



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



MPC No. 245

8th October 2026

Monetary Policy Committee Statement

1. Central Bank Rate Decision

The Monetary Policy Committee (MPC) met on 7th October 2026 and decided to maintain the Central Bank Rate (CBR) at 6.25 percent for the quarter ending December 2026. The MPC considers the current restrictive monetary policy stance appropriate as it continues to filter through the economy, effectively dampening underlying inflationary pressures and fostering economic growth. Consistent with this policy decision, inflation is projected to remain within the medium-term target range of 3 to 5 percent.

The MPC observed that monetary policy will remain agile and flexible to limit the risks to the inflation outlook. Also, Government policies in response to the ongoing geopolitical conflicts in the Middle East and potential El Niño-related disruptions are sufficient to dampen inflation and foster economic growth.

2. Global Economy and Outlook

The Committee observed that the ongoing conflict in the Middle East continues to weigh on economic activity, disrupt energy and fertilizer supply chains, and undermine disinflation efforts. Because of this predicament, global growth in 2026 is projected to be lower than in the preceding year. The IMF projects growth of 3 percent, down from 3.5 percent, and the World Bank at 2.5 percent, down from 2.9 percent. The risk to the growth projection remains high, largely dependent on the scale and duration of the geopolitical conflicts in the Middle East.

The disinflation trend has stalled in most economies, largely due to high global fuel prices, which have at times hovered above USD 100 per barrel. In response to emerging inflationary pressures, central banks have either paused monetary easing or taken a more cautious approach. Gold prices remain elevated and is forecast to slightly increase. This will continue supporting foreign exchange earnings and reserves accumulation.

The MPC observed that the decision to maintain the CBR at 6.25 percent, together with ongoing government policies implemented in response to the spillover effects of the geopolitical conflict in the Middle East are sufficiently flexible and adequate to cushion the economy against external shocks.

3. Domestic Economy

The MPC noted that the National Bureau of Statistics and the Office of the Chief Government Statistician have completed GDP rebasing exercises for Mainland Tanzania and Zanzibar, respectively. For Mainland Tanzania, the base year was changed from 2015 to 2019, raising nominal GDP in 2025 to TZS 234,104 billion (USD 92.3 billion), from TZS 230,073 billion (USD 90.7 billion) under the previous series. Zanzibar's nominal GDP increased to TZS 9,242 billion (USD 3.6 billion), from TZS 7,029 billion (USD 2.8 billion). The two statistical offices also harmonised national accounts data, enabling the compilation of GDP and related indicators for the United Republic of Tanzania.

Based on the revised series, both economies maintained strong growth momentum in 2026. Mainland Tanzania grew by 6 percent in the first quarter and is estimated to grow at more than 6 percent in both the second and third quarters, supported by financial services, industrial production, infrastructure investment and social services. Zanzibar grew by 6.7 percent in the first quarter, with growth estimated to have exceeded 7 percent in both subsequent quarters, driven by tourism, construction, and

irrigation projects. The growth outlook remains favourable, although elevated global commodity prices, supply chain disruptions and El Niño-related disruptions pose risks.

Inflation in Mainland Tanzania remains within the target of 3 to 5 percent, albeit rising, reaching 4.3 percent in August 2026 from an average of 4.1 percent in the quarter ending June 2026. It also remains consistent with EAC and SADC convergence benchmarks. The increase was largely driven by higher global oil prices, which raised domestic fuel prices and transport costs. In Zanzibar, inflation eased to 5.6 percent in August 2026 from 6 percent in July 2026, above the 5.5 percent average recorded in the quarter ending June 2026. The inflation outturn was slightly above the medium-term target of 5 percent.

Monetary conditions remained broadly consistent with economic conditions. Credit to the private sector has been growing strongly, averaging 32.5 percent in the quarter ending September 2026. The banking sector remained stable and resilient, supported by strong capital and liquidity positions and sustained profitability. Non-performing loans were 2.5 percent in August 2026, well below the tolerable threshold of 5 percent. Payment systems continued to operate smoothly, with transaction volumes increasing.

The external sector remained stable despite facing headwinds from elevated geopolitical tensions. The current account deficit was 2.5 percent of GDP in the year ending September 2026, slightly higher than 2.4 percent in the year ending June 2026, reflecting the impact of shocks. Stronger export performance, particularly in gold, tourism, and manufactured goods, helped to cushion the impact of higher imports and freight costs on the current account position. Zanzibar maintained a current account surplus, supported by higher tourism receipts. Foreign exchange reserves remained adequate, hovering above USD 6 billion, with import cover reaching 4.3 months in September 2026, exceeding the minimum national requirement of 4 months.

Fiscal policy continued to support growth. Tax revenue exceeded its target, while expenditure was managed prudently and the fiscal deficit remained contained, below 3 percent, within regional convergence criteria. Public debt remained sustainable, with external debt accounting for the larger share of the portfolio. Domestic borrowing continued to complement external financing in meeting the Government's financing needs.

4. Next CBR Announcement Date

The Committee will continue to monitor the conflict in the Middle East and the risk associated with El Niño and stand ready to respond should inflationary pressures become more persistent and broad-based, to ensure inflation remains within the target. The next MPC meeting is scheduled for 6th January 2027, and the CBR decision for the first quarter of 2027 will be announced the next day.



Emmanuel M. Tutuba

GOVERNOR