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November 29, 2022

Monetary Policy Committee Meeting Statement

The Monetary Policy Committee (MPC) met on 28th November 2022 to assess the recent implementation of monetary policy and economic performance. On the basis of the assessment made, and given spillover effects of the current global supply-side shocks on inflation and output, the MPC decided to continue lessening monetary policy accommodation in November and December 2022. The policy decision is intended to align inflation expectations with the target, while safeguarding growth of economic activities. It also aims at facilitating attainment of monetary targets for the quarter ending December 2022.

In addition, the MPC discussed performance of the global economy and noted that it continued to be undermined by supply-side shocks. Based on this, the IMF forecasts growth to be lower in 2022 and 2023 than earlier projected. Inflation also remained above targets in most countries, due to high commodity prices and climate-related challenges, prompting central banks to further tighten monetary policy. Furthermore, the MPC noted that outlook is uncertain, largely reflecting supply-chain disruptions caused by the war in Ukraine and climate-related challenges.

The MPC noted with satisfaction the recent implementation of monetary policy and performance of the domestic economy, despite being faced with a challenging global environment. Specifically, the MPC observed that:

- i. the manner in which monetary policy was implemented, and its outcome, were consistent with the plan. Liquidity in the banking sector was maintained at desirable levels consistent with inflation forecast and monetary policy targets for the quarter ending September 2022 were successfully met;
- ii. performance of the economy was on track. Growth in Mainland Tanzania was 5.2 percent in the first half of 2022, and the likelihood of realizing the projected growth of 4.7 percent for the whole year is high. Likewise, the Zanzibar economy grew at 5.8 percent in the first half of 2022, consistent with the projection of 5.4 percent for 2022. The economy is forecast to grow faster in 2023 than in the preceding year, as the spillover effects of the global shocks fade away;
- iii. inflation remained moderate, slowly rising due to increase in prices of food and energy. In Mainland Tanzania, it reached 4.9 percent in October 2022, up from 3.8 percent in July 2021, but was consistent with the target of 5.4 percent

for 2022/23. In Zanzibar, inflation rose to 7.3 percent from 2.2 percent, also broadly in line with the target of 5 percent. Inflation is forecast to remain moderate and consistent with the target in 2022/23;

- iv. money supply and private sector credit growth was on course. Money supply (M3) grew by 13.4 percent in October 2022, broadly consistent with the target of 10.3 percent for 2022/23. Private sector credit growth was high in September and October 2022, at 22 and 23.7 percent, respectively. In 2022/23, private sector credit growth is projected at 10.7 percent;
- v. revenue performance was broadly on track in the first quarter of 2022/23. In Mainland Tanzania, revenue was 96 percent of the target, while in Zanzibar it was 98.5 percent. Expenditure also was on track, consistent with the rising needs to address the effects of global shocks and infrastructure gap;
- vi. the external sector of the economy remained sustainable but continued to be undermined by global supply-side shocks, which include high import prices and tightened financial conditions. Foreign reserves remained adequate, covering 4.2 months of imports, in line with the country benchmark of 4 months. The import cover is expected to increase, as world market prices of imports decline; and
- vii. the banking sector performance was satisfactory. The sector remained liquid, capitalized, and profitable. Likewise, deposits and assets are increasing, and assets quality is improving. The non-performing loan ratio declined to 7.2 percent in October 2022, down from 8.3 percent in the corresponding period in 2021.

**Governor
Bank of Tanzania**