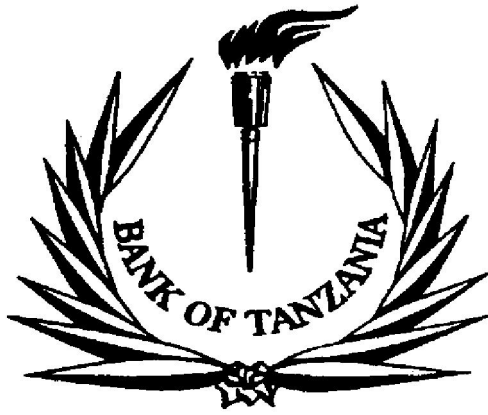


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# **BANK OF TANZANIA**

ECONOMIC BULLETIN  
FOR THE QUARTER ENDING  
JUNE, 2009  
VOL. XLI NO. 2



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## **SUMMARY OF ECONOMIC DEVELOPMENTS**

### **Gross Domestic Product**

Tanzania continued to record good economic performance in 2008, with real GDP growth of 7.4 percent, up from 7.1 percent in 2007 following good performance in industry, construction and services sectors. However, real GDP growth is projected to slow down to around 5.0 percent due to the impact of the global financial and economic crisis.

### **Inflation Developments**

The **annual headline inflation** declined to an average of 11.3 percent during the quarter ending June 2009, from an average of 13.1 percent recorded in the preceding quarter, due to decline both food and non-food inflation.

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

Extended broad money supply (M3) grew by 19 percent, higher than 14.4 percent recorded in the preceding quarter and 18.1 percent in the corresponding period in 2008. Growth rate of broad money supply (M2) increased to 19.5 percent from 18.4 percent recorded in March 2009, but was below the growth rate of 26.5 percent recorded during the corresponding period in 2008. Credit to the private sector decelerated to 33.2 percent from 35.9 percent in the preceding quarter.

### **Interest Rate Developments**

The margin between short-term lending and one year time deposit rates widened to 5.9 percent from 5.0 percent recorded in March 2009 and 5.6 percent in the corresponding period in 2008. The overall lending rate increased from 15.1 percent in March 2009 to 15.5 percent in June 2009, while saving deposit rate declined from 2.72 percent to 2.69 percent.

### **Public Finance**

The overall government budget recorded a deficit of TZS 1026.5 billion (before grants) in June 2009, compared to a deficit of TZS 649.0 billion recorded during the preceding

quarter. The deficit was reduced to TZS 563.0 billion after taking into account grants and other adjustments.

## **External Sector**

The current account deficit narrowed to USD 678.5 million during the quarter ending June 2009, from a deficit of USD 682.0<sup>1</sup> million recorded during the preceding quarter largely due a decline in imports of goods and services.

## **Zanzibar Government Budgetary Operations**

The Zanzibar Government budgetary operations for the quarter ending June 2009 recorded an overall deficit after grants of TZS 5.3 billion, higher than TZS 2.2 billion recorded during the preceding quarter. However, the deficit was reduced to 2.4 billion after considering other adjustments.

## **Zanzibar External Sector Developments**

The Zanzibar current account deteriorated to a deficit of USD 5.3 million during the quarter under review from a surplus of USD 11.8<sup>2</sup> million recorded in March 2009. The deterioration resulted from a decline in foreign grants and receipts from exports.

---

<sup>1</sup> Provisional Statistics reported in the March 2009 bulletin indicated a deficit of USD 583.5 million.

<sup>2</sup> Provisional Statistics reported in the March 2009 bulletin indicated a surplus of USD 8.7 million

## 1.0 OUTPUT AND PRICES

### The Overall Economic Performance

Tanzania continued to record good economic performance in 2008, with real GDP growth of 7.4 percent, up from 7.1 percent in 2007. However, the impact of the ongoing global financial and economic crisis, is expected to affect Tanzania through the export channel mainly tourism, cash crops, and regional manufacturing exports, as well as low foreign capital inflows. Accordingly, real GDP growth is projected to slow down to between 5.0 and 5.5 percent in 2009.

### Sectoral Performance

Procurement of the traditional export crops in the quarter ending June 2009 declined to 62,645.1 tons from 69,185.6 tons recorded in the corresponding period a year before mainly due to decline in sisal (**Table 1.1**). Decline in sisal procurement was attributed to slow down in demand of sisal products associated with the global economic crisis. However, procurement of other crops namely, cashew nuts, tobacco and tea increased during the period under review.

**Table 1.1: Procurement of Traditional Export Crops**

	Apr - Jun		Tons
	2008 <sup>r</sup>	2009 <sup>p</sup>	Percentage Change
Cotton lint		off season	
Coffee		off season	
Cashew nuts	0.0	2,451.0	100.0
Sisal	16,244.0	6,290.0	-61.3
Tobacco	34,337.0	34,895.5	1.6
Tea	18,604.6	19,008.6	2.2
<b>Total</b>	<b>69,185.6</b>	<b>62,645.1</b>	<b>-9.5</b>

Note: r = revised; p = provisional

Source: Respective crop boards

### Production of Gold and Diamond

During the quarter ending June 2009, recovery of gold by big miners increased when compared to the quarter ending March 2009 but lower than the amount recovered in the corresponding period in 2008. Recovery of diamond during the quarter under review

declined substantially when compared to the previous quarter and the corresponding period a year before (**Table 1.2**). The decline in recovery of diamond was mainly attributed to the decrease in the world market prices.

**Table 1.2: Production of Gold and Diamond**

Units	2008		2009		Percentage Change	
	Apr - Jun	Jan - Mar	Apr - Jun	Mar - 09 to Jun - 09	Jun -08 to Jun -09	
Gold Kgs	9,314.12	6,387.71	6,829.90	6.9	-26.7	
Diamond Carats	30,473.98	3,621.51	1,712.48	-52.7	-94.4	

Source: Respective Mining Companies

## Food Supply Situation

Food supply situation in the country was generally satisfactory during the quarter ending June 2009. However, the Rapid Vulnerability Assessment (RVA) carried in March 2009 established that, in most of the visited areas household food stocks were continuously being drawn down for sale into the market, a situation likely to increase food insecurity at the household level.

Average wholesale prices of selected food crops increased during the quarter ending June 2009 when compared with the same period a year before. However, when compared with the previous quarter, prices of maize and beans declined mainly due to increased supply of these food items following commencement of the harvesting season (**Table 1.3**).

**Table 1.3: National Average Wholesale Prices of Selected Food Crops**

Crop	2008		2009		Percentage Change	
	Apr-Jun	Jan-Mar	Apr-Jun	Apr-Jun/Jan-Mar 09	Apr-Jun-08/09	
Maize	30,686	37,938	37,766	- 0.5	23.1	
Rice	91,554	113,296	114,965	1.5	25.6	
Beans	76,513	105,981	98,377	- 7.2	28.6	
Sorghum	38,105	44,842	46,773	4.3	22.7	
Potatoes	38,636	37,938	44,044	16.1	14.0	

Source: Ministry of Industry, Trade and Marketing

## The National Food Reserve

The National Food Reserve Agency (NFRA) recorded a stock of 94,699 tons of maize and sorghum as at the end of June 2009, compared to 124,252 tons recorded end of



March 2009. The decline in stock was on account of purchases by Government and private traders for distribution to food deficit areas (**Table 1.4**). The NFRA managed to purchase 62,641 tons of grains from domestic market to replenish food reserves against the end of June 2009 target of 100,000 tons.

**Table 1.4: National Food Reserve Agency (NFRA) Stock**

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

**Source:** National Food Reserve Agency and BOT computation.

## **Inflation Developments**

The annual headline inflation rate during the quarter ending June 2009 declined to an average of 11.3 percent, from 13.1 percent recorded during the quarter ending March 2009. The decrease in inflation was mainly associated with decline in both food and non-food inflation (**Table 1.5**). The easing of global fuel prices, coupled with the government intervention in the energy industry, as well as sustained prudent fiscal and monetary policies are expected to lead to a downward trajectory in inflation.

Table 1.5: Average Inflation Rates

Commodity group	Weight	2007				2008				2009	
		(%)	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
<b>Headline/Overall</b>	<b>100</b>	<b>7.2</b>	<b>5.7</b>	<b>8.4</b>	<b>6.9</b>	<b>8.9</b>	<b>9.4</b>	<b>10.3</b>	<b>12.5</b>	<b>13.1</b>	11.3
<b>Food</b>	<b>55.9</b>	<b>6.3</b>	<b>4</b>	<b>10.3</b>	<b>7.5</b>	<b>10.9</b>	<b>11.4</b>	<b>11.9</b>	<b>16.5</b>	<b>18.4</b>	17.5
<b>Non-food</b>	<b>44.1</b>	<b>8.4</b>	<b>8.1</b>	<b>5.8</b>	<b>5.9</b>	<b>5.8</b>	<b>6.6</b>	<b>7.8</b>	<b>6.7</b>	<b>4.6</b>	1.7
Transportation	9.7	9.2	7.4	5.8	5.7	5.5	6.8	8.5	6.6	3.6	-0.9
Fuel, Power and Water	8.5	7.9	6.3	4.3	6.2	8.4	11.2	13.2	9.9	1.8	-7.7
Drinks and Tobacco	6.9	11.7	13.3	8.1	9.1	9.9	7.9	8.5	6.4	5.5	6.5
Clothing & Footwear	6.4	6.5	7.2	5.5	4.3	0.8	1.1	1.1	2.8	4.1	5.7
Education	2.6	11.6	10.7	8.9	7.5	5.6	6.3	7.8	8.3	10.1	10.8
Furniture & Household Equipment	2.1	10.6	9.2	6.2	5.8	5.6	6.3	7.8	8.3	7.0	6.7
Household Operations Maintenance	2.1	10.5	11	8.9	4.5	3.1	2.7	2.2	4.7	4.9	4.8
Personal Care & Health	2.1	2.1	4.2	3.4	1.9	3.4	3.7	5.9	7.1	7.7	7.4
Rents	1.4	5.6	3.9	2.2	2.8	2.1	2.1	3	2.4	12.6	12.2
Recreation & Entertainment	0.8	7.4	9.6	10.4	8.1	4.4	4.1	5.5	8	10.4	9.0
Miscellaneous Goods and Services	1.5	-0.2	2.1	0.4	0.9	1.6	0.7	2.2	2.6	3.4	4.5

Source: National Bureau of Statistics

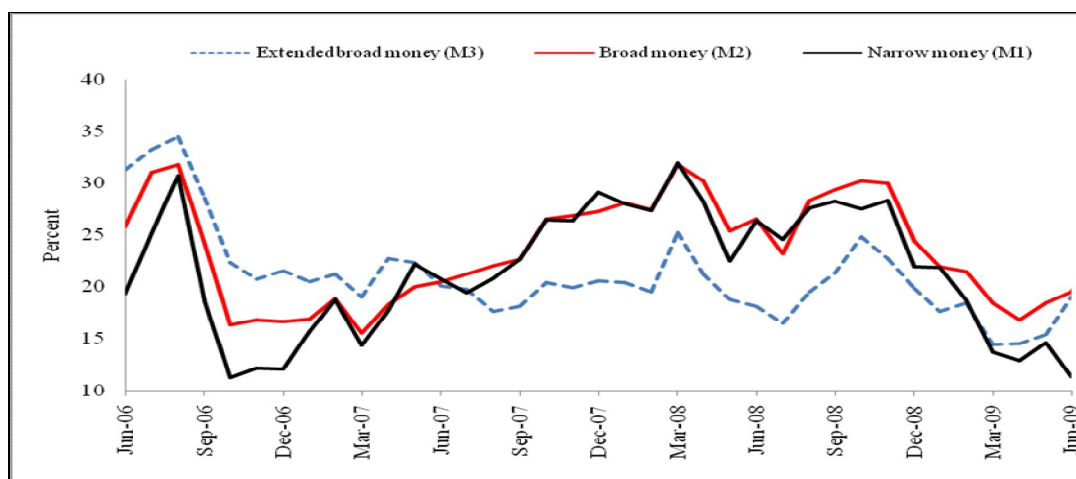
## 2.0 MONETARY AND FINANCIAL DEVELOPMENTS

### Money and Credit

Monetary aggregates in the year ending June 2009 recorded *moderate growth rates*. Extended broad money supply (M3) grew at 19.0 percent, being higher than 18.1 percent recorded in the corresponding quarter in 2008, mainly on account of a rise in foreign currency deposits. However, growth rate of broad money supply (M2), declined to 19.5 percent from 26.5 percent recorded in June 2008 following slow rate of growth of credit to the private sector, partly associated with the global financial and economic crisis. The slowdown in the growth rates is also explained by continued adjustment of bank portfolios following the revision of the minimum reserve requirements since January 2009. In March 2009, M3 grew at 14.4 percent while M2 grew at 18.4 percent.

During the quarter under review, net foreign assets (NFA) of the banking system increased by TZS 51.5 billion to a stock of TZS 4,196.8 billion compared with a decrease of TZS 423.6 billion recorded in the corresponding period in 2008. The NFA grew annually, at 15.7 percent compared with 4.7 percent in the corresponding period a year earlier (**Table 2.1**). Following the revision of the reserve requirement and cautious approach taken by banks in lending to private sector after the global financial crisis, growth of credit to the private sector decelerated to 33.2 percent in the quarter under review, from 35.9 percent recorded in the preceding quarter and 38.6 percent in the corresponding period in 2008.

**Chart 2.1: Annual Growth Rates of Monetary Aggregates**



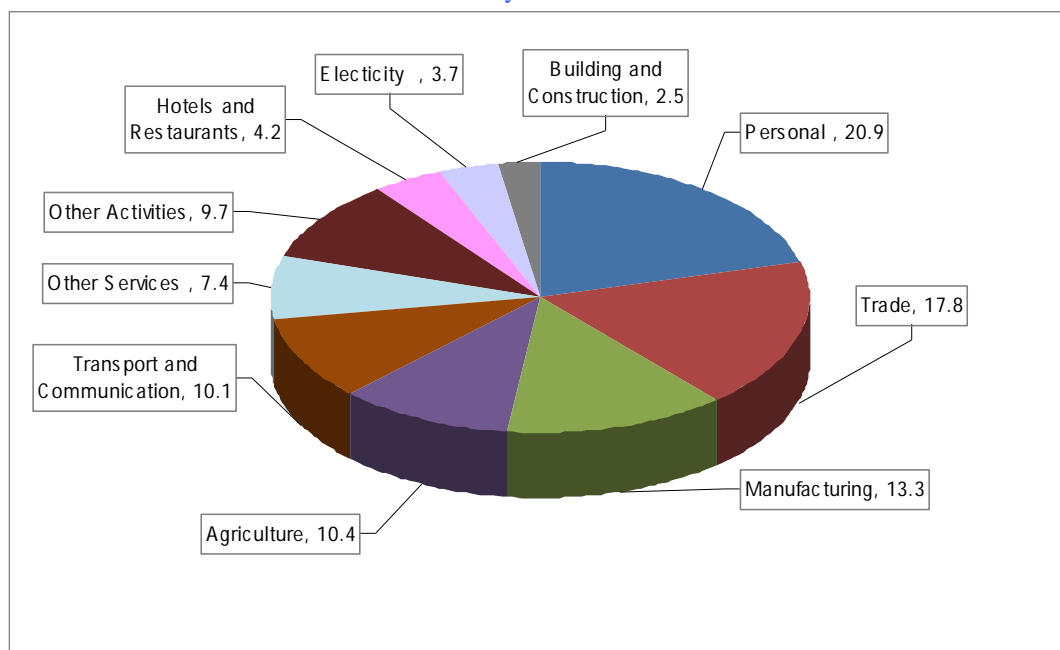
**Table 2.1: Developments in Selected Monetary Aggregates**

	Jun-08	Mar-09	Jun-09	Change		Annual Growth		
				Mar 08 - Jun 08	Mar 09 - Jun 09	Jun-08	Mar-09	Jun-09
				08	09			
Net foreign assets of the banking system	3,628.8	4,145.3	4,196.8	-423.6	51.5	4.7	2.3	15.7
Bank of Tanzania	3,059.6	3,457.1	3,395.1	-270.3	-62.0	15.2	3.8	11.0
Other Depository Corporations	569.2	688.1	801.7	-153.3	113.5	-29.7	-4.8	40.8
Net domestic assets of the banking system	2,983.3	3,488.3	3,669.2	360.8	181.0	39.8	33.0	23.0
Domestic claims	3,384.8	4,256.3	4,771.7	123.3	515.5	21.1	30.5	41.0
Claims on central government	2,139.9	2,052.7	2,315.5	-192.8	262.8	-4.8	-12.0	8.2
Liabilities to central government	2,291.0	2,422.6	2,254.0	-183.2	-168.7	14.3	-2.1	-1.6
Claims on non-government sector	3,535.8	4,626.2	4,710.2	132.8	84.0	38.6	35.9	33.2
Extended broad money (M3)	6,612.1	7,633.5	7,866.0	-62.8	232.5	18.1	14.4	19.0
Foreign currency deposits (FCD)	1,781.6	2,060.0	2,093.6	-187.5	33.7	0.0	4.6	17.5
<i>FCD in millions of USD</i>	1,508.6	1,568.0	1,611.3	-83.4	43.2	7.4	-1.5	6.8
Broad money (M2)	4,830.6	5,573.5	5,772.4	124.7	198.9	26.5	18.4	19.5
Other deposits	2,000.7	2,475.3	2,623.3	21.1	148.0	26.7	25.0	31.1
Narrow money (M1)	2,829.9	3,098.2	3,149.1	103.6	50.9	26.4	13.6	11.3
Currency in circulation	1,269.5	1,366.6	1,424.1	128.6	57.5	14.3	19.8	12.2
Transferable deposits	1,560.4	1,731.6	1,725.0	-25.0	-6.6	38.3	9.2	10.5

Source: Bank of Tanzania

Classification of credit to private sector showed that, personal loans accounted for 20.9 percent, followed by trade activities 17.8 percent. Chart 2.2 depicts credit to private sector by activity.

**Chart 2.2: Banks' Credit to Private Sector by Activities as at end of June 2009**



Source: Bank of Tanzania

## Interest Rate Developments

Relaxed monetary policy stance pursued by the Bank, led to decrease in interest rate across various instruments in the money market during the quarter under review. The overall yield for all maturities of Treasury bills, declined to 6.97 percent from 13.33 percent recorded in March 2009 and 7.84 percent recorded in June 2008. Similarly, the overall time deposit rate decreased to 6.52 percent from 6.79 percent in the preceding quarter and 6.66 percent in June 2008. The overall lending rate rose slightly to an average of 15.48 percent in June 2009 from 15.12 percent recorded in March 2009 and from 14.76 percent registered in the corresponding quarter in 2008 (Table 2.2).

**Table 2.2: Interest Rate Structure**

	Percent												
	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Overall Interbank cash market rate	3.61	3.61	3.70	4.32	5.45	5.85	6.54	8.41	9.81	10.10	9.58	6.80	5.03
<i>Overnight interbank cash market</i>	3.45	3.49	3.64	4.19	5.23	5.51	6.27	8.31	9.63	9.90	9.29	6.49	4.46
REPO Rate	3.75	3.79	3.76	4.02	4.89	5.32	6.42	7.55	9.09	9.73	8.25	6.10	4.90
Discount Rate	12.84	14.46	14.47	15.17	15.30	15.33	15.99	17.53	17.85	18.33	16.01	13.00	10.31
Overall Treasury bills rate	7.84	9.46	9.47	10.17	10.30	10.33	10.99	12.53	12.85	13.33	11.01	9.27	6.97
<i>35 days</i>	5.03	5.70	5.33	5.78	5.93	6.44	6.88	7.43	7.54	7.62	7.03	6.40	4.81
<i>91 days</i>	5.76	7.93	8.62	10.36	10.39	10.76	11.20	11.60	11.99	12.43	10.55	8.25	5.56
<i>182 days</i>	7.63	8.51	10.11	10.53	10.81	11.00	12.13	13.28	14.64	14.86	12.04	10.20	7.86
<i>364 days</i>	10.00	11.15	11.48	11.56	11.63	11.97	12.79	15.32	14.74	14.99	12.57	10.69	9.11
Savings Deposit Rate	2.79	2.68	2.65	2.67	2.63	2.66	2.71	2.64	2.75	2.72	2.72	2.72	2.69
Treasury Bonds Rates													
<i>2-years</i>	12.87	12.87	12.87	13.20	13.20	14.35	14.35	14.35	14.35	15.28	15.28	15.28	11.51
<i>5-years</i>	14.49	14.49	14.49	14.49	16.39	16.39	16.39	17.32	17.32	17.32	17.32	16.58	16.58
<i>7-years</i>	17.18	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.04	17.06	17.06	17.06
<i>10-years</i>	17.09	17.09	19.47	19.47	19.47	19.47	19.47	19.47	19.92	19.92	19.92	19.92	19.92
Overall Time Deposits Rate	6.66	6.58	5.86	6.43	6.22	6.38	6.39	6.41	6.57	6.79	6.85	6.81	6.52
<i>12 month time deposit rate</i>	8.29	8.17	7.48	8.05	8.20	8.76	8.29	8.65	8.47	8.44	8.85	9.13	8.79
Negotiated Deposit Rate	10.62	9.26	9.63	10.27	10.11	10.26	10.23	10.66	10.82	10.99	11.27	11.03	10.13
Overall Lending rate	14.76	15.05	14.83	14.91	14.82	14.30	16.05	14.93	14.95	15.12	15.45	15.39	15.48
<i>Short-term lending rate (up to 1 year)</i>	13.93	13.35	13.86	14.04	13.27	13.57	13.56	13.41	13.45	13.44	13.87	13.68	14.57
Negotiated Lending Rate	13.07	11.01	12.18	12.68	13.38	11.96	11.91	12.27	12.13	12.85	13.87	13.93	14.03
Margin between short-term lending and one-year time deposit rates	5.64	5.18	6.38	6.00	5.07	4.81	5.27	4.76	4.99	5.00	5.03	4.55	5.78

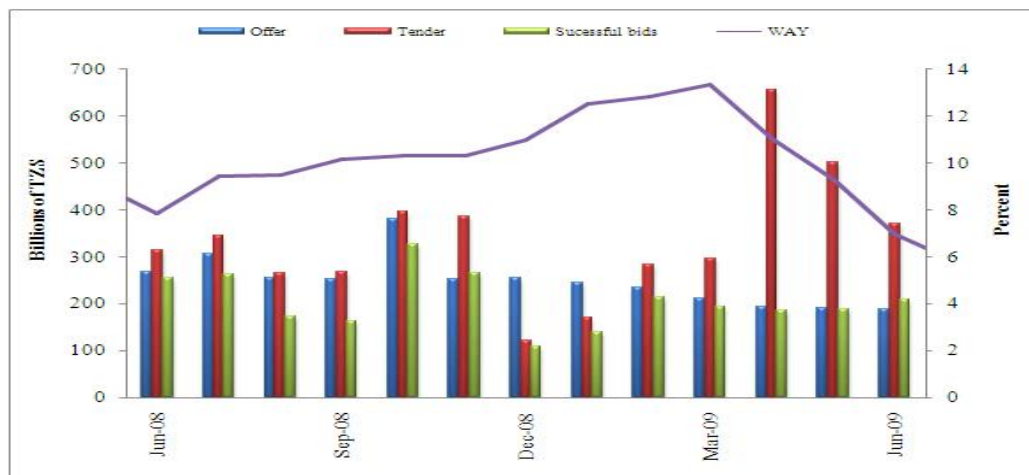
Source: Bank of Tanzania

## Financial Markets Operations

During the quarter ending June 2009, demand for **Treasury bills** was TZS 1,528.1 billion against TZS 571.6 billion offered. The demand was higher than TZS 750.7 billion and TZS 1,092.00 billion, recorded in March 2009 and in 2008, respectively. The

oversubscription culminated to a decline in Treasury bill rates from 13.33 percent recorded in March 2009 to 6.97 percent in June 2009 (Chart 2.3).

**Chart 2.3: Treasury bills Market Developments**



During the quarter ending June 2009, supply of Treasury bond decreased to TZS 77.2 billion from TZS 105.1 billion in the preceding quarter. Out of TZS 143.7 billion demanded, the Bank accepted bids worth TZS 60.3 billion on cost value basis. Treasury bonds worth TZS 31.7 billion matured during the same period. The oversubscription of the Treasury bonds dampened average yields across all maturities. The yields on 2-year and 5-year Treasury bonds decreased to 11.51 percent and 16.60 percent in June 2009, from 15.3 percent and 17.3 percent registered in the preceding quarter, respectively. Meanwhile, average yields for 7-year and 10-year maturity bonds remained unchanged at 17.1 percent and 19.9 percent, respectively.

During the quarter ending June 2009, rates in the interbank cash market were relatively lower than in the preceding and corresponding quarter in 2008, reflecting increased liquidity in commercial banks. The overall inter-bank cash market and overnight rates decreased to 5.03 percent and 4.46 percent in June 2009 from 10.1 percent and 9.29 percent recorded in the previous quarter, respectively. The volume of transactions in the inter-bank cash market amounted to TZS 1,368.7 billion, out of which overnight transactions accounted for 45.2 percent.

## 3.0 PUBLIC FINANCE

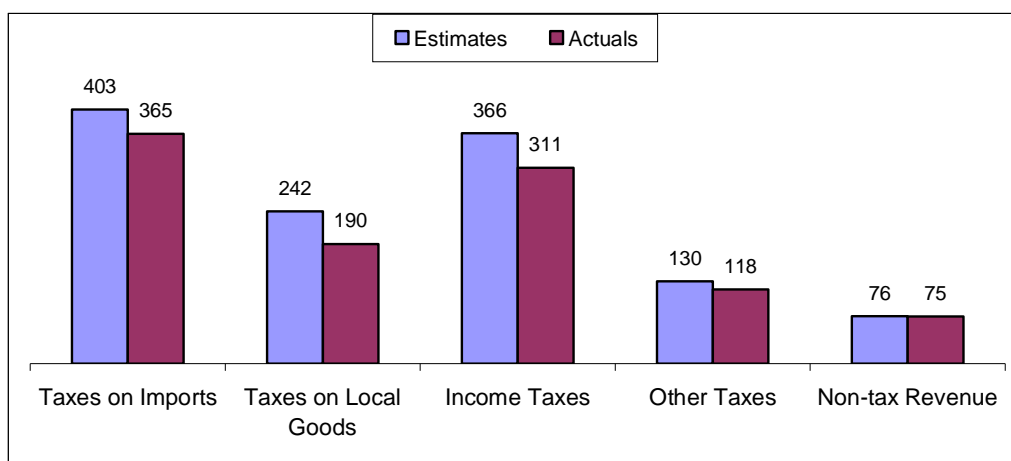
### Government Budgetary Operations

The government budgetary operations during the quarter ending June 2009 recorded an overall deficit of TZS 563.0 billion after considering grants that amounted to TZS 129.8 billion (about 53 percent of the projected amount) and other adjustments. The deficit was financed through foreign and domestic borrowings to the tune of TZS 162.5 billion and TZS 400.5 billion, respectively.

### Revenue Performance

Total revenue collections amounted to TZS 1,187.8 billion, approximately 80 percent of the projected amount of TZS 1,461.4 billion. Classification of the collected revenue by category is shown in [Chart 3.1](#).

**Chart 3.1: Government Revenue Performance: April-June 2009**

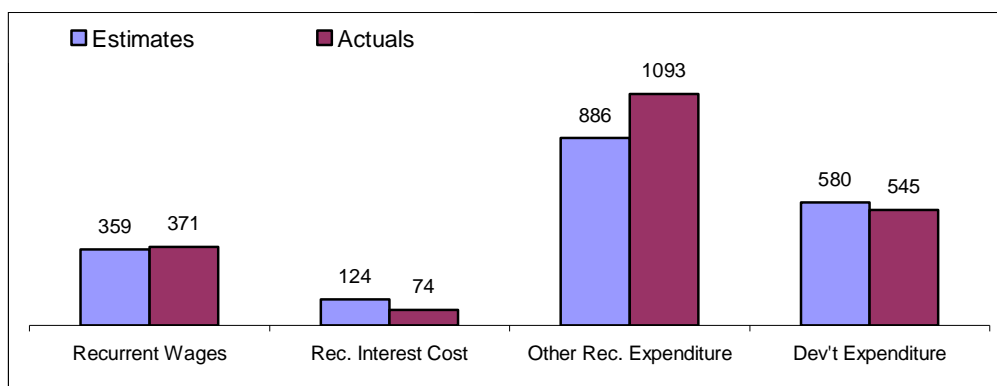


Source: Bank of Tanzania

### Expenditure Developments

Total expenditure of the Government during the quarter under review amounted to TZS 2,084.5 billion, higher than the target for the quarter of TZS 1,949.0 billion. Recurrent expenditure amounted to TZS 1,539.2 billion, which was 12 percent above the projected amount. Out of the recurrent expenditure, 24 percent was for wages and salaries. Development expenditure was TZS 545.3 billion which was 94 percent of the projected amount ([Chart 3.2](#)).

**Chart 3.2: Government Expenditure Performance: April- June 2009**



Source: Bank of Tanzania

### **National Debt**

National debt stock as at the end of June 2009 increased to USD 8,493.8 million from USD 7,825.6 million registered at the end of the preceding quarter. The increase was mainly on account of accumulation of interest arrears, new disbursements and issuance of new government securities. Out of the total debt stock, external debt accounted for 79.5 percent and domestic debt 20.5 percent.

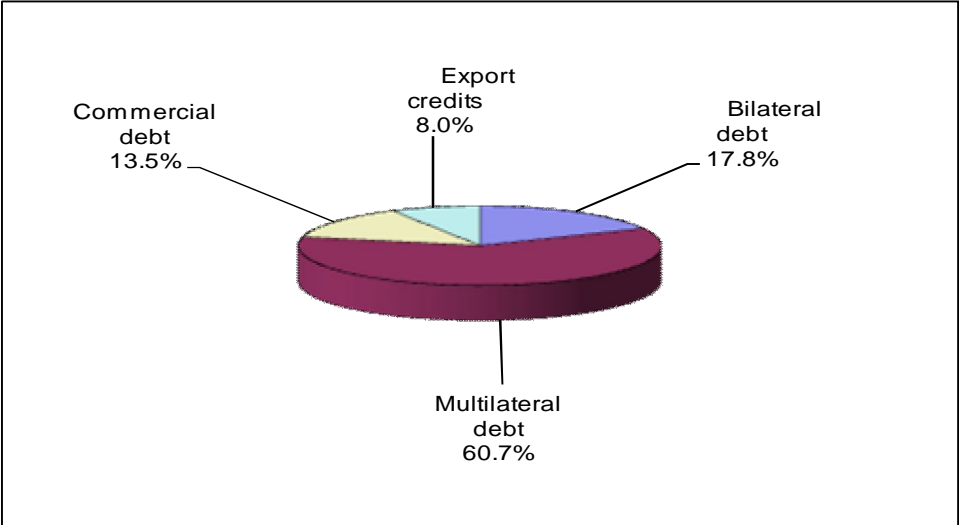
### **External Debt**

During the quarter under review, stock of external debt rose to USD 6,752.7 million from USD 6,359.9 million registered at the end of March 2009. Out of the stock, Disbursed Outstanding Debt (DOD) accounted for 77.5 percent whereas interest arrears was 22.5 percent.

The profile of DOD by creditor category indicated that, debt owed to multilateral institutions was USD 3,177.4 million or 60.7 percent whereas bilateral creditors' debt amounted to USD 933.5 million or 17.8 percent. Commercial and export credits amounted to USD 706.3 million and USD 419.1 million, respectively (**Chart 3.3**).

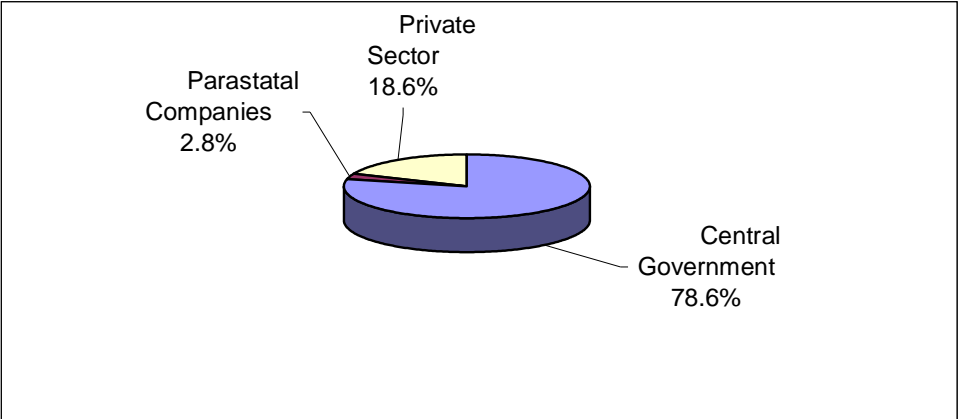


**Chart 3.3: Disbursed Outstanding Debt by Creditor Category**



Classification of DOD by borrower category showed that, the Central Government was the largest borrower with debt amounting to USD 4,118.2 million followed by private sector that held USD 972.4 million. The parastatal companies held USD 145.7 million (Chart 3.4).

**Chart 3.4. Disbursed Outstanding Debt by Borrowers Category**



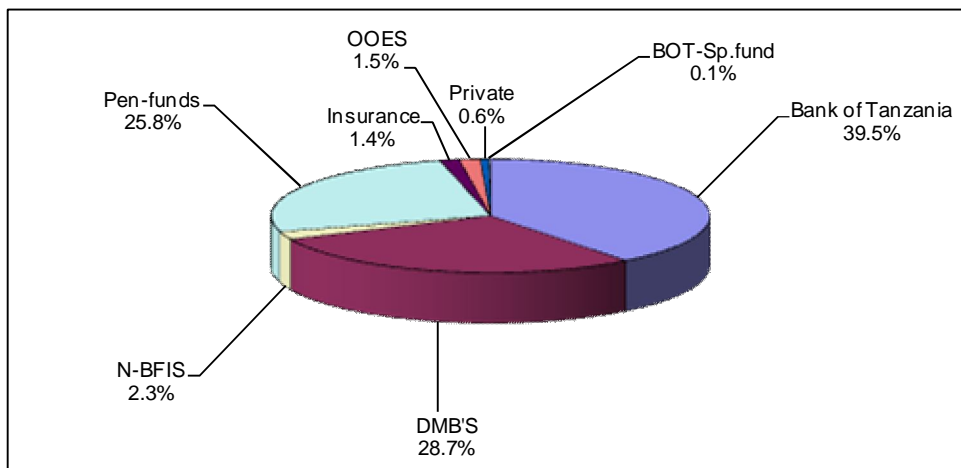
Loans contracted and recorded during the quarter under review amounted to USD 23 million while new disbursements amounted to USD 80.4 million. Actual debt service amounted to USD 15.1 million, out of which USD 6.3 million was principal and USD 8.8 million interest.

## Domestic Debt

Stock of domestic debt as at the end of June 2009 increased to TZS 2,262.3 billion from TZS 1,925.5 billion registered at the end of March 2009 as a result of issuance of new government securities. Out of domestic debt stock, government securities (treasury bills, bonds and stock) and other government debts accounted for 99.6 percent and 0.4 percent respectively.

Classification of domestic debt by holder category showed that, the Bank of Tanzania held 39.5 percent of the total domestic debt followed by Commercial Banks and Pension Funds which held 28.7 percent and 25.8 percent, respectively. The remaining was held by other creditors (**Chart 3.5**).

Chart 3.5 Government Domestic Debt by Creditors Category



During the quarter, domestic debt amounting to TZS 199.6 billion matured, out of which principal amounting to TZS 137.3 billion was rolled over and interest amounting to TZS 62.3 billion was paid out of government revenue.

## 4.0 EXTERNAL SECTOR DEVELOPMENTS

### Current Account

During the quarter ending June 2009, the current account deficit narrowed to USD 678.5 million, from USD 682.0 million recorded during the preceding quarter. This development was largely on account of a decline in imports of goods and services. During the same period, official transfers amounted to USD 48.7 million, from USD 122.4 million recorded during the quarter ended March 2009 (Table 4.1).

Table 4.1: Current Account Balance

Item	Millions of USD			Percentage Change Jan-Mar 09 to Apr-Jun 09
	2008 <sup>P</sup> Apr -Jun	2009 <sup>P</sup> Jan - Mar	2009 <sup>P</sup> Apr -Jun	
<b>Goods Account (Net)</b>	<b>-1,165.9</b>	<b>-802.0</b>	<b>-753.6</b>	<b>-6.0</b>
Exports f.o.b.	558.3	554.7	476.2	-14.2
Imports f.o.b.	1,724.2	1,356.7	1,229.8	-9.4
<b>Services Account (Net)</b>	<b>134.0</b>	<b>14.4</b>	<b>30.5</b>	<b>111.0</b>
Receipts	527.2	436.9	403.4	-7.7
Payments	393.2	422.5	372.9	-11.7
<b>Goods and Services (Net)</b>	<b>-1,031.9</b>	<b>-787.5</b>	<b>-723.2</b>	<b>-8.2</b>
Exports of Goods and Services	1,085.5	991.6	879.5	-11.3
Imports of Goods and Services	2,117.4	1,779.2	1,602.7	-9.9
<b>Income Account (Net)</b>	<b>-27.8</b>	<b>-26.2</b>	<b>-13.1</b>	<b>-50.1</b>
Receipts	33.4	28.8	37.4	29.6
Payments	61.2	55.0	50.4	-8.3
<b>Current transfers (Net)</b>	<b>43.0</b>	<b>131.7</b>	<b>57.7</b>	<b>-56.2</b>
Inflows	69.8	147.8	73.9	-50.0
<i>o/w Official transfers</i>	41.5	122.4	48.7	-60.2
Outflows	26.8	16.1	16.2	0.7
<b>Current Account Balance</b>	<b>-1,016.6</b>	<b>-682.0</b>	<b>-678.5</b>	<b>-0.5</b>

Notes: p = provisional; totals may not add due to rounding of numbers

Source: Bank of Tanzania and TRA

### Exports

Export of goods amounted to USD 476.2 million during the quarter ending June 2009, down from USD 554.7 million reported in the previous quarter following a decline in export volumes for most of the traditional exports with exception of coffee and cotton. Non-traditional exports decreased slightly to USD 399.2 million from USD 401.8 million recorded during the previous quarter. With the exception of mineral exports, all other categories of non-traditional exports declined. Mineral exports particularly gold rose by 9.4 percent to USD 208.4 million largely due to increase in gold prices in the global market. During the review period, prices of gold in the world market increased to USD 922.0 per troy ounce from USD 909.0 per troy ounce during the previous quarter (Table 4.2).

Table 4.2: Exports by Type of Commodity

	Millions of USD			
	2008 <sup>P</sup>	2009 <sup>P</sup>		Percentage change
	Apr-Jun	Jan-Mar	Apr-Jun	Jan-Mar 09 to Apr-Jun 09
<b>Traditional Commodities</b>	<b>42.9</b>	<b>152.9</b>	<b>77.0</b>	<b>-49.7</b>
<b>Non-Traditional Exports:</b>				
<b>Minerals</b>	<b>288.4</b>	<b>193.8</b>	<b>212.7</b>	<b>9.7</b>
Gold	273.2	190.4	208.4	9.4
Diamond	3.4	0.5	0.0	-96.9
Other minerals	11.8	2.9	4.3	47.9
<b>Manufactured Goods</b>	<b>112.3</b>	<b>106.7</b>	<b>94.4</b>	<b>-11.6</b>
Cotton Yarn	1.4	0.9	0.7	-22.6
Manufactured Coffee	0.3	0.0	0.0	0.0
Manufactured Tobacco	0.2	0.8	1.1	38.1
Sisal Products (Yarn & Twine)	2.5	1.6	1.5	-5.4
Other manufactured Goods	108.0	103.4	91.0	-12.0
<b>Fish and Fish Products</b>	<b>38.4</b>	<b>30.6</b>	<b>27.5</b>	<b>-10.3</b>
<b>Horticultural products</b>	<b>6.4</b>	<b>9.8</b>	<b>8.4</b>	<b>-14.2</b>
<b>Others Exports</b>	<b>52.0</b>	<b>49.7</b>	<b>45.5</b>	<b>-8.5</b>
<b>Re-exports</b>	<b>17.9</b>	<b>11.2</b>	<b>10.8</b>	<b>-3.6</b>
<b>SubTotal Non-Traditional Exports</b>	<b>515.4</b>	<b>401.8</b>	<b>399.2</b>	<b>-0.6</b>
<b>Grand Total</b>	<b>558.3</b>	<b>554.7</b>	<b>476.2</b>	<b>-14.2</b>

Notes: <sup>P</sup> = Provisional data.

Source: Bank of Tanzania and TRA

## Imports

During the period under review, goods import decreased to USD 1,229.8 million from USD 1,356.7 million recorded in the previous quarter, mainly due to decline in capital and intermediate goods import. Whereas capital goods import declined by 7.4 percent, intermediate goods went down by 20.8 percent. Imports of building and construction equipments, machinery, oil, fertilizers and industrial raw materials went down. The volumes of imported oil declined to 490,757 tons from 769,871 tons recorded in the previous quarter (Table 4.3).

**Table 4.3 : Goods Imports**

Millions of USD

Import Category	2008 <sup>p</sup>	2009 <sup>p</sup>		Percentage Change
	Apr-Jun	Jan-Mar	Apr-Jun	Jan-Mar 09 to Apr-Jun 09
<b>Capital Goods</b>	<b>744.1</b>	<b>630.0</b>	<b>583.5</b>	<b>-7.4</b>
Transport Equipment	225.9	179.5	182.0	1.4
Building and Construction Equipment	155.9	150.9	105.8	-29.9
Machinery	362.3	299.6	295.6	-1.3
<b>Intermediate Goods</b>	<b>697.9</b>	<b>415.4</b>	<b>329.2</b>	<b>-20.8</b>
Oil imports	507.4	281.0	227.2	-19.2
Fertilizers	42.8	23.1	9.7	-58.0
Industrial Raw materials	147.7	111.3	92.3	-17.1
<b>Consumer Goods</b>	<b>282.2</b>	<b>311.3</b>	<b>317.2</b>	<b>1.9</b>
Food and foodstuffs	43.9	83.0	96.3	16.0
All other consumer goods	238.3	228.3	220.9	-3.2
<b>GRAND TOTAL (F.O.B)</b>	<b>1,724.2</b>	<b>1,356.7</b>	<b>1,229.8</b>	<b>-9.4</b>

Note: Oil imports refers to refined petroleum products

p = Provisional data

Source: Bank of Tanzania and Tanzania Revenue Authority

## Services and Income Account

During the quarter under review, services account registered a surplus of USD 30.5 million, being higher than USD 14.4 million recorded in the previous quarter, mainly driven by decrease in services payment. Travel payments decreased to USD 148.6 million from USD 196.0 million, while transportation payments declined by 3.2 percent to USD 127.5 million (**Table 4.4**). The decline in transportation payments was partly associated with fall in importation of goods. The income account recorded a deficit of USD 13.1 million from USD 26.2 million recorded in the previous quarter, largely due to an increase in earnings from Bank of Tanzania's foreign investments.

**Table 4.4: Services and Income Account**

		Millions of USD			
Item		2008 <sup>P</sup>	2009 <sup>P</sup>		Percentage Change
		Apr –Jun	Jan - Mar	Apr -Jun	Jan-Mar 09 to Apr-Jun 09
<b>A. Services Account</b>	<b>Net</b>	<b>54.0</b>	<b>14.4</b>	<b>30.5</b>	<b>111.0</b>
	<b>Receipt</b>	527.2	436.9	403.4	-7.7
	<b>Payment</b>	393.2	422.5	372.9	-11.7
<b>B. Income Account</b>	<b>Net</b>	<b>-11.4</b>	<b>-26.2</b>	<b>-13.1</b>	<b>-50.1</b>
	Receipt	33.4	28.8	37.4	29.6
	Payment	61.2	55.0	50.4	-8.3
	<i>o/w interest payment</i> Payment	21.9	7.8	8.8	13.3

Notes: P = Provisional figure

-- implies very big figure

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

## World Commodity Prices

During the quarter ending June 2009, world market prices for most of the agricultural and non agricultural commodities recorded increases with the exception of **coffee Robusta** and **sisal**. The price of **Arabica coffee** recorded a substantial increase from USD 2.8 per kg to USD 3.2 per kg on account of short supplies from Colombia, India and Central America. Likewise, prices of **tea** (Average price and Mombasa) rose from about USD 2.0 per kg during the quarter ended March 2009, to USD 2.7 per kg and USD 2.3 per kg, respectively, largely due to reduced supply from major tea producers mainly Kenya, India and Sri Lanka. Prices of **cotton** ‘A Index’ and ‘Memphis’ rose to USD 1.3 per kg and USD 1.4 per kg from USD 1.2 per kg and USD 1.3 per kg, respectively, attributable to increase in demand from Far East and European countries. Prices of **cloves** rose to USD 3,945.5 per metric ton from USD 3650 per metric ton, largely on account of low supplies from India.

During the review period, the prices of **crude oil** (UK Brent), Dubai (f.o.b) and **white products** rose significantly when compared to the preceding quarter, partly associated with decline in the U.S crude oil inventories, political unrest in Nigeria and Iran. Gold prices increased to USD 922.0 per troy ounce from USD 909.0 recorded in March 2009 (Table 4.5).

**Table 4.5: World Commodity Prices**

Commodity	Units	Quarter Ending			Percent Change	
		Jun-08	Mar-09	Jun-09	Jun 08 to Jun 09	Mar 09 to Jun 2009
"Robusta" Coffee	USD/ kg	2.44	1.76	1.65	-32.38	-6.25
"Arabica" Coffee	USD/ kg	3.15	2.84	3.20	1.59	12.68
Tea (Average price)	USD/ kg	2.53	2.17	2.65	4.74	22.12
Tea (Mombasa Auction)	USD/ kg	2.21	2.15	2.28	3.17	6.05
Cotton, "A Index"	USD/ kg	1.66	1.21	1.32	-20.48	9.09
Cotton, "Memphis"	USD/ kg	1.70	1.30	1.42	-16.47	9.23
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	3,650.00	3,945.50	-17.52	8.10
Crude oil*	USD/barrel	120.97	44.11	59.19	-51.07	34.19
Crude oil**	USD/barrel	116.87	44.56	58.93	-49.58	32.25
White products***	USD/ton	1,146.63	431.93	533.87	-53.44	23.60
Jet/Kerosene	USD/ton	1,239.59	438.17	521.75	-57.91	19.07
Premium Gasoline	USD/ton	1,024.01	421.93	583.35	-43.03	38.26
Heat Oil	USD/ton	1,176.29	435.70	496.50	-57.79	13.95
Gold	USD /troy ounce	896.00	909.00	922.00	2.90	1.43

**Notes:** \* 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

Zanzibar's real GDP growth in 2008 decelerated to 5.4 percent from 6.3 percent in 2007, largely associated with high world oil and food prices and the global financial and economic crisis. The services activities which contribute the highest share in total GDP, and notably tourism, were the most adversely effected, recording a growth of 6.4 percent compared to 10.4 percent registered in 2007.

### Sectoral Performance

Provisional statistics for the quarter ending June 2009 indicates that, procurement of main cash crops declined to 2,817.2 tons compared to 2,940.5 tons procured in the corresponding quarter in 2008 (Table 5.1). Clove procurement decreased to 26.5 tons from 138.2 tons recorded in the corresponding quarter in 2008. The decline was attributed by low producer prices owing to fall in demand and prices in the world market partly explained by the global economic slowdown. During the quarter ending June 2009, the Zanzibar State Trade Corporation (ZSTC) reduced producer prices of grade one, two and three of clove to TZS 2,500 and TZS 2,300 and TZS 1,500 per kilo from TZS 3,500, TZS 3,000 and TZS 2,000 per kilo respectively, offered during the corresponding quarter in 2008. However, procurement of clove stems picked up strongly on account of improved preservation methods. Seaweed purchases decreased marginally to 2,780 tons from 2,800 tons recorded during the corresponding quarter in 2008.

**Table 5.1: Zanzibar Procurement of Major Export Crops**

Crop	Tons					
	2006	2007	2008 <sup>P</sup>	Apr-Jun		Percentage Change
				2008	2009 <sup>P</sup>	
Cloves	3,156.7	1,085.6	3,968.5	138.2	26.5	-80.8
Clove stems	129.0	226.5	345.4	2.3	10.7	367.0
Seaweed	7,543.1	8,485.0	11,177.0	2,800.0	2,780.0	-0.7
<b>Total</b>	<b>10,830.4</b>	<b>10,963.3</b>	<b>15,490.9</b>	<b>2,940.5</b>	<b>2,817.2</b>	<b>-4.2</b>

P: Provisional data

Source: Office of Chief Government Statistician (OCGS).



## Manufacturing Sector Developments

During the quarter ending June 2009, production of manufactured goods in selected firms exhibited mixed performance. With exception of bread and video/audio tapes, production in other commodities improved relative to the levels recorded in the corresponding period in 2008 (**Table 5.2**). The improvement in production was associated with stability in power supply and increase in domestic demand.

**Table 5.2: Zanzibar Production of Selected Industrial Commodities**

Commodity	Unit	Apr-Jun				Percentage Change
		2007	2008P	2008	2009P	
Animal feed	Tons	1,115	215	0	0	0.0
Breads	No. "000"	97,960	108,942	32,653	21,530	-34.1
Beverages	Litres "000"	9,925	9,417	2,213	2,950	33.3
Video/Audio tapes	Cartons	80,687	61,167	16,705	9,500	-43.1
Dash Dash Fashion (Clothes)	Pcs	5,338	3,778	280	1,500	435.7
Jewellery (Gold & silver)	grams	7,563	7,526	1,465	1,500	2.4
Noodles	Kgs	58,807	71,072	14,500	16,700	15.2

P: Provisional

Source: Office of Chief Government Statistician (OCGS)

## Inflation Developments

The average headline inflation for the quarter ending June 2009 decreased sharply to 9.6 percent from 17.4 percent in the preceding quarter and 20.8 percent recorded in the corresponding quarter in 2008. The decrease in the rate of inflation was mainly contributed by significant decline in both food and non-food inflation, that decreased from 17.8 percent and 16.1 percent in March 2009 to 8.2 percent and 10.2 percent respectively, in June 2009 (**Table 5.3**). The decline in the rate of inflation was associated with decrease in prices of rice, fish, and petroleum products.

**Table 5.3: Zanzibar Quarterly Average Inflation Rates**

Sub-Group	Weight (%)	2007				2008				2009	
		Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
<b>Food</b>	<b>57.4</b>	<b>15.9</b>	<b>12.3</b>	<b>17.8</b>	<b>17.4</b>	<b>19.1</b>	<b>27.7</b>	<b>24.5</b>	<b>25.9</b>	<b>17.8</b>	<b>8.2</b>
<b>Non-Food</b>	<b>42.6</b>	<b>13.1</b>	<b>10.8</b>	<b>7.5</b>	<b>7.4</b>	<b>8.6</b>	<b>12.6</b>	<b>23.7</b>	<b>21.5</b>	<b>16.1</b>	<b>10.2</b>
Alcoholic beverages, tobacco & narcotics	0.6	22.6	23.0	2.9	2.3	0.7	-0.6	14.6	17.2	19.7	17.8
Clothing and footwear	6.2	7.5	7.3	5.7	6.3	7.1	6.2	9.9	9.7	7.8	8.2
Housing, water, electricity, gas and other fuels	15.6	15.4	9.0	6.8	4.4	4.5	10.2	36.7	35.7	28.4	21.5
Furnishing, household equipment and routine household maintenance	5.3	10.1	10.9	10.8	11.4	11.7	13.7	14.5	12.6	12.5	8.4
Health	2.1	12.3	10.8	17.0	15.3	17.3	20.8	17.8	16.0	12.5	9.6
Transport	3.4	30.0	18.1	9.8	5.4	5.1	19.7	28.2	23.6	14.4	-4.0
Communication	2.4	-3.9	-4.4	-4.8	-3.3	-2.2	-1.8	-1.4	-1.1	-0.1	0.0
Recreation and culture	0.4	14.3	13.4	12.8	12.9	13.4	9.0	5.9	5.4	2.8	3.7
Education	1.1	12.8	21.7	12.1	12.1	6.3	7.2	7.8	8.4	5.3	5.0
Restaurants and hotels	3.1	23.0	25.3	23.9	33.3	31.0	26.0	26.2	14.4	15.0	10.4
Miscellaneous goods & services	2.4	-1.0	-3.7	-6.5	-8.6	13.5	22.9	19.0	20.8	13.3	8.2
<b>Headline/Overall</b>	<b>100.0</b>	<b>14.6</b>	<b>11.2</b>	<b>13.4</b>	<b>12.8</b>	<b>14.4</b>	<b>20.8</b>	<b>23.6</b>	<b>23.7</b>	<b>17.4</b>	<b>9.6</b>

**Base: December 2005**

Source: Office of Chief Government Statistician (OCGS)

## Budgetary Operations

During the quarter ending June 2009, budgetary operations recorded a deficit of TZS 2.4 billion after considering grants and adjustments to cash and other items, compared with a deficit of TZS 2.2 billion registered in the previous quarter. Total resources for the quarter under review amounted to TZS 42.4 billion, out of which TZS 36.5 billion or 86.1 percent was sourced domestically, while TZS 5.9 billion or 13.9 percent emanated from foreign grants. Government expenditure was TZS 47.7 billion which is lower than TZS 58.2 billion spent in the previous quarter. The budget deficit was exclusively financed by foreign loans.

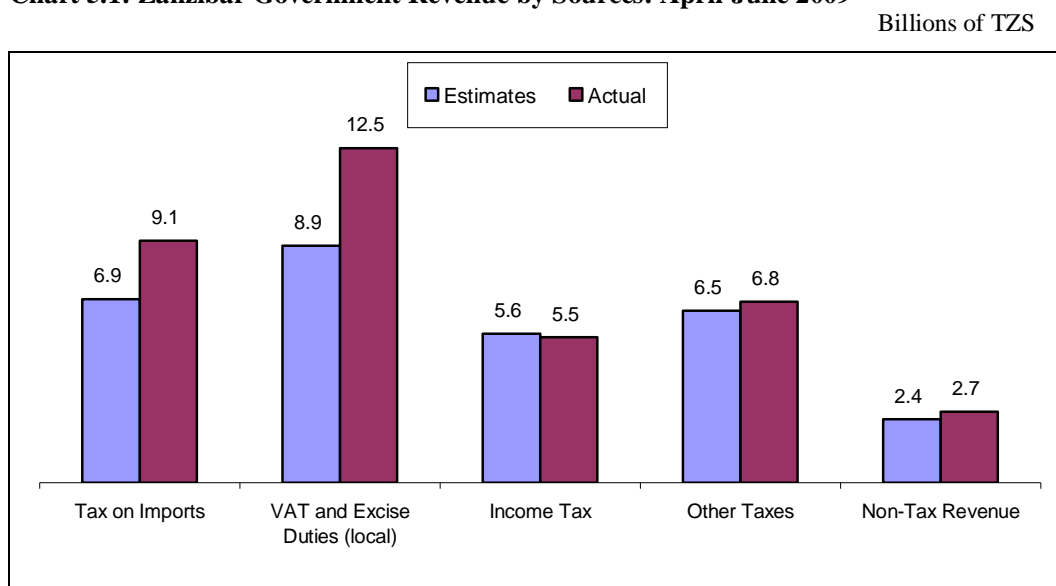
## Revenue Performance

Revenue collections during the quarter ending June 2009 declined to TZS 36.5 billion from TZS 39.1 billion collected in the preceding quarter. The revenue outturn surpassed the quarterly target of TZS 30.2 billion by 20.9 percent, mainly on account of increased collections from tax on imports and VAT. Tax revenue which accounted for 92.9 percent of total revenue amounted to TZS 33.9 billion, well above the target of TZS 27.8 billion

for the quarter. On the other hand, non-tax revenue declined to TZS 2.7 billion from TZS 3.1 billion collected in the previous quarter.

VAT and excise duties accounted for 36.9 percent of the total tax collections, and exceeded the target by 40.4 percent mainly on account of collection of VAT arrears. Tax on imports accounted for 26.8 percent of total tax collections and was above the target by 31.9 percent, mainly due to increased imports following improvement of haulage facilities at the Malindi port ([Chart 5.1](#)).

**Chart 5.1: Zanzibar Government Revenue by Sources: April-June 2009**



**Source:** Ministry of Finance and Economic Affairs, Zanzibar.

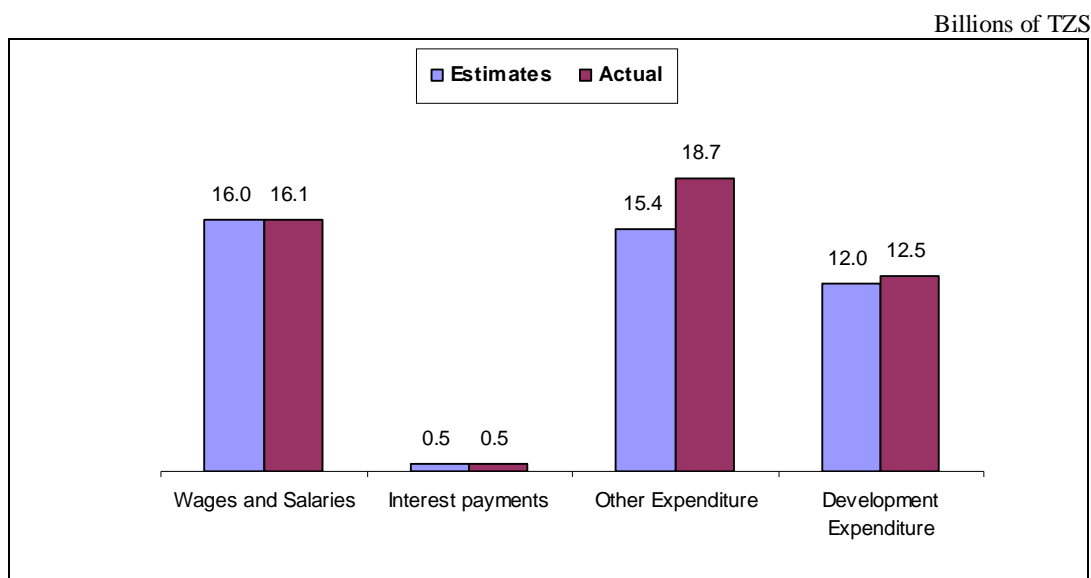
On cumulative basis, total Government revenue collections for the period July 2008 – June 2009 amounted to TZS 139.7 billion, exceeding the target of TZS 134.6 billion by 3.8 percent.

### **Expenditure Developments**

Total Government expenditure during the quarter ending June 2009, amounted to TZS 47.7 billion, being above the projected expenditure of TZS 44.0 billion, mainly due to increased expenditure on other charges. Recurrent expenditure that accounted for 73.8 percent of total expenditure, amounted to TZS 35.2 billion. Wages and salaries amounted to TZS 16.1 billion and accounted for 45.7 percent of the recurrent expenditure. Other expenditures amounted to TZS 18.7 billion and accounted for 53.1 percent of total recurrent expenditure or 35.0 percent of total expenditure.

Development expenditure amounted to TZS 12.5 billion and accounted for 26.0 percent of total expenditure (**Chart 5.2**). Out of total development expenditure, 37.9 percent was from domestic sources whereas the remaining was from foreign.

Chart 5.2: Zanzibar Government Expenditure by Component: April –June 2009.



Source: Ministry of Finance and Economic Affairs, Zanzibar

Cumulatively, total Government expenditure for the period July 2008 - June 2009, amounted to TZS 203.4 billion, being 59.5 percent of the projected expenditure. The lower that anticipated expenditure was mainly attributed to shortfall in disbursement of donor funds.

## Debt Developments

Zanzibar total debt stock as at the end of June 2009 was USD 106.4 million, compared to USD 104.6 million reported at the end of previous quarter. Out of total debt stock, external debt was USD 62.1 million, or 58.4 percent, and domestic debt was USD 44.3 million.

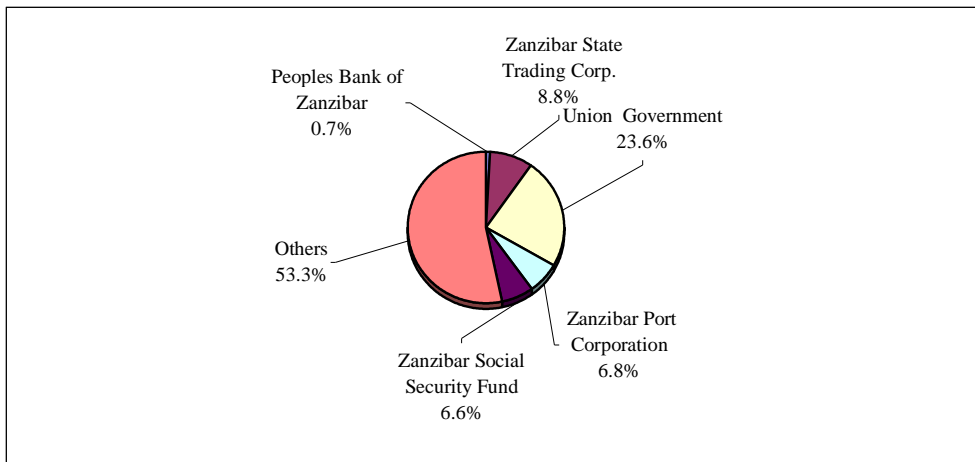
## Domestic Debt

By the end of the review quarter, domestic debt stock stood at TZS 57.5 billion, compared to TZS 56.6 billion reported at the end of March 2009. This was due to an increase in claims by retired civil servants and government suppliers.

### Domestic Debt by Creditor

As at end June 2009, debt owed to government suppliers and pensioners was the largest standing at TZS 30.7 billion, followed by the Union Government debt that stood at TZS 13.6 billion. Domestic debt by creditor category is as shown in **Chart 5.3**.

**Chart 5.3: Zanzibar Domestic Debt by Creditor as at End of June 2009**



Source: Ministry of Finance and Economic Affairs Zanzibar.

### Domestic Debt by Instruments

Classification of domestic debt by instruments showed that, government loans accounted for 31.6 percent of total domestic debt, followed by Treasury bonds that accounted for 29.9 percent. Government stocks, Treasury bills, and other debts accounted for 13.7 percent, 11.3 percent and 13.6 percent of total domestic debt, respectively (**Table 5.4**).

**Table 5.4: Zanzibar Domestic Debt by Instruments**

Instrument	Millions of TZS							
	Quarter Ending June					%Total June-09	Percentage Change	
	2008		2009		Mar 09 to Jun 09		Jun 08 to Jun 09	
	June	Mar	Jun	Mar		Jun		
Government loans	21,491.5	18,425.3	18,425.3	18,158.8	18,158.8	31.6	0.0	-1.4
Government stocks	10,001.0	8,904.2	8,904.2	7,904.2	7,904.2	13.7	0.0	-11.2
Treasury bills	7,227.6	6,025.3	6,525.3	6,000.0	6,482.2	11.3	8.0	-0.7
Treasury bonds	12,855.0	10,678.5	10,678.5	17,178.5	17,178.5	29.9	0.0	60.9
Other debts*	19,089.4	7,682.1	9,647.4	7,368.3	7,823.7	13.6	6.2	-18.9
<b>TOTAL</b>	<b>70,664.5</b>	<b>51,715.4</b>	<b>54,180.7</b>	<b>56,609.7</b>	<b>57,547.3</b>	<b>100.0</b>	<b>1.7</b>	<b>6.2</b>

\*Outstanding advances, pensioner's claims and supplier's credits.

Source: Ministry of Finance and Economic Affairs, Zanzibar.

### Domestic Debt by Maturity

The profile of total domestic debt by maturity showed that, debt with “undetermined maturity” (gratuity and supplier’s claims) increased to TZS 30.9 billion from TZS 30.4 billion recorded at the end of March 2009, and accounted for 53.7 percent of domestic debt. Debt maturing between 2 – 5 years remained unchanged at TZS 20.2 billion whereas debt maturing in less than a year increased slightly to TZS 6.5 billion from TZS 6.0 billion (Table 5.5).

**Table 5.5: Zanzibar Domestic Debt by Maturity**

Period	Millions of TZS						
	Quarter Ending				%Total June-09	Percentage Change	
	2008		2009			Mar 09 to Jun- 09	Jun 08 to Jun 09
	Mar	Jun	Mar	Jun			
Less than 1 year	6,025.3	6,525.3	6,000.0	6,482.2	11.3	8.0	-0.7
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	31,011.7	32,976.9	30,431.2	30,886.7	53.7	1.5	-6.3
<b>TOTAL</b>	<b>51,715.4</b>	<b>54,180.7</b>	<b>56,609.7</b>	<b>57,547.3</b>	<b>100.0</b>	<b>1.7</b>	<b>6.2</b>

Source: Ministry of Finance and Economic Affairs, Zanzibar.

### External Debt

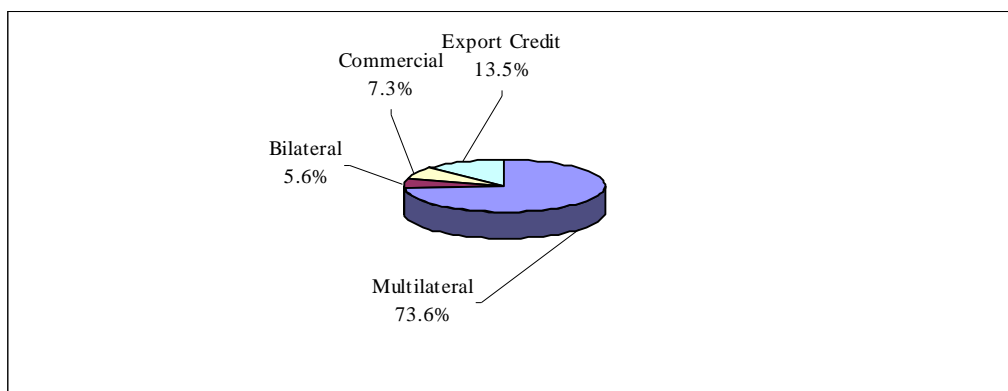
Zanzibar external debt stock as at the end of June 2009 increased to USD 62.1 million, from USD 61.5 million registered at the end of the preceding quarter. Debt guaranteed

by the Union Government was USD 46.4 million or 74.7 percent of the external debt, while the remaining was non-guaranteed debt.

### External Debt by Creditor Category

As at the end of the quarter under review, multilateral debt was the highest at USD 45.8 million or 73.6 percent of the total external debt, followed by exports credit that amounted to USD 8.4 million. Commercial and bilateral debts stood at USD 4.5 million and USD 3.5 million, respectively (**Chart 5.4**).

**Chart 5.4: Zanzibar External Debt by Creditor as at End of June 2009**



Source: Ministry of Finance and Economic Affairs Zanzibar

### External Debt by Maturity

Debt maturing beyond 20 years amounted to USD 40.3 million, and was equivalent to 64.8 percent of the total external debts, followed by debts maturing between 5 and 10 years that amounted to USD 16.3 million. Debts maturing between 10 and 20 years were the lowest accounting for 8.9 percent of total external debt (**Table 5.6**).

**Table 5.6: Zanzibar External Debt – by Maturity**

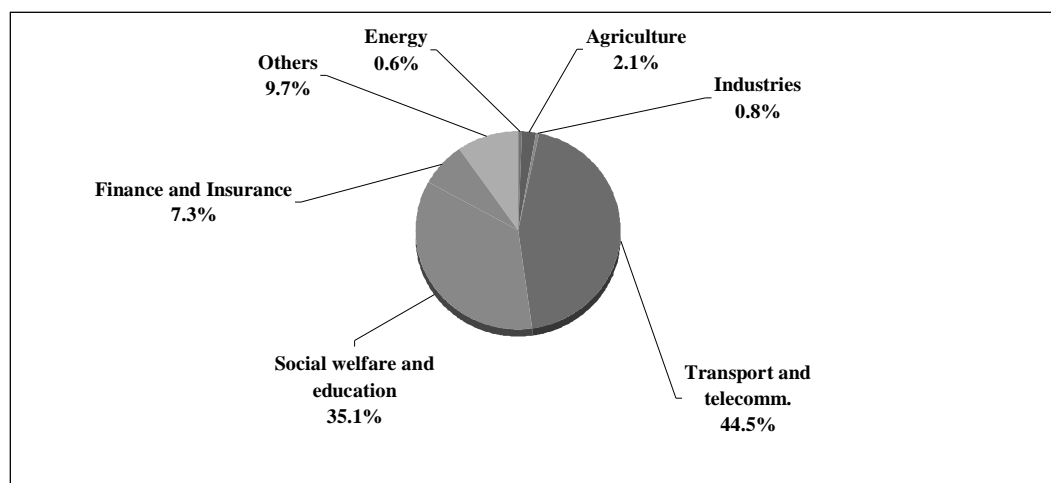
Period	Quarter Ending June				%Total June-09	Percentage Change	
	2008		2009			Mar 09 to June-09	Jun 08 to June-09
	Mar	Jun	Mar	Jun			
5-10 Years	16.6	16.6	16.2	16.3	26.3	1.1	- 1.5
10-20 Years	5.5	5.5	5.5	5.5	8.9	0.0	0.0
Above 20 Years	41.2	40.6	39.8	40.3	64.8	1.1	- 0.7

Source: Ministry of Finance and Economic Affairs, Zanzibar.

### External Debt by End Use

The profile of external debt stock by use of funds showed that, USD 27.6 million or 44.5 percent of external debt financed transport and telecommunications activities, followed by social welfare and education activities which obtained USD 21.8 million, whereas energy activities received the lowest amount (**Chart 5.5**).

**Chart 5.5: External Debt by Use of Funds as at end of June 2009**



Source: Ministry of Finance and Economic Affairs Zanzibar.

## External Sector Developments

### Current Account

Zanzibar current account balance for the quarter ending June 2009 deteriorated to a deficit of USD 5.3 million, from a surplus of USD 11.8 million recorded in March 2009, mainly on account of shortfall in foreign grants and decline in export receipts. Goods



account (net) recorded a deficit of USD 13.0 million, compared to a deficit of USD 10.7 million, recorded in the preceding quarter. However, when compared to the corresponding quarter of 2008, the current account balance improved significantly from a deficit of USD 14.4 million (Table 5.7).

**Table 5.7: Zanzibar Current Account**

Item	Quarter Ending				Percentage Change	
	2008		2009p		Jan-Mar 09 to Apr-Jun 09	Apr-Jun 08 to Apr-Jun 09
	Mar	Jun	Mar	Jun		
<b>Goods Account (net)</b>	<b>-12.8</b>	<b>-30.3</b>	<b>-10.7</b>	<b>-13.0</b>	<b>-21.5</b>	<b>57.1</b>
Exports	7.5	3.2	8.2	5.1	-37.8	59.4
Imports (fob)	20.3	33.6	18.9	18.1	-4.2	-46.1
<b>Services Account (net)</b>	<b>6.6</b>	<b>7.0</b>	<b>7.2</b>	<b>5.2</b>	<b>-27.8</b>	<b>-25.7</b>
Receipts	17.4	23.6	24.8	24.2	-2.4	2.5
Payments	10.8	16.6	17.6	19.0	7.9	14.5
<b>Goods and Services (net)</b>	<b>-6.2</b>	<b>-23.4</b>	<b>-3.5</b>	<b>-7.8</b>	<b>-122.9</b>	<b>66.7</b>
Exports of Goods and Services	24.9	26.8	33.1	29.3	-11.5	9.3
Imports of Goods and Services	31.1	50.2	36.5	37.1	1.6	-26.1
<b>Income Account (net)</b>	<b>-0.5</b>	<b>0.0</b>	<b>-1.3</b>	<b>-2.0</b>	<b>-53.8</b>	
Receipts	0.1	0.1	0.1	0.1	0.0	0.0
Payments	0.5	0.1	1.4	2.1	50.0	
<b>Current Transfers (net)</b>	<b>11.3</b>	<b>9.0</b>	<b>16.6</b>	<b>4.5</b>	<b>-72.9</b>	<b>-50.0</b>
Donor Inflows	11.3	9.0	16.6	4.5	-72.9	-50.0
Outflows	0.0	0.0	0.0	0.0		
<b>Current Account Balance</b>	<b>4.6</b>	<b>-14.4</b>	<b>11.8</b>	<b>-5.3</b>	<b>-55.1</b>	<b>63.2</b>

P = provisional

Source: Tanzania Revenue Authority and Bank of Tanzania

## Exports

During the reporting quarter, export of goods and services decreased to USD 29.3 million, from USD 33.1 million of the previous quarter. The under performance was associated to decline in both merchandise and services export receipts. The slowdown on goods export was mainly driven by decline in cloves export volume due to seasonality and market problems. Sea-weeds export also declined slightly while export of manufactured goods, fish and fish products remained fairly stable (Table 5.8).

**Table 5.8: Zanzibar Exports by type of Commodity**

Commodity	Quarter Ending				Percentage Change	
	2008		2009 <sup>p</sup>		Jan-Mar 09 to	Apr-Jun 08 to
	Mar	Jun	Mar	Jun	Apr-Jun 09	Apr -Jun 09
<b>Traditional Exports:</b>						
Cloves						
Value	3.4	0.5	4.9	2.0	-59.2	300.0
Volume	0.9	0.1	1.4	0.6	-57.1	500.0
Unit Price	3,986.1	3,961.1	3,507.0	3,545.8	1.1	-10.5
<b>Non-Traditional Exports:</b>						
Seaweeds						
Value	1.0	0.5	0.7	0.6	-14.3	20.0
Volume	3.6	1.7	3.1	2.4	-22.6	41.2
Unit Price	266.5	280.6	233.3	245.3	5.1	-12.6
<b>Manufactured Goods</b>	0.8	1.0	1.2	1.2	0.0	20.0
<b>Fish and Fish Produce</b>	0.1	0.0	0.1	0.1	0.0	
<b>Others Exports</b>	2.3	1.3	1.4	1.4	0.0	7.7
<b>Sub Total</b>	<b>4.1</b>	<b>2.8</b>	<b>3.4</b>	<b>3.2</b>	<b>-5.9</b>	<b>14.3</b>
<b>Grand Total</b>	<b>7.5</b>	<b>3.2</b>	<b>8.2</b>	<b>5.1</b>	<b>-37.8</b>	<b>59.4</b>

Notes: Volume in '000 Tons;

Unit price in USD/Ton

P= provisional data

Source: Tanzania Revenue Authority

## Imports

During the quarter under review, import of goods (c.i.f.) declined to USD 19.9 million, from USD 20.8 million recorded during the preceding quarter due to decline in both capital and intermediate goods import. While the decline in capital goods import was explained by low imports in building and construction materials and machinery, fall in intermediate goods import was associated with a low oil import bill. Conversely, consumer goods import increased to USD 5.8 million, from USD 4.8 million of the previous quarter. When compared to the corresponding period in 2008, all import categories declined substantially (**Table 5.9 & Chart 5.6**).

**Table 5.9: Zanzibar Imports by Major Categories**

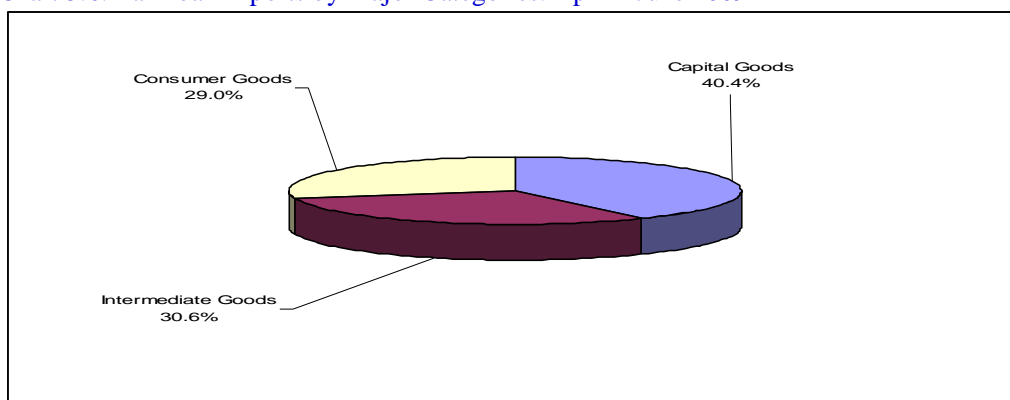
Millions of USD

Import Category	Quarter Ending				Percentage Change	
	2008		2009 <sup>p</sup>		Jan-Mar 09 to	Apr-Jun 08 to
	Mar	Jun	Mar	Jun	Apr-Jun 09	Apr-Jun 09
<b>Capital Goods</b>	<b>7.9</b>	<b>16.4</b>	<b>8.5</b>	<b>8.0</b>	<b>-5.9</b>	<b>-51.2</b>
Transport Equipments	4.2	10.1	3.9	4.0	2.7	-60.4
Building and Constructions	1.2	2.1	2.2	1.8	-18.2	-14.3
Machinery	2.5	4.2	2.5	2.2	-12.0	-47.6
<b>Intermediate Goods</b>	<b>9.1</b>	<b>13.1</b>	<b>7.5</b>	<b>6.1</b>	<b>-18.7</b>	<b>-53.4</b>
Oil imports	7.0	9.6	5.7	4.2	-26.3	-56.3
Industrial raw materials	2.0	3.4	1.8	1.9	5.6	-44.1
<b>Consumer Goods</b>	<b>5.4</b>	<b>7.4</b>	<b>4.8</b>	<b>5.8</b>	<b>20.8</b>	<b>-21.6</b>
Food and food stuffs	2.3	3.6	1.7	2.5	47.1	-34.2
All other consumer goods	3.0	3.8	3.1	3.2	3.2	-15.8
<b>Grand Total (c.i.f.)</b>	<b>22.3</b>	<b>36.9</b>	<b>20.8</b>	<b>19.9</b>	<b>-4.3</b>	<b>-46.1</b>
<b>Grand Total (f.o.b.)</b>	<b>20.3</b>	<b>33.6</b>	<b>18.9</b>	<b>18.1</b>	<b>-4.2</b>	<b>-46.1</b>

p = provisional data; ... = very small value

Source: Tanzania Revenue Authority

Chart 5.6: Zanzibar Imports by Major Categories: April - June 2009



Source: Tanzania Revenue Authority

### Services and Income Account

During the quarter ended June 2009, services account recorded a lower surplus of USD 5.2 million, compared to USD 7.2 million of the preceding quarter, associated with a rise in foreign payments and a decline in receipts. Similarly, the services account surplus was lower than USD 7.0 million registered in the corresponding period in 2008 (Table 5.10).

Table 5.10: Zanzibar Service and Income Account

Item		Millions of USD					
		Quarter Ending				Percentage Change	
		2008		2009 <sup>p</sup>		Jan-Mar 09 to Apr-Jun 09	Apr-Jun 08 to Apr-Jun 09
		Mar	Jun	Mar	Jun		
<b>A. Services Account</b>	<b>Net</b>	<b>6.6</b>	<b>7.0</b>	<b>7.2</b>	<b>5.2</b>	<b>-27.8</b>	<b>-25.7</b>
	Receipt	17.4	23.6	24.8	24.2	-2.4	2.5
	Payment	10.8	16.6	17.6	19.0	7.9	14.5
<b>B. Income Account</b>	<b>Net</b>	<b>-0.5</b>	<b>0.0</b>	<b>-1.3</b>	<b>-2.0</b>	<b>-53.8</b>	
	Receipt	0.06	0.1	0.1	0.1	0.0	0.0
	Payment	0.52	0.1	1.4	2.1	50.0	20000.0

p= provisional data

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

## 6.0 Economic Developments in EAC and SADC Countries

During the quarter ending June 2009, the average rate of inflation in the East African Community region declined to 14.3 percent from 17.8 percent recorded in the preceding quarter. The slow down in inflation in all member states was a result of improvement in food supply and decrease in world market oil prices.

In the SADC region, the average rate of inflation stood at 16.1 percent, down from 19.1 percent recorded during the quarter ended March 2009. With the exception of Angola, Zambia and Zimbabwe, other member states recorded declines in inflation on account of low food and energy prices (**Table 6.1**).

**Table 6.1: EAC and Some SADC Countries Economic Indicators**

Country	Real Growth Rate in %				Inflation Rate in %					
	2005	2006	2007	2008	2008				2009	
					Q1	Q2	Q3	Q4	Q1	Q2
Tanzania	7.4	6.7	7.1	7.4	8.8	9.4	10.3	12.5	13.1	11.3
Kenya	5.8	6.4	7.1	1.7	19.7	29.1	27.4	28.5	24.3	21.1
Uganda	5.9	5.5	7.7	7.0	7.5	11.0	14.9	14.4	14.4	12.6
Rwanda	7.1	5.5	9.2	11.2	6.8	13.0	19.7	22.2	19.2	12.1
Angola	15.7	19.5	19.8	16.4	11.8	12.1	12.7	13.2	13.5	13.8
Botswana	3.8	4.2	5.7	3.5	9.1	12.6	14.7	13.9	11.6	8.5
Lesotho	0.7	6.2	5.1	3.4	10.6	9.5	11.1	11.5	10.3	8.3
Malawi	1.9	4.7	7.9	9.7	8.0	8.2	9.0	9.6	9.8	8.8
Mauritius	3.5	4.7	5.4	5.6	9.0	8.8	9.5	9.6	8.9	7.4
Mozambique	7.7	8.5	7.3	6.5	9.8	10.6	10.6	10.8	8.1	3.4
Namibia	3.5	4.6	3.8	2.7	8.0	9.8	12.0	11.5	11.5	9.6
Seychelles	6.6	9.3	9.7	-0.9	9.9	17.1	24.8	21.9	50.2	45.8
South Africa	4.9	5.0	5.1	4.0	9.4	11.7	13.4	11.4	8.4	7.8
Swaziland	2.2	2.8	3.5	2.6	10.2	12.1	13.9	14.6	11.5	8.2
Zambia	5.0	6.0	6.0	6.2	9.5	11.0	13.3	15.7	14.4	14.5
Zimbabwe	-6.5	-5.1	-6.2	-4.3	0.132 mn	1.542 mn	n.a	n.a	-2.8	-0.5
EAC Average	6.6	6.0	7.8	6.8	10.7	15.6	18.1	19.4	17.8	14.3
SADC Average	4.8	5.9	6.0	6.0	9.5	11.1	12.9	13.0	19.1	16.1

Note: Economic indicators for Burundi, Democratic Republic of Congo and Madagascar not available.

Q = Quarter; n.a = not available, mn=millions

Source: National Statistical Offices

## **7.0 STATISTICAL TABLES AND MANAGEMENT LIST**

## **A1: STATISTICAL TABLES**

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## A2: LIST OF MANAGEMENT

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Name	Title	Telephone Direct
<b>EXECUTIVE OFFICE</b>		
Prof. B. Ndulu	Governor	022 223 3020/1/2
Dr. E. Bukuku	Deputy Governor (EFP)	022 223 3040/1
J. H. Reli	Deputy Governor (AIC)	022 223 3042/3
L. H. Mkila	Deputy Governor (FSD)	022 223 3044/5

### 1. DIRECTORATE OF GOVERNOR'S OFFICE

B. N. Msami	Director	022 223 3160/1
J. B. Kimaro	Deputy Director, Communications	022 223 3166/7
M. Mugo	Deputy Director, Special Duties I	022 223 3164
T. Mwakilema	Deputy Director, Special Duties II	022 2113444
J. N. Makindi	Deputy Director, Special Duties, (Staff Counseling & Manpower Planning)	022 223 3201
D. D. Kweka	Project Manager	022 223 5382/3

### 2. DIRECTORATE OF STRATEGIC PLANNING & PERFORMANCE REVIEW

P. M. Noni	Director	022 223 3423/4
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#### Strategic Planning Department

A. Haule	Deputy Director	022 223 3425/6
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#### Programmes Coordination Department

M. Mbawala	Deputy Director	022 223 3434/5
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#### Organization and Methods Department

F. Kazimoto	Deputy Director	022 223 3475
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### 3. DIRECTORATE OF PERSONNEL AND ADMINISTRATION

L. Kisarika	Director	022 223 5144/5
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#### Personnel Management Department

R. Wambali	Deputy Director	022 223 5148/9
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**Training and Development Department**  
S. Mahembe Deputy Director 022 223 5146/7

**Estate Management Department**  
P. Mutoni Deputy Director 022 223 5098/9

**Administrative & General Services Department**  
J. P. Mpelembwa Associate Director 022 223 5192/3

**Facilities Management Department**  
E. Twininge Deputy Director 022 223 5555

#### **4. DIRECTORATE OF BANKING**

S. Jengo Director 022 223 5415/6

**Banking Department**  
E. Balele Deputy Director 022 223 5134/5

**Currency Department**  
K. J. Jurango Deputy Director 022 2118491

**Systems Operations Department**  
A. Massawe Deputy Director 022 223 5138/9

#### **5. DIRECTORATE OF BANKING SUPERVISION**

J. M. B Massawe Director 022 223 5482/3

**Banks Supervision (Banks) Department**  
C. Gama Deputy Director 022 223 5530/1

**Non-Banks Supervision Department**  
S. Kazimoto Deputy Director 022 223 5480/1

**Operation & Policy Review Department**  
A. E. Kobello Deputy Director 022 223 5576/7

**Microfinance Institutions Department**  
H. Ndambala Deputy Director 022 223 5585/6

#### **6. DIRECTORATE OF ECONOMIC POLICY**

Dr. J. L. Masawe Director 022 223 3328/9  
A. J. Mengo Associate Director 022 2115614  
Dr. B. Tarimo Associate Director 022 223 3376

**Monetary & Financial Affairs Department**  
C.L. Kiliaki Deputy Director 022 223 3349/50



<b>International Economics Department</b>		
G. Mwakibolwa	Deputy Director	022 223 3303/4
<b>Debt Management Department</b>		
Y. A. Mchujuko	Deputy Director	022 223 3378/9
<b>Macroeconomic &amp; Financial Programs Department</b>		
P. L. Kadesha	Deputy Director	022 223 3330/1
<b>Trade, Finance and Investment Policies Department</b>		
S. S. Mrutu	Deputy Director	022 223 3282/3
<b>Real Sector Department</b>		
D. D. Thewa	Deputy Director	022 223 3390/1
<b>Research Department</b>		
I. A. Ntambwe	Deputy Director	022 223 3518/9
<b>Micro-Finance Analysis and Policy Department</b>		
F. Rutabanzibwa	Deputy Director	022 223 3280/1

## **7. DIRECTORATE OF FINANCE**

J. Angelo	Director	022 223 5126/7
<b>Domestic Accounts Department</b>		
E. M. Boaz	Deputy Director	022 2121433/2235624/5
<b>Foreign Accounts Department</b>		
M. Kobello	Deputy Director	022 223 5628/9

## **8. DIRECTORATE OF FINANCIAL MARKETS**

K. S. Mbatia	Director	022 223 3523/4
<b>Domestic Markets Department</b>		
J. K. Ndissi	Deputy Director	022 223 3473/4
<b>Foreign Markets Department</b>		
A. Libabu	Deputy Director	022 223 3520/1
<b>Credit Guarantee Scheme Department</b>		
E. Maganga	Deputy Director	022 223 3568/9
<b>Risk Management Department</b>		
A. K. Ng'winamila	Ag. Deputy Director	022 223 3570/1

## **9. DIRECTORATE OF MANAGEMENT INFORMATION SYSTEMS**

E. Makwaia	Director	022 2115124
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<b>Management Information System Department</b>		
G. M. Mahinya	Deputy Director	022 223 5333/4
<b>Systems Design and Administration Department</b>		
C. M. Kitwanga	Deputy Director	022 2118162/2233732/3
<b>Networks and Office Automation Department</b>		
L. L. Masano (Eng.)	Deputy Director	022 2119317/2233730/1

## **10. DIRECTORATE OF NATIONAL PAYMENTS SYSTEMS**

L. Kinunda	Director	022 223 5432/3
<b>Payment System Oversight and Policy Department</b>		
G. Tabaro	Deputy Director	022 223 5439/40
<b>System Development &amp; Support Department</b>		
B. J. Dadi	Deputy Director	022 223 5434/5

## **11. DIRECTORATE OF INTERNAL AUDIT**

A. Mwinyimvua	Director	022 223 5240/1
<b>Internal Audit 1 Department</b>		
R. Mwangi	Deputy Director	022 223 5242/3
<b>Internal Audit 11 Department</b>		
H. M. Mnjovu	Deputy Director	022 223 5255/6

## **12. OFFICE OF THE SECRETARY TO THE BANK**

A. H. M. Mtengeti	Secretary to the Bank	022 223 3240/1
<b>Internal Security &amp; Investigation Department</b>		
B.A. Mbanga	Deputy Director	022 223 5376/7
<b>Board Services and Exchange Liberalization Department</b>		
Y. E. Tongola	Deputy Director	022 223 3242/3
<b>Legislation Department</b>		
N.D. Mukirya	Deputy Director	022 223 3248/9
<b>Litigation Department</b>		
M.K. Ismail	Deputy Director	022 223 3256

### **13. BANK OF TANZANIA TRAINING INSTITUTE (MWANZA)**

W. Mgitwa	Principal	028 2500352
J. Mlay	Director of Studies	028 2500982
.....	Deputy Director, Finance & Administration	028 2502697

### **14. BOT BRANCHES**

#### **Arusha**

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

#### **Mbeya**

M. Gasabile	Director	025 2504158
O. Katundu	Deputy Director, Operations	025 2502055
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J. M. Munazi	Deputy Director, Finance & Administration	025 2502700

#### **Mwanza**

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J. Rushaka	Deputy Director, Operations	028 2500024
W. L. Tawe	Deputy Director, Economics	028 2500622
.....	Deputy Director, Finance & Administration	028 2500025

#### **Zanzibar**

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S.S. Mwakalukwa	Deputy Director, Operations & Policy	024 2231441
N.K. Mboje	Deputy Director, Economics	024 2232715
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I. Nungu	Deputy Director, Special Assign. (PBZ)	024 2238480

## **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.