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MONETARY POLICY STATEMENT

**GOVERNOR
BANK OF TANZANIA**

June 2016



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2016/17

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June 2016



7th June 2016

**Hon. Dr. Philip I. Mpango (MP),
Minister for Finance and Planning,
Dar es Salaam,
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 2016/17 for subsequent submission to the National Assembly.

The Statement reviews macroeconomic developments and monetary policy implementation during 2015/16. It then outlines the monetary policy stance and measures that the Bank of Tanzania intends to pursue in 2016/17, aimed at maintaining price stability and financial sector stability, with a view to promoting high and sustainable economic growth.

Yours Sincerely,

A handwritten signature in black ink, which appears to read "B. Ndulu".

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



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EXECUTIVE SUMMARY

Introduction

In accordance with law (Bank of Tanzania Act, 2006), the Bank of Tanzania is issuing this Monetary Policy Statement that specifies the monetary policy stance that the Bank intends to take during 2016/17. The Statement reviews monetary policy implementation in 2015/16, and outlines the monetary policy targets for 2016/17 that are in line with broader macroeconomic objectives of the government. It also specifies measures the Bank intends to take to achieve these targets.

Global and Regional Economic Developments

The global economy registered modest but uneven growth rates in 2015, with output growth improving in the advanced economies due to strengthening of demand, good performance of exports, higher credit growth, and increased private and government expenditure. At the same time, growth continued to slowdown in emerging markets and developing economies due to tight global financial conditions and decline in commodity prices. Recovery is expected to continue in the advanced economies supported by lower energy prices and sustained accommodative monetary policies. Emerging markets and developing economies are expected to rebound from the slump in growth on account of increased demand from advanced economies.

According to the IMF's World Economic Outlook (WEO) of April 2016, global growth is projected to increase to 3.2 percent in 2016 and 3.5 percent in 2017 compared with 3.1 percent in 2015, mainly driven by the expected rebound in output growth in emerging markets and developing economies. Growth in the emerging markets and developing economies is expected



to increase from 4.0 percent in 2015 to 4.1 percent and 4.6 percent in 2016 and 2017, respectively. In Sub-Saharan Africa, growth is expected to be moderate at around 3.0 percent in 2016, compared to 3.4 percent registered in 2015, largely attributed to decline in commodity prices and tighter global financing conditions. However, growth is projected to pick up to 4.0 percent in 2017, assisted by expected rebound in commodity prices. In South Africa, output growth is expected to decline to 0.6 percent in 2016 from 1.3 percent in 2015, owing to lower export prices and tighter monetary and fiscal policies. However, the situation is expected to reverse in 2017, with growth picking up to 1.2 percent on account of accommodative monetary and fiscal policies.

Inflation rate in the selected advanced and emerging market economies remained subdued during July 2015 through April 2016, mostly driven by falling energy prices, while it slowed down in the EAC region from 5.7 percent in June 2015 to 5.1 percent in April 2016 on account of decline in food and energy prices. In the SADC region, average inflation rate exhibited a general upward trend mainly on account of rise in food prices following tight food supply in the Southern Africa region that emanated from below average harvest in 2015. According to the IMF's World Economic Outlook (WEO) of April 2016, inflation rate in the advanced economies is projected to increase to 0.7 percent in 2016 from 0.3 percent recorded in 2015 as accommodative monetary policy conditions and the closing of the output gap exert an upward pressure on aggregate demand. However, inflation rate in emerging markets and developing economies is projected to slowdown to 4.5 percent in 2016 from 4.7 percent in 2015, mainly due to the decline in world commodity prices.



Economic Developments in Tanzania

Tanzania Mainland

The economy continued to register strong growth momentum in 2015, with real GDP growing by 7.0 percent, same as the growth registered in 2014. The strong growth was supported by stability in power supply, moderation in oil price and high growth of credit to the private sector. The highest growth rates in 2015 were registered in construction (16.8 percent), information and communication (12.1 percent), finance and insurance (11.8 percent). The strong performance in construction was attributed to increased real estate development for residential and non-residential purposes and building of road network. Meanwhile, growth in information and communication was facilitated by increased use of mobile services particularly the increase in utilization of airtime and expansion of broadcasting and internet services as well as increased use of mobile financial services in the country. The growth in banking and insurance industry was attributed to increased levels of financial intermediation. Construction has been the major contributor to growth for the past two years contributing 23.9 percent and 18.8 percent in 2015 and 2014, respectively. Meanwhile, other activities which contributed strongly to output growth in 2015 include wholesale and retail trade (11.5 percent), taxes on products (10.4 percent) and agriculture (7.8 percent). The economy is expected to maintain strong growth momentum in 2016 and beyond, supported by government initiative to promote further infrastructure investments and industrialization under the Second Five Year Development Plan.

Headline inflation remained subdued at single digits throughout 2015/16. In the first half of 2015/16, annual headline inflation increased to 6.8 percent in December 2015 from 6.1 percent in June 2015 on account of increased prices of major foodstuffs. The trend was reversed in January 2016 with



inflation decelerating to 5.1 percent in April 2016, mostly explained by tight monetary policy, exchange rate stability and improvement in food supply. Core inflation during July 2015 to April 2016 averaged 2.4 percent, supported by sustained tight monetary policy coupled with general moderation of import prices. Inflation is expected to remain around the medium term target of 5 percent, consistent with monetary policy stance. Achievement of this target will be helped by subdued global oil prices, improvement in domestic power and food supply and continued stability in the value of the Shilling.

Government budgetary operations indicate a turnaround in revenue performance beginning November 2015, thus offsetting the sluggish performance registered in the first four months of 2015/16. During July 2015 to March 2016, domestic revenue including Local Government Authorities (LGAs) own revenue was TZS 10,346.5 billion, translating into an average collection of TZS 1,149.6 billion per month for the first nine months of 2015/16. This was 28 percent higher than the revenue collected in the similar period of 2014/15. In that year, revenue had grown by only 10 percent relative to 2013/14. The impressive performance in revenue is an outcome of the measures taken by the government to strengthen tax administration. During July 2015 to March 2016, government expenditure was TZS 12,081.6 billion, of which recurrent expenditure was TZS 9,295.3 billion and development expenditure was TZS 2,786.3 billion. During the period, overall fiscal deficit before grants was TZS 1,735.1 billion.

During July 2015 to April 2016, the current account deficit narrowed by 53.4 percent to a deficit of USD 1,542.1 million, compared with a deficit of USD 3,307.5 million recorded in the corresponding period in 2014/15. The improvement was mainly associated with the increase in exports of manufactured goods, transportation services in the region, tourism receipts,



coupled with a decline in the value of goods and services imported. Meanwhile, the stock of gross official reserves amounted to USD 3,845.0 million at the end of April 2016, sufficient to cover about 4 months of projected imports of goods and services, excluding those financed through foreign direct investment. In 2016/17, current account balance is expected to improve further with the expectation that manufactured exports as well as receipts from tourism and transportation services will continue to expand and the import bill remains low on account of subdued global oil prices. In the medium-term, performance of current account balance is expected to benefit from increased use of domestically produced natural gas.

National debt stock increased to USD 20,530.7 million at the end of April 2016 from USD 19,162.8 million recorded in June 2015. External debt stock was USD 16,077.4 million, up from USD 15,354.2 million, mainly on account of new disbursements and accumulation of arrears. Out of the total external debt stock, 82.4 percent was public debt. Domestic debt increased to TZS 9,709.2 billion at the end of April 2016 from TZS 7,594.7 billion recorded in June 2015. The increase was on account of government borrowing to finance the 2015/16 budget. Domestic debt service was TZS 3,409.7 billion, out of which TZS 2,671.5 billion was rolled-over, while the principal and interest amounting to TZS 738.2 billion was paid out of government revenue. Despite this increase, the national debt remains sustainable.

The banking sector remained sound and stable with levels of capital and liquidity above regulatory requirements. The quality of the banking sector's assets slightly deteriorated as reflected by the ratio of non-performing loans (NPL) to gross loans, which increased to 8.3 percent from 6.7 percent recorded at the end of March 2015. Most banks maintained NPL levels below 5 percent and those with levels above this have been required to



bring NPLs to below 5 percent. The Bank continued to make efforts of ensuring compliance to internationally acceptable standards by developing rules and regulations for Basel II/III implementation in Tanzania. The Bank has developed Bureau de Change Management System which will enable capturing real-time transactions and enhance effective supervision of bureaus. Meanwhile, the utilization of mobile money services, agent banking and cross-border mobile money services is making significant contribution to enhancing financial inclusion.

There has been a significant increase in utilization of credit information since establishment of credit reference bureaus in 2013, as evidenced by increase in the use of their services and participation of non-regulated institutions in the credit reference system. The increased use of credit information system is expected to have a positive impact on the number of non-performing loans in the banking sector and interest rate charged by banks in the long run.

Zanzibar

In 2015, real GDP grew by 6.6 percent compared to 7.0 percent recorded in 2014. The fastest growth rates were registered in arts, entertainment and recreation (17.2 percent), accommodation (14.5 percent), public administration (13.3 percent), construction (12.5 percent) and finance and insurance (11.2 percent).

Annual headline inflation rose to 10.1 percent in April 2016 from 1.1 percent recorded in April 2015, mainly driven by increase in prices of some food items, notably fish, rice, wheat flour, sugar and banana. Inflation is expected to slowdown during 2016/17, facilitated by declining food and fuel prices.



During July 2015 to April 2016, total budgetary resources were TZS 372.6 billion, out of which domestic revenue was TZS 347.0 billion, more than sufficient to cover recurrent expenditure for the period. Grants amounted to TZS 25.6 billion. Government expenditure was TZS 382.3 billion or 0.9 percent below the estimate for the period. Recurrent expenditure was TZS 319.1 billion, while development expenditure was TZS 63.3 billion. Budgetary operations recorded an overall fiscal deficit before grants of TZS 35.3 billion.

During July 2015 to April 2016, Zanzibar current account balance improved to a surplus of USD 54.6 million, compared to a surplus of USD 9.8 million recorded during July 2014 to April 2015. This improvement was a result of both decrease in imports of goods, and increase in exports of goods and services. Export of goods and services increased to USD 194.2 million, from USD 180.6 million recorded in the corresponding period in 2014/15. Goods exports was USD 71.8 million, representing an increase of 17.9 percent from the level recorded in the corresponding period, mainly on account of increase in volume of cloves export.

Zanzibar debt stock amounted to TZS 398.2 billion at the end of April 2016, up from TZS 353.8 billion recorded at the end of April 2015. External debt was USD 123.6 million or TZS 269.4 billion compared with USD 121.9 million or TZS 254.5 billion registered at the end of April 2015. The external debt was equivalent to 11.6 percent of the GDP, and accounted for 67.6 percent of total Zanzibar's debt stock. Domestic debt was TZS 128.8 billion at the end of April 2016.



Implementation of Monetary Policy in 2015/16

Monetary Policy Objectives

In 2015/16, monetary policy was geared towards supporting broader macroeconomic objectives of the Government by maintaining appropriate level of liquidity in the economy, while ensuring stability in the short-term money market interest rates. In pursuit of low and stable inflation, the Bank of Tanzania aimed at achieving the following monetary policy targets:

- i. Annual growth of average reserve money of not more than 13.4 percent;
- ii. Annual growth of extended broad money (M3) of not more than 16.0 percent;
- iii. Annual growth of private sector credit of about 19.3 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 2015 to April 2016, liquidity condition among banks was generally adequate, with occasional periods of liquidity tightness that was addressed by the Bank through granting of reverse repos, and increased access of banks to Lombard and intraday facilities to square their liquidity position. Reflecting liquidity condition, interest rate at which commercial banks lend cash to each other overnight (the interbank cash market (IBCM) interest rate) declined from a peak of 29.98 percent in July 2015, owing to moderate fiscal outlays and tight monetary policy stance pursued by the Bank, to 6.27 percent in September 2015, the period when liquidity hovered above the target band due to sizable government outlays. The



IBCM rate rose in October 2015 following increased demand for cash, before it subsequently eased and stabilized beginning January 2016. The observed stability in IBCM rate, is also associated with the increased monetary policy focus on stabilization of banks' free reserves, as a step in the direction of improving the monetary policy framework.

During July 2015 to April 2016, despite a general shortfall in foreign exchange inflows compared to similar period of 2014/15, the Shilling remained fairly stable, after experiencing high volatility in the last quarter of 2014/15. The stability was mostly explained by prudent fiscal policy, and sustained tight monetary policy measures implemented by the Bank during the period to contain inflation expectations and excessive volatility of the Shilling exchange rate against the US dollar. During the period, gross official reserves was sufficient to cover about 4 months of import cover and it is expected to remain at that level throughout the period to June 2016, consistent with the improvement recorded in the current account balance.

Growth of monetary aggregates remained broadly within the targets for 2015/16, with extended broad money supply (M3) growing at an annual rate of 12.9 percent in April 2016, down from 14.5 recorded in April 2015, and remained within the projected rate of 16.0 percent for the year ending June 2016. Meanwhile, average reserve money recorded annual growth of 12.3 percent which was higher than 8.1 percent recorded in April 2015, but within the target of 13.4 percent for the year ending June 2016. Annual growth of credit to the private sector was 19.3 percent in April 2016 in line with the projected growth rate for the year ending June 2016. The money multiplier has increased in the recent months and is expected to continue trending upwards in the near term, mostly associated with on-going financial innovations and access to formal financial services which has also reduced demand for cash. Given the observed developments in



monetary aggregates during July 2015 to April 2016, and sustained prudent monetary policy, coupled with continued close monitoring of budget execution and enhanced tax administration, the Bank is confident that the observed good performance will be sustained to the end of June 2016 and the monetary policy objectives will be attained.

Macroeconomic Policy Framework and Monetary Policy Stance for 2016/17

During 2016/17, economic development priorities of the government focus on sustainable development as promulgated in the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and successor to MKUZA II. The main emphasis is on strategically mobilizing and organizing national resources for human and industrial development needed to transform Tanzania into a middle income economy.

In particular for 2016/17, the macroeconomic objectives of the Government aims at achieving a 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, while maintaining inflation at single digits. For Zanzibar, the GDP growth target for 2016/17 is 6.8 percent based on projection of 6.3 percent for 2016 and 7.2 percent for 2017.

In support of the macroeconomic policy objectives of the Government, monetary policy will focus on achieving the following targets in 2016/17:

- i. Annual growth of average reserve money not exceeding 13.0 percent;
- ii. Annual growth of M3 not exceeding 14.8 percent;
- iii. Annual growth of private sector credit of about 20.5 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 Investments (FDIs) related imports.



The Bank will continue pursuing prudent monetary policy in 2016/17 to keep inflation close to the medium-term target of 5 percent, while ensuring that liquidity level is consistent with demands of various economic activities. In this context, the Bank will continue to deploy a mix of monetary policy instruments in a transparent manner to ensure that liquidity is maintained at appropriate level and that money market operates efficiently and improve stability of interbank cash market interest rates. The financial market will continue to be strengthened in line with the objective of widening participation and deepening financial markets instruments to facilitate better and efficient price discovery. The Bank will also implement reserve averaging framework that will enhance effectiveness and provide flexibility to banks in managing liquidity and thus help to reduce volatility of short-term interest rates.

The Treasury bills market will continue to provide an anchor to market determined interest rates; and the Bank will continue to take measures to deepen the financial markets and strengthen competition by broadening participation, so that interest rates are truly reflective of liquidity and economic conditions.

The exchange rate will continue to be market determined, with the Bank participating in the foreign exchange market for liquidity management purposes, and intervening occasionally to smooth out excessive short-term volatility in the exchange rate. This will be done while ensuring that foreign exchange reserves are maintained at not less than four months of import cover.



Outlook and Conclusion

The macroeconomic policies pursued in 2015/16 and the initiatives under the Second Five Year Development Plan, have set strong foundation for a sustained growth. This is also supported by the recovery in the advanced and emerging markets and developing economies on account of improvement in aggregate demand and sustained accommodative monetary policies. The Tanzania economy is expected to maintain strong growth momentum in 2016/17 supported by the increase in government expenditure on development projects and promotion of industrialization.

Annual inflation rate has remained at single digits, consistent with moderation of commodity prices, improvement in food supply, and monetary conditions arising from the policies pursued by the Bank in 2015/16. All monetary aggregates remained within the program targets, with credit to the private sector sustaining strong growth to support the growing economic activities. Given the prevailing monetary policy stance, projected favourable food supply situation in the EAC region, coupled with stability of the Shilling exchange rate against U.S. dollar and subdued global oil prices; it is expected that inflation will remain at single digits in the medium-term. The Bank on its part will continue to implement monetary policy to sustain the general macroeconomic stability mindful of possible inflationary pressures from the Southern Africa due to food shortage in that region.

The Bank will continue to support the improvement of the financial markets and financial sector at large. This will also entail continuous review of relevant regulations and guidelines to take into account new developments and challenges. The Bank will also implement measures in order to modernize its monetary policy framework.



The Bank is confident that it will achieve the monetary policy targets set in this Monetary Policy Statement for 2016/17. This will be helped by the ongoing improvements in global macroeconomic and financial conditions, and the government's tax administration and expenditure management drive.



PART I

1.0 INTRODUCTION

In accordance with law (Bank of Tanzania Act, 2006), the Bank of Tanzania is issuing this Monetary Policy Statement that specifies the monetary policy stance that the Bank of Tanzania intends to take during 2016/17. The Statement reviews monetary policy implementation in 2015/16, and outlines the monetary policy targets for 2016/17 that are in line with broader macroeconomic objectives of the government. 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 2015/16, while Part III presents the review of recent economic developments for the period July 2015 to April 2016. Part IV reviews the progress in the implementation of monetary policy in 2015/16. Part V outlines macroeconomic policy framework for 2016/17, and the associated monetary policy objectives of the Bank of Tanzania. Part VI outlines monetary policy stance during 2016/17 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) 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 – the lenders of last resort facilities; 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 repo to manage short-term liquidity fluctuations in the economy. Occasionally, 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 and measures necessary to achieve the 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. 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 2015/16

2.1 Macroeconomic Policy Objectives

Government policies during 2015/16, focused on continued implementation of the Five Year Development Plan, MKUKUTA II and MKUZA II with particular emphasis on the completion of infrastructure projects, particularly rural electrification, rural water program and human capital development. These were facilitated by strengthening of tax administration and compliance, as well as enhancement of expenditure management in line with the Budget Act, 2015. The policy objectives contained in the Monetary Policy Statement published in June 2015, were revised during the mid-year review published in February 2016, to take into account new economic developments. Specifically for 2015/16, the Government aimed at attaining the following macroeconomic objectives:

- i. A real GDP growth of 7.1 percent for fiscal year 2015/16, based on the projected GDP growth of 7.0 percent in 2015 and 7.2 percent in 2016;
- ii. Maintaining a single digit annual inflation rate by end June 2016; and
- iii. Budget deficit including grants and clearance of arrears of not more than 4.2 percent of GDP.

2.2 Monetary Policy Objectives

In support of the broader macroeconomic objectives of the Government, the Bank of Tanzania continued to primarily focus on maintaining price stability by pursuing the following monetary policy targets:



- i. Annual growth of average reserve money of not more than 13.4 percent;
- ii. Annual growth of extended broad money (M3) of not more than 16.0 percent;
- iii. Annual growth of private sector credit of about 19.3 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.



PART III

3.0 MACROECONOMIC DEVELOPMENTS DURING 2015//16

3.1 Overview of Global and Regional Economic Developments

3.1.1 GDP Performance

The global economic growth is estimated at 3.1 percent in 2015, with output growth improving in advanced economies, while continuing to slowdown in emerging markets and developing economies (Table 3.1). The increase in output growth in the advanced economies was largely attributed to strengthening of domestic demand and increase in exports, higher credit growth and increased private and government expenditure. Countries which registered higher output growth were Japan and the Euro Area. However, output growth in emerging markets and developing economies was lower in 2015 compared to 2014, with much of the decline recorded in China, while India recorded high growth rate. The slowdown in output growth in China was mainly due to decline in industrial production and credit growth, while higher growth registered in India was largely due to increase in private consumption expenditure, which benefited from lower energy prices and higher real income.

According to the IMF's World Economic Outlook of April 2016, global growth is projected to increase to 3.2 percent in 2016 and 3.5 percent in 2017 (Table 3.1). The recovery will be driven primarily by the expected rebound in output growth in emerging markets and developing economies. In advanced economies, output growth is projected at 1.9 percent in 2016 and 2.0 percent in 2017 compared with 1.9 percent recorded in 2015. The expected recovery in advanced economies to a large extent will be supported by lower energy prices and sustained accommodative monetary



policies. In Japan, real GDP is expected to grow by 0.5 percent in 2016, same as recorded in 2015; but projected to decline in 2017 due to increase in consumption tax.

Growth in emerging markets and developing economies is expected to increase in 2016 and 2017, largely supported by increase in demand in advanced economies. In India, growth is projected to increase to 7.5 percent each in 2016 and 2017, largely driven by private consumption and lower energy prices. However, growth in China is projected to slowdown in 2016 and 2017, largely due to fall in investment and trade growth. Growth in sub-Saharan Africa is expected to be 3.0 percent in 2016, lower than 3.4 percent recorded in 2015; largely attributed to unfavourable external conditions, decline in commodity prices and tighter global financing conditions. However, growth is projected to pick up to 4.0 percent in 2017, assisted by expected rebound in commodity prices. In South Africa, output growth is expected to decline to 0.6 percent in 2016 from 1.3 percent in 2015, owing to lower export prices and tighter monetary and fiscal policies. However, the situation is expected to reverse in 2017, with growth picking up to 1.2 percent on account of accommodative monetary and fiscal policies.

Table 3.1: Annual Real GDP Growth and Projections

	<i>Percent</i>							
	2011	2012	2013	2014	2015	Projections		
						2016	2017	
World	4.2	3.5	3.3	3.4	3.1	3.2	3.5	
Advanced economies	1.7	1.2	1.2	1.8	1.9	1.9	2.0	
United States	1.6	2.2	1.5	2.4	2.4	2.4	2.5	
Euro Area	1.6	-0.9	-0.3	0.9	1.6	1.5	1.6	
Japan	-0.5	1.7	1.4	0.0	0.5	0.5	-0.1	
United Kingdom	2.0	1.2	2.2	2.9	2.2	1.9	2.2	
Emerging Markets and Developing Economies	6.3	5.3	4.9	4.6	4.0	4.1	4.6	
Emerging and Developing Asia	7.8	6.9	6.9	6.8	6.6	6.4	6.3	
China	9.5	7.7	7.7	7.3	6.9	6.5	6.2	
India	6.6	5.6	6.6	7.2	7.3	7.5	7.5	
Sub-Saharan Africa	5.0	4.3	5.2	5.1	3.4	3.0	4.0	
South Africa	3.2	2.2	2.2	1.5	1.3	0.6	1.2	

Source: IMF, World Economic Outlook Database April 2016



3.1.2 Inflation Developments

During July 2015 to April 2016, inflation rates in the selected advanced and emerging market economies remained subdued, mostly driven by falling energy prices. In the EAC region, average inflation rate slowed down to 5.1 percent in April 2016 from 5.7 percent in June 2015 on account of decline in food and energy prices. In the SADC region, average inflation rate exhibited a general increasing trend mainly on account of a rise in food prices following tight food supply that emanated from below average harvest in 2015 (Table 3.2).

Table 3.2: Inflation Rates for Selected Countries

Country	Percent												
	2015									2016			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
USA	-0.2	0.0	0.1	0.2	0.2	0.0	0.2	0.5	0.7	1.4	1.0	0.9	1.1
Euro Area	0.0	0.3	0.2	0.2	0.1	-0.1	0.1	0.1	0.2	0.3	-0.2	0.0	-0.2
Japan	0.6	0.5	0.4	0.2	0.2	0.0	0.3	0.3	0.2	0.0	0.3	-0.1	n.a
United Kingdom	-0.1	0.1	0.0	0.1	0.0	-0.1	-0.1	0.1	0.2	0.3	0.3	0.5	0.3
China	1.5	1.2	1.4	1.6	2.0	1.6	1.3	1.5	1.6	1.8	2.3	2.3	2.3
India	-2.4	-2.2	-2.1	-4.0	-5.0	-4.6	-3.7	-2.0	-1.1	-1.1	-0.9	-0.9	1.4
EAC	5.0	5.3	5.7	5.8	5.0	5.3	5.8	6.5	7.0	6.5	6.1	5.4	5.1
SADC	4.7	4.8	5.1	5.3	5.6	5.8	6.5	7.1	7.8	8.0	8.5	8.7	9.4

Source: OECD and Respective National Statistical Offices

According to the IMF's World Economic Outlook of April 2016, inflation rate in the advanced economies is projected to increase to 0.7 percent in 2016 from 0.3 percent recorded in 2015 as accommodative monetary policy conditions and the closing of the output gap put an upward pressure on demand and hence prices. However, inflation rate in emerging markets and developing economies is projected to slowdown to 4.5 percent in 2016, from 4.7 percent in 2015, mainly due to the decline in world commodity prices.

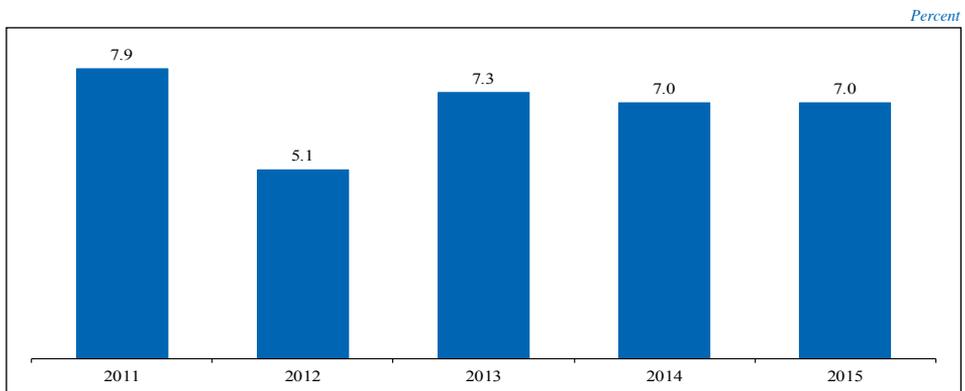


3.2 Domestic Economic Developments

3.2.1 GDP Performance and Outlook

The economy continued to register strong growth momentum in 2015, with real GDP growing by 7.0 percent, same as the growth registered in 2014 (Chart 3.1a). The strong growth was supported by stability in power supply, moderation in oil price and high growth of credit to the private sector.

Chart 3.1a: Real GDP Growth



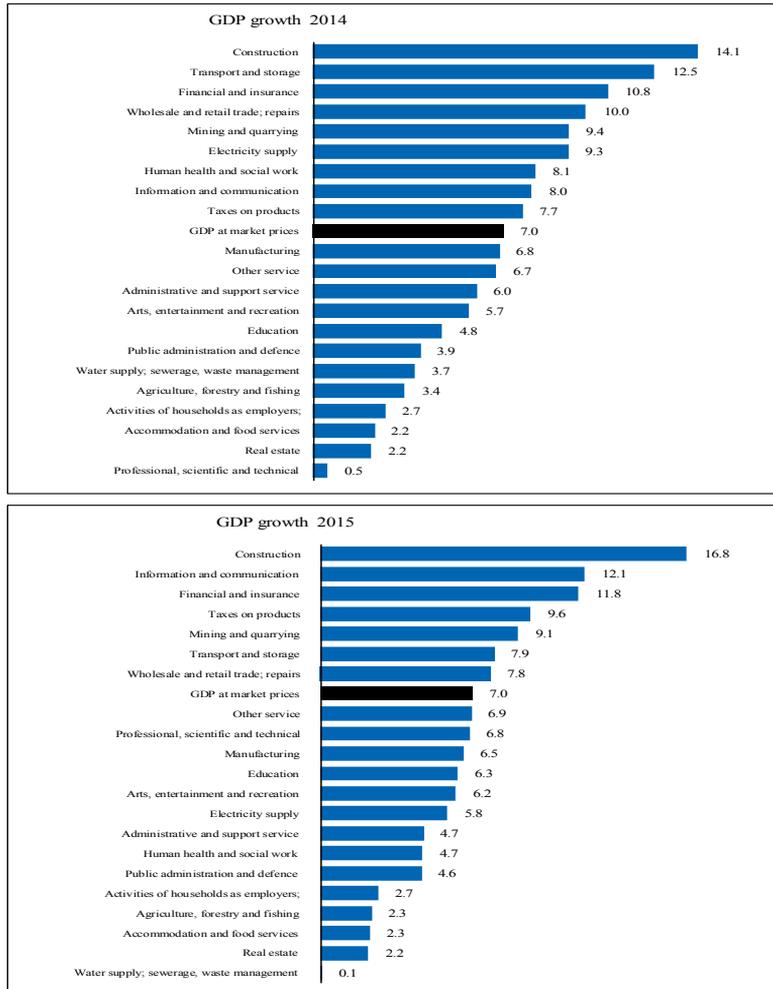
Source: National Bureau of Statistics

The highest growth rates in 2015 were registered in construction (16.8 percent), information and communication (12.1 percent), finance and insurance (11.8 percent) (Chart 3.1b). The strong performance in construction was attributed to increased real estate development for residential and non-residential purposes and building of road network. Meanwhile, growth in information and communication was facilitated by increased use of mobile services particularly the increase in utilization of airtime and expansion of broadcasting and internet services as well as increased use of mobile financial services in the country. The growth in banking and insurance industry was attributed to increased levels of financial intermediation.



Chart 3.1b: Growth of Economic Activities

Percent



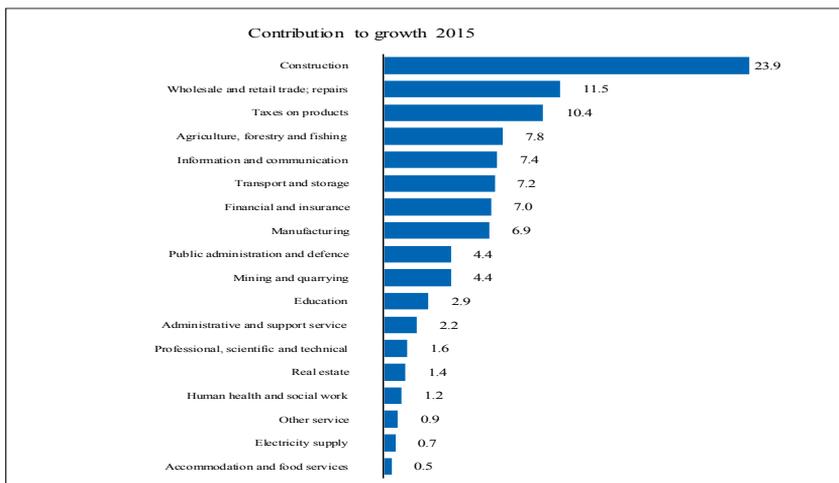
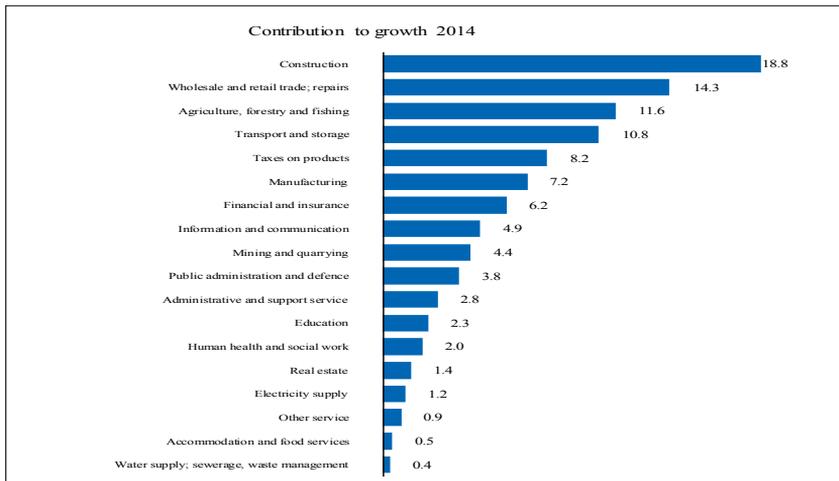
Source: National Bureau of Statistics

Construction has been the major contributor to growth for the past two years contributing 23.9 percent and 18.8 percent in 2015 and 2014, respectively. Meanwhile, other activities which contributed strongly to output growth in 2015 include wholesale and retail trade (11.5 percent), taxes on products (10.4 percent) and agriculture (7.8 percent) (Chart 3.1c).



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

Percent



Source: National Bureau of Statistics

The economy is expected to maintain strong growth momentum in 2016 and beyond, supported by government initiative to promote further infrastructure investments and industrialization under the Second Five Year Development Plan.

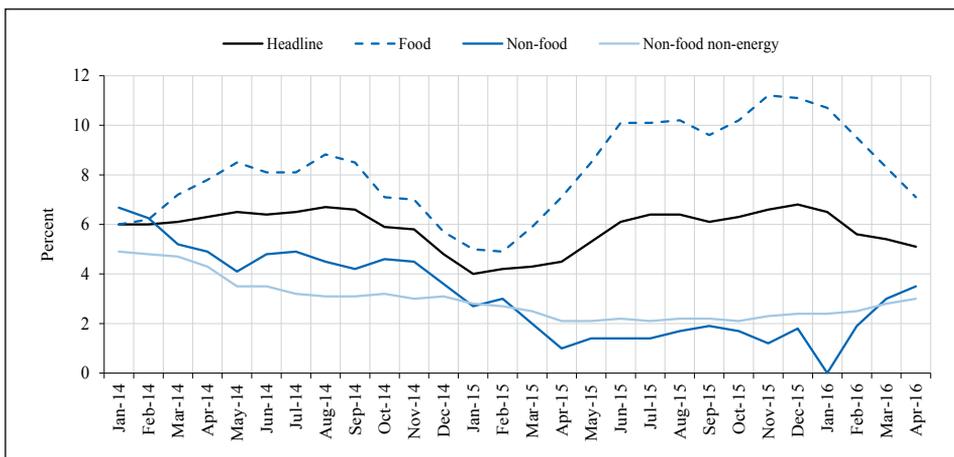


3.2.2 Inflation Developments and Outlook

Headline inflation remained subdued at single digits throughout 2015/16. In the first half of 2015/16, annual headline inflation increased to 6.8 percent in December 2015 from 6.1 percent in June 2015, on account of increased prices of major foodstuffs. The trend was reversed in January 2016 with inflation decelerating to 5.1 percent in April 2016, mostly explained by tight monetary policy, exchange rate stability and improvement in food supply. Meanwhile, core inflation (which excludes food and energy) averaged at 2.4 percent during July 2015 to April 2016; supported by sustained tight monetary policy, coupled with general moderation of import prices (Chart 3.2).

Inflation is expected to remain around the medium-term target of 5 percent, consistent with monetary policy stance. Achievement of this target will be supported by subdued global oil prices, improvement in domestic power and food supply, and continued stability in the value of the Shilling.

Chart 3.2: Annual Inflation Developments



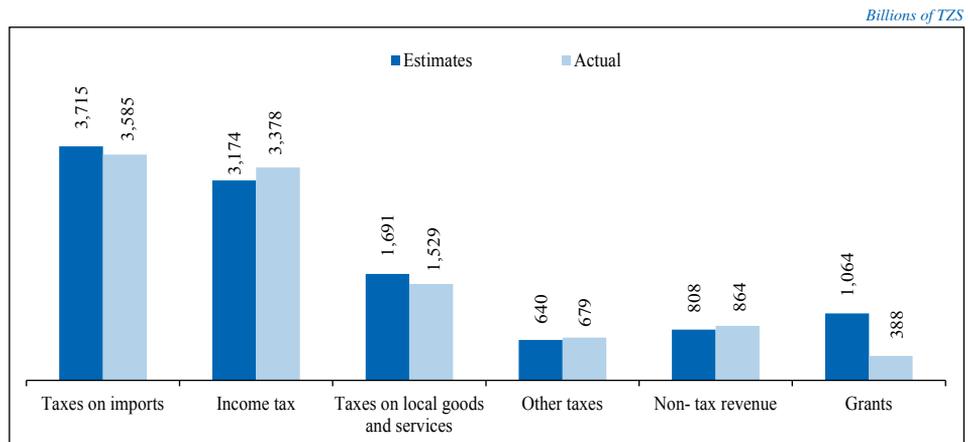
Source: National Bureau of Statistics



3.2.3 Government Budgetary Performance

During July 2015 to March 2016, domestic revenue including Local Governments Authorities (LGAs) own sources amounted to TZS 10,346.5 billion, translating into an average collection of TZS 1,149.6 billion per month for the first nine months of 2015/16. This was 28 percent higher than the revenue collected in the similar period of 2014/15. In that year, revenue had grown by only 10 percent relative to 2013/14. The impressive performance in revenue is an outcome of the measures taken by the government to strengthen tax administration. Domestic revenue collected by the Central Government was TZS 10,034.4 billion, with tax revenue amounting to TZS 9,170.5 billion and the balance was non-tax revenue. LGAs own sources amounted to TZS 312.1 billion, while foreign grants disbursed during the period amounted to TZS 388.3 billion (Chart 3.3).

Chart 3.3: Government Resources – July 2015 to March 2016

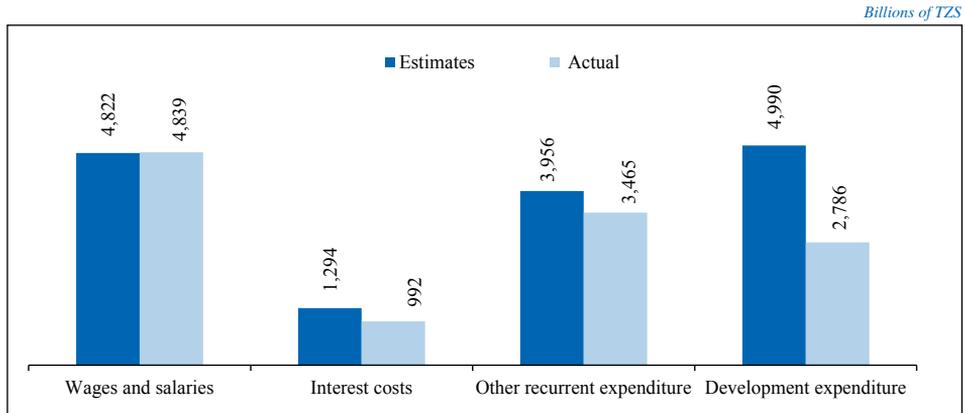


Source: Ministry of Finance and Planning

During July 2015 to March 2016, government expenditure was TZS 12,081.6 billion, out of which recurrent expenditure was TZS 9,295.3 billion and development expenditure was TZS 2,786.3 billion (Chart 3.4). During the period, overall fiscal deficit before grants was TZS 1,735.1 billion.



Chart 3.4: Government Expenditure by Components– July 2015 to March 2016



Source: Ministry of Finance and Planning

3.2.4 External Sector Performance

During July 2015 to April 2016, the current account deficit narrowed by 53.4 percent to a deficit of USD 1,542.1 million, compared to a deficit of USD 3,307.5 million registered in the corresponding period in 2014/15 (Table 3.3). The improvement was mainly attributed to increase in exports of manufactured goods, transportation, tourism receipts, coupled with a decline in the value of goods and services imported.

During the review period, the overall balance of payments registered a deficit of USD 429.6 million, compared with a deficit of USD 470.6 million, recorded in the corresponding period in 2014/15. The reduction in overall balance of payment deficit is partly explained by the improvement recorded in the current account balance. Meanwhile, the stock of gross official reserves amounted to USD 3,845.0 million at the end of April 2016, sufficient to cover about 4 months of projected imports of goods and services excluding those financed through foreign direct investment. The stock of gross foreign assets of banks was USD 915.7 million recorded at the end of April 2016.



Table 3.3: Current Account

Millions of USD

Items	July - April		Percentage change
	2014/15	2015/16 ^p	
Goods account (net)	-4,090.1	-2,230.5	-45.5
Exports*	4,769.0	5,264.9	10.4
Imports	8,859.1	7,495.3	-15.4
Services account (net)	843.6	1,029.6	22.1
Receipts	3,118.9	3,266.0	4.7
Payments	2,275.3	2,236.4	-1.7
Goods and services (net)	-3,246.6	-1,200.8	-63.0
Export of goods and services	7,887.9	8,530.9	8.2
Import of goods and services	11,134.4	9,731.7	-12.6
Primary income account (net)	-574.3	-629.0	9.5
Receipts	105.4	82.9	-21.3
Payments	679.7	712.0	4.7
Secondary income account (net)	513.3	287.8	-43.9
Inflows	579.6	349.7	-39.7
o/w General government	277.1	45.5	-83.6
Outflows	66.3	61.9	-6.6
Current account balance	-3,307.5	-1,542.1	-53.4

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

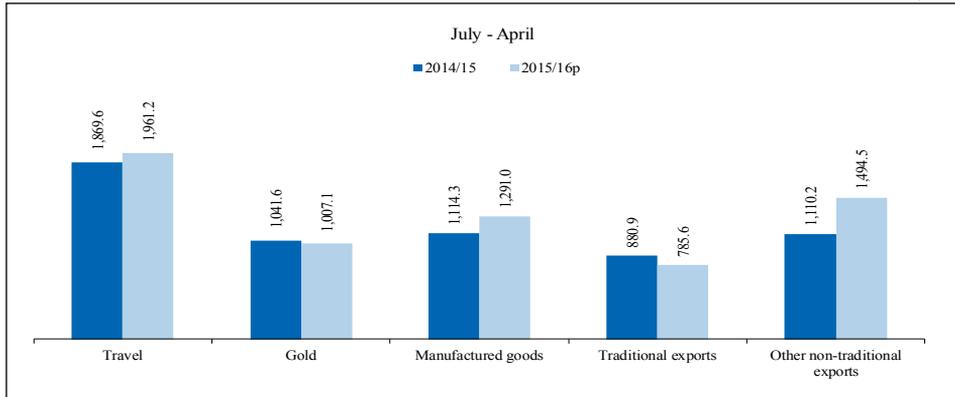
Source: Bank of Tanzania

During July 2015 to April 2016, value of export of goods and services went up by 8.2 percent to USD 8,530.9 million, owing to good performance in non-traditional exports and travel receipts. The value of non-traditional exports increased to USD 3,792.6 million from USD 3,266.0 million, largely on account of high exports value of manufactured goods and re-exports. Manufactured goods export increased by 15.9 percent to USD 1,291.0 million with significant increases recorded in sisal products, textile apparel, wheat flour and plastic items. On the other hand, the value of gold exports declined by 3.3 percent to USD 1,007.1 million as prices remained low. Meanwhile, travel receipts rose to USD 1,961.2 million compared to USD 1,869.6 million, largely due to increase in the number of tourist arrivals, mainly associated with the enhanced promotion of Tanzania as a tourist destination (Chart 3.5).



Chart 3.5: Export Performance of Selected Goods and Services

Millions of USD



Note: p denotes provisional

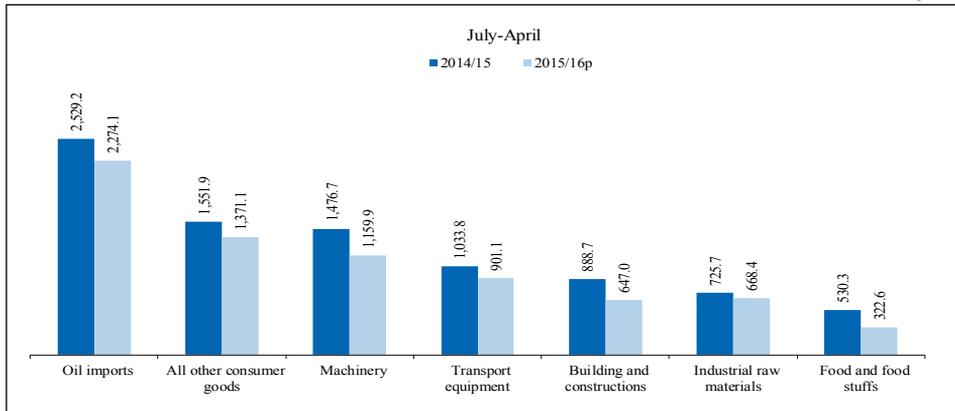
Source: Bank of Tanzania

In the period under review, the value of import of goods and services was USD 9,731.7 million, which was 12.6 percent lower than the value recorded in the corresponding period in 2014/15. All categories of goods import recorded a decline (Chart 3.6). The value of oil imports which account for largest share in goods import declined by 10.1 percent to USD 2,274.1 million due to fall in prices in the world market despite the increase in imported volume. The volume of imported white petroleum products increased by 37.5 percent to 1.6 million metric tons, while the prices in the world market went down by 27.8 percent to USD 545.1 per metric ton from USD 755.2 per metric ton recorded in the corresponding period in 2014/15.



Chart 3.6: Import Performance of Goods

Millions of USD



Note: p denotes provisional
Source: Bank of Tanzania

The current account balance is expected to improve further in 2016/17. This is premised on the expectation that manufactured exports and receipts from tourism and transportation services will continue to expand and the import bill remains low on account of subdued global oil prices. In the medium term, performance of the current account balance is expected to benefit from increased use of domestically produced natural gas.

3.2.5 National Debt Developments

The national debt stock, which stood at USD 19,162.8 million in June 2015, increased to USD 20,530.7 million at the end of April 2016. Expressed in Tanzanian Shillings, total national debt stock amounted to TZS 44,761.8 billion.

The external debt stock increased from USD 15,354.2 million recorded as at end June 2015 to USD 16,077.4 million end of April 2016, out of which 82.4 percent was public debt. The increase was on account of new disbursements and accumulation of interest arrears. The amount of recorded



external loans disbursed was USD 1,078.6 million as at end of April 2016, out of which USD 817.9 million was received by the Government. External debt service was USD 512.3 million, out of which USD 263.1 million was principal and USD 249.2 million was interest payments.

Domestic debt stood at TZS 9,709.2 billion at the end of April 2016 from TZS 7,594.7 billion recorded in June 2015. The increase was on account of government borrowing to finance the 2015/16 budget. Domestic debt service was TZS 3,409.7 billion, out of which TZS 2,671.5 billion was rolled-over, while the principal and interest to the tune of TZS 738.2 billion was paid out of government revenue. Despite this increase, the national debt remains sustainable.

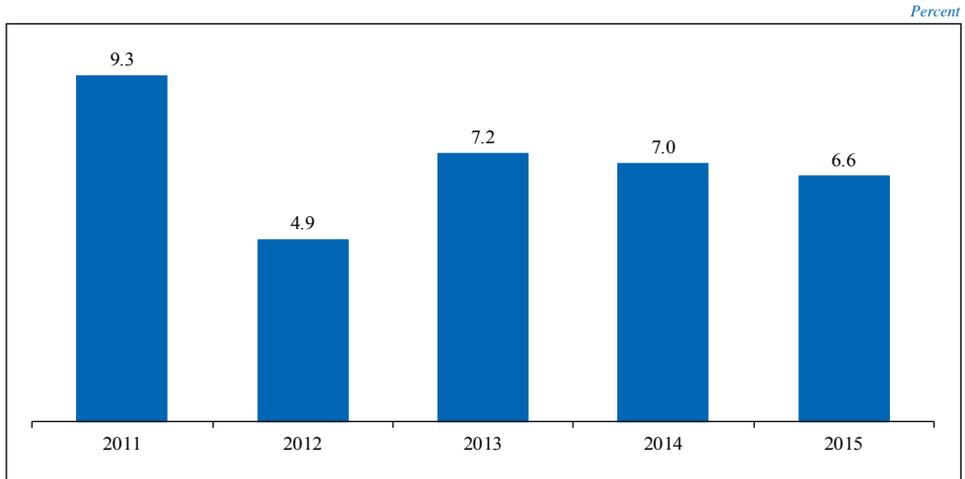
3.2.6 Economic Developments in Zanzibar

GDP Performance

In 2015, real GDP grew by 6.6 percent compared to 7.0 percent recorded in 2014. The fastest growth rates were registered in arts, entertainment and recreation (17.2 percent), accommodation (14.5 percent), public administration (13.3 percent), construction (12.5 percent) and finance and insurance (11.2 percent) (Chart 3.7 and Chart 3.8).

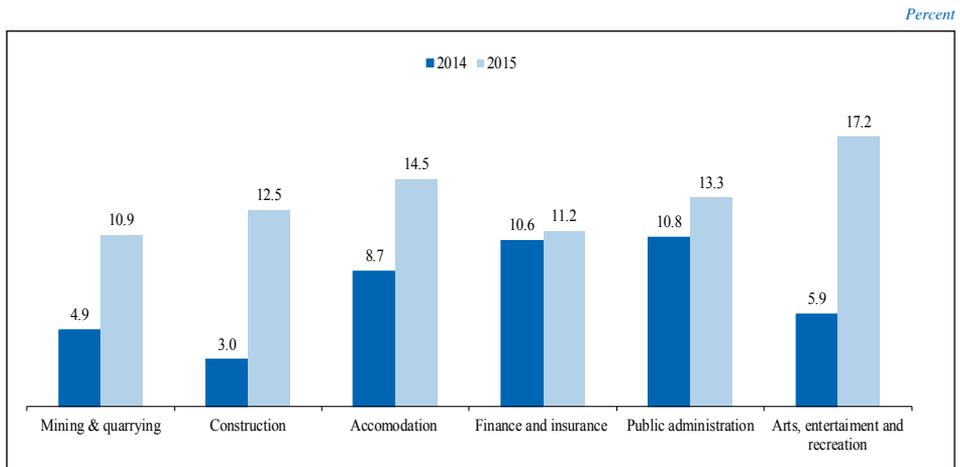


Chart 3.7: Real GDP Growth



Source: Office of the Chief Government Statistician

Chart 3.8: Growth of Major Economic Activities



Source: Office of the Chief Government Statistician

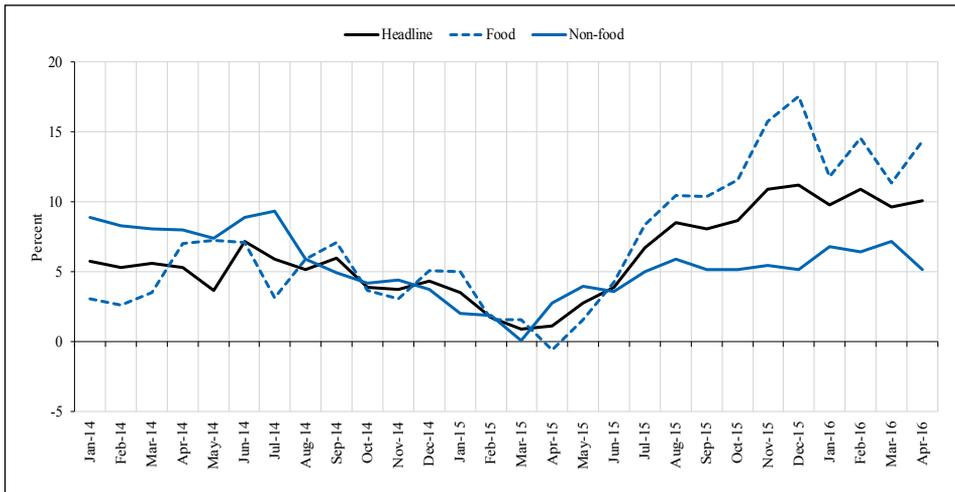
Inflation Developments

Annual headline inflation rose to 10.1 percent in April 2016 from 1.1 percent recorded in April 2015, mainly driven by increase in prices of fish,



rice, wheat flour, sugar and banana (Chart 3.9). Inflation is expected to slowdown during 2016/17 facilitated by declining food and fuel prices.

Chart 3.9: Annual Headline, Food and Non-food Inflation



Source: Office of Chief Government Statistician

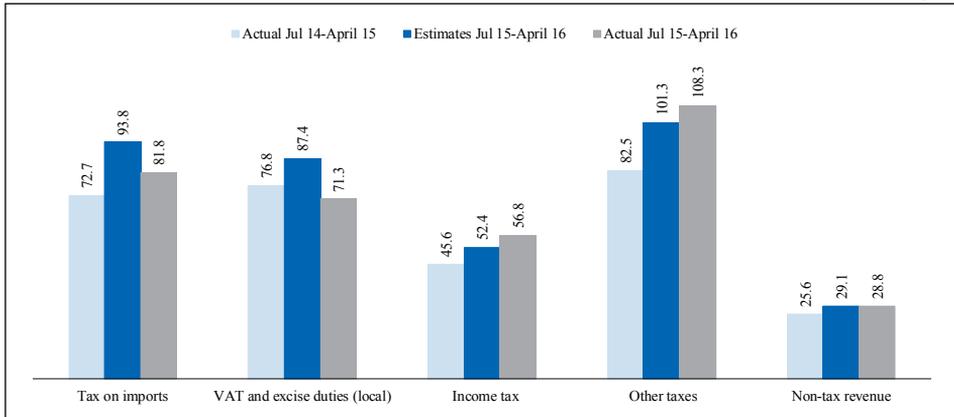
Government Budgetary Performance

During July 2015 to April 2016, total budgetary resources were TZS 372.6 billion, out of which domestic revenue was TZS 347.0 billion, more than sufficient to cover recurrent expenditure for the period (Chart 3.10). Grants amounted to TZS 25.6 billion.



Chart 3.10: Government Resources

Billions of TZS

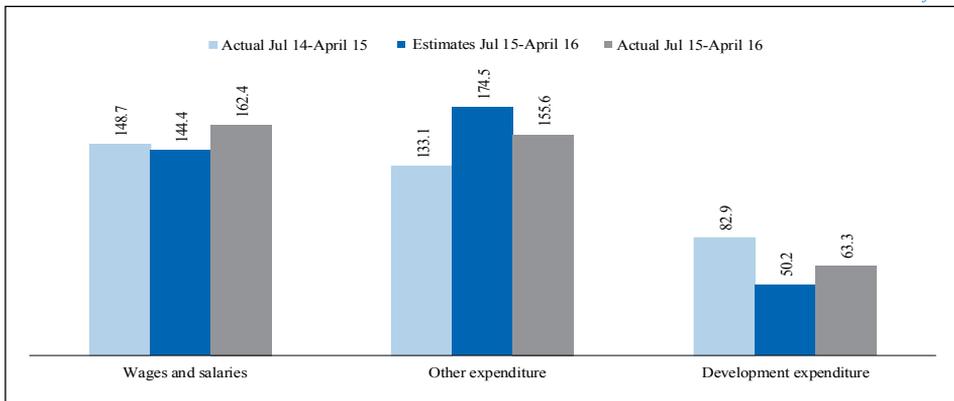


Source: Ministry of Finance and Planning - Zanzibar

Total government expenditure was TZS 382.3 billion or 0.9 percent above the estimate (Chart 3.11). Recurrent expenditure was TZS 319.1 billion or 95.1 percent of the estimate; while development expenditure amounted to TZS 63.3 billion, of which foreign financing accounted for 68.0 percent. Budgetary operations recorded an overall deficit before grants of TZS 35.3 billion.

Chart 3.11: Government Expenditure

Billions of TZS



Source: Ministry of Finance and Planning – Zanzibar



External Sector Developments

During July 2015 to April 2016, current account balance improved to a surplus of USD 54.6 million, compared to a surplus of USD 9.8 million recorded during July 2014 to April 2015. This improvement was a result of both decrease in imports of goods and increase in exports of goods and services. Total export of goods and services increased to USD 194.2 million, from USD 180.6 million recorded in the corresponding period in 2014/15. Goods exports was USD 71.8 million, representing an increase of 17.9 percent from the level recorded in the corresponding period, mainly on account of increase in volume of cloves export (Table 3.4).

Table 3.4: Zanzibar Current Account Balance

	July - April		Percentage change
	2015	2016p	
Goods account net	-87.2	-34.9	-58.1
Exports	60.9	71.8	17.9
Imports (fob)	148.1	106.6	-26.0
Services account net	71.0	71.5	9.2
Receipts	119.7	122.4	11.3
Payments	48.7	50.9	14.4
Goods and services net	-16.2	36.6	---
Exports of goods and services	180.6	194.2	13.6
Imports of goods and services	196.9	157.6	-16.4
Income account net	2.8	0.1	---
Receipts	9.3	7.7	-14.4
Payments	6.5	7.6	24.6
Current transfers net	23.3	17.8	-20.2
Inflows	23.3	17.8	-20.2
Outflows	0.0	0.0	0.0
Current account balance	9.8	54.6	---

Note: p denotes provisional, "----"Implies large number

Source: Tanzania Revenue Authority and Bank of Tanzania

Debt Developments

Zanzibar debt stock amounted to TZS 398.2 billion at the end of April 2016 compared with TZS 353.8 billion recorded in April 2015. Total external debt was USD 123.6 million or TZS 269.4 billion compared with USD 121.9 million or TZS 254.5 billion registered at the end of April 2015. The external debt was equivalent to 11.6 percent of the GDP, and accounted for 67.6 percent of total Zanzibar's debt stock. Domestic debt was TZS 128.8 billion at the end of April 2016.



PART IV

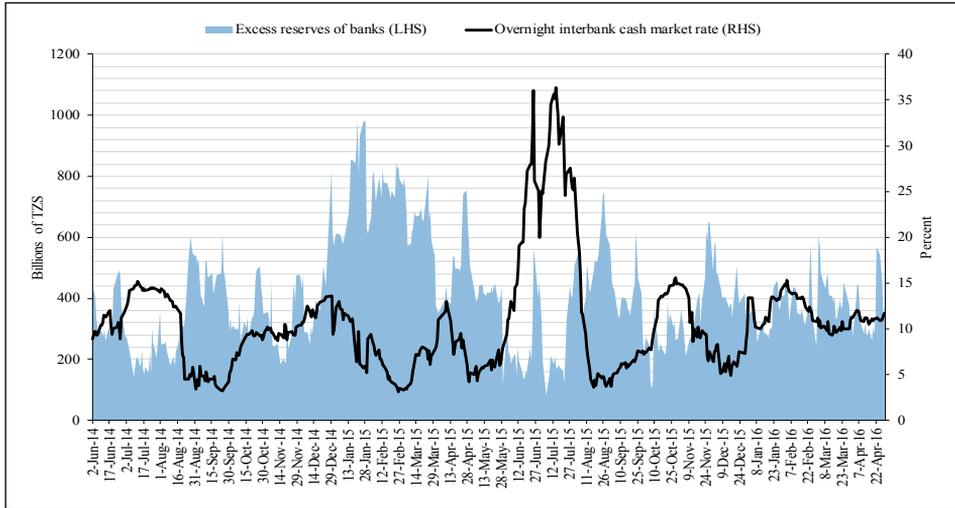
4.0 MONETARY POLICY IMPLEMENTATION DURING 2015/16

4.1 Liquidity Management and Interest Rate Developments

During July 2015 to April 2016, overall liquidity condition among banks was generally satisfactory, with occasional periods of liquidity tightness. The Bank had to address the situation by granting reverse repos, while some banks increased their access to Lombard and intraday facilities to square their liquidity position. Reflecting liquidity condition, interest rate at which commercial banks lend cash to each other overnight (the overnight interbank cash market (IBCM) interest rate) declined from a peak of 29.98 percent in July 2015, owing to moderate fiscal outlays and tight monetary policy stance pursued by the Bank, to 6.27 percent in September 2015, the period when liquidity hovered above the target band due to sizable government outlays. The IBCM rate rose in October 2015 following increased demand for cash, before it subsequently eased and stabilized beginning January 2016. The observed stability in IBCM rate is also associated with the increased monetary policy focus on stabilization of banks' free reserves, as a step in the direction of improving the monetary policy framework (Chart 4.1).



Chart 4.1: Banks' Excess Reserves and Overnight Interbank Cash Market Rate

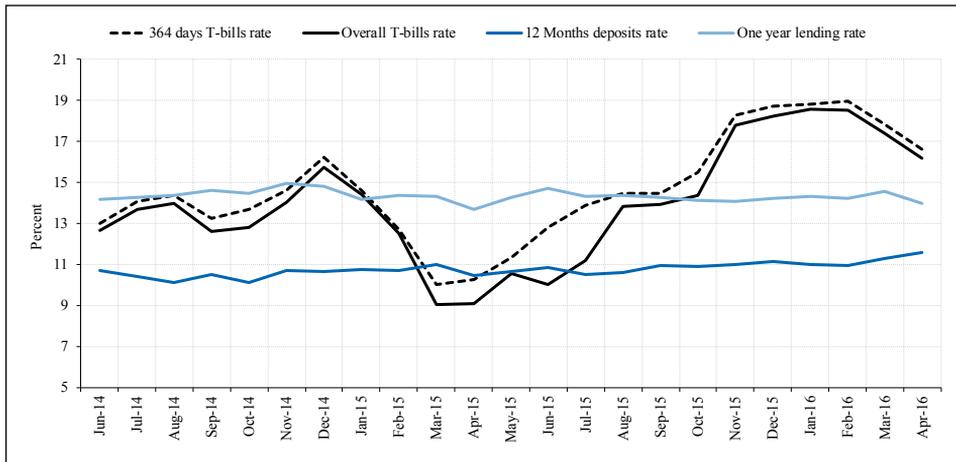


Source: Bank of Tanzania

Similarly, Treasury bills rates which rose persistently for ten months to an average of 18.55 percent in January 2016, driven by increased demand for domestic financing in the face of less than expected foreign financing, eased to 16.16 percent in April 2016. The developments in the money market interest rates were however not fully reflected in the banks' deposits and lending rates where the spread between 12-month deposit and lending rates remained broadly unchanged during the period (Chart 4.2).



Chart 4.2: Selected Interest Rates Developments



Source: Bank of Tanzania

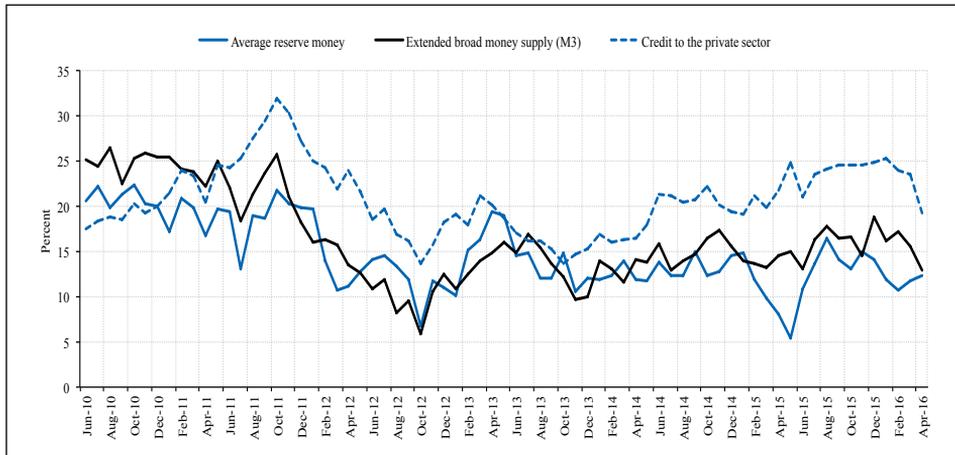
Growth rates of monetary aggregates remained broadly within the targets for 2015/16, with extended broad money supply (M3) growing at 12.9 percent in the year ending April 2016, down from 14.5 recorded in April 2015 and remained within the projected rate of 16.0 percent for the year ending June 2016. Meanwhile, average reserve money recorded annual growth of 12.3 percent which was higher than 8.1 percent recorded in April 2015 but within the target of 13.4 percent for the year ending June 2016. Likewise, credit to the private sector recorded annual growth of 19.3 percent in April 2016, in line with the projected growth rate for the year ending June 2016, but relatively lower than 21.7 percent recorded in April 2015 (Chart 4.3). The credit to the private sector is supportive of expansion of economic activities and has been backed by the contraction of net foreign assets of banks and net credit to the government from the banking system.

During the period under review, money multiplier has registered an increasing trend, which is expected to sustain in the near-term. This



development is mostly associated with on-going financial innovations and access to formal financial services which has also reduced demand for cash. Given the observed developments in monetary aggregates during July 2015 to April 2016, and sustained prudent monetary policy, coupled with continued close monitoring of budget execution and enhanced tax administration, the Bank is confident that the observed good performance will be sustained to the end of June 2016 and the monetary policy objectives will be attained.

Chart 4.3: Annual Growth in Monetary Aggregates



Source: Bank of Tanzania

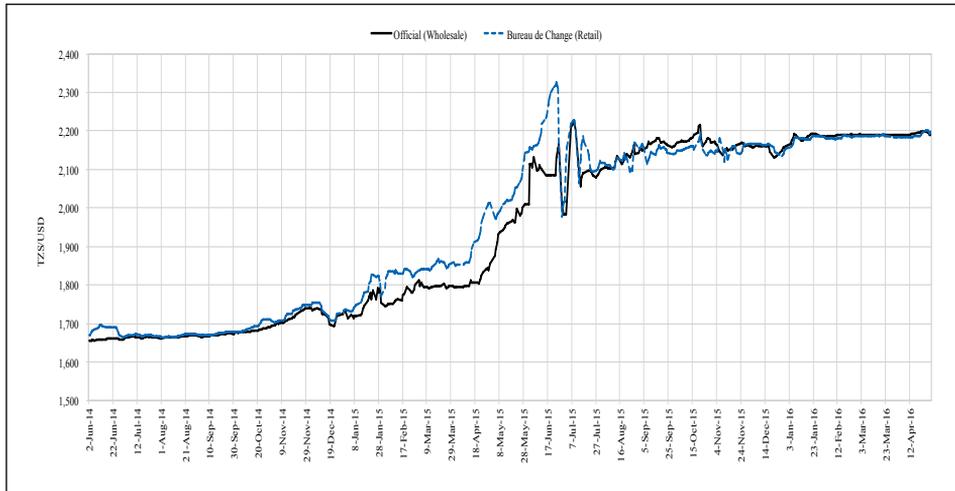
4.2 Exchange Rate Movement

During July 2015 to April 2016, despite a general shortfall in foreign exchange inflows compared to similar period of 2014/15, the Shilling remained fairly stable, after experiencing high volatility in the last quarter of 2014/15. The stability was mostly explained by prudent fiscal policy, and sustained tight monetary policy measures implemented by the Bank during the period to contain inflation expectations and excessive volatility of the Shilling exchange rate against the US dollar (Chart 4.4). During



the period, gross official reserves was sufficient to cover about 4 months of import cover and it is expected to remain at that level throughout the period to June 2016, consistent with the improvement recorded in the current account balance.

Chart 4.4: Nominal Exchange Rate Movements (TZS/USD)



Source: Bank of Tanzania

4.3 Financial Sector Stability

The banking sector remained sound and stable with levels of capital and liquidity above regulatory requirements. As at the end of March 2016, the ratio of core capital to total risk weighted assets and off-balance sheet exposures was 18.0 percent compared with the minimum legal requirement of 10 percent, while the ratio of liquid assets to demand liabilities stood at 36.6 percent, which was above the minimum regulatory limit of 20 percent. The quality of the banking sector's assets slightly deteriorated as reflected by the ratio of non-performing loans (NPL) to gross loans, which increased to 8.3 percent from 6.7 percent recorded at the end of March 2015 (Table 4.1). Most banks maintained NPL levels below 5 percent and



those with levels above this have been required to bring NPLs to below 5 percent.

The sector continue to record steady growth with total assets growing by 14.6 percent to TZS 26,982.5 billion at the end of April 2016, compared to TZS 23,551.0 billion recorded at the end of April 2015. Deposits continued to be the main funding source in the banking sector assets, accounting for 86.1 percent of total liabilities. The other major source of funding was shareholders' equity.

Table 4.1: Financial Soundness Indicators

Indicator	Regulatory limit	Percent	
		Mar-15	Mar-16
Capital adequacy			
Core capital to total risk weighted assets plus off balance sheet exposures	Minimum 10	17.9	18.0
Total capital to total risk weighted assets plus off balance sheet exposures	Minimum 12	19.1	20.0
Liquidity			
Liquid assets to demand liabilities	Minimum 20	39.0	36.6
Total loans to customer deposits	N/A	77.1	82.6
Earnings and profitability			
Return on assets	N/A	3.2	3.2
Return on equity	N/A	16.5	16.7
Non-interest expenses to total income	N/A	50.0	63.1
Assets quality			
Non-performing loans to gross loans	N/A	6.7	8.3

Source: Bank of Tanzania

The Bank of Tanzania continued to implement prudential measures to strengthen risk management practices in the financial sector. In intensifying its efforts of ensuring compliance to internationally acceptable standards, the Bank has started to develop rules and regulations for Basel II/III implementation in Tanzania. Meanwhile, the Foreign Exchange (Bureau de Change) Regulations, 2015 were translated into Kiswahili in order to



broaden its understanding among stakeholders. The Bank has developed Bureau de Change Management System which will enable capturing real-time transactions and enhance supervision of bureaus. The Bank is also reviewing the agent banking guidelines in order to address challenges in the agent banking operations.

There has been a significant increase in utilization of credit information since establishment of credit reference bureaus in 2013, as evidenced by increase in the use of their services and participation of non-regulated institutions in the credit reference system. The number of borrowers and loans submitted by banking institutions to the Credit Reference Databank increased by 36.9 percent and 31.5 percent to 1,050,649 and 1,952,974, respectively at the end of April 2016 from 767,457 and 1,485,151 recorded at the end of April 2015. The increased use of credit information system is expected to have a positive impact on the number of non-performing loans in the banking sector and interest rate charged by banks in the long-run.

4.4 National Payment Systems Developments

In 2015/16, the clearing, payment and settlement systems operated smoothly with significant growth in access and usage. The Tanzania Interbank Settlement System (TISS), East African Cross Border Payment System (EAPS) and SADC Integrated Regional Settlement System (SIRESS) continued to operate efficiently with increased transactions. Interoperability of mobile financial services was boosted in February 2015 when Vodacom joined other service providers (Tigo, Airtel and Zantel) in facilitating wallet to wallet transfers. The current status makes it possible for customers belonging to different networks among the four service providers to send and receive directly to each other's mobile money wallets. This has brought down the costs of transfer across networks which will further push the usage of mobile money in accessing formal financial



services. During July 2015 to April 2016, mobile payment services recorded 1,217 million transactions worth TZS 43.9 trillion, representing a growth rate of 15.0 percent in volume and 24.5 percent in value when compared to similar period of 2014/15. The Bank is conducting an assessment of the best model to implement clearing and settlement of mobile financial services transactions to further enhance inter-operability of mobile financial services providers. The number of registered accounts has reached 55.4 million at the end of April 2016, with 16.8 million active users of mobile phone financial services and 273,723 active agents.

The Bank has also embarked on modernization initiatives of High Value Payment Systems. The process has involved upgrade of the Tanzania Interbank Settlement System (TISS) to meet the current needs in the region.



PART V

5.0 MACROECONOMIC POLICY FRAMEWORK FOR 2016/17

5.1 Macroeconomic Policy Objectives

During 2016/17, economic development priorities of the government focus on sustainable development as promulgated in the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and successor to MKUZA II. The main emphasis is on strategically mobilizing and organizing national resources for human and industrial development needed to transform Tanzania into a middle income economy. The Government aims 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. Single digit annual inflation rate by end June 2017;
- iii. Budget deficit including grants and clearance of arrears of not more than 4.5 percent of GDP.

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.

5.2 Monetary Policy Objectives

In support of the 2016/17 broader macroeconomic objectives of the Government, the Bank will continue to primarily focus on maintaining price stability by achieving the following monetary policy targets:

- i. Annual growth of average reserve money not exceeding 13.0 percent;
- ii. Annual growth of M3 not exceeding 14.8 percent;
- iii. Annual growth of private sector credit of about 20.5 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 FDIs related imports.



PART VI

6.0 MONETARY POLICY STANCE DURING 2016/17

6.1 Liquidity Management

The Bank will continue pursuing prudent monetary policy in 2016/17 to keep inflation close to the medium-term target of 5 percent, while ensuring that liquidity level is consistent with demands of various economic activities. In this context, the Bank will continue to deploy a mix of monetary policy instruments, while ensuring that money market operates efficiently towards sustaining stability of short-term interest rates. The financial market will continue to be strengthened in line with the objective of widening participation and deepening financial markets instruments to facilitate better and efficient price discovery. The Bank will also implement reserve averaging framework that will provide flexibility to banks in managing liquidity more efficiently and thus help to reduce volatility of short-term interest rates. The Bank will continue to improve the monetary policy framework by solidifying its role in stabilization of banks' free reserves. Further, the Bank will enhance information sharing with banks to improve the functioning of the money market. The Bank will continue to monitor monetary aggregates cautiously and review them when need arises.

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 work closely with market players to improve transparency of monetary policy operations and instil greater efficiency in the determination of market based interest rates. This will further improve the function of the money market and reduce volatility in the interbank cash market, while increasing the role of interest rates in the transmission of impact of monetary policy actions.



6.3 Exchange Rate Policy

The exchange rate will continue to be market determined, with the Bank participating in the foreign exchange market for liquidity management purposes and intervening occasionally to smooth out excessive short-term volatility in the exchange rate. This will be done while ensuring that foreign exchange reserves are maintained at not less than four months of import cover.



PART VII

OUTLOOK AND CONCLUSION

The macroeconomic policies pursued in 2015/16 and the initiatives under the Second Five Year Development Plan, have set strong foundation for a sustained growth. This is also supported by the on-going recovery in the advanced and emerging markets and developing economies on account of improvement in aggregate demand and sustained accommodative monetary policies. Against this backdrop, the Tanzania economy is expected to maintain the strong growth momentum in 2016/17 supported by the increase in government expenditure on development projects and promotion of industrialization.

Annual inflation rate has been aligned with the medium-term objective, consistent with moderation of commodity prices, improvement in food supply, and monetary conditions arising from the policies pursued by the Bank in 2015/16. All monetary aggregates remained within the program targets with credit to the private sector sustaining strong growth to support the growing economic activities. Given the prevailing monetary policy stance, projected favourable food supply situation in the EAC region, coupled with stability of the Shilling exchange rate against U.S. dollar and subdued global oil prices; it is expected that inflation will remain at single digits in the medium-term. The Bank on its part will continue to implement prudent monetary policy to sustain the general macroeconomic stability mindful of possible inflationary pressures from the Southern Africa due to food shortage in that region.

The Bank will continue to support the improvement of the financial markets and financial sector at large. This will also entail continuous review of relevant regulations and guidelines to take into account new



developments and challenges. The Bank will also implement measures in order to modernize its monetary policy framework.

The Bank is confident that it will achieve the monetary policy targets set in this Monetary Policy Statement for 2016/17. This will be helped by the ongoing improvements in global macroeconomic and financial conditions, and the government's tax administration and expenditure management drive.



APPENDICES



Table A1: Global and Regional GDP Growth Rates, Actual and Projections

	2011	2012	2013	2014	2015	Projections	
						2016	2017
World	4.2	3.5	3.3	3.4	3.1	3.2	3.5
Advanced economies	1.7	1.2	1.2	1.8	1.9	1.9	2.0
United States	1.6	2.2	1.5	2.4	2.4	2.4	2.5
Euro Area	1.6	-0.9	-0.3	0.9	1.6	1.5	1.6
Japan	-0.5	1.7	1.4	0.0	0.5	0.5	-0.1
United Kingdom	2.0	1.2	2.2	2.9	2.2	1.9	2.2
Emerging Markets and Developing Economies	6.3	5.3	4.9	4.6	4.0	4.1	4.6
Emerging and Developing Asia	7.8	6.9	6.9	6.8	6.6	6.4	6.3
China	9.5	7.7	7.7	7.3	6.9	6.5	6.2
India	6.6	5.6	6.6	7.2	7.3	7.5	7.5
Sub-Saharan Africa	5.0	4.3	5.2	5.1	3.4	3.0	4.0
South Africa	3.2	2.2	2.2	1.5	1.3	0.6	1.2

Source: IMF, World Economic Outlook Database, April 2016



Table A2: Selected Economic Indicators

Items	Unit	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
1. Prices															
1.5 Annual change in consumer price index															
1.5.1 Headline inflation	Percent	4.3	4.5	5.3	6.1	6.4	6.4	6.1	6.3	6.6	6.8	6.5	5.6	5.4	5.1
1.5.2 Food inflation	Percent	5.9	7.1	8.5	10.1	10.6	10.2	9.6	10.2	11.2	11.1	10.7	9.5	8.3	7.1
1.5.3 Core inflation	Percent	2.5	2.1	2.1	2.2	2.1	2.2	2.2	2.1	2.3	2.4	2.4	2.5	2.8	3.0
2. Money credit and interest rates															
2.1 Extended broad money supply (MB) ¹	Percent	13.2	14.5	15.0	13.1	16.4	17.8	16.5	16.6	14.6	18.8	16.2	17.1	15.5	12.9
2.2 Reserve money ¹	Percent	9.3	5.3	7.1	16.4	13.7	14.5	12.7	13.2	13.2	15.6	16.3	6.8	16.7	11.9
2.3 Average reserve money ¹	Percent	9.8	8.1	5.4	10.8	13.7	16.5	14.1	13.1	15.0	14.2	15.6	10.7	11.8	12.3
2.4 Credit to non-government sector ¹	Percent	19.8	21.7	24.9	21.0	23.5	24.1	24.6	24.6	24.5	24.8	25.3	24.0	23.6	19.3
2.5 364-days Treasury bill rate ²	Percent	10.02	10.29	11.36	12.81	13.89	14.45	14.45	15.49	18.29	18.72	18.81	18.96	17.83	16.62
2.6 Overnight inter-bank rate ²	Percent	6.41	9.73	6.10	17.99	29.98	9.75	6.27	12.34	10.48	7.10	11.89	13.29	10.12	11.06
2.7 12-Months deposit rate ²	Percent	11.00	10.46	10.66	10.85	10.50	10.59	10.95	10.92	11.01	11.16	11.01	10.95	11.30	11.56
2.8 Short-term (up to 1 year) lending rate ²	Percent	14.32	13.68	14.27	14.72	14.31	14.36	14.27	14.14	14.08	14.22	14.34	14.20	14.55	13.96
3. Balance of payments															
3.1 Gross official reserves	Millions of USD	4,060.8	4,080.3	3,870.6	4,285.0	4,212.0	4,191.9	4,001.1	4,022.1	4,070.9	4,093.7	3,998.8	4,014.4	3,948.8	3,845.0
3.2 Exchange rate	TZS/USD	1,788.92	1,805.61	1,946.47	2,060.21	2,075.32	2,107.19	2,152.85	2,168.70	2,148.34	2,144.25	2,172.38	2,177.83	2,179.16	2,181.77
3.2.1 Period average	TZS/USD	1,788.06	1,829.00	1,997.15	2,020.35	2,086.44	2,133.76	2,149.03	2,166.33	2,149.11	2,148.52	2,177.26	2,179.54	2,179.60	2,178.90
3.2.2 End of period															
4. Public finance															
4.1 Domestic revenue ³	Millions of TZS	1,059,951.0	853,659.9	812,024.0	1,201,469.6	928,710.7	969,477.3	1,152,605.1	1,044,116.1	1,234,925.5	1,470,040.9	1,151,206.4	1,069,986.3	1,325,470.1	
4.2 Recurrent expenditure ³	Millions of TZS	1,046,633.5	907,289.9	1,137,173.9	1,708,209.6	723,050.4	930,679.3	1,015,037.5	993,451.7	976,386.6	1,388,359.7	1,095,901.4	1,106,861.1	1,065,579.1	
4.3 Development expenditure ³	Millions of TZS	177,709.9	235,431.6	180,342.6	235,088.0	238,152.0	242,060.9	336,675.6	457,623.4	356,179.7	632,299.1	172,130.8	201,358.4	149,648.8	
4.4 Program assistance	Millions of USD	5.6	113.8	0.1	183.0	0.0	0.0	4.6	26.1	84.3	24.7	0.0	6.1	25.1	1.1
4.4.1 General budget support	Millions of USD	5.6	112.1	0.0	183.0	0.0	0.0	0.0	0.0	79.5	0.0	0	0	0	0
4.4.2 Basket funds	Millions of USD	0.0	1.7	0.1	0.0	0.0	0.0	4.6	26.1	4.8	24.7	0.0	6.1	25.1	1.1

Notes: 1 Annual growth

2 Monthly averages

3 Domestic revenue includes LGAs own sources, and expenditure excludes expenditure float

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



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

Economic Activity	2011	2012	2013	2014r	2015p
	Millions of TZS				
Agriculture, forestry and fishing	8,621,829.4	8,901,917.2	9,186,730.6	9,497,468.2	9,719,965.4
Crops	4,454,218.8	4,640,786.7	4,801,783.2	4,993,854.5	5,106,026.9
Livestock	2,948,017.2	3,001,944.0	3,062,481.1	3,129,647.2	3,204,928.5
Forestry and hunting	745,683.7	771,589.6	808,231.3	849,445.4	871,447.9
Fishing	473,909.7	487,597.0	514,234.9	524,521.1	537,562.1
Industry and construction	7,271,804.3	7,566,056.9	8,287,309.1	9,144,463.9	10,174,155.7
Mining and quarrying	1,141,798.2	1,217,823.0	1,264,844.8	1,383,349.2	1,508,923.3
Manufacturing	2,554,119.3	2,659,199.5	2,831,399.9	3,024,322.7	3,222,076.7
Electricity, gas	284,393.6	293,803.6	332,080.1	363,109.5	384,271.4
Water supply	260,049.8	267,407.2	274,506.8	284,755.1	285,002.7
Construction	3,031,443.4	3,127,823.6	3,584,477.5	4,088,927.4	4,773,881.5
Services	16,341,277.7	17,520,835.1	18,767,585.4	20,119,051.3	21,511,358.1
Wholesale and retail trade; repairs	3,541,264.9	3,675,197.1	3,839,851.5	4,223,836.7	4,552,421.9
Transport and storage	1,980,177.1	2,062,518.3	2,314,221.4	2,603,499.3	2,810,378.3
Hotels and restaurants	543,172.8	579,597.9	595,724.3	609,111.0	622,966.5
Information and communication	1,177,462.0	1,439,325.7	1,631,262.5	1,762,115.8	1,974,819.1
Financial and insurance activities	1,374,536.5	1,445,139.6	1,534,231.5	1,699,700.0	1,900,296.7
Real estate	1,719,706.1	1,754,125.6	1,790,574.3	1,829,107.2	1,869,781.7
Professional, scientific and technical activities	655,946.9	617,853.5	651,358.4	654,929.9	699,555.6
Administrative and support service activities	892,397.2	1,104,371.7	1,239,494.9	1,313,617.9	1,375,561.5
Public administration and defence	2,231,564.5	2,435,459.5	2,625,280.5	2,728,182.5	2,854,132.1
Education	1,143,384.9	1,228,099.3	1,280,673.0	1,341,506.6	1,425,991.8
Human health and social work activities	541,093.0	602,631.6	655,861.2	709,309.8	742,628.6
Arts, entertainment and recreation	116,005.3	128,764.3	136,161.6	143,932.6	152,891.3
Other service activities	320,943.8	341,382.2	363,702.1	388,120.3	414,880.9
Activities of households as employers;	103,622.8	106,369.0	109,188.1	112,081.8	115,052.2
FISIM	-561,275.4	-568,182.9	-568,579.6	-623,557.7	-696,520.6
All economic activities	31,673,636.0	33,420,626.3	35,673,045.5	38,137,425.8	40,708,958.5
Taxes on products	2,505,660.8	2,515,832.8	2,873,500.2	3,093,938.8	3,391,850.3
GDP at market prices	34,179,296.8	35,936,459.1	38,546,545.7	41,231,364.5	44,100,808.8
	Real Growth by Economic Activities (Percent)				
Agriculture, forestry and fishing	3.5	3.2	3.2	3.4	2.3
Crops	4.8	4.2	3.5	4.0	2.2
Livestock	1.6	1.8	2.0	2.2	2.4
Forestry and hunting	3.3	3.5	4.7	5.1	2.6
Fishing	2.6	2.9	5.5	2.0	2.5
Industry and construction	12.0	4.0	9.5	10.3	11.3
Mining and quarrying	6.3	6.7	3.9	9.4	9.1
Manufacturing	6.9	4.1	6.5	6.8	6.5
Electricity, gas	-4.3	3.3	13.0	9.3	5.8
Water supply	-1.2	2.8	2.7	3.7	0.1
Construction	22.9	3.2	14.6	14.1	16.8
Services	8.4	7.2	7.1	7.2	6.9
Wholesale and retail trade; repairs	11.3	3.8	4.5	10.0	7.8
Transport and storage	4.4	4.2	12.2	12.5	7.9
Hotels and restaurants	4.1	6.7	2.8	2.2	2.3
Information and communication	8.6	22.2	13.3	8.0	12.1
Financial and insurance activities	14.8	5.1	6.2	10.8	11.8
Real estate	1.9	2.0	2.1	2.2	2.2
Professional, scientific and technical activities	4.8	-5.8	5.4	0.5	6.8
Administrative and support service activities	5.1	23.8	12.2	6.0	4.7
Public administration and defence	15.9	9.1	7.8	3.9	4.6
Education	5.6	7.4	4.3	4.8	6.3
Human health and social work activities	5.3	11.4	8.8	8.1	4.7
Arts, entertainment and recreation	7.7	11.0	5.7	5.7	6.2
Other service activities	6.2	6.4	6.5	6.7	6.9
Activities of households as employers;	2.7	2.7	2.7	2.7	2.7
FISIM	22.6	1.2	0.1	9.7	11.7
All economic activities	7.6	5.5	6.7	6.9	6.7
Taxes on products	12.1	0.4	14.2	7.7	9.6
GDP at market prices	7.9	5.1	7.3	7.0	7.0

Note: r means revised

p denotes provisional

FISIM means financial intermediation indirectly measured

Source: National Bureau of Statistics



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

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

Note: p denotes provisional, r means revised

FISIM means financial intermediation indirectly measured

Source: National Bureau of Statistics



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

	<i>Billions of TZS</i>				
<i>Economic Activity</i>	2011	2012	2013	2014	2015
GDP at market prices	842.7	859.6	913.7	973.7	1,189.0
Agriculture, Forestry & Fishing	214.6	196.8	222.8	221.8	227.9
Industry	179.9	193.4	200.1	212.0	235.6
Services	448.1	469.4	490.9	539.2	583.7
Adjustment to market prices	84.8	113.2	129.2	142.3	141.4
<i>Agriculture, Forestry & Fishing</i>					
Crops	118.1	96.4	118.4	109.9	108.1
Livestock	25.9	27.6	29.0	31.2	33.6
Forestry & hunting	24.2	25.1	26.0	27.0	28.1
Fishing	46.5	47.6	49.4	53.7	58.2
<i>Industry</i>					
Mining & quarrying	14.3	16.2	15.6	16.3	18.7
Manufacturing	72.1	74.7	79.9	87.7	95.6
Electricity and gas	3.1	3.4	3.5	3.7	3.9
Water supply and Sewerage	3.8	3.9	4.1	4.3	4.6
Construction	86.6	95.2	97.0	99.9	112.7
<i>Services</i>					
Trade & repairs	80.1	71.7	73.8	83.3	84.4
Transport & storage	43.7	50.2	54.9	58.7	61.8
Accommodation and food services	73.4	74.6	81.6	87.3	96.2
Accommodation	57.0	55.1	56.5	61.4	70.3
Food and beverage services	16.4	19.5	25.1	25.9	25.9
Information and communication	31.8	35.5	30.8	38.3	41.3
Financial and insurance activities	39.6	42.6	44.8	49.6	55.1
Real estate activities	52.2	55.6	59.3	63.4	67.7
Professional, scientific and technical	1.4	1.7	2.5	3.6	4.1
Administrative and support services	6.2	6.5	7.0	7.0	8.0
Public administration	88.0	98.5	103.6	114.8	130.1
Education	22.9	23.9	24.3	25.0	26.8
Human health and social work	9.4	9.6	9.9	10.7	10.9
Arts, entertainment and recreation	3.3	3.2	3.5	3.7	4.3
Other service activities	5.7	5.7	6.1	6.4	7.4
Domestic services	1.2	1.2	1.2	1.3	1.3
Less FISIM	-0.7	-11.2	-12.5	-13.9	-15.8
<i>Adjustment to market prices</i>					
Taxes on products	84.8	113.2	129.2	142.3	141.4
	Real Growth by Economic Activities (Percent)				
GDP at current market prices	9.3	4.9	7.2	7.0	6.6
Agriculture, Forestry & Fishing	4.7	-8.3	13.2	-0.4	2.7
Industry	18.4	7.5	3.5	6.0	10.6
Services	8.3	4.8	4.6	9.8	8.0
Adjustment to market prices	9.6	33.4	14.1	10.2	0.9
<i>Agriculture, forestry & fishing</i>					
Crops	1.7	-18.4	22.9	-7.2	-1.6
Livestock	4.0	6.7	5.1	7.5	7.5
Forestry	3.8	3.9	3.5	3.8	4.0
Fishing	13.9	2.5	3.6	8.9	8.2
<i>Industry</i>					
Mining & quarrying	18.4	12.7	-3.6	4.9	10.9
Manufacturing	7.0	3.6	6.9	9.9	8.9
Electricity, gas & water supply	35.5	9.5	3.1	4.7	6.7
Water supply and Sewerage	8.2	3.4	6.0	4.8	5.7
Construction	29.8	9.9	1.9	3.0	12.5
<i>Services</i>					
Trade & repairs	7.7	-10.4	2.9	13.0	1.2
Transport & storage	14.9	14.9	9.4	7.0	5.2
Accommodation and food services	18.1	1.5	9.5	7.0	10.2
Accommodation	12.6	-3.4	2.6	8.7	14.5
Food and beverage services	41.9	18.5	29.1	2.9	0.1
Information and communication	13.3	11.9	-13.3	24.5	7.7
Financial and insurance activities	5.9	7.6	5.1	10.6	11.2
Real estate activities	6.5	6.6	6.7	6.8	6.8
Professional, scientific and technical	-3.5	21.4	47.9	43.4	15.0
Administrative and support services	9.7	5.0	6.2	0.9	12.9
Public administration	1.7	12.0	5.2	10.8	13.3
Education	5.5	4.4	1.4	3.1	2.9
Human health and social work	1.3	2.4	3.0	7.4	1.8
Arts, entertainment and recreation	9.3	-0.7	7.5	5.9	17.2
Other service activities	8.1	-0.1	6.6	5.3	14.7
Domestic services	3.2	3.2	3.2	3.1	3.2
Less FISIM	15.7	4.8	10.8	11.4	13.7
<i>Adjustment to market prices</i>					
Taxes on products	9.6	33.4	14.1	10.2	0.9

Note: FISIM means financial intermediation indirectly measured

Source: Office of Chief Government Statistician, Zanzibar



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

Main Groups	Ref. Period: September 2010=100												Ref. Period: December 2015=100			
	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	Weights (%)		
Food and non alcoholic beverages	47.8	178.8	179.8	180.0	180.6	179.8	179.5	179.9	183.4	184.6	38.5	101.0	102.3	102.9	103.5	
Alcoholic, tobacco and narcotics	3.3	149.1	149.1	149.0	149.4	150.1	150.2	150.2	150.4	150.8	3.7	100.2	100.3	100.6	102.6	
Clothing and footwear	6.7	137.1	137.5	138.2	138.9	140.0	139.3	140.0	140.2	140.7	8.3	100.9	101.1	101.1	101.3	
Housing, water, electricity, gas and other fuel	9.2	169.7	169.9	169.9	170.4	171.3	174.3	174.7	170.0	170.1	11.6	100.6	103.7	106.2	106.4	
Furnishing, housing equipment and routine maintenance of the house	6.7	130.2	130.6	130.9	131.9	132.3	132.7	132.5	132.9	134.1	6.3	100.5	100.3	100.7	101.6	
Health	0.9	114.3	114.3	114.8	115.8	116.2	116.3	116.8	117.2	117.9	2.9	100.5	102.0	102.3	102.8	
Transport	9.5	123.5	124.3	125.2	126.4	128.2	128.6	127.1	126.8	127.3	12.5	99.7	99.1	98.6	98.7	
Communication	2.1	97.3	97.2	97.4	97.3	97.2	97.2	97.4	97.4	97.5	5.6	100.0	100.0	98.6	98.6	
Recreation and culture	1.3	113.5	114.0	115.1	114.9	115.2	117.4	117.4	117.3	117.1	1.6	100.3	100.2	100.7	100.7	
Education	1.7	123.1	123.1	123.1	123.1	123.1	123.1	123.1	123.1	123.1	1.5	101.0	102.2	102.2	102.2	
Restaurants and hotels	6.4	143.6	143.4	143.2	144.6	144.6	144.6	144.6	145.1	144.9	4.2	100.3	100.4	100.9	103.6	
Miscellaneous goods and services	4.5	131.0	131.3	131.4	131.5	131.9	133.0	133.4	134.1	134.1	3.1	100.6	101.1	100.9	101.2	
Total - All Items Index	100.0	157.2	157.9	158.1	158.8	158.8	159.0	159.2	160.5	161.2	100.0	100.7	101.1	101.9	102.5	
Other Selected Groups																
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	51.0	177.3	178.3	178.5	179.1	178.4	178.1	178.4	181.7	182.9	37.1	101.1	102.4	103.1	104.1	
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	183.9	185.0	186.3	188.3	191.6	196.3	194.9	187.1	186.7	8.7	101.4	102.8	105.0	105.0	
All items less food	49.0	136.2	136.6	136.9	137.6	138.3	139.2	139.1	138.4	138.7	62.9	100.5	100.9	101.4	101.7	
All items less food and energy	43.3	129.6	129.9	130.1	130.6	131.0	131.3	131.4	131.7	132.0	54.3	100.4	100.6	100.8	101.1	

Source: National Bureau of Statistics



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

Main Groups	Ref. Period: September 2010=100												Ref. Period: December 2015=100			
	Weights (%)	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Weights (%)	Jan-16	Feb-16	Mar-16	Apr-16	
Food and non alcoholic beverages	47.8	7.1	8.5	10.1	10.6	10.2	9.6	10.2	11.2	11.1	38.5	10.7	9.5	8.3	7.1	
Alcoholic, tobacco and narcotics	3.3	5.3	5.0	5.9	3.4	2.6	2.0	1.2	1.1	1.2	3.7	1.7	1.8	2.1	4.1	
Clothing and footwear	6.7	3.6	3.9	4.5	4.5	5.3	4.6	4.5	4.5	4.1	8.3	4.8	4.5	4.2	4.3	
Housing, water, electricity, gas and other fuel	9.2	0.6	1.8	1.0	0.2	0.2	1.3	1.3	-1.7	-0.3	11.6	0.1	0.8	5.5	7.0	
Furnishing, housing equipment and routine maintenance of the house	6.7	0.3	0.7	0.9	1.6	1.9	2.2	2.0	2.4	3.0	6.3	3.5	3.1	3.8	4.9	
Health	0.9	2.1	2.0	1.9	2.8	3.0	2.4	2.9	3.3	4.0	2.9	4.4	6.0	6.2	6.4	
Transport	9.5	-2.3	-1.8	-1.3	-0.5	0.9	0.7	-0.1	-0.2	1.0	12.5	1.3	2.0	2.6	2.0	
Communication	2.1	0.6	0.6	-0.2	-0.2	-0.4	0.0	0.2	0.2	0.4	5.6	0.5	0.4	-1.0	-1.0	
Recreation and culture	1.3	0.3	0.7	1.5	1.3	1.5	3.3	3.3	3.2	3.2	1.6	3.6	3.3	4.1	4.1	
Education	1.7	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	1.5	3.4	3.6	2.6	2.6	
Restaurants and hotels	6.4	5.3	4.6	4.3	5.6	5.2	3.7	3.9	4.4	3.9	4.2	4.3	2.8	2.8	4.8	
Miscellaneous goods and services	4.5	1.6	1.2	1.1	1.6	1.8	2.5	3.0	3.3	3.4	3.1	4.0	3.9	3.6	3.9	
Total - All Items Index	100.0	4.5	5.3	6.1	6.4	6.4	6.1	6.3	6.6	6.8	100.0	6.5	5.6	5.4	5.1	
Other Selected Groups																
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	51.0	7.2	8.4	9.9	10.5	10.1	9.4	10.0	10.9	10.9	37.1	10.3	8.1	8.0	7.3	
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	5.7	-4.2	-2.1	-2.3	-2.1	-1.1	0.6	0.1	-4.0	-1.4	8.7	0.3	-0.6	5.2	6.6	
All items less food	49.0	1.0	1.4	1.4	1.4	1.7	2.3	1.7	1.3	1.8	62.9	0.0	1.9	3.0	3.5	
All items less food and energy	43.3	2.1	2.1	2.2	2.1	2.2	2.2	2.1	2.3	2.4	54.3	2.4	2.5	2.8	3.0	

Source: National Bureau of Statistics



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

	Weights (%)												
	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
Headline	100.0	110.3	112.9	114.3	118.9	120.8	119.1	118.6	121.1	121.3	120.6	119.0	121.4
Food	57.4	104.4	107.9	109.8	116.2	117.8	115.7	114.6	119.0	118.5	117.7	115.7	119.4
Non-Food	42.6	116.9	118.6	119.6	122.8	123.7	122.5	122.5	122.6	123.6	123.0	121.9	122.9
Alcoholic beverages, tobacco & narcotics	0.6	112.8	112.8	112.8	112.8	114.8	114.5	114.5	114.9	115.4	115.4	115.4	115.4
Clothing and footwear	6.2	119.4	120.7	123.6	126.8	130.2	129.6	129.4	129.5	129.3	130.4	130.2	129.8
Housing, water, electricity, gas and other fuels	15.6	117.1	118.6	118.5	119.9	120.0	117.9	117.9	117.9	118.0	118.1	116.2	118.1
Furnishing, household equipment and routine household maintenance	5.3	110.4	110.8	111.4	112.4	114.1	114.5	114.8	115.8	116.0	116.8	117.2	117.4
Health	2.1	105.8	107.8	111.7	112.2	112.2	115.1	115.1	116.7	116.7	118.1	117.9	118.0
Transport	3.4	95.7	99.4	100.2	108.0	108.0	104.6	104.6	104.8	102.4	102.4	101.5	100.0
Communication	2.4	184.1	184.1	184.1	200.1	200.1	200.1	200.4	200.4	200.4	199.4	199.4	199.4
Recreation and culture	0.4	126.0	128.3	128.3	129.9	129.9	129.9	129.9	130.3	130.3	130.3	130.3	130.3
Education	1.1	138.1	138.1	138.1	138.1	138.1	138.1	138.1	138.1	138.1	150.6	150.6	150.6
Restaurants and hotels	3.1	102.7	103.9	104.8	99.0	126.5	125.5	125.3	133.4	133.2	134.5	134.7	134.5
Miscellaneous goods & services	2.4	123.0	124.0	124.0	127.9	128.8	129.0	129.3	129.5	131.1	131.8	131.9	133.2

Source: Office of Chief Government Statistician, Zanzibar



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

	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
Headline	1.1	2.7	3.9	6.7	8.5	8.1	8.7	10.9	11.7	9.8	10.9	9.7	10.1
Food	-0.6	1.6	4.3	8.4	10.5	10.4	11.7	15.8	17.6	11.8	14.6	11.4	14.4
Non-Food	2.8	4.0	3.6	5.0	5.9	5.2	5.2	5.5	5.1	6.8	6.4	7.2	5.1
Alcoholic beverages, tobacco & narcotics	0.6	7.9	8.1	3.4	2.0	1.7	1.7	2.0	2.5	2.5	2.4	2.3	2.3
Clothing and footwear	6.2	3.6	4.5	6.3	8.7	11.6	11.2	11.6	11.2	15.7	11.1	9.7	8.7
Housing, water, electricity, gas and other fuels	15.6	4.8	5.7	3.0	4.2	4.8	3.3	3.3	3.4	5.8	5.4	6.3	0.9
Furnishing, household equipment and routine household maintenance	5.3	2.9	3.2	3.6	3.4	4.9	5.2	5.5	6.3	6.0	6.2	6.5	6.3
Health	2.1	1.6	3.6	7.3	7.8	7.8	10.4	10.4	11.9	11.5	11.4	11.4	11.5
Transport	3.4	-9.4	-6.1	-6.6	0.1	0.0	-2.1	-2.0	-4.3	0.4	-0.5	3.8	4.5
Communication	2.4	21.8	21.8	21.8	8.8	8.8	8.8	9.0	9.0	8.6	8.3	8.3	8.3
Recreation and culture	0.4	0.8	2.6	2.6	3.9	3.9	3.9	4.2	4.2	4.2	4.1	4.1	3.4
Education	1.1	3.1	3.1	3.1	3.1	3.1	4.4	4.4	4.4	10.7	9.1	9.1	9.1
Restaurants and hotels	3.1	1.8	3.3	3.4	5.9	23.7	22.8	23.0	31.2	31.3	31.9	31.0	31.0
Miscellaneous goods & services	2.4	2.3	3.2	3.1	6.1	6.5	6.2	6.2	6.3	7.8	7.8	7.8	8.3

Source: Office of Chief Government Statistician, Zanzibar

Table A5: Tanzania: Depository Corporations Survey

Billions of TZS

Items	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
Net foreign assets (NEA) of the banking system	6,738.9	7,075.5	8,027.7	8,524.5	8,842.9	8,660.4	8,452.7	8,306.9	8,244.0	8,040.7	7,939.5	7,529.9	7,477.4
NEA of the Bank of Tanzania	6,276.7	6,456.6	7,443.8	7,516.2	7,634.4	7,262.3	7,375.4	7,443.8	7,528.2	7,444.0	7,477.4	7,316.3	7,075.6
Net international reserves (Millions of USD)	3,683.3	3,481.2	3,928.3	3,850.0	3,826.8	3,661.4	3,661.4	3,715.4	3,762.5	3,671.9	3,683.9	3,615.9	3,309.9
NEA of the banks	462.1	618.9	583.9	1,008.4	1,206.5	1,398.1	1,077.4	863.2	715.9	596.8	462.1	213.5	401.8
Banks NEA (Millions of USD)	252.7	309.9	289.0	483.3	566.4	650.6	497.3	401.6	333.2	274.1	212.0	98.0	184.4
Net domestic assets of the banking system	12,747.2	12,795.6	11,936.6	12,307.2	12,546.1	13,236.8	13,238.7	13,238.7	13,871.3	14,070.1	14,118.6	14,118.6	14,520.2
Domestic claims	17,962.7	18,465.7	17,696.9	18,543.8	19,084.2	19,284.5	19,885.3	19,953.6	20,374.4	20,410.2	20,814.7	20,969.3	21,479.8
Claims on central government (net)	4,416.6	4,360.2	3,707.0	4,095.8	4,418.2	4,405.6	4,781.4	4,747.7	4,881.6	4,645.8	4,851.0	4,885.9	5,314.4
Claims on central government	7,218.3	7,110.6	6,378.9	6,280.9	6,662.1	6,660.5	6,878.4	6,850.9	7,012.8	6,958.4	7,201.3	7,088.4	7,377.2
O/w Securities held by banks	4,144.4	4,087.3	3,851.8	3,998.2	3,771.5	3,625.9	3,556.2	3,578.1	3,727.3	3,851.6	4,004.4	4,133.3	4,215.7
Liabilities to central government	2,801.7	2,750.5	2,671.9	2,185.2	2,243.9	2,254.8	2,097.0	2,103.2	2,131.1	2,312.6	2,350.4	2,202.4	2,062.8
Claims on the private sector	13,546.2	14,105.5	13,989.8	14,448.1	14,666.0	14,878.8	15,103.9	15,205.9	15,492.7	15,764.4	15,963.8	16,083.3	16,165.4
O/w Extended in Shilags	8,400.0	8,639.4	8,066.7	8,966.6	9,122.0	9,287.8	9,458.5	9,580.7	9,892.6	9,892.6	10,051.7	10,218.8	10,304.5
Extended in foreign currency	5,146.1	5,466.1	5,183.1	5,481.5	5,544.1	5,591.0	5,645.4	5,625.2	5,715.5	5,871.8	5,912.1	5,864.5	5,861.0
Equivalent in millions of USD	2,813.6	2,737.0	2,565.2	2,627.2	2,598.3	2,601.6	2,606.0	2,617.5	2,660.2	2,696.9	2,712.5	2,690.6	2,689.9
Other items net	-5,215.5	-5,670.2	-5,760.3	-6,236.7	-6,538.1	-6,663.1	-6,648.5	-6,714.9	-6,503.1	-6,672.0	-6,744.6	-6,850.6	-6,959.6
Extended broad money supply (M3)	19,486.1	19,871.1	19,964.3	20,831.7	21,388.9	21,281.8	21,689.5	21,545.6	22,115.3	21,778.9	22,009.6	21,648.5	21,997.6
Foreign currency deposits (FCD) in national currency	5,446.3	5,712.8	5,663.2	6,174.2	6,473.3	6,424.5	6,413.9	6,132.9	6,335.2	6,359.2	6,285.1	6,160.9	6,233.5
FCD (Millions of USD)	2,977.8	2,860.4	2,803.1	2,959.2	3,033.7	2,989.5	2,960.7	2,853.7	2,948.6	2,920.8	2,883.7	2,826.6	2,860.8
Broad money supply (M2)	14,039.8	14,158.3	14,301.1	14,657.5	14,915.7	14,887.3	15,275.6	15,412.7	15,780.1	15,419.7	15,724.4	15,487.6	15,764.2
Other deposits in national currency	5,635.4	5,709.1	5,621.6	5,830.4	5,803.1	5,864.8	6,015.3	6,014.1	6,204.4	6,184.3	6,426.4	6,198.4	6,252.8
Narrow money supply (M1)	8,494.4	8,445.3	8,679.4	8,827.1	9,022.3	8,944.3	9,280.3	9,388.6	9,575.7	9,235.4	9,428.0	9,289.2	9,514.8
Currency in circulation	3,172.3	3,333.3	3,343.8	3,626.8	3,684.8	3,642.3	3,789.3	3,732.1	3,698.3	3,534.1	3,482.0	3,466.1	3,458.9
Transferable deposits in national currency	5,231.9	5,113.8	5,135.7	5,300.2	5,427.7	5,330.2	5,471.0	5,666.3	5,877.2	5,693.3	5,846.0	5,823.1	6,058.2
Memorandum Items													
Reserve money	5,748.8	5,862.5	6,575.6	6,709.8	6,776.0	6,538.2	6,677.2	6,829.6	6,833.1	6,617.9	6,350.4	6,522.6	6,434.1
Banks' reserves	2,039.6	2,018.7	2,479.5	2,511.5	2,538.2	2,256.3	2,293.7	2,510.6	2,401.3	2,472.9	2,299.4	2,400.9	2,389.0
Currency outside Bank of Tanzania	3,709.2	3,843.8	4,096.2	4,198.3	4,237.8	4,281.9	4,383.5	4,319.0	4,431.8	4,145.0	4,051.0	4,121.7	4,045.1
Average reserve money	5,728.8	5,752.8	6,176.3	6,462.1	6,732.9	6,736.7	6,634.7	6,747.4	6,862.5	6,862.5	6,539.2	6,533.0	6,433.6
Nominal exchange rate (end of period) (TZS/USD)	1,829.0	1,997.2	2,020.3	2,086.4	2,133.8	2,149.0	2,166.3	2,149.1	2,148.5	2,177.3	2,179.5	2,179.6	2,178.9
Gross official reserves (Millions of USD)	4,080.3	3,870.6	4,285.0	4,212.0	4,191.9	4,001.1	4,022.1	4,070.9	4,093.7	3,998.8	4,014.4	3,948.8	3,845.0
Foreign assets of banks (Millions of USD)	933.0	1,007.5	1,023.3	1,130.2	1,199.9	1,246.0	1,161.0	1,114.5	1,012.1	958.8	934.2	855.0	915.7
Gross foreign assets of the banking system (Millions of USD)	5,013.3	4,878.0	5,308.3	5,342.2	5,391.8	5,183.1	5,185.4	5,185.4	5,105.8	4,957.6	4,948.7	4,803.8	4,760.6
Annual growth rates (%)													
Stock of reserve money	5.3	7.1	16.4	13.7	14.5	12.7	13.2	13.2	15.6	16.3	6.8	16.7	11.9
Average reserve money	8.1	5.4	10.8	13.7	16.5	14.1	13.1	15.0	14.2	15.6	10.7	11.8	12.3
Extended broad money supply (M3)	14.5	15.0	13.1	16.4	17.8	16.5	16.6	16.6	18.8	16.2	17.1	15.5	12.9
Broad money supply (M2)	11.7	9.8	8.0	10.0	10.1	8.3	9.2	9.5	13.4	10.0	14.5	13.2	12.3
Credit to the private sector	21.7	24.9	21.0	23.5	24.1	24.6	24.6	24.5	24.8	25.3	24.0	23.6	19.3

Source: Bank of Tanzania





Table A6: Tanzania: Capital and Money Market Interest Rates

Items	Percent												
	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
Interbank cash market rates													
Overnight	9.73	6.10	17.99	29.98	9.75	6.27	12.34	10.48	7.10	11.89	13.29	10.12	11.06
2 to 7 days	8.89	7.14	21.08	29.36	9.76	7.30	12.81	12.10	14.42	12.50	13.35	11.11	11.59
8 to 14 days	9.39	7.89	23.30	33.57	14.71	9.11	9.11	12.36	12.36	15.00	13.67	11.10	6.83
15 to 30 days	10.33	10.33	30.00	18.48	18.48	18.48	18.48	18.48	18.48	12.23	18.00	11.50	11.50
31 to 60 days	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
61 to 90 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
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	9.46	6.39	18.65	29.72	9.78	6.62	12.40	10.72	7.29	12.02	13.31	10.39	11.17
Lombard rate	11.68	9.14	26.99	44.97	17.69	10.63	18.51	15.72	11.11	17.84	19.93	15.18	16.59
REPO rate	6.00	6.00	6.00	22.43	11.80	6.06	6.06	6.25	5.41	5.41	5.41	5.41	5.13
Treasury bills rates													
35 days	2.41	2.55	5.51	6.30	6.82	7.09	7.35	7.36	7.40	7.40	7.40	7.40	7.32
91 days	6.86	7.25	7.36	7.96	8.06	8.28	9.49	10.04	9.28	9.02	8.78	8.59	8.15
182 days	9.76	10.71	11.47	12.86	13.60	13.77	14.75	16.50	17.15	17.67	17.79	17.08	15.78
364 days	10.29	11.36	12.81	13.89	14.45	14.45	15.49	18.29	18.72	18.81	18.96	17.83	16.62
Overall Treasury bills rate	9.09	10.55	10.04	11.17	13.83	13.93	14.35	17.77	18.25	18.55	18.52	17.39	16.16
Treasury bonds rates													
2-years	12.29	14.01	14.01	14.01	14.99	14.99	16.76	16.76	16.76	17.29	17.29	17.51	17.51
5-years	11.39	11.39	11.39	16.46	16.46	16.89	16.89	16.89	17.52	17.52	18.79	18.79	17.07
7-years	15.61	15.61	16.64	16.64	16.64	16.91	16.91	17.58	17.58	16.23	16.23	18.17	18.17
10-years	16.69	16.69	17.02	17.02	17.02	17.62	17.62	18.12	17.62	18.82	18.82	18.82	18.85
15-years	17.52	17.46	17.46	17.46	17.46	17.97	17.97	17.97	17.97	17.97	19.76	19.76	19.76
Discount rate	16.00												

Source: Bank of Tanzania



Table A7: Tanzania: Banks' Interest Rates

Items	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
<i>Percent</i>													
A: Domestic currency													
Savings deposit rate	3.50	3.50	3.52	3.50	3.48	3.46	3.45	3.48	3.42	3.44	3.38	3.41	3.41
Overall time deposits rate	8.10	8.73	8.98	9.19	9.07	9.07	9.21	9.19	9.30	9.08	9.14	8.64	8.98
1 month	9.45	9.18	10.06	10.48	10.17	9.82	10.14	10.11	10.21	10.39	9.99	10.51	10.89
2 months	7.36	9.83	9.32	10.46	10.50	10.78	10.69	10.62	10.39	10.00	10.29	7.47	8.63
3 months	8.36	9.38	9.73	10.20	9.85	9.65	10.61	10.37	10.19	9.81	11.13	10.23	9.94
6 months	9.83	10.13	10.59	10.19	9.79	9.92	9.63	9.97	10.30	10.08	9.77	9.75	9.62
12 months	10.46	10.66	10.85	10.30	10.39	10.95	10.92	11.01	11.16	11.01	10.95	11.30	11.56
24 months	8.37	9.33	9.41	9.74	9.92	9.76	9.90	9.74	9.90	9.43	9.21	8.61	9.63
Negotiated deposit rate	9.48	9.41	8.62	11.30	11.38	11.66	10.92	10.40	12.06	13.09	13.00	11.01	10.33
Overall lending rate	16.22	16.07	16.06	16.08	16.11	16.18	16.08	16.14	16.39	16.28	16.43	16.26	16.12
Short-term (up to 1 year)	13.68	14.27	14.72	14.31	14.36	14.27	14.14	14.08	14.22	14.34	14.20	14.55	13.96
Medium-term (1-2 years)	16.32	16.83	16.61	16.92	17.16	17.20	17.18	17.33	17.70	17.76	17.84	17.56	17.57
Medium-term (2-3 years)	17.27	16.51	16.47	16.49	16.36	16.56	16.46	16.57	16.49	16.46	16.49	15.95	15.87
Long-term (3-5 years)	15.88	15.39	15.07	15.47	15.38	15.15	15.10	15.06	15.87	15.78	15.73	15.57	15.65
Term loans (over 5 years)	17.95	17.38	17.45	17.19	17.27	17.74	17.52	17.66	17.65	17.05	17.87	17.66	17.53
Negotiated lending rate	12.45	12.65	12.26	12.93	11.83	13.75	13.77	13.69	14.41	12.16	12.40	10.91	12.82
B: Foreign currency													
Deposits rates													
Savings deposits rate	0.87	1.15	1.15	0.70	1.98	1.76	1.07	0.85	0.83	0.98	1.15	0.99	1.79
Overall time deposits rate	3.46	3.27	3.27	2.65	2.91	2.99	2.61	2.69	2.81	2.52	2.73	3.27	2.74
1-months	3.59	4.23	4.23	4.23	2.86	3.42	2.24	2.41	2.59	1.69	2.69	2.87	2.39
2-months	3.14	3.82	3.81	2.69	2.61	2.62	2.39	2.64	2.54	2.50	2.77	3.29	2.83
3-months	3.68	2.61	2.62	2.46	2.86	3.20	2.69	2.66	2.58	2.67	2.29	3.25	2.94
6-months	3.57	2.87	2.86	2.59	3.11	2.88	2.68	2.69	2.99	2.82	2.82	3.54	2.50
12-months	3.30	2.85	2.85	3.02	3.13	2.83	3.07	3.06	3.37	2.93	3.07	3.29	3.04
Overall lending rate	5.53	5.42	5.44	6.64	5.81	5.44	5.89	6.38	6.73	6.52	6.78	4.76	6.78
Short-term (up to 1 year)	3.13	2.81	2.83	4.72	3.95	3.20	3.25	3.20	4.15	3.21	4.18	4.16	3.08
Medium-term (1-2 years)	5.98	6.06	6.06	8.17	7.49	6.22	6.00	7.53	7.68	7.65	7.71	7.27	8.72
Medium-term (2-3 years)	6.06	6.12	6.16	7.29	8.44	7.61	8.15	8.10	8.13	8.14	7.42	3.49	7.24
Long-term (3-5 years)	6.24	7.04	7.08	7.96	4.11	5.12	6.96	7.00	7.61	7.51	8.11	5.67	7.04
Term loans (over 5 years)	6.23	5.05	5.05	5.06	5.06	5.06	5.10	6.09	6.10	6.10	6.50	3.24	7.82

Source: Bank of Tanzania



Table A8: Central Government Operations - Tanzania Mainland

Millions of TZS

Items	Budget	July 2015 - March 2016		Percent of Estimate
	2015/16	Estimate	Actual	
Total revenue (including LGAs)	13,997.5	10,420.3	10,346.5	99.3
Total revenue - central government	13,475.6	10,028.9	10,034.4	100.1
Tax revenue	12,344.3	9,221.0	9,170.5	99.5
Taxes on imports	4,973.2	3,715.2	3,585.1	96.5
Sales/VAT and excise on local goods	2,230.2	1,691.4	1,528.7	90.4
Income taxes	4,299.2	3,174.2	3,377.7	106.4
Other taxes	841.7	640.2	678.9	106.1
Non- tax revenue	1,131.4	807.9	863.9	106.9
LGA own sources	521.9	391.4	312.1	79.7
Total expenditure /1	19,412.6	15,062.5	12,081.6	80.2
Recurrent expenditure	13,503.6	10,072.9	9,295.3	92.3
Wages and salaries	6,466.5	4,822.3	4,838.5	100.3
Interest payments	1,638.4	1,294.2	992.3	76.7
Domestic	1,059.9	793.8	578.1	72.8
Foreign	578.5	500.4	414.2	82.8
Other goods, services and transfers	5,398.7	3,956.4	3,464.5	87.6
Dev. expenditure and net lending	5,909.1	4,989.5	2,786.3	55.8
Local	4,246.9	3,788.9	1,937.9	51.1
Foreign	1,662.2	1,200.7	848.4	70.7
Balance before grants	-5,415.1	-4,642.2	-1,735.1	37.4
Grants	1,430.9	1,064.3	388.3	36.5
Program	231.4	231.4	0.0	0.0
Project	1,118.4	751.8	256.0	34.0
Basket funds	81.1	81.1	132.3	163.2
Balance (cheques issued) after grants	-3,984.2	-3,577.9	-1,346.8	37.6
Expenditure float	0.0	0.0	-69.4	
Adjustments to cash and other items (net)	0.0	0.0	-467.0	
Overall balance (cheques cleared)	-3,984.2	-3,577.9	-1,883.2	52.6
Financing:	3,984.2	3,577.9	1,883.2	52.6
Foreign financing (net)	2,551.2	2,561.5	286.4	11.2
Loans	3,034.1	2,839.4	734.6	25.9
Program loans	428.9	329.2	169.6	51.5
Development project loans	344.8	258.6	395.3	152.9
Non-concessional loans	2,142.5	2,142.5	104.9	4.9
Basket support	118.0	109.2	64.8	59.3
Amortization	-482.9	-277.9	-448.3	161.3
Domestic (net) /2	1,433.0	1,016.3	1,596.8	157.1
Bank & non-bank financing (NDF)	1,433.0	1,016.3	1,596.8	157.1
Bank borrowing	859.8	1,016.3	1,181.2	
Non-bank (net of amortization)	573.2	0.0	415.6	
Borrowing/roll over	-2,600.0	-2,150.7	-2,425.3	112.8
Domestic & contingent debt amortization	2,600.0	2,150.7	2,425.3	112.8

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

/2 Positive value means financing and a negative value means repayment/ build-up of deposits

Source: Ministry of Finance and Planning



Table A9: Zanzibar Central Government Operations

Billions of TZS

	Budget	July 2015 - April 2016		Percent of
	2015/16	Estimates	Actual	Estimates
Total revenue	434.6	363.9	347.0	95.4
Tax revenue	395.1	334.8	318.2	95.0
Tax on imports	113.8	93.8	81.8	87.1
VAT and excise duties (local)	109.1	87.4	71.3	81.7
Income tax	64.7	52.4	56.8	108.4
Other taxes	107.4	101.3	108.3	106.9
Non-tax revenue	39.5	29.1	28.8	99.2
Total expenditure	707.7	385.9	382.3	99.1
Recurrent expenditure	376.4	335.6	319.1	95.1
Wages and salaries	184.5	161.2	162.4	100.8
Interest payment (Public debt)	0.0	0.0	1.0	
Local		0.0	0.0	
Foreign	0.0	0.0	1.0	
Other expenditure	191.9	174.5	155.6	89.2
Development expenditure	331.3	50.2	63.3	126.0
Local	65.9	18.7	20.3	108.5
Foreign	265.4	31.6	43.0	136.3
Overall surplus/ deficit before grants	-273.1	-21.9	-35.3	160.9
Grants	115.8	6.2	26.6	429.5
4.5% Budget support	40.0	0.0	7.7	
Debt relief	0.6	0.0	0.0	
Project grant	86.8	6.2	17.9	289.2
Overall surplus/deficit after grants	-157.3	-15.8	-8.8	55.6
Adjustment to cash and other items		-29.7	-46.1	155.5
Overall deficit cheques cleared	-177.1	-45.4	-54.9	120.8
Financing	177.1	45.4	54.9	120.8
Foreign	162.1	25.4	31.8	125.3
Import support	0.0	0.0	3.0	
Program loans	162.1	25.4	22.8	89.8
Amortization (foreign)	0.0	0.0	6.0	
Domestic (net)	15.0	20.0	23.1	115.2
Bank		20.0	23.1	115.2
Non-bank	15.0	0.0	0.0	
Amortization (local)	0.0	0.0	0.0	

Source: Ministry of Finance and Planning - Zanzibar



Table A10: Tanzania's Balance of Payments

	<i>Millions of USD</i>				
<i>Items</i>	2011	2012	2013	2014 ^f	2015 ^p
A. Current account	-4,381.0	-3,764.3	-4,988.0	-5,017.5	-3,372.1
Balance on goods	-4,729.6	-4,429.9	-5,771.1	-5,596.3	-4,195.2
Goods: exports f.o.b.	5,097.9	5,889.2	5,258.1	5,321.5	5,647.9
Traditional	685.5	956.7	868.9	828.8	793.3
Nontraditional	3,747.5	4,164.4	3,703.3	3,798.6	4,117.9
o/w Gold	2,224.1	2,117.4	1,644.8	1,324.1	1,183.3
Unrecorded trade	664.9	768.2	685.8	694.1	736.7
Goods: imports f.o.b.	-9,827.5	-10,319.1	-11,029.1	-10,917.8	-9,843.1
Balance on Services	92.2	427.5	713.2	727.3	1,063.3
Services: credit	2,300.3	2,786.4	3,201.7	3,396.0	3,748.4
Transport	556.0	641.1	811.8	902.6	1,027.2
Travel	1,353.2	1,712.7	1,880.4	2,010.1	2,230.6
Other	391.2	432.6	509.5	483.2	490.5
Services: debit	-2,208.1	-2,358.9	-2,488.5	-2,668.7	-2,685.1
Transport	-977.9	-1,046.9	-1,137.8	-1,163.0	-1,087.6
Travel	-898.6	-967.0	-1,033.9	-1,101.6	-1,210.7
Other	-331.6	-344.9	-316.7	-404.1	-386.8
Balance on goods and services	-4,637.3	-4,002.4	-5,057.9	-4,869.0	-3,131.9
Balance on primary income	-645.8	-574.0	-705.7	-625.8	-725.9
Primary income: credit	184.2	131.1	130.1	118.4	108.7
o/w Investment income	159.8	109.6	99.9	86.5	84.6
Primary income: debit	-830.0	-705.1	-835.8	-744.2	-834.5
o/w Direct investment income	-728.7	-560.2	-617.0	-541.4	-577.5
Balance on goods, services and primary income	-5,283.1	-4,576.4	-5,763.6	-5,494.9	-3,857.8
Balance on secondary income	902.2	812.1	775.7	477.4	484.5
Secondary Income: credit	994.9	917.5	837.4	535.6	564.3
Government	609.7	548.8	485.7	178.0	199.0
Financial corporations, nonfinancial corporations, households and NPISHs	385.2	368.7	351.7	357.6	365.3
Secondary Income: debit	-92.7	-105.4	-61.8	-58.2	-79.8
B. Capital Account	690.9	777.2	712.8	535.5	433.8
Capital transfers credit	690.9	777.2	712.8	535.5	433.8
General Government	627.3	713.6	649.2	471.2	369.7
Financial corporations, nonfinancial corporations, households and NPISHs	63.6	63.6	63.6	64.2	64.0
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
Total, Groups A plus B	-3,690.0	-2,987.1	-4,275.2	-4,482.0	-2,939.5
C. Financial Account, excl. reserves and related items	-2,843.1	-3,879.6	-5,021.0	-3,897.9	-3,553.8
Direct investments	-1,229.4	-1,799.6	-2,087.3	-2,044.6	-1,960.6
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	1,229.4	1,799.6	2,087.3	2,044.6	1,960.6
Portfolio investment	-11.3	-6.1	-4.5	-11.5	-27.6
Other investment	-1,602.5	-2,073.9	-2,929.3	-1,841.8	-1,565.6
Total, Groups A through C	-6,533.2	-6,866.8	-9,296.2	-8,379.9	-6,493.3
D. Net Errors and Omissions	644.9	-566.3	-237.9	332.2	-813.4
Overall balance (Total, Groups A through D)	-202.0	326.2	507.9	-251.8	-199.1
E. Reserves and Related Items	-202.0	326.2	507.9	-251.8	-199.1
Reserve assets	-206.3	324.7	621.4	-307.3	-273.7
Use of Fund credit and loans	4.4	1.5	-113.5	55.5	74.6
Exceptional financing	0.0	0.0	0.0	0.0	0.0
Memorandum items					
CAB/GDP	-12.9	-9.6	-11.2	-10.4	-7.4
CAB/GDP (excl. current official transfers)	-14.7	-11.0	-12.3	-10.8	-7.9
Gross official reserves	3,744.6	4,068.1	4,689.7	4,377.2	4,093.7
Months of imports	4.2	4.3	4.6	4.8	4.5
Exchange rate (end of period)	1,566.66	1,571.62	1,574.01	1,725.78	2,148.52

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

Source: Bank of Tanzania



Table A11: Tanzania Exports by Type of Commodity

Items	Unit	July - April		Percentage change
		2014/15	2015/16 ^p	
Traditional Exports				
Coffee				
Value	Millions of USD	138.5	135.0	-2.5
Volume	000 Tons	42.8	50.5	18.2
Unit Price	USD per Ton	3,238.3	2,671.0	-17.5
Cotton				
Value	Millions of USD	51.8	31.1	-40.0
Volume	000 Tons	46.6	29.2	-37.4
Unit Price	USD per Ton	1,110.4	1,064.9	-4.1
Sisal				
Value	Millions of USD	14.7	27.2	85.3
Volume	000 Tons	9.5	15.0	57.6
Unit Price	USD per Ton	1,547.1	1,819.8	17.6
Tea				
Value	Millions of USD	38.1	41.0	7.7
Volume	000 Tons	24.5	23.5	-3.8
Unit Price	USD per Ton	1,557.7	1,743.1	11.9
Tobacco				
Value	Millions of USD	355.4	320.5	-9.8
Volume	000 Tons	72.8	78.5	7.8
Unit Price	USD per Ton	4,881.1	4,082.6	-16.4
Cashewnuts				
Value	Millions of USD	252.0	185.1	-26.5
Volume	000 Tons	175.1	161.1	-8.0
Unit Price	USD per Ton	1,439.1	1,149.2	-20.1
CLOVES				
Value	Millions of USD	30.6	45.6	49.2
Volume	000 Tons	2.8	5.7	105.3
Unit Price	USD per Ton	11,091.5	8,059.4	-27.3
Sub Total	Millions of USD	880.9	785.6	-10.8
Non-traditional exports				
Minerals				
Gold	Millions of USD	1,041.6	1,007.1	-3.3
Diamond	Millions of USD	62.1	71.0	14.3
Other minerals ¹	Millions of USD	47.7	44.3	-7.1
Manufactured goods				
Cotton yarn	Millions of USD	7.2	9.9	38.9
Manufactured coffee	Millions of USD	1.0	0.2	-77.7
Manufactured tobacco	Millions of USD	25.9	30.6	18.0
Sisal products (yarn & twine)	Millions of USD	12.2	15.2	25.1
Other manufactured goods ²	Millions of USD	1,068.0	1,235.0	15.6
Fish and fish products				
Horticultural products				
Re-exports				
Other exports³				
Sub Total	Millions of USD	3,266.0	3,792.6	16.1
GRAND TOTAL⁴	Millions of USD	4,769.0	5,264.9	10.4

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.

Source: Bank of Tanzania and Tanzania Revenue Authority



Table A12: Tanzania Imports (f.o.b value) by Major Category

Millions of USD

Items	July - April		Percentage change
	2014/15	2015/16 ^P	
Capital goods	3,399.2	2,708.0	-20.3
Transport equipment	1,033.8	901.1	-12.8
Building and constructions	888.7	647.0	-27.2
Machinery	1,476.7	1,159.9	-21.5
Intermediate goods	3,377.7	3,093.7	-8.4
Oil imports	2,529.2	2,274.1	-10.1
Fertilizers	122.8	151.3	23.2
Industrial raw materials	725.7	668.4	-7.9
Consumer goods	2,082.2	1,693.7	-18.7
Food and food stuffs	530.3	322.6	-39.2
All other consumer goods*	1,551.9	1,371.1	-11.6
Grand total	8,859.1	7,495.3	-15.4

Note: p means provisional

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

Source: Bank of Tanzania and Tanzania Revenue Authority

Table A13: Zanzibar: Goods Exports by Major Category

Millions of USD

Unit	July - April		Percentage change	
	2014/15	2015/16 ^p		
Traditional				
Clove				
Value	Millions of USD	30.6	44.4	45.1
Volume	000 Tonnes	2.8	5.5	-99.0
Unit Price	USD/Tonne	11,090.4	8,060.7	-27.3
Non-traditional				
Seaweeds				
Value	Millions of USD	3.3	2.2	-33.3
Volume	000 Tonnes	7.8	5.7	-26.9
Unit Price	USD/Tonne	431.6	378.5	-12.3
Manufactured goods				
Value	Millions of USD	2.4	12.4	---
Fish and fish products				
Value	Millions of USD	0.05	0.11	---
Others exports				
Value	Millions of USD	24.6	12.8	-47.8
Sub total	Millions of USD	30.3	27.4	-9.6
Grand total	Millions of USD	60.9	71.8	17.9

Note: Other exports include mainly souvenirs and spices

p means provisional

"..." implies large number

Source: Tanzania Revenue Authority and Bank of Tanzania



Table A14: Zanzibar: Imports by Major Category

Millions of USD

	July - April		Percentage change
	2014/15	2015/16p	
Capital goods	56.2	49.0	-11.9
Transport equipment	30.5	25.7	-14.6
Building and constructions	10.9	9.2	-14.8
Machinery	14.9	14.1	-3.4
Intermediate goods	70.6	48.2	-28.1
Oil imports	47.9	34.6	-22.4
Industrial raw materials	22.7	13.6	-39.6
Consumer goods	36.0	20.0	-44.1
Food and food stuffs	11.3	5.1	-54.5
All other consumer goods	24.7	15.0	-38.8
Grand total (c.i.f)	162.8	117.2	-26.0
Grand total (f.o.b)	148.1	106.6	-26.0

Note: p means provisional

c.i.f denotes cost insurance and freight

f.o.b means free on board

Source: Tanzania Revenue Authority and Bank of Tanzania



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.

Excess Reserves

These are banks' reserves 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.

Reserve Money Program

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

For any enquires contact:
Director of Economic Research and Policy
Bank of Tanzania, 2 Mirambo Street, 11884 Dar es Salaam
Tel: +255 22 2233328, +255 22 2233350, Fax: +255 22 2234060
Website: <http://www.bot.go.tz>

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