



**THE UNITED REPUBLIC OF TANZANIA  
BANK OF TANZANIA**



MPC No. 244

3<sup>rd</sup> July 2026

**Monetary Policy Committee Statement**

**1. Central Bank Rate**

At its Meeting held on 2 July 2026, the Monetary Policy Committee (MPC) raised the Central Bank Rate (CBR) from 5.75 percent to 6.25 percent for the quarter ending September 2026. The decision intends to contain inflation driven by the high energy, fertilizer, and transportation costs in the world market, caused by the geopolitical conflict in the Middle East.

The MPC is confident that the adjustment in the CBR is appropriate enough to ensure inflation remains within the target range of 3-5 percent, while supporting economic growth. The adjustment in the policy rate would be strengthened by moderate food inflation due to adequate food supply from the 2025/26 harvests. In addition, the pass-through effect of exchange rate to inflation is expected to be minimal due to high export earnings from gold, tourism, and agricultural commodities in the second half of 2026.

**2. Assessment of the global economy**

Global economic activity weakened in the quarter ending June 2026 due to the conflict in the Middle East, which disrupted energy supplies and trade routes. This led to higher oil and fertilizer prices, as well as freight and insurance costs. These occurrences have raised the risk of inflation and weakened growth prospects in 2026. The outlook remains dependent on developments in the geopolitical conflict in the Middle East.

### 3. Assessment of the domestic economy

The MPC observed that economic growth remains strong despite headwinds from external shocks, such as the ongoing geopolitical conflict in the Middle East. Based on high frequency economic indicators, real GDP growth in Mainland Tanzania is estimated to be around 6 percent in the first half of 2026, underpinned by solid performance in agriculture, construction, mining, financial services, and transport activities. The Zanzibar economy is estimated to have grown by 6.6 percent, primarily driven by tourism and construction. In the second half of the year, growth is projected to remain high, above 6 percent.

Inflation remains low, despite increasing due to higher global energy and transportation costs. In Mainland Tanzania, annual headline inflation rose to 4.2 percent in May 2026 from 3.2 percent in March 2026, remaining within the target of 3-5 percent. A fuel subsidy provided by the Government in May and June helped to moderate increases in inflation. In Zanzibar, inflation reached 5.5 percent from 4.9 percent, compared to the target of 5 percent. Inflation is projected to remain within the target, despite facing elevated external risks.

Monetary conditions in the second quarter of 2026 were moderately accommodative, in line with the monetary policy stance. Private sector credit growth was robust at an average of 24 percent, supported by sustained demand from productive sectors. The financial sector remained stable and resilient to shocks. The banking sector, for instance, remained profitable with capital buffers sufficient to withstand short-term shocks. The quality of assets remained strong, evidenced by a low non-performing loans ratio of 2.9 percent in May 2026, compared to the tolerable threshold of 5 percent. The payment systems operated smoothly and efficiently.

The external sector of the economy faced headwinds from the conflict in the Middle East, but the current account deficit remained low and stable. The current account deficit was estimated at 2.4 percent of GDP in the year ending June 2026, compared with 2.2 percent in the year ending March 2026, and is projected to remain at the same level. The Zanzibar economy sustained a current account surplus, driven largely by tourism receipts. Foreign exchange reserves remained adequate, hovering around USD 6 billion, sufficient to cover 4.3 months of projected imports, comfortably in line with country's minimum threshold of 4 months. The reserves are projected to increase, reinforced by rising exports and accumulation of gold through the domestic gold purchase program.

Fiscal performance was satisfactory. This was reflected by strong tax revenue performance, alongside prudent expenditure and debt management. In 2025/26, domestic revenue collections are estimated to reach 16.8 percent of GDP from 15.6 percent recorded in 2024/25.

#### 4. Next CBR Announcement Date

The MPC reaffirms its commitment to maintaining price stability and continues to monitor how developments in global and domestic conditions influence inflation trends. The MPC will hold the next meeting on 7<sup>th</sup> October 2026, and the CBR for the fourth quarter of 2026 will be announced the following day.



Emmanuel M. Tutuba

**GOVERNOR**