



BANK OF TANZANIA

**ECONOMIC BULLETIN
FOR THE QUARTER ENDING
DECEMBER, 2009
VOL. XLI NO. 4**

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SUMMARY OF ECONOMIC DEVELOPMENTS

Gross Domestic Product

Real GDP growth in 2009 is likely to reach 5.5 percent, slightly above the initial projection of 5.0 percent. The revised estimate is based on real GDP growth rates registered during the first three quarters of 2009 of 5.6 percent, 5.2 percent and 7.1 percent. The relative good economic outturn emanated from strong performance in agriculture, construction, manufacturing, transport and communication, fishing and real estate. The economy is forecasted to grow at 6.2 percent in 2010 partly driven by the progressive recovery of the world economy from the global financial crisis.

Inflation Developments

The annual headline inflation increased to an average of 12.5 percent during the quarter ending December 2009, from an average of 11.7 percent recorded in the preceding quarter mainly on account of a rise in non-food inflation. During the period, non-food inflation increased to an average of 6.0 percent from 2.6 percent, while food inflation eased to an average of 16.5 percent from 17.7 percent .

Money Supply and Credit Developments

During the quarter ending December 2009, the Bank continued to implement a relatively relaxed monetary policy stance that was adopted in the last quarter of 2008/09, aimed at enhancing flexibility in the provision of liquidity to the economy. However, monetary aggregates grew at lower rates of 19.5 percent and 18.4 percent, for broad money (M2) and extended broad money supply (M3) respectively, against their end-December 2009 target of 21.7 percent.

Interest Rate Structure

During the quarter ending December 2009, interest rates continued to be market determined and exhibited mixed patterns. The overall weighted average yield on Treasury bills increased to 6.9 percent in December 2009 from 4.5 percent recorded in September 2009. The overnight inter-bank cash market rate went up to 1.5 percent in December 2009 from 1.0 percent recorded in the preceding quarter. Short-term interest rate spread

between lending and time deposit rates narrowed to 5.0 percentage points from 5.2 percentage points recorded in the quarter ending September 2009.

Public Finance

During the quarter ending December 2009, total central government resources amounted to TZS 1,491.9 billion, out of which TZS 1,199.4 billion or 80.3 percent was raised domestically and TZS 292.5 billion were grants. Fiscal operations registered an overall deficit (adjusted to cash) amounting to TZS 486.8 billion.

National Debt

During the quarter under review, external debt stock increased by 3.9 percent to USD 7,768.1 million from the level recorded at the end of the preceding quarter, while domestic debt increased by 3.92 percent to TZS 2,512.8 billion.

External Sector

The current account deficit widened to USD 591.1 million during the quarter under review, from the deficit of USD 337.7 million¹ recorded during the preceding quarter. This development was largely due to substantial decline in official transfers as most development partners support was received in the first quarter of fiscal year 2009/10.

Exchange Rate

Tanzanian shilling depreciated by 0.4 percent to a weighted average of TZS 1,322.1 per USD from TZS 1,316.9 per USD recorded in the quarter ending September 2009.

Zanzibar Government Budgetary Operations

Government operations for the quarter ending December 2009 recorded an overall deficit after grants (on cheques cleared basis) amounting to TZS 6.5 billion, compared to a deficit of TZS 3.8 billion recorded during the preceding quarter. Revenue collections amounted to TZS 37.6 billion compared with TZS 34.6 billion recorded in the quarter ending September 2009.

¹ Provisional statistics for September 2009 indicated a deficit of USD 325.4 million

Zanzibar External Sector Developments

The current account recorded a deficit of USD 1.8 million, compared to a surplus of USD 23.0 million² recorded during the preceding quarter. The poor performance was associated with drop off in exports proceeds and official transfers.

² Provisional statistics for September 2009 indicated a surplus of USD 27.6 million.

1.0 OUTPUT AND PRICES

The Overall Economic Performance

Real GDP growth was projected at 5.0 percent in 2009 which is below 7.4 percent recorded in 2008 on account of the global financial crisis and world economic slowdown. However, the outturn is likely to be above the initial projections, following real GDP growth rates of 5.6 percent, 5.2 percent and 7.1 percent that were recorded during the first three quarters of 2009. The relative good economic outturn emanated from strong performance in agriculture, construction, manufacturing, transport and communication, fishing and real estate. As the world economy recovers progressively from global financial crisis, and the demand for exports improves, the domestic economy is forecasted to grow at 6.2 percent in 2010.

Sectoral Performance

Traditional Export Crops Procurement

Procurement of traditional export crops declined to 222,433.1 tons in the quarter ending December 2009 from 308,595.3 tons recorded in the corresponding period in 2008 (Table 1.1). The decline was mainly associated with global financial crisis that affected commodity markets. However, procurement of tea rose due to commencement of production in the rehabilitated estates and favorable weather in the tea growing areas.

Table 1.1: Procurement of Traditional Export Crops

Crop	October - December		Tons
	2008 ^r	2009 ^p	Percent Change
Tobacco	off season		
Cashew nuts	61,618.0	48,633.4	-21.1
Coffee	57,250.0	31,523.4	-44.9
Cotton lint	122,476.7	89,495.1	-26.9
Sisal	35,646.6	20,689.0	-42.0
Tea	31,604.1	32,092.1	1.5
Total	308,595.3	222,433.1	-27.9

Notes: r = Revised

p = Provisional

Source: Respective crop boards

Production of Gold and Diamond

During the quarter ending December 2009, production of gold and diamond declined when compared to the quarter ending September 2009 (**Table 1.2**).

Table 1.2: Production of Gold and Diamond

Item	Units	Quarter Ending				
		2008	2009		Percent Change	
		Dec	Sep	Dec	Sep - Dec 09	Dec 08 - Dec 09
Gold	Kgs	6,277.2	10,988.2	7,583.2	-31.0	20.8
Diamond	Carats	35,379.1	28,691.1	28,226.9	-1.6	-20.2

Source: Respective Mining Companies

Food Supply Situation

Recent assessment on food supply by the Ministry of Agriculture, Food Security and Cooperatives revealed that about 2 million people in more than 60 districts were facing serious food shortages, which required food relief estimated at 56,746 tons of grains between November 2009 and January 2010. The Government and private traders purchased 32,634 tons of maize from the National Food Reserve Agency (NFRA) for distribution to the affected areas.

Wholesale prices

Wholesale prices of major food crops rose during the quarter ending December 2009 when compared with the corresponding quarter in 2008 and in the preceding quarter. The general rise in prices reflects food supply shortfalls in the country (**Table 1.3**).

Table 1.3: National Average Wholesale Prices for Selected Food Items

Item	TZS per 100 kg				
	2008	2009		Percent Change	
	Oct- Dec	Jul-Sep	Oct- Dec	Jul-Sep 09 to Oct- Dec 09	Oct-Dec-08 to Oct-Dec-09
Maize	32,428	35,318	41,038	16.2	26.6
Rice	100,955	99,125	104,049	5.0	3.1
Beans	103,186	89,801	101,841	13.4	-1.3
Sorghum	41,132	46,125	51,239	11.1	24.6
Potatoes	42,225	51,090	59,088	15.7	39.9

Source: Ministry of Industry, Trade and Marketing

National Food Reserve

The stock of grain reserves held by the National Food Reserve Agency (NFRA) declined to 77,644 tons of maize and sorghum at the end of December 2009 from 110,278 tons recorded at the end of September 2009 (**Table 1.4**). The decline in the stock was on account of sale of grains to the Government and private traders for distribution to areas facing food shortages.

Table 1.4: National Food Reserve Agency (NFRA) Stock

Period	Tons							% Change 2008-2009
	2003	2004	2005	2006	2007	2008	2009	
January	59,961	35,342	119,924	76,813	112,343	139,765	128,919	-7.8
February	59,493	23,791	116,383	43,593	117,838	133,898	125,430	-6.3
March	58,976	22,903	114,760	8,055	121,046	119,022	124,252	4.4
April	54,118	32,387	115,262	3,165	125,509	94,509	122,849	30.0
May	52,857	31,732	113,823	6,210	128,350	79,369	109,876	38.4
June	51,060	37,091	112,823	15,560	128,804	76,649	94,699	23.5
July	50,661	39,195	112,323	13,811	129,306	75,438	88,841	17.8
August	52,681	45,988	112,067	28,440	125,653	83,131	93,231	12.1
September	61,364	67,685	111,971	80,248	131,937	102,225	110,278	7.9
October	59,379	92,710	111,695	87,461	143,717	114,464	107,177	-6.4
November	52,054	108,448	106,428	100,828	142,624	122,209	86,542	-29.2
December	41,649	114,030	93,051	110,203	142,044	129,253	77,644	-39.9

Source: National Food Reserve Agency and BOT computation.

Inflation Developments

The annual headline inflation during the quarter ending December 2009 increased to an average of 12.5 percent, from 11.7 percent recorded during the quarter ending September 2009. The rise was mainly associated with increase in prices of non-food items. However, food inflation declined to an average of 16.5 percent during the quarter from 17.7 percent recorded in the preceding quarter, driven mainly by decline in prices of sweet potatoes, fruits, beans and cowpeas.

On the other hand, non-food inflation increased to an average of 6.0 percent from 2.6 percent recorded during the quarter ending September 2009. The increase was mainly attributed to a rise in average prices of: fuel, power and water; drinks and tobacco; and clothing and footwear (**Table 1.5**).

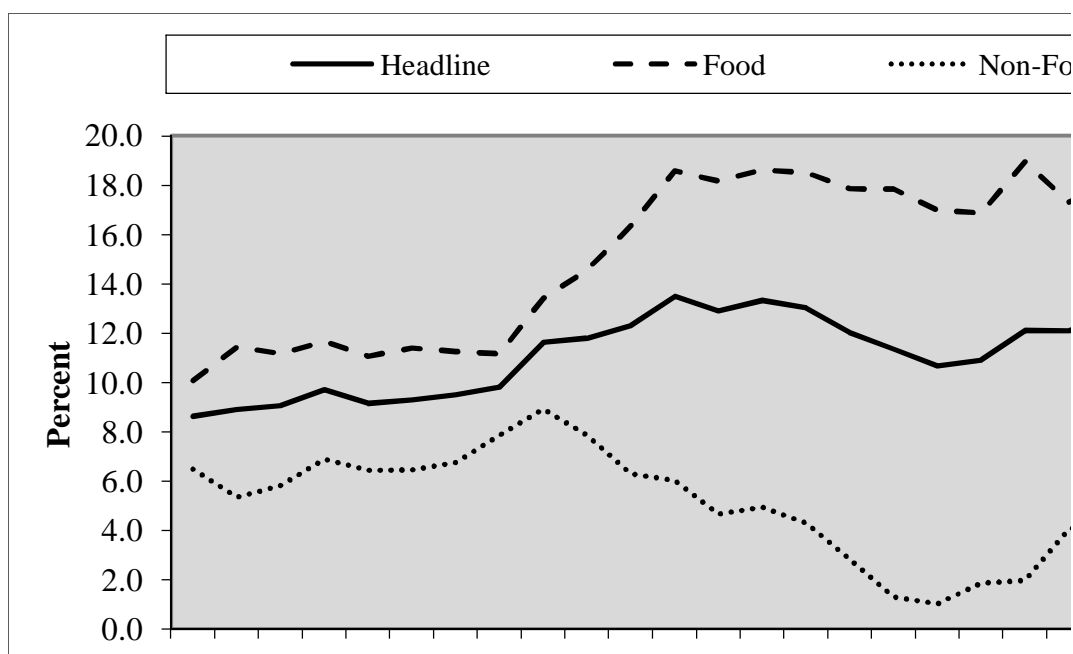
Table 1.5: Average Inflation Rates

Base: Dec.2001 =100

Commodity Group	Weight (%)	2008				2009			
		Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Headline/Overall	100.0	8.9	9.4	10.3	12.5	13.1	11.3	11.7	12.5
Food	55.9	10.9	11.4	11.9	16.5	18.4	17.5	17.7	16.5
Non-food	44.1	5.8	6.6	7.8	6.7	4.6	1.7	2.6	6.0
Transportation	9.7	5.5	6.8	8.5	6.6	3.6	-0.9	-2.9	0.5
Fuel, Power and Water	8.5	8.4	11.2	13.2	9.9	1.8	-7.7	-5.7	5.6
Drinks and Tobacco	6.9	9.9	7.9	8.5	6.4	5.5	6.5	10.7	12.3
Clothing and Footwear	6.4	0.8	1.1	1.1	2.8	4.1	5.7	8.8	6.5
Education	2.6	5.6	6.3	7.8	8.3	10.1	10.9	10.5	8.9
Furniture and Household Equipment	2.1	4.6	5.2	6.8	7.2	7.0	6.8	6.6	4.2
Household Operations Maintenance	2.1	3.1	2.7	2.2	4.7	4.9	4.8	5.3	5.8
Personal Care and Health	2.1	3.4	3.7	5.9	7.1	7.7	7.4	7.2	4.9
Rent	1.4	2.1	2.1	3.0	2.4	12.6	12.2	12.6	12.2
Recreation and Entertainment	0.8	4.4	4.1	5.5	8.0	10.4	9.0	8.8	8.5
Miscellaneous Goods and Services	1.5	1.6	0.7	2.2	2.6	3.4	4.5	4.0	1.3

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

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

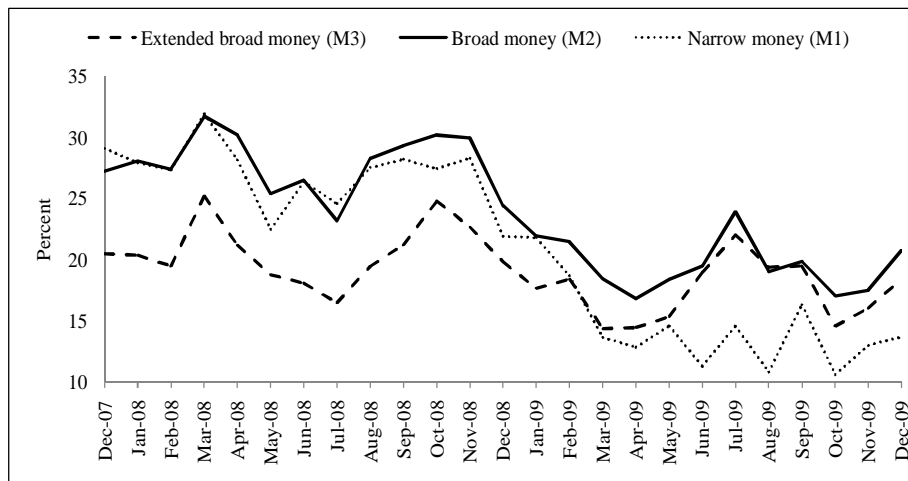


2.0 MONETARY AND FINANCIAL DEVELOPMENTS

Money and Credit

During the quarter ending December 2009, the Bank continued to implement a relatively relaxed monetary policy stance³ that was adopted in the last quarter of 2008/09, aimed at enhancing flexibility in the provision of liquidity to the economy. However, monetary aggregates grew at lower rates of 19.5 percent and 18.4 percent, for broad money (M2) and extended broad money supply (M3) respectively, against their end-December 2009 target of 21.7 percent. **Chart 2.1** depicts the trend in the growth of monetary aggregates.

Chart 2.1: Annual Growth Rates of Monetary Aggregates



Source: Bank of Tanzania

Net Foreign Assets (NFA) of the banking system during the quarter, increased by 20.8 percent to TZS 4,938.0 billion compared with the level recorded at the end of December 2008. Similarly, Net Domestic Assets (NDA) of the banking system increased during the quarter, when compared with the preceding quarter, largely on account of increase in net claims on government by the banking system (**Table 2.1**). Meanwhile, credit to the private sector decelerated to 9.6 percent in the quarter ending December 2009, compared with 26.6 percent recorded in the preceding quarter driven mainly by continued cautious

³ Beginning July 2009, the Bank reviewed the Lombard and discount rates with a view to making them more active instruments of monetary policy. The margin applied on the base rate to determine both the Lombard rate and the discount rate was changed from fixed percentage points to a proportion of the base rate.

stance taken by banks in extending credit to the private sector, following global financial crisis.

Table 2.1: Developments in Selected Monetary Aggregates

Item	Stock (Billions of TZS)			Change		Annual Growth rates (%)		
	Dec-08	Sep-09	Dec-09	Quarter	Annual	Dec-08	Sep-09	Dec-09
Extended Broad Money (M3)	7,458.8	8,476.2	8,831.8	355.6	355.6	19.8	19.5	18.4
Broad Money (M2)	5,468.5	6,313.5	6,604.0	290.5	290.5	24.4	19.9	20.8
Currency in Circulation(CC)	1,438.6	1,519.4	1,567.3	47.9	48	23.8	4.8	8.9
Transferable Deposits	1,719.7	2,059.4	2,024.0	-35.4	-35.4	20.4	26.6	17.7
Other Deposits	2,310.2	2,734.7	3,012.6	277.9	277.9	28.1	24.8	30.4
Foreign Currency Deposits (FCD)	1,990.3	2,162.7	2,227.8	65.1	65.1	8.8	18.5	11.9
FCD in millions of US dollar	1,554.6	1,660.1	1,696.3	36.2	36.2	-3.8	6.3	9.1
Total deposits in Commercial banks	6,414.5	7,547.0	7,852.7	305.7	305.8	19.2	28	22.4
Private sector	6,020.1	6,956.8	7,264.4	307.6	307.6	19	23.3	20.7
Government deposits	401.7	654.3	662.6	8.3	8.3	23.5	153.9	65
Net foreign assets of the banking system	4,086.8	4,864.2	4,938.0	73.8	73.7	12.2	36.7	20.8
Bank of Tanzania	3,592.1	3,897.1	3,843.4	-53.7	-53.7	19.4	27	7
Commercial banks	494.6	967.1	1,094.5	127.4	127.4	-21.9	97.4	121.3
Net domestic assets of the banking system	3,372.0	3,611.9	3,893.8	281.9	281.9	30.6	2.2	15.5
Domestic credit	4,221.2	4,744.4	5,068.0	323.6	323.6	49.1	25.4	20.1
Claims on Government	2,197.8	2,656.7	2,762.5	105.8	105.8	-3.2	25.1	25.7
Government deposits	2,532.7	2,736.7	2,686.7	-50.0	-50	-2.3	27.3	6.1
Claims on private Sectors	4,556.2	4,824.4	4,992.2	167.8	167.8	44.6	26.6	9.6

Source: Bank of Tanzania

Interest Rate Developments

During the quarter ending December 2009, interest rates continued to be market determined and exhibited mixed patterns. The overall weighted average yield on Treasury bills increased to 6.9 percent in December 2009 from 4.5 percent recorded in September 2009, while the Bank rate edged downwards to 3.7 percent from 4.4 percent during the period. The overnight inter-bank cash market rate went up to 1.5 percent in December 2009 from 1.0 percent recorded in the preceding quarter. Likewise, the overall repo rate increased to 1.3 percent from 1.1 percent during the period (**Table 2.2**). Meanwhile, the short-term interest rate spread between lending and time deposit rates narrowed to 5.0 percentage points during the quarter ending December 2009, from 5.2 percentage points recorded in the quarter ending September 2009.

Table 2.2: Interest Rate Structure

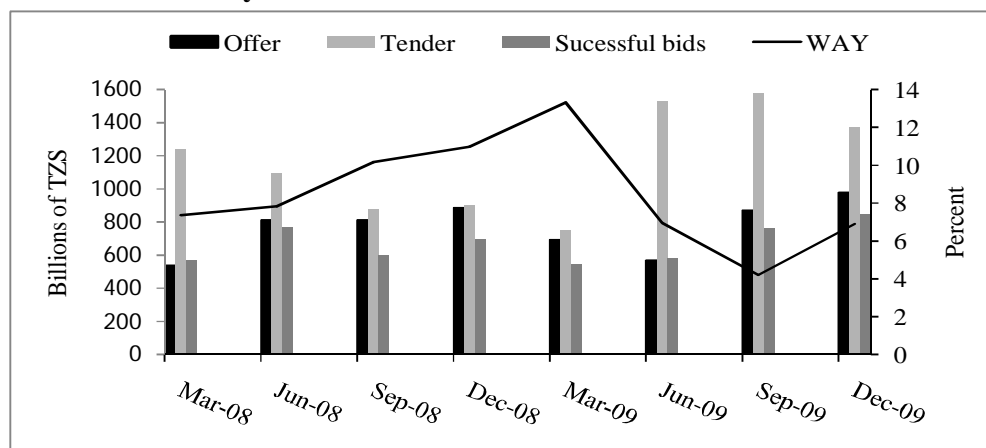
Item	In Percent												
	Dec-08	Jan-09	Feb-09	Mar-09	Apr-10	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Overall Interbank cash market rate	6.5	8.4	9.8	10.1	9.6	6.8	5.0	3.9	1.4	1.3	1.6	1.6	1.6
Overnight Interbank cash market rate	6.3	8.3	9.6	9.9	9.3	6.5	4.5	2.4	0.8	1.0	1.2	1.2	1.5
REPO Rate	6.4	7.5	9.1	9.7	8.2	6.1	4.9	2.2	1.2	1.1	1.3	1.3	1.3
Discount Rate	16.0	17.5	17.8	18.3	16.0	13.0	10.3	7.0	5.2	4.4	3.7	3.7	3.7
Overall Treasury bills rate	11.0	12.5	12.8	13.3	11.0	9.3	7.0	5.8	5.2	4.5	5.2	6.4	6.9
35 days	6.9	7.4	7.5	7.6	7.0	6.4	4.8	3.4	2.7	2.1	3.0	3.3	3.8
91 days	11.2	11.6	12.0	12.4	10.6	8.3	5.6	4.1	3.5	3.0	3.4	5.3	6.1
182 days	12.1	13.3	14.6	14.9	12.0	10.2	7.9	6.3	5.5	4.8	4.9	5.3	6.6
364 days	12.8	15.3	14.7	15.0	12.6	10.7	9.1	8.3	7.7	7.8	8.2	8.6	8.8
Savings Deposit Rate	2.7	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.6	2.7	2.8
Treasury Bonds Rates													
2-years	14.4	14.4	14.4	15.3	15.3	15.3	11.5	11.5	11.5	11.5	10.9	10.9	10.9
5-years	16.4	17.3	17.3	17.3	17.3	16.6	16.6	16.6	16.6	13.4	13.4	13.4	13.4
7-years	17.0	17.0	17.0	17.0	17.1	17.1	17.1	17.1	14.1	14.1	14.1	14.2	14.2
10-years	19.5	19.5	19.9	19.9	19.9	19.9	19.9	16.9	16.9	16.9	16.9	16.9	16.7
Overall Time Deposits Rate	6.6	6.6	6.8	7.0	7.1	7.1	6.8	7.0	6.9	6.7	6.4	6.5	6.4
12 months	8.5	8.8	8.6	8.6	9.0	9.4	9.1	9.1	9.0	8.8	8.8	8.8	9.0
Negotiated Deposit Rate	10.2	10.7	10.8	11.0	11.3	11.0	10.1	10.5	10.5	10.6	10.1	9.9	9.9
Overall Lending rate	16.1	14.9	15.0	15.1	15.5	15.4	15.5	15.1	15.1	14.9	14.8	14.7	14.4
Short-term (up to 1 year)	13.6	13.4	13.5	13.4	13.9	13.7	14.6	13.9	13.8	14.0	13.9	14.0	14.0
Negotiated Lending Rate	12.1	12.4	12.3	13.0	14.0	14.2	14.3	14.3	14.2	13.8	13.5	13.4	13.2
Margin between short-term lending and one year time deposit rates	5.1	4.6	4.9	4.9	4.9	4.3	5.5	4.9	4.7	5.2	5.1	5.2	5.0

Source: Bank of Tanzania

Financial Markets Operations

During the review period, the Bank continued to monitor developments and liquidity situation in the money market, and undertook various measures to minimize volatility in exchange and interest rates. While demand for **Treasury bills** stood at TZS 1,376.8 billion, the Bank accepted bids worth TZS 819.4 billion. However, the overall weighted average Treasury bills yield increased relative to yields recorded in the preceding quarter (**Chart 2.2**).

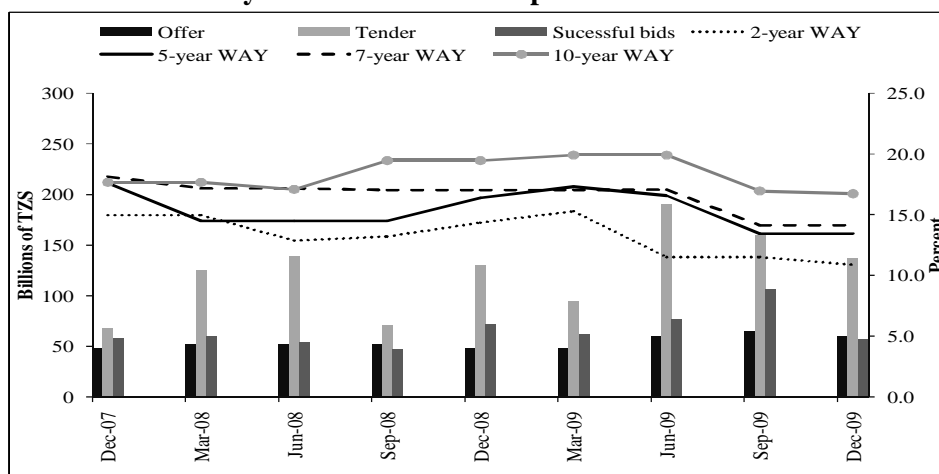
Chart 2.2: Treasury bills Market Performance



Source: Bank of Tanzania

During the quarter ending December 2009, demand for Treasury bonds stood at TZS 240.8 billion compared to TZS 166.5 billion offered for sale. The Bank accepted bids worth TZS 111.0 billion. Average Treasury bond yields had a mixed pattern, with the 2 and 10-year maturities declining while yields on 5 and 7-year maturities remained broadly unchanged (**Chart 2.3**).

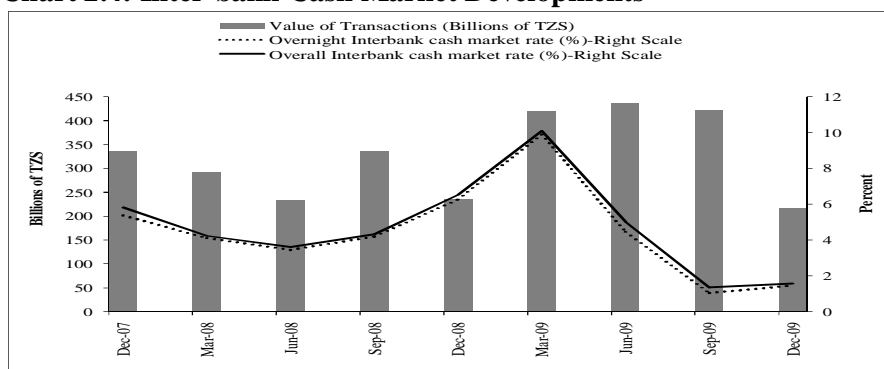
Chart 2.3: Treasury bond Market Developments



Source: Bank of Tanzania

Developments in the **interbank cash market**, recorded a decline in the volume of transactions to TZS 700.2 billion during the quarter ending December 2009, compared with TZS 889.5 billion traded in the preceding quarter (**Chart 2.4**). Overnight placements accounted for about 58.8 percent of the total volume traded. The decline in the volume traded coupled with prevailing low rates in the interbank cash market partly suggest that majority of the banks had sufficient liquidity.

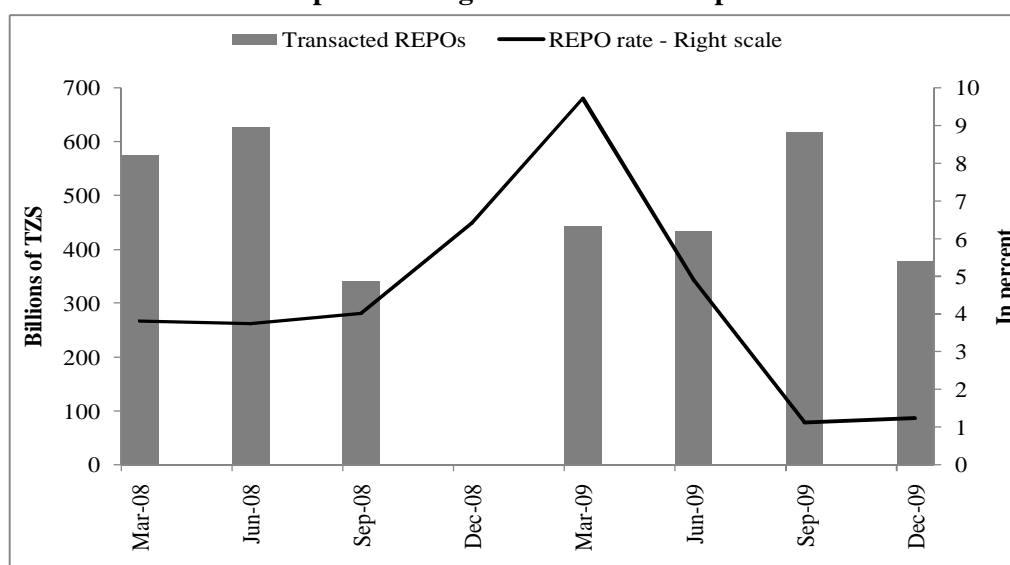
Chart 2.4: Inter-bank Cash Market Developments



Source: Bank of Tanzania

During the quarter under review Repos amounting to TZS 1,647.0 billion were sold by the Bank to various banks, while repos worth TZS 1,851.0 billion matured resulting to a net injection of TZS 204.0 billion. In contrast, during the preceding quarter, repos worth TZS 2,108.1 billion were sold against maturing repos of TZS 2,026.9 billion implying a net mop-up of TZS 81.2 billion. The overall repo rate averaged 1.3 percent compared to an average of 1.5 percent recorded in the preceding quarter. However, the average rate for the quarter under review was significantly lower than the rate of 5.5 percent registered during the corresponding period in 2008 (**Chart 2.5**).

Chart 2.5: Tanzania: Repurchase Agreement Market Operations

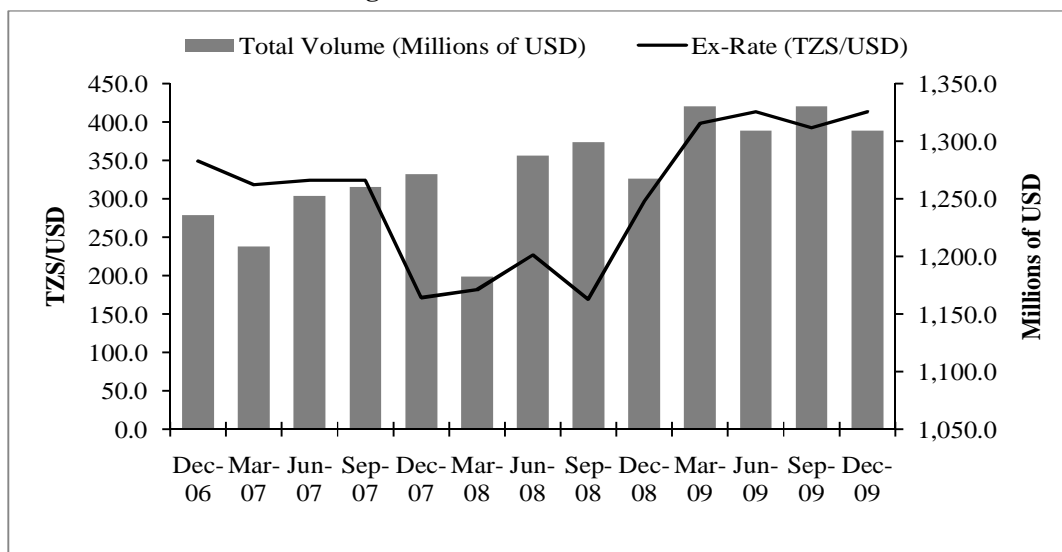


Source: Bank of Tanzania

Foreign Exchange Market Operations

Total volume traded in the inter-bank foreign exchange market (IFEM) in the quarter ending December 2009 amounted to USD 376.0 million, compared with USD 439.4 million transacted in the previous quarter. The Bank was the main supplier by selling foreign exchange worth USD 300.0 million or 79.8 percent of the total volume traded in the IFEM compared to USD 260.0 million sold in the quarter ending September 2009. The shilling depreciated by 0.4 percent against the dollar to TZS 1,322.1 per USD, from TZS 1,316.9 per USD recorded in the preceding quarter (**Chart 2.6 and Table 2.3**).

Chart 2.6: Inter-Bank Exchange Rate Movements and Volume of Transactions



Source: Bank of Tanzania

Bureau de Change Operations

During the quarter ending December 2009, total volume of transactions conducted by the Bureaux de Change declined to USD 163.3 million from USD 194.7 million transacted in the preceding quarter. The average buying rate rose to TZS 1,316.1 per USD from TZS 1,309.3 per USD recorded in the previous quarter, whereas the average selling rate decreased to TZS 1,328.1 per USD from TZS 1,326.0 per USD (Table 2.3).

Table 2.3: Foreign Exchange Market Developments

Item	2009		Percentage Change
	Jul - Sep	Oct - Dec	
IFEM			
Amount Offered*	439.4	376.0	-14.4
Amount Sold*	439.4	376.0	-14.4
Exchange Rate**	1316.9	1322.1	0.4
BUREAU DE CHANGE OPERATIONS			
Sales*	97.06	81.21	-16.3
Purchases*	97.63	82.07	-15.9
Volume of Transactions*	194.7	163.3	-16.1
Buying Rate**	1309.3	1316.1	0.5
Selling Rate**	1326.0	1328.1	0.2

Notes: * Millions of USD,

** Tanzanian Shillings (TZS) per US dollar

Source: Bank of Tanzania

3.0 PUBLIC FINANCE

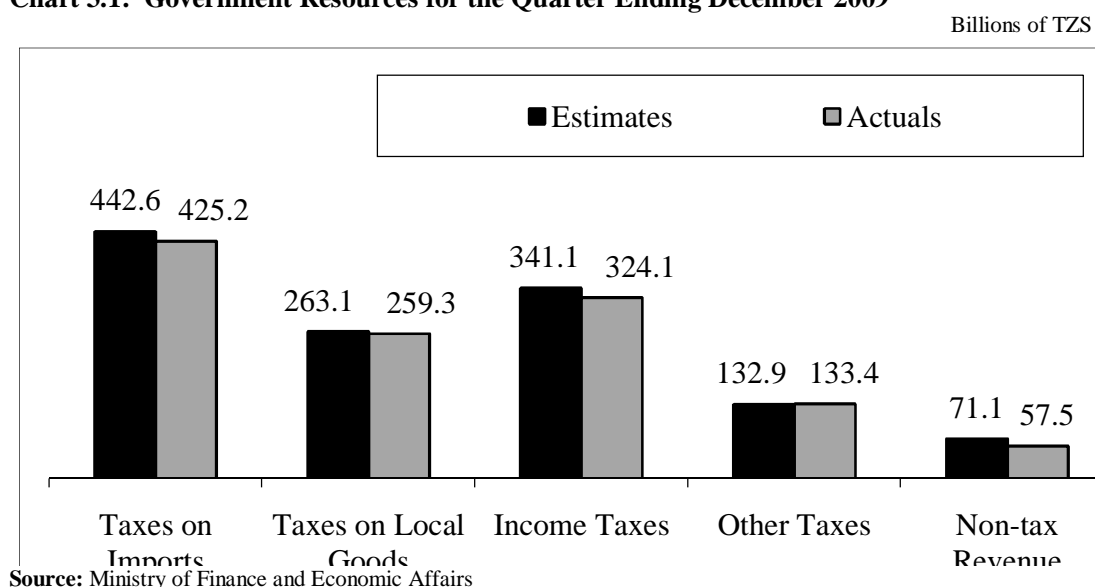
Government Budgetary Operations

During the quarter ending December 2009, total central government resources amounted to TZS 1,491.9 billion, out of which TZS 1,199.4 billion or 80.3 percent was raised domestically and TZS 292.5 billion were grants. Total expenditure during the quarter amounted to TZS 2,360.8 billion, out of which TZS 1,550 billion (or 65.7 percent) was recurrent expenditure and TZS 810.8 billion was development expenditure. During the period, fiscal operations registered an overall deficit (adjusted to cash) amounting to TZS 486.8 billion, which was financed through foreign borrowing to the tune of TZS 267.1 billion, and the balance was sourced domestically.

Revenue Performance

Total revenue collected by government during the quarter under review amounted to TZS 1,199.4 billion, below the projected amount of TZS 1,309.0 billion. Tax revenue was TZS 1141.9 billion whereas TZS 57.5 billion was non-tax. Collections recorded from all revenue sources were below the budget estimates as shown in **Chart 3.1**. Total government revenue for the period July-December 2009 amounted to TZS 3,105.3 billions, being 42.4 percent of the annual estimate of TZS 7325.0 billion for 2009/10.

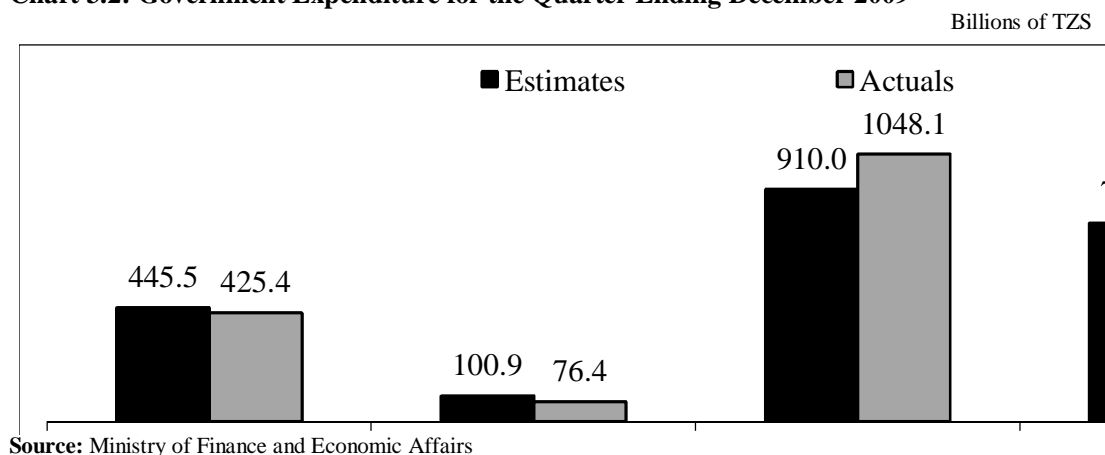
Chart 3.1: Government Resources for the Quarter Ending December 2009



Expenditure Developments

During the quarter under review Central Government expenditure amounted to TZS 2,360.8 billion, compared to the estimate of TZS 2,236.1 billion. Recurrent expenditure for the period amounted to TZS 1,550.0 billion exceeding the estimated amount by TZS 93.56 billion. Development expenditure amounted to TZS 810.8 billion, or 34.3 percent of the total expenditure, exceeding the quarter estimates by 4.0 percent (**Chart 3.2**).

Chart 3.2: Government Expenditure for the Quarter Ending December 2009



National Debt

National debt stock as at the end of December 2009 stood at USD 9,730.8 million, being an increase of 4.3 percent from the level recorded at the end of preceding quarter. The increase was attributable to new external debt disbursements and issuance of new Government bonds. Out of the debt stock, external debt accounted for 80.1 percent while the remaining was domestic debt.

External Debt

During the quarter under review, external debt stock increased by 3.9 percent to USD 7,768.1 million from USD 7,474.2 million recorded at the end of September 2009. . Out of the external debt, USD 6,163.2 million or 79.4 percent was Disbursed Outstanding Debt (DOD) and the remaining USD 1,604.9 was interest arrears.

Composition of external debt stock by borrower category indicates that 69.1 percent was Government debt, while debt owed by private sector and public corporations accounted for 19.5 percent and 11.4 percent, respectively (**Table 3.1**).

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

Borrower	Millions of USD					
	Dec-08	Share (%)	Sep-09	Share (%)	Dec-09	Share (%)
Central Government	4,630.0	74.0	5,202.8	69.6	5,369.5	69.1
DOD	3,968.6	63.4	4,510.7	60.4	4,649.2	59.8
Interest Arrears	661.4	10.6	692.1	9.3	720.3	9.3
Private Sector	1,149.0	18.4	1,513.6	20.3	1,514.6	19.5
DOD	726.6	11.6	1,025.4	13.7	1,007.4	13.0
Interest Arrears	422.4	6.8	488.2	6.5	507.2	6.5
Public Corporations	477.3	7.6	757.8	10.1	884.0	11.4
DOD	148.6	2.4	396.7	5.3	506.6	6.5
Interest Arrears	328.7	5.3	361.1	4.8	377.4	4.9
External Debt Stock	6,256.2	100.0	7,474.2	100.0	7,768.1	100.0

Source: Bank of Tanzania

Composition of external debt by creditor category indicates that, debt owed to multilateral creditors was USD 4,064.0 million or 52.3 percent of total debt, while bilateral creditors accounted for 21.3 percent. Debt owed to commercial and export creditors accounted for 15.7 percent and 10.6 percent, respectively (Table 3.2).

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

Creditor	Millions of USD					
	Dec-08	Share (%)	Sep-09	Share (%)	Dec-09	Share (%)
Bilateral	1,596.3	25.5	1,633.3	21.9	1,654.4	21.3
Paris Club	604.5	9.6	616.7	8.3	609.4	7.8
Non Paris Club	991.8	15.8	1,016.6	13.6	1,045.0	13.5
Multilateral	3,012.1	48.1	3,831.2	51.3	4,064.9	52.3
AfDB	602.5	9.6	801.6	10.7	817.1	10.5
World Bank Group*	2,072.8	33.1	2,388.3	32.0	2,526.8	32.5
IMF	13.0	0.2	267.8	3.6	337.1	4.3
Others	323.8	5.2	373.5	5.0	383.9	4.9
Commercial	1,016.3	16.2	1,264.4	16.9	1,222.5	15.7
Export Credit	643.9	10.3	745.4	10.0	826.3	10.6
External Debt Stock	6,268.6	100.0	7,474.3	100.0	7,768.1	100.0

Note: World Bank Group* = IDA and IFC

Source: Bank of Tanzania

Debt Contracted and Flows

During the period under review, new debt contracted and recorded amounted to USD 1.7 million. Recorded disbursements amounted to USD 142.1 million, out of which USD

76.1 million or 53.6 percent was to the Government, USD 63.4 million or 44.7 percent to public corporations and the remaining to private entities.

External debt service payments during the quarter amounted to USD 14.0 million, being 1.0 percent of export of goods and services and was 19.2 percent of USD 73.0 million scheduled for payment. Low actual debt service relative to estimates was due to accumulation of arrears on non-serviced debt and time-lag in capturing information on debt serviced by private borrowers.

Domestic Debt

During the quarter ending December 2009, domestic debt increased by 3.9 percent to TZS 2,512.8 billion from the level recorded at the end of the preceding quarter, mainly due to issuance of Government bonds. Out of the domestic debt, Government securities amounted to TZS 2,499.3 billion while other debts were TZS 8.2 billion (**Table 3.3**).

Table 3.3: Government Domestic Debt by Instruments

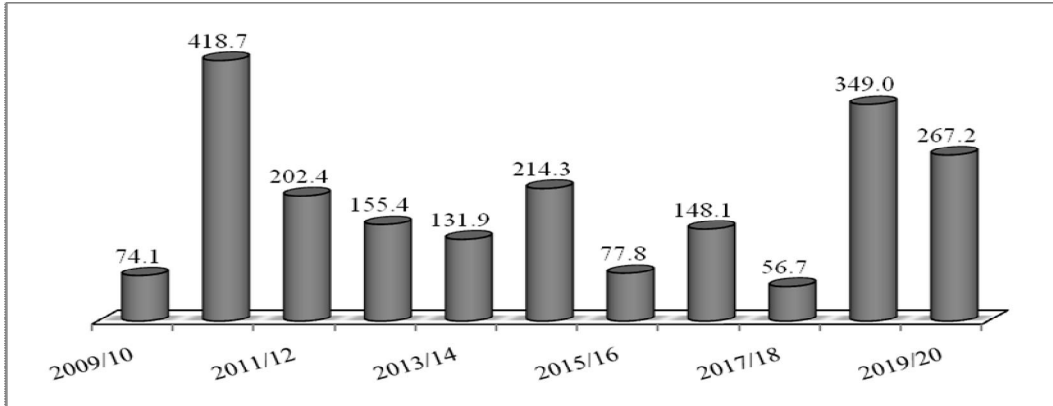
Item	Billions of TZS					
	Dec-08	Share (%)	Sep-09	Share (%)	Dec-09	Share (%)
Government Securities	1,917.7	99.6	2,409.9	99.7	2,504.6	99.7
Treasury Bills	290.5	15.1	298.7	12.4	282.0	11.2
Government Stocks	309.2	16.1	257.9	10.7	257.9	10.3
Government Bonds	1,317.9	68.4	1,853.2	76.6	1,964.6	78.2
Tax Certificates	0.1	0.0	0.1	0.0	0.1	0.0
Other Gov't Debt	8.3	0.4	8.2	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	1,925.9	100.0	2,418.1	100.0	2,512.8	100.0
Interest Arrears	0.1	0.0	0.0	0.0	0.0	0.0
Total Dom. Debt Stock	1,926.0	100.0	2,418.1	100.0	2,512.8	100.0

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

Maturity structure of domestic debt indicates that principal amounting to TZS 418.7 billion and TZS 349.0 billion on long-term Government securities (bonds and stocks), mature in 2010/11 and 2018/19 respectively (**Chart 3.3**).

Chart 3.3: Redemption Profile of Government Bonds and Stocks

Billions of TZS

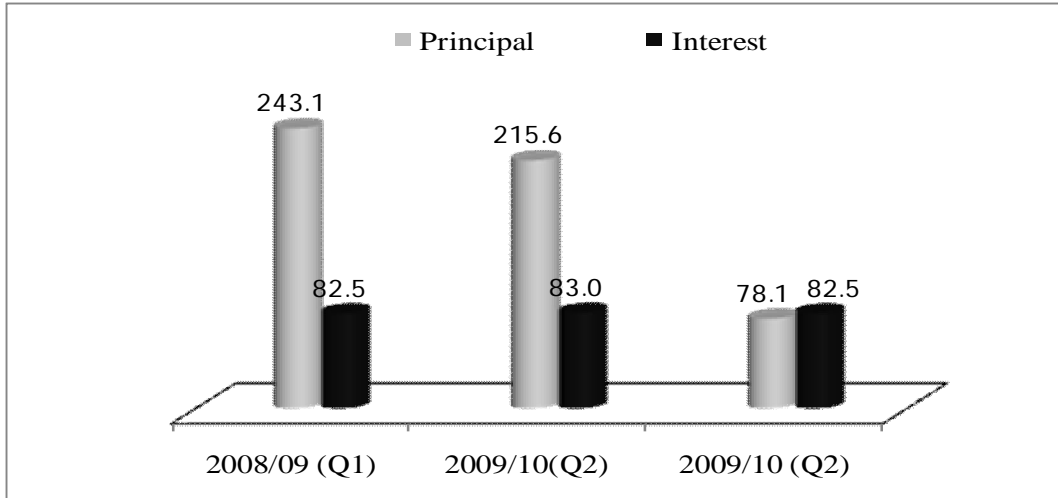


Domestic Debt Service

During the quarter under review, domestic debt amounting to TZS 160.6 billion fell due for payment. Out of the amount, interest amounting to TZS 82.5 billion was paid out of government revenue, while principal amount of TZS 78.1 billion was rolled over (**Chart 3.4**).

Chart 3.4 Domestic Debt Service

Billions of TZS



4.0 EXTERNAL SECTOR DEVELOPMENTS

Current Account

During the quarter ending December 2009, current account balance widened to a deficit of USD 591.6 million compared to USD 337.7 million recorded during the preceding quarter (**Table 4.1**). The development was largely attributed to a decline in official transfers as development partners' disbursed funds at the beginning of the financial year.

The services account recorded a surplus of USD 151.8 million, compared to USD 136.6 million recorded during the preceding quarter largely due to an increase in services receipt particularly transportation. On the other hand, the income account recorded a large deficit of USD 22.0 million, compared to the deficit of USD 14.5 million recorded during the quarter ending September 2009 (**Table 4.1**).

Table 4.1: Tanzania Current Account Balance

Item	Millions of USD				
	2008	2009 ^P		Percent Change	
	Oct -Dec	Jul -Sep	Oct -Dec	Sep 09 to Dec 09	Dec 08 to Dec 09
Goods Account (Net)	-850.9	-831.7	-823.6	-1.0	-3.2
Exports f.o.b.	766.9	747.7	801.0	7.1	4.5
Imports f.o.b.	1,617.8	1,579.3	1,624.6	2.9	0.4
Services Account (Net)	47.6	136.6	151.8	11.1	218.9
Receipts	479.7	606.7	616.7	1.6	28.6
Payments	432.1	470.1	464.9	-1.1	7.6
Goods and Services (Net)	-803.3	-695.0	-671.8	-3.3	-16.4
Exports of Goods and Services	1,246.6	1,354.4	1,417.7	4.7	13.7
Imports of Goods and Services	2,049.9	2,049.4	2,089.5	2.0	1.9
Income Account (Net)	-33.9	-14.5	-22.0	51.7	-34.9
Receipts	25.5	46.6	40.7	-12.6	59.9
Payments	59.3	61.1	62.8	2.7	5.8
Current transfers (Net)	290.2	371.8	102.2	-72.5	-64.8
Inflows	306.7	393.1	124.4	-68.4	-59.4
<i>o/w Official transfers</i>	283.3	366.1	94.1	-74.3	-66.8
Outflows	16.6	21.2	22.2	4.6	34.2
Current Account Balance	-547.0	-337.7	-591.6	75.2	8.1

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

Source: Bank of Tanzania, TRA

Exports

During the quarter ending December 2009, total value of export of goods and services amounted to USD 1,417.7 million, compared to USD 1,354.4 million recorded during the preceding quarter, and USD 1,246.6 million in the corresponding period in 2008. The higher export levels resulted mainly from an increase in traditional export volumes.

It is worthy noting that, export of gold declined to USD 317.9 million compared to USD 343.0 million recorded in the preceding quarter, but was higher than USD 172.4 million exported during the corresponding period in 2008. However, export of manufactured goods increased by 58.5 percent to USD 183.3 million following increase in export of glassware, synthetic substance and fertilizers to the neighboring countries (**Table 4.2**).

Table 4.2: Tanzania Exports by Type of Commodity

Type of Commodity	Millions of USD				
	2008	2009 ^P		Percent Change	
	Oct -Dec	Jul-Sep	Oct -Dec	Sep 09 to Dec 09	Dec 08 to Dec 09
Traditional Commodities	163.8	72.3	165.7	129.1	1.2
Non-Traditional Exports:					
Minerals	183.2	353.6	329.7	-6.8	80.0
Gold	172.4	343.0	317.9	-7.3	84.4
Diamond	5.7	4.6	5.2	12.8	-8.6
Other minerals	5.1	6.0	6.6	10.6	30.8
Manufactured Goods	208.1	115.7	183.3	58.5	-11.9
Cotton Yarn	4.3	2.8	3.9	41.2	-9.8
Manufactured Coffee	0.3	0.2	0.4	--	38.4
Manufactured Tobacco	0.4	0.9	2.5	176.1	484.3
Sisal Products (Yarn & Twine)	1.7	1.6	1.6	1.3	-1.3
Other manufactured Goods	201.4	110.2	174.9	58.6	-13.2
Fish and Fish Products	31.9	38.9	30.6	-21.5	-4.2
Horticultural products	9.9	6.9	8.6	23.9	-13.8
Others Exports	95.1	121.8	64.7	-46.9	-32.0
Re-exports	74.8	38.4	18.5	-51.9	-75.3
Sub Total Non-Traditional Exports	603.1	675.3	635.3	-5.9	5.3
Grand Total	766.9	747.7	801.0	7.1	4.5

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

Source: Bank of Tanzania and Tanzania Revenue Authority

Imports

The value of import of goods and services amounted to USD 2,089.5 million compared with USD 2,049.4 million recorded during the preceding quarter following an increase in capital goods import particularly building and construction equipment. On the other hand, the value of both intermediate and consumer goods import were below the levels recorded during the preceding quarter (**Table 4.3**).

Table 4.3: Tanzania Goods Imports

Millions of USD

Import Category	2008	2009 ^P		Percent Change	
	Oct-Dec	Jul -Sep	Oct-Dec	Sep 09 to Dec 09	Dec 08 to Dec 09
Capital Goods	639.4	628.4	686.1	9.2	7.3
Transport Equipment	190.1	193.0	196.5	1.8	3.3
Building and Construction Equipment	172.9	112.2	198.1	76.5	14.6
Machinery	276.3	323.1	291.5	-9.8	5.5
Intermediate Goods	620.5	567.0	559.0	-1.4	-9.9
Oil imports	429.8	406.5	392.8	-3.4	-8.6
Fertilizers	56.0	29.9	32.5	8.7	-42.0
Industrial Raw materials	134.7	130.7	133.7	2.4	-0.7
Consumer Goods	357.9	383.9	379.5	-1.1	6.0
Food and foodstuffs	94.6	60.0	102.5	70.8	8.4
All other consumer goods	263.3	323.9	277.0	-14.5	5.2
Grand Total (F.o.b)	1,617.8	1,579.3	1,624.6	2.9	0.4

Note: Oil imports refers to refined petroleum products

P = Provisional data

Source: Bank of Tanzania, TRA

World Commodity Prices

During the quarter ending December 2009, the world market prices showed mixed developments. While prices of coffee (Robusta), tea (Average prices) and sisal (UG) recorded declines, prices of other commodities increased. The price of coffee (Arabica) went up largely due to decline in supplies following adverse weather condition in Brazil and Colombia. Likewise, the increase in prices of cotton was largely on account of unfavorable weather condition in the United States, Pakistan and Australia coupled with strong demand of cotton in Asia. The price of sisal (UG) declined because of low demand in the world market.

During the same period, prices of crude oil (UK Brent), Dubai (f.o.b) and white petroleum products rose largely on account of a drop in the crude oil inventories in the United States. Likewise, the price of gold went up by 14.8 percent to USD 1,102.0 per troy ounce on account of strong investment demand (**Table 4.5**).

Table 4.5: World Commodity Prices

Commodity	Units	Quarter Ending			Percent Change	
		2008	2009		Sep 09 to Dec 09	Dec 08 to Dec 09
		Dec	Sept	Dec		
Coffee "Robusta "	USD/kg	1.93	1.60	1.56	-2.70	-19.03
Coffee "Arabica"	USD/kg	2.68	3.23	3.42	5.88	27.61
Tea (Average price)	USD/kg	2.07	3.04	3.03	-0.22	46.38
Tea (Mombasa Auction)	USD/kg	1.91	2.81	2.83	0.59	48.17
Cotton, "A Index"	USD/kg	1.27	1.42	1.58	11.27	24.74
Cotton, "Memphis"	USD/kg	1.30	1.50	1.68	11.75	28.90
Sisal (UG)	USD/metric ton	1213.00	971.00	840.00	-13.49	-30.75
Cloves	USD/metric ton	3608.33	3,905.44	4,362.50	11.70	20.90
Crude oil*	USD/barrel	56.00	68.22	75.50	10.68	34.82
Crude oil**	USD/barrel	53.67	68.07	75.46	10.86	40.61
White products***	USD/ton	567.41	601.93	647.10	7.50	14.05
Jet / Kerosine	USD/ton	615.44	594.38	657.00	10.53	6.75
Premium Gasoline	USD/ton	476.73	650.83	675.54	3.80	41.70
Heat Oil	USD/ton	610.05	560.58	608.77	8.60	-0.21
Gold	USD/troy ounce	794.53	960.00	1,102.00	14.79	38.70

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

** f. o. b. Dubai

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

Source: Bank of Tanzania

5.0 THE ZANZIBAR ECONOMY

The Overall Economic Performance

Zanzibar GDP that grew at 6.3 percent in 2007 decelerated to 5.4 percent in 2008. The decline was mainly associated with the global financial and economic downturn, which adversely affected the services sector notably tourism. The growth of the services sector decelerated to 6.4 percent from 10.4 percent registered in 2007, mainly on account of a decline in the number of tourists by 10.4 percent to 128,440 in 2008.

Procurement of Export Crops

During the quarter ending December 2009, procurement of traditional export crops declined to 3,512.4 tons, when compared to 3,853.3 tons procured during the corresponding quarter in 2008 (**Table 5.1**). Cloves and seaweed procurement declined by 23.0 percent and 6.0 percent to 1,026.0 tons and 2,350 tons respectively, from the levels recorded during the corresponding quarter in 2008. However, procurement of clove stems increased by 582 percent on account of improved preservation methods.

Table 5.1: Zanzibar - Procurement of Major Export Crops

Crop	2004	2005	2006	2007	2008	Tons		
						2008	2009 ^P	% Change
Cloves	4,097.6	3,266.7	3,156.7	1,085.6	3,968.5	1,333.3	1,026.0	-23.0
Clove stems	476.0	350.6	129.0	226.5	345.4	20.0	136.4	582.0
Seaweed	7,184.4	7,361.8	7,543.1	8,485.0	11,177.0	2,500.0	2,350.0	-6.0
Total	11,758.0	10,979.1	10,830.4	10,963.3	15,490.9	3,853.3	3,512.4	-8.8

Notes: P = Provisional data

Source: Office of Chief Government Statistician (OCGS)

Manufacturing Sector

During the quarter ending December 2009, production of manufactured goods in selected firms declined when compared to the levels recorded in the corresponding period in 2008 (**Table 5.2**). The decline was associated with power outage and water supply shortage. The most affected firms were those producing mineral water, juices and other soft drinks.

Table 5.2: Zanzibar - Production of Selected Industrial Commodities

Commodity	Unit	2007	2008	Oct – Dec		
				2008	2009 ^P	% Change
Animal feed	Tons	1,115	215	0	0	0.0
Breads	No. "000"	97,960	108,942	17,999	20,500	13.9
Beverages	Litres "000"	9,925	9,417	20,790	20,750	-0.2
Video/Audio tapes	Cartons	80,687	61,167	17,250	9,750	-43.5
Dash Dash Fashion (Clothes)	Pcs	5,338	3,778	1,000	550	-45.0
Jewelry (Gold)	grams	7,563	7,526	264	200	-24.2

Notes: P = Projection

Source: Office of Chief Government Statistician (OCGS)

Inflation Developments

Average headline inflation for the quarter ending December 2009, declined to 4.8 percent, compared to 23.7 percent and 4.9 percent registered during the quarters ending December 2008 and September 2009, respectively (**Table 5.3**).

Table 5.3: Quarterly Average Inflation Rates

Base: Dec.2005

Sub-Group	Weight (%)	2008				2009			
		Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Food	57.4	19.1	27.7	23.5	25.9	17.8	8.2	7.6	6.7
Non-Food	42.6	8.6	12.6	23.7	21.5	16.1	10.2	-0.3	0.9
Alcoholic beverages, tobacco & narcotics	0.6	0.7	-0.6	14.6	17.2	19.7	17.8	10.3	21.8
Clothing and footwear	6.2	7.1	6.2	9.88	9.7	7.8	8.2	5.9	4.7
Housing, water, gas, electricity and other fuels	15.6	4.5	10.2	36.7	35.7	28.4	21.5	-2.5	-1.0
Furnishing, household equipment and routine household maintenance	5.3	11.7	13.7	14.5	12.6	12.5	8.4	6.5	5.1
Health	2.1	17.3	20.8	17.8	16.0	12.5	9.6	6.7	6.2
Transport	3.4	5.1	19.7	28.2	23.6	14.4	-4.0	-14.2	11.1
Communication	2.4	-2.2	-1.8	-1.37	-1.1	-0.1	0.0	0.5	0.0
Recreation and culture	0.4	13.4	9.0	5.94	5.4	2.8	3.7	4.3	4.2
Education	1.1	6.3	7.2	7.77	8.4	5.3	5.0	4.5	3.9
Restaurants and hotels	3.1	31.0	26.0	26.2	14.4	15.0	10.4	9.3	13.8
Miscellaneous goods & services	2.4	13.5	22.9	19.0	20.8	13.3	8.2	13.0	12.8
Headline/Overall	100.0	14.4	20.8	23.1	23.7	17.4	9.6	4.9	4.8

Source: Office of Chief Government Statistician (OCGS)

Food and non-food inflation decreased from 25.9 percent and 21.5 percent in quarter ending December 2008 to 6.7 percent and 0.9 percent, respectively. Average food inflation declined mainly on account of fall in price of rice, the major staple food in

Zanzibar, while non-food inflation decreased on account of decline in prices of petroleum products.

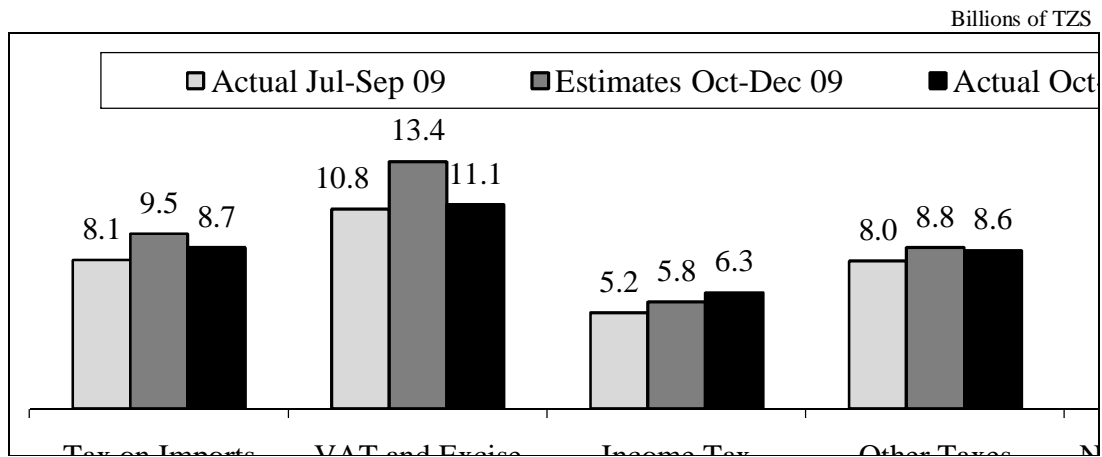
Budgetary Operations

During the quarter ending December 2009, Government budgetary operations on cheques issued basis registered a deficit after grants of TZS 19.3 billion. Adjustment to cash narrowed the deficit to TZS 6.5 billion compared to TZS 3.8 billion recorded in the preceding quarter. The deficit was exclusively financed by foreign loans.

Revenue Performance

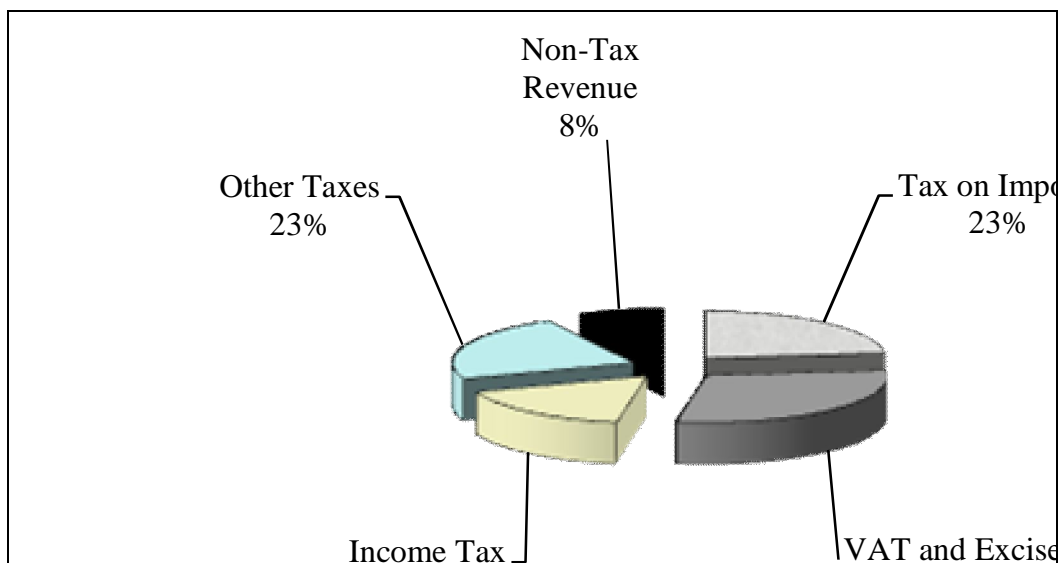
Revenue collections amounted to TZS 37.6 billion, being higher than TZS 34.6 billion collected in the preceding quarter, but lower than the quarterly target of TZS 40.4 billion. With the exception of income tax collections, all other revenue categories were below targets. Performance of the different tax categories is summarized by **Charts 5.1** and **5.2**.

Chart 5.1: Zanzibar Government Revenue by Sources, October - December 2009



Source: Ministry of Finance and Economic Affairs, Zanzibar.

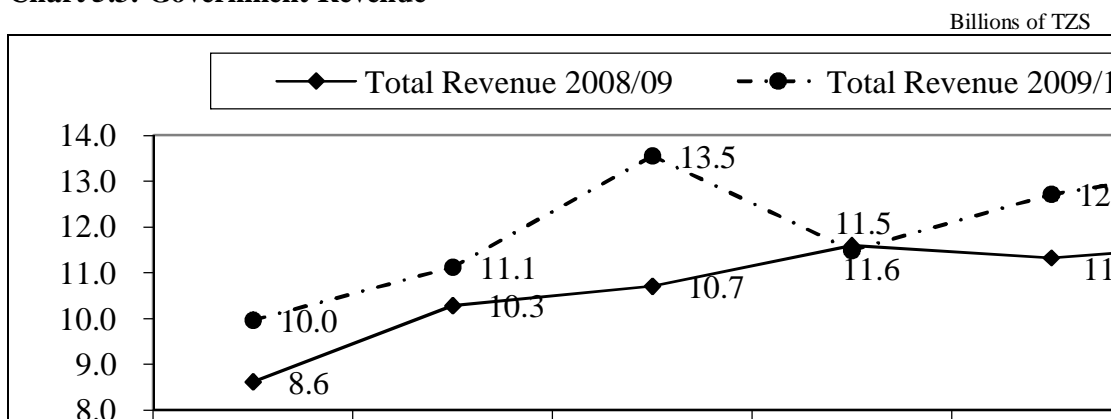
Chart 5.2: Government Revenue by Sources, October - December 2009



Source: Ministry of Finance and Economic Affairs, Zanzibar

Government revenue collections for the period July – December 2009 amounted to TZS 72.2 billion, and was 45.2 percent of the annual target of TZS 159.7 billion. Total Government revenue collections during the corresponding period in 2008 was TZS 64.1 billion (Chart 5.3).

Chart 5.3: Government Revenue



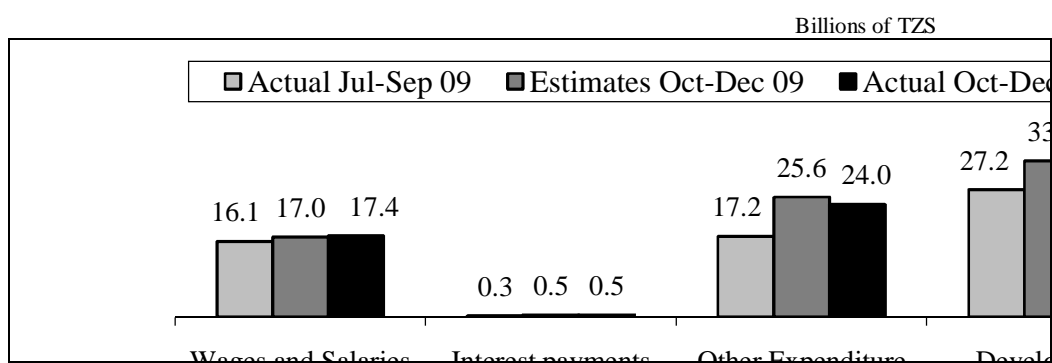
Source: Ministry of Finance and Economic Affairs, Zanzibar.

Expenditure Developments

Government expenditure during the quarter ending December 2009, amounted to TZS 70.2 billion, being below the estimate of TZS 76.3 billion for the quarter. Recurrent expenditure was TZS 41.9 billion and accounted for 59.7 percent of total expenditure whereas, development expenditure amounted to TZS 28.3 billion or 40.3 percent of total expenditure. Out of the total development expenditure, 31.4 percent was local

contribution, 56.9 percent was from foreign sources, and the balance was grants from the Union Government. On cumulative basis (July – December 2009), government expenditure reached TZS 131.0 billion, or 31.7 percent of the annual estimate of TZS 412.6 billion. Expenditure categories are summarized in **Chart 5.4**.

Chart 5.4: Zanzibar Government Expenditure by Category, October – December 2009



Source: Ministry of Finance and Economic Affairs, Zanzibar

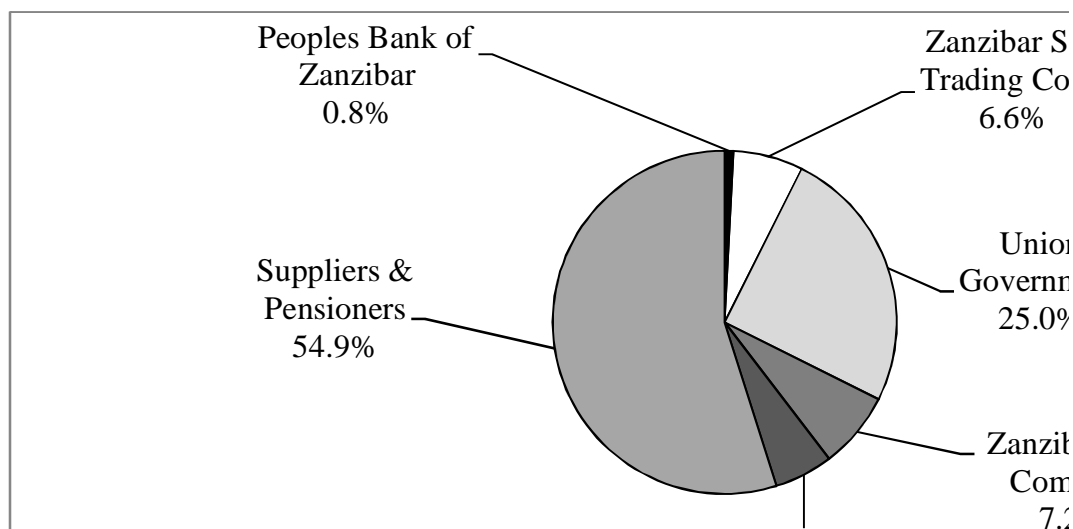
Debt Developments

Zanzibar total debt stock as at end-December 2009, was USD 98.0 million compared to USD 100.7 million recorded at the end of preceding quarter. External debt stood at USD 56.6 million or 57.7 percent of the total debt, while domestic debt was USD 41.4 million.

Domestic Debt

As at the of the quarter under review, domestic debt declined to TZS 54.4 billion, from TZS 57.6 billion registered at the end of September 2009. The decline was mainly attributed to redemption of pensioners' claims. The profile of domestic debt by creditors is summarized in **Chart 5.5**.

Chart 5.5: Zanzibar - Domestic Debt by Creditor as at End December 2009



Source: Ministry of Finance and Economic Affairs Zanzibar

Domestic debt by instrument category indicates that Government loans were the largest accounting for 33.4 percent, followed by Treasury bonds and bills that accounted for 31.6 percent and 12.2 percent, respectively. **Table 5.4** summarizes Zanzibar domestic debt by instruments category.

Table 5.4: Zanzibar - Domestic Debt by Instruments

Instrument	Quarter Ending				% of Total Dec-09	Percent Change	
	2008		2009			Sep-09 to Dec-09	Dec-08 to Dec-09
	Sep	Dec	Sep	Dec			
Government loans	18,425.3	18,158.8	18,158.8	18,158.8	33.4	0.0	0.0
Government stocks	8,904.2	8,904.2	7,904.2	6,404.2	11.8	-19.0	-28.1
Treasury bills	6,525.3	6,525.3	6,642.5	6,642.5	12.2	0.0	1.8
Treasury bonds	10,678.5	17,178.5	17,178.5	17,178.5	31.6	0.0	0.0
Other Instruments*	10,521.1	9,285.3	7,712.6	6,025.5	11.1	-21.9	-35.1
Total	55,054.3	60,052.0	57,596.5	54,409.4	100.0	-5.5	-9.4

Notes: * Gratuity claims and supplier's credits.

Source: Ministry of Finance and Economic Affairs, Zanzibar

Classification of domestic debt by maturity shows that, debt with “undetermined maturity” (predominantly gratuity and supplier’s claims) was the largest accounting for 50.7 percent, followed by debt maturing between 2 – 5 years (37.1 percent) and debt maturing in less than a year that accounted for 12.2 percent (**Table 5.5**).

Table 5.5: Zanzibar - Domestic Debt by Maturity

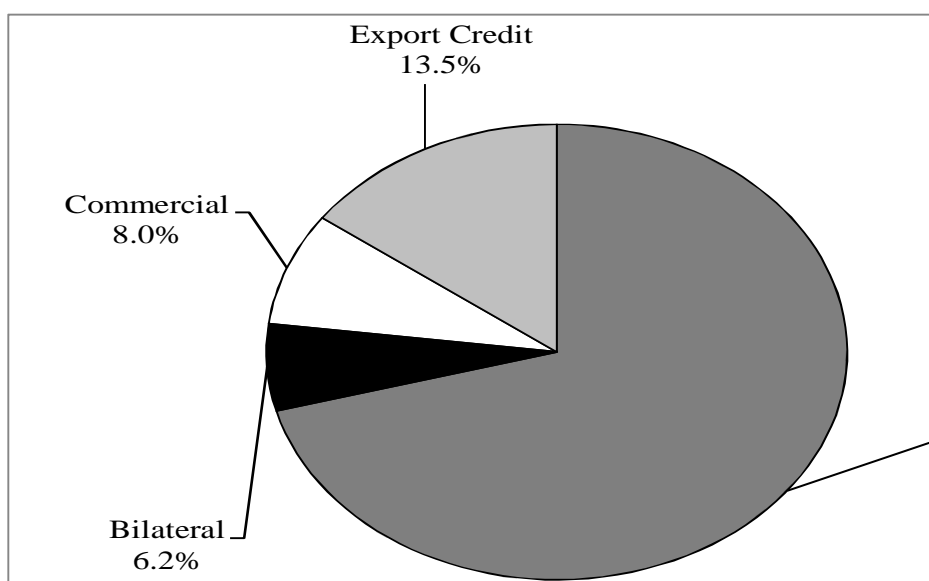
Period	Quarter Ending				% Total	Percent Change	
	2008		2009			Dec-09	Sep-09 to
	Sep	Dec	Sep	Dec	Dec-09		Dec-09
Less than 1 year	6,525.3	6,525.3	6,642.5	6,643.5	12.2	0.0	1.8
2-5 Years	14,678.5	21,178.5	20,178.5	20,178.5	37.1	0.0	-4.7
Undetermined	33,850.6	32,348.3	30,775.5	27,586.4	50.7	-10.4	-14.7
Total	55,054.3	60,052.0	57,596.5	54,408.4	100.0	-5.5	-9.4

Source: Ministry of Finance and Economic Affairs, Zanzibar

External Debt

Zanzibar external debt as at end-December 2009 stood at USD 56.6 million, compared with USD 63.0 million registered at end September 2009. Debt guaranteed by the Union Government stood at USD 47.3 million, while non-guaranteed debt was USD 15.7 million. External debt by creditor category is summarized in **Chart 5.6**.

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



Source: Ministry of Finance and Economic Affairs Zanzibar

Based maturity structure, external debt maturing beyond 20 years accounted for 73.7 percent. Proportion of debt maturing between 5 to 10 years was 16.5 percent while those maturing between 10 and 20 years accounted for 9.8 percent (Table 5.6).

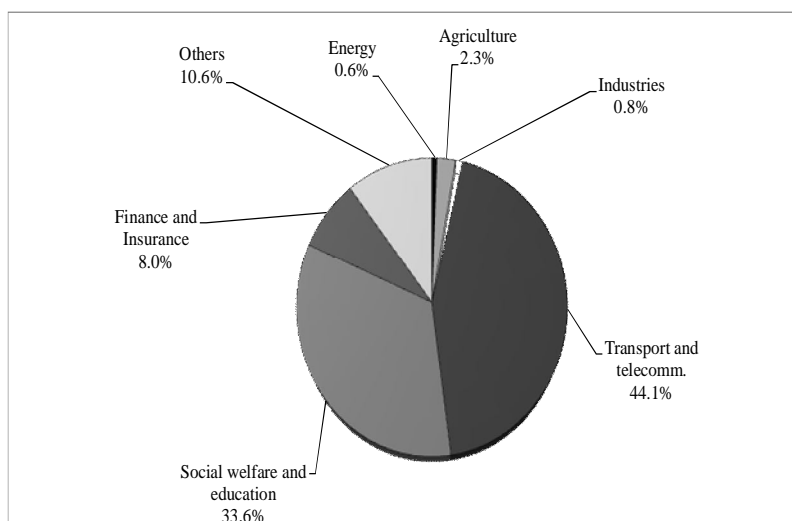
Table 5.6: Zanzibar External Debt by Maturity

Period	Quarter Ending			% Total Dec-09	Percent Change	
	2008	2009			Sep-09 to Dec 09	Dec-08 to Dec-09
	Dec	Sep	Dec			
5-10 Years	16.4	16.4	9.3	16.5	-43.0	-43.0
10-20 Years	5.5	5.5	5.5	9.8	0.0	0.0
>20 Years	39.9	41.1	41.7	73.7	1.5	4.5
Total	61.8	63.0	56.6	100.0	-10.2	-8.5

Source: Ministry of Finance and Economic Affairs, Zanzibar

External debt by beneficiary shows that transport and telecommunications sector absorbed the largest share of USD 24.9 million, followed by Social welfare and education sector (USD 19.0 million), Finance & Insurance (USD 4.5 million) and agriculture (USD 1.3 million). Chart 5.7 summarizes external debt by use of funds.

Chart 5.7: External Debt by Use of Funds as at End of December 2009



Source: Ministry of Finance and Economic Affairs Zanzibar.

External Sector Developments

Current Account

Zanzibar current account balance for the quarter ended-December 2009, deteriorated to a deficit of USD 1.8 million from a surplus of USD 23.0 million recorded during the preceding quarter. The poor performance was mainly due to decline in inflows of donor funds and low export proceeds. The recorded deficit was however lower than USD 3.9 million recorded in the corresponding quarter in 2008 (**Table 5.7**).

Table 5.7: Zanzibar - Current Account

Million of USD

Item	Quarter Ending				Percent Change	
	2008		2009 ^P		Jul-Sep 09	Oct-Dec
	Sep	Dec	Sep	Dec	to Oct-Dec 09	08 to Oct- Dec 09
Goods Account (net)	-25.7	-26.3	-16.0	-17.4	8.8	-33.8
Exports	4.4	3.3	9.2	6.2	-32.6	87.9
Imports (fob)	30.1	29.6	25.2	23.6	-6.3	-20.3
Services Account (net)	9.1	9.8	6.1	6.7	9.8	-31.6
Receipts	24.4	23.9	24.9	25.0	0.4	4.6
Payments	15.4	14.1	18.9	18.3	-3.2	29.8
Goods and Services (net)	-16.6	-16.5	-10.0	-10.7	7.0	-35.2
Exports of Goods and Services	28.9	27.2	34.1	31.2	-8.5	14.7
Imports of Goods and Services	45.5	43.7	44.1	42.0	-4.8	-3.9
Income Account (net)	-0.1	-0.7	-1.9	-1.7	-10.5
Receipts	0.1	0.1	0.1	0.1	0.0	0.0
Payments	0.2	0.8	2.0	1.8	-10.0
Current Transfers (net)	7.5	13.4	34.9	10.7	-69.3	-20.1
Donor Inflows	7.5	13.4	34.9	10.7	-69.3	-20.3
Outflows	0.0	0.0	0.0	0.0		
Current Account Balance	-9.2	-3.9	23.0	-1.8	-107.8	-53.8

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

Source: Tanzania Revenue Authority and Bank of Tanzania

Exports

During the period under review, export of goods and services amounted to USD 31.2 million compared to USD 34.1 million recorded during the quarter ending September 2009, mainly due to the decline in cloves export volumes.

However, the amount of exports were higher than USD 27.2 million recorded in the corresponding period in 2008(**Table 5.8**).

Table 5.8: Zanzibar - Exports by type of Commodity

Commodity	Quarter Ending				Percent Change	
	2008		2009 ^P		Jul-Sep 09	Oct-Dec
	Sep	Dec	Sep	Dec	to Oct-Dec 09	08 to Oct- Dec 09
Traditional Exports:						
Cloves						
Value	1.6	0.3	5.2	2.6	-50.7	644.1
Volume	0.4	0.1	1.5	0.7	-51.1	652.1
Unit Price	3,941.2	3,583.0	3,520.5	3,545.2	0.7	-1.1
Non-Traditional Exports:						
Seaweeds						
Value	0.5	0.6	0.8	0.7	-6.0	22.8
Volume	1.6	3.2	2.8	2.8	-0.3	-13.5
Unit Price	316.9	187.7	282.6	266.5	-5.7	42.0
Manufactured Goods	1.2	1.5	1.4	1.3	-9.6	-15.1
Fish and Fish Produce	0.0	0.0	0.1	0.1	-8.6	153.9
Others Exports	1.1	0.8	1.7	1.5	-8.4	90.8
Sub Total	2.9	2.9	4.0	3.6	-8.4	23.3
Grand Total	4.4	3.3	9.2	6.2	-32.4	88.2

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

Source: Tanzania Revenue Authority

Imports

During the review quarter, import of goods and services (c.i.f.) amounted to USD 42.0 million, compared to USD 44.1 million and USD 43.7 million reported in the preceding quarter and corresponding quarter in 2008, respectively. The low level of imports was mainly associated with decline in import of transport equipments and machinery (Table 5.9).

Table 5.9: Zanzibar Imports (c.i.f) by Major Categories

Import Category	Quarter Ending				Percent Change	
	2008		2009 ^P		Jul-Sep 09 to Oct-Dec 09	Oct-Dec 08 to Oct-Dec 09
	Sep	Dec	Sep	Dec		
Capital Goods	14.7	14.3	12.7	10.3	-19.2	-28.1
Transport Equipments	9.5	9.6	7.0	5.3	-24.0	-44.5
Building and Constructions	2.5	2.2	1.9	1.9	1.3	-14.9
Machinery	2.8	2.5	3.9	3.1	-20.4	23.1
	0.0					
Intermediate Goods	12.4	12.1	9.1	10.1	11.5	-16.0
Oil imports	9.0	9.2	7.5	8.5	13.0	-8.4
Industrial raw materials	3.5	2.8	1.6	1.7	4.4	-40.9
	0.0					
Consumer Goods	5.9	6.1	5.8	5.5	-5.4	-10.2
Food and food stuffs	0.9	1.3	1.9	2.0	5.2	46.7
All other consumer goods	5.0	4.8	3.9	3.5	-10.4	-26.3
Grand Total (c.i.f.)	33.1	32.5	27.7	25.9	-6.2	-20.2
Grand Total (f.o.b.)	30.1	29.6	25.2	23.6	-6.2	-20.2

Notes: P = Provisional data

Source: Tanzania Revenue Authority

6.0 Economic Developments in EAC and SADC Countries

During the quarter ending December 2009, inflation rate in the East African Community region declined to an average of 8.4 percent, from 11.3 percent recorded in the preceding quarter. With exception of Tanzania, other EAC member states recorded declines in the rate of inflation following improved food prices. Although inflation rates dropped in most of EAC countries, they were still above the agreed convergence criteria level of not exceeding 5.0 percent (**Table 6.1**).

Table 6.1: EAC and SADC Countries Economic Indicators

Country	Real Growth Rate in %				Inflation Rate in %					
	2005	2006	2007	2008	2008		2009			
					Q3	Q4	Q1	Q2	Q3	Q4
Tanzania	7.4	6.7	7.1	7.4	10.3	12.5	13.1	11.3	11.7	12.5
Kenya	5.8	6.4	7.1	1.7	27.4	28.5	24.3	21.1	18.0	5.7
Uganda	5.9	5.5	7.7	7.0	14.9	14.4	14.4	12.7	12.8	12.1
Burundi								6.9	7.8	5.8
Rwanda	7.1	5.5	5.5	11.2	19.7	22.2	19.2	12.1	6.3	5.8
Angola	15.7	19.5	19.8	16.4	12.7	13.2	13.5	13.8	13.9	13.7
Botswana	3.8	4.2	5.7	3.5	14.7	13.9	11.6	8.5	6.4	5.9
Lesotho	0.7	6.2	5.1	3.4	11.1	11.5	10.3	8.8	5.7	4.2
Malawi	1.9	4.7	7.9	9.7	9.0	9.6	9.8	8.8	7.8	7.4
Mauritius	3.5	4.7	5.4	5.6	9.5	9.6	8.9	7.4	5.2	3.0
Mozambique	7.7	8.5	7.3	6.5	10.6	10.8	8.1	3.4	1.6	2.7
Namibia	3.5	4.6	3.8	2.7	12.0	11.5	11.5	9.6	7.4	6.9
Seychelles	6.6	9.3	9.7	-0.9	24.8	21.9	50.2	45.8	33.1	7.9
South Africa	4.9	5.0	5.1	4.0	13.4	11.4	8.4	7.8	6.4	6.0
Swaziland	2.2	2.8	3.5	2.6	13.9	14.6	11.5	8.2	5.8	4.6
Zambia	5.0	6.0	6.0	6.2	13.3	15.7	14.4	14.5	13.8	11.2
Zimbabwe	-6.5	-5.1	-6.2	-4.3	n.a	n.a	-2.8	-0.5	0.3	-2.3
EAC Average	6.6	6.0	6.9	6.8	18.1	19.4	17.8	12.8	11.3	8.4
SADC Average	4.3	5.9	6.2	4.8	12.9	13.0	13.0	11.3	9.2	6.4

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

2. n.a refers to not available

Source: Respective National Statistical Offices and Central Banks

In the SADC region, inflation declined to an average of 6.4 percent, compared to 9.2⁴ percent recorded in the previous quarter. With exception of Mozambique and Tanzania, inflation in other SADC countries decelerated, largely on account of decline in food prices.

⁴ Provisional Statistics for September 2009 indicated inflation rate of 9.0 percent

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A2: LIST OF MANAGEMENT

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

1. GOVERNOR'S OFFICE

Regional Integration Department

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

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

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

2. DIRECTORATE OF STRATEGIC PLANNING & PERFORMANCE REVIEW

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

Strategic Planning Department

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

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
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Finance and Administration Department

R. J. Malisa	Manager	022 2235391/2
--------------	---------	---------------

Operations Department

A. M. Rasmini	Manager	022 2235393/4
---------------	---------	---------------

4. RISK MANAGEMENT

..... Director 022 2235297/8

Investment Risk Department

V. N. Lema Manager

Systems Risk Department

Dr. M. Kipilimba Manager 022 2233204/5

5. DIRECTORATE OF PERSONNEL AND ADMINISTRATION

L. L. Kisarika Director 022 2235144/5

Human Resource Department

R. L. Wambali Manager 022 2235148/9

Estate Management Department

P. J. Mutoni Manager 022 2235098/9

Administrative & General Services Department

J. P. Mpelebwa Associate Director 022 2235194/5

Facilities Management Department

E. M. Twininge Manager 022 2235555/6

Procurement Department

R. Wanga Manager 022 2235194/5

6. DIRECTORATE OF BANKING

E. M. Boaz Director 022 2235415/6

Banking Department

E. R. Balele Manager 022 2235134/5

Currency Department

K. J. Jurango Manager 022 2235672/3

7. DIRECTORATE OF BANKING SUPERVISION

A. E. Kobello Director 022 2235482/3

Banks Supervision Department

C. A. Gama Manager 022 2235530/1

Non-Banks Supervision Department

S. A. Kazimoto Manager 022 2235480/1

Operation & Policy Review Department
A. A. Ukhotyia Manager 022 2235576/7

Microfinance Institutions Supervision Department
H. J. Ndambala Manager 022 2235585/6

8. DIRECTORATE OF ECONOMIC RESEARCH AND POLICY

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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. Mbangwa 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

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 also known as Bank Rate

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

Exchange Rate

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

Lombard Facility

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

Lombard Rate

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

Money Supply, M

The sum of currency in circulation outside the banks and deposits of Depository Corporations, are defined in various concepts of money supply in the narrower and broader sense, i.e., narrow money (M1), broad money (M2), and extended broad money (M3).

M1, Narrow Money,

Consists of currency in circulation outside banks and demand deposits.

M2, Broad Money

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

M3, Extended Broad Money

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

Nominal Exchange Rate

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

Non-Food or Underlying Inflation Rate

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

Repurchase Agreement (REPO)

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

Reserve Money (M0)

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

Seasonally Adjusted Indicators

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

Weighted Annualized Yields of Treasury Bills of all Maturities

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