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Monetary Policy Committee Statement

The Monetary Policy Committee (MPC) held its 221st Meeting on 5th August 2022 to assess the conduct of monetary policy in May and June 2022 and economic performance. The MPC was pleased with the conduct of monetary policy, which maintained adequate liquidity in banks for lending to the private sector. However, it was faced with rising inflationary pressures from high import prices, which impaired fast growth of the economy.

As regards global economic performance, the MPC observed that growth continued to be undermined by the effects of the war in Ukraine, a resurgence of the COVID-19 pandemic in China, rising inflation, and tighter financial conditions. As a result, growth projections of the global economy for 2022 and 2023 have been revised downward. These global challenges have increased downside risks to the recovery of the domestic economy.

The performance of the domestic economy in the first and second quarters was broadly in line with the 2022 growth projection of 4.7 percent and 5.4 percent for Tanzania Mainland and Zanzibar, respectively. Inflation increased in May and June 2022, attributable to persistent high prices of imports, but remained within the target of 3-5 percent for Tanzania Mainland and 5 percent for Zanzibar. However, high food, energy and fertilizer prices in the world market pose an upward risk to future inflation. The money supply expanded consistent with the target, in response to accommodative monetary policy and improving economic activities. Credit to the private sector was strong, at 9.9 percent in 2021/22, broadly in line with the target. Fiscal operations were satisfactory and in line with the target for 2021/22, with revenue collection improving. The external sector continued to experience high commodity prices, as well as effects of the global monetary policy tightening cycle. Nevertheless, foreign exchange reserves remained adequate covering 4.6 months of imports and the exchange rate was stable.

At the backdrop of rising inflationary pressures, the MPC approved the Bank of Tanzania to reduce the speed of expanding liquidity in the remainder of 2022, in order to tame inflationary pressures from the demand side, while safeguarding the growth of the economy. The MPC also reiterated the need for the Bank of Tanzania to maintain adequate foreign exchange reserves, in order to cushion the economy from the negative impact of high commodity prices in the world market.

Governor

Bank of Tanzania