ISSN 0856-6976

MONETARY POLICY STATEMENT

GOVERNOR
BANK OF TANZANIA

June 2009

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11th June 2009

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

Dear Honouable Minister,

LETTER OF TRANSMITTAL

In accordance with the Bank of Tanzania Act 2006, Section 21 Subsections (3) to (7), I hereby submit the ***Monetary Policy Statement*** (MPS) of the Bank of Tanzania for 2009/10.

The Statement is organized in five parts. Part I provides the mandate and modality for monetary policy implementation, while Part II is devoted to Macroeconomic policy framework for 2008/09. Part III and IV review the macroeconomic developments and monetary policy implementation during 2008/09, respectively. Lastly, Part V outlines the macroeconomic policy framework for 2009/10.

Yours sincerely,

Prof. Benno Ndulu
GOVERNOR
BANK OF TANZANIA

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EXECUTIVE SUMMARY

Economic Growth

Tanzania continued to record impressive economic performance in 2008, with an estimated real GDP growth of 7.4 percent, up from 7.1 percent in 2007. Good performance was recorded in industry, construction and services, particularly in real estate and business services.

As Tanzania cannot be insulated from the impact of the current global financial and economic crisis, the economic recession in the developed world is likely to feed into the Tanzanian economy in a number of ways. Based on the macroeconomic projections and policy targets for the period 2009/10 – 20011/12, real GDP growth is expected to slip to 5.0 percent in 2009 from 7.4 percent in 2008; and begin to recover in 2010.

Inflation Developments

The economy continued to experience inflationary pressures that had arisen from the lagged effects of soaring world commodity prices earlier in the year, compounded by severe food supply shocks in the region, and poor short rains in some areas of Tanzania in the last quarter of 2008. As a result, annual inflation rate reached a peak at 13.5 percent in December 2008, driven by food inflation of 18.6 percent, while non-food inflation was contained at 6.0 percent. However, annual headline inflation has declined to 12.0 percent by end April 2009, while non–food inflation reached 2.9 percent. Headline inflation is expected to decline further in the coming months, due to recent easing of global fuel prices, as well as sustained prudent fiscal and monetary policies.

Monetary Policy Stance

During the first ten months of 2008/09, liquidity pressure remained fairly modest, with monetary policy stance becoming accommodative, particularly in the last quarter of 2008/09 in order to dampen the adverse effects of the global financial crisis on various economic activities, notably the export sector.

Mindful of the pass-through of the global financial crisis on liquidity in the banking sector and the subsequent need to accommodate banks for liquidity requirements, the Bank relaxed its monetary policy stance (beginning February 2009) so as to allow more liquidity to the market players.

During the period under review, performance under the PSI program was good. Growth rates of reserve money (M0), broad money (M2) and extended broad money supply (M3) were on track relative to the targets. During the year ending April 2009, average reserve money grew by 28.1 percent against the revised target of 28.9 percent by end June 2009. In the same period, annual growth rates of M2 and M3 stood at 16.8 percent and 14.5 percent, against their respective targets of 22.4 percent and 22.0 percent.

During 2009/10, the Bank will remain firm in the formulation and implementation of strong monetary policy by restoring and maintaining low and stable inflation, as well as facilitating the provision of credit to the private sector consistent with the anticipated economic growth. 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 to sell foreign exchange as a complementary instrument of monetary policy while ensuring strict adherence to the code of conduct by all players in the market.

Private Sector Credit

Notwithstanding the effects of the recent global financial crisis, the economy continued to experience a robust growth of credit to the private sector. During the first ten months of 2008/09, commercial banks' credit to the private sector recorded an average growth rate of 38.9 percent, higher than the initial target of 30.5 percent but slightly lower than the revised target of 39.8 percent that was targeted to finance the anticipated 7.5 percent real GDP growth for 2008/09. As for the year ending April 2009, credit to the private sector by banks grew by 34.3 percent.

The monetary policy stance for 2009/10 will facilitate provision of adequate credit to the productive sectors of the economy, while aligning monetary expansion to levels consistent with targeted annual inflation rate of 6.0 percent by June 2009. The Government and the Bank will do all that is possible to ensure the impact of the global economic and financial crisis on economic growth is minimized. However, with lack of adequate financial resources, the government cannot implement some key infrastructure projects (roads, power, communications, and irrigation projects), hence signifies the need for the business community to collaborate with the Government through Public Private Partnership (PPP).

Financial Sector Development

The on-going broad based financial sector reforms are addressing impediments that limit the role of commercial banks and other financial institutions, namely, microfinance institutions, pension funds, and insurance companies in the economy. While substantial progress has been made in broadening financial institutions product base and deepening lending, more needs to be done, if the financial sector is to contribute optimally to poverty reduction.

During 2009/10, the bank will continue to improve accessibility to credit and other financial services. In this regard the Bank will spearhead the development of rural financial strategy, which aims at improving the availability and accessibility of financial services to the rural areas. In addition, more efforts will be made in the provision of borrowers' information through a credit reference system in Tanzania. The Bank will also provide the public with financial literacy education to enable them appreciate and take advantage of the opportunities available in the financial sector.

Government Budgetary Operations

The fiscal outturn during the first three quarters of the year was characterized by lower performance against targets, mainly on account of the gradually transmitted impact of the global economic and financial crisis on revenue sources. However, overall, foreign inflows were in line with budget estimates.

Total revenue collection was 90.6 percent of initial budget projections. Shortfalls were mainly registered in taxes on imports and income, while good performance was recorded in taxes on local goods. Despite the shortfall, revenue collection during the period was 20.7 percent higher than in the corresponding period of the previous year. As a percentage of GDP, tax revenue collections during the period reached 11.4 percent of GDP, compared with 10.8 percent of GDP recorded in the corresponding period of the previous year.

Government expenditure was also below budget estimates. Recurrent expenditure was 94.6 percent of estimates, while development expenditure reached 74.5 percent. In total, government expenditure reached 17.3 percent of GDP, out of which recurrent expenditure was 11.7 percent of GDP.

During the period, the government continued to restrain from borrowing from domestic sources. Instead, the government made a net repayment to the banking system amounting to TZS 218.9 billion. The main objective of this move was to enhance commercial banks' lending base for onward lending to private sector.

External Sector Developments

During the first 10 months of the fiscal year 2008/09, the current account deficit widened by 4.9 percent to USD 1,676.2 million from a deficit of USD 1,597.3 million recorded during the corresponding period a year earlier. This development is largely due to an increase in imports of goods and services that outweighed the effect of the rise in exports. During the period under review, imports increased by USD 670.0 million compared to an increase of USD 513.7 million recorded in export earnings.

Despite the increase in the current account deficit, the stock of official foreign reserves during the period increased to USD 2,735.7 million compared to USD 2,729.7 million recorded in the corresponding period in the previous year, implying that, the current account deficit was largely financed by foreign direct investment and loans. This level of reserves is sufficient to cover about 4.3 months of imports of goods and services.

Economic Developments in Zanzibar

Economic Growth

Zanzibar's real GDP growth slowed down to 5.4 percent in 2008 compared to 6.3 percent attained in 2007. The economy was adversely affected by the global economic downturn which affected the services sector, especially tourism. The growth of the services sector which accounts for the highest share in total GDP, decelerated to 6.4 percent from 10.4 percent posted in 2007, mainly on account of a decline in the number of tourist arrivals from 143,265 in 2007 to 128,440 in 2008.

Inflation Developments

During the first ten months of 2008/09, the average annual headline inflation rate in Zanzibar increased rapidly to 20.6 percent compared to 14.0 percent registered during the corresponding period of the previous financial year, driven mainly by the rise in prices of fuel and food in the world markets.

Zanzibar Government Budgetary Operations

Zanzibar's fiscal performance in the first ten months of the year 2008/09 was satisfactory. During July 2008 – April 2009, revenue collections exceeded the target of TZS 114.9 billion by a modest margin. TZS 115.2 billion was collected during July 2008 –April 2009, compared to TZS 92.4 billion collected in the corresponding period in the previous year. Total revenue collections accounted for 85.8 percent of the 2008/09 annual budget projection. On the other hand, government expenditure during the period under review amounted to TZS 171.7 billion, slightly below the target of TZS 173.1 billion. Total expenditure accounted for 50.2 percent of the 2008/09 annual budget projection of TZS 341.7 billion. Specifically, development expenditure underperformed due to low inflow of donor funds than projected.

External Sector Developments

During the first ten months of 2008/09, current account recorded a deficit of USD 3.7 million compared to a surplus of USD 14.8 million recorded in the similar period in 2007/08. The outturn was mainly caused by a surge in imports, particularly service payments.

PART I

1.0 MANDATE AND MODALITY FOR MONETARY POLICY IMPLEMENTATION

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

(i) 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.

(ii) 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.

The Bank employs a combination of indirect instruments to manage liquidity within desired levels, including open market operations in Treasury bills and Treasury bonds, as well as foreign exchange sales in the Inter-bank foreign exchange market (IFEM). 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 liquidity facilities offered by the Bank of Tanzania to reflect the desired monetary policy stance. In a bid to have an interest rate that will reflect the direction of monetary policy stance, the Bank has adopted the use of the discount rate which is also referred to as the *Bank rate*, to signal the monetary policy stance.

The discount window has two functions. First, the central bank may buy Treasury bills and other specified securities from banks which are in need of liquidity before the maturity of their securities. Second, through this window, the central bank can extend loans to the banks in need and the

Government. The Bank also uses its Lombard facility to extend overnight loans to needy banks. Meanwhile, government borrowing from the Bank of Tanzania is done within the borrowing benchmarks as stipulated in the Bank of Tanzania Act, 2006, based on the collected domestic revenue by the government over the previous three years. Since borrowing from the central bank injects liquidity, thus exerting inflationary pressures into the economy; the Bank makes sure that it remains the lender of last resort through the application of penal margins. Effective 1st June 2009, the Bank reduced the penal margins by at least 50 percent over the rates charged on all of its liquidity facilities, in order to reduce the cost of borrowing from the central bank in line with a relatively relaxed monetary policy stance adopted by the Bank in the wake of the current global financial crisis.

1.1 The Modality of Monetary Policy Implementation

The modality for implementing monetary policy in Tanzania is as follows:

(i) The Bank sets the annual monetary policy targets in its *Monetary Policy Statement,* in line with the broader macroeconomic policy objectives of the government at the beginning of each fiscal year. At intervals of not more than six months after the submission of the Annual Monetary Policy Statement, the Bank prepares progress report on the implementation of the monetary policy and the outlook for the future.

(ii) The Bank submits the Annual Monetary Policy Statement to the Minister for Finance and Economic Affairs, for submission to Parliament during the Budget session. The mid-year progress report is also submitted to the Minister for on-ward submission to Parliament in its subsequent session.

In conducting monetary policy operations, the following modality is adopted:

(i) The *Monetary Policy Committee* (MPC) of the Board of Directors of the Bank of Tanzania, chaired by the Governor is responsible for setting the monetary policy direction which is consistent with the ultimate objective of maintaining price stability and sustainable growth. The MPC meets at least once a month.

(ii) At the Management level, the *Liquidity Management Committee,* also chaired by the Governor meets at least once a week to evaluate progress on monetary policy implementation during the previous week and decides on the appropriate monetary policy measures for the coming week.

PART II

2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2008/09

2.1 Macroeconomic Objectives of the Government

The thrust of government policy during the year 2008/09 was to consolidate the achievements on the initiatives to promote growth and reduce poverty, through strengthening of operational efficiency and enhancement of strategic resource allocation for infrastructure development and other priority projects that have a high multiplier effect on the economy and consequently on poverty reduction.

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. The impact of high oil prices would lead to increase in production costs across most activities in the economy and hence slowdown 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; and

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

2.2 Monetary Policy Objectives

During 2008/09, the Bank of Tanzania's monetary policy framework aimed at achieving monetary policy objectives in line with the above macroeconomic objectives of the Government. Nevertheless, the monetary targets evolved through the year as donor budget support turned out better than anticipated, opening up more space for private sector credit growth; and in response to the global financial crisis requiring easing of liquidity stance as part of counter-cyclical policy response. Initial targets were set as follows:

i. Reducing money supply (M2) and (M3) growth from 33.4 percent and 25.2 percent, respectively, recorded in June 2008 to 18 percent each by June 2009;

ii. Allowing credit to the private sector to increase by about TZS 732 billion, implying an annual growth rate of 22 percent by June 2009.

iii. Maintain a level of international reserves adequate to cover 5 months of imports of goods and services;

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

v. Strengthen efficiency of the payments system and elimination of payments system risk in line with international standards and best practice, while ensuring that regional harmonization initiatives are also met.

However, it is important to point out that, initially the targets for M2 and M3 growth were set at 18 percent to accommodate an annual growth rate of 22 percent in domestic 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. Later on, the Government received commitments from most of the development partners to fully disburse the pledged funds. As a result, all monetary targets were revised upwards as follows:

i. The growth targets of M2 and M3 were put at 20.3 percent and 19.3 percent, respectively.

ii. The growth rate of credit to the private sector was raised to 30.5 percent by end June, 2009.

In the wake of the current global economic and financial meltdown, monetary targets were further revised. A relaxation of monetary policy stance was adopted by the Bank in order to accommodate the anticipated borrowing from the central bank by the government to finance its recovery plan and by banks when necessary.

i. Hence, M2 and M3 were projected to grow at an annual rate of 22.4 percent and 22.0 percent, respectively by end June 2009.

ii. Credit to the private sector to increase by about TZS 1,600 billion, implying an annual growth rate of 39.8 percent by June 2009.

PART III

3.0 REVIEW OF MACROECONOMIC DEVELOPMENTS DURING 2008/09

3.1 An Overview of Global Economic Developments in 2008/09

The global economic conditions deteriorated sharply during the year 2008 with several advanced economies experiencing their sharpest declines in the post-World War II period. The global financial environment entered a crisis phase in mid-September 2008, following growing distress among large international financial institutions caused by problems in the housing market in the United States. The associated adverse shocks spreading across emerging market economies, particularly by the fourth quarter of the year, accentuated the synchronized global slowdown.

According to IMF projections, the global economy is projected to shrink by 0.8 percent during 2009, with emerging market and developing economies growing by an average of only 2.1 percent, compared to an average growth rate of 6.1 percent achieved in 2008. Table 1 below shows IMF's World Economic Outlook (WEO) projections for 2009.

Table 1: Global Economic Environment - World Economic Outlook

	2008		2009	
	Oct. WEO	Outturn	Oct. WEO	Outturn
	Percent change, unless otherwise indicated)			
World real GDP	3.9	3.2	3.0	-0.8
Advanced economies	1.5	0.8	0.5	-3.3
Emerging and developing	6.9	6.1	6.1	2.1
Volume of imports	4.9	3.5	4.1	-7.6
Advanced economies	1.9	0.6	1.1	-7.3
Emerging and developing	11.7	10.8	10.5	-7.2
CPI, advanced economies	3.6	3.4	2.0	-0.3
Commodity prices				
Oil prices (USD/barrel)	107.3	97.0	100.5	44.0
Food index (2005=100)	165.3	157.0	155.7	124.0
Agricultural raw materials index (2005=100)	118.3	113.2	115.2	91.8
Metals index (2005=100)	179.7	168.7	164.6	89.5

Source: IMF

As credit markets froze, central banks across the world, along with respective governments responded with both conventional and unconventional measures. Most governments in the advanced economies have taken unprecedented measures mainly to strengthen the balance sheets of the large financial institutions, and restore the functioning of credit markets through guarantee schemes and in some cases a direct purchase of financial papers from the troubled financial institutions. Moreover, intensive currency swap arrangements were undertaken between the Federal Reserve and major central banks in the world to ease the tightening global US dollar liquidity. Likewise, most of the emerging economies responded by substantive monetary policy easing through allowing governments' borrowing from central banks to finance strategic stimulus activities.

Despite the global liquidity squeeze, the overall confidence in the Tanzanian financial sector remained strong, as the country benefited from its limited exposure to international financial markets. The on-going financial sector reforms that started more than a decade ago has yielded a considerable level of institutional resilience, thus allowing for the continued functioning of the domestic financial markets, payment systems and the overall financial intermediation. So far, all indicators of financial sector stability, including the capital adequacy, liquidity ratios and the non-performing loans, have remained strong.

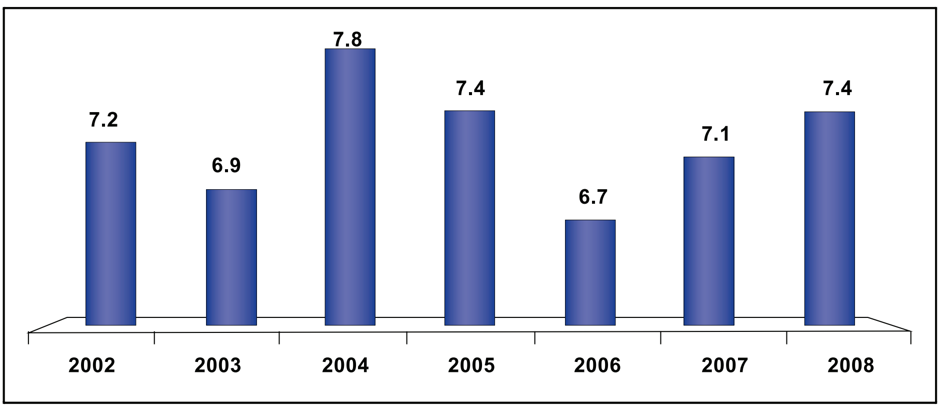
Nevertheless, the Bank is aware of the downside risks of the crisis on the economy and is closely monitoring developments in the financial sector with a view to taking timely measures. Since the on-set of the crisis, the Bank has stepped up its regular supervision of the banking system. An early warning system has also been set-up, using selected indicators of financial sector performance to monitor developments on daily basis in order to spot any signs of weakness.

The extensive reach of the current financial crisis has underscored the need for a more comprehensive and coordinated policy approach to ensuring the health of the international and domestic financial systems. On this regard, the Bank of Tanzania will take advantage of its role as an overseer and coordinator of the implementation of the second generation financial sector reforms to focus on risk management of the financial sector as a whole to ensure that developments in the sector do not outstrip its capacity to manage the associated risks. This approach will continue to frame the Bank's regulatory direction going forward.

3.2 Domestic Economic Developments

Tanzania continued to record impressive economic performance in 2008, with an estimated real GDP growth of 7.4 percent, up from 7.1 percent in 2007. Good performance was recorded in industry and construction (9.6 percent) and services (8.9 percent) particularly in real estate and business services sub-activities (Chart 1).

Chart 1: GDP Growth at Constant 2001 Prices

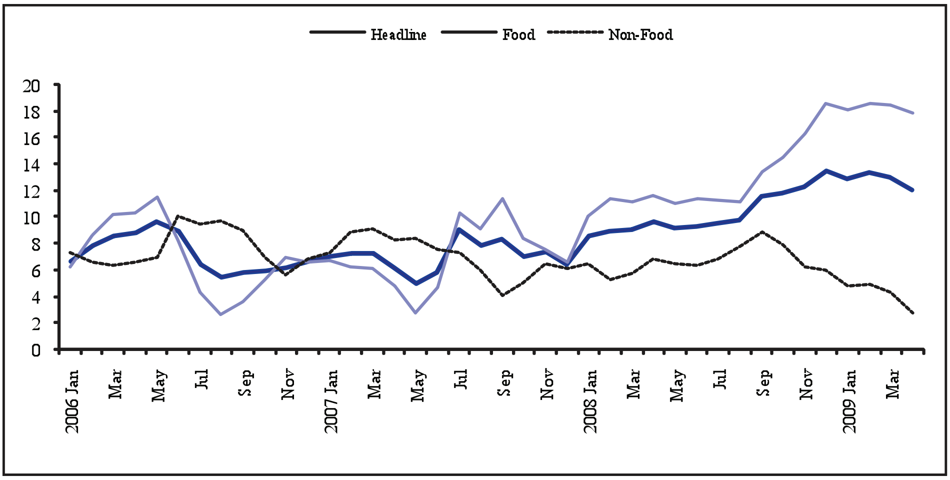


As Tanzania cannot be insulated from the impact of the current global financial and economic crisis, the economic recession in the developed world is likely to feed into the Tanzanian economy in a number of ways. Based on the macroeconomic projections and policy targets for the period 2009/10 – 20011/12, real GDP growth is expected to slip to 5.0 percent in 2009 from 7.4 percent in 2008; and begin to recover in 2010. However, the sharp decline in oil import prices provides some relief to these adverse economic effects, while minimal exposure to the toxic assets that have plagued global financial markets has insulated the financial sector from the acute shocks seen in more advanced economies. The government however, continues to implement reforms geared at increased economic activities and promotion of private sector-led growth.

3.3 Inflation Developments

The economy continued to experience inflationary pressures that had arisen from the lagged effects of soaring world commodity prices earlier in the year, compounded by severe food supply shocks in the region, and poor short rains in some areas of Tanzania in the last quarter of 2008. As a result, annual inflation rate reached a peak at 13.5 percent in December 2008, driven by food inflation of 18.6 percent, while non-food inflation was contained at 6.0 percent. However, annual headline inflation started to decline reaching 12.0 percent by end April 2009, with non–food inflation at 2.9 percent (Chart 2). Headline inflation is expected to decline further in the coming months due to recent easing of global fuel prices, as well as sustained prudent fiscal and monetary policies.

Chart 2: Annual Headline, Food and Non Food Inflation



3.4 Government Budgetary Performance

In 2008/09, fiscal policy focussed at improving public expenditure management and domestic revenue collection, aimed mainly at realizing poverty reduction targets. Furthermore, the government continued with reforms in the tax system in order to modernize, broaden and enhance domestic revenue collection. Despite the government's great efforts, the fiscal outturn during the first three quarters of the year was characterized by lower performance against targets, mainly on account of the impact of the current global economic and financial crisis on revenue sources. The immediate effect of this development was under-performance in domestic revenue, although foreign inflows were in line with budget estimates.

During the period under review, total revenue collection was 91.5 percent of budget projections. Shortfalls were mainly registered in taxes on imports and income, while good performance was recorded in taxes on local goods. Despite the shortfall, revenue collection during the period was 21.6 percent higher than in the corresponding period of the fiscal year 2007/08. As a percentage of GDP, tax revenue collections in 2008/09 reached 11.4 percent of GDP, whereas in the corresponding period of 2007/08 it was 10.8 percent of GDP (Table 2).

Table 2: Central Government Fiscal Performance (In Billions of TZS)

	2007/08		2008/09			
	July - March		July - March			
Item	Actual	% of GDP	Estimates	Actual	% of Est.	% of GDP
Total Revenue	**2,656.2**	**11.6**	**3,529.2**	**3,229.1**	**91.5**	**12.0**
Tax Revenue	2,477.7	10.8	3,344.2	3,060.7	91.5	11.4
Taxes on Imports	942.5	4.1	1,237.5	1,110.8	89.8	4.1
VAT and Excise on Local Goods	532.6	2.3	727.1	687.2	94.5	2.6
Income Taxes	722.3	3.2	1,027.5	917.9	89.3	3.4
Other taxes	280.2	1.2	352.1	344.8	97.9	1.3
Non - tax revenue	178.5	0.8	185.0	168.5	91.1	0.6
Total Expenditure	**4,147.4**	**18.1**	**5,354.3**	**4,657.9**	**87.0**	**17.3**
Recurrent expenditure	2,451.9	10.7	3,321.2	3,142.3	94.6	11.7
Dev. Expenditure and net lending	1,695.5	7.4	2,033.1	1,515.6	74.5	5.6
Fiscal Balance (excl. Grants)	*-1,491.3*	*-6.5*	*-1,825.1*	*-1,428.8*	*78.3*	*-5.3*
Grants	1,348.3	5.9	1,196.2	979.1	81.8	3.6
Fiscal Balance (incl. Grants)	*-143.0*	*-0.6*	*-628.8*	*-478.6*	*76.1*	*-1.8*
Overall Balance (cheques cleared)	**-220.1**	**-1.0**	**-628.8**	**-651.7**	**103.6**	**-2.4**
Total financing	**220.1**	**1.0**	**639.4**	**651.7**	**101.9**	**2.4**
Foreign Financing (net)	656.3	2.9	785.8	793.6	101.0	3.0
Net domestic financing	-430.0	-1.9	-200.1	-186.9	93.4	-0.7
Amortization of contingent debt	-6.1	0.0	-16.9	0.0	0.0	0.0
Privatization Proceeds	0.0	0.0	60.0	45.0	75.0	0.2
GDP (in billions of TZS)	**22,883**					**26,879**

Note: Est = Estimates

Source: Ministry of Finance, Bank of Tanzania and National Bureau of Statistics

On the other hand, government expenditure during July 2008–March 2009 was also below budget estimates. Total expenditure reached 17.3 percent of GDP, out of which recurrent expenditure was 11.7 percent of GDP.

During the period, the government continued to restrain from borrowing from domestic sources and made a net repayment of TZS 218.9 billion to the banking system. The main objective of this move was to enhance commercial banks lending base for onward lending to the private sector.

3.5 External Sector Developments

During the first 10 months of the fiscal year 2008/09, the current account deficit widened to USD 1,676.2 million from a deficit of USD 1,597.3 million recorded during the corresponding period a year earlier. This development is largely due to an increase in imports of goods and services that outweighed the effect of the rise in exports. During the period under review, imports increased by USD 670.0 million compared to an increase of USD 513.7 million recorded in exports (Table 3).

Table 3: Current Account Balance (In Millions of USD)

	July-April		
Item	2007/08	2008/09p	% change
Goods Account (net)	**-2,612.4**	**-2,789.9**	**6.8**
Exports	1,918.7	2,234.7	16.5
Imports	4,531.1	5,024.6	10.9
Services Account (net)	**391.9**	**413.1**	**5.4**
Receipts	1,616.6	1,814.3	12.2
Payments	1,224.7	1,401.2	14.4
Goods and services (net)	**-2,220.5**	**-2,376.8**	**7.0**
Exports of goods and services	3,535.3	4,049.0	14.5
Imports of goods and services	5,755.8	6,425.8	11.6
Income Account (net)	**-48.1**	**-41.5**	**-13.9**
Receipts	106.8	127.7	19.6
Payments	155.0	169.2	9.2
Current Transfers (net)	**671.3**	**742.0**	**10.5**
Inflows	729.8	799.4	9.5
o/w General Government	644.7	715.5	11.0
Outflows	58.5	57.3	-1.9
Current Account Balance	**-1,597.3**	**-1,676.2**	**4.9**

Note: P = provisional Data; Source: Bank of Tanzania

Despite the widening of the current account deficit, the stock of official foreign reserves increased to USD 2,735.7 million by end April 2009, compared to USD 2,729.7 million recorded in the corresponding period of the previous year. The current account deficit was largely financed by foreign direct investments and loans. The amount of foreign gross reserves was enough to cover about 4.3 months of imports of goods and services.

Exports

During the period from July 2008 to April 2009, Tanzania exported goods and services worth USD 4,049.0 million, representing an increase of 14.5 percent over the corresponding period in the previous year. The improved performance was recorded both in exports of goods and services. Travel receipts (mainly tourism), gold and manufactured goods dominated the total exports accounting for about 59 percent of total exports of goods and services.

Specifically, goods exports increased by 16.5 percent to USD 2,234.7 million compared to the level that was recorded during the first ten months of 2007/08, following an increase in traditional exports, manufactured goods, horticultural and other products. Traditional exports increased by 43.3 percent to USD 452.9 million, on account of significant increases in export volumes of tobacco, cotton and coffee. Likewise, there was a notable improvement in export prices of tobacco, tea and sisal in the world market despite the current global turmoil.

Similarly, services receipts increased by 12.2 percent to USD 1,814.3 million during the period under review, out of which travel receipts amounted to USD 1,053.4 million. However, the growth of the tourism industry is expected to slow down amid the global financial crisis that has adversely affected the income of the holiday makers in the major tourist source markets.

Imports

During the first ten months of 2008/09, imports of goods and services amounted to USD 6,425.8 million, representing an increase of 11.6 percent over the previous year, with much of the increase coming from goods import.

Total goods imports (f.o.b.) increased by 10.9 percent, to USD 5,024.6 million during July - April 2008/09. While imports of capital and consumer goods rose by 29.0 percent and 6.9 percent respectively, imports of intermediate goods decreased by 3.4 percent when compared with the levels recorded in the same period of 2007/08. The significant increase in capital goods imports was largely associated with the rise in importation of transport, building and construction equipment. This development reflects the increase in investments on mining, communication, manufacturing, transportation and tourism sectors. Meanwhile, the increase in consumer goods is largely attributed to a surge in importation of other consumer goods including pharmaceutical products, plastic items, textile apparels and paper products as importation of food and food stuffs remained virtually unchanged at USD 271.8 On the other hand, intermediate good imports declined to USD 1,776.7 million from USD 1,839.3 million largely due to a drop in the value of oil imports. The oil import bill went down by 6.8 percent to USD 1,245.3 million following a decline in oil prices in the world market as the volume imported remained high.

Services payment also increased by 14.4 percent to USD 1,401.2 million, largely due to the increase in payments for travel and transportation and other 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 versus the rest of the world.

3.6 Financial Sector Developments

During the years under review, the Bank continued with implementation of the Second Generation Financial Sector Reforms. The Mortgage Finance (Special Provisions) Bill that was passed by the Parliament will improve the environment for accessibility of credit and enforcement of contract, particularly reducing the cumbersome processes of realizing collateral. The parliament passed The Unit Titles bill as well, which aims at facilitating the provision of titles for the individual ownership of the units, clusters or sections of the building, and will enable Tanzanians, particularly women, to participate in the ownership of flats and to own decent homes. It is also worth-noting that, during the year under review, the Social Security (Regulatory Authority) Act became effective, and the Bank will issue investment guidelines to pension schemes after the appointment of the Social Security Regulator.

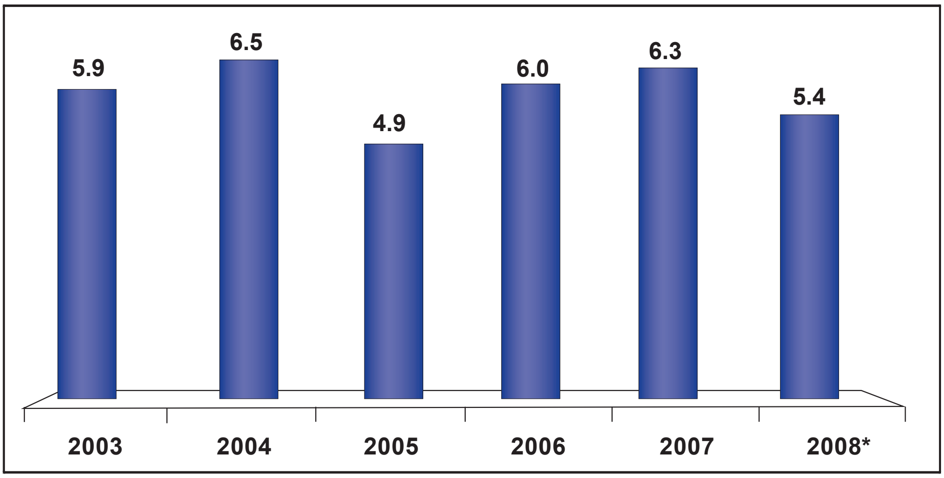
3.7 Economic Developments in Zanzibar

Economic Growth

The Zanzibar economic growth which averaged 5.9 percent in the last five years (2003-2007) slowed down during 2008. The real GDP growth declined to 5.4 percent from 6.3 percent recorded in 2007, and was below the initial projection set at 6.8 percent (Chart 3).

Chart 3: Zanzibar Real GDP Development, 2003 – 2008

In Percent



* Provisional
Source: Office of the Chief Government Statistician, Zanzibar.

Like in the Mainland, Zanzibar economy faced the same challenges of the pass-through of high global prices of oil and food, and the current global economic slowdown.

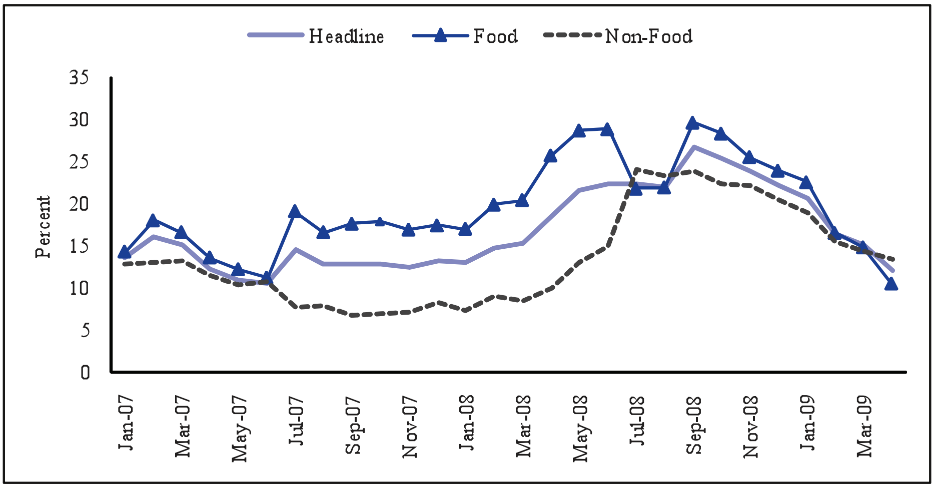
Specifically, the current economic downturn adversely affected the tourism sector, which contributes about 47 percent of Zanzibar GDP. The growth of the services sector decelerated to 6.4 percent from 10.4 percent posted in 2007, mainly on account of a decline in the number of tourist arrivals. Preliminary data show that tourist arrivals decreased from 143,265 in 2007 to 128,440 in 2008.

On the back of good weather conditions and increased producer prices for cloves, the agricultural sector exhibited a remarkable growth from a negative rate of 0.4 percent in 2007 to 5.7 percent in 2008. The growth in the industrial sector which is dominated by small and medium enterprises decelerated to 1.9 percent in 2008 compared to 4.6 percent recorded in 2007, mainly on account of a one-month (June/July 2008) power blackout that affected the manufacturing sector adversely. Furthermore, the industrial output declined during 2008 following the closure of animal feed and wheat flour firms due to operational constraints, including high operational costs.

Inflation Developments

During the first ten months of 2008/09, the average annual headline inflation in Zanzibar increased rapidly to 20.6 percent compared to 14.0 percent registered during the corresponding period of the previous financial year. The sharp increase in inflation was driven by both food and non-food inflation which averaged at 21.5 percent and 19.7 percent, respectively. The food inflation surged mainly because of the increase in the prices of food in the world market, a situation which caused increased prices for imported rice and wheat in the local markets. Similarly, the non-food inflationary pressure emanated mainly from increased oil prices in the world market which had a corresponding effect to local pump prices (Chart 4).

Chart 4: Zanzibar: Annual Headline, Food and Non Food Inflation



Source: Office of Chief Government Statistician (OCGS)

Zanzibar Government Budgetary Developments

Budgetary operations for the period of July 2008 – April 2009, recorded a deficit after grant (on cheque cleared basis) of TZS 14.3 billion, exceeding the target of TZS 9.0 billion by 58.9 percent, and was above a deficit of TZS 13.3 billion, reported in the corresponding period of 2007/2008. The budget deficit was financed by loans amounting to TZS 10.8 billion from foreign sources and TZS 3.5 billion from Treasury bonds.

Total resources amounted to TZS 165.8 billion; of which TZS 115.2 billion or 69.5 percent was sourced domestically, while TZS 50.6 billion or 30.5 percent were foreign grants. During the period under review, total resources registered an increase of 11.8 percent from TZS 148.3 billion recorded in the previous corresponding period, as result of increase in domestic revenue collections. Government expenditure reached TZS 171.7 billion, up from TZS 150.2 billion recorded in the corresponding period in 2007/2008.

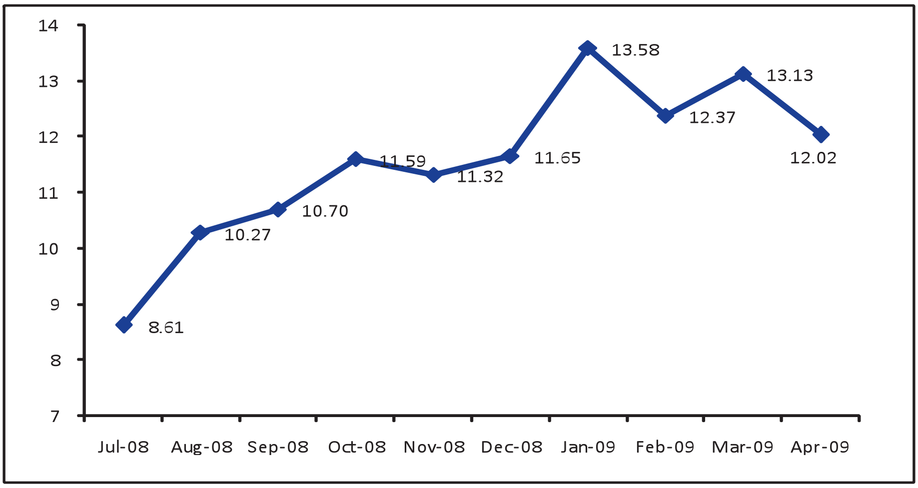
Revenue Performance

During July 2008 – April 2009, revenue collections amounted to TZS 115.2 billion slightly exceeding the target of TZS 114.9 billion. The performance was mainly attributed to tax on imports, following the completion of rehabilitation of Malindi port. Total revenue collections accounted for 85.8 percent of the annual budget estimate of TZS 134.2 billion.

Tax revenue reached TZS 107.5 billion during July 2008 – April 2009, accounting for 93.3 percent of total revenue, being slightly above the target of TZS 106.6 billion. Tax revenue to GDP ratio stood at 14.4 percent, compared to the ratio of 15.0 percent registered in the corresponding period of the previous year. Revenue from non-tax sources stood at TZS 7.8 billion, and exceeded the amount of TZS 4.6 billion collected in the previous fiscal year.

Analysis of revenue performance by category indicated that, VAT and excise duties amounted to TZS 35.9 billion or 33.4 percent of total tax collections, but were below the target of TZS 37.0 billion. Tax on imports stood at TZS 28.1 billion and exceeded the target of TZS 25.6 billion. Income taxes reached TZS 16.4 billion, above the target of TZS 15.4 billion. Other taxes stood at TZS 27.0 billion compared to the target of TZS 28.6 billion. Non tax revenue amounted to TZS 7.8 billion and was below the target of TZS 8.3 billion (Chart 5).

Chart 5: Zanzibar: Government Total Revenue Collections Trend July 2008– April 2009 (Billions of TZS)



Source: Ministry of Finance and Economic Affairs, Zanzibar

Expenditure Developments

Government expenditure during the period under review amounted to TZS 171.7 billion and was slightly below the target of TZS 173.1 billion. Total expenditure accounted for 50.2 percent of the annual budget estimate of TZS 341.7 billion. This was mainly due to lower than the projected inflow of foreign grants.

Recurrent expenditure reached TZS 113.7 billion, being below the target of TZS 119.7 billion; and accounted for 66.2 percent of the total expenditure. Wages and salaries amounted to TZS 53.3 billion, in line with the target of TZS 53.2 billion and accounted for 46.9 percent of the recurrent expenditure. On the other hand, development expenditure amounted to TZS 58.0 billion, against the target of TZS 53.4 billion.Out of the total development expenditure, local contributions amounted to TZS 19.5 billion, representing 33.6 percent of development expenditure; while the rest came from foreign sources.

Zanzibar External Sector Development

During the first ten months of 2008/09, the current account deficit stood at USD 3.7 million compared with a surplus of USD 14.8 million recorded in a similar period of 2007/08. The outturn was mainly caused by a surge in service payments and imports. Export of goods during the period amounted to USD 14.8 million, while imports of goods were valued at USD 85.9 million. As a result, trade account deficit widened to USD 71.1 million from a deficit of USD 60.9 million recorded in the previous year. A comparison for the year ending April 2009 shows that, the trade account deficit reached USD 88.5 million, up from a deficit of USD 76.0 million recorded in a similar period of the preceding year (Table 4).

Table 4: Zanzibar: Current Account Balance (In Millions of USD)

	July-April		Year Ending April		% Change
Item	2007/08	2008/09	2008	2009p	Annual
Goods Account (net)	**-60.9**	**-71.1**	**-76.0**	**-88.5**	**-16.4**
Exports	13.8	14.8	15.4	17.3	12.3
Imports (fob)	74.7	85.9	91.3	105.7	15.8
Services Account (net)	**29.3**	**28.5**	**30.9**	**32.8**	**6.1**
Receipts	69.7	79.8	83.0	95.6	15.2
Payments	40.4	51.2	52.1	62.8	20.5
Goods and Services (net)	**-31.6**	**-42.6**	**-45.0**	**-55.7**	**-23.8**
Exports of Goods and Services	83.5	94.6	98.4	112.9	14.7
Imports of Goods and Services	115.1	137.2	143.4	168.6	17.6
Income Account (net)	**-0.7**	**-1.8**	**-0.7**	**-1.8**	**-157.1**
Receipts	0.1	0.4	0.1	0.4	300.0
Payments	0.8	2.3	0.8	2.3	187.5
Current Transfers (net)	**47.1**	**40.6**	**58.4**	**40.3**	**-31.0**
Inflows	47.1	40.6	58.4	40.3	-31.0
Outflows	0.0	0.0	0.0	0.0	
Current Account Balance	**14.8**	**-3.7**	**12.7**	**-17.2**	**-235.4**

P= Provisional
Source: Tanzania Revenue Authority

PART IV

4.0 REVIEW OF MONETARY POLICY IMPLEMENTATION DURING 2008/09

4.1 Liquidity Developments

Although Tanzania was not affected directly by the first round effects of the global financial crisis, the global credit crunch had an impact on the lending activities of domestic banks since their main customers were the exporters. Moreover, the supply of foreign exchange in the market suffered as export proceeds were significantly reduced, following the decline in world prices of major export commodities such as cotton and coffee. As a result of the developments during the first ten months of 2008/09, liquidity pressures remained fairly modest, with monetary policy stance becoming accommodative, particularly in the last quarter of 2008/09. While supply of foreign exchange was low during the period under review, demand was on the higher side driven mostly by fear that the supply of foreign exchange would dry up. Thus, in an effort to calm down the market, the Bank increased the supply of foreign exchange in the market by selling USD 763.4 million from July 2008 to April 2009. This amount was far above USD 320.7 million sold during a similar period in 2007/08.

While foreign exchange sales by the Bank increased the supply in the market, these developments also resulted in a tighter liquidity condition in the banking system. Pursuant to liquidity squeeze augmented by the after effects of the global financial crisis, the Bank relaxed its monetary policy stance starting from the third quarter of 2008/09, to allow market players, particularly commercial banks to adjust to liquidity squeeze arising from the above developments.

4.2 Interest Rates

Treasury bill rates

Interest rates obtained in the Treasury bill market continued to provide an anchor for market-determined interest rates. During the year ending April 2009, interest rates on Treasury bills across all maturities maintained an upward trend amidst raising inflation. Nevertheless, following the Bank's policy to dampen the pressure on interest rates of monetary policy instruments, the tender sizes were significantly reduced and offered bi-weekly to enhance competition. As a result, Treasury bills rates have registered substantial decline since March 2009. Having risen from 7.84 percent in June 2008 to its peak of 13.33 percent in March 2009, the overall weighted average yield for Treasury bill dropped to 11.0 percent in April 2009 and further to 9.27 percent in May 2009.

Commercial Banks' interest rate

Overall time deposit rate offered and overall lending rate charged by banks manifested a sluggish upward trend during the first ten months of 2008/09. Broadly, interest rates applied by commercial banks are to a large extent influenced by other factors in addition to the designated anchor. These include the remaining structural impediments in the economy, exogenous shocks and the high risk premium on most borrowers. While overall lending rate initially rose to 16.05 percent by December 2008, it eased slightly to 15.45 percent in April 2009. Overall deposit rates on the other hand declined to 6.39 percent before climbing to 6.85 percent during the same period. However, the overall interbank cash market rate increased almost threefold from 3.61 percent in June 2008 to 9.58 percent in April 2009 (Table 5). This is a reflection of the tight liquidity in the money market, partly linked with the sale of foreign exchange by the Bank of Tanzania and the current financial crisis.

Table 5: Selected Interest Rate Structure (in percent)

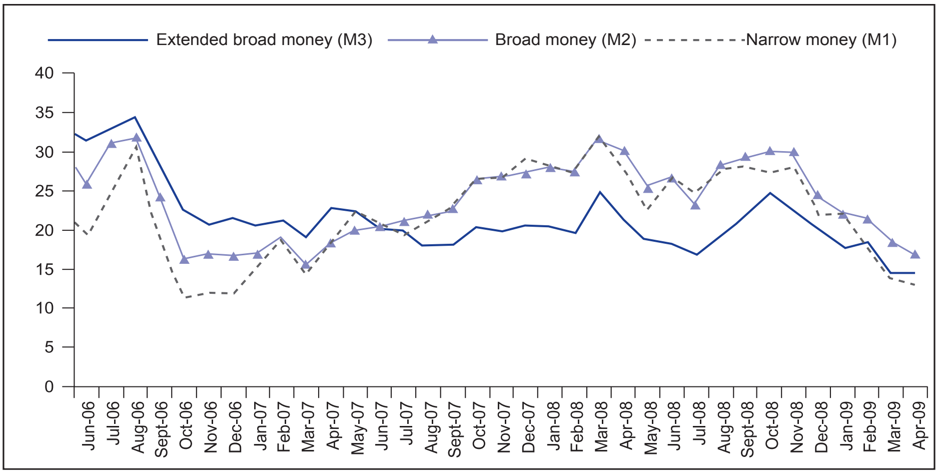
Item	2008							2009			
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-	Feb	Mar	Apr
Overall Inter-bank cash market rate	3.61	3.61	3.70	4.32	5.45	5.85	6.54	8.41	9.81	10.10	9.58
Overnight inter-bank cash market	3.45	3.49	3.64	4.19	5.23	5.51	6.27	8.31	9.63	9.90	9.29
REPO Rate	3.75	3.79	3.76	4.02	4.89	5.32	6.42	7.55	9.09	9.73	8.38
Discount Rate	12.84	14.46	14.47	15.17	15.30	15.33	15.99	17.53	17.85	18.33	16.01
Overall Treasury bills rate	7.84	9.46	9.47	10.17	10.30	10.33	10.99	12.53	12.85	13.33	11.01
35 days	5.03	5.70	5.33	5.78	5.93	6.44	6.88	7.43	7.54	7.62	7.03
91 days	5.76	7.93	8.62	10.36	10.39	10.76	11.20	11.60	11.99	12.43	10.55
182 days	7.63	8.51	10.11	10.53	10.81	11.00	12.13	13.28	14.64	14.86	12.04
364 days	10.00	11.15	11.48	11.56	11.63	11.97	12.79	15.32	14.74	14.99	12.57
Savings Deposit Rate	2.79	2.68	2.65	2.67	2.63	2.66	2.71	2.61	2.72	2.69	2.70
Treasury Bonds Rates											
2-years	12.87	12.87	12.87	13.20	13.20	14.35	14.35	14.35	14.35	15.28	15.28
5-years	14.49	14.49	14.49	14.49	16.39	16.39	16.39	17.32	17.32	17.32	17.32
7-years	17.18	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.06
10-years	17.09	17.09	19.47	19.47	19.47	19.47	19.47	19.47	19.92	19.92	19.92
Overall Time Deposits Rate	6.66	6.58	5.86	6.43	6.22	6.38	6.39	6.41	6.57	6.79	6.85
12 month time deposit rate	8.29	8.17	7.48	8.05	8.20	8.76	8.29	8.65	8.47	8.44	8.85
Negotiated Deposit Rate	10.62	9.26	9.63	10.27	10.11	10.26	10.23	10.66	10.82	10.99	11.27
Overall Lending rate	14.76	15.05	14.83	14.91	14.82	14.30	16.05	14.93	14.95	15.12	15.45
Short-term lending rate (up to 1year)	13.93	13.35	13.86	14.04	13.27	13.57	13.56	13.41	13.45	13.44	13.87
Negotiated Lending Rate	13.07	11.01	12.18	12.68	13.38	11.96	11.91	12.27	12.13	12.85	13.87
Margin between short-term lending and one-year time deposit rates	5.64	5.18	6.38	6.00	5.07	4.81	5.27	4.76	4.99	5.00	5.03

Source: Bank of Tanzania

4.3 Money Supply

During the period under review, the Bank continued to implement measures aimed at containing the desired level of liquidity in the banking system consistent with price stability and economic growth objectives. Growth rates of reserve money (M0), broad money (M2) and extended broad money supply (M3) were on track relative to the targets under the PSI program. During the year ending April 2009, average reserve money grew by 28.1 percent against the revised target of 28.9 percent by end June 2009. Annual growth of extended broad money supply – M3 (which includes currency in circulation plus all bank deposits in local and foreign currencies), eased from 18.1 percent in June 2008 to 14.5 percent in April 2009. Likewise, the growth rate of broad money supply, M2, decelerated from 26.5 percent to 16.8 percent in the same period (Chart 6).

Chart 6: Annual Growth Rate of Money Supply



The slow down in the monetary expansion was mainly associated with the shrinkage in credit base after a change in the SMR composition and the raising of SMR requirement on central government deposits held by banks, which became effective from January, 2009.

4.4 Financial Intermediation

Substantial improvement has been recorded in financial intermediation by banks in Tanzania as they continue to mobilize deposits and lending to private businesses. Private deposits mobilized by the banking system by end-April 2009 stood at TZS 6,277.8 billion, out of which TZS 935.1 billion was mobilized in the first ten months of 2008/09. The continued positive increase in deposits largely reflects the expansion of branch networks by private banks. It is however, important to note that during the period under review credit to the private sector increased by TZS 1,099.1 billion from an outstanding stock of TZS 3,535.8 billion in June 2008 to TZS 4,634.9 billion in April 2009. Indicating the improved intermediation by banks, the ratio of private sector loans to private deposits rose to 73.8 percent in April 2009 from 66.2 percent registered in June 2008.

Meanwhile, financial deepening has continued to improve during the first ten months of 2008/09. The ratio of broad money supply (M3) to GDP rose to 30.8 percent in April 2009 from 26.7 percent in June 2008. The ratio of credit to private sector to GDP has also improved to 18.7 percent from 14.3 percent during the same period.

4.5 Private Sector Credit

After recording a persistent strong growth at an average of 37 percent for the past 3 years, the growth of banks' credit to the private sector eased to 34.3 percent in the year ending April 2009. Specifically, during the first ten months of 2008/09, commercial bank credit to the private sector recorded an average growth rate of 38.9 percent far higher than the target of 30.5 percent that was targeted to finance the anticipated 7.5 percent real growth of GDP for 2008/09.

As of April 2009, activities that continued to be the main beneficiary of the total outstanding credit of banks to the private sector include trade which accounted for 17.7 percent, manufacturing 13.9 percent, while marketing of agricultural products accounted for 9.9 percent. Transport and communication services took 7.4 percent of the total credit, whereas other social and personal services which largely accounts for personal loans, held about 22 percent of total banks' credit.

4.6 Foreign Exchange Operations and Reserve Management

Foreign exchange operations of the Bank of Tanzania continued to be guided by the need to promote an orderly market characterized by stable market-determined exchange rates, without jeopardizing country's external sector competitiveness, and the targeted level of foreign reserves.

During the first ten months to April 2009, the volume transacted in the IFEM amounted to USD 1,226.1 million compared with USD 949.4 million traded in the similar period of last year. The Bank sold on net basis USD 763.4 million, which was more than twofold of the USD 320.7 million that was sold in the corresponding period of 2007/08. The sharp increase in the sales of foreign exchange in the IFEM by the Bank started during the second quarter of 2008/09, mainly due to Bank's intervention to calm down market fears that foreign exchange would dry up as the global financial crisis unfolds.

During the first quarter of 2008/09, the shilling appreciated from an average of TZS 1,183.78 per US dollar in June 2008 to TZS 1,159.49 per US dollar in September 2008. Thereafter, the shilling depreciated consecutively following onset of the global financial crisis, to an average of TZS 1,273.83 per US dollar in December 2008, and further to an average of TZS 1,334.82 per US dollar in April 2009.

PART V

5.0 MACROECONOMIC POLICY FRAMEWORK FOR 2009/10

5.1 Macroeconomic Objectives of the Government

The main thrust of the government policy objectives in 2009/10 is to make use of the collective impact of fiscal and monetary policies to limit the severity of the global economic downturn on domestic economic activity, and provide a firm base for the economy to return to its medium-term growth path, once global economic and financial conditions normalize. To mitigate the adverse impact of the global economic and financial crisis, the government will sustain the initiatives that commenced in the second half of 2007/08 to provide a countercyclical stimulus to the economy. While monetary policy has provided for ample liquidity to support financing activity, and the banking system will continue to be monitored on daily basis by the Bank of Tanzania to ensure financial stability, an expansionary fiscal policy will directly support economic growth. Among measures that the government intends to undertake include: strengthening infrastructural development, promoting domestic tourism and increasing productivity in economic sectors. To ensure that food production is not adversely affected by the crisis, the government will guarantee provision of concessional loans to the private sector engaged in food production activities.

Furthermore, the government will continue to maintain macroeconomic stability, in particular improving the revenue yield (i.e. ratio of domestic revenue to GDP), coupled with sustained improvements in public expenditure management to contain the fiscal deficit.

Specifically, the government intends to attain the following macroeconomic objectives during 2009/10:

i. A real GDP growth of 5.0 percent in 2009 and 5.7 percent in 2010;

ii. An annual inflation rate of 6.0 percent by end of June 2010;

iii. Domestic revenue of TZS 5,096.0 billion, equivalent to 16.4 percent of GDP in 2009/10;

iv. Total expenditure of TZS 9,513.7 billion, equivalent to 30.6 percent of GDP; and

v. Official foreign exchange reserves, sufficient to cover not less than 5 months of imports of goods and services in 2009/10.

Mindful of the impact of the global economic and financial crisis on Tanzania economy, and the need to mitigate the adverse impact of the crisis, the Government has taken initiatives, in consultation with Fund staff that will provide a countercyclical stimulus to the economy. Indeed, beginning in early 2009, receipts from traditional exports, tourism, and gem stones exports have started to decline. Foreign direct investment and other foreign inflows are now projected to decline in 2009, leading to a projected deterioration in the balance of payments. Against this background, the government of Tanzania requested and was granted access to Exogenous Shock Facility (ESF) under the High Access Component. This request is for a 12-month ESF arrangement in an amount of 110 percent of quota, the equivalent of SDR 218.79 million (about USD 336 million), to be disbursed in three tranches. In order to ensure full consistency between the PSI and the ESF-supported programme, the government also requested and was granted an extension of the PSI until May 29, 2010.

5.2 Monetary Policy Objectives

As pointed out, Tanzanian economy is now slowing down, driven by the worsening external environment. Towards the second half of 2008/09, the Government initiated various measures to provide a countercyclical stimulus to the economy to mitigate the adverse impact of the global financial crisis, including easing of the fiscal and monetary stance. During 2009/10, the Bank will continue to support these initiatives by providing more fiscal space to the Government of 1.6 percent of GDP in addition to 1.2 percent of GDP which was provided in the last quarter of 2008/09. This initiative translates into TZS 505 billion, out of which, TZS 300 billion will be provided by the Bank as an advance, while TZS 205 billion will be sourced from the financial markets. That notwithstanding, the Bank will remain firm in the formulation and implementation of strong monetary policy by restoring and maintaining low and stable inflation.

Specifically, the Bank aims at achieving the following objectives for 2009/10:

i. Increasing money supply (M2) and (M3) growth from 16.8 percent and 14.5 percent, respectively, recorded at the end of April 2009 to 20 percent each by end June 2010.

ii. Allowing credit to the private sector to increase at an annual rate of 28.7 percent by June 2010, implying an estimated increase of about TZS 1,237.1 billion from TZS 4,634.9 billion registered at end of April 2009.

iii. Maintaining a level of international reserves adequate to cover not less than 4 months of imports of goods and services.

iv. Continuing to exercise strong regulation and supervision of banks in order to ensure that all indicators of financial stability remain strong, and to steer the financial sector clear of the adverse impact of the global financial crisis.

v. Maintaining stability of financial sector by strengthening:

- Rules and regulations in the payments and settlement infrastructure,

- Enhancing oversight and observance of ethics and,
- Improving efficiency and effectiveness of the payment system to shore up its resilience to contagion effects.

5.3 Liquidity Management

During 2009/10, the Bank intends to continue with a relaxed liquidity stance initiated in 2008/09, but without compromising the inflation targets. Mindful of the pass-through of the global financial crisis on liquidity in the banking sector and the subsequent need to accommodate banks for liquidity requirements, the Bank relaxed its liquidity stance (beginning February 2009) to allow more liquidity to the market players. The reserve money ceilings were revised upwards to allow more liquidity in the economy. Furthermore, the Bank lowered both discount and the Lombard rates.

5.4 Credit and interest Rate Policy

The monetary policy stance for 2009/10 will facilitate provision of adequate credit to the productive sectors of the economy, while aligning monetary expansion to levels consistent with targeted inflation. The Government and the Bank will do all that is possible to ensure the impact of the economic and financial crisis on Tanzania is minimized. However, with lack of adequate financial resources, the government cannot implement some key infrastructure (roads, power, communications, and irrigation projects), hence calling for the business community to collaborate with the Government through Public Private Partnership (PPP).

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.

5.5 Foreign Exchange Operations

The exchange rate will continue to be freely determined in the inter-bank foreign exchange market (IFEM). The main challenge for the Bank in 2009/10 will be to enhance transparency and efficiency in the markets in order to minimise 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.

5.6 Financial Sector Developments

The on-going broad based financial sector reforms are addressing impediments that limit the role of commercial banks and other financial institutions, namely, microfinance institutions, pension funds, insurance companies in the economy. While substantial progress has been made in broadening financial institutions product base and deepening lending, more needs to be done, if the Tanzania financial sector is to contribute optimally to poverty reduction. The Bank of Tanzania is committed to spearhead decisive efforts to remove obstacles and address challenges of achieving a vibrant, competitive, and efficient financial sector that reaches the majority of the people of Tanzania.

During 2009/10, the bank will continue to improve accessibility to credit and other financial services. In this regard the Bank will spearhead the development of rural financial services strategy with the aim of improving the availability of financial services to the rural areas. The Bank will assist Tanzania Investment Bank in its restructuring efforts to enable it carry functions of a development finance institution. In addition, the Bank will improve the provision of borrowers information to enable financial institutions extend credit to SMEs.

The Bank will also provide the public with financial literacy education to enable them appreciate the opportunities available in the financial sector. More efforts will be made in the provision of borrowers' information by establishing a credit reference data bank and publishing regulations governing the credit reference system in Tanzania.

6.0 Conclusion

Despite the turbulent global environment, the Tanzanian economy continued to maintain solid growth during 2008/09. Annual GDP growth is expected to have reached 7.4 percent in 2008, with strong performance across most sectors. 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 ratio of non-performing loans to gross loans remaining below the threshold of 10 percent. The banking sector has continued to expand while remaining well capitalized. Our official reserves position has also remained impressive at around USD 2.7 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 eleven months of 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 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. During 2009/10, the Bank will remain firm in the formulation and implementation of strong monetary policy by restoring and maintaining low and stable inflation, as well as facilitating provision of credit to the private sector consistent with the anticipated economic growth. 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, coupled with the expected support from the fiscal side, the objectives set out in the 2009/10 Monetary Policy Statement will be achieved.

APPENDICES

Table A1: Gross Domestic Product in 2001 Prices by Kind of Economic Activity

Millions of TZS

Economic Activity	2003	2004	2005	2006	2007r	2008p	% Change
Agriculture, Hunting and Forestry	**2,850,956**	**3,017,988**	**3,148,384**	**3,268,238**	**3,399,648**	**3,554,488**	**4.6**
Crops	2,122,361	2,262,725	2,361,930	2,457,373	2,567,955	2,698,921	5.1
Livestock	483,001	503,000	525,109	537,498	550,398	564,708	2.6
Forestry and hunting	245,594	252,263	261,345	273,367	281,295	290,859	3.4
Fishing	**173,892**	**185,543**	**196,676**	**206,510**	**215,734**	**226,521**	**5.0**
Industry and construction	**1,988,081**	**2,204,619**	**2,433,261**	**2,639,902**	**2,889,519**	**3,138,241**	**8.6**
Mining and quarrying	219,000	254,000	295,000	341,000	377,559	386,998	2.5
Manufacturing	893,000	977,000	1,071,000	1,162,000	1,263,435	1,388,515	9.9
Electricity, gas	223,953	240,708	263,218	258,347	286,507	301,978	5.4
Water supply	47,128	49,557	51,700	54,905	58,474	62,333	6.6
Construction	605,000	683,354	752,343	823,650	903,544	998,416	10.5
Services	**4,806,587**	**5,182,094**	**5,596,784**	**6,035,932**	**6,527,561**	**7,085,136**	**8.5**
Trade and repairs	1,405,698	1,486,931	1,585,906	1,736,631	1,906,821	2,097,503	10.0
Hotels and restaurants	275,836	285,732	301,873	314,921	328,859	343,658	4.5
Transport	541,901	588,574	627,951	661,000	703,965	752,539	6.9
Communications	144,039	169,158	200,900	239,537	287,684	346,659	20.5
Financial intermediation	170,643	184,775	204,694	228,000	251,280	281,120	11.9
Real estate and business services	1,068,732	1,141,014	1,226,790	1,316,000	1,408,120	1,508,097	7.1
Public administration	766,760	871,169	970,786	1,033,488	1,102,951	1,180,158	7.0
Education	207,606	215,910	224,547	235,774	248,742	265,905	6.9
Health	140,437	151,370	163,572	177,520	193,142	210,525	9.0
Other social and personal services	84,935	87,461	89,765	93,061	95,998	98,974	3.1
Gross value added before adjustments	**9,819,516**	**10,590,244**	**11,375,105**	**12,150,582**	**13,032,462**	**14,004,385**	**7.5**
less FISIM	-97,154	-106,931	-119,497	-137,287	-158,292	-175,704	11.0
Gross value added at 2001 basic prices	**9,722,362**	**10,483,313**	**11,255,608**	**12,013,295**	**12,874,170**	**13,828,681**	**7.4**
Add Taxes on products	701,372	756,422	812,482	867,868	927,751	999,664	7.8
Gross Domestic Product at 2001 market prices	**10,423,734**	**11,239,735**	**12,068,090**	**12,881,163**	**13,801,921**	**14,828,345**	**7.4**

Source: National Bureau of Statistics

Table A2: Gross Domestic Product at 2001 Prices by Economic Activity

Economic Activity	2003	2004	2005	2006	2007r	2008p	Average 2001-2008
Real GDP growth by Economic Activities (In Percent)							
Agriculture, Hunting and Forestry	**3.1**	**5.9**	**4.3**	**3.8**	**4.0**	**4.6**	**4.4**
Crops	3.2	6.6	4.4	4.0	4.5	5.1	4.9
Livestock	2.2	4.1	4.4	2.4	2.4	2.6	3.1
Forestry and hunting	3.0	2.7	3.6	4.6	2.9	3.4	3.4
Fishing	**6.0**	**6.7**	**6.0**	**5.0**	**4.5**	**5.0**	**5.6**
Industry and construction	**10.9**	**10.9**	**10.4**	**8.5**	**9.5**	**8.6**	**9.3**
Mining and quarrying	17.1	16.0	16.1	15.6	10.7	2.5	13.6
Manufacturing	9.0	9.4	9.6	8.5	8.7	9.9	8.4
Electricity, gas	7.2	7.5	9.4	-1.9	10.9	5.4	6.3
Water supply	4.5	5.2	4.3	6.2	6.5	6.6	5.0
Construction	13.8	13.0	10.1	9.5	9.7	10.5	10.7
Services	**7.8**	**7.8**	**8.0**	**7.8**	**8.1**	**8.5**	**7.8**
Trade and repairs	9.7	5.8	6.7	9.5	9.8	10.0	8.3
Hotels and restaurants	3.2	3.6	5.6	4.3	4.4	4.5	4.6
Transport	5.0	8.6	6.7	5.3	6.5	6.9	6.2
Communications	15.6	17.4	18.8	19.2	20.1	20.5	16.4
Financial intermediation	10.7	8.3	10.8	11.4	10.2	11.9	10.0
Real estate and business services	6.5	6.8	7.5	7.3	7.0	7.1	6.7
Public administration	9.6	13.6	11.4	6.5	6.7	7.0	9.3
Education	2.8	4.0	4.0	5.0	5.5	6.9	5.8
Health	8.7	7.8	8.1	8.5	8.8	9.0	8.1
Other social and personal services	2.0	3.0	2.6	3.7	3.2	3.1	2.8
Gross value added excluding adjustments	**6.9**	**7.8**	**7.4**	**6.8**	**7.3**	**7.5**	**7.1**
less FISIM	11.7	10.1	11.8	14.9	15.3	11.0	10.7
Gross value added at basic prices	**6.9**	**7.8**	**7.4**	**6.7**	**7.2**	**7.4**	**7.1**
Add Taxes on products	6.9	7.8	7.4	6.8	6.9	7.8	7.1
Gross domestic product at market prices	**6.9**	**7.8**	**7.4**	**6.7**	**7.1**	**7.4**	**7.1**
Contribution in Real GDP by Economic Activities (In Percent)							
Agriculture, Hunting and Forestry	**27.4**	**26.9**	**26.1**	**25.4**	**24.6**	**24.0**	**26.5**
Crops	20.4	20.1	19.6	19.1	18.6	18.2	19.8
Livestock	4.6	4.5	4.4	4.2	4.0	3.8	4.4
Forestry and hunting	2.4	2.2	2.2	2.1	2.0	2.0	2.2
Fishing	**1.7**	**1.7**	**1.6**	**1.6**	**1.6**	**1.5**	**1.6**
Industry and construction	19.1	19.6	20.2	20.5	20.9	21.2	19.7
Mining and quarrying	2.1	2.3	2.4	2.6	2.7	2.6	2.3
Manufacturing	8.6	8.7	8.9	9.0	9.2	9.4	8.8
Electricity, gas	2.1	2.1	2.2	2.0	2.1	2.0	2.1
Water supply	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Construction	5.8	6.1	6.2	6.4	6.5	6.7	6.1
Services	**46.1**	**46.1**	**46.4**	**46.9**	**47.3**	**47.8**	**46.5**
Trade and repairs	13.5	13.2	13.1	13.5	13.8	14.1	13.4
Hotels and restaurants	2.6	2.5	2.5	2.4	2.4	2.3	2.5
Transport	5.2	5.2	5.2	5.1	5.1	5.1	5.2
Communications	1.4	1.5	1.7	1.9	2.1	2.3	1.7
Financial intermediation	1.6	1.6	1.7	1.8	1.8	1.9	1.7
Real estate and business services	10.3	10.2	10.2	10.2	10.2	10.2	10.2
Public administration	7.4	7.8	8.0	8.0	8.0	8.0	7.7
Education	2.0	1.9	1.9	1.8	1.8	1.8	1.9
Health	1.3	1.3	1.4	1.4	1.4	1.4	1.4
Other social and personal services	0.8	0.8	0.7	0.7	0.7	0.7	0.8

Source: National Bureau of Statistics

Table A3: Gross Domestic Product at 2001 Prices by type of Expenditure

Type of Expenditure	2003	2004	2005	2006
GDP at constant market prices	**10,423,735**	**11,239,734**	**12,068,090**	**12,881,163**
Final consumption expenditure	9,052,080	9,748,544	10,855,260	11,735,476
Households	7,410,284	7,866,521	8,748,590	9,456,059
Government	1,641,796	1,882,023	2,106,670	2,279,417
Gross capital formation	1,945,657	2,144,198	2,535,317	2,938,619
Gross fixed capital formation	1,903,295	2,100,914	2,493,633	2,893,604
Changes in inventories	42,362	43,284	41,684	45,015
Exports of goods and services	1,991,479	2,157,615	2,449,820	2,369,701
Exports of goods fob	1,049,683	1,120,049	1,256,370	1,004,797
Exports of services	941,796	1,037,566	1,193,450	1,364,904
Imports of goods and services	-2,565,481	-2,810,623	-3,772,307	-4,162,633
Imports of goods fob	-1,865,350	-2,018,283	-2,689,212	-3,146,854
Imports of services	-700,131	-792,340	-1,083,095	-1,015,779

Note: r=revised and p = provisional
Source: National Bureau of Statistics

Table A4: Gross Domestic Product at 2001 Prices by type of Expenditure

In Percent

Item	2003	2004	2005	2006	2007r	2008p
GDP at constant market prices	**6.9**	**7.8**	**7.4**	**6.7**	**7.1**	**7.4**
Final consumption expenditure	6.7	7.7	11.4	8.1	6.7	6.5
Households	2.7	6.2	11.2	8.1	6.0	4.9
Government	29.0	14.6	11.9	8.2	9.5	13.2
Gross capital formation	**13.7**	**10.2**	**18.2**	**15.9**	**14.3**	**7.7**
Gross fixed capital formation	14.0	10.4	18.7	16.0	14.5	7.8
Changes in inventories	2.2	2.2	-3.7	8.0	0.3	0.2
Exports of goods and services	**19.5**	**8.3**	**13.5**	**-3.3**	**16.8**	**19.6**
Exports of goods fob	28.9	6.7	12.2	-20.0	8.4	32.3
Exports of services	10.5	10.2	15.0	14.4	23.0	11.3
Imports of goods and services	**21.5**	**9.6**	**34.2**	**10.3**	**16.3**	**12.3**
Imports of goods fob	25.3	8.2	33.2	17.0	22.7	16.5
Imports of services	12.3	13.2	36.7	-6.2	-3.4	-4.5

Note: r=revised and p = provisional
Source: National Bureau of Statistics

Table A5: Percentage Change in Consumer Price Index (All Urban)

Base: Dec. 2001 =100

General Period	Headline	Food	Non-Food Total	Drinks & Tobacco	Clothing & Footwear	Rent	Fuel, Power & Water	Furniture Household Equip.	Household operations	Personal care & Health	Recreation & Entertain.	Transpor-tation	Educ-ation	Miscel. goods & services
Weight (%)	100.0	55.9	44.1	6.9	6.4	1.4	8.5	2.1	2.1	2.1	0.8	9.7	2.6	1.5
2003	3.5	4.5	2.0	1.5	2.0	5.9	2.5	2.1	1.1	2.9	2.1	1.2	2.2	2.2
2004	4.2	5.9	1.6	-0.5	2.3	2.3	4.6	0.2	0.9	0.5	2.1	1.0	0.6	-0.5
2005	4.4	5.9	2.9	2.1	-0.5	-0.4	7.7	-1.1	0.5	3.5	-1.5	4.7	-0.1	-1.4
2006	7.3	7.0	7.6	7.7	7.0	5.5	8.5	7.8	2.0	11.2	5.0	9.1	2.5	8.0
2007	7.0	7.0	7.0	10.5	5.9	3.6	6.1	7.9	8.6	2.9	8.9	7.0	9.6	0.8
2008	10.3	12.7	6.7	8.1	1.5	2.4	10.7	6.0	3.2	5.0	5.5	6.9	7.0	1.8
2007 Jan	7.0	6.7	7.4	11.9	6.1	4.9	4.8	10.3	9.6	2.0	5.6	8.8	10.0	-1.8
Feb	7.3	6.2	8.8	11.2	6.3	6.0	9.6	11.0	10.8	0.9	7.5	9.8	11.8	-0.4
Mar	7.2	6.1	9.1	11.8	7.2	5.8	9.3	10.4	11.1	3.4	9.2	9.1	13.0	1.6
Apr	6.1	4.8	8.2	14.7	6.7	4.3	5.0	10.5	11.8	3.6	9.4	8.3	11.8	1.9
May	5.0	2.8	8.4	13.0	7.4	4.2	7.5	8.4	11.1	4.7	9.4	8.0	10.1	2.0
Jun	5.9	4.6	7.6	12.3	7.3	3.2	6.4	8.7	10.1	4.2	10.1	5.8	10.3	2.5
Jul	9.0	10.3	7.4	10.8	5.5	1.7	7.3	7.6	10.7	4.5	10.6	6.8	8.6	2.0
Aug	7.8	9.2	6.0	7.3	6.4	2.1	4.2	6.9	9.5	3.5	10.8	6.5	8.8	0.0
Sep	8.3	11.4	4.1	6.2	4.5	2.8	1.4	4.1	6.5	2.2	9.7	4.3	9.2	-0.8
Oct	7.1	8.4	5.1	7.0	5.4	2.8	3.8	4.6	5.8	1.6	10.5	5.6	7.8	0.3
Nov	7.3	7.5	6.5	10.0	5.2	2.8	6.8	6.6	4.8	2.1	7.6	6.2	7.8	1.7
Dec	6.4	6.6	6.1	10.3	2.5	2.8	8.0	6.2	3.0	1.9	6.1	5.4	6.8	0.8
2008 Jan	8.6	10.1	6.4	10.4	1.1	2.4	10.1	4.9	3.6	3.7	5.9	5.7	5.6	2.1
Feb	8.9	11.4	5.3	10.2	0.3	2.4	6.8	4.1	2.9	3.4	4.0	4.9	5.6	1.8
Mar	9.0	11.2	5.8	9.1	1.0	1.7	8.3	4.9	2.9	3.1	3.5	6.0	5.6	1.0
Apr	9.7	11.6	6.9	8.6	1.1	2.1	11.3	4.9	2.8	3.3	4.2	7.6	6.1	1.5
May	9.1	11.0	6.5	7.5	1.1	2.1	11.7	5.1	2.5	3.9	4.2	6.0	6.4	0.4
Jun	9.3	11.4	6.3	7.7	0.9	2.1	10.6	5.5	2.8	4.0	4.0	6.7	6.3	0.4
Jul	9.5	11.2	6.9	7.9	1.3	3.5	12.0	5.4	2.0	4.9	4.4	6.0	7.2	1.8
Aug	9.8	11.1	7.8	8.6	-0.1	3.1	12.7	6.9	1.1	5.9	5.2	9.9	7.9	1.5
Sep	11.6	13.4	8.9	8.8	2.2	2.4	15.0	8.2	3.4	6.9	6.9	9.7	8.3	3.4
Oct	11.8	14.6	7.9	8.3	1.8	2.4	12.9	7.9	4.0	5.9	6.9	7.9	7.9	3.9
Nov	12.3	16.3	6.3	5.5	2.5	2.4	8.7	7.0	4.7	7.3	8.3	6.9	8.5	2.1
Dec	13.5	18.6	6.0	5.5	4.3	2.4	8.1	6.8	5.4	8.0	8.7	5.1	8.5	1.9
2009 Jan	12.9	18.2	4.8	5.4	3.4	12.5	2.6	7.1	4.8	7.7	9.6	4.2	9.1	3.1
Feb	13.3	18.6	4.9	5.3	4.6	12.6	2.5	6.9	5.1	7.6	10.9	3.4	9.9	3.6
Mar	13.0	18.5	4.3	5.7	4.4	12.6	0.3	7.1	4.7	7.7	10.5	3.2	11.2	3.5
Apr	12.0	17.8	2.9	6.1	4.9	12.2	-4.1	7.3	4.6	7.5	9.2	0.4	10.8	5.6

Soruce: National Bureau of Statistics (NBS)

Table A6: Central Government Operations - Tanzania Mainland

Millions of TZS

Item	2007/08 July - March Actual	2007/08 July - March % of GDP	2008/09 BUDGET	2008/09 Estimates	2008/09 July - March Actual	2008/09 % of Estimates	2008/09 % of GDP
Total Revenue	**2,656,156.6**	**11.6**	**4,728,595**	**3,529,214**	**3,229,134**	**91.5**	**12.0**
Tax Revenue	*2,477,693.7*	*10.8*	*4,485,100*	*3,344,225*	*3,060,655*	*91.5*	*11.4*
Taxes on Imports	942,497.3	4.1	1,643,767	1,237,483	1,110,818	89.8	4.1
Sales/VAT and Excise on Local Goods	532,573.3	2.3	1,078,533	727,088	687,185	94.5	2.6
Income Taxes	722,251.9	3.2	1,425,652	1,027,547	917,899	89.3	3.4
Other taxes	280,371.2	1.2	482,605	352,107	344,754	97.9	1.3
Non- tax Revenue	178,462.9	0.8	243,495	184,988	168,479	91.1	0.6
Total Expenditure /1	**4,147,415.5**	**18.1**	**7,192,103**	**5,364,869**	**4,657,893**	**86.8**	**17.3**
Recurrent expenditure	2,451,924.6	10.7	4,700,623	3,331,765	3,142,301	94.3	11.7
Retention fund	53,994.0	0.2	85,318	61,753	40,429	65.5	0.2
Wages and salaries	844,080.2	3.7	1,570,324	1,211,586	1,237,171	102.1	4.6
Interest payments	137,906.9	0.6	282,359	158,464	168,430	106.3	0.6
Domestic **2/**	121,304.6	0.5	247,759	135,561	144,080	106.3	0.5
Foreign	16,602.4	0.1	34,600	22,903	24,350	106.3	0.1
Other goods, services and transfers	1,469,937.5	6.4	2,762,623	1,899,962	1,696,271	89.3	6.3
Dev. Expenditure and net lending	**1,695,490.9**	**7.4**	**2,491,480**	**2,033,103**	**1,515,592**	**74.5**	**5.6**
Local	525,421.0	2.3	940,380	852,651	641,351	75.2	2.4
Foreign	947,338.5	4.1	1,551,100	1,180,453	874,241	74.1	3.3
Overall Balance (cheque issued) before Grants	***-1,491,258.9***	***-6.5***	***-2,463,508***	***-1,835,655***	***-1,428,759***	***77.8***	***-5.3***
Grants	***1,348,265.8***	***5.9***	***1,441,229***	***1,196,216***	***980,134***	***81.9***	***3.6***
Program (CIS/OGL)	612,153.2	2.7	543,905	489,514	563,699	115.2	2.1
Project	476,721.0	2.1	556,366	417,274	192,971	46.2	0.7
Basket funds	161,730.9	0.7	206,126	154,594	172,627	111.7	0.6
HIPC Relief	97,660.6	0.4	134,833	134,833	44,160	32.8	0.2
MCA(T) - USA			*68,511*	*68,511*	*6,677*	9.7	0.0
Overall defic.(cheq.issued) after Grants	***-142,993.1***	***-0.6***	***-1,022,279***	***-639,439***	***-448,625***	***70.2***	***-1.7***
Expenditure float	-275,749.9	-1.2	0		-216,706		***-0.8***
Adjustments to cash and other items (**net**)	198,600	0.9	0		13,335		
Overall Balance (cheques issued)	**-220,142.7**	**-1.0**	**-1,022,279**	**-639,439**	**-651,997**	**102.0**	**-2.4**
Financing:	**220,142.7**	**1.0**	**1,022,279**	**639,439**	**651,997**	**102.0**	**2.4**
Foreign Financing (net)	*656,270.6*	*2.9*	**946,207**	**785,795**	**793,568**	***101.0***	***3.0***
Loans	522,044.5	2.3	775,650	648,789	680,156	104.8	2.5
Program loans	365,038.1	1.6	268,208	268,208	305,862	114.0	1.1
Development Project loans	157,006.4	0.7	507,442	380,581	374,294	98.3	1.4
Basket Support	151,880.1	0.7	212,656	159,492	127,672	80.0	0.5
Amortization	-17,654.0	-0.1	-42,099	-22,486	-14,259	63.4	-0.1
Total Domestic (net)	**-436,128.0**	**-1.9**	**76,072**	**-146,356**	**-141,571**	**96.7**	**-0.5**
Net domestic financing (NDF)	-430,034.6	-1.9	53,000	-205,158	-186,571	90.9	-0.7
Bank borrowing	-236,078.0	-1.0			-218,880		-0.8
Non-Bank (net of amortization)	-193,956.6	-0.8			32,308		0.1
Amortization of domestic debt			-16,928	-1,198			
Amortization of contingent debt	-6,093.4	0.0	-20,000		0		0.0
Privatization Proceeds	0.0	0.0	60,000	60,000	45,000	75.0	0.2
GDP (in millions of TZS)	**22,883,000.0**				**26,879,000.0**		

Note:

/1 Exclude amortization and Expenditure Float, includes Road fund and Retention expenditures

/2 Domestic Interest payments and amortization include Cash and Non cash

Source: Ministry of Finance, Bank of Tanzania and National Bureau of Statistics

Table A7: Zanzibar Central Government Operations

Millions of TZS

Item	Budget 2008/2009	July 07-April 08 Actual	July 08-April 09 Estimates	July 08-April 09 Actual	*Actual vs Estimate*
Total Revenue	**134,160.12**	**92,405.63**	**114,934.11**	**115,246.01**	***100.27***
Tax Revenue	122,763.76	87,780.53	106,619.00	107,480.65	*100.81*
Tax on Imports	29,946.13	20,853.93	25,624.47	28,100.70	*109.66*
VAT and Excise Duties (local)	43,104.41	31,595.05	36,994.89	35,907.28	*97.06*
Income Tax	19,274.80	11,525.53	15,422.80	16,441.70	*106.61*
Other Taxes	30,438.41	23,806.02	28,576.84	27,030.97	*94.59*
Non-Tax Revenue	11,396.37	4,625.10	8,315.11	7,765.36	*93.39*
Total Expenditure	**341,709.00**	**150,227.79**	**173,068.56**	**171,684.44**	***99.20***
Recurrent Expenditure	149,435.00	97,235.65	119,716.70	113,655.51	*94.94*
Wages and Salaries	70,521.00	49,057.65	53,224.00	53,250.82	*100.05*
Interest Payment	0.00	1,031.03	668.20	629.90	*94.27*
Local	0.00	1,031.03	668.20	629.90	*94.27*
Foreign	0.00	0.00	0.00	0.00	
Other Expenditure	32,358.00	47,146.97	65,824.50	59,774.79	*90.81*
Development Expenditure	**192,274.00**	**52,992.14**	**53,351.86**	**58,028.93**	***108.77***
local	18,522.00	9,855.28	22,657.00	19,552.54	*86.30*
foreign	173,752.00	43,136.86	30,695.66	38,476.38	*125.35*
Overall (surplus) Deficit before grants	**-207,548.88**	**-57,822.16**	**-58,134.45**	**-56,438.43**	***97.08***
Grants	**136,932.00**	**55,886.13**	**43,124.74**	**50,569.70**	***117.26***
4.5% Budget Support	27,607.00	27,109.50	22,889.00	22,908.00	*100.08*
Debt relief	9,100.00	0.00	0.00	0.00	
Program Grant	101,325.00	28,776.63	20,235.74	27,661.71	*136.70*
Overall Deficit after grants	**-70,616.88**	**-1,936.03**	**-15,009.71**	**-5,868.73**	***39.10***
Adjustment to cash and other items	-6,664.88	11,394.31	-6,019.90	8,416.35	*-139.81*
Overall Deficit cheques cleared	**-63,952.00**	**-13,330.33**	**-8,989.81**	**-14,285.07**	***158.90***
Financing	**63,952.00**	**13,330.33**	**8,989.81**	**14,285.07**	***158.90***
Foreign	72,427.00	14,360.23	10,459.92	10,814.68	*103.39*
Import Support	0.00	0.00	0.00	0.00	
Program Loans	72,427.00	14,360.23	10,459.92	10,814.68	*103.39*
Amortization (foreign)		0.00	0.00	0.00	
Domestic (net)	*-8,475.00*	*-1,029.89*	*-1,470.11*	*3,470.39*	
Bank	0.00	0.00	0.00	0.00	
Non-bank	2,000.00	470.11	0.00	4,940.50	
Amortization (local)	-10,475.00	-1,500.00	-1,470.11	-1,470.11	*100.00*

p=provisional

GDP TZS 747.9 billion (2008 current prices)

Source: Ministry of Finance - Zanzibar.

Table A8: Depository Corporation Survey

Billions of TZS

Item	Jun-07	Dec-07	Jun-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Net foreign assets	**3,530.9**	**3,731.0**	**3,694.8**	**4,138.0**	**4,047.7**	**4,162.4**	**4,188.3**	**4,239.2**
Bank of Tanzania	2,721.3	3,097.6	3,125.6	3,643.4	3,499.6	3,502.0	3,500.2	3,587.8
Other Depository Corporations	809.6	633.4	569.2	494.6	548.1	660.3	688.1	651.4
Net domestic assets	**2,068.3**	**2,492.6**	**2,917.4**	**3,320.8**	**3,388.0**	**3,390.7**	**3,445.1**	**3,388.1**
Domestic claims	2,793.9	2,831.4	3,384.8	4,221.2	4,314.9	4,368.1	4,256.1	4,281.9
Claims on central government (net)	243.5	-319.8	-151.1	-335.0	-229.4	-218.8	-369.9	-353.0
Claims on non-government sector	2,550.4	3,151.2	3,535.8	4,556.2	4,544.3	4,586.9	4,626.1	4,634.9
Broad money liabilities	**5,599.2**	**6,223.6**	**6,612.1**	**7,458.8**	**7,435.7**	**7,553.0**	**7,633.4**	**7,627.3**
Currency outside depository corporations	1,110.7	1,162.5	1,269.5	1,438.6	1,408.0	1,384.3	1,366.6	1,349.6
Transferable deposits	2,080.2	2,418.3	2,541.3	2,851.1	2,913.6	2,899.9	2,915.8	2,968.4
Other deposits	2,408.3	2,642.8	2,801.3	3,169.0	3,114.2	3,268.8	3,351.1	3,309.3
Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits excluded from broad money	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Securities other than shares excluded from broad money	**8.4**	**8.0**	**9.9**	**2.1**	**0.2**	**0.2**	**8.2**	**8.2**
Loans	**0.0**	**0.0**	**55.2**	**93.3**	**86.7**	**59.8**	**22.9**	**20.3**
Financial derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Insurance technical reserves	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Shares and other equity	**1,431.1**	**1,074.8**	**1,432.2**	**1,563.6**	**1,550.7**	**1,606.4**	**1,718.6**	**1,748.8**
Other items (net)	**-725.6**	**-338.7**	**-467.4**	**-900.4**	**-926.9**	**-977.5**	**-811.0**	**-893.8**
Memorandum items:								
Monetray Aggregates								
Reserve money (M0)	1,662.0	1,879.0	2,079.5	2,276.4	2,489.5	2,451.4	2,478.5	2,558.6
Extended broad money (M3)	5,599.2	6,223.6	6,612.1	7,458.8	7,435.7	7,553.0	7,633.4	7,627.3
Deposits in foreign currency	1,781.4	1,829.0	1,781.6	1,990.3	1,970.0	2,021.8	2,060.0	2,075.4
FCD in millions of USD	1,404.6	1,615.6	1,508.6	1,554.6	1,530.7	1,552.3	1,568.0	1,571.8
Securities in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Broad money (M2)	3,817.8	4,394.6	4,830.6	5,468.5	5,465.7	5,531.2	5,573.5	5,552.0
Other deposits in national currency (savings and time deposits)	1,578.6	1,804.1	2,000.7	2,310.2	2,269.6	2,382.7	2,475.3	2,488.3
Securities in national currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Narrow money (M1)	2,239.1	2,590.5	2,829.9	3,158.3	3,196.1	3,148.4	3,098.2	3,063.6
Currency in circulation	1,110.7	1,162.5	1,269.5	1,438.6	1,408.0	1,384.3	1,366.6	1,349.6
Transferable deposits in national currency	1,128.4	1,428.0	1,560.4	1,719.7	1,788.2	1,764.1	1,731.6	1,714.0
Average reserve money	1,685.2	1,881.1	2,053.7	2,318.1	2,431.1	2,490.2	2,497.1	2,513.8
Stock of liquidity paper	1,051.7	1,081.8	1,167.7	1,226.7	1,143.2	1,082.8	1,100.7	1,086.8
o/w liquidity paper held by ODCs	777.5	761.5	785.6	813.8	737.0	645.8	697.1	719.6
Gross official reserves (In millions of U.S. dollars)	2,161.7	2,753.7	2,664.9	2,862.9	2,736.4	2,705.5	2,683.7	2,735.7
Net international reserves (In millions of U.S. dollars)	2,144.7	2,736.0	2,646.6	2,845.6	2,719.1	2,689.0	2,666.9	2,718.9
IMF MDRI balances	289.2	184.3	162.4	137.1	131.1	132.7	133.7	134.7
(In millions of U.S. dollars)	228.0	162.8	137.6	107.1	101.9	101.9	101.7	102.1
Gross domestic product at current market prices	20,948.4	20,948.4	24,754.5	24,754.5	24,754.5	24,754.5	24,754.5	24,755.5

Source: Bank of Tanzania

Table A8: Depository Corporation Survey (Continued)

Memorandum items Continued):

Item	Jun-07	Dec-07	Jun-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Annual Percentage Change								
Reserve money (M0)	22.7	24.9	25.1	21.1	22.0	29.6	27.5	28.9
Average reserve money (M0)		20.8	21.9	23.2	26.5	30.4	30.3	28.1
Extended broad money (M3)	20.1	20.5	18.1	19.8	17.7	18.4	14.4	14.5
Broad money (M2)	20.4	27.2	26.5	24.4	22.0	21.5	18.4	16.8
Narrow money (M1)	20.7	29.1	26.4	21.9	21.8	18.7	13.6	12.9
Net foreign assets	12.7	1.6	4.6	10.9	6.7	9.3	2.1	8.4
Net domestic assets	35.2	67.2	41.1	33.2	34.1	31.9	33.9	23.1
Credit to private sector	34.1	36.4	38.6	44.6	41.0	39.7	35.9	34.3
Components of broad money liabilities								
Currency outside depository corporations	21.8	12.4	14.3	23.8	23.5	21.7	19.8	17.0
Transferable deposits	21.5	28.3	22.2	17.9	17.7	16.2	9.6	14.3
Other deposits	18.1	17.7	16.3	19.9	15.1	19.1	16.6	13.6
Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Deposits in foreign currency	19.3	7.0	0.0	8.8	7.2	10.9	4.6	8.6
Deposits in national currency	20.1	24.6	26.7	28.1	22.2	25.3	25.0	22.1
Reserve money multiplier (M3/MO)	3.4	3.3	3.2	3.3	3.0	3.1	3.1	3.0
Velocity of money (M3; end-period)	3.7	3.4	3.7	3.3	3.3	3.3	3.2	3.2
Velocity of money (M2; end-period)	5.5	4.8	5.1	4.5	4.5	4.5	4.4	4.5
Currency/M3	19.8	18.7	19.2	19.3	18.9	18.3	17.9	17.7
Credit to private sector/M3	45.5	50.6	53.5	61.1	61.1	60.7	60.6	60.8
Credit to private sector/Private deposits	56.8	62.3	66.2	75.7	75.4	74.4	73.8	73.8
Percent of GDP								
M3	26.7	29.7	26.7	30.1	30.0	30.5	30.8	30.8
M2	18.2	21.0	19.5	22.1	22.1	22.3	22.5	22.4
M1	10.7	12.4	11.4	12.8	12.9	12.7	12.5	12.4
Credit to private sector	12.2	15.0	14.3	18.4	18.4	18.5	18.7	18.7
Import Bill								
Gross official reserves	2,161.7	2,753.7	2,664.9	2,862.9	2,736.4	2,705.5	2,683.7	2,735.7
Gross official reserves in months of imports (current year)	4.8	4.9	4.7	4.5	4.3	4.3	4.2	4.3
Gross official reserves in months of imports (next year)	4.5	4.5	4.3	3.8	3.6	3.6	3.6	3.6
End of Period Exchange Rate (TZS per USD)	1268.31	1132.09	1,180.9	1,280.3	1,287.0	1,302.5	1,313.7	1,320.4

Source: Bank of Tanzania

Table A9: Interest Rate Structure

In Percent

Item	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr. Prov.
	2008							2009			
A: Domestic Currency											
1 Interbank Cash Market Rates											
Overnight	3.45	3.49	3.64	4.19	5.23	5.51	6.27	8.31	9.63	9.90	9.29
2 to 7 days	3.68	3.67	3.75	4.23	5.55	5.80	6.60	8.64	9.97	10.17	9.74
8 to 14 days	3.99	3.87	3.88	4.61	5.69	5.89	6.21	8.34	10.84	10.77	9.85
15 to 30 days	4.85	4.00	4.00	4.00	4.00	5.90	5.90	5.90	5.90	11.76	10.27
31 to 60 days	4.73	5.50	5.50	6.09	6.03	6.83	8.75	8.75	11.01	11.80	11.05
61 to 90 days	5.93	5.93	5.93	5.93	5.93	5.93	11.00	11.00	12.15	12.15	12.15
91 to 180 days	5.50	5.50	8.21	10.48	10.16	11.46	11.69	11.50	12.00	12.00	12.00
181 and above	7.88	8.50	8.50	8.50	10.85	13.00	13.00	13.00	14.35	14.35	14.35
Overall Interbank cash market rate	**3.61**	**3.61**	**3.70**	**4.32**	**5.45**	**5.85**	**6.54**	**8.41**	**9.81**	**10.10**	**9.58**
2 Lombard Rate	**7.55**	**8.54**	**7.99**	**8.67**	**8.90**	**9.66**	**10.32**	**12.47**	**14.45**	**14.86**	**13.94**
3 REPO Rate	**3.75**	**3.79**	**3.76**	**4.02**	**4.89**	**5.32**	**6.42**	**7.55**	**9.09**	**9.73**	**8.38**
4 Treasury Bills Rates											
35 days	5.03	5.70	5.33	5.78	5.93	6.44	6.88	7.43	7.54	7.62	7.03
91 days	5.76	7.93	8.62	10.36	10.39	10.76	11.20	11.60	11.99	12.43	10.55
182 days	7.63	8.51	10.11	10.53	10.81	11.00	12.13	13.28	14.64	14.86	12.04
364 days	10.00	11.15	11.48	11.56	11.63	11.97	12.79	15.32	14.74	14.99	12.57
Overall Treasury bills rate	**7.84**	**9.46**	**9.47**	**10.17**	**10.30**	**10.33**	**10.99**	**12.53**	**12.85**	**13.33**	**11.01**
5 Treasury Bonds Rates											
2-years	12.87	12.87	12.87	13.20	13.20	14.35	14.35	14.35	14.35	15.28	15.28
5-years	14.49	14.49	14.49	14.49	16.39	16.39	16.39	17.32	17.32	17.32	17.32
7-years	17.18	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.06
10-years	17.09	17.09	19.47	19.47	19.47	19.47	19.47	19.47	19.92	19.92	19.92
6 Discount Rate	**12.84**	**14.46**	**14.47**	**15.17**	**15.30**	**15.33**	**15.99**	**17.53**	**17.85**	**18.33**	**16.01**
7 Savings Deposit Rate	**2.79**	**2.64**	**2.61**	**2.67**	**2.63**	**2.66**	**2.71**	**2.61**	**2.72**	**2.69**	**2.70**
8 Overall Time Deposits Rate	**6.66**	**6.58**	**5.86**	**6.43**	**6.22**	**6.38**	**6.39**	**6.41**	**6.58**	**6.79**	**6.85**
Call Accounts	0.80	0.76	0.75	0.76	0.83	0.64	0.65	0.45	0.71	0.89	1.04
1 month	6.05	5.96	5.79	6.10	6.48	6.24	6.53	6.49	7.03	7.36	7.07
2 months	6.90	8.69	6.79	8.14	7.07	7.31	7.96	7.26	7.61	7.96	7.75
3 months	7.92	7.11	7.36	7.30	7.22	7.80	7.38	8.06	7.68	8.46	7.81
6 months	8.97	8.91	7.03	7.61	7.25	7.93	8.20	8.06	8.61	8.79	8.88
12 months	8.29	8.17	7.48	8.05	8.20	8.76	8.29	8.65	8.47	8.44	8.85
24 months	7.71	6.49	5.82	7.07	6.52	5.96	5.75	5.90	5.91	5.66	6.57
9 Negotiated Deposit Rate	**10.62**	**9.26**	**9.63**	**10.27**	**10.11**	**10.26**	**10.23**	**10.66**	**10.82**	**10.99**	**11.27**
10 Overall Lending rate	**14.76**	**15.05**	**14.83**	**14.91**	**14.82**	**14.30**	**16.05**	**14.93**	**14.95**	**15.12**	**15.45**
Call Loans	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25	19.25
Short-term (up to 1year)	13.93	13.35	13.86	14.04	13.27	13.57	13.56	13.41	13.45	13.44	13.87
Medium-term (1-2 years)	15.56	15.72	15.82	15.74	15.40	15.38	16.57	15.16	15.12	15.33	15.55
Medium-term (2-3 years)	14.58	15.28	15.65	15.66	15.39	14.62	17.18	14.72	14.94	14.93	15.18
Long-term (3-5 years)	16.64	16.92	15.80	15.94	16.32	15.69	16.52	15.20	15.26	15.28	15.54
Term Loans (over 5 years)	13.07	14.00	13.01	13.18	13.69	12.22	16.43	16.19	15.98	16.63	17.11
11 Negotiated Lending Rate	**13.07**	**11.01**	**12.18**	**12.68**	**13.38**	**11.96**	**11.91**	**12.27**	**12.12**	**12.85**	**13.87**
B: Foreign Currency											
1 Deposits Rates											
Savings Deposits Rate	**1.71**	**0.87**	**1.92**	**1.65**	**1.63**	**1.64**	**1.43**	**1.44**	**0.70**	**2.36**	**2.38**
Overall Time Deposits Rate	**4.42**	**4.43**	**2.92**	**2.93**	**3.09**	**3.25**	**3.87**	**3.74**	**4.02**	**3.83**	**2.84**
1-months	5.04	2.61	2.79	2.88	2.58	3.09	3.53	2.80	2.24	3.82	2.66
2-months	4.46	6.03	2.92	2.60	3.15	2.76	3.73	3.72	4.94	3.78	4.01
3-months	3.95	5.05	2.91	3.08	2.70	3.30	4.61	4.65	5.12	4.56	2.61
6-months	5.17	4.05	2.86	2.91	3.38	3.41	4.14	4.13	4.17	3.81	2.47
12-months	3.48	4.43	3.12	3.19	3.65	3.68	3.36	3.41	3.63	3.21	2.43
2 Overall Lending Rate	**8.19**	**6.94**	**7.14**	**9.49**	**9.29**	**9.68**	**9.62**	**9.38**	**7.62**	**9.48**	**9.28**
Short-term (up to 1year)	6.74	5.60	5.43	5.33	6.37	6.35	6.29	6.28	6.53	5.88	4.86
Medium-term (1-2 years)	8.70	6.92	7.20	10.33	10.47	10.49	10.53	9.88	8.09	10.78	10.86
Medium-term (2-3 years)	8.56	6.74	6.81	10.69	8.40	10.74	10.44	9.97	8.05	9.93	10.10
Long-term (3-5 years)	8.29	7.33	7.35	10.00	10.13	10.06	10.24	10.45	7.67	10.54	10.55
Term Loans (over 5 years)	8.68	8.12	8.91	11.08	11.08	10.74	10.60	10.33	7.74	10.31	10.05

Source: Bank of Tanzania

TableA10: Tanzania's Balance of Payments

Millions of USD

Item	2003	2004	2005	2006	2007r	2008P
A. Current Account	**-118.1**	**-365.9**	**-862.8**	**-1,143.2**	**-1,580.3**	**-2,333.4**
Balance on Goods	-712.6	-1,001.2	-1,318.5	-1,946.5	-2,634.1	-3,403.2
Goods: exports f.o.b.	1,220.9	1,481.6	1,679.1	1,917.6	2,226.6	3,036.7
Traditional	220.5	297.8	354.5	267.1	319.7	418.4
Non-traditional	1,000.4	1,183.9	1,324.6	1,476.2	1,704.5	2,270.6
o\w Gold	502.8	629.9	655.1	786.4	788.2	932.4
Unrecorded trade				174.3	202.4	347.8
Goods: imports f.o.b.	-1,933.5	-2,482.8	-2,997.6	-3,864.1	-4,860.6	-6,439.9
Balance on Services	222.1	158.9	61.8	278.7	460.3	570.9
Services: credit	947.8	1,133.6	1,269.2	1,528.1	1,875.7	2,168.9
Services: debit	-725.7	-974.7	-1,207.3	-1,249.4	-1,415.4	-1,598.0
Balance on Goods and Services	-490.5	-842.3	-1,256.6	-1,667.8	-2,173.7	-2,832.3
Balance on income	-138.5	-112.4	-102.0	-64.1	-58.1	-118.1
Income: credit	87.1	81.8	80.9	80.3	107.3	121.6
Income: debit	-225.6	-194.2	-182.9	-144.4	-165.4	-239.7
Balance on Goods, Services and Income	-629.1	-954.7	-1,358.6	-1,731.9	-2,231.9	-2,950.4
Balance on Current transfers	511.0	588.8	495.7	588.7	651.5	617.0
Current transfers: credit	574.2	653.8	563.3	654.6	724.0	697.2
Current transfer: debit	-63.3	-65.0	-67.5	-65.9	-72.5	-80.2
B. Capital Account	**692.8**	**459.9**	**393.2**	**5,183.5**	**923.7**	**637.5**
Capital transfers: credit	692.8	459.9	393.2	5,183.5	923.7	637.5
Total, Groups A plus B	**574.6**	**94.0**	**-469.7**	**4,040.3**	**-656.7**	**-1,695.9**
C. Financial Account, excl. reserves and related items	**160.6**	**306.3**	**555.6**	**-3,954.6**	**946.0**	**2,341.8**
Direct investment in Tanzania	308.2	330.6	494.1	597.0	647.0	744.0
Portfolio investment	2.7	2.4	2.5	2.6	2.8	2.9
Other investment	-150.3	-26.7	59.0	-4,554.2	296.3	1,594.8
Total, Groups A through C	735.2	400.3	85.9	85.7	289.4	645.9
D. Net Errors and Omissions	**-346.2**	**-116.3**	**-313.7**	**375.0**	**123.3**	**-537.1**
Overall balance	**389.1**	**284.0**	**-227.8**	**460.7**	**412.6**	**108.8**
E. Reserves and Related Items	**-389.1**	**-284.0**	**227.8**	**-460.7**	**-412.6**	**-108.8**
Reserve assets	-508.8	-308.2	253.1	-126.5	-419.4	-108.3
Use of Fund credit and loans	-2.9	-33.8	-50.5	-334.2	6.7	-0.4
Exceptional financing	122.6	58.0	25.1	0.0	0.0	0.0
Memorandum items:	12,107.1	13,971.6	15,965.3	17,941.3	20,948.4	25,336.9
GDP(mp) billions of TZS	11,653.4	12,828.0	14,139.1	14,308.4	16,838.6	21,179.2
GDP(mp) millions of USD	-1.0	-2.9	-6.1	-8.0	-9.4	-11.0
CAB/GDP	-5.4	-7.4	-9.5	-11.9	-13.1	-13.8
CAB/GDP (excl. current official transfers)	2,037.8	2,307.7	2,054.6	2,137.5	2,761.9	2,869.7
Gross Official Reserves	7.1	6.6	4.8	4.1	4.1	4.3
Months of Imports	1,413.5	188.1	272.6	283.7	405.1	542.7
Net International Reserves (year end)	-366.8	-165.6	-84.4	-11.1	-121.4	-137.6
Change in Net International Reserves	1,063.6	1,043.0	1,165.5	1,261.6	1,132.1	1,280.3
Exchange rate (end of period)	1,038.9	1,089.1	1,129.2	1,253.9	1,244.1	1,196.3
Exchange rate (annual average)						

Notes:

1. Change in gross official reserves will not necessarily be equal to reserve assets since a new methodology of computing reserve assets which nets out the impact of valuation was introduced beginning January 2006

r = Revised; p = Provisional; O/W = Of Which

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 also known as Bank Rate

The rate of interest the Bank of Tanzania charges on loans it extends to commercial banks and on government.

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, special drawing rights (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.

Lombard Facility

An overnight facility established to enable commercial banks to borrow at their own discretion, by pledging eligible government securities as collateral.

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—Monetary Base, Base Money, or 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.

Nominal Exchange Rate

It is the price at which actual transactions in foreign exchange markets occur.

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 to 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 Annualized Yields of Treasury Bill for all Maturities

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

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Printed by The Print Factory