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# **MONETARY POLICY STATEMENT**

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**GOVERNOR  
BANK OF TANZANIA**

June 2012



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11<sup>th</sup> June, 2012

Hon. Dr. William A. Mgimwa (MP),  
Minister for Finance,  
Dar es Salaam,  
TANZANIA.

Honourable Minister,

## LETTER OF TRANSMITTAL

In accordance with Section 21 (3) to (6) of the Bank of Tanzania Act 2006, I hereby submit the *Monetary Policy Statement* of the Bank of Tanzania for the year 2012/13.

The Statement reviews monetary policy implementation and macroeconomic developments during 2011/12. It then outlines the monetary policy stance and measures that the Bank of Tanzania intends to pursue in 2012/13, aimed at maintaining price stability and ensuring integrity of the financial system, with a view to promoting high and sustainable economic growth.

:

Yours Sincerely,

**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>
<i>Introduction</i>	<i>vi</i>
<i>Global Economic Developments</i>	<i>vi</i>
<i>Economic Developments in Tanzania</i>	<i>vii</i>
<i>Implementation of Monetary Policy in 2011/12</i>	<i>x</i>
<i>Macroeconomic Policy Framework and Monetary Policy Stance for 2012/13</i>	<i>xi</i>
<i>Conclusion</i>	<i>xii</i>
<b>PART I</b>	<b>1</b>
<b>1.0 INTRODUCTION</b>	<b>1</b>
<i>1.1 Mandate and Modalities for Monetary Policy Implementation</i>	<i>1</i>
<i>1.1.1 The Mandate of the Bank of Tanzania</i>	<i>1</i>
<i>1.1.2 Modalities for Monetary Policy Implementation</i>	<i>2</i>
<b>PART II</b>	<b>4</b>
<b>2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2011/12</b>	<b>4</b>
<i>2.1 Macroeconomic Policy Objectives</i>	<i>4</i>
<i>2.2 Monetary Policy Objectives</i>	<i>4</i>
<b>PART III</b>	<b>5</b>
<b>3.0 MACROECONOMIC DEVELOPMENTS DURING 2011/12</b>	<b>5</b>
<i>3.1 An Overview of Global Economic Developments</i>	<i>5</i>
<i>3.2 Domestic Economic Developments</i>	<i>6</i>



<b>PART IV</b>	<b>21</b>
<b>4.0 MONETARY POLICY IMPLEMENTATION DURING 2011/12</b>	<b>21</b>
4.1 <i>Liquidity Management and Interest Rate Developments</i>	21
4.2 <i>Exchange Rate Developments</i>	22
4.3 <i>Money Supply and Credit Developments</i>	23
4.4 <i>Financial Sector Stability</i>	26
4.5 <i>Financial Sector Reforms</i>	27
4.6 <i>National Payment Systems Developments</i>	28
<b>PART V</b>	<b>30</b>
<b>5.0 MACROECONOMIC POLICY FRAMEWORK FOR 2012/13</b>	<b>30</b>
5.1 <i>Macroeconomic Objectives</i>	30
5.2 <i>Monetary Policy Objectives</i>	30
<b>PART VI</b>	<b>32</b>
<b>6.0 MONETARY POLICY STANCE DURING 2012/13</b>	<b>32</b>
6.1 <i>Liquidity Management</i>	32
6.2 <i>Interest Rate Policy</i>	32
6.3 <i>Exchange Rate Policy</i>	32
6.4 <i>Measures for Financial Sector Stability and Access</i>	32
<b>PART VII</b>	<b>34</b>
<b>CONCLUSION</b>	<b>34</b>
<b>APPENDICES</b>	<b>35</b>
<b>GLOSSARY</b>	<b>52</b>





## EXECUTIVE SUMMARY

### Introduction

The annual Monetary Policy Statement is a statutory document of the Bank of Tanzania that specifies the policies and means by which the Bank intends to use to achieve its monetary policy targets. It also states the reasons for adopting those policies and means. The Statement also contains a review and assessment of the implementation of monetary policy by the Bank during the period to which the preceding policy statement relates.

This Statement reviews monetary policy implementation in 2011/12 and outlines the monetary policy stance in 2012/13.

### Global Economic Developments

In 2011, the recovery of the global economy from recession remained weak. The weak recovery was mainly due to the crisis in the Euro zone associated with sovereign debt, coupled with weak consumer and business confidence in the rest of the world. This led to a weakening of investment and overall growth. In emerging and developing economies, real growth slowed down, mainly due to policy tightening and decline in investment and external demand. However, Sub-Saharan Africa continued to record strong economic performance notwithstanding adverse supply shocks from drought, especially in Eastern and Western Africa.

Global inflation was generally high in 2011, driven mainly by rising commodity prices. In advanced economies, average inflation was 2.7 percent compared to 1.5 percent in the preceding year, while in emerging and developing countries inflation was 7.1 percent compared with 6.1 percent. In the same period, inflation in Sub-Saharan Africa stood at 8.2 percent compared with 7.4 percent. Global inflationary pressures are expected to ease in 2012 due to low global demand, lower commodity prices and subdued wage pressure resulting from high unemployment in most of the advanced economies.



## **Economic Developments in Tanzania**

### ***Tanzania Mainland***

Tanzania's economic growth performance remained buoyant in 2011 despite power rationing that affected manufacturing and trade activities. Real GDP grew by 6.4 percent above the projected level of 6.0 percent. The good performance was mainly driven by strengthening activities in trade and repairs, transport and communication, agriculture, and manufacturing. Growth in 2012 and beyond is expected to pick up supported by improvements in electricity supply, prospects of increase in foreign direct investments particularly in oil and gas explorations, and continued implementation of major infrastructural projects. However, downside risks to growth remain. Intensification of global slowdown would affect the Tanzania economy through more difficult market conditions for our exports including tourism.

During the first ten months of 2011/12, average annual headline inflation was 17.8 percent, compared with an average of 6.3 percent recorded in the corresponding period of 2010/2011. This development was mainly on account of high global oil prices and rising prices of food items, following unfavourable weather conditions in the EAC region. Average annual food inflation was 24.0 percent compared with 7.1 percent. Annual headline inflation, which had reached a peak of 19.8 percent in December 2011, started easing in January 2012, and was 18.7 percent in April 2012, following improved food supply in the region and stability in global oil prices. Food inflation eased to 25.3 percent in April 2012, compared to a peak of 27.8 percent in January 2012, while non-food inflation was 11.2 percent compared to 11.8 percent. Core inflation (excluding food and energy) remained at single digits mainly due to tight fiscal and monetary policies, which led to the stability in exchange rate and the slowdown in the growth of money supply. Given the improvement recorded in food supply in the region and the recorded stability in global oil prices and the stability of the Shilling, inflation is projected to continue with the downward trend in the near to medium term.



Fiscal operations during July 2011 to April 2012 exhibited strong revenue performance, surpassing recurrent expenditure by about 11 percent. This was mainly explained by improvements in tax administration and the fiscal stance of keeping recurrent spending on check. Domestically financed development expenditure was 87.5 percent of the projection, while foreign component was only 48.7 percent, primarily due to delays in disbursement of project funds.

During the year ending April 2012, the banking sector remained sound and strong, with capital and liquidity levels being above regulatory requirements. The ratio of core capital to total risk weighted assets and off-balance sheet exposures was at 18.2 percent compared with a minimum regulatory requirement of 10.0 percent, while that of total loans to customers' deposits stood at 65.7 percent, which is within the threshold of 80.0 percent. The quality of assets of the banking sector improved as the ratio of non-performing loans to total loans decreased to 7.6 percent from 8.3 percent recorded at the end of April 2011, mainly due to improved credit administration by banking institutions.

During the first ten months of 2011/12, the current account deficit of the balance of payments widened to USD 4,519.3 million compared to a deficit of USD 1,881.3 million recorded in the corresponding period in 2010/11, largely due to rise in import of oil and capital goods and decline in official transfers. Meanwhile, export of goods and services increased by 10.4 percent to USD 5,970.2 million, mainly on account of the rise in export value of gold, travel and transportation receipts. At the end of April 2012, gross official reserves amounted to USD 3,498.5 million, sufficient to cover about 3.7 months of projected import of goods and services. Gross official reserves reached USD 3,531.1 million at the end of May 2012.



## *Zanzibar*

Zanzibar continued to record good economic performance in 2011, notwithstanding the impact of increased global food and oil prices. Real GDP growth picked up to 6.8 percent, compared to 6.4 percent recorded in 2010, mainly on account of increased earnings from tourism and improvements in power supply. Strong growth rates were recorded in hotels and restaurants, fishing, mining and quarrying, electricity, gas and water supply, construction, and trade and repairs sub-activities.

In the first ten months of 2011/12, average annual headline inflation was 16.6 percent, compared to 7.8 percent recorded in the corresponding period of 2010/2011, with most of the increase coming from oil and food items, particularly rice, wheat, sugar and fish. In April 2012, headline inflation was 9.9 percent compared to 13.8 percent recorded in April 2011.

On the fiscal side, total resources amounted to TZS 240.7 billion during the first ten months of 2011/12, out of which domestic revenue was TZS 188.2 billion, below the target by 3.7 percent. Most of the shortfall was recorded in income tax. Government expenditure was TZS 369.7 billion, out of which recurrent expenditure was TZS 193.4 billion and development expenditure TZS 176.3 billion. The overall deficit was TZS 134.7 billion, out of which foreign financing was TZS 120 billion.

Zanzibar's current account balance in the first ten months of 2011/12 recorded a surplus of USD 30.5 million compared with a surplus of USD 3.9 million in the corresponding period in 2010/11, largely due to substantial increase in both unit price and volume of clove exports and improvement in cargo clearance at Zanzibar Port, which boosted transportation receipts.



## **Implementation of Monetary Policy in 2011/12**

### **Monetary Policy Objectives**

In 2011/12, monetary policy continued to focus on maintaining appropriate level of liquidity in support of the macroeconomic objectives of the Government. In particular, the Bank aimed at achieving the following targets:

- Expansion of average reserve money at an annual rate of 19.0 percent;
- Annual growth of extended broad money supply (M3) not exceeding 19.0 percent;
- Annual growth of private sector credit of at least 20.8 percent; and
- Accumulation of gross official reserves adequate to cover at least 4.5 months of projected import of goods and services.

### **Monetary Policy Implementation**

The Bank pursued relatively cautious monetary policy in an effort to dampen inflationary pressures in the economy while achieving the set objectives. Consistent with the monetary policy stance, the growth of monetary aggregates slowed down during the period. Annual growth of average reserve money was 11.2 percent in April 2012, against the target of 19.0 percent for the year ending June 2012, while extended broad money (M3) grew by 13.6 percent compared with the target of 19.0 percent. Meanwhile, private sector credit grew by 24.0 percent, exceeding the target of 20.8 percent, with most of the credit held in personal activities, trade, manufacturing, agriculture and transport and communication activities. The outturn in monetary aggregates was a result of the appropriate mix of monetary policy instruments particularly sale of government securities, sale and purchase of foreign exchange, repo and reverse repo operations, coupled with the use of standing facilities.





The good performance in monetary policy, coupled with relatively good expenditure management and increased revenue collection, led to the attainment of most of the targets under the Policy Support Instrument (PSI) program for the quarter ending March 2012. The targets for average reserve money and net domestic financing of the government were met with comfortable margins, while the change in net international reserves (NIR) fell short of the target. The underperformance in NIR was mainly on account of increased demand for foreign exchange to cater for the rising oil import bill and demands to finance infrastructure, especially in the transport sector.

## **Macroeconomic Policy Framework and Monetary Policy Stance for 2012/13**

In 2012/13, the fiscal policy thrust is directed towards implementing the Five-Year Development Plan, which aims at sustaining strong growth and reduction of income poverty. Real GDP is projected to grow by 6.8 in 2012, supported by improvement in power supply, prospects of increase in foreign direct investments and infrastructure developments. Inflation is projected to slowdown to single digit level, supported by prudent fiscal policy. In support of these macroeconomic objectives, the Bank of Tanzania aims at achieving an annual growth of average reserve money of 16.0 percent and extended broad money supply (M3) of 18.0 percent, which will provide room for private sector credit to grow by 20.0 percent.

In view of the targets above, and against the backdrop of high inflation, the Bank will continue to maintain level of liquidity within the framework of monetary targeting with reserve money remaining the operating target. The Bank will also continue to monitor upside risks to inflation, and stand ready to take additional measures if need arises.



## Conclusion

Notwithstanding the downside risks associated with weak global economic situation, the Tanzania economy is expected to sustain strong growth in 2012 and beyond, supported by improvement in energy supply, prospects of increase in foreign direct investments and infrastructure developments. The projected general decline in global inflation is expected to be also reflected in domestic inflation trend. However, considering the nature of inflation that has been experienced in the recent past, attainment of low inflation will depend not only on coordination of monetary and fiscal policies, but also deliberate policies that will address supply side challenges including increasing capacity for food production, as well as capacity to stabilize food supply through improved transportation and management of strategic food reserves.

The Bank will continue to provide monetary conditions needed for macroeconomic stability including adequate level of credit to the private sector and remain vigilant in safeguarding stability of the financial sector.



## **PART I**

### **1.0 INTRODUCTION**

The annual Monetary Policy Statement is a statutory document of the Bank of Tanzania that specifies the policies and means by which the Bank intends to use to achieve its monetary policy targets. It also states the reasons for adopting those policies and means. The Statement also contains a review and assessment of the implementation of monetary policy by the Bank during the period to which the preceding policy statement relates.

The Statement is divided into seven parts. Part II presents the macroeconomic policy framework for 2011/12, while Part III covers the review of macroeconomic developments during the period between July 2011 and April 2012. Part IV reviews the progress in the implementation of monetary policy in 2011/12. Part V of the Statement presents the macroeconomic policy framework for 2012/13, and outlines the monetary policy objectives of the Bank of Tanzania during the year, consistent with macroeconomic objectives of the Government. Part VI presents the monetary policy stance of the Bank during 2012/13, and lastly Part VII concludes the Statement.

### **1.1 MANDATE AND MODALITIES FOR MONETARY POLICY IMPLEMENTATION**

#### **1.1.1 The Mandate of the Bank of Tanzania**

Section 7 (1) of the Bank of Tanzania Act 2006 states that:

“The primary objective of the Bank shall be to formulate, define and implement monetary policy directed to the economic objective of maintaining domestic price stability conducive to a balanced and sustainable growth of the national economy”.



The Act also states in Section 7 (2) that:

“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 promote sound monetary, credit and banking conditions conducive to the development of the national economy”.

### **1.1.2 Modalities for Monetary Policy Implementation**

The Bank of Tanzania employs a variety of indirect instruments of monetary policy to maintain liquidity within desired levels. This includes the use of Open Market Operations (OMO) in government securities, as well as sale and purchase of foreign currency in the Inter-bank Foreign Exchange Market (IFEM). The liquidity management effort is further complemented by periodic adjustments in the pricing of standby facilities namely; the discount window and the Lombard facility of the Bank. The Bank also uses Repurchase Agreements (REPOs) to manage short-term liquidity fluctuations in the economy.



## 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 accordance with the broader macroeconomic policy objectives of the Government.*
- *The Statement is approved by the Board of Directors of the Bank and submitted to the Minister for Finance, who in turn submits it to the Parliament.*
- *The same procedure is followed in the mid-year review of the Monetary Policy Statement, which shows progress in the implementation of the monetary policy and the outlook for the remaining period.*
- *The Monetary Policy Committee of the Board of Directors of the Bank, which is chaired by the Governor, is responsible for setting the monetary policy direction bi-monthly, consistent with the ultimate objective of maintaining domestic price stability.*
- *At the Bank, the Liquidity management committee, chaired by the Governor, meets weekly to evaluate weekly progress on monetary policy implementation and decide on appropriate measures.*
- *At the Bank, the Surveillance Committee, also chaired by the Governor, meets daily to evaluate progress in monetary policy implementation and approve appropriate measures for liquidity management.*
- *A Technical Committee reviews liquidity developments on daily basis and advises Surveillance Committee on appropriate daily measures for liquidity management.*



## PART II

### 2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2011/12

#### 2.1 Macroeconomic Policy Objectives

In 2011/12, Government continued to focus on sustaining macroeconomic stability through implementation of appropriate fiscal and monetary policies. In this regard, the Government aimed at achieving the following macroeconomic objectives:

- i. A real GDP growth of 6.6 percent in 2011/12 based on the projected GDP growth of 6.0 percent in 2011 and 7.2 percent in 2012;
- ii. Maintaining an annual inflation rate at single digit by June 2012;
- iii. Domestic revenue equivalent to 17.2 percent of GDP and Local Governments' own sources of 0.9 percent of GDP;
- iv. Government expenditure equivalent to 32.1 percent of GDP; and
- v. Government net domestic financing of 1.0 percent of GDP and non-concessional external borrowing not exceeding 3.3 percent of GDP, which includes carry-over of USD 297 million from 2010/11.

#### 2.2 Monetary Policy Objectives

In support of the macroeconomic policy objectives of the Government, the Bank of Tanzania continued to focus on sustaining price stability. Specifically, the Bank aimed at achieving the following objectives in 2011/12:

- i. Annual growth of average reserve money of 19.0 percent;
- ii. Annual growth of extended broad money supply (M3) not exceeding 19.0 percent;
- iii. Annual growth of private sector credit of at least 20.8 percent; and
- iv. Accumulation of gross official reserves adequate to cover at least 4.5 months of projected import of goods and services.



## PART III

### 3.0 MACROECONOMIC DEVELOPMENTS DURING 2011/12

#### 3.1 An Overview of Global Economic Developments

##### 3.1.1 GDP Performance

In 2011, the global economy grew by 3.9 percent compared to 5.3 percent in 2010 (**Table 3.1**). The weak performance was mainly due to crisis in the Euro zone associated with sovereign debt, coupled with weak consumer and business confidence in the rest of the world. This led to a weakening of investment, as well as a fall in exports and external demand. In emerging and developing economies, real GDP declined mainly attributed to policy tightening and decline in investment and external demand. Economic growth in Sub-Saharan Africa expanded by 5.1 percent in 2011 despite adverse supply shocks from drought in both Eastern and Western Africa.

According to the IMF's World Economic Outlook (WEO) of April 2012, the global economy is projected to grow by 3.5 percent in 2012 down from 3.9 percent in 2011. Real GDP in the advanced economies is projected to grow by 1.4 percent in 2012 from 1.6 percent in 2011, largely due to the sovereign debt crisis in the Euro Zone, which is expected to reduce economic activity through lower consumer confidence. In the emerging and developing economies, output growth is projected to fall to 5.7 percent in 2012 from 6.2 percent recorded in 2011, largely due to slowdown in investment and external demand. Real GDP growth in Sub-Saharan Africa is projected to increase to 5.4 percent in 2012 due to new mineral explorations and oil and gas production and the reversal of adverse supply shocks experienced in 2011.



**Table 3.1: Global GDP Growth Rates and Projections**

	<i>Annual percent change</i>							
	2006	2007	2008	2009	2010	2011	Projections	
							2012	2013
World	5.2	5.4	2.8	-0.6	5.3	3.9	3.5	4.1
Advanced Economies	3.0	2.8	0.1	-3.6	3.2	1.6	1.4	2.0
Emerging and Developing Economies	8.2	8.7	6.0	2.8	7.5	6.2	5.7	6.0
Developing Asian Countries	10.3	11.4	7.8	7.1	9.7	7.8	7.3	7.9
Sub-Saharan Africa	6.4	7.1	5.6	2.8	5.3	5.1	5.4	5.3
Tanzania	6.7	7.1	7.4	6.0	7.0	6.4	6.8	7.0

*Source: IMF WEO, April 2012 and Bank of Tanzania*

### 3.1.2 Inflation Developments

Global inflation was generally high in 2011, mainly affected by rising commodity prices particularly in major advanced economies. Inflation went up from 1.5 percent in 2010 to 2.7 percent in 2011 in advanced economies, while in emerging and developing countries inflation rose to 7.1 percent in 2011 from 6.1 percent in 2010. Similarly, inflation in Sub Saharan Africa increased to 8.2 percent from 7.4 percent. Nevertheless, core inflation has generally remained low. Global inflationary pressures are expected to ease in 2012 due to low global demand, lower commodity prices and subdued wage pressure resulting from high unemployment in most of the advanced economies. Accordingly, in 2012, inflation is projected to slow down to 1.5 percent and 6.2 percent in advanced economies, and emerging and developing economies, respectively.

## 3.2 Domestic Economic Developments

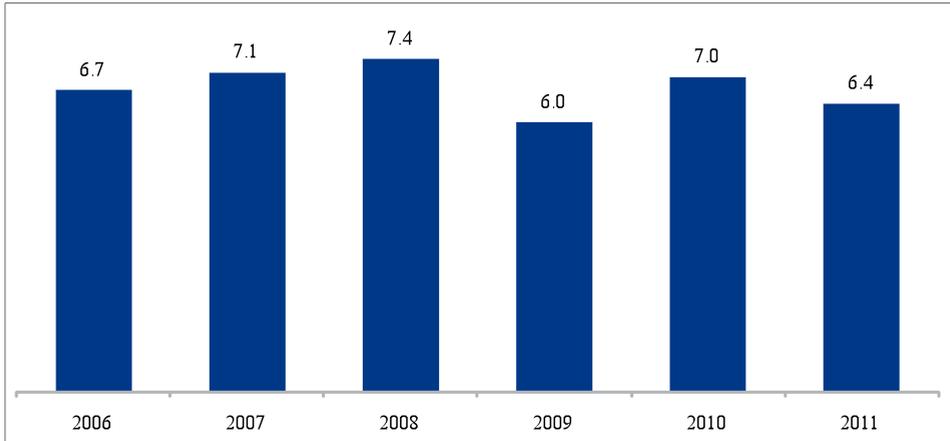
### 3.2.1 GDP Performance

Real GDP growth remained buoyant during 2011 despite power rationing that affected manufacturing and trade activities. Real GDP grew by 6.4 percent compared to the projected level of 6.0 percent (**Chart 3.1**). Most of the GDP growth came from Trade and Repairs (18.2 percent), Transport and Communication (13.8 percent), Agriculture (12.6 percent), Manufacturing (11.8 percent), Construction (9.8 percent) and Real estate (10.3 percent).





**Chart 3.1: Real GDP Growth (Percent)**

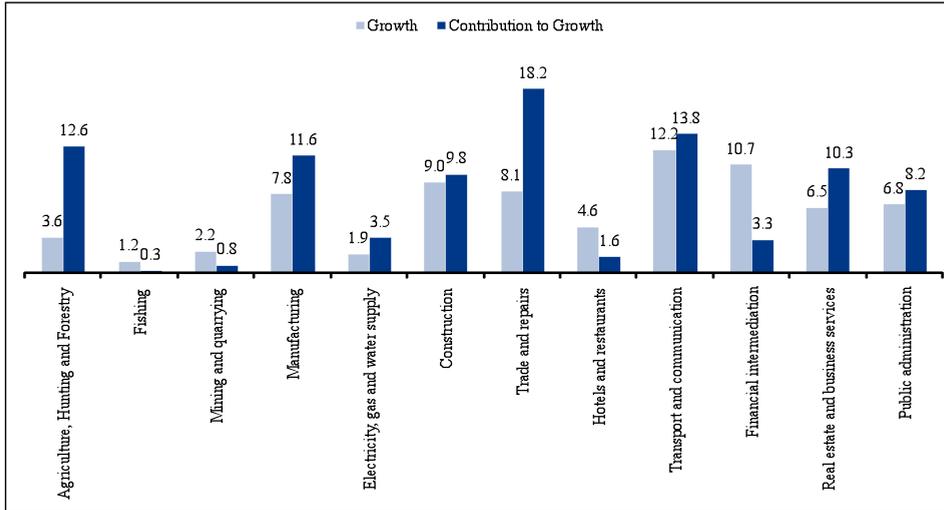


*Source: National Bureau of Statistics*

Financial intermediation registered a strong growth of 10.7 percent, but its contribution to total GDP growth was only 3.3 percent because of its small size relative to other activities. Growth in financial intermediation was associated with ongoing financial sector reforms and increased competition in the provision of insurance services (**Chart 3.2**).



**Chart 3.2: Real GDP Growth and Contribution by Activity, 2011 (Percent)**



Source: National Bureau of Statistics and Bank of Tanzania

### 3.2.2 Inflation Developments

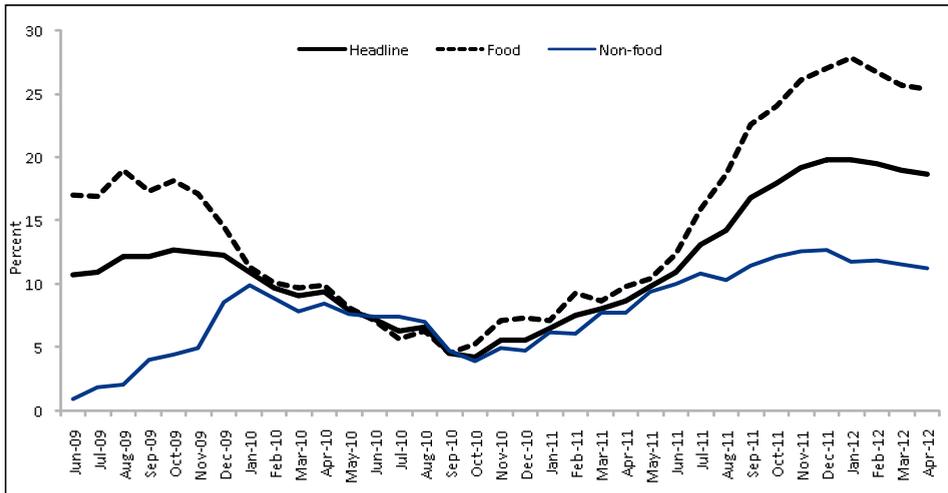
During the first ten months of 2011/12, average annual headline inflation was 17.8 percent, compared with an average of 6.3 percent recorded in the corresponding period of 2010/2011. This development was mainly on account of high global oil prices and rising prices of food items, following unfavourable weather conditions in the EAC region. Average annual food inflation was 24.0 percent compared with 7.1 percent. Annual headline inflation, which had reached a peak of 19.8 percent in December 2011, started easing in January 2012, and was 18.7 percent in April 2012, following improved food supply in the region and stability in global oil prices (**Chart 3.3**).

The annual food inflation was on an upward trend since April 2011, from 9.7 percent reaching 27.8 percent in January 2012, but declined to 25.3 percent in April 2012. Likewise, the annual non-food inflation rose from 7.8 percent in April 2011 to 12.7 percent in December 2011 but slowed down to 11.2 percent



in April 2012. Core inflation (excluding food and energy) remained at single digits reaching 9.0 percent in April 2012, compared to 5.7 percent in April 2011 reflecting the pass through effect, particularly from high oil prices.

**Chart 3.3: Annual Headline, Food and Non-food Inflation**



Source: Bank of Tanzania

### 3.2.3 Government Budgetary Performance

Government budgetary operation in the first ten months of 2011/12 was characterised by strong tax revenue collection and modest recurrent spending in line with fiscal stance of containing recurrent expenditure. Domestic revenue excluding Local Government Authorities’ (LGAs) own sources amounted to TZS 5,541.5 billion, equivalent to 99.7 percent of the target. Tax revenue was TZS 5,227.5 billion or 103.5 percent of the target, while non-tax revenue was 62 percent of target. The good performance is associated with improved tax administration through sensitization of tax payers, close monitoring of block management system and enhanced use of electronic fiscal devices. The under-



performance in non-tax revenue was partly on account of delays in introducing business license fees by LGAs. Grants amounted to TZS 1,448.6 billion, being 61 percent of the projection on account of delays in disbursement of project funds.

Government expenditure amounted to TZS 7,565.5 billion, compared with projection of TZS 10,097.2 billion, mainly due to slower implementation of foreign financed development projects and modest recurrent spending. Domestically financed development expenditure was 87.5 percent of the projection.

Overall budget deficit was TZS 1,139.1 billion, out of which, about 20 percent was financed through domestic borrowing. Out of foreign financing, TZS 409.4 billion was realised from non-concessional loans.

### **3.2.4 External Sector Developments**

During the first ten months of 2011/12, current account deficit widened to USD 4,519.3 million from a deficit of USD 1,881.3 million recorded in the corresponding period in 2010/11, largely due to rise in import of oil and capital goods coupled with increase in services payments and decline in official transfers (**Table 3.2**). The value of oil imports almost doubled reaching USD 3,042.6 million compared to USD 1,545.8 million in the corresponding period of 2010/11, on account of the rise in global oil price coupled with an increase in domestic demand for thermal power generation. The price of oil rose to USD 997.7 per metric ton from USD 796.8 per metric ton recorded in the corresponding period in 2011, while the volume of oil imports went up to 3.5 million metric tons from 2.2 million metric tons. From January to April 2012, the value of oil imports has been declining reaching a monthly average of USD 270.5 million compared to USD 326.8 million recorded from July to December 2011 due to a decline in volume. The volume of oil imports decreased to a monthly average of 294,034 metric tons from 371,128 metric tons in the same period. Imports of machinery increased by 44.3 percent to USD 1,594.0 million, reflecting higher foreign direct investment for gas and oil exploration. In addition, services payment increased following rise in freight expenses consistent with the surge in the import bill.



**Table 3.2: Tanzania: Current Account Balance**

*Million of USD*

Items	July - April		% Change
	2011	2012 <sup>P</sup>	
<b>Goods Account (net)</b>	<b>-2,773.7</b>	<b>-4,942.7</b>	<b>78.2</b>
Exports	3,560.2	3,924.1	10.2
Imports	6,333.9	8,866.8	40.0
<b>Services Account (net)</b>	<b>223.4</b>	<b>92.4</b>	<b>-58.7</b>
Receipts	1,849.9	2,046.1	10.6
Payments	1,626.5	1,953.7	20.1
<b>Goods and services (net)</b>	<b>-2,550.2</b>	<b>-4,850.3</b>	<b>90.2</b>
Export of goods and services	5,410.1	5,970.2	10.4
Import of goods and services	7,960.3	10,820.5	35.9
<b>Income Account (net)</b>	<b>-258.1</b>	<b>-207.9</b>	<b>-19.5</b>
Receipts	164.1	161.1	-1.8
Payments	422.2	369.0	-12.6
<b>Current Transfers (net)</b>	<b>927.0</b>	<b>538.9</b>	<b>-41.9</b>
Inflows	996.7	627.3	-37.1
o/w General Government	714.5	539.7	-24.5
Outflows	69.7	88.4	26.8
<b>Current Account Balance</b>	<b>-1,881.3</b>	<b>-4,519.3</b>	<b>140.2</b>

*Source: Bank of Tanzania*

*P = Provisional data*

Meanwhile, export of goods and services improved mainly on account of rise in export value of gold, travel and transportation receipts. The value of exports of gold went up by 35.7 percent to USD 1,932.5 million owing to an increase in the gold export volume and prices in the world market. The price of gold went up to an average of USD 1,686.3 per troy ounce from USD 1,341.6 per troy ounce during the corresponding period in the preceding year, and the volume of gold exports increased by 8.5 percent to 33.1 metric tons. On the other hand, traditional exports declined by 5.7 percent to USD 628.7 million, largely due to a decrease in export volumes of coffee and cashew nuts. The decline in export volume of cashew nuts was largely attributed to reluctance by producers to sell the product following a price disagreement with cooperative union soon after the onset of the crop season.

Travel receipts rose to USD 1,313.1 million compared to USD 1,162.3 million, largely due to increase in the number of tourist arrivals, mainly associated with the



enhanced promotion of Tanzania as a tourist destination. Likewise, transportation receipts went up by 4.0 percent to USD 414.2 million as a result of an increase in transit goods, partly attributed to enhanced port efficiency and improved road network infrastructure to the neighbouring countries.

Gross official reserves amounted to USD 3,498.5 million at the end of April 2012, sufficient to cover about 3.7 months<sup>1</sup> of projected import of goods and services. As at the end of April 2012, the gross foreign assets of banks were USD 1,018.1 million. Gross official reserves reached USD 3,531.1 million at the end of May 2012.

### **3.2.5 National Debt Developments**

The national debt stock stood at USD 12,582.2 million at the end of April 2012, out of which 79.0 percent was external debt. Out of the total national debt stock, public debt was USD 10,615.8 million comprising of USD 7,968.2 million external debt and USD 2,647.6 million domestic debt. The stock at the end of April 2012 represented an increase of 4.8 percent from the level recorded at the end of June 2011, mainly on account of new disbursements of external debt and relatively large issuance of domestic debt compared to maturing obligations. External debt disbursements recorded during July 2011 to April 2012 amounted to USD 871.0 million, while principal repayments amounted to USD 35.5 million. In the same period, interest payments amounted to USD 36.9 million.

The ratio of external debt to GDP stood at 43.2 percent at the end of April 2012, up from 39.6 percent at the end of June 2011. Provisional results of the latest Debt Sustainability Analysis conducted in March 2012, indicate that the present value of debt to GDP was 18.9 percent compared to the sustainability threshold of 50 percent.

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<sup>1</sup>Although between May 2011 and May 2012, gross official reserves has remained almost at the same level, the months of imports cover have declined because of sharp increase in import bill associated with oil and foreign direct investments.



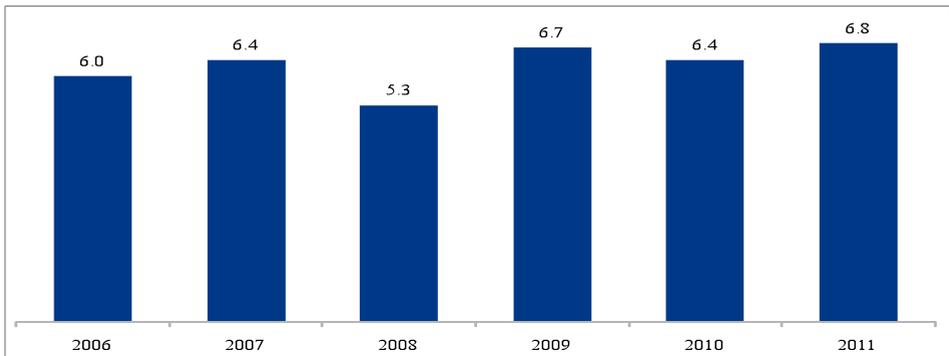
Domestic debt issued amounted to TZS 1,070.9 billion, whereas debt service payments were TZS 1,273.5 billion, out of which, principal amount was TZS 994.2 billion and the balance was interest payments.

### 3.2.6 Economic Developments in Zanzibar

#### GDP Developments

Zanzibar continued to record good economic performance in 2011, notwithstanding the impact of increased global food and fuel prices (**Chart 3.4**). Real GDP growth picked up to 6.8 percent, compared to 6.4 percent recorded in 2010, mainly on account of increased number of tourist arrivals and relatively stable power supply (**Chart 3.5**). Strong growth rates were recorded in hotels and restaurants, fishing, mining and quarrying, electricity, gas and water supply, construction, and trade and repairs sub-activities (**Chart 3.6**).

**Chart 3.4: Real GDP Growth at Constant 2001 Prices (Percent)**



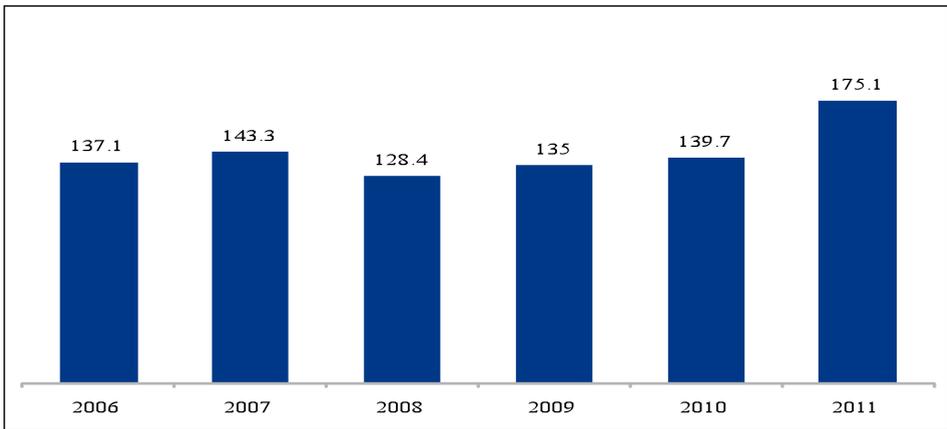
Source: Office of Chief Government Statistician (OCGS)

The notable strong growth in hotels and restaurants was consistent with the increase in tourist arrivals, while fishing increased mainly on account of rise in demand from tourist hotels. The recorded growth in electricity, gas and water supply was mainly due to increased quantity of electricity distribution following



installation of new cable from Tanga to Pemba Island. Owing to huge increase in receipts from clove exports, construction and related activities (particularly quarrying) registered much higher growth rates compared to the preceding year. Trade and repairs activities increased mainly on account of improved trading through import of intermediate goods (mainly oil) and capital goods for investment projects following better investment environment in Zanzibar.

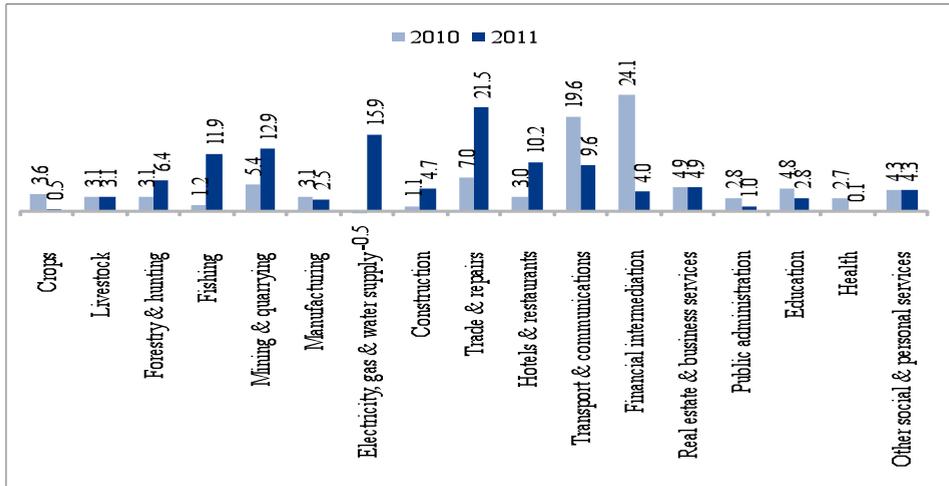
**Chart 3.5: Tourist Arrivals in Zanzibar (In Thousands)**



Source: Office of Chief Government Statistician (OCGS)



**Chart 3.6: GDP Growth Rates Trend of Major Sectors (Percent)**



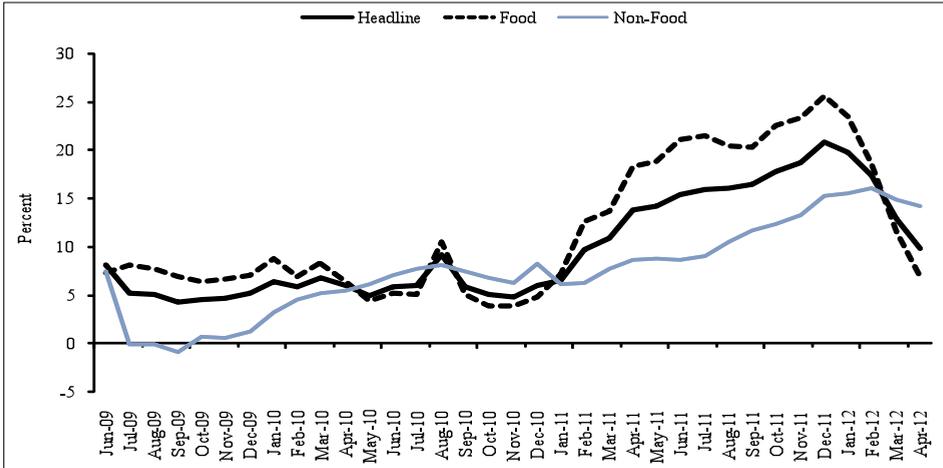
Source: Office of Chief Government Statistician (OCGS)

### **Inflation Developments**

During the first ten months of 2011/12, average annual headline inflation was 16.6 percent, compared to 7.8 percent recorded in the corresponding period of 2010/11, with most of the increase coming from oil and food items, particularly rice, wheat, sugar and fish. In April 2012, headline inflation was 9.9 percent compared to 13.8 percent recorded in April 2011 (**Chart 3.7**).



**Chart 3.7: Annual Headline, Food and Non-food Inflation**



Source: Office of Chief Government Statistician (OCGS)

**Government Budgetary Performance**

During July 2011 to April 2012, total resources were TZS 240.7 billion, out of which domestic revenue was TZS 188.2 billion and the balance was grants. Tax revenue amounted to TZS 165.7 billion, below the target by 5.2 percent, with most of the shortfall being recorded in income tax. Non-tax revenue reached TZS 22.5 billion, above the target by 9.2 percent (**Chart 3.8**). Total grants during the period amounted to TZS 52.5 billion; out of which General Budget Support amounted to TZS 25.5 billion and program grants was TZS 27.0 billion.



**Chart 3.8: Zanzibar Government Revenue by Sources (Billions of TZS)**

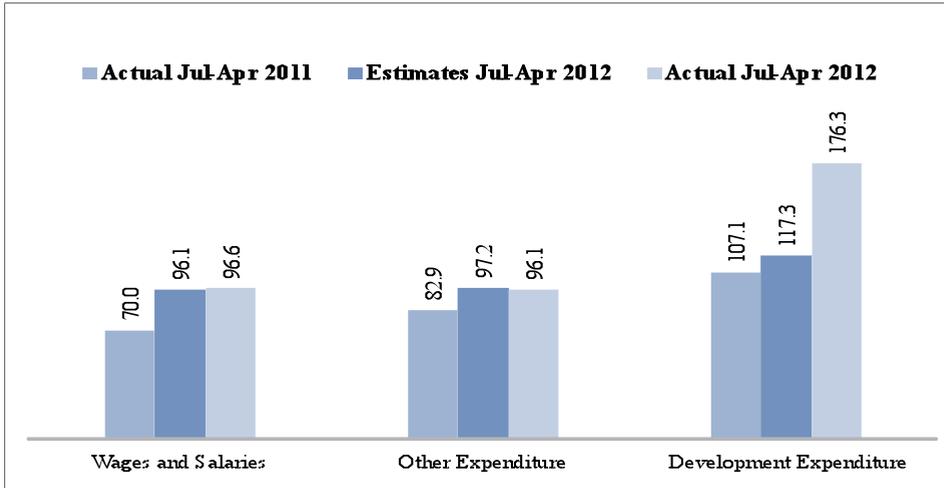


Source: President's Office-Finance, Economy and Development Planning, Zanzibar

Total government expenditure amounted to TZS 369.7 billion, compared to the projection of TZS 311.3 billion. Recurrent expenditure was TZS 193.4 billion, while development expenditure was TZS 176.3 billion. Out of total development expenditure, foreign component accounted for 83.4 percent (**Chart 3.9**). During the period, budgetary operations recorded an overall deficit of TZS 134.7 billion, out of which foreign financing was TZS 120 billion.



**Chart 3.9: Government Expenditure by Components (Billions of TZS)**



Source: President's Office-Finance, Economy and Development Planning, Zanzibar

### External Sector Developments

The current account for the first ten months of 2011/12 recorded a surplus of USD 30.5 million compared with a surplus of USD 3.9 million in the corresponding period in 2010/11 (**Table 3.3**). This outturn was largely due to rise in both unit price and volume of clove exports and improvement in cargo clearance at Zanzibar Port, which boosted transportation receipts. The value of clove exports was USD 52.8 million, compared to USD 6.8 million recorded in the corresponding period of 2010/11 (**Table 3.4**). Average export price of cloves in the world market increased to USD 13,050.2 per ton from USD 3,635.6 million per ton recorded in the corresponding period of 2010/11, largely due to supply shocks in the world market following the outbreak of cloves disease in Indonesia.



**Table 3.3: Zanzibar Current Account Balance**

*Million USD*

Item	July-April		%Change
	2010/11	2011/12	
<b>Goods Account (net)</b>	<b>-66.3</b>	<b>-48.9</b>	<b>-26.2</b>
Exports	13.0	66.7	413.1
Imports (fob)	79.3	115.6	45.8
<b>Services Account (net)</b>	<b>38.8</b>	<b>46.5</b>	<b>19.6</b>
Receipts	106.7	146.0	36.8
Payments	68.0	99.5	46.3
<b>Goods and Services (net)</b>	<b>-27.5</b>	<b>-2.4</b>	<b>-91.3</b>
Exports of Goods and Services	119.8	212.8	77.6
Imports of Goods and Services	147.3	215.2	46.1
<b>Income Account (net)</b>	<b>-0.2</b>	<b>-2.9</b>	<b>...</b>
Receipts	1.4	0.9	-35.7
Payments	1.6	3.8	137.5
<b>Current Transfers (net)</b>	<b>31.5</b>	<b>35.7</b>	<b>13.3</b>
Inflows	31.5	35.7	13.3
Outflows	0.0	0.0	
<b>Current Account Balance</b>	<b>3.9</b>	<b>30.5</b>	<b>682.0</b>

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p = provisional. "... "Implies large number

**Table 3.4: Zanzibar Goods Exports by Major Categories**

*Millions of USD*

Item	Units	July-April		%Change
		2010/11	2011/12	
<b>Traditional</b>				
<b>Cloves</b>				
<b>Value</b>	<b>Millions</b>	<b>6.8</b>	<b>52.8</b>	<b>676.5</b>
Volume	000 Tons	1.9	4.0	110.5
Unit Price	USD/Ton	3,635.6	13,050.2	259.0
<b>Non-Traditional</b>				
<b>Seaweeds</b>				
<b>Value</b>	<b>Millions</b>	<b>1.9</b>	<b>3.7</b>	<b>94.7</b>
Volume	000 Tons	7.3	10.5	43.8
Unit Price	USD/Ton	263.1	355.9	35.3
Manufactured Goods	Millions	2.1	5.0	138.1
Fish and Fish Produce	Millions	0.3	0.3	-
Others Exports	Millions	1.9	5.0	163.2
<b>Sub Total</b>	<b>Millions</b>	<b>6.2</b>	<b>13.9</b>	<b>124.2</b>
<b>Grand Total</b>	<b>Millions</b>	<b>13.0</b>	<b>66.7</b>	<b>413.1</b>

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: Other exports include mainly souvenirs and spices



Import of goods and services amounted to USD 215.2 million, being 46.1 percent higher than the value recorded in the corresponding period in 2010/11, with all categories of goods import recording increases (**Table 3.5**). The value of oil imports rose mainly on account of an increase in the volume of oil imports as well as world market price. Meanwhile, services payment went up by 46.3 percent to USD 99.5 million, with much of the increase registered in payments for transportation particularly freight and passenger charges.

**Table 3.5: Zanzibar Imports by Major Categories**

*Millions of USD*

Import Category	July-April		%Change
	2010/11	2011/12	
<b>Capital Goods</b>	<b>32.6</b>	<b>50.3</b>	<b>54.3</b>
Transport Equipment	12.1	19.0	57.0
Building and Constructions	6.6	11.9	80.3
Machinery	13.9	19.4	39.6
<b>Intermediate Goods</b>	<b>40.3</b>	<b>52.1</b>	<b>29.3</b>
Oil imports	37.7	48.0	27.3
Industrial raw materials	2.6	4.1	57.7
<b>Consumer Goods</b>	<b>14.3</b>	<b>24.7</b>	<b>72.7</b>
Food and food stuffs	5.4	8.9	64.8
All other consumer goods	8.9	15.8	77.5
<b>Grand Total (c.i.f)</b>	<b>87.2</b>	<b>127.0</b>	<b>45.6</b>
<b>Grand Total (f.o.b)</b>	<b>79.3</b>	<b>115.6</b>	<b>45.8</b>

*Source: Tanzania Revenue Authority*

*Note: p = provisional.*



## PART IV

### 4.0 MONETARY POLICY IMPLEMENTATION DURING 2011/12

#### 4.1 Liquidity Management and Interest Rate Developments

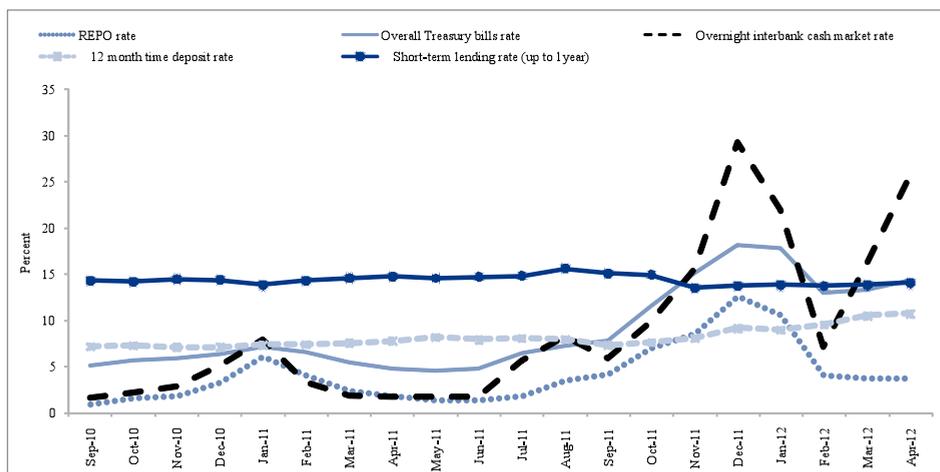
In the first ten months of 2011/12, the Bank of Tanzania pursued relatively cautious monetary policy in an effort to dampen inflationary pressures in the economy, which were also manifested in other East Africa Community (EAC) countries. Governors of the EAC Central Banks agreed to take coordinated actions towards the end of 2011 specifically to address these pressures. As part of East Africa Community coordinated monetary policy actions during the second quarter of 2011/12, the Bank raised the minimum reserve requirement on government deposits held by commercial banks from 20 percent to 30 percent, and increased the Bank rate by 442 basis points to 12.0 percent in two stages. The monetary policy measures taken by the Bank, coupled with developments in commercial banks' investment preference in foreign assets, strict government expenditure and good revenue performance led to shilling liquidity squeeze among banks. These developments were mirrored in money market interest rates, which rose sharply in the second quarter of 2011/12, trending downward in January and February 2012 before turning around to an upward trend again in March and April 2012.

The overnight interbank rate increased from an average of 5.9 percent in September 2011 to 29.3 percent in December 2011, but declined to 7.2 percent in February 2012 before rising again to 16.3 percent in March 2012 and 25.8 percent in April 2012. Similarly, Treasury bills weighted average yield rose from 7.8 percent in September 2011 to 18.2 percent in December 2011, and fell to 12.9 percent in February 2012 before rising to 13.4 percent in March 2012 and 14.4 percent in April 2012. As liquidity conditions among banks remained tight, banks used the intraday loan facility, the Lombard window, reverse repo and rediscount windows at the Bank to square their positions.



It is noteworthy that developments in the money market interest rates were not fully reflected in banks' deposits and lending rates. Banks' deposit rates manifested a gradual increase, while lending rates edged slightly downwards since October 2011 (**Chart 4.1**).

**Chart 4.1: Selected Interest Rates Developments**



Source: Bank of Tanzania

## 4.2 Exchange Rate Developments

In the first ten months of 2011/12, the exchange rate continued to be freely determined in the Interbank Foreign Exchange Market (IFEM). The Bank of Tanzania participated in the IFEM for liquidity management purposes and to smooth out short-term fluctuations in the exchange rate.

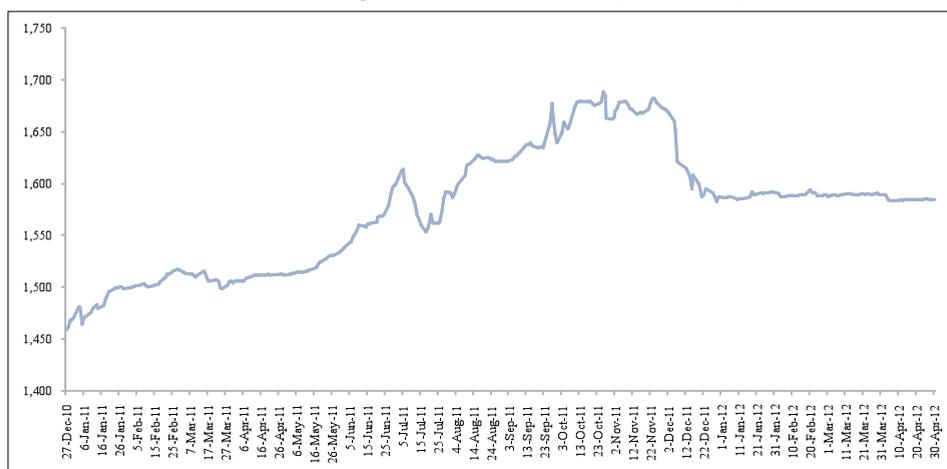
Having experienced high volatility in the first half of 2011/12, the TZS/USD exchange rate stabilised beginning January 2012. The rapid depreciation of the Shilling that had been caused by, among others, increase in global demand for dollars, rapid expansion in the oil imports and delays in disbursement of foreign program assistance; was followed by appreciation in the first half of January 2012



and stability afterwards; following measures taken by the Bank in the second quarter of 2011/12. These measures included reduction of banks' prudential limit on foreign currency net open position; strict enforcement of the existing restrictions on non-residents' access to Tanzania shilling denominated credit facilities; and increased sales of foreign exchange in the IFEM.

Specifically, the TZS/USD exchange rate in the IFEM depreciated from an average of TZS 1,562 per USD in June 2011 to a peak of TZS 1,688 per USD towards the end of October 2011, before appreciating to an average rate of TZS 1,587 per USD in the first week of January 2012. From the second week of January 2012 to April 2012, the Shilling remained fairly stable at around TZS 1,588 per USD with a maximum of TZS 1,594 and a minimum of TZS 1,583 (**Chart 4.2**).

**Chart 4.2: Nominal Exchange Rate Movements (TZS/USD)**



Source: Bank of Tanzania

### 4.3 Money Supply and Credit Developments

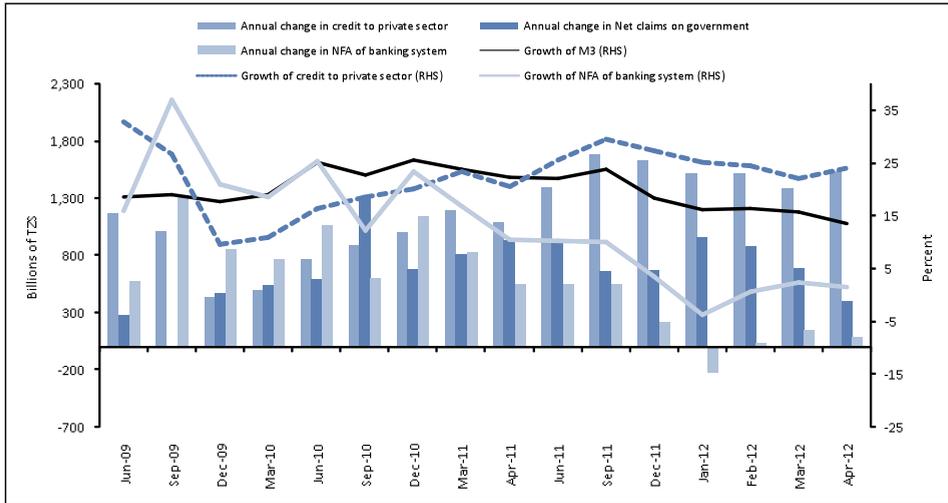
Consistent with the monetary policy stance, annual growth of extended broad money supply (M3) decelerated in the second quarter of 2011/12 reaching 13.6



percent in April 2012, compared with 22.2 percent recorded in a similar period of 2011, and the target of 19.0 percent for the year ending June 2012 (**Chart 4.3**). This development was mostly driven by the slowdown in the growth of net foreign assets (NFA) and net government borrowing from the banking system. NFA of the banking system grew by 1.5 percent compared with 10.5 percent recorded in the year ending April 2011, partly reflecting increased demand for imports. Government borrowing was TZS 400.0 billion, compared to TZS 930.3 billion borrowed in the corresponding period of 2010/11, reflecting increased revenue collection coupled with moderate recurrent expenditure. Meanwhile, the deceleration in the growth of NFA and net government borrowing from the banking system provided room for credit to the private sector to grow by 24.0 percent in the year ending April 2012, compared to 20.4 percent recorded in the corresponding period in 2011 and the target of 20.8 percent for the year ending June 2012. Most of the credit was held in personal activities, accounting for 20.4 percent of total private sector credit, followed by trade (20.1 percent), manufacturing (11.7 percent), agriculture (10.7 percent) and transport and communication (8.3 percent).



**Chart 4.3: Money Supply and its Sources**



Source: Bank of Tanzania

Performance against the indicative targets under the Policy Support Instrument (PSI) program for end March 2012 indicates that the target of average reserve money (ARM) and net domestic financing (NDF) of government were met (**Table 4.1**). The change in net international reserves (NIR) fell short of the adjusted floor by USD 63 million, mainly on account of increased demand for foreign exchange to cater for the rising oil import bill and demands to finance infrastructure, especially in the transport sector.



**Table 4.1: Performance against the PSI Program Targets**

Items	September-11			December-11			March-12		
	Indicative Targets	Adjusted Indicative Targets/1	Actual Outturn	Assessment Criteria	Adjusted Assessment Criteria /1	Actual Outturn	Indicative Targets	Adjusted Indicative Targets /1	Actual Outturn
NDF - Bn of TZS (Cumulative Ceiling)	122.0	372.0	303.9	300.0	449.9	-126.7	296.0	596.0	449.3
ARM (Upper bound) - Bn of TZS (Ceiling)	4,147.0	4,147.0	4,094.6	4,235.0	4,235.0	4,221.9	4,321.0	4,321.0	4,014.5
Change in NIR (Mn of USD)-(Floor)-(Cumulative from July)	-126.6	-126.6	-127.7	80.0	-9.7	167.2	180.0	1.2	-62.0
Program Assist (Mn of USD)-(Cumulative from July)	299.0	299.0	24.8	628.0	628.0	607.6	831.0	831.0	652.1
External nonconcessional borrowing -(Cumulative from July)	525.0	525.0	197.0	291.0	291.0	221.8	441.0	441.0	233.9

Source: Bank of Tanzania

Note: 1/ NDF and NIR have been adjusted upward and downward, respectively, by the amount of shortfall in US dollars in foreign program assistance and external non-concessional borrowing.

#### 4.4 Financial Sector Stability

During the year ending April 2012, the banking sector remained strong with capital and liquidity levels being above regulatory requirements. The ratio of core capital to total risk weighted assets and off-balance sheet exposures was at 18.2 percent compared with a minimum regulatory requirement of 10.0 percent. This represented slight decrease from 18.6 percent recorded at the end of April 2011. The ratio of total loans to customers' deposits stood at 65.7 percent, which was within the threshold of 80.0 percent. In the same period, the ratio of (NPL) to total loans decreased to 7.6 percent from 8.3 percent recorded in April 2011, mainly due to improved credit administration by the banking institutions. However, NPLs net of provisions to core capital increased to 18.1 percent from 17.4 percent recorded in April 2011. Despite the increase, the banking sector capital was still resilient to credit risk, implying that in the unlikely event that the NPLs deteriorate to loss, the sector's core capital will be eroded to the maximum of 18.1 percent.



## 4.5 Financial Sector Reforms

Implementation of the financial sector reforms, which is aimed at promotion of competition, financial inclusion and enhancement of financial stability continued apace. During the period under review, the following were achieved:

- i. The Bank started to review regulations relating to the Microfinance Companies and Financial Cooperatives in January 2012.
- ii. The Bank commenced drafting of Agency Banking Regulations, which will allow banks to extend their outreach through non-banking retail outlets such as supermarkets, petrol stations and other agencies.
- iii. The Bank issued Social Security Schemes Investment Guidelines in March 2012 as mandated in the Social Security Regulatory Authority Act, (SSRA) 2008. The general objective of the Guidelines is to guide the Board of Trustees of the schemes to undertake investment decisions in line with best practices and provisions of the SSRA Act, 2008.
- iv. Tanzania Insurance Regulatory Agency commenced the drafting of the Micro-insurance Regulations, which will provide a framework for introducing insurance products catering for the low-income households and micro-enterprise operators in Tanzania.
- v. Regulations for Development Finance Institutions were published in the Government Gazette in March 2012.
- vi. The Government continued with implementation of activities under the Housing Finance Project. The Tanzania Mortgage Refinance Company started refinancing mortgage loans in the first quarter of 2011/12. As at the end of April 2012, total amount of refinancing was TZS 2.5 billion.
- vii. Training of officials of the Cooperative Development Department of the Ministry of Agriculture Food Security and Cooperatives and Cooperative inspectors on licensing, inspection and supervision of SACCOS was conducted in March 2012, as part of strengthening the supervision of SACCOS.
- viii. Actuarial assessment of the social security scheme in Zanzibar was concluded and recommendations forwarded to the Government of Zanzibar for adoption. The portfolio review and actuarial valuation of



- all pension funds in Tanzania Mainland were conducted. The actuarial valuation report was discussed by stakeholders in May 2012.
- ix. Review of the existing credit reference system regulations was commenced and credit reference databank is expected to be operational in 2012/13.
  - x. Enhancement of minimum capital to commence banking business from TZS 5.0 billion to TZS 15.0 billion through Government Gazette number 68 dated 2<sup>nd</sup> March 2012.
  - xi. The draft memorandum and articles of association for the Tanzania Agricultural Development Bank (TADB) has been completed. The next step will be the process of incorporation of the TADB, which is expected to be completed before the end of June 2012.

#### **4.6 National Payment Systems Developments**

During the first ten months of 2011/12, the Tanzania Inter-bank Settlement Systems (TISS) was enhanced to enable settlement of USD transactions. The turnover of transactions in Tanzania Shillings was 433,546, which amounted to TZS 71,021 billion compared with 386,975 and TZS 58,027.7 billion, respectively, recorded in the similar period of 2010/11. The increase in transactions was mainly attributed to the Government utilisation of TISS to effect payments. During the period, Zanzibar Revenue Board and Tanzania Revenue Authority in Zanzibar also joined TISS. Consequently, government cheques decreased from 79,803 valued at TZS 6,275.3 billion to 55,838 valued at 6,115.6 billion. These developments have significantly reduced government expenditure float and minimized risks associated with cheque system. Plans are underway to interface TISS with TRA's systems to facilitate real time monitoring of revenue collections made by commercial banks.

Following the endorsement of the East Africa Payment System (EAPS) legal framework in May 2011 by EAC Central Banks and participating commercial banks, the EAPS was implemented in the period under review, and the Bank was able to run the system in a live environment mode. This system will enable



banks to send payment messages across the region through their domestic real time gross settlement systems using local currencies.

The Bank continued to promote, support and oversee implementation and operations of the retail payment systems with the view to deepening the financial system and increasing accessibility of financial services in the country. The systems include the card payment schemes, internet and mobile banking schemes, mobile payment and remittances schemes.

In the period under review, the Bank continued to review and update the regulatory framework for payments, clearing and settlement systems to enhance their safety and efficiency. To this end, the Bank prepared legislative proposals on National Payment System Act and Electronic Transactions Act, which are expected to address the shortcomings of the existing payment system laws. The Bank also drafted regulations for mobile payments, which are aimed at promoting innovations in financial service delivery channels without compromising or jeopardizing the integrity of the financial system.



## PART V

### 5.0 MACROECONOMIC POLICY FRAMEWORK FOR 2012/13

#### 5.1 Macroeconomic Objectives

In 2012/13, the Government will continue to focus on sustaining macroeconomic stability through implementation of prudent macroeconomic policies consistent with achieving the objectives of the Five-Year Development Plan. Government policies during 2012/13 are therefore geared towards maintaining fiscal discipline through strengthening tax policy and administration and expenditure management. Specifically, the Government intends to attain the following objectives:

- i. A real GDP growth of 6.9 percent for fiscal year 2012/13 based on the projected GDP growth of 6.8 percent for 2012 and 7.0 percent for 2013;
- ii. A single digit annual inflation rate by end June 2013;
- iii. Domestic revenue equivalent to 17.9 percent of GDP, and Local Governments' own sources of 0.7 percent of GDP;
- iv. Total expenditure equivalent to 28.2 percent of GDP; and
- vi. Government net domestic financing of TZS 483.9 billion and non-concession external borrowing not exceeding TZS 1,254.1 billion.

#### 5.2 Monetary Policy Objectives

In support of the broader macroeconomic policy objectives of the Government, monetary policy of the Bank of Tanzania will remain focused on attaining price stability, through maintaining appropriate level of liquidity in the economy. Specifically, the Bank aims at achieving the following targets in 2012/13:

- i. Annual growth of average reserve money not exceeding 16.0 percent;
- ii. Annual growth of M3 of 18.0 percent;



- iii. Annual growth of private sector credit of 20.0 percent; and
- iv. Accumulation of gross official reserves adequate to cover at least 4.5 months of projected imports of goods and services.



## **PART VI**

### **6.0 MONETARY POLICY STANCE DURING 2012/13**

#### **6.1 Liquidity Management**

With the expected restoration of power supply, sharp increase in investment in oil and gas explorations and increased investments in infrastructural projects, growth is expected to pick up in the short to medium term. However, growth may be affected, at the margin, by the projected slowdown in global growth. Meanwhile, inflationary pressure is expected to ease following improvement in food supply coupled with stability in global oil prices and shilling exchange rate.

In view of the outlook above, and against the backdrop of high inflation, the Bank will enhance its vigilance so as to maintain appropriate level of liquidity in the economy. This will include monitoring upside risks to inflation, and taking appropriate measures when need arises.

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

Interest rates will continue to be market-determined, anchored by the Treasury bills rate. On its part, the Bank will continue to promote an efficient money market that will help to bolster realistic market determined interest rates.

#### **6.3 Exchange Rate Policy**

The exchange rate will remain market determined, with the Bank participating in the foreign exchange market for liquidity management and smooth out short-term fluctuations in the exchange rate. This will be implemented while ensuring that an adequate level of gross official reserves is maintained.

#### **6.4 Measures for Financial Sector Stability and Access**

In 2012/13, the Bank will continue to ensure that the financial sector remains



stable and sound, to facilitate smooth implementation of the monetary policy. This will go in tandem with enhanced surveillance of developments in domestic financial system as well as in the Tanzania's major trading partners. In addition, promotion of sound risk management practices in the financial system, in collaboration with other financial sector regulators, will continue to be at the center of the Bank's objectives of safeguarding financial stability. The establishment of Tanzania Financial Regulators Forum is expected to provide the necessary coordination mechanism for financial stability monitoring and crisis management across all financial system sub-sectors.

In view of rapid usage of mobile financial services, the Bank will issue Mobile Financial Services Regulations to regulate and supervise mobile financial services in the country in order to ensure safety and stability of the sector. The Bank will also operationalize the credit reference databank, which will facilitate information sharing between lenders thereby minimise credit risks and foster credit access.

To promote financial inclusion, the Bank will take lead in the establishment of a National Working Group to oversee the formulation of a Financial Inclusion Policy, which will provide a framework for coordinating financial inclusion initiatives.

Regarding social securities, the Bank will continue to work closely with the Social Security Regulatory Authority (SSRA) to put in place effective supervisory tools as per Social Security (Regulatory Authority) Act, 2008 as amended in 2012.

The Bank will continue to enhance the development of the national payment systems through promotion of competition, innovations and consumer protection for efficient, safe and stable payments, clearing and settlement systems. Meanwhile, the East Africa Payment System, which will increase efficiency of payment services and promote trade within the East African Community, is expected to be operational in 2012/13.



## PART VII

### 7.0 CONCLUSION

The Tanzania economy is expected to sustain strong growth in 2012 and beyond, supported by improvement in energy supply, prospects of increase in foreign direct investments particularly in gas exploration, and infrastructure developments. Consistent with a general decline in global inflation, improvements in food supply both domestically and regionally, expected stability in global oil prices and shilling exchange rate, inflation is expected to slowdown in the near-term. However, considering the nature of inflation that has been experienced in the recent past, attainment of low inflation will depend not only on coordination of monetary and fiscal policies, but also deliberate policies that will address supply side challenges including increasing capacity for food production, as well as capacity to stabilize food supply through improved transportation and management of strategic food reserves.

The Bank on its part will continue to implement prudent monetary policy, needed for price and overall macroeconomic stability. The Bank will also take measures to ensure stability in the financial sector. With successful implementation of the measures outlined in this Monetary Policy Statement, combined with supportive fiscal policies, the Bank is confident that the objectives set for 2012/13 will be achieved.



# APPENDICES



**Table A1: Global Economic Environment- Annual Real GDP Growth and Projections**

	Annual percent change							Projections	
	2006	2007	2008	2009	2010	2011	2012	2013	
<b>World</b>	<b>5.2</b>	<b>5.4</b>	<b>2.8</b>	<b>-0.6</b>	<b>5.3</b>	<b>3.9</b>	<b>3.5</b>	<b>4.1</b>	
<b>Advanced Economies</b>	<b>3.0</b>	<b>2.8</b>	<b>0.1</b>	<b>-3.6</b>	<b>3.2</b>	<b>1.6</b>	<b>1.4</b>	<b>2.0</b>	
USA	2.7	1.9	-0.3	-3.5	3.0	1.7	2.1	2.4	
Japan	1.7	2.2	-1.0	-5.5	4.4	-0.7	2.0	1.7	
Euro Area	3.3	3.0	0.4	-4.3	1.9	1.4	-0.3	0.9	
United Kingdom	2.6	3.5	-1.1	-4.4	2.1	0.7	0.8	2.0	
<b>Emerging and Developing Economies</b>	<b>8.2</b>	<b>8.7</b>	<b>6.0</b>	<b>2.8</b>	<b>7.5</b>	<b>6.2</b>	<b>5.7</b>	<b>6.0</b>	
<b>Developing Asian Countries</b>	<b>10.3</b>	<b>11.4</b>	<b>7.8</b>	<b>7.1</b>	<b>9.7</b>	<b>7.8</b>	<b>7.3</b>	<b>7.9</b>	
China	12.7	14.2	9.6	9.2	10.4	9.2	8.2	8.8	
India	9.5	10.0	6.2	6.6	10.6	7.2	6.9	7.3	
<b>Sub-Saharan Africa</b>	<b>6.4</b>	<b>7.1</b>	<b>5.6</b>	<b>2.8</b>	<b>5.3</b>	<b>5.1</b>	<b>5.4</b>	<b>5.3</b>	
South Africa	5.6	5.5	3.6	-1.5	2.9	3.1	2.7	3.4	
<b>Tanzania</b>	<b>6.7</b>	<b>7.1</b>	<b>7.4</b>	<b>6.0</b>	<b>7.0</b>	<b>6.4</b>	<b>6.8</b>	<b>7.0</b>	

Source: IMF World Economic Outlook, April 2012 and Bank of Tanzania

## Table A2: Selected Economic Indicators

Item	Unit	Jan-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
<b>1. Prices</b>												
1.5 Annual Change in Consumer Price Index												
1.5.1 Headline Inflation	Percent	10.9	13.0	14.1	16.8	17.9	19.2	19.8	19.7	19.4	19.0	18.7
1.5.2 Food Inflation	Percent	12.3	15.9	18.6	22.5	24.0	26.1	27.1	27.8	26.7	25.7	25.3
1.5.3 Core Inflation	Percent	7.2	7.4	7.3	8.2	8.5	8.8	8.7	9.0	8.7	8.8	9.0
<b>2. Money Credit and Interest Rates</b>												
2.1 Extended Broad Money Supply (M3) <sup>1</sup>	Percent	22.0	18.4	21.4	23.7	25.7	21.1	18.2	16.1	16.3	15.7	13.4
2.2 Reserve Money <sup>1</sup>	Percent	12.5	13.0	18.3	23.5	20.7	17.0	17.6	19.9	11.8	9.2	9.7
2.3 Average Reserve Money <sup>1</sup>	Percent	19.3	13.1	19.0	18.7	21.8	20.3	19.8	19.8	14.0	10.7	11.2
2.4 Credit to Non-Government Sector <sup>1</sup>	Percent	25.6	25.3	27.5	29.4	31.9	30.3	27.2	25.0	24.3	21.9	23.7
2.5 364-days Treasury Bill Rate <sup>2</sup>	Percent	6.5	7.8	9.6	9.6	12.4	15.7	18.7	18.6	13.4	13.9	14.9
2.6 Overnight Inter-bank rate <sup>2</sup>	Percent	1.8	5.8	8.4	5.9	9.9	15.6	29.3	22.0	7.2	16.3	25.8
2.7 12-Months Deposit Rate <sup>2</sup>	Percent	7.9	8.0	8.0	7.3	7.6	8.0	9.1	9.0	9.5	10.5	10.8
2.8 Short-term (up to 1 year) Lending Rate <sup>2</sup>	Percent	14.7	14.8	15.6	15.1	15.0	13.5	13.7	13.8	13.7	13.9	14.1
<b>3. Balance of Payments</b>												
3.1 Gross Official Reserves	Mill. USD	3,592.8	3,557.3	3,725.2	3,727.7	3,622.4	3,484.1	3,761.2	3,565.5	3,509.7	3,555.0	3,498.5
3.2 Exchange Rate:												
3.2.1 Period Average	TZS/USD	1,543.9	1,562.9	1,597.5	1,621.4	1,653.6	1,656.2	1,600.0	1,572.3	1,573.5	1,573.6	1,569.3
3.2.2 End of Period	TZS/USD	1,579.7	1,569.7	1,604.8	1,631.2	1,646.4	1,655.9	1,566.7	1,575.7	1,573.6	1,573.0	1,586.4
<b>4. Public Finance</b>												
4.1 Domestic Revenue												
4.1.1 Domestic Revenue (Including LGAs Own Sources) <sup>3</sup>	Mill. TZS	624,787.0	476,526.3	510,565.2	652,383.9	524,328.4	551,639.1	721,703.4	550,625.6	513,655.5	678,924.2	---
4.1.2 Domestic Revenue (Excluding LGAs Own Sources)	Mill. TZS	611,463.0	456,526.3	490,565.2	632,383.9	504,328.4	531,639.1	701,703.4	542,988.9	505,988.8	671,257.5	503,962.9
4.2 Recurrent Expenditure	Mill. TZS	1,136,424.0	377,950.5	394,665.3	650,632.4	606,506.3	475,256.2	559,441.6	462,821.3	528,410.4	662,979.8	414,852.1
4.3 Development Expenditure	Mill. TZS	289,427.0	114,037.6	217,845.4	445,425.5	399,552.7	430,844.1	356,761.8	260,438.1	51,536.0	104,999.0	50,739.5
4.4 Program Assistance	Mill. USD	23.8	22.7	0.6	1.5	188.7	82.0	31.2	3.8	2.0	38.7	43.0
4.4.1 GBS	Mill. USD	0.0	18.3	0.0	0.0	102.7	34.1	24.2	0.0	0.0	19.9	40.3
4.4.2 Budget Funds	Mill. USD	23.8	4.4	0.6	1.5	86.0	48.0	68.9	3.8	2.0	18.7	2.7

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

Notes: 1 Annual Growth

2 Monthly Average

3 Data for LGAs available up to December 2011





**Table A3: Gross Domestic Product at Constant 2001 Prices by Economic Activity**

Economic Activity	2006	2007	2008	2009	2010	2011p
	In Millions of TZS					
<b>Agriculture, Hunting and Forestry</b>	<b>3,268,238</b>	<b>3,399,648</b>	<b>3,554,488</b>	<b>3,669,645</b>	<b>3,824,428</b>	<b>3,960,673</b>
Crops	2,457,373	2,567,955	2,698,921	2,790,684	2,913,474	3,015,446
Livestock	537,498	550,398	564,708	577,922	597,572	620,877
Forestry and hunting	273,367	281,295	290,859	301,039	313,382	324,350
<b>Fishing</b>	<b>206,510</b>	<b>215,734</b>	<b>226,521</b>	<b>232,637</b>	<b>236,126</b>	<b>238,960</b>
<b>Industry and construction</b>	<b>2,639,902</b>	<b>2,889,519</b>	<b>3,138,241</b>	<b>3,357,703</b>	<b>3,633,664</b>	<b>3,883,366</b>
Mining and quarrying	341,000	377,559	386,998	391,642	402,331	411,182
Manufacturing	1,162,000	1,263,435	1,388,515	1,499,596	1,618,064	1,744,273
Electricity, gas	258,347	286,507	301,978	327,344	360,733	366,144
Water supply	54,905	58,474	62,333	65,824	69,955	72,753
Construction	823,650	903,544	998,416	1,073,297	1,182,581	1,289,013
<b>Services</b>	<b>6,035,932</b>	<b>6,527,561</b>	<b>7,085,136</b>	<b>7,594,661</b>	<b>8,214,209</b>	<b>8,860,652</b>
Trade and repairs	1,736,631	1,906,821	2,097,503	2,254,816	2,439,711	2,637,328
Hotels and restaurants	314,921	328,859	343,658	358,779	380,664	398,175
Transport	661,000	703,965	752,539	797,691	853,529	910,715
Communications	239,537	287,684	346,659	422,577	515,967	614,001
Financial intermediation	228,000	251,280	281,120	306,339	337,356	373,453
Real estate and business services	1,316,000	1,408,120	1,508,097	1,610,647	1,723,392	1,835,413
Public administration	1,033,488	1,102,951	1,180,158	1,232,313	1,312,414	1,401,658
Education	235,774	248,742	265,905	284,704	305,402	328,002
Health	177,520	193,142	210,525	224,654	240,058	253,021
Other social and personal services	93,061	95,998	98,974	102,141	105,716	108,887
<b>Gross value added before adjustments</b>	<b>12,150,582</b>	<b>13,032,462</b>	<b>14,004,385</b>	<b>14,854,646</b>	<b>15,908,427</b>	<b>16,943,651</b>
Less FISIM	-137,287	-158,292	-175,704	-190,990	-208,370	-231,708
<b>Gross value added at 2001 basic prices</b>	<b>12,013,295</b>	<b>12,874,170</b>	<b>13,828,681</b>	<b>14,663,656</b>	<b>15,700,057</b>	<b>16,711,943</b>
Add Taxes on products	867,868	927,751	999,664	1,057,645	1,128,507	1,201,860
<b>Gross Domestic Product at 2001 market prices</b>	<b>12,881,163</b>	<b>13,801,921</b>	<b>14,828,345</b>	<b>15,721,301</b>	<b>16,828,563</b>	<b>17,913,803</b>
	<b>Real Growth by Economic Activities (Percent)</b>					
<b>Agriculture and Fishing</b>	<b>3.8</b>	<b>4.0</b>	<b>4.6</b>	<b>3.2</b>	<b>4.2</b>	<b>3.6</b>
Crops	4.0	4.5	5.1	3.4	4.4	3.5
Livestock	2.4	2.4	2.6	2.3	3.4	3.9
Forestry and hunting	4.6	2.9	3.4	3.5	4.1	3.5
Fishing	5.0	4.5	5.0	2.7	1.5	1.2
<b>Industry and construction</b>	<b>8.5</b>	<b>9.5</b>	<b>8.6</b>	<b>7.0</b>	<b>8.2</b>	<b>6.9</b>
Mining and quarrying	15.6	10.7	2.5	1.2	2.7	2.2
Manufacturing	8.5	8.7	9.9	8.0	7.9	7.8
Electricity, gas	-1.9	10.9	5.4	8.4	10.2	1.5
Water supply	6.2	6.5	6.6	5.6	6.3	4.0
Construction	9.5	9.7	10.5	7.5	10.2	9.0
<b>Services</b>	<b>7.8</b>	<b>8.1</b>	<b>8.5</b>	<b>7.2</b>	<b>8.2</b>	<b>7.9</b>
Trade and repairs	9.5	9.8	10.0	7.5	8.2	8.1
Hotels and restaurants	4.3	4.4	4.5	4.4	6.1	4.6
Transport	5.3	6.5	6.9	6.0	7.0	6.7
Communications	19.2	20.1	20.5	21.9	22.1	19.0
Financial intermediation	11.4	10.2	11.9	9.0	10.1	10.7
Real estate and business services	7.3	7.0	7.1	6.8	7.0	6.5
Public administration	6.5	6.7	7.0	4.4	6.5	6.8
Education	5.0	5.5	6.9	7.1	7.3	7.4
Health	8.5	8.8	9.0	6.7	6.9	5.4
Other social and personal services	3.7	3.2	3.1	3.2	3.5	3.0
<b>Gross value added excluding adjustments</b>	<b>6.8</b>	<b>7.3</b>	<b>7.5</b>	<b>6.1</b>	<b>7.1</b>	<b>6.5</b>
Less FISIM	14.9	15.3	11.0	8.7	9.1	11.2
<b>Gross value added at basic prices</b>	<b>6.7</b>	<b>7.2</b>	<b>7.4</b>	<b>6.0</b>	<b>7.1</b>	<b>6.4</b>
Add Taxes on products	6.8	6.9	7.8	5.8	6.7	6.5
<b>Gross domestic product at market prices</b>	<b>6.7</b>	<b>7.1</b>	<b>7.4</b>	<b>6.0</b>	<b>7.0</b>	<b>6.4</b>

Source: National Bureau of Statistics

Note: p = provisional



**Table A4: Gross Domestic Product at 2001 Prices by Economic Activity**

Economic Activity	Percent					
	2006	2007	2008	2009	2010	2011p
<b>Contribution in real GDP by Economic Activities</b>						
<b>Agriculture and Fishing</b>	<b>25.4</b>	<b>24.6</b>	<b>24.0</b>	<b>23.3</b>	<b>24.3</b>	<b>22.1</b>
Crops	19.1	18.6	18.2	17.8	18.5	16.8
Livestock	4.2	4.0	3.8	3.7	3.8	3.5
Forestry and hunting	2.1	2.0	2.0	1.9	2.0	1.8
Fishing	1.6	1.6	1.5	1.5	1.5	1.3
<b>Industry and construction</b>	<b>20.5</b>	<b>20.9</b>	<b>21.2</b>	<b>21.4</b>	<b>23.1</b>	<b>21.7</b>
Mining and quarrying	2.6	2.7	2.6	2.5	2.6	2.3
Manufacturing	9.0	9.2	9.4	9.5	10.3	9.7
Electricity, gas	2.0	2.1	2.0	2.1	2.3	2.0
Water supply	0.4	0.4	0.4	0.4	0.4	0.4
Construction	6.4	6.5	6.7	6.8	7.5	7.2
<b>Services</b>	<b>46.9</b>	<b>47.3</b>	<b>47.8</b>	<b>48.3</b>	<b>52.2</b>	<b>49.5</b>
Trade and repairs	13.5	13.8	14.1	14.3	15.5	14.7
Hotels and restaurants	2.4	2.4	2.3	2.3	2.4	2.2
Transport	5.1	5.1	5.1	5.1	5.4	5.1
Communications	1.9	2.1	2.3	2.7	3.3	3.4
Financial intermediation	1.8	1.8	1.9	1.9	2.1	2.1
Real estate and business services	10.2	10.2	10.2	10.2	11.0	10.2
Public administration	8.0	8.0	8.0	7.8	8.3	7.8
Education	1.8	1.8	1.8	1.8	1.9	1.8
Health	1.4	1.4	1.4	1.4	1.5	1.4
Other social and personal services	0.7	0.7	0.7	0.6	0.7	0.6

Source: National Bureau of Statistics and Bank of Tanzania

Note: p = provisional

**Table A5: Tanzania Mainland - Quarterly GDP Growth**

	Percent					
	2006	2007	2008	2009	2010	2011
First Quarter	9.8	4.5	7.1	5.6	7.7	5.8
Second Quarter	8.9	5.8	7.1	3.8	7.2	6.7
Third Quarter	5.7	7.2	8.9	5.7	6.7	6.4
Fourth Quarter	2.9	11.3	6.3	9.2	6.7	6.5

Source: National Bureau of Statistics and Bank of Tanzania

**Table A6: Zanzibar -Quarterly GDP Growth**

	Percent					
	2006	2007	2008	2009	2010	2011
First Quarter	5.2	4.0	7.9	11.4	-5.3	12.1
Second Quarter	15.1	8.5	-4.0	5.1	10.6	3.3
Third Quarter	1.7	7.5	5.5	11.3	10.7	5.2
Fourth Quarter	4.5	5.7	10.4	-0.5	8.9	7.3

Source: Office of Chief Government Statistician, Zanzibar



**Table A7: Zanzibar Gross Domestic Product at Constant 2001 Prices by Economic Activity**

Millions of TZS

Economic Activity	2005	2006	2007	2008	2009	2010	2011P
<b>Agriculture, forestry &amp; fishing</b>	<b>61,280</b>	<b>72,700</b>	<b>72,400</b>	<b>76,500</b>	<b>79,900</b>	<b>82,400</b>	<b>84,700</b>
Crops	37,901	49,000	48,000	51,100	53,700	55,600	55,900
Livestock	10,810	11,200	11,600	12,000	12,400	12,800	13,200
Forestry & hunting	1,179	1,200	1,300	1,300	1,400	1,400	1,500
Fishing	11,390	11,300	11,500	12,100	12,400	12,600	14,100
<b>Industry</b>	<b>39,147</b>	<b>46,000</b>	<b>48,100</b>	<b>49,200</b>	<b>50,800</b>	<b>51,800</b>	<b>54,700</b>
Mining & quarrying	2,342	2,400	2,600	3,200	3,600	3,800	4,300
Manufacturing	14,239	14,700	14,800	15,000	15,300	15,800	16,200
Electricity, gas & water supply	4,542	4,800	5,100	5,200	5,300	5,300	6,100
Construction	18,024	24,100	25,600	25,800	26,600	26,900	28,100
<b>Services</b>	<b>140,646</b>	<b>136,700</b>	<b>150,880</b>	<b>160,600</b>	<b>174,700</b>	<b>190,700</b>	<b>207,500</b>
Trade & repairs	28,400	28,600	30,900	30,100	31,300	33,500	40,700
Hotels & restaurants	21,899	23,900	25,000	24,900	26,100	26,900	29,600
Transport & communications	23,200	23,300	32,000	39,800	48,700	58,100	63,600
Financial intermediation	5,214	4,700	5,700	5,900	6,000	7,500	7,800
Real estate & business services	2,720	2,800	3,000	3,100	3,300	3,400	3,600
Public administration	38,616	31,600	32,000	33,200	34,600	35,500	35,900
Education	15,425	16,300	16,500	17,500	18,500	19,400	19,900
Health	4,146	4,390	4,680	4,900	5,000	5,100	5,100
Other social & personal services	1,026	1,100	1,100	1,200	1,200	1,300	1,300
<b>Adjustment to market prices</b>							
Taxes on products	44,500	47,200	50,100	52,900	56,400	60,000	64,100
<b>Gross Domestic Product at market prices</b>	<b>285,600</b>	<b>302,600</b>	<b>321,480</b>	<b>339,200</b>	<b>361,800</b>	<b>384,900</b>	<b>411,000</b>
<b>Percentage Growth Rates</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>	<b>3.1</b>	<b>2.7</b>
Crops	1.6	29.4	-2.0	6.5	5.1	3.6	0.5
Livestock	3.5	3.5	3.6	3.5	3.6	3.1	3.1
Forestry & hunting	3.6	3.8	3.7	3.0	4.3	3.1	6.4
Fishing	6.3	-1.0	1.8	5.2	2.4	1.2	11.9
<b>Industry</b>	<b>6.6</b>	<b>17.6</b>	<b>4.6</b>	<b>1.9</b>	<b>3.4</b>	<b>1.9</b>	<b>12.9</b>
Mining & quarrying	15.5	3.0	9.1	22.8	11.4	5.4	12.9
Manufacturing	2.4	3.5	0.5	1.1	2.4	3.1	2.5
Electricity, gas & water supply	7.6	5.0	7.5	0.9	2.4	-0.5	15.9
Construction	8.8	33.8	6.3	0.5	3.2	1.1	4.7
<b>Services</b>	<b>5.3</b>	<b>-2.8</b>	<b>10.4</b>	<b>6.1</b>	<b>8.7</b>	<b>9.3</b>	<b>8.9</b>
Trade & repairs	14.6	1.0	9.9	-4.3	4.0	7.0	21.5
Hotels & restaurants	39.9	9.2	4.5	-0.5	5.0	3.0	10.2
Transport & communications	9.9	0.4	37.3	24.1	22.1	19.6	9.6
Financial intermediation	13.7	-10.2	21.3	4.0	2.6	24.1	4.0
Real estate & business services	4.7	4.7	4.8	4.8	4.8	4.9	4.9
Public administration	-13.5	-18.3	1.3	4.0	4.2	2.8	1.0
Education	1.1	5.4	1.3	6.4	5.6	4.8	2.8
Health	4.2	5.9	6.6	4.5	2.2	2.7	0.1
Other social & personal services	4.3	4.3	4.3	4.3	4.3	4.3	4.3
<b>Gross Domestic Product at market prices</b>	<b>4.9</b>	<b>6.0</b>	<b>6.4</b>	<b>5.3</b>	<b>6.7</b>	<b>6.4</b>	<b>6.8</b>

Source: Office of Chief Government Statistician, Zanzibar

Note: p = provisional

**Table A8a: National Consumer Price Index (NCPI), 12-Months Percentage Change**

Main Groups	Weight	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
Food and Non Alcoholic Beverages	47.8	9.7	10.4	12.3	15.9	18.6	22.5	24.0	26.1	27.1	27.8	26.7	25.7	25.3
Alcoholic, Tobacco and Narcotics	3.3	5.6	6.8	5.8	5.0	5.2	5.7	5.6	5.1	5.8	6.3	8.3	9.3	9.3
Clothing and Footwear	6.7	9.4	9.8	9.8	9.4	9.4	9.6	10.7	11.2	10.6	12.5	13.9	15.0	15.4
Housing, Water, Electricity, Gas and Other Fuel	9.2	13.4	15.7	18.8	21.3	19.7	21.7	22.0	23.5	24.8	18.8	19.5	17.4	16.2
Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	13.6	14.1	14.4	14.5	13.9	14.2	15.4	15.3	14.6	14.4	8.2	9.0	9.1
Health	0.9	1.4	2.0	1.5	1.6	1.9	2.3	4.1	3.5	3.0	3.4	2.5	2.8	3.2
Transport	9.5	3.9	8.0	8.4	9.9	8.8	10.8	11.8	12.0	11.2	10.9	10.9	9.7	8.6
Communication	2.1	-2.0	-2.2	-2.0	-1.4	-1.3	-1.8	-1.6	-1.7	-1.2	-0.4	-0.8	-0.7	-0.7
Recreation and Culture	1.3	3.1	2.4	3.6	3.1	2.7	1.1	2.3	3.3	3.2	4.5	8.7	9.1	9.1
Education	1.7	2.2	3.1	3.5	4.2	4.8	5.8	5.6	5.7	5.9	2.9	4.8	4.8	4.7
Restaurants and hotels	6.4	5.2	7.4	6.7	6.8	8.0	11.5	12.8	13.2	13.6	12.8	15.8	18.2	18.8
Miscellaneous goods and services	4.5	3.4	3.8	2.8	3.5	3.5	6.5	7.0	7.8	8.6	9.1	12.1	12.3	12.8
<b>TOTAL – ALL ITEMS INDEX</b>	<b>100.0</b>	<b>8.6</b>	<b>9.7</b>	<b>10.9</b>	<b>13.0</b>	<b>14.1</b>	<b>16.8</b>	<b>17.9</b>	<b>19.2</b>	<b>19.8</b>	<b>19.7</b>	<b>19.4</b>	<b>19.0</b>	<b>18.7</b>
<b>Other Selected Groups</b>														
Food and Non-alcoholic Beverages - combining food consumed at home and food consumed in restaurants	<b>51.0</b>	<b>9.2</b>	<b>10.1</b>	<b>11.7</b>	<b>14.8</b>	<b>17.4</b>	<b>21.3</b>	<b>22.8</b>	<b>24.7</b>	<b>25.6</b>	<b>26.2</b>	<b>25.5</b>	<b>24.9</b>	<b>24.7</b>
Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	22.1	24.5	29.0	34.2	30.1	33.1	37.4	39.2	41.0	30.1	33.5	29.4	24.9
All Items Less Food	<b>49.0</b>	<b>7.8</b>	<b>9.3</b>	<b>10.0</b>	<b>10.8</b>	<b>10.2</b>	<b>11.4</b>	<b>12.2</b>	<b>12.6</b>	<b>12.7</b>	<b>11.8</b>	<b>11.8</b>	<b>11.5</b>	<b>11.2</b>
All Items Less Food and Energy	43.3	5.7	7.1	7.2	7.4	7.3	8.2	8.5	8.8	8.7	9.0	8.7	8.8	9.0

Source: National Bureau of Statistics



**Table A8b: National Consumer Price Index (NCPI), 12-Months Percentage Change**

Weight (%)	Headline	Food	Non-Food											Miscel. Goods & services			
			Non-Food	Drinks & Tobacco	Clothing & Footwear	Rent	Fuel, Power & Water	Furniture & Household Equip.	Household operations	Personal care & Health	Recreation & Entertain.	Transportation	Education				
	<b>100.00</b>	<b>55.90</b>	<b>44.10</b>	<b>6.90</b>	<b>6.40</b>	<b>1.40</b>	<b>8.50</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.60</b>	<b>8.03</b>
2006	7.25	7.02	7.63	7.70	6.98	5.47	8.54	7.81	1.96	11.20	4.96	9.13	2.46	8.03			
2007	7.03	6.99	7.01	10.47	5.87	3.60	6.12	7.88	8.66	2.88	8.89	7.01	9.63	0.81			
2008	10.28	12.69	6.68	8.14	1.46	2.41	10.70	5.97	3.17	5.02	5.53	6.87	7.00	1.85			
2009	12.15	17.74	3.72	8.24	5.86	12.31	-2.10	5.77	5.15	6.40	8.90	0.04	9.67	3.08			
2008 Mar	8.85	10.88	5.79	9.89	0.77	2.13	8.41	4.64	3.14	3.37	4.44	5.53	5.56	1.61			
Jun	9.38	11.36	6.44	7.95	1.08	2.12	11.21	5.16	2.69	3.74	4.15	6.76	6.28	0.75			
Sep	10.30	11.93	7.83	8.45	1.15	3.01	13.22	6.83	2.19	5.86	5.53	8.52	7.81	2.19			
Dec	12.52	16.49	6.64	6.41	2.84	2.39	9.89	7.24	4.69	7.06	7.96	6.62	8.29	2.87			
2009 Mar	13.07	18.42	4.62	5.47	4.14	12.57	1.78	7.03	4.87	7.66	10.37	3.59	10.07	3.38			
Jun	11.34	17.55	1.70	6.51	5.70	12.19	-7.71	6.78	4.78	7.44	9.04	-0.87	10.86	4.49			
Sep	11.69	17.70	2.63	10.71	8.78	12.57	-5.73	6.60	5.31	7.21	8.82	-2.94	10.47	3.97			
Dec	12.46	16.54	5.94	12.34	6.48	12.71	5.43	4.16	5.77	4.89	8.47	0.54	8.87	1.05			
2010 Jan	10.88	11.32	10.10	12.09	5.34	2.56	23.26	3.47	6.00	3.68	7.47	3.27	7.51	1.04			
Feb	9.63	10.08	8.81	11.46	4.55	2.62	20.27	1.60	4.71	4.91	3.37	3.35	6.00	-1.77			
Mar	9.04	9.69	7.87	9.73	5.53	2.88	16.31	2.23	4.96	5.55	2.96	4.13	3.55	-1.96			
Apr	9.37	9.82	8.55	10.10	3.60	2.81	19.88	1.75	4.68	5.78	4.38	5.44	2.86	-5.19			
May	7.94	8.13	7.59	10.11	3.04	2.75	14.49	2.30	2.84	5.61	2.15	7.57	2.52	-5.00			
Jun	7.20	7.07	7.42	9.56	0.79	2.75	15.44	2.93	3.09	5.01	1.56	8.01	0.91	-4.46			
Jul	6.28	5.63	7.41	7.00	-0.69	1.69	19.53	2.13	3.10	4.58	0.57	7.00	-0.41	-4.79			
Aug	6.60	6.35	7.10	7.18	0.60	1.94	16.51	2.57	4.87	3.88	0.40	7.35	0.33	-6.26			
Sep	4.50	4.48	4.70	6.69	1.73	1.94	7.05	2.40	4.29	4.10	-0.71	5.62	0.00	-5.56			

Source: National Bureau of Statistics

Note: Before August 2001, Base year June 2001=100, afterwards Base year December 2001=100



**Table A8c: Zanzibar National Consumer Price Index (N CPI), 12-Months Percentage Change**

	Weights (%)	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
<b>Headline</b>	100.0	13.8	14.2	15.4	15.9	16.0	16.4	17.8	18.7	20.8	19.8	17.4	12.9	9.9
<b>Food</b>	57.4	18.3	18.9	21.1	21.5	20.4	20.3	22.5	23.4	25.6	23.5	18.6	11.5	7.0
<b>Non-Food</b>	42.6	8.7	8.8	8.7	9.1	10.6	11.7	12.4	13.3	15.3	15.5	16.1	14.9	14.1
Alcoholic beverages, tobacco & narcotics	0.6	18.2	18.2	18.2	5.3	3.2	6.7	8.5	11.2	17.5	16.8	16.6	31.1	30.6
Clothing and footwear	6.2	8.6	10.4	11.3	11.2	17.7	17.9	16.8	18.2	18.8	17.5	23.0	24.6	24.3
Housing, water, electricity, gas and other fuels	15.6	8.9	8.3	8.1	8.9	9.7	10.1	11.6	12.6	14.9	15.8	14.2	10.9	8.6
Furnishing, household equipment and routine household maintenance														
Health	5.3	8.0	8.6	8.3	10.0	13.6	15.9	17.5	18.0	20.6	23.2	25.3	25.9	26.3
Transport	2.1	19.9	19.9	19.6	23.9	23.9	23.9	14.9	14.7	17.0	7.0	12.6	14.4	15.2
Communication	3.4	12.4	12.9	13.5	13.1	13.6	15.2	15.1	16.9	16.8	13.8	11.3	7.8	6.5
Recreation and culture	2.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	0.0	0.0	0.3	0.3	0.3
Education	0.4	6.4	4.5	6.1	12.5	9.8	9.9	8.4	10.7	10.7	14.3	12.9	12.9	15.4
Restaurants and hotels	1.1	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	17.9	17.9	17.9	17.9
Miscellaneous goods & services	3.1	10.6	10.6	9.2	7.4	7.4	11.3	16.3	16.5	15.8	16.3	16.4	13.5	15.4
	2.4	-9.8	-9.7	-9.7	-8.4	-8.5	-8.4	-8.5	-8.1	3.1	11.0	12.9	13.2	14.0

Source: Office of Chief Government Statistician, Zanzibar



# Table A9: Tanzania: Depository Corporations Survey

Billions of TZS

Items	Jun-09	Jun-10	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
Net Foreign Assets of the Banking System	4,202.9	5,265.5	5,697.8	5,527.1	5,807.3	5,987.2	6,283.6	6,015.6	6,634.0	6,286.5	6,296.4	5,983.6	6,444.0	5,881.7	5,780.6
Bank of Tanzania	3,401.2	3,949.3	4,530.8	4,433.7	4,621.3	4,531.6	4,897.1	4,598.3	4,871.8	4,692.4	4,886.0	4,599.9	4,801.5	4,549.2	4,476.0
Net International Reserves (Millions of USD)	2,665.7	3,143.3	3,322.9	3,224.3	3,243.5	3,190.9	3,356.9	3,115.8	3,260.3	3,129.2	3,410.6	3,212.2	3,155.2	3,181.5	3,144.1
Banks NFA	801.7	1,316.2	1,167.0	1,093.4	1,185.9	1,451.1	1,386.5	1,413.3	1,594.1	1,410.4	1,383.8	1,448.6	1,332.4	1,306.6	1,306.6
Bank NFA (in Millions of USD)	616.9	954.2	779.5	720.1	754.4	924.5	864.0	867.6	1,070.4	962.7	900.3	878.2	922.6	846.0	833.1
Net Domestic Assets of the Banking System	3,629.2	4,555.8	5,736.0	6,083.2	6,150.9	6,128.9	6,476.0	6,787.3	6,804.2	6,925.0	6,724.9	7,022.0	7,058.2	7,120.0	7,182.9
Domestic Claims	4,823.3	6,174.1	7,691.4	8,124.2	8,479.6	8,644.4	9,018.9	9,326.2	9,659.0	9,623.8	9,093.6	9,464.3	9,751.4	9,625.3	9,615.2
Claims on central government (net)	128.3	712.8	1,269.2	1,488.3	1,619.7	1,701.7	1,786.7	1,933.6	1,987.0	1,962.1	1,471.3	1,885.5	1,989.8	1,917.7	1,669.2
Claims on Central Government	2,530.8	3,591.8	3,878.2	3,953.4	4,087.2	4,112.1	3,962.0	3,879.3	3,794.4	3,851.1	3,335.7	3,672.6	3,911.6	4,008.9	3,833.0
o/w Securities held by banks	1,392.3	2,063.4	2,433.0	2,440.4	2,446.2	2,348.3	2,272.1	2,194.9	2,180.2	2,145.2	2,040.6	2,071.1	2,278.4	2,412.9	2,373.3
Liabilities to Central Government	2,402.5	2,879.0	2,609.0	2,465.1	2,467.6	2,410.4	2,175.4	1,945.6	1,807.4	1,889.0	1,864.5	1,787.2	1,921.8	2,091.2	2,163.8
Claims on the private sector	4,695.0	5,461.3	6,422.2	6,635.9	6,859.9	6,942.7	7,322.2	7,392.5	7,672.0	7,661.6	7,622.3	7,578.8	7,761.7	7,707.6	7,946.0
o/w Extended in Shillings	3,281.8	3,769.5	4,382.5	4,507.9	4,592.4	4,687.4	4,852.4	4,879.5	5,078.9	5,150.9	5,171.0	5,174.6	5,296.4	5,265.4	5,350.5
o/w Extended in foreign currency	1,413.2	1,691.8	2,039.6	2,128.0	2,267.5	2,255.3	2,379.8	2,513.0	2,593.1	2,510.7	2,451.3	2,404.3	2,465.3	2,442.2	2,595.5
(Equivalent in USD million)	1,087.6	1,226.5	1,362.4	1,401.5	1,442.4	1,436.8	1,492.9	1,546.6	1,576.2	1,516.2	1,454.7	1,422.8	1,466.6	1,506.6	1,604.9
Extended Broad Money Supply (M3)	7,832.1	9,801.4	11,433.9	11,610.4	11,957.9	12,116.0	12,759.6	12,800.9	13,438.2	13,211.5	13,021.3	13,005.7	13,088.3	13,001.7	12,963.5
Foreign Currency Deposits (FCD) in National Currency	2,060.1	2,513.8	3,124.5	3,131.6	3,259.3	3,346.1	3,713.3	3,685.5	4,191.0	3,892.3	3,773.4	3,671.1	3,648.6	3,620.4	3,600.7
FCD in millions of US dollar	1,585.4	1,822.4	2,087.1	2,062.5	2,073.2	2,131.7	2,313.8	2,259.3	2,545.6	2,350.5	2,408.6	2,329.8	2,318.6	2,298.7	2,295.8
Broad Money Supply (M2)	5,772.0	7,287.5	8,309.3	8,478.8	8,698.7	8,765.5	9,046.3	9,115.4	9,247.2	9,319.1	9,247.9	9,334.6	9,359.7	9,381.2	9,362.8
Deposits in National Currency	4,348.3	5,607.1	6,455.2	6,566.9	6,617.5	6,605.0	6,767.0	6,872.3	7,028.8	7,052.9	7,012.1	7,231.7	7,253.5	7,236.0	7,215.0
Other Deposits in National Currency	2,623.3	3,152.8	3,718.9	3,773.3	3,771.5	3,818.7	3,914.8	3,928.9	4,147.6	3,535.2	3,676.0	3,707.2	3,621.0	3,669.8	3,684.5
Narrow Money Supply (M1)	3,148.7	4,134.7	4,590.5	4,705.5	4,927.1	4,946.8	5,131.4	5,186.5	5,099.6	5,293.9	5,572.0	5,627.4	5,738.6	5,711.4	5,678.2
Currency in Circulation	1,423.7	1,680.5	1,854.1	1,911.9	2,081.1	2,100.5	2,243.1	2,243.1	2,248.4	2,262.2	2,355.8	2,402.9	2,435.8	2,446.2	2,147.8
Transferrable Deposits in National Currency	1,725.0	2,454.2	2,736.4	2,793.7	2,846.0	2,786.3	2,932.2	2,943.4	2,881.2	2,817.7	2,836.2	2,828.3	2,824.3	2,866.2	2,826.0
Stock of Reserve Money (Billions of TZS)	2,678.3	3,369.3	3,637.6	3,790.0	3,903.6	4,054.9	4,239.4	4,201.0	4,126.1	4,111.9	4,305.3	4,073.3	3,881.1	3,991.9	3,919.9
Average Reserve Money (Billions of TZS)	2,601.7	3,138.5	3,571.0	3,639.3	3,745.6	3,846.6	4,051.6	4,094.6	4,255.7	4,211.7	4,221.9	4,193.9	4,080.3	4,014.5	3,970.9
Annual growth rates (%)															
Stock of Reserve Money	28.8	25.8	16.8	20.0	12.5	13.0	18.3	23.5	20.7	17.0	17.6	19.9	11.8	9.2	9.7
Average Reserve Money	26.7	20.6	18.4	19.6	19.3	13.1	19.0	18.7	21.8	20.3	19.8	19.8	14.0	10.7	11.2
Extended Broad Money Supply	18.5	25.1	22.2	25.1	22.0	18.4	21.4	23.7	25.7	21.1	18.2	16.1	16.3	15.7	13.4
Broad Money Supply	32.8	16.3	20.4	24.6	25.6	25.3	27.5	29.4	31.9	30.3	27.2	25.0	24.3	21.9	23.7
Memorandum Items															
Net on Government/ Domestic Credit (%)	2.7	11.5	16.5	18.3	19.1	19.7	19.8	20.7	20.6	20.4	16.2	19.9	20.4	19.9	17.4
Claims on Private Sector/ Domestic Credit (%)	97.3	88.5	83.5	81.7	80.9	80.3	80.2	79.3	79.4	79.6	83.8	80.1	79.6	80.1	82.6
FCD/M3 (%)	26.3	25.6	27.3	27.0	27.3	27.0	28.8	31.2	28.8	29.0	28.2	28.0	27.8	27.8	27.8
Nominal Exchange Rate (end of period) (TZS/USD)	1299.4	1379.4	1497.1	1518.3	1509.7	1569.7	1604.8	1631.2	1666.4	1655.9	1566.7	1575.7	1573.6	1575.0	1568.4
Gross Official Reserves (Millions of USD)	2,929.8	3,482.6	3,680.8	3,591.1	3,610.2	3,557.3	3,725.2	3,472.7	3,622.4	3,484.1	3,761.2	3,565.5	3,509.7	3,533.4	3,498.5
Foreign Assets of Banks (Millions of USD)	796.4	1,096.9	1,038.1	1,055.3	1,072.2	1,019.6	1,034.9	1,117.5	1,117.5	1,083.1	1,019.6	1,076.1	1,022.0	1,018.1	1,018.1
Gross Foreign Assets of the Banking System (Millions of USD)	3,726.2	4,579.5	4,731.5	4,621.2	4,665.5	4,629.5	4,744.8	4,507.6	4,797.5	4,601.6	4,844.3	4,585.1	4,585.9	4,555.4	4,516.6

Source: Bank of Tanzania



**Table A10: Tanzania Money Market Interest Rates**

	Jun-09	Jun-10	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	Percent
<b>Interbank Cash Market Rates</b>																
Overnight	4.46	0.86	1.80	1.80	1.81	5.79	8.35	5.93	9.86	15.63	29.34	22.03	7.16	16.27	25.79	
31 to 60 days	5.30	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	23.00	23.00	23.00	23.00	24.00	
61 to 90 days	12.15	3.37	3.37	3.37	3.37	3.37	3.37	3.37	3.37	17.00	17.00	17.00	17.00	17.00	17.00	
91 to 180 days	8.60	3.70	4.00	4.00	4.00	4.00	4.00	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	
181 and above	12.00	8.50	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	
<b>Overall Interbank cash market rate</b>	<b>5.03</b>	<b>0.97</b>	<b>1.84</b>	<b>1.84</b>	<b>1.81</b>	<b>5.68</b>	<b>8.37</b>	<b>5.95</b>	<b>10.09</b>	<b>15.81</b>	<b>29.11</b>	<b>21.44</b>	<b>7.40</b>	<b>16.84</b>	<b>25.68</b>	
<b>Lombard Rate</b>	<b>5.35</b>	<b>1.03</b>	<b>2.17</b>	<b>2.15</b>	<b>2.17</b>	<b>6.94</b>	<b>10.02</b>	<b>7.11</b>	<b>11.83</b>	<b>18.75</b>	<b>35.21</b>	<b>26.44</b>	<b>8.59</b>	<b>19.53</b>	<b>30.94</b>	
<b>REPO Rate</b>	<b>4.90</b>	<b>0.54</b>	<b>1.77</b>	<b>1.38</b>	<b>1.31</b>	<b>1.83</b>	<b>3.50</b>	<b>4.20</b>	<b>6.97</b>	<b>8.52</b>	<b>12.61</b>	<b>10.53</b>	<b>4.05</b>	<b>3.75</b>	<b>3.75</b>	
<b>Treasury Bills Rates</b>																
35 days	4.81	0.65	3.51	2.86	2.71	3.04	3.78	3.89	3.87	3.87	3.87	10.44	6.59	5.24	5.24	
91 days	5.56	2.89	4.26	3.91	3.74	3.97	4.90	5.33	9.49	11.15	12.61	13.16	12.23	12.77	13.80	
182 days	7.86	2.59	5.01	4.93	4.83	5.49	6.31	6.74	11.15	14.50	16.39	17.46	13.60	13.13	13.90	
364 days	9.11	6.08	6.11	6.50	6.46	7.80	9.55	9.63	12.38	15.70	18.66	18.59	13.38	13.91	14.86	
<b>Overall Treasury bills rate</b>	<b>6.97</b>	<b>3.33</b>	<b>4.80</b>	<b>4.54</b>	<b>4.76</b>	<b>6.45</b>	<b>7.30</b>	<b>7.79</b>	<b>11.57</b>	<b>15.16</b>	<b>18.20</b>	<b>17.85</b>	<b>12.99</b>	<b>13.35</b>	<b>14.40</b>	
<b>Treasury Bonds Rates</b>																
2-years	11.51	8.79	8.13	8.13	8.05	8.05	8.05	9.59	9.59	14.01	14.01	17.85	17.85	13.73	13.73	
5-years	16.58	9.52	10.65	10.65	10.75	12.46	12.46	12.45	12.45	13.15	13.15	17.05	17.05	14.82	14.82	
7-years	17.06	10.38	12.02	12.26	12.81	12.81	12.81	12.81	14.99	14.99	14.99	14.99	13.84	13.84	14.63	
10-years	19.92	11.68	13.69	13.69	13.69	12.64	12.64	13.30	13.30	16.35	16.98	16.98	14.80	14.80	14.99	
<b>Bank Rate</b>	<b>10.31</b>	<b>7.58</b>	<b>7.58</b>	<b>7.58</b>	<b>7.58</b>	<b>7.58</b>	<b>7.58</b>	<b>7.58</b>	<b>9.58</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	

Source: Bank of Tanzania



**Table A11: Tanzania: Commercial Banks Interest Rates**

	Jun-09	Jun-10	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	Percent
<b>A: Domestic Currency</b>																
<b>Savings Deposit Rate</b>																
Overall Time Deposits Rate	6.79	5.90	5.96	6.10	6.06	6.42	6.30	6.22	6.20	6.73	7.12	7.55	7.08	8.35	8.12	8.12
1 month	6.46	4.65	5.41	5.85	5.11	5.93	6.19	6.23	5.93	6.35	6.65	6.03	6.66	7.87	7.46	7.46
2 months	7.61	6.81	6.67	6.63	6.85	6.59	6.67	6.86	6.29	7.50	8.24	8.87	8.16	7.94	7.89	7.89
3 months	8.69	6.33	6.05	5.90	6.19	7.14	6.97	6.92	7.51	7.62	8.37	8.38	8.37	9.44	8.69	8.69
6 months	8.58	7.62	6.59	6.62	6.81	7.65	7.23	8.03	8.13	8.21	8.67	9.32	9.41	10.13	9.55	9.55
12 months	9.07	8.48	7.75	8.15	7.90	8.03	7.96	7.33	7.58	8.05	9.14	8.95	9.14	10.48	10.76	10.76
24 months	6.04	6.53	8.11	8.39	8.30	8.36	7.46	7.16	6.92	8.20	7.75	10.07	6.42	11.61	11.36	11.36
<b>Negotiated Deposit Rate</b>																
Overall Lending rate	10.13	9.57	7.44	7.38	7.44	7.40	9.28	9.05	9.25	8.84	9.99	9.63	9.77	10.16	10.38	10.38
Short-term (up to 1 year)	15.48	14.67	15.41	15.25	15.02	15.71	15.72	14.76	14.78	14.13	14.21	14.72	15.35	14.87	14.57	14.57
Medium-term (1-2 years)	15.63	15.23	18.76	18.55	17.90	17.42	17.32	17.81	17.52	17.67	17.80	15.31	16.31	14.75	14.13	14.13
Long-term (3-5 years)	15.11	14.80	14.48	14.30	14.40	15.28	15.59	14.67	14.65	14.05	14.17	14.61	16.22	14.70	14.22	14.22
Term Loans (over 5 years)	16.87	14.69	14.10	13.81	13.42	15.12	14.88	11.06	11.94	11.37	10.99	15.14	14.00	15.34	15.34	15.09
<b>Negotiated Lending Rate</b>																
Overall Lending Rate	14.28	14.13	13.32	13.48	13.81	13.75	13.98	13.97	12.98	13.79	13.60	13.77	14.82	14.25	13.86	13.86
<b>B: Foreign Currency</b>																
<b>Deposits Rates</b>																
Overall Time Deposits Rate	2.36	1.49	1.64	1.46	0.51	0.52	2.35	0.56	0.58	0.45	0.70	0.60	0.32	0.64	0.68	0.68
1-months	2.36	1.59	1.42	1.65	1.58	1.58	2.60	1.09	1.43	0.97	1.11	1.16	0.97	0.71	0.65	0.65
2-months	1.80	1.94	1.76	1.65	1.44	1.33	2.77	1.91	1.41	1.42	0.75	1.50	1.17	1.57	1.37	1.37
3-months	2.45	1.83	2.50	2.28	0.88	0.92	2.26	0.91	0.87	0.83	1.84	0.79	0.78	0.79	0.80	0.80
6-months	2.71	1.83	2.67	2.33	1.07	1.06	2.50	1.07	1.18	1.15	1.16	1.81	1.43	1.62	1.56	1.56
12-months	2.18	2.55	2.28	2.01	1.59	1.64	2.85	1.22	1.41	1.50	1.55	1.52	1.62	1.94	1.57	1.57
<b>Overall Lending Rate</b>																
Short-term (up to 1 year)	9.69	9.14	8.41	8.51	8.26	8.36	8.34	8.31	8.29	8.29	8.25	8.11	8.37	8.37	9.51	9.51
Medium-term (1-2 years)	6.96	4.74	3.46	3.96	3.55	6.03	6.04	5.97	5.99	6.02	5.99	5.97	6.02	5.99	7.32	7.32
Long-term (3-5 years)	10.13	10.13	10.43	10.44	10.37	9.31	9.29	9.27	9.15	9.19	9.32	9.28	9.37	9.40	10.14	10.14
Term Loans (over 5 years)	10.82	10.57	8.66	8.67	7.82	9.03	9.03	9.03	9.02	9.03	9.02	9.02	9.03	8.91	10.38	10.38
Overall Lending Rate	10.54	11.00	10.05	10.05	10.04	8.47	8.45	8.38	8.31	8.50	8.46	8.06	8.75	8.76	10.34	10.34
Term Loans (over 5 years)	10.01	9.27	9.45	9.45	9.49	8.94	8.91	8.89	8.98	8.72	8.48	8.21	8.66	8.80	9.38	9.38

Source: Bank of Tanzania





**Table A12: Central Government Operations - Tanzania Mainland**

Billions of TZS

Item	Jul 2010- Apr 2011		BUDGET		July 2011 - April 2012		
	Actual	% of GDP	2011/12	Projection	Actual	% of Projection	% of GDP
<b>Total Revenue (incl. LGA Own Sources)</b>	<b>4,656.2</b>	<b>13.3%</b>	<b>7,126.4</b>	<b>5,832.3</b>	<b>5,684.5</b>	<b>97.5%</b>	<b>14.4%</b>
<b>Total Revenue (excl. LGA Own Sources)</b>	<b>4,524.6</b>	<b>12.9%</b>	<b>6,776.0</b>	<b>5,557.0</b>	<b>5,541.5</b>	<b>99.7%</b>	<b>14.0%</b>
Tax Revenue	4,301.2	12.3%	6,214.7	5,051.4	5,227.5	103.5%	13.2%
Taxes on Imports	1,872.1	5.3%	2,712.7	2,232.6	2,100.1	94.1%	5.3%
Sales/VAT and Excise on Local Goods	886.3	2.5%	1,331.5	1,121.7	1,121.1	99.9%	2.8%
Income Taxes	1,305.8	3.7%	1,860.4	1,441.1	1,734.8	120.4%	4.4%
Other taxes	237.1	0.7%	310.1	256.0	271.4	106.0%	0.7%
Non- tax Revenue	223.3	0.6%	561.2	505.6	314.0	62.1%	0.8%
LGA Own Sources	131.7	0.4%	350.5	275.4	143.0	51.9%	0.4%
<b>Total Expenditure /1</b>	<b>7,363.5</b>	<b>21.0%</b>	<b>12,639.9</b>	<b>10,097.2</b>	<b>7,565.5</b>	<b>74.9%</b>	<b>19.1%</b>
Recurrent expenditure	4,968.4	14.2%	7,714.3	6,166.2	5,133.5	83.3%	13.0%
Wages and salaries	2,327.5	6.6%	3,270.3	2,724.5	2,633.1	96.6%	6.7%
Interest payments	226.6	0.6%	308.7	288.8	270.9	93.8%	0.7%
Domestic 2/	173.5	0.5%	220.6	202.4	204.0	100.8%	0.5%
Foreign	53.1	0.2%	88.1	86.3	66.9	77.5%	0.2%
Other goods, services and transfers	2,414.2	6.9%	4,135.3	3,152.9	2,229.6	70.7%	5.6%
<b>Dev. Expenditure and net lending</b>	<b>2,395.1</b>	<b>6.8%</b>	<b>4,925.6</b>	<b>3,930.9</b>	<b>2,432.0</b>	<b>61.9%</b>	<b>6.2%</b>
Local	768.5	2.2%	1,871.5	1,331.0	1,164.9	87.5%	2.9%
Foreign	1,626.7	4.6%	3,054.1	2,600.0	1,267.1	48.7%	3.2%
<b>Overall Balance (cheque issued) before Grants</b>	<b>-2,707.3</b>	<b>-7.7%</b>	<b>-5,513.5</b>	<b>-4,264.9</b>	<b>-1,881.0</b>	<b>44.1%</b>	<b>-4.8%</b>
<b>Grants</b>	<b>1,529.8</b>	<b>4.4%</b>	<b>2,717.9</b>	<b>2,379.6</b>	<b>1,448.6</b>	<b>60.9%</b>	<b>3.7%</b>
Program	727.0	2.1%	700.8	700.8	658.7	94.0%	1.7%
Project	502.1	1.4%	1,625.1	1,354.3	525.6	38.8%	1.3%
Basket funds	300.6	0.9%	392.0	324.5	264.4	81.5%	0.7%
<b>Overall Balance (cheq.issued) after Grants</b>	<b>-1,177.5</b>	<b>-3.4%</b>	<b>-2,795.6</b>	<b>-1,885.2</b>	<b>-432.3</b>	<b>22.9%</b>	<b>-1.1%</b>
Expenditure float	-480.1	-1.4%	0.0	0.0	-183.6	-0.5%	-0.5%
Adjustments to cash and other items (net)	-207.5		0.0	0.0	-523.2	-1.3%	-1.3%
<b>Overall Balance (cheques issued)</b>	<b>-1,865.1</b>	<b>-5.3%</b>	<b>-2,795.6</b>	<b>-1,885.2</b>	<b>-1,139.1</b>	<b>60.4%</b>	<b>-2.9%</b>
<b>Total Financing:</b>	<b>1,865.1</b>	<b>5.3%</b>	<b>2,795.6</b>	<b>1,885.2</b>	<b>1,139.1</b>	<b>60.4%</b>	<b>2.9%</b>
<i>Foreign Financing (net)</i>	<i>1,117.7</i>	<i>3.2%</i>	<i>2,410.4</i>	<i>1,686.6</i>	<i>914.4</i>	<i>54.2%</i>	<i>2.3%</i>
Loans	1,151.7	3.3%	2,477.3	1,745.4	976.9	56.0%	2.5%
Program loans	173.8	0.5%	168.6	168.6	90.4	53.6%	0.2%
Development Project loans	616.1	1.8%	741.0	900.9	367.4	40.8%	0.9%
Basket Support	207.8	0.6%	296.0	255.4	109.7	43.0%	0.3%
Non-Concessional Borrowing	153.9		1,271.6	420.5	409.4	97.4%	1.0%
Amortization	-34.0	-0.1%	-66.8	-58.8	-62.4	106.2%	-0.2%
<b>Total Domestic (net)</b>	<b>747.5</b>	<b>2.1%</b>	<b>385.1</b>	<b>198.6</b>	<b>224.7</b>	<b>113.1%</b>	<b>0.6%</b>
<i>Net domestic financing (NDF)</i>	<i>747.5</i>	<i>2.1%</i>	<i>393.4</i>	<i>206.9</i>	<i>232.9</i>	<i>112.6%</i>	<i>0.6%</i>
Bank borrowing	556.4	1.6%	393.4	206.9	49.6	24.0%	0.1%
Non-Bank (net of amortization)	191.1	0.5%	0.0	0.0	183.3		0.5%
Borrowing/Roll over	456.6	1.3%	810.9	784.2	436.3	55.6%	1.1%
Domestic & Contingent debt Amortization	-456.6	-1.3%	-819.1	-792.5	-444.5	56.1%	-1.1%
Privatization Proceeds	0.0	0.0%	0.0	0.0	0.0		0.0%
<b>GDP</b>	<b>35,026.7</b>		<b>39,519.0</b>				

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

Note:

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

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



**Table A13: Zanzibar Central Government Operations**

Millions of TZS

	Budget	Jul-Apr 2011	July-Apr 2012		Actual vs
	2011/2012	Actual	Projection	Actual	Projection
<b>Total Revenue</b>	<b>221,240.0</b>	<b>147,725.5</b>	<b>195,487.1</b>	<b>188,193.9</b>	<b>96.3</b>
<b>Tax Revenue</b>	<b>210,220.0</b>	<b>136,411.1</b>	<b>174,855.3</b>	<b>165,674.0</b>	<b>94.7</b>
Tax on Imports	49,441.8	39,046.4	42,278.5	48,937.0	115.7
VAT and Excise Duties (local)	58,814.0	41,443.9	48,836.0	50,583.2	103.6
Income Tax	51,138.8	22,384.8	41,698.8	26,655.8	63.9
Other Taxes	50,825.4	33,536.0	42,041.9	39,498.0	93.9
Non-Tax Revenue	11,020.0	11,314.4	20,631.9	22,519.9	109.2
<b>Total Expenditure</b>	<b>613,080.0</b>	<b>261,652.4</b>	<b>311,319.7</b>	<b>369,746.7</b>	<b>118.8</b>
Recurrent Expenditure	234,180.0	154,545.8	193,986.1	193,399.8	99.7
Wages and Salaries	105,780.0	70,010.2	96,100.0	96,631.5	100.6
Interest Payment	0.0	1,639.3	678.1	678.1	100.0
Local	0.0	1,639.3	678.1	678.1	100.0
Foreign					
Other Expenditure	128,400.0	82,896.3	97,208.0	96,090.2	98.9
<b>Development Expenditure</b>	<b>378,900.0</b>	<b>107,106.7</b>	<b>117,333.6</b>	<b>176,346.9</b>	<b>150.3</b>
Local	37,950.0	24,831.6	29,534.0	29,392.9	99.5
Foreign	340,950.0	82,275.1	87,799.6	146,954.0	167.4
<b>Overall (surplus) Deficit before grants</b>	<b>-391,840.0</b>	<b>-113,927.0</b>	<b>-115,832.6</b>	<b>-181,552.8</b>	<b>156.7</b>
<b>Grants</b>	<b>155,240.0</b>	<b>52,092.7</b>	<b>53,712.3</b>	<b>52,464.0</b>	<b>97.7</b>
4.5% Budget Support	30,280.0	33,886.0	22,266.0	25,466.0	114.4
Debt relief	0.0	0.0	0.0	0.0	
Program Grant	124,960.0	18,206.7	31,446.3	26,998.0	85.9
<b>Overall Deficit after grants</b>	<b>-236,600.0</b>	<b>-61,834.3</b>	<b>-62,120.3</b>	<b>-129,088.8</b>	<b>207.8</b>
Adjustment to cash and other items	0.0	-1,765.0	57,411.8	-6,735.8	
<b>Overall Deficit cheques cleared</b>	<b>-236,600.0</b>	<b>-63,599.3</b>	<b>-4,708.5</b>	<b>-134,708.2</b>	<b>2,861.0</b>
<b>Financing</b>	<b>236,600.0</b>	<b>63,599.3</b>	<b>62,120.3</b>	<b>134,708.2</b>	<b>216.9</b>
Foreign	216,000.0	63,599.3	59,105.3	119,956.0	203.0
Import Support	0.0	0.0	0.0	0.0	
Program Loans	216,000.0	63,599.3	59,105.3	119,956.0	203.0
Amortization (foreign)					
Domestic (net)	20,600.0	0.0	3,015.0	14,752.2	489.3
Bank	5,600.0	0.0	-11,737.2	0.0	
Non-bank	15,000.0	0.0	14,752.2	14,752.2	100.0
Amortization (local)	0.0	0.0	0.0	0.0	

Source: President's Office Finance, Economy and Development Planning, Zanzibar, and Bank of Tanzania



**Table A14: Tanzania Exports by Type of Commodity**

Items	Unit	July - April		% Change
		2011	2012p	
<b>Traditional Exports:</b>				
<b>COFFEE</b>				
Value	Mill.USD	144.7	132.4	-8.5
Volume	'000 Tons	46.0	29.2	-36.6
Unit Price	USD per Ton	3,145.3	4,538.8	44.3
<b>COTTON</b>				
Value	Mill.USD	65.9	81.3	23.4
Volume	'000 Tons	50.1	51.0	2.0
Unit Price	USD per Ton	1,316.8	1,593.3	21.0
<b>TEA</b>				
Value	Mill.USD	34.1	40.7	19.2
Volume	'000 Tons	20.2	21.6	6.8
Unit Price	USD per Ton	1,690.6	1,886.6	11.6
<b>TOBACCO</b>				
Value	Mill.USD	283.8	220.7	-22.2
Volume	'000 Tons	62.1	76.0	22.4
Unit Price	USD per Ton	4,568.0	2,903.3	-36.4
<b>CASHEWNUITS</b>				
Value	Mill.USD	130.4	103.4	-20.7
Volume	'000 Tons	120.3	91.0	-24.4
Unit Price	USD per Ton	1,083.8	1,136.5	4.9
<b>CLOVES</b>				
Value	Mill.USD	7.5	50.2	573.4
Volume	'000 Tons	2.1	3.9	88.2
Unit Price	USD per Ton	3,612.5	12,925.3	257.8
<b>Sub Total</b>	<b>Mill.USD</b>	<b>666.5</b>	<b>628.7</b>	<b>-5.7</b>
<b>Non-Traditional Exports:</b>				
Minerals	Mill.USD	<b>1,464.1</b>	<b>1,973.9</b>	<b>34.8</b>
Gold	Mill.USD	1,423.8	1,932.5	35.7
Diamond	Mill.USD	7.2	1.6	-77.7
Other minerals <sup>1</sup>	Mill.USD	33.1	39.9	20.4
Manufactured Goods	Mill.USD	<b>891.1</b>	<b>716.6</b>	<b>-19.6</b>
Cotton Yarn	Mill.USD	8.3	3.4	-59.1
Manufactured Coffee	Mill.USD	0.7	1.1	49.1
Manufactured Tobacco	Mill.USD	12.7	15.4	21.8
Sisal Products (Yarn & Twine)	Mill.USD	7.9	9.9	25.3
Other manufactured Goods <sup>2</sup>	Mill.USD	861.5	686.7	-20.3
<b>Fish and Fish Products</b>	Mill.USD	<b>128.5</b>	<b>121.3</b>	<b>-5.6</b>
<b>Horticultural products</b>	Mill.USD	<b>28.2</b>	<b>23.4</b>	<b>-17.0</b>
<b>Re-exports</b>	Mill.USD	<b>116.2</b>	<b>102.1</b>	<b>-12.1</b>
<b>Other Exports<sup>3</sup></b>	Mill.USD	<b>265.6</b>	<b>358.0</b>	<b>34.8</b>
<b>Sub Total</b>	<b>Mill.USD</b>	<b>2,893.7</b>	<b>3,295.4</b>	<b>13.9</b>
<b>GRAND TOTAL</b>	<b>Mill.USD</b>	<b>3,560.2</b>	<b>3,924.1</b>	<b>10.2</b>

Source: Bank of Tanzania, Tanzania Revenue Authority

Note:

1 Include tanzanite, rubies, sapphires, emeralds, copper, silver and other precious stones

2 Include plastic items, textile apparels iron/steel and articles thereof

3 Include edible vegetables, oil seeds, cereals, cocoa, raw hides and skins, woods and articles thereof

p = Provisional data



**Table A15: Tanzania Imports (f.o.b value) by Major Category**

Millions of USD

Items	July - April		% Change
	2011	2012p	
<b>CAPITAL GOODS</b>	<b>2,503.9</b>	<b>3,055.3</b>	<b>22.0</b>
Transport Equipment	842.6	835.0	-0.9
Building and Constructions	556.7	626.3	12.5
Machinery	1,104.6	1,594.0	44.3
<b>INTERMEDIATE GOODS</b>	<b>2,225.3</b>	<b>3,870.9</b>	<b>74.0</b>
Oil imports	1,545.8	3,042.6	96.8
Fertilizers	129.7	155.5	19.9
Industrial raw materials	549.8	672.8	22.4
<b>CONSUMER GOODS</b>	<b>1,602.8</b>	<b>1,938.7</b>	<b>21.0</b>
Food and food stuffs	466.2	559.2	20.0
All other consumer goods <sup>1</sup>	1,136.7	1,379.5	21.4
<b>GRAND TOTAL (F.O.B)</b>	<b>6,333.9</b>	<b>8,866.8</b>	<b>40.0</b>
<b>GRAND TOTAL (C.I.F)</b>	<b>6,960.3</b>	<b>9,743.7</b>	<b>40.0</b>

Source: Bank of Tanzania and Tanzania Revenue Authority

Note:

<sup>1</sup> Includes pharmaceutical products, paper products, plastic items, optical/photographic materials and textile apparels

p = Provisional data



**Table A16: Tanzania's Balance of Payments**

Millions of USD

Item	2007 <sup>r</sup>	2008 <sup>r</sup>	2009 <sup>r</sup>	2010 <sup>r</sup>	2011 <sup>p</sup>
<b>A. Current Account</b>	<b>-1,714.7</b>	<b>-2,564.1</b>	<b>-1,797.0</b>	<b>-1,923.6</b>	<b>-3,951.0</b>
<i>Balance on Goods</i>	-2,634.1	-3,433.5	-2,536.1	-2,841.2	-4,729.8
Goods: exports f.o.b.	2,226.6	3,578.8	3,298.1	4,324.3	5,097.7
Traditional	319.7	507.3	479.6	572.3	668.6
Nontraditional	1,704.5	2,604.7	2,379.6	3,187.9	3,764.2
o/w Gold	788.2	1,108.3	1,229.5	1,516.6	2,224.1
Unrecorded trade	202.4	466.8	438.9	564.0	664.9
Goods: imports f.o.b.	-4,860.6	-7,012.3	-5,834.1	-7,165.5	-9,827.5
<b>Balance on Services</b>	<b>462.1</b>	<b>349.9</b>	<b>145.6</b>	<b>193.4</b>	<b>197.2</b>
Services: credit	1,875.7	1,998.8	1,854.6	2,045.7	2,362.5
Services: debit	-1,413.7	-1,648.9	-1,709.1	-1,852.4	-2,165.3
<b>Balance on Goods and Services</b>	<b>-2,172.0</b>	<b>-3,083.6</b>	<b>-2,390.5</b>	<b>-2,647.9</b>	<b>-4,532.6</b>
<b>Balance on income</b>	<b>-282.1</b>	<b>-314.3</b>	<b>-297.8</b>	<b>-326.9</b>	<b>-359.9</b>
Income: credit	107.3	122.7	161.1	160.1	184.2
Income: debit	-389.4	-437.0	-458.9	-487.0	-544.1
<b>Balance on Goods, Services and Income</b>	<b>-2,454.1</b>	<b>-3,397.9</b>	<b>-2,688.3</b>	<b>-2,974.8</b>	<b>-4,892.5</b>
<b>Balance on Current transfers</b>	<b>739.4</b>	<b>833.8</b>	<b>891.2</b>	<b>1,051.2</b>	<b>941.4</b>
Current transfers: credit	811.9	913.4	959.7	1,130.2	1,034.1
Current transfer: debit	-72.5	-79.6	-68.4	-79.0	-92.7
<b>B. Capital Account</b>	<b>911.7</b>	<b>537.0</b>	<b>446.6</b>	<b>536.4</b>	<b>638.3</b>
Capital transfers: credit	911.7	537.0	446.6	536.4	638.3
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
<b>Total, Groups A plus B</b>	<b>-803.1</b>	<b>-2,027.1</b>	<b>-1,350.5</b>	<b>-1,387.2</b>	<b>-3,312.7</b>
<b>C. Financial Account, excl. reserves and related items</b>	<b>852.0</b>	<b>2,458.8</b>	<b>1,889.8</b>	<b>2,407.4</b>	<b>2,799.1</b>
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	581.5	1,247.3	952.6	1,022.8	1,095.4
Portfolio investment	4.3	1.7	3.4	3.3	4.0
Other investment	266.1	1,209.8	933.7	1,381.3	1,699.6
<b>Total, Groups A through C</b>	<b>48.9</b>	<b>431.7</b>	<b>539.3</b>	<b>1,020.2</b>	<b>-513.7</b>
<b>D. Net Errors and Omissions</b>	<b>355.7</b>	<b>-283.7</b>	<b>-173.1</b>	<b>-677.1</b>	<b>355.0</b>
<i>Overall balance</i>	404.6	148.0	366.2	343.1	-158.7
<b>E. Reserves and Related Items</b>	<b>-404.6</b>	<b>-148.0</b>	<b>-366.2</b>	<b>-343.1</b>	<b>158.7</b>
Reserve assets	-411.4	-147.0	-676.8	-368.7	163.0
Use of Fund credit and loans	6.8	-0.2	310.6	25.6	-4.4
Exceptional financing	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items</b>					
Gross Official Reserves	2,724.3	2,872.6	3,552.5	3,921.2	3,761.2
Months of Imports	5.2	4.0	5.7	5.2	3.8
Net International Reserves (year end)	2,706.6	2,855.1	3,224.3	3,567.5	3,410.6
Change in Net International Reserves	-585.2	-148.4	-369.4	-326.7	-431.4
Exchange rate (end of period)	1,132.1	1,280.3	1,313.3	1,453.5	1,566.7
Exchange rate (annual average)	1,244.1	1,196.9	1,306.0	1,395.7	1,557.4

Source: Bank of Tanzania

Notes:

*r* = Revised—based on new data obtained from the completion of Private Capital Flows, adoption of new data sources for some other transfers and inclusion of reinvested earnings in the income account

*p* = Provisional

O/w = Of which



## GLOSSARY

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

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

### **Bank Rate**

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

### **Core Inflation**

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

### **Non-Food Inflation**

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

### **Gross Official Reserves or Reserve Assets**

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



Fund, and foreign exchange resources, available to the Bank of Tanzania for meeting external financing needs.

### **Lombard Facility**

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

### **Money Supply (M)**

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

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

**M2** — M1 plus fixed deposits and savings deposits

**M3** — M2 plus residents' foreign currency deposits

### **Reserve Money (M0)**

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

### **Reserve Money Program**

Operational framework used by the Bank of Tanzania to achieve money supply growth target (intermediate target) consistent with inflation target (ultimate objective).

### **Statutory Minimum Reserves**

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

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