



ISSN 0856-6976

---

# **MONETARY POLICY STATEMENT**

---

**GOVERNOR  
BANK OF TANZANIA**

June 2010





11<sup>th</sup> June, 2010

Hon. Mustafa H. Mkulo (MP),  
Minister for Finance and Economic Affairs,  
Dar es Salaam,  
TANZANIA.

Honourable Minister,

### LETTER OF TRANSMITTAL

In accordance with the Bank of Tanzania Act 2006, Section 21 Subsections (3) to (7), I hereby submit the *Monetary Policy Statement* (MPS) of the Bank of Tanzania for 2010/11.

The Statement reviews monetary policy implementation and macroeconomic developments during 2009/10. It then outlines the monetary policy framework and the measures that the Bank of Tanzania intends to pursue during 2010/11. These measures are aimed at maintaining price stability, the primary objective of the Bank of Tanzania; hence promote a high and sustainable rate of economic growth for the Tanzanian economy.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "B. Ndulu", followed by a colon.

**Prof. Benno J. Ndulu**  
**GOVERNOR**  
**BANK OF TANZANIA**



## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL</b>	<b>iii</b>
<b>EXECUTIVE SUMMARY</b>	<b>vi</b>
<b>PART I</b>	<b>1</b>
<b>1.0 INTRODUCTION</b>	<b>1</b>
1.1 Mandate and Modalities for Monetary Policy Implementation	1
<b>PART II</b>	<b>4</b>
<b>2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2009/10</b>	<b>4</b>
2.1 Macroeconomic Policy Objectives	4
2.2 Monetary Policy Objectives	4
<b>PART III</b>	<b>6</b>
<b>3.0 REVIEW OF MONETARY POLICY IMPLEMENTATION DURING 2009/10</b>	<b>6</b>
3.1 Liquidity Management	6
3.2 Interest Rate Developements	8
3.3 Exchange Rate Developements	9
3.4 Money Supply and Credit Developements	10
3.5 Other Developements	11
<b>PART IV</b>	<b>16</b>
<b>4.0 MACROECONOMIC DEVELOPMENTS DURING 2009/10</b>	<b>16</b>
4.1 An Overview of Global Economic Developments	16
4.2 GDP Performance	17
4.3 Inflation Developements	18



4.4	Government Budgetary Performance	20
4.5	External Sector Developments	21
4.6	National Debt Developments	23
4.7	Economic Developments in Zanzibar	23
<b>PART V</b>		<b>29</b>
<b>5.0</b>	<b>MACROECONOMIC FRAMEWORK FOR 2010/11</b>	<b>29</b>
5.1	Macroeconomic Objectives	29
5.2	Monetary Policy Objectives	29
<b>PART VI</b>		<b>31</b>
<b>6.0</b>	<b>MONETARY POLICY STANCE DURING 2010/11</b>	<b>31</b>
6.1	Liquidity Management	31
6.2	Interest Rate Policy	31
6.3	Exchange Rate Policy	32
6.4	Safeguarding Financial Stability	32
6.5	Payments Systems Development	33
<b>PART VII</b>		<b>34</b>
	<b>CONCLUSION</b>	<b>34</b>
	<b>APPENDICES</b>	<b>35</b>
	<b>GLOSSARY</b>	<b>49</b>





## EXECUTIVE SUMMARY

### Economic Developments in Tanzania

Tanzania recorded better than projected economic performance in 2009 despite the adverse impact of the global financial crisis. Provisional figures indicate that real GDP grew by 6.0 percent in 2009, higher than the projected 5.0 percent, but lower than 7.4 percent recorded in the preceding year. The higher than projected economic performance emanated mostly from communication and financial intermediation activities, coupled with measures implemented to shield the economy from the adverse effects of the global financial crisis.

The Tanzanian economy however, experienced double digit inflation for the most part of 2009/10, largely due to exogenous factors, which included low food supply in neighbouring countries and some parts of Tanzania and high domestic transportation costs caused by high global oil prices. The inflation rate however, declined to single digit levels starting February 2010, following improvement in food supply across the region. Inflation is expected to slowdown further in the medium term as food supply continues to improve in Tanzania and in neighbouring countries, coupled with prudent fiscal and monetary policies.

During the period, the Bank adopted a slightly relaxed monetary policy stance, particularly beginning the last quarter of 2008/09, to provide liquidity to the economy. This was in line with the countercyclical fiscal measures, aimed at ensuring a sustained growth of the economy. During the year, commercial banks adopted a cautious lending approach in response to the global financial crisis, which resulted to slow credit growth and increase in liquidity in the banking system. As liquidity among banks increased, demand for government securities, and holding



of foreign exchange increased, while transactions in the interbank cash market remained moderate. As a result, average money market interest rates reached a record low level, while the shilling exhibited a gradual nominal depreciation, particularly against the U.S. dollar.

All quantitative performance/assessment criteria for end-December 2009 and indicative targets for end-March 2010 set under the Policy Support Instrument (PSI)/Exogenous Shock Facility (ESF) programme arrangement with International Monetary Fund were attained.

On the fiscal front, expenditure policies focussed on mitigating the adverse effects of the global financial crisis on the economy, so as to protect jobs, promote investment in infrastructure and key social services, and ensure food security. In this regard, the government put in place an economic rescue plan totalling TZS 1.7 trillion.

The government continued with reforms in the tax system in order to broaden and improve domestic revenue collection. However, revenue performance in the first three quarters of 2009/10 was only 91.3 percent of the budget estimates, with all categories falling short of targets. The underperformance was partly explained by non implementation of reforms on petroleum products for mining companies. The recent growth acceleration had a little impact on revenue as it was led by lightly taxed sectors. On the other hand, government expenditure in the first three quarters of 2009/10 was 91.4 percent of the estimated amount, with recurrent spending falling short of the estimate by 6.0 percent. Likewise, development expenditure was below estimates by 13.3 percent.

During July 2009 to April 2010, the external sector recorded positive developments. The current account deficit narrowed, mainly due to increase in exports of goods and services that outweighed the impact of an



increase in the import bill as well as a decline in official current transfers. In addition to the developments in the current account, the disbursement of funds for balance of payments support from the IMF under the Exogenous Shock Facility (ESF) and the allocation of Special Drawing Rights (SDR) contributed to the improvement of the country's gross official reserves position that has stabilized well above 5-months of import of goods and services. At the end of April 2010, gross official reserves were equivalent to 5.7 months of imports of goods and services, up from 4.4 months of import cover recorded in April 2009.

The financial sector remained strong and sound over the period under review despite the global financial turmoil, due to a low level of integration to the global financial system, the Bank's effective supervision and surveillance of the banking sector and the positive impact of the government stimulus package.

### **Economic Developments in Zanzibar**

Zanzibar exhibited good economic growth in 2009, notwithstanding the effects of the global financial crisis and power outage. Real GDP grew at 6.7 percent in 2009 compared to 5.3 percent realized in 2008, mainly due to improvements in the services sector, notably tourism related activities.

The inflation rate in Zanzibar eased substantially, closing at an average of 5.4 percent during the first ten months of 2009/10, compared with an average of 20.6 percent recorded in the corresponding period a year earlier. The drastic fall was on account of decline in both food and non-food inflation.

During July 2009 to April 2010, budgetary operations on cheques issued basis recorded a deficit of TZS 25.1 billion after grants. Total





resources during the period under review amounted to TZS 201.8 billion, out of which TZS 127.2 billion was from domestic sources, which was below the target by 6.7 percent. The under performance was mainly attributed to a decrease in collections from tax on imports, VAT and excise duties, following a decline in business activities due to power outage. On the other hand, grants were above the estimated target by 3.7 percent.

Total government expenditure amounted to TZS 226.9 billion during the same period, being below the target of TZS 250.1 billion, but higher than TZS 172.1 billion spent during the corresponding period in 2008/09. The expenditure level during the period under review accounted for 55.0 percent of the target of TZS 412.6 billion for fiscal year 2009/10.

During the period under review, Zanzibar's current account registered a surplus of USD 24.8 million, from a deficit of USD 2.7 million recorded during the corresponding period in 2008/09. The improvement was mainly a result of increases in current transfers and exports earnings. Donor disbursements during the period rose to USD 59.1 million from USD 40.1 million; while export of goods and services increased to USD 105.4 million from USD 98.2 million recorded in July-April 2008/09.





## **PART I**

### **1.0 INTRODUCTION**

The annual Monetary Policy Statement aims at attaining the primary mission of the Bank of Tanzania in conducting monetary policy, which is price stability conducive to a balanced and sustainable growth of the national economy. Part II of the Statement presents the macroeconomic policy framework, while Part III reviews monetary policy implementation during 2009/10. Part IV covers the review of macroeconomic developments during the period between July 2009 and April 2010.

Part V of the Statement presents the macroeconomic policy framework for 2010/11, and outlines the monetary policy measures that the Bank of Tanzania intends to implement during the year in order to attain its primary mission. Part VI presents the monetary policy stance during 2010/11, and lastly Part VII concludes the statement.

### **1.1 Mandate and Modalities for Monetary Policy Implementation**

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

- (1) The primary objective of the Bank shall be to formulate, define and implement monetary policy directed to the economic objective of maintaining price stability conducive to a balanced and sustainable growth of the national economy.
- (2) Without prejudice to subsection (1), the Bank shall ensure the integrity of the financial system and support the general economic policy of the Government and support sound monetary, credit and banking conditions conducive to the development of the national economy”.



The Bank employs a combination of indirect instruments of monetary policy to manage liquidity within desired levels. This includes the use of government securities in Open Market Operations (OMO), as well as foreign exchange sales in the Inter-bank Foreign Exchange Market (IFEM). The liquidity management effort is further complemented by periodic adjustments in the pricing of standby facilities like the discount window and the Lombard facility offered by the Bank of Tanzania.

### **THE MODALITIES FOR MONETARY POLICY IMPLEMENTATION**

- *At the beginning of every fiscal year, the Bank sets the annual monetary policy targets in its Monetary Policy Statement, in line with the broader macroeconomic policy objectives of the government.*
- *The Statement is approved by the Board of Directors of the Bank of Tanzania and submitted to the Minister for Finance and Economic Affairs, who in turn submits it to the Parliament during the June Budget session.*
- *The same procedure is followed in the submission of mid-year review of the Monetary Policy Statement to show progress in the implementation of the monetary policy and the outlook for the remaining period.*
- *The Monetary Policy Committee (MPC) of the Board of Directors of the Bank of Tanzania, chaired by the Governor is responsible for setting the monetary policy direction each month, consistent with the ultimate objective of maintaining price stability.*



- *At the Bank of Tanzania, the Liquidity Management Committee also chaired by the Governor meets once a week, to evaluate weekly progress on monetary policy implementation and decide on the appropriate measures.*
- *A Technical Committee reviews liquidity developments on daily basis and advises management on appropriate daily measures for liquidity management.*



## **PART II**

### **2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2009/10**

#### **2.1 Macroeconomic Policy Objectives**

Macroeconomic policy in 2009/10 aimed at mitigating the effects of the global financial crisis on the domestic economy. The aim was to set the economy on a firm footing for returning to its medium-term growth path, as the global economic and financial conditions normalize. Specifically, during 2009/10, the government intended to achieve the following objectives:

- i. A real GDP growth rate of 5.0 percent in 2009;
- ii. An annual inflation rate of not more than 6.0 percent by June 2010;
- iii. To collect TZS 5,096.0 billion in domestic revenue, equivalent to 16.4 percent of GDP in 2009/10;
- iv. To limit expenditure to TZS 9,513.7 billion, equivalent to 27.5 percent of GDP; and
- v. Official foreign exchange reserves sufficient to cover at least 5 months of imports of goods and services.

#### **2.2 Monetary Policy Objectives**

In support of the macroeconomic objectives of the Government and in light of the global financial crisis, the Bank of Tanzania aimed at achieving the following objectives in 2009/10;

- i. An annual growth of broad money supply (M2) and extended broad money supply (M3), not exceeding 20.0 percent each by end June 2010;



- ii. Annual private sector credit growth not exceeding 28.7 percent by June 2010;
- iii. Maintaining a level of gross official reserves adequate to cover not less than 5.0 months of imports of goods and services;
- iv. Continuing to exercise strong regulation and supervision of banks in order to ensure financial stability. This will include:
  - a) strengthening rules and regulations in the payments and settlement infrastructure;
  - b) enhancing oversight and observance of ethics; and,
  - c) improving efficiency and effectiveness of the payment system to shore up its resilience to contagion effects.



## PART III

### 3.0 REVIEW OF MONETARY POLICY IMPLEMENTATION DURING 2009/10

In the wake of global financial crisis, the Bank of Tanzania adopted a slightly relaxed monetary policy stance in order to mitigate the adverse impact of the crisis, without compromising the primary objective of maintaining macroeconomic stability. All quantitative performance/assessment criteria for end-December 2009 and indicative targets for end-March 2010 set under the Policy Support Instrument (PSI)/Exogenous Shock Facility (ESF) programme arrangement with International Monetary Fund were attained (**Table 1**).

**Table 1: Performance against the PSI Indicative Targets**

Item	Dec-2009 Performance Criteria	Outturn	Mar-2010 Indicative Target	Outturn
Net domestic financing of the Government of Tanzania - Billions of TZS (ceiling – cumulative from July 2009)	95	12	168	155.3
Average reserve money - Billions of TZS (ceiling)	3,009	2,936	3,089	3,026.4
Net international reserves of the Bank of Tanzania - Millions of USD (floor)	2,648	3,223	2,726	3,179.0

*Source: Bank of Tanzania*

### 3.1 Liquidity Management

During July 2009 to April 2010, the Bank remained vigilant towards maintaining appropriate levels of liquidity sufficient to support private sector credit growth, and implementation of countercyclical fiscal measures. The





Bank financed part of the 1.6 percent of GDP of the net domestic financing (NDF) of the government, which was built in the program for 2009/10. The Bank employed a well structured mix of monetary policy instruments so as to ensure an orderly market and minimize volatility in the exchange and interest rates.

Beginning July 2009, the Bank reduced the margin on Lombard and discount rates to allow for greater flexibility in the provision of liquidity to the economy. However, the window remained inactive as banks continued to maintain a cautious stance in lending, following the global financial crisis. This in turn, resulted into liquidity build up in the banking system. As liquidity among banks increased, demand for government securities and holdings of foreign exchange increased; while transactions in the inter-bank cash market remained moderate. As a result, average money market interest rates reached a record low level, with the Shilling exhibiting a gradual nominal depreciation.

The Bank maintained moderate tender sizes in line with the monetary policy stance and the government financing plan. The Bank offered Treasury bills worth TZS 2,978.0 billion, while demand was TZS 5,954.3 billion, being an oversubscription of 99.9 percent during July 2009 to April 2010. This compares to an oversubscription of 23.3 percent recorded in a similar period a year earlier. In addition the Bank maintained daily Repo transactions to fine-tune liquidity in the economy, and steady sale of foreign exchange in the Interbank Foreign Exchange Market (IFEM), to smoothen exchange rate fluctuations. This was implemented while ensuring the maintenance of adequate levels of foreign reserves.



### **3.2 Interest Rate Developments**

Interest rates obtained in the Treasury bills market continued to provide an anchor for market determined interest rates. The Bank of Tanzania maintained its role of ensuring that the levels also reflect the prevailing economic fundamentals.

Interest rates of all money market instruments decreased in line with the monetary policy stance and the cautious approach taken by banks in lending to the private sector. The overall Treasury bill rate recorded a historical low level of 2.70 percent in April 2010, from 11.01 percent recorded in April 2009. Likewise, the overnight interbank cash market rate declined to 0.86 percent, compared with 9.29 percent, while the repo rate declined to 0.79 percent from 8.25 percent recorded in the same period last year.

Developments in interest rates offered by banks manifested similar movements, albeit less pronounced. The overall time deposit rate declined to 5.96 percent in April 2010 from 7.10 percent in April 2009. Similarly, 12-month time deposits rate declined to 8.67 percent from 8.98 percent recorded in the same period last year. The overall lending rate decreased to 14.59 percent in April 2010 from 15.45 percent recorded in April 2009, while the short term lending rate (up to 1-year) stabilized at around 13.88 percent during the same period.

The margin between one year lending rate and one year time deposit rate widened to 5.21 percent in April 2010, from 4.90 percent recorded in the corresponding period of 2009, consistent with the heightened cautiousness in lending to the private sector.

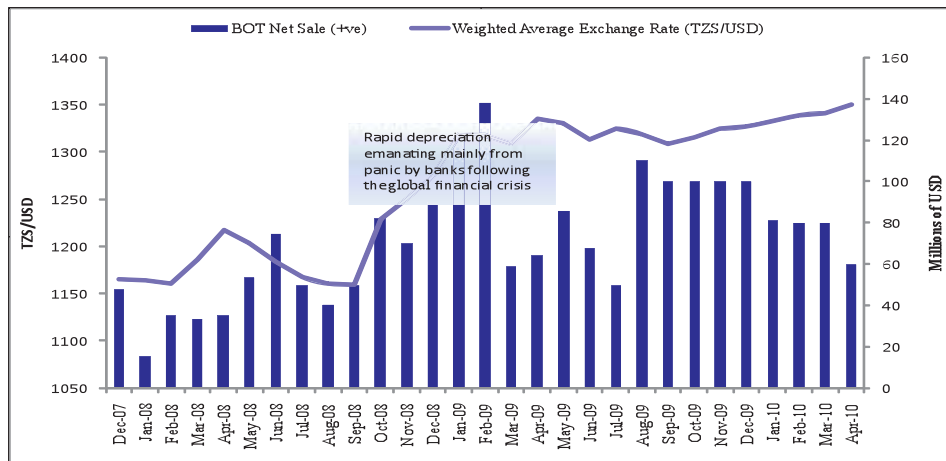


### 3.3 Exchange Rate Developments

Exchange rate remained market determined. The Bank of Tanzania continued to participate in the Inter-bank Foreign Exchange Market (IFEM), primarily to meet liquidity management objectives, while fostering orderly market developments.

During July 2009 to April 2010, the Bank remained the main supplier of foreign exchange in the IFEM, selling USD 861.0 million out of total USD 1,135.6 million traded in the IFEM. This compares with the sale of USD 763.4 million out of total USD 1,226.2 million traded in the IFEM in the corresponding period of 2008/09. During the year ending April 2010, the Shilling remained fairly stable, depreciating by 1.2 percent against the US dollar, compared with a depreciation of 9.8 percent recorded in the corresponding period of 2008/09 (**Chart 1**).

**Chart 1: Tanzania: Exchange Rate Developments**



Source: Bank of Tanzania

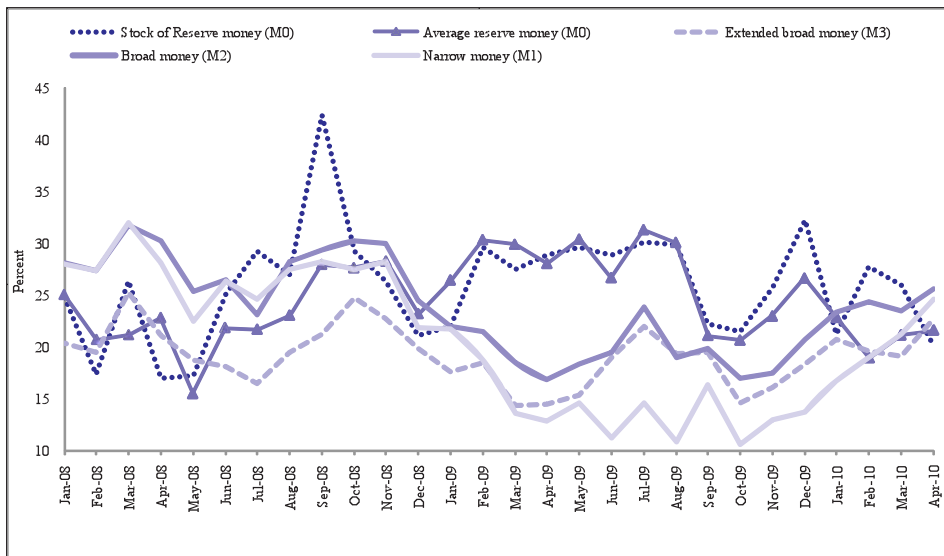




### 3.4 Money Supply and Credit Developments

During the year ending April 2010, growth rates of all monetary aggregates were broadly in line with the June 2010 targets. Average reserve money grew by 21.6 percent, while extended broad money supply (M3) and broad money supply (M2) grew by 22.8 percent and 25.6 percent, respectively (Chart 2).

**Chart 2: Tanzania: Annual Growth Rates of Monetary Aggregates**



Source: Bank of Tanzania

Growth in money supply was underpinned by increase in both net foreign assets (NFA) and net claims on government by the banking system. NFA increased by TZS 952.3 billion in the year ending April 2010, compared with an increase of TZS 350.8 billion recorded in the similar period a year earlier. A notable turnaround in holdings of NFA by banks has been observed recently as banks took a cautious lending strategy.



NFA of commercial banks increased by TZS 499.1 billion compared to a decline of TZS 1.6 billion recorded in the corresponding period of 2009, while annual growth of credit to the private sector was 15.1 percent in April 2010, significantly lower than 34.3 percent recorded in April 2009. All economic activities experienced significant slowdown in credit growth, except for transport, communication, hotel and restaurants activities that sustained strong credit growth.

During the year ending April 2010, the Government borrowed TZS 692.0 billion from the banking system, consistent with the monetary and fiscal policy stance adopted from mid 2009. During the similar period a year earlier, the Government made a net repayment of TZS 166.0 billion to the banking system.

### **3.5 Other Developments**

#### **Banking Sector Soundness**

The banking sector in Tanzania remained strong and sound, despite the global financial turmoil. This was due to the low level of integration to the global financial system, the Bank's effective supervision and surveillance and the impact of the government stimulus package. The sector was profitable with adequate capital and liquidity levels. The quality of assets was satisfactory. The ratio of core capital to total risk weighted assets was at 20.19 percent at the end of March 2010, compared to the legal minimum requirement of 10 percent.

With regard to asset quality, the ratio of nonperforming loans (NPL) to total capital improved from 22.37 percent in March 2009 to 15.36 percent in March 2010, while the ratio of NPL to total loans improved from 7.35 to 7.03 percent. The improvement is partly attributed to government support



to the banking sector through the Rescue Plan. However, the ratio of net loans and advances to total assets declined by about 10 percent, whereas gross loans to total deposits ratio declined to 59.95 percent from 66.13 percent in the previous year. This development is partly explained by the cautious lending strategy adopted by banks.

The overall liquidity level of the banking sector continued to be high, as reflected by the movement of the ratio of liquid assets to demand liabilities above the regulatory minimum limit of 20.0 percent. During the year to March 2010, the ratio rose from 43.71 percent to 47.06 percent.

During the period under review, the banking business continued to be profitable although levels declined slightly. Return on Equity, which is a measure of banking institutions' efficiency in using capital, was 15.32 percent in March 2010 - a decline from 24.20 percent recorded in the previous year. The decline in the sector's overall profits is partly attributed to lower return on investments in government securities and placements abroad.

### **Implementation of Financial Sector Reforms**

Implementation of the Second Generation Financial Sector Reforms continued during the period under review and progress was made on all fronts. As part of the transformation of Tanzania Investment Bank (TIB) into a Development Financial Institution (DFI), an agricultural development window was opened after its operational framework was reviewed and approved by the Government.

Regarding the Credit Reference System, draft regulations for the Credit Reference System were sent to the Ministry of Finance and Economic Affairs for review and gazetting by the Attorney General's



Chambers. The process of procuring a Consultant for the establishment of a credit reference databank at the Bank of Tanzania through the Financial Sector Support Project also continued and is expected to be finalised next year. The International Finance Corporation (IFC) has agreed to provide Technical Assistance in this area and has already signed a Memorandum of Understanding (MOU) with the Bank of Tanzania.

A consultant to develop a legal and regulatory framework for bancassurance has produced a draft report which was discussed by stakeholders on 30<sup>th</sup> April 2010. The draft report incorporates suggested amendments of legislations to enable commercial banks undertake bancassurance activities including branding of the insurance products. Concerning housing finance, the government has signed a financing agreement with the World Bank for a line of credit worth USD 40 million to cater for three components of the housing finance project namely; developing the mortgage market; development of housing microfinance; and expansion of affordable housing supply. Progress has been made on the first component, whereby four banks have become founder shareholders of Tanzania Mortgage Refinance Company (TMRC) which was incorporated on 29<sup>th</sup> January 2010; TMRC is a members' club but its membership is open to other banks that are interested. For the second component, the process to procure a consultant to conduct a study on the development of housing microfinance is in progress.

As regards to the report on the national financial education framework, the consultant engaged for the assignment submitted and presented a draft report to the stakeholders' workshop on April 13<sup>th</sup>, 2010. The workshop invited 106 participants from public, private and civil society organizations. The consultant is expected to submit the final report before the end of June 2010 after incorporating stakeholders' views. Subsequently, the report will undergo internal review, tabled to the Inter Institutional Committee



for clearance before it is submitted to the Government for approval and implementation. Efforts to establish a regulator for the Social Security Regulatory Authority (SSRA) is in progress, while leasing regulations are in the final stages of preparation.

A Long Term Advisor for Credit Guarantee Scheme started work in March 2009. The Consultant submitted an interim report in January 2010 which is being reviewed by the Bank of Tanzania. A consultant engaged to develop legal and regulatory Framework for the development of Corporate and Municipal Bonds Market has submitted a draft report. The report has been reviewed by the Bank of Tanzania and will be tabled at stakeholders' workshop after the Consultant has incorporated the views of BOT in the draft report.

The Ministry of Finance and Economic Affairs and the Bank of Tanzania formed a working group in March 2010 to review the draft Rural Financial Services Strategy for submission to the Cabinet. The assignment is due to be finalized in 2009/10.

### **National Payment Systems (NPS)**

During the period under review, the Bank of Tanzania continued to enhance integrity, convenience, safety and efficiency in the payment system within the country. The Bank has continued to maintain and support the existing payment systems for large values and retail payments. These include the Tanzania Inter-bank Settlement System (TISS), Electronic Clearing House (ECH) for cheques clearing, and the inter-bank electronic funds transfer. The Bank also spearheaded the introduction of cheque capping in the clearing house to mitigate risks in retail schemes by allowing only low value cheques which do not exceed TZS 10 million to be cleared.





The Bank facilitated (inter-operability) in the card payment systems through existing infrastructures and progressively diverted from predominantly cash based financial system to card based. The Bank is now undertaking feasibility study on implementation of a National Switch, which will help to enhance efficiency in card payments and realize the benefits by all stakeholders (service providers, customers, financial institutions and the public).

The Bank has also continued to perform its role as banker to the government and enhanced the means of collecting government revenue. Since joining TISS in 2004, TRA collections have been increasing. The Bank is currently implementing interface to MOFEA to enable government to make payments electronically through TISS. It is expected that once the interface is accomplished and Government payments are done through TISS, the cheque capping for Government payments will be implemented.



## **PART IV**

### **4.0 MACROECONOMIC DEVELOPMENTS DURING 2009/10**

#### **4.1 An Overview of Global Economic Developments**

The global economy has recovered better than expected though at varying speed—moderately in many advanced economies but robustly in most emerging and developing economies. Policy support was essential to start off the recovery including expansionary monetary policy supported by unconventional liquidity provision, and fiscal policy which provided major stimuli in response to deep downturn. Among emerging and developing economies, Asia is leading in the recovery process, while Sub Saharan Africa (SSA) is weathering the storm well and growth is expected to be stronger than anticipated.

According to the IMF April 2010 projections, the global economy is projected to grow by 4.2 percent during 2010 and 4.3 percent in 2011, reflecting confidence about economic recovery, although there are serious risks related to issues such as increase in sovereign debt in developed nations. As the global economy continues to improve, SSA output is projected to expand by 4.7 percent in 2010 compared to 2.1 percent in 2009 and expected to accelerate to 5.7 percent in 2011.

However, the recovery still faces challenges. Financial systems remain fragile and support from public policies will gradually have to be withdrawn. Similarly, households in economies that suffered asset price bursts will have to continue to rebuild savings while struggling with high unemployment. It is therefore imperative that countries around the world coordinate policies to achieve a global rebalancing and sustain the recovery.



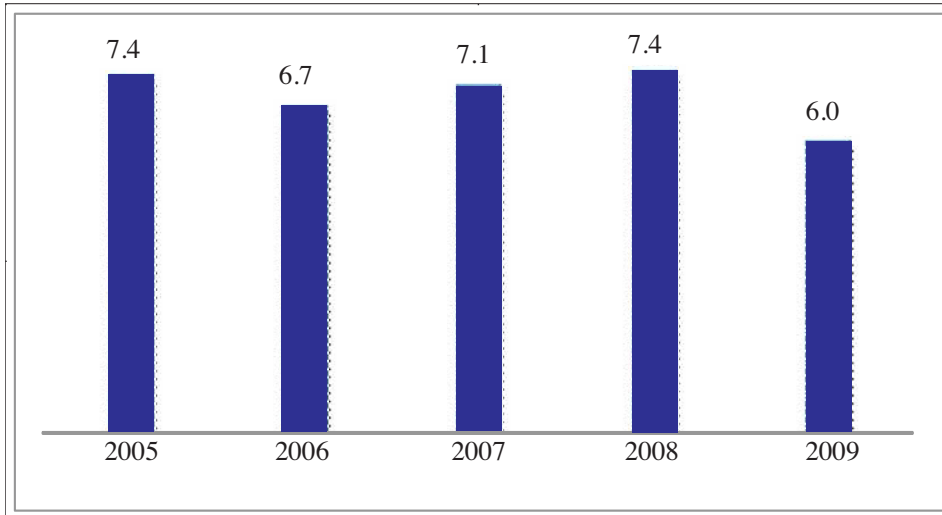
The current situation in Europe which originated from the Greek debt problem implies that a deeper contraction in Europe associated with sharp financial dislocations have the potential to stall the recovery of the entire global economy. However, it is generally expected that European policy makers will contain the sovereign-debt crisis without harming the global economy or financial markets, given that Europe has the capacity to manage through this.

## 4.2 GDP Performance

Tanzania recorded better than projected economic performance in 2009 despite the adverse impact of the global financial crisis from the last quarter of 2008. Real GDP growth in 2009 was 6.0 percent, higher than the projected 5.0 percent, but lower than 7.4 percent recorded in 2008 (**Chart 3**). The better than projected performance was mainly recorded in communications sub-activity, in line with the increase in mobile phone usage, and financial intermediation—associated with ongoing financial sector reforms and increased competition in insurance services.



**Chart 3: Tanzania: GDP Growth at Constant 2001 Prices (In Percent)**



*Source : National Bureau of Statistics (NBS)*

However, performance in hotel and restaurants, agriculture and transport sub-activities slowed down in 2009 relative to 2008. Agriculture which contributes the lion's share to GDP, declined to 3.2 percent in 2009 from 4.6 percent recorded in 2008, due to inadequate rainfall in most parts of the country. As the global economy continues to recover and demand strengthens, earnings from exports are expected to improve in 2010, and accordingly the growth in various productive activities is expected to pick up in the medium term to the levels attained before the crisis.

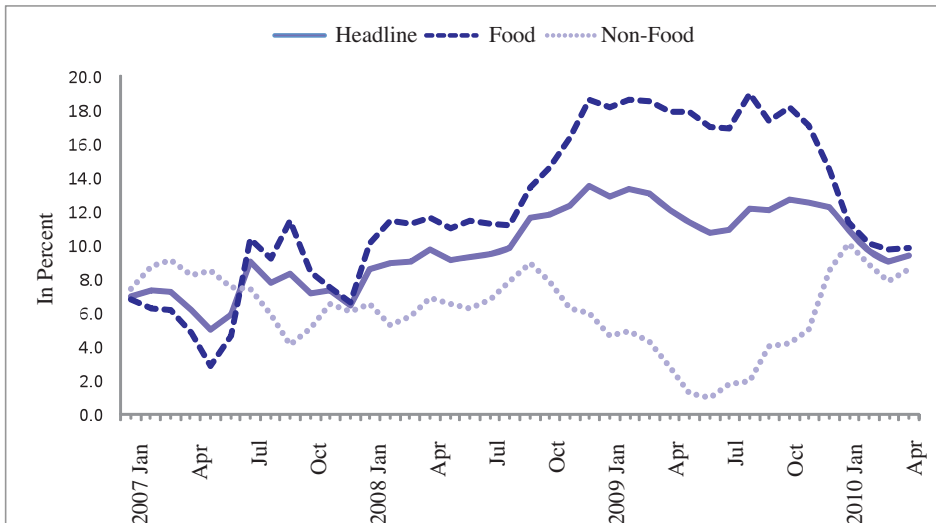
### **4.3 Inflation Developments**

The economy experienced double digit inflation for the most part of 2009/10 mainly associated with food supply shortage in the region, as well as high domestic transportation costs. Food inflation remained above 17 percent up to November 2009 before declining to 14.5 percent in December



2009 and further down to 9.8 percent in April 2010, following improvement in food supply across the Eastern African region. On the other hand, non-food inflation remained below 5 percent almost throughout 2009, before rising to 8.5 percent in December 2009 and 10.1 percent in January 2010, remaining above 8 percent till April 2010, following the rebound in oil prices in the world market.

**Chart 4: Tanzania: Annual Headline, Food and Non-food Inflation**



Source: National Bureau of Statistics (NBS)

Inflation is expected to slowdown in the medium term as food supply continues to improve in Tanzania and neighbouring countries, coupled with prudent fiscal and monetary policies.



#### **4.4 Government Budgetary Performance**

During the first three quarters of 2009/10, expenditure policy focused on mitigating the impact of the global financial crisis, by accommodating additional spending needs to minimize the adverse effects emanating from the crisis. In this regard, the government put in place an economic rescue plan totalling about TZS 1.7 trillion aimed at protecting jobs, enhancing investment in infrastructure and key social services, and ensuring food security. The government continued with reforms in the tax system in order to improve domestic revenue collection. However, fiscal performance was characterized by lower than projected revenue performance which was mainly attributed to the second round effects of global financial crisis and a lag in the implementation of tax reforms on petroleum products for mining companies.

Total revenue collection for the first three quarters of 2009/10 (excluding Local Government Authorities own sources) was 91.3 percent of the budget estimates, with all categories falling short of targets. The underperformance was particularly high in taxes on local goods and non-tax revenue categories, while good performance was recorded in taxes on imports. As percentage of GDP, domestic revenue collection during the period under review was 11.2 percent against the target of 12.6 percent. In the corresponding period in 2008/09 tax collection to GDP was 12.0 percent.

Government expenditure in the first three quarters of the fiscal year 2009/10 was TZS 6,143.9 billion, equivalent to 91.4 percent of the estimated amount. Recurrent expenditure was below the estimate by 6.0 percent, despite unanticipated spending related to teachers verified claims, food distribution and electricity generation. On the other hand, development expenditure was below the estimate by 13.3 percent. As percentage of



GDP, total expenditure was 19.7 percent whereas in the corresponding period in 2008/09 total government expenditure as a ratio of the GDP was 17.3 percent.

#### **4.5 External Sector Developments**

During July 2009 to April 2010, the current account deficit narrowed to USD 1,946.8 million from USD 1,960.0 million recorded in the same period in 2008/09. The improvement is mainly attributable to the increase in export of goods and services that outweighed the impact of the increase in the import bill as well as the decline in official current transfers (**Table 2**). In addition to the developments in the current account, the disbursement of funds for balance of payments support from the IMF under the Exogenous Shock Facility (ESF) and the allocation of Special Drawing Rights (SDR) contributed to the improvement of country's gross official reserves position that has stabilized well above 5-months of import cover. At the end of April 2010, official reserves were equivalent to 5.7 months of imports of goods and services, up from 4.4 months of import cover recorded in April 2009.

#### **Export Performance**

During the period July 2009 to April 2010, Tanzania exported goods and services worth USD 4,309.2 million, representing an increase of 12.2 percent compared to the corresponding period in the previous year. The improvement was mainly on account of the rise in exports of gold and travel receipts (mainly tourism). The value of gold exports went up to USD 1,154.2 million from USD 676.9 million recorded during the period July 2009 to April 2010, largely due to a rise in export volume following commencement of gold production at Buzwagi gold mine in June 2009, as well as increase in the price of gold in the world market. The increase in travel receipts partly show that the global economy began to recover from the impact of the financial crisis.



## Import Performance

In the period under review, imports of goods and services went up by 6.8 percent to USD 6,853.7 million. The value of goods imports went up by 7.3 percent to USD 5,403.4 million with much of the increase recorded in the importation of oil that increased by 22.8 percent to USD 1,529.7 million. The increase was largely due to volume effect, as the average world prices of oil went down. Similarly, services payments went up by 4.7 percent to USD 1,450.3 million during the review period largely due to a surge in travel and transportation payments. The surge in freight payments is in line with the increase in goods imports (**Table 2**).

**Table 2: Tanzania: Current Account Balance**

Million of USD

Item	July-April		% change
	2008/09	2009/10p	
<b>Goods Account (net)</b>	<b>-2,779.4</b>	<b>-2,778.1</b>	<b>0.0</b>
Exports	2,255.3	2,625.3	16.4
Imports	5,034.8	5,403.4	7.3
<b>Services Account (net)</b>	<b>199.7</b>	<b>233.5</b>	<b>17.0</b>
Receipts	1,584.3	1,683.8	6.3
Payments	1,384.7	1,450.3	4.7
<b>Goods and services (net)</b>	<b>-2,579.8</b>	<b>-2,544.5</b>	<b>-1.4</b>
Exports of goods and services	3,839.6	4,309.2	12.2
Imports of goods and services	6,419.4	6,853.7	6.8
<b>Income Account (net)</b>	<b>-85.16</b>	<b>-47.18</b>	<b>-44.6</b>
Receipts	98.1	139.1	41.8
Payments	183.3	186.3	1.6
<b>Current Transfers (net)</b>	<b>704.9</b>	<b>644.9</b>	<b>-8.5</b>
Inflows	761.5	719.4	-5.5
o/w General Government	680.2	625.9	-8.0
Outflows	56.6	74.5	31.7
<b>Current Account Balance</b>	<b>-1,960.0</b>	<b>-1,946.8</b>	<b>-0.7</b>

Note: P = Provisional

Source: Bank of Tanzania





## 4.6 National Debt Developments

The national debt stock increased to USD 9,706.0<sup>1</sup> million at the end of April 2010, from USD 8,878.3 million recorded in corresponding period of 2009. The increase was mainly on account of new external disbursements and relatively large amount of domestic debt issuances compared to maturing obligations. Out of the total national debt stock, USD 7,784.6 million was external debt and USD 1,921.4 million domestic debt. The Central Government debt held the largest share of 75.9 percent followed by private sector and public corporations debt with 15.2 percent and 8.9 percent, respectively.

## 4.7 Economic Developments in Zanzibar

### Economic Growth

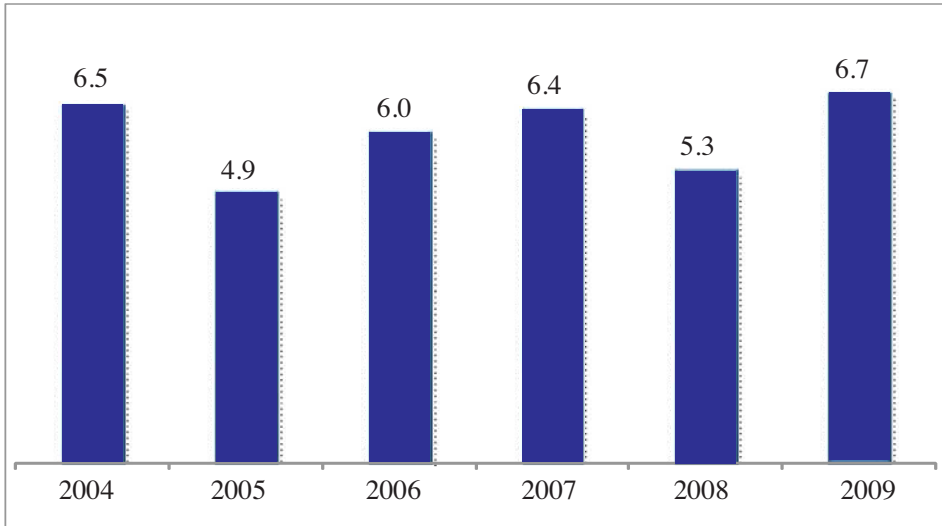
Zanzibar recorded good economic performance in 2009 despite the adverse impact of the global financial crisis and power outage (**Chart 5**). Real GDP grew at 6.7 percent in 2009 compared to 5.3 percent realized in 2008 mainly on account of improved services sector particularly tourism related activities.

---

<sup>1</sup>This includes private sector external debt and interest arrears



**Chart 5: Zanzibar Real GDP Development (In Percent)**



*Source: Office of Chief Government Statistician - Zanzibar*

The services sector registered a growth rate of 8.8 percent up from 6.1 percent recorded in 2008, mainly on account of an increase in the number of tourist arrivals by 5.1 percent, from 128,440 in 2008 to 134,954 in 2009. As a result, the share of the services sector to Real GDP increased from 47.3 percent in 2008 to 48.3 percent in 2009.

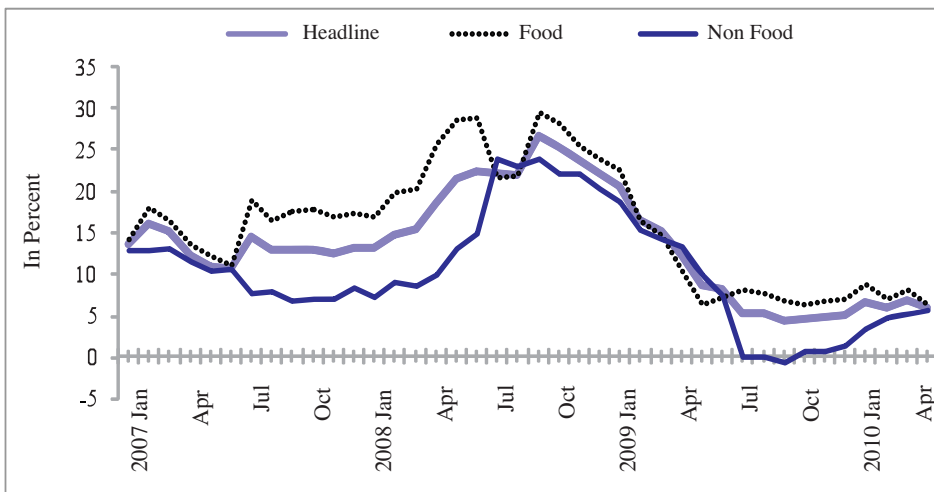
Agricultural activity which employs more than 40 percent of Zanzibar's labour force grew by 4.4 percent in 2009 compared to 5.7 percent in 2008, mainly due to unfavourable weather conditions. As a result, the contribution of agriculture to real GDP decreased from 22.6 percent in 2008 to 22.1 percent in 2009.



## Inflation Developments

During July 2009 to April 2010, average annual headline inflation in Zanzibar dropped to 5.4 percent from 20.6 percent registered during the corresponding period of 2008/09. The decline was driven by both food and non-food inflation, which averaged 7.4 percent and 2.0 percent respectively in the review period, compared with 21.5 percent and 19.7 percent, recorded during the same period in 2008/09. The decline in food inflation was mainly on account of decline in prices of imported rice and wheat, while the slowdown in non-food inflation was due to decrease in oil prices (**Chart 6**).

**Chart 6: Zanzibar: Annual Headline, Food and Non-food Inflation**



Source: Office of Chief Government Statistician - Zanzibar

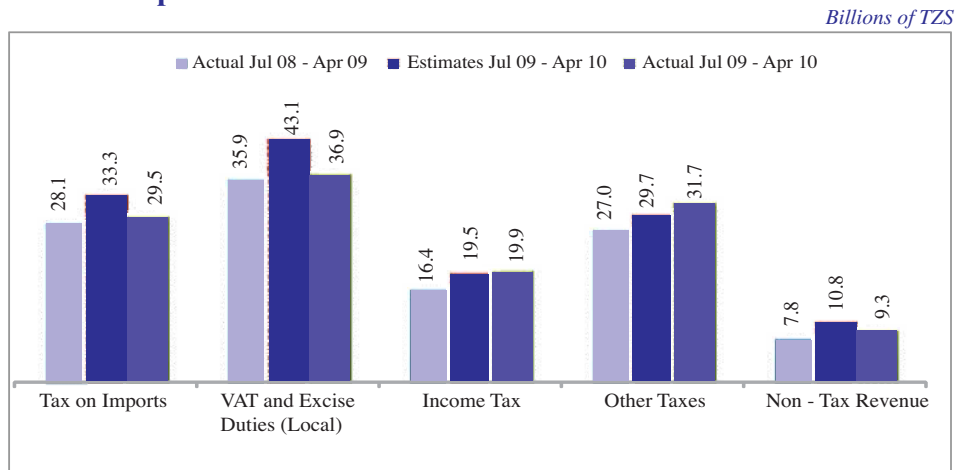
## Zanzibar Government Budgetary Developments

During July 2009 to April 2010, budgetary operations on cheques issued basis recorded a deficit of TZS 25.1 billion after grants. Total



resources during the period under review amounted to TZS 201.8 billion, out of which TZS 127.2 billion was from domestic sources, which was below the target by 6.7 percent. The under performance was mainly attributed to a decrease in collections from tax on imports, VAT and excise duties following the decline in business activities due to power outage. On the other hand, grants were above the target by 3.7 percent (**Chart 7**).

**Chart 7: Zanzibar Government Revenue by Sources: July 2009 - April 2010**



Source: Ministry of Finance and Economic Affairs, Zanzibar.

Total Government expenditure during July 2009 to April 2010, amounted to TZS 226.9 billion, below the estimates of TZS 250.1 billion, but was higher than TZS 172.1 billion spent during the corresponding period in 2008/2009. Out of the total, recurrent expenditure was 57.1 percent and the balance was development expenditure. All recurrent expenditure categories were below estimates except for wages and salaries which were slightly above the target, following salary increments during the period under review.



## External Sector Developments

### Current Account

During July 2009 to April 2010, the current account balance registered a surplus of USD 24.8 million, from a deficit of USD 2.7 million recorded during the corresponding period in 2008/09. The improvement was mainly a result of increases in current transfers and exports earnings (**Table 3**).

**Table 3: Zanzibar Current Account Balance**

*Millions of USD*

Item	Jul 05- Apr 06	Jul 06- Apr 07	Jul 07- Apr 08	Jul 08- Apr 09	Jul 09-Apr 10	%Change Jul- Apr 09/10- 08/09
<b>Goods Account (net)</b>	-55.1	-46.2	-60.9	-66.7	-66.2	-9.2
Exports	11.3	14.3	13.8	17.8	22.2	24.7
Imports (fob)	66.4	60.5	74.7	84.5	88.4	4.6
<b>Services Account (net)</b>	13.8	36.0	25.8	26.4	32.5	23.1
Receipts	65.7	78.6	69.2	80.5	83.2	3.4
Payments	51.9	42.5	43.4	54.1	50.7	-6.3
<b>Goods and Services (net)</b>	-41.3	-10.1	-35.1	-40.3	-33.7	-30.2
Exports of Goods and Services	77.0	92.9	83.0	98.2	105.4	7.3
Imports of Goods and Services	118.3	103.0	118.1	138.6	139.1	0.4
<b>Income Account (net)</b>	0.3	0.2	-0.5	-2.4	-0.7	-70.8
Receipts	0.3	0.3	0.1	0.3	0.3	0.0
Payments	0.0	0.0	0.7	2.8	0.9	-67.9
<b>Current Transfers (net)</b>	43.8	45.3	47.5	40.1	59.1	47.4
Inflows	43.8	45.3	47.5	40.1	59.1	47.4
Outflows	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current Account Balance</b>	2.8	35.4	11.9	-2.7	24.8	....

*p = provisional*

*Source: Tanzania Revenue Authority and BOT computations*

### Exports Performance

During July 2009 to April 2010, exports of goods and services increased to USD 105.4 million from USD 98.2 million realised in the



corresponding period in 2008/09. The increase in exports receipts was mainly explained by an increase in export volume of cloves, as well as increase in average price in the world market. As a result, the value of exported cloves rose to USD 11.1 million from USD 7.7 million, and represented 50.2 percent of total merchandise exports. Seaweeds exports increased to USD 2.6 million from USD 2.0 million, while manufactured goods exports increased slightly to USD 4.3 million, from USD 4.2 million. Export of fish and fish products also increased to USD 0.3 million from USD 0.2 million.

### **Goods Imports**

During the period under review, the goods import bill (c.i.f) increased to USD 97.1 million from USD 92.8 million recorded in the corresponding period in 2008/09, mainly due to increase in oil imports. Importation of oil increased to USD 29.3 million from USD 25.1 million, on account of the increase in average price in the world market as well as increased demand due to power blackout. Capital goods imports rose to USD 41.1 million, from USD 40.2 million recorded in July 2008 to April 2009. The imports of foods and food stuffs increased to USD 7.3 million from USD 4.9 million.

### **Services Account**

During July 2009 to April 2010, the services account registered a surplus of USD 32.5 million, up from a surplus of USD 26.4 million recorded in the corresponding period in 2008/09. Total foreign receipts increased by 3.4 percent to USD 83.2 million from USD 80.5 million, while payments declined by 6.3 percent to USD 50.7 million from USD 54.1 million.



## **PART V**

### **5.0 MACROECONOMIC FRAMEWORK FOR 2010/11**

#### **5.1 Macroeconomic Objectives**

In 2010/11, the government will continue to pursue prudent macroeconomic policies with the aim of stimulating economic activity and, consolidate the achievements through the implementation of MKUKUTA II.

In line with the above policy stance, the government intends to attain the following objectives:

- i. A real GDP growth of 7.0 percent in 2010 and 7.1 percent in 2011 as the world economy recovers from the crisis and the demand for exports improves;
- ii. An annual inflation rate of not more than 5.0 percent by end June 2011;
- iii. Domestic revenue equivalent to 17.3 percent of GDP;
- iv. Total expenditure equivalent to 29.6 percent of GDP; and
- v. Government net domestic financing of 1.7 percent of GDP and non concessional borrowing not exceeding 2.1 percent of GDP.

#### **5.2 Monetary Policy Objectives**

Monetary policy objectives of the Bank of Tanzania will continue to support broader macroeconomic objectives of the Government. Specifically, the Bank aims at achieving the following objectives in 2010/11:



- i. Contain the expansion of average reserve money at an annual rate of 18.5 percent;
- ii. Attain annual growth rates of M2 and M3 not exceeding 20.7 percent and 21.0 percent, respectively, by end June 2011;
- iii. Attain annual private sector credit growth not exceeding 21.3 percent by end June 2011;
- iv. Maintain a level of gross official reserves adequate to cover at least 5 months of imports of goods and service; and
- v. Remain vigilant in safeguarding the current stability in the financial sector, as the adverse effects of the global financial turmoil subside.





## **PART VI**

### **6.0 MONETARY POLICY STANCE DURING 2010/11**

#### **6.1 Liquidity Management**

During 2010/11, monetary policy will be directed towards maintaining appropriate level of liquidity to the economy to ensure low and stable inflation. The Bank will continue to take measures that will address the slow recovery of the private sector credit growth in order to prevent excessive build up of liquidity in the banking system that could fuel inflation or exchange rate pressures. The Bank's liquidity windows including Intraday Loan Facility (ILF), Lombard and discount window will remain open for banks in need of liquidity. Measures will be taken to improve forecasting of government budgetary flows by strengthening coordination with the Ministry of Finance and Economic Affairs; sustain orderly developments in the financial market and ensure safety and efficiency in the payment systems.

#### **6.2 Interest Rate Policy**

Interest rates will remain market-determined and the Bank will continue to structure its use of instruments in a manner that will sustain stability in financial markets. In this regard, the Bank will continue to collaborate with the government in implementing measures to remove the remaining structural and institutional limitations, and deepen financial intermediation within the framework of the Second-Generation Financial Sector Reform Program.



### **6.3 Exchange Rate Policy**

The exchange rate will continue to be freely determined in the inter-bank foreign exchange market (IFEM), with the Bank of Tanzania's involvement in the market being primarily to meet its monetary policy objectives. The Bank's intervention in the market will also be structured with a view to smoothening transitory fluctuations, while maintaining an adequate level of gross official reserves and strengthen its oversight in the market.

### **6.4 Safeguarding Financial Stability**

The safeguarding of financial stability requires identifying the main sources of risk and vulnerabilities in the operations of all components of the financial system and implementing appropriate measures to mitigate the potential risks in the respective areas. Given the importance of the financial sector and its cross-cutting nature, financial stability has acquired very special importance.

The Bank of Tanzania will continue to ensure that the financial sector remains stable and sound, to facilitate the smooth implementation of monetary policy. In this regard, the Bank will spearhead the establishment of a coordinated framework of all financial services regulators by establishing a financial regulators forum. This forum will assume a joint responsibility of safeguarding the stability of the financial system, and coordinating crisis management and resolution.

The Bank is also taking steps to strengthen crisis preparedness to facilitate a rapid response in the event that a crisis emerges. Measures are being implemented to raise minimum capital requirements for commercial banks from TZS 5.0 billion to TZS 15.0 billion, and from TZS 2.5 billion



to TZS 7.5 billion for non-bank financial institutions. Maximum insurance coverage per depositor per bank will also be increased from TZS 500,000.00 to TZS 1,500,000.00.

## **6.5 Payments Systems Development**

The Bank of Tanzania will continue to take measures to ensure that the national payments system continues to be modernised to ensure efficiency and safety in all payments. EAC Central Banks have taken up steps towards implementing a Regional Cross Border Payment System, which will help to promote trade among the East Africa Community. The system requirement specifications have been agreed and signed-off.



## PART VII

### CONCLUSION

The Tanzanian economy performed well, despite the difficulties associated with the global crisis. Most economic sectors performed better than expected, partly reflecting the resilience of the economy, following sustained reforms which were accompanied with increased macroeconomic stability. Prudent policies implemented over the review period, including the implementation of the well structured rescue package enabled the economy to weather the storm and set a foundation for returning to its medium term growth path.

However, the recovery still faces risks which could originate from both the global as well as domestic economy. The current situation in Europe which originated from the Greek debt problem could stall the recovery of the domestic economy through decline in demand for our exports. Similarly, the financial system remains fragile as support from the government and the Bank is gradually withdrawn.

It is therefore imperative that the government continues to implement prudent policies which will be important in rebalancing and sustain the recovery we have achieved so far.

The continuation of the macroeconomic reforms, including the financial sector under the Second Generation Financial Sector Reforms, need to be accelerated in order to make the economic growth more resilient to shocks. Effectiveness in addressing these challenges requires combined efforts from all the stakeholders, including the Government, banking system and the private sector.



## APPENDICES



**Table A1: Tanzania – Depository Corporations Survey**

*Billions of TZS*

Item	Apr-08	Apr-09	May-09	Jun-09	Sep-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
<b>FOREIGN ASSETS (NET)</b>	<b>3,847.1</b>	<b>4,197.8</b>	<b>4,140.8</b>	<b>4,196.8</b>	<b>4,864.2</b>	<b>4,938.0</b>	<b>4,964.6</b>	<b>4,947.5</b>	<b>4,915.9</b>	<b>5,150.1</b>
Bank of Tanzania	3,194.1	3,546.4	3,430.3	3,395.1	3,897.1	3,843.4	3,925.3	3,911.1	3,845.0	3,999.6
Commercial Banks	653.0	651.4	710.5	801.7	967.1	1,094.5	1,039.3	1,036.4	1,070.9	1,150.5
<b>DOMESTIC ASSETS(NET)</b>	<b>2,816.7</b>	<b>3,429.6</b>	<b>3,470.1</b>	<b>3,669.2</b>	<b>3,611.9</b>	<b>3,893.8</b>	<b>4,015.3</b>	<b>4,089.9</b>	<b>4,172.2</b>	<b>4,215.6</b>
Domestic claims	3,264.4	4,282.0	4,419.0	4,771.7	4,744.4	5,068.0	5,182.1	5,257.4	5,445.0	5,675.1
Claims on central government (net)	-187.0	-353.0	-266.0	61.5	-80.0	75.8	192.2	221.3	319.2	339.1
Claims on non-government sector	3,451.4	4,634.9	4,684.9	4,710.2	4,824.4	4,992.2	4,989.9	5,036.1	5,125.8	5,336.0
<b>Extended broad money (M3)</b>	<b>6,663.8</b>	<b>7,627.4</b>	<b>7,610.9</b>	<b>7,866.0</b>	<b>8,476.2</b>	<b>8,831.8</b>	<b>8,979.8</b>	<b>9,037.5</b>	<b>9,088.1</b>	<b>9,365.7</b>
Broad money (M2)	4,753.0	5,552.0	5,594.5	5,772.4	6,313.5	6,604.0	6,742.8	6,881.7	6,884.9	6,972.5
Narrow money (M1)	2,714.6	3,063.6	3,079.7	3,149.1	3,578.8	3,591.4	3,730.8	3,746.2	3,755.9	3,816.5
Currency in circulation	1,153.8	1,349.6	1,366.3	1,424.1	1,519.4	1,567.3	1,518.5	1,524.9	1,543.0	1,543.1
Reserve money(M0)-stock	1,984.5	2,558.6	2,550.2	2,679.0	2,890.7	3,010.0	3,018.4	3,131.1	3,121.5	3,072.3
Average Reserve Money	1,962.7	2,513.8	2,541.7	2,601.7	2,845.7	2,936.0	2,986.6	2,962.7	3,026.4	3,057.1
<b>Annual growth rates in Percent</b>										
Stock of Reserve money (M0)	17.0	28.9	29.6	28.8	22.3	32.2	21.2	27.7	25.9	20.1
Average reserve money (M0)	22.8	28.1	30.4	26.7	21.1	26.7	22.8	19.0	21.2	21.6
Extended broad money (M3)	21.2	14.5	15.3	19.0	19.5	18.4	20.8	19.7	19.1	22.8
Broad money (M2)	30.2	16.8	18.4	19.5	19.9	20.8	23.4	24.4	23.5	25.6
Narrow money (M1)	28.2	12.9	14.6	11.3	16.3	13.7	16.7	19.0	21.2	24.6
Credit to the private sector	38.5	34.3	32.2	33.2	26.6	9.6	9.8	9.8	10.8	15.1
Gross official reserves in months of imports	4.8	4.4	4.2	4.6	5.6	5.6	5.7	5.6	5.5	5.7
End of Period Exchange Rate (TZS per USD)	1,201.2	1,320.4	1,310.4	1,299.4	1,302.7	1,313.3	1,323.6	1,326.0	1,330.2	1,343.5

*Source: Bank of Tanzania*



**Table A2: Tanzania Financial Markets – Interest Rate Structure**

*In Percent*

Item	2008	2009										2010			
	Apr	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
<b>Interbank Cash Market Rates</b>															
Overnight	3.9	9.3	6.5	4.5	2.4	0.8	1.0	1.2	1.2	1.5	1.7	1.7	1.0	0.9	
2 to 7 days	4.1	9.7	7.1	5.4	4.1	1.4	1.3	1.5	1.8	1.6	2.0	2.2	1.6	1.0	
8 to 14 days	4.2	9.8	7.4	5.3	4.4	1.9	1.5	1.4	1.7	1.7	2.1	2.5	1.8	1.3	
15 to 30 days	5.2	10.3	7.3	5.8	4.2	1.5	2.3	3.3	3.3	3.3	3.5	4.0	1.6	1.6	
31 to 60 days	5.4	11.1	7.9	5.3	4.6	2.8	2.7	3.0	3.9	3.4	3.4	4.0	4.0	4.0	
61 to 90 days	5.9	12.2	12.2	12.2	12.2	12.2	12.2	12.2	5.0	5.0	5.0	7.3	3.4	3.4	
91 to 180 days	6.3	12.0	9.4	8.6	9.2	3.3	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	
181 and above	7.0	14.4	12.0	12.0	5.6	7.1	6.5	9.0	5.5	5.5	5.5	5.5	5.5	4.9	
<b>Overall Interbank cash market</b>	<b>4.1</b>	<b>9.6</b>	<b>6.8</b>	<b>5.0</b>	<b>3.9</b>	<b>1.4</b>	<b>1.3</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>1.8</b>	<b>1.9</b>	<b>1.3</b>	<b>0.9</b>	
<b>Lombard Rate</b>	<b>7.2</b>	<b>13.9</b>	<b>9.7</b>	<b>7.4</b>	<b>4.1</b>	<b>3.2</b>	<b>2.5</b>	<b>3.6</b>	<b>4.0</b>	<b>4.6</b>	<b>5.5</b>	<b>4.9</b>	<b>2.4</b>	<b>1.5</b>	
<b>REPO Rate</b>	<b>3.7</b>	<b>8.2</b>	<b>6.1</b>	<b>4.9</b>	<b>2.2</b>	<b>1.2</b>	<b>1.1</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>	<b>0.8</b>	
<b>Treasury Bills Rates</b>															
35 days	4.8	7.0	6.4	4.8	3.4	2.7	2.1	3.0	3.3	3.8	4.6	4.1	2.0	1.3	
91 days	5.1	10.6	8.3	5.6	4.1	3.5	3.0	3.4	5.3	6.1	6.3	5.6	3.3	1.8	
182 days	6.9	12.0	10.2	7.9	6.3	5.5	4.8	4.9	5.3	6.6	7.2	6.3	4.4	2.6	
364 days	9.4	12.6	10.7	9.1	8.3	7.7	7.8	8.2	8.6	8.8	9.1	8.2	6.3	4.9	
<b>Overall Treasury bills rate</b>	<b>7.0</b>	<b>11.0</b>	<b>9.3</b>	<b>7.0</b>	<b>5.8</b>	<b>5.2</b>	<b>4.5</b>	<b>5.2</b>	<b>6.4</b>	<b>6.9</b>	<b>7.2</b>	<b>6.3</b>	<b>4.2</b>	<b>2.7</b>	
<b>Treasury Bonds Rates</b>															
2-years	12.2	15.3	15.3	11.5	11.5	11.5	11.5	10.9	10.9	10.9	10.9	9.4	9.4	9.4	
5-years	14.5	17.3	16.6	16.6	16.6	16.6	13.4	13.4	13.4	13.4	13.8	13.8	13.8	13.8	
7-years	17.2	17.1	17.1	17.1	17.1	14.1	14.1	14.1	14.2	14.2	14.2	14.2	12.1	12.1	
10-years	17.7	19.9	19.9	19.9	16.9	16.9	16.9	16.9	16.9	16.7	16.7	16.7	16.7	12.0	
<b>Discount Rate</b>	<b>12.1</b>	<b>16.0</b>	<b>13.0</b>	<b>10.3</b>	<b>7.0</b>	<b>5.2</b>	<b>4.4</b>	<b>3.7</b>	<b>3.7</b>	<b>3.7</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>	

Source: Bank of Tanzania



**Table A3: Tanzania Commercial Banks – Interest Rate Structure**

*In Percent*

Item	2008	2009										2010			
	Apr	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
<b>A: Domestic Currency</b>															
<b>1. Savings Deposit Rate</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.6</b>	<b>2.7</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>	<b>2.9</b>	<b>2.8</b>	
<b>2. Overall Time Deposits Rate</b>	<b>7.6</b>	<b>7.1</b>	<b>7.1</b>	<b>6.8</b>	<b>7.0</b>	<b>6.9</b>	<b>6.7</b>	<b>6.4</b>	<b>6.5</b>	<b>6.4</b>	<b>6.1</b>	<b>5.8</b>	<b>6.0</b>	<b>6.0</b>	
Call Accounts	1.4	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0	0.7	0.8	0.8	0.7	0.8	
1 month	8.0	7.2	7.4	6.5	6.5	6.5	6.1	5.7	5.8	5.1	5.1	5.0	5.4	5.4	
2 months	7.0	8.2	7.6	7.6	8.9	8.2	7.8	7.5	7.3	7.0	7.2	7.8	7.7	7.5	
3 months	8.7	8.2	7.8	8.7	8.4	7.8	8.2	7.5	7.3	6.7	7.5	7.0	7.2	6.5	
6 months	10.2	9.5	9.4	8.6	8.2	8.5	8.3	7.9	8.1	8.5	7.8	7.7	7.5	7.7	
12 months	9.2	9.0	9.4	9.1	9.1	9.0	8.8	8.8	8.8	9.0	9.1	8.8	7.9	8.7	
24 months	8.9	6.6	6.9	6.0	6.6	7.1	6.8	6.5	7.4	7.6	5.3	3.5	5.4	5.1	
<b>3. Negotiated Deposit Rate</b>	<b>11.2</b>	<b>11.3</b>	<b>11.0</b>	<b>10.1</b>	<b>10.5</b>	<b>10.5</b>	<b>10.6</b>	<b>10.1</b>	<b>9.9</b>	<b>9.9</b>	<b>7.4</b>	<b>7.2</b>	<b>9.4</b>	<b>9.6</b>	
<b>4. Overall Lending rate</b>	<b>14.7</b>	<b>15.5</b>	<b>15.4</b>	<b>15.5</b>	<b>15.1</b>	<b>15.1</b>	<b>14.9</b>	<b>14.8</b>	<b>14.7</b>	<b>14.4</b>	<b>14.4</b>	<b>14.9</b>	<b>14.8</b>	<b>14.6</b>	
Call Loans	19.3	19.3	20.3	21.3	22.3	22.3	23.3	24.3	25.3	26.3	27.3	28.3	29.3	30.3	
Short-term (up to 1year)	13.1	13.9	13.7	14.6	13.9	13.8	14.0	13.9	14.0	14.0	13.8	14.7	14.6	13.9	
Medium-term (1-2 years)	16.0	15.5	15.8	15.6	15.4	15.7	15.3	15.1	15.4	15.0	15.1	15.1	15.1	15.4	
Medium-term (2-3 years)	15.1	15.2	15.1	15.1	14.6	14.8	14.7	14.7	15.0	14.7	14.4	14.4	14.5	14.4	
Long-term (3-5 years)	16.4	15.5	15.4	15.2	15.2	15.0	14.9	14.8	14.7	14.5	14.8	15.0	15.0	14.8	
Term Loans (over 5 years)	13.2	17.1	17.0	16.9	16.6	16.4	15.6	15.3	14.6	13.7	13.9	15.0	14.9	14.5	
Negotiated Lending Rate	12.9	14.0	14.2	14.3	14.3	14.2	13.8	13.5	13.4	13.2	13.7	13.8	13.7	14.0	
<b>B: Foreign Currency</b>															
<b>1. Deposit Rates</b>															
<b>Savings Deposits Rate</b>	<b>1.7</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.3</b>	<b>1.4</b>	<b>1.5</b>	
<b>Overall Time Deposits Rate</b>	<b>4.3</b>	<b>2.8</b>	<b>2.8</b>	<b>2.3</b>	<b>2.4</b>	<b>2.3</b>	<b>3.7</b>	<b>2.1</b>	<b>2.1</b>	<b>1.7</b>	<b>2.0</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	
1-months	3.0	2.7	3.9	2.4	1.8	2.1	3.7	2.1	2.0	1.4	1.7	1.8	1.7	1.6	
2-months	5.1	4.0	2.7	1.8	2.3	2.5	3.5	2.0	2.0	1.6	1.9	1.4	1.9	2.0	
3-months	4.9	2.6	2.6	2.4	2.9	2.1	4.2	2.1	2.1	1.0	2.0	1.6	2.0	1.9	
6-months	4.0	2.5	2.6	2.7	2.5	2.2	3.9	2.0	2.0	1.9	1.9	1.9	1.8	1.8	
12-months	4.4	2.4	2.3	2.2	2.1	2.5	3.1	2.5	2.5	2.4	2.4	2.1	2.4	3.0	
<b>2. Overall Lending Rate</b>	<b>8.0</b>	<b>9.3</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.8</b>	<b>9.7</b>	<b>8.1</b>	<b>9.0</b>	<b>9.0</b>	<b>8.9</b>	<b>8.9</b>	<b>8.8</b>	<b>8.0</b>	
Short-term (up to 1year)	6.4	4.9	6.9	7.0	6.9	6.9	6.9	6.5	3.8	3.9	3.7	3.5	3.3	2.0	
Medium-term (1-2 years)	8.9	10.9	10.8	10.1	10.8	11.0	11.0	8.2	11.1	11.1	10.0	10.2	10.1	6.6	
Medium-term (2-3 years)	8.6	10.1	10.1	10.8	10.3	10.3	10.2	8.8	10.3	10.3	10.4	10.4	10.4	10.5	
Long-term (3-5 years)	8.4	10.6	10.5	10.5	10.5	10.5	10.4	8.7	10.3	10.3	10.5	10.8	10.5	11.0	
Term Loans (over 5 years)	7.5	10.0	10.0	10.0	10.0	10.0	10.0	8.5	9.6	9.6	9.6	9.6	9.6	9.6	

Source: Bank of Tanzania





**TableA4: Global Economic Environment- World Economic Outlook**

Item	2009		2010
	Projection	outturn	Projections
	<b>(Percent change, unless otherwise indicated)</b>		
World real GDP	-1.3	-0.6	4.2
Advanced economies	-3.8	-3.2	2.3
Emerging and developing	1.6	2.4	6.3
Sub-Saharan Africa	1.7	2.1	4.7
Volume of Imports			
Advanced economies	-12.1	-12	5.4
Emerging and developing	-8.8	-8.4	9.7
Volume of Exports			
Advanced economies	-13.5	-11.7	6.6
Emerging and developing	-6.4	-8.2	8.3
Consumer Prices			
Advanced economies	-0.2	0.1	1.5
Emerging and developing	5.7	5.2	6.2
Commodity prices			
Oil prices(USD/barrel)		61.8	80.0

Source: IMF (WEO, 2009, 2010)



**Table A5: Gross Domestic Product at Constant 2001 Prices by Economic Activity**

*Millions of TZS*

Economic Activity	2004	2005	2006	2007	2008	2009p
<b>Agriculture, Hunting and Forestry</b>	<b>3,017,988</b>	<b>3,148,384</b>	<b>3,268,238</b>	<b>3,399,648</b>	<b>3,554,488</b>	<b>3,669,645</b>
Crops	2,262,725	2,361,930	2,457,373	2,567,955	2,698,921	2,790,684
Livestock	503,000	525,109	537,498	550,398	564,708	577,922
Forestry and hunting	252,263	261,345	273,367	281,295	290,859	301,039
<b>Fishing</b>	<b>185,543</b>	<b>196,676</b>	<b>206,510</b>	<b>215,734</b>	<b>226,521</b>	<b>232,637</b>
<b>Industry and construction</b>	<b>2,204,619</b>	<b>2,433,261</b>	<b>2,639,902</b>	<b>2,889,519</b>	<b>3,138,241</b>	<b>3,357,703</b>
Mining and quarrying	254,000	295,000	341,000	377,559	386,998	391,642
Manufacturing	977,000	1,071,000	1,162,000	1,263,435	1,388,515	1,499,596
Electricity, gas	240,708	263,218	258,347	286,507	301,978	327,344
Water supply	49,557	51,700	54,905	58,474	62,333	65,824
Construction	683,354	752,343	823,650	903,544	998,416	1,073,297
<b>Services</b>	<b>5,182,094</b>	<b>5,596,784</b>	<b>6,035,932</b>	<b>6,527,561</b>	<b>7,085,136</b>	<b>7,594,661</b>
Trade and repairs	1,486,931	1,585,906	1,736,631	1,906,821	2,097,503	2,254,816
Hotels and restaurants	285,732	301,873	314,921	328,859	343,658	358,779
Transport	588,574	627,951	661,000	703,965	752,539	797,691
Communications	169,158	200,900	239,537	287,684	346,659	422,577
Financial intermediation	184,775	204,694	228,000	251,280	281,120	306,339
Real estate and business services	1,141,014	1,226,790	1,316,000	1,408,120	1,508,097	1,610,647
Public administration	871,169	970,786	1,033,468	1,102,951	1,180,158	1,232,313
Education	215,910	224,547	235,774	248,742	265,905	284,704
Health	151,370	163,572	177,520	193,142	210,525	224,654
Other social and personal services	87,461	89,765	93,061	95,998	98,974	102,141
<b>Gross value added before adjustments</b>	<b>10,590,244</b>	<b>11,375,105</b>	<b>12,150,582</b>	<b>13,032,462</b>	<b>14,004,385</b>	<b>14,854,646</b>
less FISIM	-106,931	-119,497	-137,287	-158,292	(175,704)	(190,990)
<b>Gross value added at 2001 basic prices</b>	<b>10,483,313</b>	<b>11,255,608</b>	<b>12,013,295</b>	<b>12,874,170</b>	<b>13,828,681</b>	<b>14,663,656</b>
Add Taxes on products	756,422	812,482	867,868	927,751	999,664	1,057,645
<b>Gross Domestic Product at 2001 market prices</b>	<b>11,239,735</b>	<b>12,068,090</b>	<b>12,881,163</b>	<b>13,801,921</b>	<b>14,828,345</b>	<b>15,721,301</b>

*p = provisional*

*Source: National Bureau of Statistics (NBS)*



**Table A6: Growth of Gross Domestic Product at 2001 Prices by Economic Activity**

Economic Activity	<i>In Percent</i>						Average
	2004	2005	2006	2007r	2008p	2009p	2004-2009
<b>Growth rates</b>							
<b>Agriculture and Fishing</b>	<b>5.9</b>	<b>4.3</b>	<b>3.8</b>	<b>4.0</b>	<b>4.6</b>	<b>3.2</b>	<b>4.3</b>
Crops	6.6	4.4	4.0	4.5	5.1	3.4	4.7
Livestock	4.1	4.4	2.4	2.4	2.6	2.3	3.0
Forestry and hunting	2.7	3.6	4.6	2.9	3.4	3.5	3.5
Fishing	6.7	6.0	5.0	4.5	5.0	2.7	5.0
<b>Industry and construction</b>	<b>10.9</b>	<b>10.4</b>	<b>8.5</b>	<b>9.5</b>	<b>8.6</b>	<b>7.0</b>	<b>9.1</b>
Mining and quarrying	16.0	16.1	15.6	10.7	2.5	1.2	10.4
Manufacturing	9.4	9.6	8.5	8.7	9.9	8.0	9.0
Electricity, gas	7.5	9.4	-1.9	10.9	5.4	8.4	6.6
Water supply	5.2	4.3	6.2	6.5	6.6	5.6	5.7
Construction	13.0	10.1	9.5	9.7	10.5	7.5	10.0
<b>Services</b>	<b>7.8</b>	<b>8.0</b>	<b>7.8</b>	<b>8.1</b>	<b>8.5</b>	<b>7.2</b>	<b>7.9</b>
Trade and repairs	5.8	6.7	9.5	9.8	10.0	7.5	8.2
Hotels and restaurants	3.6	5.6	4.3	4.4	4.5	4.4	4.5
Transport	8.6	6.7	5.3	6.5	6.9	6.0	6.7
Communications	17.4	18.8	19.2	20.1	20.5	21.9	19.7
Financial intermediation	8.3	10.8	11.4	10.2	11.9	9.0	10.3
Real estate and business services	6.8	7.5	7.3	7.0	7.1	6.8	7.1
Public administration	13.6	11.4	6.5	6.7	7.0	4.4	8.3
Education	4.0	4.0	5.0	5.5	6.9	7.1	5.4
Health	7.8	8.1	8.5	8.8	9.0	6.7	8.1
Other social and personal services	3.0	2.6	3.7	3.2	3.1	3.2	3.1
<b>Gross value added excluding adjustments</b>	<b>7.8</b>	<b>7.4</b>	<b>6.8</b>	<b>7.3</b>	<b>7.5</b>	<b>6.1</b>	<b>7.1</b>
less FISIM	10.1	11.8	14.9	15.3	11.0	8.7	12.0
<b>Gross value added at basic prices</b>	<b>7.8</b>	<b>7.4</b>	<b>6.7</b>	<b>7.2</b>	<b>7.4</b>	<b>6.0</b>	<b>7.1</b>
Add Taxes on products	7.8	7.4	6.8	6.9	7.8	5.8	7.1
<b>Gross domestic product at market prices</b>	<b>7.8</b>	<b>7.4</b>	<b>6.7</b>	<b>7.1</b>	<b>7.4</b>	<b>6.0</b>	<b>7.1</b>

*r = revised*

*p = provisional*

Source: National Bureau of Statistics (NBS)



**Table A7: Contribution of Gross Domestic Product at 2001 Prices by Economic Activity**

*In Percent*

Economic Activity	2004	2005	2006	2007r	2008p	2009p	Average
							2004-2009
<b>Agriculture and Fishing</b>	<b>26.9</b>	<b>26.1</b>	<b>25.4</b>	<b>24.6</b>	<b>24.0</b>	<b>23.3</b>	<b>25.0</b>
Crops	20.1	19.6	19.1	18.6	18.2	17.8	18.9
Livestock	4.5	4.4	4.2	4.0	3.8	3.7	4.1
Forestry and hunting	2.2	2.2	2.1	2.0	2.0	1.9	2.1
Fishing	1.7	1.6	1.6	1.6	1.5	1.5	1.6
<b>Industry and construction</b>	<b>19.6</b>	<b>20.2</b>	<b>20.5</b>	<b>20.9</b>	<b>21.2</b>	<b>21.4</b>	<b>20.6</b>
Mining and quarrying	2.3	2.4	2.6	2.7	2.6	2.5	2.5
Manufacturing	8.7	8.9	9.0	9.2	9.4	9.5	9.1
Electricity, gas	2.1	2.2	2.0	2.1	2.0	2.1	2.1
Water supply	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Construction	6.1	6.2	6.4	6.5	6.7	6.8	6.5
<b>Services</b>	<b>46.1</b>	<b>46.4</b>	<b>46.9</b>	<b>47.3</b>	<b>47.8</b>	<b>48.3</b>	<b>47.1</b>
Trade and repairs	13.2	13.1	13.5	13.8	14.1	14.3	13.7
Hotels and restaurants	2.5	2.5	2.4	2.4	2.3	2.3	2.4
Transport	5.2	5.2	5.1	5.1	5.1	5.1	5.1
Communications	1.5	1.7	1.9	2.1	2.3	2.7	2.0
Financial intermediation	1.6	1.7	1.8	1.8	1.9	1.9	1.8
Real estate and business services	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Public administration	7.8	8.0	8.0	8.0	8.0	7.8	7.9
Education	1.9	1.9	1.8	1.8	1.8	1.8	1.8
Health	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Other social and personal services	0.8	0.7	0.7	0.7	0.7	0.6	0.7

Source: National Bureau of Statistics (NBS)



**Table A8: Gross Domestic Product at 2001 Prices by type of Expenditure**

Type of Expenditure	2004	2005	2006	2007	2008r	2009p
<b>Millions of TZS</b>						
<b>GDP at constant market prices</b>	<b>11,239,734</b>	<b>12,068,090</b>	<b>12,881,163</b>	<b>13,801,921</b>	<b>14,828,345</b>	<b>15,721,301</b>
Final consumption expenditure	9,748,544	10,855,260	11,735,476	12,517,666	13,337,233	13,838,779
Households	7,866,521	8,748,590	9,456,059	10,021,704	10,512,581	10,870,070
Government	1,882,023	2,106,670	2,279,417	2,495,962	2,824,652	2,968,710
Gross capital formation	2,144,198	2,535,317	2,938,619	3,358,305	3,616,866	3,982,283
Gross fixed capital formation	2,100,914	2,493,633	2,893,604	3,313,177	3,571,629	3,928,805
Changes in inventories	43,284	41,684	45,015	45,128	45,237	53,478
Exports of goods and services	2,157,615	2,449,820	2,369,701	2,768,705	3,311,236	3,479,706
Exports of goods fob	1,120,049	1,256,370	1,004,797	1,089,513	1,441,642	1,519,800
Exports of services	1,037,566	1,193,450	1,364,904	1,679,192	1,869,594	1,959,906
Imports of goods and services	-2,810,623	-3,772,307	-4,162,633	-4,842,754	-5,436,991	-5,579,468
Imports of goods fob	-2,018,283	-2,689,212	-3,146,854	-3,861,190	-4,499,134	-4,455,068
Imports of services	-792,340	-1,083,095	-1,015,779	-981,564	-937,856	-1,124,400

	<b>Percentage Growth Rates</b>					
<b>GDP at constant market prices</b>	<b>7.8</b>	<b>7.4</b>	<b>6.7</b>	<b>7.1</b>	<b>7.4</b>	<b>6.0</b>
Final consumption expenditure	7.7	11.4	8.1	6.7	6.5	3.8
Households	6.2	11.2	8.1	6.0	4.9	3.4
Government	14.6	11.9	8.2	9.5	13.2	5.1
Gross capital formation	10.2	18.2	15.9	14.3	7.7	10.1
Gross fixed capital formation	10.4	18.7	16.0	14.5	7.8	10.0
Changes in inventories	2.2	-3.7	8.0	0.3	0.2	18.2
Exports of goods and services	8.3	13.5	-3.3	16.8	19.6	5.1
Exports of goods fob	6.7	12.2	-20.0	8.4	32.3	5.4
Exports of services	10.2	15.0	14.4	23.0	11.3	4.8
Imports of goods and services	9.6	34.2	10.3	16.3	12.3	2.6
Imports of goods fob	8.2	33.2	17.0	22.7	16.5	-1.0
Imports of services	13.2	36.7	-6.2	-3.4	-4.5	19.9

*r = revised*

*p = provisional*

Source: National Bureau of Statistics (NBS)



**Table A9: Zanzibar Real GDP Annual Growth Rates at 2001  
Constant Prices**

*In Percent*

<b>Economic Activity</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009*</b>
<b>Agriculture, forestry &amp; fishing</b>	<b>2.8</b>	<b>18.7</b>	<b>-0.4</b>	<b>5.7</b>	<b>4.4</b>
Crops	1.6	29.4	-2	6.5	5.1
Livestock	3.5	3.5	3.6	3.5	3.6
Forestry & hunting	3.6	3.8	3.7	3	4.3
Fishing	6.3	-1	1.8	5.2	2.5
Industry	6.6	17.6	4.6	1.9	3.4
Mining & quarrying	15.5	3	9.1	22.8	11.4
<b>Manufacturing</b>	<b>2.4</b>	<b>3.5</b>	<b>0.5</b>	<b>1.1</b>	<b>2.4</b>
Electricity, gas & water supply	7.6	5	7.5	0.9	2.4
Construction	8.8	33.8	6.3	0.5	3.2
<b>Services</b>	<b>5.3</b>	<b>-2.8</b>	<b>10.4</b>	<b>6.1</b>	<b>8.8</b>
Trade & repairs	14.6	1	9.9	-4.3	4
Hotels & restaurants	39.9	9.2	4.5	-0.5	5
Transport & communications	9.9	0.4	37.3	24.1	22.1
Financial intermediation	13.7	-10.2	21.3	4	2.6
Real estate & business services	4.7	4.7	4.8	4.8	4.8
Public administration	-13.5	-18.3	1.3	4	3.6
Education	1.1	5.4	1.3	6.4	5.6
Health	4.2	5.9	6.6	4.5	7.9
Other social & personal services	4.3	4.3	4.3	4.3	4.3
<b>Total GDP at market prices</b>	<b>4.9</b>	<b>6</b>	<b>6.4</b>	<b>5.3</b>	<b>6.7</b>

*Note: \* Provisional*

*Source: Office of Chief Government Statistician-Zanzibar*



**Table A10: Tanzania Percentage Change in National Consumer Price Index**

Period	Headline	Food	Non-Food											
			Total Non-Food	Drinks & Tobacco	Clothing & Footwear	Rent	Fuel, Power & Water	Furniture Household Equip.	Household operations	Personal care & Health	Recreation & Entertain.	Transportation	Educ-ation	Miscel. goods & services
Weight (%)	100	55.9	44.1	6.9	6.4	1.4	8.5	2.1	2.1	2.1	0.8	9.7	2.6	1.5
2004	4.7	8.3	-0.1	0.3	-6.9	3.7	7.1	-0.7	0.3	-8.5	-8.1	0.8	-4.0	-5.8
2005	5.0	4.7	5.5	4.1	2.5	13.0	12.7	1.9	2.1	2.3	5.7	7.9	-13.6	0.9
2006	7.2	7.0	7.6	7.7	7.0	5.5	8.5	7.8	2.0	11.2	5.0	9.1	2.5	8.0
2007	7.0	7.0	7.0	10.5	5.9	3.6	6.1	7.9	8.7	2.9	8.9	7.0	9.6	0.8
2008	10.3	12.7	6.7	8.1	1.5	2.4	10.7	6.0	3.2	5.0	5.5	6.9	7.0	1.8
2009	12.2	17.7	3.7	8.2	5.9	12.3	-2.1	5.8	5.1	6.4	8.9	0.0	9.7	3.1
2008 Mar	9.0	11.2	5.8	9.1	1.0	1.7	8.3	4.9	2.9	3.1	3.5	6.0	5.6	1.0
Jun	9.3	11.4	6.3	7.7	0.9	2.1	10.6	5.5	2.8	4.0	4.0	6.7	6.3	0.4
Sep	11.6	13.4	8.9	8.8	2.2	2.4	15.0	8.2	3.4	6.9	6.9	9.7	8.3	3.4
Dec	13.5	18.6	5.9	5.5	4.3	2.4	8.1	6.8	5.4	8.0	8.7	5.1	8.5	2.5
2009 Mar	13.0	18.5	4.3	5.7	4.4	12.6	0.3	7.1	4.7	7.7	10.5	3.2	11.2	3.5
June	10.7	17.0	1.0	6.8	7.2	12.2	-10.1	6.0	4.5	7.7	9.1	-2.0	11.4	3.8
Sep	12.1	17.3	4.1	11.3	8.1	12.6	-0.9	7.0	5.2	7.0	9.1	-2.0	9.5	3.1
Dec	12.2	14.5	8.5	12.2	6.6	12.6	13.7	2.6	4.9	3.2	9.3	3.8	7.8	0.4
2010 Jan	10.9	11.3	10.1	12.1	5.3	2.6	23.3	3.5	6.0	3.7	7.5	3.3	7.5	1.0
Feb	9.6	10.1	8.8	11.5	4.5	2.6	20.3	1.6	4.7	4.9	3.4	3.4	6.0	-1.8
Mar	9.0	9.7	7.9	9.7	5.5	2.9	16.3	2.2	5.0	5.6	3.0	4.1	3.5	-2.0
Apr	9.4	9.8	8.6	10.1	3.6	2.8	19.9	1.7	4.7	5.8	4.4	5.4	2.9	-5.2

*Note: (1) Before August 2006, Base year June 2001=100, Afterwards Base year December 2001=100  
Source: National Bureau of Statistics*



**Table A11: Tanzania – Central Government Operations**

*Billions of TZS*

Item	2008/09		2009/10				
	July - March		BUDGET	Estimates	July - March		
	Actual	% of GDP			Actual	% of Est.	% of GDP
<b>Total Revenue (incl. LGA Own Sources)</b>	<b>3,235.1</b>	<b>12.0%</b>	<b>5,234.1</b>	<b>3,924.9</b>	<b>3,490.3</b>	<b>88.9%</b>	<b>11.2%</b>
<b>Total Revenue (excl. LGA Own Sources)</b>	<b>3,235.1</b>	<b>12.0%</b>	<b>5,096.0</b>	<b>3,821.4</b>	<b>3,490.3</b>	<b>91.3%</b>	<b>11.2%</b>
Tax Revenue	3,060.7	11.4%	4,840.9	3,621.7	3,330.0	91.9%	10.7%
Taxes on Imports	1,110.8	4.1%	1,758.2	1,311.1	1,237.7	94.4%	4.0%
Sales/VAT and Excise on Local Goods	687.2	2.6%	1,101.6	821.9	722.1	87.9%	2.3%
Income Taxes	917.9	3.4%	1,428.4	1,073.1	1,000.3	93.2%	3.2%
Other taxes	344.8	1.3%	552.6	415.6	369.9	89.0%	1.2%
Non-tax Revenue	174.5	0.6%	255.1	199.7	160.2	80.3%	0.5%
LGA Own Sources			138.1	103.5	0.0	0.0%	0.0%
<b>Total Expenditure /1</b>	<b>4,649.6</b>	<b>17.3%</b>	<b>8,862.3</b>	<b>6,718.7</b>	<b>6,143.9</b>	<b>91.4%</b>	<b>19.7%</b>
Recurrent expenditure	3,142.3	11.7%	6,036.8	4,464.1	4,189.7	93.9%	13.5%
Retention fund	40.4	0.2%	103.5	76.9	50.9	66.2%	0.2%
Wages and salaries	1,237.2	4.6%	1,766.4	1,320.9	1,276.7	96.7%	4.1%
Interest payments	168.4	0.6%	407.8	274.8	173.6	63.2%	0.6%
Domestic /2	144.1	0.5%	354.9	236.6	145.9	61.7%	0.5%
Foreign	24.3	0.1%	52.9	38.1	27.7	72.6%	0.1%
Other goods, services and transfers	1,696.3	6.3%	3,759.1	2,791.5	2,688.5	96.3%	8.6%
<b>Dev. Expenditure and net lending</b>	<b>1,507.3</b>	<b>5.6%</b>	<b>2,825.4</b>	<b>2,254.6</b>	<b>1,954.2</b>	<b>86.7%</b>	<b>6.3%</b>
Local	574.6	2.1%	968.0	831.8	625.4	75.2%	2.0%
Foreign	932.7	3.5%	1,857.4	1,422.8	1,328.8	93.4%	4.3%
<b>Overall Balance (cheque issued) before Grants</b>	<b>-1,414.5</b>	<b>-5.3%</b>	<b>-3,628.2</b>	<b>-2,793.8</b>	<b>-2,653.7</b>	<b>95.0%</b>	<b>-8.5%</b>
<b>Grants</b>	<b>1,036.5</b>	<b>3.9%</b>	<b>2,090.9</b>	<b>1,634.0</b>	<b>1,341.0</b>	<b>82.1%</b>	<b>4.3%</b>
Program (CIS/ OGL)	561.7	2.1%	825.4	645.1	650.0	0.1%	2.1%
Project	244.8	0.9%	640.7	480.5	419.7	0.1%	1.3%
Basket funds	179.4	0.7%	282.8	251.9	238.6	0.1%	0.8%
HIPC Relief	50.7	0.2%	0.0	0.0	0.0	0.0%	
MCA(T) - USA			341.9	256.5	32.7	0.0%	0.1%
<b>Overall defic.(cheq.issued) after Grants</b>	<b>-377.9</b>	<b>-1.4%</b>	<b>-1,537.3</b>	<b>-1,159.8</b>	<b>-1,312.6</b>	<b>113.2%</b>	<b>-4.2%</b>
Expenditure float	-216.7	-0.8%	0.0		-436,236.3		<b>-1402.3%</b>
Adjustments to cash and other items (net)	-0.1		0.4		436,426.6		
<b>Overall Balance (cheques issued)</b>	<b>-652.0</b>	<b>-2.4%</b>	<b>-1,536.8</b>	<b>-1,159.8</b>	<b>-1,122.3</b>	<b>96.8%</b>	<b>-3.6%</b>
<b>Total Financing:</b>	<b>652.0</b>	<b>2.4%</b>	<b>1,537.3</b>	<b>1,159.8</b>	<b>1,122.3</b>	<b>96.8%</b>	<b>3.6%</b>
<i>Foreign Financing (net)</i>	<i>793.9</i>	<i>3.0%</i>	<i>1,037.1</i>	<i>864.5</i>	<i>967.5</i>	<i>111.9%</i>	<i>3.1%</i>
Loans	680.6	2.5%	800.9	692.8	800.7	115.6%	2.6%
Program loans	306.3	1.1%	368.5	368.5	339.6	92.2%	1.1%
Development Project loans	374.3	1.4%	432.5	324.3	461.1	142.2%	1.5%
Basket Support	127.5	0.5%	290.1	207.5	189.4	91.3%	0.6%
Amortization	-14.3	-0.1%	-53.9	-35.9	-22.6	63.1%	-0.1%
<b>Total Domestic (net)</b>	<b>-141.9</b>	<b>-0.5%</b>	<b>500.2</b>	<b>295.3</b>	<b>154.7</b>	<b>52.4%</b>	<b>0.5%</b>
<i>Net domestic financing (NDF)</i>	<i>-186.9</i>	<i>-0.7%</i>	<i>506.2</i>	<i>301.3</i>	<i>155.3</i>	<i>51.5%</i>	<i>0.5%</i>
Bank borrowing	-218.9	-0.8%	300.0	201.3	256.9		0.8%
Non-Bank (net of amortization)	32.0	0.1%	206.2	100.0	-101.6		-0.3%
Amortization of domestic debt	0.0		576.5	441.8	424.4		
Amortization of contingent debt	0.0	0.0%	-597.5	-462.8	-425.0		-1.4%
Privatization Proceeds	45.0	0.2%	15.0	15.0	0.0	0.0%	0.0%

Note:

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

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

Source: Ministry of Finance and Economic Affairs





**Table A12: Zanzibar – Central Government Operations**

*Millions of TZS*

Item	Budget	July -April 2009	July -April 2010		Actual vs
	2009/2010	Actual	Estimates	Actual	Estimate%
<b>Total Revenue</b>	<b>159,697.5</b>	<b>115,246.0</b>	<b>136,366.8</b>	<b>127,228.0</b>	<b>93.3</b>
<b>Tax Revenue</b>	<b>148,932.5</b>	<b>107,480.7</b>	<b>125,566.8</b>	<b>117,962.6</b>	<b>93.9</b>
Tax on Imports	38,834.4	28,100.7	33,277.0	29,468.7	88.6
VAT and Excise Duties (local)	49,710.0	35,907.3	43,105.9	36,864.2	85.5
Income Tax	24,325.0	16,441.7	19,510.5	19,889.8	101.9
Other Taxes	36,063.0	27,031.0	29,673.5	31,739.9	107.0
Non-Tax Revenue	10,765.0	7,765.4	10,800.0	9,265.5	85.8
<b>Total Expenditure</b>	<b>412,605.0</b>	<b>172,052.3</b>	<b>250,066.6</b>	<b>226,924.7</b>	<b>90.7</b>
Recurrent Expenditure	172,692.0	113,655.5	136,107.0	129,657.7	95.3
Wages and Salaries	73,763.0	53,250.8	58,460.0	58,874.4	100.7
Interest Payment	2,350.0	629.9	858.5	858.5	100.0
Local	0.0	268.2	858.5	858.5	100.0
Foreign	0.0	0.0	0.0	0.0	
Other Expenditure	96,579.0	59,774.8	76,788.6	69,924.9	91.1
<b>Development Expenditure</b>	<b>239,913.0</b>	<b>58,396.8</b>	<b>113,959.6</b>	<b>97,267.0</b>	<b>85.4</b>
local	40,725.0	19,552.5	44,649.4	30,115.5	67.4
foreign	199,188.0	38,844.3	64,460.2	63,901.4	99.1
<b>Overall (surplus) Deficit before grants</b>	<b>(252,907.5)</b>	<b>(56,806.3)</b>	<b>(113,699.8)</b>	<b>(99,696.7)</b>	<b>87.7</b>
<b>Grants</b>	<b>147,093.0</b>	<b>50,569.7</b>	<b>71,931.0</b>	<b>74,596.0</b>	<b>103.7</b>
4.5% Budget Support	50,214.0	22,908.0	36,494.0	35,128.0	96.3
Debt relief	0.0	0.0	0.0	0.0	
Program Grant	96,879.0	27,661.7	35,437.0	39,468.0	111.4
<b>Overall Deficit after grants</b>	<b>(105,814.5)</b>	<b>(6,236.6)</b>	<b>(41,768.7)</b>	<b>(25,100.6)</b>	<b>60.1</b>
Adjustment to cash and other items	0.5	6,086.3	(4,487.3)	2,582.7	(57.6)
<b>Overall Deficit cheques cleared</b>	<b>(105,815.0)</b>	<b>(12,322.9)</b>	<b>(37,281.5)</b>	<b>(27,683.4)</b>	<b>74.3</b>
<b>Financing</b>	<b>105,815.0</b>	<b>12,322.9</b>	<b>37,281.5</b>	<b>27,683.4</b>	<b>74.3</b>
Foreign	102,309.0	8,852.5	37,281.5	27,683.4	74.3
Import Support	0.0	0.0	0.0	0.0	
Program Loans	102,309.0	8,852.5	37,281.5	27,683.4	74.3
Amortization (foreign)		0.0	0.0	0.0	
Domestic (net)	3,506.0	4,940.5	0.0	0.0	
Bank	0.0	0.0	0.0	0.0	
Non-bank	3,506.0	4,940.5	0.0	0.0	
Amortization (local)	0.0	(1,470.1)	0.0	0.0	

Source: Ministry of Finance and Economic Affairs - Zanzibar



**Table A13: Tanzania - Balance of Payments**

*Millions of USD*

<i>Item</i>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008<sup>r</sup></b>	<b>2009<sup>p</sup></b>
<b>A. Current Account</b>	<b>-862.8</b>	<b>-1,143.2</b>	<b>-1,578.6</b>	<b>-2,535.8</b>	<b>-1,745.8</b>
<i>Balance on Goods</i>	<b>-1,318.5</b>	<b>-1,946.5</b>	<b>-2,634.1</b>	<b>-3,447.4</b>	<b>-2,679.4</b>
Goods: exports f.o.b.	1,679.1	1,917.6	2,226.6	3,036.0	3,096.3
Traditional	354.5	267.1	319.7	417.7	470.8
Nontraditional	1,324.6	1,476.2	1,704.5	2,270.6	2,163.2
o/w Gold	655.1	786.4	788.2	932.4	1,076.1
Goods: imports f.o.b.	-2,997.6	-3,864.1	-4,860.6	-6,483.4	-5,775.7
<i>Balance on Services</i>	61.8	278.7	462.1	392.9	321.4
Services: credit	1,269.2	1,528.1	1,875.7	1,998.8	2,059.6
Services: debit	-1,207.3	-1,249.3	-1,413.7	-1,605.8	-1,738.2
<i>Balance on Goods and Services</i>	-1,256.6	-1,667.8	-2,172.0	-3,054.4	-2,358.0
<i>Balance on income</i>	-102.0	-64.1	-58.1	-90.8	-74.0
Income: credit	80.9	80.3	107.3	122.7	155.3
Income: debit	-182.9	-144.4	-165.4	-213.5	-229.3
<i>Balance on Goods, Services and Income</i>	-1,358.6	-1,731.8	-2,230.1	-3,145.2	-2,432.0
<i>Balance on Current transfers</i>	495.7	588.7	651.5	609.4	686.2
Current transfers: credit	563.3	654.6	724.0	689.0	762.0
Current transfer: debit	-67.5	-65.9	-72.5	-79.6	-75.8
<b>B. Capital Account</b>	<b>393.2</b>	<b>5,183.5</b>	<b>911.7</b>	<b>537.0</b>	<b>466.5</b>
Capital transfers: credit	393.2	5,183.5	911.7	537.0	466.5
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
Total, Groups A plus B	-469.7	4,040.3	-666.9	-1,998.8	-1,279.3
<b>C. Financial Account, excl. reserves and related items</b>	<b>555.6</b>	<b>-3,954.6</b>	<b>946.0</b>	<b>1,745.7</b>	<b>1,553.2</b>
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	494.1	597.0	647.0	679.3	645.0
Portfolio investment	2.5	2.6	2.8	2.9	3.0
Other investment	59.0	-4,554.2	296.3	1,063.5	905.2
<i>Total, Groups A through C</i>	85.9	85.7	279.1	-253.1	274.0
<b>D. Net Errors and Omissions</b>	<b>-314.5</b>	<b>374.9</b>	<b>125.5</b>	<b>401.1</b>	<b>91.0</b>
<i>Overall balance</i>	-228.7	460.7	404.6	148.0	365.0
<b>E. Reserves and Related Items</b>	<b>228.7</b>	<b>-460.7</b>	<b>-404.6</b>	<b>-148.0</b>	<b>-365.0</b>
Reserve assets	254.0	-126.5	-411.4	-147.0	-675.5
Use of Fund credit and loans	-50.5	-334.2	6.8	-0.2	310.6
Exceptional financing	25.1	0.0	0.0	0.0	0.0
<b>Memorandum items</b>					
GDP(mp) billions of TZS	15,965.3	17,941.3	20,948.4	24,617.4	29,375.9
GDP(mp) millions of USD	14,139.1	14,308.4	16,838.6	20,577.8	22,249.2
CAB/GDP	-6.1	-8.0	-9.4	-12.3	-7.8
CAB/GDP (excl. current official transfers)	-9.5	-11.9	-13.1	-15.2	-10.8
Gross Official Reserves	2,049.5	2,136.9	2,724.3	2,872.6	3,551.3
Months of Imports	5.8	5.0	5.2	4.3	5.7
Net International Reserves (year end)	1,702.5	2,121.4	2,706.6	2,855.1	3,220.5
Change in Net International Reserves	180.5	-418.9	-585.2	-148.4	-365.4
Exchange rate (end of period)	1,165.5	1,261.6	1,132.1	1,280.3	1,313.3
Exchange rate (annual average)	1,129.2	1,253.9	1,244.1	1,196.3	1,320.3

**Notes:**

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

2. Annual data on goods export include adjustment for unrecorded cross boarder trade

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

Source: Bank of Tanzania



## **GLOSSARY**

### **Currency in Circulation outside Banks**

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

### **Discount Rate also known as Bank Rate**

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

### **Exchange Rate**

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

### **Inflation**

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

### **International Reserves or Reserve Assets**

International reserves consist of external assets that are readily available to, and controlled by the Central Bank for direct financing of balance of payments, and for indirectly regulating the magnitude of balance of payments imbalances through intervention in foreign exchange markets. For the case of Tanzania, international reserves comprise the Bank of Tanzania's holdings of monetary gold, special drawing rights (SDRs), reserve position in the International Monetary Fund, and foreign exchange



resources, available to the Bank of Tanzania for meeting external financing needs.

### **Lombard Facility**

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

### **M—Money Supply**

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

### **M0—Monetary Base, Base Money, or Reserve Money**

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

### **M1—Narrow Money**

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



## **M2—Broad Money**

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

## **M3—Extended Broad Money**

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

## **Nominal Exchange Rate**

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

## **Non-Food Inflation Rate**

This is a measure of price movements caused by factors other than food prices. It provides a better indication of the effectiveness of monetary policy.

## **Reserve Money Program**

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



### **Statutory Minimum Reserves**

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

### **Weighted Annualized Yields of Treasury Bills for all Maturities**

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