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

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**June 2003**

### **Inflation Developments**

#### **Headline Inflation**

The annual inflation rate during the year ending May 2003 remained at 4.3 percent the same level recorded during the year ended April 2003. However, when measured on a month-on-month basis, the overall inflation rate declined by 1.1 percent between April 2003 and May 2003, following a general decline in average prices of most food and non-food items during the month. Similarly, the seasonally adjusted month-on-month headline inflation rate declined from 0.7 percent in April 2003 to 0.3 percent in May 2003.

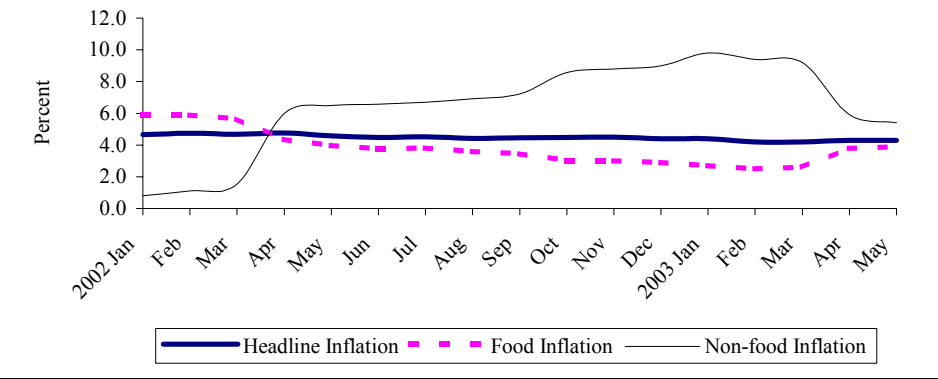
#### **Non-food inflation**

During the period under review, there was a significant drop in the average prices of all non-food items, with the exception of rent and items used in household operations and maintenance, whose average price increased by 0.5 percentage points and 0.9 percentage points respectively. As a result, annual non-food inflation recorded a decline of 0.5 of a percentage point from 5.9 percent in April 2003 to 5.4 percent in the year ending May 2003. Also, the month-on-month non-food inflation rate slowed down from 0.6 percent in April 2003 to 0.1 percent in May 2003.

### **Food Inflation**

Due to inadequate rainfall experienced in most regions of the country during the current farming season, average prices of food items, particularly food grains increased during the year ending May 2003. However, prices of non-cereal food items such as potatoes, bananas, cassava, legumes, and all types of meat, declined significantly during the month under review. Consequently, food inflation rate increased only marginally by 0.1 of a percentage point, from 3.8 percent in the year ending April 2003 to 3.9 percent in the year ending May 2003. When measured on a month-to-month basis, between April 2003 and May 2003, food inflation decreased significantly by 1.5 percent reflecting the fall in prices of seasonal food items.

**Chart 1: Annual Headline, Food and Non-food Inflation**  
January 2002 - May 2003



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

(Base: December 1994=100)

Major Commodity Group	Weight	Apr	% Change	May	May	% Change	% Change
		%	2002	Apr 02	2002	2003	May 02
			- Apr 03			- May 03	- May 03
Food	71.2	259.1	+3.8	245.6	255.2	+3.9	-1.5
Drinks and Tobacco	4.4	185.5	+4.5	177.5	185.3	+4.4	-0.1
Rents	3.9	209.2	+4.0	201.3	210.4	+4.5	+0.6
Fuel, Power and Water	4.7	345.8	+9.0	323.4	346.9	+7.3	+0.3
Clothing & Footwear	3.7	211.0	+6.8	197.3	210.1	+6.5	-0.4
Furniture & Household Equipment	2.5	205.5	+4.2	197.4	205.6	+4.2	0.0
Household Operations & Maintenance	1.5	168.8	+5.2	161.6	171.5	+6.1	+1.6
Personal Care & Health	2.2	160.9	+7.3	150.4	161.1	+7.1	+0.1
Recreation & Entertainment	1.2	178.9	+3.7	172.6	178.6	+3.5	-0.2
Transportation	1.2	252.3	+3.7	244.5	252.7	+3.4	+0.2
Education	1.5	212.1	+5.2	202.2	211.4	+4.5	-0.3
Miscellaneous Goods and Services	2.0	163.4	+3.1	159.1	161.8	+1.7	-1.0
<b>TOTAL</b>	<b>100.0</b>	<b>247.8</b>	<b>+4.3</b>	<b>235.0</b>	<b>245.1</b>	<b>+4.3</b>	<b>-1.1</b>

Source: National Bureau of Statistics (NBS)

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

Period	Unadjusted						Seasonally Adjusted					
	Year-to- 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 Jun	5.9	2.4	7.1	-2.3	0.1	-3.2	4.7	3.3	5.1	0.5	0.4	0.5
Jul	5.8	3.5	6.6	-0.9	0.7	-1.4	6.1	4.5	6.6	0.5	0.7	0.6
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	4.4	5.5	3.9	0.7	1.0	1.0
<b>May</b>	<b>4.3</b>	<b>5.4</b>	<b>3.9</b>	<b>-1.1</b>	<b>0.1</b>	<b>-1.5</b>	<b>3.8</b>	<b>4.4</b>	<b>3.9</b>	<b>0.3</b>	<b>0.1</b>	<b>0.2</b>

Source: National Bureau of Statistics and Bank of Tanzania Computations.

1) Total NCPI. 2) Non-Food NCPI. \*Revised figures using new set of seasonal factors.

# Monetary and Financial developments

## Reserve Money Developments

During May 2003, the Bank's monetary policy continued to be directed towards provision of appropriate level of liquidity to the economy, so as to maintain macroeconomic stability. Reserve money, (M0), eased by TZS 14.0 billion to TZS 681.3 billion in May 2003 from TZS 695.3 billion recorded in April 2003. The outturn in M0 was below the PRGF target for the quarter ending June 2003 of TZS 692.7 billion by TZS 11.4 billion.

A decline in M0 was associated with a fall in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Bank by TZS 7.3 billion and TZS 6.7 billion, respectively. The NFA fell on account of the Bank's net sale foreign currency in the Inter-bank Foreign Exchange Market (IFEM), amounting USD 10.9 million in May 2003. The decline in NDA was associated with deceleration in Net Domestic Credit (NDC) and Other Items Net (OIN) by TZS 5.2 billion and TZS 1.5 billion, respectively. The outturn in NDC was mainly explained by a decline in net indebtedness of the Government mainly attributed to a rise in government deposits at the Bank of Tanzania by TZS 1.3 billion and redemption of matured Stocks that led to a fall in government securities by TZS 3.9 billion. Meanwhile, the fall in OIN, was largely explained by open market operations (OMO), in particular, sale of REPOs worth TZS 10.0 billion and the increase in liquidity papers by TZS 3.6 billion. However, the increase in revaluation account and other assets by TZS 8.9 billion and TZS 3.2 billion, respectively, dampened the impact of OMO on OIN. From the uses side, the decline in reserve money was characterised by a fall in

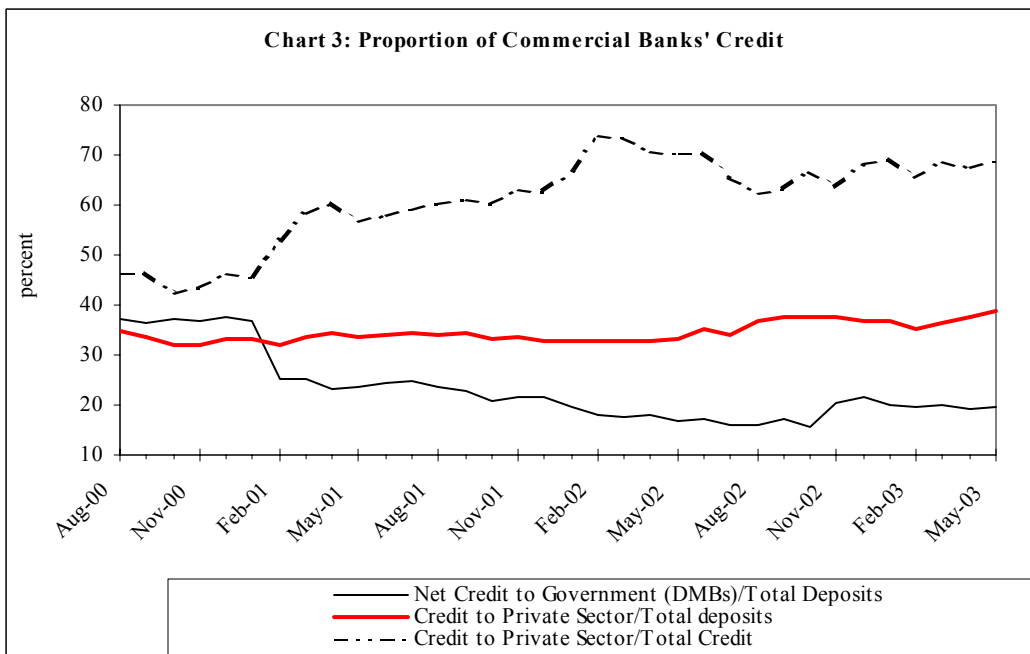
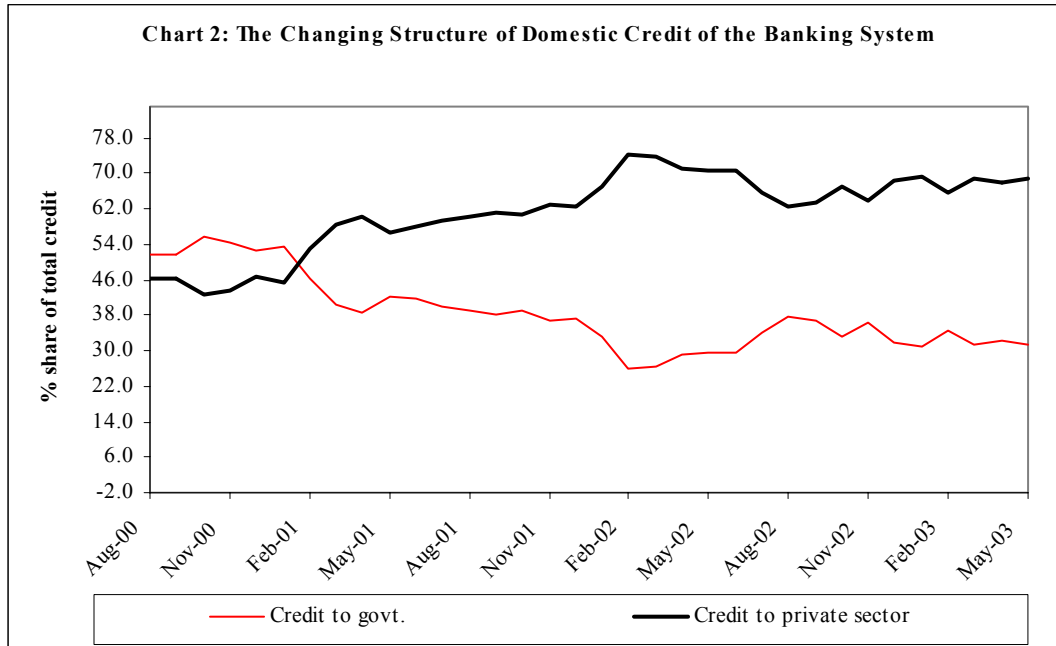
commercial banks' reserves at the Bank by TZS 17.2 billion attributed to open market and foreign exchange operations by the Bank. Meanwhile currency in circulation rose by TZS 3.2 billion following withdrawals made by commercial banks from the Bank.

### **Money Supply and Credit Developments**

According to provisional statistics, broad money supply (M2) decelerated by TZS 8.0 billion to TZS 1,490.7 billion in May 2003 from TZS 1,498.7 billion recorded in April 2003. The M2 outturn was below the PRGF target for the quarter ending June 2003 of TZS 1,602.3 billion, by TZS 111.6 billion.

The decline in M2 during the month emanated from Net Domestic Assets (NDA) of the banking system, which fell by TZS 9.2 billion, from TZS 774.3 billion to TZS 765.1 billion. However, the increase in Net Foreign Assets (NFA) of the banking system by TZS 24.9 billion dampened the effect of NDA on M2. The decline in NDA stemmed from a decline in Other Items Net (OIN) by TZS 32.4 billion, which was partly offset by an increase in Net Domestic Credit (NDC) by TZS 23.2 billion. Specifically, credit to the private sector by the commercial banks rose by TZS 24.3 billion, while net claims on government by the banking system fell by TZS 1.0 billion. Following these developments, the share of private sector credit to total domestic credit rose from 67.8 percent in April 2003 to 68.7 percent in May 2003, while that of the government fell from 32.3 percent to 31.3 percent (**Chart 2**). Similarly, lending to the private sector as a proportion of total deposits increased from 37.5 percent in April 2003 to 38.9 percent in May 2003, while the proportion of lending to the government by the commercial banks to total deposits rose to 19.4 percent from 19.2 percent in April 2003 (**Chart 3**).

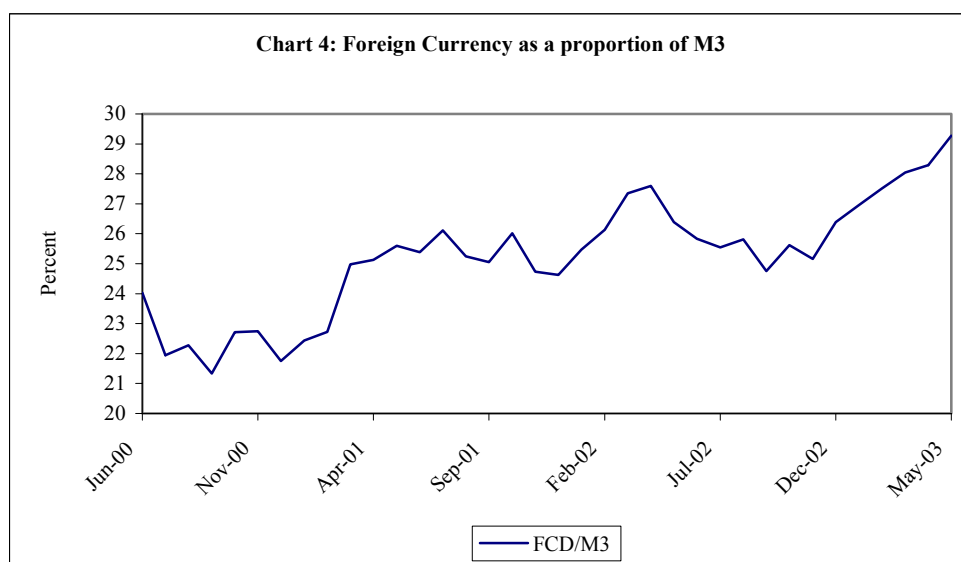
During May 2003, the valuation account, which records changes in the assets of the banking system resulted from exchange rate developments, surged by TZS 23.8 billion.

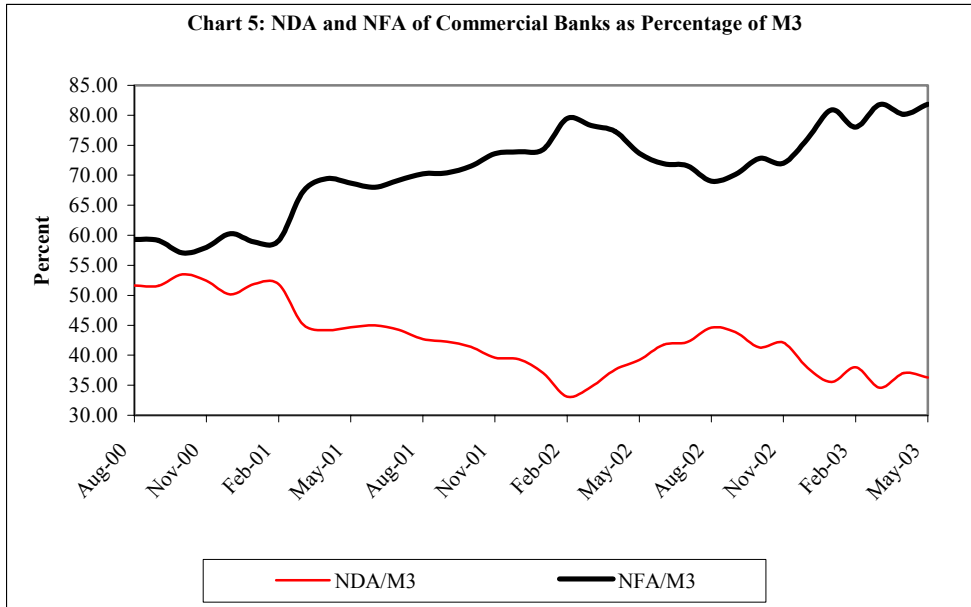




## Extended Broad Money Supply

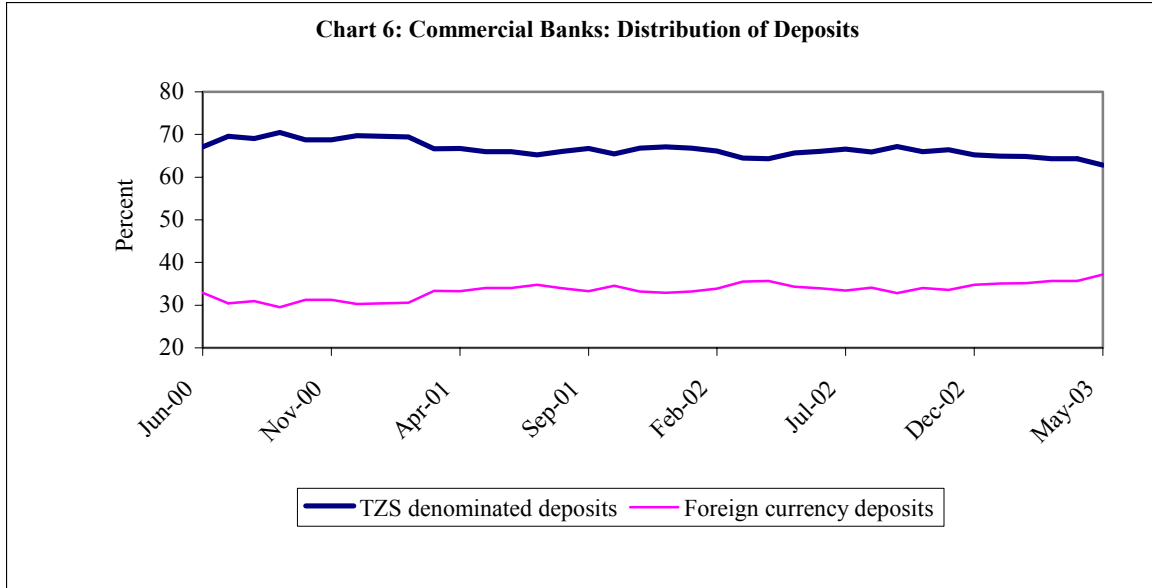
During May 2003, extended broad money (M3), increased by TZS 17.7 billion to TZS 2,107.6 billion, largely due to an increase in net foreign assets of the banking system by TZS 50.6 billion attributed to donor fund inflows, and depreciation of the shilling. In May 2003 foreign currency deposits (FCD) of commercial banks increased by TZS 25.7 billion compared with an increase of TZS 5.8 billion in April 2003 largely associated with the increase in corporate deposits, particularly the Songosongo gas project. As a result, foreign currency deposits as a proportion of M3 increased from 28.3 percent in April 2003 to 29.3 percent in May 2003 (**Chart 4**), while, net foreign assets of the banking system as a proportion of M3 increased from 80.1 percent during April 2003 to 81.9 percent in May 2003 (**Chart 5**). Gross official reserves of the Bank rose from USD 1,532.7 million in April 2003 to USD 1,569.8 million in May 2003, equivalent to 7.4 months of imports of goods and services (GNS).





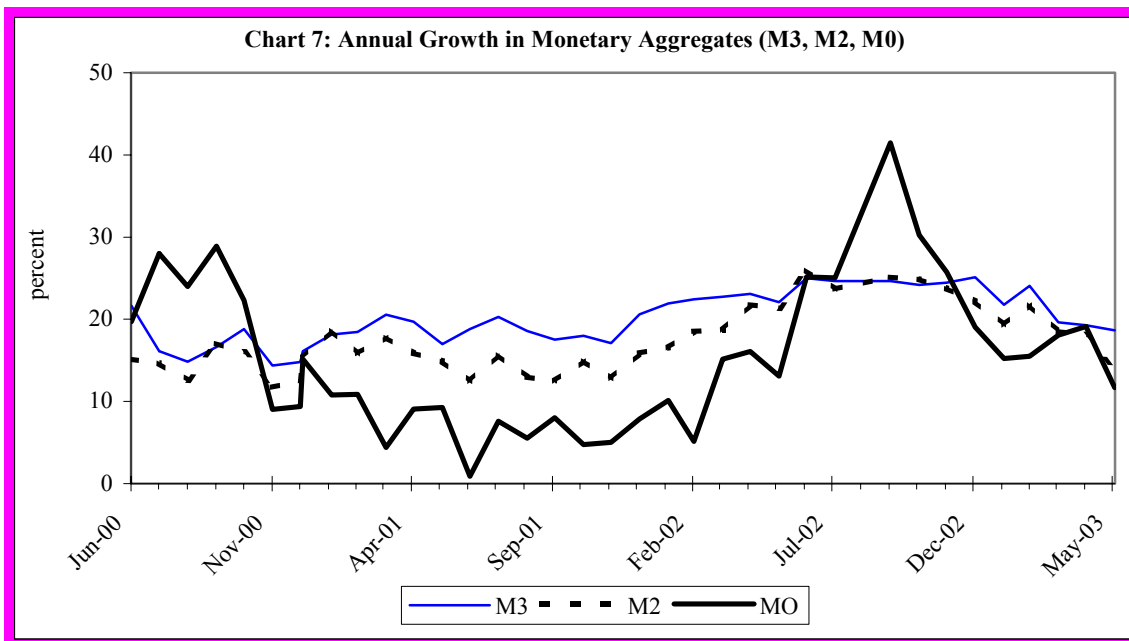
## Commercial Banks Deposits

Total commercial banks deposits increased by TZS 3.7 billion in May 2003, compared with an increase of TZS 17.3 billion during April 2003 ([Chart 6](#)). This outturn was largely attributed to a decline in demand deposits by TZS 30.5 billion following TRA's revenue transfer from commercial banks to government accounts at the Bank. However, the increase in time, savings, and foreign currency deposits by TZS 8.3 billion, TZS 0.1 billion, and TZS 25.7 billion respectively more than offset the decline in demand deposits. During the month under review, foreign currency deposits retained their dominant position by accounting for the largest proportion of total deposits at 37.2 percent up from 35.7 percent registered in April 2003. Demand deposits, accounted for 28.8 percent of total deposits in May 2003, down from 30.7 percent recorded in the previous month. Savings deposits retained its previous month's position at 19.7 percentage share of total deposits while the proportion of time deposits reached 14.4 percent in May 2003 compared with 13.9 percent recorded in April 2003.



### Annual Growth Rates in Monetary Aggregates

During the reporting month, annual growth rates of all monetary aggregates decelerated from levels attained in the year ending April 2003. M0 grew by 11.7 percent in the year ending May 2003 down from 19.1 percent attained in the previous month. During the same period, M2 grew by 14.0 percent compared with 18.1 percent, while M3 grew by 18.7 percent compared with 19.3 percent ([Chart 7](#)).



### Inter-bank Cash Market

Total value of inter-bank cash market transactions during May 2003, decelerated by TZS 70.0 billion to TZS 314.2 billion from TZS 384.2 billion recorded in April 2003. Overnight transactions accounted for 72.1 percent of the total value of transactions for May 2003, up from 71.2 percent recorded in April 2003. During the same period, the proportion of 7-day and 14-day transactions fell to 1.5 percent and 0.7 percent, from 5.2 percent and 1.3 percent, respectively. The value of other maturities accounted for 25.7 percent in May 2003 up from 22.3 percent recorded in the previous month.

The weighted average interest rate on overnight lending between commercial banks, declined from 6.5 percent in April 2003 to 5.1 percent in May 2003 signifying excess liquidity in the overnight money market. Similarly, the overall

inter-bank cash market rate decreased from 6.5 percent to 5.3 percent in the same period ([Table 3](#)).

### **Treasury Bills Market**

During May 2003, Treasury bills comprising 35-day, 91-day, 182-day and 364-day worth TZS 86.1 billion were offered for sale, compared with TZS 84.4 billion offered in the previous month. Total demand for Treasury bills declined by 20.2 percent to TZS 155.1 billion in May 2003 from TZS 194.4 billion recorded in April 2003, reflecting liquidity squeeze in the Treasury bills market. Treasury bills sold during May 2003 amounted to TZS 88.0 billion, reflecting a TZS 9.0 billion increase in sales when compared with TZS 79.0 billion auctioned in the previous month.

Commercial banks continued to dominate in the Treasury bills market accounting for 71.8 percent of total successful bids in May 2003, compared with 66.6 percent recorded in April 2003. Pension funds and insurance companies constituted 15.1 percent of total successful bids, down from 19.3 percent recorded in the preceding month. Non-bank financial institutions (NBFI) and the individuals accounted for 13.1 percent in May 2003, compared with 14.1 percent in the previous month.

Interest rates in the Treasury bills exhibited declining trend during May 2003 from the levels attained in April 2003, except for 35-day bill rate, which rose by 30.0 percentage points to 5.4 percent. The average yields for 91-day, 182-day and 364-day bill decreased from 6.0 percent, 5.8 percent and 6.3 percent in April 2003 to 5.4 percent, 5.1 percent and 5.2 percent in May 2003, respectively. As a result, the

overall weighted average yield (WAY) for all maturities decreased from 5.9 percent in April 2003 to 5.3 percent in May 2003.

### **Treasury Bonds**

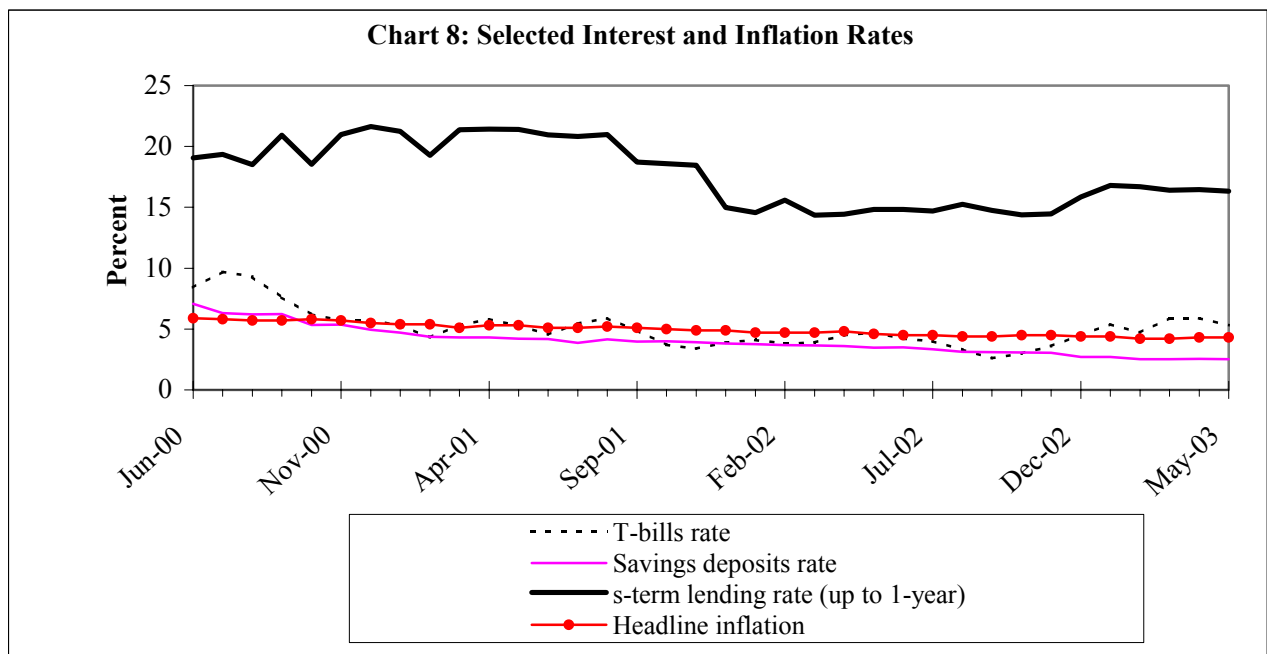
The market for Treasury bonds (comprising of 2-year, 5-year, 7-year and 10-year Treasury bonds) continued to experience low demand. Total bids in May 2003 stood at TZS 14.1 billion against the market offer of TZS 18.5 billion. Actual sales amounted to TZS 13.0 billion. The sustained low demand in the Treasury bonds markets is mainly associated with the presence of few institutional investors in the bond market. The pension funds, who were major participants, have diversified their investments into real estate development. In line with developments in the bond market, the weighted average yield to maturity (WAY) for 2-year, 5-year, 7-year and 10-year Treasury bonds rose across the board from 5.2 percent, 6.6 percent, 6.9 percent and 7.8 percent in April 2003, to 6.3 percent, 6.9 percent, 7.1 percent and 8.1 percent in May 2003 (**Table 3**).

### **Interest Rate Developments**

Developments in interest rates on domestic currency denominated deposits during May 2003 exhibited diverse trends. The saving deposit rate fell from 2.6 percent in April 2003 to 2.5 percent in May 2003, while overall time deposit rate rose from 3.5 percent in April 2003 to 3.6 percent in May 2003 (**Table 3**).

On the other hand, interest rates on domestic currency denominated loans exhibited a declining trend. Lending rates for short-term loans up to 1-year and medium term up to 2-year fell from 16.5 percent and 16.9 percent in April 2003 to 16.3 percent

and 15.8 percent in May 2003, respectively. Similarly, during the same period medium term lending rates for 2-3-year, long-term loans of 3-5 year and term loans of over 5-year declined from 12.7 percent, 13.9 percent and 15.8 percent to 12.5 percent, 12.1 percent and 15.7 percent, respectively. Commensurate with the above interest rate movements, the overall lending rate fell from 15.2 percent in April 2003 to 14.5 percent during the reporting month (**Chart 8 & Table 3**). The interest rate spread narrowed from 13.9 percentage points in April 2003 to 13.8 percentage points in May 2003.



Likewise, developments in interest rates on foreign currency denominated deposits exhibited mixed trends. The average savings deposit rate remained stable at 0.9 percent for five consecutive months, while overall time deposits rate retained its previous month rate of 1.1 percent. The interest rates on foreign currency denominated credits declined across all maturities, except for medium term loan of 1-2 year which rose from 7.6 percent in April 2003 to 7.9 percent in May 2003. As

a result, overall foreign currency denominated lending rate declined from 7.8 percent to 7.4 percent in the same period ([Table 3](#)).

**Table 3: Weighted Average Interest Rates of Commercial Banks (percentage per annum)**

		Jan-03	Feb-03	Mar-03	Apr-03	May-03
<b>Domestic Currency</b>						
1. Overnight Inter-bank Cash Market Rate		6.49	4.58	5.39	6.48	5.09
<b>Overall inter-bank cash market rate</b>		<b>6.52</b>	<b>4.50</b>	<b>5.42</b>	<b>6.49</b>	<b>5.26</b>
2 <i>REPO</i> Rate		4.35	4.35	6.46	6.46	4.63
3 <i>Treasury Bills Rates</i>						
	35 days	4.20	3.80	5.10	5.10	5.40
	91 days	5.40	4.60	5.80	6.00	5.40
	182 days	5.50	5.00	6.10	5.80	5.10
	364 days	5.60	5.10	6.20	6.30	5.20
<b>Overall Treasury bills rate</b>		<b>5.40</b>	<b>4.70</b>	<b>5.90</b>	<b>5.90</b>	<b>5.30</b>
4 <i>Treasury Bonds-</i>						
	2-years	4.92	4.98	4.95	5.19	6.32
	5-years	5.58	5.93	6.10	6.58	6.85
	7-years	6.22	6.63	6.63	6.93	7.05
	10-years	7.50	7.59	7.60	7.79	8.13
5 <i>Discount Rate</i>		10.44	9.83	10.35	11.08	10.38
6 <i>Savings Deposit Rate</i>		2.71	2.52	2.53	2.55	2.52
7 <i>Time Deposits Rates</i>						
	1 month	1.64	2.06	2.45	1.74	2.39
	2 months	4.47	5.51	4.05	4.58	4.78
	3 months	3.78	3.04	2.47	2.89	2.45
	6 months	4.28	4.33	4.20	4.15	4.23
	12 months	5.56	5.63	5.80	5.98	5.97
	24 months	4.49	4.50	4.44	4.16	4.05
8 <i>Lending rates</i>		<b>14.72</b>	<b>14.59</b>	<b>15.03</b>	<b>15.15</b>	<b>14.47</b>
	Short-term (up to 1yr)	16.80	16.68	16.41	16.46	16.33
	Medium-term (1-2 yrs)	14.03	14.34	15.84	16.91	15.77
	Medium-term (2-3 yrs)	12.74	12.59	12.32	12.70	12.49
	Long-term (3-5 yrs)	11.13	11.25	12.05	13.91	12.05
	Term Loans (over 5 yrs)	18.92	18.07	18.54	15.76	15.72
<b>Foreign Currency</b>						
1 <i>Deposits Rates</i>		<b>1.08</b>	<b>1.11</b>	<b>1.26</b>	<b>1.07</b>	<b>1.09</b>
	Savings Deposits	0.85	0.88	0.93	0.93	0.93
	<b>Time Deposits</b>					
	1-months	0.97	0.90	0.87	0.83	0.96
	2-months	1.31	1.61	2.56	1.44	1.75
	3-months	1.10	1.18	1.07	1.19	0.86
	6-months	1.50	1.27	1.25	1.22	1.50
	12-months	1.20	1.26	1.47	1.31	1.26
2 <i>Lending Rates</i>		<b>7.48</b>	<b>7.45</b>	<b>7.16</b>	<b>7.81</b>	<b>7.39</b>



Call loans					
Short-term (up to 1yr)	7.68	7.48	7.60	7.57	6.25
Medium-term (1-2 yrs)	6.25	6.08	5.98	7.55	7.93
Medium-term (2-3 yrs)	8.80	9.16	8.24	8.57	8.44
Long-term (3-5 yrs)	7.18	7.07	6.81	7.55	6.96

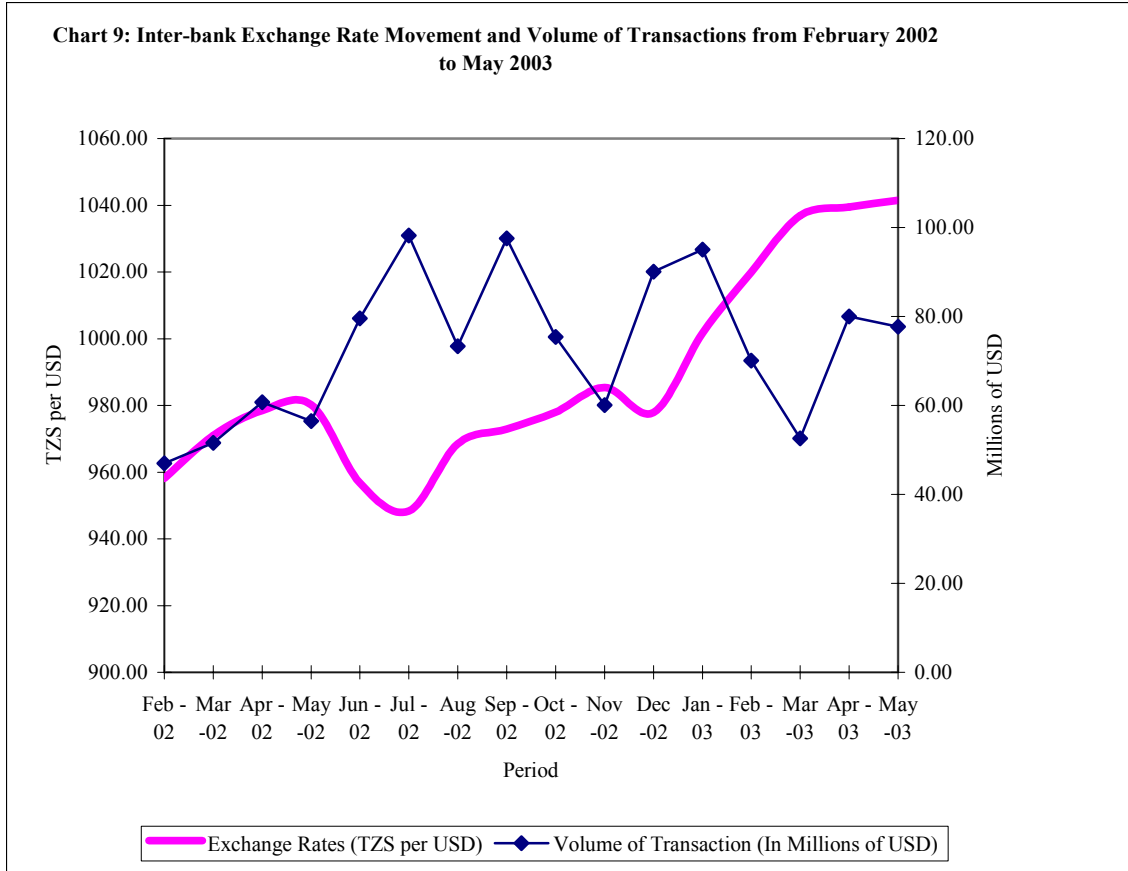
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## Inter-bank Foreign Exchange Market

During May 2003, total amount traded in the Inter-bank Foreign Exchange Market (IFEM) went down by 2.9 percent to USD 77.7 million from USD 80.0 million traded in the previous month. The decline in total amount traded was mainly attributed to low demand for dollars partly due to the 20.4 percent decline in imports to USD 151.3 million in May 2003, from USD 190.1 millions recorded in April 2003. Commercial banks dominated both the supply and demand sides of the market, supplying USD 49.5 million or 63.7 percent of total amount traded and purchasing USD 65.3 million or 84.0 percent of total amount traded, bringing a net purchase of USD 15.8 million. The non-bank financial institutions supplied USD 6.3 million or 8.1 percent of total amount traded and purchased USD 1.4 million or 1.8 percent of total amount traded. The Bank's intervention in the market resulted in a supply of USD 21.9 million or 28.2 percent of the total amount traded and a purchase of USD 11.0 million or 14.2 percent of the total volume traded, hence making a net sale of USD 10.9 million.

## Exchange Rate

During the month under review, the Tanzania shilling depreciated slightly against the US dollar by 0.2 percent, the same rate of depreciation, recorded in the previous month, moving from TZS 1,039.5 per US dollar in April 2003, to TZS 1,041.5 per US dollar.



## Bureau de Change Operations

The volume of transactions conducted by the Bureaux de change system declined by 2.7 percent to USD 35.5 million in May 2003, from USD 36.5 million recorded in the previous month, mainly due to the fall in both sales and purchases. During the review month, sales declined by 1.1 percent to USD 17.8 million, while purchases went down by 4.3 percent to USD 17.7 million in May 2003.

The depreciation pattern exhibited by the shilling in the IFEM was also seen in the Bureaux de change market, whereby the selling rate depreciated slightly by 0.2 percent to TZS 1,055.0 per US dollar in May 2003, from TZS 1,053.0 per US

dollar recorded in the previous month. Likewise, the buying rate depreciated slightly by 0.3 percent to TZS 1,036.0 per US dollar from TZS 1,033.0 per US dollar recorded in April 2003.

Table 4 shows the foreign exchange market developments during the period under review.

**Table 4: Foreign Exchange Market Developments**

	2003			May			July - May		
	April	May	% Change	2002	2003	% Change	2000/01	2001/02	% Change
IFEM									
1. Amount offered*	80.0	77.7	-2.9	56.4	77.7	37.8	590.0	869.9	47.4
2. Amount sold*	80.0	77.7	-2.9	56.4	77.7	37.8	590.0	869.9	47.4
3. Exchange rate**	1,039.5	1,041.5	0.2	980.2	1,041.5	6.3	929.1	994.6	7.0
Bureau de Change									
1. Sales*	18.0	17.8	-1.1	18.2	17.8	-2.2	221.2	202.6	-8.4
2. Purchases*	18.5	17.7	-4.3	17.1	17.7	3.5	228.9	212.7	-7.1
3. Volume of Transactions*	36.5	35.5	-2.7	35.3	35.5	0.6	450.1	415.3	-7.7
4. Buying rate**	1,033.0	1,036.0	0.3	969.9	1,036.0	6.8	920.1	988.6	7.4
5. Selling rate**	1,053.0	1,055.0	0.2	993.9	1,055.0	6.1	934.0	1,007.3	7.8

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

\* Millions of USD, \*\* Tanzanian Shillings (TZS) per US dollar

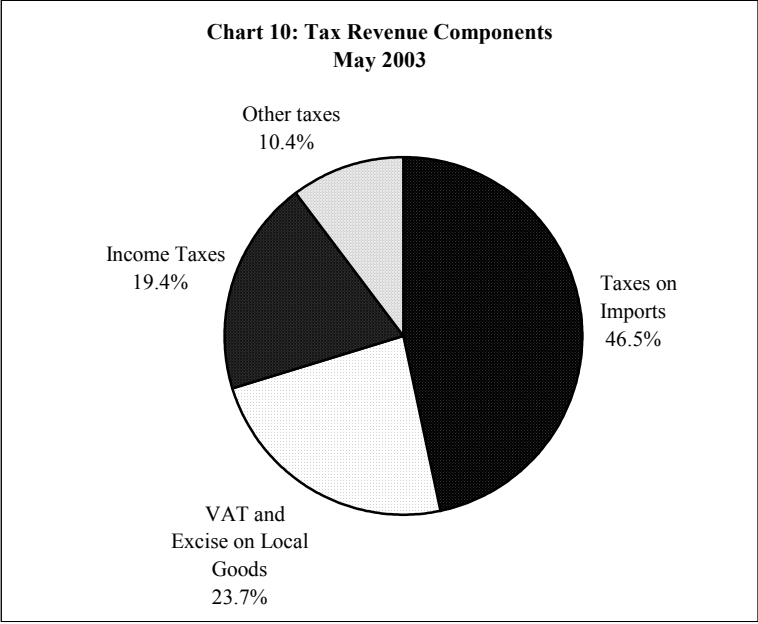
## Government Budgetary Developments

During May 2003, Government budgetary performance on cheques issued basis recorded an overall deficit before grants of TZS 27.6 billion. However, the budget recorded an overall surplus of TZS 23.1 billion after considering grants amounting to TZS 50.7 billion.

## Revenue

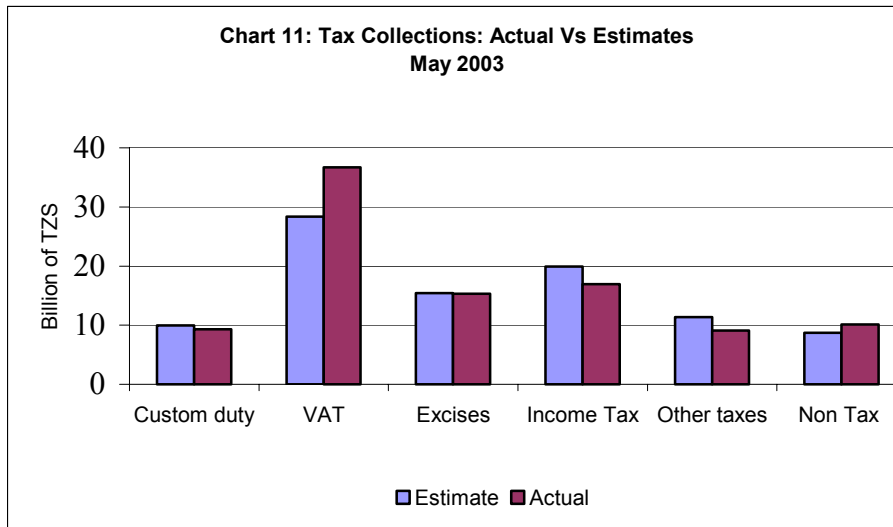
During the review period, total government revenue collection amounted to TZS 97.5 billion being 4.1 percent above the target of TZS 93.7 billion. Tax revenue amounted to TZS 87.4 billion or 89.6 percent of total revenue collection and was TZS 2.4 billion above the target of TZS 85.0 billion. The good performance was mainly on account of higher than expected receipts from all categories of VAT. Total VAT collection reached TZS 36.7 billion compared to the target of TZS 28.4 billion. The explanation to the above performance is the introduction of the Large Taxpayers unit that has enabled TRA to concentrate on small taxpayers. While collections from other main tax categories were almost inline with set targets, Income tax collection was below the expected level due to low compliance level of several tax payers who defaulted paying outstanding tax liabilities projected for collection in May 2003. The Tax revenue comprised the following (See Chart 10):

- Taxes on imports were TZS 40.7 billion or 46.5 percent of tax revenue, and 16.6 percent above the projected TZS 34.9 billion for the month.
- Taxes on local goods amounted to TZS 20.7 billion or 23.7 percent of tax revenue, and were 9.5 percent above the target of TZS 18.9 billion.
- Income tax collection was TZS 16.9 billion, which is 19.4 percent of tax revenue and 84.9 percent of the projected TZS 19.9 billion.
- Collections from other taxes were TZS 9.1 billion or 10.4 percent of tax revenue or 79.8 percent of the targeted amount of TZS 11.4 billion.



In addition, other government receipts comprised the following:

- Non-tax revenue, which amounted to TZS 10.1 billion, surpassed the target of TZS 8.7 billion by 16.1 percent.
- External grants which stood at TZS 50.7 billion, were 58.4 percent above the projected TZS 32.0 billion largely on account of unexpected inflows in respect of program grants that amounted TZS 44.1 billion.



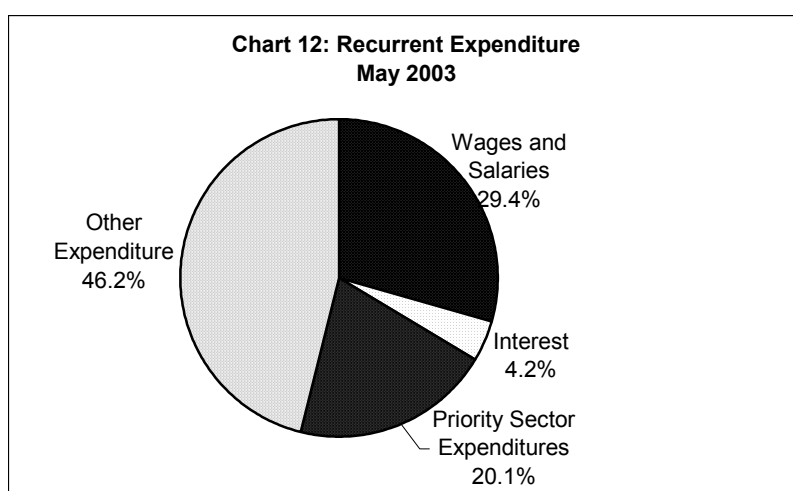
On cumulative basis, during the eleven months of 2002/03, revenue collection amounted to TZS 1,097.8 billion slightly above the projected TZS 1,056.3 billion. Grants amounted to TZS 371.5 billion or 72.5 percent of the expected inflows of TZS 512.6 billion.

## Expenditure

During May 2003, total government expenditure (excluding amortization) amounted to TZS 125.1 billion being 13.4 percent above the target. Recurrent expenditure constituted TZS 111.4 billion of the total expenditure. Spending on debt service amounted to TZS 4.7 billion compared to the ceiling of TZS 7.9 billion. Expenditure on goods, services and transfers reached TZS 55.9 billion, being 19.4 percent of the projected amount of TZS 46.8 billion for the month. Recurrent spending on priority sectors amounted to TZS 22.4 billion thus exceeding the May allocation of TZS 3.7 billion by TZS 18.7 billion. The higher than planned recurrent spending was due to the full utilization in May of the

previous expenditure ceiling allocation overhangs that were caused by delays in submitting demand notes to the Treasury.

As shown in [Chart 12](#), during May 2003, the government spent 29.4 percent of its recurrent expenditure on wages and salaries and 20.1 percent on priority sectors. Debt service (domestic and foreign) accounted for 4.2 percent and the balance was spent on goods and services.



Development expenditure amounted to TZS 13.7 billion, out of which, counterpart funds amounted to TZS 10.4 billion in line with the set ceiling for the month.

Cumulatively, during July 2002-May 2003, total expenditure amounted to TZS 1,496.2 billion being 78.0 percent of the projected level of TZS 1,930.3 billion.

## **Financing**

The budgetary operations in May 2003, after cash adjustments, remained with a debit balance of TZS 0.5 billion, which was finance from domestic sources. Domestic resources amounted to TZS 1.9 billion of which TZS 1.2 billion was used to reduce external loans.

## **External Sector Developments**

### **Trade account**

During May 2003, the deficit in the trade account narrowed by 25.6 percent to USD 82.9 million from USD 111.4 million recorded in the previous month. The contraction in the deficit is largely explained by a decrease in imports that had a stronger effect than a fall in total exports. Conversely, when compared with the corresponding month last year, the deficit in the trade account worsened by 22.4 percent when compared with the deficit of USD 67.7 million recorded in May 2002, following an increase in total imports that outweighed the effect of the increase in exports. However, during the year ending May 2003, the deficit in the trade account narrowed by 9.4 percent to USD 701.7 million from USD 774.5 million recorded during the year ending May 2002, owing to a 15.4 percent increase in total exports of goods and services.



**Table 5: Trade Account Balance**

	Value, Millions of USD								
	2003		%	May		%	June - May*		%
	April	May (p)	Change	2002	2003p	Change	2001/02	2002/03p	Change
<b>Exports</b>	<b>141.4</b>	<b>136.3</b>	<b>-3.6</b>	<b>121.3</b>	<b>136.3</b>	<b>12.4</b>	<b>1,460.9</b>	<b>1,685.8</b>	<b>15.4</b>
Goods	91.3	80.0	-12.4	70.1	80.0	14.2	805.3	985.7	22.4
Services	50.0	56.3	12.5	51.2	56.3	10.0	655.6	700.1	6.8
<b>Imports</b>	<b>252.8</b>	<b>219.2</b>	<b>-13.3</b>	<b>189.0</b>	<b>219.2</b>	<b>16.0</b>	<b>2,235.4</b>	<b>2,387.5</b>	<b>6.8</b>
Goods	190.1	151.3	-20.4	128.8	151.3	17.5	1,554.3	1,627.7	4.7
Services	62.7	67.9	8.4	60.2	67.9	12.8	681.1	759.8	11.6
<b>Trade Balance</b>	<b>-111.4</b>	<b>-82.9</b>	<b>-25.6</b>	<b>-67.7</b>	<b>-82.9</b>	<b>22.4</b>	<b>-774.5</b>	<b>-701.7</b>	<b>-9.4</b>

Note:

\* Year ending May

p = Provisional data

Source: Bank of Tanzania, TRA

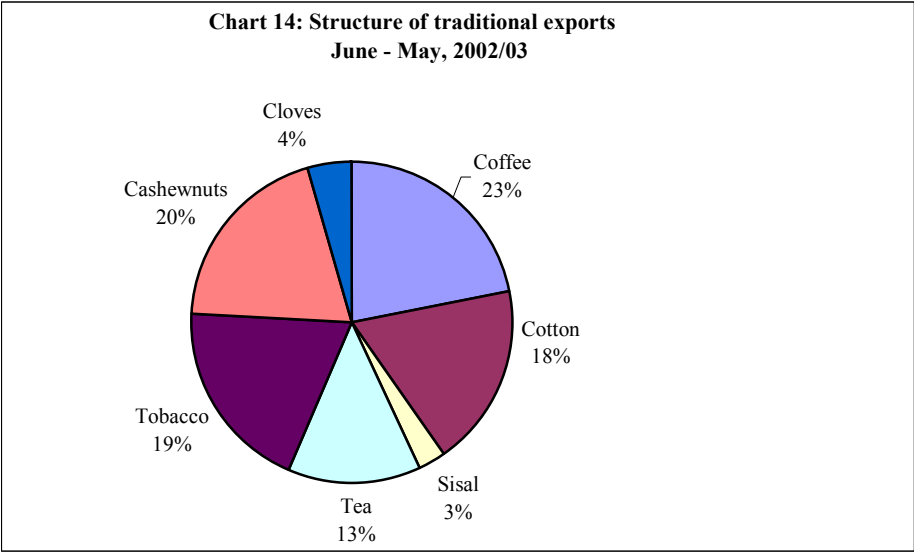
## Exports

During May 2003, total exports declined by 12.4 percent to USD 80.0 million from USD 91.3 million recorded in April 2003 due to a fall in both traditional and non-traditional exports. Traditional exports declined by 28.7 percent to USD11.9 million following a fall in export volumes of all export commodities with the exception of sisal and cashew nuts. During the review month, export volumes of coffee, cotton, tea, tobacco and cloves declined by 46.3 percent, 17.6 percent, 4.2 percent, 70.0 percent and 13.0 percent, respectively. The decline in export volumes is partly explained by the fact that it is off-peak season for most traditional crops. On the other hand, the increase in export unit prices for cotton, tea, tobacco and cashew nuts was not strong enough to offset the effects of the decline in export volumes.

When compared with the corresponding month in 2002, traditional exports increased by 70.3 percent from USD 7.0 million in May 2002, to USD 11.9 million

mainly due to improved performance in export volumes of most of the traditional exports.

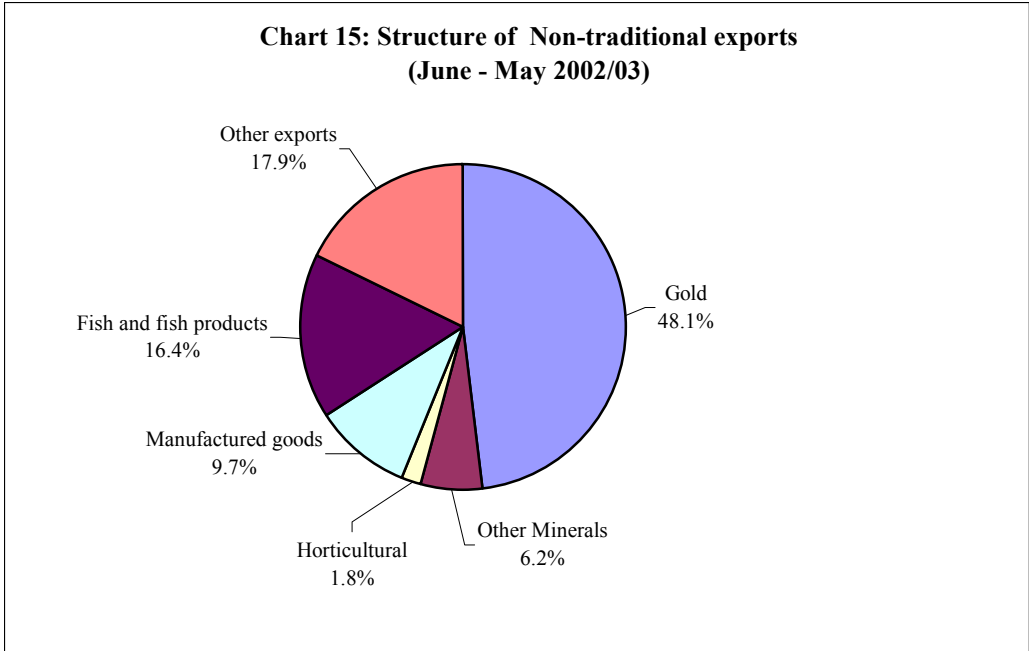
On annual basis, during the year ending May 2003, traditional exports increased by 14.6 percent to USD 223.1 million from USD 194.7 million recorded during the same period in 2002, due to both volume and price factors. Except for sisal and tobacco that recorded declines, all traditional exports recorded increases in export volumes owing to increased production following favourable weather conditions in 2002. Moreover, during the period under review, coffee, sisal, tobacco and cashew nut recorded increases in export unit prices by 6.0 percent, 5.6 percent, 4.5 percent, and 2.6 percent, respectively compared with the corresponding year ending May 2002. The structure of traditional exports for the year ending May 2003 is reflected on [Chart 14](#).



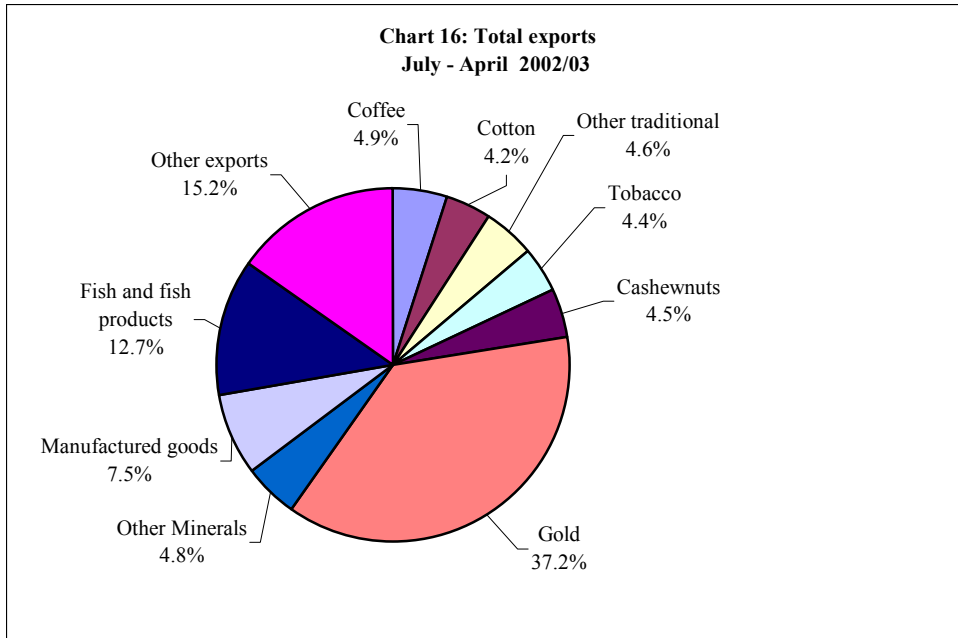
During May 2003, non-traditional exports declined by 8.7 percent to USD 68.1 million from USD 74.6 million recorded in April 2003 on account of decline in exports of gold, fish and fish products; and other exports that declined by 16.1 percent, 27.5 percent and 15.4 percent, respectively. The decline in fish and fish products to USD 11.1 million from USD 15.3 million in the previous month is largely due to decline in exports of marine products especially crabs and frozen crustaceans.

When compared with the corresponding month a year earlier, non-traditional exports increased marginally by 2.7 percent to USD 64.8 million in May 2003 from USD 63.1 million.

On annual basis, during the year ending May 2003, non-traditional exports recorded an increase of 24.9 percent to USD 762.6 million from USD 610.6 million in the corresponding period last year, with all items under this category recording improved performance. Exports of minerals, manufactured goods, fish and fish products, horticulture and other exports increased by 20.2 percent, 19.2 percent, 18.4 percent, 25.9 percent, and 54.9 percent, respectively. The increase in mineral exports is largely attributed to a surge in gold exports that went up to USD 366.6 million from USD 305.4 million following expansion in mining activities in the country and increase in gold prices in the world market. On the other hand, the improved performance in other exports is largely explained by increase in maize exports to Zambia, Malawi and Zimbabwe. The structure of non-traditional exports during the review period is shown in [Chart 15](#) below.



It is worthy noting that despite the recorded increase in traditional exports in the year ending May 2003, its share to the total exports declined to 22.6 percent from 24.2 percent recorded during the year ending May 2002. The weakening of traditional exports that started in 1999 is partly due to persistent low producer prices from which farmers cannot afford to buy fertilizers and pesticides that are vital in improving both quantity and quality for the exports. The structure of total exports during the year ending May 2003 is depicted on [Chart 16](#).



## Imports

During May 2003, total imports (f.o.b.) declined by 20.4 percent to USD 151.3 million from USD 190.1 million recorded in the previous month on account of a decrease in imports of intermediate and consumer goods. Intermediate goods declined by 49.2 percent to USD 43.9 million from USD 86.4 million in April 2003, due to a fall in imports of oil, fertilizers and industrial raw materials. During the review month, oil imports declined by 62.3 percent to USD 24.0 million compared with USD 63.7 million recorded in the previous month. The substantial decline in oil imports is largely due to excess oil stocks held by oil marketing companies imported in the preceding month. The stocks were held as precaution against the anticipated disruption in oil supplies in the world market following the onset of the US led war with Iraq in mid-March 2003. A total of 279,800.0 tons of oil were imported in April 2003, compared with 89,700.0 tons imported during the month under review. Consumer goods imports also declined by 5.9 percent to USD

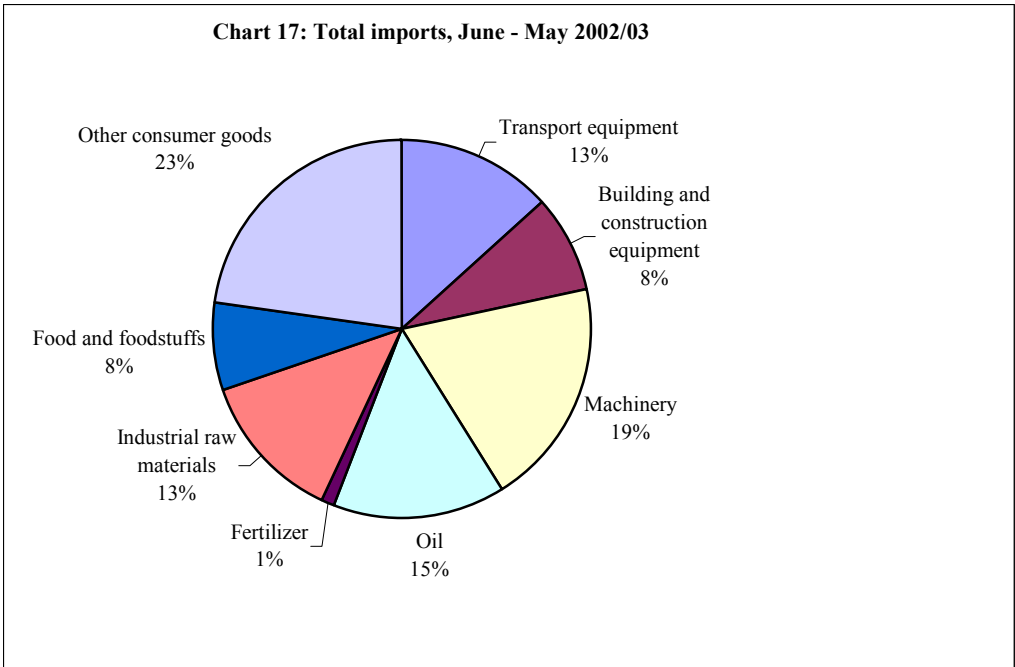
44.8 million from USD 47.6 million recorded in April 2003, owing mainly to a fall in imports of food and food stuffs particularly wheat. During the review, month wheat imports declined to 31,402.0 tons compared with 65,570.0 recorded in the previous month. Conversely, capital goods import recorded an increase during the review month to USD 62.6 million from USD 56.1 million in April 2003, following a surge in machinery imports including earth moving equipment, machinery for sorting, communication equipment, and mechanical appliances.

When comparing with the corresponding month a year earlier, total imports increased by 17.5 percent to USD 151.3 million from 128.8 million in May 2002 owing to increases in imports of capital, intermediate and consumer goods.

During the year ending May 2003, total imports increased by 4.7 percent to USD 1,627.7 million from USD 1,554.3 million recorded during the year ending May 2002. The increase is attributed to a surge in imports of intermediate and consumer goods that went up by 14.6 percent and 4.3 percent, respectively. Imports of intermediate goods increased to USD 465.0 million compared with USD 405.6 million recorded in the corresponding period last year with oil imports accounting for about 51.0 percent of the intermediate goods. The increase in oil imports is partly attributed to a surge in oil prices in the world market and expansion of country's economic activities particularly in the mining sector. In addition, imports of industrial raw materials and fertilizers also increased by 10.2 percent and 17.6 percent, respectively. Consumer goods increased to USD 495.0 million from USD 474.6 million due to surge in imports of other consumer goods.

On the other hand, imports of capital goods declined marginally by 0.9 percent to USD 667.7 million from USD 674.1 million recorded during the year ending May

2002. Imports of capital goods, which comprise of transport equipment, building and construction equipment; and machinery accounted for 41.0 percent of total imports. However, on individual sub-item, other consumer goods accounted for about 23.0 percent of total imports partly due to increase in tourist hotels and supermarkets. The structure of imports for the year ending May 2003 is reflected on [Chart 17](#).

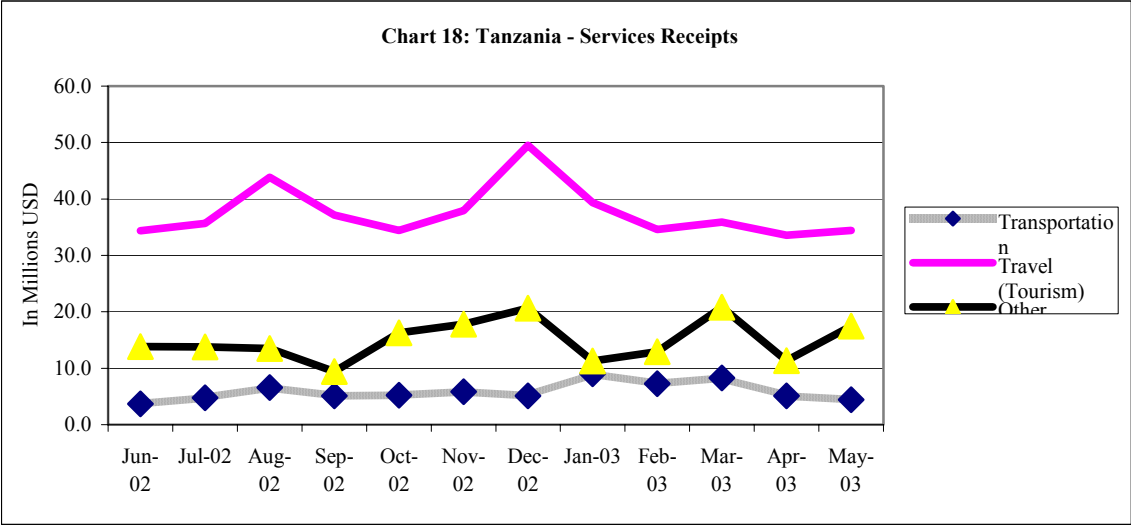


## Services and Income Accounts

### Services Account

During May 2003, the deficit in the services account narrowed slightly to USD 11.6 million from USD 12.6 million recorded during the previous month. The development resulted from the increase in services receipts that outweighed the impact of the rise in services payment. Services receipts increased by 12.5 percent

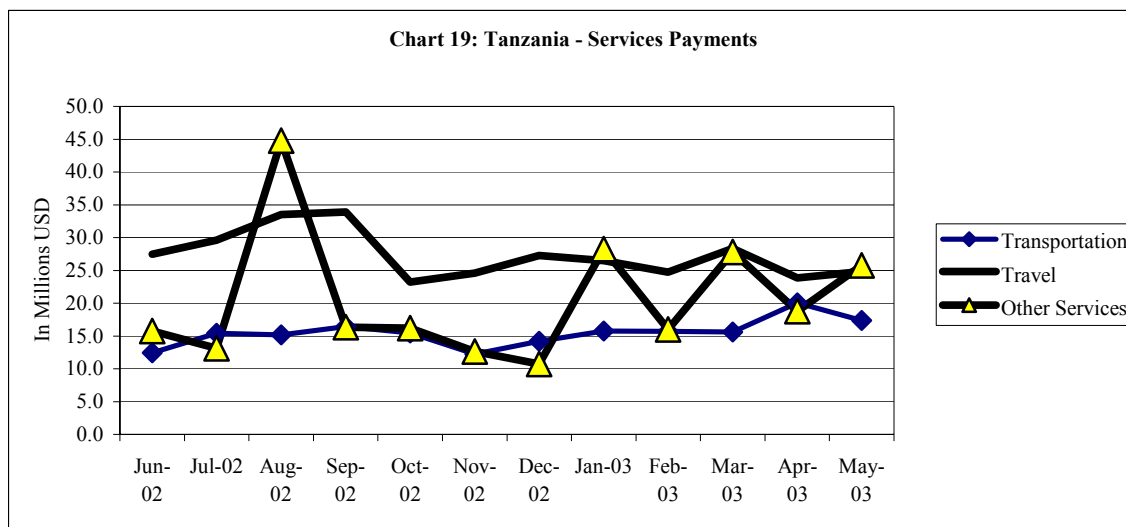
to USD 56.3 million mainly due to increase in communication and other business services receipts to USD 5.8 million and USD 4.8 million, from USD 2.5 million and USD 3.6 million, respectively.



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

Services payments, on the other hand, increased by 8.4 percent to USD 67.9 million mostly on account of payments for government and communication services. The increase in communication services payments to USD 5.9 million from USD 3.0 million is explained by an expansion in the usage of international satellite to facilitate telecommunications over the remote parts of the country. There was however a 20.4 percent decrease recorded in freight payments to USD 14.5 million consistent with the decline in imports (f.o.b.) to USD 151.3 million from USD 190.1 million recorded in the previous month.





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

When compared with the corresponding month a year earlier, the services account worsened to a deficit of USD 11.6 million during May 2003, from a deficit of USD 9.0 million in the corresponding period last year. The development resulted from the 12.8 percent increase in services payments that outweighed the impact of the 10.0 percent increase in receipts. The increase in both services payments and receipts is largely attributed to the expansion in the communications sector.

During the year ending May 2003, the deficit in the services account widened to a deficit of USD 59.6 million from a deficit of USD 25.5 million recorded during the year ending May 2002, following a 11.6 percent rise in services payments that outweighed the impact of 6.8 percent increase in services receipts. The increase in payments was mainly attributed to the increase registered in communication and government services. Communication services payments surged to USD 74.2 million from USD 16.0 million recorded during the year ending May 2002, largely due to payments made by telecommunication companies to Satellite providers for

usage of bandwidth (satellite) services. This signifies the increased expansion of telecommunications network in the country over the year. The increase in services receipts, on the other hand, was mostly due to increase in travel and communication services. Travel (tourism) receipts rose by 7.8 percent to USD 450.7 million, partly ascribed to efforts made by the government and other stakeholders in promoting Tanzania as a tourist destination. There was however a 18.3 percent decline in other business services to USD 70.6 million.

### **Income Account**

During May 2003, the income account improved to a surplus of USD 2.2 million from a deficit of USD 6.1 million recorded in the previous month due to increase in income receipts coupled by the decline in income payments.

Similarly, when compared with the corresponding month a year earlier, the income account balance recorded a surplus of USD 2.2 million from the deficit of USD 2.8 million during May 2002.

During the year ending May 2003, the income account deficit improved to USD 51.4 million from USD 65.0 million during the year ending May 2002, resulting from the 16.4 percent decrease in income payments reinforced by the 21.6 percent increase in income receipts. Income payments decreased largely on account of the 28.0 percent fall in scheduled interest payments, to USD 73.0 million that is attributed to the debt relief obtained under the HIPC initiative. The increase in income receipts resulted mostly from the 36.4 percent increase in investment income by the Bank of Tanzania to USD 64.8 million from USD 47.5 million

earned during the year ending May 2002. The higher investment income is consistent with the upsurge of the gross official reserves of the Bank to USD 1,569.8 million at end-May 2003 from USD 1,220.4 million at end-May 2002.

### **World Commodity Prices**

During May 2003, the average world market prices for **coffee** (Arabica) went up by 7.1 percent to USD 1.5 per kg, from the price level recorded in the previous month. The rise in price was largely attributed to the expectations of a decline in Brazil coffee harvest in 2003/04, due to dry weather. Brazil coffee production is estimated to fall to about 28.8 million bags in 2003/04, from 47.2 million bags produced in 2002/03. The fear of frosts damaging Brazil's coffee crops also added an upward pressure on the price. The Frost season in Brazil normally begins in late May and runs until the end of August. The price of **coffee** (Robusta) remained fairly stable at USD 0.8 per kg, during the review period, the same price as it was in the previous month.

The price of **tea** (average of Calcutta, Colombo and Mombasa auctions) increased by 7.1 percent to USD 1.5 per kg in May 2003, from the price level recorded in the previous month. The increase in price was mainly attributed to the rise in Middle East demand for tea following the end of US led war in Iraq. Furthermore, the fall in tea production in Sri Lanka and Kenya following poor weather conditions also added an upward pressure on the price of tea. The price of **cloves** declined by 5.9 percent to USD 1,600.0 per metric ton during the month under review, from the price level recorded in April 2003.

The average prices of **tea** (Mombasa auction), **cotton** (A-index) and **sisal** remained unchanged at USD 1.5 per kg, USD 1.3 per kg and USD 675.0 per metric ton, respectively.

The average price of **crude oil** (average of UK Brent, Dubai and West Texas Intl) went up by 1.6 percent to USD 26.1 per barrel in May 2003, from the price level recorded in the previous month. Similarly, the price of crude oil (Dubai f.o.b.) increased by 3.8 percent to USD 24.3 per barrel during the month under review from USD 23.4 per barrel recorded in April 2003. The increase in crude oil prices was mainly attributed to delay in post war resumption of Iraq's crude oil exports to the world market than previously expected. It is worthy noting that the rampant looting and sabotage at Iraq's oil field has negatively affected crude oil production in Iraq. As for **white petroleum** products (f.o.b. West Mediterranean), the price went down slightly by 0.3 percent to USD 223.4 per ton during the review period, from the price level registered in April 2003.

The price of **gold** went up by 8.4 percent to USD 355.7 per troy ounce in May 2003, from USD 328.2 per troy ounce recorded in the previous month, following the weakness of the US dollar against some major currencies.

## Debt Developments

### Overview

The overall total debt stock (external and domestic) as at end-May 2003, stood at USD 8073.7 million. Out of which, external debt was USD 7233.4 million or 89.6

percent and domestic debt was USD 840.4 million or 10.4 percent. The total National debt stock rose by USD 119.1 million or 1.5 percent from USD 7,954.6 million as at the end of April 2003. The increase in national debt stock was attributed to new disbursements and accumulation of arrears.

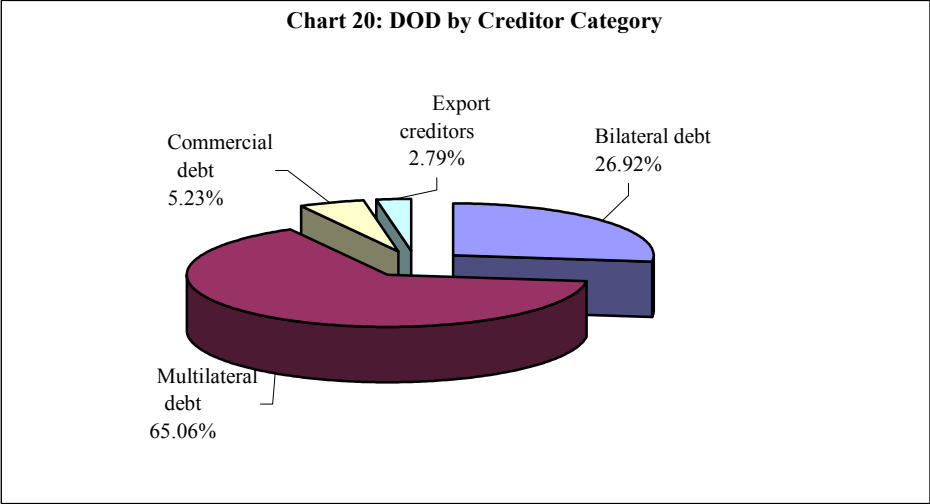
### **External Debt Position**

Total external debt committed as at end-May 2003 was USD 7,762.5 million. The amount increased by USD 114.1 million or 1.5 percent from USD 7,648.4 million as at April 2003. Out of the total amount committed, disbursed outstanding debt (DOD) was USD 6228.5 million and committed undisbursed debt (CUB) was USD 1,534.0 million.

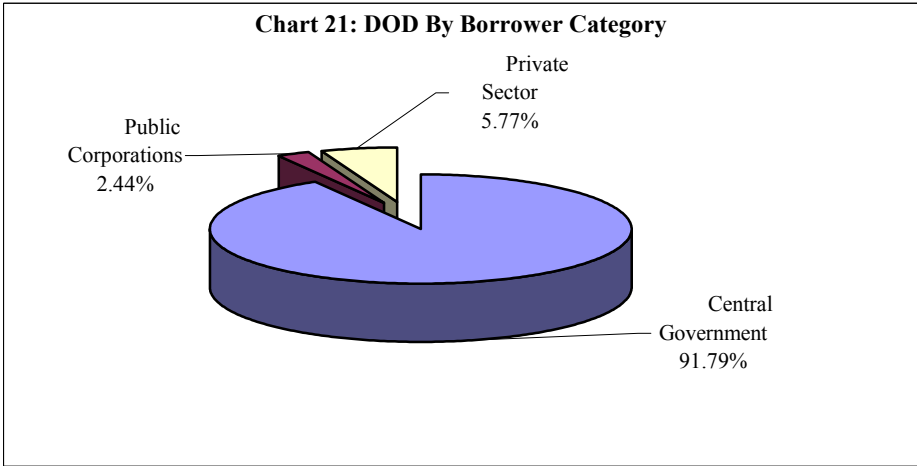
Interest arrears also increased by USD 18.3 million or 1.9 percent from USD 986.6 million at end-April 2003 to USD 1,004.9 million as at end-May 2003. The external debt stock increased by USD 115.7 million or 1.6 percent from USD 7,117.7 million end-April 2003 to USD 7,233.4 million at end-May 2003.

### **The Profile of Disbursed Outstanding Debt**

The profile of disbursed outstanding debt by creditor category shows that 65.1 percent and 26.9 percent of the total debt is owed to multilateral and bilateral creditors respectively. The proportion of total debt owed to Commercial sources and Export creditors accounted for 5.2 percent and 2.8 percent, respectively.

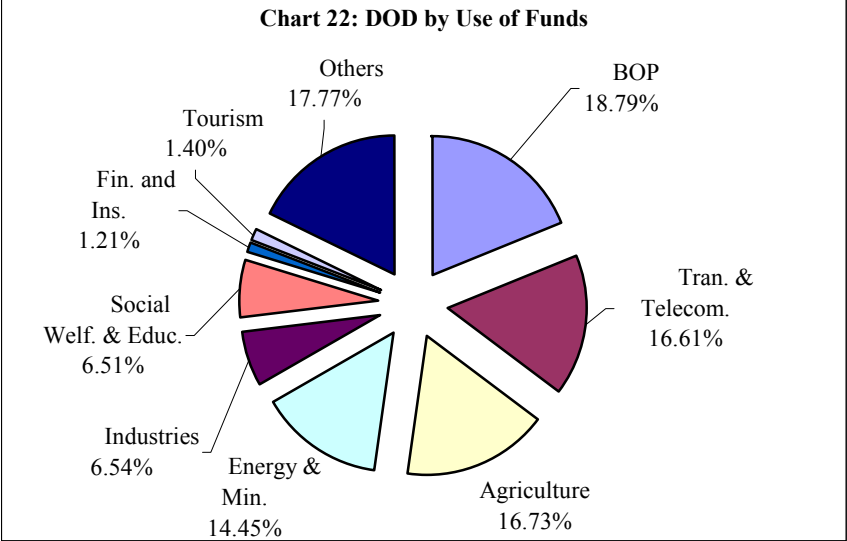


The composition of disbursed outstanding debt by borrower category shows that, the Central Government is the largest borrower accounting for as much as 91.7 percent of the total debt. The proportion of Parastatal and private companies in the total debt was 2.4 percent and 5.8 percent, respectively.



Classification of debt by economic sector indicates that, USD 1,170.1 million or 18.8 percent of the total debt was disbursed in the form of Balance of payments support, while; Transport and Telecommunications Sector received USD 1,034.4

million or 16.6 percent. Agriculture, and Energy and mining received USD 1,042.1 million or 16.7 percent and USD 900.0 million or 14.4 percent, respectively. Industries absorbed USD 407.2 million or 6.5 percent of the total debt while, Social welfare and education, Finance and insurance, and Tourism received USD 405.6 million or 6.5 percent, USD 75.1 million or 1.2 percent and USD 86.9 million or 1.4 percent of the debt respectively. The remaining USD 1,107.1 or 17.8 percent was absorbed by other sectors.



**HIPC Debt Relief from Multilateral Creditors**

During the month under review, Tanzania received a total of USD 4.91 million as HIPC debt relief from Multilateral Institutions. Out of the total relief, USD 4.86 million and USD 0.05 million came from the World Bank and International Fund for Agriculture Development (IFAD), respectively. There were no recorded Paris Club and non-Paris Club bilateral agreement committed during the month of May 2003.

## **Debt Contracted, Debt Service and Disbursements**

During the month under review, new loans contracted and recorded amounted to USD 12.8 million. On the other hand, disbursement amounted to USD 5.8 million, while debt service was USD 16.3 million, implying a net outflow of USD 10.5million.

## **Domestic Public Debt**

Total domestic debt stock owed by the Government of United Republic of Tanzania as at the end of May 2003, stood at TZS 879.9 billion. This reflects an increase of TZS 9.4 billion or 1.1 percent when compared to TZS 870.6 billion, registered as at the end of April 2003. Borrowing through Government bonds caused the increase in domestic debt.

Analysis of domestic debt stock by instruments shows that, Government bonds, which constitute 49.9 percent, increased by 2.6 percent, from TZS 428.1 billion recorded as at the end of April 2003 to TZS 439.3 billion at end-May 2003.

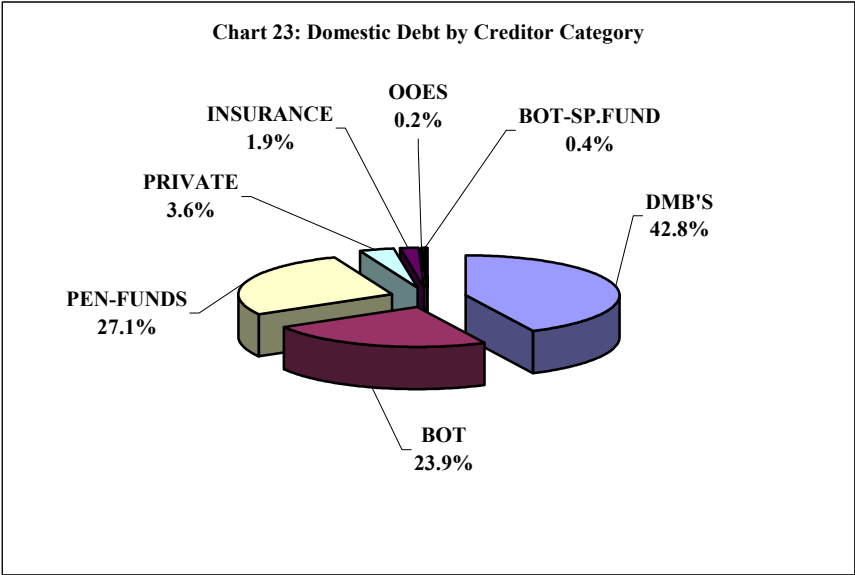
Treasury bills that constitute 30.5 percent of total domestic debt, decreased by 0.7 percent from TZS 270.1 billion as at the end April 2003 to TZS 268.3 billion as at end-May 2003. Government stocks and Tax Reserve Certificates remained unchanged from the level of TZS 126.3 billion and 0.1 registered at the end of April 2003 respectively.



Government securities constitute 94.8 percent of the debt stock, while other government debts and interest arrears constitute 5.2 percent and 0.01 percent, respectively.

### Domestic Debt Stock by Creditor Category

Analysis of domestic debt by creditor category reveals that, Commercial Banks were the largest creditors by holding TZS 365.3 billion or 41.5 percent of the debt stock. Pension funds came second by holding securities worth TZS 231.6 billion or 26.3 percent. The Bank of Tanzania held TZS 203.8 billion or 23.2 percent. While Private and Non-bank financial institutions held 3.5 percent and 3.0 percent respectively, the rest of the creditors; insurance companies, other official entities and the Bank special funds held 2.5 percent altogether.



## Domestic Debt Service

A total of TZS 58.9 billion fell due for payment during the month of May 2003. Out of the total amount, TZS 57.7 billion is principal which was rolled over, while the remaining balance of TZS 1.3 billion is interest that was paid out of government revenues.

## Other Economic Developments

### Food Security

According to the latest food security assessment conducted by the Food Security Department, food production in 2002/03 is estimated to cover about 90.0 percent of the national food requirement, implying that a number of districts in various regions are likely to face food shortages during 2003/04. Despite this drop in food production during the main farming season, the overall food supply situation is slightly improving starting in April 2003, mainly on account of the on-going harvests of seasonal food crops in some parts of the country. The improvement in food supply situation is substantiated by the fall in prices of food items such as beans, peas, finger millet, sorghum, potatoes, cassava, bananas, fruits and vegetables, in various market centres in the country ([Table 6](#)).

**Table 6: Average wholesale prices for Selected Food Items**

<b>Crop</b>	<b>2<sup>nd</sup> April 2003</b>	<b>2<sup>nd</sup> May 2003</b>	<b>4<sup>th</sup> June 2003</b>
<b>Prices (TZS per 100 Kg)</b>			
Maize	14,193	14,653	14,308
Rice	42,172	36,531	35,479
Beans	41,469	39,434	37,838
Millet	14,698	15,667	15,438
Wheat	22,253	25,000	22,800
Potatoes	20,433	21,133	20,778
Sorghum	16,467	15,667	15,438

\*Average prices for 19 regions in Tanzania

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

During May 2003, the Food Security Department released 1,161.0 tons of maize to the market thus reducing the SGR stocks to 52,857.0 tons compared with the previous level of 54,118.0 tons recorded at end-April 2003. In addition to SGR stocks, available statistics on food security indicate that private traders, as at end-May 2003, held 96,309.0 tons of food grains, making a total of 149,166.0 tons of food grains available to the market.

This level of stock is likely to decline further in the coming months, following the eminent shortage of food in some districts that are expecting low food production in the current farming season.

**Table 7: Food Security, SGR stocks (Tons)**

	2000	2001	2002	2003	
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		
July	63,976	46,290	44,787		
August	70,352	48,998	41,795		
September	95,000	59,047	57,500		
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

### Overall Budgetary Developments

#### Overall Performance

Zanzibar Government budgetary performance on cheques issued basis recorded an overall deficit before grants of TZS 0.9 billion in May 2003 compared with a deficit of TZS 0.6 billion recorded in the previous. After considering grants amounting to TZS 0.8 billion, the budget registered a deficit of TZS 0.2 billion.

#### Revenue Performance

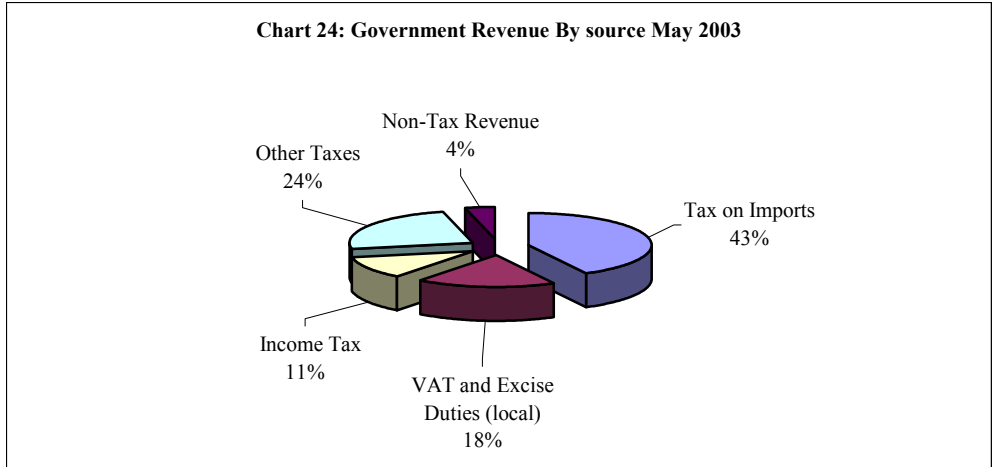
During the period under review, total revenue decreased to TZS 2.8 billion from TZS 3.5 billion collected in April 2003. The revenue collections accounted for 50.9 percent of the projected monthly level of TZS 5.5 billion. The dismal performance

in revenue collection was mainly attributed to decline in tax revenue in all categories.

Analysis of revenue by category reveals that, tax revenue decreased from TZS 3.2 billion in April 2003 to TZS 2.7 billion in May 2003, accounting for 96.4 percent of total revenue. Tax on imports decreased from TZS 1.4 billion to TZS 1.2 billion mainly due to relative decrease of imports through the Zanzibar port. Income tax decreased from TZS 0.4 billion to TZS 0.3 billion due to low tax returns during the period under review. VAT and Excise Duties (local) decreased from TZS 0.6 billion registered in previous month to TZS 0.5 billion. Revenue from “Other taxes” category decreased from TZS 0.8 billion to TZS 0.7 billion, mainly due to decrease in trade activities during the month under review.

Non-tax revenue decreased from TZS 0.3 billion collected in the previous month to TZS 0.1 billion in May 2003, and accounted for 4.0 percent of total revenue. The decrease was largely due to deterioration in trade and tourist activities as well as failure to meet targets of the revenue collecting agencies.

On cumulative basis, total revenue amounted to TZS 41.6 billion accounting for 68.2 percent of the first eleven months of 2002/2003 projection of TZS 61.0 billion. The collected amount accounted for 62.6 percent of the annual target of TZS 66.5 billion.



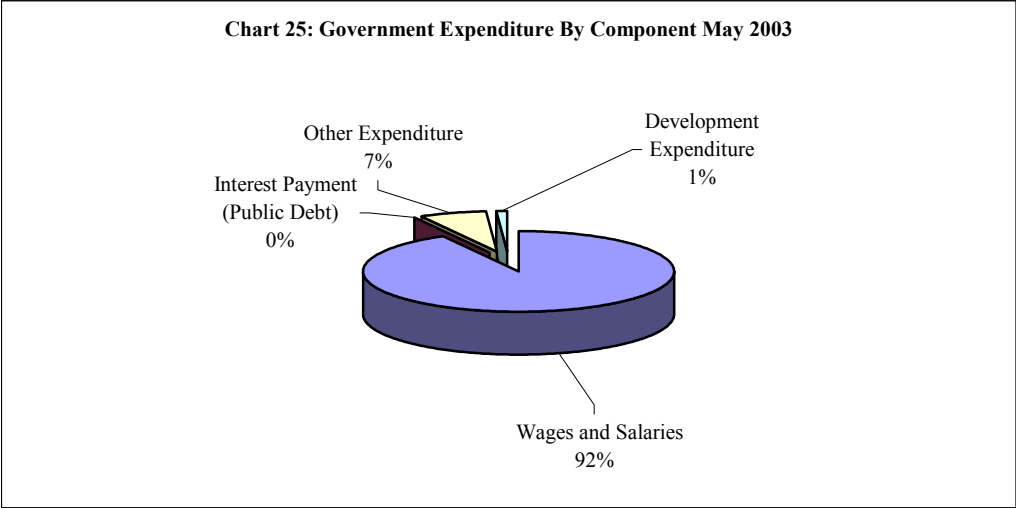
**Expenditure**

During the period under review, the total Government expenditure decreased by 7.3 percent from TZS 4.1 billion in April 2003 to TZS 3.8 billion during the month under review. The registered expenditure accounted for 46.3 percent of the projected monthly expenditure of TZS 8.2 billion. The decrease in Government expenditure was attributed to considerable decrease in other expenditures due to reduced resource allocation for this expenditure category.

Recurrent expenditure decreased by 2.6 percent from TZS 3.9 billion spent in April 2003 to TZS 3.8 billion accounting for 74.5 percent of the projected monthly expenditure of TZS 5.1 billion. Recurrent expenditure accounted for 99.9 percent of total expenditure. The expenditure on wages and salaries were maintained at TZS 3.5 billion, the same level recorded in previous month. Other expenditures decreased by 25.0 percent from TZS 0.4 billion spent in April 2003 to TZS 0.3 billion spent in the month under review.

Development expenditure decreased significantly by 84.0 percent from TZS 0.3 billion spent in April 2003 to TZS 0.04 billion accounting for a mere 1.3 percent of the monthly projected amount of TZS 3.0 billion. The development expenditure accounted for only 1.1 percent of total expenditure. The significant decrease in development expenditure was attributed to low resource allocation for development projects- roads, water supply and other socio-economic projects.

On cumulative basis, during July 2002-May, 2003 the Government spent TZS 54.8 billion, accounting for 60.9 percent of the first eleven months of 2002/2003 expenditure target of TZS 89.9 billion. The cumulative expenditure accounted for 55.9 percent of the annual target expenditure of TZS 98.1 billion.



**Financing**

During the month under review the Government of Zanzibar financed its expenditure using own internal resources complemented by grants received from

Union Government amounting to TZS 0.8 billion and non banking borrowing through treasury bills amounting to TZS 1.5 billion.

## **Zanzibar Debt Developments**

### **Overview**

The Zanzibar overall total debt stock stood at TZS 97.7 billion or USD 93.3 million as at end-May 2003 having increased by a mere 0.1 percent from TZS 97.6 billion as at end-April 2003. The increase is mainly due to updating and reconciliation exercise on external debt data as recorded by the Union Government and depreciation of Tanzanian shilling against US dollar. Out of the total debt, domestic debt amounted to TZS 39.7 billion or USD 37.9 million accounting for 40.6 per cent of total debt, while external debt amounted to USD 55.4 million or TZS 58.0 billion accounting for 59.4 per cent of the total debt.

### **Domestic Debt**

During May 2003, domestic debt stood at TZS 39.7 billion, which is 0.8 percent lower when compared with TZS 40.0 billion at the end of April 2003. The decrease in domestic debt is largely attributable to prompt servicing of advances by URT.

### **Domestic Debt - By Creditor**

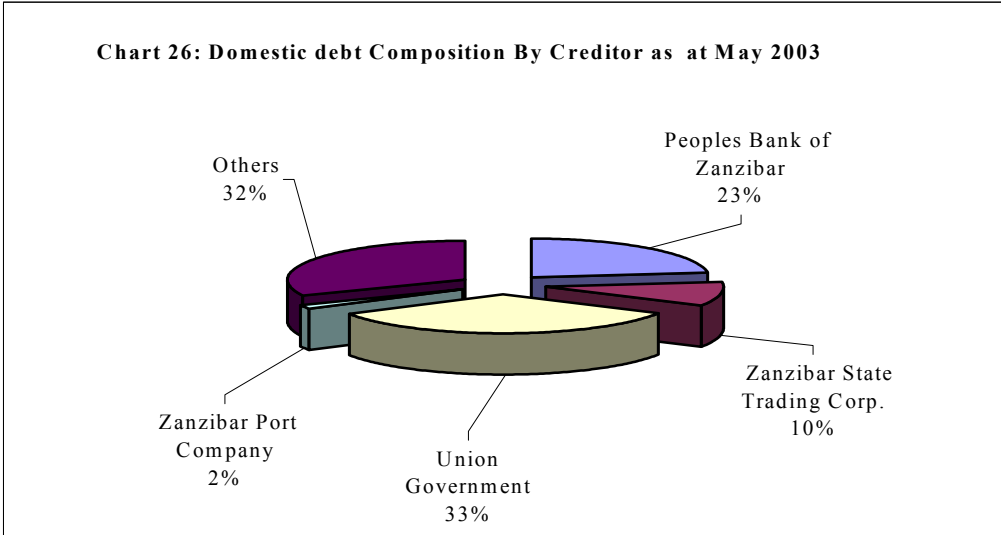
Domestic debt by creditor reveals that as at end-May 2003, the Zanzibar Government indebtedness to the Union Government amounted to TZS 13.3 billion accounting for 33.5 percent of total domestic debt. The People's Bank of Zanzibar



claims to the Government amounted to TZS 9.1 billion accounting for 22.9 percent of total domestic debt, while the Zanzibar State Trading Corporation and Zanzibar Port Authority claims amounted to TZS 4.1 billion and TZS 0.69 billion accounting for 10.2 percent and 1.7 percent of total debt, respectively. Other creditor claims amounted to TZS 12.5 billion accounting for 31.6 percent of the total domestic debt.

**Domestic Debt by Instrument**

Domestic debt by instrument, as at end-May 2003, shows that debt by long-term loan instruments amounted to TZS 9.1 billion or accounting for 22.9 percent, while debt by government stocks amounted to TZS 4.1 billion or 10.2 percent, debt by treasury bills amounted to TZS 4.6 billion accounting for 11.7 percent of total domestic debt. Short-term borrowing amounted to TZS 0.7 billion or 1.8 percent of total domestic debt. Debt by other debt instruments amounted to TZS 7.8 billion accounting for 19.9 percent of total domestic debt. While borrowing through advances amounted to TZS 13.3 billion, accounting for 33.5 percent of total domestic debt.



## **Domestic debt by maturity**

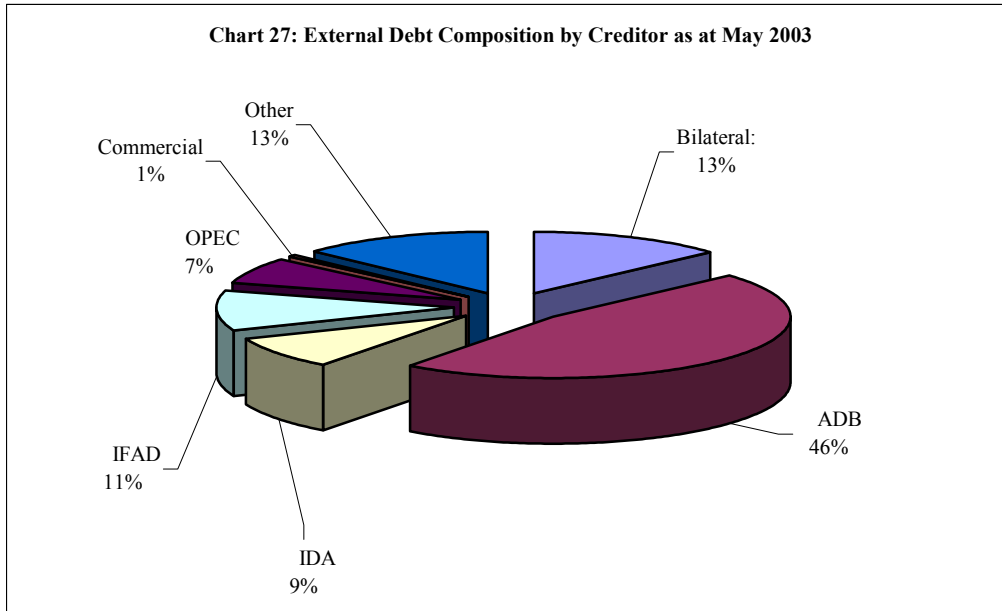
Domestic debt by maturity show that debt maturing less than a year amounted to TZS 3.8 billion, accounting for 9.6 percent of the total domestic debt. Debt maturing between 1-2 years amounted to TZS 5.6 billion accounting for 14.1 percent of total domestic debt. Debt maturing between 2-5 years amounted to TZS 9.1 billion accounting for 22.9 percent of total domestic debt. Debts with undetermined maturity amounted to TZS 21.2 billion or 53.4 percent, while debt in arrears amounted to TZS 3.0 million accounting for 7.6 percent of total domestic debt.

## **External Debt**

The Zanzibar Government external indebtedness at end-April 2003 stood at USD 55.4 million or TZS 58.0 billion, which is 0.1 percent lower than that recorded in April 2003. A slight decrease was mainly attributed to exchange rate differential between the previous month and the period under review.

## **External Debt by Creditor Category**

During May 2003, the debt portfolio revealed that multilateral debts amounted to USD 40.6 million accounting for 73.3 percent of the total external debt. Bilateral debt amounted to USD 7.3 million accounting for 13.2 percent of the total external debt. Commercial creditors reached USD 0.3 million accounting 0.5 percent of total external debt and other creditors claims amounted to USD 7.2 million accounting for 13.0 percent of total external debt.



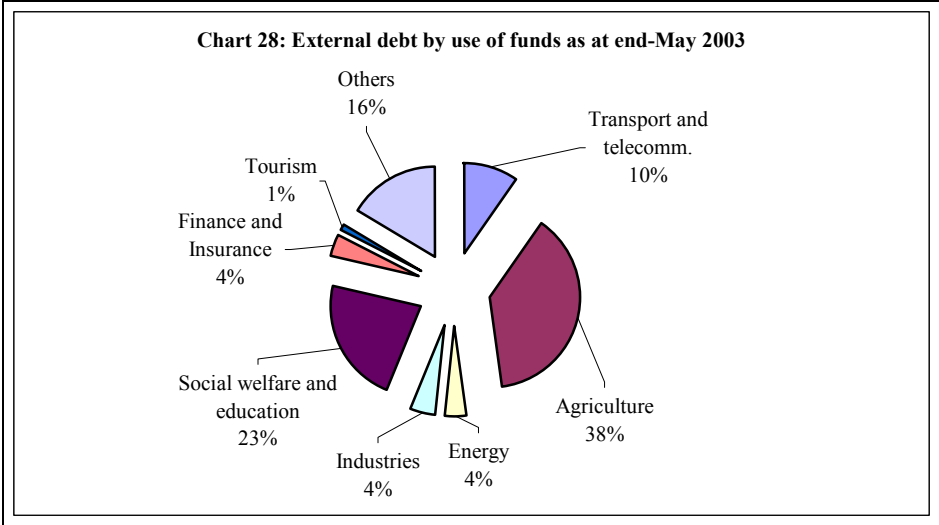
### External Debt by Maturity

External debt by maturity analysis shows that, debt with maturity between 5-10 years amount to USD 6.8 million accounting for 12.3 percent of total external debt. Debts with maturity between 10-20 years are worth USD 5.0 million or 9.0 percent of total external debt. Debt with maturity above 20 years amounted to USD 31.3 million accounting for 56.5 percent of total external debt. Debt arrears amount to USD 12.3 million accounting for 22.2 percent of total external debt.

### External debt by use of funds

External debt by use of funds analysis shows that, debt amounting to USD 21.1 million or 38.1 percent was outstanding for agriculture sector. Social welfare and education amounted to USD 12.5 million or 22.6 percent of total outstanding disbursements. Transport and telecommunication sector amounted to USD 5.4 million or 9.8 percent of total disbursements on external debt. Energy sector

amounted to USD 2.1 million or 3.7 percent while Industries, Finance & insurance, and Tourism amounted to USD 2.5 million, USD 2.0 million and USD 0.6 million accounting for 4.5 percent, 3.7 percent and 1.1 percent respectively. Other sectors amounted to USD 9.1 million accounting for 16.5 percent of total disbursements.



**Trade Developments**

**Trade balance**

During the month of May 2003, the trade account (goods and services) worsened by 87.2 percent by registering a deficit of USD 3.1 million from a deficit of USD 1.6 million recorded in April 2003. The deterioration was attributed to decreases in exports of goods and services by 34.0 percent to USD 3.5 million from USD 5.3 million recorded during April 2003. The imports of goods and services however slightly decreased by 4.3 percent to USD 6.6 million from USD 6.9 million recorded during the previous month.

## Exports

During the period under review, total exports decreased to USD 1.4 million from USD 1.8 million recorded in April 2003. The decrease was attributed to declining of both traditional and non-traditional exports.

Traditional exports decreased from USD 1.7 million recorded in during April 2003 down to USD 1.4 million. Clove exports decreased to USD 1.2 million from USD 1.4 million recorded in April 2003. The decline in clove export was attributed to decline in clove price and the low stock maintained by the farmers.

The decrease in clove exports was associated by both volume and price factors. Export volume decreased by 13.3 percent from 600.0 tons to 520.0 tons, which was attributed to decreasing of clove stock maintained by the farmers coupled with the fall of clove price. The clove unit price decreased by 1.1 percent from USD 2,363.6 per ton to USD 2,338.7 per ton during the period under review. Exports of seaweeds decreased to USD 0.2 million from USD 0.3 million registered in the previous month. Export volume of seaweed decreased by from 1,370.0 tons registered in April 2003 down to 860.0 million, while unit price declined from USD 198.5 per ton down to USD 192.6 per ton during the period under review.

Non-traditional exports decreased to USD 0.05 million from USD 0.08 million recorded in during April 2003. Manufactured goods, fish and fish produce and other exports decreased by 75.5 percent, 5.2 percent and 39.7 percent respectively.

## **Imports**

During the period under review, overall imports (c.i.f.) decreased to USD 5.6 million from USD 5.9 million registered in April 2003, which was mainly attributed to decline in imports of intermediate goods and consumer goods. Intermediate goods declined by 60.0 percent to USD 1.0 million from USD 2.5 million, mainly on account of declining in oil imports. Consumer goods declined by 36.4 percent to USD 1.4 million from USD 2.2 million due to decrease in importation of food and foodstuffs and other consumer goods due to low consumption of this import category which is mainly associated with the declining of tourist flow in the Isles due to low season. Capital goods however increased significantly from USD 1.2 million up to USD 3.2 million.

## **Combined Services and Income account**

During the period under review, the combined income and services account surplus deteriorated significantly to record a surplus of USD 0.6 million from a surplus of USD 2.0 million recorded in April 2003. The decline was attributed to a 40.0 percent decrease in foreign receipts from USD 3.5 million recorded during April 2003 to USD 2.1 million in May 2003 which outweighed a slight decrease in foreign payments by 3.2 percent from USD 1.54 million to USD 1.49 million during the review period.

### **Service account**

The non-factor services account recorded a net decrease of 70.0 percent by recording a net surplus of USD 0.6 million from USD 2.0 million recorded in during April 2003.

### **Income account**

During the month under review, income account continued to maintain a nil balance and this is mainly attributed to non-availability of data on this account.

# Statistics of Major Macroeconomic Indicators

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)	USD	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	1,382.1	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)	(793.6)	(872.1)	(704.3)	(783.9)	(608.8)	
5.4 Balance on Current Account	Mill. USD	(646.4)	(461.3)	(403.6)	(921.3)	(860.1)	(498.6)	(480.0)	(251.1)	
5.5 Overall Balance	Mill. USD	(329.5)	(146.9)	(220.0)	(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>1,490,711.8</b>
6.1 Percentage Change	Per cent	26.1	11.6	11.0	11.1	15.0	12.5	12.8	22.2	14.0
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	446,842.6
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	478,612.3
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	1,182,188.0
<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>	
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	1,098,034.7	
7.2 Recurrent Expenditure	Mill. TZS	415,139.8	486,493.7	543,750.6	680,182.7	808,865.4	1,018,782.1	1,466,136.9	1,496,240.6	
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	275,967.6	
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	(39,301.1)	
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)	57,411.60	
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	80,660.2	
<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>7,233.4</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	6,228.5	
Interest	Mill. USD	1,086.3	1,130.8	978.2	948.8	1,089.4	1,086.5	904.3	1,004.9	

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

\*\*\* cumulative for July 2002 - May 2003

\*\*\*\* Debt position is given on financial year basis (end of period); for 2002/03, it is at end-May

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



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

Millions of TZS

Item	1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002 Jul-May-	03p
<b>Total Revenue</b>	<b>572,029.7</b>	<b>619,083.1</b>	<b>689,325.3</b>	<b>777,644.7</b>	<b>929,624.0</b>	<b>1,042,955.1</b>	<b>1,098,034.7</b>
Tax Revenue	505,354.7	566,122.6	616,284.1	685,107.4	827,788.4	939,266.8	996,801.3
Taxes on Imports	163,088.9	180,662.1	218,698.1	220,352.4	363,540.6	402,159.1	416,992.6
Sales/VAT and Excise on Local Goods	128,961.8	140,520.0	175,159.3	179,989.4	188,838.6	216,066.8	238,098.7
Refunds			13,823.8	7,904.1	4,195.4	32,552.4	33,045.1
Income Taxes	125,726.2	149,787.9	162,894.1	209,713.6	194,012.9	220,630.8	240,353.3
Other taxes	87,577.8	95,152.6	73,356.4	75,052.0	81,396.3	100,410.1	101,356.7
<b>Non- tax Revenue</b>	<b>66,675.0</b>	<b>52,960.5</b>	<b>73,041.2</b>	<b>92,537.3</b>	<b>101,835.6</b>	<b>103,688.3</b>	<b>101,233.5</b>
<b>Total Expenditure</b>	<b>515,389.3</b>	<b>730,336.0</b>	<b>816,706.6</b>	<b>1,168,778.8</b>	<b>1,305,035.3</b>	<b>1,466,136.9</b>	<b>1,496,240.6</b>
Recurrent expenditure 1/	486,493.7	543,751.0	680,182.7	808,865.4	1,018,782.1	1,121,526.0	1,220,273.0
Roadtoll fund			38,395.4	37,511.2	45,285.9	54,110.9	56,290.6
Retention fund			19,725.5	22,982.0	25,711.3	25,142.8	42,169.7
Wages and salaries	199,228.0	218,807.0	220,478.0	285,335.8	308,051.5	341,981.4	364,549.7
Interest payments	113,647.5	101,181.3	90,828.2	128,178.4	128,149.7	121,081.7	85,324.4
Domestic 2/	75,567.2	53,214.9	30,345.9	81,329.6	77,788.4	64,605.2	44,668.8
Foreign	38,080.3	47,966.3	60,482.3	46,848.8	50,361.3	56,476.0	40,655.6
Other goods, services and transfers	173,618.2	223,762.7	368,876.5	395,351.2	582,580.9	658,462.0	770,398.9
<b>Dev. Expenditure and net lending</b>	<b>28,895.6</b>	<b>186,585.0</b>	<b>136,523.9</b>	<b>359,913.4</b>	<b>286,253.2</b>	<b>344,610.9</b>	<b>275,967.6</b>
Local			18,807.5	19,428.8	35,069.1	50,235.9	90,161.7
Foreign			117,716.4	340,484.6	251,184.1	294,375.0	185,805.9
<b>Overall Defic.(cheq. issued) before Grant</b>	<b>56,640.4</b>	<b>(111,252.9)</b>	<b>(127,381.3)</b>	<b>(391,134.1)</b>	<b>(375,411.3)</b>	<b>(423,181.8)</b>	<b>(398,205.9)</b>
<b>Grants</b>	<b>81,415.6</b>	<b>119,358.3</b>	<b>169,945.6</b>	<b>280,306.2</b>	<b>286,306.0</b>	<b>379,849.4</b>	<b>378,825.8</b>
Program (CIS/OGL)	33,035.6	1,817.3	21,915.6	2,938.8	114,018.9	183,000.2	262,166.2
Project	48,380.0	117,541.0	100,499.8	207,519.4	123,629.8	140,192.0	61,020.2
MDF funds			47,530.2	69,848.0	0.0	0.0	0.0
HIPC Relief			0.0	0.0	48,657.3	56,657.2	55,639.3
<b>Overall defic.(cheq.issued) after Grants</b>	<b>138,056.0</b>	<b>8,105.4</b>	<b>42,564.3</b>	<b>(110,827.4)</b>	<b>(89,105.3)</b>	<b>(43,332.4)</b>	<b>(19,380.1)</b>
Expenditure float							(79,390.6)
Adjustments to cash and other items (net)	(60,916.8)	(76,242.7)	(25,140.6)	(2,444.3)	(25,447.4)	3,203.8	(39,301.1)
<b>Overall Balance (cheques cleared)</b>	<b>77,139.3</b>	<b>(68,137.3)</b>	<b>17,423.7</b>	<b>(113,271.7)</b>	<b>(114,552.7)</b>	<b>(40,128.6)</b>	<b>(138,071.8)</b>
<b>Financing:</b>	<b>(77,139.3)</b>	<b>68,137.3</b>	<b>(17,423.7)</b>	<b>113,271.7</b>	<b>114,552.7</b>	<b>40,128.6</b>	<b>138,071.8</b>
Foreign Financing (net)	(49,065.3)	64,468.1	(18,683.7)	105,417.3	90,354.2	121,842.5	80,660.2
Loans	19,233.1	136,890.0	53,842.8	187,786.3	172,880.4	187,355.5	166,201.2
Program loans	16,543.4	80,069.0	36,626.2	54,821.0	45,326.1	33,171.2	41,415.5
Development Project loans	2,689.7	56,821.0	17,216.6	132,965.3	127,554.3	154,184.3	124,785.7
Amortization	(68,298.4)	(72,421.9)	(72,526.5)	(82,369.0)	(82,526.2)	(65,513.0)	(85,541.0)
Domestic (net)	(41,926.6)	3,669.2	(5,740.0)	7,854.4	(2,494.4)	(22,606.6)	57,411.6
Domestic Financing							57,411.6
Bank borrowing	(26,072.3)	(23,605.1)	1,230.0	7,690.6	(18,654.8)	(59,180.9)	104,011.3
Non-Bank (net of amortization)	(15,854.3)	27,274.3	(6,970.0)	163.8	16,160.4	36,574.3	(46,599.7)
Amortization of contingent debt	(24,696.3)	(53,419.5)	(38,499.1)	(234,092.1)	(256,372.9)	(1,614.0)	0.0
Privatization Proceeds	13,852.6	0.0	7,000.0	0.0	26,692.9	0.0	0.0
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

p Provisional data

Table A3: Monetary Survey

															Millions of TZS	
															Memorandum	
															item:	
															M0 Base Money	
															M1, Narrow Money	
															M2, Broad Money	
															M3, Domestic assets (net)	
															Domestic credit (net)	
End of Period	Foreign assets (net)	Claims on government (net)	Claims on other domestic sectors (net)	Other items (net)	Total			Currency in circulation outside banks	Demand deposits	Time deposits	Savings deposits	Foreign currency deposits	Total sum (9,15)	of which: Reserves		
					sum (9-13)	sum (9-12)	sum (9,10)									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
1993	29,594.4	184,089.3	245,784.1	(38,832.2)	420,635.6	367,094.8	247,091.1	122,166.7	124,924.4	69,607.5	50,396.2	53,540.8	274,487.5	152,320.8		
1994	115,765.7	181,055.6	280,158.6	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		
2002-Jan	1,244,572.7	211,117.3	424,034.3	26,166.3	1,675,787.2	1,249,011.9	772,780.7	389,698.9	383,081.8	218,710.6	257,520.6	426,775.3	980,251.4	590,552.5		
Feb	1,358,005.5	149,956.8	431,266.2	29,902.6	1,709,664.4	1,262,854.6	787,086.3	391,993.3	395,093.1	209,448.3	266,320.0	446,809.7	979,735.0	587,741.7		
Mar	1,365,588.3	157,637.1	441,917.6	49,654.5	1,744,951.3	1,267,737.6	776,040.6	402,948.8	373,091.8	213,470.3	278,226.7	477,213.6	953,202.4	550,253.6		
Apr	1,354,456.8	183,484.9	445,125.3	30,706.0	1,752,488.2	1,268,835.8	766,271.1	398,186.6	368,084.5	212,907.8	289,656.9	483,652.5	981,849.0	583,662.4		
May	1,308,438.7	191,092.9	455,418.0	50,016.9	1,776,103.0	1,307,466.2	792,212.9	409,639.8	382,573.1	218,535.4	296,717.9	468,636.8	1,019,570.4	609,930.6		
Jun	1,293,645.0	202,879.0	482,041.4	65,181.2	1,797,889.9	1,333,524.2	815,576.3	429,383.9	386,192.4	218,602.1	299,345.8	464,365.7	1,002,471.9	573,088.0		
July	1,316,101.9	250,064.6	480,721.0	45,328.9	1,839,450.6	1,369,608.8	837,331.5	433,054.4	404,277.1	236,120.0	296,157.3	469,841.8	1,066,851.9	633,797.5		
Aug	1,322,133.4	319,811.7	530,484.4	4,296.3	1,915,685.4	1,421,212.7	879,946.7	466,750.3	413,196.4	243,819.8	297,446.2	494,472.6	1,170,757.2	704,007.0		
Sept	1,354,621.1	316,963.1	546,722.1	(17,097.1)	1,931,047.9	1,452,980.7	912,428.8	474,990.5	437,438.2	241,421.9	299,130.0	478,067.2	1,270,803.1	795,812.5		
Oct	1,440,512.5	276,827.5	561,301.4	(21,146.7)	1,978,852.0	1,471,851.2	932,828.8	488,790.9	444,037.9	232,950.6	306,071.8	507,000.8	1,241,348.6	752,557.7		
Nov	1,442,963.9	319,900.7	562,604.4	(39,172.3)	2,004,263.8	1,499,957.7	957,111.4	500,899.4	456,212.0	228,941.6	313,904.7	504,306.1	1,202,858.5	701,959.1		
Dec	1,558,627.1	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		

Table A4: Tanzania's Balance of Payments

	Millions of USD					
	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 (f.o.b.)</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>
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
Nontraditional	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>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>
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 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>	<b>(121.8)</b>	<b>(105.0)</b>	<b>(99.3)</b>	<b>(130.1)</b>	<b>(85.2)</b>	<b>(16.3)</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>	<b>431.7</b>	<b>427.3</b>	<b>336.6</b>	<b>390.8</b>	<b>399.4</b>	<b>420.7</b>
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>
Capital transfers: credit	270.9	252.4	270.6	330.4	365.2	354.1
General Government	259.9	235.9	256.4	314.7	342.9	324.0
Other sectors	11.0	16.5	14.2	15.7	22.3	30.1
Capital transfers: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) Millions of TZS	4,708,627.0	5,571,641.0	6,432,911.1	7,225,684.8	8,260,408.9	9,180,944.7
GDP(mp) Millions of USD	7,692.3	8,382.4	8,635.9	9,027.6	9,425.5	9,498.3
CAB/GDP	(5.2)	(10.8)	(9.6)	(5.5)	(5.1)	(2.6)
CAB/GDP (excl. current official transfers)	(10.9)	(15.8)	(14.4)	(10.3)	(9.5)	(7.1)
Gross Official Reserves	623.1	599.0	775.6	974.4	1,156.6	1,529.0
Months of Imports	3.8	3.1	4.2	5.7	6.2	8.3
Net International Reserves (year end)	272.6	283.7	405.1	542.7	761.2	1,058.4

## **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 monitors the effectiveness of Monetary Policy on Inflation since price movements in these items are caused largely by Monetary Policy factors.

### **Seasonally Adjusted Indicators**

To enhance the vigilance of monetary policy, it is necessary to carry out seasonal adjustment, so that variations on a time series caused by seasonal factors are eliminated. 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, thus showing more closely the impact of Monetary Policy.

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

The Central Bank's liabilities in the form of (1) Currency in Circulation Outside Bank of Tanzania, and (2) Banks' Reserves (deposit money banks' domestic cash in vaults plus their required and free deposits with the Central Bank) 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 plus savings deposits.

## **Extended Broad Money, M3**

It consists of Broad Money (M2) plus foreign currency deposits.

## **Currency in Circulation Outside Banks**

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

## **Discount Rate**

The rate of interest the Central Bank charges on loans it extends to commercial banks. At present, it is also the interest rate charged on government overdraft from the Bank of Tanzania. 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 Central Banks 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, 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 Central Bank 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, as balances on current accounts with the Central Bank.

### **Repurchase Agreement (Repo)**

These are agreements to purchase/sale by the Bank 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 Bank at the end of the period. The Bank 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-, 182-, 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**

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.