



## **Monetary Policy Committee Statement**

The Monetary Policy Committee (MPC) of the Bank of Tanzania held its ordinary meeting on 5<sup>th</sup> October 2020 to assess the performance and outlook for the economy. The MPC is satisfied that the economy continues to perform satisfactorily despite spillover effects from the global economy due to COVID-19. The economy will grow at the projected 5.5 percent in 2020.

The MPC is also satisfied that the macroeconomic indicators have continued to remain stable and within agreed regional ranges. Inflation has remained low, averaging 3.3 percent in July-August 2020, and will range between 3-5 percent in 2020/21, as earlier projected. The projection is underpinned by adequate domestic food supply, stable exchange rate, moderate oil prices and prudent monetary and fiscal policies. Foreign exchange reserves remained adequate, above USD 5 billion and covering about 6 months of import, and the current account deficit narrowed in the year ending August 2020, owing to increase in exports, particularly gold and cashew nuts. Similarly, the level of liquidity in the economy remained adequate and interest rates declined, albeit slightly.

Private sector credit growth was strong notwithstanding challenges on global supply chains attributable to COVID-19. Annual growth of private sector credit was 6.8 percent in August 2020, higher than 5.5 percent in June and July 2020. The MPC maintained the view that private sector credit growth will grow by 11.6 percent in 2020/21, as projected, given the supportive monetary condition and resumption of economic activities. The banking sector remained sound, stable and resilient with enough liquidity and adequate capital to support economic activities.

The MPC observed that external sector developments were becoming increasingly stable as more countries were abandoning the COVID-19 lockdowns and opening up global economic interactions. The performance of the global economy was sluggish in the first half of 2020, attributed to contraction in output resulting from a near shutdown of many economic activities in most of advanced economies since the beginning of 2020 in pursuit of COVID-19 containment measures. The global growth is projected to improve in the remainder of 2020, as most countries progressively lift restrictions associated with the pandemic.

The MPC noted with satisfaction that Government fiscal policy implementation was on track. Expenditure remained streamlined towards development projects and enhanced revenue mobilization.

The MPC exhorted the Bank of Tanzania to continue to implement accommodative monetary policy in a low inflationary environment in the remainder of 2020 in order to further stimulate growth of the economy and safeguard the stability of the financial sector.

**Governor  
Bank of Tanzania**