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MONETARY POLICY STATEMENT

2019/20

**GOVERNOR
BANK OF TANZANIA**

June 2019



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12th June 2019

**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, Cap 197, I hereby submit the *Monetary Policy Statement* of the Bank of Tanzania for the financial year 2019/20 for subsequent submission to the National Assembly.

The Statement reviews macroeconomic developments and monetary policy implementation during 2018/19. It then outlines the monetary policy stance and measures that the Bank of Tanzania intends to pursue in 2019/20 to meet its policy objectives.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Florens Luoga', is placed below the text 'Yours Sincerely,'.

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



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EXECUTIVE SUMMARY

Introduction

In accordance with the Bank of Tanzania Act, Cap 197, 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 2019/20. The Statement reviews macroeconomic developments and monetary policy implementation in 2018/19 and outlines the monetary policy targets for 2019/20 that are in line with broader macroeconomic objectives of the Governments. It also specifies measures that the Bank intends to take to achieve the set targets.

Global and Regional Economic Performance

According to the IMF's World Economic Outlook of April 2019, the global economy grew by 3.6 percent in 2018 compared with 3.8 percent in 2017. This outturn was largely driven by various factors, including natural disasters in Japan, rising trade protectionism, decline in business confidence, tightening of financial conditions, and higher policy uncertainty across many economies. The global economy is projected to slowdown further to 3.3 percent in 2019, due to mounting trade restrictions between US and China, uncertainty about the outcome of UK Brexit deal with European Union, fading away of the impact of US fiscal stimulus, and weakening growth in the Euro Area owing to weak private consumption and industrial production. Output growth in sub-Saharan Africa is expected to pick-up in 2019, mainly driven by expected strong growth in non-resource rich countries owing to scaling up of public investment.

Global consumer price inflation remained subdued across advanced economies, emerging market and developing economies over the period from July 2018 to April 2019, mainly due to subdued food and energy



prices. In the EAC region, inflation remained below the benchmark of not exceeding 8.0 percent, mostly driven by improved food supply and moderate oil prices. In the SADC region, inflation rate increased due to a rise in prices of food, and clothing and footwear, coupled with rising cost of transport. The IMF World Economic Outlook of April 2019 projects inflation in advanced economies to decline to 1.6 percent in 2019 from 2.0 percent in 2018 as outlook for commodity prices is expected to remain subdued. In emerging market and developing economies, inflation is expected to slightly increase to 4.9 percent in 2019 from 4.8 percent in 2018, reflecting impact of relative strong demand conditions in India and higher food prices in some countries in the region.

Economic Developments in Tanzania

Tanzania Mainland

The economy continued to perform strongly, with real gross domestic product (GDP) growing at 7.0 percent in 2018 compared with 6.8 percent and 6.9 percent in 2017 and 2016, respectively¹. The strong growth was underpinned by continued public investment in social and physical infrastructure, combined with stability of power supply, good weather and accommodative monetary policy. Activities that mostly contributed to output growth were construction, transport and storage; crops and manufacturing. The economy is expected to remain strong in 2019, growing at 7.1 percent in the wake of ongoing public investment in social and physical infrastructure, improving power supply, expansion of credit to the private sector, and enhanced capacity utilization in manufacturing industry. The high growth will also be reinforced by private sector

¹ The National Bureau of Statistics (NBS) completed rebasing of national accounts statistics for Tanzania Mainland in February 2019, using 2015 as base year period. The rebasing was done in order to comply with the 2008 System of National Accounts and other United Nations agreements such as International Standard of Industrial Classification (ISIC) and EAC benchmarks, and better capture the changes in the structure of the economy and ensure good quality of national accounts statistics.



investment owing to ongoing rationalization of laws and regulations, policy reforms in creating enabling environment and transparency in doing business, as well as implementation of industrialization strategy.

Headline and core inflation remained low and stable, within country medium-term target of 5.0 percent and EAC and SADC benchmarks of not more than 8.0 percent and between 3.0 and 7.0 percent, respectively. This development was mostly contributed by low domestic food prices, coupled with prudent monetary and fiscal policies and stability of domestic power supply. In particular, annual headline inflation averaged 3.2 percent during the period from July 2018 to April 2019, lower than 4.5 percent recorded in the corresponding period of 2017/18. Core inflation— inflation that excludes food and energy— averaged 2.7 percent compared with 1.6 percent. The headline inflation is projected to remain below the medium-term target of 5.0 percent in 2019/20, driven by expected adequate food supply, sustained stable power supply and prudence in monetary and fiscal policies.

Government domestic revenue deposited at the Bank of Tanzania (on cash basis) amounted to TZS 14,690.4 billion during the period from July 2018 to April 2019, which was 93.1 percent of the estimate, and 3.4 percent higher than the outturn in the corresponding period of 2017/18. The revenue performance was due to ongoing efforts by the Tanzania Revenue Authority to increase tax collection, particularly by leveraging from the use of technology and improving tax administration. Total expenditure, on cash basis, amounted to TZS 16,363.6 billion, of which TZS 4,864.6 billion was expenditure on development projects, 21.8 percent higher than the amount spent in the corresponding period of 2017/18.

The overall balance of payments was a deficit of USD 1,089.2 million during the period between July 2018-April 2019, compared to a surplus



of USD 299.2 million in the corresponding period of 2017/18, largely due to widening of current account deficit. The widening of current account deficit was driven by increase in value of imports, particularly of building and construction, machinery and fertilizers goods; otherwise exports remained broadly unchanged in both periods. Noteworthy, the current account balance is projected to record a deficit of 4.4 percent of GDP during 2018/19 higher than 3.5 percent in 2017/18, driven by high imports of capital and intermediate goods in line with the on-going infrastructure projects.

Gross official reserves was USD 4,395.2 million at the end of April 2019, down from USD 5,188.0 million and USD 5,483.9 million at the end of April 2018 and June 2018, respectively. This level was sufficient to cover 4.3 months of projected imports of goods and services and above the country's benchmark of a minimum of 4 months of imports of goods and services.

The stock of public debt increased to USD 22,981.3 million at the end of April 2019 from USD 21,976.8 million at the end of April 2018 and USD 22,760.4 million at the end of June 2018, due to higher new borrowing by the Government relative to redemption. External debt accounted for 71.8 percent of the total public debt.

The performance of the banking sector was satisfactory, with levels of capital and liquidity remaining above regulatory requirements. The ratio of core capital to total risk weighted assets and off-balance sheet exposures was 17.0 percent at the end of April 2019, compared with the minimum legal requirement of 10.0 percent, while that of liquid assets to demand liabilities was 33.6 percent, compared to the minimum regulatory requirement of 20.0 percent. Banks' asset quality improved with non-



performing loans (NPLs) ratio declined slightly to 11.1 percent in April 2019 from 11.6 in April 2018. The ratio was above the desired level of not more than 5.0 percent. The Bank continues to take measures to ensure low NPLs. The measures include targeted supervision of banks, directives to banks and financial institutions to ensure usage of credit reference system and improve credit assessment of borrowers by considering changes in both micro and macroeconomic factors. In addition, sensitization of stakeholders about credit information sharing and its importance in lending and financial planning which was launched on 6th February 2019, would improve borrowing behaviour and subsequently increase credit to the private sector and reduce lending rates.

Payments, clearing and settlement systems continued to operate smoothly, amidst growing utilization of digital channels in financial services delivery. Since July 2018, all Government payments are made through Treasury Single Account (TSA) and processed through Tanzania Automated Clearing House (TACH) and Tanzania Interbank Settlement System (TISS), which is for transactions above TZS 10 million. The East Africa Payment System (EAPS) also operated smoothly and transactions increased, suggesting increase in trade activities between Tanzania and other EAC countries. The Electronic Fund Transfers (EFT) through TACH also continued to run smoothly, with growing number of transactions, following increased use of the system by the Government in making payments of salaries to civil servants. The increased use of EFT by the Government has improved efficiency, while minimizing costs associated with the use of cheques. At the same time, utilization of interoperability capability in mobile financial services continue to contribute to overall growth of total mobile money transactions. As at the end of April 2019, the number of active registered accounts for mobile money stood at 22.4 million, compared with 20.1 million at the end of April 2018 and 20.6 million at the end of June 2018.



Zanzibar

Zanzibar economy remained strong, growing at 7.1 percent in 2018 compared with 7.7 percent in 2017. Major contributors to the registered growth were accommodation and food services, trade and repairs, and transport and storage. Economic growth is projected at 7.8 percent in 2019, on account of the ongoing public investment in health, education, infrastructure—in particular roads, ports and airports, and increased private sector investment in tourism related activities.

Headline inflation eased to 3.4 percent during the period July 2018 to April 2019, below the medium target of 5.0 percent. The low level of inflation was largely associated with decrease in prices of some food items—maize flour, bananas and sugar, and fuel. Zanzibar headline inflation is expected to remain at single digit in 2019/20 despite risks coming from expected increase in petroleum products prices in the global market.

During the period July 2018 to April 2019, domestic revenue amounted to TZS 637.0 billion equivalent to 94.1 percent of the target for the period. Specifically, tax revenue was 92.5 percent of the target, while non-tax revenues was 105.3 percent. Good performance in revenue collection was largely attributed to increased tax collection efforts by Tanzania Revenue Authority (TRA) and Zanzibar Revenue Board (ZRB), coupled with improved tax compliance. Meanwhile, total expenditure was TZS 966.9 billion, of which TZS 594.4 billion was recurrent expenditure and TZS 372.5 billion was development expenditure.

The current account balance turned to a deficit of USD 51.6 million, from a surplus of USD 28.2 million in corresponding period of 2017/18. This outturn was driven by decline in the value of cloves exports and increase in goods imports, particularly oil and foodstuff—wheat, rice and sugar.



Implementation of Monetary Policy in 2018/19

Monetary Policy Objectives

In 2018/19, the Bank of Tanzania continued to support broader macroeconomic objectives of the Governments of low and stable inflation and strong economic growth, while ensuring stability in the money market interest rates. In this regard, the Bank aimed at achieving the following monetary policy targets for 2018/19:

- i. Annual growth of average reserve money of 11.5 percent;
- ii. Annual growth of broad money supply (M3) of 12.2 percent;
- iii. Annual growth of private sector credit of about 10.2 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4 months of projected imports of goods and services.

Monetary Policy Implementation

The Bank sustained accommodative monetary policy in the context of low and stable inflation during the period July 2018 to April 2019. This policy stance was pursued in order to support recovery of credit to the private sector and ultimately economic activities. Accordingly, the Bank reduced the discount rate from 9.0 percent to 7.0 percent in August 2018 and continued to supply liquidity to banks through Open Market Operations (OMO) and standby facilities (Lombard, intraday loans and discount window), which helped to improve liquidity among banks and maintained stability in money market interest rates. Overnight interbank cash market interest rate averaged at 5.20 percent in April 2019, relatively higher than 1.69 percent in June 2018 and 1.29 percent in April 2018, signalling increased demand for shilling liquidity associated with the continued recovery of credit growth to the private sector. Likewise, overall weighted average yields of Treasury bills increased slightly to an average rate of



8.20 percent in April 2019 from 5.59 percent and 4.04 percent in June 2018 and April 2018, respectively.

Meanwhile, interest rates offered on private sector deposits and those charged on loans by banks were relatively lower during the period July 2018 to April 2019 compared with levels registered in the corresponding period of 2017/18; signifying decline in credit risk, partly associated with continued usage of credit information system during credit appraisal. Despite the improvement, the rates remained less responsive to monetary policy stance, a phenomenon that exists in most developing economies.

The interbank cash market electronic trading platform — which was internally developed by Bank staff, went live in March 2019. All banks begun to access the interbank cash market using this platform and are guided by a common code of conduct. This platform helps to improve the reflection of liquidity condition among banks in the interbank cash market and therefore enhance the effectiveness of price discovery. Meanwhile, the Bank is finalizing the Annex for adopting Global Master Repurchase Agreement (GMRA) 2011 as a next step in developing the financial market for a true repo operation in preparation for the adoption of interest rate-based monetary policy framework.

Annual growth of extended broad money supply (M3) is picking-up reflecting sustained impact of accommodative monetary policy measures implemented by the Bank. During the year ending April 2019, M3 grew by 4.9 percent, below the projected growth rate of 12.2 percent for the year ending June 2019. This growth of M3 was however in line with the increase in velocity of money circulation, associated with the enhanced use of technology in financial service delivery. The increase in velocity of money helped to reduce the negative impact of slow growth of money on economic activity, which is also manifested in the recovery of credit to



the private sector to 10.6 percent in April 2019, the highest growth since October 2016 and surpassing the target growth of 10.2 percent by end June 2019. The recovery of credit was also supported by ongoing initiatives by the government to improve business environment, strategies implemented by banks to improve loan recovery, and mandatory use of credit reference system in loan approvals by banks.

The nominal exchange rate of the shilling against major currencies remained broadly stable during July 2018 to April 2019, despite slight fluctuations experienced in January and February 2019. These fluctuations were associated with the beginning of low season for exports of traditional crops and tourism activities, coupled with increased demand for foreign exchange for capital goods imports. Similarly, nominal and real effective exchange rates were generally stable, with the later appreciating slightly due to low inflation in Tanzania relative to some trading partners.

Macroeconomic Policy Framework and Monetary Policy Stance for 2019/20

During 2019/20, the Governments will continue to implement various projects under the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015 – 2020) that aim at improving the business environment, reducing cost of doing business, building the foundation for industrialisation and spurring inclusive economic growth towards transforming the country into a middle-income economy. In particular, the Government of the United Republic of Tanzania intends to attain the following macroeconomic objectives:

- i. Real GDP growth of 7.1 percent in 2019;
- ii. Maintaining a single digit annual headline inflation rate by end June 2020; and



iii. Budget deficit including grants of 2.3 percent of GDP in 2019/20.

As for Zanzibar, real GDP growth is projected at 7.8 percent in 2019, while budget deficit including grants is estimated at 3.9 percent of GDP in 2019/20.

In support of the 2019/20 broader macroeconomic objectives of the Government, the Bank will continue to focus on maintaining targeted single digit headline inflation by achieving the following specific monetary policy targets, while ensuring stability in money market interest rates:

- i. Annual growth of average reserve money of 9.0 percent;
- ii. Annual growth of broad money (M3) of 10.0 percent;
- iii. Annual growth of credit to private sector of about 13.5 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4 months of projected imports of goods and services.

In pursuit of its mandate, the Bank will continue to develop the financial markets and modernize its monetary policy framework from backward looking money targeting to interest rate-based operational framework for effective liquidity management. The interest rate-based framework is more forward looking and more effective in coping with the dynamics of the economy and technological change towards achieving monetary policy objectives. The Bank will maintain transparency in monetary policy operations and continue to ensure that liquidity is adequate among banks to meet demands of the economy supported with appropriate mix of monetary policy instruments. These measures are expected to sustain stability of short-term interest rates and attainment of the macroeconomic objectives of the Governments.



Outlook and Conclusion

The economy has maintained strong base and the momentum is expected to sustain benefiting from increase in public investments in infrastructure under FYDPII and MKUZA III, which will incentivize private sector investment and transformation of the economy through industrialization. Recovery of credit growth to the private sector owing to sustained accommodative monetary policy stance, enhanced capacity utilization in manufacturing industry, ongoing rationalization of laws and regulations, and policy reforms will support growth in 2019/20. However, the impact of trade tensions and policy uncertainty in the global economy might have a downward risk to domestic growth.

Domestic economic environment points to a low inflation expectation over the next 12-month of around the medium-term target of 5 percent. This will be supported by; cumulative effects of previous seasons' harvest and anticipated good harvest in the current season, stability in power supply, and sustained prudence in fiscal and monetary policies. However, further increase in global oil prices and tightening of global financial conditions may trigger foreign exchange volatility, which may in turn exert inflationary pressure.

Surveillance of the risks to price stability emanating from both domestic and global economic trends will be pursued to inform the Bank in monetary policy decision making to ensure effective and appropriate actions whenever necessary. With sustained coordination of monetary and fiscal policies; regular forums with stakeholders in the financial sector,



coupled with monetary policy stance outlined in this Statement, the Bank is confident that the monetary policy targets set in this Monetary Policy Statement for 2019/20 will be achieved supported with sound and stable financial system.



PART I

1.0 INTRODUCTION

In accordance with the Bank of Tanzania Act, Cap 197, the Bank of Tanzania is issuing this Monetary Policy Statement, which reviews macroeconomic developments and monetary policy implementation in 2018/19, outlines the monetary policy targets for 2019/20 that are in line with broader macroeconomic objectives of the Governments and specifies measures that the Bank intends to undertake in order to achieve the set targets.

The Statement is divided into seven parts including this introductory part. Part II presents the macroeconomic policy framework for 2018/19, while Part III presents the review of economic developments for the period July 2018 to April 2019. Part IV reviews the implementation of monetary policy in 2018/19. Part V outlines macroeconomic policy framework for 2019/20, and the associated monetary policy objectives of the Bank of Tanzania. Part VI outlines monetary policy stance during 2019/20 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, Cap 197 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, Cap 197 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 (repo) and reverse repo 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 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 2018/19

2.1 Macroeconomic Policy Objectives

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

- i. Real GDP growth of 7.2 percent in 2018 for both Tanzania Mainland and Zanzibar;
- ii. Maintaining a single digit annual inflation rate by end June 2019; and
- iii. Budget deficit including grants of 3.2 percent of GDP for the Government of the United Republic of Tanzania and 3.8 percent of GDP (including grants) for the Revolutionary Government of Zanzibar in 2018/19.

2.2 Monetary Policy Objectives

In support of 2018/19 broader macroeconomic objectives of the Government of low and stable inflation and strong economic growth, the Bank of Tanzania continued to focus on maintaining the adequate level of liquidity in the economy consistent with monetary policy stance, while ensuring stability in the money market interest rates. In this regard, the Bank aimed at achieving the following monetary policy targets in 2018/19:

- i. Annual growth of average reserve money of 11.5 percent;
- ii. Annual growth of broad money supply (M3) of 12.2 percent;



- iii. Annual growth of private sector credit of about 10.2 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4 months of projected imports of goods and services.



PART III

3.0 MACROECONOMIC DEVELOPMENTS DURING 2018/19

3.1 Overview of Global and Regional Economic Developments

3.1.1 GDP Performance and Outlook

According to the IMF's World Economic Outlook of April 2019, global economy grew by 3.6 percent in 2018 compared with 3.8 percent in 2017. This outturn was largely driven by various factors including natural disasters in Japan, rising trade protectionism, decline in business confidence, tightening of financial conditions, and higher policy uncertainty across many economies.

Real GDP growth in advanced economies was 2.2 percent in 2018, down from 2.4 percent in 2017, owing to weakening of consumer and business confidence, disruption of car production in Germany following the introduction of new emission standards; slowdown of investment in Italy as sovereign spreads widened, and low consumption in France. Likewise, in the United Kingdom, the output growth slowed to 1.4 percent from 1.8 percent in 2017, largely associated with low investment amid growing concerns about a no deal-Brexit. Meanwhile, in Japan, real GDP grew by 0.8 percent in 2018, lower than 1.7 percent in 2017, largely explained by natural disasters in the third quarter of 2018. Conversely, growth in the USA remained robust amid a tight labour market and strong consumption growth. Real GDP growth in emerging markets and developing economies was 4.5 percent in 2018 compared with 4.8 percent in 2017, largely explained by worsening global financial market sentiment in the second half of 2018. In China, output growth decreased to 6.6 percent from 6.8 percent owing to slower domestic investment following tightening of



domestic regulatory to rein in debt, decline in automobile sales, and trade tension with the USA. Meanwhile, in India, output growth was 7.1 percent in 2018 compared with 7.2 percent in 2017. At the same time, economic growth in sub-Saharan Africa has continued to improve, with real GDP growth estimated at 3.0 percent in 2018, from 2.8 percent reached in 2017.

The IMF projected further slowdown in the growth of the global economy to 3.3 percent in 2019, mainly due to mounting trade restrictions between USA and China; uncertainty about the outcome of UK Brexit deal with European Union, fading away of the impact of US fiscal stimulus, and weakening growth in the Euro Area owing to weak private consumption and industrial production. As for advanced economies, real GDP growth is projected at 1.8 percent in 2019, lower than 2.2 percent in 2018. In the United Kingdom, the IMF baseline economic growth projection for 2019 is 1.2 percent, replicating negative effect of prolonged uncertainty about Brexit outcome. Growth in the United States is expected to decline to 2.3 percent in 2019, on account of unwinding of fiscal stimulus growth, impact of the government shutdown and somewhat lower fiscal spending than previously anticipated. Growth across emerging markets and developing economies is projected to stabilize slightly below 5.0 percent, underpinning by lower growth in China, recession in Turkey, and deepening contraction in Iran. However, output growth in sub-Saharan Africa is expected to pick-up to 3.5 percent in 2019 from 3.0 percent in 2018, mainly driven by expected strong growth in non-resource rich countries following higher level of public investments (**Table 3.1**).



Table 3.1: Global and Regional Real GDP Growth Rates

Regions	2015	2016	2017	2018	Projections	
					2019	2020
World	3.4	3.2	3.8	3.6	3.3	3.6
Advanced economies	2.1	1.7	2.4	2.2	1.8	1.7
United States	2.6	1.5	2.3	2.9	2.3	1.9
Euro area	2.0	1.8	2.3	1.8	1.3	1.5
Japan	1.1	0.9	1.7	0.8	1.0	0.5
United Kingdom	2.2	1.9	1.8	1.4	1.2	1.4
Emerging markets and developing economies	4.3	4.4	4.8	4.5	4.4	4.8
China	6.9	6.7	6.8	6.6	6.3	6.1
India	8.0	7.1	7.2	7.1	7.3	7.5
Sub-saharan Africa	3.4	1.4	2.8	3.0	3.5	3.7
South Africa	1.3	0.6	1.3	0.8	1.2	1.5

Source: IMF World Economic Outlook, April 2019

3.1.2 Global Inflation Developments and Outlook

Global consumer price inflation remained subdued across advanced economies, emerging markets and developing economies over the period from July 2018 to April 2019, mainly due to food and energy prices. In the East African Community (EAC) region, inflation remained below the benchmark of not exceeding 8.0 percent, driven mostly by improved food supply. The Southern African Development Community (SADC) region recorded increase in headline inflation mainly due to higher prices of food, and clothing and footwear, coupled with rising cost of transport (**Table 3.2**).



Table 3.2: Inflation Rates for Selected Countries

Country	2018						2019						
	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April
United States	2.5	2.8	2.9	3.0	2.7	2.3	2.5	2.2	1.9	1.6	1.5	1.9	2.0
Euro Area	1.2	1.9	2.0	2.1	2.0	2.1	2.3	1.9	1.5	1.4	1.5	1.4	1.7
Japan	0.6	0.7	0.7	0.9	1.3	1.2	1.4	0.8	0.3	0.2	0.2	0.5	0.9
United Kingdom	2.2	2.3	2.3	2.3	2.4	2.2	2.2	2.2	2.1	1.8	1.9	1.9	2.1
China	1.8	1.8	1.9	2.1	2.3	2.5	2.5	2.2	1.9	1.7	1.5	2.3	2.5
India	4.0	4.0	3.9	4.2	3.7	3.8	3.4	2.3	2.1	2.0	2.6	2.9	2.9
EAC	1.9	2.3	2.5	2.4	2.2	1.4	0.5	0.9	1.3	1.5	1.4	1.7	3.4
SADC	8.5	7.9	7.2	6.4	6.2	6.6	7.5	8.2	8.6	9.4	9.4	9.9	11.9

Source: Organisation for Economic Co-operation and Development (OECD) and respective National Statistical Offices

The IMF’s World Economic Outlook of April 2019 projects inflation in advanced economies to decline to 1.6 percent in 2019 from 2.0 percent in 2018 as outlook for commodity prices is expected to remain subdued. Meanwhile, inflation rate in emerging markets and developing economies is expected to increase to 4.9 percent in 2019 from 4.8 percent in 2018, reflecting the impact of relative strong demand conditions in India and higher food prices in some countries in the region.

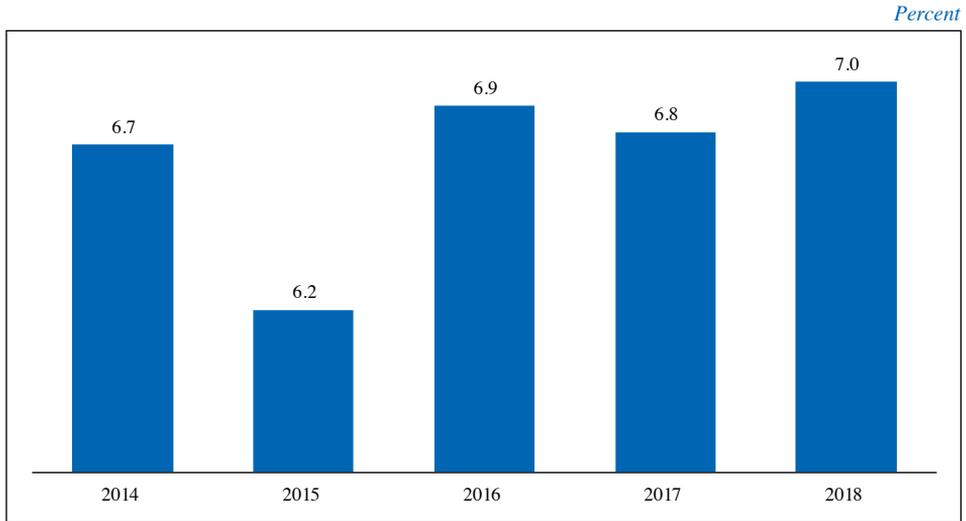
3.2 Economic Developments in Tanzania

3.2.1 GDP Performance and Outlook

The economy continued to perform strongly, with real gross domestic product (GDP) growing at 7.0 percent in 2018 compared with 6.8 percent and 6.9 percent in 2017 and 2016, respectively. This strong growth was underpinned by continued public investment in social and physical infrastructure, combined with stability of power supply, good weather and accommodative monetary policy. The fastest growth rates were registered in arts, entertainment and recreation; construction; transport and storage; professional, scientific and technical; and information and communication activities (**Chart 3.1a** and **Chart 3.1b**).

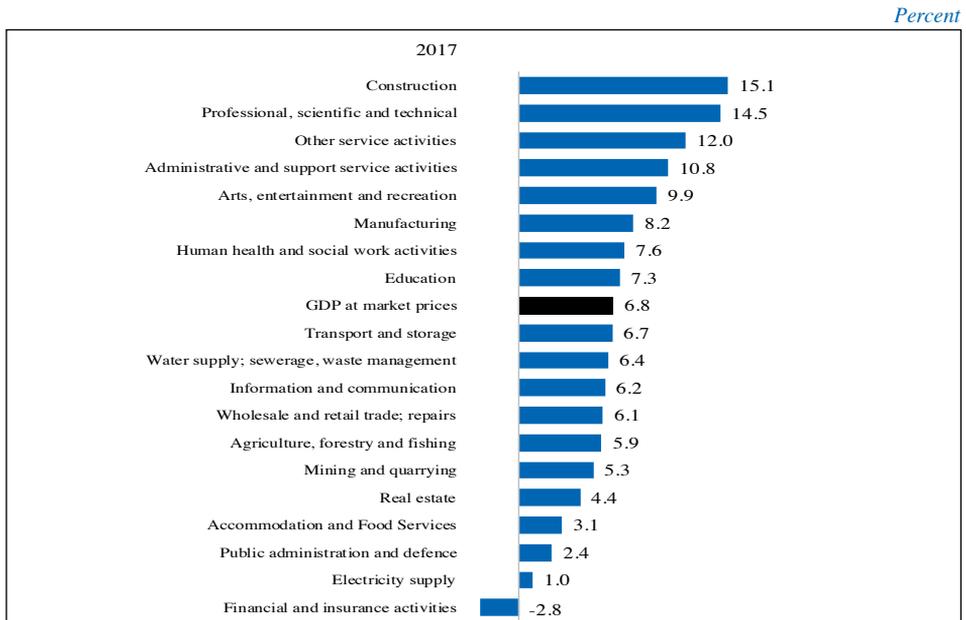


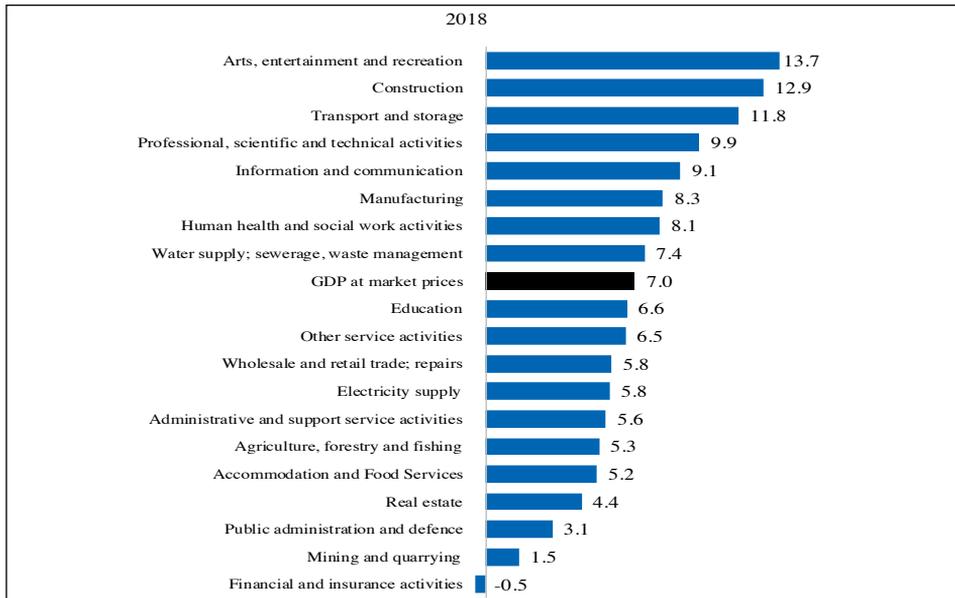
Chart 3.1a: Real GDP Growth



Source: National Bureau of Statistics

Chart 3.1b: Growth of Real GDP and Economic Activities





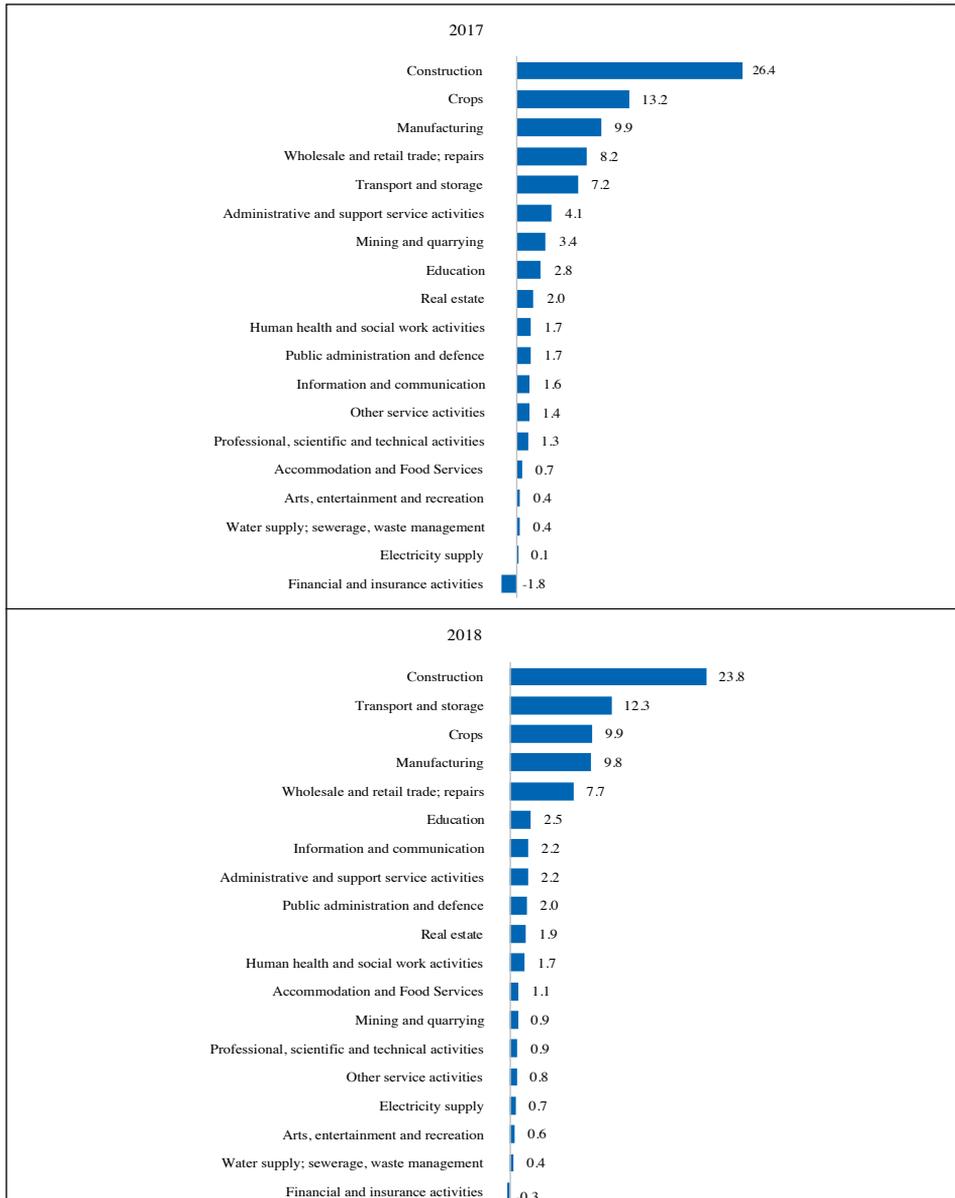
Source: National Bureau of Statistics and Bank of Tanzania

In terms of contribution to real GDP growth, construction has maintained its position as the main contributor to growth as in the past two years. In 2018, 2017 and 2016 construction accounted for 23.8 percent, 26.4 percent and 23.4 percent of real GDP, respectively. Meanwhile, other activities, which contributed strongly to output growth in 2018, include transport and storage; crops and manufacturing (**Chart 3.1c**).



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

Percent



Source: National Bureau of Statistics and Bank of Tanzania



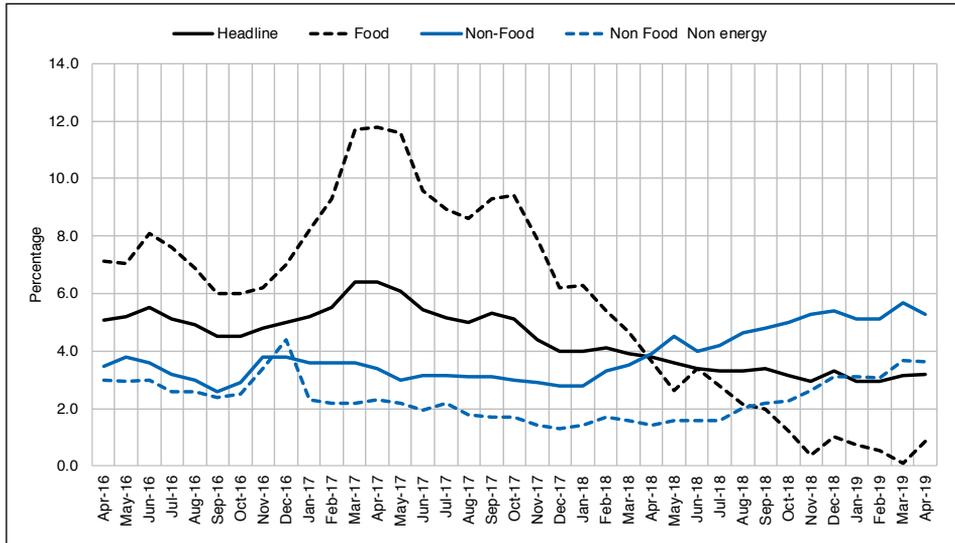
Real GDP growth is expected to remain robust in 2019 at 7.1 percent, supported by ongoing public investment in social and physical infrastructure, continued improvement in power supply, expansion of credit to the private sector, and enhanced capacity utilization in manufacturing industry. The high growth will also be reinforced by private sector investment owing to ongoing rationalization of laws and regulations, policy reforms in creating enabling environment and transparency in doing business, as well as implementation of industrialization strategy.

3.2.2 Inflation Developments and Outlook

Headline and core inflation remained low and stable; within the medium-term target of 5.0 percent, and EAC and SADC benchmarks of not more than 8.0 percent and between 3.0 and 7.0 percent, respectively. The low inflation was mostly on account of easing in domestic food prices following adequate food supply situation in most parts of the country, prudent monetary and fiscal policies, and stability of domestic power supply. In particular, annual headline inflation averaged 3.2 percent during the period July 2018 to April 2019, compared with an average rate of 4.5 percent in the corresponding period of 2017/18. Core inflation—inflation that excludes food and energy—averaged 2.7 percent, compared with 1.6 percent in the July 2017 to April 2018 period (**Chart 3.2**).



Chart 3.2: Headline, Food and Non-food Inflation



Source: National Bureau of Statistics and Bank of Tanzania

Headline inflation is projected to remain within the medium term target of 5.0 percent, supported by adequate food supply, stable power supply and sustained prudent monetary and fiscal policies.

3.2.3 Government Budgetary Performance on Cash Basis

Government domestic revenue deposited at the Bank of Tanzania (on cash basis) amounted to TZS 14,690.4 billion during the period July 2018 to April 2019, equivalent to a monthly average collection of TZS 1,469.1 billion. Domestic revenue was 93.1 percent of estimate for the period and 3.4 percent higher than the amount deposited at the Bank of Tanzania in the corresponding period of 2017/18. The revenue performance was largely explained by efforts taken by Tanzania Revenue Authority to increase tax collection, particularly by leveraging from the use of technology and improving tax administration. Total expenditure on cash basis, amounted



to TZS 16,363.6 billion, of which TZS 4,864.6 billion was expenditure on development projects (**Table 3.3** and **Chart 3.3**). Development expenditure was 21.8 percent higher than the amount recorded in the corresponding period of 2017/18, mainly due to on-going infrastructural projects.

Table 3.3: Government Budgetary Operations on Cash Basis

Billions of TZS

	July 2017 - April 2018		July 2018 - April 2019	
	Actual	Estimate	Actual	Act/Est (%)
Revenue	14,204.5	15,781.1	14,690.8	93.1
Total expenditure	15,920.1	18,919.6	16,363.6	86.5
Recurrent expenditure ¹	11,926.2	13,044.3	11,499.0	88.2
Development expenditure ²	3,993.9	5,875.2	4,864.6	82.8

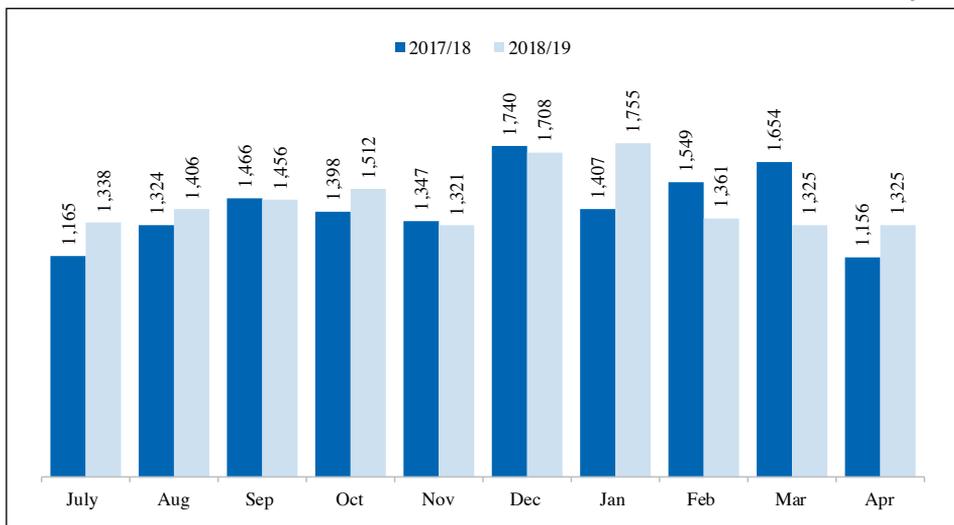
Source: Bank of Tanzania

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

² Excludes 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 2018 to April 2019, overall balance of payments registered a deficit of USD 1,089.2 million compared to a surplus of USD 299.2 million in the corresponding period of 2017/18, largely on account of widening of current account deficit. The current account deficit widened to USD 2,132.6 million from USD 1,709.5 million in the July 2017 to April 2018 period, mainly driven by increase in value of goods imports, particularly building and construction, machinery and fertilizers; as export values remained broadly unchanged (**Table 3.4**).

Table 3.4: Current Account

Items	July - April		Percentage Change
	2017/18	2018/19 ^p	
Goods account (net)	-2,636.4	-3,600.0	36.5
Exports*	3,979.7	3,715.5	-6.6
Imports	6,616.2	7,315.6	10.6
Services account (net)	1,463.7	1,785.8	22.0
Receipts	3,312.2	3,495.1	5.5
Payments	1,848.5	1,709.3	-7.5
Goods and services (net)	-1,172.7	-1,814.3	54.7
Export of goods and services	7,291.9	7,210.6	-1.1
Import of goods and services	8,464.6	9,024.9	6.6
Primary income account (net)	-840.6	-643.1	-23.5
Receipts	116.5	154.0	32.2
Payments	957.2	797.1	-16.7
Secondary income account (net)	303.9	324.8	6.9
Inflows	379.0	373.9	-1.3
o/w General government	74.7	68.2	-8.8
Outflows	75.1	49.2	-34.5
Current account balance	-1,709.5	-2,132.6	24.8

Source: Tanzania Revenue Authority, banks and Bank of Tanzania computations

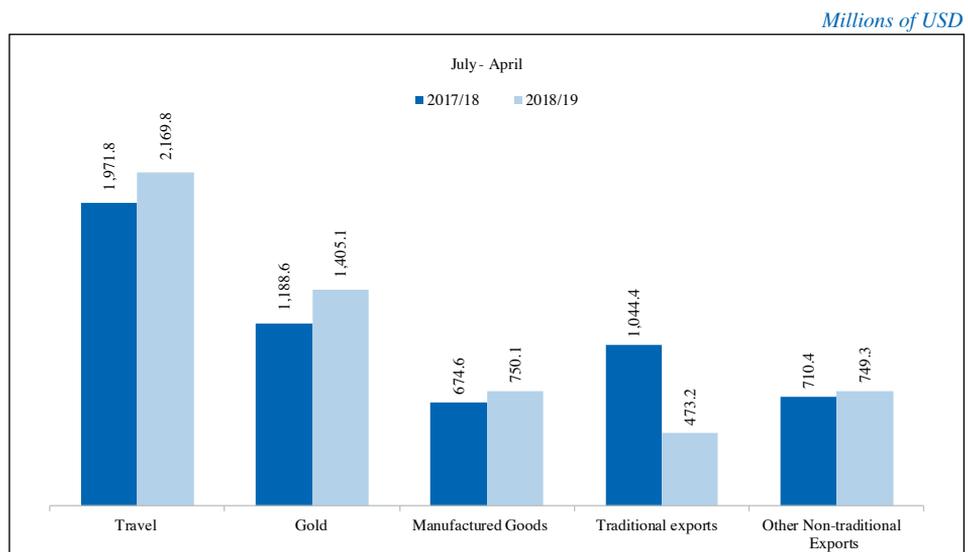
Note: p denotes provisional data; and * adjusted for informal cross border exports

During the period July 2018 to April 2019, the value of exports of goods and services amounted to USD 7,210.6 million compared with USD



7,291.9 million in the corresponding period of 2017/18. Exports value of non-traditional goods increased to USD 2,904.5 million from USD 2,573.5 million in July 2017 to April 2018 period, mainly due to improved export performance of gold and manufactured goods. Export value of gold—the leading non-traditional export—increased by 18.2 percent to USD 1,405.1 million on account of volume. Similarly, manufactured goods exports rose by 11.2 percent to USD 750.1 million mainly attributed to increase in exports value of glassware, ceramic, aluminum, soap, iron and steel. On the other hand, traditional goods exports declined by more than fifty percent from the amount recorded in July 2017 to April 2018 period, on account of low performance of cashew nuts, cloves and tea exports. The decline in cashew nuts exports is associated with delays in exporting the crop, while for tea it was due to low prices in the global market. Meanwhile, value of cloves exports declined due to shrinkage in volume due to cyclical nature of the crop.

Chart 3.4: Export Performance of Selected Goods and Services



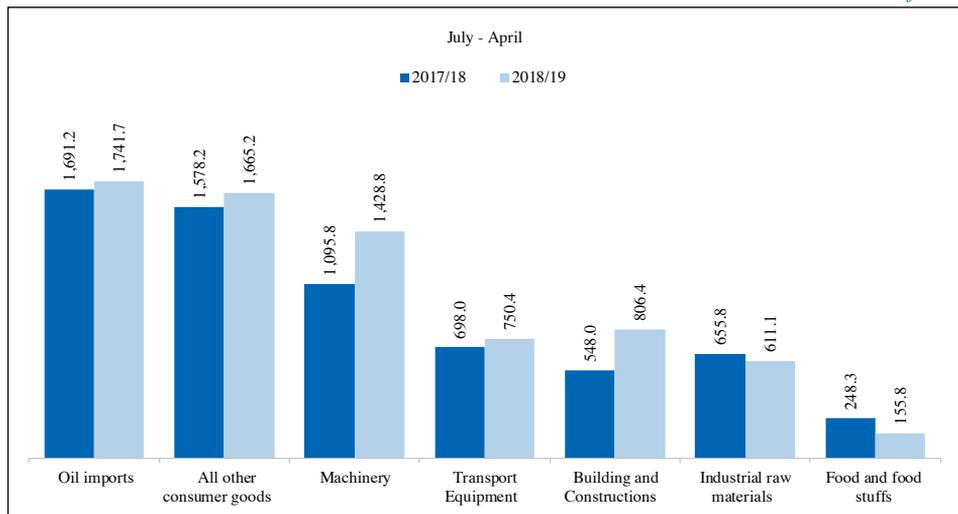
Source: Tanzania Revenue Authority and Bank of Tanzania computations



The value of imported goods and services amounted to USD 9,024.9 million during the period July 2018 to April 2019, a 6.6 percent increase from the levels recorded in the similar period of 2017/18. Significant increase was noted in capital goods imports, which is associated with the on-going infrastructural projects in the country including construction of standard gauge railway, roads and bridges; airports and ports. Importation of fertilizers also increased during the period largely following bulk procurement of fertilizer by the Government. Conversely, importation of food and foodstuff declined substantially due to satisfactory food availability across the country following good harvest during 2017/18 crop-season.

Chart 3.5: Import Performance of Goods

Millions of USD



Source: Tanzania Revenue Authority and Bank of Tanzania computations

The current account balance is projected to record deficit equivalent to 4.4 percent of GDP in 2018/19, higher than 3.5 percent in 2017/18, owing to expected increase in capital and intermediate goods imports. The



projected increase in capital goods imports is consistent with the ongoing implementation of infrastructure projects, while that of intermediate goods is largely on account of expected increase in prices of oil in the world market and volume to be imported to match with domestic demand as the economy continue to grow.

Gross official reserves was USD 4,395.2 million at the end of April 2019, down from USD 5,188.0 million and USD 5,483.9 million at the end of April 2018 and June 2018, respectively. This level was sufficient to cover 4.3 months of projected imports of goods and services and above the country's benchmark of not less than 4 months. Meanwhile, foreign assets of banks amounted to USD 1,031.4 million at the end of April 2019.

3.2.5 National Debt Developments

The stock of public debt of the United Republic of Tanzania increased to USD 22,981.3 million at the end of April 2019 from USD 21,976.8 million at the end of April 2018 and USD 22,760.4 million at the end of June 2018, due to higher new borrowing relative to redemption. Out of the total public debt, 71.8 percent was external debt and the balance was domestic debt.

External debt stock, comprising public and private sector debt, increased by 7.8 percent from the amount recorded at the end of April 2018 to USD 21,587.9 million at the end of April 2019. Public external debt was 76.4 percent of the total external debt and the balance was private sector debt. During the period July 2018 to April 2019, external debt disbursements amounted to USD 1,116.6 million, out of which USD 1,029.1 million was received by the Government in the form of cash and direct project financing. External debt service during the period amounted to USD 833.3 million, out of which USD 602.7 million was principal repayment and the balance was interest payments.



The stock of domestic debt increased by 3.3 percent from the levels recorded at the end of April 2018 to TZS 14,844.1 billion at the end of April 2019. Treasury bonds sustained dominance in the composition of the debt stock, accounting for 68.0 percent at the end of April 2019 same as it was in April 2018. During the period July 2018 to April 2019, domestic debt issued for government budget financing amounted to TZS 4,254.6 billion, out of which TZS 2,892.4 billion were Treasury bills and TZS 1,362.2 billion were Treasury bonds. Domestic debt service amounted to TZS 4,914.3 billion, out of which TZS 3,633.2 billion was principal repayment and the balance was interest payments.

3.2.6 Economic Developments in Zanzibar

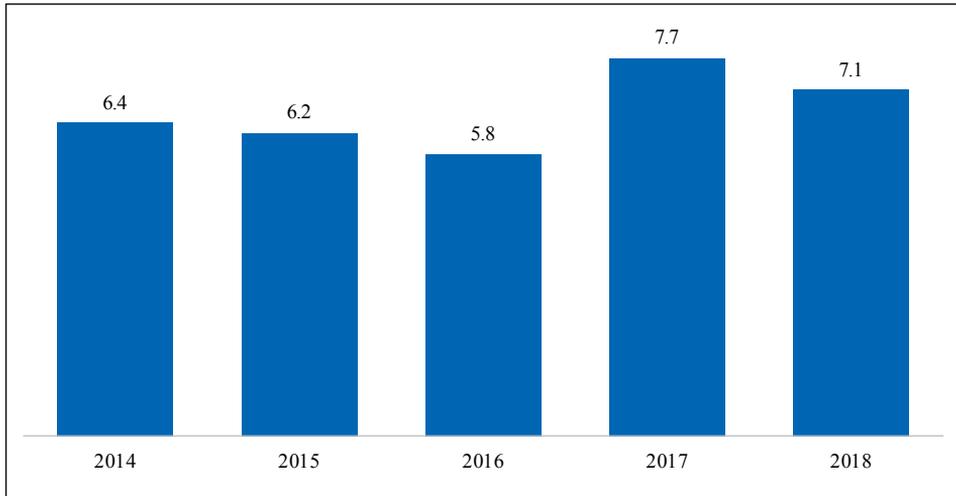
GDP Performance and Outlook

Zanzibar economy continued to record strong performance, growing at an average of 6.3 percent in the period from 2011 to 2018. In 2018, real GDP grew by 7.1 percent compared with 7.7 percent in the preceding year (**Chart 3.6**). Major contributors to the registered growth were accommodation and food services; trade and repairs; and transport and storage activities (**Chart 3.7**). Zanzibar economy is projected to grow at 7.8 percent in 2019 on account of the ongoing public investment in health, education, infrastructure—in particular roads, ports and airports, and increase in private sector investment in tourism related activities.



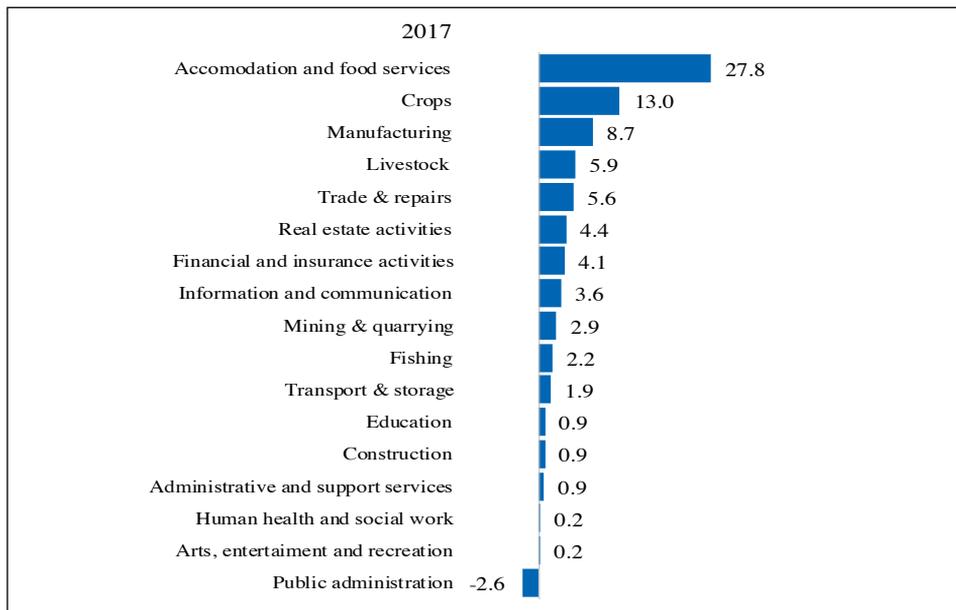
Chart 3.6: Real GDP Growth

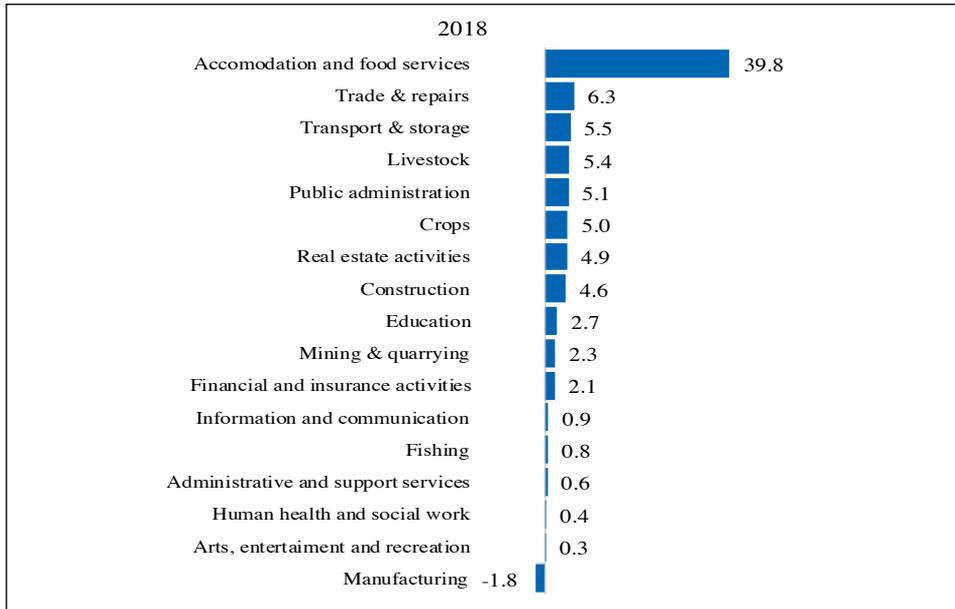
Percent



Source: Office of the Chief Government Statistician, Zanzibar

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





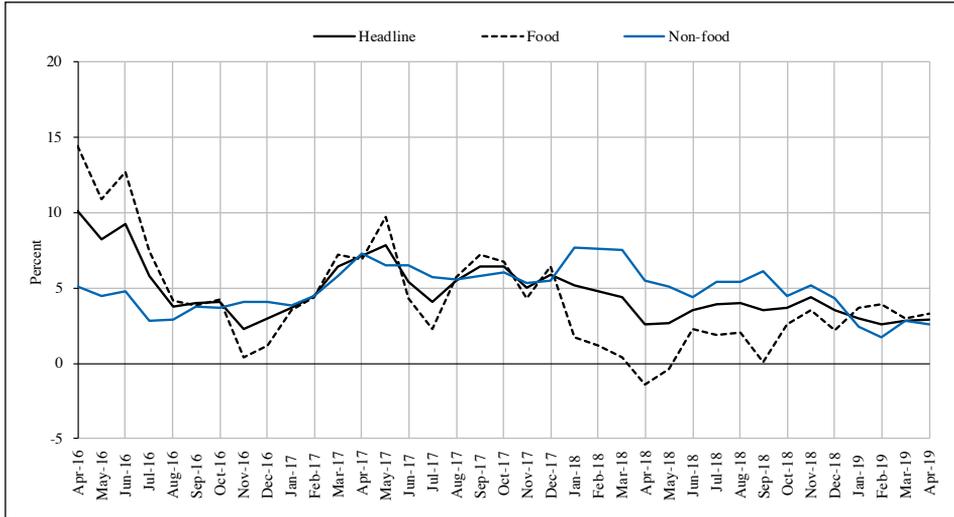
Source: Office of the Chief Government Statistician, Zanzibar

Inflation Developments and Outlook

During the period July 2018 to April 2019, headline inflation eased to an average of 3.4 percent from 5.0 percent during the corresponding period in 2017/18. This development was largely associated with decline in food and non-food inflation (**Chart 3.8**). Food inflation declined to an average of 2.6 percent from 3.5 percent, mostly on account of decrease in prices of some food items including maize flour, bananas and sugar. Similarly, non-food inflation eased to 4.0 percent from 6.2 percent, largely due to decline in fuel prices. Inflation is expected to remain at single digit in 2019/20 despite expected increase in prices of petroleum products in the global market.



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



Source: Office of Chief Government Statistician, Zanzibar

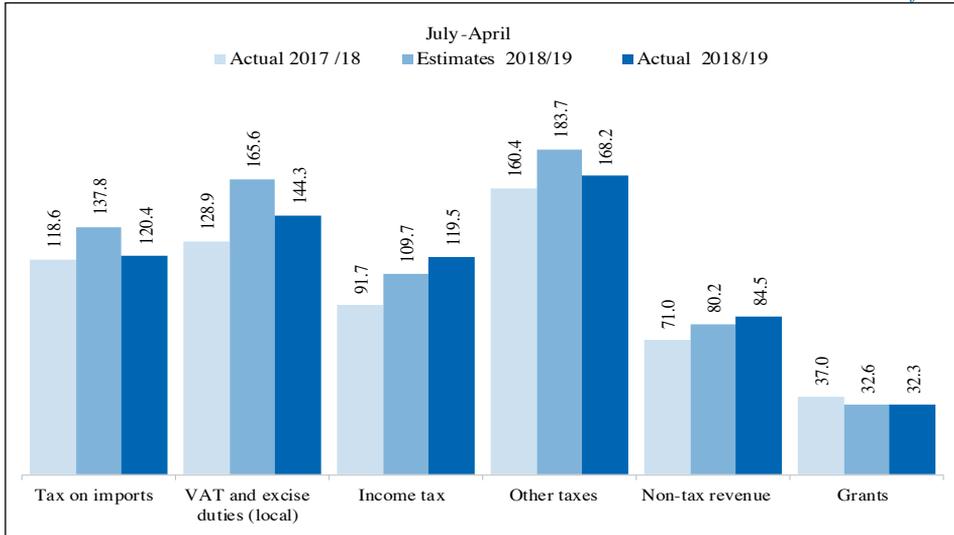
Government Budgetary Performance

During the period July 2018 to April 2019, domestic revenue amounted to TZS 637.0 billion equivalent to 94.1 percent of the target for the period, with tax and non-tax revenues achieving 92.5 percent and 105.3 percent of the target, respectively. Good performance in revenue collection was largely attributed to increased tax collection efforts by Tanzania Revenue Authority (TRA) and Zanzibar Revenue Board (ZRB), as well as higher compliance. During the period, foreign grants amounted to TZS 32.3 billion.



Chart 3.9: Government Resources

Billions of TZS



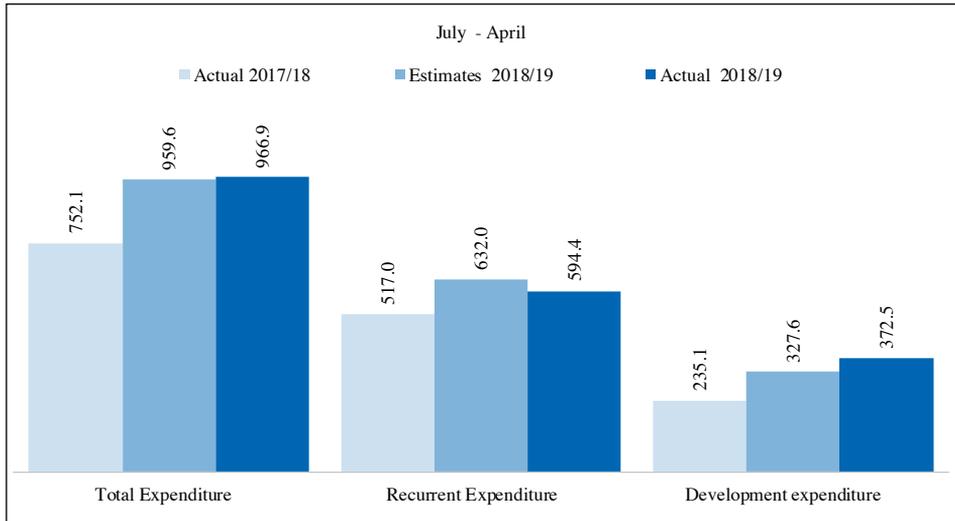
Source: Ministry of Finance and Planning, Zanzibar

Zanzibar Government expenditure amounted to TZS 966.9 billion during July 2018 to April 2019 (**Chart 3.10**). Recurrent expenditure was TZS 594.4 billion, while development expenditure amounted to TZS 372.5 billion, 58.4 percent higher than the amount recorded during the corresponding period of 2017/18. The overall budgetary operations recorded a deficit of TZS 281.7 billion after grants, which was financed through domestic borrowing and program loans.



Chart 3.10: Government Expenditure

Billions of TZS



Source: Ministry of Finance and Planning, Zanzibar

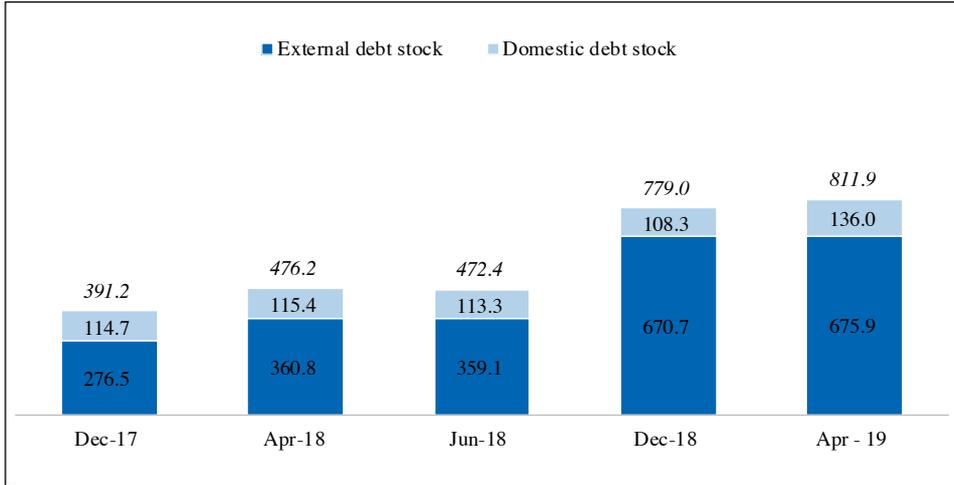
Debt Developments

Debt stock increased to TZS 811.9 billion at the end of April 2019 from TZS 472.4 billion at the end of June 2018, with external debt accounting for 83.2 percent. External debt stock was TZS 675.9 billion at the end of April 2019, an increase from TZS 359.1 billion at the end of June 2018 attributed to, among others, new disbursements and appreciation of the US dollar against other currencies in which the debt is denominated. Meanwhile, domestic debt increased to TZS 136.0 billion from TZS 108.3 billion recorded at the end of June 2018 (**Chart 3.11**).



Chart 3.11: Total Debt Stock

Billions of TZS



Source: Ministry of Finance and Planning, Zanzibar

External Sector Developments

During July 2018 to April 2019, current account recorded a deficit of USD 51.6 million, compared to a surplus of USD 28.2 million in corresponding period of 2017/18. This development was due to increase in imports coupled with a decline in exports, mainly cloves. The value of goods and services imports increased by 17.5 percent from the amount recorded in the July 2017 to April 2018 period, to USD 254.2 million largely driven by oil and foodstuff—wheat, rice and sugar—imports (**Table 3.5, Chart 3.12 and Chart 3.13**).



Table 3.5: Zanzibar Current Account

Millions of USD

Item	July - April		Percentage change
	2017/18	2018/19 ^P	
Goods account net	-90.33	-182.50	--
Exports	70.22	8.16	-88.4
Imports (fob)	160.55	190.66	18.8
Services account net	82.44	89.46	8.5
Receipts	138.30	152.97	10.6
Payments	55.85	63.51	13.7
Goods and services net	-7.88	-93.04	--
Exports of goods and services	208.52	161.13	-22.7
Imports of goods and services	216.40	254.17	17.5
Income account net	7.36	10.07	36.9
Receipts	11.32	15.14	33.8
Payments	3.96	5.07	28.0
Current transfers net	28.74	31.40	9.3
Inflows	30.58	42.84	40.1
Outflows	1.84	11.44	--
Current account balance	28.21	-51.57	--

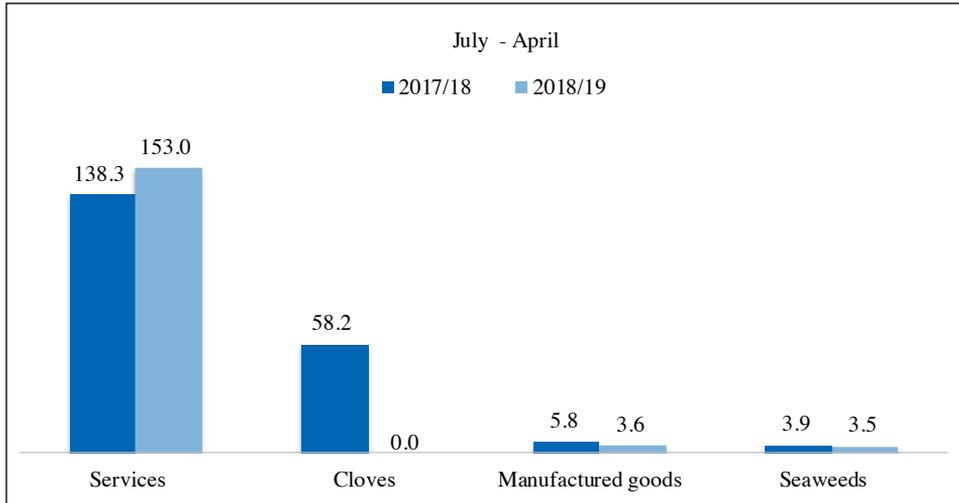
Source: Tanzania Revenue Authority and Bank of Tanzania computations

Note: p denotes provisional data; and "--", change exceeds 100 percent



Chart 3.12: Export Performance of Selected Goods and Services

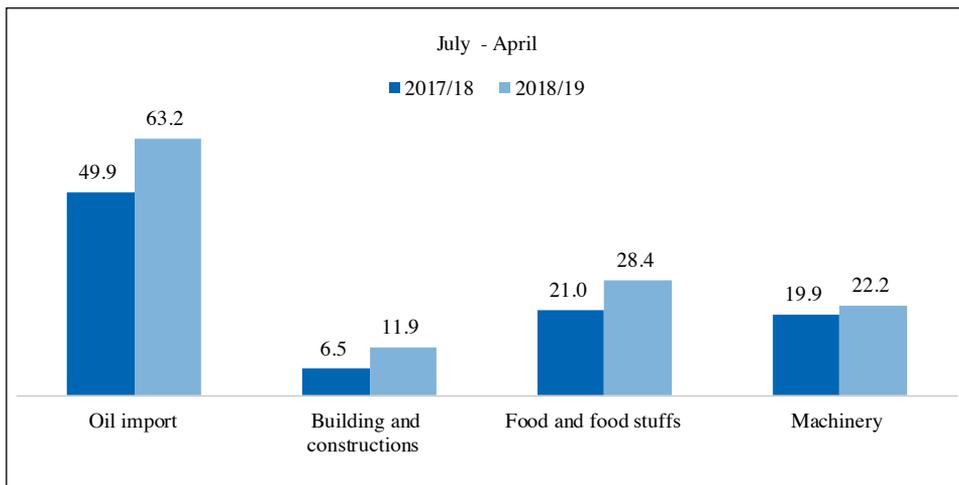
Millions of USD



Source: Tanzania Revenue Authority and Bank of Tanzania computations

Chart 3.13: Performance of Selected Goods Import

Millions of US



Source: Tanzania Revenue Authority and Bank of Tanzania computations



PART IV

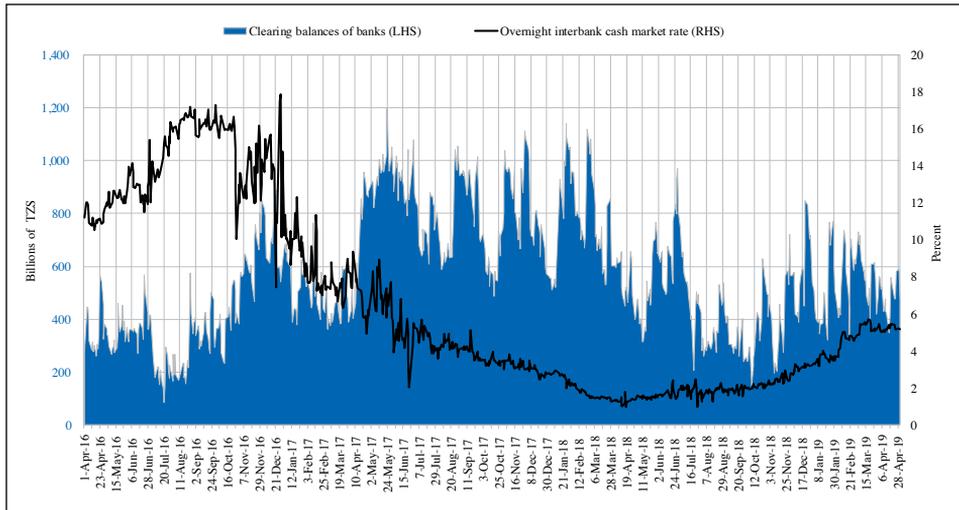
4.0 MONETARY POLICY IMPLEMENTATION DURING 2018/19

4.1 Liquidity Management and Interest Rate Developments

During the period July 2018 to April 2019, the bank maintained accommodative monetary policy in the context of low and stable inflation. This policy stance was pursued in order to support recovery of credit to the private sector and ultimately economic activities. Accordingly, the Bank reduced the discount rate from 9.0 percent to 7.0 percent in August 2018, signalling continued support for higher credit growth. The Bank also continued to supply liquidity through OMO and standby facilities, which helped to improve liquidity among banks and maintained stability in money market interest rates. Overnight interbank cash market interest rate averaged 5.20 percent in April 2019, relatively higher than 1.69 percent in June 2018 and 1.29 percent in April 2018 (**Chart 4.1**); signalling increased demand for shilling liquidity associated with the continued recovery in growth of credit to the private sector. Likewise, overall weighted average yields of Treasury bills increased slightly to an average rate of 8.20 percent in April 2019, compared with 5.59 percent and 4.04 percent in June 2018 and April 2018, respectively.



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

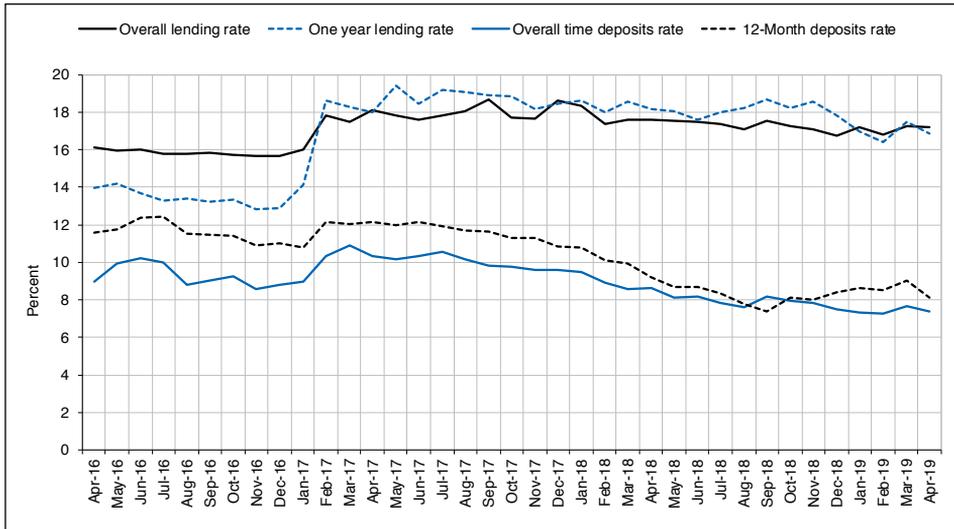


Source: Bank of Tanzania

Meanwhile, interest rates offered on deposits and those charged on loans by banks were relatively lower than the levels registered in the corresponding period of 2017/18, signifying decline in credit risk, partly associated with continued usage of credit information system during credit appraisal. Despite the improvement, rates remained less responsive to monetary policy stance, a phenomenon that exists in most developing economies. In particular, overall lending rate averaged at 17.15 percent during the period July 2018 to April 2019, while overall deposits interest rate averaged 7.65 percent (**Chart 4.2**).



Chart 4.2: Commercial Banks Interest Rates



Source: Bank of Tanzania

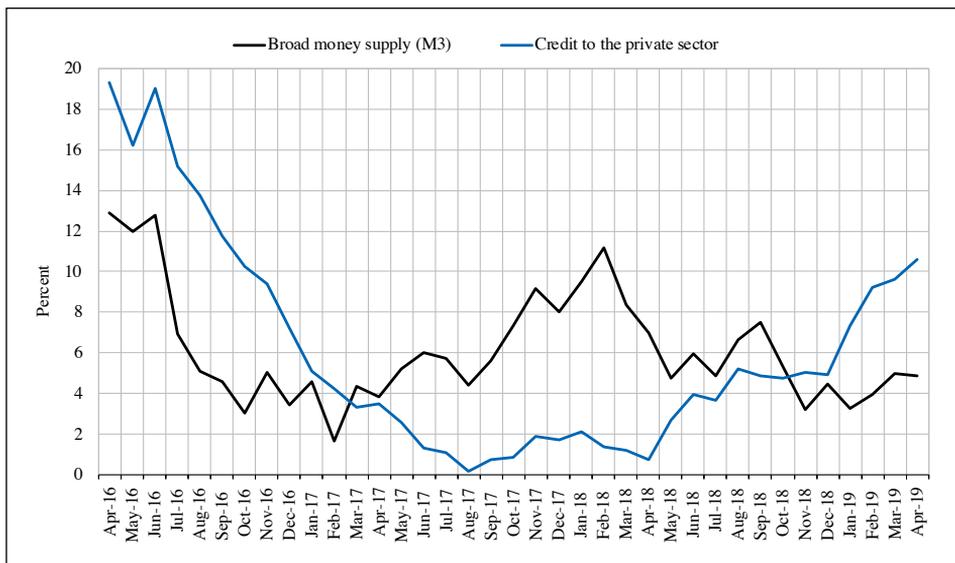
The interbank cash market electronic trading platform—which was internally developed by Bank staff—went live in March 2019. All banks began to access the interbank cash market using this platform and are guided by a common code of conduct. This platform helps to improve the reflection of liquidity condition among banks in the interbank interest rates and therefore enhance the effectiveness of price discovery. Meanwhile, the Bank is finalizing the Annex for adopting Global Master Repurchase Agreement (GMRA) 2011 as a next step in developing the financial market for a true repo operation in preparation for the adoption of interest rate-based monetary policy framework.

Annual growth of extended broad money supply (M3) is picking up, reflecting the sustained impact of accommodative monetary policy measures implemented by the Bank. During the year ending April 2019, M3 grew by 4.9 percent, below the projected growth of 12.2 percent for



the year ending June 2019. This growth of M3 was however in line with the increase in velocity of money circulation, associated with the enhanced use of technology in financial service delivery. The increase in velocity of money helped to reduce the negative impact of slow growth of money on economic activity, which is also manifested in the significant recovery of private sector credit growth to 10.6 percent in April 2019, the highest growth since October 2016 and surpassing the target growth of 10.2 percent by end June 2019. The recovery of credit was also supported by ongoing initiatives by the government to improve business environment, strategies implemented by banks to improve loan recovery, coupled with mandatory use of credit reference system in loan approvals.

Chart 4.3: Annual Growth of Money Supply and Credit to the Private Sector

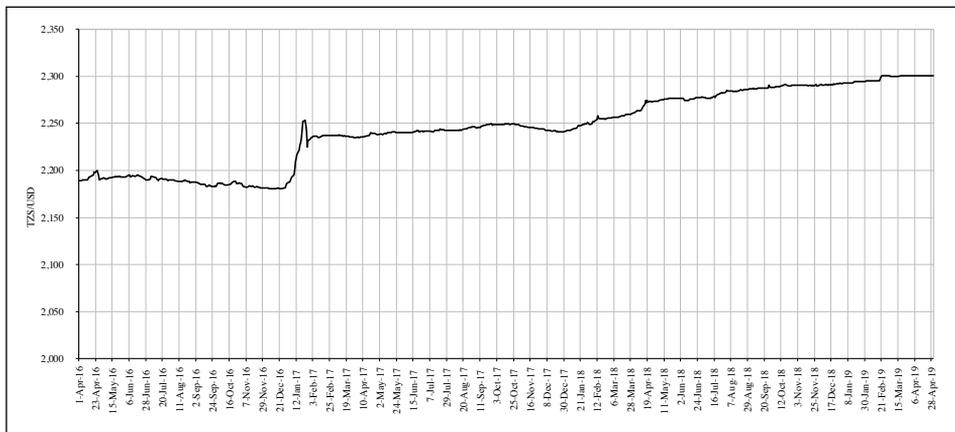


Source: Bank of Tanzania



The nominal exchange rate of the shilling against major currencies remained broadly stable during July 2018 to April 2019, despite slight fluctuations experienced in January and February 2019. These fluctuations were associated with beginning of low season for exports of traditional crops and tourism receipts, coupled with increased demand for foreign exchange for capital goods imports. Similarly, nominal and real effective exchange rate were generally stable, with the later appreciating slightly due to low inflation in Tanzania relative to some trading partners.

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



Source: Bank of Tanzania

4.2 Financial Sector Stability

Performance of the banking sector was satisfactory with the levels of capital and liquidity above regulatory requirements. The ratio of core capital to total risk weighted assets and off-balance sheet exposures was 17.0 percent at the end of April 2019, compared with the minimum legal requirement of 10.0 percent, while that of liquid assets to demand liabilities stood at 33.6 percent, compared with the minimum regulatory requirement of 20.0 percent (Table 4.1).



Table 4.1: Banking Sector Financial Soundness Indicators

		<i>Percent</i>				
Indicator	Regulatory Limit	Apr-18	Jun-18	Sep-18	Dec-18	Apr-19
Capital adequacy						
Core Capital/TRWA+OBSE	Minimum 10	18.5	18.2	16.4	16.4	17.0
Liquidity						
Liquid Assets/Demand Liabilities	Minimum 20	39.1	37.6	35.0	35.6	33.6
Total loans/Customer Deposits	N/A	81.0	83.9	84.0	77.1	88.7
Earnings						
Return on Assets-ROA	N/A	1.7	1.6	1.6	1.5	1.8
Return on Equity-ROE	N/A	7.3	6.7	6.6	5.9	7.8
Asset Quality						
Gross non-Performing Loans/Gross Loans	N/A	11.6	11.3	9.7	9.0	11.1

Source: Bank of Tanzania

Total assets of the banking system rose to TZS 28,833.0 billion at the end of April 2019 from TZS 28,581.0 billion at the end of June 2018, mainly attributed to increase in loans, advances and overdraft by TZS 608.0 billion from the stock of TZS 14,516.0 billion at the end of June 2018.

Banks' asset quality improved though NPLs ratio remained high at 11.1 percent in April 2019 compared to 11.6 percent in April 2018, which were both above the desired level of not more than 5.0 percent. The Bank continues to take measures to ensure low NPLs. The measures include targeted supervision of banks, directives to banks and financial institutions to ensure usage of credit reference system and improve credit assessment of borrowers by considering changes in both micro and macroeconomic factors. In addition, sensitization of stakeholders about credit information sharing and its importance in lending and financial planning launched on 6th February 2019, may influence borrowing behaviour and subsequently increase credit to the private sector and reduce lending rates.

Furthermore, the Bank has intensified enforcement of prudential requirements including those relating to risk management in a bid to contain NPLs. Some regulations and guidelines have also been reviewed to take into account new developments and improve corporate governance in



banking institutions. These include Guidelines for Directors of banks and financial institutions, the Outsourcing Guidelines and Business Continuity Management Guidelines. Capital Adequacy, Liquidity and Prompt Corrective Actions Regulations are also under review to incorporate Basel II/III requirements.

4.3 National Payment Systems Developments

Payments, clearing and settlement systems continued to operate efficiently with growing utilization of digital channels in financial services delivery. Since July 2018, all Government payments are made through Treasury Single Account (TSA) and processed through Tanzania Automated Clearing House (TACH) and Tanzania Interbank Settlement System (TISS) which is for transactions above TZS 10.0 million. The East Africa Payment System (EAPS) also operated smoothly and transactions increased, suggesting increased trade activities between Tanzania and some other EAC countries. During the period, transactions between Tanzania and Kenya were 2,321 valued at KES 3.5 billion, an increase of 0.3 percent in volume and 4.3 percent in value. Transactions between Tanzania and Uganda were 281, valued at UGX 22.6 billion, a growth of 95.9 percent in volume and 55.2 percent in value, when compared with corresponding period of 2017/18.

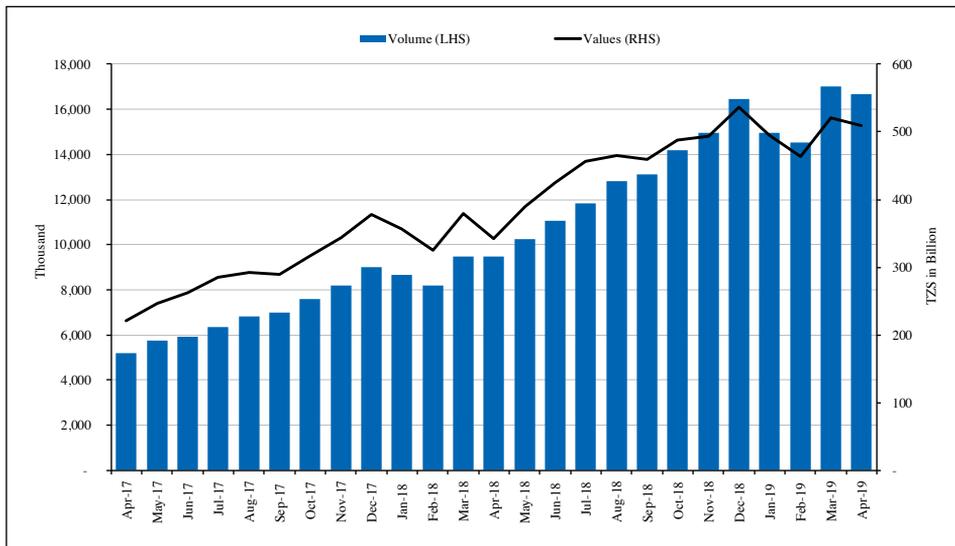
The Electronic Fund Transfers (EFT) through TACH continued to run smoothly, with growing number of transactions, following increased use of the system by the Government in making payments of salaries to civil servants. During the period July 2018 to April 2019, the volume of EFT transactions grew by 19.0 percent, while the value increased by 36.4 percent when compared to the corresponding period of 2017/18. The increased use of EFT by the Government has improved efficiency, while minimizing costs associated with the use of cheques. The effect was also reflected in the decline in usage of Tanzanian shilling denominated



cheques in TACH, both in terms of volume and value by 12.3 percent and 19.6 percent, respectively.

During the period of July 2018 to April 2019, utilization of interoperability capability in mobile money services continued to grow reaching 146.5 million transactions worth TZS 4,886.4 billion. This represents 81.6 percent increase in volume and 47.7 percent in value compared to the corresponding period of 2017/18. The interoperability of mobile financial services has contributed to overall growth of total mobile money transactions by 15.4 percent in volume and 15.6 percent in value, compared to the corresponding period of 2017/18. As at the end of April 2019, the number of active registered accounts for mobile money stood at 22.4 million, compared with 20.1 million and 20.6 million at the end of April 2018 and June 2018, respectively.

Chart 4.5: Mobile Money Interoperability



Source: Bank of Tanzania



The Bank launched a project to develop an instant payment system—Tanzania Instant Payment System (TIPS)—in February 2019, which is expected to be operational by June 2020. TIPS is a single instant payment platform that will connect different payment systems providers in cost effective and secured manner. Through interoperability of digital financial service providers, the system is expected to facilitate financial inclusion.



PART V

5.0 MACROECONOMIC POLICY FRAMEWORK FOR 2019/20

5.1 Macroeconomic Policy Objectives

During 2019/20, the Governments will continue to implement various projects under the Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) and MKUZA III (2015 – 2020) that aim at improving the business environment, reducing cost of doing business, building the foundation for industrialisation and spurring inclusive economic growth towards transforming the country into a middle-income economy. In particular, the Government of United Republic of Tanzania intends to attain the following macroeconomic objectives:

- i. Real GDP growth of 7.1 percent in 2019;
- ii. Maintaining a single digit annual headline inflation rate by end June 2020; and
- iii. Budget deficit including grants of 2.3 percent of GDP in 2019/20.

As for Zanzibar, real GDP growth is projected at 7.8 percent in 2019; while budget deficit in is estimated at 3.9 percent of GDP (in 2019/20).

5.2 Monetary Policy Objectives

In support of the 2019/20 broader macroeconomic objectives of the Governments, the Bank will continue to focus on maintaining targeted single digit headline inflation rate 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 2019/20:



- i. Annual growth of average reserve money of 9.0 percent;
- ii. Annual growth of broad money (M3) of 10.0 percent;
- iii. Annual growth of private sector credit of about 13.5 percent; and
- iv. Maintaining gross official reserves at levels adequate to cover at least 4 months of projected imports of goods and services.



PART VI

6.0 MONETARY POLICY STANCE FOR 2019/20

The Bank will embark on further liquidity easing monetary policy in 2019/20 to support the recovery of credit to the private sector and expansion of economic activities. This policy stance bodes well with low inflation expectation in the coming fiscal year, which is forecasted to remain around the medium-term target of 5.0 percent.

6.1 Liquidity Management

In pursuit of its mandate, the Bank will continue to develop the financial markets and modernize its monetary policy framework from backward looking money targeting to interest rate-based operational framework for effective liquidity management. The interest rate-based framework is more forward looking and more effective in coping with the dynamics of the economy and technological change towards achieving monetary policy objectives. The Bank will maintain transparency in monetary policy operations and continue to ensure that liquidity is adequate among banks to meet demands of the economy supported with appropriate mix of monetary policy instruments. These measures are expected to sustain stability of short-term interest rates and attainment of the macroeconomic objectives of the Governments.

6.2 Interest Rate Policy

Interest rates will continue to be market determined. The Bank will continue to promote development of a more transparent and efficient interbank cash market, which is a key avenue for transmitting monetary policy actions in order to improve price discovery and reduce interest rate volatility.



6.3 Exchange Rate Policy

Exchange rate will continue to be market determined and the Bank of Tanzania will participate in the interbank foreign exchange market (IFEM) solely for liquidity management purposes, and intervene occasionally to smooth out short-term volatility in the exchange rate while maintaining an orderly market. 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

7.0 OUTLOOK AND CONCLUSION

The economy has maintained strong base and the momentum is expected to sustain benefiting from increase in public investments in infrastructure under FYDPII and MKUZA III, which will incentivize private sector investment and transformation of the economy through industrialization. Recovery of credit growth to the private sector, enhanced capacity utilization in manufacturing industry, ongoing rationalization of laws and regulations, and policy reforms will support growth in 2019/20. However, the impact of trade tensions and policy uncertainty in the global economy might have a downward risk to domestic growth.

Domestic economic environment points to a low inflation expectation over the next 12-month of around the medium-term target of 5.0 percent. This will be supported by cumulative effects of previous seasons' harvest and anticipated good harvest in the current season, stability in power supply, and sustained prudence in fiscal and monetary policies. However, further increase in global oil prices and tightening of global financial conditions may trigger foreign exchange volatility, which may in turn exert inflationary pressure.

Surveillance of the risks to price stability emanating from both domestic and global economic trends will be pursued to inform the Bank in monetary policy decision making to ensure effective and appropriate actions whenever necessary. With sustained coordination of monetary and fiscal policies; regular forums with stakeholders in the financial sector, coupled with monetary policy stance outlined in this Statement, the Bank is confident that the monetary policy targets set in this Monetary Policy Statement for 2019/20 will be achieved, supported with sound and stable financial system.



APPENDICES



Table A1: Selected Economic Indicators

Items	Unit	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
1. Prices														
1.1 Annual change in consumer price index														
1.1.1 Headline inflation	Percent	3.8	3.6	3.4	3.3	3.3	3.4	3.2	3.0	3.3	3.0	3.0	3.1	3.2
1.1.2 Food inflation	Percent	3.6	2.6	3.4	2.8	2.2	2.0	1.2	0.4	1.0	0.7	0.5	0.1	0.9
1.1.3 Core inflation	Percent	1.4	1.6	1.6	1.6	2.0	2.2	2.3	2.6	3.1	3.1	3.1	3.7	3.6
2. Money credit and interest rates														
2.1 Extended broad money supply (MB) ¹	Percent	7.0	4.8	6.0	4.8	6.6	7.5	5.3	3.2	4.5	3.3	4.0	5.0	4.9
2.2 Reserve money ¹	Percent	0.0	3.8	4.5	-0.4	-1.6	-1.0	-1.4	-5.6	0.6	-6.4	-4.2	-0.8	4.3
2.3 Average reserve money ¹	Percent	2.8	1.1	4.0	2.8	0.8	-2.3	1.9	-3.5	-1.5	-2.5	-2.4	0.7	1.8
2.4 Credit to the private sector ¹	Percent	0.8	2.7	4.0	3.7	5.2	4.9	4.8	5.0	4.9	7.3	9.2	9.6	10.6
2.5 364-days Treasury bill rate ²	Percent	4.7	4.8	6.3	7.6	8.1	8.0	8.1	8.6	9.2	9.3	9.2	9.2	9.1
2.6 Overnight inter-bank rate ²	Percent	1.3	1.5	1.7	2.0	1.9	1.9	2.1	2.4	3.0	3.5	4.5	5.3	5.2
2.7 12-Months deposit rate ²	Percent	9.2	8.7	8.7	8.4	7.8	7.4	8.1	8.0	8.4	8.7	8.5	9.0	8.1
2.8 Short-term (up to 1 year) lending rate ²	Percent	18.2	18.0	17.6	18.0	18.2	18.7	18.2	18.5	17.8	17.0	16.4	17.5	16.9
3. Balance of payments														
3.1 Gross official foreign reserves	Millions of USD	5,188.0	5,528.0	5,483.9	5,392.4	5,500.5	5,437.1	5,277.8	5,078.8	5,044.6	4,884.4	4,954.2	4,681.7	4,595.2
3.2 Exchange rate														
3.2.1 Period average	TZS/USD	2,256.9	2,264.6	2,265.0	2,267.7	2,273.7	2,276.1	2,278.5	2,279.3	2,280.0	2,282.4	2,285.4	2,289.1	2,289.5
3.2.2 End of period	TZS/USD	2,262.4	2,265.5	2,266.4	2,271.3	2,274.9	2,277.5	2,279.5	2,278.8	2,281.2	2,283.5	2,289.0	2,289.5	2,289.5
4. Public finance														
4.1 Domestic revenue ³	Billions of TZS	1,156.5	1,236.1	1,743.0	1,337.9	1,406.2	1,455.6	1,511.8	1,321.1	1,708.2	1,755.2	1,361.1	1,509.0	1,324.8
4.2 Recurrent expenditure ³	Billions of TZS	1,136.2	1,162.1	1,531.3	630.7	1,047.5	1,464.1	1,125.6	1,151.3	1,461.0	1,055.5	1,130.0	1,254.1	1,179.1
4.3 Development expenditure ³	Billions of TZS	265.1	556.6	2,390.9	10.0	262.0	431.9	440.9	529.3	652.8	456.5	420.9	369.2	1,291.1
4.4 Program assistance	Millions of USD	0.0	70.9	9.6	0.0	2.9	10.5	7.2	10.1	80.5	0.0	14.1	4.8	12.7
4.4.1 General budget support	Millions of USD	0.0	70.9	7.3	0.0	0.0	0.0	0.0	0.0	55.3	0.0	0.0	0.0	0.0
4.4.2 Basket funds	Millions of USD	0.0	0.0	2.3	0.0	2.9	10.5	7.2	10.1	25.2	0.0	14.1	4.8	12.7

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 2015 Prices by Economic Activity

Millions of TZS

Economic activity	2014	2015	2016	2017	2018
Agriculture, forestry and fishing	23,952,076.76	25,234,560.16	26,436,338.29	28,008,976.20	29,482,834.28
Crops	12,344,014.10	13,279,392.28	13,996,347.69	14,895,621.83	15,638,612.37
Livestock	6,820,846.05	7,158,456.55	7,506,592.61	7,876,591.61	8,266,048.50
Forestry	2,825,341.18	2,920,424.79	3,034,569.38	3,180,379.30	3,334,791.21
Fishing	1,930,393.73	1,843,401.01	1,864,627.35	2,020,292.46	2,205,459.38
Agriculture support services	31,481.70	32,885.54	34,201.26	36,091.00	37,922.81
Industry and Construction	21,057,206.00	23,103,647.12	25,817,954.89	28,565,773.99	31,235,045.02
Mining and quarrying	3,687,273.03	4,055,619.42	4,356,708.61	4,588,623.87	4,659,195.20
Manufacturing	6,919,794.17	7,411,671.65	8,213,364.30	8,889,817.98	9,623,500.66
Electricity supply	815,296.84	798,801.19	869,262.45	877,666.63	928,174.49
Water supply; sewerage, waste management	381,759.71	390,758.09	417,899.06	444,660.06	477,510.24
Construction	9,253,082.25	10,446,796.78	11,960,720.46	13,765,005.45	15,546,664.43
Services	35,863,738.73	38,146,528.86	40,549,564.02	42,689,010.58	45,358,029.03
Wholesale and retail trade; repairs	8,444,242.94	8,747,862.12	9,260,703.28	9,821,247.65	10,395,782.54
Transport and storage	6,577,705.73	6,929,894.86	7,324,856.28	7,815,844.63	8,736,560.60
Accommodation and Food Services	1,397,782.44	1,421,916.10	1,480,052.10	1,525,618.51	1,604,390.74
Information and communication	1,560,063.73	1,681,098.01	1,718,547.63	1,824,470.91	1,989,828.84
Financial and insurance activities	3,764,112.53	4,189,021.46	4,235,515.30	4,115,392.91	4,094,972.30
Real estate	2,828,969.89	2,949,597.62	3,077,086.12	3,211,894.93	3,354,517.69
Professional, scientific and technical activities	447,920.79	518,122.72	606,206.68	694,290.64	763,332.15
Administrative and support service activities	1,976,259.57	2,183,917.00	2,611,497.70	2,892,462.88	3,054,288.19
Public administration and defence	4,242,164.25	4,548,604.36	4,793,820.05	4,907,113.35	5,058,291.76
Education	2,186,259.63	2,413,305.94	2,665,336.38	2,859,170.68	3,046,789.35
Human health and social work activities	1,349,940.68	1,419,089.91	1,497,896.45	1,611,999.18	1,742,444.16
Arts, entertainment and recreation	230,651.66	248,510.06	280,130.57	307,906.75	350,027.29
Other service activities	685,475.09	717,898.06	814,528.80	912,404.29	971,689.97
Activities of households as employers;	172,189.78	177,690.65	183,386.70	189,193.24	195,113.46
All economic activities	80,873,021.49	86,484,736.14	92,803,857.20	99,263,760.77	106,075,908.33
Taxes on products	8,001,089.98	7,864,579.41	8,024,535.48	8,393,644.14	9,064,285.84
GDP at market prices	88,874,111.47	94,349,315.55	100,828,392.68	107,657,404.91	115,140,194.17
Real Growth by Economic Activities (Percent)					
Agriculture, forestry and fishing	6.9	5.4	4.8	5.9	5.3
Crops	9.4	7.6	5.4	6.4	5.0
Livestock	4.9	4.9	4.9	4.9	4.9
Forestry	4.8	3.4	3.9	4.8	4.9
Fishing	1.8	-4.5	1.2	8.4	9.2
Agriculture support services	6.1	4.5	4.0	5.5	5.1
Mining and quarrying	6.4	10.0	7.4	5.3	1.5
Manufacturing	10.0	7.1	10.8	8.2	8.3
Electricity supply	12.7	-2.0	8.8	1.0	5.8
Water supply; sewerage, waste management	3.8	2.4	6.9	6.4	7.4
Construction	2.5	12.9	14.5	15.1	12.9
Wholesale and retail trade; repairs	9.9	3.6	5.9	6.1	5.8
Transport and storage	8.7	5.4	5.7	6.7	11.8
Accommodation and Food Services	3.1	1.7	4.1	3.1	5.2
Information and communication	10.3	7.8	2.2	6.2	9.1
Financial and insurance activities	10.5	11.3	1.1	-2.8	-0.5
Real estate	4.2	4.3	4.3	4.4	4.4
Professional, scientific and technical activities	16.3	15.7	17.0	14.5	9.9
Administrative and support service activities	19.0	10.5	19.6	10.8	5.6
Public administration and defence	6.7	7.2	5.4	2.4	3.1
Education	13.4	10.4	10.4	7.3	6.6
Human health and social work activities	8.4	5.1	5.6	7.6	8.1
Arts, entertainment and recreation	8.5	7.7	12.7	9.9	13.7
Other service activities	12.0	4.7	13.5	12.0	6.5
Activities of households as employers;	3.2	3.2	3.2	3.2	3.1
All economic activities	7.7	6.9	7.3	7.0	6.9
Taxes on products	-2.2	-1.7	2.0	4.6	8.0
GDP at market prices	6.7	6.2	6.9	6.8	7.0

Source: National Bureau of Statistics

Note: FISIM denotes financial intermediation indirectly measured



Table A2 (b): Tanzania Mainland: Gross Domestic Product at Constant 2015 Prices by Economic Activity

Economic Activity	<i>Percent</i>				
	2014	2015	2016	2017	2018
	Contribution in real GDP by Economic Activities				
Agriculture, forestry and fishing	27.5	23.4	18.5	23.0	19.7
Crops	18.9	17.1	11.1	13.2	9.9
Livestock	5.7	6.2	5.4	5.4	5.2
Forestry	2.3	1.7	1.8	2.1	2.1
Fishing	0.6	-1.6	0.3	2.3	2.5
Agriculture support services	0.0	0.0	0.0	0.0	0.0
Industry and Construction	21.1	37.4	41.9	40.2	35.7
Mining and quarrying	4.0	6.7	4.6	3.4	0.9
Manufacturing	11.2	9.0	12.4	9.9	9.8
Electricity supply	1.6	-0.3	1.1	0.1	0.7
Water supply; sewerage, waste management	0.2	0.2	0.4	0.4	0.4
Construction	4.1	21.8	23.4	26.4	23.8
Services	54.5	41.7	37.1	31.3	35.7
Wholesale and retail trade; repairs	13.6	5.5	7.9	8.2	7.7
Transport and storage	9.4	6.4	6.1	7.2	12.3
Accommodation and Food Services	0.7	0.4	0.9	0.7	1.1
Information and communication	2.6	2.2	0.6	1.6	2.2
Financial and insurance activities	6.4	7.8	0.7	-1.8	-0.3
Real estate	2.0	2.2	2.0	2.0	1.9
Professional, scientific and technical activities	1.1	1.3	1.4	1.3	0.9
Administrative and support service activities	5.6	3.8	6.6	4.1	2.2
Public administration and defence	4.8	5.6	3.8	1.7	2.0
Education	4.6	4.1	3.9	2.8	2.5
Human health and social work activities	1.9	1.3	1.2	1.7	1.7
Arts, entertainment and recreation	0.3	0.3	0.5	0.4	0.6
Other service activities	1.3	0.6	1.5	1.4	0.8
Activities of households as employers;	0.1	0.1	0.1	0.1	0.1
Taxes on products	-3.2	-2.5	2.5	5.4	9.0
GDP at market prices	100.0	100.0	100.0	100.0	100.0

Source: National Bureau of Statistics

Note: FISIM denotes financial intermediation indirectly measured



Table A2 (c): Zanzibar: Gross Domestic Product at Constant 2015 Prices by Economic Activity

Economic activity	2014	2015	Billions of TZS		
			2016	2017	2018 ^P
GDP at market prices	2,218.0	2,355.7	2,491.4	2,684.3	2,874.3
Agriculture, forestry & fishing	493.4	519.7	539.5	582.0	603.4
Crops	219.2	227.7	235.9	261.0	270.6
Livestock	100.2	113.5	124.6	136.0	146.3
Forestry & hunting	40.6	41.3	42.3	44.1	44.2
Fishing	133.4	137.2	136.6	140.8	142.2
Industry	394.9	433.5	467.0	493.1	504.0
Mining & quarrying	21.4	23.5	27.2	32.7	37.1
Manufacturing	162.4	180.1	194.6	211.3	207.9
Electricity and gas	10.9	11.7	12.6	13.1	13.8
Water supply and sewerage	18.1	19.6	20.9	22.4	23.1
Construction	182.1	198.7	211.7	213.4	222.1
Services	1,132.0	1,196.5	1,265.2	1,360.1	1,495.6
Trade & repairs	166.9	162.1	169.4	180.3	192.2
Transport & storage	98.5	102.0	107.6	111.4	121.8
Accommodation and food services	297.8	331.0	375.5	429.2	504.7
Accommodation	240.5	268.1	305.2	350.0	409.5
Food and beverage services	57.3	62.9	70.3	79.2	95.3
Information and communication	57.7	52.5	44.7	51.6	53.2
Financial and insurance activities	64.5	78.6	83.7	91.6	95.6
Real estate activities	121.4	128.4	136.2	144.7	154.0
Professional, scientific and technical	3.3	3.6	3.9	3.8	4.0
Administrative and support services	22.5	23.2	22.8	24.4	25.6
Public administration	169.7	181.9	180.9	175.9	185.6
Education	67.2	69.4	71.5	73.3	78.5
Human health and social work	29.6	29.7	30.8	31.2	32.0
Arts, entertainment and recreation	1.6	1.9	2.4	2.7	3.3
Other service activities	26.1	27.0	30.4	34.4	39.3
Domestic services	5.0	5.2	5.4	5.5	5.7
Less FISIM	-21.2	-23.9	-27.9	-27.7	-24.8
Taxes on products	218.9	229.9	247.7	276.8	296.3
			Real Growth by Economic Activities (Percent)		
Agriculture, Forestry & Fishing	0.2	5.3	3.8	7.9	3.7
Crops	-7.2	3.9	3.6	10.6	3.7
Livestock	9.2	13.3	9.8	9.1	7.6
Forestry & hunting	1.5	1.6	2.5	4.2	0.3
Fishing	7.2	2.9	-0.5	3.1	1.0
Industry	6.9	9.8	7.7	5.6	2.2
Mining & quarrying	-0.8	9.8	15.9	20.3	13.3
Manufacturing	9.1	10.9	8.0	8.6	-1.6
Electricity and gas	4.7	6.7	8.2	4.2	5.1
Water supply and sewerage	6.9	8.0	6.9	7.3	2.8
Construction	6.2	9.1	6.5	0.8	4.1
Services	-1.0	-2.9	4.5	6.4	6.6
Trade & repairs	9.4	3.5	5.6	3.5	9.4
Transport & storage	5.5	11.1	13.5	14.3	17.6
Accommodation and food services	5.6	11.5	13.8	14.7	17.0
Accommodation	5.1	9.8	11.8	12.6	20.3
Food and beverage services	28.9	-9.0	-14.9	15.5	3.1
Information and communication	23.7	21.8	6.5	9.5	4.4
Financial and insurance activities	5.5	5.8	6.0	6.2	6.4
Real estate activities	43.4	9.2	9.6	-3.2	5.2
Professional, scientific and technical	-5.2	3.1	-1.9	7.2	4.9
Administrative and support services	15.4	7.1	-0.5	-2.7	5.5
Public administration	11.5	3.4	3.0	2.5	7.0
Education	8.0	0.3	3.7	1.4	2.3
Human health and social work	5.8	17.0	26.2	14.5	19.3
Arts, entertainment and recreation	5.3	3.6	12.5	13.4	14.2
Other service activities	3.2	3.2	3.2	3.2	3.2
Domestic services	13.7	12.7	16.6	-0.9	-10.2
Less FISIM	5.9	6.3	5.5	7.3	7.1
Taxes on products	11.4	5.0	7.7	11.8	7.0
GDP at market prices	6.4	6.2	5.8	7.7	7.1

Source: Office of Chief Government Statistician, Zanzibar

Note: p denotes provisional data; and FISIM, financial intermediation indirectly measured



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

Main Groups	Weight (%)	Ref period: December 2015=100												
		Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Food and non alcoholic beverages	38.5	119.9	119.1	119.1	117.6	115.3	114.7	113.5	113.4	114.7	116.3	117.8	119.8	121.0
Alcoholic, tobacco and narcotics	3.7	108.0	107.9	107.0	107.6	108.4	109.2	109.3	109.3	110.2	110.3	110.7	111.4	111.5
Clothing and footwear	8.3	108.0	108.2	108.7	109.1	109.3	109.7	110.0	110.0	110.6	111.2	111.4	111.6	111.9
Housing, water, electricity, gas and other fuel	11.6	127.3	130.4	128.5	129.1	131.2	134.0	134.8	135.1	133.4	133.0	137.4	141.7	141.8
Furnishing, housing equipment and routine maintenance of the house	6.3	106.9	107.2	107.3	107.6	107.9	107.9	107.9	108.1	109.5	109.8	110.2	111.1	111.3
Health	2.9	107.1	107.3	107.6	107.1	108.0	107.6	107.6	107.6	107.9	108.1	108.6	109.0	109.5
Transport	12.5	102.4	102.1	101.3	102.0	102.7	102.4	102.9	105.2	105.5	104.6	104.7	105.7	105.9
Communication	5.6	98.2	98.2	95.5	95.5	95.5	95.6	95.5	95.5	95.6	95.7	96.2	97.1	97.1
Recreation and culture	1.6	103.2	102.8	102.5	102.5	102.7	102.9	102.3	102.6	102.9	103.2	103.3	103.4	103.8
Education	1.5	105.5	105.5	105.8	106.0	106.0	106.0	106.0	106.0	106.0	107.4	107.5	107.6	107.7
Restaurants and hotels	4.2	105.3	105.4	105.2	105.4	105.6	106.3	106.3	106.5	107.3	107.7	109.0	110.4	110.5
Miscellaneous goods and services	3.1	106.5	106.9	107.0	107.0	106.9	107.1	107.0	107.2	108.2	108.3	108.5	109.0	109.3
Total All Items Index	100.0	113.2	113.2	112.8	112.4	112.0	112.1	111.8	112.2	112.8	113.4	114.6	116.2	116.8
Other Selected Groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	121.2	120.6	120.5	118.9	117.5	116.8	116.0	116.3	117.6	119.4	121.0	123.3	124.5
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	136.7	140.8	138.1	139.6	142.5	145.4	146.6	148.2	146.4	144.4	149.3	154.4	154.9
All items less food	62.9	109.3	110.1	109.7	110.1	110.8	111.4	111.6	112.2	112.5	112.5	113.5	114.8	115.1
All items less food and energy	54.3	104.9	105.2	105.1	105.4	105.7	105.9	106.1	106.5	107.1	107.4	107.8	108.5	108.7

Source: National Bureau of Statistics



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

Main Groups	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	
	Weight													
	(%)													
Food and non alcoholic beverages	38.5	3.6	2.6	3.4	2.8	2.2	2.0	1.2	0.4	1.0	0.7	0.5	0.1	0.9
Alcoholic, tobacco and narcotics	3.7	1.6	1.3	0.3	0.8	1.2	1.9	1.9	1.6	2.2	2.2	2.5	3.2	2.2
Clothing and footwear	8.3	2.6	2.4	2.2	2.4	2.7	3.2	3.3	3.3	3.6	3.7	3.3	3.4	3.6
Housing, water, electricity, gas and other fuel	11.6	13.1	15.0	12.0	12.3	12.3	13.2	14.1	13.3	12.1	11.7	12.3	13.0	11.4
Furnishing, housing equipment and routine maintenance of the house	6.3	2.0	2.3	2.4	2.6	3.1	3.0	2.8	2.9	4.0	3.9	4.1	4.3	4.2
Health	2.9	1.6	1.2	1.4	0.7	1.7	1.3	0.8	0.8	1.0	1.0	1.5	1.8	2.2
Transport	12.5	1.8	1.9	1.6	2.5	3.4	2.8	3.0	5.1	5.1	4.0	3.3	4.1	3.4
Communication	5.6	0.1	0.1	-2.6	-2.7	-2.6	-2.6	-2.7	-2.7	-2.6	-2.4	-2.1	-1.2	-1.1
Recreation and culture	1.6	1.2	0.7	0.5	0.4	-0.2	-0.2	-1.0	-0.7	0.1	0.2	0.2	0.3	0.6
Education	1.5	2.4	2.3	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.0	1.8	1.9	2.1
Restaurants and hotels	4.2	0.8	1.0	0.7	0.8	1.1	1.9	1.9	1.9	2.7	2.6	3.6	4.8	4.9
Miscellaneous goods and services	3.1	0.9	1.3	1.4	1.2	1.2	1.3	1.6	1.7	2.6	2.5	2.6	3.1	2.7
Total All Items Index	100.0	3.8	3.6	3.4	3.3	3.3	3.4	3.2	3.0	3.3	3.0	3.0	3.1	3.2
Other Selected Groups														
Food and non-alcoholic beverages - combining food consumed at home and food consumed in restaurants	37.1	4.0	3.2	3.8	3.0	3.2	3.1	2.5	2.0	2.6	2.3	2.3	2.0	2.7
Energy and fuels - combining electricity and other fuels for use at home with petrol and diesel	8.7	18.4	21.2	16.8	18.5	18.7	18.9	19.5	19.2	17.7	15.7	15.4	15.5	13.3
All Items less food	62.9	3.9	4.5	3.9	4.2	4.6	4.8	5.0	5.3	5.4	5.1	5.1	5.7	5.3
All Items less food and energy	54.3	1.4	1.6	1.6	1.6	2.0	2.2	2.3	2.6	3.1	3.1	3.1	3.7	3.6

Source: National Bureau of Statistics



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

	Weights (%)	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Headline	100.0	106.0	107.6	108.4	108.2	109.3	107.9	108.3	108.0	108.7	108.3	107.8	108.2	109.1
Food	51.7	102.7	106.9	107.9	106.5	108.3	105.6	106.6	105.0	106.7	105.5	105.4	104.5	106.3
Non-Food	48.3	108.4	108.2	108.7	109.5	110.1	109.7	109.6	110.3	110.2	110.4	109.7	111.0	111.2
Alcoholic beverages, tobacco & narcotics	0.3	103.3	103.3	103.3	103.3	108.4	110.2	110.2	110.2	110.2	110.4	110.2	110.2	110.2
Clothing and footwear	9.3	105.2	105.3	105.3	105.5	105.4	105.2	105.4	107.0	107.0	106.9	106.7	105.2	105.2
Housing, water, electricity, gas and other fuels	17.1	111.7	111.1	112.8	114.5	115.9	114.5	114.5	114.8	114.2	112.6	112.0	113.1	112.6
Furnishing, household equipment and routine household maintenance	4.6	113.0	113.7	114.3	114.5	114.9	115.4	114.9	114.7	114.9	116.4	116.1	116.0	116.7
Health	2.8	104.5	105.9	106.2	106.5	106.3	106.4	106.4	106.2	106.2	108.9	108.9	108.9	109.4
Transport	6.3	111.6	110.6	110.7	113.3	113.1	112.9	113.0	114.0	114.7	113.9	111.4	111.5	112.2
Communication	2.6	100.3	100.5	99.1	99.1	99.1	99.1	99.1	99.1	99.1	99.1	99.1	114.8	114.8
Recreation and culture	0.8	105.1	105.1	105.1	105.1	105.1	105.1	105.1	107.7	107.7	107.7	107.7	107.7	107.5
Education	1.3	105.3	105.3	105.3	105.3	105.4	105.4	105.4	106.3	106.3	109.7	109.7	109.7	109.7
Restaurants and hotels	2.1	102.0	102.0	102.0	98.7	100.2	100.2	100.2	100.8	100.8	106.3	106.3	106.3	106.3
Miscellaneous goods & services	3.2	101.9	101.8	102.7	102.7	102.7	102.7	102.9	104.4	104.2	105.6	105.6	105.6	106.0

Source: Office of Chief Government Statistician, Zanzibar

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

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Headline	2.6	2.7	3.5	3.9	4.0	3.5	3.7	4.4	3.5	3.0	2.6	2.8	2.9
Food	-1.4	-0.4	2.3	1.9	2.0	0.1	2.6	3.5	2.3	3.7	3.9	3.0	3.3
Non-Food	5.5	5.1	4.4	5.4	5.4	6.1	4.5	5.2	4.3	2.4	1.7	2.8	2.6
Alcoholic beverages, tobacco & narcotics	3.3	3.3	3.3	0.0	4.9	6.6	6.6	6.6	6.6	6.9	6.6	6.6	6.6
Clothing and footwear	5.4	5.5	1.2	1.5	1.4	2.3	1.6	3.0	2.9	1.8	1.7	0.1	0.4
Housing, water, electricity, gas and other fuel	4.2	3.3	3.8	6.0	5.6	3.5	3.9	4.9	3.0	1.5	1.0	1.5	0.8
Furnishing, household equipment and routine household maintenance	12.9	13.6	12.9	12.9	13.3	13.9	12.9	12.8	12.5	2.9	2.9	2.7	3.3
Health	4.1	1.8	2.6	2.8	2.6	1.9	2.1	1.5	1.5	4.0	2.9	4.1	4.7
Transport	8.6	8.5	7.8	10.9	11.4	18.8	8.7	8.9	8.5	4.1	4.1	1.1	0.5
Communication	0.3	0.4	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-1.1	-1.1	-1.1	14.5	14.5
Recreation and culture	6.8	6.9	2.8	2.8	2.8	8.8	2.5	5.0	4.8	4.0	2.4	2.4	2.3
Education	5.3	5.3	5.3	5.3	5.4	5.4	5.4	6.3	6.3	4.2	4.2	4.2	4.2
Restaurants and hotels	2.0	2.0	2.0	-2.4	-0.8	-0.8	-0.8	-0.3	-1.1	4.1	4.1	4.1	4.1
Miscellaneous goods & services	2.1	1.9	2.5	2.3	2.4	2.4	2.5	4.1	3.8	3.5	3.5	3.5	4.0

Source: Office of Chief Government Statistician, Zanzibar





Table A4: Depository Corporations Survey

Billions of TZS

Items	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Net foreign assets (NFA) of the banking system	11,596.1	11,380.8	11,196.2	10,881.2	10,750.8	11,240.5	11,236.7	11,236.7	11,637.1	11,631.0	11,500.5	11,118.5	10,629.8	10,140.8	10,434.4	10,019.2	9,409.5
NFA of the Bank of Tanzania	12,149.9	11,771.7	11,687.6	11,149.2	10,730.4	11,530.2	11,514.9	11,330.4	11,621.4	11,495.8	11,421.1	10,693.4	10,692.3	10,280.4	10,543.2	9,890.4	9,275.6
Net international reserves (Millions of USD)	5,713.3	5,530.0	5,477.0	5,231.6	5,010.6	5,353.6	5,349.8	5,249.8	5,569.8	5,507.2	5,149.1	4,949.9	4,943.4	4,784.8	4,866.7	4,594.2	4,308.7
NFA of the banks	-543.8	-380.9	-491.4	-268.0	-16.8	-282.7	-278.2	-113.0	15.7	15.7	367.4	425.1	-62.5	-149.5	-108.8	128.8	135.9
Banks NFA (Millions of USD)	-248.3	-174.6	-218.9	-119.2	7.4	-120.9	-122.7	-49.8	6.9	5.9	161.2	186.6	-27.4	-65.5	-47.5	56.3	59.3
Net domestic assets of the banking system	13,118.2	13,066.4	13,043.3	13,595.7	13,683.0	13,276.4	14,057.9	13,487.8	13,405.3	13,644.9	13,758.0	14,371.9	15,193.7	15,622.3	15,434.3	15,683.7	16,219.6
Domestic claims	20,171.1	20,913.1	20,548.8	20,851.3	20,890.7	20,380.2	21,362.7	21,176.1	21,176.2	21,480.1	21,439.2	22,310.2	22,208.4	22,229.4	22,251.9	22,289.9	23,355.8
Claims on central government (net)	3,275.7	3,989.6	3,675.4	4,037.0	4,037.9	3,125.2	3,829.4	3,740.4	3,593.2	3,930.7	3,845.5	4,507.1	4,481.6	4,064.4	3,825.1	3,853.6	4,714.3
Claims on central government	8,081.8	8,225.0	8,312.7	8,871.7	8,937.1	7,912.3	9,124.7	8,240.3	8,179.7	8,240.8	8,200.0	8,469.8	8,522.8	8,217.1	7,860.2	7,876.4	8,579.8
Own Securities held by banks	5,594.4	5,404.2	5,486.2	5,545.2	5,607.8	5,472.6	5,370.8	5,408.4	5,306.6	5,300.7	5,150.3	5,157.8	4,993.6	5,097.4	5,105.4	4,995.8	5,105.1
Liabilities to central government	4,806.1	4,235.4	4,238.4	4,837.3	4,840.8	4,899.2	4,787.0	5,295.3	4,586.5	4,330.1	4,354.5	3,962.7	4,040.9	4,152.7	4,035.1	4,022.9	3,865.5
Claims on the private sector	16,895.4	16,923.5	16,868.4	16,814.3	16,852.8	17,265.0	17,533.3	17,435.6	17,583.3	17,435.6	17,593.7	17,803.1	17,726.8	18,165.0	18,426.8	18,436.4	18,641.5
Own Extended in Shillings	48.1	61.0	63.5	52.1	47.8	52.3	53.8	43.0	45.5	41.1	45.0	46.4	46.4	48.7	50.7	45.1	45.2
Extended in foreign currency	10,917.7	10,867.7	10,858.7	10,838.7	10,986.8	11,222.9	11,301.4	11,409.7	11,580.6	11,685.6	11,791.0	11,844.6	11,902.8	12,314.1	12,448.0	12,676.8	12,904.5
Equivalent in millions of USD	4,893.2	4,863.1	4,842.4	4,824.6	4,882.2	4,955.9	4,989.6	5,031.4	5,093.3	5,134.1	5,174.9	5,196.6	5,220.6	5,395.3	5,446.8	5,537.9	5,922.6
Other items net	-1,052.9	-7,346.6	-6,860.3	-7,253.6	-7,207.7	-7,116.8	-7,304.9	-7,085.2	-7,170.9	-7,335.2	-7,681.2	-7,938.2	-7,014.7	-6,607.1	-6,817.6	-6,606.3	-7,136.2
Extended broad money supply (M1)	24,714.3	24,947.2	24,879.8	24,476.8	24,433.8	24,522.9	25,294.5	24,705.2	25,042.4	25,275.9	25,267.5	25,490.5	25,823.5	25,763.1	25,868.7	25,702.8	25,629.1
Foreign currency deposits (FCD)	6,864.4	6,405.2	6,700.1	6,287.0	6,359.3	6,218.3	6,343.3	6,439.5	6,605.0	6,674.4	6,706.5	6,597.5	6,783.1	6,796.7	6,591.5	6,717.3	6,293.5
FCD (Millions of USD)	2,852.5	2,866.2	2,987.9	2,796.5	2,817.7	2,745.9	2,890.6	2,839.7	2,905.0	2,932.4	2,948.4	2,894.5	2,975.1	2,977.9	2,884.2	2,944.5	2,748.8
Broad money supply (M2)	18,349.9	18,542.0	18,179.7	18,189.8	18,074.5	18,304.7	18,951.2	18,265.7	18,437.4	18,601.4	18,560.9	18,893.0	19,040.4	18,966.4	19,277.1	18,985.5	19,335.6
Other deposits	7,194.6	7,195.1	7,204.5	7,065.1	7,046.1	7,193.9	7,189.3	7,085.6	7,083.8	7,065.3	7,189.3	7,139.7	7,316.7	7,362.3	7,563.7	7,390.6	7,387.3
Narrow money supply (M1)	11,553.3	11,346.9	10,975.2	11,286.7	11,028.3	11,100.7	11,762.0	11,180.0	11,353.6	11,536.1	11,371.7	11,553.3	11,723.7	11,604.1	11,715.4	11,594.9	11,948.3
Currency in circulation	3,831.6	3,676.3	3,614.1	3,704.0	3,620.3	3,749.0	3,926.2	3,885.1	3,865.8	3,833.2	3,786.2	3,773.6	3,866.7	3,709.2	3,733.9	3,782.8	3,772.1
Transferable deposits	7,523.7	7,670.6	7,361.1	7,422.7	7,408.0	7,361.7	7,835.7	7,294.9	7,487.8	7,700.9	7,615.5	7,979.7	7,871.0	7,894.9	7,979.6	7,812.2	8,176.2
Memorandum items																	
Reserve money	6,954.4	7,169.2	7,143.2	6,744.9	6,887.7	6,811.9	7,136.6	6,680.3	6,753.2	6,487.3	6,587.2	6,790.0	6,992.9	6,707.2	6,840.7	6,688.4	6,764.7
Banks' reserves	2,257.2	2,715.3	2,775.6	2,315.9	2,099.4	2,337.8	2,497.4	2,207.6	2,110.4	1,890.2	2,044.4	2,212.1	2,216.6	2,196.5	2,301.4	2,078.0	2,059.3
Currency outside Bank of Tanzania	4,697.2	4,453.9	4,367.6	4,431.5	4,388.3	4,474.1	4,639.2	4,472.7	4,642.8	4,597.1	4,542.8	4,577.8	4,776.2	4,510.7	4,539.3	4,610.3	4,659.4
Average reserve money	7,024.5	7,015.1	6,963.8	6,892.2	6,666.9	6,611.9	6,960.0	6,870.8	6,633.4	6,613.0	6,628.7	6,921.4	6,836.2	6,796.5	6,877.7	6,790.9	6,789.5
Nominal exchange rate (end of period) (TZS/USD)	2,231.2	2,244.7	2,242.4	2,246.6	2,246.6	2,246.6	2,242.4	2,242.4	2,242.4	2,242.4	2,242.4	2,242.4	2,242.4	2,242.4	2,242.4	2,242.4	2,242.4
Gross official reserves (Millions of USD)	5,900.3	5,721.6	5,668.4	5,411.0	5,188.0	5,528.0	5,483.9	5,392.4	5,500.3	5,437.1	5,277.8	5,078.8	5,044.6	4,884.4	4,954.2	4,681.7	4,395.2
Foreign assets of banks (Millions of USD)	7,267.7	7,862.2	7,232.3	7,198.9	7,274.9	7,927.4	7,952.2	8,952.2	8,666.6	9,497.7	9,981.1	10,137.3	9,667.7	9,317.7	9,583.5	10,418.1	10,016.4
Gross foreign assets of the banking system (Millions of USD)	6,627.0	6,507.7	6,391.7	6,188.9	6,115.4	6,323.2	6,309.1	6,287.6	6,367.0	6,386.9	6,276.0	6,116.1	6,011.3	5,816.1	5,912.6	5,723.5	5,421.6
Annual growth rates (%)																	
Stock of reserve money	1.5	9.2	10.2	6.1	0.0	3.8	4.5	0.4	-1.6	-1.0	-1.4	-5.6	0.6	-6.4	-4.2	-0.8	4.3
Average reserve money	0.6	5.4	7.0	6.1	2.8	1.1	4.0	1.8	0.8	-2.3	1.9	-3.5	1.5	-2.5	-2.4	0.7	1.8
Extended broad money supply (M2)	8.0	9.5	11.2	8.4	7.0	4.8	6.0	4.8	6.6	7.5	5.3	3.2	4.5	3.3	4.0	5.0	4.9
Broad money supply (M2)	10.4	12.9	13.6	10.8	7.3	5.9	7.1	5.2	6.5	7.2	5.6	3.6	3.8	2.3	6.0	4.4	7.0
Credit to the private sector	1.7	2.1	1.4	1.2	0.8	2.7	4.0	3.7	5.2	4.9	4.8	5.0	4.9	7.3	9.2	9.6	10.6

Source: Bank of Tanzania



Table A5: Capital and Money Market Interest Rates

Items	Percent												
	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Interbank cash market rates													
Overnight	1.29	1.53	1.69	1.95	1.89	1.93	2.10	2.39	2.98	3.55	4.52	5.27	5.20
2 to 7 days	1.73	2.01	2.06	2.28	2.42	2.71	2.55	3.14	3.40	3.95	5.25	5.82	5.81
8 to 14 days	1.70	2.01	2.15	2.46	2.74	3.33	2.92	3.90	4.08	4.80	5.67	6.34	6.42
15 to 30 days	3.53	3.50	3.33	1.50	4.00	4.00	4.25	4.33	4.69	4.49	5.00	6.95	7.25
31 to 60 days	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.67	7.00
61 to 90 days	3.25	3.25	3.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	8.00	10.00
91 to 180 days	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
181 and above	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94
Overall Interbank cash market rate	1.45	1.70	1.85	2.09	2.19	2.26	2.29	2.74	3.25	3.74	4.72	5.59	5.54
Lombard rate	3.00	3.69	3.69	3.56	3.97	4.10	4.08	4.08	4.50	6.75	6.79	7.91	7.79
REPO rate	1.21	2.46	2.46	2.37	2.37	2.37	2.37	2.37	2.37	4.50	4.50	4.50	4.50
182 days	3.06	2.69	2.68	3.83	5.31	5.07	4.98	5.22	5.26	5.27	5.28	5.17	5.26
364 days	4.74	4.80	6.27	7.63	8.11	7.98	8.08	8.59	9.22	9.33	9.25	9.15	9.06
Overall Treasury bills rate	4.04	4.28	5.59	7.45	7.57	7.19	7.40	8.19	8.72	8.54	8.73	8.67	8.20
Treasury bonds rates													
2-years	8.52	8.52	8.52	8.52	9.00	9.00	10.49	10.49	10.49	11.39	11.39	11.39	11.97
5-years	11.06	11.06	11.30	11.30	11.88	11.88	11.88	12.00	12.00	12.00	12.71	12.71	12.71
7-years	12.96	12.23	12.23	12.23	12.27	12.27	12.27	12.56	12.56	12.56	13.23	13.23	13.23
10-years	13.86	13.94	13.94	14.41	14.41	14.39	14.39	14.39	14.94	14.94	14.94	15.11	15.11
15-years	14.17	14.17	14.47	14.80	14.80	14.80	15.03	15.03	15.03	15.46	15.46	15.62	15.62
Discount rate	9.00	9.00	9.00	9.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00

Source: Bank of Tanzania



Table A6: Commercial Banks' Interest Rates

Percent

Items	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
A: Domestic currency																	
Savings deposit rate	2.80	2.86	2.76	2.77	2.19	2.11	2.09	2.25	2.65	2.66	2.63	2.63	2.64	2.60	2.54	2.59	2.46
Overall time deposits rate	9.62	9.50	8.91	8.57	8.64	8.13	8.19	7.83	7.63	8.15	7.93	7.84	7.52	7.33	7.25	7.64	7.36
1 month	10.26	10.41	10.31	9.51	9.17	8.89	9.19	7.95	8.19	8.83	9.77	9.87	8.89	9.24	9.66	9.16	8.48
2 months	11.19	11.16	10.09	8.69	9.10	8.77	8.20	8.58	8.25	9.36	8.43	7.68	8.20	7.31	7.21	8.26	8.30
3 months	10.99	10.01	8.41	8.89	8.51	7.70	8.63	7.62	7.90	7.97	7.55	7.92	7.29	6.61	6.81	8.01	7.36
6 months	10.15	9.72	9.26	8.99	8.96	9.14	8.80	8.41	8.37	8.76	8.25	7.56	7.43	7.50	8.03	8.06	8.06
12 months	10.86	10.77	10.09	9.92	9.22	8.68	8.68	8.35	7.75	7.36	8.11	8.03	8.40	8.65	8.51	9.00	8.10
24 months	11.82	12.36	12.21	12.08	13.54	11.80	11.94	11.98	11.94	13.68	11.42	11.34	10.32	10.10	9.79	9.53	9.73
Negotiated deposit rate	11.10	10.90	10.40	10.19	9.87	9.39	9.37	9.43	9.36	9.02	8.41	8.85	9.17	8.85	9.13	8.84	9.15
Overall lending rate	18.62	18.31	17.39	17.59	17.57	17.53	17.50	17.39	17.09	17.52	17.27	17.09	16.72	17.21	16.80	17.23	17.21
Short-term (up to 1 year)	18.47	18.65	18.01	18.54	18.19	18.05	17.61	17.98	18.19	18.68	18.20	18.54	17.83	17.00	16.38	17.47	16.87
Medium-term (1-2 years)	20.40	20.08	18.85	19.43	19.49	18.75	18.65	18.41	17.89	18.33	17.88	17.77	17.61	18.17	17.97	17.80	18.30
Medium-term (2-3 years)	18.79	18.76	17.34	17.04	17.00	17.27	17.79	17.43	17.44	17.77	17.46	17.34	17.08	17.76	17.32	18.98	17.94
Long-term (3-5 years)	19.24	18.82	17.96	17.92	17.87	17.93	17.47	17.61	16.76	17.05	16.75	16.57	16.20	17.07	16.88	16.84	16.70
Term loans (over 5 years)	16.21	15.24	14.79	15.03	15.32	15.64	15.97	15.51	15.18	15.78	16.08	15.23	14.88	16.08	15.47	15.06	16.24
Negotiated lending rate	16.82	15.88	16.20	16.47	16.23	16.01	16.23	16.19	15.92	15.69	14.90	15.87	15.28	14.93	14.84	14.62	14.61
B: Foreign currency																	
Deposits rates																	
Savings deposits rate	0.24	0.70	1.16	0.81	0.77	1.07	1.02	0.75	0.70	1.09	0.71	1.61	1.92	2.02	2.09	1.72	1.76
Overall time deposits rate	3.41	4.21	4.10	3.90	4.04	3.65	3.49	3.41	3.52	3.53	3.53	3.60	3.57	3.43	3.17	3.07	3.15
1-months	2.54	3.70	3.95	4.18	3.79	4.20	3.84	3.33	3.42	3.44	3.45	3.23	3.41	3.27	3.30	2.67	2.81
2-months	2.92	4.25	4.42	3.74	4.44	3.76	3.39	3.64	3.17	3.94	4.03	4.54	4.55	4.46	3.19	2.95	3.26
3-months	3.91	4.59	3.72	4.36	5.23	3.45	3.66	3.73	3.84	3.48	3.14	3.30	3.27	3.19	2.68	3.51	3.74
6-months	4.03	4.69	4.65	3.87	3.77	3.73	3.73	3.49	4.13	3.49	3.93	3.62	3.26	3.19	3.37	3.10	2.86
12-months	3.67	3.83	3.74	3.35	2.99	3.11	2.82	2.87	3.02	3.31	3.08	3.32	3.37	3.06	3.33	3.11	3.08
Overall lending rate	7.81	7.96	8.39	8.02	8.31	8.32	8.38	8.32	7.97	5.94	6.91	7.70	8.31	8.00	7.72	7.57	7.46
Short-term (up to 1 year)	7.82	8.48	8.84	8.32	8.30	8.54	8.55	8.99	8.68	7.11	7.27	7.46	8.93	6.76	6.82	8.23	8.17
Medium-term (1-2 years)	7.25	7.29	7.92	8.34	8.35	8.03	8.18	8.86	8.01	5.69	6.90	8.00	9.17	8.38	8.20	5.91	5.39
Medium-term (2-3 years)	8.29	8.34	8.27	7.71	8.31	8.42	8.40	7.44	7.62	7.53	7.80	8.03	7.80	8.03	7.61	7.79	7.85
Long-term (3-5 years)	8.07	8.01	8.03	8.17	8.17	8.17	8.47	8.33	8.12	5.59	6.15	8.12	8.19	8.87	7.99	8.03	8.03
Term loans (over 5 years)	7.61	7.69	8.89	7.57	8.43	8.44	8.28	8.01	7.43	6.70	7.02	7.40	7.49	7.98	7.97	7.87	7.87

Source: Bank of Tanzania



Table A7: Zanzibar Central Government Operations

	Billions of TZS			Percent of estimates
	Budget 2018/19	Jul 2018 - April 2019		
		Estimates	Actual	
Total revenue	786.5	677.0	637.0	94.1
Tax revenue	706.5	596.8	552.5	92.6
Tax on imports	165.9	137.8	120.4	87.4
VAT and excise duties (local)	191.8	165.6	144.3	87.1
Income tax	135.2	109.7	119.5	108.9
Other taxes	213.6	183.7	168.4	91.7
Non-tax revenue	80.0	80.2	84.5	105.3
Total expenditure	1,315.1	959.6	966.9	100.8
Recurrent expenditure	702.1	632.0	594.4	94.1
Wages and salaries	337.3	276.4	276.9	100.2
Other expenditure	364.8	355.5	317.5	89.3
Development expenditure	613.0	327.6	372.5	--
local	148.8	108.7	85.6	78.8
foreign	464.2	219.0	286.9	--
Overall (surplus) deficit before grants	-528.6	-282.6	-329.8	--
Grants	75.6	32.6	32.3	99.0
Project grant	75.6	32.6	25.9	79.4
Overall deficit after grants	-453.0	-249.9	-297.5	--
Adjustment to cash and other items	24.4	61.6	15.8	--
Overall deficit cheques cleared	-428.6	-188.3	-281.7	--
Financing	27.3	188.3	281.7	--
Foreign	27.3	188.3	249.7	--
Program loans	27.3	186.3	249.7	--

Source: Ministry of Finance and Planning, Zanzibar



Table A8: Tanzania's Balance of Payments

Millions of USD

Item	2014	2015	2016	2017 ^r	2018 ^p
A. Current Account	-5,028.2	-3,987.4	-2,664.7	-1,813.9	-2,344.2
Goods: exports f.o.b.	5,194.1	5,316.8	4,949.7	4,523.9	4,379.6
Traditional	828.8	793.3	961.2	1,020.7	772.1
Nontraditional	3,798.6	4,040.1	3,538.5	3,091.9	3,209.3
o/w Gold	1,324.1	1,183.3	1,508.8	1,541.1	1,524.0
Unrecorded trade	566.8	485.3	450.0	411.3	398.1
Goods: imports f.o.b.	-10,917.8	-9,843.1	-8,463.6	-7,551.7	-8,173.8
Balance on Goods	-5,723.7	-4,526.3	-3,513.9	-3,027.8	-3,794.2
Services: credit	3,396.0	3,412.4	3,599.3	3,831.9	4,014.7
Transport	902.6	1,024.9	1,053.6	1,137.4	1,222.1
Travel	2,010.1	1,902.0	2,131.6	2,250.3	2,449.4
Other	483.2	485.5	414.1	444.2	343.2
Services: debit	-2,648.3	-2,629.1	-2,176.4	-2,039.9	-2,163.4
Transport	-1,142.6	-1,047.0	-893.7	-795.7	-871.2
Travel	-1,101.6	-1,195.3	-922.3	-807.3	-738.1
Other	-404.1	-386.8	-360.4	-436.9	-554.1
Balance on Services	747.7	783.3	1,422.9	1,792.0	1,851.3
Balance on Goods and Services	-4,976.0	-3,743.0	-2,091.1	-1,235.8	-1,942.9
Primary Income: credit	118.4	110.3	98.5	125.3	155.9
o/w Investment income	86.5	87.8	67.6	86.1	108.5
Compensation of employees	31.9	22.5	31.0	39.3	47.4
Primary Income: debit	-6,874.9	-8,344.6	-1,053.6	-1,054.4	-1,028.8
o/w Direct investment income	-445.0	-550.0	-625.2	-700.0	-683.7
Interest payments	-150.9	-248.6	-379.9	-358.0	-302.1
Compensation of employees	-49.1	-33.2	-46.1	-45.0	-37.6
Balance on Primary Income	-5,295.5	-7,243.3	-955.1	-980.1	-869.9
Balance on Goods, Services and Primary Income	-5,505.5	-4,467.3	-3,046.2	-2,215.9	-2,812.7
Secondary Income: credit	535.5	560.1	452.7	485.2	535.8
Government	177.9	194.8	81.1	121.8	170.3
o/w Miscellaneous current transfers (Multilateral HIPC relief)	0.0	0.0	0.0	0.0	0.0
Financial corporations, nonfinancial corporations, households and NPISHs	357.6	365.3	371.6	363.4	365.5
o/w Personal transfers	357.6	365.3	371.6	363.4	365.5
Secondary Income: debit	-58.2	-80.2	-71.2	-83.2	-67.3
Balance on Secondary Income	477.3	479.9	381.5	402.0	468.5
B. Capital Account	547.9	380.1	446.2	376.8	430.0
Capital transfers credit	547.9	380.1	446.2	376.8	430.0
General Government	483.7	316.1	383.0	313.6	366.2
Other Capital Transfer (Investment grant)	457.9	290.3	357.3	287.8	360.2
Financial corporations, nonfinancial corporations, households and NPISHs	64.2	64.0	63.2	63.2	63.8
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
Total, Groups A plus B	-4,480.3	-3,607.3	-2,218.5	-1,437.1	-1,914.2
C. Financial Account, excl. reserves and related items	-3,218.1	-2,793.9	-1,794.8	-2,154.9	-2,033.5
Direct Investments	-1,416.1	-1,506.0	-864.0	-937.7	-1,106.0
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	1,416.1	1,506.0	864.0	937.7	1,106.0
Portfolio investment	-11.5	-27.6	5.0	-2.9	0.7
Other investment	-1,790.5	-1,260.2	-935.8	-1,214.2	-928.2
Assets	-28.8	331.8	-129.1	-117.8	151.0
Loans (Deposit-taking corporations, except the central bank)	-24.8	186.9	-95.8	-84.5	35.2
Currency and deposits	-3.9	144.9	-33.3	-83.4	115.8
Deposit-taking corporations, except the central bank	-87.9	69.5	-150.1	-4.9	206.9
Other sectors	84.0	75.4	116.8	-78.5	-91.1
Other assets	0.0	0.0	0.0	0.0	0.0
Liabilities	1,761.7	1,592.0	806.7	1,096.5	1,079.3
Trade credits	-1.0	-0.1	0.2	9.7	21.4
Loans	1,748.3	1,689.6	875.7	1,103.9	1,020.3
Monetary Authority	0.0	0.0	0.0	0.0	0.0
General government	1,311.7	1,221.2	356.2	707.0	654.6
Drawings	1,476.8	1,440.7	828.5	1,238.8	1,361.1
Repayments	-165.1	-219.5	-472.3	-531.9	-706.5
Banks	14.6	97.3	209.2	176.1	-32.2
Other sectors	422.0	371.0	310.3	220.8	307.9
Drawings	494.5	547.4	453.3	318.9	467.6
Repayments	-72.5	-176.4	-142.9	-98.1	-69.7
Currency and deposits	14.4	-97.5	-69.3	-17.1	37.6
Total, Groups A through C	-1,262.2	-813.3	-423.7	717.8	119.3
D. Net Errors and Omissions	1,010.4	614.2	729.2	951.9	-903.4
Overall balance (Total, Groups A through D)	251.8	199.1	-305.5	-1,669.6	784.0
E. Reserves and Related Items	-251.8	-199.1	305.5	1,669.6	-784.0
Reserve assets	-307.3	-275.7	232.2	1,598.7	-871.9
Use of Fund credit and loans	55.5	74.6	73.3	70.9	87.9
Memorandum items					
CAB/GDP	-10.1	-8.4	-5.4	-3.4	-4.1
CAB/GDP (excl. current official transfers)	-10.4	-8.8	-5.5	-3.6	-4.4
Gross Official Reserves	4,377.2	4,093.7	4,325.6	5,900.3	5,044.6
Months of Imports	4.2	4.6	5.4	6.8	5.0
Months of Imports(Excluding FDIrelated imports)	4.7	4.9	5.9	7.5	5.5
Exchange rate (end of period)	1,725.8	2,148.5	2,172.6	2,230.1	2,281.2
Exchange rate (annual average)	1,652.5	1,985.4	2,177.1	2,228.9	2,255.8

Source: Tanzania Revenue Authority, Bank of Tanzania, banks and Bank of Tanzania computations

Notes: r denotes revised data; P, provisional data; f.o.b, free on board; CAB, current account balance; and NPISHs, non-profit institutions serving households



Table A9: Zanzibar: Goods Exports by Major Category

Export Category	Units	July - April		Percentage change
		2017/18	2018/19	
Traditional				
Clove				
Value	USD ('000')	58,207.1	0.0	--
Volume	000 Tonnes	7.3	0.0	--
Unit price	USD/Tonne	7,936.6	0.0	
Non-traditional				
Seaweeds				
Value	USD ('000')	3,928.8	3,483.4	-11.3
Volume	000 Tonnes	10.6	7.6	-28.5
Unit price	USD/Tonne	385.6	461.1	19.6
Manufactured goods	USD ('000')	5,834.8	3,606.1	-38.2
Fish and marine Products	USD ('000')	165.3	632.5	--
Others exports	USD ('000')	2,087.0	438.5	-79.0
Sub total	USD ('000')	12,016.0	8,160.5	-32.1
Grand total	USD ('000')	70,223.1	8,160.5	-88.4

Source: Tanzania Revenue Authority and Bank of Tanzania computations

Note: Other exports include mainly souvenirs and spices

Table A10: Zanzibar: Imports by Major Category

Import Category	Millions of USD		Percentage change
	July - April		
	2017/18	2018/19	
Capital goods	42.3	49.2	16.3
Transport equipment	15.9	15.2	-4.5
Building and construction	6.5	11.9	82.9
Machinery	19.9	22.2	11.2
Intermediate goods	74.6	91.3	22.3
Oil imports	49.9	63.2	26.5
Industrial raw materials	24.7	28.1	13.7
Consumer goods	50.8	65.8	29.5
Food and food stuffs	21.0	28.4	34.9
All other consumer goods	29.8	37.4	25.6
Grand total (c.i.f)	167.7	206.2	22.9
Grand total (f.o.b)	160.6	190.7	18.8

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: "--" denotes change exceeds 100 percent; c.i.f, cost insurance and freight; and f.o.b, 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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