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MONETARY POLICY STATEMENT

**GOVERNOR
BANK OF TANZANIA**

June 2011





8th June, 2011

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

Honourable Minister,

LETTER OF TRANSMITTAL

In accordance with the Bank of Tanzania Act 2006, Section 21 Subsections (3) to (7), I hereby submit the ***Monetary Policy Statement*** (MPS) of the Bank of Tanzania for 2011/12.

The Statement reviews monetary policy implementation and macroeconomic developments during 2010/11. It then outlines the monetary policy framework and measures that the Bank of Tanzania intends to implement during the 2011/12 fiscal year. These measures are aimed at maintaining price stability and ensure the integrity of the financial system.

Yours Sincerely,

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

Prof. Benno J. Ndulu
GOVERNOR
BANK OF TANZANIA



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EXECUTIVE SUMMARY

Economic Developments in Tanzania

Tanzania continued to record good economic performance in 2010. Provisional figures indicate that real GDP grew by 7.0 percent, higher than 6.0 percent recorded in 2009. Growth was particularly strong in Communications, Financial intermediation and Construction, but in terms of contribution to total GDP growth, Trade and repairs; Agriculture and fishing; Manufacturing; and Real estate and business services were the leading activities.

The favourable weather conditions in 2009/10 improved food supply, leading to a reduction in inflationary pressures. Average annual inflation declined to 6.3 percent during the first ten months of 2010/11, from 11.1 percent recorded in the corresponding period in the preceding year. In particular, annual inflation eased from 7.2 percent in June 2010 to 4.2 percent in October 2010. However, beginning November 2010 inflation trended upwards mainly due to increase in global oil prices. Inflationary pressures were exacerbated by an increase in electricity tariffs by 18 percent starting January 2011, as well as increase in prices of domestically produced food items, following poor short rains in the second quarter of 2010/11. In line with these developments, inflation rose continuously, reaching 8.6 percent at the end of April 2011. The re-emergence of inflationary pressures poses a challenge to the attainment of the June 2011 inflation target of 5.0 percent.

The banking sector continued to be sound, with most banks being well capitalized and liquidity levels remaining above regulatory requirements. Stress tests conducted by the Bank indicated that the banking system was resilient to adverse changes in interest rates, exchange rate and credit quality, while liquidity levels were sufficient to cushion the system against extreme liquidity risk. However, the ratio of non-performing loans to total loans increased to 9.5 percent at the end of March 2011 from 7.0 percent recorded at the end of March 2010, mainly



due to the adverse effects of the global financial crisis. The Bank of Tanzania has tightened further its oversight over credit administration in banks, in order to mitigate further deterioration in the quality of banks' portfolios.

Fiscal policy was challenged by shortfalls in revenue collection mainly on account of optimistic revenue projection and delays in securing non-concessional loans. This led to mid year review to bring expenditure in line with the expected revenue, and recourse to overdraft facility from the Bank of Tanzania to bridge cash flow gaps which will be repaid by end June 2011. During the first three quarters of 2010/11, domestic revenue collection (including local government own funds) fell short of estimates by 8.0 percent. On the other hand, government expenditure was 89.5 percent of the estimated amount, with recurrent expenditure remaining in line with the budget, while development expenditure was below estimates by 31.6 percent, due to lower than projected disbursement of project grants.

During the first ten months of 2010/11, the current account deficit narrowed by 7.2 percent to a deficit of USD 1,783.6 million, on account of higher inflow of official current transfers, and increase in exports of goods and services that outweighed the impact of a rise in the import bill.



Economic Developments in Zanzibar

Zanzibar registered a real GDP growth rate of 6.5 percent in 2010, below the projected 7.0 percent and lower than 6.7 percent recorded in 2009, mainly on account of power blackout, which adversely affected the economy during the first quarter of 2010.

In the first ten months of 2010/11, annual headline inflation accelerated to an average of 7.8 percent from 5.4 percent registered in the corresponding period of 2009/10, primarily due to increase in the global oil and food prices. The increase in food prices was more pronounced in imported rice, sugar and wheat. Meanwhile, the end of period headline inflation rate rose to 13.8 percent in the year ending April 2011.

In the period under review, Zanzibar domestic revenue collections amounted to TZS 147.7 billion, being 1.3 percent above the target. Total foreign grants were TZS 79.2 billion; out of which General Budget Support amounted to TZS 33.9 billion and program grant amounted to TZS 45.3 billion. Total Government expenditure amounted to TZS 295.3 billion, above the estimate of TZS 262.2 billion, mainly due to increase in foreign assistance for development projects. Recurrent expenditure amounted to TZS 154.5 billion, below the target by 5.5 percent, while development expenditure was TZS 140.8 billion. Consequently, budgetary operations on cheques issued basis recorded a deficit of TZS 68.4 billion after grants.

Zanzibar's current account balance recorded a surplus of USD 4.6 million during the period under review, compared to a surplus of USD 24.8 million recorded during the corresponding period in 2009/10. The decrease in surplus was mainly due to decline in current transfers and export of cloves.



Implementation of Monetary Policy Objectives in 2010/11

In support of the macroeconomic objectives of the government, the Bank had undertaken to achieve the following objectives:

- An annual growth rates of broad money supply (M2) and extended broad money supply (M3) of not more than 20.7 percent and 21.0 percent, respectively, by the end of June 2011;
- Contain the expansion of average reserve money within annual rate of 18.5 percent;
- An annual private sector credit growth of 21.3 percent by the end of June 2011;
- Gross official reserves equivalent to at least 5.0 months of imports of goods and service; and
- Safeguarding the current stability in the financial sector.

In pursuit of the monetary policy objectives, the Bank of Tanzania deployed a mix of monetary policy instruments, namely: sale of government securities, foreign exchange operations, repurchase agreements, and stand-by facilities. Developments up to April 2011 indicate that the 2010/11 monetary policy performance was on track. The annual growth of extended broad money (M3) was 21.3 percent, against the target of 21.0 percent by the end of June 2011, while private sector credit grew at 18.0 percent, compared with a projected growth rate of 21.3 percent. Meanwhile, gross official reserves were USD 3,739.7 million at the end of April 2011, sufficient to cover 4.6 months of projected imports of goods and services, broadly in line with the target.

Economic Outlook and Monetary Policy Stance for 2011/12

The global economic growth is forecasted to register a modest decline to 4.4 percent in 2011 from 5.0 percent in 2010, with the Sub-Saharan Africa growing at 5.5 percent. GDP growth in Tanzania is projected to be 6.6 percent in 2011/12

based on the projected GDP growth of 6.0 percent for 2011 and 7.2 percent for 2012.

Against this background, the Government aims at, among others, maintaining a single digit inflation rate by the end of June 2012. In line with this objective, the Bank of Tanzania aims at containing the annual growth of average reserve money at 19.0 percent and extended broad money supply (M3) at 19.0 percent.

The Bank remains mindful of the possible second round effects of the surge in global commodity prices and domestic supply shocks that may cause further increase in inflation rate. It therefore stands ready to make necessary adjustments to monetary policy stance to address any pressures to core inflation that may emerge.



PART I

1.0 INTRODUCTION

The annual Monetary Policy Statement is a statutory document of the Bank of Tanzania that specifies the monetary policy stance and measures the Bank intends to take in order to attain its core mandate of maintaining price stability.

The Statement is divided into seven parts. Part II presents the macroeconomic policy framework for 2010/11, while Part III reviews the progress in the implementation of monetary policy in 2010/11. Part IV covers the review of macroeconomic developments during the period between July 2010 and April 2011. Part V of the Statement presents the macroeconomic policy framework for 2011/12. It also outlines the monetary policy objectives of the Bank of Tanzania during the year, consistent with the broad macroeconomic policy framework. Part VI presents the monetary policy stance of the Bank during 2011/12, and lastly Part VII provides the concluding remarks.

1.1 Mandate and Modalities for Monetary Policy Implementation

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

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

(2) Without prejudice to subsection (1), the Bank shall ensure the integrity of the financial system and support the general economic policy of the Government and support sound monetary, credit and banking conditions conducive to the development of the national economy”.





THE MODALITIES FOR MONETARY POLICY IMPLEMENTATION

- *At the beginning of every fiscal year, the Bank sets the annual monetary policy targets in its Monetary Policy Statement, in line with the broader macroeconomic policy objectives of the government.*
- *The Statement is approved by the Board of Directors of the Bank and submitted to the Minister for Finance, who in turn submits it to the Parliament during the June Budget session.*
- *The same procedure is followed in the submission of mid-year review of the Monetary Policy Statement to show progress in the implementation of the monetary policy and the outlook for the remaining period of the year.*
- *The Monetary Policy Committee (MPC) of the Board of Directors of the Bank of Tanzania, chaired by the Governor, is responsible for reviewing, assessing and setting the monetary policy direction each month, consistent with the ultimate objective of maintaining price stability.*
- *At the operational level, the Liquidity Management Committee also chaired by the Governor meets once a week, to evaluate weekly progress on monetary policy implementation and decides on the appropriate measures to be undertaken during the subsequent week.*
- *A technical committee reviews liquidity developments on daily basis and advises management on appropriate daily measures for liquidity management.*



The Bank employs a combination of indirect instruments of monetary policy to manage liquidity within desired levels. These include the sale and purchase of government securities in open market, the transactions in repurchase agreements (REPOs) to manage short term liquidity movements in the economy, as well as the sale and purchase of foreign exchange in the Inter-bank Foreign Exchange Market (IFEM). The liquidity management effort is complemented by periodic adjustments in the pricing of standby facilities of the Bank of Tanzania, namely, the Discount facility and the Lombard facility.



PART II

2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2010/11

2.1 Macroeconomic Policy Objectives

In 2010/11, the government continued to pursue prudent macroeconomic policies with the aim of stimulating economic activity through implementation of MKUKUTA II. Specifically, the government aimed at achieving the following macroeconomic policy objectives:

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

2.2 Monetary Policy Objectives

In support of the above macroeconomic policy objectives of the Government, the Bank of Tanzania continued to focus on sustaining price stability by maintaining the appropriate level of liquidity in the economy. Specifically, the Bank aimed at achieving the following objectives:

- Attain annual growth rates of broad money supply (M2) and extended broad money supply (M3) of not more than 20.7 percent and 21.0 percent, respectively, by the end of June 2011;
- Contain the expansion of average reserve money within annual rate of 18.5 percent;



- Attain annual private sector credit growth of not more than 21.3 percent by the end of June 2011;
- Maintain a level of gross official reserves adequate to cover at least 5.0 months of imports of goods and service; and
- Remain vigilant in safeguarding the current stability in the financial sector as the adverse effects of the global financial turmoil subside.



PART III

3.0 MONETARY POLICY IMPLEMENTATION DURING 2010/11

The monetary policy targets for 2010/11 were less accommodative compared with those of 2009/10, following gradual improvement in liquidity in the economy as the global economy continues to recover from the financial crisis. The annual growth of average reserve money slowed down to 16.8 percent in April 2011 from 21.6 percent recorded in the corresponding period of 2010. During the first ten months of 2010/11, average inflation rate decelerated to 6.3 percent from 11.1 percent recorded in a similar period a year earlier. Nevertheless, the re-emergence of inflationary pressures from the recent increase in domestic food prices and global oil prices poses a challenge to the attainment of June 2011 inflation target of 5.0 percent.

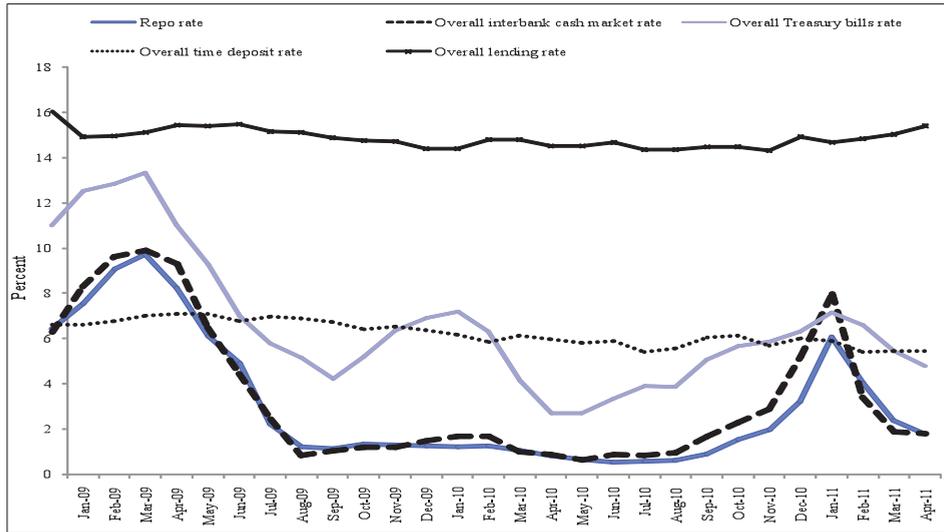
3.1 Liquidity Management and Interest Rate Developments

The Bank of Tanzania sold government securities in open market and increased its foreign exchange sales in the Interbank Foreign Exchange Market (IFEM). Commercial banks experienced liquidity squeeze in the second quarter of 2010/11 following high demand for cash caused by a bumper harvest. This triggered the use of the Lombard facility of the Bank of Tanzania, which had not been used in the recent past. In line with the liquidity squeeze, interest rates of all money market instruments increased significantly. This situation was reversed in the third quarter as cash started to flow back to the banking system following seasonal repayment of agricultural credit (**Chart 1**). Developments in the money market rates were not fully reflected in banks' deposits and lending rates. Banks' deposits rates remained fairly unchanged, while lending rates edged upwards.





Chart 1: Selected Interest Rates Developments



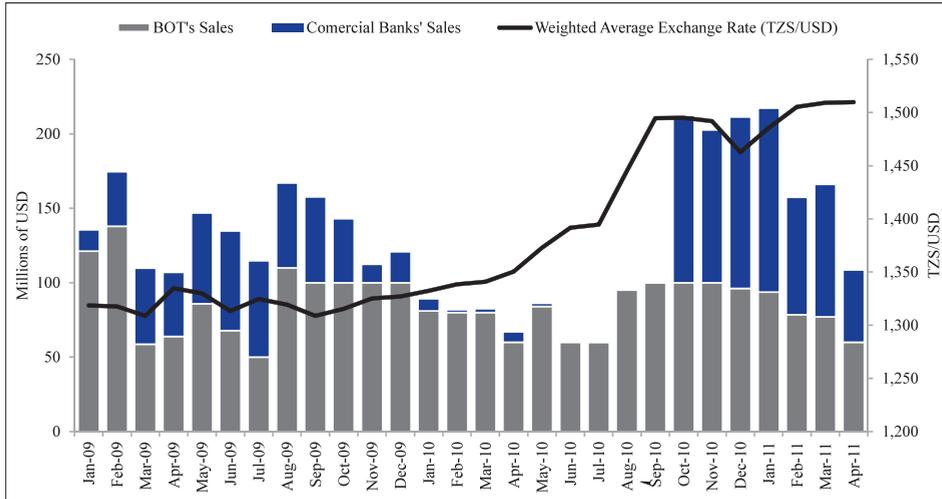
Source: Bank of Tanzania

3.2 Exchange Rate Developments

The Bank continued to participate in the interbank foreign exchange market (IFEM), to meet liquidity management objectives while fostering orderly market developments and maintaining the foreign reserves targets. In the first quarter of 2010/11, the Bank was the main supplier of foreign exchange in the IFEM. However, commercial banks’ participation in IFEM increased significantly starting in the second quarter partly reflecting the need for commercial banks to increase their shilling liquidity. Meanwhile, the Shilling depreciated against the US dollar by 10.2 percent in the first ten months of 2010/11 to an average rate of TZS 1,479.46 per US dollar, compared with the level recorded during the corresponding period in the year before (**Chart 2**). The depreciation of the Shilling during the period mirrored, to a large extent, the general strengthening of the US dollar against major currencies.



Chart 2: Tanzania: Interbank Foreign Exchange Market Developments



Source: Bank of Tanzania

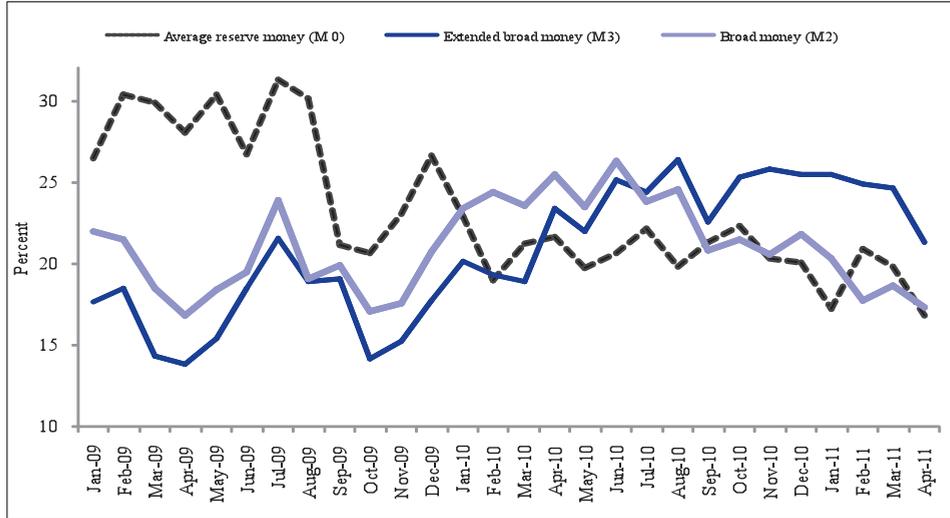
3.3 Money Supply and Credit Developments

During the year ending April 2011, growth of money supply slowed down, consistent with the monetary policy stance (**Chart 3**). The growth of extended broad money (M3) decelerated from 23.4 percent in the year to April 2010 to 21.3 percent, which is within the target for 2010/11. This development was largely driven by slow growth of Net Foreign Asset (NFA) of banks which grew by 1.0 percent compared with 77.4 percent recorded in the corresponding period of the preceding year.

During the same period, private sector credit grew by 18.0 percent, compared with the growth of 15.1 percent recorded in the year to April 2010. In terms of lending by activity, personal loans, trade, manufacturing and agriculture continued to account for the large portion of the outstanding credit stock, accounting for about 66 percent.



Chart 3: Tanzania: Annual Growth Rates of Monetary Aggregates



Source: Bank of Tanzania

3.4 Financial Sector Stability

In enhancing financial stability, the Bank of Tanzania undertook a number of measures, which include:

- Developing a financial stability monitoring framework which guides the financial stability function. A multi-factor stress testing model was developed to test the resilience of the banking sector under different shocks covering credit, liquidity, foreign exchange, interest rate and contagion risks. Under the framework, the first Financial Stability Report was published in December 2010.
- Enhancing the currency distribution efficiency in the economy by increasing the number of currency custody centres. The programme involves building two currency custody centres in Dodoma and Mtwara and outsourcing four currency centres from commercial banks in Songea, Mtwara, Tabora and Kigoma.



- In implementing the recommendations of the Financial Sector Assessment Programme (FSAP), updated in 2009, the Bank has introduced an Electronic Data Interchange (EDI) system which allows online submission of financial returns from the banking sector. The Bank has also developed a risk management examination manual to enhance the banking supervision process; and commenced a gradual transfer of government deposits from commercial banks to the Bank. The Bank is also finalizing the process of establishing a Financial Regulators Forum which will bring together the regulators of financial sub-sectors with the objective of coordinating actions needed to promote and sustain financial sector stability, and financial crisis preparedness.

3.5 Banking Sector Soundness

As at the end of March 2011, most banks were well capitalized with liquidity levels above regulatory requirements. The stress tests conducted by the Bank during the period under review, showed that the banking system was resilient to adverse changes in interest rates, exchange rate and credit quality, while liquidity levels were sufficient to cushion the system against extreme liquidity risk. The ratio of core capital to total risk weighted assets and off-balance sheet exposure was at 18.8 percent compared with a minimum regulatory requirement of 10.0 percent. However, the quality of assets of the banking system deteriorated as reflected by the ratio of non-performing loans (NPL) to total capital, which increased to 24.6 percent from 15.5 percent, recorded at the end of March 2010. The ratio of NPL to total loans also increased to 9.5 percent at the end of March 2011 from 7.0 percent recorded at the end of March 2010, mainly due to the delayed effect of the global financial crisis. The Bank of Tanzania has tightened further its oversight over credit administration in banks, in order to mitigate further deterioration in the quality of banks' portfolios.



3.6 Financial Sector Reforms

Implementation of the Second Generation Financial Sector Reforms continued apace during the period under review. Activities undertaken during the period include:

- Carrying on with the process of transforming the Credit Guarantee Scheme Department at the Bank into an independent entity and subsequently transfer out of the Bank, and the transformation of Tanzania Investment Bank into a two tier group Development Finance Institution.
- Preparation of a Comprehensive Policy Framework and Legal Infrastructure for Long Term Development Finance and regulations of associated institutions are at final stage and a draft report has been issued based on which regulations for the sector will be promulgated.
- Development of a National Public-Private Partnership (PPP) Policy has been approved, law passed, and draft regulations are in place and will be approved for implementation soon.
- The Finance Leasing Regulations were gazetted on 29th April 2011 together with Mortgage Finance Regulations and Tanzania Mortgage Refinance Company (TMRC) Regulations. The Government Housing Finance Project became operational in January 2011, with the support of IDA credit worth USD 40 million. This credit is expected to support the development of the mortgage market (USD 33 million), development of housing microfinance (USD 5 million); and expansion of affordable housing supply (USD 2 million).
- Developing appropriate legal and regulatory framework for establishment of Bancassurance in Tanzania. The draft framework was submitted to the Inter Institutional Committee on April 27, 2011.
- Preparation of Financial Inclusion Policy (by reviewing the National



Microfinance Policy), National Financial Literacy Framework, and Rural Financial Services Strategy is near completion. These aim at improving access to financial services by the majority of Tanzanians.

- A study was undertaken on Strengthening the Supervisory Function at the Cooperative Development Department (CDD) of the Ministry of Agriculture Food Security and Cooperatives. The study has provided guidance for improving capacity for licensing, inspection and supervision of SACCOS, and develop a mechanism of information exchange and sharing between the Bank of Tanzania and the CDD on SACCOS monitoring and performance status.
- Conducting actuarial assessment and portfolio review of the social security scheme in Zanzibar, and the actuarial valuation of all pension funds in Tanzania Mainland.
- A report on the harmonization of laws establishing various Social Security Funds was approved by the Board of Social Security Regulatory Authority, and proposed amendments will be submitted to Parliament.
- A final report and recommendations on the study on legal and operational framework for Deposit Insurance Board (DIB) was submitted to the Inter Institutional Committee on April 27, 2011.
- The Credit Reference Bureau Regulations, 2010 and Credit Reference Databank Regulations, 2010 were approved and gazetted on 14th May, 2010. A public notice to invite interested eligible private credit reference bureau operators to apply for license was prepared and issued to the public in February 2011. Preparation for setting up a credit reference databank at the Bank of Tanzania is at final stage. The databank is expected to be operational in 2011/12.
- A final report of the regulatory framework and draft regulations for the corporate and municipal bonds market was submitted to the



Inter Institutional Committee on April 27, 2011, and passed on to the Ministry of Finance for approval process.

- The processes of reviewing the Capital Markets Legal and Regulatory Framework and the study on demutualization of the Dar es Salaam Stock Exchange.
- The study on the establishment of Tanzania Agricultural Development Bank (TADB) was conducted and the recommendations for establishment of TADB are now under consideration by the Government.

3.7 National Payment Systems Developments

The Bank continued to maintain and support the existing payment systems for large values and retail payments. These constitute the Tanzania Inter-bank Settlement System (TISS), Electronic Clearing House (ECH), and the inter-bank electronic funds transfer. The Bank also spearheaded the automation of foreign exchange cheque clearing in which Arusha and Zanzibar clearing houses are automated, while those in Mbeya and Mwanza will be automated in the coming financial year 2011/12. The USD settlement facility in TISS is under a testing phase in which the commercial banks will be settling their USD obligations. The Bank has also continued to perform its role as banker to the Government and enhanced the means of collecting government revenue. In addition, the Bank implemented an interface with the Ministry of Finance effective July 2010, which has enabled the Government to make payments electronically through TISS. Similar arrangements are also being made for the Revolutionary Government of Zanzibar to effect payments through TISS in 2011/12. As for revenue collections, Zanzibar Revenue Board and TRA Zanzibar were connected to TISS in April 2011.

EAC Central Banks have taken up steps towards implementing a Regional Cross Border Payment System, which will help to promote trade within the East African Community. Agreement has been signed by EAC Central Banks to operationalize the East Africa Payment System by July 2011.



PART IV

4.0 MACROECONOMIC DEVELOPMENTS DURING 2010/11

4.1 An Overview of Global Economic Developments

According to the IMF World Economic Outlook (WEO) report of April 2011, the World real GDP growth is forecasted at 4.4 percent in 2011, a modest decline from 5.0 percent growth recorded in 2010. Real GDP in advanced economies is expected to grow by 2.4 percent compared with the growth of 3.0 percent recorded in 2010 (**Table 1**). Downside risks continue to outweigh upside prospects. Weak sovereign balance sheets and declining real estate markets continue to present major concerns, especially in certain euro area economies. Financial risks will increase as a result of the high funding requirements of banks and sovereigns. New downside risks are building on account of commodity prices, notably for oil, and geopolitical uncertainty in North Africa and Middle East, as well as overheating and booming asset markets in emerging market economies.

Output growth in emerging and developing economies is expected to slow down to 6.5 percent in 2011 compared with a growth rate of 7.3 percent recorded in 2010. Economic activity in the region has been sustained by continued buoyancy in exports and strong private domestic demand. Growth in Sub-Saharan Africa is forecasted to expand by 5.5 percent in 2011. If these projections prevail, economic growth in most countries in the region will have effectively bounced back to the high levels registered in the mid-2000s. However, rising food and commodity prices pose a threat to the region.

4.2 Domestic Economic Developments

4.2.1 GDP Performance

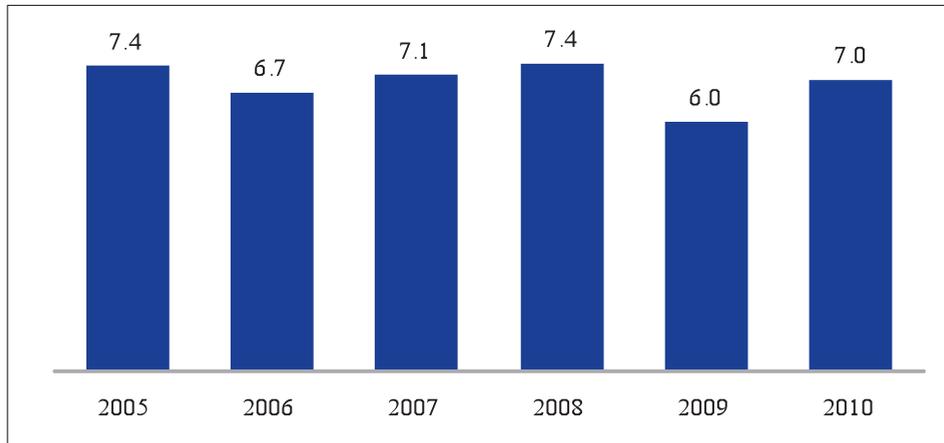
Tanzania continued to record good economic performance in 2010. Real GDP growth was 7.0 percent compared with the growth of 6.0 percent in 2009 (**Chart 4**). Higher growth rates were recorded in all activities when compared



to the preceding year, except for manufacturing which maintained more or less the same growth. Growth was particularly strong in Communications, Financial intermediation and Construction. The Communications sub-activity grew by 22.1 percent in line with the increase in mobile phone usage, whereas financial intermediation grew by 10.1 percent—associated with ongoing financial sector reforms and increased competition in insurance services.

Chart 4: Tanzania: GDP Growth at Constant 2001 Prices

(In Percent)



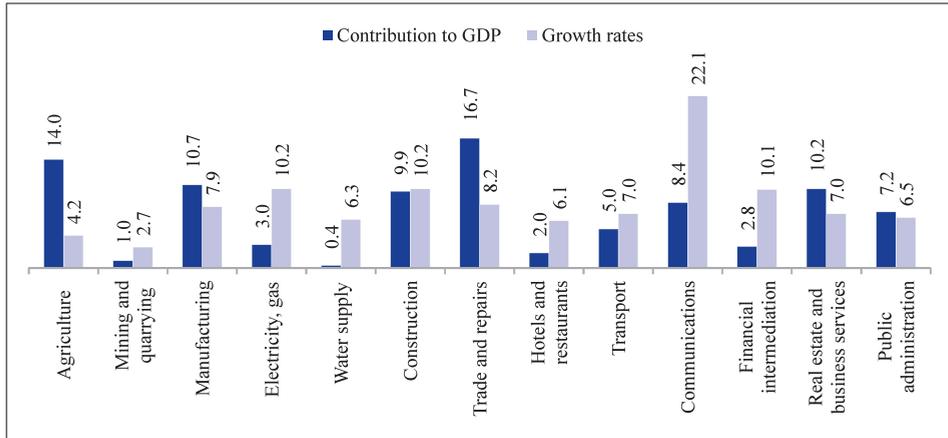
Source: National Bureau of Statistics (NBS)

Even though communication registered the strongest growth, its contribution to GDP was small because of its relative small weight compared to other activities. Most of the total GDP growth came from Trade and repairs, Agriculture and fishing; Manufacturing; and Real estate and business services (Chart 5).



Chart 5: Real GDP Growth and Contribution by Activity, 2010

(In Percent)



Source: National Bureau of Statics (NBS) and Bank of Tanzania

Table 1: World Output

(In Percent)

	2009	2010	2011	2012
World Output	-0.5	5.0	4.4	4.5
Advanced Economies	-3.4	3.0	2.4	2.6
Emerging and Developing Economies	2.7	7.3	6.5	6.5
Developing Asian Countries	7.2	9.5	8.4	8.4
Sub-Saharan Africa	2.8	5.0	5.5	5.9
Tanzania	6.0	7.0	6.0	7.2

Source: International Monetary Fund, April 2011 WEO, and Bank of Tanzania

4.2.2 Inflation Developments

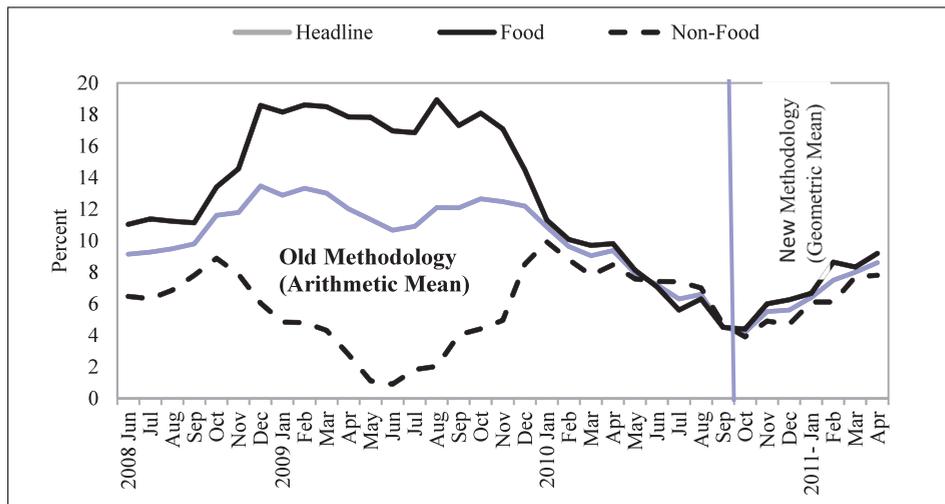
The favourable weather condition in 2009/10 improved the food supply in the country leading to reduction in inflationary pressures. Inflation eased from 12.7 percent in October 2009 to 4.2 percent in October 2010. However, starting November 2010 inflation trended upwards, mainly due to increase in global



oil prices, upward review of domestic electricity tariffs by 18 percent starting January 2011, as well as increase in prices of domestically produced food items, following poor short rains in the second quarter of 2010/11. In line with these developments, inflation rose continuously, reaching 8.6 percent at the end of April 2011 (**Chart 6**).

The annual inflation rate of the food and non-alcoholic beverages group (combining food consumed at home and in restaurants) was on an upward trend since November 2010, reaching 9.7 percent in April 2011, from 6.0 percent. Likewise, the annual non-food inflation rate maintained an upward trend since November 2010 picking up to 7.8 percent in April 2011, from 4.9 percent. Meanwhile, the annual inflation rate excluding food and energy—a proxy for core inflation—took a much slower upward trend reaching 5.7 percent in April 2011 from 3.7 percent in November 2010, signifying the pass through effect, particularly from high oil prices.

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



Source: Bank of Tanzania



4.2.3 Government Budgetary Performance

Domestic revenue collections (including Local Government Authorities own sources) in the first three quarters of 2010/11 amounted to TZS 4,256.3 billion, equivalent to 92.0 percent of the estimates for the period. Out of the total amount collected, tax revenue was TZS 3,910.7 billion or 92.8 percent of the estimate. All categories of tax fell short of their respective targets, largely on account of optimistic revenue projection. This led to mid-year review to bring expenditure in line with revenue collection.

Grants (including project) amounted to TZS 1,287.2 billion compared with projection of TZS 1,673.6 billion for the period. The shortfall was particularly pronounced in project grants, which were only 46.1 percent of the expected TZS 660.6 billion. Moreover, there was a delay in securing non-concessional borrowing that necessitated recourse to overdraft facility from the Bank of Tanzania to bridge cash flow gap, which will be repaid by the end of June 2011 .

During the same period, government expenditure amounted to TZS 7,169.3 billion, against the estimate of TZS 8,009.9 billion. Out of the total expenditure, recurrent expenditure was TZS 5,226.9 billion, which was in line with the estimate. On the other hand, development expenditure amounted to TZS 1,942.4 billion, accounting for 68.4 percent of budget estimate.

4.2.4 External Sector Developments

The current account balance for the first ten months of 2010/11 recorded a deficit of USD 1,783.6 million, compared with USD 1,922.8 million in the corresponding period in 2009/10. The narrowing of the deficit was largely on account of higher inflows of official current transfer and increase in exports of goods and services that outweighed the impact of the rise in import bill. As at the end of April 2011, gross official reserves rose to USD 3,739.7 million sufficient to cover 4.6 months of projected imports of goods and services (**Table 2**).



Export Performance

During the review period, exports of goods and services amounted to USD 5,469.6 million, being 25.2 percent higher than the value recorded in corresponding period in the preceding year. The increase in exports was largely due to a rise in both export unit prices and volume of coffee, tobacco and cashew nuts. Likewise, non-traditional exports increased due to the rise in world market price of gold, and the increased demand of manufactured goods from the neighbouring countries (**Appendix Table A12**).

Services receipt went up by 18.6 percent to USD 1,934.0 million from the level recorded in the corresponding period in 2009/10 mainly explained by increased travel and transportation receipts. The increase in transportation receipts was boosted by improvement in cargo clearance at the Dar es Salaam Port.

Import Performance

Imports of goods and services amounted to USD 7,924.1 million, being 14.9 percent higher than the value recorded in the corresponding period in 2009/10, with all categories of import of goods registering an increase (**Appendix Table A13**).

The value of oil imports declined slightly by 0.7 percent to USD 1,517.7 million during the review period mainly on account of a fall in the volume of oil imports as world market price went up. The volume of oil imports declined to 2.2 million tons during the reviewed period compared with 2.8 million tons recorded in the same period in 2009/2010. Likewise, services payment went up by 8.5 percent to USD 1,618.3 million, with much of the increase registered in payments for transportation particularly freight charges.



Table 2: Tanzania: Current Account Balance

Item	Millions of USD		
	July - April		% Change
	2009/10	2010/11 _p	
Goods Account (net)	-2,665.6	-2,770.3	3.9
Exports	2,739.7	3,535.5	29.0
Imports	5,405.3	6,305.8	16.7
Services Account (net)	138.4	315.7	128.0
Receipts	1,630.5	1,934.0	18.6
Payments	1,492.0	1,618.3	8.5
Goods and services (net)	-2,527.2	-2,454.6	-2.9
Exports of goods and services	4,370.2	5,469.6	25.2
Imports of goods and services	6,897.3	7,924.1	14.9
Income Account (net)	-46.2	-58.6	27.0
Receipts	143.7	167.0	16.2
Payments	189.9	225.7	18.9
Current Transfers (net)	650.5	729.6	12.2
Inflows	710.7	799.4	12.5
o/w General Government	618.3	713.3	15.4
Outflows	60.2	69.8	15.9
Current Account Balance	-1,922.8	-1,783.6	-7.2
Gross Official Reserves	3,580.7	3,739.7	4.4

Note: p = Provisional

Source: Bank of Tanzania

4.2.5 National Debt Developments

As at the end of April 2011, the total national debt stock stood at USD 11,455.4 million, out of which 80.0 percent (USD 9,162.6 million) was external. Out of the total national debt stock, public debt was USD 9,510.7 million (USD 7,333.2 million external debt and USD 2,177.5 million domestic debt), while the rest was private sector debt. The current national debt stock represents an increase of 12.0 percent from the level recorded at the end of June 2010, mainly explained by new disbursements of domestic and external debt. Recorded external debt disbursements during the period amounted to USD 459.3 million, while principal repayments amounted to USD 65.8 million and USD 35.5 million were interest payments. The ratio of debt to nominal GDP stood at 39.9 percent at the end of April 2011. Based on the results of the latest Debt Sustainability Assessment, conducted in November 2010, the present value of debt to GDP for Tanzania was 14.9 percent compared to the sustainability threshold of 50 percent.



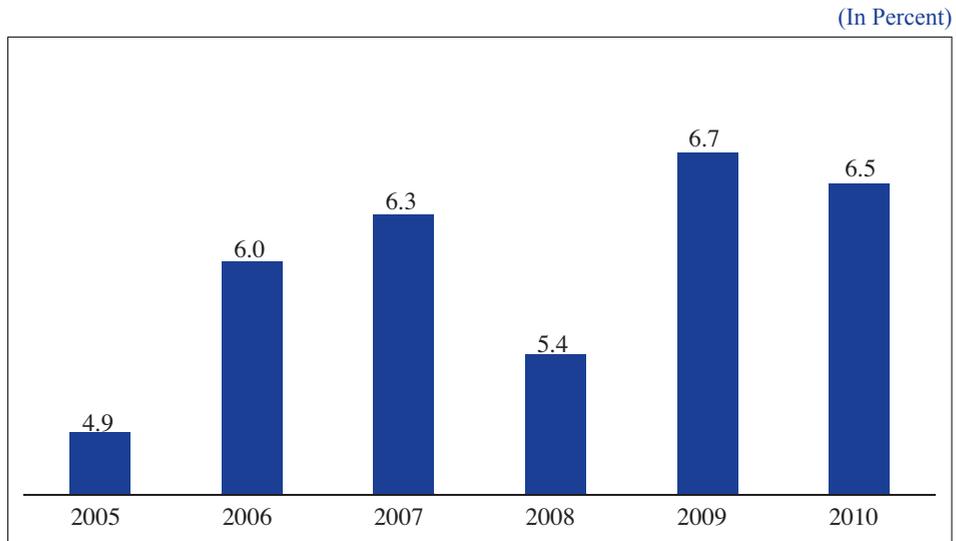
Domestic debt issued for government financing amounted to TZS 1,281.9 billion, whereas debt service payments amounted to TZS 1,155.3 billion, out of which, principal amounting to TZS 918.4 billion was rolled over.

4.2.6 Economic Developments in Zanzibar

Economic Growth

Zanzibar registered real GDP growth rate of 6.5 percent in 2010, below the projected 7.0 percent and lower than 6.7 recorded in 2009, mainly on account of power blackout which adversely affected the economy during the first quarter of 2010 (Chart 7).

Chart 7: Zanzibar Real GDP Development



Source: Office of Chief Government Statistician (OCGS)

The services sector registered a growth rate of 8.6 percent, down from 8.8 percent recorded in 2009, mainly on account of a decrease in the number of tourist



arrivals by 1.6 percent, from 134,954 in 2009 to 132,836 in 2010. However, the share of the services sector to real GDP increased from 48.3 percent in 2009 to 49.2 percent in 2010.

The industrial sector which was adversely affected by power shortage more than any other sector grew by 2.0 percent in 2010 compared with 3.4 percent in 2009. The agricultural sector grew by 4.6 percent, up from 4.4 percent in 2009 following good weather conditions coupled with increased utilization of seasonal inputs.

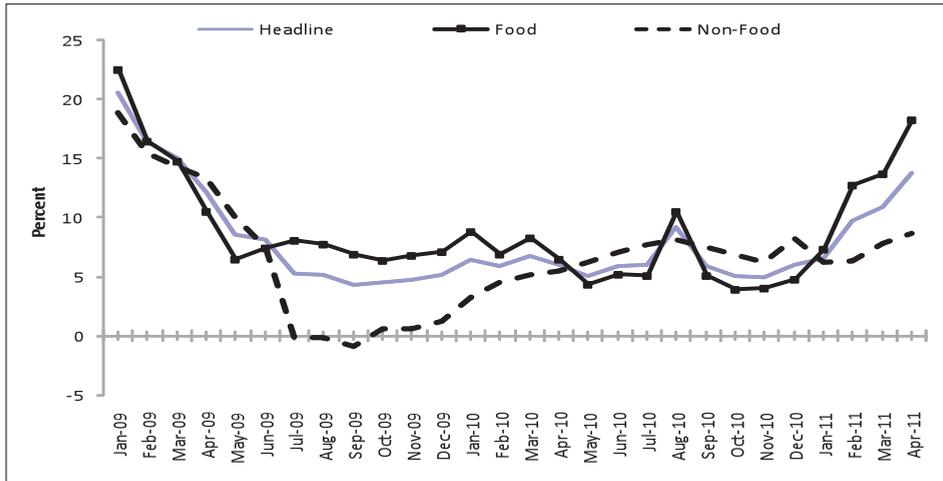
Inflation Developments

In the first ten months of 2010/11, average annual headline inflation accelerated to 7.8 percent from 5.4 percent registered during the corresponding period of 2009/10, primarily due to rebound in the global oil and food prices, particularly imported rice, sugar and wheat, as well as an increase in oil prices **(Chart 8)**.

In March 2011, Zanzibar recorded the first double digit inflation rate of 10.9 percent since April 2009. It further accelerated to 13.8 percent in the year ending April 2011, mainly driven by increased food and oil prices. In the remaining part of 2010/2011, inflation rate is expected to remain at double digit level.



Chart 8: Zanzibar: Annual Headline, Food and Non-food Inflation



Source: Office of Chief Government Statistician (OCGS)

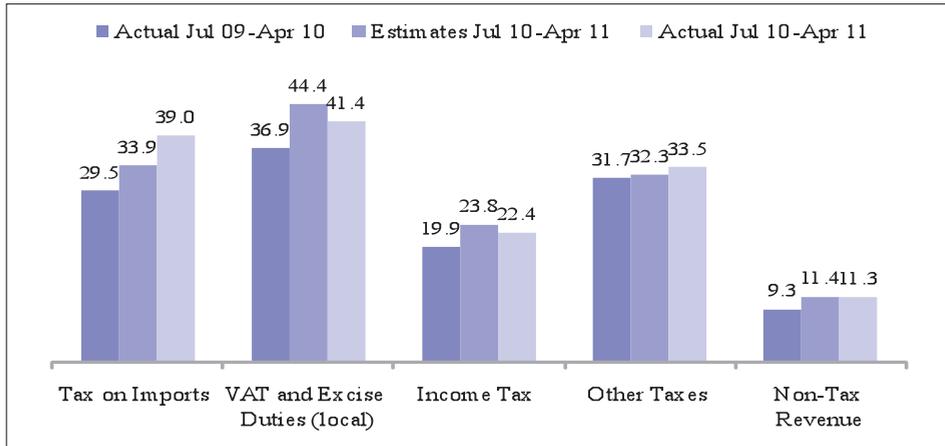
Government Budgetary Developments

During the review period, total domestic revenue collections amounted to TZS 147.7 billion, being 1.3 percent above the target. Tax revenue amounted to TZS 136.4 billion above target of TZS 134.4 billion and accounted for 92.4 percent of the total revenue collections. Revenue from non-tax sources amounted to TZS 11.3 billion and accounted for 7.6 percent of the total revenue collections. Performance of various tax categories is illustrated in **Chart 9**.



Chart 9: Zanzibar Government Revenue by Sources

(In Billions of TZS)



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

Total foreign grants during the period under review amounted to TZS 79.2 billion; out of which General Budget Support amounted to TZS 33.9 billion and Program grants amounted to TZS 45.3 billion.

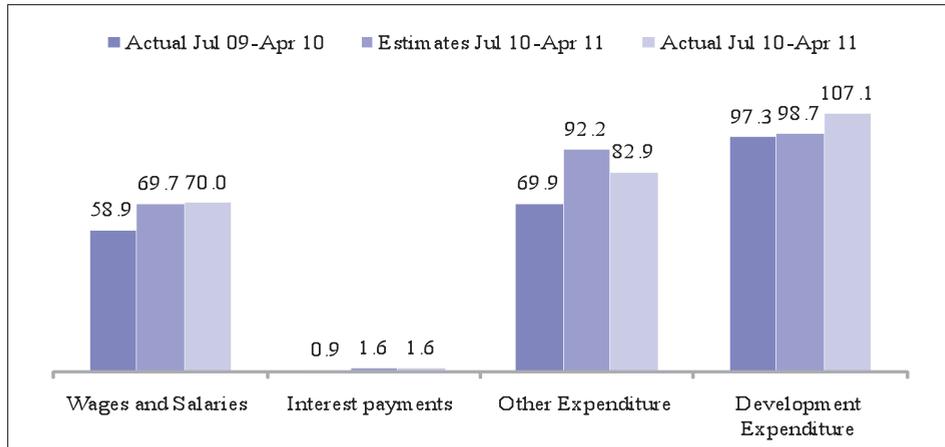
Total Government expenditure amounted to TZS 295.3 billion, above the estimate of TZS 262.2 billion, mainly due to increase in foreign assistance in favour of development expenditure. Recurrent expenditure amounted to TZS 154.5 billion, or 52.3 percent of total expenditure, and was below the estimate by 5.5 percent. Wages and salaries accounted for 45.3 percent of the recurrent expenditure, while other charges accounted for 53.6 percent of the recurrent expenditure and the balance was the interest payments. Development expenditure amounted to TZS 140.8 billion, accounting for 47.7 percent of total expenditure; out of which local component contributed 17.6 percent, while foreign sources contributed 82.4 percent (**Chart 10**).



During the period under review, budgetary operations on cheques issued basis recorded a deficit of TZS 68.4 billion after grants and after adjustment to cash the deficit decreased to TZS 63.6 billion.

Chart 10: Government Expenditure by Component

(In Billions of TZS)



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

External Sector Developments

In the first ten months of 2010/11, Zanzibar's current account balance recorded a surplus of USD 4.6 million, compared to a surplus of USD 24.8 million, recorded during the corresponding period in 2009/10 (**Table 3**). The decrease in surplus was mainly due to decline in official current transfers and export of cloves.

Total exports of goods and services amounted to USD 120.1 million being higher by 14.0 percent of the level recorded in the corresponding period a year earlier on account of a decline in clove exports.



Goods import bill (c.i.f) declined to USD 87.3 million, from USD 97.1 million recorded in the corresponding period in 2009/10; largely driven by a decrease in capital goods and consumer imports.

The service account registered a surplus of USD 36.5 million during the review period compared with USD 32.5 million, registered in the similar period of the preceding year. The increase was attributed to rise in foreign exchange inflows arising mainly from tourism.

Table 3: Zanzibar Current Account Balance

Item	July - April					% Change 2010/11 - 2009/10
	2006/07	2007/08	2008/09	2009/10	2010/11p	
Goods Account (net)	-46.2	-60.9	-66.7	-66.2	-65.5	-1.1
Exports	14.3	13.8	17.8	22.2	13.9	-37.4
Imports (fob)	60.5	74.7	84.5	88.4	79.4	-10.2
Services Account (net)	36.0	25.8	26.4	32.5	36.5	12.3
Receipts	78.6	69.2	80.5	83.2	106.2	27.6
Payments	42.5	43.4	54.1	50.7	69.7	37.5
Goods and Services (net)	-10.1	-35.1	-40.3	-33.7	-29.0	-14.0
Exports of Goods and Services	92.9	83.0	98.2	105.4	120.1	14.0
Imports of Goods and Services	103.0	118.1	138.6	139.1	149.1	7.2
Income Account (net)	0.2	-0.5	-2.4	-0.7	-0.5	-28.6
Receipts	0.3	0.1	0.3	0.3	1.3	...
Payments	0.0	0.7	2.8	0.9	1.7	88.9
Current Transfers (net)	45.3	47.5	40.1	59.1	34.0	-42.5
Inflows	45.3	47.5	40.1	59.1	34.0	-42.5
Outflows	0.0	0.0	0.0	0.0	0.0	n/a
Current Account Balance	35.4	11.9	-2.7	24.8	4.6	-81.5

... Implies large number

p = provisional

Source: Bank of Tanzania (Zanzibar Branch), TRA, ZSTC



PART V

5.0 MACROECONOMIC POLICY FRAMEWORK FOR 2011/12

5.1 Macroeconomic Objectives

In 2011/12, the Government will continue to focus on sustaining macroeconomic stability through implementation of prudent macroeconomic policies based on MKUKUTA II framework. Specifically, the Government intends to attain the following macroeconomic objectives:

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

5.2 Monetary Policy Objectives

Monetary policy objectives of the Bank of Tanzania will continue to support the above macroeconomic objectives of the Government, while providing room for private sector credit growth. Specifically, the Bank aims at achieving the following objectives for the year 2011/12:

- i. Contain the expansion of average reserve money at an annual rate of 19.0 percent;
- ii. Annual growth rate of M3 not exceeding 19.0 percent;



- iii. Providing a room for private sector credit to grow at an annual rate of 20.8 percent; and
- iv. Maintaining a level of international reserves adequate to cover not less than 4.5 months of imports of goods and services.



PART VI

6.0 MONETARY POLICY STANCE DURING 2011/12

6.1 Liquidity Management

In 2011/12, monetary policy will continue to support macroeconomic objectives of the Government consistent with the attainment of price stability. The Bank remains mindful of the possible second round effects of the surge in global commodity prices and domestic supply shocks which could cause further increase in inflation rate. The Bank stands ready to make necessary adjustments to monetary policy stance to address any emerging pressures on core inflation. In addition, the Bank will continue to improve liquidity forecasting and engage an appropriate mix of monetary policy instruments for managing monetary operations. This includes refining its open market operations and foreign exchange sales for liquidity management.

The Bank will continue to work closely with the Ministry of Finance to align fiscal and monetary operations so as to maintain an appropriate level of liquidity in the economy, while providing room for sufficient growth of credit to private sector to support economic activity. In line with Government's objective of having more ministries make their payments through Tanzania Interbank Settlement System, the predictability of government budgetary flows is expected to improve and hence facilitate liquidity management. The Bank remains committed to maintaining the transparency of its policy stance and promotion of orderly financial markets.

6.2 Interest Rate Policy

Interest rates will continue to be market-determined, with the Bank of Tanzania continuing to structure its use of monetary policy instruments in a manner that will sustain stability in financial markets. In addition, the Bank of Tanzania will continue to collaborate with the government in implementing



measures to remove the remaining structural and institutional limitations to monetary policy, and deepen financial intermediation within the framework of the Second-Generation Financial Sector Reforms

6.3 Exchange Rate Policy

The Bank of Tanzania will continue to maintain a flexible exchange rate policy, with the exchange rate obtained in the IFEM being the anchor for exchange rates across the country. The Bank will participate in the foreign exchange market with the main objective of implementing monetary policy and smoothing short-term exchange rate volatility, while maintaining an adequate level of international reserves.

6.4 Safeguarding Financial Sector Stability

The Bank remains committed to ensuring stability and soundness of the financial sector. During 2011/12, the Bank will continue to identify the main sources of risks and vulnerabilities in the sector and take appropriate measures to mitigate them through its daily surveillance of transactions in the banking sector. The Bank will also enhance the prudential surveillance and supervision of banks in line with the principles of risk-based banking supervision. Simultaneously, the Bank of Tanzania will continue to require banks to put in place robust mechanisms for risk assessments of their operations to facilitate timely detection and reporting of any emerging risks.

Going forward, the Bank intends to establish an effective and coordinated national financial crisis management and resolution framework. This will involve among others, strengthening the role of the Deposit Insurance Board in safeguarding financial stability, and development of a contingency plan for provision of systemic emergence liquidity in times of need. This will be key in preserving public confidence in the banking system. In addition, the Bank is committed to provide an effective platform for coordinating initiatives to enhance financial crisis preparedness in the country.



The operationalization of the credit reference databank in 2011/12 is expected to lower transaction costs in the financial system as well as enhancing access to financial services. The Bank will continue to support banks and mobile network operators in the development of mobile banking through a mobile payment partnership policy. A regulatory and legal framework for the fastest growing mobile banking services in the country will be put in place. In this regards, the National Payments Systems Bill, which aims at preserving market confidence through proper regulation of new innovations, will be tabled in Parliament.



PART VII

CONCLUSION

Having experienced a recovery in growth from 2009 to 2010, the Tanzania economy was poised to slow down to 6.0 percent in 2011, mainly due to power shortage in the early months of 2011 and challenges arising from geopolitical tension in Middle East and North Africa. The challenges not only pose risk to the strengthening of economic activity but also to the efforts to contain inflation in the medium-term.

However, the better than expected outturn of long rains in 2011 and the accompanying improvement in hydroelectric generation provide upside prospects that the growth might be higher than projected in 2011. In addition, the efforts being taken by the Government which include improvement in power generation, implementation of “Kilimo Kwanza” initiative, and the use of national grain reserves to stabilize domestic prices are expected to lessen the severity of the challenges being faced by the economy.

The Bank of Tanzania, on its part, will continue to provide monetary policy conditions needed for macroeconomic stability, including adequate growth of credit to the private sector. In this regard, the Bank will take measures to ensure appropriate levels of growth of money supply and remain vigilant in safeguarding the current stability in the financial sector. With these measures in place, the Bank of Tanzania is confident that the targets set for 2011/12 will be achieved.



APPENDICES



TableA1: Global Economic Environment- World Economic Outlook

	2009		2010		2011	2012
	Projections	Outturn	Projections	Outturn	Projections	
(Percent change, unless otherwise indicated)						
World real GDP	-1.3	-0.5	4.8	5.0	4.4	4.5
Advanced economies	-3.8	-3.4	2.7	3.0	2.4	2.6
Emerging and developing Economies	1.6	2.7	7.1	7.3	6.5	6.5
Sub-Saharan Africa	1.7	2.8	5.0	5.0	5.5	5.9
Volume of Imports						
Advanced economies	-12.1	-12.6	10.1	11.2	5.8	5.5
Emerging and developing Economies	-8.8	-8.3	14.3	13.5	10.2	9.4
Volume of Exports						
Advanced economies	-13.5	-12.2	11.0	12.0	6.8	5.9
Emerging and developing Economies	-6.4	-7.5	11.9	14.5	8.8	8.7
Consumer Prices						
Advanced economies	-0.2	0.1	1.4	1.6	2.2	1.7
Emerging and developing Economies	5.7	5.2	6.2	6.2	6.9	5.3
Commodity prices						
Oil prices(USD/barrel)		61.78	76.20	79.03	107.16	108.00

Source: IMF (WEO 2010, 2011)



Table A2: Gross Domestic Product at Constant 2001 Prices by Economic Activity

	Millions of TZS					
Economic Activity	2005	2006	2007	2008	2009_r	2010_p
Agriculture, Hunting and Forestry	3,148,384	3,268,238	3,399,648	3,554,488	3,669,645	3,824,428
Crops	2,361,930	2,457,373	2,567,955	2,698,921	2,790,684	2,913,474
Livestock	525,109	537,498	550,398	564,708	577,922	597,572
Forestry and hunting	261,345	273,367	281,295	290,859	301,039	313,382
Fishing	196,676	206,510	215,734	226,521	232,637	236,126
Industry and construction	2,433,261	2,639,902	2,889,519	3,138,241	3,357,703	3,633,664
Mining and quarrying	295,000	341,000	377,559	386,998	391,642	402,331
Manufacturing	1,071,000	1,162,000	1,263,435	1,388,515	1,499,596	1,618,064
Electricity, gas	263,218	258,347	286,507	301,978	327,344	360,733
Water supply	51,700	54,905	58,474	62,333	65,824	69,955
Construction	752,343	823,650	903,544	998,416	1,073,297	1,182,581
Services	5,596,784	6,035,932	6,527,561	7,085,136	7,594,661	8,214,209
Trade and repairs	1,585,906	1,736,631	1,906,821	2,097,503	2,254,816	2,439,711
Hotels and restaurants	301,873	314,921	328,859	343,658	358,779	380,664
Transport	627,951	661,000	703,965	752,539	797,691	853,529
Communications	200,900	239,537	287,684	346,659	422,577	515,967
Financial intermediation	204,694	228,000	251,280	281,120	306,339	337,356
Real estate and business services	1,226,790	1,316,000	1,408,120	1,508,097	1,610,647	1,723,392
Public administration	970,786	1,033,488	1,102,951	1,180,158	1,232,313	1,312,414
Education	224,547	235,774	248,742	265,905	284,704	305,402
Health	163,572	177,520	193,142	210,525	224,654	240,058
Other social and personal services	89,765	93,061	95,998	98,974	102,141	105,716
Gross value added before adjustments	11,375,105	12,150,582	13,032,462	14,004,385	14,854,646	15,908,427
less FISIM	-119,497	-137,287	-158,292	-175,704	-190,990	-208,370
Gross value added at 2001 basic prices	11,255,608	12,013,295	12,874,170	13,828,681	14,663,656	15,700,057
Add Taxes on products	812,482	867,868	927,751	999,664	1,057,645	1,128,507
Gross Domestic Product at 2001 market prices	12,068,090	12,881,163	13,801,921	14,828,345	15,721,301	16,828,563

Note: r = revised

p = provisional

Source: National Bureau of Statistics



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

In Percent

Economic Activity	2005	2006	2007	2008	2009 ^r	2010 ^p	Average 2005-2010
Real Growth by Economic Activities							
Agriculture and Fishing	4.3	3.8	4.0	4.6	3.2	4.2	4.0
Crops	4.4	4.0	4.5	5.1	3.4	4.4	4.3
Livestock	4.4	2.4	2.4	2.6	2.3	3.4	2.9
Forestry and hunting	3.6	4.6	2.9	3.4	3.5	4.1	3.7
Fishing	6.0	5.0	4.5	5.0	2.7	1.5	4.1
Industry and construction	10.4	8.5	9.5	8.6	7.0	8.2	8.7
Mining and quarrying	16.1	15.6	10.7	2.5	1.2	2.7	8.1
Manufacturing	9.6	8.5	8.7	9.9	8.0	7.9	8.8
Electricity, gas	9.4	-1.9	10.9	5.4	8.4	10.2	7.1
Water supply	4.3	6.2	6.5	6.6	5.6	6.3	5.9
Construction	10.1	9.5	9.7	10.5	7.5	10.2	9.6
Services	8.0	7.8	8.1	8.5	7.2	8.2	8.0
Trade and repairs	6.7	9.5	9.8	10.0	7.5	8.2	8.6
Hotels and restaurants	5.6	4.3	4.4	4.5	4.4	6.1	4.9
Transport	6.7	5.3	6.5	6.9	6.0	7.0	6.4
Communications	18.8	19.2	20.1	20.5	21.9	22.1	20.4
Financial intermediation	10.8	11.4	10.2	11.9	9.0	10.1	10.6
Real estate and business services	7.5	7.3	7.0	7.1	6.8	7.0	7.1
Public administration	11.4	6.5	6.7	7.0	4.4	6.5	7.1
Education	4.0	5.0	5.5	6.9	7.1	7.3	6.0
Health	8.1	8.5	8.8	9.0	6.7	6.9	8.0
Other social and personal services	2.6	3.7	3.2	3.1	3.2	3.5	3.2
Gross value added excluding adjustments	7.4	6.8	7.3	7.5	6.1	7.1	7.0
less FISIM	11.8	14.9	15.3	11.0	8.7	9.1	11.8
Gross value added at basic prices	7.4	6.7	7.2	7.4	6.0	7.1	7.0
Add Taxes on products	7.4	6.8	6.9	7.8	5.8	6.7	6.9
Gross domestic product at market prices	7.4	6.7	7.1	7.4	6.0	7.0	7.0
Contribution in real GDP by Economic Activities							
Agriculture and Fishing	26.1	25.4	24.6	24.0	23.3	24.3	25.0
Crops	19.6	19.1	18.6	18.2	17.8	18.5	18.9
Livestock	4.4	4.2	4.0	3.8	3.7	3.8	4.1
Forestry and hunting	2.2	2.1	2.0	2.0	1.9	2.0	2.1
Fishing	1.6	1.6	1.6	1.5	1.5	1.5	1.6
Industry and construction	20.2	20.5	20.9	21.2	21.4	23.1	20.6
Mining and quarrying	2.4	2.6	2.7	2.6	2.5	2.6	2.5
Manufacturing	8.9	9.0	9.2	9.4	9.5	10.3	9.1
Electricity, gas	2.2	2.0	2.1	2.0	2.1	2.3	2.1
Water supply	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Construction	6.2	6.4	6.5	6.7	6.8	7.5	6.5
Services	46.4	46.9	47.3	47.8	48.3	52.2	47.1
Trade and repairs	13.1	13.5	13.8	14.1	14.3	15.5	13.7
Hotels and restaurants	2.5	2.4	2.4	2.3	2.3	2.4	2.4
Transport	5.2	5.1	5.1	5.1	5.1	5.4	5.1
Communications	1.7	1.9	2.1	2.3	2.7	3.3	2.0
Financial intermediation	1.7	1.8	1.8	1.9	1.9	2.1	1.8
Real estate and business services	10.2	10.2	10.2	10.2	10.2	11.0	10.2
Public administration	8.0	8.0	8.0	8.0	7.8	8.3	7.9
Education	1.9	1.8	1.8	1.8	1.8	1.9	1.8
Health	1.4	1.4	1.4	1.4	1.4	1.5	1.4
Other social and personal services	0.7	0.7	0.7	0.7	0.6	0.7	0.7

r = revised

p = provisional

Source: National Bureau of Statistics and Bank of Tanzania computations



Table A4: Gross Domestic Product at 2001 Prices by type of Expenditure

Type of Expenditure	Millions of TZS					
	2005	2006	2007	2008	2009 ^r	2010 ^p
GDP at constant market prices	12,068,090	12,881,163	13,801,921	14,828,345	15,721,301	16,828,563
Final consumption expenditure	10,855,260	11,735,476	12,517,666	13,337,233	13,838,779	15,010,200
Households	8,748,590	9,456,059	10,021,704	10,512,581	10,870,070	11,538,082
Government	2,106,670	2,279,417	2,495,962	2,824,652	2,968,710	3,472,119
Gross capital formation	2,535,317	2,938,619	3,358,305	3,616,866	3,982,283	4,385,837
Gross fixed capital formation	2,493,633	2,893,604	3,313,177	3,571,629	3,928,805	4,332,960
Changes in inventories	41,684	45,015	45,128	45,237	53,478	52,877
Exports of goods and services	2,449,820	2,369,701	2,768,705	3,311,236	3,479,706	4,533,457
Exports of goods fob	1,256,370	1,004,797	1,089,513	1,441,642	1,519,800	2,401,333
Exports of services	1,193,450	1,364,904	1,679,192	1,869,594	1,959,906	2,132,124
Imports of goods and services	-3,772,307	-4,162,633	-4,842,754	-5,436,991	-5,579,468	-7,100,931
Imports of goods fob	-2,689,212	-3,146,854	3,861,190	-4,499,134	-4,455,068	-5,822,908
Imports of services	-1,083,095	-1,015,779	981,564	-937,856	-1,124,400	-1,278,024

	Percentage Growth Rates					
GDP at constant market prices	7.4	6.7	7.1	7.4	6.0	7.0
Final consumption expenditure	11.4	8.1	6.7	6.5	3.8	8.5
Households	11.2	8.1	6.0	4.9	3.4	6.1
Government	11.9	8.2	9.5	13.2	5.1	17.0
Gross capital formation	18.2	15.9	14.3	7.7	10.1	10.1
Gross fixed capital formation	18.7	16.0	14.5	7.8	10.0	10.3
Changes in inventories	-3.7	8.0	0.3	0.2	18.2	-1.1
Exports of goods and services	13.5	-3.3	16.8	19.6	5.1	30.3
Exports of goods fob	12.2	-20.0	8.4	32.3	5.4	58.0
Exports of services	15.0	14.4	23.0	11.3	4.8	8.8
Imports of goods and services	34.2	10.3	16.3	12.3	2.6	27.3
Imports of goods fob	33.2	17.0	22.7	16.5	-1.0	30.7
Imports of services	36.7	-6.2	-3.4	-4.5	19.9	13.7

r = revised

p = provisional

Source: National Bureau of Statistics and Bank of Tanzania computations



Table A5: Zanzibar Gross Domestic Product at Constant 2001 Prices by

Economic Activity	Millions of TZS					
Economic Activity	2005	2006	2007	2008	2009	2010p
Agriculture, forestry & fishing	61,280	72,700	72,400	76,500	79,900	83,700
Crops	37,901	49,000	48,000	51,100	53,700	56,800
Livestock	10,810	11,200	11,600	12,000	12,400	12,900
Forestry & hunting	1,179	1,200	1,300	1,300	1,400	1,400
Fishing	11,390	11,300	11,500	12,100	12,400	12,600
Industry	39,147	46,000	48,100	49,200	50,800	51,800
Mining & quarrying	2,342	2,400	2,600	3,200	3,600	3,800
Manufacturing	14,239	14,700	14,800	15,000	15,300	15,800
Electricity, gas & water supply	4,542	4,800	5,100	5,200	5,300	5,300
Construction	18,024	24,100	25,600	25,800	26,600	26,900
Services	140,646	136,700	150,880	160,600	174,700	189,800
Trade & repairs	28,400	28,600	30,900	30,100	31,300	32,400
Hotels & restaurants	21,899	23,900	25,000	24,900	26,100	26,900
Transport & communications	23,200	23,300	32,000	39,800	48,700	58,300
Financial intermediation	5,214	4,700	5,700	5,900	6,000	7,500
Real estate & business services	2,720	2,800	3,000	3,100	3,300	3,400
Public administration	38,616	31,600	32,000	33,200	34,600	35,500
Education	15,425	16,300	16,500	17,500	18,500	19,400
Health	4,146	4,390	4,680	4,900	5,000	5,100
Other social & personal services	1,026	1,100	1,100	1,200	1,200	1,300
Adjustment to market prices						
Taxes on products	44,500	47,200	50,100	52,900	56,400	60,100
Gross Domestic Product at market prices	285,600	302,600	321,480	339,200	361,800	385,400

	Percentage Growth Rates					
Agriculture, forestry & fishing	2.8	18.7	-0.4	5.7	4.4	4.8
Crops	1.6	29.4	-2.0	6.5	5.1	5.8
Livestock	3.5	3.5	3.6	3.5	3.6	4.0
Forestry & hunting	3.6	3.8	3.7	3.0	4.3	0.0
Fishing	6.3	-1.0	1.8	5.2	2.5	1.6
Industry	6.6	17.6	4.6	1.9	3.4	2.0
Mining & quarrying	15.5	3.0	9.1	22.8	11.4	5.6
Manufacturing	2.4	3.5	0.5	1.1	2.4	3.3
Electricity, gas & water supply	7.6	5.0	7.5	0.9	2.4	0.0
Construction	8.8	33.8	6.3	0.5	3.2	1.1
Services	5.3	-2.8	10.4	6.1	8.8	8.6
Trade & repairs	14.6	1.0	9.9	-4.3	4.0	3.5
Hotels & restaurants	39.9	9.2	4.5	-0.5	5.0	3.1
Transport & communications	9.9	0.4	37.3	24.1	22.4	19.7
Financial intermediation	13.7	-10.2	21.3	4.0	2.6	25.0
Real estate & business services	4.7	4.7	4.8	4.8	4.8	3.0
Public administration	-13.5	-18.3	1.3	4.0	4.2	2.6
Education	1.1	5.4	1.3	6.4	5.6	4.9
Health	4.2	5.9	6.6	4.5	7.9	2.0
Other social & personal services	4.3	4.3	4.3	4.3	4.3	8.3
Gross Domestic Product at market prices	4.9	6.0	6.4	5.3	6.7	6.5

Notes: p = provisional

Source: Office of Chief Government Statistician-Zanzibar



Table A6 a: Percentage Change in National Consumer Price Index (NCPI)

Base: December, 2000=100

	Headline	Food	Non-Food											
			Non-Food	Drinks & Tobacco	Clothing & Footwear	Rent	Fuel, Power & Water	Furniture & Household Equip.	Household operations	Personal care & Health	Recreation & Entertain.	Transportation	Education	Miscel. Goods & services
Weight (%)	100.00	55.90	44.10	6.90	6.40	1.40	8.50	2.10	2.10	2.10	0.80	9.70	2.60	1.50
2006	7.25	7.02	7.63	7.70	6.98	5.47	8.54	7.81	1.96	11.20	4.96	9.13	2.46	8.03
2007	7.03	6.99	7.01	10.47	5.87	3.60	6.12	7.88	8.66	2.88	8.89	7.01	9.63	0.81
2008	10.28	12.69	6.68	8.14	1.46	2.41	10.70	5.97	3.17	5.02	5.53	6.87	7.00	1.85
2009	12.15	17.74	3.72	8.24	5.86	12.31	-2.10	5.77	5.15	6.40	8.90	0.04	9.67	3.08
2008 Mar	8.85	10.88	5.79	9.89	0.77	2.13	8.41	4.64	3.14	3.37	4.44	5.53	5.56	1.61
Jun	9.38	11.36	6.44	7.95	1.08	2.12	11.21	5.16	2.69	3.74	4.15	6.76	6.28	0.75
Sep	10.30	11.93	7.83	8.45	1.15	3.01	13.22	6.83	2.19	5.86	5.53	8.52	7.81	2.19
Dec	12.52	16.49	6.64	6.41	2.84	2.39	9.89	7.24	4.69	7.06	7.96	6.62	8.29	2.87
2009 Mar	13.07	18.42	4.62	5.47	4.14	12.57	1.78	7.03	4.87	7.66	10.37	3.59	10.07	3.38
Jun	11.34	17.55	1.70	6.51	5.70	12.19	-7.71	6.78	4.78	7.44	9.04	-0.87	10.86	4.49
Sep	11.69	17.70	2.63	10.71	8.78	12.57	-5.73	6.60	5.31	7.21	8.82	-2.94	10.47	3.97
Dec	12.46	16.54	5.94	12.34	6.48	12.71	5.43	4.16	5.77	4.89	8.47	0.54	8.87	1.05
2010 Jan	10.88	11.32	10.10	12.09	5.34	2.56	23.26	3.47	6.00	3.68	7.47	3.27	7.51	1.04
Feb	9.63	10.08	8.81	11.46	4.55	2.62	20.27	1.60	4.71	4.91	3.37	3.35	6.00	-1.77
Mar	9.04	9.69	7.87	9.73	5.53	2.88	16.31	2.23	4.96	5.55	2.96	4.13	3.55	-1.96
Apr	9.37	9.82	8.55	10.10	3.60	2.81	19.88	1.75	4.68	5.78	4.38	5.44	2.86	-5.19
May	7.94	8.13	7.59	10.11	3.04	2.75	14.49	2.30	2.84	5.61	2.15	7.57	2.52	-5.00
Jun	7.20	7.07	7.42	9.56	0.79	2.75	15.44	2.93	3.09	5.01	1.56	8.01	0.91	-4.46
Jul	6.28	5.63	7.41	7.00	-0.69	1.69	19.53	2.13	3.10	4.58	0.57	7.00	-0.41	-4.79
Aug	6.60	6.35	7.10	7.18	0.60	1.94	16.51	2.57	4.87	3.88	0.40	7.35	0.33	-6.26
Sep	4.50	4.48	4.70	6.69	1.73	1.94	7.05	2.40	4.29	4.10	-0.71	5.62	0.00	-5.56

Note: (1) Before August 2001, Base year June 2001=100, Afterwards Base year December 2001=100

Source: National Bureau of Statistics



Table A6 b: Percentage Change in National Consumer Price Index (NCPI)

Base: September 2010=100

Main Groups	Weight	Percentage change						
		Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Headline/All items	100.00	4.20	5.50	5.56	6.42	7.49	8.03	8.60
Food and Non-Alcoholic Beverages	47.80	5.20	7.10	7.27	7.13	9.24	8.64	9.70
Transport	9.50	-1.00	0.10	2.00	1.75	2.95	2.71	5.60
Housing, Water, Electricity, Gas and Other Fuel	9.20	10.20	14.40	5.53	5.84	8.62	9.53	9.40
Clothing and Footwear	6.70	4.90	4.70	12.07	17.66	11.08	13.58	13.40
Furnishing, Housing Equip. and House Maintenance	6.70	3.50	4.60	5.69	7.16	13.94	14.51	13.60
Restaurants and hotels	6.40	-1.50	-1.50	-1.16	0.57	2.12	1.38	1.40
Alcoholic and Tobacco	3.30	4.10	2.50	0.61	0.34	0.32	3.26	3.90
Communication	2.10	1.20	1.20	0.80	-0.21	-1.30	-1.82	-2.00
Education	1.70	-0.70	-2.10	3.00	3.51	3.55	3.80	3.10
Recreation and Culture	1.30	3.40	3.20	-2.51	2.23	3.17	2.79	2.20
Health	0.90	-1.40	-1.10	-1.43	2.90	3.86	5.73	5.20
Miscellaneous goods and services	4.50	4.60	5.20	4.42	4.04	1.07	3.95	3.40
Other Selected Groups								
Food and Non-alcoholic Beverages - combining food consumed at home and food consumed in restaurants	51.04	4.40	6.00	6.25	6.66	8.64	8.32	9.20
Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.66	6.80	14.60	12.34	19.08	12.96	17.15	22.10
All Items Less Food (Non-Food)	48.96	3.90	4.90	4.71	6.13	6.05	7.67	7.80
All Items Less Food and Energy	43.29	3.50	3.70	3.72	4.43	5.11	6.35	5.70

Note: NCPI using Geometric Mean Methodology and new weights

Source: National Bureau of Statistics

Table A7: Tanzania – Depository Corporations Survey

Item	2007		2008		2009		2010												2011				
	Jun	Jun	Jun	Jun	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr						
Net foreign assets	3,466.2	3,628.8	4,202.9	5,155.5	4,937.4	5,265.5	5,348.7	5,489.6	5,506.4	5,832.5	5,803.2	6,125.1	6,272.0	5,982.7	5,805.0	5,749.7							
Bank of Tanzania	2,655.5	3,059.6	3,401.2	3,996.6	3,947.5	3,949.3	4,079.2	4,262.9	4,359.8	4,623.2	4,591.7	4,799.4	4,849.3	4,670.0	4,515.4	4,382.7							
Commercial banks	809.6	569.2	801.7	1,155.9	989.9	1,316.2	1,269.5	1,226.7	1,146.7	1,209.3	1,211.5	1,325.7	1,422.7	1,312.7	1,289.6	1,167.0							
Net domestic assets	2,134.0	2,983.3	3,629.2	4,204.4	4,347.0	4,535.8	4,884.7	5,021.8	4,842.3	4,858.6	5,107.2	4,897.5	4,931.2	5,268.0	5,502.6	5,604.7							
Domestic claims	2,793.9	3,384.8	4,823.3	5,672.7	5,707.5	6,174.1	6,642.6	6,855.2	6,988.2	7,026.6	7,060.2	6,798.5	6,991.0	7,425.9	7,623.0	7,744.7							
Claims on central government (net)	243.5	-151.1	128.3	338.9	381.5	712.8	1,100.9	1,183.2	1,273.2	1,209.4	1,179.2	806.7	927.9	1,181.9	1,301.4	1,451.4							
Claims on private sector	2,550.4	3,535.8	4,695.0	5,333.8	5,326.0	5,461.3	5,541.6	5,672.0	5,715.1	5,817.2	5,881.1	5,991.9	6,063.1	6,244.1	6,321.6	6,293.3							
Extended broad money (M2)	5,599.2	6,612.1	7,832.1	9,359.9	9,284.5	9,801.4	10,233.3	10,511.4	10,348.7	10,691.2	10,910.4	11,012.6	11,203.2	11,250.7	11,307.5	11,354.4							
Broad money (M2)	3,817.8	4,830.6	5,772.0	6,967.4	6,908.2	7,287.5	7,558.3	7,732.3	7,623.6	7,797.9	7,943.2	8,042.1	8,113.1	8,099.3	8,168.9	8,170.0							
Narrow money (M1)	2,239.1	2,829.9	3,148.7	3,816.3	3,764.8	4,134.7	4,278.7	4,346.6	4,255.6	4,388.8	4,468.5	4,521.4	4,533.7	4,545.0	4,449.0	4,570.1							
Currency in circulation	1,110.7	1,269.5	1,423.7	1,543.3	1,594.2	1,680.5	1,813.2	1,800.2	1,857.7	1,908.2	1,888.7	1,897.1	1,807.3	1,832.9	1,855.1	1,854.1							
Reserve money (M0)	1,662.0	2,079.5	2,678.3	3,072.3	3,030.9	3,369.3	3,455.3	3,427.1	3,433.3	3,480.1	3,526.4	3,497.8	3,591.1	3,644.1	3,554.2	3,637.6							
Average reserve money	1,685.2	2,053.7	2,601.7	3,057.1	3,042.1	3,138.5	3,400.0	3,404.9	3,450.8	3,495.1	3,500.6	3,523.6	3,501.7	3,580.4	3,625.3	3,571.0							
Stock of reserve money (M0)	22.7	25.1	28.8	20.1	18.8	25.8	20.2	18.7	18.8	21.6	21.8	16.2	19.0	16.4	13.9	18.4							
Average reserve money (M0)	21.9	26.7	21.6	19.7	20.6	22.1	19.8	21.3	22.3	22.3	20.3	20.0	17.2	20.8	19.8	16.8							
Extended broad money (M2)	20.1	18.1	18.5	23.4	22.0	25.1	24.4	26.4	22.6	25.3	25.8	25.4	25.4	24.9	24.6	21.3							
Broad money (M2)	20.4	26.5	19.5	25.5	23.5	26.3	23.8	24.5	20.8	21.5	20.5	21.8	20.3	17.7	18.7	17.3							
Narrow money (M1)	20.7	26.4	11.3	24.6	22.2	31.3	28.0	26.6	18.9	24.3	22.2	25.9	21.5	21.4	18.5	19.8							
Credit to the private sector	34.1	38.6	32.8	15.1	13.7	16.3	18.4	18.9	18.5	20.3	19.2	20.0	21.5	24.0	23.3	18.0							
End of Period Exchange Rate (TZS per US\$)	1,268.3	1,180.9	1,299.4	1,343.5	1,376.0	1,379.4	1,382.3	1,470.6	1,483.8	1,482.0	1,470.5	1,453.5	1,483.3	1,500.5	1,490.8	1,497.1							

Source: Ministry of Finance and Bank of Tanzania

Billions of TZS





Table A8: Money Market – Interest Rate Structure

Item	2007		2008		2009		2010												2011			
	Jun	Jul	Jun	Jul	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Jan	Feb	Mar	Apr			
Interbank Cash Market Rates																						
Overnight	6.7		3.4		4.5		0.9	0.7	0.9	0.8	0.9	1.7	2.3	2.9	5.2	8.0	3.4	1.9	1.8			
31 to 60 days	9.6		4.7		5.3		4.0	4.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0		
61 to 90 days	10.8		5.9		12.2		3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4		
91 to 180 days	12.5		5.5		8.6		4.0	3.7	3.7	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0		
181 and above	12.9		7.9		12.0		4.9	4.0	8.5	4.5	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3		
Overall Interbank cash market rate	7.2		3.6		5.0		0.9	0.9	1.0	0.9	1.1	1.6	2.3	2.9	5.3	7.9	3.5	1.9	1.8			
Lombard Rate	10.0		7.5		5.3		1.0	0.8	1.0	1.0	1.1	2.0	2.7	3.4	6.2	9.6	4.1	2.2	2.2			
REPO Rate	6.3		3.7		4.9		0.8	0.7	0.5	0.6	0.6	0.9	1.5	1.8	3.2	6.1	4.0	2.4	1.8			
Treasury Bills Rates																						
35 days	6.5		5.0		4.8		1.3	0.9	0.7	0.8	1.0	1.6	1.8	1.5	1.3	4.7	4.5	3.9	3.5			
91 days	12.6		5.8		5.6		1.8	2.2	2.9	3.2	2.7	3.9	4.8	4.6	5.2	6.4	5.9	4.8	4.3			
182 days	16.7		7.6		7.9		2.6	2.3	2.6	3.9	3.9	4.8	5.7	5.6	6.2	6.6	6.6	5.4	5.0			
364 days	18.4		10.0		9.1		4.9	5.0	6.1	6.3	6.0	7.0	7.9	7.5	7.7	8.3	7.5	6.0	6.1			
Overall Treasury bills rate	17.1		7.8		7.0		2.7	2.7	3.3	3.9	3.9	5.1	5.7	5.9	6.3	7.1	6.6	5.5	4.8			
Treasury Bonds Rates																						
2-years	18.3		12.9		11.5		9.4	9.4	8.8	8.9	8.9	9.8	9.8	9.7	10.4	10.4	8.7	8.7	8.1			
5-years	18.4		14.5		16.6		13.8	9.5	9.5	9.5	9.7	9.7	10.4	10.4	11.6	11.6	10.3	10.3	10.3			
7-years	18.6		17.2		17.1		12.1	10.4	10.4	10.4	10.9	10.9	11.9	11.9	11.9	12.3	12.3	12.0	12.0			
10-years	17.5		17.1		19.9		12.0	12.0	11.7	11.7	11.7	13.0	13.0	13.6	13.6	13.8	13.8	14.2	14.2			
Discount Rate	21.4		12.8		10.3		7.6															

Source: Bank of Tanzania



Table A9: Tanzania Commercial Banks – Interest Rate Structure

Item	2007		2008		2009		2010												2011			
	Jan	Jun	Jan	Jun	Jan	Jun	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr			
A: Domestic Currency																						
Savings Deposit Rate	2.59	2.79	2.79	2.69	2.69	2.69	2.82	2.82	2.69	2.58	2.57	2.56	2.51	2.43	2.46	2.70	2.66	2.41	2.41			
Overall Time Deposits Rate	7.94	6.78	6.78	6.79	6.79	6.46	5.96	5.79	5.88	5.42	5.55	6.04	6.11	5.69	5.89	5.41	5.43	5.43	5.43			
1 month	6.94	6.27	6.27	6.46	6.46	5.31	4.58	5.31	5.60	6.05	5.53	6.50	5.91	6.93	5.35	5.38	5.91	5.41	5.41			
2 months	8.46	6.96	6.96	7.61	7.61	7.47	7.38	6.81	6.86	7.19	7.67	7.63	7.42	6.66	7.18	6.37	6.24	6.62	6.62			
3 months	8.79	8.17	8.17	8.69	8.69	6.52	6.09	6.33	5.89	7.01	6.77	6.22	6.01	6.20	6.24	5.88	6.54	6.05	6.05			
6 months	9.56	9.08	9.08	8.58	8.58	7.67	7.47	7.62	7.49	7.84	7.64	7.38	6.96	7.07	7.08	6.98	6.45	6.59	6.59			
9 months																						
12 months	9.25	8.45	8.45	9.07	9.07	8.67	8.56	8.43	7.86	7.13	7.16	7.27	7.05	7.10	7.33	7.34	7.53	7.75	7.75			
24 months	11.27	7.71	7.71	6.04	6.04	5.12	4.75	6.53	3.49	2.81	6.49	6.62	5.69	7.02	7.05	4.71	4.15	4.43	4.43			
Negotiated Deposit Rate																						
Overall Lending rate	15.84	14.76	14.76	15.48	15.48	14.59	14.53	14.71	14.39	14.40	14.47	14.49	14.31	14.92	14.70	14.83	15.04	15.41	15.41			
Short-term (up to 1 year)	14.21	13.93	13.93	14.57	14.57	13.88	14.02	13.92	14.14	14.37	14.29	14.22	14.47	14.37	13.85	14.30	14.58	14.76	14.76			
Medium-term (1-2 years)	16.85	15.56	15.56	15.63	15.63	15.44	15.64	15.41	15.55	15.38	15.23	15.46	15.65	17.58	17.44	17.73	17.93	18.76	18.76			
Medium-term (2-3 years)	15.06	14.58	14.58	15.11	15.11	14.41	14.30	14.80	14.15	14.20	14.35	14.36	14.31	14.07	13.83	13.80	14.25	14.48	14.48			
Long-term (3-5 years)	15.68	16.64	16.64	15.23	15.23	14.75	14.77	14.73	14.27	14.04	14.24	14.55	14.10	14.59	14.52	14.72	14.72	14.96	14.96			
Term Loans (over 5 years)	17.37	13.07	13.07	16.87	16.87	14.47	13.92	14.69	13.85	14.00	14.26	13.85	13.00	14.00	13.84	13.73	13.70	14.10	14.10			
Negotiated Lending Rate	12.20	13.07	13.07	14.28	14.28	13.97	13.80	14.13	13.84	14.00	13.80	13.71	13.65	13.33	13.88	13.32	13.34	13.32	13.32			
B: Foreign Currency																						
Savings Deposits Rate	0.82	1.71	1.71	2.36	2.36	1.48	1.52	1.49	1.51	1.53	2.44	1.90	2.45	2.44	2.45	1.60	1.60	1.64	1.64			
Overall Time Deposits Rate	2.90	4.42	4.42	2.30	2.30	2.07	2.06	1.95	2.45	2.23	2.43	1.94	2.36	2.45	2.45	1.94	2.02	2.12	2.12			
1-months	2.19	5.04	5.04	2.36	2.36	1.63	1.64	1.59	1.44	1.73	1.97	1.68	1.80	2.00	2.00	1.41	1.35	1.42	1.42			
2-months	2.28	4.45	4.45	1.80	1.80	2.02	1.86	1.94	1.74	2.00	2.41	1.85	2.44	2.00	1.99	1.10	1.61	1.76	1.76			
3-months	2.89	3.95	3.95	2.45	2.45	1.89	1.85	1.83	2.55	2.34	1.78	1.94	1.96	3.32	3.32	2.16	2.27	2.50	2.50			
6-months	3.18	5.19	5.19	2.71	2.71	1.84	1.92	1.83	3.42	1.94	3.25	2.00	3.26	2.78	2.78	2.50	2.43	2.65	2.65			
12-months	3.97	3.48	3.48	2.18	2.18	2.97	3.05	2.55	3.10	3.16	2.76	2.23	2.32	2.17	2.17	2.51	2.45	2.28	2.28			
Overall Lending Rate	7.77	8.19	8.19	9.69	9.69	7.95	8.57	9.14	9.02	8.98	9.26	10.98	9.82	9.05	9.05	8.19	13.30	8.86	8.86			
Short-term (up to 1 year)	8.05	6.74	6.74	6.96	6.96	2.01	1.86	4.74	4.14	4.51	5.79	5.57	5.65	5.63	5.62	8.13	10.77	8.76	8.76			
Medium-term (1-2 years)	8.57	8.70	8.70	10.13	10.13	10.13	10.13	10.32	10.26	19.30	10.49	10.47	9.90	10.43	10.46	7.91	15.86	9.28	9.28			
Long-term (2-3 years)	7.91	8.56	8.56	10.82	10.82	10.47	10.21	10.57	9.38	9.44	9.47	9.90	9.43	9.43	9.42	9.04	11.37	9.01	9.01			
Long-term (3-5 years)	8.15	8.29	8.29	10.54	10.54	11.01	11.00	11.00	10.96	11.32	11.30	11.11	12.89	10.17	10.17	7.05	18.94	8.35	8.35			
Term Loans (over 3 years)	6.17	8.68	8.68	10.01	10.01	9.64	9.64	9.27	9.28	9.39	9.48	9.47	10.16	9.55	9.55	8.81	9.38	8.92	8.92			
Margin between one year lending and deposit rate	4.96	5.48	5.48	5.50	5.50	5.21	5.47	5.49	6.28	7.24	7.13	6.95	7.41	7.26	6.52	6.96	7.05	7.02	7.02			

Source: Bank of Tanzania



Table A10: Tanzania Mainland –Government Budgetary Operations

Billions of TZS

Item	200/10		2010/11				
	July - March		BUDGET		July - March		
	Actual	% of GDP		Estimates	Actual	% of Est.	% of GDP
Total Revenue (incl. LGA Own Sources)	3,506.6	11.3%	6,176.2	4,629.9	4,256.3	91.9%	12.2%
Total Revenue (excl. LGA Own Sources)	3,506.6	11.3%	6,003.6	4,500.5	4,138.1	91.9%	11.9%
Tax Revenue	3,330.0	10.7%	5,638.6	4,216.1	3,910.7	92.8%	11.3%
Taxes on Imports	1,237.7	4.0%	2,393.5	1,771.4	1,685.1	95.1%	4.8%
Sales/VAT and Excise on Local Goods	714.2	2.3%	1,266.4	954.2	790.6	82.9%	2.3%
Income Taxes	1,000.3	3.2%	1,650.0	1,255.3	1,216.2	96.9%	3.5%
Other taxes	377.8	1.2%	328.7	235.3	218.8	93.0%	0.6%
Non- tax Revenue	176.6	0.6%	365.0	284.3	227.4	80.0%	0.7%
LGA Own Sources	0.0		172.6	129.4	118.2	91.3%	0.3%
Total Expenditure /1	5,680.9	18.3%	10,769.6	8,009.9	7,169.3	89.5%	20.6%
Recurrent expenditure	3,685.9	11.8%	6,950.6	5,169.7	5,226.9	101.1%	15.0%
Wages and salaries	1,276.7	4.1%	2,666.8	2,021.6	2,093.0	103.5%	6.0%
Interest Payments	173.6	0.6%	364.5	247.6	218.1	88.1%	0.6%
Domestic /2	145.9	0.5%	235.0	161.1	173.5	107.7%	0.5%
Foreign	27.7	0.1%	129.4	86.4	44.6	51.6%	0.1%
Other goods, services and transfers	2,235.6	7.2%	3,919.3	2,900.5	2,915.7	100.5%	8.4%
Dev. Expenditure and net lending	1,995.1	6.4%	3,819.1	2,840.2	1,942.4	68.4%	5.6%
Local	625.4	2.0%	1,366.1	1,000.5	514.8	51.5%	1.5%
Foreign	1,369.7	4.4%	2,452.9	1,839.7	1,427.6	77.6%	4.1%
Overall Balance (cheque issued) before Grants	-2,174.3	-7.0%	-4,593.4	-3,380.0	-2,913.0	86.2%	-8.4%
Grants	1,301.0	4.2%	2,020.9	1,673.6	1,287.2	76.9%	3.7%
Program (CIS/OGL)	665.8	2.1%	631.8	631.8	671.9	106.4%	1.9%
Project	363.7	1.2%	898.8	660.6	304.3	46.1%	0.9%
Basket funds	238.6	0.8%	221.6	166.2	284.7	171.3%	0.8%
HIPC Relief							
MDRI/MCA(T)	32.9		268.8	215.0	26.3	0.0%	0.1%
Overall defic.(cheq.issued) after Grants	-873.3	-2.8%	-2,572.5	-1,706.4	-1,625.9	95.3%	-4.7%
Expenditure float	-436.2	-1.4%	0.0	0.0	-480.1		-1.4%
Adjustments to cash and other items ^(st)	58.5		0.0	0.0	385.1		
Overall Balance (cheques issued)	-1,251.0	-4.0%	-2,572.5	-1,706.4	-1,720.9	100.9%	-5.0%
Total Financing:	1,251.0	4.0%	2,572.5	1,706.4	1,720.9	100.9%	5.0%
Foreign Financing (net)	1,064.4	3.4%	1,942.5	1,323.2	959.6	72.5%	2.8%
Loans	897.5	2.9%	1,728.6	1,161.1	778.5	67.0%	2.2%
Program loans	339.6	1.1%	189.8	189.8	173.8	91.6%	0.5%
Development Project loans	557.9	1.8%	1,538.8	971.3	604.7	62.3%	1.7%
Basket Support	189.4	0.6%	256.2	192.2	207.7	108.1%	0.6%
Amortization	-22.6	-0.1%	-42.3	-30.1	-26.6	88.5%	-0.1%
Total Domestic (net)	186.7	0.6%	630.0	383.1	761.3	198.7%	2.2%
Net domestic financing (NDF)	187.2	0.6%	600.0	383.1	761.3	198.7%	2.2%
Bank borrowing	289.6	0.9%	600.0	383.1	588.6		1.7%
Non-Bank (net of amortization)	-102.4	-0.3%	0.0	0.0	172.8		0.5%
Borrowing/Roll over	503.9	1.6%	797.6	659.6	556.7		1.6%
Domestic & Contingent debt Amortization	-504.4	-1.6%	-797.6	-659.6	-556.7		-1.6%
Privatization Proceeds	0.0	0.0%	30.0	0.0	0.0		0.0%

GDP (in billions of TZS)

31,108.9

34,749.8

Note:

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

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

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



Table A11: Zanzibar - Central Government Operations

Millions of TZS

	Budget	July-April 2010		July-April 2011	
	2010/2011	Actual	Estimates	Actual	
Total Revenue	171,687.0	127,228.0	145,762.0	147,725.5	
Tax Revenue	160,975.6	117,962.6	134,355.7	136,411.1	
Tax on Imports	39,507.4	29,468.7	33,852.1	39,046.4	
VAT and Excise Duties (local)	52,006.6	36,864.2	44,431.7	41,443.9	
Income Tax	29,732.9	19,889.8	23,775.6	22,384.8	
Other Taxes	39,728.8	31,739.9	32,296.3	33,536.0	
Non-Tax Revenue	10,711.4	9,265.5	11,406.3	11,314.4	
Total Expenditure	444,637.0	226,924.7	262,238.6	295,322.3	
Recurrent Expenditure	193,433.0	129,657.7	163,537.0	154,545.8	
Wages and Salaries	82,459.0	58,874.4	69,744.0	70,010.2	
Interest Payment	0.0	858.5	1,639.3	1,639.3	
Local	2,000.0	858.5	1,639.3	1,639.3	
Foreign	0.0	0.0	0.0	0.0	
Other Expenditure	65,974.0	69,924.9	92,153.7	82,896.3	
Development Expenditure	251,204.0	97,267.0	98,701.6	140,776.6	
local	39,490.0	30,115.5	36,221.0	24,831.6	
foreign	211,714.0	63,901.4	62,480.6	115,945.0	
others		3,250.0	0.0	0.0	
Overall (surplus) Deficit before grants	-272,950.0	-99,696.7	-116,476.6	-147,596.9	
Grants	134,258.0	74,596.0	56,859.6	79,190.0	
4.5% Budget Support	55,236.0	35,128.0	37,887.0	33,886.0	
Debt relief	0.0	0.0	0.0	0.0	
Program Grant	79,022.0	39,468.0	18,972.6	45,304.0	
Overall Deficit after grants	-138,692.0	-25,100.6	-59,617.0	-68,406.9	
Adjustment to cash and other items	0.0	-2,582.7	16,109.0	4,807.6	
Overall Deficit cheques cleared	-138,692.0	-27,683.4	-43,508.0	-63,599.3	
Financing	138,692.0	27,683.4	43,508.0	63,599.3	
Foreign	132,692.0	27,683.4	43,508.0	63,599.3	
Import Support	0.0	0.0	0.0	0.0	
Program Loans	132,692.0	27,683.4	43,508.0	70,641.0	
Amortization (foreign)	0.0	0.0	0.0	0.0	
Domestic (net)	6,000.0	0.0	0.0	0.0	
Bank	0.0	0.0	0.0	0.0	
Non-bank	6,000.0	0.0	0.0	0.0	
Amortization (local)	0.0	0.0	0.0	0.0	

Source: President's Office Finance, Economy and Development Planning (POFEDP), Zanzibar



Table A12: Tanzania: Exports by Type of Commodity

Item	July - April		% Change
	2009/10	2010/11p	
Traditional Exports			
COFFEE			
Value	68.5	144.7	111.4
Volume	30.3	46.0	51.8
Unit Price	2,259.3	3,145.3	39.2
COTTON			
Value	90.2	65.9	-26.9
Volume	81.5	50.1	-38.6
Unit Price	1,105.9	1,316.8	19.1
SISAL			
Value	0.0	0.0	-
Volume	0.0	0.0	-
Unit Price	-	-	-
TEA			
Value	40.6	30.0	-26.0
Volume	19.1	17.6	-7.5
Unit Price	2,129.5	1,702.8	-20.0
TOBACCO			
Value	166.5	283.8	70.4
Volume	37.2	62.1	66.8
Unit Price	4,470.9	4,568.0	2.2
CASHEWNUITS			
Value	47.8	130.4	173.0
Volume	65.7	120.3	83.2
Unit Price	727.4	1,083.8	49.0
CLOVES			
Value	9.9	7.5	-23.5
Volume	3.3	2.1	-35.0
Unit Price	3,025.6	3,559.6	17.6
Sub Total	423.4	662.4	56.5
Non-Traditional Exports:			
Minerals	1,292.8	1,429.0	10.5
Gold	1,259.6	1,392.9	10.6
Diamond	13.5	2.9	-78.2
Other minerals ¹	19.8	33.1	67.4
Manufactured Goods	483.9	890.8	84.1
Cotton Yarn	10.9	8.3	-24.3
Manufactured Coffee	1.5	0.7	-50.6
Manufactured Tobacco	5.6	12.7	125.7
Sisal Products (Yarn & Twine)	6.5	7.9	21.7
Other manufactured Goods ²	459.4	861.3	87.5
Fish and Fish Products	126.9	126.0	-0.7
Horticultural products	27.6	28.2	2.2
Re-exports	134.0	116.2	-13.3
Other Exports³	251.0	282.9	12.7
Sub Total	2,316.3	2,873.1	24.0
GRAND TOTAL	2,739.7	3,535.5	29.0

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

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

3 Include edible vegetables, oil seeds, cereals, cocoa, raw hides and skins, woods and articles thereof
p = Provisional data.

Volume in '000 Tons; Value in '000,000 USD; Unit Price in USD/Ton

Source: Bank of Tanzania, TRA



Table A13: Tanzania: Imports (f.o.b value) by Major Category

Millions of USD

Item	July - April		% Change
	2009/10	2010/11 ^p	
CAPITAL GOODS	2,116.4	2,503.9	18.3
Transport Equipment	626.8	842.5	34.4
Building and Constructions	494.7	556.8	12.6
Machinery	994.9	1,104.6	11.0
INTERMEDIATE GOODS	2,049.7	2,197.2	7.2
Oil imports	1,528.7	1,517.7	-0.7
Fertilizers	76.1	129.7	70.5
Industrial raw materials	444.9	549.7	23.6
CONSUMER GOODS	1,237.4	1,603.0	29.5
Food and food stuffs	323.9	466.2	43.9
All other consumer goods ¹	913.5	1,136.8	24.4
GRAND TOTAL (F.O.B)	5,405.3	6,305.8	16.7
GRAND TOTAL (C.I.F)	5,939.9	6,929.5	16.7

Notes: 1 Includes pharmaceutical products, paper products, plastic items, optical/photographic materials, textile apparels

p = Provisional data

Source: Bank of Tanzania, TRA



Table A14: Tanzania: Balance of Payments

Millions of USD

Item	2006	2007	2008 ^r	2009 ^r	2010 ^p
A. Current Account	-1,173.8	-1,643.0	-2,595.4	-1,768.2	-1,853.4
Balance on Goods	-1,946.5	-2,634.1	-3,433.5	-2,539.5	-2,838.3
Goods: exports f.o.b.	1,917.6	2,226.6	3,578.8	3,294.6	4,296.8
Traditional	267.1	319.7	507.3	479.6	559.0
Nontraditional	1,476.2	1,704.5	2,604.7	2,376.1	3,177.3
ow Gold	786.4	788.2	1,108.3	1,229.5	1,516.6
Unrecorded trade	174.3	202.4	466.8	438.9	560.4
Goods: imports f.o.b.	-3,864.1	-4,860.6	-7,012.3	-5,834.1	-7,125.1
Balance on Services	278.7	462.1	349.9	145.6	242.0
Services: credit	1,528.1	1,875.7	1,998.8	1,854.6	2,091.5
Services: debit	-1,249.3	-1,413.7	-1,648.9	-1,709.1	-1,849.6
Balance on Goods and Services	-1,667.8	-2,172.0	-3,083.6	-2,393.9	-2,586.4
Balance on income	-94.7	-123.1	-121.7	-71.2	-90.9
Income: credit	80.3	107.3	122.7	161.1	164.6
Income: debit	-175.1	-230.4	-244.3	-232.4	-255.5
Balance on Goods, Services and Income	-1,762.5	-2,295.1	-3,205.3	-2,465.2	-2,677.2
Balance on Current transfers	588.7	652.0	609.9	696.9	823.9
Current transfers: credit	654.6	724.0	689.0	765.4	902.9
Current transfer: debit	-65.9	-71.9	-79.1	-68.4	-79.0
B. Capital Account	5,183.5	911.7	537.0	492.8	606.5
Capital transfers: credit	5,183.5	911.7	537.0	492.8	606.5
Capital transfers: debit	0.0	0.0	0.0	0.0	0.0
Total, Groups A plus B	4,009.7	-731.4	-2,058.4	-1,275.4	-1,246.8
C. Financial Account, excl. reserves and related items	-4,081.6	853.3	1,621.0	1,328.2	1,587.8
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	403.0	581.5	400.0	414.5	433.4
Portfolio investment	2.6	2.8	2.9	3.0	3.2
Other investment	-4,487.3	269.0	1,218.1	910.7	1,151.2
Total, Groups A through C	-71.9	121.9	-437.4	52.9	341.0
D. Net Errors and Omissions	532.6	282.7	585.4	313.4	28.8
Overall balance	460.7	404.6	148.0	366.2	369.8
E. Reserves and Related Items	-460.7	-404.6	-148.0	-366.2	-369.8
Reserve assets	-126.5	-411.4	-147.0	-676.8	-395.4
Use of Fund credit and loans	-334.2	6.8	-0.2	310.6	25.6
Exceptional financing	0.0	0.0	0.0	0.0	0.0
Memorandum items					
GDP(mp) billions of TZS	17,941.3	20,948.4	24,781.7	28,212.6	32,582.9
GDP(mp) millions of USD	14,308.4	16,838.6	20,715.1	21,368.2	23,120.3
CAB/GDP	-8.2	-9.8	-12.5	-8.3	-8.0
CAB/GDP (excl. current official transfers)	-12.1	-13.5	-15.4	-11.4	-11.5
Gross Official Reserves	2,136.9	2,724.3	2,872.6	3,552.5	3,948.0
Months of Imports	5.0	5.2	4.0	5.7	5.3
Net International Reserves (year end)	2,121.4	2,706.6	2,855.1	3,221.6	3,591.6
Change in Net International Reserves	-418.9	-585.2	-148.4	-366.6	-326.7
Exchange rate (end of period)	1,261.6	1,132.1	1,280.3	1,313.3	1,453.5
Exchange rate (annual average)	1,253.9	1,244.1	1,196.3	1,320.3	1,409.3

Notes: r = revised

p = provisional

Source: Bank of Tanzania



GLOSSARY



GLOSSARY

Currency in Circulation outside Banks

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

Discount Rate also known as Bank Rate

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

Exchange Rate

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

Inflation

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

International Reserves or Reserve Assets

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



Lombard Facility

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

M—Money Supply

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

M0—Monetary Base, Base Money, or Reserve Money

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

M1—Narrow Money

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

M2—Broad Money

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

M3—Extended Broad Money

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



Nominal Exchange Rate

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

Core Inflation Rate

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

Reserve Money Program

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

Statutory Minimum Reserves

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

Weighted Annualized Yields of Treasury Bills for all Maturities

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



