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Monetary Policy Committee Statement

The Monetary Policy Committee (MPC) held its 215th Ordinary Meeting on 23rd July 2021, to discuss recent conduct of monetary policy, economic performance and outlook thereof. The MPC was satisfied with the conduct of monetary policy in May and June 2021, which succeeded to sustain adequate liquidity in banks and stabilize money market interest rates at low levels. This creates favourable condition for increase in bank lending to the private sector and reduce interest rate on loans.

As regards domestic economy, the MPC observed that the improving global economic environment will provide great impetus to recovery of economic activities, particularly those directly linked with the global economy. Inflation remained low, within the target range of 3-5 percent, and risk to inflation outlook is moderate, notwithstanding recent rise of global oil prices. Foreign exchange reserves were adequate and consistent with country and EAC benchmarks, hence contributing to stability of exchange rate. The MPC underscored the need to continue diversifying export markets and improve value addition.

The MPC observed slow uptake of loans by the private sector in 2020/21, partly attributable to negative effects of COVID-19 on businesses. The MPC noted that improving global economy, executing additional measures by the Bank of Tanzania intended to create conditions for reducing interest rates on loans and promoting credit intermediation as well as ongoing measures to improve business environment are expected to provide impetus to increase loans to the private sector. Against this backdrop, the MPC maintained the decision of expanding money supply in July and August 2021.

Governor
Bank of Tanzania