



Monetary Policy Committee Statement

The Monetary Policy Committee (MPC) met on 24th July 2020 to review the performance of the economy of the United Republic of Tanzania. The MPC observed that despite the impact of COVID-19 on some few sectors, such as tourism and entertainment, the economy performed satisfactorily. During the first quarter of 2020, output grew by 5.7 percent, mainly driven by construction, agriculture, transport and mining.

Inflation remained low, below the target of 5 percent in the first half of 2020. Government budgetary operations were on track, with expenditure directed to development projects. The external sector was sustainable, and current account balance improved due to increased exports of gold and cashew nut and moderate oil prices. Foreign exchange reserves were above USD 5 billion, covering more than 6 months of imports. Monetary conditions were supportive, owing to the measures adopted to shield the economy from the adverse impact by the COVID-19 pandemic. Growth of money supply was on target at around 10 percent, while credit to the private sector grew moderately between 5 to 6 percent. The financial sector was sound, stable and liquid enough to sustain economic activities.

The MPC noted that the global economy is projected to be weak in 2020, growing by -4.9 percent, attributable to adverse impact of COVID-19 pandemic on economies. All economic blocs are projected to experience negative growth of varying degrees, and economic recovery is projected to be more gradual than anticipated in 2021.

The MPC also observed that the country has graduated to lower middle income status, with GNI per capita of USD 1,080. This achievement provides additional space to access non-concessional loans and attract foreign investments. The country has also gained reputation and credibility in implementation of policies and strategies to achieve Sustainable Development Goals.

On the basis of the domestic and external economic environment, the economy is projected to grow by 5.5 percent in 2020. This will be supported by growth in agriculture, investment in infrastructure and faster than expected re-opening of economies of our main trading partners. Inflation is projected to remain low, between 3 and 5 percent in 2020, driven by adequate food supply, moderate oil prices and stability of the exchange rate. Notwithstanding, the MPC observed with concern the sluggishness in the pace of reduction of interest rates. While exhorting the Bank of Tanzania to continue with accommodative monetary policy in order to support growth of economic activities and safeguard the stability of the financial sector, the MPC called upon the Bank to devise ways of protecting consumers of financial services against the high interest rates charged by banks and financial institutions, as they have negative impact on growth, particularly of the private sector.

**Governor
Bank of Tanzania**