



MONETARY POLICY COMMITTEE STATEMENT

The Monetary Policy Committee (MPC) of the Bank of Tanzania met on 19th November 2020 to review recent economic developments and outlook at national and global levels. The MPC is satisfied with the performance of the domestic economy, despite spillover effects facing the global economy due to the resurgence of COVID-19 in the economies of some of our trading partners.

The MPC noted that, macroeconomic indicators remained generally stable and within agreed national and regional benchmarks. GDP continued to exhibit noticeable positive growth rates, with a rate of 5.5 percent projected for 2020. Inflation remained subdued at 3.1 percent in October 2020 and is projected to range from 3-5 percent in 2020/21. The projections are bolstered by adequate domestic food supply owing to favourable weather, stable exchange rate, and moderate oil prices in the world market. The external sector continued to regain momentum, characterized by narrowing current account deficit. This outturn is on account of a gradual fading away of the impact of COVID-19, as many countries progressively lift lockdown restrictions, hence supporting more exports. Foreign exchange reserves remained adequate, sufficient to cover 5.8 months of imports, hence providing a buffer against short-term external shocks. Government budgetary operations were broadly on track, characterized by good revenue performance and enhanced expenditure management.

The MPC also observed that, low inflation expectations continued to provide sufficient buffer for sustaining accommodative monetary policy to ensure adequate level of liquidity in the economy and setting an environment for further reduction of interest rates. Credit extended to the private sector by banks remained adequate, albeit growing at a slower pace of 5.2 percent in September 2020 compared with 9.3 percent in the corresponding period of 2019. Private sector credit growth is expected to increase in the remainder of 2020/21, supported by the liquidity easing monetary condition and recovery of economic activities. The banking sector remains liquid, well capitalized and well-positioned to support growth as reflected by the strong financial soundness indicators.

On the global economic trends, the MPC observed the severity of contraction of global growth to be partially moderated by gradual relaxation of containment measures against COVID-19, boost from fiscal interventions and accommodative monetary policy. However, risks to the recovery remain elevated, largely due to resurgence of infections in some countries, which had commenced re-opening.

Given the gradual recovery in the global economy and the associated risks, the MPC encouraged the Bank of Tanzania to continue with the accommodative monetary policy stance, benefiting from the expected low inflation. The policy stance is expected to support growth of credit to the private sector, and thus, growth of the domestic economy. For this to happen, the MPC reiterated the need to call upon all stakeholders to cooperate in ensuring delivery of the anticipated outcomes.

**Governor
Bank of Tanzania**