



BANK OF TANZANIA



MONTHLY  
ECONOMIC  
REVIEW

FEBRUARY 2005

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# Inflation Developments

## Inflation decreases further in January 2005

Since November 2004, the annual headline inflation has been trending downwards, reaching 4.0 percent in January 2005 from 4.2 percent in the previous month. The slowdown in inflation in January, compared with the previous month, was driven by a decline in non-food inflation, even though it was accompanied by a picking up in food inflation. However, on month-to-month basis, the general price level increased by 5.4 percent in January 2005 after having stagnated in December 2004, reflecting a normal seasonal pattern where consumption increases towards the end of the year and beginning of the year. The increase in prices during month under review though, was slightly lower than 5.6 percent recorded in January 2004, partly because supply of food grains in January 2005 improved relative to the corresponding period a year before.

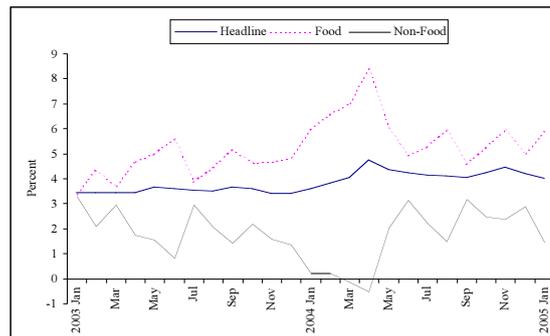
In the review month, annual food inflation moved upwards to 5.9 percent, from 5.0 percent in the year ended December 2004. Price increases in food items such as rice and beans were the major contributory factors to the increase in food inflation. The annual non-food inflation on the other hand, declined almost by half to 1.5 percent in the year to January 2005, mainly due to decrease in average prices of clothing and footwear, personal care and health, recreation and entertainments and rents sub-groups.

**Table 1: Tanzania: Percentage change in sub-groups of Consumer Price Index (All-Urban)**  
(Base: 2001=100)

Major Commodity Group	Weight (%)	2004												
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
<b>Headline/Overall</b>	<b>100</b>	4.0	3.6	3.8	4.0	4.7	4.4	4.2	4.1	4.1	4.0	4.2	4.4	4.2
<b>Food</b>	<b>55.9</b>	5.9	6.0	6.6	7.0	8.4	6.0	4.9	5.3	5.9	4.6	5.2	5.9	5.0
<b>Non-food</b>	<b>44.1</b>	1.5	0.2	0.2	-0.1	-0.5	2.0	3.1	2.2	1.5	3.1	2.5	2.4	2.9
Transportation	9.7	3.3	0.9	2.0	-0.8	-1.3	1.3	1.2	-1.6	1.7	3.3	1.1	1.7	2.8
Fuel, Power and Water	8.5	5.4	-0.7	-5.4	-2.5	1.7	4.9	9.1	20.3	2.4	6.0	9.3	7.7	7.1
Drinks and Tobacco	6.9	0.6	-2.9	-0.6	0.7	-1.0	1.2	1.8	-4.7	0.0	0.5	-0.8	-0.2	0.6
Clothing & Footwear	6.4	-1.2	1.5	4.8	2.0	-1.9	3.3	2.3	-0.1	3.1	4.5	3.1	1.9	2.5
Education	2.6	1.8	0.0	3.7	-0.2	-3.8	1.4	1.6	0.0	0.6	0.9	-1.9	3.4	2.3
Furniture & Household Equip.	2.1	1.0	-1.1	0.3	-1.6	-1.5	0.3	2.2	-2.0	-0.4	2.9	0.8	2.2	0.9
H/h Operations Maintenance	2.1	0.5	-0.8	-0.3	-1.4	-1.1	0.5	2.2	-0.4	1.7	4.3	1.9	1.6	2.4
Personal Care & Health	2.1	-3.0	5.7	-2.8	3.0	-0.4	-2.7	0.7	-5.0	0.7	1.4	2.6	0.0	3.2
Rents	1.4	-2.5	7.5	2.9	4.3	4.3	4.3	3.4	2.6	0.4	0.3	0.1	-0.1	-1.3
Recreation & Entertainment	0.8	-1.5	5.9	5.4	2.2	-1.9	0.9	0.5	0.2	1.8	3.7	2.1	4.0	0.4
Misc. Goods & Services	1.5	-2.6	-3.3	1.9	-0.9	3.1	-0.4	2.0	-5.7	-0.2	0.5	-0.8	-1.8	0.2

Source: National Bureau of Statistics (NBS)

**Chart 1: Tanzania: Annual Headline, Food, and Non-food inflation**



# Monetary and Financial Developments

## Money and Credit Developments

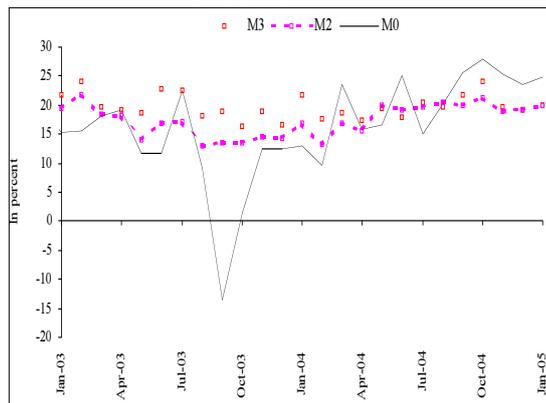
### Money supply growth increases slightly

During the year ending January 2005, the growth rate of money supply increased slightly, but still remained marginally below the targeted path of 20—24 percent for 2004/05. The growth rate of extended broad money supply (M3) rose to 19.9 percent from 19.3 percent in December 2004, while that of broad money supply (M2) went up to 20.0 percent from 19.2 percent. The growth in M3 occurred predominantly in foreign currency, demand and savings deposits, the former being due to increase in corporate customers deposits, associated with tourism and export proceeds, as well as foreign exchange transfers in favour of NGOs and international organisations. The increase in demand deposits reflected the transfer of donor support inflows to commercial banks in favour of development projects such as education and health, while that of savings deposits largely reflected the recently increased efforts by commercial banks in attracting deposits, which include extension of branch networks and various banking facilities. The growth in foreign currency deposits, though, was much more than it was in the year ending January 2004, partly



suggesting that the relative stability in the shilling exchange rate observed in 2004 might have caused economic agents to reduce their preferences in holding foreign currency. In terms of shares to M3, foreign currency deposits remained almost as it was in January 2004 (around 30 percent), implying that components of broad money supply (M2) increased roughly by the same rate in the year ending January 2005 (Chart 3).

**Chart 2: Tanzania: Annual Growth Rates of Monetary aggregates**



During January 2005, in absolute terms, M3 increased by TZS 132.6 billion compared to a decrease of TZS 6.7 billion in the preceding month and an increase of about 98 billion in January 2004. Such an increase was largely due to the receipt of foreign exchange by some organisations, mainly NGOs for various projects. M2 expanded by TZS 38.3 billion, significantly higher than the increase in the previous month and January 2004 due to a relatively large transfer of budgetary support inflows to commercial banks, as well as increased deposits mobilisations as mirrored by a decline in currency in circulation.

**Table 2: Tanzania: Selected Money Supply Components**

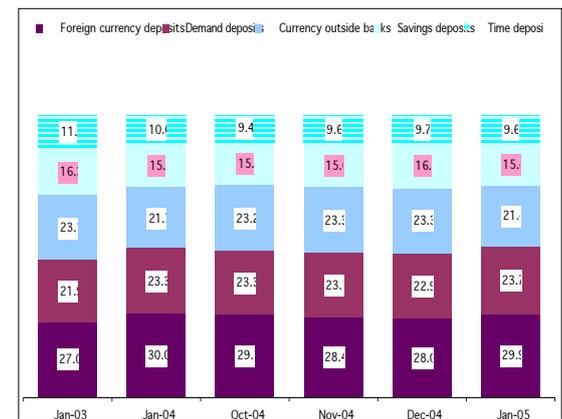
	2004			2005		Abs. Change Dec 04 - Jan 05	Annual Change (%)	
	Jan	Nov	Dec	Jan	Jan-04		Jan-05	
<b>Extended broad money (M3)</b>	<b>2,486.0</b>	<b>2,854.7</b>	<b>2,848.0</b>	<b>2,980.6</b>	<b>132.6</b>	<b>21.8</b>	<b>19.9</b>	
<b>Broad money (M2)</b>	<b>1,741.3</b>	<b>2,044.8</b>	<b>2,050.8</b>	<b>2,089.0</b>	<b>38.3</b>	<b>16.8</b>	<b>20.0</b>	
Currency in circulation	538.8	666.3	664.2	636.9	-27.2	14.4	18.2	
Demand deposits	578.1	659.6	651.5	705.9	54.5	29.3	22.1	
Time deposits	249.6	274.5	276.4	287.3	10.9	4.0	15.1	
Savings deposits	374.8	444.4	458.8	458.9	0.1	12.7	22.4	
Foreign currency deposits	744.7	809.9	797.2	891.6	94.3	35.4	19.7	
Total non government deposits	1,947.2	2,188.4	2,183.8	2,343.7	159.8	24.1	20.4	
<b>Net foreign assets</b>	<b>2,312.9</b>	<b>2,372.3</b>	<b>2,379.9</b>	<b>2,408.4</b>	<b>28.4</b>	<b>40.1</b>	<b>4.1</b>	
Bank of Tanzania	1,581.1	1,693.3	1,715.3	1,697.2	-18.0	47.2	7.3	
Commercial banks	731.8	679.0	664.6	711.1	46.5	26.8	-2.8	
<b>Net domestic assets</b>	<b>676.7</b>	<b>959.5</b>	<b>932.5</b>	<b>1,100.8</b>	<b>168.3</b>	<b>-6.7</b>	<b>62.7</b>	
Domestic Credit	855.1	1,081.4	1,012.0	1,178.8	166.4	2.1	37.9	
Net claims on government	-1.7	19.6	-47.7	61.7	109.4	-100.7	-	
Claims on government	479.7	472.9	477.6	489.1	11.5	-0.8	1.9	
Government deposits	481.5	453.3	525.3	427.4	-97.9	112.4	-11.2	
<b>Claims on the private sector</b>	<b>856.8</b>	<b>1,061.8</b>	<b>1,060.1</b>	<b>1,117.1</b>	<b>57.0</b>	<b>47.7</b>	<b>30.4</b>	



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Source: Bank of Tanzania

**Chart 3: Tanzania: Components of Money Supply as Percentage of M3**



## Credit to private sector increases

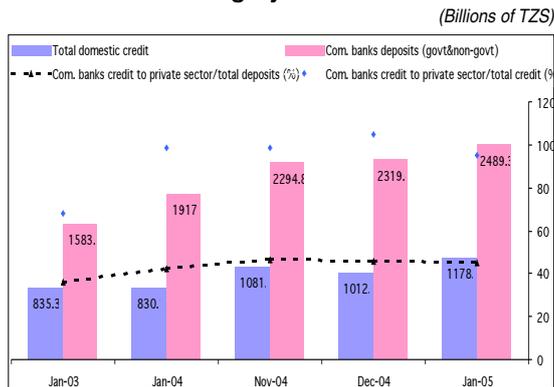
Credit to private sector by commercial banks increased remained robust in the year to January 2005, growing at 30.4 percent but slightly below the past 12-months annual average growth rate of around 34 percent. New loans for the month of January were TZS 57.0 billion compared to a decrease of TZS 1.7 billion recorded in the preceding month.

The main factors that underpinned the increase in credit in January include the inclusion of credit extended by Azania Bancorp Ltd following its incorporation in the Depository Corporations Survey, combined with loans extended to corporate customers to finance economic activities, mainly trade manufacturing and agriculture.

During the month under review, commercial banks net claims on the government increased by TZS 1.4 billion, representing an incurrence of new debt amounting to TZS 11.5 billion and a build up of government deposits in commercial banks by TZS 10.1 billion.

Similarly, net claims on government by BOT increased by TZS 108.1 billion following a draw down of deposit in favour of donor support projects such as secondary education and health.

**Chart 4: Tanzania: Total Deposits and Credit of the Banking System**



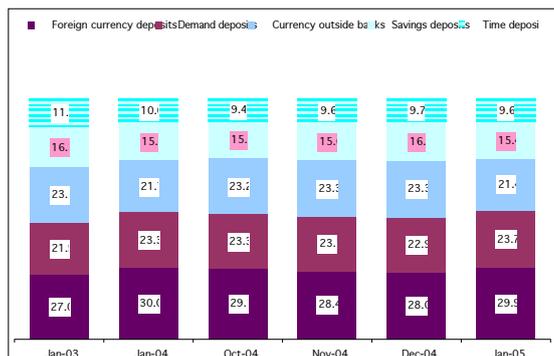
## Interest rates in commercial banks

Developments in interest rates during January 2005 showed varied trends. Overall average savings rate remained nearly at a level recorded in the preceding month of 2.6 percent, same as rate on prime customers' deposits, which was maintained at 8.8 percent. Average time deposit rate, on the other hand, improved to around 4.3 during the month under review percent from 4.0 percent recorded in the preceding month.

With regard to lending rates, the overall average rate increase in tandem with the upward movement in interest rates on Treasury bills, reaching around 15 percent in January 2005 from 14.8 percent in the preceding month. Save for interest rate of short-term loans (up to 1-year), which rose in January, rates on all other loans maturities recorded marginal declines. Negotiated lending rate increased in January but still was maintained considerably below the rate charged to non-prime borrowers (Table 3).

**Table 3: Tanzania: Interest Rates**

(In percent per annum)



Source: Commercial Banks and Bank of Tanzania Computations

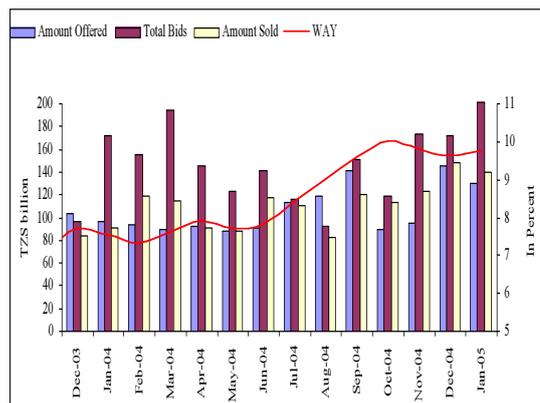
# Financial Markets Operation

## Demand for Treasury bills remains strong

During January 2005, Treasury bills market experienced an increase in demand partly as a result of large redemption relative to the preceding month. Amount tendered stood at TZS 201.0 billion, the highest in the recent past and above the previous month level by TZS 29 billion. Also, the amount tendered surpassed amount offered by TZS 71 billion, with most over-subscriptions being recorded on 35-day and 91-day Treasury bills.

Owing to high liquidity in the economy relative to the target, the Bank accepted bids worth TZS 129.0 billion, which was about 64 percent of the total bids. The 91-day and 364-day Treasury bill rates stabilised at 9.6 percent and 10.8 percent respectively, while the rates for other maturities picked up marginally in the review month.

**Chart 5: Treasury Bills Market Developments in Tanzania**



## Demand for Treasury bonds improves

Contrary to the low demand that persisted in the Treasury bonds market during the recent months, January 2005 turned out differently.

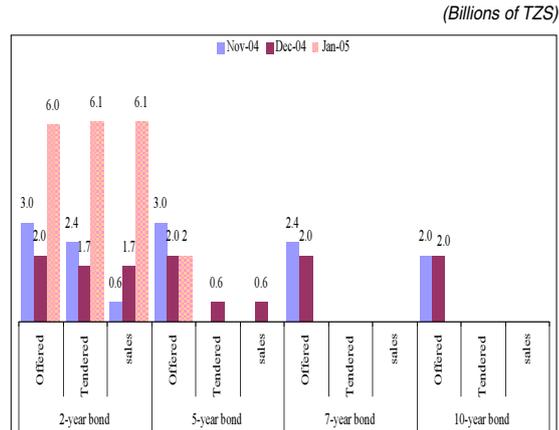
During the month, the BOT offered 2-year and 5-year



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bonds worth TZS 8.0 billion all together. While no bids were received for the 5-year bonds, bids received for 2-year bonds were worth TZS 6.1 billion being TZS 3.8 billion higher than bids received during December 2004 (Chart 6). The Bank accepted all bids on the 2-year bonds at an interest rate of around 13.0 percent, which was higher by 0.8 percent for the bids received in December 2004.

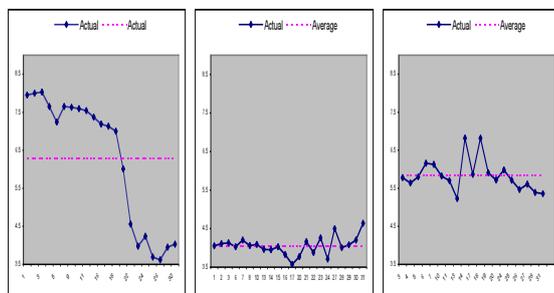
**Chart 6: Performance in T-bonds Market in Tanzania**



## Inter-bank Transactions

During January 2005, inter-bank dealings amounted to TZS 150.5 billion, compared to TZS 215.8 billion transacted in December 2004. The daily weighted average overnight rates were however higher in January and fluctuated between 5.23 percent and 6.82 percent, compared with 3.57 percent and 4.64 percent in December 2004, suggesting a relatively low liquidity among banks in January (Chart 7).

**Chart 7: Overnight Inter bank Rates in Tanzania**



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# Government Budgetary Developments

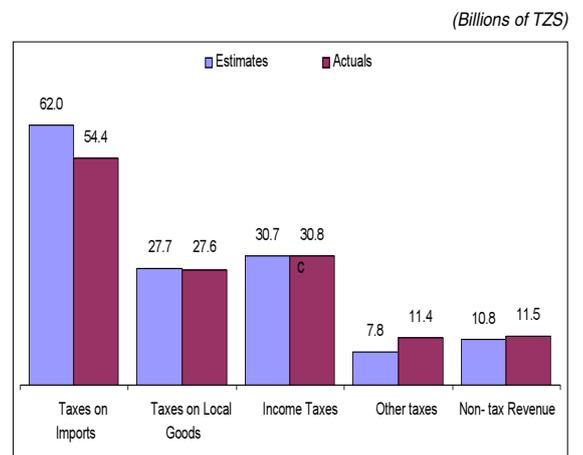
## Fiscal operations remains within the target

Government budgetary operations during the month of January 2005 generated a deficit of TZS 85.4 billion. Total resources available for the month amounted to TZS 148.3 billion made up of TZS 135.6 billion from revenue and TZS 12.7 billion from grants. Total expenditure for the month amounted to TZS 233.6 billion.

In January 2005 a gradual implementation of the East African Custom Union Protocol begun, where taxes on imports for the three East African Community countries will be harmonized. In the process, taxes on second hand clothes were increased from 25 percent to 50 percent, while tax on crude oil was reduced from 10 percent to zero rate effective January 2005.

Total revenue collected during the month amounted to TZS 139.0 billion, which was slightly below the target by TZS 3.4 billion. Chart 8 shows that tax collections from local goods and income tax categories were broadly on target. Tax collections from imports were TZS 7.6 billion below the target of TZS 62.0 billion due to decline in the value of imports.

**Chart 8: Tanzania: Government Recurrent Revenue Performance in January 2005**

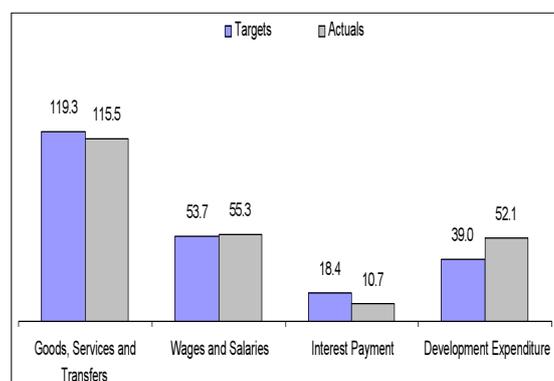


During the month, government expenditure amounted to TZS 233.6 billion. Recurrent expenditure was TZS 181.5 billion, below the ceiling of TZS 191.4 billion. Expenditure on priority sectors totalled TZS 38.0 billion out of TZS 81.7 billion allocated for the third quarter.

Development expenditures during the period amounted to TZS 52.1 billion, far below the target of TZS 78.6 billion, due to undisbursed project loans and grants amounting to TZS 41.9 billion. The impact of undisbursed foreign funds was however, dampened by local funds, which surpassed the target of TZS 30.0 billion by TZS 15.0 billion.

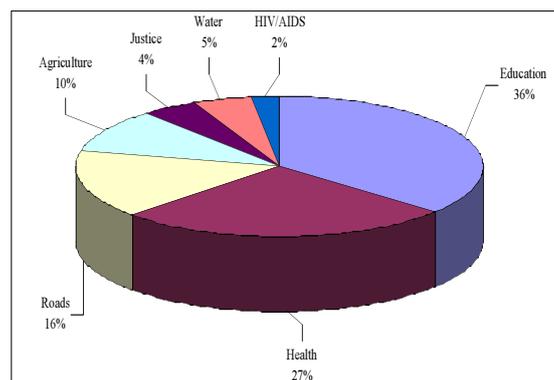
**Chart 9: Tanzania: Government Expenditure in January 2005**

(Billions of TZS)



On cumulative basis (July 2004-January 2005), government expenditure amounted to TZS 1,875.0 billion, consisting of TZS 1,152.1 billion recurrent expenses and TZS 722.9 billion development expenditure. Domestic expenditure on priority sectors was TZS 230.0 billion, out of which education sector received TZS 83.0 billion, while health and roads sectors were allocated TZS 61.6 billion and TZS 36.4 billion, respectively. Agriculture received TZS 23.1 billion.

**Chart 10: Tanzania: Priority Sector Expenditures Cumulative from July 2004**



Government budgetary operations generated a resource gap of TZS 92.7 billion, which was financed by TZS 89.7 billion from domestic sources and TZS 5.2 billion foreign project loans.

## External Sector Developments

### Current account deteriorates in January

During January 2005, the current account balance deteriorated to a deficit of US\$ 38.4 million against a surplus of US\$ 44.6 million recorded in the previous month, as tourism receipts declined following the end of mini-peak season, interest income from investment abroad decreased and interest payments increased. Also, official current transfers were lower in January 2005 than in December 2004 following frontloading of financial assistance by development partners. On annual basis, the current account also worsened, recording a deficit of US\$ 491.9 million compared with a deficit of US\$ 424.8 million in the year ending January 2004, largely due to a surge in imports of goods and services that dampened the effects of modest increase in exports (Table 4)

**Table 4: Tanzania Current Account**

(Million of US\$)

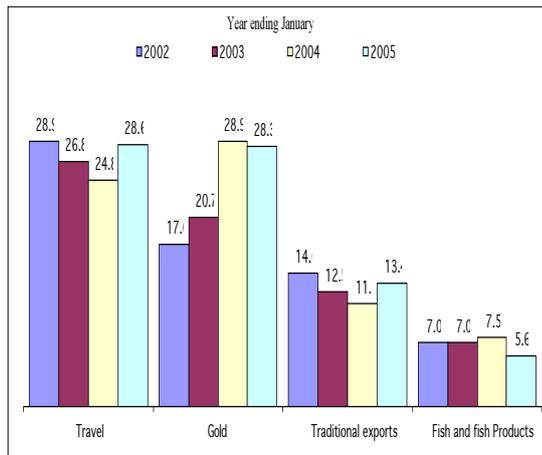
	2003	2004		2005	Year ending January		
	Dec	Jan	Dec	Jan	2003/04	2004/05 <sup>P</sup>	% Change
<b>Goods Account (net)</b>	<b>-61.7</b>	<b>-75.6</b>	<b>-46.4</b>	<b>-37.5</b>	<b>-849.1</b>	<b>-909.2</b>	<b>7.1</b>
Exports	138.6	108.7	162.5	117.3	1,133.6	1,342.0	18.4
Imports	200.2	184.4	208.8	154.8	1,982.7	2,251.2	13.5
<b>Services Account (net)</b>	<b>-19.2</b>	<b>0.0</b>	<b>12.2</b>	<b>-7.8</b>	<b>-80.6</b>	<b>-132.0</b>	<b>63.8</b>
Receipts	55.7	68.9	119.2	73.6	695.9	880.9	26.6
Payments	74.9	68.9	107.0	81.4	776.4	1,012.9	30.5
<b>Goods and services (net)</b>	<b>-80.8</b>	<b>-75.6</b>	<b>-34.2</b>	<b>-45.3</b>	<b>-929.7</b>	<b>-1,041.2</b>	<b>12.0</b>
Exports of goods and services	194.3	177.7	281.7	190.9	1,829.4	2,222.9	21.5
Imports of goods and services	275.1	253.3	315.9	236.2	2,759.1	3,264.1	18.3
<b>Income Account (net)</b>	<b>-4.9</b>	<b>-10.0</b>	<b>8.1</b>	<b>-9.5</b>	<b>-42.5</b>	<b>-39.8</b>	<b>-6.2</b>
Receipts	13.0	7.1	18.7	7.8	89.1	82.4	-7.5
Payments	17.9	17.1	10.7	17.3	131.6	122.3	-7.1
<b>Current Transfers (net)</b>	<b>139.3</b>	<b>13.7</b>	<b>70.7</b>	<b>16.4</b>	<b>547.4</b>	<b>589.1</b>	<b>7.6</b>
Inflows	144.5	18.7	76.0	22.1	609.9	655.1	7.4
o/w General Government	138.8	12.8	69.9	15.9	540.1	597.9	10.7
Outflows	5.3	5.0	5.3	5.7	62.5	66.0	5.6
<b>Current Account Balance</b>	<b>53.5</b>	<b>-71.9</b>	<b>44.6</b>	<b>-38.4</b>	<b>-424.8</b>	<b>-491.9</b>	<b>15.8</b>

Source: Bank of Tanzania



During the year ending January 2005, the share of traditional exports to total exports of goods and services improved slightly to about 13.4 percent compared to 11.3 percent recorded in the year before. However, travel receipts and gold exports remained dominant in the total exports of goods and services, accounting for 28.6 percent and 28.3 percent, respectively (Chart 11).

**Chart 11: Tanzania: Contribution to Total Exports of Goods and Services**



## Tanzania exports more during the year to January 2005.

During the month under review, total value of goods exports was US\$ 117.3 million, being lower than US\$ 162.5 million recorded in the previous month. Earnings from Traditional exports declined by about 23 percent to US\$ 34.0 million, while receipts from non-traditional exports totalled US\$ 83.3 million, being 29.5 percent lower than it was in the preceding month. The decline in non-traditional exports was largely reflected in minerals and manufactured goods. Meanwhile, the decline in traditional exports was a manifestation of ending of season for most of traditional exports. Exports volume of coffee fell by 12.7 percent, cotton 30.4 percent and cashewnuts 82.5 percent. The decline in export volume of cashewnuts is also associated with the reluctance by farmers to sell the crop to private buyers at low price. At the beginning of the season, the

Cashewnuts Authority set the price at TZS 750/= and TZS 600/= per kg for grade one and two, respectively, while private buyers were ready to buy at TZS 350/= per kg and TZS 250/= per kg.

On annual basis, total goods exports were US\$ 1,342.0 million, being 18.4 percent higher than the amount recorded in the preceding year, owing to improvement in both traditional and non-traditional exports. Traditional exports increased by 44.1 percent to US\$ 297.5 million partly due to a recovery in export unit prices and an increase in export volumes of cotton, tea, tobacco and cashewnuts associated with favourable weather conditions and timely availability and usage of agricultural inputs such as fertilizers and pesticides. The improved performance of cotton was also due to importation and distribution of agro-chemicals to farmers, price subsidies on seeds, and extension services by the Cotton Development Fund. Consequently, production of cotton increased from 123,000 tons in 2000/01 to 189,000 tons in 2002/03, and is projected to reach 344,000 tons in 2004/05. Overall, the share of traditional exports to total goods exports rose to about 22 percent from 18 percent recorded in the previous year.

Non-traditional exports went up by 12.7 percent to US\$ 1,044.5 million in the year ending January 2005 compared with US\$ 927.1 million in a year earlier, following an increase in exports of manufactured goods and minerals particularly gold. Gold continued to dominate, accounting for 60.3 percent of total non-traditional exports, owing to increases in gold mining activities and increase world market price. As for manufactured goods, there was a modest increase in exports of textile apparel, cement, footwear, salt, iron and steel and plastic items.

## Goods imports declines in January 2005

During the month under review, the Tanzania's imports amounted to US\$ 154.8 million compared with US\$ 208.8 million in the previous month, following a decrease in all categories of imports; namely capital, intermediate and consumer goods. Capital goods imports decline by 24.7 percent on account of a decrease in machinery imports particularly com-



puters and mechanical appliances, while consumer goods imports dropped by 36.7 percent as a result of decline in importation of maize following improvement in food supply in the country.

**Table 5: Tanzania Imports**

(Millions of US\$)

	2004		2005	Year ending January		
	Jan	Dec	Jan	2004	2005	
						% Change
<b>CAPITAL GOODS</b>	<b>72.2</b>	<b>86.6</b>	<b>65.2</b>	<b>761.7</b>	<b>863.9</b>	<b>13.4</b>
Transport Equipment	18.5	19	14.7	216.8	226.3	4.4
Building and Constructions Equipment	12.2	20.8	22	151.9	194.6	28.1
Machinery	41.5	46.8	28.6	393	443	12.7
<b>INTERMEDIATE GOODS</b>	<b>55.2</b>	<b>42.7</b>	<b>39.2</b>	<b>637.3</b>	<b>644.2</b>	<b>1.1</b>
Oil imports	32.9	11.2	15	384.7	360.4	-6.3
Fertilizers	1.1	7.1	4.1	26.5	57.1	115.2
Industrial raw materials	21.2	24.4	20.1	226.1	226.7	0.2
<b>CONSUMER GOODS</b>	<b>57</b>	<b>79.5</b>	<b>50.3</b>	<b>583.7</b>	<b>743.1</b>	<b>27.3</b>
Food and foodstuffs	22.1	22.7	12.8	174.8	239.5	37
All other consumer goods	34.9	56.8	37.5	408.9	503.6	23.2
<b>GRAND TOTAL (F.O.B)</b>	<b>184.4</b>	<b>208.8</b>	<b>154.8</b>	<b>1,982.70</b>	<b>2,251.2</b>	<b>13.5</b>
<b>GRAND TOTAL (C.I.F)</b>	<b>202.6</b>	<b>229.5</b>	<b>170.1</b>	<b>2,178.80</b>	<b>2,473.9</b>	<b>13.5</b>

**Note:** Oil imports refers to refined petroleum products

**P =** Provisional data.

**Source:** Bank of Tanzania, TRA.

During the year ending January 2005, merchandise imports went up by 13.5 percent to US\$ 2,251.2 million mainly as a result of a rise in capital and consumer good imports. The increase in importation of capital goods was largely associated with the expansion in manufacturing, mining and tourism activities.

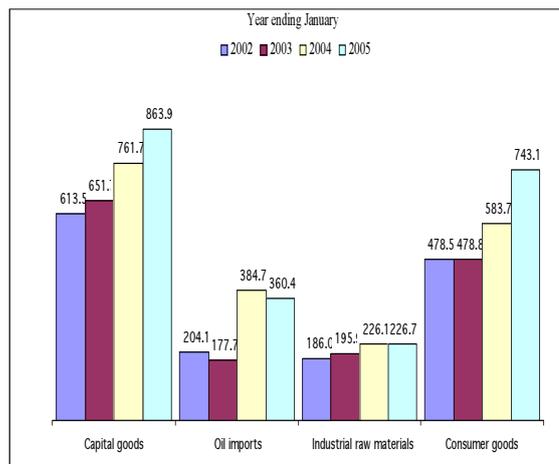
The statistics indicate that manufacturing sector has been growing progressively, from 5.0 percent in 2001 to 8.6 percent in 2003 and is set to grow further in 2004 and 2005, while wholesale and retail trade, restaurant and hotels sector grew by more than 16 percent over the same period.

The surge in consumer goods imports from US\$ 583.7 million in the preceding year to US\$ 743.1 million in the reporting period was largely attributed to a significant increase in importation of food particularly cereals.

During the year, a total of 836,867 tons of cereals were imported compared to 807,987 tons imported in the preceding year. The trend of imports over the past four years is shown in Chart 12.

**Chart 12: Tanzania: Total Merchandise Imports**

(Millions of US\$)



## The services account deteriorates

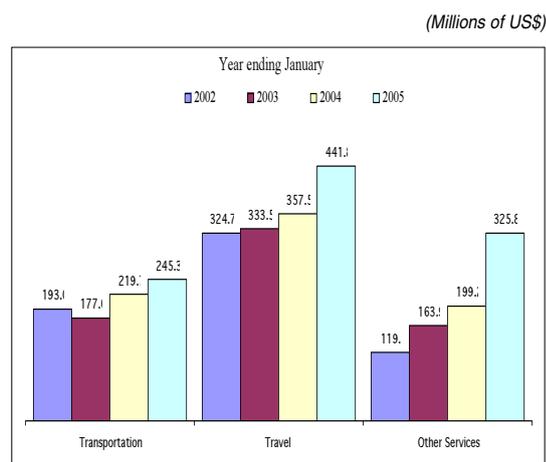
In January 2005, the balance in services account decreased from a surplus of US\$ 12.2 million to a deficit of US\$ 7.8 million, following a substantial decline in services receipt which dampened the effect of a modest decline in services payment. The drop in services receipts was largely due to a 39.6 percent decrease in travel (mainly tourism) receipts, which is partly explained by the end of mini-peak season, which runs from November through January. Similarly, Services payment declined to US\$ 81.4 million from US\$ 107 million recorded in the previous month, mainly attributed to a decrease in construction, transportation and travel services payments. The decline in transportation payment was partly explained by the 25.9 percent decrease in freight payments that is in line with the fall in imports during the period under review.

On annual basis, services account deteriorated significantly to a deficit of US\$ 132.0 million from US\$ 80.6 million recorded during the year ending January 2004. The deterioration was mainly attributed to the rise in payments for travel, transportation, construction and communication. Travel payments, which mainly include education, travel allowance, and medical payments accounted for about 44 percent of the total services payment.



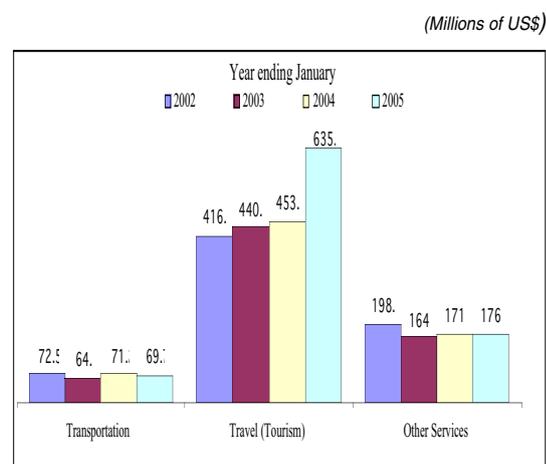
Payments under 'other services payments' category increased to US\$ 325.8 million from US\$ 199.2 million recorded in year ending January 2004, following a surge in communication and construction payments. The increase in communication payment was mainly associated with expansion of telecommunication industry in the country, while that of construction services is associated with growth in construction activities.

**Chart 13: Tanzania: Service Payments**



During the year ending January 2005, services receipts went up by 26.6 percent to US\$ 880.9 million mainly on account of the rise in travel receipts associated with tourism promotion related efforts, which partly led to increase in the number of tourists to Tanzania from 576,198 in 2003 to 582,807 in 2004. During the past four years, travel receipts dominated the services sector (Chart 14).

**Chart 14: Tanzania: Service Receipts**



## Income account worsens

The income account balance recorded a deficit of US\$ 9.5 million from a surplus of US\$ 8.1 million reported in December 2004, largely due to a surge in interest payments coupled with a decline in income receipts from short-term investments. Conversely, during the year ending January 2005, the income account deficit narrowed to US\$ 39.8 million from US\$ 42.5 million recorded in the year ending January 2004, largely due to a fall in scheduled interest payments.

## World commodity prices show mixed developments

During January 2005, compared to the previous month, the prices of coffee rose due to decline in global supply following biennial cycle, the price of cotton went up, largely due to increase in demand from China, as well as low supply associated with concerns about the effects of tsunami on cotton in the Asian countries. In the same period, the prices of tea and sisal remained unchanged, while the price of cloves declined on account of decline in demand from the Indonesia.

The prices of crude oil and white petroleum products were high relative to the previous month largely due to concerns of supply disruptions as the result of increased insurgency in Iraq prior to the elections. On the contrary, the price of gold fell from the price level in December 2004, partly due to the strengthening of the US dollar against other major currencies.

**Table 6: World Commodity Prices**

COMMODITY	Units	2004					2005		% Change Year ending Jan 05
		August	Sept	Oct	Nov	Dec	Jan		
Coffee "Robusta"	US \$ per kg	0.75	0.76	0.70	0.72	0.81	0.82	1.23	
Coffee "Arabica"	US \$ per kg	1.62	1.78	1.78	1.99	2.30	2.36	2.61	
Tea "Average price"	US \$ per kg	1.77	1.81	1.79	1.78	1.73	1.73	0.00	
Tea "Mombasa Auction"	US \$ per kg	1.57	1.64	1.51	1.45	1.51	1.51	0.00	
Cotton, "A Index"	US \$ per kg	1.19	1.24	1.16	1.08	1.07	1.13	5.61	
Cotton, "Memphis"	US \$ per kg	1.18	1.22	1.18	1.15	1.16	1.23	6.03	
Sisal "UG"	US \$ per metric ton	885.00	885.00	885.00	885.00	885.00	885.00	0.00	
Cloves	US \$ per metric ton	3,000.00	3,600.00	3,500.00	3,500.00	3,496.00	3,418.00	-2.23	
Crude oil*	US \$ per barrel	42.08	41.60	46.88	42.13	39.04	42.97	10.07	
Crude oil**	US \$ per barrel	38.30	35.48	37.58	34.88	34.26	37.81	10.36	
White products***	US \$ per ton	406.60	421.22	479.42	445.80	396.91	404.37	1.88	
Gold	US \$ per troy ounce	400.50	405.30	420.50	439.40	442.10	424.00	-4.09	

\*\*\* Average of Premium gasoline, Gas oil and Jet/Kerosene, f.o.b. West Mediterranean

Source: <http://www.imf.org> and <http://worldbank.org/prospects>

# Debt Developments

## UK offers more debt relief

At the end of January 2005, Tanzania's total debt stood at US\$ 9,053.5 million, out of which US\$ 6,856.6 million (75.7 percent of total) was foreign and the balance was domestic. During January 2005, Tanzania received HIPC debt relief amounting to US\$ 5.9 million from multilateral institutions.

Meanwhile, United Kingdom announced that from 1st January 2005 it would cover 10 percent of repayments of debts owed by Tanzania to IDA and African Development Fund, on all debts incurred before January 2004, with the intention of facilitating achievement of the Millennium Development Goals.

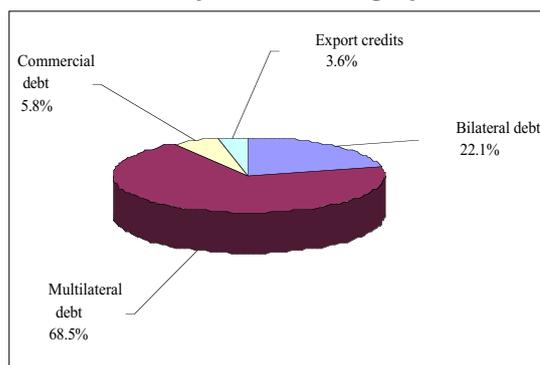
## External Debt

The overall external debt committed decreased from US\$ 8,740.3 million recorded at end December 2004 to US\$ 8,566.7 million at end January 2005, partly due to exchange rate fluctuations. Out of the committed amount, US\$ 6,856.6 million was disbursed outstanding debt and US\$ 1,710.1 million was undisbursed. Interest arrears picked up marginally from US\$ 1,300.4 million at end of December 2004 to US\$ 1,302.3 million at end of January 2005.

The government's external debt stock stood at US\$ 6,244.6 million or 91.1 percent of total at the end of January 2005, while private sector and parastatals held US\$ 464.4 million and US\$ 147.6 million, respectively.

From the creditor side, multilateral debt was US\$ 4,697.1 million, reflecting government's policy of borrowing concessional loans, while bilateral debt amounted to US\$ 1,513.9 million. Commercial and export credits were 5.8 US\$ 398.2 million and US\$ 247.4 million, respectively (Chart 15).

Chart 15: Tanzania: Disbursed Outstanding Debt by Creditor Category



In terms of use of funds, 19.7 percent of the total debt was in form of Balance of Payments Support, transport sector accounted for 16.2 percent, agriculture 14.0 percent, and energy & mining accounted for 13.7 percent. Industries accounted for 5.3 percent and social welfare and education 5.0 percent. The remaining was accounted for by other activities

## Disbursements, Debt Service Payments and Debt Commitments

During January 2005, there were neither new contracted loans nor disbursements recorded. However, debt service payments amounting to US\$ 6.1 million were recorded, against the projected US\$ 14.1 million. This was due to multilateral HIPC debt relief, as well as non-servicing of some loans from Non-Paris Club bilateral creditors that have not yet offered debt relief under HIPC terms.

# HIPC Debt Relief

In January 2005, Tanzania received HIPC debt relief amounting to US\$ 5.92 million from International agencies. Of the total relief, the African Development Bank (AfDB) provided US\$ 4.54 million and the balance came from International Development Association (IDA) and International Fund for Agricultural Development (IFAD) (Table 7).



There was no debt relief received from bilateral creditors during the month under review. Meanwhile, dialogue continues with Abu Dhabi Fund, Hungary, Libya and Iran but no firm commitment has been made.

**Table 7: Tanzania: Multilateral Debt Relief**

(Million of USD)

	2004			2005
	October	November	December	January
DA	3.49	4.89	4.79	0.70
AfDB	0.15	0.00	0.00	4.54
MF	0.00	1.66	1.17	0.00
FAD	0.00	0.05	0.00	0.68
NODF	0.00	0.00	0.11	0.00
EIB	5.91	1.83	0.00	0.00
<b>TOTAL</b>	<b>9.54</b>	<b>8.43</b>	<b>6.07</b>	<b>5.92</b>

Source: Bank of Tanzania

## Domestic Debt

At the end of January 2005, debt stock stood at TZS 985.9 billion, up from TZS 968.2 billion registered at the end of December 2004. The increase was mainly due to issuance of special government bond to retire part of external debt.

Commercial banks remained the major creditor to the government by holding 37.3 percent of total domestic debt, followed by pension funds 35.1 percent, Bank of Tanzania 20.2 percent, non-bank financial institutions 1.9 percent, insurance companies 2.6 billion, and private sector 1.8 percent. Other official entities and BOT special funds, altogether, were holding 1.0 percent of total domestic debt. In the same period, the government paid the entire amount of interest falling due, which amounted to 3.6 billion.

## Other Economic Developments

### Food supply remains favourable

In January 2004, food supply remained satisfactory in most districts though there were pockets of food shortages in some areas. Consequently, the government distributed 1,000 tons of subsidized food to some districts facing food shortage in Shinyanga during the reporting month, namely: , Maswa 360 tons, , Bariadi 340 tons, Meatu 240 tons, and Kishapu 60 tons. Similar efforts were made in December 2004 where 413 tons and 200 tons of subsidized maize were distributed to Hanang and Makete districts, respectively.

Meanwhile, private traders released some stocks, which together with start of crops harvests in some regions particularly in Kigoma, Kagera and Kilimanjaro, led to a decrease in the average wholesale prices for maize, beans and potatoes decreased in January 2005 (Table 8). Prices of food are expected to decrease further in the coming months in view of satisfactory short rains in most parts of the country.

**Table 8: Tanzania: Average Wholesale Prices for Selected Food Items**

(TZS per 100 Kg)

	2004				2005	% Change Year ending Jan-05	% Change in Jan-05
	Jan	Oct	Nov	Dec	Jan		
Maize	25,260	16,440	16,652	16,467	16,221	-36	-2
Rice	50,635	53,160	54,858	56,165	57,464	13	2
Beans	41,878	48,026	51,109	52,956	52,128	24	-2
Sorghum	27,892	21,719	20,475	20,375	21,797	-22	7
Potatoes	25,295	28,086	26,684	25,330	22,842	-10	-11

Source: Ministry of Agriculture and Food Security



## Strategic Grain Reserves improve

The SGR stock at end-January 2005 amounted to 119,924 tons, an increase of 5.2 percent from the stock recorded at the end of the previous month.. Maize purchases from surplus regions during January 2005 amounted to 8,288 tons, leading to cumulative purchases of 95,789 tons between July 2004 and January 2005. The SGR department is targeting to purchase 100,000 tons of maize from the surplus regions during 2004/05 crop-season. Meanwhile, the SGR department released 1,053 tons of maize to the market during January 2005, leading to total sale of 5,554 tons between July 2004 and January 2005. Food grains held by registered private traders increased from 167,936 tons in December 2004 to 193,925 tons at end-January 2005, comprising 67,892 tons of maize, 55,500 tons of rice and 70,533 tons of wheat. This brings the total stock of food grains to 313,849 tons at end-January, 2005.

**Table 9: Tanzania Strategic Grain Reserve Stocks**

(in tons)

Period	2000	2001	2002	2003	2004	2005	% Change 2004-2005
January	105,665	78,967	60,503	59,961	35,342	119,924	239
February	103,305	72,000	58,254	59,493	23,791		
March	101,496	63,022	56,738	58,976	22,903		
April	96,326	51,435	52,228	54,118	32,387		
May	82,119	44,776	48,653	52,857	31,732		
June	72,000	47,225	47,100	51,060	37,091		
July	63,976	46,290	44,787	50,661	39,195		
August	70,352	48,998	41,795	52,681	45,988		
September	95,000	59,047	57,500	61,364	67,685		
October	88,474	58,000	62,700	59,379	92,710		
November	89,882	62,388	61,773	52,054	108,448		
December	78,967	62,788	58,395	41,649	114,030		

Source: Food Security Department and BOT computation

## Economic Developments in Zanzibar

### Budgetary Developments

#### Budgetary surplus recorded, after grants

During January 2005, the Zanzibar Government budgetary performance recorded an overall deficit of TZS 0.8 billion on cheques issued basis, before considering grants. But when grants amounting to TZS 1.0 billion were included, a surplus of TZS 0.2 billion was realised.

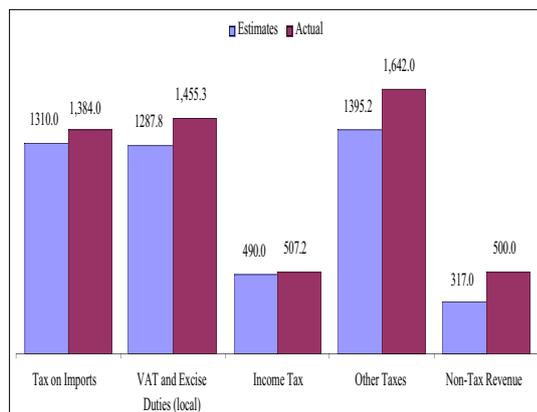
Revenue collection during the month under review amounted to TZS 5.5 billion, or 14.6 percent above the targeted amount of TZS 4.8 billion. The good performance was on account of improved and coordinated collection measures taken by the Zanzibar Revenue Board and Tanzania Revenue Authority.

Performance by revenue category shows that, collection from tax sources amounted to TZS 5.0 billion, surpassing the monthly target of TZS 4.5 billion by 11.1 percent. Collections from import duties amounted to TZS 1.4 billion, exceeding the target of TZS 1.3 billion as a result of increase in imports. Similarly VAT and exercise duty (local) collection amounted to TZS 1.4 billion, above the monthly target of TZS 1.3 billion. Income tax collections amounted to TZS 0.5 billion, in line with the monthly target. Revenue from "other taxes" category amounted to TZS 1.6 billion, or 14.3 percent above the targeted amount of TZS 1.4 billion due to relative increase in trading and tourism activities. Non-tax revenue sources amounted to TZS 0.5 billion, surpassing the target TZS 0.3 billion. On cumulative basis (July 2004 – January 2005), total revenue collection amounted to TZS 34.6 billion, exceeding the targeted amount of TZS 33.1 billion by 4.5 percent

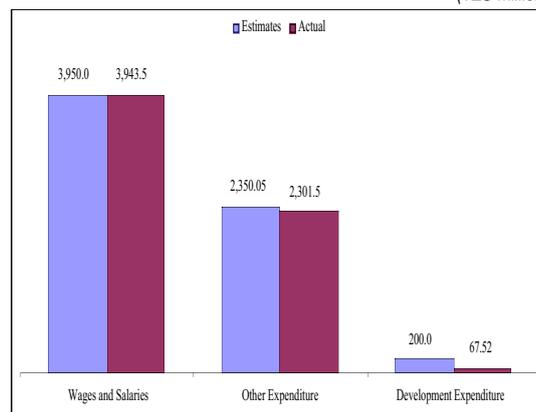


**Chart 16: Zanzibar: Government Revenue by Source January 2005**

(TZS million)

**Chart 17: Zanzibar: Government Expenditure by Components January 2005**

(TZS million)



## Expenditure

Zanzibar Government expenditure during January 2005 amounted to TZS 6.3 billion, being 3.1 percent below the monthly ceiling of TZS 6.5 billion, due to insufficient resources particularly for development expenditure.

Recurrent expenditure amounted to TZS 6.2 billion, being 98.4 percent of total expenditure, while development expenditure amounted to TZS 0.1 billion, being 1.6 percent of total expenditure. The latter category of expenditure accounted for a mere 35.0 percent of the monthly ceiling of TZS 0.2 billion, however the donor funded development expenditures are not included, due to lack of reliable statistics.

Wages and salaries continued to dominate the government expenditure, recording TZS 3.9 billion or 61.9 percent of total expenditure. Other expenditures amounted to TZS 2.3 billion, being 36.5 percent of total expenditure and accounted for 95.8 percent of the targeted TZS 2.4 billion.

On cumulative basis, during July 2004 - January 2005, the Government spent TZS 42.8 billion, accounting for 96.2 percent of the planned TZS 44.5 billion (Chart 17).

## Financing

During the month of January 2005, the budget deficit was financed from non-bank sources particularly through sale of Treasury bills to the tune of TZS 1.5 billion.

## Debt Developments

### Zanzibar debt increases slightly

As at the end January 2005, Zanzibar total debt position (external and domestic) increased to TZS 176.8 billion (USD 157.0 million) from TZS 174.6 billion (USD 165.0 million), recorded in December 2004. The latter was largely attributed to more borrowing from internal sources. Domestic debt stood at TZS 55.7 billion, accounting for 31.5 percent of the total debt, whilst external debt amounted to TZS 121.2 billion or 68.5 percent of total debt.

## Domestic Debt

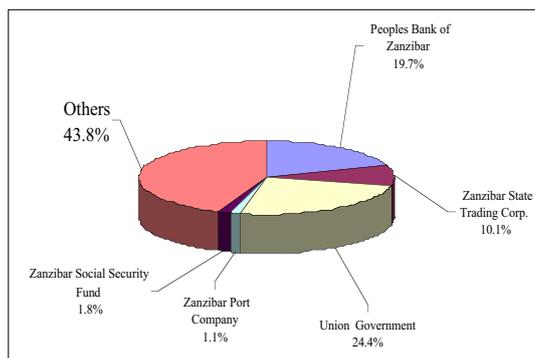
During the month under review, domestic debt increased by 4.1 percent to TZS 55.7 billion from TZS 54.5 billion registered in December 2004, largely on account of further borrowing from non-bank sources through government securities.



## Domestic Debt by Creditor

The profile of domestic debt stock by creditor indicates that; claims by Union Government remained at TZS 13.6 billion. Debts due to the Peoples Bank of Zanzibar (PBZ) and Zanzibar State Trading Corporation (ZSTC) amounted to TZS 10.9 billion and TZS 5.1 billion, respectively. Claims of and Zanzibar Social Security Fund (ZSSF) stood at TZS 1.0 billion and that of Zanzibar Port Company (ZPC) claims stood at TZS 0.6 billion. Other creditors claims increased by 8.7 percent from TZS 22.4 billion registered in previous month to TZS 24.4 billion. The shares of government debt by creditor is shown in Chart 18.

**Chart 18: Zanzibar: Domestic Debt by Creditor as at End-January 2005**



## Domestic debt by instruments

The profile of domestic debt by instruments shows that long-term loans amounted to TZS 10.98 billion, accounting for 19.7 percent of the total domestic debt. Government stocks amounted to TZS 6.7 billion accounting for 10.1 percent of total domestic debt, while Treasury bills amounted to TZS 7.1 billion representing 12.7 percent of total domestic debt. Treasury bonds stood at the level of TZS 3.3 billion or 6.0 percent of total domestic debt. Other debt instruments -mainly comprised of outstanding advances, pensioners' claims and suppliers' credits - amounted to TZS 27.6 billion, and accounted for 49.6 percent of total domestic debt.

## Domestic debt by maturity

As at end January 2005, debt maturing in less than a year amounted to TZS 2.5 billion, accounting for 4.4 percent total domestic debt. Debt maturing between 1-2 years amounted to TZS 18.9 billion or 33.9 percent of total domestic debt, while debt maturing in 2-5 years amounted to TZS 1.0 billion, representing 1.8 percent of total domestic debt. Debt with "undetermined maturity" mainly gratuity and pension claims, amounted to TZS 33.3 billion or 59.9 percent of total domestic debt.

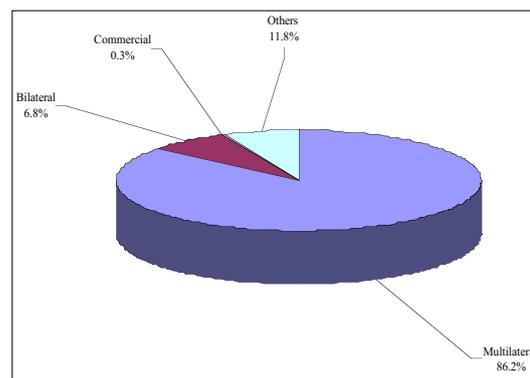
## External Debt

As at end of month under review, Zanzibar external debt stock declined to USD 107.0 million (TZS 121.1 billion) from USD 113.7 million, mainly on account of debt data reconciliation with Union Government database.

## External debt by creditor category

Claims by multilateral creditors as at end-January 2005, amounted to USD 92.2 million, accounting for 86.2 percent of total external debt. Bilateral creditor's claims amounted to USD 7.2 million, representing 6.8 percent of total external debt, while Commercial creditor's claims stood at USD 0.3 million, or representing 0.3 percent of total external debt. "Other claims" stood at TZS 7.2 million or 6.7 percent.

**Chart 19: Zanzibar: External debt by Creditor as at end-January 2005**



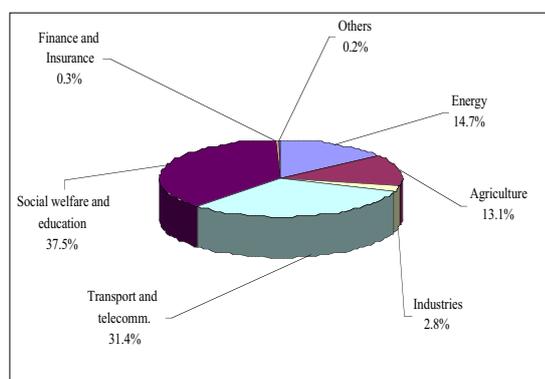
## External Debt by Maturity

The profile of external debt by maturity shows that, debt with maturity above 20 years amounted to USD 87.0 million, accounting for 81.3 percent of the total external debt stock. Debt maturing between 10-20 years amounted to USD 14.2 million, representing 13.3 percent of total external debt, while debt maturing between 5-10 years amounted to USD 5.8 million or 5.4 percent.

## External debt by Use of Funds

As at end of January 2005, use of funds allocated to sectors remained as in December 2004 as was in other previous months due to slow down of new disbursements during the previous year. The social welfare and education maintained USD 40.1 million or 37.5 percent of total external debt, while transport and telecommunication sector held USD 33.6 million or 31.4 percent. Energy and agriculture sectors utilised USD 15.7 million and USD 14.0 million, accounting for 14.7 percent and 13.1 percent of total external debt, respectively. The Industrial sector utilised USD 3.0 million or 2.6 percent of total external debt, while Other sectors, including Finance and Insurance, absorbed USD 0.5 million, accounting for 0.5 percent of total external debt.

**Chart 20: Zanzibar: External debt by Use of Funds as at end-January 2005**



## External Sector Developments

### Trade balance worsens in January

During January 2005, Zanzibar's overall trade balance (goods and services) worsened to a deficit of US\$ 3.9 million from a deficit of US\$ 2.7 million recorded in December 2004. The downside was associated with the decline in export receipts, mainly goods exports. Similarly, compared to corresponding month a year ago, the trade account registered deterioration, which was due to higher imports bill compared to receipts from exports. On annual basis, the trade account deteriorated to a deficit of US\$ 51.5 million from US\$ 39.3 million recorded in the preceding year.

**Table 10: Zanzibar Trade Account**

(Value in million US\$)

ITEM	2004		2005	Year ending January		
	Jan	Dec	Jan	2004	2005*	% Change
Exports	7.0	7.7	6.4	52.3	57.4	9.7
Goods	2.8	1.6	0.4	13.4	11.1	-17.6
Services	4.2	6.1	6.0	38.9	46.3	19.0
Imports	7.2	10.4	10.3	91.7	108.9	18.8
Goods (f.o.b)	4.6	6.5	6.4	64.3	78.4	22.0
Services	2.6	3.8	3.9	27.4	30.5	11.3
Trade Balance	-0.2	-2.7	-3.9	-39.3	-51.5	31.0

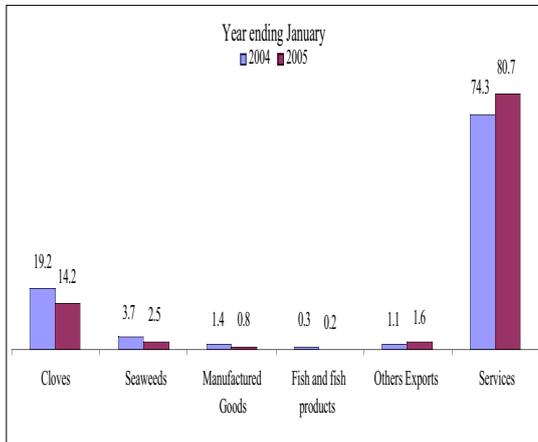
Source: Revenue Authority.

## Exports

Total exports of goods and services during January 2005, declined to US\$ 6.40 million from US\$ 7.7 million recorded during the previous month, mainly due to fall in earnings from goods exports, especially cloves as a result of seasonality factors. On annual basis, total exports rose by 9.7 percent to US\$ 57.4 million from US\$ 52.3 million recorded in 2003. The rise is mainly linked with increased earnings from

the services sector that accounted for 80.7 percent of total export earnings. Other major categories of exports were cloves (14.2 percent) and seaweeds (2.5 percent).

**Chart 21: Zanzibar: Percentage Contribution of Total Exports**



## Imports

During January 2005, Zanzibar goods imports (c.i.f.) declined by 1.4 percent, to US\$ 7.1 million from US\$ 7.2 million recorded in the previous month. This was associated with the decline in all categories of imports. Imports of capital goods declined to US\$ 1.95 million from US\$ 1.99 million recorded during the previous period, intermediate goods declined from US\$ 1.5 million to US\$ 1.4 million while con-

sumer goods imports declined by 1.7 percent to US\$ 3.66 million from US\$ 3.7 million.

On annual basis, imports (c.i.f) increased to US\$ 86.2 million from US\$ 70.6 million recorded during the previous year, mainly due to increase in intermediate goods to US\$ 30.5 million from US\$ 16.9 million registered in the preceding year, especially industrial raw materials and oil imports. Imports of industrial raw materials picked up to US\$ 15.2 million from US\$ 4.4 million, partly reflecting increased investments activities in the productive sectors, especially manufacturing of soft drinks and mineral water.

## Services Account

During January 2005, services account recorded a surplus of US\$ 2.1 million, compared with a surplus of US\$ 2.2 million registered in December 2004. The decline was largely linked with higher payments relative to service receipts.

On annual basis, the services account recorded an increase of 37.7 percent increase, to a surplus of US\$ 15.8 million from US\$ 11.5 million recorded in 2003, as a result of intensive tourism promotional campaign coupled with Government intervention by ensuring high security to tourists wishing to visit Zanzibar.



Table A2: Central Government Operations (Actual)

Monthly Flows		Million TZS						
Item	BUDGET							
	2004/2005	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05
Total Revenue	1,739,288.0	137,633.0	136,004.9	157,830.2	133,276.3	138,036.0	167,078.0	135,595.6
Tax Revenue	1,599,010.0	116,138.1	125,974.6	147,887.6	123,777.9	123,236.9	157,273.5	124,097.2
Taxes on Imports	702,846.0	54,294.1	54,828.5	58,143.3	55,987.1	55,709.6	59,154.8	54,353.2
Sales/VAT and Excise on Local Goods	372,255.0	28,663.7	35,704.2	32,789.6	31,916.2	36,851.2	33,435.2	32,034.1
Refunds	-47,798.0	-3,890.4	-3,424.0	-6,142.4	-4,285.0	-7,410.3	-6,005.9	-4,471.8
Income Taxes	422,196.0	25,962.9	27,476.2	51,716.7	30,511.0	28,601.8	58,935.2	30,766.6
Other taxes	149,511.0	11,107.8	11,389.6	11,380.4	9,648.6	9,484.6	11,754.2	11,415.1
Non- tax Revenue	140,278.0	21,494.8	10,030.3	9,942.6	9,498.5	14,799.1	9,804.5	11,498.4
Total Expenditure /1	3,198,152.0	215,529.9	188,559.6	252,873.1	431,831.0	298,625.2	253,954.0	233,617.2
Recurrent expenditure	2,106,561.0	172,692.7	134,085.2	132,649.3	191,628.0	164,164.8	175,304.7	181,542.5
Roadtoll fund	78,182.0	4,784.5	6,616.1	5,706.2	5,988.5	4,298.9	3,607.2	5,408.4
Retention fund	44,450.0	3,959.3	6,882.7	3,391.3	4,371.4	3,920.4	2,605.8	4,427.8
Wages and salaries	551,159.0	42,891.9	44,048.2	44,422.5	45,681.4	48,121.4	45,297.2	47,765.9
Interest payments	168,438.0	2,431.4	3,701.6	10,403.8	19,179.6	8,193.0	14,265.9	10,749.8
Domestic /2	94,946.0	0.0	1,555.8	3,196.9	16,122.7	2,414.3	10,653.3	9,048.8
Foreign	73,492.0	2,431.4	2,145.8	7,206.9	3,056.9	5,778.7	3,612.7	1,700.9
Other goods, services and transfers	1,386,964.0	127,369.4	86,335.4	77,823.0	126,766.9	107,850.4	115,741.7	123,026.8
Dev. Expenditure and net lending	1,091,591.0	42,837.2	54,474.4	120,223.8	240,203.1	134,460.4	78,649.2	52,074.7
Local	233,705.0	19,475.4	28,842.1	500.0	10,000.0	30,000.0	30,000.0	45,005.7
Foreign	857,886.0	23,361.8	25,632.3	119,723.8	230,203.1	104,460.4	48,649.2	7,069.0
Overall Balance (cheque issued) before Grants	-1,458,864.0	-77,896.9	-52,554.7	-95,042.9	-298,554.7	-160,589.2	-86,876.0	-98,021.5
Grants	807,810.0	122,738.9	41,626.3	217,884.0	80,022.0	75,237.0	70,431.2	12,657.9
Program (CIS/OGL)	266,176.0	103,840.7	22,134.2	146,650.6	30,569.0	3,481.2	42,328.6	9,757.6
Project	306,482.0	10,075.9	5,083.4	44,309.8	18,990.5	12,548.7	6,470.1	1,845.3
Basket funds	160,488.0	3,339.8	10,602.8	19,450.3	26,605.9	53,918.0	16,636.5	0.0
HIPC Relief	74,664.0	5,482.5	3,806.0	7,473.2	3,856.6	5,289.0	4,996.0	1,054.9
Overall defic.(cheq.issued) after Grants	-651,054.0	44,841.9	-10,928.4	122,841.1	-218,532.7	-85,352.3	-16,444.8	-85,363.7
Expenditure float	0.0	-128,152.1	-8,805.7	-1,771.5	-710.5	-425.0	-271.4	-4.9
Adjustments to cash and other items <sup>(net)</sup>	0	-55,068	55,619	-32,784	5,081	33,915	76,939	-7,445
Overall Balance (cheques issued)	-651,054.0	-138,378.3	35,885.4	88,285.2	-214,161.9	-51,862.3	60,222.6	-92,813.6
Financing:	651,054.0	138,378.3	-35,885.4	-88,285.2	214,161.9	51,862.3	-60,222.6	92,813.6
Foreign Financing (net)	425,768.0	5,722.5	4,278.8	108,812.1	178,150.1	161,938.6	17,183.3	3,019.9
Loans	559,215.0	9,946.1	9,946.1	121,359.3	184,606.7	170,511.2	25,542.6	5,223.6
Program loans	168,300.0	0.0	0.0	65,395.6	0.0	0.0	0.0	0.0
Development Project loans	280,959.0	9,946.1	9,946.1	55,963.6	184,606.7	51,371.6	14,895.7	5,223.6
Basket Support	109,956.0	0.0	0.0	0.0	0.0	119,139.6	10,647.0	0.0
Amortization	-133,447.0	-4,223.6	-5,667.3	-12,547.2	-6,456.6	-8,572.5	-8,359.3	-2,203.8
Domestic (net)	225,286.0	132,655.8	-40,164.2	-197,097.3	36,011.9	-110,076.4	-77,406.0	89,793.7
Domestic Financing	231,110.0	132,655.8	-40,164.2	-197,097.3	36,011.9	-110,076.4	-77,406.0	89,793.7
Bank borrowing	0.0	117,987.9	-58,386.4	-183,601.9	30,976.2	-110,183.5	-83,142.2	93,826.5
Non-Bank (net of amortization)	0.0	14,668.0	18,222.2	-13,495.3	5,035.6	107.2	5,736.2	-4,032.7
Amortization of contingent debt	-15,939.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization Proceeds	10,115.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Ministry of Finance

## Note:

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

/2 Domestic Interest payments and amortization include Cash and Non cash





Appendix I

ITEM	Amounts in Million USD												% Change	% Share of Total				
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Dec-2004	Jan-05						
<b>1. OVERALL TOTAL DEBT COMMITTED (2)</b>	7,933.0	8,100.8	7,901.7	7,972.9	7,598.3	7,702.3	8,032.8	7,606.6	8,088.3	8,173.5	8,210.5	8,226.8	8,325.5	8,661.0	8,740.3	8,566.7	(2.0)	100.00
Disbursed outstanding debt	6,623.3	6,600.3	6,435.8	6,580.3	6,538.3	6,312.2	6,559.7	6,233.0	6,678.3	6,700.5	6,734.8	6,748.2	6,834.1	6,931.9	6,990.6	6,856.6	(1.9)	80.04
Undisbursed debt	1,309.7	1,500.5	1,465.9	1,392.6	1,057.4	1,390.1	1,473.1	1,373.6	1,410.0	1,473.0	1,476.2	1,478.6	1,491.4	1,729.1	1,749.7	1,710.1	(2.3)	19.96
<b>2. DISBURSED DEBT BY CREDITOR CATEGORY (2)</b>	6,623.3	6,600.3	6,435.8	6,580.3	6,538.3	6,312.2	6,559.7	6,233.0	6,678.3	6,700.5	6,734.8	6,748.2	6,834.1	6,931.9	6,990.6	6,856.6	(1.9)	100.0
<b>O/W</b>																		
Bilateral debt	3,216.3	3,044.9	2,785.8	2,791.8	2,514.1	2,289.1	2,277.1	1,633.7	1,483.6	1,505.9	1,504.6	1,505.4	1,495.4	1,512.1	1,520.1	1,513.9	(0.4)	22.1
Multilateral debt	2,989.5	3,142.5	3,179.4	3,330.1	3,571.5	3,530.6	3,808.5	4,088.3	4,570.0	4,564.4	4,601.7	4,613.5	4,693.9	4,772.3	4,820.5	4,697.1	(2.6)	68.5
Commercial debt	211.7	214.9	270.6	251.5	264.9	307.9	302.5	330.6	391.2	395.7	395.7	396.2	398.0	399.6	401.7	398.2	(0.9)	5.8
Export credits	205.8	198.0	200.0	206.9	187.8	184.7	171.6	180.5	233.5	234.6	232.8	233.1	246.9	247.8	248.2	247.4	(0.3)	3.6
<b>3. DISBURSED DEBT BY BORROWER CATEGORY (2)</b>	6,623.3	6,600.3	6,435.8	6,580.3	6,538.3	6,312.2	6,559.7	6,233.0	6,678.3	6,700.5	6,734.8	6,748.2	6,834.1	6,931.9	6,990.6	6,856.6	(1.9)	100.0
<b>O/W</b>																		
Central Government	6,264.8	6,233.8	6,017.4	6,168.2	6,092.6	5,844.0	6,054.8	5,708.0	6,092.0	6,096.4	6,110.4	6,122.2	6,222.4	6,317.7	6,374.0	6,244.6	(2.0)	91.1
Parastatal Companies	171.5	167.0	171.8	165.1	183.2	172.2	153.8	152.2	149.1	155.8	155.3	156.3	150.4	148.4	149.2	147.6	(1.1)	2.2
Private Sector	187.0	199.5	246.6	247.0	262.5	296.0	351.1	372.9	437.2	448.3	468.6	469.7	461.3	465.7	464.4	464.4	(0.6)	6.8
<b>4. DISBURSED DEBT BY USE OF FUNDS (2)</b>	6,623.3	6,600.3	6,435.8	6,580.3	6,538.3	6,312.2	6,559.7	6,233.0	6,678.3	6,700.5	6,734.8	6,748.5	6,834.1	6,866.9	6,990.6	6,856.6	(1.9)	100.0
<b>O/W</b>																		
Balance of payment support	1,688.9	1,524.7	1,493.1	1,512.2	1,648.1	1,524.2	1,639.0	1,166.0	1,275.1	1,253.1	1,300.9	1,305.4	1,327.6	1,355.0	1,361.6	1,351.5	(0.7)	19.7
Transport & Telecommunication	1,291.5	1,339.9	1,306.5	1,337.8	1,067.4	1,021.1	1,027.9	1,047.8	1,065.1	1,009.5	1,195.1	1,132.3	1,114.2	1,120.6	1,130.4	1,113.3	(1.5)	16.2
Agriculture	987.0	950.4	913.9	963.8	1,040.2	990.9	1,007.8	1,034.7	967.7	962.8	962.2	972.3	980.9	1,062.8	1,066.3	956.6	(10.3)	14.0
Energy & Mining	721.9	745.8	791.6	821.8	869.0	824.3	902.9	895.0	924.3	920.6	908.2	917.2	928.2	945.5	950.6	939.5	(1.2)	13.7
Industries	609.3	567.6	527.7	504.4	430.0	413.8	402.3	411.2	352.7	351.1	350.6	350.6	366.2	354.7	362.2	354.7	(1.4)	5.3
Social Welfare & Education	245.1	257.4	276.7	292.7	426.5	332.0	384.4	421.7	333.3	330.7	331.3	333.0	338.6	345.9	342.5	342.5	(1.6)	5.0
Finance and Insurance	192.1	184.8	167.3	215.5	122.8	131.2	77.9	76.9	82.3	81.9	81.7	81.9	82.8	84.2	84.7	83.6	(1.3)	1.2
Tourism	92.7	92.4	77.2	80.2	84.1	82.0	83.8	80.2	80.2	80.3	79.2	79.4	81.1	81.7	81.9	81.1	(1.0)	1.2
Others	814.7	937.2	881.7	851.9	850.2	992.7	1,033.7	1,091.6	1,577.5	1,710.6	1,525.1	1,576.5	1,614.4	1,516.5	1,545.0	1,626.3	5.3	23.7
<b>5. TOTAL AMOUNT OF LOANS CONTRACTED (1)</b>	155.7	592.4	318.8	212.5	224.4	417.6	517.9	277.3	229.7	286.4	59.9	0.5	0.0	0.1	0.8	-	-	-
<b>O/W</b>																		
Government	123.7	475.3	306.3	159.9	220.2	285.7	465.3	259.8	209.4	165.7	59.7	0.0	0.0	0.0	0.0	-	-	-
Parastatal Companies	0.0	0.0	3.3	4.6	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
Private	32.0	117.1	9.2	48.0	4.2	131.0	52.6	17.5	20.3	120.7	0.3	0.5	0.0	0.8	-	700.0	-	-
<b>6. DISBURSEMENTS(1)</b>	320.3	341.7	307.9	189.2	267.7	169.7	184.8	169.0	234.7	6.0	4.7	1.6	0.3	1.9	1.1	-	(100.0)	-
Government	282.2	336.6	239.7	187.4	264.5	169.6	160.5	163.7	205.9	6.6	4.1	3.1	0.3	1.9	1.1	-	(100.0)	-
Parastatal Companies	6.8	0.0	9.8	1.3	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	(100.0)	-
Private	31.3	5.1	58.4	0.5	3.2	0.1	24.3	5.3	26.8	0.6	0.6	0.6	0.0	0.0	0.0	-	(100.0)	-
<b>7. SCHEDULED DEBT SERVICE (1)</b>	497.5	434.9	352.8	368.9	428.2	422.0	400.0	369.0	334.4	355.1	355.1	355.1	355.1	355.1	355.1	355.1	-	-
<b>8. ACTUAL DEBT SERVICE (1)</b>	212.0	218.7	204.6	187.9	190.9	120.9	89.1	112.4	99.3	10.8	12.2	11.5	5.0	10.9	9.4	6.1	(35.1)	100.0
Principal	140.1	122.6	138.0	112.2	140.5	100.1	47.9	86.6	68.6	8.5	11.2	9.5	3.4	9.6	7.3	4.8	(35.0)	78.3
Interest	71.8	95.5	66.4	75.6	49.6	20.8	41.2	25.8	30.6	2.4	1.0	2.0	1.6	1.3	2.0	1.3	(35.5)	21.7
Others	0.1	0.6	0.2	0.1	0.8	-	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-	(100.0)	-
<b>9. NET TRANSFERS</b>	108.3	123.0	103.3	1.3	76.8	48.8	95.7	51.3	106.6	-9.9	-7.5	-9.9	(4.7)	(9.0)	(8.3)	(6.1)	(8.0)	-
<b>10. TOTAL ARREARS BY CREDITOR CATEGORY (2)</b>	2,813.7	2,443.2	2,357.6	2,660.5	2,239.0	2,304.9	1,820.2	2,056.5	2,297.8	2,297.4	2,287.2	2,289.1	2,346.4	2,359.1	2,430.5	2,436.1	0.2	100.0
<b>O/W</b>																		
Principal	1,682.9	1,465.0	1,408.8	1,571.1	1,152.5	1,135.0	915.9	1,021.4	1,119.1	1,111.7	1,126.9	1,128.3	1,156.9	1,103.4	1,130.1	1,133.8	0.3	46.5
Bilateral	1,367.2	1,173.1	1,134.1	1,235.4	810.7	803.8	570.5	611.6	658.8	651.8	654.6	650.8	669.4	674.8	682.8	685.3	0.4	28.1
Multilateral	29.6	14.6	10.3	23.0	0.0	0.0	39.9	45.1	28.3	23.0	38.3	33.9	39.9	7.0	8.3	8.6	3.6	0.4
Commercial	100.8	83.5	91.9	132.4	185.0	165.4	152.9	203.7	240.2	244.9	245.5	252.2	253.8	227.2	234.6	235.9	0.6	9.7
Other Private Creditors	185.3	193.8	172.5	180.3	156.8	165.8	152.6	161.0	191.8	192.0	190.5	191.4	193.8	194.4	204.4	204.0	(0.2)	8.4
Interest	1,130.8	978.2	948.8	1,089.4	1,086.5	1,169.9	904.3	1,035.1	1,178.7	1,185.7	1,158.3	1,160.8	1,189.5	1,255.7	1,300.4	1,302.3	0.1	53.5
Bilateral	827.5	705.0	654.3	740.0	739.5	780.4	522.7	577.7	693.0	697.0	697.3	697.8	712.5	782.0	812.6	813.5	0.1	33.4
Multilateral*	29.3	4.2	6.0	8.3	0.0	0.0	54.1	68.4	27.3	26.0	27.9	27.8	28.3	21.6	22.8	22.3	(2.2)	0.9
Commercial	155.2	156.2	163.9	204.3	261.1	294.5	222.2	268.3	287.1	290.5	291.4	294.3	303.8	302.3	313.8	314.5	0.2	12.9
Other Private Creditors	118.8	112.8	124.6	136.8	85.9	95.0	105.3	120.7	171.3	172.2	140.7	140.9	144.9	149.8	151.2	152.0	0.5	6.2
<b>11. External Debt Stock</b>	7,754.1	7,578.5	7,384.6	7,669.7	7,624.8	7,482.1	7,464.0	7,268.1	7,856.9	7,886.2	7,892.6	7,909.0	8,023.6	8,187.6	8,291.0	8,158.9	(1.6)	89.9
<b>12. Domestic Debt Stock</b>	2,147.7	1,262.6	1,190.2	1,135.2	1,149.1	1,135.2	864.5	864.5	906.9	923.5	913.6	913.6	926.3	912.3	928.3	894.6	(3.6)	10.1
<b>13. Total Debt Stock</b>	9,901.8	8,841.1	8,574.8	8,807.9	8,773.9	8,617.3	8,328.5	8,132.6	8,763.8	8,816.1	8,810.2	8,822.6	9,050.9	9,100.9	9,219.3	9,053.5	(1.8)	100.0
End Period Exchange Rate	624.1	665.0	737.0	799.5	888.0	888.0	946.9	1,047.4	1,107.3	1,097.3	1,083.2	1,060.5	1,060.5	1,061.0	1,043.0	1,102.0	5.7	-

Source: CS-DRMS, DEBT DEPARTMENT (BOT).  
NB. Multilateral\*, multilateral arrears are those owed by the private sector.  
1) During the period (2) End of January 2005 cumulative.

# GLOSSARY

## Average Inflation Rate

This is calculated as the average of the inflation rates during the fiscal year or the calendar year

## Currency in Circulation Outside Banks

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

## Discount Rate

The rate of interest the Bank of Tanzania charges on Loans it extends to Deposit Money Banks and government overdraft. It is derived from the weighted average yield of Treasury bills of all maturities plus five-percentage points

## Exchange Rate

This is the price at which one currency can be purchased with another currency, e.g. TZS per US dollar.

## Lombard Facility

The Bank introduced Lombard facility on 1st December 2003, as an overnight facility to enable commercial banks to borrow at their own discretion, through pledging of eligible government securities as collateral.

## Lombard Rate

This is the rate payable for the use of the Lombard Facility, which is also used as signalling mechanism for the Bank of Tanzania's monetary policy stance. The rate is based on prevailing discount rate, REPO or inter-bank rates, depending on whichever is higher.

## Money Supply, M

The sum of currency in circulation outside the banks and deposits of Depository Corporations, are defined in various concepts of money supply in the narrower and broader sense, i.e., narrow money (M1), broad money (M2), and extended broad money (M3).

## M1, Narrow Money,

Consists of currency in circulation outside banks and demand deposits.

## M2, Broad Money

Is equivalent to narrow money (M1) plus time deposits and savings deposits.

## M3, Extended Broad Money

Consists of broad money (M2) plus foreign currency deposits.

## Nominal Exchange Rate

It is the price at which actual transactions in foreign exchange markets occur.

## Non-Food or Underlying Inflation Rate

This is a measure of price movements caused by factors other than food prices. It is an important measure, which provides better indication of the effectiveness of monetary policy on inflation since price movements in these items are caused largely by monetary policy.

## Repurchase Agreement (REPO)

These are agreements to purchase/sale by the BoT government securities from/to financial institutions at agreed rate for a specified period, with an understanding that the financial institutions will repurchase/resell the securities to the BoT at the end of the period.

## Reserve Money (M0)

The Central Bank's liabilities in the form of: (1) currency in circulation outside the Bank of Tanzania and (2) deposit money banks' deposits with the BoT are referred to as Base money, or reserve money.

## Seasonally Adjusted Indicators

Seasonal movements or seasonal variations, refer to identical, or almost identical, patterns, which a time series appears to follow during corresponding months (quarters) of successive years. Such movements are due to recurring events, which take place annually, e.g. the harvest season. Seasonally adjusted indicators show the impact of non-seasonal influences on a time series.

## Weighted Annualised Yields of Treasury Bills of all Maturities

This is the average yield of Treasury bills, which is weighted by the volume sold of 91-day, 182-day, and 364-day Treasury bills, expressed in percentage per year.

Bring your investment into the  
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## TANZANIA



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