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MONETARY POLICY STATEMENT

GOVERNOR
BANK OF TANZANIA

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14th June 2007

The Hon. Zakia Hamdani Meghji (MP),
Minister for Finance,
United Republic of Tanzania,
Dar es Salaam.

Honorable Minister,

LETTER OF TRANSMITTAL

I hereby submit the Monetary Policy Statement (MPS) of the Bank of Tanzania for the financial year 2007/08 in accordance with the Bank of Tanzania Act 2006, Section 21 Subsections (1) to (7).

The Statement reviews macroeconomic developments and monetary policy implementation during the current fiscal year 2006/07, and outlines the macroeconomic policy objectives earmarked for 2007/08 and monetary policy measures that the Bank of Tanzania intends to pursue during 2007/08.

Part I gives a summary of the Statement, while Part II stipulates the modalities of monetary policy implementation employed by the Bank of Tanzania to facilitate monetary policy decisions.

Part III presents the macroeconomic policy framework that guided the monetary and financial operations during the financial year 2006/07, highlighting the Government's macroeconomic objectives and the Bank of Tanzania monetary policy objectives.

Part IV outlines monetary policy implementation measures taken and challenges faced during the period July 2006 to April 2007, and where data is available, covers also the month of May 2007.

In Part V, macroeconomic developments during 2006/07 are highlighted, in respect of GDP, inflation, money, credit, and interest rate developments. The section also covers developments in respect of government budgetary operations, external sector, and economic developments in Zanzibar.

Finally, Part VI of the Statement presents the macroeconomic policy framework for the fiscal year 2007/08, and outlines the monetary policy measures that the Bank of Tanzania commits to implement during the year, in pursuit of conducive liquidity conditions aimed at achieving low inflation rate, and a higher and sustainable economic growth in Tanzania.

Yours sincerely,

Daudi T. S. Ballali
Governor
Bank of Tanzania

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PART I

1.0 EXECUTIVE SUMMARY

The economy of Tanzania has been growing at an average rate of 6.3 percent in the past five years to 2006. Given the estimated population growth rate of 2.9 percent, it means that real per capita GDP had been increasing at an average rate of 3.4 percent in the same period, depicting an improvement in the living standard, which is not adequate to reduce poverty in the country. Therefore, there is need to design and implement measures which will generate higher GDP growth rate of between 8 and 10 percent, sustainably in the medium to long-term.

In 2006, the country experienced a number of economic setbacks, which included the rising oil prices in the world market and the drought that adversely affected crop production, livestock development and hydropower generation. As a result of these developments, real GDP growth slowed to 6.2 percent in 2006, down from 6.7 percent recorded in 2005.

Amidst the rising world oil prices, coupled with the effects of drought on food supply and hydropower generation, the economy experienced strong inflationary pressures, and there was an extra demand for imports mainly energy sector related imports to address the energy crisis. The huge import demand exerted extra pressure on the shilling exchange rate against major currencies, which in turn had an upward influence on the prices of imported consumer goods and services. On the other hand, exports registered a marginal increase during the period under review – a situation that led to a worsening current account balance.

Despite the pressure, the annual inflation rate was maintained at a single digit level throughout the year, although with a rising trend. From 5.4 percent in July 2006, annual inflation peaked at 7.3 percent in February

2007, and then declined to 6.1 percent in April 2007. Inflation is expected to decline further, on account of an expected good agricultural production with the return of favourable weather conditions. The Bank of Tanzania will continue to pursue appropriate monetary policy targeting an inflation rate of less than 5.0 percent in the medium term consistent with inflation rates of Tanzania's major trading partners.

On monetary policy front, the Bank of Tanzania succeeded in containing the monetary aggregates within desired levels, although strong liquidity expansion was registered towards the last quarter of 2006/07. The expansion was mainly attributed to the impact of a sustained growth in credit demand by the business sector and the year-end bulge in government expenditure in a bid to commit the balances of the allocated budget before year end.

The growth of the extended broad money supply (M3), which averaged 31.7 percent during the financial year 2005/06, decelerated to an average of 24.1 percent during the first ten months of 2006/07. This level compares well with 24.2 percent targeted growth of M3 for the year ending June 2007.

Credit demand continued to record strong growth in line with the increasing momentum of economic activity in the country. During 2005/06, credit to private sector grew at an annual average rate of 33.6 percent, firming to an average of 39.4 percent in the first ten months of 2006/07. Besides the increased pace of economic activities in the country, the other factors behind the strong growth in credit demand include the increased competition in the banking sector that pushed lending rates downwards; and the existence of credit guarantee schemes that stimulated banks to lend to small and medium sized businesses.

Fiscal performance for the Union Government and the Government of Zanzibar during the first ten months of 2006/07 was broadly within the budgetary targets. For the Union Government, revenue collections surpassed the targets, while development partners' support to the budget was frontloaded, allowing smooth execution of the government expenditure plans. The power crisis and the subsequent power rationing that persisted during the first half of the financial year 2006/07, had no serious adverse effects on revenue performance on local goods, mainly because productive sectors were given priority to electricity during power shedding. Moreover, the increase in imports resulted into higher import taxes. As a result, during the period under review, total revenue collections were above the target of TZS 2,015.0 billion by TZS 204.0 billion, the main contributor to domestic revenue being import taxes, which accounted for 41.3 percent of total revenue collected. Total resources available for the ten months of the year amounted to TZS 3,117.6 billion, out of which development partner's support to the budget amounted to TZS 898.6 billion as at end April 2007. Government expenditure during the same period was TZS 3,466.2 billion. The resulting overall deficit was financed by foreign concessional loans.

Revenue collections for Government of Zanzibar were also above targets, while its expenditure was below target. TZS 75.0 billion was collected as revenue against the target of TZS 72.2 billion. Total expenditure during the period under review stood at TZS 119.7 billion, being far below the target of TZS 214.8 billion for the year. The low expenditure was mainly recorded in development projects due to lower than projected foreign resources.

The performance of the external sector in Tanzania was moderate, as the export sector remained vulnerable to climatic conditions, and terms of trade shocks. A sharp increase in international oil prices, coupled with increased demand for oil in the energy sector resulted in higher imports which outpaced the marginal export gains, with consequent widening of the current account deficit. The overall balance of payments position, however, remained satisfactory mainly due to continued strong inflows of donor assistance and debt relief received under the Multilateral Debt Relief Initiative.

Despite the surge in the import bill during the period under review, the stock of gross international official reserves stood at USD 2,247.5 million by end May 2007, being higher than the level recorded for the same period of 2005/06, enough to cover 5 months of imports of goods and services. However, this level was below the target of 6 months import cover for 2006/07.

In the case of Zanzibar, the performance of the external sector registered improvement during the period under review. The deficit in the trade account narrowed to USD 51.5 million compared to USD 66.4 million recorded in the corresponding period of the previous year. Exports rose by 18.8 percent while imports declined by 14.4 percent. The drop in imports is partly associated with the ongoing rehabilitation of the Zanzibar Port.

In conclusion, the Tanzanian economy still faces economic challenges despite the strong growth momentum. Structural weaknesses continue to exist particularly in the productive and energy sectors. Agriculture and power generation are weather dependent, productivity in major productive sectors is very low; the export sector is weak and non-competitive, the financial sector is beset by large interest rate margins and low domestic savings.

An aggressive approach in dealing with the above challenges is needed now than ever before. The country faces globalisation, which entails new opportunities, but at the same time exposes the country to international competition for its goods and services produced for the international market. On the other hand, the underdeveloped financial sector, which if adequate reforms are not taken in a timely manner, will continue to have a negative impact on the accessibility of financial services to a wider population and thus adversely affect the productive capacity of the economy and therefore hinder poverty reduction initiatives of the government.

Looking forward, the continuation of structural reforms across a wider range of sectors will therefore be required to transform the Tanzanian economy into one where the financial sector contributes optimally to economic growth, and where the productive sectors are export driven, so as to ensure the country achieves high and sustainable growth rates necessary for poverty reduction.

PART II

2.0 THE MODALITIES OF MONETARY POLICY IMPLEMENTATION

The Bank of Tanzania mission is to maintain price stability that is conducive to the attainment of financial and macroeconomic stability with the objective of promoting a high and sustainable rate of economic growth. In conducting monetary policy, the Bank of Tanzania follows modalities stipulated in the Bank of Tanzania Act 2006 and uses indirect monetary policy instruments.

2.1 The Modalities of Monetary Policy Implementation

- At the beginning of every fiscal year, the Bank of Tanzania sets annual monetary policy targets in its Monetary Policy Statement. The targets are reviewed at mid-year.
- The Monetary Policy Statement is submitted to the Minister for Finance, who submits it to Parliament.
- The Monetary Policy Committee of the Board of the Bank of Tanzania, chaired by the Governor, closely monitors monetary policy implementation on a monthly basis.
- At the operational level, the Bank of Tanzania Management discusses progress on monetary policy implementation on a weekly basis and sets plans for the subsequent week. In addition a technical sub-committee of the Bank's Management reviews daily liquidity developments and decides on market intervention strategies.

2.2 Monetary Policy Instruments

- The main instrument used by the Bank of Tanzania in implementing its monetary policy is Open Market Operations (OMO), which involves the sale and purchase of government securities, to withdraw or inject liquidity into the economy.

- Other indirect instruments include repurchase agreements (REPO), discount rate, statutory reserve requirements, and moral suasion. The Bank also participates in the Interbank Foreign Exchange Market (IFEM) to sell or buy foreign exchange, and in doing so mops-up excess liquidity or provides liquidity to the economy.

PART III

3.0 MACROECONOMIC POLICY FRAMEWORK FOR 2006/07

3.1 Macroeconomic Policy Objectives of the Government

In 2006/07, the Government focused its fiscal policy towards maintaining fiscal discipline through strengthening tax administration and expenditure management. Priority was on improving domestic revenue mobilization by broadening the tax base, curbing tax exemptions and enhancing revenue administration. On the expenditure side, more resources were directed at prioritized poverty reduction initiatives as stipulated under the National Strategy for Growth and Reduction of Poverty (NSGRP) and the Millennium Development Goals (MDGs).

Specifically, the Government intended to attain the following macroeconomic policy objectives during 2006/07:

i. A real GDP growth of 5.9 percent in 2006, revised downwards from an earlier projection of 7.0 percent due to the anticipated impact of the drought experienced in the country towards the end of 2005.

ii. The annual rate of inflation was projected to decline from 6.8 percent recorded in June 2006 to 4.0 percent by end June 2007. However, this target was later revised upwards to 5.0 percent during the midterm review, taking into account persistent rise in world oil prices, and high domestic food prices due to drought-related food shortages.

iii. Increase domestic recurrent revenue to 14.5 percent of GDP from 14.1 percent of GDP recorded in 2005/06.

iv. Limit total government expenditure to 28.3 percent of GDP.

v. Limit net domestic financing of the Government to 1.0 percent of GDP.

3.2 Monetary Policy Objectives

During 2006/07, the Bank continued to focus on sustaining price stability by maintaining an appropriate level of liquidity in the economy, while responding appropriately to any risks to economic prospects and to the attainment of macro-economic objectives of the Government stipulated above. Monetary policy measures were, therefore aimed at decelerating the annual growth rate of monetary aggregates in order to dampen the inflationary pressures in the economy, while at the same time facilitating the provision of adequate financial resources to the productive sectors of the economy.

Specifically, the Bank of Tanzania aimed at:

i. Containing annual growth rate of reserve money at 24 percent – a contraction from the growth of 26.6 percent targeted for the year ending June 2006.

ii. Limiting the annual growth rates of both broad money (M2) and extended broad money (M3) between 23 percent and 24 percent by end-June 2007.

iii. Allowing commercial banks credit to the private sector to grow at an annual rate of 37 percent by end June 2007; and

iv. Maintaining an adequate level of foreign reserves to cover for not less than 6 months of imports of goods and services.

The Bank of Tanzania remains committed to its mission of maintaining price stability that is conducive to the attainment of financial and macroeconomic stability in the economy, with the ultimate objective of promoting a high and sustainable rate of economic growth.

The strategy used by the Bank in controlling inflation, and the Bank's focus on assessing the effectiveness of monetary policy in controlling the long-run inflation is summarized in **Appendix I.**

3.3 Interest Rate Policy

Interest rates in Tanzania are market determined, with interest rates obtained in the treasury bills market providing an anchor. However, interest rates in the treasury bills market, by and large, reflect the shallowness of the market and weak competition among few investors, more significantly than reflecting the real cost of funds.

Looking ahead, the Bank expects that more realistic (less distorted) market based interest rates will be achieved, upon the completion of the on-going reforms aimed at deepening and widening the financial markets, improving competition, providing information about the borrowers and reducing the cost of doing banking business in Tanzania.

3.4 Credit Policy

The credit policy of the Bank of Tanzania aims at providing an environment for increased flow of credit to the private sector commensurate with the requirements of the growing economy, while maintaining price stability. The strategy used by the Bank to achieve this objective is to encourage the Government to reduce its budget deficit, which is financed by borrowing from domestic banking system so that, more resources of commercial banks could be used to provide credit to the private sector, which is the engine of growth.

3.5 Exchange Rate Policy

Tanzania adopted a free-floating exchange rate policy since 1994. This means, the shilling exchange rate against foreign currencies is determined by the demand and supply of the trading currencies in the market. However, the Bank of Tanzania periodically intervenes in the market with the objective of promoting an orderly foreign exchange market where excessive volatility in the exchange rates are minimized through a gradual sale or purchase of appropriate amounts of foreign exchange.

PART IV

4.0 REVIEW OF MONETARY POLICY IMPLEMENTATION DURING 2006/07

4.1 Liquidity Developments

Liquidity conditions in the economy were broadly contained within the desired levels during 2006/07, although expansionary pressures were eminent throughout the period. During the period, liquidity in the system increased significantly mainly on account of the spurt in foreign exchange inflows from development partners; the high demand for currency in consonance with acceleration in economic activity after the favourable rains and also reflecting the intra-year seasonal pattern; and the sustained demand for private sector credit. There was also a surge in liquidity in the last quarter of the fiscal year, mainly attributed to the normal phenomenon of the year-end bulge in government expenditure by the implementing agencies in a bid to commit the balances of the allocated budget before end of the fiscal year.

Moreover, commercial banks also injected substantial liquidity into the system as they liquidated part of their existing investments in government securities to meet the growing credit demand from the private sector. Consequently, commercial banks holdings of government securities declined to nearly 30 percent of their total deposits during the period under review from an average of 34.7 percent recorded in the corresponding period of the previous year.

The increase in excess liquidity in the economy was mirrored by the developments in reserve money, which is the operating target of the Bank of Tanzania. The annual growth of reserve money closed at 25.9 percent in the year ending June 2006. However, the developments explained above led to increased liquidity and pushed the annual growth of reserve money to 36.7 percent in July 2006, thus exceeding the projected growth of 24 percent for 2006/07. The excessive liquidity situation obtained in the economy at the beginning of the fiscal year 2006/07 called for an immediate response from the Bank of Tanzania.

In the face of excess liquidity in the economy emanating from the factors explained above, coupled with the inflationary pressures, the Bank of Tanzania imposed restrictive monetary policy measures, so that the liquidity expansion would be unwound gradually without adversely hampering economic growth. The Bank engaged an appropriate mix of monetary policy instruments at its disposal under both – the open market and foreign exchange operations. The Bank succeeded to reduce the growth rate of reserve money to 25.6 percent during the year ending April 2007 from 36.7 percent recorded in July 2006.

4.2 Open Market Operations

The Bank enhanced its sales of treasury bills and bonds; increased its repurchase agreements with commercial banks; and sold substantial amount of foreign exchange for liquidity management purposes. The Bank increased the monthly tender size from the lowest level of TZS 159.5 billion in July 2006 to the highest of TZS 300 billion in October 2006. The Bank offered TZS 2,186.5 billion in treasury bills, while sales amounted to TZS 1,873.4 billion during July 2006 to April 2007. The amount sold was lower than the amount offered because the Bank had to leave out outlier bidders. Otherwise, interest rates on treasury bills would have been higher.

During the period under review, the Bank intensified its involvement in repurchase agreements with commercial banks to complement the mopping up efforts. Repurchase agreements worth TZS 892.5 billion, being an increase of 66 percent over the previous year, were conducted.

4.3 The Outcome of Monetary Policy Implementation

In the course of implementing monetary policy, the Bank experienced a range of challenges including the unpredictable demand for monetary policy instruments mainly caused by the shallow financial markets, coupled with the low foreign exchange absorption capacity of the economy.

Despite the challenges, monetary policy measures undertaken by the Bank during the review period, succeeded in reducing the growth rate of reserve money from an average of 27.0 percent in 2005/06 to an average of 23.7 percent in the first ten months of 2006/07, thus containing reserve money within its target of 24.0 percent for the year ending June 2007.

The Bank has taken into account the lessons from the past experiences, and the implications of existing challenges of conducting monetary policy in shallow and underdeveloped financial markets, as well as the new and expected developments in the financial markets, and the medium term prospects in the economy to set the course for its monetary policy for the coming year, 2007/08.

PART V

5.0 REVIEW OF MACROECONOMIC DEVELOPMENTS DURING 2006/07

5.1 Gross Domestic Product

Tanzania continues to enjoy a good overall macroeconomic performance, after sustained economic reforms over the last ten years. However, 2006 was characterised by a slow down in economic activity on account of persistent drought, which adversely affected agricultural production and hydro-power generation, and the high oil prices in the world market. The provisional figures produced recently by the National Bureau of Statistics indicate that, real gross domestic product (GDP) grew by 6.2 percent in 2006, a decline from 6.7 percent recorded in 2005 (**Table 5.1**). Given the estimated population growth rate of 2.9 percent, it implies that real per capita income increased by 3.3 percent in 2006. This level, however, is not enough for the achievement of the Millennium Development Goals and for the reduction of abject poverty in Tanzania. There is therefore a need for designing and taking measures which will generate higher real GDP growth of between 8 percent and 10 percent, persistently in the medium to long-term.

The GDP growth in 2006 was driven by a better than anticipated performance in the trade, mining, financial and communication sectors. Notwithstanding the slow down in the growth of the agriculture sector due to the impact of drought, it still holds the highest share (44.7 percent) of total GDP.

Table 5.1: Tanzania: Annual Growth Rates of GDP by Sectors

Percent

Economic Activity	2004		2005r		2006p	
	Growth Rate	Contribution	Growth Rate	Contribution	Growth Rate	Contribution
Agriculture	5.8	46.3	5.1	45.6	4.1	44.7
Mining and Quarrying	15.4	3.2	15.7	3.5	16.4	3.8
Manufacturing	8.6	8.8	9.0	9.0	8.6	9.2
Electricity and Water	4.5	1.6	5.1	1.6	-1.8	1.4
Construction	10.8	5.4	10.3	5.6	10.0	5.8
Trade, Hotels and Restaurants	7.8	16.9	8.2	17.2	8.4	17.5
Transport and Communication	6.0	5.4	6.4	5.4	7.5	5.4
Financial and Business Services	4.4	9.7	5.3	9.6	5.5	9.5
Public Administration and Other Services	4.3	7.1	5.1	7.0	5.1	6.9
Less Financial Services Indirectly Measured	4.1	-4.5	4.9	-4.7	5.6	-4.4
Total GDP	**6.7**	**100.0**	**6.7**	**100.0**	**6.2**	**100.0**

Source: National Bureau of Statistics
Note: r = revised
P = provisional

5.2 Inflation developments

During most part of the year 2006/07, the economy experienced inflationary pressures coming from the rising world oil prices, domestic food prices and high cost of power generation. Headline inflation moved upwards from an annual rate of 5.4 percent in July 2006, peaking at 7.3 percent in February 2007, before starting a downward trajectory. By April 2007, the annual headline inflation had dropped to 6.1 percent. In July 2006, food inflation was recorded at 7.0 percent but eased to 4.8 percent by April 2007 following improved domestic food supply. However, the underlying inflation, which was low at 3.9 percent in July 2006, rose sharply to 8.2 percent in the year ending April 2007, reflecting mainly the impact of high oil prices and thus increased cost of production in the economy.

In the coming months, inflation is expected to decline further, on account of an expected good agricultural production with the return of favourable weather conditions and stability in power generation. As we continue to pursue appropriate monetary and fiscal policies, the inflation rate will be contained below 5.0 percent in line with our major trading partners.

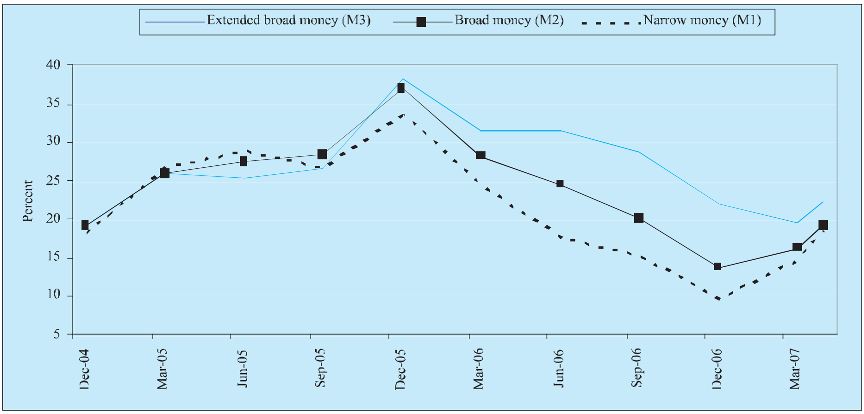
5.3 Monetary and Credit Developments

Money Supply

During July 2006-April 2007, the Bank of Tanzania implemented tighter monetary policy measures to safeguard its overriding policy objective of price stability. The tight monetary policy led to a general slowdown in the growth of money supply.

The annual growth of extended broad money (M3) contracted from an average of 31.7 percent in 2005/06 to 24.1 percent, while that of broad money (M2) was reduced from 29.2 percent to 18.6 percent **(Chart 5.1)** The growth rates for the above monetary aggregates were both within their targets for 2006/07.

Chart 5.1: Tanzania: Annual Growth Rates of Monetary Aggregates



The deceleration in monetary expansion was mirrored in the slow growth of currency in circulation and in all types of deposits. This development is mainly attributed to the large withdrawal of these components of money supply for investing in government securities sold by the Bank for liquidity management.

The average annual growth of currency in circulation fell from 23 percent in 2005/06 to 19.3 percent in the first ten months of 2006/07. Similarly, growth of demand deposits dropped significantly from an average of 28.5 percent to 12.3 percent, whereas time deposits grew at a lower rate of 16.7 percent in the current year, compared to 36.4 percent in the previous year. During the review period, savings deposits growth rate declined to an average of 28.9 percent from 34.9 percent recorded in the previous year.

Private Sector Credit

During the year 2006/07, monetary policy was set to facilitate private sector credit to grow at an annual rate of 37.0 percent, which translated into an increase of TZS 613 billion above the outstanding stock at end-June 2006.

The economy experienced an increased momentum of economic activity, particularly after the return of favourable weather conditions and steady availability of hydropower. Consequently, the demand for credit by the business sector rose. Commercial banks credit to the private sector grew by 39.3 percent in the year to April 2007. The strong growth in private sector credit is supported by increased competition in the banking sector that pushed lending rates downwards, existence of negotiated lending rates, credit guarantee schemes that stimulated banks to lend to small and medium sized businesses. Furthermore, some commercial banks have entered into special arrangements with micro-finance institutions and introduced wholesale lending through SACCOS for on-lending to their members.

It is worthy noting that, commercial banks liquidated part of their existing investments in government securities to meet the increased demand for private sector credit. As a result, commercial banks holdings of government securities declined from an average of 34.7 percent of total commercial banks deposits in 2005/06 to 29.5 percent in the first ten months of 2006/07.

In a bid to improve financial intermediation in the banking sector, the Bank of Tanzania in collaboration with other stakeholders, intends to speed-up the completion of on-going reforms in the financial sector. These include among others, the establishment of credit information bureau, reforms in the pension sector aimed at making the sector a source of medium to long term finance, and reforms in the legal sector, in order to create a more conducive environment for banks to operate effectively and efficiently in providing banking services to a wider population.

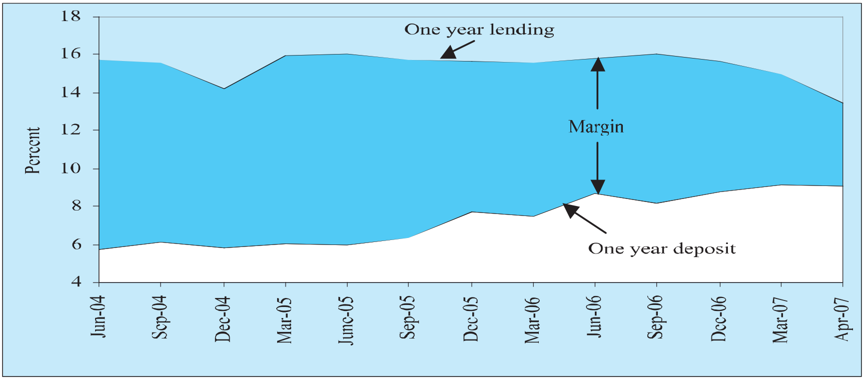
Interest Rate Developments

The trend in treasury bill rates influences a similar pattern on interest rates structure in the banking sector. However, the existing structural and legal and regulatory rigidities that work against the banking and financial system continued to affect the determination of realistic interest rates in the economy.

During the period under review, the weighted average yield for all treasury bills maturities rose from 9.17 percent in July 2006 to 13.49 percent in May 2007. Similarly, commercial banks lending rates increased from 16.18 percent in July 2006 to 17.22 percent in January 2007, before declining to 15.70 percent by April 2007. On the other hand, overall time deposit rate improved from 6.98 percent in July 2006 to 7.75 percent in April 2007.

As lending rates moved downwards, the interest rate spread between one-year deposit and leading rates narrowed to 4.3 percentage points in April 2007 from 7.1 percentage points recorded in June 2006 (**Chart 5.2**).

Chart 5.2: Tanzania: Developments in Selected Interest Rates



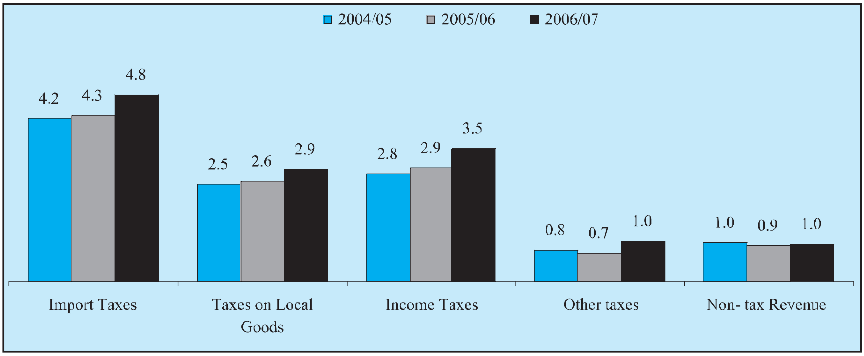
Exchange Rate Developments

During the reporting period, the Bank participated in the IFEM to smoothen excessive exchange rate volatility in the market in order to promote an orderly foreign exchange market. Despite the intervention, the shilling depreciated by 9 percent on average, mainly on account of the high demand of foreign exchange for imports. The shilling traded at an average exchange rate of TZS 1,283.93 per USD between July 2006 and May 2007, compared with TZS 1,176.04 during the corresponding period of 2005/06.

5.4 Government Budgetary Performance

Fiscal performance during the first ten months of 2006/07 was broadly within the budgetary targets. Revenue collections surpassed the targets, while development partner's support to the budget was frontloaded, allowing for smooth execution of the government expenditure plans. The power crisis and the subsequent power rationing that persisted during the first half of the financial year 2006/07, had no serious adverse effects on revenue performance, because productive sectors were given priority to electricity during power shedding due to the fact that they contribute a significant amount of tax revenue. As a result, total revenue collections were above the target of TZS 2,015.0 billion by TZS 204.0 billion. Total resources available for the ten months of the year amounted to TZS 3,117.6 billion, out of which development partner's support to the budget amounted to TZS 898.6 billion as at end April 2007. Government expenditure during the same period was recorded at TZS 3,466.2 billion. The resulting overall deficit was financed by foreign concessional loans.It is worthy noting that, during the year under review, the Government in addition to implementation of development projects, took special measures to alleviate problems in the energy sector.

Chart 5.3: Tanzania: Revenue Performance July–April (2004 -2006/07)
(Percent of GDP)



5.5 External Sector Developments

The performance of the external sector in Tanzania has been moderate, as the export sector remained vulnerable to climatic conditions and terms of trade shocks. During 2006/07, developments in the external sector were highly influenced by changes in global oil prices and high import for drought - related requirements.

During the year ending April 2007, current account deficit widened substantially reflecting a rising trade deficit. Increases in export earnings and tourism receipts were offset by expansions in merchandise imports (Table 5.2). Nonetheless, the overall balance of payments position remained satisfactory due to continued strong inflows of donor assistance and debt relief received under the Multilateral Debt Relief Initiative (MDRI).

Foreign exchange inflows, and the relief in government foreign debt obligations, led to accumulation of gross international reserves to the tune of USD 2,245 million as at end-May 2007. This level of reserves is enough to cover 5 months of imports of goods and services.

Table 5.2: Tanzania: Current Account Balance

Millions of USD

	Year Ending April					
	2003	2004	2005	2006p	2007p	2006/07 % Change
Goods Account (net)	**-526.7**	**-800.9**	**-1,132.0**	**-1,473.4**	**-2,455.2**	**66.6**
Exports	**1,053.0**	**1,273.2**	**1,542.7**	**1,723.7**	**1,807.3**	**4.9**
Traditional	216.3	224.3	321.9	357.2	250.6	-29.8
Non-traditional	836.7	1,048.9	1,220.8	1,366.5	1,556.7	13.9
o/w Gold	368.4	566.7	638.9	665.6	824.7	23.9
Imports	**1,579.7**	**2,074.1**	**2,674.8**	**3,197.1**	**4,262.5**	**33.3**
Capital goods	633.0	769.9	952.2	1,135.3	1,608.1	41.6
Intermediate goods	453.4	662.7	974.2	1,275.6	1,694.6	32.8
o/w Oil	230.3	391.1	561.3	940.1	1,224.3	30.2
Consumer goods	491.1	639.3	746.1	786.1	959.9	22.1
Services Account (net)	**290.0**	**218.0**	**136.2**	**97.4**	**155.3**	**59.5**
Receipts	938.8	990.1	1,183.8	1,349.0	1,470.1	9.0
Payments	648.8	772.2	1,047.6	1,251.6	1,314.7	5.0
Goods and services (net)	**-236.8**	**-582.9**	**-995.8**	**-1,376.0**	**-2,299.9**	**67.1**
Exports of goods and services	1,991.8	2,263.4	2,726.5	3,072.7	3,277.4	6.7
Imports of goods and services	2,228.6	2,846.2	3,722.3	4,448.7	5,577.3	25.4
Income Account (net)	**-116.8**	**-128.0**	**-120.8**	**-112.7**	**-68.2**	**-39.4**
Receipts	68.3	95.8	75.7	81.6	87.4	7.1
Payments	185.1	223.8	196.5	194.3	155.7	-19.9
Current Transfers (net)	**382.9**	**539.9**	**593.0**	**498.0**	**485.6**	**-2.5**
Inflows	445.2	602.1	659.4	564.9	556.0	-1.6
o/w General Government	389.6	534.6	588.5	472.0	463.8	-1.7
Outflows	62.3	62.2	66.4	66.9	70.5	5.3
Current Account Balance	**29.4**	**-171.0**	**-523.6**	**-990.8**	**-1,882.4**	90.0

Source: Bank of Tanzania p = Provisional data

Export Performance

In the past five years to 2005/06, the export earnings have been growing at an average rate of 15.5 percent. However, during the year ending April 2007, export earnings stood at USD 3,277.4 million, representing a marginal improvement of only 6.7 percent over the corresponding period in 2006. The dismal performance was caused by significant decline in traditional exports. Tourism earnings and gold export revenue continued to dominate, accounting for about 27 percent and 25 percent of the total exports of goods and services, respectively.

The performance of traditional exports, that is coffee, cotton, cashewnuts, tea, tobacco, sisal and cloves has been worsening over time, partly reflecting a deterioration in external competitiveness. The Government has embarked on a number of measures to address the low growth of exports. The measures include improvement of business environment, aimed at attracting strategic investors, establishing export processing zones and special economic zones, as well as allowing special incentives for export agro-processing activities.

The Bank of Tanzania on its part intends to continue taking appropriate measures to ensure desired levels of liquidity in the economy sufficient to bring down inflation to the level consistent with that of its trading partners. The Bank will also continue to monitor closely Tanzania's external competitiveness by addressing the exchange rate misalignments with its competitors.

Import Performance

The value of imports for the past five years prior to 2006/07 averaged USD 3,197.4 million (an average growth rate of 17.8 percent over the period), compared with an import bill of USD 5,577.3 million during the year ending April 2007. The sharp increase in imports during 2006/07 is attributed to the surge in the world oil prices, coupled with the increase in the volume of oil needed to address the energy related crisis in the country. There was also an increase in the importation of capital goods, industrial raw materials and petroleum products during the period under review, which were essential for economic development. However, there is a need for the government and the Bank to discourage importation of luxury goods, and instead concentrate on importation of goods beneficial for productive activities.

5.6 Review of Economic Developments in Zanzibar

Zanzibar Government Budgetary Developments

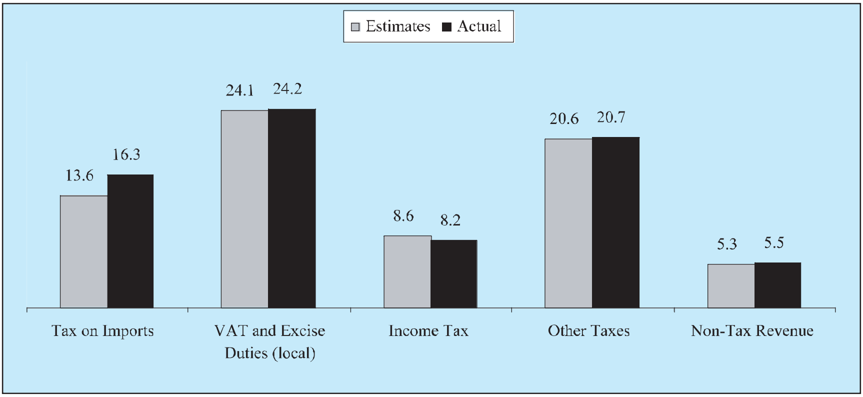
Zanzibar Government, planned to spend TZS 214.8 billion during 2006/07 and at the same time mobilize resources to the tune of TZS 199.9 billion. Domestic resources were estimated at TZS 83.2 billion while foreign resources were TZS 116.7 billion.

During the first ten months of 2006/07, domestic revenue amounted to TZS 75.0 billion accounting for 90.2 percent of annual target. Development partners' budget support amounted to TZS 52.5 billion representing 44.9 percent of the target. The budgetary operations recorded a deficit of TZS 13.1 billion, which was financed by foreign loans.

Revenue collections amounted to TZS 75.0 billion, surpassing the target of TZS 72.2 billion. Tax revenue amounted to TZS 69.5 billion of which tax on imports amounted to TZS 16.3 billion; accounting for 23.3 percent of the total tax revenue. VAT and excise duty amounted to TZS 24.2 billion, and accounted for 34.8 percent of the tax revenue. On the other hand, income taxes amounted to TZS 8.2 billion and contributed 12.0 percent of tax revenue, while other taxes reached TZS 20.7 billion and accounted for 29.8 percent of total tax revenue **(Chart 5.4).**

Chart 5.4: Zanzibar Government: Revenue by Source July 2006– April 2007

Billions of TZS



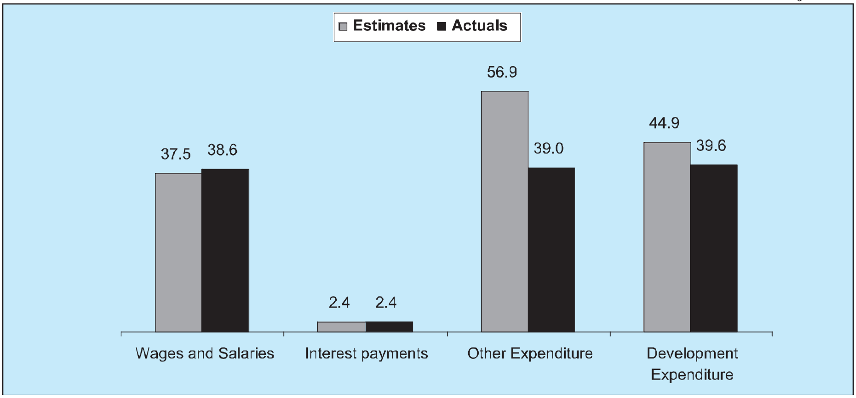
Source: Ministry of Finance and Economic Affairs, Zanzibar.

Expenditure

During the period under review, total expenditure by Zanzibar Government amounted to TZS 119.7 billion, compared to an annual target TZS 214.8 billion. Recurrent expenditure reached TZS 80.0 billion, against TZS 110.4 billion targeted for the year, whereas development expenditure was TZS 39.6 billion **(Chart 5.5).**

Chart 5.5: Zanzibar Government: Expenditure by Components July 2006 - April 2007

Billions of TZS



External Sector Developments

Current Account

During the year, Zanzibar trade account improved by posting a lower deficit amounting to USD 51.5 million, compared to a deficit of USD 66.4 million registered in the corresponding period last year. The deficit was financed by surpluses from services and current transfers arising from improved tourism receipts and partially from remittances income from abroad.

Table 5.3: Zanzibar: Current Account Balance

Millions of USD

ITEM	2005	2006		2007p		Year Ending April				Monthly	Annual
	April	April	Dec	Mar	April	2004	2005	2006	2007p	%Change	%Change
Goods Account (net)	**-6.3**	**-5.7**	**-2.5**	**-7.3**	**-4.7**	**-50.5**	**-66.6**	**-66.4**	**-51.5**	**-35.2**	**-22.5**
Exports	0.2	0.2	2.7	0.4	1.7	14.1	9.0	12.1	16.2	340.0	33.6
Imports (fob)	6.5	5.9	5.2	7.7	6.4	64.6	75.6	78.5	67.7	-16.4	-13.8
Services Account (net)	**2.1**	**2.0**	**6.5**	**3.3**	**3.2**	**10.1**	**23.2**	**16.6**	**39.2**	**-1.3**	**136.1**
Receipts	5.2	7.1	9.9	6.5	6.8	38.3	51.4	78.8	91.8	4.2	16.5
Payments	3.1	5.1	3.4	3.2	3.5	28.2	28.2	62.2	52.6	9.8	-15.4
Goods and Services (net)	**-4.2**	**-3.7**	**3.9**	**-4.0**	**-1.5**	**-40.4**	**-43.4**	**-49.8**	**-12.3**	**-62.8**	**-75.3**
Exports of Goods and Services	5.4	7.3	12.5	6.9	8.5	52.3	60.4	90.9	108.0	23.0	18.8
Imports of Goods and Services	9.6	11.0	8.6	10.9	10.0	92.8	103.8	140.7	120.3	-8.7	-14.5
Income Account (net)	**0.11**	**0.01**	**0.04**	**0.00**	**0.01**	**-0.10**	**0.14**	**0.35**	**0.27**	**178.0**	**-23.1**
Receipts	0.11	0.01	0.04	0.00	0.01	0.00	0.16	0.36	0.32	178.0	-9.3
Payments	0.00	0.00	0.00	0.00	0.00	0.10	0.02	0.00	0.05		1,615.2
Current Transfers (net)	**1.6**	**3.6**	**1.3**	**1.2**	**2.6**	**14.9**	**10.8**	**47.2**	**36.5**	**108.6**	**-22.6**
Inflows	1.6	3.6	1.3	1.2	2.6	14.9	10.8	47.2	36.5	108.6	-22.6
Outflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Current Account Balance	**-2.5**	**-0.1**	**5.3**	**-2.8**	**1.1**	**-25.6**	**-32.4**	**-2.3**	**24.5**	**-138.6**	**-1,178.3**

Source: Tanzania Revenue Authority
P = Provisional

Exports Performance

In the period under review, Zanzibar exports of goods and services rose by 18.8 percent to USD 108.0 million compared to USD 90.9 million registered in the corresponding period in 2005/06. The increase was mainly due to a rise in proceeds from services sector largely owing to earnings from tourism. Services receipts reached USD 91.8 million. While cloves export earnings amounted to USD 10.9 million, seaweeds exports earned USD 1.8 million. Other export receipts including manufactured goods earnings amounted to USD 3.5 million.

Imports

During the review period, Zanzibar import bill declined by 14.4 percent to USD 120.3 million in the first ten months of 2006/07. The drop in imports is partly associated with the ongoing rehabilitation of the Zanzibar port. Meanwhile, consumer goods imports declined by 29.4 percent to USD 19.4 million owing to a slow down in food imports as local supply increased.

Services Account

Service account surplus rose to USD 39.2 million from USD 16.6 million registered in the corresponding period in 2005/06. The increase followed a rise in foreign receipts coupled with a decline in foreign payments. Foreign receipts amounted to USD 78.4 million and were mainly dominated by tourism-oriented receipts and remittances. Foreign payments were driven by travel related payments, which amounted to USD 42.3 million, representing 80.4 percent of total foreign payments.

PART VI

6.0 MACROECONOMIC POLICY FRAMEWORK FOR 2007/08

6.1 Macroeconomic Objectives of the Government

During 2007/08, the Government will continue to focus its fiscal policy towards achieving the poverty reduction goals. Priority will be given to improving domestic revenue mobilization efforts and adequate allocation of resources to sectors with high impact on poverty reduction.

Specifically, the Government intends to attain the following macroeconomic objectives during 2007/08:

- A real GDP growth of 7.3 percent in 2007
- An annual inflation rate of 4.5 percent by June 2008
- Domestic recurrent revenue of TZS 3,517.0 billion equivalent to 18.0 percent of GDP
- Total expenditure of TZS 6,066.8 billion equivalent to 31.3 percent of GDP in 2007/08
- Official foreign exchange reserves, sufficient to cover 5 months of imports of goods and services in 2007/08.

6.2 Monetary Policy Objectives

In support of the macroeconomic objectives of the Government, the Bank of Tanzania will direct monetary policy measures towards maintaining low and stable inflation. In the light of the anticipated persistent rise in oil prices due to continued political tensions in the Middle East; the increasing demand for money in line with the expanding economic activities, including increased government expenditure on poverty reduction programmes, the Bank will pursue measures that will ensure an appropriate level of liquidity in the economy so as to maintain the macro-economic stability and at the same time achieve its monetary policy objectives for 2007/08, which are:

- Attaining the annual growth rate of money supply of 21.0 percent by end June 2008;

- Maintaining adequate level of international reserves equivalent to a minimum of 5 months of imports of goods and services; and

- Allowing commercial banks credit to the private sector to growth at an annual rate of 39.5 percent, consistent with the projected GDP growth for 2007/08.

6.3 Monetary Policy Implementation Outlook

Economic Performance

Substantial progress has been attained towards macroeconomic stability. Much of the foundation for higher economic growth has been laid, and policies have been developed to alleviate poverty and improve the delivery of social services, as well as banking services. The growth of the economy of Tanzania is projected at 7.3 percent in 2007. This implies a per capita income growth of 4.4 percent. This level of growth is still small to bring about a significant impact on alleviating poverty in Tanzania in line with Millennium Development Goals. Studies on growth requirements for poverty reduction have shown that, to eradicate poverty in sub-Saharan Africa growth rates of 8 – 10 percent per annum are required and should be sustained for a decade. The main challenge for Tanzania is on how to achieve the minimum GDP growth rate required for poverty reduction. This calls for the need to address structural weaknesses that continue to exist in the form of dependency on weather for agricultural production and power generation; low productivity; relative absence of agro-processing; low export growth; widening current account deficit; large interest rate margins; and low domestic savings.

To address these structural weaknesses, the Government must continue to improve the business environment including provision of proper incentives to attract strategic investors in irrigation, agro-processing, and manufacturing for exports.

On the other hand, the current financial sector reforms need to be completed in a timely manner to provide the required accessibility of financial services to a wider population. The Bank of Tanzania will continue to spearhead reforms aimed at transforming the financial sector into one that contributes optimally to economic growth.

Liquidity management

During 2007/08, the Bank of Tanzania will implement monetary policy to ensure monetary growth targets are achieved using reserve money as an operating target. In view of the expected large foreign exchange inflows to support the Government budget for poverty reduction expenditures, the Bank will collaborate with the Government in increasing the number of instruments to be used in the market for liquidity management. The Bank will engage an appropriate mix of monetary instruments in order to achieve the desired level of liquidity, while responding appropriately to monetary and financial stability risks in the economy.

Credit Policy

The Bank of Tanzania will continue to spearhead reforms that will accelerate the provision of credit to private sector by commercial banks in order to support the anticipated GDP growth. Some positive gains have been recorded under the second generation financial sector reforms in support of credit to the private sector. These include the decision to transform Tanzania Investment Bank (TIB) into a development finance institution that will provide medium to long-term finance, establishment of credit information system, credit guarantee schemes, on-going legal and regulatory reforms in the pension sector, leasing and mortgage financing. To safeguard the achievements obtained so far, the Bank will continue to support development of financial products, promote competition in the banking sector, and ensure that the financial sector is supervised and regulated in line with the international best practices.

Interest Rate Policy

Despite the positive endeavors mentioned above, a lot more needs to be done particularly in respect of interest rate spread. Commercial banks' deposit rates remain too low to attract domestic savings, while lending rates are too high to attract borrowing for investments. The interest rate margin is essentially associated with perceived risks of doing business with private clients. In this regard, the Bank in collaboration with the Government will address the remaining structural impediments, as well as legal and regulatory anomalies in the financial sector with the aim of protecting both the borrowers/depositors and the banks, in order to improve the accessibility of financial services to a wider population.

As competition in the financial sector intensifies and risks of lending to private sector are reduced following the completion of reforms, interest rates applied by commercial banks will be more realistic and positive in real terms. Moreover, the spread between the deposit and lending rates will continue to narrow down.

Foreign Exchange Policy

The Bank of Tanzania will continue to pursue a free floating exchange rate policy during 2007/08, while intervention in the market will continue to be limited to smoothening short-term fluctuations in the exchange rate. The Bank will also ensure that foreign exchange operations are conducted in a manner that would ensure an orderly market, and facilitate a build up of sufficient foreign exchange reserves, while protecting external competitiveness of Tanzanian's exports.

6.4 CONCLUSION

As noted in the preceding sections, despite the substantial progress made, the Tanzanian economy still faces serious challenges due to structural weaknesses that continue to exist. These challenges are particularly associated with the country's dependence on rain-fed agriculture, underdeveloped financial markets, low level of productivity in the productive sectors of the economy; poor export base leading to large current account deficits, and globalisation with its associated stiff international competition.

The need for an aggressive approach in dealing with the above challenges can not be over emphasised. Indeed, the continuation of structural reforms across a wider range of sectors, including reforms in the financial sector, are therefore required to transform the Tanzanian economy into one whose growth is export driven, agro-processing is given priority, so as to ensure high growth rates necessary for poverty reduction. However, the effectiveness in addressing the above challenges requires combined efforts from all the stake holders, including the Government, the Bank of Tanzania, commercial banks, and the private sector.

APPENDICES

A1: THE BANK OF TANZANIA INFLATION CONTROL STRATEGY

The primary objective of the Bank of Tanzania is price stability. The Bank therefore, has the responsibility of ensuring that it establishes monetary conditions that are consistent with low and stable inflation.

- The Bank holds that low inflation allows the economy to function more efficiently, thereby contributing to a better overall economic performance.

- The Bank of Tanzania focuses on the Consumer Price Index (CPI) as a measure of inflation. The rate of change in the overall CPI is referred to as the HEADLINE INFLATION RATE.

- However, the inflation rate that excludes food prices, which is referred to as NON-FOOD INFLATION or UNDERLYING INFLATION is used as a measure of long run inflation.

- In Tanzania, the underlying inflation traditionally excludes food prices because of their volatility, which depends on the supply side factors and believed to be short lived and revert backwards once supply improves.

- The Bank of Tanzania also monitors food prices and their index. This is because food prices are sometimes affected by non-monetary factors like drought and floods, which can affect inflation substantially, regardless of the stance of monetary policy. The rate of change in food price index is referred to as the FOOD INFLATION RATE.

- The Bank further belives that inflation control is not an end in itself, but rather, the means by which monetary policy contributes to overall economic performance.

- Central Banks control inflation by influencing the growth of money supply. The Bank of Tanzania focuses on the growth of broad money- M2, which is defined as currency in circulation outside banks, and total deposits held by commercial banks, excluding foreign currency deposits. M2 is chosen because it is the monetary aggregate that is estimated to have closest relationship with the rate of inflation.

- To influence the growth of M2, the Bank targets reserve money, which is directly related to money supply through the money multiplier. Reserve money is defined as the liabilities of central bank, which include currency outside the central bank and deposit money banks' reserves held by the central bank.

A2: Tanzania: Gross Domestic Product by Kind of Economic Activity
(At constant1992 prices)

Millions of TZS

Economic Activity	2001	2002	2003	2004	2005r	2006p
Agriculture	840,275	882,107	917,395	970,378	1,019,968	1,061,998
Crops	625,927	658,960	682,751	723,867	761,508	791,968
Livestock	109,588	113,424	119,095	124,838	130,073	135,406
Forestry and Hunting	52,761	54,344	56,626	58,791	60,908	63,770
Fishing	51,999	55,379	58,923	62,882	67,479	70,853
Mining and Quarrying	43,293	49,787	58,749	67,798	78,443	91,307
Manufacturing	144,647	156,219	169,653	184,218	200,797	218,066
Electricity and Water	29,297	30,200	31,688	33,123	34,815	34,192
Electricity	26,229	27,016	28,367	29,708	31,282	30,500
Water	3,068	3,185	3,321	3,415	3,533	3,692
Construction	83,494	92,678	102,872	113,994	125,736	138,309
Wholesale and Retail Trade Hotel and Restaurants	288,718	308,928	329,009	354,726	383,814	416,054
Transport and Communication	95,154	101,244	106,294	112,648	119,833	128,821
Transport	59,082	62,547	66,050	69,997	74,197	77,610
Communication	36,072	38,697	40,245	42,651	45,636	52,253
Financial and Business Services	177,911	186,485	194,711	203,222	213,961	225,670
Finance and Insurance	66,212	68,860	71,064	74,156	78,368	82,991
Real Estate	106,156	111,782	117,483	122,562	128,690	135,382
Business Services	5,543	5,842	6,164	6,504	6,904	7,297
Public Administration and Other Services	130,987	136,307	141,880	147,950	155,490	163,487
Public Administration	76,401	78,158	80,112	82,376	86,247	90,163
Education	20,226	21,844	23,373	24,920	26,490	28,265
Health	11,068	11,732	12,495	13,247	14,002	14,842
Other services	23,292	24,573	25,900	27,407	28,750	30,216
less Financial Services Indirectly Measured	(84,418)	(86,781)	(89,819)	(93,541)	(98,104)	(103,575)
TOTAL GDP	**1,749,358**	**1,857,175**	**1,962,432**	**2,094,516**	**2,234,752**	**2,374,329**

Note: r = revised and p = provisional

Source: National Bureau of Statistics

A3: Tanzania: Gross Domestic Product by Kind of Economic Activity
Percentage Growth Rates (At constant1992 prices)

Economic Activity	2001	2002	2003	2004	2005r	2006p
Agriculture	5.5%	5.0%	4.0%	5.8%	5.1%	4.1%
Crops	5.9%	5.3%	3.6%	6.0%	5.2%	4.0%
Livestock	3.3%	3.5%	5.0%	4.8%	4.2%	4.1%
Forestry and Hunting	3.6%	3.0%	4.2%	3.8%	3.6%	4.7%
Fishing	7.0%	6.5%	6.4%	6.7%	7.3%	5.0%
Mining and Quarrying	16.6%	15.0%	18.0%	15.4%	15.7%	16.4%
Manufacturing	5.0%	8.0%	8.6%	8.6%	9.0%	8.6%
Electricity and Water	3.0%	3.1%	4.9%	4.5%	5.1%	-1.8%
Electricity	2.9%	3.0%	5.0%	4.7%	5.3%	-2.5%
Water	3.5%	3.8%	4.3%	2.8%	3.4%	4.5%
Construction	8.7%	11.0%	11.0%	10.8%	10.3%	10.0%
Wholesale and Retail Trade Hotel and Restaurants	6.7%	7.0%	6.5%	7.8%	8.2%	8.4%
Transport and Communication	6.3%	6.4%	5.0%	6.0%	6.4%	7.5%
Financial and Business Services	3.3%	4.8%	4.4%	4.4%	5.3%	5.5%
Finance and Insurance	1.8%	4.0%	3.2%	4.4%	5.7%	5.9%
Real Estate	4.1%	5.3%	5.1%	4.3%	5.0%	5.2%
Business Services	5.2%	5.4%	5.5%	5.5%	6.1%	5.7%
Public Administration and Other Services	3.5%	4.1%	4.1%	4.3%	5.1%	5.1%
Public Administration	2.0%	2.3%	2.5%	2.8%	4.7%	4.5%
Education	6.1%	8.0%	7.0%	6.6%	6.3%	6.7%
Health	5.6%	6.0%	6.5%	6.0%	5.7%	6.0%
Other services	5.4%	5.5%	5.4%	5.8%	4.9%	5.1%
less Financial Services Indirectly Measured	2.5%	2.8%	3.5%	4.1%	4.9%	5.6%
TOTAL GDP	**5.8%**	**6.2%**	**5.7%**	**6.7%**	**6.7%**	**6.2%**

Note: r – revised and p – provisional

Source: National Bureau of Statistics

A4: Tanzania: Sectoral Percentage Contribution to Overall GDP (At constant1992 prices)

Economic Activity	2001	2002	2003	2004	2005r	2006p
Agriculture	48.0%	47.5%	46.7%	46.3%	45.6%	44.7%
Crops	35.8%	35.5%	34.8%	34.6%	34.1%	33.4%
Livestock	6.3%	6.1%	6.1%	6.0%	5.8%	5.7%
Forestry and Hunting	3.0%	2.9%	2.9%	2.8%	2.7%	2.7%
Fishing	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Mining and Quarrying	2.5%	2.7%	3.0%	3.2%	3.5%	3.8%
Manufacturing	8.3%	8.4%	8.6%	8.8%	9.0%	9.2%
Electricity and Water	1.7%	1.6%	1.6%	1.6%	1.6%	1.4%
Electricity	1.5%	1.5%	1.4%	1.4%	1.4%	1.3%
Water	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Construction	4.8%	5.0%	5.2%	5.4%	5.6%	5.8%
Wholesale and Retail Trade, Hotel & Restaurants	16.5%	16.6%	16.8%	16.9%	17.2%	17.5%
Transport and Communication	5.4%	5.5%	5.4%	5.4%	5.4%	5.4%
Transport	3.4%	3.4%	3.4%	3.3%	3.3%	3.3%
Communication	2.1%	2.1%	2.1%	2.0%	2.0%	2.2%
Financial and Business Services	10.2%	10.0%	9.9%	9.7%	9.6%	9.5%
Finance and Insurance	3.8%	3.7%	3.6%	3.5%	3.5%	3.5%
Real Estate	6.1%	6.0%	6.0%	5.9%	5.8%	5.7%
Business Services	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Public Administration and Other Services	7.5%	7.3%	7.2%	7.1%	7.0%	6.9%
Public Administration	4.4%	4.2%	4.1%	3.9%	3.9%	3.8%
Education	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Health	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Other services	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
less Financial Services Indirectly Measured	-4.8%	-4.7%	-4.6%	-4.5%	-4.7%	-4.4%
TOTAL GDP	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: r = revised and p = provisional

Source: National Bureau of Statistics

A5: Tanzania: Percentage Change in Consumer Price Index (All-Urban)

Period	Year-on-Year			Month-on-Month		
	Headline Inflation	Food Inflation	Non-Food Inflation	Headline Inflation	Food Inflation	Non-Food Inflation
2004-Jan	3.6	6.0	0.2	5.6	6.7	3.8
Feb	3.8	6.6	0.2	-0.3	0.3	-0.8
Mar	4.0	7.0	-0.1	-0.5	-0.2	-1.4
Apr	4.7	8.4	-0.5	0.5	1.1	-0.5
May	4.4	6.0	2.0	-0.5	-1.5	1.0
June	4.2	4.9	3.1	-0.5	-1.1	0.4
July	4.1	5.3	1.8	0.7	-0.1	1.4
Aug	4.1	5.9	1.5	-0.5	0.4	-1.2
Sep	4.0	4.6	3.2	0.2	-0.1	0.6
Oct	4.2	5.2	2.5	-0.1	-0.3	0.1
Nov	4.4	5.9	2.4	-0.3	0.1	-0.7
Dec	4.2	5.1	2.9	0.1	-0.1	0.2
2005-Jan	4.0	5.9	1.5	5.4	7.5	2.4
Feb	4.1	5.7	1.8	-0.2	0.1	-0.5
Mar	4.1	4.9	3.3	-0.5	-0.9	0.0
Apr	4.0	4.3	3.9	0.4	0.5	0.2
May	4.0	5.0	3.0	-0.5	-0.8	0.1
Jun	4.2	5.8	2.5	-0.3	-0.3	0.0
Jul	4.4	7.0	2.0	0.9	1.1	0.8
Aug	4.5	5.8	3.6	-0.4	-0.8	0.3
Sep	4.5	6.0	2.8	0.2	0.2	-0.1
Oct	4.7	6.7	2.8	-0.1	-0.3	0.1
Nov	4.8	6.7	3.7	-0.3	0.1	-0.7
Dec	5.0	7.2	3.6	0.1	-0.1	0.2
2006-Jan	5.4	9.1	1.3	-4.1	-3.5	-4.8
Feb	5.8	9.4	1.7	0.2	0.4	-0.1
Mar	6.5	10.7	1.7	0.2	0.3	0.0
Apr	6.9	11.2	1.8	0.7	0.9	0.3
May	7.7	12.3	2.1	0.2	0.2	0.4
Jun	6.8	9.6	3.8	-1.1	-2.7	1.7
Jul	5.4	7.0	3.9	-0.5	-1.3	0.9
Aug	5.5	2.6	9.7	-1.0	-1.7	-0.1
Sep	5.8	3.6	9.0	0.2	-0.4	0.9
Oct	6.0	5.2	7.0	1.6	2.6	0.0
Nov	6.2	7.0	5.7	0.8	2.3	-0.6
Dec	6.7	6.5	6.8	2.1	2.9	0.4
2007-Jan	7.0	6.7	7.4	1.3	1.8	0.6
Feb	7.3	6.2	8.8	1.1	0.7	1.7
Mar	7.2	6.1	9.1	0.7	1.2	0.2
Apr	6.1	4.8	8.2	-0.1	-0.1	-0.1

Note: (1) Before September 2006, Base year 2001=100 , from September 2006, Base year Dec 2001=100

Source: National Bureau of Statistics and Bank of Tanzania

A6: Tanzania: Central Government Operations

Millions of TZS

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07 Budget	2006/07 Jul 06- Apr 07
Total Revenue	**1,042,955.1**	**1,217,517.0**	**1,459,303.3**	**1,773,709.4**	**2,124,843.7**	**2,460,994.9**	**2,218,960.0**
Tax Revenue	939,266.8	1,105,746.0	1,342,798.2	1,615,247.0	1,946,432.6	2,269,578.8	2,046,353.7
Taxes on Imports	402,159.1	458,285.6	575,408.5	679,992.4	819,800.5	979,788.3	845,347.2
Sales/VAT and Excise on Local Goods	216,066.8	259,747.2	325,483.7	402,136.1	478,395.4	566,935.2	505,182.7
Refunds	-33,271.7	36,105.8	-48,245.1	-64,376.4	-69,961.0	-133,484.4	-88,926.5
Income Taxes	220,630.8	276,049.7	366,650.9	465,454.7	581,243.8	657,763.5	604,872.7
Other taxes	100,410.1	111,663.5	123,500.2	132,040.2	136,954.0	198,576.2	179,877.6
Non- tax Revenue	103,688.3	111,771.1	116,505.1	158,462.4	178,411.1	191,416.1	172,606.3
Total Expenditure	**1,466,136.9**	**1,989,537.8**	**2,516,943.1**	**3,164,282.3**	**4,005,227.8**	**4,788,496.6**	**3,466,176.2**
Recurrent expenditure	1,121,526.0	1,488,640.8	1,780,115.1	2,017,489.9	2,661,862.5	3,054,030.0	2,286,457.3
Wages and salaries	341,981.4	397,770.0	462,963.9	550,554.0	656,788.5	1,003,881.0	811,254.0
Interest payments	121,081.2	99,780.0	108,533.8	143,285.1	218,861.3	112,000.0	134,939.5
Domestic	64,605.2	57,009.3	70,231.6	87,392.8	163,694.8	72,000.0	112,438.9
Foreign	56,476.0	42,770.7	38,302.3	55,892.2	55,166.5	40,000.0	22,500.6
Other goods, services and transfers	658,463.3	991,090.8	1,208,617.3	1,323,650.9	1,786,212.7	1,938,149.0	1,340,263.8
Roadtoll fund	54,110.9	63,155.6	77,125.6	98,406.2	0.0	0.0	0.0
Retention fund	25,142.8	47,949.7	47,449.0	53,834.5	61,260.2	63,061.0	73,780.4
Dev. Expenditure and net lending	**344,610.9**	**500,897.0**	**736,828.1**	**1,146,792.4**	**1,343,365.2**	**1,734,466.6**	**1,179,718.9**
Local	50,235.9	95,661.7	133,041.3	239,651.1	296,100.0	641,766.0	439,367.8
Foreign	294,375.0	405,235.3	603,786.8	907,141.2	1,047,265.2	1,092,700.6	740,351.1
Overall Deficit (cheques issued) before Grants	-423,181.8	-772,020.7	-1,057,639.8	-1,390,572.9	-1,880,384.0	-2,327,501.7	-1,247,216.2
Grants	379,849.4	622,302.1	696,672.5	992,975.4	1,043,421.6	1,438,852.0	898,596.8
of which: Project	183,000.2	293,927.7	278,500.1	364,280.3	331,024.6	471,025.0	479,837.3
Program(CIS/OGL)	140,192.0	255,516.2	248,325.9	400,314.1	418,557.6	422,950.6	227,826.9
MDF funds	0.0	0.0	92,429.3	156,071.6	217,450.2	216,016.3	110,043.5
HIPC Relief	56,657.2	72,858.2	77,417.3	72,309.4	76,389.3	328,860.0	80,889.1
Overall deficit (cheques issued) after grants	-43,332.4	-149,718.7	-360,967.3	-397,597.5	-836,962.4	-888,649.7	-348,619.4
Adjustments to cash and other items(net)	4,575.8	-13,492.3	-38,772.1	-170,990.0	-87,450.1	0.0	-214,841.0
Overall Balance (cheques cleared)	-38,756.6	-163,210.9	-399,739.5	-568,587.5	-1,584,225.8	-888,649.7	-563,460.4
Financing	**38,756.6**	**163,210.9**	**399,739.5**	**568,587.5**	**1,584,225.8**	**888,649.7**	**563,460.4**
Foreign Financing (net)	121,842.5	199,724.8	434,235.4	423,642.4	561,219.0	736,171.9	646,020.9
Loans	187,355.5	301,050.2	477,518.2	373,987.3	586,632.7	787,262.9	618,862.7
Program loans	33,171.2	151,331.0	216,388.5	65,395.6	257,677.1	333,529.3	265,847.8
Development Project loans	154,184.3	149,719.1	261,129.7	308,591.7	328,955.7	362,812.0	353,014.9
Budget Support			1,901.9	156,744.7	82,301.8	90,921.6	49,465.8
Amortization	-65,513.0	-101,325.3	-45,184.8	-107,089.6	-107,715.5	-51,091.0	-22,307.6
Domestic (net)	-83,085.9	-36,513.9	-34,495.9	144,945.2	1,023,006.8	152,477.8	-82,560.5
Bank borrowing	-59,180.9	-5,557.9	-83,681.2	97,313.2	447,217.4	163,477.8	118,908.4
Non-Bank	36,574.3	-30,705.1	39,418.4	47,632.0	1,753,350.3	0.0	-205,676.4
Amortization	-1,614.0	-250.9	0.0	0.0	-19,001.4	163,477.8	0.0
Privatisation proceeds	0.0	0.0	9,766.8	0.0	33,309.2	-11,000.0	0.0
Tax reserve certificate							

Source:Bank of Tanzania, Monetary and Financial Affairs Deprtment

A7: Zanzibar: Central Government Operations

Millions of TZS

	2003/04 Actual	2004/2005 Actual	2005/2006 Actual	Budget 2006/2007	Jul 2006-Apr 2007 Estimates	Jul 2006-Apr 2007 Actual
Total Revenue	**50,955.7**	**59,763.6**	**68,648.8**	**83,187.3**	**72,228.6**	**75,021.6**
Tax Revenue	47,477.6	55,734.0	63,749.7	76,902.1	66,902.6	69,477.4
Tax on Imports	16,629.8	14,823.1	14,503.8	15,584.5	13,576.8	16,263.4
VAT and Excise Duties (local)	13,591.9	19,266.4	22,023.3	26,402.8	24,061.7	24,228.9
Income Tax	4,971.8	5,743.9	7,871.6	10,408.8	8,649.0	8,244.5
Other Taxes	12,284.2	15,900.6	19,351.0	24,505.9	20,615.1	20,740.5
Non-Tax Revenue	3,478.1	4,029.6	4,899.0	6,285.2	5,326.0	5,544.2
Total Expenditure	**70,215.6**	**75,684.4**	**136,702.0**	**214,801.0**	**142,212.1**	**119,694.6**
Recurrent Expenditure	68,985.6	72,661.8	91,246.8	110,356.0	97,302.5	80,066.4
Wages and Salaries	51,115.6	46,308.2	46,933.9	50,203.0	37,500.0	38,594.5
Interest Payment	0.0	0.0	1,029.4	2,500.0	2,432.5	2,432.5
Local	0.0	0.0	1,029.4	0.0	2,432.5	2,432.5
Foreign	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenditure	17,870.0	26,353.6	43,283.6	51,742.0	56,891.0	39,039.4
Recurrent Deficit	**(18,029.8)**	**(12,898.2)**	**(22,598.0)**	**(146,266.0)**	**(25,073.9)**	**(5,044.9)**
Development Expenditure	1,230.0	3,022.6	45,455.2	104,445.6	44,909.6	39,628.1
local					8,784.0	6,541.5
foreign					36,125.6	33,086.6
Overall (surplus) Deficit before grants	**(19,259.9)**	**(15,920.8)**	**(68,053.3)**	**(146,266.0)**	**(69,983.5)**	**(44,673.0)**
Grants	**15,295.4**	**16,575.5**	**14,770.0**	**58,683.5**	**54,276.0**	**39,315.9**
Multilateral Sources (BOP Support)					34,386.0	39,315.9
4.5% Budget Support					19,890.0	19,461.2
Programm grant					14,496.0	19,854.7
Overall Deficit after grants	**(3,964.5)**	**654.7**	**(53,283.3)**	**(87,582.6)**	**(15,707.5)**	**(5,357.1)**
Adjustment to cash and other items	3,765.0	9,232.7	(2,959.0)	(6,078.5)	(206.3)	7,739.0
Overall Deficit cheques cleared	**(7,729.4)**	**(8,578.0)**	**(50,324.3)**	**(81,504.0)**	**(15,501.2)**	**-13096.1**
Financing	**7,729.4**	**8,578.0**	**50,324.3**	**81,504.0**	**15,501.2**	**13,096.1**
Foreign	0.0	0.0	43,725.7	58,100.0	15,501.2	13,231.9
Import Support				0.0	0.0	0.0
Program Loans				58,100.0	15,501.2	13,231.9
Amortization (foreign)						
Domestic (net)	6,624.4	8,578.0	6,598.6	(9,744.0)	0.0	(135.8)
Bank	0.0	0.0	0.0	0.0	0.0	0.0
Non-bank	7,729.4	8,578.0	11,498.6	6,830.0	0.0	8,000.0
Amortization (local)	(1,105.0)		(4,900.0)	(16,574.0)	0.0	(8,135.8)

p–provision data

GDP - Tzs 395.7 billion

Source: Ministry of Finance and Economic Affairs- Zanzibar

A8: Tanzania: Monetary Survey

Millions of TZS

	Jun-03	Dec-03	Jun-04	Dec-04	Jun-05	Dec-05	Jun-06	Sep-06	Dec-06	Apr-07 Prov
FOREIGN ASSETS (NET)	1,871,285.97	2,182,072.03	2,134,182.69	2,379,909.25	2,279,294.32	2,560,852.14	3,073,174.95	3,479,639.42	3,566,023.71	3,603,909.37
Bank of Tanzania	1,215,036.04	1,503,460.28	1,468,873.55	1,715,285.79	1,666,013.18	1,780,447.32	2,212,334.82	2,535,122.15	2,516,694.63	2,675,563.69
Net International Reserves	1,215,036.04	1,503,460.28	1,468,873.55	1,715,285.79	1,666,013.18	1,780,447.32	2,212,334.82	2,535,122.15	2,516,694.63	2,675,563.69
Foreign Assets	1,748,059.19	2,167,408.05	2,079,549.68	2,394,759.05	2,217,275.09	2,540,935.47	2,499,782.58	2,817,202.52	2,851,377.43	2,873,030.31
Of which: Gold	28,920.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign Liabilities	533,023.15	663,947.77	610,676.12	679,473.26	551,261.91	760,488.15	287,447.76	282,080.38	334,682.79	197,466.62
Foreign Exchange Liabilities	114,331.75	208,727.61	150,444.35	239,810.28	128,916.58	361,351.08	272,003.67	266,261.81	318,752.64	175,634.09
Use of Fund Credit	418,691.91	455,220.16	460,231.77	439,662.98	422,345.33	399,137.07	15,444.09	15,818.57	15,930.15	21,832.53
External Arrears	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Foreign Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Foreign Assets(DMBs)	656,249.93	678,611.75	665,309.14	664,623.46	613,281.14	780,404.82	860,840.12	944,508.27	1,049,329.07	928,345.68
Net Foreign Exchange	656,448.68	679,166.39	665,442.86	664,623.46	617,892.57	808,067.99	888,671.66	961,114.87	1,061,329.07	961,104.94
Foreign assets	659,246.95	685,488.31	669,296.23	683,665.58	640,744.28	835,639.77	976,277.94	1,030,395.56	1,125,370.59	1,061,536.90
Foreign Liabilities	2,798.27	6,321.92	3,853.37	19,042.12	22,851.70	27,571.77	87,606.28	69,280.69	64,041.52	100,431.96
Other Foreign Liabilities	198.75	554.64	133.72	0.00	4,611.44	27,663.17	27,831.53	16,606.59	12,000.00	32,759.26
Borrowing from abroad	198.75	554.64	133.72	0.00	4,611.44	27,663.17	27,831.53	16,606.59	12,000.00	32,759.26
Foreign Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MEDIUM TERM FOREIGN LIABILITIES	41,801.39	41,672.46	41,133.39	39,063.67	38,974.92	34,746.26	34,746.26	34,718.15	34,718.15	34,747.29
Bank of Tanzania	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87
Total Blocked Accounts	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87	32,458.87
Less: Other Foreign Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
National Bank of Commerce	9,342.52	9,213.59	8,674.52	6,604.80	6,516.05	2,287.39	2,287.39	2,259.28	2,259.28	2,288.42
NBC Deposits Against EPA	9,342.52	9,213.59	8,674.52	6,604.80	6,516.05	2,287.39	2,287.39	2,259.28	2,259.28	2,288.42
DOMESTIC ASSETS (NET)	710,282.74	660,235.05	962,900.41	932,533.28	1,511,042.47	1,983,341.08	1,835,082.38	1,678,693.84	1,841,976.90	1,997,659.48
Domestic Credit	858,204.02	830,062.16	1,123,587.80	1,012,357.57	1,504,012.24	1,683,844.68	2,169,467.02	1,814,430.43	1,951,246.50	2,197,011.84
Claims on Government (net)	199,679.43	12,936.96	157,606.91	-47,719.74	284,637.91	258,782.38	512,629.22	-91,635.09	-77,047.77	3,244.95
Claims on Government BOT (net)	-117,493.57	-227,637.47	-126,865.10	-250,798.21	18,647.07	-267,067.24	-27,386.02	-906,200.44	-943,232.66	-949,740.17
Claims on Government BOT	142,712.85	142,010.94	139,738.48	139,019.74	145,142.16	174,487.57	228,348.25	236,197.48	237,983.98	235,674.84
Government Deposits BOT	260,206.42	369,648.41	266,603.59	389,817.95	126,495.09	441,554.82	255,734.26	1,142,397.92	1,181,216.64	1,185,415.01
Claims on Government DMBs (net)	317,173.00	240,574.44	284,472.01	203,078.47	265,990.84	525,849.62	540,015.24	814,565.35	866,184.90	952,985.12
Claims on government DMBs	347,166.00	331,697.54	375,500.01	338,541.47	405,990.32	713,050.85	737,068.77	1,046,411.19	1,100,198.84	1,250,541.53
Deposits	29,993.00	81,333.00	91,028.00	135,918.52	139,999.48	187,201.23	197,053.03	231,845.84	234,013.95	297,556.41
Claims on other public sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Marketing Boards	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cooperatives	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ind & Comm Parastatals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Claims on the private sector	658,524.60	817,125.19	965,980.89	1,060,077.31	1,219,374.33	1,425,062.30	1,656,837.79	1,906,065.52	2,028,294.27	2,193,766.88
Other Items Net	-147,921.29	-169,827.11	-160,687.39	-79,824.29	7,030.23	299,496.40	-334,384.63	-135,736.59	-109,269.60	-199,352.36
M3: MONEY AND QUASI MONEY = M2+5	2,205,893.98	2,388,316.08	2,602,934.79	2,848,120.05	3,266,425.14	3,934,986.57	4,299,050.69	4,549,145.73	4,798,822.08	4,992,361.18
M2: BROAD MONEY = M1+3+4	1,558,781.86	1,721,109.85	1,856,326.29	2,050,885.98	2,366,448.98	2,808,247.63	2,945,528.04	3,049,983.37	3,193,781.99	3,342,706.45
M1: NARROW MONEY = 1+2	981,147.73	1,113,379.11	1,186,063.14	1,315,739.36	1,528,773.57	1,758,810.22	1,798,840.11	1,896,981.83	1,930,421.53	2,021,436.91
1.Currency in circulation (outside the Banking system)	473,703.53	553,045.83	590,441.02	664,148.03	734,912.19	843,157.43	856,180.47	940,987.76	975,585.88	968,975.52
Currency outside the Bank of Tanzania	522,561.65	606,592.54	644,009.48	727,785.29	814,552.99	932,815.33	947,616.52	1,038,725.27	1,102,282.47	1,088,038.24
Vault cash with DMBs	48,858.12	53,546.71	53,568.46	63,637.26	79,640.81	89,657.90	91,436.05	97,737.52	126,696.59	119,062.72
2.Demand Deposits	507,444.20	560,333.29	595,622.12	651,591.33	793,861.39	915,652.79	942,659.64	955,994.07	954,835.65	1,052,461.39
Quasi Money	1,224,746.25	1,274,936.97	1,416,871.65	1,532,280.69	1,737,651.57	2,176,176.35	2,500,210.58	2,652,163.90	2,868,400.55	2,970,924.26
3.Time deposits	216,719.61	230,958.81	269,132.88	275,910.87	328,711.11	422,269.39	455,179.66	432,561.79	469,679.20	490,802.79
4.Savings Deposits	330,917.53	376,771.89	401,130.27	458,750.23	508,964.30	627,168.02	691,508.28	720,439.75	793,684.26	830,466.75
5.Foreign currency deposits	647,109.12	667,206.23	746,608.50	797,234.07	899,976.16	1,126,738.94	1,353,522.64	1,499,162.36	1,605,037.09	1,649,654.73
Annual growth rates in percent										
Extended broad money (M3)	22.69	16.64	18.00	19.25	25.49	38.16	31.61	28.65	21.95	22.33
Broad money (M2)	16.89	14.18	19.09	19.16	27.48	36.93	24.47	20.08	13.73	13.11
Narrow money (M1)	20.30	16.12	20.89	13.18	28.89	33.67	17.67	15.32	9.76	18.45
Reserve money (M0)	11.62	12.59	25.13	23.55	28.69	27.72	25.87	25.14	16.78	25.64
Credit to the private sector	36.61	42.94	46.69	29.73	26.23	34.43	35.88	37.09	42.33	39.30
The ratio of FCD to M3	29.34	27.94	28.68	27.99	27.55	28.63	31.48	32.95	33.45	33.04
TZS/USD exchange rate (end of period)	1,046.53	1,063.60	1,107.32	1,042.96	1,126.30	1,165.51	1,253.08	1,272.70	1,261.64	1,278.31
In millions of USD										
FCD	618.34	627.31	674.25	764.40	799.06	966.73	1,080.16	1,177.94	1,272.18	1,290.50
NIR	1,161.03	1,413.56	1,326.51	1,644.63	1,479.19	1,527.61	1,765.52	1,991.92	1,991.78	2,093.05
Gross official reserves	1,670.4	2,037.8	1,878.0	2,296.1	1,968.6	2,180.1	1,994.9	2,213.6	2,260.1	2,247.5

Source: Bank of Tanzania, Monetary and Financial Affairs Department

A9: Tanzania: Interest Rate Structure

Percent

	June-05	July-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07
Savings Deposit Rate	2.51	2.60	2.59	2.63	2.62	2.52	2.60	2.65	2.55	2.58	2.81	2.75	2.54	2.54	2.58	2.59	2.57	2.60	2.59	2.59	2.25	2.52	2.42
Discount Rate	15.92	15.14	16.04	16.13	17.75	18.30	19.33	20.00	15.50	17.50	17.00	16.02	13.40	13.40	14.60	16.67	15.40	15.69	20.07	21.31	17.92	20.58	21.41
Overall Time Deposits Rate	4.41	4.48	4.56	4.95	5.14	5.20	5.28	5.61	6.07	5.86	5.94	5.58	6.53	6.95	7.04	6.91	7.07	7.41	7.17	7.28	7.52	7.59	7.75
1-month Time Deposits Rate	3.25	3.19	3.34	4.29	4.89	3.52	2.60	3.39	4.66	4.99	4.97	4.05	7.90	6.57	6.55	5.41	8.05	7.29	7.28	6.36	5.82	7.58	7.78
35 - days T-bill Yield	6.50	7.03	8.42	9.49	8.97	8.59	5.63	9.04	9.28	8.88	5.30	7.34	6.44	6.64	8.29	10.55	10.43	6.22	8.85	10.96	7.83	7.24	7.79
3 - months Time Deposits Rate	4.45	4.90	5.17	4.13	3.70	4.20	5.50	5.92	5.10	4.91	5.61	5.95	6.76	7.85	7.75	6.83	8.01	7.49	7.55	8.47	7.76	7.48	7.90
91 - days T-bill Yield	8.12	10.35	11.51	12.52	14.05	13.96	14.70	14.78	14.80	13.42	12.51	9.97	7.53	9.05	9.70	11.13	12.22	10.06	14.59	15.69	12.55	14.93	15.03
6 - months Time Deposits Rate	5.53	5.72	5.78	5.62	7.14	8.06	7.17	7.06	6.54	6.70	6.58	6.38	5.53	5.55	8.17	5.61	9.19	9.41	8.95	9.02	5.73	8.55	9.54
182 - days T-bill Yield	9.43	10.53	11.46	13.10	14.50	14.42	14.71	14.58	14.62	15.70	12.25	10.61	8.49	9.25	9.97	11.69	13.28	11.29	14.95	16.02	13.41	16.40	16.34
12 - months Time Deposits Rate	5.97	5.69	5.85	5.52	5.47	6.57	7.71	8.11	7.51	7.48	5.44	8.00	8.70	5.01	9.03	5.20	8.70	9.05	8.75	8.20	5.47	9.17	9.39
364 - days T-bill Yield	10.51	11.93	12.64	13.70	14.95	15.61	15.72	15.64	15.82	15.59	11.92	10.37	9.53	9.75	10.41	12.97	15.18	11.62	15.61	16.25	13.75	17.15	17.27
Overall Lending Rates	15.51	14.97	15.04	15.05	15.59	15.45	14.95	14.69	14.67	14.62	15.02	14.40	15.44	16.18	16.50	16.73	15.61	16.61	15.55	17.22	16.19	16.35	15.70
Short-term Lending Rate (up to 1year)	16.06	16.14	15.82	15.74	16.03	15.69	15.65	15.46	15.41	15.55	16.39	14.12	15.77	16.51	15.64	16.01	15.60	15.71	15.67	15.80	15.54	14.94	13.42
Medium-term Lending Rate (2-3 years)	16.21	15.39	15.06	15.52	15.65	15.67	14.52	14.93	14.83	14.90	15.29	15.27	16.16	16.32	16.05	16.45	15.63	17.15	15.27	16.50	14.75	15.37	15.19
Negotiated Rates																							
Deposit	8.49	5.87	9.01	5.29	8.69	9.26	10.61	10.59	10.57	10.39	11.50	9.98	10.07	5.13	9.78	10.12	9.42	9.72	9.35	9.02	9.39	7.33	8.23
Lending	11.01	11.51	11.39	11.37	11.47	11.46	11.14	11.35	13.59	11.60	11.24	11.32	11.19	11.95	10.80	10.80	10.74	10.11	10.60	11.49	12.42	11.74	10.31

Source: Bank of Tanzania

A10: Tanzania's Balance of Payments

Millions of USD

	2002 r	2003 r	2004 r	2005 r	2006 p
A. Current Account	**83.6**	**-87.5**	**-383.3**	**-881.6**	**-1458.7**
Goods: exports f.o.b.	979.6	1216.1	1473.1	1675.8	1723.0
Traditional	206.1	220.5	297.8	351.5	267.1
Nontraditional	773.5	995.7	1175.3	1321.2	1455.9
o\w Gold	311.1	502.8	629.1	655.1	773.2
Goods: imports f.o.b.	-1511.3	-1933.5	-2482.8	-2997.6	-3864.1
Balance on Goods	-531.8	-717.3	-1009.8	-1321.8	-2141.1
Services: credit	920.1	947.8	1133.6	1269.2	1164.5
Transportation	117.1	138.9	183.0	222.9	327.6
Travel	635.0	646.5	746.0	823.6	914.0
Other	168.0	162.3	204.6	222.7	222.9
Services: debit	-632.5	-725.7	-974.7	-1207.3	-1247.3
Transportation	-176.9	-214.7	-267.1	-319.5	-417.6
Travel	-337.5	-353.2	-445.3	-553.8	-534.5
Other	-118.1	-157.8	-262.3	-334.0	-295.2
Balance on Services	287.6	222.1	158.9	61.8	217.2
Balance on Goods and Services	-244.2	-495.3	-850.9	-1260.0	-1923.8
Income: credit	67.9	87.1	81.8	80.9	80.3
Income: debit	-156.8	-236.2	-200.9	-198.0	-165.2
O/W Direct investment income	-58.7	-59.7	-58.4	-65.6	-65.5
Interest payments (scheduled)	-60.0	-130.1	-79.1	-90.3	-52.1
Compensation of employees	-38.1	-46.1	-63.4	-42.0	-47.6
Balance on Income	-88.8	-149.1	-119.1	-117.0	-84.8
Balance on Goods, Services and Income	-333.0	-644.4	-970.0	-1377.0	-2008.7
Current transfers	416.6	556.9	586.7	495.4	550.0
Current transfers: credit	477.9	619.9	651.7	563.0	615.6
Government	427.7	553.3	582.0	478.4	521.3
o\w Multilateral HIPC relief	68.8	68.2	73.7	75.7	42.1
Other sectors	50.2	66.6	69.7	84.5	94.4
Current transfer: debit	-61.3	-63.0	-65.0	-67.5	-65.6
B. Capital Account	**785.7**	**692.8**	**459.9**	**633.2**	**5292.9**
Capital transfers: credit	785.7	692.8	459.9	633.2	5292.9
General Government	755.6	655.5	420.0	590.2	5254.3
Project	325.3	320.9	253.7	478.1	292.6
Debt forgiveness (including MDRI)	430.3	334.6	166.3	112.1	4961.7
Other sectors	30.1	37.3	39.9	43.1	38.6
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
Total, Groups A plus B	869.3	605.3	76.6	-248.4	3834.2
C. Financial Account, excl. reserves and related items	**255.4**	**61.2**	**275.6**	**665.3**	**-4001.0**
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	387.6	308.2	330.6	447.6	474.5
Portfolio investment	2.2	2.7	2.4	2.5	2.6
Other investment	-134.4	-249.7	-57.4	215.2	-4478.1
Assets	2.9	-59.0	-11.0	-61.5	-179.3
Currency and deposits	2.9	-59.0	-11.0	-61.5	-179.3
Banks	2.9	-59.0	-11.0	-61.5	-179.3
Other sectors	0.0	0.0	0.0	0.0	0.0
Liabilities	-137.3	-190.6	-46.4	276.6	-4298.8
Trade credits	13.2	13.3	13.3	13.3	9.9
Loans	-183.9	-181.9	-83.7	35.5	-4565.6
General government	-243.5	-114.8	-15.0	30.2	-4548.3
Drawings	310.2	413.3	273.8	271.5	505.7
Repayments	-553.7	-528.1	-288.8	-244.3	-5054.0
Scheduled payments	-113.6	-106.6	-122.5	-132.2	-92.3
Debt forgiveness	-430.3	-334.6	-166.3	-112.1	-4961.7
Rescheduled debt	-9.8	-86.9	0.0	0.0	0.0
Banks	-0.8	-0.7	-0.5	23.7	-14.2
Other sectors	60.4	-66.4	-68.2	-18.4	-3.1
Drawings	122.4	42.7	57.0	50.8	21.0
Repayments	-62.0	-109.1	-125.2	-69.2	-24.1
Scheduled payments	-62.0	-109.1	-125.2	-69.2	-24.1
Currency and deposits	33.4	-22.1	24.1	227.8	256.9
Total, Groups A through C	1124.7	666.5	352.3	416.9	-166.8
D. Net Errors and Omissions	**-806.8**	**-277.4**	**-146.3**	**-614.1**	**28.3**
Overall balance	317.9	389.1	206.0	-197.2	-138.5
E. Reserves and Related Items	**-317.9**	**-389.1**	**-206.0**	**197.2**	**138.5**
Reserve assets	-372.4	-508.8	-258.4	247.7	137.0
Use of Fund credit and loans	26.0	-2.9	-33.8	-50.5	1.5
Exceptional financing	28.5	122.6	86.2	0.0	0.0
Rescheduled debt	9.8	86.9	0.0	0.0	0.0
Debt forgiveness	0.0	0.0	0.0	0.0	0.0
Interest arrears	18.4	29.5	21.9	0.0	0.0
Principal arrears	0.4	6.2	64.3	0.0	0.0

Notes:

1. Revision is based on new data from the Private Capital Flows survey and adoption of new data sources for some other items in the services account
2. Change in gross official reserves will not necessarily be equal to reserve assets given a new methodology of computing reserve assets which nets out the impact of valuation was introduced beginning 2006

r = Revised

p = Provisional

Source : Bank of Tanzania, International Economics Department

GLOSSARY

Currency in Circulation Outside Banks

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

Discount Rate

The rate of interest the Bank of Tanzania charges on loans it extends to commercial banks. At present, it is also the interest rate charged on government overdraft from the Bank of Tanzania. It is derived from the weighted average yield of treasury bills of all maturities plus five-percentage points.

Exchange Rate

This is the price at which one currency can be purchased with another currency, e.g. TZS per USD.

International Reserves or Reserve Assets

They consist of those external assets that are readily available to and controlled by Central Banks for direct financing of balance of payments imbalances, and for indirectly regulating the magnitude of such imbalances through intervention in exchange markets. For the case of Tanzania, international reserves comprise its holdings of monetary gold, SDRs, its reserve position in the International Monetary Fund, and foreign exchange resources, which can be made available to the Bank of Tanzania for meeting external financing needs.

M—Money Supply

The sum of currency in circulation outside the banks and deposits are defined in various concepts of Money Supply in the narrower and broader sense, i.e., Narrow Money (M1), Broad Money (M2), and Extended Broad Money (M3).

M0—Monetary Base, Base Money, or Reserve Money

The Bank of Tanzania's liabilities in the form of (1) Currency in Circulation Outside Bank of Tanzania, and (2) banks' Reserves (deposit money banks' domestic cash in vaults plus their required and free deposits with the Bank of Tanzania) is referred to as Base money, or the monetary base or reserve money.

M1—Narrow Money

It consists of currency in circulation outside banks and demand deposits.

M2--Broad Money

It is equivalent to Narrow Money (M1) plus time deposits plus savings deposits.

M3—Extended Broad Money

It consists of Broad Money (M2) plus foreign currency deposits.

Nominal Exchange Rate

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

Non-Food Inflation Rate

This is a measure of price movements caused by factors other than food prices. It is an important measure, which monitors the effectiveness of Monetary Policy on Inflation since price movements in these items are caused largely by Monetary Policy factors.

Weighted Annualised Yields of Treasury Bills of all Maturities

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

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