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# MONETARY POLICY STATEMENT

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*The Mid-Year Review*

**GOVERNOR  
BANK OF TANZANIA**

February 2012



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6<sup>th</sup> February, 2012

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

Honourable Minister,

### LETTER OF TRANSMITTAL

In accordance with Section 21 (5) of the Bank of Tanzania Act 2006, I hereby submit the Mid-Year Review of the *Monetary Policy Statement* of the Bank of Tanzania for the year 2011/12.

The Statement reviews the implementation and challenges of monetary policy during the first half of 2011/12. It then outlines the monetary policy stance and the measures that the Bank of Tanzania intends to pursue in the second half of 2011/12 to meet its policy goals.

Yours Sincerely,

**Prof. Benno J. Ndulu**  
**GOVERNOR**  
**BANK OF TANZANIA**



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## EXECUTIVE SUMMARY

### Economic Developments in Tanzania

#### *Tanzania Mainland*

Economic performance and outlook for 2011/12 remained strong despite power shortages and a slow recovery of the global economy. GDP for the first three quarters of 2011 is estimated to have grown by 6.3 percent, exceeding 6.0 percent projected for 2011. This was spearheaded by higher growth rates in construction, transport and communication, financial intermediation, trade and repairs. Based on the performance of most leading indicators in the fourth quarter of 2011, the projected growth of 6.0 percent for the year will be attained or even surpassed. The economy is expected to maintain its strong momentum in the first half of 2012, on the assumption of good weather combined with return to normal of hydro power generation, which will steer further economic activities in agriculture and industry.

Annual headline inflation rose during 2011 reaching 19.8 percent in December 2011 mainly on account of the pass through from higher global oil prices than the year earlier, a surge in food prices resulting from drought in the East African region, and a general weakening of the Shilling, which contributed to the rising domestic cost of imports. Core inflation also rose but remained at single digits. In an environment of rising inflation, the Bank took measures in the second quarter of 2011/12 to stem inflation expectations and exchange rate volatility. These measures, together with sharp increase in money market interest rates emanating from liquidity squeeze among banks, have helped to restore stability in the value of the Shilling particularly from November 2011.

Inflation is projected to abate in the second half of 2011/12 as measures taken by the Bank continue to take effect together with continued implementation of prudent fiscal policy; prospects of good harvests; and leveling of global oil prices.



The recent increase in power tariff is expected to have minimal impact on domestic prices as use of costly standby generators dissolve and interruptions in production are contained. However, there are upside risks associated with instabilities in the Middle East and Euro Zone, which may exert pressure on inflation. The Bank stands ready to take additional measures to rein core inflation and ensure stability of the financial sector and orderly market.

Fiscal operations during July to December 2011 were characterized by strong domestic revenue performance, exceeding recurrent expenditure by 12.3 percent. This was partly explained by the implementation of revenue measures and recovery in domestic economic activities, while keeping recurrent expenditure on check. Locally financed development expenditure was broadly in line with projections, while foreign component fell short of estimates largely due to delays in disbursement of project funds.

The Bank continued to implement the Second Generation Financial Sector Reforms aiming at sustaining vibrant financial sector for continued support of economic growth and expanding financial access. Financial soundness indicators at end-December 2011 indicate that the banking sector remains sound, profitable, and liquid in the whole with the ratio of non-performing loans declining to 6.7 percent from 9.8 percent recorded in December 2010.

During July to December 2011, the current account deficit widened to USD 2,715.8 million compared with a deficit of USD 834.5 million recorded in the corresponding period in 2010, primarily due to the rise in global oil prices, and a surge in imports of oil and machinery. Export of goods and services also increased by 10.2 percent, mainly due to the rise in price and volume of gold, and increase in transit goods.



## *Zanzibar*

GDP for the first three quarters of 2011 is estimated to have grown by 5.6 percent, compared with 5.3 percent recorded in a similar period of 2010. In 2011, GDP is projected to grow by 7.9 percent higher than 6.5 percent recorded in 2010, due to increased clove production and tourist arrivals, coupled with strengthened economic infrastructure.

Annual headline inflation was 20.8 percent in December 2011 compared to 6.0 percent in December 2010, mainly due to increase in prices of petroleum products and food items. Food inflation was 25.6 percent compared to 4.8 percent, while that of non-food was 15.3 percent compared to 8.3 percent. Inflation is expected to subside in the second half of 2011/12 on account of leveling of the global oil and food prices.

During July to December 2011, budgetary operations on cheques issued basis recorded an overall deficit of TZS 54.1 billion, which was financed from domestic and foreign sources. Domestic revenue was TZS 101.5 billion, below the target by 6.9 percent, mainly due to lower return on Pay As You Earn (PAYE) and Skill Development Levy. Government expenditure amounted to TZS 192.7 billion, out of which, recurrent expenditure was TZS 113.0 billion, broadly in line with the estimate, while development expenditure was TZS 79.7 billion, above the estimate by 3.8 percent, mainly due to higher than projected foreign inflows.

During July to December 2011, current account recorded a surplus of USD 46.2 million compared to a surplus of USD 23.1 million recorded in the corresponding period in 2010. These developments were partly due to increase in cloves price in the world market as well as tourist arrivals, which outweighed imports of goods and services.



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

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

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

- i. The expansion of average reserve money at an annual rate of 19.0 percent;
- ii. Annual growth of M3 not exceeding 19.0 percent;
- iii. Annual growth of private sector credit of at least 20.8 percent; and
- iv. Accumulation of international reserves adequate to cover at least 4.5 months of projected import of goods and services.

### ***Monetary Policy Implementation***

In pursuit of monetary policy objectives, the Bank continued to use a combination of monetary policy instruments so as to achieve appropriate level of liquidity and dampen inflationary pressure in the economy. Developments for the first half of 2011/12 indicate that performance in monetary aggregates were broadly on track. The annual growth of average reserve money was 19.8 percent in December 2011, against the target of 19.0 percent, while broader monetary aggregate (M3) grew by 18.2 percent compared with the projected growth of 21.3 percent. However, the growth in credit to the private sector, at 27.2 percent, was higher than the projected growth of 25.7 percent. Meanwhile, gross official reserves were USD 3,761.2 million, sufficient to cover about 4.1 months of projected import of goods and services. Consistent with these good performance and strong revenue collection, all monetary and fiscal policy targets under the Policy Support Instrument (PSI) program for the first half of 2011/12 were met.



## Conclusion

Economic growth in the first three quarters of 2011 and leading indicators in the fourth quarter demonstrate that the economy's resilience to shocks has been strong. In particular, the ability of the economy to sustain production despite increased use of costly thermal power provides optimism for even better performance going forward as hydro power generation returns to normal. In light of these developments, and continued prudent fiscal and monetary policy implementation, it is expected that the 2011/12 monetary policy objectives will be broadly achieved.

The Bank remains committed to deploying all instruments in its monetary policy toolkit to ensure that macroeconomic stability and soundness of the banking system are preserved.





## PART I

### 1.0 INTRODUCTION

The mid-year review of the Monetary Policy Statement examines the progress in the implementation of the monetary policy in the first half of 2011/12, and outlines the monetary policy stance that the Bank intends to adopt in the remaining period of 2011/12. The Statement aims at attaining the primary mission of the Bank of maintaining price stability consistent with the objective of promoting a high and sustainable rate of economic growth.

The rest of the Statement is divided into the following major sections. Section 2 lays out the mandates and modalities for monetary policy implementation. Section 3 covers the macroeconomic framework for 2011/12. Section 4 reviews monetary policy implementation during the first half of 2011/12. Section 5 covers macroeconomic developments for the period July 2011 to December 2011, whereas Section 6 outlines the monetary policy measures that the Bank intends to take in the second half of 2011/12. Section 7 concludes the Statement.





## **PART II**

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

#### **2.1 Mandate of the Bank of Tanzania**

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

“The primary objective of the Bank shall be to formulate, define and implement monetary policy directed to the economic objective of maintaining domestic price stability conducive to a balanced and sustainable growth of the national economy”. The Act also states in Section 7 (2) that:

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

#### **2.2 Modalities for Monetary Policy Implementation**

The Bank employs a variety of indirect instruments of monetary policy to manage liquidity within desired levels. This includes the use of Open Market Operations (OMO) in government securities, as well as sales and purchases of foreign currency in the Inter-bank Foreign Exchange Market (IFEM). The liquidity management effort is further complemented by periodic adjustments in the pricing of standby facilities namely; the rediscount and the Lombard window of the Bank.



## THE MODALITIES FOR MONETARY POLICY IMPLEMENTATION

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



## **PART III**

### **3.0 MACROECONOMIC FRAMEWORK FOR 2011/12**

The government policy for 2011/12 continues to focus on sustaining macroeconomic stability through implementation of appropriate fiscal and monetary policies. In this regard, the Government intends to attain the following objectives:

- i. A real GDP growth of 6.6 percent in 2011/12 based on the projected GDP growth of 6.0 percent in 2011 and 7.2 percent in 2012;
- ii. Maintaining an annual inflation rate at single digits by June 2012;
- iii. Domestic revenue equivalent to 17.2 percent of GDP and Local Government own sources of 0.9 percent of GDP;
- iv. Government expenditure equivalent to 32.1 percent of GDP ; and
- v. Government net domestic financing of 1.0 percent of GDP and non-concessional external borrowing not exceeding 3.3 percent of GDP.

### **3.1 Monetary Policy Objectives for 2011/12**

In support of the above macroeconomic objectives of the Government, the Bank aimed at achieving the following targets:

- i. The expansion of average reserve money at an annual rate of 19.0 percent;
- ii. Annual growth of M3 not exceeding 19.0 percent;
- iii. Annual growth of private sector credit of at least 20.8 percent; and
- iv. Accumulation of gross official reserves adequate to cover at least 4.5 months of projected import of goods and services.



## PART IV

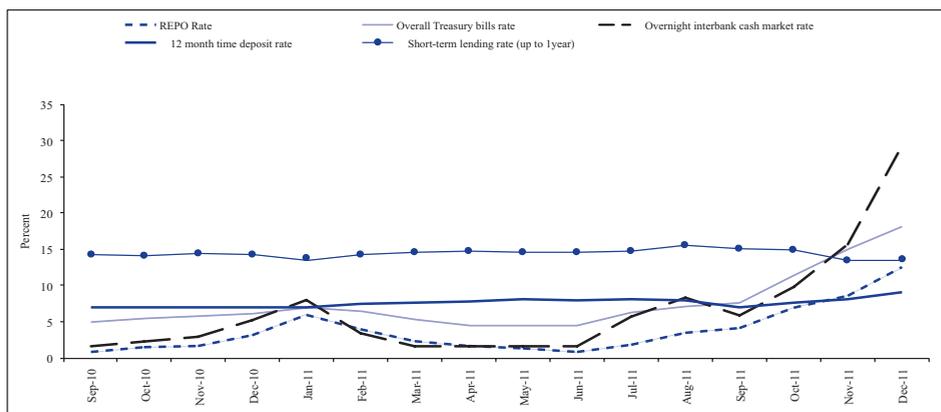
### 4.0 REVIEW OF MONETARY POLICY IMPLEMENTATION DURING THE FIRST HALF OF 2011/12

#### 4.1 Liquidity Management and Interest Rates Developments

During the first half of 2011/12, the economy experienced inflationary pressure mainly driven by supply side factors, exacerbated by depreciation of the Shilling. The period also witnessed banks expanding credit to the private sector more than projected and increased holding of net foreign assets. In light of the inflationary pressure, the Bank raised minimum reserve requirements on government deposits held by banks from 20 percent to 30 percent effective November 2011, and increased the Bank Rate by 442 basis points to 12.0 percent in November 2011 in two stages, with a view to keeping core inflation at single digit level. The measures taken by the Bank, together with developments in banks' investment preferences; end year public cash holding preference; and pressure from end of quarter tax payments, led to liquidity squeeze among banks and sharp increase in money market interest rates. The overnight interbank rate averaged 30 percent in December 2011 compared to 10 percent recorded in October 2011, while Treasury bills weighted average yield rose to 18.20 percent from 11.57 percent. During the same period, banks substantially increased their borrowing from the Bank through the Lombard window and used the rediscount window to square their liquidity positions. Developments in the money market interest rates were not fully reflected in banks' deposits and lending rates. Banks' deposits rates remained almost unchanged while lending rates edged slightly downward since October 2011 (**Chart 4.1**).



**Chart 4.1: Selected Interest Rates Developments**



Source: Bank of Tanzania

Consistent with measures taken by the Bank, coupled with strong revenue performance, all monetary and fiscal policy targets as contained in the Policy Support Instrument (PSI) program for the half year ending December 2011 were met (Table 4.1).

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

Items	September-11			December-11		
	Indicative Target	Adjusted Indicative Targets/1	Actual Outturn	Assesment Criteria	Adjusted Assesment Criteria/1	Actual Outturn
Net Domestic Financing (NDF) - Bn of TZS (Cumulative Ceiling)	122.0	372.0	303.9	300.0	516.0	-126.7
Average Reserve Money (Upper bound) - Bn of TZS (Ceiling)	4,147.0	4,147.0	4,094.6	4,235.0	4,235.0	4,221.9
Change in Net International Reserves (NIR) (Mn of USD)-(Floor) (cumulative from July)	-124.0	-124.0	-127.7	80.0	-49.3	167.2
Program Assist (Mn of USD)-Cumulative	299.0	299.0	24.8	628.0	628.0	598.7
External non-concessional (Mn of USD) (Cumulative from July)	525.0	525.0	191.0	291.0	291.0	191.0

Source: Bank of Tanzania

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



## 4.2 Exchange Rate Developments

The exchange rate continued to be market determined in the Inter-bank Foreign Exchange Market (IFEM) with the Bank participating in the market for liquidity management purpose and to smoothen short term fluctuations in the exchange rate while maintaining an adequate level of gross official reserves.

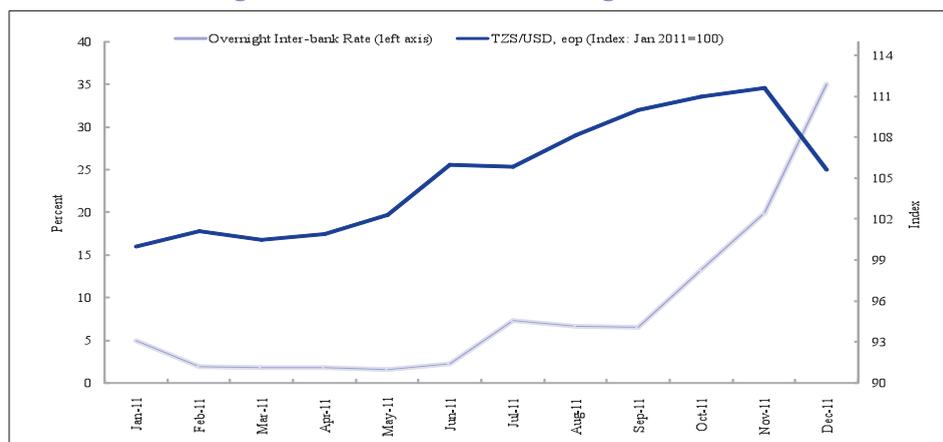
The Shilling experienced high volatility in the first half of 2011/12 as it depreciated from an average of TZS 1,544 per USD in June 2011 to a peak of TZS 1,688 per USD towards the end of October 2011 in the wholesale market. In the retail market, the Shilling depreciated faster, from an average of TZS 1,583 per USD to a peak of TZS 1,815 per USD during that period. The pressure on exchange rate reflected an increase in global demand for dollars as a safe haven, following the Euro Zone sovereign debt crisis; a rapid expansion in the oil import bill caused by rising global prices and increased domestic demand for running emergency power generators; and delays in disbursement of foreign program assistance. To contain the pressure on the Shilling, the Bank reduced banks' prudential limit on foreign currency net open position from 20 percent to 10 percent of core capital effective October 26, 2011. The Bank also enhanced the enforcement of existing restrictions on non-residents' access to Tanzania shilling denominated credit facilities; required all foreign exchange transactions with non-residents be backed by underlying economic activities; and increased sales of foreign exchange in the IFEM.

These measures, coupled with a sharp rise in short term interest rates, reversed the earlier depreciation of the Shilling, from an average of TZS 1,668 per USD in October 2011 to TZS 1,566.7 per USD at the end of December 2011 in the wholesale market (**Chart 4.2**). The retail market also observed an appreciation in the value of the Shilling from an average of TZS 1,703.6 per USD in October 2011 to TZS 1,596 per USD at the end of December 2011.





**Chart 4.2: Overnight Interest Rate and Exchange Rate Movements**



Source: Bank of Tanzania

### 4.3 Money Supply and Credit Developments

During the year ending December 2011, extended broad money supply (M3) recorded a growth rate of 18.2 percent compared with the projected growth of 21.3 percent. Credit to the private sector grew faster than the program, following lower than projected government borrowing from the banking system. Government borrowing was below the projected ceiling by TZS 427.7 billion, mainly due to strong revenue collection and government efforts to keep recurrent expenditure on check. Private sector credit grew by 27.2 percent, compared to 25.7 percent projected under the program. In the same period, net foreign assets (NFA) of the banking system grew by 3.5 percent against the projected growth of 7.0 percent, with NFA held by banks registering a growth of 6.4 percent.

### 4.4 Financial Sector Stability

During the year ending December 2011, the Bank's assessment concluded that the financial sector remained stable. This was reflected by the financial soundness indicators and the results of stress tests of the banking sector. The sector was



adequately capitalized with liquidity levels above regulatory requirements. The ratio of non-performing loans (NPLs) declined to 6.7 percent from 9.8 percent recorded at the end of December 2010. This was attributed to efforts taken to improve the quality of loan portfolios by strengthening credit underwriting and administration practices, strict follow-up and recovery of NPLs, and a focused supervisory attention on banking institutions with high NPLs. The sector also continued to be profitable with an average return on assets of 2.7 percent and 15.1 percent return on equity. The ratio of gross loans to total deposits (lending ratio) was 64.5 percent, which is within the regulatory limit of 80 percent required for each individual institution.

The Bank revised the risk-based supervision framework to reflect new developments in supervisory principles and standards and incorporate best practices in risk management. Business continuity guidelines were also issued to banks and financial institutions, and initiated the process of developing prudential guidelines for effective supervision of Islamic banking business, which has been growing in the recent past. In addition, efforts are underway to enhance the regulatory environment and risk management to support a safer, efficient and resilient financial system. In this regard, the Bank in collaboration with other financial regulators, under the auspices of Tanzania Financial Regulators Forum, is in the process of developing prudential benchmarks and thresholds which would characterize the behavior of the financial system in normal times and during periods of stress. Subsequently, the assessment of financial stability and early warning indicators will be measured against these thresholds.

#### **4.5 Financial Sector Reforms**

The Bank continued to implement financial sector reforms. Regulations relating to Finance Leasing, Tanzania Mortgage Refinancing Company (TMRC) and Mortgage Finance were published in the Government Gazette on 29th April 2011. The government housing finance project became operational in January 2011 with support from International Development Agency credit of USD 40 million.





A housing sector market study started in September 2011, while utilization of the funds for the Development of the Mortgage Market by refinancing of mortgage loans started in November 2011.

On the establishment of the Credit Reference Databank, a contract was signed in October 2011 and work has started on the supply of related hardware and software and installation, commissioning and training of users of the databank at the Bank. Furthermore, the process of setting up a credit reference database commenced in January 2012, including review of the existing credit reference system regulations, and a pilot project to collect data from banking institutions is scheduled to commence in June 2012. The establishment of credit reference bureau will allow banks to monitor credit history of potential borrowers, which is a major obstacle in expanding access to financial services.

The study on the establishment of Tanzania Agricultural Development Bank (TADB) was conducted and the recommendations were approved by the Government in January 2012. The bank is expected to be operational by December 2012.

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

The Bank continues to help banks and mobile network operators to develop mobile banking networks through a mobile payment policy partnership. The Bank has drafted Mobile Payments Regulations, which will facilitate the licensing and regulation of the sector, with the aim of ensuring soundness and stability combined with addressing consumer protection issues. It is worth noting that the mobile financial services have contributed significantly towards broadening access to financial services in Tanzania given the high level of mobile phone usage. Total number of registered customers in the mobile financial services reached 19,445,248 as of end November 2011 compared to 14,327 customers registered at the end of June 2008 when the service began. The balance held in the trust accounts to facilitate transactions has also increased from TZS 3.04 billion



in June 2009 to TZS 97.6 billion. Currently, there are four service providers<sup>1</sup>, compared with only one in 2007<sup>2</sup>. Total value of transactions have increased from TZS 1.42 million in 2007 to TZS 1.62 trillion in 2011, with volume increasing from 39,528 to 38,128,821, respectively.

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<sup>1</sup>Vodacom (M-Pesa), Airtel (Airtel Money), Tigo (Tigo Cash), and Zantel (Z-Pesa)

<sup>2</sup>The mobile financial services began in 2007 when E Fulusi (T) Ltd pioneered the industry. Developments picked pace in 2008 when M Pesa started the service.



## PART V

### 5.0 MACROECONOMIC DEVELOPMENTS

#### 5.1 Overview of Global Economic Developments

##### 5.1.1 GDP Performance

According to the World Economic Outlook (WEO) report of September 2011, global economic recovery is still weak and uneven. The global economy is projected to grow by about 4.0 percent in 2011 from 5.1 percent in 2010. This is spearheaded by political unrest in the Middle East and North Africa regions, disruptions resulting from the Great East Japan earthquake and tsunami, debt crisis in the Euro Area and the US and decline in consumer and business confidence (Table 5.1).

**Table 5.1: Global GDP Growth Rates and Projections**

	Annual percent change						
	2006	2007	2008	2009	2010	Projections	
						2011	2012
World	5.3	5.4	2.8	-0.7	5.1	4.0	4.0
Advanced Economies	3.1	2.8	0.1	-3.7	3.1	1.6	1.9
Emerging and Developing Economies	8.2	8.9	6.0	2.8	7.3	6.4	6.1
Developing Asian Countries	10.3	11.5	7.7	7.2	9.5	8.2	8.0
Africa	5.9	6.2	5.2	3.1	4.9	3.7	5.8
Sub-Saharan Africa	6.4	7.1	5.6	2.8	5.4	5.2	5.8
Tanzania	6.7	7.1	7.4	6.0	7.0	6.0	7.2

*Source: IMF World Economic Outlook, September, 2011, and Bank of Tanzania*

Output growth in advanced economies is projected to slow down to 1.6 percent in 2011 from 3.1 percent in 2010, largely due to Euro zone sovereign debt and financial crisis, which has in turn reduced consumer and business confidence and hence, a fall in private demand and a general decline in economic activities. Growth in emerging and developing economies is projected at 6.4 percent in 2011 compared to 7.3 percent in 2010, while economic growth in advanced economies



is expected to slow down significantly. Developing Asian countries are projected to grow modestly in 2011 due to global supply-chain disruptions in the face of slowing demand from advanced economies. Economic growth in Sub-Saharan Africa continued to expand at a robust pace with a real GDP growth of 5.4 percent in 2010 and is forecasted to expand by 5.2 percent in 2011, largely due to strong domestic demand, coupled with the increase in commodity prices in the world market which will boost production.

### **5.1.2 Inflation Developments**

Global inflation rose to 4.4 percent in the second quarter of 2011 from 3.9 percent recorded in the preceding quarter reflecting the increase in commodity prices. Inflation pressures were more pronounced in the emerging and developing economies than in the advanced economies. Inflation in the advanced economies is projected to increase to 2.6 percent in 2011 from 1.6 percent recorded in 2010, while that of emerging and developing economies is projected at 7.5 percent in 2011 from 6.1 percent registered in 2010, mainly due to the rise in energy and food prices. In emerging and developing economies, inflation pressure is likely to continue because of strong expansionary demand pressure.

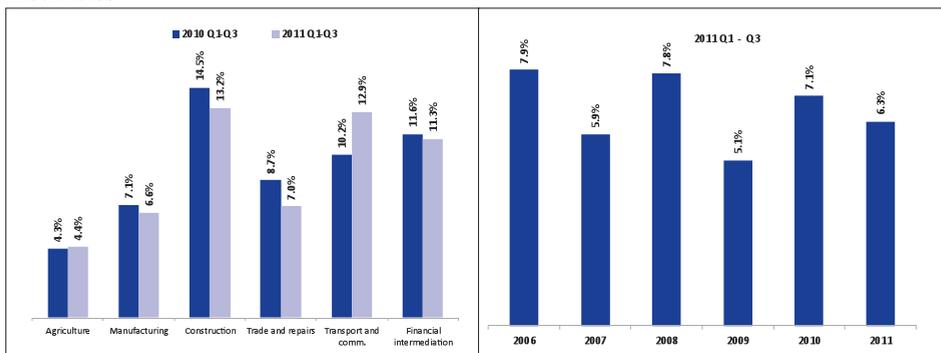
## **5.2 Domestic Economic Developments**

### **5.2.1 GDP Performance**

Real GDP growth remained strong despite power rationing that affected industrial and trade activities. The growth in the first three quarters of 2011 was estimated at 6.3 percent slightly above the projection of 6.0 percent for the year, but below 7.1 percent recorded in the corresponding period in 2010. Sectors that grew strongly were construction, transport and communication, financial intermediation, trade and repairs (**Chart 5.1a and 5.1b**). Based on the good performance in key activities in the fourth quarter of 2011, the projected growth of 6.0 percent for the year is likely to be achieved and possibly exceeded.



**Chart 5.1a: Growth of Main Economic Activities**      **Chart 5.1b: GDP Growth**



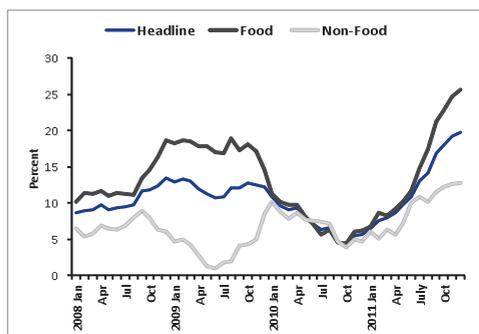
Source: National Bureau of Statistics

## 5.2.2 Inflation Developments

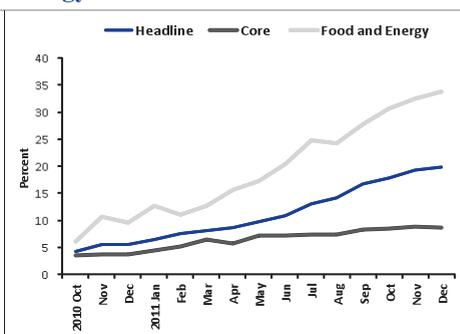
Annual headline inflation was 19.8 percent in December 2011, compared to 5.6 percent recorded in December 2010, largely due to increase in food prices resulting from drought in the Eastern African region. Food inflation was 27.1 percent compared to 7.3 percent, and accounted for 65.4 percent of the overall headline inflation. Other contributing factors to inflation are: depreciation of the Shilling, exerting pressure on prices of imported goods; rise in global oil prices, by about 35.8 percent, from an average of USD 78.06 per barrel for the year ending December 2010 to an average of USD 106.03 per barrel in December 2011. Energy and fuel inflation was 41.0 percent contributing about 11.7 percent of the overall headline inflation. Core inflation also rose but remained at single digits reaching 8.7 percent in December 2011 compared with 3.7 percent recorded in December 2010 (**Chart 5.2a and 5.2b**).



**Chart 5.2a: Headline, Food and Non-food Inflation**



**Chart 5.2b: Headline, Core, Food & Energy Inflation**



Source: National Bureau of Statistics

### 5.2.3 Government Budgetary Performance

In the first half of 2011/12 domestic revenue exceeded recurrent expenditure, with good performance in income taxes partly explained by continued implementation of revenue measures and recovery in domestic economic activities. Total revenue reached TZS 3,402.2 billion against recurrent expenditure of TZS 3,029.3 billion. Meanwhile, development expenditure amounted to TZS 1,693.8 billion or 67.3 percent of the projection, mainly due to delays in disbursement of project funds by development partners. Only 34 percent of the envisaged project fund was disbursed during the period. Overall deficit was below the estimate by 38 percent reflecting government efforts to contain recurrent spending.

The Government through the Ministry of Finance continued to make payments through Tanzania Interbank Settlement System (TISS), which helped to reduce expenditure float<sup>3</sup> and improved the predictability of expenditure. Accordingly, expenditure float for the period was TZS 183.6 billion compared to TZS 480.1 billion recorded in the similar period of 2010/11.

<sup>3</sup> Expenditure float consists of cheques written in the current fiscal year (t) but cleared in the subsequent year (t+1)



## 5.2.4 External Sector Developments

During July to December 2011, the current account deficit widened to USD 2,715.8 million from a deficit of USD 834.5 million recorded in the corresponding period of 2010 (**Table 5.2**); largely due to the rise in global oil prices, as well as sharp increase in importation of oil and machinery. Price of oil rose by 39.6 percent to an average of USD 973.4 per ton, while the volume of oil imports rose by more than 67 percent to 2.3 million tons. In addition, services payment increased following the rise in freight expenses consistent with the surge in the import bill.

Export of goods and services was USD 3,645.4 million, 10.2 percent higher than the amount recorded in the corresponding period of 2010. The improvement was mainly on account of the rise in volume and price of gold, as well as increase in transit goods. The price and volume of gold went up by 30.4 percent to USD 1,690.8 per troy ounce and 17.5 percent to 20.4 tons, respectively, while transit goods increased by 11.3 percent to 463,435 tons. On the other hand, traditional exports declined by 18.1 percent to USD 282.6 million, largely due to a fall in production of coffee, cotton, tobacco and cashew nuts following unfavorable weather.

The gross official reserves increased to USD 3,761.2 million at the end of December 2011 from USD 3,592.8 million recorded in June 2011; the reserves were sufficient to cover about 4.1 months of projected import of goods and services.



**Table 5.2: Tanzania: Current Account Balance**

Items	July - December		Millions of USD
	2010	2011 <sup>P</sup>	% Change
<b>Goods Account (net)</b>	<b>-1,638.2</b>	<b>-3,266.8</b>	<b>99.4</b>
Exports	2,138.5	2,285.8	6.9
Imports	3,776.6	5,552.6	47.0
<b>Services Account (net)</b>	<b>187.4</b>	<b>119.1</b>	<b>-36.4</b>
Receipts	1,170.9	1,359.6	16.1
Payments	983.5	1,240.5	26.1
<b>Goods and services (net)</b>	<b>-1,450.7</b>	<b>-3,147.7</b>	<b>117.0</b>
Exports of goods and services	3,309.3	3,645.4	10.2
Imports of goods and services	4,760.1	6,793.0	42.7
<b>Income Account (net)</b>	<b>-20.5</b>	<b>-56.9</b>	<b>176.8</b>
Receipts	92.9	79.2	-14.8
Payments	113.4	136.0	19.9
<b>Current Transfers (net)</b>	<b>636.8</b>	<b>488.7</b>	<b>-23.3</b>
Inflows	679.7	540.5	-20.5
o/w General Government	625.5	489.9	-21.7
Outflows	42.9	51.8	20.7
<b>Current Account Balance</b>	<b>-834.5</b>	<b>-2,715.8</b>	<b>225.4</b>

Source: Bank of Tanzania

P = Provisional data

## 5.2.5 National Debt Developments

During July to December 2011, the national debt stock increased by 4.3 percent to USD 12,517.6 million, on account of new external debt disbursements, exchange rate fluctuations, and relatively large issuance of Treasury bills. Out of the national debt stock, 86 percent was public debt and the balance was private sector debt.

External debt disbursements amounted to USD 564.5 million compared to USD 271.7 million received during the corresponding period in 2010. New debt contracted and recorded amounted to USD 308.9 million, compared with USD 269.1 million in the corresponding period in 2010. External debt service amounted to USD 35.3 million, out of which USD 19.2 million was principal and USD 15.8 million was interest.



New domestic government borrowing through Treasury securities amounted to TZS 559.4 billion, of which TZS 423.9 billion was Treasury bills and TZS 135.5 billion Treasury bonds. Meanwhile, domestic debt service was TZS 559.6 billion, out of which interest payments was TZS 135.9 billion, and principal was TZS 423.7 billion which was rolled over.

## **5.2.6 Economic Developments in Zanzibar**

### **GDP Developments**

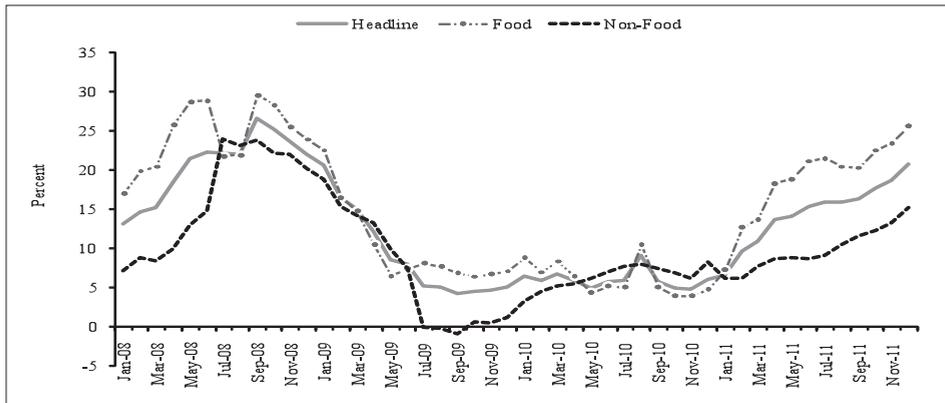
GDP growth rate for the first three quarters of 2011 is estimated to have grown by 5.6 percent, compared with 5.3 percent recorded in a similar period of 2010. During the period, tourist arrivals increased to 125,777 from 91,326 recorded in the corresponding period of 2010. The projected economic growth of 7.9 percent for the year 2011 is likely to be attained following increased clove production and tourist arrivals, coupled with strengthened economic infrastructure.

### **Inflation Developments**

Annual headline inflation rose to 20.8 percent in December 2011 from 6.0 percent in December 2010, mainly due to increase in prices of petroleum products and food items notably rice, fish, wheat flour and sugar (**Chart 5.3**). Annual food inflation was 25.6 percent compared to 4.8 percent in December 2010, while that of non-food was 15.3 percent compared to 8.3 percent. Inflation is expected to subside for the second half of 2011/12 on account of leveling of the global oil and food prices.



**Chart 5.3: Annual Headline, Food and Non-food Inflation**



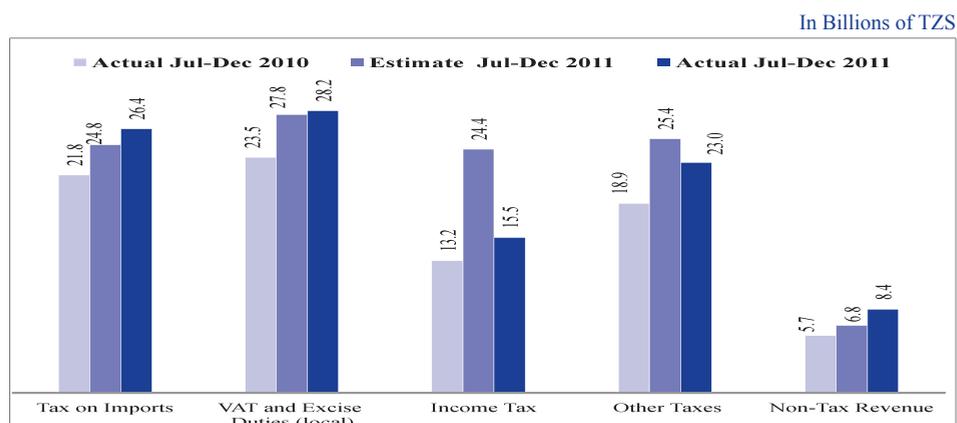
Source: Office of Chief Government Statistician

### Government Budgetary Performance

During July to December 2011, budgetary operations on cheques issued basis recorded an overall deficit of TZS 54.1 billion. Total resources amounted to TZS 139.3 billion, out of which domestic revenue was TZS 101.5 billion and the balance was grants. Domestic revenue was below the target by 6.9 percent, mainly due to lower return on Pay As You Earn (PAYE) and Skill Development Levy (**Chart 5.4**).



**Chart 5.4: Zanzibar Government Revenue by Sources**

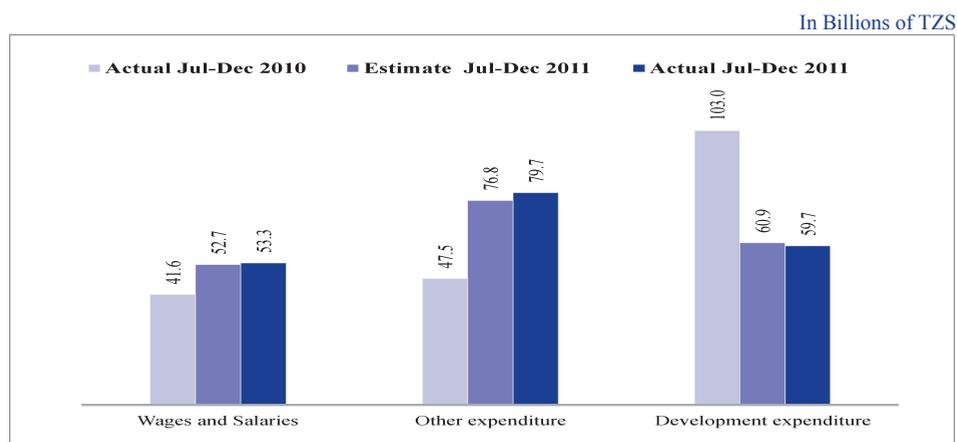


Source: President's Office-Finance, Economy and Development Planning, Zanzibar

Total Government expenditure amounted to TZS 192.7 billion, above the estimate by 1.2 percent. Recurrent expenditure was TZS 113.0 billion, broadly in line with the estimate, while development expenditure was TZS 79.7 billion, above the estimate by 3.8 percent, mainly due to higher than projected foreign inflows. Out of total development expenditure, local contribution was 21.6 percent (**Chart 5.5**).



**Chart 5.5: Government Expenditure by Components**



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

## External Sector Developments

Current account recorded a surplus of USD 46.2 million compared to a surplus of USD 23.1 million recorded in the corresponding period in 2010, as the growth of export of goods and services more than offsetting the increase in imports. Improvement in export earnings was largely due to increase in tourist arrivals as well as cloves price in the world market (**Table 5.3**).



**Table 5.3: Zanzibar: Current Account Balance**

Millions of USD

Item	July - December		% Change
	2010	2011 <sup>p</sup>	
<b>Goods Account (net)</b>	<b>-36.3</b>	<b>-36.0</b>	<b>-0.8</b>
Exports	11.3	41.5	267.3
Imports (fob)	47.6	77.4	62.6
<b>Services Account (net)</b>	<b>27.8</b>	<b>59.7</b>	<b>114.7</b>
Receipts	53.9	143.9	167.0
Payments	26.1	84.3	223.0
<b>Goods and Services (net)</b>	<b>-8.5</b>	<b>23.7</b>	<b>379.0</b>
Exports of Goods and Services	65.2	185.4	184.3
Imports of Goods and Services	73.7	161.7	119.4
<b>Income Account (net)</b>	<b>-0.2</b>	<b>-1.6</b>	<b>...</b>
Receipts	0.8	0.7	-12.5
Payments	0.9	2.2	144.4
<b>Current Transfers (net)</b>	<b>31.8</b>	<b>24.1</b>	<b>-24.2</b>
Donor Inflows	31.8	24.1	-24.2
Outflows	0.0	0.0	
<b>Current Account Balance</b>	<b>23.1</b>	<b>46.2</b>	<b>100.0</b>

Source: Bank of Tanzania and Tanzania Revenue Authority

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



## **PART VI**

### **6.0 MONETARY POLICY STANCE FOR THE SECOND HALF OF 2011/12**

#### **6.1 Growth Projection**

Economic growth is expected to pick up further in the second half of 2011/12 owing to the good short rains experienced in the last quarter of 2011, and expected good long rains in 2012. Accordingly, production is expected to increase across all activities supported by return to normal hydro power generation. Good performance in domestic revenue during the first half has set a strong base for the year to June 2012. In addition, measures that are being taken by the Government to sustain prudent fiscal management will provide adequate room for private sector credit.

#### **6.2 Inflation Projection**

Inflation is expected to subside to single digit by June 2012 as measures taken by the Bank continue to take effect and as the expected good rains improve food supply in the Eastern African region; global oil prices stabilize and the recently observed exchange rate stability is preserved. However, there are upside risks associated with instabilities in the Middle East and Euro Zone, which may exert pressure on inflation. The Bank views the recent adjustment in power tariffs as having limited impact on the cost of production because of the expected reduction in the use of costly standby generators.

#### **6.3 Monetary Policy Stance**

##### **6.3.1 Liquidity Management**

The Bank will continue to implement its reserve money program with a view to keeping core inflation at single digit levels. This will be achieved through a combination of open market operations and steady sales of foreign exchange, while



maintaining market determined exchange rate. Following recent developments, the annual growth for average reserve money has been projected to slowdown from 19.0 percent to 18.0 percent at end June 2012. Consistent with this, M3 is projected to grow by 19.0 percent, giving room for credit to private sector to grow by 20.8 percent. The Bank will continue to monitor risks to core inflation closely, and stands ready to tighten liquidity when need arises.

### **6.3.2 Interest Rate Policy**

Interest rates will continue to be market-determined. However, the Bank will continue to take measures to deepen financial markets, strengthen competition and address structural impediments in the economy. These measures will be important in ensuring that interest rates are reflective of economic fundamentals. The Bank will also continue to structure its use of monetary policy instruments in a manner that will sustain stability in the market.

### **6.3.3 Exchange Rate Policy**

The exchange rate will remain market determined, with the Bank participating in the foreign exchange market only for liquidity management purposes and smoothening out short-term fluctuations in the exchange rate. This will be implemented, while ensuring that an adequate level of international reserves is maintained. The recent measures taken by the Bank in response to currency pressures will be sustained so as to ensure that exchange rate volatility in the market is minimized.

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

Prospects for continued financial system stability during the second half of 2011/12 are positive as reflected by the indicators of financial soundness and resilience. The Bank will continue to exercise vigilance on the financial system to ensure that the current stability is consolidated. Specifically, the Bank will enhance its surveillance of developments in the domestic financial system as



well as in the global economy, especially in the Tanzania's trading partners. In addition, promotion of sound risk management practices in the financial system, in collaboration with other financial sector regulators, will continue to be at the center of the Bank's mandate to safeguard financial stability.

During the second half of 2011/12, the Social Security Regulatory Authority (SSRA) will draft relevant regulations, including Actuarial Valuation Guidelines, Mortgage Regulations, Financial Reporting Guidelines and Board and Trustees Guidelines, while the investment guidelines are being finalized. The proposed regulatory tools will enhance both the governance and stability of the pension sector in Tanzania. In addition, portfolio valuation of all pension funds is expected to be concluded during the 1<sup>st</sup> quarter of 2012 and will provide useful information on the status of the pension sector.

To broaden financial deepening and inclusion, the Bank is drafting Agency Banking Regulations to allow banks to extend their outreach through non-banking retail outlets such as supermarkets, petrol stations and other agencies. Further, the Tanzania Insurance Regulatory Agency (TIRA) is drafting the Micro-insurance Regulations to provide a framework for introduction of insurance products catering for the low-income households and micro-enterprises operators.



## PART VII

### 7.0 CONCLUSION

Economic growth in the first three quarters of 2011 and leading indicators in the fourth quarter demonstrate that the economy's resilience to shocks has been strong. In particular, the ability of the economy to sustain production despite increased use of costly thermal power provides optimism for even better performance going forward as hydro power generation returns to normal.

The challenges of high inflation and exchange rate volatility experienced over the review period revealed the vulnerability of some of the key macroeconomic indicators to exogenous factors. However, the prospects of good weather in the East African region and leveling of global oil prices are expected to contribute to a reduction in inflationary pressure in the remaining part of 2011/12. In addition, strong performance in domestic revenue collection and expenditure management by the Government, coupled with the measures taken by the Bank have laid a firm ground for containing core inflation in the months to come.

The Bank remains committed to deploying all instruments in its monetary policy toolkit to ensure that macroeconomic stability and soundness of the banking system are preserved. The Bank is confident that the policy achievements made so far will be consolidated, and remains optimistic that given the prudent monetary policy stance coupled with the good progress in fiscal management that is in place, the objectives set out in the 2011/12 monetary policy statement will be broadly achieved.



# APPENDICES

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

	Annual percent change						
	2006	2007	2008	2009	2010	Projections	
						2011	2012
<b>World</b>	<b>5.3</b>	<b>5.4</b>	<b>2.8</b>	<b>-0.7</b>	<b>5.1</b>	<b>4.0</b>	<b>4.0</b>
<b>Advanced Economies</b>	<b>3.1</b>	<b>2.8</b>	<b>0.1</b>	<b>-3.7</b>	<b>3.1</b>	<b>1.6</b>	<b>1.9</b>
USA	2.7	1.9	-0.3	-3.5	3.0	1.5	1.8
Japan	2.0	2.4	-1.2	-6.3	4.0	-0.5	2.3
Euro Area	3.2	3.0	0.4	-4.3	1.8	1.6	1.1
United Kingdom	2.8	2.7	-0.1	-4.9	1.4	1.1	1.6
<b>Emerging and Developing Economies</b>	<b>8.2</b>	<b>8.9</b>	<b>6.0</b>	<b>2.8</b>	<b>7.3</b>	<b>6.4</b>	<b>6.1</b>
<b>Developing Asian Countries</b>	<b>10.3</b>	<b>11.5</b>	<b>7.7</b>	<b>7.2</b>	<b>9.5</b>	<b>8.2</b>	<b>8.0</b>
China	12.7	14.2	9.6	9.2	10.3	9.5	9.0
India	9.5	10.0	6.2	6.8	10.1	7.8	7.5
<b>Africa</b>	<b>5.9</b>	<b>6.2</b>	<b>5.2</b>	<b>3.1</b>	<b>4.9</b>	<b>3.7</b>	<b>5.8</b>
<b>Sub-Saharan Africa</b>	<b>6.4</b>	<b>7.1</b>	<b>5.6</b>	<b>2.8</b>	<b>5.4</b>	<b>5.2</b>	<b>5.8</b>
South Africa	5.6	5.6	3.6	-1.7	2.8	3.4	3.6
<b>Tanzania</b>	<b>6.7</b>	<b>7.1</b>	<b>7.4</b>	<b>6.0</b>	<b>7.0</b>	<b>6.0</b>	<b>7.2</b>

Source: IMF World Economic Outlook, September, 2011



**Table A2: Selected Economic Indicators**

Item	Unit	Millions of TZS										
		Jun-II	Jul-II	Aug-II	Sep-II	Oct-II	Nov-II	Dec-II				
<b>1. Prices</b>												
1.5 Annual Change in Consumer Price Index												
1.5.1 Headline Inflation	Percent	10.9	13.0	14.1	16.8	17.9	19.2	19.8				
1.5.2 Food Inflation	Percent	11.7	14.8	17.4	21.3	22.8	24.7	27.1				
1.5.3 Core Inflation	Percent	7.2	7.4	7.3	8.2	8.5	8.8	8.7				
<b>2. Money Credit and Interest Rates</b>												
2.1 Extended Broad Money Supply (M3) <sup>1</sup>	Percent	22.0	18.4	21.4	23.7	25.7	21.1	18.2				
2.2 Reserve Money <sup>1</sup>	Percent	12.5	13.0	18.3	23.5	20.7	17.0	17.6				
2.3 Average Reserve Money <sup>1</sup>	Percent	19.3	13.1	19.0	18.7	21.8	20.3	19.8				
2.4 Credit to Non-Government Sector <sup>1</sup>	Percent	25.6	25.3	27.5	29.4	31.9	30.3	27.2				
2.5 364-days Treasury Bill Rate <sup>2</sup>	Percent	6.5	7.8	9.6	9.6	12.4	15.7	18.7				
2.6 Overnight Inter-bank rate <sup>2</sup>	Percent	1.8	5.8	8.4	5.9	9.9	15.6	29.3				
2.7 12-Months Deposit Rate <sup>2</sup>	Percent	7.9	8.0	8.0	7.3	7.6	8.0	9.1				
2.8 Short-term (up to 1 year) Lending Rate <sup>2</sup>	Percent	14.7	14.8	15.6	15.1	15.0	13.5	13.7				
<b>3. Balance of Payments</b>												
3.1 Gross Official Reserves	Mill. USD	3,592.8	3,557.3	3,725.2	3,472.7	3,622.4	3,484.1	3,761.2				
3.2 Exchange Rate:												
3.2.1 Period Average	TZS/USD	1,560.1	1,578.0	1,609.7	1,641.6	1,668.0	1,673.6	1,605.3				
3.2.2 End of Period	TZS/USD	1,579.7	1,569.7	1,604.8	1,631.2	1,646.4	1,655.9	1,566.7				
<b>4. Public Finance</b>												
4.1 Domestic Revenue												
4.1.1 Domestic Revenue (Including LGAs Own Sources) <sup>3</sup>	Mill. TZS	624,787.0	484,823.8	518,862.6	660,884.1	---	---	---				
4.1.2 Domestic Revenue (Excluding LGAs Own Sources)	Mill. TZS	611,463.0	456,526.3	490,565.2	632,586.6	504,328.4	531,639.1	701,703.4				
4.2 Recurrent Expenditure	Mill. TZS	1,136,424.0	386,248.0	402,962.7	658,929.8	586,506.3	455,256.2	539,441.6				
4.3 Development Expenditure	Mill. TZS	289,427.0	104,145.8	196,026.4	417,147.0	362,842.0	430,258.6	183,339.6				
4.4 Program Assistance	Mill. USD	23.8	22.7	0.6	1.5	1.5	179.9	82.0				
4.4.1 GBS	Mill. USD	0.0	18.3	0.0	0.0	102.7	34.1	243.2				
4.4.2 Basket Funds	Mill. USD	23.8	4.4	0.6	1.5	77.2	48.0	68.9				

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

Notes: Annual Growth

<sup>2</sup>Monthly Average

<sup>3</sup>Data for LGAs available up to September 2011





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

Economic Activity	2005	2006	2007	2008 2009r	2010p	
<b>In Millions of TZS</b>						
<b>Agriculture, Hunting and Forestry</b>	<b>3,148,384</b>	<b>3,268,238</b>	<b>3,399,648</b>	<b>3,554,488</b>	<b>3,669,645</b>	<b>3,824,428</b>
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
<b>Fishing</b>	<b>196,676</b>	<b>206,510</b>	<b>215,734</b>	<b>226,521</b>	<b>232,637</b>	<b>236,126</b>
<b>Industry and construction</b>	<b>2,433,261</b>	<b>2,639,902</b>	<b>2,889,519</b>	<b>3,138,241</b>	<b>3,357,703</b>	<b>3,633,664</b>
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
<b>Services</b>	<b>5,596,784</b>	<b>6,035,932</b>	<b>6,527,561</b>	<b>7,085,136</b>	<b>7,594,661</b>	<b>8,214,209</b>
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
<b>Gross value added before adjustments</b>	<b>11,375,105</b>	<b>12,150,582</b>	<b>13,032,462</b>	<b>14,004,385</b>	<b>14,854,646</b>	<b>15,908,427</b>
less FISIM	-119,497	-137,287	-158,292	-175,704	-190,990	-208,370
<b>Gross value added at 2001 basic prices</b>	<b>11,255,608</b>	<b>12,013,295</b>	<b>12,874,170</b>	<b>13,828,681</b>	<b>14,663,656</b>	<b>15,700,057</b>
Add Taxes on products	812,482	867,868	927,751	999,664	1,057,645	1,128,507
<b>Gross Domestic Product at 2001 market prices</b>	<b>12,068,090</b>	<b>12,881,163</b>	<b>13,801,921</b>	<b>14,828,345</b>	<b>15,721,301</b>	<b>16,828,563</b>
<b>Real Growth by Economic Activities (Percent)</b>						
<b>Agriculture and Fishing</b>	<b>4.3</b>	<b>3.8</b>	<b>4.0</b>	<b>4.6</b>	<b>3.2</b>	<b>4.2</b>
Crops	4.4	4.0	4.5	5.1	3.4	4.4
Livestock	4.4	2.4	2.4	2.6	2.3	3.4
Forestry and hunting	3.6	4.6	2.9	3.4	3.5	4.1
Fishing	6.0	5.0	4.5	5.0	2.7	1.5
<b>Industry and construction</b>	<b>10.4</b>	<b>8.5</b>	<b>9.5</b>	<b>8.6</b>	<b>7.0</b>	<b>8.2</b>
Mining and quarrying	16.1	15.6	10.7	2.5	1.2	2.7
Manufacturing	9.6	8.5	8.7	9.9	8.0	7.9
Electricity, gas	9.4	-1.9	10.9	5.4	8.4	10.2
Water supply	4.3	6.2	6.5	6.6	5.6	6.3
Construction	10.1	9.5	9.7	10.5	7.5	10.2
<b>Services</b>	<b>8.0</b>	<b>7.8</b>	<b>8.1</b>	<b>8.5</b>	<b>7.2</b>	<b>8.2</b>
Trade and repairs	6.7	9.5	9.8	10.0	7.5	8.2
Hotels and restaurants	5.6	4.3	4.4	4.5	4.4	6.1
Transport	6.7	5.3	6.5	6.9	6.0	7.0
Communications	18.8	19.2	20.1	20.5	21.9	22.1
Financial intermediation	10.8	11.4	10.2	11.9	9.0	10.1
Real estate and business services	7.5	7.3	7.0	7.1	6.8	7.0
Public administration	11.4	6.5	6.7	7.0	4.4	6.5
Education	4.0	5.0	5.5	6.9	7.1	7.3
Health	8.1	8.5	8.8	9.0	6.7	6.9
Other social and personal services	2.6	3.7	3.2	3.1	3.2	3.5
<b>Gross value added excluding adjustments</b>	<b>7.4</b>	<b>6.8</b>	<b>7.3</b>	<b>7.5</b>	<b>6.1</b>	<b>7.1</b>
less FISIM	11.8	14.9	15.3	11.0	8.7	9.1
<b>Gross value added at basic prices</b>	<b>7.4</b>	<b>6.7</b>	<b>7.2</b>	<b>7.4</b>	<b>6.0</b>	<b>7.1</b>
Add Taxes on products	7.4	6.8	6.9	7.8	5.8	6.7
<b>Gross domestic product at market prices</b>	<b>7.4</b>	<b>6.7</b>	<b>7.1</b>	<b>7.4</b>	<b>6.0</b>	<b>7.0</b>

Source: National Bureau of Statistics and Bank of Tanzania

Note: r = revised  
p = provisional



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

Economic Activity	2005	2006	2007	2008	2009r	Percent
						2010p
Contribution in real GDP by Economic Activities						
<b>Agriculture and Fishing</b>	<b>26.1</b>	<b>25.4</b>	<b>24.6</b>	<b>24.0</b>	<b>23.3</b>	<b>24.3</b>
Crops	19.6	19.1	18.6	18.2	17.8	18.5
Livestock	4.4	4.2	4.0	3.8	3.7	3.8
Forestry and hunting	2.2	2.1	2.0	2.0	1.9	2.0
Fishing	1.6	1.6	1.6	1.5	1.5	1.5
<b>Industry and construction</b>	<b>20.2</b>	<b>20.5</b>	<b>20.9</b>	<b>21.2</b>	<b>21.4</b>	<b>23.1</b>
Mining and quarrying	2.4	2.6	2.7	2.6	2.5	2.6
Manufacturing	8.9	9.0	9.2	9.4	9.5	10.3
Electricity, gas	2.2	2.0	2.1	2.0	2.1	2.3
Water supply	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
<b>Services</b>	<b>46.4</b>	<b>46.9</b>	<b>47.3</b>	<b>47.8</b>	<b>48.3</b>	<b>52.2</b>
Trade and repairs	13.1	13.5	13.8	14.1	14.3	15.5
Hotels and restaurants	2.5	2.4	2.4	2.3	2.3	2.4
Transport	5.2	5.1	5.1	5.1	5.1	5.4
Communications	1.7	1.9	2.1	2.3	2.7	3.3
Financial intermediation	1.7	1.8	1.8	1.9	1.9	2.1
Real estate and business services	10.2	10.2	10.2	10.2	10.2	11.0
Public administration	8.0	8.0	8.0	8.0	7.8	8.3
Education	1.9	1.8	1.8	1.8	1.8	1.9
Health	1.4	1.4	1.4	1.4	1.4	1.5
Other social and personal services	0.7	0.7	0.7	0.7	0.6	0.7

Source: National Bureau of Statistics and Bank of Tanzania

Note: r = revised

p = provisional

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

	2005	2006	2007	2008	2009	2010	Percent
First Quarter	5.7	9.8	4.5	7.1	5.6	7.7	5.8
Second Quarter	7.7	8.9	5.8	7.1	3.8	7.2	6.7
Third Quarter	8.4	5.7	7.2	8.9	5.7	6.7	6.4
Fourth Quarter	7.5	2.9	11.3	6.3	9.2	6.7	
Average	7.3	6.8	7.2	7.4	6.1	7.1	6.3

Source: National Bureau of Statistics and Bank of Tanzania

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

	2005	2006	2007	2008	2009	2010	Percent
First Quarter	4.3	5.2	4.0	7.9	11.5	-5.3	11.5
Second Quarter	-3.2	15.1	8.5	-4.0	5.2	10.4	2.9
Third Quarter	11.2	1.7	7.5	5.5	11.3	10.9	2.5
Fourth Quarter	5.3	4.5	5.7	10.4	-0.6	9.1	
Average	4.4	6.6	6.4	5.0	6.9	6.3	5.6

Source: Office of Chief Government Statistician, Zanzibar



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

Millions of TZS

Economic Activity	2005	2006	2007	2008	2009	2010p
<b>Agriculture, forestry &amp; fishing</b>	<b>61,280</b>	<b>72,700</b>	<b>72,400</b>	<b>76,500</b>	<b>79,900</b>	<b>83,700</b>
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
<b>Industry</b>	<b>39,147</b>	<b>46,000</b>	<b>48,100</b>	<b>49,200</b>	<b>50,800</b>	<b>51,800</b>
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
<b>Services</b>	<b>140,646</b>	<b>136,700</b>	<b>150,880</b>	<b>160,600</b>	<b>174,700</b>	<b>189,800</b>
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
<b>Adjustment to market prices</b>						
Taxes on products	44,500	47,200	50,100	52,900	56,400	60,100
<b>Gross Domestic Product at market prices</b>	<b>285,600</b>	<b>302,600</b>	<b>321,480</b>	<b>339,200</b>	<b>361,800</b>	<b>385,400</b>

**Percentage Growth Rates**

<b>Agriculture, forestry &amp; fishing</b>	<b>2.8</b>	<b>18.7</b>	<b>-0.4</b>	<b>5.7</b>	<b>4.4</b>	<b>4.8</b>
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
<b>Industry</b>	<b>6.6</b>	<b>17.6</b>	<b>4.6</b>	<b>1.9</b>	<b>3.4</b>	<b>2.0</b>
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
<b>Services</b>	<b>5.3</b>	<b>-2.8</b>	<b>10.4</b>	<b>6.1</b>	<b>8.8</b>	<b>8.6</b>
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
<b>Gross Domestic Product at market prices</b>	<b>4.9</b>	<b>6.0</b>	<b>6.4</b>	<b>5.3</b>	<b>6.7</b>	<b>6.5</b>

Source: Office of Chief Government Statistician, Zanzibar

Note: p = provisional

**Table A8: National Consumer Price Index (NCPI), 12-Months Percentage Change**

Main Groups	Weight	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Food and Non-Alcoholic Beverages	47.8	5.2	7.1	7.3	7.1	9.2	8.6	9.7	10.4	12.3	13.9	18.6	22.5	24.0	26.1	27.1
Alcoholic, Tobacco and Narcotics	3.3	4.1	2.5	2.0	1.8	2.9	2.7	5.6	6.8	5.8	5.0	5.2	5.7	5.6	5.1	5.8
Clothing and Footwear	6.7	4.9	4.7	5.5	5.8	8.6	9.5	9.4	9.8	9.8	9.4	9.4	9.6	10.7	11.2	10.6
Housing, Water, Electricity, Gas and Other Fuel	9.2	10.2	14.4	12.1	17.7	11.1	13.6	13.4	15.7	18.8	21.3	19.7	21.7	22.0	23.5	24.8
Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	3.5	4.6	5.7	7.2	13.9	14.5	13.6	14.1	14.4	14.5	13.9	14.2	15.4	15.3	14.6
Health	0.9	-1.4	-1.1	-1.2	0.6	2.1	1.4	1.4	2.0	1.5	1.6	1.9	2.3	4.1	3.5	3.0
Transport	9.5	-1.0	0.1	0.6	0.3	0.3	3.3	3.9	8.0	8.4	9.9	8.8	10.8	11.8	12.0	11.2
Communication	2.1	1.2	1.2	0.8	-0.2	-1.3	-1.8	-2.0	-2.2	-2.0	-1.4	-1.3	-1.8	-1.6	-1.7	-1.2
Recreation and Culture	1.3	3.4	3.2	3.0	3.5	3.6	3.8	3.1	2.4	3.6	3.1	2.7	1.1	2.3	3.3	3.2
Education	1.7	-0.7	-2.1	-2.5	2.2	3.2	2.8	2.2	3.1	3.5	4.2	4.8	5.8	5.6	5.7	5.9
Restaurants and hotels	6.4	-1.5	-1.5	-1.4	2.9	3.9	5.7	5.2	7.4	6.7	6.8	8.0	11.5	12.8	13.2	13.6
Miscellaneous goods and services	4.5	4.6	5.2	4.4	4.0	1.1	4.0	3.4	3.8	2.8	3.5	3.5	6.5	7.0	7.8	8.6
<b>TOTAL – ALL ITEMS INDEX</b>	<b>100.0</b>	<b>4.2</b>	<b>5.5</b>	<b>5.6</b>	<b>6.4</b>	<b>7.5</b>	<b>8.0</b>	<b>8.6</b>	<b>9.7</b>	<b>10.9</b>	<b>13.0</b>	<b>14.1</b>	<b>16.8</b>	<b>17.9</b>	<b>19.2</b>	<b>19.8</b>
<b>Other Selected Groups</b>																
Food and Non-alcoholic Beverages - combining food consumed at home and food consumed in restaurants	51.0	4.4	6.0	6.2	6.7	8.6	8.3	9.2	10.1	11.7	14.8	17.4	21.3	22.8	24.7	25.6
Energy and Fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	6.8	14.6	12.3	19.1	13.0	17.1	22.1	24.5	29.0	34.2	30.1	33.1	37.4	39.2	41.0
All Items Less Food	49.0	3.9	4.9	4.7	6.1	6.1	7.7	7.8	9.3	10.0	10.8	10.2	11.4	12.2	12.6	12.7
All Items Less Food and Energy	43.3	3.5	3.7	3.7	4.4	5.1	6.3	5.7	7.1	7.2	7.4	7.3	8.2	8.5	8.8	8.7

Source: National Bureau of Statistics

# Table A9: Tanzania: Depository Corporations Survey

Billions of TZS

	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Net Foreign Assets of the Banking System	3,628.8	4,086.8	4,202.9	4,939.5	5,265.5	6,086.3	5,807.3	5,982.7	6,283.6	6,013.6	6,634.0	6,286.5	6,296.4
Bank of Tanzania	3,059.6	3,592.1	3,401.2	3,845.0	3,949.3	4,621.3	4,531.6	4,897.1	4,598.3	4,598.3	4,692.4	4,886.0	4,886.0
Net International Reserves (Millions of USD)	2,641.8	2,855.0	2,665.7	3,224.3	3,143.3	3,561.5	3,227.8	3,190.9	3,356.9	3,115.8	3,260.3	3,129.2	3,410.6
Banks NFA	569.2	494.6	801.7	1,094.5	1,316.2	1,325.7	1,185.9	1,451.1	1,386.5	1,415.3	1,762.3	1,594.1	1,410.4
Banks NFA (Millions of USD)	492.0	386.3	616.9	833.4	934.2	912.0	730.7	924.3	864.0	867.6	1,070.4	962.7	900.3
Net Domestic Assets of the Banking System	2,983.3	3,372.0	3,629.2	3,846.6	4,535.8	4,926.3	6,150.7	6,128.9	6,476.0	6,787.3	6,804.2	6,925.0	6,724.9
Domestic Claims	3,384.8	4,221.2	4,823.3	5,120.2	6,174.1	6,798.5	8,479.6	8,644.4	9,018.9	9,326.2	9,659.0	9,623.8	9,093.6
Claims on Central Government (net)	(151.1)	(335.0)	128.3	128.4	712.8	806.7	1,619.7	1,701.7	1,786.7	1,933.6	1,987.0	1,962.1	1,471.3
Claims on Central Government	2,139.9	2,197.8	2,530.8	2,865.8	3,591.0	4,112.1	4,087.2	4,112.1	3,962.0	3,879.3	3,794.4	3,851.1	3,335.7
o/w Securities held by banks	1,519.9	1,536.3	1,992.3	2,374.0	2,879.0	2,414.9	2,446.2	2,348.3	2,272.1	2,194.9	2,180.2	2,145.2	2,040.6
Liabilities to Central Government	2,291.0	2,532.7	2,402.5	2,737.4	2,879.0	2,724.3	2,467.6	2,410.4	2,175.4	1,945.6	1,807.4	1,889.0	1,864.5
Claims to the private sector	3,535.8	4,556.2	4,695.0	4,991.9	5,461.3	5,991.9	6,859.9	6,942.7	7,392.5	7,925.2	7,662.0	7,661.6	7,622.3
o/w Extended in Shillings	2,516.3	3,119.8	3,281.8	3,598.6	3,769.5	4,138.4	4,592.4	4,687.4	4,852.4	4,879.5	5,078.9	4,850.9	5,171.0
Extended in foreign currency	1,019.5	1,436.3	1,413.2	1,393.3	1,691.8	1,853.4	2,267.5	2,255.3	2,379.8	2,513.0	2,593.1	2,510.7	2,451.3
(Equivalent in USD million)	863.3	1,121.9	1,087.6	1,060.9	1,226.5	1,275.1	1,435.4	1,436.8	1,492.9	1,540.6	1,575.1	1,516.2	1,564.7
Extended Broad Money Supply (M3)	6,612.1	7,458.8	7,832.1	8,780.1	9,801.4	11,012.6	11,057.9	12,111.6	12,759.6	12,800.9	13,438.2	13,211.5	13,021.3
Foreign Currency Deposits (FCD) in National Currency	1,781.6	1,990.3	2,060.1	2,176.7	2,513.8	2,970.5	3,259.3	3,346.1	3,713.3	3,685.5	4,191.0	3,892.3	3,773.4
FCD in millions of US dollar	1,308.6	1,554.6	1,385.4	1,657.5	1,822.4	2,043.6	2,063.2	2,131.7	2,313.8	2,259.3	2,545.6	2,350.5	2,408.6
Broad Money Supply (M2)	4,830.6	5,468.5	5,772.0	6,605.4	7,287.5	8,042.1	8,698.7	8,765.5	9,046.3	9,115.4	9,247.2	9,319.1	9,247.9
Deposits in National Currency	3,561.1	4,029.8	4,348.3	5,036.7	5,607.1	6,145.0	6,617.5	6,605.0	6,767.0	6,872.3	7,028.8	7,052.9	7,021.1
Other Deposits in National Currency	2,000.7	2,310.2	2,623.3	3,012.6	3,152.8	3,520.7	3,771.5	3,818.7	3,914.8	3,928.9	4,147.6	4,355.2	3,676.0
Narrow Money Supply (M1)	2,829.9	3,158.3	3,148.7	3,596.8	4,134.7	4,521.4	4,927.1	4,946.8	5,131.4	5,186.5	5,099.6	5,783.9	5,572.0
Currency in Circulation	1,269.5	1,438.6	1,423.7	1,566.8	1,680.5	1,897.1	2,081.1	2,160.5	2,279.3	2,243.1	2,218.4	2,266.2	2,235.8
Transferable Deposits in National Currency	1,560.4	1,719.7	1,725.0	2,024.0	2,454.3	2,624.2	2,846.0	2,786.3	2,852.2	2,943.4	2,881.2	3,317.7	3,336.2
Stock of Reserve Money (Billions of TZS)	2,079.5	2,276.4	2,678.3	3,009.1	3,369.3	3,497.8	3,790.0	3,903.6	4,054.9	4,239.4	4,201.0	4,126.1	4,111.9
Annual Reserve Money (Billions of TZS)	2,053.7	2,318.1	2,601.7	2,936.0	3,138.5	3,523.6	3,745.6	3,846.6	4,051.6	4,094.6	4,255.7	4,211.7	4,221.9
<b>Annual growth rates (%)</b>													
Stock of Reserve Money	25.1	21.1	28.8	32.2	25.8	16.2	12.5	13.0	18.3	23.5	20.7	17.0	17.6
Average Reserve Money	21.9	23.2	26.7	26.7	20.6	20.0	19.3	13.1	19.0	18.7	21.8	20.3	19.8
Extended Broad Money Supply	18.1	19.8	18.5	17.7	25.1	23.4	22.0	18.4	21.4	23.7	25.7	21.1	18.2
Broad Money Supply	26.5	24.4	19.5	20.8	26.3	21.8	19.4	16.0	17.0	19.6	18.6	17.3	15.0
Claims to the private sector	38.6	44.6	32.8	9.6	16.3	20.0	25.6	25.3	27.5	29.4	31.9	30.3	27.2
<b>Memorandum Items</b>													
Net Claims on Central Government/ Domestic Credit (%)	(4.5)	(7.9)	2.7	2.5	11.5	11.9	19.1	19.7	19.8	20.7	20.6	20.4	16.2
Claims on Private Sector/ Domestic Credit (%)	104.5	107.9	97.3	97.5	88.5	88.1	80.9	80.3	80.2	79.3	79.4	79.6	83.8
FCD/M3 (%)	26.9	26.7	26.3	24.8	25.6	27.0	27.3	27.6	29.1	28.8	31.2	29.5	29.0
Nominal Exchange Rate (end of period) (TZS/USD)	1,180.9	1,280.3	1,299.4	1,313.3	1,379.4	1,453.5	1,579.7	1,569.7	1,604.8	1,631.2	1,646.4	1,655.9	1,566.7
Gross Official Reserves (Millions of USD)	2,660.0	2,872.6	2,929.8	3,552.5	3,482.6	3,921.2	3,592.8	3,567.3	3,725.2	3,472.7	3,622.4	3,484.1	3,761.2
Foreign Assets of Banks (Millions of USD)	790.2	652.0	796.4	985.8	1,096.9	1,060.9	1,055.3	1,072.2	1,019.6	1,034.9	1,175.2	1,117.5	1,083.1
Gross Foreign Assets of the Banking System (Millions of USD)	3,450.2	3,524.6	3,726.2	4,538.3	4,579.5	4,982.2	4,648.1	4,629.5	4,744.8	4,507.6	4,797.5	4,601.6	4,844.3

Source: Bank of Tanzania



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

	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
<b>Interbank Cash Market Rates</b>													
Overnight	3.45	6.27	4.46	1.46	0.86	5.19	1.81	5.79	8.35	5.93	9.86	15.63	29.34
31 to 60 days	4.73	8.75	5.30	3.43	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	23.00
61 to 90 days	5.93	11.00	12.15	5.00	3.37	3.37	3.37	3.37	3.37	3.37	3.37	17.00	17.00
91 to 180 days	5.50	11.69	8.60	4.00	3.70	4.00	4.00	4.00	4.00	7.75	7.75	7.75	7.75
181 and above	7.88	13.00	12.00	5.47	8.50	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30
<b>Overall interbank cash market rate</b>	<b>3.61</b>	<b>6.54</b>	<b>5.03</b>	<b>1.57</b>	<b>0.97</b>	<b>5.26</b>	<b>1.81</b>	<b>5.68</b>	<b>8.37</b>	<b>5.95</b>	<b>10.09</b>	<b>15.81</b>	<b>29.11</b>
<b>Lombard Rate</b>	<b>7.55</b>	<b>10.32</b>	<b>5.35</b>	<b>1.75</b>	<b>1.03</b>	<b>6.23</b>	<b>2.17</b>	<b>6.94</b>	<b>10.02</b>	<b>7.11</b>	<b>11.83</b>	<b>18.75</b>	<b>35.21</b>
<b>REPO Rate</b>	<b>3.75</b>	<b>6.42</b>	<b>4.90</b>	<b>1.26</b>	<b>0.54</b>	<b>3.22</b>	<b>1.31</b>	<b>1.83</b>	<b>3.50</b>	<b>4.20</b>	<b>6.97</b>	<b>8.52</b>	<b>12.61</b>
<b>Treasury Bills Rates</b>													
35 days	5.03	6.88	4.81	3.80	0.65	1.33	2.71	3.04	3.78	3.89	3.87	3.87	3.87
91 days	5.76	11.20	5.56	6.06	2.89	5.24	3.74	3.97	4.90	5.33	9.49	11.15	12.61
182 days	7.63	12.13	7.86	6.59	2.59	6.20	4.83	5.49	6.31	6.74	11.15	14.50	16.39
364 days	10.00	12.79	9.11	8.83	6.08	7.67	6.46	7.80	9.55	9.63	12.38	15.70	18.66
<b>Overall Treasury bills rate</b>	<b>7.84</b>	<b>10.99</b>	<b>6.97</b>	<b>6.91</b>	<b>3.33</b>	<b>6.32</b>	<b>4.76</b>	<b>6.45</b>	<b>7.30</b>	<b>7.79</b>	<b>11.57</b>	<b>15.16</b>	<b>18.20</b>
<b>Treasury Bonds Rates</b>													
2-years	12.87	14.35	11.51	10.89	8.79	10.35	8.05	8.05	8.05	9.59	9.59	14.01	14.01
5-years	14.49	16.39	16.58	13.45	9.52	11.38	10.75	12.46	12.45	12.45	12.45	13.15	13.15
7-years	17.18	17.04	17.06	14.15	10.38	11.88	12.81	12.81	12.81	12.81	14.99	14.99	14.99
10-years	17.09	19.47	19.92	16.73	11.68	13.59	13.69	12.64	12.64	13.30	13.30	16.35	16.98
<b>Bank Rate</b>	<b>12.84</b>	<b>15.99</b>	<b>10.31</b>	<b>3.70</b>	<b>7.58</b>	<b>7.58</b>	<b>7.58</b>	<b>7.58</b>	<b>7.58</b>	<b>7.58</b>	<b>9.58</b>	<b>12.00</b>	<b>12.00</b>

Source: Bank of Tanzania



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

	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Percent
<b>A: Domestic Currency</b>														
<b>Savings Deposit Rate</b>	2.79	2.74	2.69	2.83	2.82	2.43	2.39	2.39	2.44	2.34	2.59	2.87	2.90	
<b>Overall Time Deposits Rate</b>	6.78	6.63	6.79	6.36	5.90	6.09	6.06	6.42	6.30	6.22	6.20	6.73	7.12	
1 month	6.27	6.82	6.46	5.10	4.65	6.93	5.11	5.93	6.19	6.23	5.93	6.35	6.65	
2 months	6.96	8.31	7.61	6.99	6.81	7.34	6.85	6.59	6.67	6.86	6.29	7.50	8.24	
3 months	8.17	7.86	8.69	6.67	6.33	6.20	6.19	7.14	6.97	6.92	7.51	7.62	8.37	
6 months	9.08	8.50	8.58	8.50	7.62	7.07	6.81	7.65	7.23	8.03	8.13	8.21	8.67	
12 months	8.45	8.48	9.07	9.00	8.48	7.10	7.90	8.03	7.96	7.33	7.58	8.05	9.14	
24 months	7.71	5.75	6.04	7.56	6.53	7.02	8.30	8.36	7.46	7.16	6.92	8.20	7.75	
<b>Negotiated Deposit Rate</b>	10.62	10.23	10.13	9.94	9.57	8.45	7.44	7.40	9.28	9.05	9.25	8.84	9.99	
<b>Overall Lending rate</b>	14.76	16.05	15.48	14.38	14.67	14.92	15.02	15.71	15.72	14.76	14.78	14.13	14.21	
Short-term (up to 1 year)	13.93	13.56	14.57	13.96	13.92	14.37	14.72	14.84	15.62	15.11	14.95	13.53	13.73	
Medium-term (1-2 years)	15.56	16.57	15.63	15.01	15.23	17.58	17.90	17.42	17.32	17.81	17.52	17.67	17.80	
Medium-term (2-3 years)	14.58	17.18	15.11	14.74	14.80	14.07	14.40	15.28	15.59	14.67	14.65	14.05	14.17	
Long-term (3-5 years)	16.64	16.52	15.23	14.52	14.73	14.59	14.66	15.89	15.18	15.15	14.83	14.04	14.33	
Term Loans (over 5 years)	13.07	16.43	16.87	13.67	14.69	14.00	13.42	15.12	14.88	11.06	11.94	11.37	10.99	
<b>Negotiated Lending Rate</b>	13.07	12.05	14.28	13.18	14.13	13.33	13.81	13.75	13.98	13.97	12.98	13.79	13.60	
<b>B: Foreign Currency</b>														
<b>Savings Deposits Rate</b>	1.71	1.43	2.36	1.46	1.49	2.44	0.51	0.52	2.35	0.56	0.58	0.45	0.70	
<b>Overall Time Deposits Rate</b>	4.42	3.87	2.30	1.68	1.95	2.45	1.31	1.31	2.60	1.24	1.26	1.17	1.29	
1-months	5.04	3.53	2.36	1.40	1.59	2.00	1.58	1.58	2.60	1.09	1.43	0.97	1.11	
2-months	4.45	3.73	1.80	1.64	1.94	2.00	1.44	1.33	2.77	1.91	1.41	1.42	0.75	
3-months	3.95	4.61	2.45	1.00	1.83	3.32	0.88	0.92	2.26	0.91	0.87	0.83	1.84	
6-months	5.19	4.14	2.71	1.94	1.83	2.78	1.07	1.06	2.50	1.07	1.18	1.15	1.16	
12-months	3.48	3.36	2.18	2.42	2.55	2.17	1.59	1.64	2.85	1.22	1.41	1.50	1.55	
<b>Overall Lending Rate</b>	8.19	9.62	9.69	9.03	9.14	9.05	8.26	8.36	8.34	8.31	8.29	8.29	8.25	
Short-term (up to 1 year)	6.74	6.29	6.96	3.86	4.74	5.63	3.55	6.03	6.04	5.97	5.99	6.02	5.99	
Medium-term (1-2 years)	8.70	10.53	10.13	11.12	10.13	10.47	10.37	9.31	9.29	9.27	9.15	9.19	9.32	
Medium-term (2-3 years)	8.56	10.44	10.82	10.26	10.57	9.43	7.82	9.03	9.03	9.03	9.02	9.03	9.02	
Long-term (3-5 years)	8.29	10.24	10.54	10.29	11.00	10.17	10.04	8.47	8.45	8.38	8.31	8.50	8.46	
Term Loans (over 5 years)	8.68	10.60	10.01	9.64	9.27	9.55	9.49	8.94	8.91	8.89	8.98	8.72	8.48	

Source: Bank of Tanzania





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

Billions of TZS

Item	Jul - Dec 2010		BUDGET		Jul - Dec 2011		
	Actual	% of GDP	2011/12	Projection	Actual	% of Projection	% of GDP
<b>Total Revenue (incl. LGA Own Sources) /1</b>	<b>2,760.5</b>	<b>8.0%</b>	<b>7,126.4</b>	<b>3,522.4</b>	<b>3,402.2</b>	<b>96.6%</b>	<b>8.6%</b>
<b>Total Revenue (excl. LGA Own Sources)</b>	<b>2,688.6</b>	<b>7.8%</b>	<b>6,776.0</b>	<b>3,347.1</b>	<b>3,317.3</b>	<b>99.1%</b>	<b>8.4%</b>
Tax Revenue	2,555.7	7.4%	6,214.7	3,092.4	3,134.2	101.4%	7.9%
Taxes on Imports	1,081.8	3.1%	2,712.7	1,356.0	1,297.1	95.7%	3.3%
Sales/VAT and Excise on Local Goods	547.2	1.6%	1,331.5	662.8	641.6	96.8%	1.6%
Income Taxes	781.0	2.3%	1,860.4	916.6	1,027.5	112.1%	2.6%
Other taxes	145.7	0.4%	310.1	157.1	168.1	107.0%	0.4%
Non- tax Revenue	132.8	0.4%	561.2	254.7	183.1	71.9%	0.5%
LGA Own Sources	71.9		350.5	175.2	84.9	48.4%	0.2%
<b>Total Expenditure /2</b>	<b>4,391.6</b>	<b>12.7%</b>	<b>12,639.9</b>	<b>5,933.3</b>	<b>4,723.1</b>	<b>79.6%</b>	<b>12.0%</b>
Recurrent expenditure	2,974.2	8.6%	7,714.3	3,416.6	3,029.3	88.7%	7.7%
Wages and salaries	1,371.5	4.0%	3,270.3	1,636.8	1,571.5	96.0%	4.0%
Interest payments	142.6	0.4%	308.7	205.1	184.1	89.8%	0.5%
Domestic	107.7	0.3%	220.6	142.3	144.8	101.8%	0.4%
Foreign	35.0	0.1%	88.1	62.8	39.3	62.6%	0.1%
Other goods, services and transfers	1,460.0	4.2%	4,135.3	1,574.7	1,273.8	80.9%	3.2%
<b>Dev. Expenditure and net lending</b>	<b>1,417.4</b>	<b>4.1%</b>	<b>4,925.6</b>	<b>2,516.7</b>	<b>1,693.8</b>	<b>67.3%</b>	<b>4.3%</b>
Local	348.8	1.0%	1,871.5	989.6	959.0	96.9%	2.4%
Foreign	1,068.6	3.1%	3,054.1	1,527.1	734.8	48.1%	1.9%
<b>Overall Balance (cheque issued) before Grants</b>	<b>-1,631.2</b>	<b>-4.7%</b>	<b>-5,513.5</b>	<b>-2,410.9</b>	<b>-1,320.9</b>	<b>54.8%</b>	<b>-3.3%</b>
<b>Grants</b>	<b>1,156.2</b>	<b>3.3%</b>	<b>2,717.9</b>	<b>1,643.4</b>	<b>911.8</b>	<b>55.5%</b>	<b>2.3%</b>
Program	654.2	1.9%	700.8	634.8	451.8	71.2%	1.1%
Project	259.1	0.7%	1,625.1	812.6	216.4	26.6%	0.5%
Basket funds	242.9	0.7%	392.0	196.0	243.6	124.3%	0.6%
<b>Overall defic.(cheq.issued) after Grants</b>	<b>-475.0</b>	<b>-1.4%</b>	<b>-2,795.6</b>	<b>-767.5</b>	<b>-409.1</b>	<b>53.3%</b>	<b>-1.0%</b>
Expenditure float	-480.1	-1.4%	0.0	0.0	-183.6		-0.5%
Adjustments to cash and other items <sup>(net)</sup>	124.7		0.0	0.0	113.7		0.3%
<b>Overall Balance (cheques issued)</b>	<b>-830.4</b>	<b>-2.4%</b>	<b>-2,795.6</b>	<b>-767.5</b>	<b>-479.0</b>	<b>62.4%</b>	<b>-1.2%</b>
<b>Total Financing:</b>	<b>830.4</b>	<b>2.4%</b>	<b>2,795.6</b>	<b>767.5</b>	<b>479.0</b>	<b>62.4%</b>	<b>1.2%</b>
<i>Foreign Financing (net)</i>	<i>721.6</i>	<i>2.1%</i>	<i>2,410.4</i>	<i>948.2</i>	<i>605.7</i>	<i>63.9%</i>	<i>1.5%</i>
Loans	740.4	2.1%	2,477.3	989.6	641.5	64.8%	1.6%
Program loans	173.8	0.5%	168.6	50.5	61.7	122.1%	0.2%
Development Project loans	367.1	1.1%	741.0	370.5	190.2	51.3%	0.5%
Basket Support	199.4	0.6%	296.0	148.0	84.7	57.2%	0.2%
Non-Concessional Borrowing	0.0		1,271.6	420.5	304.9	72.5%	0.8%
Amortization	-18.8	-0.1%	-66.8	-41.3	-35.8	86.6%	-0.1%
<b>Total Domestic (net)</b>	<b>108.8</b>	<b>0.3%</b>	<b>385.1</b>	<b>-180.7</b>	<b>-126.7</b>	<b>70.1%</b>	<b>-0.3%</b>
<i>Net domestic financing (NDF)</i>	<i>108.8</i>	<i>0.3%</i>	<i>393.4</i>	<i>-172.4</i>	<i>-126.7</i>	<i>73.5%</i>	<i>-0.3%</i>
Borrowing/Roll over	341.0	1.0%	810.9	516.8	243.7	47.1%	0.6%
Domestic & Contingent debt Amortization	-341.0	-1.0%	-819.1	-525.0	-243.7	46.4%	-0.6%
<b>GDP</b>	<b>34,629.4</b>		<b>39,519.0</b>				

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

Note:

/1 Data for LGAs available up to September 2011

/2 Exclude amortization and Expenditure Float, includes Road fund and Retention expenditures

/3 Domestic Interest payments and amortization include Cash and Non-cash



**Table A13: Zanzibar Central Government Operations**

Millions of TZS

	Budget 2011/2012	July-December 2011		Actual vs Projection
		Projection	Actual	
<b>Total Revenue</b>	<b>221,245.0</b>	<b>109,075.3</b>	<b>101,526.9</b>	<b>93.1</b>
<b>Tax Revenue</b>	<b>210,225.0</b>	<b>102,319.4</b>	<b>93,141.6</b>	<b>91.0</b>
Tax on Imports	49,442.1	24,774.2	26,380.7	106.5
VAT and Excise Duties (local)	58,814.3	27,804.5	28,189.3	101.4
Income Tax	51,138.8	24,350.1	15,541.4	63.8
Other Taxes	50,829.8	25,390.4	23,030.2	90.7
<b>Non-Tax Revenue</b>	<b>11,020.0</b>	<b>6,755.9</b>	<b>8,385.2</b>	<b>124.1</b>
<b>Total Expenditure</b>	<b>613,085.0</b>	<b>190,333.7</b>	<b>192,700.3</b>	<b>101.2</b>
Recurrent Expenditure	234,175.0	113,582.1	113,036.2	99.5
Wages and Salaries	105,780.0	52,732.0	53,328.2	101.1
Interest Payment	0.0	678.1	678.1	100.0
Local	0.0	678.1	678.1	100.0
Foreign	0.0	0.0	0.0	0.0
Other Expenditure	128,395.0	60,172.0	59,029.8	98.1
Development Expenditure	378,910.0	76,751.6	79,664.1	103.8
local	37,950.0	17,274.0	17,191.5	99.5
foreign	340,960.0	59,477.6	62,472.6	105.0
<b>Overall (surplus) Deficit before grants</b>	<b>-391,840.0</b>	<b>-81,258.5</b>	<b>-91,173.4</b>	<b>112.2</b>
<b>Grants</b>	<b>244,618.0</b>	<b>38,466.3</b>	<b>37,800.6</b>	<b>98.3</b>
4.5% Budget Support	30,280.0	20,828.0	17,165.0	82.4
Program Grant	214,338.0	17,638.3	20,635.6	117.0
<b>Overall Deficit after grants</b>	<b>-147,222.0</b>	<b>-42,792.2</b>	<b>-53,372.8</b>	<b>124.7</b>
Adjustment to cash and other items	0.0	0.0	715.4	-2.0
<b>Overall Deficit cheques cleared</b>	<b>-147,222.0</b>	<b>-42,792.2</b>	<b>-54,088.2</b>	<b>126.4</b>
<b>Financing</b>	<b>147,222.0</b>	<b>42,792.2</b>	<b>54,088.2</b>	<b>126.4</b>
Foreign	126,622.0	41,839.3	41,836.0	100.0
Program Loans	126,622.0	41,839.3	41,836.0	100.0
Amortization (foreign)	0.0	0.0	0.0	0.0
Domestic (net)	20,600.0	952.9	12,252.2	
Bank /1	5,600.0	-11,299.3	0.0	0.0
Non-bank	15,000.0	12,252.2	12,252.2	100.0

Source: President's Office Finance, Economy and Development Planning, Zanzibar, and Bank of Tanzania Note: /1 negative means build up of reserves



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

Item	July - December		% Change
	2010	2011 <sup>p</sup>	
<b>Traditional Exports:</b>			
<b>COFFEE</b>			
Value	71.5	57.0	-20.3
Volume	25.0	14.4	-42.6
Unit Price	2,856.2	3,965.3	38.8
<b>COTTON</b>			
Value	61.1	55.2	-9.6
Volume	46.6	35.8	-23.1
Unit Price	1,310.6	1,540.4	17.5
<b>TEA</b>			
Value	13.8	19.5	40.8
Volume	7.9	10.7	35.5
Unit Price	1,754.8	1,822.8	3.9
<b>TOBACCO</b>			
Value	122.0	72.1	-40.9
Volume	25.5	28.2	10.5
Unit Price	4,785.6	2,557.7	-46.6
<b>CASHEWNUITS</b>			
Value	69.9	46.4	-33.6
Volume	63.4	39.4	-37.8
Unit Price	1,102.4	1,177.9	6.8
<b>CLOVES</b>			
Value	6.9	32.4	371.2
Volume	1.9	2.2	15.7
Unit Price	3,548.3	14,455.9	307.4
<b>Sub Total</b>	<b>345.1</b>	<b>282.6</b>	<b>-18.1</b>
<b>Non-Traditional Exports:</b>			
<b>Minerals</b>			
Gold	794.0	1,233.3	55.3
Diamond	2.9	2.2	-23.0
Other minerals <sup>1</sup>	17.5	27.5	57.0
<b>Manufactured Goods</b>			
Cotton Yarn	5.7	1.8	-68.2
Manufactured Coffee	0.4	0.7	72.4
Manufactured Tobacco	7.6	8.4	11.0
Sisal Products (Yarn & Twine)	5.0	7.1	42.9
Other manufactured Goods <sup>2</sup>	593.4	395.2	-33.4
<b>Fish and Fish Products</b>			
	73.0	61.5	-15.8
<b>Horticultural products</b>			
	13.3	13.2	-0.3
<b>Re-exports</b>			
	74.1	40.6	-45.2
<b>Other Exports<sup>3</sup></b>			
	206.4	211.7	2.6
<b>Sub Total</b>	<b>1,793.3</b>	<b>2,003.2</b>	<b>11.7</b>
<b>GRAND TOTAL</b>	<b>2,138.5</b>	<b>2,285.8</b>	<b>6.9</b>

Source: Bank of Tanzania and Tanzania Revenue Authority

Note:

1 Include tanzanite, rubbies, 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



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

Millions of USD

Item	July - December		% Change
	2010	2011 <sup>p</sup>	
<b>CAPITAL GOODS</b>	<b>1,524.0</b>	<b>1,945.0</b>	<b>27.6</b>
Transport Equipment	538.3	518.1	-3.7
Building and Constructions	345.5	385.9	11.7
Machinery	640.2	1,041.0	62.6
<b>INTERMEDIATE GOODS</b>	<b>1,297.3</b>	<b>2,451.6</b>	<b>89.0</b>
Oil imports	886.7	1,946.0	119.5
Fertilizers	88.2	120.7	36.8
Industrial raw materials	322.4	384.9	19.4
<b>CONSUMER GOODS</b>	<b>954.2</b>	<b>1,154.8</b>	<b>21.0</b>
Food and food stuffs	238.3	300.0	25.9
All other consumer goods <sup>1</sup>	716.0	854.9	19.4
<b>GRAND TOTAL (F.O.B)</b>	<b>3,776.6</b>	<b>5,552.6</b>	<b>47.0</b>
<b>GRAND TOTAL (C.I.F)</b>	<b>4,150.1</b>	<b>6,101.7</b>	<b>47.0</b>

Source: Bank of Tanzania and Tanzania Revenue Authority.

Note:

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

<sup>p</sup> = Provisional data



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

	Millions of USD				
Item	2006	2007	2008 <sup>r</sup>	2009 <sup>r</sup>	2010 <sup>p</sup>
<b>A. Current Account</b>	<b>-1,173.8</b>	<b>-1,643.0</b>	<b>-2,595.4</b>	<b>-1,768.2</b>	<b>-1,853.4</b>
<i>Balance on Goods</i>	-1,946.5	-2,634.1	-3,433.5	-2,539.5	-2,828.3
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
o/w 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
<i>Balance on Services</i>	<b>278.7</b>	<b>462.1</b>	<b>349.9</b>	<b>145.6</b>	<b>242.0</b>
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
<i>Balance on Goods and Services</i>	<b>-1,667.8</b>	<b>-2,172.0</b>	<b>-3,083.6</b>	<b>-2,393.9</b>	<b>-2,586.4</b>
<i>Balance on income</i>	<b>-94.7</b>	<b>-123.1</b>	<b>-121.7</b>	<b>-71.2</b>	<b>-90.9</b>
Income: credit	80.3	107.3	122.7	161.1	164.6
Income: debit	-175.1	-230.4	-244.3	-232.4	-255.5
<i>Balance on Goods, Services and Income</i>	<b>-1,762.5</b>	<b>-2,295.1</b>	<b>-3,205.3</b>	<b>-2,465.2</b>	<b>-2,677.2</b>
<i>Balance on Current transfers</i>	<b>588.7</b>	<b>652.0</b>	<b>609.9</b>	<b>696.9</b>	<b>823.9</b>
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>B. Capital Account</b>	<b>5,183.5</b>	<b>911.7</b>	<b>537.0</b>	<b>492.8</b>	<b>606.5</b>
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
<b>Total, Groups A plus B</b>	<b>4,009.7</b>	<b>-731.4</b>	<b>-2,058.4</b>	<b>-1,275.4</b>	<b>-1,246.8</b>
<b>C. Financial Account, excl. reserves and related items</b>	<b>-4,081.6</b>	<b>853.3</b>	<b>1,621.0</b>	<b>1,328.2</b>	<b>1,587.8</b>
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
<i>Total, Groups A through C</i>	<b>-71.9</b>	<b>121.9</b>	<b>-437.4</b>	<b>52.9</b>	<b>341.0</b>
<b>D. Net Errors and Omissions</b>	<b>532.6</b>	<b>282.7</b>	<b>585.4</b>	<b>313.4</b>	<b>28.8</b>
<i>Overall balance</i>	460.7	404.6	148.0	366.2	369.8
<b>E. Reserves and Related Items</b>	<b>-460.7</b>	<b>-404.6</b>	<b>-148.0</b>	<b>-366.2</b>	<b>-369.8</b>
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
<b>Memorandum items</b>					
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

Source: Bank of Tanzania

Notes:

Annual data on goods export include adjustment for unrecorded cross boarder trade

r = Revised

p = Provisional

O/W = Of which



## GLOSSARY

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

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

### **Bank Rate**

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

### **Exchange Rate**

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

### **Inflation**

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

### **Core Inflation**

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

### **Non-Food Inflation**

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

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

Gross official reserves consist of external assets that are readily available to, and controlled by the Bank of Tanzania for direct financing of balance of payments, and for indirectly regulating the magnitude of balance of payments imbalances



through intervention in foreign exchange markets. For the case of Tanzania, gross official reserves comprise the Bank of Tanzania's holdings of monetary gold, special drawing rights (SDRs), reserve position in the International Monetary Fund, and foreign exchange resources, available to the Bank of Tanzania for meeting external financing needs.

### **Lombard Facility**

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

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

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

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

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

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

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

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

### **Reserve Money Program**

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



## **Statutory Minimum Reserves**

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

For any enquiries contact:  
Director of Economic Research and Policy  
Bank of Tanzania, P. O. Box 2939, Dar es Salaam  
Tel: +255 22 2233328/9, +255 22 2233350, Fax: +255 22 2234060  
Website: <http://www.bot-tz.org>

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