



## **Monetary Policy Committee Statement**

The Monetary Policy Committee (MPC), at its 212<sup>th</sup> Ordinary Meeting held on 22<sup>nd</sup> January 2021, decided upon the Bank to continue with accommodative monetary policy to facilitate growth through credit to the private sector. The MPC also approved the Bank to auction Treasury bills and bonds for Government budgetary operations in accordance with the 2020/21 Government Issuance Plan.

The MPC observed that, since its previous meeting, the economy continued to demonstrate satisfactory performance, despite global spillover effects of COVID-19. In the first half of 2020, growth averaged 4.9 percent, largely driven by construction, agriculture, transport, and mining and quarrying. Inflation remained low in the last six months of 2020, ranging from 3.0 to 3.3 percent, attributable to adequate food production and supply, low oil prices, and stable exchange rate. The external sector sustained satisfactory performance, bolstered by exports, particularly gold, crops, and manufactured goods. Foreign reserves, remained adequate, covering more than 5.6 months of imports. The performance of Government fiscal operations was on track, with improving tax revenue.

The MPC noted that, implementation of accommodative monetary policy succeeded in lowering short-term interest rates, thus creating favourable conditions for increase in trade and investment. Private sector credit growth averaged 5.1 percent in the last six months of 2020, and is expected to regain momentum in the second half of the fiscal year 2020/21, as the global economy normalizes. The banking sector remained profitable and adequately capitalized, with capacity to withstand shocks.

In the context of the recent performance in key areas of the economy, the MPC observed that growth projection of 5.5 percent in 2020 will be realized, and strong growth of around 6 percent or more is expected in 2021. Inflation is expected to remain within the projected band of 3-5 percent, as upward inflationary pressures remain muted. Based on projected favourable macroeconomic conditions hereto, the exchange rate is expected to remain stable. Furthermore, the MPC considered efforts made by the Bank to expand credit to the private sector and reduce lending interest rates, and urged to continue engaging stakeholders to succeed in this endeavour.

**Governor**

**Bank of Tanzania**