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MONETARY POLICY STATEMENT

The Mid-Year Review

2018/19

**GOVERNOR
BANK OF TANZANIA**

February 2019



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February 2019



6th February 2019

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

Honourable Minister,

LETTER OF TRANSMITTAL

Pursuant to 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 2018/19 for subsequent submission to the National Assembly.

The Statement reviews the outcome of the monetary policy stance during the first half of 2018/19. It then describes the current economic environment and outlook and concludes with an outline of the monetary policy stance and measures that the Bank of Tanzania intends to pursue in the second half of 2018/19 to meet its policy objectives.

Yours Sincerely,

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





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EXECUTIVE SUMMARY

Introduction

This mid-year review of the Monetary Policy Statement reports progress made on implementation of the monetary policy in the first half of 2018/19 and current economic environment and outlook. It then, concludes with an outline of the monetary policy stance and measures that the Bank of Tanzania intends to pursue in the second half of 2018/19 to meet its policy objectives.

Global and Regional Economic Developments

According to the IMF's World Economic Outlook update of January 2019, global real GDP is estimated to have grown by 3.7 percent in 2018, compared with 3.8 percent in 2017. Growth has moderated in most advanced economies, with the notable exception of the United States. GDP growth in the United States has remained solid at 2.9 percent in 2018, compared with 2.2 percent in 2017, strengthened by fiscal stimulus. Output growth in the Euro area slowed to 1.8 percent in 2018 from 2.4 percent in 2017 as a result of decline of exports reflecting the earlier appreciation of the euro and slowing external demand. Output growth in the United Kingdom slowed to 1.4 percent from 1.8 percent, mainly due to weak domestic consumption associated with Brexit uncertainties. Output growth in Japan decreased to 0.9 percent from 1.9 percent, reflecting contractions in the first and third quarters due to bad weather and natural disasters.

Growth in emerging market economies and developing economies edged down to 4.6 percent in 2018 from 4.7 percent in 2017, mainly explained by substantial strengthening of the U.S. dollar, weakening capital flows, heightened trade tensions and moderating global manufacturing and trade. Growth in China slowed to 6.6 percent in 2018 from 6.9 percent in 2017,



with resilient domestic demand helping to offset a deceleration of exports coupled with recovering private investment.

The recovery in sub-Saharan Africa (SSA) continued in 2018, albeit at a softer pace. Growth in the region is maintained at 2.9 percent for 2018, reflecting a sluggish expansion in the region's three largest economies—Angola, Nigeria, and South Africa. The region faced a more difficult external environment last year as global trade growth moderated, financing conditions tightened and the U.S. dollar strengthened.

According to the IMF's World Economic Outlook update of January 2019, global output growth is projected at 3.5 percent in 2019 and pick up to 3.6 percent in 2020. In advanced economies, output is expected to slow down to 2.0 percent in 2019 and 1.7 percent in 2020. In the emerging market economies and developing economies, the growth is expected to slow down to 4.5 percent in 2019, before edging up to 4.9 percent in 2020. Output growth in sub-Saharan Africa is projected to pick-up to 3.5 percent in 2019 and 3.6 percent in 2020 reflecting diminished policy uncertainty, improved investment in large economies, together with continued robust growth in non-resource intensive countries.

Despite a rise in fuel prices, inflation rates in advanced and emerging market economies remained moderate owing to decrease in prices of food, clothing and footwear. In the EAC and SADC average inflation rate decreased, mainly due to decline in prices of food. According to the IMF's World Economic Outlook update of January 2019, inflation rate in the advanced economies is projected at 1.7 percent in 2019, down from 2.0 percent registered in 2018. Inflation rate in emerging market economies and developing economies is projected to increase to 5.1 percent in 2019, mainly driven by higher food prices.



Domestic Economic Developments

Tanzania Mainland

The economy continued to record strong performance, with real GDP growing by 6.7 percent in the first three quarters of 2018 compared with 6.2 percent in the corresponding period of 2017¹. Activities that contributed mostly to output growth were construction, trade and repair, agriculture and manufacturing.

Headline inflation remained low and stable in the first half of 2018/19, hovering below the medium-term target of 5.0 percent and within the EAC and SADC convergence criteria of not more than 8.0 percent and 3.0-7.0 percent, respectively. This was due to adequate food supply, stable exchange rate and sustained prudence of monetary and fiscal policies. In particular, headline inflation averaged 3.2 percent in the first half of 2018/19, compared with 4.8 percent in the corresponding period of 2017/18. Core inflation— inflation that excludes food and energy— averaged 2.3 percent, compared with 1.7 percent recorded in the corresponding period of 2017/18.

Government revenue deposited at the Bank of Tanzania amounted to TZS 8,740.8 billion, representing 95.3 percent of the target. The performance was associated with increased use of technology in domestic tax mobilization by the Tanzania Revenue Authority and increased non-tax revenue collection. Expenditure on cash basis amounted to TZS 9,207.2 billion, of which, development expenditure was TZS 2,326.9 billion.

During the first half of 2018/19, overall balance of payments recorded a deficit of USD 471.0 million compared to a surplus of USD 963.9 million in the corresponding period of 2017/18, mainly explained by the widening

¹ GDP growth is based on 2007 prices (base year)



of the current account deficit. Current account registered a deficit of USD 1,297.1 million compared with a deficit of USD 658.9 million, on account of significant increase in capital goods imports for on-going development of infrastructure projects. Gross official reserves remained adequate, amounting to USD 5,044.6 million at the end of December 2018. The reserves were sufficient to cover 4.9 months of projected imports of goods and services excluding foreign direct investments related imports, which is above the minimum target of 4 months. Foreign assets of banks were USD 966.7 million in December 2018.

The World Bank's Country Policy and Institutional Assessment (CPIA) conducted in 2018 placed Tanzania in a group of countries with strong policy, institutions and economic growth: Strong Performers. As a result, debt sustainability thresholds for Tanzania were elevated. Preliminary results of the Debt Sustainability Analysis (DSA) conducted in December 2018 using debt stock at the end of June 2018 and CPIA for 2018 indicate that external debt was sustainable. The stock of public sector debt of the United Republic of Tanzania was USD 22,530.5 million at the end of December 2018, from USD 22,760.4 million at the end of June 2018, due to higher redemption relative to new borrowing by the Government. Out of the total public debt, external debt accounted for 71.7 percent and the balance was domestic debt.

During the first half of 2018/19, the banking sector remained sound, stable and profitable; with levels of capital and liquidity above regulatory requirements. During the period, the Bank continued to take measures to address challenges related to asset quality in order to reduce non-performing loans to around 5 percent. Some of the measures instituted include directing banks to improve loan-granting process, requiring banks with high non-performing loans to submit strategies to contain



non-performing loans as well as enforcing the requirement to use credit reference system by submitting credit information to the system and using that information to scrutinize credit applicants. As the result, the quality of the banking sector's assets improved as reflected by the ratio of non-performing loans to gross loans, which decreased to 10.4 percent at the end of December 2018 compared with 11.3 percent recorded at the end of June 2018.

The Bank continued to implement prudential measures to strengthen risk management practices in the financial sector. In this regard, the Bank initiated the process of reviewing the relevant regulations and guidelines to take into account new developments. These include Guidelines for Directors of Banks and Financial Institutions, the Outsourcing Guidelines and Business Continuity Management Guidelines, which are reviewed in order to improve corporate governance in banking institutions. The Bank also developed Agent Banking framework and the onsite procedures for examining agent banking. The Bank continued to review Capital Adequacy, Liquidity and Prompt Corrective Actions Regulations to incorporate Basel II/III requirements including the capital definition, and leverage ratio. The Bank participated in the review of the National Microfinance Policy and drafting of the Microfinance Bill, which was enacted in November 2018. The Act aims at ensuring that all unregulated microfinance service providers including credit only institutions, individuals and community groups are regulated by the Bank of Tanzania. Preparation of regulatory and supervisory frameworks for microfinance service providers is underway.

Payment, clearing and settlement systems continued to operate smoothly and efficiently with growing utilization of digital channels in financial services delivery. Since July 2018, all Government payments are made through Treasury Single Account (TSA) and processed through Tanzania



Automated Clearing House (TACH) and Tanzania Interbank Settlement System (TISS) for amounts above TZS 10 million. The East Africa Payment System (EAPS) operated smoothly with increased level of transactions, reflecting increase in trade activities between Tanzania and other EAC countries. The Electronic Fund Transfers (EFT) through TACH also operated smoothly, with growing number of transactions, following use of the system by the Government in making payments of salaries to employees. The increased use of EFT by the Government has improved efficiency, while minimizing costs associated with the use of cheques.

Utilization of interoperability capability in mobile money services continued to contribute to substantial increase in transactions across network operators. During the first half of 2018/19, 83.4 million transactions worth TZS 2,897.76 billion were processed representing 85.7 percent and 52.1 percent increase in volume and value, respectively, compared to transactions recorded during the corresponding period of the preceding financial year. The number of active registered accounts for mobile money stood at 23.3 million in December 2018, compared with 19.4 million at the end of December 2017.

Zanzibar

Real GDP growth averaged 5.5 percent in the first half of 2018, compared with 7.5 percent recorded in the corresponding period of 2017. Tourism related activities, construction, real estates, agriculture and manufacturing contributed more to the recorded growth. Growth is estimated to remain strong in the second half of 2018, supported by ongoing implementation of infrastructure projects, expanded agricultural extension services, improvement in horticulture and tourism related activities.



During the first half of 2018/19, headline inflation averaged 3.8 percent, which is below the medium-term target of 5.0 percent. The low level of inflation was attributed to decrease in the prices of food items specifically bananas and sugar. Notwithstanding the risks coming from commodity prices in the world market, inflation is expected to remain at single digit during the second half of 2018/19.

Domestic revenue amounted to TZS 359.5 billion, or 92.0 percent of the target. Tax revenue was TZS 322.8 billion, while non-tax revenue amounted to TZS 36.7 billion. Total expenditure amounted to TZS 505.6 billion, below the projection by 3.0 percent, out of which recurrent expenditure was TZS 360.1 billion, and development expenditure amounted to TZS 145.5 billion.

During the first half of 2018/19, current account balance turned to a deficit of USD 35.8 million, compared to a surplus of USD 34.4 million recorded in the corresponding period of 2017. This development was mainly driven by increase in imports of goods particularly oil and food stuffs, and decline in export of cloves.

Implementation of Monetary Policy in 2018/19

Monetary Policy Objectives

During the first half of 2018/19, the Bank of Tanzania continued to focus on maintaining the adequate level of liquidity in the economy, while ensuring stability of short-term interest rates to support broader macroeconomic objectives of the Government of low and stable inflation and a high level of economic growth. Specifically, the monetary policy targets set for 2018/19 contained in the Monetary Policy Statement presented in June 2018 are as follows:



- i. Annual growth of average reserve money of not more than 11.5 percent;
- ii. Annual growth of broad money (M3) of not more than 12.2 percent;
- iii. Annual growth of private sector credit not exceeding 10.2 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4 months of projected imports of goods and services, excluding foreign direct investment, (FDI) related imports.

Monetary Policy Implementation during the First Half of 2018/19

During the first half of 2018/19, inflation remained benign allowing the Bank to continue pursuing accommodative monetary policy stance using a range of instruments, aiming at maintaining adequate level of liquidity among banks to stimulate growth of credit to the private sector and the entire economy. During the period, the Bank reduced the discount rate from 9.0 percent to 7.0 percent, signaling the continued support for higher credit growth. Reverse repo was mostly used to inject liquidity into the economy supported with Treasury bills operations. These monetary policy measures, coupled with foreign exchange market operations and standby facilities, helped to improve liquidity among banks and maintaining moderate money market interest rates throughout the period under review.

During the first half of 2018/19, the Bank continued to monitor clearing balances of banks to ensure that they evolve within the path consistent with the monetary policy stance. Signaling adequacy of liquidity during the period, overnight interbank cash market interest rate remained moderate, ranging between an average of 1.89 percent and 2.98 percent. However, towards the end of 2018, there were some upward pressures on the demand for shilling liquidity among banks associated with seasonal factors – mainly payment of end of year corporate taxes and festivities. The



overall weighted average Treasury bills yields also registered a gradual increase consistent with market trends. Interest rates charged on bank loans continued to respond slowly to monetary policy measures, partly due to prevailing structural bottlenecks in the financial sector including challenges on legal framework on loan recovery and national database on citizens.

Extended broad money supply registered moderate growth rate, while credit to the private sector continued to recover. Annual growth of extended broad money supply was 4.5 percent in December 2018 compared with 6.0 percent recorded in June 2018. The moderate growth of money supply was consistent with the increased use of digital payment systems, which was also reflected in the increase in velocity of money circulation. Annual growth of credit to the private sector continued to recover, reaching 4.9 percent in December 2018 compared with 4.0 percent and 1.7 percent registered in June 2018 and December 2017, respectively. Growth of credit to the private sector is expected to strengthen in response to the sustained monetary policy easing and other measures implemented to reduce non-performing loans and improve business environment.

The value of the Tanzanian shilling against the US dollar remained fairly stable throughout the first half of 2018/19. The stability was consistent with prudent monetary policy, streamlined fiscal measures, enhanced use of gas in electricity generation instead of oil, and substitution of imported goods with local manufactured goods, such as ceramic tiles.

During the period under review, the Bank made good progress in the process of adopting interest rate-based monetary policy framework, including among others: finalization of the inter-bank cash market system code of conduct to ensure smooth operations in the market, and development of a collateral framework with appropriate haircuts. Other areas where progress



was registered include linking of the Bank of Tanzania central securities depositories (CSD) with that of the Dar es Salaam Stock Exchange, in order to enhance transfer of securities and trading in secondary market. Furthermore, the Bank established an Interbank Cash Market electronic trading platform that went live in November 2018.

Macroeconomic Outlook

Real GDP is estimated to grow by 7.2 percent in 2018 and 7.3 percent in 2019, supported by public investment particularly implementation of mega infrastructure projects; projected growth of the global economy, and expected favorable weather conditions². Transformation of the economy through industrialization strategy with great focus on manufacturing industries to promote diversification and value addition in output is expected to add impetus to economic growth. Initiatives to improve value addition in minerals and establishment of mineral stock market; and agricultural modernization through improved agro-inputs, irrigation schemes, enhancing extension services, coupled with measures instituted to increase transparency in doing business and management of natural resources, are expected to boost economic growth in the medium to long-term. Meanwhile, the recovery in private sector credit growth due to improving business environment and measures to reduce risk and non-performing loans, will further induce growth.

Headline inflation is expected to remain around the medium term target of 5 percent in the second half of 2018/19, supported by continued improvement in food supply due to favourable weather conditions; reduction in the production costs on account of reliable and affordable power supply including use of natural gas; and sustained prudent monetary and fiscal policies. Upward risks remain due to possible rise in oil prices following agreement among OPEC member countries to cut down production.

² GDP growth is based on 2007 prices (base year)



The current account balance is projected to record a deficit of 4.3 percent of GDP in 2018/19, from 3.5 percent in 2017/18, largely due to expected increase in capital goods imports for implementation of infrastructure projects. At the same time, the value of oil imports is expected to increase driven by prices in the world market and import volume to match with domestic demand as the economy continue to grow.

The banking sector is expected to remain sound and stable, with capital and liquidity levels staying above their respective minimum required thresholds. The Bank of Tanzania will continue to monitor banks with high levels of non-performing loans, and ensure that all banks and financial institutions continue to use credit reference bureau reports when carrying out credit appraisals. The Bank of Tanzania will continue to monitor and assess the effects of implementation of IFRS 9 and take appropriate measures. Regarding payment systems, the Bank will commence developing the Tanzania Instant Payment System (TIPS), which aims to further, enhance interoperability and reduce costs for both bank and non-bank payment service providers. In ensuring safety and efficiency of the National Payment Systems, the Bank will continue with the process of oversight and licensing of new payment service providers (banks and non-banks) under the current regulatory framework.

Monetary Policy Stance for the Second Half of 2018/19

In the second half of 2018/19, the Bank will aim at maintaining the accommodative monetary policy stance in order to stimulate further the recovery of growth of credit to the private sector and general support of various economic activities, as inflation is forecasted to remain below the medium-term target.

The Bank will continue to closely monitor and manage movements in banks' clearing balances in order to sustain the stability of money market interest rates by using appropriate monetary policy instrument mix. The



stability of money market interest rates is critical as the Bank prepares to move to interest rate-based monetary policy framework, where the overnight interbank cash market interest rate will be an operational target instead of the average quantity of reserve money.

Conclusion

Sustaining the synergy between fiscal and monetary policies in implementing economic reforms remains critical as the Bank continues to implement an accommodative monetary policy in the remainder of 2018/19. This policy stance will help to boost further the recovery of credit to the private sector and aggregate demand, while benefiting from low inflation expectation. The Bank will continue to manage liquidity in a manner that will maintain stability of money market interest rates and remain ready to address any inflationary pressures. The Bank will also continue to implement prudential measures to strengthen risk management practices in the financial sector to ensure greater transparency, improve governance, and promote enhanced use of information technology in financial services delivery.

In the process of adopting interest rate-based monetary policy framework, the Bank will continue to work closely with stakeholders to ensure smooth adoption of the new framework. This will be supported by continuous improvements in the operations of the financial markets and communication of the monetary policy actions.

Given the ongoing economic and regulatory reforms, which are pursued by the Government in collaboration with other stakeholders, on-going public investments in infrastructure, and the prevailing benign domestic and global economic trends, the Bank is confident that the monetary policy objectives set for 2018/19 will be attained.



PART I

1.0 INTRODUCTION

This mid-year review of the Monetary Policy Statement reports progress made in the implementation of monetary policy in the first half of 2018/19, and outlines the monetary policy stance that the Bank intends to pursue in the remaining period of 2018/19. In particular, the review evaluates the progress made towards attaining the primary objective of price stability, which is a key element to promotion of macroeconomic stability for sustainable economic growth.

Apart from introduction, the Statement is divided into seven parts. Part II presents the macroeconomic policy framework for 2018/19, while Part III provides the review of recent economic developments. Part IV reviews progress in the implementation of monetary policy in the first half of 2018/19. Part V presents the macroeconomic outlook for the second half of 2018/19, while part VI outlines the monetary policy stance for the second half of 2018/19, 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 uses a variety of market-based instruments of monetary policy to maintain liquidity in the economy within desired levels and ensure that money supply is adequate and consistent with economic activities. The instruments include sale and purchase of Treasury securities in the open market (open market operations), sale and purchase of foreign currency in the inter-bank foreign exchange market, repurchase agreements (repo) and reverse repo. The liquidity management is complemented by periodic adjustments in the pricing of standby lending facilities namely; the discount window and Lombard facility, while the Intraday Loan Facility is provided to smooth out payment and settlement operations among banks during working hours. 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, in line with the targets in the Monetary Policy Statement.*
- *The Surveillance Committee of the Bank's Management meets daily to evaluate daily liquidity developments and decide on the measures to be taken in order to keep liquidity within the desired path.*



PART II

2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2018/19

2.1 Macroeconomic Policy Objectives

The Government continues to implement the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015-2020), which aims at building the foundation for industrialisation and spurring economic growth. In particular, the Government is aiming at attaining the following macroeconomic objectives:

- i. Real GDP growth of 7.2 percent in 2018 for both Mainland Tanzania and Zanzibar;
- ii. Maintaining a single digit annual inflation rate by end of June 2019; and
- iii. Budget deficit including grants of 3.2 percent of GDP (including clearance of arrears) for the Union Government and 3.8 percent of GDP (including grants) for the Zanzibar Government in 2018/19.

2.2 Monetary Policy Objectives

In support of broader macroeconomic objectives of the Government for 2018/19, the Bank focuses primarily on maintaining price stability (low and stable inflation), while ensuring stability of money market interest rate and exchange rate. The monetary policy targets for 2018/19 are as follows:

- i. Annual growth of average reserve money of not more than 11.5 percent;
- ii. Annual growth of broad money (M3) of not more than 12.2 percent;
- iii. Annual growth of private sector credit not exceeding 10.2 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4 months of projected imports of goods and services.



PART III

3.0 MACROECONOMIC PERFORMANCE

3.1 Overview of Global and Regional Economic Performance

3.1.1 GDP Performance and Outlook

According to the IMF's World Economic Outlook update of January 2019, global real GDP is estimated to have grown by 3.7 percent in 2018, compared to 3.8 percent in 2017. Growth has moderated in most advanced economies, with the notable exception of the United States. GDP growth in the United States was estimated to remain solid at 2.9 percent in 2018, compared to 2.2 percent in 2017, strengthened by fiscal stimulus. Output growth in the Euro area slowed to 1.8 percent in 2018 from 2.4 percent in 2017, as a result of decline of exports reflecting the earlier appreciation of the euro and slowing external demand. Output growth in the United Kingdom slowed to 1.4 percent from 1.8 percent, mainly due to weak domestic consumption associated with Brexit uncertainties. Output growth in Japan decreased to 0.9 percent from 1.9 percent, reflecting contractions in the first and third quarters, due to bad weather and natural disasters.

Aggregate growth in emerging market economies and developing economies edged down to 4.6 percent in 2018 from 4.7 percent in 2017, mainly explained by a substantial strengthening of the U.S. dollar, weakening capital flows, heightened trade tensions and moderating global manufacturing and trade. Growth in China slowed to 6.6 percent in 2018 from 6.9 percent in 2017, with resilient domestic demand helping to offset a deceleration of exports coupled with recovering private investment (**Table 3.1**).

The recovery in sub-Saharan Africa (SSA) continued in 2018, albeit at a softer pace. Growth in the region is maintained at 2.9 percent for 2018,



reflecting a sluggish expansion in the region’s three largest economies—Angola, Nigeria, and South Africa. The region faced a more difficult external environment last year as global trade growth moderated, financing conditions tightened and the U.S. dollar strengthened.

According to the IMF’s World Economic Outlook update of January 2019, global output growth is projected at 3.5 percent in 2019 and pick up slightly to 3.6 percent in 2020. In advanced economies, output is expected to slow down to 2.0 percent in 2019 and 1.7 percent in 2020. In the emerging market economies and developing economies, the growth is expected to slow down to 4.5 percent in 2019, before edging up to 4.9 percent in 2020. Output growth in sub-Saharan Africa is projected to pick-up to 3.5 percent in 2019 and 3.6 percent in 2020, reflecting diminished policy uncertainty, improved investment in large economies, together with continued robust growth in non-resource intensive countries (**Table 3.1**).

Table 3.1: Global and Regional Real GDP Growth Rates

Regions	2016	2017	2018	Projections	
				2019	2020
World	3.2	3.8	3.7	3.5	3.6
Advanced economies	1.7	2.4	2.3	2.0	1.7
United States	1.5	2.2	2.9	2.5	1.8
Euro area	1.8	2.4	1.8	1.6	1.7
Japan	1.0	1.9	0.9	1.1	0.5
United Kingdom	1.8	1.8	1.4	1.5	1.6
Emerging markets and developing economies	4.4	4.7	4.6	4.5	4.9
China	6.7	6.9	6.6	6.2	6.2
India	7.1	6.7	7.3	7.5	7.7
Saudi Arabia	1.7	-0.9	2.3	1.8	2.1
Sub-saharan Africa	1.5	2.9	2.9	3.5	3.6
Nigeria	-1.6	0.8	1.9	2.0	2.2
South Africa	0.6	1.3	0.8	1.4	1.7

Source: IMF, World Economic Outlook Update January 2019



3.1.2 Inflation

During the first half of 2018/19, inflation rates in the selected advanced and emerging market economies remained moderate owing to decrease in prices of food, clothing and footwear; which more than offset the rising fuel prices. In the EAC and SADC average inflation rate decreased, mainly due to decline in prices of food. (**Table 3.2**).

Table 3.2: Inflation Rates for Selected Countries

Percent

Country	2017	2018											
	Dec	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	2.1	2.1	2.2	2.4	2.5	2.8	2.9	3.0	2.7	2.3	2.5	2.2	1.9
Euro Area	1.4	1.3	1.1	1.3	1.2	1.9	2.0	2.1	2.0	2.1	2.2	1.9	1.6
Japan	1.0	1.4	1.5	1.1	0.6	0.7	0.7	0.9	1.3	1.2	1.4	0.8	0.3
United Kingdom	3.0	3.0	2.5	2.3	2.2	2.3	2.3	2.3	2.4	2.2	2.2	2.2	2.0
China	1.8	1.5	2.9	2.1	1.8	1.8	1.9	2.1	2.3	2.5	2.5	2.2	1.9
Indonesia	3.6	3.3	3.2	3.4	3.4	3.2	3.1	3.1	3.2	2.9	3.2	3.2	3.1
India	4.0	5.1	4.4	4.4	4.0	4.0	3.9	4.2	3.7	3.8	3.4	2.3	2.2
EAC	4.5	3.8	2.0	1.7	1.9	2.3	2.5	2.4	2.2	1.4	0.5	0.9	3.1
SADC	11.1	10.1	9.7	8.8	8.5	7.9	7.2	6.4	6.2	6.3	7.6	8.8	6.2

Source: OECD and respective National Statistical Offices

According to the IMF's World Economic Outlook update of January 2019, inflation rate in the advanced economies is projected at 1.7 percent in 2019, down from 2.0 percent registered in 2018. Inflation rate in emerging market economies and developing economies is projected to increase to 5.1 percent in 2019, mainly driven by higher food prices.

3.2 Domestic Economic Performance

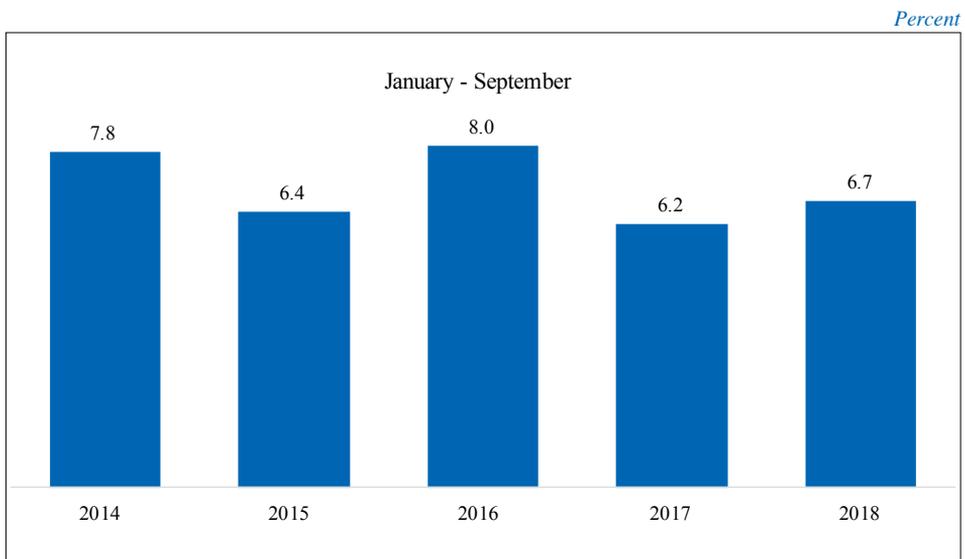
3.2.1 GDP Performance

Tanzania's economy continued to record strong performance, with real GDP growing by 6.7 percent in the first three quarters of 2018, compared



with 6.2 percent recorded in the corresponding period of 2017³ (**Chart 3.1a**). The highest growth rate in the first three quarters of 2018 were recorded in construction (13.0 percent); information and communication (12.5 percent); manufacturing (9.0 percent); and mining and quarrying (9.0 percent) (**Chart 3.1b**). Growth in construction was mainly due to the ongoing construction of railway, roads, bridges and buildings. In terms of contribution to real GDP growth, construction continued to lead by accounting for 23.1 percent followed by trade and repair (11.1 percent), agriculture (10.7 percent), and manufacturing (10.0 percent) (**Chart 3.1c**).

Chart 3.1a: Real GDP Growth



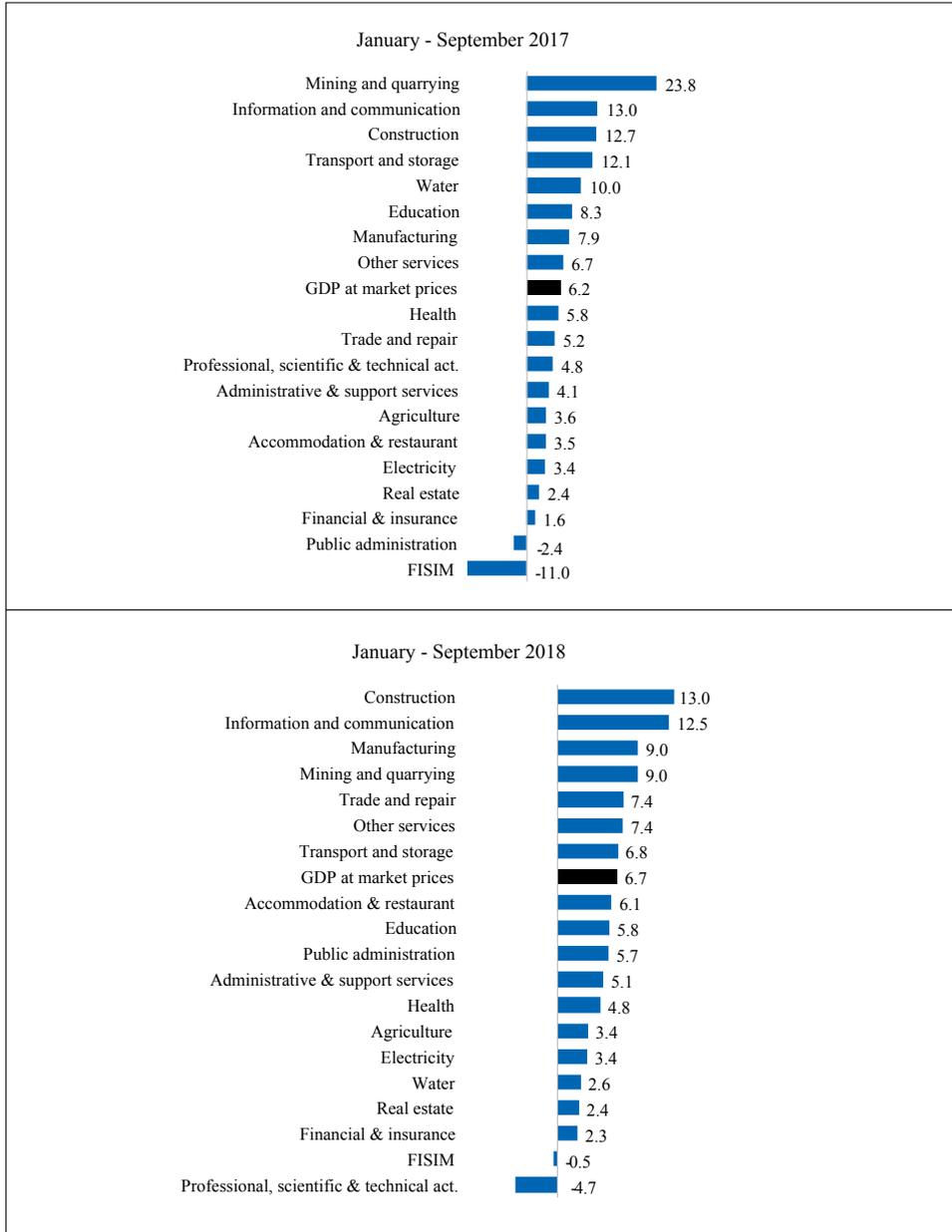
Source: National Bureau of Statistics and Bank of Tanzania computations.

³ GDP growth is based on 2007 prices (base year)



Chart 3.1b: Growth of Major Economic Activities

Percent

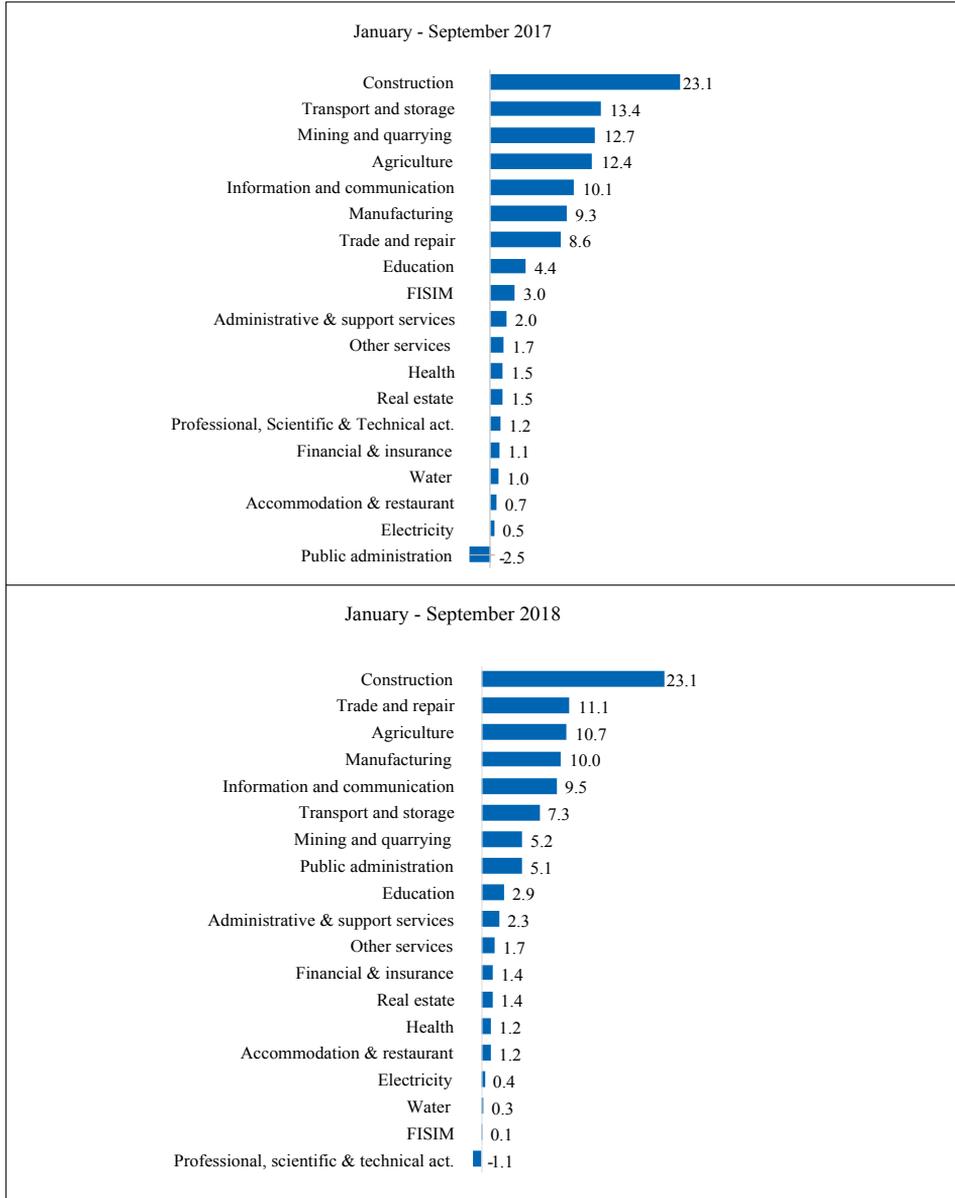


Source: National Bureau of Statistics and Bank of Tanzania



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

Percent



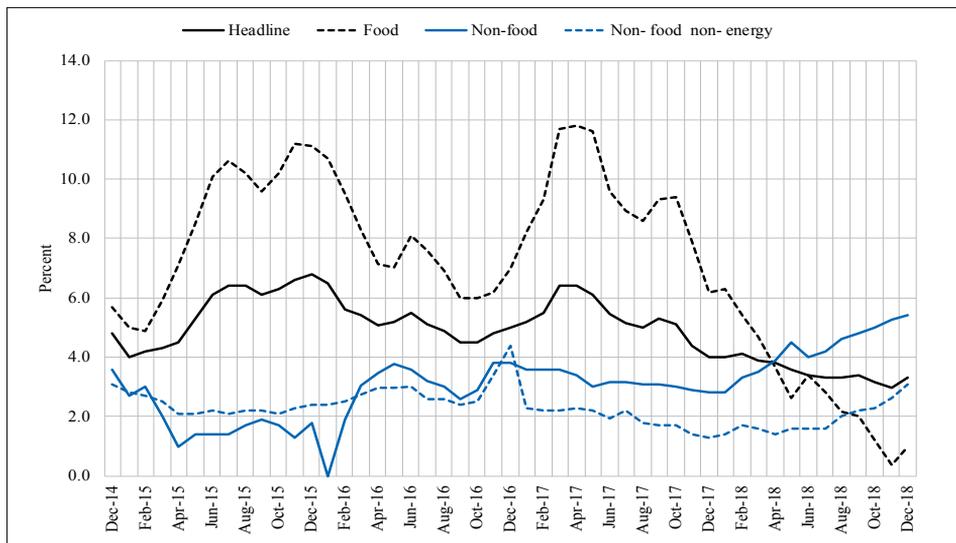
Source: National Bureau of Statistics and Bank of Tanzania



3.2.2 Inflation

During the first half of 2018/19, headline inflation rate moderated, hovering below the medium-term target of 5.0 percent and below the EAC and SADC convergence criteria of 8.0 percent and 3.0 - 7.0 percent, respectively. This outturn was supported by improved food supply, stability in the value of the shilling against major currencies and sustained prudence in monetary and fiscal policies. Specifically, headline inflation averaged 3.2 percent during the first half of 2018/19, down from 4.8 percent registered in the corresponding period of 2017/18 (**Chart 3.2**). Food inflation declined to an average of 1.6 percent from 8.2 percent supported by improved food supply. Meanwhile, core inflation averaged 2.3 percent, compared with an average of 1.7 percent recorded in the corresponding period of 2017/18. Energy inflation increased to an average of 18.8 percent from 10.5 percent recorded in the corresponding period of 2017, in line with development of oil prices in the world market.

Chart 3.2: Inflation Developments



Source: National Bureau of Statistics and Bank of Tanzania computations



3.2.3 Government Budgetary Performance on Cash Basis

During the first half of 2018/19, government revenue deposited at the Bank of Tanzania was TZS 8,740.8 billion, representing 95.3 percent of target (**Table 3.3**). The outturn was associated with increased use of technology in domestic tax collection by the Tanzania Revenue Authority and increased non-tax revenue collection. Expenditure on cash basis amounted to TZS 9,207.2 billion, out of the which, development was TZS 2,326.9 billion.

Table 3.3: Government Budgetary Operations on Cash Basis

Billions of TZS

	July 2017 - December 2017		July 2018 - December 2018	
	Actual	Estimate	Actual	Act/Est (%)
Revenue	8,438.7	9,168.1	8,740.8	95.3
Total expenditure	8,912.3	10,419.3	9,207.2	88.4
Recurrent expenditure ¹	6,960.2	7,823.4	6,880.3	87.9
Development expenditure ²	1,952.2	2,596.0	2,326.9	89.6

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

Note: ¹Net of rollover and Local Government Authorities' own sources

²Excludes direct to project funds

3.2.4 External Sector Performance

During the first half of 2018/19, overall balance of payments recorded a deficit of USD 471.0 million compared to a surplus of USD 963.9 million in the corresponding period in 2017/18. Current account deficit widened to USD 1,297.1 million compared with a deficit of USD 658.9 million, on account of increase in import of goods and services and decline in exports (**Table 3.4**).



Table 3.4: Current Account Balance

Items	July - December		Percentage change
	2017/18	2018/19 ^p	
Goods account (net)	-1,304.2	-1,945.3	49.2
Exports*	2,689.7	2,269.4	-15.6
Imports	3,993.9	4,214.7	5.5
Services account (net)	990.3	1,175.1	18.7
Receipts	2,087.9	2,199.9	5.4
Payments	1,097.6	1,024.7	-6.6
Goods and services (net)	-313.9	-770.2	--
Export of goods and services	4,777.6	4,469.3	-6.5
Import of goods and services	5,091.5	5,239.5	2.9
Primary income account (net)	-517.5	-709.6	37.1
Receipts	69.1	78.8	14.0
Payments	586.6	788.4	34.4
Secondary income account (net)	172.5	182.7	5.9
Inflows	221.7	211.2	-4.7
o/w General government	38.1	27.9	-26.8
Outflows	49.1	28.5	-41.9
Current account balance	-658.9	-1,297.1	96.9

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: *p* denotes provisional

* Include adjustment for unrecorded exports, --- implies large number

The value of export of goods and services amounted to USD 4,469.3 million in the first half of 2018/19 compared with USD 4,777.6 million in the corresponding period in 2017/18. The export value of most traditional crops—cotton, tobacco and coffee—increased due to increase in production, with exception of cashew nuts, tea and cloves. Services receipts increased to USD 2,199.9 million compared with USD 2,087.9 million registered in the corresponding period in 2017/18, mainly explained by good performance in travel receipts.

The value of imported goods and services was USD 5,239.5 million in the first half of 2018/19, higher than USD 5,091.5 million registered in the corresponding period of 2017/18. Significant increase was recorded in capital goods for infrastructure projects (**Table 3.5**).



Table 3.5: Tanzania Imports (f.o.b value) by Major Category

Items	July - December		Percentage change
	2017/18	2018/19 ^p	
Capital goods	1,351.2	1,693.5	25.3
Transport equipment	391.3	430.7	10.1
Building and constructions	293.2	485.3	65.5
Machinery	666.7	777.5	16.6
Intermediate goods	1,495.5	1,393.6	-6.8
Oil imports	1,023.6	901.7	-11.9
Fertilizers	65.0	120.4	85.0
Industrial raw materials	406.8	371.6	-8.7
Consumer goods	1,146.1	1,125.4	-1.8
Food and food stuffs	149.7	95.5	-36.2
All other consumer goods ¹	996.5	1,029.9	3.4
Grand total	3,992.8	4,212.6	5.50

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: ¹ It includes pharmaceutical products, paper products, plastic items, optical/photographic materials, textile apparels
p denotes provisional

Gross official foreign reserves amounted to USD 5,044.6 million at the end of December 2018, sufficient to cover 4.9 months of projected imports of goods and services excluding foreign direct investments related imports, which is above the minimum target of 4 months. Foreign assets of banks were USD 966.7 million in December 2018.

3.2.5 National Debt

The World Bank's Country Policy and Institutional Assessment (CPIA) conducted in 2018 placed Tanzania in a group of countries with strong policy, institutions and economic growth—Strong Performers. As a result, debt sustainability thresholds for Tanzania were elevated. Preliminary results of the Debt Sustainability Analysis (DSA) which was conducted in December 2018 using debt stock at the end of June 2018 and CPIA for 2018 indicate that external debt was sustainable based on all sustainability indicators (**Table 3.6**).



Table 3.6: Debt Sustainability Analysis (DSA) Results

		<i>Percentage</i>						
	Threshold	2018/19	2019/20	2020/21	2021/22	2022/23	2028/29	2038/39
External DSA								
PV of debt-to GDP ratio	55	22.2	21.2	20.5	19.7	18.7	13.5	8.4
PV of debt-to-exports ratio	240	157.3	149.3	144.7	138.2	124.7	88.1	54.7
Debt service-to-exports ratio	23	15.2	12.7	10.8	10.6	9.0	7.0	4.9
Fiscal DSA								
PV of debt-to GDP ratio	70	27.2	26.0	25.2	24.3	23.2	16.3	10.7
PV of debt-to-Revenue and grant	N/A	182.5	170.6	165.1	162.0	152.7	97.2	52.8
Debt service-to-revenue ratio	N/A	49.6	38.1	31.8	30.0	30.9	19.4	16.5

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

The stock of public sector debt of the United Republic of Tanzania was USD 22,530.5 million at the end of December 2018, from USD 22,760.4 million recorded at the end of June 2018, due to higher redemption relative to new borrowing by the Government. Out of the total public debt, external debt accounted for 71.7 percent and the balance was domestic.

External debt stock, including private sector debt, increased by 2.6 percent to USD 21,045.8 million at the end of December 2018 compared with the amount recorded at the end of June 2018. Out of the total external debt, 76.7 percent was public debt and the balance represented the private sector debt.

During the first half of 2018, external debt disbursements amounted to USD 694.6 million, out of which USD 645.0 million was received by the Government in the form of cash and direct project financing. External debt payments during the period amounted to USD 562.1 million, out of which USD 391.0 million was principal repayments and the balance was interest payments.

The Government domestic debt decreased by 0.7 percent to TZS 14,631.4 billion at the end of December 2018, compared with the amount recorded



at the end of June 2018. Treasury bonds sustained dominance in the composition of Government domestic debt, accounting for 68.3 percent at the end of December 2018, compared with 64.4 percent at the end of June 2018.

Cumulative domestic debt issued during the first half of 2018 amounted to TZS 1,906.0 billion⁴. During the period, Treasury bills amounting to TZS 2,009.2 billion matured (including interest payments), while Treasury bonds and stocks worth TZS 405.3 billion matured. Interest payments for Treasury bonds and stocks amounted to TZS 511.2 billion, making total domestic debt service of TZS 2,925.7 billion.

3.2.6 Economic Developments in Zanzibar

3.2.6.1 Real GDP Performance

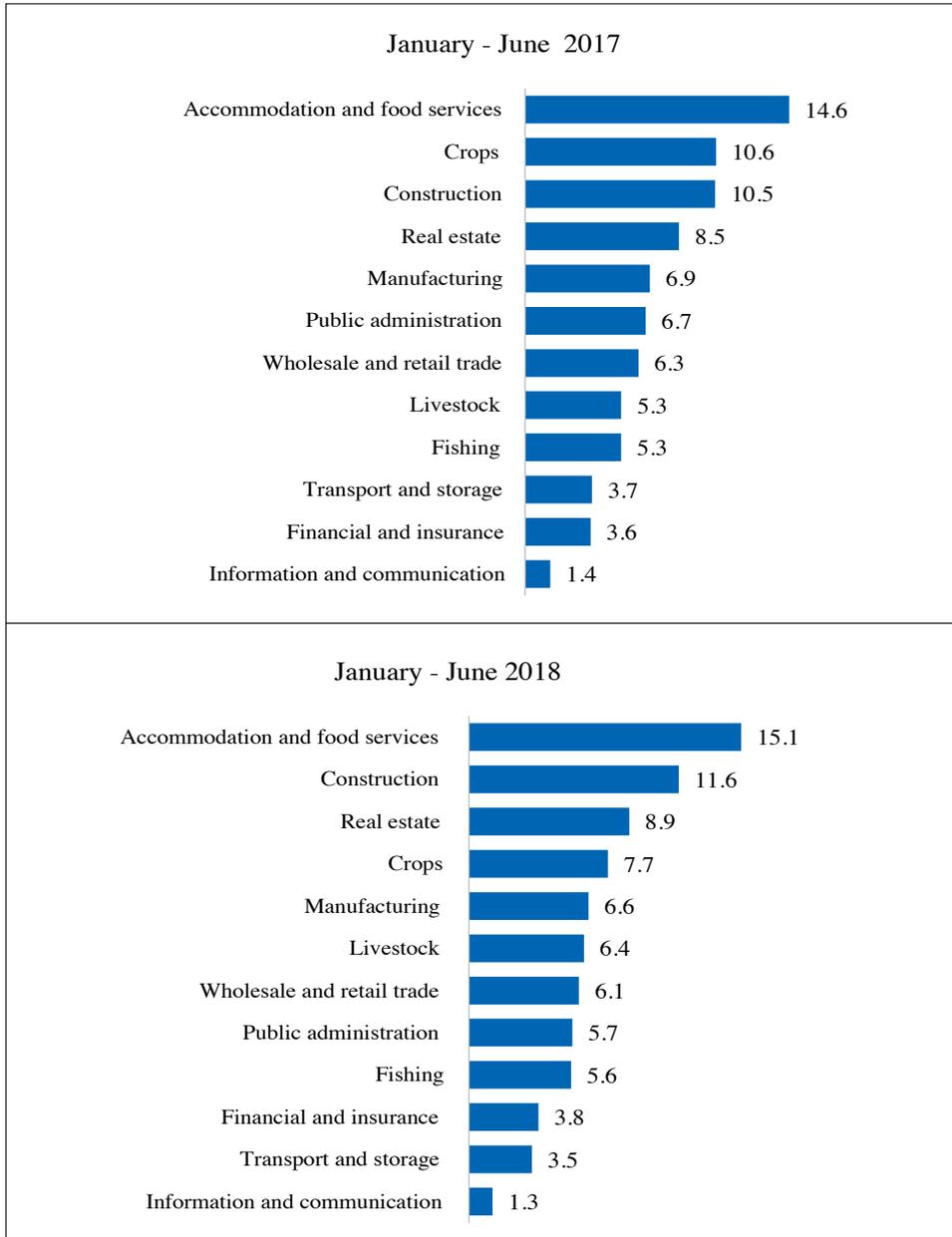
Real GDP growth averaged 5.5 percent in the first half of 2018, compared with 7.5 percent recorded in the corresponding period of 2017. Tourism related activities, construction, real estates, agriculture and manufacturing contributed more to the recorded growth (**Chart 3.3**). Growth is estimated to remain strong in the second half of 2018 supported by ongoing implementation of infrastructure projects, expanded agricultural extension services, improvement in horticulture and tourism related activities.

⁴ Of which TZS 1,210.5 billion came from treasury bills while TZS 370.4 billion was from treasury bonds



Chart 3.3: Percentage Contribution of Major Economic Activities

Percent



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



3.2.6.2 Inflation Developments

During the first half of 2018/19, headline inflation averaged 3.8 percent, which is below the medium-term target of 5.0 percent. The low level of inflation was attributed to decrease in the prices of food items specifically bananas and sugar. Food inflation averaged 2.1 percent, while non-food inflation averaged 5.2 percent during the same period. Notwithstanding the risks coming from commodity prices in the world market, inflation is expected to remain at single digit during the second half of 2018/19.

Government Budgetary Operations

During the first half of 2018/19, domestic revenue amounted to TZS 359.5 billion, or 92.0 percent of the target. Tax revenue was TZS 322.8 billion, while non-tax revenue amounted to TZS 36.7 billion. Taxes on imports, income tax, value added-tax and excise duties (local) accounted for 62.2 percent of the total domestic revenue. Total grants amounted to TZS 35.6 billion, above the projection by 42.9 percent.

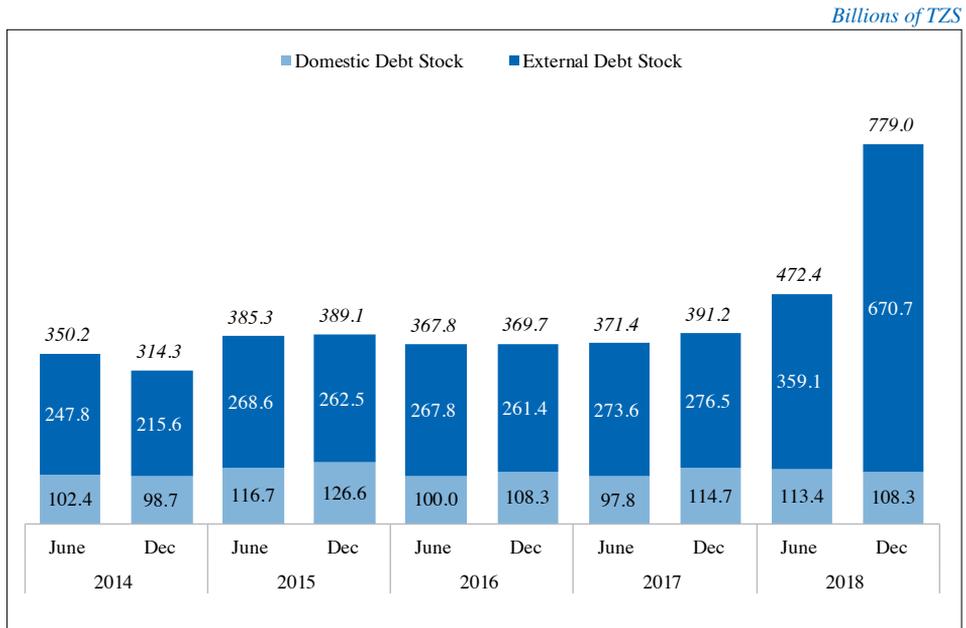
Expenditure amounted to TZS 505.6 billion, below the projection by 3.0 percent, out of which recurrent expenditure was TZS 360.1 billion, equivalent to 94.2 percent of the estimates. Development expenditure amounted to TZS 145.5 billion, of which locally financed expenditure was TZS 47.2 billion.

Debt Developments

Total debt stock was TZS 779.0 billion at the end of December 2018, up from TZS 472.4 billion recorded at the end of June 2018 resulting from new disbursements and reconciliation of external debt stock. External debt accounted for 86.1 percent of the total debt stock, while the balance was domestic debt stock, which stood at TZS 108.3 billion (**Chart 3.4**).



Chart 3.4: Total Debt Stock



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

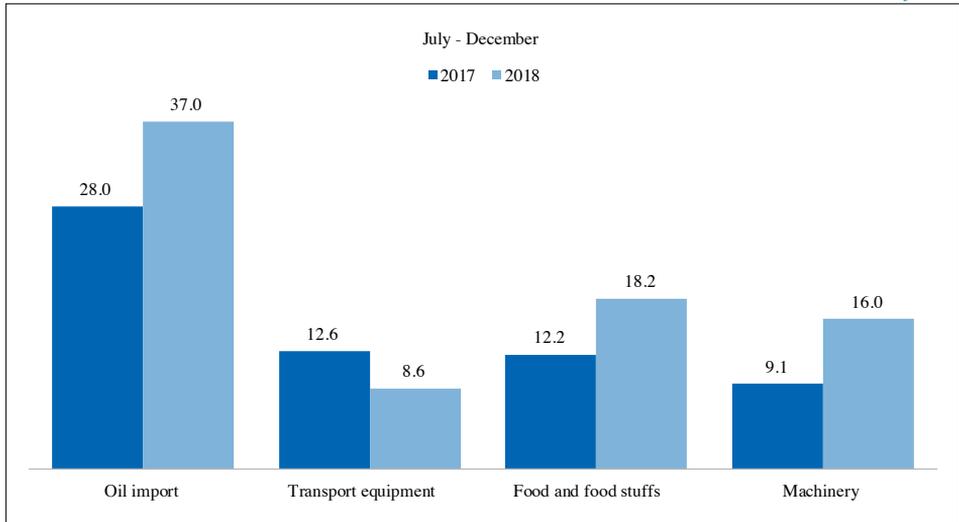
External Sector Performance

During the first half of 2018/19, current account balance turned to a deficit of USD 35.8 million, compared to a surplus of USD 34.4 million recorded during the corresponding period of 2017; mainly driven by increase in imports of goods particularly oil and food stuffs as shown in **Chart 3.5** and decline in export of cloves. The value of exports of goods and services decreased to USD 96.7 million from USD 137.1 million recorded in the corresponding period of 2017. Meanwhile, the value of service exports increased to USD 75.9 million from USD 65.9 million.



Chart 3.5: 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 2018/19

4.1 Liquidity Management and Interest Rates

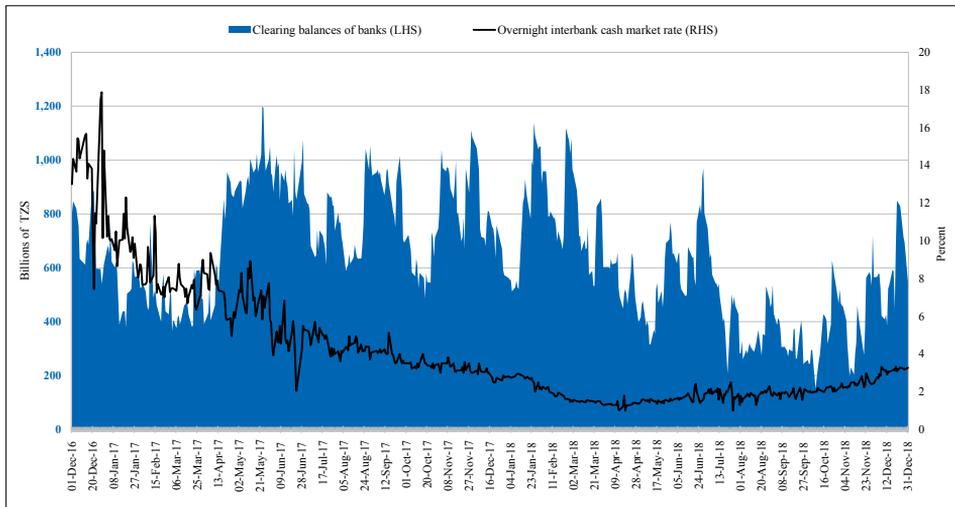
During the first half of 2018/19, inflation remained benign allowing the Bank to continue pursuing accommodative monetary policy stance using a range of instruments, aiming at maintaining adequate level of liquidity among banks to further stimulate growth of credit to the private sector and the entire economy. During the period, the Bank reduced the discount rate from 9.0 percent to 7.0 percent, signaling the continued support for higher credit growth. Reverse repo was mostly used to inject liquidity into the economy supported with Treasury bills operations. These monetary policy measures, coupled with foreign exchange market operations and standby facilities, helped to improve liquidity among banks and maintaining moderate money market interest rates.

During the first half of 2018/19, the Bank continued to monitor clearing balances of banks to ensure that they evolve within the required level consistent with monetary policy targets. As a result of adequacy of liquidity, overnight interbank cash market interest rate remained moderate, ranging between an average of 1.89 percent and 2.98 percent. However, towards the end of 2018, interest rates picked-up owing to demand for shilling liquidity by banks to meet seasonal payments of corporate taxes and end of year festivities (**Chart 4.1**). The weighted average Treasury bills yields also registered a gradual increase from 5.59 percent in June 2018 to 8.72 percent in December 2018 (**Chart 4.2**). Interest rates charged on bank loans continued to respond slowly to monetary policy measures, partly due to the prevailing structural bottlenecks in the financial sector



including challenges on legal framework on loan recovery and national database on citizens. Overall (average) lending rate decreased to 16.72 percent in December 2018 from 17.50 percent in June 2018. Meanwhile, overall deposit rates decreased to an average of 7.50 percent from 8.19 percent in June 2018.

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

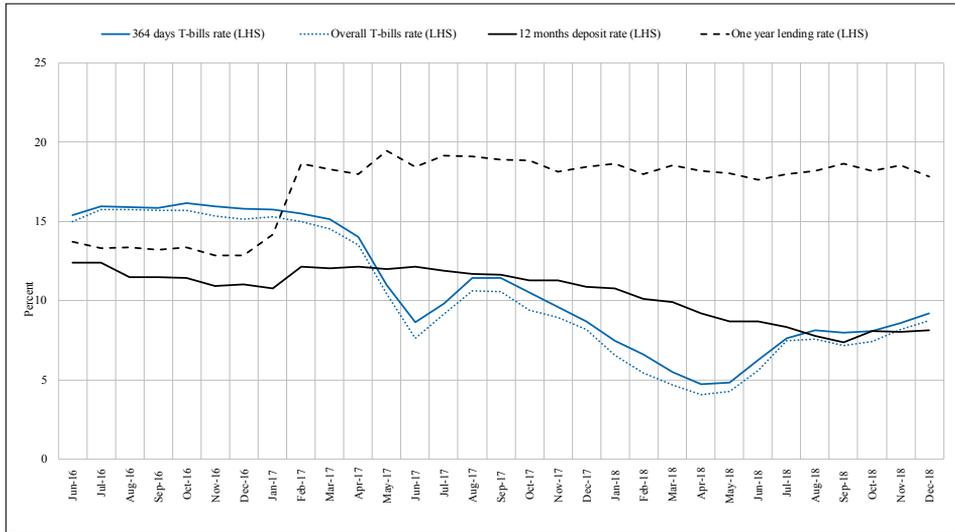


Source: Bank of Tanzania

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



Chart 4.2: Selected Interest Rates

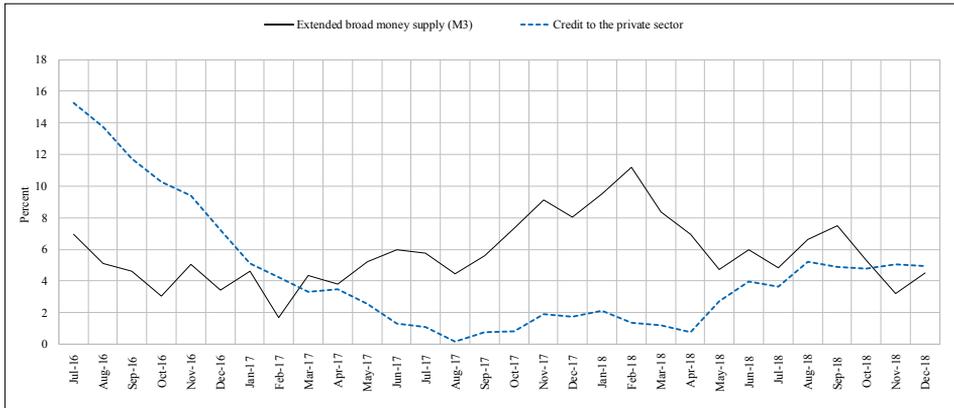


Source: Banks and Bank of Tanzania

Extended broad money supply registered moderate growth rate, while credit to the private sector continued to recover (**Chart 4.3**). Extended broad money supply grew by 4.5 percent in the year ending December 2018 compared with 6.0 percent recorded in June 2018 and the projected growth rate of not more than 12.2 percent for 2018/19. The moderate growth of money supply was consistent with the increased use of digital payment systems, which was also reflected in the increase in velocity of money circulation (**Chart 4.4**). Annual growth of credit to the private sector continued to recover, reaching 4.9 percent in December 2018 compared with 4.0 percent and 1.7 percent registered in June 2018 and December 2017, respectively. Growth of credit to the private sector is expected to strengthen in response to the sustained monetary policy easing and other measures implemented to reduce non-performing loans and improve business environment.

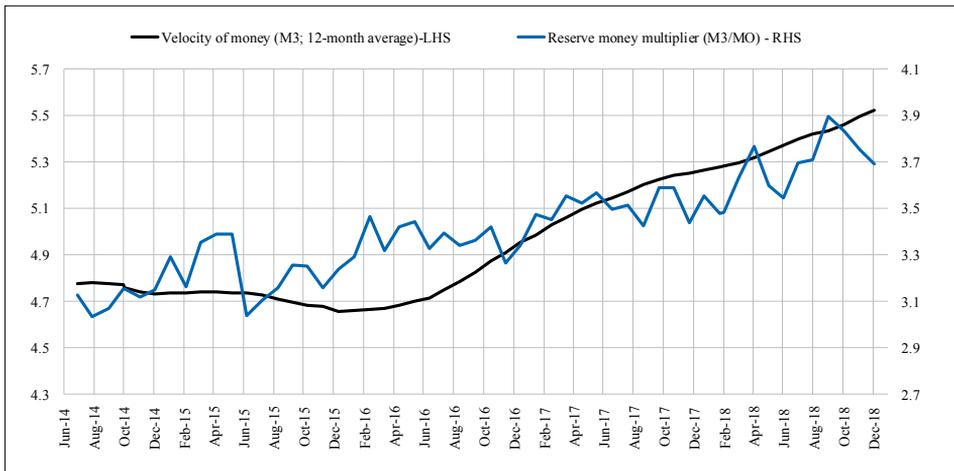


Chart 4.3: Annual Growth of Monetary Aggregates



Source: Banks and Bank of Tanzania

Chart 4.4: Evolution of Velocity Circulation and Money Multiplier



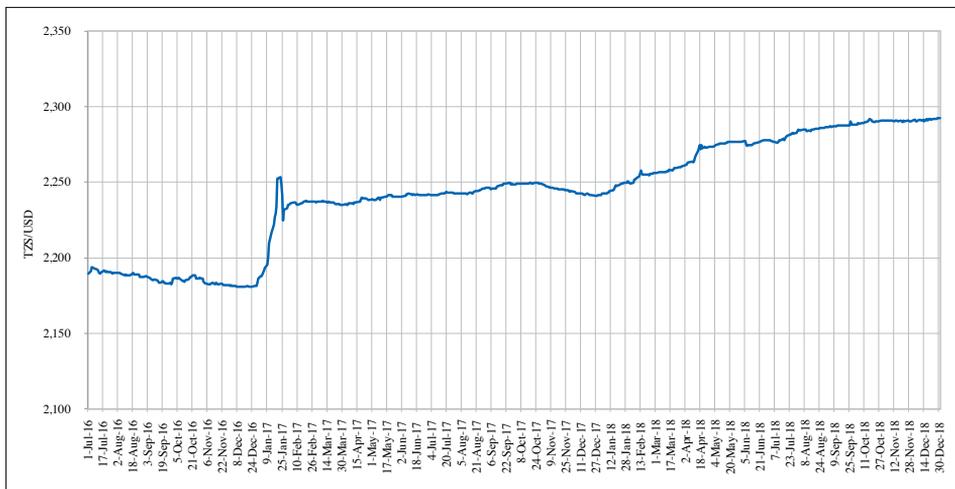
Source: Bank of Tanzania

The value of the Tanzanian shilling against the US dollar remained broadly stable throughout the first half of 2018/19. The stability of the shilling was consistent with prudent monetary policy, streamlined fiscal measures, enhanced use of gas in electricity generation instead of oil, and substitution



of imported goods with local manufactured goods such as ceramic tiles. In the wholesale market, the exchange rate fluctuated within the range of TZS 2,276.4 to TZS 2,291.8 against the US dollar, compared with the range of TZS 2,241 to TZS 2,250 per US dollar recorded in the corresponding period of 2017/18 (**Chart 4.5**).

Chart 4.5: Nominal Exchange Rate (TZS/USD)



Source: Bank of Tanzania

The Bank made progress in the process of adopting interest rate-based monetary policy framework, including among others: finalization of the inter-bank cash market system (IBCM) code of conduct to ensure smooth operations in the market, and development of a collateral framework with appropriate haircuts. Other areas where progress was registered include linking of the Bank of Tanzania central securities depositories (CSD) with that of the Dar es Salaam Stock Exchange in order to enhance transfer of securities and trading in secondary market. Furthermore, the Bank established an interbank cash market electronic trading platform that went live in November 2018.



4.2 Financial Sector Stability

During the first half of 2018/19, the banking sector remained sound, stable and profitable; with levels of capital and liquidity above regulatory requirements. The ratio of core capital to total risk weighted assets and off-balance sheet exposures was 16.3 percent at the end of December 2018, which is well above the minimum legal requirement of 10 percent. The ratio of liquid assets to demand liabilities stood at 35.6 percent, above the minimum regulatory requirement of 20 percent (**Table 4.1**).

Table 4.1: Banking Sector Financial Soundness Indicators

Indicator	Regulatory Limit	Percent			
		Jun-17	Dec-17	Jun-18	Dec-18
Capital adequacy					
Core capital/TRWA+OBSE	Minimum 10	18.26	18.41	18.21	16.26
Liquidity					
Liquid assets/demand liabilities	Minimum 20	38.06	40.27	37.6	35.63
Total loans/customer deposits	N/A	83.08	81.14	83.94	84.15
Earnings and profitability					
Return on assets-ROA	N/A	2.24	1.15	1.6	1.27
Return on equity-ROE	N/A	10.31	4.67	6.65	4.53
Asset quality					
Gross non-performing loans/gross loans	N/A	10.6	11.9	11.27	10.36

Source: Bank of Tanzania

The sector continued to maintain steady growth, with total assets reaching TZS 30,215.9 billion at the end of December 2018, from TZS 29,804.9 billion recorded at the end of December 2017. During the period, the Bank continued to take measures to address challenges related to asset quality in order to reduce non-performing loans to around 5 percent. Some of the measures instituted include directing banks to improve loan granting process, requiring banks with high non-performing loans to submit strategies to contain non-performing loans as well as enforcing the requirement to use credit reference system by submitting credit information to the system and using that information to scrutinize credit applicants. As a result, the



quality of the banking sector's assets improved as reflected by the ratio of non-performing loans to gross loans, which decreased to 10.4 percent at the end of December 2018 compared with 11.3 percent recorded at the end of June 2018 and 11.9 percent at the end of the corresponding period in 2017. Meanwhile, in August 2018, Bank M was placed under Statutory Management due to liquidity challenges facing it. Also, the Bank issued banking license to China Dasheng Bank in November 2018, which was previously issued with provisional license in November 2017.

The Bank continued to implement prudential measures to strengthen risk management practices in the financial sector. In this regard, the Bank initiated the process of reviewing the relevant regulations and guidelines to take into account new developments. These include Guidelines for Directors of banks and financial institutions, the outsourcing guidelines and business continuity management guidelines, which are reviewed in order to improve corporate governance in banking institutions. The Bank also developed agent banking framework and the onsite procedures for examining agent banking. The Bank continued to review capital adequacy, liquidity and prompt corrective actions regulations to incorporate Basel II/III requirements including the capital definition, and leverage ratio. The Bank participated in the review of the National Microfinance Policy and drafting of the Microfinance Bill, which was enacted in November 2018. The Act aims at ensuring that all unregulated microfinance service providers including credit only institutions, individuals and community groups are regulated by the Bank of Tanzania. Preparations of regulatory and supervisory frameworks for microfinance service provider is underway.

During the period under review, the joint World Bank/IMF Financial System Stability Assessment was conducted to assess the state of the financial system in Tanzania, particularly with regard to strengthening of



the financial system stability, quality of the regulatory and supervisory framework and capacity to manage and resolve financial crisis.

4.3 Payment Systems

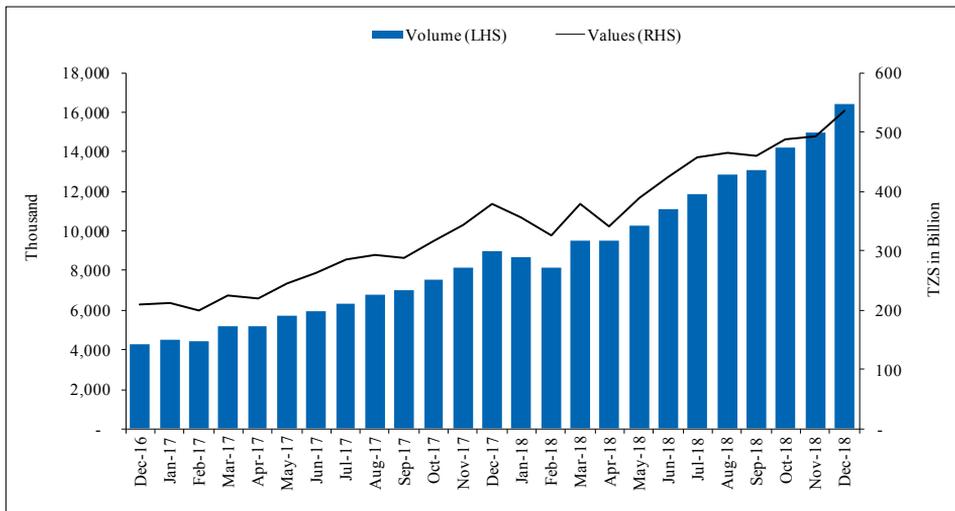
During the first half of 2018/19, payment, clearing and settlement systems continued to operate smoothly and efficiently with growing utilization of digital channels in financial services delivery. Since July 2018, all Government payments are made through Treasury Single Account (TSA) and processed through Tanzania Automated Clearing House (TACH) and Tanzania Interbank Settlement System (TISS) for amounts above TZS 10 million. The East Africa Payment System (EAPS) also operated smoothly with increased level of transactions, reflecting increase in trade activities between Tanzania and other EAC countries. Transactions between Tanzania and Kenya were 1,391 valued at KES 2.3 billion, reflecting growth in volume and value by 3.2 percent and 8.1 percent, respectively. Transactions between Tanzania and Uganda were 147, valued at UGX 2.6 billion, a growth of 79.3 percent in volume and decline of 61.1 percent in value, when compared with corresponding period of 2017/18.

The Electronic Fund Transfers (EFT) through TACH continued to run smoothly, with growing number of transactions, following increased use of the system by the Government in making payments of salaries to employees. During the first half of 2018/19, the volume of EFT transactions grew by 20.2 percent, while the value increased by 36.7 percent when compared to the corresponding period of 2017/18. The increased use of EFT by the Government has improved efficiency, while minimizing costs associated with the use of cheques. The effect was reflected in the decline in usage of Tanzanian shilling denominated cheques in TACH, both in terms of volume and value by 9.9 percent and 20.6 percent, respectively.



During the period, utilization of interoperability capability in mobile money services continued to grow reaching 83.4 million transactions worth TZS 2,897.76 billion. This represents 85.7 percent increase in volume and 52.1 percent in value compared to the corresponding period of 2017/18. The interoperability of mobile financial services has contributed to overall growth of total mobile money transactions by 23.1 percent in volume and 14.7 percent in value, compared to the corresponding period of 2017/18. As at the end of December 2018, the number of active registered accounts for mobile money stood at 23.3 million, compared with 19.4 million at the end of December 2017.

Chart 4.6: Mobile Money Interoperability



Source: Bank of Tanzania



PART V

5.0 MACROECONOMIC OUTLOOK

5.1 GDP Growth

Real GDP is estimated to grow by 7.2 percent in 2018 and 7.3 percent in 2019, supported by public investment particularly implementation of mega infrastructure projects; projected strong growth of global economy, and expected favorable weather conditions⁵. Transformation of the economy through industrialization strategy with great focus on manufacturing industries to promote diversification and value addition in output is expected to add impetus to economic growth. Initiatives to improve value addition in minerals and establishment of mineral stock market; and agricultural modernization through improved agro-inputs, irrigation schemes, enhancing extension services, coupled with measures instituted to increase transparency in doing business and management of natural resources, are expected to boost economic growth in the medium to long-term. Meanwhile, the recovery in private sector credit growth due to improving business environment and measures to reduce risk and non-performing loans, will further induce growth.

5.2 Inflation

Headline inflation is expected to remain around the medium term target of 5 percent in the second half of 2018/19, supported by continued improvement in food supply due to favourable weather conditions; reduction in the production costs on account of reliable and affordable power supply including use of natural gas; and sustained prudent monetary and fiscal policies. Upward risks remain due to possible rise in oil price following agreement among OPEC member countries to cut down production.

⁵ GDP growth is based on 2007 prices (base year)



5.3 External Sector

The current account balance is projected to record a deficit of 4.3 percent of GDP in 2018/19, from 3.5 percent in 2017/18, largely due to expected increase in imports of capital goods for implementation of infrastructure projects. At the same time, the value of oil imports is expected to increase driven by prices in the world market and import volume to match with domestic demand as the economy continues to grow.

5.4 Banking Sector and National Payment Systems

The banking sector is expected to remain sound and stable, with capital and liquidity levels staying above their respective minimum required thresholds. The Bank of Tanzania will continue to monitor banks with high levels of non-performing loans, and ensure that all banks and financial institutions continue to use credit reference bureau reports when carrying out credit appraisals. The Bank of Tanzania will continue to monitor and assess the effects of implementation of IFRS 9 and take appropriate measures. Regarding payment systems, the Bank will commence developing the Tanzania Instant Payment System (TIPS), which aims to further, enhance interoperability and reduce costs for both bank and non-bank payment service providers. In ensuring safety and efficiency of the National Payment Systems, the Bank will continue with the process of oversight and licensing of new payment service providers (banks and non-banks) under the current regulatory framework⁶.

⁶ National Payment Systems Act, 2015, Payment Systems Licensing and Approval Regulations, 2015 and Electronic Money Regulations, 2015



PART VI

6.0 MONETARY POLICY STANCE FOR THE SECOND HALF OF 2018/19

6.1 Liquidity Management

In the second half of 2018/19, the Bank will aim at maintaining the accommodative monetary policy stance in order to further stimulate the recovery of growth of credit to the private sector and general support of various economic activities, as inflation is forecasted to remain below the medium-term target.

The Bank will continue to closely monitor and manage movements in banks' clearing balances in order to sustain the stability of money market interest rates, by using appropriate monetary policy instrument mix. The stability of money market interest rates is critical as the Bank prepares to move to interest rate-based monetary policy framework, where the overnight interbank cash market interest rate will be an operational target instead of the average quantity of reserve money.

6.2 Interest Rate Policy

Interest rates will continue to be market determined. The Bank will continue to promote development of a more transparent and efficient interbank cash market in order to improve price discovery and reduce interest rate volatility, 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 participate in the interbank foreign exchange market solely



for liquidity management purposes and intervene occasionally to smooth out short-term volatility in the exchange rate and maintain an orderly market. These operations will, however, continue to be undertaken 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

Sustaining the synergy between fiscal and monetary policies in implementing economic reforms remains critical as the Bank continues to implement an accommodative monetary policy in the remainder of 2018/19. This policy stance will help to boost further the recovery of credit to the private sector and aggregate demand, while benefiting from low inflation expectation. The Bank will continue to manage liquidity in a manner that will maintain stability of money market interest rates and remain ready to address any inflationary pressures. The Bank will also continue to implement prudential measures to strengthen risk management practices in the financial sector to ensure greater transparency, improve governance, and promote enhanced use of information technology in financial services delivery.

In the process of adopting interest rate-based monetary policy framework, the Bank will continue to work closely with stakeholders to ensure smooth adoption of the new framework. This will be supported by continuous improvements in the operations of the financial markets and communication of the monetary policy actions.

Given the ongoing economic and regulatory reforms, which are pursued by the Government in collaboration with other stakeholders, on-going public investments in infrastructure, and the prevailing benign domestic and global economic trends, the Bank is confident that the monetary policy objectives set for 2018/19 will be attained.



APPENDICES



Table A1: Selected Economic Indicators

Items	Unit	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
1. Prices														
1.1 Annual change in consumer price index														
1.1.1 Headline inflation	Percent	4.0	4.0	4.1	3.9	3.8	3.6	3.4	3.3	3.3	3.4	3.2	3.0	3.3
1.1.2 Food inflation	Percent	6.2	6.3	5.4	4.7	3.6	2.6	3.4	2.8	2.2	2.0	1.2	0.4	1.0
1.1.3 Core inflation	Percent	1.3	1.4	1.7	1.6	1.4	1.6	1.6	1.6	2.0	2.2	2.3	2.6	3.1
2. Money credit and interest rates														
2.1 Extended broad money supply (MB) ¹	Percent	8.0	9.5	11.2	8.4	7.0	4.8	6.0	4.8	6.6	7.5	5.3	3.2	4.5
2.2 Reserve money ¹	Percent	1.5	9.2	10.2	6.1	0.0	3.8	4.5	-0.4	-1.6	-1.0	-1.4	-5.6	0.6
2.3 Average reserve money ¹	Percent	0.6	5.4	7.0	6.1	2.8	1.1	4.0	2.8	0.8	-2.3	1.9	-3.5	-1.5
2.4 Credit to the private sector ¹	Percent	1.7	2.1	1.4	1.2	0.8	2.7	4.0	3.7	5.2	4.9	4.8	5.0	4.9
2.5 564-days Treasury bill rate ²	Percent	8.7	7.5	6.6	5.5	4.7	4.8	6.3	7.6	8.1	8.0	8.1	8.6	9.2
2.6 Overnight inter-bank rate ²	Percent	3.0	2.7	1.8	1.5	1.3	1.5	1.7	2.0	1.9	1.9	2.1	2.4	3.0
2.7 12-Months deposit rate ²	Percent	10.9	10.8	10.1	9.9	9.2	8.7	8.7	8.4	7.8	7.4	8.1	8.0	8.4
2.8 Short-term (up to 1 year) lending rate ²	Percent	18.5	18.6	18.0	18.5	18.2	18.0	17.6	18.0	18.2	18.7	18.2	18.5	17.8
3. Balance of payments														
3.1 Gross official foreign reserves	Millions of USD	5,900.3	5,721.6	5,668.4	5,411.0	5,188.0	5,528.0	5,483.9	5,392.4	5,500.5	5,437.1	5,277.8	5,078.8	5,044.6
3.2 Exchange rate														
3.2.1 Period average	TZ/USD	2,231.2	2,234.7	2,242.4	2,246.6	2,256.9	2,264.6	2,265.0	2,267.7	2,273.7	2,276.1	2,278.5	2,279.3	2,280.0
3.2.2 End of period	TZ/USD	2,230.1	2,238.8	2,244.8	2,248.6	2,262.4	2,265.5	2,266.4	2,271.3	2,274.9	2,277.5	2,279.5	2,278.8	2,281.2
4. Public finance														
4.1 Domestic revenue ³	Billions of TZS	1,739.6	1,406.5	1,548.7	1,654.1	1,156.5	1,236.1	1,743.0	1,337.9	1,406.2	1,455.6	1,511.8	1,321.1	1,708.2
4.2 Recurrent expenditure ³	Billions of TZS	1,189.1	1,212.4	1,162.4	1,455.1	1,136.2	1,162.1	1,531.3	630.7	1,047.5	1,464.1	1,125.6	1,151.3	1,461.0
4.3 Development expenditure ³	Billions of TZS	562.7	752.3	294.7	729.6	265.1	556.6	2,390.9	10.0	262.0	431.9	440.9	529.3	652.8
4.4 Program assistance	Millions of USD	17.7	36.3	0.0	31.3	0.0	70.9	9.6	0.0	2.9	10.5	7.2	10.1	80.5
4.4.1 General budget support	Millions of USD	8.0	23.6	0.0	0.0	0.0	70.9	7.3	0.0	0.0	0.0	0.0	0.0	55.3
4.4.2 Basket funds	Millions of USD	9.7	12.7	0.0	31.3	0.0	0.0	2.3	0.0	2.9	10.5	7.2	10.1	25.2

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

Notes: ¹ Annual growth

² Monthly average

³ Domestic revenue and expenditure on cash basis



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

Economic Activity	2012	2013	2014	2015	2016	2017
	Billions of TZS					
Agriculture, Forestry and Fishing	8,902	9,187	9,497	9,720	9,924	10,277
Crops	4,641	4,802	4,994	5,106	5,175	5,365
Livestock	3,002	3,062	3,130	3,205	3,287	3,378
Forestry and hunting	772	808	849	871	901	958
Fishing	488	514	525	538	560	575
Industry and construction	7,566	8,287	9,144	10,174	11,265	12,627
Mining and quarrying	1,218	1,265	1,383	1,509	1,683	1,977
Manufacturing	2,659	2,831	3,024	3,222	3,473	3,719
Electricity, gas	294	332	363	384	416	425
Water supply	267	275	285	285	297	347
Construction	3,128	3,584	4,089	4,774	5,396	6,159
Services	17,521	18,768	20,119	21,511	23,138	24,668
Wholesale and retail trade; repairs	3,675	3,840	4,224	4,552	4,856	5,145
Transport and storage	2,063	2,314	2,603	2,810	3,142	3,664
Hotels and restaurants	580	596	609	623	646	667
Information and communication	1,439	1,631	1,762	1,975	2,231	2,559
Financial and insurance activities	1,445	1,534	1,700	1,900	2,104	2,145
Real estate	1,754	1,791	1,829	1,870	1,913	1,958
Professional, scientific and technical activities	618	651	655	700	744	788
Administrative and support service activities	1,104	1,239	1,314	1,376	1,405	1,457
Public administration and defence	2,435	2,625	2,728	2,854	3,046	3,006
Education	1,228	1,281	1,342	1,426	1,541	1,672
Human health and social work activities	603	656	709	743	782	828
Arts, entertainment and recreation	129	136	144	153	166	179
Other service activities	341	364	388	415	445	477
Activities of households as employers;	106	109	112	115	119	122
FISIM	-568	-569	-624	-697	-810	-722
All economic activities	33,421	35,673	38,137	40,709	43,517	46,849
Taxes on products	2,516	2,874	3,094	3,392	3,656	3,676
GDP at market prices	35,936	38,547	41,231	44,101	47,174	50,525

Economic activity	2012	2013	2014	2015	2016	2017
	Real Growth by Economic Activities (Percent)					
Agriculture, Forestry and Fishing	3.2	3.2	3.4	2.3	2.1	3.6
Crops	4.2	3.5	4.0	2.2	1.4	3.7
Livestock	1.8	2.0	2.2	2.4	2.6	2.8
Forestry and hunting	3.5	4.7	5.1	2.6	3.4	6.3
Fishing	2.9	5.5	2.0	2.5	4.2	2.7
Industry and construction	4.0	9.5	10.3	11.3	10.7	12.1
Mining and quarrying	6.7	3.9	9.4	9.1	11.5	17.5
Manufacturing	4.1	6.5	6.8	6.5	7.8	7.1
Electricity, gas	3.3	13.0	9.3	5.8	8.3	2.2
Water supply	2.8	2.7	3.7	0.1	4.3	16.7
Construction	3.2	14.6	14.1	16.8	13.0	14.1
Services	7.2	7.1	7.2	6.9	7.6	6.6
Wholesale and retail trade; repairs	3.8	4.5	10.0	7.8	6.7	6.0
Transport and storage	4.2	12.2	12.5	7.9	11.8	16.6
Hotels and restaurants	6.7	2.8	2.2	2.3	3.7	3.2
Information and communication	22.2	13.3	8.0	12.1	13.0	14.7
Financial and insurance activities	5.1	6.2	10.8	11.8	10.7	1.9
Real estate	2.0	2.1	2.2	2.2	2.3	2.4
Professional, scientific and technical activities	-5.8	5.4	0.5	6.8	6.3	6.0
Administrative and support service activities	23.8	12.2	6.0	4.7	2.1	3.7
Public administration and defence	9.1	7.8	3.9	4.6	6.7	-1.3
Education	7.4	4.3	4.8	6.3	8.1	8.5
Human health and social work activities	11.4	8.8	8.1	4.7	5.2	5.9
Arts, entertainment and recreation	11.0	5.7	5.7	6.2	8.8	7.6
Other service activities	6.4	6.5	6.7	6.9	7.2	7.3
Activities of households as employers;	2.7	2.7	2.7	2.7	3.0	2.7
FISIM	1.2	0.1	9.7	11.7	16.3	-10.9
All economic activities	5.5	6.7	6.9	6.7	6.9	7.7
Taxes on products	0.4	14.2	7.7	9.6	7.8	0.5
GDP at market prices	5.1	7.3	7.0	7.0	7.0	7.1

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

Economic Activity	<i>Percent</i>					
	2012	2013	2014	2015	2016	2017
	Contributions in real GDP by Economic Activities					
Agriculture, Forestry and Fishing	24.8	23.8	23.0	22.0	21.0	20.3
Crops	12.9	12.5	12.1	11.6	11.0	10.6
Livestock	8.4	7.9	7.6	7.3	7.0	6.7
Forestry and hunting	2.1	2.1	2.1	2.0	1.9	1.9
Fishing	1.4	1.3	1.3	1.2	1.2	1.1
Industry and construction	21.1	21.5	22.2	23.1	23.9	25.0
Mining and quarrying	3.4	3.3	3.4	3.4	3.6	3.9
Manufacturing	7.4	7.3	7.3	7.3	7.4	7.4
Electricity, gas	0.8	0.9	0.9	0.9	0.9	0.8
Water supply	0.7	0.7	0.7	0.6	0.6	0.7
Construction	8.7	9.3	9.9	10.8	11.4	12.2
Services	48.8	48.7	48.8	48.8	49.0	48.8
Wholesale and retail trade; repairs	10.2	10.0	10.2	10.3	10.3	10.2
Transport and storage	5.7	6.0	6.3	6.4	6.7	7.3
Hotels and restaurants	1.6	1.5	1.5	1.4	1.4	1.3
Information and communication	4.0	4.2	4.3	4.5	4.7	5.1
Financial and insurance activities	4.0	4.0	4.1	4.3	4.5	4.2
Real estate	4.9	4.6	4.4	4.2	4.1	3.9
Professional, scientific and technical activities	1.7	1.7	1.6	1.6	1.6	1.6
Administrative and support service activities	3.1	3.2	3.2	3.1	3.0	2.9
Public administration and defence	6.8	6.8	6.6	6.5	6.5	6.0
Education	3.4	3.3	3.3	3.2	3.3	3.3
Human health and social work activities	1.7	1.7	1.7	1.7	1.7	1.6
Arts, entertainment and recreation	0.4	0.4	0.3	0.3	0.4	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	0.2
FISIM	-1.6	-1.5	-1.5	-1.6	-1.7	-1.4
All economic activities	93.0	92.5	92.5	92.3	92.2	92.7
Taxes on products	7.0	7.5	7.5	7.7	7.8	7.3
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Bureau of Statistics

Note: FISIM implies financial intermediation indirectly measured



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

Economic activity	2011	2012	2013	2014	2015	2016	2017 ^p
	Billions of TZS						
GDP at market prices	1,898.7	1,999.0	2,084.4	2,218.0	2,355.7	2,491.4	2,684.3
Agriculture, forestry & fishing	478.8	465.0	492.4	493.4	519.7	539.5	581.9
Crops	248.6	221.8	236.1	219.2	227.7	235.9	261.0
Livestock	71.9	83.5	91.8	100.2	113.6	124.6	136.1
Forestry & hunting	39.4	40.1	40.0	40.6	41.3	42.3	44.1
Fishing	119.0	119.5	124.5	133.4	137.2	136.6	140.8
Industry	317.6	355.4	369.3	394.9	433.5	467.0	493.1
Mining & quarrying	18.9	20.8	21.5	21.4	23.5	27.2	32.7
Manufacturing	127.7	140.5	148.9	162.4	180.1	194.6	211.3
Electricity and gas	9.2	10.1	10.4	10.9	11.7	12.6	13.1
Water supply and sewerage	15.0	16.0	16.9	18.1	19.6	20.9	22.5
Construction	146.7	168.0	171.5	182.1	198.7	211.7	213.4
Services	957.3	989.1	1,026.3	1,110.8	1,172.5	1,237.3	1,332.5
Trade & repairs	161.4	161.4	168.7	166.9	162.1	169.4	180.2
Transport & storage	74.2	84.0	90.1	98.5	102.0	107.6	111.4
Accommodation and food services	264.7	264.1	282.2	297.8	331.0	375.5	429.2
Accommodation	213.6	212.8	227.7	240.5	268.1	305.2	350.0
Food and beverage services	51.1	51.3	54.5	57.3	62.9	70.3	79.2
Information and communication	47.9	53.2	44.8	57.7	52.5	44.7	51.6
Financial and insurance activities	45.3	52.1	52.2	64.5	78.6	83.7	91.6
Real estate activities	104.1	109.3	115.0	121.4	128.4	136.2	144.7
Professional, scientific and technical	1.3	1.6	2.3	3.3	3.6	3.9	3.8
Administrative and support services	18.2	22.4	23.8	22.5	23.2	22.8	24.4
Public administration	148.1	147.8	147.1	169.7	181.9	180.9	175.9
Education	52.2	54.4	60.2	67.2	69.4	71.5	73.3
Human health and social work	25.9	26.3	27.5	29.6	29.7	30.8	31.2
Arts, entertainment and recreation	1.4	1.4	1.5	1.6	1.9	2.4	2.7
Other service activities	23.3	23.3	24.8	26.1	27.0	30.4	34.4
Domestic services	4.6	4.7	4.9	5.0	5.2	5.4	5.5
Less FISIM	-15.4	-16.9	-18.7	-21.2	-23.9	-27.9	-27.7
Taxes on products	145.1	189.6	196.6	218.9	229.9	247.7	276.8
	Real Growth by Economic Activities (Percent)						
GDP at market prices	7.4	5.3	4.3	6.4	6.2	5.8	7.7
Agriculture, Forestry & Fishing	4.3	-2.9	5.9	0.2	5.3	3.8	7.9
Crops	1.5	-10.7	6.4	-7.2	3.9	3.6	10.6
Livestock	5.2	16.2	9.9	9.2	13.3	9.8	9.2
Forestry & hunting	1.6	1.8	-0.2	1.5	1.6	2.5	4.2
Fishing	11.0	0.5	4.1	7.2	2.9	-0.5	3.1
Industry	13.4	11.9	3.9	6.9	9.8	7.7	5.6
Mining & quarrying	7.8	9.6	3.8	-0.8	9.8	15.9	20.3
Manufacturing	8.1	10.0	6.0	9.1	10.9	8.0	8.6
Electricity and gas	35.5	9.5	3.1	4.7	6.7	8.2	4.2
Water supply and sewerage	6.5	6.6	5.7	6.9	8.0	6.9	7.4
Construction	19.0	14.5	2.1	6.2	9.1	6.5	0.8
Services	5.8	3.3	3.8	8.2	5.6	5.5	7.7
Trade & repairs	7.6	0.0	4.5	-1.0	-2.9	4.5	6.4
Transport & storage	10.6	13.1	7.3	9.4	3.5	5.6	3.5
Accommodation and food services	8.4	-0.2	6.8	5.5	11.1	13.5	14.3
Accommodation	8.7	-0.4	7.0	5.6	11.5	13.8	14.7
Food and beverage services	7.5	0.4	6.2	5.1	9.8	11.8	12.6
Information and communication	1.5	11.1	-15.9	28.9	-9.0	-14.9	15.5
Financial and insurance activities	2.1	15.0	0.2	23.7	21.8	6.5	9.5
Real estate activities	4.6	5.0	5.3	5.5	5.8	6.0	6.2
Professional, scientific and technical	-3.5	21.4	47.9	43.4	9.2	9.6	-3.2
Administrative and support services	10.4	23.2	5.9	-5.2	3.1	-1.9	7.2
Public administration	1.7	-0.2	-0.5	15.4	7.1	-0.5	-2.7
Education	8.6	4.2	10.7	11.5	3.4	3.0	2.5
Human health and social work	0.9	1.6	4.3	8.0	0.3	3.7	1.4
Arts, entertainment and recreation	9.2	-0.7	7.4	5.8	17.0	26.2	14.5
Other service activities	7.9	0.0	6.5	5.3	3.6	12.5	13.4
Domestic services	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Less FISIM	30.4	10.2	10.3	13.7	12.7	16.6	-0.9
Taxes on products	16.7	30.7	3.7	11.4	5.0	7.7	11.8

Source: Office of Chief Government Statistician, Zanzibar

Note: *p* denotes provisional

FISIM implies financial intermediation indirectly measured



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

Economic Activity	2015				2016				2017				2018				January-June	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
Crops	3.9	-1.1	-5.6	-5.0	-2.9	1.2	13.3	13.8	21.1	18.0	10.7	-7.0	-24.6	-4.6	19.6	-14.6		
Livestock	7.6	7.7	7.7	7.7	8.0	7.3	6.8	6.5	9.3	9.2	3.4	14.6	7.7	8.7	9.3	8.2		
Forestry	4.3	3.9	3.9	3.8	3.9	3.9	4.5	4.7	2.1	5.3	6.3	3.3	1.8	1.5	3.7	1.7		
Fishing	17.4	14.9	8.7	-3.2	6.3	4.2	-2.9	3.9	-5.0	6.9	12.9	-2.6	5.4	0.6	1.0	3.0		
Mining and quarrying	33.9	10.6	2.9	-0.5	3.9	8.9	27.5	35.0	-3.6	31.6	33.5	22.1	16.7	7.8	14.0	12.3		
Manufacture	10.6	6.6	9.9	8.3	5.4	6.6	10.3	3.2	6.0	10.8	6.9	10.6	3.5	0.4	8.4	2.0		
Electricity	7.8	8.7	2.9	7.5	3.0	5.0	13.4	11.6	16.9	0.2	-1.0	1.0	-17.5	6.9	8.6	-5.3		
Water supply	3.4	5.5	8.3	5.5	4.0	6.8	3.2	7.4	6.1	8.3	6.4	8.5	4.8	1.4	7.2	3.1		
Construction	44.9	49.5	-15.2	-23.9	-2.5	14.4	22.5	19.1	-29.8	15.8	-10.5	25.8	49.8	0.3	-7.0	25.1		
Wholesale and retail trade	-0.8	-0.7	11.2	-4.4	14.4	5.5	-1.4	3.2	7.8	12.5	18.4	16.8	8.2	9.2	10.2	8.7		
Accommodation and food services	1.7	12.4	19.3	9.9	6.1	20.7	0.0	14.9	14.5	13.9	14.4	14.6	16.9	-2.8	14.2	7.1		
Transport and storage	13.6	2.8	17.3	-8.9	2.0	10.1	10.3	4.9	0.2	6.8	2.6	-2.7	5.9	1.8	3.5	3.9		
Information and communication	20.1	5.7	0.3	1.6	5.0	14.7	-6.6	24.4	-5.1	5.9	57.0	23.7	10.4	17.8	0.4	14.1		
Financial and insurance	18.4	11.2	7.7	8.5	30.7	-1.6	3.5	3.8	-8.5	25.4	23.5	11.0	9.1	2.0	8.5	5.6		
Real estate	6.8	6.8	6.9	6.9	6.9	6.9	6.9	6.9	6.2	6.2	6.3	6.3	6.4	6.4	6.2	6.4		
Professional, scientific & technical	87.6	20.9	-13.0	-16.3	0.7	40.6	-0.8	7.4	-11.1	15.7	-1.4	-15.0	6.7	-17.9	2.3	-5.6		
Administrative & support	2.1	10.0	29.9	12.0	8.0	28.8	-3.2	2.0	-2.4	0.9	9.7	22.7	4.9	3.3	-0.8	4.1		
Public administration	13.9	17.9	11.4	10.5	10.0	10.7	9.4	6.3	-1.6	-2.3	-4.1	-2.9	-2.3	-1.9	-2.0	-2.1		
Education	2.9	2.1	4.0	2.5	9.1	7.4	6.8	6.4	8.4	10.7	11.5	1.5	2.7	1.2	9.6	2.0		
Human health & social work	1.8	2.1	2.0	-5.1	2.0	2.4	2.2	9.1	0.3	1.0	0.3	2.4	3.5	4.8	0.7	4.2		
Arts, entertainment & recreation	1.4	16.2	39.8	15.9	13.0	41.2	-4.0	3.8	14.6	14.4	14.5	14.6	17.1	-8.3	14.5	4.4		
Other services	1.6	12.8	33.0	13.9	11.5	32.2	-3.0	3.7	13.6	12.8	13.3	13.6	15.8	-2.4	13.2	6.7		
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		
FISIM	17.6	13.7	10.5	13.5	38.8	-0.8	3.8	4.8	6.6	7.1	-3.3	-12.1	-7.6	7.1	6.9	-0.3		
All indust. at basic prices	12.9	11.5	5.7	0.2	5.7	9.0	7.3	9.2	3.0	10.8	8.3	8.3	6.8	1.4	6.9	4.1		
Taxes on products	-9.1	-1.8	-4.9	24.6	2.8	9.2	17.4	-28.9	16.6	6.3	16.0	5.3	3.4	33.6	11.5	18.5		
GDP at market prices	9.6	10.3	4.3	2.3	5.0	8.8	9.1	4.2	4.5	10.4	9.1	8.0	6.4	4.6	7.5	5.5		

Source: Office of Chief Government Statistician-Zanzibar



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

Main Groups	Weight (%)	Ref period: December 2015=100												
		Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Food and non alcoholic beverages	38.5	113.6	115.5	117.2	119.6	119.9	119.1	119.1	117.6	115.3	114.7	113.5	113.4	114.7
Alcoholic, tobacco and narcotics	3.7	107.8	107.9	107.9	107.9	108.0	107.9	107.0	107.6	108.4	109.2	109.3	109.3	110.2
Clothing and footwear	8.3	106.7	107.2	107.8	107.9	108.0	108.2	108.7	109.1	109.3	109.7	110.0	110.0	110.6
Housing, water, electricity, gas and other fuel	11.6	119.0	119.1	122.4	125.3	127.3	130.4	128.5	129.1	131.2	134.0	134.8	135.1	133.4
Furnishing, housing equipment and routine maintenance of the house	6.3	105.3	105.7	105.9	106.6	106.9	107.2	107.3	107.6	107.9	107.9	107.9	108.1	109.5
Health	2.9	106.8	107.0	107.0	107.1	107.1	107.3	107.6	107.1	108.0	107.6	107.6	107.6	107.9
Transport	12.5	100.3	100.6	101.4	101.5	102.4	102.1	101.3	102.0	102.7	102.4	102.9	105.2	105.5
Communication	5.6	98.1	98.1	98.2	98.2	98.2	98.2	95.5	95.5	95.5	95.6	95.5	95.5	95.6
Recreation and culture	1.6	102.8	103.1	103.1	103.1	103.2	102.8	102.5	102.5	102.7	102.9	102.3	102.6	102.9
Education	1.5	103.5	105.3	105.6	105.5	105.5	105.5	105.8	106.0	106.0	106.0	106.0	106.0	106.0
Restaurants and hotels	4.2	104.6	105.0	105.3	105.3	105.3	105.4	105.2	105.4	105.6	106.3	106.3	106.5	107.3
Miscellaneous goods and services	3.1	105.4	105.7	105.7	105.7	106.5	106.9	107.0	107.0	106.9	107.1	107.0	107.2	108.2
Total - All Items Index	100.0	109.2	110.1	111.3	112.7	113.2	113.2	112.8	112.4	112.0	112.1	111.8	112.2	112.8
Other Selected Groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	114.6	116.6	118.3	120.9	121.2	120.6	120.5	118.9	117.5	116.8	116.0	116.3	117.6
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	124.4	124.8	129.4	133.6	136.7	140.8	138.1	139.6	142.5	145.4	146.6	148.2	146.4
All items less food	62.9	106.7	107.0	108.0	108.7	109.3	110.1	109.7	110.1	110.8	111.4	111.6	112.2	112.5
All items less food and energy	54.3	103.9	104.1	104.6	104.7	104.9	105.2	105.1	105.4	105.7	105.9	106.1	106.5	107.1

Source: National Bureau of Statistics



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

Main Groups	Weight (%)	Ref period: December 2015=100												
		Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Food and non alcoholic beverages	38.5	6.2	6.3	5.4	4.7	3.6	2.6	3.4	2.8	2.2	2.0	1.2	0.4	1.0
Alcoholic, tobacco and narcotics	3.7	2.6	2.6	2.3	2.0	1.6	1.3	0.3	0.8	1.2	1.9	1.9	1.6	2.2
Clothing and footwear	8.3	2.9	2.7	3.3	3.2	2.6	2.4	2.2	2.4	2.7	3.2	3.3	3.3	3.6
Housing, water, electricity, gas and other fuel	11.6	8.3	7.1	8.6	10.4	13.1	15.0	12.0	12.3	12.3	13.2	14.1	13.3	12.1
Furnishing, housing equipment and routine Maintenance of the house	6.3	1.3	1.8	1.6	1.9	2.0	2.3	2.4	2.6	3.1	3.0	2.8	2.9	4.0
Health	2.9	2.0	1.6	1.6	1.6	1.6	1.2	1.4	0.7	1.7	1.3	0.8	0.8	1.0
Transport	12.5	0.0	0.3	1.6	1.4	1.8	1.9	1.6	2.5	3.4	2.8	3.0	5.1	5.1
Communication	5.6	-1.0	-1.0	-0.2	-0.2	0.1	0.1	-2.6	-2.7	-2.6	-2.6	-2.7	-2.7	-2.6
Recreation and culture	1.6	0.9	2.0	1.5	1.1	1.2	0.7	0.5	0.4	-0.2	-0.2	-1.0	-0.7	0.1
Education	1.5	0.8	2.5	2.5	2.4	2.4	2.3	2.6	2.5	2.5	2.5	2.4	2.4	2.4
Restaurants and hotels	4.2	0.3	0.8	0.9	0.8	0.8	1.0	0.7	0.8	1.1	1.9	1.9	1.9	2.7
Miscellaneous goods and services	3.1	2.5	2.7	2.7	1.2	0.9	1.3	1.4	1.2	1.2	1.3	1.6	1.7	2.6
Total – All Items Index	100.0	4.0	4.0	4.1	3.9	3.8	3.6	3.4	3.3	3.3	3.4	3.2	3.0	3.3
Other Selected Groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	6.7	6.7	5.8	5.0	4.0	3.2	3.8	3.0	3.2	3.1	2.5	2.0	2.6
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	11.4	10.4	12.1	14.1	18.4	21.2	16.8	18.5	18.7	18.9	19.5	19.2	17.7
All Items less food	62.9	2.8	2.8	3.3	3.5	3.9	4.5	3.9	4.2	4.6	4.8	5.0	5.3	5.4
All Items less food and energy	54.3	1.3	1.4	1.7	1.6	1.4	1.6	1.6	1.6	2.0	2.2	2.3	2.6	3.1

Source: National Bureau of Statistics



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

	Weights (%)	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Headline	100.0	105.1	105.2	105.1	105.2	106.0	107.6	108.4	108.2	109.3	107.9	108.3	108.0	108.7
Food	51.7	104.3	101.7	101.4	101.5	102.7	106.9	107.9	106.5	108.3	105.6	106.6	105.0	106.7
Non-Food	48.3	105.6	107.7	107.8	108.0	108.4	108.2	108.7	109.5	110.1	109.7	109.6	110.3	110.2
Alcoholic beverages, tobacco & narcotics	0.3	103.3	103.3	103.3	103.3	103.3	103.3	103.3	103.3	108.4	110.2	110.2	110.2	110.2
Clothing and footwear	9.3	104.0	105.0	105.0	105.1	105.2	105.3	105.3	105.5	105.4	105.2	105.4	107.0	107.0
Housing, water, electricity, gas and other fuels	17.1	110.9	111.0	110.9	111.4	111.7	111.1	112.8	114.5	115.9	114.5	114.5	114.8	114.2
Furnishing, household equipment and routine household maintenance	4.6	102.1	113.1	112.8	112.9	113.0	113.7	114.3	114.5	114.9	115.4	114.9	114.7	114.9
Health	2.8	104.6	104.6	104.5	104.5	104.5	105.9	106.2	106.5	106.3	106.4	106.4	106.2	106.2
Transport	6.3	105.7	109.4	110.0	110.3	111.6	110.6	110.7	113.3	113.1	112.9	113.0	114.0	114.7
Communication	2.6	100.2	100.3	100.3	100.3	100.3	100.5	99.1	99.1	99.1	99.1	99.1	99.1	99.1
Recreation and culture	0.8	102.7	103.5	105.1	105.1	105.1	105.1	105.1	105.1	105.1	105.1	105.1	107.7	107.7
Education	1.3	100.0	105.2	105.3	105.3	105.3	105.3	105.3	105.3	105.4	105.4	105.4	106.3	106.3
Restaurants and hotels	2.1	102.0	102.0	102.0	102.0	102.0	102.0	102.0	98.7	100.2	100.2	100.2	100.8	100.8
Miscellaneous goods & services	3.2	100.3	102.0	102.0	102.0	101.9	101.8	102.7	102.7	102.7	102.7	102.9	104.4	104.2

Source: Office of Chief Government Statistician, Zanzibar



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

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Headline	100.0	5.9	5.2	4.8	4.4	2.6	2.7	3.5	3.9	4.0	3.5	3.7	4.4
Food	51.7	6.4	1.7	1.2	0.4	-1.4	-0.4	2.3	1.9	2.0	0.1	2.6	3.5
Non-Food	48.3	5.5	7.7	7.6	5.5	5.1	4.4	5.4	5.4	5.4	6.1	4.5	5.2
Alcoholic beverages, tobacco & narcotics	0.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	0.0	4.9	6.6	6.6	6.6
Clothing and footwear	9.3	4.1	5.0	5.1	5.2	5.4	5.5	1.2	1.5	1.4	2.3	1.6	3.0
Housing, water, electricity, gas and other fuels	17.1	10.1	11.0	10.2	11.0	4.2	3.3	3.8	6.0	5.6	3.5	3.9	4.9
Furnishing, household equipment and routine household maintenance	4.6	1.8	13.1	12.8	12.9	12.9	13.6	12.9	12.9	13.3	13.9	12.9	12.8
Health	2.8	4.6	4.6	4.5	4.4	4.1	1.8	2.6	2.8	2.6	1.9	2.1	1.5
Transport	6.3	5.2	9.4	8.7	7.7	8.6	8.5	7.8	10.9	11.4	18.8	8.7	8.9
Communication	2.6	0.2	0.3	0.3	0.3	0.3	0.4	-0.9	-0.9	-0.9	-0.9	-0.9	-1.1
Recreation and culture	0.8	2.8	3.5	8.7	6.8	6.8	6.9	2.8	2.8	2.8	8.8	2.5	5.0
Education	1.3	4.1	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.4	5.4	5.4	6.3
Restaurants and hotels	2.1	2.8	2.0	2.0	2.0	2.0	2.0	2.0	-2.4	-0.8	-0.8	-0.8	-1.1
Miscellaneous goods & services	3.2	0.5	2.0	2.0	2.0	2.1	1.9	2.5	2.3	2.4	2.4	2.5	4.1

Source: Office of Chief Government Statistician, Zanzibar



Table A4: Tanzania: Depository Corporations Survey

Billions of TZS

Items	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Net foreign assets (NFA) of the banking system	11,596.1	11,380.8	11,196.2	10,881.2	10,750.8	11,236.7	11,236.7	11,217.4	11,631.7	11,522.5	11,643.1	11,130.9	10,642.3
NFA of the Bank of Tanzania	12,149.9	12,771.7	11,687.2	10,734.0	10,734.0	11,530.2	11,514.9	11,330.4	11,621.4	11,495.8	11,142.1	10,693.4	10,692.3
Net international reserves (Millions of USD)	5,713.3	5,530.0	5,477.4	5,231.6	5,010.6	5,533.6	5,341.4	5,249.8	5,369.8	5,307.2	5,149.1	4,949.9	4,945.4
NFA of the banks	-553.8	-390.9	-491.4	-268.0	16.8	-280.7	-278.2	-113.0	15.7	147.3	380.4	432.5	-50.0
Banks NFA (Millions of USD)	-248.3	-174.6	-218.9	-179.2	7.4	-123.9	-122.7	-49.8	6.9	64.7	166.9	197.0	-21.9
Net domestic assets of the banking system	13,118.2	13,566.4	13,683.6	13,595.7	13,683.0	13,273.4	14,057.9	13,487.8	13,405.3	13,632.7	13,745.0	14,359.4	15,181.0
Domestic claims	20,171.1	20,913.1	20,543.8	20,851.3	20,890.7	20,390.2	21,362.7	21,176.1	21,167.5	21,480.0	21,439.2	22,309.8	22,208.2
Claims on central government (net)	3,275.7	3,989.6	3,675.4	4,037.0	4,037.9	3,125.2	3,829.4	3,740.4	3,584.5	3,910.7	3,845.5	4,507.1	4,481.6
Claims on central government	8,081.8	8,225.0	8,512.7	8,877.7	8,937.1	7,912.3	9,124.7	8,240.3	8,179.7	8,240.8	8,200.0	8,469.8	8,522.5
Ow Securities held by banks	5,594.4	5,404.2	5,486.2	5,545.2	5,607.8	5,472.6	5,370.8	5,408.4	5,306.6	5,300.7	5,150.3	5,157.8	4,993.6
Liabilities to central government	4,806.1	4,235.4	4,837.3	4,800.8	4,899.2	4,787.0	5,295.3	4,499.9	4,595.2	4,330.1	4,354.5	3,962.7	4,040.9
Claims on the private sector	16,895.4	16,923.5	16,868.4	16,814.3	16,852.6	17,265.0	17,533.3	17,433.6	17,583.0	17,569.3	17,953.7	17,802.7	17,726.6
Ow Extended in Shillings	48.1	61.0	68.3	52.1	47.8	52.3	53.8	43.0	45.5	41.1	45.0	48.3	46.4
Extended in foreign currency	10,917.7	10,867.7	10,858.7	10,838.7	10,986.8	11,222.9	11,301.4	11,409.7	11,580.6	11,685.5	11,791.0	11,844.2	11,902.6
Expenditure in millions of USD	4,893.2	4,863.1	4,842.4	4,824.6	4,868.2	4,953.9	4,989.6	5,031.4	5,093.3	5,134.0	5,174.9	5,196.4	5,220.5
Other items net	-7,052.9	-7,346.6	-6,860.3	-7,255.6	-7,207.7	-7,116.8	-7,304.9	-7,688.2	-7,762.2	-7,847.3	-7,694.2	-7,950.3	-7,027.2
Extended broad money supply (M3)	24,714.3	24,947.2	24,879.8	24,476.8	24,433.8	24,522.9	25,294.5	24,705.2	25,042.4	25,275.8	25,267.5	25,490.4	25,823.3
Foreign currency deposits (FCD)	6,364.4	6,465.2	6,700.1	6,287.0	6,359.3	6,218.3	6,343.3	6,439.5	6,605.0	6,674.4	6,706.5	6,597.5	6,783.1
FCD (Millions of USD)	2,832.5	2,862.2	2,987.9	2,798.3	2,817.7	2,745.9	2,800.6	2,839.7	2,905.0	2,932.4	2,943.4	2,894.5	2,973.1
Broad money supply (M2)	18,349.9	18,542.0	18,179.7	18,189.8	18,074.5	18,304.7	18,951.2	18,265.7	18,437.4	18,601.3	18,561.0	18,892.8	19,040.3
Other deposits	7,194.6	7,195.1	7,204.5	7,063.1	7,046.1	7,193.9	7,189.3	7,085.6	7,083.8	7,065.3	7,189.3	7,139.7	7,316.7
Narrow money supply (M1)	11,155.3	11,346.9	10,975.2	11,126.7	11,028.3	11,110.7	11,762.0	11,180.0	11,353.6	11,536.0	11,371.7	11,753.2	11,723.6
Currency in circulation	3,831.6	3,676.3	3,614.1	3,704.0	3,620.3	3,749.0	3,926.2	3,885.1	3,865.8	3,835.1	3,756.2	3,773.5	3,866.6
Transferable deposits	7,323.7	7,670.6	7,361.1	7,422.7	7,408.0	7,361.7	7,835.7	7,294.9	7,487.8	7,700.9	7,615.5	7,979.7	7,857.0
Memorandum items													
Reserve money	6,954.4	7,169.2	7,143.2	6,744.9	6,487.7	6,811.9	7,136.6	6,680.3	6,753.2	6,487.3	6,587.2	6,790.0	6,992.9
Banks' reserves	2,257.2	2,715.3	2,775.6	2,311.5	2,099.4	2,337.8	2,497.4	2,077.6	2,110.4	1,890.2	2,044.4	2,212.1	2,216.6
Currency outside Bank of Tanzania	4,697.2	4,453.9	4,367.6	4,433.4	4,388.3	4,474.1	4,639.2	4,602.7	4,642.8	4,597.1	4,542.8	4,577.8	4,776.2
Average reserve money	7,024.5	7,015.1	6,963.8	6,829.2	6,669.4	6,611.9	6,960.4	6,870.8	6,748.9	6,633.4	6,613.0	6,628.7	6,921.4
Nominal exchange rate (end of period) (TZS/USD)	2,231.2	2,234.7	2,242.4	2,246.6	2,256.9	2,246.6	2,265.0	2,267.7	2,273.7	2,279.3	2,278.5	2,279.3	2,280.0
Gross official reserves (Millions of USD)	5,900.3	5,721.6	5,668.4	5,411.0	5,188.0	5,528.0	5,483.9	5,392.4	5,200.5	5,437.1	5,277.8	5,078.8	5,044.6
Foreign assets of banks (Millions of USD)	726.7	786.2	723.3	787.9	927.4	795.2	825.2	895.2	866.6	949.7	998.1	1,037.3	966.7
Gross foreign assets of the banking system (Millions of USD)	6,627.0	6,507.7	6,391.7	6,198.9	6,115.4	6,323.2	6,309.1	6,287.6	6,367.0	6,386.9	6,275.9	6,116.1	6,011.3
Annual growth rates (%)													
Stock of reserve money	1.5	9.2	10.2	6.1	0.0	3.8	4.5	-0.4	-1.6	-1.0	-1.4	-5.6	0.6
Average reserve money	0.6	5.4	7.0	6.1	2.8	1.1	4.0	2.8	0.8	-2.3	1.9	-3.5	-1.5
Extended broad money supply (M2)	8.0	9.5	11.2	8.4	7.0	4.8	6.0	4.8	6.6	7.5	5.3	3.2	4.3
Broad money supply (M2)	10.4	12.9	13.6	10.8	7.3	5.9	7.1	5.2	6.5	7.2	5.6	3.6	3.8
Credit to the private sector	1.7	2.1	1.4	1.2	0.8	2.7	4.0	3.7	5.2	4.9	4.8	5.0	4.9

Source: Bank of Tanzania



Table A5: Tanzania Capital and Money Market Interest Rates

Percent

Items	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Interbank cash market rates													
Overnight	2.95	2.74	1.83	1.50	1.29	1.53	1.69	1.95	1.89	1.93	2.10	2.39	2.98
2 to 7 days	3.40	3.15	2.07	1.95	1.73	2.01	2.06	2.28	2.42	2.71	2.55	3.14	3.40
8 to 14 days	4.04	4.08	2.60	1.87	1.70	2.01	2.15	2.46	2.74	3.33	2.92	3.90	4.08
15 to 30 days	5.43	4.19	3.90	3.53	3.53	3.50	3.33	1.50	4.00	4.00	4.25	4.33	4.69
31 to 60 days	9.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
61 to 90 days	9.00	8.50	8.50	3.25	3.25	3.25	3.25	2.50	2.50	2.50	2.50	2.50	2.50
91 to 180 days	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	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	3.26	3.00	1.97	1.71	1.45	1.70	1.85	2.09	2.19	2.26	2.29	2.74	3.25
Lombard rate													
	6.75	5.10	3.91	3.00	3.00	3.69	3.69	3.56	3.97	4.10	4.08	4.08	4.50
REPO rate													
	2.23	2.24	1.10	1.00	1.21	2.46	2.46	2.37	2.37	2.37	2.37	2.37	2.37
182 days													
	5.87	4.29	3.85	3.35	3.06	2.69	2.68	3.83	5.31	5.07	4.98	5.22	5.26
364 days													
	8.71	7.48	6.58	5.48	4.74	4.80	6.27	7.63	8.11	7.98	8.08	8.59	9.22
Overall Treasury bills rate	8.19	6.54	5.45	4.69	4.04	4.28	5.59	7.45	7.57	7.19	7.40	8.19	8.72
Treasury bonds rates													
2-years													
	11.10	11.10	9.21	9.21	8.52	8.52	8.52	8.52	9.00	9.00	10.49	10.49	10.49
5-years													
	13.64	12.16	12.16	11.06	11.06	11.06	11.30	11.30	11.88	11.88	11.88	12.00	12.00
7-years													
	13.98	13.98	12.96	12.96	12.96	12.23	12.23	12.23	12.27	12.27	12.27	12.56	12.56
10-years													
	15.89	15.09	15.09	13.86	13.86	13.94	13.94	14.41	14.41	14.39	14.39	14.39	14.94
15-years													
	15.87	14.65	14.65	14.65	14.17	14.17	14.47	14.80	14.80	14.80	15.03	15.03	15.03
Discount rate	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	7.00	7.00	7.00	7.00	7.00

Source: Bank of Tanzania

Table A6: Tanzania: Banks' Interest Rates

Percent

Items	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
A: Domestic currency													
Savings deposit rate													
	2.80	2.86	2.76	2.77	2.19	2.11	2.09	2.25	2.65	2.66	2.63	2.63	2.64
Overall time deposits rate													
1 month	9.62	9.50	8.91	8.57	8.64	8.13	8.19	7.83	7.63	8.15	7.93	7.84	7.50
2 months	10.26	10.41	10.31	9.51	9.17	8.89	9.19	7.95	8.19	8.83	9.77	9.87	8.89
3 months	11.19	11.16	10.09	8.69	9.10	8.77	8.20	8.58	8.25	9.36	8.43	7.68	8.20
6 months	10.99	10.01	8.41	8.89	8.51	7.70	8.63	7.62	7.90	7.97	7.55	7.92	7.29
12 months	10.15	9.72	9.26	8.99	8.96	9.14	8.80	8.41	8.37	8.76	8.25	7.56	7.35
24 months	10.86	10.77	10.09	9.92	9.22	8.68	8.68	8.35	7.75	7.36	8.11	8.03	8.40
	11.82	12.36	12.21	12.08	13.54	11.80	11.94	11.98	11.94	13.68	11.42	11.34	10.22
Negotiated deposit rate													
	11.10	10.90	10.40	10.19	9.87	9.39	9.37	9.43	9.36	9.02	8.41	8.85	9.17
Overall lending rate													
Short-term (up to 1 year)													
	18.47	18.65	18.01	18.54	18.19	18.05	17.61	17.98	18.19	18.68	18.20	18.54	17.83
Medium-term (1-2 years)													
	20.40	20.08	18.85	19.43	19.49	18.75	18.65	18.41	17.89	18.33	17.88	17.77	17.61
Medium-term (2-3 years)													
	18.79	18.76	17.34	17.04	17.00	17.27	17.79	17.43	17.44	17.77	17.46	17.34	17.08
Long-term (3-5 years)													
	19.24	18.82	17.96	17.92	17.87	17.93	17.47	17.61	16.76	17.05	16.75	16.57	16.20
Term loans (over 5 years)													
	16.21	15.24	14.79	15.03	15.32	15.64	15.97	15.51	15.18	15.78	16.08	15.23	14.88
Negotiated lending rate													
	16.82	15.88	16.20	16.47	16.23	16.01	16.23	16.19	15.92	15.69	14.90	15.87	15.28
B: Foreign currency													
Deposits rates													
Savings deposits rate													
	0.24	0.70	1.16	0.81	0.77	1.07	1.02	0.75	0.70	1.09	0.71	1.61	1.93
Overall time deposits rate													
1-months	3.41	4.21	4.10	3.90	4.04	3.65	3.49	3.41	3.52	3.53	3.53	3.60	3.35
2-months	2.54	3.70	3.95	4.18	3.79	4.20	3.84	3.33	3.42	3.44	3.44	3.23	3.41
3-months	2.92	4.25	4.42	3.74	4.44	3.76	3.39	3.64	3.17	3.94	4.03	4.54	4.55
6-months	3.91	4.59	3.72	4.36	5.23	3.45	3.66	3.73	3.84	3.48	3.14	3.30	3.27
12-months	4.03	4.69	4.65	3.87	3.77	3.73	3.73	3.49	4.13	3.49	3.93	3.62	3.26
	3.67	3.83	3.74	3.35	2.99	3.11	2.82	2.87	3.02	3.31	3.08	3.32	2.24
Overall lending rate													
	7.81	7.96	8.39	8.02	8.31	8.32	8.38	8.32	7.97	5.94	6.91	7.70	8.31
Short-term (up to 1 year)													
	7.82	8.48	8.84	8.32	8.30	8.54	8.55	8.99	8.68	7.11	7.27	7.46	8.93
Medium-term (1-2 years)													
	7.25	7.29	7.92	8.34	8.35	8.03	8.18	8.86	8.01	5.69	6.90	8.00	9.17
Medium-term (2-3 years)													
	8.29	8.34	8.27	7.71	8.31	8.42	8.40	7.44	7.62	4.60	7.22	7.53	7.79
Long-term (3-5 years)													
	8.07	8.01	8.03	8.17	8.17	8.17	8.47	8.33	8.12	5.59	6.15	8.12	8.19
Term loans (over 5 years)													
	7.61	7.69	8.89	7.57	8.43	8.44	8.28	8.01	7.43	6.70	7.02	7.40	7.49

Source: Bank of Tanzania



Table A7: Zanzibar Central Government Operations

	Billions of TZS			Percent of Estimates
	Budget 2018/19	July 2018 - December 2018		
		Estimates	Actual	
Total revenue	786.5	390.8	359.5	92.0
Tax revenue	706.5	347.8	322.8	92.8
Tax on imports	165.9	80.7	74.2	92.0
VAT and excise duties (local)	191.8	97.4	84.7	87.0
Income tax	135.2	63.8	64.8	--
Other taxes	213.6	105.9	99.1	93.6
Non-tax revenue	80.0	43.1	36.7	85.2
Total expenditure	1,315.1	521.0	505.6	97.0
Recurrent expenditure	702.1	382.1	360.0	94.2
Wages and salaries	337.3	163.9	163.3	99.6
Other expenditure	364.8	218.2	196.8	90.2
Development expenditure	613.0	138.9	145.5	--
local	148.8	62.7	47.2	75.1
foreign	464.2	76.2	98.4	--
Overall (surplus) deficit before grants	-528.6	-130.2	-146.1	--
Grants	75.6	24.9	35.6	--
4.5% Budget support	0.0	0.0	5.6	--
Program grant	75.6	24.9	29.9	--
Overall deficit after grants	-453.0	-105.3	-110.5	--
Adjustment to cash and other items	24.4	54.0	29.2	54.0
Overall deficit cheques cleared	-428.6	-51.3	-81.3	--
Financing	428.6	51.3	81.3	--
Foreign	388.6	51.3	81.3	--
Program loans	40.0	51.3	81.3	--

Source: Ministry of Finance and Economic Planning, Zanzibar



Table A8: Tanzania's Balance of Payments

Item	Millions of USD					
	2012	2013	2014 ^r	2015 ^r	2016 ^p	2017 ^p
A. Current account	-3,769.6	-4,988.5	-5,048.6	-3,986.9	-1,953.2	-1,481.2
Goods: exports f.o.b.	5,889.2	5,258.1	5,194.1	5,316.8	5,661.2	4,827.8
Traditional	956.7	868.9	828.8	793.3	885.6	1,020.2
Non-traditional	4,164.4	3,703.3	3,798.6	4,040.1	4,260.9	3,368.7
o/w Gold	2,117.4	1,644.8	1,324.1	1,183.3	1,449.4	1,541.1
Unrecorded trade	768.2	685.8	566.8	483.3	514.7	438.9
Goods: imports f.o.b.	-10,319.1	-11,029.1	-10,917.8	-9,843.1	-8,463.6	-7,551.7
Balance on goods	-4,429.9	-5,771.1	-5,723.7	-4,526.3	-2,802.5	-2,723.9
Services: credit	2,786.4	3,201.7	3,396.0	3,412.4	3,599.3	3,831.4
Transport	641.1	811.8	902.6	1,024.9	1,053.6	1,140.6
Travel	1,712.7	1,880.4	2,010.1	1,902.0	2,131.6	2,230.3
Other	432.6	509.5	483.2	485.5	414.1	440.5
Services: debit	-2,358.9	-2,488.5	-2,668.7	-2,629.1	-2,176.4	-2,039.9
Transport	-1,046.9	-1,137.8	-1,163.0	-1,047.0	-893.7	-800.3
Travel	-967.0	-1,033.9	-1,101.6	-1,195.3	-925.3	-807.3
Other	-344.9	-316.7	-404.1	-386.8	-360.4	-423.3
Balance on services	427.5	713.2	727.3	783.3	1,422.9	1,791.5
Balance on goods and services	-4,002.4	-5,057.9	-4,996.4	-3,743.0	-1,379.6	-932.4
Primary income: credit	131.1	130.1	118.4	110.3	98.5	125.3
o/w Investment income	109.6	99.9	86.5	87.8	67.6	86.1
Compensation of employees	21.4	30.2	31.9	22.5	31.0	39.3
Primary income: debit	-705.1	-835.8	-647.9	-834.6	-1,053.6	-1,076.2
o/w Direct investment income	-560.2	-617.0	-445.0	-550.0	-625.2	-672.8
Interest payments	-84.1	-148.2	-150.9	-248.6	-379.9	-256.0
Compensation of employees	-57.0	-67.9	-49.1	-33.2	-46.1	-45.0
Balance on primary income	-574.0	-705.7	-529.5	-724.3	-955.1	-950.8
Balance on goods, services and primary income	-4,576.4	-5,763.6	-5,525.9	-4,467.3	-2,334.7	-1,883.2
Secondary income: credit	912.3	836.9	535.5	560.5	452.7	485.2
Government	543.6	485.2	177.9	195.2	81.1	121.8
o/w Miscellaneous current transfers (Multilateral HIPC relief)	0.0	0.0	0.0	0.0	0.0	0.0
Financial corporations, nonfinancial corporations, households and NPISHs	368.7	351.7	357.6	365.3	371.6	363.4
o/w Personal transfers	368.7	351.7	357.6	365.3	371.6	363.4
Secondary income: debit	-105.4	-61.8	-58.2	-80.2	-71.2	-83.2
Balance on secondary income	806.8	775.1	477.3	480.4	381.5	402.0
B. Capital account	777.2	658.8	522.2	354.4	420.4	351.0
Capital transfers credit	777.2	658.8	522.2	354.4	420.4	351.0
General government	713.6	595.2	457.9	290.3	357.3	287.8
Other capital transfer (Investment grant)	713.6	595.2	457.9	290.3	357.3	287.8
Debt forgiveness (including MDRR)	0.0	0.0	0.0	0.0	0.0	0.0
Financial corporations, nonfinancial corporations, households and NPISHs*	63.6	63.6	64.2	64.0	63.2	63.2
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0	0.0
Total, Groups A plus B	-2,992.4	-4,329.7	-4,526.4	-3,632.5	-1,532.8	-1,130.2
C. Financial account, excl. reserves and related items	-3,879.6	-5,021.0	-3,244.5	-2,819.8	-1,820.6	-2,370.0
Direct investments	-1,799.6	-2,087.3	-1,416.1	-1,506.0	-864.0	-1,125.6
Direct investment abroad	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	1,799.6	2,087.3	1,416.1	1,506.0	864.0	1,125.6
Portfolio investment	-6.1	-4.5	-11.5	-27.6	-2.9	-2.9
Other investment	-2,073.9	-2,929.3	-1,816.9	-1,286.1	-961.5	-1,241.5
Assets	-220.6	186.4	-29.4	331.7	-129.1	-117.8
Loans (Deposit-taking corporations, except the central bank)	-37.2	-0.1	-24.5	186.8	-95.8	-34.5
Currency and deposits	-183.3	186.6	-4.9	144.9	-33.3	-83.4
Deposit-taking corporations, except the central bank	-156.3	-20.7	-87.9	69.5	-150.1	-4.9
Other sectors	-27.0	207.3	83.0	75.4	116.8	-78.5
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	1,853.4	3,115.7	1,787.5	1,617.8	832.4	1,123.7
Trade credits	0.2	0.8	-1.0	-0.1	0.2	9.7
Loans	1,820.3	2,927.6	1,774.0	1,715.3	901.5	1,131.1
Monetary authority	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	0.0	0.0	0.0	0.0	0.0	0.0
General government	971.2	1,750.8	1,337.4	1,247.0	381.9	734.1
Drawings	1,022.8	1,834.4	1,476.8	1,440.7	828.5	1,238.8
Repayments	-51.6	-83.6	-139.3	-193.8	-446.5	-504.7
o/w Debt forgiveness	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduled debt	0.0	0.0	0.0	0.0	0.0	0.0
Deposit-taking corporations, except the central bank	30.6	188.5	14.6	97.3	209.2	176.1
Other sectors	818.6	988.3	422.0	371.0	310.3	220.8
Drawings	872.3	1,070.6	494.5	547.4	453.3	318.9
Repayments	-53.7	-82.3	-72.5	-176.4	-142.9	-98.1
Currency and deposits	32.8	187.3	14.4	-97.5	-69.3	-17.1
Total, Groups A through C	-6,872.0	-9,350.7	-7,770.9	-6,452.3	-3,353.3	-3,500.2
D. Net errors and omissions	-561.1	-183.4	1,030.1	613.7	17.8	429.8
Overall balance	326.2	507.9	-251.8	-199.1	305.5	1,669.6
E. Reserves and related items	326.2	507.9	-251.8	-199.1	305.5	1,669.6
Reserve assets	324.7	621.4	-307.3	-273.7	232.2	1,598.7
Use of Fund credit and loans	1.5	-113.5	55.5	74.6	73.3	70.9
Memorandum items:						
GDP(m) millions of USD	39,087.6	44,382.8	48,240.9	45,766.1	47,388.8	52,090.3
CAB/GDP	-9.6	-11.2	-10.5	-8.7	-4.1	-2.8
CAB/GDP (excl. current official transfers)	-11.0	-12.3	-10.8	-9.1	-4.3	-3.1
Gross official reserves	4,068.1	4,689.7	4,377.2	4,093.7	4,325.6	5,900.3
Months of Imports (Excluding FDI related imports)	4.1	4.5	4.7	4.9	6.0	6.6
Exchange rate (TZS per USD) (end of period)	1,571.6	1,578.6	1,725.8	2,148.5	2,172.6	2,230.1
Exchange rate (TZS per USD) (annual average)	1,571.7	1,598.7	1,652.5	1,988.4	2,177.1	2,228.9

Source: Tanzania Revenue Authority, Bank of Tanzania, banks and Bank of Tanzania computations

Note: r denotes revised data; and p, provisional data

NPISHs- Non Profit Institutions Serving Households



Table A9: Zanzibar: Goods Exports by Major Category

Export category	Units	July - December		Percentage change
		2017	2018	
Traditional				
Clove				
Value	USD ('000')	48,735.1	-	--
Volume	000 Tonnes	6.2	-	--
Unit price	USD/Tonne	7,919.3	-	--
Non-traditional				
Seaweeds				
Value	USD ('000')	2,740.1	1,953.8	-28.7
Volume	000 Tonnes	7.7	5.0	-34.5
Unit price	USD/Tonne	355.5	390.0	9.7
Manufactured goods	USD ('000')	2,214.8	2,393.0	8.0
Fish and Marine Products	USD ('000')	25.0	288.2	--
Others exports	USD ('000')	1,823.4	362.0	-80.1
Sub total	USD ('000')	6,036.6	4,996.9	-17.2
Grand total	USD ('000')	54,771.7	4,996.9	-90.9

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		
	2017	2018	
Capital goods	25.4	32.5	27.9
Transport equipment	9.1	8.6	-4.8
Building and construction	3.8	7.9	--
Machinery	12.6	16.0	27.3
Intermediate goods	41.1	55.4	34.6
Oil imports	28.0	37.0	32.1
Industrial raw materials	13.1	18.4	40.1
Consumer goods	29.4	43.4	47.9
Food and food stuffs	12.2	18.2	48.9
All other consumer goods	17.1	25.2	47.2
Grand total (c.i.f)	95.9	131.3	36.9
Grand total (f.o.b)	87.3	119.5	36.9

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



GLOSSARY

Clearing Balances

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

Core Inflation

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

Debt Sustainability

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

Disbursed Outstanding Debt (DOD)

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

Discount Rate

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

Exchange Rate

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



Financial Soundness Indicators (FSIs)

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

Gross Domestic Product (GDP)

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

Gross Official Reserves or Reserve Assets

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

Inflation

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

Lombard Facility

An overnight facility established to enable banks to borrow from the Bank



of Tanzania at their own discretion, by pledging eligible government securities as collateral.

Minimum Reserve Requirement

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

Money Supply (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

National Debt

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

Non-Food Inflation

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



Non-Performing Loan

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

Public Debt

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

Repo and Reverse Repos

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

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

Reserve Money (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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