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

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**February 2003**

**MESSAGE FROM THE GOVERNOR**

### **Inflation Developments**

#### **Headline inflation**

The annual inflation rate during the year ending January 2003 stabilized at 4.4 percent, the same rate recorded during the year ended December 2002. However, when measured on a month-on-month basis, the overall inflation rate rose by 3.0 percent between December 2002 and January 2003 mainly due to increase in the average prices of most food and non-food items. Month-on-month seasonally adjusted indices show that the headline inflation rate decreased by 0.1 percent in January 2003 when compared with a decline of 0.4 percent recorded in December 2002.

## **Non-food Inflation**

During the period under review, non-food inflation continued to experience an upward pressure, rising by 0.8 percentage points to 9.8 percent, from 9.0 percent recorded in the year ended December 2002. The rise is attributed to general increase in the average prices of all non-food sub groups. The increase in prices of these sub-groups is explained by higher demand for the respective items over the period. Also, the one-time increase in electricity tariffs in April 2002 continues to influence annual non-food inflation rate upwards. On month-to-month basis, the non-food inflation rate recorded an increase of 0.9 percent between December 2002 and January 2003, implying that there was a continued upward pressure on prices of non-food items during the year ending January 2003. The upward trend in non-food inflation is also explained by increase in average prices of petroleum products following concerns over war in the Gulf. Crude oil prices in the world market continued to increase, with average prices rising by 10 percent, from an average of USD 27.9 per barrel in December 2002 to an average of USD 30.7 per barrel in January 2003.

## **Food Inflation**

During the year ending January 2003, annual food inflation rate declined to 2.7 percent from 2.9 percent recorded in the previous month. However, when measured on month-to-month basis, food inflation rate increased by 3.7 percent on account of a rise in prices of almost all food. The increase in prices of food items over this period is normal as during the months of January and February every year, average price of food grains normally increase on account of a decline in food grains at household.



**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 Jan*	6.6	3.8	7.5	3.3	0.4	4.3	5.4	2.5	6.5	0.1	-0.1	0.1
Feb	6.3	3.2	7.4	3.2	0.8	4.0	5.0	1.9	5.9	0.3	0.3	0.2
Mar	6.2	2.0	7.6	2.3	0.4	2.9	5.3	2.3	5.9	0.7	0.1	0.9
Apr	6.0	2.0	7.3	-1.9	-0.1	-2.6	5.1	3.1	5.8	0.4	0.4	0.6
May	6.0	2.4	7.2	-0.8	0.1	-1.1	4.8	3.7	5.1	0.4	0.3	0.5
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	<b>4.4</b>	<b>9.8</b>	<b>2.7</b>	<b>3.0</b>	<b>0.9</b>	<b>3.7</b>	<b>4.5</b>	<b>8.3</b>	<b>3.1</b>	<b>-0.1</b>	<b>0.7</b>	<b>-0.1</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 January 2003, reserve money, (M0) decreased by TZS 15.2 billion to TZS 680.5 billion in January 2003, from TZS 695.7 billion in December 2002. Comparing with the PRGF target for the quarter ending March 2003 of TZS 666.4 billion, M0 was above by TZS 14.1 billion.

The decline in reserve money is accounted for by other items net (OIN), which dropped by TZS 88.9 billion in January 2003 mainly on account of a decrease in items in the process of collection (IPC domestic net) and exchange rate variations. However, a growth in net foreign assets (NFA) of the Bank coupled with an increase in net claims on government reduced significantly the impact of decrease in other items net on reserve money. Specifically, NFA rose by TZS 63.9 billion to TZS 1,063.0 billion in January 2003 on account of donor fund inflows and exchange rate movement. Similarly, net claims on government increased by TZS 9.8 billion, following a drawdown in government deposits at the Bank and a decline in government securities by TZS 10.7 billion and TZS 0.9 billion, respectively.

On the uses side of reserve money, the decrease in reserve money was reflected by a decrease in currency in circulation, which declined by TZS 29.4 billion, only to be partially offset by a growth in commercial banks' reserves at the Bank by TZS 14.2 billion.

## Money Supply and Credit Developments

During the month under review, broad money (M2) decreased by TZS 16.5 billion to TZS 1,490.9 billion in January 2003, from TZS 1,507.4 billion recorded in December 2002. The outturn in M2 was below the PRGF target of TZS 1,494.4 billion for the quarter ending March 2003, by TZS 3.5 billion.

The components of M2 show that the main factors that led to its decline were decline in net domestic assets (NDA) and variations in foreign assets and liabilities of the banking system. Specifically, NDA decreased by TZS 49.7 billion, from TZS 775.3 billion in December 2002 to TZS 725.6 billion in January 2003, mainly due to a decline in other items net by TZS 51.9 billion, which was offset by an increase in domestic credit by TZS 2.1 billion.

During the month, net domestic credit grew by TZS 2.1 billion. Growth in net domestic credit was attributed mainly to growth in private sector credit, which rose by TZS 9.7 billion to 580.4 billion. Its impact on net domestic credit was however offset by decline in Net claims on government dropped by TZS 7.6 billion due to a decrease in net claims on government by commercial banks by TZS 17.3 billion which was partly offset by a rise in net claims on government by the Bank. This was largely attributable to redemption of government securities.

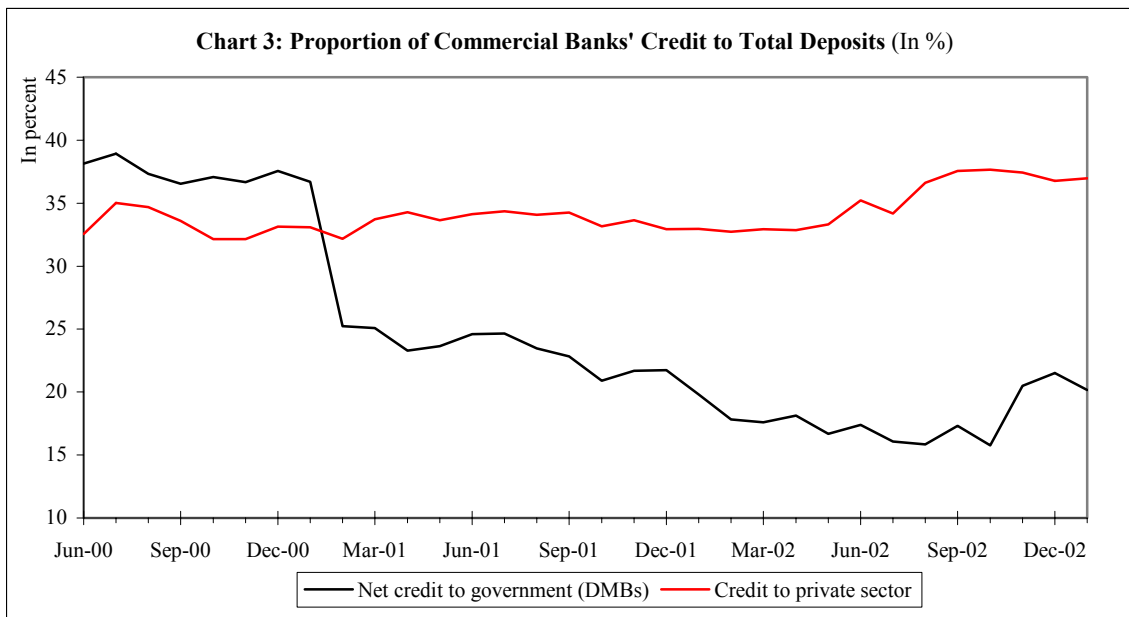
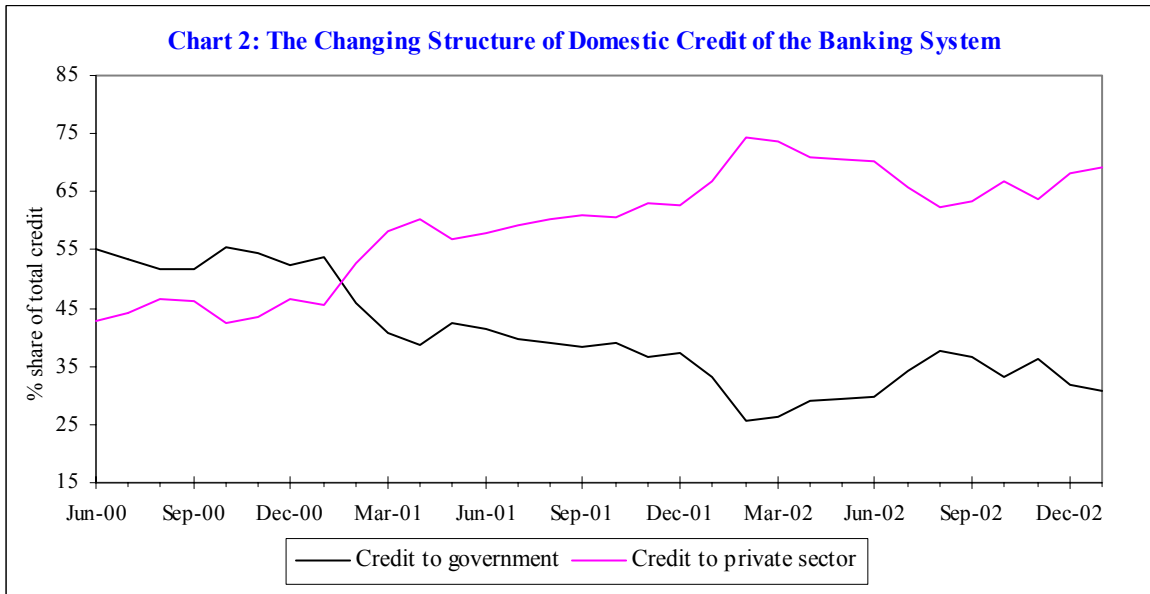
Credit to the private sector increased by TZS 9.7 billion to TZS 580.4 billion in January 2003. As a result of these developments, the share of private sector credit to total domestic credit rose from 68.3 percent in December 2002 to 69.3 percent in January 2003, while the government share dropped from 31.7 percent to 30.7 percent (**Chart 2**). Likewise, the proportion of lending to the private sector to total

deposits increased from 36.8 percent in December 2002 to 37.0 percent in January 2003 (**Chart 3**). The sustained growth in credit to private sector is attributable to continued government efforts to remove the remaining institutional and structural impediments to lending by banks to the private sector.

During the reporting month, net foreign assets (NFA<sup>1</sup>) of the banking system grew by TZS 83.1 billion to TZS 1,101.4 billion on account of a growth in net international reserves (NIR) of the Bank of Tanzania, net foreign assets of commercial banks and exchange rate movements. NIR of the Bank grew by TZS 51.6 billion mainly a result of donor fund inflows. Consequently, gross reserves rose from USD 1,528.4 million in December 2002 to USD 1,565.4 million in January 2003. This level of gross reserves is equivalent to 7.4 months of imports of goods and services compared to 8.0 months of imports in December 2002.

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<sup>1</sup> Adjusted to exclude foreign currency deposits

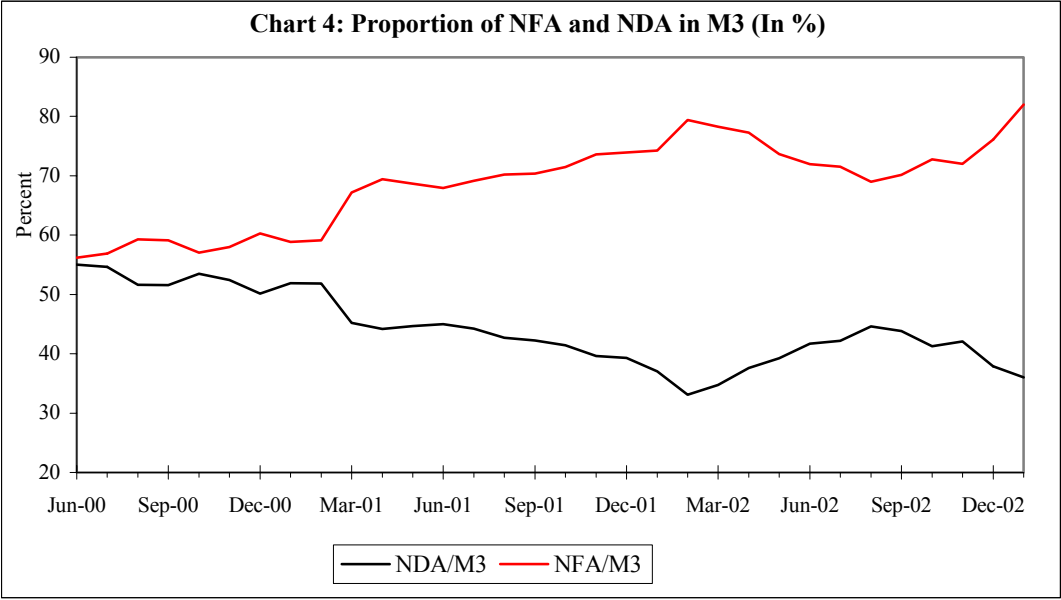


## Extended Broad Money Supply

During the month under review, extended broad money (M3) declined by TZS 6.7 billion from TZS 2,047.7 billion in December 2002 to TZS 2,041.0 billion due to a fall in net domestic assets and increase in valuation account. The proportion of foreign currency deposits to M3 reached 27.0 percent in January 2003 compared with 26.4 percent recorded in the previous month, due to exchange rate variations.

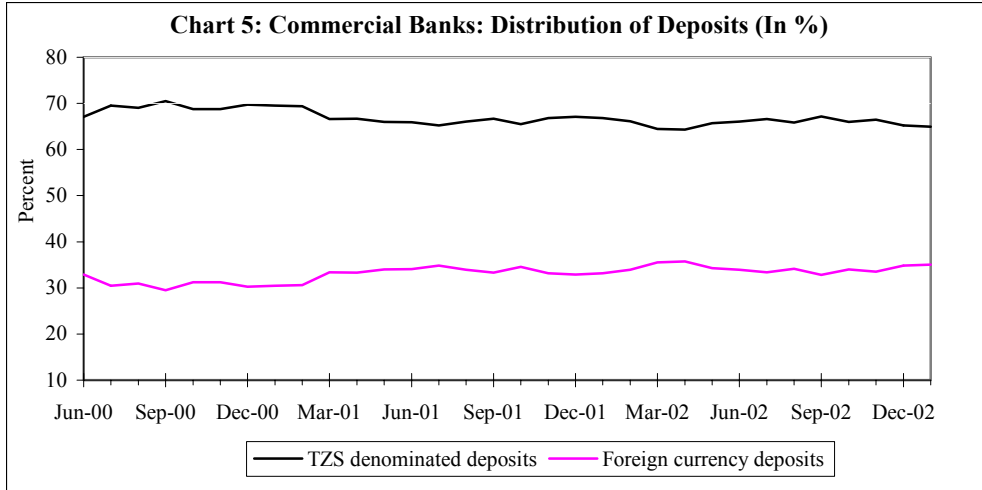


Similarly, net foreign assets of the banking system as proportion of M3 rose from 72.3 percent to 80.9 percent during the period, out of which, 28.7 percent is explained by net foreign assets of commercial banks ([Chart 4](#)).



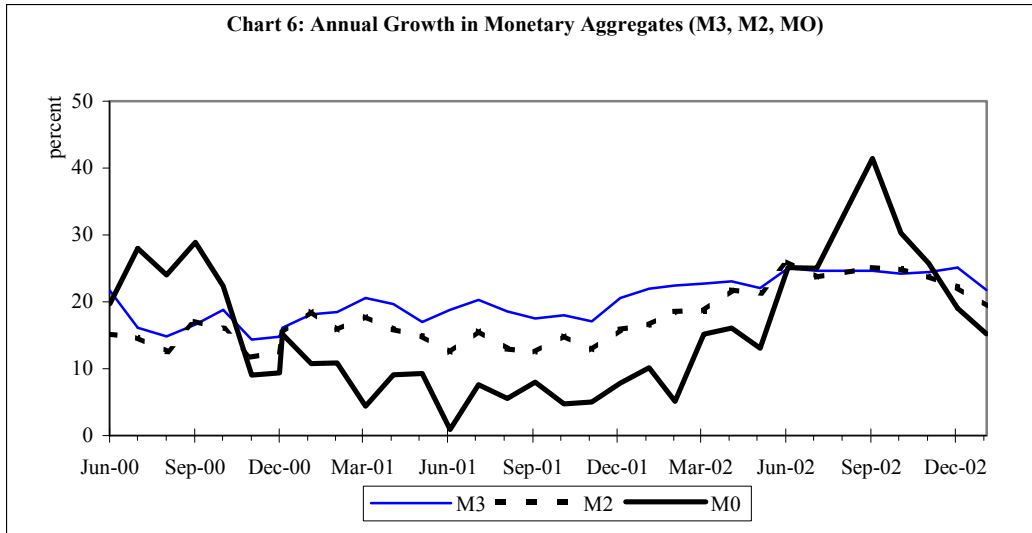
### Commercial Banks Deposits

During the month under review, total commercial banks deposits comprising of demand, time, savings and foreign currency grew by TZS 17.7 billion, representing a 1.1 percent growth compared with a growth rate of 3.2 percent in the previous month ([Chart 5](#)). Foreign currency deposits constituted the largest proportion of total deposits, accounting for 35.0 percent, up from 34.8 percent registered in December 2002. This was followed by demand deposits, which accounted for 28.5 percent, down from 29.9 percent in the previous month. The proportion of savings and time deposits reached 21.2 percent and 15.3 percent respectively, in January 2003 compared with 20.9 percent and 14.4 percent respectively, in December 2002.



### Annual Growth Rates in Monetary Aggregates

During the reporting month, annual growth rates of reserve money (M0), broad money (M2) and extended broad money (M3) assumed a downward trend from the levels attained in December 2002 (**Chart 6**). Reserve money grew by 15.2 percent in the year ending January 2003, down from a growth rate of 19.1 percent in the year ending December 2002. Similarly, broad money grew by 19.4 percent compared with 22.2 percent, while the annual growth rate of extended broad money fell to 21.8 percent from 25.1 percent. The main factor for the slowdown in growth rates was due to a fall in net domestic assets of the banking system.



### Inter-bank Cash Market

During the month under review, total value of transactions in the inter-bank cash market rose by TZS 279.3 or 74.5 percent to TZS 654.2 billion, from TZS 374.9 billion recorded in December 2002. Overnight loans accounted for 83.6 percent of the total value of transactions for the month, up from 72.2 percent recorded in December 2002.

Consistent with developments in Treasury bills yields, average interest rate on overnight loans went up from 3.4 percent in December 2002 to 6.5 percent in January 2003. Similarly, the overall inter-bank cash market rate increased from 3.5 percent to 6.5 percent. However, the inter-bank cash market rate differential, i.e. the difference between the highest and lowest rate fell from 7.5 percent in December 2002 to 6.0 percent in January 2003.

## Treasury Bills Market

During January 2003, Treasury bills comprising 35-day, 91-day, 182-day and 364-day bills worth TZS 91.8 billion were offered for sale compared with TZS 74.3 billion offered in the previous month. The value of bids, which reflects demand for Treasury bills, rose by TZS 103.5 billion to TZS 214.7 billion in January 2003, reflecting increased demand for Treasury bills. Treasury bills sold over the review period amounted to TZS 109.9 billion, higher than the target by TZS 18.1 billion. This increase was part of the Bank's endeavours to absorb excess liquidity.

During the month under review, deposit money banks (DMBs) continued to dominate the Treasury bills market. DMBs accounted for 74.2 percent of total successful bids in the Treasury bills market, compared with a share of 78.6 percent in December 2002. Pension funds and insurance companies constituted 24.1 percent of total successful bids, lower than 20.6 percent recorded in the preceding month. The share of non-bank financial institutions (NBFI) and private sector was 1.2 percent in January 2003, up from 0.8 percent in the previous month.

Developments in interest rates in the Treasury bills market indicates that the overall weighted average yield (WAY) for all maturities assumed an upward trend, rising from 4.5 percent in December 2002 to 5.4 percent in January 2003. However, for individual maturities, the trend was mixed. The average yield for the both 35-day bills dropped from 4.4 percent recorded in December 2002 to 4.2 percent in January 2003 while the yield for the 91-day bill rose from 4.4 percent to 5.4 percent. Similarly, the yields for both 182-day and 364-day bills increased from 4.7 percent to 5.5 percent and 5.6 percent, respectively.

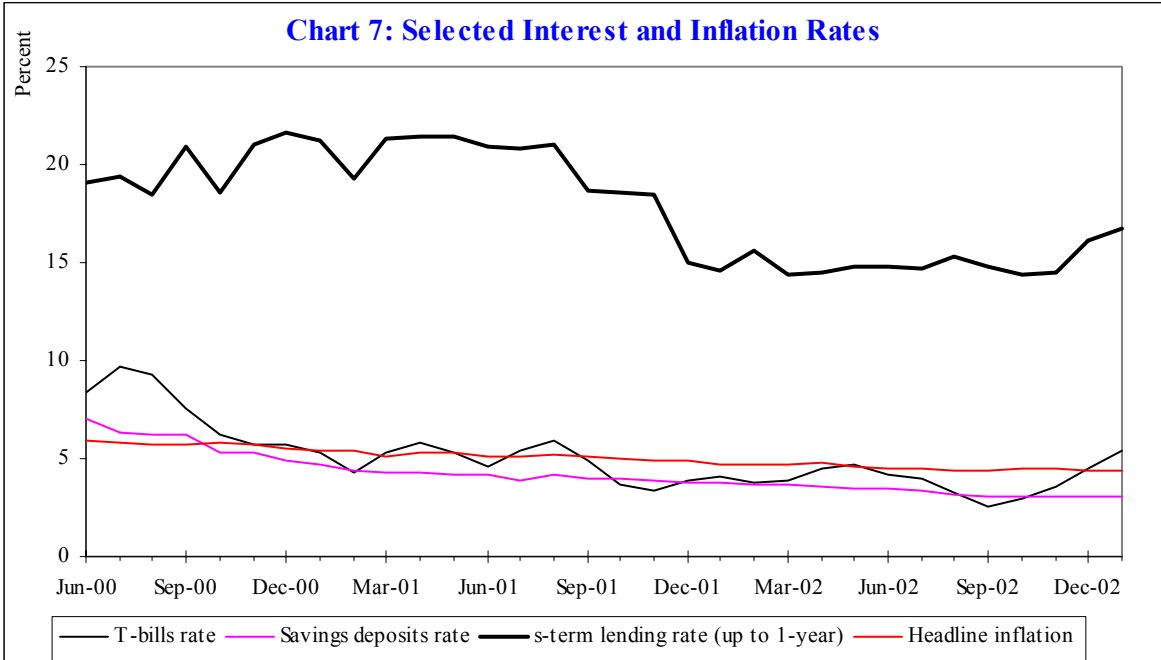
## Treasury Bonds

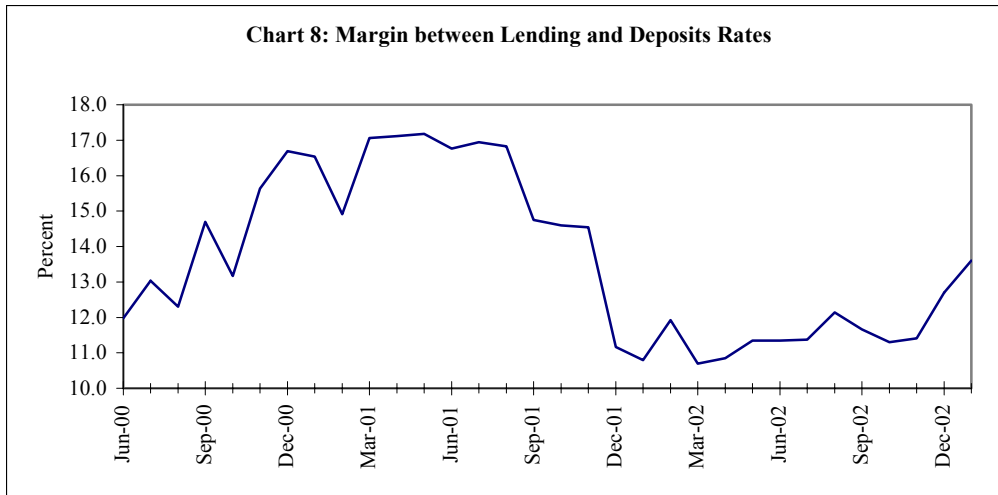
During January 2003, Treasury bonds (comprising of 2-year, 5-year, 7-year and 10-year Treasury bonds) worth TZS 20.0 billion were offered in the market, but demand was as low as only TZS 9.6 billion. As result of the low demand, Treasury bonds worth TZS 6.6 billion were sold. The weighted average yield to maturity (WAY) for the Treasury bonds exhibited mixed trends. The WAY to maturity for the 2-year bond dropped from 5.3 percent December 2002 to 4.9 percent in January 2003, while that of the 5-year Treasury bond remained unchanged at 5.6 percent. For the 7-year Treasury bond, the WAY to maturity fell from 6.9 percent to 6.2 percent, while WAY to maturity for 10-year Treasury bond rose from 7.2 percent to 7.5 percent.

## Interest Rate Developments

During the month under review, interest rates on domestic currency denominated deposits and loans exhibited a mixed trend. The overall time deposit rate increased from 3.4 percent in December 2002 to 3.7 percent in January 2003, while the savings deposit rate declined from at 3.1 percent to 3.0 percent. Lending rates for 1-year loans rose from 15.9 percent in December 2002 to 16.8 percent in January 2003. However, for 1-2 year, 2-3 year, and 3-5 year loans, the interest rate dropped from 15.8 percent, 13.8 percent, and 13.2 percent to 14.0 percent, 12.7 percent, and 11.1 percent, respectively. As a result of this trend, the overall lending rate dropped from 15.7 percent in December 2002 to 14.7 percent during the reporting month. **(Chart 7 & Table 3)**. The downward trend of lending rates can be attributed to the recent government measures aimed at resolving the remaining structural impediments to commercial banks' lending. It is worthy noting that during the

reporting month, the cost of intermediation as reflected by the interest rate spread between 1-year lending and saving deposit rates, widened from 12.8 percent in December 2002 to 13.6 percent in January 2003 (**Chart 8**).





Developments in interest rates on foreign currency denominated deposits and loans were also mixed. In particular, the overall time deposit rate fell from 1.2 percent in December 2002 to 0.9 percent in January 2002, while savings deposits rate rose from 0.8 percent to 1.1 percent. The overall lending rate rose from 7.2 percent in December 2002 to 7.5 percent in January 2003 ([Table 3](#)).

**Table 3: Interest Rate Structure (% per annum)**

	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03
<b><u>A. Domestic Currency</u></b>						
<b>1. Interbank Cash Market Rates</b>						
Overnight	1.47	1.26	1.79	1.86	3.36	6.49
61-90 days	3.02	3.27	2.65	2.65	2.65	6.00
91-180 days	3.94	3.07	3.58	3.34	4.52	5.20
181 and above	4.24	4.04	4.35	6.02	6.02	5.00
<b>Overall interbank cash market rate</b>	<b>1.84</b>	<b>1.57</b>	<b>1.91</b>	<b>1.92</b>	<b>3.47</b>	<b>6.52</b>
<b>2. Repo Rate</b>	<b>2.00</b>	<b>2.00</b>	<b>1.50</b>	<b>2.06</b>	<b>4.35</b>	<b>4.35</b>
<b>3. Treasury Bills Rates</b>						
35 days	2.8	2.00	2.50	3.40	4.40	4.20
91 days	3.10	2.50	2.80	3.30	4.40	5.40
182 days	3.70	3.00	3.20	3.60	4.70	5.50
364 days	3.90	3.30	4.00	4.30	4.70	5.60
<b>Overall Treasury bills rate</b>	<b>3.30</b>	<b>2.60</b>	<b>3.00</b>	<b>3.60</b>	<b>4.50</b>	<b>5.40</b>
<b>4. Treasury Bonds rates</b>						
2-years	4.48	3.44	3.65	4.56	5.25	4.92
5-years	6.02	4.99	4.89	5.15	5.63	5.58
7-years	7.34	6.79	6.64	6.88	6.93	6.22
10-years			7.79	8.05	7.22	7.50
<b>5. Discount Rate</b>	<b>8.55</b>	<b>7.95</b>	<b>7.82</b>	<b>8.50</b>	<b>9.18</b>	<b>10.44</b>
<b>6. Savings Deposit Rate</b>	<b>3.12</b>	<b>3.10</b>	<b>3.07</b>	<b>3.06</b>	<b>3.05</b>	<b>3.04</b>
<b>7. Time Deposits Rates</b>						
3 months	2.98	3.01	2.72	2.68	2.97	3.78
6 months	4.11	3.85	3.66	3.98	4.13	4.28
12 months	5.84	5.88	5.65	5.51	5.68	5.56
<b>8. Lending rates</b>	<b>16.45</b>	<b>15.86</b>	<b>15.83</b>	<b>16.96</b>	<b>15.71</b>	<b>14.72</b>
Short-term (up to 1yr)	15.26	14.76	14.37	14.47	15.85	16.80
Medium-term (1-2 yrs)	15.69	14.45	15.56	16.21	15.83	14.03
Medium-term (2-3 yrs)	14.78	12.61	12.13	13.00	13.80	12.74
Long-term (3-5 yrs)	17.86	17.45	16.30	17.45	13.23	11.13
Term Loans (over 5 yrs)	18.68	20.02	20.79	23.67	19.83	18.92
<b><u>B. Foreign Currency</u></b>						
<b>1. Deposits Rates</b>						
Savings Deposits	0.96	0.97	0.94	0.90	0.84	0.85
<b>Time Deposits</b>						
3-months	1.49	1.37	1.43	1.32	0.79	1.10
6-months	1.52	1.64	1.49	1.25	1.37	1.50



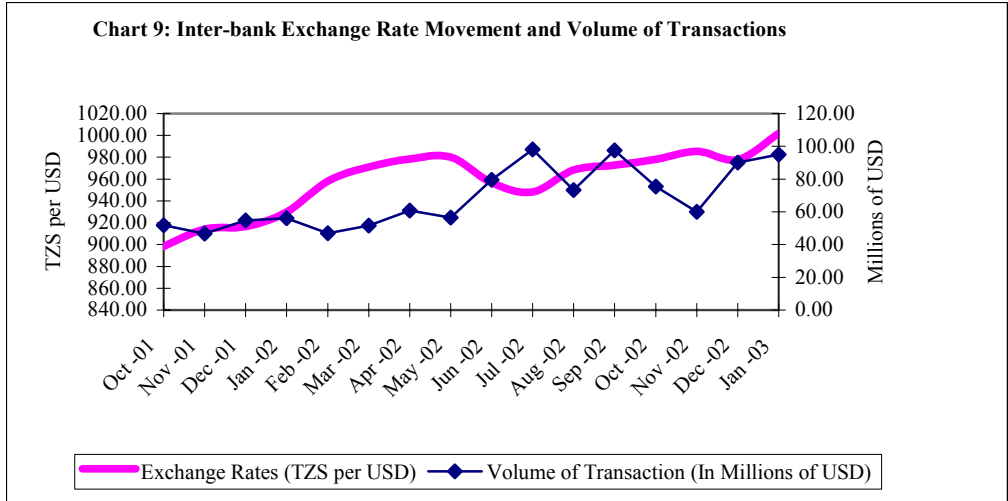
<b>2. Lending Rates</b>	12-months	1.69	1.73	1.69	1.64	1.53	1.20
		<b>5.79</b>	<b>6.29</b>	<b>6.11</b>	<b>6.53</b>	<b>7.19</b>	<b>7.48</b>
	Short-term (up to 1yr)	7.64	7.43	7.48	7.68	7.90	7.68
	Medium-term (1-2 yrs)	4.43	5.45	4.90	5.78	5.91	6.25
	Medium-term (2-3 yrs)	5.29	6.95	6.82	7.14	7.80	8.80
	Long-term (3-5 yrs)	5.80	5.34	5.24	5.53	7.16	7.18

## Inter-bank Foreign Exchange Market

During January 2003, a total amount of USD 95.0 million was offered and traded in the Inter-bank Foreign Exchange Market (IFEM). The amount marked a 5.5 percent increase from USD 90.1 million traded during the previous month. The increase in total amount traded was mainly attributed to excess demand for the US dollar, particularly from commercial banks, which forced the Bank of Tanzania to intervene on the supply side of the market. Commercial banks dominating on the demand side of the market by purchasing USD 79.6 million or 83.7 percent of the total amount traded and supplying only USD 40.0 million or 42.1 percent of the total amount traded, thus accounting for a net purchase of USD 39.6 million. Non-banks financial institutions supplied USD 2.5 million or 2.6 percent of the total amount traded and purchased USD 2.0 million or 2.1 percent of the total amount traded. The Bank of Tanzania supplied a total of USD 39.0 million which is about 41.0 percent of the total amount traded.

## Exchange Rate

The Tanzania Shilling depreciated against the US dollar by 2.4 percent to TZS 1,001.7 per US dollar during the month under review, from TZS 977.9 per US dollar recorded in December 2002, largely due to higher demand for the US dollar.



### Bureaux de Change Operations

The total volume of transactions conducted in the bureau de change market went up by 13.4 percent to USD 40.7 million in January 2003, from the level recorded in the previous month, mainly due to a rise in both sales and purchases in the market (**Table 4**). Sales by bureaus went up by 12.5 percent to USD 19.8 million during the month under review, largely due to an increase in demand for the US dollar. The increase in demand may be associated with, among other factors, the onset of the Moslem pilgrimage season. Purchases also went up by 14.2 percent to USD 20.9 million from the level recorded in December 2002 (**Table 4**) mainly due to the rise in foreign exchange inflows from donors and NGOs.

The buying and selling rates continued to follow the depreciation pattern exhibited by the Shilling in the IFEM by depreciating by 1.1 percent and 1.0 percent, respectively (**Table 4**).

**Table 4: Foreign Exchange Market Developments**

				January			July - January		
	Dec-2002	Jan-2003	% Change	2002	2003	% Change	2001/02	2002/03	% Change
<b>IFEM</b>									
1. Amount offered*	90.1	95.0	5.5	56.1	95.0	69.4	374.3	589.6	57.5
2. Amount sold*	90.1	95.0	5.5	56.1	95.0	69.4	374.3	589.6	57.5
3. Exchange rate**	977.9	1,001.7	2.4	929.7	1,001.7	7.7	904.0	975.6	7.9
<b>Bureau de Change</b>									
1. Sales*	17.6	19.8	12.5	20.5	19.8	-3.4	157.0	128.2	-18.3
2. Purchases*	18.3	20.9	14.2	21.0	20.9	-0.5	165.2	137.4	-16.8
3. Volume of Transactions*	35.9	40.7	13.4	41.5	40.7	-1.9	322.2	265.6	-17.6
4. Buying rate**	976.0	987.0	1.1	921.0	987.0	7.2	894.1	968.6	8.3
5. Selling rate**	993.0	1,003.0	1.0	935.0	1,003.0	7.3	905.7	987.0	9.0

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

\* Millions of USD,

\*\* Tanzanian shillings (TZS) per US dollar

## Government Budgetary Developments

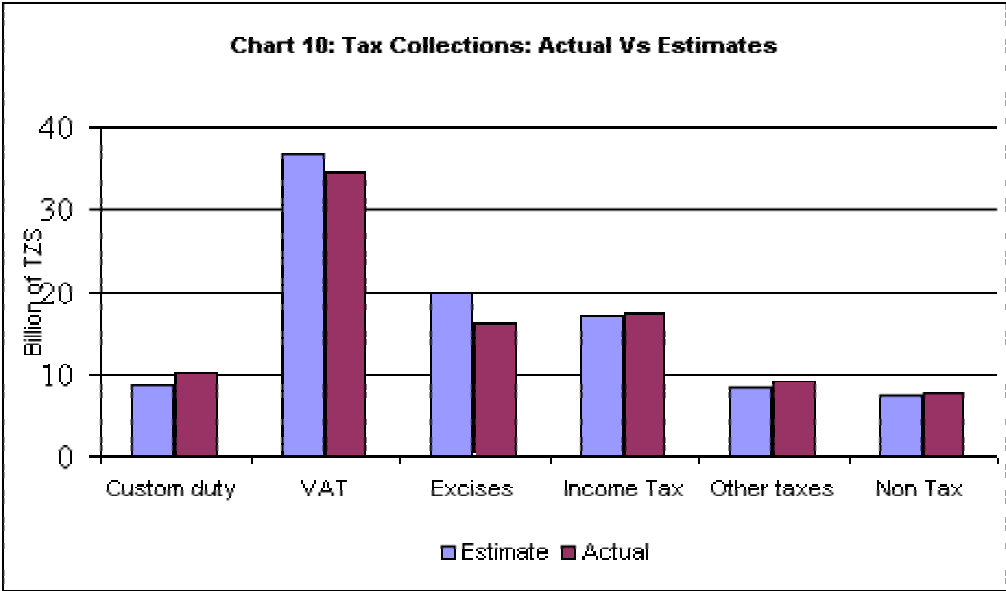
During January 2003, Government budgetary performance on cheques issued basis recorded an overall deficit before grants of TZS 61.8 billion. However, the deficit decreased to TZS 41.8 when considering grants amounting to TZS 20.0 billion.

### Revenue

In January 2002, government revenue collection reached TZS 95.0 billion, slightly below the targeted of TZS 98.6 billion largely on account of decline on VAT collections, which accounted for only 94.3 percent of the estimated TZS 36.7 billion. Specifically, VAT collections declined mainly due to lower than expected collections in petroleum imports that registered TZS 5.3 billion or 77.9 percent of the targeted TZS 6.8 billion. During the review period, official imported petroleum products declined by about 7.0 percent occasioned by suspected tax evasion

through transit trade. On the contrary, VAT on local goods surpassed the target of TZS 12.9 billion by 6.2 due to continued efforts by TRA to sensitize VAT registered traders on the obligation to use electronic cash registers.

In contrast, customs duty collections surpassed the target for the month by 14.8 percent, recording TZS 10.1 billion compared with the estimated amount of TZS 8.8 billion mainly due to higher imports of consumer goods such as food and foodstuff that increased by 13.6 and 31.0 respectively. Excise duties fell short of the target by recording TZS 16.2 billion compared with the target of TZS 19.8 billion due to decreased imports of canned beer and spirits following the decision by Tanzania Breweries Ltd to produce the same locally. Income tax collection was slightly above the target by TZS. 0.2 billion registering TZS 17.4 billion compared to the targeted level of TZS 17.2 billion. Also other taxes category reached TZS 9.1 billion compared to TZS 8.6 billion planned for the review month ( **Chart 10**).



Overall tax collection amounted to TZS 87.4 billion or 95.9 percent of the targeted TZS 91.1 billion and non-tax slightly surpassed the target by recording TZS 7.6 billion compared to the projected TZS 7.4 billion

On cumulative basis, July 2002 to January 2003, revenue collection reached TZS 689.8 billion being 4.9 percent above the targeted TZS 657.6 billion.

## Expenditure

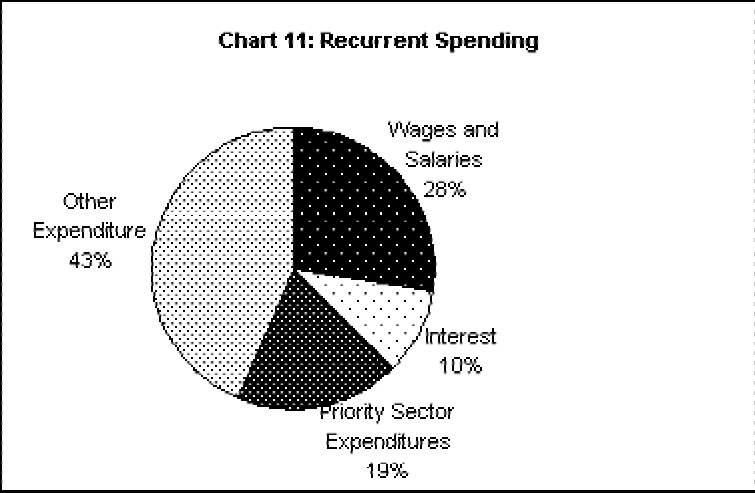
During the month of January 2003, total government expenditure (excluding amortization) amounted to TZS 156.8 billion being 6.2 percent above the projected ceiling of TZS 147.6 billion. Out of the total, recurrent expenditure constituted TZS 139.4 billion, about 94.4 percent of the ceiling of TZS 147.6 billion. Spending on interest payment amounted to TZS 14.6 billion representing more than three folds of the projected ceiling of TZS 4.0 billion. The overpayment of interest charges is due to delays in submitting demand notes to the Treasury<sup>1</sup> in the previous month of which payments were effected in the January 2003. Expenditure on goods, services and transfers reached TZS 90.7 billion, below the ceiling of TZS 97.2 billion for the month, due to delays in the procurement process. Recurrent spending on priority sectors was TZS 27.5 billion out of the TZS 60.2 billion (excluding basket funds) allocated for the period January - March 2003.

As shown in Chart 11, during December 2002, the government spent 28.0 percent of total recurrent expenditure on wages and salaries, and 19.0 percent on priority

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<sup>1</sup> The deadline for debt service for a given month is normally on the 10<sup>th</sup> day of the following month.

sectors. Also, 10.0 percent of the recurrent expenditure was spent on servicing foreign and domestic debt, while the rest went to other goods and services.



Development expenditure amounted to TZS 17.4 billion. The local component, which amounted to TZS 6.0 billion, was in line with the set ceiling for the month while local component was TZS 11.4 billion, reflecting a matching trend between inflows and counterpart fund allocation.

Cumulatively, during July 2002 to January 2003, total expenditure amounted to TZS 907.1 billion being 72.7 percent of the projected level of TZS 1,247.0 billion.

**Financing**

During January 2003, the government budget registered an overall deficit (adjusted for float and other items) amounting to TZS 63.7 billion. The deficit was financed through borrowing of TZS 47.5 billion and TZS 16.2 billion from foreign and domestic sources respectively.

## External Sector Developments

### Trade Account Developments

During January 2003, the deficit in the trade account worsened to USD 44.9 million compared with a deficit of USD 1.5 million recorded in the previous month due to a decrease in total exports of goods and services coupled by an increase in total imports. Conversely, during the year ending January 2003 the trade account deficit improved by 19.6 percent to a deficit of USD 605.5 million from USD 752.7 million recorded during the year ending January 2002 mainly due to an increase in exports. Table 5 below summarizes the performance of the trade account balance in the reviewed periods.

**Table 5: Trade Account Balance**

	Value, Millions of USD								
	December	January(p)	%	January		%	February - January*		%
	2002	2003	Change	2002	2003p	Change	2001/02	2002/03p	Change
Exports	176.9	151.7	-14.3	133.9	151.7	13.3	1,453.6	1,560.2	7.3
Goods	101.7	85.8	-15.7	74.6	85.8	15.0	770.3	886.8	15.1
Services	75.2	65.9	-12.4	59.3	65.9	11.1	683.3	673.4	-1.4
Imports	178.4	196.5	10.1	181.2	196.5	8.4	2,206.3	2,165.7	-1.8
Goods	129.3	136.0	5.2	124.2	136.0	9.5	1,561.1	1,525.2	-2.3
Services	49.1	60.5	23.2	57.0	60.5	6.1	645.2	640.5	-0.7
Trade Balance	-1.5	-44.9	2964.9	-47.3	-44.9	-5.3	-752.7	-605.5	-19.6

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

Source: Bank of Tanzania, TRA

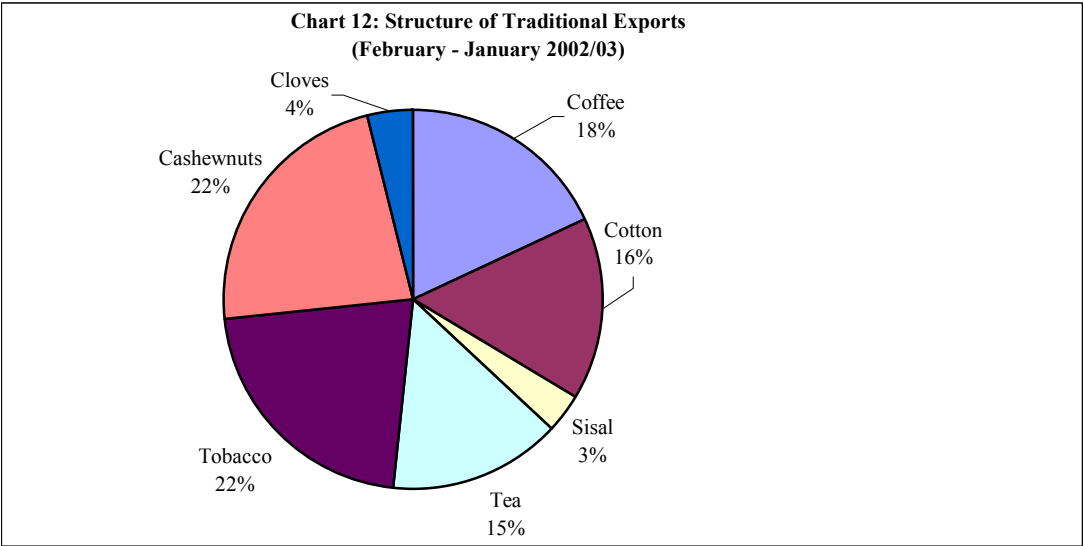
## Goods Exports

During January 2003, total goods exports declined by 15.7 percent to USD 85.8 million from USD 101.7 million recorded in December 2002 due to a decline in exports of both traditional and non-traditional exports. During the month under review, performance of traditional exports deteriorated by 38.2 percent to USD 22.0 million compared with lower levels recorded in the previous month, mainly due to a decline in volume and unit prices. During the review period, sisal, tea and tobacco registered declines in volumes and unit prices, while cashewnuts recorded a decline in export volume. On the other hand, improvements on unit prices for coffee and cotton were registered during the month, largely due to a limited supply of coffee and cotton in the world market. While the increase in coffee prices is largely attributed to the decision taken by the Brazilian exporters to hoard coffee in order to boost up prices offered by the international buyers, the increase in cotton prices is mainly due to a substantial increase in consumption of cotton in China, Pakistan and Turkey.

During the year ending January 2003, traditional exports declined by 4.7 percent to USD 200.7 million from USD 210.5 million recorded in the corresponding period in 2002. The dismal performance is largely on account of a decline in volume and unit prices of coffee and cloves. While the decrease in exports volume of coffee is explained by persistent low producer prices, the decline in unit prices is partly attributed to low quality of coffee exports. Low producer prices offered to farmers has resulted into a decline in the use of farm inputs such as fertilizer and pesticides, which are essential for increasing the quality and level of output. The decline in clove exports is largely explained by a decline in clove prices over the world market in the second half of 2002 that prompted the Zanzibar State Trading

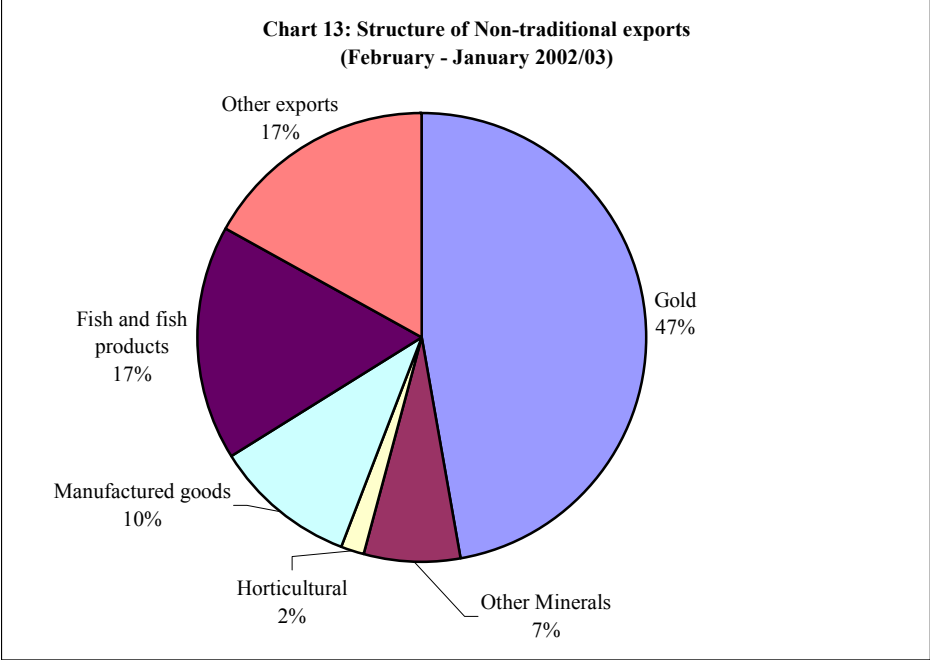


Corporation (ZSTC) to suspend the purchase of cloves from farmers in October 2002, pending a review of producer prices. This development has led to a 28.5 percent decline in Zanzibar clove export prices to an average of USD 3,596.1 per ton during the year ending January 2003 from an average of USD 5,028.9 per ton during the same period last year.

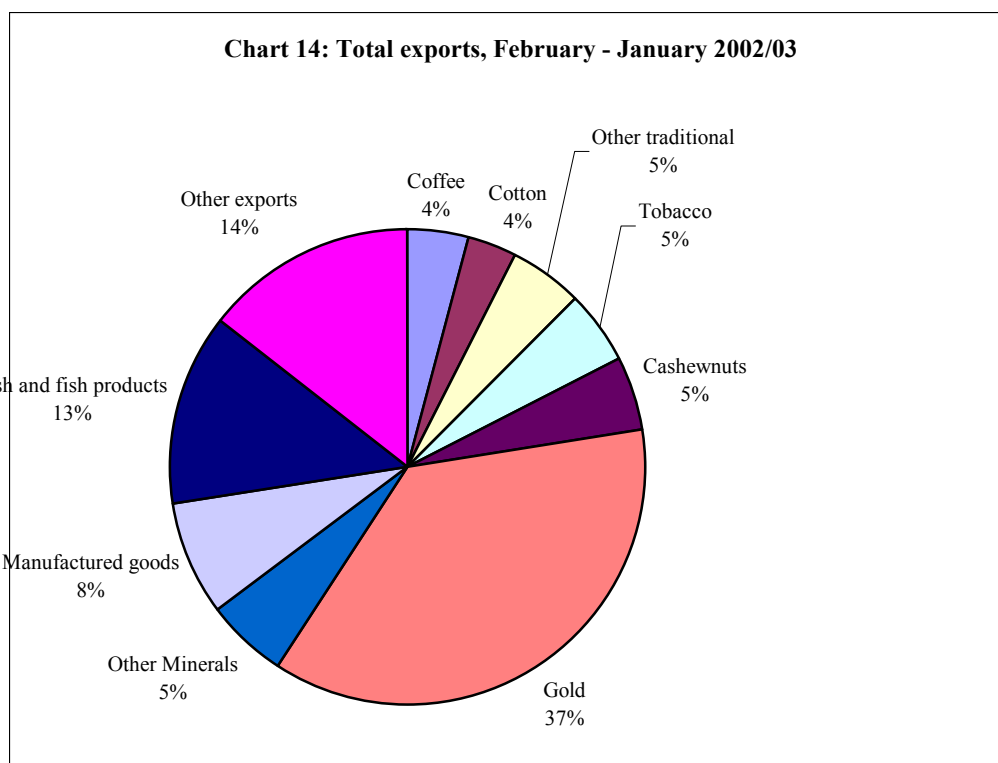


In January 2003, non-traditional exports declined marginally by 3.6 percent to USD 63.8 million compared with the position recorded in the previous month, partly due to a fall in export of manufactured goods particularly manufactured tobacco. Conversely, during the year ending January 2003, non-traditional exports increased by 22.6 percent to USD 686.1 million from USD 559.8 million recorded in the corresponding period ending January 2002. All sub-categories of non-traditional exports namely minerals, manufactured goods, fish and fish products, horticulture products and other exports increased during the review period. Mineral exports continued to dominate the non-traditional category accounting for about 54.3 percent. During the period under review, mineral exports reached USD 372.3 million with gold accounting for about 87.3 percent. The expansion of gold mining

activities in the country and higher gold prices in the world market contributed to the positive developments in mineral exports. Similarly, other exports increased by 44.7 percent to USD 116.8 million from USD 80.7 million in the corresponding period in 2002, following a surge in cereal exports particularly maize to the drought hit Zambia and Malawi. Chart 2 below potrays the structure of non-traditional exports during the year ending January 2003.



The structure of total exports has shifted from dominance traditional exports to dominance by non-traditional exports following impressive performance in mineral exports coupled with a dismal performance of traditional exports following decline in world market prices. The chart below shows the structure of total exports during the year ending January 2003.



## Goods Imports

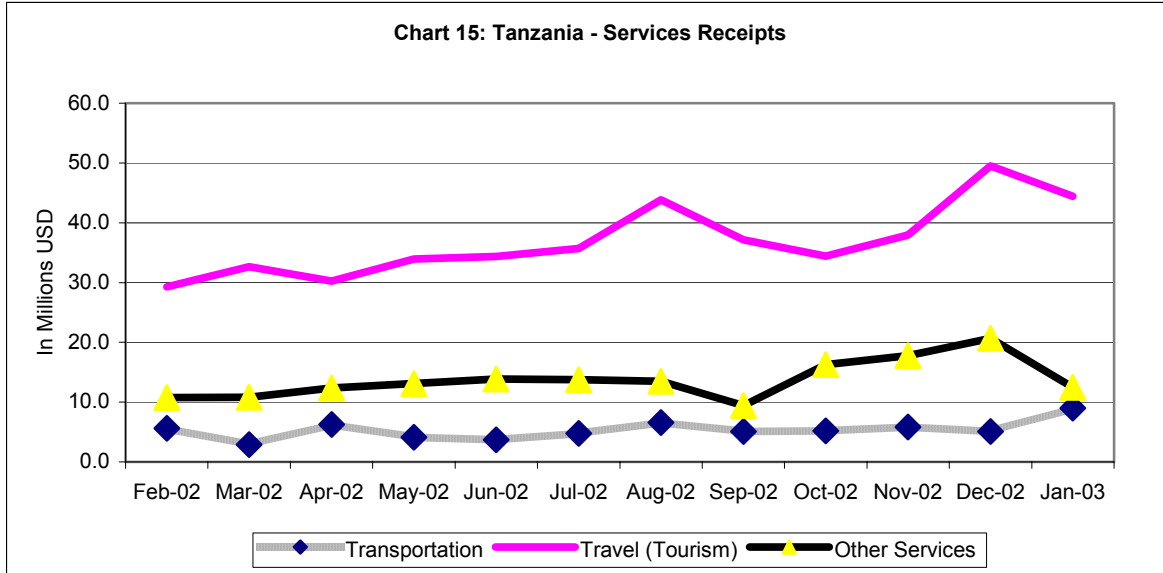
In January 2003, total goods imports (f.o.b.) increased by 5.2 percent to USD 136.0 million compared with the level attained in December 2002. The increase was associated with increase in importation of capital and consumer goods. The increase in capital goods imports is partly attributed to increase in machinery imports, including earthmoving equipment and other machinery. During the review period, consumer goods imports increased due to a surge in imports of both food and foodstuff; and other consumer goods that increased by 13.6 percent and 31.0 percent, respectively. The surge in food and foodstuffs is attributed to a 17.2 percent increase in imports of wheat to 55,250.0 tons from 47,110.0 tons imported in December 2002. Conversely, intermediate goods imports declined by 11.7 percent to USD 36.1 million compared with levels recorded in December 2002 due to a decline in the volume of oil imports, after oil imports declined to about 64,400.0 tons from 73,000.0 tons imported in December 2002.

During the year ending January 2003, total imports (f.o.b.) declined by 2.3 percent to USD 1,525.2 million from USD 1,561.1 million recorded in corresponding period in 2002. With the exception of consumer goods imports that remained virtually unchanged, imports of capital goods and intermediate goods recorded a decline of 3.7 percent and 2.6 percent, respectively. The decline in capital goods imports to USD 652.7 million is largely due to a fall in importation of building and construction equipment and machinery. The 2.6 percent decrease in intermediate goods imports is attributed to the decline in oil imports to USD 179.7 million from USD 204.1 million during the year ending January 2002. The decline is associated with a fall in volume of imported oil to about 821,650.0 tons from about 846,100.0 tons imported during the corresponding period in 2002.

## **Services and income Account**

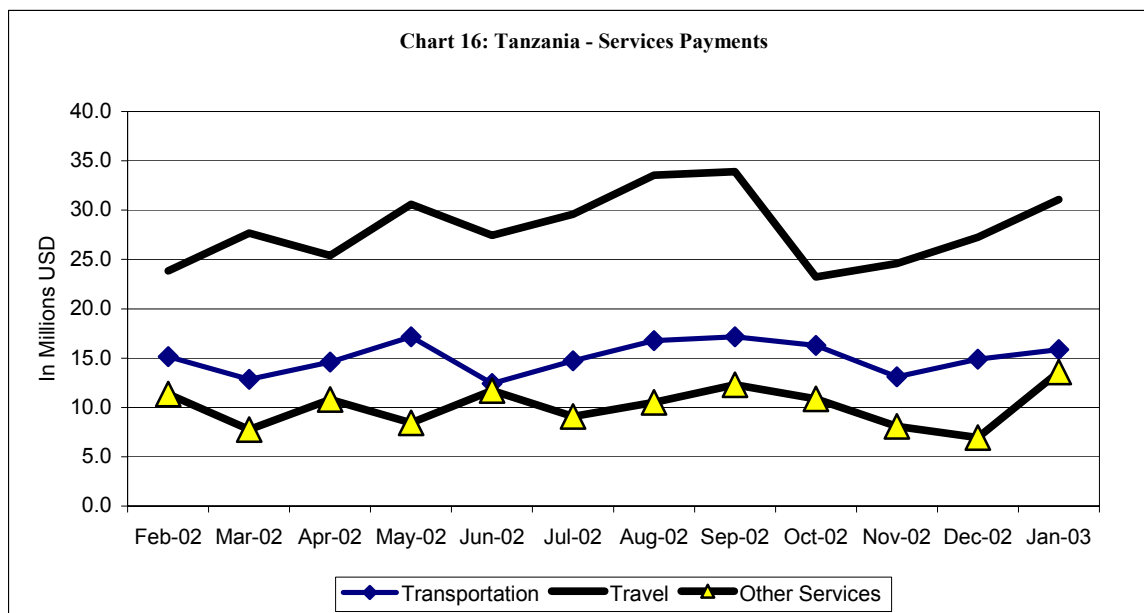
### **Service Account**

During January 2003, the surplus in the services account declined to USD 5.4 million from a surplus of USD 26.1 million recorded during the previous month. The development resulted from 12.4 percent decline in services receipts to USD 65.9 million, coupled with 23.3 percent increase in services payments to USD 60.5 million. Services receipts decreased mainly due to decline in travel and communication receipts, which dropped by 10.2 percent and 53.1 percent, respectively. The decline in travel (tourism) receipts is consistent with the end of the mini-peak tourist season, which runs from December to January. There was however an increase in receipts from transportation services to USD 9.0 million from USD 5.1 million recorded in December 2002.



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

The increase in services payments, on the other hand, was largely due to a rise in travel, construction and other business services payments. During the review period, travel payments increased to USD 31.1 million from USD 27.2 million recorded in the previous month partly due to a 56.4 percent increase in air ticket payments following the Moslem pilgrimage that took place during the month under review. There was however a 51.8 percent decrease in financial services payments compared with the levels recorded in December 2002.



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

During the year ending January 2003, the surplus in the services account declined to USD 31.9 million from USD 38.1 million recorded during the year ending January 2002, following a 1.6 percent decline in services receipts and a smaller 0.7 percent decline in services payments. The decline in receipts was mainly recorded in other business, government and transportation services. There was however an increase in travel (tourism) receipts by 6.6 percent to USD 443.5 million, which is partly ascribed to efforts made by the Tanzania Tourism Board (TTB) of promoting Tanzania as a tourist destination. The decrease in services payments was mainly recorded in other business services, computer and information services, and freight payments. The decline in freight payments is in line with a 2.3 percent decline in imports (fob) to USD 1,525.2 million from USD 1,561.1 million recorded during the year ending January 2003. Conversely, there were considerable increases in travel, government services and insurance services payments.

## **Income Account**

During January 2003, the deficit in the income account narrowed to USD 8.8 million from a deficit of USD 25.2 million recorded in the previous month, largely due to a decline in investment income payments owing to a 68.1 percent decline in scheduled payments to USD 10.3 million.

In contrast, during the year ending January 2003, the income account deficit widened by 6.5 percent to USD 136.2 million due to increase in income payments that offset the impact of an increase in income receipts. The surge in income payments was mostly on account of a 20.4 percent increase in scheduled interest payments to USD 137.3 million arising from payments made to non- Paris Club creditors during the month under review.

## **World Commodity Prices**

During January 2003, a mixed trend in price developments was experienced for agricultural and non-agricultural commodities. While most of the agricultural commodity prices remained almost stable, the speculations for possible USA-led military attack on Iraq has continued to put an upward pressure on non-agricultural (oil and gold) prices.

The world average market price for coffee (Arabica) remained unchanged at the previous month's price of USD 1.4 per kg. Coffee (Robusta) registered a 12.5 percent increase to an average price of USD 0.9 per kg from USD 0.8 per kg recorded in December 2002. Prices for both tea (Mombassa auction) and tea (average of Calcutta, Colombo and Mombassa auctions), cotton (Memphis) and sisal remained stable at USD 1.5 per kg, USD 1.5 per kg, USD 1.2 per kg, and

USD 650 per metric ton, respectively. Cotton (A-index) recorded an increase of 8.3 percent to USD 1.3 per kg from USD 1.2 per kg prevailed during the previous month. The average price for clove during the review period increased by 3.8 percent to USD 2,075 per ton from USD 2,000 per ton recorded in December 2002.

During the period under review, the average price for crude oil (f.o.b. Dubai) increased by 9.3 percent to USD 28.1 per barrel and crude oil (Average of UK Brent, Dubai and West Texas Intl) increased by 10.4 percent to USD 30.8 per barrel. The prices are relatively above the upper band of USD 28.0 per barrel set by the OPEC members. The prices of white petroleum products (f.o.b. West Mediterranean) increased by 9.5 percent to an average of USD 276.2 per ton.

During January 2003, Gold prices increased by 7.5 percent to USD 356.9 per troy ounce from USD 331.9 per troy ounce recorded in the previous month.

## **Debt Developments**

### **Overview**

The overall total debt stock (external and domestic) as at end January 2003, stood at USD 8,314.9 million. Out of which, external debt was USD 7,471.1 million or 89.9 percent and domestic debt was USD 843.8 million or 10.2 percent. The total National debt stock rose by USD 38.6 million or 0.5 percent from USD 8,276.3 million as at end of December 2002 to USD 8,314.9 million as at end of January 2003. The increase in the overall debt stock is attributed to disbursements and the accumulation of interest arrears.



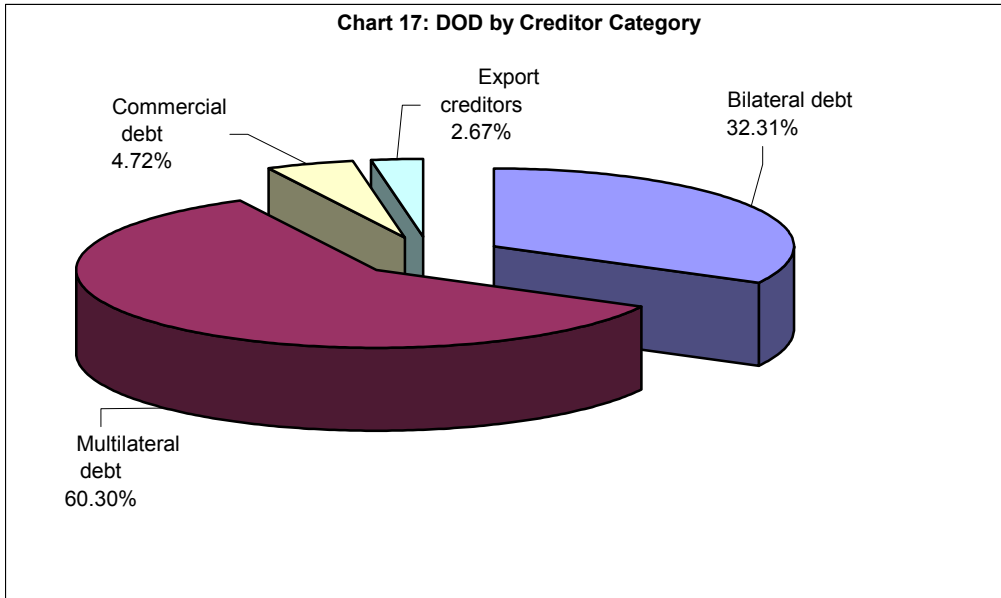
## **External Debt**

Total external debt committed as at end-January 2003 reached USD 8,037.9 million, increase by USD 8.0 million or 0.1 percent from USD 8,029.9 million recorded at end-December 2002. Out of the total amount committed, disbursed outstanding debt (DOD) was USD 6,488.2 million and committed undisbursed debt (CUB) was USD 1,549.7 million.

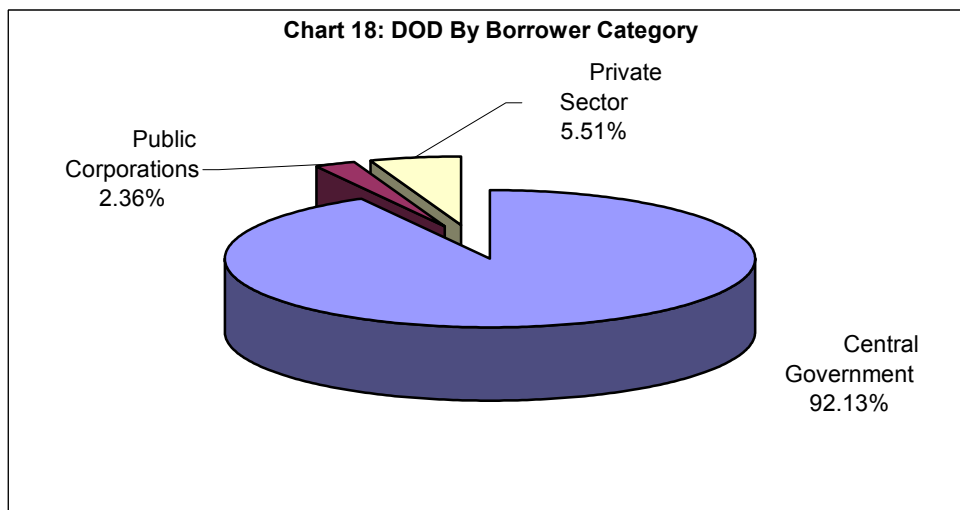
Interest arrears also increased by USD 11.60 million or 1.2 percent from USD 971.3 million end of December 2002 to USD 982.9 million as at the end of January 2003. Total debt stock increased slightly by 1.2 percent from USD 7,384.7 million at the end of December 2002 to USD 7,471.1 million as at the end of January 2003.

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

The profile of disbursed outstanding debt by creditor category shows that 60.3 percent and 32.3 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 4.7 percent and 2.7 percent, respectively.

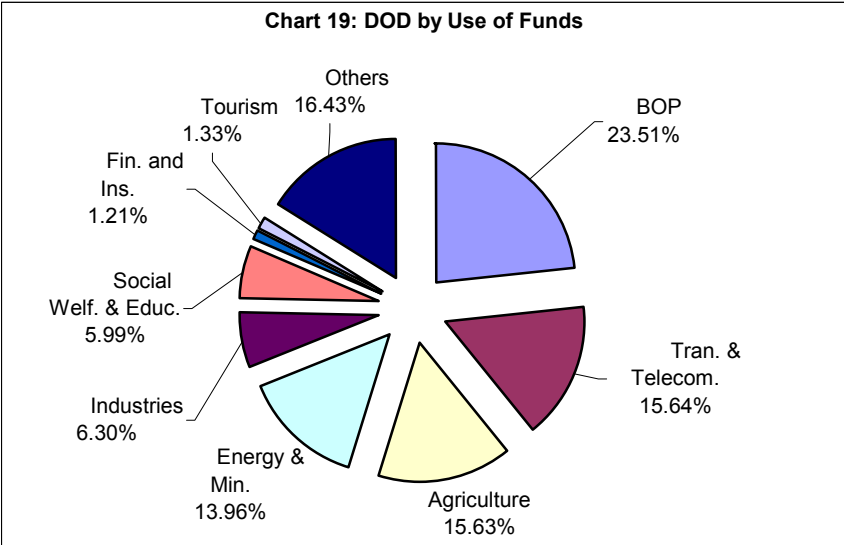


The composition of disbursed outstanding debt by borrower category shows that, the Central Government is the largest borrower accounting for as much as 92.1 percent of the total debt. The proportion of parastatal and private companies in the total debt was 2.4 percent and 5.5 percent, respectively.



Classification of debt by economic sector indicates that, 23.5 percent of the total debt was disbursed in the form of Balance of payments support, while Transport and telecommunications sector received 15.6 percent. Agriculture, and Energy and

mining received 15.6 percent and 14.0 percent, respectively. Industries absorbed 6.3 percent of the total debt while, Social welfare and education, Finance and insurance, and Tourism received 6.0 percent, 1.2 percent and 1.3 percent of the debt, respectively. The remaining 16.4 percent was absorbed by other sectors.



**Debt Contracted, Debt Service and Disbursements**

During the month under review, there was no new loan recorded. Disbursements amounted to USD 16.1 million. External debt service was USD 3.5 million. In this case, there was a net inflow of USD 12.6 million.

**Domestic Public Debt**

The total domestic debt stock owed by the Government of United Republic of Tanzania as at end of January 2003, stood at TZS 860.7 billion. This reflects a fall of TZS 9.8 billion or 1.1 percent when compared to TZS 870.5 billion-registered as

at end of December 2002. The decrease in domestic debt was mainly caused by the decrease in Treasury bills.

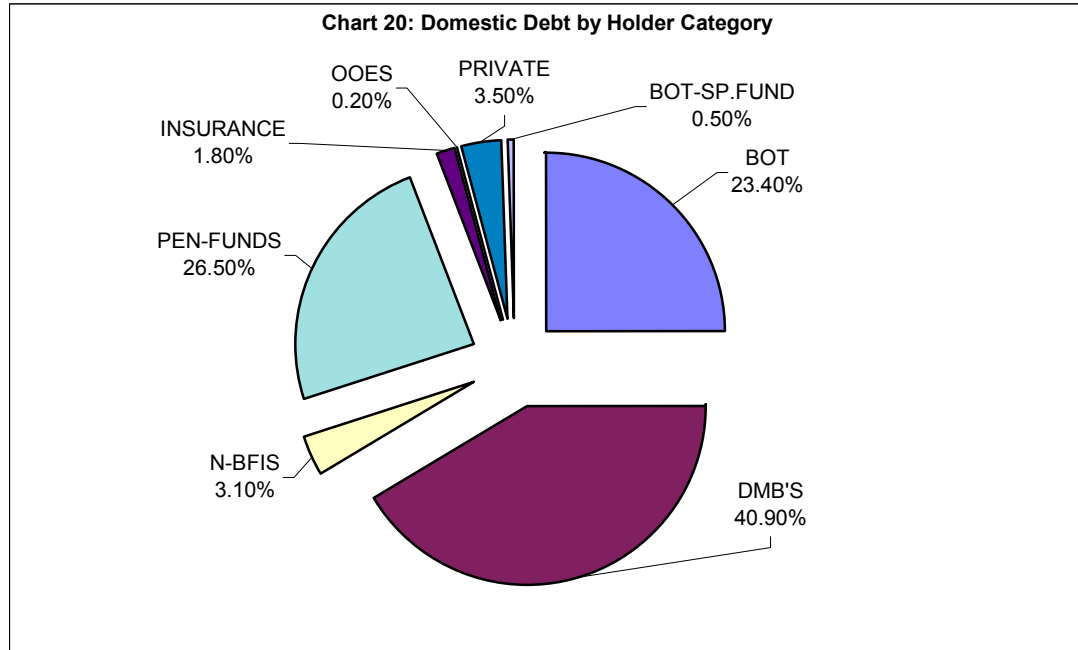
Analysis of domestic debt stock by instruments shows that, Government bonds, which constitute 50.2 percent, increased by 0.4 percent, from TZS 429.9 billion recorded as at the end of December 2002 to TZS 431.7 billion as at the end of January 2003. The issuing of 7-year and 10-year Treasury bonds explains the increase in Government bonds position.

Treasury bills that constitute 29.8 percent of total domestic debt, decreased significantly by 4.1 percent from TZS 267.6 billion as at the end of December 2002 to TZS 256.6 billion as at 31<sup>st</sup> January 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 December 2002, respectively.

Government securities constitute 94.7 percent of the debt stock, while other government debts and interest arrears constitute 5.3 percent and 0.01 percent, respectively.

### **Domestic Debt Stock by Creditor Category**

Analysis of domestic debt by creditor category revealed that, Commercial Banks were the largest creditors by holding TZS 351.9 billion or 40.9 percent of the debt stock. Pension funds came second by holding securities worth TZS 228.4 billion or 26.5 percent. The Bank held TZS 201.5 billion or 23.4 percent. While Private and Non-bank Financial institutions held 3.5 percent and 3.1 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 36.7 billion fell due for payment during the month of January 2003. Out of the total amount, TZS 32.0 billion is principal which was rolled over, while the remaining balance of TZS 4.6 billion is interest that was paid out of government revenues.

### Other Economic Developments

#### Food Supply Situation

During the month of January 2003, the Food Security Department continued to purchase grains following Government release of funds for purchasing 3,000.0 tons to replenish amounts exported to Zimbabwe last year. While the Department purchased 3,000 tons of grains in the review month, it also released 1,434.0 tons of maize to the Prisons Department and the open market, resulting into a balance of

1,566.0 tons. Consequently, the SGR stocks as at end-January 2003 stood at 59,961.0 tons compared with the previous level of 58,395 tons recorded at end-December 2002. By the end of January 2003, the Food Security Department had already purchased a total of 28,242.0 tons of maize grain for SGR stocks, which is 3,242.0 tons above the budgeted level of 25,000.0 tons for the year 2002/03. On cumulative basis, between July 2002 and January 2003, SGR sold a total of 15,348.0 tons of grain. Although localized food deficits are expected in some districts, in general food security situation is expected to remain good over the coming five months when the harvesting of the new long rain crops commences.

**Table 6: Food Situation**

SGR Stocks (tons)	2000	2001	2002	2003	% Change 2002/2003
January	105,665	78,967	60,503	59,961	-0.9
February	103,305	72,000	58,254		
March	101,496	63,022	56,738		
April	96,326	51,435	52,228		
May	82,119	44,776	48,653		
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**

## **Budgetary Developments**

### **Overall Performance**

During January 2003 the Zanzibar Government budgetary performance on cheques issued basis recorded an overall deficit before grants of TZS 0.03 billion compared with a deficit of TZS 0.3 billion recorded in the previous month of December, 2002. However, the deficit turned to surplus of TZS 0.7 billion after considering grants amounting to TZS 0.8 billion.

### **Revenue Performance**

During the period under review, total revenue decreased by 4.6 percent from TZS 4.1 billion collected in December 2002. The revenue collections accounted for 71.3 percent of the projected monthly level of TZS 5.54 billion. The dismal performance was mainly contributed by decrease in tax on imports that decreased from TZS 1.6 billion in the previous month to TZS 1.3 billion due to decline in imports through Zanzibar port. Declines were also observed from non- tax revenue which decreased from TZS 0.2 billion during December 2002 to TZS 0.1 billion, while income tax decreased from TZS 0.49 billion to TZS 0.47 billion. However, revenue from other taxes category increased from TZS 0.9 billion to TZS 1.0 billion, while VAT and exercise duties (local), increased from TZS 0.9 billion to TZS 1.0 billion.

On cumulative basis, total revenue amounted to TZS 24.4 billion accounting for 62.9 percent of the projected TZS 38.8 billion for first seven months of 2002/03, 36.6 percent of the annual target of TZS 66.5 billion.

## **Expenditure**

During the period under review, total Government expenditure decreased by 9.1 percent from TZS 4.4 billion in December 2002 to TZS 4.0 billion. The actual total expenditure 48.8 percent of the projected monthly expenditure of TZS 8.2 billion. The decline in expenditure by the Government of Zanzibar was due to the strict adherence to the cash budget.

Recurrent expenditure decreased by 10.9 percent from TZS 4.4 billion spent in December 2002 to TZS 4.0 billion accounting for 75.9 percent of the projected expenditure of TZS 5.13 billion. Expenditure on wages and salaries decreased by 3.8 percent due to employment of fewer casual employees in development projects. Other expenditures decreased by 27.3 percent from TZS 1.3 billion spent in December, 2002 to 1.0 billion spent in January, 2003 due to lower allocations. Development expenditure increased from TZS 0.05 billion spent in December 2002 to TZS 0.09 billion accounting for 3.0 percent of the monthly projected amount of TZS 3.0 billion. The increase is attributable to relatively higher expenditure allocation for development projects during the period under review.

On cumulative basis, during the first seven months of 2002/03, total government expenditure amounted to TZS 35.3 billion accounting for 61.7 percent of total expenditure target of TZS 57.2 billion. The same expenditure accounted for 36.0 percent of the annual estimates of TZS 98.11 billion.



## **Financing**

During the month under review the Government of Zanzibar continued to adhere to the cash budgeting system. Revenue collections were supported by government receipt of grants from the Union Government amounting to TZS 0.8 billion and Treasury bills amounting to TZS 0.6 billion.

## **Trade Developments**

### **Trade balance**

During January 2003, the trade account (goods and services) improved significantly by registering a net surplus of USD 0.2 million from a deficit of USD 3.0 million recorded in December 2002. The improvement in the trade account was attributed to both increases in exports of goods and services and decreases in imports of goods and services. Exports of goods and services increased to USD 6.3 million during the review period from USD 3.9 million recorded during December 2002, while imports of goods and services slightly decreased to USD 6.2 million from USD 7.0 million.

### **Exports**

During the period under review, total exports increased to USD 2.6 million from USD 1.1 million recorded in December 2002. The increase was attributed to increase in traditional exports mainly cloves. Clove exports increased to USD 2.4 million from USD 0.8 million recorded in December 2002 mainly occasioned by increased clove exports by 180.9 percent during the period under review from 330.0 tons in December 2002. The clove exports volume increase is mainly attributable to government's resumption of purchasing cloves from peasants.

Exports of seaweeds declined slightly to USD 0.02 million from USD 0.22 million recorded in during December 2002, mainly due to fall in seaweed world market prices.

Non-traditional exports decreased by 43.9 percent to USD 0.02 million from USD 0.04 million recorded during December 2002. While exports of fish and fish produce and other exports decreased by 79.4 percent and 51.1 percent respectively, manufactured goods increased to USD 0.009 during the month under review from USD 0.002 registered in December 2002.

### **Imports**

During the period under review, overall imports (c.i.f.) decreased by 21.7 percent to USD 4.7 million from USD 6.0 million registered in December 2002 mainly due to decrease in imports of intermediate goods to USD 1.2 million from USD 2.3 million in December 2002 and decline in consumer goods imports to USD 1.8 million from USD 1.96 over the same period. Capital goods imports slightly increased by 0.3 percent to USD 1.74 million from USD 1.73 million recorded during December 2002.

### **Combined Services and Income account**

During the period under review, the combined income and services account recorded a surplus of USD 1.8 million from a surplus of USD 1.1 million recorded in the previous month. The increase was attributed to a 53.9 percent increase in foreign receipts from USD 2.8 recorded during December 2002 that outweighed the 23.5 increase in foreign payments.

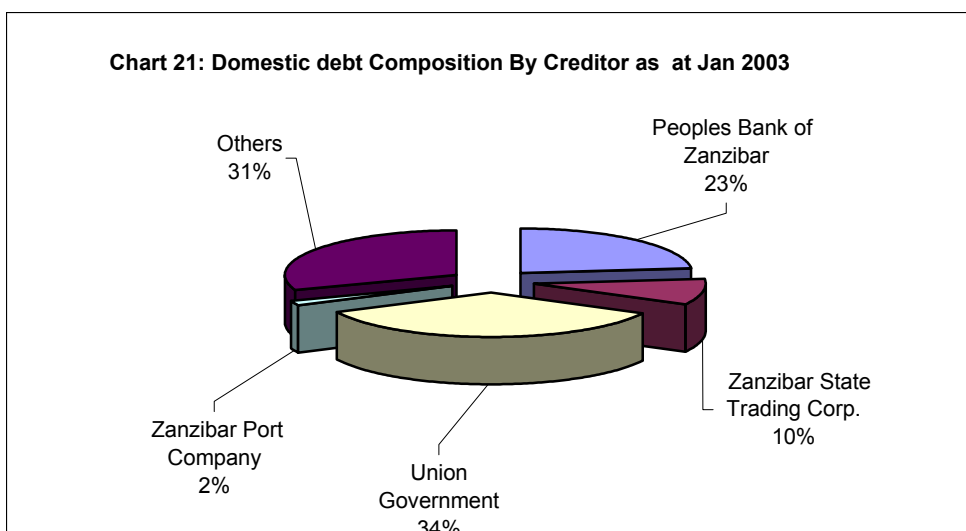
### **Service account**

The non-factor services account recorded a surplus of USD 1.7 million from USD 1.1 million attained in December 2002. The increase was due to increase in non-factor services receipts by 33.8 percent to USD 3.8 million, which outweighed a 20.2 percent increase in non-factor services payments to reach USD 2.1 million.

The income account recorded a net surplus of USD 0.04 million compared to zero balance registered in December 2002. The surplus is wholly derived from investment income.

### **Zanzibar Debt Developments**

The Zanzibar total debt stood at TZS 98,608.8 million or USD 96.6 million as at end-January 2003. Out of the total debt, domestic debt amounted to TZS 39,045.3 million or USD 38.3 million accounting for 39.6 percent of total debt, while external debt amounted to USD 58.4 million or TZS 59,563.5 million accounting for 60.4 percent of the total debt.



## Domestic Debt

During January 2003, domestic debt stood at TZS 39,045.3 million, which is 2.2 percent higher than TZS 38,210.6 million as at end-December 2002. The increase in domestic debt was attributable to increased borrowing through non-bank sources (Treasury bills) and accruing interest arrears.

### Domestic Debt - By Creditor

Analysis of domestic debt by creditor reveals that, at end-January 2003, the Zanzibar Government debt to the Union Government was TZS 13.6 billion accounting for 34.8 percent of total domestic debt. The People's Bank of Zanzibar claims to the Government amounted to TZS 9.1 billion or 23.3 percent of total domestic debt, while the Zanzibar State Trading Corporation and Zanzibar Port Authority claims were TZS 3.7 billion or 9.5 percent and TZS 0.6 billion or 1.7 percent, respectively. Other creditor claims amounted to TZS 12.0 billion or 30.6 percent of the total domestic debt.

## **Domestic Debt by Instrument**

Domestic debt by instrument, as at January 2003, shows that borrowing through advances amounted to TZS 13.6 billion or 34.8 percent of total domestic debt. Debt by long-term loan instruments amounted to TZS 9.1 billion or 23.3 percent, while debt by government stocks amounted to TZS 3.7 billion or 9.4 percent. Debt by Treasury bills amounted to TZS 3.2 billion or 8.3 percent of total debt, while short-term borrowing amounted to TZS 0.7 billion or 1.8 percent of total domestic debt. Likewise, debt by other instruments amounted to TZS 8.7 billion accounting for 22.4 percent of total domestic debt.

## **Domestic debt by maturity**

Domestic debt by maturity shows that debt maturing less than a year amounted to TZS 1.4 million accounting for 0.004 percent of the total domestic debt. Debt maturing between 1-2 years amounted to TZS 4.4 million or 0.01 percent of total domestic debt. Debt maturing between 2-5 years amounted to TZS 9.1 million or 0.02 percent of total domestic debt. Debts with undetermined maturity<sup>2</sup> amounted to TZS 39,027.5 million or 99.9 percent, while debt in arrears amounted to TZS 3.0 million accounting for 0.01 percent.

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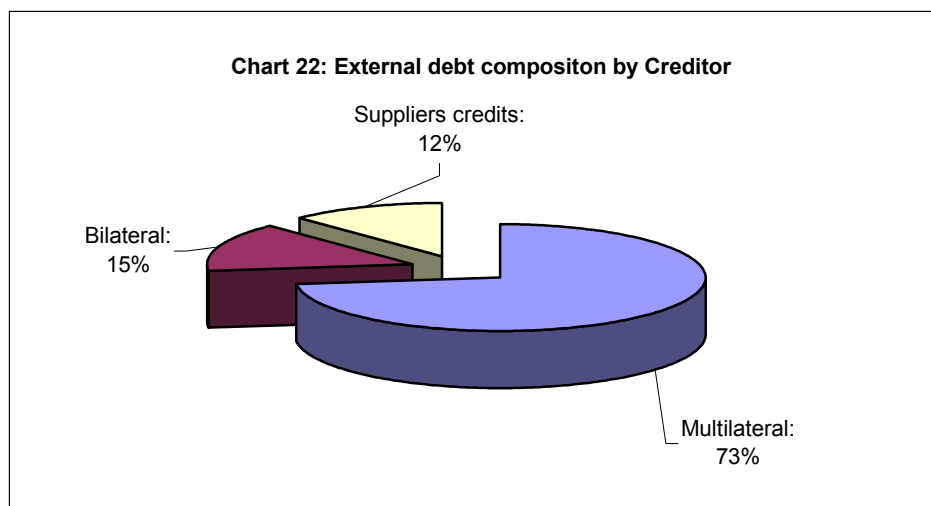
<sup>2</sup> Includes pensioners claims, and private suppliers' claims.

## External Debt

The Zanzibar Government external indebtedness at end-January 2003 stood at USD 58.4 million or TZS 59,563.5 million, the same level recorded at end December 2002.

### External Debt by Creditor Category

During January 2003, the debt portfolio revealed that multilateral debts amounted to USD 42.7 million accounting for 73.1 percent of the total external debt. Bilateral creditors claims amounted to USD 8.5 million accounting for 14.6 percent of the total external debt, while private debt (suppliers credits) amounted to USD 7.2 million accounting for 12.3 percent of total external debt.



### External Debt by Maturity

As at end January 2003, debt maturity structure showed that, debt with maturity of above 20 years was worth USD 33.0 million accounting for 56.5 percent of total outstanding debt. Debt in arrears amounted to USD 13.4 million accounting for 22.9 percent, while debt with maturity between 5-10 years amounted to USD 7.0

million or 12.0 percent of total outstanding external debt. Debt maturing between 10-20 years amounted to USD 5.0 million and accounted for 8.6 percent of total external debt.

## **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 policy factors.

### **Seasonally Adjusted Indicators**

To enhance the vigilance of monetary policy, i.e., to be able to make intra-year comparisons (e.g., month-to-month), it is necessary to carry out seasonal adjustment. 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. Therefore seasonally adjusted indicators show the impact of non-seasonal influences.

### **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) Bankers' 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 monetary 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 at the Bank of Tanzania. It is derived from the weighted average yield of treasury bills of all maturities plus fine 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.

Table A1: Selected Economic Indicators

Item	Unit	1995	1996	1997	1998	1999	2000	2001	2002*
<b>1. Population (TZ Mainland)</b>	Million	27.5	28.3	29.1	30.0	30.9	31.9	32.8	--
<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	7,590,765.0	--
	Mill. USD	4,865.7	5,952.9	6,994.7	7,710.9	8,026.4	8,330.6	8,661.3	--
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	1,654,407.5	1,747,787.0	--
	Mill. USD	2,340.5	2,416.8	2,365.9	2,265.5	2,117.9	2,068.3	1,994.3	--
<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	231,425.8	--
	USD	177.1	210.7	240.2	256.9	259.4	261.2	264.1	--
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	--
	USD	85.2	85.5	81.2	75.5	68.4	64.8	60.8	--
<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	402.8	423.5	--
4.6 GDP Implicit deflator	Per cent	27.1	18.5	20.0	15.1	11.3	6.3	5.1	--
<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	--
5.2 Imports (f.o.b)	Mill. USD	1,340.5	1,212.6	1,148.0	1,382.1	1,368.2	1,337.2	1,492.1	--
5.3 Balance of Visible Trade	Mill. USD	(657.6)	(448.9)	(395.4)	(793.6)	(824.9)	(673.9)	(715.7)	--
5.4 Balance on Current Account	Mill. USD	(646.4)	(461.3)	(403.6)	(921.3)	(858.6)	(529.1)	(559.6)	--
5.5 Overall Balance	Mill. USD	(329.5)	(146.9)	(220.0)	(461.9)	(111.8)	57.7	(14.9)	--
5.6 Exchange Rate :									
5.6.1 Annual Average	TZS/USD	574.8	580.0	612.1	664.7	744.8	800.4	917.4	--
5.6.2 End of Period	TZS/USD	550.4	595.6	624.6	681.0	797.3	803.3	916.3	--
<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>1,490,504.1</b>
6.1 Percentage Change	Per cent	26.1	11.6	11.0	11.1	15.0	12.5	12.3	19.3
6.2 Currency in Circulation Outside Banks	Mill. TZS	244,313.7	257,662.8	287,877.1	307,798.7	384,848.0	392,404.2	411,638.9	471,090.0
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	447,031.1
6.4 Quasi-Money (Time and Savings deposits)	Mill. TZS	185,410.1	235,777.4	266,484.6	299,412.4	339,517.4	398,604.4	470,710.8	1,122,519.1
<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	689,811.8
7.2 Recurrent Expenditure	Mill. TZS	415,139.8	486,493.7	543,750.6	680,182.7	808,865.4	1,018,782.1	1,466,136.9	907,100.7
7.3 Development Expenditure	Mill. TZS	5,382.3	28,895.6	215,107.2	136,523.9	359,913.4	286,253.2	344,610.9	134,038.6
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	(35,339.8)
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)	22,446.6
7.5.2 Foreign Loans (net)	Mill. TZS	(34,899.5)	(49,065.3)	64,468.1	(18,683.7)	105,417.3	90,354.2	121,842.5	75,976.7
<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>7,471.1</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	6,488.2
Interest	Mill. USD	1,086.3	1,130.8	978.2	948.8	1,089.4	1,086.5	904.3	982.9

Note: \* Provisional data; \*\* Position at end-January 2003

\*\*\* cumulative for July 02-Jan 2003

\*\*\*\* Debt position is given on financial year basis (end of period); for 2002/03, it is at end-January, "--" Data Not available  
Source: BoT, BoS (Economic Survey, National Accounts)

Table A2: Central Government Operations (Actual)

Item	Millions of TZS											
	1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002	BUDGET 2002/2003	Jul-02	Jul-Aug-02	Jul-Sep-02	Jul-Oct-02	Jul-Nov-02
<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>1,172,297.0</b>	<b>88,970.3</b>	<b>179,794.9</b>	<b>286,902.6</b>	<b>379,922.2</b>	<b>479,328.6</b>
Tax Revenue	505,354.7	566,122.6	616,284.1	685,107.4	827,788.4	939,266.8	1,066,899.0	82,631.6	164,994.4	263,278.5	350,306.1	438,901.2
Taxes on Imports	163,088.9	180,662.1	218,698.1	220,352.4	363,540.6	402,159.1	474,647.0	36,271.2	71,707.7	107,891.0	146,921.1	185,238.1
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	233,019.0	20,129.3	40,985.3	64,887.1	85,554.2	109,481.8
Refunds			13,823.8	7,904.1	4,195.4	32,552.4		0.0	0.0	0.0	0.0	0.0
Income Taxes	125,726.2	149,787.9	162,894.1	209,713.6	194,012.9	220,630.8	254,070.0	16,824.5	34,001.1	63,301.4	80,820.7	97,579.0
Other taxes	87,577.8	95,152.6	73,356.4	75,052.0	81,396.3	100,410.1	105,163.0	9,406.6	18,300.3	27,199.0	37,010.1	46,602.3
<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>105,398.0</b>	<b>6,338.7</b>	<b>14,800.5</b>	<b>23,624.1</b>	<b>29,616.1</b>	<b>40,427.4</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>2,106,289.8</b>	<b>94,960.0</b>	<b>227,833.3</b>	<b>351,723.8</b>	<b>502,354.0</b>	<b>626,680.8</b>
Recurrent expenditure 1/	486,493.7	543,751.0	680,182.7	808,865.4	1,018,782.1	1,121,526.0	1,386,162.7	80,855.1	197,609.4	309,323.2	435,878.6	535,479.0
Roadtoll fund			38,395.4	37,511.2	45,285.9	54,110.9	67,275.9	5,562.1	10,341.5	15,811.7	19,807.3	24,685.8
Retention fund			19,725.5	22,982.0	25,711.3	25,142.8	50,516.6	4,940.2	9,891.1	15,591.0	21,281.9	26,763.4
Wages and salaries	199,228.0	218,807.0	220,478.0	285,335.8	308,051.5	341,981.4	411,490.0	32,300.8	65,822.5	98,721.6	132,257.6	165,760.1
Interest payments	113,647.5	101,181.3	90,828.2	128,178.4	128,149.7	121,081.7	131,601.1	4,402.2	14,068.5	26,596.8	34,835.5	41,814.9
Domestic 2/	75,567.2	53,214.9	30,345.9	81,329.6	77,788.4	64,605.2	57,390.2	913.0	4,532.3	12,582.0	15,102.5	16,311.1
Foreign	38,080.3	47,966.3	60,482.3	46,848.8	50,361.3	56,476.0	74,210.9	3,489.2	9,536.2	14,014.8	19,733.0	25,503.9
Other goods, services and transfers	173,618.2	223,762.7	368,876.5	395,351.2	582,580.9	658,462.0	725,279.1	44,152.1	117,718.4	184,004.8	268,785.5	327,903.9
<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>720,127.1</b>	<b>14,104.8</b>	<b>30,223.9</b>	<b>42,400.6</b>	<b>66,475.4</b>	<b>91,201.9</b>
Local	18,807.5	19,428.8	18,807.5	19,428.8	35,069.1	50,235.9	95,662.0	3,970.8	7,470.8	10,970.8	20,470.8	27,208.8
Foreign	117,716.4	167,156.2	117,716.4	340,484.6	251,184.1	294,375.0	624,465.1	10,134.0	22,753.1	31,429.8	46,004.6	63,993.1
<b>Overall Defic.(cheq. issued) before Grants</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>(391,694.6)</b>	<b>(5,989.7)</b>	<b>(48,038.4)</b>	<b>(64,821.2)</b>	<b>(122,431.8)</b>	<b>(147,352.2)</b>
<b>Grants:</b>	<b>81,415.6</b>	<b>119,358.3</b>	<b>169,945.6</b>	<b>280,306.7</b>	<b>286,306.0</b>	<b>379,849.4</b>	<b>542,298.2</b>	<b>4,662.8</b>	<b>42,030.5</b>	<b>55,855.7</b>	<b>131,218.4</b>	<b>153,191.7</b>
O/W : Project	48,380.0	117,541.0	100,499.8	207,519.4	123,629.8	140,192.0	283,903.7	2,559.3	8,148.9	8,955.3	14,765.2	17,901.9
MDF funds	47,530.2	47,530.2	47,530.2	72,787.3	30,436.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<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>(391,694.6)</b>	<b>(1,326.9)</b>	<b>(6,007.9)</b>	<b>(8,965.6)</b>	<b>8,786.5</b>	<b>5,839.4</b>
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	(10,000.3)	15,611.4	2,854.3	(28,455.4)	(22,856.2)	(29,382.6)
<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>(401,694.9)</b>	<b>(52,906.6)</b>	<b>(76,093.8)</b>	<b>(111,774.1)</b>	<b>(90,045.2)</b>	<b>(100,989.7)</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>401,694.9</b>	<b>52,906.6</b>	<b>76,093.8</b>	<b>111,774.1</b>	<b>90,045.2</b>	<b>100,989.7</b>
Foreign Financing (net)	(49,065.3)	64,468.1	(18,683.7)	105,417.3	90,354.2	121,842.5	348,440.9	3,671.8	6,568.0	12,901.8	14,872.0	23,678.4
Loans	19,233.1	136,890.0	53,842.8	187,786.3	172,880.4	187,355.5	451,362.7	7,574.7	14,604.2	22,474.5	31,239.4	46,091.1
Program loans	16,543.4	80,069.0	36,626.2	54,821.0	45,326.1	33,171.2	110,801.3	0.0	0.0	0.0	0.0	0.0
Development Project loans	2,689.7	56,821.0	17,216.6	132,965.3	127,554.3	154,184.3	340,561.4	7,574.7	14,604.2	22,474.5	31,239.4	46,091.1
Amortization	(68,298.4)	(72,421.9)	(72,526.5)	(82,369.0)	(82,526.2)	(65,513.0)	(102,921.8)	(3,902.9)	(8,036.2)	(9,572.6)	(16,367.4)	(22,412.8)
Domestic (net)	(41,926.6)	3,669.2	(5,740.0)	7,854.4	(2,494.4)	(22,606.6)	43,254.0	49,234.8	69,525.8	98,872.3	75,173.2	77,311.3
Bank borrowing	(26,072.3)	(23,605.1)	1,230.0	7,690.6	(18,654.8)	(59,180.9)	30,254.0	47,985.7	68,276.7	92,623.2	68,924.1	71,062.2
Non-Bank (net of amortization)	(15,854.3)	27,274.3	(6,970.0)	163.8	16,160.4	36,574.3	21,254.0	1,500.0	1,500.0	6,500.0	6,500.0	6,500.0
Amortization	(24,696.3)	(53,419.5)	(38,499.1)	(234,092.1)	(256,372.9)	(1,614.0)	9,000.0	(250.9)	(250.9)	(250.9)	(250.9)	(250.9)
Privatization Proceeds	13,852.6	0.0	7,000.0	0.0	26,692.9	0.0	(10,000.0)	0.0	0.0	0.0	0.0	0.0
Recovery from NBC bond							18,000.0	0.0	0.0	0.0	0.0	0.0

/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 T
														Memor-
														item:
														M0
														M1
														M2
														M3
														Extended Broad Money
														Broad Money
														Narrow Money
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)	
					sum (9-13)	sum (9-12)	sum (9,10)							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1992	54,027.8	82,201.2	34,849.6	130,847.3	301,925.9	284,968.3	185,876.2	95,454.5	90,421.7	62,459.1	36,633.0	16,957.6	112,750.2	
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	152,320.8	
1994	116,393.2	181,055.6	280,158.6	(7,864.2)	569,743.2	486,489.2	329,624.8	176,308.2	153,316.5	84,799.5	72,064.9	83,254.0	226,441.4	
1995	165,813.5	279,257.9	247,846.0	59,994.1	752,911.5	613,695.3	428,285.1	244,313.7	183,971.4	91,210.2	94,199.9	139,216.3	314,885.1	
1996	290,319.8	295,822.8	141,341.0	90,579.4	818,063.0	684,990.6	449,213.3	257,662.8	191,550.5	122,436.6	113,340.7	133,072.4	335,768.0	
1997	398,918.6	239,457.5	182,976.9	105,716.0	927,068.9	760,353.3	493,868.7	287,877.1	205,991.7	126,269.2	140,215.3	166,715.6	364,940.0	
1998	458,003.6	276,586.7	248,276.2	44,118.1	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	418,734.0	
1999	622,286.8	366,596.2	311,533.0	(82,789.1)	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	508,674.0	
2000	842,755.0	375,146.0	340,628.1	(160,840.2)	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	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	
2001-Jun	1,001,411.8	268,919.6	378,422.2	(175,851.7)	1,472,901.9	1,099,034.0	691,254.6	375,044.9	316,209.6	171,597.7	236,181.7	373,867.9	506,847.8	
Nov	1,185,337.3	235,030.2	405,040.6	(2,259.1)	1,610,225.9	1,211,966.0	756,950.1	409,503.6	347,446.5	202,702.0	252,313.9	398,259.9	967,684.3	
Dec	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	
2002-Jan	1,244,572.7	170,817.3	424,034.3	26,166.3	1,635,487.2	1,208,711.9	732,480.7	389,698.9	342,781.8	218,710.6	257,520.6	426,775.3	980,251.4	
Feb	1,358,005.5	104,456.8	431,266.2	29,902.6	1,664,164.4	1,217,354.6	741,586.3	391,993.3	349,593.1	209,448.3	266,320.0	446,809.7	979,735.0	
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	
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	
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	
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	
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	
Aug	1,322,133.4	229,448.7	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	
Sept	1,354,621.1	252,250.1	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	
Oct	1,440,512.5	234,814.0	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	
Nov	1,442,963.9	308,100.7	562,604.4	(39,172.3)	2,004,263.8	1,499,957.7	957,111.5	500,899.4	456,212.0	228,941.6	313,904.7	504,306.1	1,202,858.5	
Dec	1,558,627.1	333,817.9	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	
2003 - Jan	1,651,202.9	316,486.7	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	

Table A4: Tanzania's Balance of Payments

	Millions of USD				
	1997	1998	1999	2000	2001p
<b>A. Current Account Balance</b>	<b>(403.6)</b>	<b>(921.3)</b>	<b>(858.6)</b>	<b>(529.1)</b>	<b>(559.6)</b>
<b>Goods (f.o.b.)</b>	<b>(395.4)</b>	<b>(793.6)</b>	<b>(825.0)</b>	<b>(673.9)</b>	<b>(715.7)</b>
Exports f.o.b.	752.6	588.5	543.3	663.3	776.4
Imports f.o.b.	(1,148.0)	(1,382.1)	(1,368.2)	(1,337.2)	(1,492.1)
<b>Services</b>	<b>(317.9)</b>	<b>(463.2)</b>	<b>(287.8)</b>	<b>(115.8)</b>	<b>(103.0)</b>
Credit	482.4	538.8	622.0	643.8	679.3
Debit	(800.2)	(1,002.0)	(909.7)	(759.7)	(782.2)
<b>Income</b>	<b>(121.8)</b>	<b>(91.8)</b>	<b>(82.5)</b>	<b>(89.7)</b>	<b>(55.8)</b>
Credit	43.0	44.4	49.0	50.4	69.2
Debit	(164.8)	(136.3)	(131.5)	(140.0)	(124.9)
<b>Current transfers</b>	<b>431.5</b>	<b>427.3</b>	<b>336.6</b>	<b>350.2</b>	<b>314.8</b>
Credit	499.1	454.2	445.6	423.1	384.8
Debit	(67.7)	(26.9)	(109.0)	(72.9)	(70.0)
<b>B. Capital Account</b>	<b>270.9</b>	<b>252.4</b>	<b>270.6</b>	<b>373.9</b>	<b>436.1</b>
Credit	270.9	252.4	270.6	373.9	436.1
Debit	0.0	0.0	0.0	0.0	0.0
<b>C. Financial Account, excl. reserves and related items</b>	<b>236.2</b>	<b>(134.6)</b>	<b>614.1</b>	<b>572.6</b>	<b>(63.2)</b>
Direct investment abroad	0.0	0.0	0.0	0.0	0.0
Direct investment in Tanzania	157.8	172.2	516.7	463.4	327.2
Portfolio investment	0.0	20.5	0.7	0.0	0.0
Other investment	78.4	(327.3)	96.7	109.2	(390.4)
<b>D. Net Errors and Omissions</b>	<b>(323.5)</b>	<b>341.6</b>	<b>(138.0)</b>	<b>(359.7)</b>	<b>171.8</b>
<i>Overall Balance (Total, Groups A through D)</i>	<i>(220.0)</i>	<i>(461.9)</i>	<i>(111.8)</i>	<i>57.7</i>	<i>(15.0)</i>
<b>E. Reserves and Related Items</b>	<b>220.0</b>	<b>461.9</b>	<b>111.8</b>	<b>(57.7)</b>	<b>15.0</b>
Reserve assets	(84.4)	(11.1)	(121.4)	(137.6)	(207.0)
Exceptional financing	304.4	473.0	233.2	79.9	221.9
Rescheduled debt	227.3	366.7	84.6	10.0	131.4
Interest arrears	14.6	73.1	92.7	48.8	53.3
Principal arrears	62.5	33.2	55.9	21.1	37.2
<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	8,045,915.8
GDP(mp) Millions of USD	7,692.3	8,382.4	8,635.9	8,994.6	8,770.2
CAB/GDP	(5.2)	(11.0)	(9.9)	(5.9)	(6.4)
CAB/GDP (excluding current official transfers)	(8.4)	(14.6)	(12.5)	(8.4)	(8.9)
Gross Official Reserves	623.1	599.0	775.6	974.4	1,156.6
Months of Imports	3.8	3.0	4.1	5.6	6.1
Net International Reserves (year end)	272.6	283.7	405.1	542.7	749.7
Change in Net International Reserves	(84.4)	(11.1)	(121.4)	(137.6)	(207.0)
Exchange rate (end of period)	624.6	681.0	797.3	803.3	916.3
Exchange rate (annual average)	612.1	664.7	744.9	803.3	917.4

Note: GDP (mp)-Gross Domestic Product at Market prices, CAB-Current Account Balance,  
p Provisional

Source: Bank of Tanzania