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SUMMARY OF ECONOMIC DEVELOPMENTS

Gross Domestic Product

During 2008, real GDP grew by 7.4 percent, up from 7.1 percent realized in 2007. The growth was mainly driven by good performance in services, agriculture, and industry and construction activities. However, following the effects of the global financial and economic crisis, real GDP growth is projected to slow down to 5.0 percent in 2009.

Inflation Developments

The annual headline inflation increased to an average of 11.7 percent during the quarter ending September 2009, up from an average of 11.3 percent recorded in the preceding quarter mainly associated with rise in food prices.

Money Supply and Credit Developments

Monetary aggregates exhibited modest levels of growth during the quarter under review with Extended Broad Money Supply (M3) growing at an annual rate of 19.5 percent, compared with the growth rate of 19.0 percent recorded during the quarter ending June 2009. Broad Money Supply (M2) grew by 19.9 percent, up from 19.5 percent recorded in June 2009. Annual growth of credit to the private sector slow down to 26.6 percent, compared with 33.2 percent recorded in the preceding quarter in June 2009.

Interest Rate Structure

A decline was recorded in interest rate across various instruments in the money market. The overall weighted average yield for Treasury bills declined to 4.5 percent from 7.0 percent in the preceding quarter. Inter-bank cash market rate also declined to 1.3 percent from 5.0 percent. Overall lending rate eased marginally to 14.9 percent from 15.5 percent. The spread between overall lending and savings deposit rates narrowed slightly to 12.2 percent from 12.8 percent recorded in the quarter ending June 2009.

Public Finance

Government operations recorded an overall deficit of TZS 388.1billion during July – September 2009. After taking into consideration expenditure float and adjustment to

cash, the fiscal gap widened to TZS 513.7 billion. The deficit was financed through foreign borrowing.

Total debt stock (domestic and external) increased to USD 9,330.9 million, from USD 8,878.3 million recorded in the preceding quarter. The increase was mainly on account of new disbursements and issuance of new Government bonds.

External Sector

The current account deficit narrowed to USD 325.4 million from USD 602.4 million recorded in the preceding quarter. The development was largely attributed to increase in official transfers and export of goods and services. Higher official transfers were consistent with development partners' frontloading of disbursements to enable the Government to implement its budget commitments.

Exchange Rate

Tanzanian shilling appreciated slightly to a weighted average of TZS 1,316.9 per USD from TZS 1,325.6 per USD during the quarter ending June 2009.

Zanzibar Government Budgetary Operations

Government operations for the quarter ending September 2009 recorded an overall deficit after grants (on cheques cleared basis) amounting to TZS 3.8 billion, compared to the deficit of TZS 2.4 billion recorded during the preceding quarter. Total revenue outturn amounted to TZS 34.6 billion, representing a decline of 5.5 percent from the preceding quarter level.

Zanzibar External Sector Developments

The current account recorded a surplus of USD 27.6 million, compared with a deficit of USD 5.8 million recorded during the preceding quarter. The improved performance was associated with increases in goods exports and official transfers.

1.0 OUTPUT AND PRICES

The Overall Economic Performance

Tanzania continued to record good economic performance in 2008, with real GDP growth rate of 7.4 percent, despite the adverse impact of the global financial crisis towards the end of 2008, which manifested into decline in export of cash crops, tourism and foreign direct investments. Based on the macroeconomic projections and policy targets for the period 2009/10 – 2011/12, real GDP growth is projected to slow down to 5.0 percent in 2009 and begin to recover in 2010.

Sectoral Performance

Traditional Export Crops Procurement

During the quarter ending September 2009, procurement of the traditional export crops was 312,173 tons, compared to 380,210 tons recorded in the corresponding period in 2008. The decline was mainly on account of fall in production of coffee, cotton and sisal except tobacco (**Table 1.1**). Coffee production declined mainly due to coffee production cycles after bumper harvest, whereas decline in production of cotton is attributed to drought experienced in some of cotton growing areas. In addition, lower producer price as a result of the global financial crisis discouraged cotton acreage expansion.

Table 1.1: Procurement of Traditional Export Crops

	July - September		Tons
	2008 ^r	2009 ^p	% Change
Cashew nuts		off season	
Coffee	48,215.0	38,600.0	-19.9
Cotton lint	232,413.4	180,979.7	-22.1
Sisal	22,559.1	11,040.0	-51.1
Tobacco	54,500.0	59,022.6	8.3
Tea	22,521.4	22,530.4	0.0
Total	380,209.8	312,172.7	-17.9

Source: Respective crop boards

r = Revised

p = Provisional

Production of Gold and Diamond

During the quarter ending September 2009, production of gold by big miners increased following commencement of production by Buzwagi gold mine in June 2009 (**Table 1.2**). Production of diamond during the quarter under review amounted to 28,691.1 carats compared 87,071.2 carats produced in the preceding quarter and 31,317.9 carats in the corresponding quarter of 2008. The high recovery reported for April-June 2009 was mainly on account of unrecorded recoveries during January – March 2009.

Table 1.2: Recovery of Gold and Diamond

Units	2008		2009			% Change	
	Jul - Sept	Oct - Dec	Jan - Mar	Apr - Jun	Jul - Sept	Jun - 09 to Sept - 09	Sept -08 to Sept -09
Gold Kgs	8,413.90	6,277.17	6,387.71	7,325.70	10,988.19	50.0	30.6
Diamond Carats	31,317.87	35,379.10	3,621.51	87,071.24	28,691.09	-67.0	-8.4

Source: Respective Mining Companies

Food Supply Situation

Food supply situation in the country was not satisfactory during the quarter ending September 2009 as some districts experienced food shortages caused by drought. The most affected areas include some districts in Arusha, Dodoma, Kilimanjaro, Manyara and Tanga. The government and private traders purchased 20,237 tons of maize and 260 tons of sorghum from the National Food Reserve Agency (NFRA) for distribution to the affected areas.

Wholesale prices

Wholesale prices of major food crops increased during the quarter ending September 2009 when compared with the corresponding quarter of 2008. However, reflecting arrival of new harvests in the market, prices of most food items declined compared with the preceding quarter (**Table 1.3**).

Table 1.3: National Average Wholesale Prices for Selected Food Items

Item	TZS per 100 kg				
	2008	2009		Percent Change	
	Jul-Sep	Apr - Jun	Jul - Sep	Apr-Jun 09 to Jul-Sep 09	Jul-Sep 08 to Jul-Sep 09
Maize	28,771	37,766	35,318	-6.5	22.8
Rice	88,677	114,965	99,125	-13.8	11.8
Beans	89,134	98,377	89,801	-8.7	0.7
Sorghum	39,349	46,773	46,125	-1.4	17.2
Potatoes	39,684	44,044	51,090	16.0	28.7

Source: Ministry of Industry, Trade and Marketing

National Food Reserve

Stock of maize and sorghum held by the National Food Reserve Agency (NFRA) increased to 110,278 tons at the end of September 2009 from 94,699 tons recorded at the end of June 2009 mainly on account of rise in purchases from the domestic market (Table 1.4). During the quarter ending September 2009, NFRA purchased a total of 25,752 tons of maize against the target of 165,000 tons for 2009/10. On annual basis, the stock was 7.9 percent higher than 102,225 tons recorded at the end of September 2008.

Table 1.4: National Food Reserve Agency (NFRA) Stock

Period	Tons							% Change 2008-2009
	2003	2004	2005	2006	2007	2008	2009	
January	59,961	35,342	119,924	76,813	112,343	139,765	128,919	-7.8
February	59,493	23,791	116,383	43,593	117,838	133,898	125,430	-6.3
March	58,976	22,903	114,760	8,055	121,046	119,022	124,252	4.4
April	54,118	32,387	115,262	3,165	125,509	94,509	122,849	30.0
May	52,857	31,732	113,823	6,210	128,350	79,369	109,876	38.4
June	51,060	37,091	112,823	15,560	128,804	76,649	94,699	23.5
July	50,661	39,195	112,323	13,811	129,306	75,438	88,841	17.8
August	52,681	45,988	112,067	28,440	125,653	83,131	93,231	12.1
September	61,364	67,685	111,971	80,248	131,937	102,225	110,278	7.9
October	59,379	92,710	111,695	87,461	143,717	114,464		
November	52,054	108,448	106,428	100,828	142,624	122,209		
December	41,649	114,030	93,051	110,203	142,044	129,253		

Source: National Food Reserve Agency and BOT computation.

Inflation Developments

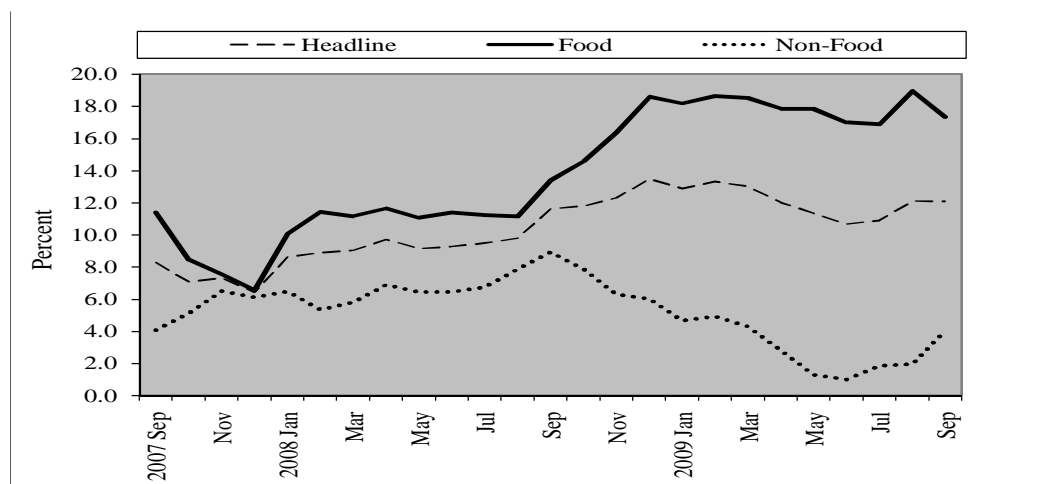
The annual rate of inflation during the quarter ending September 2009 rose to an average of 11.7 percent from an average of 11.3 percent recorded during the quarter ending June 2009. The increase in annual headline inflation was mainly on account of rise in food prices. Similarly, food inflation increased to an average 17.7 percent from an average of 17.5 percent, mainly driven by rise in prices of cereals, sweet potatoes, fruits, beans, cowpeas and spices. Non-food inflation increased to an average of 2.6 percent from 1.7 percent, mainly on account of increase in average prices of Drinks and Tobacco; Clothing and Footwear (Table 1.5 & Chart 1.1).

Table 1.5: Average Inflation Rates

Commodity Group	Weight (%)	2008				2009		
		Mar	Jun	Sep	Dec	Mar	Jun	Sep
Headline/Overall	100	8.9	9.4	10.3	12.5	13.1	11.3	11.7
Food	55.9	10.9	11.4	11.9	16.5	18.4	17.5	17.7
Non-food	44.1	5.8	6.6	7.8	6.7	4.6	1.7	2.6
Transportation	9.7	5.5	6.8	8.5	6.6	3.6	-0.9	-2.9
Fuel, Power and Water	8.5	8.4	11.2	13.2	9.9	1.8	-7.7	-5.7
Drinks and Tobacco	6.9	9.9	7.9	8.5	6.4	5.5	6.5	10.7
Clothing & Footwear	6.4	0.8	1.1	1.1	2.8	4.1	5.7	8.8
Education	2.6	5.6	6.3	7.8	8.3	10.1	10.8	10.5
Furniture & Household Equipment	2.1	5.6	6.3	7.8	8.3	7.0	6.7	6.6
Household Operations Maintenance	2.1	3.1	2.7	2.2	4.7	4.9	4.8	5.3
Personal Care & Health	2.1	3.4	3.7	5.9	7.1	7.7	7.4	7.2
Rents	1.4	2.1	2.1	3.0	2.4	12.6	12.2	12.6
Recreation & Entertainment	0.8	4.4	4.1	5.5	8	10.4	9.0	8.8
Miscellaneous Goods and Services	1.5	1.6	0.7	2.2	2.6	3.4	4.5	4.0

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

Chart 1.1: Annual Headline, Food and Non-food Inflation

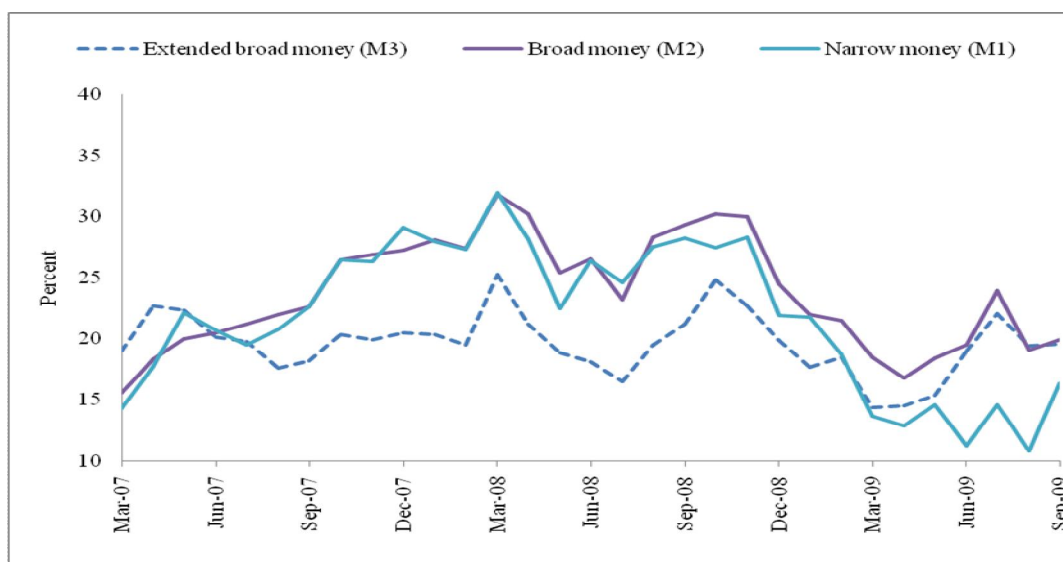


2.0 MONETARY AND FINANCIAL DEVELOPMENTS

Money and Credit

During the year ending September 2009, extended broad money supply, M3, grew by 19.5 percent, compared with 20.7 percent recorded in the corresponding period ending September 2008 and 19.0 percent in the year ending June 2009. Likewise, broad money supply, M2, grew by 19.9 percent, lower than 20.1 percent recorded in the year ending September 2008 and higher than 19.5 percent in the year ending June 2009 (**Chart 2.1**). The slow down in growth of monetary aggregates as compared to the year ending September 2008, was mainly due to a decline in the growth of credit to the private sector following the effects of the global financial crisis. Growth of credit to the private sector declined to 26.6 percent in the year ending September 2009, from 33.2 percent in the year ending June 2009 and 36.4 percent in the corresponding period ending September 2008.

Chart 2.1: Annual Growth Rates of Monetary Aggregates



Source: Bank of Tanzania

During the quarter under review, net foreign assets (NFA) of the banking system increased by TZS 667.5 billion to TZS 4,864.2 billion. On annual basis, the NFA grew at 36.7 percent, compared with 21.2 percent in the corresponding period ending September 2008. The higher growth rate was largely a result of frontloading of disbursements of Government Budget support from development partners and disbursement of balance of payments support from the IMF (**Table 2.1**).

In terms of credit concentration, personal loans accounted for 20.4 percent of the total credit, followed by trade activities 18.7 percent, agriculture 11.7 percent, manufacturing 11.1 percent, transport and communication 9.1 percent, and other services 8.7 percent.

Table 2.1: Developments in Selected Monetary Aggregates

	Jun-08	Sep-08	Jun-09	Sep-09	Change		Annual growth rates (%)			
					Monthly	Annual	Jun-08	Sep-08	Jun-09	Sep-09
Extended broad money (M3)	6,612.1	7,093.0	7,866.0	8,476.2	610.1	1,383.2	19.6	20.7	19.0	19.5
Broad money (M2)	4,830.6	5,267.2	5,772.4	6,313.5	541.1	1,046.3	16.2	20.1	19.5	19.9
Currency in circulation (CC)	1,269.5	1,449.9	1,424.1	1,519.4	95.3	69.5	20.5	22.6	12.2	4.8
Transferable Deposits	1,560.4	1,626.4	1,725.0	2,059.4	334.4	433.0	10.0	17.4	10.5	26.6
Other Deposits	2,000.7	2,190.9	2,623.3	2,734.7	111.4	543.8	8.3	13.8	31.1	24.8
Foreign currency deposits (FCD)	1,781.6	1,825.8	2,093.6	2,162.7	69.1	336.9	27.2	22.0	17.5	18.5
<i>FCD in million of USD</i>	1,508.6	1,561.9	1,611.3	1,660.1	48.9	98.2	25.3	20.6	6.8	6.3
Total deposits in the commercial banks	5,621.1	5,894.3	6,947.8	7,547.0	599.2	1,652.7	21.0	20.7	23.6	28.0
Private sector	5,338.1	5,636.5	6,381.2	6,892.7	511.5	1,256.1	19.4	20.3	19.5	22.3
Government	283.0	257.7	566.6	654.3	87.7	396.6	50.4	28.3	100.2	153.9
Net foreign assets of the banking system	1,628.8	3,559.6	4,196.8	4,864.2	667.5	1,304.6	12.5	16.0	15.7	36.7
Bank of Tanzania	3,059.6	3,069.6	3,395.1	3,897.1	502.0	827.6	6.2	23.9	11.0	27.0
Commercial banks	569.2	490.0	801.7	967.1	165.5	477.1	30.3	-2.7	40.8	97.4
Net domestic assets of the banking system	2,983.3	3,533.4	3,669.2	3,611.9	-57.3	78.6	24.7	21.2	23.0	2.2
Domestic credit	3,384.8	3,783.3	4,771.7	4,744.4	-27.4	961.1	7.4	13.3	41.0	25.4
Claims on government	2,139.9	2,123.7	2,315.5	2,656.7	341.2	533.0	45.3	71.3	8.2	25.1
Government deposits	2,291.0	2,149.7	2,254.0	2,736.7	482.7	586.9	176.0	241.6	-1.6	27.3
Claims on private sector	3,535.8	3,809.3	4,710.2	4,824.4	114.1	1,015.1	39.3	36.4	33.2	26.6

Source: Bank of Tanzania

Interest Rate Developments

As banks became more cautious in lending to the private sector, in response to the effects of the global financial and economic crisis, they increased demand for money market instruments, thus leading to decrease in interest rates in the money market. The overall Treasury bills weighted average yield decreased substantially to 4.52 percent in September 2009 from 10.17 percent in September 2008 and 6.97 percent in June 2009 (Table 2.2). Similarly the overall inter-bank cash market rate declined to 1.34 percent, from 4.32 percent in September 2008 and 5.03 percent in June 2009. Overnight rate decreased to 1.04 percent, from 4.19 percent in September 2008 and 4.46 percent June 2009. Meanwhile, the overall repo rate decreased to 1.12 percent in September 2009 from 4.02 percent in September 2008 and 4.9 percent in June 2009.

With regards to rates offered and charged by banks, increases were registered in deposits rates when compared with corresponding quarter in 2008. Nevertheless, when compared with the preceding quarter deposits rates declined. The overall lending and short-term

lending rates eased relative to rates recorded in September 2008 and June 2009. **Table 2.2** depicts the interest rate structure from September 2008.

Table 2.2: Interest Rate Structure

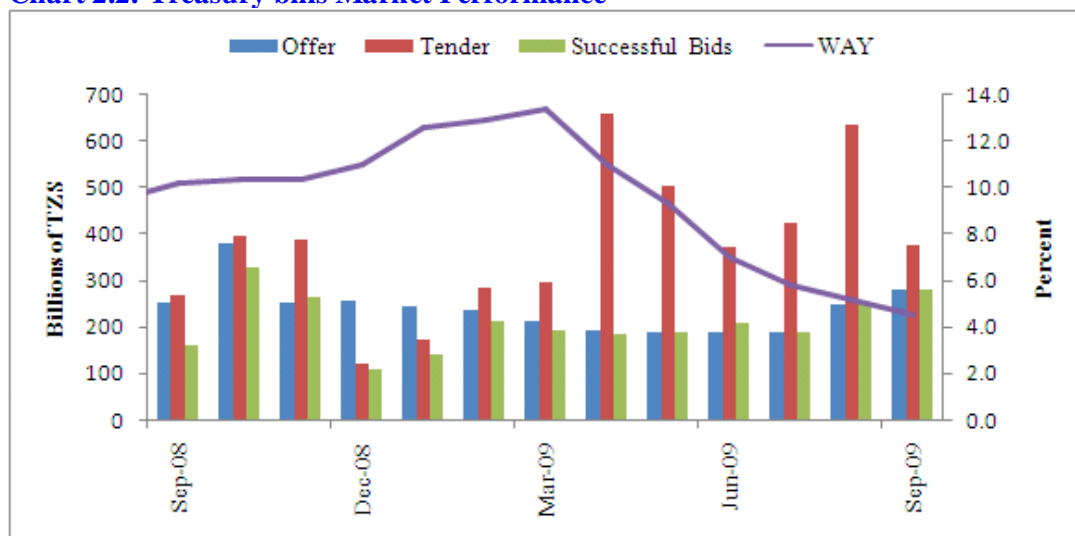
	In Percent												
	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Overall Interbank cash market rate	4.32	5.45	5.85	6.54	8.41	9.81	10.10	9.58	6.80	5.03	3.86	1.42	1.34
Overnight interbank cash market	4.19	5.23	5.51	6.27	8.31	9.63	9.90	9.29	6.49	4.46	2.44	0.82	1.04
REPO Rate	4.02	4.89	5.32	6.42	7.55	9.09	9.73	8.25	6.10	4.90	2.23	1.21	1.12
Discount Rate	15.17	15.30	15.33	15.99	17.53	17.85	18.33	16.01	13.00	10.31	6.95	4.40	3.70
Overall Treasury bills rate	10.17	10.30	10.33	10.99	12.53	12.85	13.33	11.01	9.27	6.97	5.81	5.16	4.52
35 days	5.78	5.93	6.44	6.88	7.43	7.54	7.62	7.03	6.40	4.81	3.45	2.65	2.07
91 days	10.36	10.39	10.76	11.20	11.60	11.99	12.43	10.55	8.25	5.56	4.14	3.53	2.97
182 days	10.53	10.81	11.00	12.13	13.28	14.64	14.86	12.04	10.20	7.86	6.27	5.46	4.84
364 days	11.56	11.63	11.97	12.79	15.32	14.74	14.99	12.57	10.69	9.11	8.28	7.72	7.79
Savings Deposit Rate	2.67	2.63	2.66	2.71	2.64	2.75	2.72	2.72	2.72	2.69	2.68	2.68	2.66
Treasury Bonds Rates													
2-years	13.20	13.20	14.35	14.35	14.35	14.35	15.28	15.28	15.28	11.51	11.51	11.51	11.51
5-years	14.49	16.39	16.39	16.39	17.32	17.32	17.32	17.32	16.58	16.58	16.58	16.58	13.45
7-years	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.06	17.06	17.06	17.06	14.14	14.14
10-years	19.47	19.47	19.47	19.47	19.47	19.92	19.92	19.92	19.92	19.92	16.95	16.95	16.95
Overall Time Deposits Rate	6.43	6.22	6.38	6.39	6.63	6.78	7.00	7.10	7.08	6.77	6.94	6.87	6.63
12 month time deposit rate	8.05	8.20	8.76	8.29	8.79	8.59	8.56	8.98	9.41	9.06	9.04	9.02	8.20
Negotiated Deposit Rate	10.27	10.11	10.26	10.23	10.66	10.82	10.99	11.27	11.03	10.13	10.52	10.47	9.29
Overall Lending rate	14.91	14.82	14.30	16.05	14.93	14.95	15.12	15.45	15.39	15.48	15.14	15.12	14.90
Short-term lending rate (up to 1 year)	14.04	13.27	13.57	13.56	13.41	13.45	13.44	13.87	13.68	14.57	13.94	13.77	13.98
Negotiated Lending Rate	12.68	13.38	11.96	11.91	12.42	12.26	13.01	14.03	14.17	14.28	14.26	14.24	13.81
Margin between short-term lending and one-year time deposit rates	6.00	5.07	4.81	5.27	4.61	4.86	4.88	4.90	4.27	5.51	4.89	4.74	5.78

Source: Bank of Tanzania

Financial Markets Operations

The quarter ending September 2009, experienced oversubscription in the Treasury bills market inline with commercial banks' preference for safer financial instruments. Demand for **Treasury bills** amounted to TZS 1,433.7 billion against supply of TZS 717.3 billion. Likewise, oversubscription was witnessed in the preceding quarter in which demand was TZS 1,528.1 billion against TZS 571.6 billion supplied (**Chart 2.2**). It is worth noting that supply for September 2009 was lower when compared with corresponding period in 2008 following the Bank's upward revision of monetary targets to accommodate the effects of financial and economic crisis.

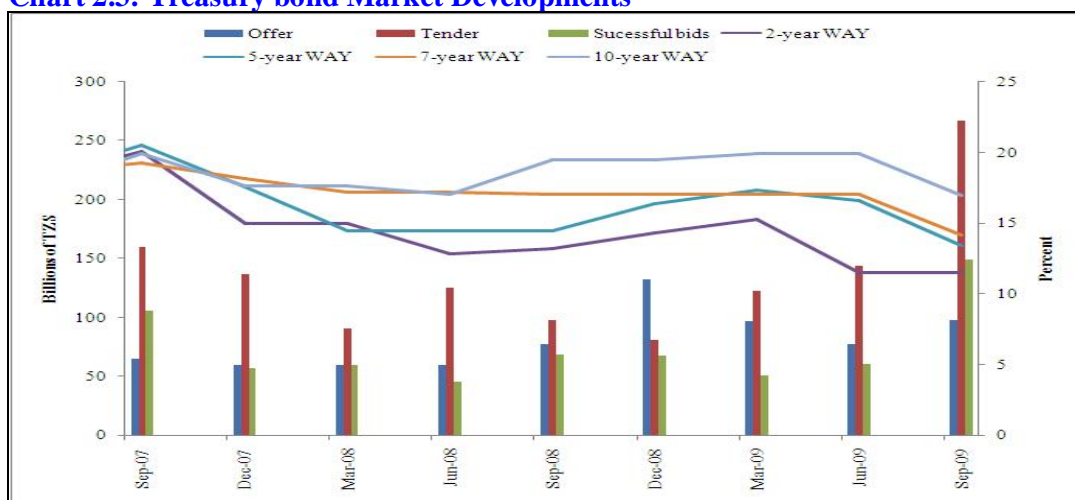
Chart 2.2: Treasury bills Market Performance



Source: Bank of Tanzania

During the period under review, Treasury bonds worth TZS 149.1 billion were sold against demand of TZS 267.1 billion. Following high demand, average Treasury bonds yields declined across all maturities. The yields on 5-year, 7-year and 10-year decreased to 13.4 percent, 14.1 percent and 16.9 percent from 16.6 percent, 17.1 percent and 19.9 percent recorded in the preceding quarter, respectively. The 2-year bond was not sold during the period (**Chart 2.3**).

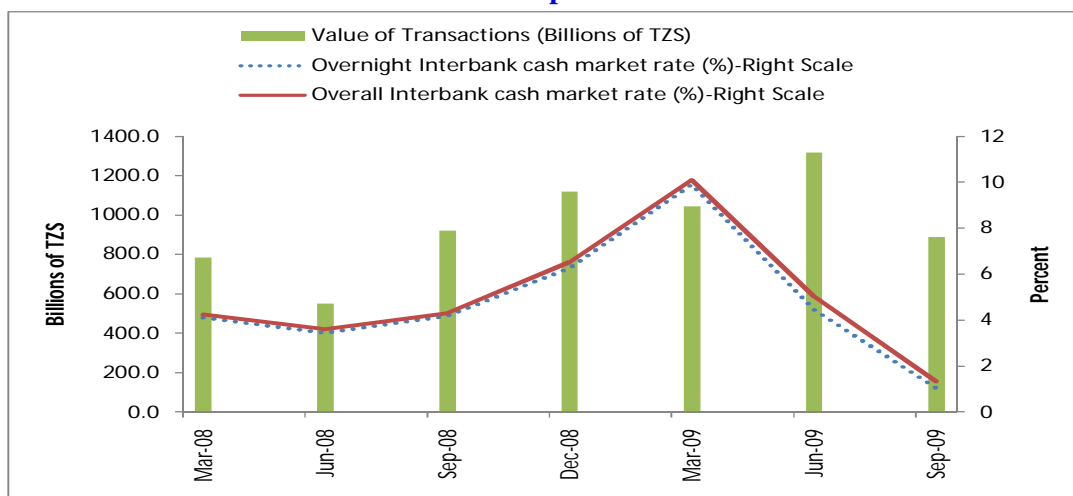
Chart 2.3: Treasury bond Market Developments



During the reviewed quarter, the volume of transactions in the inter-bank cash market amounted to TZS 889.5 billion compared to TZS 1,046 billion in the preceding quarter and TZS 920.5 billion recorded during the same period in 2008. Out of the transacted

volume, overnight transactions accounted for a dominant share of about 45 percent, amounting to TZS 400.3 billion (**Chart 2.4**).

Chart 2.4: Inter-bank Cash Market Developments

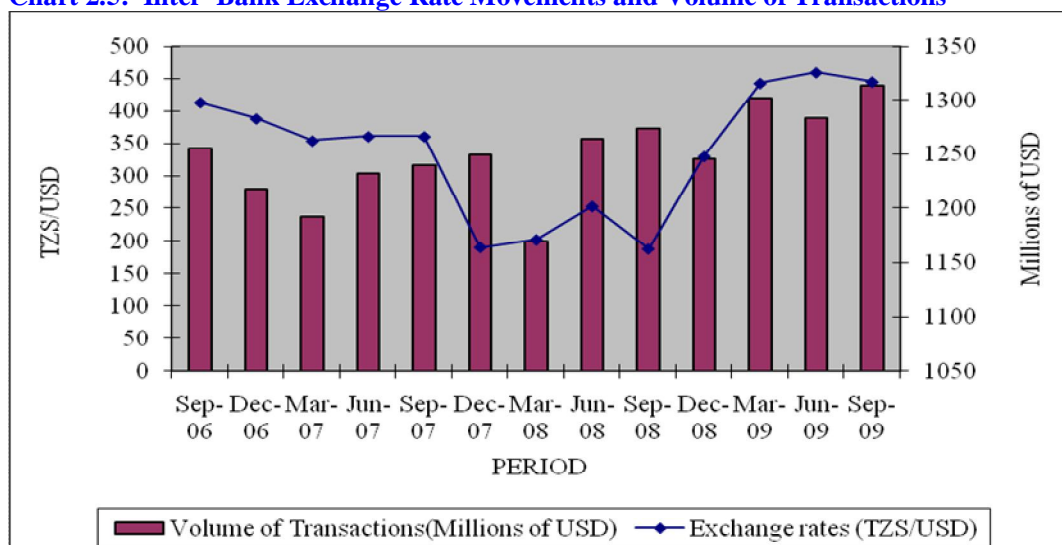


Repurchase agreements (REPOs) worth TZS 2,101.1 billion were conducted by the Bank of Tanzania for liquidity management, against TZS 2014.1 billion that matured.

Foreign Exchange Market Operations

Total volume traded in the inter-bank foreign exchange market (IFEM) amounted to USD 439.4 million in the quarter ending September 2009, compared with USD 388.4 million transacted in the previous quarter. The Bank supplied foreign exchange worth USD 260.0 million in line with monetary policy objectives. This was higher than USD 217.8 million sold in the quarter ending June 2009. The weighted average exchange rate appreciated by 0.7 percent to TZS 1,316.9 per USD, from TZS 1,325.6 per USD recorded in the preceding quarter (**Chart 2.5 and Table 2.3**).

Chart 2.5: Inter-Bank Exchange Rate Movements and Volume of Transactions



Source: Bank of Tanzania

Bureau de Change Operations

Total volume of transactions conducted by the Bureaux de Change went up to USD 194.7 million compared with USD 178.1 million recorded in the preceding quarter. The buying rate appreciated to TZS 1,309.3 per USD from TZS 1,318.4 per USD in the preceding quarter, whereas the selling rate appreciated to TZS 1,326.0 per USD from TZS 1,345.7 per USD (**Table 2.3**).

Table 2.3: Foreign Exchange Market Developments

Item	2009		Percentage Change
	Apr-Jun	Jul - Sep	
IFEM			
Amount Offered*	388.4	439.4	13.1
Amount Sold*	388.4	439.4	13.1
Exchange Rate**	1,325.6	1,316.9	-0.7
BUREAU DE CHANGE OPERATIONS			
Sales*	89.1	97.1	8.9
Purchases*	88.9	97.6	9.8
Volume of Transactions*	178.1	194.7	9.3
Buying Rate**	1,318.4	1,309.3	-0.7
Selling Rate**	1,345.7	1,326.0	-1.5

Notes: * Millions of USD,

** Tanzanian Shillings (TZS) per US dollar

Source: Bank of Tanzania

3.0 PUBLIC FINANCE

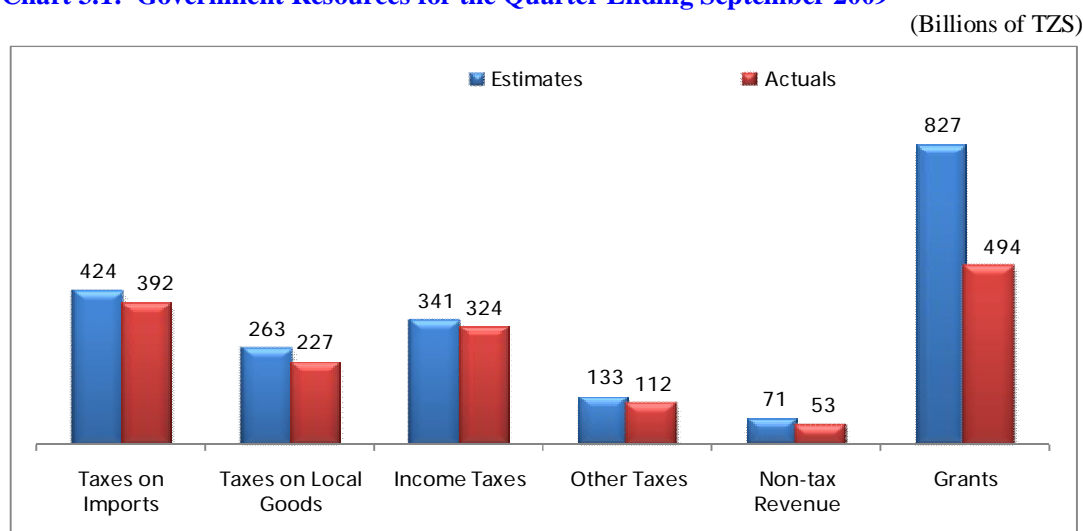
Government Budgetary Operations

During the period July-September 2009, central government operations recorded an overall deficit of TZS 388.1 billion, mainly due to shortfall in both revenue collections and grant disbursements. After taking into consideration expenditure float and adjustment to cash, the fiscal gap widened to TZS 513.7 billion. The deficit was financed by a net borrowing at the tune of TZS 727.2 billion from foreign sources, out of which TZS 213.4 billion was deposited in the banking system.

Revenue Performance

Revenue collected during the quarter ending September 2009 was TZS 1,107.2 billion, which was 87.4 percent of the estimate. As indicated on **Chart 3.1**, the shortfall was recorded in all revenue resources. Specifically, revenue from taxes on import collections were 92.6 percent of the estimate; income tax, 94.9 percent; and taxes on local goods, 86.2 percent. Grants disbursed were TZS 493.7 billion, against the estimate of TZS 826.9 billion.

Chart 3.1: Government Resources for the Quarter Ending September 2009



Source: Ministry of Finance and Economic Affairs

Expenditure Developments

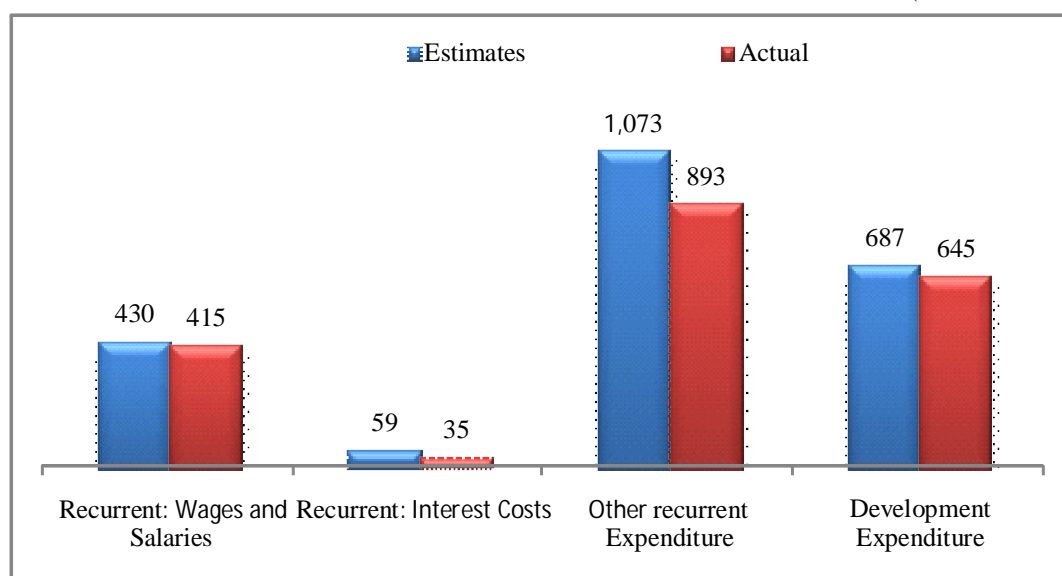
Total Government expenditure, during the quarter under review, amounted to TZS 1,988.9 billion, equivalent to 88.4 percent of the estimate. Recurrent expenditure was TZS 1,343.5 billion or 86.0 percent of the estimate, while development expenditure

amounted to TZS 645.4 billion below the planned TZS 686.8 billion (**Chart 3.2**). Expenditure float amounted to TZS 423.5 billion or 4.8 percent of the estimated total annual expenditure.

In contrast, during the corresponding quarter a year earlier, total government expenditure was TZS 1,295.1 billion equivalent to 81.4 percent of the estimate; recurrent expenditure was TZS 951.8 billion or 84.9 percent of the budgeted amount, while development expenditure amounted to 343.3 billion, being 73.0 percent of the plan.

Chart 3.2: Government Expenditure for the Quarter Ending September 2009

(Billions of TZS)



Source: Ministry of Finance and Economic Affairs

National Debt

At the end of September 2009, national debt stock stood at USD 9,330.4 million. The stock increased by 5.1 percent when compared with the amount recorded at the end of the preceding quarter, mainly attributed to new disbursements and issuance of new Treasury bonds. External debt accounted for 80.1 percent of the debt stock, whereas domestic debt accounted for the remaining.

External Debt

External debt stock increased to USD 7,474.2 million at the end of September 2009 from USD 7,137.2 million recorded at the end of June 2009. Out of the total external debt,

USD 5,932.8 million was Disbursed Outstanding Debt (DOD) and USD 1,541.4 million, interest arrears.

The external debt stock by borrower category shows that 69.6 percent was Government debt, while debt owed by private sector and public corporations accounted for 20.3 percent and 10.1 percent, respectively (**Table 3.1**).

Table 3.1: Tanzania's External Debt Stock by Borrower Category

Borrower	Millions of USD					
	Sep-08	Share (%)	Jun-09	Share (%)	Sep-09	Share (%)
Central Government	4,396.10	72.7	4,893.9	68.6	5,202.8	69.6
DOD	3,780.60	62.5	4,221.2	59.1	4,510.7	60.4
Interest Arrears	615.5	10.2	672.7	9.4	692.1	9.3
Private Sector	1,168.80	19.3	1,494.2	20.9	1,513.6	20.3
DOD	742	12.3	1,010.0	14.2	1,025.4	13.7
Interest Arrears	426.8	7.1	484.2	6.8	488.2	6.5
Public Corporations	481.8	8.0	749.2	10.5	757.8	10.1
DOD	150.8	2.5	392.3	5.5	396.7	5.3
Interest Arrears	331	5.5	356.9	5.0	361.1	4.8
External Debt Stock	6046.7	100	7,137.2	100	7474.2	100.0

Source: Bank of Tanzania

The profile of external debt stock by creditor category indicates that debt owed to multilateral institutions accounted for 51.3 percent of total debt, while bilateral debt was 21.9 percent (**Table 3.2**).

Table 3.2: Tanzania's External Debt Stock by Creditor Category

Creditor	Millions of USD					
	Sep-08	Share (%)	Jun-09	Share (%)	Sep-09	Share (%)
Bilateral	1,545.8	25.6	1,601.2	22.4	1,633.3	21.9
Paris Club	557.5	9.2	595.4	8.3	616.7	8.3
Non Paris Club	988.3	16.3	1,005.8	14.1	1,016.6	13.6
Multilateral	2,823.5	46.7	3,545.1	49.7	3,831.1	51.3
AfDB	636.2	10.5	730.4	10.2	801.6	10.7
World Bank Group*	1,843.4	30.5	2,185.2	30.6	2,388.3	32.0
IMF	17.7	0.3	263.2	3.7	267.8	3.6
Others	326.2	5.4	366.3	5.1	373.5	5.0
Commercial	1,039.0	17.2	1,265.3	17.7	1,264.4	16.9
Export Credit	638.4	10.6	725.6	10.2	745.4	10.0
External Debt Stock	6,046.7	100.0	7,137.2	100.0	7,474.2	100.0

*IDA & IFC

Loans Contracted and Flows

During the period under review, debt contracted and recorded amounted to USD 77.9 million. Recorded disbursements amounted to USD 250.9 million, out of which USD 233.8 million or 93.2 percent was for the Government.

External debt service during the period amounted to USD 26.8 million, representing 39.1 percent of USD 68.5 million scheduled for payments. Lower debt service payment was due to accumulation of arrears on non-serviced debt and inadequate information on private debt service.

Domestic Debt

As at the end of September 2009, domestic debt stood at TZS 2,418.1 billion, out of which Government securities were TZS 2,409.8 billion and other debts, TZS 8.2 billion. The stock increased by TZS 155.7 billion from TZS 2,262.3 billion registered at the end of preceding quarter, mainly due to issuance of Treasury bonds (**Table 3.3**).

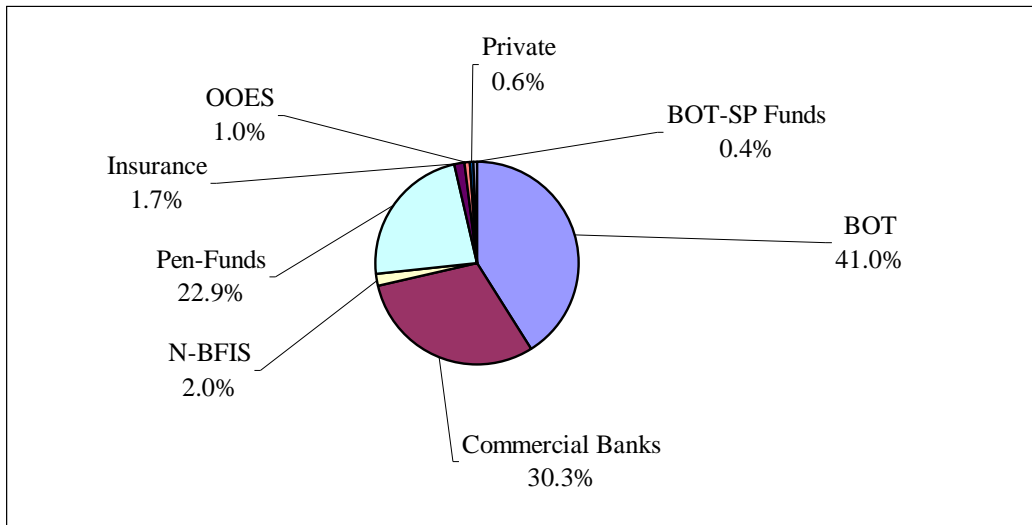
Table 3.3: Government Domestic Debt by Instruments

	Billion of TZS					
	Sep-08	Share (%)	Jun-09	Share (%)	Sep-09	Share (%)
Government Securities	1,990.5	99.6	2,254.1	99.6	2,409.9	99.7
Treasury Bills	340.3	17.0	284.7	12.6	298.7	12.4
Government Stocks	311.7	15.6	310.3	13.7	257.9	10.7
Government Bonds	1,338.4	67.0	1,659.0	73.3	1,853.2	76.6
Tax Certificates	0.1	0.0	0.1	0.0	0.1	0.0
Other Gov't Debt	8.2	0.4	8.2	0.4	8.2	0.3
Mabibo Hostel	8.2	0.4	8.2	0.4	8.2	0.3
Others	0.0	0.0	0.0	0.0	0.0	0.0
Total Dom. Debt	1,998.7	100.0	2,262.3	100.0	2,418.1	100.0
Interest Arrears	0.1	0.0	0.1	0.0	0.0	0.0
Total Dom. Debt Stock	1,998.8	100.0	2,262.4	100.0	2,418.1	100.0

Source: Bank of Tanzania and Ministry of Finance and Economic Affairs

Domestic debt by creditor category as at the end of September 2009 indicates that Bank of Tanzania was the leading creditor by holding 41.0 percent of total domestic debt, followed by the commercial banks that held 30.3 percent. Pension funds held 22.9 percent (**Chart 3.3**).

Chart 3.3: Domestic Debt by Creditor Category

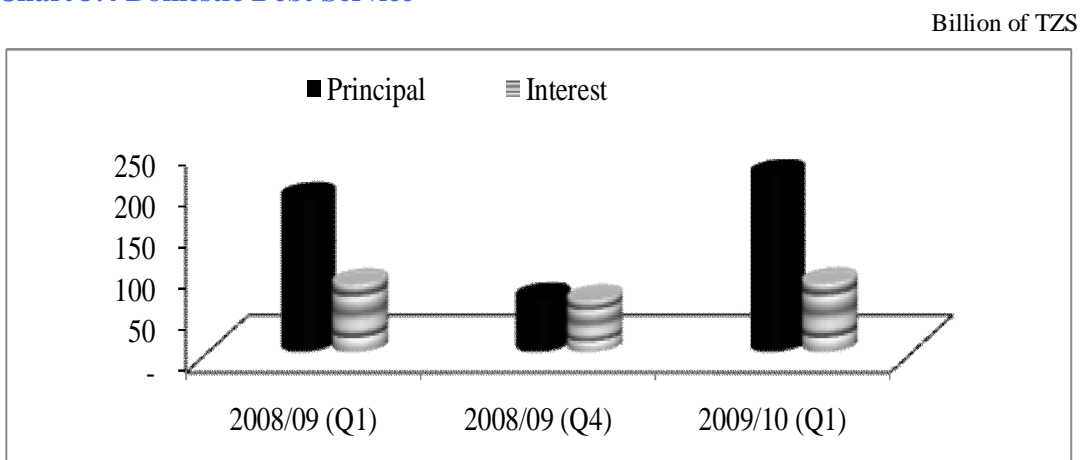


Note: OOES is other official entities; N-BFIS is non bank financial institutions; and BoT-SP is Bank of Tanzania special fund.

Domestic Debt Service

Domestic debt amounting to TZS 298.6 billion fell due for payment in the quarter ending September 2009 compared with the preceding quarter amount of TZS 127.2 billion. Interest amounting to TZS 83.0 was paid out, while principal amounting to TZS 215.6 billion was rolled over (**Chart 3.4**).

Chart 3.4 Domestic Debt Service



4.0 EXTERNAL SECTOR DEVELOPMENTS

Current Account

During the quarter ending September 2009, the current account deficit narrowed to USD 325.4 million from USD 602.4 million recorded in the preceding quarter (**Table 4.1**). The development was largely attributed to increase in official transfers and export of goods and services. Official transfers amounted to USD 366.1 million compared with USD 64.3 million recorded during the quarter ending June 2009. Higher official transfers were consistent with development partners' frontloading of disbursements to enable the Government to implement its budget commitments.

Table 4.1: Tanzania Current Account Balance

Item	Millions of USD			
	2008	2009 ^P		%
	July -Sept	Apr -June	July -Sept	Change
Goods Account (Net)	-1,018.9	-696.8	-785.6	12.8
Exports f.o.b.	745.2	517.6	793.1	53.2
Imports f.o.b.	1,764.1	1,214.3	1,578.8	30.0
Services Account (Net)	136.6	33.0	104.7	217.2
Receipts	540.9	405.9	574.7	41.6
Payments	404.3	373.0	470.1	26.0
Goods and Services (Net)	-882.3	-663.8	-681.0	2.6
Exports of Goods and Services	1,286.1	923.5	1,367.9	48.1
Imports of Goods and Services	2,168.4	1,587.3	2,048.8	29.1
Income Account (Net)	-10.0	-11.8	-14.5	22.8
Receipts	37.2	38.6	46.6	20.7
Payments	47.1	50.4	61.1	21.2
Current transfers (Net)	230.6	73.3	370.1	405.1
Inflows	249.4	89.5	391.3	337.3
<i>o/w Official transfers</i>	225.3	64.3	366.1	469.5
Outflows	18.8	16.2	21.2	31.0
Current Account Balance	-661.7	-602.4	-325.4	-46.0

Note: P = Provisional data; totals may not add up due to rounding of numbers

Source: Bank of Tanzania, TRA

Exports

Goods exports amounted to USD 793.1 million compared with USD 517.6 million recorded in a quarter earlier, following an increase in both traditional and non traditional exports. Traditional exports went up by 23.8 percent to USD 95.9 million largely due to an increase in export volumes of tobacco, cotton and cloves. The increase was also caused by rise in the export unit prices of all traditional exports with the exception of coffee.

Non-traditional exports amounted to USD 697.2 million, which was above the level recorded in the preceding quarter by 58.4 percent. The good performance was associated with the increase in minerals exports particularly gold, following the commencement of production by Buzwagi gold mine in June 2009. Export of manufactured goods also rose by 22.6 percent to USD 115.7 million reflecting the increase in export of cement, textile apparels, and iron and steel products. Most of the manufactured goods are exported to the neighbouring countries namely the Democratic Republic of Congo, Rwanda, Burundi, Uganda, Zambia, Malawi and Kenya (**Table 4.2**).

Table 4.2: Tanzania Exports by Type of Commodity

	<i>Millions of USD</i>				
	2008	2009 ^p		Percent Change	
	Jul - Sep	Apr-Jun	Jul-Sep	Apr-Jun 09 to Jul-Sep 09	Jul-Sep 08 to Jul-Sep 09
Traditional Commodities	94.7	77.5	95.9	23.8	1.3
Non-Traditional Exports					
Minerals	260.8	236.6	348.4	47.3	25.1
Gold	238.1	223.8	342.2	52.9	34.4
Diamond	4.7	8.5	0.3	-96.7	-94.1
Other minerals	18.0	4.3	6.0	39.4	-66.8
Manufactured Goods	227.6	94.4	115.7	22.6	-49.2
Cotton Yarn	9.9	0.7	2.8	295.6	-72.3
Manufactured Coffee	0.1	0.0	0.2	--	--
Manufactured Tobacco	0.9	1.1	0.9	-18.1	-1.4
Sisal Products (Yarn & Twine)	1.9	1.5	1.6	7.2	-16.0
Other manufactured Goods	214.8	91.0	110.2	21.1	-48.7
Fish and Fish Products	41.0	27.5	57.8	110.4	40.9
Horticultural products	8.3	8.4	15.1	80.0	81.5
Others Exports	91.0	62.5	121.8	95.0	33.9
Re-exports	21.7	10.8	38.4	255.9	77.1
Sub Total Non-Traditional Exports	650.5	440.1	697.2	58.4	3.8
Grand Total	745.2	517.6	793.1	53.2	3.5

Notes: p = Provisional data; -- = implies a very large number

Source: Bank of Tanzania and Tanzania Revenue Authority

Imports

The import bill amounted to USD 1,578.8 million compared with USD 1,214.3 million recorded in the previous quarter, mainly due to an increase in intermediate goods imports (**Table 4.3**). Intermediate goods imports went up by 72.3 percent to USD 567.0 million, following increase of both volume and price of imported oil. The world market prices of refined oil products went up to USD 601.9 per ton from USD 533.9 per ton recorded during the quarter ending June 2009, as the global economy begun to recover from recession. The import volume of oil increased by 64.5 percent to 848,517 tons.

Table 4.3: Tanzania Goods Imports

Millions of USD

IMPORT CATEGORY	2008 ^P	2009 ^P		% Change
	Jul - Sep	Apr - Jun	Jul - Sep	
CAPITAL GOODS	749.5	568.5	628.4	10.5
Transport Equipment	206.1	172.0	193.0	12.3
Building and Construction Equipment	160.3	100.9	112.2	11.3
Machinery	383.1	295.7	323.1	9.3
INTERMEDIATE GOODS	671.2	329.2	567.0	72.3
Oil imports	495.3	227.2	406.5	78.9
Fertilizers	44.8	9.7	29.9	207.8
Industrial Raw materials	131.2	92.2	130.7	41.7
CONSUMER GOODS	343.3	316.7	383.3	21.0
Food and foodstuffs	76.0	96.3	60.0	-37.7
All other consumer goods	267.3	220.4	323.3	46.7
GRAND TOTAL (F.O.B)	1,764.1	1,214.3	1,578.8	30.0

Note: Oil imports refers to refined petroleum products

P = Provisional data

Source: Bank of Tanzania, TRA

Services and Income Account

The services account recorded a surplus of USD 104.7 million compared to USD 33.0 million recorded during the preceding quarter (**Table 4.4**). The improvement was on account of an increase in services receipt, particularly, travel earnings, transportation and other business services. Travel receipts increased from USD 239.4 million recorded during the quarter ending June 2009 to USD 366.0 million during the peak tourists' season. The tourism sector which was adversely affected by the global financial crisis has

started to show signs of recovery as the number of international arrivals increased to 213,055 compared with 135,328 visitors during the previous quarter.

Income account deficit widened to USD 14.5 million from USD 11.8 million recorded during the previous quarter, largely due an increase in interest payments relative to interest income on the Bank of Tanzania's foreign investments (**Table 4.4**).

Table 4.4: Tanzania: Services and Income Account

		<i>Millions of USD</i>			
		2008	2009 ^P		%
		July -Sept	Apr -June	July -Sept	change
A. Services Account	Net	54.0	33.0	104.7	217.2
	Receipt	540.9	405.9	574.7	41.6
	Payment	404.3	373.0	470.1	26.0
B. Income Account	Net	-11.4	-11.8	-14.5	22.8
	Receipt	37.2	38.6	46.6	20.7
	Payment	47.1	50.4	61.1	21.2
	<i>o/w interest payment</i>	8.5	8.8	14.9	68.4

Note: P = provisional figures

Source: Commercial Banks, Non-bank Financial Institutions and BOT.

World Commodity Prices

During the quarter ending September 2009, most of the commodities recorded an increase in global prices with the exception of **coffee** (Robusta) and **cloves** whose prices declined (**Table 4.5**). The prices of **tea** (Average price) and Mombasa modestly increased largely due to the decline in supplies following unfavourable weather condition in Kenya, India and Sri Lanka. Similarly, the prices of **cotton** 'A Index' and 'Memphis' recorded moderate increases following a decline in cotton production in both China and India.

During the period under review, the prices of **crude oil** (UK Brent), Dubai (f.o.b) and **white products** increased, largely due to a rise in demand in the US and supply disruption in Nigeria and Iran. Meanwhile, the price of **gold** rose to USD 960.0 per troy ounce from USD 922 recorded in the preceding quarter.

Table 4.5: World Commodity Prices

Commodity	Units	Quarter Ending			Percentage Change	
		Sep-08	Jun-09	Sep-09	Sep 08 to Sep 09	Jun 09 to Sep 09
"Robusta" Coffee	USD/ kg	2.45	1.65	1.60	-34.69	-3.03
"Arabica" Coffee	USD/ kg	3.21	3.20	3.23	0.62	0.94
Tea (Average price)	USD/ kg	2.72	2.66	3.04	11.76	14.29
Tea (Mombasa Auction)	USD/ kg	2.53	2.28	2.83	11.86	24.12
Cotton, "A Index"	USD/ kg	1.68	1.32	1.42	-15.48	7.58
Cotton, "Memphis"	USD/ kg	1.70	1.42	1.50	-11.76	5.63
Sisal "UG"	USD/metric ton	1,025.00	1,213.00	1,213.00	18.34	0.00
Cloves	USD/metric ton	4,783.33	3,945.56	3,905.44	-18.35	-1.02
Crude oil*	USD/barrel	115.68	59.19	68.21	-41.04	15.24
Crude oil**	USD/barrel	113.47	58.93	68.07	-40.01	15.51
White products***	USD/ton	1,146.63	533.86	601.86	-47.51	12.74
Jet/Kerosene	USD/ton	1,239.59	461.79	575.50	-53.57	24.62
Premium Gasoline	USD/ton	1,024.01	524.07	641.82	-37.32	22.47
Heat Oil	USD/ton	1,176.29	615.73	588.26	-49.99	-4.46
Gold	USD /troy ounce	870.00	922.00	960.00	10.34	4.12

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

** f. o. b. Dubai

*** Average of Premium gasoline, Gas oil and Jet/Kerosene, f. o. b. West Mediterranean

Source: Bank of Tanzania

5.0 THE ZANZIBAR ECONOMY

The Overall Economic Performance

During the quarter ending September 2009, the Zanzibar economy continued to face challenges emanating from high and volatile oil prices, sharp increase in world food prices, and the global financial and economic crisis. Hence, growth of GDP is projected to slowdown to 4.9 percent in 2009, from 5.4 percent achieved in 2008.

Performance of Major Export Crops

In the quarter ending September 2009, procurement of main traditional export crops declined by 9.6 percent to 4,441.5 tons, compared with 4,915.0 tons recorded during the corresponding period in 2008 (**Table 5.1**). Clove procurement was 13.3 percent less than 1,912 tons purchased in the corresponding quarter in 2008, mainly associated with lower prices offered to producers following the global economic slowdown. Similarly, seaweed purchases decreased by 8.2 percent to 2,700 tons from 2,940 tons.

Table 5.1: Zanzibar - Procurement of Major Export Crops

Crop	2004	2005	2006	2007	2008	Tons		
						2008	2009 ^P	% Change
Cloves	4,097.6	3,266.7	3,156.7	1,085.6	3,968.5	1,912.0	1,658.0	-13.3
Clove stems	476.0	350.6	129.0	226.5	345.4	63.0	83.5	32.5
Seaweed	7,184.4	7,361.8	7,543.1	8,485.0	11,177.0	2,940.0	2,700.0	-8.2
Total	11,758.0	10,979.1	10,830.4	10,963.3	15,490.9	4,915.0	4,441.5	-9.6

Notes: P = Provisional data

Source: Office of Chief Government Statistician (OCGS)

Performance of Manufacturing Sector

During the review period, production of selected industrial commodities registered mixed performance, with bread; jewelry; and beverage (i.e. mineral water, soft drinks and juice) recording increases (**Table 5.2**). The good performance was associated with stability in power and water supply as well as increased demand for beverages. Conversely, production of video/audio tapes and clothes declined mainly due to competition from similar imported products.

Table 5.2: Zanzibar - Production of Selected Industrial Commodities

Commodity	Unit	2007	2008	Jul - Sep		
				2008	2009 ^P	% Change
Animal feed	Tons	1,115	215	0	0	0.0
Breads	No. "000"	97,960	108,942	33,800	34,500	2.1
Beverages	Litres "000"	9,925	9,417	2,545	2,817	10.7
Video/Audio tapes	Cartons	80,687	61,167	16,107	13,550	-15.9
Dash Dash Fashion (Clothes)	Pcs	5,338	3,778	1,556	1,350	-13.2
Jewelry (Gold)	grams	7,563	7,526	111	250	125.2

Notes: P = Projection

Source: Office of Chief Government Statistician (OCGS)

Inflation Developments

The average headline inflation for the quarter ending September 2009, declined to 4.9 percent, compared to 23.1 percent and 9.6 percent, recorded in the quarter ended September 2008 and June 2009, respectively (**Table 5.3**). The decline was consistent with sharp drop in both food and non-food inflation, from 23.5 percent and 23.7 percent in September 2008 to 7.6 percent and negative 0.3 percent, respectively, mainly on account of decrease in prices of rice and petroleum products.

Table 5.3: Quarterly Average Inflation Rates

Base: Dec.2005

Sub-Group	Weight (%)	2008				2009		
		Mar	June	Sept	Dec	Mar	June	Sept
Food	57.4	19.1	27.7	23.5	25.9	17.8	8.2	7.6
Non-Food	42.6	8.6	12.6	23.7	21.5	16.1	10.2	-0.3
Alcoholic beverages, tobacco & narcotics	0.6	0.7	-0.6	14.6	17.2	19.7	17.8	10.3
Clothing and footwear	6.2	7.1	6.2	9.88	9.7	7.8	8.2	5.9
Housing, water, gas, electricity and other fuels	15.6	4.5	10.2	36.7	35.7	28.4	21.5	-2.5
Furnishing, household equipment and routine household maintenance	5.3	11.7	13.7	14.5	12.6	12.5	8.4	6.5
Health	2.1	17.3	20.8	17.8	16.0	12.5	9.6	6.7
Transport	3.4	5.1	19.7	28.2	23.6	14.4	-4.0	-14.2
Communication	2.4	-2.2	-1.8	-1.37	-1.1	-0.1	0.0	0.5
Recreation and culture	0.4	13.4	9.0	5.94	5.4	2.8	3.7	4.3
Education	1.1	6.3	7.2	7.77	8.4	5.3	5.0	4.5
Restaurants and hotels	3.1	31.0	26.0	26.2	14.4	15.0	10.4	9.3
Miscellaneous goods & services	2.4	13.5	22.9	19.0	20.8	13.3	8.2	13.0
Headline/Overall	100.0	14.4	20.8	23.1	23.7	17.4	9.6	4.9

Source: Office of Chief Government Statistician (OCGS)

Budgetary Operations

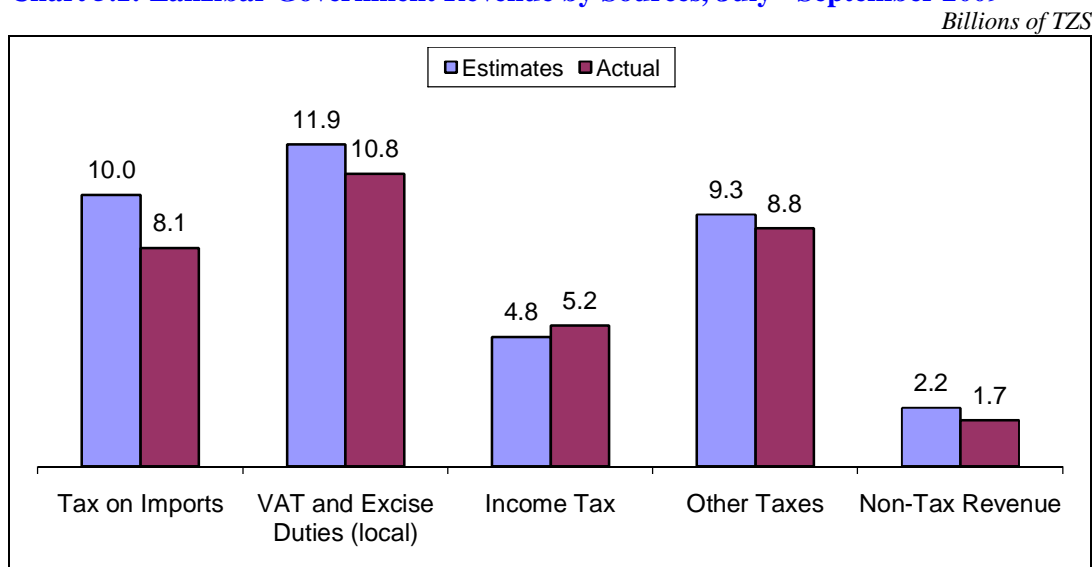
Zanzibar budgetary operations recorded a deficit, after grant, on cheques cleared basis and adjustment to cash of TZS 3.8 billion compared with TZS 2.4 billion registered in the previous quarter. Total resources for the quarter under review amounted to TZS 80.0 billion, out of which TZS 34.6 billion or 43.3 percent was sourced domestically, while TZS 45.4 billion or 56.7 percent originated from foreign sources. Government expenditure amounted to TZS 60.8 billion. The budget deficit was exclusively financed by foreign sources.

Revenue Performance

Revenue collections during the quarter ending September 2009 amounted to TZS 34.6 billion, compared with TZS 36.5 billion collected in the preceding quarter. The collections were below the quarterly target of TZS 38.2 billion, mainly on account of a decline in taxable imports through the Zanzibar Port. The collected amount was 21.7 percent of the annual estimate of TZS 159.7 billion.

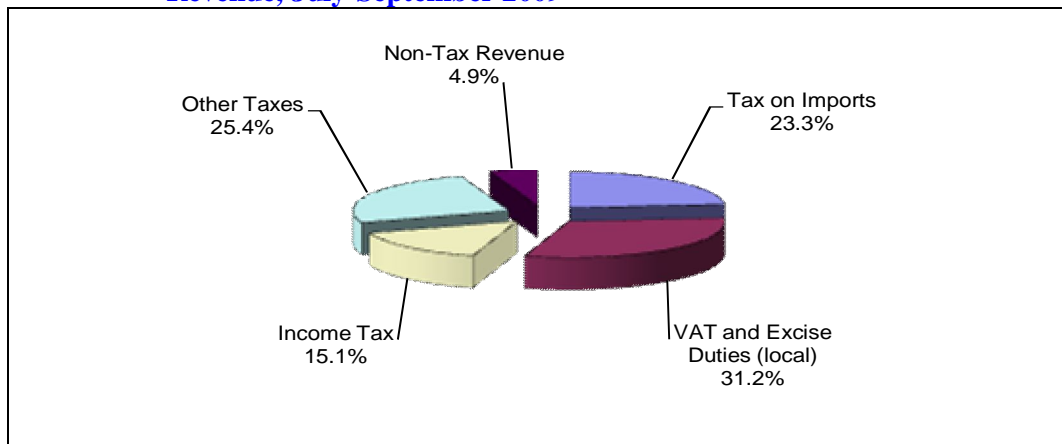
Tax revenue amounted to TZS 32.9 billion, accounting for 95.1 percent of the total revenue collections, and was below the quarterly target of TZS 36.0 billion. Revenue from non-tax declined to TZS 1.7 billion from TZS 2.6 billion collected in the previous quarter, and was below the target of TZS 2.2 billion. **Charts 5.1** and **5.2** summarize Zanzibar revenue by sources.

Chart 5.1: Zanzibar Government Revenue by Sources, July - September 2009



Source: Ministry of Finance and Economic Affairs, Zanzibar.

Chart 5.2: Government Revenue by Sources, Percentage Share to Total Revenue, July-September 2009

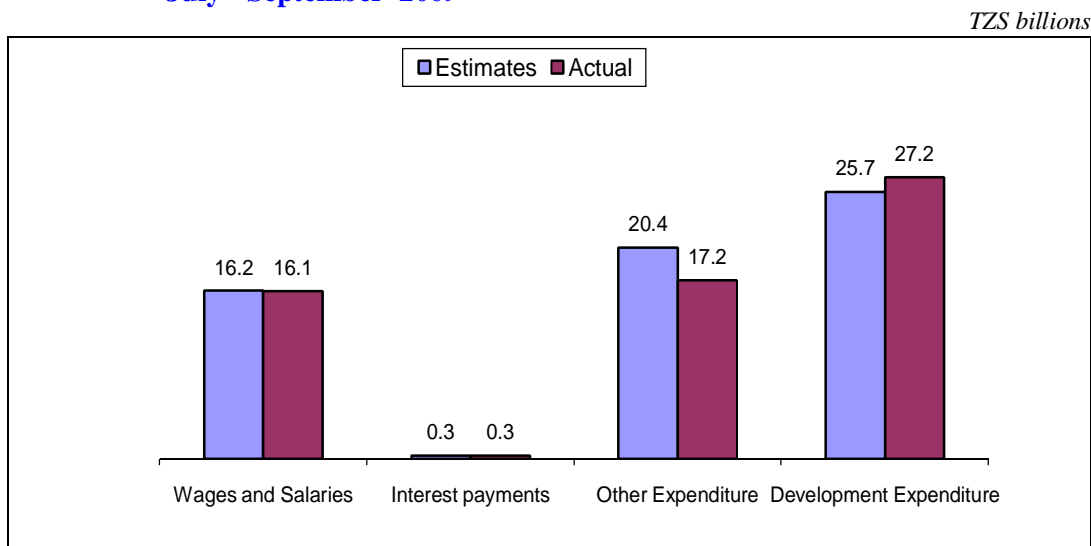


Source: Ministry of Finance and Economic Affairs, Zanzibar.

Expenditure Developments

Zanzibar Government expenditure amounted to TZS 60.8 billion, below the estimate of TZS 62.6 billion, mainly on account of lower expenditure on other charges. Recurrent expenditure amounted to TZS 33.7 billion, compared with the estimate of TZS 36.9 billion, out of which wages and salaries amounted to TZS 16.1 billion. Development expenditure was TZS 27.2 billion, and was above the planned TZS 25.7 billion. Local contribution to development expenditure was TZS 10.5 billion or 38.6 percent, while foreign contribution amounted to TZS 16.7 billion or 61.4 percent (**Chart 5.3**).

Chart 5.3: Zanzibar Government Expenditure by Component, July - September 2009



Source: Ministry of Finance and Economic Affairs, Zanzibar.

The total Government expenditure during the quarter under review accounted for 14.7 percent of the annual target of TZS 412.6 billion for the period.

Debt Developments

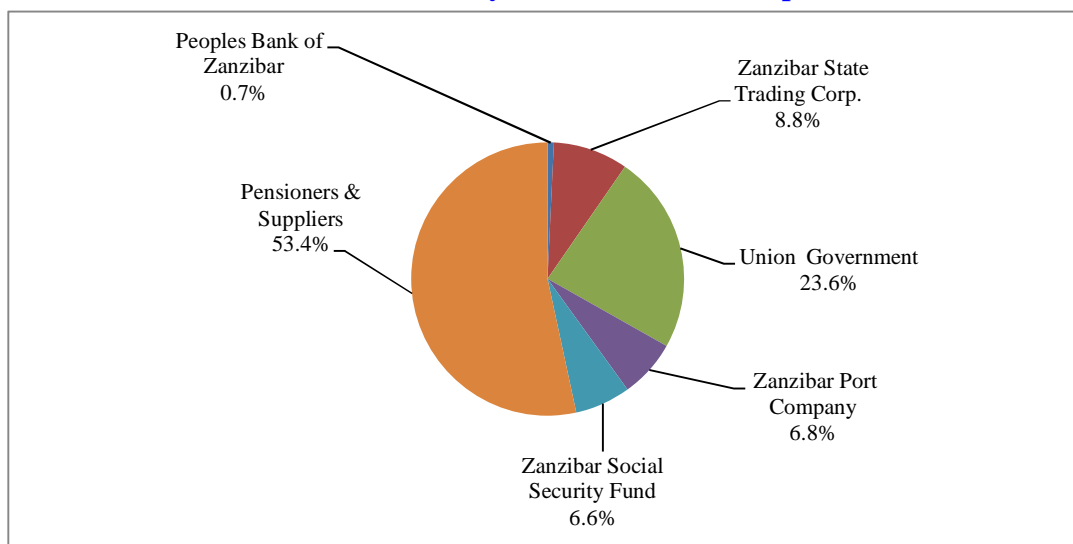
Zanzibar debt stock at the end of September 2009 was USD 107.2 million, being higher than USD 106.3 million registered at the end of June 2009. External debt stood at USD 63.0 million or 58.8 percent of the total debt, while domestic debt was TZS 57.6 billion (USD 44.2 million).

Domestic Debt

Domestic debt increased slightly by TZS 0.1 billion from TZS 57.5 billion recorded at the end of June 2009. The increase was due to issuance of Treasury bills.

Government suppliers and pensioners were the largest creditors holding debt instruments worth TZS 30.7 billion, followed by the Union Government that held TZS 13.6 billion. Other creditors were Zanzibar State Trading Corporation, Zanzibar Port Company, Zanzibar Social Security Fund, and the People’s Bank of Zanzibar (**Chart 5.4**).

Chart 5.4: Zanzibar - Domestic debt by Creditor as at end September 2009



Source: Ministry of Finance and Economic Affairs Zanzibar.

With respect to domestic debt by instrument category, Government loans accounted for the largest share of domestic debt followed by Treasury bonds and stocks. **Table 5.4** summarizes Zanzibar’s domestic debt by instruments.

Table 5.4: Zanzibar - Domestic Debt by Instruments*Millions of TZS*

Instrument	Quarter Ending				% Total Sep-09	Percentage Change	
	2008		2009			Jun-09 to Sept-09	Sep-08 to Sep-09
	Jun	Sep	Jun	Sep			
Government loans	18,425.3	18,425.3	18,158.8	18,158.8	31.5	0.0	-1.4
Government stocks	8,904.2	8,904.2	7,904.2	7,904.2	13.7	0.0	-11.2
Treasury bills	6,525.3	6,525.3	6,482.2	6,642.5	11.5	2.5	1.8
Treasury bonds	10,678.5	10,678.5	17,178.5	17,178.5	29.8	0.0	60.9
Other Instruments*	9,647.4	10,521.1	7,823.7	7,712.6	13.4	-1.4	-26.7
TOTAL	54,180.7	55,054.3	57,547.3	57,596.5	100.0	0.1	4.6

Notes: * Pensioner's claims and supplier's credits.

Source: Ministry of Finance and Economic Affairs, Zanzibar.

Domestic debt by maturity indicates that debt with “undetermined maturity” (predominantly pensioners and supplier’s claims) was the largest amounting to TZS 30.8 billion, followed by debt maturing between 2 – 5 years, and debt maturing in less than a year (**Table 5.5**).

Table 5.5: Zanzibar - Domestic Debt by Maturity*Millions of TZS*

Period	Quarter ending				% Total Sep 09	Percentage Change	
	2008		2009			Jun-09 to Sep-09	Sep-08 to Sep-09
	Jun	Sep	Jun	Sep			
Less than 1 year	6,525.3	6,525.3	6,482.2	6,642.5	11.5	2.5	1.8
1-2 years	-	-	-	-	-	-	-
2-5 Years	14,678.5	14,678.5	20,178.5	20,178.5	35.1	0.0	37.5
Undetermined	32,976.9	33,850.6	30,886.7	30,775.5	53.4	-0.4	-9.1
Total	54,180.7	55,054.3	57,547.3	57,596.5	100.0	0.1	4.6

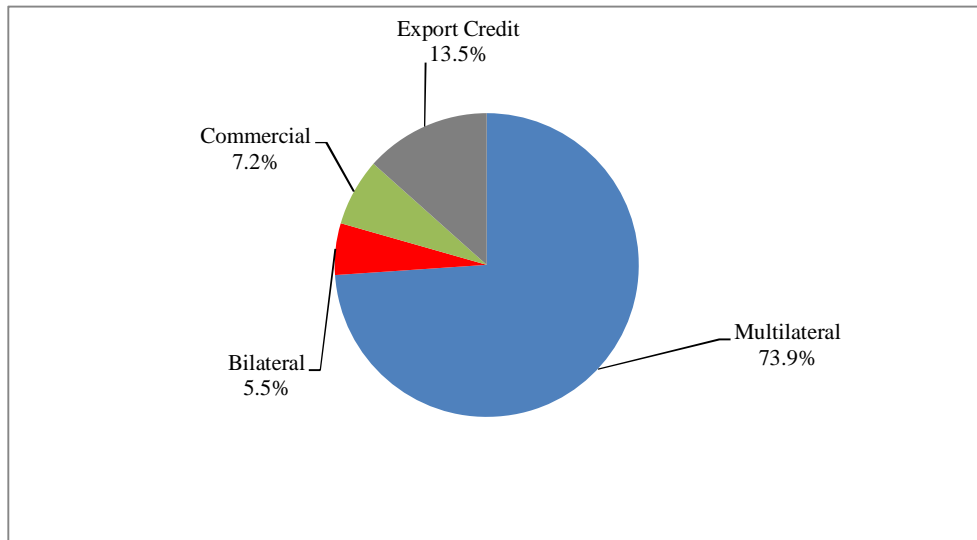
Source: Ministry of Finance and Economic Affairs, Zanzibar.

External Debt

External debt as at the end of September 2009 increased to USD 63.0 million from USD 62.1 million as at the end of June 2009. Debt guaranteed by the Union Government stood at USD 47.3 million, accounting for 75.0 percent of the external debt, while non-guaranteed debt amounted to USD 15.7 million.

Debt due to multilateral creditors was USD 46.6 million or 73.9 percent of the external debt, while export credit reached to USD 8.4 million. Bilateral creditors' debt stood at USD 3.5 million and commercial was USD 4.5 million. **Chart 5.5** depicts the shares of the external debt by creditor categories.

Chart 5.5: Zanzibar - External Debt by Creditor as at end September 2009



Source: Ministry of Finance and Economic Affairs Zanzibar.

External Sector Developments

Current Account

Zanzibar current account for the quarter ended September 2009, improved to a surplus of USD 27.6 million compared with a deficit of USD 5.8 million in the preceding quarter, mainly due to higher official inflows and increased goods exports (**Table 5.6**).

Table 5.6: Zanzibar - Current Account

Item	Quarter Ending				Million of USD	
	2008		2009 ^P		% Change	
	Jun	Sep	Jun	Sep	Apr-Jun 09 to Jul-Sep 09	Jul-Sep 08 to Jul-Sep 09
Goods Account (net)	-30.3	-25.7	-13.5	-11.4	-15.5	-55.6
Exports	3.2	4.4	5.2	9.2	76.9	109.1
Imports (fob)	33.6	30.1	18.6	20.6	10.8	-31.6
Services Account (net)	7.0	9.1	5.2	6.1	17.3	-33.0
Receipts	23.6	24.4	24.2	24.9	2.9	2.0
Payments	16.6	15.4	19.0	18.9	-0.5	22.7
Goods and Services (net)	-23.4	-16.6	-8.3	-5.4	-34.9	-67.5
Exports of Goods and Services	26.8	28.9	29.4	34.1	16.0	18.0
Imports of Goods and Services	50.2	45.5	37.6	39.5	5.1	-13.2
Income Account (net)	0.0	-0.1	-2.0	-1.9	-5.0	...
Receipts	0.1	0.1	0.1	0.1	0.0	0.0
Payments	0.1	0.2	2.1	2.0	-4.8	...
Current Transfers (net)	9.0	7.5	4.5	34.9	675.6	365.3
Donor Inflows	9.0	7.5	4.5	34.9	675.6	365.3
Outflows	0.0	0.0	0.0	0.0		
Current Account Balance	-14.4	-9.2	-5.8	27.6	575.9	400.0

Notes: P = provisional; ... = very large number

Source: Tanzania Revenue Authority and Bank of Tanzania

Exports

Exports of goods and services amounted to USD 34.1 million, up from USD 29.4 million recorded in the previous quarter. Services receipts amounted to USD 24.9 million, slightly above USD 24.2 million, and accounted for 73.0 percent of total exports. Total merchandise exports amounted to USD 9.2 million, up from USD 5.2 million, and were equivalent to 27.0 percent of total exports.

The increase in goods exports was mainly associated with onset of cloves export season. During the period, the cloves exports amounted to 1500 tons more than double the amount exported in the previous quarter. Similarly, sea-weeds exports increased to 2,800 tons from 2,400 tons. **Table 5.7** presents Zanzibar's exports by type of commodity.

Table 5.7: Zanzibar - Exports by type of Commodity

Commodity	Quarter Ending				% Change	
	2008		2009 ^P		Apr-Jun 09	Jul-Sep 08
	Jun	Sep	Jun	Sep	to Jul-Sep 09	to Jul-Sep 09
Traditional Exports:						
Cloves						
Value	0.5	1.6	2.0	5.2	160.0	225.0
Volume	0.1	0.4	0.6	1.5	150.0	275.0
Unit Price	3,950.8	3,941.2	3,455.1	3,429.8	-0.7	-13.0
Non-Traditional Exports:						
Seaweeds						
Value	0.5	0.5	0.6	0.8	33.3	60.0
Volume	1.7	1.6	2.4	2.8	16.7	75.0
Unit Price	280.9	316.9	265.1	282.1	6.4	-11.0
Manufactured Goods	1.0	1.2	1.2	1.4	16.7	16.7
Fish and Fish Produce	0.0	0.0	0.1	0.1	0.0	0.0
Others Exports	1.3	1.1	1.4	1.7	21.4	54.5
Sub Total	2.8	2.9	3.2	4.0	25.0	37.9
Grand Total	3.2	4.4	5.2	9.2	76.9	109.1

Notes: Volume in thousands of tons; Value in millions of USD; Unit price in USD/tons

Source: Tanzania Revenue Authority

Imports

During the quarter ending September 2009, Zanzibar goods imports (c.i.f.) amounted to USD 22.6 million, compared with USD 20.5 million recorded in the quarter ending June 2009. The increase was on account to a rise in import of capital goods, mainly transport equipment and machinery, particularly sea-transport vessels. Conversely, intermediate goods imports declined to USD 4.0 million, compared with USD 6.8 million of the previous quarter, on account of low imports of oil and industrial raw materials (**Table 5.8**).

Table 5.8: Zanzibar Imports (c.i.f) by Major Categories*Millions of USD*

Import Category	Quarter Ending				Percentage Change	
	2008		2009 ^P		Apr-Jun 09 to Jul-Sep 09	Jul-Sep 08 to Jul-Sep 09
	Jun	Sep	Jun	Sep		
Capital Goods	16.4	14.7	7.9	12.7	60.8	-13.6
Transport Equipments	10.1	9.5	3.9	7.0	79.5	-26.3
Building and Constructions	2.1	2.5	1.8	1.9	5.6	-36.0
Machinery	4.2	2.8	2.2	3.9	77.3	39.3
Intermediate Goods	13.1	12.4	6.8	4.0	-41.2	-67.7
Oil imports	9.6	9.0	4.9	2.4	-51.0	-73.3
Industrial raw materials	3.4	3.5	1.9	1.6	-15.8	-54.3
Consumer Goods	7.4	5.9	5.8	5.8	0.0	-1.7
Food and food stuffs	3.6	0.9	2.5	1.9	-24.0	111.1
All other consumer goods	3.8	5.0	3.2	3.9	21.9	-22.0
Grand Total (c.i.f.)	36.9	33.1	20.5	22.6	10.2	-31.7
Grand Total (f.o.b.)	33.6	30.1	18.6	20.6	10.8	-31.6

Notes: P = Provisional data

Source: Tanzania Revenue Authority

Services and Income Account

During the period under review, the services account recorded a surplus of USD 6.1 million, compared to USD 5.2 million registered in the preceding quarter. However, there was a slight improvement on the income account from a deficit of USD 2.0 million of preceding quarter to USD 1.9 million. The improvement in services and income account signify recovery in tourism activities that were adversely affected by the global financial and economic crisis (Table 5.9).

Table 5.9: Zanzibar - Service and Income Account*Millions of USD*

Item	Quarter Ending				Percentage Change	
	2008		2009 ^P		Apr-Jun09 to Jul-Sep 09	Jul-Sep 08 to Jul-Sep 09
	Jun	Sep	Jun	Sep		
A. Services Account						
Net	7.0	9.1	5.2	6.1	17.3	-33.0
Receipt	23.6	24.4	24.2	24.9	2.9	2.0
Payment	16.6	15.4	19.0	18.9	-0.5	22.7
B. Income Account						
Net	0.0	-0.1	-2.0	-1.9	-5.0	...
Receipt	0.10	0.1	0.1	0.1	0.0	0.0
Payment	0.11	0.2	2.1	2.0	-4.8	900.0

Notes: P = provisional data, = Very large value

Source: Bank of Tanzania, Commercial Banks and Non-Banks Financial Institutions.

6.0 Economic Developments in EAC and SADC Countries

During the quarter ending September 2009, inflation in the East African Community region averaged 11.2 percent, with Rwanda and Burundi registering single digit rates. Inflation rate in Rwanda declined significantly to 5.5 percent, from 12.1 percent recorded in the previous quarter, largely due to the decline in food prices. Burundi and Kenya also recorded declines in the inflation rates, while Uganda and Tanzania recorded slight increases (**Table 6.1**).

Inflation rates in the SADC region averaged 9.0 percent during the quarter ending September 2009, down from 11.3 percent recorded during the previous quarter. With exception of Zimbabwe, Angola and Tanzania, inflation rates in the remaining SADC countries decelerated, largely on account of decline in food prices.

Table 6.1: EAC and SADC Countries Economic Indicators

Country	Real Growth Rate in %				Inflation rate in %					
	2005	2006	2007	2008	2008			2009		
					Q2	Q3	Q4	Q1	Q2	Q3
Tanzania	7.4	6.7	7.1	7.4	9.4	10.3	12.5	13.1	11.3	11.7
Kenya	5.8	6.4	7.1	7.7	29.1	27.4	28.5	24.3	21.1	18.0
Uganda	5.9	5.5	7.7	7.0	11.0	14.9	14.4	14.4	12.7	12.8
Burundi									10.6	7.8
Rwanda	7.1	5.5	9.2	11.2	13.0	19.7	22.2	19.2	12.1	5.5
Angola	15.7	19.5	19.8	16.4	12.1	12.7	13.2	13.5	13.8	13.9
Botswana	3.8	4.2	5.7	3.5	12.6	14.7	13.9	11.6	8.5	6.4
Lesotho	0.7	6.2	5.1	3.4	9.5	11.1	11.5	10.3	8.3	5.7
Malawi	1.9	4.7	7.9	9.7	8.2	9.0	9.6	9.8	8.8	7.8
Mauritius	3.5	4.7	5.4	5.6	8.8	9.5	9.6	8.9	7.4	5.2
Mozambique	7.7	8.5	7.3	6.5	10.6	10.6	10.8	8.1	3.4	n.a
Namibia	3.5	4.6	3.8	2.7	9.8	12.0	11.5	11.5	9.6	7.4
Seychelles	6.6	9.3	9.7	-0.9	17.1	24.8	21.9	50.2	45.8	33.1
South Africa	4.9	5.0	5.1	4.0	11.7	13.4	11.4	8.4	7.8	6.4
Swaziland	2.2	2.8	3.5	2.6	12.1	13.9	14.6	11.5	8.2	5.8
Zambia	5.0	6.0	6.0	6.2	11.0	13.3	15.7	14.4	14.5	13.8
Zimbabwe	-6.5	-5.1	-6.2	-4.3	1.542 mn	n.a	n.a	-2.8	-0.5	0.3
EAC Average	6.6	6.0	7.8	6.8	15.6	18.1	19.4	17.8	13.6	11.2
SADC Average1	4.1	5.6	5.9	4.6	118,640.24	n.a	n.a	13.0	11.3	9.0
SADC Average2	4.8	5.9	6.0	6.0	11.1	12.9	13.0	14.3	12.3	9.8

Note: 1. Economic indicators for Democratic Republic of Congo and Madagascar were not available

2. mn and na refers to million in percentage change and not available, respectively

Source: Respective National Statistical Offices and Central Banks

7.0 STATISTICAL TABLES AND MANAGEMENT LIST

A1: STATISTICAL TABLES

A2: LIST OF MANAGEMENT

Name	Title	Telephone Direct
EXECUTIVE OFFICE		
Prof. B. Ndulu	Governor	022 2233020/1/2
Dr. E. Bukuku	Deputy Governor First (EFP)	022 2233040/1
J. H. Reli	Deputy Governor (AIC)	022 2233042/3
L. H. Mkila	Deputy Governor (FSD)	022 2233044/5

1. GOVERNOR'S OFFICE

Regional Integration Department

A. Msutze	Associate Director	022 2233472
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Public Relations & Protocol Department

J. B. Kimaro	Manager	022 2233166/7
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Financial Sector Stability Department

C. L. Kiliaki	Manager	022 223 3160/1
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2. DIRECTORATE OF STRATEGIC PLANNING & PERFORMANCE REVIEW

J.M.B. Massawe	Director	022 2233423/4
----------------	----------	---------------

Strategic Planning Department

A. V. Haule	Manager	022 2233425/6
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Technical Assistance Program Coordination Department

M. M. Mbawala	Manager	022 2233434/5
---------------	---------	---------------

Organization and Methods Department

F. N. Kazimoto	Manager	022 2233475/6
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3. DEPOSIT INSURANCE BOARD

B. N. Msami	Director	022 2235389/90
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Finance and Administration Department

R. J. Malisa	Manager	022 2235391/2
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Operations Department

A. M. Rasmini	Manager	022 2235393/4
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4. RISK MANAGEMENT

S. E. Jengo Director 022 2235297/8

Investment Risk Department

V. N. Lema Manager

Systems Risk Department

Dr. M. Kipilimba Manager 022 2233204/5

5. DIRECTORATE OF PERSONNEL AND ADMINISTRATION

L. L. Kisarika Director 022 2235144/5

Human Resource Department

R. L. Wambali Manager 022 2235148/9

Estate Management Department

P. J. Mutoni Manager 022 2235098/9

Administrative & General Services Department

J. P. Mpelebwa Associate Director 022 2235194/5

Facilities Management Department

E. M. Twininge Manager 022 2235555/6

Procurement Department

R. Wanga Manager 022 2235194/5

6. DIRECTORATE OF BANKING

E. M. Boaz Director 022 2235415/6

Banking Department

E. R. Balele Manager 022 2235134/5

Currency Department

K. J. Jurango Manager 022 2235672/3

7. DIRECTORATE OF BANKING SUPERVISION

A. E. Kobello Director 022 2235482/3

Banks Supervision Department

C. A. Gama Manager 022 2235530/1

Non-Banks Supervision Department

S. A. Kazimoto	Manager	022 2235480/1
Operation & Policy Review Department		
A. A. Ukhotya	Manager	022 2235576/7
Microfinance Institutions Supervision Department		
H. J. Ndambala	Manager	022 2235585/6

8. DIRECTORATE OF ECONOMIC RESEARCH AND POLICY

Dr. J. L. Massawe	Director	022 2233328/9
A. J. Mengo	Senior Advisor	022 2115614
Dr. B. Tarimo	Senior Advisor	022 2233376
Monetary & Financial Affairs Department		
H.E.S Mmbaga	Manager	022 2233349/50
International Economics & Trade Department		
G. Mwakibolwa	Manager	022 2233303/4
Debt Management Department		
Y. A. Mchujuko	Manager	022 223378/9
Research Department		
P. L. Kadesha	Manager	022 2233330/1
Real Sector & Microfinance Department		
F. L. Rutabanzibwa	Manager	022 2233280/1

9. DIRECTORATE OF FINANCE

J. R. Angelo	Director	022 2235126/7
Domestic Accounts Department		
M. P. Kobello	Manager	022 2235624/5
Foreign Accounts Department		
S. S. Mwakalukwa	Manager	022 2235628/9

10. DIRECTORATE OF FINANCIAL MARKETS

J. K. Ndissi	Director	022 2233564/5
Domestic Markets Department		
P. A. Maganga	Manager	022 2233529/30

Foreign Markets Department

A.T. Libabu Manager 022 2233520/1

Credit Guarantee Scheme Department

E. C. Maganga Manager 022 2233568/9

11. DIRECTORATE OF MANAGEMENT INFORMATION SYSTEMS

E. A. Makwaia Director 022 2235136/7

Management Information System Department

G. M. Mahinya Manager 022 2235373/4

Systems Analysis and Administration Department

C. M. Kitwanga Manager 022 2233732/3

Networks and Office Automation Department

L. L. Masano Manager 022 2233730/1

12. DIRECTORATE OF NATIONAL PAYMENTS SYSTEMS

L. S. Kinunda Director 022 2235432/3

Payment System Oversight and Policy Department

G. K. Tabaro Manager 022 2235439/40

System Development & Support Department

B. J. Dadi Manager 022 2235434/5

13. DIRECTORATE OF INTERNAL AUDIT

A. Mwinyimvua Director 022 2235240/1

Systems Audit Department

N. M. Malekani Manager 022 2235242/3

Operational Audit Department

H. M. Mnjovu Manager 022 2235255/6

14. OFFICE OF THE SECRETARY TO THE BANK

A. H. M. Mtengeti Secretary to the Bank 022 2233240/1

Internal Security & Investigation Department

B. A. Mbanga	Manager	022 223 5376/7
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Board Services & Exchange Management Department

Y. E. Tongola	Manager	022 2233242/3
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Legislation Department

N. D. Mukirya	Manager	022 2233248/9
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Litigation Department

M. K. Ismail	Manager	022 2233225/6
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15. BANK OF TANZANIA TRAINING INSTITUTE (MWANZA)

W. A. Mgimwa	Principal	028 2500352
S. W. Mahembe	Manager, Learning & Development
J. C. Mlay	Director of Studies	028 2500982
C. P. Yamo	Manager , Finance & Administration	028 2502697

16. BOT BRANCHES**Arusha**

O. H. Kitine	Director	027 2502928
E. Y. Ndesingo	Manager, Operations	027 2504047
S. M. Chiguma	Manager, Economics	027 2548443
G. C. Maganga	Manager, Finance & Administration	027 2504009

Mbeya

M.J.C. Gasabile	Director	025 2504158
H. O. Katundu	Manager, Operations	025 2502055
F.E.K. Rugemalira	Manager, Economics	025 2502839
J. M. Munazi	Manager, Finance & Administration	025 2502700

Mwanza

K.T.J. Mkango	Director	028 2501015
J. C. Rushaka	Manager, Operations	028 2500024
W. L. Tawe	Manager, Economics	028 2500622
C. A. Kiponda	Manager, Finance & Administration	028 2500025

Zanzibar

J. S. Mhando	Director	024 2234503
T. A. Mpelwa	Manager, Operations	024 2234506
N. K. Mboje	Manager, Economics	024 2234507
A. H. Hamisi	Manager, Finance & Administration	024 2234504

8.0 GLOSSARY

Average Inflation Rate

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

Currency in Circulation Outside Banks

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

Discount Rate

The rate of interest the Bank of Tanzania charges on Loans it extends to Deposit Money Banks and government overdraft. It is derived from the weighted average yield of Treasury bills of all maturities plus five-percentage points

Exchange Rate

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

Lombard Facility

The Bank introduced Lombard facility on 1st December 2003, as an overnight facility to enable commercial banks to borrow at their own discretion, through pledging of eligible government securities as collateral.

Lombard Rate

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

Money Supply, M

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

M1, Narrow Money,

Consists of currency in circulation outside banks and demand deposits.

M2, Broad Money

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

M3, Extended Broad Money

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

Nominal Exchange Rate

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

Non-Food or Underlying Inflation Rate

This is a measure of price movements caused by factors other than food prices. It is an important measure, which provides better indication of the effectiveness of monetary policy on inflation since price movements in these items are caused largely by monetary policy.

Repurchase Agreement (REPO)

These are agreements to purchase/sale by the BoT government securities from/to financial institutions at agreed rate for a specified period, with an understanding that the financial institutions will repurchase/resell the securities to the BoT at the end of the period.

Reserve Money (M0)

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

Seasonally Adjusted Indicators

Seasonal movements or seasonal variations, refer to identical, or almost identical, patterns, which a time series appears to follow during corresponding months (quarters) of successive years. Such movements are due to recurring events, which take place annually, e.g. the harvest season. Seasonally adjusted indicators show the impact of non-seasonal influences on a time series.

Weighted Annualized Yields of Treasury Bills of all Maturities

This is the average yield of Treasury bills, which is weighted by the volume sold of 91-day, 182-day, and 364-day Treasury bills, expressed in percentage per year.