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**September 14, 2021.**

## **Monetary Policy Committee Statement**

The Monetary Policy Committee (MPC) met on 13<sup>th</sup> September 2021 to review the conduct of monetary policy and economic performance in recent past and the general economic outlook. The conduct of monetary policy in July and August 2021 contributed to keeping liquidity adequate in banks with overnight interbank interest rates ranging from 3-5 percent. Credit to private sector grew at a rate of 4.1 percent in July 2021 compared with 3.6 percent in the preceding month.

The MPC noted that the global economy continues to recover from the COVID-19 pandemic, albeit at slow pace, but is expected to gain momentum in future. Performance of Tanzania Mainland and Zanzibar economies was satisfactory in the first quarter of 2021. In Tanzania Mainland, growth was 4.9 percent, lower than 5.9 percent in the corresponding period in 2020, driven by construction, transport, agriculture, manufacturing, and mining and quarrying activities. The Zanzibar economy grew at 2.2 percent, slightly lower than 2.5 percent registered in the first quarter of 2020. The economies are expected to continue improving, owing to ongoing public investment and normalization of the global economy which will increase private sector investment and trade. Inflation ranged from 3-5 percent, as targeted, and is projected to remain within that target.

Performance of the external sector of the economy continued to face challenges caused by COVID-19, particularly tourism, however, export of gold improved to about USD 3 billion in the year ending July 2021. Foreign exchange reserves remained adequate, amounting to USD 5.5 billion. The amount is sufficient to cover about 6 months of imports, in line with the country and regional benchmarks. Money supply growth was 11 percent in the year ending July 2021, broadly in line with the targeted average growth of 10 percent for 2021/22. Private sector credit growth improved, though the pace was slow at a rate of 4.1 percent, and is expected to continue recovering owing to additional policy measures taken by the Bank of Tanzania in July 2021. The recovery is also supported by ongoing implementation of measures to improve business environment and normalization of global trade and investment.

Based on assessment of the recent performance and optimism for further recovery of domestic and global economies, the MPC agreed with Bank of Tanzania proposal to sustain liquidity easing monetary policy in September and October 2021 in support of credit expansion to private sector.

**Governor**  
**Bank of Tanzania**