Monetary Policy Committee Statement

The Monetary Policy Committee (MPC) held its 213th Ordinary Meeting on 6th April 2021 to assess the recent performance of the economy and outcome of monetary policy. The MPC was satisfied with the performance of the economy, amidst circumstances of gloomy global growth caused by COVID-19. Against this backdrop, the MPC decided to maintain monetary policy easing stance to facilitate fast economic growth and lending to the private sector. The decision is in line with objective of achieving inflation of 3-5 percent in 2020/21.

The MPC was concerned about the slow pace of recovery of the global economy over recent months due to COVID-19 pandemic, and observed that the outlook has improved owing to fiscal stimulus and accommodative monetary policy executed in several countries. The improved growth prospects provide favourable environment for exports and investment in the country.

On domestic economy, the MPC observed that the performance was fairly satisfactory compared to regional peers, despite global effects of the pandemic on economies. The economy grew at 4.7 percent in the first three quarters of 2020, driven by construction, agriculture, transport, and mining and quarrying. Given the relatively good performance of some sectors in the fourth quarter, growth projection of 5.5 percent in 2020 could be realized. In 2021, the economy is projected to grow at 5.7 percent or higher, due to sustained public investment, normalization of global trade and investment, and rolling out of measures to improve the business environment and bank lending to the private sector.

The MPC also took note of rebasing of consumer price index (CPI) in January 2021, to reflect current consumption pattern of goods and services by households, due to changes in taste, preference and technology. The new CPI covers 383 consumer goods and services compared to 278 in the old CPI. The proportion of core increased to 73.9 percent from 54.3 percent, while that of food declined to 28.2 percent from 38.5 percent, indicating growth in average income of households. Inflation remained low, within the target range of 3-5 percent, and is projected to remain low, despite renewed increase in oil prices in the world market. The external sector remained sustainable, benefiting from higher gold prices and subdued oil prices in the world market, despite realizing reduced tourism receipts. Foreign exchange reserves were adequate, sufficient to cover about 6.2 months of imports. Government fiscal operations were broadly on track, with satisfactory revenue performance, notwithstanding the global challenging environment on some sources. The country debt remains sustainable, with low risk of distress.

The MPC took note of the progress made by the Bank of Tanzania in addressing constraints to credit to the private sector and high lending rates, and underscored the need to expedite implementation of the measures adopted to facilitate growth of the economy. In addition, the MPC noted the extension of LIBOR cessation to 2023, and urged the Bank of Tanzania to continue engaging stakeholders during the transition period, with a view to reaching consensus on available alternative reference rates.

Governor

Bank of Tanzania