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MONETARY POLICY STATEMENT

The Mid - Year Review

2019/20

BANK OF TANZANIA

February 2020



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6th February 2020

**Hon. Dr. Philip I. Mpango (MP),
Minister for Finance and Planning,
Government City - Mtumba,
Hazina Street,
P. O. Box 2802,
40468 Dodoma, TANZANIA.**

Honourable Minister,

LETTER OF TRANSMITTAL

Pursuant to Section 21 (5) of the Bank of Tanzania Act, Cap. 197, I hereby submit the Mid-Year Review of the **Monetary Policy Statement** of the Bank of Tanzania for the financial year 2019/20 for subsequent submission to the National Assembly.

The Statement reviews the outcome of the monetary policy stance pursued during the first half of 2019/20. It then describes the current economic environment and outlook and concludes with an outline of the monetary policy stance and measures that the Bank of Tanzania intends to pursue in the second half of 2019/20 to meet its policy objectives.

Yours Sincerely,

Prof. Florens D. A. M. Luoga
GOVERNOR
BANK OF TANZANIA





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EXECUTIVE SUMMARY

Introduction

This Monetary Policy Statement, *Mid-Year Review*, presents recent global and domestic economic developments and provides progress on the implementation of monetary policy during the first half of 2019/20. In addition, it provides an outlook for the economy and the monetary policy stance for the second half of 2019/20.

Global Economy

Global growth momentum was subdued in 2019. The IMF World Economic Outlook of January 2020 indicates a slowdown in global growth to 2.9 percent from 3.6 percent in 2018 due to trade dispute between China and USA, geopolitical tensions in the Middle East, and policy uncertainty surrounding Brexit. Intensified social unrest in some countries, weather-related disasters in the Caribbean and Australia, and drought in southern Africa also weighed on economic activity. These factors undermined trade and investment. In the emerging markets and developing economies, output growth was weaker than expected in 2019, estimated at 3.7 percent, down from 4.5 percent in 2018, reflecting underperformance of more than half of emerging market economies including China and India. In sub-Saharan Africa, economic activity grew by 3.3 percent compared to 3.2 percent in 2018.

The IMF projects a resilience in global growth in the years ahead. Growth is projected at 3.3 percent in 2020 and rebounding to 3.4 percent in 2021, as trade and investment recover. In advanced economies, output growth is projected to stabilize at 1.6 percent, in both 2020 and 2021,



while in emerging market and developing economies is expected to edge up to 4.4 percent and 4.6 percent. In sub-Saharan Africa, growth is expected to strengthen to 3.5 percent in both years, owing to improvement in business confidence, a pick-up in oil production, and growth in agriculture.

Consumer price index (CPI) inflation remained low in advanced and emerging market economies, albeit edging up owing to energy and food prices. In advanced economies, inflation averaged 1.4 percent in 2019 from 2.0 percent in the preceding year. In emerging market and developing economies inflation was 5.1 percent, up from 4.8 percent. In sub-Saharan Africa inflation eased to 8.4 percent from 8.5 percent. Inflation rose slightly in EAC countries due to food prices, but declined in the SADC countries as food prices moderated in some countries. The IMF World Economic Outlook for January 2020, projects inflation to remain around 1.7 percent in 2020 in advanced economies and 4.6 percent in emerging market and developing economies, owing to softening of energy prices. In sub-Saharan Africa, inflation is projected at 8.0 percent, due to subdued oil prices in the world market.

Domestic Economy

Tanzania Mainland

The economy performed strongly in the first three quarters of 2019. GDP growth averaged 6.9 percent, same as in the corresponding period in 2018. The performance was bolstered by scaling up of public investment and steady private sector activity, stable consumption expenditure and export growth. The main contributors to growth were construction, agriculture and transport activities. Several economic indicators suggest growth to be high during the fourth quarter.



Accordingly, the projected growth rate of around 7 percent in 2019 is likely to be realized. In 2020, the economy is projected to grow by more than 7 percent.

CPI headline inflation remained low and stable, averaging 3.6 percent in the first half of 2019/20 compared with 3.2 percent in the corresponding period of 2018/19. The level was below the medium-term target of 5.0 percent. It was also within the EAC and SADC convergence criteria of not more than 8.0 percent and the range of 3 to 7.0 percent, respectively. The outturn of inflation was supported by prudent monetary and fiscal policies, stability of the exchange rate, moderate oil prices in the world market and adequate supply of food in the country. Core inflation, that excludes food and energy, averaged 2.6 percent compared with 2.3 percent in the corresponding period in 2018/19. Headline inflation is projected to remain around the medium-term target of 5 percent in the second half of 2019/20, reinforced by adequate food supply, moderation in the production costs and sustained prudent monetary and fiscal policies.

Money supply continued to grow in line with the targets. Extended broad money supply (M3) grew at an annual rate of 9.6 percent in December 2019, within the projected growth path of 10.0 percent by the end of June 2020. The growth was a reflection of accommodative monetary policy and steady private sector borrowing. Credit to the private sector grew at an annual rate of 11.1 percent in December 2019, with much of the credit absorbed by agriculture, building and construction, and mining and quarrying activities.

The exchange rate remained stable, bolstered by prudent monetary and fiscal policies, moderate current account deficit and subdued oil



prices in the world market. In addition, measures implemented by the Bank to ensure transparency and orderly market for foreign exchange operations contributed to the stability of the shilling. The exchange rate is expected to remain stable in the second half of 2019/20.

Revenue performance was remarkable in the first half of 2019/20, surpassing the targets in September and December 2019. Revenue collection deposited at the Bank of Tanzania amounted to TZS 9,810.8 billion, which was equivalent to monthly average collection of TZS 1,635.1 billion and about 96.6 percent of the target. The improved revenue collection was due to strengthened tax administration efforts and enhanced compliance. Expenditure of the Government progressed in line with the plans, amounting to TZS 10,034.0 billion on cash basis, of which, development expenditure was TZS 2,639.8 billion. The public (external and domestic) debt remained sustainable at 27.1 percent of GDP against the threshold of 70 percent, bolstered by current and future growth prospects and improvement in policy and institutional settings.

The external sector remained sustainable. The balance of payments recorded a surplus as the deficit in the current account moderated, due to increase in export, particularly gold and manufactured goods. The current account deficit is projected to remain moderate at 3.2 percent of GDP, driven by exports. Foreign exchange reserves remained high and above the country and regional benchmarks. The reserves were more than USD 5.5 billion in December 2019, covering above 6 months of imports against the country benchmark of at least 4 months. The convergence criteria for EAC and SADC countries are 4.5 and 6 months of import cover, respectively.



The banking sector remained stable and profitable. Capital and liquidity levels were above the regulatory requirements. The quality of assets of banks improved, as the ratio of non-performing loans to gross loans declined to 9.8 percent in December 2019 from 10.7 percent in June 2019. The Bank continued to take measures to reduce non-performing loans close to the desired level of 5 percent. The measures include enforcement of risk based prudential requirements and requiring banks to improve credit underwriting standards by using credit information reports from Credit Reference Bureaus in loan application assessment and granting process. In addition, the Bank has instituted mechanisms of monitoring banks in the implementation of strategies to reduce non-performing loans. Banks are also required to submit credit information to the credit reference system and adhere to the Tanzania Banker's Association Code of Conduct for staff of the banking sector.

The Bank also continued to strengthen risk management practices in the financial sector by implementing various policies and regulatory reforms to safeguard the industry. Notably, new set of regulations were issued: The Bank of Tanzania Financial Consumer Protection Regulations 2019; Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations 2019; Microfinance (Savings and Credit Cooperative Societies) Regulations 2019; and Microfinance (Community Microfinance Groups) Regulations 2019; which provide guidance in supervising microfinance service providers including credit only institutions, individuals and community groups. Furthermore, the Bank directed banks to implement capital restoration plans and adhere to the regulatory requirements.

The payment, clearing and settlement systems operated smoothly. In an effort to improve efficiency of the payment systems and



improve financial inclusion, the Bank has continued to spearhead and encourage innovations in payment systems instruments and utilization of interoperability capability in mobile money services. The interoperability of mobile financial services contributed to growth of mobile money transactions by 6.0 percent in volume and 15.0 percent in value over the corresponding period of 2018/19. As at the end of December 2019, the number of active registered accounts for mobile money stood at 24.4 million compared with 23.3 million in the corresponding period in 2018.

Zanzibar

Zanzibar economy grew at 4.3 percent in the first three quarters of 2019, compared with 9.1 percent recorded in the corresponding period of 2018. Activities that mainly contributed to the recorded growth include manufacturing and trade. Growth is expected to remain strong in the second half of 2019/20, supported by ongoing public investment in infrastructure projects, both social (education and health) and economic (roads, airports and ports), improvement in horticulture farming and tourism related activities.

CPI headline inflation remained subdued, below the medium-term target of 5.0 percent. Headline inflation averaged 2.6 percent, compared with 3.8 percent recorded in the corresponding period of 2018/19. The low level of inflation was attributed to decrease in the prices of non-food items, particularly petroleum products. Inflation is expected to remain at single digit in the second half of 2019/20.

Revenue performance was broadly in line with the target, and expenditure was rationalized in line with the budget and availability of resources. Domestic revenue amounted to TZS 432.0 billion,



equivalent to 91.1 percent of the target. Expenditure amounted to TZS 583.9 billion, equivalent to 97.0 percent of the estimate, of which development expenditure was TZS 176.9 billion.

The current account balance widened to a deficit of USD 39.7 million in the first half of 2019/20, compared with a deficit of USD 33.9 million recorded in the corresponding period of 2018/19. The widening of the deficit was due to increase in imports that outweighed the increase in exports.

Implementation of Monetary Policy

The monetary policy objectives for 2019/20 were to sustain low inflation, within the medium-term target of 5.0 percent, and support economic growth. Accordingly, the monetary policy targets set forth for the year ending June 2020 are as follows: (i) Growth of average reserve money of 9.0 percent; (ii) Growth of extended broad money (M3) of 10.0 percent; (iii) Private sector credit growth of 13.5 percent; and (iv) Maintain adequate foreign exchange reserves covering at least 4 months of projected imports of goods and services.

The implementation of monetary policy was in line with the targets. Against a backdrop of low inflation, the Bank of Tanzania continued to implement accommodative monetary policy to support economic growth. The accommodative monetary policy focused on ensuring adequate liquidity in the economy to support fast recovery of credit growth to the private sector. Accordingly, the Bank reduced the statutory minimum reserve requirement (SMR) ratio from 8.0 percent to 7.0 percent and widened the SMR reserve-averaging band from 10 percentage points to 20 percentage points. In addition, the Bank injected liquidity in the banking system using various monetary policy



instruments, such as reverse repo and purchase of foreign exchange from the Interbank Foreign Exchange Market (IFEM).

The monetary policy measures, complemented by standby credit facilities, helped to maintain adequate level of liquidity in the banks and money market interest rates remained low. The overnight interbank cash market interest rate declined gradually to 3.63 percent in December 2019 from 5.47 percent in June 2019. The overall Treasury bills yield also declined to 5.81 percent from 8.69 percent, while average interest rate on bank loans declined to 16.76 percent from 16.87 percent. Likewise, one-year lending rate declined to an average of 16.28 percent from 16.43 percent.

Money supply and credit to the private sector also responded to the accommodative monetary policy. Extended broad money supply (M3) grew at an annual rate of 9.6 percent in December 2019, consistent with projected growth rate of 10.0 percent for the year ending June 2020. Credit to the private sector grew by 11.1 percent, and is projected to grow by 13.5 percent in the year ending June 2020.

In order to improve the functioning of the financial markets for efficient conduct of monetary policy, particularly in reference to transition to an interest rate-based monetary policy framework, the Bank undertook several measures. Most importantly, is the adoption of the Global Master Repurchase Agreement (GMRA) 2011 in July 2019, by developing a Tanzania Annex to GMRA 2011. This will develop repurchase agreement transactions between banks (horizontal repo) in Tanzania in a bid to improve liquidity situation. The Bank has also enhanced the Central Depository System web portal, an electronic trading platform to include a module that will facilitate smooth operations of horizontal repo transactions between banks.



Monetary Policy Stance for the Second Half of 2019/20

In the second half of 2019/20, the Bank will continue with accommodative monetary policy to facilitate high growth of credit to the private sector and spur growth of the economy, while ensuring that inflation remains low and consistent with the medium-term target of 5.0 percent. This will be supported by streamlined government spending and expected stability of shilling exchange rate. The accommodative policy is also expected to ensure low and stable money market interest rates and ultimately influence lending rates. The stability of short-term interest rates is a building block for transition to an interest rate-based monetary policy framework, which entails setting policy rate to achieve inflation and output objectives.

Conclusion

The domestic economy is expected to sustain steady growth in the remainder of 2019/20, supported by the public and private investments, stability of power generation, supportive monetary and fiscal policies, ongoing improvement in value addition in minerals, coupled with expected favorable weather conditions. These attributes will also maintain inflation around the medium-term target of 5 percent.

The Bank will continue to implement accommodative monetary policy, while closely monitoring any potential risks posed by domestic and global economic developments on price stability objective. Close coordination of monetary and fiscal policies will be sustained to ensure effective macroeconomic management. Regular forums with stakeholders in the financial sector will be sustained to ensure smooth implementation of ongoing policy and regulatory reforms for financial sector stability.



In view of the recent trends and outlook of the global and domestic economic developments, sound and stable financial system, expected streamlined government budgetary operations, and monetary policy stance outlined in this Statement, the Bank is confident that the monetary policy targets set for 2019/20 will be attained.



PART I

1.0 INTRODUCTION

The Bank of Tanzania, under section 21 (5) of the Bank of Tanzania Act, Cap. 197, is mandated to issue the *Mid-Year Review* of the Monetary Policy Statement. This Monetary Policy Statement, *Mid-Year Review*, presents the recent global and domestic economic developments and provides progress on the implementation of monetary policy during the first half of 2019/20. In addition, it provides an outlook for the economy and the monetary policy stance for the second half of 2019/20.

The primary objective of the Bank of Tanzania, as provided under section 7 (1) of the Bank of Tanzania Act, Cap. 197, is “to formulate, define and implement monetary policy directed to the economic objective of maintaining domestic price stability conducive to a balanced and sustainable growth of the national economy”. Section 7(2) of the Act requires, without prejudice to the price stability objective, to ensure the integrity of the financial system, support economic policies, as well as promote sound monetary, credit and banking conditions.



BOX 1: MONETARY POLICY FRAMEWORK OF THE BANK OF TANZANIA

The monetary policy framework of the Bank of Tanzania focuses on maintaining domestic price stability by targeting growth rate of money supply. The mainstays of the monetary policy framework are as follows:

Objective of the Monetary Policy

The primary objective of the monetary policy is to maintain price stability, which is defined as low and stable inflation rate over time. The medium-term target is set at 5 percent. This target is consistent with EAC and SADC convergence criteria of 8 percent (set as maximum) and 3 - 7.0 percent, respectively. The inflation target is considered appropriate to support a sustainable growth of the economy. To achieve the objective of monetary policy, the Bank focuses on maintaining adequate level of liquidity in the economy and ensuring stability of interest rates and exchange rate.

Intermediate Target

The Bank of Tanzania controls inflation by managing the growth of money supply. Extended broad money supply (M3), which is estimated to have the closest relationship with the rate of inflation, is used as an intermediate target variable. M3 comprises of currency in circulation outside the banking system and deposits of residents with banks, including foreign currency deposits.

Operating Target

In order to influence growth of M3, the Bank of Tanzania controls growth of reserve money, elsewhere referred to as base money or high-powered money. Reserve money is related to money supply through the money multiplier. It basically comprises currency in circulation outside the banking system, cash held in the vaults of banks and deposits of banks kept with the Bank of Tanzania in local currency.

Monetary Policy Instruments

The Bank of Tanzania utilizes a variety of market-based instruments to conduct monetary policy. The monetary policy instruments include open market operations, i.e., selling or buying debt securities, and sale and purchase of foreign currency in the inter-bank foreign exchange market. In addition, repurchase agreements (repo) and reverse repurchase agreements (reverse repo) are used. The statutory minimum reserve requirement ratio (SMR) and discount rate are also part of monetary policy instruments. There are also standby credit facilities—intraday and Lombard loan facilities.

Communication

The Bank of Tanzania exercises a high degree of transparency on its decisions. The decisions of the Monetary Policy Committee (MPC) are communicated to banks through post-MPC engagements with Chief Executive Officers of banks, and to the public through the media. In addition, the Bank publishes various periodic reports, which highlight monetary policy stance, the outcome of monetary policy implementation, and developments of the economy at large. The reports are available on the Bank of Tanzania website.



BOX 2: MODALITIES FOR MONETARY POLICY IMPLEMENTATION

- At the beginning of every fiscal year, the Bank sets annual monetary policy targets in its Monetary Policy Statement, in accordance with the broader macroeconomic policy objectives of the Government.
- The Monetary Policy Statement is approved by the Bank's Board of Directors and submitted to the Minister for Finance and Planning, who in turn submits it to the National Assembly.
- The same procedure is followed in the mid-year review of the Monetary Policy Statement, which shows progress in the implementation of the monetary policy, outlook for the remaining period of the year and measures to be undertaken in order to achieve the policy objectives.
- The Monetary Policy Committee (MPC) of the Board of Directors of the Bank, which is chaired by the Governor, is responsible for setting the monetary policy direction bi-monthly, in line with the targets set in the Monetary Policy Statement.
- The Surveillance Committee of the Bank's Management meets daily to evaluate daily liquidity developments and decide on the measures to be taken in order to keep liquidity within the desired path.

Apart from this introduction, the Statement is organized as follows: Part II presents the macroeconomic policy framework for 2019/20, while Part III presents the review of recent economic developments. Part IV reviews progress in the implementation of monetary policy in the first half of 2019/20. Part V outlines the macroeconomic outlook for the second half of 2019/20, followed by Part VI, which outlines the monetary policy stance for the second half of 2019/20. Part VII concludes the Statement.



PART II

2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2019/20

2.1 Macroeconomic Policy Objectives

The macroeconomic policy objectives of the United Republic of Tanzania for 2019/20 are as follows:

- i. Attaining real GDP growth of 7.0 percent in 2019¹;
- ii. Maintaining a single digit annual headline inflation rate by end June 2020²; and
- iii. Budget deficit including grants of 2.3 percent of GDP in 2019/20.

For Zanzibar, real GDP growth is projected at 7.8 percent in 2019, while budget deficit is estimated at 3.9 percent of GDP in 2019/20.

2.2 Monetary Policy Objectives

In support of the 2019/20 broader macroeconomic objectives of the Governments, the Bank continues to focus on maintaining targeted single digit headline inflation rate by achieving specific monetary policy targets, while ensuring stability in the money market interest rates. In this regard, the Bank aims at achieving the following monetary policy targets in 2019/20:

- i. Annual growth of average reserve money of 9.0 percent;
- ii. Annual growth of extended broad money (M3) of 10.0 percent;
- iii. Annual growth of private sector credit of 13.5 percent; and
- iv. Maintaining adequate foreign exchange reserves of at least 4.0 months of projected imports of goods and services.

¹ GDP growth rate was revised from initial projection of 7.1 percent, mainly due to subdued global growth.

² The medium-term inflation target is 5 percent.



PART III

3.0 MACROECONOMIC DEVELOPMENTS

3.1 Global Economy

Global growth momentum was subdued in 2019. The IMF World Economic Outlook of January 2020 indicates a slowdown in global growth to 2.9 percent from 3.6 percent in 2018 due to trade dispute between China and USA, geopolitical tensions in the Middle East, and policy uncertainty surrounding Brexit. Intensified social unrest in some countries, weather-related disasters in the Caribbean and Australia, and drought in southern Africa also weighed on economic activity. These factors undermined trade and investment. Activity in advanced economies slowed to 1.7 percent in 2019, from 2.2 percent in 2018, owing to weak manufacturing and policy uncertainty associated with trade tension. Growth in most emerging markets and developing economies was weaker than expected in 2019, estimated at 3.7 percent, down from 4.5 percent in 2018, reflecting underperformance of more than half of emerging market economies including China and India. In sub-Saharan Africa, economic activity grew by 3.3 percent compared to 3.2 percent in 2018 (Table 3.1).

The IMF projects a resilience in global growth in the years ahead. Growth is projected at 3.3 percent in 2020 and rebounding to 3.4 percent in 2021, as trade and investment recover. In advanced economies, output growth is projected to stabilize at 1.6 percent, in both 2020 and 2021 (Table 3.1). The US economy is projected to grow by 2.0 percent from 2.3 percent in 2020, as fiscal stance returns to a neutral condition. The UK economy is expected to grow by 1.4 percent and 1.5 percent in the subsequent years, depending upon an orderly exit from the



European Union and the extent to which the economy will adjust to a new economic condition. Output growth in emerging market and developing economies is expected to edge up to 4.4 percent and 4.6 percent. In sub-Saharan Africa, growth is expected to strengthen to 3.5 percent in both years, owing to improvement in business confidence, a pick-up in oil production, and growth in agriculture.

Table 3.1: Global and Regional Real GDP Growth Rates

Region/Country	2015	2016	2017	2018	2019 ^e	Projections	
						2020 ^p	2021 ^p
World	3.4	3.2	3.8	3.6	2.9	3.3	3.4
Advanced economies	2.1	1.7	2.4	2.2	1.7	1.6	1.6
United States	2.6	1.5	2.3	2.9	2.3	2.0	1.7
Euro area	2.0	1.8	2.3	1.9	1.2	1.3	1.4
United Kingdom	2.2	1.9	1.8	1.3	1.3	1.4	1.5
Japan	1.1	0.9	1.7	0.3	1.0	0.7	0.5
Emerging markets and developing economies	4.3	4.4	4.8	4.5	3.7	4.4	4.6
China	6.9	6.7	6.8	6.6	6.1	6.0	5.8
India	8.0	7.1	7.2	6.8	4.8	5.8	6.5
Sub-Saharan Africa	3.4	1.4	2.9	3.2	3.3	3.5	3.5

Source: IMF, *World Economic Outlook, Update January 2020*
e - denotes estimate and *p* - denotes projection

Consumer price index (CPI) inflation remained low in advanced and emerging market economies, albeit edging up owing to energy and food prices (Table 3.2). In advanced economies, inflation is estimated at an average of 1.4 percent in 2019 from 2.0 percent in the preceding year. In emerging market and developing economies inflation is estimated to 5.1 percent, up from 4.8 percent. In sub-Saharan Africa inflation eased to 8.4 percent from 8.5 percent. Inflation rose slightly in EAC countries due to food prices, but fell in the SADC countries as food prices moderated in some countries. The IMF World Economic Outlook for January 2020, projects inflation to remain around 1.7 percent in 2020 in advanced economies and 4.6 percent in emerging market and developing economies, owing to softening of energy prices. In sub-



Saharan Africa, inflation is projected at 8.0 percent, due to subdued oil prices in the world market.

Table 3.2: Inflation Rates for Selected Countries and Regions

Percent

Region/Country	2018					2019							
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	1.9	1.6	1.5	1.9	2.0	1.8	1.6	1.8	1.7	1.7	1.8	2.1	2.3
Euro Area	1.5	1.4	1.5	1.4	1.7	1.2	1.3	1.0	1.0	0.8	0.7	1.0	1.3
Japan	0.3	0.2	0.2	0.5	0.9	0.7	0.7	0.5	0.3	0.2	0.2	0.5	0.8
United Kingdom	2.1	1.8	1.9	1.9	2.1	2.0	2.0	2.1	1.7	1.7	1.5	1.5	1.4
China	1.9	1.7	1.5	2.3	2.5	2.7	2.7	2.8	2.8	3.0	3.8	4.5	4.5
India	2.1	2.0	2.6	2.9	3.0	3.1	3.2	3.2	3.2	4.0	4.6	5.5	7.4
EAC	1.3	1.5	1.4	1.7	2.3	2.0	1.9	2.4	2.5	2.8	3.9	4.6	5.0
SADC	8.6	9.2	9.2	9.6	10.0	11.3	16.5	5.1	5.2	5.1	5.2	5.1	5.0

Source: OECD and respective National Statistical Offices

3.2 Domestic Economy

Domestic economy recorded strong performance, while headline inflation remained subdued. The macroeconomic stability was supported by prudent policies and favourable external sector performance.

3.2.1 GDP Performance

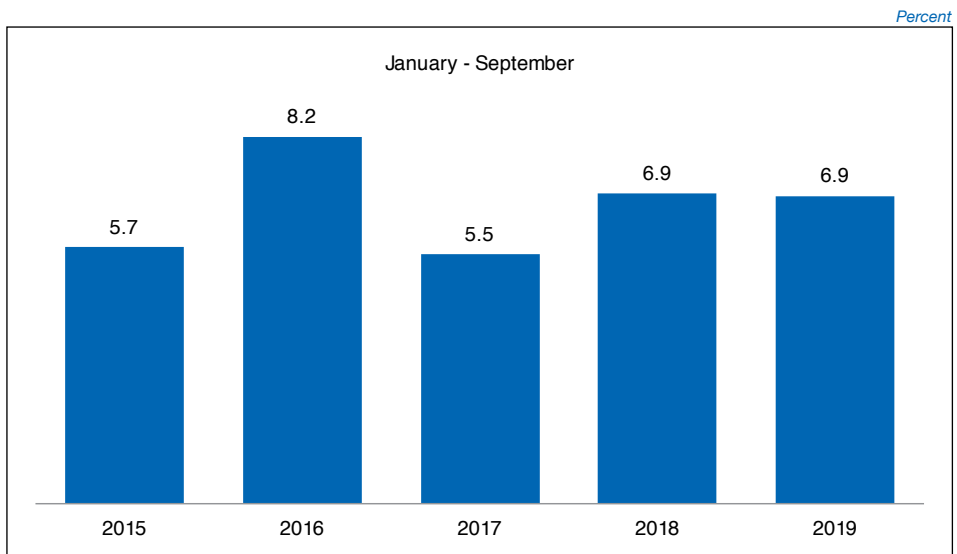
The economy performed strongly in the first three quarters of 2019. GDP growth averaged 6.9 percent, same as in the corresponding period in 2018 (Chart 3.1a). The performance was bolstered by scaling up of public investment and steady private sector activity, stable consumption expenditure and export growth. The main contributors to growth were construction, agriculture and transport activities (Chart 3.1b).

The activity that recorded highest growth rate was construction growing at 14.8 percent compared with 11.5 percent (Chart 3.1c). The sustained



growth in construction activities was attributed to large investment in infrastructure such as Standard Gauge Railway, roads, bridges, water supply, hydropower, as well as commercial and residential buildings. Mining and quarrying grew by 12.6 percent, following increase in production of coal, gold and diamond. The increase in production of gold, in particular, was reinforced by establishment of mineral trading centers aimed at streamlining operations and curbing smuggling of minerals. Information and communication sub-activity grew by 11.0 percent on account of increase in airtime usage by mobile phone customers and expansion of mobile and internet services. Financial and insurance grew by 4.7 percent compared to negative 0.5 percent recorded in the corresponding period of 2018, mainly attributed to increase in credit to the private sector.

Chart 3.1a: Real GDP Growth

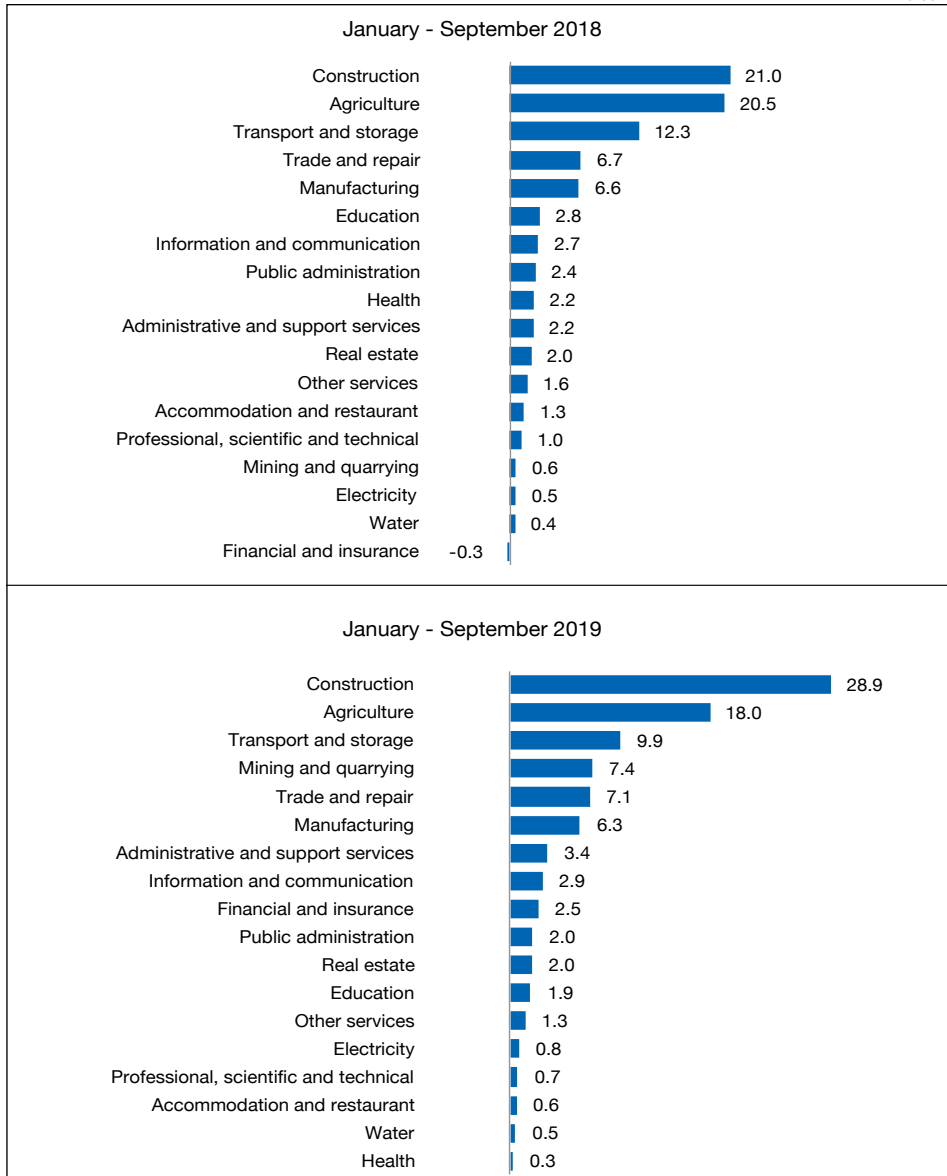


Source: National Bureau of Statistics and Bank of Tanzania computations.



Chart 3.1b: Contribution to Real GDP Growth by Major Economic Activities

Percent

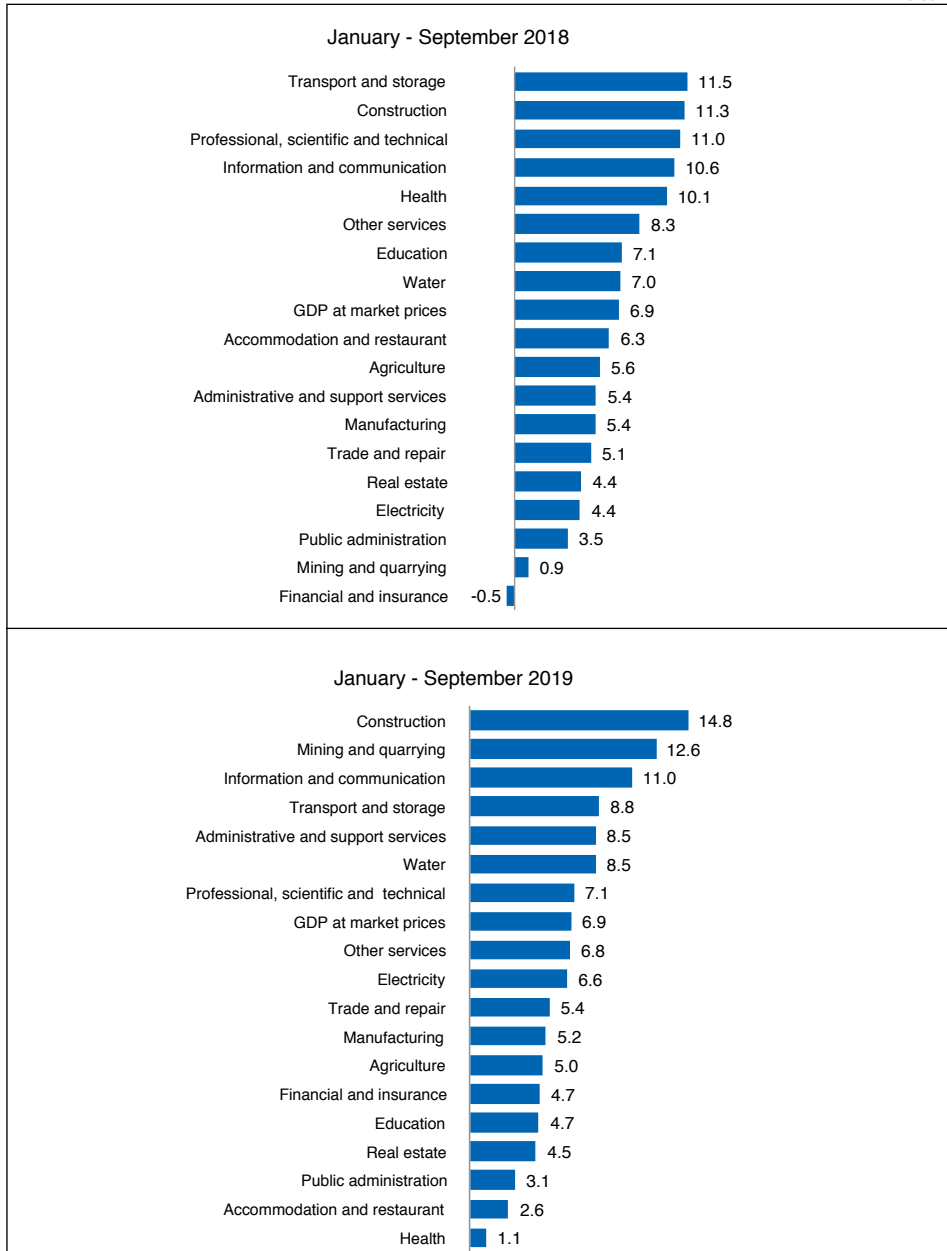


Source: National Bureau of Statistics and Bank of Tanzania



Chart 3.1c: Growth of Major Economic Activities

Percent



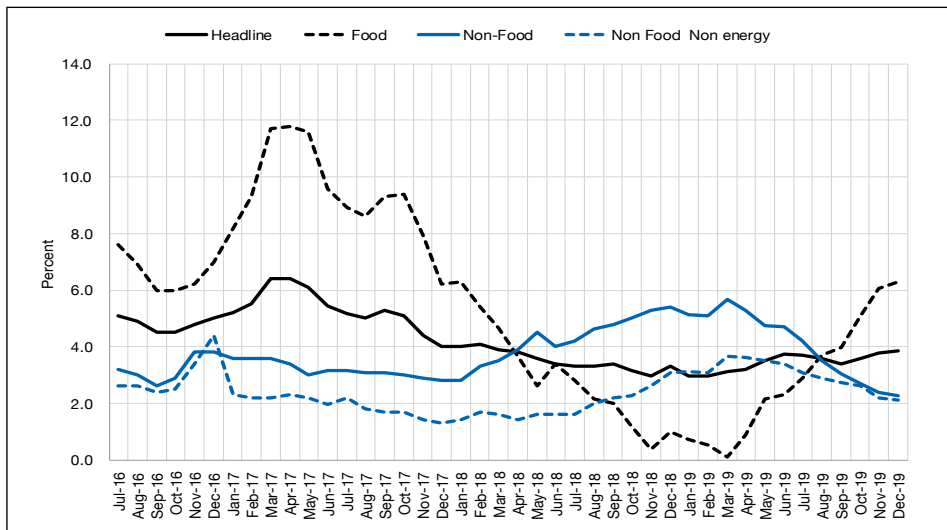
Source: National Bureau of Statistics and Bank of Tanzania



3.2.2 Inflation

CPI headline inflation remained low and stable. Headline inflation averaged 3.6 percent in the first half of 2019/20 compared with 3.2 percent in the corresponding period of 2018/19. The level was below the medium-term target of 5 percent, as well as within the EAC and SADC convergence criteria of not more than 8 percent and the range of 3 to 7.0 percent, respectively. The outturn of inflation was supported by prudent monetary and fiscal policies, stability of the exchange rate, moderate oil prices in the world market and adequate supply of food in the country. Food inflation increased to an average of 4.7 percent from 1.6 percent, due to increase in prices of some food crops such as maize, rice, sorghum and beans. Core inflation, that excludes food and energy, averaged 2.6 percent compared with 2.3 percent in the corresponding period in 2018/19. Energy inflation decelerated to an average of 4.8 percent from 18.8 percent recorded in the corresponding period of 2018, in line with slowdown of oil prices in the world market.

Chart 3.2: Inflation Developments



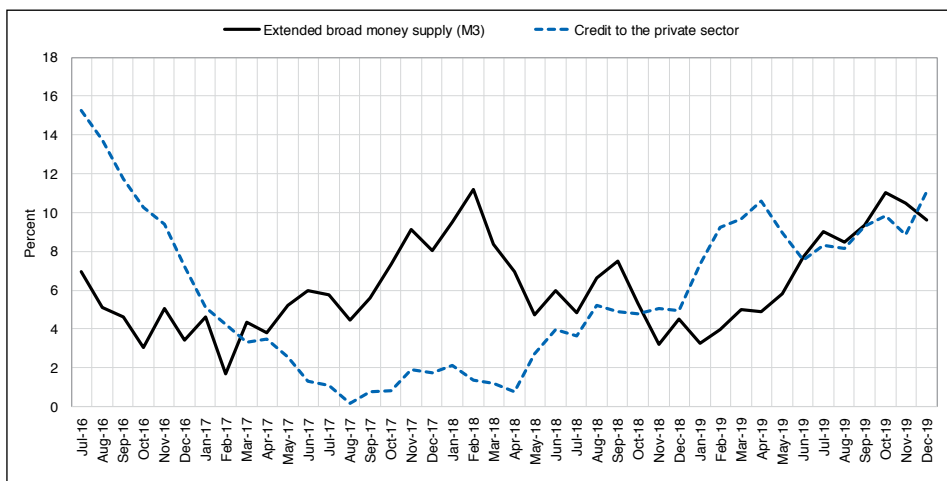
Source: National Bureau of Statistics and Bank of Tanzania computations



3.2.3 Money Supply and Credit

Money supply continued to grow in line with the target (Chart 3.3). Extended broad money supply (M3) grew at annual rate of 9.6 percent in December 2019, within the projected growth path of 10.0 percent by the end of June 2020. The sustained recovery in the growth of money supply was a reflection of accommodative monetary policy and steady private sector borrowing. Credit to the private sector maintained its recovery path growing at 11.1 percent in the year ending December 2019 compared with 7.6 percent in June 2019. The strong growth of credit to the private sector was more pronounced in agriculture, building and construction and mining and quarrying activities. Growth of credit to the private sector is expected to strengthen and evolve within the 13.5 percent target in the remainder of 2019/20, supported by sustained accommodative monetary policy, prudent fiscal policy, coupled with ongoing measures to reduce non-performing loans and other measures implemented by the government to improve business environment.

Chart 3.3: Annual Growth of Monetary Aggregates

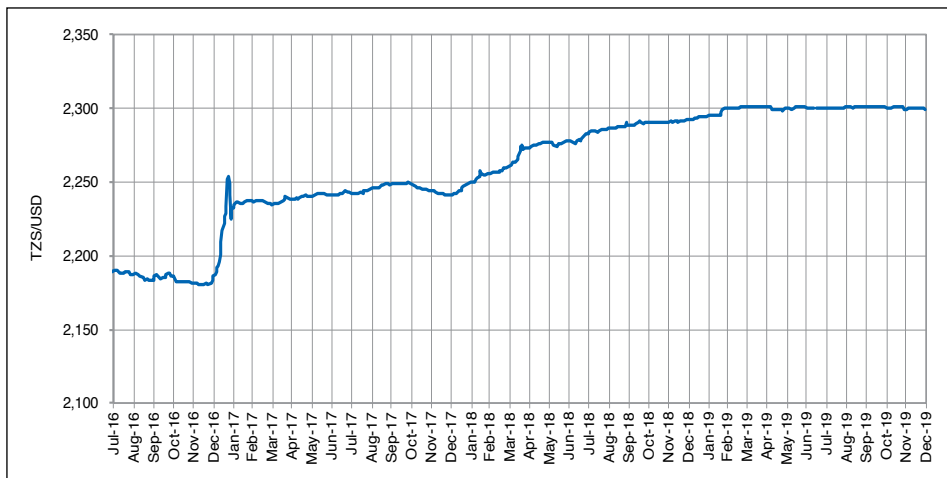


Source: Banks and Bank of Tanzania



The exchange rate remained stable throughout the first half of 2019/20, trading in narrow range of TZS 2,299.3 and TZS 2,300.95 per US dollar compared with TZS 2,276.43 to TZS 2,292.58 per US dollar in the first half of 2018/19 (Chart 3.4). Annual rate of depreciation of the shilling averaged 0.6 percent compared with 1.9 percent, consistent with inflation differential between Tanzania and trading partners. The stability of the exchange rate was bolstered by prudent monetary and fiscal policies, moderate current account deficit and subdued oil prices in the world market. Measures implemented by the Bank to ensure transparency and orderly market for foreign exchange also contributed to the stability of the shilling.

Chart 3.4: Nominal Exchange Rate (TZS/USD)



Source: Bank of Tanzania

3.2.4 Government Budgetary Performance on Cash Basis

Revenue performance was remarkable in the first half of 2019/20, surpassing the targets in September and December 2019. Revenue collection deposited at the Bank of Tanzania amounted to TZS 9,810.8



billion, which was equivalent to monthly average collection of TZS 1,635.1 billion and about 96.6 percent of the target (Table 3.3 and Chart 3.5). The improved revenue collection was due to strengthened tax administration efforts and enhanced compliance. Expenditure of the Government progressed in line with the plans, amounting to TZS 10,034.0 billion on cash basis, of which, development expenditure was TZS 2,639.8 billion.

Table 3.3: Government Budgetary Operations on Cash Basis

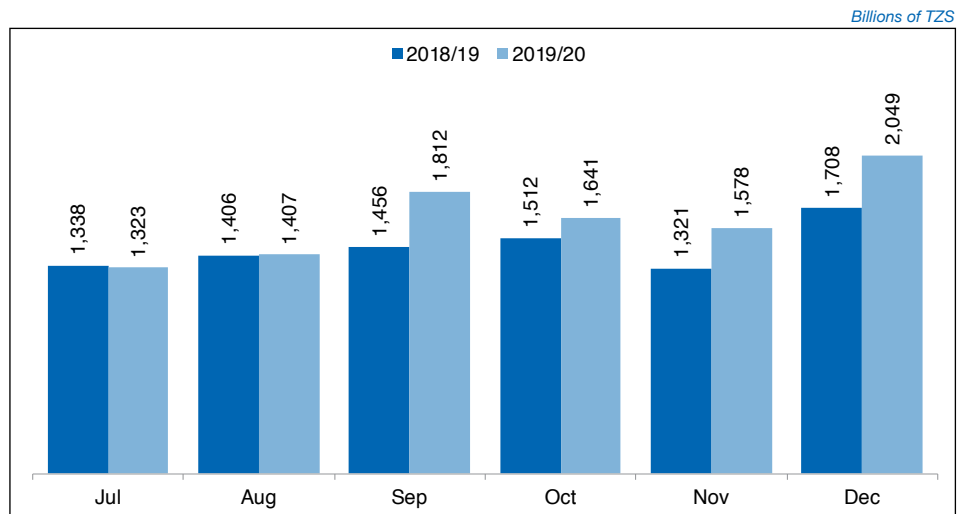
Billions of TZS

	July 2018 - December 2018		July 2019 - December 2019	
	Actual	Estimate	Actual	Act/Est (%)
Revenue	8,740.8	10,155.2	9,810.8	96.6
Total expenditure	9,207.2	11,650.5	10,034.0	86.1
Recurrent expenditure ¹	6,880.3	8,375.2	7,394.3	88.3
Development expenditure ²	2,326.9	3,275.2	2,639.8	80.6

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

Note: ¹Net of rollover and Local Government Authorities' own sources ²Excludes direct to project funds

Chart 3.5: Domestic Revenue Performance



Source: Bank of Tanzania



3.2.5 National Debt

National debt stock, domestic and external, stood at USD 28,691.1 million at the end of December 2019 from USD 28,412.8 million in June 2019. External debt was USD 22,381.8 million. Public sector debt was USD 23,955.3 million, slightly up from USD 23,215.4 million, of which external debt accounted for 73.7 percent. During the first half of 2019/20, external debt disbursements amounted to USD 1,573.3 million, out of which USD 1,313.7 million was received by the central government in the form of cash and direct to project financing. External debt service during the period amounted to USD 1,378.5 million, out of which USD 1,227.7 million was principal repayments and the balance was interest payments.

The Government domestic debt decreased by 2.9 percent to TZS 14,435.2 billion at the end of December 2019, compared with the amount recorded at the end of June 2019. Treasury bonds and stocks sustained dominance in the composition of Government domestic debt, accounting for 79.6 percent at the end of December 2019, compared with 70.8 percent at the end of June 2019.

The public (external and domestic) debt remained sustainable at 27.1 percent of GDP against the threshold of 70 percent, bolstered by current and future growth prospects and improvement in policy and institutional settings³ (Table 3.4).

³ The World Bank's Country Policy and Institutional Assessment (CPIA) conducted in 2019 placed Tanzania in a group of countries with strong policy, institutions and economic growth—Strong Performers.



Table 3.4: Debt Sustainability Analysis (DSA) Results

		<i>Percentage</i>						
	Threshold	2019/20	2020/21	2021/22	2022/23	2023/24	2029/30	2039/40
External DSA								
PV of debt-to GDP ratio	55.0	16.3	16.8	17.6	18.2	18.0	13.7	9.1
PV of debt-to-exports ratio	240	103.9	105.5	110.9	116.7	115.4	83.9	53.5
Debt service-to-exports ratio	21	11.9	11.1	9.5	10.3	11.2	11.7	8.1
Debt service-to-revenue ratio	23	11.9	11.9	10.1	10.7	11.6	11.8	7.9
Public DSA								
PV of debt-to GDP ratio	70	27.1	27.5	28.1	29.2	29.6	33.2	28.2
PV of debt-to-Revenue and grant	N/A	163.7	175.6	178.4	185.3	187.8	202.5	160.9
Debt service-to-revenue ratio	N/A	33.4	29.7	27.5	29.3	29.9	46.8	44.8

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

Note: NA - denotes Not Applicable

3.2.6 External Sector Performance

The external sector remained sustainable. The balance of payments recorded a surplus as the deficit in the current account moderated. During the first half of 2019/20, the overall balance of payments recorded a surplus of USD 1,103.1 million from a deficit of USD 448.0 million recorded in the corresponding period in 2018/19, supported by improvement in the current account. The current account balance recorded a deficit of USD 193.8 million from a deficit of USD 1,215.8 million, largely due to higher exports of goods, particularly non-traditional goods (Table 3.5).



Table 3.5: Current Account Balance

Items	July - December			Percentage
	2017/18	2018/19	2019/20 ^P	Change
Goods account (net)	-1,461.7	-2,174.5	-1,363.5	-37.3
Exports*	2,532.2	2,219.9	3,297.0	48.5
Imports	3,993.9	4,394.4	4,660.5	6.1
Services account (net)	990.3	1,153.0	1,269.7	10.1
Receipts	2,087.9	2,206.0	2,257.4	2.3
Payments	1,097.6	1,053.0	987.6	-6.2
Goods and services (net)	-471.4	-1,021.5	-93.8	-90.8
Export of goods and services	4,620.1	4,425.9	5,554.4	25.5
Import of goods and services	5,091.5	5,447.4	5,648.1	3.7
Primary income account (net)	-484.1	-401.2	-348.1	-13.2
Receipts	69.1	86.5	103.2	19.3
Payments	553.3	487.7	451.3	-7.5
Secondary income account (net)	172.5	206.9	248.0	19.9
Inflows	221.7	236.7	274.4	15.9
o/w General government	38.1	53.4	88.4	65.5
Outflows	49.1	29.7	26.3	-11.5
Current account balance	-783.0	-1,215.8	-193.8	-84.1

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: ^P - denotes provisional

* Include adjustment for unrecorded exports

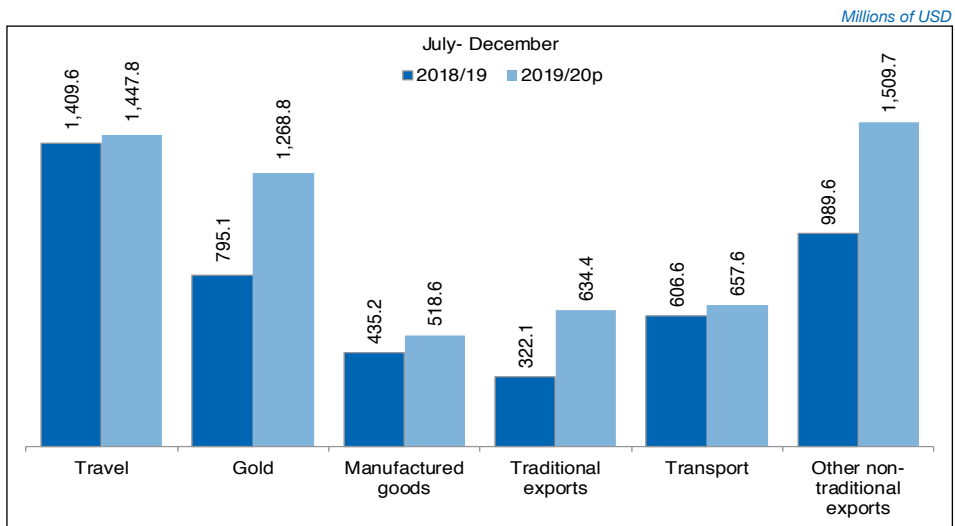
Foreign exchange reserves remained high and above the country and regional benchmarks. The reserves were more than USD 5.5 billion in December 2019, covering above 6 months of imports against the country benchmark of at least 4 months. The convergence criteria for EAC and SADC countries are 4.5 and 6 months of import cover, respectively.

During the first half of 2019/20, the value of exports of goods and services increased by 25.5 percent to USD 5,554.4 million from the level registered in the first half of 2018/19, due to increase in the value of export of non-traditional goods. The value of non-traditional goods exports grew by 39.3 percent to USD 2,362.9 million, largely driven by gold and manufactured goods. Export of gold, which accounted for 53.7 percent of non-traditional goods exports, increased by



59.6 percent to USD 1,268.8 million on account of both volume and favourable price in the world market. The higher volume of gold export corresponds to government initiatives to effectively manage mining activities in the country. Manufactured goods exports improved by 19.2 percent to USD 518.6 million, owing to good performance in exports of iron and steel products, glass and glassware, manufactured tobacco, sisal yarn and twine. Traditional goods exports amounted to USD 634.4 million compared to USD 322.1 million, mainly driven by exports of cashew nuts. Services receipts rose by USD 51.4 million to USD 2,257.4 million, largely explained by good performance in travel and transport receipts (Chart 3.6).

Chart 3.6: Export performance of selected goods and services



Source: Tanzania Revenue Authority and Bank of Tanzania

Note: P - denotes provisional

Imports of goods and services was USD 5,648.1 million, compared with USD 5,447.4 million recorded in the first half of 2018/19. All goods imports increased, with the exception of transport equipment, fertilizer



and machinery. The significant increase was noted in the imports of oil and industrial raw materials. The value of oil imports, which accounts for over 20.0 percent of goods imports, rose by 32.9 percent to USD 1,145.8 million, following increase in imported volume, associated with the on-going infrastructural projects (Table 3.6). During the period, imports of building and construction materials increased by 25.9 percent to USD 594.2 million, mainly for supporting the ongoing infrastructure projects in the country. Transport services payment increased by 10.7 percent in line with the increase in goods imports.

Table 3.6: Tanzania Imports by Major Category

Items	July- December			Millions of USD
	2017/18	2018/19	2019/20 ^p	Percentage change
Capital goods	1,351.2	1,952.3	1,762.1	-9.7
Transport equipment	391.3	744.4	474.7	-36.2
Building and constructions	293.2	472.0	594.2	25.9
Machinery	666.7	735.9	693.2	-5.8
Intermediate goods	1,495.5	1,356.1	1,717.6	26.7
Oil imports	1,023.6	862.1	1,145.8	32.9
Fertilizers	65.0	125.3	82.3	-34.3
Industrial raw materials	406.8	368.6	489.6	32.8
Consumer goods	1,147.2	1,086.1	1,180.7	8.7
Food and food stuffs	149.7	95.6	138.3	44.7
All other consumer goods ¹	997.6	990.5	1,042.4	5.2
Grand total	3,993.9	4,394.4	4,660.5	6.1

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: ^p - denotes provisional

¹ - It includes pharmaceutical products, paper products, plastic items, optical/photographic materials, textile apparels

3.2.7 Financial Sector Stability

The banking sector remained stable and profitable. During the first half of 2019/20, capital and liquidity levels were above the regulatory requirements (Table 3.7). The quality of assets of banks improved, as the ratio of non-performing loans to gross loans declined to 9.8 percent in December 2019 from 10.7 percent in June 2019. The Bank



continued to take measures to reduce non-performing loans close to the desired level of 5 percent. The measures include enforcement of risk based prudential requirements and requiring banks to improve credit underwriting standards by using of credit information reports from Credit Reference Bureaus in loan application assessment and granting process. In addition, the Bank has instituted mechanisms of monitoring banks in the implementation strategies to reduce non-performing loans. Banks are also required to submit credit information to the credit reference system and adhere to the Tanzania Banker's Association Code of Conduct for staff of the banking sector.

Table 3.7: Banking Sector Financial Soundness Indicators

Indicator	Regulatory Limit	Percent			
		Jun-18	Dec-18	Jun-19	Dec-19
Capital Adequacy					
Core Capital/TRWA+OBSE	Minimum 10	18.2	17.0	17.0	16.8
Liquidity					
Liquid Assets/Demand Liabilities	Minimum 20	37.6	35.2	34.8	32.4
Total Loans/Customer Deposits	N/A	83.9	85.1	84.5	88.5
Earnings and Profitability					
Return on Assets-ROA	N/A	1.6	1.0	2.0	1.9
Return on Equity-ROE	N/A	6.7	2.6	8.8	8.2
Asset Quality					
Gross non-performing Loans/gross Loans	N/A	11.3	10.7	10.7	9.8

Source: Bank of Tanzania

Note: NA - denotes Not Applicable

TRWA+OBSE – denotes Total Risk Weighted Assets and Off Balance Sheet Exposure

The Bank also continued to strengthen risk management practices in the financial sector by implementing various policies and regulatory reforms to safeguard the industry. Notably, new set of regulations were issued: The Bank of Tanzania Financial Consumer Protection Regulations 2019; Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations 2019; Microfinance (Savings and Credit Cooperative Societies) Regulations 2019; and Microfinance (Community Microfinance Groups) Regulations 2019; which provides guidance in supervising microfinance service providers including credit



only institutions, individuals and community groups. Furthermore, the Bank directed banks to implement capital restoration plans and adhere to the regulatory requirements.

3.2.8 Payment Systems

The Government continued to leverage technology for effective execution of payments and revenue mobilization using wide range of systems including: Treasury Single Account (TSA); Tanzania Automated Clearing House (TACH); Tanzania Interbank Settlement System (TISS); and Government Electronic Payment Gateway (GePG). During the first half of 2019/20, all the systems operated smoothly. The East Africa Payment System (EAPS) also continued to support trade activities between Tanzania and other EAC countries. During the period under review, transactions between Tanzania and Kenya were 1,478 valued at KES 2.1 billion, reflecting growth in volume by 3.0 percent and decline in value by 14.5 percent compared with the performance in the corresponding period of 2018/19. Transactions between Tanzania and Uganda were 221, valued at UGX 4.2 billion, a growth of 44.4 percent in volume and decline of 73.9 percent in value, when compared with corresponding period of 2018/19.

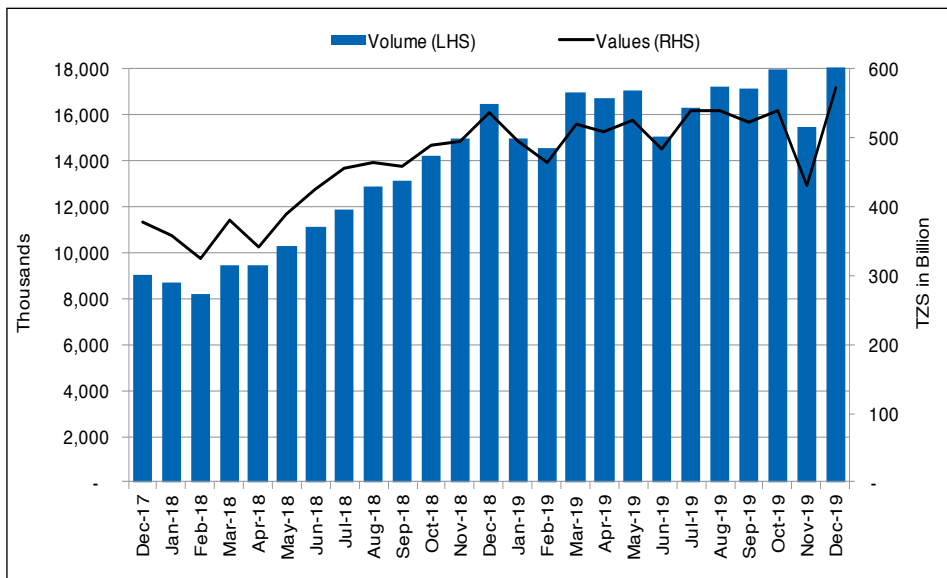
The Electronic Fund Transfers (EFT) through TACH continued to run smoothly, with growing number of transactions, following use by the Government as a core system for payments of salaries to employees. During the first half of 2019/20, the volume of EFT transactions grew by 9.2 percent, while the value increased by 15.9 percent, compared to the corresponding period of 2018/19. The increased use of EFT by the Government has improved efficiency, while minimizing costs associated with the use of cheques. The effect was reflected in the decline in usage of Tanzanian shilling denominated cheques in TACH,



both in terms of volume and value by 22.5 percent and 19.3 percent, respectively.

In an effort to improve efficiency of the payment systems and improve financial inclusion, the Bank continued to spearhead and encourage innovations of payment systems instruments and utilization of interoperability capability in mobile money services. The interoperability of mobile financial services contributed to growth of mobile money transactions by 6.0 percent in volume and 15.0 percent in value over the corresponding period of 2018/19 (Chart 3.7). As at the end of December 2019, the number of active registered accounts for mobile money stood at 24.4 million compared with 23.3 million in the corresponding period in 2018.

Chart 3.7: Mobile Money Interoperability



Source: Bank of Tanzania

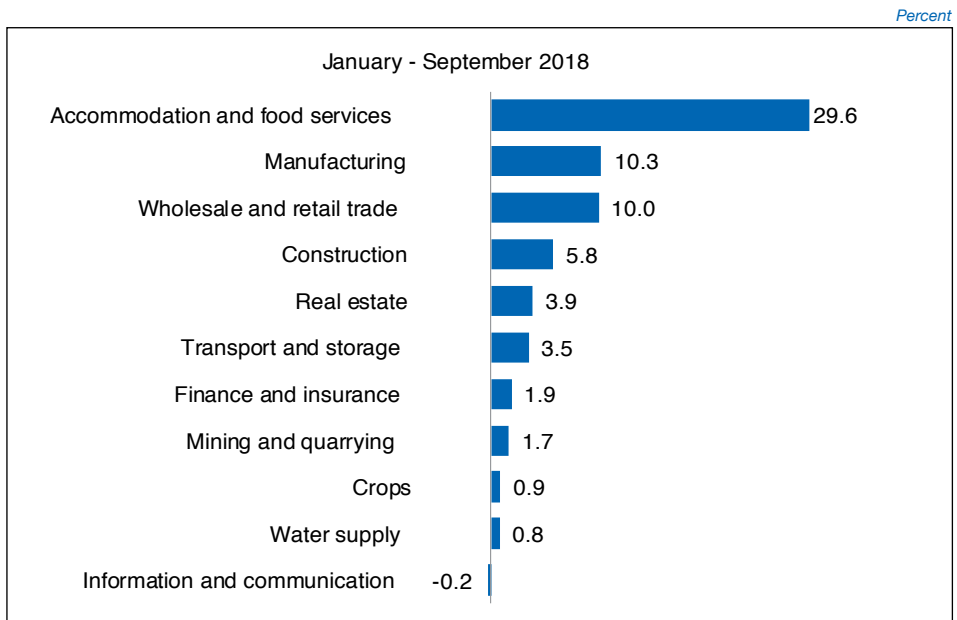


3.2.9 Economic Developments in Zanzibar

Real GDP Performance

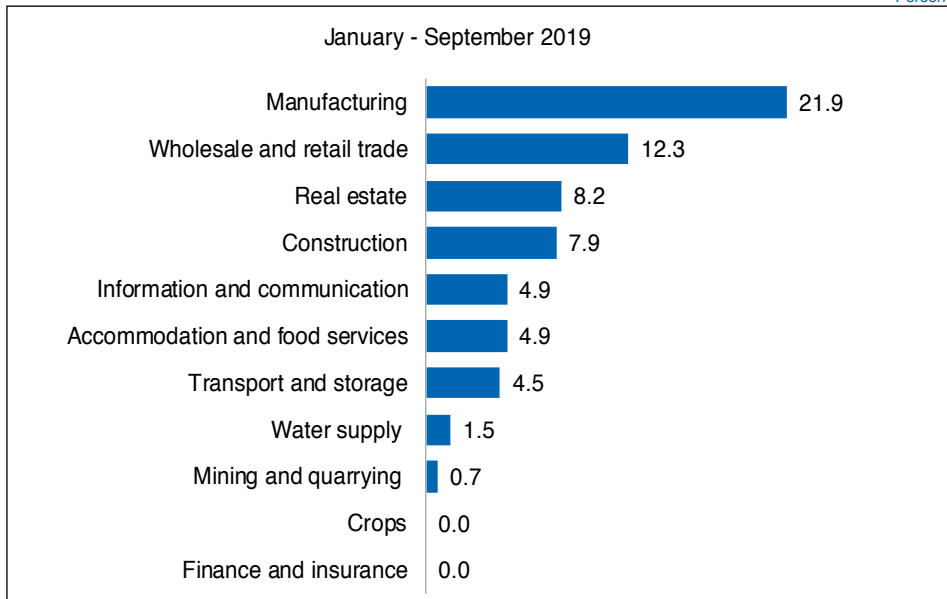
Zanzibar economy grew at 4.3 percent in the first three quarters of 2019, compared with 9.1 percent recorded in the corresponding period of 2018. Activities that mainly contributed to the recorded growth include manufacturing and trade (Chart 3.8). Growth is expected to remain strong in the second half of 2019/20, supported by ongoing public investment in infrastructure projects, both social (education and health) and economic (roads, airports and ports), improvement in horticulture farming and tourism related activities.

Chart 3.8: Contribution to Real GDP Growth by Major Economic Activities





Percent



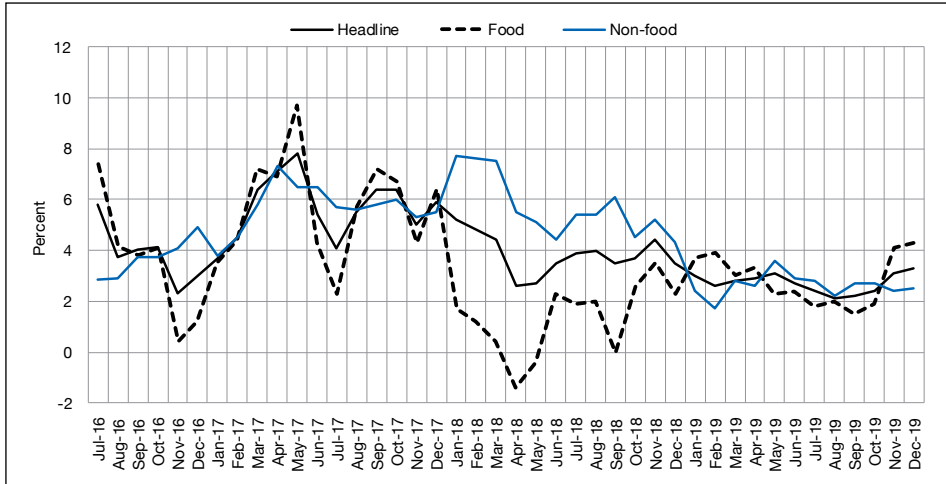
Source: Office of the Chief Government Statistician and Bank of Tanzania computations

Inflation Developments

CPI headline inflation remained subdued, below the medium-term target of 5.0 percent (Chart 3.9). Headline inflation averaged 2.6 percent, compared with 3.8 percent recorded in the corresponding period of 2018/19. The low level of inflation was attributed to decrease in the prices of non-food items, particularly petroleum products. Non-food inflation averaged 2.2 percent compared with 5.2 percent recorded in the first half of 2018/19. Meanwhile, food inflation increased to an average of 2.6 percent from 2.1 percent, due to increase in prices of some food items such as maize flour, fish and bananas. Inflation is expected to remain at single digit in the second half of 2019/20.



Chart 3.9: Inflation Developments



Source: Office of the Chief Government Statistician and Bank of Tanzania

Government Budgetary Operations

Revenue performance was impressive, and Government expenditure was rationalized in line with the budget and availability of resources. Domestic revenue amounted to TZS 432.0 billion in the first half of 2019/20, equivalent to 91.1 percent of the target. Tax revenue was TZS 365.8 billion, whereas non-tax revenue amounted to TZS 66.3 billion. Total grants amounted to TZS 18.7 billion, above the projection of TZS 9.6 billion for the period.

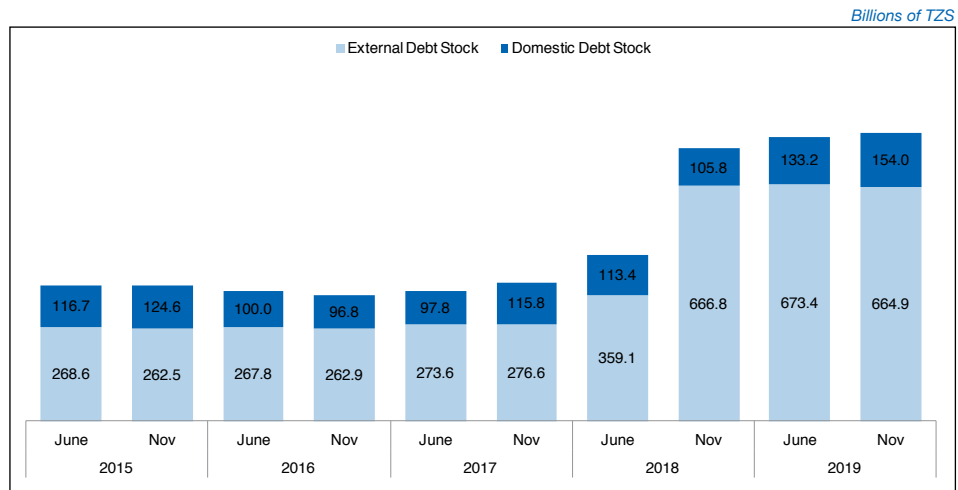
Expenditure amounted to TZS 583.9 billion, 97.0 percent of the estimate. Recurrent expenditure was TZS 407.0 billion, while development expenditure amounted to TZS 176.9 billion, of which locally financed development expenditure was TZS 89.7 billion.



Debt Developments

Total debt stock increased to TZS 822.5 billion at the end of December 2019, from TZS 806.6 billion recorded at the end of June 2019, on account of increase in domestic debt. External debt amounted to USD 292.3 million, equivalent to TZS 668.7 billion, which was 81.3 percent of total debt stock (Chart 3.10).

Chart 3. 10: Total Debt Stock



Source: Ministry of Finance and Economic Planning Zanzibar, Bank of Tanzania computations

External Sector Performance

The current account balance widened to a deficit of USD 39.7 million, compared with a deficit of USD 33.9 million recorded in the corresponding period of 2018/19, on account of increase in imports, which outweighed the increase in exports (Table 3.8). Imports of goods and services rose by 37.1 percent to USD 213.0 million compared to corresponding period of 2018/19. Goods imports increased by 15.6 percent to USD 138.2 million, mainly driven by oil and food (Chart



3.11). Exports of goods and services grew by 32.0 percent to USD 128.7 million. Exports of services amounted to USD 120.2 million compared to USD 92.5 million.

Table 3.8: Zanzibar Current Account Balance

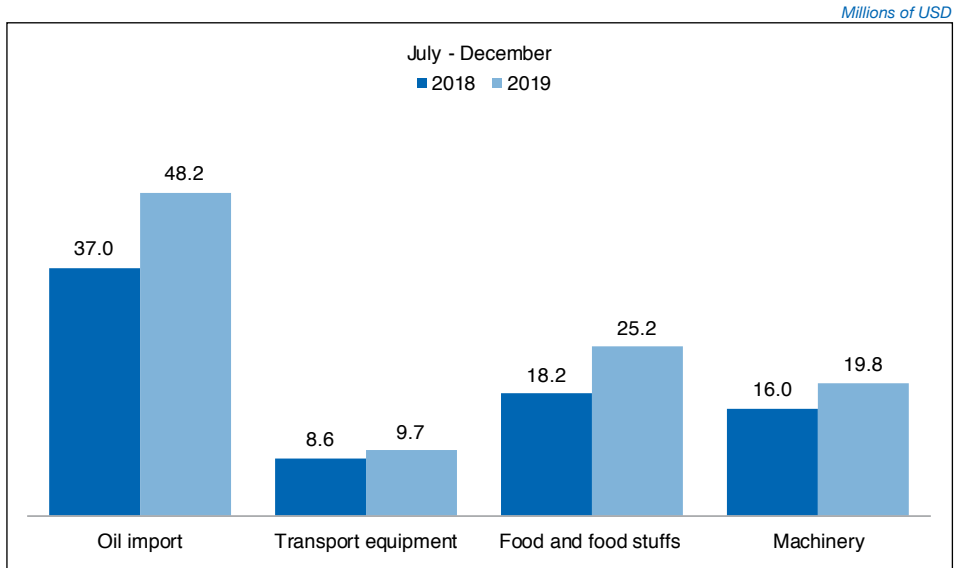
Item	Millions of USD			
	July - December			Percentage change
	2017/18	2018/19	2019/20 ^P	
Goods account net	-36.2	-114.5	-129.7	13.2
Exports	55.4	5.0	8.5	---
Imports (fob)	91.6	119.5	138.2	15.6
Services account net	49.9	56.6	45.4	-19.9
Receipts	82.1	92.5	120.2	30.0
Payments	32.2	35.9	74.8	--
Goods and services net	13.7	-57.9	-84.3	45.6
Exports of goods and services	137.5	97.5	128.7	32.0
Imports of goods and services	123.8	155.4	213.0	37.1
Income account net	3.7	4.2	6.9	65.8
Receipts	6.1	7.5	11.0	46.6
Payments	2.4	3.3	4.1	22.7
Current transfers net	17.4	19.8	37.7	90.3
Inflows	18.6	20.9	42.0	---
Outflows	1.3	1.1	4.3	---
Current account balance	34.7	-33.9	-39.7	17.0

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: ^P - denotes provisional



Chart 3.11: Performance of Selected Goods Import



Source: Tanzania Revenue Authority and Bank of Tanzania



PART IV

4.0 MONETARY POLICY IMPLEMENTATION DURING THE FIRST HALF OF 2019/20

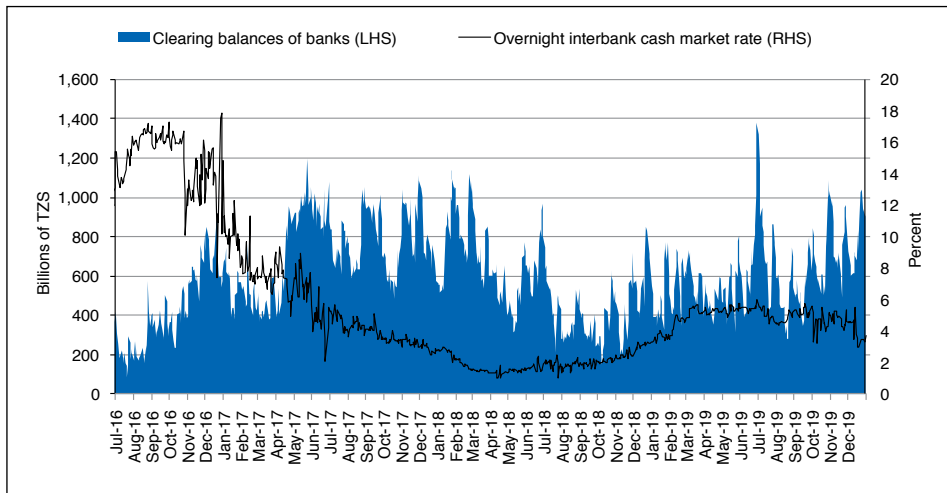
The implementation of monetary policy was in line with the targets. Against the backdrop of low inflation, the Bank of Tanzania continued to implement accommodative monetary policy to support economic growth. The accommodative monetary policy during the first half of 2019/20 focused on ensuring adequate liquidity in the economy to support fast recovery of credit growth to the private sector. Accordingly, the Bank reduced the statutory minimum reserve requirement (SMR) ratio from 8.0 percent to 7.0 percent and widened the SMR reserve-averaging band from 10 percentage points to 20 percentage points. In addition, the Bank continued to supply sizable amount of liquidity in the banking system using various monetary policy instruments, such as reverse repo and purchase of foreign exchange from the Interbank Foreign Exchange Market (IFEM). These measures, supported by standby credit facilities, helped to maintain adequate level of liquidity among banks throughout the period and money market interest rates remained low.

Consistent with the monetary policy stance, money markets interest rates softened, with overnight interbank cash market interest rate, decreasing gradually to an average of 3.63 percent in December 2019 from 5.47 percent in June 2019 (Chart 4.1). Likewise, overall Treasury bills yields decreased to an average of 5.81 percent in December 2019 from 8.69 percent in June 2019 (Chart 4.2). Lending rates charged by banks continued to decline, albeit at a slow pace, responding to accommodative monetary policy and measures implemented by the



government to improve business environment, as well as actions to improve transparency and accountability in lending. In particular, overall lending interest rates averaged at 16.76 percent in December 2019 compared to 16.87 percent in June 2019, while one-year lending rate was 16.28 percent, down from 16.43 percent. Likewise, overall deposit rates decreased to an average of 6.79 percent in December 2019 compared to 7.44 percent in June 2019, whereas 12-month deposit rate was 8.90 percent compared to 9.06 percent.

Chart 4.1: Banks' Clearing and the Overnight Interbank Cash Market Rate

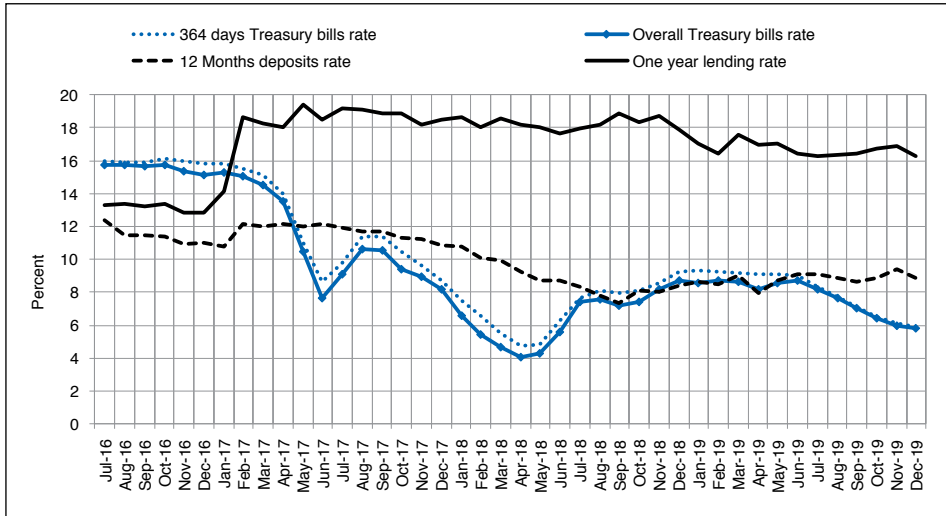


Source: Bank of Tanzania

Note: RHS denotes right hand side and LHS means left hand side



Chart 4.2: Selected Interest Rates



Source: Banks and Bank of Tanzania

Money supply and credit to private sector also responded to the accommodative monetary policy. Extended broad money supply (M3) grew at an annual rate of 9.6 percent in December 2019, consistent with projected growth rate of 10.0 percent for the year ending June 2020, while credit to the private sector grew by 11.1 percent. Credit to the private sector is projected to grow by 13.5 percent in the year ending June 2020.

In order to improve the functioning of the financial markets for efficient conduct of monetary policy, particularly in reference to transition to an interest rate-based monetary policy framework, the Bank undertook several measures. Most importantly, is the adoption of the Global Master Repurchase Agreement (GMRA) 2011 in July 2019, by developing a Tanzania Annex to GMRA 2011. This will develop repurchase agreement transactions between banks (horizontal repo) in Tanzania



in a bid to improve liquidity situation. The Bank has also enhanced the Central Depository System web portal, an electronic trading platform to include a module that will facilitate smooth operations of horizontal repo transactions between banks.



PART V

5.0 MACROECONOMIC OUTLOOK

The economy is projected to grow at around 7 percent in 2019 and by more than 7 percent in 2020, underpinned by public and private investments, prudent implementation of policies, improving business environment, and favorable weather for agriculture. Inflation is expected to remain low, consistent with the medium-term target of 5 percent. The outlook for low inflation is bolstered by expectations of adequate food due to favourable weather, stability of power supply, prudent monetary and fiscal policies, stable exchange rate and expected subdued oil prices in the world market. The risk to projected low inflation lies on possible rise in food prices in the neighboring countries. A rise in global oil prices due to geopolitical tensions in the Middle East may also weigh on inflation.

The external sector is expected to continue improving. The deficit in the current account is projected to remain moderate at 3.2 percent of GDP, lower than 4.5 percent in 2018/19, driven by improvement in exports and moderate increase in imports.

The Bank will continue to undertake policy measures and regulatory reforms to ensure sound and stable banking sector. The measures include banks to adhere to regulatory capital and liquidity requirements for effective and secured financial services delivery. In order to reduce the relatively high level of non-performing loans, the Bank will continue to enforce use of credit reference bureaus, institutionalization of consumer protection and adherence to the Tanzania Bankers' Association Code of Conduct. The Bank will also continue to embrace



the use of technology and provide oversight and licensing functions for efficient and smooth provision of financial services.

The payment, clearing and settlement systems will be enhanced to increase operational efficiency, safety and cost effectiveness. Implementation of Tanzania Instant Payment System (TIPS) is a case in point, which will enhance interoperability, security of electronic payment systems platforms and reduce transaction cost. The benefits of this platform include reduction of cash transactions, effective governance and promoting financial inclusion.



PART VI

6.0 MONETARY POLICY STANCE FOR THE SECOND HALF OF 2019/20

6.1 Liquidity Management

In the second half of 2019/20, the Bank will continue with accommodative monetary policy to facilitate high growth of credit to the private sector and spur growth of the economy, while ensuring that inflation remains low and consistent with the medium-term target of 5 percent. This will be supported by streamlined government spending and expected stability of shilling exchange rate. The accommodative policy is also expected to ensure low and stable money market interest rates and ultimately influence lending rates.

In this regard, the Bank will continue to use appropriate monetary policy instrument mix to closely monitor and manage movements in banks' clearing balances in order to maintain the liquidity level in line with demands of various economic activities and sustain the stability of money market interest rates. Attainment of this objective will be a building block for transition to an interest rate-based monetary policy framework, which entails setting policy rate to achieve inflation and output objectives.

6.2 Interest Rate Policy

Interest rates will continue to be market determined. The Bank will continue to promote development of a more transparent and efficient interbank cash market in order to improve price discovery and reduce interest rate volatility. Sustaining the market driven interest rate policy



will enhance the signaling effect of the monetary policy stance and hence effectiveness of the monetary policy transmission mechanism.

6.3 Exchange Rate Policy

Exchange rates will continue to be market determined and the Bank of Tanzania will participate in the interbank foreign exchange market solely for liquidity management purposes and intervene occasionally to smooth out short-term volatility in the exchange rate, while maintaining an orderly market. These operations will, however, continue to be undertaken without prejudice to the objective of maintaining adequate level of international reserves, which is necessary for hedging against unexpected external shocks.



PART VII

7.0 CONCLUSION

The domestic economy is expected to sustain steady growth in the remainder of 2019/20, notwithstanding the subdued global growth attributed to heightened policy uncertainties and geopolitical tensions. The strong growth will be supported by the public and private investments, stability of power generation, supportive monetary and fiscal policies, ongoing improvement in value addition in minerals, coupled with expected favorable weather conditions. These attributes will also maintain inflation around the medium-term target of 5 percent.

Given the expected low inflation, the Bank will continue to implement accommodative monetary policy to support economic activities in 2019/20, while closely monitoring any potential risks posed by domestic and global economic developments on price stability objective and take appropriate policy measure. The Bank will also sustain coordination of monetary and fiscal policies to ensure effective macroeconomic management to support growth; and continue with regular forums with stakeholders in the financial sector to ensure smooth implementation of ongoing policy and regulatory reforms for financial sector stability.

In view of the recent trends and outlook of the global and domestic economic developments, sound and stable financial system, expected streamlined government budgetary operations, and monetary policy stance outlined in this Statement, the Bank is confident that the monetary policy targets set for 2019/20 will be attained.



APPENDICES



Table A1: Tanzania: Selected Economic Indicators

Items	Unit	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
1. Prices														
1.1 Annual change in consumer price index														
1.1.1 Headline inflation	Percent	3.3	3.0	3.0	3.1	3.2	3.5	3.7	3.7	3.6	3.4	3.6	3.8	3.8
1.1.2 Food inflation	Percent	1.0	0.7	0.5	0.1	0.9	2.2	2.3	2.9	3.7	4.0	5.1	6.1	6.3
1.1.3 Core inflation	Percent	3.1	3.1	3.1	3.7	3.6	3.5	3.4	3.1	2.9	2.7	2.6	2.2	2.1
2. Money credit and interest rates														
2.1 Extended broad money supply (M3) ¹	Percent	4.5	3.3	4.0	5.0	4.9	5.8	7.7	9.0	8.5	9.4	11.0	10.5	9.6
2.2 Reserve money ¹	Percent	0.6	-6.4	-4.2	-0.8	4.3	2.4	11.6	8.7	5.5	11.3	15.3	9.1	6.8
2.3 Average reserve money ¹	Percent	-1.5	-2.5	-2.4	0.7	1.8	4.0	3.2	7.4	5.3	8.2	10.9	11.4	8.2
2.4 Credit to the private sector ¹	Percent	4.9	7.3	9.2	9.6	10.6	9.0	7.6	8.3	8.2	9.3	9.8	8.9	11.1
2.5 364-days Treasury bill rate ²	Percent	9.2	9.3	9.2	9.2	9.1	9.1	9.0	8.3	7.7	7.1	6.5	6.1	5.9
2.6 Overnight inter-bank rate ²	Percent	3.0	3.5	4.5	5.3	5.2	5.3	5.5	5.0	4.6	5.2	4.3	4.7	3.6
2.7 12-Months deposit rate ²	Percent	8.4	8.7	8.5	9.0	7.9	8.7	9.1	9.1	8.9	8.7	8.8	9.4	8.9
2.8 Short-term (up to 1 year) lending rate ²	Percent	17.9	17.0	16.4	17.6	16.9	17.1	16.4	16.2	16.3	16.4	16.7	16.9	16.3
3. Balance of payments														
3.1 Gross official foreign reserves	Millions of USD	5,044.6	4,884.4	4,954.2	4,681.7	4,395.2	4,317.0	4,432.6	4,791.4	5,298.9	5,400.8	5,496.9	5,636.3	5,567.6
3.2 Exchange rate														
3.2.1 Period average	TZ\$/USD	2,280.0	2,282.4	2,285.4	2,289.1	2,289.5	2,288.1	2,289.2	2,289.1	2,289.1	2,289.4	2,289.4	2,289.2	2,289.2
3.2.2 End of period	TZ\$/USD	2,281.2	2,283.5	2,289.0	2,289.5	2,289.5	2,288.6	2,289.5	2,289.2	2,289.4	2,289.4	2,288.8	2,288.3	2,288.3
4. Public finance														
4.1 Domestic revenue ³	Billions of TZ\$	1,708.2	1,755.2	1,361.1	1,509.0	1,324.8	1,247.3	1,698.7	1,323.5	1,407.5	1,812.4	1,640.6	1,578.0	2,048.9
4.2 Recurrent expenditure ³	Billions of TZ\$	1,461.0	1,055.5	1,130.0	1,254.1	1,179.1	1,333.3	2,615.6	778.9	1,067.0	1,470.5	1,256.6	1,269.7	1,551.5
4.3 Development expenditure ³	Billions of TZ\$	652.8	456.5	420.9	369.2	1,291.1	550.9	1,328.4	3.6	279.3	403.0	798.0	529.8	626.1
4.4 Program assistance	Millions of USD	80.5	0.0	14.1	4.8	12.7	0.0	0.0	0.0	1.0	2.5	9.5	23.2	69.6
4.4.1 General budget support	Millions of USD	55.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.9
4.4.2 Basket funds	Millions of USD	25.2	0.0	14.1	4.8	12.7	0.0	0.0	0.0	1.0	2.5	9.5	23.2	51.7

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

Notes: ¹ Annual growth

² Monthly average

³ Domestic revenue and expenditure on cash basis



Table A2 (a): Tanzania Mainland: Gross Domestic Product at Constant 2015 Prices by Economic Activity

Economic Activity	2013	2014	2015	2016	2017	2018
	Millions of TZS					
<i>Agriculture, forestry and fishing</i>	22,408,191.6	23,952,076.8	25,234,560.2	26,436,338.3	28,008,976.2	29,482,834.3
Crops	11,283,264.3	12,344,014.1	13,279,392.3	13,996,347.7	14,895,621.8	15,638,612.4
Livestock	6,503,187.3	6,820,846.0	7,158,456.5	7,506,592.6	7,876,591.6	8,266,048.5
Forestry	2,695,824.7	2,825,341.2	2,920,424.8	3,034,569.4	3,180,379.3	3,334,791.2
Fishing	1,896,254.0	1,930,393.7	1,843,401.0	1,864,627.3	2,020,292.5	2,205,459.4
<i>Agriculture support services</i>	29,661.2	31,481.7	32,885.5	34,201.3	36,091.0	37,922.8
<i>Industry and Construction</i>	19,872,086.0	21,057,206.0	23,103,647.1	25,817,954.9	28,565,774.0	31,235,045.0
Mining and quarrying	3,464,720.7	3,687,273.0	4,055,619.4	4,356,708.6	4,588,623.9	4,659,195.2
Manufacturing	6,292,514.3	6,919,794.2	7,411,671.6	8,213,364.3	8,889,818.0	9,623,500.7
Electricity supply	723,608.1	815,296.8	798,801.2	869,262.5	877,666.6	928,174.5
Water supply; sewerage, waste management	367,890.2	381,759.7	390,758.1	417,899.1	444,660.1	477,510.2
<i>Construction</i>	9,023,352.8	9,253,082.3	10,446,796.8	11,960,720.5	13,765,005.5	15,546,664.4
<i>Services</i>	32,808,710.4	35,863,738.7	38,146,528.9	40,549,564.0	42,689,010.6	45,358,029.0
Wholesale and retail trade; repairs	7,682,285.7	8,444,242.9	8,747,862.1	9,260,703.3	9,821,247.6	10,395,782.5
Transport and storage	6,050,976.3	6,577,705.7	6,929,894.9	7,324,856.3	7,815,844.6	8,736,560.6
Accommodation and Food Services	1,356,204.2	1,397,782.4	1,421,916.1	1,480,052.1	1,525,618.5	1,604,390.7
Information and communication	1,414,116.3	1,560,063.7	1,681,098.0	1,718,547.6	1,824,470.9	1,989,828.8
Financial and insurance activities	3,405,939.9	3,764,112.5	4,189,021.5	4,235,515.3	4,115,392.9	4,094,972.3
Real estate	2,714,775.0	2,828,969.9	2,949,597.6	3,077,086.1	3,211,894.9	3,354,517.7
Professional, scientific and technical activities	385,090.4	447,920.8	518,122.7	606,206.7	694,290.6	763,332.1
Administrative and support service activities	1,660,994.2	1,976,259.6	2,183,917.0	2,611,497.7	2,892,462.9	3,054,288.2
Public administration and defence	3,974,205.6	4,242,164.3	4,548,604.4	4,793,820.0	4,907,113.3	5,058,291.8
Education	1,927,632.7	2,186,259.6	2,413,305.9	2,665,336.4	2,859,170.7	3,046,789.4
Human health and social work activities	1,245,029.6	1,349,940.7	1,419,089.9	1,497,896.4	1,611,999.2	1,742,444.2
Arts, entertainment and recreation	212,501.8	230,651.7	248,510.1	280,130.6	307,906.8	350,027.3
Other service activities	612,079.0	685,475.1	717,898.1	814,528.8	912,404.3	971,690.0
Activities of households as employers;	166,879.6	172,189.8	177,690.7	183,386.7	189,193.2	195,113.5
All economic activities	75,088,988.1	80,873,021.5	86,484,736.1	92,803,857.2	99,263,760.8	106,075,908.3
Taxes on products	8,179,129.2	8,001,090.0	7,864,579.4	8,024,535.5	8,393,644.1	9,064,285.8
GDP at market prices	83,268,117.2	88,874,111.5	94,349,315.6	100,828,392.7	107,657,404.9	115,140,194.2
	Real Growth by Economic Activities (Percent)					
<i>Agriculture, forestry and fishing</i>	2.8	6.9	5.4	4.8	5.9	5.3
Crops	4.4	9.4	7.6	5.4	6.4	5.0
Livestock	4.8	4.9	4.9	4.9	4.9	4.9
Forestry	4.5	4.8	3.4	3.9	4.8	4.9
Fishing	-13.3	1.8	-4.5	1.2	8.4	9.2
<i>Industry and Construction</i>	2.5	6.1	4.5	4.0	5.5	5.1
Mining and quarrying	10.5	6.0	9.7	11.7	10.6	9.3
Manufacturing	4.5	6.4	10.0	7.4	5.3	1.5
Electricity supply	3.7	10.0	7.1	10.8	8.2	8.3
Water supply; sewerage, waste management	8.2	12.7	-2.0	8.8	1.0	5.8
Construction	2.7	3.8	2.4	6.9	6.4	7.4
<i>Services</i>	19.1	2.5	12.9	14.5	15.1	12.9
Wholesale and retail trade; repairs	5.1	9.3	6.4	6.3	5.3	6.2
Transport and storage	4.2	9.9	3.6	5.9	6.1	5.8
Accommodation and Food Services	6.0	8.7	5.4	5.7	6.7	11.8
Information and communication	0.9	3.1	1.7	4.1	3.1	5.2
Financial and insurance activities	11.6	10.3	7.8	2.2	6.2	9.1
Real estate	-1.1	10.5	11.3	1.1	-2.8	-0.5
Professional, scientific and technical activities	4.2	4.2	4.3	4.3	4.4	4.4
Administrative and support service activities	19.5	16.3	15.7	17.0	14.5	9.9
Public administration and defence	17.2	19.0	10.5	19.6	10.8	5.6
Education	9.7	6.7	7.2	5.4	2.4	3.1
Human health and social work activities	0.3	13.4	10.4	10.4	7.3	6.6
Arts, entertainment and recreation	-3.1	8.4	5.1	5.6	7.6	8.1
Other service activities	7.1	8.5	7.7	12.7	9.9	13.7
Activities of households as employers;	11.3	12.0	4.7	13.5	12.0	6.5
FISIM	3.2	3.2	3.2	3.2	3.2	3.1
All economic activities	5.7	7.7	6.9	7.3	7.0	6.9
Taxes on products	17.5	-2.2	-1.7	2.0	4.6	8.0
GDP at market prices	6.8	6.7	6.2	6.9	6.8	7.0

Source: National Bureau of Statistics

Note: FISIM implies financial intermediation indirectly measured



Table A2 (b): Tanzania Mainland: Gross Domestic Product at 2015 Prices by Economic Activity

Economic Activity	<i>Percent</i>					
	2013	2014	2015	2016	2017	2018
	Contribution to real GDP by Economic Activities					
Agriculture, forestry and fishing	26.9	27.0	26.7	26.2	26.0	25.6
Crops	13.6	13.9	14.1	13.9	13.8	13.6
Livestock	7.8	7.7	7.6	7.4	7.3	7.2
Forestry	3.2	3.2	3.1	3.0	3.0	2.9
Fishing	2.3	2.2	2.0	1.8	1.9	1.9
Agriculture support services	0.0	0.0	0.0	0.0	0.0	0.0
Industry and Construction	23.9	23.7	24.5	25.6	26.5	27.1
Mining and quarrying	4.2	4.1	4.3	4.3	4.3	4.0
Manufacturing	7.6	7.8	7.9	8.1	8.3	8.4
Electricity supply	0.9	0.9	0.8	0.9	0.8	0.8
Water supply; sewerage, waste management	0.4	0.4	0.4	0.4	0.4	0.4
Construction	10.8	10.4	11.1	11.9	12.8	13.5
Services	39.4	40.4	40.4	40.2	39.7	39.4
Wholesale and retail trade; repairs	9.2	9.5	9.3	9.2	9.1	9.0
Transport and storage	7.3	7.4	7.3	7.3	7.3	7.6
Accommodation and Food Services	1.6	1.6	1.5	1.5	1.4	1.4
Information and communication	1.7	1.8	1.8	1.7	1.7	1.7
Financial and insurance activities	4.1	4.2	4.4	4.2	3.8	3.6
Real estate	3.3	3.2	3.1	3.1	3.0	2.9
Professional, scientific and technical activities	0.5	0.5	0.5	0.6	0.6	0.7
Administrative and support service activities	2.0	2.2	2.3	2.6	2.7	2.7
Public administration and defence	4.8	4.8	4.8	4.8	4.6	4.4
Education	2.3	2.5	2.6	2.6	2.7	2.6
Human health and social work activities	1.5	1.5	1.5	1.5	1.5	1.5
Arts, entertainment and recreation	0.3	0.3	0.3	0.3	0.3	0.3
Other service activities	0.7	0.8	0.8	0.8	0.8	0.8
Activities of households as employers;	0.2	0.2	0.2	0.2	0.2	0.2
Taxes on products	9.8	9.0	8.3	8.0	7.8	7.9
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Bureau of Statistics

Note: FISIM implies financial intermediation indirectly measured



Table A2 (c): Tanzania Mainland: Quarterly GDP Growth Rates by Economic Activity

Economic Activity	2016				2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture	2.8	8.0	6.0	3.1	6.6	14.8	4.1	6.3	6.5	6.1	3.8	4.4	6.3	4.0	4.4	
Mining and quarrying	10.2	14.9	14.4	-6.3	9.9	-4.6	4.2	12.1	-5.7	6.8	1.9	3.2	10.0	17.2	10.6	
Manufacturing	13.4	9.7	7.3	13.2	5.2	9.6	13.7	4.5	5.3	3.6	7.0	16.7	4.8	5.2	5.5	
Electricity	1.4	5.4	11.7	17.5	4.1	-1.2	3.9	-2.7	0.8	6.8	5.6	9.8	9.7	7.0	3.2	
Water	-1.1	8.6	4.0	16.0	1.6	4.2	10.0	9.0	3.7	6.1	10.7	8.3	8.0	6.4	10.9	
Construction	17.3	11.4	23.4	6.6	12.0	21.2	-0.3	28.8	15.6	5.2	13.9	17.3	13.4	19.6	11.2	
Trade and repair	9.6	5.6	6.4	2.2	1.9	5.1	5.8	11.3	4.3	4.0	6.9	8.0	3.8	5.5	6.7	
Accommodation and restaurant	3.3	0.6	3.6	8.8	4.7	3.5	2.5	1.8	4.5	6.7	7.7	1.9	1.1	2.6	4.0	
Transport and storage	9.9	8.6	5.1	-0.2	5.3	5.0	6.9	9.6	8.8	13.5	12.1	12.6	11.1	7.0	8.3	
Information and communication	3.8	2.1	2.2	1.0	12.7	6.6	1.9	4.2	14.9	12.4	4.8	4.4	11.1	10.3	11.7	
Financial and insurance	11.6	4.1	-2.1	-7.9	-5.8	-2.3	-5.3	2.5	-2.9	-2.3	3.9	-0.5	5.6	4.1	4.6	
Public administration	19.6	15.5	-6.2	-3.9	-5.3	0.6	7.5	7.2	8.8	-0.7	2.8	1.8	1.0	4.7	3.5	
Professional, scientific and technical act.	16.5	16.9	17.2	17.4	16.2	15.3	14.1	12.8	12.6	11.2	9.3	6.9	6.6	6.8	7.7	
Administrative and support services																
Real estate	17.8	20.5	20.9	19.1	14.8	11.7	9.4	7.7	5.2	5.4	5.7	6.1	8.7	8.5	8.3	
Education	4.3	4.3	4.3	4.3	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.5	4.5	4.5	
Health	20.6	17.9	1.7	3.7	1.5	5.8	11.3	10.7	11.2	4.1	6.1	5.0	3.6	5.8	4.6	
Other services	15.7	11.2	-4.2	1.1	0.2	7.0	11.1	12.6	17.4	5.9	7.5	2.2	-2.1	2.4	3.1	
All industry at basic prices	9.2	10.8	12.3	14.3	12.2	11.1	9.8	8.2	8.7	8.4	7.8	5.6	5.9	6.7	7.7	
Taxes on products	9.4	9.2	7.7	3.5	5.5	7.2	5.1	9.7	7.0	5.5	6.9	7.9	7.0	7.7	6.7	
GDP at market prices	13.0	-2.4	-3.7	3.0	-2.6	0.6	4.1	15.2	13.9	14.0	9.1	-2.3	0.6	1.2	7.3	
	9.7	8.2	6.6	3.4	4.9	6.7	5.0	10.2	7.5	6.1	7.1	7.1	6.6	7.2	6.8	

Source: National Bureau of Statistics



Table A2 (d): Zanzibar: Gross Domestic Product at Constant 2015 Prices by Economic Activity

Economic Activity	2013	2014	2015	2016	2017	2018 ^P
	Billions of TZS					
GDP at Market Prices	2,084.4	2,218.0	2,355.7	2,491.4	2,684.3	2,874.3
Agriculture, Forestry & Fishing	0.5	0.5	0.5	0.5	0.6	0.6
Crops	236.1	219.2	227.7	235.9	261.0	270.6
Livestock	91.8	100.2	113.5	124.6	136.0	146.3
Forestry & hunting	40.0	40.6	41.3	42.3	44.1	44.2
Fishing	124.5	133.4	137.2	136.6	140.8	142.2
Industry	0.4	0.4	0.4	0.5	0.5	0.5
Mining & quarrying	21.5	21.4	23.5	27.2	32.7	37.1
Manufacturing	148.9	162.4	180.1	194.6	211.3	207.9
Electricity and gas	10.4	10.9	11.7	12.6	13.1	13.8
Water supply and sewerage	17.0	18.1	19.6	20.9	22.4	23.1
Construction	171.5	182.1	198.7	211.7	213.4	222.1
Services	1.0	1.1	1.2	1.3	1.4	1.5
Trade & repairs	168.7	166.9	162.1	169.4	180.3	192.2
Transport & storage	90.1	98.5	102.0	107.6	111.4	121.8
Accommodation and food services	282.2	297.8	331.0	375.5	429.2	504.7
Accommodation	227.7	240.5	268.1	305.2	350.0	409.5
Food and beverage services	54.5	57.3	62.9	70.3	79.2	95.3
Information and communication	44.8	57.7	52.5	44.7	51.6	53.2
Financial and insurance activities	52.2	64.5	78.6	83.7	91.6	95.6
Real estate activities	115.0	121.4	128.4	136.2	144.7	154.0
Professional, scientific and technical	2.3	3.3	3.6	3.9	3.8	4.0
Administrative and support services	23.8	22.5	23.2	22.8	24.4	25.6
Public administration	147.1	169.7	181.9	180.9	175.9	185.6
Education	60.2	67.2	69.4	71.5	73.3	78.5
Human health and social work	27.5	29.6	29.7	30.8	31.2	32.0
Arts, entertainment and recreation	1.5	1.6	1.9	2.4	2.7	3.3
Other service activities	24.8	26.1	27.0	30.4	34.4	39.3
Domestic services	4.9	5.0	5.2	5.4	5.5	5.7
Less: FISIM	-18.7	-21.2	-23.9	-27.9	-27.7	-24.8
GDP at Basic Prices	1,887.9	1,999.0	2,125.8	2,243.7	2,407.5	2,578.1
Taxes on products	196.6	218.9	229.9	247.7	276.8	296.3
	Real Growth by Economic Activities (Percent)					
GDP at Market Prices	4.3	6.4	6.2	5.8	7.7	7.1
Agriculture, forestry and fishing	5.9	0.2	5.3	3.8	7.9	3.7
Crops	6.4	-7.2	3.9	3.6	10.6	3.7
Livestock	9.9	9.2	13.3	9.8	9.1	7.6
Forestry and hunting	-0.2	1.5	1.6	2.5	4.2	0.3
Fishing	4.1	7.2	2.9	-0.5	3.1	1.0
Industry	3.9	6.9	9.8	7.7	5.6	2.2
Mining and quarrying	3.8	-0.8	9.8	15.9	20.3	13.3
Manufacturing	6.0	9.1	10.9	8.0	8.6	-1.6
Electricity and gas	3.1	4.7	6.7	8.2	4.2	5.1
Water supply and sewerage	5.7	6.9	8.0	6.9	7.3	2.8
Construction	2.1	6.2	9.1	6.5	0.8	4.1
Services	4.5	-1.0	-2.9	4.5	6.4	6.6
Trade and repairs	7.3	9.4	3.5	5.6	3.5	9.4
Transport and storage	6.8	5.5	11.1	13.5	14.3	17.6
Accommodation and food services	7.0	5.6	11.5	13.8	14.7	17.0
Accommodation	6.2	5.1	9.8	11.8	12.6	20.3
Food and beverage services	-15.9	28.9	-9.0	-14.9	15.5	3.1
Information and communication	0.2	23.7	21.8	6.5	9.5	4.4
Financial and insurance activities	5.3	5.5	5.8	6.0	6.2	6.4
Real estate activities	47.9	43.4	9.2	9.6	-3.2	5.2
Professional, scientific and technical	5.9	-5.2	3.1	-1.9	7.2	4.9
Administrative and support services	-0.5	15.4	7.1	-0.5	-2.7	5.5
Public administration	10.7	11.5	3.4	3.0	2.5	7.0
Education	4.3	8.0	0.3	3.7	1.4	2.3
Human health and social work	7.4	5.8	17.0	26.2	14.5	19.3
Arts, entertainment and recreation	6.5	5.3	3.6	12.5	13.4	14.2
Other service activities	3.2	3.2	3.2	3.2	3.2	3.2
Domestic services	10.3	13.7	12.7	16.6	-0.9	-10.2
Less: FISIM	4.3	5.9	6.3	5.5	7.3	7.1
Taxes on products	3.7	11.4	5.0	7.7	11.8	7.0

Source: Office of Chief Government Statistician, Zanzibar

Note: p denotes provisional

FISIM implies financial intermediation indirectly measured



Table A3 (a): Tanzania Mainland: Consumer Price Index

Main Groups	Weight (%)	Ref period: December 2015=100												
		Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Food and non alcoholic beverages	38.5	114.7	116.3	117.8	119.8	121.0	121.7	121.9	121.0	119.6	119.2	119.3	120.3	121.9
Alcoholic, tobacco and narcotics	3.7	110.2	110.3	110.7	111.4	111.5	111.5	111.5	111.5	110.6	110.6	110.6	110.7	110.8
Clothing and footwear	8.3	110.6	111.2	111.4	111.6	111.9	112.2	112.0	112.0	112.5	112.5	112.4	112.5	113.1
Housing, water, electricity, gas and other fuel	11.6	133.4	133.0	137.4	141.7	141.8	141.9	140.0	139.5	139.5	139.7	139.3	140.1	139.3
Furnishing, housing equipment and routine maintenance of the house	6.3	109.5	109.8	110.2	111.1	111.3	111.8	111.7	111.8	111.9	111.9	112.1	112.2	112.4
Health	2.9	107.9	108.1	108.6	109.0	109.5	109.5	109.5	109.5	109.6	109.6	109.5	109.5	109.6
Transport	12.5	105.5	104.6	104.7	105.7	105.9	106.2	106.2	106.2	105.5	105.7	105.3	105.6	106.3
Communication	5.6	95.6	95.7	96.2	97.1	97.1	97.1	96.5	96.5	96.2	96.2	96.3	96.3	96.6
Recreation and culture	1.6	102.9	103.2	103.3	103.4	103.8	106.0	106.0	104.2	104.6	105.0	104.0	104.0	104.3
Education	1.5	106.0	107.4	107.5	107.6	107.7	107.7	107.7	107.7	107.7	107.7	107.7	107.7	107.7
Restaurants and hotels	4.2	107.3	107.7	109.0	110.4	110.5	110.5	110.3	110.4	110.4	110.8	110.6	110.7	110.7
Miscellaneous goods and services	3.1	108.2	108.3	108.5	109.0	109.3	109.6	109.5	109.6	109.5	109.5	109.5	109.5	110.1
Total of All Items Index	100.0	112.8	113.4	114.6	116.2	116.8	117.2	117.0	116.6	116.0	115.9	115.8	116.4	117.1
Other Selected Groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	117.6	119.4	121.0	123.3	124.5	125.3	125.7	124.7	123.3	122.8	122.9	124.0	125.7
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	146.4	144.4	149.3	154.4	154.9	155.5	153.3	152.6	151.5	152.1	151.0	152.6	150.5
All items less food	62.9	112.5	112.5	113.5	114.8	115.1	115.3	114.9	114.7	114.7	114.8	114.6	114.9	115.1
All items less food and energy	54.3	107.1	107.4	107.8	108.5	108.7	108.9	108.7	108.7	108.8	108.8	108.8	108.9	109.4

Source: National Bureau of Statistics



Table A3 (b): Tanzania Mainland: Consumer Price Index, 12-Months Percentage Change

Main Groups	Ref period: December 2015=100													
	Weights (%)	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Food and non alcoholic beverages	47.8	1.0	0.7	0.5	0.1	0.9	2.2	2.3	2.9	3.7	4.0	5.1	6.1	6.3
Alcoholic, tobacco and narcotics	3.3	2.2	2.2	2.5	3.2	3.2	3.4	4.2	3.6	2.1	1.3	1.3	1.3	0.6
Clothing and footwear	6.7	3.6	3.7	3.3	3.4	3.6	3.7	3.1	2.7	2.9	2.6	2.2	2.3	2.2
Housing, water, electricity, gas and other fuel	9.2	12.1	11.7	12.3	13.0	11.4	8.8	8.9	8.1	6.3	4.3	3.3	3.7	4.4
Furnishing, housing equipment and routine maintenance of the house	6.7	4.0	3.9	4.1	4.3	4.2	4.3	4.1	3.9	3.7	3.7	3.9	3.9	2.7
Health	0.9	1.0	1.0	1.5	1.8	2.2	2.0	1.8	2.3	1.4	1.9	1.8	1.8	1.5
Transport	9.5	5.1	4.0	3.3	4.1	3.4	4.1	4.8	4.1	2.7	3.2	2.4	0.4	0.8
Communication	2.1	-2.6	-2.4	-2.1	-1.2	-1.1	-1.1	1.0	1.1	0.7	0.6	0.8	0.8	1.1
Recreation and culture	1.3	0.1	0.2	0.2	0.3	0.6	3.2	3.4	1.6	1.8	2.0	1.7	1.4	1.4
Education	1.7	2.4	2.0	1.8	1.9	2.1	2.1	1.8	1.6	1.6	1.6	1.6	1.6	1.6
Restaurants and hotels	6.4	2.7	2.6	3.6	4.8	4.9	4.9	4.8	4.7	4.6	4.2	4.1	4.0	3.2
Miscellaneous goods and services	4.5	2.6	2.5	2.6	3.1	2.7	2.5	2.4	2.5	2.5	2.4	2.3	2.1	1.8
Total All Items Index	100.0	3.3	3.0	3.0	3.1	3.2	3.5	3.7	3.7	3.6	3.4	3.6	3.8	3.8
Other Selected Groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	51.0	2.6	2.3	2.3	2.0	2.7	3.9	4.3	4.9	5.0	5.1	6.0	6.7	6.9
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	17.7	15.7	15.4	15.5	13.3	10.5	11.0	9.3	6.3	4.6	3.0	3.0	2.8
All Items less food	49.0	5.4	5.1	5.1	5.7	5.3	4.7	4.7	4.2	3.5	3.1	2.7	2.4	2.3
All Items less food and energy	43.3	3.1	3.1	3.1	3.7	3.6	3.5	3.4	3.1	2.9	2.7	2.6	2.2	2.1

Source: National Bureau of Statistics



Table A3 (c): Zanzibar: Consumer Price Index

	Weights (%)	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Headline	100.0	108.7	108.3	107.8	108.2	109.1	110.9	111.3	110.8	111.6	110.3	110.9	111.4	112.3
Food	51.7	106.7	105.5	105.4	104.5	106.3	109.4	110.5	108.3	110.4	107.2	108.6	109.3	111.2
Non-Food	48.3	110.2	110.4	109.7	111.0	111.2	112.1	111.9	112.6	112.5	112.5	112.6	113.0	113.0
Alcoholic beverages, tobacco & narcotics	0.3	110.2	110.4	110.2	110.2	110.2	110.2	110.2	121.9	134.9	134.9	134.9	134.9	134.9
Clothing and footwear	9.3	107.0	106.9	106.7	105.2	105.2	107.2	107.0	106.6	107.0	107.1	107.4	107.3	107.1
Housing, water, electricity, gas and other fuels	17.1	114.2	112.6	112.0	113.1	112.6	114.2	113.3	113.6	113.9	113.5	114.0	114.3	114.6
Furnishing, household equipment and routine household maintenance	4.6	114.9	116.4	116.1	116.0	116.7	117.0	117.1	117.3	117.5	118.8	118.9	119.3	119.5
Health	2.8	106.2	108.9	108.9	108.9	109.4	109.5	109.5	113.8	114.2	114.2	114.2	114.3	114.3
Transport	6.3	114.7	113.9	111.4	111.5	112.2	113.1	113.7	116.3	114.1	115.3	113.5	114.8	114.3
Communication	2.6	99.1	99.1	99.1	114.8	114.8	114.8	114.8	114.8	114.8	114.8	114.8	114.8	114.8
Recreation and culture	0.8	107.7	107.7	107.7	107.7	107.5	108.1	109.5	110.1	110.1	110.1	110.1	110.1	110.1
Education	1.3	106.3	109.7	109.7	109.7	109.7	109.7	109.7	109.7	109.7	109.7	109.7	109.7	109.7
Restaurants and hotels	2.1	100.8	106.3	106.3	106.3	106.3	106.3	106.3	106.3	106.3	106.3	106.3	106.3	106.3
Miscellaneous goods & services	3.2	104.2	105.6	105.6	105.6	106.0	106.7	107.1	107.2	107.7	108.3	108.3	108.6	108.6

Source: Office of Chief Government Statistician, Zanzibar



Table A3 (d): Zanzibar: Consumer Price Index, 12 Months Percentage Change

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Headline	3.5	3.0	2.6	2.8	2.9	3.1	2.7	2.4	2.1	2.2	2.4	3.1	3.3
Food	2.3	3.7	3.9	3.0	3.3	2.3	2.4	1.8	2.0	1.5	1.9	4.1	4.3
Non-Food	4.3	2.4	1.7	2.8	2.6	3.6	2.9	2.8	-0.1	2.7	2.7	2.4	2.5
Alcoholic beverages, tobacco & narcotics	6.6	6.9	6.6	6.6	6.6	6.6	6.6	18.0	24.5	22.4	22.4	22.4	22.4
Clothing and footwear	2.9	1.8	1.7	0.1	0.4	1.8	1.6	1.1	1.5	1.8	1.9	0.3	0.1
Housing, water, electricity, gas and other fuels	3.0	1.5	1.0	1.5	0.8	2.8	0.4	-0.8	-1.7	-0.9	-0.4	-0.4	0.3
Furnishing, household equipment and routine household maintenance	12.5	2.9	2.9	2.7	3.3	3.0	2.5	2.4	2.3	2.9	3.5	4.0	4.0
Health	1.5	4.0	2.9	4.1	4.7	3.4	3.1	6.9	7.3	7.3	7.4	7.6	7.6
Transport	8.5	4.1	4.1	1.1	0.5	2.2	2.7	2.6	0.9	2.1	0.4	0.7	-0.3
Communication	-1.1	-1.1	-1.1	14.5	14.5	14.2	15.8	15.8	15.8	15.8	15.8	15.8	15.8
Recreation and culture	4.8	4.0	2.4	2.4	2.3	2.9	4.2	4.7	4.7	4.7	4.7	2.3	2.3
Education	6.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.0	4.0	4.0	3.1	3.1
Restaurants and hotels	-1.1	4.1	4.1	4.1	4.1	4.1	4.1	7.7	6.0	6.0	6.0	5.4	5.4
Miscellaneous goods & services	3.8	3.5	3.5	3.5	4.0	4.9	4.3	4.4	4.9	5.4	5.3	4.0	4.2

Source: Office of Chief Government Statistician, Zanzibar



Table A4: Tanzania: Depository Corporations Survey

Billions of TZS

Items	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Net foreign assets (NFA) of the banking system	10,629.8	10,371.9	10,636.7	10,216.6	9,598.2	9,814.9	10,392.5	11,461.7	12,082.3	11,889.9	12,135.4	12,034.5	12,063.1
NFA of the Bank of Tanzania	10,692.3	10,290.4	10,543.2	9,890.4	9,273.6	9,080.6	9,420.9	10,216.7	11,445.6	11,680.9	11,890.2	12,207.7	12,063.1
Net international reserves (Millions of USD)	4,945.4	4,784.8	4,866.1	4,594.2	4,308.1	4,230.2	4,375.5	4,734.9	5,254.0	5,356.1	5,451.7	5,591.2	5,530.5
NFA of the banks	-62.5	81.6	93.4	326.2	324.6	96.9	394.0	175.8	16.1	401.4	-0.3	-72.4	-28.5
Banks NFA (Millions of USD)	-27.4	35.7	40.8	142.5	141.8	42.4	172.1	76.8	7.0	175.3	-0.1	-31.6	-12.5
Net domestic assets of the banking system	15,193.7	15,391.2	15,232.0	15,466.3	16,030.9	16,758.9	17,425.9	15,701.4	15,558.4	16,161.0	16,029.0	16,274.8	16,274.8
Domestic claims	22,208.4	22,229.4	22,251.9	22,289.9	23,355.8	24,061.7	25,073.9	23,757.4	22,765.3	22,816.2	23,302.4	23,239.3	23,589.3
Claims on central government (net)	4,481.6	4,064.4	3,825.1	3,853.6	4,714.3	5,250.3	6,212.8	6,151.9	3,745.7	3,610.0	3,977.0	3,854.8	3,893.9
Claims on central government	8,522.5	8,217.1	7,860.2	7,876.4	8,579.8	9,212.0	9,390.0	9,151.0	8,721.7	7,998.8	8,279.3	8,739.3	8,408.0
Ow Securities held by banks	4,993.6	5,097.4	5,105.4	4,995.8	5,105.1	5,190.5	5,276.9	5,226.7	5,375.6	5,162.2	5,164.8	5,228.0	5,169.3
Liabilities to central government	4,040.9	4,152.7	4,035.1	4,022.9	3,865.5	3,961.7	3,117.1	4,279.1	4,976.0	4,388.9	4,302.2	4,884.4	4,514.1
Claims on the private sector	17,726.8	18,165.0	18,426.8	18,436.4	18,641.5	18,811.4	18,861.1	18,885.5	19,019.7	19,206.2	19,325.4	19,384.5	19,695.4
Ow Extended in Shillings	46.4	48.7	50.7	45.1	45.2	47.4	61.1	43.9	40.1	42.3	48.9	45.5	42.3
Extended in foreign currency	11,902.8	12,314.1	12,448.0	12,676.8	12,804.5	13,074.4	13,185.3	13,363.3	13,411.9	13,716.2	13,764.6	13,890.4	14,072.6
Equivalent in millions of USD	5,220.6	5,385.3	5,446.8	5,537.9	5,592.6	5,714.0	5,759.7	5,837.9	5,859.0	5,991.3	6,012.4	6,067.8	6,148.9
Other items net	-7,014.7	-6,838.2	-7,019.9	-6,803.7	-7,325.0	-7,303.7	-7,647.9	-7,220.0	-7,063.9	-7,257.8	-7,141.3	-7,210.3	-7,310.7
Extended broad money supply (M3)	25,823.5	25,763.1	25,868.7	25,702.8	25,629.2	25,945.6	27,240.8	26,930.0	27,163.2	27,640.7	28,050.9	28,164.3	28,313.1
Foreign currency deposits (FCD)	6,783.1	6,796.7	6,591.5	6,717.3	6,293.5	6,318.4	6,238.7	6,531.4	6,630.0	7,211.1	7,279.6	7,096.6	7,032.9
FCD (Millions of USD)	2,975.1	2,977.9	2,884.2	2,934.5	2,748.8	2,761.4	2,725.2	2,853.3	2,896.3	3,149.8	3,179.7	3,100.1	3,072.9
Broad money supply (M2)	19,040.4	18,966.4	19,277.1	18,985.5	19,335.6	19,627.2	21,002.1	20,398.6	20,533.2	20,429.6	20,771.3	21,067.7	21,280.3
Other deposits	7,316.7	7,362.3	7,563.7	7,390.6	7,387.3	7,430.1	7,480.4	7,380.2	7,716.1	7,752.3	7,665.9	7,875.2	7,955.1
Narrow money supply (M1)	11,723.7	11,604.1	11,733.4	11,594.9	11,948.3	12,197.1	13,521.7	13,018.4	12,817.1	12,677.4	13,105.5	13,192.5	13,325.1
Currency in circulation	3,866.7	3,709.2	3,733.9	3,782.8	3,772.1	3,925.7	4,121.0	4,115.1	4,193.3	4,130.7	4,147.3	4,211.9	4,221.8
Transferable deposits	7,857.0	7,894.9	7,979.6	7,812.2	8,176.2	8,271.5	9,400.7	8,903.3	8,623.7	8,546.6	8,958.2	8,980.6	9,103.3
Memorandum items													
Reserve money	6,982.9	6,707.2	6,840.7	6,688.4	6,764.7	6,973.9	7,963.8	7,262.4	7,125.6	7,218.8	7,594.2	7,411.2	7,466.4
Banks' reserves	2,216.6	2,196.5	2,301.4	2,078.0	2,103.3	2,243.0	3,019.5	2,214.0	2,040.2	2,145.3	2,526.4	2,318.5	2,218.2
Currency outside Bank of Tanzania	4,776.2	4,510.7	4,539.3	4,610.3	4,659.4	4,730.9	4,944.3	5,048.5	5,085.5	5,073.5	5,067.8	5,092.7	5,248.2
Average reserve money	6,921.4	6,836.2	6,796.5	6,877.7	6,790.9	6,873.2	7,186.3	7,376.3	7,103.4	7,175.4	7,334.8	7,386.0	7,489.9
Nominal exchange rate (end of period) (TZS/USD)	2,280.0	2,282.4	2,285.4	2,289.1	2,289.5	2,288.1	2,289.2	2,289.1	2,289.1	2,289.4	2,289.4	2,289.2	2,286.6
Gross official reserves (Millions of USD)	5,044.6	4,884.4	4,954.2	4,681.7	4,392.5	4,317.0	4,432.6	4,791.4	4,298.9	4,400.8	4,596.9	4,563.3	4,567.6
Foreign assets of banks (Millions of USD)	966.7	931.7	956.5	1,041.8	1,031.4	1,026.3	1,119.6	1,053.9	1,052.4	1,177.7	1,121.1	1,026.1	1,066.4
Gross foreign assets of the banking system (Millions of USD)	6,011.3	5,816.1	5,912.6	5,723.5	5,426.6	5,343.2	5,523.3	5,845.3	6,351.4	6,578.5	6,618.0	6,662.4	6,634.0
Annual growth rates (%)													
Stock of reserve money	0.6	-6.4	-4.2	-0.8	4.3	2.4	11.6	8.7	5.5	11.3	15.3	9.1	6.8
Average reserve money	-1.5	-2.5	-2.4	0.7	1.8	4.0	3.2	7.4	5.3	8.2	10.9	11.4	8.2
Extended broad money supply (M3)	4.5	3.3	4.0	5.0	4.9	5.8	7.7	9.0	8.5	9.4	11.0	10.5	9.6
Broad money supply (M2)	3.8	2.3	3.0	4.4	7.0	7.2	10.8	11.7	11.4	9.8	11.9	11.5	11.8
Credit to the private sector	4.9	7.3	9.2	9.6	10.6	9.0	7.6	8.3	8.2	9.3	9.8	8.9	11.1

Source: Bank of Tanzania



Table A5: Tanzania: Capital and Money Market Interest Rates

Items	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Percent													
Interbank cash market rates													
Overnight	2.98	3.55	4.52	5.27	5.20	5.32	5.47	5.04	4.63	5.15	4.28	4.68	3.63
2 to 7 days	3.40	3.95	5.25	5.82	5.81	5.79	5.77	5.38	4.91	5.41	5.21	5.05	4.91
8 to 14 days	4.08	4.80	5.67	6.34	6.42	6.24	6.21	5.56	5.38	5.58	5.43	5.23	5.02
15 to 30 days	4.69	4.49	5.00	6.95	7.25	7.24	6.89	5.52	5.82	5.76	5.99	5.47	5.54
31 to 60 days	5.00	5.00	5.00	6.67	7.00	7.30	7.75	6.12	6.33	6.09	5.29	6.15	6.15
61 to 90 days	2.50	2.50	2.50	8.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	5.00	6.50
91 to 180 days	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	8.50	6.34	6.34
181 and above	12.94	12.94	12.94	12.94	12.94	12.94	12.94	11.00	11.00	11.00	10.00	7.33	7.33
Overall interbank cash market rate	3.25	3.74	4.72	5.59	5.54	5.60	5.69	5.42	4.91	5.37	5.22	5.18	4.59
Lombard rate	4.50	6.75	6.79	7.91	7.79	7.97	8.20	7.57	6.95	7.73	6.75	7.02	6.75
REPO rate	2.37	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
182 days	5.26	5.27	5.28	5.17	5.26	5.14	5.16	5.24	5.18	5.19	4.82	4.57	4.53
364 days	9.22	9.33	9.25	9.15	9.06	9.06	9.04	8.31	7.70	7.09	6.46	6.10	5.91
Overall Treasury bills rate	8.72	8.54	8.73	8.67	8.20	8.58	8.69	8.18	7.65	7.05	6.40	5.98	5.81
Treasury bonds rates													
2-years	10.49	11.39	11.39	11.39	11.97	11.97	11.97	11.97	11.08	11.08	11.08	11.08	11.08
5-years	12.00	12.00	12.71	12.71	12.71	12.96	12.96	12.96	12.96	12.96	11.95	11.95	11.95
7-years	12.56	12.56	13.23	13.23	13.23	13.23	13.23	13.23	13.23	13.23	12.89	12.89	12.89
10-years	14.94	14.94	14.94	15.11	15.11	15.11	15.70	15.12	15.16	15.16	14.52	14.52	14.52
15-years	15.03	15.46	15.46	15.62	15.62	15.62	15.74	15.67	15.67	15.37	15.37	15.37	15.24
Discount rate	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00

Source: Bank of Tanzania



Table A6: Tanzania: Banks' Interest Rates

Items	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
A: Domestic currency													
Savings deposit rate													
Overall time deposits rate	7.52	7.34	7.25	7.64	7.04	7.35	7.44	7.34	7.03	7.45	7.30	6.97	6.79
1 month	8.89	9.24	9.66	9.16	8.12	8.64	8.58	8.28	8.19	7.46	8.24	8.59	7.97
2 months	8.22	7.92	7.23	8.28	7.48	7.17	7.46	7.72	5.04	8.28	8.43	7.52	5.05
3 months	7.29	6.61	6.81	8.01	6.99	7.27	7.63	6.80	7.68	8.14	6.62	4.75	7.93
6 months	7.35	7.43	7.51	8.03	7.70	7.99	8.31	8.46	8.04	8.35	7.91	7.28	6.73
12 months	8.40	8.66	8.52	9.01	7.93	8.75	9.06	9.07	8.87	8.67	8.84	9.38	8.90
24 months	10.32	10.10	9.79	9.53	9.73	9.86	9.78	9.76	9.84	9.84	9.73	9.96	9.85
Negotiated deposit rate													
Overall lending rate	9.17	8.85	9.13	8.84	9.15	8.65	8.84	8.69	8.98	8.83	8.92	9.06	9.08
Short-term (up to 1 year)	16.74	17.23	16.65	17.27	17.25	17.21	16.87	16.87	16.77	17.00	16.77	16.94	16.76
Medium-term (1-2 years)	17.89	17.01	16.39	17.59	16.94	17.07	16.43	16.25	16.34	16.42	16.71	16.90	16.28
Long-term (3-5 years)	17.63	18.18	17.89	17.81	18.32	18.24	18.17	18.34	18.23	18.38	18.00	18.38	18.67
Term loans (over 5 years)	17.10	17.78	17.07	19.03	17.97	17.82	17.56	17.41	17.49	17.62	17.48	17.55	17.71
	16.20	17.08	16.44	16.85	16.73	17.16	16.61	16.69	16.60	16.62	16.31	16.58	15.85
	14.89	16.10	15.47	15.08	16.27	15.77	15.59	15.65	15.20	15.94	15.37	15.29	15.29
Negotiated lending rate													
Overall lending rate	15.28	14.93	14.84	14.62	14.61	15.27	14.41	14.38	14.31	14.09	14.44	13.62	14.00
B: Foreign currency													
Deposits rates													
Savings deposits rate													
Overall time deposits rate	1.92	2.02	2.09	1.72	1.76	1.75	2.11	2.62	2.67	2.75	2.64	2.62	2.71
1-months	3.57	3.43	3.17	3.07	3.15	2.56	2.83	1.91	2.08	2.08	2.34	2.34	2.23
2-months	4.55	4.46	3.19	2.95	3.26	2.80	3.42	2.18	2.87	2.24	1.68	3.34	1.95
3-months	3.27	3.19	2.68	3.51	3.74	2.27	2.92	2.20	1.78	1.75	3.31	1.63	3.79
6-months	3.26	3.19	3.37	3.10	2.85	2.76	2.41	1.40	1.64	1.83	3.52	2.06	1.67
12-months	3.37	3.06	3.33	3.11	3.08	3.36	3.46	2.25	2.12	2.03	2.28	2.37	2.50
Overall lending rate													
Short-term (up to 1 year)	8.31	8.00	7.72	7.57	7.46	8.20	8.05	8.02	7.52	7.30	7.27	7.70	6.94
Medium-term (1-2 years)	8.93	6.76	6.82	8.23	8.17	8.51	7.93	7.58	7.54	7.43	7.34	7.53	7.28
Long-term (3-5 years)	9.17	8.38	8.20	5.91	5.39	8.41	8.39	8.56	8.61	8.63	8.64	7.98	7.99
Term loans (over 5 years)	7.80	8.03	7.61	7.79	7.85	7.71	7.63	8.27	8.32	8.33	8.32	7.70	7.71
	8.19	8.87	7.99	8.03	8.03	8.36	8.32	7.71	7.71	7.37	7.31	7.31	7.16
	7.49	7.98	7.97	7.87	7.87	7.99	7.99	7.99	5.41	4.76	4.76	8.00	4.58

Source: Bank of Tanzania



Table A7: Zanzibar: Central Government Operations

	Budget 2019/20	July-Dec 2019		Percent of Estimates
		Estimates	Actual	
Total Revenue	976.5	474.0	432.0	91.1
Tax Revenue	859.7	419.9	365.8	87.1
Tax on Imports	179.2	87.0	80.4	92.5
VAT and Excise Duties (local)	195.8	124.3	101.9	81.9
Income Tax	192.0	83.1	72.6	87.4
Other Taxes	292.7	125.5	110.8	88.3
Non-Tax Revenue	116.8	54.1	66.3	122.5
Total Expenditure	1,419.4	601.9	583.9	97.0
Recurrent Expenditure	842.4	420.9	407.0	96.7
Wages and Salaries	362.8	182.5	180.4	98.8
Other Expenditure	465.5	238.3	226.6	95.1
Development Expenditure	577.0	181.0	176.9	97.7
local	182.4	88.6	89.7	101.3
foreign	394.6	92.4	87.2	94.4
Overall Surplus/ Deficit before grants	-442.9	-127.9	-151.9	118.8
Grants	103.6	9.6	18.7	194.4
Project grant	95.3	10.2	18.7	182.7
Overall Surplus/Deficit after grants	-339.3	-118.3	-133.2	112.6
Adjustment to cash and other items	190.0	49.5	64.0	129.3
Overall Deficit cheques Cleared	-339.1	-68.8	-69.2	100.6
Financing	339.1	77.8	69.2	88.9
Foreign	299.1	68.8	60.2	87.5
Program Loans	299.1	68.8	60.2	87.5
Domestic (net)	40.0	9.0	9.0	100.0
Non-bank	40.0	9.0	9.0	100.0

Source: Ministry of Finance and Economic Planning, Zanzibar



Table A8: Tanzania: Balance of Payments

Millions of USD

Item	2014	2015	2016	2017 ^r	2018 ^p
A. Current account	-5,028.2	-3,987.4	-2,664.7	-1,813.9	-1,890.3
Goods: exports f.o.b.	5,194.1	5,316.8	4,949.7	4,523.9	4,379.6
Traditional	828.8	793.3	961.2	1,020.7	772.1
Non-traditional	3,798.6	4,040.1	3,538.5	3,091.9	3,209.3
o/w: Gold	1,324.1	1,183.3	1,508.8	1,541.1	1,524.0
Unrecorded trade	566.8	483.3	450.0	411.3	398.1
Goods: imports f.o.b.	-10,917.8	-9,843.1	-8,463.6	-7,551.7	-7,752.0
Balance on goods	-5,723.7	-4,526.3	-3,513.9	-3,027.8	-3,372.4
Services: credit	3,396.0	3,412.4	3,599.3	3,831.9	4,014.7
Transport	902.6	1,024.9	1,053.6	1,137.4	1,222.1
Travel	2,010.1	1,902.0	2,131.6	2,250.3	2,449.4
Other	483.2	485.5	414.1	444.2	343.2
Services: debit	-2,648.3	-2,629.1	-2,176.4	-2,039.9	-2,131.2
Transport	-1,142.6	-1,047.0	-893.7	-795.7	-839.1
Travel	-1,101.6	-1,195.3	-922.3	-807.3	-738.1
Other	-404.1	-386.8	-360.4	-436.9	-554.1
Balance on services	747.7	793.3	1,422.9	1,792.0	1,883.4
Balance on goods and services	-4,976.0	-3,743.0	-2,091.1	-1,235.8	-1,489.0
Primary income: credit	118.4	110.3	98.5	125.3	155.9
o/w: Investment income	86.5	87.8	67.6	86.1	108.5
Compensation of employees	31.9	22.5	31.0	39.3	47.4
Primary income: debit	-647.9	-834.6	-1,053.6	-1,105.4	-1,025.8
o/w: Direct investment income	-445.0	-550.0	-625.2	-700.0	-683.7
Interest payments	-150.9	-248.6	-379.9	-358.0	-302.1
Compensation of employees	-49.1	-33.2	-46.1	-45.0	-37.6
Balance on primary income	-529.5	-724.3	-955.1	-980.1	-869.9
Balance on goods, services and primary income	-5,505.5	-4,467.3	-3,046.2	-2,215.9	-2,358.8
Secondary income: credit	535.5	560.1	452.7	485.2	535.8
Government	177.9	194.8	81.1	121.8	170.3
o/w: Miscellaneous current transfers (Multilateral HIPC relief)	0.0	0.0	0.0	0.0	0.0
Financial corporations, nonfinancial corporations, households and NPISHs	357.6	365.3	371.6	363.4	365.5
o/w: Personal transfers	357.6	365.3	371.6	363.4	365.5
Secondary income: debit	-58.2	-80.2	-71.2	-83.2	-67.3
Balance on secondary income	477.3	479.9	381.5	402.0	468.5
B. Capital account	547.9	380.1	446.2	376.8	221.2
Capital transfers credit	547.9	380.1	446.2	376.8	221.2
General government	483.7	316.1	383.0	313.6	157.4
Other capital transfer (Investment grant)	457.9	290.3	357.3	287.8	151.4
Financial corporations, nonfinancial corporations, households and NPISHs	64.2	64.0	63.2	63.2	63.8
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
Total, groups A plus B	-4,480.3	-3,607.3	-2,218.5	-1,437.1	-1,669.1
C. Financial account, excl. reserves and related items	-3,109.0	-2,662.6	-1,745.4	-1,254.9	-1,741.3
Direct investments	-1,416.1	-1,506.0	-864.0	-937.7	-1,056.0
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	1,416.1	1,506.0	864.0	937.7	1,056.0
Portfolio investment	-11.5	-27.6	5.0	-2.9	0.7
Other investment	-1,681.4	-1,128.9	-866.4	-1,214.2	-686.0
Assets	-28.8	331.8	-129.1	-117.8	363.3
Loans (Deposit-taking corporations, except the central bank)	-24.8	186.9	-95.8	-34.5	35.2
Currency and deposits	-3.9	144.9	-33.3	-83.4	328.0
Deposit-taking corporations, except the central bank	-87.9	69.5	-150.1	-4.9	206.9
Other sectors	84.0	75.4	116.8	-78.5	121.1
Other assets	0.0	0.0	0.0	0.1	0.0
Liabilities	1,652.6	1,460.7	757.2	1,096.5	1,049.3
Trade credits	-1.0	-0.1	0.2	9.7	21.4
Loans	1,639.2	1,558.2	826.3	1,103.9	990.3
Monetary authority	0.0	0.0	0.0	0.0	0.0
General government	1,202.6	1,089.9	306.8	707.0	654.6
Drawings	1,367.7	1,309.4	779.0	1,238.8	1,361.1
Repayments	-165.1	-219.5	-472.3	-531.9	-706.5
Banks	14.6	97.3	209.2	176.1	-32.2
Other sectors	422.0	371.0	310.3	220.8	367.9
Drawings	494.5	547.4	453.3	318.9	467.6
Repayments	-72.5	-176.4	-142.9	-98.1	-99.7
Currency and deposits	14.4	-97.5	-69.3	-17.1	37.6
Total, groups A through C	-1,371.3	-944.7	-473.1	717.8	72.1
D. Net errors and omissions	1,119.5	745.6	778.7	951.9	-856.2
Overall balance	-251.8	-199.1	305.5	1,669.6	-784.0
E. Reserves and related items	-251.8	-199.1	305.5	1,669.6	-784.0
Reserve assets	-307.3	-273.7	232.2	1,598.7	-871.9
Use of Fund credit and loans	55.5	74.6	73.3	70.9	87.9
Memorandum items:					
CAB/GDP	-10.1	-8.4	-5.4	-3.4	-3.3
CAB/GDP (excluding current official transfers)	-10.5	-8.8	-5.5	-3.6	-3.6
Gross official reserves	4,377.2	4,093.7	4,325.6	5,900.3	5,044.6
Months of imports	4.2	4.6	5.4	7.2	5.2
Months of imports (excluding FDI related imports)	4.7	4.9	5.9	7.8	5.7
Exchange rate, TZS/USD (end of period)	1,725.8	2,148.5	2,172.6	2,230.1	2,281.2
Exchange rate, TZS/USD (annual average)	1,652.5	1,985.4	2,177.1	2,228.9	2,255.8

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: NIPISH denotes non-profit institutions serving household; HIPC, heavily indebted poor countries; MDRI, multilateral debt relief initiatives; CAB, current account balance; r denotes revised data and p denotes provisional



Table A9: Zanzibar: Goods Exports by Major Category

	Units	July - December		Percentage change
		2018/19	2019/20	
Traditional exports				
Clove				
Value	USD ('000')	-	4,057.1	100.0
Volume	000 Tonnes	-	0.8	100.0
Unit price	USD/Tonne	-	4,978.0	100.0
Non-traditional exports				
Seaweeds				
Value	USD ('000')	1,953.8	2,032.2	3.9
Volume	000 Tonnes	4.7	2.9	-65.1
Unit price	USD/Tonne	411.8	707.1	41.8
Manufactured goods	USD ('000')	2,393.0	1,382.4	-73.1
Fish and fish products	USD ('000')	288.2	503.6	42.8
Others exports	USD ('000')	362.0	262.9	-37.7
Sub-total	USD ('000')	4,996.9	4,181.1	-19.5
Grand-total	USD ('000')	4,996.9	8,238.1	39.3

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: Other exports include mainly souvenirs and spices.
p denotes provisional

Table A10: Zanzibar: Imports by Major Categories

	July - December		Percentage change
	2018/19	2019/20	
Capital goods	32.5	37.3	14.8
Transport equipment	8.6	9.7	12.5
Building and construction	7.9	7.8	-1.1
Machinery	16.0	19.8	23.8
Intermediate goods	55.4	61.9	11.7
Oil imports	37.0	48.2	30.2
Industrial raw materials	18.4	13.7	-25.7
Consumer goods	43.4	52.7	21.3
Food and food stuffs	18.2	25.2	38.2
All other consumer goods	25.2	27.4	9.0
Grand total (c.i.f)	131.3	151.8	15.6
Grand total (f.o.b)	119.5	138.2	15.6

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p means provisional.

f.o.b denotes free on board

c.i.f means cost insurance and freight



GLOSSARY

Clearing Balances

These are banks' balances in excess of the reserve requirements set by the Bank of Tanzania.

Core Inflation

This is a measure of price movements caused by factors other than food and energy prices over a specified period of time. It provides a better indication of the effectiveness of monetary policy.

Debt Sustainability

Refers to ability of a country to meet its current and future debt obligations without requiring a debt relief or accumulating arrears. Key indicators include the present value of external debt to GDP ratio.

Disbursed Outstanding Debt

This is the amount of debt that has been disbursed but yet to be paid back or forgiven.

Discount Rate

The rate of interest at which the Bank of Tanzania charges on loans it extends to banks. It uses Treasury bills rate as a base plus a loaded factor, which can be changed from time to time depending on the liquidity situation in the market.

Exchange Rate

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



Financial Soundness Indicators

These are indicators of the financial health and soundness of banks and financial institutions and of their corporate and household counterparts. Common ones include indicators on capital adequacy, asset quality, earnings, liquidity and market risk exposures.

Gross Domestic Product

Gross Domestic Product (GDP) is defined as the total value of goods and services that are newly produced in the economy during an accounting period, generated net incomes to the economy and are available for domestic final uses or for exports. It can be measured by three approaches, namely: production approach, expenditure approach and income approach.

Gross Official Reserves or Reserve Assets

Gross official reserves consist of external assets that are readily available to, and controlled by the Bank of Tanzania for direct financing of balance of payments, and for indirectly regulating the magnitude of balance of payments imbalances through intervention in foreign exchange markets. Gross official 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, available to the Bank of Tanzania for meeting external financing needs.

Inflation

Inflation is defined as the rate at which the average level of domestic prices is persistently increasing over a period of time.



Lombard Facility

An overnight facility established to enable banks to borrow from the Bank of Tanzania at their own discretion, by pledging eligible government securities as collateral.

Minimum Reserve Requirement

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

Money Supply

The sum of currency in circulation outside the banking system and deposits of residents with banks defined in various levels of aggregation. In Tanzania, three aggregates of money supply are compiled and reported, namely: narrow money (M1), broad money (M2), and extended broad money (M3).

M1 – Currency in circulation outside banking system plus demand deposits (cheque account)

M2 – M1 plus fixed deposits and savings deposits

M3 – M2 plus residents' foreign currency deposits

National Debt

National debt is the total national obligations that includes government debt both external and domestic, publicly guaranteed external debt and private sector external debt.



Non-Food Inflation

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

Non-Performing Loan

A non-performing loan means any credit accommodation for which contractual obligation for repayment is past due for more than ninety days, or is classified as substandard, doubtful or loss under the criteria prescribed in the Banking and Financial Institutions (Management of Risk Assets) Regulation, 2014 or in other regulations for development finance institutions or microfinance, as the case may be, and is placed on a non-accrual basis.

Public Debt

Public debt is the debt payable by the government that include domestic, external and external publicly guaranteed debt.

Repo and Reverse Repos

A repurchase agreement, also known as a repo, is a sale of securities together with an agreement for the seller to buy back the securities at a later date.

A reverse repo is simply the same as a repurchase agreement from the buyer's viewpoint. Hence, the seller executing the transaction would describe it as a 'repo', while the buyer in the same transaction would describe it a 'reverse repo'.



Reserve Money

The Bank of Tanzania's liabilities in the form of currency in circulation outside the banking system, cash held by banks in their vaults and deposits of banks kept with the Bank of Tanzania in national currency. Reserve money is also referred to as Base money, or the monetary base or high-powered money.





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