TANZANIA FINANCIAL STABILITY REPORT

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For enquiries and comments contact
Directorate of Financial Stability
Bank of Tanzania
2 Mirambo Street
P.O. Box 2939
11884, Dar es Salaam
Tel: +255 22 223 3471/2
Fax: +255 223 4076
http://www.bot.go.tz

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LIST OF ACRONYMS

ATMs	-	Automated Teller Machines
CMSA	-	Capital Markets and Securities Authority
DFI	-	Development Finance Institutions
DIB	-	Deposit Insurance Board
DSE	-	Dar es salaam Stock Exchange
EMEs	-	Emerging Market Economies
GDP	-	Gross Domestic Product
GPW	-	Gross Premium Written
HHI	-	Herfindahl Hirschman Index
IFRS	-	International Financial Reporting Standard
IMF	-	International Monetary Fund
IPO	-	Initial Public Offer
MCB	-	Mwalimu Commercial Bank
MFB	-	Microfinance Bank
NAV	-	Net Asset Value
NFCs	-	Non-Financial Corporates
NPLs	-	Non- Performing Loans
PLC	-	Public Limited Company
POS	-	Point of Sale
RoI	-	Return on Investment
SMEs	-	Small and Medium Enterprises
SSA	-	Sub-Saharan Africa
TACH	-	Tanzania Automated Clearing House
TBL	-	Tanzania Breweries Limited
TIRA	-	Tanzania Insurance Regulatory Authority
TISS	-	Tanzania Interbank Settlement System
TMRC	-	Tanzania Mortgage Refinancing Company
TRWA	-	Total Risk Weighted Assets
TZS	-	Tanzania Shilling
USD	-	United States Dollar

FOREWORD

The Financial Stability Report for September 2017 is released at a time when global risks have subsided. Growth is picking up with favourable financial conditions, improving access to international financial markets and low cost of borrowing. The impact of geopolitical tension and the US trade policy concerns were mild, helping emerging and developing countries to continue enjoying gains from globalisation.

On the domestic front, the financial sector operated in a stable macroeconomic environment, improving the risk profile of the system as a whole despite increasing credit risk. A number of measures to enhance stability of the financial system were carried out. First, the Bank introduced a capital conservation buffer of 2.5 percent of total risk weighted assets for banks effective August 2017, a move that strengthens banks' capital, providing additional cushion against risks, and preparing ground for meeting new provisioning standards under International Financial Reporting Standards (IFRS) 9 effective January 2018. Secondly, we have raised minimum capital thresholds for Bureaux de Change and increased security deposit at the Bank, a necessary change that aligned risks assumed by respective categories of bureaux effective June 2017. Lastly, all undercapitalised banks were directed to come up with plans to restore capital levels by December 2017.

Other regulators have also taken measures to minimize potential risks and accommodate new developments. The Written Laws (Miscellaneous Amendment) Act, 2017, which amends the Insurance Act, 2009, requiring policyholders to make direct payment of premium to insurers combined with using Tanzania insurers to insure all imported ground, marine and air cargo will enhance liquidity of the insurance sector. Government initiatives to reform the social security sector, including the plan to merge pension funds to two, one to cater for public sector servants and the other for private sector servants, will enhance sustainability. The conclusion of the process to operationalise Tanzania Mercantile Exchange has created a mechanism for deepening the linkage between financial system and real sector.

The Government's request for a comprehensive assessment of the financial sector in 2018 under IMF/World Bank Financial Sector Assessment Programme will inform Financial Stability Forum members on new risks and reform areas that will enhance stability and development of the financial system.

Prof. Florens D.A.M. Luoga
Governor and Chairman of Tanzania Financial Stability Forum

EXECUTIVE SUMMARY

Risks to global economic outlook subsided, but political and policy uncertainties remain. More than expected acceleration in global economic activity in the first half of 2017, led to optimistic near term prospects. Accordingly, growth is projected at 3.6 percent in 2017, which is up by 0.1 percentage point from the April 2017 IMF World Economic Outlook, (WEO) projections. The momentum will be supported by favourable financial conditions and improved labour markets, which are strengthening domestic demand across key advanced and emerging market economies. In addition, growth in China and India is expected to remain strong while the commodity markets rebound will boost economic recovery in some large commodities exporters including Russia and Brazil. In contrast, a combination of higher inflation and uncertainty created by Brexit negotiations slowed the growth momentum in the UK. With inflation running at 3.0 percent in September 2017, above the Bank of England's policy target of 2.0 percent, tight monetary policy stance seems imminent.

Growth outlook in the Sub-Saharan Africa Region improved, albeit with elevated political uncertainties. Regional growth is expected to recover to 2.6 percent in 2017 from 1.4 percent in 2016, supported by increased agricultural output in Eastern and Southern Africa, improved global demand as well as recovery in Nigeria and Angola following higher oil production and prices. The region will also benefit from steady growth among other smaller economies including Mozambique, Ethiopia, Ghana and Cote d'Ivoire. However, political developments in Kenya, Nigeria and South Africa may erode business confidence and slow investment growth while tightening of global financial conditions may add pressure on foreign currency denominated debt-servicing costs across countries.

Domestic economic growth remained resilient, reducing macroeconomic risks. Growth remained strong at 6.8 percent in the first half of 2017, aided by higher public infrastructure spending, improved global demand and eased financial conditions. Inflation was contained, averaging 5.6 percent during the six months to September 2017, while improvement in current account with higher official foreign reserves helped to stabilize the value of shilling against major currencies. Eased monetary policy reduced cost of funding in the interbank cash market. However, this was not mirrored in the retail markets as banks increased risk premium on the lending rates to cope with rising NPLs. Growth is expected to remain strong for the year, at 7.0 percent supported by accommodative monetary policy, recovery in external demand and scaling up of government's infrastructure spending. Nevertheless, downside risks remain, as slowdown in supply and demand for credit, if it persists, may weigh on domestic activity.

Risks stemming from household sector declined in the short run, reducing exposure of the banking sector to credit risks. The survey on household (salary earners) financial conditions conducted in August 2017, covering 58 banks revealed that growth of personal loans was lower relative to income growth in 2017. The main reason cited by banks was tightening of credit conditions in response to high levels of non-performing loans, which slowed households' access to credit. The results suggest a decline in the banks' exposure to households.

Banking sector remained stable, despite declining profitability and elevated credit risks. In aggregate terms, the sector consistently maintained adequate capital and liquidity levels above regulatory limits. The sector was also resilient when it was subjected to stress test under various adverse but plausible shocks. However, at individual level, eight banks holding about 0.4 percent of the total banking sector assets were undercapitalised even before stress test. Affected banks were directed to come up with capital restoration plans by end December 2017.

The sector was characterised by slow credit growth and heightened credit risk, which moderated its profitability. In response to rising NPLs, banks adopted a tighter stance on their lending standards and continued to use credit reference system partly to contain risky borrowers. Banks actions combined with government's efforts to pay verified suppliers' arrears using the earmarked budget allocation for 2017/18 is expected to reduce NPLs level going forward. It is worth noting that banks in other EAC Partner States also experienced higher levels of NPLs. Despite the elevated credit risk, the banking sector in the EAC remained well capitalized in aggregate terms.

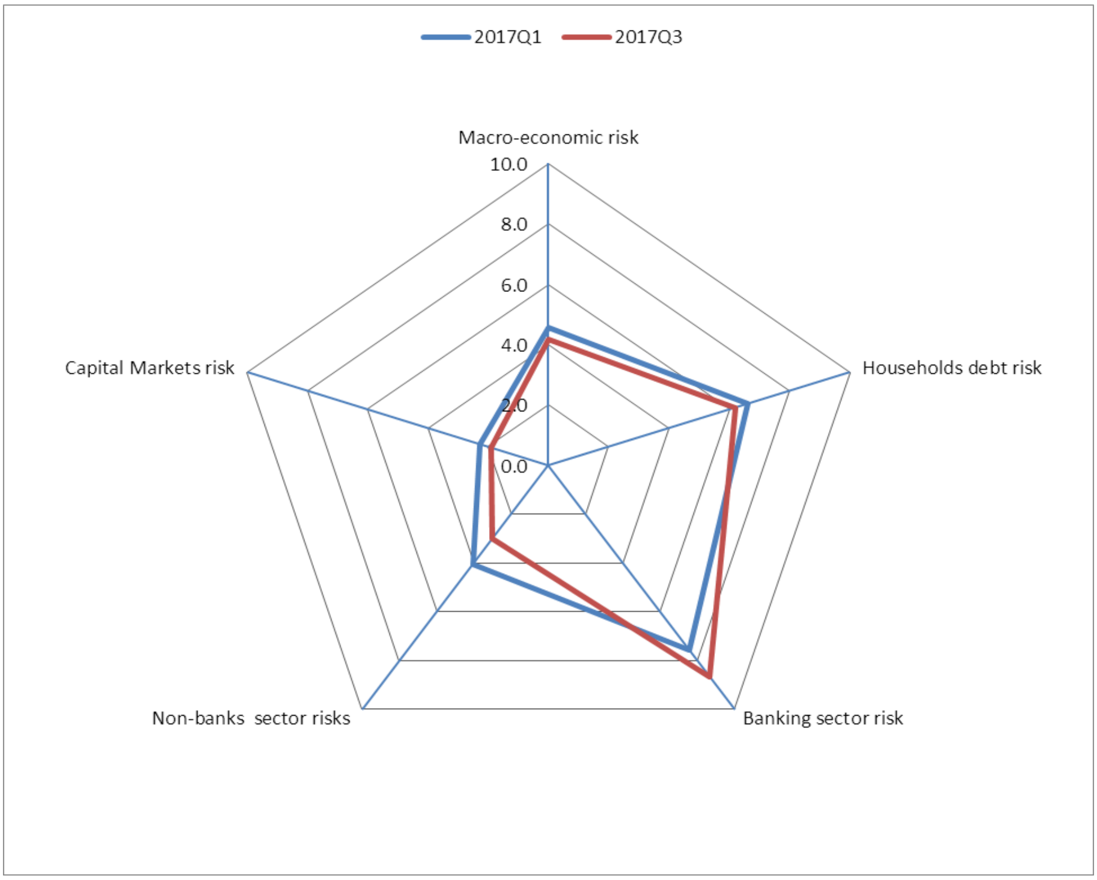
Performance at the Dar es Salaam Stock Exchange improved, attributable to appreciation of share prices and new listing. Trading activities increased in the six months to September 2017 as reflected by turnover, which grew by 55.8 percent, with share prices of major traded companies notably Tanzania Cigarette Company Limited (TCC), Tanzania Breweries Limited (TBL) and DSE PLC (DSE) appreciating after experiencing episodes of depreciation in the previous six months to March 2017. The appreciation of share prices together with the listing of Vodacom shares on 15th August 2017, led to an increase in domestic market capitalization by 29.8 percent. Meanwhile, foreign investors continued to dominate both sides of the market, warranting close monitoring to mitigate potential exit risks.

Insurance sector remained sound, with adequate liquidity. During the year ending June 2017, the sector maintained adequate capital level as reflected by sound solvency ratios for both general insurance and life assurance businesses at 59.5 percent and 27.2 percent, being above the minimum prudential requirements of 25.0 percent and 8.0 percent, respectively. Liquidity ratio for general insurance remained at 103.4 percent as recorded in June 2016, which was above the prudential limit of 95.0 percent. The insurers' liquidity position is poised to improve further following amendments of the Insurance Act, 2009, which among others, requires policyholders to make direct payment of premiums to insurers effective July 2017. (additions from TIRA) Prior to the amendment, premium was paid through brokers, which contributed to high levels of receivables.

Social security sector continued to expand, supported by earnings and contributions. Total assets of the sector increased by 14.6 percent in the year ending September 2017, mainly driven by an increase in investment income and members' contributions. Return on Investment was 6.7 percent in September 2017, compared with 6.0 percent in September 2016, with major income being interest earnings from government securities holdings and deposits in banks. The sector maintained operational efficiency (administrative expenses to members' contributions) at 9.3 percent, which is within the regulatory limit of 10.0 percent. In addition, dependency ratio (contributing members against pensioners) increased to 12.4 percent from 11.4 percent in September 2016, thus supporting sustainability of the schemes.

In summary, risks to global macro-financial environment were contained during the past six months to September 2017, aided by recovery of commodity prices, accommodative monetary policy and strong domestic demand in key advanced and emerging markets countries. As a result, global economy strengthened with favourable financial conditions, thus posing low risk to the domestic economy. In addition, volatility in the domestic money, foreign exchange and equity markets declined, with increased share prices at DSE and favourable yields in government securities reducing non-bank sector (social security and insurance companies) exposure to market risks. In contrast, NPLs continued to grow heightening banks' exposure to credit risk despite decline in household indebtedness. The identified risks presented in the financial stability risk map hereunder shows one area of heightened risk, the banking sector as explained by the reason outlined earlier.

Financial Stability Risk Map



Box I: Financial System Stability Index

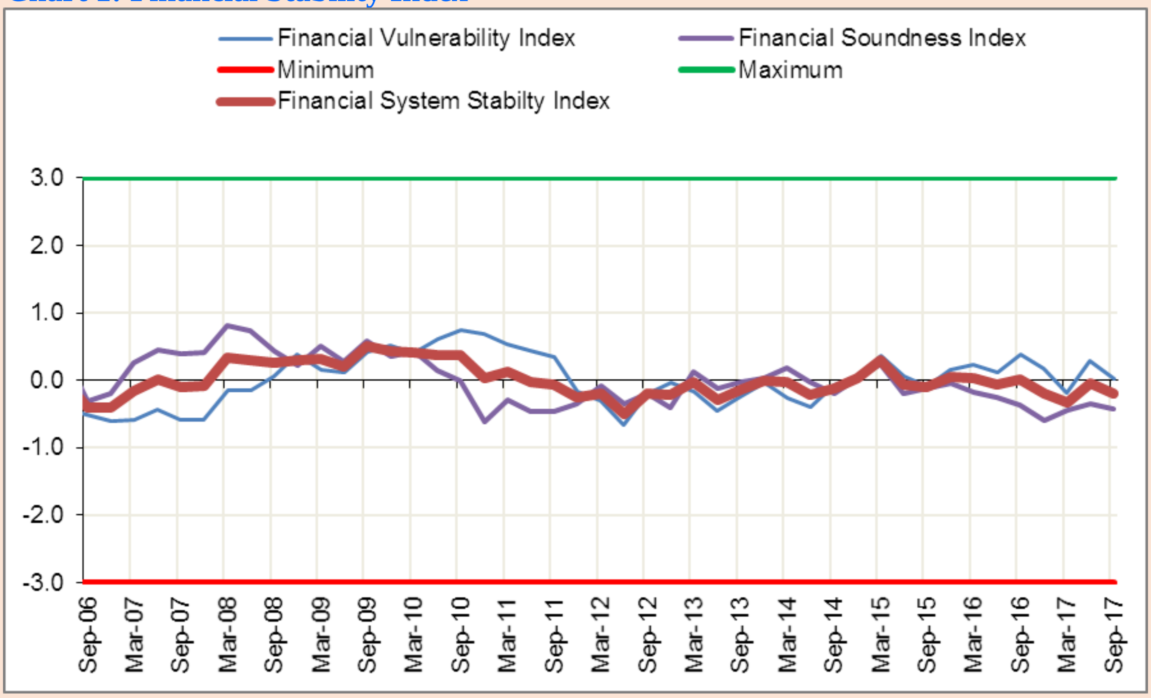
Introduction

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

Developments in Financial System Stability Index

During March to September 2017, the Index hovered around historical mean as depicted in the chart below, indicating that overall, the financial system was stable, although deteriorated slightly to -0.3 percent as at end September 2017, from -0.2 percent recorded in March 2017. The deterioration was attributed to continued increase in NPLs as well as slowdown in Return on Assets.

Chart 1: Financial Stability Index



Source: *Bank of Tanzania*

Financial Stability Outlook and Conclusion

Risks stemming from global macro financial environment remained steady, but are expected to abate in the six months to March 2018, in anticipation of better economic prospects in the key advanced and emerging market economies, higher commodity prices and strengthening domestic demand. In the domestic economy, the banking sector is expected to remain sound while the money and equity markets performance are expected to improve further, benefiting from strong macroeconomic environment and eased monetary conditions. Continued investment in infrastructure is laying a good foundation for a more sustainable growth trajectory, which will spur economic activity. This, together with banks' measures to contain risky borrowers and government efforts to pay verified suppliers' arrears may reduce NPLs level going forward. Reforms in the pension fund and policyholder direct payment of premium to insurance companies are expected to increase efficiency and reduce liquidity risk, respectively.

1.0 MACROECONOMIC AND FINANCIAL ENVIRONMENT

1.1 Global Economic Developments

The global economy performed strongly although political and future policy uncertainties remain. Global economic activity strengthened in the first half of 2017 and the momentum is expected to firm up in the second half on the back of strong domestic demand and continued accommodative monetary policy in key advanced economies. China and India remained resilient while economic recovery in commodity exporting countries are slowly gaining traction (**Table 1.1** and **Chart 1.1**). Accordingly, growth is projected to rise to 3.6 percent in 2017, which is 0.1 percentage point increase from the April 2017 IMF World Economic Outlook (WEO) projections. However, delays in US fiscal stimulus and renegotiation of trade treaties with other countries and trading block may slowdown global trade. In addition, election cycles in a number of countries and uncertainty about future Brexit deal may weigh on the economic outlook.

In advanced economies, risks to growth declined but future policy uncertainties may strain the growth trajectory. More than expected acceleration in economic activity in most of the advanced economies in the first half of 2017 led to optimistic near term prospects. In the Euro area, the growth was aided by improving labour market and stronger external demand, which supported exports growth. However, inflation dynamics are raising uncertainties about the timing of monetary policy normalization. In the US, rising consumer spending and favourable business confidence level boosted the economy, but further delays in the much awaited tax reforms and unknown outcome of bilateral trade renegotiations may drag back economic activity, going forward. In Japan, growth firmed up, supported by domestic demand and expansion of construction in preparation for 2020 Olympic Games. On the other hand, a combination of higher inflation and uncertainty created by Brexit negotiations slowed the growth momentum in the UK. With inflation running at 3.0 percent in September 2017, above the Bank of England's policy target of 2.0 percent, tight monetary policy stance seems imminent. In light of these developments, growth for major economies is projected at 2.2 percent in 2017, a 0.2 percentage points above the April 2017 WEO projections.

Table 1.1: Global Real GDP Growth and Projections

Percent

				April, 2017 Projections		Oct, 2017 Projections	
	2014	2015	2016	2017	2018	2017	2018
World	**3.4**	**3.4**	**3.2**	**3.5**	**3.6**	**3.6**	**3.7**
Advanced Economies	**1.8**	**2.1**	**1.7**	**2.0**	**2.0**	2.2	**2.0**
United States	2.4	2.6	1.5	2.3	2.5	2.2	2.3
Euro Area	0.9	2.0	1.8	1.7	1.7	2.1	1.9
Japan	0.3	1.2	1.0	1.0	1.2	1.5	0.7
United Kingdom	3.1	2.2	1.5	2.0	1.5	1.6	1.5
Emerging Market & Developing Economies	**4.6**	**4.2**	**4.1**	**4.5**	**4.8**	**4.6**	**4.9**
China	7.3	6.9	6.7	6.6	6.2	6.8	6.5
India	7.5	8.0	7.1	7.2	7.7	6.7	7.4
Brazil	0.5	-3.8	-3.6	0.2	1.7	0.7	1.5
Russia	0.7	-2.8	-0.2	1.4	1.4	1.8	1.6
Sub-Saharan Africa	**5.1**	**3.4**	**1.4**	**2.6**	**3.5**	**2.6**	**3.4**
Nigeria	6.3	2.7	-1.6	0.8	1.9	0.8	1.9
Angola	4.8	3.0	-0.7	1.3	1.5	1.5	1.6
South Africa	1.7	1.3	0.3	0.7	1.1	0.7	1.1

Source*: IMF, World Economic Outlook, October 2017*

Table 1.2: GDP Growth for Selected Countries

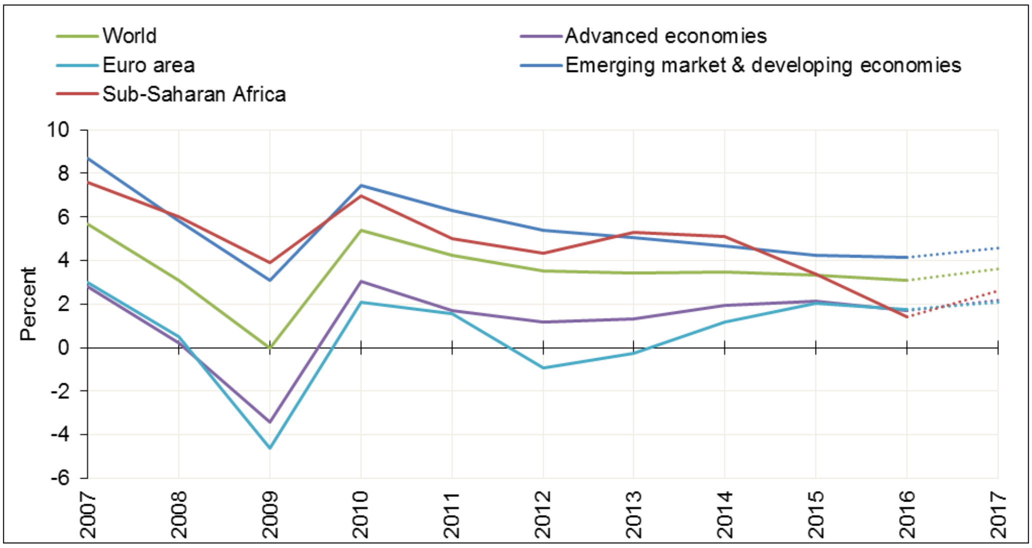
Percent

	2016	2017	
		Q1	Q2
Japan	0.9	1.4	1.6
United Kingdom	1.9	1.8	1.5
United States	1.5	2.0	2.2
Brazil	-3.5	-0.4	0.2
China	6.7	6.9	6.9
India	7.1	6.0	5.9
Russia	-0.2	0.6	2.3
South Africa	1.4	-0.4	0.5
Euro Area	1.8	2.0	2.3

Source*: OECD, 2017*

Growth prospects for emerging markets remain solid but vulnerable to external shocks. Growth for Emerging Markets (EMEs) is projected at 4.6 percent in 2017, a mark-up of 0.1 percentage point compared with the April 2017 WEO projections. The revision reflects a stronger growth in China and India, favourable financial conditions and gradual recovery in commodity prices, which helped some large commodity exporters including Russia and Brazil to move out of recession. Despite the positive outlook, monetary policy normalization in key advanced countries could tighten global financial conditions and spark capital flight.

Chart 1.1: World GDP Growth Rates

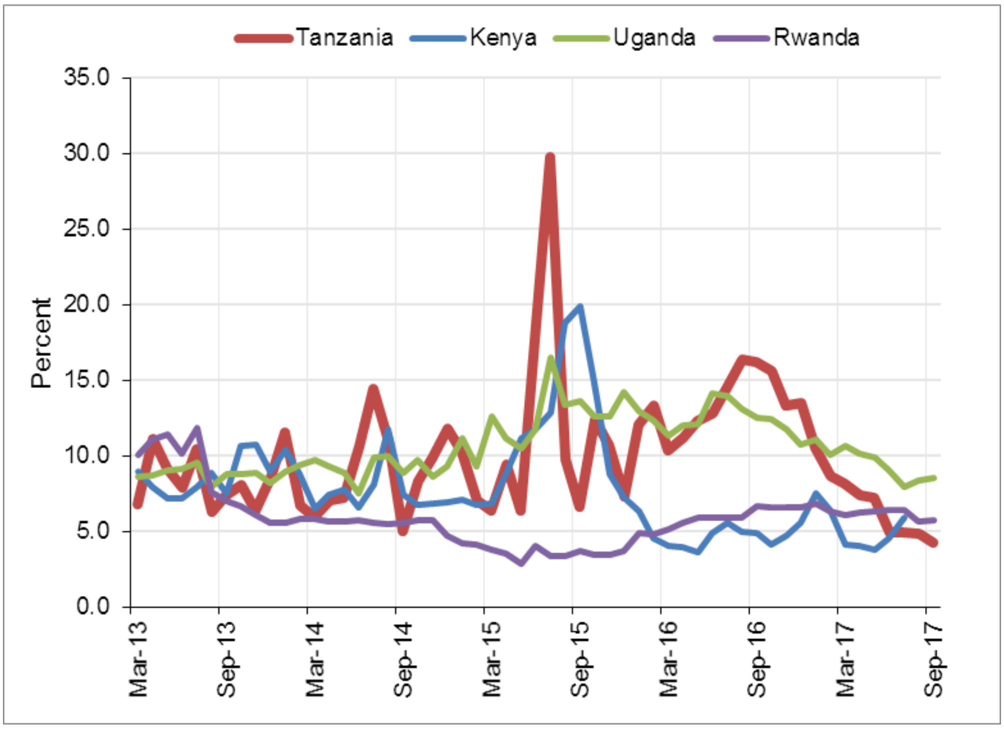


Source: *IMF, World Economic Outlook Database, October 2017*
Note: *Dotted lines denotes projections*

Growth picked up in Sub-Saharan Africa, driven by robust agricultural output and improved external demand. Regional growth is expected to recover to 2.6 percent in 2017 from 1.4 percent in 2016, driven by good weather conditions, which supported agricultural output in Eastern and Southern Africa. In addition, improved global demand as well as recovery in Nigeria and Angola following higher oil production and prices will boost regional output. Meanwhile, other smaller economies continued to record steady growth, aided by increased governments' capital expenditure and accommodative monetary policy. Potential risks to the region remain as security concerns in the oil rich Niger Delta region may disrupt oil production in Nigeria. The possible downgrading of sovereign rating of Kenya and South Africa by Moody's could weigh on business confidence and impact investment, while tightening of global financial conditions may raise foreign currency denominated debt-servicing costs across countries.

EAC growth is projected to remain solid, supported by large investment spending but political developments may weigh on growth prospects. During the first half of 2017, the region's average growth was 4.8 percent compared with 6.3 percent record in the corresponding period of 2016. The slowdown in growth was mainly due to drought, which affected agricultural output in Kenya and Rwanda and contraction in government spending in the three largest economies. Decreasing inflationary pressure opened an opportunity for accommodative monetary policy to stimulate credit to the private sector, which slowed in the recent past. Cost of funds in the interbank cash market declined in line with the policy stance across countries (**Chart 1.2**).

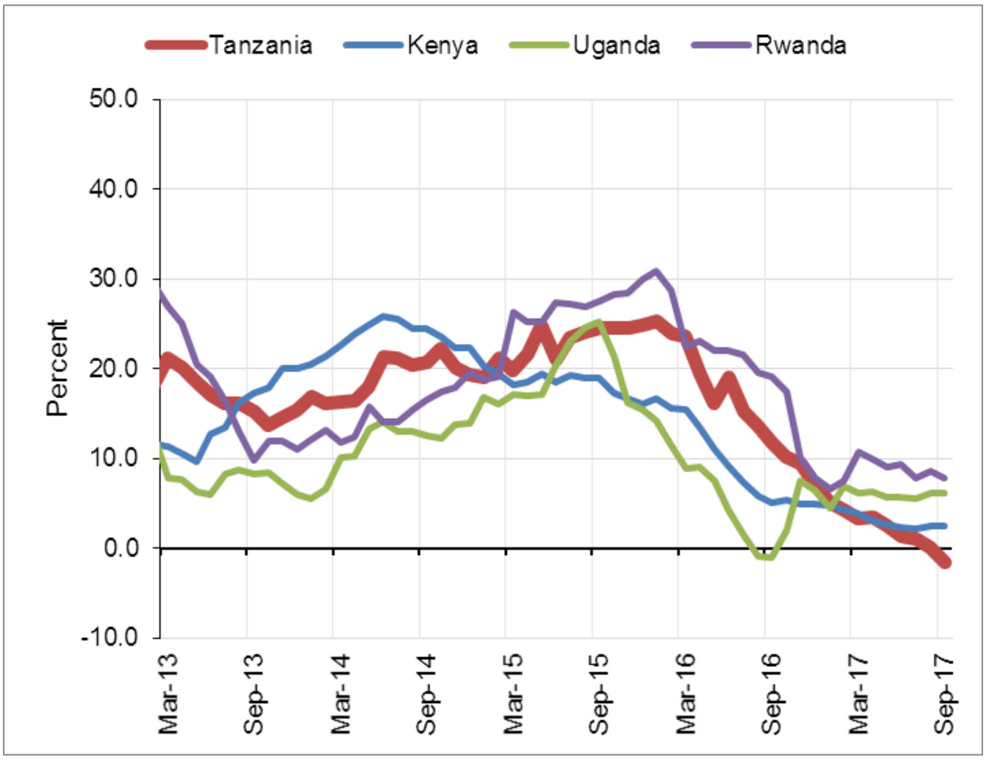
Chart 1.2: EAC Overall Interbank Rate



Source: *Bank of Tanzania*

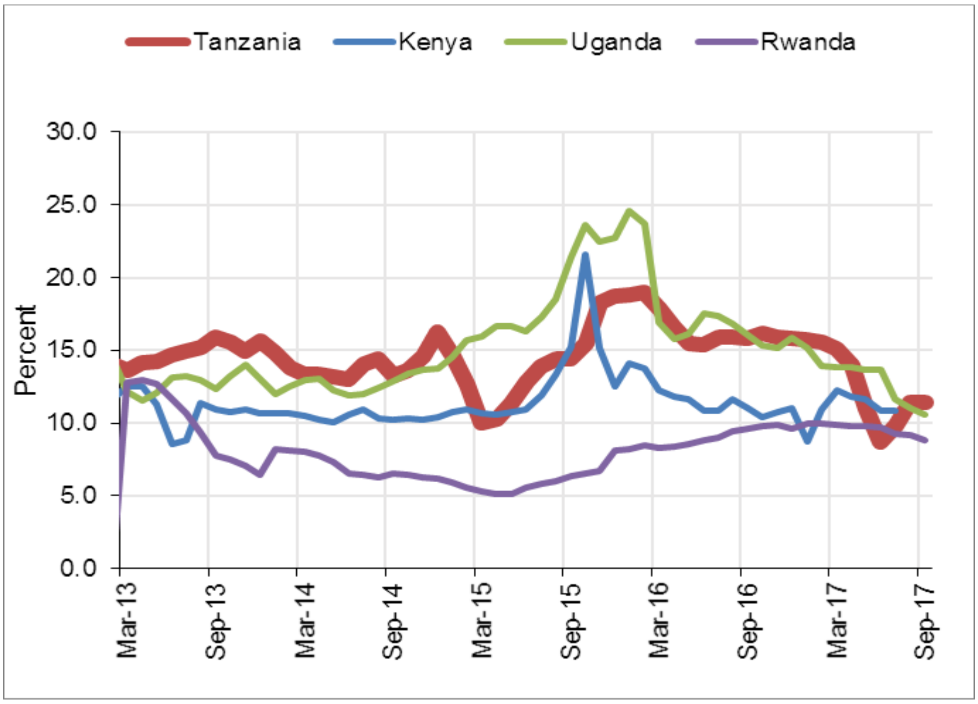
Nevertheless, credit expansion decelerated as banks took cautious lending stance amid high non-performing loans and a fall in demand for credit (**Chart 1.3**). The situation in Kenya was compounded by the continuation of interest rate cap on banks loans. Growth in the region is expected to remain in a positive trajectory aided by scaling up in public infrastructure spending and recovery in external demand. Prolonged election process and possible credit rating downgrading in Kenya, together with slowness in private sector activity across countries may constrain growth prospects.

Chart 1.3: EAC Annual Growth of Credit to the Private Sector



Source: *Bank of Tanzania*

Chart 1.4: 364 Days Treasury Bills Weighted Average Yield for EAC



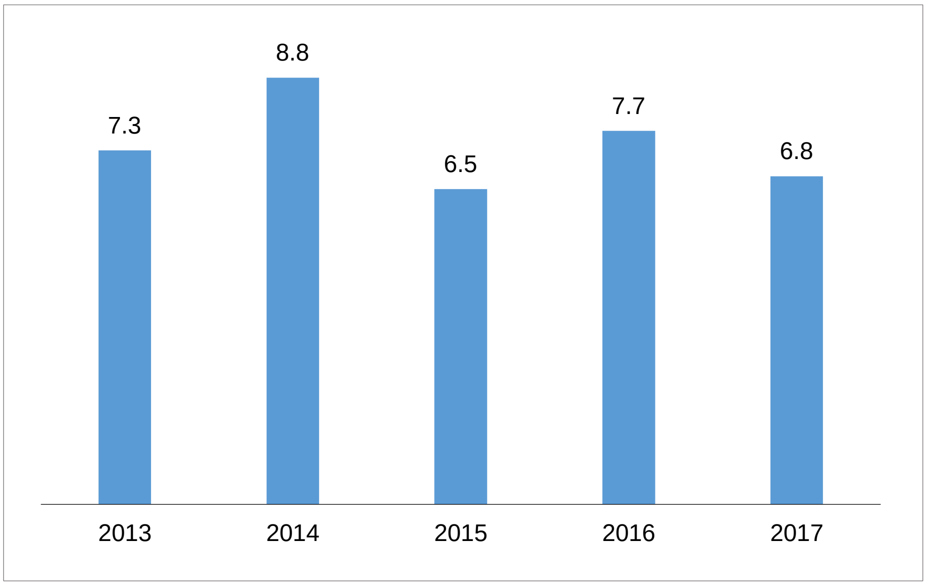
Source: *Bank of Tanzania*

1.2 Domestic Macroeconomic and Financial Environment

Economic growth remained strong, reducing macroeconomic risks. Growth remained strong at 6.8 percent in the first half of 2017 aided by higher public infrastructure spending, improved global demand and eased financial conditions (**Chart 1.5**). Inflation was contained, averaging 5.6 percent during the six months to September 2017 (**Chart 1.6**), while improvement in current account with higher official foreign reserves helped to stabilize the shilling exchange rate against major currencies (**Chart 1.7**). Eased monetary policy reduced cost of funds in the wholesale market. However, this was not mirrored in the retail market as banks increased risk premium on the lending rates to cope with rising NPLs (**Chart 1.8**). Growth is expected to remain strong for the whole year, supported by accommodative monetary policy, recovery in external demand and scaling up of government's infrastructure spending. Downside risks remain as monetary tightening in key advanced countries may increase cost of external borrowing at a time when the Government is embarking on large-scale investments. In addition, slowdown in supply and demand for credit if persists, may weigh in domestic activity.

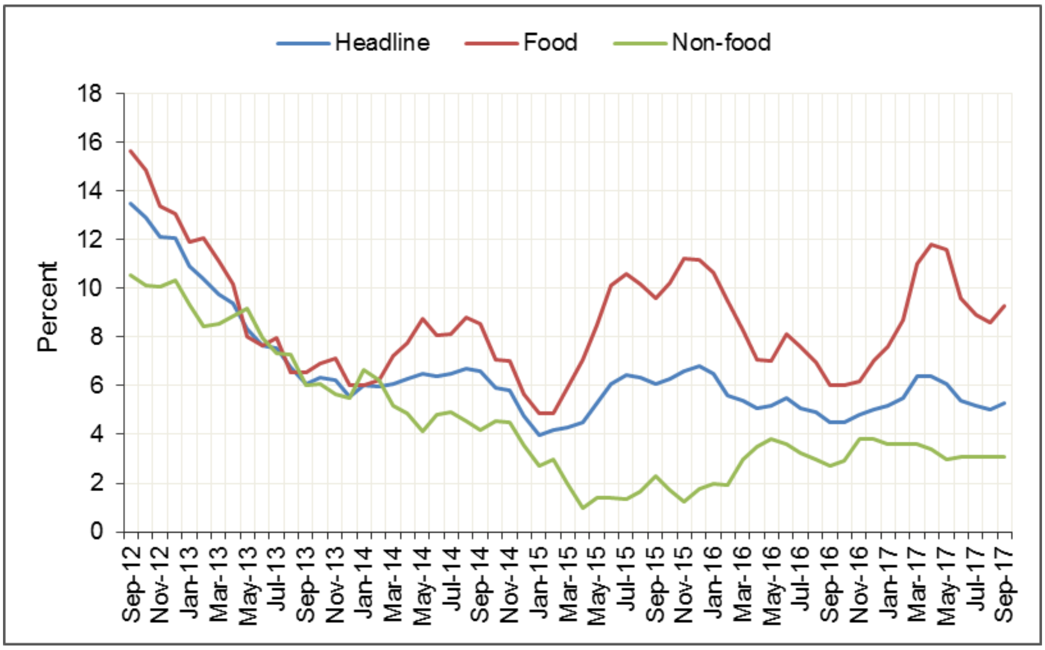
Chart 1.5: GDP Growth Rates (January-June)

Percent



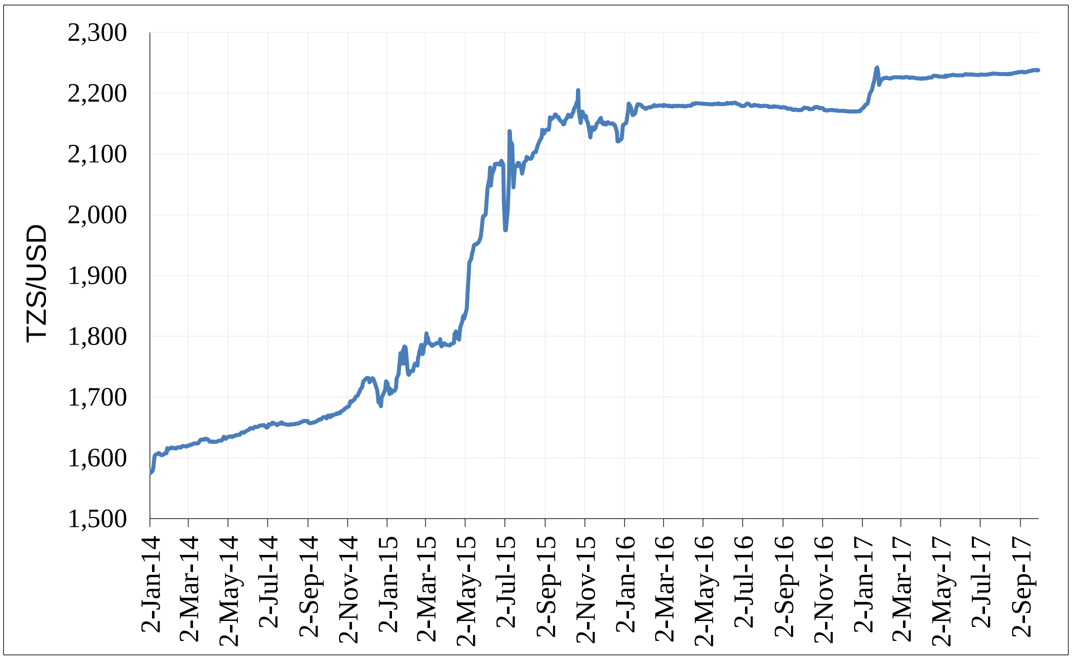
Source: *National Bureau of Statistics and Bank of Tanzania.*

Chart 1.6: Domestic Inflation Developments



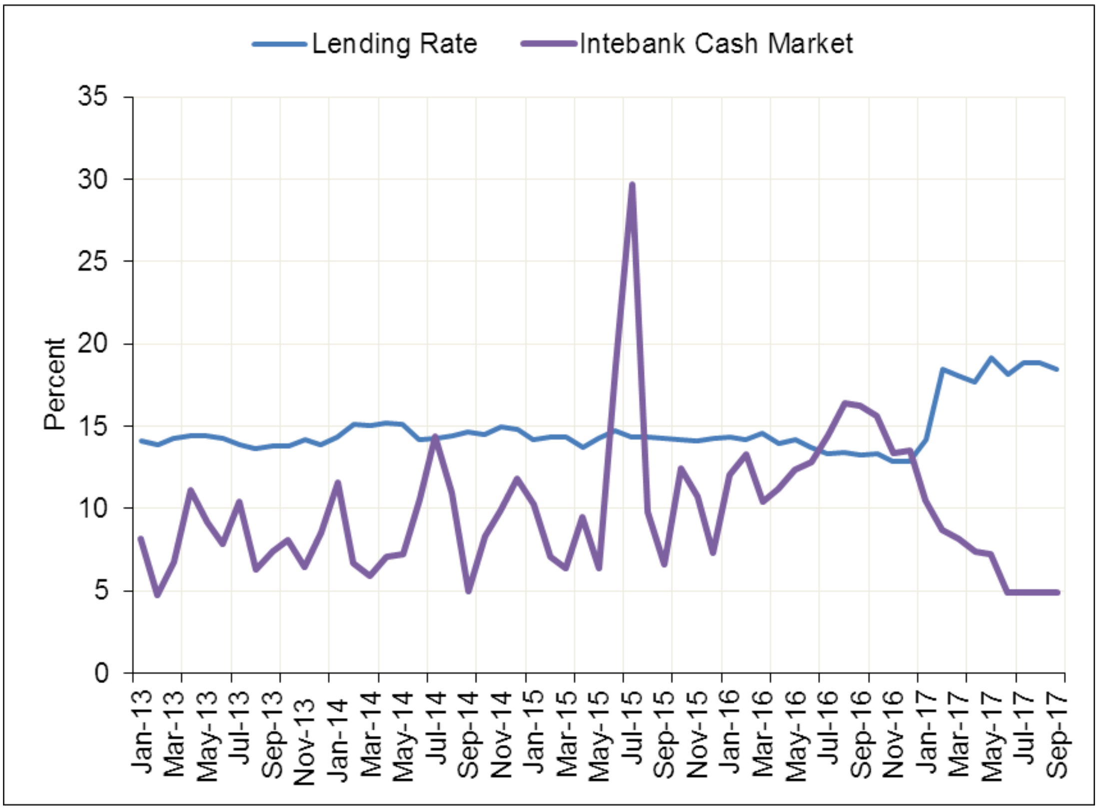
Source: *National Bureau of Statistics and Bank of Tanzania.*

Chart 1.7: Development of TZS against US Dollar



Source: *Bank of Tanzania.*

Chart 1.8: One-Year Lending Rate and IBCM

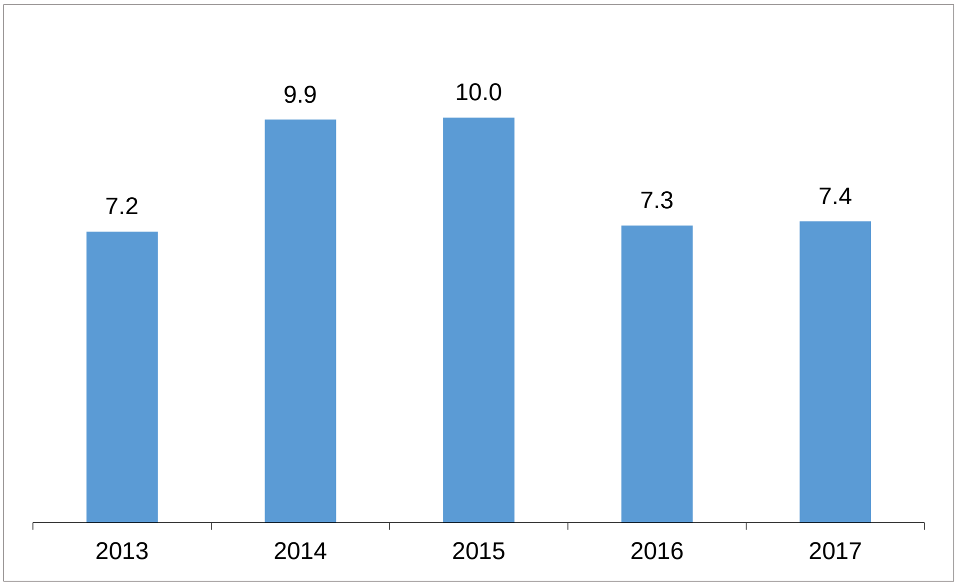


Source: *Bank of Tanzania.*

Zanzibar sustained strong macro-economic environment and remained resilient to external shocks. During the first half of 2017, GDP grew by 7.4 percent compared to 6.9 percent recorded in the corresponding period in 2016. The growth was largely driven by accommodation and food services, mining and quarrying, construction and manufacturing. Growth in accommodation and food services was mostly on account of increased number of tourists, while that in mining and quarrying and construction activities were associated with government and private sector construction projects (**Chart 1.9**). Inflation remained relatively low, averaging 6.0 percent during six months to September 2017 (**Chart 1.10**). Current account surplus for the six months to September 2017, stood at USD 16.6 million compared to USD 24.7 million during the similar period in 2016 on account of combined effects of a decline in exports and increased imports. Vulnerability in external sector somewhat eased on account of favourable performance in service receipts, mainly tourism and related activities.

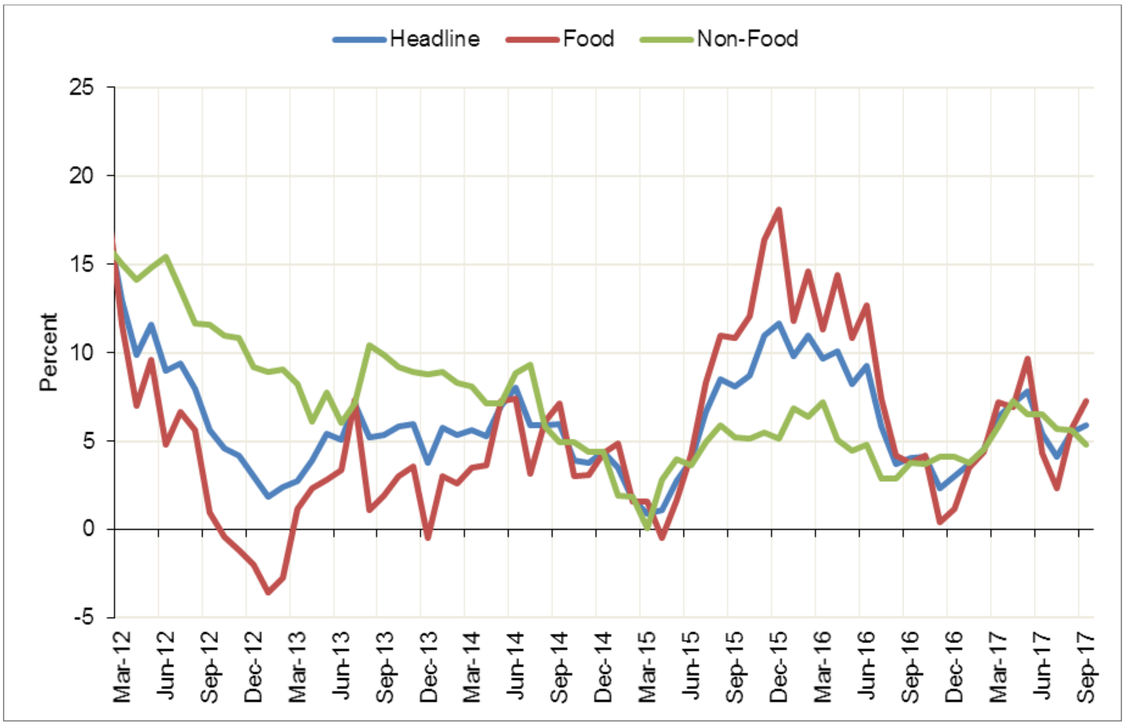
Chart 1.9: GDP Growth Rates (January-June)

Percent



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

Chart 1.10: Zanzibar Inflation Developments



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

Box 1: Household Financial Condition

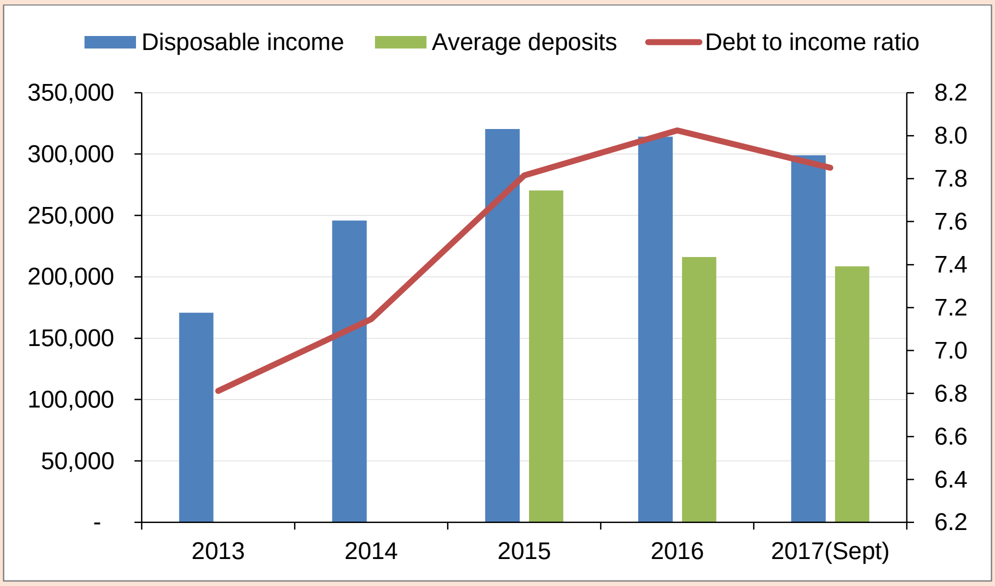
Introduction

Household financial conditions survey is one of macro-prudential tools that the Bank of Tanzania uses to monitor and identify vulnerabilities arising from the household sector. To achieve this objective, the Bank conducts annual survey on banking institutions to obtain disaggregated data for salary earners focusing on income, savings levels and borrowing. The survey was conducted in August 2017, covering 58 banks. It is worth noting that personal loans on average account for 20.0 percent of banks loan portfolio.

Survey Findings

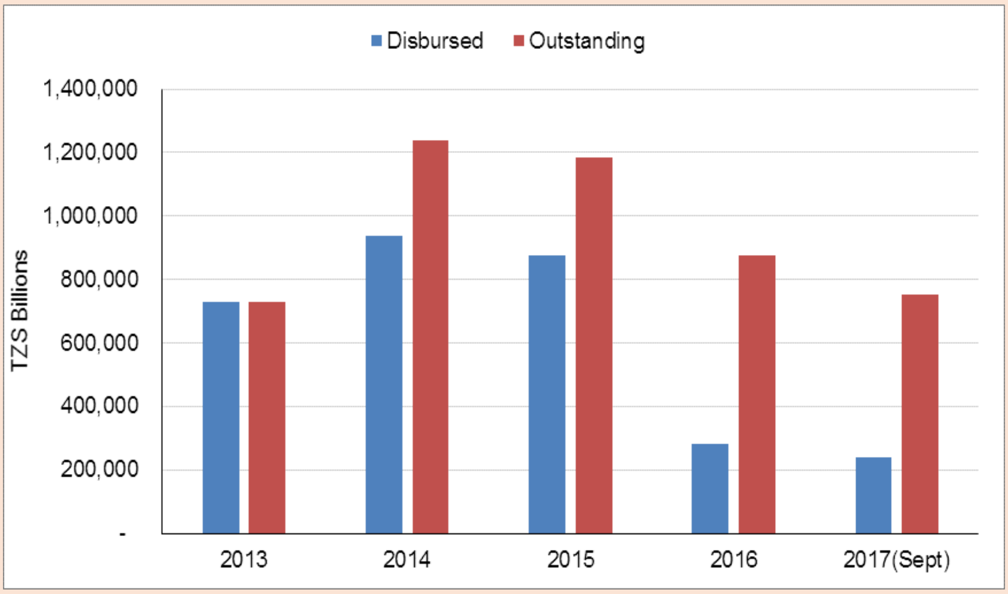
The information gathered from the survey revealed that salaries earners' access to bank credit slowed following tightening of lending condition by banks in response to growing NPLs. As a result, debt to income ratio declined in 2017 compared to 2016 (**Chart 1.11**, **Chart 1.12** and **Chart 1.13**). The results suggest a decline in the banks' exposure to household.

Chart 1.11: Household Income and Debt to Income Ratio



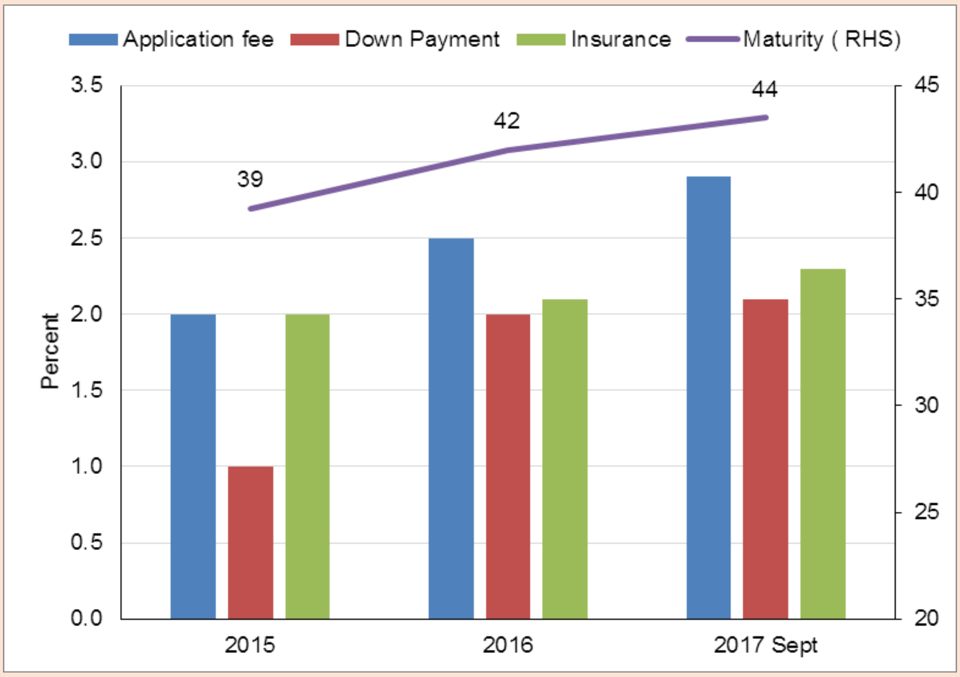
***Source**: 2017 BoT Survey on Salary Earners Financial Condition*

Chart 1.12: Outstanding Debt and Disbursement



***Source**: 2017 BoT Survey on Salary Earners Financial Condition*

Chart 1.13: Change in Interest Rate, Maturity, fees and Insurance

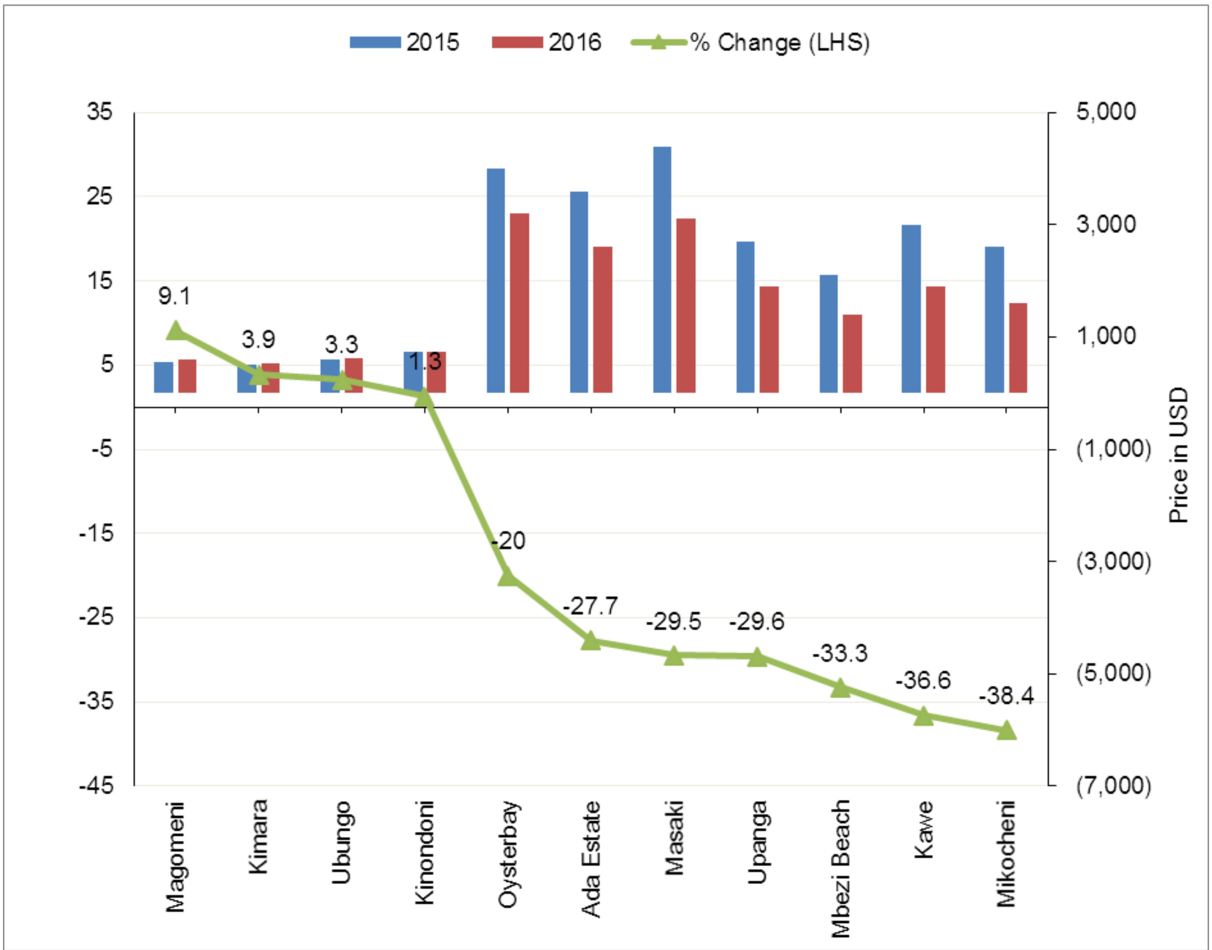


***Source:** 2017 BoT Survey on Salary Earners Financial Condition*

1.3 Real Estate Developments

The Bank of Tanzania used secondary data from Dar Property Limited to assess potential risks from property markets focusing on rental charges and occupancy rate. The data on four-bedroom residential houses revealed that in 2016, occupancy in prime areas declined compared to 2015. This was partly attributed to declining income, which probably prompted some tenants to shift to sub-prime from prime areas. The shift led to a marginal increase in rental charges (**Chart 1.14**).

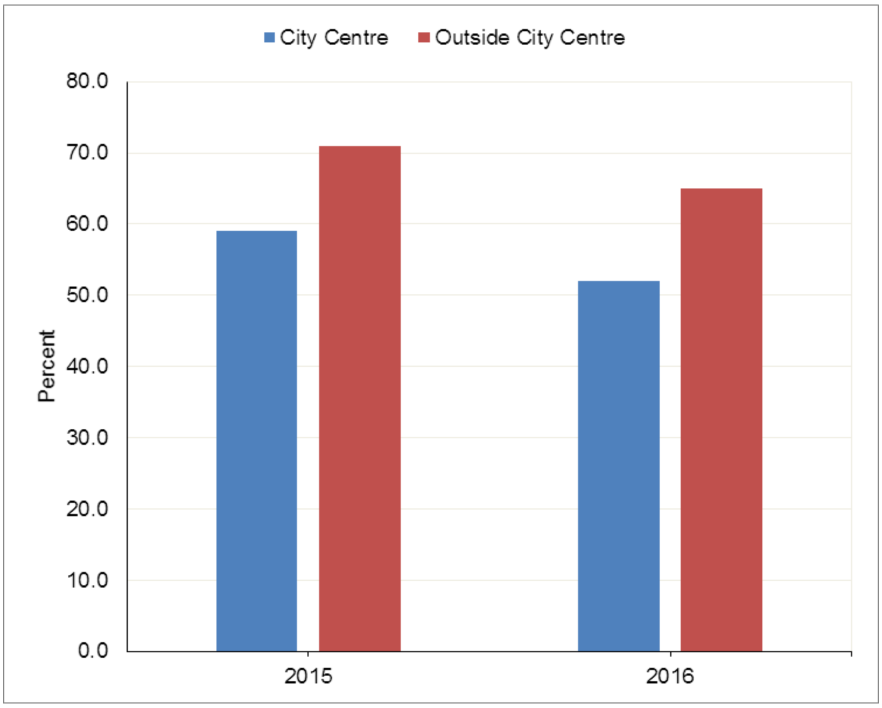
Chart 1.14: Four-bedroom rental price in selected areas of Dar es Salaam



Source: *Dar Property*

On the other hand, commercial occupancy rate in the city and outside city centers declined (**Chart 1.15**). Reasons that were provided by the real estate agent include booming construction of commercial properties and slowdown in economic activity.

Chart 1.15: Commercial Space Occupancy Rate in Dar es Salaam



Source: *Dar Property*

The ratio of real estate credit to total private sector credit remained low, at 5.12 percent at end September 2017, implying that banks' exposure to risks arising from property market is low. However, decline in property prices exposes the sector to credit risk through collateralised properties. In that regard, the Bank intends to study the extent of the exposure as an early warning mechanism.

2.0 PERFORMANCE OF THE FINANCIAL SECTOR

The sector's total assets increased by 3.8 percent to TZS 42,226.6 billion as at end September 2017 from March 2017 position, with banks contributing 68.5 percent. Social security schemes, insurance and collective investment schemes contributed 28.9 percent, 2.1 percent and 0.6 percent, respectively.

2.1 Banking Sector

The banking sector comprises commercial banks, community banks, development financial institutions and microfinance institutions. Commercial banks continued to dominate the sector holding 94.0 percent of the total assets (**Table 2.1**) with 70 percent of the assets financed by deposits.

Table 2.1: Composition of Banking Sector Assets

Percent

TYPES OF INSTITUTION	Sep-16	Mar-17	Jun-17	Sep-17
Commercial Banks	94.3	94.1	94.2	94.0
Development Financial Institutions	2.9	3.1	2.9	3.0
Financial Institutions	1.9	1.9	1.9	2.0
Microfinance Institutions	0.6	0.6	0.6	0.6
Community Banks	0.3	0.3	0.3	0.3
Total Assets (TZS Billions)	**27,715.4**	**28,314.3**	**28,995.5**	**28,920.3**

Source*: Bank of Tanzania*

The banking sector remained sound with adequate capital. Monetary easing and preference for short-term government securities helped the sector to sustain high liquidity levels. However, higher provisioning reduced banks' profitability (**Table 2.2**).

Table 2.2: Selected Financial Soundness Indicators for the Banking System

(Percent)

Indicator	2015		2016				2017		
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
1. CAPITAL ADEQUACY									
Core Capital/TRWA	16.7	17.5	18.0	17.2	17.3	17.9	19.0	18.3	18.9
Total capital/TRWA	18.7	19.5	20.0	19.2	19.1	19.9	21.0	20.3	20.9
2. LIQUIDITY									
Liquid Assets/Demand Liabilities	35.7	37.2	37.0	37.0	34.2	35.1	36.0	38.1	37.9
Total Loans/Customer Deposits	78.9	78.9	82.6	85.8	87.1	86.3	86.0	83.1	84.9
3. EARNINGS AND PROFITABILITY									
Net Interest Margin-	67.1	67.0	65.6	68.0	69.3	69.7	70.4	52.8	52.3
Non-Interest Expenses/Gross Income	67.2	68.1	63.1	64.7	66.9	67.6	67.6	51.5	51.9
Personnel expenses to non-interest expenses	44.7	44.1	45.5	45.4	44.9	44.7	45.5	45.5	45.2
Return on Assets	2.7	2.7	3.2	3.0	2.5	2.3	2.4	2.3	2.0
Return on Equity-	13.5	13.0	16.9	15.4	12.1	10.7	11.1	10.4	8.7
4. ASSET COMPOSITION AND QUALITY									
Foreign Exchange Loans to Total Loans	37.8	38.0	37.7	34.5	33.9	33.6	34.0	36.7	35.1
Gross Non-Performing Loans to Gross Loans	6.8	6.6	7.5	8.7	9.1	9.6	10.9	10.6	12.5
NPLs net of provisions/Total Capital	15.7	14.2	17.0	21.1	22.0	22.1	23.8	22.1	28.5
Large Exposures to Total Capital	126.8	124.1	128.7	128.6	125.3	109.6	123.5	117.4	120.7
Net Loans and advances to Total assets	54.6	54.7	55.1	56.2	56.5	55.6	54.4	53.4	52.7
5. SENSITIVITY TO MARKET RISK									
FX Currency Denominated Assets/Total Assets	34.9	34.7	33.6	32.0	31.6	31.2	30.8	29.5	29.2
FX Currency Denominated Liabilities/Total Liabilities	39.6	39.7	38.9	37.8	38.9	37.4	37.8	36.0	36.4
Net Open Positions in FX/Total Capital	-2.4	1.3	-1.12	1.4	-2.4	-1.9	2.2	1.5	2.1

***Source**: Bank of Tanzania*

The banking sector remained adequately capitalized. Core capital to risk weighted assets remained strong at 18.9 percent as at end September 2017, above regulatory requirement of 10.0 percent. The strong capital position in aggregate terms provides a sizeable buffer against potential losses. However, additional capital requirements for IFRS no. 9 compliance, a standard that requires banks to provide expected loan losses effective January 2018, may put pressure on banks' capital and profitability. At individual level, one commercial bank, seven community banks and one development financial institution holding 0.1 percent, 0.2 percent and 0.1 percent of the total banking sector assets respectively, were undercapitalized (**Table 2.3**). The Bank has directed respective banks to come up with strategies to address the capital inadequacy by the end of December 2017.

Table 2.3: Capital Adequacy Analysis

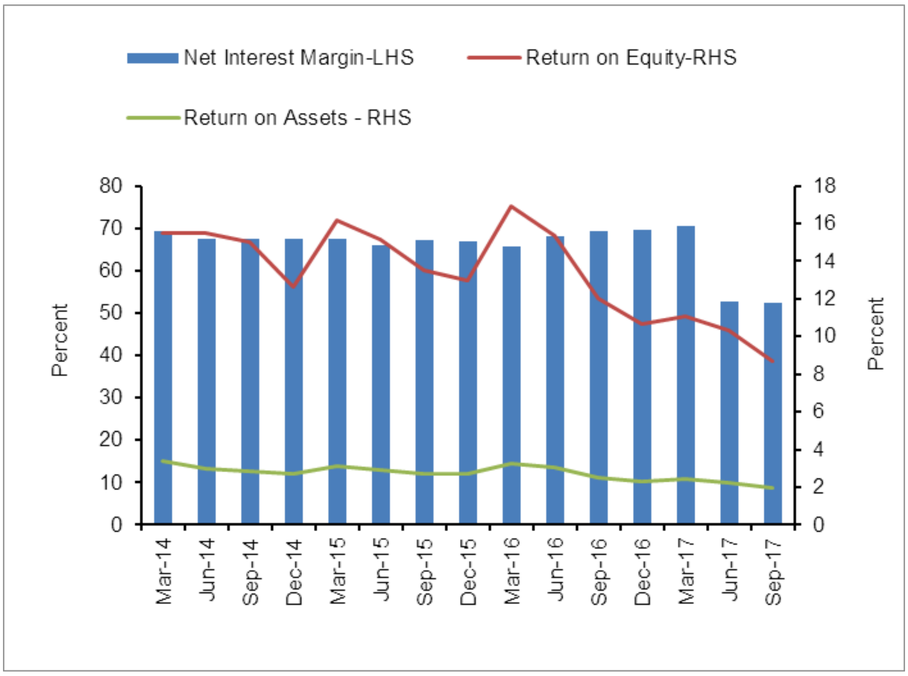
	Sep-16		Mar-17		Jun-17		Sep-17	
	Core Capital	Total Capital	Core Capital	Total Capital	Core Capital	Total Capital	Core Capital	Total Capital
ALL BANKS								
<8	7	7	11	11	11	10	10	10
8-10	4	2	1	0	0	1	2	0
10-12	2	3	4	3	3	1	1	3
12-14	9	4	2	2	3	4	1	0
>14	39	45	43	45	42	43	45	46
TOTAL	61	61	61	61	59	59	59	59
COMMERCIAL BANKS								
<8	1	1	1	1	5	0	1	1
8-10	0	0	0	0	0	0	2	0
10-12	3	1	3	1	1	3	1	3
12-14	2	2	2	2	1	3	0	0
>14	34	36	34	36	32	33	35	35
TOTAL	40	40	40	40	39	39	39	39
DEVELOPMENT FINANCIAL INSTITUTIONS								
<8	0	0	0	0	1	1	1	1
8-10	0	0	0	0	0	0	0	0
10-12	0	0	1	1	0	0	0	0
12-14	0	0	0	0	0	0	0	0
>14	3	3	1	1	1	1	1	1
TOTAL	3	3	2	2	2	2	2	2
FINANCIAL INSTITUTIONS								
<8	2	2	2	2	2	2	1	1
8-10	0	0	0	0	0	0	0	0
10-12	0	0	0	0	0	0	0	0
12-14	0	0	0	0	0	0	1	0
>14	1	1	1	1	1	1	1	2
TOTAL	3	3	3	3	3	3	3	3
MICROFINANCE INSTITUTIONS								
<8	0	0	0	0	0	0	0	0
8-10	0	0	0	0	0	0	0	0
10-12	0	0	0	0	0	0	0	0
12-14	0	0	0	0	0	0	0	0
>14	4	4	5	5	5	5	5	5
TOTAL	4	4	5	5	5	5	5	5
OTHER FINANCIAL INSTITUTIONS								
<8	0	0	0	0	0	0	0	0
8-10	0	0	0	0	0	0	0	0
10-12	0	0	0	0	0	0	0	0
12-14	0	0	0	0	0	0	0	0
>14	1	1	1	1	1	1	1	1
TOTAL	1	1	1	1	1	1	1	1
COMMUNITY BANKS								
<8	8	7	8	8	8	7	7	7
8-10	0	1	1	0	0	1	0	0
10-12	0	0	0	1	0	0	0	0
12-14	0	0	0	0	0	0	0	0
>14	2	2	1	1	1	1	2	2
TOTAL	10	10	10	10	9	9	9	9

Source: *Bank of Tanzania*

The sector continued to maintain adequate liquidity to meet short-term obligations. The ratio of liquid assets to demand liabilities increased to 37.9 percent as at end September 2017, from 36.0 percent recorded in March 2017, above regulatory requirement of 20.0 percent. The increase was associated with portfolio diversification in favour of short-term government securities and cash. On the other hand, loan-to-deposit-ratio remained below 100 percent, implying that banks continued to use deposits as the main source of lending (**Table 2.2**).

Profitability of the sector declined mainly due to higher provisioning for bad and doubtful debts, continued slowdown in credit growth coupled with declining yields on government securities, which put pressure on banks' interest earnings (**Chart 2.1**).

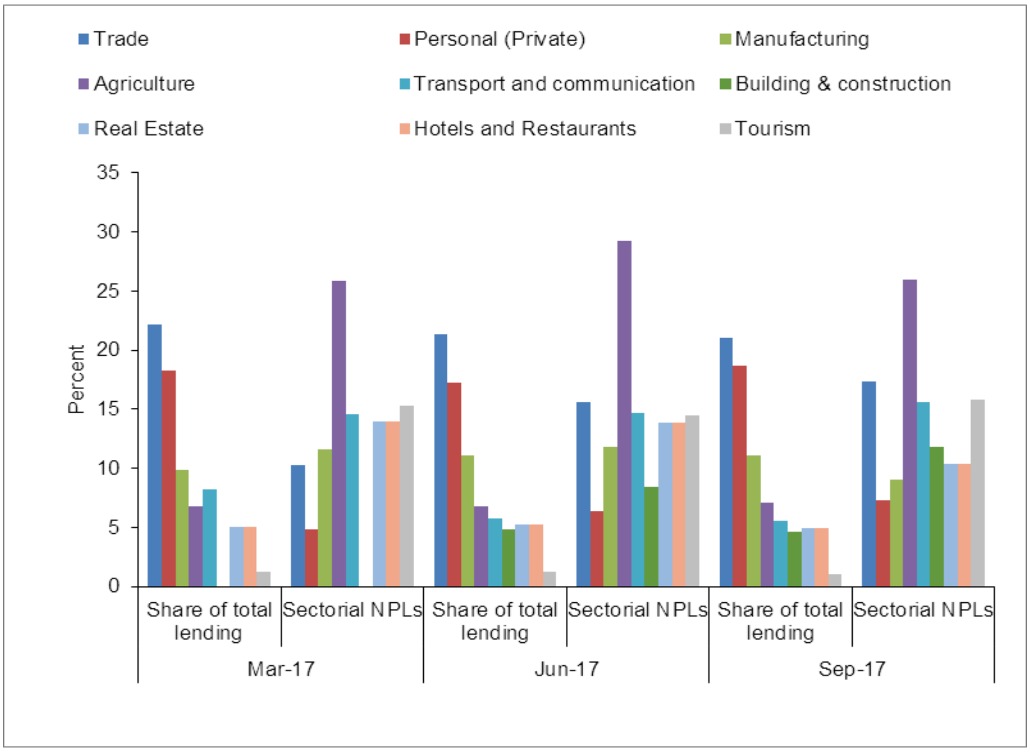
Chart 2.1: Banks' Profitability



Source: *Bank of Tanzania*

Credit risk continued to heighten amid slowdown in lending. Contraction in lending activity together with increased level of NPLs, pushed up the NPL ratio to 12.5 percent in September 2017, from 10.9 percent in March 2017. Building and Construction, Trade, Transport and Communication, and Hotels and Restaurants activities, had the largest share of loans that are non-performing, while Agriculture showed signs of improvement though remained elevated when compared with other activities (**Table 2.4** and **Chart 2.2**). Banks responded by diversifying their portfolio in favour of government securities which are perceived to be less risky, and tightening credit conditions as a measure to contain risky borrowers. These developments together with payment of verified suppliers' arrears using the earmarked budget allocation for 2017/18, may contain NPLs level going forward.

Chart 2.2: Credit and Non-Performing Loans for Selected Economic Activities



Source: *Bank of Tanzania*

Table 2.4: Trend of Banking Exposure to Individual Sector Lending

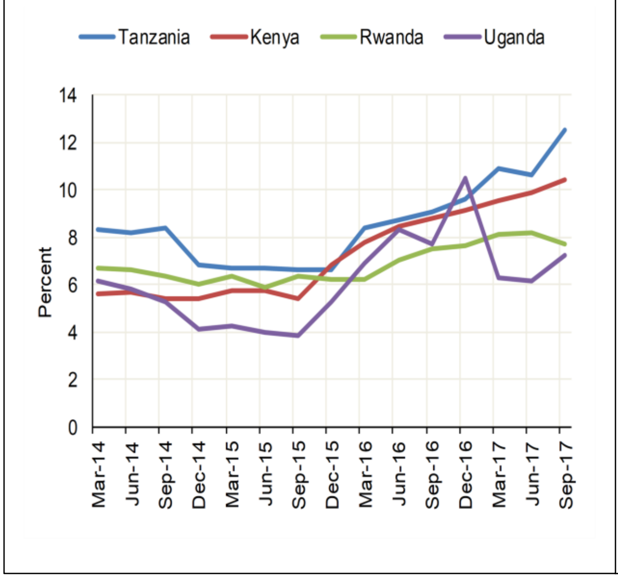
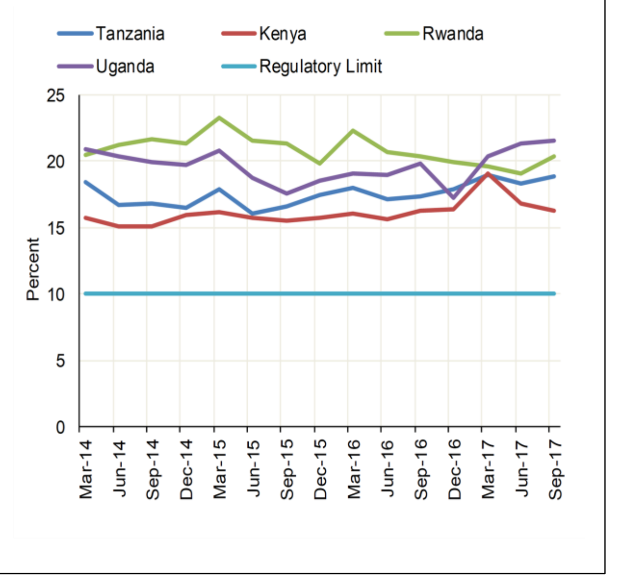
Percent

Sector	Sep-15	Dec-15	Mar-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Agriculture	12.6	11.9	18	17.6	25.9	29.2	25.9	19.2
Building & construction	5.7	6.8	5.7	4.9	8.4	11.8	14.3	18.5
Trade	24.8	25.2	15.8	19.9	9.7	10.3	15.6	17.4
Transport and communication	10.5	8.6	9.9	7.0	14.6	14.7	15.6	14.9
Hotels and Restaurants	7.6	5.9	6.2	4.8	13.3	14.6	14.9	14.8
Real Estate	2.4	2.3	1.4	5.6	13.9	13.9	10.3	11.9
Manufacturing	9.5	10.5	6.8	10.9	11.6	11.8	9.0	9.0
Personal (Private)	11.6	11.4	22.4	9.8	4.9	6.3	7.3	7.1
Tourism	0.8	0.8	0.9	2.3	15.3	14.5	15.8	5.5

Source*: Bank of Tanzania*

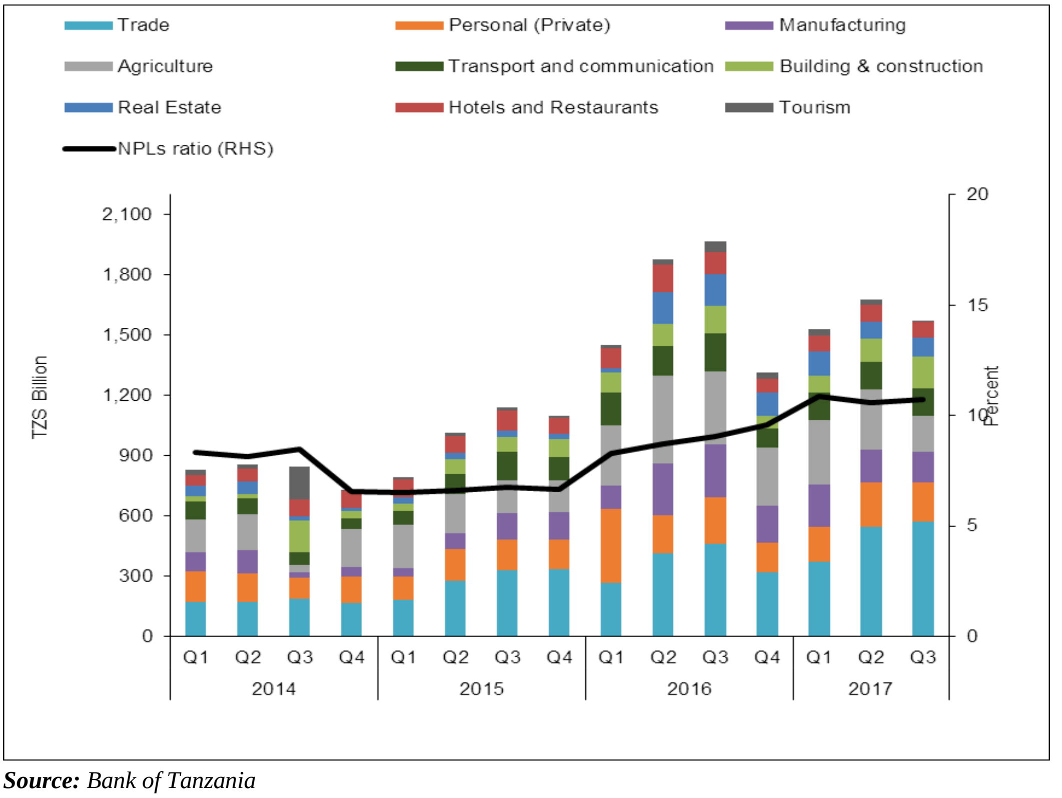
EAC banking sector experienced elevated credit risk and sectoral loans concentration. A regional assessment done by EAC Monetary Affairs Committee technical working group on Macro-Prudential Analysis, Stress Testing and Statistics (MASS) in December 2017, observed that credit risk as measured by NPL ratio increased across the region with elevated exposure in trade, agriculture and personal/household activities. Factors that contributed to the increased NPLs include drought, slowdown in economic activities and declining profitability of corporate entities. Despite the elevated credit risk, banks in the EAC remained well capitalized in aggregate terms (**Chart 2.3**).

Chart 2.3: EAC Non-Preforming Loans and Regulatory Capital ratios

(a) Trends of NPLs to Gross Loans	(b)Trends of Core Capital/TRWA+OBSE
	

***Source**: EAC Partner States Central Banks.*

Chart 2.4: Trend in Non-Performing Loans for selected Activities and Industrial NPLs Ratios



***Source:** Bank of Tanzania*

Table 2.5: Ratio of Non-Performing Loans to Assets for Selected top 9 Banks

Percent

Period	Bank M Tanzania	BBT	CRDB Bank	DTB	Exim Bank	NBC Limited	NMB Bank	Stanbic Bank	SC Bank (T) Ltd
Mar-16	1.7	5.8	7.2	1.4	5.3	4.5	1.4	3.0	4.3
Jun-16	1.3	7.1	7.3	1.6	5.3	4.5	1.9	3.1	4.5
Sep-16	1.5	7.4	7.0	1.5	6.5	5.1	1.7	3.2	4.6
Dec-16	3.1	6.1	8.9	1.4	5.0	4.5	1.7	2.3	4.5
Mar-17	3.1	6.1	9.0	2.3	5.1	4.0	2.5	2.2	4.1
Jun-17	3.2	4.0	7.8	2.3	7.1	3.6	2.6	1.7	3.8
Sep-17	6.4	5.4	8.6	2.2	7.1	5.7	5.2	1.7	3.8

Source: *Bank of Tanzania*

Table 2.6: Credit to private Sector and Non-Performing Loans

TZS Billions

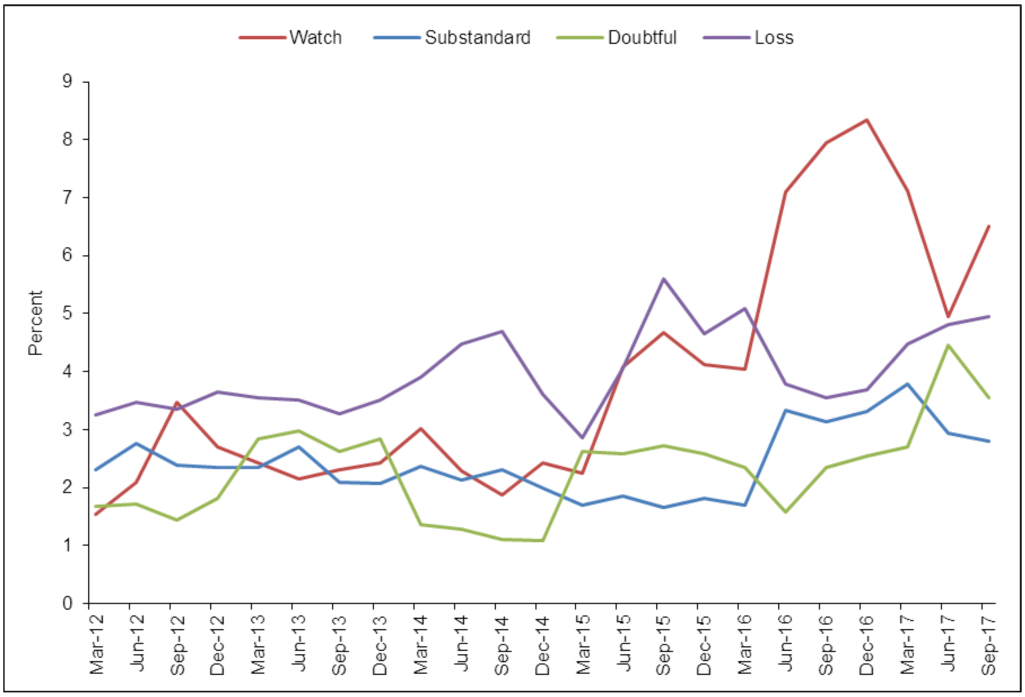
Particulars	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Credit to Private Sector	16,083.3	16,659.9	16,622.8	16,609.0	16,615.3	16,873.0	16,356.3
Non-Performing Loans	1,332.0	2,232.4	2,383.7	1,557.9	1,773.8	1,724.0	1,828.0

Source: *Bank of Tanzania*

Potential increase in NPLs as measured by the level of Especially Mentioned Loans[1] declined from March to June, but increased in September 2017 with other loan classifications migrating to loss category (**Chart 2.5)**.

[1] Especially mentioned loans are classified as superior in quality to those classified as substandard, but which are potentially weak and thus require closer management supervision as explained in the Banking and Financial Institutions (Management of Risk Assets) Regulations, 2014.

Chart 2.5: Development of Different Categories of Non-Performing Loans



Source: *Bank of Tanzania*

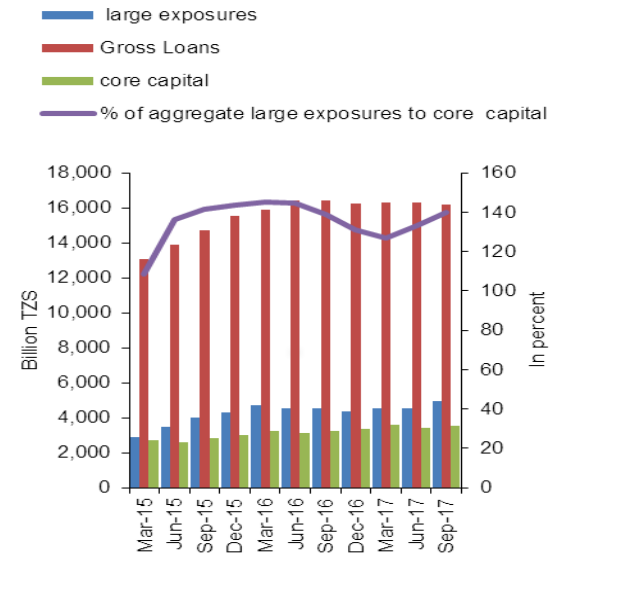
Credit Concentration

The aggregate large exposures to core capital was 139.9 percent as at end September 2017, which was within the regulatory limit of 800.0 percent. However, at individual level, out of top 10 largest banks, one of them was above the limit (**Chart 2.6a**).

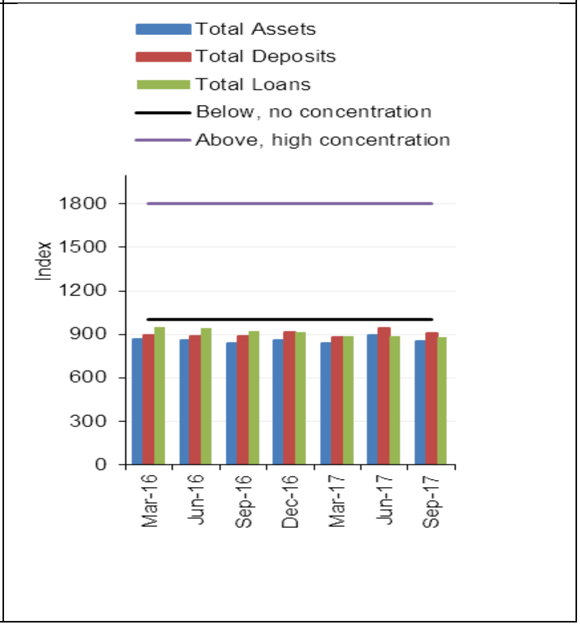
The diversification in terms of deposits, loans and assets for the banking sector as measured by the Herfindahl Hirschman Index (HHI), was 851, 909 and 883 respectively, which were within the limit of 1,000. However, the concentration level for top 10 largest banks, which hold 68.0 percent of total assets of the sector, was above the limit, reflecting concentration of corporate customers in few banks (**Chart 2.6b**).

Chart 2.6: Measures of Risk Diversification

(a): Credit Concentration Risk

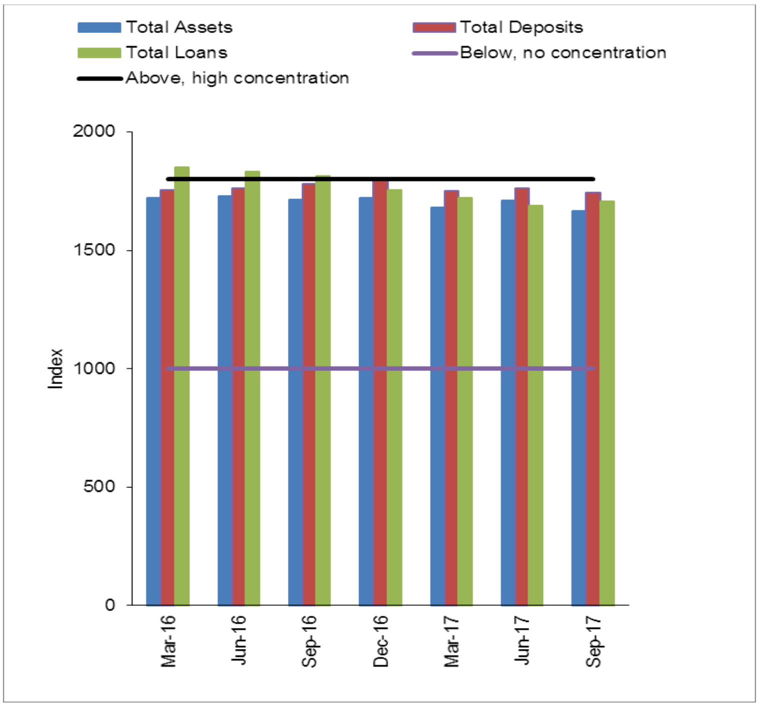


(b): HHI for all Banks



***Source**: Bank of Tanzania*

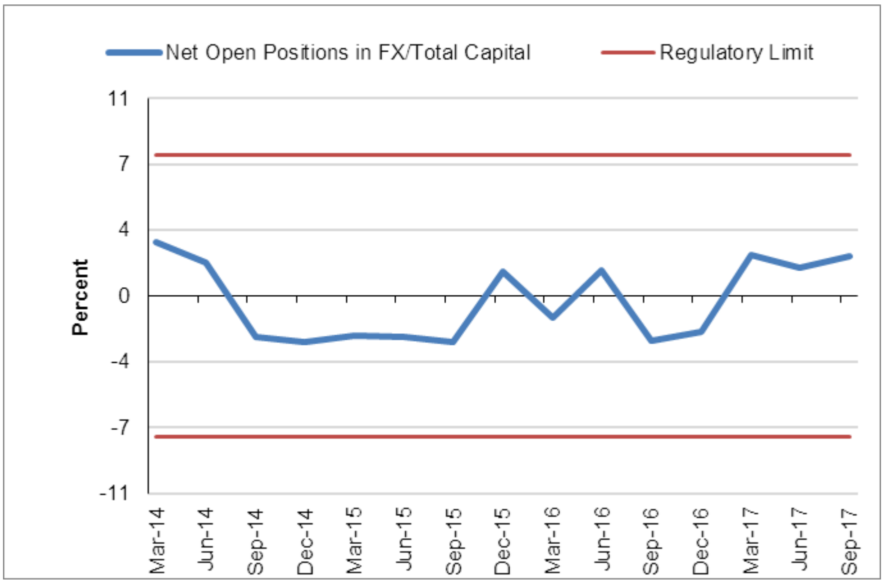
Chart 2.7: HHI for Top Ten Banks



***Source**: Bank of Tanzania*

Overall exposure to exchange rate risks remained low in the six months to September 2017. This was depicted by the share of foreign currency denominated loans to total loans, which stood at 35.0 percent with trade, manufacturing, transport and communication, real estate and agriculture activities accounting for more than 60.0 percent. On the other hand, Net Open Position for foreign exchange exposure stood at 2.1 percent, well below the regulatory limit of +/-7.5 percent (**Chart 2.8**).

Chart 2.8: Net Open Position to Total Capital



Source: *Bank of Tanzania*

Box 2: Loan Officers' Opinion Survey

The Bank of Tanzania conducts Loan Officers' Opinion Survey annually to analyze credit market conditions, focusing on terms and conditions of loan, direction of NPLs, credit recovery efforts and outlook. The main objective is to identify potential risks to the financial system and recommend mitigation measures.

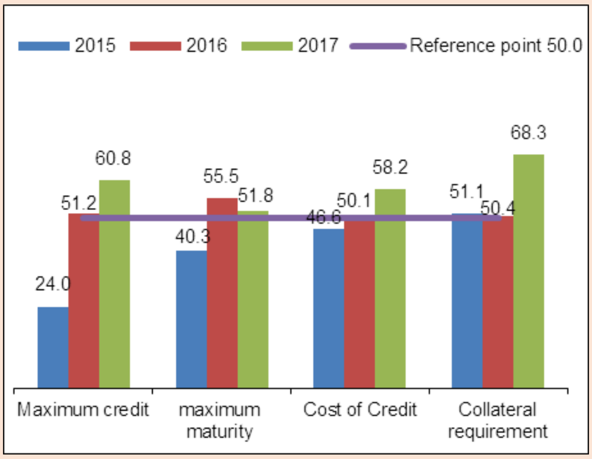
The survey was conducted in August, 2017 covering selected credit providers, including 38 commercial banks, 2 microfinance banks, 8 community banks and 30 Microfinance Institutions (MFIs) and Savings and Credit Co-operative Societies (SACCOs) in Tanzania Mainland and Zanzibar. The response rate was 85 percent.

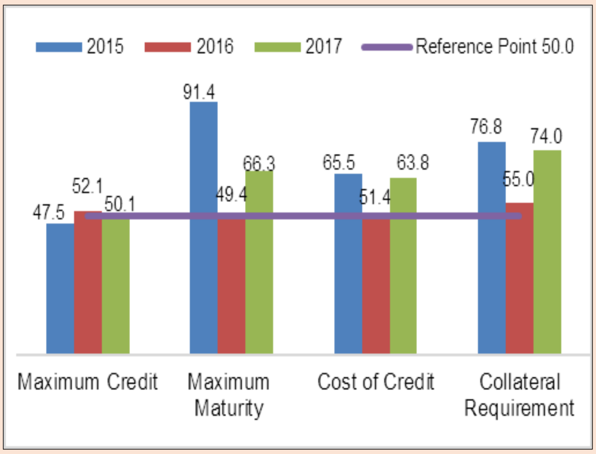
Terms and Conditions of Loan

Most banks and microfinance institutions have tightened terms of lending as reflected by diffusion indices, which were above reference points. The survey results revealed that, 41.2 percent of the respondents increased cost of credit; 37.1 percent tightened size of loan while 22.9 percent tightened collateral requirements. Reasons that were cited include growing NPLs, slowdown of the private sector activity and difficulties in disposing of foreclosed properties. The tightening of terms and conditions of loans is consistent with lenders' perception revealed in the June 2016 survey (**Chart 2.9**).

Chart 2.9: Changes in Terms and Conditions of Loan

a) Banking Institutions **b) Microfinance Institutions**





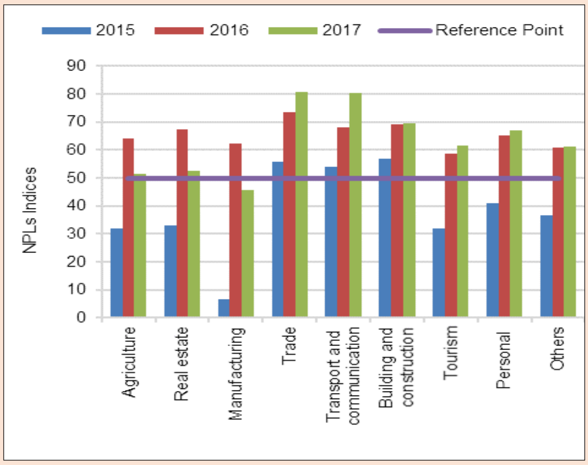
***Source**: BOT survey on bank lending practices, June 2017*

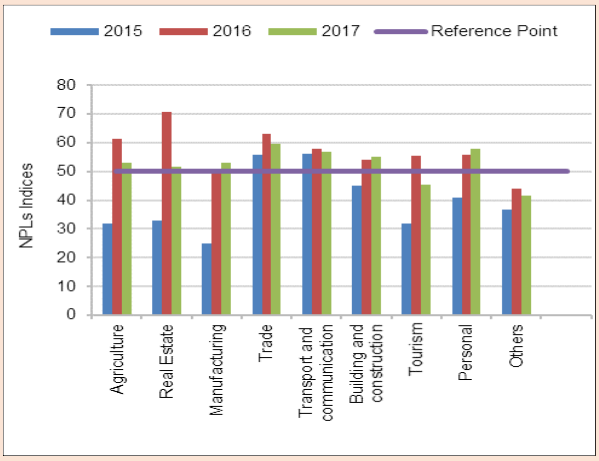
Direction of Non-Performing Loans

The survey results revealed that credit risk exposure for banks and MFIs increased as reflected by the direction of NPLs, which was above the reference point. Banks were of the view that, low business activity was the main factor affecting clients in trade, transport and communication activities while fall in rental prices affected real estate, building, and construction activities. Additionally, the survey revealed that government's delayed payments to suppliers of goods and service, termination of some government employees during certificates verification process and retrenchment of employees by some private firms reduced the ability of borrowers to service their loans. Banks increased recovery efforts and adopted selective lending approach to refrain from sectors with high credit risk (**Chart 2.10**).

Chart 2.10: Direction in Non-Performing Loans

(a) Banking Institutions **(b) Microfinance Institutions**





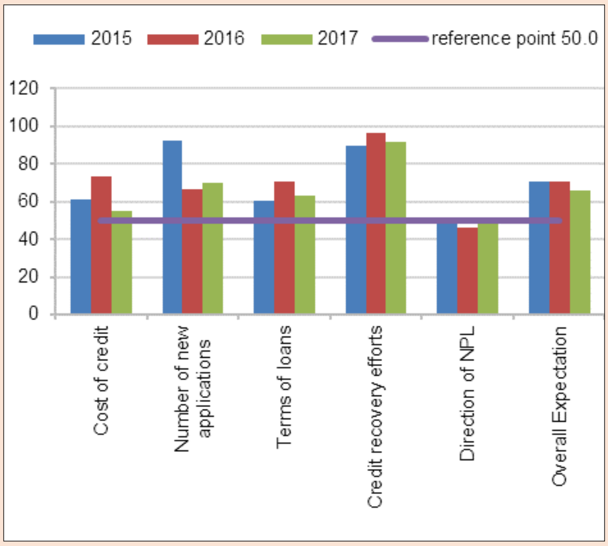
***Source:** BOT survey on bank lending practices, June 2017*

Future Expectations

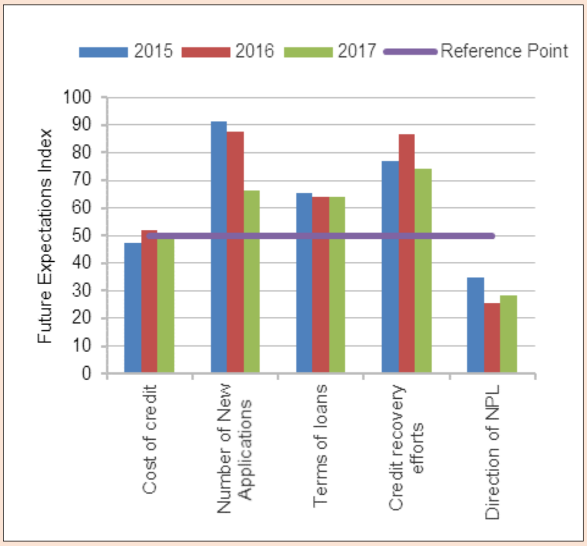
Banks and MFIs perceptions about credit market conditions were mixed. Some banks were pessimistic about transport and real estate activities, which were affected by slowdown in economic activity while others were optimistic about government's efforts to pay supplier arrears and large infrastructure projects, which will have multiple effects to other economic activities. 16.0 percent of the responding banks were of the view that cost of credit is likely to decline in line with the monetary easing pursued by the Bank; 27.9 percent expect to increase the cost to factor in credit risks while 54.7 percent expect to maintain the cost. For MFIs, 55.0 percent expect to lower cost of credit by enhancing internal funds mobilization from members rather than relying on costly external funding sources (**Chart 2.11a**).

Chart 2.11: Expected Changes For the Next Twelve Months

a) Banking Institutions



b) Microfinance Institutions



Source: *BOT survey on bank lending practices, June 2017*

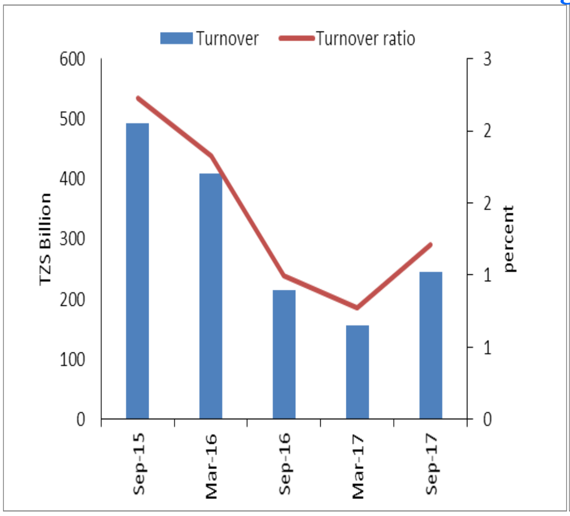
2.2 Non-Banking Financial Sector

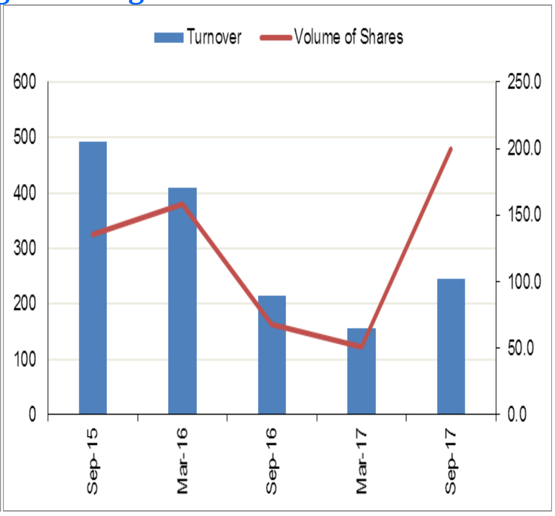
2.2.1 Capital Markets

Equity Market

Trading activity at the Dar es Salaam Stock Exchange was buoyant as reflected by increase in turnover. During the six months to end September 2017, turnover increased by 55.8 percent to TZS 245.9 billion driven by Tanzania Breweries Limited (TBL), accounting for 79.4 percent of the total trading, followed by CRDB Bank Plc. (**Table 2.7**). Number of shares exchanged hands increased to 199.9 million shares from 29.7 million shares recorded in the six month to March 2017. The spike was contributed by CRDB, which was the most active counter followed by TBL, the largest company by market capitalisation at the bourse and Vodacom Tanzania Plc which was listed on 15th August 2017 (**Chart 2.12**).

Chart 2.12: Dar es Salaam Stock Exchange Trading





Source: *Dar es Salaam Stock Exchange*

Table 2.7: Individual companies Total Turnover for the six months

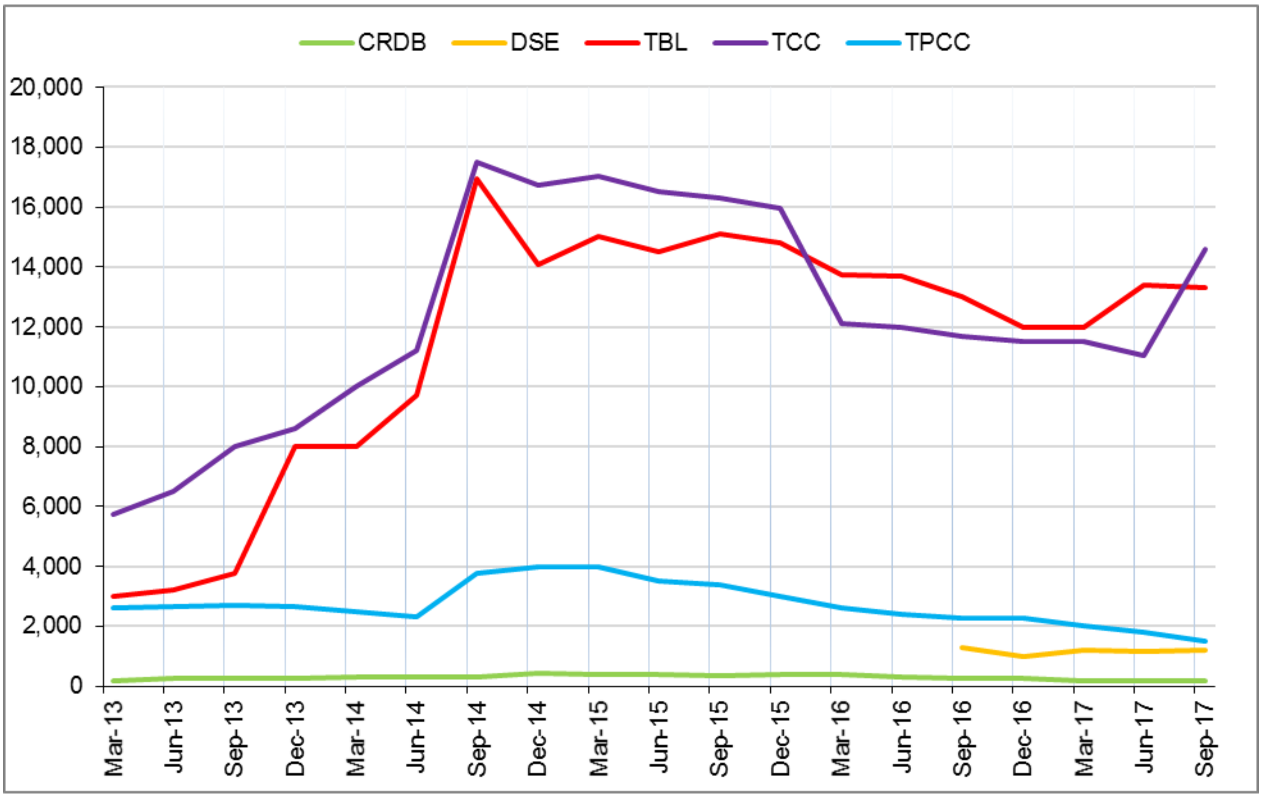
TZS Million

COMPANIES	April 16 - Sept 16		Oct 16 - Mar 17		April 17 -Sept 17	
	Turnover	% of Total Turnover	Turnover	% of Total Turnover	Turnover	% of Total Turnover
TBL	110,528.6	51.3	105,458.3	66.8	195,145.8	79.4
CRDB	9,293.2	4.3	7,920.9	5.0	36,394.7	14.8
TCC	39,504.6	18.3	28,296.6	17.9	8,938.6	3.6
DSE	8,202.2	3.8	2,439.5	1.5	1,452.7	0.6
VODA	-	-	-	-	969.0	0.4
TPCC	18,688.1	8.7	4,525.6	2.9	1,025.3	0.4
SWIS	5,886.3	2.7	7,079.9	4.5	751.2	0.3
NMB	21,316.3	9.9	1,406.3	0.9	478.9	0.2
TCCL	637.1	0.3	39.1	0.0	83.9	0.0
DCB	68.8	0.0	68.9	0.0	50.2	0.0
MKCB	6.7	0.0	427.4	0.3	66.2	0.0
TOL	1,287.9	0.6	15.0	0.0	507.6	0.2
MUCOBA	4.9	0.0	8.0	0.0	12.1	0.0
YETU	4.1	0.0		-	5.9	0.0
PAL		-		-	4.7	0.0
SWALA	2.9	0.0	20.4	0.0	5.2	0.0
MCB	8.0	0.0	86.7	0.1	34.3	0.0
MBP	28.8	0.0	6.2	0.0	1.1	0.0
TTP		-		-	0.1	0.0
TOTAL	**215,468.4**	**100.0**	**157,798.9**	**100.0**	**245,927.4**	**100.0**

Source: *Dar es Salaam Stock Exchange*

Despite active trading, CRDB share prices decreased by 5.4 percent, partly associated with investors demand for cash to meet other obligations. On the other hand, TBL and TCC share prices appreciated by 10.8 percent and 27.0 percent respectively. Appreciation of TBL share price was attributed to buyback by the current majority owners (SABMiller) who own more than 50.0 percent of the public issued shares (**Chart 2.13**, **Table 2.8**).

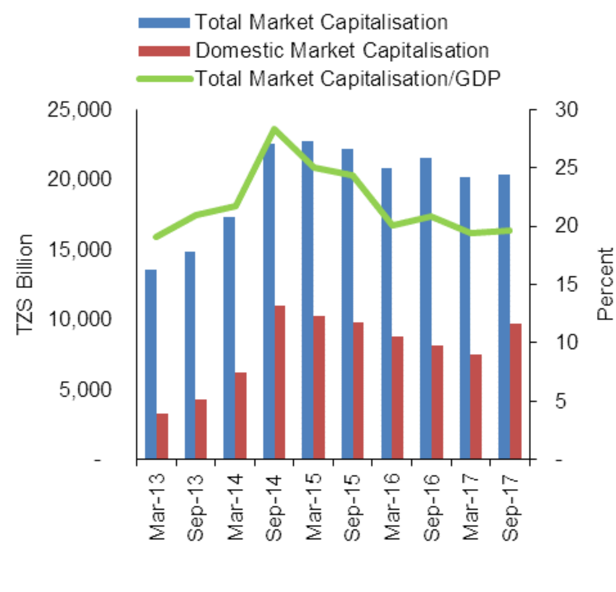
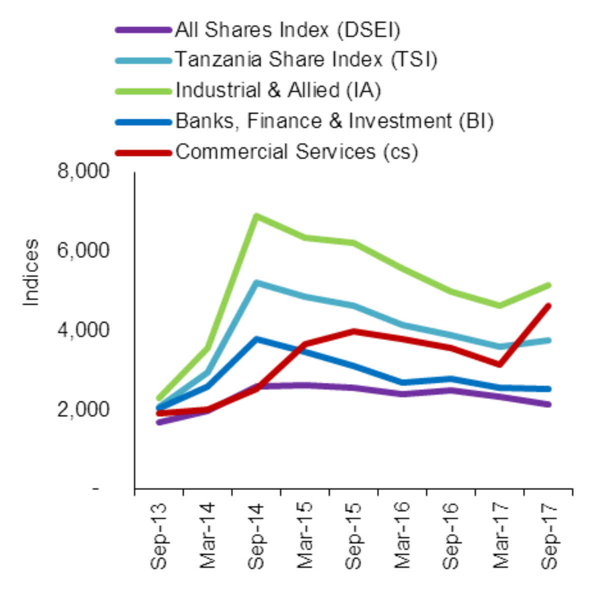
Chart 2.13: End of Period Share Prices of Top Movers



Source: *Dar es Salaam Stock Exchange.*

During the period under review, domestic market capitalization increased by 29.8 percent from TZS 7,507.9 billion in March 2017, mainly driven by listing of Vodacom Tanzania Plc shares which contributed 17.7 percent of the growth together with increased share prices of TCC, TBL and DSE (**Chart 2.14**).

Chart 2.14: Performance of the Dar es Salaam Stock Exchange

Market Capitalization	Share Indices
	

Source: *Dar es Salaam Stock Exchange (DSE)*

Market Concentration risk

Foreign investors' participation in shares trading continued to dominate the buy and sell sides, accounting for 97.4 percent and 69.7 percent of turnover respectively (**Chart 2.15**). During the six months to September 2017, cross-listed companies' market share dropped to 52.2 percent from 62.8 percent that was recorded in March 2017, mainly driven by Acacia Mining Corporation share price which declined by 61.3 percent, listing of Vodacom Tanzania Plc and appreciation of TCC and TBL share prices (**Table 2.8**).

Table 2.8: Total market capitalization of individual companies

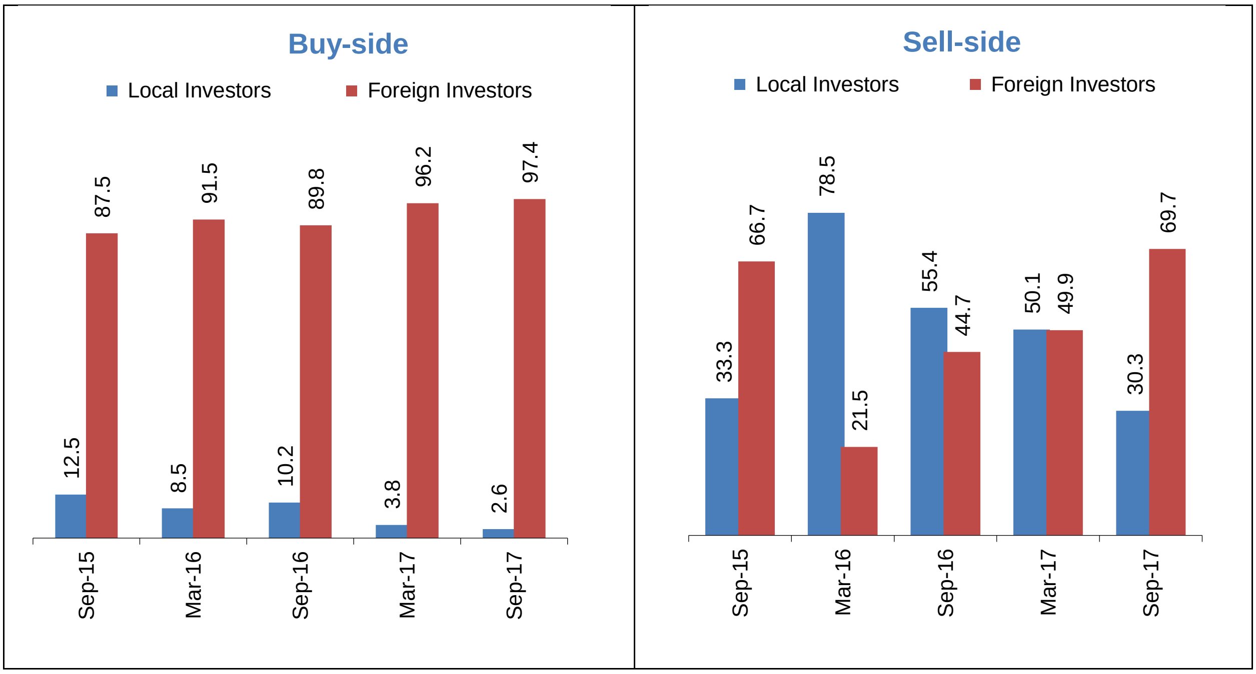
Percent

COMPANIES	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Cross Listed Companies							
EABL	22.6	21.8	21.5	21.6	18.7	21.4	21.1
KCB	12.5	10.0	8.0	10.4	11.1	13.2	14.3
ACA	17.7	25.2	26.8	21.0	26.2	18.3	10.0
JHL	3.1	3.0	3.1	3.5	3.7	3.3	3.7
NMG	3.3	2.9	2.3	1.8	2.0	2.2	2.2
KA	0.7	0.6	0.6	1.0	1.0	1.2	0.7
USL	0.2	0.1	0.1	0.2	0.1	0.1	0.1
Market share as percent of Total Market Capitalization	**60.2**	**63.6**	**62.5**	**59.6**	**62.8**	**59.8**	**52.1**
Domestic Listed Companies (Top Ten Movers)							
TBL	19.2	18.6	17.8	18.5	17.6	20.5	19.3
VODA		-	-	-	-	-	8.5
TCC	5.7	5.5	5.4	6.0	5.7	5.7	7.2
NMB	4.7	3.7	6.4	7.2	6.8	7.1	6.8
CRDB	4.8	3.7	3.1	3.4	2.4	2.4	2.2
TPCC	2.2	2.0	1.9	2.2	1.8	1.7	1.3
SWIS	1.2	1.1	1.1	1.0	1.0	0.7	0.7
PAL	0.4	0.3	0.3	0.4	0.4	0.4	0.4
TCCL	0.6	0.5	0.5	0.5	0.5	0.5	0.4
SWALA	0.2	0.2	0.2	0.3	0.2	0.3	0.2
Market share as percent of Total Market Capitalization	**39.8**	**36.4**	**37.6**	**40.4**	**37.3**	**40.2**	**47.9**

Source: *Dar es Salaam Stock Exchange*

Chart 2.15: Dar es Salaam Stock Exchange Investors Participation

Percent



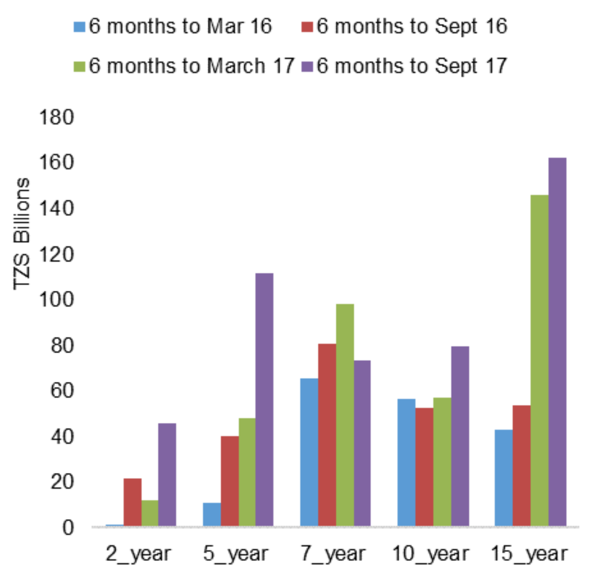
Source: *Dar es Salaam Stock Exchange*

Bond Market

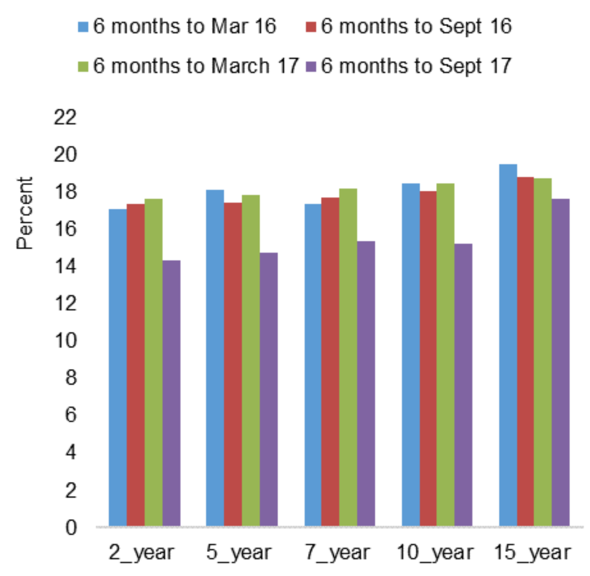
Trading for both government and corporate bonds in the secondary market continued to increase, government bonds worth TZS 466.4 billion were traded which is an increase of 28.1 percent compared to six-months period ended March 2017. The 15-year and 5-year bonds were the most traded due to favourable weighted average yield to maturity of 15.6 percent and 14.4 percent respectively, with commercial banks being the main participants.

Chart 2.16: Market Performance for Government Bonds

(a): Turnover for Government Bonds



(b):Weighted Average Yields

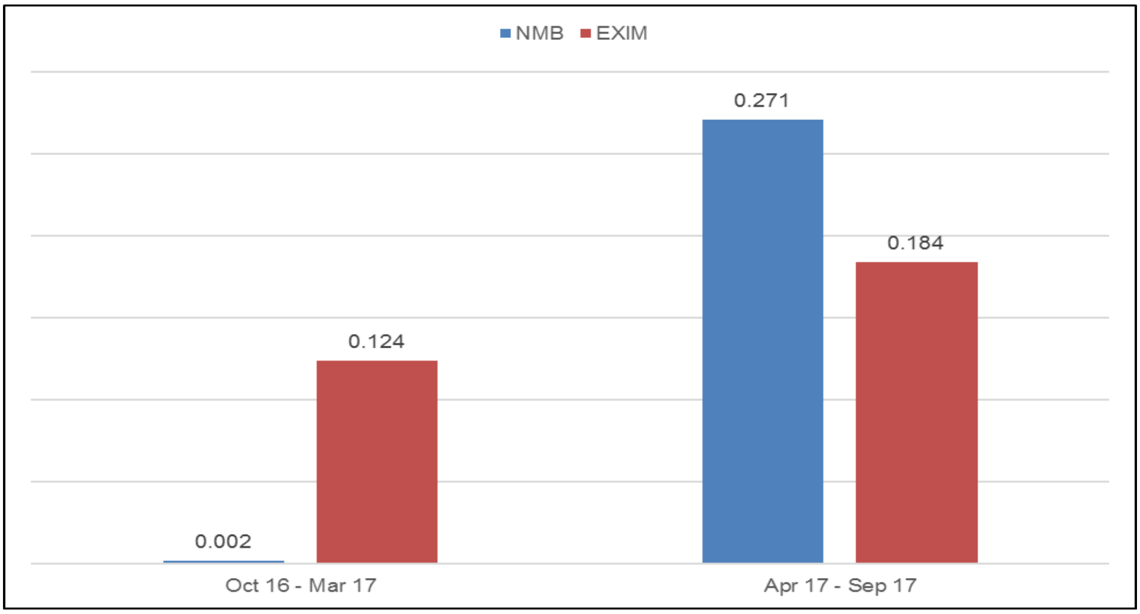


Source: *Bank of Tanzania*

Corporate bond trading increased from TZS 0.13 billion recorded in March 2017 to 0.45 billion in September 2017 with more trading witnessed in NMB Bank Plc, which accounted for 59.0 percent of the total corporate bonds turnover (**Chart 2.17**). The weighted average yield to maturity for NMB bond increased to 20.5 percent from 13.7 percent recorded in March 2017. Outstanding bonds at end September 2017 were NMB Bank Plc, Exim Bank (T) Limited, Standard Chartered Bank (T) Limited and PTA Bank.

Chart 2.17: Corporate Bond Trading

TZS Billion



Source: DSE

Collective Investment Schemes

Net Asset Value of collective investment schemes increased in aggregate terms, driven by appreciation of share prices. The Net Asset Value (NAV) of schemes under UTT-AMIS management increased to TZS 248,688.1 million in September 2017 from TZS 243,871.1 million recorded in March 2017 driven by appreciation of share prices, with Umoja and Liquid Funds, contributing to the increase. The increase in Umoja Fund resulted from the appreciation of TBL and TTC share prices. Similarly, Liquid Fund, which invests in fixed income assets (treasury bills and bonds), depicted a growth in both outstanding units and Net Asset Value as the segment of the market reported good returns (**Table 2.9**).

Table 2.9: Open Ended Collective Investment Schemes

Scheme	Outstanding units (Millions)			Net Asset Value (NAV)			NAV Growth	
	Sep-16	Mar-17	Sep-17	Sep-16	Mar-17	Sep-17	Sept 16-Sept 17	Mar 17 - Sept 17
Umoja Fund	452.1	409.8	399.0	217,838.4	200,966.5	207,175.2	-4.9	3.1
WekezaMaisha	11.6	11.6	5.3	3,668.4	3,731.8	1,745.6	-52.4	-53.2
Watoto Fund	10.6	11.7	11.7	2,986.5	3,345.4	3,484.4	16.7	4.2
Jikimu Fund	216.9	188.4	173.4	27,323.4	23,591.1	21,910.6	-19.8	-7.1
Liquid Fund	33.6	75.7	83.1	5,064.7	12,236.3	14,373.1	183.8	17.5

Source*: Capital Markets and Securities Authority*

2.2.2 Insurance Sector

Insurance sector recorded a growth in assets. In the year ending 30th June 2017, total assets increased by 14.2 percent to TZS 870.1 billion mainly driven by investment income (**Table 2.10**). The insurers' total net worth and total investments increased by 11.4 percent and 12.1 percent, respectively. The growth in net worth reflects the strength of the sector to meet potential obligations. Financial indicators of insurance sector are summarised in Table 2.11.

Table 2.10: Insurance Performance

TZS Billions

Particular	**Mar-16**	**Jun-16**	**Mar-17**	**Jun-17**	**Jun 16-Jun 17**
Total Assets	681.6	761.7	896.0	870.1	14.2%
Total Liabilities	434.8	501.3	561.8	580.1	15.7%
Total Net Worth	246.8	260.4	334.2	290.0	11.4%
Total Investments	379.2	470.9	561.9	528.0	12.1%
Gross Premium Written					
General Insurance	190.4	321.1	190.7	301.4	-6.1%
Life Assurance	17.5	41.1	20.8	41.9	2.0%
Total	**207.9**	362.2	**211.5**	343.4	-5.2%

Source: *Tanzania Insurance Regulatory Authority.*

Table 2.11: Financial Soundness Indicators of the Insurance Sector (General and Life)

Indicator	Requirement (Acceptable Range)	30 June 2016		30 June 2017	
		General	Life	General	Life
1. Capital Ratios					
Solvency Ratio	General ≥ 25; Life ≥ 8	61.6	28.9	59.5	27.2
Change in Capital and Reserves		9.3	-2.5	8.0	32.9
2. Asset Quality Ratios					
Rate of Return on Investment		4.4	5.0	5.7	12.7
Category I Investment Assets (see Note 1 below)	Min 40	58.1	11.6	53.3	12.0
3. Reinsurance Ratios					
Retention Ratio	General 30<RR<70; Life 50<RR<90	55.2	81.3	56.2	81.6
4. Actuarial Liabilities (General)					
Actuarial Provisions to Capital Ratio	Max 250	105.2	n/a	102.1	n/a
5. Earnings Ratios (General)					
Return on Equity		4.4	n/a	5.7	n/a
6. Liquidity Ratios					
Liquidity Ratio	General ≥ 95; Life ≥ 50	103.4	68.4	103.3	60.9
Total Receivables as % of Capital & Reserves	Max 100	88.8	61.3	91.2	60.3
7. Loss Ratio		56.1	n/a	55.1	n/a

Note 1: *Category I Investment Assets includes deposits in financial institutions and government securities*

Source: *Tanzania Insurance Regulatory Authority*

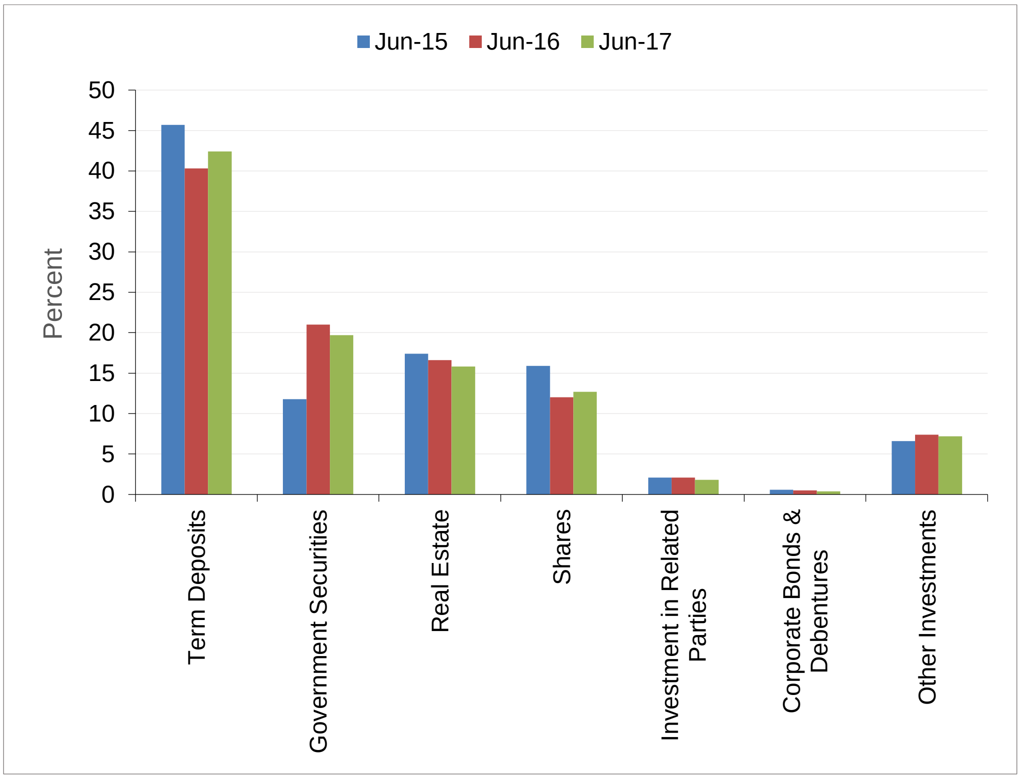
The sector remained adequately capitalized to absorb adverse deviations in actuarial liabilities. During the period, general insurance and life assurance solvency ratios were 59.5 percent and 27.2 percent, being above the minimum prudential requirement of 25.0 percent and 8.0 percent respectively. Meanwhile, general insurers' ratio of actuarial provisions to capital was 102.1 percent in June 2017 compared with 105.2 percent in 2016. The level was within the prudential maximum limit of 250.0 percent, implying sufficient capital to withstand potential risk.

General insurance business invested 62.1 percent in Category I Investment Assets, complying with regulatory requirement of at least 40.0 percent. In addition, the quality of assets for the segment, which constituted over 90.0 percent of total insurers' assets, improved as reflected by Return on Investment (ROI). However, placement in Category I exposes insurer's portfolio to market risks in case of adverse rate movements. Meanwhile, life assurance business held 12.7 percent of Category I, which was below the regulatory threshold.

Liquidity ratio for general insurance remained at 103.4 percent, which was within the minimum prudential limit of 95.0 percent. The insurers' liquidity position is poised to improve further following amendments of the Insurance Act 2009, which among others, requires policyholders to make direct payment of premiums to insurers. Prior to the amendment, premium was paid through brokers, which contributed to high levels of receivables. The amendment came into effect on 7th July 2017.

Return on Equity for general insurers improved to 5.7 percent in June 2017 from 4.4 percent in June 2016 due to decrease in claims incurred as reflected by a slight decline in loss ratio from 56.1 percent to 55.1 percent.

Chart 2.18: Investment Mix



Source: *Tanzania Insurance Regulatory Authority*

2.2.3 Social Security Sector

Tanzania Mainland

During the year ending September 2017, total assets of the sector increased by 14.6 percent to TZS 12,187.8 billion, mainly driven by increase in investment income and members' contributions. Contribution from members increased by 2.2 percent to TZS 644 billion while Return on Investment (RoI) was 6.7 percent in September 2017, compared with 6.0 percent in

September 2016. Major contributors to the schemes income were government securities and deposits maintained in banks, which constituted 37.6 percent of the total assets and 75.1 percent of the total investment income.

The sector's ability to cover short-term liabilities as depicted by the coverage ratio, declined from 12.0 percent in September 2016 to 10.5 percent. This was mainly attributed to an increase in benefits payable and tax liability in comparison to previous period.

The sector continued to maintain administration expenses within the regulatory limit of 10.0 percent of total contributions. In addition, contributing members increased relative to pensioners as depicted by the dependency ratio, which was 12.4 percent, compared to 11.5 percent in September 2016, supporting sustainability of the schemes.

Table 2.12: Tanzania Mainland: Social Security Selected Financial Indicators

Particular		Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Contribution Income/Benefit Payments	Times	0.8	1.1	1.2	2.1	1.7	1.6	1.5	1.8
Return on Investment(Invested Return/Invested Assets)	Percent	6.2	5.6	5.3	6.0	5.4	5.3	5.4	6.7
Administrative Cost/Contributions	Percent	11.8	8.7	10.4	8.4	9.0	8.5	8.6	9.3
Coverage Ratio(Assets/Liabilities)	Times	12.4	13.0	12.3	12.0	12.3	12.2	11.5	10.5
Dependency Ratio(Contributing members/pensioners	Times	n/a	14.5	11.2	11.5	12.0	11.4	10.6	12.4

Source*: Social Security Regulatory Authority*

The sector maintained a diversified portfolio, which was broadly in compliance with Social Security Investment Guidelines, albeit with a reduced proportions of investment in real estate and equity (**Tables 2.13**).

Table 2.13: Tanzania Mainland: Social Security Portfolio Investment Mix

Particular	Prudential Limit as Percentage of Total Assets	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Bank Deposits	35	8.0	8.4	8.8	7.7	8.7	9.0	11.5	9.4
Government Debt	20-70	18.2	20.3	23.0	24.6	25.4	25.6	26.0	28.2
Commercial Paper, Promissory notes and Corporate bonds	20	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Loans to Government	10	21.7	21.0	20.6	19.7	19.1	20.0	19.1	18.3
Ordinary and Preference Share	20	9.1	8.8	7.6	6.9	6.4	5.9	6.8	6.7
Investments in Licensed Collective Investment Schemes	30	1.5	1.5	1.5	1.6	1.5	1.5	1.5	1.5
Real Estate	30	20.1	19.8	19.5	19.6	21.2	20.7	19.8	18.6
Loans to Corporates and Cooperative Societies	10	4.0	4.0	4.4	4.4	4.1	3.9	4.0	3.9
Infrastructure Investment	25	2.4	2.5	2.6	2.7	2.8	2.9	2.9	2.7
Other Assets		14.6	13.9	11.9	12.9	10.8	8.8	8.3	10.5
Total Assets (billion)		**9,610.7**	**10,058.8**	**10,284.5**	**10,635.4**	**11,020.8**	**11,323.7**	**11,960.0**	**12,187.8**

Source: *Social Security Regulatory Authority*

2.3 Cross-Sector Linkages in the Financial System

Offshore borrowing remained low, at 4.8 percent of the total funding for the top 10 banks implying, minimal foreign exchange risk. Meanwhile, placements with banks abroad continued to decline, mainly associated with falling import bill. This was also reflected by a reduction in inter-bank contingent claims to foreign banks.

On the other hand, banks reliance on social security and insurance sectors as suppliers of wholesale funding remained low as reflected by their deposits holdings, which stood at 3.9 percent as at end September 2017. However, at individual level, out of the top 10 banks, two of them rely on this source by more than 10 percent. Further, data indicates that there is relatively high concentration risk in the inter-bank borrowing where three banks hold about 76 percent of the total borrowing.

Table 3.1: Financial Interconnectedness (Top Ten Banks)

Billion TZS

Items	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	% Change (Mar-Sep 2017)
Placements with Banks Abroad	964.0	640.7	562.4	351.7	400.5	-28.8
Placements with Domestic Banks	481.4	419.5	467.3	342.1	309.6	-33.8
Deposits from Pension Funds	268.4	329.0	426.8	456.7	402.9	-5.6
Deposits from Insurance Companies	216.6	194.6	168.6	376.6	274.2	62.6
Borrowings from Domestic Banks	207.4	604.0	755.3	542.3	629.4	-16.7
Deposits from Foreign Banks	861.4	659.4	672.2	723.5	831.0	23.6
Inter-bank Contingent Claims to Foreign Banks	369.4	346.0	260.6	34.9	25.2	-90.3
Deposits from Mobile Network Operators	624.4	665.7	649.7	655.5	686.4	5.6

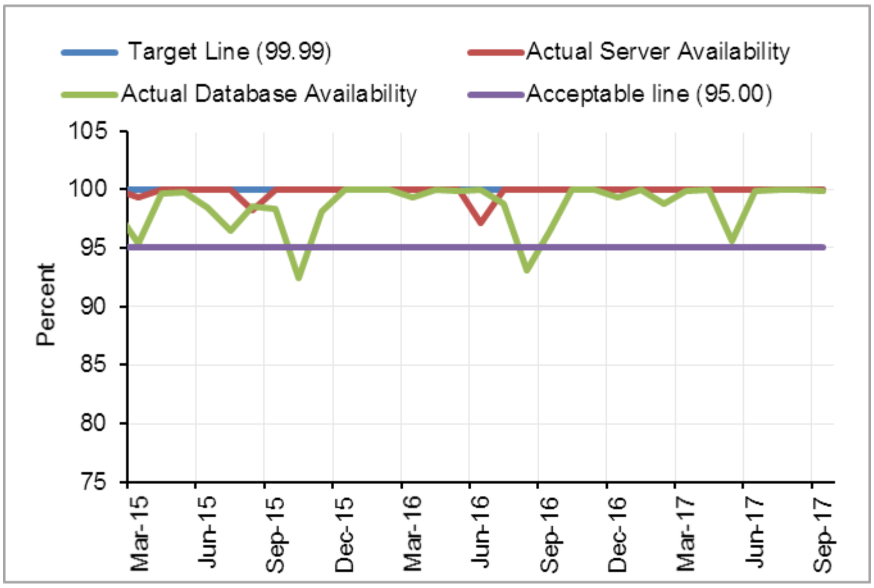
***Source**: Bank of Tanzania*

3.0 FINANCIAL SYSTEM INFRASTRUCTURE AND REGULATORY DEVELOPMENTS

3.1 Payment System Infrastructure

Payment systems operated with improved reliability and efficiency. The large value systems, Tanzania Interbank Settlement System (TISS), which settles large value transactions in TZS and US dollar continued to operate smoothly to facilitate interbank transactions and government payment obligations at an increased efficiency of database and server uptime availability, which averaged at 99.2 percent and 99.9 percent respectively **(Chart 3.1).** The volume of TISS transactions increased by 7.9 percent to 936,557, partly due to ongoing TISS connectivity to government institutions and increased number of participants including Tanzania Agriculture Development Bank and MUCOBA. The Bank continued to spearhead efforts to connect government institutions to TISS with a view to enhancing efficiency and safety in government payments.

Chart 3.1: TISS Availability



***Source**: Bank of Tanzania*

The East African Cross Border Payment System (EAPS) with 54 participants in Tanzania, including central banks, operated smoothly. The system showed mixed trend with increased volume and value of transactions between Tanzania and Kenya. Transactions between Tanzania and Uganda remained almost static, while the Tanzania and Rwanda corridor has started recording few transactions. On the other hand, the SADC Integrated Regional Electronic Settlement System

(SIRESS), with a total number of 83 participants, including the central banks, continued to operate smoothly and efficiently in line with increased number of transactions (**Table 3.1**)

Clearing Systems

The clearing systems, which include cheques, Electronic Funds Transfer (EFT), and card switches, operated smoothly. The EFT trend indicates increased number of transactions mainly due to government decision to adopt EFT system in facilitating salaries and pension payments. The volume and value through the systems increased by 27.8 percent and 0.6 percent to 4.8 million transactions and TZS 4,964.3 billion, respectively during the six months to September 2017 compared with the preceding period (**Table 3.1**).

RETAIL PAYMENT SYSTEMS

Mobile Payment Services

Mobile payments, continued to depict an upward trend fostered by interoperability among the four Mobile Network Operators (MNOs) and increased accessibility to mobile delivered products. As at end September 2017, mobile money accounts reached 76.1 million with 17.6 million active users compared to 62.3 million and 17.8 million respectively at end March 2017. The number of agents increased to 398,452 from 373,639 while the total Trust Account balances increased to TZS 686.4 billion from TZS 649.7 billion (**Table 3.1**).

Table 3.1: Payment Systems' Values and Volume of Transactions Processed

Payment System	Values				% Change	
	2016-H1	2016-H2	2017-H1	2017-H2	2016 H2-2017 H2	2017 H1-2017 H2
TISS (TZS. Billions)	83,274.6	106,387.8	112,320.2	102,924.4	-3.3	-8.4
EAPS (TZS Millions)	41,748.0	17,083.0	21,317.1	36,598.4	114.2	71.7
EAPS (KES Millions)	2,373.5	1,872.2	1,840.2	2,285.2	22.1	24.2
EAPS (UGX Millions)	6,147.6	20,345.1	3,840.9	7,103.0	-65.1	84.9
Mobile banking	1,042.1	1,089.5	1,169.6	1,413.0	29.7	20.8
M-Payments	26,590.6	29,182.5	30,299.5	33,822.4	15.9	11.6
			Volume			
TISS (Thousands)	772.1	796.3	891.2	936.6	17.6	5.1
EAPS (TZS transactions)	787.0	769.0	885.0	903.0	17.4	2.0
EAPS (KES Transactions)	901.0	1,047.0	1,167.0	1,327.0	26.7	13.7
EAPS (UGX Transactions)	92.0	135.0	111.0	90.0	-33.3	-18.9
Mobile banking (Thousands)	25468.8	26256.3	27601.1	25292.4	-3.7	-8.4
M-Payments (Thousands)	730837.0	781166.1	898016.2	984492.4	26.0	9.6

Source: *Bank of Tanzania*
Note: *HI 2016 denote six months to March 2016*
H2 2016 denotes six months to September 2016
H1 2017 denote six months to March 2017
H2 2017 denotes six months to September 2017

The Bank continued to grant approvals for payment instruments and service providers, in line with the requirements under the new regulatory framework for the National Payment Systems. As at end September 2017, a total number of 32 commercial banks and six electronic money issuers and four aggregators were granted the Payment Systems Licence.

3.2 Financial System Regulatory Developments

Banking Sector

As part of strengthening supervision of Bureaux de Change in line with current economic developments, the Bank issued the Foreign Exchange (Bureaux de Change) (Amendment) Regulations, 2017 on 2nd June 2017. Accordingly, Class A bureaux minimum capital thresholds were revised from TZS 100 million to TZS 300 million and class B bureaux from TZS 250 million to TZS 1.0 billion effective 2nd September 2017. In addition, security deposit at the Bank for class

B bureaux, which are allowed to conduct money transfer operations on agency arrangements for banks and international money transfer operators was raised to USD 100,000 from USD 50,000.

Insurance Sector

The Parliament amended the Insurance Act under the Written Laws (Miscellaneous Amendment) Act, 2017, which requires policyholders to make direct payment of insurance premiums to insurers effective 7th July 2017, instead of channelling through brokers. The amendment is expected to minimize risks arising from premiums receivable, thus improving insurers' liquidity. In addition, the amendment limits placement of reinsurance to Tanzanian insurers unless a prior written approval is obtained from the Commissioner of insurance.

Social Security Sector

Social Security Regulatory Authority issued the Social Security Schemes (Regulatory Reporting) Guideline, 2017, which among others, requires pension funds to publish annual audited financial reports before 31st January to enhance transparency and accountability.

The Government is working on various reforms on social security sector as a whole including the plan to merge pension funds to two, one of which will cater for public servants and the other for private sector.

Capital Market and Securities

Preliminary preparations to operationalize the Tanzania Mercantile Exchange were finalised. The Government injected initial capital amounting to TZS 4.0 billion to operationalize the exchange and appointed the Chief Executive Officer. Invitation of applications for the exchange members, which will serve as commodity market intermediaries will be circulated in November 2017. Actions to reconstitute the Tanzania Mercantile Exchange (TMX) Board of Directors to replace the current interim board have started.

TMX invited commercial banks to serve as commodities' clearing and settlement banks. Four banks namely CRDB Bank, NMB Bank, Standard Chartered Bank, and TIB Corporate Bank have fulfilled the requirements to serve as clearing and settlement bank. Five commodity exchange market intermediaries have been licensed by the CMSA. The process of drafting stakeholder engagement plan was in the final stages. This provides a framework for stakeholders' management, which range from farmer groups, cooperatives, exporters, transportation and logistics companies, banks, insurance and warehouse operators, different crops boards to regulators.

Financial Sector Assessment Programme

The Government requested a comprehensive assessment of the financial system under the IMF and World Bank Financial Sector Assessment Programme (FSAP). This is a regular assessment conducted for each member of the IMF in every six years to identify gaps in the financial system and recommend areas for reforms. The assessment is scheduled to take place in the second quarter of 2018.

Box 3: Banks under Liquidation

Deposit Insurance Board as a liquidator of Mbinga Community Bank started verification of depositors on 15th May 2017 and commenced the pay-out exercise of the 9,340 bank's depositors on 24th July 2017. By the end of September 2017, the number of depositors paid reimbursable deposit insurance was 2,180 representing 73% of the total value of the reimbursable deposit.

On the other hand, the verification exercise of the 6,648 depositors of the defunct FBME bank Limited started in June 2017 and the pay-out process will begin in November 2017.

Box 4: Microfinance Sub-sector

According to the 2017 FinScope Survey, Microfinance sub-sector supplies a significant proportion of savings and credit services to households, accounting for 29 percent of the adult population[2]. The survey revealed usage of different categories of microfinance services in the economy, of which formal Micro-lenders, SACCOs, Informal Saving Groups and Informal Lenders constitute 7.0 percent, 2.0 percent, 16.0 percent 4.0 percent, respectively. To enhance the institutional and regulatory environment of the sub-sector, the National Microfinance Policy 2017, will be launched in October 2017. The Policy aims at creating enabling environment that promotes the development of appropriate and innovative microfinance products and services to meet the real needs of the low-income population in

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[2] Tanzania FinScope Survey, 2017 available online at http://www.fsdt.or.tz/wp-content/uploads/2017/09/FinScope-Tanzania-2017-Insights-that-Drive-Innovation.pdf

order to enhance economic growth and accelerate poverty reduction. Additionally, it provides a framework for effective coordination, regulation and supervision of the microfinance sub-sector in the country.

4.0 FINANCIAL SECTOR RESILIENCE

4.1 Banking Sector Resilience

The Bank conducts stress test on quarterly basis to assess resilience of the banking sector against the impact of key risks, namely credit, interest and exchange rates on capital. The size of applied shocks is determined based on historical volatility and expert judgment (**Table 4.1**).

Table 4.1: Shock Calibration

Risk-type	Type of Shock	Shock Size	Description
Credit	Sectoral shocks to NPLs: Agriculture Trade Manufacturing Personal	 3.9 11.8 7.5 5.5	Applies a different shock to the existing level of performing loans of the selected sectors, so that a proportion of them became NPLs
	Proportional increase in NPLs	8.2	Applies a uniform shock to the existing level of performing outstanding loans so that a proportion of them became NPLs
Interest Rate	Nominal deposits rate < 3 months 3-6 months 6-12 months 1-2yrs 2-3yrs >3 yrs	 3.3 3.0 2.9 2.8 2.7 3.6	Assess the effect of interest rate change on banks' interest sensitive assets and liabilities.
Exchange Rate	Assumed depreciation of selected currencies USD EUR GBP	 9.9 3.0 5.8	Assess the effect of depreciation on banks' existing foreign currency denominated assets and liabilities

***Source**: Bank of Tanzania*

The resilience of the banking system was assessed against 10 percent capital adequacy ratio. The assessment focussed on top 10 banks, other banks and all banks (**Table 4.2**). Top 10 banks account for 69.0 percent of total assets of the banking sector.

Table 4.2: Summary of Stress Testing Results

Classification	Baseline Capital Adequacy Ratio (Pre-test)	Post – Stress Capital Adequacy Ratio			
		Credit risks		Interest rate	Exchange rate
		Sectorial	Proportional increase in NPLs		
All Banks	17.35	16.26	15.05	15.8	16.28
Top Ten Banks	22.16	20.98	20.04	20.8	20.92
Other Banks	11.22	9.99	8.69	9.7	9.84
Regulatory Capital Adequacy Ratio (Core Capital)	10.00	10.00	10.00	10.00	10.00
No. of undercapitalized Major banks	2	2	2	2	2
No. of undercapitalized Other banks	7	8	9	8	8

Source*: Bank of Tanzania*

The results of the stress testing indicated that the sector was generally resilient in terms of the credit, interest rate and foreign exchange shocks. However, two out of the top ten banks had capital inadequacy prior to the shocks. The two banks are under MOU with BOT, allowing for a close supervisory oversight as the shareholders and management address the problems before end December 2017.

4.3 Financial Stability Outlook and Conclusion

Risks stemming from global macro financial environment remained steady, but are expected to abate in the six months to March 2018, in anticipation of better economic prospects in the key advanced and emerging market economies, higher commodity prices and strengthening domestic demand. In the domestic economy, the banking sector is expected to remain sound, while the money and equity markets performance are expected to improve further, benefiting from strong macroeconomic environment and eased monetary conditions. Continued investment in infrastructure is laying a good foundation for a more sustainable growth trajectory, which will spur economic activity. This, together with banks' action to contain risky borrowers and government's efforts to pay verified suppliers' arrears may reduce NPLs levels, going forward. Reforms in the pension fund and policyholders' direct payment of premium to insurance companies are expected to increase efficiency and reduce liquidity risk, respectively.

APPENDICES

Appendix 1: Global Economic Performance (Real Growth Rates)

(Percent)

	Actual							Projections		Difference from January 2017 WEO projections	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2017	2018
World output	**5.4**	**4.2**	**3.4**	**3.3**	**3.4**	**3.4**	**3.1**	**3.5**	**3.6**	**0.1**	**0.0**
Advanced economies	**3.1**	**1.7**	**1.2**	**1.1**	**1.8**	**2.1**	**1.7**	**2.0**	**2.0**	**0.1**	**0.0**
USA	3.1	1.7	1.2	1.3	2.0	2.1	1.7	2.0	2.0	-0.3	-0.5
Euro area	2.1	1.6	-0.8	0.3	0.9	2.0	1.7	1.7	1.6	0.1	0.0
Japan	4.7	-0.1	1.5	2.0	0.3	1.2	1.0	1.2	0.6	0.4	0.1
United Kingdom	1.9	1.5	1.3	1.9	3.1	2.2	1.8	2.0	1.5	0.5	0.1
Emerging and Developing Economies	**7.5**	**6.3**	**5.2**	**5.0**	**4.6**	**4.2**	**4.1**	**4.5**	**4.8**	**0.0**	**0.0**
Emerging and Developing Asia	**9.6**	**7.9**	**7.0**	**6.9**	**6.8**	**6.7**	**6.4**	**6.4**	**6.4**	**0.0**	**0.1**
China	10.6	9.5	7.9	7.8	7.3	6.9	6.7	6.6	6.2	0.1	0.2
India	10.3	6.6	5.5	6.5	7.2	7.9	6.8	7.2	7.7	0.0	0.0
Asean-5	6.9	4.7	6.2	5.1	4.6	4.8	4.9	5.0	5.2	0.1	0.0
Sub-Saharan	**7.0**	**5.0**	**4.3**	**5.3**	**5.1**	**3.4**	**1.4**	**2.6**	**3.5**	**-0.2**	**-0.2**
Excluding Nigeria and South Africa	6.0	6.0	5.4	6.5	5.8	4.7	3.7	4.4	5.2	n/a	n/a
Nigeria	11.3	4.9	4.3	5.4	6.3	2.7	-1.5	0.8	1.9	0.0	-0.4
South Africa	3.0	3.3	2.2	2.5	1.7	1.3	0.3	0.8	1.6	0.0	0.0
Oil Exporting	9.2	4.7	3.9	5.7	5.9	2.6	-1.4	0.9	2.0	n/a	n/a
Oil Importing	5.3	5.3	4.7	5.0	4.5	3.9	3.4	3.9	4.5	n/a	n/a
SADC	**4.2**	**4.3**	**3.7**	**4.3**	**3.6**	**2.7**	**1.5**	**2.2**	**2.7**	n/a	n/a
EAC Overall	**7.4**	**6.9**	**4.6**	**5.8**	**6.0**	**6.0**	**5.8**	**5.7**	**6.1**	n/a	n/a
Kenya	8.4	6.1	4.6	5.7	5.3	5.6	6.0	5.3	5.8	n/a	n/a
Rwanda	7.3	7.8	8.8	4.7	7.6	8.9	5.9	6.1	6.8	n/a	n/a
Tanzania	6.4	7.9	5.1	7.3	7.0	7.0	6.6	6.8	6.9	n/a	n/a
Uganda	7.7	6.8	2.6	4.0	5.2	5.0	4.7	5.0	5.8	n/a	n/a
Burundi	5.1	4.0	4.4	5.9	4.5	-4.0	-1.0	0.0	0.1	n/a	n/a
Memorandum											
World Commodity prices (U.S. dollars)	2.2	4.3	2.8	-3.0	-0.4	-2.4	-5.4	2.8	1.7	n/a	n/a
Oil	27.9	31.6	1.0	-0.9	-7.5	-47.2	-15.7	28.9	-0.3	9.0	-3.9
Nonfuel	26.6	18.0	-10.1	-1.4	-3.9	-17.4	-1.9	8.5	-1.3	6.4	-0.4

Source: *World Economic Outlook, April 2017; n/a – not available*

Appendix 2: Annual GDP Performance by Economic Activity – Tanzania Mainland

(Percent)

ECONOMIC ACTIVITY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sector Share in GDP											
GDP at market prices	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Agriculture, forestry and fishing	**29.0**	**26.8**	**28.8**	**30.2**	**29.9**	**29.4**	**31.1**	**31.2**	**28.8**	**29.0**	**29.1**
Crops	16.7	13.5	15.3	16.0	16.6	16.5	18.0	17.5	16.1	15.6	15.5
Livestock	8.5	9.4	9.3	9.7	9.1	8.7	8.5	8.2	7.3	7.9	7.7
Forestry	2.1	2.4	2.3	2.3	2.2	2.2	2.5	3.1	3.1	3.5	3.9
Fishing	1.7	1.6	1.8	2.2	2.1	2.1	2.2	2.4	2.2	2.1	2.0
Industry and Construction	**20.7**	**20.2**	**20.4**	**18.6**	**20.3**	**22.8**	**21.8**	**22.7**	**23.2**	**24.3**	**25.2**
Mining and quarrying	4.0	3.5	3.0	2.8	4.1	5.1	4.9	4.2	3.7	4.0	4.8
Manufacturing	7.5	7.0	7.0	6.9	6.9	7.6	7.5	6.4	5.6	5.2	5.1
Electricity supply	0.9	0.9	0.9	0.9	0.9	0.6	0.9	0.8	1.1	1.0	0.9
Water supply; sewerage, waste management	0.9	0.9	0.8	0.7	0.6	0.5	0.4	0.5	0.5	0.4	0.4
Construction	7.4	7.9	8.8	7.2	7.8	9.0	8.1	10.8	12.4	13.6	14.0
Services	**45.4**	**47.4**	**45.0**	**45.5**	**44.2**	**42.7**	**41.9**	**41.0**	**40.9**	**40.0**	**39.1**
Wholesale and retail trade; repairs	9.7	9.9	9.7	9.9	10.1	10.6	10.4	10.2	10.5	10.7	10.7
Transport and storage	6.0	5.9	6.0	6.2	5.8	5.2	4.4	4.2	4.3	4.3	4.3
Accommodation and Food Services	1.6	1.8	1.7	1.8	1.6	1.4	1.4	1.3	1.1	1.1	1.0
Information and communication	2.3	2.3	2.2	2.4	2.6	2.4	2.4	2.3	2.1	2.0	2.0
Financial and insurance activities	2.5	2.8	2.9	3.1	3.2	3.4	3.4	3.3	3.4	3.6	3.6
Real estate	6.1	6.0	5.2	5.1	4.6	4.3	4.3	3.8	3.7	3.2	3.0
Professional, scientific and technical activities	1.0	1.2	1.4	1.5	1.7	1.5	1.3	1.3	1.3	1.2	1.2
Administrative and support service activities	2.9	3.0	2.6	2.4	2.2	2.1	2.3	2.4	2.5	2.4	2.2
Public administration and defence	7.2	8.1	7.0	6.7	6.1	6.3	6.5	7.0	6.6	6.4	6.3
Education	2.7	3.2	3.1	3.2	3.1	2.8	2.6	2.7	2.7	2.5	2.3
Human health and social work activities	1.9	1.6	1.6	1.8	1.7	1.6	1.5	1.4	1.4	1.4	1.4
Arts, entertainment and recreation	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other service activities	0.9	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.7
Activities of households as employers;	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
FISIM	-1.4	-1.2	-0.9	-0.9	-0.9	-1.1	-1.0	-1.2	-1.0	-1.1	-1.0
Taxes on products	6.2	6.8	6.6	6.6	6.4	6.2	6.3	6.3	8.1	7.8	7.8
GDP Growth Rate											
GDP at costant prices (2007=100)	**4.7**	**8.5**	**5.6**	**5.4**	**6.4**	**7.9**	**5.1**	**7.3**	**7.0**	**7.0**	**7.0**
Agriculture, forestry and fishing	**2.4**	**2.4**	**7.5**	**5.1**	**2.7**	**3.5**	**3.2**	**3.2**	**3.4**	**2.3**	**2.1**
Crops	-1.4	-1.5	7.8	5.5	3.7	4.8	4.2	3.5	4.0	2.2	1.4
Livestock	7.4	7.8	8.1	5.3	1.4	1.6	1.8	2.0	2.2	2.4	2.6
Forestry	7.4	6.0	3.8	5.1	3.4	3.3	3.5	4.7	5.1	2.6	3.4
Fishing	2.8	0.9	7.2	0.5	0.9	2.6	2.9	5.5	2.0	2.5	4.2
Industry and Construction	**6.2**	**11.0**	**6.5**	**3.3**	**9.1**	**12.0**	**4.0**	**9.5**	**10.3**	**11.3**	**10.7**
Mining and quarrying	-13.7	9.2	-9.8	18.7	7.3	6.3	6.7	3.9	9.4	9.1	11.5
Manufacturing	8.4	11.5	11.4	4.7	8.9	6.9	4.1	6.5	6.8	6.5	7.8
Electricity supply	-8.7	18.7	8.1	4.3	13.4	-4.3	3.3	13.0	9.3	5.8	8.5
Water supply; sewerage, waste management	2.2	-7.3	2.3	4.6	2.2	-1.2	2.8	2.7	3.7	0.1	4.3
Construction	19.2	13.1	9.7	-3.8	10.3	22.9	3.2	14.6	14.1	16.8	13.0
Services	**6.0**	**8.5**	**4.2**	**5.8**	**7.8**	**8.4**	**7.2**	**7.1**	**7.2**	**6.9**	**7.6**
Wholesale and retail trade; repairs	9.4	12.9	6.5	2.7	10.0	11.3	3.8	4.5	10.0	7.8	6.7
Transport and storage	9.1	2.0	1.8	6.9	10.7	4.4	4.2	12.2	12.5	7.9	11.8
Accommodation and Food Services	3.4	4.5	3.3	1.0	3.7	4.1	6.7	2.8	2.2	2.3	3.7
Information and communication	4.5	17.7	11.9	26.6	24.4	8.6	22.2	13.3	8.0	12.1	13.0
Financial and insurance activities	19.1	21.7	18.8	18.4	12.6	14.8	5.1	6.2	10.8	11.8	10.7
Real estate	1.5	1.6	1.7	1.8	1.8	1.9	2.0	2.1	2.2	2.2	2.4
Professional, scientific and technical activities	11.3	12.1	30.6	15.8	29.9	4.8	-5.8	5.4	0.5	6.8	6.3
Administrative and support service activities	5.3	2.1	-1.8	0.4	8.6	5.1	23.8	12.2	6.0	4.7	2.1
Public administration and defence	-0.3	9.1	-6.3	-0.7	-5.0	15.9	9.1	7.8	3.9	4.6	6.7

Education	7.7	13.2	9.5	9.2	6.4	5.6	7.4	4.3	4.8	6.3	8.1
Human health and social work activities	9.9	7.0	5.5	7.4	3.3	5.3	11.4	8.8	8.1	4.7	5.2
Arts, entertainment and recreation	5.3	7.5	6.4	3.0	7.3	7.7	11.0	5.7	5.7	6.2	8.8
Other service activities	5.6	5.7	5.8	5.9	6.0	6.2	6.4	6.5	6.7	6.9	7.2
Activities of households as employers;	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	3.0
FISIM	23.4	11.7	6.8	20.0	7.9	22.6	1.2	0.1	9.7	11.7	16.3
Taxes on products	3.5	31.0	4.8	12.8	3.8	12.1	0.4	14.2	7.7	9.6	7.8
Contribution to GDP growth rate											
GDP at market prices	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Agriculture, forestry and fishing	**31.0**	**12.0**	**37.6**	**39.8**	**27.9**	**26.6**	**41.6**	**31.9**	**9.6**	**30.3**	**29.6**
Crops	18.6	-8.5	23.5	20.6	20.4	15.7	27.1	14.5	5.0	12.0	14.8
Livestock	9.3	15.3	9.2	11.7	5.3	6.8	7.2	6.8	0.1	11.6	6.4
Forestry	2.3	4.0	1.9	2.6	1.2	2.1	4.2	6.9	3.7	5.9	6.9
Fishing	0.8	1.1	3.0	4.9	0.9	2.0	3.2	3.7	0.8	0.8	1.4
Industry and Construction	**25.1**	**16.7**	**21.6**	**6.4**	**30.8**	**35.0**	**15.8**	**28.5**	**27.5**	**32.1**	**31.1**
Mining and quarrying	7.8	0.0	0.9	1.7	11.6	10.2	3.6	-0.2	-0.7	6.6	10.2
Manufacturing	8.4	3.8	6.7	6.3	6.9	11.3	6.6	-0.3	-1.5	2.9	4.2
Electricity supply	0.0	0.8	1.2	1.0	0.8	-1.2	2.7	0.1	3.7	0.2	0.1
Water supply; sewerage, waste management	-0.6	0.9	0.1	0.3	-0.1	-0.2	0.3	0.5	0.5	0.2	0.2
Construction	9.4	11.2	12.6	-2.9	11.5	14.8	2.6	28.3	25.4	22.2	16.3
Services	**40.1**	**61.0**	**34.3**	**48.4**	**36.7**	**35.4**	**36.5**	**35.6**	**40.0**	**33.5**	**32.5**
Wholesale and retail trade; repairs	6.1	11.3	9.1	11.1	11.2	12.8	9.4	9.3	12.6	12.0	10.7
Transport and storage	4.0	5.4	6.6	7.1	3.5	2.1	0.1	2.7	5.2	3.8	4.7
Accommodation and Food Services	0.4	3.4	1.3	2.4	0.7	0.1	1.8	0.2	-0.3	0.8	0.7
Information and communication	1.4	2.5	1.8	3.8	3.9	1.0	2.4	1.8	0.9	1.0	1.7
Financial and insurance activities	2.9	5.2	3.4	4.4	3.8	4.1	3.4	2.5	4.4	5.0	3.7
Real estate	3.9	5.5	1.9	4.1	1.9	2.7	3.9	0.6	3.2	-0.2	1.0
Professional, scientific and technical activities	1.4	2.2	2.2	2.1	2.9	1.0	0.0	1.0	1.1	0.9	1.0
Administrative and support service activities	3.0	3.6	1.0	0.9	1.4	1.3	3.8	3.0	3.3	1.4	1.0
Public administration and defence	10.4	14.1	1.7	4.6	2.6	7.5	7.8	9.7	3.3	5.6	5.0
Education	2.9	6.4	2.6	3.7	3.1	0.9	1.7	3.0	3.2	1.2	0.9
Human health and social work activities	2.5	-0.3	1.6	2.6	1.2	1.0	1.1	1.1	1.5	1.1	1.2
Arts, entertainment and recreation	0.4	0.5	0.2	0.2	0.2	0.2	0.3	0.2	0.4	0.2	0.3
Other service activities	0.7	1.0	0.7	1.0	0.4	0.4	0.8	0.6	1.0	0.6	0.6
Activities of households as employers;	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1
FISIM	-3.1	-0.4	0.7	-0.8	-0.8	-2.0	-0.9	-2.4	0.5	-1.9	-0.3
Taxes on products	6.9	10.7	5.9	6.2	5.5	5.0	7.0	6.4	22.5	6.0	7.2

Source: *NBS and BOT Calculations*

Appendix 3: Annual GDP Performance by Economic Activity – Zanzibar

(Percent)

ECONOMIC ACTIVITY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sector Share in GDP										
GDP at market prices	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Agriculture, forestry and fishing	**24.7**	**26.0**	**28.5**	**29.2**	**34.7**	**29.3**	**30.8**	**27.8**	**25.8**	**25.7**
Crops	13.5	15.2	16.7	16.4	22.0	15.5	18.5	15.9	14.2	15.1
Livestock	3.2	3.2	3.4	3.5	3.2	3.4	3.1	2.8	2.5	2.3
Forestry	2.9	2.8	2.9	2.9	2.8	3.0	2.8	2.8	2.8	2.6
Fishing	5.1	4.7	5.4	6.4	6.7	7.2	6.5	6.4	6.3	5.7
Industry and Construction	**16.8**	**18.7**	**18.4**	**17.3**	**16.6**	**18.6**	**17.9**	**16.8**	**18.1**	**18.6**
Mining and quarrying	1.1	1.4	1.6	1.6	1.5	1.7	1.5	1.6	1.7	1.9
Manufacturing	8.5	8.8	8.3	7.3	6.2	7.1	6.9	6.3	6.7	6.9
Electricity supply	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4
Water supply; sewerage, waste management	0.4	0.5	0.4	0.4	0.4	0.4	0.6	0.8	0.7	0.7
Construction	6.4	7.7	7.8	7.7	8.2	9.0	8.5	7.9	8.5	8.7
Services	**48.5**	**45.0**	**42.0**	**42.8**	**38.9**	**41.5**	**41.1**	**44.7**	**46.1**	**45.0**
Wholesale and retail trade; repairs	11.6	10.1	9.7	9.4	8.6	8.0	7.3	7.3	7.3	7.2
Transport and storage	3.9	4.4	4.6	4.6	4.1	4.4	4.7	3.9	5.0	4.3
Accommodation and Food Services	8.8	8.5	8.5	8.3	8.4	8.6	8.5	8.4	9.1	9.7
Accommodation	7.2	6.8	6.6	6.7	6.3	6.0	5.6	5.8	6.5	7.0
Food and beverage services	1.6	1.7	1.9	1.6	2.1	2.6	2.8	2.5	2.6	2.7
Information and communication	2.4	1.2	-1.3	0.7	0.4	0.8	1.3	5.4	5.3	5.0
Financial and insurance activities	3.5	3.0	3.4	3.4	2.5	2.8	3.3	4.0	3.6	3.8
Real estate activities	5.6	6.1	6.1	5.8	5.0	5.5	6.1	6.9	7.1	7.2
Professional, scientific and technical	0.1	0.2	0.2	0.2	0.1	0.2	0.3	0.4	0.4	0.4
Administrative and support services	0.7	0.8	0.8	0.8	0.8	0.8	0.7	0.6	0.6	0.7
Public administration	7.7	6.7	6.3	6.1	5.5	7.0	6.4	5.1	4.8	4.2
Education	2.7	2.6	2.5	2.2	2.1	2.1	2.0	2.1	2.1	2.0
Human health and social work	1.2	1.2	1.1	1.0	1.0	1.2	1.0	1.0	1.0	0.9
Arts, entertainment and recreation	0.4	0.3	0.3	0.3	0.4	0.5	0.4	0.4	0.4	0.4
Other service activities	0.7	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.4	0.4
Activities of households as employers;	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
FISIM	-0.9	-0.7	-0.8	-0.7	-0.7	-0.7	-1.1	-1.2	-1.2	-1.2
Taxes on products	10.0	10.3	11.1	10.7	9.8	10.7	10.1	10.6	10.0	10.7
GDP Growth Rate										
GDP at constant prices (2007=100)	**6.5**	**4.3**	**6.1**	**4.3**	**9.3**	**4.8**	**7.2**	**7.0**	**6.5**	**6.7**
Agriculture, forestry and fishing	**0.2**	**6.0**	**3.2**	**3.3**	**4.7**	**-8.3**	**13.2**	**-0.4**	**2.5**	**5.7**
Crops	-2.1	6.6	5.1	4.3	1.7	-18.4	22.9	-7.2	-2.5	7.3
Livestock	3.5	2.7	1.3	1.8	4.0	6.7	5.1	7.5	7.7	7.1
Forestry	3.7	3.5	3.3	3.5	3.8	3.9	3.5	3.9	4.0	4.2
Fishing	2.4	8.0	-0.5	1.5	13.9	2.5	3.6	8.9	9.1	2.8
Industry and Construction	**3.5**	**11.6**	**5.4**	**4.6**	**18.4**	**7.5**	**3.5**	**6.4**	**10.6**	**9.7**
Mining and quarrying	9.1	19.8	12.6	6.6	18.4	12.7	-3.6	8.4	10.9	18.8
Manufacturing	0.5	-0.4	4.7	3.5	7.0	3.6	6.9	9.9	8.8	6.3
Electricity supply	7.5	-0.7	0.9	-4.7	35.5	9.5	3.1	4.7	6.7	8.2
Water supply; sewerage, waste management	7.5	0.4	3.0	2.8	8.2	3.4	6.0	4.8	5.6	5.3
Construction	6.3	27.6	5.2	5.7	29.8	9.9	1.9	3.3	12.5	11.3
Services	**9.4**	**3.3**	**7.1**	**4.8**	**8.3**	**4.7**	**4.6**	**10.1**	**7.9**	**7.8**
Wholesale and retail trade; repairs	9.9	-8.9	-3.1	-1.1	7.7	-10.4	2.9	13.0	0.9	5.1
Transport and storage	37.4	-1.0	13.8	16.4	14.9	14.9	9.4	7.0	5.2	6.8
Accommodation and Food Services	4.5	-6.5	1.1	1.8	18.1	1.5	9.5	6.9	10.3	9.5
Accommodation	4.5	-7.2	-1.3	5.2	12.6	-3.4	2.6	8.7	14.5	12.9
Food and beverage services	4.5	-3.3	11.0	10.5	41.9	18.5	29.1	2.9	0.3	0.1
Information and communication	37.4	40.3	-9.2	23.3	13.3	11.9	-13.4	24.7	7.6	9.1

Financial and insurance activities	21.0	1.0	25.0	14.5	5.9	7.6	5.1	10.6	11.2	9.0
Real estate activities	4.8	6.2	6.3	6.4	6.5	6.6	6.7	6.8	6.8	6.9
Professional, scientific and technical	4.8	30.3	-4.1	9.3	-3.5	21.4	47.9	43.4	9.2	9.6
Administrative and support services	4.8	7.2	5.0	-0.5	9.7	5.0	6.2	2.0	12.9	6.7
Public administration	1.3	22.3	25.7	-0.1	1.7	12.0	5.2	10.8	13.3	9.0
Education	1.3	4.2	2.1	2.5	5.5	2.8	2.5	7.9	2.9	7.4
Human health and social work	6.6	1.0	2.4	2.4	1.3	2.4	3.0	7.4	0.2	3.8
Arts, entertainment and recreation	4.3	-0.2	4.9	3.4	9.3	-0.7	7.5	5.9	17.2	9.8
Other service activities	4.3	0.3	4.5	3.3	8.1	-0.1	6.6	5.3	14.7	8.7
Activities of households as employers;	4.3	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.1
FISIM	21.0	5.2	28.1	8.6	15.7	4.8	10.8	11.4	13.7	11.3
Taxes on products	6.5	-7.3	10.2	3.4	9.6	33.4	14.1	8.6	0.8	-1.4
Contribution to GDP growth rate										
GDP at market prices	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Agriculture, forestry and fishing	**34.4**	**51.9**	**35.5**	**52.0**	**16.5**	**38.6**	**8.3**	**1.3**	**24.5**	**25.7**
Crops	25.8	30.8	13.4	39.7	38.4	33.5	-1.2	-6.0	21.6	15.1
Livestock	3.5	5.5	4.4	2.2	5.3	1.1	1.1	-1.1	0.4	2.3
Forestry	2.6	3.6	3.1	2.4	5.0	1.5	2.6	2.8	1.3	2.6
Fishing	2.5	12.1	14.6	7.6	11.6	2.5	5.8	5.5	1.2	5.7
Industry and Construction	**30.3**	**16.2**	**7.9**	**14.3**	**35.1**	**14.6**	**9.7**	**33.0**	**22.8**	**18.6**
Mining and quarrying	2.8	3.3	1.5	1.3	3.5	0.6	1.7	3.4	3.2	1.9
Manufacturing	10.8	3.0	-1.2	2.7	15.2	6.0	2.0	12.0	8.4	6.9
Electricity supply	0.3	1.2	0.0	0.3	0.5	0.3	0.1	1.0	0.8	0.4
Water supply; sewerage, waste management	0.5	0.2	0.0	0.2	0.7	1.6	2.0	0.5	0.2	0.7
Construction	15.9	8.5	7.5	9.7	15.3	6.2	3.8	16.0	10.3	8.7
Services	**22.8**	**13.8**	**49.2**	**26.6**	**63.2**	**39.4**	**68.4**	**63.2**	**36.9**	**45.0**
Wholesale and retail trade; repairs	0.7	6.4	6.5	6.3	2.3	3.6	7.9	7.3	5.9	7.2
Transport and storage	7.0	6.6	5.0	2.5	6.3	6.2	-0.8	17.8	-0.5	4.3
Accommodation and Food Services	6.6	8.9	6.8	8.7	9.9	7.9	7.7	18.3	13.5	9.7
Accommodation	4.6	5.0	7.4	5.2	3.6	3.5	7.1	14.9	10.2	7.0
Food and beverage services	2.0	4.0	-0.6	3.5	6.3	4.4	0.5	3.4	3.4	2.7
Information and communication	-6.3	25.1	18.0	-0.9	4.2	4.1	32.3	4.7	2.4	5.0
Financial and insurance activities	0.0	6.8	3.1	-0.2	5.2	5.7	9.3	-2.1	5.6	3.8
Real estate activities	9.2	6.5	3.0	2.7	9.4	9.0	12.0	10.2	7.6	7.2
Professional, scientific and technical	0.4	0.0	0.3	0.0	0.5	0.7	1.1	0.7	0.6	0.4
Administrative and support services	1.6	0.8	0.6	0.8	0.8	0.3	0.1	0.1	1.7	0.7
Public administration	0.3	2.6	4.4	3.8	19.6	3.0	-3.3	1.6	-0.5	4.2
Education	1.8	1.5	0.2	1.6	2.2	1.4	3.1	1.4	1.3	2.0
Human health and social work	1.1	0.9	0.1	0.8	2.6	0.4	0.4	1.6	0.4	0.9
Arts, entertainment and recreation	0.0	0.1	0.7	0.7	1.2	0.1	0.1	0.7	0.2	0.4
Other service activities	-0.2	0.0	0.2	0.3	0.0	0.2	0.3	0.8	0.4	0.4
Activities of households as employers;	0.0	0.0	0.0	0.0	0.2	0.0	0.2	0.3	0.0	0.1
FISIM	0.5	-2.4	0.3	-0.5	-1.3	-3.2	-1.9	-0.1	-1.6	-1.2
Taxes on products	12.5	18.1	7.3	7.1	18.2	7.3	13.6	2.6	15.8	10.7

Source : *Office of the Chief Government Statistician and BOT Calculation*

Appendix 4: Quarterly Performance of Dar es Salaam Stock Exchange

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Total Market Capitalization (TZS Billions)	17,300.7	18,902.2	22,576.3	22,090.4	22,743.3	23,721.5	22,166.4	20,494.7	21,308.2	21,728.6	21,579.6	19,124.3	20,138.8	19,286.5
Domestic Market Capitalization (TZS Billions)	6,175.8	7,490.0	11,021.8	9,925.5	10,235.9	9,927.1	9,809.9	9,527.9	8,470.4	7,912.1	8,103.0	7,728.9	7,507.9	7,758.7
Cross listed Market Capitalization (TZS Billions)	11,124.8	11,412.2	11,554.5	12,164.9	12,507.4	13,794.4	12,356.5	10,966.8	12,837.8	13,816.5	13,476.6	11,395.5	12,630.9	11,527.8
GDP (TZS Billions)	79,442.5	79,442.5	79,442.5	79,442.5	89,775.9	89,775.9	89,775.9	89,775.9	94,981.4	94,981.4	94,981.4	94,981.4	94,981.4	103,744.6
Total Market Capitalization/GDP (Percent)	21.8	23.8	28.4	27.8	28.6	26.4	24.7	22.8	22.4	22.9	22.7	20.1	21.2	18.6
% of domestic listed Companies	35.7	39.6	48.8	44.9	45.0	41.8	44.3	46.5	39.8	36.4	37.5	40.4	37.3	40.2
% of cross listed Companies.	64.3	60.4	51.2	55.1	55.0	58.2	55.7	53.5	60.2	63.6	62.5	59.6	62.7	59.8
Market Turn-over (TZS Millions)	22,622.5	42,691.5	173,284.2	143,636.2	277,316.9	283,684.0	222,248.6	286,856.9	122,816.3	101,532.2	113,936.3	82,508.0	73,653.0	71,160.0
Share Indices														
All Share Index	1,958.1	2,172.7	2,172.7	2,519.6	2,596.3	2,726.8	2,531.1	2,333.8	2,432.0	2,482.0	2,477.2	2,198.4	2,315.1	2,217.1
Tanzania Share Index	2,936.7	3,561.6	5,190.9	4,672.6	4,830.0	4,684.1	4,631.9	4,478.1	3,972.1	3,706.2	3,855.9	3,677.8	3,572.7	3,692.0
Banks, Finance & Investment Index	3,541.1	3,502.8	3,790.1	3,452.3	3,444.0	3,409.8	6,194.5	5,964.1	2,643.2	2,117.6	2,774.1	2,761.3	2,546.6	2,514.6
Industrial & Allied (IA)	3,541.1	4,071.1	6,869.3	6,101.0	6,350.0	6,072.4	3,096.4	3,017.2	5,280.2	5,175.6	4,959.1	4,665.1	4,618.9	4,914.4
Commercial Services (CS)	2,007.0	1,721.5	2,509.2	2,973.8	3,635.2	4,016.1	3,974.2	3,953.3	3,932.3	3,559.8	3,538.8	3,158.0	3,137.0	2,467.3

Source*: Capital Market and Securities Authority*

Appendix 5: DSE Market Capitalization of Individual companies

COMPANIES	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Cross Listed Companies							
East African Breweries	22.6	21.8	21.5	21.6	18.7	21.4	21.1
KCB Group	12.5	10.0	8.0	10.4	11.1	13.2	14.3
Acacia Mining	17.7	25.2	26.8	21.0	26.2	18.3	10.0
Jubilee Holdings	3.1	3.0	3.1	3.5	3.7	3.3	3.7
Nation Media Group	3.3	2.9	2.3	1.8	2.0	2.2	2.2
Kenya Airways	0.7	0.6	0.6	1.0	1.0	1.2	0.7
Uchumi Supermarket	0.2	0.1	0.1	0.2	0.1	0.1	0.1
Market share as percent of Total Market Capitalization	**60.2**	**63.6**	**62.5**	**59.6**	**62.7**	**59.8**	**52.1**
Domestic Listed Companies							
Tanzania Breweries	19.2	18.6	17.8	18.5	17.6	20.5	19.3
Vodacom Tanzania		-	-	-	-	-	8.5
Tanzania Cigarette Company	5.7	5.5	5.4	6.0	5.7	5.7	7.2
National Microfinance Bank	4.7	3.7	6.4	7.2	6.8	7.1	6.8
CRDB Bank	4.8	3.7	3.1	3.4	2.4	2.4	2.2
Tanzania Portland Cement Company	2.2	2.0	1.9	2.2	1.8	1.7	1.3
Swissport Tanzania	1.2	1.1	1.1	1.0	1.0	0.7	0.7
Precision Air Services	0.4	0.3	0.3	0.4	0.4	0.4	0.4
Tanga Cement Company	0.6	0.5	0.5	0.5	0.5	0.5	0.4
Mwalimu Commercial Bank	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Swala Oil and Gas	0.2	0.2	0.2	0.3	0.2	0.3	0.2
TOL Gases	0.2	0.2	0.2	0.2	0.2	0.2	0.2
DCB Commercial Bank	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Dar es Salaam Stock Exchange	-	-	0.1	0.1	0.1	0.1	0.1
Mkombozi Commercial Bank	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Tanzania Tea Packers (TATEPA)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Maendeleo Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mucoba Bank	-	0.0	0.0	0.0	0.0	0.0	0.0
Yetu Microfinance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Market share as percent of Total Market Capitalization	**39.8**	**36.4**	**37.6**	**40.4**	**37.3**	**40.2**	**47.9**

Source: DSE

Appendix 6: Tanzania Mainland: Trend of Social Security Investment Portfolio

Particulars	Prudential Limit as Percentage of Total Assets	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Bank Deposits	35	9.6	10.0	10.9	8.0	8.4	8.8	7.6	8.7	9.0	11.5	9.4
Government Debt	20-70	20.1	18.9	18.2	18.2	20.3	23.0	24.6	25.4	25.6	26.0	28.2
Commercial Paper, Promissory notes and Corporate bonds	20	0.2	0.4	0.5	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Loans to Government	10	19.3	21.7	21.8	21.7	21.0	20.6	19.7	19.1	20.0	19.1	18.3
Ordinary and Preference Share	20	10.8	9.5	9.4	9.1	8.8	7.6	6.9	6.4	5.9	6.8	6.7
Investments in Licensed Collective Investment Schemes	30	1.5	1.4	1.4	1.5	1.5	1.5	1.6	1.5	1.5	1.5	1.5
Real Estate	30	21.1	17.7	19.0	20.1	19.8	19.5	19.6	21.2	20.7	19.8	18.6
Loans to Corporates and Cooperative Societies	10	3.3	4.6	3.9	4.0	4.0	4.4	4.4	4.1	3.9	4.0	3.9
Infrastructure Investment	25	2.6	2.7	1.8	2.4	2.5	2.6	2.7	2.8	2.9	2.9	2.7
Other Assets		11.4	13.9	13.6	14.6	13.9	11.9	12.9	10.8	8.8	8.3	10.5
Total Assets		**8727.0**	**9436.7**	**9874.9**	**9610.7**	**10058.8**	**10284.5**	**10658.5**	**11020.8**	**11323.7**	**11,960.0**	**12,187.8**

***Source**: Bank of Tanzania*

Appendix 7: Agent Banking Transactions

Date	Cumulative no. of Agents	Cash Deposit		Cash Withdrawals		Collection of Accounts Opening Forms	Net Positions (Deposit less Withdrawals)
		No of Transactions	Value (Million TZS)	No of Transactions	Value (Million TZS)	No of Transactions	Value in (Million TZS)
Sep-13	304	10,035	6,260	3,069	880	3,822	5,380
Dec-13	591	38,024	22,112	17,545	3,258	5,848	18,854
Mar-14	840	59,929	38,430	19,203	5,188	3,503	33,241
Jun-14	1,012	83,901	56,846	33,869	9,400	6,062	47,446
Sep-14	1,317	136,286	83,101	41,718	12,663	6,729	70,438
Dec-14	1,652	167,617	99,443	54,244	14,831	6,948	84,613
Mar-15	1,857	281,898	140,217	70,283	19,887	6,802	120,330
Jun-15	2,333	353,352	193,650	126,400	34,928	7,834	158,722
Sep-15	2,936	533,243	264,066	202,665	57,500	9,305	206,566
Dec-15	3,298	589,605	276,315	276,303	72,919	28,070	203,396
Mar-16	3,485	876,518	329,550	307,400	80,530	23,348	249,021
Jun-16	4,573	1,055,454	377,065	384,350	100,235	32,209	276,830
Sep-16	4,798	1,321,734	520,549	402,625	108,809	48,338	411,740
Dec-16	5,676	1,616,136	656,125	562,717	137,560	61,900	518,565
Mar-17	6,865	1,927,509	862,131	719,893	171,259	53,076	690,872
Jun-17	8,008	2,110,176	961,958	869,651	216,498	69,598	745,460
Sep-17	9,266	2,913,513	1,311,157	1,053,338	277,968	11,814	1,033,189

Source: *Bank of Tanzania*