



ISSN 0856 - 6976

MONETARY POLICY STATEMENT 2017/18

**GOVERNOR
BANK OF TANZANIA**

June 2017



ISSN 0856-6976

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June 2017



5th June 2017

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

Honourable Minister,

LETTER OF TRANSMITTAL

In accordance with Section 21 (3) to (6) of the Bank of Tanzania Act 2006, I hereby submit the *Monetary Policy Statement* of the Bank of Tanzania for the financial year 2017/18 for subsequent submission to the National Assembly.

The Statement reviews macroeconomic developments and monetary policy implementation during 2016/17. It then outlines the monetary policy stance and measures that the Bank of Tanzania intends to pursue in 2017/18 to meet its policy objectives.

Yours Sincerely,



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



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EXECUTIVE SUMMARY

Introduction

In accordance with the Bank of Tanzania Act 2006, the Bank of Tanzania (the Bank) is issuing this Monetary Policy Statement which specifies the monetary policy stance that the Bank intends to take during 2017/18. The Statement reviews monetary policy implementation in 2016/17, and outlines the monetary policy targets for 2017/18 that are in line with broader macroeconomic objectives of the Governments. It also specifies measures the Bank intends to take to achieve those targets.

Global and Regional Economic Developments

According to the IMF's World Economic Outlook (WEO) report of April 2017, the global economy is estimated to have slowed down to 3.1 percent in 2016, from 3.4 percent recorded in 2015, with much of the slowdown recorded in advanced economies and sub-Saharan Africa. While the slowdown in real GDP growth in advanced economies was largely due to weak external demand and subdued productivity; growth in sub-Saharan Africa was mainly affected by low commodity prices, weak external demand and drought.

The global economy is projected to accelerate to 3.5 percent in 2017 and 3.6 percent in 2018, on account of improvement in economic activity in advanced economies and emerging markets and developing economies (EMDEs). Advanced economies are projected to grow by 2.0 percent annually in 2017 and 2018, while in EMDEs growth is projected at 4.5 percent and 4.8 percent in 2017 and 2018, respectively. Growth in sub-Saharan Africa is expected to increase to 2.6 percent and 3.5 percent, respectively, in 2017 and 2018, from 1.4 percent recorded in 2016, largely attributed to recovery in commodity prices and private demand.



During July 2016 to April 2017, inflation rates in the selected advanced and emerging market economies recorded a general increasing trend, except for China and India. Inflation increased in the United States, Euro Area, Japan and United Kingdom, mainly due to rise in the prices of oil and other energy related products. In China and India inflation eased largely due to fall in prices of food and beverages. In the Eastern Africa region, average inflation rate rose mainly on account of rise in food prices, while in Southern African region inflation rate declined, driven largely by food prices. According to the IMF's World Economic Outlook report of April 2017, headline inflation rate is projected to increase in advanced and emerging markets and developing economies in 2017 driven mostly by higher commodity prices.

Economic Developments in Tanzania

Tanzania Mainland

The economy continued to register strong growth at 7.0 percent in 2016, similar to the growth rates recorded in 2015 and 2014. The growth in 2016 was underpinned by continued improvement in infrastructure investments, stability of power supply, investments in provision of mobile and internet services, and subdued global oil prices. GDP growth was contributed by a number of activities led by construction at 20.3 percent. Other activities which contributed strongly to output growth in 2016 include transport and storage (10.7 percent), wholesale and retail trade (9.9 percent) and information and communication (8.3 percent). Real GDP growth is expected to remain strong in 2017 at around 7 percent supported by expected rebound of the global economy, continued improvement in power supply, and implementation of major infrastructural projects under the 2nd Five Year Development Plan.



Headline and core inflation rates remained at single digits throughout the period from July 2016 to April 2017, consistent with the monetary policy stance, and assisted by prudent fiscal operations, subdued global oil prices, improvement in domestic power generation and stability in the value of Tanzanian shilling against the major currencies. During July 2016 to April 2017, annual headline inflation averaged 5.2 percent, compared with an average rate of 6.1 percent recorded in the corresponding period of 2015/16, while core inflation averaged 2.4 percent, similar to the rate recorded in the corresponding period of 2015/16. Inflation is projected to remain around the medium term target of 5 percent, supported by improvement in food supply due to favourable weather conditions, stable power supply, sustained prudent monetary and fiscal policy, continued stability of the global oil prices and the value of the Tanzanian shilling against the major currencies.

During July 2016 to April 2017, government budgetary operations on cash basis registered substantial increase in revenue collection. The total government revenue deposited at the Bank amounted to TZS 13,090.6 billion, 18.6 percent higher than the amount deposited during similar period in 2015/16. During the same period, net issuance of government securities for budget financing was TZS 752.5 billion, while foreign grants and loans disbursed and expensed through the Bank was equivalent to TZS 675.4 billion. Total expenditure amounted to TZS 14,385.1 billion, out of which recurrent expenditure was TZS 10,866.2 billion, and development expenditure was TZS 3,518.9 billion.

During July 2016 to April 2017, the current account deficit narrowed by 51.6 percent to a deficit of USD 1,096.4 million compared with a deficit of USD 2,263.4 million registered in the similar period of 2015/16. This development was associated with a decline in imports of goods and services



that outweighed the impact of a decline in exports. The overall balance of payments registered a surplus of USD 576.5 million compared to a deficit of USD 428.6 million recorded in the similar period in 2015/16, partly explained by improvement in the current account balance. Consistent with the sharp improvement in the current account balance, the stock of gross official reserves increased from USD 3,870.3 million at the end of June 2016 to USD 4,413.6 million at the end of April 2017, sufficient to cover 4.3 months of projected imports of goods and services, excluding those financed through foreign direct investment. The current account balance is projected to record a deficit of 5.0 percent of GDP in 2016/17, supported mainly by expected increase in commodity prices in the world market.

External debt stock increased by 3.4 percent to USD 17,802.6 million at the end of April 2017, from USD 17,222.8 million recorded at the end of June 2016. Out of total external debt stock, 80.3 percent was public debt. Despite the increase, the debt remains sustainable as the present value of external debt to GDP ratio stood at 19.9 percent, which is way below the international sustainability threshold of 40.0 percent. Domestic debt increased by 11.1 percent to TZS 11,132.3 billion at the end of April 2017, compared with TZS 10,012.8 billion recorded at the end of June 2016. The increase domestic and external debt was mainly on account of borrowing to finance government budget.

During the year ending April 2017, the banking sector continued to grow with new institutions starting business and the existing institutions increasing their outreach. The sector has remained sound, stable and profitable with levels of capital and liquidity generally above regulatory requirements. However, the quality of the banking sector's assets deteriorated as reflected by the ratio of non-performing loans to gross loans (NPLs), which increased to 10.8 percent at the end of April 2017



from 8.2 percent recorded at the end of April 2016. The Bank of Tanzania has continued to implement prudential measures to strengthen risk management practices in the financial sector and has directed banks with high NPL ratios to formulate and implement strategies to bring the ratio to at most 5 percent, and encouraged them to increase use of the existing credit reference system to reduce risks. The Bank has also directed banks to maintain capital conservation buffer and implement capital charge over operational risk, with effect from August 2017. During the period under review, clearing, payment and settlement systems continued to operate efficiently with general increase in access and usage.

Zanzibar

In 2016, real GDP grew by 6.8 percent compared with 6.5 percent recorded in 2015. Activities that recorded highest growth rates were mining and quarrying (18.8 percent), construction (11.3 percent) and arts, entertainment and recreation (9.8 percent). Annual headline inflation dropped to 7.1 percent in April 2017 from 10.1 percent recorded in April 2016, mainly driven by decrease in prices of food, restaurants and hotels and clothing and footwear. Inflation is expected to remain at single digits in 2017/18, accompanied with decline in food and energy prices.

During July 2016 to April 2017, government budgetary resources amounted to TZS 476.7 billion, out of which TZS 445.9 billion was domestically sourced and the remaining TZS 30.8 billion was sourced from foreign development partners. Government expenditure was TZS 482.5 billion or 5.2 percent above the estimates. Recurrent expenditure was TZS 382.3 billion, while development expenditure was TZS 100.2 billion. Budgetary operations recorded an overall deficit of TZS 5.9 billion after grants.



Current account balance recorded a surplus of USD 38.3 million during the period July 2016 to April 2017, much higher than the surplus of USD 10.4 million recorded in the similar period in 2015/16. This development was attributed to a decrease in imports of goods coupled with inflows of current transfers. During the period, total debt stock declined to TZS 377.1 billion at the end of March 2017 from TZS 385.7 billion recorded at the end of June 2016, following payments of suppliers and gratuity claims. External debt amounted to TZS 270.2 billion compared with TZS 268.8 billion at the end of June 2016, and accounted for 71.7 percent of total debt stock. Domestic debt amounted to TZS 106.8 billion at the end of March 2017, compared with TZS 117.0 billion at the end of June 2016.

Implementation of Monetary Policy in 2016/17

Monetary Policy Objectives

In 2016/17, monetary policy continued to support broader macroeconomic objectives of the Governments of achieving high level of economic growth and low and stable inflation. The Bank of Tanzania continued to focus on maintaining appropriate level of liquidity in the economy, while ensuring stability of money market rates. The monetary policy targets contained in the Monetary Policy Statement published in June 2016 were revised during the mid-year review published in February 2017, to take into account developments in the growth of monetary aggregates and tight fiscal stance experienced in the first half of 2016/17. Specifically, in 2016/17 the Bank of Tanzania aimed at achieving the following monetary policy targets:

- i. Annual growth of average reserve money of not more than 12.0 percent;
- ii. Annual growth of broad money (M3) of not more than 12.3 percent;



- iii. Annual growth of private sector credit of not more than 12.5 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services, excluding foreign direct investment (FDI) related imports.

Monetary Policy Implementation

During July 2016 to April 2017, liquidity condition in the banking system remained relatively tight especially during the first half of the year, largely attributed to cumulative impact of substantial decline in net foreign budgetary inflows and transfer of public institutions' deposits to the Bank of Tanzania. Tight liquidity situation was reflected in the sustained slowdown in the growth of monetary aggregates, notably the broad money supply and credit to the private sector, which grew by 3.8 percent and 3.4 percent respectively during the year ending April 2017, compared with 12.9 percent and 19.3 percent recorded in the corresponding period in 2016. Growth of monetary aggregates also remained well below their respective targets for end June 2017. The impact of the slow growth in monetary aggregates was partly dampened by gradual rise in velocity of money circulation and money multiplier on the back of financial innovations especially the enhanced use of mobile financial services which has been boosted by interoperability across network operators.

To address the tight liquidity condition among banks, the Bank injected liquidity into the economy through reverse repo operations, purchase of foreign exchange from the domestic market, inward foreign exchange swaps and provision of short term loans to banks. The standby facilities at the Bank of Tanzania remained available for any bank in need of liquidity. In addition, the Bank reduced the discount rate to 12.0 percent from 16.0



percent in March 2017 to ease access to liquidity, and in April 2017 the statutory minimum reserve (SMR) requirement on private sector deposits was reduced to 8.0 percent from 10.0 percent to broaden the lending base of commercial banks. Meanwhile, the Bank has adopted reserve averaging framework since January 2017, in a bid to reduce volatility in the interbank cash market interest rate.

Reflecting tightness of liquidity, money market interest rates recorded an increasing trend with the overnight interbank cash market interest rate rising to 13.69 percent in December 2016, from 12.76 percent in June 2016. The overall Treasury bills rate also rose to 15.12 percent from 14.98 percent. Meanwhile, the measures taken by the Bank of Tanzania in the second half of 2016/17 led to substantial increase in clearing balances of banks and softening of money market interest rates. The overnight interbank cash market interest rate and overall Treasury bills rate declined to 7.19 percent and 13.51 percent, respectively, in April 2017. While the measures taken by the Bank eased money market interest rates, the overall commercial banks' lending rate rose to an average rate of 17.72 percent in April 2017, from 16.03 percent recorded in June 2016 partly reflecting the increased risk premium associated with the rise in non-performing loans, while the overall interest rate on deposits increased by 11 basis points to 10.32 percent reflecting the banks' efforts to attract deposits.

During the period under review, the value of Tanzanian shilling against the US dollar remained broadly stable from July 2016 to April 2017, consistent with liquidity conditions and the improvement in the current account balance.



Macroeconomic Policy Framework and Monetary Policy Stance for 2017/18

During 2017/18, the Governments will continue to implement the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015 – 2020) aiming at building the foundation for industrialisation and spurring economic growth. In particular, the Governments will aim at attaining the following macroeconomic objectives:

- i. Real GDP growth of 7.2 percent in 2017/18 based on the projected growth of 7.1 percent in 2017 and 7.3 percent in 2018.
- ii. Maintaining a single digit annual inflation rate by end June 2018.
- iii. Budget deficit including grants of 3.8 percent of GDP (including clearance of arrears) in 2017/18.

For Zanzibar, real GDP growth is projected at 7.1 percent in 2017/18 based on the projected growth of 7.1 percent in 2017 and 7.0 percent in 2018, while budget deficit including grants is estimated at 1.1 percent of GDP in 2017/18.

In support of the macroeconomic policy objectives of the Governments, monetary policy will focus on achieving the following targets in 2017/18:

- i. Annual growth of average reserve money of not more than 12.6 percent;
- ii. Annual growth of M3 of not more than 12.5 percent;
- iii. Annual growth of private sector credit not exceeding 14 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services, excluding FDI related imports.



During 2017/18, the Bank of Tanzania will continue to focus at ensuring that liquidity is kept within a range consistent with GDP growth and inflation objectives. Liquidity situation in the banking system is expected to continue improving following measures taken by the Bank in the second half of 2016/17. The monetary policy actions taken by the Bank are expected to continue broadening the lending base of banks and lowering the cost of funds to support various economic activities. The Bank will continue to closely monitor developments in banks' clearing balances and apply its monetary policy tool kit to ensure that supply of liquidity is kept within the required path in order to maintain stability in the money market interest rates, while keeping inflation in check at around the medium term target of 5.0 percent.

During the year, the Bank will continue with reforms to facilitate and adopt the interest rate based monetary policy framework to gradually replace the current monetary targeting framework. The adoption of this framework is part of the broader commitment to modernize the monetary policy framework and harmonization of the monetary policy practices among the EAC Partner States as prescribed in the East African Community Monetary Union Protocol. The on-going initiatives include development of a mechanism for increased transparency and efficiency in the interbank cash market operations, integration of the forecasting and policy analysis (FPAS) into the monetary policy formulation process, improvement in the functioning of domestic financial markets, and expansion of the range of eligible collaterals for monetary operations. The Bank will also issue operational guidelines for commercial banks outlining rules for achieving transparent and even handed interbank cash market operations.



Outlook and Conclusion

Economic growth is expected to remain strong in 2017/18, supported by implementation of the Second Five Year Development Plan and MKUZA III, and gain from expected rebound of growth in advanced and emerging market and developing economies. Annual inflation rate has been aligned with the medium-term objective, consistent with subdued global oil prices and improvement in food supply. Given the prevailing monetary policy stance, projected favourable food supply situation, coupled with stability of the shilling exchange rate against major currencies and subdued global oil prices; it is expected that inflation will remain at single digit level in line with the medium-term target of 5.0 percent. The Bank will continue to implement prudent monetary policy to sustain the general macroeconomic stability mindful of possible inflationary pressures that may arise from supply side shocks.

The Bank will continue to improve functioning of the financial markets and financial sector at large, by among other things, reviewing the relevant legislations and guidelines to take into account new developments and challenges. The Bank will also continue with reforms of the monetary policy operations and gradually implement the interest rate based monetary policy framework with interbank cash market interest rate as an operational target.

Mindful of the supply side shocks and in coordination with fiscal policy, the Bank is confident that the monetary policy targets set in this Monetary Policy Statement for 2017/18 will be achieved.



PART I

1.0 INTRODUCTION

In accordance with the Bank of Tanzania Act 2006, the Bank of Tanzania (the Bank) is issuing this Monetary Policy Statement, which specifies the monetary policy stance that the Bank of Tanzania intends to take during 2017/18. The Statement reviews monetary policy implementation in 2016/17, and outlines the monetary policy targets for 2017/18 that are in line with broader macroeconomic objectives of the Governments. It also specifies measures the Bank intends to take to achieve these targets.

The Statement is divided into seven parts including this introductory part. Part II presents the macroeconomic policy framework for 2016/17, while Part III presents the review of economic developments for the period July 2016 to April 2017. Part IV reviews the progress in the implementation of monetary policy in 2016/17. Part V outlines macroeconomic policy framework for 2017/18, and the associated monetary policy objectives of the Bank of Tanzania. Part VI outlines monetary policy stance during 2017/18 and Part VII provides outlook and concludes the Statement.

1.1 MANDATE AND MODALITIES FOR MONETARY POLICY IMPLEMENTATION

1.1.1 The Mandate of the Bank of Tanzania

Section 7 (1) of the Bank of Tanzania Act 2006 states that:

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



Section 7(2) of the Bank of Tanzania Act, 2006 further states that:

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

1.1.2 Modalities for Monetary Policy Implementation

The Bank employs a variety of market-based instruments of monetary policy to maintain liquidity in the economy within desired levels. This includes the use of Open Market Operations (OMO) in the market for government securities, as well as sale and purchase of foreign currency in the Inter-bank Foreign Exchange Market (IFEM). The liquidity management effort is further complemented by periodic adjustments in the pricing of standby facilities namely: the discount window and the Lombard facility; while the Intraday Loan Facility (ILF) is provided to smooth out payment and settlement operations among banks. Also, the Bank uses repurchase agreements (repos) and reverse repos to manage short-term liquidity fluctuations in the economy. When necessary, the Bank adjusts the minimum reserve requirement in order to manage structural liquidity in the economy.



THE MODALITIES FOR MONETARY POLICY IMPLEMENTATION

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



PART II

2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2016/17

2.1 Macroeconomic Policy Objectives

During 2016/17, economic development priorities of the Governments focused on sustainable development as stated in the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015 – 2020), with particular emphasis on strategic mobilization of national resources for human and industrial development needed to transform Tanzania into a middle income country. Specifically, the Governments aimed at attaining the following macroeconomic objectives:

- i. Real GDP growth of 7.3 percent in 2016/17 based on the projected growth of 7.2 percent in 2016 and 7.4 percent in 2017;
- ii. Maintaining a single digit annual inflation rate by end June 2017; and
- iii. Budget deficit including grants of 4.5 percent of GDP (including clearance of arrears).

For Zanzibar, real GDP growth is projected at 6.8 percent in 2016/17, based on projected growth of 6.3 percent in 2016 and 7.2 percent in 2017.

2.2 Monetary Policy Objectives

Monetary policy continued to support broader macroeconomic objectives of the Governments of achieving high level of economic growth and low and stable inflation. The Bank of Tanzania continued to primarily focus on maintaining appropriate level of liquidity in the economy, while ensuring stability of money market interest rates. The monetary policy targets



contained in the Monetary Policy Statement published in June 2016 were revised during the mid-year review published in February 2017, to take into account developments in the growth of monetary aggregates and tight fiscal stance experienced in the first half of 2016/17. Specifically, the Bank aimed at achieving the following monetary policy targets in 2016/17:

- i. Annual growth of average reserve money not exceeding 12.0 percent;
- ii. Annual growth of broad money supply (M3) not exceeding 12.3 percent;
- iii. Annual growth of private sector credit of not more than 12.5 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services, excluding FDI related imports.



PART III

3.0 MACROECONOMIC DEVELOPMENTS DURING 2016//17

3.1 Overview of Global and Regional Economic Developments

3.1.1 GDP Performance

According to the IMF's World Economic Outlook report of April 2017, global economy is estimated to have grown by 3.1 percent in 2016, compared with 3.4 percent in 2015, with much of the decrease in output growth occurring in advanced economies and sub-Saharan Africa (Table 3.1). GDP growth in advanced economies was 1.7 percent in 2016, lower than 2.1 percent recorded in 2015, mainly due to weak external demand and subdued productivity growth. In the United States, GDP growth slowed to 1.6 percent in 2016, from 2.6 percent recorded in 2015, mainly due to decline in exports, continued drawdown in inventories, and deceleration in private investment. In the Euro Area growth slowed to 1.7 percent in 2016 from 2.0 percent recorded in 2015, mainly due to fall in domestic demand and exports. In Japan, real GDP growth was 1.0 percent in 2016, lower than 1.2 percent recorded in 2015, largely on account of a weak investment. Real GDP growth in emerging market and developing economies was 4.1 percent in 2016, slightly lower than 4.2 percent recorded in 2015. In China, real GDP growth was 6.7 percent in 2016, lower than 6.9 percent registered in 2015, mainly due to decline in investment in the private sector. In India, real GDP growth was 6.8 percent in 2016, compared to 7.9 percent registered in 2015 following the impact of the currency exchange exercise. Real GDP growth in Sub-Saharan Africa decelerated to 1.4 percent in 2016 from 3.4 percent recorded in 2015, largely driven by low commodity prices, weak external demand and drought.



The global economy is projected to increase to 3.5 percent in 2017 and 3.6 percent in 2018, compared with 3.1 percent in 2016, supported by a rebound in growth in the advanced and emerging market economies (**Table 3.1**). In the advanced economies, GDP growth is projected to be 2.0 percent both in 2017 and 2018, higher than 1.7 percent recorded in 2016 with output growth expected to increase in the United States, Japan and United Kingdom. In the Euro Area, real GDP growth is projected to be 1.7 percent in 2017 same level as recorded in 2016, largely supported by expansionary fiscal policy, accommodative financial conditions and a weaker euro. Real GDP in the United States is projected to grow by 2.3 percent in 2017 and 2.5 percent in 2018, up from 1.6 percent in 2016, largely supported by a cyclical recovery in inventory accumulation, strong consumption growth, buoyed financial markets and strengthened business confidence. Growth in the United Kingdom is projected to be 2.0 percent in 2017, before declining to 1.5 percent in 2018. The projected increase in growth in 2017 reflect the stronger than expected performance in the UK economy since the June 2016 Brexit vote, which points to a more gradual materialization than previously anticipated. In Japan, growth is forecasted to increase to 1.2 percent in 2017, up from 1.0 percent recorded in 2016, mainly due to expected rise in exports.

Growth in emerging market and developing economies is forecasted to rise to 4.5 percent and 4.8 percent, respectively, in 2017 and 2018, from an estimated growth of 4.1 percent in 2016, largely due to stabilization or recovery in a number of commodity exporters. In India, real GDP is projected to be higher in 2017 and 2018 than in 2016, largely supported by increased consumer demand and investment. However, growth is projected to slowdown in China in 2017 and 2018, largely due to fall in investment and trade growth. Growth in sub-Saharan Africa is expected to increase to 2.6 percent and 3.5 percent, respectively, in 2017 and 2018 from 1.4



percent recorded in 2016, largely due to recovery in commodity prices and private demand. Output in Nigeria is projected to grow by 0.8 percent in 2017 from a contraction of 1.5 percent recorded in 2016, driven largely by a recovery in oil production, continued growth in agriculture and higher public investment. Likewise, in South Africa, growth is forecasted at 0.8 percent in 2017, up from 0.3 percent recorded in the previous year largely supported by a rebound in commodity prices, improved weather condition and increase in electricity capacity.

Table 3.1: Global and Regional Real GDP Growth Rates

	2012	2013	2014	2015	2016	<i>Percent</i>	
						Projections	
						2017	2018
World	3.5	3.4	3.5	3.4	3.1	3.5	3.6
Advanced economies	1.2	1.3	2.0	2.1	1.7	2.0	2.0
United States	2.2	1.7	2.4	2.6	1.6	2.3	2.5
Euro Area	-0.9	-0.3	1.2	2.0	1.7	1.7	1.6
Japan	1.5	2.0	0.3	1.2	1.0	1.2	0.6
United Kingdom	1.3	1.9	3.1	2.2	1.8	2.0	1.5
Emerging Markets and Developing Economies	5.4	5.1	4.7	4.2	4.1	4.5	4.8
Emerging and Developing Asia	7.0	6.9	6.8	6.7	6.4	6.4	6.4
China	7.9	7.8	7.3	6.9	6.7	6.6	6.2
India	5.5	6.5	7.2	7.9	6.8	7.2	7.7
Sub-Saharan Africa	4.3	5.3	5.1	3.4	1.4	2.6	3.5
Nigeria	4.3	5.4	6.3	2.7	-1.5	0.8	1.9
South Africa	2.2	2.5	1.7	1.3	0.3	0.8	1.6

Source: IMF, World Economic Outlook, April 2017



3.1.2 Inflation Developments

During July 2016 to April 2017, inflation rates in the selected advanced and emerging market economies recorded a general increasing trend except for China and India (**Table 3.2**). Inflation increased in the United States, Euro Area, Japan and United Kingdom mainly due to rise in the prices of oil and other energy related products. In China and India inflation eased largely due to fall in prices of food and beverages. In the Eastern Africa region, average inflation rate rose mainly on account of rise in food prices, while in Southern African region inflation rate declined driven largely by food prices.

Table 3.2: Inflation Rates for Selected Countries

Country	<i>Percent</i>												
	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
USA	1.1	1.0	1.0	0.8	1.1	1.5	1.6	1.7	2.1	2.5	2.7	2.4	2.2
Euro Area	-0.2	-0.1	0.1	0.2	0.2	0.4	0.5	0.6	1.1	1.8	2.0	1.5	1.9
Japan	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	0.1	0.5	0.3	0.4	0.3	0.2	0.4
United Kingdom	0.3	0.3	0.5	0.6	0.6	1.0	0.9	1.2	1.6	1.8	2.3	2.3	2.7
China	2.3	2.0	1.9	1.8	1.3	1.9	2.1	2.3	2.1	2.5	0.8	0.9	1.2
India	5.5	5.8	5.8	6.1	5.1	4.4	4.2	3.6	3.4	3.2	3.7	3.9	3.0
EAC	4.6	4.6	5.3	5.5	5.8	5.6	5.7	5.9	6.8	7.7	10.0	10.3	10.6
SADC	9.3	9.6	10.0	10.3	10.4	10.6	10.2	10.4	10.0	9.6	9.2	8.8	8.7

Source: OECD and Respective National Statistical Offices

According to the IMF's World Economic Outlook report of April 2017, headline inflation rate in the advanced economies is projected to increase to 2.0 percent in 2017 from 0.8 percent registered in 2016. Similarly, headline inflation rate in emerging market and developing economies is projected to rise to 4.7 percent in 2017 from 4.4 percent recorded in 2016. The projected increase in headline inflation rates in these economies will be driven mostly by higher commodity prices.

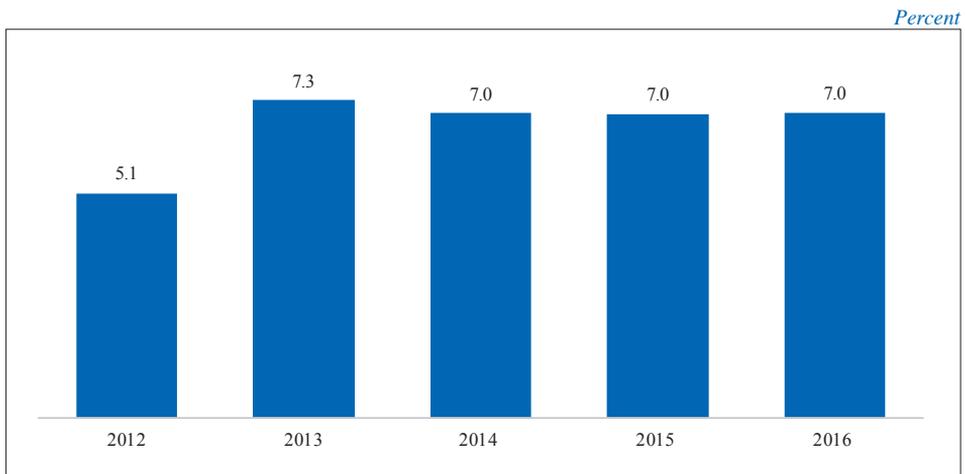


3.2 Domestic Economic Developments

3.2.1 GDP Performance and Outlook

The economy continued to register strong growth at 7.0 percent in 2016, similar to the growth rate recorded in 2015 and 2014. This growth was underpinned by continued improvement in infrastructure investments, stability of power supply, investments in provision of mobile and internet services, and subdued global oil prices. The fastest growth rates in 2016 were registered in construction (13.0 percent), information and communication (13.0 percent), transport and storage (11.8 percent), mining and quarrying (11.5 percent), and financial and insurance activities (10.7 percent) (**Chart 3.1a** and **Chart 3.1b**).

Chart 3.1a: Real GDP Growth

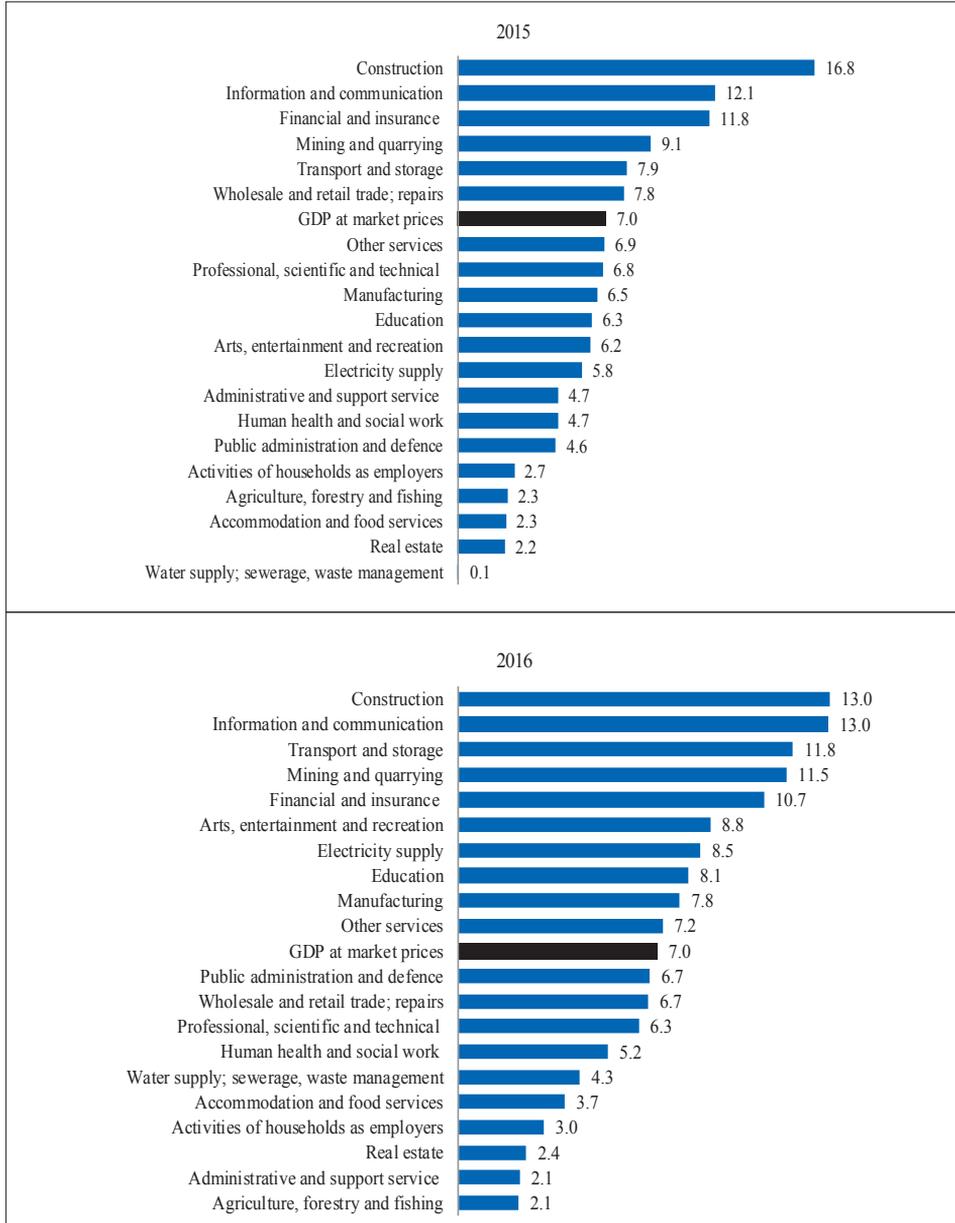


Source: National Bureau of Statistics



Chart 3.1b: Growth of Economic Activities

Percent

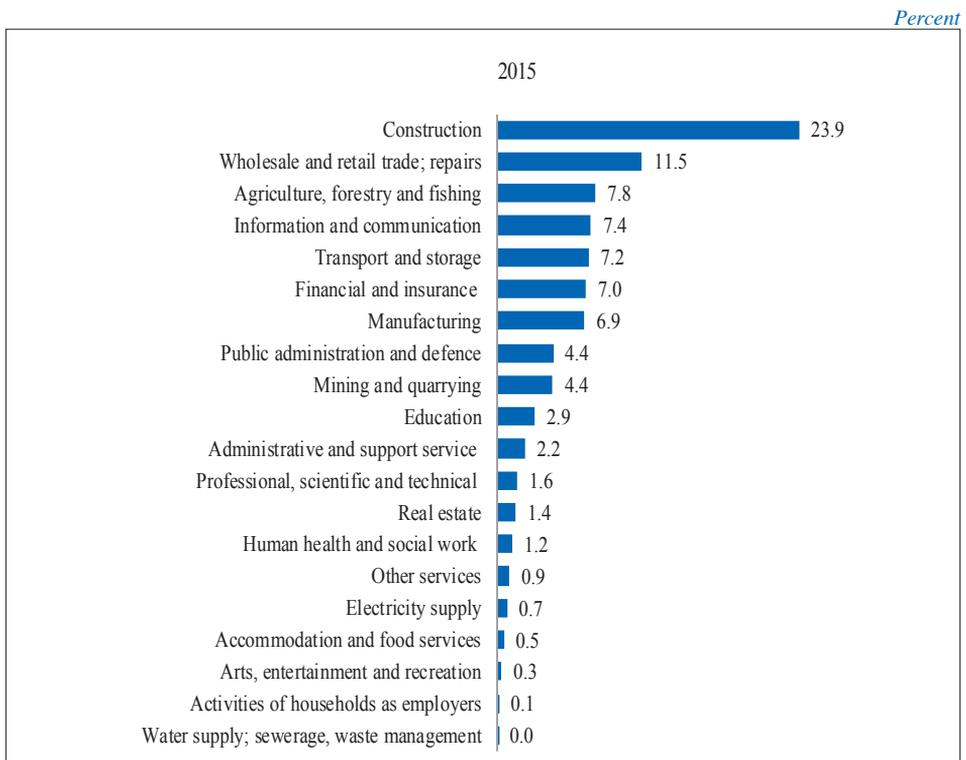


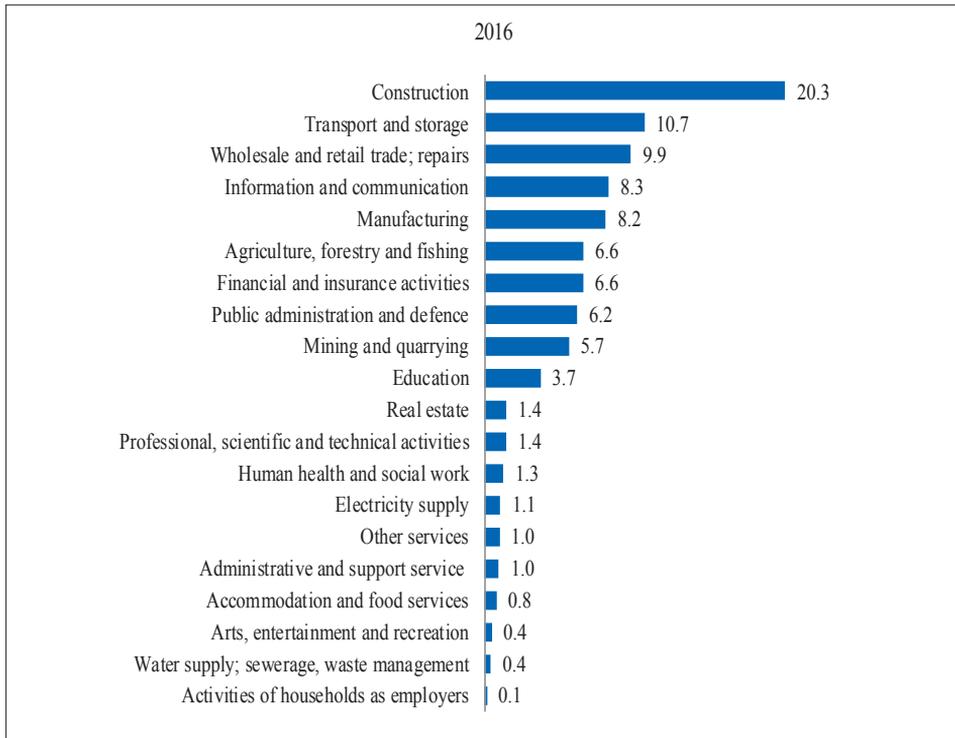
Source: National Bureau of Statistics and Bank of Tanzania



Construction has been the major source of growth for the past three years contributing 20.3 percent, 23.9 percent and 18.8 percent in 2016, 2015 and 2014, respectively. Meanwhile, other activities which contributed strongly to output growth in 2016 include transport and storage (10.7 percent), wholesale and retail trade (9.9 percent) and information and communication (8.3 percent) (**Chart 3.1c**).

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





Source: National Bureau of Statistics and Bank of Tanzania

Real GDP growth is expected to remain strong in 2017 at around 7 percent supported by expected rebound of the global economy, continued improvement in power supply, and implementation of major infrastructural projects under the 2nd Five Year Development Plan.

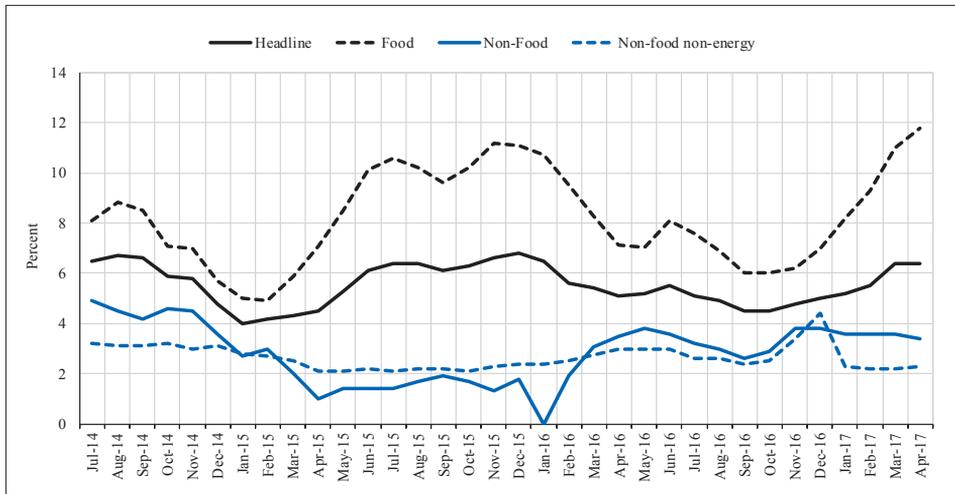
3.2.2 Inflation Developments and Outlook

Headline and core inflation rates remained at single digits throughout the period from July 2016 to April 2017, consistent with the monetary policy stance, and assisted by prudent fiscal operations, subdued global oil prices, improvement in domestic power supply and stability in the value of Tanzanian shilling against the major currencies. Annual headline inflation averaged 5.2 percent during the period from July 2016 to April 2017,



compared with an average rate of 6.1 percent recorded in the corresponding period of 2015/16 (**Chart 3.2**). Meanwhile, core inflation averaged 2.4 percent, same as the rate recorded in the corresponding period of 2015/16. Headline inflation is projected to remain around the medium term target of 5 percent, supported by improvement in food supply attributed to favourable weather conditions, stable power supply, sustained prudent monetary and fiscal policies, and continued stability of the global oil prices and the value of the Tanzanian shilling against the major currencies.

Chart 3.2: Headline, Food and Non-food Inflation



Source: National Bureau of Statistics and Bank of Tanzania

3.2.3 Government Budgetary Performance on Cash Basis

During July 2016 to April 2017, revenue deposited at the Bank of Tanzania was TZS 13,090.6 billion, 18.6 percent higher than the amount deposited during a similar period in 2015/16. This is equivalent to monthly average collection of TZS 1,309.1 billion. This outturn was associated with increase in tax collection efforts by Tanzania Revenue Authority. During the same period, net issuance of government securities for budget financing was



TZS 752.5 billion, while foreign grants and loans disbursed and expensed through the Bank was equivalent to TZS 675.4 billion. Total expenditure amounted to TZS 14,385.1 billion, out of which recurrent expenditure was TZS 10,866.2 billion, which was 2.1 percent lower than the amount recorded in the similar period in 2015/16; and development expenditure was TZS 3,518.9 billion, 22.9 percent higher than the amount recorded in the similar period in 2015/16 (**Table 3.3**).

Table 3.3: Government Budgetary Operations on Cash Basis

Billions of TZS

	July 2015 - April 2016		July 2016 - April 2017	
	Actual	Estimate	Actual	Act/Est (%)
Revenue	11,041.9	14,060.5	13,090.6	93.1
Total expenditure	13,959.9	14,972.0	14,385.1	96.1
Recurrent expenditure ¹	11,097.1	11,453.4	10,866.2	94.9
Development expenditure ²	2,862.8	3,518.7	3,518.9	100.0

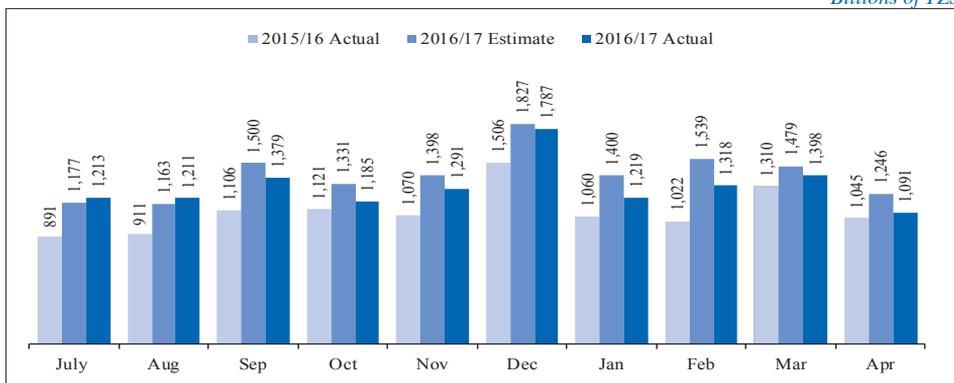
Source: Ministry of Finance and Planning and Bank of Tanzania

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

²Excludes direct to project funds

Chart 3.3: Domestic Revenue Performance

Billions of TZS



Source: Ministry of Finance and Planning and Bank of Tanzania



3.2.4 External Sector Performance

During July 2016 to April 2017, the current account deficit narrowed by 51.6 percent to a deficit of USD 1,096.4 million, compared with a deficit of USD 2,263.4 million registered in the corresponding period in 2015/16 (**Table 3.4**). This outturn was mainly on account of a decline in imports of goods and services that outweighed the impact of a decline in exports. During the period, the overall balance of payments registered a surplus of USD 576.5 million compared to a deficit of USD 428.6 million recorded in the similar period in 2015/16, partly reflecting the reduction in the current account deficit. Consistent with narrowing of the current account deficit, the stock of gross official reserves increased from USD 3,870.3 million at the end of June 2016 to USD 4,413.6 million at the end of April 2017, equivalent to 4.3 months of projected imports of goods and services excluding those financed through foreign direct investment. In the same period, the stock of gross foreign assets of banks amounted to USD 657.4 million, while foreign currency deposits held by residents in commercial banks amounted to USD 2,691.9 million.

During July 2016 to April 2017, the value of exports of goods and services amounted to USD 7,387.0 million compared with USD 7,974.2 million recorded in the corresponding period of 2015/16. The export value of gold—the main non-traditional exports increased by 27.2 percent to USD 1,270.9 million, driven by both volume and export unit price. The price of gold in the world market went up by 9.7 percent to an average of USD 1,259.0 per troy ounce compared to the level that was recorded in 2015/16. Likewise, traditional exports recorded improved performance on account of increase in both export volume and unit prices of cashew nuts and cotton, while coffee increased due to price effect as volume declined.



In the period under review, the value of imports of goods and services declined to USD 8,029.4 million from USD 9,644.7 million recorded in the corresponding period in 2015/16. All categories of goods import recorded a decline except food and foodstuff. Oil imports which accounts for the largest share in goods imports declined by 6.2 percent to USD 1,621.1 million due to decline in global oil prices despite the increase in volume. The volume of imported white petroleum products increased by about two percent to 1.8 million metric tons, while the prices of oil in the world market went down by 6.6 percent to USD 509.1 per metric ton.

Table 3.4: Current Account

Items	July - April		Percentage change
	2015/16	2016/17 ^P	
Goods account (net)	-2,555.2	-2,110.9	-17.4
Exports*	4,947.8	4,310.7	-12.9
Imports	7,503.1	6,421.6	-14.4
Services account (net)	884.7	1,468.5	66.0
Receipts	3,026.4	3,076.3	1.6
Payments	2,141.7	1,607.8	-24.9
Goods and services (net)	-1,670.5	-642.4	-61.5
Export of goods and services	7,974.2	7,387.0	-7.4
Import of goods and services	9,644.7	8,029.4	-16.7
Primary income account (net)	-925.7	-785.8	-15.1
Receipts	85.3	76.6	-10.2
Payments	1,011.0	862.4	-14.7
Secondary income account (net)	332.9	331.8	-0.3
Inflows	397.6	386.9	-2.7
o/w General government	93.4	70.5	-24.6
Outflows	64.7	55.2	-14.7
Current account balance	-2,263.4	-1,096.4	-51.6

Source: Bank of Tanzania

Note: p denotes provisional; *Adjusted for informal cross border exports



The current account balance is projected to record a deficit of 5.0 percent of GDP in 2016/17, compared with 6.5 percent of GDP in the preceding year, supported mainly by expected increase in commodity prices in the world market.

3.2.5 National Debt Developments

External debt stock increased by 3.4 percent to USD 17,802.6 million at the end of April 2017, from USD 17,222.8 million recorded at the end of June 2016, out of which 80.3 percent was public debt. During the period, the US dollar value of external debt payment amounted to USD 672.7 million, out of which USD 456.6 million was principal repayment and the balance of USD 216.1 million was interest and other charges. On annual basis, external debt increased by 5.8 percent during the year ending April 2017 from USD 16,829.4 million recorded at the end of April 2016. The increase in external debt was on account of new disbursements and accumulation of interest arrears. From July 2016 to April 2017, disbursements amounted to USD 954.9 million, out of which USD 790.2 million was received by the central government.

In nominal terms, the ratio of external debt to GDP was 38.6 percent at the end of April 2017, out of which public debt to GDP ratio was 31.7 percent. The Debt Sustainability Analysis, conducted in November 2016 using data as at end of June 2016, showed that the present value of external debt to GDP ratio was 19.9 percent, which is way below the international sustainability threshold of 40.0 percent, keeping Tanzania's debt at sustainable level.

Domestic debt increased by 11.1 percent to TZS 11,132.3 billion at end of April 2017 compared with TZS 10,012.8 billion recorded at the end of June 2016. The increase was mainly on account of issuance of government securities for budget financing.

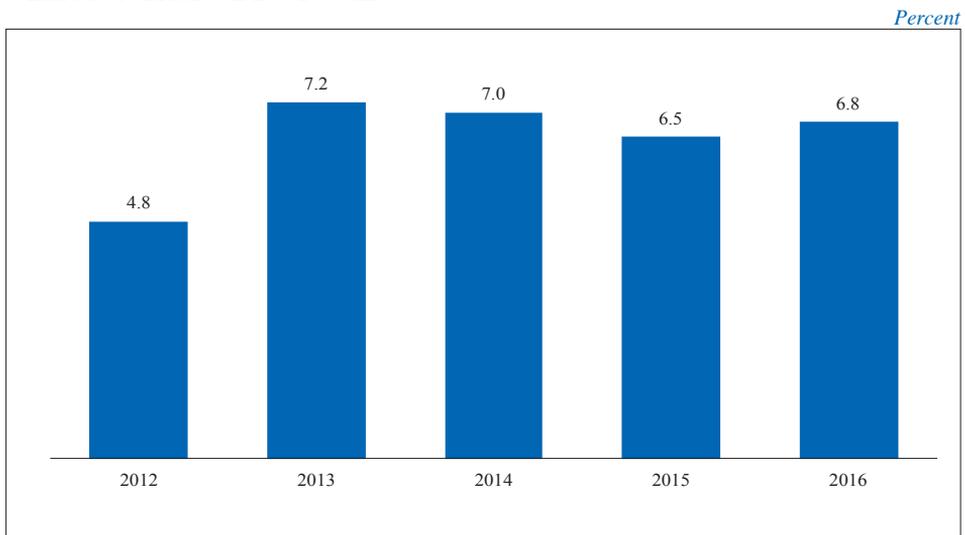


3.2.6 Economic Developments in Zanzibar

GDP Performance

The Zanzibar economy registered strong growth in 2016 with real GDP growing by 6.8 percent compared to 6.5 percent recorded in 2015 (**Chart 3.4**). Activities that recorded highest growth rates include mining and quarrying, construction, and accommodation (**Chart 3.5**). Good performance in construction activities particularly, construction of residential houses, roads and other infrastructure projects contributed to the impressive growth of mining and quarrying activities during the year.

Chart 3.4: Real GDP Growth

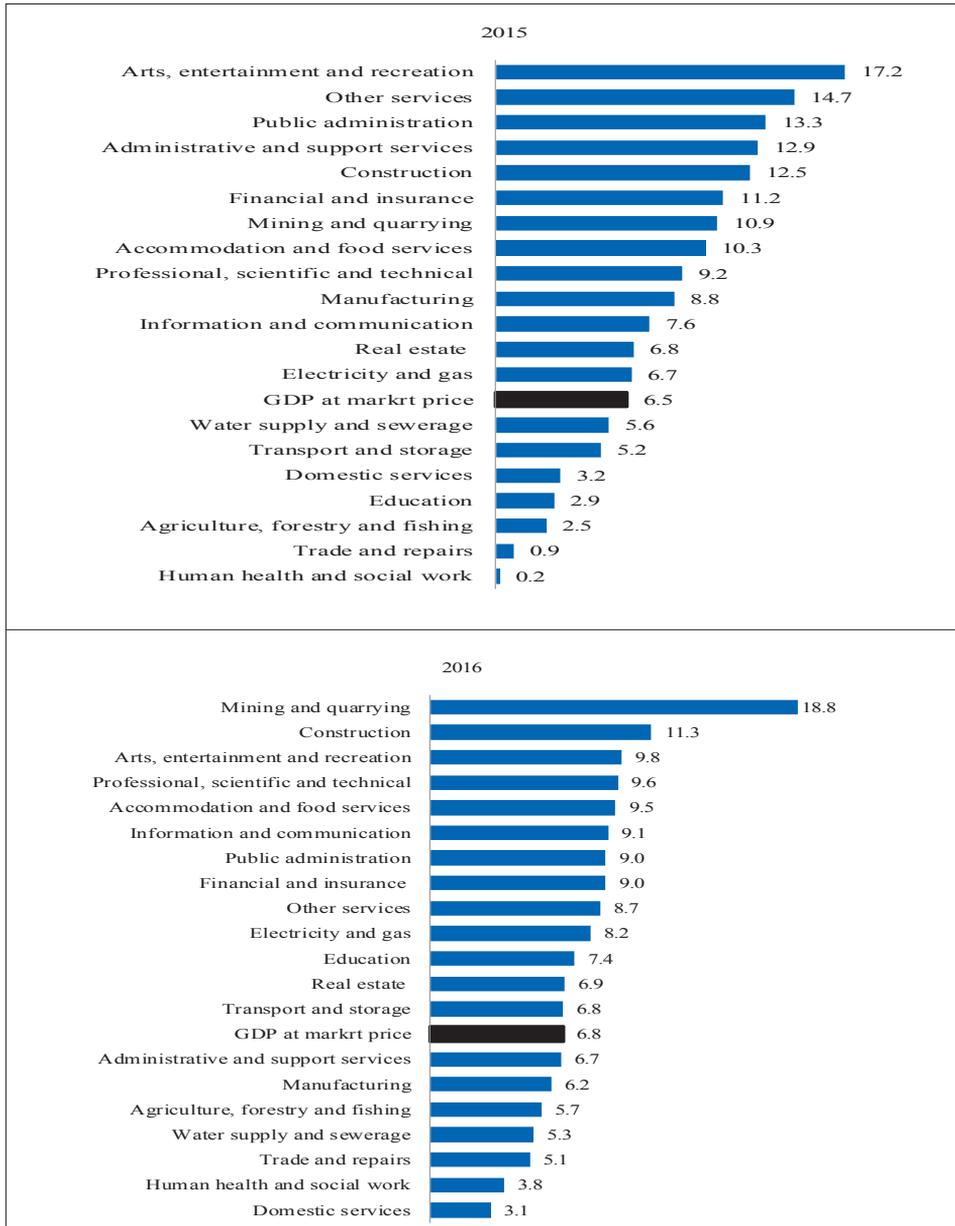


Source: Office of the Chief Government Statistician



Chart 3.5: Growth of Major Economic Activities

Percent



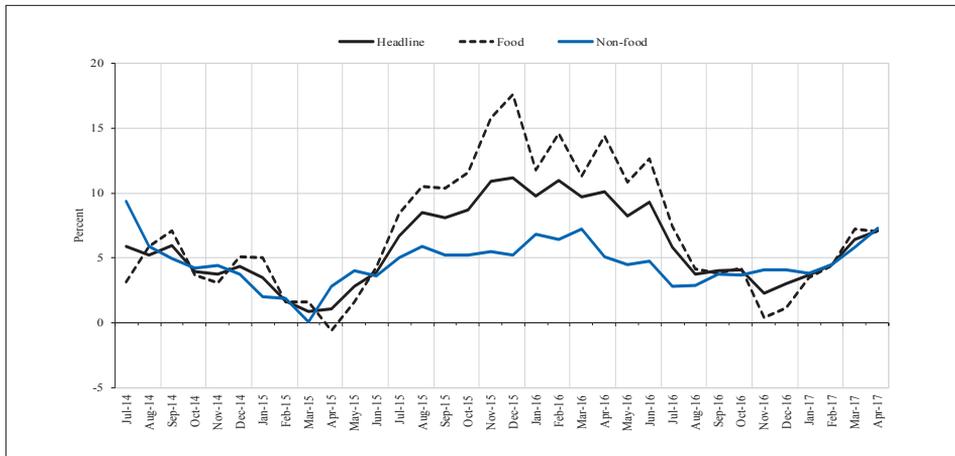
Source: Office of the Chief Government Statistician



Inflation Developments

Headline inflation dropped to 7.1 percent in April 2017 from 10.1 percent recorded in April 2016. The decrease resulted from the fall of among others, food, restaurants and hotels, clothing and footwear inflation. Food inflation, dropped from 14.4 percent in April 2016 to 6.9 percent in April 2017 (**Chart 3.6**). The trend indicates that inflation will remain single digit in 2017/18, supported by decline in food and energy prices.

Chart 3.6: Annual Headline, Food and Non-food Inflation



Source: Office of Chief Government Statistician

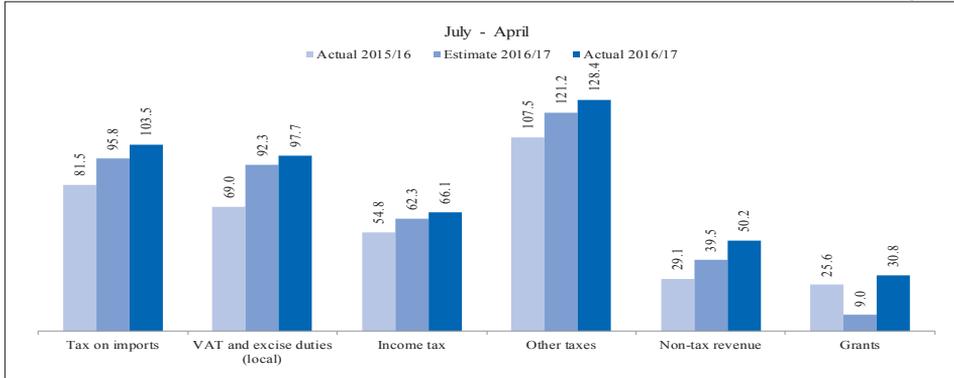
Government Budgetary Performance

Total Government budgetary resources amounted to TZS 476.7 billion during the period from July 2016 to April 2017. Out of this amount, TZS 445.9 billion was domestically sourced and the remaining TZS 30.8 billion was sourced from foreign development partners (**Chart 3.7**). Domestic revenue was above the target by 8.5 percent, mostly attributed by higher performance in import taxes, VAT and exercise duties, and other taxes. The good performance in tax collection was partly associated with growing tax compliance.



Chart 3.7: Government Resources

Billions of TZS

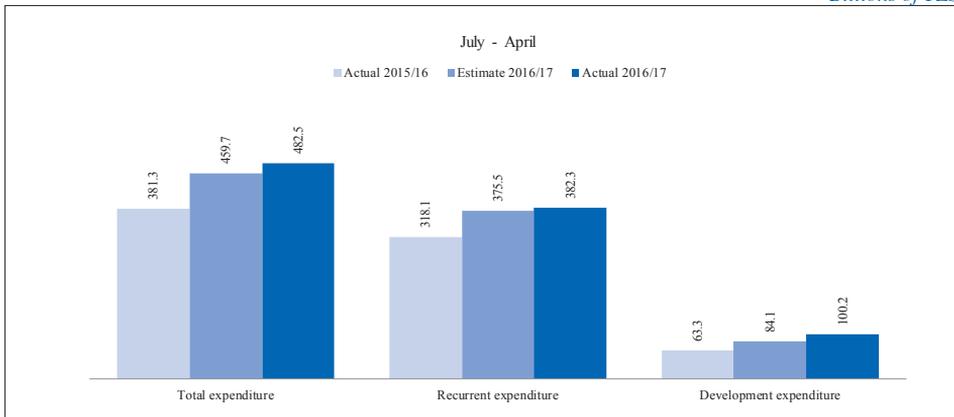


Source: Ministry of Finance and Planning – Zanzibar

During July 2016 to April 2017, total government expenditure was TZS 482.5 billion or 5.2 percent above the estimates (**Chart 3.8**). Recurrent expenditure was TZS 382.3 billion; while development expenditure amounted to TZS 100.2 billion, of which foreign financing accounted for 56.3 percent. Budgetary operations recorded an overall deficit of TZS 5.9 billion after grants.

Chart 3.8: Government Expenditure

Billions of TZS



Source: Ministry of Finance and Planning – Zanzibar



External Sector Developments

During July 2016 to April 2017, current account registered a surplus of USD 38.3 million, much higher than the surplus of USD 10.4 million recorded in similar period in 2015/16. This improvement was attributed to decrease in imports of goods coupled with inflows of current transfers. Goods imports was USD 99.9 million, representing a decrease of 28.2 percent from the level recorded in the corresponding period, mainly on account of low imports of transport equipment and machinery. Total exports of goods and services decreased to USD 160.3 million from USD 177.0 million recorded in the corresponding period in 2015/16 (**Table 3.5, Chart 3.9 and Chart 3.10**).

Table 3.5: Zanzibar Current Account

Items	July - April		Percentage change
	2015/16	2016/17 ^p	
Goods account net	-72.7	-62.2	-14.5
Exports	66.4	37.7	-43.2
Imports (fob)	139.1	99.9	-28.2
Services account net	68.2	74.9	9.9
Receipts	110.6	122.7	11.0
Payments	42.4	47.8	12.8
Goods and services net	-4.6	12.7	--
Exports of goods and services	177.0	160.3	-9.4
Imports of goods and services	181.5	147.6	-18.7
Income account net	1.1	5.9	--
Receipts	8.5	10.1	18.0
Payments	7.5	4.2	-44.3
Current transfers net	13.9	19.8	42.1
Inflows	13.9	20.3	46.2
Outflows	0.0	0.6	--
Current account balance	10.4	38.3	--

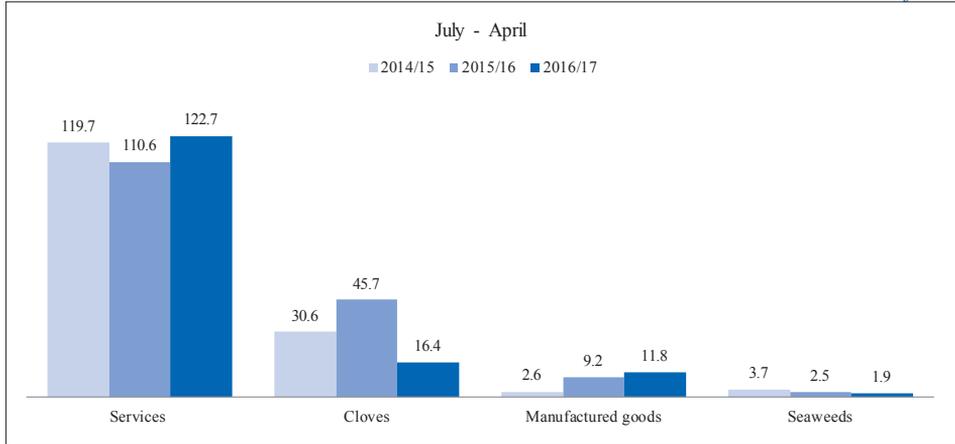
Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p denotes provisional, "... implies the change exceeds 100 percent in absolute terms



Chart 3.9: Export Performance of Selected Goods and Services

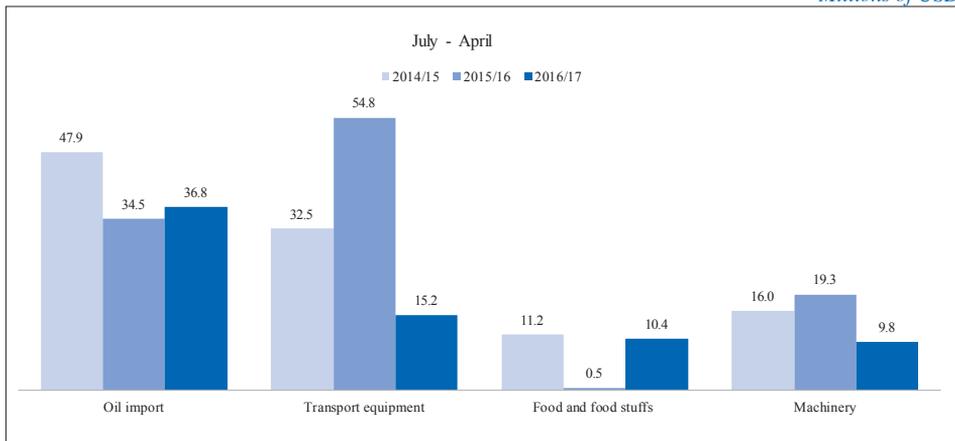
Millions of USD



Source: Tanzania Revenue Authority and Bank of Tanzania

Chart 3.10: Performance of Selected Goods Import

Millions of USD



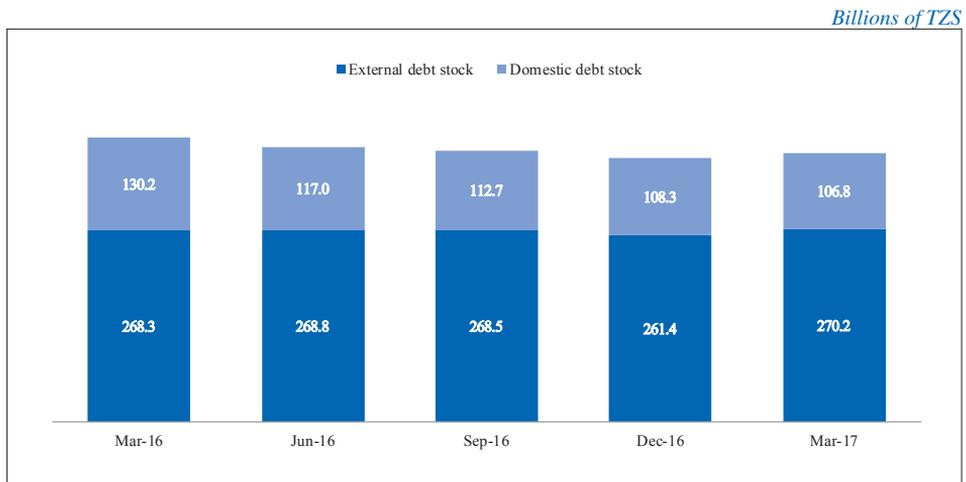
Source: Tanzania Revenue Authority and Bank of Tanzania



Debt Developments

Total debt stock declined to TZS 377.1 billion at the end of March 2017 from TZS 385.7 billion recorded at the end of June 2016, following payments of suppliers and gratuity claims. Out of total debt, external debt was TZS 270.2 billion at the end of March 2017 compared with TZS 268.8 billion at the end of June 2016. The external debt accounted for 71.7 percent of total Zanzibar’s debt stock. Domestic debt amounted to TZS 106.8 billion at the end of March 2017, compared with TZS 117.0 billion at the end of June 2016 (**Chart 3.11**).

Chart 3.11: Total Debt Stock



Source: Ministry of Finance and Planning – Zanzibar



PART IV

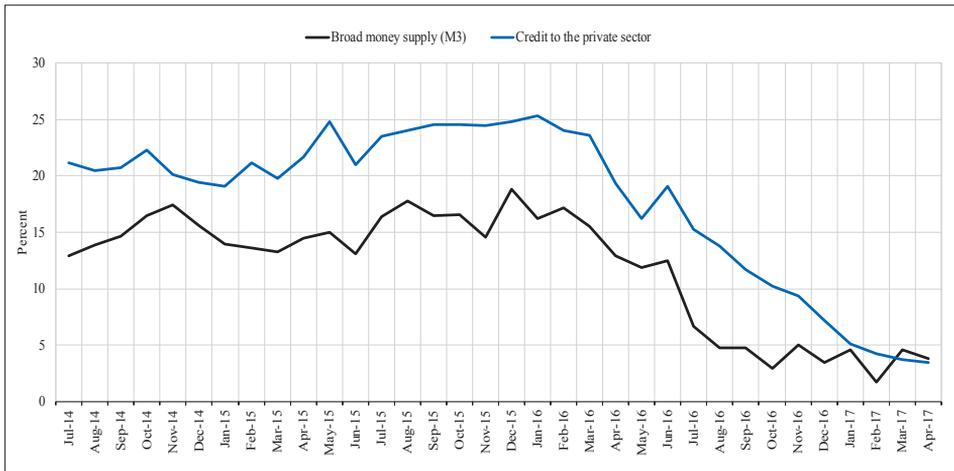
4.0 MONETARY POLICY IMPLEMENTATION DURING 2016/17

4.1 Liquidity Management and Interest Rate Developments

During July 2016 to April 2017, liquidity condition in the banking system remained relatively tight especially during the first half of the fiscal year, largely attributed to cumulative impact of substantial decline in net foreign budgetary inflows and transfer of public institutions' deposits to the Bank of Tanzania. Tight liquidity situation was reflected in the sustained slowdown in the growth of monetary aggregates, notably the broad money supply and credit to the private sector. Growth of broad money supply (M3) slowed down to 3.8 percent in the year ending April 2017 from 12.9 percent in the year ending April 2016, while growth of credit to the private sector decelerated to 3.4 percent from 19.3 percent (**Chart 4.1**). Growth rates of M3 and credit to the private sector were significantly lower than the targeted limits of 12.3 percent and 12.5 percent, respectively for end June 2017. The impact of the slow growth in monetary aggregates was partly dampened by gradual rise in velocity of money circulation and money multiplier on the back of financial innovations especially the enhanced use of mobile financial services, which has been boosted by interoperability across network operators (**Chart 4.2**).

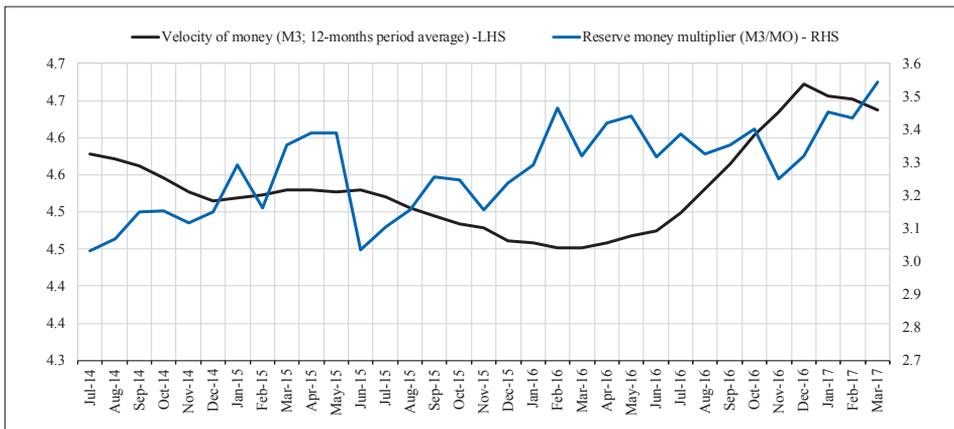


Chart 4.1: Annual Growth in Monetary Aggregates



Source: Bank of Tanzania

Chart 4.2: Evolution of Velocity Circulation and Money Multiplier



Source: Bank of Tanzania

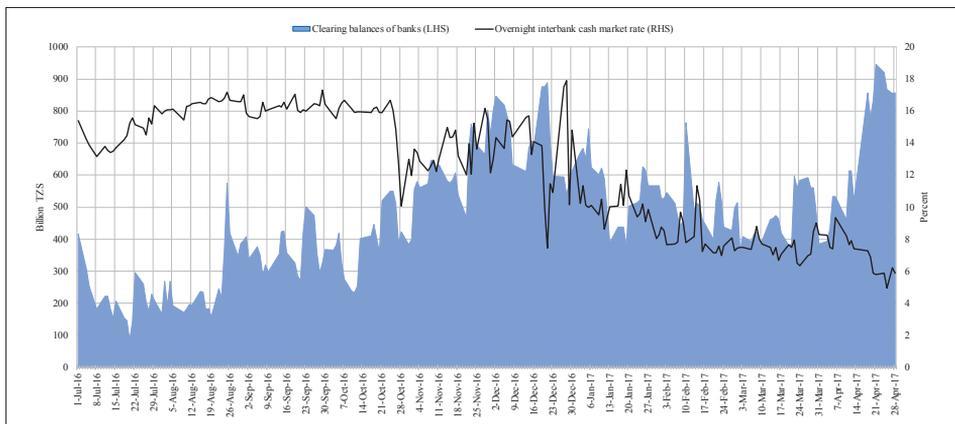
Following tight liquidity condition among banks, the Bank of Tanzania injected liquidity into the economy using a mix of instruments including the reverse repo operations, purchase of foreign exchange from the domestic market, inward foreign exchange swaps and provision of short-term loans to banks. The standby facilities at the Bank of Tanzania were also available



for any bank in need of liquidity. In March 2017 the discount rate was reduced to 12.0 percent from 16.0 percent to ease access to liquidity and in April 2017 the statutory minimum reserve (SMR) requirement on private sector deposits was reduced to 8.0 percent from 10.0 percent to broaden the lending base of commercial banks. Meanwhile, the Bank has adopted reserve averaging framework since January 2017, in a bid to reduce volatility in the interbank cash market interest rate.

Reflecting liquidity tightness, the overnight interbank cash market interest rate rose to 13.69 percent in December 2016, from 12.76 percent in June 2016. During the same period, overall Treasury bills rate rose to 15.12 percent from 14.98 percent. Following monetary policy measures taken by the Bank of Tanzania to address the tight liquidity conditions in the second half of 2016/17, the banks' clearing balances increased substantially and money market interest rates softened with overnight interbank cash market interest rate and overall Treasury bills rate declining to 7.19 percent and 13.51 percent, respectively, in April 2017 (**Chart 4.3** and **Chart 4.4**).

Chart 4.3: Banks' Clearing Balances and Overnight Interbank Cash Market Rate

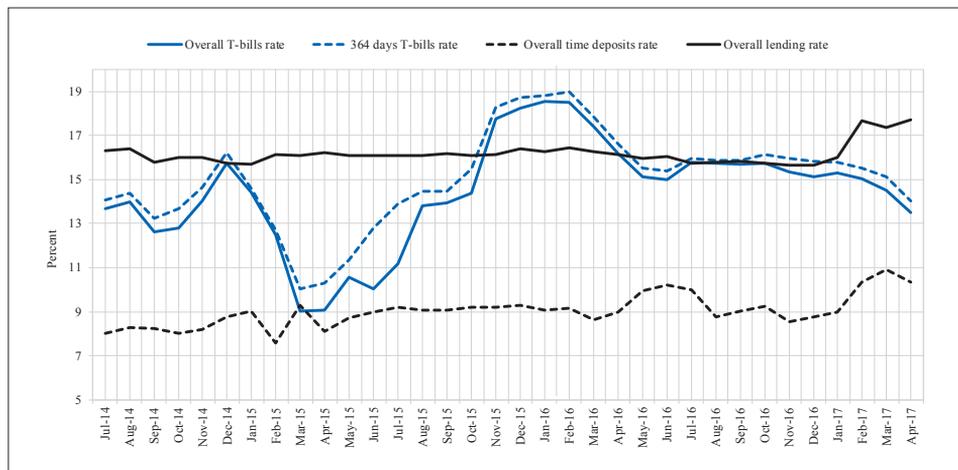


Source: Bank of Tanzania



While the measures taken by the Bank eased money market interest rates, the overall commercial banks' lending rate rose by 169 basis points to an average rate of 17.72 percent in April 2017, from 16.03 percent recorded in June 2016, while overall interest rate on deposits increased by 11 basis points to 10.32 percent (**Chart 4.4**). The increase in interest rates on deposits was associated with banks' efforts to attract deposits, whilst that of loans was partly attributable to increased risk premium following a rise in non-performing loans in the recent months, and structural rigidities in the financial sector.

Chart 4.4: Selected Interest Rates Developments



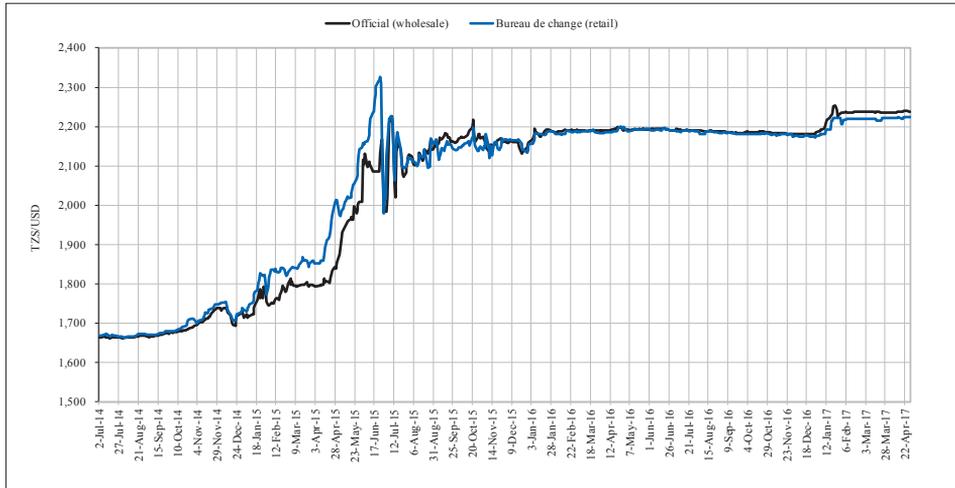
Source: Bank of Tanzania

The value of Tanzanian shilling against the US dollar remained broadly stable from July 2016 to April 2017, consistent with shilling liquidity conditions in the economy and the improvement in the current account balance. In the wholesale market, the shilling exchange rate fluctuated within a range of TZS 2,181 to TZS 2,254 against the US dollar, compared with a range of TZS 1,984 to TZS 2,227 per US dollar recorded in the corresponding period of 2015/16. In mid-January 2017 though, the



shilling experienced a short-lived sharp depreciation against the US dollar, a phenomenon that was primarily associated with developments in the external environment (**Chart 4.5**).

Chart 4.5: Nominal Exchange Rate Movements (TZS/USD)



Source: Bank of Tanzania

4.2 Financial Sector Stability

During the year ending April 2017, banking sector continued to grow with new institutions starting business and the existing institutions increasing their outreach. New institutions that started operations were Equity for Tanzania Limited, Hakika Microfinance Bank Limited, Canara Bank (Tanzania) Limited, Mwalimu Commercial Bank Plc and Yetu Microfinance Bank Plc. The sector continued to maintain steady growth with total assets growing by 1.5 percent to TZS 28,337.4 billion at the end of April 2017, compared with TZS 27,943.7 billion recorded at the end of April 2016. Deposits continued to be the main funding source in the banking sector assets, accounting for 83.7 percent of total liabilities. The remaining funding gap was largely bridged through shareholders' equity and borrowings.



The banking sector remained sound, stable and profitable with levels of capital and liquidity generally above regulatory requirements. The ratio of core capital to total risk weighted assets and off-balance sheet exposures was 19.0 percent at the end of April 2017, above the minimum legal requirement of 10 percent and 17.8 percent recorded in April 2016. In the same period, the ratio of liquid assets to demand liabilities stood at 37.7 percent, above the minimum regulatory requirement of 20 percent, and slightly above 37.0 percent recorded in April 2016. Meanwhile, the quality of the banking sector’s assets deteriorated as reflected by the ratio of non-performing loans (NPLs) to gross loans, which increased to 10.8 percent from 8.2 percent recorded at the end of April 2016. The Bank of Tanzania has directed banks with high NPLs ratio to formulate and implement strategies to bring the ratio to at most 5 percent, and encouraged them to increase use of the existing credit reference system to reduce risks.

Table 4.1: Banking Sector Financial Soundness Indicators

Indicator	Regulatory Limit	Percent				
		Apr-16	Jun-16	Sep-16	Dec-16	Apr-17
Capital adequacy						
Core capital to total risk weighted assets plus off balance sheet exposure	Minimum 10	17.8	17.2	17.3	17.8	19.0
Total capital to total risk weighted assets plus off balance sheet exposure	Minimum 12	19.8	19.2	19.2	19.8	21.0
Liquidity						
Liquid assets to demand liabilities	Minimum 20	36.6	37.0	34.2	42.4	37.7
Total loans to customer deposits	N/A	82.7	85.8	87.1	86.3	85.8
Earnings and profitability						
Return on assets	N/A	3.1	3.0	2.5	2.4	2.1
Return on equity	N/A	15.8	15.3	12.0	10.5	10.1
Non-interest expenses to total income	N/A	64.5	65.0	66.9	67.6	68.4
Assets quality						
Non-performing loans to gross loans	N/A	8.2	8.9	9.1	9.5	10.8

Source: Bank of Tanzania

The Bank of Tanzania continued to implement prudential measures to strengthen risk management practices in the financial sector. In this regard, the Bank has initiated the process of reviewing the relevant



legislations and guidelines to take into account new developments. These include Guidelines for Directors of Banks and Financial Institutions, the Outsourcing Guidelines and Business Continuity Management Guidelines and the Agent Banking Guidelines, which are reviewed in order to improve the level of corporate governance in banking institutions. The Bank has also started developing rules for implementation of Basel II/ III in order to make sure that the existing supervision practices are in line with the internationally accepted standards. Further, the Bank of Tanzania has directed banks to maintain capital conservation buffer and implement capital charge over operational risk, with effect from August 2017. In this regard, the minimum core and total capital ratios will remain 10 percent and 12 percent, respectively as prescribed in *section 17 of the Banking and Financial Institutions Act, 2006*, but banks and financial institutions shall be required to maintain capital conservation buffer of 2.5 percent of risk-weighted assets and off-balance sheet exposures. The capital conservation buffer will be made up of items that qualify as Tier 1 capital.

4.3 National Payment Systems Developments

During July 2016 to April 2017, the clearing, payment and settlement systems continued to operate efficiently with general increase in access and usage. This is partly due to increased utilization of digital technology in financial services delivery and efficient regulatory framework for the payment systems. Tanzania Interbank Settlement System (TISS) continued to facilitate interbank transactions and Government payment obligations. During the period under review, the system operations were boosted to enhance liquidity arrangements to participants by accommodating the Statutory Minimum Reserve (SMR) averaging tools effective January 2017. In addition, the participants to the system increased to 50 banks, with Parliament, Judiciary and the Government also being connected to the system. The process of connecting government institutions to the



system continued smoothly in which seven regions have already been connected; these are Dar es Salaam, Arusha, Mbeya, Mwanza, Dodoma, Morogoro and Tanga. The remaining regions are in the process of being connected together with all councils in order to enable efficient payments and disbursement of funds within the government circles and the public at large.

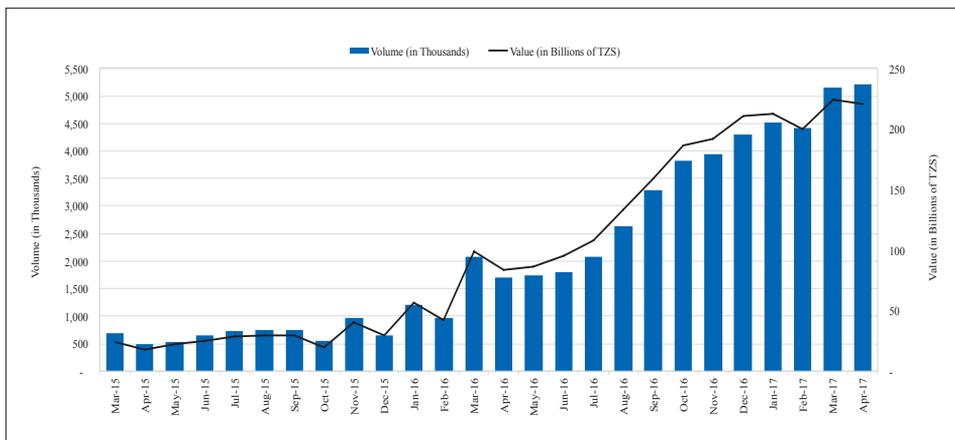
As part of the regional payment infrastructure, the East Africa Payment System (EAPS) operated smoothly with increased volumes, despite the decline in value of transactions between Tanzania and Kenya corridor (1,865 transactions valued at KES 3.1 billion, an increase of 23.9 percent in volume and decrease of 12.0 percent in value, when compared with corresponding period of 2015/16. The same situation was observed for Tanzania and Uganda corridor (188 transactions valued at UGX 8.7 billion, an increase of 6.2 percent in volume and decline of 63.0 percent in value). There was no flow of transactions between Tanzania and Rwanda corridor. The Tanzania Automated Clearing System (TACH) which includes the Electronic Funds Transfer (EFT) system operated smoothly exhibiting efficiency while attracting new participants. Currently, there are 44 participants in the system. Realizing the potential for efficiency in the system, the Government has connected and started using the EFT system to facilitate pension payments to the retirees as well as payment of other benefits such as salaries for the government employees. This has considerably reduced the cost associated with the previous means of disbursing these payments through commercial banks.

The retail payment systems such as the usage of card payments, automated teller machines and point of sale (POS) increased slightly. In addition, the interoperability among the four major mobile payment services providers has continued to contribute to substantial increase in transactions across



network operators and therefore reducing the cost of mobile financial services. During July 2016 to April 2017, 1,444.6 million transactions valued at TZS 49,997.1 billion took place, which is much higher than 1,217.70 million transactions valued at TZS 43,867.9 billion, that took place during similar period of the preceding year. The number of registered active users of mobile phone financial services was above 17.3 million by end April, 2017. Further, other developments such as consideration for the switching solution among the service providers are being reviewed within the industry.

Chart 4.6: Interoperability Transactions Crossing from one Mobile Network Operator to Another



Source: Bank of Tanzania

Going forward, it is expected that the process of transiting into the new regulatory framework for the payment systems will be finalized by ensuring that all existing payment systems providers have fully complied with the new requirements under the current framework. Based on that, the oversight and monitoring of the systems will be conducted under the new framework. The efforts to connect government institutions to TISS will also be enhanced with a view to ensure that all Government



institutions are participating in the system. It is expected also that the new National Payment Systems Strategic Framework (2017 – 2027) will be implemented to provide for strategic directions for further modernization and development of the National Payment Systems.



PART V

5.0 MACROECONOMIC POLICY FRAMEWORK FOR 2017/18

5.1 Macroeconomic Objectives

During 2017/18, the Governments will continue to implement the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015 – 2020) aiming at building the foundation for industrialisation and spurring economic growth. In particular, the Governments will aim at attaining the following macroeconomic objectives:

- i. Real GDP growth of 7.2 percent in 2017/18 based on the projected growth of 7.1 percent in 2017 and 7.3 percent in 2018.
- ii. Maintaining a single digit annual inflation rate by end June 2018.
- iii. Budget deficit including grants of 3.8 percent of GDP (including clearance of arrears) in 2017/18.

For Zanzibar, real GDP growth is projected at 7.1 percent in 2017/18 based on the projected growth of 7.1 percent in 2017 and 7.0 percent in 2018, while budget deficit including grants is estimated at 1.1 percent of GDP in 2017/18.

5.2 Monetary Policy Objectives

In support of the 2017/18 broader macroeconomic objectives of the Government, the Bank will continue to primarily focus on maintaining price stability, while ensuring stability in the money market interest rates. The Bank therefore aimed at achieving the following monetary policy targets:



- i. Annual growth of average reserve money of not more than 12.6 percent;
- ii. Annual growth of broad money (M3) of not more than 12.5 percent;
- iii. Annual growth of private sector credit not exceeding 14 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services, excluding FDI related imports.



PART VI

6.0 MONETARY POLICY STANCE FOR 2017/18

6.1 Liquidity Management

During 2017/18, the Bank of Tanzania will continue to focus at ensuring that liquidity is kept within a range consistent with GDP growth and inflation objectives. Liquidity situation in the banking system is expected to continue improving following measures taken by the Bank in the second half of 2016/17. The monetary policy actions taken by the Bank are expected to continue broadening the lending base of banks and lowering the cost of funds to support various economic activities. The Bank will continue to closely monitor developments in banks' clearing balances and apply its monetary policy tool kit to ensure that supply of liquidity is maintained within the required path in order to maintain stability in the money market interest rates, while keeping inflation in check at around the medium term target of 5.0 percent.

During the year, the Bank will continue with reforms to facilitate and adopt the interest rate based monetary policy framework to gradually replace the current monetary targeting framework. Under the new framework, interbank cash market interest rate will be used as an operational target as opposed to the current practice of using average quantity of reserve money. The adoption of this framework is part of the broader commitment to modernize the monetary policy framework and harmonization of the monetary policy practices among the EAC Partner States as prescribed in the East African Community Monetary Union Protocol. The on-going initiatives include development of a mechanism for increased transparency and efficiency in the interbank cash market operations, integration of the forecasting and policy analysis system (FPAS) into the monetary policy



formulation process, expansion of the range of eligible collaterals for monetary operations and enhancement of coordination between monetary and fiscal policy. The Bank will also issue operational guidelines for commercial banks outlining rules for achieving transparent and even handed interbank cash market operations.

6.2 Interest Rate Policy

Interest rates will continue to be determined by market forces with Treasury bills market being an anchor. The Bank will continue to promote development of a more efficient interbank cash market in order to improve price discovery and reduce interest rate volatility, while promoting transmission mechanism of the monetary policy actions.

6.3 Exchange Rate Policy

The Bank will continue to implement monetary policy in an environment of a market determined exchange rate. The Bank will continue to use foreign exchange reserves for liquidity management purposes, and to meet the supply and demand for foreign exchange in order to smoothen out excessive short-term volatility in the exchange rate. This will be done, cognizant of the need to maintaining adequate level of official foreign exchange reserves to mitigate against unexpected adverse external shocks.



PART VII

7.0 OUTLOOK AND CONCLUSION

Economic growth is expected to remain strong in 2017/18, supported by implementation of the Second Five Year Development Plan and MKUZA III, and gain from expected rebound of growth in advanced and in emerging market and developing economies. Annual inflation rate has been aligned with the medium-term objective, consistent with subdued global oil prices and improvement in food supply. Given the prevailing monetary policy stance, projected favourable food supply situation, coupled with stability of the shilling exchange rate against major currencies and subdued global oil prices; it is expected that inflation will remain at single digit level in line with the medium-term target of 5.0 percent. The Bank will continue to implement prudent monetary policy to sustain the general macroeconomic stability mindful of possible inflationary pressures that may arise from supply side shocks.

The Bank will continue to improve functioning of the financial markets and financial sector at large, by among other things, reviewing the relevant legislations and guidelines to take into account new developments and challenges. The Bank will also continue with reforms of the monetary policy operations and gradually implement the interest rate based monetary policy framework with interbank cash market interest rate as an operational target.

Mindful of the supply side shocks and in coordination with fiscal policy, the Bank is confident that the monetary policy targets set in this Monetary Policy Statement for 2017/18 will be achieved.



APPENDICES



Table A1: Global and Regional GDP Growth Rates

	<i>Percent</i>									
	2012	2013	2014	2015	2016	Projection		2017	2018	
World	3.5	3.4	3.5	3.4	3.1	3.5	3.6	3.5	3.6	
Advanced economies	1.2	1.3	2.0	2.1	1.7	2.0	2.0	2.0	2.0	
United States	2.2	1.7	2.4	2.6	1.6	2.3	2.5	2.3	2.5	
Euro Area	-0.9	-0.3	1.2	2.0	1.7	1.7	1.6	1.7	1.6	
Japan	1.5	2.0	0.3	1.2	1.0	1.2	0.6	1.2	0.6	
United Kingdom	1.3	1.9	3.1	2.2	1.8	2.0	1.5	2.0	1.5	
Emerging Markets and Developing Economies	5.4	5.1	4.7	4.2	4.1	4.5	4.8	4.5	4.8	
Emerging and Developing Asia	7.0	6.9	6.8	6.7	6.4	6.4	6.4	6.4	6.4	
China	7.9	7.8	7.3	6.9	6.7	6.6	6.2	6.6	6.2	
India	5.5	6.5	7.2	7.9	6.8	7.2	7.7	7.2	7.7	
Sub-Saharan Africa	4.3	5.3	5.1	3.4	1.4	2.6	3.5	2.6	3.5	
Nigeria	4.3	5.4	6.3	2.7	-1.5	0.8	1.9	0.8	1.9	
South Africa	2.2	2.5	1.7	1.3	0.3	0.8	1.6	0.8	1.6	

Source: IMF, World Economic Outlook, April 2017



Table A2: Selected Economic Indicators

Items	Unit	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
1. Prices														
1.5 Annual change in consumer price index														
1.5.1 Headline inflation	Percent	5.1	5.2	5.5	5.1	4.9	4.5	4.5	4.8	5.0	5.2	5.5	6.4	6.4
1.5.2 Food inflation	Percent	7.1	7.0	8.1	7.6	6.9	6.0	6.0	6.2	7.0	7.6	8.7	11.0	11.8
1.5.3 Core inflation	Percent	3.0	3.0	3.0	2.6	2.6	2.4	2.4	2.6	2.5	2.3	2.2	2.2	2.3
2. Money credit and interest rates														
2.1 Extended broad money supply (M3) ¹	Percent	12.9	12.0	12.7	6.9	5.1	4.7	3.0	5.0	3.4	4.6	1.7	4.6	3.8
2.2 Reserve money ¹	Percent	11.9	10.3	3.0	-2.2	-0.6	1.2	-2.1	1.5	0.3	-0.8	2.1	-2.5	0.8
2.3 Average reserve money ¹	Percent	12.3	12.2	7.2	1.9	-2.0	-1.5	-0.9	0.1	1.7	0.3	-0.4	-1.5	0.8
2.4 Credit to the private sector ¹	Percent	19.3	16.2	19.1	15.2	13.8	11.7	10.3	9.4	7.2	5.1	4.2	3.7	3.4
2.5 364-days Treasury bill rate ²	Percent	16.6	15.5	15.4	15.9	15.9	15.9	16.2	15.9	15.8	15.8	15.5	15.1	14.0
2.6 Overnight inter-bank rate ²	Percent	11.1	12.3	12.8	14.4	16.3	16.2	15.5	13.2	13.7	10.1	7.9	7.4	7.2
2.7 12-Months deposit rate ²	Percent	11.6	11.8	12.4	12.4	11.5	11.5	11.4	10.9	11.0	10.8	12.1	12.0	12.1
2.8 Short-term (up to 1 year) lending rate ²	Percent	14.0	14.2	13.7	13.3	13.4	13.2	13.4	12.8	12.9	14.2	18.4	18.1	17.2
3. Balance of payments														
3.1 Gross official reserves	Millions of USD	3,845.0	3,894.1	3,870.3	3,883.4	4,078.7	4,096.0	4,050.9	4,254.1	4,325.6	4,331.7	4,354.1	4,482.6	4,413.6
3.2 Exchange rate														
3.2.1 Period average	TZS/USD	2,181.8	2,181.7	2,182.3	2,180.0	2,177.9	2,174.0	2,175.5	2,172.1	2,170.4	2,206.0	2,225.3	2,225.4	2,226.1
3.2.2 End of period	TZS/USD	2,178.9	2,182.3	2,178.9	2,179.0	2,176.5	2,175.3	2,175.1	2,171.0	2,172.6	2,222.0	2,226.3	2,223.9	2,227.3
4. Public finance														
4.1 Domestic revenue ³	Billions of TZS	1,045.3	1,051.0	1,518.4	1,212.5	1,210.9	1,378.5	1,185.3	1,291.3	1,786.6	1,218.8	1,318.0	1,397.7	1,090.8
4.2 Recurrent expenditure ³	Billions of TZS	1,173.8	1,024.2	1,439.3	667.1	1,053.2	1,291.4	1,017.6	1,027.3	1,395.8	982.3	1,042.1	1,339.4	1,050.1
4.3 Development expenditure ³	Billions of TZS	351.8	339.0	472.7	44.6	272.7	326.0	324.4	531.3	583.9	370.8	519.6	208.7	336.8
4.4 Program assistance	Millions of USD	1.1	15.4	60.0	2.3	6.5	34.1	0.0	1.1	25.0	0.0	0.1	68.7	14.1
4.4.1 General budget support	Millions of USD	0.0	0.0	56.0	0.0	0.0	16.6	0.0	0.0	0.0	0.0	0.0	0.0	34.0
4.4.2 Basket funds	Millions of USD	1.1	15.4	4.0	2.3	6.5	17.5	0.0	1.1	25.0	0.0	0.1	34.7	14.1

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

Notes: ¹ Annual growth

² Monthly averages

³ Domestic revenue and expenditure on cash basis



Table A3 (a): Tanzania Mainland: Gross Domestic Product at Constant 2007 Prices by Economic Activity

Economic Activity	2011	2012	2013	2014	2015	2016
	Million of TZS					
<i>Agriculture, forestry and fishing</i>	8,621,829	8,901,917	9,186,731	9,497,469	9,719,965	9,924,182
Crops	4,454,219	4,640,787	4,801,783	4,993,855	5,106,027	5,175,489
Livestock	2,948,017	3,001,944	3,062,481	3,129,647	3,204,928	3,287,499
Forestry	745,684	771,590	808,231	849,445	871,448	901,161
Fishing	473,910	487,597	514,235	524,521	537,562	560,033
<i>Industry and Construction</i>	7,271,804	7,566,057	8,287,309	9,144,464	10,174,156	11,265,872
Mining and quarrying	1,141,798	1,217,823	1,264,845	1,383,349	1,508,923	1,682,719
Manufacturing	2,554,119	2,659,200	2,831,400	3,024,323	3,222,077	3,472,647
Electricity supply	284,394	293,804	332,080	363,110	384,271	416,904
Water supply; sewerage, waste management	260,050	267,407	274,507	284,755	285,003	297,151
Construction	3,031,443	3,127,824	3,584,477	4,088,927	4,773,882	5,396,450
<i>Services</i>	16,341,278	17,520,835	18,767,585	20,119,051	21,511,358	23,138,496
Wholesale and retail trade; repairs	3,541,265	3,675,197	3,839,852	4,223,837	4,552,422	4,855,513
Transport and storage	1,980,177	2,062,518	2,314,221	2,603,499	2,810,378	3,140,748
Accommodation and Food Services	543,173	579,598	595,724	609,111	622,966	646,197
Information and communication	1,177,462	1,439,326	1,631,263	1,762,116	1,974,819	2,231,111
Financial and insurance activities	1,374,537	1,445,140	1,534,231	1,699,700	1,900,297	2,103,991
Real estate	1,719,706	1,754,126	1,790,574	1,829,107	1,869,782	1,914,177
Professional, scientific and technical activities	655,947	617,853	651,358	654,930	699,556	743,797
Administrative and support service activities	892,397	1,104,372	1,239,495	1,313,618	1,375,562	1,404,965
Public administration and defence	2,231,564	2,435,459	2,625,280	2,728,183	2,854,132	3,045,808
Education	1,143,385	1,228,099	1,280,673	1,341,507	1,425,992	1,541,076
Human health and social work activities	541,093	602,632	655,861	709,310	742,629	781,589
Arts, entertainment and recreation	116,005	128,764	136,162	143,933	152,891	166,415
Other service activities	320,944	341,382	363,702	388,120	414,881	444,610
Activities of households as employers;	103,623	106,369	109,188	112,082	115,052	118,500
FISIM	-561,275	-568,183	-568,580	-623,558	-696,521	-810,063
All economic activities	31,673,636	33,420,626	35,673,045	38,137,426	40,708,959	43,518,487
Taxes on products	2,505,661	2,515,833	2,874,500	3,093,939	3,391,850	3,656,415
GDP at market prices	34,179,297	35,936,459	38,546,546	41,231,365	44,100,809	47,174,902
	Real Growth by Economic Activities (Percent)					
<i>Agriculture, forestry and fishing</i>	1.9	3.2	4.0	3.4	3.2	1.9
Crops	2.8	4.2	5.0	3.2	3.3	0.6
Livestock	0.1	1.8	2.2	3.6	3.9	2.8
Forestry	3.3	3.5	4.7	5.1	1.0	3.6
Fishing	2.7	2.9	5.5	2.0	2.6	4.2
<i>Industry and Construction</i>	11.2	4.2	9.0	10.8	11.0	11.1
Mining and quarrying	6.3	6.7	3.9	9.4	9.1	11.5
Manufacturing	6.9	4.1	6.5	6.8	6.5	7.8
Electricity supply	-4.3	3.3	13.0	9.3	5.8	8.5
Water supply; sewerage, waste management	-1.2	2.8	2.7	3.7	-1.3	4.8
Construction	21.9	3.3	13.9	15.9	16.8	14.1
<i>Services</i>	8.4	7.3	7.2	7.2	6.9	7.6
Wholesale and retail trade; repairs	11.3	3.8	4.5	10.0	7.8	6.7
Transport and storage	4.4	4.2	12.2	12.5	7.9	11.8
Accommodation and Food Services	4.1	6.7	2.8	2.2	2.3	3.7
Information and communication	8.6	22.2	13.3	8.0	12.1	13.0
Financial and insurance activities	14.8	5.1	6.2	10.8	11.8	10.7
Real estate	2.0	2.1	2.2	2.2	2.3	2.4
Professional, scientific and technical activities	4.8	-5.8	5.4	0.5	6.8	6.3
Administrative and support service activities	5.1	23.8	12.2	6.0	4.7	2.1
Public administration and defence	15.9	9.1	7.8	3.9	4.6	6.7
Education	5.6	7.4	4.3	4.8	6.3	8.1
Human health and social work activities	5.3	11.4	8.8	8.1	4.7	5.2
Arts, entertainment and recreation	7.7	11.0	5.7	5.7	6.2	8.8
Other service activities	6.2	6.4	6.5	6.7	6.9	7.2
Activities of households as employers;	2.7	2.7	2.7	2.7	2.7	3.0
FISIM	22.6	1.2	0.1	9.7	11.7	16.3
All economic activities	7.5	5.8	7.1	7.3	7.2	7.3
Taxes on products	12.1	0.4	14.2	7.7	9.6	7.8
GDP at market prices	7.9	5.1	7.3	7.0	7.0	7.0

Source: National Bureau of Statistics

Note: r means revised

p denotes provisional

FISIM implies financial intermediation indirectly measured



Table A3 (b): Tanzania Mainland: Gross Domestic Product at Constant 2007 Prices by Economic Activity

Percent

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

Source: National Bureau of Statistics

Note: *p* denotes provisional, *r* means revised

FISIM means financial intermediation indirectly measured



Table A3 (c): Zanzibar: Gross Domestic Product at Constant 2007 Prices by Economic Activity

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

Source: Office of Chief Government Statistician, Zanzibar

Note: p implies provisional

FISIM means financial intermediation indirectly measured



Table A4 (a): National Consumer Price Index (NCPI)

Main Groups	Weight (%)	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Food and non alcoholic beverages	38.5	103.5	104.0	105.1	105.0	103.9	102.9	103.0	105.3	107.0	108.7	111.2	114.3	115.7
Alcoholic, tobacco and narcotics	3.7	102.6	103.4	103.6	104.2	104.5	104.5	104.6	105.0	105.1	105.2	105.5	105.8	106.2
Clothing and footwear	8.3	101.3	101.9	102.4	102.6	102.9	102.9	102.9	103.3	103.7	104.4	104.3	104.6	105.2
Housing, water, electricity, gas and other fuel	11.6	106.4	108.3	107.1	107.3	107.3	108.8	109.8	110.6	109.9	111.3	112.7	113.5	112.6
Furnishing, housing equipment and routine maintenance of the house	6.3	101.6	101.4	101.5	101.5	101.9	102.2	102.1	103.2	104.0	103.9	104.2	104.6	104.7
Health	2.9	102.8	103.0	103.8	103.8	104.1	104.2	104.5	104.6	104.7	105.3	105.4	105.4	105.4
Transport	12.5	98.7	98.8	99.3	99.5	100.0	99.9	99.7	100.0	100.3	100.3	99.7	100.1	100.6
Communication	5.6	98.6	98.9	99.0	99.1	99.2	99.1	99.0	99.1	99.1	99.1	98.5	98.5	98.1
Recreation and culture	1.6	100.7	100.8	101.3	101.1	101.6	101.1	101.5	101.7	101.8	101.0	101.6	101.9	101.9
Education	1.5	102.2	102.4	102.4	102.5	102.7	102.6	102.6	102.6	102.6	102.8	103.0	103.0	103.0
Restaurants and hotels	4.2	103.6	103.4	103.8	103.7	104.7	104.7	103.8	104.2	104.2	104.2	104.3	104.5	104.5
Miscellaneous goods and services	3.1	101.2	101.5	101.7	101.6	101.9	102.2	102.3	102.7	102.9	102.9	102.9	104.5	105.5
Total – All Items Index	100.0	102.5	103.0	103.5	103.5	103.3	103.1	103.2	104.3	105.0	105.9	107.0	108.4	109.0
Other Selected Groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	104.1	104.5	105.7	105.6	104.4	103.3	103.4	105.7	107.4	109.3	111.9	115.2	116.6
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	105.0	108.1	107.2	108.3	108.7	110.3	110.8	111.9	111.7	113.1	115.4	117.1	115.5
All items less food	62.9	101.7	102.2	102.3	102.4	102.7	103.1	103.2	103.7	103.8	104.1	104.6	105.0	105.1
All items less food and energy	54.3	101.1	101.3	101.5	101.5	101.8	101.9	102.0	102.3	102.5	102.7	102.8	103.0	103.5

Source: National Bureau of Statistics



Table A4 (b): National Consumer Price Index (NCPD), 12 Months Percentage Change

Main Groups	Weight (%)	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Food and non alcoholic beverages	38.5	7.1	7.0	8.1	7.6	6.9	6.0	6.0	6.2	7.0	7.6	8.7	8.7	11.8
Alcoholic, tobacco and narcotics	3.7	4.1	4.9	4.9	5.5	5.2	5.3	5.3	5.6	5.1	5.0	5.2	5.2	3.5
Clothing and footwear	8.3	4.3	4.5	4.6	4.2	3.7	4.2	3.8	3.9	3.7	3.4	3.2	3.4	3.9
Housing, water, electricity, gas and other fuel	11.6	7.0	8.8	7.6	7.4	6.8	6.5	7.2	10.9	9.9	9.5	8.7	6.8	5.8
Furnishing, housing equipment and routine Maintenance of the house	6.3	4.9	4.4	4.2	3.4	3.6	3.5	3.6	4.3	4.0	3.3	3.8	3.9	3.1
Health	2.9	6.4	6.6	6.8	6.0	5.9	6.0	5.8	5.5	4.7	4.8	3.3	3.0	2.5
Transport	12.5	2.0	1.6	1.3	0.4	-0.4	-0.8	0.1	0.7	0.3	0.6	0.6	1.6	1.9
Communication	5.6	-1.0	-0.6	-0.6	-0.4	-0.2	-0.4	-0.7	-0.6	-0.9	-0.9	-1.5	-0.1	-0.5
Recreation and culture	1.6	4.1	3.9	3.4	3.3	3.5	1.2	1.5	1.8	1.8	0.7	1.4	1.2	1.3
Education	1.5	2.6	2.7	2.7	2.8	3.0	2.9	2.9	2.9	2.6	1.8	0.8	0.8	0.8
Restaurants and hotels	4.2	4.8	4.9	5.3	4.3	5.2	5.2	4.3	4.4	4.2	3.9	3.9	3.6	0.8
Miscellaneous goods and services	3.1	3.9	3.9	3.7	4.0	3.9	3.2	3.2	3.1	2.9	2.3	1.9	3.6	4.3
Total - All Items Index	100.0	5.1	5.2	5.5	5.1	4.9	4.5	4.5	4.8	5.0	5.2	5.5	5.5	6.4
Other Selected Groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	7.3	7.2	8.3	7.8	7.0	6.0	6.0	6.4	7.4	8.2	9.3	11.7	12.0
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	6.6	9.1	7.5	7.3	5.9	4.9	6.2	11.7	11.7	11.5	12.3	11.5	9.9
All Items less food	62.9	3.5	3.8	3.6	3.2	3.0	2.6	2.9	3.8	3.8	3.6	3.6	3.6	3.4
All Items less food and energy	54.3	3.0	3.0	3.0	2.6	2.6	2.4	2.4	2.6	2.5	2.3	2.2	2.2	2.3

Source: National Bureau of Statistics



Table A4 (c): Zanzibar National Consumer Price Index (NCPI)

	Weights (%)	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Headline	100.0	121.4	122.2	124.9	125.9	125.3	123.9	123.5	123.9	124.8	125.8	100.2	100.3	103.4
Food	51.7	119.4	119.6	123.7	124.8	122.7	120.1	119.3	119.5	121.3	123.4	100.2	101.1	104.1
Non-Food	48.3	122.9	123.9	125.3	126.3	127.3	127.1	127.1	127.9	128.6	128.3	100.2	100.5	102.8
Alcoholic beverages, tobacco & narcotics	0.3	115.4	115.4	115.4	119.6	119.6	119.6	119.6	119.6	119.6	119.6	100.0	101.1	100.0
Clothing and footwear	9.3	129.9	130.8	132.1	133.4	133.7	134.1	134.5	134.7	135.4	135.6	99.9	100.0	99.8
Housing, water, electricity, gas and other fuels	17.1	118.1	119.0	120.7	121.6	122.6	122.3	122.1	123.6	124.5	123.7	100.3	99.9	107.3
Furnishing, household equipment and routine household maintenance	4.6	117.4	117.6	118.1	118.2	118.2	118.3	118.5	118.9	119.1	118.7	100.0	100.3	100.0
Health	2.8	118.0	121.4	124.8	124.8	127.8	127.8	127.8	128.4	128.4	128.4	100.0	100.0	100.4
Transport	6.3	100.0	101.4	102.8	103.9	104.8	103.6	102.9	103.9	104.9	104.4	100.8	100.1	102.8
Communication	2.6	199.4	199.4	199.6	199.6	199.6	199.2	199.4	199.4	199.4	199.4	100.0	102.4	100.0
Recreation and culture	0.8	130.3	130.3	129.5	131.0	132.1	132.3	132.3	132.8	132.8	132.9	96.7	98.4	98.4
Education	1.3	150.6	150.6	150.6	150.6	150.6	150.6	150.6	150.6	150.6	156.9	100.0	100.0	100.0
Restaurants and hotels	2.1	134.5	147.0	147.0	140.1	142.5	142.8	141.0	141.9	141.3	142.4	100.0	100.0	100.0
Miscellaneous goods & services	3.2	133.2	133.9	134.9	138.5	141.1	142.6	143.0	143.1	143.8	144.0	100.0	100.0	99.8

Source: Office of Chief Government Statistician, Zanzibar



Table A4 (d): Zanzibar National Consumer Price Index (NCPI), 12 Months Percentage Change

	Weights (%)	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Headline	100.0	10.1	8.2	9.3	5.8	3.7	4.0	4.1	2.3	3.0	3.7	4.5	6.4	7.1
Food	51.7	14.4	10.9	12.7	7.4	4.2	3.8	4.1	0.4	1.8	3.5	4.4	7.2	7.0
Non-Food	48.3	5.1	4.5	4.8	2.9	2.9	3.8	3.8	4.1	4.9	3.8	4.5	5.8	7.3
Alcoholic beverages, tobacco & narcotics	0.3	2.3	2.3	2.3	6.1	4.2	4.5	4.5	4.2	3.6	3.7	3.7	3.7	3.7
Clothing and footwear	9.3	8.8	8.4	6.9	5.2	2.7	3.5	3.9	4.0	4.7	4.0	4.0	4.3	4.2
Housing, water, electricity, gas and other fuels	17.1	0.9	0.3	1.9	1.4	2.2	3.7	3.6	4.8	5.5	4.0	5.1	6.8	12.3
Furnishing, household equipment and routine household maintenance	4.6	6.3	6.1	6.0	5.1	4.1	3.3	3.2	2.7	2.7	1.6	1.6	1.3	1.2
Health	2.8	11.5	12.6	11.7	11.2	13.8	11.0	11.0	10.0	10.0	8.7	8.9	9.0	9.2
Transport	6.3	4.5	2.0	2.6	-3.8	-2.9	-1.0	-1.6	-0.9	2.4	2.0	3.8	8.4	7.3
Communication	2.6	8.3	8.3	8.4	-0.3	-0.3	-0.4	-0.5	-0.5	-0.5	-0.2	0.0	0.0	0.0
Recreation and culture	0.8	3.4	1.6	0.9	0.8	1.7	1.8	1.8	1.9	1.9	2.0	-1.3	0.4	0.4
Education	1.3	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	4.1	4.1	4.1	4.1
Restaurants and hotels	2.1	31.0	41.5	40.3	41.6	12.7	13.8	12.5	6.4	6.1	5.9	5.7	5.7	5.9
Miscellaneous goods & services	3.2	8.3	8.0	8.8	8.3	9.5	10.5	10.6	10.5	9.7	9.3	9.3	9.2	7.8

Source: Office of Chief Government Statistician, Zanzibar



Table A5: Tanzania: Depository Corporations Survey

Billions of TZS

Items	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Net foreign assets (NFA) of the banking system	7,477.4	7,579.0	7,472.2	7,755.8	7,878.9	7,737.2	7,625.6	7,894.7	8,209.0	8,378.8	8,526.9	8,514.2	8,021.6
NFA of the Bank of Tanzania	7,075.6	7,203.8	7,146.1	7,207.3	7,668.3	7,693.6	7,616.1	8,061.1	8,304.1	8,464.8	8,580.5	8,850.0	8,702.3
Net international reserves: (Millions of USD)	3,509.9	3,562.7	3,570.4	3,584.6	3,779.7	3,797.2	3,756.7	3,964.6	4,067.7	4,071.2	4,105.7	4,232.8	4,161.8
NFA of the banks	401.8	375.2	326.1	585.5	210.6	45.6	9.5	-166.4	-95.1	-86.0	-53.6	-335.8	-680.7
Banks' NFA (Millions of USD)	184.4	171.9	149.6	251.7	96.8	4.4	-76.6	-43.8	-38.7	-24.1	-151.0	-305.6	
Net domestic assets of the banking system	14,523.8	14,673.4	15,034.0	14,511.2	14,592.9	14,548.7	14,706.9	14,736.1	14,668.8	14,404.6	13,852.5	14,126.0	14,809.2
Domestic claims	21,479.8	21,727.8	21,889.2	21,254.1	21,363.6	21,340.1	21,447.2	21,353.0	20,890.9	20,921.3	20,730.0	20,717.2	21,407.9
Claims on central government (net)	5,314.4	5,334.6	5,229.2	4,604.3	4,677.7	4,717.3	4,792.8	4,721.1	4,820.2	4,349.1	4,087.9	4,030.9	4,691.7
Claims on central government	7,377.2	7,533.6	7,310.1	7,032.8	7,156.6	6,927.7	7,091.3	6,992.2	7,166.9	7,545.4	7,788.5	7,648.2	7,937.8
Ow Securities held by banks	4,215.7	4,291.5	4,326.6	4,299.4	3,968.7	3,923.7	3,984.3	3,896.6	4,058.1	4,196.1	4,382.7	4,653.7	4,838.0
Liabilities to central government	2,062.8	2,199.1	2,080.9	2,428.5	2,478.9	2,210.4	2,298.5	2,271.1	2,884.9	3,196.3	3,700.6	3,617.3	3,246.2
Claims on the private sector	16,165.4	16,393.2	16,659.9	16,649.8	16,686.0	16,622.8	16,654.4	16,631.9	16,608.9	16,572.2	16,642.0	16,686.3	16,716.2
Ow Extended in Shillings	10,304.5	10,435.1	10,752.8	10,768.5	10,785.6	10,815.5	10,856.5	10,753.2	10,762.5	10,765.8	10,762.1	10,764.3	10,704.7
Extended in foreign currency	5,861.0	5,958.1	5,907.1	5,881.3	5,900.4	5,811.3	5,797.9	5,878.7	5,846.3	5,915.8	5,939.9	5,922.1	6,011.5
Equivalent in millions of USD	2,689.9	2,730.2	2,711.1	2,699.1	2,710.9	2,671.5	2,665.6	2,707.9	2,690.9	2,662.4	2,668.1	2,662.9	2,699.0
Other items net	-6,956.0	-7,054.3	-6,855.2	-6,742.9	-6,770.7	-6,791.4	-6,740.2	-6,617.0	-6,222.0	-6,516.6	-6,877.4	-6,591.2	-6,598.7
Extended broad money supply (M3)	22,001.2	22,252.4	22,806.2	22,867.0	22,471.8	22,285.9	22,332.5	22,630.8	22,877.9	22,783.4	22,779.4	22,640.2	22,830.7
Foreign currency deposits (FCD)	6,233.7	6,429.4	6,332.0	6,447.3	6,523.7	6,312.6	6,299.3	6,207.2	6,257.5	6,357.0	6,379.6	6,227.8	5,995.6
FCD (Millions of USD)	2,861.0	2,946.2	2,906.1	2,938.8	2,997.3	2,901.9	2,896.1	2,859.2	2,880.2	2,861.0	2,865.5	2,800.4	2,691.9
Broad money supply (M2)	15,767.5	15,823.0	16,174.2	15,819.6	15,948.1	15,973.3	16,033.2	16,423.6	16,620.3	16,426.4	15,990.8	16,412.4	16,835.2
Other deposits	6,252.8	6,316.8	6,341.8	6,217.1	6,263.4	6,415.8	6,405.4	6,586.7	6,536.5	6,402.6	6,134.5	6,097.5	6,725.3
Narrow money supply (M1)	9,514.7	9,506.2	9,832.3	9,602.5	9,684.7	9,575.7	9,627.8	9,836.9	10,083.8	10,023.8	9,865.3	9,714.9	10,109.9
Currency in circulation	3,452.9	3,522.7	3,739.7	3,773.1	3,721.2	3,672.0	3,590.5	3,581.1	3,608.7	3,472.0	3,412.5	3,394.6	3,369.2
Transferable deposits	6,061.8	5,983.5	6,092.6	5,829.4	5,963.6	5,883.5	6,077.3	6,255.7	6,475.1	6,551.9	6,452.8	6,320.3	6,740.7
Memorandum items													
Reserve funds	6,434.1	6,464.7	6,772.7	6,565.1	6,733.6	6,619.0	6,536.9	6,930.2	6,854.4	6,502.5	6,484.8	6,356.7	6,486.3
Banks' reserves	2,389.0	2,328.1	2,309.8	2,190.5	2,382.1	2,324.3	2,325.1	2,690.8	2,548.9	2,449.3	2,411.6	2,318.2	2,455.7
Currency outside Bank of Tanzania	4,045.1	4,136.6	4,373.0	4,374.6	4,351.5	4,294.7	4,211.7	4,239.4	4,305.5	4,113.2	4,073.2	4,038.4	4,030.5
Average reserve money	6,433.6	6,453.4	6,623.5	6,584.9	6,599.4	6,653.9	6,676.4	6,754.2	6,980.4	6,658.1	6,510.4	6,433.6	6,487.6
Normal exchange rate (end of period) (TZS/USD)	2,178.9	2,182.3	2,178.9	2,179.0	2,176.5	2,175.3	2,175.1	2,171.0	2,172.6	2,220.2	2,226.3	2,223.9	2,227.3
Gross official reserves (Millions of USD)	3,845.0	3,894.1	3,870.3	3,883.4	4,078.7	4,096.0	4,050.9	4,254.1	4,325.6	4,331.7	4,354.1	4,482.6	4,413.6
Foreign assets of banks (Millions of USD)	915.7	842.8	835.0	876.7	791.5	766.6	775.5	769.9	768.2	771.1	727.7	691.8	657.4
Gross foreign assets of the banking system (Millions of USD)	4,760.6	4,737.0	4,705.3	4,760.1	4,870.2	4,863.7	4,826.4	5,024.0	5,093.8	5,108.9	5,081.9	5,174.4	5,071.0
Annual growth rates (%)													
Stock of reserve money	11.9	10.3	3.0	-2.2	-0.6	1.2	-2.1	1.5	0.3	-0.8	2.1	-2.5	0.8
Average reserve money	12.3	12.2	7.2	1.9	-2.0	-1.5	-0.9	0.1	1.7	-3.0	-0.4	-1.5	0.8
Extended broad money supply (M2)	12.9	12.0	12.7	6.9	5.1	4.7	3.0	5.0	3.4	4.6	1.7	4.6	3.8
Broad money supply (M2)	12.3	11.8	13.1	7.9	6.9	7.5	5.0	6.6	5.3	6.5	1.8	6.0	6.8
Credit to the private sector	19.3	16.2	19.1	15.2	13.8	11.7	10.3	9.4	7.2	5.1	4.2	3.7	3.4

Source: Bank of Tanzania

Table A6: Tanzania: Capital and Money Market Interest Rates

Items	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
<i>Percent</i>													
Interbank cash market rates													
Overnight	11.06	12.25	12.76	14.40	16.34	16.15	15.51	13.23	13.69	10.07	7.93	7.42	7.19
2 to 7 days	11.59	12.64	13.21	14.61	16.54	16.50	15.94	13.49	13.24	11.72	9.33	8.73	7.03
8 to 14 days	6.83	12.50	12.62	15.00	16.67	16.51	15.00	13.50	13.64	10.60	9.27	10.56	10.13
15 to 30 days	11.50	11.50	10.50	13.00	14.56	14.50	16.34	16.34	13.00	12.00	9.83	9.97	11.00
31 to 60 days	12.00	12.00	12.00	16.00	16.00	16.00	16.50	16.50	12.86	12.50	12.50	12.50	9.00
61 to 90 days	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.60	14.60	14.60	15.75	16.75
91 to 180 days	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
181 and above	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94
Overall interbank cash market rate	11.17	12.32	12.82	14.49	16.38	16.22	15.64	13.35	13.49	10.50	8.68	8.16	7.39
Lombard rate	16.59	18.38	19.13	21.60	24.51	24.23	23.27	19.85	20.54	15.10	11.89	11.13	10.79
REPO rate	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13	6.92	6.92	6.92	3.82
Treasury bills rates													
35 days	7.32	7.35	7.32	7.35	7.33	7.34	7.26	7.00	6.80	6.82	6.50	6.50	6.79
91 days	8.15	7.98	7.28	7.56	7.50	7.46	7.51	7.28	7.09	7.14	7.06	7.20	7.10
182 days	15.78	14.86	15.06	15.67	15.71	15.45	15.51	14.91	14.54	14.51	14.26	13.78	13.02
364 days	16.62	15.50	15.38	15.94	15.88	15.85	16.15	15.94	15.80	15.78	15.52	15.14	14.01
Overall Treasury bills rate	16.16	15.12	14.98	15.76	15.75	15.68	15.72	15.34	15.12	15.27	15.02	14.52	13.51
Treasury bonds rates													
2-years	17.51	17.29	17.29	17.29	17.39	17.39	17.66	17.66	17.67	17.67	17.67	17.61	17.61
5-years	17.07	17.07	17.07	17.78	17.78	17.87	17.87	17.96	17.96	17.96	17.68	17.68	17.92
7-years	18.17	18.17	17.46	17.46	17.91	17.91	17.91	18.34	18.34	18.44	18.44	18.42	18.42
10-years	18.85	18.85	17.96	17.96	17.96	17.63	17.63	17.63	17.63	18.56	18.56	18.56	18.56
15-years	19.76	18.75	18.75	18.94	18.94	18.87	18.87	18.87	18.73	18.73	18.78	18.78	18.88
Discount rate	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	12.00	12.00

Source: Bank of Tanzania





Table A7: Tanzania: Banks' Interest Rates

Items	Percent												
	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
A: Domestic currency													
Savings deposit rate	3.40	3.41	3.40	3.37	3.40	3.42	3.44	3.11	3.08	3.12	3.17	3.17	3.19
Overall time deposits rate	8.98	9.93	10.21	9.97	8.78	9.02	9.24	8.56	8.78	8.99	10.32	10.89	10.32
1 month	10.89	11.53	10.56	11.25	10.33	9.75	9.96	7.72	7.76	9.56	12.13	11.07	11.50
2 months	8.63	10.70	11.64	11.18	10.17	9.29	10.35	9.71	9.08	9.86	11.64	12.77	12.37
3 months	9.94	10.70	11.00	10.62	9.52	10.96	10.44	10.16	11.44	11.39	10.82	12.37	11.40
6 months	9.62	10.57	10.65	9.68	9.19	10.03	10.51	10.09	10.01	9.56	10.08	11.61	11.63
12 months	11.56	11.75	12.39	12.40	11.50	11.46	11.42	10.90	11.03	10.79	12.12	12.03	12.15
24 months	9.63	11.59	12.65	12.00	8.07	8.56	8.81	8.30	9.35	8.77	12.18	13.00	9.83
Negotiated deposit rate	10.94	11.37	11.23	11.85	11.83	11.96	11.70	12.04	11.28	10.94	11.98	12.74	12.89
Overall lending rate	16.12	15.95	16.03	15.75	15.80	15.83	15.74	15.65	15.66	16.01	17.66	17.36	17.72
Short-term (up to 1 year)	13.96	14.17	13.70	13.31	13.37	13.23	13.37	12.84	12.87	14.16	18.43	18.07	17.18
Medium-term (1-2 years)	17.57	16.10	17.09	16.59	16.62	16.94	16.47	16.36	16.65	16.74	18.54	18.48	18.21
Medium-term (2-3 years)	15.87	16.32	16.11	15.87	15.86	15.67	15.88	15.72	16.23	16.04	17.94	17.33	18.92
Long-term (3-5 years)	15.65	15.67	15.62	15.59	15.66	15.79	15.43	15.59	15.15	15.41	17.69	17.19	18.95
Term loans (over 5 years)	17.53	17.46	17.62	17.41	17.48	17.54	17.57	17.75	17.42	17.71	15.69	15.72	15.32
Negotiated lending rate	12.21	11.76	12.10	12.03	11.87	12.25	12.32	13.05	12.54	13.41	17.09	17.25	17.48
B: Foreign currency													
Savings deposits rate	1.79	1.59	1.60	1.41	1.41	1.42	1.41	1.45	1.68	1.26	0.96	0.82	0.74
Overall time deposits rate	2.74	2.79	2.29	2.69	2.33	2.46	2.41	2.52	2.91	2.06	3.95	3.35	3.73
1-months	2.39	2.86	2.96	1.77	1.66	2.11	2.58	2.80	3.05	2.23	3.52	2.74	3.26
2-months	2.83	3.36	2.34	3.46	2.24	3.06	2.90	2.84	3.40	1.76	4.46	3.33	4.28
3-months	2.94	3.28	1.70	2.57	3.07	2.92	2.71	3.03	3.92	2.11	3.59	3.15	3.59
6-months	2.50	2.63	2.30	2.69	2.84	2.52	2.17	2.17	1.71	2.05	4.48	3.18	4.10
12-months	3.04	1.83	2.15	2.96	1.81	1.68	1.69	1.75	2.46	2.16	3.70	4.37	3.44
Overall lending rate	6.78	6.86	6.92	7.42	7.43	7.35	7.39	7.49	7.07	7.30	8.54	8.57	8.49
Short-term (up to 1 year)	3.08	5.11	5.04	5.39	5.43	5.28	5.36	6.19	4.49	5.97	9.32	9.29	8.70
Medium-term (1-2 years)	8.72	7.73	7.76	7.92	7.97	8.07	7.83	7.83	7.87	7.63	7.89	7.85	8.23
Medium-term (2-3 years)	7.24	7.42	7.76	8.13	8.11	8.07	8.08	7.50	7.39	7.33	8.32	8.61	8.26
Long-term (3-5 years)	7.04	6.62	6.55	6.75	6.74	6.75	6.77	6.97	6.70	6.71	8.31	8.27	8.37
Term loans (over 5 years)	7.82	7.41	7.47	8.94	8.92	8.84	8.92	8.95	8.92	8.88	8.84	8.83	8.88

Source: Bank of Tanzania



Table A8: Zanzibar Central Government Operations

Billions of TZS

	Budget	July 2016 - April 2017		Percent of Estimates
	2016/17	Estimates	Actual	
Total revenue	434.6	411.0	445.9	108.5
Tax revenue	395.1	371.5	395.7	106.5
Tax on imports	113.8	95.8	103.5	108.1
VAT and excise duties (local)	109.1	92.3	97.7	105.8
Income tax	64.7	62.3	66.1	106.1
Other taxes	107.4	121.2	128.4	106.0
Non-tax revenue	39.5	39.5	50.2	127.3
Total expenditure	707.7	459.7	482.5	105.0
Recurrent expenditure	376.4	375.5	382.3	101.8
Wages and salaries	184.5	172.9	172.1	99.5
Interest payment	0.0	0.0	0.0	
Local	0.0	0.0	0.0	
Foreign	0.0	0.0	0.0	
Other expenditure	191.9	202.6	210.2	103.8
Development expenditure	331.3	84.1	100.2	119.1
local	65.9	46.9	43.8	93.3
foreign	265.4	37.2	56.4	151.7
Overall (surplus) deficit before grants	-273.1	-50.0	-36.6	73.3
Grants	115.8	9.0	30.8	343.1
4.5% Budget support	40.0	0.0	0.0	
Debt relief	0.6	0.0	0.0	
Program grant	86.8	9.0	30.8	343.1
Overall deficit after grants	-157.3	-42.4	-5.9	13.8
Adjustment to cash and other items	0.0	14.2	-19.8	-139.8
Overall deficit cheques cleared	-177.1	-28.2	-25.7	91.0
Financing	177.1	28.2	25.7	91.0
Foreign	162.1	28.2	25.7	91.0
Import support	0.0	0.0	0.0	
Program loans	162.1	28.2	25.7	91.0
Amortization (foreign)	0.0	0.0	0.0	
Domestic (net)	33.0	0.0	0.0	
Bank	0.0	0.0	0.0	
Non-bank	33.0	0.0	0.0	
Amortization (local)		0.0	0.0	

Source: Ministry of Finance and Planning - Zanzibar



Table A9: Tanzania's Balance of Payments

Millions of USD

Items	2012 ^r	2013 ^r	2014 ^r	2015 ^r	2016 ^p
A. Current account	-3,768.9	-4,955.7	-5,343.7	-3,962.9	-2,013.8
Balance on goods	-4,429.9	-5,771.1	-5,723.7	-4,440.7	-2,774.8
Goods: exports f.o.b.	5,889.2	5,258.1	5,194.1	5,402.3	5,688.8
Traditional	956.7	868.9	828.8	793.3	885.6
Nontraditional	4,164.4	3,703.3	3,798.6	4,117.9	4,286.0
o/w Gold	2,117.4	1,644.8	1,324.1	1,183.3	1,449.4
Unrecorded trade	768.2	685.8	566.8	491.1	517.2
Goods: imports f.o.b.	-10,319.1	-11,029.1	-10,917.8	-9,843.1	-8,463.6
Balance on services	427.5	713.2	727.3	846.0	1,455.5
Services: credit	2,786.4	3,201.7	3,396.0	3,515.8	3,596.8
Transportation	632.2	800.8	892.6	1,012.3	1,043.9
Travel	1,712.7	1,880.4	2,010.1	2,006.3	2,135.4
Other	441.5	520.4	493.3	497.2	417.4
Services: debit	-2,358.9	-2,488.5	-2,668.7	-2,669.7	-2,141.3
Transportation	-1,039.0	-1,130.7	-1,155.3	-1,076.9	-941.9
Travel	-967.0	-1,033.9	-1,101.6	-1,195.3	-832.2
Other	-352.8	-323.9	-411.7	-397.5	-367.2
Balance on goods and services	-4,002.4	-5,057.9	-4,996.4	-3,594.7	-1,319.3
Balance on income	-574.0	-705.7	-824.7	-900.2	-1,066.7
Income: credit	131.1	130.1	118.4	110.3	93.5
o/w Direct investment income	109.6	99.9	86.5	87.8	62.5
Income: debit	-705.1	-835.8	-943.1	-1,010.5	-1,160.2
o/w Direct investment income	-560.2	-617.0	-740.3	-776.4	-731.9
Balance on goods, services and income	-4,576.4	-5,763.6	-5,821.1	-4,494.9	-2,386.1
Balance on current transfers	807.5	807.9	477.4	532.0	372.3
Current transfers: credit	913.0	869.6	535.6	612.2	443.5
Government	544.3	517.9	178.0	246.9	63.3
Other sectors	368.7	351.7	357.6	365.3	380.2
Current transfer: debit	-105.4	-61.8	-58.2	-80.2	-71.2
B. Capital account	777.2	658.8	522.2	354.4	327.8
Capital transfers: credit	777.2	658.8	522.2	354.4	327.8
General government	713.6	595.2	457.9	290.3	264.6
Other sectors	63.6	63.6	64.2	64.0	63.2
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
Total, groups A plus B	-2,991.7	-4,297.0	-4,821.6	-3,608.5	-1,686.0
C. Financial account, excl. reserves and related items	3,879.6	5,020.7	3,500.3	3,157.6	2,059.1
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	1,799.6	2,087.3	1,672.6	1,604.6	1,365.4
Portfolio investment	6.1	4.6	11.5	27.6	-5.0
Other investment	2,073.9	2,928.8	1,816.2	1,525.4	698.8
Total, groups A through C	888.0	723.8	-1,321.3	-450.9	373.2
D. Net errors and omissions	-561.8	-215.8	1,069.5	251.8	-67.6
Overall balance	326.2	507.9	-251.8	-199.1	305.5
E. Reserves and related items	-326.2	-507.9	251.8	199.1	-305.5
Reserve assets	-324.7	-621.4	307.3	273.7	-232.2
Use of Fund credit and loans	-1.5	113.5	-55.5	-74.6	-73.3
Exceptional financing	0.0	0.0	0.0	0.0	0.0
Memorandum items					
CAB/GDP	-9.6	-11.2	-11.1	-8.7	-4.3
CAB/GDP (excl. current official transfers)	-11.0	-12.3	-11.4	-9.2	-4.4
Gross Official Reserves	4,068.1	4,689.7	4,377.2	4,093.7	4,325.6
Months of Imports (Excl FDI related imports)	4.3	4.7	4.7	5.2	4.6
Exchange rate (end of period)	1,571.6	1,574.0	1,725.8	2,148.5	2,172.6

Source: Bank of Tanzania

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

p denotes provisional

f.o.b denotes free on board

CAB means current account balance

NPISHs denotes non-profit institutions serving households



Table A10: Tanzania Exports by Type of Commodity

Items	Unit	July- April		Percentage change
		2015/16	2016/17 ^p	
Traditional Exports:				
Coffee				
Value	Millions of USD	135.0	137.0	1.5
Volume	000 Tons	50.5	49.2	-2.7
Unit Price	USD per Ton	2,671.0	2,785.4	4.3
Cotton				
Value	Millions of USD	31.1	42.0	35.3
Volume	000 Tons	29.2	29.0	-0.6
Unit Price	USD per Ton	1,064.9	1,449.2	36.1
Sisal				
Value	Millions of USD	21.4	13.8	-35.7
Volume	000 Tons	11.4	6.9	-39.0
Unit Price	USD per Ton	1,881.2	1,983.5	5.4
Tea				
Value	Millions of USD	41.0	27.2	-33.6
Volume	000 Tons	23.5	15.6	-33.7
Unit Price	USD per Ton	1,743.1	1,746.5	0.2
Tobacco				
Value	Millions of USD	253.6	235.9	-7.0
Volume	000 Tons	60.1	49.1	-18.2
Unit Price	USD per Ton	4,223.7	4,803.7	13.7
Cashewnuts				
Value	Millions of USD	185.1	339.7	83.5
Volume	000 Tons	161.1	210.1	30.4
Unit Price	USD per Ton	1,149.2	1,617.1	40.7
Cloves				
Value	Millions of USD	45.6	16.5	-63.9
Volume	000 Tons	5.7	2.1	-62.4
Unit Price	USD per Ton	8,059.4	7,742.3	-3.9
Sub total	Millions of USD	712.9	812.1	13.9
Non-traditional exports:				
Minerals		1,114.9	1,414.7	26.9
Gold	Millions of USD	999.2	1,270.9	27.2
Diamond	Millions of USD	71.5	29.6	-58.6
Other minerals ¹	Millions of USD	44.3	114.3	158.1
Manufactured goods	Millions of USD	1,291.0	626.9	-51.4
Cotton yarn	Millions of USD	9.9	23.2	133.1
Manufactured coffee	Millions of USD	0.2	0.1	-35.6
Manufactured tobacco	Millions of USD	30.6	8.6	-71.8
Sisal Products (yarn & twine)	Millions of USD	15.2	22.2	45.5
Other manufactured goods ²	Millions of USD	1,235.0	572.8	-53.6
Fish and fish products	Millions of USD	135.6	117.4	-13.4
Horticultural products	Millions of USD	19.8	20.9	5.5
Re-exports	Millions of USD	847.0	620.1	-26.8
Other exports ³	Millions of USD	376.9	306.7	-18.6
Sub total	Millions of USD	3,785.2	3,106.8	-17.9
Grand total⁴	Millions of USD	4,947.8	4,310.7	-12.9

Source: Bank of Tanzania and Tanzania Revenue Authority

Note: 1 Includes tanzanite, rubies, sapphires, emeralds, copper, silver and other precious stones

2 Includes plastic items, textile apparels iron/steel and articles thereof, cement, cement, wheat flour

3 Includes edible vegetables, oil seeds, cereals, cocoa, raw hides and skins, woods and articles thereof

4 Includes adjustments for unrecorded exports

p means provisional data.



Table A11: Tanzania Imports (f.o.b value) by Major Category

Millions of USD

Items	July- April		Percentage change
	2015/16	2016/17 ^P	
Capital goods	3,181.6	2,388.0	-24.9
Transport equipment	807.8	600.2	-25.7
Building and constructions	777.1	540.9	-30.4
Machinery	1,596.7	1,246.8	-21.9
Intermediate goods	2,547.7	2,330.7	-8.5
Oil imports	1,728.1	1,621.1	-6.2
Fertilizers	151.3	96.2	-36.4
Industrial raw materials	668.4	613.3	-8.2
Consumer goods	1,773.7	1,702.9	-4.0
Food and food stuffs	322.6	349.4	8.3
All other consumer goods ¹	1,451.2	1,353.5	-6.7
Grand total	7,503.1	6,421.6	-14.4

Source: Bank of Tanzania and Tanzania Revenue Authority

Note: *p* means provisional

¹ includes pharmaceutical products, paper products, plastic items, optical/photographic materials, textile apparels

Table A12: Zanzibar: Goods Exports by Major Category

Millions of USD

Items	Units	July - April		Percentage change
		2015/16	2016/17 ^P	
Traditional				
Clove				
Value	USD ('000')	45,659.6	16,411.6	-64.1
Volume	000 Tonnes	5,662.0	2,123.0	-62.5
Unit price	USD/Tonne	8,563.3	6,333.2	-26.0
Non-traditional				
Seaweeds				
Value	USD ('000')	2,528.4	1,542.5	-39.0
Volume	000 Tonnes	6,570.5	3,270.0	-50.2
Unit price	USD/Tonne	365.1	419.6	14.9
Manufactured goods	USD ('000')	9,153.7	12,014.6	31.3
Fish and fish produce	USD ('000')	31.61	35.0	10.8
Others exports	USD ('000')	9,039.1	709.9	-92.1
Sub total	USD ('000')	20,752.8	14,302.0	-31.1
Grand total	USD ('000')	66,412.4	37,387.8	-43.7

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: Other exports include mainly souvenirs and spices

p means provisional



Table A13: Zanzibar: Imports by Major Category

Millions of USD

Items	July - April		Percentage change
	2015/16	2016/17 ^p	
Capital goods	80.2	30.8	-61.6
Transport equipment	54.8	15.4	-71.9
Building and construction	6.1	5.6	-8.2
Machinery	19.3	9.8	-49.0
Intermediate goods	47.5	48.2	1.5
Oil imports	34.5	36.8	6.7
Industrial raw materials	13.0	11.4	-12.4
Consumer goods	25.2	30.7	21.9
Food and food stuffs	0.5	10.4	--
All other consumer goods	24.7	20.4	-17.3
Grand total (c.i.f)	152.9	109.8	-28.2
Grand total (f.o.b)	139.1	99.9	-28.2

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p means provisional, "--" change exceeds 100 percent, in absolute terms

c.i.f denotes cost insurance and freight

f.o.b means free on board



GLOSSARY

Discount Rate

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

Exchange Rate

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

Clearing Balances

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

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

Lombard Facility

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

Minimum Reserve Requirement

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

Money Supply (M)

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

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



M2 — M1 plus fixed deposits and savings deposits

M3 — M2 plus residents' foreign currency deposits

Repo and Reverse Repos

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

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

Reserve Money (M0)

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







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