

**BANK OF TANZANIA**

**ECONOMIC BULLETIN  
FOR THE QUARTER ENDED  
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## 1.0 SUMMARY OF ECONOMIC CONDITIONS

The Tanzanian economy performed relatively well during 2002 as it recorded a substantially higher real **Gross Domestic Product (GDP)** growth rate of 6.2 percent, which was above the growth rates of 4.9 percent and 5.7 percent attained during 2000 and 2001 respectively. The higher growth rate of GDP was mainly driven by improved performance of the agriculture, mining, wholesale and retail trade sectors, though against a backdrop of deteriorating terms of trade, slowdown of the global economy and slump in travel and tourism activities occasioned by the current global security concerns. However during 2003, real GDP growth is projected to be slightly lower than the level attained during 2002, mainly due to unsatisfactory performance of the agricultural sector, arising from inadequate rains in most parts of the country that adversely affected agricultural production.

During the quarter ending September 2003, **Consumer Price Index (CPI)** inched up from 4.3 percent recorded in June 2002, to 4.5 percent on account of increases in food prices. Non-food inflation declined from an average rate of 5.4 percent recorded during the quarter ending June 2003 to 3.9 percent.

During the quarter ending September 2003, **Broad Money Supply (M2)** increased by TZS 90.7 billion, compared with an increase of TZS 56.6 billion recorded at the end of June 2003. The surge in M2 was mainly due to the increase in Net Foreign Assets (NFA) of the banking system, associated with donor funds inflows.

The **Interest rate structure** reveals a slight widening of the spread between lending and savings deposit rates from 11.6 percent, recorded during the quarter ending June 2003 to 12.0 percent.

During the quarter ending September 2003, the **External sector** performed poorly as the current account deficit widened further to USD 157.2 million, from a deficit of USD 99.3 million recorded during the quarter ending June 2003. The poor performance of the current account was due to the deterioration of the goods, services and income accounts. Official current transfers increased during the review period.

The **Tanzanian shilling on average depreciated** against the US dollar by 0.3 percent, moving from TZS 1040.5 per US dollar during the quarter ended June 2003 to TZS 1,043.7 per US dollar during the quarter ending September 2003. However, the depreciation of the shilling was notably lower compared with a depreciation of 2.4 percent recorded during the quarter ending June 2003.

The **overall central government budget deficit** (before grants) narrowed down to TZS 161.7 billion, from a deficit of TZS 235.4 billion recorded during the quarter ended June 2003. However, after considering grants amounting TZS 208.3 billion, the budget recorded a surplus of TZS 41.1 billion. Revenue collections amounted to TZS 343.9 billion, which was 2.0 percent above the quarterly target of TZS 336.3 billion. Total expenditure (excluding amortization) amounted to TZS 505.6 billion being 12.0 percent below the budgeted amount for the quarter.

Total **government debts** (domestic and external) stood at USD 8,215.7 million as at the end of September 2003, which was 1.3 percent higher than the debt stock of USD 8,109.7 million recorded during the quarter ended June 2003. The increase in debt stock was caused by new disbursements and accumulation of interest arrears.

During the first quarter of 2003/04, the **Tanzania Zanzibar Government budgetary** operations recorded an overall deficit before grants of TZS 5.3 billion. After considering grants, the overall deficit was reduced to TZS 1.2 billion.

During the quarter ending September 2003, the **Tanzania Zanzibar Trade Account** deteriorated to a deficit of USD 41.3 million. The deficit was much higher when compared with a deficit of USD 36.0 million recorded during the corresponding period in 2002. The deterioration in the trade account was attributed to increased imports relative to exports.

## **2.0 INTERNATIONAL OUTLOOK**

During the period July to September 2003, there were good signs of recovery of major world economies with positive growth rates being recorded in all economies while the US recording the highest rate. Unemployment rate also declined in almost all the countries except Canada, France and the Euro Zone. Conversely, inflation rates rose by 0.1 percentage points in all the countries, except in Canada where it declined. Inflation rate in Britain and Japan remained at the previous quarter levels.

The US economy grew by 8.2 percent during the quarter under review, more than twice the rate recorded during the preceding quarter. The exceptionally high record of growth was contributed by a combination of many factors including, increased consumer spending, a rise in real non-residential fixed investments and a rise in real exports. The rise in inflation rate during the quarter under review was largely associated with increase in gasoline and food prices. Unemployment rate declined slightly compared with the previous quarter level, thus reflecting increased job creation. With regard to interest rates, the Federal Reserve Bank maintained its Federal funds rate of 1.0 percent in belief that the current rate is providing substantial support to the recovery of economic activities in the US.

In the UK, the real GDP went up by 0.7 percent, compared with an increase of 0.6 percent recorded during the preceding quarter. The increase was largely attributed to a rise in output of manufacturing and services industries. Inflation rate and unemployment rates remained unchanged for a third consecutive quarter (Table 1.0). The Bank of England reduced interest rates by 0.25 percentage points as part of additional efforts to stimulate further consumer spending and private

investments. In the Euro Area, GDP growth rate unexpectedly went up by 0.4 percent, after declining by 0.1 percent a quarter earlier. Growth in Germany was largely driven by a rise in exports, while in France it was a result of increased household consumption and investments. Inflation rate particularly in Germany, Italy and France went up during the review quarter (Table 1.0) largely due to increase in oil prices in the world market as well as the rise in food prices, resulting from the adverse weather conditions that occurred in some countries in the Euro Area.

In Canada, the real GDP went up by 0.3 percent during the review quarter, after declining by 0.1 percent in the preceding quarter. The increase was largely attributed to the rise in consumer spending and business fixed capital formation, which in turn boosted final domestic demand. Inflation rate declined by 0.7 percentage points to 2.1 percent during the review quarter, largely on account of the fall in prices of electricity, automotive vehicles and traveller accommodation. Unemployment rate however remained high as firms and companies were reluctant to increase employment opportunities.

Economic activities in Japan picked up amid growing expectations that exports to US and China would continue to increase thus creating further momentum for economic recovery.

**TABLE 1.0: WORLD ECONOMIC INDICATORS**

Country	GDP Growth Rates (%)			Unemployment Rates (%)			Inflation Rates (%)			Key Interest Rates
	2003-Q1	2003-Q2	2003-Q3	2003-Q1	2003-Q2	2003-Q3	2003-Q1	2003-Q2	2003-Q3	
Britain	0.2	0.6	0.7	3.1	3.1	3.1	2.9	2.9	2.9	3.50
Germany	-0.2	-0.2	0.2	10.5	10.7	10.6	1.2	0.9	1.0	2.00
Japan	0.6	1.0	0.6	5.4	5.4	5.2	-0.2	-0.2	-0.2	0.00
USA	1.4	3.3	8.2	5.8	6.2	6.1	2.9	2.1	2.2	1.00
Italy	-0.2	-0.1	0.5	9.0	8.8	8.7	2.7	2.7	2.8	2.00
France	0.1	-0.3	0.4	9.2	9.4	9.6	2.4	1.9	2.0	2.00
Canada	0.5	-0.2	0.3	7.4	7.7	7.9	4.5	2.8	2.1	2.75
Euro Zone	0.0	-0.1	0.4	8.6	8.8	8.8	2.3	1.9	2.0	2.00

Source: **Bloomberg System**

## 3.0 REAL SECTOR AND PRICE DEVELOPMENTS

### 3.1 Overall Economic Development

The Tanzanian economy continued to maintain a good track record of growth since the Government renewed its efforts of implementing macroeconomic and structural reforms in the mid 1990s. Real GDP growth rate averaged 4.6 percent during 1996-2002, much higher compared with 2.7 percent recorded during 1990-1995 period. However, preliminary statistics indicate that, during the first half of 2003, GDP growth has decelerated to 4.7 percent, compared with a 5.3 percent growth rate recorded during the corresponding period in 2002. The slow down in overall economic growth during the first half of 2003 is attributable to unfavorable weather in most parts of the country that adversely affected production in the agricultural sector. As a result of inadequate food supplies during 2002/03, the overall inflation rate increased slightly to an average of 4.5 percent during July to September 2003, compared with an average of 4.3 percent recorded during April to June 2003.

**Table 3.1: Economic Growth in Percentages 1999 – 2003  
January – June**

Economic Activity	% Contribution	GDP Growth rate				
	2002	1999	2000	2001	2002	2003*
Agriculture, forestry, fishing & hunting	47.5	4.4	2.0	4.7	4.6	3.2
Mining and quarrying	2.7	9.0	10.4	10.7	10.5	10.0
Manufacturing	8.4	4.1	4.6	4.7	4.7	6.0
Electricity and water supply	1.6	2.7	6.6	1.8	3.7	5.2
Construction	5	8.9	7.8	6.8	9.3	8.9
Trade, restaurants and hotels	16.6	4.8	5.9	6.0	6.6	6.1
Transportation and communications	5.5	6.0	5.9	5.0	5.5	5.6
Public administration & other services	7.3	3.7	3.8	3.7	3.9	4.1
Finance, insurance & real estate	5.7	7.6	9.0	6.5	7.5	9.1
Less financial services indirectly measured	-4.7	3.1	1.4	2.0	2.8	3.5
<b>Growth in total GDP (at 1992 constant prices)</b>	<b>100.0</b>	<b>4.7</b>	<b>4.0</b>	<b>5.0</b>	<b>5.3</b>	<b>4.7</b>

Source: National Bureau Of Statistics

\* Provisional

## 3.2 Sectoral Developments

### 3.2.1 Primary Sector

During the first half of 2003, the agricultural sector, which commands the largest share of GDP grew at a slightly lower rate of 3.2 percent, compared with the rate of 4.6 percent recorded during the corresponding period in 2002. The decline in growth of the agricultural sector is a result of the fall in crop production, which is greatly influenced by weather. The preliminary statistics from the Crop Marketing Boards (Table 3.2a) indicate that during the quarter ending September 2003, production of traditional export crops declined by 11.8 percent to 232,517.0 tons from 263,740.0 tons recorded in the corresponding period in 2002, mainly on account of poor performance in coffee and cotton production. The prolonged dry weather during the months of January and February 2003 negatively affected the growth of cotton, while cooler weather conditions experienced in the coffee growing areas also affected negatively the rate of ripening of coffee cherries.

**Table 3.2: Procurement of traditional cash crops (Tons)**

Crop	July - September		%
	2002	2003	Change
Cashew nuts	1,797.4	2,108.6	17.3
Coffee	28,242.0	22,403.7	-20.7
Cotton	174,768.0	139,532.0	-20.2
Sisal	16,263.4	17,350*	6.7
Tobacco	26,192.4	32,759.8	25.1
Tea	18,274.3	20,471.1	12.0
<b>Total</b>	<b>263,740.1</b>	<b>232,516.6</b>	<b>-11.8</b>

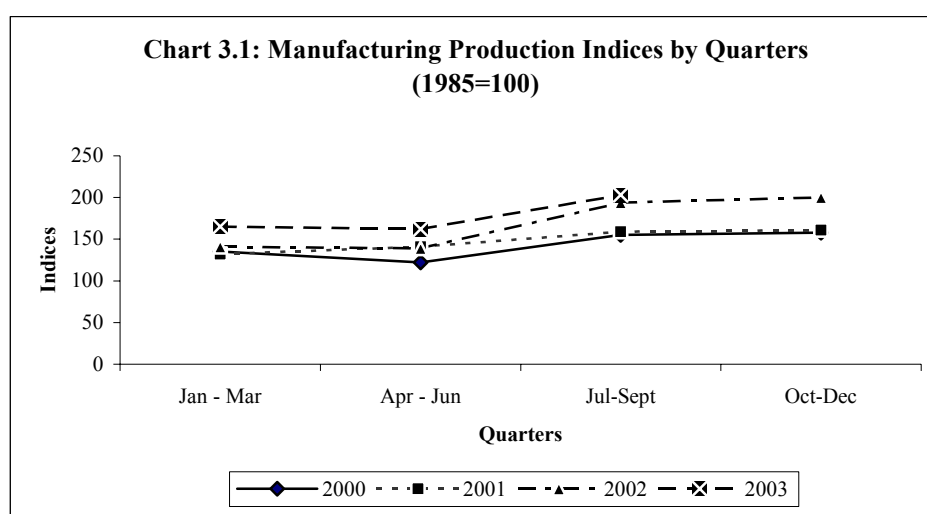
Note: \* Provisional data

Source: Respective Crop Boards

During the quarter ending September 2003, performance of manufacturing sector improved. The sector contributed 6.0 percent to the



semi-annual GDP growth compared to 4.7 percent contribution a year earlier. The higher growth rate is mainly due to rising in demand for construction materials, particularly rolled steel and corrugated iron sheets. However, according to the Manufacturing Production Index (MPI), which measures the rate of change in production of commodities in real terms over time, the manufacturing production increased by 4.6 percent, compared with an increase of 22 percent registered in the corresponding period in 2002 (**Chart 3.1**)



**Table 3.2b: Production of Selected Industrial Commodities**

Commodity	Unit	2002			2003			QIII		%
		QII	QIII	QIV	QI	QII	QIII	2002	2003	
Fish fillets	Metric Ton	9,676	9,693	7,522	9,360	10,504	10,138	9,693	10,138	4.6
Beer	000 Litres	34,383	52,406	53,485	49,383	41,406	50,315	52,406	50,315	-4.0
Vegetable oils and fats	Metric Ton	22,483	27,319	23,203	21,623	19,445	22,805	27,319	22,805	-16.5
Soft drinks	000 Litres	52,282	54,297	53,291	53,810	50,159	52,159	54,297	52,159	-3.9
Sugar, refined	Metric Ton	21,378	77,613	70,614	22,976	18,904	81,746	77,613	81,746	5.3
Blended tea	Metric Ton	1,119	1,084	1,255	1,399	1,245	1,274	1,084	1,274	17.5
Cigarettes	Million Sticks	902	937	1,057	931	1,011	1,010	937	1,010	7.8
Textiles	000 Square Metre	23,907	32,103	30,287	31,094	24,780	30,549	32,103	30,549	-4.8
Cement	000 Metric Ton	247	281	273	264	296	301	281	301	7.0
Rolled steel	Metric Ton	4,676	5,149	8,085	8,760	9,839	10,259	5,149	10,259	99.2
Corrugated iron sheets	Metric Ton	5,675	6,035	9,270	7,670	9,882	8,744	6,035	8,744	44.9
Dry cells	000 Pieces	10,000	12,000	9,000	9,000	9,000	13,000	12,000	13,000	8.3

Source: National Bureau of Statistics & Bank of Tanzania computation

### 3.2.2 Secondary Sector

The secondary and tertiary sector namely trade, hotels, and restaurants (including tourism), registered higher growth rate during the first half of 2003 relative to that attained during the first half of 2002. Value added in the sector increased to TZS 153,980.0 million (in real terms) during the first half of 2003, compared with TZS 145,128.0 million recorded during the corresponding period in 2002.

### 3.3 Food Security Situation

During the quarter ending September 2003, the Food Security Department (FSD) purchased 20,445.0 tons of maize from the food surplus regions and released 9,741.0 tons to the market, resulting in net Strategic Grain Reserve (SGR) stocks of 61,364.0 tons, a position higher than the stock level of 51,060.0 tons recorded during the quarter ended June 2003 (**Table 3.3**). The FSD purchased more maize stock during the quarter under review in order to address the impending food shortages in the country.

**Table 3.3: SGR Stocks (Tons)**

	2000	2001	2002	2003	% Change 2002/03
January	105,665	78,967	60,503	59,961	-0.9
February	103,305	72,000	58,254	59,493	2.1
March	101,496	63,022	56,738	58,976	3.9
April	96,326	51,435	52,228	54,118	3.6
May	82,119	44,776	48,653	52,857	8.6
June	72,000	47,225	47,100	51,060	8.4
July	63,976	46,290	44,787	50,475	12.7
August	70,352	48,998	41,795	52,681	26.0
September	95,000	59,047	57,500	61,364	6.7
October	88,474	58,000	62,700		
November	89,882	62,388	61,773		
December	78,967	62,788	58,395		

**Source:** Food Security Department and Bank of Tanzania computations.

### **3.4 Price Developments**

#### **Headline Inflation**

During the quarter ending September 2003, the quarterly year-to-year inflation rate stood at 4.5 percent, the same rate attained during the corresponding quarter in 2002, but slightly above the rate of 4.3 percent recorded during the quarter ended June 2003.

#### **Non-food inflation**

Non-food inflation declined from an average of 6.9 percent registered during the quarter ending September 2002, to 3.9 percent during the review period. The decline in non-food inflation rate is attributed to a fall in average prices of major non-food items particularly fuel and power.

#### **Food Inflation**

Food Inflation increased from 3.6 percent, recorded during the quarter ending September 2002 to an average of 4.7 percent. Insufficient food supplies following low food production in 2002/03 explains the increase in food inflation.

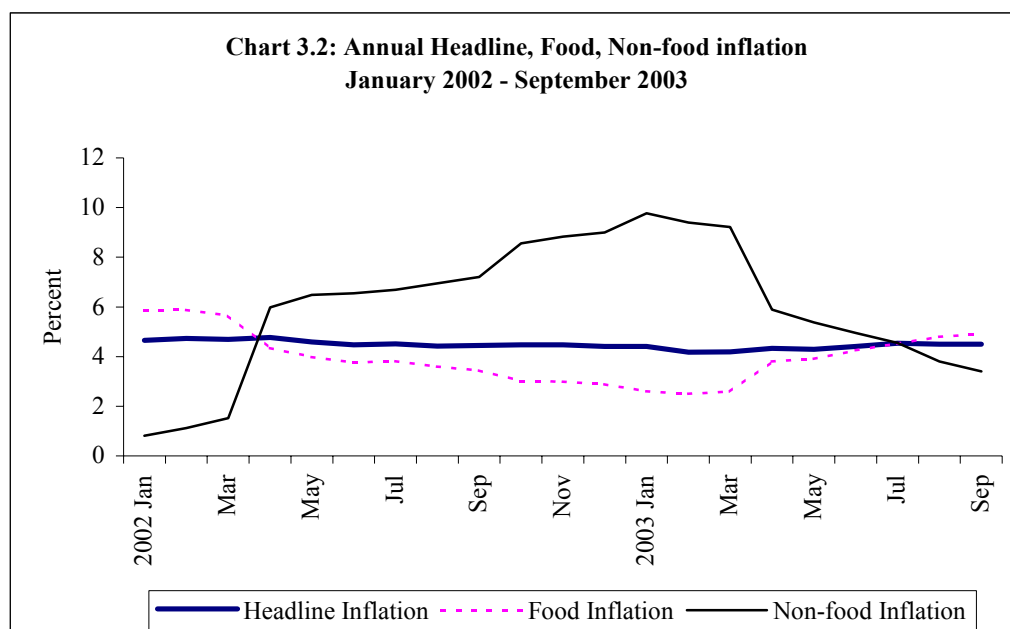
**Table 3.4: Quarterly Inflation**

**December 1994=100**

Major Commodity Group	Weight %	Jul – Sep	Jul - Sep	% Change	% Change
		2002	2003	Jul - Sep 2001 Vs2002	Jul - Sep 2002Vs2003
Food	71.2	230.9	241.8	3.6	4.7
Drinks and tobacco	4.4	179.0	184.2	2.0	2.9
Rents	3.9	201.4	211.0	1.8	4.6
Fuel, Power and Water	4.7	323.2	337.2	18.9	4.3
Clothing and Footwear	3.7	201.3	206.6	6.8	2.6
Furniture & Household Equipment	2.5	197.8	209.0	4.5	5.6
Household Operations & Maintenance	1.5	160.6	171.2	1.4	6.6
Personal Care & Health	2.2	151.0	160.0	4.0	6.0
Recreational & Entertainment	1.2	174.2	177.9	1.9	2.1
Transportation	1.2	246.4	251.2	2.9	2.0
Education	1.5	202.6	209.4	3.5	3.4
Miscellaneous Goods & services	2.0	157.8	160.6	4.5	1.8
<b>TOTAL</b>	<b>100.0</b>	<b>224.8</b>	<b>234.9</b>	<b>4.5</b>	<b>4.5</b>

**Source:** National Bureau of Statistics & Bank of Tanzania computation

Note: Weights derived from the 1991/92 Household Budget Survey



## **4.0 Monetary and Financial Developments**

### **4.1 Money and Credit**

During the quarter ending September 2003, Broad Money Supply (M2) increased by TZS 90.7 billion or 5.8 percent, from TZS 1,558.0 billion recorded during the quarter ended June 2003 to TZS 1,649.5 billion. However, the average annual growth of M2 slowed down to 20.6 percent during the first nine months to September 2003, from an average annual growth of 23.0 percent recorded during a similar period in 2002. This development is mainly attributed to relocation of deposits from commercial banks to government accounts at the Bank of Tanzania, in line with the government's decision to expedite transfer of revenue collected into government deposits. As a result, M2 remained below the end of September 2003 target of TZS 1,742.5 billion, by TZS 93.0 billion.

During the review period, Net Foreign Assets (NFA) of the banking system continued to exert pressure on the M2 after increasing by TZS 215.9 billion to TZS 1,440.1 billion, compared with an increase of TZS 49.2 billion recorded during the corresponding period in 2002. The increase in NFA was driven by inflows of donor resources, reflected in the increase in Net International Reserves (NIR) of the Bank of Tanzania, which rose by TZS 257.4 billion to TZS 1,472.4 billion. Commercial banks foreign exchange holdings however declined by TZS 41.5 billion during the review period, reflecting efforts by commercial banks to internalize foreign exchange in order to satisfy increased lending in local currency. In line with these developments, gross official reserves of the Bank of Tanzania rose from USD 1,669.0 million, attained during the quarter ended June 2003 to USD 1,922.4 million, equivalent to 8.0 months of imports of goods and non-factor services.

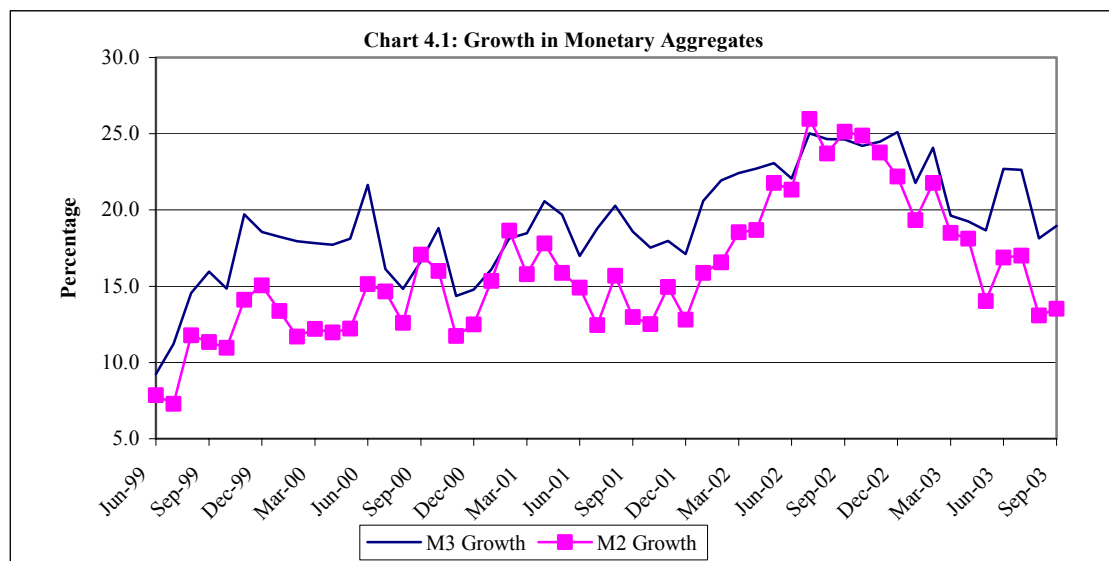
Developments in Net Domestic Assets (NDA) of the banking system dampened the impact of NFA on M2 by registering a decline of TZS 116.9 billion. The decline in NDA during the review quarter resulted from the surge in government deposits, associated with inflows of donor funds including the timely transfer of the end of quarter government revenue collections to the government accounts from private sector deposits. As a result of these developments, the government ended the quarter with a net lending position of TZS 35.1 billion to the banking system. Lending to the private sector as a proportion of total deposits increased from 38.0 percent in June 2003 to 42.7 percent in September 2003, while the proportion of lending to the government by commercial banks to total deposits fell from 18.3 percent to 12.5 percent.

During the quarter under review, total commercial banks deposits increased by a lower amount of TZS 60.0 billion, compared with an increase of TZS 87.6 billion during the similar quarter in 2002. The increase was mainly due to expansion of corporate customers' deposits, coupled with the transfer of funds from the central government accounts at the Bank of Tanzania to local government accounts with the National Micro-Finance Bank (NMB). These transfers influenced the change in the structure of bank deposits in favour of demand deposits, which increased from 29.3 percent of total deposits to 32.4 percent.

Extended Broad Money (M3) increased by TZS 91.2 billion (4.1 percent) from TZS 2,205.9 recorded during the quarter ended June 2003, to TZS 2,297.1 billion. Foreign currency deposits as a percentage of M3 decreased from 29.3 percent in June 2003 to 28.2 percent.

In line with these developments, the annual growth rates of M2 decelerated from 16.9 percent in June 2003, to 13.5 percent in September

2003 and that of M3 declined from 22.7 percent to 18.9 percent (**Chart 4.1**).



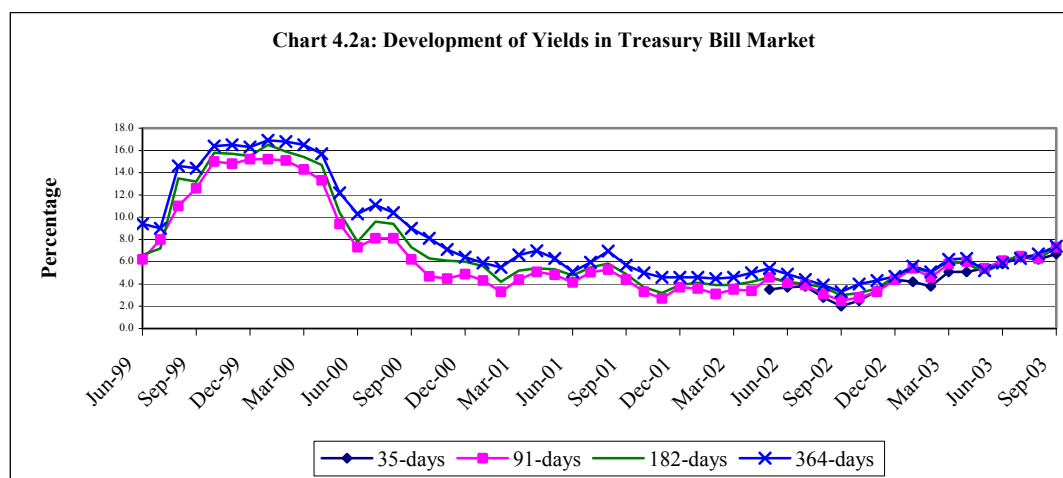
## 4.2 Financial Markets

### 4.2.1 Treasury Bills Market

During the quarter ending September 2003, the Treasury bills worth TZS 338.8 billion were sold compared with TZS 276.9 billion sold in the preceding quarter. Demand for Treasury bills however, declined from TZS 470.2 billion recorded in the preceding quarter to TZS 430.6 billion. The decline in demand is attributable to liquidity squeeze in the market, resulting from Bank of Tanzania's interventions aimed at mopping up excess liquidity from the economy.

The weighted average yields for 35-day and 91-day Treasury bills increased from 5.8 percent and 6.1 percent, during the quarter ended June 2003 to 6.7 percent and 7.3 percent during the quarter ending September 2003 respectively. Likewise, yields for 182-day and 364-day Treasury bills rose to 7.3 percent and 7.4 percent, from 5.8 percent and 5.9 percent respectively. As a result, the overall weighted average yield for all

maturities rose from 5.9 percent during the preceding quarter to 7.2 percent in the quarter ending September 2003 (**Chart 4.2**).



#### 4.2.2 Treasury bonds

During the quarter under review, the Treasury bonds market was supplied with 2-year, 5-year, 7-year and 10-year Treasury bonds worth TZS 46.0 billion down from TZS 58.5 billion offered in the preceding quarter. However, out of the amount supplied, only TZS 31.6 billion were sold compared with TZS 37.5 billion sold during the preceding quarter. Total demand stood at TZS 35.2 billion during the quarter ending September 2003, against TZS 39.7 billion recorded during the quarter ending June 2003. The low demand for Treasury bonds is largely associated to the thinness of the market as reflected in the low fixed coupon rate, few participants and absence of a broad range of instruments. The weighted average yields (WAY) across all maturities increased, except those for the 5-year Treasury bonds that decreased from an average of 7.6 percent during the quarter ended June 2003, to 6.7 percent during the quarter ending September 2003. The WAY for 2-year, 7-year and 10-year Treasury bonds increased from 6.7 percent, 7.2 percent and 8.5 percent to 7.9 percent, 8.7 percent and 10.0 percent, respectively.



### **4.2.3 Repurchase Agreements (REPOs)**

During the quarter under review, REPOs worth TZS 55.6 billion were transacted between Bank of Tanzania and Commercial banks, compared with TZS 30.1 billion transacted during the preceding quarter. The average REPO rates decreased from an average of 7.0 percent recorded during the quarter ended June 2003, to 6.2 percent during the review period.

### **4.2.4 Discount Rate Policy**

There was no borrowing from the discount window by either government or commercial banks. However, the discount rate rose from 10.6 percent, recorded during the preceding quarter, to 12.0 percent during the quarter ending September 2003.

### **4.2.5 Inter-bank Cash Market**

Total value of transactions in the inter-bank cash market increased by 82.6 percent, from TZS 939.9 billion traded during the quarter ending June 2003 to TZS 1,716.4 billion. Overnight transactions accounted for 79.4 percent of the total inter-bank transactions, compared with 73.2 percent traded during the preceding quarter. The overall inter-bank cash market rates increased from 4.8 percent, recorded as at the end of June 2003 to 5.7 percent. Likewise, the overnight rates inched up from 4.6 percent to 5.5 percent.

### **4.2.6 Interest rate structure**

During the quarter ending September 2003, the spread between lending rates and savings deposit rates widened slightly by 0.4 basis points, reaching 12.0 percent from 11.6 percent recorded during the quarter ended June 2003. Average interest rates quoted by commercial banks on domestic currency denominated deposits declined, except those for savings and 3-month time deposit rates. Savings deposit rates retained

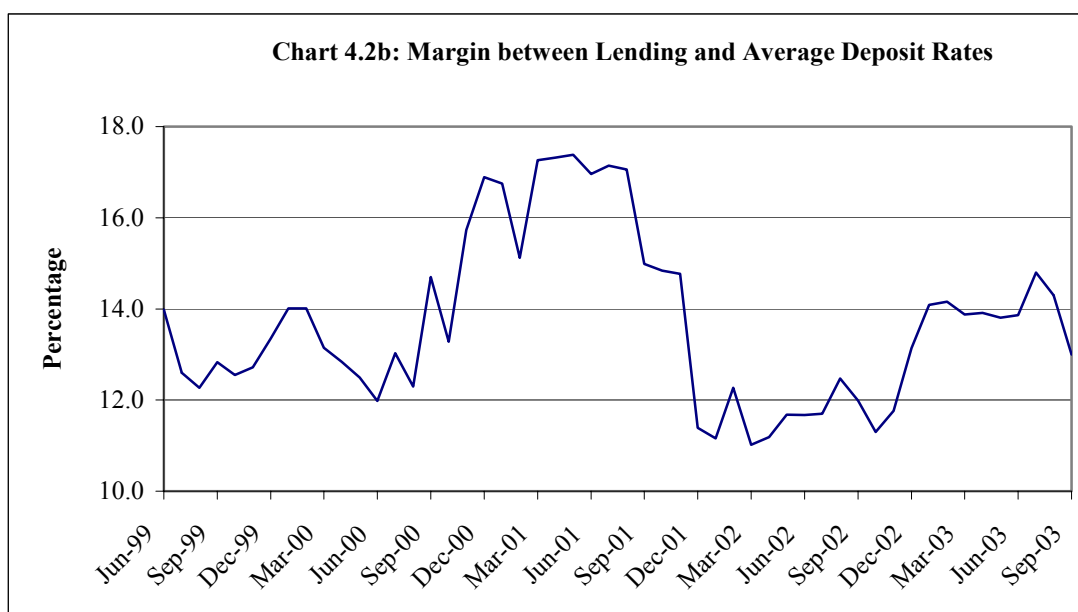
their end of June 2003 position of 2.5 percent, while the 3-month time deposits rates increased from 2.8 percent at end June 2003, to 2.9 percent at end September 2003. The 1-month and 2-month time deposit rates declined from 3.9 percent and 4.2 percent at end June 2003, to 3.8 percent and 3.6 percent at end September 2003 respectively. Similarly, the 6-month and 12-month time deposit rates fell from 3.7 percent and 5.1 percent at end June 2003, to 3.5 percent and 5.0 percent at end September 2003 respectively. However, the overall weighted average time deposit rate remained stable at the previous quarter level of 3.5 percent.

Lending rates quoted by commercial banks on all domestic currency denominated credits exhibited a mixed trend. Short and medium term (2-3 year) loan rates declined from an average of 16.4 percent and 13.4 percent at end June 2003, to 15.5 percent and 11.7 percent during the quarter ending September 2003 respectively. Average rates for medium term loans (1-2 year), long term (3-5 year) and term loans (over 5 years) increased from of 14.6 percent, 10.9 percent and 15.2 percent to 15.9 percent, 12.3 percent and 16.9 percent respectively. The overall weighted average lending rates rose from an average of 14.1 percent at end June 2003, to 14.5 percent at end September 2003.

With regard to foreign currency denominated deposits and lending rates, the overall weighted average deposits rates decreased from 1.1 percent recorded as at the end of June 2003, to 1.0 percent at the end of September 2003. Likewise, the overall weighted average lending rate declined from the end of June 2003 rate of 7.5 percent to 7.4 percent **(Table 4.2)**.

<b>Table 4.2: Weighted Average Interest Rates of Commercial Banks (percentage per annum)</b>						
	Sep-02	Dec-02	Mar-03	Jun-03	Sep-03	
<b>A</b>	<b><u>Domestic Currency</u></b>					
	<b>1 Interbank Cash Market Rates</b>					
	Overnight	1.3	3.4	5.4	4.6	5.5
	<b>Overall interbank cash market rate</b>	<b>1.6</b>	<b>3.5</b>	<b>5.4</b>	<b>4.8</b>	<b>5.7</b>
	<b>2 REPO Rate</b>	<b>2.0</b>	<b>4.4</b>	<b>6.5</b>	<b>7.0</b>	<b>6.2</b>
	<b>3 Treasury Bills Rates</b>					
	35 days	2.0	4.4	5.1	5.8	6.7
	91 days	2.5	4.4	5.8	6.1	7.3
	182 days	3.0	4.7	6.1	5.8	7.3
	364 days	3.3	4.7	6.2	5.9	7.4
	<b>Treasury bills rate</b>	<b>2.6</b>	<b>4.5</b>	<b>5.9</b>	<b>5.9</b>	<b>7.2</b>
	<b>4 Treasury Bonds- 2-years</b>					
		3.4	5.3	5.0	6.7	7.9
	<b>5-years</b>	5.0	5.6	6.1	7.6	6.7
	<b>7-years</b>	6.8	6.9	6.6	7.7	8.7
	<b>10-years</b>		7.2	7.6	8.5	10.0
	<b>5 Discount Rate</b>	8.0	9.2	10.4	10.6	12.0
	<b>7 Savings Deposit Rate</b>	<b>2.8</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
	<b>8 Time Deposits Rates</b>					
	Call Accounts	1.3	0.7	2.2	0.7	0.7
	1 month	1.8	2.1	2.5	3.9	3.8
	2 months	3.7	3.9	4.0	4.2	3.6
	3 months	3.0	3.0	2.5	2.8	2.9
	6 months	3.9	4.1	4.2	3.7	3.5
	9 months					
	12 months	5.9	5.7	5.8	5.1	5.0
	24 months	4.4	4.3	4.4	4.1	4.7
	<b>9 Lending rates</b>					
	Call Loans	23.6	23.6	23.6	23.6	17.6
	Short-term (up to 1yr)	14.8	15.9	16.4	16.4	15.5
	Medium-term (1-2 yrs)	14.5	15.8	15.8	14.6	15.9
	Medium-term (2-3 yrs)	12.6	13.8	12.3	13.4	11.7
	Long-term (3-5 yrs)	17.5	13.2	12.1	10.9	12.3
	Term Loans (over 5 yrs)	20.0	19.8	18.5	15.2	16.9
<b>B</b>	<b><u>Foreign Currency</u></b>					
	<b>1 Deposits Rates</b>	<b>1.4</b>	<b>1.1</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>
	<b>Time Deposits</b>					
	1-months	1.3	1.2	0.9	0.9	0.7
	2-months	2.2	1.8	2.6	1.4	1.0
	3-months	1.4	0.8	1.1	0.9	0.9
	6-months	1.6	1.4	1.2	1.7	1.3
	12-months	1.7	1.5	1.5	1.2	1.2
	<b>2 Lending Rates</b>					
	Call loans					
	Short-term (up to 1yr)	7.4	7.9	7.6	7.0	7.1
	Medium-term (1-2 yrs)	5.4	5.9	6.0	7.9	7.7
	Medium-term (2-3 yrs)	7.0	7.8	8.2	8.7	7.5
	Long-term (3-5 yrs)	5.3	7.2	6.8	6.5	7.3

Source: Bank of Tanzania, Monetary and Financial Affairs

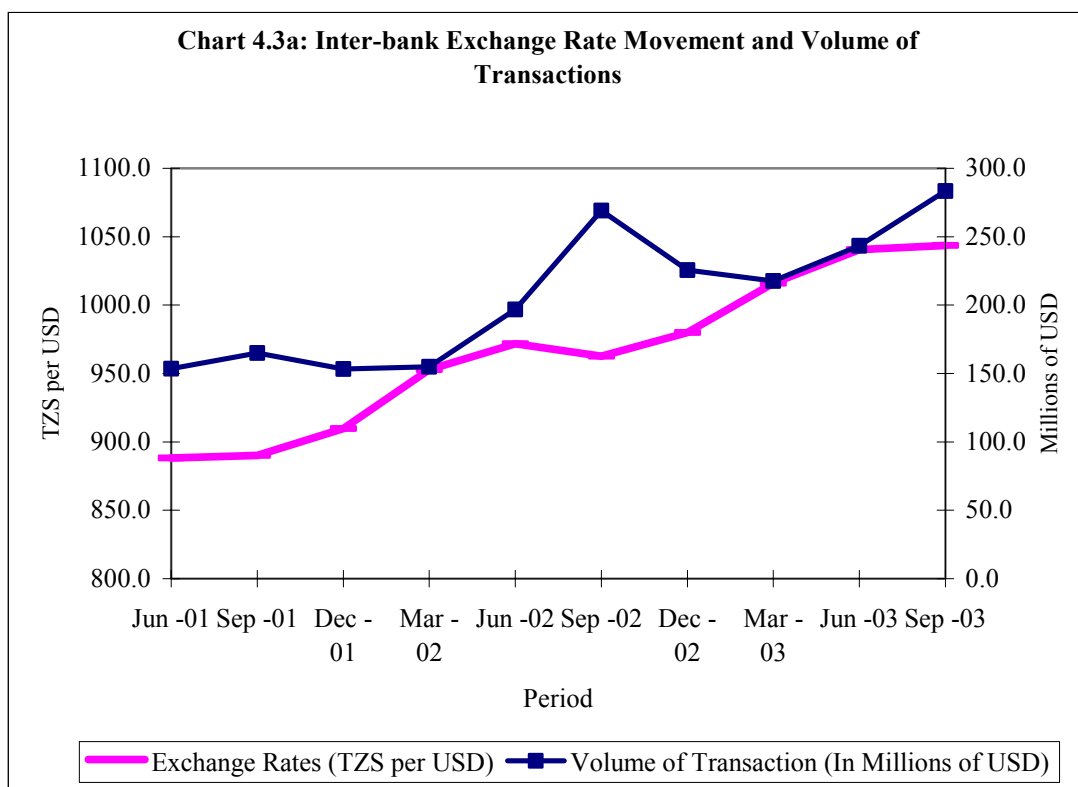


#### 4.2.7 Inter-bank Foreign Exchange Market (IFEM)

During the quarter ending September 2003, total amount traded at the Inter-bank Foreign Exchange Market (IFEM) increased by 16.5 percent to USD 283.5 million, from USD 243.4 million traded during the preceding quarter (**Table 4.2**). Commercial banks dominated both the demand and supply sides of the market supplying USD 199.1 million, or 70.2 percent of total amount traded and purchasing USD 243.5 million, or 85.9 percent of the total amount traded. Non-bank financial institutions supplied USD 18.6 million or 6.6 percent. Bank of Tanzania's intervention in the market resulted in a net supply of USD 33.9 million, or 12 percent of the total amount traded.

#### Exchange Rate

During the quarter under review, the average rate of depreciation of the Tanzanian shilling against the US dollar slowed down to 0.3 percent, thus moving from TZS 1,040.5 per US dollar as at the end of June 2003, to TZS 1, 043.7 per US dollar. The rate of depreciation of the Tanzanian shilling against US dollar during the preceding quarter was 2.4 percent.



## Bureau de Change Operations

During the quarter under review, the volume of transactions conducted by the Bureau de change system increased by 35.4 percent to USD 137.6 million, from USD 101.6 million transacted during quarter ended June 2003.

The Bureau buying and selling rates depreciated by 0.6 percent and 0.5 percent, to TZS 1,041.7 and TZS 1,059.0 per US dollar respectively (Table 4.2b).

**Table 4.3b: Foreign Exchange Market Developments**

	2002/03	2003/04	
MARKETS	Q4	Q1	% Change
<b>IFEM</b>			
Amount offered*	243.4	283.5	16.5
Amount sold*	243.4	283.5	16.5
Exchange rate**	1,040.5	1,043.7	0.3
<b>Bureau de Change</b>			
Amount of sales*	51.0	68.0	33.3
Amount of purchases*	50.6	69.6	37.5
Volume of Transactions*	101.6	137.6	35.4
Buying rate**	1,035.3	1,041.7	0.6
Selling rate**	1,053.7	1,059.0	0.5

Source: Bank of Tanzania

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

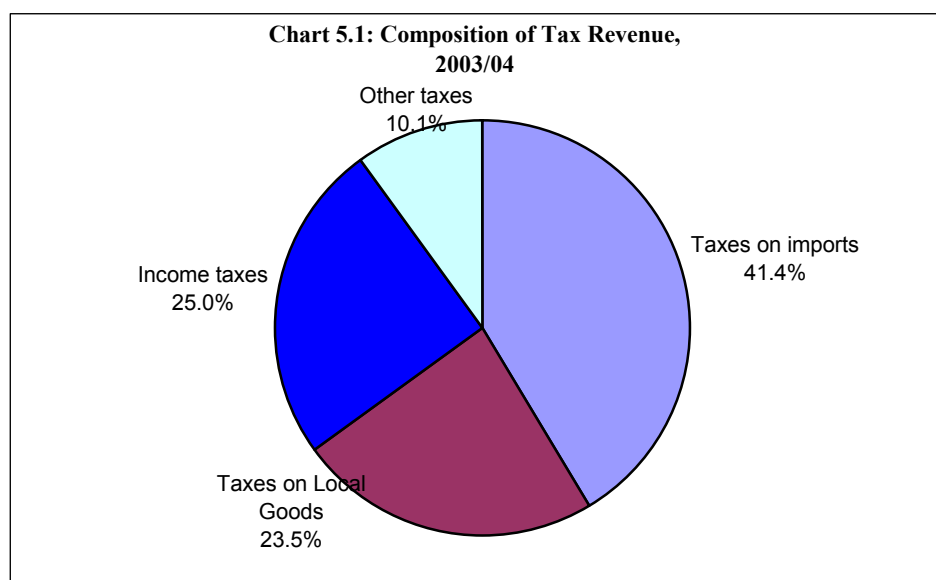
## 5.0 PUBLIC FINANCE

### 5.1 Government Finance

During the first quarter of 2003/2004, the government budget recorded an overall deficit before grants of TZS 161.7 billion, equivalent to 10.9 percent of GDP. However, after considering grants amounting to TZS 208.3 billion, the budget recorded a surplus of TZS 41.1 billion.

### 5.2 Revenue Performance

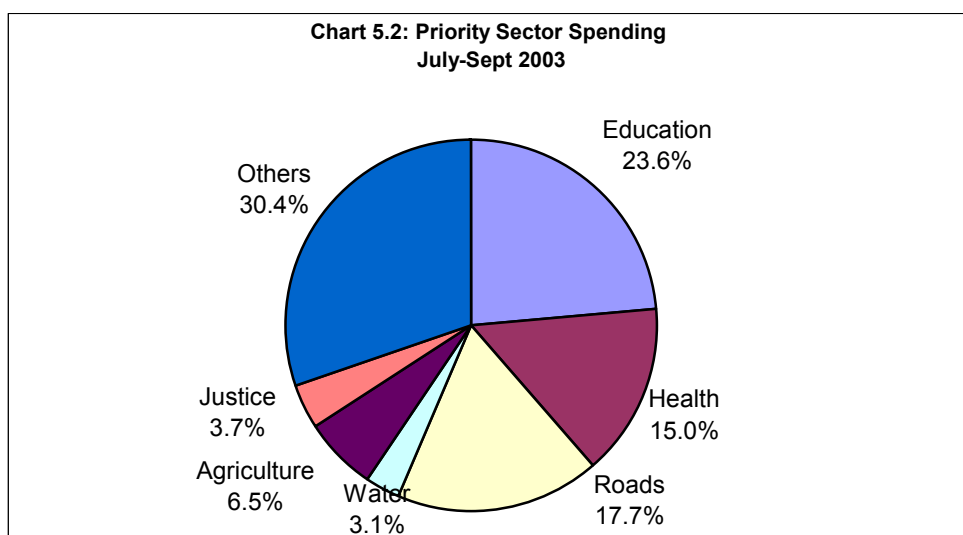
During the period under review, revenue collections amounted to TZS 343.9 billion, or 3.3 percent above TZS 336.3 billion targeted for the quarter. The improved performance was mainly boosted by increased collections from imported goods and more specifically petroleum products, following various measures taken to plug smuggling loopholes on imported petroleum products.



### 5.3 Expenditure Developments

Total government expenditure (excluding amortization) amounted to TZS 505.6 billion being 12.0 percent below the expenditure ceiling for the quarter. Government expenditure lagged behind mainly on account of

delayed foreign aid inflows for development projects, and crediting of the funds received during the quarter into special foreign denominated bank accounts, suggesting that they were not readily available for use. **Chart 5.2** below shows the composition of expenditure by priority sectors.

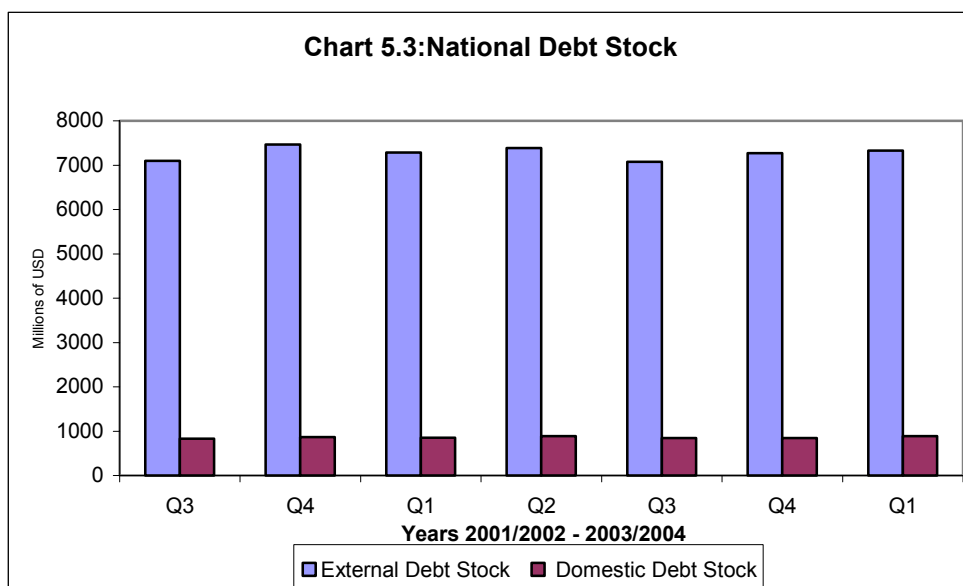


#### **5.4 Financing**

During the period under review, the government recorded an overall budget surplus (after adjustment to cash) of TZS 41.1 billion. This surplus together with funds from foreign sources amounting to TZS 138.0 billion were used to reduce domestic debt obligations.

#### **5.5 Central Government Debt**

Total debt stock (domestic and external) stood at USD 8,215.7 million as at the end of September 2003, or 1.3 percent above the stock of debt of USD 8,109.7 million recorded as at the end of June 2003. The increase in the overall debt stock is explained by new disbursements and accumulation of interest arrears. When compared with the corresponding quarter of 2002, the total debt stock increased by 1.0 percent.



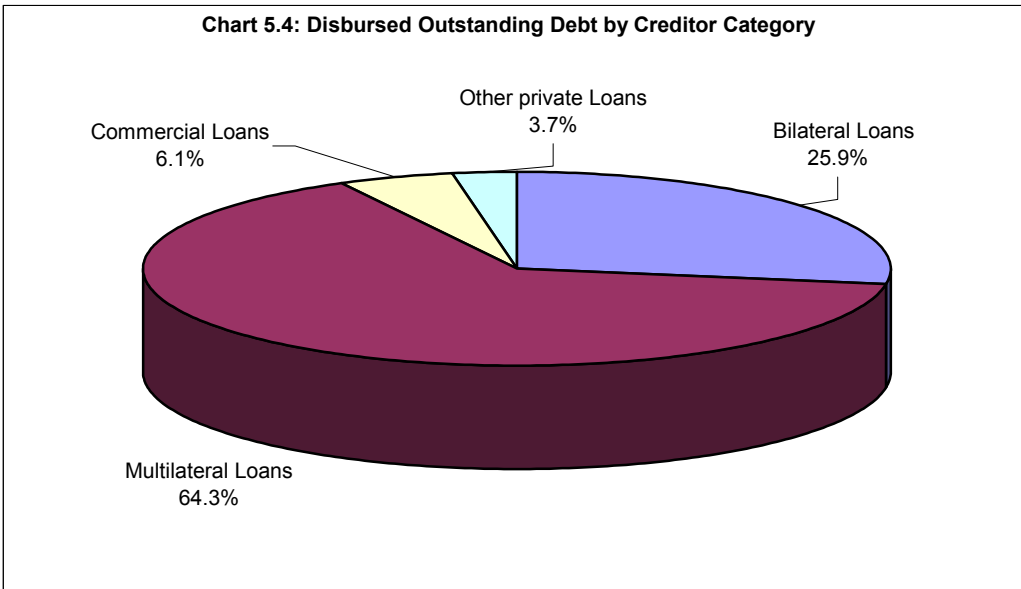
### External debt

Total external debt stock increased by 0.9 percent, from USD 7,268.2 million recorded as at the end of June 2003, to USD 7,330.7 million during the review period. The increase in debt stock was mainly associated with new disbursements and accumulation of interest arrears.

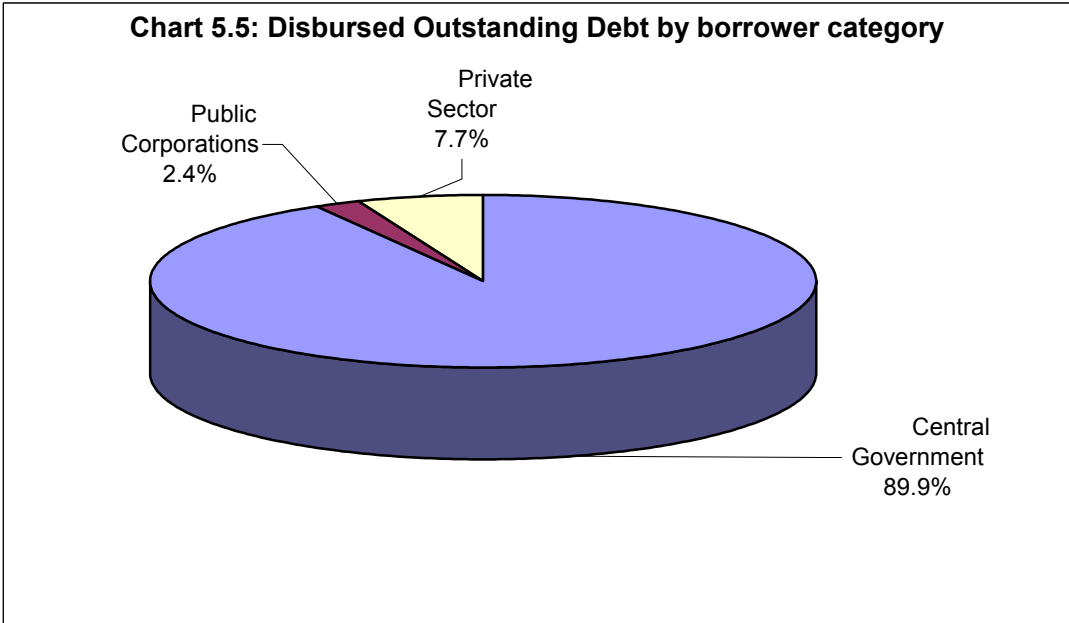
### The Profile of External Debt

The profile of disbursed outstanding debt by creditor category indicates that 64.3 percent of total debt is owed to multilateral creditors, 25.9 percent is owed to bilateral creditors, 6.1 percent to commercial creditors and the remaining 3.7 percent to private sources (**Chart 5.4**).



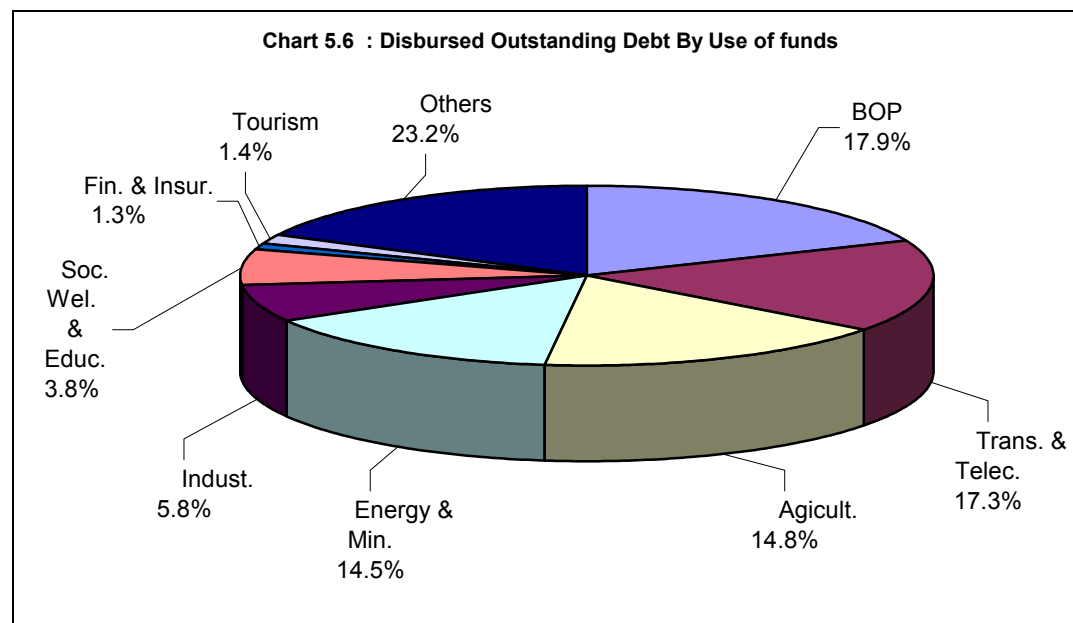


Disbursed outstanding debt by borrower category shows that the central government is the largest borrower, accounting for 89.9 percent of the total debt. The proportion of public corporations and private sector in the total debt was 2.4 and 7.7 percent respectively (**Chart 5.5**).



Classified by utilization of funds, 17.9 percent of the debt was disbursed in the form of Balance of Payments support, while Transport and Telecommunications Sector received 17.3 percent. Agriculture received 14.8 percent, followed by Energy and Mining that received 14.5 percent. Industries absorbed 5.8 percent, while Social Welfare & Education, Finance

and Insurance and Tourism received 3.8, 1.3 and 1.4 percent, respectively. The remaining 23.2 percent of debt was absorbed by Other Sectors (**Chart 5.6**).



### **Debt Contracted, Disbursements and Repayments**

During the quarter under review, no new loans were contracted. However, disbursements from previous contracted loans amounted to USD 0.3 million, while total debt service amounted to USD 28.6 million, thus resulting to a net outflow of USD 28.3 million.

### **Enhanced Highly Indebted Poor Countries (HIPC) Debt Relief**

During the first quarter of 2003/2004, Tanzania received a total of USD 15.7 million as HIPC debt relief from multilateral institutions. Out of which, USD 10.7 million came from the International Development Association (IDA), USD 0.2 million from the International Fund for Agricultural Development (IFAD) and USD 4.8 million from the African Development Bank Group (AfDB).

## **Paris Club VII**

As at the end of September 2003, the government had concluded bilateral agreements with the governments of Austria, Belgium, Norway, USA, Canada, Italy, France, United Kingdom, Netherlands, Germany and Russia culminating into cancellation of debt worth USD 749.7 million. For non - Paris Club creditors, Kuwait has offered debt relief by rescheduling their debt amounting to KWD 9.4 million on concessional terms, while China has cancelled debts amounting to USD 37.7 million. India has also announced to offer debt relief in which it will cancel all intergovernmental loans amounting to USD 19.7 million.

## **Debt Buyback Scheme**

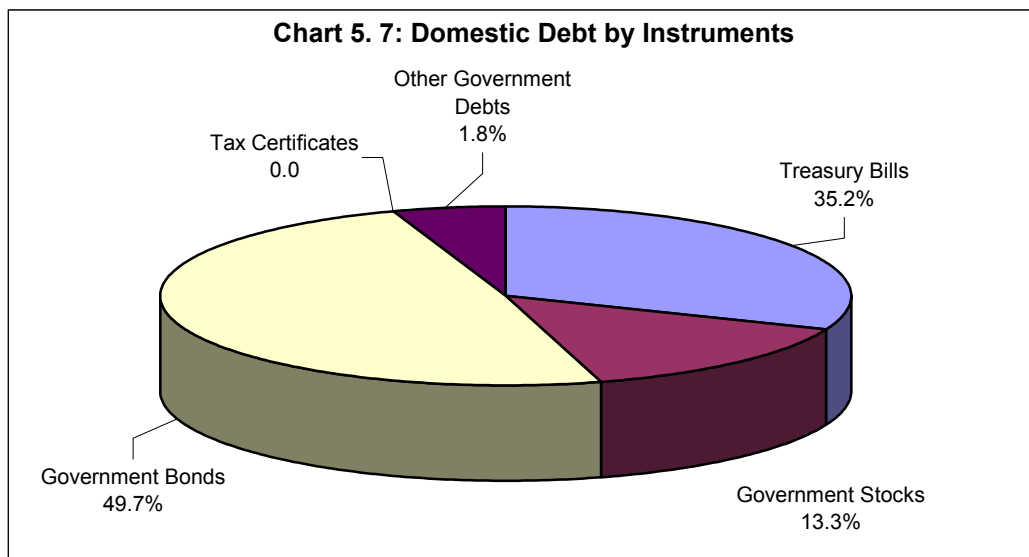
The second and final closing of the scheme is expected to take place during the third quarter of the calendar year 2003, after its failure to take place in November 2002 as earlier planned. Debts worth USD 31.8 billion consisting of both principal and interest are expected to be cancelled at the closure of the scheme.

## **Domestic debt**

During the quarter under review, domestic debt increased by TZS 43.0 billion or 4.9 percent, from TZS 881.5 billion recorded at the end of June 2003 to TZS 924.5 billion. When compared with the corresponding quarter of 2002, total domestic debts increased by TZS 98.9 billion or 12.0 percent and accounted for about 10.8 percent of total government debt. The composition of domestic debts shows that government securities, consisting of treasury bills, government stocks and bonds, accounted for about 98.2 percent of total domestic debts and the remaining 1.8 percent was other government debts.

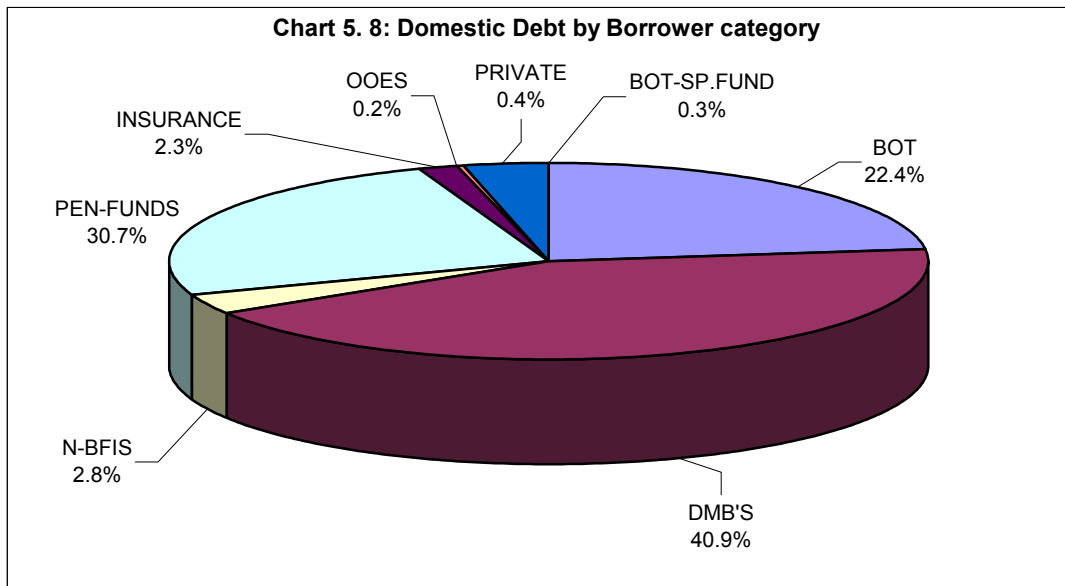
## Domestic Debt by Instruments

Analysis of domestic debt stock by instruments shows that government securities increased by TZS 72.5 billion or 8.7 percent from TZS 835.4 billion recorded during the preceding quarter, to TZS 907.3 billion as at the end of September 2003 (**Chart 5.7**).



## Domestic Debt by Creditor Category

As at end of September 2003, Commercial banks were the largest creditors, holding claims worth TZS 377.9 billion, or 40.9 percent of the total domestic debt stock. Pension Funds ranked second, with claims amounting to TZS 284.0 billion or 30.7 percent. Bank of Tanzania and Private Investors each held claims amounting to TZS 207.2 billion and TZS 39.7 billion or 22.4 percent and 0.4 percent respectively. Non Bank Financial Institutions and Insurance Companies claims accounted for 2.8 and 2.3 percent each respectively. Other Official Entities and BOT-Special Fund altogether held 0.5 percent of total claims (**Chart 5.8**).



### **Domestic Debt Service**

A total of TZS 123.9 billion, fell due for payment during the first quarter of 2003/2004. Out of the total amount, 111.1 billion or 89.7 percent was principal which was rolled over, while the remaining TZS 12.8 billion or 10.3 percent was interest that was paid out of government revenue.

Table 5.1: Quarterly Total Debt in Millions of USD

	2001/2002		2002/2003							
	Q3		Q4	Q1	% Change	Q2	% Change	Q3	%Change	
<b>A.External Debt Stock (A.1+A.2 )</b>	<b>7099.6</b>		<b>7464.0</b>	<b>7281.7</b>	<b>-2.44</b>	<b>7384.7</b>	<b>1.41</b>	<b>7072.5</b>	<b>-4</b>	
<b>A.1. Disbursed debt by Creditor (DOD mill.USD)</b>	<b>6263.3</b>		<b>6559.7</b>	<b>6366.0</b>	<b>-2.95</b>	<b>6413.4</b>	<b>0.74</b>	<b>6095.2</b>	<b>-4</b>	
1. Bilateral Loans	2184.5		2277.1	2097.9	-7.87	2104.7	0.32	1676.7	-20	
2. Multilateral Loans	3626.1		3808.5	3791.5	-0.45	3827.6	0.95	3941.6	2	
3. Commercial Loans	278.2		302.5	304.5	0.66	306.6	0.69	303.4	-1	
4. Other private Loans	174.5		171.6	172.1	0.29	174.5	1.39	173.5	-0	
<b>A.2. Interest Arrears (million USD)</b>	<b>836.3</b>		<b>904.3</b>	<b>915.7</b>	<b>1.26</b>	<b>971.3</b>	<b>6.07</b>	<b>977.3</b>	<b>0</b>	
5. Bilateral Loans	483.5		522.7	524.3	0.31	553.1	5.49	556.8	0	
6. Multilateral Loans	44.8		54.1	55.3	2.22	62.1	12.30	57.6	-7	
7. Commercial Loans	207.5		222.2	229.7	3.38	242.6	5.62	249.2	2	
8. Other private Loans	100.5		105.3	106.4	1.04	113.5	6.67	113.7	0	
<b>B. Domestic Debt Stock (USD Equiv. million)</b>	<b>832.87</b>		<b>864.48</b>	<b>851.68</b>	<b>-1.48</b>	<b>891.64</b>	<b>4.69</b>	<b>843.70</b>	<b>-5</b>	
TZS billion	<b>817.28</b>		<b>818.60</b>	<b>825.67</b>	<b>0.86</b>	<b>870.51</b>	<b>5.43</b>	<b>869.14</b>	<b>-0</b>	
<b>9. Government Securities(9.1:9.4)</b>	<b>786.81</b>		<b>788.13</b>	<b>796.13</b>	<b>1.02</b>	<b>823.88</b>	<b>3.49</b>	<b>823.13</b>	<b>-0</b>	
9.1 Treasury Bills	169.89		172.73	196.49	13.76	267.61	36.20	270.73	1	
9.2 Government Stocks	227.80		227.80	208.61	-8.42	126.31	-39.45	126.31	0	
9.3 Government Bonds	389.06		387.54	390.97	0.89	429.90	9.96	429.90	4.20	
9.4 Tax Certificates	0.06	0.06	0.06	0.00	0.06	0.00	0.06	0.06	0.00	
<b>10. Other Government Debts</b>	<b>30.39</b>	<b>30.39</b>	<b>29.45</b>	<b>-3.09</b>	<b>45.92</b>	<b>55.93</b>	<b>45.92</b>	<b>0.00</b>	<b>45.92</b>	<b>0.00</b>
<b>11. Interest Arrears</b>	<b>0.08</b>	<b>0.08</b>	<b>0.09</b>	<b>12.50</b>	<b>0.71</b>	<b>688.89</b>	<b>0.09</b>	<b>-87.32</b>	<b>0.09</b>	<b>0.00</b>
<b>C. Total Debt Stock (A+ B)</b>	<b>7,932.47</b>	<b>8,328.48</b>	<b>8,133.38</b>	<b>(2.34)</b>	<b>8,276.34</b>	<b>1.76</b>	<b>7,916.20</b>	<b>-4.35</b>	<b>8,109.68</b>	<b>2.44</b>
D. GDP fc US\$ (million)	8,739.00	8,739.00	9,089.90		9,089.90		9,089.90		9,089.90	
E. Total Debt % of GDP	90.8	95.3	89.5		91.0		87.1		89.2	

SOURCE: Bank of Tanzania and Ministry of Finance

## 6.0 EXTERNAL SECTOR DEVELOPMENTS

### Balance of Payments

During the quarter ending September 2003, the Tanzania's balance of payments deteriorated as reflected in a widening current account deficit. The deterioration in current account is largely due to poor performance in exports of goods and services coupled with a surge in imports. However, when compared with the corresponding period in 2002, the current account deficit narrowed by 11.7 percent. Despite the widening current account deficit, the overall balance recorded a surplus of USD 161.2 million, compared with a surplus of USD 57.9 million recorded during the preceding quarter.

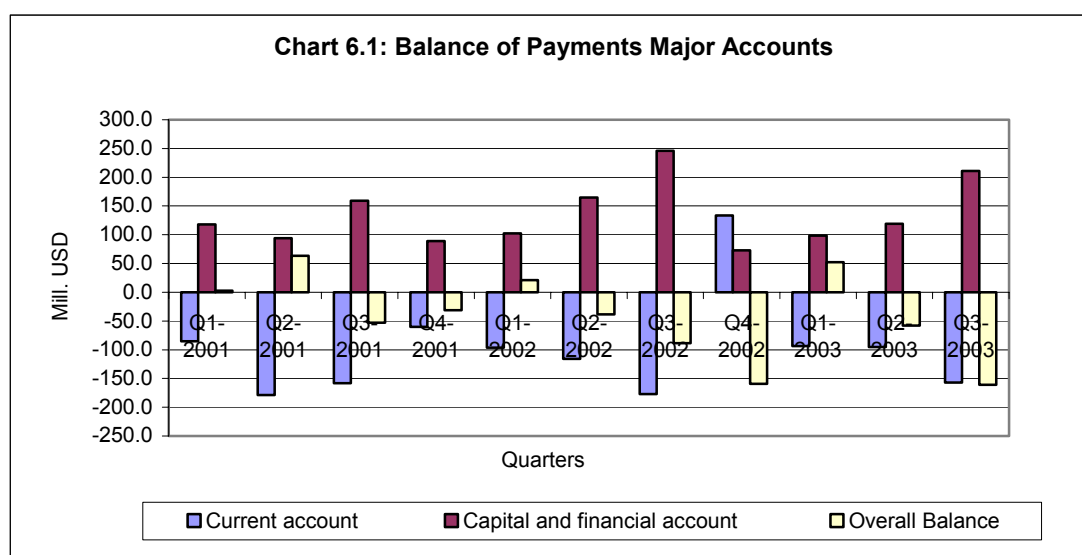


Table TANZANIA'S QUARTERLY BALANCE OF PAYMENTS <sup>1</sup>

Item	(in millions of U.S. dollars)					
	Q2-2003	Q3-2003	% change	Q3-2002	Q3-2003	% change
<b>A. Current Account</b>	<b>-99.3</b>	<b>-157.2</b>	<b>58.3</b>	<b>-178.0</b>	<b>-157.2</b>	<b>-11.7</b>
Goods: exports f.o.b.	258.1	229.7	-11.0	193.7	229.7	18.6
Traditional	34.7	29.8	-14.0	21.3	29.8	40.3
Nontraditional	223.4	199.9	-10.5	172.4	199.9	15.9
Goods: imports f.o.b.	-478.7	-545.6	14.0	-395.5	-545.6	38.0
Balance on Goods	-220.6	-315.9	43.2	-201.8	-315.9	56.5
Services: credit	164.1	170.9	4.2	169.8	170.9	0.7
Transportation	16.8	13.8	-17.9	16.4	13.8	-15.8
Travel	103.6	122.8	18.5	117.6	122.8	4.4
Other	43.6	34.3	-21.3	35.7	34.3	-3.9
Services: debit	-183.3	-202.2	10.3	-217.8	-202.2	-7.2
Transportation	-52.4	-57.8	10.2	-47.0	-57.8	22.9
Travel	-74.3	-96.4	29.7	-97.0	-96.4	-0.7
Other	-56.6	-48.1	-15.1	-73.8	-48.1	-34.8
Balance on Services	-19.2	-31.3	62.8	-48.0	-31.3	-34.8
Balance on Goods and Services	-239.8	-347.2	44.8	-249.8	-347.2	39.0
Income: credit	21.4	21.5	0.6	18.6	21.5	16.0
Income: debit	-26.7	-35.9	34.3	-27.2	-35.9	31.7
Direct investment income	-6.9	-3.0	-56.7	-0.1	-3.0	2890.0
Interest payments (scheduled)	-14.9	-25.9	74.0	-21.9	-25.9	18.3
Compensation of employees	-5.0	-7.0	41.9	-5.3	-7.0	33.2
Balance on Income	-5.3	-14.3	170.6	-8.7	-14.3	65.2
Balance on Goods, Services and Income	-245.1	-361.5	47.5	-258.5	-361.5	39.8
Current transfers	145.8	204.3	40.1	80.5	204.3	153.7
Current transfers: credit	160.6	218.6	36.1	95.0	218.6	130.1
Government	143.3	201.0	40.3	82.5	201.0	143.6
o/w Multilateral HIPC relief	17.0	17.0	0.0	17.2	17.0	-1.0
Other Sectors	17.3	17.7	2.0	12.6	17.7	40.9
Current transfer: debit	-14.8	-14.4	-2.8	-14.5	-14.4	-1.1
<b>B. Capital Account</b>	<b>208.6</b>	<b>208.6</b>	<b>0.0</b>	<b>292.0</b>	<b>208.6</b>	<b>-28.6</b>
Capital transfers	208.6	208.6	0.0	292.0	208.6	-28.6
General Government	199.2	199.2	0.0	284.5	199.2	-30.0
Project	80.2	80.2	0.0	81.0	80.2	-1.0
Program	0.0	0.0	-	0.0	0.0	-
Debt forgiveness	119.0	119.0	-	203.5	119.0	-41.5
Other sectors	9.3	9.3	-	7.5	9.3	23.9
Capital transfers: debit	0.0	0.0	-	0.0	0.0	-
Total, Groups A plus B	109.2	51.3	-	114.0	51.3	-55.0
<b>C. Financial Account, excl. reserves and related items</b>	<b>-89.4</b>	<b>2.5</b>	<b>-102.8</b>	<b>-45.9</b>	<b>2.5</b>	<b>-105.4</b>
Direct investment abroad	0.0	0.0	-	0.0	0.0	-
Direct investment in Tanzania	62.0	62.0	-	60.1	62.0	3.1
Portfolio investment	0.0	0.0	-	0.0	0.0	-
Other investment	-151.3	-59.5	-	-106.0	-59.5	-43.9
Assets	-29.5	32.6	-210.4	93.3	32.6	-65.1
Currency and deposits	-29.5	32.6	-210.4	93.3	32.6	-65.1
Banks	-29.5	32.6	-210.4	93.3	32.6	-65.1
Other sectors	0.0	0.0	-	0.0	0.0	-
Liabilities	-121.8	-92.1	-	-199.3	-92.1	-53.8
Trade credits	3.3	3.3	0.0	3.3	3.3	0.0
Loans	-152.8	-75.5	-50.6	-214.7	-75.5	-64.8
General government	-118.8	-63.0	-47.0	-199.8	-63.0	-68.5
Drawings	82.0	127.2	55.1	38.4	127.2	231.3
Repayments	-200.8	-190.2	-5.3	-238.2	-190.2	-20.1
Scheduled payments	-33.5	-22.9	-31.7	-18.5	-22.9	23.7
Rescheduled debt	-48.4	-48.4	0.0	-16.2	-48.4	198.2
Debt forgiveness	-119.0	-119.0	0.0	-203.5	-119.0	-41.5
Banks	-0.1	-0.1	-16.2	0.4	-0.1	-120.3
Other sectors	-33.8	-12.4	-63.5	-15.3	-12.4	-19.4
Drawings	1.1	0.4	-63.6	0.5	0.4	-20.0
Repayments	-34.9	-12.8	-63.5	-15.8	-12.8	-19.4
Scheduled payments	-34.9	-12.8	-63.5	-15.8	-12.8	-19.4
Currency and deposits	27.6	-19.9	-172.0	12.1	-19.9	-264.5
Other liabilities	0.0	0.0	-	0.0	0.0	-
Total, Groups A through C	19.9	53.8	170.4	68.1	53.8	-21.0
<b>D. Net Errors and Omissions</b>	<b>38.0</b>	<b>107.4</b>	<b>182.7</b>	<b>20.4</b>	<b>107.4</b>	<b>427.4</b>
Overall balance (Total, Groups A through D)	57.9	161.2	178.5	88.5	161.2	82.1
<b>E. Reserves and Related Items</b>	<b>-57.9</b>	<b>-161.2</b>	<b>178.5</b>	<b>-88.5</b>	<b>-161.2</b>	<b>82.1</b>
Reserve assets	-124.2	-252.1	102.9	-123.9	-252.1	103.4
Use of Fund credit and loans	-4.0	28.1	-808.9	6.5	28.1	332.4
Exceptional financing	70.3	62.8	-10.7	28.9	62.8	117.2
Rescheduled debt	48.4	48.4	0.0	16.2	48.4	198.2
Interest arrears	5.6	13.5	140.8	11.5	13.5	17.0
Principal arrears	16.4	1.0	-94.2	1.2	1.0	-18.9
<b>Memorandum items</b>						
Gross Official Reserves	1670.4	1922.4	15.1	1336.6	1922.4	43.8
Months of Imports	7.6	7.7	1.9	6.5	7.7	18.0
Net International Reserves (quarter end)	1161.4	1410.8	21.5	899.6	1410.8	56.8
Change in Net International Reserves	-	-249.5	-	-	-511.2	-
Average monthly imports	-220.7	-249.3	13.0	-204.4	-249.3	21.9

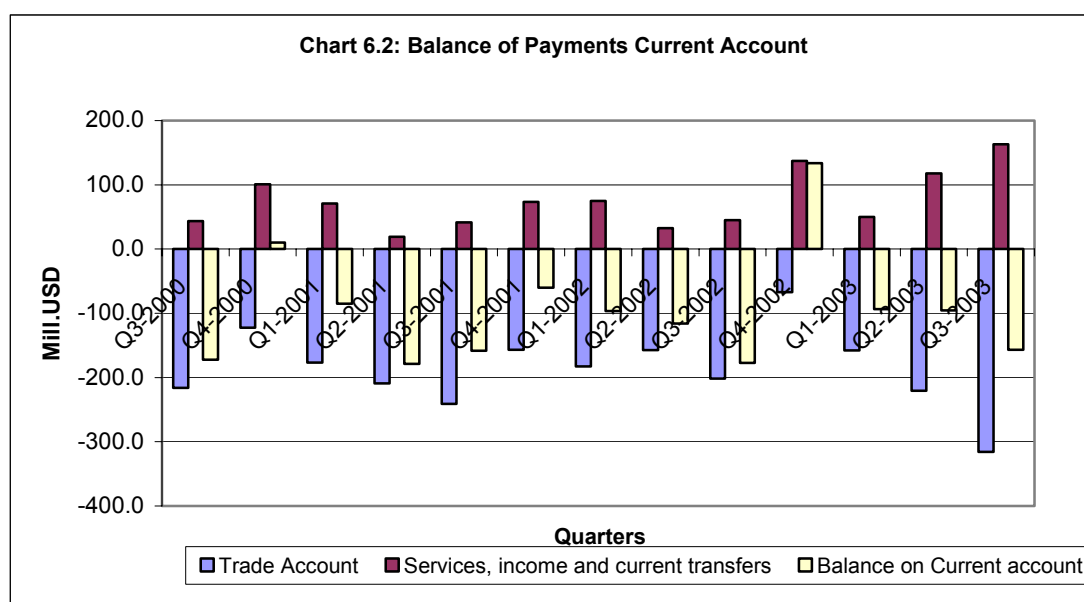
Note: p = Provisional data

Source: Interational Economics Department of the Bank of Tanzania.



## 6.1 Current Account

The current account deficit widened during the quarter under review, due to poor performance in the goods, services and income accounts. However, the deficit of USD 157.2 million recorded during end of September 2003, was much lower than the deficit of USD 178.0 million recorded during the corresponding quarter in 2002. The improvement was mainly due to the surge in official current transfers, resulting from an increase in the number of donors participating in program assistances under the Poverty Reduction Budget Support (PRBS) and sectoral basket funding.



## 6.2 Goods Exports

During the quarter under review, total goods exports decreased by 11.0 percent, from USD 258.1 million recorded during the quarter ending June 2003, to USD 229.7 million as a result of declines in both traditional and non traditional exports. However, when compared with the corresponding quarter of 2002, total exports increased by 18.6 percent. Traditional exports declined by 14.0 percent during the review quarter, largely due to the drop in export volumes and unit prices. Coffee, tea and cloves registered declines in export volumes. Export prices of coffee, cotton and

cashew nuts also declined by 3.1 percent, 12.0 percent and 18.6 percent, respectively. Likewise, non-traditional exports declined by 10.5 percent in almost all sub-categories, except for other exports that recorded significant improvement and manufactured exports that almost remained unchanged.

**Table 6.2: Exports by Type of Commodity**

Traditional Commodities	April - June	July - September	% Change	July - September		% Change
	2003p	2003p		2002	2003p	
<b>COFFEE</b>						
Value	12.4	4.9	-60.6	1.7	4.9	188.2
Volume	13.8	5.6	-59.4	2.4	5.6	131.4
Unit Price	896.4	868.4	-3.1	721.2	868.4	20.4
<b>COTTON</b>						
Value	7.0	10.8	54.8	7.2	10.8	50.7
Volume	7.9	13.9	75.9	9.3	13.9	49.3
Unit Price	886.9	780.4	-12.0	773.1	780.4	0.9
<b>SISAL</b>						
Value	1.5	1.8	16.0	1.5	1.8	15.8
Volume	3.1	3.2	4.1	2.9	3.2	10.9
Unit Price	489.9	545.8	11.4	523.0	545.8	4.4
<b>TEA</b>						
Value	7.8	3.3	-58.2	4.4	3.3	-26.4
Volume	6.5	2.7	-58.7	3.5	2.7	-23.2
Unit Price	1,203.3	1,219.8	1.4	1,272.0	1,219.8	-4.1
<b>TOBACCO</b>						
Value	2.4	6.2	155.9	4.2	6.2	46.6
Volume	2.0	2.6	30.8	2.4	2.6	8.3
Unit Price	1,225.0	2,396.9	95.7	1,770.7	2,396.9	35.4
<b>CASHEWNUTS</b>						
Value	0.9	2.7	190.6	0.9	2.7	215.4
Volume	1.1	4.0	257.0	1.4	4.0	188.7
Unit Price	840.2	683.8	-18.6	625.8	683.8	9.3
<b>CLOVES</b>						
Value	2.64	0.15	-94.3	1.3	0.1	-88.4
Volume	1.12	0.06	--	0.5	0.1	-88.1
Unit Price	2,352.9	2,500.0	6.2	2,517.3	2,446.3	-2.8
<b>SUB TOTAL</b>	<b>34.7</b>	<b>29.8</b>	<b>-14.0</b>	<b>21.3</b>	<b>29.8</b>	<b>39.9</b>
<b>Non-Traditional Exports</b>						
Minerals	<b>135.2</b>	<b>112.6</b>	<b>-16.7</b>	<b>91.4</b>	<b>112.6</b>	<b>23.2</b>
Gold	122.1	101.8	-16.6	82.2	101.8	23.7
Diamond	6.7	6.7	-0.8	5.2	6.7	28.8
Other minerals	6.4	4.2	-34.4	4.0	4.2	4.4
<b>Manufactured goods</b>	<b>24.3</b>	<b>23.7</b>	<b>-2.6</b>	<b>13.4</b>	<b>23.7</b>	<b>77.2</b>
Cotton Yarn	1.3	1.0	-26.6	0.4	1.0	165.6
Manufactured Coffee	0.2	0.1	-44.7	0.2	0.1	-27.8
Manufactured Tobacco	1.1	1.5	0.0	0.0	1.5	--
Sisal Products	1.5	0.3	0.0	0.4	0.3	-27.7
Other manufactured goods	20.1	20.7	3.3	12.4	20.7	67.2
<b>Fish and Fish Products</b>	<b>38.6</b>	<b>34.5</b>	<b>-10.6</b>	<b>29.9</b>	<b>34.5</b>	<b>15.4</b>
<b>Horticultural Products</b>	<b>3.3</b>	<b>2.0</b>	<b>-37.9</b>	<b>2.1</b>	<b>2.0</b>	<b>-4.1</b>
<b>Other Export Products</b>	<b>22.1</b>	<b>27.1</b>	<b>22.6</b>	<b>35.6</b>	<b>27.1</b>	<b>-24.0</b>
<b>SUB TOTAL</b>	<b>223.4</b>	<b>199.9</b>	<b>-10.5</b>	<b>172.4</b>	<b>199.9</b>	<b>15.9</b>
<b>GRAND TOTAL</b>	<b>258.1</b>	<b>229.7</b>	<b>-11.0</b>	<b>193.7</b>	<b>229.7</b>	<b>18.6</b>

**NOTE:**

p = Provisional data.

Volume in '000 Tons; Value in '000,000 USD; Unit Price in USD/Ton

-- implies very large number

Source: Bank of Tanzania and TRA

### 6.3 Goods Imports

During the quarter ending September 2003, total imports (f.o.b.) increased by 14.0 percent from USD 478.7 million, recorded during the preceding quarter to USD 545.6 million, mainly due to increased imports of capital and intermediate goods. The increase in capital goods imports during the review quarter was mainly associated with importation of gas turbines for electric power generation. The increase in intermediate goods imports was attributed to the decision taken by the government during 2003/04 to grant subsidies on imported fertilizer to boost agricultural production. Oil imports went up following measures taken by the Tanzania Revenue Authority (TRA) to plug smuggling loopholes on imported petroleum products. As for imports of consumer goods, they remained virtually unchanged at USD 139.4 million as in the preceding quarter.

**Table 6.3: Tanzania Imports (By major categories)**

IMPORT CATEGORY	<i>In Millions of USD</i>					
	April- June	July - September	%	July - September		%
	2003p	2003p	change	2002	2003p	Change
<b>CAPITAL GOODS</b>	<b>180.6</b>	<b>227.6</b>	<b>26.0</b>	<b>166.4</b>	<b>227.6</b>	<b>37.1</b>
Transport Equipment	51.2	52.5	2.6	50.2	52.5	4.6
Building and Construction Equipment	45.6	40.3	-11.6	30.9	40.3	30.4
Machinery	83.8	134.8	60.8	85.3	134.8	58.0
<b>INTERMEDIATE GOODS</b>	<b>160.4</b>	<b>178.6</b>	<b>11.3</b>	<b>105.9</b>	<b>178.6</b>	<b>68.6</b>
Oil imports	99.0	110.5	11.6	49.3	110.5	124.1
Fertilizers	6.1	11.1	81.9	4.5	11.1	146.7
Industrial Raw materials	55.4	57	3.0	52.1	57	9.4
<b>CONSUMER GOODS</b>	<b>137.7</b>	<b>139.4</b>	<b>1.2</b>	<b>123.1</b>	<b>139.4</b>	<b>13.2</b>
Food and foodstuffs	41.5	41.0	-1.2	30.3	41.0	35.3
All other consumer goods	96.2	98.4	2.3	92.8	98.4	6.0
<b>GRAND TOTAL (F.O.B)</b>	<b>478.7</b>	<b>545.6</b>	<b>14.0</b>	<b>395.4</b>	<b>545.6</b>	<b>38.0</b>
<b>GRAND TOTAL (C.I.F.)</b>	<b>526.1</b>	<b>599.6</b>	<b>14.0</b>	<b>434.5</b>	<b>599.6</b>	<b>38.0</b>

Note: Oil imports refers to refined petroleum products

p = Provisional data

Source: Bank of Tanzania, Tanzania Revenue Authority

#### **6.4 Services Account**

The services account recorded a deficit of USD 31.3 million during the review period, against a deficit of USD 19.2 million recorded during the quarter ending June 2003. The poor performance in the services account was due to a 10.3 percent increase in services payments that outweighed the effects of a 4.2 percent increase in services receipts. The increase in service payments was mainly explained by increase in education expenditure, following commencement of the academic year in some international academic institutions. The increase in services receipts on the other hand was largely associated with the increase in travel (tourism) receipts; July to September is normally a peak season for tourism activities in the country.

#### **6.5 Income Account**

The income account witnessed a widening deficit from USD 5.4 million, recorded during the quarter ending June 2003 to USD 14.4 million. This was largely due to an increase in interest payments related to debt servicing.

**Table 6.4: Services and Income Account Developments**

		Millions of USD					
		2003 <sup>P</sup>		%	July - September		%
		April-June	Jul-Sept.	change	2002	2003 <sup>P</sup>	change
<b>A. Services Account</b>	<b>Net</b>	<b>-19.2</b>	<b>-31.3</b>	<b>62.8</b>	<b>-48.0</b>	<b>-31.3</b>	<b>-34.8</b>
	<b>Receipt</b>	<b>164.1</b>	<b>170.9</b>	<b>4.2</b>	<b>169.8</b>	<b>170.9</b>	<b>0.7</b>
	<b>Payment</b>	<b>183.3</b>	<b>202.2</b>	<b>10.3</b>	<b>217.8</b>	<b>202.2</b>	<b>-7.2</b>
1. Transportation	Receipt	16.8	13.8	-17.9	16.4	13.8	-15.8
	Payment	52.4	57.8	10.2	47.0	57.8	22.9
<i>o/w freight payment</i>	Payment	45.9	52.0	13.4	37.8	45.9	21.2
2. Travel	Receipt	103.6	122.8	18.5	117.6	122.8	4.4
	Payment	74.3	96.4	29.7	97.0	96.4	-0.7
3. Communication Services	Receipt	6.1	4.7	-23.8	3.2	4.7	44.4
	Payment	11.7	13.2	12.9	31.8	13.2	-58.5
4. Construction services	Receipt	0.0	0.0	0.0	0.0	0.0	0.0
	Payment	0.7	0.8	7.1	1.2	0.8	--
5. Insurance Services	Receipt	4.4	4.4	-0.4	4.2	4.4	5.6
	Payment	9.4	9.4	-0.5	7.5	9.4	25.9
6. Financial Services	Receipt	1.7	0.6	-66.7	0.8	0.6	-33.1
	Payment	2.6	1.4	-46.2	2.4	1.4	-40.7
7. Computer and Information Services	Receipt	0.0	0.1	--	0.2	0.1	-47.4
	Payment	1.0	0.0	--	0.6	0.0	-100.0
8. Royalties and License fees	Receipt	0.0	0.0	0.0	0.0	0.0	0.0
	Payment	0.4	0.0	-100.0	0.0	0.0	0.0
9. Other Business Services	Receipt	19.7	15.0	-23.9	12.6	15.0	19.3
	Payment	16.8	10.1	-39.9	13.4	10.1	-24.8
10. Personal, Cultural and Recreational Services	Receipt	0.4	0.4	--	0.3	0.4	--
	Payment	0.0	0.0	0.0	0.0	0.0	0.0
11. Government Services n.i.e	Receipt	11.3	9.2	-18.6	14.4	9.2	-36.0
	Payment	14.0	13.2	-5.4	16.8	13.2	-21.6
<b>B. Income Account</b>	<b>Net</b>	<b>-5.3</b>	<b>-14.4</b>	<b>--</b>	<b>-8.7</b>	<b>-14.4</b>	<b>--</b>
	<b>Receipt</b>	<b>21.4</b>	<b>21.5</b>	<b>0.6</b>	<b>18.6</b>	<b>21.5</b>	<b>16.0</b>
	<b>Payment</b>	<b>26.7</b>	<b>36.0</b>	<b>34.5</b>	<b>27.2</b>	<b>36.0</b>	<b>32.1</b>
1. Compensation of Employees	Receipt	1.8	1.5	-16.7	1.8	1.5	-17.7
	Payment	5.0	7.0	41.0	5.3	7.0	33.2
2. Investment Income	Receipt	19.6	20.0	2.1	16.7	20.0	19.7
	Payment	21.8	28.9	33.0	22.0	28.9	31.8
<i>o/w interest payment</i>	Payment	14.9	25.9	74.0	21.9	25.9	18.3

Source: Commercial Banks, Non-bank Financial Institutions, BoT.

<sup>P</sup> provisional figures

Note:

- = Small value

-- = Very big value

--- = Information not available

## 6.6 Current transfers

During the quarter ending September 2003, net current transfers inflows increased by 39.5 percent from USD 145.8 million, recorded during the preceding quarter to USD 204.3 million largely due to increased inflows

of official current transfers. This development was attributed to early disbursements of programme aid by donors to finance priority sectors namely Health, Education, Agriculture, Rural Roads and Judiciary. It is worthy noting that, official current transfers constitute about 90.0 percent of total current transfers inflows.

### **6.7 Capital and Financial Account**

During the quarter ending September 2003, the balance on the capital and financial account improved by registering a surplus of USD 211.1 million, compared with a surplus of USD 119.2 million recorded during the quarter ending June 2003. The increase in long-term loan drawings, coupled with a decline in scheduled debt repayments partly accounted for this improvement.

Loan drawings by the government increased from USD 82.0 million to USD 127.2 million, whereas scheduled debt repayments declined from USD 200.8 million to USD 190.2 million. Timely disbursements of funds by creditors during the beginning of the financial year, partly contributed to the increase in loan drawings during the review quarter.

### **6.8 World Commodity Prices**

During the quarter ending September 2003, average price for **coffee (Robusta)** remained unchanged at USD 0.8 per kg while average price for **coffee (Arabica)** went up by 0.7 percent from USD 1.41 per kg to USD 1.42 per kg.

The average price for **cotton (A index)** increased by 7.7 percent to USD 1.40 per kg, whereas the average price for **sisal** increased by 2.5 percent during the period under review. The increase in cotton price was caused by shortages resulting from unfavourable weather conditions in the key cotton producing areas in China and the United States. The increase in

the prices of sisal was largely attributed to the rise in production cost of chemical fibres, which is the main close substitute for sisal.

Prices of both **tea (average of Calcutta, Mombasa and Colombo auctions)** and **(Mombasa auction)** increased by 9.6 percent and 6.0 percent to USD 1.60 per kg respectively, from the price levels recorded during the preceding quarter. This development was largely attributed to inadequate supply of tea resulting from floods that hit low-lying tea estates in Sri Lanka, one of the world's largest tea exporters.

Prices of **cloves** increased by 5.7 percent between July and September 2003, largely due to the decline in production in Madagascar and Brazil resulting from the "cycles" of clove trees. This is due to the fact that a good crop year for cloves is normally followed by a two years of decline in output.

During the period under review, prices of non-agricultural commodities namely, oil and gold were also on an upward trend. The price of **crude oil (Average of U.K. Brent, Dubai and West Texas Intl.)** rose by 8.4 percent to USD 28.4 per barrel, while those for **crude oil (Dubai)** went up by 8.7 percent to USD 26.5 per barrel. Likewise, the price of white petroleum products increased from USD 259.3 per ton, recorded between April and June 2003, to USD 263.0 per ton during the period from July to September 2003. The increase in prices was largely caused by concerns over disruption of crude oil supplies as a result of the Hurricane Isabel storms in the Gulf of Mexico and Northern America, as well as the violence and strikes in Nigeria.

**Gold** prices rose by 4.8 percent to USD 363.2 per troy ounce during the quarter ending September 2003, largely due to strengthening of the Euro against major currencies.



## **7.0 ECONOMIC DEVELOPMENTS IN TANZANIA ZANZIBAR**

### **7.1 Government Finance**

#### **Overall Performance**

During the first quarter of fiscal year 2003/04, the Zanzibar Government budgetary operations on cheques issued basis, recorded an overall deficit before grants of TZS 3.4 billion or 1.5 percent of GDP<sup>1</sup>. However, after considering grants amounting TZS 4.1 billion, it turned to a surplus of TZS 0.6 billion.

#### **Revenue Performance**

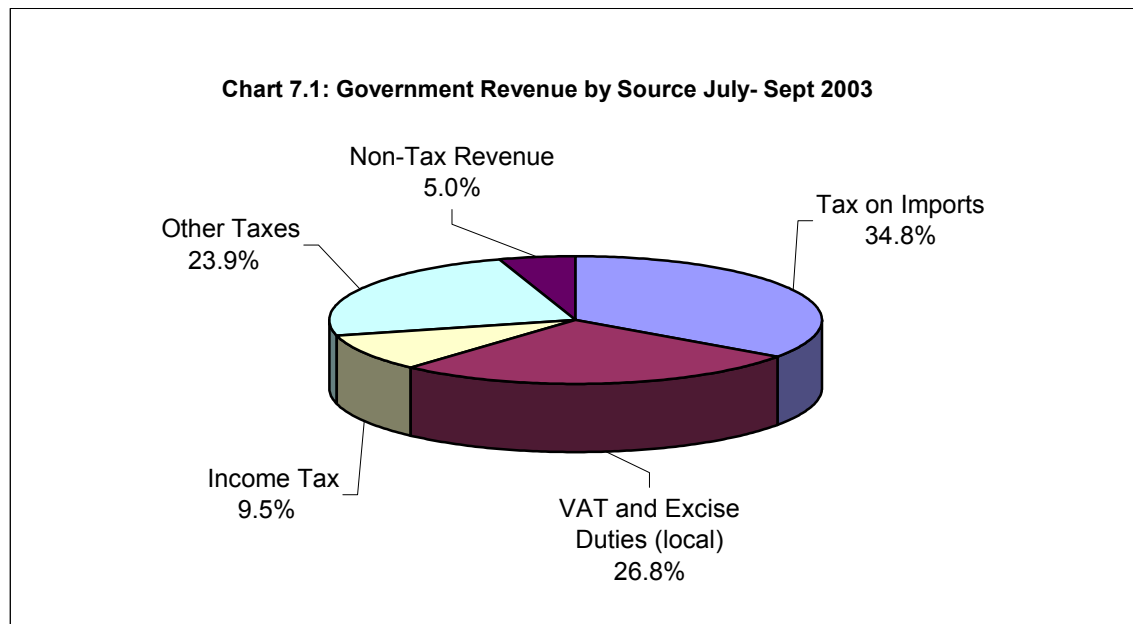
During the period under review, revenue collections increased by 11.8 percent to TZS 11.4 billion, from TZS 10.2 billion registered during the preceding quarter; The revenue was 88.3 percent of the targeted amount of TZS 12.9 billion for the quarter. The lower than estimated collections was mainly attributed to shortfalls in both tax and non-tax categories. Tax revenue amounted to TZS 10.9 billion or 89.3 percent of the projected TZS 12.2 billion, largely due to the general decline in imports. Non-tax revenue collections also amounted to TZS 0.6 billion or 86.0 percent of the projected TZS 0.7 billion.

With the exception of VAT, Excise duty (local) and Income tax, all other tax categories fell short of their targets. Revenue collections from VAT and excise duty (local) amounted to TZS 3.1 billion, or 29.1 percent above the targeted amount of TZS 2.4 billion. Income tax collections amounted to TZS 1.08 billion, slightly above the projected amount of TZS 1.0 billion. The improved performance in both tax categories was a result of measures taken by the Zanzibar Revenue Board to plug loopholes of tax evasion.

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<sup>1</sup> GDP = TZS 231,991 Million

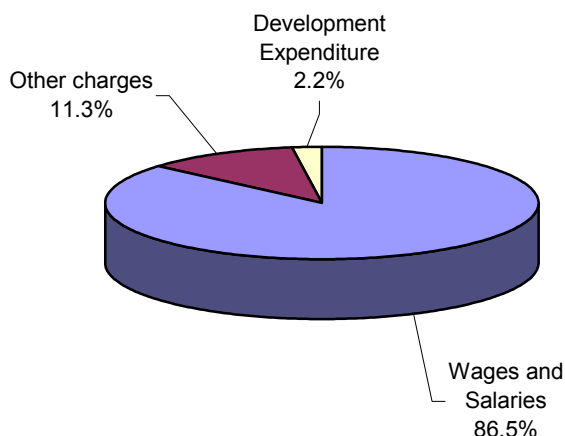
Revenue collections from import duty amounted to TZS 4.0 billion, or 80.0 percent of the targeted amount of TZS 5.0 billion. Performance in other tax categories amounted to TZS 2.7 billion, or 71.0 percent of the projected amount of TZS 3.8 billion.



## Government Expenditure

During the period under review, total government expenditure increased by almost 12.9 percent, from TZS 13.2 billion recorded during the preceding quarter to TZS 14.9 billion. Recurrent expenditure amounted to TZS 14.5 billion, or 93.4 percent of the expenditure ceiling for the quarter of TZS 15.5 billion. The lower than expected expenditure was due to the government's adherence to the cash budget system. Development expenditure amounted to TZS 0.3 billion, or 75.0 percent of the quarterly ceiling of TZS 0.4 billion. The low level of spending was caused by delays in donor fund inflows.

**Table 7.2: Government Expenditure by Component July - September 2003**



## **Financing**

During the quarter under review, the budget recorded an overall deficit on cheques cleared basis amounting to TZS 1.9 billion, which was entirely financed from non-bank sources (treasury bills).

## **Debt Developments**

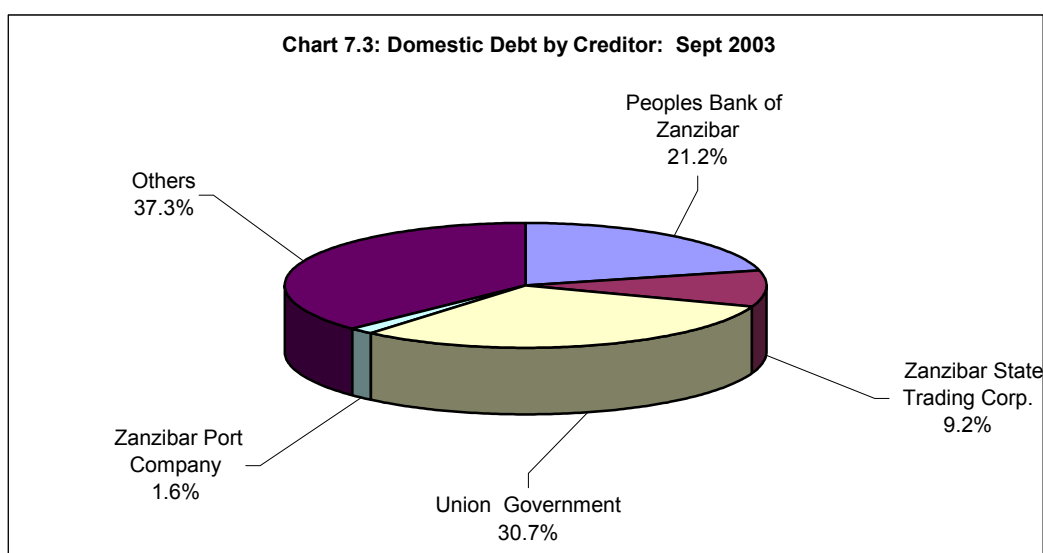
Total debt stock (domestic and external) as at the end of September 2003, stood at TZS 102.3 billion equivalent to USD 98.0 million. The debt stock was 6.0 percent higher than the amount of USD 92.4 million recorded during the corresponding period in 2002. Domestic debt amounted to TZS 44.3 billion or 43.3 percent, while external debt amounted to TZS 58.0 billion or 56.7 percent.

## **Domestic Debt**

During the quarter ending September 2003, domestic debt increased by 38.5 percent, from TZS 32.0 billion recorded during the corresponding period in 2002, to TZS 44.3 billion. The increase was mainly due to new government borrowings through treasury bills and accrued interest payments.

## Domestic Debt - By Creditors

Domestic debt by creditor reveals that, the Zanzibar Government indebtedness to the Union Government amounted to TZS 13.6 billion, representing 30.7 percent of total domestic debt. The People's Bank of Zanzibar claims amounted to TZS 9.4 billion or 21.3 percent. Zanzibar State Trading Corporation (ZSTC) and Zanzibar Port Authority were each owed TZS 4.1 billion and TZS 0.7 billion, accounting for 9.2 percent and 1.6 percent of total domestic debt respectively. Other creditor claims amounted to TZS 16.5 billion or 37.3 percent.



## Domestic Debt by Instruments

Analysis of domestic debt by instruments shows that, the Zanzibar Government's borrowing through treasury bills amounted to TZS 6.7 billion, or 15.2 percent of total domestic debt. Government stocks amounted to TZS 4.0 billion or 9.0 percent. Long-term loans stood at TZS 9.4 billion, or 21.2 percent. Short-term loans remained at the preceding quarter level of TZS 0.7 billion or 1.6 percent. Other claims (outstanding advances, pensioner's claims and supplier's credits) stood at TZS 23.4 billion, or 52.8 percent of total domestic debt.

**Table 7.1: Zanzibar Domestic Debt by Instruments in Millions of TZS**

INSTRUMENT	Sep-02	Dec-02	Mar-03	Jun-03	Sep-03	%Composition		%Change	
						Sep-03	Sept03/Jun03	Sept03/Sept02	
Short term Loan	195.7	709.5	709.5	709.5	709.5	1.6	-	262.5	
Long term loans	7,221.4	8,864.3	9,099.0	9,411.9	9,411.9	21.2	-	30.3	
Government stocks	3,307.3	3,669.7	4,050.3	4,050.3	4,050.3	9.1	-	22.5	
Treasury bills	1,336.0	2,622.1	3,145.6	4,645.6	6,750.0	15.2	45.3	405.2	
Other Instruments*	19,947.6	22,345.0	22,345.0	22,984.8	23,398.8	52.8	1.8	17.3	
<b>TOTAL</b>	<b>32,008.0</b>	<b>38,210.6</b>	<b>39,349.4</b>	<b>41,802.1</b>	<b>44,320.5</b>	<b>100.0</b>	<b>6.0</b>	<b>38.5</b>	

GDP TZS 231,991 Million

Domestic Debt/GDP 19.1%

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

Source: Ministry of Finance Zanzibar.

### Domestic Debt by Maturity

Debts with maturity of less than a year amounted to TZS 11.5 billion, or 26.0 percent of total domestic debt. Those with maturity of between 2 to 5 years amounted to TZS 9.4 billion or 21.2 percent. Debts with undetermined maturity such as pensioner's claims amounted to TZS 23.4 billion or 52.8 percent.

**Table 7.2 Zanzibar Domestic Debt by Maturity in Millions of TZS**

PERIOD	Sep-02	Dec-02	Mar-03	Jun-03	Sep-03	%Composition		%Change	
						Sep-03	Sep-03	Sept03/Jun03	Sept03/02
Less than 1 yr	2,870.7	1.4	1,425.0	5,336.1	11,509.8	26.0	115.7		
1-2 years	629.3	4.4	4,558.8	4,069.3	-	-	0.0	0.0	
2-5 Years	7,221.4	9.1	9,099.0	9,411.9	9,411.9	21.2	0.0	30.3	
Undetermined	21,286.6	39,030.5	24,263.6	22,984.8	23,398.8	52.8	1.8	9.9	
<b>TOTAL</b>	<b>32,008.0</b>	<b>39,045.3</b>	<b>39,346.4</b>	<b>41,802.1</b>	<b>44,320.5</b>	<b>100.0</b>	<b>6.0</b>	<b>38.5</b>	

GDP TZS 231,991 Million

Domestic Debt/GDP 19.1%

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

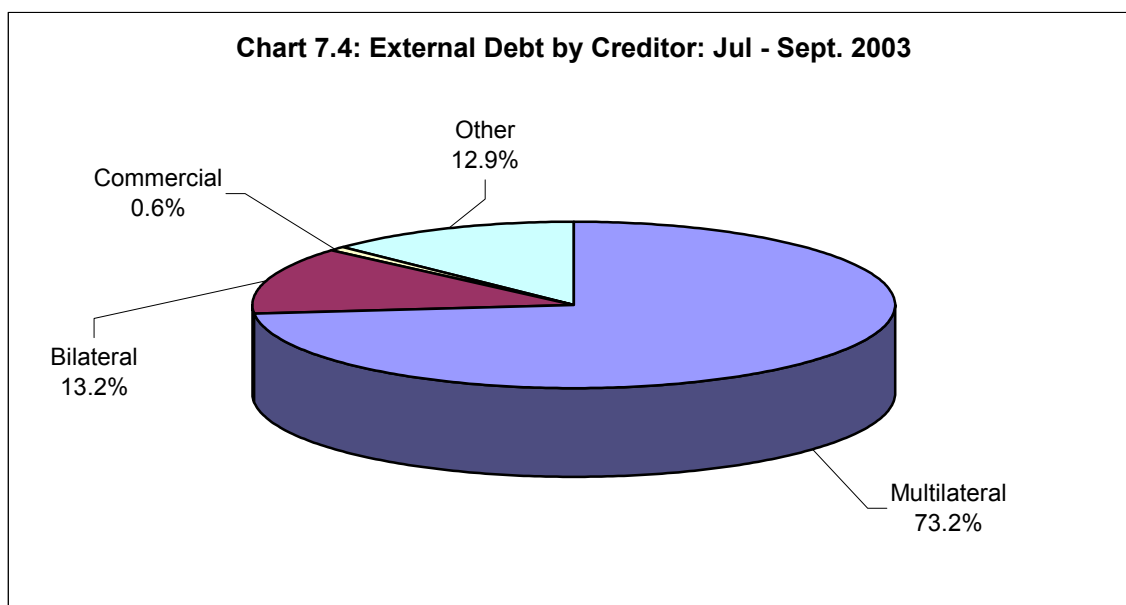
Source: Ministry of Finance Zanzibar.

## External Debt

The Zanzibar Government external debt as at the end of September 2003 decreased by 6.9 percent, from USD 59.4 million recorded during the corresponding quarter of 2002 to USD 55.5 million. The decline was mainly associated with the debt data base validation exercise.

## External Debt by Creditor Category

The external debt portfolio shows that, multilateral debts as at the end of September 2003, amounted to USD 40.7 million, or 73.2 percent of total external debt. Bilateral debts amounted to USD 7.3 million or 13.2 percent. Commercial debts amounted to USD 0.3 million or 0.6 percent and other debts amounted to USD 7.2 million or 12.9 percent.



### External Debt by Maturity

Debts with maturity of between 5 to 10 years amounted to USD 6.7 million, or 12.1 percent of total external debt. Those with maturity of between 10 to 20 years amounted to USD 4.8 million or 8.6 percent. Debts with maturity of above 20 years amounted to USD 47.4 million or 79.3 percent.

**Table 7.3: Zanzibar External Debt – by Maturity in Millions of USD**

PERIOD	Sep-02	Dec-02	Mar-03	Jun-03	Sep-03	%Composition		%Change	
						Sep-03	Sept03/Jun03	Sept03/Sept02	
5-10 Years	7.0	-	8.2	6.7	6.7	12.1	-	0.0	4.7
10-20 Years	5.0	7.0	5.0	5.1	4.8	8.6	-	6.5	4.3
>20 Years	46.7	46.4	54.0	43.7	44.0	79.3	-	0.8	5.7
<b>TOTAL</b>	<b>58.7</b>	<b>53.4</b>	<b>67.2</b>	<b>55.5</b>	<b>55.5</b>	<b>100.0</b>	<b>-</b>	<b>0.0</b>	<b>5.5</b>

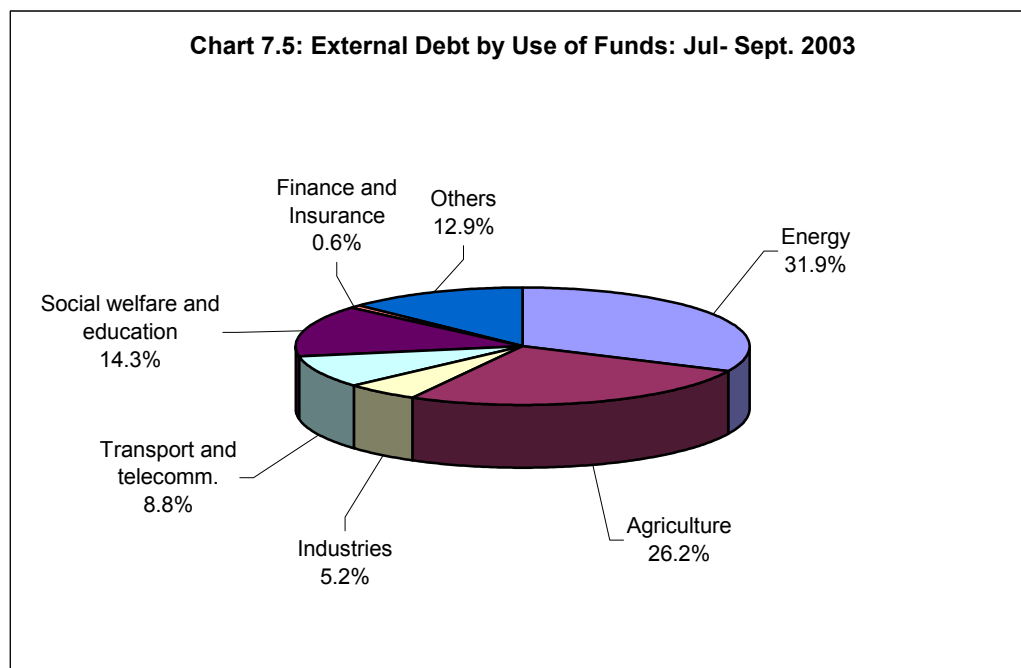
GDP TZS 231,991 Million  
Domestic Debt/GDP 25.0%

Source: Ministry of Finance Zanzibar.

### External Debt by Use of Funds

External debt by use of funds analysis at the end of September 2003 shows that the energy sector received USD 17.7 million or 31.9 percent, followed by agriculture, which received USD 14.6 million or 26.2

percent of total disbursed funds. Industries received USD 2.9 million or 5.2 percent. Transport and Communication sector received USD 4.8 million or 8.8 percent. Social Welfare and Education received a total of USD 8.0 million or 14.3 percent. Finance and Insurance sector received USD 0.3 million or 0.6 percent and Other Sectors received USD 7.2 million or 12.9 percent.



### 7.3 Foreign Trade Developments

During the quarter ending September 2003, the trade account (goods and services) recorded a deficit of USD 41.3 million, compared with a deficit of USD 36.0 million recorded during the corresponding period in 2002. The deterioration of the trade account was a result of increases in imports, coupled with a decline in exports.



**Table 7.4: Zanzibar Trade Account (Goods and Services)****(In millions of USD)**

ITEM	July – September		% Change
	2002	2003*	
<b>Exports</b>	<b>11.2</b>	<b>9.6</b>	<b>-14.3</b>
Goods	3.8	1.1	-71.1
Services	7.4	8.5	14.9
<b>Imports</b>	<b>47.2</b>	<b>50.9</b>	<b>7.8</b>
Goods (f.o.b)	15.2	15.7	3.3
Services	32.0	35.2	10.0
<b>Trade Balance</b>	<b>-36.0</b>	<b>-41.3</b>	<b>14.7</b>

Source: Tanzania Revenue Authority and Zanzibar State Trading Corp.

\*Provisional data

## Goods Account

During the period under review, The Zanzibar's goods account deteriorated by 14.3 percent to a deficit of USD 41.3 million, from a deficit of USD 36.0 million recorded during the corresponding quarter in 2002. The deterioration was due to higher value of imports coupled with a decline in the value of exports.

**Table 7.5: Zanzibar Goods Account**

ITEM	July – September		% Change
	2002	2003	
Exports	11.2	9.6	-14.3
Imports	47.2	50.9	7.8
Trade Balance	-36.0	-41.3	-14.7

Source: Tanzania Revenue Authority and Zanzibar State Trading Corp

## Exports

Total exports decreased by 73.7 percent from USD 3.8 million, recorded during the corresponding period in 2002 to USD 1.0 million. The decline in both volume and prices of cloves was mainly associated with import restrictions for the commodity imposed by Indonesia, one of major consumers of cloves. Consequently, traditional exports decreased from USD 3.4 million to USD 0.5 million. Non-traditional exports however,

recorded a slightly improved performance, as manufactured goods increased from USD 0.2 million to USD 0.3 million.

**Table 7.6: Zanzibar Exports by Type of Commodity**

ITEM	2002	July – September	
		2003*	% Change
Traditional Commodities			
Value	2.7	0.1	-96.3
Volume	0.5	0.1	-80.0
Unit Price	5384.4	2339.5	-56.6
Seaweeds			
Value	0.7	0.4	-42.9
Volume	4.9	2.0	-59.2
Unit Price	139.9	197.2	41.0
<b>SUB TOTAL</b>	<b>3.4</b>	<b>0.5</b>	<b>-85.3</b>
Non-Traditional Exports			
Manufactured Goods	0.2	0.3	50.0
Fish and Fish Products	0.0	0.0	
Horticultural products	0.0	0.0	
Others Exports	0.1	0.1	
<b>SUB TOTAL</b>	<b>0.4</b>	<b>0.5</b>	<b>25.0</b>
<b>GRAND TOTAL</b>	<b>3.8</b>	<b>1.0</b>	<b>-73.7</b>

SOURCE: TRA, Customs Department and ZSTC.

NOTE: Volume in Thousands of Tons; Value in Millions of USD; Unit Price: USD/Ton

\*Provisional data subject to revision.

## Imports

During the quarter under review, overall imports (c.i.f.) increased by 2.4 percent to USD 17.2 million, from USD 16.8 million recorded during the corresponding period in 2002. Capital goods imports increased substantially following acquisition by M/S Sea Star of a new marine vessel. Intermediate goods imports increased by a small margin, following an increase in oil imports. Conversely, consumer goods imports declined, mainly due to the relatively higher decline in non-food imports.

**Table 7.7: Zanzibar Imports (c.i.f) By Major Categories**

July – September

<b>IMPORT CATEGORY</b>	<b>2002</b>	<b>2003*</b>	<b>% Change</b>
<b>CAPITAL GOODS</b>	<b>4.1</b>	<b>6.3</b>	<b>53.7</b>
Transport Equipments	0.9	3.7	311.1
Building and Constructions	0.7	0.6	-14.3
Machinery	2.5	2.0	-20.0
<b>INTERMEDIATE GOODS</b>	<b>3.9</b>	<b>4.1</b>	<b>5.1</b>
Oil imports	2.4	2.8	16.7
Fertilizers	0.0	0.0	
Industrial raw materials	1.5	1.3	-13.3
<b>CONSUMER GOODS</b>	<b>8.8</b>	<b>6.8</b>	<b>-22.7</b>
Food and food stuffs	5.1	4.2	-17.6
All other consumer goods	3.7	2.6	-29.7
<b>GRAND TOTAL</b>	<b>16.8</b>	<b>17.2</b>	<b>2.4</b>

Note: Imports estimated on the basis of SBE forms from TRA,

Value in Millions USD

Source: TRA, Customs Department.

\*Provisional

## Services Account

During the review period, the non-factor services account (net) recorded a deficit of USD 26.6 million, which was higher than a deficit of USD 24.6 million recorded during the corresponding quarter in 2002. The deterioration was due to increased service payments relative to receipts.

**Table 7.8: Zanzibar –Service and Income Sector Developments (Millions USD)**

		July - September		% Change
		2002	2003*	
<b>A. Services Account</b>	<b>Net</b>	<b>-24.6</b>	<b>-26.6</b>	<b>8.1</b>
	<b>Receipt</b>	<b>7.4</b>	<b>8.5</b>	<b>14.9</b>
	<b>Payment</b>	<b>32.0</b>	<b>35.2</b>	<b>10.0</b>
1. Transportation	Receipt	0.3	0.1	-66.7
	Payment	1.7	1.8	5.9
1.1: Passengers	Receipt	0.0	0.0	
	Payment	0.0	0.2	
1.2: Freight	Receipt	0.0	0.0	
	Payment	1.5	1.6	6.6
1.3: Other	Receipt	0.3	0.1	-66.7
	Payment	0.2	0.1	-50.0
2. Travel	Receipt	7.0	8.1	15.7
	Payment	2.1	5.3	152.4
3. Communication Services	Receipt	0.0	0.0	
	Payment	0.0	0.0	
4. Construction services	Receipt	0.0	0.2	
	Payment	0.0	0.0	
5. Insurance Services	Receipt	0.0	0.0	
	Payment	0.1	0.1	
6. Financial Services	Receipt	0.0	0.0	
	Payment	0.0	0.0	
7. Computer and Information Services	Receipt	0.0	0.0	
	Payment	0.0	0.0	
8. Royalties and License fees	Receipt	0.0	0.0	
	Payment	0.0	0.0	
9. Other Business Services	Receipt	0.0	0.0	
	Payment	0.0	0.0	
10. Personal, Cultural and Recreational Services	Receipt	0.0	0.0	
	Payment	0.0	0.0	
11. Government Services n.i.e	Receipt	0.1	0.2	100.0
	Payment	0.0	0.0	
<b>B. Income Account</b>	<b>Net</b>	<b>0.0</b>	<b>0.0</b>	
	<b>Receipt</b>	<b>0.0</b>	<b>0.0</b>	
	<b>Payment</b>	<b>0.0</b>	<b>0.0</b>	
1. Compensation of Employees	Receipt	0.0	0.0	
	Payment	0.0	0.0	
2. Investment Income	Receipt	0.0	0.0	
	Payment	0.0	0.0	
<i>o/w interest payment</i>	Payment	0.0	0.0	

Source: Commercial Banks, Non-Bank financial Institutions, BOT

\*Provisional data subject to revision.

## MANAGEMENT LIST

### MANAGEMENT LIST

		<b>Telephone</b>
		<b>Direct</b>
D.T. S. Ballali	Governor	2112879
Vacant	Deputy Governor	2112880

#### **1. DIRECTORATE OF GOVERNOR'S OFFICE**

J. S. Mhando	Director	2119312
J. B. Kimaro	Deputy Director, Communications	2135567
M. Mugo	Deputy Director, Special Duties	2138390
A.V. Haule	Deputy Director, Special Duties	2121429

#### **2. DIRECTORATE OF PERSONNEL AND ADMINISTRATION**

A. J. Liyumba	Director	2112701
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##### **Personnel Management Department**

J. N. S Makindi	Deputy Director	2115058
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##### **Training and Development Department**

S. Mahembe	Deputy Director	2110033
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##### **Estate Management Department**

P. Mutoni	Deputy Director	2114785
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### **Administrative Services Department**

G. Maganga	Deputy Director	2115612
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### **3. DIRECTORATE OF BANKING**

L. Kisarika	Director	2112703
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#### **Banking Department**

S. E. Balele	Deputy Director	2110750
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#### **Currency Department**

K.T. Mkango	Deputy Director	2118491
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#### **Systems Operations Department**

S.E. Jengo	Deputy Director	2137484
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### **4. DIRECTORATE OF BANK SUPERVISION**

I. H. Mkila	Director	2118021
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#### **Banks Supervision Department**

H.B. Kessy	Deputy Director	2111294
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### **Non-Banks Department**

M. Gasabile Deputy Director 2114695

### **Operations & Policy**

#### **Review Department**

A.E. Kobello Deputy Director 2127467

## **5. DIRECTORATE OF ECONOMIC POLICY**

P. M. Noni Director 2116612

A.J. Mengo Associate Director 2115614

### **Monetary & Financial Affairs Department**

Dr. J. L. Masawe Deputy Director 2119405

### **International Economics Department**

G. Mwakibolwa Deputy Director 2114900

### **Debt Management Department**

T. Mwakilema Deputy Director 2115087

### **Macroeconomic & Financial Programs Department**

P.L. Kadesha Deputy Director 2114901

### **Trade, Finance and Investment Policies Department**

S.S. Mrutu Deputy Director 2121437

### **Real Sector Department**

C. Kiliaki Deputy Director 2112704

### **6. DIRECTORATE OF FINANCE**

E.P. Issangya Director 2114784

### **Domestic Accounts Department**

J. Angello Deputy Director 2110096

### **Foreign Accounts Department**

E. M. Boaz Deputy Director 2117901

### **7.DIRECTORATE OF FINANCIAL MARKETS**

K. S. Mbatia Director 2112704

2118194

### **Domestic Markets Department**

J. C. Ndissi Deputy Director 2114770

### **Foreign Markets Department**

J. Mpelembwa Deputy Director 2112412

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

E. Makwaia Director 2115124



L. Katawanya Deputy Director

**Systems Analysis and Administration Department**

C. M. Kitwanga Deputy Director 2118162

**Networks and Office Automation Department**

T. N. Kalinjuna Deputy Director 2110505

**9. DIRECTORATE OF MICROFINANCE**

G. Rubambey Director 2138384

**Micro-Finance Analysis and Policy Department**

W. Tawe Deputy Director 2121781

**Micro-Finance Operations Department**

Vacant Deputy Director 2121785

**10. DIRECTORATE OF NATIONAL PAYMENTS SYSTEMS**

I. H. Kilato Director 2119346

**Payment System Project Management Department**

J. M. B. Massawe Deputy Director 2121742

**Payment System Oversight and Policy Department**

L. Kinunda Deputy Director 2127954

**11. DIRECTORATE OF INTERNAL AUDIT**

L. Chingwile Director 112704

**Internal Audit I Department**

R. Mwanga	Deputy Director	2114901
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### **Internal Audit II Department**

O. Kitine	Deputy Director	2121437
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## **12. OFFICE OF THE SECRETARY TO THE BANK**

Vacant	<b>Secretary to the Bank</b>	2118163
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### **Legal & Contracts Department**

B. Kimela	Deputy Director	2118032
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### **Investigation & Internal Security Department**

	Deputy Director	2119314
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## **13. BANK OF TANZANIA TRAINING INSTITUTE MWANZA**

W. Mgimwa	Principal	500027
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John Mlay	Director of Studies	500982
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A. C. Rukoijo	Deputy Director, Estate	
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B. A. Mbang	Deputy Director Administration	502697
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## **14. BRANCH OFFICES**

### **Arusha Branch**

A.F. Bakari	Director	2502928
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F.N. Mrosso	Deputy Director, Operations	2508243
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V. Mulebya	Deputy Director, Economics	2508243
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**Mbeya Branch**

A.H.M. Mtengeti	Director	2504158
O. Katundu	Deputy Director, Operations	2503321
F. Rugemalira	Deputy Director, Economics	2503321
D. Mwakitalu	Deputy Director, Administration	2502700

**Mwanza Branch**

E. Semainda	Director	501015
S. Ajali	Deputy Director, Operations	500074
D. Thewa	Deputy Director, Economics	500074
A. Ndalaha	Deputy Director, Administration	500024

**Zanzibar Branch**

B.N. Msami	Director	2230415
K.J. Jurango	Deputy Director Operations	2230803
S. Chiguma	Deputy Director, Economics	2230803
C. Kiponda	Deputy Director, Administration	2232687