



BANK OF TANZANIA

**ECONOMIC BULLETIN
FOR THE QUARTER ENDING
JUNE, 2010
VOL. XLII NO. 2**

For any enquiries contact:
Directorate of Economic Research and Policy
Bank of Tanzania, P.O. Box 2939, Dar es Salaam
Tel: +255 (22) 2233328, Fax: +255 (22) 2234060
<http://www.bot-tz.org>

TABLE OF CONTENTS

SUMMARY OF ECONOMIC DEVELOPMENTS	3
<i>Food Supply Situation.....</i>	6
<i>Inflation Developments.....</i>	7
2.0 MONETARY AND FINANCIAL DEVELOPMENTS.....	9
<i>Money and Credit</i>	9
<i>Interest Rate Developments</i>	10
<i>Financial Market Operations.....</i>	11
<i>Foreign Exchange Market Operations.....</i>	13
<i>Bureau de Change Operations.....</i>	14
3.0 PUBLIC FINANCE.....	15
<i>Government Budgetary Operations</i>	15
<i>National Debt.....</i>	16
4.0 EXTERNAL SECTOR DEVELOPMENTS	19
<i>Current Account.....</i>	19
<i>Exports</i>	19
<i>Imports</i>	20
<i>Services and Income Account</i>	21
<i>World Commodity Prices.....</i>	22
5.0 ECONOMIC DEVELOPMENT IN ZANZIBAR.....	23
<i>Budgetary Operations.....</i>	24
<i>Debt Developments.....</i>	27
<i>Domestic Debt.....</i>	27
<i>External Debt.....</i>	28
<i>External Sector Developments.....</i>	30
6.0 ECONOMIC DEVELOPMENTS IN EAC AND SADC COUNTRIES	35
7.0 STATISTICAL TABLES AND MANAGEMENT LIST	36
<i>A1: STATISTICAL TABLES.....</i>	37
<i>A2: LIST OF MANAGEMENT.....</i>	38
8.0 GLOSSARY	44

BOARD OF DIRECTORS

Prof. B. Ndulu	Governor , Chairman
Dr. E. Bukuku	Deputy Governor – First (EFP), Deputy Chairman
Mr. J.H. Reli	Deputy Governor (AIC)
Mr. L.H. Mkila	Deputy Governor (FSD)
Mr. R. Khijjah	Permanent Secretary to the Treasury (URT)
Mr. K.M. Omar	Permanent Secretary to the Treasury (RGZ)
Prof. H. Amani	Director
Mr. A. Mufuruki	Director
Dr. N.E. Mwamba	Director
Mr. A.H. Mtengeti	Secretary to the Bank

SUMMARY OF ECONOMIC DEVELOPMENTS

Tanzania Mainland

During the quarter ending June 2010, procurement of major traditional export crops rose by 28.0 percent to 88,345.2 tons compared with the levels recorded in the quarter ending June 2009, mainly driven by high production levels of tobacco, sisal and tea. Although the quarter ending June is normally characterized by improved food supplies from seasonal harvests, there were incidences of food shortage in some districts particularly in Longido, Kongwa, Simanjiro and Rombo. Despite the shortages, on average, the prices of major food crops declined during the quarter under review and were fairly stable over time. **Headline inflation** decelerated to an average of 8.2 percent from an average of 9.8 percent recorded in the preceding quarter, mainly due to a drop in both food and non-food inflation.

Annual growth of banks' **credit to the private sector**, which was 10.8 percent at the end of March 2010, improved to 16.3 percent at the end of June 2010, but low when compared with a growth rate of 41.9 percent of banks' claims on the government. As a reflection, the extended broad money supply (M3) recorded an annual growth rate of 25.1 percent compared with 18.9 percent recorded in the quarter ending March 2010, whereas the broad money supply (M2) grew by 26.3 percent compared with 23.5 percent. Consistent with these developments, **interest rates** on money market instruments, deposits, and lending by banks exhibited a declining trend during the period under review. Specifically, overall time deposit rate declined to 5.78 percent from 6.01 percent recorded in the preceding quarter, while overall lending rate declined 14.61 percent from 14.69 percent. During the same period, overall weighted average yield of Treasury bill decreased to 2.90 percent, down from 5.89 percent. As for **exchange rate**, the weighted average exchange rate of the Tanzanian shilling against the US dollar increased marginally to TZS 1,371.2 from TZS 1,337.0 recorded in the preceding quarter. Meanwhile, the **current account** recorded a deficit of USD 902.2 million compared to a deficit of USD 712.3 million recorded during the previous quarter, largely on account of low official transfers and value of goods export.

Government budgetary operations recorded a deficit of TZS 688.6 billion after adjustment to cash compared with a deficit of TZS 586.2 billion recorded in the previous

quarter, and it was financed through domestic and foreign borrowing to the tune of TZS 373.3 billion and TZS 315.3 billion respectively. During the same period, the **National debt stock** increased to USD 9,856.2 million, from USD 9,607.8 million recorded at the end of the preceding quarter mainly due to new external debt disbursements and relatively large amount of domestic debt issuance compared to maturing obligations.

Zanzibar

Procurement of main traditional export crops increased to 3,806.7 tons from 2,542.2 tons recorded during the corresponding quarter in 2009. Notwithstanding these developments, clove procurement dropped significantly mainly attributed to poor performance of the short rains and smuggling of the crop to neighboring countries. In the same period, production of tapes and gold jewelry also declined at varying degrees compared to production levels. **Average headline inflation** for the quarter ending June 2010 decelerated to 5.6 percent from 6.4 percent registered during the quarter ending March 2010, on account of a fall in food prices, mainly rice.

Meanwhile, **Government budgetary operations** on cheques issued basis registered a deficit after grants of TZS 36.4 billion or TZS 20.5 billion after adjustment to cash compared to a deficit of TZS 14.5 billion. Total resources amounted to TZS 47.9 billion, out of which TZS 35.4 billion was from the domestic sources and the remaining portion was grants. Total expenditure amounted to TZS 84.4 billion below the estimated TZS 92.2 billion, mainly due to shortfall in donor inflows.

1.0 OUTPUT AND PRICES

Procurement of Traditional Export Crops

During the quarter ending June 2010, the procurement of major traditional export crops rose by 28.0 percent to 88,345.2 tons from 69,007.1 tons recorded in the quarter ending June 2009 (Table 1.1). The increase was mainly driven by high production levels of tobacco, sisal and tea. Conversely, production of coffee declined due to lower crop cycle, and effects of coffee meal bugs particularly in Mbinga district.

Table 1.1: Procurement of Traditional Export Crops

	April - June		Tons
	2009 ^r	2010 ^p	Percent Change
	Cashew nuts	off season	
Cotton lint	off season		0.0
Tobacco	34,895.5	60,382.5	73.0
Coffee	8,813.1	1,212.7	-86.2
Sisal	6,290.0	7,050.0	12.1
Tea	19,008.6	19,700.1	3.6
Total	69,007.2	88,345.3	28.0

Notes: r = Revised

p = Provisional

Source: Respective crop boards

Production of Gold and Diamond

During the period under review, production of gold increased to 9,226.5 kilograms compared to 7,325.7 kilograms recorded in the corresponding period in 2009, whereas production of diamond was 21,568.4 carats far below 87,071.2 carats recorded in the corresponding quarter in 2009 (Table 1.2).

Table 1.2: Production of Gold and Diamond

	Units	2009	2010		Percent Change	
		Apr-Jun	Jan-Mar	Apr-Jun	Jan-Mar 10 to Apr-Jun 10	Apr-Jun 09 to Apr-Jun 10
Gold	Kgs	7,325.7	8,760.9	9,226.5	5.3	25.9
Diamond	Carats	87,071.2	25,595.5	21,568.4	-15.7	-75.2

Source: Mining Companies and Bank of Tanzania

Food Supply Situation

Normally, the quarter ending June is characterized by improved food supplies from seasonal harvests. However, there were incidences of food shortage in some districts particularly in Longido, Kongwa, Simanjiro and Rombo. The government distributed 33,989 tons of grain freely and at subsidized prices to the affected areas between March and June 2010.

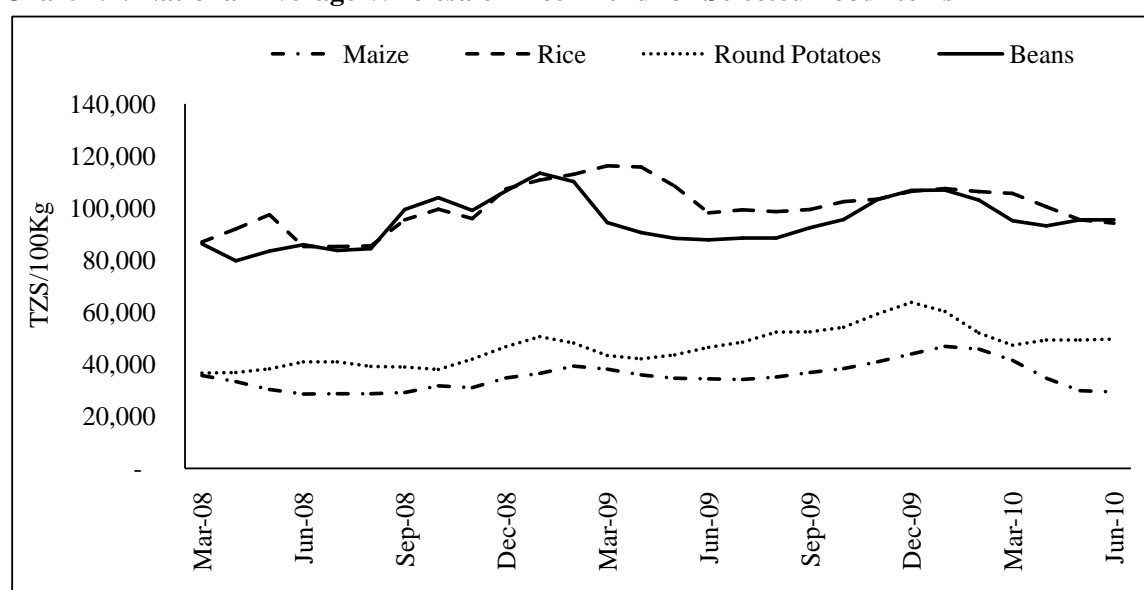
As depicted in [Table 1.3](#), wholesale prices for major food crops declined, in the quarter ending June 2010 when compared with the preceding quarter and the corresponding period in 2009 (except for sorghum and potatoes). However, when observed over time, the prices of major food crops were fairly stable ([Chart 1.1](#)).

Table 1.3: National Average Wholesale Prices for Major Food Items

Item	TZS per 100 kg				
	2009	2010		Percent Change	
	Apr-Jun	Jan- Mar	Apr-Jun	Jan-Mar 10 to Apr-Jun 10	Apr-Jun 09 to Apr-Jun 10
Maize	37,766	44,465	31,252	-29.7	-17.2
Rice	114,965	106,428	96,676	-9.2	-15.9
Beans	98,377	102,935	94,698	-8.0	-3.7
Sorghum	46,773	55,796	50,461	-9.6	7.9
Potatoes	44,044	51,197	49,443	-3.4	12.3

Source: Ministry of Industry, Trade and Marketing

Chart 1.1: National Average Wholesale Price Trend for Selected Food Items



National Food Reserve

The stock of maize and sorghum held by the National Food Reserve Agency (NFRA) declined to 48,248 tons at the end of June 2010, from 60,694 tons at the end of March 2010 (**Table 1.4**). The decline in stock was on account of distribution of food by the Government to the affected areas. Meanwhile, NFRA purchased 75,936 tons of maize from the domestic markets for the period July 2009 to June 2010, being 47.5 percent of the target of 160,000 tons.

Table 1.4: National Food Reserve Agency Stock

Period	Tons						Percent Change 2009-2010
	2005	2006	2007	2008	2009	2010	
January	119,924	76,813	112,343	139,765	128,919	66,267	-48.6
February	116,383	43,593	117,838	133,898	125,430	64,461	-48.6
March	114,760	8,055	121,046	119,022	124,252	60,694	-51.2
April	115,262	3,165	125,509	94,509	122,849	53,821	-56.2
May	113,823	6,210	128,350	79,369	109,876	50,312	-54.2
June	112,823	15,560	128,804	76,649	94,699	48,248	-49.1
July	112,323	13,811	129,306	75,438	88,841		
August	112,067	28,440	125,653	83,131	93,231		
September	111,971	80,248	131,937	102,225	110,278		
October	111,695	87,461	143,717	114,464	107,177		
November	106,428	100,828	142,624	122,209	86,542		
December	93,051	110,203	142,044	129,253	77,644		

Source: National Food Reserve Agency and Bank of Tanzania.

Inflation Developments

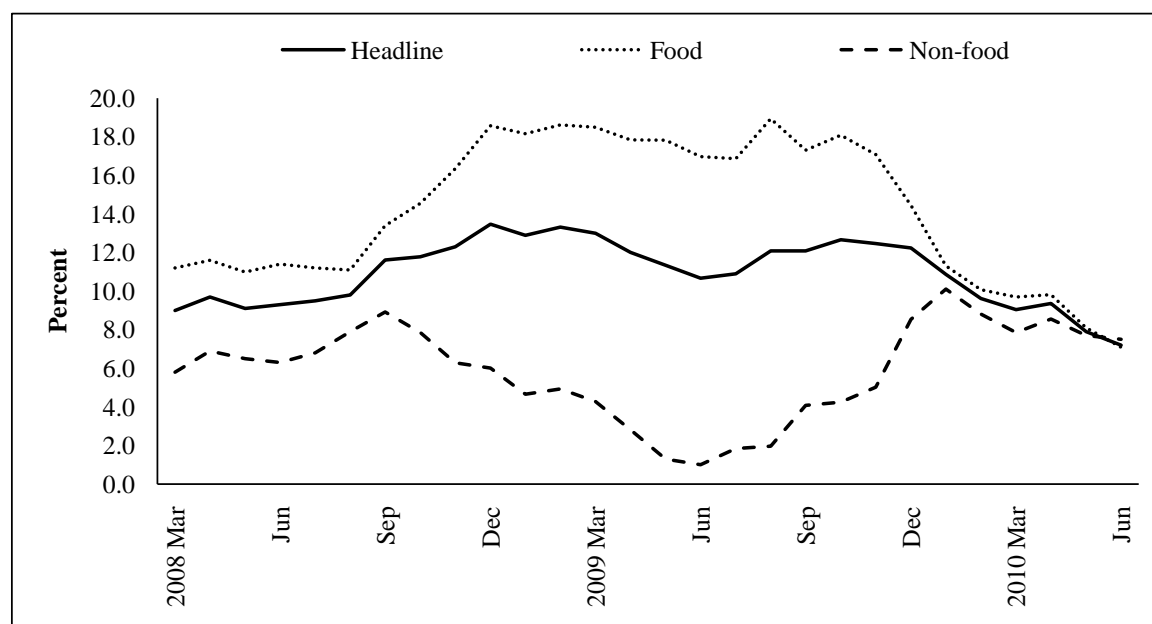
During the period under review, **annual headline inflation** eased to an average of 8.2 percent, from 9.8 percent recorded during the quarter ending March 2010, following decline in both food and non-food inflation. **Food inflation** decelerated to an average of 8.3 percent during the quarter from 10.4 percent recorded in the preceding quarter, on account of decreases in average prices of cereals and cereal products, cassava, cooking banana, fruits, milk and vegetables.

Non-food inflation also decreased to an average of 7.9 percent from 8.9 percent recorded during the quarter ending March 2010. The development was driven by a decrease in average prices of all non-food items except transport; rent; and personal care and health (**Table 1.5**). **Chart 1.2** depicts trends in headline inflation components.

Table 1.5: Average Inflation

Commodity Group	Weight (%)	2008			2009				2010	
		Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Headline/Overall	100.0	9.4	10.3	12.5	13.1	11.3	11.7	12.5	9.8	8.2
Food	55.9	11.4	11.9	16.5	18.4	17.5	17.7	16.5	10.4	8.3
Non-food	44.1	6.6	7.8	6.7	4.6	1.7	2.6	6.0	8.9	7.9
Transportation	9.7	6.8	8.5	6.6	3.6	-0.9	-2.9	0.5	3.6	7.0
Fuel, Power and Water	8.5	11.2	13.2	9.9	1.8	-7.7	-5.7	5.6	20.0	16.6
Drinks and Tobacco	6.9	7.9	8.5	6.4	5.5	6.5	10.7	12.3	11.1	9.9
Clothing & Footwear	6.4	1.1	1.1	2.8	4.1	5.7	8.8	6.5	5.1	2.5
Education	2.6	6.3	7.8	8.3	10.1	10.8	10.5	8.9	5.7	2.1
Furniture & Household Equip.	2.1	6.3	7.8	8.3	7.0	6.7	6.6	4.2	2.4	2.3
Household Operations Maintenance	2.1	2.7	2.2	4.7	4.9	4.8	5.3	5.8	5.2	3.5
Personal Care & Health	2.1	3.7	5.9	7.1	7.7	7.4	7.2	4.9	4.7	5.5
Rents	1.4	2.1	3.0	2.4	12.6	12.2	12.6	12.2	2.7	2.8
Recreation & Entertainment	0.8	4.1	5.5	8.0	10.4	9.0	8.8	8.5	4.6	2.7
Miscellaneous Goods and Services	1.5	0.7	2.2	2.6	3.4	4.5	4.0	1.3	-0.9	-4.9

Source: National Bureau of Statistics and Bank of Tanzania.

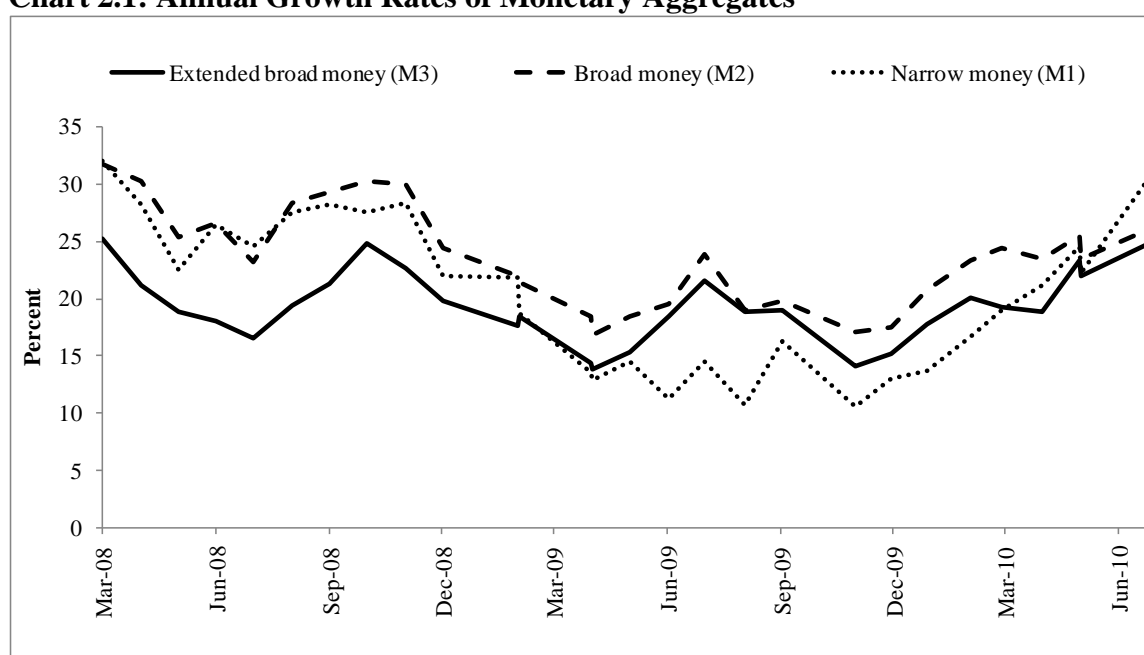
Chart 1.2: Annual Headline, Food and Non-food Inflation

2.0 MONETARY AND FINANCIAL DEVELOPMENTS

Money and Credit

The quarter ending June 2010 experienced expansion in all monetary aggregates. Extended broad money supply (M3) recorded an annual growth rate of 25.1 percent, higher than the target of 21.6 percent and growth rate of 18.9 percent recorded in the previous quarter. Likewise, broad money supply (M2) grew by 26.3 percent, above the target of 22.7 percent and growth rate of 23.5 percent recorded in the quarter ending March 2010 ([Chart 2.1](#)).

Chart 2.1: Annual Growth Rates of Monetary Aggregates



Source: Bank of Tanzania

The expansion of money supply in the period under review was attributed to increase in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system. NDA grew by 25.0 percent in the review quarter compared with growth rate of 19.3 percent recorded in March 2010, reflecting the substantial increase in claims on the Government by the banking system to cater for infrastructure finance. The annual growth rate of NFA in the banking system was 25.3 percent during the quarter ending June 2010 compared with the growth rate of 15.8 percent and 18.6 percent recorded in the corresponding quarter in 2009 and March 2010, respectively, reflecting an increase in customers' preference in foreign currency denominated assets.

The annual growth of credit to the private sector increased to 16.3 percent in June 2010 from 10.8 percent in the preceding quarter, but still low when compared with 32.8 percent recorded in June 2009 ([Table 2.1](#)).

Table 2.1: Developments in Selected Monetary Aggregates

	Stock			Change		Annual Growth rates (%)		
	Jun-09	Mar-10	Jun-10	Quarter	Annual	Jun-09	Mar-10	Jun-10
Extended Broad Money Supply (M3)	7,832.1	9,075.1	9,801.4	726.3	1,969.2	18.5	18.9	25.1
Broad Money Supply (M2)	5,772.0	6,884.3	7,287.5	403.3	1,515.5	19.5	23.5	26.3
Currency in Circulation	1,423.7	1,542.3	1,680.5	138.1	256.8	12.1	12.9	18.0
Transferable Deposits	1,725.0	2,212.9	2,454.3	241.3	729.3	10.5	27.8	42.3
Other Deposits	2,623.3	3,129.0	3,152.8	23.8	529.5	31.1	26.4	20.2
Foreign Currency Deposits (FCD)	2,060.1	2,190.8	2,513.8	323.0	453.7	15.6	6.4	22.0
FCD in millions of US dollar	1,585.4	1,647.0	1,822.4	175.5	237.0	5.1	5.1	14.9
Total deposits in Other Depository corporations	6,947.8	8,213.4	8,856.6	643.2	1,908.8	23.6	22.5	27.5
Private sector	6,381.2	7,521.8	8,111.8	590.0	1,730.6	19.5	21.0	27.1
Government deposits	566.6	691.6	744.8	53.2	178.2	100.2	41.7	31.4
Net Foreign Assets of the Banking System	4,202.9	4,917.5	5,265.5	348.0	1,062.6	15.8	18.6	25.3
Bank of Tanzania	3,401.2	3,846.7	3,949.3	102.6	548.1	11.2	11.2	16.1
Other Depository corporations	801.7	1,070.9	1,316.2	245.4	514.6	40.8	55.6	64.2
Net Domestic Assets of the Banking System	3,629.2	4,157.6	4,535.8	547.7	1,050.7	21.7	19.3	25.0
Domestic credit	4,823.3	5,543.5	6,174.1	913.8	1,587.1	42.5	23.0	28.0
Claims on Government	2,530.8	3,091.3	3,591.8	495.1	1,110.4	18.3	36.5	41.9
Government deposits	2,402.5	2,673.4	2,879.0	(189.8)	167.8	4.9	12.2	19.8
Claims on Other Sectors	4,695.0	5,125.6	5,461.3	228.9	644.6	32.8	10.8	16.3

Note: Stock and Changes are in Billions of TZS

Source: Bank of Tanzania

Interest Rate Developments

During the quarter ending June 2010, return on money market instruments exhibited a declining pattern. The overall weighted average Treasury bills yield decreased to 2.90 percent in June 2010 from 5.89 percent recorded in March 2010 and 9.08 percent in the corresponding period a year earlier. Similarly, the overall inter-bank cash market rate fell to an average of 0.92 percent from 1.59 percent recorded in the previous quarter, whereas average overnight inter-bank cash market rate declined to 0.80 percent from 1.44 percent ([Table 2.2](#)).

Table 2.2: Interest Rate Structure

Item	In Percent					
	2009				2010	
	Mar	Jun	Sep	Dec	Mar	Jun
Overall Interbank cash market rate	9.44	7.14	2.20	1.61	1.59	0.92
<i>Overnight interbank cash market</i>	9.28	6.73	1.44	1.28	1.44	0.80
REPO Rate	8.77	6.42	1.52	1.28	1.17	0.65
Discount Rate	17.90	13.11	5.52	3.70	7.58	7.58
Overall Treasury bills rate	12.90	9.08	5.16	6.14	5.89	2.90
<i>364 days</i>	15.01	10.79	7.93	8.55	7.87	5.30
Savings Deposit Rate	2.70	2.71	2.67	2.72	2.87	2.82
Treasury Bonds Rates						
<i>2-years</i>	14.66	14.02	11.51	10.89	9.90	9.20
<i>5-years</i>	17.32	16.83	15.54	13.45	13.77	10.93
<i>7-years</i>	17.04	17.06	15.12	14.15	13.47	10.96
<i>10-years</i>	19.77	19.92	16.95	16.88	16.73	11.89
Overall Time Deposits Rate	6.80	6.99	6.86	6.43	6.01	5.78
12 months	8.65	9.15	8.97	8.86	8.89	7.83
Negotiated Deposit Rate	10.83	10.81	10.53	9.97	8.00	9.56
Overall Lending rate	14.82	15.44	15.05	14.62	14.69	14.61
<i>Short-term (up to 1year)</i>	13.43	14.04	13.89	13.96	14.37	13.95
Negotiated Lending Rate	12.56	14.16	14.10	13.35	13.73	13.97
Margin between short-term lending and one-year time deposit rate	4.78	4.89	4.92	5.10	5.48	6.12

Note: Values are in Quarter Average

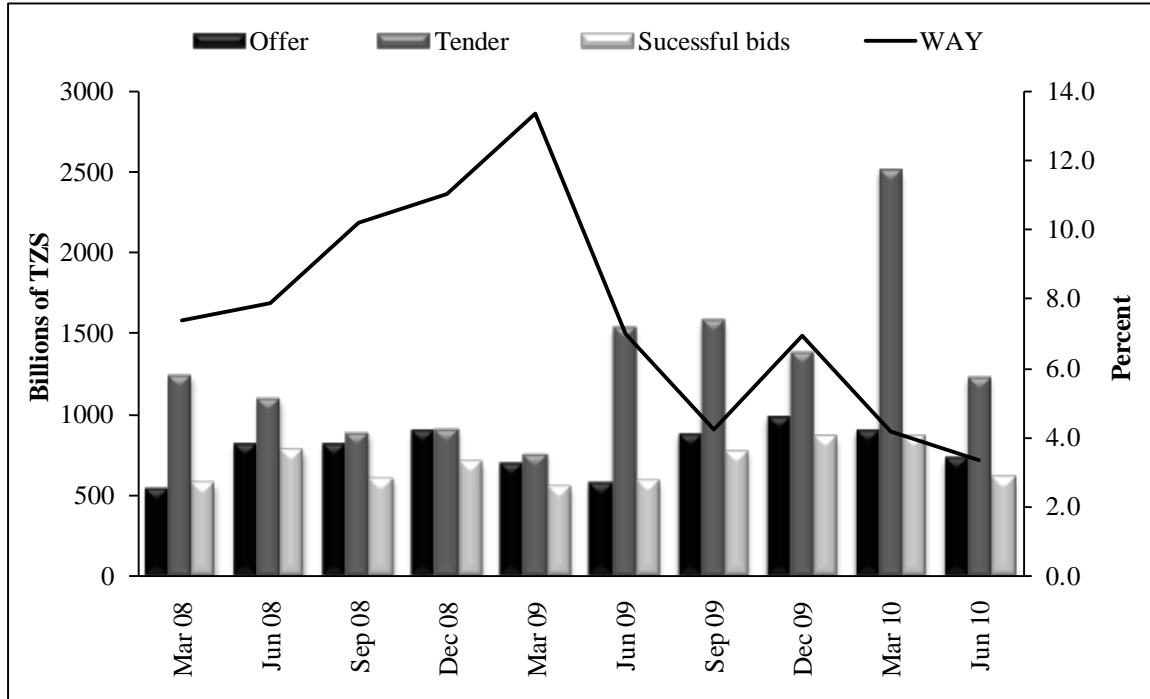
Source: Bank of Tanzania

The average overall time deposits rate declined slightly to 5.78 percent in June 2010, from 6.01 percent registered in the preceding quarter. Similarly, the overall lending rates declined to 14.61 percent from 14.69 percent recorded in the preceding quarter. However, the spread between short-term lending rate (up to one year) and one year time deposit rate widened to 6.12 percentage points from 5.48 percentage points recorded in the preceding quarter.

Financial Market Operations

In the quarter ending June 2010, demand for **Treasury bills** stood at TZS 1,226.9 billion against the supply of TZS 720.0 billion. In line with these developments, the average overall weighted Treasury bills yield declined to 2.90 percent, from 5.24 percent recorded in the previous quarter ([Chart 2.2](#)).

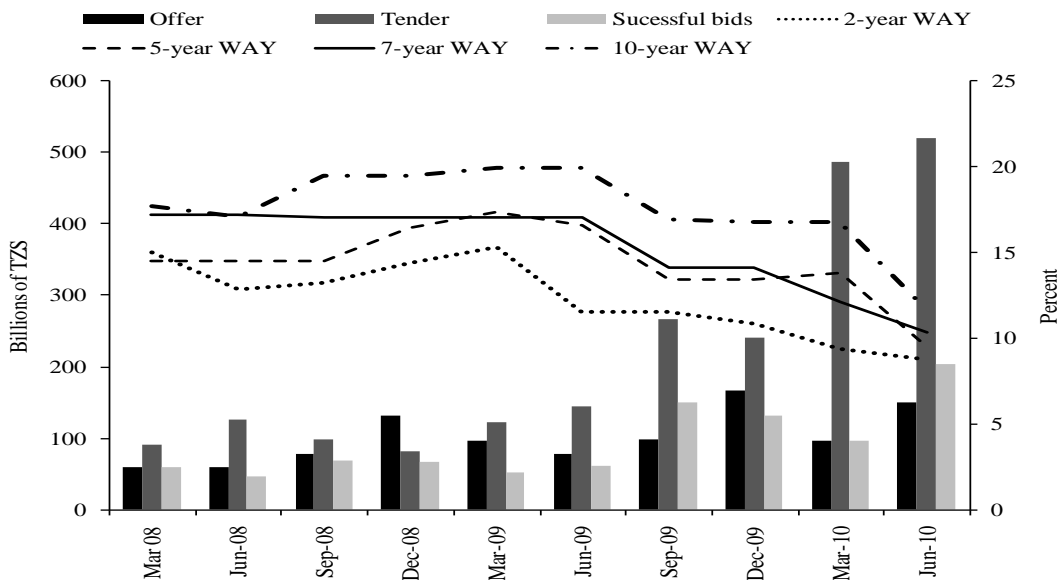
Chart 2.2: Treasury bills Market Performance



Source: Bank of Tanzania

During the quarter under review, demand for treasury bonds stood at TZS 520.0 billion, but bids worth TZS 203.4 billion were accepted. In line with these development, the average weighted Treasury bonds yield decreased to 10.1 percent from an average of 13.0 percent recorded in the previous quarter. Decline in yield was recorded in all bond maturities ([Table 2.3](#)).

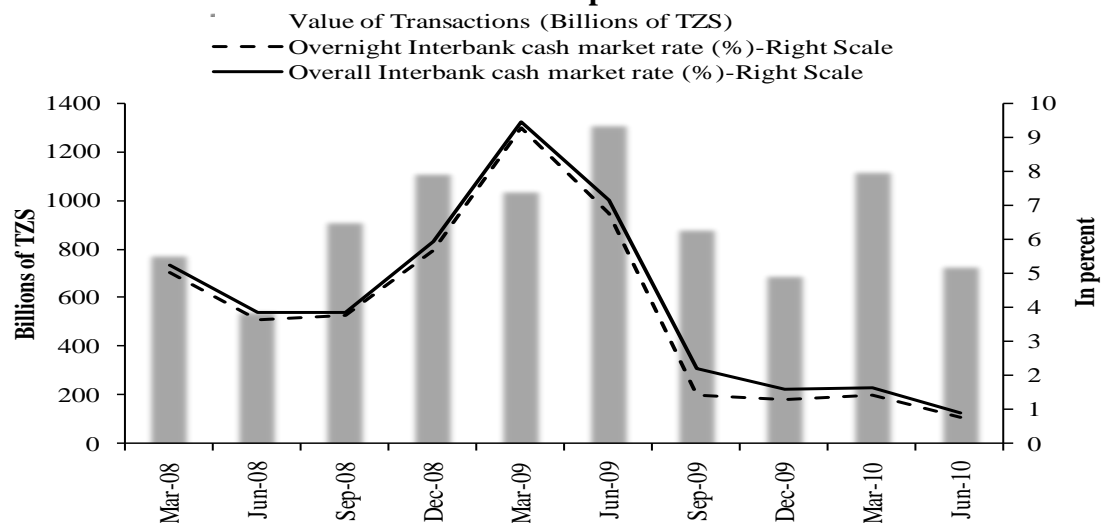
Chart 2.3: Treasury Bond Market Developments



Source: Bank of Tanzania

Meanwhile, the volume of transaction in the interbank cash market amounted to TZS 737.4 billion compared with TZS 1,126.3 billion recorded in the preceding quarter (**Chart 2.4**). Similarly, the volume of transaction in the overnight cash market declined to TZS 494.9 billion from TZS 661.9 billion recorded in the previous quarter. In line with these developments, the average overnight cash market rate declined to 0.78 percent from 1.4 percent recorded in the preceding quarter.

Chart 2.4: Inter-bank Cash Market Developments



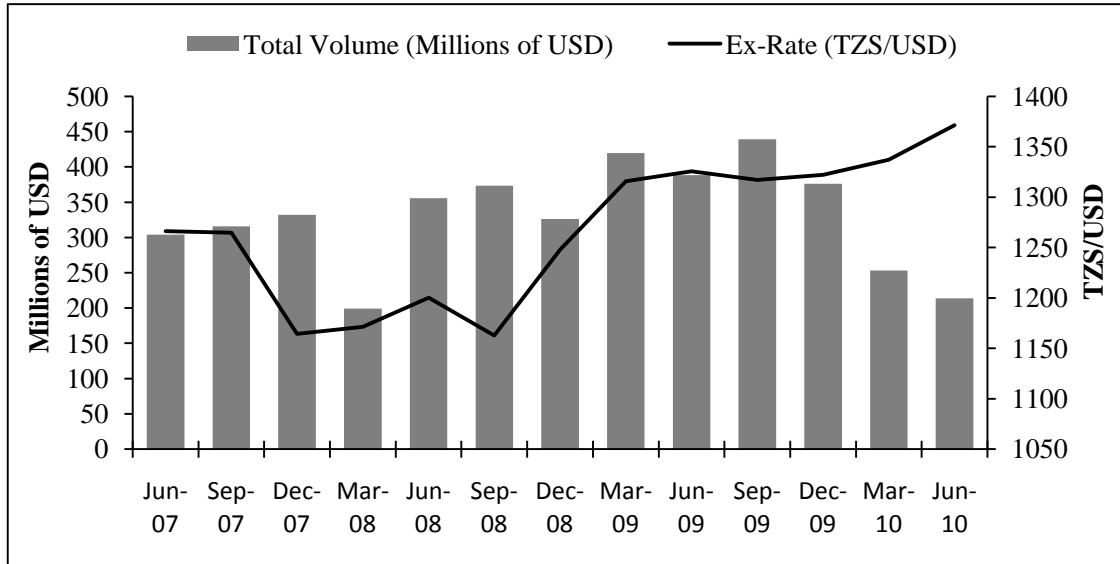
Source: Bank of Tanzania

During the quarter, Repos worth TZS 1,311.8 billion were transacted with other depository corporations, being lower than TZS 1,320.7 billion transacted in the previous quarter. The overall repo rate declined to 0.65 percent from 1.17 percent recorded in the quarter ending March 2010.

Foreign Exchange Market Operations

Total volume of transactions in the inter-bank foreign exchange market (IFEM) amounted to USD 213.8 million in the quarter ending June 2010, compared with USD 253.2 million transacted in the previous quarter. The Bank was net seller, supplying foreign exchange worth USD 205.0 million compared with USD 241.0 million supplied in the quarter ending March 2010. The shilling depreciated slightly against the US dollar to TZS 1,371.2 from TZS 1,337.0 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

During the quarter under review, total volume of transactions conducted by the Bureaux de Change increased by 5.2 percent to USD 172.3 million from USD 163.7 million transacted in the preceding quarter. The average buying rate rose to TZS 1,391.3 per USD from TZS 1,333.3 per USD recorded in the quarter ending March 2010, whereas average selling rate increased to TZS 1,415.0 per USD from TZS 1,352.2 per USD (Table 2.3).

Table 2.3: Foreign Exchange Market Developments

Item	2010		Percentage Change
	Jan-Mar	Apr-Jun	
IFEM:			
Amount Offered	253.2	213.8	-15.6
Amount Sold	253.2	213.8	-15.6
Exchange Rate (TZS per USD)	1337.0	1371.2	2.6
BUREAU DE CHANGE OPERATIONS:			
Sales	81.5	87.6	7.5
Purchases	82.3	84.7	2.9
Volume of Transactions	163.7	172.3	5.2
Buying Rate (TZS per USD)	1333.3	1391.3	4.4
Selling Rate (TZS per USD)	1352.2	1415.0	4.6

Notes: * Millions of USD,

** Tanzanian Shillings (TZS) per US dollar

Source: Bank of Tanzania

3.0 PUBLIC FINANCE

Government Budgetary Operations

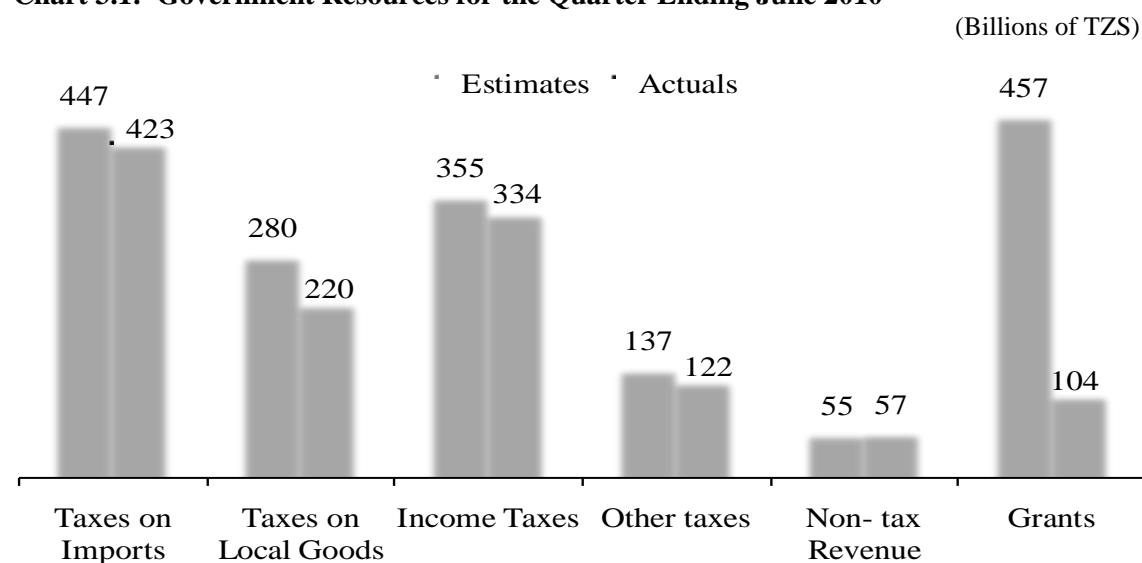
During the quarter ending June 2010, total resources amounted to TZS 1,259.2 billion, out of which TZS 1,154.9 and TZS 104.3 billion were from domestic sources and grants respectively. Total expenditure amounted to TZS 2,492.8 billion. As a result, the overall deficit was TZS 688.6 billion after adjustment to cash. The deficit was financed through domestic and foreign borrowing to the tune of TZS 373.3 billion and TZS 315.3 billion respectively.

Revenue Performance

Revenue collection (excluding Local Government Authorities resources) amounted to TZS 1,154.9 billion equivalent to 90.6 percent of the target. Tax collections amounted to TZS 1,097.8 billion, while non-tax revenue amounted to TZS 57.1 billion. The shortfall in tax revenue was recorded in all tax categories, but more pronounced in taxes on local goods. Meanwhile, non-tax collections were above the target by 3.6 percent.

Grants disbursed during the review period were TZS 104.3 billion, against the estimated value of TZS 457.0 billion. **Chart 3.1** depicts government resource performance by categories.

Chart 3.1: Government Resources for the Quarter Ending June 2010

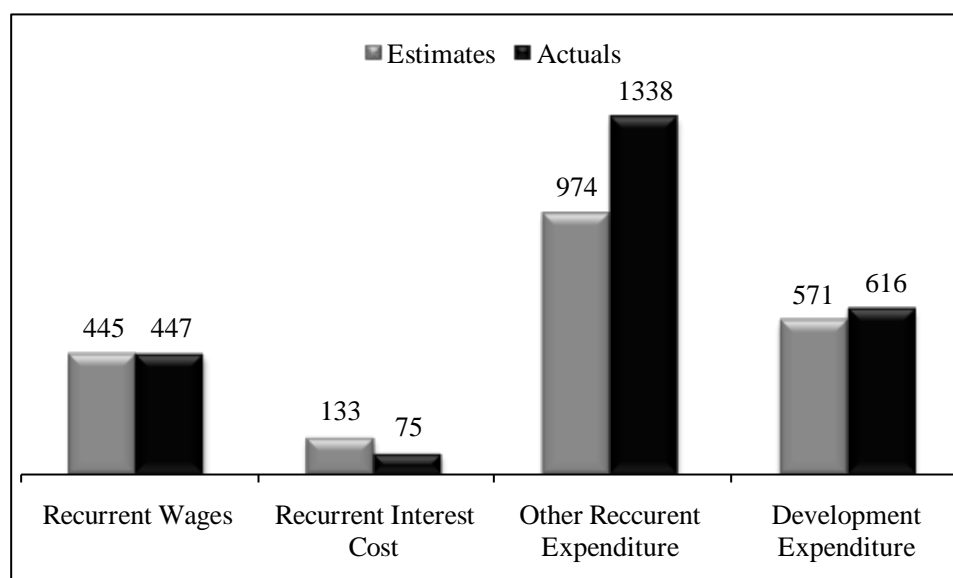


Source: Ministry of Finance and Economic Affairs

Expenditure Developments

During the period under review, Government expenditure stood at TZS 2,492.8 billion, or 116.0 percent of the budget estimates. Both Recurrent and development expenditures were above the budget estimates. Recurrent expenditure was TZS 1,876.6 billion, while development expenditure amounted to TZS 616.2 billion ([Chart 3.2](#)).

Chart 3.2: Government Expenditure for the Quarter Ending June 2010
(Billions of TZS)



Source: Ministry of Finance and Economic Affairs

National Debt

During the quarter ending June 2010, the national debt stock stood at USD 9,856.2 million compared with USD 9,607.8 million recorded at the end of the preceding quarter. The increase was mainly on account of new external debt disbursements and relatively large amount of domestic debt issuance compared to maturing obligations. Out of the total debt stock, external debt accounted for 79.6 percent and the remaining was domestic debt.

External Debt

External debt stock increased slightly to USD 7,846.7 million at the end of June 2010 from USD 7,669.7 million recorded at the end of March 2010. Out of the external debt stock, USD 6,174.2 million or 79.1 percent was disbursed outstanding debt (DOD) and the remaining was interest arrears.

The profile of the external debt stock by borrower category indicates that the Central Government was the largest borrower with debt accounting for 69.5 percent of the total external debt stock, followed by private sector and public corporations (**Table 3.1**).

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

Borrower	Millions of USD					
	Dec-09	Share (%)	Mar-09	Share (%)	Jun-09	Share (%)
Central	5,369.5	69.1	5,341.6	69.6	5,455.3	69.5
DOD	4,649.2	59.8	4,620.8	60.2	4,729.6	60.3
Interest Arrears	720.3	9.3	720.8	9.4	725.6	9.2
Private Sector	1,514.6	19.5	1,464.3	19.1	1,521.8	19.4
DOD	1,007.4	13.0	971.0	12.7	1,002.0	12.8
Interest Arrears	507.2	6.5	493.4	6.4	519.8	6.6
Public Corporations	884.0	11.4	863.8	11.3	869.6	11.1
DOD	506.6	6.5	486.1	6.3	475.4	6.1
Interest Arrears	377.4	4.9	377.7	4.9	394.2	5.0
External Debt Stock	7,768.1	100.0	7,669.7	100.0	7,846.7	100.0

Source: Bank of Tanzania

In terms of creditor category, debt owed to multilateral creditors amounted to USD 4,131.4 million, being 52.7 percent of the total external debt, followed by debt owed to bilateral creditors which accounted for 21.1 percent of the total external debt. Commercial and export credit accounted for the remaining 26.2 percent (**Table 3.2**).

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

Creditor	Millions of USD					
	Jun-09	Share (%)	Mar-10	Share (%)	Jun-10	Share (%)
Bilateral	1,601.2	22.9	1,647.7	21.5	1,654.4	21.1
Paris Club	595.4	8.5	612.4	8.0	599.8	7.6
Non Paris Club	1,005.8	14.4	1,035.3	13.5	1,054.6	13.4
Multilateral	3,440.6	49.2	4,030.9	52.6	4,131.4	52.7
AfDB	669.0	9.6	847.3	11.0	824.5	10.5
World Bank*	2,170.3	31.0	2,466.0	32.2	2,602.4	33.2
IMF	263.2	3.8	318.4	4.2	314.1	4.0
Others	338.1	4.8	399.2	5.2	390.4	5.0
Commercial	1,069.5	15.3	1,167.2	15.2	1,202.7	15.3
Export Credit	888.0	12.7	823.9	10.7	858.2	10.9
External Debt Stock	6,999.3	100.0	7,669.7	100.0	7,846.7	100.0

Note: World Bank Group* = IDA and IFC

Source: Bank of Tanzania

Loans Contracted Disbursements and Repayments

External debt disbursed and recorded during the period under review amounted to USD 238.6 million. External debt service payments amounted to USD 17.2 million less than the scheduled debt service payment of USD 66.5 million for the quarter. The low debt

service payments was due to accumulation of arrears on non-serviced debt and information time lag on debt serviced by private borrowers. Out of the debt service payments, USD 15.3 million was for the central Government and USD 1.9 million was for private entities.

Domestic Debt

The stock of domestic debt increased by TZS 193.9 billion to TZS 2,771.9 billion from the amount recorded at the end of the previous quarter, mainly due to high issuance of Government bonds. Out of the domestic debt stock, Government securities accounted for 99.7 percent and the remaining portion was other debts ([Table 3.3](#)).

Table 3.3: Government Domestic Debt by Instruments

	Billions of TZS					
	Jun-09	Share (%)	Mar-10	Share (%)	Jun-10	Share (%)
Government Securities	2,254.1	99.6	2,569.8	99.7	2,763.7	99.7
Treasury Bills	284.7	12.6	283.4	11.0	285.0	10.3
Government Stocks	310.3	13.7	257.9	10.0	258.7	9.3
Government Bonds	1,659.0	73.3	2,028.4	78.7	2,219.9	80.1
Tax Certificates	0.1	0.0	0.1	0.0	0.1	0.0
Other Gov't Debt	8.3	0.4	8.3	0.3	8.3	0.3
Mabibo Hostel	8.2	0.4	8.2	0.3	8.2	0.3
Others	0.0	0.0	0.0	0.0	0.0	0.0
Total Dom. Debt	2,262.3	100.0	2,578.0	100.0	2,772.0	100.0
Interest Arrears	0.1	0.0	0.0	0.0	0.0	0.0
Total Dom. Debt Stock	2,262.4	100.0	2,578.0	100.0	2,772.0	100.0

Source: Bank of Tanzania

Domestic Debt Borrowing and Service

Between April and June 2010, new domestic debt issued amounted to TZS 346.6 billion, out of which, TZS 106.0 billion were Treasury bills and TZS 240.6 billion were Treasury bonds. Domestic debt service amounted to TZS 222.7 billion, out of which, interest amounting to TZS 64.9 billion was paid out of government revenue, while principal amounting to TZS 157.8 billion was rolled over.

4.0 EXTERNAL SECTOR DEVELOPMENTS

Current Account

During the quarter ending June 2010, the current account recorded a deficit of USD 902.2 million compared to a deficit of USD 712.3 million recorded during the previous quarter. The widening of the deficit was largely due to low official transfers and export of goods ([Table 4.1](#)).

Table 4.1: Tanzania Current Account Balance

Item	Millions of USD			Percent Change
	2009 ^P	2010 ^P		
	Apr - Jun	Jan- Mar	Apr - Jun	
Goods Account (Net)	-696.5	-864.5	-945.0	9.3
Exports f.o.b.	517.8	799.6	753.2	-5.8
Imports f.o.b.	1,214.3	1,664.1	1,698.3	2.0
Services Account (Net)	13.6	11.7	63.6	445.4
Receipts	386.6	434.6	443.7	2.1
Payments	373.0	423.0	380.1	-10.1
Goods and Services (Net)	-682.9	-852.8	-881.4	3.4
Exports of Goods and Services	904.4	1,234.3	1,197.0	-3.0
Imports of Goods and Services	1,587.4	2,087.1	2,078.4	-0.4
Income Account (Net)	-11.8	-12.9	-38.9	202.4
Receipts	38.6	35.0	32.2	-7.8
Payments	50.4	47.8	71.1	48.8
Current transfers (Net)	73.3	153.4	18.2	-88.2
Inflows	89.5	176.2	41.4	-76.5
<i>o/w Official transfers</i>	64.3	148.3	16.6	-88.8
Outflows	16.2	22.8	23.2	1.9
Current Account Balance	-621.5	-712.3	-902.2	26.7

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

Source: Bank of Tanzania, TRA

Exports

Goods worth USD 753.2 million were exported during the quarter ending June 2010, being lower than USD 799.6 million recorded in the preceding quarter, largely due to decline in value of traditional exports ([Table 4.2](#)). Traditional exports decreased as a result of a decline in export volumes of most of the crops and export prices mainly of cotton, tea, tobacco, cashew-nuts and cloves. The decline in volumes is largely attributed to the seasonality factors for most of the traditional crops. In contrast, non-traditional exports increased due to improved performance of export of manufactured goods and gold.

Table 4.2: Tanzania: Exports by Type of Commodity

Commodity	Millions of USD			Percent Change
	2009 ^p Apr - Jun	2010 ^p Jan - Mar Apr - Jun		
Traditional Exports	77.5	159.7	54.2	-66.1
Non-Traditional Exports:	440.4	640.0	699.1	9.2
Minerals	236.9	347.2	362.0	4.3
Gold	224.1	338.1	347.8	2.9
Diamond	8.5	3.8	3.5	-7.9
Other minerals	4.3	5.3	10.7	101.9
Manufactured Goods	94.3	148.9	202.8	36.2
Cotton Yarn	0.7	4.1	1.6	-61.0
Manufactured Coffee	0.0	0.1	0.1	0.0
Manufactured Tobacco	1.1	1.4	1.6	14.3
Sisal Products (Yarn & Twine)	1.5	2.1	1.9	-9.5
Other manufactured Goods	91.0	141.2	197.6	39.9
Fish and Fish Products	27.5	36.0	32.0	-11.1
Horticultural products	8.4	9.9	7.6	-23.2
Others Exports	62.5	66.1	76.6	15.9
Re-exports	10.8	31.9	18.1	-43.3
GRAND TOTAL	517.9	799.7	753.3	-5.8

Notes: P = Provisional data

Source: Bank of Tanzania and Tanzania Revenue Authority

Imports

During the quarter ending June 2010, import of goods amounted to USD 1,698.3 million compared with USD 1,664.1 million recorded in the previous quarter largely due to increase in importation of intermediate goods particularly fertilizers, oil and industrial raw materials. Consumer goods import also increased, whereas capital goods import declined ([Table 4.3](#)).

Table 4.3: Tanzania: Goods Imports

Import Category	Millions of USD			
	2009 ^P	2010 ^P		Percent
	Apr - Jun	Jan - Mar	Apr - Jun	Change
CAPITAL GOODS	568.5	635.6	555.6	-12.6
Transport Equipment	172.0	187.6	175.3	-6.6
Building and Construction Equipment	100.9	143.5	121.6	-15.3
Machinery	295.7	304.5	258.7	-15.0
INTERMEDIATE GOODS	329.2	668.5	750.0	12.2
Oil imports	227.2	525.0	587.1	11.8
Fertilizers	9.7	9.7	17.1	75.7
Industrial Raw materials	92.2	133.8	145.8	9.0
CONSUMER GOODS	316.7	360.1	392.7	9.1
Food and foodstuffs	96.3	120.2	103.2	-14.1
All other consumer goods	220.4	239.9	289.5	20.7
GRAND TOTAL (F.O.B)	1214.3	1664.1	1698.3	2.0

Note: Oil imports refers to refined petroleum products

P = Provisional data

Source: Bank of Tanzania, TRA

Services and Income Account

Services account recorded a surplus of USD 63.6 million compared to USD 11.7 million registered in the preceding quarter largely due to a decrease in services payment, particularly travel. Conversely, income account recorded a deficit of USD 38.9 million in the quarter ending June 2010 higher than the deficit of USD 12.9 million registered in the previous quarter due to a three-fold increase in interest payments to USD 18.3 million compared with levels recorded in the preceding quarter ([Table 4.4](#)).

Table 4.4: Tanzania: Services and Income Account

		Millions of USD				
		2009 ^P	2010 ^P		Percent change	
		Apr - Jun	Jan - Mar	Apr - Jun	Jan-Mar 10 to Apr-Jun 10	Apr-Jun 09 to Apr-Jun 10
A. Services Account	Net	13.6	11.7	63.6	443.6	367.6
	Receipt	386.6	434.6	443.7	2.1	14.8
	Payment	373.0	423.0	380.1	-10.1	1.9
B. Income Account	Net	-11.8	-12.9	-38.9	201.6	229.7
	Receipt	38.6	35.0	32.2	-8.0	-16.6
	Payment	50.4	47.8	71.1	48.7	41.1
	<i>o/w Interest Payment</i>	8.8	6.2	18.3	195.2	108.0

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

Note: P = provisional figures

World Commodity Prices

During the quarter ending June 2010, world market prices of most of selected commodities recorded increases (**Table 4.5**). The rise in coffee prices was largely on account of a decrease in supply following prolonged drought, particularly in El Salvador, Guatemala, Honduras and Mexico. Price of cotton increased largely on account of shortfalls in production in key cotton growing countries, particularly China. Prices of crude oil, white petroleum products and gold also increased. The increase in gold price was largely due to strong investment demand. Conversely, improvement in weather condition in Kenya increased tea production, and thus, exerting a downward pressure on tea prices.

Table 4.5: World Commodity Prices

Commodity	Units	2009	2010		Percent Change	
		Apr-Jun	Jan-Mar	Apr-Jun	Jan-Mar 10 to Apr- Jun 10	Apr-Jun 09 to Apr- Jun 10
Robusta Coffee	USD/kg	1.65	1.51	1.61	6.62	-2.42
Arabica Coffee	USD/kg	3.20	3.54	3.92	10.84	22.50
Tea (Average price)	USD/kg	2.66	2.79	2.75	-1.61	3.20
Tea (Mombasa Auction)	US /kg	2.28	2.86	2.39	-16.47	4.78
Cotton, "A Index"	USD/kg	1.32	1.79	1.98	10.46	49.62
Cotton, "Memphis"	USD/kg	1.38	1.84	2.00	8.93	45.45
Sisal (UG)	USD/metric ton	1,213.00	850.00	850.00	0.00	-29.93
Cloves	USD/metric ton	3,945.56	4,616.67	4,720.00	2.24	19.63
Crude oil*	USD/barrel	59.19	77.06	78.18	1.45	32.08
Crude oil**	USD/barrel	58.93	75.86	77.98	2.80	32.33
White products***	USD/ton	533.80	672.89	699.32	3.93	31.01
Jet/Kerosene	USD/ton	521.56	673.88	705.08	4.63	35.19
Premium Gasoline	USD/ton	583.35	713.51	722.46	1.25	23.85
Heat Oil	USD/ton	496.50	631.28	670.42	6.20	35.03
Gold	USD/troy ounce	922.00	1,109.00	1,196.00	7.84	29.72

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: <http://www/Worldbank.org/Prospects>, World Bank Public Ledger, Bloomberg

5.0 ECONOMIC DEVELOPMENT IN ZANZIBAR

Procurement of Major Export Crops

During the quarter ending June 2010, procurement of main traditional export crops increased to 3,806.7 tons from 2,542.2 tons recorded during the corresponding quarter in 2009 (Table 5.1). Notwithstanding these developments, clove procurement dropped significantly mainly attributed to poor performance of the short rains and smuggling of the crop to the neighboring countries. Seaweed procurement amounted to 3,800 tons compared with 2,505 tons recorded in the corresponding quarter a year earlier.

Table 5.1: Zanzibar: Procurement of Major Export Crops

Crop	2004	2005	2006	2007	2008	2009 ^P	Tons		
							Apr - Jun		
							2009	2010 ^P	% Change
Cloves	4,097.6	3,266.7	3,156.7	1,085.6	4,007.0	3,536.0	26.5	6.4	-75.8
Clove stems	476.0	350.6	129.0	226.5	345.4	445.0	10.74	0.3	-97.2
Seaweed	7,184.4	7,361.8	7,543.1	8,485.0	11,177.0	10,248.0	2,505.0	3,800.0	51.7
Total	11,758.0	10,979.1	10,828.8	9,797.1	15,529.4	14,229.0	2,542.2	3,806.7	49.7

Notes: P = Provisional data

Source: Office of Chief Government Statistician (OCGS)

Manufacturing Sector

Production of tapes and gold jewelry declined at varying degrees compared to production levels recorded in the corresponding period in 2009 (Table 5.2). Beverage production increased by 69.2 percent to 4.8 million liters due to an increase in production of mineral water. Production of bread and noodles also increased in line with demand.

Table 5.2: Zanzibar - Production of Selected Industrial Commodities

Commodity	Unit	2008	2009 ^P	Apr - June		
				2009	2010 ^P	% Change
				Beverages*	Litres "000"	12,780
Breads	No. "000"	102,050	105,531	25,981	29,500	13.5
Noodles	Kgs	71,072	75,600	17,200	20,420	18.7
Video/Audio tapes	Cartons	61,167	30,742	8,211	5,600	-31.8
Dish Dash Fashion (Clothes)	Pcs	3,778	4,392	782	812	3.8
Jewellery (Gold)	Grams	7,526	9,710	248	215	-13.3

Notes: P = Provisional data

* Includes mineral water, soda and juice.

Source: Office of Chief Government Statistician (OCGS)

Inflation Developments

The average headline inflation for the quarter ending June 2010, decelerated to 5.6 percent from 6.4 percent recorded in the previous quarter, largely due to a decline in food inflation ([Table 5.3](#)). Food inflation declined to 5.3 percent from 8.0 percent in March 2010, mainly on account of a decrease in rice prices. In contrast, non-food inflation accelerated to 6.3 percent from 4.4 percent recorded during the January to March 2010 period.

Table 5.3: Quarterly Average Inflation

Base: Dec.2005

Sub-Group	Weight (%)	Quarter Ending					
		2009				2010	
		Mar	June	Sept	Dec	Mar	June
Food	57.4	17.8	8.2	7.6	6.7	8.0	5.3
Non-Food	42.6	16.1	10.2	-0.3	0.9	4.4	6.3
Alcoholic beverages, tobacco & narcotics	0.6	19.7	17.8	10.3	21.8	26.1	26.9
Clothing and footwear	6.2	7.8	8.2	5.9	4.7	5.0	5.0
Housing, water, electricity, gas and other fuels	15.6	28.4	21.5	-2.5	-1.0	2.7	4.7
Furnishing, household equipment and routine household maintenance	5.3	12.5	8.4	6.5	5.1	3.6	3.1
Health	2.1	12.5	9.6	6.7	6.2	10.2	10.9
Transport	3.4	14.4	-4.0	-14.2	-11.1	-4.5	6.3
Communication	2.4	-0.1	0.0	0.5	0.0	0.0	0.0
Recreation and culture	0.4	2.8	3.7	4.3	4.2	4.5	5.0
Education	1.1	5.3	5.0	4.5	3.9	13.9	12.6
Restaurants and hotels	3.1	15.0	10.4	9.3	13.8	11.7	16.6
Miscellaneous goods & services	2.4	13.3	8.2	13.0	12.8	8.0	3.4
Headline/Overall	100.0	17.4	9.6	4.9	4.8	6.4	5.6

Source: Office of Chief Government Statistician (OCGS)

Budgetary Operations

Government budgetary operations on cheques issued basis registered a deficit after grants of TZS 36.4 billion during the quarter ending June 2010. The deficit after adjustment to cash narrowed to TZS 20.5 billion compared with a deficit of TZS 11.3 billion recorded during the preceding quarter. The budget deficit was financed from foreign sources.

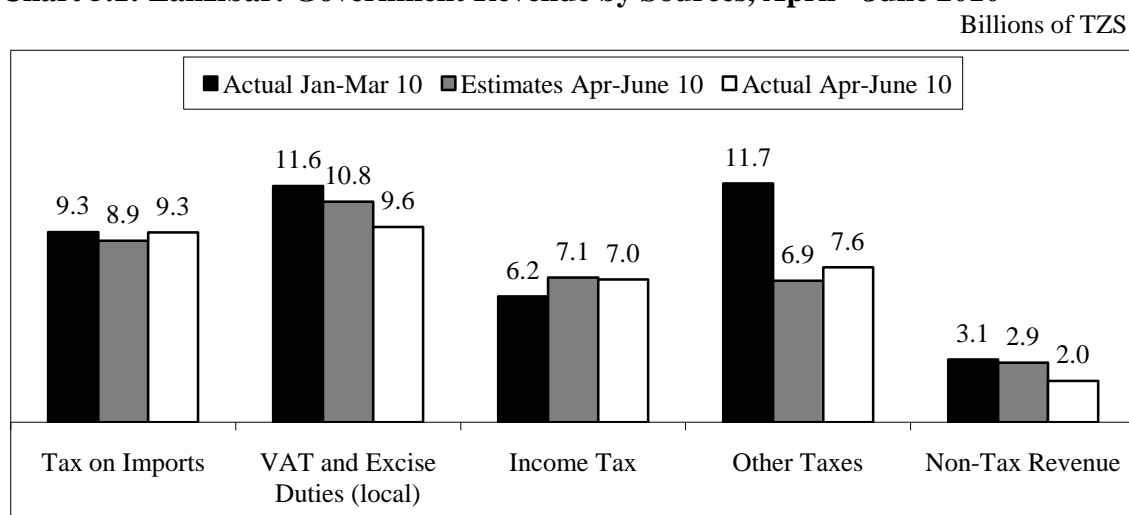
Total resources amounted to TZS 47.9 billion, of which TZS 35.4 billion was domestic revenue and the remaining portion was grants. Domestic revenue was below the target of TZS 36.6 billion for the quarter. Government expenditure was TZS 84.4 billion below the estimated TZS 92.2 billion for the quarter, mainly due to shortfall in donor inflows.

Revenue Performance

Analysis of total revenue collections reveals that, tax revenue amounted to TZS 33.4 billion, or 94.4 percent of the total revenue collections and was below the quarterly target of TZS 33.7 billion. Non-tax revenue was TZS 2.0 billion, being below the target of TZS 2.9 billion for the quarter.

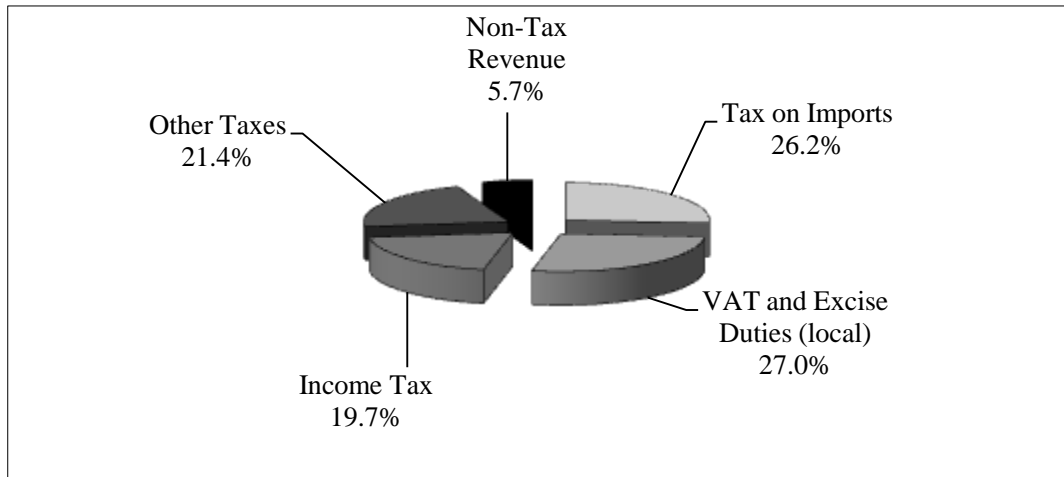
With the exception of tax on imports and other taxes, all remaining revenue categories underperformed during the review period (**Chart 5.1**). VAT and excise duties, was below the target due to a decline in business activities partly associated with low tourism season. Tax on imports and 'other taxes' over performed, mainly on account of increased taxable imports and collection of tax arrears, respectively. **Chart 5.2** depicts the share contribution of various tax categories, and it is evident that VAT and Excise duties contributed the largest share.

Chart 5.1: Zanzibar: Government Revenue by Sources, April - June 2010



Source: Ministry of Finance and Economic Affairs, Zanzibar.

Chart 5.2: Zanzibar: Government Revenue by Sources, Percentage Share to Total Revenue, April - June 2010



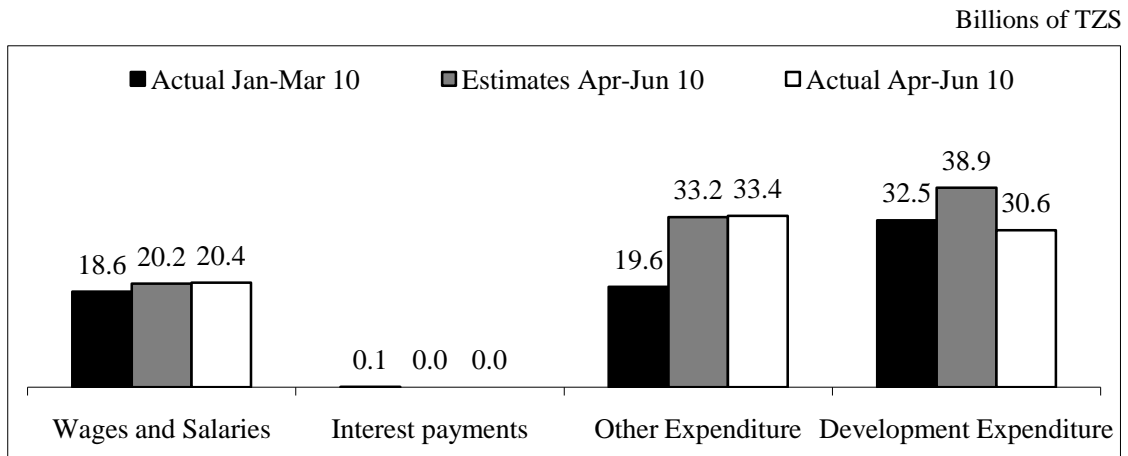
Source: Ministry of Finance and Economic Affairs, Zanzibar.

Expenditure Developments

Total recurrent expenditure amounted to TZS 53.8 billion, and was slightly above the estimate of TZS 53.4 billion for the quarter. Out of the total recurrent expenditure, wages and salaries accounted for 37.9 percent.

Meanwhile, development expenditure amounted to TZS 30.6 billion, below the estimate of TZS 38.9 billion for quarter (Chart 5.3). Out of the development expenditure, TZS 22.5 billion or 73.5 percent was financed from foreign sources, but was below the projected quarterly amount of TZS 31.7 billion.

Chart 5.3: Zanzibar: Government Expenditure by Component, January - June 2010.



Source: Ministry of Finance and Economic Affairs, Zanzibar.

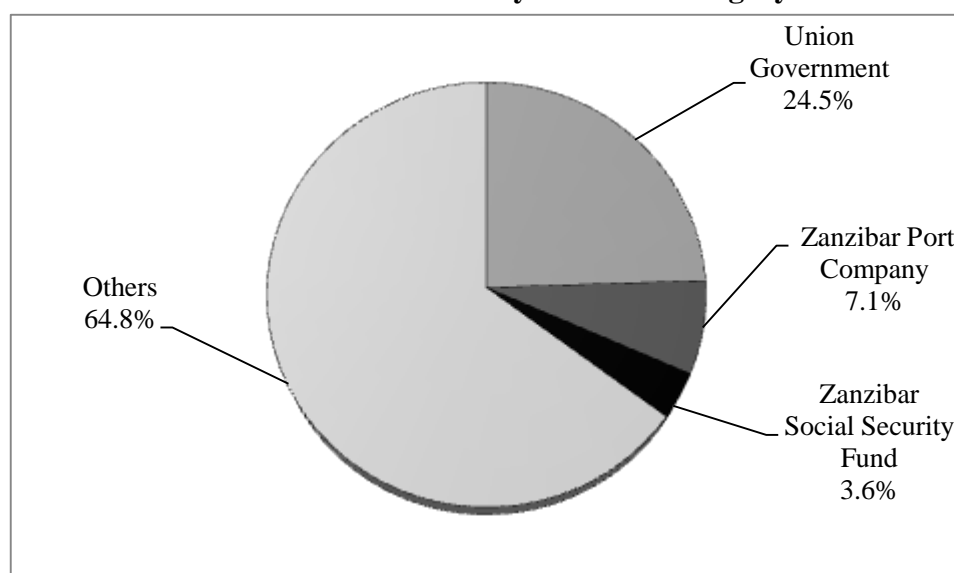
Debt Developments

Zanzibar total debt stock, during the quarter ending June 2010, stood at USD 101.8 million, compared with USD 108.4 million registered at the end of the preceding quarter. Total external debt amounted to USD 61.5 million, equivalent to 60.4 percent of the total debt, while domestic debt stood at USD 40.3 million and accounted for 39.6 percent of the total debt.

Domestic Debt

The stock of domestic debt declined to TZS 55.6 billion, from TZS 61.2 billion registered at the end of March 2010, mainly attributed to repayment of debt owed to public corporations and payment of outstanding gratuities to retirees. The profile of the domestic debt by creditor category is summarized in [Chart 5.4](#).

Chart 5.4: Zanzibar: Domestic debt by Creditor Category as at end-June 2010



Source: Ministry of Finance and Economic Affairs Zanzibar.

Meanwhile, the profile of the domestic debt by instrument category shows that Treasury bonds was dominant, followed by government loans and Treasury bills ([Table 5.4](#)).

Table 5.4: Zanzibar: Domestic Debt by Instruments

Instrument	Quarter Ending					% of Total Jun 10	Percent Change	
	2009			2010			Mar-10 to Jun-10	Jun-09 to Jun-10
	Jun	Sep	Dec	Mar	Jun			
Government loans	18,158.8	18,158.8	18,158.8	18,158.8	16,891.9	30.4	-7.0	-7.0
Government stocks	7,904.2	7,904.2	6,404.2	6,404.2	2,654.2	4.8	-58.6	-66.4
Treasury bills	6,482.2	6,642.5	6,642.5	6,500.0	6,500.0	11.7	0.0	0.3
Treasury bonds	17,178.5	17,178.5	17,178.5	25,452.5	25,452.5	45.8	0.0	48.2
Other Instruments*	7,823.7	7,712.6	6,025.5	4,719.8	4,084.6	7.3	-13.5	-47.8
TOTAL	57,547.3	57,596.5	54,409.4	61,235.3	55,583.2	100.0	-9.2	-3.4

Notes: * Others - mainly government suppliers and gratuity claims.

Source: Ministry of Finance and Economic Affairs

Classification of the domestic debt by maturity indicates that debt with ‘undetermined maturity’ (predominantly gratuity and supplier’s claims) amounted to TZS 22.6 billion or 40.7 percent of the total domestic debt, while debt maturing in less than one year was the lowest ([Table 5.5](#)).

Table 5.5: Zanzibar: Domestic Debt by Maturity

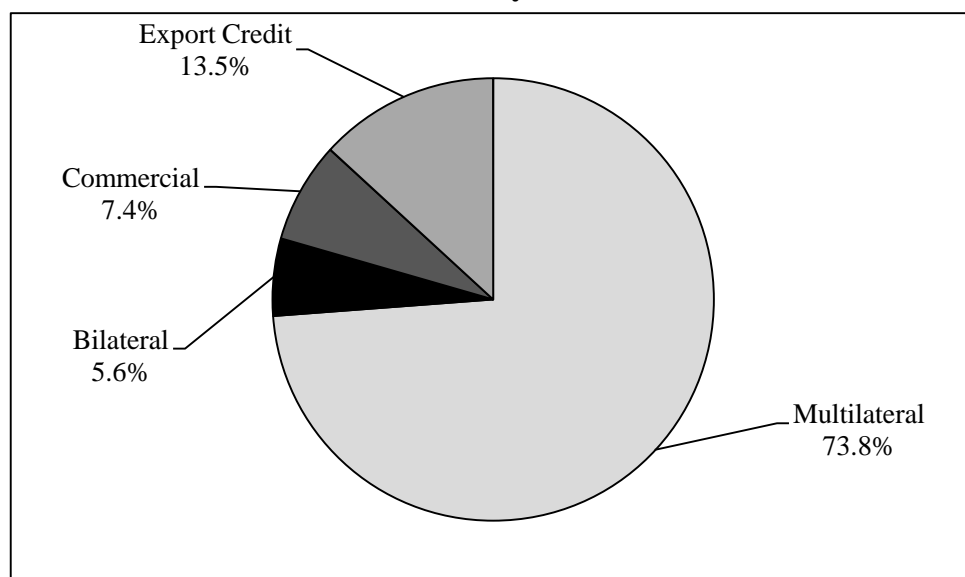
Period	Quarter Ending					% of Total Jun-10	Percent Change	
	2009			2010			Mar-10 to Jun-10	Jun-09 to Jun-10
	Jun	Sep	Dec	Mar	Jun			
Less than 1 year	6,482.2	6,642.5	6,643.5	6,500.0	11,500.0	20.7	76.9	77.4
2-5 Years	20,178.5	20,178.5	20,178.5	28,452.5	21,452.5	38.6	-24.6	6.3
Undetermined	30,886.7	30,775.5	27,586.4	26,282.8	22,630.7	40.7	-13.9	- 26.7
TOTAL	57,547.3	57,596.5	54,408.4	61,235.3	55,583.2	100.0	-9.2	- 3.4

Source: Ministry of Finance and Economic Affairs.

External Debt

As at the end of June 2010, out of the external debt stock of USD 61.5 million, debt guaranteed by the Union Government amounted to USD 46.1 million, while non-guaranteed debt was USD 15.4 million. Meanwhile, the profile of the external debt by creditor category shows that multilateral creditors’ debt was dominant followed by export credits, while bilateral creditors’ debt was the least ([Chart 5.5](#)).

Chart 5.5: Zanzibar: External Debt by Creditor as at end-June 2010



Source: Ministry of Finance and Economic Affairs Zanzibar.

The structure of the external debt by maturity indicates that 65.2 percent matures beyond 20 years, while 26.0 percent of the debt matures between 5 to 10 years ([Table 5.6](#)).

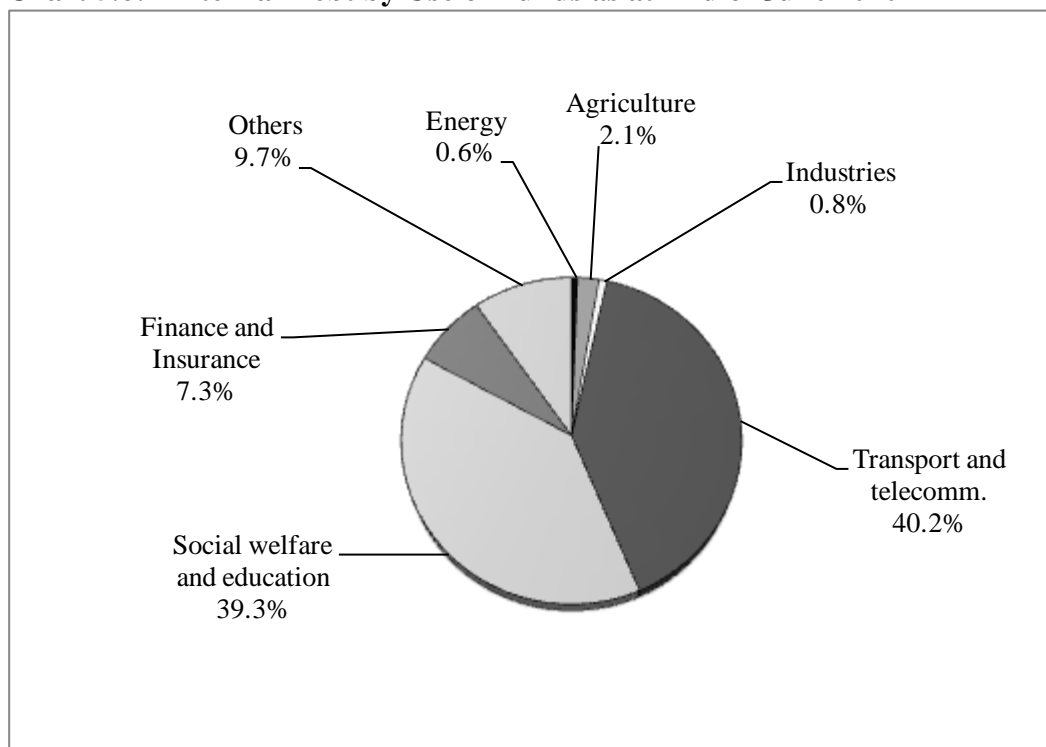
Table 5.6: Zanzibar: External Debt by Maturity

Period	Quarter Ending					% Total Jun-10	Percent Change	
	2009			2010			Mar-10 to Jun-10	Jun-09 to Jun-10
	Jun	Sep	Dec	Mar	Jun			
5-10 Years	16.3	16.4	9.3	16.2	16.0	26.0	-1.3	-2.3
10-20 Years	5.5	5.5	5.5	5.5	5.5	8.9	-1.3	-1.3
>20 Years	40.3	41.1	41.7	40.6	40.1	65.2	-1.4	-0.5
TOTAL	62.1	63.0	56.6	62.3	61.5	100.0	-1.4	-1.0

Source: Ministry of Finance and Economic Affairs, Zanzibar.

External debt by use of funds indicates that transport and telecommunications received the largest share (40.2 percent), followed by social welfare and education (39.3 percent), while the energy received the least ([Chart 5.6](#)).

Chart 5.6: External Debt by Use of Funds as at End of June 2010



Source: Ministry of Finance and Economic Affairs Zanzibar.

External Sector Developments

Current Account

During the quarter ending June 2010, the Zanzibar current account recorded a higher deficit of USD 1.4 million than a deficit of USD 0.8 million recorded during the preceding quarter, due to a decline in value of goods export and donor inflows. Trade account recorded a deficit of USD 17.2 million, slightly below a deficit of USD 18.8 million registered during the quarter ending March 2010, mainly due to a substantial decline in value of goods import ([Table 5.7](#)).

Table 5.7: Zanzibar: Current Account

Million of USD

Item	Quarter Ending					Percent Change	
	2009			2010 ^P		Mar-10 to	Jun-09 to
	Jun	Sep	Dec	Mar	Jun	Jun-10	Jun10
Goods Account (net)	-13.6	-16.0	-17.4	-18.8	-17.2	-8.5	26.5
Exports	5.2	9.2	6.2	3.3	2.6	-21.2	-50.0
Imports (fob)	18.8	25.2	23.6	22.1	19.8	-10.4	5.3
Services Account (net)	5.2	6.1	6.7	7.5	7.5	0.0	44.2
Receipts	24.2	24.9	25.0	25.6	25.1	-2.0	3.7
Payments	19.0	18.9	18.3	18.1	17.7	-2.2	-6.8
Goods and Services (net)	-8.4	-10.0	-10.7	-11.3	-9.7	-14.2	15.5
Exports of Goods and Services	29.4	34.1	31.2	28.9	27.7	-4.2	-5.8
Imports of Goods and Services	37.8	44.1	42.0	40.3	37.5	-6.9	-0.8
Income Account (net)	-2.0	-1.9	-1.7	-1.2	-0.7	-41.7	-65.0
Receipts	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Payments	2.1	2.0	1.8	1.3	0.8	-38.5	-61.9
Current Transfers (net)	4.5	34.9	10.7	11.7	9.0	-23.1	100.0
Donor Inflows	4.5	34.9	10.7	11.7	9.0	-23.1	100.0
Outflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Account Balance	-5.9	23.0	-1.8	-0.8	-1.4	75.0	-76.3

Notes: P = provisional

Source: Tanzania Revenue Authority and Bank of Tanzania

Exports

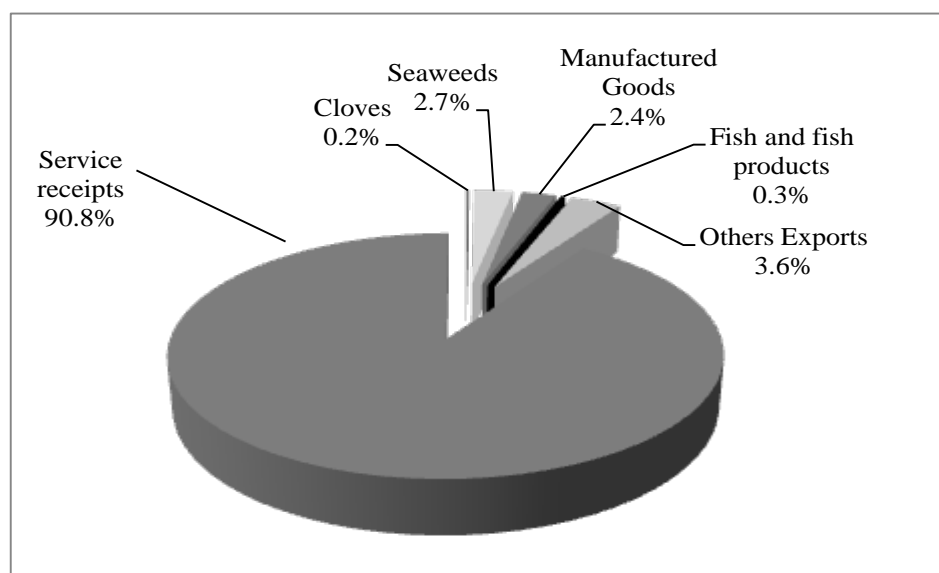
During the period under review, export of goods and services amounted to USD 27.7 million, being below USD 28.9 million registered during the quarter ending March 2010 largely on account of decline in both merchandise export and service receipts ([Table 5.7](#)). The decline in value of merchandise export was mainly attributed to a fall in value of clove export. In contrast, export values of sea-weed increased slightly, while fish and other exports (Zanzibar souvenirs) remained unchanged ([Table 5.8](#)). The percentage shares by export categories are depicted in [Chart 5.7](#).

Table 5.8: Zanzibar: Exports by type of Commodity

Commodity	Quarter Ending					Percent Change	
	2009			2010 ^P		Mar-10 to Jun-10	Jun-09 to Jun-10
	Jun	Sep	Dec	Mar	Jun		
Traditional Exports:							
Cloves							
Value	2.0	5.2	2.6	0.6	0.1	-83.3	-95.0
Volume (000 tons)	0.6	1.5	0.7	0.2	0.0	-100.0	-100.0
Unit Price (USD/ton)	3545.8	3520.5	3545.2	3946.2	3500.0	-11.3	-1.3
Sub-Total	2.0	5.2	2.6	0.6	0.1	-83.3	-95.0
Non-Traditional Exports:							
Seaweeds							
Value	0.6	0.8	0.7	0.7	0.8	14.3	33.3
Volume (000 tons)	2.4	2.8	2.8	3.0	3.0	0.0	-25.0
Unit Price (USD/ton)	262.2	282.6	266.5	254.2	248.4	-2.3	-5.3
Manufactured Goods	1.2	1.4	1.3	0.9	0.7	-22.2	-41.7
Fish and Fish Produce	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Others Exports	1.4	1.7	1.5	1.0	1.0	0.0	-28.6
Sub Total	3.2	4.0	3.6	2.7	2.5	-7.4	-21.9
GRAND TOTAL	5.2	9.2	6.2	3.3	2.6	-21.2	-50.0

Notes: P = Provisional data

Source: Tanzania Revenue Authority

Chart 5.7: Zanzibar: Goods and Services exports, Percentage share to total, April - June 2010

Imports

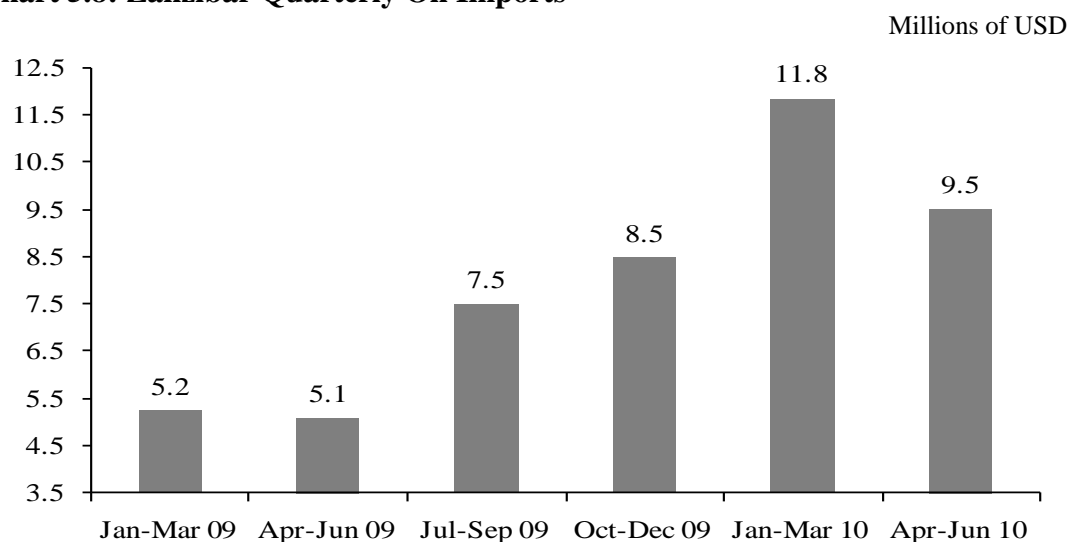
During the period under review, merchandise imports (c.i.f.) amounted to USD 21.8 million, below USD 24.3 million recorded in the quarter ending March 2010, mainly on account of a decline in all import categories ([Table 5.9](#) and [Chart 5.8](#)).

Table 5.9: Zanzibar: Imports by Major Categories

Import Category	Quarter Ending					Percent Change	
	2009			2010 ^P		Mar-10 to Jun-10	Jun-09 to Jun-10
	Jun	Sep	Dec	Mar	Jun		
Capital Goods	7.9	12.7	10.3	7.7	7.3	-5.2	-7.6
Transport Equipments	3.9	7.0	5.3	3.5	3.5	0.0	-10.3
Building and Constructions	1.8	1.9	1.9	1.8	1.8	0.0	0.0
Machinery	2.2	3.9	3.1	2.4	2.1	-12.5	-4.5
Intermediate Goods	7.0	9.1	10.1	12.6	10.5	-16.7	50.0
Oil imports	5.1	7.5	8.5	11.8	9.5	-19.5	86.3
Industrial raw materials	1.9	1.6	1.7	0.8	1.0	25.0	-47.4
Consumer Goods	5.8	5.8	5.5	4.0	3.9	-2.5	-32.8
Food and food stuffs	2.5	1.9	2.0	1.6	1.8	12.5	-28.0
All other consumer goods	3.2	3.9	3.5	2.4	2.2	-8.3	-31.3
Grand Total (c.i.f.)	20.6	27.7	25.9	24.3	21.8	-10.3	5.8
Grand Total (f.o.b.)	18.8	25.2	23.6	22.1	19.8	-10.4	5.3

Notes: P = Provisional data

Source: Tanzania Revenue Authority

Chart 5.8: Zanzibar Quarterly Oil Imports

Services and Income Account

During the period under review, the services account registered a surplus of USD 7.5 million, same level as recorded in the preceding quarter. Services receipt amounted to USD 25.1 million, while payments was USD 17.7 million (**Table 5.10**).

Table 5.10: Zanzibar: Services and Income Account

Item		Quarter Ending					Millions of USD	
		2009			2010 ^P		Percent Change	
		Jun	Sep	Dec	Mar	Jun	Mar-10 to Jun-10	Jun-09 to Jun-10
A. Services Account	Net	5.2	6.1	6.7	7.5	7.5	0.0	44.2
	Receipt	24.2	24.9	25.0	25.6	25.1	-2.0	3.7
	Payment	19.0	18.9	18.3	18.1	17.7	-2.2	-6.8
B. Income Account	Net	-2.0	-1.9	-1.7	-1.2	-0.7	-41.7	-65.0
	Receipt	0.1	0.1	0.1	0.1	0.1	0.0	0.0
	Payment	2.1	2.0	1.8	1.3	0.8	-38.5	-61.9

Notes: P = provisional data

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

6.0 ECONOMIC DEVELOPMENTS IN EAC AND SADC COUNTRIES

During the quarter ending June 2010, inflation in the East African Community (EAC) region eased to an average of 5.9 percent, from 6.3 percent recorded in the preceding quarter. All EAC member states registered single digit inflation rates with Kenya, Rwanda and Uganda recording the lowest inflation rates of below 5 percent (Table 6.1). However, inflation rates in Rwanda and Burundi increased when compared to the preceding quarter on account of acceleration in both food and non-food inflation.

In the SADC region, the average rate of inflation slightly increased to 5.3 percent from 5.2 percent recorded in the previous quarter, mainly driven by inflation rates in Botswana and Zimbabwe which accelerated largely due to increases in prices of food and non alcoholic beverages. However, inflation eased in other member states as food prices declined. With the exception of Angola, all other SADC member states registered single digit inflation rates with Lesotho, Mauritius, Mozambique, South Africa, Namibia and Swaziland recording inflation rates of below 5 percent.

Table 6.1: EAC and SADC Countries Economic Indicators

Country	Real Growth Rate in %				Inflation Rate in %					
	2006	2007	2008	2009	2009				2010	
					Q1	Q2	Q3	Q4	Q1	Q2
Tanzania	6.7	7.1	7.4	6.0	13.1	11.3	11.7	12.5	9.8	8.2
Kenya	6.3	7.1	1.6	2.6	24.3	21.1	18.0	5.7	4.6	3.7
Uganda	5.5	7.7	7.0	5.8	14.4	12.7	12.8	12.1	8.2	4.9
Burundi	5.1	3.6	4.5	3.9	n.a	6.9	7.8	5.8	5.6	8.6
Rwanda	9.2	7.7	11.6	6.0	19.2	12.1	6.3	5.8	3.0	4.0
Angola	18.6	20.3	16.4	2.7	13.5	13.8	13.9	13.7	13.8	13.8
Botswana	5.1	4.8	3.1	-3.7	11.6	8.5	6.4	5.9	6.1	7.5
Lesotho	6.6	2.3	4.4	2.0	10.3	8.8	5.7	4.2	4.2	4.0
Malawi	4.7	7.9	9.7	7.7	9.8	8.8	7.8	7.4	8.1	7.8
Mauritius	4.7	5.4	5.6	2.8	8.9	7.4	5.2	3.0	2.1	1.8
Mozambique	8.5	7.3	6.5	6.3	8.1	3.4	1.6	2.7	1.7	1.6
Namibia	4.6	3.8	2.7	-1.1	11.5	9.6	7.4	6.9	6.1	4.7
Seychelles	9.5	9.6	-1.3	0.7	50.2	45.8	33.1	7.9	-3.7	-4.1
South Africa	5.6	5.5	3.7	-1.8	8.4	7.8	6.4	6.0	5.7	4.5
Swaziland	3.3	3.5	2.4	0.4	11.5	8.2	5.8	4.6	4.8	4.5
Zambia	6.2	6.2	5.7	6.3	14.4	14.5	13.8	11.2	9.9	8.7
Zimbabwe	-3.8	-3.6	-4.3	5.1	-2.8	-0.5	0.3	-2.3	-0.7	5.4
EAC Average	6.6	6.6	6.4	4.9	17.8	12.8	11.3	8.4	6.3	5.9
SADC Average	6.2	6.2	4.8	2.6	13.0	11.3	9.2	6.4	5.2	5.3

Source: Respective National Statistical Offices

Note: 1. Economic indicators for Democratic Republic of Congo and Madagascar not available
2. n.a refers to not available, Q refers to Quarter

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
-----------	--------------------	-------------

Public Relations & Protocol Department

J. B. Kimaro	Manager	022 2233166/7
--------------	---------	---------------

Financial Sector Stability Department

C. L. Kiliaki	Manager	022 223 3160/1
---------------	---------	----------------

Conference and Events Management Department

P. F. Mlozi	Manager	022 223 3398/9
-------------	---------	----------------

2. DIRECTORATE OF STRATEGIC PLANNING AND PERFORMANCE REVIEW

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

Strategic Planning Department

A. V. Haule	Manager	022 2233425/6
-------------	---------	---------------

Technical Assistance Program Coordination Department

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

Organization and Methods Department

F. N. Kazimoto	Manager	022 2233475/6
----------------	---------	---------------

3. DEPOSIT INSURANCE BOARD

B. N. Msami	Director	022 2235389/90
-------------	----------	----------------

Finance and Administration Department

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
--------------	---------	----------------

Board Services & Exchange Management Department

Y. E. Tongola	Manager	022 2233242/3
---------------	---------	---------------

Legislation Department

N. D. Mukirya	Manager	022 2233248/9
---------------	---------	---------------

Litigation Department

M. K. Ismail	Manager	022 2233225/6
--------------	---------	---------------

15. BANK OF TANZANIA TRAINING INSTITUTE (MWANZA)

W. Mginwa	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 2545482
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

.....	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 signaling 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.

Other Depository Corporations (ODCs)

ODCs consist of all resident financial corporations and quasi-corporations, except the central bank, whose principal activity is financial intermediation and which have liabilities in the form of deposits or financial instruments which are close substitutes for deposits in mobilizing financial resources and which are included in measures of money broadly defined (SNA 1993).

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.