

**ISSN 0856 - 6844**

<http://www.bot-tz.org>



## **MONTHLY ECONOMIC REVIEW BANK OF TANZANIA**

---

**October 2003**

### **Inflation Developments**

#### **Headline Inflation**

Despite the persistent rise in food inflation since March 2003, the year-on-year headline inflation rate remained at 4.5 percent at the year ended September 2003, the same level recorded since the year ended July 2003, mainly due to a continued decrease in non-food inflation rate. However, when measured on a month-on-month basis, the overall inflation rate declined by 0.6 percentage points between August 2003 and September 2003 mainly due to a decrease in average prices of some food and non-food items. The seasonally adjusted month-on-month headline inflation rate recorded in September 2003 was 0.4 percent, the same rate as observed in August 2003.

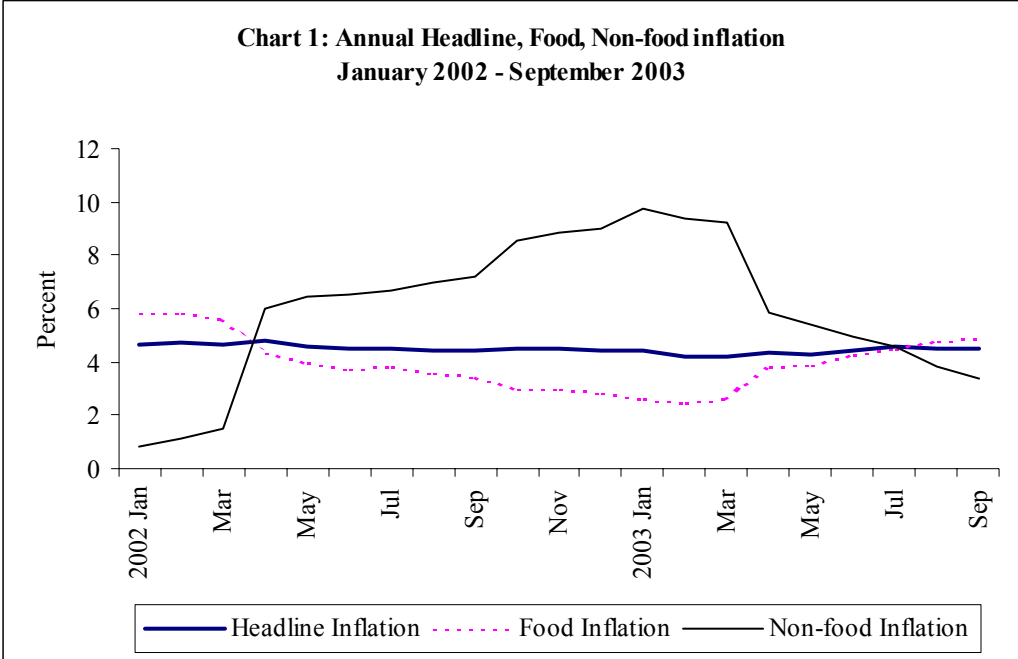
## **Non-food Inflation**

During the period under review, annual non-food inflation, maintained its declining trend registered since February 2003. The average prices of almost all consumer items decreased with the exception of fuel, power and water sub-group. In general, the furniture and utensils sub group, and clothing and footwear sub group recorded significant price decreases. Consequently, the annual non-food inflation decelerated from 3.8 percent recorded in the year ended August 2003 to 3.4 percent during the year ending September 2003. On the month-on-month basis, the overall average price of non-food items declined by 0.2 percent in September 2003. The average pump price for fuel (petrol and diesel) in September 2003 remained unchanged at TZS 681/litre recorded in August 2003. The average monthly change in the overall price of non-food items registered a reversal from an increase of 0.2 percent in the quarter to September 2002 to a decline of 0.2 percent in the quarter to September 2003, partly reflecting the tightness of monetary policy.

## **Food Inflation**

Annual food inflation rate increased slightly to 4.9 percent during the year ended September 2003 from 4.8 percent recorded during the year ended August 2003. Given the drought experienced in some parts of the country, the increase in inflation was moderate, partly reflecting government efforts to ensure food adequacy by encouraging food grain imports through temporary tax exemption on grain imports and by distributing food from the Strategic Grain Reserve to the severely affected districts across the country. On monthly basis, food prices

registered a 0.8 percent decrease reflecting the seasonal fall in the average price of consumer items particularly bananas, cassava, potatoes, fish and goat meat.



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

(Base: December 1994=100)

<b>Major Commodity Group</b>	<b>Weight %</b>	<b>Aug 2002</b>	<b>% Change Aug 02 - Aug 03</b>	<b>Sep 2002</b>	<b>Sep 2003</b>	<b>% Change Sep 02 - Sep 03</b>	<b>% Change Aug 03 - Sep 03</b>
Food	71.2	230.4	+4.8	228.3	239.4	+4.9	-0.8
Drinks and Tobacco	4.4	179.6	+2.6	179.7	184.1	+2.4	-0.1
Rents	3.9	201.7	+4.6	201.8	211.1	+4.6	0.0
Fuel, Power and Water	4.7	323.8	+3.8	322.7	336.1	+4.2	0.0
Clothing & Footwear	3.7	201.0	+2.5	202.8	205.5	+1.3	-0.3
Furniture & Household Equipment	2.5	197.1	+6.1	199.1	207.8	+4.4	-0.6
Household Operations & Maintenance	1.5	160.4	+6.7	161.3	170.9	+6.0	-0.2
Personal Care & Health	2.2	150.5	+6.2	150.9	159.6	+5.8	-0.1
Recreation & Entertainment	1.2	174.0	+2.0	174.7	177.9	+1.8	+0.3
Transportation	1.2	246.5	+1.9	246.9	251.1	+1.7	-0.1
Education	1.5	202.4	+3.6	202.8	207.5	+2.3	-1.0
Miscellaneous Goods and Services	2.0	157.2	+2.3	158.4	159.9	+0.9	-0.6
<b>TOTAL</b>	<b>100.0</b>	<b>224.4</b>	<b>+4.5</b>	<b>223.1</b>	<b>233.1</b>	<b>+4.5</b>	<b>-0.6</b>

**Source:** National Bureau of Statistics (NBS)

**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
2000 Aug	5.7	3.6	6.5	-1.1	0.5	-1.6	6.2	5.1	6.8	0.4	0.6	0.4
Sep	5.7	4.6	6.0	-0.5	0.7	-1.0	5.8	6.7	5.9	0.5	0.9	0.4
Oct	5.8	4.8	6.2	0.5	0.4	0.6	6.1	6.1	6.1	0.5	0.2	0.7
Nov	5.7	4.9	6.0	1.1	0.0	1.5	6.2	5.7	6.4	0.5	0.2	0.6
Dec	5.5	4.3	5.9	2.8	0.3	3.7	5.8	5.2	6.1	0.3	0.1	0.4
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	<b>4.5</b>	<b>3.4</b>	<b>4.9</b>	<b>-0.6</b>	<b>-0.2</b>	<b>-0.8</b>	<b>5.5</b>	<b>0.9</b>	<b>7.7</b>	<b>0.4</b>	<b>0.1</b>	<b>0.6</b>

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

# Monetary and Financial Developments

## Reserve Money Developments

During September 2003, reserve money (M0), declined by TZS 79.5 billion to TZS 687.9 billion from TZS 767.5 billion recorded at the end of August 2003. The decline in M0 stemmed from a fall in Net Domestic Assets (NDA) of the Bank of Tanzania (BoT) by TZS 272.7 billion, which was partly offset by a rise in Net Foreign Assets (NFA<sup>1</sup>) by TZS 193.2 billion.

NDA fell mainly due to surge in government deposits at the BoT by TZS 167.7 billion, attributed to the Government's move to expedite the transfer of revenue collections from various agencies to the BoT and donor funds inflows. Meanwhile, the stock of liquidity papers issued by the BoT rose by TZS 81.4 billion, which further reinforced the decline in M0. On the other hand, an increase in NFA was mainly associated with inflows of foreign aid.

From the liabilities side, the decrease in reserve money was reflected in the decline in commercial banks' reserves at the BoT by TZS 87.1 billion, associated with the purchase of liquidity papers. Currency in circulation on the other hand increased by TZS 7.6 billion.

---

<sup>1</sup> Gross official reserves of the Bank increased from USD 1,908.9 million in August 2003 to USD 1,922.4 million in September 2003, equivalent to 8.0 months of imports of goods and services (GNS).

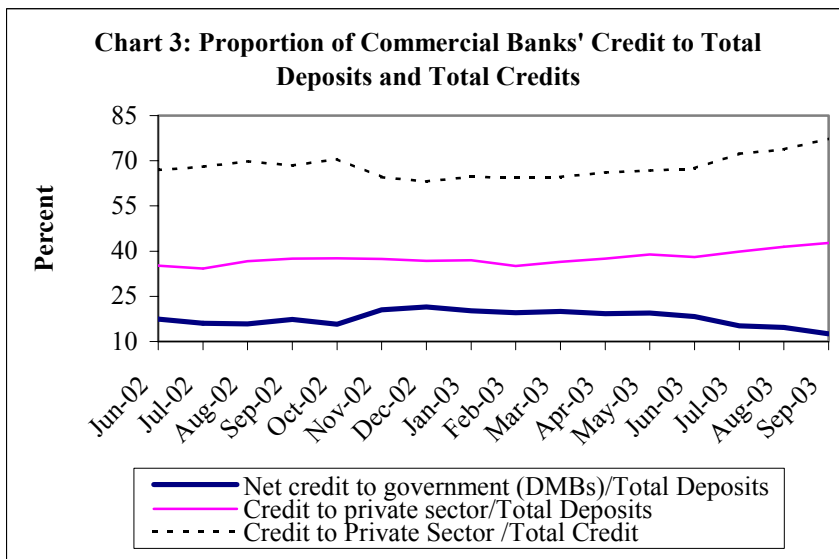
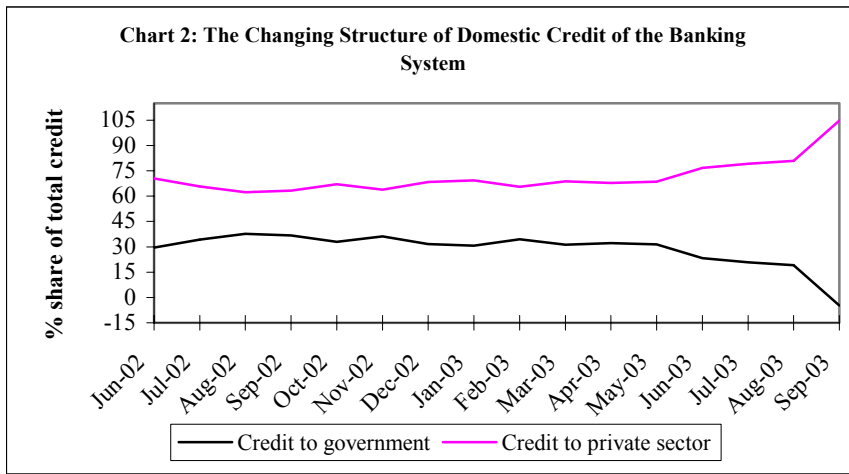
## Money Supply and Credit Developments

The overall stance of monetary policy in September 2003 continued to aim at keeping adequate liquidity to meet credit growth to the private sector, as well as supporting other macroeconomic objectives in the economy, while keeping vigil over the movements in the price level.

During the period under review, broad money supply (M2) rose by TZS 42.2 billion to TZS 1,649.5 billion from TZS 1,607.3 billion recorded in August 2003. Developments from assets side, revealed that M2 rose mainly due to increase in NFA of the banking system by TZS 200.7 billion, from TZS 1,239.3 billion in August 2003 to TZS 1,440.0 billion in September 2003. However, the effect was dampened by a decline in NDA of the banking system by TZS 133.0 billion, from TZS 726.3 billion in August 2003 to TZS 593.3 billion in September 2003. The increase in NFA in September 2003 was largely explained by increase in Net International Reserves (NIR) of the BoT by TZS 187.2 billion to TZS 1,472.4 billion, attributed to donor funds inflows.

NDA of the banking system fell mainly due to decline in domestic credit by TZS 171.6 billion, which was partly offset by a rise in Other Item Net (OIN) by TZS 38.6 billion. The decline in domestic credit was attributed to a decrease in net claims on government by TZS 207.7 billion, following increase in government deposits in the banking system by TZS 212.0 billion. The increase was largely associated with donor funds inflows, as well as end of quarter revenue collections. However, the impact of government deposits on domestic credit was partly offset by a rise in private sector credit by TZS 36.1 billion. Following these developments, the Government closed the month with net lending position of TZS

35.1 billion to the banking system. Commercial banks' lending to the private sector as a proportion of total commercial bank deposits increased from 41.4 percent in August 2003 to 42.7 percent in September 2003, while the proportion of commercial banks' lending to the government to total deposits fell from 14.7 percent to 12.5 percent in the same period ([Chart 3](#)).

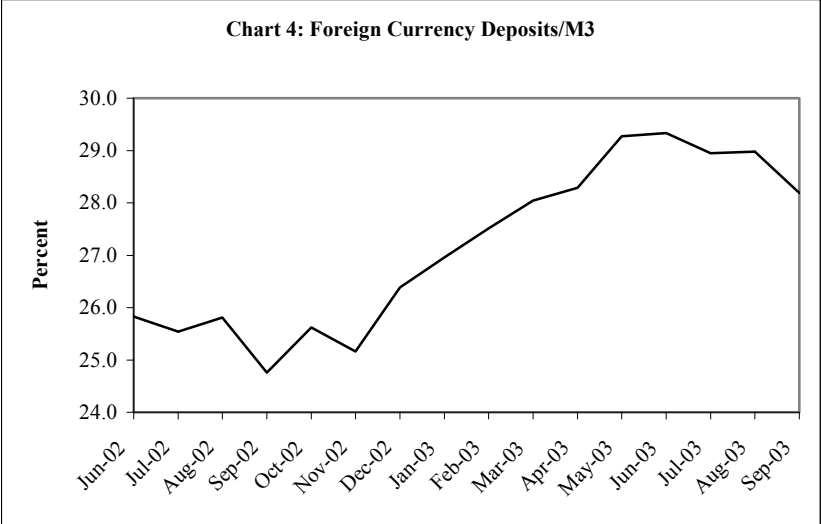




From liabilities side, the increase in M2 during September 2003 was largely due to increase in commercial banks’ deposits by TZS 40.8 billion. Specifically, demand deposits rose by TZS 46.8 billion mainly due to transfer of Primary Education Development Program (PEDP) funds from the central government account at the BoT to local government accounts in the commercial banks. Meanwhile savings deposits rose by TZS 4.5 billion, while time deposits fell by TZS 10.5 billion.

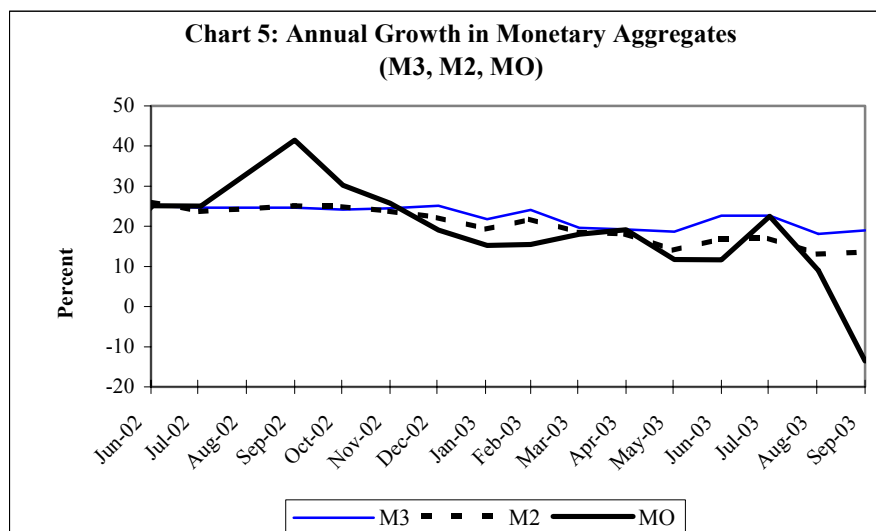
**Extended Broad Money Supply**

Extended broad money (M3), which is M2 plus foreign currency deposits, rose by TZS 33.9 billion, from TZS 2,263.2 billion in August 2003 to TZS 2,297.1 billion in September 2003. The increase in M3 was lower than that of M2 mainly due to decline in foreign currency deposits (FCD) by TZS 8.3 billion. In line with these developments, FCD as a proportion of M3 declined from 29.0 percent in August to 28.2 percent in September 2003 (**Chart 4**).



## Annual Growth Rates in Monetary Aggregates

During September 2003, annual growth rates of monetary aggregates exhibited an upward trend except for M0, which fell substantially from 9.0 percent in the year ended August 2003 to -13.6 percent in the year ended September 2003. The decline in the growth rate of M0 was associated with a higher base recorded in the corresponding month last year, coupled with the BoT intervention in the Treasury bills market to mop up excess liquidity from the economy and the timely transfer of revenue collections to government accounts at the BoT. The annual growth rates of M2 and M3 rose from 13.1 percent and 18.1 percent in August 2003 to 13.5 percent and 19.0 percent in September 2003 respectively (**Chart 5**).



## Inter-bank Cash Market

In September 2003, the total value of inter-bank cash market transactions, decreased by TZS 337.5 billion to TZS 395.7 billion from TZS 733.2 billion recorded in August 2003. The intervention by the Bank through selling more

liquidity papers partly contributed to the decrease in inter-bank cash market transactions. Overnight transactions accounted for 77.9 percent of the total value of transactions for September 2003, down from 81.7 percent recorded in August 2003. In the same period, the proportion of 7-day and 14-day in the total inter-bank cash market transactions reached 8.5 percent and 0.5 percent, from 6.0 percent and 2.5 percent, respectively. The value of other maturities accounted for 13.0 percent in September 2003 up from 9.8 percent recorded in the previous month.

The weighted average interest rate on overnight lending between commercial banks, decreased from 6.4 percent in August 2003 to 5.5 percent in September 2003. Similarly, the overall inter-bank cash market rate fell from 6.4 percent to 5.7 percent in the same period ([Table 3](#)).

### **Treasury Bills Market**

During the month under review, the market was supplied with 35-day, 91-day, 182-day and 364-day Treasury bills worth TZS 89.5 billion, compared with TZS 88.9 billion offered in the previous month. Total demand for Treasury bills increased by TZS 76.6 billion to TZS 174.6 billion in September 2003 from TZS 98.0 billion tendered in August 2003. During the period, the BoT intervened in the market by selling Treasury bills worth TZS 156.1 billion, which was TZS 70.9 billion higher than TZS 85.2 billion auctioned in the previous month. The intervention was necessary to keep the level of liquidity in the economy in line with macroeconomic objectives.

During September 2003, commercial banks continued with their dominance in the Treasury bills market accounting for 84.3 percent of total successful bids,

compared with 70.0 percent recorded in August 2003. Pension funds and insurance companies constituted 9.9 percent of total successful bids in September 2003, down from 14.9 percent recorded in the preceding month. Non-bank financial institutions (NBFIs) and individuals accounted for 5.8 percent in September 2003, compared with 15.1 percent recorded in the previous month.

Developments of interest rates in the Treasury bills market exhibited an upward trend across all maturities. The average yields for 35-day and 91-day bill rose from 6.2 percent and 6.3 percent in August 2003 to 6.7 percent and 7.3 percent in September 2003, respectively, whereas the average yield for 182-day and 364-day bill increased from 6.3 percent and 6.7 percent to 7.3 percent and 7.4 percent in the same period, respectively. As a result, the overall weighted average yield (WAY) for all maturities rose from 6.4 percent in August 2003 to 7.2 percent in September 2003.

### **Treasury Bonds**

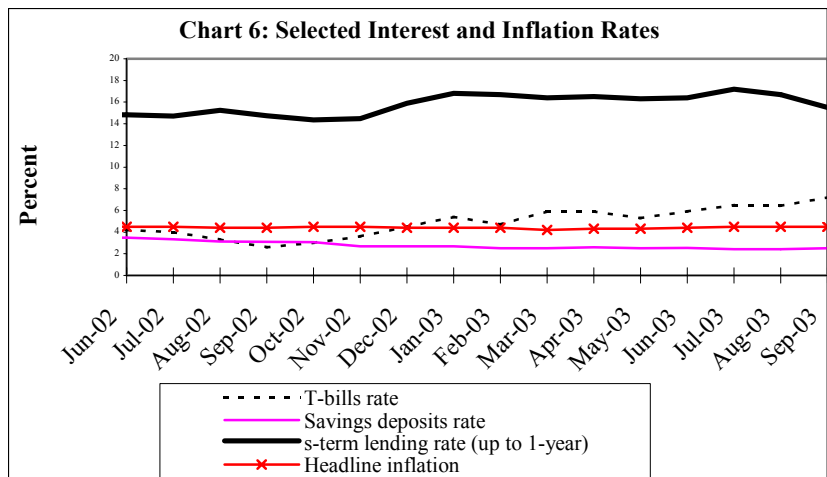
Treasury bonds market in September 2003 was supplied with 2-year, 5-year, 7-year and 10-year maturity bonds worth TZS 18.5 billion. During the month under review, the market continued to experience low demand, where by total bids stood at TZS 7.3 billion from TZS 10.3 billion recorded in August 2003, mainly associated with a lower fixed coupon rate. As a result, actual sales fell from TZS 9.1 billion in August 2003 to TZS 7.3 billion in September 2003. The weighted average yield (WAY) for 2-year, 7-year and 10-year Treasury bonds rose from 7.5 percent, 8.0 percent and 8.9 percent in August 2003 to 7.9 percent, 8.7 percent and 10.0 percent in September 2003, respectively. Meanwhile, 5-year Treasury bond retained the previous month yield of 6.7 percent (**Table 3**).

## Repurchase Agreements (REPOs)

During September 2003, the BoT continued to conduct REPOs of different maturities with commercial banks for the purpose of fine-tuning liquidity in the economy, whereby 3-day, 7-day and 14-day REPO worth TZS 5.2 billion, TZS 10.2 billion and TZS 6.0 billion were employed, respectively. During the review period the rates ranged between 6.0 percent and 6.5 percent, from 6.4 percent and 7.3 percent recorded in the previous month. Overall weighted average REPO rate decreased from 7.0 percent recorded in August 2003 to 6.2 percent in September 2003.

## Interest Rate Developments

Developments in interest rates on domestic currency denominated deposits and lending rates exhibited diverse trends. Savings and overall time deposit rates rose from 2.4 percent and 3.4 percent in August 2003 to 2.5 percent and 3.5 percent in September 2003, respectively. During the same period, 2-month and 6-month time deposits rates fell from 4.0 percent and 3.6 percent to 3.6 percent and 3.5 percent, respectively. Meanwhile, short-term lending rate of up to one year fell from 16.7 percent in August 2003 to 15.5 percent in September 2003, while lending rate of 1-2 year rose from 15.4 percent to 15.9 percent, in the same period. Despite the mixed developments in individual rates, the overall lending rate retained the previous month position of 14.5 percent (**Chart 6 & Table 3**).



Interest rate structure on foreign currency denominated deposits and lending exhibited mixed trends. The savings deposit rate rose from 1.0 percent in August 2003 to 1.2 percent in September 2003, while the overall time deposit rate maintained the previous month rate at 1.0 percent. The interest rates in foreign currency up to 1-year denominated credits rose from 6.9 percent in August 2003 to 7.1 percent in September 2003, while the rates for medium term loan of 2-3 year fell from 7.7 percent to 7.6 percent in the same period. In line with foreign currency rates developments, the overall lending rate remained stable at 7.4 percent (Table 3).

**Table 3: Weighted Average Interest Rates of Commercial Banks**

<b>Percentage per annum</b>				
	Jun-03	Jul-03	Aug-03	Sep-03
<b><u>Domestic Currency</u></b>				
<b>1 Inter-bank Cash Market Rates</b>				
Overnight	4.6	6.5	6.4	5.5
<b>Overall inter-bank cash market rate</b>	<b>4.8</b>	<b>6.6</b>	<b>6.4</b>	<b>5.7</b>
<b>2 REPO Rate</b>				
	7.0	6.3	7.0	6.2
<b>3 Treasury Bills Rates</b>				
35 days	5.8	6.4	6.2	6.7
91 days	6.1	6.5	6.3	7.3
182 days	5.8	6.7	6.3	7.3
364 days	5.9	6.3	6.7	7.4
<b>Overall Treasury bills rate</b>	<b>5.9</b>	<b>6.5</b>	<b>6.4</b>	<b>7.2</b>
<b>4 Treasury Bonds-2-years</b>				
5-years	7.6	7.3	6.7	6.7
7-years	7.7	8.0	8.0	8.7
10-years	8.5	8.9	8.9	10.0
<b>5 Discount Rate</b>				
	10.6	11.6	11.6	12.0
<b>6 Savings Deposit Rate</b>				
	2.5	2.4	2.4	2.5
<b>7 Time Deposits Rates</b>				
1 month	3.9	3.0	3.4	3.9
2 months	4.2	4.5	4.0	3.6
3 months	2.8	2.8	2.5	2.9
6 months	3.7	3.6	3.6	3.5
12 months	5.1	5.0	4.7	5.0
24 months	4.1	4.9	4.9	4.7
<b>8 Lending rates</b>				
Short-term (up to 1yr)	16.4	17.2	16.7	15.5
Medium-term (1-2 yrs)	14.6	14.5	15.4	15.9
Medium-term (2-3 yrs)	13.4	13.3	11.4	11.7
Long-term (3-5 yrs)	10.9	14.0	12.3	12.3
Term Loans (over 5 yrs)	15.2	16.4	16.5	17.0
<b><u>Foreign Currency</u></b>				
<b>1 Deposits Rates</b>				
Savings Deposits	0.9	1.0	1.0	1.2
<b>Time Deposits</b>				
1-months	0.9	0.7	0.6	0.7
2-months	1.4	1.3	1.4	1.0
3-months	0.9	1.0	0.8	0.9
6-months	1.7	1.3	1.3	1.3
12-months	1.2	1.2	1.2	1.2

<b>2 Lending Rates</b>	<b>7.5</b>	<b>7.4</b>	<b>7.4</b>	<b>7.4</b>
Short-term (up to 1yr)	7.0	6.6	6.9	7.1
Medium-term (1-2 yrs)	7.9	7.8	7.6	7.7
Medium-term (2-3 yrs)	8.7	7.7	7.7	7.6
Long-term (3-5 yrs)	6.5	7.3	7.3	7.3

Source: Bank of Tanzania

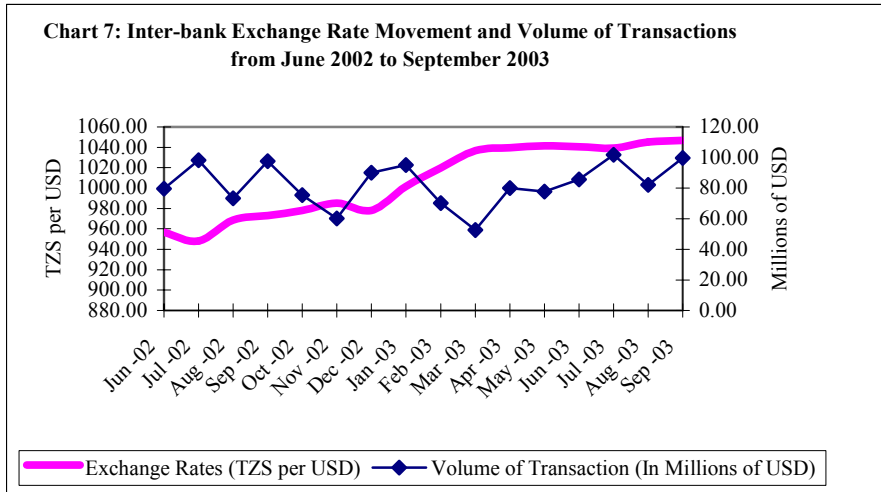
## Inter-bank Foreign Exchange Market

During September 2003, the total amount traded at the IFEM increased by 21.6 percent to USD 99.7 million from USD 82.0 million traded during the previous month. The increase in total amount traded was mainly attributed to high demand of US dollars particularly from importers. This is being reflected by the rise in imports, which have been increasing since July 2003. In line with the increase in demand for dollars the BoT intervened in the market by supplying dollars. Commercial banks dominated the demand side of the market by purchasing USD 97.3 million or 97.6 percent of total amount traded and supplied only USD 51.2 million or 51.4 percent of total amount traded, accounting for a net purchase of USD 46.1 million. The non-bank financial institutions purchased USD 2.4 million or 2.4 percent of total amount traded and supplied USD 7.4 million or 7.4 percent of total amount traded. The BoT made a net supply of USD 41.1 million or 41.2 percent of total amount traded.

## Exchange Rate

During the month under review, the Tanzania shilling depreciated slightly against the US dollar by 0.2 percent, moving from an average of TZS 1,045.1 per US dollar in August 2003, to an average of TZS 1,046.8 per US dollar.





## Bureau De Change Operations

The volume of transactions conducted by the Bureau de change system during the month under review, went down by 18.6 percent to USD 38.1 million from the level transacted in August 2003, largely due to decline in both sales and purchases. Sales declined by 14.8 percent to USD 19.6 million largely due to fall in payments for education, medical expenses and travelling allowances while purchases went down by 22.3 percent to USD 18.5 million mainly on account of a fall in foreign exchange receipts from tourism and export proceeds.

The buying rate depreciated by 0.4 percent to TZS 1,045.0 per US dollar in September 2003. Similarly, the selling rate depreciated by 0.8 percent to TZS 1,064.0 per US dollar during the review period. Developments in the foreign exchange market are shown in [Table 4](#).

**Table 4: Foreign Exchange Market Developments**

	2003			September			July - September		
	August	September	% Change	2002	2003	% Change	2002	2003	% Change
<b>IFEM</b>									
1. Amount offered*	82.0	99.7	21.6	97.5	99.7	2.3	269.0	283.5	5.4
2. Amount sold*	82.0	99.7	21.6	97.5	99.7	2.3	269.0	283.5	5.4
3. Exchange rate**	1,045.1	1,046.8	0.2	972.9	1,046.8	7.6	962.7	1,043.7	8.4
<b>Bureau de Change</b>									
1. Sales*	23.0	19.6	-14.8	21.1	19.6	-7.1	64.2	68.0	5.9
2. Purchases*	23.8	18.5	-22.3	22.0	18.5	-15.9	66.5	69.6	4.7
3. Volume of Transactions*	46.8	38.1	-18.6	43.1	38.1	-11.6	130.7	137.6	5.3
4. Buying rate**	1,041.0	1,045.0	0.4	967.4	1,045.0	8.0	957.8	1,041.7	8.8
5. Selling rate**	1,056.0	1,064.0	0.8	983.2	1,064.0	8.2	976.1	1,059.0	8.5

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

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

## Government Budgetary Developments

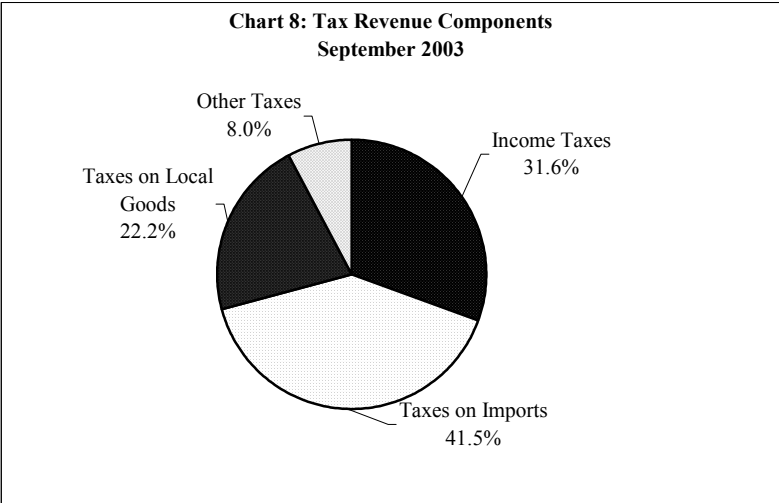
During September 2003, Government budgetary performance on cheques issued basis recorded an overall deficit before grants of TZS 40.5 billion. However, the deficit was reduced to TZS 11.8 billion after considering grants amounting to TZS 28.7 billion.

### Revenue

In September 2003, total government revenue collection amounted to TZS 134.2 billion being 5.8 percent above the target of TZS 126.8 billion. Tax revenue amounted to TZS 122.1 billion or 91.0 percent of total revenue collection and also 7.3 percent above the collection target of TZS 113.8 billion. The good performance

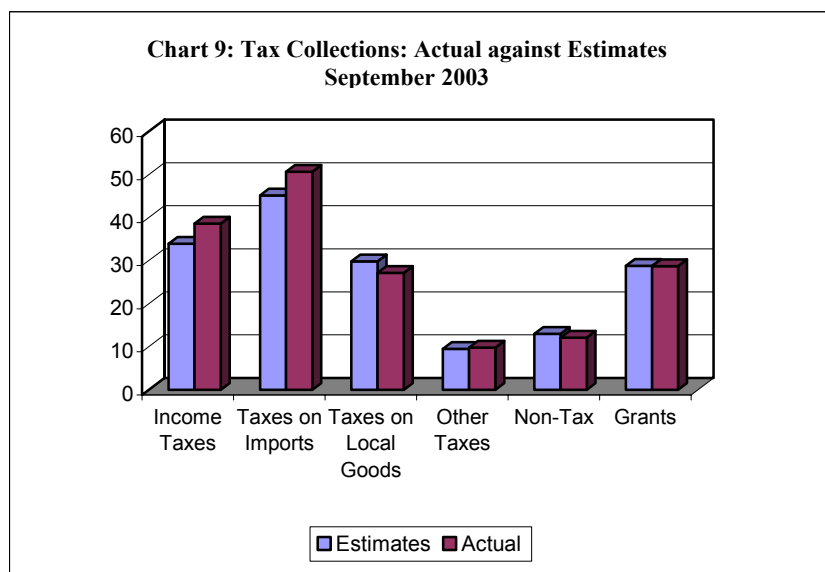
was mainly on account of better collection effort. VAT collections amounted to TZS 46.2 billion against the estimated level of TZS 45.6 billion. Excise Duty collection that was expected at TZS 19.7 billion reached TZS 20.5 billion. Income tax collection reached TZS 38.6 billion being 13.9 percent above the monthly target of TZS 33.9 billion. Collections from other taxes category were almost inline with their targets reaching TZS 9.8 billion compared to the monthly target of TZS 9.5 billion. The Tax revenue collection was as follows (**Chart 8**):

- Taxes on imports were TZS 50.6 billion or 41.4 percent of tax revenue, and 11.9 percent above the projected TZS 45.2 billion for the month.
- Taxes on local goods amounted to TZS 27.1 billion or 22.2 percent of tax revenue, and were 9.1 percent below the target of TZS 29.8 billion.
- Income tax collection was TZS 38.6 billion, which was 31.6 percent of tax revenue and was 13.9 percent above the monthly projection of TZS 33.9 billion.
- Collections from other taxes were TZS 9.8 billion or 8.0 percent of tax revenue or 3.2 percent above the targeted amount of TZS 9.5 billion.



In addition, other government receipts comprised the following:

- Non-tax revenue, which amounted to TZS 12.1 billion, was below the target of TZS 13.0 billion.
- External grants were as targeted at TZS 28.7 billion.



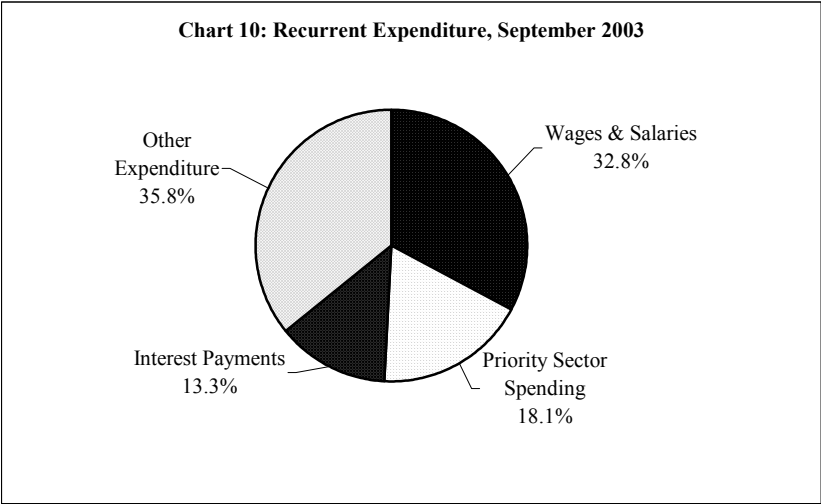
On cumulative basis, during the first quarter of 2003/04, revenue collection amounted to TZS 343.4 billion compared with TZS 336.3 billion projected for the quarter. Grants amounted to TZS 625.1 billion or 15.3 percent above the expected inflows of TZS 542.3 billion.

## Expenditure

During September 2003, total government expenditure (excluding amortization) amounted to TZS 174.7 billion out of which recurrent expenditure was TZS 129.7

billion. Spending on debt service amounted to TZS 17.2 billion compared to the monthly ceiling of TZS 13.4 billion. Expenditure on goods, services and transfers reached TZS 62.3 billion, being more than the projected amount of TZS 55.1 billion for the month. Recurrent spending on priority sectors amounted to TZS 23.5 thus exceeding the September allocation of TZS 7.2 billion by TZS 16.3 billion. The higher than planned recurrent spending was due to the full utilization in September of the previous expenditure ceiling allocation overhang that were a result of the three months allocation system that started in July 2003.

During September 2003, wages and salaries accounted for 32.8 percent of total recurrent expenditure while spending on priority sectors accounted for 18.1 percent. Debt service (domestic and foreign) accounted for 13.3 percent and the balance was accounted for by spending on goods and services (**Chart 10**).



Development expenditure amounted to TZS 45.0 billion. Out of this, counterpart funds amounted to TZS 13.4 billion.

Cumulatively, during the first quarter of 2003/04, total expenditure amounted to TZS 505.5 billion being 88.0 percent of the projected level of TZS 574.7 billion.

## **Financing**

The budgetary operations in the first quarter of 2003/04, after adjustments to cash, recorded a surplus of TZS 52.6 billion. The surplus together with financing from foreign sources amounting to TZS 3.3 billion enabled the government to reduce its domestic debts by TZS 55.9 billion.

## **External Sector Developments**

### **Trade Account**

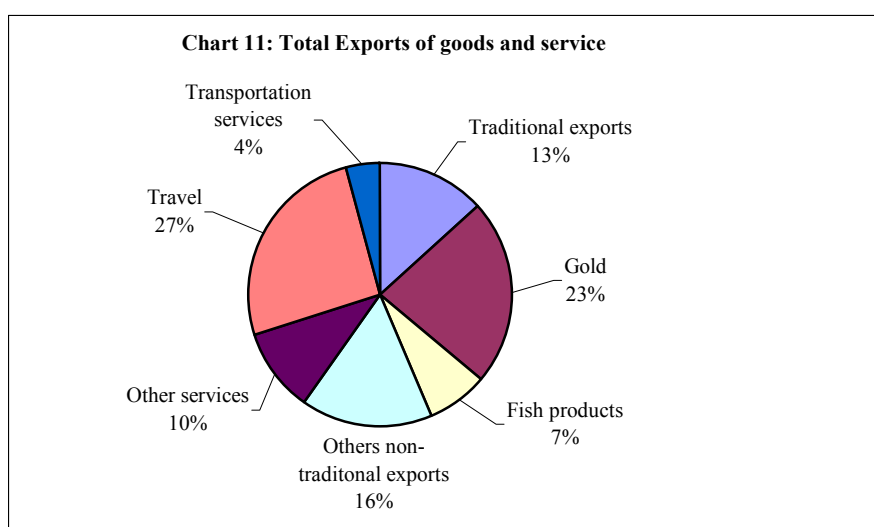
During September 2003, trade account deteriorated by 57.0 percent from a deficit of USD 97.7 million recorded in the previous month to a deficit of USD 153.3 million, due to an 8.3 percent decline in total exports coupled with an 18.8 percent increase in total imports of goods and services. The trade account balance deteriorated by 81.5 percent when compared with the corresponding month last year largely due to increase in total imports that exceeded effects of the increase in exports. On annual basis, during the year ending September 2003, the deficit in the trade account increased by 2.4 percent to USD 804.0 million from USD 784.9 million recorded during the year ending September 2002, following a 13.6 percent increase in total imports of goods and services ([Table 5](#)).

**Table 5: Trade Account Balance**

	Value, Millions of USD								
	2003p		%	September		%	October - September*		%
	August	September		2002	2003p		2001/02	2002/03p	
<b>Exports</b>	<b>137.3</b>	<b>125.9</b>	<b>-8.3</b>	<b>119.0</b>	<b>125.9</b>	<b>5.8</b>	<b>1,465.3</b>	<b>1,753.1</b>	<b>19.6</b>
Goods	81.4	78.5	-3.6	67.3	78.5	16.7	826.8	1,046.0	26.5
Services	55.9	47.4	-15.2	51.7	47.4	-8.3	638.5	707.1	10.7
<b>Imports</b>	<b>235.0</b>	<b>279.2</b>	<b>18.8</b>	<b>203.4</b>	<b>279.2</b>	<b>37.3</b>	<b>2,250.2</b>	<b>2,557.1</b>	<b>13.6</b>
Goods	166.3	214.6	29.0	136.7	214.6	57.0	1,525.7	1,806.9	18.4
Services	68.7	64.6	-6.0	66.7	64.6	-3.1	724.5	750.2	3.5
<b>Trade Balance</b>	<b>-97.7</b>	<b>-153.3</b>	<b>57.0</b>	<b>-84.4</b>	<b>-153.3</b>	<b>81.5</b>	<b>-784.9</b>	<b>-804.0</b>	<b>2.4</b>

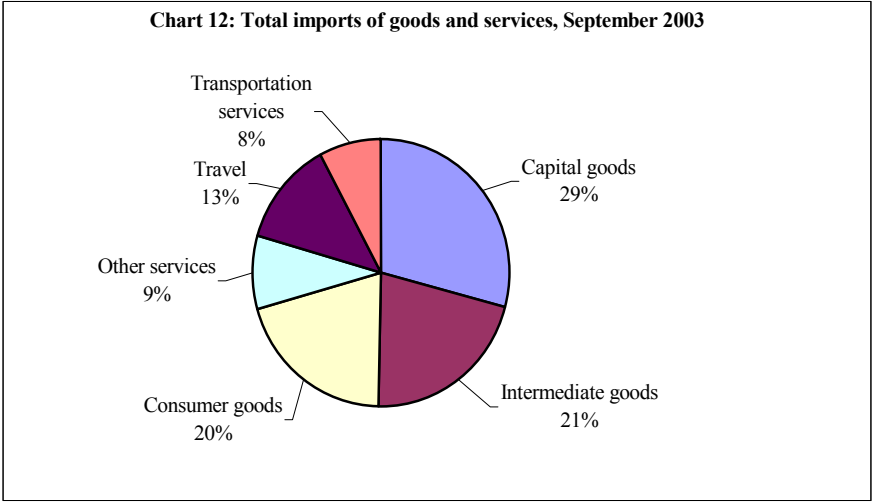
**Source:** Bank of Tanzania and Tanzania Revenue Authority

Note: \* Year ending September; p = Provisional data



Travel (mainly tourism) and gold accounted for about 50.0 percent of total exports of goods and services with travel taking a lead, accounting for about 27.0 percent. On the other hand, traditional exports accounted for 13.0 percent of total exports of goods and services (**Chart 11**).

During the year ending September 2003, goods imports accounted for about 70.0 percent of total goods and services import, with capital and intermediate goods accounting for 50.0 percent of total imports ([Chart 12](#)).



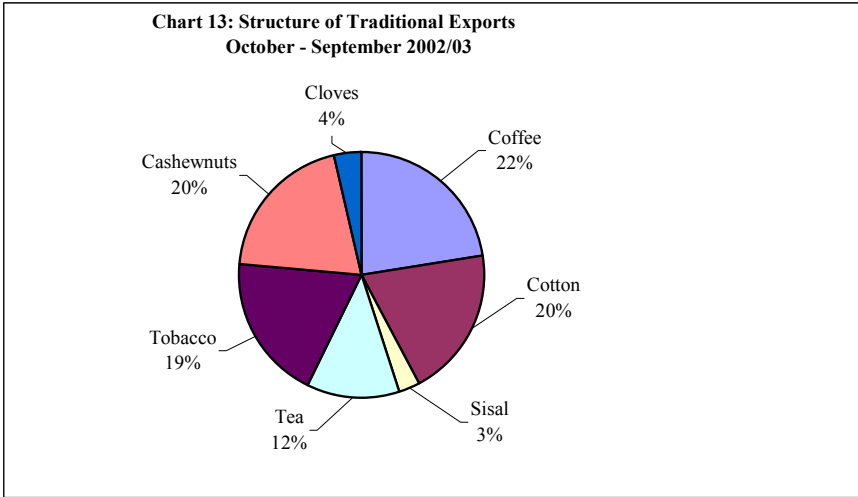
### Exports

During September 2003, total exports declined by 3.6 percent from USD 81.4 million to USD 78.5 million following a 14.1 percent decline in non-traditional exports. Conversely, traditional exports increased by 86.0 percent to USD 15.9 million due to both volume and price factors. The increase in export volume is largely explained by the commencement of the exports peak season for most of the traditional commodities. During the period under review, export volumes of coffee, cotton, tea and tobacco increased by 172.7 percent, 21.4 percent, 14.3 percent and 320.0 percent, respectively. Export unit prices for the traditional commodities registered mixed trends. While the prices for coffee, tea and tobacco declined, the export unit prices for cotton and sisal increased by 31.3 percent and 1.9 percent, respectively.

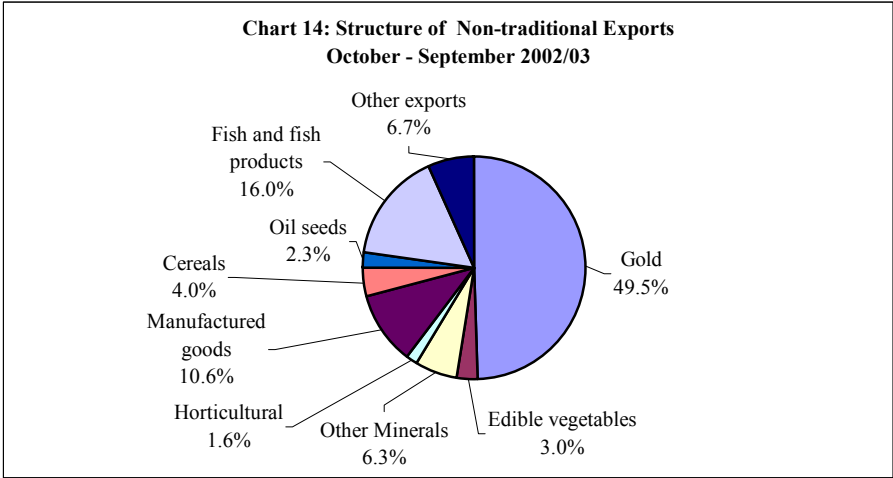


However, when compared with the corresponding month in 2002, total exports recorded an increase of 16.7 percent from USD 67.3 million in September 2002 to USD 78.5 million following increases in both traditional and non-traditional exports. It should be noted that traditional exports increased from USD 7.9 million to USD 15.9 million partly due to the gradual global economic recovery as reflected by improvement in world market prices.

During the year ending September 2003, total exports increased by 26.5 percent from USD 826.8 million recorded during the year ending September 2002 to USD 1,046.0 million due to improved performance of both traditional and non-traditional exports. Traditional exports increased from USD 178.4 million to USD 232.2 million due to volume and price factors. With the exception of sisal and tobacco whose export volumes declined, the remaining traditional exports recorded increases in volumes. Improvement was also recorded in export unit prices of coffee, cotton, sisal and tobacco that increased by 10.5 percent, 0.2 percent, 2.1 percent and 4.4 percent respectively. The structure of traditional exports for the year ending September 2003 is reflected on **Chart 13**.



During the month under review, non-traditional exports declined by 14.1 percent on account of a decline in exports of minerals and fish and fish products by 26.7 percent and 5.1 percent, respectively. When compared with the corresponding month a year earlier, non-traditional exports increased by 5.4 percent from USD 59.4 million to USD 62.6 million.



On annual basis, during the year ending September 2003, non-traditional exports increased by 25.5 percent from USD 648.4 million to USD 813.8 million. All major items under non-traditional exports registered improved performance. Exports of minerals, manufactured goods, fish and fish products, horticultural products, and other exports increased by 26.6 percent, 33.9 percent, 15.5 percent, 16.8 percent, and 28.6 percent, respectively. The year to year increase in mineral exports was largely attributed to a surge in gold exports to USD 402.6 million at end September 2003 from USD 321.0 million at end of September 2002 owing to the increase in gold production in the country and improved gold prices in the world market. On the other hand, the improved performance in the manufactured goods was partly attributed to recovery in industrial production following privatization of a large number of industries in the country. The increase in other

exports was partly due to increase in exports of cereals, edible vegetables and oil seeds. The structure of non-traditional exports for the year ending September 2003 is shown on [Chart 14](#).

It should be noted that despite the increase in traditional exports in the year ending September 2003, its share to total exports declined to 22.3 percent from about 60.0 percent in 1998. The weakening of traditional exports which started in 1999, is partly due to decline in world commodity prices and persistent low producer prices which has led to inability by farmers to purchase fertilizers and pesticides that are vital in improving both quantity and quality of the exports.

## **Imports**

During the review month, total imports (f.o.b.) increased by 29.0 percent from USD 166.3 million in August 2003 to USD 214.6 million, following a surge in imports from all categories. Importation of capital goods increased by 31.6 percent to USD 90.0 million largely due to increase in imports of transport equipment, building and construction equipment, and machinery. While the surge in imports of transport equipment is partly attributed to the increase in importation of motor vehicles, importation of iron, steel and its articles accounted for the increase in imports of building and construction equipment. As for machinery imports, the increase is attributed to importation of gas turbines to be used for electric power generation.

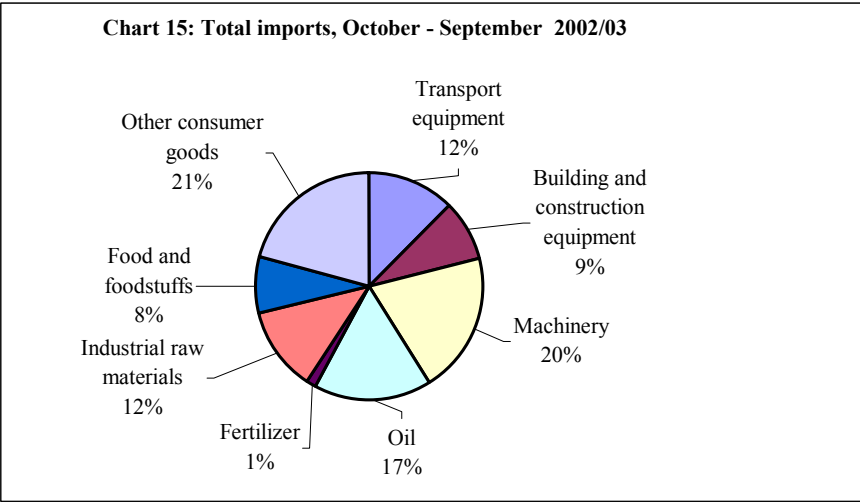
During September 2003, import of intermediate goods went up to USD 70.0 million from USD 54.8 million recorded in the previous month following the increase in oil imports and industrial raw materials. Higher volume of imported oil

from 106,825.0 tons to 146,842.0 tons in September 2003 partly accounts for the surge in oil imports. Consumer goods increased from USD 43.1 million to USD 54.6 million with food and foodstuffs; and all other consumer goods recording increases of 71.7 percent and 9.3 percent, respectively. Cereal imports that accounts for about 70.0 percent of food and foodstuff increased by more than two folds following a surge in imports of wheat and rice. During the review period, imports of wheat increased from 49,633.0 tons to 88,988.0 tons, while rice increased from 4,200.0 tons to 23,692.0 tons. In addition, maize imports increased marginally to 800.0 tons from 758.0 tons imported in the previous month. When compared with the corresponding month a year earlier, total imports (f.o.b.) increased from USD 136.7 million to USD 214.6 million owing to increases in importation of capital goods, intermediate goods and consumer goods.

During the year ending September 2003, total imports (f.o.b.) increased by 18.4 percent to USD 1,806.9 million from USD 1,525.7 million recorded during the year ending September 2002. The development is attributed to increase in imports of capital, intermediate and consumer goods by 12.0 percent, 37.6 percent and 11.5 percent, respectively. The import increase is also partly associated with expansion of economic activities particularly in mining and recovery of manufacturing industries (e.g. plastics making industries, beverages, soap, textile industries, etc.).

Consumer goods imports increased from USD 467.0 million to USD 520.5 million during the year ending September 2003. Both food and foodstuffs, and all other consumer goods recorded increases during the review period. It is worth noting that imports of food and foodstuffs have been on the decline for the past four years. However, during the year ending September 2003, imports of food and foodstuffs increased by 4.2 percent to USD 143.7 million. This is largely explained by the

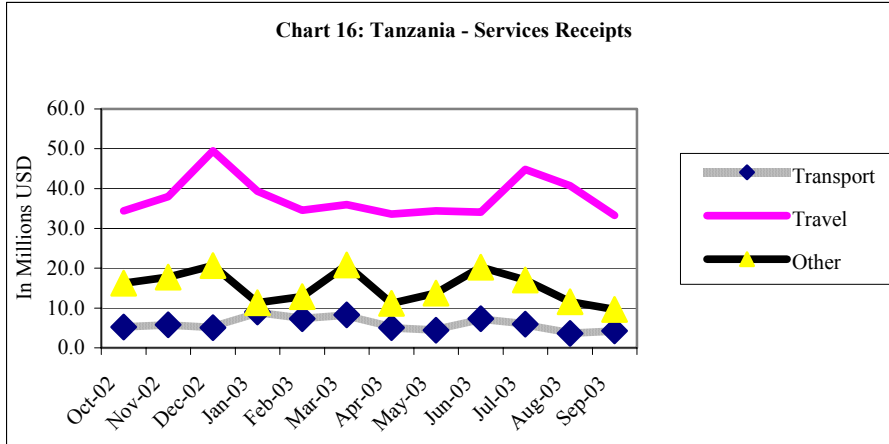
fears of food deficit in 2003/04 following shortage of rainfall in the 2002/03 farming season. **Chart 15** presents the structure of total imports during the year ending September 2003.



## Services and Income Accounts

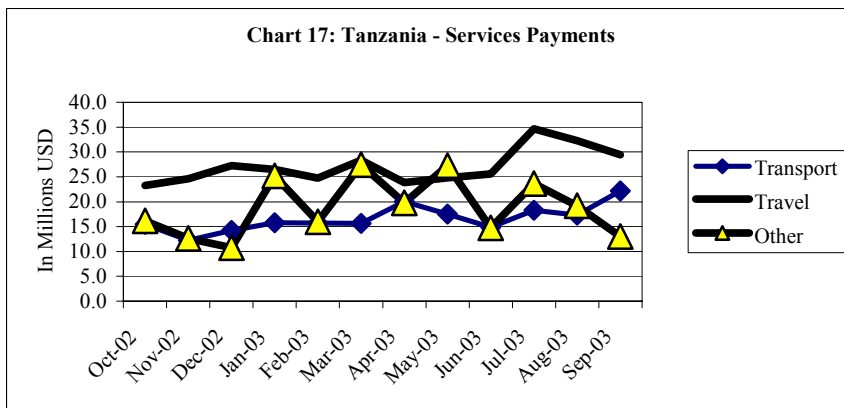
### Services Account

During September 2003, deficit in the services account increased from USD 12.8 million to USD 17.2 million following a 15.2 percent decline in services receipts that outweighed the impact of a 6.0 percent decrease in services payments. Services receipts decreased to USD 47.4 million from USD 55.9 million mainly due to declines in receipts from travel (mainly tourism) and government services.



**Note:** ‘Other Services’ include communication, Insurance, Financial, Computer, Information, Government, Royalties, Personal, and Other business services.

Similarly, services payments declined from USD 68.7 million to USD 64.6 million largely on account of travel and government services payments that declined from USD 32.2 million and USD 7.3 million, to USD 29.4 million and USD 1.2 million, respectively.



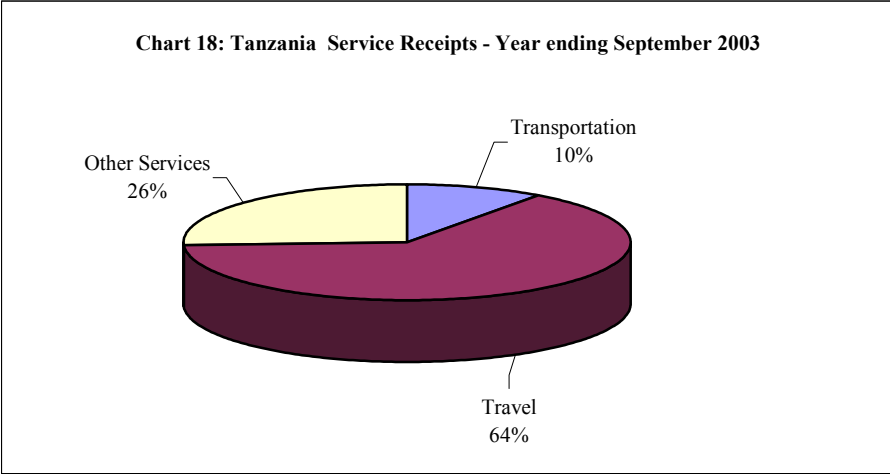
**Note:** ‘Other Services’ include Communication, Construction, Insurance, Financial, Computer, Information, Government, Royalties, Personal, and Other business services.

When compared with the corresponding month a year earlier, the balance on services account worsened to a deficit of USD 17.2 million from a deficit of USD

15.0 million resulting from an 8.3 percent decrease in services receipts that exceeded the 3.1 percent decrease in registered payments.

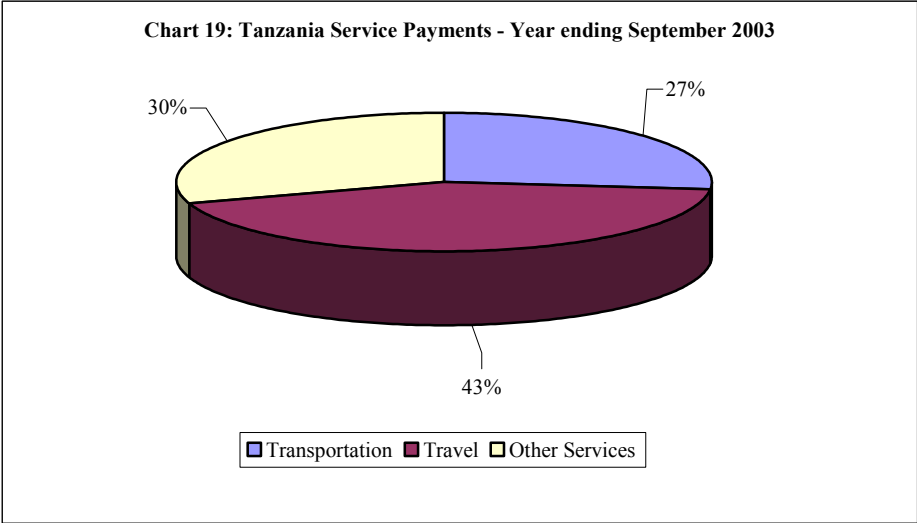
During the year ending September 2003, deficit in the services account decreased to USD 43.1 million from USD 86.0 million recorded during the year ending September 2002, following a 10.7 percent rise in services receipts that surpassed the impact of a 3.5 percent increase in services payments. The increase in services receipts was mainly attributed to a surge in travel (mainly tourism) and transportation, which increased from USD 415.3 million and USD 61.6 million, to USD 452.5 million and USD 71.4 million, respectively. The increase in travel over the year is partly associated with continued efforts made by the government and other stakeholders in promoting Tanzania as a tourist destination. During the year ending September 2003, travel accounted for 64.0 percent of total services receipts

**Chart 18.**



On the other hand, the increase in services payments was mostly on account of freight and construction services payment. Freight payments increased from USD 146.5 million to USD 173.0 million following an 18.4 percent increase in goods imports. There was however a recorded decline in travel and government services

payments. **Chart 19** indicates that travel expenses accounted for 43.0 percent of total services payments, while transportation that is dominated by freight payments accounted for 27.0 percent of the total services payments.



**Income Account**

During September 2003, the income account recorded a deficit of USD 1.3 million compared with a surplus of USD 4.9 million recorded in the previous month, following increase in scheduled interest payments and a decline in income receipts.

Similarly, when compared with the corresponding month a year earlier, the income account recorded a deficit of USD 1.3 million from a surplus of USD 1.0 million due to increase in scheduled interest payments from USD 6.1 million to USD 9.2 million.

Conversely, during the year ending September 2003, the income account balance improved from a deficit of USD 41.8 million recorded during the year ending September 2002 to USD 38.1 million, following a 12.5 percent increase in income



receipts coupled with a 9.9 percent decline in scheduled interest payments. The improvement on income receipts from USD 61.2 million to USD 70.2 million was mainly on account of increase in earnings from the Bank of Tanzania's foreign exchange reserves. On the other hand, the decline in the scheduled interest payments to USD 77.4 million was mainly attributed to debt relief under the HIPC initiative.

### **World Commodity Prices**

During September 2003, the average prices of both **coffee** (Arabica) and (Robusta) increased by 3.5 percent and 2.5 percent to USD 1.5 per kg and USD 0.8 per kg respectively, from the levels recorded in August 2003. The increase in coffee prices was partly attributed to the expected fall in the Brazilian production for 2004/05 crop year (that normally starts in October) following unfavourable weather conditions.

The prices of **tea** (average of Calcutta, Colombo and Mombasa auctions) declined by 0.7 percent to USD 1.5 per kg, while the price of **tea** (Mombasa auction) increased by 1.9 percent to USD 1.6 per kg in September 2003. The price of tea has been influenced by a shift in the market by Pakistan (the largest importer of tea) from India to Kenya following the existing conflicts between India and Pakistan over the Kashmir Territory.

While the price of **cloves** remained stable at USD 1,700.0 per metric ton in September 2003, the average price of **sisal** increased by 7.4 percent to USD 725.0

per metric ton. The increase in the price of sisal was largely attributed to rising production cost of synthetic fibres.

**Cotton** (A-Index) price was at USD 1.4 per kg in September 2003, up from USD 1.3 per kg recorded in August 2003, largely due to bad weather conditions in key cotton-producing areas in China and USA that raised concern over the 2003/04 global crop harvests. It is worth noting that, China the leading producer and consumer of cotton in the world, has been expected to increase this year's crop production due to increase in cultivated acreage.

On the other hand, prices of **crude oil** (UK Brent) and (Dubai f.o.b.) declined by 9.7 percent and 9.0 percent to USD 26.8 per barrel, and USD 25.2 per barrel respectively during the month under review. The decrease in the price of crude oil was partly attributed to receding crude oil demand in USA following the end of the summer season. Similarly, the price of white petroleum products (average of Jet Kero JPI, Gasoline WestMed and FNCH Heat Oil) declined by 9.0 percent to USD 252.4 per tonne during the period under review.

**Gold** price increased by 5.3 percent to USD 379.0 per troy ounce in September 2003, largely due to strengthening of the Euro against some major currencies.

## **Debt Developments**

### **Overview**

Total debt stock (external and domestic) as at end September 2003, stood at USD 8,215.7 million, out of which, USD 7,330.7 million (89.2 percent) and USD 885.0 million (10.8 percent) was external and domestic debt respectively.

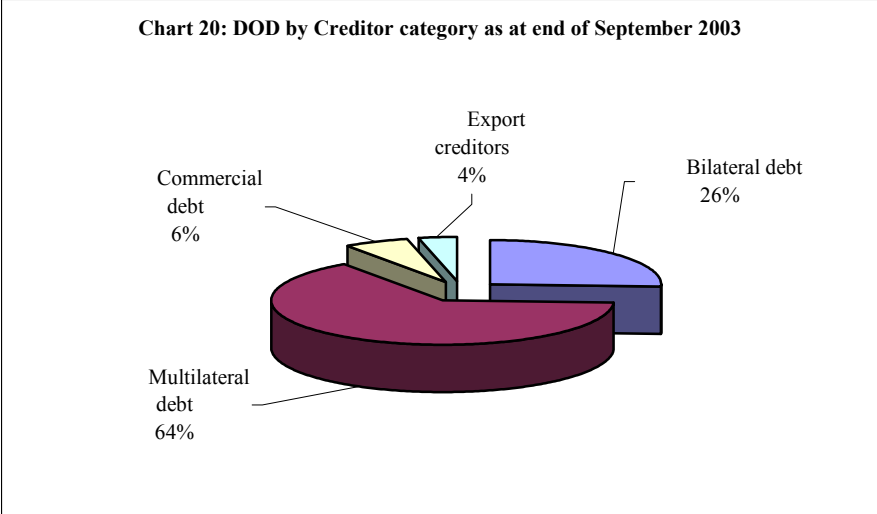
### **External Debt Position**

Total external debt committed as at end-September 2003 was USD 7,574.5 million. The amount increased by USD 63.0 million (0.8 percent) from USD 7,511.5 million recorded at end August 2003. Out of the total amount committed, disbursed outstanding debt (DOD) was USD 6,254.7 million and committed undisbursed debt (CUB) was USD 1,319.8 million. Interest arrears increased by USD 30.2 million from USD 1,064.0 million as at end of August 2003 to USD 1,094.2 million as at the end of September 2003. The external debt stock increased by USD 86.8 million (1.2 percent) from USD 7,243.9 million at the end of August 2003 to USD 7,330.7 million at the end of September 2003. The increase in debt stock was mainly attributed to accumulation of payment arrears.

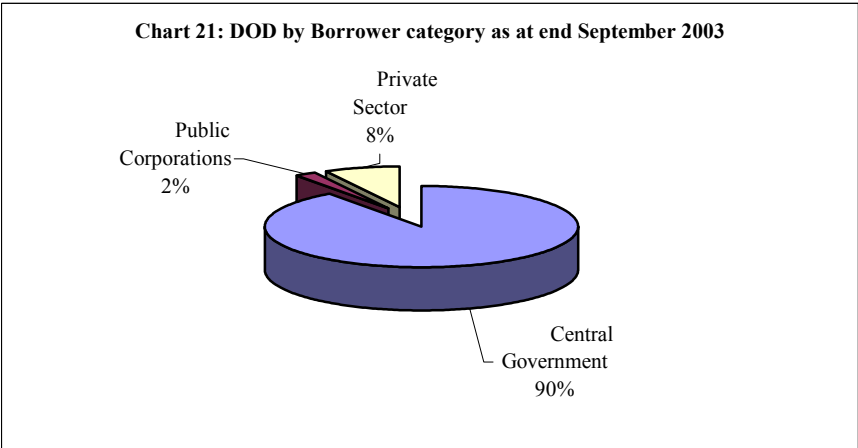
### **Disbursed Outstanding Debt**

The profile of disbursed outstanding debt by creditor category shows that 64.3 percent and 25.9 percent of the total debt is owed to multilateral and bilateral

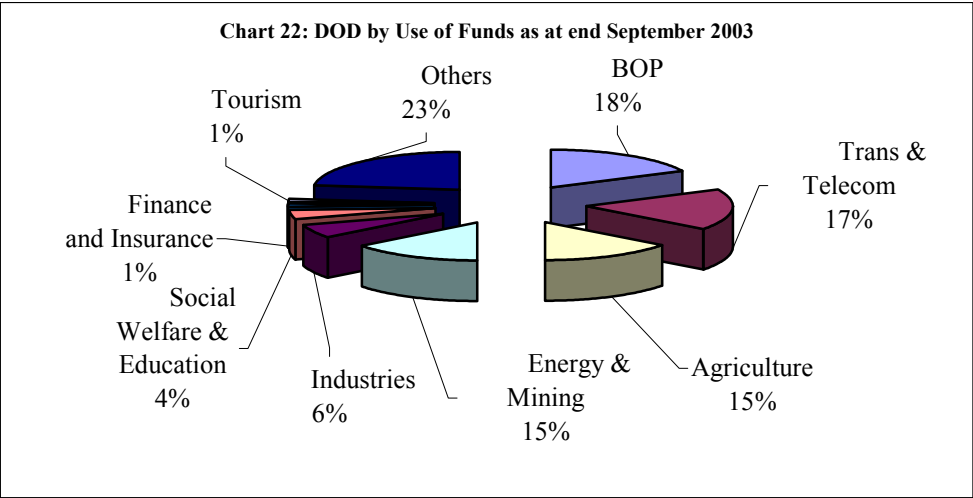
creditors respectively. The proportion of total debt owed to Commercial and Export creditors was 6.2 percent and 3.7 percent respectively (Chart 20).



Analysis of disbursed outstanding debt by borrower category shows that the Central Government is the largest borrower with 89.9 percent of the total debt. The Parastatal and Private sector debt accounted for 2.4 percent and 7.7 percent of the total debt respectively.



Analysis of debt by use of funds indicates that USD 1,120.5 million (17.9 percent) of the total debt was disbursed as Balance of payments support. Transport sector received USD 1,080.2 million (17.3 percent). Agriculture and mining received USD 924.8 million (14.8 percent) and USD 907.7 million (14.5 percent) respectively. Industries absorbed USD 364.4 million (5.8 percent) of the total debt while, Social welfare, Finance and tourism received USD 238.9 million (3.8 percent), USD 81.6 million (1.3 percent) and USD 88.7 million (1.4 percent) of the debt respectively. The remaining USD 1,448.0 (23.2 percent) was absorbed by other activities.



**HIPC Debt Relief**

During the period under review, Tanzania made a net saving of USD 7.1 million as HIPC debt relief from International Development Association (IDA), African Development Bank (AfDB), and IFAD.

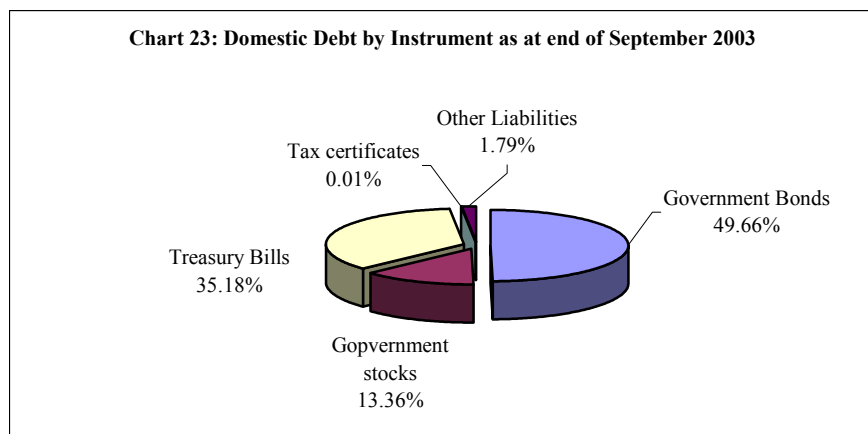
## Disbursements and Debt Service Payments

There were no new loans contracted and recorded during the period under review. Recorded disbursements amounted to USD 0.3 million and debt service payments amounted to USD 13.0 million resulting into net outflow of USD 12.7 million.

## Domestic Public Debt

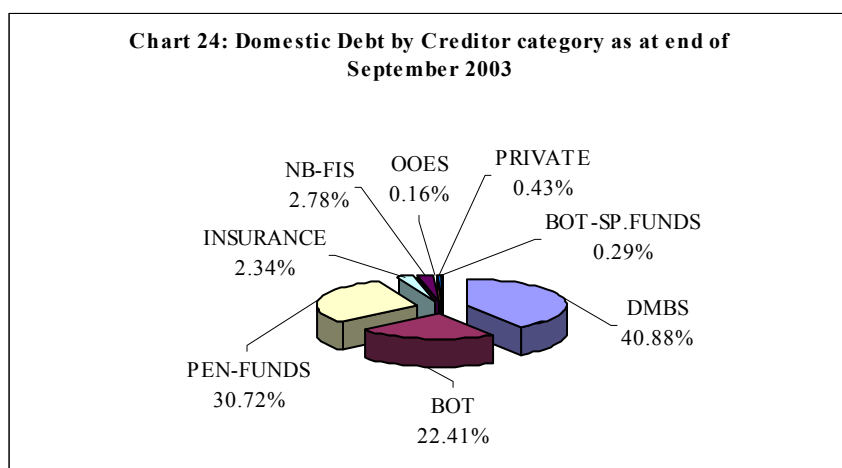
Total domestic debt owed by the United Republic of Tanzania (URT) Government as at end of September 2003 stood at TZS 924.5 billion. Total domestic debt increased by TZS 56.9 billion or 6.6 percent when compared to TZS 867.7 billion, registered at the end of August 2003.

Analysis of domestic debt by instruments shows that, Government securities (bonds stocks and Treasury bills) constituted 98.2 percent while other government debts represented 1.8 percent only. Treasury bills rose by 20.6 percent from TZS 269.7 billion to TZS 325.2 billion.



## Domestic Debt Stock by Creditor Category

During the month under review, Commercial banks took the leading position by holding debt amounting TZS 377.9 billion or 40.9 percent of the total domestic debt followed by Pension Funds that held TZS 284.0 billion or 30.7 percent. The Bank of Tanzania was third by holding TZS 207.2 billion or 22.4 percent. Non-bank Financial institutions and Insurance companies held 2.8 percent and 2.3 percent respectively. The rest of the creditors held 0.9 percent altogether.



## Domestic Debt Service

A total of TZS 40.1 billion being principal plus interest fell due for payment in September 2003. Out of the total amount TZS 10.9 billion or 27.2 percent of the amount due was paid out of government revenues, while treasury bills and bonds worth TZS 29.2 billion (72.8 percent) were rolled over. The position of interest arrears remained unchanged at TZS 0.1 billion. This amount represents unclaimed interest earned on tax reserve certificates.

## Other Economic Developments

### Food Supply Situation

In early September 2003, the government authorized distribution of 7,215.0 tones of maize from the Strategic Grain Reserve (SGR) to 16 districts facing acute food shortage. Consequently, the government supplied a total of 945.2 tons of the subsidized food to seven districts experiencing severe food shortage as at end September 2003. The districts include, Masasi, Dodoma Rural, Bagamoyo, Korogwe, Kisarawe, Kilosa and Iringa. In view of the current food shortage in the country, the prices of food items particularly cereals in various market centres have recorded an increasing trend. The average price of maize increased by 73 percent to TZS 17,323.0 per 100 kg bag in September 2003 compared to TZS 10,005.0 per 100 kg bag recorded in September 2002. However, the average price of maize on monthly basis increased only by 1 percent, from TZS 17,215 per 100 kg bag in August 2003 to TZS 17,323.0 per 100 kg bag in September 2003. As shown on Table 6 most prices of other selected food crops increased during the month under review.



**Table 6: National average wholesale prices for Selected Food Items, TZS per 100 Kg**

Crop	Sept-02	July - 03	Aug-03	Sept-03	% Change	
					Set 2002 - Sept 2003	Aug 2003 - Sept 2003
Maize	10,005	16,347	17,215	17,323	73	1
Rice	25,617	36,054	36,999	39,913	56	8
Potatoes	17,521	19,707	19,424	18,130	3	-7
Sorghum	12,818	17,910	18,726	19,572	53	5
Beans	31,287	40,158	39,112	40,393	29	3

**Note:** Average prices for 19 regions in Tanzania Mainland.

**Source:** Ministry of Agriculture and Food Security.

### **Strategic Grain Reserve (SGR) and Private Trader Stocks**

During September 2003, the Food Security Department purchased 11,506.1 tons of maize from food surplus regions and released 2,823.1 tons to the market. Consequently at end September 2003, the SGR stock stood at 61,364.0 tons compared with 52,681.0 tons recorded at end-August 2003 (**Table 7**).

In addition to SGR stocks, available statistics on food security indicate that private traders, as at end-September 2003, held a stock of 144,153.0 tons of food grains, making a total stock of 205,517.5 tons of food grains. However, following government's commitment to continue releasing food stocks to districts facing food deficit, this level of stock is likely to decline in the coming months. As a measure to replenish grain stock to cover for the expected shortages the SGR department continues to buy maize from surplus regions, while private traders import more food. The private traders have planned to import 647,347.0 tons of

cereals during 2003/04 crop season. So far, they have imported only 138,813.0 tons of food between June 2003 and September 2003, of which 3,338.0 tons, 22,700.0 tons and 112,775.0 tons were maize, rice and wheat respectively. It is estimated that the private traders will import 119,025.0 tons of food grains before the end of December 2003.

**Table 7: 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	50,475	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		
November	89,882	62,388	61,773		
December	78,967	62,788	58,395		

**Source:** Food Security Department and BOT computations.

## Economic Developments in Zanzibar

### Inflation Developments

#### Headline Inflation

The annual headline inflation rate during the year ended September 2003 increased to 12.2 percent, from 11.4 percent registered during the year ended August 2003. The increase was associated with an upward pressure on average prices of food items resulting from food shortages in Zanzibar and in Tanzania Mainland, the

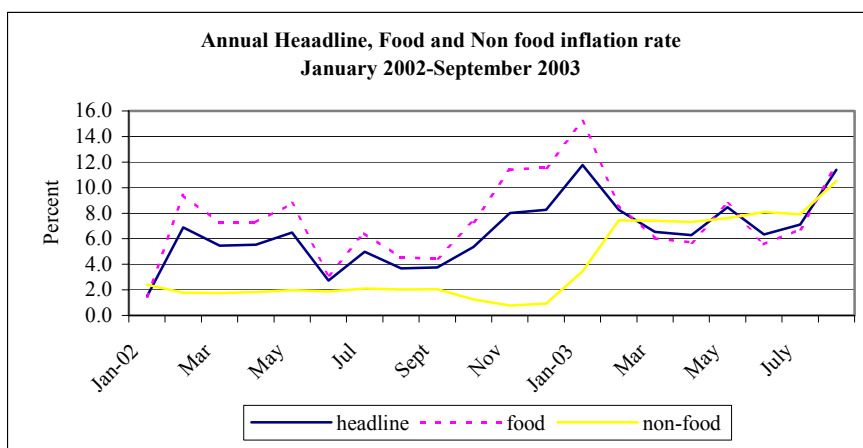
major source of Zanzibar's food supply. However, when measured on a month-on-month basis, headline inflation rate decreased by 4.9 percentage points from 5.0 percent recorded in the previous month to 0.1 percent during the review month. The decline was attributed to marginal impact of food inflation of 0.2 percent compared to an inflation rate of 6.2 percent registered in August 2003 (**Table 8 & Chart 25**).

### **Non-food inflation**

During the year ended September 2003, non-food inflation rate decreased slightly to 10.4 percent from 10.5 percent registered during the year-ended August 2003. The decline was on account of a modest slow down on average inflation rates of non-food items. On month-to-month basis, the average price of non-food items remained unchanged in September, after rising by 2.4 percent during August 2003 due to a decrease in average prices of furniture and utensils and stable prices for all other items.

### **Food Inflation**

Annual food inflation rate during the year ended September 2003 increased to 13.2 percent from 11.8 percent recorded in the previous month. The hike in food prices is manifestation of low supply of food associated with drought related poor harvest in Zanzibar and Tanzania Mainland. Inflation rate measured on month-on-month basis portrays that, food inflation rate increased by 0.2 percent in the month under review. The increase was explained by a rise in average prices of vegetables, fruits, fresh chilli and nuts, while cereal prices remained relatively stable.



**Table 8: Percentage Change in the Sub-Groups of the Zanzibar Consumer Price Index**

Major Commodity Group	Year-on-Year				Month-on-Month			
	Weight %	Sept-02	Sept-03	% Change Sept. 2002-Sept. 2003	Weight %	Sept-03	Aug-03	% Change Aug 03-Sept. 03
Food	75.8	338.2	383.0	13.2	75.8	383.0	382.1	0.2
Drinks and Tobacco	1.2	463.0	513.2	10.9	1.2	513.2	513.2	0.0
Rent	1.4	761.9	857.1	12.5	1.4	857.1	857.1	0.0
Fuel and Light	7.5	823.3	900.1	9.3	7.5	900.1	900.1	0.0
Clothing and Footwear	5.8	179.0	217.0	21.2	5.8	217.0	216.8	0.1
Furniture and Utensils	1.2	329.2	348.4	5.8	1.2	348.4	352.8	-1.2
Household Operations	2.5	204.7	225.1	10.0	2.5	225.1	225.1	0.0
Personal Care and Health	0.6	209.3	240.9	15.1	0.6	240.9	240.9	0.0
Recreation and Entertainments	0.5	265.2	244.9	-7.7	0.5	244.9	244.9	0.0
Transportation	3.4	442.8	479.2	8.2	3.4	479.2	479.2	0.0
<b>TOTAL</b>	<b>100</b>	<b>371.9</b>	<b>417.4</b>	<b>12.2</b>	<b>100</b>	<b>417.4</b>	<b>416.9</b>	<b>0.1</b>

**Source:** Office of the Chief Government Statistician, Zanzibar and Bank of Tanzania Computations.

**Table 9: Actual Inflation rates, Tanzania-Zanzibar (% Change)**

	Year-on Year			Month-on-Month		
	Headline	Food Inflation	Non-Food Inflation	Headline	Food Inflation	Non-Food Inflation
2002-Jan	1.5	1.5	2.4	0.3	0.5	0.6
Feb	6.9	9.4	1.8	1.6	2.3	-0.6
Mar	5.5	7.2	1.7	1.7	2.5	0.1
Apr	5.5	7.3	1.8	0.5	0.7	0.1
May	6.5	8.8	2	-2.9	-4.2	0.2
Jun	2.7	3.2	1.9	1.3	1.9	0
Jul	5.0	6.4	2.1	-0.5	-0.8	0.2
Aug	3.7	4.5	2.0	1.0	1.4	0
Sep	3.8	4.5	2.0	-0.6	-1.1	0.4
Oct	5.4	7.3	1.3	0.5	0.7	-0.2
Nov	8.0	11.4	0.8	2.7	3.9	0
Dec	8.3	11.6	0.9	2.4	3.4	0.1
2003-Jan	11.8	15.2	3.5	3.5	3.7	3.1
February	8.3	8.6	7.4	-1.6	-3.5	3.2
March	6.5	6	7.4	0.1	0.1	0.0
April	6.3	5.7	7.3	0.3	0.4	0.0
May	8.0	8.0	7.6	-1.3	-2.1	0.5
June	6.3	5.5	7.9	-0.2	-0.5	0.3
July	7.1	6.8	8.0	0.2	0.3	0.3
August	11.4	11.8	10.5	5.0	6.2	2.4
<b>September</b>	<b>12.2</b>	<b>13.2</b>	<b>10.4</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>

Source: Office of the Chief Government Statistician, Zanzibar and Bank of Tanzania Computations.

## Zanzibar Government Budgetary Developments

### Overall Performance

During September 2003, Zanzibar Government's budgetary performance, on cheques issued basis, recorded an overall deficit before grants of TZS 0.5 billion compared with a deficit of TZS 0.8 billion recorded in the previous month. However, the budget registered a surplus of TZS 1.5 billion after considering

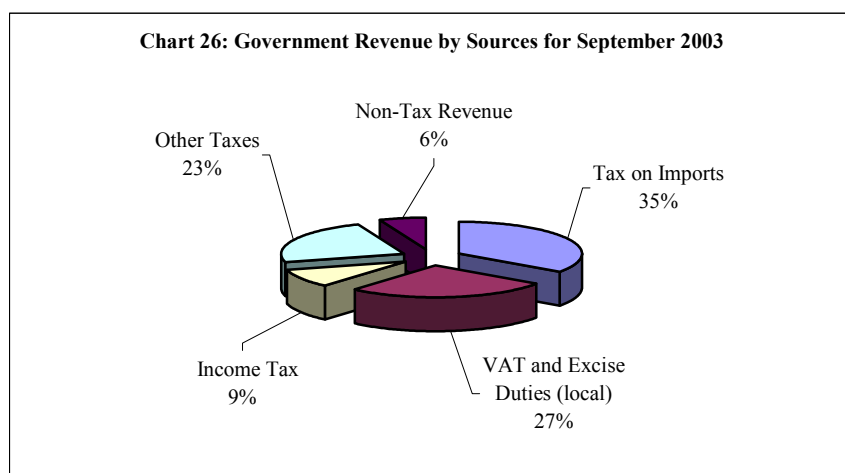
grants amounting to TZS 2.0 billion. Cumulatively, the overall deficit reached TZS 1.2 billion.

## **Revenue Performance**

During the period under review, total revenue collection increased by 7.2 percent from TZS 4.1 billion collected in previous month to TZS 4.4 billion. The collections accounted for 84.2 percent of the monthly target of TZS 5.2 billion and accounted for 7.0 percent of the annual projection of TZS 62.9 billion. With the exception of VAT and exercise duty (local) and income tax, which surpassed their monthly targets by 10.3 percent and 3.5 percent respectively, all other revenue categories were below the target. The unsatisfactory performance was attributed to general decline of imports and slump in tourism activities.

Revenue by category reveals that, tax revenue increased by 5.6 percent from TZS 3.9 billion collected in the previous month to TZS 4.1 billion during the review month. The collections represented 93.8 percent of total revenue. Tax on imports increased slightly by 3.4 percent from TZS 1.48 billion to TZS 1.5 billion. VAT and Excise duties (local) decreased by 3.3 percent from TZS 1.22 billion registered in the previous month to TZS 1.18 billion. Income tax increased by 13.9 percent from TZS 0.36 billion collected in the previous month to TZS 0.41 billion, due to increase in tax compliance. Revenue from other taxes, increased by 17.0 percent from TZS 0.9 billion to TZS 1.0 billion due to increase in business activities during the same period.

Non-tax revenue collection increased by 35.0 percent from TZS 0.2 billion collected in previous month to TZS 0.3 billion. The non-tax revenue accounted for 6.2 percent of total revenue. On cumulative basis, total revenue collection for July - September 2003 amounted to TZS 11.4 billion, accounting for 90.2 percent of the targeted TZS 12.7 billion.

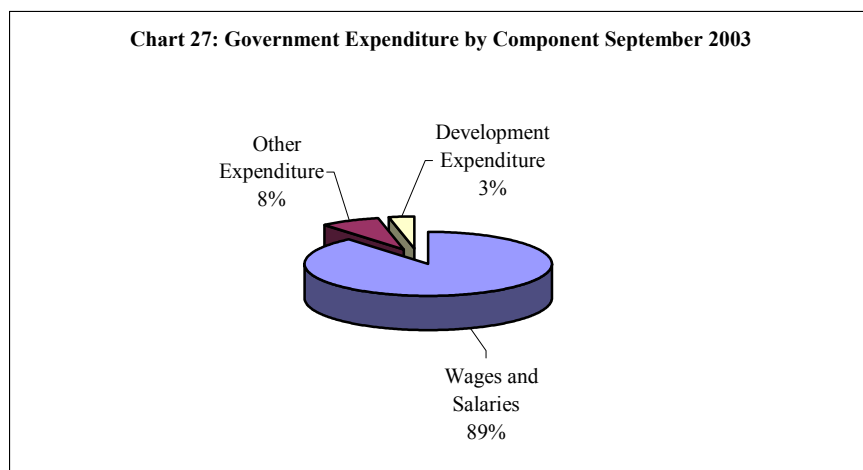


## Expenditure

During the month under review, Zanzibar Government total expenditure amounted to TZS 4.91 billion, slightly lower by 0.4 percent, compared with TZS 4.93 billion spent in the previous month. The expenditure accounted for 39.5 percent of the projected monthly expenditure of TZS 12.4 billion. The low level of expenditure was due to lower than expected revenue collections, and adoption and adherence to cash budget expenditure.

Recurrent expenditure amounted to TZS 4.7 billion, being lower by 2.7 percent compared with TZS 4.8 billion spent in August 2003. The expenditure represented

58.8 percent of the projected monthly expenditure of TZS 8.0 billion. Expenditure on wages and salaries amounted to TZS 4.31 billion, compared with TZS 4.3 billion spent in August 2003 due to adjustment made on the wage bill. Other expenditures decreased from TZS 0.6 billion spent in the previous month to TZS 0.4 billion. Development expenditure amounted to TZS 0.2 billion compared to TZS 0.1 billion spent in August 2003, representing a mere 3.8 percent of the projected monthly expenditure amounting to TZS 4.4 billion. The lower than expected expenditure, was due to delays and non availability of donor funds inflows planned to serve as counter part funds for development projects. On cumulative basis, during July-September, 2003 the Government spent TZS 16.7 billion, accounting for 63.0 percent of the targeted TZS 26.4 billion.



## Financing

During September 2003, the overall deficit on cheques cleared basis was TZS 1.3 billion after adjustment into cash and other items. The deficit was exclusively financed through non- bank borrowing by using Treasury bills.



## Zanzibar Debt Developments

### Overview

Total debt stock (external and domestic) as at end September 2003 stood at TZS 102.3 billion or USD 98.0 million. The debt stock increased marginally by TZS 1.4 billion on account of new domestic borrowing and fluctuations in the exchange rate of the shilling. Out of the total debt, domestic debt amounted to TZS 44.3 billion or USD 42.4 million accounting for 43.3 per cent of the total debt, while external debt amounted to TZS 58.0 billion or USD 55.5 million accounting for 56.7 per cent of the total debt.

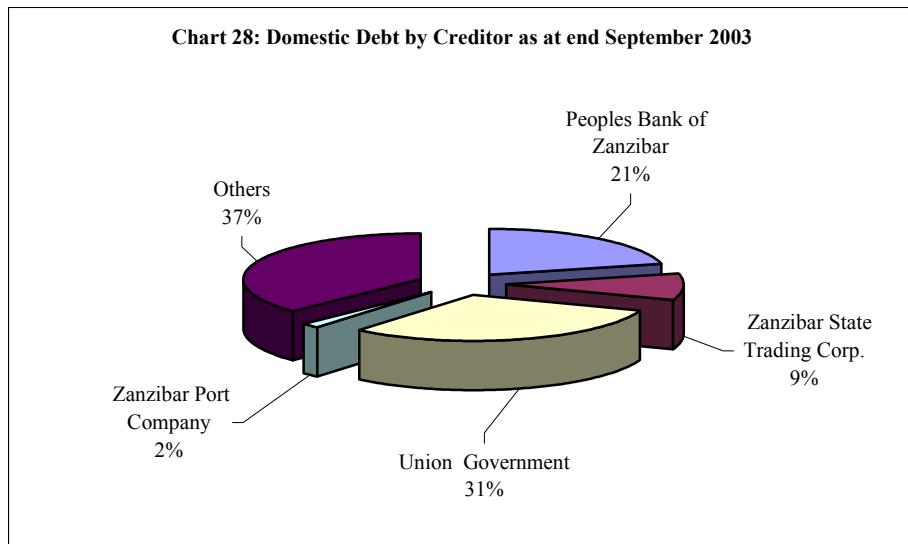
### Domestic Debt

During September 2003, domestic debt stood at TZS 44.3 billion, having registered an increase of 3.3 percent from TZS 42.9 billion recorded the previous month. The increase was attributed to new borrowing.

### Domestic Debt by Creditor

Domestic debt by creditor shows that, as at end-September 2003, the Zanzibar Government indebtedness to the Union Government amounted to TZS 13.6 billion representing 30.7 percent of total domestic debt. The People's Bank of Zanzibar claims to the Government amounted to TZS 9.4 billion accounting for 21.3 percent of total domestic debt. Zanzibar State Trading Corporation and Zanzibar Port Authority claims amounted to TZS 4.1 billion and TZS 0.7 billion accounting for 9.2 percent and 1.6 percent of total debt respectively. Other creditor claims

amounted to TZS 16.5 billion accounting for 37.3 percent of the total domestic debt.



### Domestic Debt by Instrument

Domestic debt by instruments indicates that, borrowing by Treasury bills increased by 26.2 percent from TZS 5.3 billion to TZS 6.7 billion, accounting for 15.2 percent of total Government debt. Debt by Government stocks remained at TZS 4.1 billion accounting for 9.1 percent of total domestic indebtedness. Long term loans amounted to TZS 9.4 billion representing 21.2 percent of total debt, while, short term loans remained at TZS 0.7 billion accounting for 1.6 percent. Other claims which include outstanding advances, pensioner's claims and supplier's credits stood at TZS 23.4 billion representing 52.8 percent of the total government debt as at end September 2003.

### **Domestic debt by Maturity**

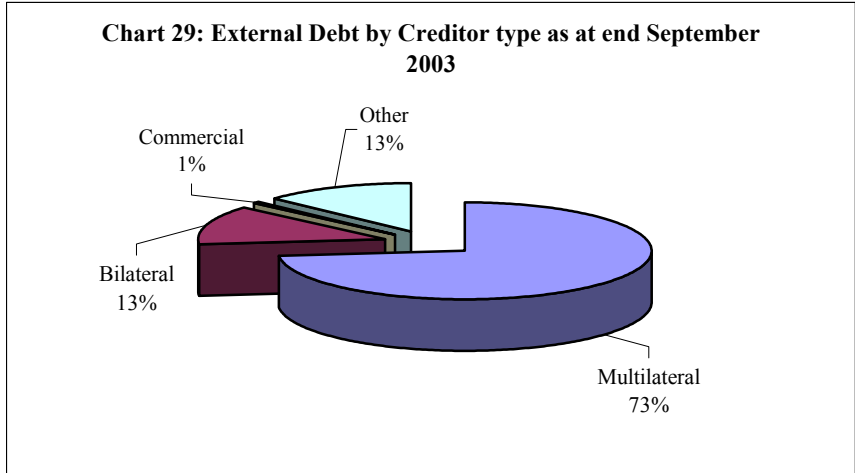
As at end-September 2003, debt maturing less than a year amounted to TZS 11.5 billion, accounting for 26.0 percent of the total domestic debt. Debt maturing between 2-5 years amounted to TZS 9.4 billion representing 21.2 percent, while, Debts with “undetermined maturity” including pensioners’ claims, suppliers’ credits amounted to TZS 23.4 billion or 54.5 percent of total debt.

### **External Debt**

Zanzibar Government external indebtedness as at end of September 2003, stood at USD 55.5 million from USD 55.4 million registered in August 2003. The insignificant increase was associated with exchange rate adjustments.

### **External Debt by Creditor Category**

The external debt portfolio by creditor as at end September 2003, reveals that multilateral creditors claims amounted to USD 40.7 million representing 73.2 percent of total external debt. The bilateral debts amounted to USD 7.4 million or 13.3 percent of external debt. Commercial credits amounted to USD 0.3 million representing 0.6 percent of total external debt. Other creditor claims amounted to USD 7.2 million accounting for 12.9 percent of total external debt.

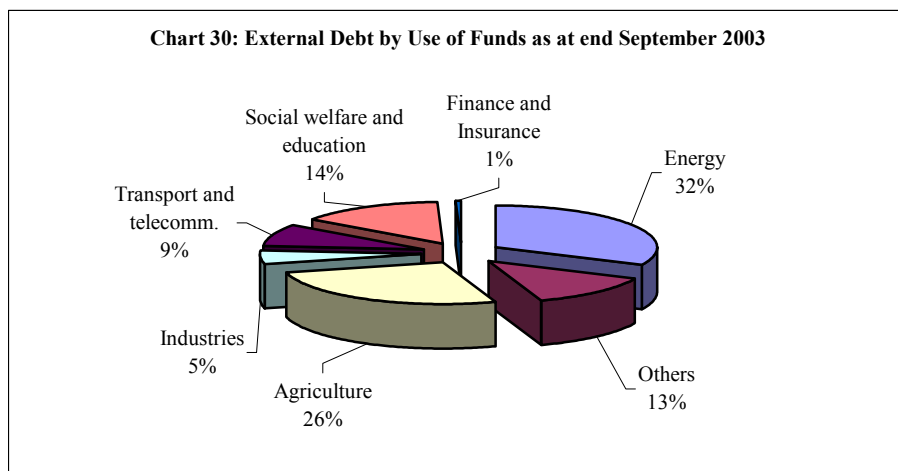


**External Debt by Maturity**

External debt by maturity shows that, debt with maturity between 5-10 years amounted to USD 6.7 million accounting for 12.1 percent of total external debt. Debt with maturity between 10-20 years amounted to USD 4.8 million or 8.6 percent. Debt with maturity above 20 years amounted to USD 44.0 million accounting for 79.3 percent of total external debt.

**External Debt by Use of Funds**

The profile of external debt by use of funds shows that, as at end September 2003, debt amounting to USD 17.7 million or 31.9 percent was held by the Energy sector. Agriculture, industries, transport and telecommunication sectors held USD 14.6 million or 26.2 percent, USD 2.9 million or 5.2 percent, USD 4.9 million or 8.8 percent, respectively. Social welfare and education, and Finance and Insurance sectors accounted for USD 7.9 million or 14.3 percent and USD 0.3 million or 0.6 percent respectively. Other sectors accounted for USD 7.8 million or 12.9 percent.



## Trade Developments

### Trade Balance

During September 2003, the trade account (goods and services) recorded a relatively smaller deficit of USD 5.2 million, compared with a deficit of USD 6.0 million recorded in the previous month. The improvement was attributed to a much higher decline in imports of goods and services compared to exports.

### Exports

Total exports (goods and services) during September 2003, declined slightly to USD 3.0 million from USD 3.3 million recorded in previous month. The decrease was due to decline in receipts from both goods and services by 9.1 percent and 6.5 percent respectively.

Overall, non-traditional exports performed better than traditional exports for the period under review. The value of traditional exports decreased to USD 0.14

million during the review period from USD 0.2 million recorded in the previous month, largely due to a fall in the export price and volume of sea weeds by 9.0 percent and 3.4 percent respectively. Cloves exports volume declined mainly due to non-availability of stock for sale resulting from cyclical harvest pattern.

Non-traditional exports increased following improved performance in manufactured goods, fish and fish produce and other exports. The value of non-traditional exports increased to USD 0.2 million from USD 0.1 million recorded in the previous month. Exports of manufactured goods increased by 20.4 percent to USD 0.12 million from USD 0.10 recorded in August 2003. Fish and fish produce increased by 7.1 percent, due to relative increase in fishing activities, while other exports increased marginally to USD 0.03 million from USD 0.02 million.

## **Imports**

Total imports (c.i.f.) slightly declined to USD 6.75 million from USD 6.8 million registered in the previous month, mainly, due to a decrease in imports of capital and intermediate goods. Importation of capital goods decreased to USD 2.0 million from USD 3.2 million, occasioned by a decline in transport equipments imports to USD 0.64 million from USD 2.7 million in August 2003. However, consumer goods imports increased by 58.0 percent from USD 2.2 million to USD 3.5 million mainly due to a surge in the importation of foodstuffs partly to cater for the Holy month of Ramadhan. Intermediate goods decreased to USD 1.3 million from USD 1.4 million recorded in the previous month, mainly due to decrease in oil imports.

## Services and Income Account

During September 2003, services account, improved from a deficit of USD 0.1 million to a surplus of USD 0.6 million. This was due to higher services receipts, resulting from relative increase in tourist-oriented activities, which offset services payments. The services receipts emanating from transportation, travel and government services amounted to USD 2.7 million, while services payments amounted to USD 2.1 million.

## **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) Banks' reserves excluding cash in vaults (deposit money banks' required and free deposits with the BoT) is referred to as Base money, or the monetary base 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**

It consists of currency in circulation outside banks and demand deposits.

### **Broad Money, M2**

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

### **Extended Broad Money, M3**

It consists of broad money (M2) plus foreign currency deposits.

### **Currency in Circulation Outside Banks**

Notes and coins 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 commercial 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**

They consist of those 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 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.

Table A1: Selected Economic Indicators

Item	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>1. Population (TZ Mainland)</b>	Million	27.5	28.3	29.1	30.0	30.9	31.9	32.8	33.6	
<b>2. Gross Domestic Product (GDP)</b>										
2.1 At Current Prices f.c (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	
<b>3. Income per Capita</b>										
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	
<b>4. Price Index (1994=100)</b>										
4.1 Consumer Price Index (CPI)	Gen. Index	115.8	140.1	162.6	183.5	197.9	209.7	220.4	230.5	
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	
<b>5. Balance of Payments Position</b>										
5.1 Exports (fob)	Mill. USD	682.9	763.8	752.6	588.5	543.3	663.3	776.4	902.5	
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	
5.3 Balance of Visible Trade	Mill. USD	(657.6)	(448.9)	(395.4)	(793.7)	(872.1)	(704.3)	(783.9)	(608.8)	
5.4 Balance on Current Account	Mill. USD	(646.4)	(461.3)	(403.4)	(905.4)	(829.5)	(498.6)	(480.0)	(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	
<b>6.0 Broad Money Supply (M2) **</b>	Mill. TZS	<b>613,695.3</b>	<b>684,990.6</b>	<b>760,353.3</b>	<b>844,929.4</b>	<b>972,088.6</b>	<b>1,093,610.9</b>	<b>1,233,667.0</b>	<b>1,507,386.5</b>	<b>1,649,505.4</b>
6.1 Percentage Change	Per cent	26.1	11.6	11.0	11.1	15.0	12.5	12.8	22.2	13.5
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	504,927.7
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	580,378.3
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	1,211,819.8
<b>7. Public Finance</b>		<b>1995/96</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04***</b>
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	343,882.8
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	368,457.7
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	137,119.5
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)	80,960.2
7.5 Financing:										
7.5.1 Domestic Resources (net)	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)	(179,103.6)
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	137,990.0
<b>8. Total External Debt Stock****</b>	Mill. USD	<b>8,003.8</b>	<b>7,754.1</b>	<b>7,578.5</b>	<b>7,384.7</b>	<b>7,669.7</b>	<b>7,624.8</b>	<b>7,464.0</b>	<b>7,268.1</b>	<b>7,330.7</b>
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	6,254.7
Interest	Mill. USD	1,086.3	1,130.8	978.2	948.8	1,089.4	1,086.5	904.3	1,035.1	1,076.0

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

\*\*\* cumulative for July 2003 -September 2003

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

Source: BoT, BoS (Economic Survey, National Accounts)

**Table A2: Central Government Operations (Actual)**

Item	Millions of TZS							
	2000/01	2001/02	2002/03	BUDGET 2003/04	2003 (Cumulative from Jul-03)			
					Jul-03	Aug-03	Sep-03	
<b>Total Revenue</b>	<b>929,624.0</b>	<b>1,042,955.1</b>	<b>1,217,517.0</b>	<b>1,393,026.2</b>	<b>103,218.8</b>	<b>209,645.1</b>	<b>343,882.8</b>	
Tax Revenue	827,788.4	939,266.8	1,105,746.0	1,264,161.5	94,819.8	192,957.0	315,439.5	
Taxes on Imports	363,540.6	402,159.1	458,285.6	561,554.8	44,192.5	87,540.3	138,544.7	
Sales/VAT and Excise on Local Goods	188,838.6	216,066.8	259,747.2	328,017.6	25,857.4	48,885.6	75,612.3	
Refunds	4,195.4	32,552.4		44,089.8	2,408.3	2,700.8	6,789.1	
Income Taxes	194,012.9	220,630.8	276,049.7	310,326.6	19,488.2	39,996.0	78,694.5	
Other taxes	81,396.3	100,410.1	111,663.5	108,352.4	7,690.0	19,235.9	29,377.1	
<b>Non- tax Revenue</b>	<b>101,835.6</b>	<b>103,688.3</b>	<b>111,771.1</b>	<b>128,864.7</b>	<b>8,399.0</b>	<b>16,688.1</b>	<b>28,443.3</b>	
<b>Total Expenditure</b>	<b>1,305,035.3</b>	<b>1,466,136.9</b>	<b>1,896,854.1</b>	<b>2,383,250.2</b>	<b>147,112.0</b>	<b>330,797.9</b>	<b>505,577.2</b>	
Recurrent expenditure 1/	1,018,782.1	1,121,526.0	1,423,665.5	1,625,527.9	100,500.4	238,722.1	368,457.7	
Roadtoll fund	45,285.9	54,110.9	62,874.3	75,043.0	4,422.4	9,547.5	19,078.4	
Retention fund	25,711.3	25,142.8	47,949.7	62,793.0	3,850.5	8,475.8	13,313.5	
Wages and salaries	308,051.5	341,981.4	397,770.0	464,061.0	33,406.8	71,863.6	114,426.4	
Interest payments	128,149.7	121,081.7	99,780.0	149,438.1	2,815.1	11,223.9	28,524.7	
Domestic 2/	77,788.4	64,605.2	57,009.3	71,852.0	1,613.3	4,852.7	15,795.9	
Foreign	50,361.3	56,476.0	42,770.7	77,586.1	1,201.8	6,371.2	12,728.8	
Other goods, services and transfers	582,580.9	658,462.0	815,291.4	874,192.8	56,005.6	137,611.2	196,615.0	
<b>Dev. Expenditure and net lending</b>	<b>286,253.2</b>	<b>344,610.9</b>	<b>473,188.6</b>	<b>757,722.3</b>	<b>46,611.5</b>	<b>92,075.9</b>	<b>137,119.5</b>	
Local	35,069.1	50,235.9	95,661.7	140,091.0	11,674.3	23,348.7	36,732.1	
Foreign	251,184.1	294,375.0	377,526.9	617,631.3	34,937.2	68,727.2	100,387.4	
<b>Overall balance (cheq. issued) before Grants</b>	<b>-375,411.3</b>	<b>-423,181.8</b>	<b>-679,337.0</b>	<b>-990,224.0</b>	<b>-43,893.2</b>	<b>-121,152.8</b>	<b>-161,694.4</b>	
<b>Grants</b>	<b>286,306.0</b>	<b>379,849.4</b>	<b>622,302.1</b>	<b>665,961.0</b>	<b>100,005.7</b>	<b>181,489.2</b>	<b>208,340.2</b>	
Program (CIS/OGL)	114,018.9	183,000.2	293,927.7	242,453.3	79,281.7	138,530.2	140,449.7	
Project	123,629.8	140,192.0	255,516.2	223,914.9	2,327.1	5,221.8	23,678.0	
MDF/ Basket Support funds	0.0	0.0	0.0	119,806.7	13,037.1	28,876.9	28,156.4	
HIPC Relief	48,657.3	56,657.2	72,858.2	79,786.1	5,359.9	8,860.3	16,056.1	
<b>Overall balance (cheq.issued) after Grants</b>	<b>-89,105.3</b>	<b>-43,332.4</b>	<b>-57,035.0</b>	<b>-324,263.0</b>	<b>56,112.6</b>	<b>60,336.4</b>	<b>46,645.8</b>	
Expenditure float			921.5	0.0	-80,040.9	-85,401.3	-86,492.4	
Adjustments to cash and other items (net)	-25,447.4	3,203.8	-79,389.1	0.0	-20,011.7	15,451.3	80,960.2	
<b>Overall Balance (cheques cleared)</b>	<b>-114,552.7</b>	<b>-40,128.6</b>	<b>-135,502.6</b>	<b>-324,263.0</b>	<b>-43,940.0</b>	<b>-9,613.6</b>	<b>41,113.6</b>	
<b>Financing:</b>	<b>114,552.7</b>	<b>40,128.6</b>	<b>135,502.6</b>	<b>324,263.0</b>	<b>43,940.0</b>	<b>9,613.6</b>	<b>-41,113.6</b>	
Foreign Financing (net)	90,354.2	121,842.5	172,016.5	278,968.6	17,582.8	132,736.4	137,990.0	
Loans	172,880.4	187,355.5	273,341.8	350,870.4	19,573.1	141,938.5	153,951.6	
Program loans	45,326.1	33,171.2	151,331.0	135,000.0	0.0	107,310.0	107,310.0	
Development Project loans	127,554.3	154,184.3	122,010.8	215,870.4	19,573.1	34,628.5	46,641.6	
Basket Support				58,039.2	0.0	0.0	1,911.4	
Amortization	-82,526.2	-65,513.0	-101,325.3	-129,941.0	-1,990.3	-9,202.1	-17,873.0	
Domestic (net)	-2,494.4	-22,606.6	-36,513.9	45,294.4	26,357.2	-123,122.8	-179,103.6	
Domestic Financing			-36,263.0	42,711.4	26,357.2	-123,122.8	-185,170.4	
Bank borrowing	-18,654.8	-59,180.9	-44,763.0					
Non-Bank (net of amortization)	16,160.4	36,574.3	8,500.0					
Amortization of contingent debt	-256,372.9	-1,614.0	-250.9	-14,417.0	0.0	0.0	0.0	
Privatization Proceeds	26,692.9	0.0	0.0	17,000.0	0.0	0.0	6,066.8	
Recovery from NBC bond			0.0					

**Note:**

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

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

Table A3: Monetary Survey

End of Period	Millions of TZS													Total sum (9,15)	of which: Reserves	
	Domestic assets (net)				M3, Extended Broad Money			Broad Money			M0 Base Money					Memorandum item:
	Domestic credit (net)				M2, Broad Money			M1, Narrow Money								
	Foreign assets (net)	Claims on government (net)	Claims on the private sectors*	Other items (net)	Total			Currency in circulation outside banks	Demand deposits	Time deposits	Savings deposits	Foreign currency deposits	Total			
					sum (9-13)	sum (9-12)	sum (9,10)									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
1990	6,393.5	54,180.9	145,461.4	(35,839.6)	170,196.2	166,674.8	111,084.9	57,919.1	53,165.8	35,002.6	20,587.3	3,521.4	24,775.2	(33,143.9)		
1991	20,050.1	39,717.8	198,152.6	(40,580.3)	217,340.2	211,579.0	135,925.8	63,604.6	72,321.2	43,383.5	32,269.7	5,761.2	142,003.8	78,399.2		
1992	54,027.8	82,201.2	34,849.6	130,847.3	301,925.9	284,968.3	185,876.2	95,454.5	90,421.7	62,459.1	36,633.0	16,957.6	112,750.2	17,295.7		
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	280,158.6	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	428,285.1	244,313.7	183,971.4	91,210.2	94,199.9	139,216.3	559,198.8	314,885.1		
1996	290,319.8	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	276,586.7	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	366,596.2	311,533.0	54,377.1	1,217,626.9	972,088.6	632,571.2	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	(59,986.1)	2,047,683.1	1,507,386.5	958,786.6	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)	2,255,658.5	1,602,637.6	1,049,006.7	495,295.6	553,711.1	224,169.8	329,461.1	653,020.9	1,271,603.0	776,307.4		
Aug	1,895,236.8	172,642.0	728,883.0	(175,205.2)	2,263,174.7	1,607,279.1	1,037,088.8	503,545.3	533,543.5	237,208.4	332,981.9	655,895.6	1,271,009.1	767,463.8		
Sep	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	337,469.1	647,620.4	1,192,852.8	687,925.1		

\* Previously known as " Claims on other domestic sectors (net)"

Source: Bank of Tanzania

Table A4 : Tanzania's Balance of Payments

	Millions of USD					
Item	1997	1998	1999	2000p	2001p	2002p
<b>A. Current Account Balance</b>	<b>(403.4)</b>	<b>(905.4)</b>	<b>(829.5)</b>	<b>(498.6)</b>	<b>(480.0)</b>	<b>(251.1)</b>
<b>Goods:</b>						
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)
<b>Balance on Goods</b>	<b>(395.4)</b>	<b>(793.6)</b>	<b>(872.1)</b>	<b>(704.3)</b>	<b>(783.9)</b>	<b>(608.7)</b>
<b>Services:</b>						
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)
<b>Balance on Services</b>	<b>(317.9)</b>	<b>(434.1)</b>	<b>(194.8)</b>	<b>(55.1)</b>	<b>(10.3)</b>	<b>(46.7)</b>
<b>Balance on Goods and Services</b>	<b>(713.3)</b>	<b>(1,227.7)</b>	<b>(1,066.9)</b>	<b>(759.3)</b>	<b>(794.2)</b>	<b>(655.5)</b>
<b>Income</b>						
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)
<b>Balance on Goods, Services and Income</b>	<b>(835.1)</b>	<b>(1,332.7)</b>	<b>(1,166.1)</b>	<b>(889.4)</b>	<b>(879.4)</b>	<b>(671.8)</b>
<b>Current transfers:</b>	431.7	427.3	336.6	390.8	399.4	420.7
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>B. Capital Account</b>	<b>270.9</b>	<b>252.4</b>	<b>270.6</b>	<b>330.4</b>	<b>365.2</b>	<b>354.1</b>
<b>Capital transfers:</b>						
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
<b>Total, Groups A plus B</b>	<b>(132.5)</b>	<b>(653.0)</b>	<b>(558.9)</b>	<b>(168.2)</b>	<b>(114.8)</b>	<b>103.0</b>
<b>C. Financial Account, excl. reserves and related items</b>	<b>236.3</b>	<b>(166.1)</b>	<b>613.3</b>	<b>572.5</b>	<b>98.2</b>	<b>306.8</b>
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
<b>Total, Groups A through C</b>	<b>103.7</b>	<b>(819.1)</b>	<b>54.3</b>	<b>404.4</b>	<b>(16.6)</b>	<b>409.8</b>
<b>D. Net Errors and Omissions</b>	<b>(303.6)</b>	<b>313.3</b>	<b>(163.3)</b>	<b>(439.5)</b>	<b>34.1</b>	<b>(81.0)</b>
<b>Overall balance (Total, Groups A through D)</b>	<b>(199.8)</b>	<b>(505.8)</b>	<b>(109.0)</b>	<b>(35.1)</b>	<b>17.5</b>	<b>328.8</b>
<b>E. Reserves and Related Items :</b>	<b>199.8</b>	<b>505.8</b>	<b>109.0</b>	<b>35.1</b>	<b>(17.5)</b>	<b>(328.8)</b>
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)
<b>Memorandum items:</b>						
GDP(mp) Mill.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) Mill. 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)