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MONTHLY ECONOMIC REVIEW BANK OF TANZANIA

April - May 2002

MESSAGE FROM THE GOVERNOR

Despite the increase of one tenth of one percent in the annual inflation rate for the year ended April 2002, the underlying rate of inflation remains low the increase in April was the result of the hike in electricity tariffs for residential and non-industrial consumers. Unlike in past years, improvement in food supplies has been responsible for the deceleration in the overall price index. It is expected that in the coming months the inflation will continue to edge downward.

Inflation Developments

Headline Inflation

The headline inflation for the year ending April 2002 increased by 0.1 percentage point to 4.8 percent from 4.7 percent for the year ending March 2002. However, when measured on a month-on-month basis, the headline inflation rate declined by 1.6 percent, between March 2002 and April 2002. Seasonally adjusted inflation

rate also rose from 0.3 percent in March 2002 to 0.7 percent in April 2002 (Table 1). The major cause of the rise in overall inflation during the month under review was an increase in non-food inflation, as food inflation declined.

Non-food inflation

Annual non-food inflation experienced an upward pressure mainly from increases in the average prices of almost all non-food consumer items. The rate increased significantly from 1.5 percent recorded in March 2002 to 6.0 percent in April 2002. Similarly, the month-on-month non-food inflation rate increased from 0.4 percent in March 2002 to 3.8 percent in April 2002. The sub-group of fuel, power and water, which bears the highest weight on non-food inflation, rose sharply by 15.8 percent during the year to April 2002, compared with a decrease of 1.7 percent during the year ended March 2002. The increase was mainly due to a rise in electricity tariff rates for domestic consumers and the impact of the depreciation of the shilling, exacerbated by the increase in the prices of petroleum products.

Food Inflation

Following the improvement in food supply, as food harvests begin during the first quarter of the year in most parts of the country, prices of food items particularly grains slumped. Decline in food prices was particularly recorded in maize and rice, which are the main food grains. In line with the improvements in the food supply, food inflation rate decelerated from 5.7 percent recorded in the year ended March 2002 to 4.3 percent. Also, on-month-to-month basis food prices declined by 3.3 percent in April 2002 compared to an increase of 2.4 percent in March.

Table 1: 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
1999 Jan	9.1	6.1	10.3	3.7	0.3	5.0	6.8	3.3	8.9	-0.6	-0.2	-0.6
Feb	8.7	6.5	9.4	3.5	1.4	4.2	6.7	3.9	7.6	0.7	0.8	0.6
Mar	8.8	8.2	9.0	2.4	1.6	2.7	6.9	5.5	7.6	0.8	1.5	0.6
Apr	8.9	8.0	9.3	-1.7	-0.1	-2.3	6.8	6.0	7.0	0.8	0.5	0.9
May	8.1	7.5	8.3	-0.8	-0.2	-1.0	6.3	5.1	6.7	0.3	0.2	0.4
Jun	7.7	7.3	7.8	-2.3	0.0	-3.1	6.3	6.2	6.3	0.6	0.4	0.6
Jul	7.6	4.3	8.9	-0.8	-0.3	-0.9	8.3	5.5	8.9	0.8	-0.6	1.3
Aug	7.4	4.7	8.5	-1.0	0.4	-1.6	7.9	5.3	9.0	0.6	0.6	0.5
Sep	7.3	4.0	8.6	-0.5	-0.3	-0.6	7.4	2.0	9.4	0.6	-0.1	0.8
Oct	7.0	3.8	8.2	0.4	0.2	0.5	6.7	1.2	8.8	0.5	0.1	0.6
Nov	7.1	3.2	8.6	1.1	-0.1	1.6	7.3	0.8	9.9	0.6	0.0	0.9
Dec	7.0	3.7	8.2	3.0	0.8	3.9	7.2	1.0	9.6	0.5	0.5	0.4
2000 Jan	6.6	3.8	7.5	3.3	0.4	4.3	5.4	2.4	6.8	0.0	0.1	0.0
Feb	6.3	3.2	7.4	3.2	0.8	4.0	5.2	1.6	6.3	0.4	0.3	0.4
Mar	6.2	2.0	7.6	2.3	0.4	2.9	5.3	2.3	6.1	0.6	0.3	0.8
Apr	6.0	2.0	7.3	-1.9	-0.1	-2.6	5.3	3.2	5.8	0.5	0.5	0.5
May	6.0	2.4	7.2	-0.8	0.1	-1.1	4.9	4.0	4.9	0.4	0.4	0.4
Jun	5.9	2.4	7.1	-2.3	0.1	-3.2	4.8	3.8	5.0	0.4	0.4	0.5
Jul	5.8	3.5	6.6	-0.9	0.7	-1.4	6.1	4.6	6.3	0.6	0.4	0.6
Aug	5.7	3.6	6.5	-1.1	0.5	-1.6	6.1	5.4	6.5	0.4	0.6	0.5
Sep	5.7	4.6	6.0	-0.5	0.7	-1.0	5.9	6.7	5.9	0.6	0.9	0.5
Oct	5.8	4.8	6.2	0.5	0.4	0.6	6.1	6.2	6.3	0.6	0.3	0.6
Nov	5.7	4.9	6.0	1.1	0.0	1.5	6.4	5.6	6.8	0.5	0.2	0.7
Dec	5.5	4.3	5.9	2.8	0.3	3.7	5.9	4.8	6.5	0.3	0.0	0.3
2001 Jan	5.4	4.5	5.7	3.2	0.6	4.2	4.9	4.5	5.4	0.0	0.3	0.1
Feb	5.4	4.1	6.0	3.2	0.3	4.2	4.9	2.9	5.6	0.4	-0.2	0.5
Mar	5.1	3.6	5.6	1.9	0.0	2.6	4.4	0.7	5.5	0.3	-0.2	0.4
Apr	5.3	3.1	6.2	-1.6	-0.4	-2.0	4.6	0.4	6	0.6	0.1	0.9
May	5.3	3.1	6.0	-0.9	0.3	-1.3	4.3	1.2	5.3	0.4	0.5	0.3
Jun	5.1	2.8	6.0	-2.5	-0.2	-3.3	4.4	1.4	5.6	0.4	0.2	0.5
Jul	5.1	2.3	6.1	-0.9	0.2	-1.3	5.3	0.7	6.8	0.5	-0.1	0.7
Aug	5.2	1.8	6.4	-1.0	0.0	-1.4	5.5	1.0	7.3	0.5	0.0	0.7
Sep	5.1	1.0	6.7	-0.6	-0.1	-0.8	5.9	1.7	7.9	0.5	0.2	0.7
Oct	5.0	1.0	6.5	0.4	0.3	0.5	5.4	2.0	7.0	0.4	0.3	0.5
Nov	4.9	1.1	6.3	1.0	0.1	1.2	5.4	1.8	7.1	0.4	0.5	0.3
Dec	4.9	1.2	6.1	2.7	0.4	3.6	5.3	1.9	6.5	0.3	0.2	0.3
2002 Jan	4.7	1.1	5.9	3.0	0.3	4.0	4.1	1.6	6.0	-0.1	-0.2	0.4
Feb	4.7	1.3	5.9	3.3	0.5	4.3	4.1	1.6	7.5	0.5	-0.1	1.4
Mar	4.7	1.5	5.7	1.9	0.4	2.4	3.7	2.0	7.7	0.3	0.3	0.7
Apr	4.8	6.0	4.3	-1.6	3.8	-3.3	4.2	10.3	4.4	0.7	4.3	-1.0

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

1) Total NCPI; 2) Non-Food NCPI

*Revised figures as a result of recalculation of seasonal factors

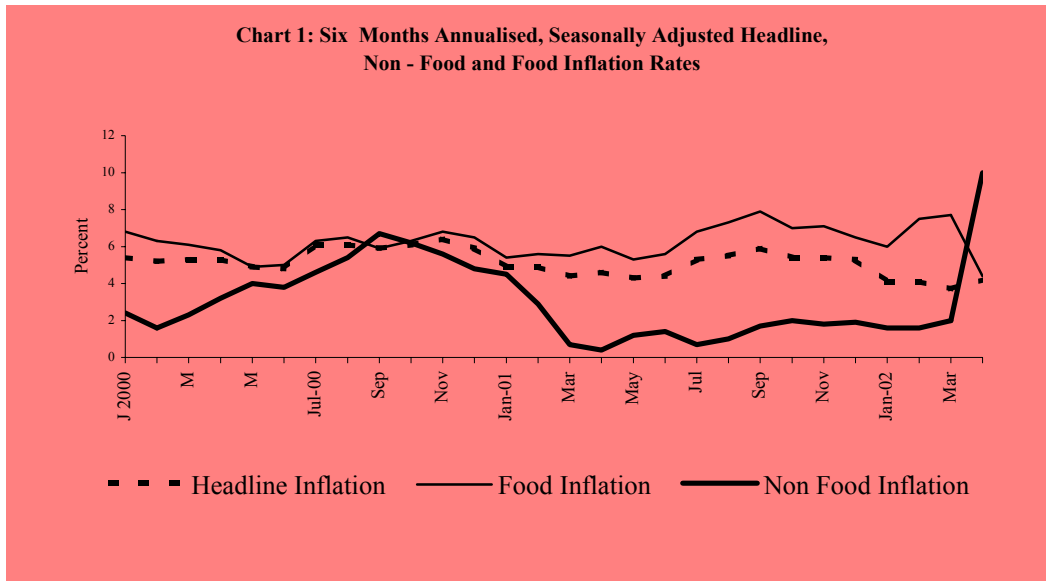


Table 2: Percentage Change in the Sub-groups of the National Consumer Price Index (All-urban)

Major Commodity Group	Weight %	Mar 2002	% Change Mar 2001 to Mar 2002	Apr 2001	Apr 2002	% Change Apr 2001 to Apr 2002	% Change Mar 2002 to Apr 2002
Food	71.2	258.0	+5.7	239.2	249.6	+4.3	-3.3
Drinks and Tobacco	4.4	177.4	+2.5	174.3	177.5	+1.8	0.0
Rents	3.9	201.0	+1.6	197.6	201.1	+1.8	0.0
Fuel, Power and Water	4.7	271.2	-1.7	274.0	317.2	+15.8	+17.0
Clothing & Footwear	3.7	197.5	+6.0	185.2	197.5	+6.6	0.0
Furniture & Household Equipment	2.5	196.9	+3.0	190.1	197.3	+3.8	+0.2
Household Operations & Maintenance	1.5	160.7	+0.1	159.7	160.4	+0.4	-0.2
Personal Care & Health	2.2	149.6	+2.3	146.0	150.0	+2.7	+0.3
Recreation & Entertainment	1.2	173.7	+2.4	169.9	172.6	+1.6	-0.6
Transportation	1.2	242.3	0.7	239.6	243.4	+1.6	+0.5
Education	1.5	201.5	+4.0	194.4	201.6	+3.7	0.0
Miscellaneous Goods and Services	2.0	158.9	+4.5	151.7	158.5	+4.5	-0.3
TOTAL	100.0	241.3	+4.7	226.7	237.5	+4.8	-1.6

Source: National Bureau of Statistics (NBS)

Monetary and Financial Developments

Base Money

Reserve money (M0) increased to TZS 583.7 billion from TZS 550.3 billion recorded in March 2002. This out-turn was 6.3 percent above the target of TZS 549.0 billion¹, for the quarter ending June 2002. The increase in M0 emanated from an overall increase in the assets of the Bank of Tanzania, caused mainly by monetary and government operations. Specifically, monetary operations led to an increase of TZS 22.5 billion while government operations led to an increase of TZS 16.3 billion. The monetary operations involved redemption of maturing REPOs worth TZS 17.3 billion as well as liquidity papers amounting to TZS 5.2 billion, while government operations involved draw down of government deposits, which had accumulated towards the end of the third quarter of 2001/2002. Government deposits normally peak at end of each quarter when most tax payments are made. Other assets, however, declined by TZS 27.6 billion as a result of a fall in items in the process of collection (IPC).

On the uses side of M0, currency in circulation outside the Bank of Tanzania decreased by TZS 0.6 billion, while commercial banks reserves increased by TZS 34.1 billion. The banks' reserves increased largely due to redemption of BoT's liquidity papers, reversal of maturing REPOs and Bank of Tanzania's net purchase of foreign exchange in the IFEM during April.

¹ This was the target set under the program supported by the IMF's poverty reduction and growth facility (PRGF)

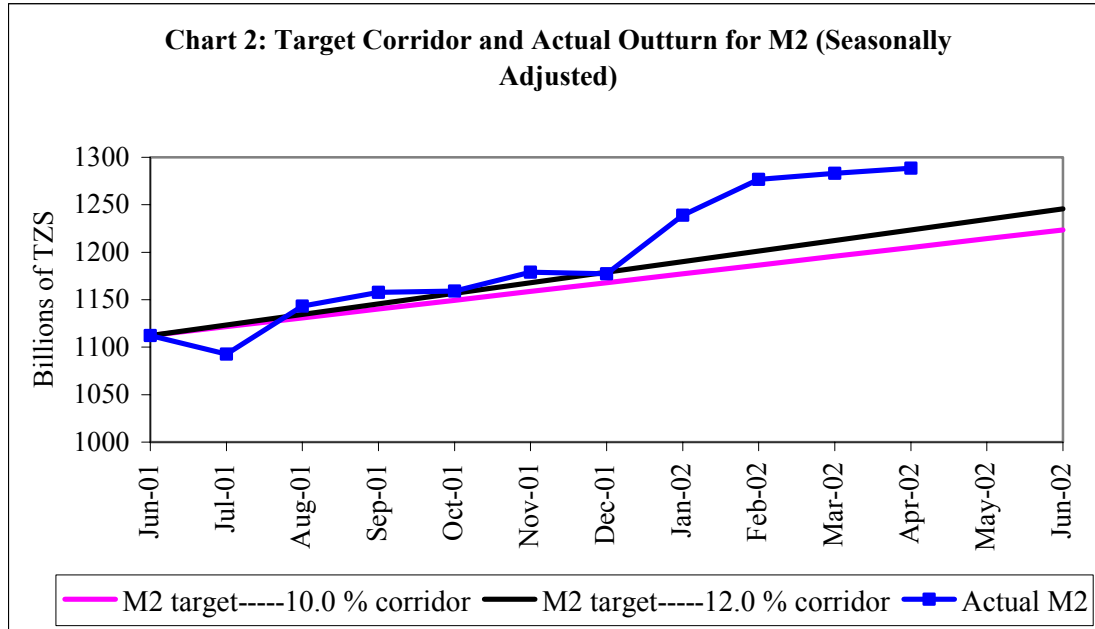
Money Supply and Credit Developments

Despite a marginal increase of TZS 1.1 billion to TZS 1,268.8 billion from TZS 1,267.7 billion at the end of March 2002, the stock of broad money supply (M2) at the end of April 2002 had surpassed the target for end June 2002 by TZS 27.0 billion. Net domestic asset (NDA) of the banking system was the major contributor to this development. Specifically commercial banks credit to the private sector rose by TZS 3.2 billion, while net claims on government by the banking system increased by TZS 25.8 billion, respectively. The latter was due to increase in commercial banks Treasury bills holdings and decline in government deposits. As a result of these developments, the share of government credit in total domestic credit increased to 29.2 percent in April 2002, from 26.3 percent recorded in March 2002.

On the other hand, the decline in NFA¹ of the banking system during April 2002 was associated with a decline in NFA of commercial banks by TZS 20.1 billion to TZS 104.8 billion, which was caused by net sale of foreign exchange by commercial banks in the Inter-bank Foreign Exchange Market (IFEM). During the month, gross reserves of BoT increased to USD 1,184.4 million from USD 1,159.1 million recorded in March 2002, while those of commercial banks decreased to USD 635.0 million, from USD 641.8 million.

Seasonally adjusted M2 increased by 2.2 percent to TZS 1,310.7 billion at the end of April 2002, from the amount recorded at the end of the preceding month. The out-turn continued to be above the targeted path of seasonally adjusted M2 by TZS 87.1 billion ([Chart 2](#)).

¹ Adjusted to exclude foreign currency deposits.



Extended broad money (M3) increased by 7.6 billion from TZS 1,744.9 billion at the end of March 2002. This was mainly due to low growth in foreign currency deposits of commercial banks, which increased by TZS 6.4 billion in April 2002, compared with an increase of TZS 30.4 billion recorded in March 2002. This development reflects in part, the impact of appreciation of the shilling from TZS 981.4 per USD at the end of March 2002 to TZS 966.0 per USD at the end of April 2002.

Total commercial bank deposits, comprising of demand, time, savings, and foreign currency deposits increased by a lesser amount of TZS 12.3 billion compared with an increase of TZS 24.3 billion in March 2002. Total deposits as a proportion of M3 remained largely unchanged at 77 percent.

Classification of commercial banks deposits by type continued to reveal that foreign currency deposits constituted a larger share of 35.7 percent of the total deposits followed by demand deposits 27.2 percent, savings deposits 21.4 percent and time deposits 15.7 percent.

Inter-bank Cash Market

The total volume of funds traded in the inter-bank cash market increased by TZS 42.7 million to TZS 247.7 billion, from TZS 205.2 billion traded in March 2002, with overnight transactions accounting for 79.9 percent of the total transactions, higher than 66.5 percent share recorded in the previous month. The high demand was a result of liquidity squeeze among commercial banks. During the same period, the value of transactions of up to seven-day maturities accounted for 0.8 percent of total value of transactions, while the value of transactions of up to 14-day maturities accounted for 11.5 percent. Transaction of 16-day to 365- day maturities accounted for 7.8 percent of the total volume of market transactions.

As a result of high demand for overnight transactions, the weighted average interest rate increased from 1.7 percent in March 2002 to 2.4 percent in April 2002. Similarly, the weighted average interest rates of up to 7-day maturities rose to 3.9 percent from 2.3 percent recorded in March 2002. The weighted average interest rate of up to 14-day maturities increased to 2.9 percent in April 2002 from 2.5 percent in March 2002. As a result of these developments, The overall inter-bank cash market weighted average interest rate for all maturities increased from 1.9 percent in March 2002 to 2.6 percent in April 2002.

REPOs

Bank of Tanzania sold 14-day REPOs worth TZS 2.5 billion in April 2002 at interest rates ranging between 2.6 percent and 3.0 percent and repurchased 7-day REPOs worth TZS 19.8 billion. During the previous month, 7-day REPOS worth TZS 19.8 billion, with interest rates range of 2.0 percent to 3.5 percent, were sold while TZS 15.0 billion were repurchased.

Treasury Bills Market

In the 4 weekly auctions held in April 2002, the total amount of Treasury bills put on tender was TZS 45.1 billion. The value of bids received amounted to TZS 67.9 billion, of which TZS 44.9 billion was accepted. Overall weighted average yield went up to 4.9 percent, from 3.9 percent in March 2002. The amount sold during April 2002 was lower by 41.2 percent when compared with the amount sold during March 2002. The overall weighted average yield increased to 4.5 percent from 3.9 percent recorded in March 2002. Specifically, yields for the 182-day and 364-day Treasury bills increased by 3.0 basis points and 4.0 basis points to 4.2 percent and 5.0 percent, respectively, while the 91-day Treasury bill declined slightly to 3.4 percent from 3.5 percent. The increase in Treasury bill yields is partly due to decline in liquidity among financial institutions in April.

Deposit money banks (DMBs) absorbed the largest share of Treasury bills sold, accounting for 69.4 percent of total successful bids in the T-bills market, followed by pension funds with 17.8 percent, while Non-bank Financial Institutions (NBFI) and insurance companies absorbed 6.2 percent and 2.8 percent, respectively.

Treasury Bonds

The amount offered for the 2-year Treasury bond during April 2002 was TZS 6.5 billion, of which TZS 5.7 billion was sold. The market was however oversubscribed by TZS 2.7 billion, compared with an over subscription of TZS 5.7 billion in March 2002. Consequently, the yield rate on the 2-year Treasury bond increased to 5.2 percent in April 2002 from 4.4 percent recorded in March 2002.

Also in one of the auctions in April 2002, a 5-year bond worth TZS 1.4 billion with a fixed coupon rate of 7.5 percent was sold as compared with TZS 2.8 billion sold in March 2002. The weighted average coupon rate declined from 7.3 percent in March 2002 to 6.9 percent in April 2002.

Interest Rate Structure

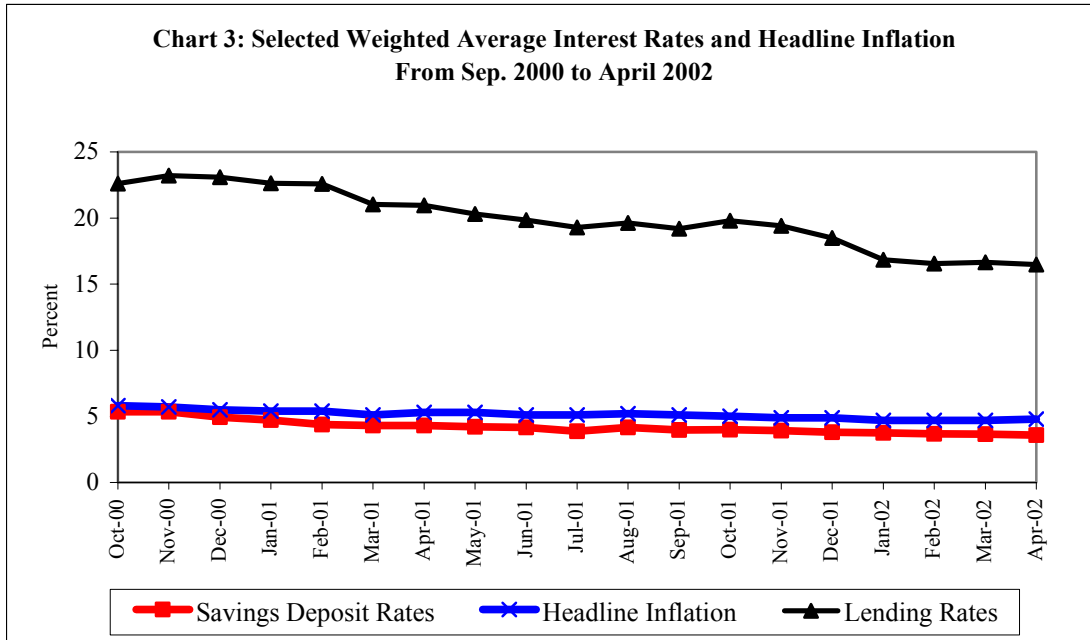
The spread between lending rate and deposits rate continued to narrow down slowly. While the overall time deposit rate remained unchanged at 4.3 percent (compared with inflation rate of 4.8 percent), the overall lending rate decreased marginally to 16.5 percent in April 2002, from 16.7 percent recorded in the preceding month.

Specifically, both domestic currency deposits and lending rates showed mixed trend. Call accounts, 1-month, 2-month and 6-month deposits rates declined to 1.3 percent, 2.6 percent, 3.5 percent, and 4.1 percent in April 2002, from 1.4 percent, 2.8 percent, 3.8 percent and 4.4 percent in March 2002, respectively. Meanwhile 3-months, 12-months and 24-month deposit rates rose to 3.8 percent, 5.9 percent and 5.6 percent from 3.2 percent, 5.6 percent and 5.5 percent in the same period, respectively.

The medium-term lending rates of 1-2 years, 2-3 years and term loans over 5-years decreased to 16.7 percent, 14.4 percent and 19.2 percent in April 2002 from 17.7 percent, 14.6 percent and 19.5 percent, respectively recorded in the preceding month. However, average long-term loans lending rates of 3-5 years rose to 17.5 percent from 17.2 percent in the same period. Short-term lending rate of up to 1-year remained unchanged at 14.4 percent.

Interest rates for foreign currency denominated deposits also exhibited a mixed trend. The rates for 1-month and 12-month deposits remained unchanged at 1.1 percent and 1.7 percent, respectively during April 2002. However, the 2-month deposits rate declined from 2.3 percent in March 2002 to 2.0 percent in April 2002, while 3-month and 6-month time deposits rates increased to 1.5 percent and 1.7 percent, from 1.4 percent, and 1.6 percent, respectively during the same period.

Lending rates on foreign currency denominated loans of all maturities and interest rates for short-term loans of up to 1-year remained unchanged at 7.1 percent and 6.9 percent, respectively. However, interest rate for medium term loans of 1-2 years and 3-5 years increased to 5.2 percent and 8.6 percent from 5.1 percent and 8.2 percent, respectively where as, the rate for medium term loans of 2-3 years fell to 7.8 percent from 8.1 percent.



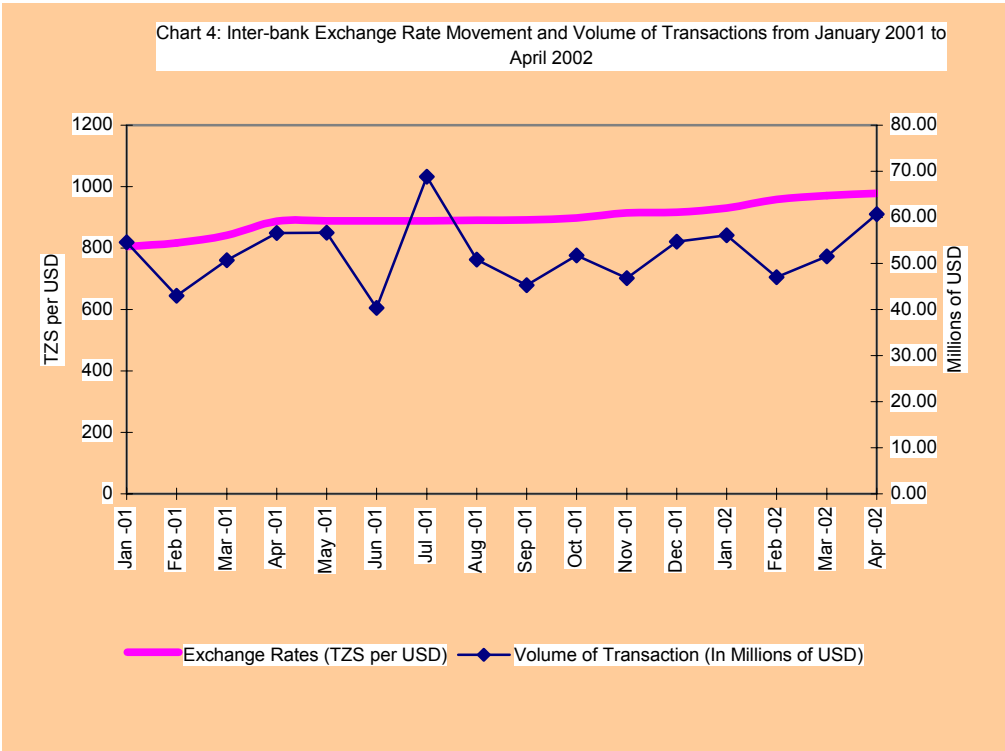
Inter-bank Foreign Exchange Market (IFEM)

During April 2002, total volume traded at the IFEM increased by 17.7 percent to USD 60.7 million as compared to the previous month. The increase in traded volume was attributed to high demand for Tanzanian shilling by bank customers, which in turn led commercial banks to sell more US dollar in exchange for the shilling. Commercial banks supplied 80.5 percent of total volume traded and purchased 60.6 percent. The non-bank financial institutions purchased 6.6 percent and supplied 10.0 percent of total volume traded. The Bank of Tanzania's intervention in the market resulted into a net purchase of USD 14.1 million.

Exchange Rate

The average monthly exchange rate of the shilling depreciated slightly by 0.8 percent, moving from TZS 971.0 per USD in March 2002, to TZS 978.5 per USD in April 2002. This rate of depreciation was lower than 1.4 percent recorded during the previous month. The fall in the rate of depreciation was mainly attributed to the

increase in US dollars in the market, which emanated from commercial banks’ sales of dollars in exchange for the Tanzania shilling. Commercial banks sold foreign exchange partly to meet customers’ demand associated with the fulfilment of their tax obligations, while others needed to fund their statutory minimum reserves (SMR).



Bureau de Change Operations

The volume of funds traded by the Bureau de change system, went down to USD 27.1 million in April 2002, from USD 34.7 million transacted in March 2002. The reduction in the volume was largely explained by the fall in foreign exchange inflows from traditional exports.

The average Bureau buying and selling rates depreciated in line with the pattern exhibited by the shilling in the IFEM. Table 3 shows the foreign exchange market developments during the period under review.

Table 3: Foreign Exchange Market Developments

	2002			April			July – April		
	March	April	% Change	2001	2002	% Change	2000/01	2001/02	% Change
IFEM									
1. Amount offered*	51.6	60.7	17.7	56.6	60.7	7.2	507.3	533.6	5.2
2. Amount sold*	51.6	60.7	17.7	56.6	60.7	7.2	507.3	533.6	5.2
3. Exchange rate**	971.0	978.5	0.8	887.2	978.5	10.3	815.6	923.7	13.3
Bureau de Change									
1. Sales*	17.4	12.9	-25.9	18.8	12.9	-31.4	239.8	201.1	-16.1
2. Purchases*	17.3	14.2	-17.9	18.7	14.2	-24.1	243.5	210.7	-13.5
3. Volume of Transactions*	34.7	27.1	-21.9	37.5	27.1	-27.7	483.3	411.8	-14.8
4. Buying rate**	964.0	969.1	0.5	863.0	969.1	12.3	808.7	914.5	13.1
5. Selling rate**	979.0	987.8	0.9	879.0	987.8	12.4	819.8	927.6	13.1

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

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

Government Budgetary Developments

The government budgetary deficit after grants remained low despite realization of lower than envisaged external resources. Revenue collection, which had fallen short in the first quarter, improved in the second and third quarter reaching its programmed levels. Foreign program assistance however was far below the envisaged amount in the first and second quarters. Up to the end of April 2002, only 51 percent of the amount of envisaged foreign grants for the year had been realized. The government, in line with its commitment to adhere to cash budget

principles, matched its expenditure with the realized resources. The deficit for the ten months ending April was maintained at 4 percent of GDP compared with a deficit of 6 percent during corresponding period a year earlier.

Revenue

During the month under review, revenue collections reached TZS 84.7 billion, about 1.0 percent below the April 2002 target of TZS 85.4 billion. Although VAT on imports fell short of the target by 22 percent, the overall performance of Tax revenue was good as it reached TZS 78.4 billion against the targeted TZS 76.9 billion. The increase in tax revenue was largely on account of higher than expected collections from customs duty, excise duty on imports, VAT on local goods, income tax and other taxes. Customs duty collections exceeded the expected amount by 13 percent, while excise duty on local goods and VAT on local surpassed the targeted levels by 12 percent and 26 percent, respectively. Collection on other taxes surpassed the targeted level by 8 percent. The non-tax revenue fell short of the target by 26 percent, leading to an overall shortfall in revenue against target.

On cumulative basis, revenue collections during July-April 2002 reached TZS 848.5 billion or 83.0 percent of the annual target of TZS 1,025.2 billion.

Expenditure

Total Government expenditure (excluding amortization) amounted to TZS 123.2 billion, which is 2.0 percent below the expenditure ceiling. Recurrent expenditure amounted to TZS 104.4 billion, or 14.0 percent below the projected ceiling. The lower than projected recurrent expenditure was on account of goods, services and transfers amounting **TZS 17.5 billion, or 21.0 percent below the ceiling** level of

TZS 83.1 billion for the month. Spending on priority sectors recorded TZS 12.1 billion, being less than the three-month average allocation level of TZS 15.7 billion for the period April-June 2002.

Development expenditure amounted to TZS 18.8 billion, more than fourfold the projected ceiling of TZS 4.2 billion for the month. The higher than planned development spending is on account of utilization of previous months allocations in April 2002.

On cumulative basis, the Government spent a total of TZS 1,112.4 billion during July-April 2002, equivalent to 70.0 percent of the annual target of TZS 1,578.7 billion.

Financing

During April 2002, the Government registered an overall deficit of TZS 29.2 billion on cheques cleared. The deficit was however financed by net foreign borrowing amounting to TZS 5.5 billion, together with net domestic borrowing of TZS 23.7 billion.

On cumulative basis, the Government received net foreign loans amounting to TZS 118.1 billion, made a net domestic repayment of TZS 38.0 billion mainly to the banking system and reduced its domestic arrears by TZS 45.7 billion during the period.

External Sector Developments

Goods Account

The deficit in goods account narrowed marginally to USD 51.2 million during April 2002 from USD 52.2 million registered in March 2002. The slight improvement was a result of 10.0 percent increase in exports, which outweighed the impact of 4.4 percent increase in imports. However, when compared with the same month in the previous year, the trade account worsened by 41.9 percent.

On annual basis, the deficit in the goods account, recorded at USD 737.0 million in the year ending April 2002, worsened by 7.0 percent compared to the deficit of USD 688.9 million recorded in the year ending April 2001. The deterioration of the goods account is explained by increase in imports that outweighed the increase in exports.

Table 4: Trade balance (Millions of USD)

	2002		%	April		%	May - April		%
	March	April*	Change	2001	2002*	Change	2000/01	2001/02*	Change
Exports	59.2	65.1	10.0	47.7	65.1	36.4	686.1	788.8	15.0
Imports	111.4	116.3	4.4	83.8	116.3	38.8	1,375.0	1,525.8	11.0
Trade Balance	-52.2	-51.2	-2.0	-36.1	-51.2	41.9	-688.9	-737.0	7.0

* Provisional data subject to revision.

Source: Bank of Tanzania, International Economics Department and Customs Department - TRA.

Exports

Total exports increased by 10 percent in April 2002 from USD 59.2 million recorded in March 2002. The increase was due to good performance of the non-traditional exports that increased by 27.3 percent from USD 43.9 million recorded in the previous month. The performance of the non-traditional exports was largely influenced by increase in volume and price of gold that accounted for about 51.0 percent of non-traditional exports. The increase in volume was due to picking up of operations in all major gold mining companies namely Resolute (T) Ltd., Ashanti Goldfields and Kahama Gold Mining Company, while the increase in the world market gold prices to USD 302.7 per troy ounce from USD 294.1 per troy ounce in March 2002 was partly due to a surge in demand for the mineral following a sustained weakness in the equity market. Other non-traditional export categories namely manufactured goods; fish and fish products; horticultural products; and other exports also recorded improved performance during the month under review.

Conversely, traditional exports declined by 39.6 percent during the month from USD 15.3 million recorded in March 2002 following a decrease in volumes for most of the traditional commodities. With exception of cashewnuts, all other traditional commodities recorded lower export volumes as compared to the levels

reported in the previous month. Export receipts from traditional commodities are normally on the lowest level during the second quarter of each calendar year due to seasonal factors. On the other hand, unit export prices for all traditional commodities increased, with the exception of cashewnuts whose price remained unchanged. There were no cloves exports during the review month.

When compared with the corresponding month a year earlier, total exports increased by 36.5 percent from USD 47.7 million recorded in April 2001. The performance is attributed to a 53.6 percent increase in non-traditional exports that outweighed the impact of 18.6 percent decrease in traditional exports. The development is associated with a surge in exports from all sub-categories of non-traditional exports, with an exception of exports of fish and fish products that remained unchanged. Traditional exports on the other hand, recorded a mixed development during the period under review. There was a decline in exports of major commodities namely, coffee and cotton due to both price and volume factors. The decline in export volumes is mainly explained by low producers' prices that are offered to farmers while the decline in export prices is in line with the decline of prices in the world market. However, the price for sisal, tea, tobacco and cashewnuts increased by 29.6 percent, 11.5 percent, 73.3 percent and 34.4 percent, respectively.

During the year ending April 2002, total exports increased by 15.0 percent to USD 788.8 million from USD 686.1 million recorded during the year ending April 2001, largely due to increase in non-traditional exports, which increased to USD 592.5 million from USD 418.2 million recorded during the corresponding year ended April 2001. All sub-categories of non-traditional exports increased with gold doubling to USD 297.4 million from USD 149.2 million due to surge in the

volume of gold produced and increase in the world market price for gold. Other sub-categories of non-traditional exports also recorded increases during the period under review.

During the year ending April 2002, traditional exports decreased by 26.6 percent to USD 196.3 million from USD 267.3 million registered during the year ending April 2001, on account of the decline in export prices, following a fall in demand associated with the global economic slowdown from the second half of 2001. This development led to the deterioration in the exports volumes of most traditional commodities as the fall in the world market prices was translated into lower producer prices. During 2001/02 for example, robusta coffee farmers were paid an average of TZS 30.0 per kg from TZS 300 per kg paid in 1994/95 season. However, sisal, tobacco and cloves recorded increases in both export prices and volumes during the year ending April 2002.

Imports

Imports (f.o.b) increased by 4.4 percent during April 2002, from USD 111.4 million recorded in March 2002, mainly on account of increase in capital and consumer goods.

The increase in capital goods imports was mainly on account of increase in machinery imports, due to the ongoing investment in information and communication technology (ICT), mining and tourism activities.

On the other hand, intermediate goods imports registered a marginal decline of 2.2 percent from USD 31.2 million recorded in March 2002, largely on account of 19.6 percent decline in oil imports, that was influenced by volume rather than price

factors. Oil imports declined to 83,640 tons from 100,975 tons recorded during the previous month while the world prices for refined petroleum products rose to an average of USD 222.4 per ton, from about USD 205.5 per ton recorded during March 2002. The decline in import volume is associated with presence of oil stocks accumulated in the previous month's imports.

Consumer goods imports increased by 7.4 percent from USD 32.6 million recorded in March 2002 due a surge in food and foodstuffs, and all other consumer goods imports. Food and foodstuffs imports increased by 20.8 percent partly due to the rise in imports of sugar and sugar confectioneries to 19,831 tons from 4,163 tons registered during the previous month. The increase in sugar imports is mainly explained by seasonality that affects sugar production. During the rainy season the sucrose content of domestically produced sugar cane is low, necessitating domestic sugar producers to temporarily stop production.

When compared with the corresponding month in 2001, total imports (f.o.b.) increased by 38.8 percent to USD 116.3 million. The increase was recorded in all categories of imports namely capital, intermediate goods and consumer goods.

On annual basis, total imports increased by 11.0 percent to USD 1,525.8 million from USD 1,375.0 million recorded during the year ending April 2001. This was mainly due to an increase in importation of capital and intermediate goods. The surge in capital goods imports was due to the increase in transport equipment, building and construction equipment, and machinery that was partly bolstered by the ongoing developments in mining, communications, tourism, and information technology sectors. Likewise, the increase in intermediate goods, dominated by oil and industrial materials, partly reflected the expansion of economic activities in the

economy. Conversely, consumer goods imports declined due to the fall in food and foodstuffs imports reflecting an improved domestic food supply situation.

Services

During April 2002, services account deficit narrowed by 47.6 percent from USD 7.2 million recorded in March 2002. This development was attributed to the increase in services receipts that outweighed the impact of increase in services payments. The good performance in service receipts was largely due to freight services receipts, which were more than twice the amount recorded in the previous month. The increase in services payments was mainly on account of the increase in communication services payments.

When compared with the corresponding month of April 2001, the deficit in the services account declined by 42.9 percent. The decline in the deficit is due to the 8.7 percent increase service receipts mainly due to a surge in communication services receipts to USD 6.6 million, from USD 1.2 million during April 2001. Likewise, services payments increased by 2.5 percent mostly on account of higher freight services payments, which increased by 38.7 percent in line with increase in imports (f.o.b.).

Income

During April 2002, the income account recorded a deficit of USD 8.2 million from a deficit of USD 0.9 million recorded in the previous month, mainly due to 57.3 percent decrease in income receipts reinforced by 32.3 increase in income payments. The decline in income receipts is largely explained by the decrease in receipts from other investment income, particularly interest income on investments by banks.

Table 5: Services and Income Account (Millions of USD)

		2002			April			May - April		
		March	April*	% Change	2001	2002	% Change	2000/01	2001/02	% Change
Service and Income Account	Net	-8.06	-12.01	49.06	-18.12	12.01	-33.72	-169.63	-129.29	-23.78
	Receipt	54.50	57.06	4.70	51.26	57.06	11.32	742.27	757.74	2.08
	Payment	62.55	69.07	10.41	69.37	69.07	-0.44	911.91	887.02	-2.73
A. Services Account	Net	-7.20	-3.77	-47.63	-6.60	-3.77	-42.94	-87.33	-90.46	3.59
	Receipt	46.57	53.67	15.25	49.37	53.67	8.72	681.92	676.64	-0.77
	Payment	53.76	57.44	6.84	55.97	57.44	2.62	769.25	767.10	-0.28
1. Transportation	Receipt	2.87	6.28	118.82	5.41	6.28	16.08	66.55	62.47	-6.13
	Payment	16.64	18.36	10.38	14.73	18.36	24.67	231.24	245.23	6.05
<i>o/w freight payment</i>	Payment	14.98	15.64	4.45	11.28	15.64	38.69	188.71	205.59	8.95
2. Travel	Receipt	27.54	27.71	0.62	26.35	27.71	5.16	370.72	402.85	8.67
	Payment	21.89	17.74	-18.96	22.63	17.74	-21.61	333.50	303.24	-9.07
3. Communication Services	Receipt	4.88	6.64	36.10	1.15	6.64	476.75	26.19	20.06	-23.40
	Payment	0.90	4.74	425.09	1.18	4.74	301.03	8.81	17.77	101.63
4. Construction services	Receipt	1.13	2.16	91.15	3.01	2.16	-28.24	25.73	22.64	-12.01
	Payment	0.22	0.13	-40.91	0.29	0.13	-55.17	1.77	2.34	32.20
5. Insurance Services	Receipt	1.69	1.20	-28.81	0.98	1.20	22.77	16.16	15.92	-1.47
	Payment	4.38	3.69	-15.81	2.34	3.69	57.27	37.67	43.06	14.32
6. Financial Services	Receipt	0.05	0.29	480.00	0.10	0.29	190.00	9.92	3.93	-60.38
	Payment	0.05	0.50	900.00	0.04	0.50	1,150.00	8.24	2.45	-70.27
7. Computer and Information Services	Receipt	0.02	0.12	500.00	-	0.12	--	0.44	0.99	125.00
	Payment	0.46	1.90	313.04	-	1.90	--	0.87	11.29	1,197.70
8. Royalties and License fees	Receipt	-	-	-	0.03	-	-100.00	0.38	0.10	-73.68
	Payment	-	-	-	0.58	-	-100.00	3.45	2.64	-23.48
9. Other Business Services	Receipt	5.55	5.70	2.70	6.29	5.70	-9.38	109.64	88.10	-19.65
	Payment	2.44	2.15	-11.89	6.12	2.15	-64.87	55.10	51.84	-5.92
10. Personal, Cultural and Recreational Services	Receipt	-	-	-	-	-	-	0.08	0.07	-12.50
	Payment	-	-	-	0.02	-	--	0.14	-	-100.00
11. Government Services n.i.e	Receipt	2.84	3.57	25.63	6.05	3.57	-40.92	56.11	59.51	6.06
	Payment	6.79	8.23	21.22	8.04	8.23	2.36	88.46	87.24	-1.38
B. Income Account	Net	-0.86	-8.24	857.58	-11.51	-8.24	-28.43	-82.31	-38.83	-52.83
	Receipt	7.93	3.39	-57.25	1.89	3.39	79.56	60.35	81.09	34.37
	Payment	8.79	11.63	32.30	13.40	11.63	-13.22	142.66	119.92	-15.94
1. Compensation of Employees	Receipt	0.39	0.55	41.03	0.89	0.55	-38.34	9.08	8.20	-9.70
	Payment	0.54	0.48	-10.70	0.69	0.48	-30.54	5.70	5.99	4.93
2. Investment Income	Receipt	7.54	2.84	-62.33	1.00	2.84	185.14	51.27	72.89	42.18
	Payment	8.25	11.15	35.10	12.71	11.15	-12.28	136.95	113.94	-16.81
<i>o/w interest payment</i>	Payment	8.02	11.02	37.41	12.55	11.02	-12.19	124.72	111.21	-10.83

Note: * Provisional figures; - = Small value; -- = Very big value; --- = Information not available
Source: Commercial Banks, Non-bank Financial Institutions, BoT.

World Commodity Prices (c.i.f.)

During the review period, prices for all agricultural products remained unchanged when compared to prices registered in the previous month. Conversely, prices for non-agricultural commodities namely petroleum products and gold increased during the review month.

Prices of both **cotton (A-Index)** and **cotton (Memphis)** remained unchanged at USD 0.9 per kg and USD 1.0 per kg, respectively. Weak cotton demand relative to global supply is the major factor depressing world cotton prices. According to International Cotton Advisory Council (ICAC), it is estimated that the world cotton production will record 21.1m tons in 2001/2002, exceeding consumption by 1.3m tons.

The average prices for both **Robusta and Arabica coffee** remained unchanged at USD 0.6 per kg and USD 1.4 per kg, respectively. The stagnation of coffee prices partly reflects the commodity glut in the world market. Different schemes have been attempted by Association of Coffee Producing Countries (ACPC) to bolster world coffee prices, including strict quality controls and production cuts/quotas. However, it has been difficult to implement the measures due to lack of commitments by the ACPC members.

Prices for **tea, sisal and cloves** remained unchanged during the month under review due to demand and supply factors. The stagnation of price for **tea** is mainly explained by increased tea production in Kenya, one of leading producers in the world, following good weather conditions.

The prices of **crude oil** (f.o.b. Dubai) and **crude oil** (Average of U.K. Brent, Dubai and West Texas Intl.) increased by 6.6 percent and 7.6 percent, respectively during the month. The increase in oil prices is partly attributed to the speculation that oil supply may be disrupted in view of Iraq's decision to halt export of oil for thirty days effective 8th April 2002. Likewise, the average prices of white petroleum products increased by 8.2 percent.

Gold prices increased by 2.9 percent to USD 302.7 per troy ounce from USD 294.1 per troy ounce, mainly due increased demand among speculators and investors following the mounting of violence in the Middle East and weak demand in equity markets.

Table 6: Commodity Price Data (Monthly average c.i.f prices)

Commodity	UNITS	2001						2002				% change
		July	Aug.	Sep.	Oct	Nov	Dec	Jan	Feb.	Mar.	Apr.	change
Robusta Coffee	\$ per KG	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.0
Arabica Coffee	\$ per KG	1.3	1.3	1.3	1.2	1.3	1.3	1.3	1.3	1.4	1.4	0.0
Tea (Average prices)	\$ per KG	1.7	1.6	1.5	1.5	1.5	1.5	1.5	1.2	1.4	1.4	0.0
Tea (Mombasa auction)	\$ per KG	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.5	0.0
Cotton, "A Index"	\$ per KG	1.0	1.0	0.9	0.8	0.8	0.9	1.0	0.9	0.9	0.9	0.0
Cotton, Memphis"	\$ per KG	1.1	1.1	1.0	0.9	0.9	1.0	1.0	1.0	1.0	1.0	0.0
Sisal under grade (UG)	\$ per ton	706.0	673.8	650.0	650.0	670.0	670.0	670.0	670.0	670.0	670.0	0.0
Cloves	\$ per ton	6,988	7,960	8,800	8,080	7,050	7,200	7,200.0	7,425.00	7,725.0	7,725.0	0.0
Crude oil*	\$ per barrel	24.8	25.7	25.2	20.7	18.7	18.5	19.2	20.0	23.6	25.4	7.6
Crude oil**	\$ per barrel	23.4	24.3	24.0	19.5	17.5	17.6	18.3	18.9	22.9	24.4	6.6
White products***	\$ per ton	220.8	228.1	236.3	196.0	167.7	163.7	171.9	176.4	205.5	222.4	8.2
Gold	\$ per troy oz	267.5	272.4	283.4	283.1	276.2	275.9	281.5	295.5	294.1	302.7	2.9

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

** f.o.b.

Dubai

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

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

Worldbank Public Ledger, Bloomberg Professional.

External Debt

External Debt Position

The overall total external debt committed, as at end-April 2002 was USD 7,760.5 million, an increase of 1.4 percent from the end of March 2002 position. Out of the total amount committed, disbursed outstanding debt (DOD) was USD 6,363.7 million and committed undisbursed debt (CUB) was USD 1,396.8 million.

When interest arrears to the tune of USD 845.1 million, are taken into account, total debt stock as at end April 2002 stood at USD 7,208.8 million, an increase of 1.5 percent, from the end of March 2002 position. The slight increase in both the overall total debt committed and the debt stock is due to exchange rate variation.

The Profile of Disbursed Outstanding Debt

The profile of disbursed outstanding debt by creditor category shows that 58.0 percent and 34.8 percent of the total debt is owed to multilateral and bilateral creditors, respectively. The proportion of total debt owed to commercial sources and other private creditors accounted for 4.4 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 92.5 percent of the total debt. The proportion of parastatal companies and private companies in the total debt was 2.4 percent and 5.1 percent, respectively.

Classification of debt by economic sector indicates that, 25.2 percent of the total debt was disbursed in the form of balance of payments support, while, transport and telecommunications sector received 15.7 percent. Agriculture, and energy and

mining received 15.3 percent and 13.6 percent, respectively. Industries absorbed 6.2 percent of the total debt while, social welfare and education, finance and insurance, and tourism received 5.9 percent, 1.3 percent and 1.3 percent of the debt, respectively. The remaining 15.5 percent was absorbed by other sectors.

Debt Contracted, Debt Service and Disbursements

No new loans were contracted during April 2002. While total disbursements amounted to USD 13.3 million, actual government debt service net of HIPC relief was USD 5.8 million, resulting into a net inflow of USD 7.5 million.

Domestic Public Debt

Domestic Debt Position

Total domestic debt stock owed by the United Republic of Tanzania (URT) Government as at end of April 2002, stood at TZS 820.6 billion representing an increase of TZS 3.4 billion or 0.4 percent from the end of March 2002 position. The change is due to rise in government borrowing through treasury bills and bonds for budget financing.

Analysis of domestic debt stock by instruments shows that, government securities constitute 96.3 percent, other government debts account for 3.7 percent, while interest arrears were insignificant at 0.01 percent. Government bonds, which constitute 47.6 percent of the outstanding government securities, increased by 0.3 percent, from TZS 389.1 billion recorded as at the end of March 2002 to TZS 390.4 billion as at end-April 2002. Treasury bills increased by 1.2 percent while stocks and other items remained unchanged.

Domestic Debt Stock by Creditor Category

During the month under review, the Bank of Tanzania maintained its leading position as the main government creditor by holding TZS 295.7 billion or 36.0 percent of the total debt stock, followed by commercial banks which held TZS 277.8 billion or 33.9 percent. Pension funds came third by holding TZS 171.4 billion or 20.9 percent while Private and Non-bank Financial institutions held 3.8 percent and 3.6 percent, respectively. The rest of creditors, namely insurance companies, other official entities and BoT special funds held 1.9 percent altogether.

Domestic Debt Service

A total of TZS 23.7 billion fell due for payment during April 2002, out of which TZS 21.4 billion or 90.2 percent was principal which was rolled over, while the remaining balance of TZS 2.3 billion or 9.8 percent was interest payment that was paid out of government revenues. Interest arrears were TZS 0.08 billion, arising from unclaimed interest earned on tax reserve certificates.

Other Economic Developments

Food Supply Situation

According to Tanzania Meteorological Agency, most parts of the country received just above normal rainfall. Following the good weather condition during the year under review, good crop yields are expected from the Southern highlands, lake Victoria basin, Northern zone and Coastal regions in the country. Therefore, food production is estimated to be above the previous season, indicating a comfortable food supply situation during 2002/03 season. However, during April 2002 the Strategic Grain Reserve (SGR) stocks declined from 56,738 tons recorded at end-March 2002 to 52,228 tons (**Table 7**). The decline was caused by a release of about 4,000 tons as food assistance to Zambia and Malawi and about 510 tons to domestic market to complement food sales by the private traders in areas experiencing food shortages in the country.

Table 7: SGR Stocks (tons) as at end of month

	2000	2001	2002
Target per year	150,000	150,000	150,000
January	105,665	78,967	60,503
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	
June	72,000	47,225	
July	63,976	46,290	
August	70,352	48,998	
September	95,000	59,047	
October	88,474	58,000	
November	89,882	62,388	
December	78,967	62,788	

Economic Developments in Tanzania-Zanzibar

Budgetary Operations

During April 2002, the Zanzibar Government budgetary performance recorded an overall surplus before grants of TZS 0.04 billion compared with a deficit of TZS 0.5 billion recorded in the previous month.

Government revenue collection amounted to TZS 3.6 billion, representing 64.3 percent of the planned monthly level but still higher compared to TZS 3.4 billion collected in the previous month. The increase in revenue collection was largely attributed to tax on imports which increased by 20.8 percent. Cumulatively total revenue collections amounted to TZS 36.1 billion accounting for 64.2 percent of the planned TZS 56.2 billion.

Government expenditure amounted to TZS 3.6 billion in April 2002, of which TZS 3.4 billion was recurrent expenditure and TZS 0.2 billion was development expenditure. The expenditure was TZS 0.3 billion less than expenditure in the previous month and TZS 4.1 billion below the planned monthly expenditure of TZS 7.7 billion. The decrease in expenditure during the period under review was attributed to a decrease in payments of wages and salaries specifically for casual labourers.

The recurrent expenditure during the review month accounted for 61.0 percent of planned monthly expenditure, and 8.4 percent below the previous month level. On the other hand, development expenditure accounted for 5.0 percent of planned monthly expenditure of 2.1 billion, but was still higher by 26.9 percent in comparison with the previous month.

On cumulative basis expenditure amounted to TZS 37.7 billion accounting for 49.0 percent of the planned TZS 76.9 billion.

Zanzibar Debt Developments

As at end the April 2002 the Zanzibar debt stood at TZS 80.9 billion or USD 82.6 million. Domestic debt amounted to TZS 24.3 billion or USD 24.8 million accounting for 30.0 percent of total debt, while external debt amounted to USD 57.7 million or TZS 56.6 billion, accounting for 70.0 percent of the total debt.

Trade Developments

During April 2002, the deficit in the goods account widened by 49.4 percent to USD 4.5 million from a deficit of USD 3.0 million recorded in March 2002. The

increase in the deficit was associated with both the decrease in exports by 22.5 percent and the increase of imports by 42.5 percent.

Total exports, decreased to USD 0.25 million from USD 0.3 million recorded in March 2002, mainly on account of a decrease in traditional exports. The decline in traditional exports was attributed to lack of cloves and seaweeds exports. Non-traditional exports however increased to USD 0.3 million from USD 0.1 million recorded a month earlier. The increase was attributed to increases in manufactured goods, fish produce and other exports.

During the month under review, imports (fob) increased by 42.5 percent to USD 4.7 million from USD 3.3 million recorded during the previous month. All import categories, in particular, capital goods, intermediate goods and consumer goods increased by 46.0 percent, 34.1 percent and 44.7 percent, respectively. Capital goods increased from USD 0.9 million to USD 1.3 million, while intermediate goods increased from USD 0.9 million to USD 1.2 million and consumer goods increased from USD 2.0 million to USD 2.9 million.

The service and income account improved in April 2002, recording a net surplus of USD 1.9 million, from 0.3 million recorded during March 2002. The increase was mainly associated with the increase in the services receipts arising from travel and income.

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 largely by policy factors. It is an important measure, which monitors more accurately the effectiveness of Monetary Policy on Inflation.

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.

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).

Money Supply, M

The sum of Currency in Circulation Outside the Banks and deposits held with the monetary institutions by the rest of the domestic economy, other than central government. Commensurate with international practice, the Bank of Tanzania has

defined 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, central government, and non-residents.

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.

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 Programming

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

Banks may be required to hold 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. The Central Bank may or may not pay interest on these reserves.

Repurchase Agreement (Repo)

The Bank of Tanzania introduced Repo operations in July 1997. They involve the purchase/sale by the Bank of eligible bills and securities from/to financial institutions at a certain rate for a specified period, with an understanding that the financial institutions will repurchase/resell the securities at the end of the period. This new monetary policy instrument will enhance the efficacy of monetary policy, since it can be applied in a flexible manner and leaves the initiative in the hands of the Bank of Tanzania.

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 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.