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MONETARY POLICY STATEMENT

The Mid-Year Review

**GOVERNOR
BANK OF TANZANIA**

March 2014



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4th March, 2014

**Hon. Saada Salum Mkuya (MP),
Minister for Finance,
Dar es Salaam,
TANZANIA.**

Honourable Minister,

LETTER OF TRANSMITTAL

In accordance with Section 21 (5) of the Bank of Tanzania Act 2006, I hereby submit the Mid-Year Review of the *Monetary Policy Statement* of the Bank of Tanzania for the financial year 2013/14.

The Statement reviews the implementation of monetary policy during the first half of 2013/14. It then outlines the monetary policy stance and measures that the Bank of Tanzania intends to pursue in the second half of 2013/14 to meet its policy objectives.

Yours Sincerely,

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



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EXECUTIVE SUMMARY

Introduction

This mid-year review of the Monetary Policy Statement examines the progress made in the implementation of monetary policy in the first half of 2013/14, and outlines the monetary policy stance that the Bank intends to adopt in the remaining period of 2013/14 to meet its policy objectives.

Global Economic Developments

According to IMF's World Economic Outlook Update of January 2014, global economic growth was 3.0 per cent in 2013, compared to 3.1 per cent in 2012. Emerging market economies lost their previous growth momentum, while developed economies gained strength. Global activity is projected to rebound to 3.7 per cent in 2014, but world's major economies are still fragile and downside risks remain, associated with very low inflation in advanced economies, especially the euro area, which in a worst case scenario could lead into deflation. In a deflationary situation, firms are bound to make continuous losses in their operations thereby forcing them to cut down production due to decline in profits, or even shutdown business. Such a situation leads to decline in investments, growth and worsening of human welfare conditions. The Japanese economy for instance was caught in a deflationary spiral starting in 1989. During that decade, the economy grew by less than 2 per cent, as businesses cut back investments and lost productivity.

Economic Developments in Tanzania

Tanzania Mainland

In the first three quarters of 2013, economic growth remained strong, at 6.8 per cent with the largest contribution to growth coming from transport



and communication, wholesale and retail trade, real estate and business services, agriculture; financial intermediation and manufacturing activities. Based on the performance in the first three quarters, it is expected that the economy will grow by 7.0 per cent in 2013, as earlier projected.

Inflation has been brought down close to its medium term target of 5 per cent in December 2013, thanks to policy measures taken, including tight monetary policy and fiscal consolidation; as well as softening of supply side shocks. Core inflation declined consistently from July 2013 reaching 4.5 per cent in December 2013.

Budget execution in the first half of 2013/14 was characterised by shortfalls in domestic revenue and moderate government expenditure. Domestic revenue on cash basis amounted to TZS 4,663.3 billion, 83.6 per cent of the target, mainly due to delays in the implementation of some revenue measures especially taxes on money transfers and SIM Card. Total government expenditure on cash basis was TZS 5,522.5 billion, 65.9 per cent of estimates with recurrent expenditure recording 84.3 per cent of estimates and development expenditure 31.7 per cent.

During 2013, the current account deficit widened to USD 4,671.8 million compared to a deficit of USD 3,499.3 million in 2012, mainly driven by decline in exports of goods and services due to substantial decrease in the world market prices of gold and major traditional exports. The increase in volume of oil imports also contributed to these developments. Despite the widening of the current account deficit, the overall balance of payments recorded a surplus of USD 498.4 million which was higher compared to a surplus of USD 326.1 million recorded in 2012, partly due to inflows in form of capital grants, external borrowing and foreign direct investment.



Gross official reserves remained strong at USD 4,676.2 million in December 2013, sufficient to cover 4.6 months of projected imports of goods and services excluding those related to foreign direct investment.

The national debt stock has increased, mainly to meet the growing needs to finance infrastructure development, but has remained within the sustainable thresholds. In the year ending December 2013 external debt stock increased by 24.6 per cent to USD 13,195.6 million, mainly on account of new disbursements of commercial loans. Domestic debt stock was TZS 6,048.6 billion, an increase of 17.4 per cent from the level recorded at the end of December 2012; mainly on account of issuance of government securities for financing and rolling over maturing obligations.

The banking sector remained healthy as indicated by financial soundness indicators, while technological advancement, particularly in the area of mobile financial services has broadened the opportunity for reaching out the un-banked population.

Zanzibar

GDP is estimated to have grown by 1.0 per cent during the first three quarters of 2013 compared to 9.0 per cent recorded in the corresponding period in 2012, associated with poor performance in agriculture, fishing, construction, hotels and restaurant, wholesale and retail trade and transport and communication.

Headline inflation rose to 3.8 per cent in December 2013 compared to 3.0 per cent recorded in December 2012, mainly due to increase in prices of some food items, particularly fish. Inflation is projected to remain at single digit during the second half of 2013/14 as food prices stabilize.



During the first half of 2013/14 domestic revenue was 96.1 per cent of the target. Grants were TZS 44.8 billion while foreign loans were TZS 32.1 billion. Total expenditure was below the estimates by 2.3 per cent, mainly explained by lower foreign financed development expenditure.

During 2013, the current account recorded a deficit of USD 121.1 million, compared to a deficit of USD 46.4 million in 2012, largely associated with decrease in exports of goods and services coupled with a decrease in net current transfers.

Implementation of Monetary Policy in 2013/14

Monetary Policy Objectives

In support of the broader macroeconomic objectives of the Government, the Bank undertook to achieve the following targets:

- i. Annual growth of average reserve money not exceeding 14.0 per cent;
- ii. Annual growth of M3 of 15.0 per cent;
- iii. Annual growth of private sector credit of 19.6 per cent; and
- iv. Accumulation of gross official reserves adequate to cover at least 4.0 months of projected imports of goods and services, excluding FDI related imports.

Monetary Policy Implementation

During the first half of 2013/14, the Bank continued to sterilize excess liquidity from the economy so as to achieve appropriate liquidity levels and contain inflationary expectations. Significant achievement was recorded in controlling growth of money supply. Extended broad money supply (M3) grew by 10.0 per cent during the year ending December 2013, slightly below the program target of 10.8 per cent. Growth of credit to the private sector was 15.3 per cent in line with the program target of 15.2 per cent. Meanwhile, all indicative targets under the Standby Credit Facility (SCF) were met for end December 2013, except for average reserve money (ARM)





which was missed slightly by TZS 5.8 billion.

Monetary Policy Stance for the Second Half of 2013/14

The Bank will continue with the tight monetary policy, which will be complemented by stable oil prices and good weather, to sustain low inflation. In addition, the Bank will monitor inflation expectations through market surveys, with the view to taking additional measures when actual developments deviate from the desired path.

Conclusion

The economy performed well during the first three quarters of 2013, with GDP growing at 6.8 per cent. Inflation remained at single digit, declining to 5.6 per cent in December 2013 as monetary policy remained tight to keep inflationary expectations down.

Economic activity is expected to remain strong in the second half of 2013/14, spurred by increased investments in infrastructure; expansion in the services sector; and a steady pick-up in FDI flows. For the year 2013/14, GDP is expected to grow at 7.1 per cent as earlier projected. However, downside risks remain, associated with the decline in prices of our major commodity exports in the global markets. This situation may be worsened by deflationary pressures in the euro area if the current steep decline in inflation continues.

Given the good performance of the monetary aggregates in the first half of 2013/14, the stance to be pursued in the second half and the complementary effect of fiscal policy, the Bank is confident that monetary policy outturn will be within the targets set for end June 2014.



PART I

1.0 INTRODUCTION

This mid-year review of the Monetary Policy Statement examines the progress made in the implementation of the monetary policy in the first half of 2013/14, and outlines the monetary policy stance that the Bank intends to adopt in the remaining period of 2013/14. In particular, the review focuses on evaluating progress made towards attaining the primary objective of price stability, which is in line with the objective of promoting macroeconomic stability.

The Statement is divided into six parts including this introductory part. Part II presents the macroeconomic policy framework for 2013/14, while Part III covers the review of recent economic developments for the period July to December 2013. Part IV reviews the progress in the implementation of monetary policy in the first half of 2013/14. Part V of the Statement outlines the monetary policy stance for the second half of 2013/14, and Part VI concludes.

1.1 MANDATE AND MODALITIES FOR MONETARY POLICY IMPLEMENTATION

1.1.1 The Mandate of the Bank of Tanzania

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

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





Section 7(2) of the Bank of Tanzania Act, 2006 further states that: “Without prejudice to subsection (1), the Bank shall ensure the integrity of the financial system and support the general economic policy of the Government and promote sound monetary, credit and banking conditions conducive to the development of the national economy”.

1.1.2 Modalities for Monetary Policy Implementation

The Bank employs a variety of indirect instruments of monetary policy to maintain liquidity in the economy within desired levels. This includes the use of Open Market Operations (OMO), as well as sale and purchase of foreign currency in the Inter-bank Foreign Exchange Market (IFEM). The liquidity management effort is further complemented by periodic adjustments in the pricing of standby facilities namely; the discount and the Lombard facilities; while the intraday loan facility is provided to ensure that payment and settlement operations between banks are smoothly implemented. Also, the Bank uses repurchase agreements (repos) and reverse repos to manage short-term liquidity fluctuations in the economy.



THE MODALITIES FOR MONETARY POLICY IMPLEMENTATION

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



PART II

2.0 MACROECONOMIC POLICY FRAMEWORK FOR 2013/14

2.1 Macroeconomic Policy Objectives

The Government's policy objectives in 2013/14 continue to focus on sustaining macroeconomic stability, mainly through strengthening tax administration, and ensuring appropriate expenditure and debt management. Specifically, the Government intends to attain the following targets:

- i. A real GDP growth of 7.1 per cent for fiscal year 2013/14 based on the projected GDP growth of 7.0 per cent for 2013 and 7.2 per cent for 2014;
- ii. Maintaining a single digit annual inflation rate by end June 2014;
- iii. Domestic revenue (including Local Government Authorities own sources) equivalent to 19.9 per cent of GDP;
- iv. Total expenditure equivalent to 29.1 per cent of GDP; and
- v. Government net domestic financing of TZS 552.3 billion and external non-concessional borrowing not exceeding TZS 1,156.4 billion.

2.2 Monetary Policy Objectives

In support of the broader macroeconomic policy of the Government, monetary policy continues to focus on setting monetary targets consistent with the objective of maintaining low and stable inflation, while continuing to enhance access to banking services for the unbanked and the under banked. Specifically, the Bank aims at achieving the following targets in 2013/14:



- v. Annual growth of average reserve money not exceeding 14.0 per cent;
- vi. Annual growth of M3 of 15.0 per cent;
- vii. Annual growth of private sector credit of 19.6 per cent; and
- viii. Accumulation of gross official reserves adequate to cover at least 4.0 months of projected imports of goods and services, excluding FDI related imports.



PART III

3.0 RECENT ECONOMIC DEVELOPMENTS

3.1 Overview of Global Economic Developments

3.1.1 GDP Performance

According to IMF's World Economic Outlook (WEO) Update of January 2014, global output grew by 3.0 per cent in 2013, compared to 3.1 per cent recorded in 2012 (**Table 3.1**). Real GDP growth in the advanced economies slowed to 1.3 per cent in 2013 from 1.4 per cent in 2012. In emerging market and developing economies, the real GDP growth was 4.7 per cent in 2013 compared with 4.9 per cent recorded in 2012. This development was mainly attributed to tight fiscal and financial conditions.

According to the IMF's WEO Update of January 2014, the global economy is forecasted to grow by 3.7 per cent in 2014 and 3.9 per cent in 2015, up from 3.0 per cent recorded in 2013. Growth in the advanced economies is projected to accelerate to 2.2 per cent in 2014 and 2.3 per cent in 2015, largely due to a rise in final domestic demand and exports supported in part by tighter fiscal stance. Real GDP growth in emerging market and developing economies is projected to grow by 5.1 per cent in 2014, compared with a growth rate of 4.7 per cent registered in 2013 largely due to a rise in investments and external demand from advanced economies. However, world's major economies are still fragile and downside risks remain, associated with very low inflation in advanced economies, especially the euro area, which in a worst case scenario could lead into deflation. In a deflationary situation, firms are bound to make continuous losses in their operations thereby forcing them to cutdown production due to decline in profit or even shutdown business. Such a situation leads to decline in



investments, growth and worsening of human welfare conditions. The Japanese economy for instance, was caught in a deflationary spiral starting in 1989. During that decade, the economy grew by less than 2 per cent, as businesses cut back investments and lost productivity.

Table 3.1: Global Real GDP Growth

	<i>Annual per cent change</i>							
	2008	2009	2010	2011	2012	2013	Projections	
							2014	2015
World	2.7	-0.4	5.2	3.9	3.1	3.0	3.7	3.9
Advanced economies	0.1	-3.4	3.0	1.7	1.4	1.3	2.2	2.3
USA	-0.3	-2.8	2.5	1.8	2.8	1.9	2.8	3.0
Euro area	0.4	-4.4	2.0	1.5	-0.7	-0.4	1.0	1.4
Japan	-1.0	-5.5	4.7	-0.6	1.4	1.7	1.7	1.0
United Kingdom	-0.8	-5.2	1.7	1.1	0.3	1.7	2.4	2.2
Emerging Market and Developing Economies	5.8	3.1	7.5	6.2	4.9	4.7	5.1	5.4
Developing Asia	7.3	7.7	9.8	7.8	6.4	6.5	6.7	6.8
China	9.6	9.2	10.4	9.3	7.7	7.7	7.5	7.3
India	3.9	8.5	10.5	6.3	3.2	4.4	5.4	6.4
Sub-Saharan Africa	5.7	2.6	5.6	5.5	4.8	5.1	6.1	5.8
South Africa	3.6	-1.5	3.1	3.5	2.5	1.8	2.8	3.3
Tanzania	7.4	6.0	7.0	6.4	6.9	7.0	7.2	7.4

Source: IMF WEO Update, January 2014 and Bank of Tanzania

3.1.2 Inflation Developments

During December 2013, inflation rates eased in the advanced and emerging market economies with the exception of the United States (**Table 3.2**). The increase in inflation in the United States was mainly due to a rise in the costs of transportation and residential rents. In China, inflation rate went down to 2.5 per cent in December 2013, from 3.0 per cent recorded in the previous month, largely on account of lower food prices. Similarly, inflation rate in India decreased to 6.2 per cent in December 2013, from 7.5 per cent recorded in the previous month, largely due to a decline in vegetable prices, mainly onions, following new harvest. In the United Kingdom inflation decelerated to 2.0 percent, owing to the decline in prices of food and non-alcoholic beverages particularly fruit and meat as well





as recreational goods and services like computer games. Likewise in the euro zone, inflation rate eased slightly to 0.8 per cent from 0.9 per cent in November 2013, largely due to a change in the method of computing the inflation in Germany.

Table 3.2: Annual Inflation Rates for Selected Countries

Annual per cent change

Country	2012		2013											
	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
USA	1.8	1.7	1.6	2.0	1.5	1.1	1.4	1.8	2.0	1.5	1.2	1.0	1.2	1.5
Euro Area	2.2	2.2	2.0	1.8	1.7	1.2	1.4	1.6	1.6	1.3	1.1	0.7	0.9	0.8
Japan	-0.2	-0.1	-0.3	-0.7	-0.9	-0.7	-0.3	0.2	0.7	0.9	1.0	1.1	1.6	1.6
United Kingdom	2.7	2.7	2.7	2.8	2.8	2.4	2.7	2.9	2.8	2.7	2.7	2.2	2.1	2.0
China	2.0	2.5	2.0	3.2	2.1	2.4	2.1	2.7	2.7	2.6	3.1	3.2	3.0	2.5
India	7.2	7.2	6.6	6.8	6.0	4.7	4.6	4.9	5.8	6.1	6.5	7.0	7.5	6.2

Source: Respective Statistical Offices and Central Banks

3.2 Domestic Economic Developments

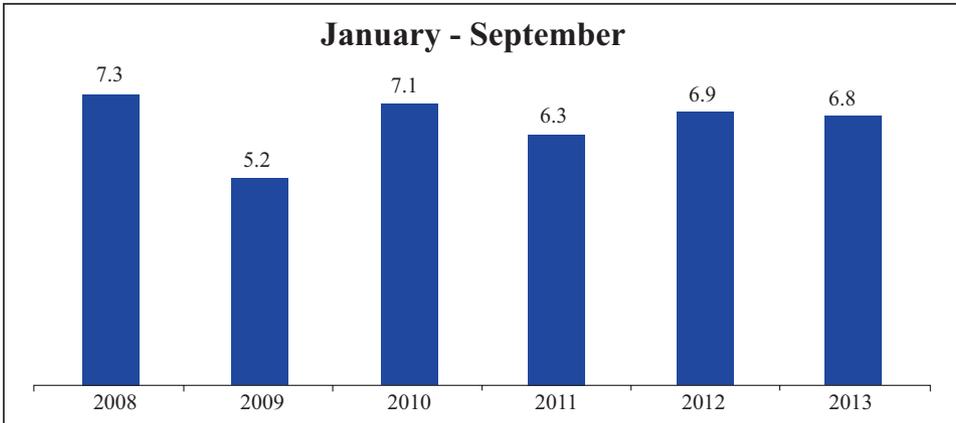
3.2.1 GDP Performance

Economic growth has remained strong, at 6.8 per cent in the first three quarters of 2013 compared to 6.9 per cent recorded in the corresponding period of 2012. The largest contribution to growth came from transport, financial intermediation and communications, wholesale and retail trade, real estate and business services, agriculture and manufacturing activities (**Chart 3.1** and **Chart 3.2**). Based on the performance in the first three quarters, it is projected that the economy will grow by 7.0 per cent in 2013, as earlier projected.



Chart 3.1: Real GDP Growth

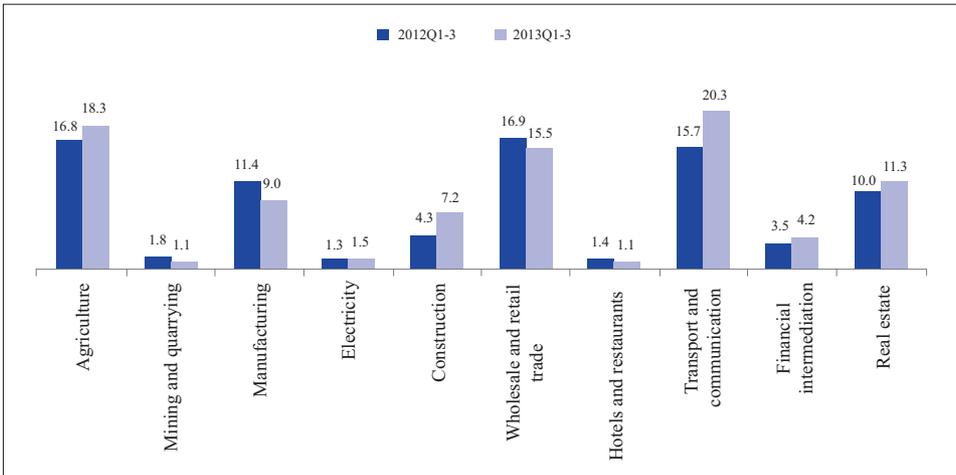
Per cent



Source: National Bureau of Statistics

Chart 3.2: Contribution to GDP Growth

Per cent



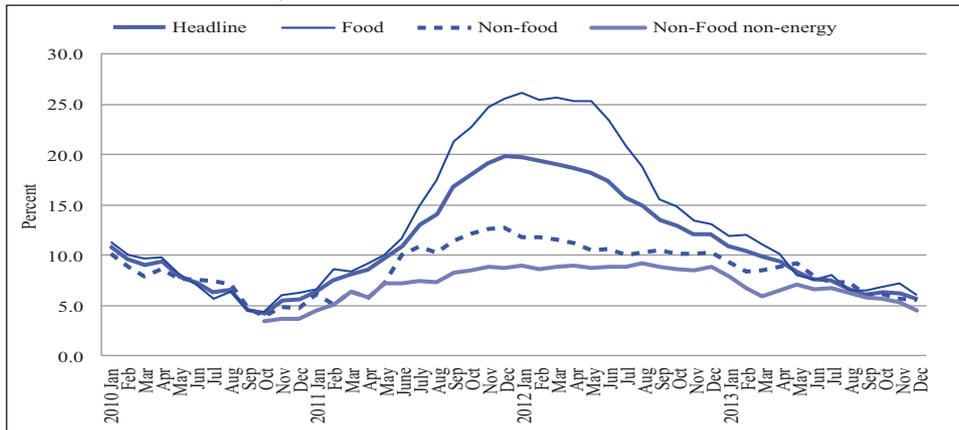
Source: National Bureau of Statistics and Bank of Tanzania



3.2.2 Inflation Developments

Inflation has been contained at single digit and is converging towards the medium term target of 5.0 per cent. In December 2013 headline inflation was 5.6 per cent. This development was a result of several policy measures which have been implemented, including tightening of monetary policy and fiscal consolidation; as well as softening of supply side shocks, which is partly mirrored in the food inflation trend. Core inflation, though at single digits had exhibited mixed trend until July 2013, after which it consistently declined reaching 4.5 per cent in December 2013 (**Chart 3.3**).

Chart 3.3: Headline, Food and Non-food Inflation



Source: Bank of Tanzania

3.2.3 Government Budgetary Performance

Budget execution in the first half of 2013/14 was characterised by shortfalls in domestic revenue and moderate government expenditure. Domestic revenue was on cash basis amounted to TZS 4,663.3 billion, 83.6 per cent of the target, mainly due to delays in the implementation of some



revenue measures especially taxes on money transfers and SIM Card. Total government expenditure on cash basis was TZS 5,522.5 billion, 65.9 per cent of estimates with recurrent expenditure recording 84.3 per cent of estimates and development expenditure 31.7 per cent.

3.2.4 External Sector Developments

During 2013, the current account recorded a deficit of USD 4,671.8 million compared to a deficit of USD 3,499.3 million in 2012, mainly driven by decrease in exports of goods and services due to substantial decline in the world market prices of gold and major traditional exports coupled with the increase in volume of oil imports (**Table 3.3**).

Table 3.3: Current Account

<i>Millions of USD</i>			
Items	2012	2013 ^P	% Change
Goods Account (net)	-4,429.9	-5,680.2	28.2
Exports*	5,889.2	5,348.9	-9.2
Imports	10,319.1	11,029.1	6.9
Services Account (net)	427.5	597.1	39.7
Receipts	2,786.4	3,170.2	13.8
Payments	2,358.9	2,573.1	9.1
Goods and services (net)	-4,002.4	-5,083.1	27.0
Export of goods and services	8,675.6	8,519.1	-1.8
Import of goods and services	12,678.0	13,602.2	7.3
Income Account (net)	-314.8	-344.8	9.6
Receipts	131.1	138.4	5.6
Payments	445.8	483.2	8.4
Current Transfers (net)	817.8	756.2	-7.5
Inflows	923.3	823.8	-10.8
o/w General Government	554.6	485.5	-12.5
Outflows	105.4	67.6	-35.9
Current Account Balance	-3,499.3	-4,671.8	33.5

Note: P= Provisional data

**Adjusted for informal cross border exports*

Source: Bank of Tanzania



Gold exports declined by 18.2 per cent to USD 1,732.9 million, due to a decline in price of gold in the global market, as well as closure of Tulawaka gold mine in May 2013, which was one of the country's major gold mines. With exception of cotton, tobacco and cashewnuts all other traditional crops namely coffee, tea, sisal and cloves recorded lower export prices compared to the levels recorded in 2012. Meanwhile, services receipt continues to perform better, driven partly by higher number of tourist arrivals that has been on a steady increase in recent years. It is worth noting that foreign exchange earnings arising from tourism activities accounts for over 60 per cent of total services receipt.

During the review period, the value of imports increased by 7.3 per cent to USD 13,602.2 million with goods imports particularly oil accounting for much of the increase. The value of oil imports went up by 27.4 per cent to USD 4,308.6 million following a huge increase in volumes as prices in the world market remained low. However, imports of machinery, industrial raw materials; and food and food stuffs recorded a decline.

Despite the widening of the current account deficit, the overall balance of payments recorded a surplus of USD 498.4 million which was higher compared to a surplus of 326.1 million, recorded in 2012, partly due to inflows in form of capital grants, external loans and foreign direct investment. Gross official reserves remained strong at USD 4,676.2 million, sufficient to cover 4.6 months of projected imports of goods and services excluding those financed by foreign direct investment. In the meantime, the gross foreign assets of banks stood at USD 867.3 million.

3.2.5 National Debt Developments

The national debt has increased mainly to meet expenditure needs for infrastructure development. However, the national debt has remained



within the sustainable thresholds (**Table 3.4**). As at the end of December 2013, external debt stock was USD 13,195.6 million, an increase of 24.6 per cent from the level recorded at the end of 2012, mainly on account of new disbursements of commercial loans.

Table 3.4: Debt Sustainability Indicators

	Ratio	Threshold
PV of Debt to GDP	19.3	50
PV of Debt to Export of Goods and Services	70.7	200
PV of Debt to Domestic Revenue	95.4	300
Debt Service to Export of Goods and Services	3.3	25
Debt Service to Domestic Revenue	4.3	22

Note: PV = Present value

Data as at 30th June 2013

Source: Bank of Tanzania

The stock of domestic debt was TZS 6,048.6 billion at the end of December 2013, an increase of 17.4 per cent from the level recorded at the end of December 2012; mainly on account of issuance of government securities for financing and rolling over maturing obligations.

In an effort to lengthen the maturity profile of Government debt, the Government, in collaboration with the Bank, launched a 15-year Treasury bond on 7th November 2013, with a 13.5 per cent coupon rate. This initiative will provide the much needed anchor or reference for other market segments such as mortgage financing and corporate bonds.

3.2.6 Economic Developments in Zanzibar

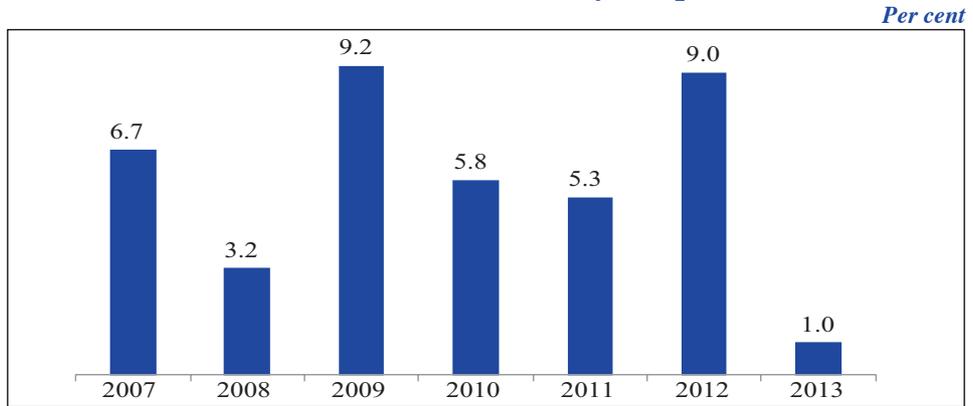
GDP Developments

During the first three quarters of 2013, Gross Domestic Product (GDP) is estimated to have grown by 1.0 per cent compared to 9.0 per cent recorded



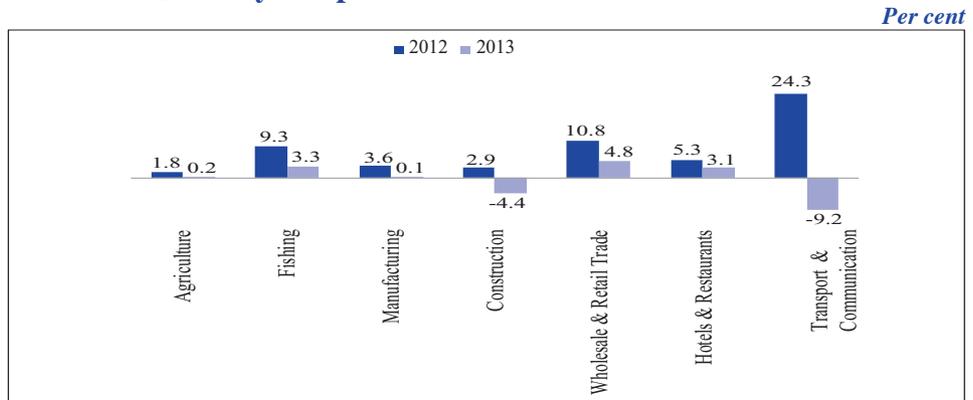
in the corresponding period in 2012 (**Chart 3.4**). This development is associated with poor performance in agriculture, fishing, construction, hotels and restaurant, wholesale and retail trade and transport and communication (**Chart 3.5**).

Chart 3.4: Real GDP Growth Rate, January – September



Source: Office of the Chief Government Statistician.

Chart 3.5: GDP Growth Rates by Major Economic Activities, January – September

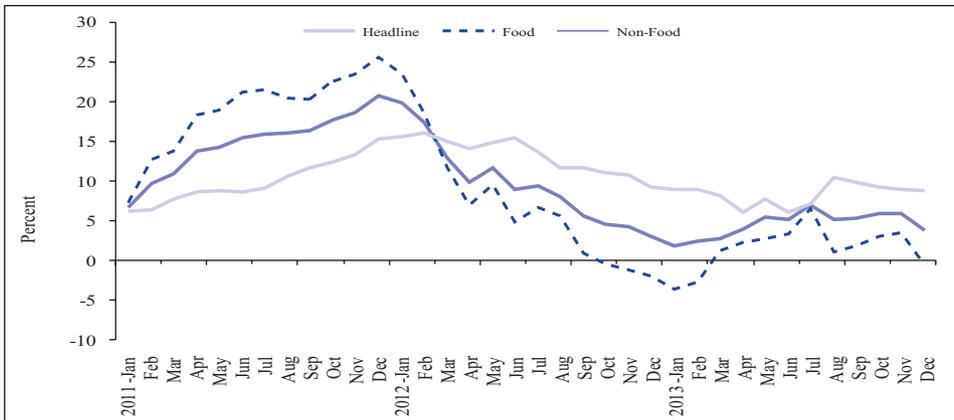


Source: Office of the Chief Government Statistician.



Annual headline inflation rate increased to 3.8 per cent in December, 2013 from 3.0 per cent recorded in December, 2012 (**Chart 3.6**), mainly due to increase in prices of some food items, particularly fish. Food inflation was negative 0.5 per cent compared to negative 2.0 per cent in December 2012, while non-food inflation rate was 8.8 per cent compared to 9.2 per cent. The slowdown in non-food inflation was on account of decline in prices of cement and fuel. Inflation is projected to remain at single digit during the second half of 2013/14 as food prices continue to stabilize due to commencement of short rains season.

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



Source: Office of Chief Government Statistician



Government Budgetary Performance

During the first half of 2013/14, total budgetary resources amounted to TZS 202.0 billion, out of which 77.8 per cent was from domestic sources and the balance was grants. Domestic revenue was TZS 157.2 billion, representing 96.1 per cent of the target. Tax revenue was TZS 147.9 billion, equivalent to 98.3 per cent of the target. During the period, program loans amounted to TZS 22.5 billion, while grants were TZS 44.8 billion. Out of total grants, General Budget Support (GBS) was TZS 18.1 billion, and program grants were TZS 26.7 billion.

Total government expenditure during the first half of 2013/14 amounted to TZS 222.3 billion, out of which, recurrent expenditure was TZS 161.6 billion. Development expenditure was TZS 60.7 billion, below estimates by 26.8 per cent, mainly due to decrease in foreign inflows. Out of the total development expenditure, foreign funding accounted for 81.0 per cent.

External Sector Developments

During 2013, current account recorded a deficit of USD 121.1 million, compared with a deficit of USD 46.4 million recorded in 2012, largely associated with decrease in exports of goods and services coupled with a decrease in net current transfers. Total exports of goods and services declined to USD 179.5 million from USD 197.4 million recorded in the corresponding period in 2012. However, goods exports increased by 16.7 per cent to USD 60.2 million, mainly on account of the increase in volume of cloves export (**Table 3.5**).



Table 3.5: Zanzibar Current Account Balance

Millions of USD

Item	Year ending December		%Change
	2012	2013 ^p	Annual
Goods Account (net)	-151.7	-150.9	-0.5
Exports	51.6	60.2	16.7
Imports (fob)	203.3	211.1	3.8
Services Account (net)	35.0	30.2	-13.7
Receipts	145.8	119.3	-18.2
Payments	110.8	89.1	-19.6
Goods and Services (net)	-116.7	-120.7	3.4
Exports of Goods and Services	197.4	179.5	-9.1
Imports of Goods and Services	314.1	300.2	-4.4
Income Account (net)	-3.7	-5.9	59.5
Receipts	1.8	3.8	111.1
Payments	5.5	9.7	76.4
Current Transfers (net)	74.0	5.5	-99.4
Inflows	74.0	48.3	-46.1
Outflows	0.0	42.8	...
Current Account Balance	-46.4	-121.1	160.8

Note: p = provisional.

Source: Tanzania Revenue Authority and BOT computations



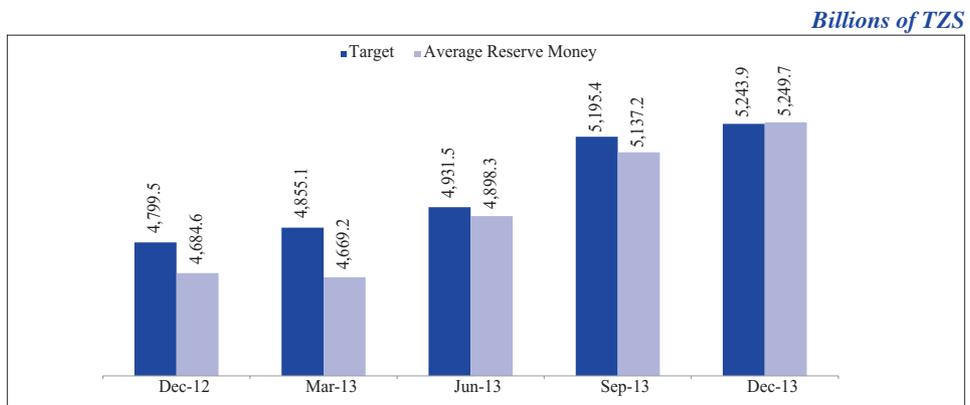
PART IV

4.0 REVIEW OF MONETARY POLICY IMPLEMENTATION DURING THE FIRST HALF OF 2013/14

4.1 Liquidity Management and Interest Rates Developments

During the first half of 2013/14, the Bank continued to sterilize excess liquidity from the economy so as to achieve appropriate liquidity levels and contain inflationary expectations. Significant achievement was recorded in monetary aggregates, with money supply (M3) growing at 10.0 per cent, slightly below the program target of 10.8 per cent; while the growth of credit to the private sector was 15.3 per cent in line with the program target of 15.2 per cent. Meanwhile, all indicative targets for end December 2013 under the SCF were met, except for average reserve money (ARM) which was missed slightly by TZS 5.8 billion, following commercial banks' access to standby facilities at the Bank of Tanzania during the last two days of the month (**Chart 4.1** and **Table 4.1**).

Chart 4.1: Average Reserve Money Developments



Source: Bank of Tanzania



Table 4.1: Performance Against the SCF Targets

Items	Jun-13		Sep-13		Dec-13		
	Performance Criteria	Actual	Indicative Target	Actual	Indicative Target	Prel. Actual	Change
NDF - Billions of TZS (Cumulative Ceiling from July)	484.0	1,069.3	400.0	99.0	450.0	382.3	-67.7
ARM (Upper bound) - Billions of TZS (Ceiling)	4,933.0	4,898.3	5,195.0	5,137.2	5,244.0	5,249.7	5.7
Change in NIR - Millions of USD (Cumulative Floor)	273.0	596.9	-122.7	141.0	13.1	253.1	240.0
External Nonconcessional Borrowing - disbursed for budget financing -(Cumulative from July)	737.0	676.6	167.0	74.0	334.0	74.0	-260.0
Program Assistance (Millions of USD)-(Cumulative from July)	785.0	878.1	406.0	288.1	602.0	543.6	-58.4

Source: Bank of Tanzania

In line with the monetary policy stance, Treasury bills rates rose, which was mirrored in the deposit rates offered by banks during the period under review; on the other hand, lending rates declined slightly (**Chart 4.2**).

Chart 4.2: Selected Commercial Banks Interest Rates



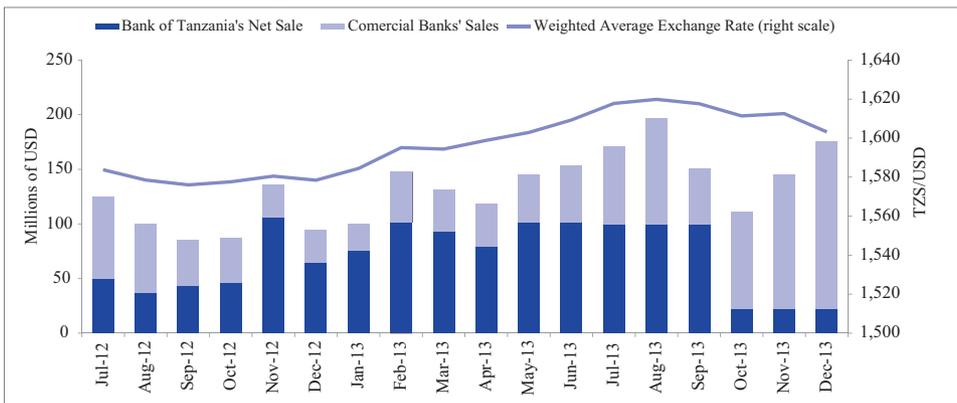
Source: Bank of Tanzania



4.2 Exchange Rate Developments

In the first half of 2013/14, the exchange rate in the Interbank Foreign Exchange Market (IFEM) remained fairly stable, depreciating at an average of 2.2 per cent year on year (**Chart 4.3**). This development was supported by effective liquidity management, coupled with good foreign exchange position among banks following inflows of export proceeds. During the period under review, the Bank continued to participate in the IFEM for liquidity management purposes, selling USD 408.2 million, out of USD 948.7 million transacted in the IFEM.

Chart 4.3: Exchange Rate Movements and BOT Sales of Foreign Exchange



Source: Bank of Tanzania

4.3 Financial Sector Stability

The banking sector continued to take measures to ensure that banking services reach majority of the population. A wide range of products and services including branchless banking through agent banking and micro-financing window continue to be promoted. The sector remained healthy



as indicated by financial soundness indicators. The sector is adequately capitalized; as at the end of December 2013, core capital to total risk-weighted assets was 17.7 per cent, above the minimum regulatory ratio of 10.0 per cent, thus providing cushion against any unprecedented losses. At 36.5 per cent, overall liquidity remained above the minimum regulatory requirement of 20 per cent. The quality of assets as measured by the ratio of gross non-performing loans (NPLs) to gross loans was 6.5 per cent in December 2013 compared to 8.1 per cent at end 2012. The Bank continued to closely monitor the ratio of NPLs to ensure that banks take necessary measures to reduce their NPLs to the target of below 5 per cent.

4.4 Financial Sector Reforms

Reforms continued to be implemented in the financial sector to ensure its efficiency. In August 2013, the Social Security Regulatory Authority (SSRA) issued guidelines on Social Security Schemes (Totalization of Contribution Periods); which provide guidance on treatment of members who have been subjected to membership of more than one scheme due to changes in the conditions of employment. This will safeguard the interest of members by protecting their benefit rights acquired through different employments.

The Bank officially launched Financial Inclusion Framework on 12th December 2013. The Framework targets to enable 50 per cent of adults in Tanzania to access formal financial services by 2016.

The Bank also conducted Country Financial Consumer Protection (FCP) and Financial Literacy Diagnostic Study in collaboration with World Bank in early 2013 which aimed at identifying gaps in the legal and institutional structures with a view of recommending options for setting up FCP systems in banking, micro-finance and pension sectors.



In September 2013, the Government launched the Enterprise Growth Market (EGM), which will provide a window for small entities, that may not be able to issue Initial Public Offer (IPO) and raise capital under the traditional process applicable to medium size and larger entities in the Dar es Salaam Stock Exchange (DSE) market.

Banking institutions were granted extension to comply with Know Your Customer (KYC) requirements, whose deadline was set for 15th September 2013. Major progress was attained by most banks in remediation of their customer KYC record and Bank of Tanzania continues to monitor progress towards full compliance.

The On-site Examination System went live on 19th December 2013. Following this development, the Bank will now be able to conduct paperless on-site examination of banking institutions on real-time basis in line with the Risk-based Supervision Manual.

During the period under review, members of the Tanzania Financial Stability Forum (TFSF) reviewed actions needed to enhance macro-prudential oversight, and timelines for respective sectors to accomplish the actions. Some of the activities whose implementation was in progress include: reform programme of the social security sector; introduction of benchmark bonds to support the development of longer term maturity yield curve; liberalization of the capital account; implementation of recommendations of the task force report on fraud; enactment of the National Payments Systems Act; issuance of Mobile Financial Services Regulations; and formulation of the Micro Finance Regulatory and Supervisory Framework by the Government.



4.5 National Payment Systems Developments

The Bank of Tanzania has allowed four telecommunication companies (Vodacom, Tigo, Airtel and Zantel) to engage in provision of technological solutions that enable majority of the population to have access to financial services through mobile payments. This service has created convenience for many types of payments from person to person, payments to payments for goods and services, micro taxes, insurance, loan disbursements and repayments to salary earners.

As at the end of 31st December 2013, the number of registered subscribers (accounts) was 31.8 million. Average daily transactions were 3,245,429, while the average daily value reached TZS 101.9 billion. The increase is attributed to continuing adoption of mobile payment services by the public and minimum risks borne with the usage of retail payments modes especially on consumer categories such as Person to Person (P2P), Person to Business (P2B) and Business to Person (B2P).

To facilitate payments among the EAC countries, the East African Payment Systems (EAPS) went live on 25th November 2013, and currently, Tanzania, Kenya and Uganda are participating. EAPS is in line with EAC Monetary Union Protocol and is facilitated through linkages of the EAC partners states Real Time Gross Settlement Systems. The implementation of EAPS is expected to have a number of advantages to the region and users which include; public to receive and pay funds on real time basis through their accounts in commercial banks, reduce costs and foreign exchange risks since the system uses partner state local currency, and capturing regional payment statistics.



PART V

5.0 MONETARY POLICY STANCE FOR THE SECOND HALF OF 2013/14

5.1 Growth Projection

Economic growth is expected to remain on track to realize the 2013/14 target of 7.1 per cent. This will be driven by steady pick-up in FDI, availability of electricity and gas, robust expansion of activity in the services sector especially telecommunication, trade and banking; housing construction; and increase in tourist arrivals. Economic activity will be spurred further by increased investments in infrastructure. However, downside risks remain, if the current decline in prices of our major commodity exports in the global markets persists which would further undermine exports earnings. The situation may be worsened by deflationary pressures in the euro area.

5.2 Inflation Projection

Inflation has been contained at single digit levels and is projected to remain at this level in the second half of 2013/14. However, upward risks remain, mainly associated with the increase in power tariff that became effective in January 2014, and possible shortage in food supply in the EAC/SADC regions. In this regard, the Bank will continue with the tight monetary policy, to be complemented by stable oil prices and good weather. These should lessen the impact of second round effect of the increase in power tariff. In addition, the Bank will monitor inflation expectations through market surveys with the view to taking additional measures when need arises.



5.3 Interest Rate Policy

Interest rates will continue to be market determined. The Bank will continue to use open market operations to keep liquidity in the economy at the desirable levels in order to reduce volatility in the short term money markets. Going forward, interest rates charged by banks are expected to be lower as credit reference bureau become fully operational. Credit reference bureau will provide history of potential borrowers.

5.4 Exchange Rate Policy

The exchange rate will remain market determined and the Bank will continue to participate in the interbank foreign exchange market for liquidity management purposes and to smooth out short-term excessive volatility in the exchange rate, while maintaining an adequate level of international reserves.

5.5 Modernizing Monetary Policy Framework

In the medium term the Bank intends to modernize its monetary policy framework by moving from quantity based framework to price based framework. This will enable the Bank to send clear signals about the stance of monetary policy to the public and the markets. To start with, measures will be taken to improve the efficiency of the inter-bank cash market as a step towards improving price discovery.



PART VI

6.0 CONCLUSION

The economy performed well during the first three quarters of 2013, with GDP growing at 6.8 per cent. Inflation remained at single digit, declining to 5.6 per cent in December 2013 as monetary policy remained tight to keep inflationary expectations down.

Economic activity is expected to remain strong in the second half of 2013/14, spurred by increased investment in infrastructure; expansion in the services sector; and a steady pick-up in FDI flow. For the year 2013/14, GDP is expected to grow at 7.1 per cent as earlier projected. However, downside risks remain, associated with decline in prices of our major commodity exports in the global market, which would further undermine exports earnings. The situation may be worsened by deflationary pressures in the euro area.

The Bank will continue with tight monetary policy and monitor inflation expectations so as to take extra measures when actual developments deviate from the desired path. Given the good performance of the monetary aggregates in the first half of 2013/14 and the stance to be pursued in the second half, the Bank is confident that monetary policy targets for end June 2014 will be achieved. This performance will also be complemented by appropriate expenditure management by the government.



APPENDICES



Table A1: Global Economic Environment – Annual Real GDP Growth and Projections
Per cent

	2008	2009	2010	2011	2012	2013	Projections	
							2014	2015
World	2.7	-0.4	5.2	3.9	3.1	3.0	3.7	3.9
Advanced economies	0.1	-3.4	3.0	1.7	1.4	1.3	2.2	2.3
USA	-0.3	-2.8	2.5	1.8	2.8	1.9	2.8	3.0
Euro area	0.4	-4.4	2.0	1.5	-0.7	-0.4	1.0	1.4
Japan	-1.0	-5.5	4.7	-0.6	1.4	1.7	1.7	1.0
United Kingdom	-0.8	-5.2	1.7	1.1	0.3	1.7	2.4	2.2
Emerging Market and Developing Economies	5.8	3.1	7.5	6.2	4.9	4.7	5.1	5.4
Developing Asia	7.3	7.7	9.8	7.8	6.4	6.5	6.7	6.8
China	9.6	9.2	10.4	9.3	7.7	7.7	7.5	7.3
India	3.9	8.5	10.5	6.3	3.2	4.4	5.4	6.4
Sub-Saharan Africa	5.7	2.6	5.6	5.5	4.8	5.1	6.1	5.8
South Africa	3.6	-1.5	3.1	3.5	2.5	1.8	2.8	3.3
Tanzania	7.4	6.0	7.0	6.4	6.9	7.0	7.2	7.4

Source: IMF WEO Update, January 2014 and Bank of Tanzania



Table A2: Tanzania: Selected Economic Indicators

Items	Unit	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
1. Prices														
1.1 Annual Change in Consumer Price Index														
1.1.1 Headline Inflation	Percent	12.1	10.9	10.4	9.8	9.4	8.3	7.6	7.5	6.7	6.1	6.3	6.2	5.6
1.1.2 Food Inflation	Percent	13.1	11.9	12.0	11.1	10.2	8.0	7.6	8.0	6.5	6.5	6.9	7.2	6.0
1.1.3 Core Inflation	Percent	8.9	7.9	6.7	6.0	6.5	7.1	6.7	6.7	6.2	5.8	5.7	5.3	4.5
2. Money Credit and Interest Rates														
2.1 Extended Broad Money Supply (M3) ¹	Percent	12.5	10.9	12.5	14.0	14.9	16.1	14.9	16.9	15.4	13.6	12.2	9.7	10.0
2.2 Reserve Money ¹	Percent	10.1	9.2	14.5	21.5	20.7	17.5	7.1	17.1	10.8	13.3	13.8	7.7	11.1
2.3 Average Reserve Money ¹	Percent	11.0	10.2	15.2	16.3	19.4	19.0	14.5	14.8	12.1	12.1	14.9	10.6	12.1
2.4 Credit to Non-Government Sector ¹	Percent	18.2	19.2	17.9	21.1	20.1	18.7	17.1	16.1	16.1	15.3	13.7	14.6	15.3
2.5 364-days Treasury Bill Rate ²	Percent	13.7	14.2	14.1	13.7	14.2	14.3	14.6	14.9	15.2	15.9	15.6	14.9	15.6
2.6 Overnight Inter-bank rate ²	Percent	5.1	7.9	4.1	6.2	10.5	8.8	7.3	10.2	6.2	6.9	7.8	6.0	8.3
2.7 12-Months Deposit Rate ²	Percent	11.1	11.0	11.1	11.4	11.4	11.5	11.2	11.7	11.6	11.7	11.5	11.6	11.1
2.8 Short-term (up to 1 year) Lending Rate ²	Percent	14.1	14.1	13.9	14.3	14.5	14.4	14.3	13.8	13.6	13.8	13.7	14.1	13.8
3. Balance of Payments														
3.1 Gross Official Reserves	Mill. USD	4,068.1	3,867.1	3,834.3	4,417.8	4,380.3	4,279.0	4,356.6	4,356.2	4,563.7	4,590.8	4,651.3	4,537.3	4,676.2
3.2 Exchange Rate:														
3.2.1 Period Average	TZS/USD	1,570.5	1,576.9	1,586.7	1,586.8	1,590.8	1,593.2	1,601.2	1,609.5	1,611.9	1,609.4	1,606.3	1,605.7	1,602.8
3.2.2 End of Period	TZS/USD	1,571.6	1,584.2	1,587.5	1,590.5	1,591.0	1,599.4	1,602.7	1,613.1	1,610.9	1,604.9	1,601.7	1,607.1	1,578.6
4. Public Finance														
4.1 Domestic Revenue ³	Mill. TZS	880,870.1	632,424.8	595,311.8	719,277.9	634,564.7	661,421.5	856,986.8	684,130.5	683,731.0	899,020.2	728,865.2	713,403.0	954,174.1
4.2 Recurrent Expenditure ³	Mill. TZS	590,937.8	793,372.2	690,997.0	788,866.3	716,867.2	726,976.5	759,686.4	560,528.8	752,109.7	895,480.0	849,932.5	760,084.1	770,214.3
4.3 Development Expenditure ³	Mill. TZS	161,937.3	153,840.7	304,929.2	348,318.7	212,933.4	497,388.9	418,836.4	5,573.8	57,493.4	203,013.2	346,202.0	222,196.0	99,656.1
4.4 Program Assistance	Mill. USD	128.7	32.1	1.8	51.9	30.7	6.5	187.4	71.4	146.2	70.5	68.7	54.8	132.1
4.4.1 GBS	Mill. USD	28.1	0.0	0.0	18.8	24.6	0.0	172.0	68.7	143.1	32.1	37.7	5.3	99.2
4.4.2 Basket Funds	Mill. USD	100.7	32.1	1.8	33.2	6.1	6.5	15.4	2.7	3.1	38.4	30.9	49.5	32.9

Notes: ¹Annual Growth

²Monthly Average

³Domestic revenue and expenditure on cash basis, excludes expenditure float

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



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

Millions of TZS

Economic Activity	2005	2006	2007	2008	2009	2010	2011r	2012p
Agriculture, Hunting and Forestry	3,148,384	3,268,238	3,399,648	3,554,488	3,669,645	3,824,428	3,960,673	4,129,431
Crops	2,361,930	2,457,373	2,567,955	2,698,921	2,790,684	2,913,474	3,015,446	3,157,172
Livestock	525,109	537,498	550,398	564,708	577,922	597,572	620,877	640,125
Forestry and hunting	261,345	273,367	281,295	290,859	301,039	313,382	324,350	332,135
Fishing	196,676	206,510	215,734	226,521	232,637	236,126	238,960	245,890
Industry and construction	2,433,261	2,639,902	2,889,519	3,138,241	3,357,703	3,633,664	3,883,366	4,184,808
Mining and quarrying	295,000	341,000	377,559	386,998	391,642	402,331	411,182	443,154
Manufacturing	1,071,000	1,162,000	1,263,435	1,388,515	1,499,596	1,618,064	1,744,273	1,887,303
Electricity, gas	263,218	258,347	286,507	301,978	327,344	360,733	366,144	388,113
Water supply	51,700	54,905	58,474	62,333	65,824	69,955	72,753	76,682
Construction	752,343	823,650	903,544	998,416	1,073,297	1,182,581	1,289,013	1,389,556
Services	5,596,784	6,035,932	6,527,561	7,085,136	7,594,661	8,214,209	8,860,652	9,567,176
Trade and repairs	1,585,906	1,736,631	1,906,821	2,097,503	2,254,816	2,439,711	2,637,328	2,840,402
Hotels and restaurants	301,873	314,921	328,859	343,658	358,779	380,664	398,175	417,287
Transport	627,951	661,000	703,965	752,539	797,691	853,529	910,715	975,376
Communications	200,900	239,537	287,684	346,659	422,577	515,967	614,001	740,485
Financial intermediation	204,694	228,000	251,280	281,120	306,339	337,356	373,453	422,748
Real estate and business services	1,226,790	1,316,000	1,408,120	1,508,097	1,610,647	1,723,392	1,835,413	1,958,386
Public administration	970,786	1,033,488	1,102,951	1,180,158	1,232,313	1,312,414	1,401,658	1,482,954
Education	224,547	235,774	248,742	265,905	284,704	305,402	328,002	349,322
Health	163,572	177,520	193,142	210,525	224,654	240,058	253,021	267,190
Other social and personal services	89,765	93,061	95,998	98,974	102,141	105,716	108,887	113,025
Gross value added before adjustments	11,375,105	12,150,582	13,032,462	14,004,385	14,854,646	15,908,427	16,943,651	18,127,304
less FISIM	-119,497	-137,287	-158,292	-175,704	-190,990	-208,370	-231,708	-261,135
Gross value added at 2001 basic prices	11,255,608	12,013,295	12,874,170	13,828,681	14,663,656	15,700,057	16,711,943	17,866,169
Add Taxes on products	812,482	867,868	927,751	999,664	1,057,645	1,128,507	1,201,860	1,289,596
Gross Domestic Product at 2001 market prices	12,068,090	12,881,163	13,801,921	14,828,345	15,721,301	16,828,563	17,913,803	19,155,765
Real Growth by Economic Activities (Percent)								
Agriculture and Fishing	4.3	3.8	4.0	4.6	3.2	4.2	3.6	4.3
Crops	4.4	4.0	4.5	5.1	3.4	4.4	3.5	4.7
Livestock	4.4	2.4	2.4	2.6	2.3	3.4	3.9	3.1
Forestry and hunting	3.6	4.6	2.9	3.4	3.5	4.1	3.5	2.4
Fishing	6.0	5.0	4.5	5.0	2.7	1.5	1.2	2.9
Industry and construction	10.4	8.5	9.5	8.6	7.0	8.2	6.9	7.8
Mining and quarrying	16.1	15.6	10.7	2.5	1.2	2.7	2.2	7.8
Manufacturing	9.6	8.5	8.7	9.9	8.0	7.9	7.8	8.2
Electricity, gas	9.4	-1.9	10.9	5.4	8.4	10.2	1.5	6.0
Water supply	4.3	6.2	6.5	6.6	5.6	6.3	4.0	5.4
Construction	10.1	9.5	9.7	10.5	7.5	10.2	9.0	7.8
Services	8.0	7.8	8.1	8.5	7.2	8.2	7.9	8.0
Trade and repairs	6.7	9.5	9.8	10.0	7.5	8.2	8.1	7.7
Hotels and restaurants	5.6	4.3	4.4	4.5	4.4	6.1	4.6	4.8
Transport	6.7	5.3	6.5	6.9	6.0	7.0	6.7	7.1
Communications	18.8	19.2	20.1	20.5	21.9	22.1	19.0	20.6
Financial intermediation	10.8	11.4	10.2	11.9	9.0	10.1	10.7	13.2
Real estate and business services	7.5	7.3	7.0	7.1	6.8	7.0	6.5	6.7
Public administration	11.4	6.5	6.7	7.0	4.4	6.5	6.8	5.8
Education	4.0	5.0	5.5	6.9	7.1	7.3	7.4	6.5
Health	8.1	8.5	8.8	9.0	6.7	6.9	5.4	5.6
Other social and personal services	2.6	3.7	3.2	3.1	3.2	3.5	3.0	3.8
Gross value added excluding adjustments	7.4	6.8	7.3	7.5	6.1	7.1	6.5	7.0
less FISIM	11.8	14.9	15.3	11.0	8.7	9.1	11.2	12.7
Gross value added at basic prices	7.4	6.7	7.2	7.4	6.0	7.1	6.4	6.9
Add Taxes on products	7.4	6.8	6.9	7.8	5.8	6.7	6.5	7.3
Gross domestic product at market prices	7.4	6.7	7.1	7.4	6.0	7.0	6.4	6.9

Note: p = provisional

r=revised

Source: National Bureau of Statistics



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

Economic Activity	<i>Per cent</i>							
	2005	2006	2007	2008	2009	2010p	2011r	2012p
Contribution in real GDP by Economic Activities								
Agriculture and Fishing	26.1	25.4	24.6	24.0	23.3	24.3	22.1	21.6
Crops	19.6	19.1	18.6	18.2	17.8	18.5	16.8	16.5
Livestock	4.4	4.2	4.0	3.8	3.7	3.8	3.5	3.3
Forestry and hunting	2.2	2.1	2.0	2.0	1.9	2.0	1.8	1.7
Fishing	1.6	1.6	1.6	1.5	1.5	1.5	1.3	1.3
Industry and construction	20.2	20.5	20.9	21.2	21.4	23.1	21.7	21.8
Mining and quarrying	2.4	2.6	2.7	2.6	2.5	2.6	2.3	2.3
Manufacturing	8.9	9.0	9.2	9.4	9.5	10.3	9.7	9.9
Electricity, gas	2.2	2.0	2.1	2.0	2.1	2.3	2.0	2.0
Water supply	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Construction	6.2	6.4	6.5	6.7	6.8	7.5	7.2	7.3
Services	46.4	46.9	47.3	47.8	48.3	52.2	49.5	49.9
Trade and repairs	13.1	13.5	13.8	14.1	14.3	15.5	14.7	14.8
Hotels and restaurants	2.5	2.4	2.4	2.3	2.3	2.4	2.2	2.2
Transport	5.2	5.1	5.1	5.1	5.1	5.4	5.1	5.1
Communications	1.7	1.9	2.1	2.3	2.7	3.3	3.4	3.9
Financial intermediation	1.7	1.8	1.8	1.9	1.9	2.1	2.1	2.2
Real estate and business services	10.2	10.2	10.2	10.2	10.2	11.0	10.2	10.2
Public administration	8.0	8.0	8.0	8.0	7.8	8.3	7.8	7.7
Education	1.9	1.8	1.8	1.8	1.8	1.9	1.8	1.8
Health	1.4	1.4	1.4	1.4	1.4	1.5	1.4	1.4
Other social and personal services	0.7	0.7	0.7	0.7	0.6	0.7	0.6	0.6

*Note: p = provisional
r=revised*

Source: National Bureau of Statistics and Bank of Tanzania

Table A5: Tanzania Mainland: Quarterly GDP Growth Rates by Economic Activity

	<i>Per cent</i>															
	2010				2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture	1.9	3.0	5.7	5.4	-1.2	5.9	5.1	-0.2	0.4	5.1	5.7	2.5	1.4	5.3	6.1	
Fishing	9.4	1.9	-1.5	-3.0	2.1	0.3	1.5	1.0	2.0	6.5	1.5	0.9	1.8	2.4	3.1	
Mining and quarrying	28.3	20.5	-12.3	-9.1	0.8	5.6	1.2	1.0	23.8	-5.1	1.3	14.8	-4.7	4.3	10.4	
Manufacturing	4.5	7.5	9.0	9.9	4.6	8.5	12.0	5.8	4.9	8.2	11.6	7.4	8.6	5.8	5.8	
Electricity	4.7	9.5	13.4	10.2	4.5	10.1	-2.8	-3.2	5.1	-1.1	7.6	12.2	6.3	4.5	2.3	
Construction	8.6	24.0	13.2	1.0	0.4	4.9	-5.4	31.8	3.7	4.3	6.5	13.2	5.3	12.3	7.3	
Wholesale and retail trade	9.0	9.6	7.4	7.1	13.7	5.3	6.6	7.2	12.1	7.0	6.1	6.0	9.5	5.9	7.0	
Hotels and restaurants	3.5	7.3	7.0	6.5	3.1	2.7	5.3	6.7	3.9	2.7	6.4	5.6	3.4	3.2	4.2	
Transport and communication	10.3	11.3	11.4	15.1	15.8	17.2	11.6	3.4	16.2	13.6	10.6	10.3	22.2	14.8	11.6	
Financial intermediation	9.8	14.6	10.1	6.0	10.0	10.0	11.0	11.6	13.1	11.0	11.3	17.9	13.7	15.2	11.6	
Real estate	13.1	5.6	3.8	5.2	8.8	6.4	5.9	4.6	8.1	6.9	5.0	6.5	10.0	6.7	5.3	
Public administration	6.5	7.0	6.7	5.8	6.0	6.3	6.9	8.0	6.8	6.3	5.5	4.6	3.6	5.0	5.1	
Education	5.9	7.1	7.8	8.3	5.7	5.2	9.4	9.2	6.0	6.5	6.7	6.8	5.6	5.7	5.4	
Other services	5.6	6.3	6.2	5.1	5.2	4.0	4.1	5.4	4.9	5.5	5.4	4.5	4.3	3.8	4.8	
FISIM	10.5	12.9	7.2	6.5	13.5	15.3	8.8	7.9	16.0	15.8	9.3	10.6	16.7	15.9	7.8	
All indust. at basic prices	7.4	7.8	6.7	6.5	6.2	6.8	5.7	7.2	7.3	6.2	6.7	7.5	7.6	6.8	6.6	
Taxes on products	9.0	4.3	2.6	10.4	5.8	10.4	8.2	2.8	6.6	5.2	16.0	1.9	5.3	4.4	5.5	
GDP at market prices	7.6	7.6	6.4	6.8	6.1	7.1	5.9	6.8	7.3	6.2	7.2	7.0	7.5	6.7	6.5	

Source: National Bureau of Statistics and Bank of Tanzania



Table A6: Zanzibar Gross Domestic Product at Constant 2001 Prices by Economic

Millions of TZS

Economic Activity	2006	2007	2008	2009	2010	2011	2012p
Agriculture, forestry & fishing	72,700	72,400	76,500	79,900	82,400	84,700	85,700
Crops	49,000	48,000	51,100	53,700	55,600	55,900	56,200
Livestock	11,200	11,600	12,000	12,400	12,800	13,200	13,600
Forestry & hunting	1,200	1,300	1,300	1,400	1,400	1,500	1,500
Fishing	11,300	11,500	12,100	12,400	12,600	14,100	14,400
Industry	46,000	48,100	49,200	50,800	51,800	54,700	59,700
Mining & quarrying	2,400	2,600	3,200	3,600	3,800	4,300	5,000
Manufacturing	14,700	14,800	15,000	15,300	15,800	16,200	16,200
Electricity, gas & water supply	4,800	5,100	5,200	5,300	5,300	6,100	6,400
Construction	24,100	25,600	25,800	26,600	26,900	28,100	32,100
Services	136,700	150,880	160,600	174,700	190,700	207,000	225,400
Trade & repairs	28,600	30,900	30,100	31,300	33,500	40,700	44,600
Hotels & restaurants	23,900	25,000	24,900	26,100	26,900	29,600	29,700
Transport & communications	23,300	32,000	39,800	48,700	58,100	63,600	76,200
Financial intermediation	4,700	5,700	5,900	6,000	7,500	7,800	8,600
Real estate & business services	2,800	3,000	3,100	3,300	3,400	3,600	3,800
Public administration	31,600	32,000	33,200	34,600	35,500	35,600	35,700
Education	16,300	16,500	17,500	18,500	19,400	19,900	20,200
Health	4,390	4,680	4,900	5,000	5,100	4,900	5,200
Other social & personal services	1,100	1,100	1,200	1,200	1,300	1,300	1,400
Adjustment to market prices							
Taxes on products	47,200	50,100	52,900	56,400	60,000	64,100	68,500
Total GDP at market Prices	302,600	321,480	339,200	361,800	384,900	410,500	439,300

Percentage Growth Rates

Economic Activity	2006	2007	2008	2009	2010	2011	2012p
Agriculture, forestry & fishing	18.7	-0.4	5.7	4.4	3.1	2.7	1.3
Crops	29.4	-2.0	6.5	5.1	3.6	0.5	0.6
Livestock	3.5	3.6	3.5	3.6	3.1	3.1	3.1
Forestry & hunting	3.8	3.7	3.0	4.3	3.1	6.4	1.2
Fishing	-1.0	1.8	5.2	2.4	1.2	11.9	2.3
Industry	17.6	4.6	1.9	3.4	1.9	5.8	9.2
Mining & quarrying	3.0	9.1	22.8	11.4	5.4	12.9	16.2
Manufacturing	3.5	0.5	1.1	2.4	3.1	2.5	0.1
Electricity, gas & water supply	-5.0	7.5	0.9	2.4	-0.5	15.9	4.7
Construction	33.8	6.3	0.5	3.2	1.1	4.7	14.2
Services	-2.8	10.4	6.1	8.7	9.3	8.6	8.7
Trade & repairs	1.0	9.9	-4.3	4.0	7.0	21.5	9.5
Hotels & restaurants	9.2	4.5	-0.5	5.0	3.0	10.2	0.2
Transport & communications	0.4	37.3	24.1	22.1	19.6	9.6	19.7
Financial intermediation	-10.2	21.3	4.0	2.6	24.1	4.0	10.2
Real estate & business services	4.7	4.8	4.8	4.8	4.9	4.9	4.9
Public administration	-18.3	1.3	4.0	4.0	2.8	1.0	1.0
Education	5.4	1.3	6.4	5.6	4.8	2.8	1.2
Health	5.9	6.6	4.5	2.2	2.7	-3.6	5.2
Other social & personal services	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Total GDP at market prices	6.0	6.4	5.3	6.7	6.4	6.7	7.0

Note: p=provisional

Source: Office of Chief Government Statistician, Zanzibar

Table A7: Zanzibar: Quarterly GDP Growth Rates by Activity

Per cent

	2010				2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Agriculture	1.1	-0.9	12.9	-6.1	-0.6	-0.1	4.5	-3.1	3.8	4.5	-3.0	4.9	3.2	0.6	-3.1	
Fishing	-24.8	5.8	3.7	26.0	31.4	-9.0	8.8	23.1	1.4	10.5	15.9	-15.6	2.4	6.7	0.8	
Mining and Quarrying	-2.4	5.5	9.8	9.4	2.2	1.0	7.1	40.3	23.9	23.4	27.3	-2.7	13.6	-4.0	10.1	
Manufacturing	5.2	3.9	2.9	0.6	-1.2	2.3	0.0	8.8	4.8	5.0	1.1	-9.2	-2.9	5.9	-2.6	
Electricity	-31.8	6.8	6.2	19.7	63.2	3.6	4.7	8.5	6.5	4.9	4.0	3.6	1.0	3.4	3.8	
Construction	-0.9	9.3	1.7	-4.3	-6.6	-13.4	0.0	39.9	25.7	32.1	25.7	-13.1	-3.9	-15.2	6.0	
Wholesale and Retail Trade	-10.0	20.3	15.5	1.7	37.0	6.4	9.0	39.7	18.8	6.5	7.1	7.3	7.0	1.3	6.1	
Hotels and Restaurants	-15.2	2.8	-0.2	25.6	34.4	12.2	9.6	-6.9	5.1	18.5	-7.7	-4.0	7.2	2.9	-0.8	
Transport and Communication	8.2	27.9	24.1	18.1	20.6	7.3	-2.6	14.0	25.9	27.5	19.5	8.5	-13.9	-15.7	2.0	
Financial Intermediation	17.9	29.1	22.2	26.9	9.5	-0.2	11.1	-3.3	13.0	5.3	6.7	16.0	3.9	17.6	11.5	
Public Administration	-12.4	2.4	7.6	15.1	1.4	-1.9	7.6	-6.5	-10.6	-1.3	-5.5	18.8	28.6	17.3	13.1	
Education	4.4	5.0	4.9	5.1	4.1	3.7	2.7	0.6	1.3	0.3	1.0	2.2	-1.1	0.6	-0.1	
Other services	4.1	3.9	3.0	3.6	0.9	-2.9	17.0	-14.0	-7.4	29.4	3.8	-6.8	-0.6	-1.4	1.0	
Total GDP at Market Prices	-4.5	11.3	10.6	7.6	13.4	-0.5	3.1	11.1	10.0	11.8	5.2	3.0	1.9	-1.5	2.6	

Source: Office of Chief Government Statistician, Zanzibar





Table A8 (a): Tanzania Mainland: National Consumer Price Index (NCPD), 12-Months Percentage Change

Main Groups	Weight (%)	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Food and Non-Alcoholic Beverages	47.8	13.1	11.9	12.0	11.1	10.2	8.0	7.6	8.0	6.5	6.5	6.9	7.2	6.0
Alcoholic, Tobacco and Narcotics	3.3	22.8	23.0	18.9	17.4	17.7	18.0	15.0	12.0	10.6	10.4	10.7	9.9	7.8
Clothing and Footwear	6.7	11.6	9.8	7.9	6.4	5.8	5.3	5.2	5.2	5.2	4.9	4.6	4.4	3.9
Housing, Water, Electricity, Gas and Other Fuel	9.2	17.1	15.3	16.3	20.4	19.9	18.9	15.4	14.4	14.3	9.6	9.0	8.7	10.2
Furnishing, Housing Equipment and Routine Maintenance of the House	6.7	8.2	7.2	6.1	5.1	4.6	4.4	4.0	3.8	3.5	3.2	3.3	2.5	2.3
Health	0.9	3.4	2.9	3.0	3.7	3.2	3.0	2.9	2.7	2.9	2.9	2.8	2.1	1.5
Transport	9.5	3.2	2.7	2.5	1.3	4.2	7.5	7.1	7.5	9.0	7.8	8.3	8.6	8.2
Communication	2.1	-1.9	-1.8	-0.3	-0.4	-0.6	-0.7	-0.6	-0.1	0.0	0.0	0.2	0.1	0.5
Recreation and Culture	1.3	10.5	8.9	3.6	3.1	3.5	3.5	3.3	0.2	0.7	0.4	0.5	0.7	1.0
Education	1.7	4.7	4.2	2.2	2.2	2.2	2.2	2.2	2.4	2.4	2.4	2.4	2.4	2.4
Restaurants and hotels	6.4	15.7	13.5	9.0	6.8	5.9	5.5	5.5	5.9	4.9	2.2	2.9	2.7	2.2
Miscellaneous goods and services	4.5	9.1	8.8	6.6	5.0	5.2	4.9	4.8	5.9	4.9	6.5	6.0	5.6	4.0
TOTAL – ALL ITEMS INDEX	100.0	12.1	10.9	10.4	9.8	9.4	8.3	7.6	7.5	6.7	6.1	6.3	6.2	5.6
Other Selected Groups														
Food and Non-alcoholic Beverages – combining food consumed at home and food consumed in restaurants	51.0	13.3	12.1	11.7	10.7	9.7	7.7	7.4	8.6	7.1	6.9	7.3	7.6	6.6
Energy and Fuels – combining electricity and other fuels for use at home with petrol and diesel	5.7	17.8	17.4	18.3	22.6	21.6	20.1	14.8	12.9	15.2	9.6	10.6	10.0	12.8
All Items Less Food	49.0	10.3	9.3	8.4	8.5	8.9	9.2	7.9	7.3	7.3	6.0	6.1	5.7	5.5
All Items Less Food and Energy	43.3	8.9	7.9	6.7	5.9	6.5	7.1	6.6	6.7	6.2	5.8	5.7	5.3	4.5

Source: National Bureau of Statistics



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

Major Groups	Weight (%)	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Headline	100.0	3.0	1.8	2.4	2.7	3.9	5.4	5.1	7.1	5.2	5.4	5.8	6.0	3.8
Food	49.5	-2.0	-3.6	-2.8	1.2	2.3	2.8	3.4	7.3	1.1	1.9	3.0	3.5	-0.5
Non-Food	50.5	9.2	8.9	9.0	8.2	6.1	7.8	6.1	7.1	10.4	9.9	9.2	8.9	8.8
Alcoholic beverages, tobacco & narcotics	0.3	27.4	28.2	28.1	15.8	11.1	9.4	12.4	9.0	9.6	-2.3	5.1	4.9	5.2
Clothing & Footwear	9.3	18.3	18.2	14.9	14.6	13.6	13.8	10.4	13.3	13.0	11.8	11.3	11.0	10.3
Housing, Water, Electricity, Gas & Other Fuels	17.1	1.4	1.1	4.6	5.0	5.0	6.1	4.3	5.6	8.2	8.1	9.3	9.5	10.6
Furnishing, Household Equipment & Routine Household Maintenance	4.6	16.5	12.8	10.8	9.4	8.0	7.1	5.5	4.9	4.5	4.2	4.0	2.0	1.7
Health	2.8	19.9	20.7	13.8	10.9	8.9	2.2	2.2	2.2	3.1	2.8	1.9	1.0	1.4
Transport	6.3	1.9	4.9	3.9	2.9	5.5	4.8	2.6	3.9	4.0	1.5	1.2	2.3	0.7
Communication	2.6	-0.2	-0.3	-0.6	-0.6	-0.6	-0.6	-0.6	-0.2	50.7	50.7	51.5	52.0	52.0
Recreation & Culture	0.8	17.2	15.7	16.9	17.4	13.9	15.1	11.6	11.3	10.5	10.5	7.7	5.9	3.3
Education	1.3	18.9	12.4	12.4	12.4	12.9	16.5	18.4	17.4	17.3	17.3	17.3	17.3	17.3
Restaurants & Hotels	2.1	8.5	8.2	7.6	3.8	1.8	2.1	-0.8	-0.9	-0.1	0.1	-0.3	-0.7	-1.8
Miscellaneous Goods & Services	3.2	19.8	18.4	17.9	16.2	14.8	15.2	14.1	13.3	13.3	15.6	12.4	8.6	7.8

Source: Office of Chief Government Statistician, Zanzibar

Table A9: Tanzania: Depository Corporations Survey

Billions of TZS

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Net Foreign Assets of the Banking System	6,396.0	5,927.8	5,842.3	6,510.8	6,507.4	6,313.2	6,216.2	6,404.6	6,620.6	6,691.6	6,615.9	6,410.0	6,576.3
Bank of Tanzania	5,385.3	5,107.0	4,904.3	5,585.1	5,388.5	5,665.9	5,796.9	5,827.3	6,152.3	6,158.8	6,241.4	6,079.2	6,187.5
Net International Reserves (Millions of USD)	3,720.2	3,518.4	3,379.0	3,668.3	3,927.4	3,829.8	3,905.5	3,902.5	4,109.8	4,132.1	4,191.5	4,078.8	4,216.2
Banks' NFA (Millions of USD)	1,010.7	820.7	938.0	954.7	718.9	647.3	419.3	577.3	468.2	532.8	374.5	330.8	388.8
	643.1	518.1	590.9	600.3	451.8	404.7	261.6	357.9	280.7	320.0	233.8	205.8	246.3
Net Domestic Assets of the Banking System	8,251.1	8,498.4	8,789.2	8,012.6	8,409.1	8,871.2	9,024.9	9,451.1	9,324.5	9,241.3	9,351.6	9,609.4	9,530.4
Domestic Claims	11,029.8	11,265.2	11,663.0	11,154.0	11,517.1	12,015.2	11,786.2	12,426.3	12,200.4	12,254.0	12,780.5	12,943.1	12,947.2
Claims on central government (net)	2,019.4	2,234.6	2,509.0	1,818.0	1,957.6	2,439.4	2,263.7	2,770.4	2,387.1	2,359.6	2,862.7	2,775.2	2,554.6
Claims on Central Government	4,708.6	4,907.1	5,296.0	4,780.7	4,927.7	5,370.0	5,203.3	5,489.4	5,304.1	5,396.8	6,091.5	6,170.0	5,900.4
o/w Securities held by banks	2,877.3	2,797.0	2,974.6	3,096.6	3,205.0	3,297.1	3,298.3	3,347.9	3,513.8	3,522.1	3,570.3	3,718.3	3,700.3
o/w Government securities	1,041.3	1,041.3	1,041.3	1,041.3	1,041.3	1,041.3	1,041.3	1,041.3	1,041.3	1,041.3	1,041.3	1,041.3	1,041.3
Claims to the private sector	9,010.4	9,030.6	9,154.0	9,336.0	9,559.4	9,725.8	9,522.5	9,655.9	9,813.2	9,894.2	9,917.8	10,107.8	10,302.7
o/w Extended in Shillings	6,104.2	6,095.6	6,209.3	6,264.7	6,336.6	6,310.6	6,293.1	6,371.3	6,495.6	6,499.7	6,533.2	6,619.0	6,809.0
o/w Extended in foreign currency	2,906.2	2,934.9	2,944.7	3,071.3	3,222.9	3,265.2	3,229.3	3,284.6	3,317.6	3,394.5	3,384.6	3,548.8	3,583.7
(Equivalent in USD millions)	1,849.2	1,852.7	1,854.9	1,931.0	2,025.6	2,041.5	2,015.0	2,086.2	2,059.5	2,115.1	2,113.2	2,208.2	2,270.2
Excess Demand Money Supply (M3)	14,457.1	14,426.1	14,631.5	14,623.3	14,916.4	15,184.4	15,241.1	15,865.7	15,945.0	15,932.0	15,967.5	16,019.4	16,106.8
Foreign Currency Deposits (FCD) in National Currency	3,922.6	3,867.6	3,906.6	3,891.7	3,931.8	3,979.1	3,990.0	4,115.0	4,137.5	4,187.3	4,065.5	4,054.2	4,216.2
FCD in millions of US dollar	2,495.9	2,441.4	2,460.8	2,471.2	2,487.9	2,489.6	2,550.9	2,568.5	2,609.1	2,538.3	2,524.6	2,670.9	2,700.0
Broad Money Supply (M2)	10,724.5	10,585.5	10,724.9	10,931.6	10,984.6	11,205.3	11,251.1	11,740.7	11,807.5	11,745.6	11,902.0	11,965.2	11,890.6
Deposits in National Currency	8,309.7	8,263.6	8,443.1	8,538.9	8,620.6	8,718.6	8,640.3	9,031.0	9,061.8	9,042.3	9,180.7	9,163.7	9,106.9
Other Deposits in National Currency	4,186.0	4,101.6	4,131.7	4,166.2	4,150.6	4,235.7	4,233.8	4,374.0	4,421.5	4,466.7	4,553.4	4,542.2	4,664.7
Narrow Money Supply (M1)	6,538.6	6,476.9	6,589.2	6,584.4	6,584.0	6,949.6	7,017.3	7,066.7	7,386.0	7,279.0	7,348.3	7,391.0	7,218.1
Currency in Circulation	2,585.8	2,585.8	2,585.8	2,585.8	2,585.8	2,585.8	2,585.8	2,585.8	2,585.8	2,585.8	2,585.8	2,585.8	2,585.8
Transferrable Deposits in National Currency	4,123.8	4,162.0	4,311.5	4,372.7	4,470.0	4,462.9	4,406.5	4,657.0	4,640.4	4,575.6	4,637.5	4,632.2	4,454.2
Stock of Reserve Money	4,524.6	4,609.8	4,653.4	4,714.5	4,816.6	4,976.8	4,917.7	5,237.0	5,127.5	5,091.3	5,343.3	5,210.9	5,073.8
Average Reserve Money	4,684.6	4,620.2	4,699.1	4,669.2	4,739.3	4,883.4	4,898.3	5,060.4	5,146.5	5,137.2	5,220.6	5,203.6	5,247.8
Annual growth rates (%)													
Stock of Reserve Money	10.1	9.2	14.5	21.5	20.7	17.5	7.1	17.1	10.8	13.3	13.8	7.7	11.1
Average Reserve Money	11.0	10.2	15.2	16.3	19.4	19.0	14.5	14.8	12.1	12.1	14.9	10.6	12.1
Stock of Broad Money	16.0	15.6	16.0	16.5	17.1	19.0	14.8	19.2	15.7	14.0	13.9	11.6	10.9
Broad Money Supply (M2)	18.2	19.2	17.9	21.1	20.1	18.7	17.1	16.2	16.2	15.3	13.8	14.7	15.3
Credit to the private sector													
Memorandum Items													
Net Credit to Central Government/ Domestic Credit (%)	18.3	19.8	21.5	16.3	17.0	20.3	19.2	22.3	19.6	19.3	22.4	21.4	19.7
Credit to the Private Sector/ Domestic Credit (%)	81.7	80.2	78.5	83.7	83.0	79.7	80.8	77.7	80.4	80.7	77.6	78.6	80.3
FCD/M3 (%)	26.8	26.8	26.7	26.3	26.4	26.2	26.2	26.0	25.9	26.3	25.5	25.3	26.2
Nominal Exchange Rate (end-of-period) (TZS/USD)	1,511.6	1,528.2	1,545.8	1,561.5	1,577.8	1,594.3	1,610.9	1,627.6	1,644.3	1,661.1	1,677.8	1,694.5	1,711.2
Foreign Assets of Banks (Millions of USD)	4,668.1	3,829.2	3,884.3	4,473.8	4,300.0	4,279.4	4,022.7	4,103.1	4,508.9	4,590.9	4,601.7	4,597.1	4,576.9
Foreign Assets of Banks (Millions of TZS)	6,887.1	7,181.7	8,063.3	9,722.0	9,138.8	8,692.5	8,115.5	8,044.0	8,779.0	9,164.4	9,354.4	9,873.3	8,867.3
Gross Foreign Assets of the Banking System (Millions of USD)	4,955.2	4,585.8	4,640.6	5,389.7	5,294.1	5,148.5	5,169.2	5,167.7	5,367.7	5,469.8	5,567.7	5,472.7	5,543.5

Source: Bank of Tanzania



Table A10: Tanzania: Capital and Money Market Interest Rates

Per cent

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Interbank Cash Market Rates													
Overnight	5.08	7.85	4.15	6.16	10.45	8.79	7.34	10.18	6.16	6.94	7.77	5.96	8.26
31 to 60 days	7.70	7.70	9.50	11.90	13.50	13.50	10.96	10.96	9.97	11.50	9.01	10.18	10.18
61 to 90 days	14.00	14.00	14.00	14.00	14.00	14.10	10.40	10.40	10.40	10.40	13.00	12.00	12.00
91 to 180 days	12.43	12.43	12.43	12.43	14.40	14.40	14.40	14.40	14.40	13.00	13.00	13.00	13.00
181 and above	7.30	7.30	7.30	7.30	7.30	7.30	14.00	14.00	14.00	15.00	14.50	14.50	14.50
Overall Interbank cash market rate	5.80	8.13	4.76	6.77	11.08	9.15	7.88	10.42	6.32	7.40	8.10	6.41	8.58
Lombard Rate	6.10	9.42	7.92	7.92	12.54	10.55	8.81	12.22	7.49	8.33	9.32	7.16	9.91
REPO Rate	3.51	5.05	3.57	3.59	3.50	3.54	3.81	2.76	2.58	2.24	2.64	4.03	5.04
Treasury Bills Rates													
35 days	6.99	6.89	6.60	6.60	6.65	6.51	6.04	6.24	6.24	6.37	4.71	4.71	4.71
91 days	11.89	10.26	11.80	11.57	11.74	11.95	11.86	12.41	12.52	13.45	13.72	13.20	13.62
182 days	12.96	12.98	13.36	13.19	13.99	13.97	13.98	14.39	14.88	15.81	15.53	14.92	15.46
364 days	13.69	14.17	14.06	13.66	14.17	14.25	14.64	14.92	15.23	15.92	15.60	14.95	15.63
Overall Treasury bills rate	12.85	13.73	13.44	13.08	13.99	13.59	13.85	14.20	14.48	15.15	15.13	14.80	15.20
Treasury Bonds Rates													
2-years	14.27	14.27	14.30	14.30	14.06	14.30	14.30	14.82	14.82	15.42	15.00	15.00	15.00
5-years	14.94	14.94	14.38	14.38	15.00	15.00	14.86	14.86	14.07	14.07	15.51	15.51	15.44
7-years	15.25	15.59	15.59	14.99	15.20	15.20	15.76	15.76	15.76	15.76	15.76	15.15	15.90
10-years	15.82	15.82	15.82	14.28	14.28	15.28	15.28	15.28	15.28	15.75	15.75	15.96	16.65
15-years													
Discount Rate	12.00	16.00	16.00										
Bank Rate	12.00												

Source: Bank of Tanzania



Table A11: Tanzania: Commercial Banks Interest Rates

Per cent

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
A: Domestic Currency													
Savings Deposit Rate													
Overall Time Deposits Rate	2.88	3.00	2.88	2.89	3.08	3.06	3.05	3.04	3.03	2.97	3.04	3.04	3.04
1 month	8.45	8.82	8.91	8.79	8.73	8.81	8.65	8.73	8.76	9.10	8.77	8.41	8.71
2 months	9.05	9.25	9.21	9.21	9.17	9.13	9.10	9.12	9.15	9.58	9.58	8.96	8.98
3 months	9.83	9.11	9.22	8.85	8.79	8.51	8.66	8.70	9.03	10.00	9.55	9.31	8.85
6 months	10.43	10.28	9.97	9.41	9.82	9.07	9.36	9.63	10.12	10.14	9.65	8.77	9.94
12 months	10.18	10.44	9.71	10.31	9.76	9.85	9.25	10.02	9.56	11.11	10.62	10.75	11.26
24 months	9.93	10.96	11.05	11.40	11.40	11.45	11.25	11.69	11.63	11.70	11.54	11.60	11.12
	8.43	9.07	11.05	11.40	11.40	11.45	11.25	11.69	11.63	8.60	8.24	7.00	8.43
Negotiated Deposit Rate													
	10.09	10.25	9.86	10.00	9.67	10.12	10.92	9.98	11.01	11.32	11.24	10.32	10.51
Overall Lending Rate													
Short-term (up to 1 year)	15.53	15.71	15.52	16.04	16.01	15.96	15.54	15.43	15.75	15.84	15.88	16.25	16.01
Medium-term (1-2 years)	13.99	14.07	13.87	14.25	14.45	14.39	14.25	13.80	13.59	13.76	13.73	14.10	13.78
Long-term (2-3 years)	16.74	16.56	16.76	17.85	17.30	17.48	16.52	16.76	17.03	17.94	17.72	17.37	16.69
Long-term (3-5 years)	15.93	16.02	15.61	16.81	16.80	17.00	16.33	16.15	17.22	16.90	17.05	15.99	16.27
Term Loans (over 5 years)	16.73	16.81	16.64	16.77	16.86	15.05	14.91	14.88	14.72	14.68	14.30	16.47	16.71
	14.24	15.11	14.70	14.51	14.64	15.90	15.68	15.56	16.18	15.92	16.60	17.30	16.61
Negotiated Lending Rate													
	14.54	14.85	14.18	15.13	14.07	13.27	13.13	13.70	13.30	13.52	13.80	13.23	13.13
B: Foreign Currency													
Deposits Rates													
Savings Deposits Rate	0.32	0.31	0.32	0.63	0.35	0.33	0.41	1.03	1.32	0.55	0.43	0.49	1.09
Overall Time Deposits Rate	1.63	1.68	1.21	1.79	1.94	2.06	3.61	2.18	2.42	2.07	2.95	3.00	2.94
1-months	1.14	1.04	1.39	1.67	1.88	2.06	3.41	1.96	3.03	1.91	2.09	1.58	3.20
2-months	2.13	2.34	2.03	2.19	2.62	2.61	3.64	2.14	2.78	2.51	2.78	3.27	2.24
3-months	1.78	1.53	0.32	1.52	1.29	1.79	3.55	2.26	2.35	2.05	2.03	2.56	1.74
6-months	1.66	1.67	0.59	2.06	1.87	1.97	3.56	2.18	1.98	2.04	4.76	4.10	4.03
12-months	1.46	1.83	1.70	1.51	2.03	1.87	3.89	2.36	1.95	1.83	3.09	3.46	3.50
Overall Lending Rate													
Short-term (up to 1 year)	7.25	7.26	7.18	8.15	8.25	8.02	7.88	8.47	7.59	7.88	7.53	7.33	6.97
Medium-term (1-2 years)	5.78	5.92	6.17	6.46	6.93	6.33	6.47	6.86	6.48	7.08	5.48	4.88	3.64
Long-term (2-3 years)	8.29	8.02	7.87	8.18	8.22	7.91	7.54	8.62	7.55	8.67	8.69	8.59	8.56
Long-term (3-5 years)	7.17	7.35	7.29	8.73	8.93	8.95	7.49	9.15	8.46	8.52	8.51	8.36	8.42
Term Loans (over 5 years)	7.28	7.28	7.00	8.01	7.84	7.70	8.63	8.69	7.69	7.63	7.62	7.60	7.37
	7.76	7.74	7.56	9.35	9.35	9.21	9.28	9.01	7.79	7.50	7.37	7.24	6.84

Source: Bank of Tanzania





Table A12: Zanzibar Central Government Operations

Billions of TZS

	Budget 2013/14	July - December 2013		Actual as % of Projection
		Projection	Actual	
Total Revenue	350.3	163.6	157.2	96.1
Tax Revenue	322.0	150.4	147.9	98.3
Tax on Imports	98.8	49.4	42.4	85.7
VAT and Excise Duties (local)	76.9	37.1	40.2	108.3
Income Tax	75.1	23.3	23.0	98.7
Other Taxes	71.2	40.6	42.3	104.2
Non-Tax Revenue	28.2	13.1	9.3	71.1
Total Expenditure	662.0	227.8	222.3	97.6
Recurrent Expenditure	356.6	144.8	161.6	111.6
Wages and Salaries	155.5	76.4	77.4	101.3
Interest Payment	3.5	0.0	0.0	
Other Expenditure	197.6	88.4	84.2	95.2
Development Expenditure	305.4	83.0	60.7	73.2
local	70.0	15.6	11.5	74.1
foreign	235.4	67.4	49.2	73.0
		0.0		
Overall (surplus) Deficit before grants	-311.7	-64.2	-65.2	101.4
		0.0		
Grants	129.3	45.8	44.8	97.9
4.5% Budget Support	40.0	10.7	18.1	170.1
Debt relief	2.5	0.2	0.0	0.0
Program Grant	86.8	34.9	26.7	76.4
Overall Deficit after grants	-182.4	-18.4	-20.3	110.3
Adjustment to cash and other items	0.0	0.0	-2.2	
Overall Deficit cheques cleared	-182.4	-31.3	-22.5	72.0
		0.0		
Financing	182.4	31.3	22.5	72.0
Foreign	157.4	27.6	22.5	81.5
Import Support	0.0	0.0	0.0	
Program Loans	157.4	27.6	22.5	81.5
Amortization (foreign)	0.0	0.0	0.0	
Domestic (net)	25.0	3.7	0.0	

Source: President's Office Finance, Economy and Development Planning, Zanzibar, and Bank of Tanzania



Table A13: Tanzania Exports by Type of Commodity

Items	Units	2012	2013 ^p	% Change
Traditional Exports:				
COFFEE				
Value	Mill USD	186.6	171.0	-8.4
Volume	000 Tons	54.8	59.5	8.5
Unit Price	USD per Ton	3,403.2	2,872.7	-15.6
COTTON				
Value	Mill USD	164.9	111.7	-32.3
Volume	000 Tons	132.0	89.0	-32.6
Unit Price	USD per Ton	1,249.7	1,256.0	0.5
SISAL				
Value	Mill USD	18.4	16.9	-7.8
Volume	000 Tons	13.5	12.6	-6.8
Unit Price	USD per Ton	1,357.1	1,341.6	-1.1
TEA				
Value	Mill USD	56.1	56.9	1.5
Volume	000 Tons	27.2	28.8	5.8
Unit Price	USD per Ton	2,061.2	1,977.9	-4.0
TOBACCO				
Value	Mill USD	350.1	307.0	-12.3
Volume	000 Tons	105.6	67.8	-35.7
Unit Price	USD per Ton	3,316.0	4,526.1	36.5
CASHEWNUTS				
Value	Mill USD	142.6	162.4	13.9
Volume	000 Tons	130.9	147.3	12.5
Unit Price	USD per Ton	1,089.3	1,102.5	1.2
CLOVES				
Value	Mill USD	38.1	43.0	12.8
Volume	000 Tons	3.4	4.1	19.6
Unit Price	USD per Ton	11,198.5	10,562.8	-5.7
Sub Total	Mill USD	956.7	868.9	-9.2
Non-Traditional Exports:				
Minerals		2,197.8	1,861.2	-15.3
Gold	Mill USD	2,117.4	1,732.9	-18.2
Diamond	Mill USD	30.2	39.8	31.5
Other minerals ¹	Mill USD	50.2	88.5	76.3
Manufactured Goods	Mill USD	1,037.3	1,072.1	3.3
Cotton Yarn	Mill USD	5.8	10.9	88.8
Manufactured Coffee	Mill USD	1.0	1.1	7.1
Manufactured Tobacco	Mill USD	24.6	32.2	30.7
Sisal Products (Yarn & Twine)	Mill USD	9.1	9.7	6.3
Other manufactured Goods ²	Mill USD	996.8	1,018.2	2.1
Fish and Fish Products	Mill USD	160.6	130.6	-18.7
Horticultural products	Mill USD	31.3	28.1	-10.2
Re-exports	Mill USD	181.7	172.8	-4.9
Other Exports³	Mill USD	555.7	517.6	-6.8
Sub Total	Mill USD	4,164.4	3,782.3	-9.2
Adjustment for unrecorded exports		768.2	697.7	-9.2
GRAND TOTAL⁴	Mill USD	5,889.2	5,348.9	-9.2

Note:

1 Include tanzanite, rubbies, sapphires, emeralds, copper, silver and other precious stones

2 Include plastic items, textile apparels iron/steel and articles thereof

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

4 Include adjustments for unrecorded exports

p = Provisional data.

Source: Bank of Tanzania, Tanzania Revenue Authority



Table A14: Zanzibar Goods Exports by Major Categories

Millions of USD

Items	Units	2012	2013 ^p	% Change
Traditional				
Clove				
Value	Mill. of TZS	38.1	43.0	12.9
Volume	000 Tonnes	3.4	4.1	20.6
Unit Price	USD/Tonne	11,205.9	10,567.7	(5.7)
Non-Traditional				
Seaweeds				
Value	Mill. of TZS	5.6	5.5	(1.8)
Volume	000 Tonnes	14.8	10.4	(29.7)
Unit Price	USD/Tonne	378.4	528.4	39.6
Manufactured Goods	Mill. of TZS	3.7	4.1	10.8
Fish and Fish Produce	Mill. of TZS	0.4	0.5	25.0
Others Exports	Mill. of TZS	3.8	7.1	86.8
Sub Total	Mill. of TZS	13.5	17.2	27.4
Grand Total	Mill. of TZS	51.6	60.2	16.7

Note: Other exports include mainly souvenirs and spices

p = provisional

Source: Tanzania Revenue Authority and Bank of Tanzania

Table A15: Tanzania Imports (F.O.B value) by Major Category

Millions of USD

Items	2012	2013 ^p	% Change
CAPITAL GOODS	3,686.5	3,460.4	-6.1
Transport Equipment	1,158.2	1,160.2	0.2
Building and Constructions	805.8	959.8	19.1
Machinery	1,722.5	1,340.5	-22.2
INTERMEDIATE GOODS	4,320.2	5,205.2	20.5
Oil imports	3,380.6	4,308.6	27.4
Fertilizers	133.9	160.1	19.6
Industrial raw materials	805.7	736.6	-8.6
CONSUMER GOODS	2,312.5	2,363.5	2.2
Food and food stuffs	656.6	646.4	-1.6
All other consumer goods ¹	1,655.9	1,717.1	3.7
GRAND TOTAL (F.O.B)	10,319.1	11,029.1	6.9

Note: 1= Includes pharmaceutical products, paper products, plastic items, optical/photographic materials and textile apparels

p = Provisional data

Source: Bank of Tanzania and Tanzania Revenue Authority



Table A16: Zanzibar Imports by Major Categories

Millions of USD

Import Category	2012	2013 ^p	% Change
Capital Goods	104.4	109.1	4.5
Transport Equipment	26.1	34.4	31.8
Building and Constructions	18.2	22.6	24.2
Machinery	60.1	52.0	-13.5
Intermediate Goods	72.2	57.7	-20.1
Oil imports	66.9	51.6	-22.9
Industrial raw materials	5.3	6.1	15.1
Consumer Goods	46.8	65.2	39.3
Food and food stuffs	17.2	20.9	21.5
All other consumer goods	29.6	44.3	49.7
Grand Total (c.i.f)	223.4	232.0	3.8
Grand Total (f.o.b)	203.3	211.1	3.8

Note: p = provisional.

Source: Tanzania Revenue Authority



Table A17: Tanzania's Balance of Payments

Millions of USD

<i>Item</i>	2008^r	2009^r	2010^r	2011^r	2012^p
A. Current Account	-2,577.1	-1,809.9	-1,960.1	-3,992.2	-3,658.1
<i>Balance on Goods</i>	<i>-3,433.5</i>	<i>-2,536.1</i>	<i>-2,841.2</i>	<i>-4,729.6</i>	<i>-4,412.6</i>
Goods: exports f.o.b.	3,578.8	3,298.1	4,324.3	5,097.9	5,912.3
Traditional	507.3	486.4	583.2	685.5	956.7
Nontraditional	2,604.7	2,372.9	3,177.0	3,747.5	4,184.4
o/w Gold	1,108.3	1,229.5	1,516.6	2,224.1	2,107.4
Unrecorded trade	466.8	438.9	564.0	664.9	771.2
Goods: imports f.o.b.	-7,012.3	-5,834.1	-7,165.5	-9,827.5	-10,324.9
<i>Balance on Services</i>	<i>336.9</i>	<i>132.7</i>	<i>156.9</i>	<i>92.2</i>	<i>269.5</i>
Other	345.4	360.4	345.7	398.3	436.3
Other	-242.1	-350.9	-335.7	-335.8	-356.5
<i>Balance on Goods and Services</i>	<i>-3,096.6</i>	<i>-2,403.4</i>	<i>-2,684.4</i>	<i>-4,637.3</i>	<i>-4,143.1</i>
<i>Balance on income</i>	<i>-314.3</i>	<i>-297.8</i>	<i>-326.9</i>	<i>-257.1</i>	<i>-305.9</i>
Compensation of employees	9.3	11.4	12.2	24.4	21.4
Compensation of employees	-27.9	-39.8	-44.0	-40.7	-57.0
<i>Balance on Goods, Services and Income</i>	<i>-3,410.9</i>	<i>-2,701.1</i>	<i>-3,011.3</i>	<i>-4,894.4</i>	<i>-4,449.0</i>
<i>Balance on Current transfers</i>	<i>833.8</i>	<i>891.2</i>	<i>1,051.2</i>	<i>902.2</i>	<i>790.9</i>
Other sectors	324.9	301.3	332.1	385.2	368.7
Current transfer: debit	-79.6	-68.4	-79.0	-92.7	-132.6
B. Capital Account	524.2	442.2	537.9	690.9	779.5
Other sectors	59.8	62.6	63.2	63.6	63.6
Capital transfers:debit	0.0	0.0	0.0	0.0	0.0
Total, Groups A plus B	-2,052.9	-1,367.7	-1,422.2	-3,301.3	-2,878.6
C. Financial Account, excl. reserves and related items	2,592.8	1,984.4	3,074.3	3,424.5	3,653.0
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	1,383.3	952.6	1,812.5	1,229.4	1,706.9
Portfolio investment	1.8	3.5	3.4	4.0	1.0
Scheduled payments	-121.3	-217.2	-45.2	-97.1	-32.0
Currency and deposits	-72.9	-40.8	8.2	41.3	30.3
<i>Total, Groups A through C</i>	<i>539.9</i>	<i>616.7</i>	<i>1,652.1</i>	<i>123.2</i>	<i>774.4</i>
D. Net Errors and Omissions	-391.9	-250.5	-1,282.3	-325.2	-447.1
<i>Overall balance</i>	<i>148.0</i>	<i>366.2</i>	<i>369.8</i>	<i>-202.0</i>	<i>327.3</i>
E. Reserves and Related Items	-148.0	-366.2	-369.8	202.0	-327.3
Reserve assets	-147.0	-676.8	-395.4	206.3	-325.7
Use of Fund credit and loans	-0.2	310.6	25.6	-4.4	-1.5
Exceptional financing	0.0	0.0	0.0	0.0	0.0
CAB/GDP	-12.4	-8.4	-8.5	-16.5	-12.8
CAB/GDP (excl. current official transfers)	-15.3	-11.4	-11.9	-19.0	-14.8
Gross Official Reserves	2,872.57	3,552.50	3,947.96	3,744.60	4,068.10
Months of Imports	3.97	5.64	5.23	3.73	3.85
Net International Reserves (year end)	2,854.95	3,224.33	3,594.19	3,395.19	1,882.95
Change in Net International Reserves	-148.4	-369.4	-369.9	199.0	-294.9
Exchange rate (end of period)	1,280.30	1,313.29	1,453.54	1,566.66	1,571.62

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

p = Provisional

O/w = Of which

Source: Bank of Tanzania



GLOSSARY

Currency in Circulation Outside Banks

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

Bank Rate

The Central Bank Rate which is determined by the Monetary Policy Committee for signalling the direction of the monetary policy.

Composite Index of Economic Activity

An indicator developed by grouping key economic variables of high frequency, designed to provide statistical estimate of overall performance of the economy before the actual statistics are released.

Discount Rate

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

Exchange Rate

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

Excess Reserves

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



Inflation

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

Core Inflation

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

Non-Food Inflation

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

Gross Official Reserves or Reserve Assets

Gross official reserves consist of external assets that are readily available to, and controlled by the Bank of Tanzania for direct financing of balance of payments, and for indirectly regulating the magnitude of balance of payments imbalances through intervention in foreign exchange markets. Gross official reserves comprise the Bank of Tanzania's holdings of monetary gold, special drawing rights (SDRs), reserve position in the International Monetary Fund, and foreign exchange resources, available to the Bank of Tanzania for meeting external financing needs.

Lombard Facility

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



Minimum Reserve Requirement

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

Money Supply (M)

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

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

M2 — M1 plus fixed deposits and savings deposits

M3 — M2 plus residents' foreign currency deposits

Repo and Reverse Repos

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

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

Reserve Money (M0)

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



Reserve Money Program

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

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