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MONTHLY ECONOMIC REVIEW BANK OF TANZANIA

December/January 2004

GOVERNOR'S MESSAGE

Macroeconomic conditions throughout 2003 were stable despite adverse drought condition coupled with food insecurity in the country. Inflation has been contained at 4.6 percent for three consecutive months since October 2003, while revenue collections by the Government remained consistently above estimates between July and December 2003, with strong performance attributed to income tax and taxes on imports, especially on petroleum imports.

However, following drought conditions experienced in the country, which resulted into food shortages and increased the demand for petroleum imports for production of thermal power to supplement production of electricity from its limited hydro-sources, prices of food and petroleum products increased significantly during the past two months. Although, the effects of drought are expected to exert pressure on inflation, prices are expected to stabilize in the coming few months, following the government's efforts to facilitate food imports and coordinate food aid in the country in order to improve food supply situation.

On the external sector, the trade balance widened slightly compared to projections, as oil imports showed stronger growth than expected. Tourism receipts were up from previous estimates, mainly due to increasing confidence in the country's security system. Gross international reserves also increased significantly over the year from USD 1,528.4 million recorded in December 2002 to USD 2,037.8 million in December 2003, i.e. from 6.4 months of imports of goods and services to 8.5 months. The nominal exchange rate remained broadly stable since June 2003. However, it depreciated marginally by 1.6 percent between June 2003 and December 2003 from TZS 1046/USD to TZS 1063/USD.

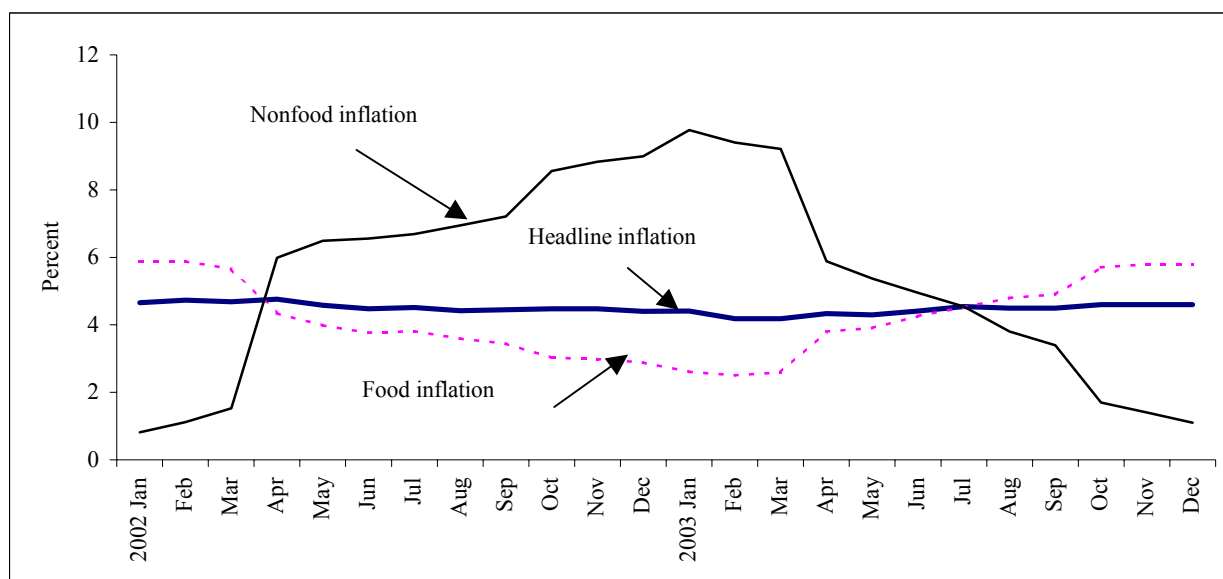
Inflation Developments

Headline Inflation

Developments in overall inflation have been encouraging despite disturbances caused by drought and rising oil prices. The annual headline inflation remained stable at 4.6 percent for three consecutive months since October 2003, on account of non-food inflation, which maintained a downward trend, while food inflation continued to rise (see Chart 1).

Although the annual headline inflation remained virtually unchanged for three months running, the month-to-month inflation increased gradually from 0.6 percent in October 2003 to 1.0 percent in November 2003. It rose sharply to 2.6 percent in December 2003, in line with the sharp increase in food prices towards the end of the year. Using seasonally adjusted indices, the month-on-month headline inflation decreased to 0.2 percent from 0.3 percent in November 2003, implying that the monthly increase in the inflation rate was influenced by the normal seasonal factors and the abnormal food shortages experienced in 2003.

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



Non-food Inflation

The annual non-food inflation dropped from 9.0 percent recorded in the year ended December 2002 to 1.1 percent in December 2003 (See Chart 2). The decline in non-food inflation is mainly attributed to the completion of the pass through of the one-time hike in the electricity tariff rates that occurred in April 2002. Also, the review of the tariffs affected the fuel, power and water sub-group throughout the year (April 2002-March 2003), causing the group to record higher inflation rates. Consequently, the decrease in non-food inflation was occasioned by a slow down in average prices of most non-food items, particularly fuel, power, water, clothing and footwear. Similarly, annual non-food inflation rate went down from 1.4 percent in the year ended November 2003 to 1.1 percent in December 2003. However, between November and December 2003, non-food inflation rate increased slightly from 0.1 percent to 0.2 percent, mainly due to a modest increase in the prices of charcoal, rented accommodation, beer, detergents and toothpaste.

Food Inflation

Consistent with the increase in food prices, the month-to-month food inflation rate increased sharply from 1.3 percent in November 2003 to 3.4 percent in December 2003. In contrast, when comparing price changes over a 12-months period, annual food inflation rate increased only slightly by 0.1 percentage point from 5.7 percent in October 2003 to 5.8 percent in November and December 2003. The minimal increase in the annual food inflation is explained by the fact that even in the same months of 2002, prices of food items went up, due to inadequate food harvests resulting from lower than average short rains. Thus, comparison of two higher bases resulted to a small annual change.

Table 1: Percentage Change in the Sub-groups of the National Consumer Price Index (All-urban)

(Base: December 1994=100)

Major Commodity Group	Weight %	Nov 2002	% Change Nov 02 - Nov 03	Dec 2002	Dec 2003	% Change Dec 02 - Dec 03	% Change Nov 03 - Dec 03
Food	71.2	231.1	+5.8	239.1	253.0	+5.8	+3.4
Fuel, Power and Water	4.7	339.4	+0.2	338.2	342.0	+1.1	+0.6
Drinks and Tobacco	4.4	184.2	-0.1	183.7	184.5	+0.4	+0.3
Rents	3.9	202.2	+4.7	202.3	214.4	+6.0	+1.2
Clothing & Footwear	3.7	203.8	0.0	208.4	202.9	-2.6	-0.5
Furniture & Household Equipment	2.5	199.4	+3.8	202.0	206.5	+2.2	-0.2
Personal Care & Health	2.2	153.3	+3.3	156.5	158.6	+1.3	+0.1
Education	1.5	204.7	+0.8	208.2	206.1	-1.0	-0.1
Household Operations & Maintenance	1.5	163.0	+4.2	164.3	169.4	+3.1	-0.2
Recreation & Entertainment	1.2	175.0	+1.0	174.4	176.2	+1.0	-0.3
Transportation	1.2	247.9	+1.2	247.9	250.8	+1.2	0.0
Miscellaneous Goods and Services	2.0	159.4	-0.4	160.3	158.6	-1.1	-0.1
TOTAL	100.0	226.3	+4.6	232.3	242.9	4.6	-0.1

Source: National Bureau of Statistics (NBS)

Chart 2: Selected CPI Sub-group Indices-Annual Percentage Change

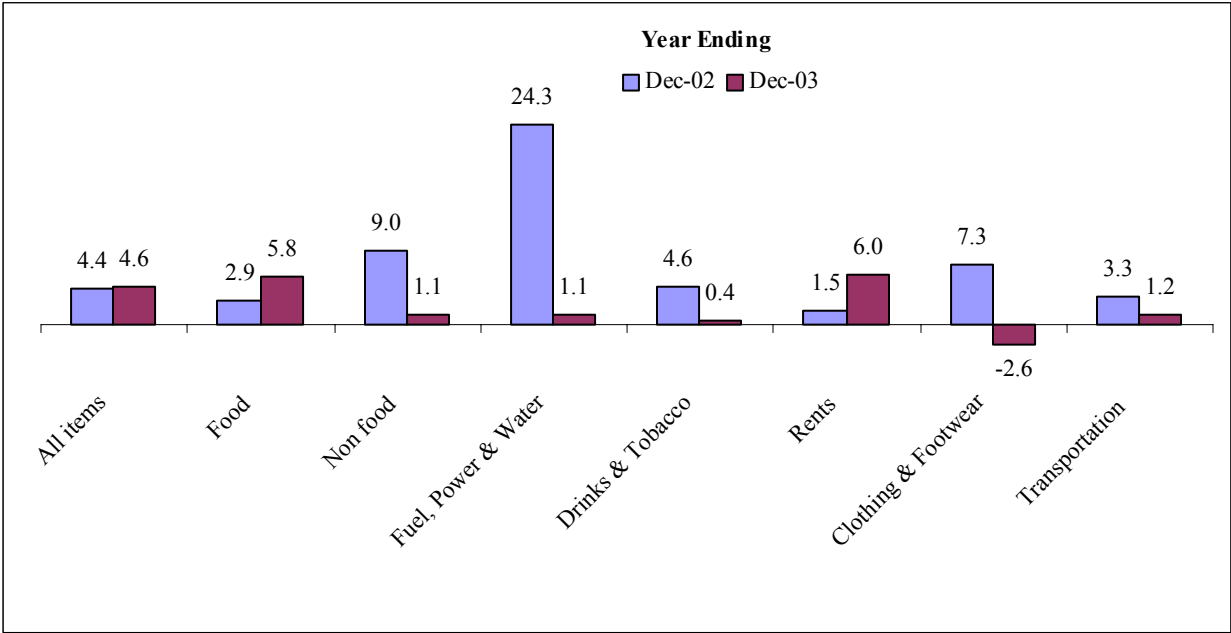


Table 2: Actual and Seasonally Adjusted Inflation Rates, Tanzania Mainland

Period	Unadjusted						Seasonally Adjusted					
	Year-on- Year			Month-on-Month			6 Months Annualised			Month-on-Month		
	Headline 1)	Non Food 2)	Food	Headline 1)	Non Food 2)	Food	Headline 1)	Non Food 2)	Food	Headline 1)	Non Food 2)	Food
2001 Jan*	5.4	4.5	5.7	3.2	0.6	4.2	5.1	5.0	5.4	0.2	0.5	0.2
Feb	5.4	4.1	6.0	3.2	0.3	4.2	5.0	3.6	5.5	0.3	-0.1	0.4
Mar	5.1	3.6	5.6	1.9	0.0	2.6	4.7	1.0	5.6	0.4	-0.4	0.5
Apr	5.3	3.1	6.2	-1.6	-0.4	-2.0	4.7	0.6	6.4	0.6	-0.1	1.0
May	5.3	3.1	6.0	-0.9	0.3	-1.3	4.5	1.0	5.9	0.4	0.4	0.4
Jun	5.1	2.8	6.0	-2.5	-0.2	-3.3	4.7	0.9	6.2	0.4	0.1	0.5
Jul	5.1	2.3	6.1	-0.9	0.2	-1.3	5.0	0.2	6.8	0.4	0.2	0.5
Aug	5.2	1.8	6.4	-1.0	0.0	-1.4	5.4	0.3	7.3	0.5	0.0	0.6
Sep	5.1	1.0	6.7	-0.6	-0.1	-0.8	5.5	1.3	7.6	0.4	0.1	0.6
Oct	5.0	1.0	6.5	0.4	0.3	0.5	5.1	1.6	6.5	0.4	0.1	0.5
Nov	4.9	1.1	6.3	1.0	0.1	1.2	5.0	1.8	6.2	0.4	0.5	0.3
Dec	4.9	1.2	6.1	2.7	0.4	3.6	4.9	2.4	5.7	0.3	0.3	0.2
2002 Jan*	4.7	0.8	5.9	3.0	0.3	4.0	4.5	2.3	5.1	0.2	0.2	0.2
Feb	4.7	1.1	5.9	3.3	0.5	4.3	4.2	2.4	4.6	0.4	0.1	0.4
Mar	4.7	1.5	5.7	1.9	0.4	2.4	4.0	2.3	3.8	0.4	0.1	0.2
Apr	4.8	6.0	4.3	-1.6	3.8	-3.3	4.4	10.7	2.3	0.6	4.1	-0.3
May	4.6	6.5	4.0	-1.1	0.6	-1.6	4.2	11.0	1.9	0.3	0.6	0.1
Jun	4.5	6.6	3.8	-2.6	-0.1	-3.5	4.1	10.6	1.9	0.3	0.1	0.3
Jul	4.5	6.7	3.8	-0.9	0.3	-1.3	4.6	11.0	2.5	0.4	0.2	0.5
Aug	4.4	6.9	3.6	-1.1	0.2	-1.6	4.6	11.6	2.6	0.4	0.3	0.5
Sept	4.4	7.2	3.4	-0.6	0.2	-0.9	4.9	12.5	3.0	0.4	0.5	0.4
Oct	4.5	8.6	3.0	0.4	1.6	0.0	4.8	6.4	3.8	0.4	1.3	0.1
Nov	4.5	8.8	3.0	1.0	0.4	1.2	4.7	6.5	4.1	0.4	0.7	0.2
Dec	4.4	9.0	2.9	2.7	0.5	3.5	5.0	7.3	4.2	0.4	0.5	0.4
2003 Jan	4.4	9.8	2.7	3.0	0.9	3.8	4.5	8.3	3.1	0.3	0.7	0.0
Feb	4.2	9.4	2.5	3.1	0.3	4.1	3.9	7.4	2.4	0.1	0.0	0.2
Mar	4.2	9.2	2.6	1.9	0.2	2.5	3.6	6.1	2.2	0.3	-0.2	0.3
Apr	4.3	5.9	3.8	-1.4	0.6	-2.1	4.0	5.5	3.9	0.7	1.0	1.0
May	4.3	5.4	3.9	-1.1	0.1	-1.5	3.8	4.4	3.9	0.3	0.1	0.2
Jun	4.4	4.9	4.3	-2.5	-0.5	-3.1	3.7	2.4	4.3	0.4	-0.5	0.6
Jul	4.5	4.5	4.5	-0.8	0.0	-1.0	4.5	1.1	5.9	0.5	0.1	0.7
Aug	4.5	3.8	4.8	-1.1	-0.5	-1.3	5.1	0.3	7.2	0.4	-0.5	0.7
Sep	4.5	3.4	4.9	-0.6	-0.2	-0.8	5.5	0.9	7.7	0.4	0.1	0.6
Oct	4.6	1.7	5.7	0.6	0.0	0.9	5.3	-1.8	7.5	0.6	-0.4	0.9
Nov	4.6	1.4	5.8	1.0	0.1	1.3	5.5	-1.4	7.7	0.3	0.4	0.4
Dec	4.6	1.1	5.8	2.6	0.2	3.4	5.1	-0.5	6.9	0.2	0.0	0.2

Source: National Bureau of Statistics and Bank of Tanzania Computations.
Total NCPI. 2) Non-Food NCPI. *Revised figures using new set of seasonal factor

Monetary and Financial Developments

Reserve Money

In December 2003, the stock of reserve money (M0)¹ decreased by TZS 6.8 billion from TZS 790.1 billion in November 2003 to TZS 783.3 billion. The decrease was largely explained by the Bank of Tanzania (BoT) foreign exchange market operations (FEMO), which resulted into liquidity mop up equivalent to USD 54.0 million. The decline in M0 was also influenced by an increase in government deposits at the BoT by TZS 25.7 billion that emanated from foreign loans and grants, and end of quarter revenue collections. Conversely, the BoT's open market operations (OMO) resulted into a liquidity injection of TZS 20.8 billion through matured repos and Treasury bills, hence reducing the impact of FEMO and government operations on M0. As a result of these developments, M0 registered an annual growth rate of 12.6 percent in December 2003; the same rate recorded a month earlier.

In line with the increase in government deposits, the liquidity injection arising from matured repos and Treasury bills, and a net repayment of TZS 4.6 billion by the government to the BoT, net domestic assets (NDA) of the BoT fell by TZS 49.8 billion from TZS 628.7 billion in November to TZS 678.5 billion in December 2003. In contrast, net foreign assets (NFA)² of the BoT increased by TZS 42.9 billion, from TZS 1,418.8 billion to TZS 1,461.8 billion during the same period, due to receipts of foreign loans and grants, and depreciation of the shilling.

¹ Reserve money or Base money is the operational variable used by the BoT to achieve money supply targets. It is defined as net domestic and net foreign assets of a central bank at any given point in time.

² Gross Official Reserves of the BoT reached USD 2,037.8 million in December 2003, equivalent to 8.5 months of imports of goods and services (GNS) reflecting a rise from USD 1,932.9 million recorded in November 2003 and USD 1,528.4 million in December 2002.

Table 3: Developments in Selected Reserve Money Items (In TZS billions)

Item	2002		2003		Change		% Annual Growth	
	Nov	Dec	Nov	Dec	Nov-02 to Dec-02	Nov-03 to Dec-03	Nov-02 to Nov-03	Dec-02 to Dec-03
Reserve Money	702.0	695.7	790.1	783.3	-6.3	-6.8	12.6	12.6
Currency outside the BoT	546.5	546.6	601.3	606.6	0.1	5.3	10.0	11.0
Banks deposits at the BoT	155.5	149.1	188.8	176.7	-6.4	-12.1	21.4	18.5
Net foreign assets	922.4	980.4	1,418.8	1,461.8	58.0	42.9	53.8	49.1
o/w Net international Reserves	964.3	1,022.2	1,460.6	1,503.5	58.0	42.9	51.5	47.1
Net domestic assets	-220.5	-284.7	-628.7	-678.5	-64.2	-49.8	185.1	138.3
Claims on government	157.4	141.3	146.6	142.0	-16.2	-4.6	-6.8	0.5
Government deposits	145.6	210.5	344.0	369.6	64.9	25.7	136.2	75.6
Liquidity papers	245.4	244.9	343.9	333.3	-0.5	-10.6	40.1	36.1
Repos	10.1	12.4	10.2	0.0	2.3	-10.2	1.0	-100.0
Other	23.3	41.8	-77.3	-117.5	18.5	-40.2	-432.4	-381.4

Source: Bank of Tanzania

Money Supply

The extended broad money supply (M3), increased only slightly by TZS 5.6 billion in December 2003, compared to a substantial increase of TZS 78.6 billion, recorded in November 2003 (See Table 4). The marginal increase was largely attributed to a significant decline in demand deposits, whose holders used to make payments of their end of quarter obligations to the Government. Otherwise, all other components of money supply increased during the review period. Currency in circulation rose by TZS 14.4 billion, while time and savings deposits recorded an increase of TZS 0.5 billion and TZS 9.1 billion respectively, between November and December 2003. Foreign currency deposits of commercial banks rose slightly by TZS 2.7 billion, whereas its share in M3 remained around 27.9 percent since November 2003 (See Chart 3).

For the year ended December 2003, M3 growth contracted to 16.6 percent compared to 18.9 percent recorded in the year ending November 2003 and 25.1 percent in December 2002.

Chart 3: The Structure of Money Supply (In percentages)

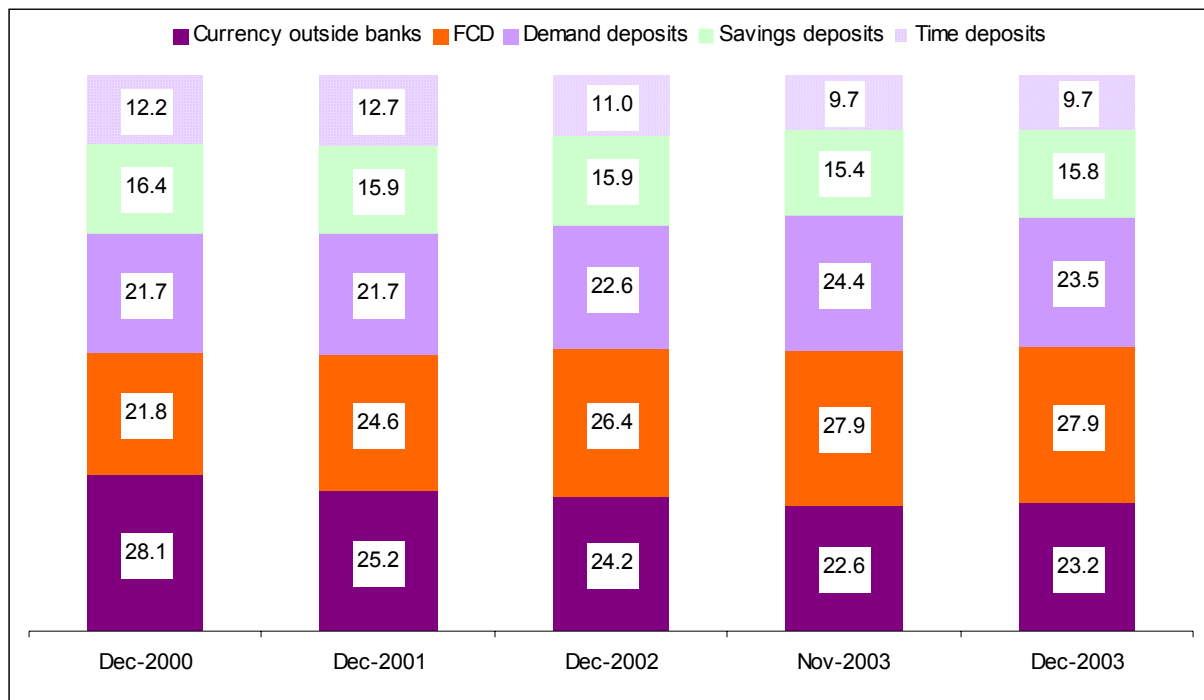


Table 4: Developments in Selected Money Supply Aggregates (In TZS billions)

	2002		2003		Change	Change	% Annual growth	
	Nov	Dec	Nov	Dec	Nov-02 to Dec-02	Nov-03 to Dec-03	Nov-02 to Nov-03	Dec-02 to Dec-03
Extended broad money supply (M3)	2004.3	2047.68	2382.70	2388.32	43.42	5.62	18.88	16.64
Broad money supply (M2)	1499.0	1507.39	1718.19	1721.11	7.43	2.92	14.55	14.18
Currency in circulation	500.9	495.45	538.67	553.05	-5.45	14.38	7.54	11.63
Demand deposits	456.2	463.34	581.34	560.33	7.13	-21.01	27.43	20.93
Time deposits	228.9	223.90	230.46	230.96	-5.04	0.50	0.66	3.15
Savings deposits	313.90	324.70	367.72	376.77	10.80	9.05	17.14	16.04
Foreign currency deposits	504.31	540.30	664.51	667.21	35.99	2.70	31.77	23.49
Net foreign assets	1442.96	1558.63	2125.38	2182.07	115.66	56.69	47.29	40.00
Bank of Tanzania	964.26	1022.25	1460.58	1503.46	57.98	42.88	51.47	47.07
Deposit money banks	478.70	536.38	664.80	678.61	57.68	13.81	38.88	26.52
Net domestic assets	843.33	775.29	655.06	660.24	-68.04	5.18	-22.33	-14.84
Net claims on government	319.90	264.61	55.94	12.94	-55.29	-43.00	-82.51	-95.11
Claims on government	499.49	505.90	474.71	464.42	6.41	-10.29	-4.96	-8.20
Government deposits	179.59	241.29	418.77	451.48	61.70	32.71	133.18	87.11
Claims on private sector	562.60	570.67	782.19	817.13	8.06	34.94	39.03	43.19
Other items net	-39.17	-59.99	-183.07	-169.83	-20.81	13.24	367.34	183.11
Medium term foreign liabilities	41.82	41.82	41.74	41.67	0.00	-0.07	-0.20	-0.36
Valuation account	240.21	244.41	356.00	412.32	4.20	56.32	48.20	68.70

Source: Bank of Tanzania

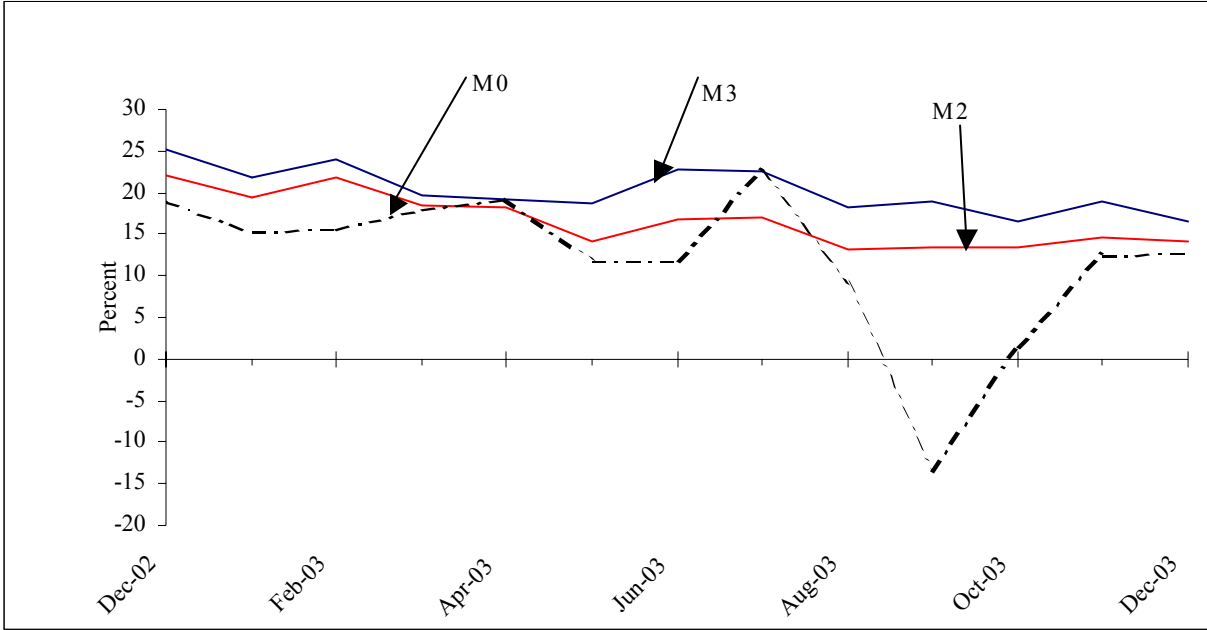
The assets side of M3 shows that net foreign assets (NFA) of the banking system rose by TZS 56.7 billion, on account of the increase in net foreign reserves held by the BoT by TZS 42.9 billion and net foreign assets holdings by commercial banks by TZS 13.8 billion. The increase in the BoT net foreign reserves was associated with foreign loans and grants received by the Government and purchased by the Bank, while those of commercial banks were a result of their participation in the IFEM as net purchasers.

On the other hand, net domestic assets (NDA) of the banking system, rose from TZS 655.1 billion in November to TZS 660.2 billion in December 2003, due to an increase in private sector credit by TZS 34.9 billion, coupled with an increase in other items net (OIN) of the banking system by TZS 13.2 billion. It is important to note that, net claims on the Government by the banking system decreased by TZS

43.0 billion during the period, from TZS 55.9 billion in November to TZS 12.9 billion in December 2003, as the Government repaid its domestic obligations to commercial banks and increased its deposits with the Bank of Tanzania.

Broad money supply (M2), which is total money supply excluding foreign currency deposits, increased by only TZS 2.9 billion in December 2003, compared with a sharp increase of TZS 48.6 billion recorded in the previous month. Consequently, annual growth rate of M2 also decelerated from 14.6 percent recorded in November 2003 to 14.2 percent in December 2003 (see Chart 4).

Chart 4: Annual Growth Rates of Monetary aggregates



Credit Developments

The banking system increased credit to the private sector by TZS 34.9 billion between November and December 2003, from TZS 782.8 billion to TZS 817.1 billion. (see Chart 5). On annual basis, credit to the private sector registered a

growth rate of 43.2 percent in the year ending December 2003, which is higher than 39.0 percent registered in November 2003. The growth rate is also higher than the target of 24.5 percent for end-June 2004. As a result, the share of banking system’s credit to the private sector increased from 93.3 percent in November to 98.4 percent in December 2003, while the share of credit to government declined from 6.7 percent to 1.6 percent.

With regard to the share of credit to total deposits of the banking system, there has been a gradual improvement from 57.9 percent in November 2003 to 59.4 percent in December 2003.

Chart 5: Credit to Private Sector and Net Claims on Government by Banks (In TZS billions)

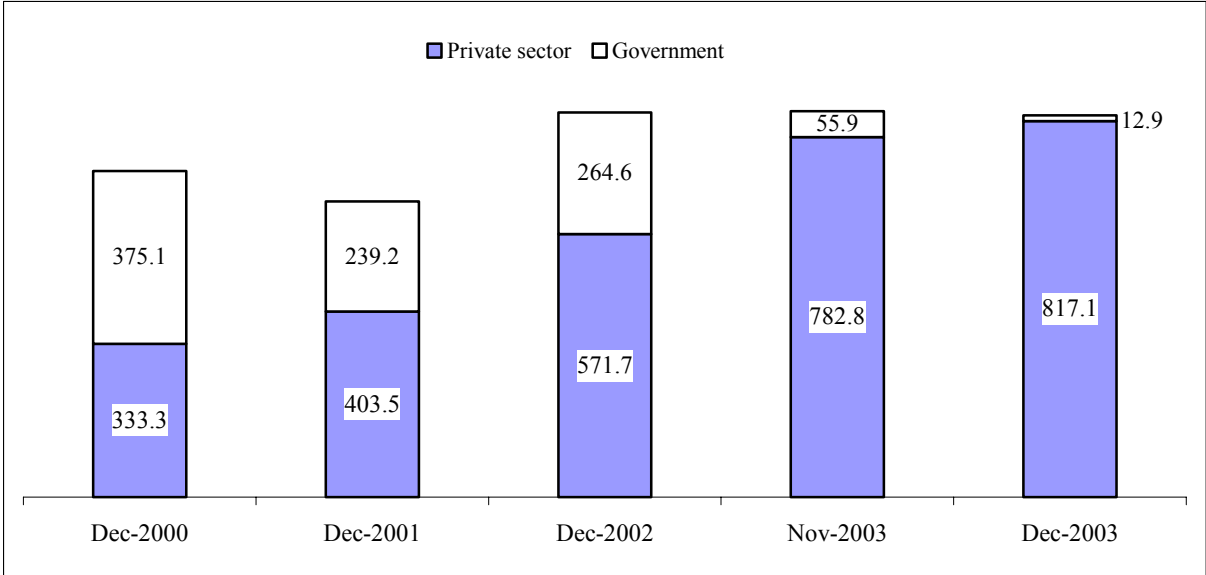
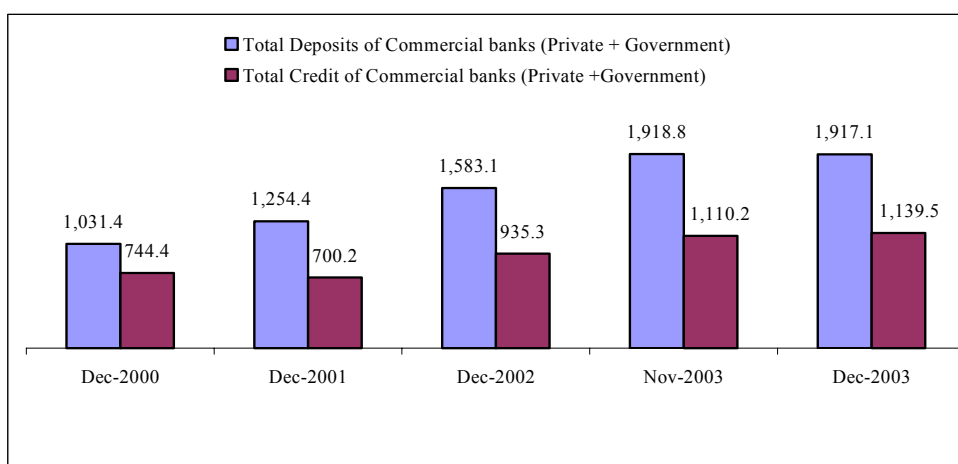


Chart 6: Total deposits and Credit of Commercial banks (In TZS billions)



Inter-bank Cash Market

During December 2003, total volume traded in the inter-bank cash market rose to TZS 748.5 billion from TZS 621.7 billion in the preceding month. Overnight transactions continued to account for a bigger portion of the total volume traded, accounting for 84.2 percent, compared to 86.0 percent recorded in November 2003.

Interest rates charged on overnight lending decreased slightly, from 6.5 percent in November 2003 to 6.3 percent in December 2003. Similarly, the overall inter-bank cash market rate declined from 6.5 percent to 6.4 percent in the same period.

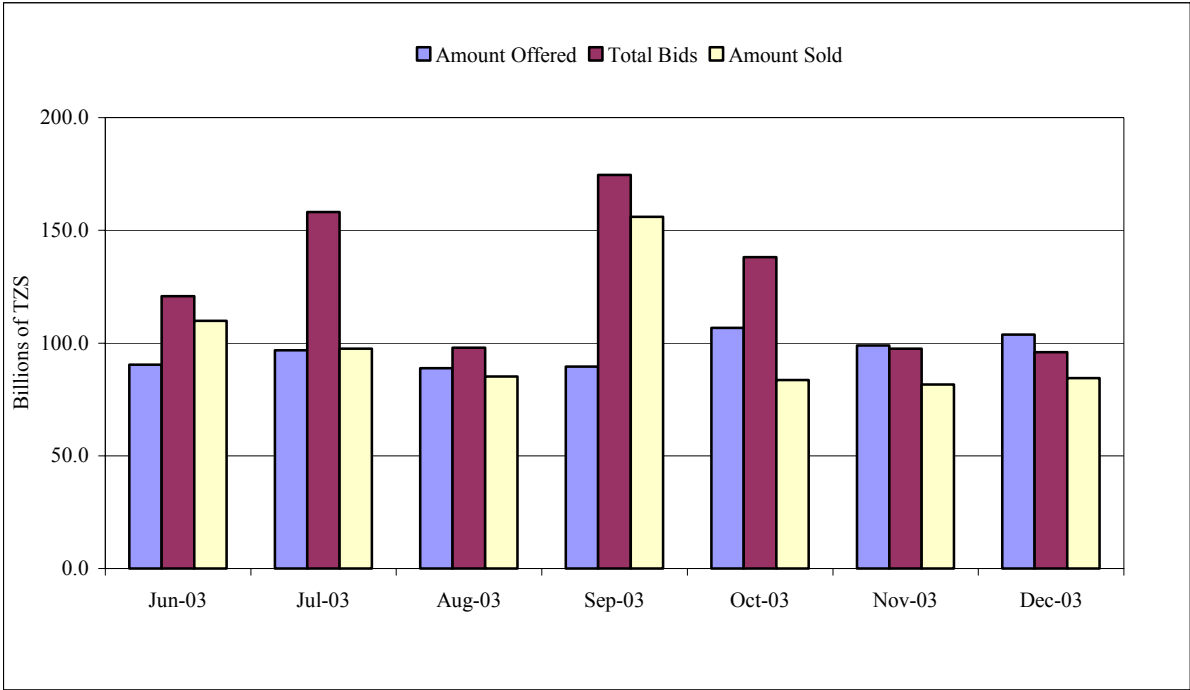
Treasury Bills Market

The Treasury bills market was supplied with 35-day, 91-day, 182-day and 364-day Treasury bills with maturities amounting to TZS 103.8 billion in December 2003, compared with TZS 98.9 billion offered in the previous month. Total bids stood at

TZS 95.9 billion, slightly lower compared to TZS 97.5 billion recorded in November 2003. In line with yield developments, Treasury bills worth TZS 84.4 billion were sold (**Chart 7**).

Interest rates in the Treasury bills market exhibited an upward trend, except for 35-day bill rate, which fell from 6.3 percent in November 2003 to 5.7 percent in December 2003. The average yield for 91-day and 182-day bills rose from 7.0 percent and 7.2 percent, respectively to 7.6 percent, while the average rate for 364-day bill rose from 7.6 percent to 7.9 percent. As a result of these developments, the overall weighted average yield (WAY) for all maturities rose from 7.2 percent in November 2003 to 7.7 percent in December 2003.

Chart 7: Treasury Bills Market Developments



Commercial banks continued to be dominant players in the Treasury bills market accounting for 68.2 percent of total successful bids in the period under review, being slightly lower compared with 71.9 percent recorded in November 2003.

Treasury Bonds

Treasury bonds worth TZS 18.5 billion were offered in November 2003 as well as in December 2003. Total bids received stood at TZS 15.5 billion and TZS 13.9 billion in November 2003 and December 2003, respectively. The BoT accepted bids worth TZS 12.7 billion in December 2003, compared with TZS 13.5 billion in November 2003. The yields to maturity on the Treasury bonds also depicted a rising trend when compared to yields recorded in the auctions that were conducted in November 2003. Specifically, 2-year and 5-year yield rose from 7.9 percent to 8.4 percent and from 9.4 percent to 9.6 percent between November 2003 and December 2003, respectively. Also, the yield for 7-year and 10-year Treasury bonds rose slightly from 10.3 percent to 10.5 percent and from 11.6 percent to 12.0 percent, respectively during the same period (**Table A3b**).

Repurchase Agreements (REPOs)

In the absence of excess liquidity in the economy in December 2003, the BoT did not conduct repos. However, repos worth TZS 10.2 billion matured during the month, thus causing an injection of liquidity by the same amount.

Lombard Transactions

The Bank introduced a Lombard facility on 1st December 2003, in the form of an overnight facility to enable commercial banks to borrow from the Bank, after pledging government securities as collateral. The facility will be used to meet overnight liquidity needs of commercial banks. The Lombard rate will be based on prevailing discount rate, repo or interbank rates, depending on whichever is higher. During December 2003, commercial banks accessed the facility to the tune of TZS 27.0 billion, with the Lombard rate ranging between 11.3 percent and 15.4 percent.

Interest Rates Developments in Commercial Banks

- **Deposits and lending rates on Domestic currency**

During the period under review, average interest rates on savings deposits remained stable at around 2.5 percent for a third consecutive month (see Table 5), with the lowest and the highest rate being 1.5 percent and 5.5 percent, respectively. Meanwhile, overall time deposit rates rose slightly from 3.6 percent in November 2003 to 3.9 percent in December 2003. The rates on various maturity profiles of time deposits exhibited a mixed trend. The dominant characteristic of deposit rates is that banks with huge deposits offer low rates, while small banks offered higher deposit rates.

On the other hand, overall average lending rate fell from 14.2 percent in November 2003 to 13.8 percent in December 2003. During the same period, some banks offered lending rates below 10 percent, while others charged high rates of up to 28.4 percent. However, the lending rate for prime customers was around 8.4

percent. The interest rate spread, measured by the difference between the 12-months fixed deposits and 1-year lending rates remained wide, at around 10.7 percentage points.

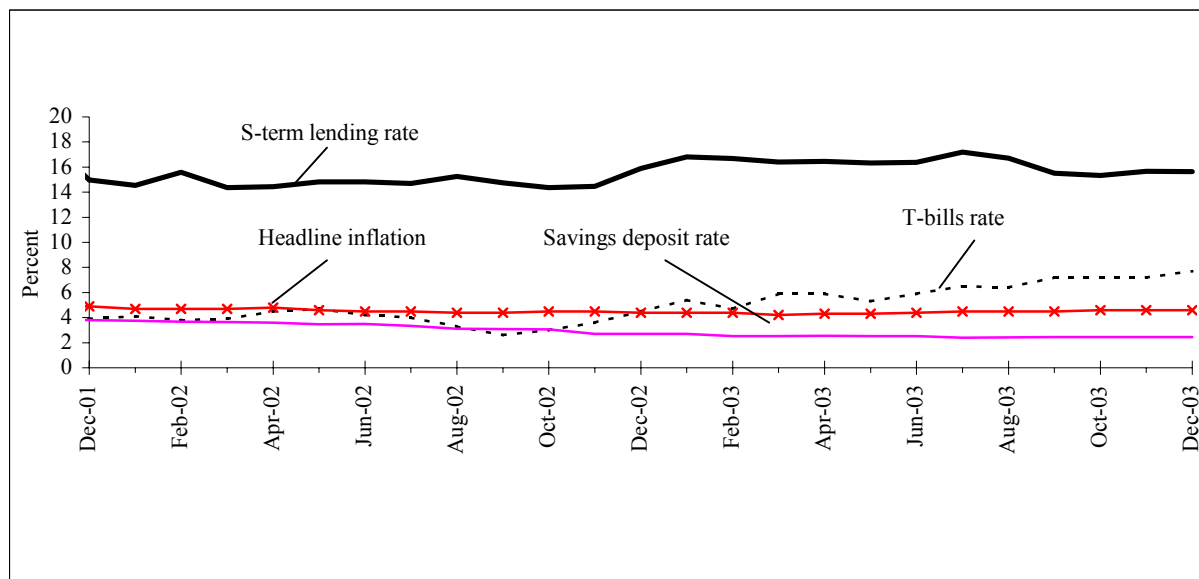
Table 5: Interest Rates Structure (In percentages)

Item	Dec-02	Mar-03	Jun-03	Nov-03	Dec-03
Savings deposits rate	2.7	2.5	2.5	2.5	2.5
Overall Time deposits rate	3.4	3.7	3.5	3.6	3.9
1-month	2.1	2.5	3.9	2.7	2.8
3-months	3.0	2.5	2.8	3.4	4.3
6-months	4.1	4.2	3.7	4.3	4.9
12-months	5.7	5.8	5.1	5.1	5.0
Negotiated deposits rate	5.4	5.9	5.5	5.4	5.4*
Overall Lending rates	15.7	15.0	14.1	14.2	13.8
Up to 1-year	15.9	16.4	16.4	15.7	15.7
2-3 years	13.8	12.3	13.4	11.4	10.5
Negotiated lending rate	9.7	8.6	9.4	10.1	10.1*

Source: Compiled from Commercial banks

* Provisional

Chart 8: Selected Interest rates and Inflation



- **Deposits and lending rates on foreign currency**

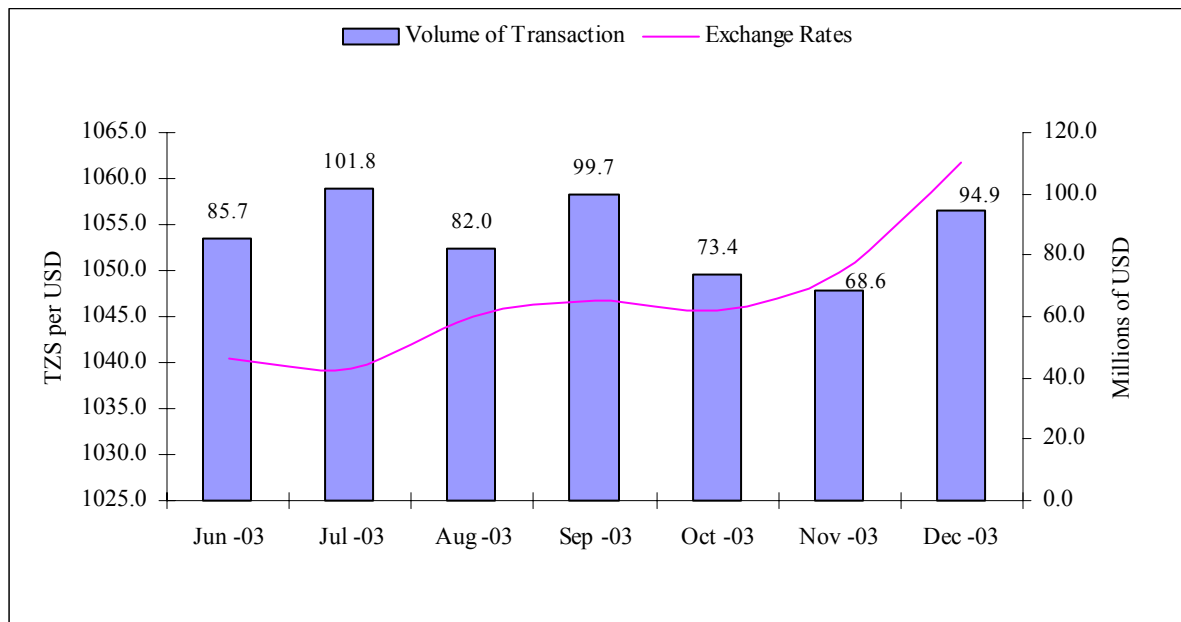
Interest rates on foreign currency denominated deposits exhibited a downward trend, except for savings deposit rate, which remained stable at 1.0 percent for six consecutive months. The rate for 6-month and 12-month time deposits fell from 1.3 percent and 1.7 percent to 1.2 percent respectively, while for the 3-month deposits, the rate remained stable at 1.1 percent.

As for lending, the rates on loans of up to 1-year fell from 7.1 percent to 6.8 percent during the review period. Likewise, rates on medium-term loans of 1-2 years and of 2-3 years, declined from 8.5 percent to 8.4 percent and from 7.7 percent to 7.2 percent, respectively, while, interest rates on long-term loans of 3-5 years remained stable at 7.1 percent.

Inter-bank Foreign Exchange Market (IFEM)

During December 2003, the volume traded in the IFEM went up by 38.3 percent to USD 94.9 million from USD 68.6 million traded in the previous month. The increase is mainly attributed to high demand for US dollars associated with increase in demand for imports, particularly food. Commercial banks purchased USD 92.5 million or 97.5 percent of the volume traded in December 2003 and supplied only USD 33.5 million or 35.3 percent of the amount traded. The non-bank financial institutions supplied USD 7.4 million or 7.8 percent of the amount traded and purchased USD 2.4 million or 2.5 percent of the amount traded. The Bank recorded a net sale of USD 54.1 million. In line with the increase in demand for foreign exchange, the Tanzanian shilling depreciated from TZS 1,049.7 per USD in November 2003 to TZS 1,061.7 per USD.

Chart 9: Inter-bank Exchange rate Movement and Volume of Transactions (Millions of USD)



Bureau de Change Operations

The volume of transactions in the bureau de change system went up by 8.4 percent to USD 47.7 million in December 2003, from USD 44.0 million transacted in the previous month, largely due to the rise in both sales and purchases. Sales increased by 7.7 percent to USD 23.8 million, while purchases went up by 9.1 percent to USD 23.9 million.

During the period under review, the buying and selling rates increased by 1.1 percent to TZS 1,060.0 per US dollar and TZS 1,074.0 per US dollar, respectively.

Table 6: Foreign Exchange Market Developments

Item	2003			December			July - December		
	November	December	% Change	2002	2003	% Change	2002	2003	% Change
IFEM									
1. Amount offered*	68.6	94.9	38.3	90.1	94.9	5.3	494.6	520.4	5.2
2. Amount sold*	68.6	94.9	38.3	90.1	94.9	5.3	494.6	520.4	5.2
3. Exchange rate**	1,049.7	1,061.7	1.1	977.9	1,061.7	8.6	970.5	1,048.0	8.0
Bureau de Change									
1. Sales*	22.1	23.8	7.7	17.6	23.8	35.2	108.4	139.4	28.6
2. Purchases*	21.9	23.9	9.1	18.3	23.9	30.6	116.5	141.3	21.3
3. Volume of Transactions*	44.0	47.7	8.4	35.9	47.7	32.9	224.9	280.7	24.8
4. Buying rate**	1,048.0	1,060.0	1.1	976.0	1,060.0	8.6	965.6	1,045.5	8.3
5. Selling rate**	1,062.0	1,074.0	1.1	993.0	1,074.0	8.2	984.3	1,061.8	7.9

Source: Foreign Markets Dept. and Bank Supervision – Bureau de Change Section

Note: * Millions of USD; Tanzanian shillings (TZS) per US dollar

Government Budgetary Developments

Government Budgetary Developments

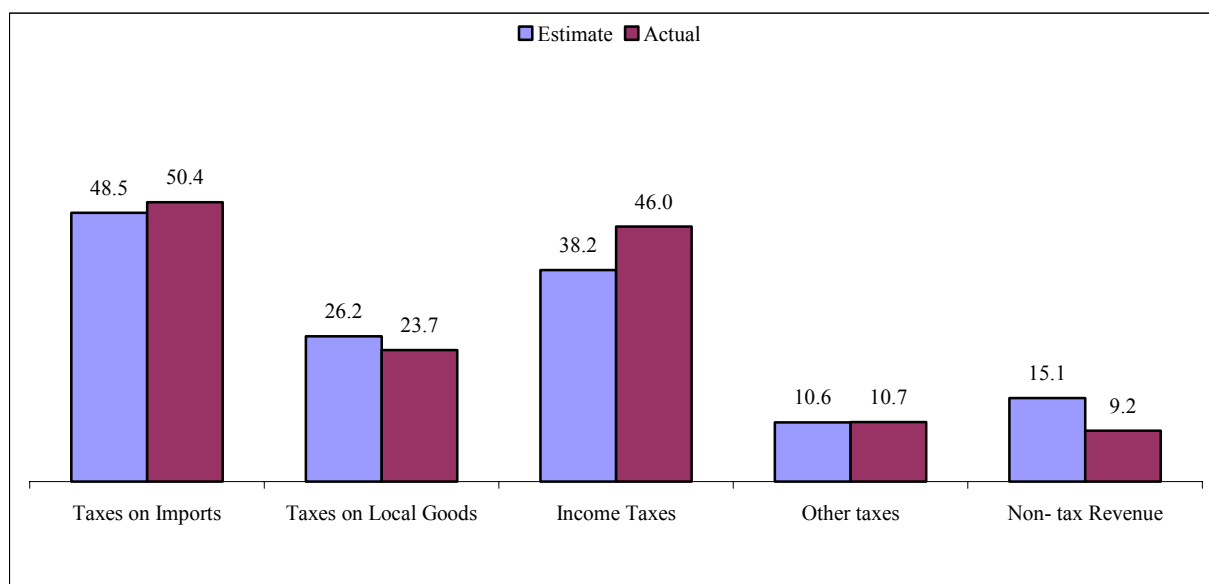
During December 2003, the government budget realized a surplus of TZS 64.6 billion, on cheques issued. Revenue collections amounted to TZS 140.0 billion, while grants were TZS 147.4 billion, thus making a total resource base of TZS 287.4 billion, against total government expenditure of TZS 222.8 billion³.

³ Excluding amortization

Revenue

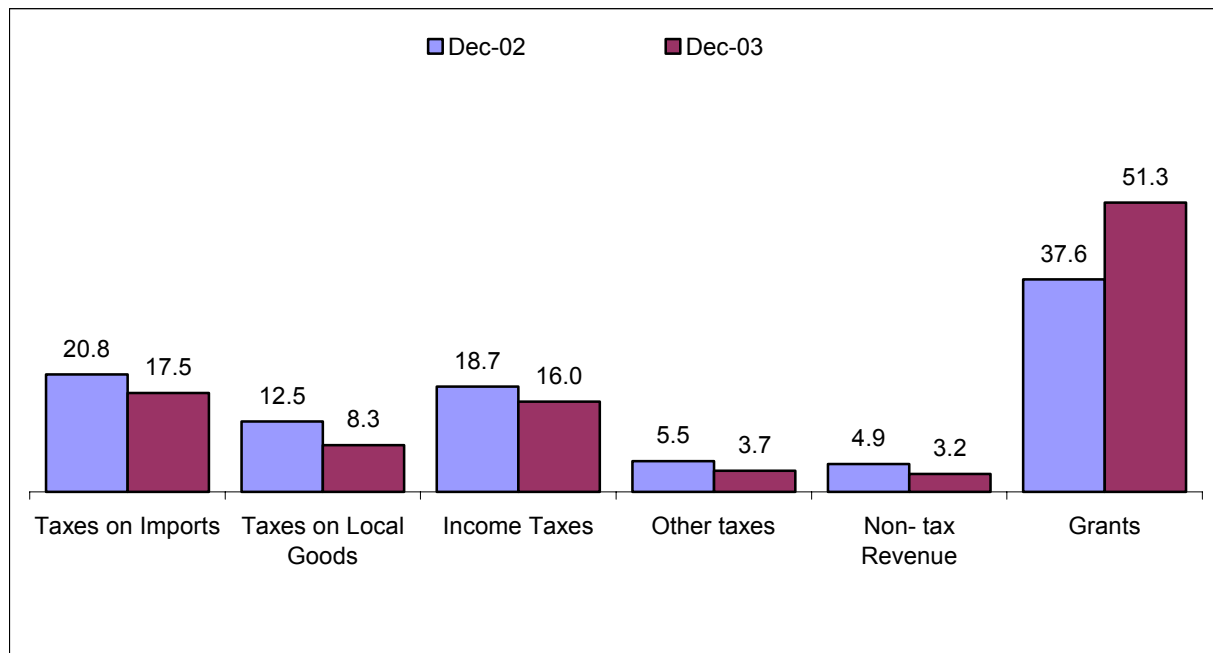
Total government revenue collections amounted to TZS 140.0 billion in December 2003, slightly higher than the projected TZS 138.5 billion. Tax revenues continued to be the main contributor to government revenue accounting for 93.4 percent of total domestic revenue, which amounted to TZS 130.8 billion. Income tax collections exceeded the target of TZS 38.2 billion for December 2003, by TZS 7.8 billion. The good performance in income tax collections is mainly a reflection of the fact that corporate taxes are paid at the end of each quarter.

Chart 10: Government Recurrent Revenue Performance in December 2003 (In TZS billions)



From July to December 2003, revenue collections amounted to TZS 713.5 billion, being 2.0 percent higher than the projected amount of TZS 699.4 billion. During the same period, the government received grants amounting to TZS 378.8 billion, compared to the expected external inflows of TZS 387.2 billion.

Chart11: Contribution to Total Government Revenue (In percentages)

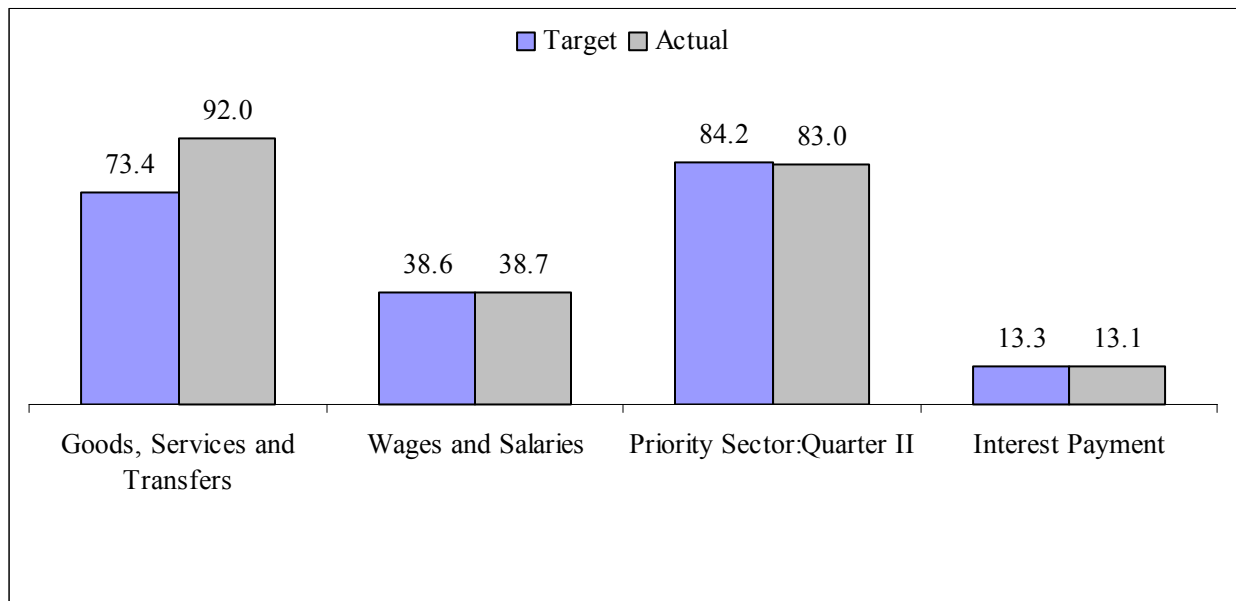


Expenditure

During December 2003, Government recurrent expenditure amounted to TZS 143.8 billion, slightly above target of TZS 137.4 billion. Expenditures on wages and salaries were on target at TZS 38.7 billion in December 2003, and accounted for about 27 percent of recurrent expenditure. Expenditures on transfers, as well as on goods and services were TZS 92.0 billion, representing 64 percent of the recurrent budget.

Recurrent expenditure on priority sectors, whose allocation is on quarterly basis, amounted to TZS 83.0 billion in the quarter ending December 2003, against a target of TZS 84.2 billion. Specifically, allocation to the education sector amounted to TZS 23.6 billion, while on health services and roads amounted to TZS 22.2 billion and TZS 16.1 billion, respectively (See Chart 12).

Chart 12: Government Recurrent Spending in December 2003 (In TZS billions)



During the review period, development expenditure amounted to TZS 79.0 billion, compared to a target of TZS 56.1 billion. This outturn was mainly due to a significant increase in basket grants, which surpassed the target of TZS 7.8 billion by TZS 10.8 billion. While there was a shortfall in project grants by TZS 11.7 billion, project loans amounting to TZS 27.4 billion were received during the review period. However, on cumulative basis, development expenditures amounted to TZS 286.3 billion, compared to the target of TZS 325.0 billion. The under performance is mainly a reflection of delays in reporting of direct-to-project grants, and partly associated with delays in procurement of materials for projects by local governments.

Financing

During the review period, the surplus of TZS 64.6 billion, which was realized in the budget as reported earlier, together with the net foreign resources amounting to TZS 38.0 billion were used for partial repayment of government domestic obligations.

External Sector Developments

Trade Balance

The trade account worsened to a deficit of USD 75.5 million in December 2003 from USD 45.0 million recorded in the preceding month, largely due to an increase in imports of goods and services. On annual basis, the deficit widened from USD 607.4 million during 2002 to USD 929.8 million in 2003, following an increase in imports of goods and services that exceeded the impact of a small increase in exports (See Table 7).

Table 7: Trade Account Balance (In USD millions)

	2003 ^p		%	December		%	January -December*		%
	November	December		Change	2002		2003 ^p	Change	
Exports	170.3	178.5	4.8	176.9	178.5	0.9	1,568.4	1,797.7	14.6
Goods	123.4	127.5	3.3	101.7	127.5	25.3	902.6	1,129.7	25.2
Services	46.9	51.0	8.7	75.2	51.0	-32.2	665.8	668.0	0.3
Imports	215.3	254.0	18.0	177.8	254.0	42.9	2,175.8	2,727.5	25.4
Goods	152.8	181.0	18.5	129.5	181.0	39.8	1,511.3	1,952.3	29.2
Services	62.5	73.0	16.8	48.3	73.0	51.1	664.5	775.2	16.7
Trade Balance	-45.0	-75.5	67.8	-0.9	-75.5	8684.3	-607.4	-929.8	53.1

* Calendar year

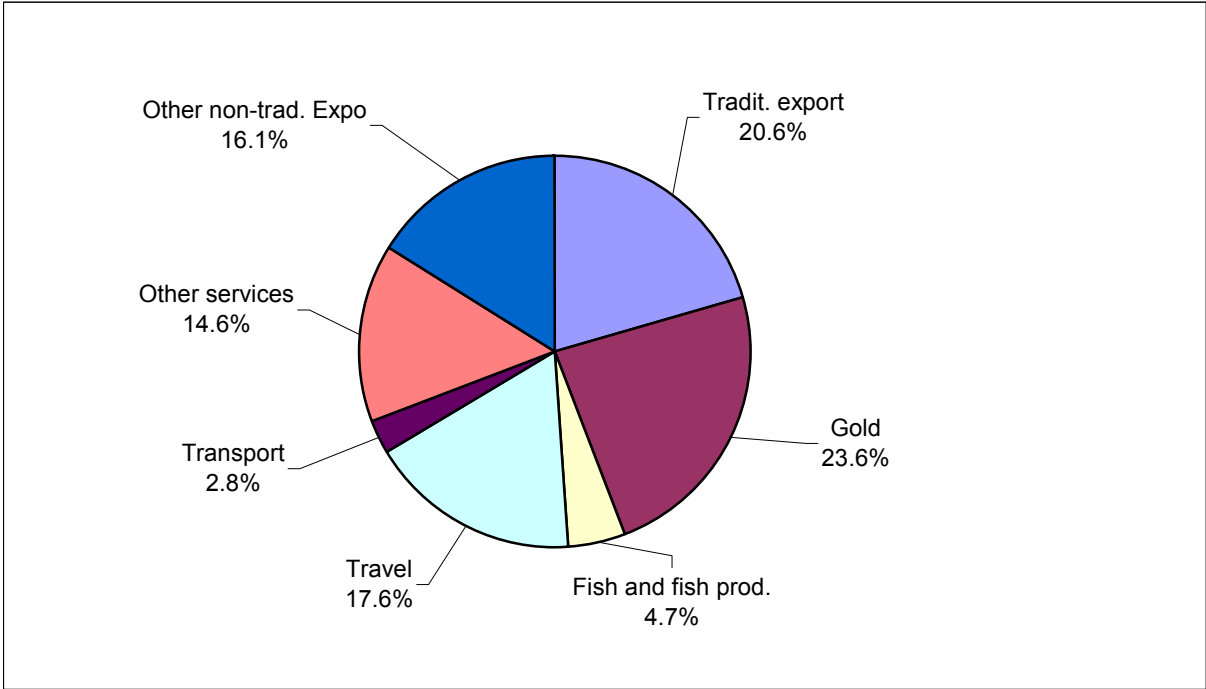
p = Provisional data

Source: Bank of Tanzania and Tanzania Revenue Authority

In December 2003, total exports of goods and services increased slightly to USD 178.5 million from USD 170.3 million recorded in the preceding month, while imports rose from USD 215.3 million to USD 254.0 million.

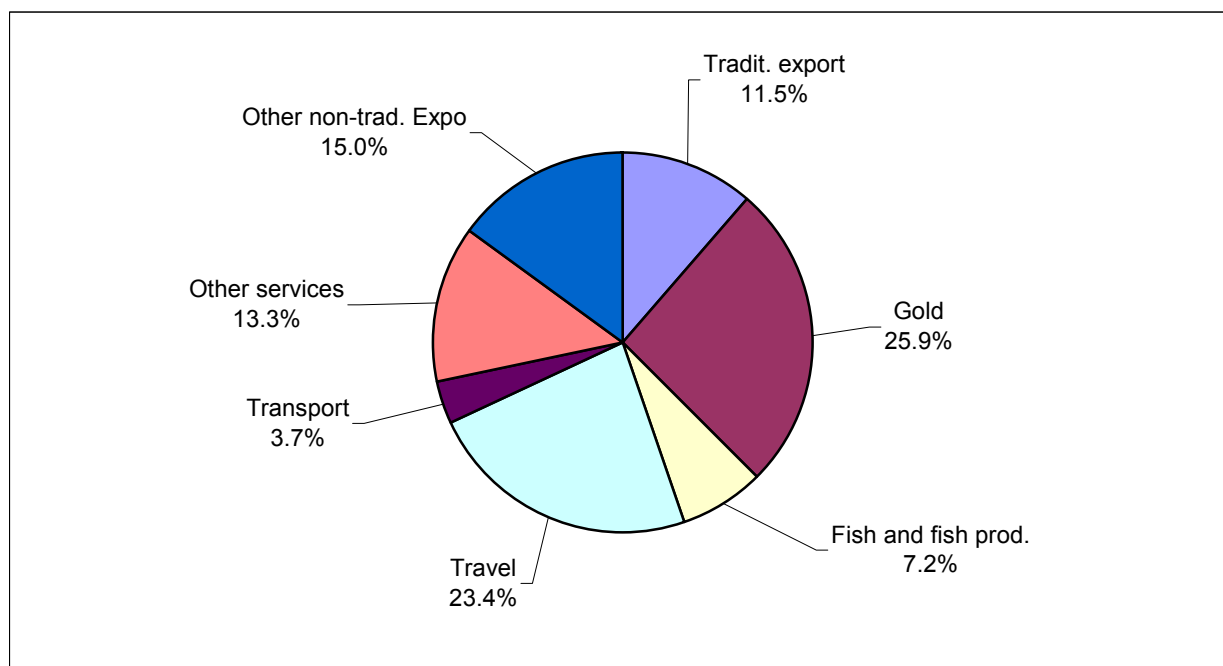
During the month, gold exports accounted for about 24 percent of total exports, followed by traditional exports, which contributed about 21 percent and travel (mainly tourism) accounted for about 18 percent (**Chart 13a**).

Chart 13a: Contribution to Total Exports of Goods and Services in December 2003



Similarly, during the year ending December 2003, gold exports contributed about 26 percent of total exports and services, while traditional exports accounted for about 12 percent (**Chart 13b**).

Chart 13b: Contribution to Total Exports of Goods and Services in the year ending December 2003

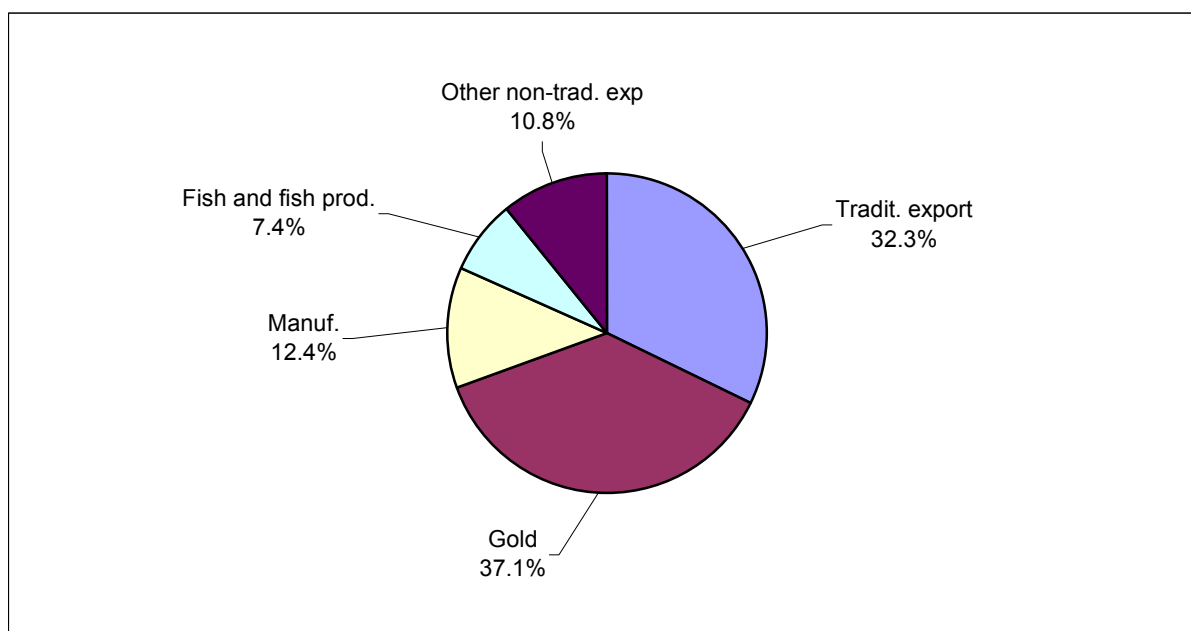


Goods Account

Exports

During December 2003, exports of goods increased by 3.3 percent from USD 123.4 million recorded in the previous month to USD 127.5 million, on account of an increase in traditional exports. During the review period, cashewnut export volume doubled from 15,600 tons recorded in November 2003 to 30,400 tons in December 2003, following a consensus on taxes associated with purchase of cashewnuts between private buyers and respective local government authorities. Similarly, export volumes of tea and tobacco increased from 1,400 tons and 3,900 tons in November to 1,600 tons and 4,400 tons, respectively. With the exception of cotton and tea that recorded increases in unit prices, all other commodities recorded declines in unit price during the review period.

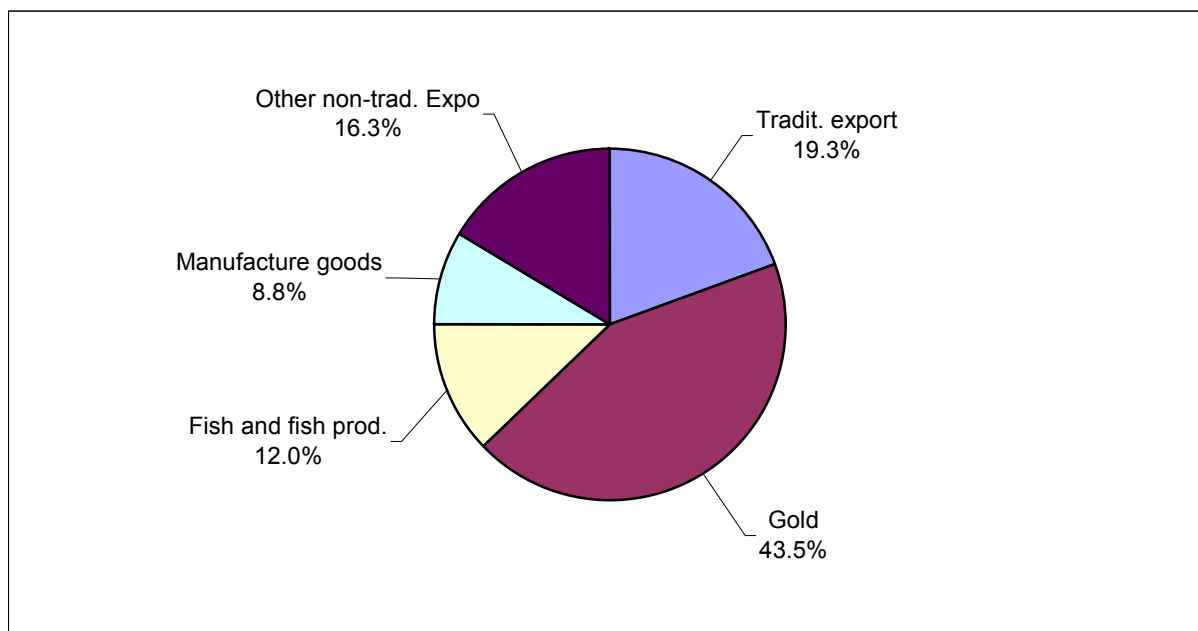
Chart 14a: Contribution to Goods Exports in December 2003



When compared with the corresponding month in 2002, goods exports increased by 25.3 percent from USD 101.7 million in December 2002 to USD 127.5 million in December 2003, following increases in both traditional and non-traditional exports.

During the year ending December 2003, exports of goods increased by 25.2 percent from USD 902.6 million in the previous year to USD 1,129.7 million. Traditional exports increased by 6.0 percent from USD 206.1 million in 2002 to USD 218.5 million, and accounted for 19.3 percent of goods exports. During the same period, non-traditional exports increased by 30.8 percent from USD 696.5 million to USD 911.2 million and accounted for 80.7 percent, of which gold exports alone contributed about 44 percent of total goods exports (**Chart 14b**).

Chart 14b: Contribution to Goods Exports in the year ending December 2003

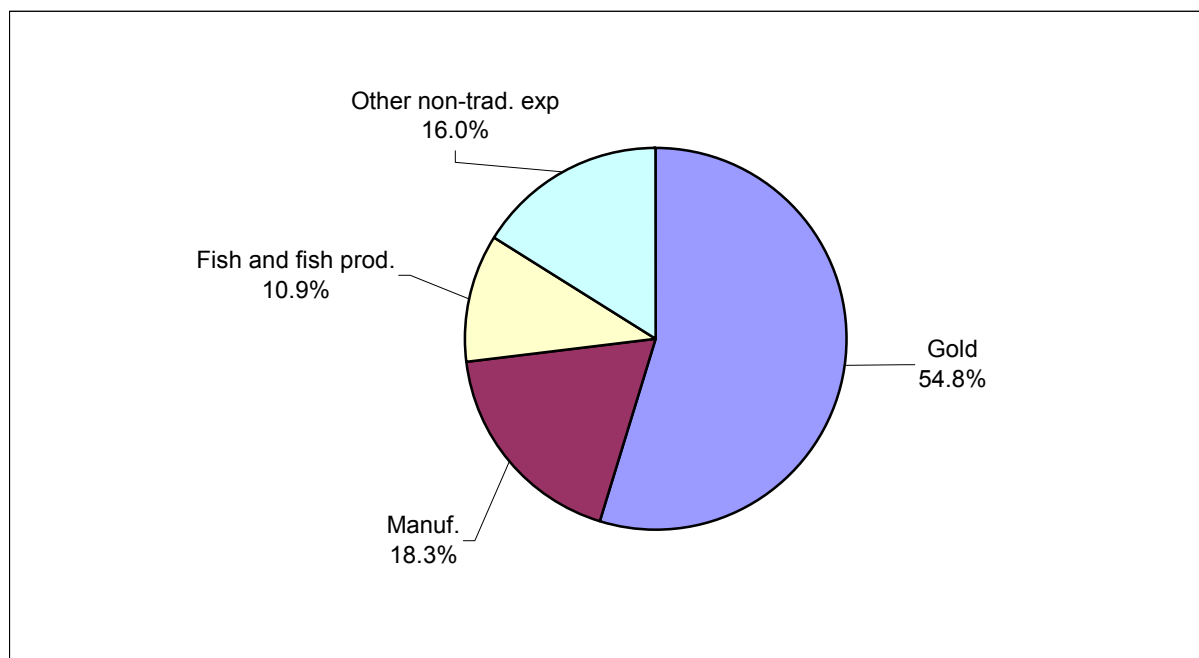


Non-traditional Exports

During the month under review, non-traditional exports decreased slightly to USD 86.3 million, from USD 89.0 million recorded in November 2003. However, when compared with the corresponding month in the previous year, non-traditional exports went up by 35.6 percent to USD 86.3 million, from USD 63.6 million recorded in December 2002. Although mineral exports declined slightly during the month from USD 59.6 million in November 2003 to USD 51.1 million in December 2003, exports of manufactured goods increased by 53.4 percent to USD 15.8 million from USD 10.3 million. The largest contribution to manufactured goods exports during December 2003 came from cotton yarn. Exports of horticultural products, particularly cut-flowers also increased by 22.2 percent

between November and December 2003, from USD 0.9 million to USD 1.1 million.

Chart 15a: Contribution to total non-traditional exports in December 2003



During the year ending December 2003, non-traditional exports increased by 30.8 percent to USD 911.2 million from USD 696.5 million recorded in 2002. Specifically, mineral exports increased to USD 540.2 million in 2003 from USD 383.8 million recorded in 2002, manufactured exports surged to USD 99.9 million from USD 65.8 million exported in 2002, while fish and fish products exports increased to USD 135.7 million during 2003 compared to USD 116.8 million exported a year earlier.

Imports

During December 2003, goods imports (f.o.b.) increased to USD 181.0 million from USD 152.8 million recorded in the preceding month.

During the month, imports of intermediate goods increased by 28.4 percent from USD 44.4 million to USD 57.0 million, associated with improved recording following measures such as assessment of all imported oil at the point of entry. Subsequently, the volume of oil imports increased from 101,903 tons recorded in November 2003 to 132,945 tons.

Also during the month, imports of consumer goods increased from USD 48.4 million recorded in November 2003 to USD 62.6 million, mainly due to an increase in food imports to cater for food shortages in the country. Maize imports went up from 212 tons in November tons to 32,471 tons. Imports of other consumer goods increased by 33.8 percent to USD 40.4 million. In December, 33,248 tons of rice were imported compared to 336,337 tons imported in November 2003.

On annual basis, total imports (f.o.b.) increased by 29.2 percent to USD 1,951.9 million during the year ending December 2003, from USD 1,511.3 million recorded during 2002. The analysis of imports categories shows that intermediate imports increased by 60.2 percent during the year, following a surge in importation of oil, fertilizers and industrial raw materials. The increase in oil imports from USD 177.3 million in 2002 to USD 365.8 million is mainly associated with improved recording following measures such as assessment of all imported oil at the point of entry taken by TRA to control tax evasion on oil imports since July

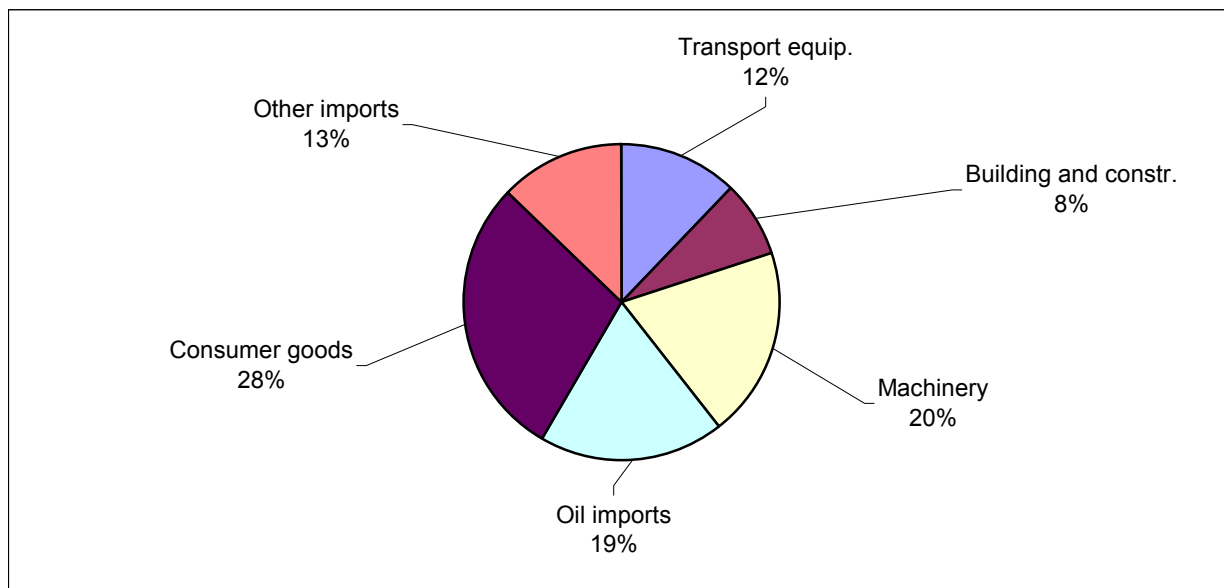
2003. Likewise, fertilizer imports increased by 41.9 percent from 77,980 tons in 2002 to 119,252 tons, a development largely attributed to the decision taken by the Government in its 2003/04 budget to subsidize imported fertilizers in order to boost agricultural production in the Southern highlands of Tanzania.

Importation of industrial raw materials increased by 18.7 percent from USD 189.3 million to USD 224.7 million, owing to production recovery in the manufacturing sector, particularly in the plastics, beverages, soaps and textile industries.

Furthermore, imports of consumer goods also increased from USD 470.1 million in 2002 to USD 563.2 million in 2003, mainly due to increase in imports of food items. During 2003, a total of 757,320 tons of cereals were imported compared with 530,000 tons imported in 2002. Wheat, rice and maize accounted for about 70.0 percent of total food imports.

During the year ending December 2003, importation of consumer goods accounted for the largest share of imports (28 percent), followed by machinery and oil imports each contributing for 19 percent of total imports (**Chart 15b**).

Chart 15b: Contribution to Total Imports in the year ending December 2003

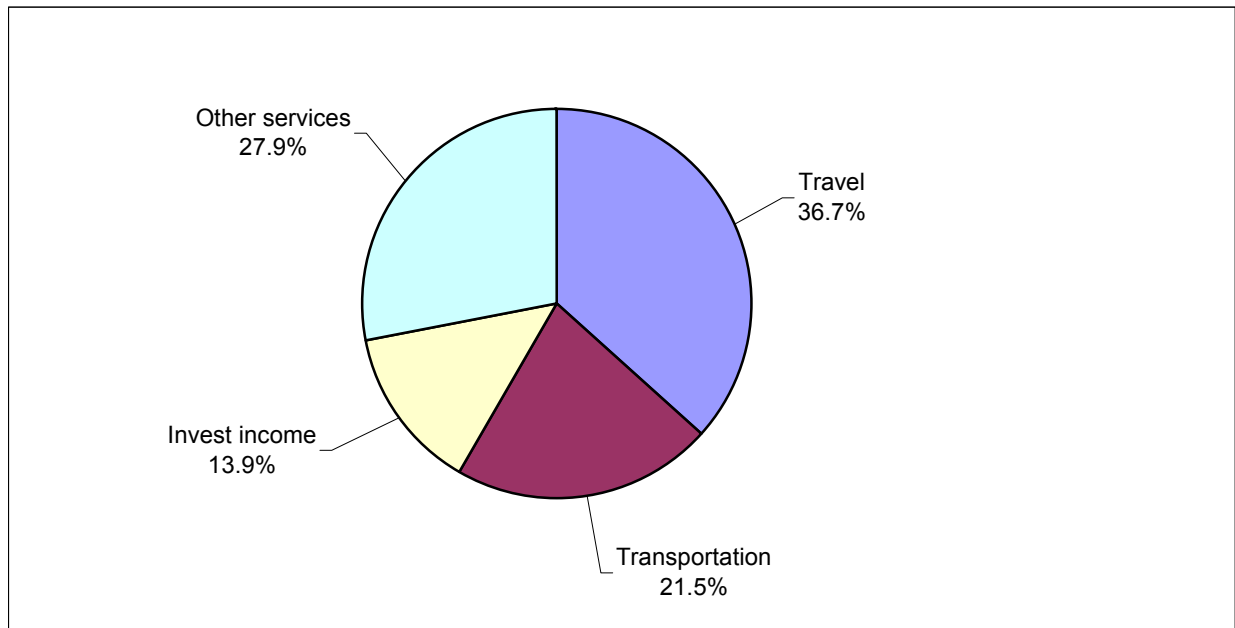


Services and Income Accounts

Services Account

During December 2003, the deficit in the services account widened to USD 22.0 million compared with USD 15.6 million recorded in the preceding month. This was attributed to an increase in services payments that exceeded an 8.7 percent increase in services receipts. Services payments increased from USD 62.5 million recorded in the previous month to USD 73.0 million, largely on account of the increase in seasonal payments to international satellite service providers, while that of transportation was due to a rise in freight payments corresponding to the increase in imports.

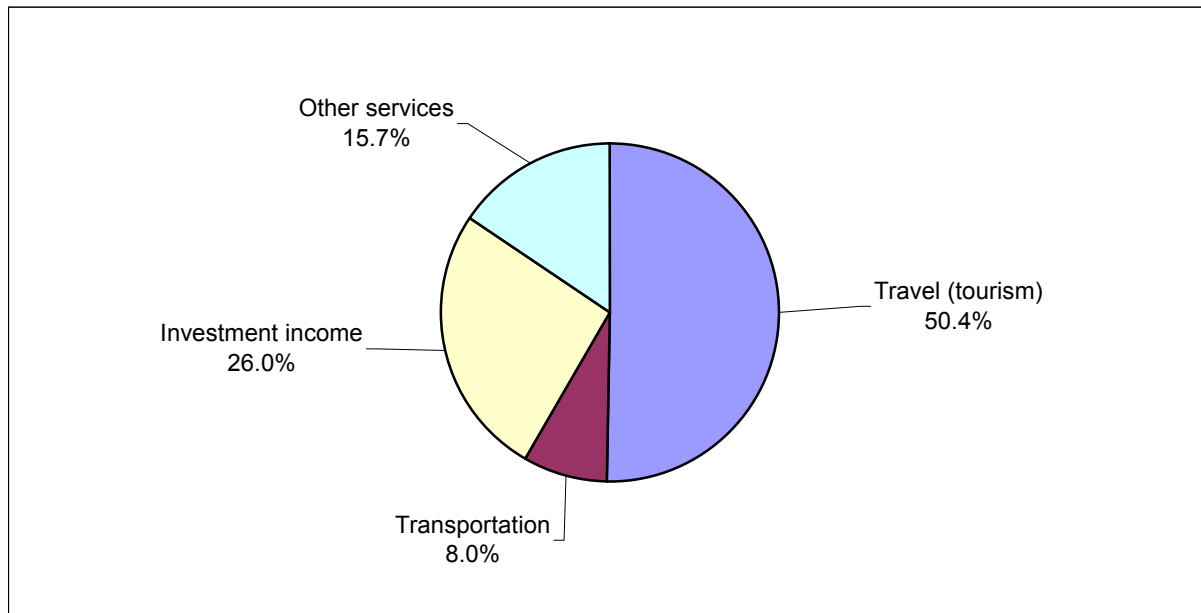
Chart 16: Contribution to Total Service Payments in December 2003



Note: ‘Other Services’ are communication, construction, insurance, financial, computer, information, government, royalties, personal, and other business services.

During the period under review, services receipts increased to USD 51.0 million from USD 46.9 million in November 2003, mainly due to an increase in travel (mainly tourism) receipts that rose by 12.8 percent. The surge in travel receipts is associated with the mini-peak tourist season whereby the number of tourist arrivals normally increases during Christmas and New Year holiday seasons.

Chart 17: Contribution to Total Service Receipts in December 2003



Note: 'Other Services' are communication, construction, insurance, financial, computer, information, government, royalties, personal, and other business services.

When compared with the corresponding month a year earlier, the balance on services account worsened substantially from a surplus of USD 26.9 million to a deficit of USD 22.0 million, on account of an increase in services payment coupled with a sharp decline in services receipts.

On annual basis, the balance in the services account worsened to a deficit of USD 107.2 million from a surplus of USD 1.3 million recorded in 2002, following an unprecedented increase in services payments. The rise in services payments is mainly attributed to freight charges associated with a surge in imports in 2003. During the same period, payments of communication services increased due to the expansion of telecommunication sector, whereas the increase in insurance service payments is partly explained by the higher premium associated with global security concerns.

On the other hand, services receipts increased from USD 665.8 million in 2002 to USD 668.0 million during the year ending Dec 2003. The increase was recorded in transportation, communication and travel by 14.5 percent, 51.8 percent, and 1.1 percent, respectively. The surge in transportation receipts is partly related to increased efficiency at the Dar es Salaam port that has attracted more business from landlocked neighbouring countries. It is noteworthy that the container terminal, which was handling 360 containers per day in 2000, is currently handling 552 containers a day compared to 384 and 240 containers handled by Durban and Mombasa, respectively.

Income Account

During December 2003, the balance on the income account declined to a surplus of USD 1.1 million from a surplus of USD 2.2 million recorded in the previous month, following an increase in income payments that surpassed the increase in receipts. When compared with a surplus of USD 5.5 million in December 2002, the income account balance was substantially low mainly due to the increase in scheduled interest payments.

On annual basis, the income account balance widened to a deficit of USD 32.0 million from a deficit of USD 25.9 million recorded during the year ending December 2002. On the other hand, income receipts, increased by USD 31.3 billion, mainly as a result of increase in earnings from the Bank of Tanzania's foreign exchange reserves.

World Commodity Prices

In December 2003, the prices of **coffee**, Arabica and Robusta increased by 4.4 percent and 5.3 percent to USD 1.43 per kg and USD 0.79 per kg, respectively, from the price levels recorded a month ago. The increase in prices of coffee was mainly attributed to low coffee harvest in Brazil.

Table 8: World Commodity Prices

COMMODITY	UNITS	Mar-03	Jun-03	Sep-03	Oct-03	Nov-03	Dec-03	% Change
Robusta Coffee	\$ per KG	0.82	0.75	0.82	0.79	0.75	0.79	5.3
Arabica Coffee	\$ per KG	1.36	1.35	1.46	1.42	1.37	1.43	4.4
Tea (Average price)	\$ per KG	1.40	1.49	1.53	1.60	1.57	1.57	0.0
Tea (Mombasa auction)	\$ per KG	1.51	1.50	1.58	1.67	1.62	1.59	-1.9
Cotton, "A Index"	\$ per KG	1.35	1.28	1.41	1.60	1.70	1.62	-4.7
Cotton, Memphis"	\$ per KG	n.a	n.a	1.51	1.72	1.73	1.63	-5.8
Sisal (UG)	\$ per metric ton	650.00	675.00	725.00	775.00	775.00	775.00	0.0
Cloves	\$ per metric ton	2,300.00	1,716.67	1,700.00	1,712.50	1,725.00	1,775.00	2.9
Crude oil*	\$ per barrel	30.36	27.92	26.81	29.07	29.12	30.07	3.3
Crude oil**	\$ per barrel	27.42	25.50	25.17	27.19	27.50	27.94	1.6
White products***	\$ per ton	295.60	248.06	252.43	279.59	280.04	285.36	1.9
Premium Gasoline	\$ per ton	288.69	267.98	278.82	282.43	278.78	279.02	0.1
Gas oil (Diesel)	\$ per ton	303.90	230.70	223.08	268.96	264.54	267.01	0.9
Jet/Kerosene	\$ per ton	294.21	245.49	255.38	287.38	296.81	310.04	4.5
Gold	\$ per troy	340.60	356.40	379.00	378.90	389.90	407.00	4.4

Note: * Average of U. K. Brent, Dubai and West Texas Intl.

** f.o.b. Dubai

*** Average of Premium gasoline, Gasoil and jet/kerosene, f.o.b. West Mediterranean

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

World Bank Public Ledger, Bloomberg Professional.

While the prices of **tea** (average of Calcutta, Colombo and Mombasa auctions) remained unchanged at USD 1.57 per kg, the price of tea at Mombasa auction declined by 1.9 percent to USD 1.59 per kg, mainly due to a rise in tea production in Kenya, attributed largely to improvement in weather conditions. The price of **sisal** (UG) remained unchanged at USD 775.00 per metric ton, while that of **cloves** rose by 2.9 percent to USD 1,775.00 per metric ton, following low clove production in Madagascar.

The prices of **cotton** (A-index) and (Memphis) declined by 4.7 percent and 5.8 percent to USD 1.62 per kg and USD 1.63 per kg, respectively. The decline in prices was largely attributed to low demand caused by the end of the year holidays, which usually keeps most market players (brokers and buyers) out of the market.

The prices of **crude oil** (average of UK Brent, Dubai and West Texas Intl) and (Dubai f.o.b) went up by 3.3 percent and 1.6 percent to USD 30.07 per barrel and USD 27.94 per barrel, respectively. Similarly, the price of white petroleum products (f.o.b. West Mediterranean) rose from USD 280.04 per ton in November 2003 to USD 285.36 per ton. Seasonal cold weather conditions in the US continued to increase demand for oil for heating thus adding pressure on prices of oil.

The price of **gold** increased from USD 389.9 per troy ounce in November 2003 to USD 407.0 per troy ounce in December 2003, mainly reflecting the weakness of the USD against major currencies (euro, pound sterling and yen), hence increasing demand for gold.

National Debt Developments

Overview

As at end December 2003, Tanzania's total debt stock (both domestic and external) stood at USD 8,755 million, out of which external debt was USD 7,890.7 million, while domestic debt stock amounted to USD 864.3 million.

Total external debt committed as at end-December 2003 stood at USD 8,145.6 million, while disbursed outstanding debt (DOD) was USD 6,730.8 million. The external debt stock increased by USD 97.5 million from USD 7,793.2 million recorded at end of November 2003 to USD 7,890.7 million at the end of December 2003. The increase in debt stock was attributed mainly by accumulation of interest arrears, recorded disbursements and exchange rates fluctuations.

External Debt

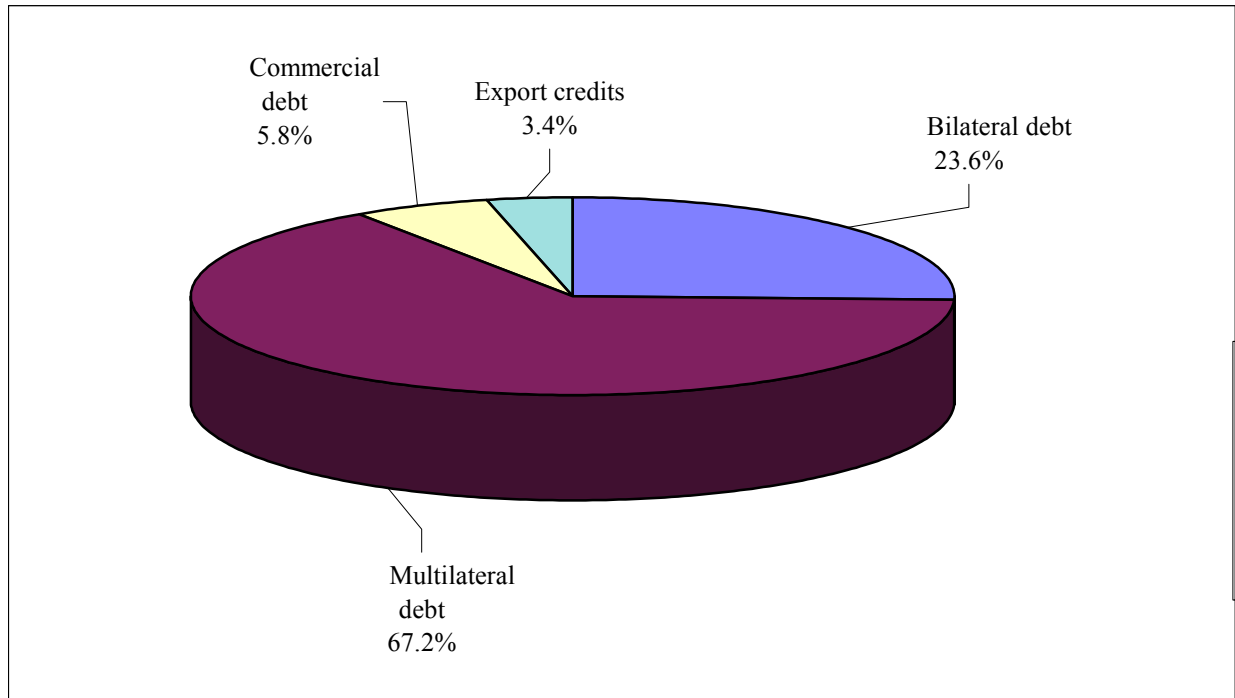
As regards external debt, the government has signed bilateral agreements with all Paris Club creditors except Brazil and Japan as at end of December 2003, and negotiations are continuing with these two countries hoping to conclude agreements soon. On the other hand, the Government continues to appeal to Non-Paris Club and commercial creditors to extend debt relief on terms comparable to those under the enhanced HIPC framework.

Total debts cancelled as a result of Paris Club arrangements stood at USD 749.7 million by end of December 2003. As for non Paris Club members, Kuwait has offered debt relief by rescheduling debt amounting to USD 31.9 million at concessional terms, while China and Bulgaria have cancelled debt worth USD 37.7 million and USD 15.1 million, respectively. India has also offered debt relief by canceling all intergovernmental loans amounting to USD 19.7 million.

Disbursed Outstanding Debt (DOD) Profile

The disbursed outstanding debt by creditor category shows that 67.2 percent and 23.6 percent of the total external debt is owed to multilateral and bilateral creditors, respectively. The proportion of total debt owed to commercial and export creditors was 5.8 percent and 3.4 percent, respectively. Specifically, external debt owed to multilateral institutions amounted to USD 4,520.1 million at end-December 2003, while bilateral debt stood at USD 1,587.5 million. Commercial and export creditors are owed a total of USD 623.2 million by end-December 2003.

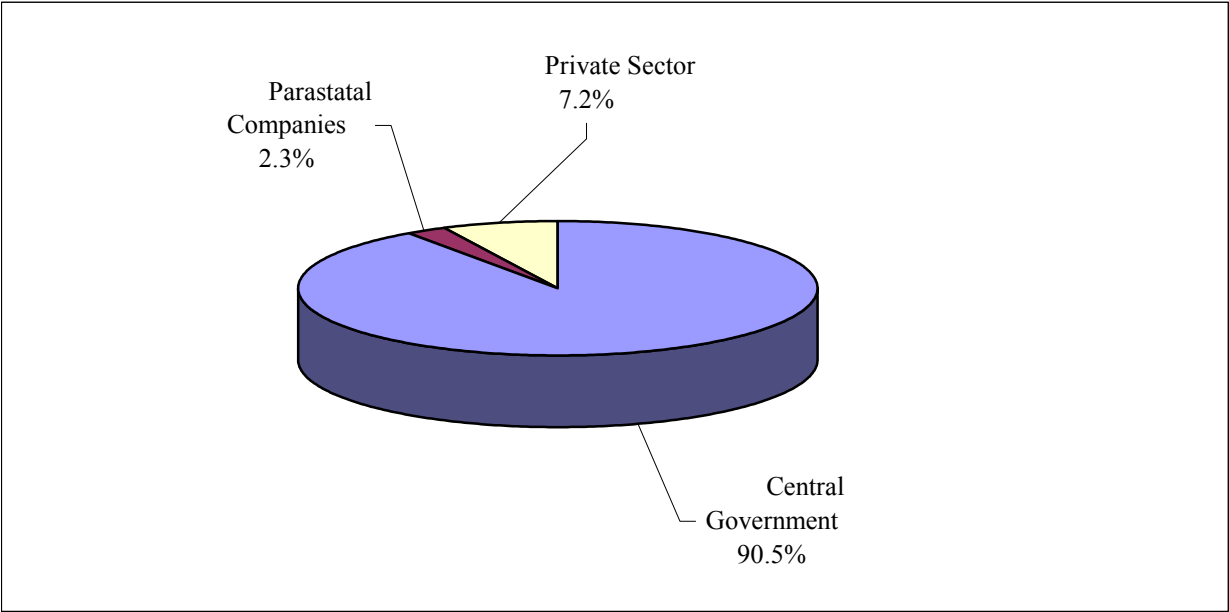
Chart 18: DOD by Creditor Category by end of December 2003



Out of the total outstanding external debt, the Central Government is the largest borrower with USD 6,089.9 million or 90.5 percent of the total debt, while public

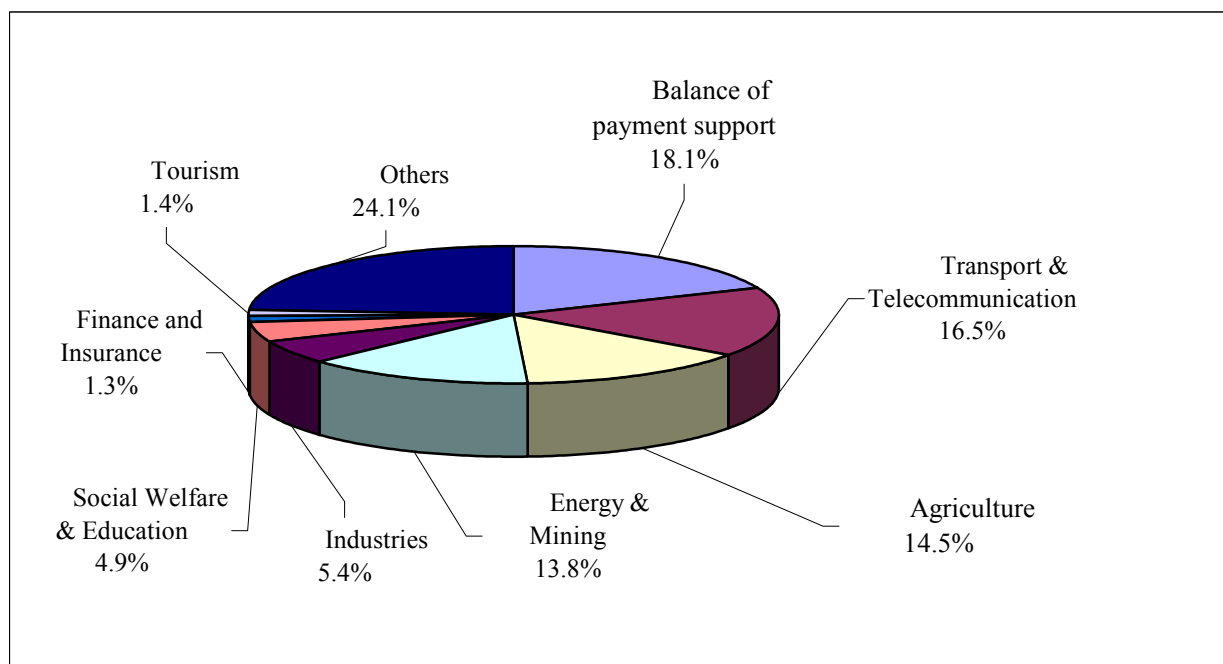
corporations and the private sector owed USD 154.0 million and USD 486.9 million, respectively as at end-December 2003.

Chart 19: DOD by Borrower Category by end of December 2003



Analysis of debt by use of funds indicates that USD 1,219.2 million (18.1 percent) of the total debt was disbursed as Balance of payments support. Transport sector received USD 1,113.6 million (16.5 percent). Agriculture and Energy received USD 978.0 million (14.5 percent) and USD 931.0 million (13.8 percent) respectively. Industries absorbed USD 360.5 million (5.4 percent) of the total debt while, Education, Finance, and Tourism projects received USD 326.9 million (4.9 percent), USD 90.3 million (1.3 percent) and USD 91.1 million (1.4 percent), respectively. The remaining USD 1,620.2 Million (24.1 percent) was absorbed by other sectors.

Chart 20: DOD by Use of Fund by end of December 2003



Domestic Public Debt

Domestic debt stock owed by the Government of the United Republic of Tanzania (URT) as at end of December 2003 stood at TZS 919.3 billion. The amount went up by TZS 12.8 billion during the month, largely due to an increase in the Special Government Bonds, which were issued to retire external debt under debt swap arrangement.

Analysis of domestic debt stock by instrument shows that, government securities (Bonds and Treasury bills) constitute 98.2 percent, as other government debts accounted for 1.8 percent. As at end-December 2003, Government bonds, which constitute 57.9 percent of the total debt stock, amounted to TZS 532.2 billion, while outstanding Treasury bills accounted for TZS 247.9 billion or 27 percent of domestic debt. In addition to Treasury bonds and Treasury bills, outstanding

government stocks and other securities amounted to TZS 122.5 billion and TZS 16.5 billion, respectively at the end of December 2003.

Domestic Debt Stock by Creditor Category

Commercial banks continued to be the major holders of government securities amounting to TZS 314.2 billion or 34.1 percent of the total debt stock, followed by Pension funds, which held TZS 282.0 billion or 30.6 percent. The BoT was holding TZS 238.5 billion or 25.9 percent, while non-bank financial institutions, insurance companies and private sector were holding between 2.4 percent and 4.0 percent of government securities.

Domestic Debt Service

During December 2003, a total of TZS 48.8 billion being principal plus interest payments fell due. Consequently, interest payment of TZS 8.5 billion was paid out of government revenues, while the principal amount of TZS 40.3 billion amount was rolled over through auctions in the open market operations.

Other Economic Developments

Food Supply Situation

In order to improve food supply in the country and also reduce pressure on food prices, the Government continued with its efforts to import food supplies, in addition to food aid from the international community. By end-December 2003, a total of 53,521 tons of food assistance, has been donated or pledged as follows:

- United States government has pledged 15,000 tons of maize, while Japan donated 17,000 tons of rice and 3,000 tons of wheat under its normal food aid program.
- India has pledged 5,000 tons of wheat and 5,000 tons of rice.
- Sweden, UK and Republic of Ireland have pledged grants amounting to USD 1.5 million, USD 2.2 million, and USD 65,000, respectively, for the purchase and distribution of 11,521 tons of food grains to food-deficit areas.

Table 9: National average Wholesale Prices for Selected Food Items

Crop	TZS per 100 Kg								% Change Dec 02-Dec 03
	2002 Dec	Jun	Jul	Aug	2003 Sep	Oct	Nov	Dec	
Maize	11,586	15,025	16,347	17,215	17,323	17,765	18,802	21,605	86.5
Rice	30,171	35,560	36,054	36,999	39,913	42,245	43,431	45,866	52.0
Beans	36,842	42,858	40,158	39,112	40,393	40,809	41,904	41,687	13.2
Sorghum	14,803	17,113	17,910	18,726	19,572	21,076	22,719	27,688	87.0
Potatoes	20,732	21,055	19,707	19,424	18,130	20,706	23,604	26,432	27.5

Source: Ministry of Agriculture and Food Security.

Note: Average prices for 19 regions of Tanzania Mainland, excluding Coast and Manyara regions, which are included in Dar es Salaam and Arusha regions respectively.

Strategic Grain Reserve (SGR) and Private Traders Stocks

In efforts to improve food availability to deficit areas, the government released 32,936 tons of food grains from the SGR silos to the market between July and December 2003, drawing down SGR stocks to 41,649 tons by the end of December 2003 (See Table 9). In addition to the SGR stocks, the private traders held about 159,737 tons, thus bringing the total stock of food grains to 211,791 tons as at end-December 2003.

On the other hand, private traders imported 297,042 tons of food between June and December 2003, comprising 4,593 tons of maize, 87,255 tons of rice and 205,594 tons of wheat.

Table 10: SGR Stocks, Tons

	2000	2001	2002	2003	% Change 2002/03
January	105,665	78,967	60,503	59,961	-0.9
February	103,305	72,000	58,254	59,493	2.1
March	101,496	63,022	56,738	58,976	3.9
April	96,326	51,435	52,228	54,118	3.6
May	82,119	44,776	48,653	52,857	8.6
June	72,000	47,225	47,100	51,060	8.4
July	63,976	46,290	44,787	50,661	12.7
August	70,352	48,998	41,795	52,681	26.0
September	95,000	59,047	57,500	61,364	6.7
October	88,474	58,000	62,700	59,379	-5.3
November	89,882	62,388	61,773	52,054	-15.7
December	78,967	62,788	58,395	41,649	-28.7

Source: Food Security Department and BOT computations

Economic Developments in Zanzibar

Government budgetary developments

Overall Performance

During December 2003, the Zanzibar Government budgetary performance on checks issued recorded an overall deficit before grants amounting to TZS 1.1 billion. The deficit was reduced to TZS 0.6 billion after adding grants amounting to TZS 0.5 billion.

Revenue Performance

Total revenue collections amounted to TZS 4.5 billion in December 2003, accounting for 90.0 percent of the monthly target of TZS 5.0 billion. The lower than expected revenue collection was mainly attributed to a decrease in imports

through Zanzibar port and a slump in business activities. Tax collections amounted to TZS 4.3 billion, as in the previous month, accounting for 89.6 percent of the projected TZS 4.8 billion, while non-tax revenue stood at TZS 0.2 billion (See Chart 21).

On cumulative basis (July- December 2003), total revenue collections amounted to TZS 25.6 billion, representing 97.7 percent of the targeted TZS 26.2 billion.

Chart 21: Revenue Performance in December 2003 (In TZS millions)



Expenditure

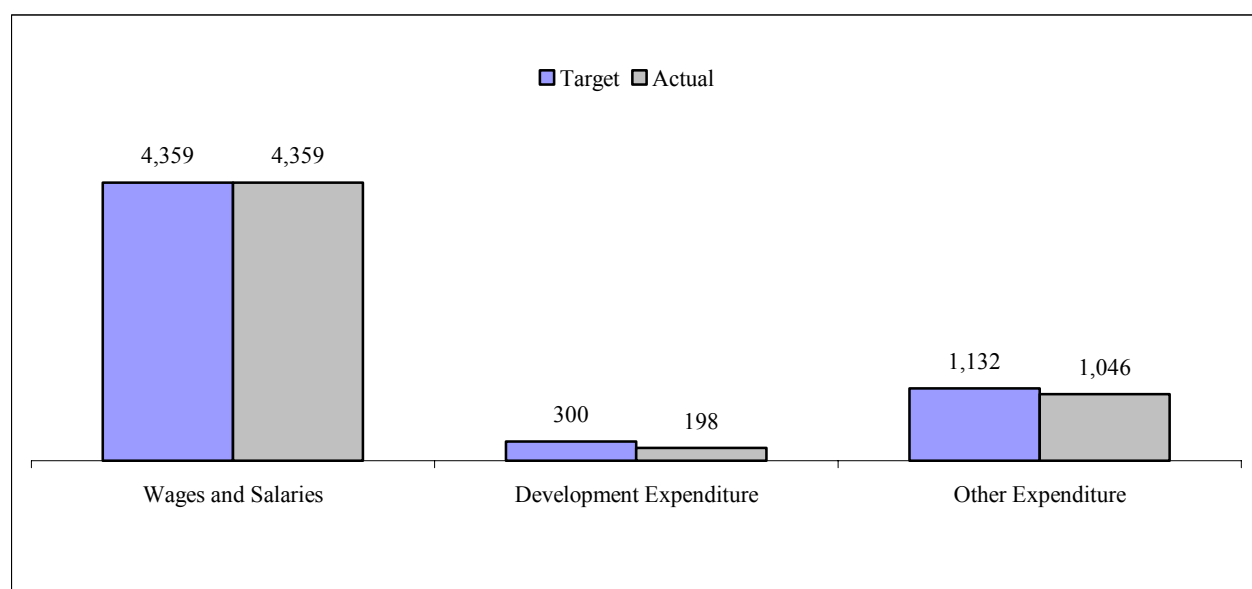
During the month under review, total expenditure amounted to TZS 5.6 billion, against the ceiling of TZS 5.8 billion. Recurrent expenditure amounted to TZS 5.4 billion, out of which expenditure on wages and salaries amounted to TZS 4.4 billion, representing 81.4 percent of the total recurrent expenditure. Other

expenditure on goods and services amounted to TZS 1.0 billion, during the month under review.

Government spending on development projects amounted to TZS 0.2 billion, slightly below the projected ceiling of TZS 0.3 billion.

On cumulative basis (July-December 2003), the Government spent TZS 32.2 billion, representing 93.3 percent of the planned expenditure of TZS 34.5 billion.

Chart 22: Expenditure by Components Against Estimates in December 2003 (In TZS millions)



Financing

The fiscal deficit realized in December 2003, was entirely financed through domestic resources, and grants from the Union Government to the tune of TZS 0.5 billion.

Debt Developments

Overview

The Zanzibar debt stock as at end of December 2003 stood at TZS 103.6 billion or USD 97.4 million. Domestic debt amounted to TZS 45.4 billion accounting for 43.9 percent of total debt, while external debt amounted to TZS 58.2 billion, representing 56.1 of total debt. The debt increased by TZS 0.4 billion, from TZS 103.1 billion recorded in November, 2003 largely due to increase in unpaid debt obligations.

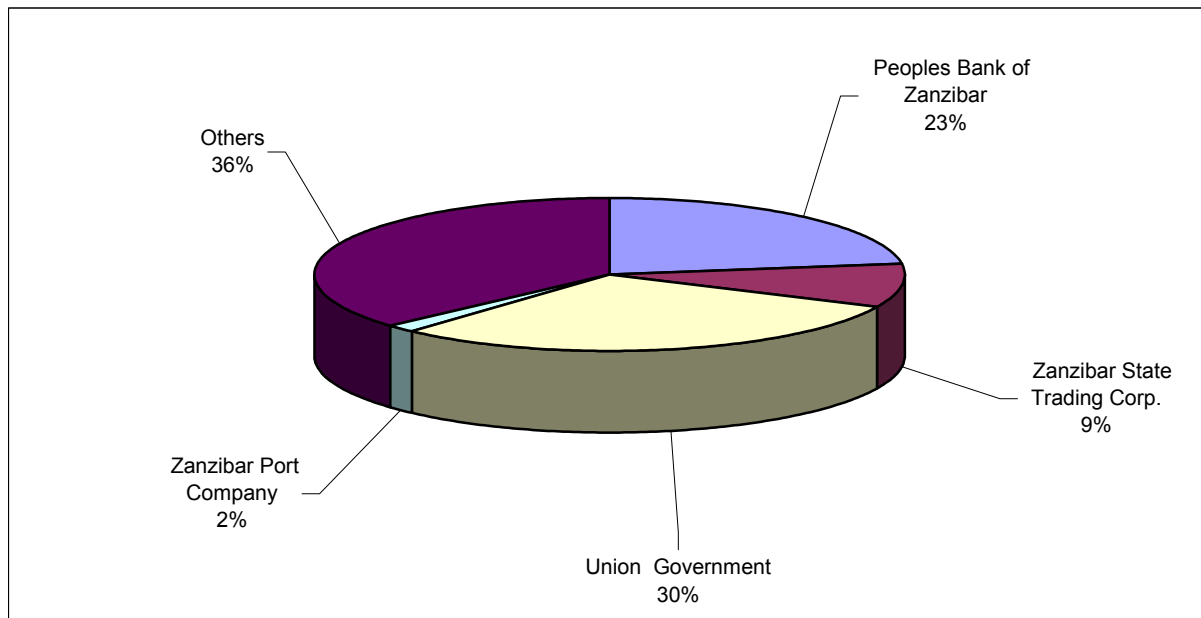
Domestic Debt

During December 2003, domestic debt increased by 0.7 percent from TZS 45.1 billion as at November 2003 to TZS 45.4 billion. The increase was mainly due to increase in pension claims and accruing interest arrears.

Domestic Debt profile by Creditor

Domestic debt analysis by creditor shows that, the Zanzibar Government debt to the Union Government stood at TZS 13.6 billion representing 30.0 percent of total domestic debt. The People's Bank of Zanzibar (PBZ) claims to the Government amounted to TZS 10.4 billion accounting for 22.9 percent of the total domestic debt. Zanzibar State Trading Corporation (ZSTC) and Zanzibar Port Authority (ZPC) claims amounted to TZS 4.1 billion and TZS 0.7 billion accounting for 9.0 percent and 1.5 percent, respectively. Other creditor claims amounted to TZS 16.7 billion accounting for 36.7 percent of the total domestic debt.

Chart 23: Domestic Debt by Creditor as at end December 2003



Domestic Debt by Instrument

Domestic debt by instruments indicates that, long-term loans amounted to TZS 10.4 billion representing 22.9 percent of total debt. Borrowing through Treasury bills, Government stocks and short term loan remained unchanged at the levels of TZS 5.5 billion, TZS 4.1 billion and TZS 0.7 billion recorded in the previous month, and accounted for 12.1 percent, 8.9 percent and 1.6 percent of total debt, respectively. Other debt instruments, i.e. outstanding advances, pensioner's claims and supplier's credits stood at TZS 24.8 billion representing 54.5 percent of the total government debt.

Domestic Debt by Maturity

As at end December 2003, debt maturing less than a year amounted to TZS 6.2 billion accounting for 13.6 percent of the total domestic debt. Debt maturing 1-2 years amounted to TZS 4.1 billion that constituted 9.0 percent of total debt. Debt maturing between 2-5 years amounted to TZS 10.4 billion representing 22.9 percent and debts with “undetermined maturity” including pensioners’ claims, suppliers’ credits amounted to TZS 24.8 billion or 54.6 percent of total debt.

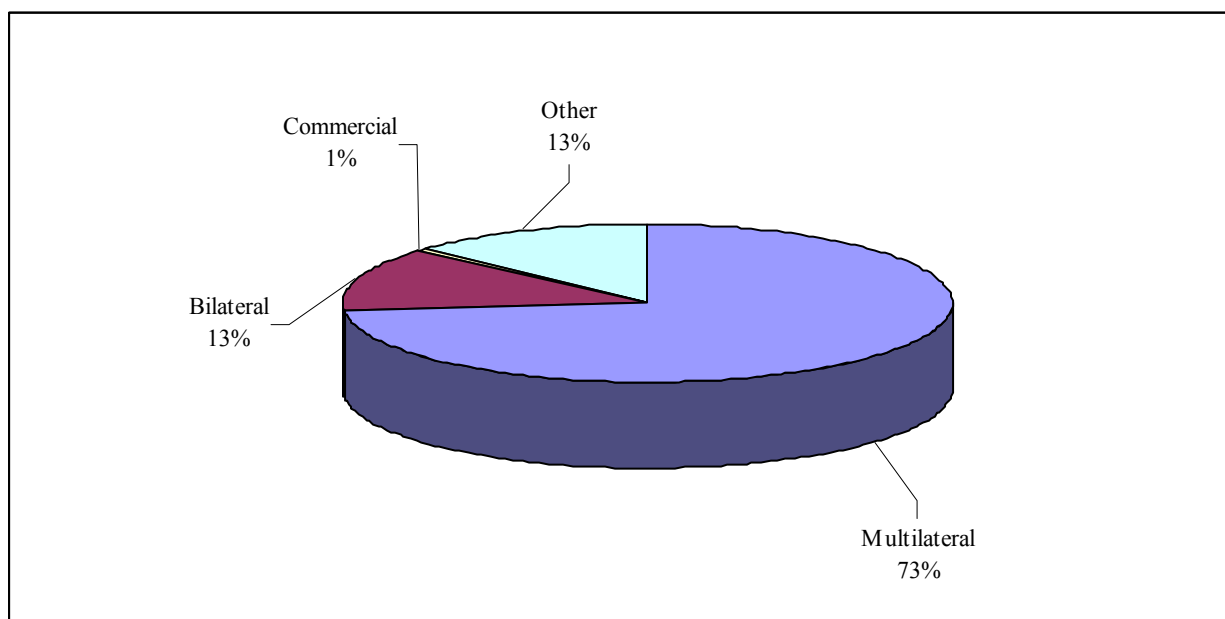
External Debt

The Zanzibar Government’s external indebtedness as at the end December 2003, slightly decreased by 1.3 percent to USD 54.7 billion from USD 55.4 million registered in November 2003. The latter was mainly attributed to exchange rate adjustments.

External Debt by Creditor Category

External debt by creditor showed that multilateral debts amounted to USD 39.9 million representing 73.0 percent of total external debt. Bilateral debt amounted to USD 7.2 million or 13.2 percent of total external debt. Commercial creditors amounted to USD 0.3 million, representing 0.6 percent of total external debt. Other creditor claims amounted to TZS 7.2 million or 13.1 percent of total external debt.

Chart 24: External debt by Creditor Type as at end December 2003



External Debt by Maturity

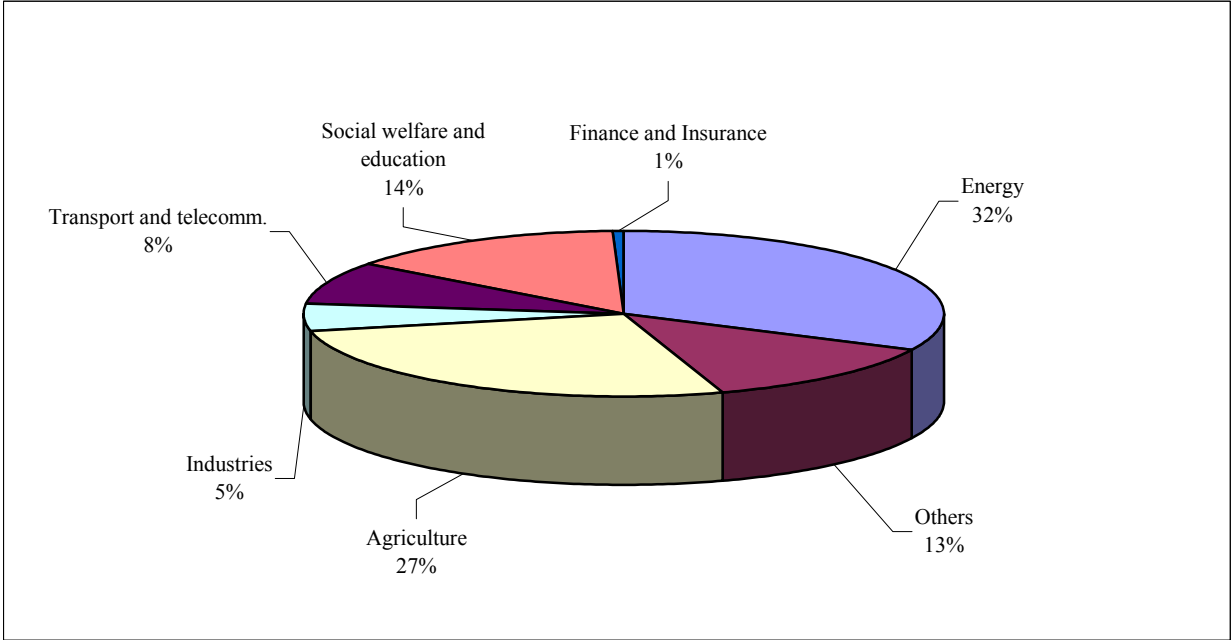
External debt by maturity shows that debts maturing between 5-10 years amounted to USD 6.1 million, accounting for 11.2 percent of total external debt. Debt with maturity between 10-20 years amounted to USD 5.6 million, which constitutes 10.2 percent of total debt. Debt with maturity above 20 years amounted to USD 43.7 million, equivalent to 78.6 percent of total external debt.

External Debt by Use of Funds

The external debt profile by use of funds reveals that, USD 17.6 million or 32.3 percent of debt is under Energy sector. Agriculture sector absorbed USD 14.6 million or 26.7 percent of the total disbursements. Industries, transport and telecommunication sectors absorbed USD 2.9 million or 5.3 percent, USD 4.5 million or 8.2 percent, respectively. Social welfare & Education, and Finance and

Insurance sectors allocations amounted to USD 7.8 million or 14.3 percent and USD 0.3 million or 0.5 percent respectively. Other sectors' disbursements amounted to USD 7.0 million representing 12.8 percent of total outstanding disbursements.

Chart 25: External Debt by Use of Funds as at end-December 2003



Trade Developments

Trade balance

In the month under review, the trade account recorded a deficit of USD 3.6 million when compared with a deficit of USD 2.6 million recorded in November 2003. This was largely attributed to an increase in imports of goods and services, and decline in exports of goods and services.

Exports

Total exports of goods and services increased by USD 0.4 million, from USD 4.8 million to USD 5.2 million, mainly because of an increase in merchandise exports, from USD 0.6 million to USD 2.0 million. Likewise, traditional exports mainly cloves increased substantially by USD 1.4 million, from USD 0.3 million to USD 1.7 million. The increase was mainly due to a rise in the volume of cloves exports from 121 metric tons recorded in November 2003 to 1,400.0 metric tons exported in December 2003.

Non-traditional exports declined moderately by 7.6 percent; mainly on account of volatile export prices, especially of seaweeds. Manufactured goods exports went up by 5.8 percent, due to an increase in mineral water exports. In contrast, exports of fish and fish products, and horticulture produce recorded marginal increases.

Imports

Goods imports (c.i.f.) increased by 49.9 percent to USD 7.1 million, from USD 4.8 million registered in the previous month. The increase was attributed to seasonal factors, mainly increase of consumer goods imports particularly foodstuffs and textiles due to end of the year festivals.

Importation of capital goods rose from USD 1.4 million to USD 1.6 million, while imports of consumer goods increased from USD 2.2 million to USD 4.2 million, largely due to seasonal factors and the government's measure to waive tax on importation of food and foodstuffs. Intermediate goods increased to USD 1.3

million from USD 1.2 million registered in previous month due to increase in oil imports.

Services Account

During the review period, services account improved from a deficit of USD 0.2 million to a surplus of USD 0.5 million. The improvement resulted from higher services receipts amounting to USD 3.5 million relative to payments of USD 3.0 million.

Table A1: Selected Economic Indicators										
Item	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003
1. Population (TZ Mainland)	Million	27.5	28.3	29.1	30.0	30.9	31.9	32.8	33.6	
2. Gross Domestic Product (GDP)										
2.1 At Current Prices (Nominal)	Mill. TZS	2,796,640.1	3,452,558.9	4,281,600.0	5,125,310.9	5,977,698.8	6,705,134.0	7,634,695.0	8,628,964.0	
	Mill. USD	4,865.8	5,952.9	6,994.7	7,710.9	8,024.8	8,377.2	8,711.4	8,927.1	
2.2 At Constant 1992 Prices (Real)	Mill. TZS	1,345,247.3	1,401,711.9	1,448,090.0	1,505,826.9	1,577,292.0	1,654,319.0	1,749,358.0	1,857,160.0	
	Mill. USD	2,340.5	2,416.8	2,365.9	2,265.5	2,117.5	2,066.9	1,996.1	1,921.3	
3. Income per Capita										
3.1 Nominal (Current Prices)	TZS	101,799.2	122,205.0	147,312.0	170,843.7	193,453.0	210,192.3	232,765.1	256,490.0	
	USD	177.1	210.7	240.7	257.0	259.7	262.6	265.2	265.4	
3.2 Real (1992 Prices)	TZS	48,967.7	49,614.3	49,763.0	50,194.0	51,045.0	51,860.0	53,286.0	55,273.0	
	USD	85.2	85.5	81.3	75.5	68.5	64.8	60.8	57.2	
4. Price Index (1994=100)										
4.1 Consumer Price Index (CPI)	Gen. Index	115.8	140.1	162.6	183.5	197.9	209.7	220.4	232.3	242.9
4.2 Percentage Change	Per cent	28.4	21.0	16.1	12.8	7.9	5.9	5.1	4.6	
4.3 Retail Price Index - Wage Earners (Dar es Salaam)	Gen. Index	108.6	128.7	137.4	146.8	149.8	150.6	163.4	175.6	
4.4 Percentage Change	Per cent	26.7	18.5	6.8	6.8	2.1	0.5	8.5	7.5	
4.5 GDP Implicit deflator	Index	207.9	246.3	295.6	340.4	379.0	406.0	436.4	464.6	
4.6 GDP Implicit deflator	Per cent	27.1	18.5	20.0	15.1	11.3	7.1	7.5	6.5	
5. Balance of Payments Position										
5.1 Exports (fob)	Mill. USD	682.9	763.8	752.6	588.5	543.3	663.3	776.4	902.5	1,129.7
5.2 Imports (f o b)	Mill. USD	1,340.5	1,212.6	1,148.0	1,382.2	1,415.4	1,367.6	1,560.3	1,511.3	1,972.8
5.3 Balance of Visible Trade	Mill. USD	(657.6)	(448.9)	(395.4)	(793.7)	(872.1)	(704.3)	(783.9)	(608.8)	(843.1)
5.4 Balance on Current Account	Mill. USD	(646.4)	(461.3)	(403.4)	(905.4)	(829.5)	(498.6)	(480.0)	(251.1)	(251.1)
5.5 Overall Balance	Mill. USD	(329.5)	(146.9)	(199.8)	(505.8)	(109.0)	(35.1)	17.5	328.8	
5.6 Exchange Rate :										
5.6.1 Annual Average	TZS/USD	574.8	580.0	612.1	664.7	744.9	800.4	876.4	966.6	
5.6.2 End of Period	TZS/USD	550.4	595.6	624.6	681.0	797.3	803.3	916.3	976.3	
6.0 Broad Money Supply (M2) **	Mill. TZS	613,695.3	684,990.6	760,353.3	844,929.4	972,088.6	1,093,610.9	1,233,667.0	1,507,386.5	1,719,710.7
6.1 Percentage Change	Per cent	26.1	11.6	11.0	11.1	15.0	12.5	12.8	22.2	10.3
6.2 Currency in Circulation Outside Banks	Mill. TZS	244,313.7	257,662.8	287,877.1	307,798.7	384,848.0	392,404.2	411,638.9	495,445.6	553,045.8
6.3 Demand Deposits	Mill. TZS	183,971.4	191,550.5	205,991.7	237,718.3	247,723.2	302,602.3	354,381.0	463,340.9	558,412.2
6.4 Quasi-Money (Time and Savings deposits)	Mill. TZS	324,626.4	368,849.7	433,200.2	481,467.7	585,055.6	702,682.3	870,710.8	1,088,896.5	1,275,458.9
7. Public Finance		1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04***
7.1 Recurrent Revenue	Mill. TZS	448,372.9	572,029.7	619,083.1	689,325.3	777,644.7	929,624.0	1,042,955.1	1,217,517.0	653,295.7
7.2 Recurrent Expenditure	Mill. TZS	415,139.8	486,493.7	543,750.6	680,182.7	808,865.4	1,018,782.1	1,466,136.9	1,409,628.3	768,599.2
7.3 Development Expenditure	Mill. TZS	5,382.3	28,895.6	215,107.2	136,523.9	359,913.4	286,253.2	344,610.9	473,188.6	286,325.7
7.4 Adjustment to cash and other items (net)	Mill. TZS	(96,001.9)	(60,916.8)	(47,720.9)	(22,510.9)	(2,444.3)	(25,447.4)	3,203.8	(16,662.9)	(63,533.4)
7.5 Financing										
7.5.1 Domestic Financing	Mill. TZS	56,169.0	(41,926.6)	3,669.2	(5,740.0)	7,854.4	(2,494.4)	(22,606.6)	(36,513.9)	(246,264.2)
7.5.2 Foreign Loans (net)	Mill. TZS	(34,899.5)	(49,065.3)	64,468.1	(18,683.7)	105,417.3	90,354.2	121,842.5	172,723.9	227,759.0
8. Total External Debt Stock****	Mill. USD	8,003.8	7,754.1	7,578.5	7,384.7	7,669.7	7,624.8	7,464.0	7,268.1	7,890.7
Disbursed Debt	Mill. USD	6,917.5	6,623.3	6,600.3	6,435.9	6,580.3	6,538.3	6,559.7	6,233.0	6,730.8
Interest	Mill. USD	1,086.3	1,130.8	978.2	948.8	1,089.4	1,086.5	904.3	1,035.1	1,159.9

Note: * Provisional data; ** For the current year, position is at end-December 2003

*** cumulative for July 2003 -December 2003

**** Debt position is given on financial year basis (end of period); for 2003/04, it is at end-December 2003

Source: Bank of Tanzania and National Bureau of Statistics

Table A2: Central Government Operations (Actual)									
Millions of TZS									
Item	2001/02	2002/03	BUDGET	Cumulative from July 2003					
			2003/04	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
Total Revenue	1,042,955.1	1,217,517.0	1,393,026.2	103,218.7	209,645.1	343,882.9	460,805.9	573,503.4	713,511.2
Tax Revenue	939,266.8	1,105,746.0	1,264,161.5	94,944.0	193,326.5	315,439.6	420,379.8	520,545.3	653,295.7
Taxes on Imports	402,159.1	458,285.6	561,554.8	44,367.5	87,888.5	138,544.8	185,941.0	231,424.4	283,883.1
Sales/WAT and Excise on Local Goods	216,066.8	259,747.2	328,017.6	25,581.9	48,493.4	75,612.3	103,207.9	129,964.6	157,552.5
Refunds	32,552.4		44,089.8	(2,408.3)	(2,700.8)	(6,789.1)	(11,501.3)	(16,255.5)	(19,163.2)
Income Taxes	220,630.8	276,049.7	310,326.6	19,536.7	40,073.1	78,694.5	103,999.9	125,526.5	171,450.1
Other taxes	100,410.1	111,663.5	108,352.4	7,866.3	19,572.2	29,377.1	38,732.3	49,885.3	59,573.2
Non-tax Revenue	103,688.3	111,771.1	128,864.7	8,274.6	16,318.6	28,443.3	40,426.1	52,958.1	60,215.5
Total Expenditure	1,466,136.9	1,896,854.1	2,383,250.2	147,112.0	331,508.3	506,249.2	711,079.4	842,321.0	1,054,924.9
Recurrent expenditure 1/	1,121,526.0	1,423,665.5	1,625,527.9	100,500.4	238,760.5	368,457.7	516,081.7	624,795.0	768,599.2
Roadtoll fund	54,110.9	62,874.3	75,043.0	5,977.6	10,803.1	18,339.7	23,116.5	26,312.2	
Retention fund	25,142.8	47,949.7	62,793.0	3,511.1	8,136.4	13,313.5	17,839.8	22,408.3	
Wages and salaries	341,981.4	397,770.0	464,061.0	33,406.8	71,863.6	114,426.4	152,663.8	191,090.3	229,781.4
Interest payments	121,081.7	99,780.0	149,438.1	2,815.1	11,262.3	28,316.0	32,916.1	36,662.0	49,743.5
Domestic 2/	64,605.2	57,009.3	71,852.0	1,613.3	4,852.7	15,795.9	18,420.5	18,592.4	28,380.7
Foreign	56,476.0	42,770.7	77,586.1	1,201.8	6,409.6	12,520.1	14,495.6	18,069.6	21,362.8
Other goods, services and transfers	658,462.0	815,291.4	874,192.8	64,278.5	155,634.6	225,715.3	330,501.9	397,042.8	489,074.3*
Dev. Expenditure and net lending	344,610.9	473,188.6	757,722.3	46,611.5	92,747.8	137,791.5	194,997.7	217,526.0	286,325.7
Local	50,235.9	95,661.7	140,091.0	11,674.3	23,348.7	36,732.1	47,732.1	47,732.1	55,732.1
Foreign	294,375.0	377,526.9	617,631.3	34,937.2	69,399.2	101,059.4	152,265.6	169,793.9	230,593.6
Overall balance (cheq. issued) before Grants	(423,181.8)	(679,337.0)	(990,224.0)	(43,893.3)	(121,863.2)	(162,366.3)	(250,273.6)	(268,817.7)	(341,413.7)
Grants	379,849.4	622,302.1	665,961.0	100,005.7	180,476.5	209,207.3	245,754.0	252,457.2	385,918.1
Program (CIS/OGL)	183,000.2	293,927.7	242,453.3	79,281.7	138,581.9	140,508.2	140,515.4	140,521.6	253,546.7
Project	140,192.0	255,516.2	223,914.9	2,327.1	5,221.8	23,678.0	26,961.2	27,083.9	41,885.6
MDF/ Basket Support funds	0.0	0.0	119,806.7	13,037.1	27,637.5	28,828.4	57,960.6	59,451.6	60,032.4
HIPC Relief	56,657.2	72,858.2	79,786.1	5,359.9	9,035.3	16,192.7	20,316.8	25,400.1	30,453.5
Overall balance (cheq. issued) after Grants	(43,332.4)	(57,035.0)	(324,263.0)	56,112.4	58,613.3	46,841.0	(4,519.6)	(16,360.5)	44,462.0
Expenditure float		921.5	0.0	(80,040.9)	(85,401.3)	(86,492.4)	(87,010.3)	(88,010.5)	(89,490.2)
Adjustments to cash and other items (net)	3,203.8	(79,389.1)	0.0	(20,011.6)	15,399.6	80,901.5	23,058.5	(31,528.4)	(63,533.4)
Overall Balance (cheques cleared)	(40,128.6)	(135,502.6)	(324,263.0)	(43,940.0)	(11,388.4)	41,250.1)	(68,471.5)	(135,899.4)	(29,898.9)
Financing:	40,128.6	135,502.6	324,263.0	43,940.0	11,388.4	(41,250.1)	68,471.5	135,899.4	(18,505.2)
Foreign Financing (net)	121,842.5	172,016.5	278,968.6	17,582.8	134,511.1	137,853.3	182,066.8	191,116.7	227,759.0
Loans	187,355.5	273,341.8	350,870.4	19,573.1	141,938.5	153,951.6	202,708.3	218,622.9	264,040.2
Program loans	33,171.2	151,331.0	135,000.0	0.0	107,310.0	107,310.0	137,275.9	137,275.9	135,972.0
Development Project loans	154,184.3	122,010.8	215,870.4	19,573.1	34,628.5	46,641.6	65,432.4	81,347.0	126,764.3
Basket Support			58,039.2	0.0	1,911.4	1,911.4	1,911.4	1,911.4	1,911.4
Amortization	(65,513.0)	(101,325.3)	(129,941.0)	(1,990.3)	(9,338.7)	(18,009.6)	(22,552.9)	(29,417.6)	(36,888.8)
Domestic (net)	(22,606.6)	(36,513.9)	45,294.4	26,357.2	(123,122.8)	(179,103.4)	(113,595.4)	(55,217.2)	(246,264.2)
Domestic Financing		(36,263.0)	42,711.4	26,357.2	(123,122.8)	(185,170.4)	(119,662.4)	(61,284.2)	(252,331.0)
Bank borrowing	(59,180.9)	(44,763.0)		55.8	(162,390.8)	(222,105.3)	(180,668.7)	(130,536.2)	(293,601.0)
Non-Bank (net of amortization)	36,574.3	8,500.0		26,301.4	39,268.0	36,934.9	61,006.4	69,252.0	41,270.2
Amortization of contingent debt	(1,614.0)	(250.9)	(14,417.0)	0.0	0.0	0.0	0.0	0.0	0.0
Privatization Proceeds	0.0	0.0	17,000.0	0.0	0.0	6,067.0	6,067.0	6,067.0	6,066.8
Note:									
1/ Exclude amortization and Expenditure Float, includes Road fund and Retention expenditures.									
2/ Domestic Interest payments and amortization include Cash and Non cash									
*Include: Roadtoll and Retention funds									
Source: Ministry of Finance and Bank of Tanzania									

Table A3a: Monetary Survey															Millions of TZS	
End of Period	Domestic assets (net)				M3,	Extended Broad Money				Memorandum						
	Domestic credit (net)					M2,	Broad Money			item:						
	Foreign assets (net)	Claims on government (net)	Claims on the private sectors*	Other items (net)	Total sum (9-13)	Total sum (9-12)	M1, sum (9,10)	Currency in circulation outside banks	Demand deposits	Time deposits	Savings deposits	Foreign currency deposits	Total sum (9,15)	Base Money		
														MO	Base Money	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
1993	29,594.4	184,089.3	245,784.1	(38,832.2)	420,635.6	367,094.8	247,091.1	122,166.7	124,924.4	69,607.5	50,396.2	53,540.8	274,487.5	152,320.8		
1994	115,765.7	181,055.6	280,138.6	44,374.2	568,699.2	486,489.2	329,624.8	176,308.2	153,316.5	84,799.5	72,064.9	82,210.0	402,749.6	226,441.4		
1995	165,813.5	279,257.9	247,846.0	112,416.3	752,911.5	613,695.3	438,285.1	244,313.7	183,971.4	91,210.2	94,199.9	139,216.3	559,198.8	314,885.1		
1996	280,319.8	295,822.8	141,341.0	162,942.1	818,063.0	684,990.6	449,213.3	257,662.8	191,550.5	122,436.6	113,340.7	133,072.4	593,430.8	335,768.0		
1997	398,918.6	239,457.5	182,976.9	199,208.0	927,068.9	760,353.3	493,868.7	287,877.1	205,991.7	126,269.2	140,215.3	166,715.6	652,817.1	364,940.0		
1998	458,003.6	276,386.7	248,276.2	156,416.3	1,026,984.7	844,929.4	545,517.0	307,798.7	237,718.3	134,401.0	165,011.4	182,055.2	726,532.7	418,734.0		
1999	622,286.8	366,396.2	311,533.0	54,377.1	1,217,626.9	972,088.6	632,371.2	384,848.0	247,723.2	149,257.1	190,260.3	245,538.3	893,522.0	508,674.0		
2000	842,755.0	375,146.0	340,628.1	(14,716.9)	1,397,688.8	1,093,610.9	695,006.5	392,404.2	302,602.3	170,051.6	228,552.8	304,077.9	948,835.1	556,430.9		
2001	1,209,820.5	239,201.4	404,512.3	(369.0)	1,636,730.7	1,233,667.0	766,019.9	411,638.9	354,381.0	208,101.4	259,545.7	403,063.7	996,008.0	584,369.1		
2002	1,558,627.1	264,608.6	570,668.3	(39,986.1)	2,047,683.1	1,507,386.5	938,786.6	495,445.6	463,340.9	223,898.7	324,701.3	540,296.5	1,191,146.8	695,701.2		
2002 - Jan	1,244,572.7	211,117.3	424,034.3	26,166.3	1,675,787.2	1,249,011.9	772,780.7	389,698.9	383,081.8	218,710.6	257,520.6	426,775.3	980,251.4	590,552.5		
Feb	1,338,005.5	149,956.8	431,266.2	29,902.6	1,709,664.4	1,262,854.6	787,086.3	391,993.3	395,093.1	209,448.3	266,320.0	446,809.7	979,735.0	587,741.7		
Mar	1,365,588.3	157,637.1	441,917.6	49,654.5	1,744,951.3	1,267,737.6	776,040.6	402,948.8	373,091.8	213,470.3	278,226.7	477,213.6	953,202.4	550,253.6		
Apr	1,354,456.8	183,484.9	445,125.3	30,706.0	1,752,488.2	1,268,835.8	766,271.1	398,186.6	368,084.5	212,907.8	289,656.9	483,652.5	961,849.0	583,662.4		
May	1,308,438.7	191,092.9	455,418.0	30,016.9	1,776,103.0	1,307,466.2	792,212.9	409,639.8	382,573.1	218,535.4	296,717.9	468,636.8	1,019,570.4	609,930.6		
Jun	1,293,645.0	202,879.0	482,041.4	65,181.2	1,797,889.9	1,333,524.2	815,576.3	429,383.9	386,192.4	218,602.1	299,345.8	464,365.7	1,002,471.9	573,088.0		
July	1,316,101.9	230,064.6	480,721.0	45,328.9	1,839,430.6	1,369,608.8	837,331.5	433,054.4	404,277.1	236,120.0	296,157.3	469,841.8	1,066,851.9	633,797.5		
Aug	1,322,133.4	319,811.7	536,484.4	4,296.3	1,915,685.4	1,421,212.7	879,946.7	466,750.3	413,196.4	243,819.8	297,446.2	494,472.6	1,170,757.2	704,007.0		
Sept	1,354,621.1	316,963.1	546,722.1	(17,097.1)	1,931,047.9	1,452,980.7	912,428.8	474,990.5	437,438.2	241,421.9	299,130.0	478,067.2	1,270,803.1	795,812.5		
Oct	1,440,512.5	276,827.5	561,301.4	(21,146.7)	1,978,852.0	1,471,851.2	932,828.8	488,790.9	444,037.9	232,950.6	306,071.8	507,000.8	1,241,348.6	752,557.7		
Nov	1,442,963.9	319,900.7	562,604.4	(39,172.3)	2,004,263.8	1,499,957.7	957,111.4	500,899.4	456,212.0	228,941.6	313,904.7	504,306.1	1,202,858.5	701,959.1		
Dec	1,538,627.1	264,608.6	570,668.3	(39,986.1)	2,047,683.1	1,507,386.5	938,786.6	495,445.6	463,340.9	223,898.7	324,701.3	540,296.5	1,191,146.8	695,701.2		
2003 - Jan	1,651,202.9	257,045.5	580,247.7	(111,724.5)	2,040,640.2	1,490,504.1	918,121.1	471,090.0	447,031.1	239,917.6	332,465.4	550,136.2	1,151,600.8	680,510.8		
Feb	1,655,007.2	306,398.7	582,609.9	(83,555.5)	2,121,359.8	1,537,802.9	948,324.8	461,323.0	487,001.9	240,674.6	348,803.4	583,556.9	1,140,080.9	678,757.9		
Mar	1,707,928.0	272,871.6	598,111.4	-149,172.6	2,087,649.8	1,502,204.6	908,801.8	447,867.7	460,934.2	239,653.3	353,749.5	585,445.2	1,097,438.6	649,570.9		
Apr	1,674,904.9	295,633.3	621,068.4	-142,391.9	2,089,952.3	1,498,745.2	941,951.6	432,855.8	509,095.8	230,242.1	326,551.5	591,207.1	1,128,138.9	695,283.1		
May	1,725,548.1	294,589.7	645,351.3	-174,794.2	2,107,642.9	1,490,711.8	925,454.9	446,842.6	478,612.3	238,579.8	326,677.1	616,931.2	1,128,138.3	681,295.7		
Jun	1,871,286.0	199,679.4	658,524.6	-147,921.3	2,205,894.0	1,558,784.9	981,147.7	473,703.5	507,444.2	246,719.6	330,917.5	647,109.1	1,113,365.3	639,661.8		
Jul	1,909,018.8	185,139.7	701,909.0	(179,551.7)	2,255,638.5	1,602,637.6	1,049,066.7	495,295.6	553,711.1	224,169.8	329,461.1	653,020.9	1,271,603.0	776,307.4		
Aug	1,995,236.8	172,642.0	728,883.0	(175,205.2)	2,263,174.7	1,607,279.1	1,037,088.8	503,545.3	533,540.5	237,208.4	332,981.9	655,895.6	1,271,009.1	767,463.8		
Sept	2,087,692.5	(35,083.4)	764,968.0	(136,548.9)	2,297,125.8	1,649,505.4	1,085,306.0	504,927.7	580,378.3	226,730.3	357,469.1	647,620.4	1,192,852.8	687,925.1		
Oct	2,116,418.7	9,810.7	783,154.0	(218,614.2)	2,304,051.6	1,669,610.4	1,083,761.2	517,258.6	566,502.6	232,258.4	353,590.8	634,441.2	1,281,111.3	763,852.8		
Nov	2,125,923.4	55,435.6	782,772.6	(183,692.0)	2,382,696.9	1,718,312.6	1,130,041.1	538,698.5	581,342.7	230,551.4	367,720.0	664,384.3	1,328,839.7	790,141.2		
Dec	2,182,072.0	13,155.7	817,125.2	171,445.0	2,386,917.0	1,719,710.7	1,111,458.0	553,045.0	558,412.2	231,494.5	376,758.2	667,206.2	1,336,354.0	783,809.0		

* Previously known as " Claims on other domestic sectors (net)"
Source: Bank of Tanzania

Table A3b: Weighted Average Interest Rates of Commercial Banks, Percent per annum

	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
A Domestic Currency												
1 Interbank Cash Market Rates												
Overnight	6.49	4.58	5.39	6.48	5.09	4.64	6.47	6.37	5.46	9.86	6.47	6.29
2 to 7 days	6.85	4.10	5.56	6.66	5.36	4.59	7.40	6.21	6.01	9.38	6.06	6.52
8 to 14 days	6.89	4.77	4.50	6.76	4.95	5.12	6.55	6.30	6.57	10.14	7.11	6.98
15 to 30 days	4.75	3.90	4.79	6.21	5.11	6.79	6.54	6.61	6.61	9.82	7.32	6.73
31 to 60 days	4.35	4.07	5.69	6.09	6.01	6.47	6.09	6.35	7.00	7.83	6.89	7.39
61 to 90 days	6.00	3.75	3.75	3.75	3.75	5.50	6.65	6.65	6.65	6.65	7.10	8.00
91 to 180 days	5.20	4.67	4.67	6.84	5.80	5.73	6.79	6.10	7.14	7.59	7.05	7.80
181 and above	5.00	5.61	6.91	6.40	6.62	4.66	4.66	6.82	7.43	7.94	7.44	7.44
Overall interbank cash market	6.52	4.50	5.42	6.49	5.26	4.81	6.63	6.35	5.66	9.78	6.47	6.37
2 REPO Rate	4.35	4.35	6.46	6.46	4.63	7.04	6.28	6.97	6.24	7.00	6.75	6.75
3 Treasury Bills Rates												
35 days	4.20	3.80	5.10	5.10	5.40	5.80	6.40	6.2	6.70	6.20	6.30	5.70
91 days	5.40	4.60	5.80	6.00	5.40	6.10	6.50	6.3	7.30	7.10	7.00	7.60
182 days	5.50	5.00	6.10	5.80	5.10	5.80	6.70	6.3	7.30	7.30	7.20	7.60
364 days	5.60	5.10	6.20	6.30	5.20	5.90	6.30	6.7	7.40	7.50	7.60	7.90
Treasury bills rate	5.40	4.70	5.90	5.90	5.30	5.90	6.50	6.4	7.20	7.20	7.20	7.70
4 Treasury Bonds- 2-years												
5-years	4.92	4.98	4.95	5.19	6.32	6.69	7.46	7.53	7.85	7.87	7.92	8.35
7-years	5.58	5.93	6.10	6.58	6.85	7.60	7.28	6.69	6.69	9.19	9.36	9.60
10-years	6.22	6.63	6.63	6.93	7.05	7.72	8.04	7.97	8.72	10.08	10.27	10.47
5 Discount Rate	10.44	9.83	10.35	11.08	10.38	10.58	11.60	11.6	11.98	12.10	12.10	12.34
6 Savings Deposit Rate	2.71	2.52	2.53	2.55	2.52	2.53	2.41	2.42	2.44	2.45	2.45	2.45
7 Time Deposits Rates												
Call Accounts	1.73	1.94	2.17	1.21	0.97	0.71	0.58	0.77	0.68	0.72	0.70	0.73
1 month	1.64	2.06	2.45	1.74	2.39	3.92	2.97	3.37	2.95	3.43	2.71	2.75
2 months	4.47	5.51	4.05	4.58	4.78	4.19	4.50	4.01	3.57	4.48	4.66	4.98
3 months	3.78	3.04	2.47	2.89	2.45	2.77	2.78	2.54	2.93	3.26	3.36	4.30
6 months	4.28	4.33	4.20	4.15	4.23	3.71	3.55	3.58	3.52	4.19	4.31	4.92
9 months												
12 months	5.56	5.63	5.80	5.98	5.97	5.09	4.97	4.72	5.03	4.93	5.14	5.04
24 months	4.49	4.50	4.44	4.16	4.05	4.10	4.86	4.85	4.70	4.94	4.52	4.35
Negotiated Deposits rates						5.50	4.60	6.10	5.5	5.7	5.52	7.74
8 Lending rates												
Call Loans	14.72	14.59	15.03	15.15	14.47	14.08	15.06	14.46	14.47	14.10	14.23	13.83
Short-term (up to 1yr)	23.65	23.65	23.65	23.65	23.65	23.65	23.65	18.12	17.62	17.62	17.62	17.62
Medium-term (1-2 yrs)	16.80	16.68	16.41	16.46	16.33	16.39	17.20	16.70	15.52	15.34	15.66	15.65
Medium-term (2-3 yrs)	14.03	14.34	15.84	16.91	15.77	14.57	14.48	15.37	15.94	16.96	17.83	17.23
Long-term (3-5 yrs)	12.74	12.59	12.32	12.70	12.49	13.38	13.26	11.38	11.68	10.61	11.38	10.53
Term Loans (over 5 yrs)	11.13	11.25	12.05	13.91	12.05	10.88	13.97	12.34	12.29	12.04	12.38	12.50
Negotiated Lending rates	18.92	18.07	18.54	15.76	15.72	15.20	16.38	16.51	16.95	15.53	13.91	13.26
						9.40	9.20	8.50	9.4	8.3	10.14	8.43
B Foreign Currency												
1 Deposits Rates												
Call Accounts	1.08	1.11	1.26	1.07	1.09	1.06	0.96	0.95	0.92	1.03	1.09	0.85
Savings Deposits	0.64	0.69	0.69	0.60	0.38	0.37	0.39	0.39	0.39	0.39	0.19	0.26
Time Deposits	0.85	0.88	0.93	0.93	0.93	0.92	0.97	0.95	0.98	0.95	0.97	0.99
1-months	0.97	0.90	0.87	0.83	0.96	0.89	0.66	0.61	0.69	0.59	0.73	0.81
2-months	1.31	1.61	2.56	1.44	1.75	1.39	1.25	1.42	1.00	1.51	1.63	0.50
3-months	1.10	1.18	1.07	1.19	0.86	0.93	0.97	0.78	0.92	1.34	1.14	1.07
6-months	1.50	1.27	1.25	1.22	1.50	1.70	1.31	1.29	1.25	1.09	1.26	1.17
12-months	1.20	1.26	1.47	1.31	1.26	1.22	1.19	1.19	1.22	1.32	1.74	1.17
2 Lending Rates												
Call loans	7.48	7.45	7.16	7.81	7.39	7.52	7.36	7.40	7.39	7.33	7.60	7.40
Short-term (up to 1yr)	7.68	7.48	7.60	7.57	6.25	6.97	6.62	6.92	7.08	6.93	7.06	6.81
Medium-term (1-2 yrs)	6.25	6.08	5.98	7.55	7.93	7.88	7.82	7.61	7.66	7.54	8.54	8.41
Medium-term (2-3 yrs)	8.80	9.16	8.24	8.57	8.44	8.71	7.72	7.74	7.55	7.58	7.68	7.24
Long-term (3-5 yrs)	7.18	7.07	6.81	7.55	6.96	6.52	7.27	7.34	7.26	7.25	7.12	7.14

Source: Bank of Tanzania

Table A4 : Tanzania's Balance of Payments						
	Millions of USD					
Item	1997	1998	1999	2000p	2001	2002p
A. Current Account Balance	(403.4)	(905.4)	(829.5)	(498.6)	(480.0)	(251.1)
Goods:						
Exports (f.o.b)	752.6	588.5	543.3	663.3	776.4	902.5
Traditional	435.3	356.3	301.2	292.8	231.1	206.1
Non-traditional	317.2	232.2	242.1	370.5	545.3	696.5
Imports (f.o.b)	(1,148.0)	(1,382.1)	(1,415.4)	(1,367.6)	(1,560.3)	(1,511.3)
Balance on Goods	(395.4)	(793.6)	(872.1)	(704.3)	(783.9)	(608.7)
Services:						
Credit	482.4	521.3	600.3	627.3	679.3	665.8
Transportation	59.4	41.8	53.7	56.8	68.4	61.2
Travel	339.0	399.0	463.7	376.7	412.8	437.1
Other	83.9	80.4	82.8	193.8	198.1	167.5
Debit	(800.2)	(955.3)	(795.0)	(682.4)	(689.5)	(712.5)
Transportation	(205.7)	(224.7)	(189.9)	(205.7)	(194.2)	(176.7)
Travel	(407.2)	(493.3)	(369.7)	(337.3)	(327.3)	(337.4)
Other	(187.4)	(237.3)	(235.4)	(139.4)	(168.0)	(198.3)
Balance on Services	(317.9)	(434.1)	(194.8)	(55.1)	(10.3)	(46.7)
Balance on Goods and Services	(713.3)	(1,227.7)	(1,066.9)	(759.3)	(794.2)	(655.5)
Income						
Credit	43.0	44.4	49.0	50.4	55.3	74.3
Debit	(164.8)	(149.4)	(148.3)	(180.4)	(140.5)	(90.6)
Direct investment income	(0.2)	(8.2)	(16.8)	(13.2)	(1.1)	(2.0)
Interest payments (scheduled)	(163.9)	(124.8)	(116.0)	(146.9)	(117.3)	(67.6)
Compensation of employees	(0.6)	(16.5)	(15.4)	(20.3)	(22.1)	(21.1)
Balance on Goods, Services and Income	(835.1)	(1,332.7)	(1,166.1)	(889.4)	(879.4)	(671.8)
Current transfers:						
Credit	499.3	454.2	445.6	463.7	469.5	472.9
Government	433.6	421.0	411.4	427.8	418.4	427.7
Multilateral HIPC relief	0.0	0.0	0.0	40.6	71.3	68.8
Other sectors	65.7	33.2	34.2	35.9	51.1	45.2
Debit	(67.7)	(26.9)	(109.0)	(72.9)	(70.0)	(52.3)
B. Capital Account	270.9	252.4	270.6	330.4	365.2	354.1
Capital transfers:						
Credit	270.9	252.4	270.6	330.4	365.2	354.1
General Government	259.9	235.9	256.4	314.7	342.9	324.0
Other sectors	11.0	16.5	14.2	15.7	22.3	30.1
Debit	0.0	0.0	0.0	0.0	0.0	0.0
Total, Groups A plus B	(132.5)	(653.0)	(558.9)	(168.2)	(114.8)	103.0
C. Financial acc., excl. reserves and related items	236.3	(166.1)	613.3	572.5	98.2	306.8
Direct investment abroad	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	157.8	172.2	516.7	463.4	327.2	240.4
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	78.5	(338.3)	96.6	109.1	(229.0)	66.4
Total, Groups A through C	103.7	(819.1)	54.3	404.4	(16.6)	409.8
D. Net Errors and Omissions	(303.6)	313.3	(163.3)	(439.5)	34.1	(81.0)
Overall balance (Total, Groups A through D)	(199.8)	(505.8)	(109.0)	(35.1)	17.5	328.8
E. Reserves and Related Items :	199.8	505.8	109.0	35.1	(17.5)	(328.8)
Reserve assets	(182.0)	21.8	(175.5)	(197.3)	(186.6)	(372.4)
Use of Fund credit and loans	77.4	11.0	51.3	49.4	15.6	26.0
Exceptional financing:	304.4	473.0	233.2	183.0	153.5	17.6
Rescheduled debt	227.3	366.7	84.6	10.0	131.4	0.0
Debt forgiveness	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	14.6	73.1	92.7	81.2	14.4	18.4
Principal arrears	62.5	33.2	55.9	91.8	7.7	(0.8)
Memorandum items:						
GDP(mp) Millions of TZS	4,708,627.0	5,571,641.0	6,432,911.1	7,225,684.8	8,260,408.9	9,180,944.7
GDP(mp) Millions of USD	7,692.3	8,382.4	8,635.9	9,027.6	9,425.5	9,498.3
CAB/GDP	(5.2)	(10.8)	(9.6)	(5.5)	(5.1)	(2.6)
CAB/GDP (excl. current official transfers)	(10.9)	(15.8)	(14.4)	(10.3)	(9.5)	(7.1)
Gross Official Reserves	623.1	599.0	775.6	974.4	1,156.6	1,529.0
Months of Imports	3.8	3.1	4.2	5.7	6.2	8.3
Net International Reserves (year end)	272.6	283.7	405.1	542.7	761.2	1,058.4
Change in Net International Reserves	(84.4)	(11.1)	(121.4)	(137.6)	(218.5)	(297.2)
Exchange rate (end of period)	624.6	681.0	797.3	803.3	916.3	976.3
Exchange rate (Annual Average)	612.1	664.7	744.9	800.4	876.4	966.6
Notes:						
1) Imports data (f.o.b) for 1999 - 2001 have been revised using new ratios for freight and insurance services.						
2) Following changes in the ratios of freight and insurance services to the total imports (c.i.f), figures for services account have consequently been revised.						
3) All other revisions for 2001 data are done to accommodate new information received during 2002.						
4) Beginning 2000 onwards, all data for direct investment are provisional.						
5) GDP-Gross Domestic Product, mp-Market price, CAB-Current Account Balance, p = provisional						
Source: Bank of Tanzania						

GLOSSARY

Average Rate of Inflation

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

Non-Food 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.

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, as for example, the harvest season. Seasonally adjusted indicators show the impact of non-seasonal influences on a time series.

Base Money, Monetary Base, or Reserve Money (M0)

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

Money Supply, M

The sum of currency in circulation outside the banks and deposits 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).

Narrow Money, M1

Consists of currency in circulation outside banks and demand deposits.

Broad Money, M2

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

Extended Broad Money, M3

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

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 BoT 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.

International Reserves, or Reserve Assets

Consist external assets that are readily available to and controlled by the BoT for direct financing of balance of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes. Included are monetary gold, Special Drawing Rights (SDRs), reserve position in the Fund, foreign exchange assets (consisting of currency, deposits, and securities), and other claims.

Reserve Money Program

It is an operational framework used by the BoT to achieve money supply growth targets, through monitoring reserve money, which is the operational variable.

Reserve Requirement

These are balances which deposit money banks are required to hold as a specified percentage of their liabilities (minimum reserve ratio) arising from demand deposits, savings deposits, time deposits, and foreign currency deposits, as well as from short-and medium-term borrowing.

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. The BoT introduced Repo operations in July 1997. This new monetary policy instrument has enhanced the efficacy of monetary policy, since it can be applied in a flexible manner depending on short-term liquidity developments in the economy.

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 percent per annum.

Exchange Rate

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

Nominal Exchange Rate

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

Nominal Effective Exchange Rate (NEER)

This is the measure of the value of a currency against a weighted average of several foreign currencies, usually from the main trading partners. The NEER is often expressed as an index of the change in the exchange rate, relative to some base period.

Real Effective Exchange Rate

It is the nominal exchange rate index divided by measures of relative price change or other measures of relative competitiveness. Under this approach, Consumer Price Indices (CPI) of our main trading partners relative to Tanzania's CPI are used to construct relative prices. The REER is commonly used as a general analytical tool for measuring relative over-valuation or under-valuation of a currency.

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, mainly Treasury bills. The facility is used to meet overnight liquidity needs of commercial banks.

Lombard Rate

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