Bank will collaborate with the Government in ensuring that idle government cash balances in commercial banks are transferred to the Bank of Tanzania, a move that will reduce excess liquidity in the banking system. On the other hand, containment of excess liquidity in the economy requires reinforcement of liquidity forecasting and management. To this end, the Bank will take measures to improve tracking of liquidity in the economy, especially liquidity originating from government transactions.

4.3 Private Sector Credit

As pointed already, the monetary policy stance of the Bank for the remainder of the year will facilitate the provision of adequate credit to the productive sector, while restricting monetary expansion to levels consistent with growth and inflation objectives. Efforts to improve accessibility to credit and other financial services will continue to be undertaken under the second-generation financial sector reforms. Specifically, bottlenecks in the legal framework, particularly for land and property ownership, and the weak capacity of commercial court system will be addressed.

4.4 Interest Rates

While the Treasury bill market will continue to be the anchor for market determined interest rates, the Bank of Tanzania will remain vigilant in taking measures to curb volatility in yields and promote realistic interest





rates on Treasury bills. The Bank will also use the monthly communications with financial institutions, to urge banking institutions to ensure that commercial banks' lending and set deposit rates reflect developments in the economy. The existence of negotiated lending as well as deposit rates which are very reasonable indicates that it is indeed possible to have interest rates that reflect competition and the good level of macroeconomic stability attained so far.

To enhance the effectiveness of the Treasury bills market as an anchor for interest rates, the Bank remains committed to promote competition and efficiency in the market.

4.5 Foreign Exchange Operations

The Bank of Tanzania will continue to participate in the foreign exchange market mainly for ensuring market stability and managing liquidity in the economy. The Bank will continue to monitor exchange rate movements closely, to ensure that excessive volatility in the exchange rate movements is contained, consistent with the Bank's role of promoting orderly market developments.

Without prejudice to its primary objective, the Bank will maintain an adequate level of international reserves. It is noteworthy that, gross foreign exchange reserves of the country have remained at an encouraging level of around USD 2 billion over the last eighteen months and is expected to remain so for the foreseeable future. The robustness of foreign reserves augurs well with the need for the shilling's stability and the need to ensure investors' confidence on the economy.





4.6 Conclusion

Despite the robust performance of the Tanzanian economy over the past decade, challenges still remain. As the economy of Tanzania gains momentum for rapid growth, scaled up foreign exchange inflows from private investment, foreign loans and grants to meet the millennium development goals, may generate excess liquidity pressures in the short-run, hence the need for appropriate monetary policy measures to contain liquidity. In managing the excess liquidity, the Bank will maintain a balance across the three key instruments available to it-selling foreign exchange, selling Treasury bills and repurchase agreements. In addition, the Bank will collaborate with the Government in ensuring that idle government cash balances in commercial banks are transferred to the Bank of Tanzania, a move that will reduce excess liquidity in the banking system. Nevertheless, these measures will be supplemented by appropriate expenditure management by the Government.

The Bank will ensure that it participates fully in the broad based structural reforms taking place in the economy especially through maintaining its leadership in implementing the second generation financial sector reforms. The Bank calls upon all stakeholders to join hands in these efforts, which are aimed at ensuring a sustainable growth for Tanzania in the future.





APPENDICES

A1: THE BANK OF TANZANIA INFLATION CONTROL STRATEGY

The primary objective of the Bank of Tanzania is price stability. The Bank therefore, has the responsibility of ensuring that it establishes monetary conditions that are consistent with low and stable inflation.

- The Bank holds that low inflation allows the economy to function more efficiently, thereby contributing to a better overall economic performance.
- The Bank of Tanzania focuses on the Consumer Price Index (CPI) as a measure of inflation. The rate of change in the overall CPI is referred to as the HEADLINE INFLATION RATE.
- However, the inflation rate that excludes food prices, which is referred to as NON-FOOD INFLATION or UNDERLYING INFLATION is used as a measure of long-run inflation.
- In Tanzania, the underlying inflation traditionally excludes food prices because of their volatility, which depends on the supply side factors and believed to be short lived and revert backwards once supply improves.
- The Bank of Tanzania also monitors food prices and their index. This is because food prices are sometimes affected by non-monetary factors like drought and floods, which can affect inflation substantially, regardless of the stance of monetary policy. The rate of





change in food price index is referred to as the FOOD INFLATION RATE.

- The Bank further believes that inflation control is not an end in itself, but rather, the means by which monetary policy contributes to overall economic performance.
- Central Banks control inflation by influencing the growth of money supply. The Bank of Tanzania focuses on the growth of broad money-M2, which is defined as currency in circulation outside banks, and total deposits held by commercial banks, excluding foreign currency deposits. M2 is chosen because it is the monetary aggregate that is estimated to have closest relationship with the rate of inflation.
- To influence the growth of M2, the Bank targets reserve money, which is directly related to money supply through the money multiplier. Reserve money is defined as the liabilities of central bank, which include currency outside the central bank and deposit money banks' reserves held by the central bank.





A2: Tanzania: Gross Domestic Product at 2001 Prices by Economic Activity (Millions of TZS)

Economic Activity	2001	2002	2003	2004	2005	2006
Agriculture, Hunting and Forestry	2,636,193	2,766,480	2,850,955	3,017,988	3,148,384	3,268,238
Crops	1,945,945	2,055,634	2,122,361	2,262,725	2,361,930	2,457,373
Livestock	459,448	472,500	483,001	503,000	525,109	537,498
Forestry and hunting	230,800	238,345	245,594	252,263	261,345	273,367
Fishing	153,660	164,049	173,892	185,543	196,676	206,510
Industry and construction	1,638,460	1,792,024	1,988,081	2,204,619	2,433,261	2,639,902
Mining and quarrying	159,979	187,000	219,000	254,000	295,000	341,000
Manufacturing	762,400	819,200	893,000	977,000	1,071,000	1,162,000
Electricity, gas	196,860	209,000	223,953	240,708	263,218	258,347
Water supply	43,840	45,084	47,128	49,557	51,700	54,905
Construction	475,380	531,740	605,000	683,354	752,343	823,650
Services	4,139,961	4,460,699	4,806,587	5,182,094	5,596,785	6,035,895
Trade and repairs	1,182,797	1,281,544	1,405,698	1,486,931	1,585,906	1,736,631
Hotels and restaurants	250,978	267,162	275,836	285,732	301,873	314,921
Transport	487,062	516,000	541,901	588,574	627,951	661,000
Communications	112,783	124,549	144,039	169,158	200,900	239,500
Financial intermediation	140,000	154,108	170,643	184,775	204,694	228,000
Real estate and business services	936,440	1,003,260	1,068,732	1,141,014	1,226,790	1,316,000
Public administration	640,649	699,561	766,760	871,169	970,786	1,033,488
Education	188,733	202,000	207,606	215,910	224,547	235,774
Health	118,972	129,229	140,437	151,370	163,572	177,520
Other social and personal services	81,548	83,286	84,935	87,461	89,765	93,061
Gross value added before adjustments	8,568,274	9,183,253	9,819,516	10,590,244	11,375,106	12,150,545
<i>less FISIM</i>	-80,000	-87,000	-97,154	-106,931	-119,497	-137,287
Gross value added at constant 2001 basic prices	8,488,274	9,096,253	9,722,362	10,483,313	11,255,609	12,013,258
<i>Add Taxes on products</i>	612,000	655,926	701,372	756,422	812,482	867,868
Gross Domestic Product at constant 2001 mark	9,100,274	9,752,178	10,423,734	11,239,735	12,068,090	12,881,126

Source: National Bureau of Statistics (NBS)





A3: Tanzania: Gross Domestic Product at 2001 Prices by Economic Activity Percentage Growth Rate

Economic Activity	2000	2001	2002	2003	2004	2005	2006
Agriculture and Fishing							
Crops	4.7	5.3	5.6	3.2	6.6	4.4	4.0
Livestock	3.9	4.0	2.8	2.2	4.1	4.4	2.4
Forestry and hunting	4.8	3.6	3.3	3.0	2.7	3.6	4.6
Fishing	2.9	4.8	6.8	6.0	6.7	6.0	5.0
Industry and construction							
Mining and quarrying	14.3	13.9	16.9	17.1	16.0	16.1	15.6
Manufacturing	4.8	5.0	7.5	9.0	9.4	9.6	8.5
Electricity, gas	6.2	5.9	6.2	7.2	7.5	9.4	-1.9
Water supply	3.4	3.5	2.8	4.5	5.2	4.3	6.2
Construction	0.8	7.6	11.9	13.8	13.0	10.1	9.5
Services							
Trade and repairs	4.3	6.4	8.3	9.7	5.8	6.7	9.5
Hotels and restaurants	4.1	4.8	6.4	3.2	3.6	5.6	4.3
Transport	4.3	4.9	5.9	5.0	8.6	6.7	5.3
Communications	5.6	8.7	10.4	15.6	17.4	18.8	19.2
Financial intermediation	3.9	6.9	10.1	10.7	8.3	10.8	11.4
Real estate and business services	4.9	4.2	7.1	6.5	6.8	7.5	7.3
Public administration	10.7	10.5	9.2	9.6	13.6	11.4	6.5
Education	4.0	11.4	7.0	2.8	4.0	4.0	5.0
Health	5.1	5.6	8.6	8.7	7.8	8.1	8.5
Other social and personal services	3.1	3.1	2.1	2.0	3.0	2.6	3.7
Gross value added excluding adjustments							
<i>less FISIM</i>	1.4	2.5	8.7	11.7	10.1	11.8	14.9
Gross value added at basic prices							
<i>Add Taxes on products</i>	4.9	6.0	7.2	6.9	7.8	7.4	6.8
Gross domestic product at market prices	4.9	6.0	7.2	6.9	7.8	7.4	6.7

Source: National Bureau of Statistics (NBS)





A4: Tanzania: Shares of Gross Domestic Product at Current Prices by Economic Activity (In Percent)

Economic Activity	2001	2002	2003	2004	2005	2006
Agriculture, Hunting and Forestry	29.0	28.6	28.7	29.5	27.6	26.5
Crops	21.4	21.4	21.8	22.4	20.5	19.5
Livestock	5.0	4.8	4.7	4.8	5.0	4.9
Hunting and Forestry	2.5	2.4	2.3	2.3	2.2	2.2
Fishing	1.7	1.7	1.6	1.5	1.4	1.4
Industry and construction	18.0	19.6	21.0	20.8	20.8	21.0
Mining and quarrying	1.8	2.1	2.4	2.6	2.9	3.2
Manufacturing	8.4	8.3	8.3	8.1	7.9	7.9
Electricity, gas	2.2	2.0	1.9	1.8	1.7	1.6
Water supply	0.5	0.5	0.4	0.4	0.4	0.4
Construction	5.2	6.8	8.0	7.9	7.8	7.9
Services	45.5	44.2	42.7	42.0	42.5	43.8
Trade and repairs	13.0	12.4	12.0	11.4	11.0	11.5
Hotels and restaurants	2.8	2.6	2.4	2.3	2.5	2.6
Transport	5.4	5.0	4.8	4.6	4.4	4.3
Communications	1.2	1.2	1.3	1.5	1.7	2.1
Financial intermediation	1.5	1.7	1.7	1.6	1.7	1.7
Real estate and business services	10.3	9.7	9.4	9.1	9.5	9.7
Public administration	7.0	7.2	7.2	7.7	8.0	8.1
Education	2.1	2.0	1.8	1.7	1.6	1.5
Health	1.3	1.5	1.4	1.4	1.5	1.6
Other social and personal services	0.9	0.8	0.7	0.7	0.7	0.7
Gross value added before adjustments	94.2	94.1	94.0	93.7	92.3	92.7
<i>less FISIM</i>	-0.9	-0.9	-0.9	-0.9	-0.9	-1.0
Gross value added at current basic prices	93.3	93.3	93.1	92.8	91.4	91.7
<i>add Taxes on products</i>	6.7	6.7	6.9	7.2	8.6	8.3
Gross Domestic Product at current market	100	100	100	100	100	100

Source: National Bureau of Statistics (NBS)





A5: National Consumer Price Index, Percentage change (Revised CPI) (All-Urban)

	Year-on-Year Inflation			Month-on-Month Inflation		
	Headline	Food	Non-Food	Headline	Food	Non-Food
Weight (%)	100.0	55.9	44.1	100.0	55.9	44.1
2004 Jan	6.8	12.1	-0.4	1.1	1.5	0.5
Feb	4.0	8.9	-2.6	-1.1	-0.5	-1.8
Mar	4.2	8.7	-1.9	0.6	0.4	1.1
Apr	4.4	9.7	-2.7	0.6	1.0	0.0
May	3.6	8.0	-2.3	-0.3	-0.7	0.4
Jun	3.4	7.3	-2.0	-1.2	-1.8	-0.4
Jul	3.9	7.1	-0.5	0.0	-0.9	1.2
Aug	4.6	6.9	1.4	1.3	1.1	1.5
Sep	5.6	7.8	2.6	1.0	1.0	0.9
Oct	5.9	8.3	2.4	2.0	3.2	0.3
Nov	5.9	8.7	2.0	0.3	0.8	-0.5
Dec	4.6	5.8	3.0	0.4	0.7	-0.1
2005 Jan	3.8	4.6	2.6	0.3	0.4	0.1
Feb	4.7	4.1	5.6	-0.2	-1.0	1.0
Mar	4.1	3.6	4.8	0.0	-0.1	0.3
Apr	4.2	3.5	5.3	0.8	0.9	0.5
May	5.4	5.1	5.9	0.9	0.8	1.0
Jun	6.7	7.7	5.3	0.0	0.6	-1.0
Jul	6.2	7.0	5.0	-0.5	-1.5	0.9
Aug	6.0	7.0	4.5	1.1	1.1	1.0
Sep	4.8	4.5	5.2	-0.2	-1.3	1.5
Oct	4.1	2.4	6.8	1.4	1.1	1.9
Nov	4.5	2.3	8.0	0.7	0.7	0.6
Dec	5.9	4.9	7.3	1.7	3.3	-0.7
2006 Jan	6.7	6.3	7.3	1.0	1.7	0.1
Feb	7.8	8.6	6.6	0.8	1.2	0.4
Mar	8.6	10.2	6.3	0.8	1.3	0.0
Apr	8.8	10.3	6.6	0.9	1.1	0.7
May	9.7	11.5	7.0	1.7	1.9	1.4
Jun	8.9	8.2	10.1	-0.8	-2.4	1.9
Jul	6.4	4.2	9.5	-2.8	-5.1	0.4
Aug	5.5	2.6	9.7	0.2	-0.5	1.2
Sep	5.8	3.6	9.0	0.2	-0.4	0.9
Oct	6.0	5.2	7.0	1.6	2.6	0.0
Nov	6.2	7.0	5.7	0.8	2.3	-0.7
Dec	6.7	6.6	6.8	2.1	2.9	0.4
2007 Jan	7.0	6.7	7.4	1.3	1.8	0.6
Feb	7.3	6.2	8.8	1.1	0.7	1.7
Mar	7.2	6.1	9.1	0.7	1.2	0.2
Apr	6.2	4.8	8.2	-0.1	-0.1	-0.1
May	5.0	2.8	8.5	0.6	-0.1	1.6
June	5.9	4.6	7.5	0.1	-0.6	1.0
July	9.0	10.3	7.4	0.1	0.1	0.3
August	7.8	9.2	5.9	-0.9	-1.6	-0.2
September	8.3	11.4	4.1	0.6	1.7	-0.9
October	7.1	8.4	5.1	0.4	-0.1	1.0
November	7.3	7.5	6.5	1.1	1.5	0.6
December	6.4	6.6	6.1	1.3	2.0	0.1

Source: National Bureau of Statistics (NBS) and Bank of Tanzania





A6: Tanzania: Central Government Operations (Millions of TZS)

Item	2004/2005	2005/2006	2006/2007	2007/2008 Budget	2007/08 Jul - Dec
Total Revenue	1,773,709.4	2,124,843.7	2,739,022.4	3,502,583.0	1,759,034.9
Tax Revenue	1,615,247.0	1,946,432.6	2,529,439.4	3,188,415.0	1,651,960.6
Taxes on Imports	679,992.4	819,800.5	1,018,569.5	1,245,641.9	659,856.0
Sales/VAT and Excise on Local Goods	402,136.1	435,630.2	575,968.3	688,639.0	372,090.1
Refunds	-64,376.4	-69,961.0	-69,960.0	-124,641.4	-66,527.4
Income Taxes	465,454.7	581,243.8	716,320.5	826,866.7	453,595.4
Other taxes	132,040.2	109,758.2	218,581.1	427,267.4	187,192.7
Non-tax Revenue	158,462.4	178,411.1	209,583.0	314,168.0	107,074.3
Total Expenditure /1	3,164,215.5	4,005,227.8	4,474,680.9	5,998,082.5	2,966,204.1
Recurrent expenditure	2,093,054.9	2,661,862.5	3,137,469.5	3,796,986.2	1,550,230.0
Road to/fund	435,780.1	0.0	0.0	0.0	0.0
Retention fund	104,290.4	61,260.2	61,261.2	71,706.9	97,870.4
Wages and salaries	189,709.0	656,788.5	976,094.3	1,113,134.0	560,496.7
Interest payments	95,055.1	218,861.3	215,562.9	276,000.0	80,774.1
Domestic 2/	973,808.7	163,694.8	185,050.4	240,000.0	70,726.4
Foreign	68,511.7	55,166.5	30,512.4	36,000.0	10,047.8
Other goods, services and transfers	502,573.3	1,786,212.7	1,945,812.3	2,407,852.2	788,837.4
Dev. Expenditure and net lending	1,071,160.6	1,343,365.2	1,337,211.4	2,201,096.3	1,415,974.4
Local	239,651.1	296,100.0	296,101.0	739,203.5	412,534.1
Foreign	831,509.5	1,047,265.2	1,047,266.2	1,461,892.8	1,003,440.3
Overall Balance (cheque issued) before Grants	-1,390,506.2	-1,880,384.0	-1,735,658.5	-2,495,499.5	-1,217,066.8
Grants	724,396.5	1,043,421.6	952,225.5	1,690,873.0	974,428.2
Program (CIS/OGL)	364,280.3	331,024.6	479,837.3	607,524.1	609,899.0
Project	131,735.2	418,357.6	241,826.6	684,438.3	210,005.3
Basket funds	156,071.6	217,450.2	111,539.8	192,874.1	70,294.0
M DRI (IMF, A DB, and IDA)	72,309.4	76,389.3	119,001.7	206,036.6	84,229.9
Overall defic (cheq issued) after Grants	-666,109.6	-836,962.4	-783,433.0	-804,626.5	-232,741.0
Expenditure float	140,141.5	157,173.6	131,315.2	0.0	-221,123.4
Adjustments to cash and other items (net)	-59,596.2	-74,490.8	48,602.6	0	5,344
Overall Balance (cheques issued)	-727,075.2	-924,412.5	-924,411.5	-804,626.5	-448,520.4
Financing:	727,075.2	924,412.5	924,413.5	804,626.5	448,520.4
Foreign Financing (net)	582,130.1	561,219.0	561,220.0	818,616.7	1,073,279.8
Loans	689,219.7	668,934.5	668,935.5	858,376.7	862,161.4
Program loans	65,395.6	257,677.1	257,678.1	273,796.2	362,415.0
Development Project loans	467,079.3	328,955.7	328,956.7	504,260.2	499,746.4
Basket Support	156,744.7	82,301.8	82,302.3	80,320.2	223,395.0
Amortization	-107,089.6	-107,715.5	-107,714.5	-39,760.0	-12,276.6
Domestic (net)	144,945.2	363,193.5	363,194.5	-13,990.2	-624,759.4
Domestic Financing	97,313.2	348,885.7	348,886.7	0.0	-622,449.7
Bank borrowing	47,632.0	129,644.6	129,645.6	-0.2	-632,199.2
Non-Bank (net of amortization)	0.0	219,241.1	219,242.1	0.0	9,749.5
Amortization of contingent debt	0.0	-19,001.4	-19,000.4	-15,000.0	-2,309.8
Privatization Proceeds	0.0	33,309.2	33,310.2	-13,990.0	0.0

Source: Ministry of Finance





A7: Zanzibar: Central Government Operations (Millions of TZS)

	Budget	Estimates	Actual	Actual vs
	2007/2008	Jul-Dec 2007	Jul-Dec 2007	Estimate (%)
Total Revenue	114,558.2	57,771.0	52,622.9	91.1
Tax Revenue	103,111.9	52,415.1	50,047.6	95.5
Tax on Imports	24,484.8	12,305.0	12,180.5	99.0
VAT and Excise Duties (local)	35,414.6	16,766.7	17,953.4	107.1
Income Tax	16,495.4	8,065.8	5,955.9	73.8
Other Taxes	26,717.2	15,277.7	13,957.7	91.4
Non-Tax Revenue	11,446.3	5,355.9	2,575.3	48.1
Total Expenditure	266,902.4	92,165.8	85,061.6	92.3
Recurrent Expenditure	131,256.0	64,650.8	56,995.2	88.2
Wages and Salaries	61,477.3	27,512.0	27,803.1	101.1
Interest Payment (Public Debt)	2,000.0	437.8	540.9	123.6
Local	2,000.0	437.8	540.9	123.6
Foreign	0.0			
Other Expenditure	67,778.7	36,701.0	28,651.2	78.1
Recurrent Surplus/Deficit	(152,344.3)	(6,879.7)	(32,438.7)	471.5
Development Expenditure	135,646.4	27,515.0	28,066.4	102.0
local	16,504.4	8,578.0	5,978.0	69.7
foreign	119,142.0	18,937.0	22,088.4	116.6
Overall Surplus/Deficit before grants	(152,344.3)	(34,394.7)	(32,438.7)	94.3
Grants	93,897.5	27,846.0	39,081.2	140.3
4.5% Budget Support	27,064.0	17,688.0	26,036.0	147.2
Debt relief	9,100.0	0.0	0.0	
Project grant	57,733.5	10,158.0	12,955.2	127.5
Overall Surplus/Deficit after grants	(58,446.8)	(6,548.7)	6,642.5	(101.4)
Adjustment to cash and other items	(0.0)	2,232.3	12,485.7	559.3
Overall Deficit cheques Cleared	(58,446.8)	(8,781.0)	(5,843.2)	66.5
Financing	58,446.8	8,781.0	5,843.2	66.5
Foreign	61,408.5	8,781.0	9,133.2	104.0
Import Support	0.0	0.0	0.0	
Program Loans	61,408.5	8,781.0	9,133.2	104.0
Amortization (foreign)		0.0	0.0	
Domestic (net)	6,138.3	0.0	0.0	
Bank	0.0	0.0	0.0	
Non-bank	6,138.3	0.0	0.0	
Amortization (local)	(9,100.0)	0.0	(3,290.0)	

Source: Ministry of Finance and Economic affairs-Zanzibar





A8: Tanzania: Monetary Survey (Millions of TZS)

	Dec-04	Dec-05	Dec-06	Jun-07	Sep-07	Dec-07
FOREIGN ASSETS (NET)	2,379,909.3	2,560,852.1	3,566,023.7	3,541,632.6	3,922,450.2	3,678,028.2
Bank of Tanzania	1,715,285.8	1,780,447.3	2,516,694.6	2,704,233.1	3,326,101.3	3,080,057.9
Net International Reserves	1,715,285.8	1,780,447.3	2,516,694.6	2,704,233.1	3,326,101.3	3,080,057.9
Foreign Assets	2,394,759.1	2,540,935.5	2,851,377.4	2,898,272.0	3,591,125.6	3,268,296.4
Of which: Gold	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Liabilities	679,473.3	760,488.1	334,682.8	194,038.9	265,024.3	188,238.5
Foreign Exchange Liabilities	239,810.3	361,351.1	318,752.6	172,527.6	243,613.9	168,224.4
Use of Fund Credit	439,663.0	399,137.1	15,930.2	21,511.3	21,410.4	20,014.2
External Reserves	0.0	0.0	0.0	0.0	0.0	0.0
Other Foreign Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Net Foreign Assets (DMBs)	664,623.5	780,404.8	1,049,329.1	837,399.5	596,348.8	597,979.3
Net Foreign Exchange	664,623.5	808,068.0	1,051,329.1	859,298.8	662,157.9	680,236.7
Foreign Assets	683,665.6	835,639.8	1,125,370.6	959,362.9	882,898.9	879,826.6
Foreign Liabilities	19,042.1	27,571.8	64,041.5	100,064.1	220,740.9	199,589.8
Other Foreign Liabilities	0.0	27,663.2	12,000.0	21,899.3	65,809.1	82,266.5
Borrowing from abroad	0.0	27,663.2	12,000.0	21,899.3	65,809.1	82,266.5
Foreign Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
MEDIUM TERM FOREIGN LIABILITIES	39,063.7	34,746.3	34,718.1	34,747.3	34,747.3	34,747.3
Bank of Tanzania	32,458.9	32,458.9	32,458.9	32,458.9	32,458.9	32,458.9
Total Locked Accounts	32,458.9	32,458.9	32,458.9	32,458.9	32,458.9	32,458.9
Less: Other Foreign Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
National Bank of Commerce	6,604.8	2,287.4	2,259.3	2,288.4	2,288.4	2,288.4
NBC Deposits Against EPA	6,604.8	2,287.4	2,259.3	2,288.4	2,288.4	2,288.4
DOMESTIC ASSETS (NET)	932,077.8	1,983,341.1	1,841,976.9	2,257,559.7	2,177,158.8	2,758,897.7
Domestic Credit	1,011,902.1	1,683,844.7	1,951,246.5	2,477,743.2	2,114,654.0	2,474,726.4
Claims on Government (net)	-48,175.3	258,782.4	-77,847.8	217,422.0	-462,854.2	-409,063.1
Claims on Government BOT (net)	-250,798.2	-207,067.2	-943,232.7	-1,058,329.8	-1,771,760.9	-1,625,249.5
Claims on Government BOT	139,019.7	174,487.6	237,984.0	235,665.4	235,433.3	232,813.0
Government Deposits BOT	389,817.9	441,554.8	1,181,216.6	1,293,995.2	2,007,194.2	1,858,062.5
Claims on Government DMBs (net)	202,623.0	525,849.6	866,184.9	1,275,751.8	1,308,906.7	1,216,186.4
Claims on government DMBs	338,541.5	713,050.9	1,100,498.8	1,528,540.7	1,590,807.8	1,533,240.5
Deposits	135,918.5	187,201.2	234,013.9	252,788.9	281,901.1	317,054.1
Claims on the private sector	1,060,077.3	1,425,062.3	2,028,294.3	2,260,321.2	2,577,508.2	2,883,789.5
Other Items Net	-79,824.3	299,496.4	-109,269.6	-220,183.5	62,504.8	284,171.3
M3: MONEY AND QUASI MONEY = M2 + M3	2,847,664.5	3,934,986.6	4,798,822.1	5,189,984.6	5,490,401.3	5,827,718.2
M2: BROAD MONEY = M1 + M2	2,050,430.5	2,808,247.6	3,193,785.0	3,538,165.8	3,842,315.5	4,112,108.3
M1: NARROW MONEY = M1	1,315,739.4	1,758,810.2	1,930,421.5	2,156,271.7	2,400,856.6	2,562,143.8
1.Currency in circulation (outside the Banking system)	664,148.0	843,157.4	975,585.9	1,049,608.5	1,166,527.6	1,164,184.8
2.Currency outside the Bank of Tanzania	727,785.3	922,815.3	1,102,282.5	1,180,766.8	1,304,489.4	1,354,664.4
3.Vault cash with DMIs	63,637.3	89,637.9	126,696.6	131,558.3	137,961.8	190,479.6
2.Demand Deposits	651,591.3	915,652.8	954,235.7	1,106,663.3	1,234,328.9	1,397,959.0
Quasi Money	1,531,925.2	2,176,176.4	2,868,400.6	3,033,712.9	3,089,544.7	3,265,574.5
3.Time deposits	275,940.9	422,269.4	469,679.2	517,776.1	528,786.5	569,970.0
4.Savings Deposits	458,750.2	627,168.0	793,684.3	864,118.0	918,672.4	979,994.5
5.Foreign currency deposits	797,234.1	1,126,738.9	1,605,037.1	1,651,818.8	1,648,085.8	1,715,610.0
VALUATION ACCOUNT (June 94 exch)	425,258.8	574,460.4	574,460.4	574,460.4	574,460.4	574,460.4
Memorandum Item						
MO: RESERVE MONEY	967,776.0	1,236,080.6	1,443,529.9	1,598,491.3	1,685,013.4	1,879,108.2
VC	0.0	0.0	0.0	0.0	0.0	0.0
Annual growth rates in percent						
Included broad money (M3)	19.2	38.2	22.0	20.7	20.7	21.4
Broad money (M2)	19.1	37.0	13.7	20.1	20.0	28.8
Narrow money (M1)	18.2	33.7	9.8	19.9	26.6	32.7
Reserve money (M0)	23.5	27.7	16.8	23.3	19.4	30.2
Credit to the private sector	29.7	34.4	42.3	36.4	35.2	42.2
The ratio of M0 to M3	28.0	28.6	33.4	31.8	30.0	29.4
M3 multiplier	2.9	3.2	3.3	3.2	3.3	3.1
M2 multiplier	2.1	2.3	2.2	2.2	2.3	2.2
TZS/USD exchange rate (end of period)	1,043.0	1,165.5	1,261.6	1,268.3	1,229.9	1,132.1
In millions of USD						
FCD	764.4	966.7	1,272.2	1,302.4	1,340.0	1,515.4
NHR	1,644.6	1,527.6	1,994.8	2,132.2	2,704.4	2,720.7
Gross official reserves	2,296.1	2,180.1	2,139.7	2,245.0	2,813.7	2,761.2
Gross official reserves in months of imports (current year)	7.2	5.7	4.8	5.0	5.0	4.9
Gross official reserves in months of imports (next year)	6.0	4.8	4.4	4.7	4.6	4.5
Source: Bank of Tanzania						





A9: Tanzania: Interest Rate Structure (In Percent)

	Jan-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
A: Domestic Currency																			
1 Interbank Cash/Market Rates																			
Overnight	8.52	8.32	8.41	15.22	16.09	4.49	6.73	12.04	7.44	7.32	9.64	6.38	6.67	9.79	12.03	12.07	16.64	10.19	5.37
2 to 7 days	5.98	6.86	8.87	14.05	12.08	5.52	7.44	12.98	7.87	7.79	9.02	6.58	7.96	11.27	12.28	12.77	19.47	8.13	5.99
8 to 14 days	10.71	7.96	8.81	15.48	6.18	9.60	15.27	8.41	7.32	9.02	7.03	7.03	12.00	11.98	11.98	12.00	24.04	5.84	5.86
15 to 30 days	7.58	7.33	7.33	7.33	11.50	8.00	6.12	15.00	9.64	9.64	9.64	7.20	6.00	6.00	6.00	6.50	6.50	9.00	9.22
31 to 60 days	6.71	7.49	8.01	8.44	17.81	7.14	7.39	15.23	9.35	7.88	9.01	6.87	9.59	6.55	8.81	11.16	6.47	5.18	5.84
61 to 90 days	12.60	8.50	8.50	8.50	8.30	9.25	9.25	17.50	10.00	10.00	10.00	10.78	10.75	10.75	10.75	10.75	10.75	10.75	10.75
91 to 180 days	12.25	9.50	9.50	9.50	9.30	9.68	9.68	15.15	12.30	14.87	15.25	12.10	12.50	13.00	13.83	14.80	14.80	14.80	14.80
181 and above	8.80	11.09	11.08	13.50	14.25	11.57	11.57	11.57	11.57	11.57	11.57	12.87	12.87	12.87	12.87	15.23	12.10	12.10	12.10
Overall Interbank cash market rate	8.60	8.63	8.47	14.87	15.64	5.20	7.14	12.54	7.72	7.59	9.69	6.42	7.24	10.66	12.11	12.27	18.92	9.67	5.83
2 Lombard Rate:																			
	12.78	13.38	12.62	22.83	24.08	9.33	13.25	18.06	11.74	11.28	14.46	9.63	10.01	14.69	18.87	18.11	27.97	15.29	8.19
3 RPO Rate																			
	5.14	6.17	7.42	12.58	5.23	5.18	6.35	6.35	6.30	6.88	6.88	5.27	6.25	9.10	11.82	11.56	11.34	7.36	5.13
4 Treasury Bills Rates																			
35 days	6.44	6.64	8.29	10.56	10.43	6.22	8.83	10.99	7.83	7.24	7.79	6.42	6.47	6.97	6.32	6.27	6.35	4.94	5.46
91 days	7.83	9.48	9.76	11.13	12.23	10.00	14.39	15.69	12.58	14.93	11.99	11.99	12.62	12.88	13.76	14.78	15.14	11.31	9.99
182 days	8.40	9.26	9.97	11.69	13.28	11.29	14.95	16.82	13.41	16.40	16.94	13.84	16.74	16.23	15.83	16.37	16.02	12.98	10.15
364 days	9.63	9.74	10.41	12.07	15.38	11.67	15.61	16.75	13.75	17.15	17.77	14.98	18.30	15.84	15.95	16.98	17.86	13.68	12.59
Overall Treasury bill rate	8.25	9.17	9.89	11.98	13.40	10.60	15.04	15.78	12.95	15.99	16.41	13.49	17.07	15.41	15.11	15.99	16.42	12.45	11.40
5 Treasury Bank Rates																			
2 years	13.39	11.87	14.05	16.94	15.83	12.89	18.47	16.52	17.38	19.23	17.56	15.96	18.25	17.67	18.50	20.07	17.29	14.99	14.97
5 years	15.76	15.76	16.18	17.43	18.14	15.89	15.21	15.66	16.27	16.21	18.70	17.41	18.37	17.21	19.45	20.54	18.69	17.60	17.60
7 years	15.31	15.35	16.55	17.40	17.64	17.33	17.33	17.50	18.40	20.69	19.90	17.41	18.58	18.80	20.42	19.25	18.80	17.94	18.15
10 years	16.00	16.96	16.94	17.42	17.52	17.69	17.69	17.15	17.82	18.31	20.03	16.29	17.48	17.52	19.63	19.92	20.28	17.87	17.68
6 Discount Rate																			
	15.40	13.40	14.60	16.67	18.40	15.60	20.07	21.31	17.92	20.80	22.03	18.43	21.42	21.85	20.11	20.59	21.42	17.44	16.40
7 Savings Deposit Rate																			
	2.54	2.54	2.58	2.59	2.57	2.60	2.59	2.59	2.25	2.62	2.42	2.60	2.59	2.70	2.71	2.62	2.59	2.64	2.75
8 Overall Time Deposits Rate																			
Call Accounts	6.63	6.98	7.04	6.91	7.07	7.43	7.17	7.28	7.52	7.69	7.75	7.62	7.83	7.57	7.76	8.21	8.24	8.32	8.26
1 month	1.70	2.07	1.41	1.41	1.09	0.80	0.87	0.71	1.53	1.29	1.33	1.35	1.31	1.56	0.27	1.14	4.56	1.11	0.78
2 months	7.99	6.57	8.85	8.81	8.95	7.29	7.28	6.38	6.82	7.88	7.78	7.10	6.77	6.14	6.55	7.01	7.99	7.19	9.23
3 months	7.81	6.98	7.83	7.24	7.14	8.98	7.44	7.83	8.36	8.55	7.44	8.83	8.29	7.87	8.51	8.65	9.87	8.89	8.69
6 months	6.76	7.86	7.75	6.83	8.01	7.49	7.53	8.47	7.76	7.48	7.00	8.60	8.61	8.59	8.78	9.89	9.56	9.19	9.26
9 months	5.63	8.35	8.17	8.61	9.19	9.41	8.95	9.02	8.73	8.85	9.54	9.48	9.28	9.97	9.99	8.82	9.36	10.48	8.60
12 months	8.70	8.40	9.03	8.20	8.70	9.05	8.75	8.20	8.47	9.17	9.09	9.39	9.25	9.04	9.47	9.64	10.22	9.88	10.62
24 months	9.74	9.10	8.21	7.68	7.33	8.85	9.39	10.40	10.94	10.85	10.95	10.25	11.27	10.75	10.69	11.91	10.31	10.19	12.92
9 Negotiated Deposit Rate																			
	10.87	9.13	9.78	10.12	9.42	9.72	9.35	9.02	9.39	7.10	8.45	8.18	8.68	8.91	9.82	9.83	10.61	10.96	11.04
10 Overall Lending Rate																			
Call Loans	15.44	16.18	16.50	16.73	16.61	16.61	16.36	17.22	16.19	16.35	15.78	15.91	15.82	16.97	16.27	15.95	15.78	15.94	18.25
Sften-term (up to 1 year)	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25
Multin-stem (1-2 years)	15.77	16.01	15.84	16.01	15.60	15.74	15.67	15.80	15.34	14.94	13.63	13.86	13.95	14.12	14.30	14.66	13.85	14.00	14.70
Multin-stem (2-3 years)	17.88	18.96	18.90	18.92	19.03	19.36	19.27	19.60	16.94	16.77	16.58	16.67	17.01	17.15	16.94	16.84	16.86	16.79	16.60
Multin-stem (3-4 years)	16.16	16.22	16.46	16.46	16.63	17.15	16.27	16.50	14.78	15.37	15.22	15.93	15.96	15.65	15.17	15.15	15.27	15.43	15.48
Long-term (5-5 years)	18.32	18.38	18.16	16.65	16.13	15.85	14.89	16.10	16.06	16.85	15.09	15.65	15.68	16.04	16.79	16.53	15.90	16.79	16.66
Term Loans (over 5 years)	12.08	14.72	15.62	15.59	15.64	14.97	15.69	18.12	17.82	18.13	18.25	18.42	17.37	17.42	18.20	17.15	17.04	17.04	12.84
11 Negotiated Lending Rate																			
	11.19	11.99	10.80	10.80	10.74	10.11	10.60	11.49	12.42	11.74	12.72	11.91	11.20	12.14	12.63	11.91	11.89	11.88	11.98
B: Foreign Currency																			
1 Deposits Rates																			
Savings Deposits Rate																			
Overall Time Deposits Rate	0.61	0.78	0.50	0.60	0.65	0.67	0.70	0.66	0.29	1.47	0.63	0.81	0.82	1.40	1.43	1.71	1.75	1.65	1.60
1 months	2.52	2.84	2.92	2.76	2.78	2.65	2.82	2.81	2.34	2.89	2.96	2.95	2.90	2.84	2.81	3.61	4.08	4.99	4.27
3 months	1.98	2.88	2.99	2.65	2.73	2.78	2.69	2.28	2.41	2.69	2.51	2.41	2.19	2.03	2.60	3.21	2.71	4.77	1.65
6 months	2.40	3.35	2.95	2.76	2.55	2.85	2.80	2.18	2.24	2.61	2.69	2.48	2.28	1.87	2.79	3.55	4.95	5.78	3.60
9 months	1.93	2.76	2.68	2.63	2.31	2.59	2.60	2.75	2.92	3.23	2.75	2.80	2.80	2.58	3.10	3.88	4.88	3.78	3.66
12 months	1.45	2.19	2.24	2.38	2.67	2.51	3.35	3.47	3.35	3.05	3.72	3.17	3.18	2.88	3.52	3.86	3.87	3.84	3.64
18 months	3.75	3.37	3.15	3.07	2.94	2.84	2.88	3.41	3.79	2.93	3.13	3.91	3.97	3.68	3.29	3.56	3.99	5.72	4.58
2 Overall Lending Rate																			
Sften-term (up to 1 year)	8.17	9.13	8.63	9.13	8.95	9.10	8.78	8.24	7.83	8.87	8.49	8.17	7.56	8.17	7.89	7.57	8.10	8.40	7.75
Multin-stem (1-2 years)	7.40	8.17	7.47	9.27	9.66	9.35	8.89	8.06	8.65	8.25	7.25	7.94	8.05	8.41	7.49	5.80	8.41	7.71	7.81
Multin-stem (2-3 years)	8.23	9.02	8.75	8.58	8.91	8.98	8.51	8.64	8.72	8.62	9.82	8.53	8.57	8.44	8.31	8.45	8.48	8.51	8.45
Multin-stem (3-4 years)	8.76	9.76	8.20	8.107	7.90	8.02	7.57	8.33	8.09	7.94	7.77	8.05	7.91	7.97	8.27	8.19	8.69	8.67	8.94
Long-term (5-5 years)	8.00	9.64	9.65	9.84	9.71	9.71	9.75	8.04	6.31	7.80	9.25	7.91	7.11	7.90	6.89	7.80	8.63	8.67	8.57
Term Loans (over 5 years)	8.32	9.12	9.09	9.91	8.91	9.21	9.16	7.55	7.31	7.73	8.09	8.42	6.17	8.09	8.10	8.33	8.61	8.73	8.51

Source: Bank of Tanzania





A10: Tanzania: Balance of Payment (Millions of USD)

Item	2002 *	2003 *	2004 *	2005 *	2006 *
A. Current Account	83.6	-87.5	-383.3	-498.2	-1,386.3
Goods exports (Goth)	979.6	1,216.1	1,475.1	1,675.8	1,723.0
Traditional	208.1	230.5	297.8	354.5	267.1
Nontraditional	773.5	985.7	1,175.3	1,321.2	1,455.9
of Gold	341.1	502.8	629.4	655.1	773.2
Goods imports (Goth)	-511.3	-935.5	-2,482.8	-2,997.6	-3,864.1
Balance on Goods	468.3	280.6	-1,007.7	-1,321.8	-2,141.1
Services credit	920.1	947.8	1,133.6	1,290.2	1,494.0
Transportation	177.1	138.9	183.0	222.9	345.9
Travel	635.0	646.5	746.0	823.6	914.0
Other	168.0	162.3	204.6	227.7	234.1
Services, other	425.2	725.7	874.7	1,267.3	1,239.4
Transportation	476.9	-214.7	-267.1	-319.5	-418.3
Travel	-337.5	-353.2	-445.3	-553.8	-534.5
Other	418.1	157.8	262.3	334.0	286.6
Balance on Services	37.7	22.1	180.9	46.8	346.6
Balance on Goods and Services	244.2	-47.3	-826.9	-2,200.0	-1,894.4
Income credit	67.9	87.1	81.8	83.9	83.3
Income debit	-456.8	-236.2	-200.9	-211.5	-164.9
Direct investment income	-58.7	-49.7	-58.4	-65.6	-65.5
Interest payments (scheduled)	-60.0	-130.1	-79.1	-103.9	-81.8
Corporation employees	-38.1	-46.4	-46.4	-42.0	-47.6
Balance on Income	-88.8	-149.1	-119.1	-130.6	-84.6
Balance on Goods, Services and Income	-333.0	-644.4	-970.0	-1,300.6	-1,981.0
Current transfers	416.6	554.9	586.7	954.4	594.7
Current transfers credit	477.9	639.9	601.7	863.0	663.7
Government	427.7	553.3	582.0	478.4	559.5
of Multilateral IFC/IFC/IFC	68.8	68.2	73.7	75.7	42.1
Other sectors	30.2	66.6	69.7	84.5	101.2
Current transfers debit	-61.3	-63.0	-65.0	-67.5	-65.9
B. Capital Account	785.7	692.8	499.9	633.2	5,302.8
Capital transfers credit	785.7	692.8	499.9	633.2	5,302.8
General government	755.6	655.5	420.0	592.2	5,254.3
Project	325.3	330.0	233.7	478.1	272.6
IDA/INGRESS (including MTRB)	430.3	334.6	166.3	112.1	4,981.7
Other sectors	30.1	37.3	39.9	43.1	48.6
Capital transfers debit	0.0	0.0	0.0	0.0	0.0
Total, Group A (Para 3)	869.3	692.8	756.6	260.9	3,916.5
C. Financial Account, excl. reserves and related items	285.4	61.2	278.6	973.4	-1,018.7
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	387.6	306.2	330.6	447.6	483.4
Portfolio investment	2.2	2.7	2.4	2.6	2.6
Other investment	-434.4	-297.7	-374.4	-523.3	-4,907.7
Assets	2.9	89.0	-11.0	-61.5	-175.0
Currency and deposits	2.9	89.0	-11.0	-61.5	-175.0
Banks	2.9	89.0	-11.0	-61.5	-175.0
Other sectors	0.0	0.0	0.0	0.0	0.0
Liabilities	-437.3	-106.6	-464.4	-584.8	-4,329.7
Trade credits	13.2	13.3	13.3	13.3	9.9
Loans	-483.9	-181.9	-83.7	-343.7	-4,302.7
General government	-243.5	-144.8	-15.0	338.0	-4,338.0
Drawings	316.2	413.3	273.8	582.3	696.0
Repayments	-597.7	-229.1	-288.8	-244.3	-3,654.0
Scheduled payments	-413.6	-106.6	-122.5	-132.2	-92.3
Debt forgiveness	-430.3	-334.6	-166.3	-112.1	-4,961.7
Rescheduled debt	48.8	-86.9	0.0	0.0	0.0
Banks	408	407	445	237	442
Other sectors	60.4	66.4	48.2	-81.1	69.6
Drawings	122.4	42.7	57.0	52.2	71.3
Repayments	-62.0	-109.1	-125.2	-203	4.7
Scheduled payments	-62.0	-109.1	-125.2	-203	4.7
Currency and deposits	33.4	-21.4	20.1	273.8	-20.9
Total, Group A through C	1124.7	666.5	352.3	711.5	-102.2
D. Net Errors and Omissions	-806.8	-277.4	-146.3	-964.0	579.2
Over all balance	317.9	389.1	306.0	-252.6	-437.0
E. Reserves and Related Items	-371.9	-389.1	-206.0	-252.6	-477.0
Reserve assets	-372.4	-388.8	-206.4	-247.7	-426.5
Use of funds credit and loans	26.0	-2.9	-33.8	-50.5	-234.2
Exceptional financing	26.5	12.6	86.2	55.3	23.7
Rescheduled debt	9.8	86.9	0.0	0.0	0.0
IDA/INGRESS	0.0	0.0	0.0	0.0	0.0
Interest income	18.4	29.5	21.9	55.3	23.7
Principal income	0.4	6.2	64.3	0.0	0.0
Memorandum Items					
GDP (PPP) Mill US\$	9,309,086	10,075,157.2	12,306,698.7	14,417,559.7	16,742,407.9
CA (PPP) Mill US\$	9,724	10,297.9	11,759.4	12,772.1	13,373.7
C:MGDP*	0.9	4.8	-3.4	-7.0	-10.4
CA:GDP* (excl. current official transfers)	-3.5	-6.2	-8.5	-10.8	-14.5
Current Official Reserves	1,528.9	2,037.8	2,288.1	2,048.4	2,260.1
Months of imports	8.6	9.2	8.0	5.8	5.3
Net International Reserves (year-end)	1088.4	1,533.9	1,786.9	1,395.9	1,891.3
Change in Net International Reserves	-297.2	-478.5	-253.0	391.0	-498.5
Exchange rate (end of period)	976.3	1,003.6	1,043.0	1,165.5	1,204.6
Exchange rate (annual average)	966.6	1,038.6	1,069.3	1,128.8	1,211.9

Source: Bank of Tanzania





GLOSSARY

Currency in circulation outside banks

Notes and coins accepted as legal tender in the domestic economy, excluding amounts held by the banking system.

Discount rate

The rate of interest the Bank of Tanzania charges on loans it extends to commercial banks. At present, it is also the interest rate charged on government overdraft from the Bank of Tanzania. It is derived from the weighted average yield of treasury bills of all maturities plus five-percentage points.

Exchange rate

The price at which one currency can be purchased with another currency, e.g. TZS per USD.

Inflation

Inflation is defined as the rate at which the average level of domestic prices is increasing over a period of time. There are many causes of inflation, such as, rising import prices, low domestic production, high cost of production, food shortages as well as short supply of other consumer items.

International Reserves or Reserve Assets

Consist of external assets that are readily available to, and controlled by Central Bank for direct financing of balance of payments, and for indirectly regulating the magnitude of balance of payments imbalances through intervention in foreign exchange markets. For the case of Tanzania, international reserves comprise the Bank of Tanzania's





holdings of monetary gold, SDRs, reserve position in the International Monetary Fund, and foreign exchange resources, which can be made available to the Bank of Tanzania for meeting external financing needs.

M-Money Supply

The sum of currency in circulation outside the banks and deposits of residents with banks are defined in various levels of aggregation as money supply narrowly and broadly defined. That is narrow money (M1), broad money (M2), and extended broad money (M3).

M0-Reserve Money

The Bank of Tanzania's liabilities in the form of (1) currency in circulation outside the Bank of Tanzania, and (2) banks' reserves (deposit money banks' domestic cash in vaults plus their required and free deposits with the Bank of Tanzania). Reserve money is also referred to as Base money, or the monetary base or high-powered money.

M1-Narrow Money

Consists of currency in circulation outside banks and demand deposits of Tanzanian residents with banks.

M2--Broad Money

Is equivalent to narrow money (M1) plus time deposits and savings deposits of Tanzanian residents in banks.

M3-Extended Broad Money

Consists of broad money (M2) plus foreign currency deposits of Tanzanian residents in banks.

Non-Food Inflation Rate

This is a measure of price movements caused by factors other than food





prices. It provides a better indication of the effectiveness of monetary policy on inflation since price movements in these items are caused largely by monetary policy.

Reserve Money Program

It is an operational framework used by the Bank of Tanzania to achieve money supply growth targets, through monitoring reserve money, which is the operational variable.

Statutory Minimum Reserves

These are balances which banks are required keep with the Bank of Tanzania, determined as a percentage of their deposit liabilities, and their short-and medium-term borrowing.

Seasonally Adjusted Indicators

Seasonal movements or seasonal variations, refer to identical, or almost identical, patterns, which a time series appears to follow during corresponding months (quarters) of successive years. Such movements are due to recurring events, which take place annually, as for example, the harvest season. Seasonally adjusted indicators show the impact of non-seasonal influences on a time series, thus showing more clearly the underlying movements in the series.

Weighted Annualised Yields of Treasury Bills for all Maturities

This is the average yield of Treasury Bills, which is weighted by the volume, sold of 35-, 91-, 182-, and 364 - day Treasury Bills, expressed in percent per annum.

