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MONETARY POLICY STATEMENT

2018/19

**GOVERNOR
BANK OF TANZANIA**

June 2018



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June 2018



13th June 2018

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

Honourable Minister,

LETTER OF TRANSMITTAL

In accordance with Section 21 (3) to (6) of the Bank of Tanzania Act 2006, I hereby submit the *Monetary Policy Statement* of the Bank of Tanzania for the financial year 2018/19 for subsequent submission to the National Assembly.

The Statement reviews macroeconomic developments and monetary policy implementation during 2017/18. It then outlines the monetary policy stance and measures that the Bank of Tanzania intends to pursue in 2018/19 to meet its policy objectives.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Florens Luoga".

**Prof. Florens D. A. M. Luoga
GOVERNOR
BANK OF TANZANIA**





TABLE OF CONTENTS

LETTER OF TRANSMITTAL	i
EXECUTIVE SUMMARY	v
Introduction	v
Global and Regional Economic Developments	v
Economic Developments in Tanzania	vii
Implementation of Monetary Policy in 2017/18	xi
Macroeconomic Policy Framework and Monetary Policy Stance for 2018/19	xiii
Outlook and Conclusion	xv
PART I	1
1.0 INTRODUCTION	1
1.1 MANDATE AND MODALITIES FOR MONETARY POLICY IMPLEMENTATION	1
1.1.1 The Mandate of the Bank of Tanzania	1
1.1.2 Modalities for Monetary Policy Implementation	2
PART II	4
2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2017/18	4
2.1 Macroeconomic Policy Objectives	4
2.2 Monetary Policy Objectives	4
PART III	6
3.0 MACROECONOMIC DEVELOPMENTS DURING 2017//18	6
3.1 Overview of Global and Regional Economic Developments	6
3.2 Domestic Economic Developments	10



PART IV	27
4.0 MONETARY POLICY IMPLEMENTATION	
DURING 2017/18	27
4.1 Liquidity Management and Interest Rate Developments	27
4.2 Financial Sector Stability	31
4.3 National Payment Systems Developments	34
PART V	37
5.0 MACROECONOMIC POLICY FRAMEWORK FOR 2018/19	37
5.1 Macroeconomic Policy Objectives	37
5.2 Monetary Policy Objectives	37
PART VI	39
6.0 MONETARY POLICY STANCE FOR 2018/19	39
6.1 Liquidity Management	39
6.2 Interest Rate Policy	39
6.3 Exchange Rate Policy	40
PART VII	41
7.0 OUTLOOK AND CONCLUSION	41
APPENDICES	42
GLOSSARY	57



EXECUTIVE SUMMARY

Introduction

In accordance with the Bank of Tanzania Act 2006, the Bank of Tanzania (the Bank) is issuing this Monetary Policy Statement which specifies the monetary policy stance that the Bank intends to take during 2018/19. The Statement reviews macroeconomic developments and monetary policy implementation in 2017/18, and outlines the monetary policy targets for 2018/19 that are in line with broader macroeconomic objectives of the Governments. It also specifies the measures that the Bank intends to take to achieve the set targets.

Global and Regional Economic Developments

Global economy is estimated to have grown by 3.8 percent in 2017, compared with 3.2 percent in 2016, with much of the increase emanating from emerging market and developing economies. Real GDP growth in advanced economies was 2.3 percent in 2017, higher than 1.7 percent in 2016, supported by industrial activity and services, coupled with supportive financial conditions. In the emerging markets and developing economies, real GDP grew by 4.8 percent in 2017 compared with 4.4 percent in 2016, aided by higher commodity prices. Growth in the sub-Saharan Africa doubled to 2.8 percent compared with 1.4 percent in 2016, largely due to increase in commodity prices and investment in infrastructure.

Growth of global output is expected to remain strong at 3.9 percent in both 2018 and 2019, supported by anticipated increase in consumption, further recovery in investment, manufacturing and trade. In advanced economies, real GDP growth is projected to increase from 2.3 percent in 2017 to 2.5 percent in 2018, before slowing down to 2.2 percent in 2019,



due to anticipated lower growth in Japan, United States and the Euro Area, attributed to increased policy uncertainty including the possibility of rising trade protectionism in the United States. Real GDP in the emerging market and developing economies is expected to strengthen from 4.8 percent in 2017 to 4.9 percent in 2018 and 5.1 percent in 2019, mainly due to anticipated increase in investment and exports. In the sub-Saharan Africa, output growth is projected to increase from 2.8 percent in 2017 to 3.4 percent in 2018 and 3.7 percent in 2019, supported by higher commodity prices and investment in infrastructure projects.

During the period July 2017 to April 2018, inflation rates in selected advanced and emerging market economies recorded a general declining trend except for the United States, India and Saudi Arabia. Inflation slowed down in Euro Area due to low prices of services and non-energy items, while in United Kingdom inflation dropped as the impact of the 2016 Brexit vote faded. In China, inflation declined mainly due to a slowdown in food prices. In the East Africa region, average inflation rate decreased, mainly on account of fall in food prices associated with improved food supply. On the other hand, the increase in inflation in the United States was mainly due to a rise in the prices of oil and other energy related products, while in India it was largely due to a rise in prices of miscellaneous items such as education, household goods, personal care items as well as petrol and diesel. In Saudi Arabia, inflation rose owing to high oil prices.



Economic Developments in Tanzania

Tanzania Mainland

Tanzania's economy has continued to record strong performance in the recent years with real GDP growing at an average rate of 7.1 percent between 2013 and 2017. Real GDP grew by 7.1 percent in 2017, up from 7.0 percent in 2016, supported by improvement in infrastructure, stability of power supply and favourable weather conditions. The highest growth rates were recorded in mining and quarrying, water supply, transport and storage, information and communication and construction activities. Main contributors to growth were construction activities with 22.7 percent share, followed by transport and storage (15.6 percent), agriculture (10.5 percent) and information and communication (9.8 percent). Headline and core inflation rates continued to ease, supported by improved food supply, improvement in domestic power supply and the monetary and fiscal policy stance. During the period July 2017 to April 2018, headline inflation eased to an average rate of 4.5 percent from 5.2 percent recorded in the similar period of 2016/17, while core inflation declined to an average of 1.6 percent from 2.4 percent. During the same period, energy inflation increased to an average of 11.8 percent from 9.3 percent, following increase in global oil prices.

During the period July 2017 to April 2018, government domestic revenue on cash basis amounted to TZS 14,204.5 billion, 8.5 percent higher than the amount deposited at the Bank of Tanzania during the corresponding period in 2016/17, explained largely by an increase in tax collection efforts by Tanzania Revenue Authority. Total expenditure amounted to TZS 15,625.4 billion, out of which recurrent expenditure was TZS 11,631.5 billion and development expenditure amounted to TZS 3,993.9 billion. Recurrent and development expenditures were higher than those of the corresponding period of 2016/17 by 7.0 percent and 13.5 percent, respectively.



During the period July 2017 to April 2018, the overall balance of payments recorded a surplus of USD 299.2 million compared to USD 591.7 million recorded in the corresponding period of 2016/17, mainly on account of increase in the value of goods imports. Meanwhile, gross official foreign reserves amounted to USD 5,251.1 million at the end of April 2018, sufficient to cover 5.4 months of projected import of goods and services excluding those financed through foreign direct investment. Services receipts increased to USD 3,437.5 million during the period July 2017 to April 2018 from USD 3,123.5 million recorded in the corresponding period of 2016/17, owing to good performance in travel and transport receipts. Travel receipts grew by 15.0 percent, supported by an increase in the number of tourist arrivals from traditional and emerging markets, resulting from concerted tourism promotional efforts by the Governments and the private sector. Meanwhile, transport receipts increased by 9.7 percent, partly due to an increase in transit goods attributed to the removal of Value Added Tax on auxiliary services of transit cargo and improved cargo handling services at the Dar es Salaam port, including intensified security on cargo. The value of services payment increased by 6.4 percent to USD 1,822.0 million, explained by an increase in consultancy, legal and accounting services.

External debt stock increased by USD 1,376.5 million to USD 20,027.6 million at the end of April 2018, from USD 18,651.1 million recorded at the end of June 2017, out of which public debt accounted for 78.4 percent. This compares with an increase of USD 535.3 million from USD 17,222.8 million at the end of June 2016 to USD 17,758.1 million at the end of April 2017. The increase in external debt during the period under review in 2017/18 was on account of disbursements of funds and accumulation of interest arrears to non-Paris club. Despite the increase, the debt remains sustainable as the present value of external debt to GDP ratio stood at 19.7 percent, which is below the international sustainability threshold of 40.0



percent. Domestic debt increased to TZS 12,739.1 billion at end of April 2018 from TZS 11,788.8 billion recorded at the end of June 2017, mainly on account of issuance of government securities for budget financing. During the corresponding period in 2016/17, domestic debt increased to TZS 11,132.3 billion from TZS 10,038.4 billion.

The banking sector remained sound, stable and profitable with levels of capital and liquidity generally above regulatory requirements. The ratio of core capital to total risk weighted assets and off-balance sheet exposures was 18.7 percent at the end of April 2018, which is well above the minimum legal requirement of 10 percent. In the same period, the ratio of liquid assets to demand liabilities stood at 39.1 percent, above the minimum regulatory requirement of 20 percent. However, the quality of the banking sector's assets deteriorated as reflected by the ratio of non-performing loans (NPLs) to gross loans, which reached 11.3 percent at the end of April 2018 compared with 10.6 percent recorded at the end of June 2017 and 10.8 percent at the end of the corresponding period in 2017. The Bank continued to implement prudential measures to strengthen risk management practices in the financial sector, by reviewing relevant regulations and guidelines to take into account new developments. The Bank also made use of credit reference bureau report mandatory during loan appraisal process, directing all banks and financial institutions to develop and implement strategies that strengthen credit application processing, credit management, monitoring and recovery measures.

During the period under review, the joint World Bank/IMF Financial Sector Assessment Program (FSAP) was conducted to assess the state of the financial sector in Tanzania, particularly with regards to resilience of the sector, quality of the regulatory and supervisory framework and capacity to manage and resolve financial crisis. Preliminary results indicates that



the financial sector is generally sound and stable. This is consistent with the findings contained in the Bank of Tanzania Financial Stability Reports.

During the period under review, payments, clearing and settlement systems continued to operate efficiently with increased growth in transactions supported by growing utilization of digital channels. Electronic Fund Transfers (EFT) through the Tanzania Automated Clearing System (TACH), Tanzania Interbank Settlement System (TISS) and the East Africa Payment System (EAPS) operated smoothly with increased level of transactions. In ensuring safety and efficiency of the National Payment Systems, the Bank continued to conduct oversight and licensing of new payment service providers under the current regulatory framework.

Zanzibar

In 2017, the Zanzibar economy registered robust performance, with real GDP growing by 7.5 percent compared with 6.8 percent recorded in 2016. Major contributors to growth include accommodation and food services, which contributed 36.0 percent, followed by agriculture, forestry and fishing (22.7 percent), and manufacturing (13.3 percent). Headline inflation decreased to 2.6 percent in April 2018 from 5.4 percent in June 2017, driven by food inflation, which eased to negative 1.1 percent in April 2018 from 4.6 percent in June 2017, following improved supply of food notably maize flour, green and yellow bananas, and sugar.

During the period July 2017 to April 2018, total government budgetary resources amounted to TZS 745.9 billion, out of which, domestic revenue was TZS 572.0 billion and foreign grants TZS 31.1 billion. Domestic revenue was equivalent to 100.1 percent of the target, with tax revenue performing by 99.6 percent and non-tax revenue by 105.0 percent. The good performance in tax revenue collection was largely explained by



enhanced tax administration measures and improved tax compliance. Total government expenditure during the period amounted to TZS 746.5 billion, out of which recurrent expenditure amounted to TZS 517.0 billion, and development expenditure was TZS 229.5 billion.

During the period July 2017 to April 2018, current account registered a surplus of USD 33.1 million, compared with a surplus of USD 29.1 million recorded in the similar period of 2016/17, explained largely by receipts from exports of cloves and tourism services, as well as higher inflows of current transfers. The value of exports of goods and services increased to USD 213.5 million from USD 152.2 million. Meanwhile, imports of goods and services increased by 46.5 percent to USD 216.4 million, largely on account of importation of transport and machinery equipment, intermediate goods and foodstuff in particular wheat, rice and sugar.

Implementation of Monetary Policy in 2017/18

Monetary Policy Objectives

The Bank of Tanzania continued to focus on maintaining the appropriate level of liquidity in the economy, in support of broader macroeconomic objectives of achieving low and stable inflation and a high level of economic growth, while ensuring stability in the money market interest rates. The monetary policy targets contained in the Monetary Policy Statement published in June 2017 were revised during the mid-year review published in February 2018 to reflect recent macroeconomic performance. In this regard, the Bank aimed at achieving the following monetary policy targets in 2017/18:

- i. Annual growth of average reserve money of not more than 10.7 percent;



- ii. Annual growth of broad money supply (M3) of not more than 12.0 percent;
- iii. Annual growth of private sector credit not exceeding 11.5 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services.

Monetary Policy Implementation

During the period July 2017 to April 2018, the Bank sustained an accommodative monetary policy stance that was adopted since the second half of 2016/17. This policy stance was implemented to stimulate growth of credit to the private sector, which was at its record low and support the broader economic activities. Monetary policy operations during the period also aimed at supporting stability of the overnight interbank cash market rate by closely managing the level of clearing balances of banks within a specified range, consistent with its seasonal demand. During the period, the Bank reduced the discount rate from 12.0 percent to 9.0 percent in August 2017 and continued to inject liquidity to the economy mainly through purchase of foreign exchange from the domestic market and foreign exchange swaps deals and reverse repo operations. The Bank also continued to make standing facilities (Lombard, intraday loans and discount window) available for the segment of the market facing temporary liquidity shortages, and used repos to withdraw liquidity from the segment of the market with surpluses.

The above policy measures helped to improve liquidity conditions in the money market, reflected by softening of the money market interest rates. The overnight interbank cash market rate declined to an average rate of 1.29 percent in April 2018 from 4.08 percent in June 2017 and



7.19 percent in April 2017. Interest rates on Treasury bills also eased to an average rate of 4.04 percent in April 2018 from 13.51 percent in April 2017. While measures taken by the Bank eased money market interest rates, commercial banks' lending rates remained high, while deposits rates generally decreased, with the former being affected by increased risk premium following high non-performing loans experienced by banks during the period.

Consistent with accommodative monetary policy stance pursued by the Bank, annual growth of extended broad money supply (M3) picked up to 7.0 percent in April 2018, from the historical low of 1.7 percent recorded in February 2017 and 6.0 percent in June 2017. Meanwhile, annual growth of credit to the private sector continued to recover slowly, reaching 0.7 percent in April 2018 from the negative growth rates recorded in September and October 2017. Growth of monetary aggregates is expected to strengthen in response to the sustained monetary policy easing. During the period July 2017 to April 2018, the value of Tanzanian shilling against the US dollar remained broadly stable, despite a slight fluctuation experienced in April 2018 associated with the beginning of low season for exports of traditional crops and tourism receipts.

Macroeconomic Policy Framework and Monetary Policy Stance for 2018/19

During 2018/19, the Governments will continue to implement the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015 – 2020) aiming at building the foundation for industrialisation and spurring inclusive economic growth. In particular, the Governments will aim at attaining the following macroeconomic objectives:

- i. Real GDP growth of 7.2 percent in 2018;



- ii. Maintaining a single digit annual inflation rate by end June 2019; and
- iii. Budget deficit including grants of 3.2 percent of GDP (including clearance of arrears) in 2018/19.

For Zanzibar, real GDP growth is projected at 7.2 percent in 2018, while budget deficit including grants is estimated at 3.8 percent of GDP in 2018/19.

In support of the 2018/19 broader macroeconomic objectives of the Government, the Bank continues to primarily focus on maintaining price stability by achieving specific monetary policy targets, while ensuring stability in the money market interest rates. In this regard, the Bank aims at achieving the following monetary policy targets in 2018/19:

- i. Annual growth of average reserve money of not more than 11.5 percent;
- ii. Annual growth of broad money (M3) of not more than 12.2 percent;
- iii. Annual growth of private sector credit not exceeding 10.2 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services.

The Bank will continue to monitor liquidity situation in the economy to ensure that it remains adequate to meet demand for credit and support economic growth. This will be achieved through appropriate mix of monetary policy instruments. In order to improve liquidity management and transparency in financial markets operations, the Bank has developed collateral framework, which has broadened the maturity profile of eligible



treasury securities, and electronic interbank market trading platform in which a two-way quote system will be used in lending and borrowing among banks. In addition, the global master repurchase agreement will be finalized for improving repo operations amongst banks, thereby facilitating even distribution of liquidity. These measures will facilitate adequacy of liquidity in the banking system and improve transparency and stability of short-term interest rates. The Bank intends to adopt an interest rate based monetary policy framework in 2018/19 to safeguard effectiveness and credibility of monetary policy in achieving price stability and sustaining high economic growth. Under this framework, short-term interest rate will be the operational target, rather than quantity of reserve money, in monitoring and managing liquidity in the economy.

Outlook and Conclusion

The on-going implementation of various projects under the Second Five Year Development Plan and MKUZA III, coupled with favourable weather conditions, enhanced capacity utilization, continued improvement in business environment, and expected increase in global output growth are expected to support strong growth in 2018/19 and beyond. While the continuation of the OPEC oil-cut-deal may cause some inflationary pressures, the projected growth in domestic output, particularly food, is expected to dampen such pressures. With continued coordination between monetary and fiscal policies, inflation is expected to remain close to medium target of 5.0 percent.

The Bank will continue to implement prudent monetary policy focused on maintenance of price stability for sustenance of high economic growth. Under the interest rate based monetary policy framework, when adopted, the monetary policy actions will seek to align the interbank cash market rate with the policy rate decided by the Monetary Policy Committee.



The Bank will continue to closely monitor risks posed by developments in the domestic and global economies on its price stability objective, and take appropriate actions in close coordination with fiscal policy. In view of the global and domestic economic outlook, coupled with the policies outlined in this Statement the Bank is confident that the monetary policy targets set in this Monetary Policy Statement for 2018/19 will be achieved.



PART I

1.0 INTRODUCTION

In accordance with the Bank of Tanzania Act 2006, the Bank of Tanzania (the Bank) is issuing this Monetary Policy Statement, which specifies the monetary policy stance that the Bank of Tanzania intends to pursue during 2018/19. The Statement reviews monetary policy implementation in 2017/18, and outlines the monetary policy targets for 2018/19 that are in line with broader macroeconomic objectives of the Governments. It also specifies the measures that 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 2017/18, while Part III presents the review of economic developments for the period July 2017 to April 2018. Part IV reviews the progress in the implementation of monetary policy in 2017/18. Part V outlines macroeconomic policy framework for 2018/19, and the associated monetary policy objectives of the Bank of Tanzania. Part VI outlines monetary policy stance during 2018/19 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. These include the use of Open Market Operations (OMO) in the market for government securities, as well as sale and purchase of foreign currency in the Inter-Bank Foreign Exchange Market (IFEM). The liquidity management effort is complemented by periodic adjustments in the pricing of standby facilities, namely: the discount window and the Lombard facility; while the Intraday Loan Facility (ILF) is provided to smooth out payment and settlement obligations among banks. The Bank also uses repurchase agreements (repos) and reverse repos to manage short-term liquidity fluctuations in the economy. When necessary, the Bank adjusts the minimum reserve requirement in order to manage structural liquidity in the economy.



THE MODALITIES FOR MONETARY POLICY IMPLEMENTATION

- *At the beginning of every fiscal year, the Bank sets annual monetary policy targets in its Monetary Policy Statement, in accordance with the broader macroeconomic policy objectives of the Governments.*
- *The Monetary Policy Statement is approved by the Bank's Board of Directors and submitted to the Minister for Finance and Planning, who in turn submits it to the National Assembly.*
- *The same procedure is followed in the mid-year review of the Monetary Policy Statement, which shows progress in the implementation of the monetary policy, outlook for the remaining period of the year and measures to be undertaken in order to achieve the policy objectives.*
- *The Monetary Policy Committee (MPC) of the Board of Directors of the Bank, which is chaired by the Governor, is responsible for setting the monetary policy direction bi-monthly, in line with the targets set in the Monetary Policy Statement.*
- *The Surveillance Committee of the Bank's Management meets daily to evaluate daily liquidity developments and decide on the measures to be taken in order to keep liquidity within the desired path.*



PART II

2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2017/18

2.1 Macroeconomic Policy Objectives

During 2017/18, priorities of the Governments focused on sustainable economic development as stated in the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015 – 2020), with particular emphasis on strategic mobilization of national resources for human and industrial development needed to transform Tanzania into a middle-income country. Specifically, the Governments aimed at attaining the following macroeconomic objectives:

- i. Real GDP growth of 7.0 percent in 2017/18 based on the projected growth of 7.0 percent in 2017 and 7.1 percent in 2018;
- ii. Maintaining a single digit annual inflation rate by end June 2018; and
- iii. Budget deficit including grants of 3.8 percent of GDP (including clearance of arrears).

For Zanzibar, real GDP growth was projected at 7.1 percent in 2017/18, based on projected growth of 7.1 percent in 2017 and 7.0 percent in 2018, while budget deficit including grants was estimated at 3.0 percent of GDP in 2017/18.

2.2 Monetary Policy Objectives

The Bank of Tanzania continued to focus on maintaining the appropriate level of liquidity in the economy, in support of broader macroeconomic objectives of achieving low and stable inflation and a high level of economic growth, while ensuring stability in the money market interest



rates. The monetary policy targets contained in the Monetary Policy Statement published in June 2017 were revised during the mid-year review published in February 2018 to reflect recent macroeconomic performance. In this regard, the Bank aimed at achieving the following monetary policy targets in 2017/18:

- i. Annual growth of average reserve money of not more than 10.7 percent;
- ii. Annual growth of broad money supply (M3) of not more than 12.0 percent;
- iii. Annual growth of private sector credit not exceeding 11.5 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services.



PART III

3.0 MACROECONOMIC DEVELOPMENTS DURING 2017//18

3.1 Overview of Global and Regional Economic Developments

3.1.1 GDP Performance

According to the IMF's World Economic Outlook report of April 2018, global economy is estimated to have grown by 3.8 percent in 2017, compared with 3.2 percent in 2016, with much of the increase emanating from emerging market and developing economies. Real GDP growth in advanced economies was 2.3 percent in 2017, higher than 1.7 percent in 2016, following expansion in industrial activity and services, coupled with supportive financial conditions. In the United States, GDP growth picked up to 2.3 percent in 2017 from 1.5 percent in 2016, largely attributed to growth in domestic consumption and supportive financial conditions. In the Euro Area growth increased to 2.3 percent in 2017, from 1.8 percent in 2016, mainly due to increase in domestic demand and exports. In Japan, real GDP growth was 1.7 percent in 2017, higher than 0.9 percent in 2016, due to increased investment and exports of automobiles. Conversely, the United Kingdom experienced a slowdown with output growing by 1.8 percent in 2017, compared with 1.9 percent recorded in 2016, explained by uncertainty surrounding the Brexit vote.

Real GDP growth in the emerging markets and developing economies was 4.8 percent in 2017, up from 4.4 percent recorded in 2016, largely supported by higher commodity prices. In China, output grew by 6.9 percent in 2017 compared with 6.7 percent recorded in 2016, on account of increased industrial activities and higher exports. In India, output growth expanded at a relatively lower pace of 6.7 percent in 2017 compared with 7.1 percent recorded in 2016, largely due to underperformance in agriculture and



manufacturing sectors. Real GDP in the ASEAN¹ (Indonesia, Malaysia, Viet Nam, Thailand and Philippines) grew by 5.3 percent in 2017, up from 5.0 percent in 2016, mainly supported by higher investment and exports. In the Middle East, output growth declined in 2017; having contracted in Saudi Arabia by 0.7 percent in 2017 compared with a growth rate of 1.7 percent in 2016, on account of reduced oil output in compliance with OPEC's oil-cut deal and low oil prices. Growth in the sub-Saharan Africa doubled to 2.8 percent compared with 1.4 percent recorded in 2016, largely due to increased commodity prices and investment in infrastructure. After contracting by 1.6 percent in 2016, Nigeria economy grew by 0.8 percent in 2017, mainly associated with an increase in oil production and public investment. In South Africa, real GDP growth more than doubled to 1.3 percent in 2017 compared with 0.6 percent in 2016, as commodity prices improved and drought conditions eased.

According to the IMF's World Economic Outlook Update of April 2018, growth of global output is expected to remain strong at 3.9 percent in both 2018 and 2019, supported by anticipated increase in consumption, further recovery in investment, manufacturing and trade. In advanced economies, real GDP growth is projected to increase from 2.3 percent in 2017 to 2.5 percent in 2018, before slowing down to 2.2 percent in 2019; due to anticipated lower growth in Japan, United States and the Euro Area, attributed to increased policy uncertainty including the possibility of rising trade protectionism in the United States (**Table 3.1**).

Real GDP in the emerging market and developing economies is expected to strengthen from 4.8 percent in 2017 to 4.9 percent in 2018 and 5.1 percent in 2019, mainly due to anticipated increase in investment and exports.

¹ Association of Southeast Asian Nations



The commodity exporting emerging market and developing economies are expected to benefit from firming commodity prices. Output growth in the Middle East is projected to pick up in 2018 and 2019, with Saudi Arabia real GDP growth expected to increase by 1.7 percent in 2018 and 1.9 percent in 2019 compared with a contraction of 0.7 percent in 2017, mainly due to higher oil prices. In the sub-Saharan Africa, output growth is projected to rise from 2.8 percent in 2017 to 3.4 percent in 2018 and 3.7 percent in 2019, supported by higher commodity prices and investment in infrastructure projects. The growth in South Africa is projected to increase to 1.5 percent in 2018 and 1.7 percent in 2019 compared with 1.3 percent in 2017. In Nigeria, output growth is projected to more than double, from 0.8 percent in 2017 to 2.1 percent in 2018 and 1.9 percent in 2019 (**Table 3.1**).

Table 3.1: Global and Regional Real GDP Growth Rates

Percent

	2013	2014	2015	2016	2017	Projections	
						2018	2019
World	3.4	3.5	3.4	3.2	3.8	3.9	3.9
Advanced economies	1.3	2.0	2.1	1.7	2.3	2.5	2.2
United States	1.7	2.4	2.6	1.5	2.3	2.9	2.7
Euro Area	-0.3	1.2	2.0	1.8	2.3	2.4	2.0
Japan	2.0	0.3	1.1	0.9	1.7	1.2	0.9
United Kingdom	1.9	3.1	2.2	1.9	1.8	1.6	1.5
Emerging Markets and Developing Economies	5.1	4.7	4.3	4.4	4.8	4.9	5.1
Emerging and Developing Asia	6.9	6.8	6.8	6.5	6.5	6.5	6.6
China	7.8	7.3	6.9	6.7	6.9	6.6	6.4
India	6.5	7.2	8.0	7.1	6.7	7.4	7.8
ASEAN (Indonesia, Malaysia, Viet Nam, Thailand and Philippines)	5.1	4.6	4.9	5.0	5.3	5.3	5.4
Middle East, North Africa, Afganistan and Pakistan	2.7	2.8	2.7	4.9	2.6	3.4	3.7
Saudi Arabia	2.7	3.7	4.1	1.7	-0.7	1.7	1.9
Sub-Saharan Africa	5.3	5.1	3.4	1.4	2.8	3.4	3.7
Nigeria	5.4	6.3	2.7	-1.6	0.8	2.1	1.9
South Africa	2.5	1.7	1.3	0.6	1.3	1.5	1.7

Source: IMF, World Economic Outlook, April 2018

3.1.2 Inflation Developments

During the period July 2017 to April 2018, inflation rates in selected advanced and emerging market economies recorded a general declining



trend except for the United States, India and Saudi Arabia (**Table 3.2**). Inflation slowed down in Euro Area due to low prices of services and non-energy items, while in United Kingdom inflation dropped as the impact of the 2016 Brexit vote faded. In China, inflation declined mainly due to a slowdown in food prices. In the East Africa region, average inflation rate decreased, mainly on account of deceleration in food prices associated with improved food supply. On the other hand, the increase in inflation in the United States was mainly due to a rise in the prices of oil and other energy related products, while in India it was largely due to a rise in prices of miscellaneous items such as education, household goods, personal care items as well as petrol and diesel. In Saudi Arabia, inflation rose owing to high oil prices.

Table 3.2: Inflation Rates for Selected Countries

Country	Percent												
	2017										2018		
	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
United States	2.2	1.9	1.6	1.7	1.9	2.2	2.0	2.2	2.1	2.1	2.2	2.4	2.5
Euro Area	1.9	1.4	1.3	1.3	1.5	1.5	1.4	1.5	1.4	1.3	1.1	1.3	1.2
Japan	0.4	0.4	0.4	0.4	0.7	0.7	0.2	0.6	1.0	1.4	1.5	1.1	0.6
United Kingdom	2.7	2.9	2.6	2.6	2.9	3.0	3.0	3.1	3.0	3.0	2.5	2.3	2.2
Switzerland	0.4	0.5	0.2	0.3	0.5	0.7	0.7	0.8	0.8	0.7	0.6	0.8	0.8
China	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	1.8	1.5	2.9	2.1	1.8
Indonesia	4.2	4.3	4.4	3.9	3.8	3.7	3.6	3.3	3.6	3.3	3.2	3.4	3.4
Saudi Arabia	-0.6	-0.7	-0.4	-0.3	-0.1	-0.1	-0.2	-0.1	0.4	3.0	2.9	2.8	2.5
India	3.0	2.2	1.1	1.8	2.5	3.3	3.2	4.0	4.0	5.1	4.4	4.4	4.0
EAC	10.3	10.1	8.2	7.1	7.0	7.4	7.4	6.1	4.5	3.8	2.0	1.7	1.9

Source: OECD and Respective National Statistical Offices

According to the IMF's World Economic Outlook report of April 2018, headline inflation rate in the advanced economies is projected to increase to 2.0 percent in 2018 and 1.9 percent in 2019 from 1.7 percent registered in 2017. Likewise, headline inflation rate in emerging market and developing



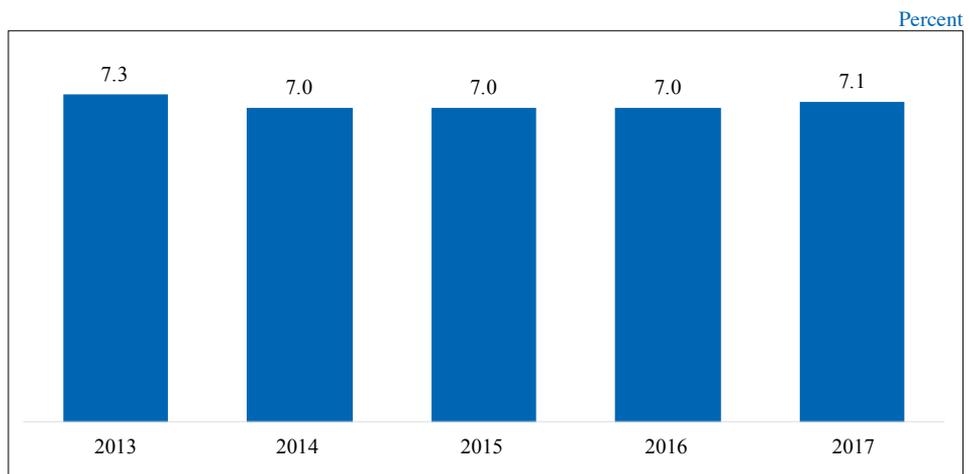
economies is projected to increase to 4.6 percent in 2018 and 4.3 percent in 2019 from 4.0 percent recorded in 2017. The projected increase in headline inflation rates in these economies will be driven mostly by higher oil prices.

3.2 Domestic Economic Developments

3.2.1 GDP Performance

Tanzania's economy has continued to record strong performance in the recent years with real GDP growing at an average rate of 7.1 percent between 2013 and 2017 (**Chart 3.1**). Real GDP is estimated to have grown by 7.1 percent in 2017, up from 7.0 percent recorded in 2016, supported by improvement in infrastructure, stability of power supply and favourable weather conditions. The highest growth rates were recorded in mining and quarrying (17.5 percent), water supply (16.7 percent), transport and storage (16.6 percent), information and communication (14.7 percent), and construction (14.1 percent) (**Chart 3.1a** and **Chart 3.1b**).

Chart 3.1a: Real GDP Growth

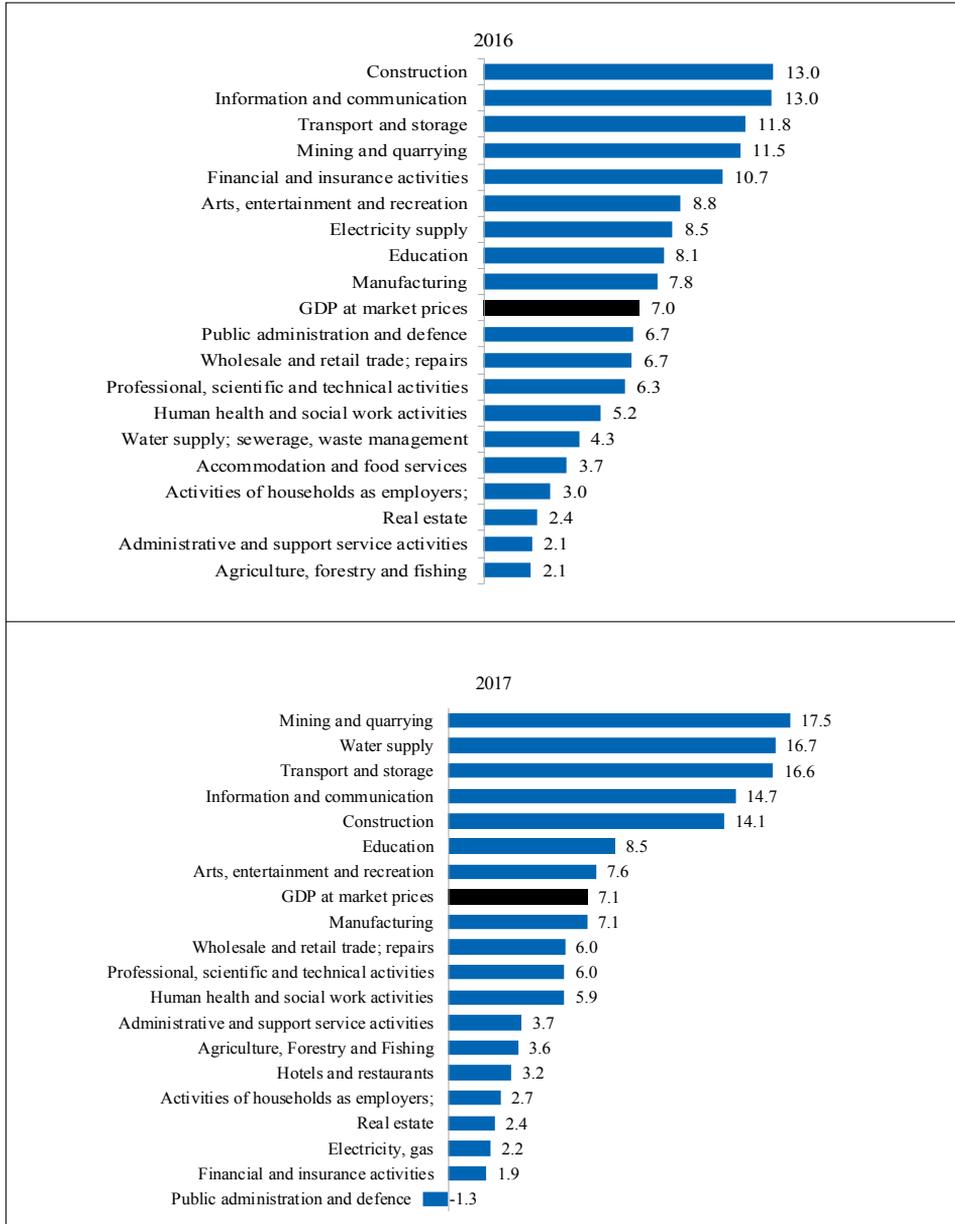


Source: National Bureau of Statistics



Chart 3.1b: Growth of Major Economic Activities

Percent

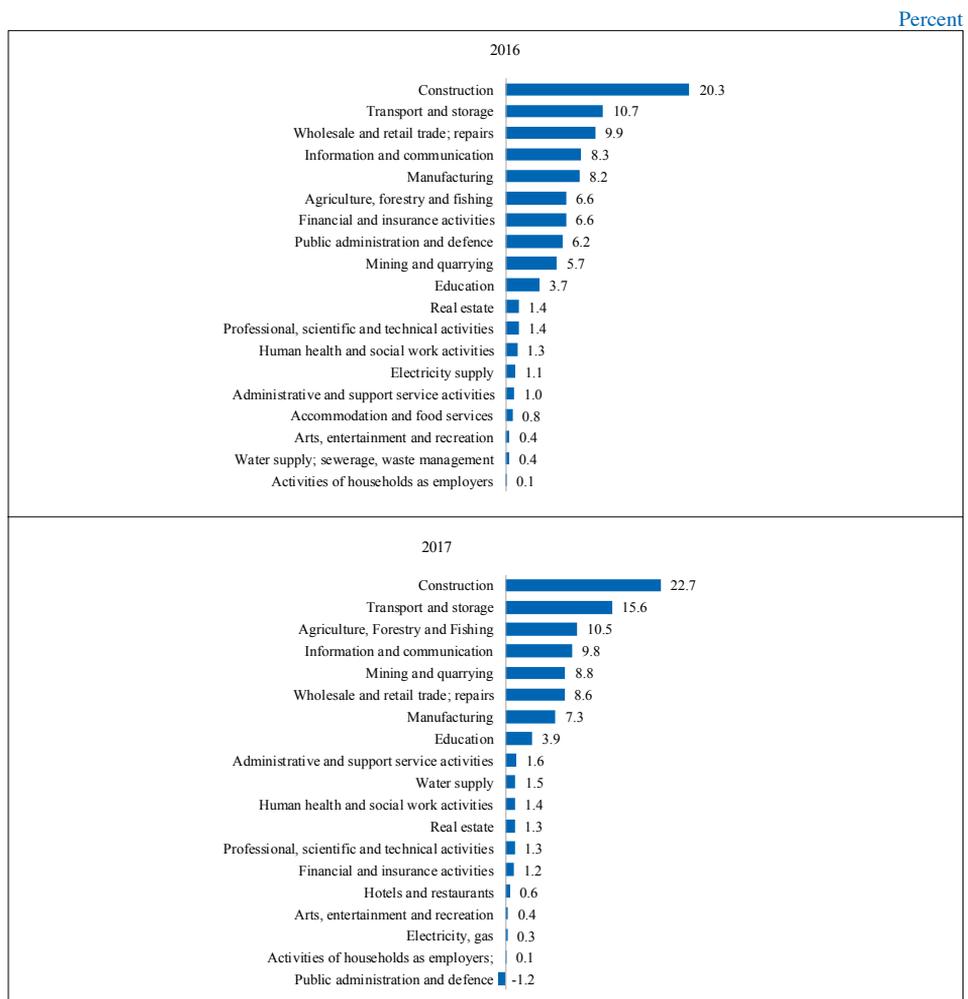


Source: National Bureau of Statistics and Bank of Tanzania



In terms of contribution to real GDP growth, construction continued to lead, contributing 22.7 percent, followed by transport and storage (15.6 percent), agriculture (10.5 percent), information, and communication (9.8 percent) (Chart 3.1c).

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



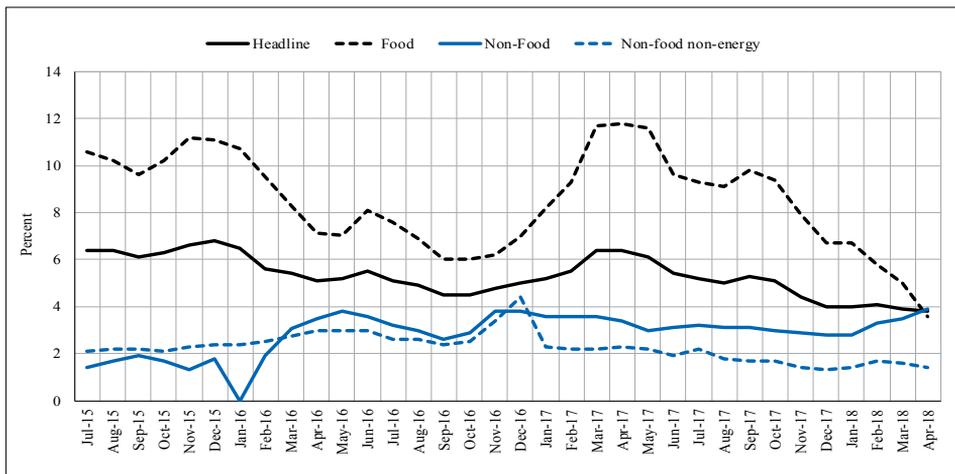
Source: National Bureau of Statistics and Bank of Tanzania



3.2.2 Inflation Developments

During the period July 2017 to April 2018, headline and core inflation rates continued to ease, supported by improved food supply, improvement in domestic power supply and the monetary and fiscal policy stance. During the period under review, headline inflation eased to an average rate of 4.5 percent from 5.2 percent recorded in the corresponding period of 2016/17 (**Chart 3.2**). Meanwhile, core inflation averaged 1.6 percent, compared with an average of 2.4 percent recorded in the corresponding period of 2016/17. Conversely, energy inflation increased to an average of 11.8 percent from 9.3 percent recorded in the corresponding period of 2016/17, following increase in global oil prices.

Chart 3.2: Inflation Developments



Source: National Bureau of Statistics and Bank of Tanzania



3.2.3 Government Budgetary Performance on Cash Basis

During the period July 2017 to April 2018, government domestic revenue on cash basis amounted to TZS 14,204.5 billion, 94.9 percent of estimate for the period, and 8.5 percent higher than the amount deposited at the Bank of Tanzania during the corresponding period in 2016/17. This is equivalent to a monthly average collection of TZS 1,420.5 billion. The good performance in revenue collection was largely explained by an increase in tax collection efforts by Tanzania Revenue Authority. During the same period, net issuance of government securities for budget financing was TZS 832.3 billion, while foreign grants and loans disbursed and spent through the Bank was equivalent to TZS 715.9 billion. Total expenditure amounted to TZS 15,625.4 billion, out of which recurrent expenditure was TZS 11,631.5 billion, being 7.0 percent higher than the amount recorded in the corresponding period in 2016/17; and development expenditure amounted to TZS 3,993.9 billion, 13.5 percent higher than the amount recorded in the corresponding period in 2016/17 (**Table 3.3** and **Chart 3.3**).

Table 3.3: Government Budgetary Operations on Cash Basis

	Billions of TZS		
	July 2016 - April 2017	July 2017 - April 2018	Percentage change
	Actual	Actual	
Revenue	13,090.6	14,204.5	8.5
Total expenditure	14,385.1	15,625.4	8.6
Recurrent expenditure ¹	10,866.2	11,631.5	7.0
Development expenditure ²	3,518.9	3,993.9	13.5

Source: Bank of Tanzania

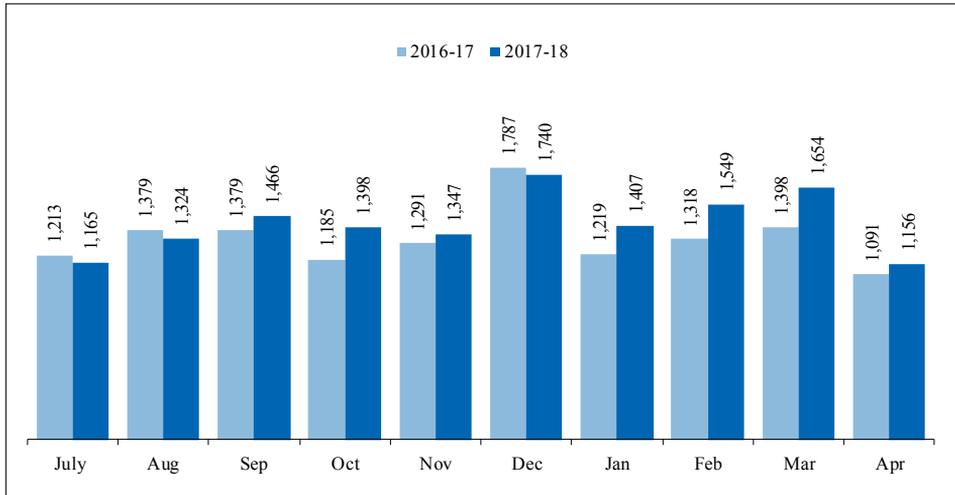
Note: ¹Net of rollover and Local Government Authorities' own sources

²Excludes direct to project funds



Chart 3.3: Domestic Revenue Performance

Billions of TZS



Source: Bank of Tanzania

3.2.4 External Sector Performance

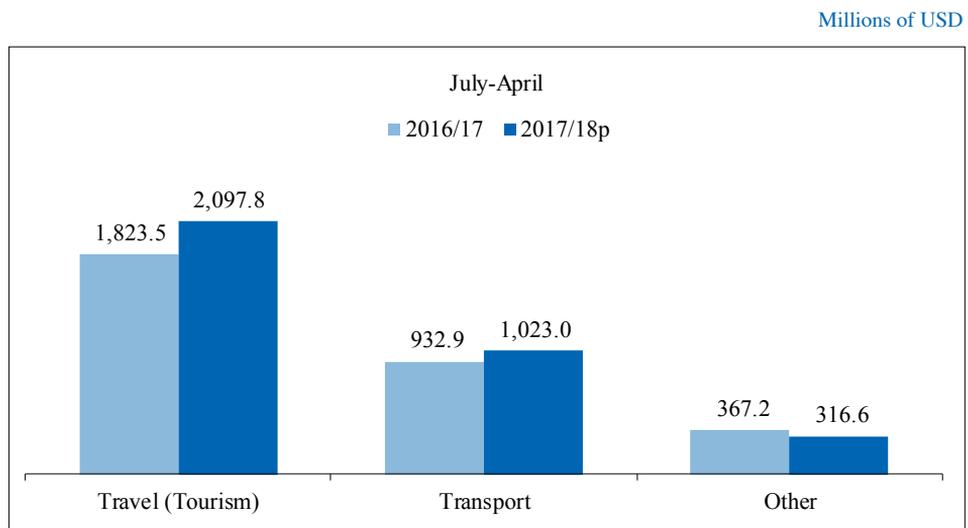
During the period July 2017 to April 2018, the overall balance of payments recorded a surplus of USD 299.2 million compared with USD 591.7 million recorded in the corresponding period of 2016/17, mainly on account of increase in the value of goods imports. Meanwhile, gross official foreign reserves amounted to USD 5,251.1 million at the end of April 2018, sufficient to cover 5.4 months of projected import of goods and services excluding those financed through foreign direct investment. In the same time, gross foreign assets of banks at end April 2018 stood at USD 927.4 million.

Services receipts increased to USD 3,437.5 million from USD 3,123.5 million recorded in the corresponding period of 2016/17, owing to good performance in travel and transport receipts. The services account is dominated by travel and transport, which accounts for about 60 percent



and 30 percent, respectively. Receipts from travel rose by 15.0 percent to USD 2,097.8 million, supported by an increase in the number of tourist arrivals from traditional and emerging markets, following concerted tourism promotional efforts by the Governments and the private sector. Meanwhile, transport receipts went up by 9.7 percent to USD 1,023.0 million, partly due to an increase in transit goods attributed to the removal of Value Added Tax on auxiliary services of transit cargo and improved cargo handling services at the Dar es Salaam port including intensified security on cargo (**Chart 3.4**).

Chart 3.4: Services Receipts



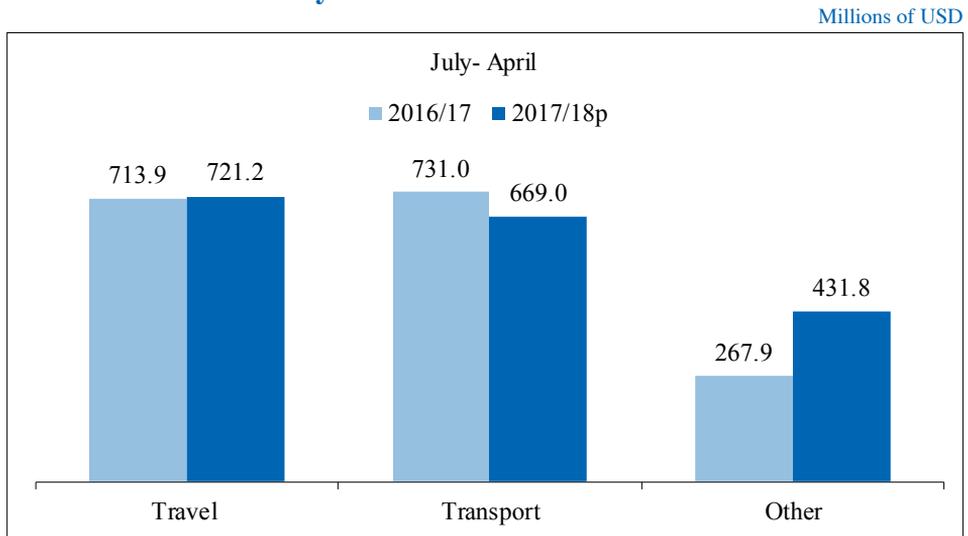
Source: Bank of Tanzania
Note: p denotes provisional

During the period July 2017 to April 2018, the value of services payment increased by 6.4 percent to USD 1,822.0 million from USD 1,712.8 million recorded in the corresponding period of 2016/17, explained by an increase in other business services including consultancy, legal and accounting services. Transportation, which has the largest share in the overall services



payment, went down by 8.5 percent to USD 669.0 million, consistent with the decline in goods imports (**Chart 3.5**).

Chart 3.5: Services Payments



Source: Bank of Tanzania
Note: p denotes provisional

The primary income account, comprising of income from capital related transactions and compensation of employees, recorded a deficit of USD 1,060.6 million during July 2017 to April 2018, compared with a deficit of USD 938.5 million recorded in the corresponding period of 2016/17. This development was mainly explained by increase in interest payment obligations by the government and other sectors compared to earnings from investments abroad. On the other hand, the secondary income account, which is mostly dominated by grants to the government and other sectors, registered a surplus of USD 378.6 million, compared with a surplus of USD 390.3 million recorded in the corresponding period of 2016/17.



3.2.5 National Debt Developments

External debt stock increased by USD 1,376.5 million to USD 20,027.6 million at the end of April 2018, from USD 18,651.1 million recorded at the end of June 2017, out of which public debt accounted for 78.4 percent. This compares with an increase of USD 535.3 million from USD 17,222.8 million at the end of June 2016 to USD 17,758.1 million at the end of April 2017. The increase in external debt during the period under review in 2017/18 was on account of new disbursements of funds and accumulation of interest arrears to non-Paris club. During the period July 2017 to April 2018, external debt payment amounted to USD 901.0 million, out of which USD 638.0 million was principal repayment and the balance was interest and other charges. Total disbursements during the period amounted to USD 910.7 million, out of which USD 715.1 million was received by the central government. On annual basis, external debt increased by 12.5 percent during the year ending April 2018 from USD 17,802.6 million recorded at the end of April 2017.

In nominal terms, the ratio of external debt to nominal GDP was 40.6 percent at the end of April 2018, out of which public debt to GDP ratio was 31.8 percent. The Debt Sustainability Analysis, conducted in November 2017 using data as at the end of June 2017, showed that the present value of external debt to GDP ratio was 19.7 percent, which is below the international sustainability threshold of 40.0 percent, keeping Tanzania's debt within sustainable levels.

Domestic debt increased to TZS 12,739.1 billion at end of April 2018 from TZS 11,788.8 billion recorded at the end of June 2017, mainly on account of issuance of government securities for budget financing. During the corresponding period in 2016/17, domestic debt increased to TZS 11,132.3 billion from TZS 10,038.4 billion.

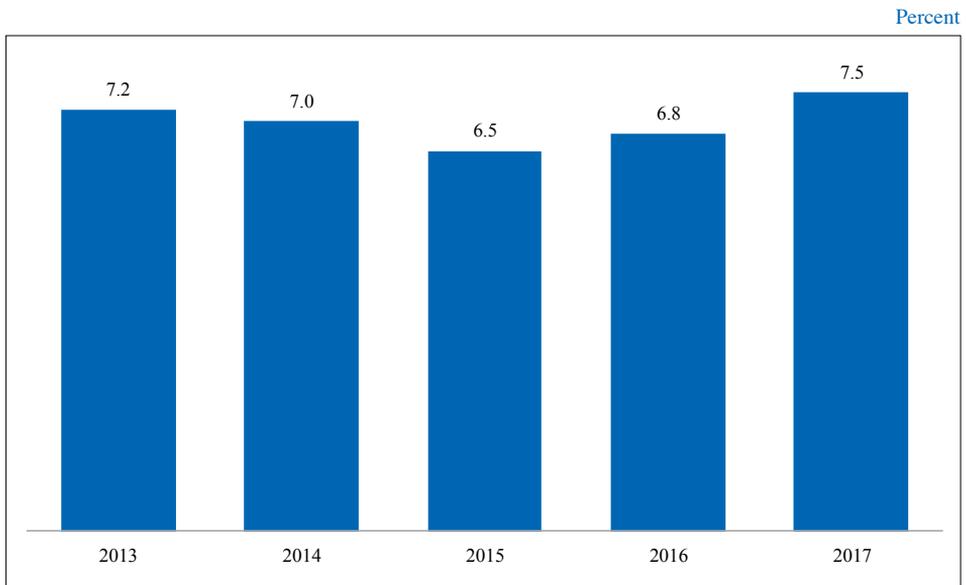


3.2.6 Economic Developments in Zanzibar

GDP Performance

In 2017, the Zanzibar economy registered robust performance, with real GDP growing by 7.5 percent compared with 6.8 percent recorded in 2016 (**Chart 3.6**). Major contributors to the real GDP growth include accommodation and food services, which contributed 36.0 percent, followed by agriculture, forestry and fishing (22.7 percent), and manufacturing (13.3 percent) (**Chart 3.7**).

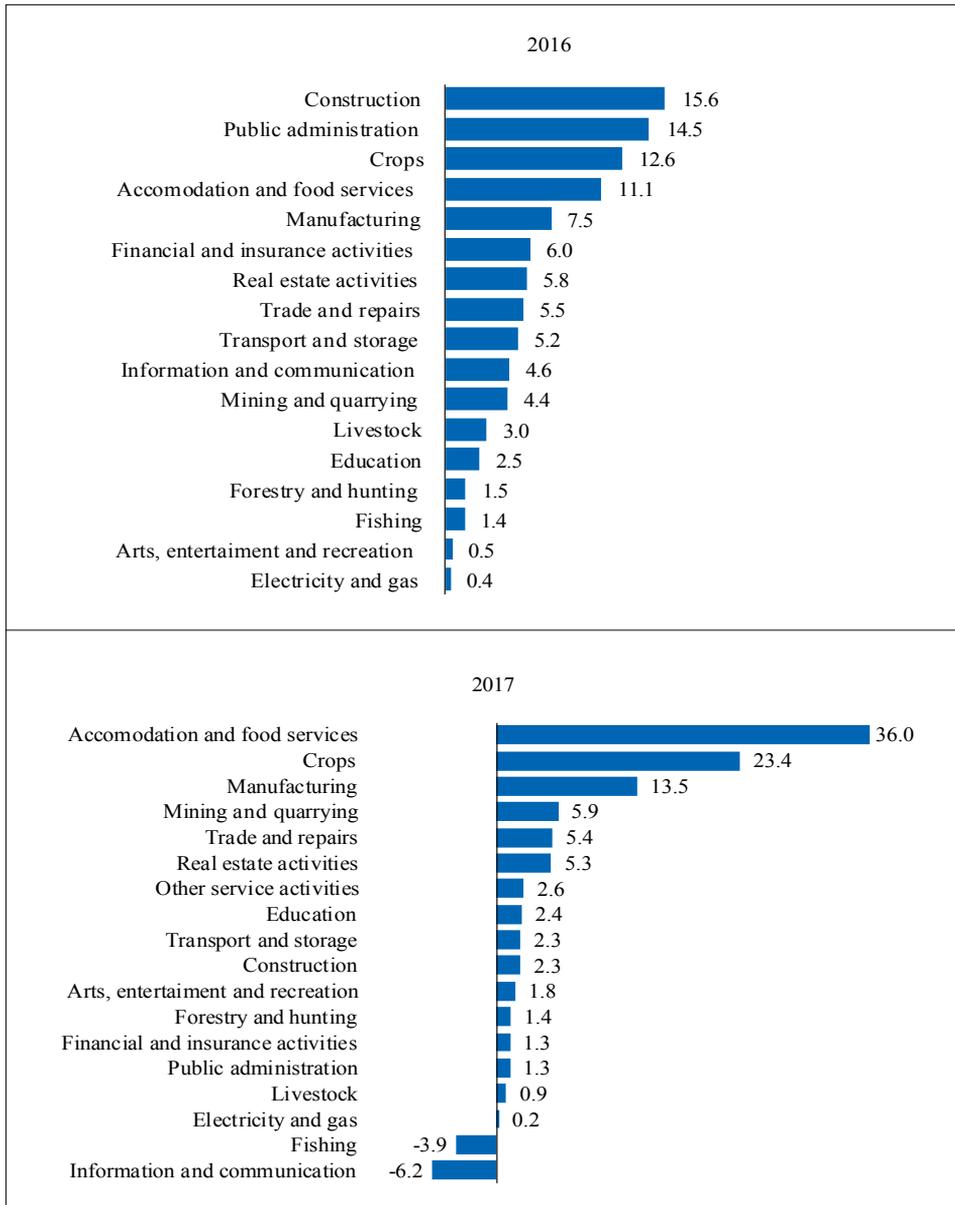
Chart 3.6: Real GDP Growth



Source: Office of the Chief Government Statistician



Chart 3.7: Contribution to Real GDP Growth by Major Economic Activities



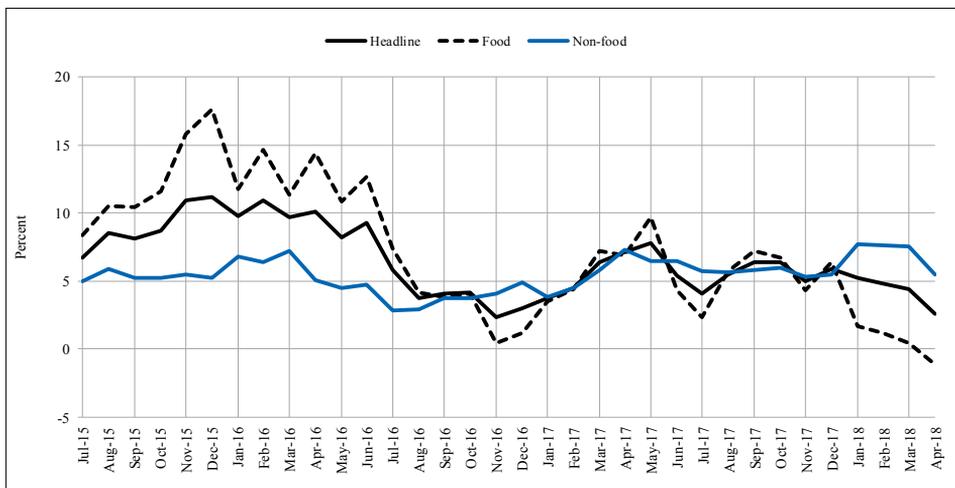
Source: Office of the Chief Government Statistician



Inflation Developments

Headline inflation decreased to 2.6 percent in April 2018 from 5.4 percent recorded in June 2017. The decrease emanated mostly from slowdown in inflation of food and non-alcoholic beverages, alcoholic beverages, tobacco and narcotics, health, restaurants and hotels. Food inflation declined from 4.6 percent in June 2017 to negative 1.1 percent in April 2018, largely due to improved supply of food notably maize flour, green and yellow bananas, and sugar (**Chart 3.8**).

Chart 3.8: Annual Headline, Food and Non-food Inflation



Source: Office of Chief Government Statistician

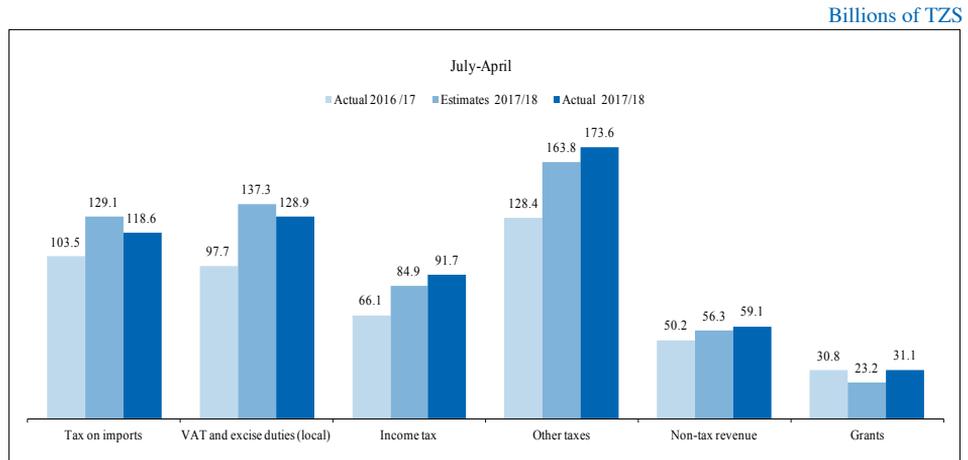
Government Budgetary Performance

During the period July 2017 to April 2018, total government budgetary resources amounted to TZS 745.9 billion, of which, domestic revenue was TZS 572.0 billion and foreign grants TZS 31.1 billion (**Chart 3.9**). Domestic revenue was equivalent to 100.1 percent of the target, with tax revenue performing by 99.6 percent of the estimates for the period, and



non-tax revenue by 105.0 percent. The good performance in tax revenue collection was largely explained by enhanced tax administration measures and improved tax compliance.

Chart 3.9: Government Resources



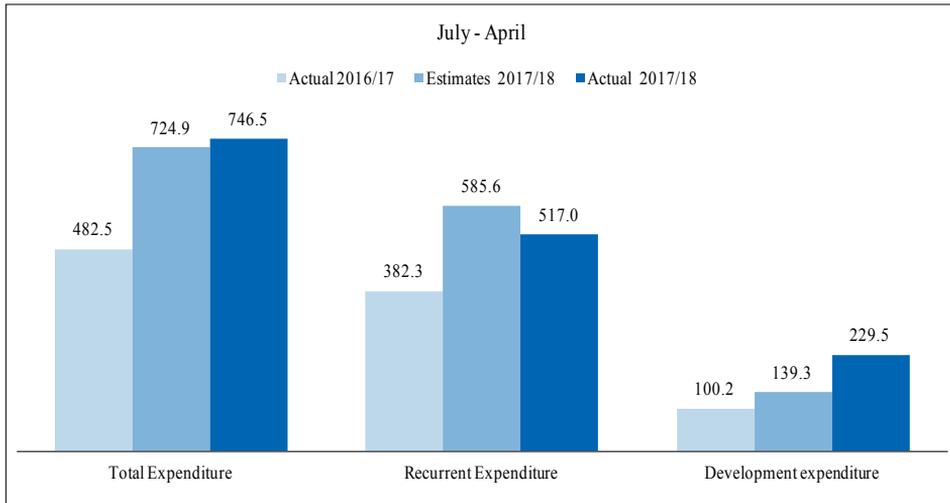
Source: Ministry of Finance and Planning – Zanzibar

During the period July 2017 to April 2018, total government expenditure amounted to TZS 746.5 billion, which was 3.0 percent above the estimates (**Chart 3.10**). Recurrent expenditure amounted to TZS 517.1 billion, representing 88.3 percent of the estimates for the period. Development expenditure was TZS 229.4 billion (164.8 percent of the estimates), of which 33.9 percent was financed by domestic resources.



Chart 3.10: Government Expenditure

Billions of TZS



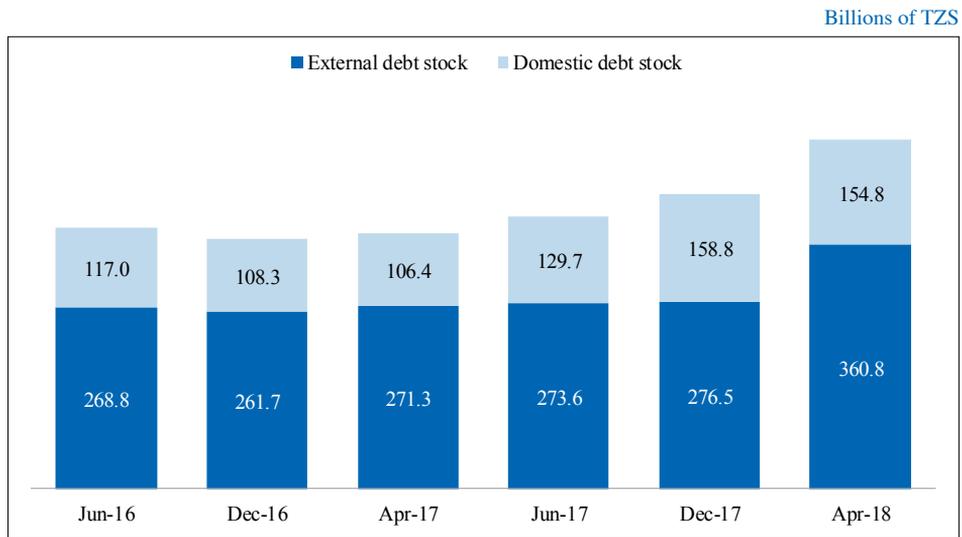
Source: Ministry of Finance and Planning – Zanzibar

Debt Developments

Total debt stock increased to TZS 515.6 billion at the end of April 2018 from TZS 403.3 billion recorded at the end of June 2017, mainly on account of new loans and increased government obligations to suppliers and gratuity claims. During the corresponding period in 2016/17, total debt decreased to TZS 377.7 billion from TZS 385.7 billion. Out of total debt stock, external debt stock was TZS 360.8 billion, up from TZS 273.6 billion recorded at the end of June 2017, mainly attributed to new disbursement of a loan from Exim Bank of China for construction of terminal II of the Abeid Amani Karume International Airport. External debt accounted for 70.0 percent of total Zanzibar’s debt stock. Domestic debt amounted to TZS 154.8 billion compared with TZS 129.7 billion at the end of June 2017 (**Chart 3.11**).



Chart 3.11: Total Debt Stock



Source: Ministry of Finance and Planning – Zanzibar

External Sector Developments

During the period July 2017 to April 2018, current account registered a surplus of USD 33.1 million, compared with a surplus of USD 29.1 million recorded in the similar period of 2016/17, mainly on account of improved export receipts from cloves and tourism services, as well as higher inflows of current transfers. The value of exports of goods and services increased to USD 213.5 million from USD 152.2 million registered in the corresponding period of 2016/17. Imports of goods and services increased by 46.5 percent to USD 216.4 million, largely on accounts of importation of transport and machinery equipment, intermediate goods and food stuff in particular wheat, rice and sugar (**Table 3.4, Chart 3.12 and Chart 3.13**).



Table 3.4: Zanzibar Current Account

Millions of USD

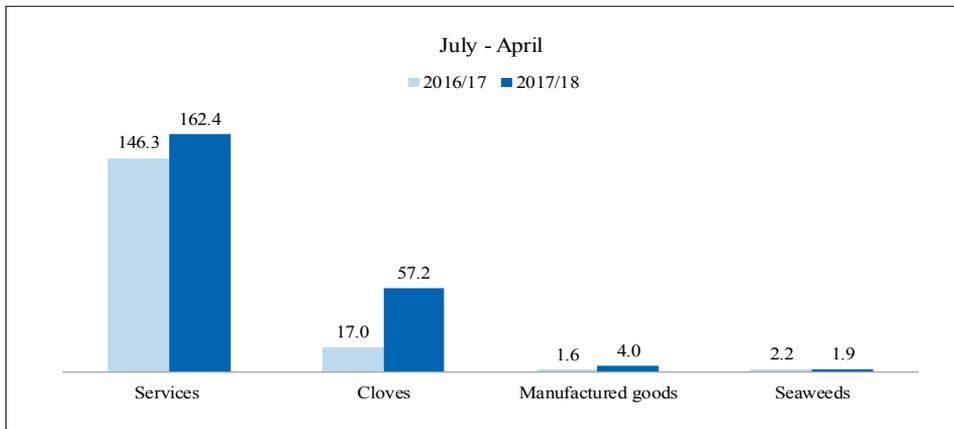
Items	July - April		Percentage change
	2016/17	2017/18 ^p	
Goods account net	-70.4	-85.3	21.2
Exports	29.5	75.2	...
Imports (fob)	99.9	160.6	60.8
Services account net	74.9	82.4	10.0
Receipts	122.7	138.3	12.7
Payments	47.8	55.9	16.9
Goods and services net	4.5	-2.9	...
Exports of goods and services	152.2	213.5	40.3
Imports of goods and services	147.7	216.4	46.5
Income account net	6.0	7.0	16.7
Receipts	10.0	11.0	10.0
Payments	4.0	4.0	0.0
Current transfers net	18.6	28.9	55.4
Inflows	19.9	30.7	54.3
Outflows	1.3	1.8	38.5
Current account balance	29.1	33.1	13.7

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p denotes provisional, “...” Implies the change exceeds 100 percent in absolute terms

Chart 3.12: Export Performance of Selected Goods and Services

Millions of USD

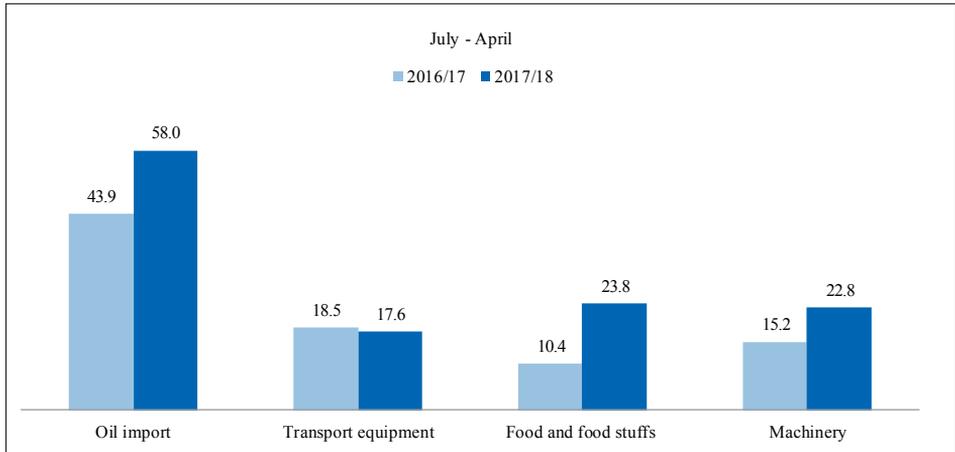


Source: Tanzania Revenue Authority and Bank of Tanzania



Chart 3.13: Performance of Selected Goods Import

Millions of USD



Source: Tanzania Revenue Authority and Bank of Tanzania



PART IV

4.0 MONETARY POLICY IMPLEMENTATION DURING 2017/18

4.1 Liquidity Management and Interest Rate Developments

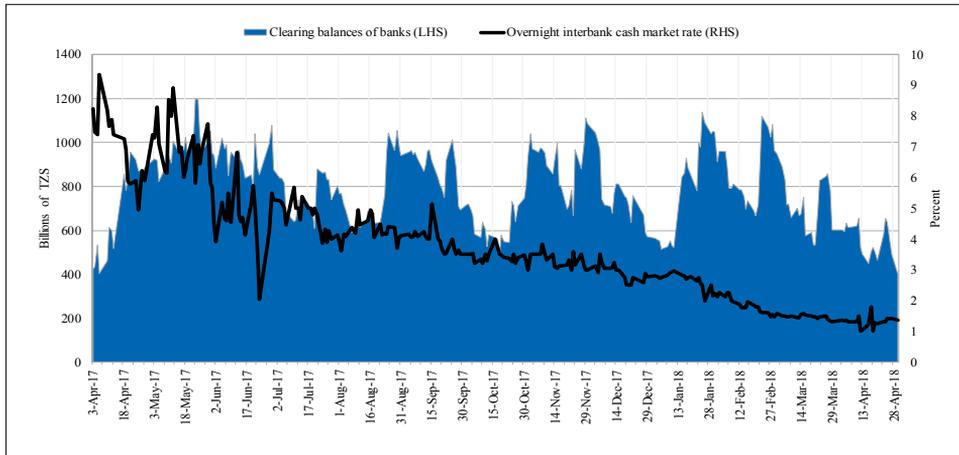
During the period July 2017 to April 2018, the Bank sustained an accommodative monetary policy stance that was adopted since the second half of 2016/17. This policy stance was implemented to stimulate growth of credit to the private sector, which was at its record low and support the broader economic activities. Monetary policy operations during the period also aimed at supporting stability of the overnight interbank cash market rate by closely managing the level of clearing balances of banks within a specified range, consistent with its seasonal demand. During the period, the Bank reduced the discount rate from 12.0 percent to 9.0 percent in August 2017 and continued to inject liquidity into the economy mainly through purchase of foreign exchange from the domestic market and foreign exchange swaps deals and reverse repo operations. The Bank also continued to make standby facilities (Lombard, intraday loans and discount window) available for the segment of the market facing temporary liquidity shortages, and used repos to withdraw liquidity from the segment of the market with surpluses.

The above policy measures helped to improve liquidity conditions in the money market, reflected by softening of the money market interest rates. The clearing balances of banks, increased to an average of TZS 765.8 billion during July 2017 to April 2018, from TZS 472.0 billion recorded in the similar period of 2016/17. The overnight interbank cash market rate declined to an average rate of 1.29 percent in April 2018 from 4.08 percent in June 2017 and 7.19 percent in April 2017 (**Chart 4.1**). Interest rates on Treasury bills also eased to an average rate of 4.04 percent in April 2018



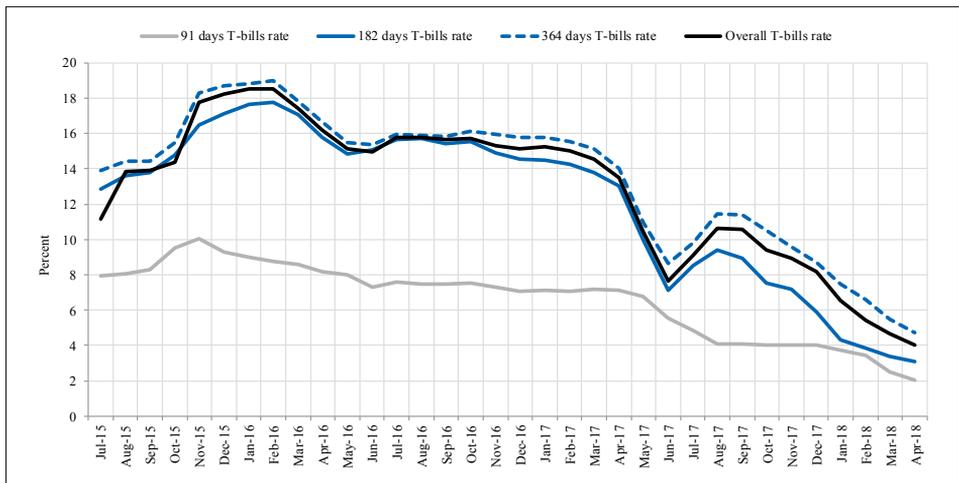
from 7.64 percent in June 2017 and 13.51 percent in April 2017 (**Chart 4.2**)

Chart 4.1: Banks' Clearing Balances and Overnight Interbank Cash Market Rate



Source: Bank of Tanzania

Chart 4.2: Interest Rates on Treasury Bills

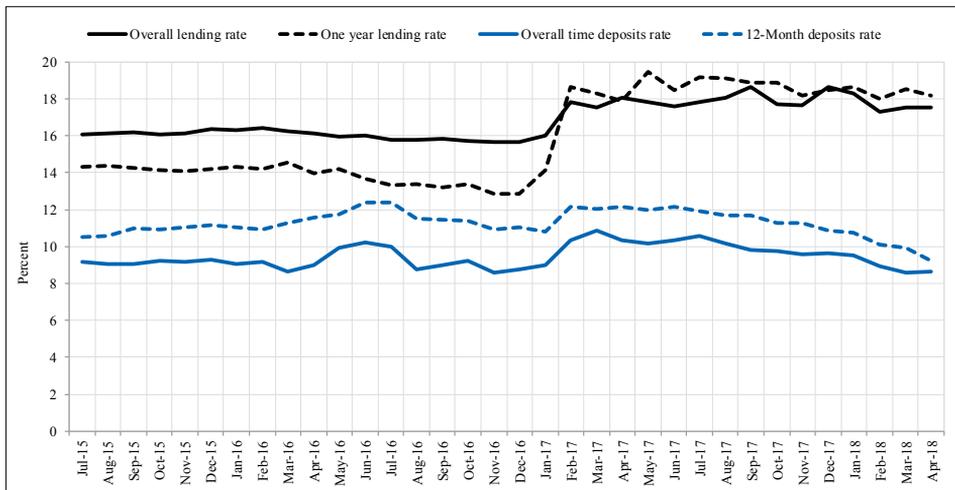


Source: Bank of Tanzania



While the measures taken by the Bank eased money market interest rates, commercial banks' lending rates remained high mainly due to high risk premium reflected by a surge in non-performing loans. Average lending rate stabilised at around 17.91 percent between July 2017 and April 2018. In the same period, overall deposits interest rate averaged at 9.51 percent (**Chart 4.3**).

Chart 4.3: Selected Commercial Banks' Interest Rates

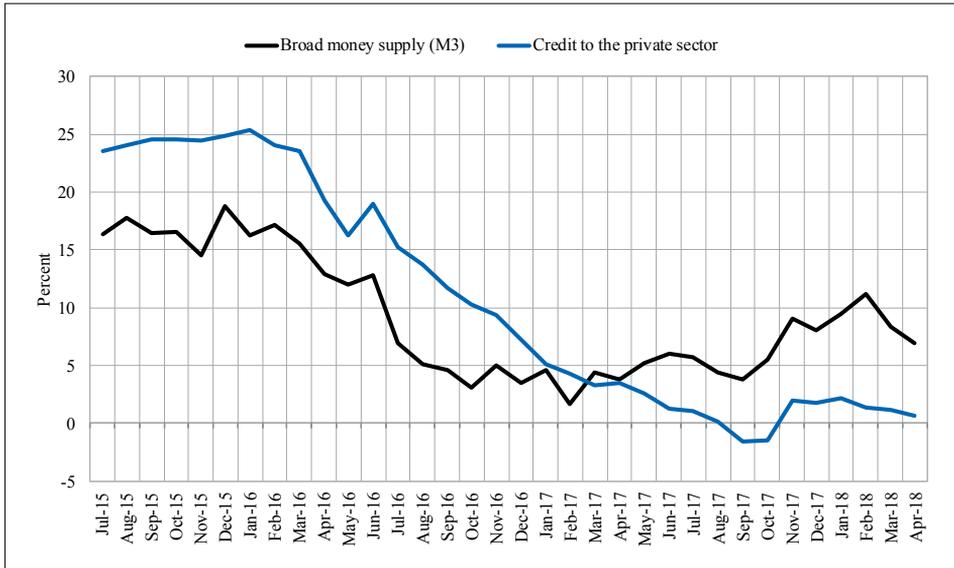


Source: Bank of Tanzania

Consistent with accommodative monetary policy stance pursued by the Bank, annual growth of extended broad money supply (M3) picked up to 7.0 percent in April 2018, from the historical low of 1.7 percent recorded in February 2017 and 6.0 percent recorded in June 2017. Meanwhile, annual growth of credit to the private sector continued to recover slowly, reaching 0.7 percent in April 2018 from the negative growth rates recorded in September and October 2017 (**Chart 4.4**). Growth of monetary aggregates is expected to strengthen in response to the sustained monetary policy easing.



Chart 4.4: Annual Growth of Money Supply and Credit to the Private Sector

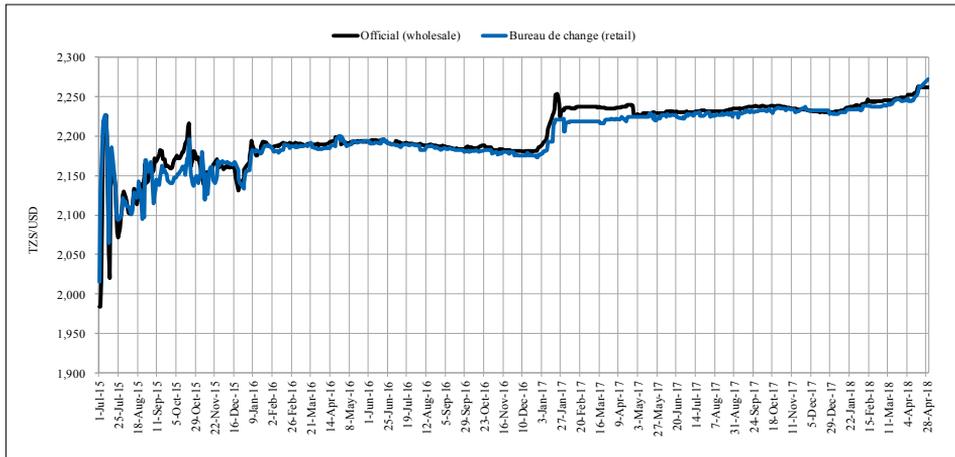


Source: Bank of Tanzania

During the period July 2017 to April 2018, the value of Tanzanian shilling against the US dollar remained broadly stable, despite a slight fluctuation experienced in April 2018, associated with the beginning of low season for exports of traditional crops and tourism receipts. In the wholesale market, the shilling exchange rate fluctuated within a range of TZS 2,230 to TZS 2,263 against the US dollar, compared with a range of TZS 2,180 to TZS 2,254 per US dollar recorded in the corresponding period of 2016/17 (Chart 4.5).



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



Source: Bank of Tanzania

4.2 Financial Sector Stability

The banking sector continued to maintain steady growth with total assets growing by 5.3 percent to TZS 29,877.3 billion at the end of April 2018, from TZS 28,379 billion recorded at the end of April 2017. The sector remained sound, stable and profitable with levels of capital and liquidity generally above regulatory requirements (**Table 4.1**). The ratio of core capital to total risk weighted assets and off-balance sheet exposures was 18.7 percent at the end of April 2018, which is well above the minimum legal requirement of 10 percent and 18.3 percent recorded at the end of June 2017, but slightly lower than 19.0 percent recorded at the end of April 2017. In the same period, the ratio of liquid assets to demand liabilities stood at 39.1 percent, above 38.1 percent recorded in June 2017 and the minimum regulatory requirement of 20 percent. The ratio was also higher than 37.8 percent recorded at the end of April 2017. However, the quality of the banking sector’s assets deteriorated as reflected by the ratio of non-performing loans (NPLs) to gross loans, which reached 11.3



percent compared with 10.6 percent recorded at the end of June 2017 and 10.8 percent at the end of the corresponding period in 2017. The Bank continued taking measures aimed at reversing the NPLs trend. Some of the measures instituted during the period under review include making use of credit report mandatory during loan appraisal process, directing all banks and financial institutions to develop and implement strategies that strengthen credit application processing, credit management, monitoring and recovery measures.

Table 4.1: Banking Sector Financial Soundness Indicators

		Percent				
Indicator	Regulatory limit	Apr-17	Jun-17	Sep-17	Dec-17	Apr-18
Capital adequacy						
Core capital to total risk weighted assets and off-balance sheet exposures	Minimum 10	19.0	18.3	18.9	18.9	18.7
Liquidity						
Liquid assets to demand liabilities	Minimum 20	37.8	38.1	37.9	40.3	39.1
Total loan to customer deposits	N/A	86.1	83.1	84.9	81.6	81.0
Earning and profitability						
Return on assets	N/A	2.2	2.3	2.0	1.6	1.7
Return on equity	N/A	10.1	10.4	8.7	6.9	7.2
Assets quality						
Non-performing loans to gross loans	N/A	10.8	10.6	12.5	11.7	11.3

Source: Bank of Tanzania

The Bank continued to implement prudential measures to strengthen risk management practices in the financial sector. In this regard, the Bank initiated the process of reviewing the relevant regulations and guidelines to take into account new developments. These include Guidelines for Directors of Banks and Financial Institutions, the Outsourcing Guidelines and Business Continuity Management Guidelines, which are reviewed in order to improve corporate governance in banking institutions. The Bank also developed Agent Banking framework and the onsite procedures for examining agent banking. In addition, the Bank participated in the process of revising the National Microfinance Policy and drafting of the proposed



Microfinance Bill, aimed at strengthening the oversight of the currently unregulated microfinance institutions (MFIs).

Further, the Bank has directed banks to maintain capital conservation buffer and implement capital charge for operational risk, with effect from August 2017. In this regard, the minimum core and total capital ratios will remain 10 percent and 12 percent, respectively as prescribed in section 17 of the *Banking and Financial Institutions Act, 2006*, but banks and financial institutions shall be required to maintain capital conservation buffer of 2.5 percent of risk-weighted assets and off-balance sheet exposures.

During January 2018, the Bank revoked banking business licenses of banks which were undercapitalized and failed to increase capital to the legal minimum level after the lapse of the five-year moratorium. These were Covenant Bank for Women (Tanzania) Limited, Efatha Bank Limited, Njombe Community Bank Limited, Kagera Farmers' Cooperative Bank Limited, and Meru Community Bank Limited. The banks have been placed under the Deposit Insurance Board for liquidation. In addition, during May 2018, Twiga Bancorp Ltd merged with TPB Bank Plc in order to address undercapitalization problem of the former.

During the period under review, the joint World Bank/IMF Financial Sector Assessment Program (FSAP) was conducted to assess the state of the financial sector in Tanzania, particularly with regards to resilience of the sector, quality of the regulatory and supervisory framework and capacity to manage and resolve financial crisis. Preliminary results indicates that the financial sector is generally sound and stable. This is consistent with the findings contained in the Bank of Tanzania Financial Stability Reports.



4.3 National Payment Systems Developments

During the period July 2017 to April 2018, payments, clearing and settlement systems continued to operate efficiently with growing utilization of digital channels in financial services delivery. The process of connecting Government institutions (including sub-treasuries) to the Tanzania Interbank Settlement System (TISS) continued with Shinyanga, Simiyu, Singida, Tabora, Kigoma, Kilimanjaro, Manyara, Mara, Kagera, and Geita being added to the connectivity during the period. Steady utilization of TISS for interbank transactions, Government payments and revenue collections was observed during the period. The East Africa Payment System (EAPS) also operated smoothly with increased level of transactions, reflecting increased trade activities between Tanzania and some other EAC countries. Transactions between Tanzania and Kenya were 2,304 valued at KES 3.4 billion, an increase of 23.5 percent in volume and 12.1 percent in value. Transactions between Tanzania and Uganda were 188, valued at UGX 11.6 billion, a decrease of 3.7 percent in volume and growth of 32.3 percent in value, when compared with corresponding period of 2016/17.

The Electronic Fund Transfers (EFT) through the Tanzania Automated Clearing System (TACH) continued to run smoothly, with growing number of transactions, following increased use of the system by the Government in making payments of salaries to its employees. During July 2017 to April 2018, the volume of EFT transactions grew by 102.8 percent, while the value increased by 78.6 percent when compared to the corresponding period of 2016/17. The increased use of EFT by the Government has improved efficiency while minimizing costs associated with the use of cheques. The effect was reflected in the decline in usage of cheques in TACH, both in terms of volume and value by 6.9 percent and 12.5 percent, respectively.



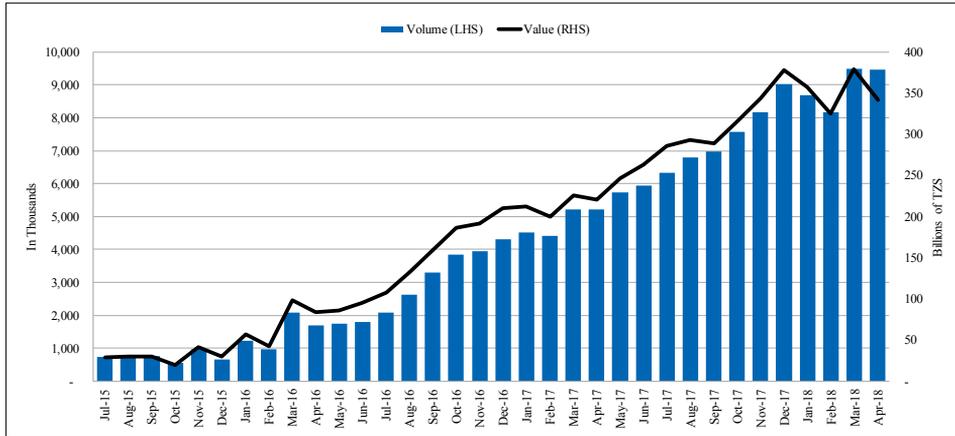
During the period July 2017 to April 2018, utilization of interoperability capability in mobile money services continued to grow reaching 80.7 million transactions worth TZS 3,308.5 billion. This represents 104.7 percent increase in volume and 78.9 percent in value compared to the corresponding period of 2016/17. The interoperability of mobile financial services has contributed to overall growth of total mobile money transactions by 37.3 percent in volume and 23.4 percent in value in the period under review, compared to the corresponding period of 2016/17. As at the end of April 2018, the number of active registered accounts for mobile money stood at 19.5 million, compared with 17.5 million at the end of June 2017 and 17.3 million at the end of April 2017.

The Bank of Tanzania is in the process of engaging key stakeholders in the financial sector in developing the National Switch to further enhance interoperability and reduce costs for both bank and non-bank payment service providers. In ensuring safety and efficiency of the National Payment Systems, the Bank continued with the process of oversight and licensing of new payment service providers (banks and non-banks) under the current regulatory framework².

² National Payment Systems Act, 2015, Payment Systems Licensing and Approval Regulations, 2015 and Electronic Money Regulations, 2015



Chart 4.6: Mobile Money Interoperability



Source: Bank of Tanzania



PART V

5.0 MACROECONOMIC POLICY FRAMEWORK FOR 2018/19

5.1 Macroeconomic Policy Objectives

During 2018/19, the Governments will continue to implement the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015 – 2020) aiming at building the foundation for industrialisation and spurring economic growth. In particular, the Governments will aim at attaining the following macroeconomic objectives:

- i. Real GDP growth of 7.2 percent in 2018;
- ii. Maintaining a single digit annual inflation rate by end June 2019;
and
- iii. Budget deficit including grants of 3.2 percent of GDP (including clearance of arrears) in 2018/19.

For Zanzibar, real GDP growth is projected at 7.2 percent in 2018, while budget deficit including grants is estimated at 3.8 percent of GDP in 2018/19.

5.2 Monetary Policy Objectives

In support of the 2018/19 broader macroeconomic objectives of the Government, the Bank will continue to focus on maintaining price stability, while ensuring stability in the money market interest rates consistent with monetary policy stance. In this regard, the Bank aims at achieving the following monetary policy targets in 2018/19:

- i. Annual growth of average reserve money of not more than 11.5 percent;



- ii. Annual growth of broad money (M3) of not more than 12.2 percent;
- iii. Annual growth of private sector credit not exceeding 10.2 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4.0 months of projected imports of goods and services.



PART VI

6.0 MONETARY POLICY STANCE FOR 2018/19

6.1 Liquidity Management

The Bank will continue to monitor liquidity situation in the economy to ensure that it remains adequate to meet demand for credit and support economic growth. This will be achieved through appropriate mix of monetary policy instruments. In order to improve liquidity management and transparency in financial markets operations, the Bank has developed collateral framework, which has broadened the maturity profile of eligible treasury securities, and electronic interbank market trading platform in which a two-way quote system will be used in lending and borrowing among banks. In addition, the global master repurchase agreement will be finalized for improving repo operations amongst banks, thereby facilitating even distribution of liquidity. These measures will facilitate adequacy of liquidity in the banking system and improve transparency and stability of short-term interest rates. The Bank intends to adopt an interest rate based monetary policy framework in 2018/19 to safeguard effectiveness and credibility of monetary policy in achieving price stability and sustaining high economic growth. Under this framework, short-term interest rate will be the operational target, rather than quantity of reserve money, in monitoring and managing liquidity in the economy.

6.2 Interest Rate Policy

Interest rates will continue to be market determined. The Bank will however institute benchmark interest rate (the Central Bank Rate, CBR) under the interest rate based monetary policy framework, which is intended to guide short-term inter-bank lending rates and thereby influencing the marginal



cost of funds for commercial banks. Further, the Bank will continue to promote efficiency and transparency in the interbank cash market, which is a key avenue for transmitting monetary policy actions.

6.3 Exchange Rate Policy

The Bank will continue to implement a floating exchange rate regime. The Bank will participate in the interbank foreign exchange market (IFEM) for liquidity management purposes, and stabilisation of the market in the event of excessive volatility. In carrying out these operations, the Bank will remain mindful of the need to maintain adequate level of international reserves within the statutory requirement.



PART VII

OUTLOOK AND CONCLUSION

The on-going implementation of various projects under the Second Five Year Development Plan and MKUZA III, coupled with favourable weather conditions, enhanced capacity utilization, continued improvement in business environment, and expected increase in global output growth are expected to support strong growth in 2018/19 and beyond. While the continuation of the OPEC oil-cut-deal may cause some inflationary pressures, the projected growth in domestic output, particularly food, is expected to dampen such pressures. With continued coordination between monetary and fiscal policies, inflation is expected to remain close to medium target of 5.0 percent.

The Bank will continue to implement prudent monetary policy focused on maintenance of price stability for sustenance of high economic growth. Under the interest rate based monetary policy framework, when adopted, the monetary policy actions will seek to align the interbank cash market rate with the policy rate decided by the Monetary Policy Committee.

The Bank will continue to closely monitor risks posed by developments in the domestic and global economies on its price stability objective, and take appropriate actions in close coordination with fiscal policy. In view of the global and domestic economic outlook, coupled with the monetary policy stance outlined in this Statement the Bank is confident that the monetary policy targets set in this Monetary Policy Statement for 2018/19 will be achieved.



APPENDICES



Table A1: Selected Economic Indicators

Items	Unit	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
1. Prices														
1.5 Annual change in consumer price index														
1.5.1 Headline inflation	Percent	6.4	6.1	5.4	5.2	5.0	5.3	5.1	4.4	4.0	4.0	4.1	3.9	3.8
1.5.2 Food inflation	Percent	11.8	11.6	9.6	8.9	8.6	9.3	8.8	7.4	6.2	6.3	5.4	4.7	3.6
1.5.3 Core inflation	Percent	2.3	2.2	1.9	2.2	1.8	1.7	1.7	1.4	1.3	1.4	1.7	1.6	1.4
2. Money credit and interest rates														
2.1 Extended broad money supply (M3) ¹	Percent	3.8	5.2	6.0	5.7	4.4	3.8	5.5	9.1	8.0	9.5	11.2	8.4	7.0
2.2 Reserve money ¹	Percent	0.8	1.5	0.8	2.2	1.9	-1.0	2.2	3.7	1.5	9.2	10.2	6.1	0.0
2.3 Average reserve money ¹	Percent	0.8	1.4	1.1	1.5	1.5	2.4	-1.4	1.7	-1.6	5.4	7.0	6.1	2.8
2.4 Credit to the private sector ¹	Percent	3.5	2.6	1.3	1.1	0.2	-1.6	-1.5	1.9	1.7	2.1	1.4	1.2	0.7
2.5 364-day Treasury bill rate ²	Percent	14.0	11.0	8.7	9.8	11.4	11.4	10.5	9.6	8.7	7.5	6.6	5.5	4.7
2.6 Overnight inter-bank rate ²	Percent	7.2	6.8	4.1	4.4	4.4	3.9	3.4	3.2	3.0	2.7	1.8	1.5	1.3
2.7 12-Month deposit rate ²	Percent	12.1	12.0	12.1	11.9	11.7	11.7	11.3	11.3	10.9	10.8	10.1	9.9	9.2
2.8 Short-term (up to 1 year) lending rate ²	Percent	17.9	19.4	18.5	19.2	19.1	18.9	18.9	18.2	18.5	18.6	18.0	18.5	18.2
3. Balance of payments														
3.1 Gross official reserves	Millions of USD	4,417.4	4,425.2	5,000.4	5,296.4	5,757.2	5,820.4	5,573.3	5,911.2	5,906.2	5,832.0	5,769.3	5,462.7	5,251.1
3.2 Exchange rate														
3.2.1 Period average	TZS/USD	2,226.1	2,228.7	2,230.5	2,231.3	2,232.4	2,236.4	2,238.0	2,234.9	2,231.2	2,234.7	2,242.4	2,246.6	2,256.9
3.2.2 End of period	TZS/USD	2,227.3	2,229.5	2,230.1	2,231.6	2,234.9	2,237.8	2,237.8	2,232.7	2,230.1	2,238.8	2,244.8	2,248.6	2,262.4
4. Public finance														
4.1 Domestic revenue ³	Billions of TZS	1,090.8	1,200.9	1,540.2	1,164.5	1,323.8	1,468.4	1,397.9	1,346.5	1,739.6	1,406.5	1,548.7	1,654.1	1,156.5
4.2 Recurrent expenditure ³	Billions of TZS	1,050.1	1,216.4	1,542.1	633.3	1,046.0	1,292.0	1,173.9	1,440.6	1,189.1	1,149.2	1,116.0	1,455.1	1,136.2
4.3 Development expenditure ³	Billions of TZS	336.8	359.7	1,750.4	94.2	282.8	179.8	431.9	400.9	562.7	752.3	294.7	729.6	265.1
4.4 Program assistance	Millions of USD	14.1	0.0	104.1	0.5	8.0	9.6	4.2	0.0	17.7	36.3	0.0	31.3	0.0
4.4.1 General budget support	Millions of USD	0.0	0.0	104.1	0.0	0.0	0.0	0.0	0.0	8.0	23.6	0.0	0.0	0.0
4.4.2 Basket funds	Millions of USD	14.1	0.0	0.0	0.5	8.0	9.6	4.2	0.0	9.7	12.7	0.0	31.3	0.0

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

Notes: ¹ Annual growth

² Monthly averages

³ Domestic revenue and expenditure on cash basis



Table A2 (a): Tanzania Mainland: Gross Domestic Product at Constant 2007 Prices by Economic Activity

Economic Activity	2012	2013	2014	2015	2016	2017
	Million of TZS					
<i>Agriculture, forestry and fishing</i>	8,901,917	9,186,731	9,497,469	9,719,965	9,924,182	10,276,557
Crops	4,640,787	4,801,783	4,993,855	5,106,027	5,175,489	5,365,377
Livestock	3,001,944	3,062,481	3,129,647	3,204,928	3,287,499	3,378,129
Forestry	771,590	808,231	849,445	871,448	901,161	957,830
Fishing	487,597	514,235	524,521	537,562	560,033	575,222
<i>Industry and construction</i>	7,566,057	8,287,309	9,144,464	10,174,183	11,265,362	12,626,539
Mining and quarrying	1,217,823	1,264,845	1,383,349	1,508,923	1,682,719	1,976,961
Manufacturing	2,659,200	2,831,400	3,024,323	3,222,077	3,472,664	3,718,853
Electricity supply	293,804	332,080	363,110	384,299	416,376	425,339
Water supply; sewerage, waste management	267,407	274,507	284,755	285,003	297,151	346,851
Construction	3,127,824	3,584,477	4,088,927	4,773,882	5,396,450	6,158,535
<i>Services</i>	17,520,835	18,767,586	20,119,051	21,511,307	23,137,889	24,667,595
Wholesale and retail trade; repairs	3,675,197	3,839,852	4,223,837	4,552,422	4,855,513	5,144,531
Transport and storage	2,062,518	2,314,221	2,603,499	2,810,327	3,141,660	3,664,258
Accommodation and food services	579,598	595,724	609,111	622,966	646,197	667,007
Information and communication	1,439,326	1,631,263	1,762,116	1,974,819	2,231,111	2,558,975
Financial and insurance activities	1,445,140	1,534,232	1,699,700	1,900,297	2,103,991	2,145,013
Real estate	1,754,126	1,790,574	1,829,107	1,869,782	1,912,659	1,957,802
Professional, scientific and technical activities	617,853	651,358	654,930	699,556	743,797	788,057
Administrative and support service activities	1,104,372	1,239,495	1,313,618	1,375,562	1,404,965	1,457,480
Public administration and defence	2,435,459	2,625,280	2,728,183	2,854,132	3,045,808	3,006,479
Education	1,228,099	1,280,673	1,341,507	1,425,992	1,541,076	1,672,411
Human health and social work activities	602,632	655,861	709,310	742,629	781,589	828,030
Arts, entertainment and recreation	128,764	136,162	143,933	152,891	166,415	178,986
Other service activities	341,382	363,702	388,120	414,881	444,610	476,925
Activities of households as employers;	106,369	109,188	112,082	115,052	118,500	121,641
FISIM	-568,183	-568,580	-623,558	-696,521	-810,063	-722,061
All economic activities	33,420,626	35,673,046	38,137,426	40,708,935	43,517,370	46,848,630
Taxes on products	2,515,833	2,873,500	3,093,939	3,391,850	3,656,415	3,676,457
GDP at market prices	35,936,459	38,546,546	41,231,365	44,100,785	47,173,785	50,525,087

	Real Growth by Economic Activities (Percent)					
<i>Agriculture, forestry and fishing</i>	3.2	3.2	3.4	2.3	2.1	3.6
Crops	4.2	3.5	4.0	2.2	1.4	3.7
Livestock	1.8	2.0	2.2	2.4	2.6	2.8
Forestry	3.5	4.7	5.1	2.6	3.4	6.3
Fishing	2.9	5.5	2.0	2.5	4.2	2.7
<i>Industry and construction</i>	4.0	9.5	10.3	11.3	10.7	12.1
Mining and quarrying	6.7	3.9	9.4	9.1	11.5	17.5
Manufacturing	4.1	6.5	6.8	6.5	7.8	7.1
Electricity supply	3.3	13.0	9.3	5.8	8.3	2.2
Water supply; sewerage, waste management	2.8	2.7	3.7	0.1	4.3	16.7
Construction	3.2	14.6	14.1	16.8	13.0	14.1
<i>Services</i>	7.2	7.1	7.2	6.9	7.6	6.6
Wholesale and retail trade; repairs	3.8	4.5	10.0	7.8	6.7	6.0
Transport and storage	4.2	12.2	12.5	7.9	11.8	16.6
Accommodation and food services	6.7	2.8	2.2	2.3	3.7	3.2
Information and communication	22.2	13.3	8.0	12.1	13.0	14.7
Financial and insurance activities	5.1	6.2	10.8	11.8	10.7	1.9
Real estate	2.0	2.1	2.2	2.2	2.3	2.4
Professional, scientific and technical activities	-5.8	5.4	0.5	6.8	6.3	6.0
Administrative and support service activities	23.8	12.2	6.0	4.7	2.1	3.7
Public administration and defence	9.1	7.8	3.9	4.6	6.7	-1.3
Education	7.4	4.3	4.8	6.3	8.1	8.5
Human health and social work activities	11.4	8.8	8.1	4.7	5.2	5.9
Arts, entertainment and recreation	11.0	5.7	5.7	6.2	8.8	7.6
Other service activities	6.4	6.5	6.7	6.9	7.2	7.3
Activities of households as employers;	2.7	2.7	2.7	2.7	3.0	2.7
FISIM	1.2	0.1	9.7	11.7	16.3	-10.9
All economic activities	5.5	6.7	6.9	6.7	6.9	7.7
Taxes on products	0.4	14.2	7.7	9.6	7.8	0.5
GDP at market prices	5.1	7.3	7.0	7.0	7.0	7.1

Source: National Bureau of Statistics

Note: FISIM implies financial intermediation indirectly measured



Table A2 (b): Tanzania Mainland: Gross Domestic Product at Constant 2007 Prices by Economic Activity

Economic Activity	Percent					
	2012	2013	2014	2015	2016	2017
Contribution in real GDP by Economic Activities						
Agriculture, forestry and fishing	24.8	23.8	23.0	22.0	21.0	20.3
Crops	12.9	12.5	12.1	11.6	11.0	10.6
Livestock	8.4	7.9	7.6	7.3	7.0	6.7
Forestry and hunting	2.1	2.1	2.1	2.0	1.9	1.9
Fishing	1.4	1.3	1.3	1.2	1.2	1.1
Industry and construction	21.1	21.5	22.2	23.1	23.9	25.0
Mining and quarrying	3.4	3.3	3.4	3.4	3.6	3.9
Manufacturing	7.4	7.3	7.3	7.3	7.4	7.4
Electricity, gas	0.8	0.9	0.9	0.9	0.9	0.8
Water supply	0.7	0.7	0.7	0.6	0.6	0.7
Construction	8.7	9.3	9.9	10.8	11.4	12.2
Services	48.8	48.7	48.8	48.8	49.0	48.8
Wholesale and retail trade; repairs	10.2	10.0	10.2	10.3	10.3	10.2
Transport and storage	5.7	6.0	6.3	6.4	6.7	7.3
Hotels and restaurants	1.6	1.5	1.5	1.4	1.4	1.3
Information and communication	4.0	4.2	4.3	4.5	4.7	5.1
Financial and insurance activities	4.0	4.0	4.1	4.3	4.5	4.2
Real estate	4.9	4.6	4.4	4.2	4.1	3.9
Professional, scientific and technical activities	1.7	1.7	1.6	1.6	1.6	1.6
Administrative and support service activities	3.1	3.2	3.2	3.1	3.0	2.9
Public administration and defence	6.8	6.8	6.6	6.5	6.5	6.0
Education	3.4	3.3	3.3	3.2	3.3	3.3
Human health and social work activities	1.7	1.7	1.7	1.7	1.7	1.6
Arts, entertainment and recreation	0.4	0.4	0.3	0.3	0.4	0.4
Other service activities	0.9	0.9	0.9	0.9	0.9	0.9
Activities of households as employers;	0.3	0.3	0.3	0.3	0.3	0.2
FISIM	-1.6	-1.5	-1.5	-1.6	-1.7	-1.4
Taxes on products	7.0	7.5	7.5	7.7	7.8	7.3
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Bureau of Statistics

Note: FISIM means financial intermediation indirectly measured



Table A2 (c): Zanzibar: Gross Domestic Product at Constant 2007 Prices by Economic Activity

Economic activity	2012	2013	2014	2015	2016 ^p	2017 ^p
Agriculture, forestry and fishing	196.7	222.8	221.9	227.5	242.4	263.1
Crops	96.4	118.4	109.9	107.1	117.3	139.5
Livestock	27.6	29.0	31.2	33.6	36.0	36.9
Forestry and hunting	25.1	26.0	27.0	28.1	29.3	30.6
Fishing	47.6	49.4	53.8	58.7	59.8	56.1
Industry	193.4	200.1	212.9	235.5	258.4	279.8
Mining and quarrying	16.2	15.6	16.9	18.7	22.3	27.9
Manufacturing	74.7	79.9	87.8	95.5	101.6	114.4
Electricity and gas	3.4	3.5	3.7	3.9	4.2	4.4
Water supply and sewerage	3.9	4.1	4.3	4.6	4.8	5.5
Construction	95.2	97.0	100.2	112.8	125.5	127.7
Services	480.2	503.2	554.5	598.5	646.1	697.8
Trade and repairs	71.7	73.8	83.4	84.2	88.7	93.8
Transport and storage	50.2	54.9	58.7	61.5	66.0	68.2
Accommodation and food services	74.6	81.6	87.3	96.2	105.3	139.4
Accommodation	55.1	56.5	61.4	70.3	79.4	108.6
Food and beverage services	19.5	25.1	25.9	25.9	25.9	30.8
Information and communication	35.5	30.8	38.4	41.3	45.0	39.1
Financial and insurance activities	42.6	44.8	49.6	55.1	60.0	61.2
Real estate activities	55.6	59.3	63.4	67.7	72.4	77.4
Professional, scientific and technical	1.7	2.5	3.6	3.9	4.3	4.1
Administrative and support services	6.5	7.0	7.1	8.0	8.5	11.0
Public administration	98.5	103.6	114.8	130.1	141.9	143.1
Education	23.6	24.2	26.1	26.8	28.8	31.1
Human health and social work	9.6	9.9	10.7	10.7	11.1	11.1
Arts, entertainment and recreation	3.2	3.5	3.7	4.3	4.7	6.4
Other service activities	5.7	6.1	6.4	7.4	8.0	10.5
Domestic services	1.2	1.2	1.3	1.3	1.4	1.4
Less FISIM	-11.2	-12.5	-13.9	-15.8	-17.55	-18.04
Taxes on products	113.2	129.2	140.2	141.4	139.4	140.7
GDP at market prices	972.3	1,042.8	1,115.6	1,187.1	1,268.7	1,363.4
	Real Growth by Economic Activities (Percent)					
Agriculture, forestry and fishing	-8.3	13.2	-0.4	2.5	6.5	8.6
Crops	-18.4	22.9	-7.2	-2.5	9.5	18.9
Livestock	6.7	5.1	7.5	7.7	7.1	2.5
Forestry and hunting	3.9	3.5	3.9	4.0	4.2	4.6
Fishing	2.5	3.6	8.9	9.1	1.9	-6.2
Industry	7.5	3.5	6.4	10.6	9.7	8.3
Mining and quarrying	12.7	-3.6	8.4	10.9	18.8	25.1
Manufacturing	3.6	6.9	9.9	8.8	6.3	12.6
Electricity and gas	9.5	3.1	4.7	6.7	8.2	4.2
Water supply and sewerage	3.4	6.0	4.8	5.6	5.3	13.3
Construction	9.9	1.9	3.3	12.5	11.3	1.7
Services	4.8	4.6	9.8	7.9	7.8	8.2
Trade and repairs	-10.4	2.9	13.0	0.9	5.4	5.7
Transport and storage	14.9	9.4	7.0	5.2	6.8	3.4
Accommodation and food services	1.5	9.5	6.9	10.3	9.4	32.4
Accommodation	-3.4	2.6	8.7	14.5	12.9	36.8
Food and beverage services	18.5	29.1	2.9	0.3	-0.1	19.0
Information and communication	11.9	-13.4	24.7	7.6	8.9	-13.1
Financial and insurance activities	7.6	5.1	10.6	11.2	8.9	1.9
Real estate activities	6.6	6.7	6.8	6.8	6.9	7.0
Professional, scientific and technical	21.4	47.9	43.4	9.2	9.6	-3.2
Administrative and support services	5.0	6.2	2.0	12.9	6.7	28.3
Public administration	12.0	5.2	10.8	13.3	9.0	0.9
Education	2.8	2.5	7.9	2.9	7.4	8.1
Human health and social work	2.4	3.0	7.4	0.2	3.8	0.5
Arts, entertainment and recreation	-0.7	7.5	5.9	17.2	9.8	36.2
Other service activities	-0.1	6.6	5.3	14.7	8.7	31.2
Domestic services	3.2	3.2	3.2	3.2	3.1	3.3
Less FISIM	4.8	10.8	11.4	13.7	11.2	2.8
Taxes on products	33.4	14.1	8.6	0.8	-1.4	0.9
GDP at market prices	4.8	7.2	7.0	6.5	6.8	7.5

Source: Office of Chief Government Statistician, Zanzibar

Note: p implies provisional

FISIM means financial intermediation indirectly measured



Table A3 (a): National Consumer Price Index (NCPI)

Main groups	Weight (%)	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Food and non alcoholic beverages	38.5	115.7	116.0	115.2	114.4	112.9	112.4	112.1	113.0	113.6	115.5	117.2	119.6	119.9
Alcoholic, tobacco and narcotics	3.7	106.2	106.5	106.7	106.7	107.1	107.2	107.2	107.6	107.8	107.9	107.9	107.9	108.0
Clothing and footwear	8.3	105.3	105.7	106.3	106.5	106.4	106.3	106.4	106.5	106.7	107.2	107.8	107.9	108.0
Housing, water, electricity, gas and other fuel	11.6	112.6	113.4	114.7	114.9	116.8	118.4	118.2	119.2	119.0	119.1	122.4	125.3	127.3
Furnishing, housing equipment and routine maintenance of the house	6.3	104.7	104.7	104.8	104.9	104.7	104.8	105.0	105.0	105.3	105.7	105.9	106.6	106.9
Health	2.9	105.4	106.0	106.1	106.3	106.2	106.2	106.7	106.7	106.8	107.0	107.0	107.1	107.1
Transport	12.5	100.6	100.2	99.6	99.6	99.4	99.6	99.8	100.1	100.3	100.6	101.4	101.5	102.4
Communication	5.6	98.1	98.1	98.1	98.1	98.1	98.1	98.1	98.1	98.1	98.1	98.2	98.2	98.2
Recreation and culture	1.6	101.9	102.0	102.0	102.1	102.9	103.1	103.3	103.3	102.8	103.1	103.1	103.1	103.2
Education	1.5	103.0	103.1	103.2	103.4	103.4	103.4	103.5	103.5	103.5	105.3	105.6	105.5	105.5
Restaurants and hotels	4.2	104.5	104.3	104.5	104.5	104.4	104.4	104.4	104.5	104.6	105.0	105.3	105.3	105.3
Miscellaneous goods and services	3.1	105.5	105.5	105.5	105.7	105.6	105.7	105.4	105.4	105.4	105.7	105.7	105.7	106.5
Total - All items index	100.0	109.0	109.3	109.1	108.8	108.5	108.5	108.4	108.9	109.2	110.1	111.3	112.7	113.2
Other selected groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	116.6	116.9	116.1	115.4	113.9	113.4	113.1	114.0	114.6	116.6	118.3	120.9	121.2
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	115.5	116.1	118.2	117.8	120.0	122.3	122.6	124.3	124.4	124.8	129.4	133.6	136.7
All items less food	62.9	105.1	105.3	105.5	105.6	105.9	106.3	106.3	106.6	106.7	107.0	108.0	108.7	109.3
All items less food and energy	54.3	103.5	103.6	103.5	103.7	103.7	103.7	103.7	103.8	103.9	104.1	104.6	104.7	104.9

Source: National Bureau of Statistics



Table A3 (b): National Consumer Price Index (NCPD), 12 Months Percentage Change

Main groups	Weight (%)	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Food and non alcoholic beverages	38.5	11.8	11.6	9.6	8.9	8.6	9.3	8.8	7.4	6.2	6.3	5.4	4.7	3.6
Alcoholic, tobacco and narcotics	3.7	3.5	3.0	3.0	2.4	2.5	2.5	2.6	2.5	2.6	2.6	2.3	2.0	1.6
Clothing and footwear	8.3	3.9	3.7	3.8	3.8	3.4	3.4	3.4	3.1	2.9	2.7	3.3	3.2	2.6
Housing, water, electricity, gas and other fuel	11.6	5.8	4.6	7.1	7.1	8.9	8.8	7.6	7.8	8.3	7.1	8.6	10.4	13.1
Furnishing, housing equipment and routine maintenance of the house	6.3	3.1	3.2	3.2	3.3	2.7	2.6	2.8	1.8	1.3	1.8	1.6	1.9	2.0
Health	2.9	2.5	2.9	2.2	2.4	2.0	1.9	2.1	2.0	2.0	1.6	1.6	1.6	1.6
Transport	12.5	1.9	1.4	0.4	0.1	-0.6	-0.3	0.2	0.1	0.0	0.3	1.6	1.4	1.8
Communication	5.6	-0.5	-0.8	-1.0	-1.0	-1.1	-1.0	-0.9	-1.0	-1.0	-1.0	-0.2	-0.2	0.1
Recreation and culture	1.6	1.3	1.2	0.8	1.0	1.3	1.9	1.9	1.6	0.9	2.0	1.5	1.1	1.2
Education	1.5	0.8	0.7	0.8	0.9	0.7	0.8	0.8	0.8	0.8	2.5	2.5	2.4	2.4
Restaurants and hotels	4.2	0.8	0.9	0.7	0.8	-0.3	-0.3	0.6	0.3	0.3	0.8	0.9	0.8	0.8
Miscellaneous goods and services	3.1	4.3	4.0	3.7	4.0	3.7	3.4	3.0	2.6	2.5	2.7	2.7	1.2	0.9
Total - All items index	100.0	6.4	6.1	5.4	5.2	5.0	5.3	5.1	4.4	4.0	4.0	4.1	3.9	3.8
Other selected groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	12.0	11.8	9.8	9.3	9.1	9.8	9.4	7.9	6.7	6.7	5.8	5.0	4.0
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	9.9	7.4	10.3	8.8	10.4	10.9	10.6	11.1	11.4	10.4	12.1	14.1	18.4
All items less food	62.9	3.4	3.0	3.2	3.2	3.1	3.1	3.0	2.9	2.8	2.8	3.3	3.5	3.9
All items less food and energy	54.3	2.3	2.2	1.9	2.2	1.8	1.7	1.7	1.4	1.3	1.4	1.7	1.6	1.4

Source: National Bureau of Statistics



Table A3 (c): Zanzibar National Consumer Price Index (NCPI)

	Weights (%)	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Headline	100.0	103.4	104.8	104.7	104.2	105.2	104.3	104.4	103.4	105.1	105.2	105.1	105.2	106.0
Food and non-alcoholic beverages	43.6	104.1	107.2	105.5	104.5	106.2	105.6	103.9	101.5	104.4	101.8	101.5	101.6	102.9
Non-Food	57.3	102.8	102.9	104.1	103.9	104.4	103.3	104.9	104.9	105.6	107.7	107.8	108.0	108.4
Alcoholic beverages, tobacco and narcotics	0.2	100.0	100.0	100.0	103.3	103.3	103.3	103.3	103.3	103.3	103.3	103.3	103.3	103.3
Clothing and footwear	6.9	99.8	99.8	104.1	104.0	103.9	102.8	103.7	103.9	104.0	105.0	105.0	105.1	105.2
Housing, water, electricity, gas and other fuel	18.4	107.3	107.6	108.6	108.0	109.7	110.7	110.2	109.4	110.9	111.0	110.9	111.4	111.7
Furnishing, household equipment and routine household maintenance	5.5	100.0	100.1	101.2	101.5	101.4	101.4	101.8	101.7	102.1	113.1	112.8	112.9	113.0
Health	2.1	100.4	104.0	103.5	103.6	103.6	104.4	104.2	104.6	104.6	104.6	104.5	104.5	104.5
Transport	9.6	102.8	102.0	102.6	102.2	101.5	95.1	103.6	104.7	105.7	109.4	110.0	110.3	111.6
Communication	4.2	100.0	100.1	100.0	100.0	100.0	100.0	100.0	100.0	100.2	100.3	100.3	100.3	100.3
Recreation and culture	1.3	98.4	98.4	102.3	102.3	102.3	96.7	102.5	102.5	102.7	103.5	105.1	105.1	105.1
Education	1.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	105.2	105.3	105.3	105.3
Restaurants and hotels	3.9	100.0	100.0	100.0	101.1	101.1	101.1	101.1	101.1	102.0	102.0	102.0	102.0	102.0
Miscellaneous goods and services	2.3	99.8	99.9	100.2	100.3	100.3	100.3	100.3	100.3	100.3	102.0	102.0	102.0	101.9

Source: Office of Chief Government Statistician, Zanzibar



Table A3 (d): Zanzibar National Consumer Price Index (NCPI), 12 Months Percentage Change

	Weights (%)												
	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Headline	100.0	7.1	7.8	5.4	4.1	5.5	5.9	6.4	5.0	5.9	4.8	4.4	2.6
Food and non-alcoholic beverages	43.6	6.9	9.9	4.6	2.7	6.1	7.8	6.7	4.2	6.2	1.3	0.4	-1.1
Non-Food	57.3	7.3	6.5	6.5	5.7	5.6	4.8	6.0	5.3	5.5	7.6	7.5	5.5
Alcoholic beverages, tobacco and narcotics	0.2	3.7	3.7	3.7	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Clothing and footwear	6.9	4.2	3.4	6.8	5.7	5.4	3.9	4.5	4.5	4.1	5.1	5.2	5.4
Housing, water, electricity, gas and other fuels	18.4	12.3	11.8	11.4	9.8	10.7	11.9	11.6	9.5	10.1	10.2	11.0	4.2
Furnishing, household equipment and routine household maintenance	5.5	1.2	1.0	1.8	2.0	1.4	1.7	2.0	1.6	1.8	12.8	12.9	12.9
Health	2.1	9.2	10.0	6.5	6.6	4.1	4.9	4.6	4.6	4.6	4.5	4.4	4.1
Transport	9.6	7.3	5.0	4.3	2.7	1.1	-4.1	5.1	5.3	5.2	9.4	8.7	8.6
Communication	4.2	0.0	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.2	0.3	0.3	0.3
Recreation and culture	1.3	0.4	0.1	5.0	3.8	3.0	-2.9	3.0	2.6	2.8	3.5	8.7	6.8
Education	1.9	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	5.3	5.3	5.3
Restaurants and hotels	3.9	5.9	-3.2	-3.2	2.7	1.0	0.8	2.1	1.4	2.8	2.0	2.0	2.0
Miscellaneous goods and services	2.3	7.8	7.5	7.0	4.3	2.4	1.3	1.0	0.9	0.5	2.0	2.0	2.1

Source: Office of Chief Government Statistician, Zanzibar



Table A4: Depository Corporations Survey

Billions of TZS

Items	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Net foreign assets (NFA) of the banking system	8,018.9	8,095.9	9,573.1	9,987.4	10,270.8	10,396.3	10,980.9	11,427.6	11,596.1	11,380.7	11,196.2	10,881.1	10,780.7
NFA of the Bank of Tanzania	8,698.2	8,735.5	10,016.8	10,617.0	11,109.0	11,302.1	11,319.9	11,947.8	12,149.8	11,771.7	11,687.6	11,149.2	10,733.9
Net international reserves (Millions of USD)	4,165.6	4,171.6	4,775.2	5,069.0	5,540.2	5,603.7	5,357.9	5,693.7	5,719.2	5,640.4	5,578.3	5,283.4	5,073.8
NFA of the banks	-679.2	-639.6	-443.7	-629.7	-838.2	-905.8	-339.0	-520.2	-553.8	-390.9	-491.4	-268.0	16.8
Banks NFA (Millions of USD)	-305.0	-286.9	-199.0	-282.2	-375.1	-404.8	-151.5	-233.0	-248.3	-174.6	-218.9	-119.2	7.4
Net domestic assets of the banking system	14,821.8	15,314.8	14,292.3	13,575.2	13,197.9	12,714.6	12,602.0	13,256.1	13,118.3	13,566.5	13,683.6	13,595.7	13,681.5
Domestic claims	21,418.5	21,993.4	21,038.9	20,378.8	20,021.9	19,636.1	19,761.4	20,493.3	20,173.1	20,913.1	20,543.9	20,851.3	20,875.5
Claims on central government (net)	4,691.7	5,181.3	4,172.7	3,567.6	3,310.7	3,279.8	3,349.7	3,543.0	3,275.7	3,989.6	3,675.4	4,037.0	4,037.9
Claims on central government	7,937.8	8,248.8	8,709.8	8,067.7	7,842.0	7,881.2	7,970.0	8,246.4	8,081.8	8,225.0	8,512.7	8,877.7	8,937.1
O/w Securities held by banks	4,838.0	4,979.8	5,221.8	5,273.0	5,216.6	5,299.7	5,406.2	5,487.4	5,484.5	5,404.2	5,486.2	5,545.2	5,607.8
Liabilities to central government	3,246.2	3,067.5	4,537.1	4,506.0	4,531.2	4,601.3	4,620.3	4,703.5	4,806.1	4,235.4	4,837.3	4,840.8	4,809.2
Claims on the private sector	16,726.8	16,812.1	16,866.2	16,821.1	16,711.1	16,356.3	16,411.8	16,950.3	16,895.6	16,923.5	16,868.5	16,814.3	16,837.6
Extended in foreign currency	6,011.5	6,073.2	6,113.7	6,113.7	6,019.2	5,929.7	5,661.5	5,664.1	5,945.2	5,977.8	6,055.8	6,009.7	5,975.6
Equivalent in millions of USD	2,699.0	2,724.0	2,741.4	2,697.3	2,653.2	2,530.0	2,531.1	2,662.8	2,680.5	2,705.0	2,677.2	2,657.5	2,592.8
Other items net	-6,596.8	-6,678.6	-6,746.6	-6,803.6	-6,824.0	-6,921.6	-7,159.5	-7,237.2	-7,053.1	-7,346.6	-6,860.3	-7,255.5	-7,193.9
Extended broad money supply (M3)	22,840.7	23,410.6	23,865.4	23,562.5	23,468.6	23,110.9	23,582.9	24,683.6	24,714.3	24,947.2	24,879.8	24,476.8	24,432.3
Foreign currency deposits (FCD)	6,000.3	6,121.5	6,177.9	6,194.0	6,174.6	6,037.2	6,291.6	6,459.0	6,364.4	6,405.2	6,700.1	6,287.0	6,359.6
FCD (in millions of USD)	2,694.0	2,745.7	2,770.2	2,775.6	2,762.8	2,697.9	2,811.5	2,892.9	2,853.9	2,861.1	2,984.8	2,796.0	2,811.0
Broad money supply (M2)	16,840.4	17,289.1	17,687.5	17,368.5	17,294.0	17,073.7	17,291.3	18,224.7	18,349.9	18,542.0	18,179.7	18,189.8	18,072.7
Other deposits	6,728.5	6,771.3	6,816.2	6,646.8	6,756.5	6,781.5	6,845.6	7,146.2	7,194.6	7,195.1	7,204.5	7,063.1	7,044.0
Narrow money supply (M1)	10,111.9	10,517.8	10,871.3	10,721.7	10,537.6	10,292.2	10,445.6	11,078.5	11,155.3	11,346.9	10,975.2	11,126.7	11,028.7
Currency in circulation	3,369.0	3,411.2	3,615.3	3,627.3	3,664.7	3,609.1	3,561.8	3,697.3	3,831.6	3,676.3	3,614.1	3,704.0	3,620.7
Transferable deposits	6,742.8	7,106.5	7,256.0	7,094.4	6,872.9	6,683.0	6,883.8	7,381.2	7,323.7	7,670.6	7,361.1	7,422.7	7,408.0
Memorandum Items													
Reserve money	6,486.3	6,560.4	6,827.1	6,709.6	6,861.3	6,551.3	6,682.3	7,189.6	6,954.4	7,169.2	7,143.2	6,744.9	6,487.7
Banks reserves	2,455.7	2,529.5	2,478.2	2,408.8	2,540.6	2,275.6	2,411.0	2,752.1	2,257.2	2,715.3	2,775.6	2,311.5	2,099.4
Currency outside Bank of Tanzania	4,030.5	4,030.9	4,348.8	4,300.8	4,320.8	4,275.6	4,271.3	4,437.5	4,697.2	4,453.9	4,367.6	4,433.4	4,388.3
Average reserve money	6,487.6	6,540.7	6,695.1	6,682.6	6,698.6	6,792.6	6,487.3	6,867.2	6,867.2	7,015.1	6,963.8	6,829.2	6,669.4
Nominal exchange rate (end of period) (TZS/USD)	2,227.3	2,229.5	2,200.1	2,231.6	2,234.9	2,237.8	2,237.8	2,232.7	2,230.1	2,238.8	2,244.8	2,248.6	2,262.4
Gross official reserves (in millions of USD)	4,417.4	4,425.2	5,000.4	5,296.4	5,575.2	5,820.4	5,573.3	5,911.2	5,906.2	5,832.0	5,769.3	5,462.7	5,251.1
Foreign assets of banks (in millions of USD)	658.1	663.3	693.9	693.3	683.7	650.8	811.0	706.6	726.7	786.2	723.3	787.9	927.4
Gross foreign assets of the banking system (Millions of USD)	5,075.4	5,088.5	5,694.3	5,989.6	6,441.0	6,471.2	6,384.4	6,617.7	6,633.0	6,618.1	6,492.6	6,250.6	6,178.5
Annual growth rates (%)													
Stock of reserve money	0.8	1.5	0.8	2.2	1.9	-1.0	2.2	3.7	1.5	9.2	10.2	6.1	0.0
Average reserve money	0.8	1.4	1.1	1.5	1.5	2.4	-1.4	1.7	-1.6	5.4	7.0	6.1	2.8
Extended broad money supply (M3)	3.8	5.2	6.0	5.7	4.4	3.8	5.5	9.1	8.0	9.5	11.2	8.4	7.0
Broad money supply (M2)	6.8	9.3	9.3	9.7	8.3	6.8	7.8	11.0	10.4	12.9	13.6	10.8	7.3
Credit to the private sector	3.5	2.6	1.3	1.1	0.2	-1.6	-1.5	1.9	1.7	2.1	1.4	1.2	0.7

Source: Bank of Tanzania



Table A5: Capital and Money Market Interest Rates

Percent

Items	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Interbank cash market rates													
Overnight	7.19	6.81	4.08	4.43	4.36	3.87	3.43	3.19	2.95	2.74	1.83	1.50	1.29
2 to 7 days	7.03	7.50	5.66	5.05	5.14	4.56	4.24	3.70	3.40	3.15	2.07	1.95	1.73
8 to 14 days	10.13	6.97	5.58	5.75	7.14	4.93	4.11	3.80	4.04	4.08	2.60	1.87	1.70
15 to 30 days	11.00	9.75	6.06	6.17	7.65	6.30	6.30	4.00	5.43	4.19	3.90	3.53	3.53
31 to 60 days	9.00	9.00	9.00	9.00	7.52	6.50	6.50	9.00	9.00	5.00	5.00	5.00	5.00
61 to 90 days	16.75	16.75	16.75	16.75	16.75	9.00	9.00	9.00	9.00	8.50	8.50	3.25	3.25
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	7.39	7.23	4.91	4.92	4.87	4.93	3.72	3.46	3.26	3.00	1.97	1.71	1.45
Lombard rate	10.79	10.22	8.02	7.22	7.16	7.20	6.90	6.75	6.75	5.10	3.91	3.00	3.00
Repo rate	3.82	2.91	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.24	1.10	1.00	1.21
Reverse repo rate	8.41	6.78	4.07	4.89	6.62	4.93	4.00	5.00	4.79	5.19	5.19	5.19	2.31
Treasury bills rates													
35 days	6.79	6.53	5.35	4.81	4.77	4.80	4.60	4.50	4.50	3.40	2.61	2.00	2.00
91 days	7.10	6.77	5.53	4.86	4.07	4.10	4.00	4.00	4.00	3.75	3.45	2.52	2.05
182 days	13.02	10.01	7.13	8.54	9.42	8.91	7.51	7.16	5.87	4.29	3.85	3.35	3.06
364 days	14.01	10.99	8.65	9.80	11.42	11.42	10.50	9.60	8.71	7.48	6.58	5.48	4.74
Overall Treasury bills rate	13.51	10.44	7.64	9.12	10.61	10.58	9.41	8.93	8.19	6.54	5.45	4.69	4.04
Treasury bonds rates													
2-years	17.61	16.22	16.22	12.45	12.45	11.76	11.76	11.76	11.10	11.10	9.21	9.21	8.52
5-years	17.92	17.92	17.92	13.07	13.96	13.96	13.96	13.64	13.64	12.16	12.16	11.06	11.06
7-years	18.42	16.48	16.48	16.48	14.28	14.28	14.98	14.98	13.98	13.98	12.96	12.96	12.96
10-years	18.56	18.56	14.76	14.76	15.75	15.75	15.89	15.89	15.89	15.09	15.09	13.86	13.86
15-years	18.88	18.88	18.88	16.15	16.15	16.74	16.74	15.87	15.87	14.65	14.65	14.65	14.17
Discount rate	12.00	12.00	12.00	12.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00

Source: Bank of Tanzania



Table A6: Commercial Banks' Interest Rates

Percent

Items	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
A: Domestic currency													
Savings deposit rate	3.17	3.14	3.14	3.10	3.15	2.84	2.81	2.81	2.80	2.86	2.76	2.77	2.19
Overall time deposits rate	10.32	10.14	10.31	10.56	10.17	9.80	9.77	9.60	9.62	9.50	8.91	8.57	8.64
1 month	11.50	11.95	11.07	11.16	11.24	10.65	9.24	9.68	10.26	10.41	10.31	9.51	9.17
2 months	12.37	11.45	11.11	11.80	11.52	9.82	11.66	10.73	11.19	11.16	10.09	8.69	9.10
3 months	11.40	11.38	12.01	11.26	9.54	11.61	10.53	10.92	10.99	10.01	8.41	8.89	8.51
6 months	11.63	11.13	11.47	11.49	11.28	11.36	11.21	10.49	10.15	9.72	9.26	8.99	8.96
12 months	12.14	11.99	12.14	11.89	11.69	11.65	11.30	11.27	10.86	10.77	10.09	9.92	9.22
24 months	9.83	9.80	11.02	12.81	12.29	11.21	12.24	12.13	11.82	12.36	12.21	12.08	13.54
Negotiated deposit rate	12.59	12.93	12.73	12.51	11.82	10.62	10.30	11.11	11.10	10.90	10.40	10.19	9.87
Overall lending rate	18.10	17.81	17.61	17.84	18.03	18.65	17.68	17.63	18.62	18.31	17.27	17.51	17.52
Short-term (up to 1 year)	17.99	19.44	18.45	19.18	19.09	18.90	18.86	18.17	18.47	18.65	18.01	18.54	18.19
Medium-term (1-2 years)	19.00	19.71	19.62	19.45	20.02	19.96	18.92	19.17	20.40	20.08	18.85	19.43	19.49
Medium-term (2-3 years)	19.05	17.46	17.19	17.38	17.57	19.00	17.35	17.14	18.79	18.76	16.74	16.60	16.73
Long-term (3-5 years)	18.94	17.61	17.56	17.89	18.01	19.54	18.05	18.06	19.24	18.82	17.96	17.92	17.87
Term loans (over 5 years)	15.53	14.85	15.21	15.31	15.48	15.86	15.24	15.59	16.21	15.24	14.79	15.03	15.32
Negotiated lending rate	15.30	16.85	14.71	15.20	17.38	17.91	17.72	17.08	16.82	15.88	16.20	16.47	16.23
B: Foreign currency													
Deposits rates													
Savings deposits rate	0.74	0.82	0.29	0.28	0.28	0.28	0.29	0.29	0.24	0.70	1.16	0.81	0.77
Overall time deposits rate	3.73	3.10	4.01	3.73	3.30	3.41	3.69	3.79	3.41	4.21	4.10	3.90	4.04
1 month	3.26	3.63	3.17	4.10	2.24	1.97	3.21	3.81	2.54	3.70	3.95	4.18	3.79
2 months	4.28	2.67	4.94	3.61	3.28	3.40	3.98	3.79	2.92	4.25	4.42	3.74	4.44
3 months	3.59	0.71	4.26	3.56	3.70	3.84	3.30	3.00	3.91	4.59	3.72	4.36	5.23
6 months	4.10	4.84	3.98	3.73	3.53	3.47	3.72	4.13	4.03	4.69	4.65	3.87	3.77
12 months	3.44	3.65	3.70	3.66	3.77	4.35	4.24	4.21	3.67	3.83	3.74	3.35	2.99
Overall lending rate	8.49	8.28	8.47	8.37	8.12	8.56	7.94	8.05	7.81	7.96	8.39	8.02	8.31
Short-term (up to 1 year)	8.70	9.26	9.28	9.50	8.87	9.07	8.15	8.66	7.82	8.48	8.84	8.32	8.30
Medium-term (1-2 years)	8.23	7.66	7.79	8.20	7.39	8.98	7.40	7.38	7.25	7.29	7.92	8.34	8.35
Medium-term (2-3 years)	8.26	8.43	8.85	8.32	8.37	8.42	8.40	8.43	8.29	8.34	8.27	7.71	8.31
Long-term (3-5 years)	8.37	8.21	8.19	8.17	8.25	8.25	8.13	8.11	8.07	8.01	8.03	8.17	8.17
Term loans (over 5 years)	8.88	7.82	8.25	7.68	7.75	8.09	7.63	7.64	7.61	7.69	8.89	7.57	8.43

Source: Bank of Tanzania



Table A7: Zanzibar Central Government Operations

Billions of TZS

	Budget 2017/18	July 17 - April 18		Percent of Estimates
		Estimates	Actual	
Total revenue	675.8	571.2	571.9	100.1
Tax revenue	591.7	514.9	512.7	99.6
Tax on imports	153.6	129.1	118.6	91.9
VAT and excise duties (local)	153.7	137.3	128.9	93.9
Income tax	105.2	84.9	91.7	108.0
Other taxes	179.3	163.7	173.6	106.1
Non-tax revenue	84.1	56.3	59.1	105.0
Total expenditure	1,087.4	724.9	746.5	103.0
Recurrent expenditure	590.8	585.6	517.0	88.3
Wages and salaries	324.7	234.0	234.0	100.0
Other expenditure	266.1	351.7	283.0	80.5
Development expenditure	496.6	139.3	229.5	164.8
Local	116.1	86.2	77.8	90.2
Foreign	380.5	53.1	151.7	285.9
Overall surplus/ deficit before grants	-411.6	-153.7	-174.6	113.6
Grants	82.2	23.2	31.1	134.2
4.5% Budget support	0.0	0.0	2.4	
Debt relief	0.0	0.0	0.0	
Project grant	82.2	23.2	28.8	124.0
Overall surplus/deficit after grants	-329.4	-130.5	-143.5	110.0
Adjustment to cash and other items	31.1	100.6	0.6	0.6
Overall deficit cheques cleared	-298.3	-29.8	-142.9	478.9
Financing	298.3	29.8	142.9	478.9
Foreign	298.3	29.8	122.9	411.8
Program loans	298.3	29.8	122.9	411.8
Domestic (net)	0.0	0.0	20.0	
Bank	0.0	0.0	0.0	
Non-bank	0.0	0.0	20.0	

Source: Ministry of Finance and Planning - Zanzibar



Table A8: Tanzania's Balance of Payments

Millions of USD

Items	2012	2013	2014	2015 ^r	2016 ^p
A. Current account	-3,769.6	-4,988.5	-4,843.9	-3,651.3	-2,154.6
Goods: exports f.o.b.	5,889.2	5,258.1	5,194.1	5,316.8	5,661.2
Traditional	956.7	868.9	828.8	793.3	885.6
Nontraditional	4,164.4	3,703.3	3,798.6	4,040.1	4,260.9
o/w Gold	2,117.4	1,644.8	1,324.1	1,183.3	1,449.4
Unrecorded trade	768.2	685.8	566.8	483.3	514.7
Goods: imports f.o.b.	-10,319.1	-11,029.1	-10,917.8	-9,843.1	-8,463.6
Balance on goods	-4,429.9	-5,771.1	-5,723.7	-4,526.3	-2,802.5
Services: credit	2,786.4	3,201.7	3,396.0	3,412.4	3,607.5
Transport	641.1	811.8	902.6	1,024.9	1,061.8
Travel	1,712.7	1,880.4	2,010.1	1,902.0	2,131.6
Other	432.6	509.5	483.2	485.5	414.1
Services: debit	-2,358.9	-2,488.5	-2,668.7	-2,669.7	-2,231.4
Transport	-1,046.9	-1,137.8	-1,163.0	-1,087.6	-948.7
Travel	-967.0	-1,033.9	-1,101.6	-1,195.3	-922.3
Other	-344.9	-316.7	-404.1	-386.8	-360.4
Balance on Services	427.5	713.2	727.3	742.6	1,376.1
Balance on goods and services	-4,002.4	-5,057.9	-4,996.4	-3,783.6	-1,426.4
Primary income: credit	131.1	130.1	118.4	110.3	98.5
o/w Investment income	109.6	99.9	86.5	87.8	67.6
Primary income: debit	-705.1	-835.8	-443.2	-458.4	-1,208.3
o/w Direct investment income	-560.2	-617.0	-240.4	-173.8	-779.9
Balance on primary income	-574.0	-705.7	-324.8	-348.1	-1,109.7
Balance on goods, services and primary income	-4,576.4	-5,763.6	-5,321.2	-4,131.7	-2,536.1
Secondary income: credit	912.3	836.9	535.5	560.5	452.7
Government	543.6	485.2	177.9	195.2	81.1
Financial corporations, nonfinancial corporations, households and NPISHs	368.7	351.7	357.6	365.3	371.6
Secondary income: debit	-105.4	-61.8	-58.2	-80.2	-71.2
Balance on secondary income	806.8	775.1	477.3	480.4	381.5
B. Capital account	777.2	658.8	522.2	312.6	10.7
Capital transfers credit	777.2	658.8	522.2	312.6	10.7
General government	713.6	595.2	457.9	248.6	-52.5
Financial corporations, nonfinancial corporations, households and NPISHs	63.6	63.6	64.2	64.0	63.2
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
Total, groups A plus B	-2,992.4	-4,329.7	-4,321.8	-3,338.7	-2,144.0
C. Financial Account, excl. reserves and related items	-3,879.6	-5,021.0	-3,244.5	-2,874.4	-2,321.9
Direct Investments	-1,799.6	-2,087.3	-1,416.1	-1,560.6	-1,365.4
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	1,799.6	2,087.3	1,416.1	1,560.6	1,365.4
Portfolio investment	-6.1	-4.5	-11.5	-27.6	5.0
Other investment	-2,073.9	-2,929.3	-1,816.9	-1,286.1	-961.5
Assets	-220.6	186.4	-29.4	331.7	-129.1
Liabilities	1,853.4	3,115.7	1,787.5	1,617.8	832.4
Total, groups A through C	-6,872.0	-9,350.7	-7,566.2	-6,213.1	-4,465.9
D. Net errors and omissions	-561.1	-183.4	825.5	223.5	-282.2
Overall balance (Total, Groups A through D)	326.2	507.9	-251.8	-240.8	-104.2
E. Reserves and related items	326.2	507.9	-251.8	-240.8	-104.2
Reserve assets	324.7	621.4	-307.3	-273.7	232.2
Use of Fund credit and loans	1.5	-113.5	55.5	74.6	73.3
Memorandum items					
CAB/GDP	-9.6	-11.2	-10.0	-8.0	-4.5
CAB/GDP (excl. current official transfers)	-11.0	-12.3	-10.4	-8.4	-4.7
Gross official reserves	4,068.1	4,689.7	4,377.2	4,093.7	4,325.6
Months of imports(Excluding FDI related imports)	4.1	4.5	4.7	5.1	5.3
Exchange rate (end of period)	1,571.6	1,574.0	1,725.8	2,148.5	2,172.6
Exchange rate (annual average)	1,571.7	1,598.7	1,652.5	1,985.4	2,177.1

Source: Bank of Tanzania

Notes: r means revised based on new data obtained from the completion of Private Capital Flows Survey, adoption of new data sources for some other transfers and inclusion of reinvested earnings in the income account
p denotes provisional
f.o.b denotes free on board
CAB means current account balance
NPISHs denotes non-profit institutions serving households



Table A9: Zanzibar: Goods Exports by Major Category

Millions of USD

Items	Units	July - April		Percentage Change
		2016/2017	2017/2018	
Traditional				
Cloves				
Value	Millions of USD	16.4	56.3	--
Volume	Tonnes ("000")	2.1	7.0	--
Unit price	USD/Tonne	7730.4	7991.9	3.4
Non-traditional		0.0	0.0	
Seaweeds		0.0	0.0	
Value	Millions of USD	1.5	3.9	--
Volume	Tonnes ("000")	3.4	10.3	--
Unit price	USD/Tonne	450.8	383.2	-15.0
Manufactured goods	Millions of USD	4.2	12.8	--
Fish and marine products	Millions of USD	0.0	0.2	--
Others exports	Millions of USD	0.7	2.1	--
Sub total	Millions of USD	6.4	19.0	--
Grand total	Millions of USD	29.5	75.2	--

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: Other exports include mainly souvenirs and spices

Table A10: Zanzibar: Imports by Major Category

Millions of USD

Items	July - April		Percentage change
	2016/17	2017/18	
Capital goods	30.8	42.3	37.2
Transport equipment	15.4	15.9	3.3
Building and constructions	5.6	6.5	15.9
Machinery	9.8	19.9	--
Intermediate goods	48.2	74.6	54.8
Oil imports	36.8	49.9	35.5
Industrial raw materials	11.4	24.7	--
Consumer goods	30.7	50.8	65.3
Food and food stuffs	10.4	21.0	--
All other consumer goods	20.4	29.8	--
Grand total (c.i.f)	109.8	167.7	52.8
Grand total (f.o.b)	99.9	160.6	60.7

Source: Tanzania Revenue Authority and Bank of Tanzania

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

c.i.f denotes cost insurance and freight

f.o.b means free on board



GLOSSARY

Clearing Balances

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

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.

Debt Sustainability

Refers to ability of a country to meet its current and future debt obligations without requiring a debt relief or accumulating arrears. Key indicators includes the present value of external debt to GDP ratio.

Disbursed Outstanding Debt (DOD)

This is the amount of debt that has been disbursed but yet to be paid back or forgiven.

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.



Financial Soundness indicators (FSIs)

These are indicators of the financial health and soundness of banks and financial institutions and of their corporate and household counterparts. Common ones include indicators on capital adequacy, asset quality, earnings, liquidity and market risk exposures.

Gross Domestic Product (GDP)

GDP is defined as the total value of goods and services that are newly produced in the economy during an accounting period, generated net incomes to the economy and are available for domestic final uses or for exports. It can be measured by three approaches, namely: production approach, expenditure approach and income approach.

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.

Inflation

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

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

National debt

National debt is the total national obligations that includes government debt both external and domestic, publicly guaranteed external debt and private sector external debt.

Non-Food Inflation

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



Non-performing Loan

A non-performing loan means any credit accommodation for which contractual obligation for repayment is past due for more than ninety days, or is classified as substandard, doubtful or loss under the criteria prescribed in the Banking and Financial Institutions (Management of Risk Assets) Regulation, 2014 or in other regulations for development finance institutions or microfinance, as the case may be, and is placed on a non-accrual basis.

Public Debt

Public debt is the debt payable by the government that include domestic, external and external publicly guaranteed debt.

Repo and Reverse Repos

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

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

Reserve Money (M0)

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

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