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MONETARY POLICY COMMITTEE STATEMENT

The Monetary Policy Committee (MPC) meeting held on 15th November 2021, noted that the conduct of monetary policy in September and October 2021 continued to maintain liquidity in banks at the required levels. This also led to stability of short-term interest rates at low levels. Private sector credit growth improved to 4.6 percent in September 2021, up from 3.2 percent in August 2021. The MPC was confident of further improvement of credit growth due to the ongoing normalization of the global economy and policy measures adopted by the Bank to promote credit intermediation. Foreign exchange reserves remained adequate, amounting to USD 6.7 billion at the end of October 2021, sufficient to cover about 7 months of projected imports, consistent with the country and regional benchmarks.

Regarding the global economy, the MPC observed that the pace of growth has been slightly lower than projected due to resurgence of the COVID-19 pandemic in some countries and rising energy prices, but still supports Tanzania growth prospects. Inflation has generally been rising in many countries, due to increase in demand and rising energy prices, but central banks view the increase to be temporary, hence sustaining accommodative monetary policy. The MPC reiterated that the rising oil prices will turnaround if production increases, and underscored the need to ensure adequate food supply and maintain stable exchange rate to partially dampen the impact of high oil prices on inflation.

Furthermore, the MPC discussed the recent performance of domestic economy and observed that growth in Tanzania Mainland continued to progressively improve, reaching 4.7 percent in the first half of 2021. Inflation remained within the target of 3-5 percent and in line with EAC and SADC convergence criteria, despite slowly edging up since June 2021, and is expected to remain consistent with the targets. Revenue performed satisfactorily, with tax revenue at more than 90 percent of the target. In Zanzibar, growth was 6.5 percent in the second quarter compared to negative 1.4 percent in the corresponding quarter in 2020. Inflation remained low and consistent with the target of below 5 percent and revenue performance was 73.6 percent of the target. The external sector is improving from the negative effects of the pandemic, sustaining a low current account deficit, as export proceeds of minerals, cash crops and tourism started to flow in.

Based on the recent performance of the domestic and global economies, coupled with inflation outlook remaining within the target, the MPC agreed the Bank of Tanzania to maintain accommodative monetary stance in November and December 2021 to facilitate the recovery of the economy.

Governor
Bank of Tanzania