MONETARY POLICY STATEMENT

The Midterm Review

GOVERNOR
BANK OF TANZANIA

February 2009

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4th February, 2009

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

Dear Honourable Minister,

LETTER OF TRANSMITTAL

In accordance with the Bank of Tanzania Act 2006, Section 21 Subsections (3) to (7), I hereby submit the Midterm Review of the Monetary Policy Statement (MPS) of the Bank of Tanzania for 2008/09.

The Statement is organised in three parts. Subsequent to the Executive Summary, Part I reviews the implementation and challenges of monetary policy during the first half of 2008/09. Part II presents recent economic developments in Tanzania Mainland and Zanzibar, covering economic growth, inflation, government budgetary operations, debt and the external sector. Lastly, Part III puts forward the monetary policy stance for the remaining half of 2008/09.

Prof. Benno J. Ndulu
GOVERNOR
BANK OF TANZANIA

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EXECUTIVE SUMMARY

Economic Growth

Tanzania has sustained strong economic performance over the past decade, mainly reflecting the outcome of economic reforms. Over the last 7-year period up to 2007, the economy grew at an average of 7.0 percent. During that period, the fastest growing activities included mining and quarrying, financial intermediation, transport and communication, manufacturing and trade. In 2008, real economic growth of 7.5 percent is likely to be achieved in line with a good performance in agriculture as evidenced by inclease in USD value of traditional export, as well as the strong performance registered in manufacturing, construction, and communication.

Inflation Developments

Annual inflation rate rose to 11.6 percent in September 2008, and further to 13.5 percent in December 2008, mainly due to intense pressures emanating from a protracted surge in oil and food prices. However, the non-food inflation, which is influenced by monetary policy, averaged 6.8 percent in 2008, a slow down from an average of 7.0 percent in the previous year. It is expected that, the recent easing of global fuel prices, as well as sustained prudent fiscal and monetary policies, will lead to a downward trajectory in inflation in the coming months.

Monetary Policy Stance

Monetary policy in the first half of 2008/09 was faced with strong liquidity pressures mainly emanating from sustained foreign exchange inflows and rapid expansion of private sector credit. In the face of the liquidity pressure and rising inflation, the Bank undertook measures which included introduction of minimum reserve requirements on central government deposits in commercial banks, and enhancement of foreign exchange sales to complement sale of government securities. During the period under review, the Bank of Tanzania mopped-up TZS 454.5 billion through sale of foreign exchange while government securities transactions made a net injection of TZS 39.0 billion. As a result of the measures, the Bank succeeded to contain reserve money within the desired levels in the first half of 2008/09.

Financial Market Developments

Between June and December 2008, the Bank sold on net basis, USD 382 million, which was an enhancement when compared to a sale of USD 202.0 million undertaken in the same period of the previous year. In the same period, the Bank issued Treasury bills worth TZS 1,701.1 billion for sale. Bids worth TZS 1,784.0 billion were received, out of which TZS 1,298.0 billion were successful. As for Treasury bonds, TZS 209.2 billion were offered and bids worth TZS 178.2 billion were received. Out of Treasury bonds bids received, TZS 135.9 billion were accepted.

The overall impact of the above developments was an upward movement in interest rates on the monetary instruments whereby the weighted average yield on Treasury bills rose from 7.84 percent recorded in June 2008 to 10.99 percent in December 2008.

Financial Intermediation

During the period under review, the proportion of private sector loans to deposits rose to an average of 66 percent from 56 percent recorded in the previous year. Meanwhile, financial deepening, as measured by the ratio of money supply (M3) to GDP, increased to an average of 27.6 percent from an average of 25.9 percent registered in 2007, while deposits to GDP ratio rose to around 22.3 percent from 20.8 percent.

Government Budgetary Operations

During the first six months of 2008/09, fiscal performance remained strong, with total government budgetary resources exceeding the target. Total budgetary resources (including grants) amounted to TZS 3,029.1 billion compared to the target of TZS 2,768.0 billion, while total government expenditure amounted to TZS 3,124.3 billion against the target of TZS 3,419.3 billion. Overall, fiscal operations registered a deficit of TZS 438.3 billion (after adjustment to cash), which was wholly financed by foreign loans.

External Sector Developments

During the period July – December 2008, the current account deficit widened to USD 1,337.8 million from USD 863.7 million recorded in the same period in 2007, owing to an increase in imports that outweighed the effect of the increase in exports. Imports of goods and services were USD 840.2 million higher in the period under review, compared to similar period a year before, while exports of goods and services were USD 506.5 million higher in the same period.

The performance in exports was driven by traditional crops, manufactured goods, horticultural products, re-exports and other exports. Traditional exports increased by 44.7 percent, largely on account of favourable weather conditions in 2007/08. Non-traditional exports increased following a good performance in manufactured goods, horticultural products, re-exports and other exports. Services receipts increased by 12.9 percent to USD 972.7 million the first six months of 2008/09 mainly due to rise in transportation, travel and other business and government services.

During the period of July to December of 2008, imports of goods and services were 25.3 percent higher compared with the level of imports recorded during the corresponding period in 2007. The increase was largely explained by substantial increase in importation of machinery, building and construction equipment and transport equipment.

Economic Developments in Zanzibar

Economic Growth

Zanzibar's economic growth averaged 6.0 percent over the past five years to 2007. During 2007, real GDP growth reached 6.5 percent up from 6.0 percent registered in 2006, dominated by services sector whose contribution to total GDP in 2007 was 46.9 percent in 2007. The economy is projected to grow at 6.8 percent in 2008.

Inflation Developments

Annual headline inflation in Zanzibar remained high, averaging 23.7 percent over the period July-December 2008/09 compared to an average of 13.1 percent recorded during the corresponding period in 2007/08.

The increase in inflation was largely on account of rising prices of fuel and food. Going forward inflation is expected to ease with the declining prices of fuel and food items in the world market, as well as completion of rehabilitation of Malindi port in Zanzibar, which will reduce handling costs.

Zanzibar Government Budgetary Operations

Revenue collections amounted to TZS 64.1 billion, slightly below the target of TZS 67.4 billion. Government expenditure during the period of July – December 2008, amounted to TZS 97.9 billion, compared with the target of TZS 107.6 billion, due to adherence to the cash-budget system. The government budget recorded a deficit of TZS 13.0 billion after grants. The budget deficit was financed through foreign borrowing to the tune of TZS 8.0 billion, and the balance by issuing Treasury bonds.

External Sector Developments

During the period of July-December 2008, the current account balance posted a lower surplus of USD 0.7 million compared to a surplus of USD 5.2 million reported in the corresponding period in 2007. The reduction is associated with the increase in imports which outpaced the increase in exports.

PART I

REVIEW OF MONETARY POLICY IMPLEMNTATION DURING JULY – DECEMBER, 2008

According to the Bank of Tanzania Act 2006, Section 7 (1) and (2):

"(1) The primary objective of the Bank is to formulate, define and implement monetary policy directed to the economic objective of maintaining price stability conducive to a balanced and sustainable growth of the national economy.

(2) Without prejudice to subsection (1), the Bank shall ensure the integrity of the financial system and support the general economic policy of the Government and sound monetary, credit and banking conditions conducive to the development of the national economy"

General Overview

During the first half of the financial year 2008/09, monetary policy implementation faced several challenges, which affected both short-term as well as medium-term policy outlook. The challenges emanated from various factors, including uncertainties associated with the current global financial and economic environment.

Global Developments

The global economy continued to witness a general economic slowdown that resulted from the global financial turmoil. Beginning with failures of large financial institutions in the United States, it rapidly evolved into a global credit crisis, resulting in a number of European bank failures and declines in various stock indexes, and large reductions in the market value of equities and commodities worldwide. While acknowledging that Tanzania's financial sector has so far not been directly affected much by the instabilities associated with the current global financial crisis due to its limited integration into the global financial markets, it is noteworthy that, Tanzania cannot remain insulated from the turmoil for much longer. The Bank of Tanzania has been taking measures to minimize possible impact of the crisis on the domestic banking sector and on the economy at large.

Since September 2008, the Bank has been conducting, on daily basis, a strict surveillance over all banks operating in Tanzania to ensure that they remain safe and sound, while the payment system continues to be protected against contagion effect from the global crisis and speculation on financial instruments. The Bank has also put in place an "Early Warning System" on financial institutions and it stands ready to support banks in need of liquidity through its windows, such as the intraday loan facility, the Lombard window, reverse repos and the re-discounting window for government securities.

Given the importance of monitoring the impact of the global financial crisis on banks and financial institutions in Tanzania, the Bank conducted a survey of the financial institutions to assess the preparedness of these institutions to handle possible consequences of the crisis. The major findings of the survey are highlighted below:-

- All banks in the country were closely monitoring the ongoing crisis and were actively managing their offshore placements to reduce their exposures to the troubled American and European institutions. In addition, the Bank of Tanzania has put in place a mechanism for monitoring the banking sector's exposure to the crisis.

- Multinational banks operating in Tanzania may face reputational risks arising from the impact of the financial crisis in their home countries. The perceived risks may have an impact on their relationships with other Tanzanian banks and depositors, hence affect their access to funding in the inter-bank market and in mobilizing public deposits. The Bank of Tanzania has paid particular attention to these to confirm their continued soundness.

- Given that financial derivatives contributed to the spread of the current global financial crisis, a close watch over the use of derivative instruments is being exercised. Although the exposure of Tanzanian banks to derivatives is still limited, the Bank of Tanzania has put in place effective risk monitoring mechanisms for dealing with derivative instruments.

It is noteworthy that, so far no bank in Tanzania has suffered a direct loss as a result of the global financial crisis. Indeed, there have not been signs of mistrust among Tanzanian banks. This is evidenced by continued rapid growth of credit and stability of interest rates in the interbank cash market.

Domestic Financial Markets

Domestic financial markets in Tanzania experienced high liquidity pressures coupled with low demand for the main monetary policy instruments. The above situations exerted an upward pressure on domestic prices, interest rates and the exchange rate. In response, the Bank of Tanzania took appropriate measures within its jurisdiction, to mitigate risks to macroeconomic prospects and stability. In this vein, the Bank continued with its daily foreign exchange sales to complement the sale of government securities so as to enhance stability of interest rates and bring about orderly developments in the exchange rate.

Review of Monetary Policy Implementation

During 2008/09, the Bank of Tanzania's monetary policy framework aimed at achieving monetary policy objectives in line with the macroeconomic objectives of the Government. Specifically, **the Government targeted to achieve the following:-**

- A real GDP growth of 7.8 percent in 2008 and 8.1 percent in 2009;

  However, the GDP growth target for 2008 was later revised downwards to 7.5 percent, following persistent increase in oil prices during most part of 2008 and the anticipated slowdown of the global economy. The impact of high oil prices would lead to increase in production and distribution costs across most activities in the economy, while the slowdown in global economy would reduce demand for our exports of goods and services, hence slowdown our economic growth.

- An annual inflation rate of not more than 7.0 percent by June 2009;

- Domestic revenue of TZS 4,728.6 billion, equivalent to 18.5 percent of GDP in 2008/09;

- Total expenditure of TZS 7,216.1 billion, equivalent to 28.2 percent of GDP;

- Official foreign exchange reserves, sufficient to cover 5 months of imports of goods and services in 2008/09.

In support of the above Government objectives, **the Bank of Tanzania set to achieve the following:-**

- Money supply (M2 and M3) annual growth of 18 percent each by end June 2009;

  It is noteworthy that the targets for M2 and M3 growth were initially set at 18 percent to accommodate an annual growth of 22 percent in the credit to the private sector. The tight stance was necessary to accommodate the anticipated government borrowing from domestic banks, in the event that external resources would fall short of the budgeted amounts. However, by the end of the first quarter of 2008/09, the Government had received commitments from most of the development partners to fully disburse the pledged funds. As a result, all monetary targets were revised upwards. The growth targets of M2 and M3 were put at 20.3 percent and 19.3 percent, respectively, while credit to the private sector was projected to grow at an annual rate of 30.5 percent by end June, 2009.

- Maintaining financial stability by strengthening risk-based supervision, effective surveillance and monitoring, and crisis resolution.

- Strengthening the payments system through promotion of safety, efficiency, convenience and reduction of systemic risks.

- Maintaining adequate level of international reserves, sufficient to cover 5 months of imports of goods and services.

During the period under review, the effectiveness of monetary policy continued to be constrained by the lack of deep and vibrant financial markets in Tanzania. In recognition of the above constraints, the Bank continued to use its various communication channels to improve the transparency and predictability of its monetary policy actions and strengthen its ability to influence the expectations of the market players towards the desired direction.

Liquidity Management

Strong liquidity pressures mainly emanating from sustained foreign exchange inflows and rapid expansion of private sector credit, continued to build-up liquidity in the economy. In addition, a strong surge in domestic credit to the tune of TZS 989 billion provided another source of monetary expansionary pressure in the economy.

Over the period, domestic inflation remained far above the envisaged target for the year under review and for the medium term, necessitating the Bank to take measures to dampen the liquidity pressures. The measures included introduction of minimum reserve requirements on central Government deposits with commercial banks, and enhancement of foreign exchange sales to complement sale of government securities.

During the period under review, the Bank of Tanzania mopped-up TZS 454.5 billion through sale of foreign exchange and TZS 1,519.9 billion through government securities.

While the monetary policy stance was aimed at tightening liquidity in the economy, the Bank encouraged the use of its liquidity windows, namely the intra-day loan facility (ILF), the Lombard window, reverse repo and the rediscounting window for government securities to enable commercial banks meet their liquidity shortfalls arising from transitory factors.

Despite the challenges, the measures implemented during the period under review managed to contain reserve money within the desired levels, which is important towards ensuring an appropriate level of liquidity in the economy.

Money Supply

The annual growth of money supply averaged 23.9 percent and 29.7 percent for M3 and M2 respectively, in the first half of 2008/09. This was up from an average of 21.6 percent and 27 percent for M3 and M2 respectively, during the first half of 2007/08. The component of money supply that recorded the highest average growth rate during the past six months was fixed deposits with an average annual growth rate of 58 percent. The surge is partly explained by the improvement in time deposit rates. The overall time deposit rate improved from 5.9 percent to 6.4 percent during the period under review.

Financial Intermediation

During the period under review, financial intermediation and deepening improved further. With regard to financial intermediation, the proportion of private sector loans to deposits improved to an average of 66 percent from 56 percent recorded in the previous year. Meanwhile, financial deepening, as measured by the ratio of money supply (M3) to GDP, increased to an average of 27.6 percent from an average of 25.9 percent registered in 2007, while deposits to GDP ratio rose to around 22.3 percent from 20.8 percent.

Deposit Mobilization

During the period under review, private sector deposits in the banking system continued to increase. By end December 2008, total private sector deposits stood at TZS 5,992 billion, being an increase of TZS 1,161 billion or 24 percent above the level recorded in December 2007, partly reflecting an increase in banks' deposit mobilization efforts.

Domestic Credit

Domestic credit continued to grow strongly as the government reduced its borrowing from the banking system. Over the past six months, the demand for credit by the private sector exceeded the growth of deposits. The shortfall in deposits was partly met through the interbank market and loan syndications by both domestic and foreign banks, and reduction of government borrowing from banks. As domestic interest rates rose above key international rates, some banks borrowed cheaper from abroad for domestic on-lending at higher rates. During the 6-month period up to December 2008, the stock of banks' credit to government declined to an average TZS 1,428 billion, compared to an average of TZS 1,585 billion during the corresponding period of 2007.

From July to December 2008, loans and advances extended to the private sector increased by TZS 989 billion. On average, private sector credit grew at an annual rate of 47 percent during the period under review compared to the average rate of 38 percent recorded in the corresponding period of the previous year. Although loans to the various sectors of the economy were more broad based, the bulk of the total credit was channelled to finance personal activities (20 percent), trade (16.8 percent), manufacturing (14.5 percent), agriculture (11 percent) and property development (4 percent).

Financial Sector Soundness

Tanzania's financial sector has remained sound over the period under review despite the global financial turmoil. By December 2008, the banking sector was adequately capitalized, with the overall ratios of core capital and total capital to risk weighted assets (and off balance sheet exposures) being 18.6 percent and 19.0 percent, compared to the legal minimum requirements of 10 percent and 12 percent, respectively. Likewise, the ratio of non-performing loans (net of provisions) to total capital was 19.6 percent. As regards profitability, the banking sector's profit after tax improved to TZS 583.09 billion in the second quarter of 2008/09, compared to TZS 396.05 billion recorded in the preceding quarter.

The overall liquidity of the banking sector continued to be high, whereby, the ratio of liquid assets to demand liabilities stood at 41.7 percent at the end of December 2008, which was above the regulatory requirement of 20 percent for individual institutions. Gross loans to total deposits ratio was 68.4 percent, which was within the maximum regulatory limit of 80 percent required for each institution.

Financial Market Developments

During the period under review, open market operations continued to be undertaken to ensure orderly developments in the market and appropriate levels of liquidity in the economy.

Between June and December 2008, the Bank sold-on net basis, USD 382 million, which reduced the excess liquidity to the tune of TZS 454.5 billion. This was an enhancement when compared to a sale of USD 202.0 million undertaken in the same period of the previous year. In the review period, the Bank issued Treasury bills worth TZS 1,701.1 billion for sale. Bids worth TZS 1,784.0 billion were received, out of which TZS 1,298.0 billion were successful.

It is worth noting that there was low demand for government securities particularly during the second quarter of 2008/09. The low demand was associated with subscriptions for NMB shares, which temporarily drained liquidity from the financial market TZS 225 billion. In addition, the withdrawal of funds to meet tax payments obligations, as well as end of the year festivities contributed to the temporary liquidity shortfall in the banking system.

Over the period, domestic markets experienced an upward movement of yields on government securities. While the reduced frequency of Treasury bills auctions from weekly to bi-weekly, and for Treasury bonds to once a month that started in January 2008, had helped to reduce the overall Treasury bill rate from its peak of 17 percent in June 2007 to 7.84 percent by June 2008, the rates experienced an upward trend after June 2008, following increased fiscal spending coupled with decreased demand for government securities. The weighted average yield on Treasury bills rose from 7.84 percent recorded in June 2008 to 10.99 percent in December 2008.

Interest rates

In line with the tight liquidity conditions in the banking system, interest rates applied by banks were generally on an upward trend during the second quarter of 2008/09. Specifically, the overall time deposit rate rose from 5.86 percent in August to 6.43 percent by September 2008, before declining slightly to 6.39 percent in December 2008. Negotiated deposit rates increased from an average of 9.63 percent to 10.23 percent. Similarly, the overall lending rate moved from an average of 14.83 percent in August to 16.05 percent in December 2008, while on the contrary, the negotiated lending rate dropped from 12.18 percent to 11.19 percent.

Since the interest rates obtaining in the Treasury bills market are used by banks to benchmark interest rates of corresponding maturities by adding some risk premium, the Bank of Tanzania takes precautionary measures to forestall sharp fluctuations in interest rates of government securities.

Foreign Exchange Operations

Foreign exchange operations of the Bank of Tanzania are guided by the need to promote stability in the market determined exchange rates, and maintain adequate level of foreign reserves, without compromising price stability. During the period under review, the Bank participated in the foreign exchange market to complement other monetary policy instruments in managing liquidity, while taking surveillance of the potential impact of the global financial crisis on the exchange rate.

During the period under review the exchange rate averaged TZS 1,206.73 per USD, compared to an average of TZS 1,216.60 per USD in the corresponding period of the preceding year. Nevertheless, the value of the exchange rate experienced volatility in the in the second quarter of 2008/09, with the shilling depreciating from TZS 1,168.94 per US dollar at the end of September 2008, to TZS 1,277.94 per US dollar at the end of October 2008 and further to TZS 1,280.30 per US dollar at the end of December 2008. Likewise, the average selling exchange rate in banks and bureaus moved between TZS 1,171.00 per US dollar in September and TZS 1,303.00 per US dollar in December 2008. The sharp deprecation reflected an extraordinary demand for dollars which was mainly associated with the global financial crisis. Nevertheless, the remaining restrictions on capital account transactions helped to slow down outflows of foreign reserves from the country and thus reduced the pressure on the exchange rate.

It is important however to appreciate that although the depreciation of shilling during the period increased the cost of imports, it was on the other hand beneficial to our exporters, especially farmers. It came at a time when commodity prices in the world market were declining and thus helped to offset the loss that our farmers would have incurred out of the declining global prices.

Progress on Implementation of Second Generation Financial Sector Reforms

During the period under review the Bank continued with implementation of the Second Generation Financial Sector Reforms. The Parliament discussed and passed the Mortgage Finance (Special Provisions) Bill thus improving the environment for accessibility of credit and enforcement of contract, particularly reducing the cumbersome processes of realizing collateral. The parliament also discussed and passed the Unit Titles bill which aim at facilitating the provision of titles for the individual ownership of the units, clusters or sections of the building, and enable Tanzanians, particularly women to participate in the ownership of flats and decent homes. During the year under review the Social Security (Regulatory Authority) Act became effective thus making it possible for the Bank to regulate the financial aspect of the pension funds and issue investment guidelines to pensions funds.

PART II

REVIEW OF OTHER MACROECONOMIC DEVELOPMENTS

Economic Growth

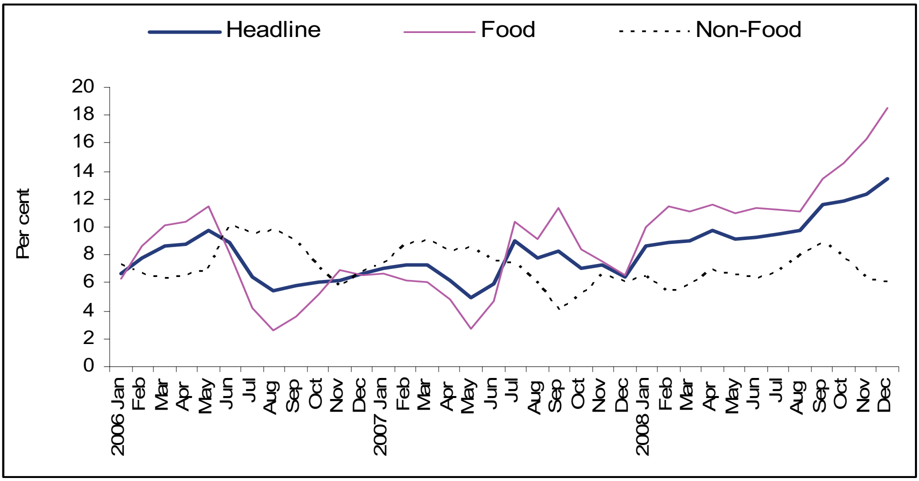
Tanzania has sustained strong economic performance over the past decade, mainly reflecting the impact of the economic reforms. Over the last 7-year period, the economy grew at an average of 7.0 percent. During the period, the fastest growing activities included mining and quarrying, which grew at an average of 15.2 percent, construction (11.4 percent), financial intermediation (9.8 percent), transport and communication (8.3 percent), manufacturing (8.2 percent) and trade (8.0 percent).

Preliminary statistics for 2008 indicate good performance in agriculture as evidenced by 29 percent increase in USD value of exports of traditional exports. The volume of cotton and cashewnuts exports were 48 percent and 33 percent higher in 2008 when compared with the respective volumes exported in 2007. Likewise, the substantial increase in manufacturing exports in 2008 indicates strong performance in the manufacturing sector. In addition strong performances have been registered in construction and communication, suggesting that the real economic growth of 7.5 percent projected for 2008 is likely to be achieved.

Inflation Developments

Inflation, which had remained in single digits for the past nine years to August 2008, rose to 11.6 percent in September 2008, and further to 13.5 percent in December 2008. The average annual inflation was high at 10.3 percent in 2008 compared to 7.0 percent in 2007. The increase in inflation was mainly due to intense pressures emanating from a protracted surge in oil and food prices. However, the non-food inflation, which is influenced by monetary policy, averaged 6.8 percent in 2008, a slow down from an average of 7.0 percent in the previous year. It is expected that, the recent easing of global fuel prices, as well as sustained prudent fiscal and monetary policies, will lead to a downward trajectory in inflation in the coming months.

Chart 2.1: Annual Headline, Food and Non-food Inflation



Source: NBS and BOT computations

Government Finance

The Government continued to exercise fiscal prudence in the management of its budgetary operations. A significant increase in revenue collection was recorded during the period under review, while on the expenditure side, large capital investments were channelled into productive infrastructure projects to alleviate supply bottlenecks and facilitate the expansion of the productive base.

To help dampen inflationary pressures, the Government provided selective import tariff reductions and issued indicative retail prices for petroleum products in the wake of declining international prices, to moderate the impact of high oil prices on the overall inflation.

During the first six months of 2008/09, fiscal performance remained strong, with total government budgetary resources exceeding the target. Total budgetary resources (including grants) amounted to TZS 3,029.1 billion compared to the target of TZS 2,768.04 billion. Domestic revenue amounted to TZS 2,162.2 billion, being 22 percent higher than the amount collected in the corresponding period in the preceding year but slightly below the target of TZS 2,319.3 billion for the period. Domestic revenue collections were complemented by grants amounting to TZS 866.9 billion.

On the other hand, total government expenditure amounted to TZS 3,124.3 billion against the target of TZS 3,419.3 billion. Out of the total, recurrent expenditure was TZS 1,956.4 billion, while development expenditure amounted to TZS 1,167.9 billion.

Overall, fiscal operations registered a deficit of TZS 438.3 billion (after adjustment to cash). The deficit was wholly financed by foreign loans.

External Sector Developments

During the first six months of 2008/09, the current account deteriorated to a deficit of USD 1,337.8 million compared with a deficit of USD 863.7 million recorded in the same period in 2007/08, owing to an increase in imports that outweighed the effect of the increase in exports. While imports of goods and services went up to USD 4,162.2 million compared to USD 3,322.3 million recorded in 2007, exports, which is one of the sources for financing the current account deficit, recorded an increase of 25.8 percent to USD 2,467.2 million. There was also a decline in official current transfers from USD 529.8 million disbursed in 2007/08 to USD 386.1 million (Table 1).

Table 1: Tanzania: Current Account Balance

Millions of USD

	July-December		% change
	2007	2008p	
Goods Account (net)	**-1,502.3**	**-1,883.7**	**25.4**
Exports	1099.3	1494.5	36.0
Imports	2601.6	3378.3	29.9
Services Account (net)	**140.7**	**188.4**	**33.9**
Receipts	861.4	972.7	12.9
Payments	720.7	784.3	8.8
Goods and services (net)	**-1,361.6**	**-1,695.3**	**24.5**
Exports of goods and services	1,960.7	2,467.2	25.8
Imports of goods and services	3,322.3	4,162.5	25.3
Income Account (net)	**-33.5**	**-23.5**	**--**
Receipts	62.3	71.9	15.5
Payments	95.8	95.4	-0.4
Current Transfers (net)	**531.4**	**381.0**	**-28.3**
Inflows	564.8	421.7	-25.3
o/w General Government	529.8	386.1	-27.1
Outflows	33.4	40.6	21.7
Current Account Balance	**-863.7**	**-1,337.8**	**54.9**

Note: -- = Very large number

P = Provisional. *Totals may not add up due to rounding of numbers*

Source: Bank of Tanzania

Exports Performance

During the period July - December of 2008, Tanzania exported goods and services worth USD 2,467.2 million, representing an improvement of 25.8 percent over the corresponding period in the previous year. Improved performance was recorded both in export of goods and services. Travel (tourism), manufactured goods and gold dominated the total exports, accounting for about 22 percent, 18 percent and 16 percent of the total exports of goods and services, respectively.

Goods exports increased by 36.0 percent to USD 1,494.5 million compared to the level that was recorded during the first six months of 2007/08 following improved performance of traditional crops, manufactured goods, horticultural products, re-exports and other exports. Traditional exports increased by 44.7 percent to USD 255.7 million, largely on account of favourable weather conditions in 2007/08 that positively affected production levels for most of the traditional crops. However, cashew nuts and sisal recorded significant declines in their export volumes during the review period. The decline in the export volume of cashew nuts is largely due to the delay in procurement of the crop from farmers following uncertainties that surrounded the export market amid the global financial crisis.

Non-traditional exports increased to USD 1,238.8 million from USD 921.9 million following a good performance in manufactured goods, horticultural products, re-exports and other exports. The value of manufactured exports during July - December 2008 period was USD 435.7 million, more than double the amount of USD 188.9 million recorded in the corresponding period in 2007. The increase in manufactured exports is largely attributed to the implementation of macroeconomic reforms coupled with improvement in the political stability in the neighbouring countries of Rwanda, Burundi and the Democratic Republic of Congo (DRC) where most of the items are exported to.

Services receipts increased by 12.9 percent to USD 972.7 million during the first six months of 2008/09 mainly due to rise in transportation, travel and other business and government services. Transportation services went up to USD 188.5 million in the review period from USD 175.0 million following the increase in the transit cargo to the neighbouring countries. However, further improvement is required to increase efficiency at the Dar es Salaam port. There is also a need of improving roads which connect Tanzania with the landlocked neighbouring countries in order to reduce the number of days required to transport goods between countries.

Likewise, travel (tourism) receipts recorded an increase from USD 510.8 million that was recorded in the corresponding period last year to USD 535.3 million. The increase in travel is partly associated with the efforts taken by the Government and other stakeholders of promoting Tanzania as a unique tourist destination. However, the growth of tourism in the second half of 2008/09 might slow down due to the global financial crisis. It is worth noting that the United States and the United Kingdom which are currently under recession are the major sources of tourists to Tanzania.

Imports

During the period of July to December of 2008, imports of goods and services stood at USD 4,162.5 million, representing an increase of 25.3 percent over the level of imports recorded during the corresponding period in 2007.

Imports of goods went up by 29.9 percent to USD 3,378.3 million, largely due to an increase in importation of capital and intermediate goods. Capital goods imports increased by 53.6 percent to USD 1,390.8 million, following a substantial increase in importation of machinery, building and construction equipment and transport equipment.

Likewise, imports of intermediate goods went up from USD 1,080.2 million last year to USD 1,297.0 million largely due to an increase in oil and fertilizer imports. During the review period, the total volume of imported oil went up by 12.0 percent to 1,366,621 tons in line with the increased economic activities in the country. In addition, there was a surge in oil prices in the world market that added pressure on the import bill. As a result, the value of oil imports went up substantially from USD769.9 million in the first six months of 2007/08 to USD 925.8 million in the same period in 2008/09. Likewise, consumer goods imports recorded a 12.1 percent increase to USD 690.5 million following a rise in imports of other consumer goods including paper products, pharmaceuticals and plastic goods. On the other hand, imports of food and food stuff recorded a marginal decline of 4.7 percent to USD 170.9 million following improvement in food supply in the domestic market.

Services payment also increased by 8.8 percent to USD 984.3 million, largely due to the increase in payments for travel and transportation business services. The rise in transportation service payments, particularly freight is largely associated with the surge in merchandise imports. Meanwhile, the increase in travel is partly associated with the growth and openness of the domestic economy to the rest of the world.

The deficit in the current account was more than covered by capital and financial inflows to the extent of increasing gross official reserves to USD 2,894 million at the end of December 2008 from USD 2,649 million at the end of June 2008. The level of gross official reserves at the end of December 2008 was sufficient to cover 4.3 months of goods and services, against the target of 5 months by June 2009.

Debt Developments

During the period July - December 2008, the national debt stock comprising of domestic and external debt decreased from USD 7,803.6 million to USD 7,772.6 million. The decrease largely emanated from domestic debt that had matured. During the corresponding period in 2007 the debt stock increased by 13.8 percent from USD 6,184.9 million to USD 7,174.7 million largely on account of recording of new disbursements and government bonds. However, as at December 2008, the debt stock was higher by 8.3 percent when compared to the corresponding period in 2007. The increase was mainly on account of recording of new disbursements, accumulation of principal and interest arrears, recording of newly issued government bonds and previously issued EPA stocks, and exchange rate fluctuations.

During the period under review, loans contracted and recorded amounted to USD 184.8 million while disbursements and actual debt service amounted to USD 297.6 million and USD 23.7 million respectively. In contrast, during the corresponding period in 2007, new loans contracted and recorded amounted to USD 515.2 million, while disbursements, and actual debt service amounted to USD 450.5 million and USD 49.0 million, respectively.

HIPC Debt Relief

Until December 2008, the cumulative HIPC debt relief from Paris Club bilateral creditors remained at the same level of USD 1,391 million recorded at the end of the corresponding period 2007. Efforts are however underway to have bilateral agreements for more relief signed with Brazil and the Japanese Food Agency. On the other hand, HIPC debt relief from Non – Paris Club bilateral creditors in the form of debt cancellation and debt rescheduling also remained at the same level of USD 184.6 million and USD 171.2 million respectively recorded at the end of the corresponding period in December 2007. Dialogue is also under way to obtain more relief from the government of China.

Economic Developments in Zanzibar

Economic Growth

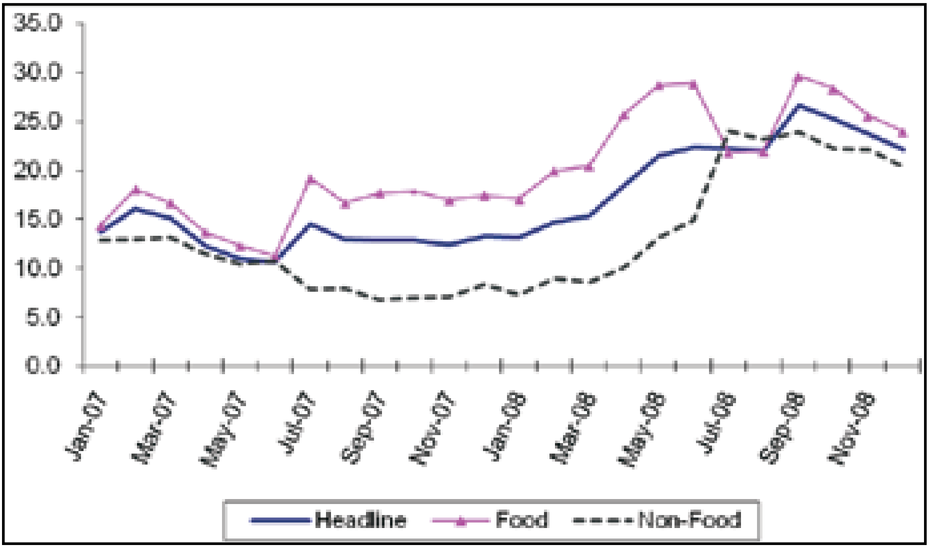
Zanzibar's economic growth averaged 6.0 percent over the last five years (2003 – 2007). During 2007, real GDP growth reached 6.5 percent up from 6.0 percent registered in 2006. The economic growth continued to be dominated by the services sector, which recovered from a decline of 2.8 percent in 2006, to a growth of 10.5 percent in 2007. In terms of GDP contribution, the services sector (mainly tourism activities) registered the highest share of 46.9 percent in 2007. The economy is projected to grow at 6.8 percent in 2008.

Inflation Developments

Annual headline inflation in Zanzibar remained in double digits, averaging at 23.7 percent over the period July-December 2008/09. This is in contrast with an average of 13.1 percent recorded during the corresponding period in 2007/08. The increase in inflation was largely on account of rising prices of fuel and food (specifically rice). In the year ending December 2008, inflation remained high at 22.1 percent, having slightly declined from 23.7 percent posted in the year ending November 2008 (Chart 2.2).

Inflation is expected to ease with the declining prices of fuel and food items in the world market, as well as completion of rehabilitation of Malindi port in Zanzibar, which will reduce handling costs.

Chart 2.2: Annual Headline, Food and Non-food Inflation



Source: Office of Chief Government Statistician (OCGS)

Zanzibar Government Budgetary Developments

Budgetary operations for the period July – December 2008 recorded a deficit of TZS 13.0 billion after grants. The budget deficit was financed through foreign borrowing to the tune of TZS 8.0 billion, and the balance by issuing Treasury bonds.

Total resources during the six months under review amounted to TZS 89.8 billion, out of which TZS 64.1 billion was domestic revenue, while the balance was foreign grants. Meanwhile, Government expenditure reached TZS 97.9 billion, out of which recurrent expenditure was TZS 63.8 billion and the balance was on development projects.

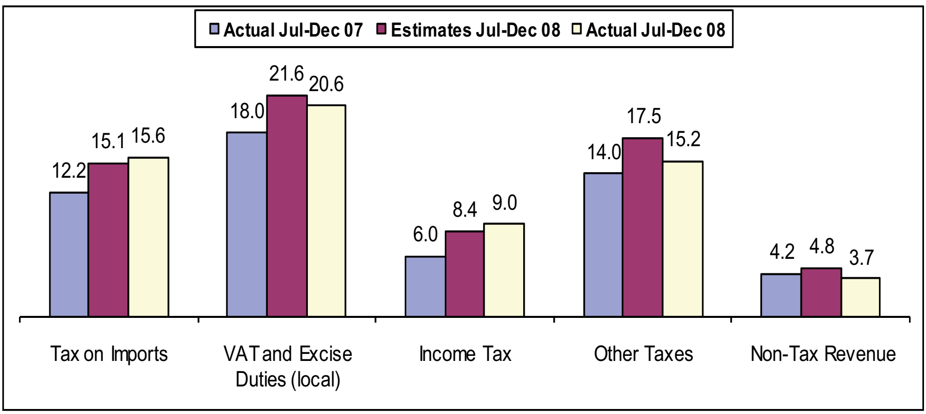
Revenue Performance

During July – December 2008, total revenue collections amounted to TZS 64.1 billion, slightly below the target of TZS 67.4 billion. The underperformance was partially attributed to slow down in tourism activities, as a result of low turnout of tourists in Zanzibar during the period under review.

Tax revenue reached TZS 60.4 billion, against the target of TZS 62.5 billion. Tax revenue to GDP ratio stood at 10.3 percent, compared to 8.5 percent registered in the previous period. Revenue from non-tax sources stood at TZS 3.7 billion (Chart 2.3).

Chart 2.3: Zanzibar Government Revenue by Sources: July –December 2008

Billions of TZS



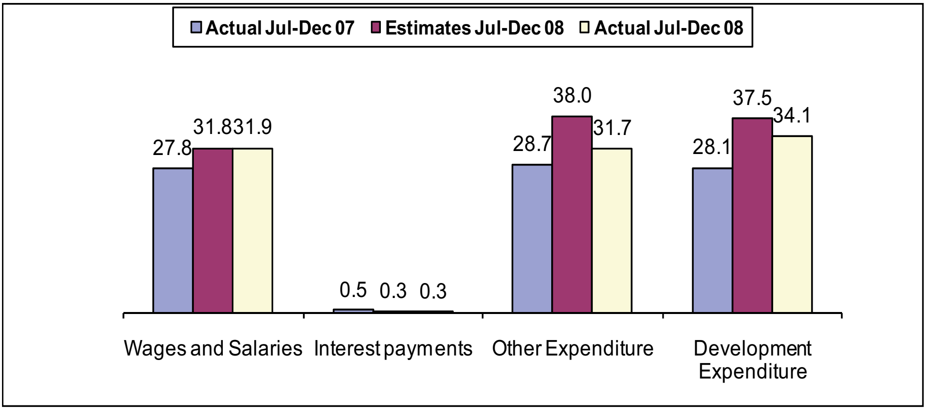
Source: Ministry of Finance and Economic Affairs, Zanzibar.

Expenditure Developments

Government expenditure during the period of July – December 2008, amounted to TZS 97.9 billion, compared with the target of TZS 107.6 billion. The lower that projected expenditure was a result of adherence to the cash -budget system. Recurrent expenditure reached TZS 63.8 billion, compared to the target of TZS 70.1 million, while development expenditure reached TZS 34.1 billion against the target of TZS 37.5 billion (Chart 2.4).

Chart 2.4: Government Expenditure by Component: July- December 2008

Billions of TZS



Source: Ministry of Finance and Economic Affairs, Zanzibar.

External Sector Development

During the period of July-December 2008, the current account balance posted a lower surplus of USD 0.7 million compared to a surplus of USD 5.2 million reported in the corresponding period in 2007. The underperformance is associated with the increase in imports which outpaced the increase in exports.

The trade account worsened to a deficit of USD 50.7 million in July-December 2008 compared to a deficit of USD 35.4 million for the first six months of 2007/08. Similarly, on year to year basis, the trade deficit widened to USD 94.1 million in 2008, compared to a deficit of USD 73.2 million in 2007. The deterioration in trade account was mainly attributed to increased merchandise imports, which rose to USD 114.2 million in the year ending December 2008 from USD 85.6 million in the same period 2007. The trade deficit was financed mainly by services receipts and official grants (Table 2).

Table 2: Zanzibar Current Account Balance

Million of USD

ITEM	July-December		Year Ending December				% Change
	2007/08	2008/09	2005	2006	2007	2008p	Annual
Goods Account (net)	**-35.4**	**-50.7**	**-69.9**	**-56.3**	**-73.2**	**-94.1**	**28.6**
Exports	5.5	9.3	11.0	12.4	12.4	20.0	61.2
Imports (fob)	40.9	59.9	80.9	68.6	85.6	114.2	33.3
Services Account (net)	**20.0**	**18.0**	**18.9**	**33.2**	**38.7**	**31.6**	**(18.3)**
Receipts	44.5	49.1	73.4	89.9	87.4	90.1	3.1
Payments	24.6	31.1	54.5	56.8	48.7	58.5	20.1
Goods and Services (net)	**-15.5**	**-32.6**	**-51.1**	**-23.1**	**-34.5**	**-62.6**	**81.2**
Exports of Goods and Services	50.0	58.4	84.4	102.3	99.8	110.1	10.4
Imports of Goods and Services	65.5	91.0	135.4	125.4	134.3	172.7	28.6
Income Account (net)	**-0.2**	**-0.1**	**0.4**	**0.3**	**-0.1**	**-0.6**	390.6
Receipts	0.05	0.25	0.4	0.3	0.1	0.4	236.5
Payments	0.21	0.36	0.0	0.1	0.2	1.0	313.1
Current Transfers (net)	**20.8**	**33.4**	**38.9**	**45.3**	**64.4**	**41.1**	**(36.1)**
Inflows	20.8	33.4	38.9	45.3	64.4	41.1	(36.1)
Outflows	0.0	0.0	0.0	0.0	0.0	0.0	
Current Account Balance	**5.2**	**0.7**	**-11.8**	**22.4**	**29.7**	**-22.0**	**(174.2)**

p = **Provisional**

Source: Tanzania Revenue Authority.

Exports Performance

During the period under review, exports of goods and services improved slightly to USD 58.4 million compared to USD 50.0 million registered in the corresponding period in 2007/08. The increase emanated mainly from the services receipts, which rose to USD 49.1 million from USD 44.5 million recorded in the corresponding period 2007/08. Merchandise exports, which were driven by cloves, reached USD 9.3 million, equivalent to 15.1 percent of total export earnings.

Imports

During July-December 2008, merchandise imports (c.i.f) reached USD 65.8 million compared to USD 45.0 million of the corresponding period in 2007/08. Capital goods (which were dominated by transport equipment) amounted to USD 29.6 million and accounted for 45.0 percent of total goods imports. Intermediated goods imports amounted to USD 25.0 million or 38.0 percent of total goods imports and were largely driven by oil imports. Consumer goods imports stood at USD 11.3 million, representing 17.2 percent of goods imports. Food imports declined to USD 1.6 million from USD 3.5 million registered in July-December 2007/08 mainly on account of improved domestic food harvests (Table 3).

Table 3: Zanzibar Imports by Major Categories

Millions of USD

IMPORT CATEGORY	July-December 2007/08	July-December 2008/09	Year Ending December 2005	2006	2007	2008p	Annual
CAPITAL GOODS	**19.2**	**29.6**	**36.6**	**32.3**	**46.1**	**54.3**	**17.9**
Transport Equipment	9.8	19.1	9.31	10.9	18.0	33.3	85.3
Building and Constructions	3.2	5.0	8.08	6.8	12.8	8.3	-35.0
Machinery	6.3	5.5	19.20	14.6	15.3	12.7	-17.1
INTERMEDIATE GOODS	**16.1**	**25.0**	**26.2**	**23.1**	**27.8**	**47.1**	**69.7**
Oil imports	12.47	18.80	22.0	16.0	22.4	35.4	58.5
Fertilizers	0.00	0.00	0.00	0.02	0.02	0.00	-100.0
Industrial raw materials	3.66	6.17	4.1	7.0	5.4	11.7	116.1
CONSUMER GOODS	**9.6**	**11.3**	**26.2**	**20.0**	**20.3**	**24.1**	**18.7**
Food and food stuffs	3.5	1.6	15.71	5.91	6.3	7.5	18.1
All other consumer goods	6.1	9.7	10.5	14.11	13.9	16.6	18.9
GRAND TOTAL (CIF)	**45.0**	**65.8**	**88.9**	**75.4**	**94.1**	**125.5**	**33.3**
GRAND TOTAL (FOB)	**40.9**	**59.9**	**80.9**	**68.6**	**85.6**	**114.2**	**33.3**

p = provisional

… = Very small value

Source: Tanzania Revenue Authority

Services Account Balance

The services account recorded a surplus of USD 18.1 million during July-December 2008/09 compared to USD 20.0 million during the corresponding period in 2007/08. The decline was attributed to a rise in foreign payments to USD 31.1 million from USD 24.6 million of the corresponding period in 2007/08. Foreign services receipts stood at USD 49.1 million up from USD 44.5 million registered in July – December 2007/08.

PART III

MONETARY POLICY STANCE FOR JANUARY – JUNE 2009

During the first half of 2008/09, monetary policy remained generally on track. The key objective of monetary policy for the remaining part of the fiscal year will continue to be maintaining macroeconomic stability, including the achievement of low inflation by improving liquidity management.

Inflation

A speedy return to low inflation will be a key monetary policy objective over the remaining half of 2008/09. The recent dramatic turnaround in global fuel prices provides an opportunity for the attainment of this goal. However, given the fact that the bulk of inflation is now driven by food prices, the main challenge may come from factors related to food supply including weather and potential food shortages in neighbouring countries.

Meanwhile, the global economic outlook remains bleak in the wake of global financial turmoil, with world economic growth being projected to fall to 0.5 percent in 2009, the lowest rate since World War II. The impact on growth is projected to be more severe in advanced economies where economic activity is projected to contract by two percent in 2009. While this may have a dampening impact on inflation due to decline in the price of imports, it poses a downward risk on growth through decline in demand for exports, as well as other foreign inflows. The impact of these factors on Tanzania's macroeconomic forecasts and targets will be taken into consideration in next Policy Support Instrument (PSI) program review, planned for March 2009.

Going forward, the Bank of Tanzania will continue to implement a tight monetary policy stance, while taking advantage of the favourable global environment on overall inflation. With a supportive fiscal policy stance, it is expected that the June 2009 inflation target will still be within achievable limits.

Liquidity Management

Although the reserve money targets during the period under review were met, the rates of expansion of the broader monetary aggregates were higher than targeted. This calls for concerted efforts to contain monetary expansion. Monetary policy will aim at reducing the growth of M3 from 24 percent at the end of December 2008 to 19.3 percent and that of M2 from 28.4 percent to 20.3 percent by end-June 2009.

The introduction of 20 percent reserve requirement on central government deposits, and removal of 50 percent of banks' vault cash as eligible component of statutory minimum reserve requirement (SMR) effective January 2009, are expected to contribute to the reduction of the rapid expansion of credit and ultimately contain the broader monetary aggregates within projected levels.

During the remainder of the year, the Bank will explore ways to sharpen the effectiveness and efficacy of its monetary policy instruments. In this regard, the Bank will continue to promote transparency in monetary policy through its monthly meetings with the chief executive officers of commercial banks and quarterly meetings with the press.

In a bid to strengthen liquidity forecasting, the Bank has changed the compliance to SMR from variable to constant periodic deposit balances. This move is expected to make liquidity forecasting more accurate and therefore improve the effectiveness of monetary policy. Meanwhile, coordination between the Bank of Tanzania and the Ministry of Finance and Economic Affairs will be strengthened further through the operationalization of the joint Cash Management Committee.

Financial Sector Stability

The Bank of Tanzania will remain vigilant in safeguarding the prevailing financial stability as the adverse effects of the global financial turmoil continue to unfold. The Bank will maintain strict surveillance over all banks operating in Tanzania on daily basis and the early warning systems which have already been put in place will be enhanced to ensure that all financial indicators remain sound.

The Bank's liquidity windows, including the intraday loan facility (ILF) and its overnight refinancing facility, i.e. the Lombard window, will remain open for banks in need of liquidity to square their positions. The Bank of Tanzania will maintain its foreign exchange policy, including its presence in the foreign exchange market and strengthen its oversight role in the market. Measures will be taken to sustain an orderly payment system to protect the market from possible contagion effect.

Credit and Interest Rate Policy

Monetary policy measures will continue to facilitate provision of credit to the private sector consistent with the anticipated economic growth. The Bank will continue to collaborate with the government in implementing measures to remove the remaining structural and institutional limitations, hence deepen financial intermediation. The ongoing reforms under the Second-Generation Financial Sector Reform Program are, among others, aimed at making the financial sector play its pivotal role in economic growth and poverty reduction.

Interest rates will remain market determined and the Bank will continue to complement the use of government securities with foreign exchange sales so as to reduce upward pressure on interest rates. Meanwhile, interest rates are projected to remain stable during the remainder of the year, mainly on account of the need to attract credit-worthy clients in the aftermath of the global financial crisis.

Foreign Exchange Policy

The exchange rate will continue to be freely determined in the inter-bank foreign exchange market (IFEM). The main challenge facing the Bank in the second half of 2008/09 will be the management of speculative tendencies that may arise from the prevailing global financial crisis. In this regard, the Bank will structure its interventions so as to dampen the impact of such tendencies, while maintaining an adequate level of international reserves.

IV

CONCLUSION

Despite the turbulent global environment, the Tanzanian economy continued to maintain solid growth during the first half of 2008/09. Annual GDP growth is expected to have reached 7.5 percent in December 2008, with strong performance across most sectors. Performance under the Policy Support Instrument (PSI) has generally been on track, with all quantitative assessment criteria for the test month of December 2008 being broadly achieved. Tanzania's financial and foreign exchange markets have remained stable and Treasury bill yields have been reasonably steady in recent months. Credit growth to the private sector has remained strong, with the number of non-performing loans of commercial banks declining.

The banking sector has continued to expand while remaining well capitalized. Our official reserves position has also remained impressive at around USD 2.9 billion—equivalent to 4.3 months of imports of goods and services.

Despite this impressive performance, some downside risks remain and this will require continued prudence in both monetary as well as fiscal policy.

While reserve money targets for the first half of the year 2008/09 were met, inflation remains above the target, posing a threat to future growth and productivity of the economy. Additionally, the current global economic slowdown and worldwide financial crisis pose serious downside risks to the Tanzanian economy, including a setback to Tanzania's fast growing tourism and exports sector. A cutback to foreign financing, especially foreign direct investment (FDI) as a result of the crisis, is a threat to business investment in Tanzania.

The Bank of Tanzania will continue to provide quality and timely policy advice to the Government over broad policy measures that are necessary in preserving the buoyancy of the national economy. Over the remaining period of the fiscal year, monetary policy measures will focus on containing liquidity expansion in order to reduce inflationary pressure in the economy. In this regard, open market operations will continue to be used as the main instrument of monetary policy implementation, while ensuring that interest rates remain within reasonable levels. The Bank will continue with foreign exchange sales as an additional instrument of monetary policy while ensuring strict adherence to the code of conduct by all players in the market. Given developments in the global economy, the Bank will continue to monitor closely developments in global markets and take necessary measures to protect domestic markets from any possible adverse contagion effects. Domestically, the Bank continues to ensure that the recent achievements in financial sector stability are preserved. Surveillance over all banks operating in the country will be stepped up and the early warning systems which are now in place will be strengthened.

The Bank of Tanzania takes confidence on the policy achievements recorded so far and remains optimistic that given the prudent monetary policy stance that will be implemented over the remaining period of the fiscal year, coupled with the expected support from the fiscal side, the objectives set out in the 2008/09 Monetary Policy Statement will broadly be achieved.

Table A1: Gross Domestic Product at Constant 2001 Prices by Economic Activity

Millions of TZS

	2003	2004	2005	2006	2007
Agriculture, hunting and Forestry	**2,850,956**	**3,017,988**	**3,148,383**	**3,268,238**	**3,399,648**
Crops	2,122,361	2,262,724	2,361,930	2,457,373	2,567,955
Livestock	483,001	503,000	525,109	537,498	550,398
Forestry and hunting	245,594	252,264	261,344	273,367	281,295
Fishing	**173,893**	**185,543**	**196,676**	**206,510**	**215,734**
Industry and Construction	**1,988,081**	**2,204,619**	**2,433,261**	**2,639,902**	**2,889,519**
Mining and quarrying	219,000	254,000	295,000	341,000	377,559
Manufacturing	893,000	977,000	1,071,000	1,162,000	1,263,435
Electricity, gas	223,953	240,708	263,218	258,347	286,507
Water supply	47,128	49,557	51,700	54,905	58,474
Construction	605,000	683,354	752,343	823,650	903,544
Services	**4,806,587**	**5,182,093**	**5,596,784**	**6,035,932**	**6,527,561**
Trade and repairs	1,405,698	1,486,931	1,585,906	1,736,631	1,906,821
Hotels and restaurants	275,836	285,732	301,873	314,921	328,859
Transport	541,901	588,574	627,951	661,000	703,965
Communications	144,039	169,158	200,900	239,537	287,684
Financial intermediation	170,643	184,775	204,694	228,000	251,280
Real estate and business services	1,068,732	1,141,013	1,226,790	1,316,000	1,408,120
Public administration	766,760	871,169	970,786	1,033,488	1,102,951
Education	207,606	215,910	224,547	235,774	248,742
Health	140,437	151,370	163,572	177,520	193,142
Other social and personal services	84,935	87,461	89,765	93,061	95,998
Gross value added excluding adjustments	**9,819,517**	**10,590,243**	**11,375,104**	**12,150,582**	**13,032,462**
less Financial Services Indirectly Measured	-97,154	-106,931	-119,497	-137,287	-158,292
Gross value added at basic prices	**9,722,363**	**10,483,312**	**11,255,607**	**12,013,295**	**12,874,170**
Add Taxes on products	701,372	756,422	812,482	867,868	927,751
Gross value added at market prices	**10,423,735**	**11,239,734**	**12,068,089**	**12,881,163**	**13,801,921**

Source: National Bureau of Statistics

Table A2: Gross Domestic Product growth by Economic Activities

In Percentage

	2003	2004	2005	2006	2007
Agriculture, hunting and Forestry	**3.1**	**5.9**	**4.3**	**3.8**	**4.0**
Fishing	**6.0**	**6.7**	**6.0**	**5.0**	**4.5**
Industry and Construction	**10.9**	**10.9**	**10.4**	**8.5**	**9.5**
Mining and quarrying	17.1	16.0	16.1	15.6	10.7
Manufacturing	9.0	9.4	9.6	8.5	8.7
Electricity, gas & water supply	6.7	7.1	8.5	-0.5	10.1
Construction	13.8	13.0	10.1	9.5	9.7
Services	**7.8**	**7.8**	**8.0**	**7.8**	**8.1**
Trade and repairs	9.7	5.8	6.7	9.5	9.8
Hotels and restaurants	3.2	3.6	5.6	4.3	4.4
Transport and Communications	7.1	10.5	9.4	8.6	10.1
Financial intermediation	10.7	8.3	10.8	11.4	10.2
Real estate and business services	6.5	6.8	7.5	7.3	7.0
Public administration and other services	7.7	10.5	9.3	6.3	6.6
Gross value added excluding adjustments	**6.9**	**7.8**	**7.4**	**6.8**	**7.3**
less Financial Services Indirectly Measured	11.7	10.1	11.8	14.9	15.3
Gross value added at constant 2001 basic prices	**6.9**	**7.8**	**7.4**	**6.7**	**7.2**
Add Taxes on products	6.9	7.8	7.4	6.8	6.9
Gross value added at constant 2001 market prices	**6.9**	**7.8**	**7.4**	**6.7**	**7.1**

Source: National Bureau of Statistics

Table A3: Contribution to Gross Domestic Product by Economic Activities

In Percentage

	2003	2004	2005	2006	2007
Agriculture, hunting and Forestry	**27.4**	**26.9**	**26.1**	**25.4**	**24.6**
Fishing	**1.7**	**1.7**	**1.6**	**1.6**	**1.6**
Industry and Construction	**19.1**	**19.6**	**20.2**	**20.5**	**20.9**
Mining and quarrying	2.1	2.3	2.4	2.6	2.7
Manufacturing	8.6	8.7	8.9	9.0	9.2
Electricity, gas & water supply	2.6	2.6	2.6	2.4	2.5
Construction	5.8	6.1	6.2	6.4	6.5
Services	**46.1**	**46.1**	**46.4**	**46.9**	**47.3**
Trade and repairs	13.5	13.2	13.1	13.5	13.8
Hotels and restaurants	2.6	2.5	2.5	2.4	2.4
Transport and Communications	6.6	6.7	6.9	7.0	7.2
Financial intermediation	1.6	1.6	1.7	1.8	1.8
Real estate and business services	10.3	10.2	10.2	10.2	10.2
Public administration and other services	11.5	11.8	12.0	12.0	11.9
Gross value added excluding adjustments	**94.2**	**94.2**	**94.3**	**94.3**	**94.4**
less Financial Services Indirectly Measured	-0.9	-1.0	-1.0	-1.1	-1.1
Gross value added at constant 2001 basic prices	**93.3**	**93.3**	**93.3**	**93.3**	**93.3**
Add Taxes on products	6.7	6.7	6.7	6.7	6.7
Gross value added at constant 2001 market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table A4: Percentage Change in National Consumer Price Index

	Year-on-Year			Month-on-Month		
	Headline	**Food**	**Non-Food**	**Headline**	**Food**	**Non-Food**
Weight (%)	**100.0**	**55.9**	**44.1**	**100.0**	**55.9**	**44.1**
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
Jun	5.9	4.6	7.5	0.1	-0.6	1.0
Jul	9.0	10.3	7.4	0.1	0.1	0.3
Aug	7.8	9.2	5.9	-0.9	-1.6	-0.2
Sep	8.3	11.4	4.1	0.6	1.7	-0.9
Oct	7.1	8.4	5.1	0.4	-0.1	1.0
Nov	7.3	7.5	6.5	1.1	1.5	0.6
Dec	6.4	6.6	6.1	1.3	2.0	0.1
2008 Jan	8.6	10.1	6.4	3.4	5.2	0.9
Feb	8.9	11.4	5.3	1.4	1.9	0.6
Mar	9.0	11.2	5.8	0.9	0.9	0.7
Apr	9.7	11.6	6.9	0.5	0.3	1.0
May	9.1	11.0	6.5	0.1	-0.6	1.2
Jun	9.3	11.4	6.3	0.2	-0.3	1.0
Jul	9.5	11.2	6.8	0.3	-0.1	0.7
Aug	9.8	11.1	7.9	-0.7	-1.6	0.8
Sep	11.6	13.4	8.9	2.2	3.7	0.1
Oct	11.8	14.6	7.9	0.6	1.0	0.0
Nov	12.3	16.3	6.3	1.5	3.1	-0.8
Dec	13.5	18.6	6.0	2.3	4.0	-0.2

Source: National Bureau of Statistics

Note: (1) Before August 2006, Base year Jun 2001=100 , from August 2006, Base year Dec 2001=100

Table A5: Tanzania - Central Government Operations

Millions of TZS

	2005/2006	2006/2007	2007/2008	2008/09	Jul- to Dec- 2008	
				Budget	Estimates	Actual
Total Revenue	**2,124,843.7**	**2,739,022.4**	**3,634,580.6**	**4,728,595.0**	**2,319,385.4**	**2,162,201.4**
Tax Revenue	**1,946,432.6**	**2,529,439.4**	**3,359,249.8**	**4,485,100.0**	**2,195,433.3**	**2,060,385.6**
Taxes on Imports	819,800.5	1,018,569.5	1,278,251.8	1,643,768.0	825,311.2	748,449.3
Sales/VAT and Excise on Local Goods	478,395.4	575,968.3	1,028,902.0	1,078,533.0	531,705.8	511,775.1
Tax Refunds	-69,961.0	-106,712.5	659,646.9	145,457.0	64,914.1	67,900.4
Income Taxes	581,243.8	716,320.5	-68,461.0	1,425,652.0	681,917.8	641,959.6
Other taxes	136,954.0	218,581.1	381,791.8	482,605.0	221,412.6	226,102.0
Non- tax Revenue	**178,411.1**	**209,583.0**	**275,330.8**	**243,495.0**	**123,952.1**	**101,815.8**
Total Expenditure	**4,005,227.8**	**4,474,680.9**	**5,174,995.9**	**7,139,103.0**	**3,419,316.4**	**3,124,373.6**
Recurrent expenditure	**2,661,862.5**	**3,137,469.5**	**3,398,023.8**	**4,647,623.0**	**2,139,890.4**	**1,956,449.1**
Interest payments	218,861.3	215,562.9	264,833.1	282,359.0	112,212.7	96,174.8
Domestic	163,694.8	185,050.4	237,372.4	247,759.0	97,612.8	81,005.9
Foreign	55,166.5	30,512.4	27,460.6	34,600.0	14,599.8	15,168.9
Wages and salaries	656,788.5	976,094.3	1,134,709.1	1,570,324.0	855,268.9	872,321.7
Other goods, services and transfers	1,786,212.7	1,945,812.3	1,739,562.7	1,976,743.0	1,172,408.8	987,952.6
of which: Roads	0.0	0.0			0.0	0.0
Retention fund	61,260.2	84,819.9	36,833.2	85,318.0	40,386.0	30,297.4
Dev. Expenditure and net lending	**1,343,365.2**	**1,337,211.4**	**1,464,850.0**	**2,491,480.0**	**1,279,426.0**	**1,167,924.5**
Local	296,100.0	503,291.2	221,299.0	940,380.0	503,876.0	455,017.5
Foreign	1,047,265.2	833,920.2	1,243,551.0	1,551,100.0	775,550.0	712,907.0
Balance (cheques issued) before Grants	**-1,880,384.0**	**-1,735,658.5**	**-1,540,415.3**	**-2,410,508.0**	**-1,099,931.0**	**-962,172.2**
Grants	**1,043,421.6**	**952,225.5**	**1,573,195.4**	**1,441,229.0**	**448,662.2**	**866,908.2**
Program (CIS/OGL)	331,024.6	479,837.3	625,414.3	543,905.0	0.0	470,844.6
Project	418,557.6	241,826.6	635,628.0	22,371.0	278,182.9	92,493.6
MDF funds / Basket Support funds	217,450.2	111,559.8	197,952.8	206,126.0	103,062.9	259,556.9
HIPC Relief/MDRI	76,389.3	119,001.7	114,200.3	66,322.0	67,416.4	44,013.2
Balance (cheques issued) after grants	**-836,962.4**	**-783,433.0**	**32,780.2**	**-969,279.0**	**-651,268.8**	**-95,264.0**
Adjustments to cash and other items(net)	69,713.1	-41,048.7	31,281.0	0.0	0.0	-126,396.6
Expenditure Float	-157,163.2	-131,315.2	-298,883.9	0.0	0.0	-216,635.5
Overall balance (cheques cleared)	**-924,412.5**	**-955,797.0**	**-234,822.7**	**-969,279.0**	**-651,268.8**	**-438,296.0**
Financing	**924,412.5**	**955,797.0**	**373,056.0**	**969,279.0**	**651,268.8**	**438,296.0**
Foreign Financing (net)	**561,219.0**	**717,789.3**	**729,609.7**	**946,207.0**	**612,033.3**	**532,542.7**
Loans	586,632.7	700,148.9	574,380.0	268,208.0	521,929.0	421,356.1
Program loans	257,677.1	266,946.0	365,038.1	268,208.0	268,208.1	189,238.4
Development Project loans	328,955.7	433,202.9	209,341.9	507,442.0	253,720.9	232,117.6
Basket Support	82,301.8	47,330.9	200,628.3	212,656.0	106,327.8	123,244.7
Amortization	-107,715.5	-29,690.5	-45,398.5	-42,099.0	-16,223.4	-12,058.0
Domestic (net)	**363,193.5**	**238,007.7**	**-356,553.7**	**23,073.0**	**39,235.4**	**-94,246.7**
Domestic	344,118.4	238,007.7	-341,905.6	0.0	-20,764.6	-139,246.7
Bank borrowing	179,197.1	107,991.8	-19,794.6	0.0	-6,461.5	-77,952.2
Non-Bank (net of amortization)	164,921.3	220,029.0	-322,111.0	40,000.0	-1,880.9	-61,294.5
Amortization of contingent debt	-19,001.4	0.0	-14,648.1	-20,000.0	-12,422.2	0.0
Privatization Proceeds	38,076.5	0.0	0.0	60,000.0	60,000.0	45,000.0

Source: Ministry of Finance and Economic Affairs, and Bank of Tanzania

Table A6: Zanzibar Central Government Operations (In millions)

	Budget 2008/2009	July - December 2008 Estimates	Actual	Actual vs Estimate
Total Revenue	**134,160.1**	**67,368.2**	**64,139.4**	**95.2**
Tax Revenue	**122,763.8**	**62,548.2**	**60,445.1**	**96.6**
Tax on Imports	29,946.1	15,051.2	15,593.1	103.6
VAT and Excise Duties (local)	43,104.4	21,633.9	20,570.9	95.1
Income Tax	19,274.8	8,368.0	9,044.6	108.1
Other Taxes	30,438.4	17,495.1	15,236.5	87.1
Non-Tax Revenue	**11,396.4**	**4,820.1**	**3,694.3**	**76.6**
Total Expenditure	**341,709.0**	**107,603.5**	**97,905.4**	**91.0**
Recurrent Expenditure	149,435.0	70,148.5	63,806.6	91.0
Wages and Salaries	70,521.0	31,848.0	31,862.5	100.0
Interest Payment	0.0	306.5	268.2	87.5
Local	2,000.0	306.5	268.2	87.5
Foreign	0.0	0.0	0.0	
Other Expenditure	78,914.0	37,994.0	31,675.9	83.4
Development Expenditure	**192,274.0**	**37,455.0**	**34,098.8**	**91.0**
local	18,522.0	16,066.0	13,092.8	81.5
foreign	173,752.0	21,389.0	21,006.0	98.2
Overall (surplus) Deficit before grants	**-207,548.9**	**-40,235.3**	**-33,765.9**	**83.9**
Grants	**136,932.0**	**25,762.6**	**25,707.6**	**99.8**
4.5% Budget Support	27,607.0	12,744.0	12,744.0	100.0
Programm grant	101,325.0	2,111.7	0.0	0.0
Debt relief	8,000.0	10,906.9	12,963.6	118.9
Overall (Surplus) Deficit after grants	**-70,616.9**	**-14,472.7**	**-8,058.3**	**55.7**
Adjustment to cash and other items	-6,664.9	-6,101.5	4,924.6	-80.7
Overall (Surplus) Deficit cheques cleare	**-63,952.0**	**-8,371.3**	**-12,982.9**	**155.1**
Financing	**63,952.0**	**8,371.3**	**12,982.9**	**155.1**
Foreign	**72,427.0**	**8,371.3**	**8,042.4**	**96.1**
Import Support	0.0	0.0	0.0	
Program Loans	72,427.0	8,371.3	8,042.4	96.1
Amortization (foreign)		0.0	0.0	
Domestic (net)	**2,000.0**	**0.0**	**4,940.5**	
Bank	0.0	0.0	0.0	
Non-bank	2,000.0	0.0	4,940.5	
Amortization (local)	-10,475.0	0.0	0.0	

p=provisional
GDP TZS 588.5 billion (2008 current prices)
Source: Ministry of Finance - Zanzibar.

Table A7: Tanzania - Depository Corporations Survey

Millions of TZS

	Dec-06	Dec-07	Jun-08	Sep-08	Oct-08	Nov-08	Dec-08
FOREIGN ASSETS (NET)	3,406,202	3,549,853	3,509,530	3,392,183	3,504,440	3,628,444	3,997,098
Bank of Tanzania	2,350,490	2,930,896	2,900,067	2,863,361	2,926,063	3,117,876	3,413,635
Net International Reserves	2,350,490	2,930,896	2,900,067	2,863,361	2,926,063	3,117,876	3,413,635
Foreign Assets	2,685,173	3,119,134	3,127,669	3,127,137	3,245,508	3,403,856	3,705,720
Foreign Liabilities	334,683	188,239	227,603	263,776	319,445	285,980	292,085
Net Foreign Assets(DMBs)	1,055,712	618,957	609,463	528,823	578,377	510,567	583,463
Net Foreign Exchange	1,067,712	701,223	659,735	607,964	650,938	606,191	687,421
Other Foreign Liabilities	12,000	82,266	50,272	79,142	72,562	95,624	103,958
MEDIUM TERM FOREIGN LIABILITIES	34,718	34,747	34,747	34,747	34,747	34,747	34,747
Bank of Tanzania	32,459	32,459	32,459	32,459	32,459	32,459	32,459
National Bank of Commerce	2,259	2,288	2,288	2,288	2,288	2,288	2,288
DOMESTIC ASSETS (NET)	2,118,786	3,052,663	3,627,458	4,202,591	4,499,590	4,398,961	4,042,814
Domestic Credit	2,238,146	2,814,269	3,541,863	4,312,497	4,642,658	4,557,314	4,420,647
Claims on Government (net)	144,496	-162,007	154,821	367,222	424,274	331,665	44,207
Claims on Government BOT (net)	-788,233	-1,470,249	-1,062,195	-857,767	-851,151	-1,065,129	-1,059,007
Claims on Government BOT	392,984	387,813	531,535	529,298	528,587	591,398	569,337
Government Deposits BOT	1,181,217	1,858,062	1,593,729	1,387,065	1,379,737	1,656,527	1,628,344
Claims on Government DMBs (net)	932,728	1,308,243	1,217,015	1,224,989	1,275,424	1,396,794	1,103,214
Claims on government DMBs	1,166,742	1,625,297	1,475,559	1,471,182	1,538,097	1,665,021	1,501,798
Deposits	234,014	317,054	258,544	246,193	262,673	268,227	398,584
Claims on the private sector	2,093,650	2,976,276	3,387,042	3,945,275	4,218,384	4,225,649	4,376,440
Other Items Net	-119,360	238,394	85,596	-109,906	-143,068	-158,353	-377,833
M3: MONEY AND QUASI MONEY = M2+5	4,915,809	5,993,308	6,527,781	6,985,567	7,394,822	7,418,197	7,430,704
M2: BROAD MONEY = M1+3+4	3,292,970	4,259,853	4,774,748	5,200,493	5,430,265	5,532,607	5,467,687
M1: NARROW MONEY = 1+2	1,942,241	2,577,344	2,833,975	3,086,299	3,204,586	3,241,152	3,183,960
1.Currency outside the Banking system	973,458	1,162,443	1,269,578	1,450,097	1,451,600	1,452,223	1,438,666
2.Demand Deposits	968,783	1,414,900	1,564,398	1,636,202	1,752,987	1,788,929	1,745,294
Quasi Money	2,973,568	3,415,964	3,693,805	3,899,268	4,190,236	4,177,045	4,246,745
3.Time deposits	485,076	618,348	830,626	899,337	972,273	1,012,790	993,076
4.Savings Deposits	865,652	1,064,162	1,110,146	1,214,857	1,253,406	1,278,665	1,290,651
5.Foreign currency deposits	1,622,839	1,733,455	1,753,033	1,785,074	1,964,557	1,885,590	1,963,018
VALUATION ACCOUNT (June 94 exch)	574,460	574,460	574,460	574,460	574,460	574,460	574,460
Memorandum Item:							
MO: RESERVE MONEY	1,443,530	1,879,108	2,079,616	2,363,793	2,354,747	2,302,386	2,276,343
Annual growth rates in percent							
Extended broad money (M3)	21.9	21.9	22.7	23.5	28.8	26.0	24.0
Broad money (M2)	13.7	29.4	30.8	30.4	33.1	32.7	28.4
Narrow money (M1)	9.8	32.7	30.6	27.8	28.5	29.4	23.5
Reserve money (M0)	16.8	30.2	30.1	40.3	29.2	26.4	21.1
Claims on the private sector	42.0	42.2	45.0	48.5	52.8	46.8	47.0
TZS/USD exchange rate (end of period)	1,262	1,132	1,181	1,169	1,278	1,259	1,280
In millions of USD							
FCD	1,286	1,531	1,484	1,527	1,537	1,498	1,533
Gross official reserves	2,128	2,755	2,649	2,675	2,540	2,704	2,894

Source: Bank of Tanzania

Table A8: Tanzania Financial Markets - Interest Rate Structure

In Percentage

	Dec-07	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
1 Interbank Cash Market Rates								
Overnight	5.37	3.45	3.49	3.64	4.19	5.23	5.51	6.27
2 to 7 days	5.99	3.68	3.67	3.75	4.23	5.55	5.80	6.60
8 to 14 days	5.86	3.99	3.87	3.88	4.61	5.69	5.89	6.21
15 to 30 days	9.22	4.85	4.00	4.00	4.00	4.00	5.90	5.90
31 to 60 days	5.84	4.73	5.50	5.50	6.09	6.03	6.83	8.75
61 to 90 days	10.75	5.93	5.93	5.93	5.93	5.93	5.93	11.00
91 to 180 days	9.75	5.50	5.50	8.21	10.48	10.16	11.46	11.69
181 and above	12.10	7.88	8.50	8.50	8.50	10.85	13.00	13.00
Overall Interbank cash market rate	**5.83**	**3.61**	**3.61**	**3.70**	**4.32**	**5.45**	**5.85**	**6.54**
2 Lombard Rate	**8.19**	**7.55**	**8.54**	**7.99**	**8.67**	**8.90**	**9.66**	**10.32**
3 REPO Rate	**5.13**	**3.75**	**3.79**	**3.76**	**4.02**	**4.89**	**5.32**	**6.42**
4 Treasury Bills Rates								
35 days	5.46	5.03	5.70	5.33	5.78	5.93	6.44	6.88
91 days	9.90	5.76	7.93	8.62	10.36	10.39	10.76	11.20
182 days	10.15	7.63	8.51	10.11	10.53	10.81	11.00	12.13
364 days	12.95	10.00	11.15	11.48	11.56	11.63	11.97	12.79
Overall Treasury bills rate	**11.40**	**7.84**	**9.46**	**9.47**	**10.17**	**10.30**	**10.33**	**10.99**
5 Treasury Bonds Rates								
2-years	14.97	12.87	12.87	12.87	13.20	13.20	14.35	14.35
5-years	17.60	14.49	14.49	14.49	14.49	16.39	16.39	16.39
7-years	18.15	17.18	17.04	17.04	17.04	17.04	17.04	17.04
10-years	17.68	17.09	17.09	19.47	19.47	19.47	19.47	19.47

Source: Bank of Tanzania

Table A9: Tanzania Commercial Banks - Interest Rate Structure

In Percentage

	Dec-07	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
A: Domestic Currency								
1 Savings Deposit Rate	**2.65**	**2.79**	**2.66**	**2.63**	**2.64**	**2.61**	**2.63**	**2.68**
2 Overall Time Deposits Rate	**8.28**	**6.66**	**6.58**	**5.86**	**6.43**	**6.22**	**6.38**	**6.39**
Call Accounts	0.78	0.80	0.76	0.75	0.76	0.83	0.64	0.65
1 month	9.26	6.05	5.96	5.79	6.10	6.48	6.24	6.53
2 months	6.97	6.90	8.69	6.79	8.14	7.07	7.31	7.96
3 months	9.33	7.92	7.11	7.36	7.30	7.22	7.80	7.38
6 months	8.66	8.97	8.91	7.03	7.61	7.25	7.93	8.20
12 months	10.08	8.29	8.17	7.48	8.05	8.20	8.76	8.29
24 months	12.92	7.71	6.49	5.82	7.07	6.52	5.96	5.75
3 Negotiated Deposit Rate	**11.04**	**10.62**	**9.26**	**9.63**	**10.27**	**10.11**	**10.26**	**10.23**
4 Overall Lending rate	**15.25**	**14.76**	**15.05**	**14.83**	**14.91**	**14.82**	**14.30**	**16.05**
Call Loans	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25
Short-term (up to 1year)	14.70	13.93	13.35	13.86	14.04	13.27	13.57	13.56
Medium-term (1-2 years)	16.60	15.56	15.72	15.82	15.74	15.40	15.38	16.57
Medium-term (2-3 years)	15.48	14.58	15.28	15.65	15.66	15.39	14.62	17.18
Long-term (3-5 years)	16.66	16.64	16.92	15.80	15.94	16.32	15.69	16.52
Term Loans (over 5 years)	12.84	13.07	14.00	13.01	13.18	13.69	12.22	16.43
5 Negotiated Lending Rate	**11.98**	**13.07**	**11.01**	**12.18**	**12.68**	**13.38**	**11.96**	**11.91**
B: Foreign Currency								
1 Deposits Rates								
Savings Deposits Rate	**1.61**	**1.71**	**0.87**	**1.92**	**1.65**	**1.63**	**1.64**	**1.43**
Overall Time Deposits Rate	**4.49**	**4.42**	**4.49**	**2.93**	**2.93**	**3.09**	**3.25**	**3.87**
1-months	5.02	5.04	2.58	2.78	2.88	2.58	3.09	3.53
2-months	4.12	4.45	6.04	2.95	2.60	3.15	2.76	3.73
3-months	3.94	3.95	5.05	2.90	3.08	2.70	3.30	4.61
6-months	4.79	5.19	4.28	2.89	2.91	3.38	3.41	4.14
12-months	4.58	3.48	4.50	3.13	3.19	3.65	3.68	3.36
2 Overall Lending Rate	**7.75**	**8.19**	**6.94**	**7.14**	**9.49**	**9.29**	**9.68**	**9.62**
Short-term (up to 1year)	3.85	6.74	5.60	5.43	5.33	6.37	6.35	6.29
Medium-term (1-2 years)	8.45	8.70	6.92	7.20	10.33	10.47	10.49	10.53
Medium-term (2-3 years)	8.94	8.56	6.74	6.81	10.69	8.40	10.74	10.44
Long-term (3-5 years)	8.97	8.29	7.33	7.35	10.00	10.13	10.06	10.24
Term Loans (over 5 years)	8.54	8.68	8.12	8.91	11.08	11.08	10.74	10.60

Source: Bank of Tanzania

Table A10: Tanzania's Balance of Payments

Millions of USD

Item	2003	2004	2005	2006p	2007p
A. Current Account	**-118.1**	**-366.7**	**-864.3**	**-1,171.6**	**-1,855.8**
Balance on Goods	-712.6	-1,001.2	-1,318.5	-1,946.5	-2,634.1
Goods: exports f.o.b.	1,220.9	1,481.6	1,679.1	1,917.6	2,226.6
Traditional	220.5	297.8	354.5	267.1	319.7
Nontraditional	1,000.4	1,183.9	1,324.6	1,476.2	1,704.5
o\w Gold	502.8	629.9	655.1	786.4	788.2
Goods: imports f.o.b.	-1,933.5	-2,482.8	-2,997.6	-3,864.1	-4,860.6
Balance on Services	222.1	158.9	61.8	278.7	240.4
Services: credit	947.8	1,133.6	1,269.2	1,528.1	1,714.0
Transportation	138.9	183.0	222.9	343.7	331.1
Travel	646.5	746.0	823.6	950.2	1,037.1
Other	162.3	204.6	222.7	234.1	345.8
Services: debit	-725.7	-974.7	-1,207.3	-1,249.4	-1,473.6
Transportation	-214.7	-267.1	-319.5	-418.3	-485.0
Travel	-353.2	-445.3	-553.8	-534.5	-645.3
Other	-157.8	-262.3	-334.0	-296.6	-343.2
Balance on Goods and Services	-490.5	-842.3	-1,256.6	-1,667.8	-2,393.6
Balance on income	-138.5	-113.5	-104.1	-93.1	-79.0
Income: credit	87.1	81.8	80.9	53.7	80.8
Income: debit	-225.6	-195.3	-185.0	-146.8	-159.8
O/W Direct investment income	-59.7	-58.4	-65.6	-66.4	-67.6
Interest payments (scheduled)	-119.5	-73.5	-59.0	-29.7	-20.4
Compensation of employees	-22.4	-28.0	-24.9	-23.4	-46.4
Balance on Goods, Services and Income	-629.1	-955.8	-1,360.7	-1,760.9	-2,472.7
Balance on Current transfers	511.0	589.1	496.3	589.3	616.9
Current transfers: credit	574.2	654.1	563.9	655.2	689.4
Government	507.6	582.0	478.5	560.3	595.2
o\w Multilateral HIPC relief	68.2	73.7	75.7	42.1	0.0
Other sectors	66.6	72.1	85.4	94.9	94.2
Current transfer: debit	-63.3	-65.0	-67.5	-65.9	-72.5
B. Capital Account	**692.8**	**459.9**	**393.2**	**5,217.7**	**957.8**
Capital transfers: credit	692.8	459.9	393.2	5,217.7	957.8
General Government	655.5	420.0	350.1	5,169.1	904.6
Project	320.9	253.7	238.0	207.4	381.6
Debt forgiveness (including MDRI	334.6	166.3	112.1	4,961.7	523.0
Other sectors	37.3	39.9	43.1	48.6	53.2
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
Total, Groups A plus B	574.6	93.2	-471.2	4,046.1	-897.9
C. Financial Account, excl. reserves and rela	**160.6**	**278.8**	**665.3**	**-3,952.2**	**1,030.9**
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	308.2	330.6	494.1	597.0	647.0
Portfolio investment	2.7	2.4	2.5	2.6	2.8
Other investment	-150.3	-54.2	168.7	-4,551.8	381.2
Assets	-59.0	-11.0	-61.5	-175.0	114.8
Currency and deposits	-59.0	-11.0	-61.5	-175.0	114.8
Banks	-59.0	-11.0	-61.5	-175.0	114.8
Other sectors	0.0	0.0	0.0	0.0	0.0
Liabilities	-91.3	-43.2	230.2	-4,376.8	266.4
Trade credits	27.2	1.2	1.2	9.9	9.9
Loans	-205.4	-90.4	143.5	-4,349.7	266.5
General government	-114.8	-15.0	196.1	-4,293.0	225.9
Drawings	413.3	273.8	410.3	699.0	767.6
Repayments	-528.1	-288.8	-214.2	-4,992.0	-541.7
Scheduled payments	-106.6	-122.5	-102.1	-30.3	-18.7
Debt forgiveness	-334.6	-166.3	-112.1	-4,961.7	-523.0
Rescheduled debt	-86.9	0.0	0.0	0.0	0.0
Banks	-0.7	-0.5	23.7	-14.2	63.2
Other sectors	-89.9	-74.9	-76.3	-42.5	-22.6
Drawings	19.2	50.3	61.4	102.1	134.1
Repayments	-109.1	-125.2	-137.7	-144.6	-156.7
Scheduled payments	-109.1	-125.2	-137.7	-144.6	-156.7
Currency and deposits	87.0	46.0	85.5	-36.9	-10.0
Total, Groups A through C	735.2	372.0	194.1	93.9	133.0
D. Net Errors and Omissions	**-346.2**	**-166.0**	**-416.5**	**366.8**	**399.7**
Overall balance	389.1	206.0	-222.4	460.7	532.7
E. Reserves and Related Items	**-389.1**	**-206.0**	**222.4**	**-460.7**	**-532.7**
Reserve assets	-508.8	-258.4	247.7	-126.5	-419.4
Use of Fund credit and loans	-2.9	-33.8	-50.5	-334.2	-113.3
Exceptional financing	122.6	86.2	25.1	0.0	0.0
Rescheduled debt	86.9	0.0	0.0	0.0	0.0
Debt forgiveness	0.0	0.0	0.0	0.0	0.0
Interest arrears	29.5	21.9	25.1	0.0	0.0
Principal arrears	6.2	64.3	0.0	0.0	0.0
Memorandum items					
GDP(mp) Mill.TZS	12,107,062	13,971,593	15,965,295	17,749,574	20,819,191
GDP(mp) Mill. USD	11,653.4	12,828.0	14,139.1	14,155.5	16,734.7
CAB/GDP	-1.0	-2.9	-6.1	-8.3	-11.1
CAB/GDP (excl. current offi	-5.4	-7.4	-9.5	-12.2	-14.6
Gross Official Reserves	2,037.8	2,296.1	2,048.4	2,260.1	2,755.2
Months of Imports	7.1	6.6	4.8	4.3	4.6
Net International Reserves (y	1,413.5	1,644.6	1,395.9	1,754.8	2,794.5
Change in Net International I	-366.8	-231.1	248.8	-358.9	-965.9
Exchange rate (end of period	1,063.6	1,043.0	1,165.5	1,261.6	1,132.1
Exchange rate (annual avera	1,038.9	1,089.1	1,129.2	1,253.9	1,244.1

Source: Bank of Tanzania

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