



BANK OF TANZANIA



MONTHLY
ECONOMIC
REVIEW

JANUARY 2005

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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.

Inflation Developments

Downward Trend in Inflation Continues

Having increased to 4.4 percent in the year ending November 2004, the overall inflation fell to 4.2 percent in December 2004, as the improvement in domestic food supply continued to dampen inflationary pressures

Annual food inflation for December 2004 eased significantly to 5.0 percent from 5.9 percent recorded in November 2004, and on a monthly basis, the food price level went down by 0.1 percent, signifying the improved food supply during the month. The food items whose price declined were rice, maize grain, wheat flour, vegetables, legumes, fruits and fish.

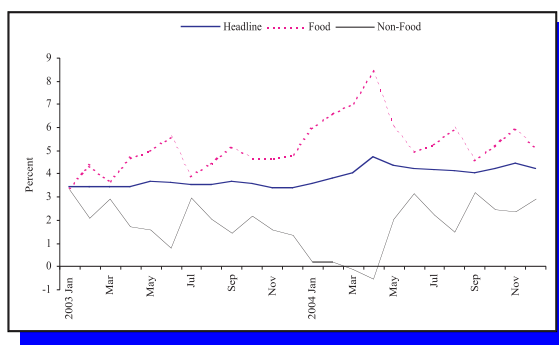
Following the onset of festival period in December, prices of non-food items comprising of drinks, clothing, footwear, recreational items and entertainments, moved upwards. Rising crude oil prices during the review period pushed up retail prices of petrol, diesel and kerosene, causing additional upward pressure on non-food inflation. As a result, annual non-food inflation rose to 2.8 percent, from 2.4 percent recorded in November 2004.

Table 1: Tanzania Percentage Change in the Sub-groups of the Consumer Price Index (All-Urban) (Base: 2000=100)

Major Commodity Group	Weight (%)	2004												
		Dec-03	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Food	55.9	4.8	6.0	6.6	7.0	8.4	6.0	4.9	5.3	5.9	4.6	5.2	5.9	5.0
Non-food	44.1	1.4	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	0.2	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	1.6	-0.7	-5.4	-2.5	1.7	4.9	9.1	20.3	2.4	6	9.3	7.7	7.1
Drinks and Tobacco	6.9	1.2	-2.9	-0.6	0.7	-1.0	1.2	1.8	-4.7	0	0.5	-0.8	-0.2	0.6
Clothing & Footwear	6.4	2.4	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	0.9	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 Equipment	2.1	1.6	-1.1	0.3	-1.6	-1.5	0.3	2.2	-2.0	-0.4	2.9	0.8	2.2	0.9
Household Operations Maintenance	2.1	0.4	-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	1.4	5.7	-2.8	3.0	-0.4	-2.7	0.7	-5.0	0.7	1.4	2.6	0	3.2
Rents	1.4	4.8	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	4.6	5.9	5.4	2.2	-1.9	0.9	0.5	0.2	1.8	3.7	2.1	4	0.4
Miscellaneous Goods and Services	1.5	0.9	-3.3	1.9	-0.9	3.1	-0.4	2.0	-5.7	-0.2	0.5	-0.8	-1.8	0.2
Total (Headline)	100	3.4	3.6	3.8	4.0	4.7	4.4	4.2	4.1	4.1	4.0	4.2	4.4	4.2

Source: National Bureau of Statistics (NBS)

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



Monetary and Financial Developments

Growth of money supply remains within targets

During the year ending December 2004, extended broad money supply – M3 (comprising of notes and coins in circulation plus all deposits at commercial banks) grew by 19.3 percent, compared with a growth rate of 19.8 percent recorded in the year ending November 2004 and 16.6 percent recorded in the similar month a year earlier (Chart 2). The value of notes and coins circulating recorded an annual increase of about 20 percent, largely on account of expansion in the demand for currency in line with higher agricultural production and marketing activities relative to the previous year. Meanwhile, private sector deposits with commercial banks - the other component of money supply – also went up by 19 percent, largely keeping in line with increase in domestic income of both individuals and businesses. During 2004, the savings deposits of the private sector grew by 22 percent, while demand deposits expanded by 16 percent. Similarly, fixed time deposits increased by 19.7 percent during the year (Table 2).



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Chart 2: Tanzania Annual Growth Rates of Monetary aggregates

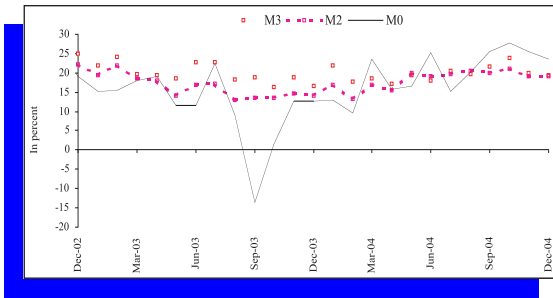


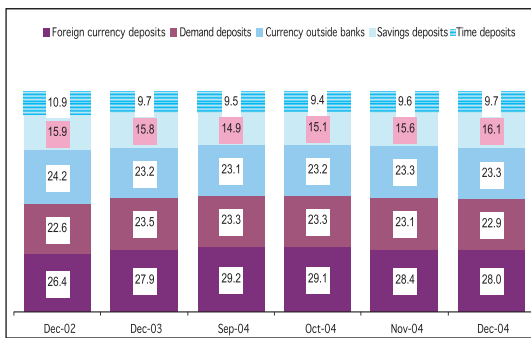
Table 2: Tanzania Selected Money Supply Components

	(billions of TZS)							
	2003		2004		Absolute Change Nov-Dec 2004	Annual Change (%)		
	Nov	Dec	Oct	Nov			Dec	
Extended broad money (M3)	2,382.7	2,388.3	2,856.0	2,854.7	2,848.0	-6.7	16.6	19.3
Broad money (M2)	1,718.2	1,721.1	2,023.5	2,044.8	2,050.8	6.0	14.2	19.2
Currency in circulation	538.7	553.1	661.6	666.3	664.2	-2.1	11.6	20.1
Demand deposits	581.3	560.3	664.5	659.6	651.5	-8.1	20.9	16.3
Time deposits	230.5	231.0	267.1	274.5	276.4	1.9	3.2	19.7
Savings deposits	367.7	376.8	430.4	444.4	458.8	14.4	16.0	21.8
Foreign currency deposits	664.5	667.2	832.5	809.9	797.2	-12.7	23.5	19.5
Total non government deposits	1,844.0	1,835.3	2,194.4	2,188.4	2,183.8	-4.6	18.2	19.0
Net foreign assets	2,125.4	2,182.1	2,328.8	2,372.3	2,379.9	7.6	40.0	9.1
Bank of Tanzania	1,460.6	1,503.5	1,601.2	1,693.3	1,715.3	22.0	47.1	14.1
Commercial banks	664.8	678.6	727.7	679.0	664.6	-14.4	26.5	-2.1
Net domestic assets	655.1	660.2	982.2	959.5	932.4	-27.1	-14.8	-41.2
Domestic Credit	838.1	830.1	1,074.9	1,081.4	1,012.0	-69.4	-0.6	-21.9
Net claims on government	55.9	12.9	45.1	19.6	-47.7	-67.3	-95.1	-468.9
Claims on government	474.7	464.4	487.1	472.9	477.6	4.7	-8.2	2.8
Government deposits	418.8	451.5	442.0	453.3	525.3	72.0	87.1	16.3
Claims on the private sector	782.2	817.1	1,029.8	1,061.8	1,059.7	-2.1	43.2	29.7

Source: Bank of Tanzania

Following the appreciation of the exchange rate of the shilling against the US dollar in November and December 2004, the shilling value of foreign currency deposits dropped to TZS 797.2 billion in December from 809.9 billion recorded in the previous month. Consequently, the degree of dollarization, measured by the share of foreign currency deposits to M3 decreased to 28.0 percent from 28.4 percent (Chart 3).

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



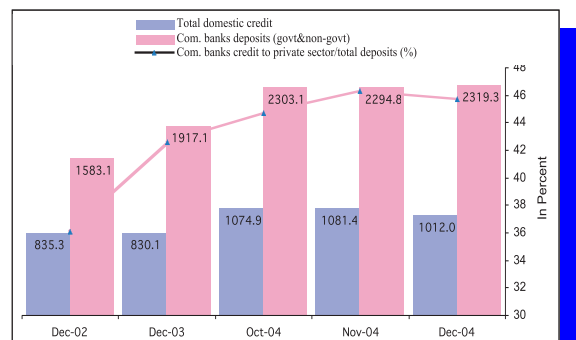
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Credit to Private Sector continue to expand, albeit at a slower rate

Commercial banks' credit to private sector continue to strengthen recording an annual growth rate of about 30 percent to a level of TZS 1,060.1 billion at end-December 2004, but lower than the growth rate of 36 percent registered in the preceding month. The decrease in growth rate was statistical, owing to writing off of debt worth TZS 7.8 billion by some banks, as well as repayments of matured loans by customers. However, credit extended by commercial banks to private sector as a ratio of their total deposits was 48.5 percent, which is above the average of 45.9 percent for the past 12 months.

The credit growth rate in December 2004 was also lower than the preceding 12-months' average growth rate of about 40 percent. The rate of expansion of credit slowed down gradually due to increases in interest rates on Treasury bills, which made investment in Treasury bills more attractive than lending to the private sector. The share of commercial banks investment in Treasury bills was around 20 percent of total deposits liabilities.

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



Developments in Commercial Banks Interest Rates

During December 2004, the developments in interest rates were generally mixed. Overall average savings rate improved from 2.5 percent in November 2004 to 2.6 percent, the highest since February 2003. In contrast, time deposits rate dropped to 4.0 percent in line with the decline in interest rates on Treasury bills.

As for negotiated deposits, interest rates went up to an average of 8.8 percent from 8.4 percent in the preceding month.

Consistent with the decline in interest rates on Treasury bills, overall lending rate of commercial banks dropped to 13.3 percent in December from 14.7 percent in the previous month. Negotiated lending rates remained between 10 and 11 percent.

Financial Markets Operations

Demand for Treasury Bills Remains Strong

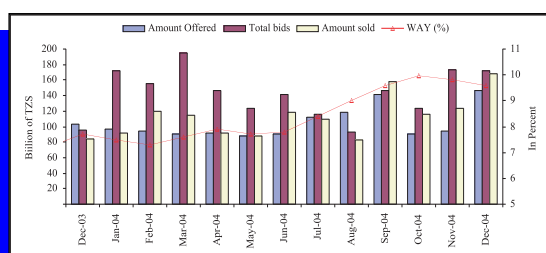
Performance in the Treasury bills market was satisfactory, with noticeable improvement on demand, despite the increased seasonal demand for cash by the public to cater for end of year festivals. The T-bills market was oversubscribed by about TZS 26 billion, mostly in 91-day T-bills. The strong demand for Treasury bills signified existence of high liquidity amongst banks - the main investors in Treasury bills. To mitigate the liquidity pressure in the economy arising from redemptions of Treasury bills (TZS 155.2 billion), the Bank accepted bids worth TZS 168.2 billion (face value), and realized a net liquidity mop up of about TZS 6.2 billion. Consistent with the increase in demand, interest rates across all T-bills maturities fell from the levels of previous month (Table 3).

Table 3: Tanzania Treasury Bills Interest Rates

	In Percent						
	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04
35 days	6.74	7.27	7.56	8.23	8.97	8.56	8.13
91 days	7.67	8.12	8.37	9.31	9.88	9.64	9.63
182 days	8.03	8.39	9.31	9.89	9.96	9.89	9.87
364 days	8.22	9.40	10.13	10.40	10.98	10.91	10.67
Overall	7.83	8.39	8.97	9.57	9.95	9.75	9.56

Source: Bank of Tanzania

Chart 5: Tanzania Treasury Bills Market Developments



Treasury Bonds

In the recent months, the demand for Treasury bonds has remained low, in some cases no bids were received for the bonds offered for sale by the Bank. In December 2004, bonds worth TZS 8.0 billion were offered but bids received were only TZS 2.3 billion, for a 2-year and a 5-year bond. The Bank accepted all bids at an interest rate of 12.2 percent on the 2-year bond and 10.9 percent on 5-year bond.

Inter-bank Foreign Exchange Transactions Increase

The volume of transactions in the interbank foreign exchange market (IFEM) stood at US\$ 100.0 million during the month of December 2004, being significantly higher compared to US\$ 79.2 million transacted in the preceding month. The Bank sold US\$ 39.6 million and purchased US\$ 3.5 million in separate occasions to smoothen out supply and demand in the market, as well as, for liquidity management purposes. The BOT intervention in the IFEM led to a mop up of about TZS 38 billion. The exchange rate appreciated from an average of TZS 1,058.58 per dollar in November to TZS 1,048.08 per dollar in December 2004.

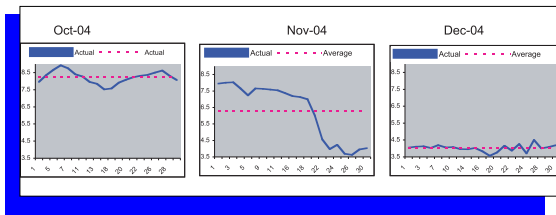
Inter-bank Transactions

During December 2004, transactions in the inter-bank money market amounted to TZS 215.8 billion, being a decline from TZS 227.0 billion recorded in November 2004. The decline was attributed to early payment of civil servant salaries, customer withdrawals relating to end of year festivals, and speculation in respect of trading in government securities at high interest rates at the end of the quarter.

The daily overnight rates fluctuated narrowly between 2.5 and 5.5 percent for most part of the month, compared with a range of 3.6 to 8.0 percent in November 2004. At the end of the month however, the overnight rates ranged between 4.0 and 10.0 percent, reflecting a decline in liquidity in some banks, associated with transfer of government deposits to BOT. The average overnight rate fell from 6.6 percent recorded in November to 4.1 percent in December 2004 (Chart 6).



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Chart 6: Tanzania: Overnight Inter bank Rates

Government Budgetary Developments

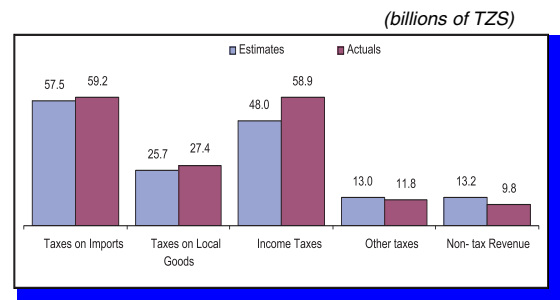
Fiscal Operations remain within the target

Government budgetary operations during December 2004 generated a deficit of TZS 16.4 billion. Total resources available for the month amounted to TZS 237.5 billion, which was made up of domestic revenue collections amounting to TZS 167.1 billion and grants amounting to TZS 70.4 billion. Total expenditure for the month amounted to TZS 253.9 billion.

Total revenue collected was above the target of TZS 157.4 billion, by TZS 9.7 billion mainly on account of strong performance in all major tax categories with income taxes signifying an outstanding performance. Revenue performance by major tax categories (Chart 8) reveals that income taxes exceeded the target of TZS 48.0 billion by TZS 10.9 billion. The impressive performance was mainly due to increasing efforts by TRA to curb tax evasion through effective use of block management system that involves registering and reclassifying taxpayers into large, medium and small taxpayers. The block management system has made it possible to plan tax visits, frequent field audits, timely recovery of tax arrears, and registration of more tax payers that has resulted into further expansion of the tax base.



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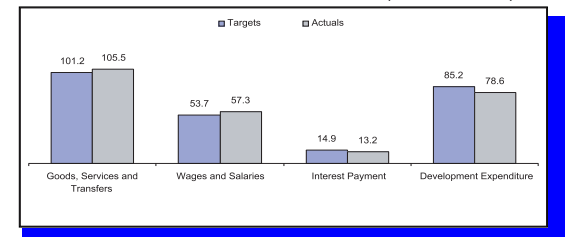
Chart 7: Tanzania Government Recurrent Revenue in December 2004

During the month of December, government expenditure was largely on target, amounting to TZS 254.0 billion against the target of TZS 255.0 billion. Recurrent expenditure was TZS 175.3 billion, above the target by TZS 6.3 billion mainly on account of expenditure carry-overs from the previous quarter allocations to priority sectors. Expenditures on priority sectors were TZS 36.7 billion, slightly above the target of TZS 33.1 billion.

Development expenditures during the period amounted to TZS 78.6 billion below the estimate of TZS 85.2 billion. Foreign component of development expenditure was TZS 48.6 billion, while the local resources amounted to TZS 30.0 billion.

Chart 8: Tanzania Government Expenditure in December 2004

Cumulatively, from July to December 2004, government expenditure (billions of TZS)



ment expenditure amounted to TZS 1,641.4 billion, consisting of TZS 970.5 billion for recurrent expenses and TZS 670.9 billion for development expenditure. Domestic expenditure on priority sectors was TZS 192.1 billion, out of which education received TZS 64.8 billion, while allocations for health and roads were TZS 53.8 billion and TZS 31.0 billion, respectively.

On the financing side, the government borrowed TZS 17.2 billion from foreign sources and reduced its domestic indebtedness by TZS 77.4 billion.

External Sector Developments

Current Account Balance Improves in December

During December 2004, the current account balance improved to a surplus of US\$ 19.4 million from a deficit of US\$ 21 million recorded in November 2004, mainly due to a decline in imports of goods and services coupled with an increase in income receipts. Conversely, on annual basis, the current account balance deteriorated from a deficit of US\$ 384.4 million recorded during the year ending December 2003 to a deficit of US\$ 538.1 million, on account of substantial increase in imports that reduced the effects of increase in exports and current transfers (Table 4).

Table 4: Tanzania Current Account Balance

Note: p= Provisional data

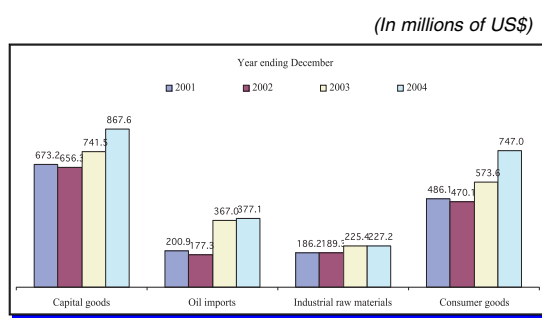
(In millions of US\$)

	2003		2004 ^p		Year		
	Nov	Dec	Nov	Dec	2003	2004 ^p	% Change
Goods Account (net)	-29.3	-61.7	-84.4	-46.8	-804.2	-947.8	17.9
Exports	122.1	138.6	159.4	154.3	1,129.2	1,325.2	17.4
Imports	151.4	200.2	243.8	201.1	1,933.4	2,273.0	17.6
Services Account (net)	-7.7	-19.2	-20.8	-7.7	-83.0	-135.3	63.0
Receipts	55.2	55.7	83.3	93.4	686.6	859.1	25.1
Payments	63.0	74.9	104.1	101.1	769.6	994.4	29.2
Goods and services (net)	-37.1	-80.8	-105.2	-54.5	-887.2	-1,083.1	22.1
Exports of goods and services	177.3	194.3	242.7	247.7	1,815.8	2,184.3	20.3
Imports of goods and services	214.3	275.1	347.9	302.2	2,703.0	3,267.5	20.9
Income Account (net)	-1.7	-4.9	-0.2	3.1	-44.0	-41.4	-5.9
Receipts	5.0	13.0	9.7	13.8	87.1	80.7	-7.4
Payments	6.7	17.9	9.9	10.7	131.1	122.1	-6.9
Current Transfers (net)	17.6	139.3	84.4	70.7	546.9	586.4	7.2
Inflows	22.6	144.5	89.6	76.0	609.9	651.7	6.9
o/w General Government	16.6	138.8	83.6	69.9	543.3	582.0	7.1
Outflows	5.0	5.3	5.2	5.3	63.0	65.3	3.7
Current Account Balance	-21.2	53.5	-21.0	19.4	-384.4	-538.1	40.0

Source: Bank of Tanzania

During the year ending December 2004, the share of traditional exports to total exports of goods and services improved to about 13.4 percent compared to 12.1 percent recorded a year earlier. The trend of total exports in the past four years is summarized in Chart 9

Chart 9: Trend in exports of Goods and Services, 2001 - 2004



Traditional Exports Decline

During the month under review, total goods exports were US\$ 154.3 million, lower than US\$ 159.4 million recorded in the previous month. A 31.2 percent decline was recorded for traditional exports. The export volumes of cotton, sisal, tobacco and cashew nuts declined in December 2004, partly due to seasonality as the export season for these traditional exports crops was coming to an end.

On annual basis however, exports went up by 17.4 percent to US\$ 1,325.2 compared to the levels recorded in the preceding year. Both traditional and non-traditional exports recorded improvements. Traditional exports increased by 32.5 percent to US\$ 292.1 million on account of substantial increase in export volumes of cotton, tobacco and cashew nuts coupled with recovery of unit export prices. The increase in export volumes is mainly associated with favourable weather conditions coupled with timely availability and usage of agricultural inputs such as fertilizers and pesticides.

Non-Traditional Exports Edge Upwards

During the review month, non-traditional exports amounted to US\$ 110.2 million, which is higher than US\$ 95.4 million registered in the previous month. Manufactured goods and minerals, particularly gold registered significant increases. The impressive performance recorded in manufactured goods was largely explained by a rise in sugar exports under the country's export quota to the European Union



(EU) under EBA arrangement. During the month under review, a total of 22,413.2 tons of sugar were exported against 248.3 tons exported in the previous month. On annual basis, the value of non-traditional exports increased by 13.7 percent to US\$ 1,033.1 million, compared to the levels recorded in the previous year. The recorded improvement was in respect of minerals, manufactured goods and horticultural products exports. Gold exports remained dominant, accounting for about 61 percent of the non-traditional exports following increases in gold mining activities in the country and the surge in gold prices in the world market.

Goods Imports Slow Down

During the month under review, goods imports declined to US\$ 201.1 million from US\$ 243.8 million recorded in the previous month, following a noticeable fall in oil imports. In December 2004, a total 25,867 tons of oil was imported compared to 180,723 tons in the preceding month.

Table 5: Tanzania Imports

p = Provisional data.
Source: Bank of Tanzania, TRA.

(millions of US\$)

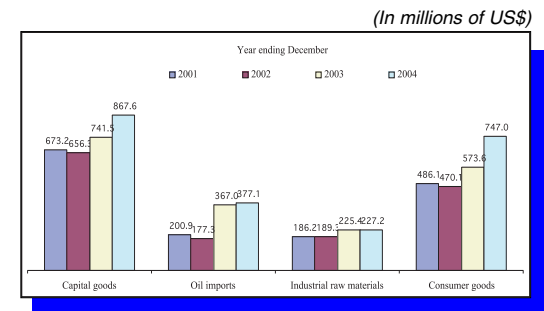
	2003		2004 ^p		% Change		Year ending - December	
	Dec	Nov	Dec	Nov	Dec-04	Dec-03	2003	2004
CAPITAL GOODS	62.6	82.6	83.3	0.9	33.1	741.5	867.6	17.0
Transport Equipment	17.4	18.8	17.8	-5.5	2.1	212.5	228.9	7.7
Building and Constructions Equipment	8.5	24.4	20.3	-16.6	139.4	151.3	184.4	21.9
Machinery	36.7	39.4	45.2	14.8	23.1	377.7	454.3	20.3
INTERMEDIATE GOODS	59.6	89.7	41.0	-54.2	-31.2	618.4	658.4	6.5
Oil imports	36.4	65.6	10.1	-84.6	-72.3	367.0	377.1	2.8
Fertilizers	3.4	3.3	7.1	119.1	112.2	26.0	54.1	108.2
Industrial raw materials	19.8	20.9	23.8	14.1	20.0	225.4	227.2	0.8
CONSUMER GOODS	78.0	71.6	76.7	7.2	-1.6	573.6	747.0	30.2
Food and foodstuffs	22.3	21.9	22.5	2.5	0.6	166.0	248.6	49.7
All other consumer goods	55.7	49.6	54.3	9.3	-2.5	407.5	498.4	22.3
GRAND TOTAL (F.O.B)	200.2	243.8	201.1	-17.5	0.4	1,933.4	2,273.0	17.6
GRAND TOTAL (C.I.F)	220.0	268.0	221.0	-17.5	0.4	2,124.7	2,497.8	17.6

Note: Oil imports refers to refined petroleum products

On annual basis, merchandise imports increased by 17.6 percent to US\$ 2,273.0 million as all major categories of imports registered increases. The increase in importation of capital and intermediate goods was largely due to expansion in manufacturing, mining and tourism activities in the country. On the other hand, the surge in intermediate goods was largely driven by an increase in importation of fertilizers. During the review period fertilizer imports rose from 119,266.8 tons in 2003 to 179,638.7 tons. This development largely emanated from the Government's policy of subsidizing transportation cost on fertilizer. The surge in consumer goods

imports from US\$ 573.6 million in the preceding year to US\$ 747.0 million was largely attributable to a significant increase in importation of food particularly cereals reflecting the impact of drought in 2002/03. During the review year, a total of 885,016 tons of cereals were imported compared to 758,287 tons imported in the preceding year. The trend of imports over the past four years is shown in Chart 10.

Chart 10: Tanzania Items Contributions to Total Goods Imports, 2001- 2004



The Services Account Balance Improves in December 2004

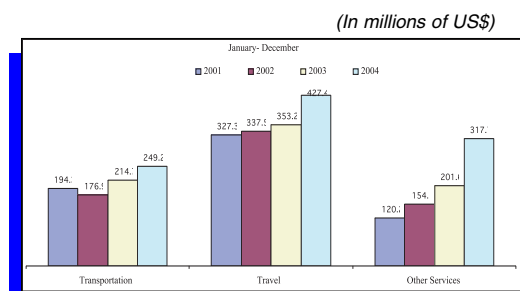
During December 2004, the deficit in the services account decreased from US\$ 20.8 million to US\$ 7.7 million, following a substantial increase in tourism related receipts from the mini-peak season that runs from November to January.

On annual basis, services account deteriorated from a deficit of US\$ 83.0 million recorded during 2003 to US\$ 135.3 million. The weakening was attributed to a significant rise in payments for transportation in line with the increase in freight payments for food and oil imports during the year, and increase in communication payment resulting from the expansion of telecommunication industry in the country (Chart 11)

During 2004, services receipts went up by about 25 percent to US\$ 859.1 million largely due to a rise in travel receipts related to tourism. Travel receipts accounted for nearly 70 percent of total services receipts. During the past four years, travel receipts dominated the services sector as illustrated in Chart 12.

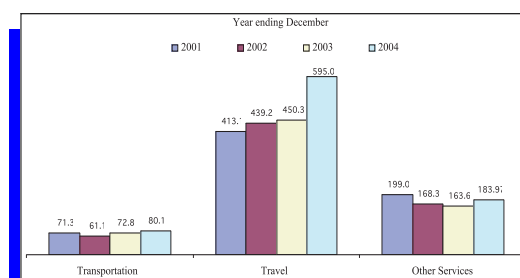


Chart 11: Tanzania Service Payments, 2001- 2004



Note: Other Services include: Communication, Construction, Insurance, Financial, Computer, Information, Government, Royalties, Personal and Other business services.

Chart 12: Tanzania Service Receipts, 2001- 2004



Note: Other Services include: Communication, Construction, Insurance, Financial, Computer, Information, Government, Royalties, Personal and Other business services.

attributed to improvement in the weather conditions in the Northern Hemisphere that reduced demand for oil for heating. Moreover, supply of oil increased following OPEC's decision to raise production. The price of gold increased marginally to US\$ 442.10 per troy ounce.

Table 6: World Commodity Prices

(In US dollars)

Commodity	2004						% Change Nov/Dec	
	Units	July	August	Sept	Oct	Nov		
Coffee "Robusta"	US \$ per kg	0.79	0.75	0.76	0.70	0.72	0.81	12.50
Coffee "Arabica"	US \$ per kg	1.65	1.62	1.78	1.78	1.99	2.29	15.08
Tea "Average price"	US \$ per kg	1.71	1.77	1.81	1.79	1.78	1.72	-3.37
Tea "Mombasa Auction"	US \$ per kg	1.53	1.57	1.64	1.51	1.45	1.51	4.14
Cotton, "A Index"	US \$ per kg	1.26	1.19	1.24	1.16	1.08	1.07	-0.93
Cotton, "Memphis"	US \$ per kg	n.a	1.18	1.22	1.18	1.15	1.15	0.00
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	2,650.0	3,000.0	3,600.0	3,500.0	3,500.0	3,496.0	-0.11
Crude oil*	US \$ per barrel	37.89	42.08	41.60	46.88	42.13	39.04	-7.33
Crude oil**	US \$ per barrel	34.48	38.30	35.48	37.58	34.88	34.26	-1.78
White products***	US \$ per ton	389.35	406.60	421.22	479.42	445.80	396.91	-10.97
Gold	US \$ per troy ounce	398.10	400.50	405.30	420.50	439.40	442.10	0.61

World Market Commodity Prices Mixed

During December 2004, the prices of coffee went up between 12-15 percent largely due to strong demand for coffee coupled with a decline in global coffee stocks. The average price of tea (Mombasa Auction) also improved in line with the strong demand from Pakistan. As for cotton the price remained almost stable at US\$ 1.15 per kg (Table 6)

The price of sisal (UG) remained stable at US\$ 885.00 per metric ton, while the price of cloves declined to US\$ 3,496.0 per metric ton, as new harvest from Madagascar and Brazil entered the market and demand from Indonesian buyers declined. During the period under review, the prices of crude oil (average of U.K. Brent, Dubai, and West Texas Intl.), Dubai (f.o.b.) and white petroleum products went down on Table 6. The decline in oil prices was

Debt Developments

National Debt Registered an Increase

During the month under review, total national debt (domestic and external debt) stood at US\$ 9,219.3 million, representing an increase of US\$ 103.4 million over the previous month. The increase was mainly attributed to interest arrears, and exchange rates fluctuations. During the same period, the country received HIPC debt relief amounting to US\$ 6.1 million from multilateral institutions.

External Debt

The total external debt committed increased from US\$ 8,660.9 million recorded at end November 2004 to US\$ 8,740.3 million recorded at end December 2004. Out of the committed amount, US\$ 6,990.6 million, was disbursed leaving a balance of US\$ 1,749.7 million. Interest arrears increased by US\$ 44.7 million (3.6 percent) to US\$ 1,300.4 million as at end of December 2004, while the total debt stock increased by US\$ 103.4 million to US\$ 8,291.0 million.



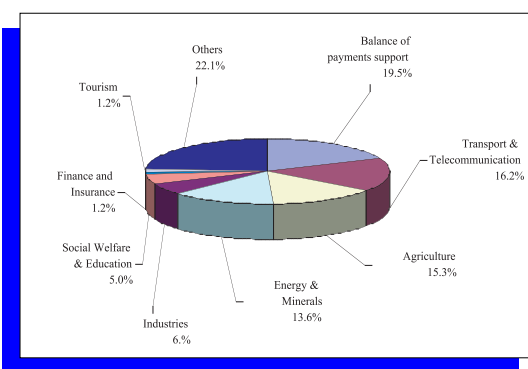
Disbursed Outstanding Debt

The profile of outstanding debt by borrower category shows that the Central Government is the largest borrower with a total debt of US\$ 6,374.0 (91.2 percent). The Private and parastatal sectors' debts stood at US\$ 467.4 (6.7 percent) and US\$ 149.2 million (2.1 percent) of the total debt, respectively.

Stock of outstanding debt owed to multilateral creditors was 69.0 percent, whereas 21.7 percent was owed to bilateral creditors, 5.7 percent to commercial creditors and 3.6 percent to export creditors.

Analysis of use of funds shows that 19.5 percent of the total debt was in the form of balance of payments support, while transport sector accounted for 16.2 percent of total debt, and agriculture - 15.3 percent (Chart 13)

Chart 13: Tanzania Outstanding Debt By Use of Funds



Disbursements, Debt Service Payments and Debt Commitments

During December 2004, new loans amounting to US\$ 346.0 million were recorded, out of which US\$ 0.8 million were contracted in the same month, while US\$ 345.2 million were contracted in the preceding months (Table 7).

Table 7: Tanzania Newly recorded loans contracted in the previous months

Date Contracted	Loan amount	Equivalent US\$
31/05/2004	SDR 81,600,000.00	119,855,709.81
05/07/2004	SDR 82,700,000.00	121,000,000.00
05/07/2004	SDR 30,200,000.00	44,320,613.66
05/08/2004	SDR 41,000,000.00	59,661,558.67
TOTAL		345,205,920.21

During the month, disbursements amounted to US\$ 1.1 million. In the same period, debt service payments amounted to US\$ 9.4 million against the projected US\$ 16.71 million. Lower debt service payments is attributed to multilateral HIPC debt relief and non-servicing of some of the Non-Paris Club bilateral loans whose creditors have not yet offered debt relief under HIPC arrangement.

HIPC Debt Relief

Multilateral Debt Relief

During the month under review, Tanzania received HIPC debt relief amounting to US\$ 6.07 million, of which International Development Association (IDA) gave US\$ 4.78 million, the International Monetary Fund (IMF) US\$ 1.17 million and Norwegian Development Fund, US\$ 0.11 million (Table 8). As at end December 2004 total debt relief received from multilateral creditors under the HIPC arrangement amounted to US\$ 330.1 million.

Table 8: Tanzania: Multilateral Debt Relief
(In millions of US\$)

	October	November	December	TOTAL
IDA	3.49	4.89	4.79	13.16
AIDB	0.15	0.00	0.00	0.15
IMF	0.00	1.66	1.17	2.83
IFAD	0.00	0.05	0.00	0.05
NODF	0.00	0.00	0.11	0.11
EIB	5.91	1.83	0.00	7.74
TOTAL	9.54	8.43	6.07	24.04

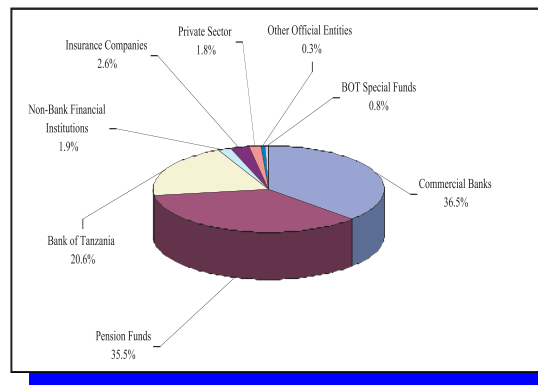
Source: Debt Management



Bilateral Debt Relief

Debt relief received from Paris Club bilateral creditors remained at the level of US\$ 858.70 million recorded in November 2004. Non-Paris Club Bilateral Creditors have also provided debt relief amounting to US\$ 34.8 million as at December 2004. Kuwait has offered debt relief by rescheduling debt amounting to US\$ 31.8 million under terms that provided debt relief equivalent to 90 percent cancellation in NPV terms. In addition, China offered debt relief outside HIPC framework by cancelling debts worth US\$ 37.7 million. Dialogue has been initiated with Abu Dhabi Fund, Hungary, Libya and Iran on debt relief.

Chart 14: Tanzania Government Domestic Debt By Holder



Domestic Debt Service

During the month under review, domestic debt worth TZS 48.1 billion (principal and interest) fell due for payment. Out of the total amount due, TZS 13.6 billion was paid out of government revenues, while TZS 34.5 billion was rolled over.

Domestic Debt

As at end of December 2004, domestic debt stock stood at TZS 968.2 billion, representing a marginal decline from TZS 968.9 billion in the previous month. The decline in domestic debt stock is mainly attributed to redemption of some of matured Treasury Bills during the month under review.

Domestic Debt by Creditor Category

Commercial banks and Pension Funds are the main government creditors, accounting for 36.5 percent and 35.5 percent of the total debt, respectively. Other creditors were Bank of Tanzania 20.6 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 held 1.1 percent of total domestic debt.

Other Economic Developments

Food Supply remains Favourable

During December 2004, food supply in most parts of the country was generally satisfactory as it was in the preceding month. Even so, some districts in Shinyanga, Coast, Kilimanjaro, Arusha, Manyara, Tanga, Dodoma, Singida, Mwanza, Mtwara and Lindi regions were still facing food shortages of varying degrees. Mindful of this, the government took some measures to ensure food availability in the districts with food shortages in conjunction with urging private traders to purchase food from surplus areas and sell to shortage areas. In connection with this, the government distributed 431 tons of subsidized maize in December 2004.



With regard to food prices, the average wholesale prices for maize and sorghum decreased during December 2004, partly owing to release of stocks held up by private traders who were hoarding cereals in anticipation of future price increases. The situation was opposite in rice and beans where average prices increased slightly during the month in view of insufficient supplies in the market (Table 9). In general, food prices are expected to decrease further in the coming months, in view of improved food supply following the continuing short rains in most regions.

Table 9: Tanzania National Average Wholesale Prices for Selected Food Items

(In millions of US\$)

	2003 Dec	2004		Year		2004 % Change
		Nov	Dec	2003	2004	
Exports	6.5	6.3	7.2	77.3	81.8	5.8
Goods	2.5	1.9	1.1	13.2	13.7	3.8
Services	4	4.3	6.1	64.1	68.1	6.2
Imports	9.3	10.1	10.2	90.9	94.1	3.5
Goods (f.o.b)	6.5	7.7	6.4	64.1	68.1	6.2
Services	2.8	2.4	3.8	26.8	25.9	-3.4
Trade Balance	-2.8	-3.9	-3	-13.6	-12.3	-9.6

Source: Ministry of Agriculture and Food Security

Strategic Grain Reserves Improve

The SGR stocks at end-December 2004 stood at 114,030 tons, the highest level for the past four years. Compared to the stocks position at the end of preceding month, the level was higher by 5.1 percent (Table 10). The higher SGR stock is due to government's decision to purchase 100,000 tons of maize during 2004/05-crop season. During July—December 2004, the government purchased 87,501 tons of maize from surplus regions, while 4,501 tons were sold. Food grains held by registered private traders decreased from 182,611 tons in November 2004 to 167,936 tons at end-December 2004, comprising 61,926 tons of maize, 54,519 tons of rice and 51,491 tons of wheat. This brought the total stock of food grains to 281,966 tons at end-December 2004.



Table 10: Tanzania SGR Stocks (Tons)

Month/Year	2000	2001	2002	2003	2004	% Change: 2003-2004
January	105,665	78,967	60,503	59,961	35,342	-41
February	103,305	72,000	58,254	59,493	23,791	-60
March	101,496	63,022	56,738	58,976	22,903	-61
April	96,326	51,435	52,228	54,118	32,387	-40
May	82,119	44,776	48,653	52,857	31,732	-39.9
June	72,000	47,225	47,100	51,060	37,091	-27.4
July	63,976	46,290	44,787	50,661	39,195	-22.6
August	70,352	48,998	41,795	52,681	45,988	-12.7
September	95,000	59,047	57,500	61,364	67,685	10.3
October	88,474	58,000	62,700	59,379	92,710	56.1
November	89,882	62,388	61,773	52,054	108,448	108.3
December	78,967	62,788	58,395	41,649	114,030	173.8

Source: Food Security Department and BOT computation

Economic Developments in Zanzibar

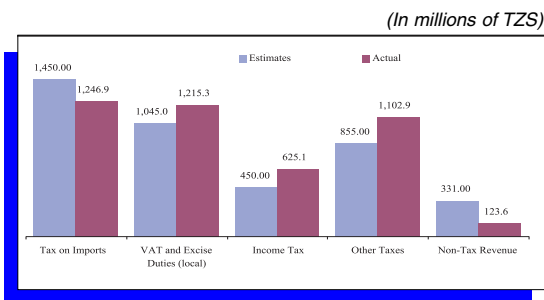
Government Budgetary Developments

During December 2004, Zanzibar Government budgetary performance on "cheques issued basis", recorded an overall deficit of TZS 2.1 billion before grants. The deficit decreased to TZS 1.1 billion after considering grants worth TZS 1.0 billion, which in turn was accommodated by internal resources.

Revenue collection surpass the target

Revenue collection during the month under review was TZS 4.3 billion, above the target of TZS 4.1 billion. Collections from tax sources amounted to TZS 4.2 billion surpassing the monthly target of TZS 3.8 billion. However, collections from import duties were TZS 1.2 billion, being below the target of TZS 1.4 billion. VAT and exercise duty (local) collection amounted to TZS 1.2 billion, surpassing the target of TZS 1.0 billion (Chart 20). On cumulative basis, total revenue collection for July – December 2004 amounted to TZS 29.1 billion, above the targeted TZS 27.6 billion by 5.4 percent.

Chart 15: Zanzibar Government Revenue by Source December 2004

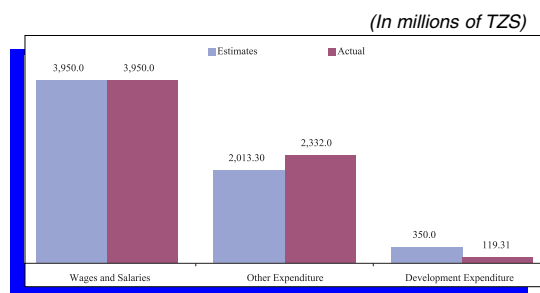


Expenditure for December 2004 on Track

Zanzibar Government expenditure during December 2004 amounted to TZS 6.4 billion, slightly above the monthly ceiling of TZS 6.3 billion. Recurrent expenditure amounted to TZS 6.3 billion, being 98.4 percent of total expenditure, while development expenditure amounted to TZS 0.1 billion, excluding donor funded development expenditures. Wages and salaries continued to dominate the government expenditure; recording TZS 4.0 billion or 62.5 percent of total expenditure.

On cumulative basis, during July - December 2004, the Government spent TZS 36.5 billion, accounting for 96.1 percent of the planned TZS 38.0 billion (Chart 21)

Chart 16: Zanzibar Government Revenue by Components December 2004



Debt Developments

New borrowings, accumulation of interest arrears and exchange rate variations led to an increase in Zanzibar's debt stock to TZS 173.2 billion (equivalent to US\$ 166.3 million at end the of December 2004) from TZS 168.7 billion (US\$ 159.0 million)

recorded end of November 2004. Domestic debt accounted for 31.4 percent of the total debt stock while External debt accounted for 68.6 percent.

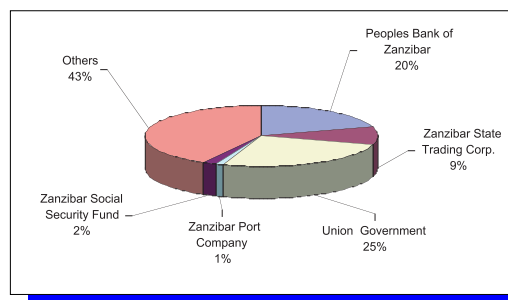
Domestic Debt

The Zanzibar domestic debt as at end December 2004 increased to TZS 54.5 billion, from TZS 49.2 billion recorded during November mainly due to new borrowings through Treasury bills and accumulation of interest arrears.

Domestic Debt - By Creditors

The Union Government claims on the Zanzibar Government as at end December 2004 accounted for 24.9 percent of the total domestic debt while the People's Bank of Zanzibar's claims accounted for 19.7 percent. Other credits were Zanzibar State Trading Corporation 9.4 percent, Social Security Fund 1.8 percent and Zanzibar Port Authority 1.1 percent, respectively. Other domestic creditors claims accounted for 43.1 percent of the total debt consisting of outstanding advances, pensioners claims, and suppliers credits (Chart 22).

Chart 17: Zanzibar: Domestic Debt by Creditor Category as at end-December 2004



Domestic Debt by Maturity

As at the end of December 2004, debt maturing in less than a year amounted to TZS 9.4 billion, and those maturing between 1-2 years amounted to 13.9 billion representing 17.3 percent and 25.4 percent of the total domestic debt respectively. Debts maturing between 2-5 years amounted to TZS 1.0 billion representing 1.8 percent of the total domestic debt, while debts with "undetermined maturity"



(pensioner's claims, supplier's credits) amounted to TZS 30.2 billion representing 55.4 percent of total debt.

External Debt

The Zanzibar Government External debt as at end December 2004 stood at US\$ 114.0 million (TZS 118.9 billion) having increased by 1.3 percent from US\$ 112.6 million recorded at the end of November 2004.

External Debt by Creditor Category

Classification of debt by creditor category revealed that, multilateral debts amounted to US\$ 95.6 million accounted for 83.9 percent of total external debt; bilateral debts were US\$ 10.9 million about 9.6 percent of total external debt; while commercial and other debts totalled US\$ 7.5 million equivalent to 6.5 percent of total external debt.

External Debt by Maturity

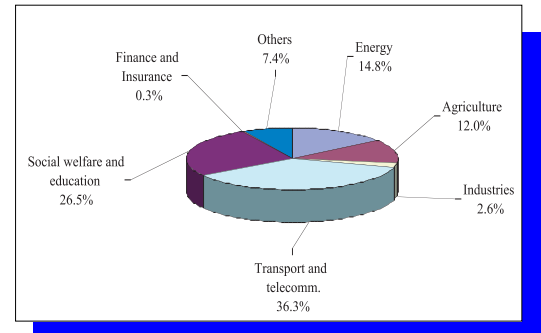
External debts maturing between 5-10 years stood at US\$ 89.4 million accounting for 8.2 percent of the total external debt while debts maturing between 10-20 years were US\$ 10.6 million or 9.3 percent of the total external debt. Debts with maturity period above 20 years amounted to US\$ 94.0 million representing 82.5 percent of the total debt of the country at the end of 2004.

External Debt by use of Funds

Transport and communication sectors accounted for US\$ 41.4 million; Social welfare and education was the second accounting for US\$ 30.2 million; while energy and agriculture, accounted for US\$ 16.9 million and US\$ 13.7 respectively of total disbursements of funds in 2004. Industries ranked

fourth, with US\$ 3.0 million followed by finance and insurance, US\$ 0.3 million. Other sectors held US\$ 8.5 million. Chart 23 below depicts the percentage compositions of external debt by use of funds.

Chart 18: Zanzibar External Debt by Use of Funds as at end-December 2004



External Sector Developments

Overall trade balance improved due to increase in tourism related activities

During December 2004, overall trade balance (goods and services) improved by 23.1 percent by registering a deficit of US\$ 3.0 million from a deficit of US\$ 3.9 million recorded in November 2004. The improvement was attributed to increase in foreign earnings from tourism also associated with high season. On annual basis, the trade account also improved by 9.6 percent to a deficit of US\$ 12.3 in 2004 compared to a deficit of US\$ 13.6 recorded in the corresponding period 2003. However, compared to corresponding period (month-to-month basis), the trade account deteriorated by 7.1 percent to a deficit of US\$ 3.0 million compared to a deficit of US\$ 2.8 million registered in correspon-



ding period of December 2003. The deterioration was mainly characterized with higher imports bill relative to export earnings.

Table 11: Zanzibar Trade Account Balance

	2003	2004		Year		2004
	Dec	Nov	Dec	2003	2004	% Change
Exports	6.5	6.3	7.2	77.3	81.8	5.8
Goods	2.5	1.9	1.1	13.2	13.7	3.8
Services	4	4.3	6.1	64.1	68.1	6.2
Imports	9.3	10.1	10.2	90.9	94.1	3.5
Goods (f.o.b)	6.5	7.7	6.4	64.1	68.1	6.2
Services	2.8	2.4	3.8	26.8	25.9	-3.4
Trade Balance	-2.8	-3.9	-3	-13.6	-12.3	-9.6

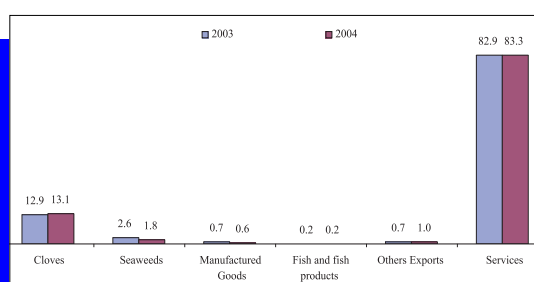
Source: Tanzania Revenue Authority and Bank of Tanzania

Exports

During December 2004, total exports of goods and services increased by 14.3 percent, to US\$ 7.2 million from US\$ 6.3 million recorded during the previous month, due to higher receipts from tourism.

On annual basis, total exports went up by 5.8 percent to US\$ 81.8 in 2004 from US\$ 77.3 million recorded in 2003, mainly due to increased service receipts, which accounted for 83.3 percent, of total export earnings. Receipts from goods exports increased to US\$ 13.7 million from US\$ 13.2 million while service receipts increased to US\$ 68.1 million from US\$ 64.1 million recorded in 2003, following an increase in cloves prices and increase of tourism-related receipts.

Chart 19: Zanzibar Contribution of Total Exports



During 2004, services sector made the highest contribution of 83.3 percent of total export earnings. Earnings from cloves exports represented 13.1 percent of total exports, while earnings from seaweeds exports accounted for 1.8 percent. Other exports represented 1.0 percent, manufactured goods accounted for 0.6 percent and fish and fish products accounted for 0.2 percent of total exports.

Imports

During December 2004, Zanzibar goods imports (c.i.f.) decreased by 17.6 percent, to US\$ 7.0 million from US\$ 8.5 million recorded in November 2004, largely due to decrease in consumer goods imports following the end of Ramadhan. Consumer goods imports declined to US\$ 27.9 million from US\$ 29.5 million. Imports of capital goods declined to US\$ 2.6 million from US\$ 3.5 million accounting for 25.7 percent. However, intermediate goods imports increased to US\$ 2.1 million from US\$ 1.7 million recorded in November 2004 on account of increase in oil prices volume of oil imports. On annual basis, imports (c.i.f) increased to US\$ 74.9 million from US\$ 70.4 million, registered during the previous year, due to increase in capital and intermediate goods. Intermediate goods increased to US\$ 21.0 million from US\$ 17.1 million, while capital goods rose to US\$ 26.0 million from US\$ 23.8 million. The rise reflected the boom in building and construction activities prevailing in Zanzibar.



Table A2: Central Government Operations (Actual)

Monthly Flows	Million TZS							
	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 (net)	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

ble A4: Weighted Average Interest Rates Structure of Commercial Banks (percentage per annum)

	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05
Domestic Currency													
1 Interbank Cash Market Rates													
Overnight	9.69	3.54	3.36	3.55	3.44	3.24	5.47	6.79	6.43	8.16	6.72	4.10	5.69
2 to 7 days	8.83	4.04	3.57	3.51	4.11	3.84	5.59	7.21	6.84	8.97	7.50	4.36	5.74
8 to 14 days	9.49	4.13	4.54	4.40	4.40	4.40	7.18	7.18	7.96	7.96	7.27	8.07	6.00
15 to 30 days	8.70	6.63	6.77	7.77	7.00	7.74	6.79	7.50	7.86	9.56	10.26	6.25	7.79
31 to 60 days	8.28	5.98	6.67	7.69	7.25	6.97	7.81	7.86	8.20	9.42	9.24	8.36	8.74
61 to 90 days	7.96	6.50	6.50	8.25	8.25	8.25	7.87	8.40	8.40	8.40	9.40	9.40	9.40
91 to 180 days	7.46	7.31	7.56	8.05	7.75	7.50	8.24	9.73	9.60	10.26	6.69	9.67	10.05
181 and above	8.83	7.66	8.37	8.38	8.25	7.49	8.49	10.08	11.01	11.08	10.21	9.92	10.00
Overall interbank cash market rate	9.50	3.80	3.75	3.88	3.88	3.57	5.68	7.14	6.73	8.30	7.42	4.90	6.12
2 Lombard Rate													
	15.45	9.61	10.15	11.06	11.06	11.06	10.98	10.98	10.98	10.98	10.98	10.98	10.98
3 REPO Rate													
	4.78	4.41	4.00	4.00	4.29	5.08	5.33	5.33	5.92	5.92	5.09	5.54	5.48
4 Treasury Bills Rates													
35 days	6.67	6.38	6.77	7.43	6.98	6.74	7.27	7.56	8.23	8.97	8.56	8.13	8.23
91 days	7.13	7.24	7.47	8.00	7.69	7.67	8.12	8.37	9.31	9.88	9.64	9.63	9.64
182 days	7.61	7.56	6.51	8.11	7.97	8.03	8.39	9.31	9.89	9.96	9.89	9.87	10.22
364 days	7.78	7.64	6.45	8.12	8.01	8.22	9.40	10.13	10.40	10.98	10.91	10.67	10.84
Treasury bills rate	7.48	7.29	7.60	7.94	7.69	7.83	8.39	8.97	9.57	9.97	9.75	9.56	9.72
5 Treasury Bonds- 2-years													
	8.57	7.39	7.39	9.03	7.81	8.76	9.71	10.86	11.00	11.00	12.00	12.00	13.00
5-years	10.15	10.15	10.24	9.55	9.55	6.68	10.34	10.49	11.46	11.66	11.66	11.66	11.66
7-years	10.74	10.83	11.12	10.48	10.65	10.65	10.92	11.16	10.44	10.44	10.44	10.44	10.44
10-years	11.53	11.83	11.80	11.55	11.70	11.70	12.39	12.39	12.61	12.61	12.61	12.61	12.61
6 Discount Rate													
	12.55	12.40	12.50	12.92	12.80	12.64	13.23	13.74	14.38	14.90	14.90	14.42	14.73
7 Demand Deposit Rate													
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8 Savings Deposit Rate													
	2.44	2.42	2.43	2.42	2.42	2.42	2.41	2.40	2.45	2.47	2.45	2.60	2.61
9 Time Deposits Rates													
Call Accounts	3.84	4.20	4.12	4.03	4.18	4.35	4.38	4.40	4.58	4.60	4.32	4.39	4.73
Call Accounts	0.68	0.86	0.89	1.35	1.14	1.69	1.63	1.34	1.23	1.31	1.45	2.15	2.03
1 month	2.19	2.21	3.00	3.09	3.62	3.47	3.45	3.67	3.78	3.43	3.08	3.19	2.92
2 months	5.84	6.00	5.50	5.36	5.25	5.93	5.56	6.20	5.90	5.95	5.05	4.46	6.26
3 months	5.10	4.33	3.86	3.49	4.49	3.96	4.23	4.18	3.88	3.96	3.58	5.35	5.50
6 months	3.49	4.99	5.14	4.73	4.78	5.02	5.10	4.60	4.97	5.27	5.95	5.85	6.08
9 months													
12 months	5.31	5.33	5.61	5.32	5.38	5.77	5.76	5.76	6.11	6.06	5.94	5.81	5.90
24 months	4.25	5.63	4.80	4.87	4.61	4.59	4.91	5.02	6.17	6.18	5.22	3.96	4.46
10 Negotiated Deposit Rates													
	6.81	7.35	7.88	7.76	6.65	6.79	6.73	6.22	6.40	6.88	8.39	8.77	8.79
11 Lending rates													
Call Loans	13.86	13.35	13.46	13.28	13.86	14.23	14.19	14.80	14.90	14.27	14.69	14.80	14.99
Call Loans	17.62	17.13	17.13	15.24	13.99	13.99	13.99	10.00	10.00	19.25	19.25	19.25	19.25
Short-term (up to 1yr)	15.58	15.50	15.58	14.75	15.86	15.72	15.53	15.69	15.60	15.25	14.95	14.23	15.06
Medium-term (1-2 yrs)	17.19	17.14	17.12	17.36	17.11	17.33	17.04	18.89	17.23	17.30	17.77	17.17	17.23
Medium-term (2-3 yrs)	10.33	9.89	9.87	11.36	11.31	11.89	12.24	12.18	13.75	12.76	14.12	15.32	15.18
Long-term (3-5 yrs)	12.86	12.12	12.51	12.16	13.09	13.06	12.67	12.48	13.21	12.78	13.36	12.59	12.77
Term Loans (over 5 yrs)	13.34	12.12	12.20	10.78	11.93	13.15	13.45	14.78	14.72	13.27	13.25	14.67	14.74
12 Negotiated Lending Rates													
	8.36	8.15	7.53	8.38	9.68	9.36	9.36	10.11	12.92	11.24	10.87	11.05	11.33
Foreign Currency													
1 Deposits Rates													
Call Accounts	0.26	0.43	0.41	0.23	0.20	0.16	0.14	0.18	0.18	0.21	0.21	0.59	0.51
Demand Deposits													
Savings Deposits	0.83	0.74	0.75	0.83	0.76	0.85	0.80	0.76	0.75	0.86	0.74	0.65	0.73
Time Deposits	0.94	0.97	1.07	1.22	1.10	1.09	1.03	1.10	1.11	1.09	1.11	1.66	1.63
1-months	0.67	0.82	0.77	0.88	0.87	0.89	0.76	0.74	0.82	0.89	0.86	1.01	1.17
2-months	0.61	0.70	1.09	1.22	0.97	0.93	0.70	0.95	0.82	0.85	0.86	2.73	1.71
3-months	1.10	1.05	1.11	1.56	1.32	1.12	1.12	1.35	1.07	1.02	0.98	1.57	1.93
6-months	1.12	1.15	1.18	1.16	1.11	1.03	1.09	1.00	1.26	1.05	1.17	1.25	1.41
12-months	1.21	1.15	1.21	1.26	1.24	1.48	1.51	1.47	1.58	1.62	1.67	1.72	1.90
2 Lending Rates													
Call loans	7.08	7.31	7.11	7.05	8.55	8.39	8.65	7.08	6.96	7.16	7.06	6.12	6.44
Call loans													
Short-term (up to 1yr)	6.86	6.75	6.74	6.23	6.69	6.06	6.16	6.27	6.30	6.37	6.53	4.76	4.74
Medium-term (1-2 yrs)	7.30	7.78	7.26	7.70	7.56	7.24	7.99	8.03	8.05	8.40	8.29	7.18	7.78
Medium-term (2-3 yrs)	7.03	7.56	7.39	7.34	8.19	8.43	8.69	7.86	7.68	7.56	7.20	6.34	6.23
Long-term (3-5 yrs)	7.14	7.15	7.06	6.94	11.77	11.83	11.76	6.17	5.79	6.32	6.21	6.19	5.62
Term Loans (over 5 yrs)													7.82

Source Bank of Tanzania

Table A5: Tanzania Balance of Payments

<i>Millions of U.S. dollars</i>				
<i>Item</i>	2001	2002	2003p	2004p
A. Current Account	-436.7	-214.7	-384.2	-538.4
Goods: exports f.o.b.	776.4	902.5	1129.2	1325.2
Traditional	231.1	206.1	220.5	292.1
Nontraditional	545.3	696.5	908.7	1033.1
o/w Gold	254.1	341.1	502.8	626.6
Goods: imports f.o.b.	-1560.3	-1511.3	-1933.5	-2273.4
<i>Balance on Goods</i>	-783.9	-608.8	-804.2	-948.2
Services: credit	679.3	668.6	686.6	859.2
Transportation	68.4	61.1	72.8	80.1
Travel	412.8	439.2	450.3	595.0
Other	198.1	168.3	163.4	184.1
Services: debit	-642.1	-668.5	-769.5	-994.4
Transportation	-194.2	-176.9	-214.7	-249.2
Travel	-327.3	-337.5	-353.2	-427.4
Other	-120.5	-154.1	-201.6	-317.7
<i>Balance on Services</i>	37.2	0.1	-83.0	-135.2
<i>Balance on Goods and Services</i>	-746.8	-608.7	-887.2	-1083.4
Income: credit	55.3	67.9	87.1	80.7
Income: debit	-140.5	-90.6	-131.0	-122.1
Direct investment income	-1.1	-2.0	-15.8	-13.4
Interest payments (scheduled)	-117.3	-67.6	-92.7	-80.7
Compensation of employees	-22.1	-21.1	-22.5	-28.0
Balance on Income	-85.2	-22.7	-43.9	-41.4
Balance on Goods, Services and Income	-832.0	-631.4	-931.1	-1124.8
Current transfers	395.3	416.6	546.9	586.4
Current transfers: credit	474.8	477.9	609.9	651.7
Government	418.4	427.7	543.3	582.0
o/w Multilateral HIPC relief	71.3	68.8	68.2	73.7
Other sectors	56.4	50.2	66.6	69.7
Current transfer: debit	-79.5	-61.3	-63.0	-65.3
B. Capital Account	361.5	355.4	358.2	288.5
Capital transfers: credit	361.5	355.4	358.2	288.5
General Government	339.2	325.3	320.9	248.6
Project	339.2	325.3	320.9	248.6
Other sectors	22.3	30.1	37.3	39.9
Capital transfers:debit	0.0	0.0	0.0	0.0
Total, Groups A plus B	-75.2	140.7	-26.0	-249.8
C. Financial Account, excl. reserves and related items	271.7	440.0	395.9	404.5
Direct investment abroad	0.0	0.0	0.0	0.0
Direct investment in Tanzania	327.2	240.4	247.8	260.2
Portfolio investment	0.0	0.0	0.0	0.0
Other investment	-55.6	199.6	148.1	144.3
Assets	-76.7	2.9	-59.0	15.0
Currency and deposits	-76.7	2.9	-59.0	15.0
Banks	-76.7	2.9	-59.0	15.0
Other sectors	0.0	0.0	0.0	0.0
Liabilities	21.1	196.7	207.1	129.3
Trade credits	13.0	13.2	13.3	13.2
Loans	50.5	150.1	215.9	122.8
General government	-65.4	196.6	310.4	191.0
Drawings	199.1	310.2	417.1	333.8
Repayments	-264.5	-113.6	-106.6	-142.7
Scheduled payments	-264.5	-113.6	-106.6	-142.7
Banks	2.0	-0.8	-0.7	-0.5
Other sectors	113.9	-45.6	-93.9	-67.7
Drawings	171.6	17.2	11.0	22.2
Repayments	-57.7	-62.8	-104.8	-89.9
Scheduled payments	-57.7	-62.8	-104.8	-89.9
Currency and deposits	-42.4	33.4	-22.1	-6.7
Total, Groups A through C	196.5	580.7	369.9	154.6
D. Net Errors and Omissions	-232.5	-253.1	165.2	-50.0
<i>Overall balance (Total, Groups A through D)</i>	-36.0	327.5	535.0	104.6
E. Reserves and Related Items	36.0	-327.5	-535.0	-104.6
Reserve assets	-182.2	-372.4	-508.8	-43.0
Use of Fund credit and loans	15.6	26.0	-2.9	-33.8
Exceptional financing	202.6	18.9	-23.3	-27.8
Interest arrears	67.4	18.4	-29.5	-27.8
Principal arrears	135.2	0.5	6.2	0.0
Financing gap	0.0	0.0	0.0	0.0
Memorandum items				
GDP(mp) Mill.TZS	8,304,339	9,399,086	10,709,405	11,822,921
GDP(mp) Mill. USD	9,476	9,724	10,312	10,762
CAB/GDP	-4.6	-2.2	-3.7	-5.0
CAB/GDP (excl. current official transfers)	-9.0	-6.6	-9.0	-10.4
Gross Official Reserves	1,156.57	1,528.99	2,037.77	2,080.77
Months of Imports	6.3	8.4	9.0	7.6
Net International Reserves (year end)	761.2	1058.4	1533.9	1700.5
Change in Net International Reserves	-218.5	-297.2	-475.5	-166.6
Exchange rate (end of period)	916.3	976.3	1063.6	1133.6
Exchange rate (annual average)	876.4	966.6	1038.6	1098.6

SOURCE: Bank of Tanzania, International Economics Department

Notes:

- Imports data (f.o.b) for 2001 have been revised using new ratios for freight and insurance services.
- Following changes in the ratios of freight and insurance services to the total imports (c.i.f), figures for service account have consequently been revised.
- GDP-Gross Domestic Product, mp-Market price, CAB-Current Account Balance, p = provisional
- p = provisional data, subject to revision

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