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MONETARY POLICY COMMITTEE STATEMENT

The Monetary Policy Committee (MPC) held its 218th ordinary meeting on 31st January 2022, to review the conduct of monetary policy and recent economic developments. The MPC was satisfied with the outcome of monetary policy and performance of the economy, and approved the Bank to sustain accommodative monetary policy in supporting recovery of the economy. The decision to sustain the monetary policy stance was taken at the backdrop of expected low inflation of around 3-5 percent.

The MPC observed that growth of Tanzania mainland economy was satisfactory, at 4.9 percent in the first three quarters of 2021. The growth was driven by construction, agriculture, mining and quarrying, manufacturing and transport. Inflation gradually increased to 4.2 percent in December 2021 from 3.8 percent in July 2021 due to supply-side factors, but remained within the target of 3-5 percent. The Zanzibar economy grew impressively by 8.8 percent in the third quarter of 2021, higher than growth of 3.3 percent in the corresponding quarter of 2020, largely driven by resumption of economic activities, particularly tourism. Inflation edged up, driven by a rise in non-food prices, but was lower than the target of 5 percent.

Private sector credit growth improved to 7.8 percent and 10 percent in November and December 2021, respectively, from less than 5 percent in much of 2021, and was consistent with the target of 10.6 percent for 2021/22. This was attributable to accommodative monetary policy, measures adopted to increase bank lending and lower interest rates, and rebound of economic activities following re-opening of the global economy. The external sector of the economy continued to recover from the effects of the COVID-19 pandemic, with resumption in tourism. Foreign exchange reserves remained adequate, amounting to USD 6.4 billion and sufficient to cover 6.6 months of imports, in line with the minimum requirement of 4 months. Government budget execution was in conformity with the estimates due to improvement in revenue collection and receipt of foreign grants and loans.

The MPC observed that, due to the recent satisfactory performance of the economy and continuing recovery of the global economy, macroeconomic targets for 2021/22 set forth in the Monetary Policy Statement, issued in June 2021, will be achieved.

Governor
Bank of Tanzania