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# **MONETARY POLICY STATEMENT**

*The Mid-Year Review*

**2017/18**

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**GOVERNOR  
BANK OF TANZANIA**

**February 2018**





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**GOVERNOR  
BANK OF TANZANIA**

**February 2018**





6<sup>th</sup> February 2018

**Hon. Dr. Philip I. Mpango (MP),  
Minister for Finance and Planning,  
Treasury Square Building,  
40468 Dodoma,  
TANZANIA.**

Honourable Minister,

**LETTER OF TRANSMITTAL**

In accordance with Section 21 (5) of the Bank of Tanzania Act 2006, I hereby submit the Mid-Year Review of the *Monetary Policy Statement* of the Bank of Tanzania for the financial year 2017/18 for subsequent submission to the National Assembly.

The Statement reviews the implementation of monetary policy during the first half of 2017/18. It then describes the monetary policy stance and measures that the Bank of Tanzania intends to pursue in the second half of 2017/18 to meet its policy objectives.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Prof. Florens D. A. M. Luoga', is positioned above the printed name.

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





## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL .....</b>	<b>i</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>v</b>
Introduction .....	v
Global and Regional Economic Developments .....	v
Economic Developments in Tanzania .....	vi
Implementation of Monetary Policy in 2017/18 .....	x
Conclusion .....	xv
<b>PART I .....</b>	<b>1</b>
<b>1.0 INTRODUCTION.....</b>	<b>1</b>
<b>1.1 MANDATE AND MODALITIES FOR MONETARY POLICY IMPLEMENTATION.....</b>	<b>1</b>
1.1.1 The Mandate of the Bank of Tanzania.....	1
1.1.2 Modalities for Monetary Policy Implementation .....	2
<b>PART II .....</b>	<b>4</b>
<b>2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2017/18 .....</b>	<b>4</b>
2.1 Macroeconomic Policy Objectives .....	4
2.2 Monetary Policy Objectives .....	4
<b>PART III .....</b>	<b>6</b>
<b>3.0 MACROECONOMIC DEVELOPMENTS .....</b>	<b>6</b>
3.1 Overview of Global and Regional Economic Developments	6
3.2 Domestic Economic Developments .....	9



<b>PART IV .....</b>	<b>26</b>
<b>4.0 MONETARY POLICY IMPLEMENTATION DURING THE FIRST HALF OF 2017/18 .....</b>	<b>26</b>
4.1 Liquidity Management and Interest Rates Developments...	26
4.2 Financial Sector Stability .....	30
4.3 National Payment Systems Developments .....	32
<b>PART V .....</b>	<b>34</b>
<b>5.0 MACROECONOMIC OUTLOOK .....</b>	<b>34</b>
5.1 GDP Growth .....	34
5.2 Inflation .....	34
5.3 External Sector .....	34
5.4 Banking Sector and National Payment Systems .....	35
<b>PART VI .....</b>	<b>36</b>
<b>6.0 MONETARY POLICY STANCE FOR THE SECOND HALF OF 2017/18 .....</b>	<b>36</b>
6.1 Liquidity Management .....	36
6.2 Interest Rate Policy .....	37
6.3 Exchange Rate Policy .....	37
<b>PART VII .....</b>	<b>38</b>
<b>7.0 CONCLUSION .....</b>	<b>38</b>
<b>APPENDICES .....</b>	<b>40</b>
<b>GLOSSARY .....</b>	<b>59</b>



## **EXECUTIVE SUMMARY**

### **Introduction**

This mid-year review of the Monetary Policy Statement examines the progress made in the implementation of monetary policy in the first half of 2017/18. It describes the current macroeconomic environment and outlook and specifies the direction of monetary policy for the remainder of 2017/18.

### **Global and Regional Economic Developments**

According to the IMF's World Economic Outlook (WEO) update of January 2018, global real GDP is estimated to have grown by 3.7 percent in 2017, compared with 3.2 percent in 2016. This is mainly due to stronger domestic and global demand benefiting from accommodative monetary and expansionary fiscal policies. Much of the increase came from emerging market, euro area and developing economies.

During the first half of 2017/18, inflation rates in the selected advanced and emerging market economies accelerated, mainly on account of higher costs of energy. In the EAC and SADC regions, average inflation rate recorded persistent decline, mainly associated with decrease in food prices as most countries in the region experienced improved food supply following favourable weather conditions. According to the IMF's World Economic Outlook update of January 2018, inflation rate in the advanced economies is projected to pick up slightly to 1.9 percent in 2018 from 1.7 percent in 2017, which is driven by the increase in oil prices. Inflation rate in emerging markets and developing economies is projected to increase to 4.5 percent in 2018, mainly due to expected increase in food prices.



## **Economic Developments in Tanzania**

### ***Tanzania Mainland***

The economy sustained strong real GDP growth at 6.8 percent in the first three quarters of 2017. The fastest growth rates were recorded in mining and quarrying (24.3 percent), information and communication (13.1 percent), transport and storage (11.9 percent), water (10.0 percent), manufacturing (9.8 percent) and construction (9.5 percent). Inflation rate continued to ease off, supported by improved food supply, stability in the value of Tanzanian shilling against the major currencies, improvement in domestic power supply and sustained prudence in monetary and fiscal policies. Headline inflation declined to 4.0 percent in December 2017 from 5.4 percent recorded in June 2017, while core inflation (which excludes food and energy) decreased to 1.3 percent from 1.9 percent.

During the first half of 2017/18, revenue deposited at the Bank of Tanzania was TZS 8,438.7 billion, 4.6 percent higher than the amount deposited during the similar period in 2016/17. This outturn was on account of enhanced tax collection efforts by the Tanzania Revenue Authority. Total expenditure on cash basis amounted to TZS 8,727.1 billion, out of which development spending was TZS 1,952.2 billion.

During the first half of 2017/18, the current account registered a deficit of USD 551.2 million compared with a deficit of USD 683.1 million recorded in the corresponding period in 2016/17. This outturn was driven largely by decline in imports coupled with increase in travel and transport receipts. Overall balance of payments recorded a surplus of USD 943.8 million, supported by increase in project grants and external borrowing, coupled with narrowing current account deficit. Consequently, gross official foreign reserves amounted to USD 5,906.2 million at the end of December 2017



compared with USD 5,000.4 million at the end of June 2017 and USD 4,325.6 million at the end of December 2016, sufficient to cover about 6.0 months of projected import of goods and services, excluding those financed through foreign direct investment.

The stock of public sector debt of the United Republic of Tanzania increased by USD 1,054.6 million to USD 21,012.2 million at the end of December 2017, from USD 19,957.6 million registered at the end of June 2017. The increase was due to new disbursements and exchange rate fluctuations. During the first half of 2017/18, external disbursements amounted to USD 556.0 million, against external debt payments of USD 453.7 million. External debt stock, including private sector debt, increased by 3.4 percent to USD 19,180.2 million at the end of December 2017, when compared with the end June 2017 position, while government domestic debt increased by 8.6 percent to TZS 12,810.3 billion.

The banking sector has maintained on average capital and liquidity levels above the regulatory requirements. The ratio of core capital to total risk weighted assets was 18.9 percent in December 2017, well above the minimum regulatory requirement of 10 percent, while the ratio of liquid assets to demand liabilities was 40.3 percent, above the minimum regulatory requirement of 20 percent. Nevertheless, the quality of assets as measured by the ratio of non-performing loans (NPLs) to gross loans deteriorated to 11.7 percent in December 2017 from 10.6 percent in June 2017. The Bank of Tanzania directed banks with high NPLs ratio to formulate and implement strategies to reduce the ratio to maximum of 5 percent, and introduced mandatory requirement for all banks and financial institutions to make use of credit reports of credit applicants during appraisals. The aim is to increase the use of the existing credit reference system to reduce risks. The Bank introduced Capital Charge for Operational Risk with effect from



August 2017, where banks are required to hold capital for operational risk. The Bank also introduced the requirement for all banks to hold 2.5 percent capital conservation buffer in addition to the minimum capital requirement ratios of 10 percent and 12 percent for core and total capital, respectively.

In January 2018, the Bank of Tanzania provided provisional licence to one bank to start operations in the country, and revoked licences of five community banks and placed them under liquidation following failure to meet the minimum capital requirement of TZS 2.0 billion. Also, the Bank issued a guidance note to banks for implementation of International Financial Reporting Standard 9 (IFRS 9).

During the first half of 2017/18, the payment, clearing and settlement systems continued to operate smoothly. The Government's move to process its payroll payments directly through the Tanzania Automated Clearing House during the period has significantly contributed to digitization of payments, which has resulted in improved efficiency in the national payment system. Tanzania Interbank Settlement System (TISS) continued to facilitate interbank transactions and other Government payment obligations. In addition to the Parliament, Judiciary, Central Government and sub-treasuries connectivity to TISS, the process of connecting government institutions to the system continued smoothly with Lindi, Mtwara and Coast Region connected to the system during the period under review. Meanwhile, the East Africa Payment System (EAPS) and Tanzania Automated Clearing House (TACH) operated smoothly with increased volumes.

Interoperability between the major mobile payment services providers has continued to contribute to substantial increase in transactions across network operators. During the first half of 2017/18, 44.8 million



transactions valued at TZS 1,905.2 billion were processed, representing 123.8 percent and 92.7 percent increase in volume and value, respectively, compared to transactions recorded during the similar period of the preceding year. The number of registered active accounts of mobile phone financial services was 19.3 million at the end of December 2017, up from 17.02 million at the end of December 2016.

### *Zanzibar*

During the first three quarters of 2017, Zanzibar's real GDP grew at an average of 6.4 percent compared with 7.6 percent recorded in the corresponding period of 2016. This performance was attributed to sustained growth in tourism related activities, especially accommodation and food services, administrative and support services, mining and quarrying and manufacturing activities. Strong growth momentum is expected in the second half of 2017/18, supported by the ongoing implementation of infrastructure projects, expanded agriculture extension services, improvement in horticulture farming and tourism related activities. Headline inflation picked up to 5.9 percent in December 2017 from 5.4 percent in June 2017, mainly due to increase in prices of food items including rice, wheat flour and fish.

During the first half of 2017/18, domestic revenue amounted to TZS 320.5 billion, or 96.2 percent of estimates for the first half of 2017/18. Tax revenue amounted to TZS 289.9 billion, while non-tax was TZS 30.6 billion. Total grants amounted to TZS 18.9 billion, higher than the projected amount by 10.5 percent. Total government expenditure was TZS 378.2 billion, out of which recurrent expenditure was TZS 298.3 billion and development expenditure amounted to TZS 79.9 billion.



The current account recorded a surplus of USD 34.4 million during the first half of 2017/18, compared with a surplus of USD 26.9 million recorded in the similar period of 2016/17. The performance was on account of improved receipts from exports of goods and services, mainly cloves and tourism services, as well as higher inflows of current transfers.

## **Implementation of Monetary Policy in 2017/18**

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

In support of the 2017/18 broader macroeconomic objectives of the Government, the Bank of Tanzania continues to primarily focus on maintaining price stability by achieving specific targets, while ensuring stability in money market interest rates in transition to interest rate-based monetary policy framework. The monetary policy targets for 2017/18 contained in the Monetary Policy Statement presented in June 2017 have been revised in light of the recent macroeconomic developments, and are now as follows:

- i. annual growth of average reserve money of not more than 10.7 percent;
- ii. annual growth of broad money (M3) of not more than 12.0 percent;
- iii. annual growth of private sector credit not exceeding 11.5 percent; and
- iv. maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services, excluding foreign direct investment (FDI) related imports.



## *Monetary Policy Implementation in the First Half of 2017/18*

During the first half of 2017/18, the Bank maintained an accommodative monetary policy stance using an array of instruments with a view to providing adequate liquidity to banks to stimulate growth of credit to the private sector and economic activities. The Bank injected liquidity into the economy mainly through purchase of foreign exchange from the domestic market and foreign exchange swaps deals, reverse repo operations, provision of short-term loans to banks, and additional reduction of discount rate from 12.0 percent to 9.0 percent in August 2017. These monetary policy measures, coupled with the cumulative effect of the measures taken in the second half of 2016/17<sup>1</sup>, helped to boost liquidity among banks and maintained moderate money market interest rates. Overnight interbank cash market interest rate declined to 2.95 percent in December 2017 from 4.08 percent recorded in June 2017 and 13.69 percent in December 2016. The overall Treasury bill rate also declined to 8.19 percent in December 2017 from 15.12 in December 2016. Meanwhile, commercial banks' lending rates remained high, reflecting increased risk premium, associated with the rise in non-performing loans and other structural rigidities in the financial sector, which limit effective transmission of the monetary policy signals.

Annual growth of extended broad money supply picked up gradually from the historical low of 1.7 percent recorded in February 2017 to 8.0 percent in December 2017, but remained below the projected rate of at least 12.0 percent. This projected growth rate is in line with GDP growth target of 7 percent and inflation target of 5 percent. Likewise, annual growth of credit to the private sector, which remained subdued throughout the period under review, recovered to 1.7 percent in December 2017 from the average

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<sup>1</sup> Reduction of the discount rate from 16.0 percent to 12.0 percent in March 2017, reduction of Statutory Minimum Reserve (SMR) requirements on private sector deposits to 8.0 percent in April 2017 from 10.0 percent



contraction of about 1.5 percent recorded in September and October 2017. The observed growth which is still below the historical levels, reflects cautious approach taken by banks in extending credit in the face of increasing non-performing loans, coupled with increased preference for low risk government securities.

The value of the Tanzanian shilling against the US dollar sustained a notable stability throughout the first half of 2017/18, consistent with improvement in the current account balance. The exchange rate fluctuated within the range of TZS 2,241 to TZS 2,250 against the US dollar, compared with the range of TZS 2,180 to TZS 2,194 per US dollar recorded in the corresponding period of 2016/17.

The targets on average reserve money and accumulation of net international reserves for end December 2017 under the IMF Policy Support Instrument (PSI) Program were met with comfortable margins, following moderate net fiscal injection and net purchase of foreign exchange from the domestic market.

### *Macroeconomic Outlook*

Based on developments of the leading indicators of economic activities in the first half of 2017/18, the projected GDP growth rate for 2017 has been revised downwards to 7.0 percent against the initial estimate of 7.1 percent. Growth prospects for the second half of 2017/18 and beyond remain promising supported by projected rebound of the global economy, expected favourable weather conditions, which may lead to good harvests, improvement in power supply from natural gas and hydropower plants, transportation services and implementation of infrastructural projects under the 2<sup>nd</sup> Five Year Development Plan (FYDP II). Headline inflation is expected to remain around the medium-term target of 5 percent in the



second half of 2017/18, supported by continued improvement in food supply attributed to expected favourable weather conditions, stable power supply, sustained prudence of monetary and fiscal policies, and continued stability of the value of the Tanzanian shilling against the major currencies.

The current account balance is projected to record a deficit of 4.2 percent of GDP in the year 2017/18, up from 2.8 percent of GDP recorded in the year 2016/17 as imports are expected to increase much faster than exports, consistent with the implementation of some major public investment projects in infrastructure. In the medium term, current account deficit is projected to widen consistent with the continued implementation of projects under FYDP II.

During the second half of 2017/18, the banking sector is expected to remain sound and stable, with capital and liquidity levels remaining above the minimum requirement to withstand shocks. The Bank of Tanzania will continue to monitor banks with high levels of non-performing loans (NPLs), and require all banks and financial institutions to effectively use credit reference bureau reports when carrying out credit appraisals. Following the introduction of Capital Charge for Operational Risk and Capital Conservation Buffer of 2.5 percent, and recent implementation of IFRS 9 with effect from January 2018, the Bank of Tanzania will continue to monitor and assess effects of these regulatory and supervisory changes in banks' balance sheets and take appropriate measures.

Regarding payment systems, the Bank of Tanzania will continue with the joint exercise of connecting government institutions to TISS in order to improve efficiency in government payments. Furthermore, the National Payment Systems Strategic Framework (2018 – 2028) will be adopted and implemented to provide for strategic directions for further modernization and development of the National Payment Systems.



## *Monetary Policy Stance for the Second Half of 2017/18*

In the second half of 2017/18, the Bank will maintain the accommodative monetary policy stance aiming at stimulating further the recovery of growth of credit to the private sector and general support of various economic activities. Using appropriate monetary policy instrument mix, the Bank will continue to closely monitor and manage movements in banks' clearing balances in order to instill stability of money market interest rates. The stability of money market interest rates is critical as the Bank plans to adopt interest rate-based monetary policy framework, where the overnight interbank cash market interest rate will be an operational target instead of average reserve money.

The Bank has made necessary preparations to facilitate smooth adoption and operation of the new monetary policy framework under the interest rate-based framework, including development of an electronic interbank cash market trading platform, operational guidelines for interbank cash market, and General Master Repurchase Agreement (GMRA) for repo operations. The trading platform will help banks to trade smoothly online and in a transparent manner to facilitate price discovery. The Bank has also extended the maturity spectrum of eligible treasury securities to be used as collateral by accepting all maturities of government securities with prescribed margins. This contrasts with the previous arrangement where only government securities with remaining maturity of not more than 180 days were accepted. This move will also help to address the problem of market segmentation.



Under the new framework the Central Bank Policy Rate (CBR) will be decided by the Monetary Policy Committee and announced to the general public. The Bank will take policy actions to keep the IBCM rate close to the policy rate. It is envisaged that the policy rate will be bounded by rates pertaining to standing facilities that will be available to take care of liquidity shortages or excesses.

## **Conclusion**

The implementation of accommodative monetary policy in the first half of 2017/18 has seen gradual recovery of growth of credit to the private sector. The Bank will continue with liquidity easing policy stance for the remainder of the 2017/18, while maintaining stability of money market interest rates. The growth of money supply will be kept within a range consistent with the medium-term inflation target of 5 percent, and real GDP growth of about 7 percent.

Over the short to medium-term, the domestic economy is expected to be supported by projected rebound of the global economy, favourable weather conditions, improvement in power supply from natural gas and hydropower plants, transportation services and implementation of infrastructural projects under the 2<sup>nd</sup> Five Year Development Plan (FYDP II). Inflation is expected to remain around the medium term target of 5 percent, supported by expected improvement in food supply, stable power supply, sustained prudent monetary and fiscal policies and continued stability of the value of the Tanzanian shilling against the major currencies. Upward risks to inflation remain due to possible rise in oil prices following recent agreement among OPEC member countries to cut down production. The Bank will remain vigilant and take additional measures to sustain macroeconomic stability.



In the course of modernizing monetary policy framework during the second half of 2017/18, the Bank will continue to work closely with stakeholders to ensure smooth adoption of the overnight interbank cash market interest rate as operational target of monetary policy, while providing the necessary support. This new monetary policy framework will be supported by continued improvement of the operations of the financial markets for effective communication and transmission of monetary policy actions.

The Bank is confident that with the continued close coordination between fiscal and monetary policy, the monetary policy objectives set for 2017/18 in this Monetary Policy Statement will be attained.



## **PART I**

### **1.0 INTRODUCTION**

This mid-year review of the Monetary Policy Statement examines the progress made in the implementation of monetary policy in the first half of 2017/18, and outlines the monetary policy stance that the Bank intends to adopt in the remaining period of 2017/18. In particular, the review focuses on evaluating progress made towards attaining the primary objective of price stability, which is key towards promoting macroeconomic stability.

The Statement is divided into seven parts including this introductory part. Part II presents the macroeconomic policy framework for 2017/18, while Part III covers the review of recent economic developments for the period July to December 2017. Part IV reviews progress in the implementation of monetary policy in the first half of 2017/18. Part V presents the macroeconomic outlook for the second half of 2017/18, while part VI outlines the monetary policy stance for the second half of 2017/18, and 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”.



Section 7(2) of the Bank of Tanzania Act, 2006 further states 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 employs a variety of market-based instruments of monetary policy to maintain liquidity in the economy within desired levels. This includes the use of Open Market Operations (OMO) in the market for 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, which are lending facilities, while the Intraday Loan Facility (ILF) is provided to smooth out payment and settlement operations among banks. Also, the Bank uses repurchase agreements (repos) and reverse repos to manage short-term liquidity fluctuations in the economy. When necessary, the Bank adjusts the minimum reserve requirement in order to manage structural liquidity in the economy.



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

- *At the beginning of every fiscal year, the Bank sets annual monetary policy targets in its Monetary Policy Statement, in accordance with the broader macroeconomic policy objectives of the Government.*
- *The Monetary Policy Statement is approved by the Bank's Board of Directors and submitted to the Minister for Finance and Planning, who in turn submits it to the National Assembly.*
- *The same procedure is followed in the mid-year review of the Monetary Policy Statement which shows progress in the implementation of the monetary policy, outlook for the remaining period of the year and measures to be undertaken in order to achieve the policy objectives.*
- *The Monetary Policy Committee (MPC) of the Board of Directors of the Bank, which is chaired by the Governor, is responsible for setting the monetary policy direction bi-monthly, consistent with the targets in the Monetary Policy Statement.*
- *The Surveillance Committee, which is a Management Committee, meets daily to evaluate daily liquidity developments and measures to be undertaken in the subsequent day. A Technical Committee chaired by the Director of Economic Research and Policy reviews liquidity developments on daily basis and advises the Surveillance Committee on appropriate daily measures.*



## **PART II**

### **2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2017/18**

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

During 2017/18, the Governments continue to implement the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015 – 2020), aiming at building foundation for industrialization and spurring economic growth. The macroeconomic policy objectives contained in the Monetary Policy Statement published in June 2017, have been revised in light of recent economic developments, and now Governments aim at attaining the following macroeconomic objectives:

- i. real GDP growth of 7.0 percent in 2017/18 based on the projected growth of 7.0 percent in 2017 and 7.1 percent in 2018.
- ii. maintaining a single digit annual inflation rate by end June 2018.
- iii. budget deficit including grants of 3.8 percent of GDP (including clearance of arrears) in 2017/18.

For Zanzibar, real GDP growth is projected at 7.1 percent in 2017/18, based on the projected growth of 7.1 percent in 2017 and 7.0 percent in 2018, while budget deficit including grants is estimated at 3.0 percent of GDP in 2017/18.

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

In support of the 2017/18 broader macroeconomic policy objectives of the Government, the Bank continues to primarily focus on maintaining price stability, by achieving specific targets, while ensuring stability in money market interest rates in transition to interest rate-based monetary policy framework. The monetary policy targets for 2017/18 contained in



the Monetary Policy Statement presented in June 2017 have been revised to reflect the recent developments in broad macroeconomic objectives of the Governments. In this regard, the Bank aims at achieving the following monetary policy targets:

- i. annual growth of average reserve money of not more than 10.7 percent;
- ii. annual growth of broad money (M3) of not more than 12.0 percent;
- iii. annual growth of private sector credit not exceeding 11.5 percent; and
- iv. maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services, excluding FDI related imports.



## PART III

### 3.0 MACROECONOMIC DEVELOPMENTS

#### 3.1 Overview of Global and Regional Economic Developments

##### 3.1.1 GDP Performance and Outlook

Global real GDP growth is estimated to have grown by 3.7 percent in 2017, compared with 3.2 percent in 2016. This is mainly due to stronger domestic and global demand, benefiting from accommodative monetary and expansionary fiscal policies. Much of the increase came from the Euro Area and emerging markets and developing economies (**Table 3.1**).

In the advanced economies, output growth was 2.3 percent in 2017, higher than 1.7 percent registered in 2016, as manufacturing activity and services picked-up together with supportive financial conditions. Real GDP in the Euro area grew by 2.4 percent in 2017 compared with 1.8 percent in 2016, associated with stronger domestic and external demand. Real GDP growth in the United States was 2.3 percent in 2017, higher than 1.5 percent recorded in 2016, largely attributed to growth in domestic consumption and supportive financial conditions. In Japan, real GDP growth doubled to 1.8 percent in 2017, compared with 0.9 percent in 2016, due to increased investment as the country prepares for 2020 Olympic Games. Conversely, the United Kingdom experienced a slowdown with output growing by 1.7 percent in 2017, compared with 1.9 percent recorded in 2016, explained by uncertainty following the Brexit vote and higher inflation.

Growth in the emerging markets and developing economies increased in 2017, largely supported by accommodative monetary policies and strengthening growth in China. In China, output grew by 6.8 percent in 2017 compared with 6.7 percent recorded in 2016, largely due to increased industrial activities and higher exports. In India, growth was 6.7 percent



in 2017, lower than 7.1 percent recorded in 2016 largely due to a fall in investment. Growth in sub-Saharan Africa picked-up to 2.7 percent compared with 1.4 percent recorded in 2016, largely due to increase in commodity prices. After contracting by 1.6 percent in 2016, Nigeria economy accelerated by 0.8 percent in 2017, mainly associated with growth in oil production and public investment. In South Africa, real GDP growth was 0.9 percent in 2017 compared with 0.3 percent in 2016, as commodity prices improve, drought conditions ease and electricity capacity expands.

The stronger global output growth momentum experienced in 2017 is expected to carry into 2018 and 2019, forecasted at 3.9 percent for both years. This projection is supported by a stronger domestic demand among advanced and emerging market economies, benefiting from accommodative monetary policy and expansionary fiscal policy. In Advanced economies, growth is set at 2.3 percent in 2018, same as the level recorded in 2017, but will slow down to 2.2 percent in 2019, due to anticipated lower growth in Japan, United States and the Euro Area. Real GDP in the emerging markets and developing economies will accelerate to 4.9 percent in 2018 and 5.0 percent in 2019, mainly due to anticipated increase in investment and exports. In the sub-Saharan Africa, output growth is set to rise from 2.7 percent in 2017 to 3.3 percent in 2018 and 3.5 percent in 2019, benefiting from higher commodity prices.



**Table 3.1: Global and Regional Real GDP Growth Rates**

	2013	2014	2015	2016	2017	Projections	
						2018	2019
World	3.4	3.5	3.4	3.2	3.7	3.9	3.9
Advanced economies	1.3	2.0	2.1	1.7	2.3	2.3	2.2
United States	1.7	2.4	2.6	1.5	2.3	2.7	2.5
Euro Area	-0.3	1.2	2.0	1.8	2.4	2.2	2.0
Japan	2.0	0.3	1.1	0.9	1.8	1.2	0.9
United Kingdom	1.9	3.1	2.2	1.9	1.7	1.5	1.5
Emerging Markets and Developing Economies	5.1	4.7	4.3	4.4	4.7	4.9	5.0
Emerging and Developing Asia	6.9	6.8	6.8	6.4	6.5	6.5	6.6
China	7.8	7.3	6.9	6.7	6.8	6.6	6.4
India	6.5	7.2	8.0	7.1	6.7	7.4	7.8
Sub-Saharan Africa	5.3	5.1	3.4	1.4	2.7	3.3	3.5
Nigeria	5.4	6.3	2.7	-1.6	0.8	2.1	1.9
South Africa	2.5	1.7	1.3	0.3	0.9	0.9	0.9

*Source: IMF, World Economic Outlook Update of January 2018*

### 3.1.2 Inflation Developments

During the first half of 2017/18, inflation rates in the selected advanced and emerging market economies increased mainly due to higher costs of energy (**Table 3.2**). In the advanced economies, inflation was higher in the United Kingdom reflecting, in part, the Brexit uncertainties. The Euro Area, United States and Japan recorded moderate inflation, which was also below the respective central banks' targets. In China and India, inflation rose, driven by higher food and fuel prices. In the EAC and SADC regions, average inflation rate recorded a persistent decline, mainly supported by reduction in food prices as most countries in the region experienced improved food supply following favourable weather conditions.



**Table 3.2: Inflation Rates for Selected Countries**

*Percent*

Country	2017											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec <sup>P</sup>
United States	2.5	2.7	2.4	2.2	1.9	1.6	1.7	1.9	2.2	2.0	2.2	2.2
Euro Area	1.8	2.0	1.5	1.9	1.4	1.3	1.3	1.5	1.5	1.4	1.5	1.4
Japan	0.4	0.3	0.2	0.4	0.4	0.4	0.4	0.7	0.7	0.8	0.6	na
United Kingdom	1.8	2.3	2.3	2.7	2.9	2.6	2.6	2.9	3.0	3.0	3.1	3.4
China	2.5	0.8	0.9	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	1.8
India	3.2	3.7	3.9	3.0	2.2	1.1	1.8	2.5	3.3	3.2	4.0	5.2
EAC	7.7	10.0	10.3	10.3	10.1	8.2	7.1	7.0	7.4	7.4	6.1	5.5
SADC	9.6	9.5	10.3	10.3	10.1	8.2	7.1	7.0	7.2	5.0	5.0	4.7

*Source: OECD and Respective National Statistical Offices*

*Note: n.a means not available*

*P denotes provisional*

According to IMF's World Economic Outlook update of January 2018, inflation rate in the advanced economies is projected to pick up slightly to 1.9 percent in 2018 from 1.7 percent in 2017, which is driven by increase in oil prices. Inflation rate in emerging markets and developing economies is projected to increase to 4.5 percent in 2018, mainly due to expected increase in food prices.

## **3.2 Domestic Economic Developments**

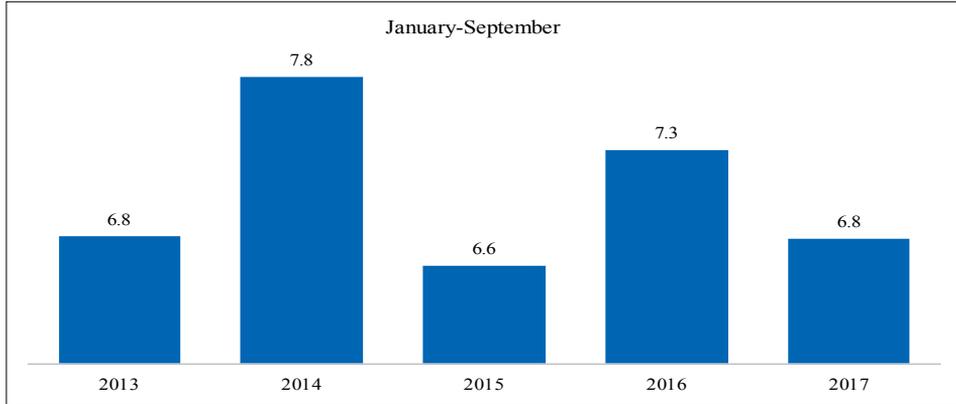
### **3.2.1 GDP Performance**

The economy sustained strong performance, with real GDP growing at 6.8 percent in the first three quarters of 2017. The fastest growth rates were recorded in mining and quarrying (24.3 percent), information and communication (13.1 percent), transport and storage (11.9 percent), water (10.0 percent), manufacturing (9.8 percent) and construction (9.5 percent) (**Chart 3.1** and **Chart 3.2 (a)** and **(b)**).



**Chart 3.1: Real GDP Growth**

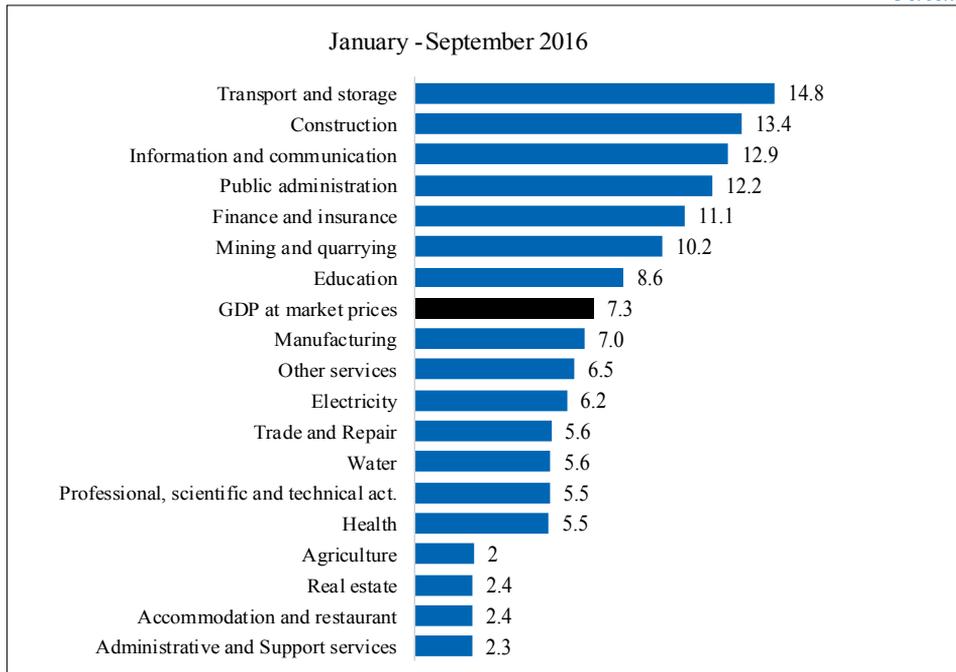
Percent



Source: National Bureau of Statistics

**Chart 3.2 (a): Growth of Major Economic Activities**

Percent

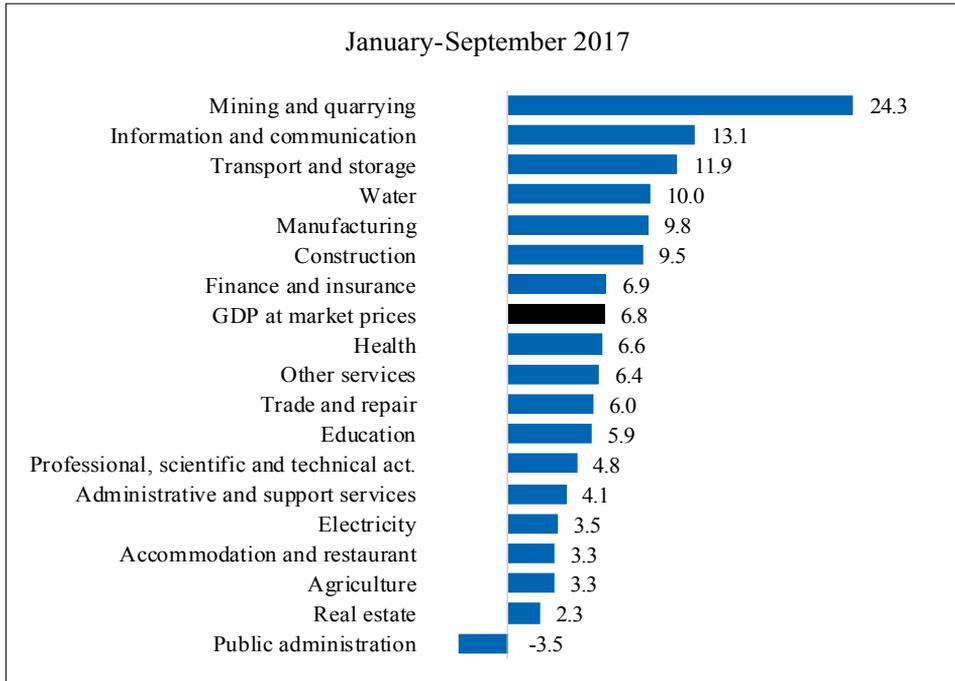


Source: National Bureau of Statistics and Bank of Tanzania



**Chart 3.2 (b): Growth of Major Economic Activities**

Percent



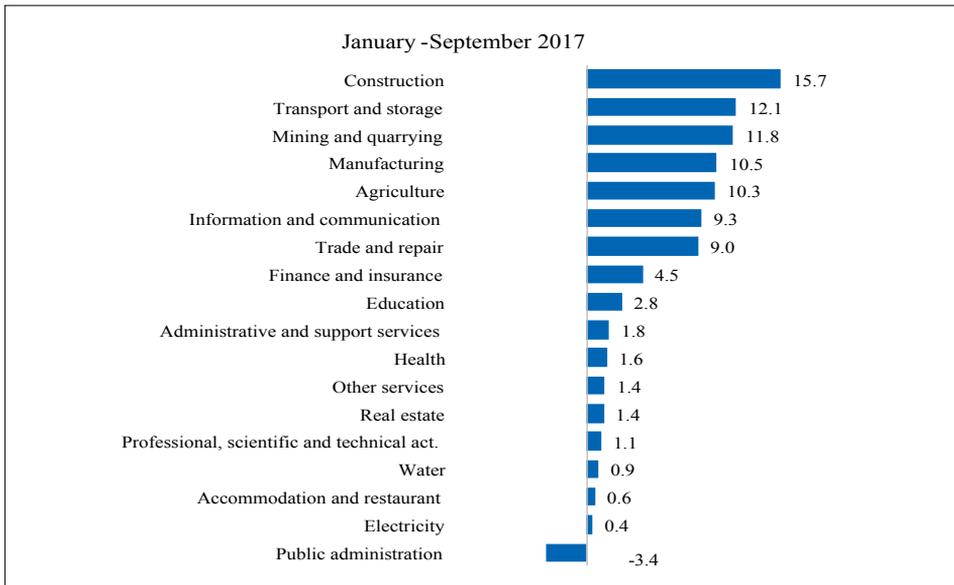
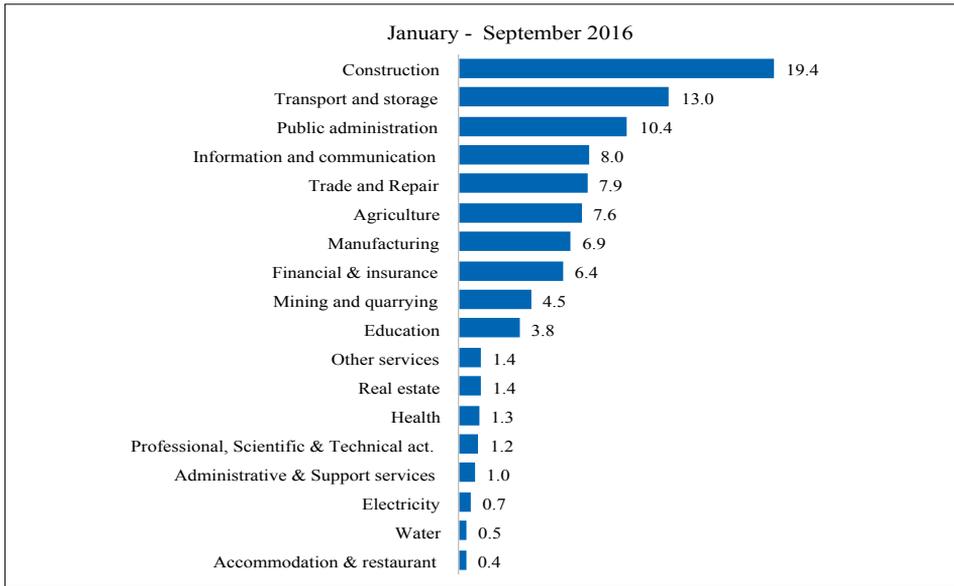
Source: National Bureau of Statistics and Bank of Tanzania

During the first three quarters of 2017, construction activities remained the main contributor to GDP growth at 15.7 percent, followed by transport and storage (12.1 percent). Meanwhile, other activities that contributed strongly to output growth include mining and quarrying (11.8 percent) attributed to the increase in gas production, diamond, tanzanite, and coal; and agriculture (10.3 percent) (**Chart 3.3**).



**Chart 3.3: Contribution to Real GDP Growth by Major Economic Activities**

*Percent*



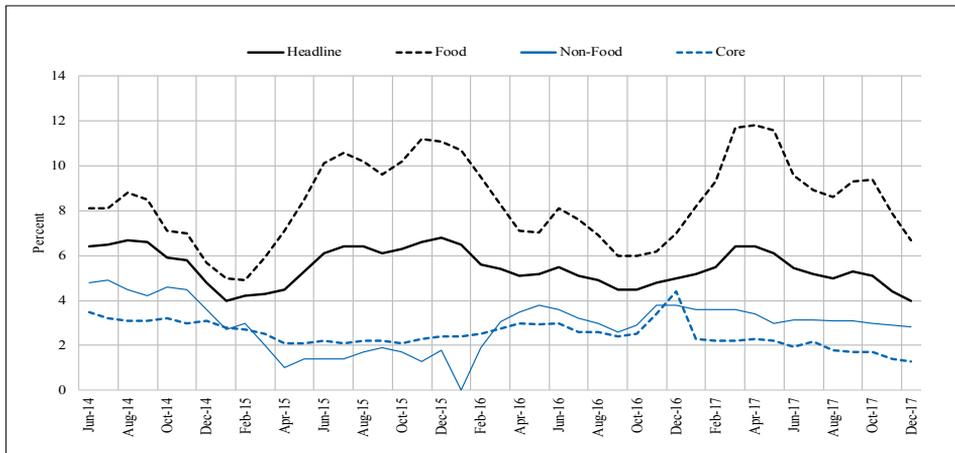
*Source: National Bureau of Statistics and Bank of Tanzania*



### 3.2.2 Inflation Developments

During the first half of 2017/18, headline and core inflation rates continued to ease off, supported by improved food supply, stability in the value of Tanzanian shilling against the major currencies, improvement in domestic power supply and sustained prudence in monetary and fiscal policies. Headline inflation declined to 4.0 percent in December 2017 from 5.4 percent in June 2017, while core inflation (which excludes food and energy) decreased to 1.3 percent from 1.9 percent (**Chart 3.4**).

**Chart 3.4: Inflation Developments**



Source: Bank of Tanzania

### 3.2.3 Government Budgetary Performance on Cash Basis

During the first half of 2017/18, revenue deposited at the Bank of Tanzania was TZS 8,438.7 billion, 4.6 percent higher than the amount deposited during similar period in the preceding year, representing 92.5 percent of estimate for the period (**Chart 3.5**). This outturn was on account of improved tax collection efforts by the Tanzania Revenue Authority. Total expenditure on cash basis amounted to TZS 8,727.1 billion, out of which, recurrent expenditure was TZS 6,774.9 billion, while development expenditure stood at TZS 1,952.2 billion (**Table 3.3**).



**Table 3.3: Government Budgetary Operations on Cash Basis**

*Billions of TZS*

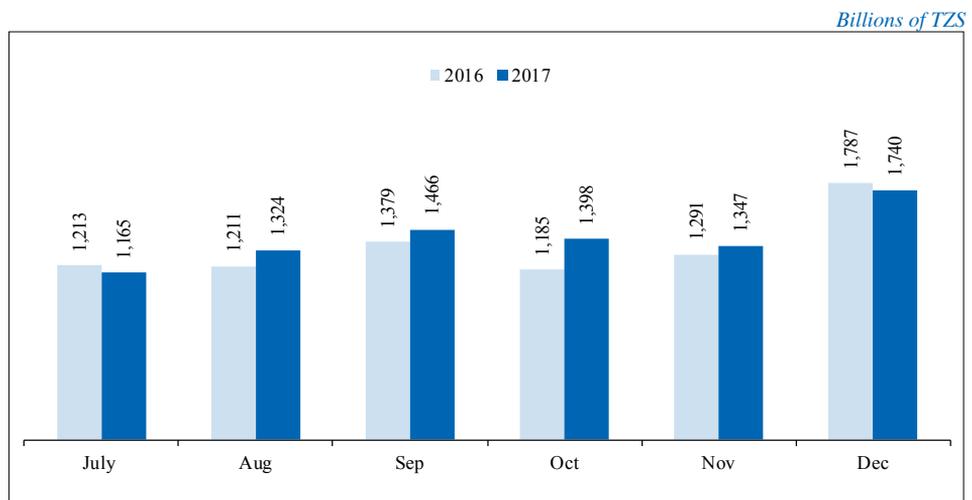
	July 2016 - December 2016		July 2017 - December 2017		Act/Est (%)
	Actual	Estimate	Actual	Estimate	
Revenue	8,065.2	9,121.8	8,438.7		92.5
Total expenditure	8,535.4	10,320.2	8,727.1		84.6
Recurrent expenditure <sup>1</sup>	6,452.4	7,557.4	6,774.9		89.6
Development expenditure <sup>2</sup>	2,083.0	2,762.8	1,952.2		70.7

*Source: Bank of Tanzania*

*Note: <sup>1</sup>Excluding rollover and Local Government Authorities' own sources*

*<sup>2</sup>Excludes direct to project funds*

**Chart 3.5: Domestic Revenue Performance**



*Source: Bank of Tanzania*

### 3.2.4 External Sector Developments

During the first half of 2017/18, the current account registered a deficit of USD 551.2 million compared with a deficit of USD 683.1 million recorded in the corresponding period in 2016/17. The improvement in the current account was largely driven by a decline in imports coupled with increase in travel and transport receipts.



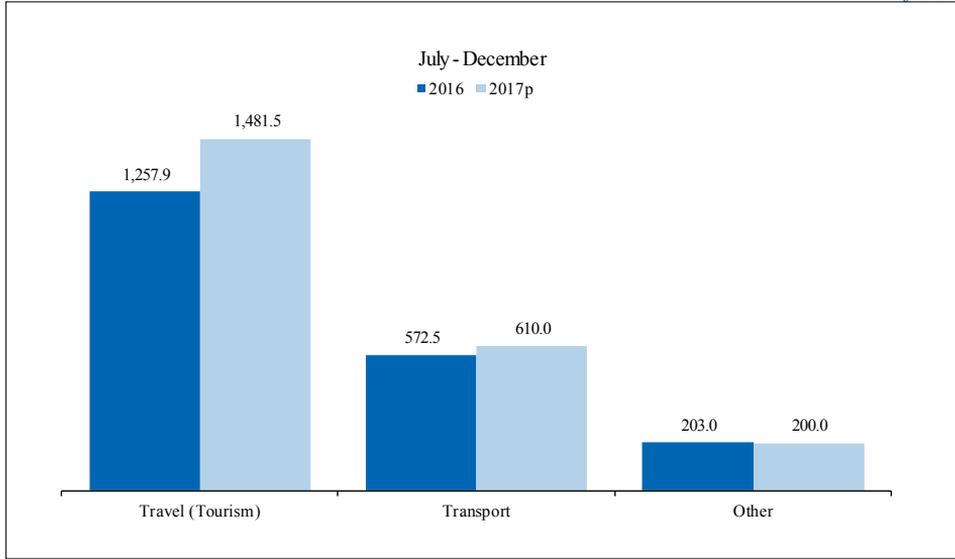
During the period, the overall balance of payments recorded a surplus of USD 943.8 million compared with USD 496.8 million recorded in the corresponding period of 2016/17, supported by increase in project grants and external borrowing, coupled with narrowing current account deficit. Consequently, gross official foreign reserves amounted to USD 5,906.2 million at the end of December 2017 compared with USD 5,000.4 million at the end of June 2017 and USD 4,325.6 million at the end of December 2016. The increase in official foreign reserves provided enough buffers against potential external shocks, and were sufficient to cover about 6.0 months of projected import of goods and services, excluding those financed through foreign direct investment. Meanwhile, gross foreign assets of banks at end December 2017 amounted to USD 729.3 million.

During the first half of 2017/18, the value of exports of goods and services declined by 1.7 percent to USD 4,743.1 million compared with the amount recorded in the corresponding period in 2016/17. The decline was explained by low performance of goods export, while services receipts increased. During the period, services receipts increased to USD 2,291.5 million from USD 2,033.5 million recorded in the corresponding period in 2016/17, largely due to good performance in travel and transport receipts. Travel, which accounts for the largest share of service receipts increased by 17.8 percent to USD 1,481.5 million, owing to increased number of tourist arrivals, as a result of enhanced tourism promotional activities by the Governments and private sector. Meanwhile, transport receipts went up by 6.5 percent to USD 610.0 million, partly due to increase in transit goods to and from neighbouring countries, associated with improved port efficiency at Dar port (**Chart 3.6**).



**Chart 3.6: Services Receipts**

*Millions of USD*



*Source: Bank of Tanzania*

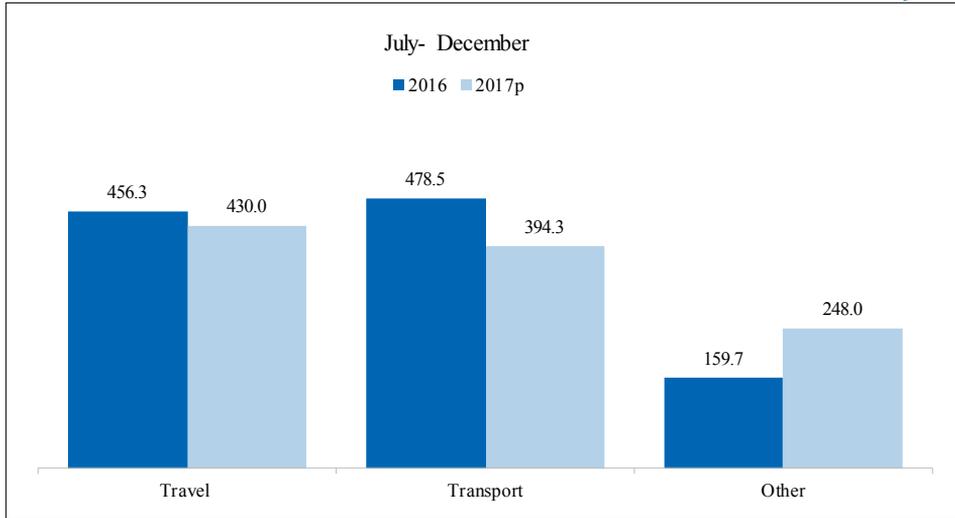
*Note: p denotes provisional*

During the period under review, the value of services payment declined by 2.0 percent to USD 1,072.4 million from USD 1,094.5 million recorded in the corresponding period of 2016, owing to decreased services payment in travel and transportation particularly freight. Transportation, which has the largest share under the services payment, went down by 17.6 percent to USD 394.3 million, consistent with the decline in goods import (**Chart 3.7**).



**Chart 3.7: Services Payments**

*Millions of USD*



*Source: Bank of Tanzania*

*Note: p denotes provisional*

The deficit in the primary income account — (income from capital related transactions and compensation of employees) widened by 22.1 percent to USD 607.1 million in the first half of 2017/18, compared with a deficit of USD 488.7 million recorded in the corresponding period of 2016/17. The widening of the deficit in the primary income account was explained by increase in interest payments obligations.

During the first half of 2017/18, secondary income account, registered a surplus of USD 172.5 million, compared with a surplus of USD 226.0 million recorded in the corresponding period of 2016/17. This development was mainly due to a decrease in official transfers both general budget and basket support. Official transfers went down by 48.7 percent to USD 38.1 million compared to the amount received in the corresponding period in 2016/17.



### 3.2.5 National Debt Developments

The stock of public sector debt for the United Republic of Tanzania stood at USD 21,012.2 million<sup>2</sup> at the end of December 2017, an increase of USD 1,054.6 million from USD 19,957.6 million recorded at the end of June 2017. The increase was due to new disbursements and exchange rates fluctuations. Out of the total public debt, external debt accounted for 72.6 percent and the balance was domestic debt.

External debt stock, including private sector debt, increased by 3.4 percent to USD 19,180.2 million at the end of December 2017 from USD 18,547.6 million recorded at the end of June 2017. Out of the total external debt 79.6 percent was public debt and the balance represented the private sector debt.

During the first half of 2017/18, external debt disbursements amounted to USD 556.0 million, out of which USD 471.1 million was received by the Government in the form of cash and direct project financing. External debt payments during the period amounted to USD 453.7 million, out of which USD 315.2 million was principal repayments and the balance was interest payments.

The Government domestic debt increased by 8.6 percent to TZS 12,810.3 billion at the end of December 2017, from TZS 11,790.8 billion recorded at the end of June 2017. The increase was on account of issuance of government securities for budget financing.

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<sup>2</sup>This does not include short-term overdraft amounting to TZS 600.79 billion at the end of December 2017

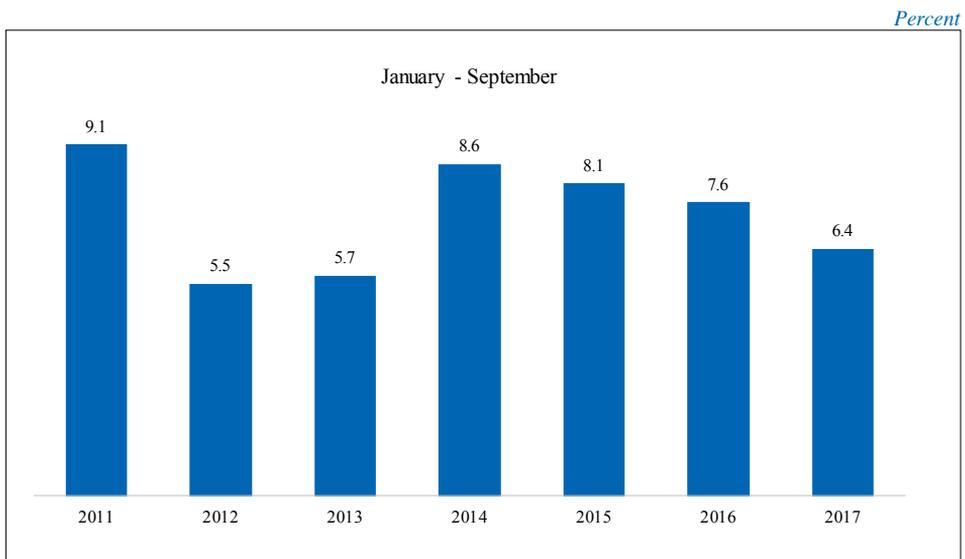


### 3.2.6 Economic Developments in Zanzibar

#### Real GDP Performance

During the first three quarters of 2017, Zanzibar's real GDP grew at an average of 6.4 percent, compared with 7.6 percent recorded in the corresponding period of 2016. This performance was attributed to strong growth in tourism related activities, especially accommodation and food services. Other activities, which recorded fastest growth rates were administrative and support services, mining and quarrying and manufacturing (**Chart 3.8** and **Chart 3.9**). Zanzibar's strong economic growth is expected to be sustained, supported by the ongoing implementation of infrastructure projects, expanded agriculture extension services, improvement in horticulture farming and tourism related activities.

**Chart 3.8: Real GDP Growth**

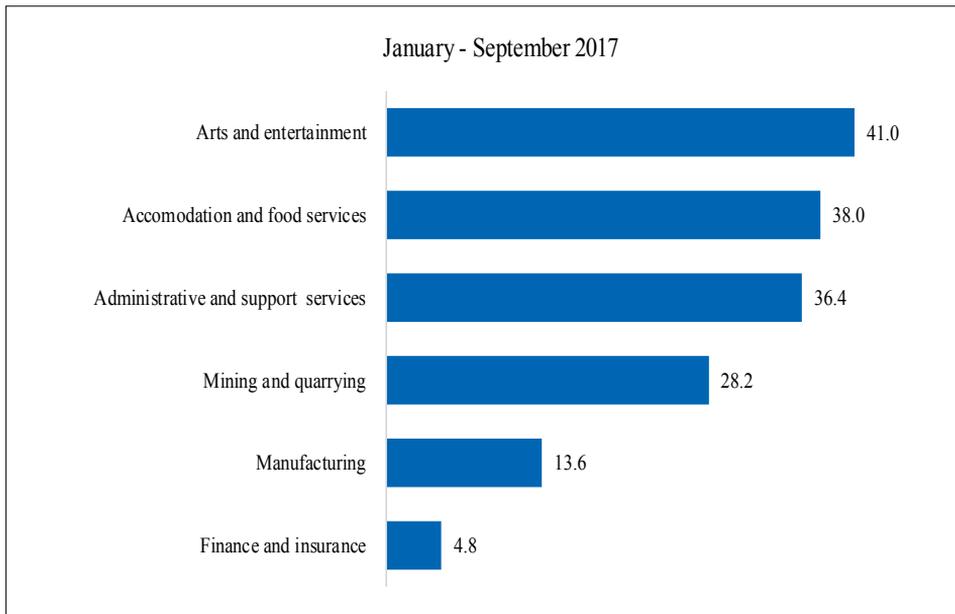
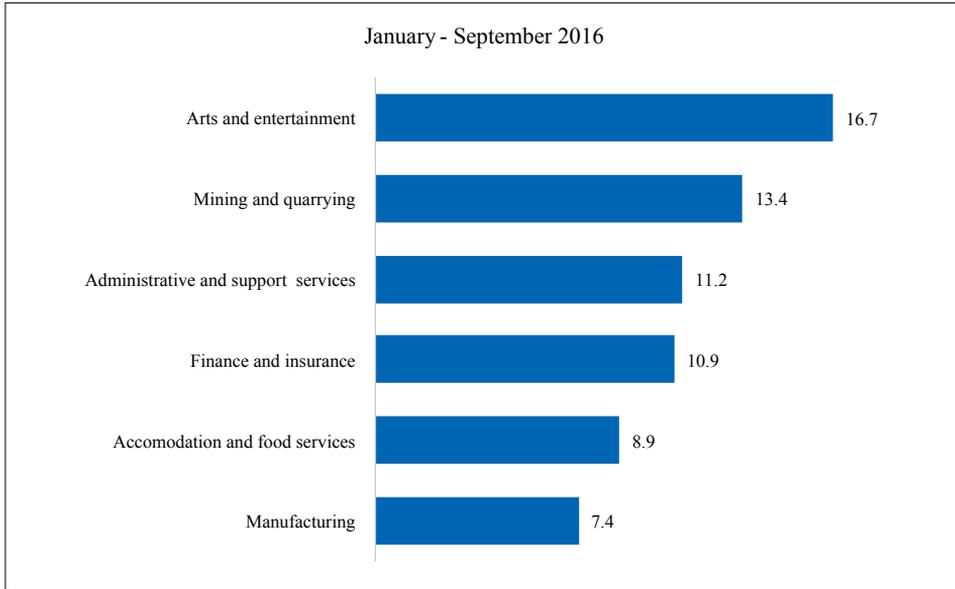


Source: Office of Chief Government Statistician



**Chart 3.9: Growth of Major Economic Activities**

*Percent*



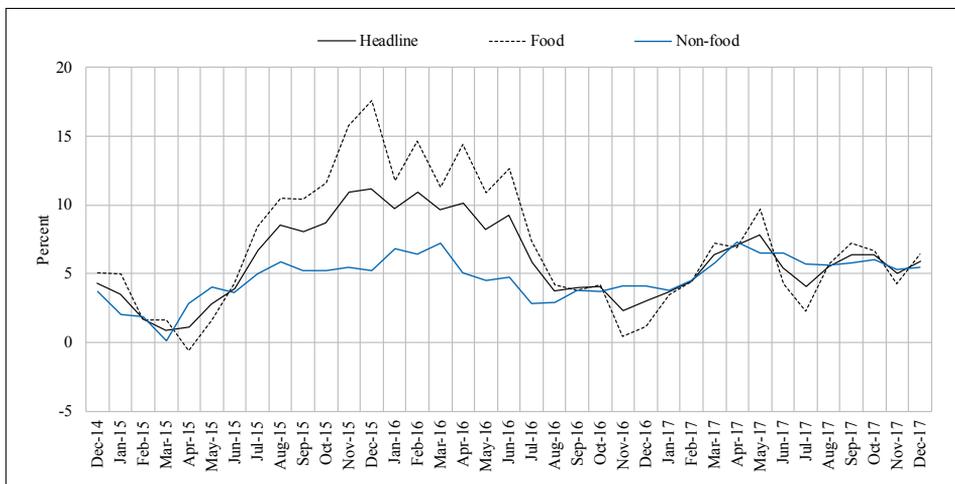
*Source: Office of Chief Government Statistician*



## Inflation Developments

Annual headline inflation picked up to 5.9 percent in December 2017 from 5.4 percent recorded in June 2017, mainly driven by increase in prices of food items. Food items that impacted on inflation include rice, wheat flour, and fish (**Chart 3.10**). Inflation is expected to remain at single digit during the remaining period of 2017/18, notwithstanding threats of increased commodity prices in the world market including oil, rice and wheat.

**Chart 3.10: Inflation Developments**



Source: Office of Chief Government Statistician

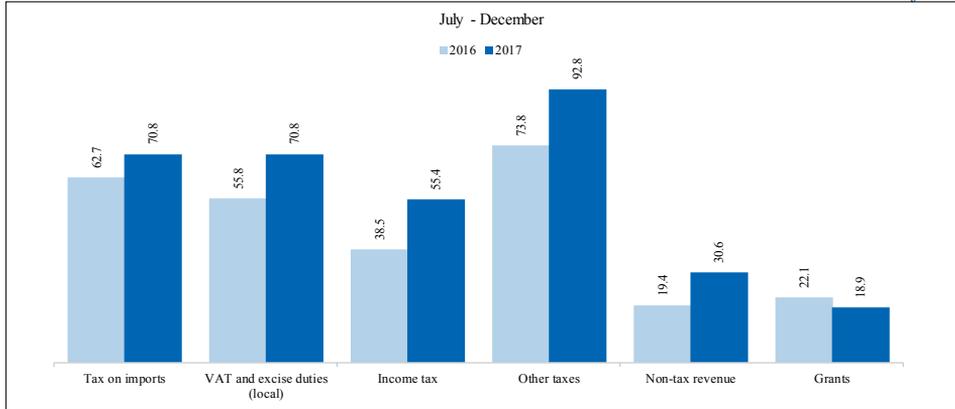
## Government Budgetary Operations

During the first half of 2017/18, domestic revenue amounted to TZS 320.5 billion, or 96.2 percent of the estimates for the first half of 2017/18. Tax revenue was TZS 289.9 billion, while non-tax amounted to TZS 30.6 billion. Taxes on imports, income tax, value added-tax and exercise duties (local) accounted for 61.5 percent of the total domestic revenue. Total grants amounted to TZS 18.9 billion, higher than the projection by 10.5 percent (**Chart 3.11**).



**Table 3.11: Government Revenue by Sources**

Billions of TZS

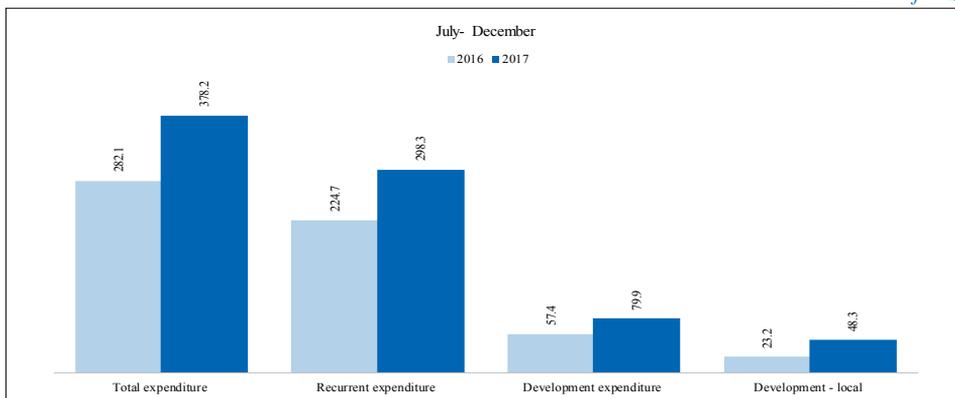


Source: Ministry of Finance and Planning, Zanzibar

During the first half of 2017/18, total expenditure amounted to TZS 378.2 billion, above the projection by 13.7 percent (**Chart 3.12**), out of which recurrent expenditure was TZS 298.3 billion, equivalent to 84.9 percent of the projection. Development expenditure amounted to TZS 79.9 billion, of which locally financed expenditure was TZS 48.3 billion.

**Table 3.12: Government Expenditure**

Billions of TZS



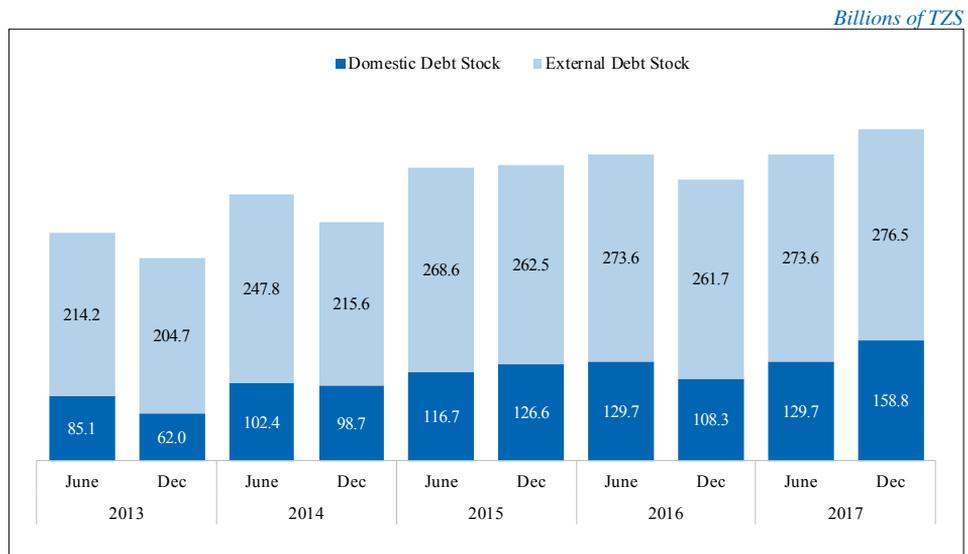
Source: Ministry of Finance and Planning, Zanzibar



## Debt Developments

Total debt stock increased to TZS 435.2 billion at the end of December 2017, from TZS 403.3 billion recorded at the end of June 2017, driven largely by increase in domestic debt. External debt accounted for 63.5 percent of the total debt stock, while the balance was domestic debt stock, which stood at TZS 158.8 billion at the end of December 2017 (**Chart 3.13**).

**Chart 3.13: Total Debt Stock**



*Source: Ministry of Finance and Planning, Zanzibar*

## External Sector Developments

During the first half of 2017/18, external current account recorded a surplus of USD 34.4 million, compared with a surplus of USD 26.9 million recorded in the similar period of 2016/17. The performance was on account of improved receipts from exports of goods and services, particularly cloves and tourism services, as well as higher inflows of current transfers.



The value of exports of goods and services increased to USD 137.1 million from USD 92.5 million recorded in the corresponding period of 2016/17. Goods imports amounted to USD 91.6 million, representing 74.0 percent of total imports of goods and services. Higher goods import during the period resulted from increased amount of intermediate goods, especially oil and consumer goods, in particular food stuffs—wheat, rice and sugar (**Table 3.4, Chart 3.14, Chart 3.15**).

**Table 3.4: Current Account Balance**

Item	Millions of TZS		Percentage change
	July - December		
	2016	2017 <sup>p</sup>	
Goods account net	-36.5	-36.5	0.0
Exports	19.9	55.1	--
Imports (fob)	56.4	91.6	62.4
Services account net	47.1	49.9	5.9
Receipts	72.6	82.1	13.0
Payments	25.5	32.2	26.1
Goods and services net	10.6	13.3	--
Exports of goods and services	92.5	137.1	48.2
Imports of goods and services	81.9	123.8	51.1
Income account net	2.4	3.7	--
Receipts	5.2	6.1	17.4
Payments	2.8	2.4	-14.3
Current transfers net	13.9	17.4	24.8
Inflows	14.3	18.6	30.2
Outflows	0.4	1.3	--
Current account balance	26.9	34.4	28.1

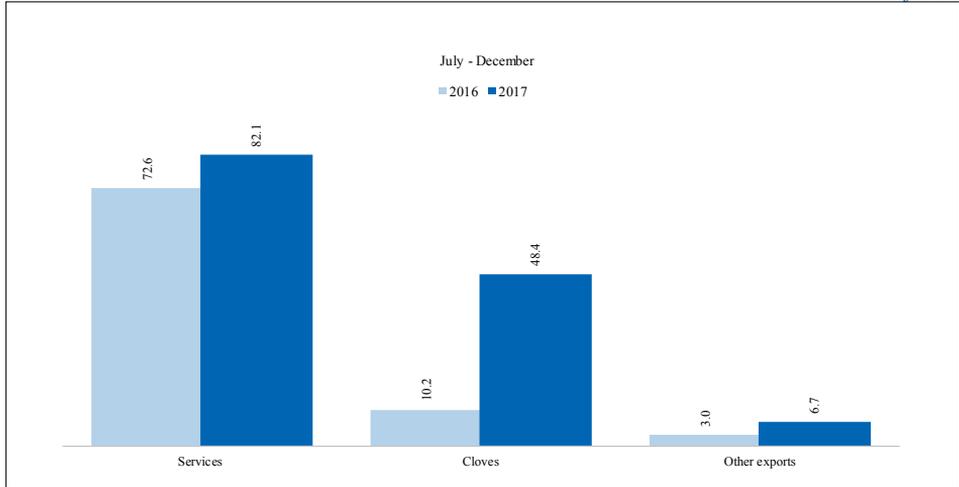
*Source: Tanzania Revenue Authority and Bank of Tanzania*

*Note: p denotes provisional  
-- implies large number*



**Chart 3.14: Export Performance of Selected Goods and Services**

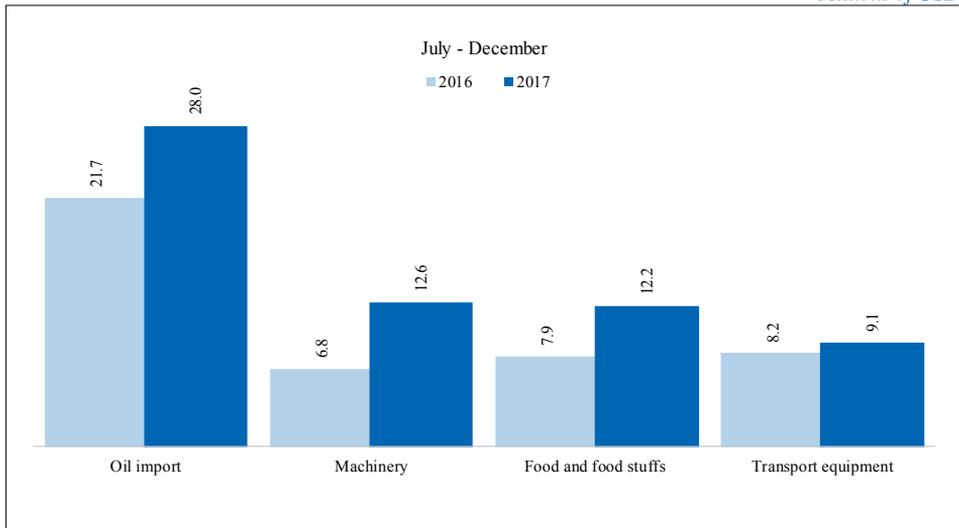
*Millions of USD*



*Source: Tanzania Revenue Authority and Bank of Tanzania*

**Chart 3.15: Performance of Selected Goods Import**

*Millions of USD*



*Source: Tanzania Revenue Authority and Bank of Tanzania*



## PART IV

### 4.0 MONETARY POLICY IMPLEMENTATION DURING THE FIRST HALF OF 2017/18

#### 4.1 Liquidity Management and Interest Rates Developments

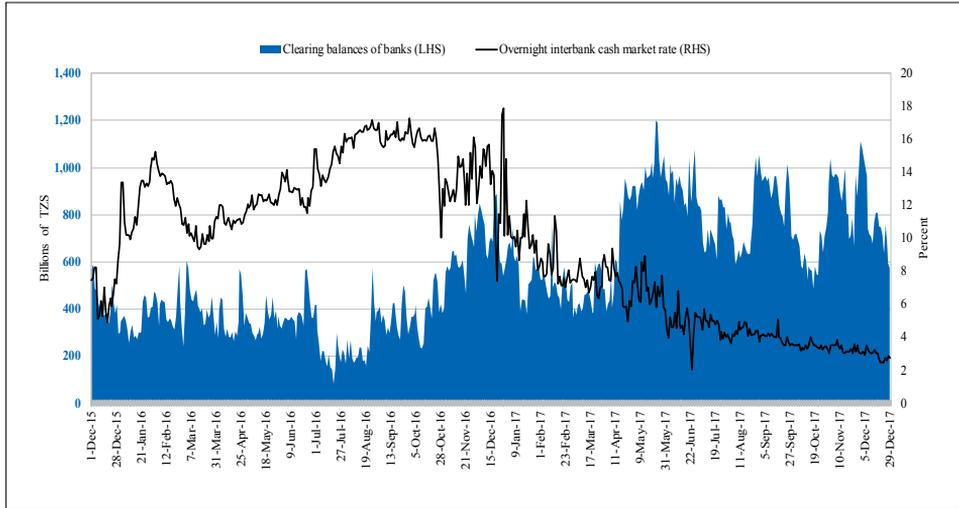
During the first half of 2017/18, the Bank maintained an accommodative monetary policy stance using an array of instruments with a view to providing adequate liquidity to banks to stimulate growth of credit to the private sector and economic activities. The Bank injected liquidity into the economy mainly through purchase of foreign exchange from the domestic market and foreign exchange swaps deals, reverse repo operations, provision of short-term loans to banks and additional reduction of discount rate from 12.0 percent to 9.0 percent in August 2017. These monetary policy measures, coupled with the cumulative effect of the measures that were taken in the second half of 2016/17<sup>3</sup>, helped to boost liquidity among banks and keeping the money market interest rates low. Overnight interbank cash market interest rate declined to 2.95 percent in December 2017 from 4.08 percent recorded in June 2017 and 13.69 percent in December 2016. The overall Treasury bill rate also declined to 8.19 percent in December 2017 from 15.12 in December 2016 (**Chart 4.1** and **Chart 4.2**). Meanwhile, commercial banks' lending rates remained high, reflecting increased risk premium, associated with the rise in non-performing loans and other structural rigidities in the financial sector, which limit effective transmission of the monetary policy signals.

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<sup>3</sup> Reduction of the discount rate from 16.0 percent to 12.0 percent in March 2017, reduction of Statutory Minimum Reserve (SMR) requirements on private sector deposits to 8.0 percent in April 2017 from 10.0 percent



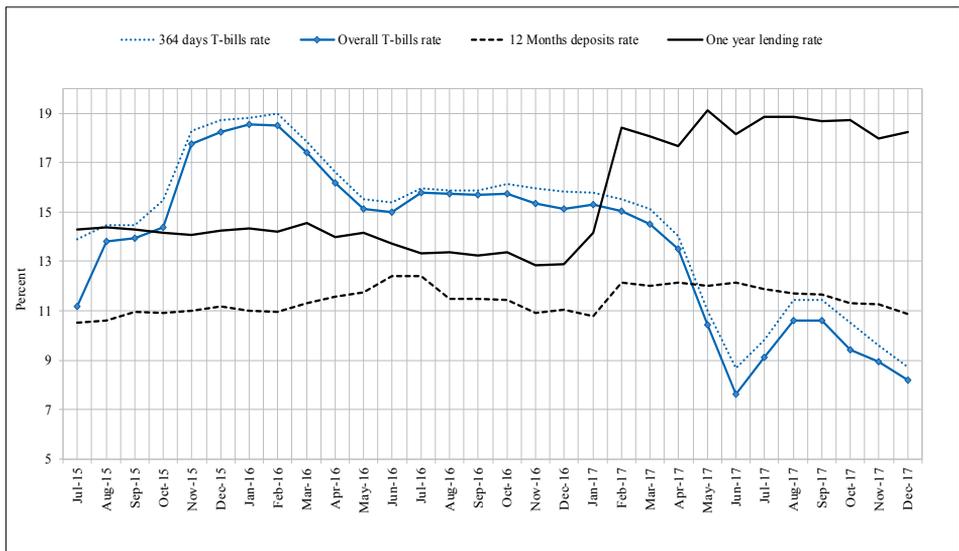
**Chart 4.1: Banks' Clearing and the Overnight Interbank Cash Market Rate**



Source: Bank of Tanzania

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

**Chart 4.2: Selected Interest Rates Developments**

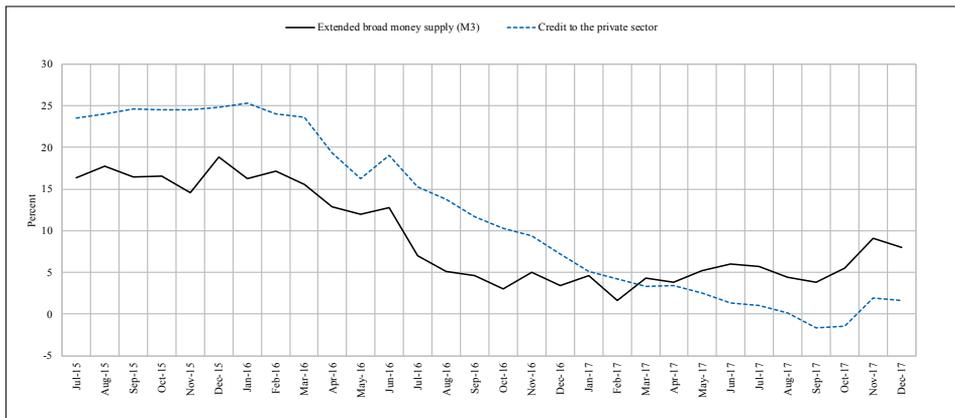


Source: Bank of Tanzania



Annual growth of extended broad money supply picked up gradually from the historical low of 1.7 percent recorded in February 2017 to 8.0 percent in December 2017, but remained below the projected rate of at least 12.0 percent. This projected growth rate is in line with GDP growth target of 7.0 percent and inflation target of 5.0 percent. Likewise, annual growth of credit to the private sector, which remained subdued throughout the period under review, recovered to 1.7 percent in December 2017, from the average contraction of about 1.5 percent recorded in September and October 2017 (**Chart 4.3**). The observed growth which is still below the historical levels, reflects cautious approach taken by banks in extending credit to the private sector in the face of increasing non-performing loans, coupled with increased preference for low risk government securities.

**Chart 4.3: Annual Growth of Monetary Aggregates**

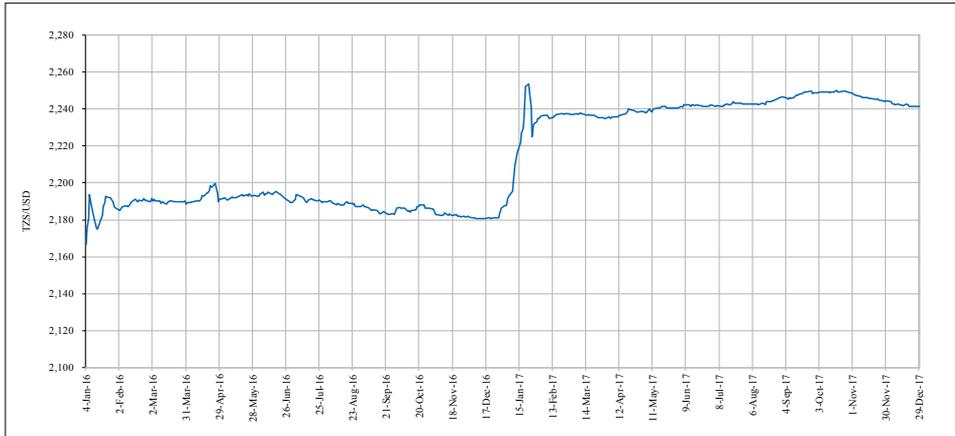


Source: Bank of Tanzania

The value of the Tanzanian shilling against the US dollar sustained a notable stability throughout the first half of 2017/18, consistent with improvement in the current account balance. The exchange rate fluctuated within the range of TZS 2,241 to TZS 2,250 against the US dollar, compared with the range of TZS 2,180 to TZS 2,194 per US dollar recorded in the corresponding period of 2016/17 (**Chart 4.4**).



**Chart 4.4: Nominal Exchange Rate Movements (TZS/USD)**



Source: Bank of Tanzania

Meanwhile, average reserve money target for end December 2017, under the policy support instrument (PSI) program with the IMF was met, explained largely by moderate net fiscal injection. Likewise, accumulation of net international reserves was above the floor, largely due to net purchase of foreign exchange from domestic market. In particular, average reserve money was below the ceiling by TZS 509.5 billion, while accumulation of NIR was above the floor by USD 1,209.2 million (Table 4.1).

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

Items	Jun-17		Sep-17		Dec-17		
	Assessment Criteria	Actual	Indicative Target	Actual	Indicative Target	Actual	Change
ARM - Billions of TZS (ceiling)	7,236.0	6,695.1	7,352.0	6,792.6	7,534.0	7,024.5	-509.5
Accumulation of NIR - Millions of USD (cumulative Floor)	424.9	1,051.2	-169.9	532.8	-194.0	1,015.2	1,209.2
External nonconcessional borrowing - Millions of USD - (cumulative from July)	507.0	400.0	139.0	100.0	276.0	100.0	-176.0
Program assistance - Millions of USD - (cumulative from July)	342.0	273.9	51.0	18.1	214.0	40.0	-174.0

Source: Bank of Tanzania

Note: ARM denotes average reserve money, NIR means net international reserves and ENCB denotes external non-concessional borrowing



## 4.2 Financial Sector Stability

During the first half of 2017/18, the banking sector remained sound, stable and profitable in aggregate with capital and liquidity levels generally above regulatory requirements (**Table 4.2**). The ratio of core capital to total risk weighted assets and off-balance sheet exposures was 18.9 percent at the end of December 2017, above the minimum legal requirement of 10 percent. In the same period, the ratio of liquid assets to demand liabilities stood at 40.3 percent, above the minimum regulatory requirement of 20 percent. Meanwhile, the quality of the banking sector's assets deteriorated as reflected by the ratio of non-performing loans (NPLs) to gross loans, which increased to 11.7 percent from 10.6 percent recorded at the end of June 2017. The Bank of Tanzania directed banks with high NPLs ratio to formulate and implement strategies to reduce the ratio to maximum of 5 percent, and introduced mandatory requirement for all banks and financial institutions to make use of credit reports of credit applicants during appraisals. The aim is to increase the use of the existing credit reference system to reduce risks. Further, banks are required to ensure that the maximum limit set is achieved by ensuring that risk management practices in banking institutions continue to be improved.



**Table 4.2: Banking Sector Financial Soundness Indicators\***

Indicator	Regulatory limit	Percent		
		Jun-17	Sep-17	Dec-17
Capital adequacy				
Core capital to total risk weighted assets and off-balance sheet exposures	Minimum 10	18.3	18.9	18.9
Total capital to total risk weighted assets and off-balance sheet exposures	Minimum 12	20.3	20.9	20.9
Liquidity				
Liquid Assets to demand liabilities	Minimum 20	38.1	37.9	40.3
Total loans to customer deposits	N/A	83.1	84.9	81.6
Earnings and profitability				
Return on assets	N/A	2.3	2.0	1.6
Return on equity	N/A	10.4	8.7	6.9
Non-interest expenses to total income	N/A	51.5	51.9	51.7
Assets quality				
Non-performing loans to gross loans	N/A	10.6	12.5	11.7

*Source: Bank of Tanzania*

*Note: \*The data are based on an unaudited bank' positions - they are subject to change upon resubmission of the audited accounts.  
N/A means not applicable*

On the regulatory and supervisory changes for commercial banks, the Bank of Tanzania introduced Capital Charge for Operational Risk with effect from August 2017, where banks are required to hold capital for operational risk. The Bank introduced the requirement for all banks to hold 2.5 percent capital conservation buffer in addition to the minimum capital requirement ratios of 10 percent and 12 percent for core and total capital, respectively. The Bank continued with development of rules for implementation of Basel II/III in order to make sure that the existing supervision practices are in line with the internationally accepted standards. In order to attain high quality and consistent implementation of International Financial Reporting Standard 9 (IFRS 9), the Bank of Tanzania issued a guidance note to all banks and financial institutions for implementation of IFRS 9.



During the period under review, the Bank of Tanzania granted extension of moratorium period to 31<sup>st</sup> December 2017 for all undercapitalized community banks to comply with the legal minimum capital requirements of TZS 2.0 billion. However, pursuant to the provisions of Section 56(1) (g), 56(2) (a), (b) and (d), 58(2)(i), 11(3)(c) and (j), 61(1) and 41(a) of the Banking and Financial Institutions Act, 2006, the Bank of Tanzania revoked banking business licenses of Covenant Bank for Women (Tanzania) Limited, Efatha Bank Limited, Njombe Community Bank Limited, Kagera Farmers' Cooperative Bank Limited, and Meru Community Bank Limited and put them under compulsory liquidation effective 4<sup>th</sup> January 2018. This was due to failure to comply with the legal and regulatory requirements relating to core capital. On the other hand, the Bank of Tanzania granted provisional approval to Guaranty Trust Bank (Tanzania) Limited to start banking business operations in the country. The bank commenced operations on 8<sup>th</sup> January 2018.

### **4.3 National Payment Systems Developments**

During the first half of 2017/18, the payment, clearing and settlement systems continued to operate efficiently, exhibiting continuous growth in access and usage due to increased utilization of digital technology in financial services delivery. The Government's move to process its payroll payments directly through the Tanzania Automated Clearing House during the period has significantly contributed to digitization of payments, which has resulted in improved efficiency in the national payment system. Tanzania Interbank Settlement System (TISS) continued to facilitate interbank transactions and other Government payment obligations. In addition to the Parliament, Judiciary, Central Government and sub-treasuries connectivity to TISS, the process of connecting government institutions to the system continued smoothly with Lindi, Mtwara and Coast Region connected to the system during the period under review. The East Africa Payment System (EAPS) also operated smoothly with increased volumes, despite the mixed trend of transactions between Tanzania and Uganda corridor (82 transactions



valued at UGX 6.6 billion, a decrease of 32.8 percent in volume and a 3.4 percent growth in value, when compared with corresponding period of 2016/17). Growth was observed for transactions between Tanzania and Kenya (1,348 transactions valued at KES 2.1 billion, an increase of 27.8 percent in volume and 33.6 percent in value).

Meanwhile, the Tanzania Automated Clearing System (TACH) which includes the Electronic Funds Transfer (EFT) system continued to run efficiently. As a result of the Government making direct payroll payments for salaries to Government employees, and pension to retirees using the EFT, the volume and value have grown by 109.1 percent and 79.2 percent, respectively during the first half of 2017/18, when compared with the similar period of 2016/17. During the same period, payments by cheque decreased in volume and value by 5.5 percent and 7.7 percent, respectively, thus reducing transaction costs associated with the previous means of disbursing payments through commercial banks.

Interoperability between the major mobile payment services providers has continued to contribute to substantial increase in transactions across network operators and therefore reducing the cost of mobile financial services. During the first half of 2017/18, 44.8 million transactions valued at TZS 1,905.2 billion were processed, representing 123.8 percent and 92.7 percent increase in volume and value, respectively, compared to transactions recorded during the similar period of the preceding year. The number of registered active accounts of mobile phone financial services was 19.3 million at the end of December 2017, up from 17.02 million at the end of December 2016. The oversight and monitoring of the national payment systems in addition to licensing of new payment service providers (banks and non-banks) continues to be carried out under the current regulatory framework<sup>4</sup>.

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<sup>4</sup> National Payment Systems Act, 2015, Payment Systems Licensing and Approval Regulations, 2015 and Electronic Money Regulations, 2015



## **PART V**

### **5.0 MACROECONOMIC OUTLOOK**

#### **5.1 GDP Growth**

Based on developments of the leading indicators of economic activities in the first half of 2017/18, the projected GDP growth rate for 2017 has been revised downwards to 7.0 percent against the initial estimate of 7.1 percent. Growth prospects for the second half of 2017/18 and beyond remain promising, supported by projected rebound of the global economy, expected favourable weather conditions which may lead to good harvests, improvement in power supply from natural gas and hydropower plants, transportation services and implementation of infrastructural projects under the 2<sup>nd</sup> Five Year Development Plan (FYDP II).

#### **5.2 Inflation**

Headline inflation is expected to remain around the medium term target of 5 percent in the second half of 2017/18, supported by continued improvement in food supply due to favourable weather conditions, stable power supply, sustained prudent monetary and fiscal policies, and continued stability of the value of the Tanzanian shilling against the major currencies. However, upward risks remain due to possible rise in oil prices following recent agreement among OPEC member countries to cut down production.

#### **5.3 External Sector**

The current account balance is projected to record a deficit of 4.2 percent of GDP in the year 2017/18, compared with a deficit of 2.8 percent of GDP in the preceding year. This outturn will be driven by imports which are expected to increase much faster than exports, consistent with the continued expansion of economic activities including implementation of some major investment projects such as the construction of the Standard



Gauge Railway (SGR), Lake Albert (Uganda)—Tanga oil pipeline. Meanwhile, the value of oil imports is expected to record a marginal increase despite the expected rise in prices in the world market, following the continued usage of natural gas in power generation instead of oil. In addition, export of traditional goods is projected to maintain a positive growth but relatively lower compared to the preceding year. Growth of non-traditional exports is expected to pick-up due to increase in exports of gold and manufactured goods. In the medium-term, current account deficit is projected to widen consistent with the implementation of projects under FYDP II.

#### **5.4 Banking Sector and National Payment Systems**

During the second half of 2017/18, the banking sector is expected to remain sound and stable, with capital and liquidity levels remaining above their respective minimum required thresholds. The Bank of Tanzania will continue to monitor banks with high levels of non-performing loans (NPLs), and ensure that all banks and financial institutions continue to use credit reference bureau reports when carrying out credit appraisals. As banks proceed with the implementation of IFRS 9 with effect from January 2018 and keeping capital charge for operational risk and capital conservation buffer of 2.5 percent, the Bank of Tanzania will continue to monitor and assess the effects of these regulatory changes and take appropriate measures. Implementation of IFRS 9 and the capital buffer are expected to increase pressure on capital adequacy ratios and profitability of banks. Regarding payment systems, the Bank of Tanzania will continue with the joint exercise of connecting government institutions to TISS in order to improve efficiency in government payments. Furthermore, the National Payment Systems Strategic Framework (2018 – 2028) will be adopted and implemented to provide for strategic directions for further modernization and development of the National Payment Systems.



## **PART VI**

### **6.0 MONETARY POLICY STANCE FOR THE SECOND HALF OF 2017/18**

#### **6.1 Liquidity Management**

In the second half of 2017/18, the Bank will maintain the accommodative monetary policy stance aiming at stimulating further the recovery of growth of credit to the private sector and general support of various economic activities. Using appropriate monetary policy instrument mix, the Bank will continue to closely monitor and manage movements in banks' clearing balances in order to instill stability of money market interest rates. The stability of money market interest rates is critical as the Bank plans to adopt interest rate-based monetary policy framework, where the overnight interbank cash market interest rate will be an operational target instead of average reserve money. The Bank has made necessary preparations to facilitate smooth adoption and operation of the new monetary policy framework under the interest rate-based framework. These include development of an electronic interbank cash market trading platform, operational guidelines for interbank cash market, and General Master Repurchase Agreement (GMRA) to improve repo operations. The trading platform will help banks to trade smoothly online and in a transparent manner and thus facilitate price discovery. The Bank has also extended the maturity spectrum of eligible treasury securities to be used as collateral by accepting all maturities of government securities with prescribed margins. This contrasts with the previous arrangement where only government securities with remaining maturity of not more than 180 days were accepted. This move will also help to address the problem of market segmentation.



Under the new framework, the Central Bank Policy Rate (CBR) will be decided by the Monetary Policy Committee and announced to the general public. The Bank will take policy actions to keep the IBCM rate close to the policy rate. It is envisaged that the policy rate will be bounded by rates pertaining to standing facilities that will be available to take care of liquidity shortages or excesses.

## **6.2 Interest Rate Policy**

Interest rates will continue to be market determined. The Bank will continue to promote development of a more efficient interbank cash market in order to improve price discovery and reduce interest rate volatility, while promoting transmission mechanism of the monetary policy signals.

## **6.3 Exchange Rate Policy**

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



## PART VII

### 7.0 CONCLUSION

The implementation of accommodative monetary policy in the first half of 2017/18 has seen gradual recovery of growth of credit to the private sector. The Bank will continue with liquidity easing policy stance for the remainder of the 2017/18, while maintaining stability of money market interest rates. The growth of money supply will be kept within a range consistent with the medium-term inflation target of 5 percent, and real GDP growth of about 7 percent.

Over the short to medium-term, the domestic economy is expected to be supported by projected rebound of the global economy, favourable weather conditions, improvement in power supply from natural gas and hydropower plants, transportation services and implementation of infrastructural projects under the 2<sup>nd</sup> Five Year Development Plan (FYDP II). Inflation is expected to remain around the medium-term target of 5 percent, supported by expected improvement in food supply, stable power supply, sustained prudent monetary and fiscal policies, and continued stability of the value of the Tanzanian shilling against the major currencies. Upward risks to inflation remain due to possible rise in oil prices following recent agreement among OPEC member countries to cut down production. The Bank will remain vigilant and take additional measures to sustain macroeconomic stability.

In the course of modernizing monetary policy framework during the second half of 2017/18, the Bank will continue to work closely with stakeholders to ensure smooth adoption of the overnight interbank cash market interest rate as operational target of monetary policy, while providing the necessary support. This new monetary policy framework will be supported



by continued improvement of the operations of the financial markets for effective communication and transmission of monetary policy actions.

The Bank is confident that with the continued close coordination between fiscal and monetary policy, the monetary policy objectives set for 2017/18 in this Monetary Policy Statement will be attained.



## **APPENDICES**



**Table A1: Selected Economic Indicators**

Items	Unit	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
1. Prices														
1.1 Annual change in consumer price index														
1.1.1 Headline inflation	Percent	5.0	5.2	5.5	6.4	6.4	6.1	5.4	5.2	5.0	5.3	5.1	4.4	4.0
1.1.2 Food inflation	Percent	7.0	7.6	8.7	11.0	11.8	11.6	9.6	8.9	8.6	9.3	8.8	7.4	6.2
1.1.3 Core inflation	Percent	2.5	2.3	2.2	2.2	2.3	2.2	1.9	2.2	1.8	1.7	1.7	1.4	1.3
2. Money credit and interest rates														
2.1 Extended broad money supply (M3) <sup>1</sup>	Percent	3.4	4.6	1.7	4.3	3.8	5.2	6.0	5.7	4.4	3.8	5.5	9.1	8.0
2.2 Reserve money <sup>1</sup>	Percent	0.3	-0.8	2.1	-2.5	0.8	1.5	0.8	2.2	1.9	-1.0	2.2	3.7	1.5
2.3 Average reserve money <sup>1</sup>	Percent	1.7	0.3	-0.4	-1.5	0.8	1.4	1.1	1.5	1.5	2.4	-1.4	1.7	-1.6
2.4 Credit to the private sector <sup>1</sup>	Percent	7.2	5.1	4.2	3.3	3.5	2.6	1.3	1.1	0.2	-1.6	-1.5	1.9	1.7
2.5 364-days Treasury bill rate <sup>2</sup>	Percent	15.8	15.8	15.5	15.1	14.0	11.0	8.7	9.8	11.4	11.4	10.5	9.6	8.7
2.6 Overnight inter-bank rate <sup>2</sup>	Percent	13.7	10.1	7.9	7.4	7.2	6.8	4.1	4.4	4.4	3.9	3.4	3.2	3.0
2.7 12-Months deposit rate <sup>2</sup>	Percent	11.0	10.8	12.1	12.0	12.1	12.0	12.1	11.9	11.7	11.6	11.3	11.3	10.9
2.8 Short-term (up to 1 year) lending rate <sup>2</sup>	Percent	12.9	14.2	18.4	18.1	17.7	19.1	18.2	18.9	18.9	18.7	18.7	18.0	18.2
3. Balance of payments														
3.1 Gross official foreign reserves	Millions of USD	4,325.6	4,332.4	4,354.1	4,482.7	4,417.4	4,425.2	5,000.4	5,296.4	5,757.2	5,820.4	5,573.3	5,911.2	5,906.2
3.2 Exchange rate														
3.2.1 Period average	TZS/USD	2,170.4	2,206.0	2,225.3	2,225.4	2,226.1	2,228.7	2,230.5	2,231.3	2,232.4	2,236.4	2,238.0	2,234.9	2,231.2
3.2.2 End of period	TZS/USD	2,172.6	2,222.0	2,226.3	2,223.9	2,227.3	2,229.5	2,230.1	2,231.6	2,234.9	2,237.8	2,237.8	2,232.7	2,230.1
4. Public finance														
4.1 Domestic revenue <sup>3</sup>	Billions of TZS	1,786.6	1,218.8	1,318.0	1,397.7	1,090.8	1,200.9	1,540.2	1,164.5	1,323.8	1,466.4	1,397.9	1,346.5	1,739.6
4.2 Recurrent expenditure <sup>3</sup>	Billions of TZS	1,395.8	982.3	1,042.1	1,339.4	1,050.1	1,216.4	1,542.1	633.3	1,046.0	1,292.0	1,173.9	1,440.6	1,189.1
4.3 Development expenditure <sup>3</sup>	Billions of TZS	583.9	370.8	519.6	208.7	336.8	359.7	1,750.4	94.2	282.8	179.8	431.9	400.9	562.7
4.4 Program assistance	Millions of USD	25.0	0.0	0.1	68.7	14.1	0.0	104.1	0.5	8.0	9.6	4.2	0.0	17.7
4.4.1 General budget support	Millions of USD	0.0	0.0	0.0	34.0	0.0	0.0	104.1	0.0	0.0	0.0	0.0	0.0	8.0
4.4.2 Basket funds	Millions of USD	25.0	0.0	0.1	34.7	14.1	0.0	0.0	0.5	8.0	9.6	4.2	0.0	9.7

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

Notes: <sup>1</sup> Annual growth

<sup>2</sup> Monthly average

<sup>3</sup> Domestic revenue and expenditure on cash basis



**Table A2 (a): Tanzania Mainland: Gross Domestic Product at Constant  
2007 Prices by Economic Activity**

Economic Activity	2011	2012	2013	2014	2015	2016
	Millions of TZS					
<i>Agriculture, forestry and fishing</i>	8,621,829	8,901,917	9,186,731	9,497,469	9,719,965	9,924,182
Crops	4,454,219	4,640,787	4,801,783	4,993,855	5,106,027	5,175,489
Livestock	2,948,017	3,001,944	3,062,481	3,129,647	3,204,928	3,287,499
Forestry	745,684	771,590	808,231	849,445	871,448	901,161
Fishing	473,910	487,597	514,235	524,521	537,562	560,033
<i>Industry and Construction</i>	7,271,804	7,566,057	8,287,309	9,144,464	10,174,156	11,265,872
Mining and quarrying	1,141,798	1,217,823	1,264,845	1,383,349	1,508,923	1,682,719
Manufacturing	2,554,119	2,659,200	2,831,400	3,024,323	3,222,077	3,472,647
Electricity supply	284,394	293,804	332,080	363,110	384,271	416,904
Water supply; sewerage, waste management	260,050	267,407	274,507	284,755	285,003	297,151
Construction	3,031,443	3,127,824	3,584,477	4,088,927	4,773,882	5,396,450
<i>Services</i>	16,341,278	17,520,835	18,767,585	20,119,051	21,511,358	23,138,496
Wholesale and retail trade; repairs	3,541,265	3,675,197	3,839,852	4,223,837	4,552,422	4,855,513
Transport and storage	1,980,177	2,062,518	2,314,221	2,603,499	2,810,378	3,140,748
Accommodation and Food Services	543,173	579,598	595,724	609,111	622,966	646,197
Information and communication	1,177,462	1,439,326	1,631,263	1,762,116	1,974,819	2,231,111
Financial and insurance activities	1,374,537	1,445,140	1,534,231	1,699,700	1,900,297	2,103,991
Real estate	1,719,706	1,754,126	1,790,574	1,829,107	1,869,782	1,914,177
Professional, scientific and technical activities	655,947	617,853	651,358	654,930	699,556	743,797
Administrative and support service activities	892,397	1,104,372	1,239,495	1,313,618	1,375,562	1,404,965
Public administration and defence	2,231,564	2,435,459	2,625,280	2,728,183	2,854,132	3,045,868
Education	1,143,385	1,228,099	1,280,673	1,341,507	1,425,992	1,541,076
Human health and social work activities	541,093	602,632	655,861	709,310	742,629	781,589
Arts, entertainment and recreation	116,005	128,764	136,162	143,933	152,891	166,415
Other service activities	320,944	341,382	363,702	388,120	414,881	444,610
Activities of households as employers;	103,623	106,369	109,188	112,082	115,052	118,500
FISIM	-561,275	-568,183	-568,580	-623,558	-696,521	-810,063
All economic activities	31,673,636	33,420,626	35,673,045	38,137,426	40,708,959	43,518,487
Taxes on products	2,505,661	2,515,833	2,873,500	3,093,939	3,391,850	3,656,415
GDP at market prices	34,179,297	35,936,459	38,546,546	41,231,365	44,100,809	47,174,902

Real Growth by Economic Activities (Percent)						
<i>Agriculture, forestry and fishing</i>	1.9	3.2	4.0	3.4	3.2	1.9
Crops	2.8	4.2	5.0	3.2	3.3	0.6
Livestock	0.1	1.8	2.2	3.6	3.9	2.8
Forestry	3.3	3.5	4.7	5.1	1.0	3.6
Fishing	2.7	2.9	5.5	2.0	2.6	4.2
<i>Industry and Construction</i>	11.2	4.2	9.0	10.8	11.0	11.1
Mining and quarrying	6.3	6.7	3.9	9.4	9.1	11.5
Manufacturing	6.9	4.1	6.5	6.8	6.5	7.8
Electricity supply	-4.3	3.3	13.0	9.3	5.8	8.5
Water supply; sewerage, waste management	-1.2	2.8	2.7	3.7	-1.3	4.8
Construction	21.9	3.3	13.9	15.9	16.8	14.1
<i>Services</i>	8.4	7.3	7.2	7.2	6.9	7.6
Wholesale and retail trade; repairs	11.3	3.8	4.5	10.0	7.8	6.7
Transport and storage	4.4	4.2	12.2	12.5	7.9	11.8
Accommodation and Food Services	4.1	6.7	2.8	2.2	2.3	3.7
Information and communication	8.6	22.2	13.3	8.0	12.1	13.0
Financial and insurance activities	14.8	5.1	6.2	10.8	11.8	10.7
Real estate	2.0	2.1	2.2	2.2	2.3	2.4
Professional, scientific and technical activities	4.8	-5.8	5.4	0.5	6.8	6.3
Administrative and support service activities	5.1	23.8	12.2	6.0	4.7	2.1
Public administration and defence	15.9	9.1	7.8	3.9	4.6	6.7
Education	5.6	7.4	4.3	4.8	6.3	8.1
Human health and social work activities	5.3	11.4	8.8	8.1	4.7	5.2
Arts, entertainment and recreation	7.7	11.0	5.7	5.7	6.2	8.8
Other service activities	6.2	6.4	6.5	6.7	6.9	7.2
Activities of households as employers;	2.7	2.7	2.7	2.7	2.7	3.0
FISIM	22.6	1.2	0.1	9.7	11.7	16.3
All economic activities	7.5	5.8	7.1	7.3	7.2	7.3
Taxes on products	12.1	0.4	14.2	7.7	9.6	7.8
GDP at market prices	7.9	5.1	7.3	7.0	7.0	7.0

*Source: National Bureau of Statistics*

*Note: FISIM implies financial intermediation indirectly measured*



**Table A2 (b): Tanzania Mainland: Gross Domestic Product at 2007 Prices by Economic Activity**

*Percent*

Economic Activity	2011	2012	2013	2014	2015	2016
<b>Contribution in real GDP by Economic Activities</b>						
Agriculture, Forestry and Fishing	25.2	24.8	23.8	23.0	22.0	21.0
Crops	13.0	12.9	12.5	12.1	11.6	11.0
Livestock	8.6	8.4	7.9	7.6	7.3	7.0
Forestry and hunting	2.2	2.1	2.1	2.1	2.0	1.9
Fishing	1.4	1.4	1.3	1.3	1.2	1.2
Industry and construction	21.3	21.1	21.5	22.2	23.1	23.9
Mining and quarrying	3.3	3.4	3.3	3.4	3.4	3.6
Manufacturing	7.5	7.4	7.3	7.3	7.3	7.4
Electricity, gas	0.8	0.8	0.9	0.9	0.9	0.9
Water supply	0.8	0.7	0.7	0.7	0.6	0.6
Construction	8.9	8.7	9.3	9.9	10.8	11.4
Services	47.8	48.8	48.7	48.8	48.8	49.0
Wholesale and retail trade; repairs	10.4	10.2	10.0	10.2	10.3	10.3
Transport and storage	5.8	5.7	6.0	6.3	6.4	6.7
Hotels and restaurants	1.6	1.6	1.5	1.5	1.4	1.4
Information and communication	3.4	4.0	4.2	4.3	4.5	4.7
Financial and insurance activities	4.0	4.0	4.0	4.1	4.3	4.5
Real estate	5.0	4.9	4.6	4.4	4.2	4.1
Professional, scientific and technical activities	1.9	1.7	1.7	1.6	1.6	1.6
Administrative and support service activities	2.6	3.1	3.2	3.2	3.1	3.0
Public administration and defence	6.5	6.8	6.8	6.6	6.5	6.5
Education	3.3	3.4	3.3	3.3	3.2	3.3
Human health and social work activities	1.6	1.7	1.7	1.7	1.7	1.7
Arts, entertainment and recreation	0.3	0.4	0.4	0.3	0.3	0.4
Other service activities	0.9	0.9	0.9	0.9	0.9	0.9
Activities of households as employers;	0.3	0.3	0.3	0.3	0.3	0.3
FISIM	-1.6	-1.6	-1.5	-1.5	-1.6	-1.7
Taxes on products	7.3	7.0	7.5	7.5	7.7	7.8
<b>GDP at market prices</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source: National Bureau of Statistics*

*Note: FISIM implies financial intermediation indirectly measured*



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

Economic Activity	Percent																
	2014				2015				2016				2017		January-September 2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	2016	2017
Agriculture	3.6	4.4	4.0	0.8	1.4	0.7	3.3	5.3	2.7	2.6	1.9	0.9	2.6	3.7	3.6	2.4	3.3
Mining and quarrying	19.7	6.4	5.2	7.6	0.6	11.2	8.0	15.7	6.5	13.4	10.4	14.8	35.3	18.0	20.8	10.1	24.7
Manufacturing	8.2	10.1	6.3	3.0	9.9	5.2	2.1	9.5	7.4	9.1	4.5	10.2	7.8	9.3	12.4	7.0	9.8
Electricity	17.5	-1.4	13.2	8.6	10.6	18.9	-1.1	-2.5	4.4	5.0	9.5	15.3	4.4	0.2	5.8	6.3	3.5
Water	0.7	5.1	12.7	-2.3	7.6	-3.9	0.1	-2.7	-2.5	4.3	14.5	0.6	2.0	7.0	19.1	5.5	9.4
Construction	21.4	37.5	-0.7	5.2	23.2	13.2	17.6	13.8	8.9	11.1	20.6	12.0	8.4	8.8	11.1	13.5	9.4
Trade and repair	10.6	12.3	12.6	4.6	7.1	10.0	5.3	8.7	6.0	4.7	6.1	9.9	6.8	5.4	5.9	5.6	6.0
Accommodation and restaurant	3.4	3.0	0.2	2.5	-1.0	1.0	6.2	2.6	-1.3	2.5	5.5	7.6	3.0	3.7	3.1	2.2	3.3
Transport and storage	14.7	9.6	13.2	11.7	14.5	9.4	6.7	1.4	7.9	30.6	10.2	2.3	4.1	19.8	13.0	16.2	12.3
Information and communication	17.1	18.4	12.9	-11.4	12.8	11.8	13.4	10.2	13.3	11.6	13.8	13.3	13.8	12.3	13.4	12.9	13.1
Financial and insurance	11.2	14.2	10.1	8.0	11.5	10.1	12.9	12.7	13.5	12.4	7.4	9.7	8.1	8.2	4.5	11.1	6.9
Public administration	-2.1	4.9	10.3	2.5	-0.9	0.2	4.2	14.4	23.5	17.7	-1.8	-7.7	-4.2	-3.4	-2.8	13.1	-3.5
Professional, scientific and technical act.	-0.3	7.2	-10.6	5.6	3.3	11.9	4.1	7.3	6.0	5.9	4.4	8.9	1.9	5.4	7.9	5.4	5.1
Administrative and support services	12.7	13.3	-17.1	17.3	5.6	8.3	4.4	0.5	-2.6	3.2	8.3	1.5	1.1	5.0	6.8	2.9	4.3
Real estate	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.4	2.4	2.4	2.3	2.3	2.3	2.4	2.3
Education	5.4	5.4	4.1	4.1	7.4	7.4	5.3	5.3	8.6	8.6	7.5	7.5	5.2	5.2	7.2	8.3	5.9
Health	8.4	8.3	8.1	7.8	5.8	4.9	4.3	3.8	5.3	5.7	5.4	4.5	6.4	8.4	5.1	5.5	6.6
Other services	6.1	6.0	5.0	6.0	5.1	5.7	7.1	6.1	6.3	6.4	6.9	7.7	6.4	7.0	5.9	6.5	6.4
FISIM	9.4	11.6	9.0	8.8	13.0	4.1	7.4	21.9	18.8	28.0	19.8	1.8	-1.8	-5.2	-7.6	22.2	-4.9
All industry at basic prices	8.3	10.2	5.5	3.6	6.9	6.2	6.4	7.6	6.6	8.2	6.9	5.9	5.8	7.1	7.7	7.2	6.9
Taxes on products	2.4	4.4	8.8	15.1	1.2	10.2	11.6	14.8	10.6	12.0	4.0	1.2	4.5	17.0	-3.1	8.9	6.2
GDP at market prices	7.8	9.8	5.7	4.4	6.5	6.5	6.8	8.2	6.9	8.5	6.6	5.5	5.7	7.8	6.8	7.3	6.8

Source: National Bureau of Statistics

Note: FISIM implies financial intermediation indirectly measured



**Table A2 (d): Zanzibar Gross Domestic Product at Constant 2007 Prices by Economic Activity**

Economic activity	2011	2012	2013	2014	2015	2016 <sup>p</sup>
	Billions of TZS					
GDP at Market Prices	848.1	972.3	1,042.8	1,115.6	1,187.1	1,268.3
Agriculture, forestry & fishing	205.1	196.7	222.8	221.9	227.5	240.5
Crops	116.1	96.4	118.4	109.9	107.1	114.9
Livestock	24.9	27.6	29.0	31.2	33.6	36.0
Forestry & hunting	23.3	25.1	26.0	27.0	28.1	29.3
Fishing	40.8	47.6	49.4	53.8	58.7	60.3
Industry	152.0	193.4	200.1	212.9	235.5	258.3
Mining & quarrying	12.1	16.2	15.6	16.9	18.7	22.3
Manufacturing	67.4	74.7	79.9	87.8	95.5	101.5
Electricity and gas	2.3	3.4	3.5	3.7	3.9	4.2
Water supply and sewerage	3.5	3.9	4.1	4.3	4.6	4.8
Construction	66.7	95.2	97.0	100.2	112.8	125.5
Services	422.9	480.2	503.2	554.5	598.5	646.1
Trade & repairs	74.3	71.7	73.8	83.4	84.2	88.4
Transport & storage	38.0	50.2	54.9	58.7	61.5	66.0
Accommodation and food services	62.2	74.6	81.6	87.3	96.2	105.4
Accommodation	50.6	55.1	56.5	61.4	70.3	79.4
Food and beverage services	11.6	19.5	25.1	25.9	25.9	26.0
Information and communication	28.0	35.5	30.8	38.4	41.3	45.1
Financial and insurance activities	37.4	42.6	44.8	49.6	55.1	60.1
Real estate activities	49.0	55.6	59.3	63.4	67.7	72.4
Professional, scientific and technical	1.4	1.7	2.5	3.6	3.9	4.3
Administrative and support services	5.7	6.5	7.0	7.1	8.0	8.5
Public administration	86.5	98.5	103.6	114.8	130.1	141.9
Education	21.7	23.6	24.2	26.1	26.8	28.8
Human health and social work	9.3	9.6	9.9	10.7	10.7	11.1
Arts, entertainment and recreation	3.0	3.2	3.5	3.7	4.3	4.7
Other service activities	5.3	5.7	6.1	6.4	7.4	8.0
Domestic services	1.1	1.2	1.2	1.3	1.3	1.4
Less FISIM	-9.3	-11.2	-12.5	-13.9	-15.8	-16.1
Taxes on products	77.4	113.2	129.2	140.2	141.4	139.5
	Real Growth by Economic Activities (Percent)					
GDP at Market Prices	9.3	4.8	7.2	7.0	6.5	6.8
Agriculture, Forestry & Fishing	4.7	-8.3	13.2	-0.4	2.5	5.7
Crops	1.7	-18.4	22.9	-7.2	-2.5	7.3
Livestock	4.0	6.7	5.1	7.5	7.7	7.1
Forestry & hunting	3.8	3.9	3.5	3.9	4.0	4.2
Fishing	13.9	2.5	3.6	8.9	9.1	2.8
Industry	18.4	7.5	3.5	6.4	10.6	9.7
Mining & quarrying	18.4	12.7	-3.6	8.4	10.9	18.8
Manufacturing	7.0	3.6	6.9	9.9	8.8	6.2
Electricity and gas	35.5	9.5	3.1	4.7	6.7	8.2
Water supply and sewerage		3.4	6.0	4.8	5.6	5.3
Construction	8.2	9.9	1.9	3.3	12.5	11.3
Services	8.3	4.8	4.6	9.8	7.9	9.0
Trade & repairs	7.7	-10.4	2.9	13.0	0.9	5.1
Transport & storage	14.9	14.9	9.4	7.0	5.2	6.8
Accommodation and food services	18.1	1.5	9.5	6.9	10.3	9.5
Accommodation	12.6	-3.4	2.6	8.7	14.5	12.9
Food and beverage services	41.9	18.5	29.1	2.9	0.3	0.1
Information and communication	13.3	11.9	-13.4	24.7	7.6	9.1
Financial and insurance activities	5.9	7.6	5.1	10.6	11.2	9.0
Real estate activities	6.5	6.6	6.7	6.8	6.8	6.9
Professional, scientific and technical	-3.5	21.4	47.9	43.4	9.2	9.6
Administrative and support services	9.7	5.0	6.2	2.0	12.9	6.7
Public administration	1.7	12.0	5.2	10.8	13.3	9.0
Education	5.5	2.8	2.5	7.9	2.9	7.4
Human health and social work	1.3	2.4	3.0	7.4	0.2	3.8
Arts, entertainment and recreation	9.3	-0.7	7.5	5.9	17.2	9.8
Other service activities	8.1	-0.1	6.6	5.3	14.7	8.7
Domestic services	3.2	3.2	3.2	3.2	3.2	3.1
Less FISIM	15.7	4.8	10.8	11.4	13.7	2.1
Taxes on products	9.6	33.4	14.1	8.6	0.8	-1.4

Source: Office of Chief Government Statistician, Zanzibar

Note: *p* denotes provisional

FISIM implies financial intermediation indirectly measured



**Table A2 (e): Zanzibar: Quarterly GDP Growth Rates by Economic Activity**

Economic Activity	2014												2015				2016				2017				January-September 2017	
	Q1			Q2			Q3			Q4			Q1			Q2			Q3			Q4				
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2017	
Crops	-9.6	1.3	-4.6	-11.9	3.9	-1.1	-5.6	-5.0	-2.9	1.2	13.3	13.8	-1.2	-0.2	-0.2	1.7	3.9	0.1								
Livestock	7.1	7.5	7.5	7.9	7.6	7.7	7.7	7.7	8.0	7.3	6.8	6.5	5.7	3.7	3.7	1.6	7.4	3.7								
Forestry	3.8	3.8	4.0	4.1	4.3	3.9	3.8	3.9	3.9	3.9	4.5	4.7	4.2	4.8	5.1	4.1	4.1	4.7								
Fishing	7.0	4.5	7.6	17.0	17.4	14.9	8.7	-3.2	6.3	4.2	-2.9	3.9	2.5	0.1	10.7		2.5	4.4								
Mining and quarrying	1.2	3.6	10.2	17.4	33.9	10.6	2.9	-0.5	3.9	8.9	27.5	35.0	3.2	42.0	39.5		13.5	28.2								
Manufacturing	7.9	13.4	5.8	12.6	10.6	6.6	9.9	8.3	5.4	6.6	10.3	3.2	14.0	15.6	11.2		7.4	13.6								
Electricity	5.4	1.7	5.1	6.5	7.8	8.7	2.9	7.5	3.0	5.0	13.4	11.6	16.9	0.2	-1.0		7.1	5.4								
Water supply	5.3	5.0	4.5	4.5	3.4	5.5	8.3	5.5	4.0	6.8	3.2	7.4	6.3	12.0	14.0		4.6	10.8								
Construction	18.4	-24.2	46.3	-11.3	44.9	49.5	-15.2	-23.9	-2.5	14.4	22.5	19.1	-1.6	27.7	-11.1		11.5	5.0								
Wholesale and retail trade	4.1	20.0	7.9	19.7	-0.8	-0.7	11.2	-4.4	14.4	5.5	-1.4	3.2	13.2	2.0	2.8		6.2	6.0								
Accommodation and food services	8.2	7.4	7.5	4.8	1.7	12.4	19.3	9.9	6.1	20.7	0.0	14.9	48.7	29.8	35.4		8.9	38.0								
Transport and Storage	2.4	12.1	-5.7	19.0	13.6	2.8	17.3	-8.9	2.0	10.1	10.3	4.9	2.1	8.9	-1.8		7.5	3.1								
Information and Communication	44.9	36.9	17.6	2.5	20.1	5.7	0.3	1.6	5.0	14.7	-6.6	24.4	-12.1	-42.7	-16.9		4.4	-23.9								
Financial and Insurance	2.7	9.6	11.5	18.5	18.4	11.2	7.7	8.5	30.7	-1.6	3.5	3.8	-14.2	12.2	16.4		10.9	4.8								
Real Estate	6.7	6.8	6.8	6.8	6.8	6.8	6.9	6.9	6.9	6.9	6.9	6.9	7.0	7.0	7.0		6.9	7.0								
Professional, Scientific & Technical	1.5	-2.9	91.2	84.0	87.6	20.9	-13.0	-16.3	0.7	40.6	-0.8	7.4	-11.1	15.7	-1.4		13.5	1.1								
Administrative & Support	5.6	9.3	-8.0	3.4	2.1	10.0	29.9	12.0	8.0	28.8	-3.2	2.0	49.5	21.9	37.9		11.2	36.4								
Public administration	8.3	5.0	12.5	17.6	13.9	17.9	11.4	10.5	10.0	10.7	9.4	6.3	2.7	-0.3	-3.4		10.0	-0.3								
Education	8.5	11.6	8.4	3.2	2.9	2.1	4.0	2.5	9.1	7.4	6.8	6.4	5.6	9.2	10.6		7.7	8.4								
Human Health & Social work	9.5	8.8	8.1	3.3	1.8	2.1	2.0	-5.1	2.0	2.4	2.2	9.1	0.6	1.4	-2.4		2.2	-0.2								
Arts, Entertainment & Recreation	8.8	15.3	-3.6	6.9	1.4	16.2	39.8	15.9	13.0	41.2	-4.0	3.8	59.3	21.7	42.0		16.7	41.0								
Other services	7.9	11.8	-2.5	6.2	1.6	12.8	33.0	13.9	11.5	32.2	-3.0	3.7	51.5	18.3	36.1		13.6	35.3								
Households as employers	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2		3.2	3.2								
FISIM	8.1	10.5	11.3	15.6	17.6	13.7	10.5	13.5	38.8	-0.8	3.8	4.8	-16.9	13.5	20.4		13.9	5.7								
All indust. at basic prices	6.9	4.8	9.5	5.8	12.9	11.5	5.7	0.2	5.7	9.0	7.3	9.2	8.2	8.5	6.2		7.3	7.6								
Taxes on products	48.7	17.0	-3.8	-18.8	-9.1	-1.8	-4.9	24.6	2.8	9.2	17.4	-28.9	-6.2	-3.4	0.7		9.8	-3.0								
GDP at market prices	12.1	5.9	7.7	2.6	9.6	10.3	4.3	2.3	5.0	8.8	9.1	4.2	6.3	7.4	5.5		7.6	6.4								

Source: Office of Chief Government Statistician, Zanzibar

Note: p denotes provisional

FISIM implies financial intermediation indirectly measured



**Table A3 (a): National Consumer Price Index (NCPI)**

Main Groups	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Food and non alcoholic beverages	107.0	108.7	111.2	114.3	115.7	116.0	115.2	114.4	112.9	112.4	112.1	113.0	113.6
Alcoholic, tobacco and narcotics	3.7	105.1	105.2	105.5	105.8	106.2	106.5	106.7	107.1	107.2	107.2	107.6	107.8
Clothing and footwear	8.3	103.7	104.4	104.3	104.6	105.2	105.7	106.3	106.4	106.3	106.4	106.5	106.7
Housing, water, electricity, gas and other fuel	11.6	109.9	111.3	112.7	113.5	112.6	113.4	114.7	114.9	116.8	118.4	119.2	119.0
Furnishing, housing equipment and routine maintenance of the house	6.3	104.0	103.9	104.2	104.6	104.7	104.7	104.8	104.9	104.7	104.8	105.0	105.3
Health	2.9	104.7	105.3	105.4	105.4	106.0	106.1	106.3	106.2	106.2	106.2	106.7	106.8
Transport	12.5	100.3	100.3	99.7	100.1	100.6	100.2	99.6	99.6	99.4	99.6	100.1	100.3
Communication	5.6	99.1	99.1	98.5	98.5	98.1	98.1	98.1	98.1	98.1	98.1	98.1	98.1
Recreation and culture	1.6	101.8	101.0	101.6	101.9	101.9	102.0	102.0	102.1	102.9	103.1	103.3	102.8
Education	1.5	102.6	102.8	103.0	103.0	103.0	103.1	103.2	103.4	103.4	103.4	103.5	103.5
Restaurants and hotels	4.2	104.2	104.2	104.3	104.5	104.5	104.3	104.5	104.4	104.4	104.4	104.5	104.6
Miscellaneous goods and services	3.1	102.9	102.9	102.9	104.5	105.5	105.5	105.7	105.6	105.7	105.4	105.4	105.4
Total - All Items Index	100.0	105.0	105.9	107.0	108.4	109.0	109.3	109.1	108.8	108.5	108.4	108.9	109.2
<b>Other Selected Groups</b>													
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	107.4	109.3	111.9	115.2	116.6	116.9	116.1	115.4	113.9	113.4	114.0	114.6
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	111.7	113.1	115.4	117.1	115.5	116.1	118.2	117.8	120.0	122.3	124.3	124.4
All items less food	62.9	103.8	104.1	104.6	105.0	105.1	105.3	105.5	105.6	105.9	106.3	106.6	106.7
All items less food and energy	54.3	102.5	102.7	102.8	103.0	103.5	103.6	103.5	103.7	103.7	103.7	103.8	103.9

*Source: National Bureau of Statistics*



**Table A3 (b): National Consumer Price Index (NCPI), 12-Months Percentage Change**

Main Groups	Weight (%)	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Food and non alcoholic beverages	38.5	7.0	7.6	8.7	11.0	11.8	11.6	9.6	8.9	8.6	9.3	8.8	7.4	6.2
Alcoholic, tobacco and narcotics	3.7	5.1	5.0	5.2	5.2	3.5	3.0	3.0	2.4	2.5	2.5	2.6	2.5	2.6
Clothing and footwear	8.3	3.7	3.4	3.2	3.4	3.9	3.7	3.8	3.8	3.4	3.4	3.4	3.1	2.9
Housing, water, electricity, gas and other fuel	11.6	9.9	9.5	8.7	6.8	5.8	4.6	7.1	7.1	8.9	8.8	7.6	7.8	8.3
Furnishing, housing equipment and routine maintenance of the house	6.3	4.0	3.3	3.8	3.9	3.1	3.2	3.2	3.3	2.7	2.6	2.8	1.8	1.3
Health	2.9	4.7	4.8	3.3	3.0	2.5	2.9	2.2	2.4	2.0	1.9	2.1	2.0	2.0
Transport	12.5	0.3	0.6	0.6	1.6	1.9	1.4	0.4	0.1	-0.6	-0.3	0.2	0.1	0.0
Communication	5.6	-0.9	-0.9	-1.5	-0.1	-0.5	-0.8	-1.0	-1.0	-1.1	-1.0	-0.9	-1.0	-1.0
Recreation and culture	1.6	1.8	0.7	1.4	1.2	1.3	1.2	0.8	1.0	1.3	1.9	1.9	1.6	0.9
Education	1.5	2.6	1.8	0.8	0.8	0.8	0.7	0.8	0.9	0.7	0.8	0.8	0.8	0.8
Restaurants and hotels	4.2	4.2	3.9	3.9	3.6	0.8	0.9	0.7	0.8	-0.3	-0.3	0.6	0.3	0.3
Miscellaneous goods and services	3.1	2.9	2.3	1.9	3.6	4.3	4.0	3.7	4.0	3.7	3.4	3.0	2.6	2.5
Total - All Items Index	100.0	5.0	5.2	5.5	6.4	6.4	6.1	5.4	5.2	5.0	5.3	5.1	4.4	4.0
<b>Other Selected Groups</b>														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	7.4	8.2	9.3	11.7	12.0	11.8	9.8	9.3	9.1	9.8	9.4	7.9	6.7
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	11.7	11.5	12.3	11.5	9.9	7.4	10.3	8.8	10.4	10.9	10.6	11.1	11.4
All Items less food	62.9	3.8	3.6	3.6	3.6	3.4	3.0	3.2	3.2	3.1	3.1	3.0	2.9	2.8
All Items less food and energy	54.3	2.5	2.3	2.2	2.2	2.3	2.2	1.9	2.2	1.8	1.7	1.7	1.4	1.3

*Source: National Bureau of Statistics*



**Table A3 (c): Zanzibar National Consumer Price Index (NCPI)**

	Weights (%)												
	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Headline	100.0	124.8	125.8	100.2	100.3	103.4	104.8	104.7	104.2	105.2	104.3	104.4	105.1
Food	51.7	121.3	123.4	100.2	101.1	104.2	107.3	105.5	104.5	106.2	105.6	103.8	104.3
Non-Food	48.3	128.6	128.3	100.2	100.5	102.8	102.9	104.1	103.9	104.4	103.3	104.9	105.6
Alcoholic beverages, tobacco & narcotics	0.3	119.6	119.6	100.0	101.1	100.0	100.0	100.0	103.3	103.3	103.3	103.3	103.3
Clothing and footwear	9.3	135.4	135.6	99.9	100.0	99.8	99.8	104.1	104.0	103.9	102.8	103.7	104.0
Housing, water, electricity, gas and other fuels	17.1	124.5	123.7	100.3	99.9	107.3	107.6	108.6	108.0	109.7	110.7	110.2	110.9
Furnishing, household equipment and routine household maintenance	4.6	119.1	118.7	100.0	100.3	100.0	100.1	101.2	101.5	101.4	101.4	101.8	102.1
Health	2.8	128.4	128.4	100.0	100.0	100.4	104.0	103.5	103.6	103.6	104.4	104.2	104.6
Transport	6.3	104.9	104.4	100.8	100.1	102.8	102.0	102.6	102.2	101.5	95.1	103.6	105.7
Communication	2.6	199.4	199.4	100.0	102.4	100.0	100.1	100.0	100.0	100.0	100.0	100.0	100.2
Recreation and culture	0.8	132.8	132.9	96.7	100.0	98.4	98.4	102.3	102.3	102.3	96.7	102.5	102.7
Education	1.3	150.6	156.9	100.0	98.4	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Restaurants and hotels	2.1	141.3	142.4	100.0	100.0	100.0	100.0	100.0	101.1	101.1	101.1	101.1	102.0
Miscellaneous goods & services	3.2	143.8	144.0	100.0	100.0	99.8	99.9	100.2	100.3	100.3	100.3	100.3	100.3

*Source: Office of Chief Government Statistician, Zanzibar*



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

	Weights (%)	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Headline	100.0	3.0	3.7	4.5	6.4	7.1	7.8	5.4	4.1	5.5	5.9	6.4	5	5.9
Food	51.7	1.8	3.5	4.4	7.2	6.9	9.7	4.3	2.3	5.7	7.3	6.7	4.3	6.4
Non-Food	48.3	4.9	3.8	4.5	5.8	7.3	6.5	6.5	5.7	5.6	4.8	6	5.3	5.5
Alcoholic beverages, tobacco & narcotics	0.3	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.3	3.3	3.3	3.3	3.3	3.3
Clothing and footwear	9.3	4.7	4.0	4.0	4.3	4.2	3.4	6.8	5.7	5.4	3.9	4.5	4.5	4.1
Housing, water, electricity, gas and other fuels	17.1	5.5	4.0	5.1	6.8	12.3	11.8	11.4	9.8	10.7	11.9	11.6	9.5	10.1
Furnishing, household equipment and routine household maintenance	4.6	2.7	1.6	1.6	1.3	1.2	1	1.8	2	1.4	1.7	2	1.6	1.8
Health	2.8	10.0	8.7	8.9	9.0	9.2	10	6.5	6.6	4.1	4.9	4.6	4.6	4.6
Transport	6.3	2.4	2.0	3.8	8.4	7.3	5	4.3	2.7	1.1	-4.1	5.1	5.3	5.2
Communication	2.6	-0.5	-0.2	0.0	0.0	0.0	0.1	0	0	0	0.2	0	0	0.2
Recreation and culture	0.8	1.9	2.0	-1.3	0.4	0.4	0.1	5	3.8	3	-2.9	3	2.6	2.8
Education	1.3	9.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Restaurants and hotels	2.1	6.1	5.9	5.7	5.7	5.9	-3.2	-3.2	2.7	1	0.8	2.1	1.4	2.8
Miscellaneous goods & services	3.2	9.7	9.3	9.3	9.2	7.8	7.5	7.0	4.3	2.4	1.3	1.0	0.9	0.5

*Source: Office of Chief Government Statistician, Zanzibar*

**Table A4: Tanzania: Depository Corporations Survey**

Billions of TZS

Items	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Net foreign assets (NFA) of the banking system	8,186.3	8,321.7	8,521.4	8,388.2	8,019.9	8,095.9	9,573.1	9,987.4	10,270.8	10,396.3	10,980.9	11,427.6	11,596.1
NFA of the Bank of Tanzania	8,281.4	8,407.6	8,575.0	8,827.8	8,698.2	8,735.5	10,016.8	10,617.0	11,099.0	11,302.1	11,319.9	11,947.8	12,149.8
Net international reserves (Millions of USD)	4,067.7	4,071.8	4,105.7	4,232.9	4,165.6	4,171.6	4,773.2	5,069.0	5,540.2	5,603.7	5,575.9	5,693.7	5,719.2
NFA of the banks	-95.1	-86.0	-53.6	-439.6	-679.2	-639.6	-443.7	-838.2	-905.8	-905.8	-339.0	-520.2	-553.8
Banks NFA (Millions of USD)	-43.8	-38.7	-24.1	-197.7	-305.0	-286.9	-199.0	-282.2	-375.1	-404.8	-151.3	-233.0	-248.3
Net domestic assets of the banking system	14,691.5	14,461.8	13,858.0	14,201.7	14,821.8	15,314.8	14,292.3	13,575.2	13,197.9	12,714.6	12,602.0	13,256.1	13,115.2
Domestic claims	20,890.9	20,921.3	20,729.8	20,626.9	21,418.5	21,993.4	21,038.9	20,378.8	20,021.9	19,636.1	19,761.4	20,493.3	20,158.8
Claims on central government (net)	4,282.0	4,349.1	4,088.9	4,011.3	4,691.7	5,181.3	4,172.7	3,557.6	3,310.7	3,279.8	3,349.7	3,543.0	3,275.7
Claims on central government	7,166.9	7,545.4	7,987.5	7,629.9	7,937.8	8,248.8	8,709.8	8,063.7	7,842.0	7,881.2	7,970.0	8,246.4	8,066.5
O/w Securities held by banks	4,058.1	4,196.1	4,382.7	4,635.4	4,838.0	4,979.8	5,221.8	5,273.0	5,216.6	5,299.7	5,406.2	5,487.4	5,594.4
Liabilities to central government	2,884.9	3,196.3	3,700.6	3,618.5	3,246.2	3,067.5	4,537.1	4,506.0	4,531.2	4,601.3	4,620.3	4,703.5	4,790.8
Claims on the private sector	16,608.9	16,572.2	16,641.9	16,615.6	16,726.8	16,812.1	16,866.2	16,821.1	16,711.1	16,356.3	16,411.8	16,950.3	16,883.1
O/w Extended in Shillings	10,762.5	10,656.4	10,701.9	10,700.0	10,715.3	10,738.9	10,752.5	10,801.9	10,781.4	10,694.8	10,747.7	11,005.1	10,905.4
Extended in foreign currency	5,846.3	5,915.8	5,939.9	5,915.6	6,011.5	6,073.2	6,113.7	6,019.2	5,929.7	5,661.5	5,664.1	5,945.2	5,977.8
Equivalent in millions of USD	2,690.9	2,662.4	2,668.1	2,660.0	2,699.0	2,724.0	2,741.4	2,697.3	2,633.2	2,530.0	2,531.1	2,662.8	2,680.5
Other items net	-6,199.3	-6,459.5	-6,871.8	-6,425.2	-6,596.8	-6,678.6	-6,746.6	-6,803.6	-6,824.0	-6,921.6	-7,159.5	-7,237.2	-7,043.6
Extended broad money supply (M3)	22,877.9	22,783.4	22,379.4	22,589.9	22,840.7	23,410.6	23,865.4	23,562.5	23,468.6	23,110.9	23,582.9	24,683.6	24,711.3
Foreign currency deposits (FCD)	6,257.5	6,357.0	6,379.6	6,171.1	6,000.3	6,121.5	6,177.9	6,194.0	6,174.6	6,037.2	6,291.6	6,459.0	6,364.4
FCD (Millions of USD)	2,880.2	2,861.0	2,863.5	2,774.9	2,694.0	2,745.7	2,770.2	2,775.6	2,762.8	2,697.9	2,811.5	2,892.9	2,833.9
Broad money supply (M2)	16,620.3	16,426.4	15,999.8	16,418.8	16,840.4	17,289.1	17,687.5	17,368.5	17,294.0	17,073.7	17,291.3	18,224.7	18,346.9
Other deposits	6,536.5	6,402.6	6,134.5	6,694.0	6,728.5	6,771.3	6,816.2	6,646.8	6,756.5	6,781.5	6,845.6	7,146.2	7,191.4
Narrow money supply (M1)	10,083.8	10,023.8	9,865.3	9,724.8	10,111.9	10,517.8	10,871.3	10,721.7	10,537.6	10,299.2	10,445.6	11,078.5	11,155.5
Currency in circulation	3,608.7	3,473.0	3,412.3	3,394.6	3,369.0	3,411.2	3,615.3	3,627.3	3,664.7	3,609.1	3,561.8	3,697.3	3,831.8
Transferable deposits	6,475.1	6,551.9	6,452.8	6,330.1	6,742.8	7,106.5	7,256.0	7,094.4	6,872.9	6,683.0	6,883.8	7,381.2	7,323.7
Memorandum Items													
Reserve money	6,854.4	6,502.5	6,484.8	6,356.7	6,486.3	6,560.4	6,827.1	6,709.6	6,861.3	6,551.3	6,682.3	7,189.6	6,954.4
Banks' reserves	2,548.9	2,449.3	2,411.6	2,318.2	2,455.7	2,529.5	2,478.2	2,408.8	2,506.6	2,275.6	2,411.0	2,752.1	2,257.2
Currency outside Bank of Tanzania	4,305.5	4,113.2	4,073.2	4,038.4	4,030.5	4,030.9	4,348.8	4,300.8	4,320.8	4,275.6	4,271.3	4,437.5	4,697.2
Average reserve money	6,980.4	6,658.1	6,510.4	6,433.6	6,487.6	6,540.7	6,695.1	6,682.6	6,698.6	6,792.6	6,487.3	6,867.2	7,024.5
Nominal exchange rate (end of period) (TZS/USD)	2,172.6	2,222.0	2,226.3	2,223.9	2,227.3	2,229.5	2,230.1	2,231.6	2,234.9	2,237.8	2,237.8	2,232.7	2,230.1
Gross official reserves (Millions of USD)	4,325.6	4,332.4	4,354.1	4,482.7	4,417.4	4,425.2	5,000.4	5,296.4	5,757.2	5,820.4	5,573.3	5,911.2	5,906.2
Foreign assets of banks (Millions of USD)	768.2	777.1	727.7	648.9	658.1	663.3	693.9	693.3	683.7	683.7	811.0	706.6	726.7
Gross foreign assets of the banking system (Millions of USD)	5,093.8	5,109.5	5,081.9	5,131.6	5,075.4	5,088.5	5,694.3	5,989.6	6,441.0	6,471.2	6,384.4	6,617.7	6,633.0
Annual growth rates (%)													
Stock of reserve money	0.3	-0.8	2.1	-2.5	0.8	1.5	0.8	2.2	1.9	-1.0	2.2	3.7	1.5
Average reserve money	1.7	0.3	-0.4	-1.5	0.8	1.4	1.1	1.5	1.5	2.4	-1.4	1.7	0.6
Extended broad money supply (M3)	3.4	4.6	1.7	4.3	3.8	5.2	6.0	5.7	4.4	3.8	5.5	9.1	8.0
Broad money supply (M2)	5.3	6.5	1.8	6.0	6.8	9.3	9.3	9.7	8.3	6.8	7.8	11.0	10.4
Credit to the private sector	7.2	5.1	4.2	3.3	3.5	2.6	1.3	1.1	0.2	-1.6	-1.5	1.9	1.7

Source: Bank of Tanzania





**Table A5: Tanzania Capital and Money Market Interest Rates**

Items	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
<i>Percent</i>													
Interbank cash market rates													
Overnight	13.69	10.07	7.93	7.42	7.19	6.81	4.08	4.43	4.36	3.87	3.43	3.19	2.95
2 to 7 days	13.24	11.72	9.33	8.73	7.03	7.50	5.66	5.05	5.14	4.56	4.24	3.70	3.40
8 to 14 days	13.64	10.60	9.27	10.56	10.13	6.97	5.58	5.75	7.14	4.93	4.11	3.80	4.04
15 to 30 days	13.00	12.00	9.83	9.97	11.00	9.75	6.06	6.17	7.65	6.30	6.30	4.00	5.43
31 to 60 days	12.86	12.50	12.50	12.50	9.00	9.00	9.00	9.00	7.52	6.50	6.50	9.00	9.00
61 to 90 days	14.60	14.60	14.60	15.75	16.75	16.75	16.75	16.75	16.75	9.00	9.00	9.00	9.00
91 to 180 days	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
181 and above	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94
Overall Interbank cash market rate	13.49	10.50	8.68	8.16	7.39	7.23	4.91	4.92	4.87	4.93	3.72	3.46	3.26
Lombard rate	20.54	15.10	11.89	11.13	10.79	10.22	8.02	7.22	7.16	7.20	6.90	6.75	6.75
REPO rate	5.13	6.92	6.92	6.92	3.82	2.91	2.23	2.23	2.23	2.23	2.23	2.23	2.23
182 days	14.54	14.51	14.26	13.78	13.02	10.01	7.13	8.54	9.42	8.91	7.51	7.16	5.87
364 days	15.80	15.78	15.52	15.14	14.01	10.99	8.65	9.80	11.42	11.42	10.50	9.60	8.71
Overall Treasury bills rate	15.12	15.27	15.02	14.52	13.51	10.44	7.64	9.12	10.61	10.58	9.41	8.93	8.19
Treasury bonds rates													
2-years	17.67	17.67	17.67	17.61	17.61	16.22	16.22	12.45	12.45	11.76	11.76	11.76	11.10
5-years	17.96	17.96	17.68	17.68	17.92	17.92	17.92	13.07	13.96	13.96	13.96	13.64	13.64
7-years	18.34	18.44	18.44	18.42	18.42	16.48	16.48	16.48	14.28	14.28	14.98	14.98	13.98
10-years	17.63	18.56	18.56	18.56	18.56	18.56	14.76	14.76	15.75	15.75	15.89	15.89	15.89
15-years	18.73	18.73	18.78	18.78	18.88	18.88	18.88	16.15	16.15	16.74	16.74	15.87	15.87
Discount rate	16.00	16.00	16.00	12.00	12.00	12.00	12.00	12.00	9.00	9.00	9.00	9.00	9.00

*Source: Bank of Tanzania*

**Table A6: Tanzania: Banks' Interest Rates**

Percent

Items	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
<b>A: Domestic currency</b>													
Savings deposit rate	3.08	3.12	3.17	3.17	3.20	3.17	3.17	3.13	3.17	2.87	2.84	2.84	2.83
Overall time deposits rate	8.78	8.99	10.32	10.89	10.32	10.14	10.31	10.55	10.17	9.80	9.77	9.60	9.62
1 month	7.76	9.56	12.13	11.07	11.50	11.95	11.07	11.16	11.24	10.65	9.24	9.68	10.26
2 months	9.08	9.86	11.64	12.77	12.37	11.45	11.11	11.80	11.52	9.82	11.66	10.73	11.18
3 months	11.44	11.39	10.82	12.37	11.40	11.37	12.01	11.25	9.54	11.60	10.53	10.91	10.98
6 months	10.01	9.56	10.08	11.61	11.63	11.14	11.48	11.49	11.29	11.36	11.21	10.50	10.17
12 months	11.03	10.79	12.12	12.03	12.14	11.99	12.14	11.89	11.69	11.65	11.30	11.27	10.86
24 months	9.35	8.77	12.18	13.00	9.83	9.82	11.03	12.80	12.29	11.22	12.24	12.13	11.82
Negotiated deposit rate	11.28	10.94	11.98	12.75	12.59	12.77	12.61	12.51	11.84	11.64	10.77	11.12	11.04
Overall lending rate	15.66	16.01	17.66	17.36	17.91	17.62	17.40	17.63	17.84	18.46	17.51	17.42	18.42
Short-term (up to 1 year)	12.87	14.16	18.43	18.07	17.65	19.12	18.17	18.87	18.87	18.67	18.71	17.99	18.24
Medium-term (1-2 years)	16.65	16.74	18.54	18.48	18.48	19.14	19.00	18.85	19.47	19.42	18.42	18.61	19.86
Medium-term (2-3 years)	16.23	16.04	17.94	17.33	18.98	17.35	17.04	17.23	17.40	18.82	17.18	16.90	18.63
Long-term (3-5 years)	15.15	15.41	17.69	17.19	18.90	17.57	17.51	17.82	17.89	19.44	17.94	17.93	19.11
Term loans (over 5 years)	17.42	17.71	15.69	15.72	15.53	14.94	15.29	15.40	15.55	15.93	15.31	15.66	16.26
Negotiated lending rate	12.54	13.41	17.06	17.25	15.30	16.85	14.71	15.20	17.38	17.91	17.72	17.08	16.82
<b>B: Foreign currency</b>													
Savings deposits rate	1.68	1.26	0.96	0.82	0.74	0.82	0.29	0.28	0.28	0.28	0.29	0.29	0.24
Overall time deposits rate	2.91	2.06	3.95	3.35	3.73	3.10	4.01	3.73	3.30	3.41	3.69	3.79	3.41
1-months	3.05	2.23	3.52	2.74	3.26	3.63	3.17	4.10	2.24	1.97	3.21	3.81	2.54
2-months	3.40	1.76	4.46	3.33	4.28	2.67	4.94	3.61	3.28	3.40	3.98	3.79	2.92
3-months	3.92	2.11	3.59	3.15	3.59	0.71	4.26	3.56	3.70	3.84	3.30	3.00	3.91
6-months	1.71	2.05	4.48	3.18	4.10	4.84	3.98	3.73	3.53	3.47	3.72	4.13	4.03
12-months	2.46	2.16	3.70	4.37	3.44	3.65	3.70	3.66	3.77	4.35	4.24	4.21	3.67
Overall lending rate	7.07	7.30	8.54	8.57	8.49	8.28	8.47	8.37	8.12	8.56	7.94	8.05	7.81
Short-term (up to 1 year)	4.49	5.97	9.32	9.29	8.70	9.26	9.28	9.50	8.87	9.07	8.15	8.66	7.82
Medium-term (1-2 years)	7.87	7.63	7.89	7.85	8.23	7.66	7.79	8.20	7.39	8.98	7.40	7.38	7.25
Medium-term (2-3 years)	7.39	7.33	8.32	8.61	8.26	8.43	8.85	8.32	8.37	8.42	8.40	8.43	8.29
Long-term (3-5 years)	6.70	6.71	8.31	8.27	8.37	8.21	8.19	8.16	8.24	8.25	8.13	8.11	8.07
Term loans (over 5 years)	8.92	8.88	8.84	8.83	8.88	7.82	8.25	7.68	7.75	8.09	7.63	7.64	7.61

Source: Bank of Tanzania





**Table A7: Zanzibar Central Government Operations**

	Billions of TZS			Percent of Estimates
	Budget 2017/18	Jul - Dec 2017		
		Estimates	Actual	
Total revenue	675.8	333.0	320.5	96.2
Tax revenue	591.7	303.8	289.9	95.4
Tax on imports	153.6	77.2	70.8	91.7
VAT and excise duties (local)	153.7	80.3	70.8	88.2
Income tax	105.2	49.4	55.4	
Other taxes	179.3	96.8	92.8	95.8
Non-tax revenue	84.1	29.2	30.6	
Total expenditure	1,087.4	438.0	378.2	86.3
Recurrent expenditure	590.8	351.5	298.3	84.9
Wages and salaries	324.7	139.4	138.8	99.6
Other expenditure	266.1	212.1	159.5	75.2
Development expenditure	496.6	86.5	79.9	92.4
local	116.1	53.8	48.3	89.8
foreign	380.5	32.7	31.6	96.6
Overall (surplus) deficit before grants	-411.6	-105.0	-57.7	55.0
Grants	82.2	17.1	18.9	
Program grant	82.2	17.1	18.9	
Overall deficit after grants	-329.4	-87.9	-38.9	44.2
Adjustment to cash and other items	31.1	72.3	26.2	36.2
Overall deficit cheques cleared	-298.3	-15.6	-12.7	81.3
Financing	298.3	15.6	12.7	81.3
Foreign	298.3	15.6	12.7	81.3
Program loans	298.3	15.6	12.7	81.3

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



**Table A8: Tanzania's Balance of Payments**

*Millions of USD*

Item	2012	2013	2014	2015 <sup>a</sup>	2016 <sup>a</sup>
<b>A. Current Account</b>	-3,769.6	-4,988.5	-4,843.9	-3,651.3	-2,154.6
Goods: exports f.o.b.	5,889.2	5,258.1	5,194.1	5,316.8	5,661.2
Traditional	956.7	868.9	828.8	793.3	885.6
Nontraditional	4,164.4	3,703.3	3,798.6	4,040.1	4,260.9
o/w Gold	2,117.4	1,644.8	1,324.1	1,183.3	1,449.4
Unrecorded trade	768.2	685.8	566.8	483.3	514.7
Goods: imports f.o.b.	-10,319.1	-11,029.1	-10,917.8	-9,843.1	-8,463.6
Balance on Goods	-4,429.9	-5,771.1	-5,723.7	-4,526.3	-2,802.5
Services: credit	2,786.4	3,201.7	3,396.0	3,412.4	3,607.5
Transport	641.1	811.8	902.6	1,024.9	1,061.8
Travel	1,712.7	1,880.4	2,010.1	1,902.0	2,131.6
Other	432.6	509.5	483.2	485.5	414.1
Services: debit	-2,358.9	-2,488.5	-2,668.7	-2,669.7	-2,231.4
Transport	-1,046.9	-1,137.8	-1,163.0	-1,087.6	-948.7
Travel	-967.0	-1,033.9	-1,101.6	-1,195.3	-922.3
Other	-344.9	-316.7	-404.1	-386.8	-360.4
Balance on Services	427.5	713.2	727.3	742.6	1,376.1
Balance on Goods and Services	-4,002.4	-5,057.9	-4,996.4	-3,783.6	-1,426.4
Primary Income: credit	131.1	130.1	118.4	110.3	98.5
o/w Investment income	109.6	99.9	86.5	87.8	67.6
Primary Income: debit	-705.1	-835.8	-443.2	-458.4	-1,208.3
o/w Direct investment income	-560.2	-617.0	-240.4	-173.8	-779.9
Balance on Primary Income	-574.0	-705.7	-324.8	-348.1	-1,109.7
Balance on Goods, Services and Primary Income	-4,576.4	-5,763.6	-5,321.2	-4,131.7	-2,536.1
Secondary Income: credit	912.3	836.9	535.5	560.5	452.7
Government	543.6	485.2	177.9	195.2	81.1
Financial corporations, nonfinancial corporations, households and NPISH	368.7	351.7	357.6	365.3	371.6
Secondary Income: debit	-105.4	-61.8	-58.2	-80.2	-71.2
Balance on Secondary Income	806.8	775.1	477.3	480.4	381.5
<b>B. Capital Account</b>	777.2	658.8	522.2	312.6	10.7
Capital transfers credit	777.2	658.8	522.2	312.6	10.7
General Government	713.6	595.2	457.9	248.6	-52.5
Financial corporations, nonfinancial corporations, households and NPISH	63.6	63.6	64.2	64.0	63.2
Capital transfers debit	0.0	0.0	0.0	0.0	0.0
<b>Total, Groups A plus B</b>	-2,992.4	-4,329.7	-4,321.8	-3,338.7	-2,144.0
<b>C. Financial Account, excl. reserves and related items</b>	-3,879.6	-5,021.0	-3,244.5	-2,874.4	-2,321.9
Direct Investments	-1,799.6	-2,087.3	-1,416.1	-1,560.6	-1,365.4
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	1,799.6	2,087.3	1,416.1	1,560.6	1,365.4
Portfolio investment	-6.1	-4.5	-11.5	-27.6	5.0
Other investment	-2,073.9	-2,929.3	-1,816.9	-1,286.1	-961.5
Assets	-220.6	186.4	-29.4	331.7	-129.1
Liabilities	1,853.4	3,115.7	1,787.5	1,617.8	832.4
Total, Groups A through C	-6,872.0	-9,350.7	-7,566.2	-6,213.1	-4,465.9
<b>D. Net Errors and Omissions</b>	-561.1	-183.4	825.5	223.5	-282.2
Overall balance (Total, Groups A through D)	326.2	507.9	-251.8	-240.8	-104.2
<b>E. Reserves and Related Items</b>	326.2	507.9	-251.8	-240.8	-104.2
Reserve assets	324.7	621.4	-307.3	-273.7	232.2
Use of Fund credit and loans	1.5	-113.5	55.5	74.6	73.3
<b>Memorandum items</b>					
CAB/GDP	-9.6	-11.2	-10.0	-8.0	-4.5
CAB/GDP (excl. current official transfers)	-11.0	-12.3	-10.4	-8.4	-4.7
Gross Official Reserves	4,068.1	4,689.7	4,377.2	4,093.7	4,325.6
Months of Imports (Excluding FDI related imports)	4.1	4.5	4.7	5.1	5.3
Exchange rate (end of period)	1,571.6	1,574.0	1,725.8	2,148.5	2,172.6
Exchange rate (annual average)	1,571.7	1,598.7	1,652.5	1,985.4	2,177.1

**Source:** Bank of Tanzania

**Notes:** "r" means revised based on new data obtained from the completion of Private Capital Flows Survey, adoption of new data sources for some other transfers and inclusion of reinvested earnings in the income account

f.o.b means free on board

p denotes provisional, CAB means current account balance and NPISHs denotes non-profit institutions serving households



**Table A9: Zanzibar: Goods Exports by Major Category**

Export Category	Units	July - December		Percentage change
		2016	2017	
Traditional				
Clove				
Value	USD ('000')	10.2	48.4	--
Volume	000 Tonnes	1.4	6.1	--
Unit price	USD/Tonne	7,751.3	8,015.2	3.4
Non-traditional				
Seaweeds				
Value	USD ('000')	1.3	2.3	83.7
Volume	000 Tonnes	2.7	7.7	--
Unit price	USD/Tonne	474.4	354.3	-25.3
Manufactured goods	USD ('000')	1.0	2.5	--
Fish and Marine Products	USD ('000')	0.01	0.0	--
Others exports	USD ('000')	0.7	1.8	--
Sub total	USD ('000')	3.0	6.7	--
Grand total	USD ('000')	13.2	55.1	--

*Source: Tanzania Revenue Authority and Bank of Tanzania*

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



**Table A10: Zanzibar: Imports by Major Categories**

Import Category	Millions of USD		Percentage change
	July - December		
	2016	2017	
Capital goods	18.3	25.4	-61.6
Transport equipment	8.2	9.1	-71.9
Building and construction	3.4	3.8	-8.2
Machinery	6.8	12.6	-49.0
Intermediate goods	27.4	41.1	1.5
Oil imports	21.7	28.0	6.7
Industrial raw materials	5.7	13.1	-12.4
Consumer goods	16.3	29.4	21.9
Food and food stuffs	7.9	12.2	--
All other consumer goods	8.5	17.1	-17.3
<b>Grand total (c.i.f)</b>	<b>62.0</b>	<b>95.9</b>	<b>-28.2</b>
<b>Grand total (f.o.b)</b>	<b>56.4</b>	<b>91.6</b>	<b>-28.2</b>

*Source:* Tanzania Revenue Authority and Bank of Tanzania

*Note:* p denotes provisional.

f.o.b denotes free on board

c.i.f means cost insurance and freight



**Table A11: Payment Systems Performance**

Items	July - December		Percentage Change
	2016	2017	
Tanzania Interbank Settlement System (TISS)			
TISS TZS			
Volume (Thousands)	698.1	848.7	21.6
Value (Billions of TZS)	93,190.0	85,724.2	-8.0
TISS USD			
Volume (Thousands)	106.1	121.6	14.6
Value (Millions of USD)	8,375.7	9,557.1	14.1
East Africa Payment Systems (EAPS)			
TZS			
Volume	835.0	1,047.0	25.4
Value (Billions of TZS)	18.9	34.1	81.1
KES			
Volume	1,055.0	1,348.0	27.8
Value (Billions of KES)	1.6	2.2	33.6
UGX			
Volume	122.0	82.0	-32.8
Value (Billions of UGX)	6.4	6.6	3.4
Tanzania Automated Clearing House (TACH)			
TZS Cheque			
Volume (Thousands)	628.0	593.6	-5.5
Value (Billions of TZS)	2,118.8	1,956.7	-7.7
Electronic Fund Transfer (EFT)			
Volume (Thousands)	2,533.5	5,298.3	109.1
Value (Billions of TZS)	1,557.5	2,791.6	79.2
USD Cheque			
Volume (Thousands)	133.8	135.2	1.0
Value (Millions of USD)	323.5	315.4	-2.5
Mobile Financial Services			
Mobile Payment Services			
Volume (Thousands)	843,731.4	1,142,282.1	35.4
Value (Billions of TZS)	30,219.5	36,949.9	22.3
Mobile Financial Services Interoperability			
Volume (Thousands)	20,057.4	44,884.3	123.8
Value (Billions of TZS)	988.9	1,905.2	92.7
Agents			
Super Agents	2,307.0	2,507.0	8.7
Retail Agents	371,132.0	427,445.0	15.2

Source: Bank of Tanzania



## **GLOSSARY**

### **Discount Rate**

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

### **Exchange Rate**

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

### **Inflation**

Inflation is defined as a sustained increase in the general price level of goods and services in an economy 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. 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 from the Bank of Tanzania at their own discretion, by pledging eligible government securities as collateral.

### **Minimum Reserve Requirement**

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

### **Money Supply (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



## **Repo and Reverse Repos**

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

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

## **Reserve Money (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.





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