ISSN 0856-6976

MONETARY POLICY STATEMENT

2025/26

BANK OF TANZANIA

June 2025

ISSN 0856-6976

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GOVERNOR
BANK OF TANZANIA

June 2025

10th June 2025

Hon. Dr. Mwigulu L. Nchemba (MP)
Minister of Finance
Government City-Mtumba, Treasury Avenue
P. O. Box 2802
40468 Dodoma

Honourable Minister,

LETTER OF TRANSMITTAL

In accordance with section 21, subsections (3) to (6) of the Bank of Tanzania Act, Cap. 197, the Bank is required to issue the Monetary Policy Statement in June, followed by a mid-year review in February, containing an overview of monetary policy formulation and implementation in support of the broader macroeconomic objectives of the Governments. Consistent with this, I hereby submit the ***Monetary Policy Statement*** **of the Bank of Tanzania for 2025/26**, for subsequent submission to the Parliament.

This Statement reviews global and domestic economic performance, as well as the implementation of monetary policy and its outcomes in 2024/25. In addition, it provides an outlook for the global and domestic economic conditions and outlines the monetary policy stance which the Bank of Tanzania intends to pursue in 2025/26 to meet its policy objectives. Furthermore, the statement provides the interest rate and exchange rate policies to support economic management.

Yours Sincerely,

Emmanuel M. Tutuba
GOVERNOR
BANK OF TANZANIA

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EXECUTIVE SUMMARY

Monetary policy stance and implementation in 2024/25

In 2024/25, the monetary policy stance was geared towards anchoring inflation expectations within the target of 3-5 percent, supporting real GDP growth of 5.4 percent for Mainland Tanzania and 7.2 percent for Zanzibar in 2024, and safeguarding the stability of the financial sector. To achieve these objectives, the Bank was to continue implementing monetary policy using an interest rate-based monetary policy framework, which was adopted in January 2024. Accordingly, the Monetary Policy Committee (MPC) met on a quarterly basis to set the Central Bank Rate (CBR), and the implementation of monetary policy was focused on ensuring the 7-day interbank rate remains within a band of ± 2 percentage points of the CBR.

The implementation of monetary policy during 2024/25 was satisfactory, supporting the achievement of macroeconomic objectives. The CBR was set at 6 percent throughout the four quarters of 2024/25, aiming to maintain low inflation and facilitate economic growth. Liquidity conditions were aligned with economic fundamentals, thereby facilitating banks' credit extension to the private sector. The 7-day interbank rate was generally stable, however, from August to October 2024, it rose slightly above the upper band of the CBR corridor, mainly due to higher-than-projected demand for money following a bumper crop harvest, increased holding of foreign currency by commercial banks and greater investment in government securities by non-bank investors. To steer the 7-day interbank rate back within the CBR corridor, the Bank injected liquidity through reverse repo operations, foreign exchange purchases, foreign exchange swaps with banks, and gold purchases. As a result of these measures, liquidity conditions among banks improved, and the 7-day interbank rate declined, stabilizing within the CBR corridor.

Global economy

Global economic performance improved in the second half of 2024 due to monetary policy easing, fiscal stimulus and increased consumer spending. As a result, the IMF estimates global growth at 3.3 percent in 2024, albeit lower than 3.5 percent in the preceding year. Economic data for global growth in the first half of 2025 are yet to be released. However, in advanced economies, particularly the United States, GDP growth slowed in the first quarter of 2025, largely due to trade policies uncertainty and subdued consumer demand. In the Eurozone, preliminary data indicate a modest uptick. Output growth in BRICS was somewhat mixed. GDP growth in China, Russia, South Africa, and Brazil slowed mainly due to trade tensions, while India registered an increase in growth driven by robust consumption, infrastructure investment and expansion in the digital sector.

Global inflation continued to moderate, despite regional disparities. This has resulted in monetary policy easing in support of economic growth. In advanced economies, particularly the United States and the Euro Area, inflation continued to ease, supported by monetary policies and subdued energy prices.

Commodity prices showed mixed trends during July 2024-April 2025. Notably, prices of gold, coffee, fertilizers, and tobacco increased, while those of crude oil, cotton, and sugar declined. The increase in gold prices was largely driven by the ongoing trade tensions, which reinforced gold's appeal as a safe-haven asset. The rise in the prices of coffee (Arabica and Robusta) was attributed to the anticipated global supply shortage. Tariff hikes on inputs in the second half of 2024/25 contributed to the increase in fertilizer prices. Meanwhile, the decline in average crude oil prices was largely due to subdued global demand and the effects of intermittent tariff implementations. The price of cotton declined due to subdued demand, while sugar prices fell mainly on account of ample global supply.

Global financial markets continued to be influenced by diverging monetary policy stances and geopolitical uncertainty. In the United States, Treasury yields were elevated, with the 10-year yield ranging between 4.1 percent and 4.6 percent, as the Federal Reserve maintained a cautious stance on rate cuts. In the Euro Area, bond yields were somewhat volatile. Government bond yields in China were low, with the 10-year yield stabilizing around 2.3 percent to 2.6 percent as the People's Bank of China maintained an accommodative policy stance amid weak domestic demand and deflationary pressures. Towards June 2025, financial markets are expected to remain sensitive to macroeconomic data releases and policy guidance from major central banks.

Domestic economy

The economies of Mainland Tanzania and Zanzibar performed robustly in 2024, supported by both public and private sector investments. Output growth in Mainland Tanzania was 5.5 percent, higher than 5.1 percent in 2023, driven largely by agriculture, construction, financial and insurance services, as well as mining and quarrying. Zanzibar's economy grew by 7.1 percent in 2024, slightly lower than 7.4 percent in the preceding year, reflecting the completion of several large-scale infrastructure and investment projects. Nonetheless, the economy remained robust, largely driven by strong performance in the accommodation and food services, particularly tourism-related activities.

Inflation remained low and stable, aligned with the country's target as well as East African Community (EAC) and Southern African Development Community (SADC) convergence criteria. In Mainland Tanzania, inflation averaged 3.1 percent during the first ten months of 2024/25, attributed to prudent monetary policy and moderation in non-food inflation. In Zanzibar, inflation eased to an average of 5 percent, down from 5.9 percent in the similar period in 2023/24, largely driven by decline in food inflation.

The growth of money supply remained robust during 2024/25. The extended broad money supply (M3) registered an average annual growth of 13.8 percent during the first ten months of 2024/25, compared with 14.4 percent in the corresponding period in 2023/24. The growth was mainly driven by credit to the private sector, which expanded by 15.1 percent, slightly lower than the 18.4 percent recorded in the corresponding period of 2023/24. This performance was consistent with the prevailing monetary policy stance, which aimed to mitigate potential inflationary pressures resulting from the depreciation of the shilling.

The Governments' fiscal performance during the first ten months of 2024/25 was satisfactory. Domestic revenue in Mainland Tanzania reached 99 percent of the target, driven largely by strong tax collections that exceeded expectations, achieving 102.2 percent of the target for the period. In Zanzibar, domestic revenue reached 99.2 percent of the target for the first ten months of 2024/25, with tax revenue surpassing the target by 3 percent. On the expenditure side, the Governments continued to align spending with available resources.

The external sector continued to improve despite the geopolitical conflicts and trade tensions. For the period of July 2024 to April 2025, the current account deficit narrowed to USD 1,677.3 million from USD 2,219.8 million in the corresponding period of 2023/24. The improvement was largely driven by increase in exports, particularly from tourism and gold, as well as slower growth in imports. Zanzibar's current account continued to register a surplus, growing by 46.7 percent to USD 719.1 million in the year ending April 2025, from USD 490.1 million recorded in the corresponding period in 2023/24, attributed mainly to increase in tourism receipts, coupled with a decrease in imports of goods. Foreign reserves amounted to USD 5,307.7 million at the end of April 2025, sufficient to cover 4.3 months of projected imports of goods and services, above the country's target of 4 months.

Liquidity in the foreign exchange market fluctuated in response to global economic developments and seasonal foreign exchange inflows from exports. Specifically, foreign exchange liquidity was low in the first quarter of 2024/25; however, the situation improved significantly in the second quarter, reflecting an upturn in global economic conditions, a substantial increase in foreign exchange earnings from exports, and the prudent implementation of monetary policy. In the third quarter of 2024/25, liquidity in the foreign exchange market slightly declined due to seasonal factors, particularly a decrease in proceeds from exports of crops. The Shilling-US dollar exchange rate moved in line with foreign exchange liquidity conditions. On average, from July 2024 to April 2025, the Shilling depreciated by 4.7 percent, compared to a depreciation of 7.3 percent recorded in the corresponding period in 2023/24.

The financial sector was stable and resilient to short-term shocks, with all key indicators hovering within the desirable thresholds. The banking sector was adequately capitalized, liquid and profitable, leveraging on technology in financial services delivery. Specifically, the core capital adequacy ratio was 20.2 percent, above the minimum regulatory requirement of 10 percent. The quality of banks' assets improved, as the ratio of non-performing loans to gross loans decreased to 3.5 percent in April 2025, down from 4.1 percent in June 2024 and below the tolerable level of 5 percent.

Payment systems continued to operate efficiently, with high availability rate exceeding 99 percent. The Bank continued with its efforts to modernize these systems, particularly through the implementation of phase III of the Tanzania Instant Payment System (TIPS) and the migration to ISO20022 messaging standards. These initiatives aim to enhance the efficiency, reliability and interoperability of both domestic and cross-border high-value and retail payments. As part of broader efforts to promote a cash-lite economy and increase digital adoption, the Bank took further steps to address barriers to usage by reviewing the transaction fees for interoperable transactions. These include bank-to-wallet and wallet-to-bank transfers, processed through TIPS, thereby improving affordability and accessibility for users. Regional cross-border payment systems, both the East Africa Payment System (EAPS) and the SADC payment system (SADC-RTGS), operated smoothly and continued to facilitate payments within their respective regions. To enhance the usage of these systems, the Bank, in collaboration with regional central banks, has continued to implement various initiatives aimed at addressing the limited usage of these platforms. Mobile phones remained the primary means for bridging the infrastructure gap, offering a platform for the unbanked population to access financial services.

Economic outlook

The global economic outlook remains pessimistic, with the worldwide growth projected to slowdown, albeit at varying rates across countries. The IMF's World Economic Outlook, released in April 2025, forecasts global growth to decline to 2.8 percent in 2025 and 3.0 percent in 2026, from the 3.3 percent projected for both years in January 2025. This anticipated slowdown stems from trade tensions, particularly tariff hikes and retaliatory actions, compounded by policy uncertainty and the persistent effects of high interest rates.

Global inflation is forecast to decrease, albeit more gradually than initially anticipated, reaching 4.3 percent in 2025 and 3.6 percent in 2026. There are notable upward revisions for advanced economies and slight downward revisions for emerging market and developing economies in 2025. The declining trend is likely to be sustained due to the lagged effects of monetary policy tightening and the prevailing prices of key commodities such as food and energy. Central banks in advanced economies, especially in the United States and the Euro Area, are expected to prioritise economic expansion, likely leading to policy rate cuts.

The domestic economy is expected to remain resilient, maintaining its recovery path amid global economic challenges. For Mainland Tanzania, GDP growth is projected at 6.0 percent in 2025 and 6.3 percent in 2026, driven primarily by public investment, particularly in infrastructure such as railways, roads, sports facilities, and airports. Additionally, investment in agriculture, particularly in irrigation schemes, is expected to continue supporting growth. Digital mobile services are expected to remain the key driver for financial and insurance services, while construction activity is expected to benefit significantly from ongoing investments in infrastructure. In Zanzibar, the economy is projected to grow by 6.5 percent in 2025 and 6.7 percent in 2026, mainly on account of public investment in infrastructure such as roads, ports, and real estate. Furthermore, tourism, manufacturing, and construction activities by the private sector will also contribute significantly to growth.

Inflation is projected to remain within the medium-term target of 3-5 percent, supported by adequate food supply, stable power supply, and the implementation of prudent monetary and fiscal policies. The risk to the inflation outlook is low but might be heightened by adverse weather patterns, evolving trade policies and geopolitical tensions.

Monetary policy stance for 2025/26

In line with the economic forecasts and risks, the Bank will implement a cautious accommodative monetary policy in 2025/26 to maintain inflation within the target of 3-5 percent, while facilitating economic growth to reach 6 percent in 2025 and 6.3 percent in the subsequent year in Mainland Tanzania, and 6.5 percent and 6.7 percent in Zanzibar, respectively. The Monetary Policy Committee (MPC) will meet on a quarterly basis to assess economic conditions and decide the path of the Central Bank Rate (CBR) for the realization of the inflation and growth objectives.

To enhance data-driven monetary policy decisions, the Bank will continue undertaking economic research and surveys, as well as increasing the availability and quality of high-frequency data. The research will focus on areas related to improving the effectiveness of monetary policy. The Bank will also continue creating awareness on the interest-rate based monetary policy framework and the usage of the Shilling for domestic transactions to improve the effectiveness of monetary policy in delivering price stability and growth objectives. Along with this, the Bank will implement reforms focusing on (i) strengthening the financial sector and reducing risk to lending to the private sector, (ii) improving financial inclusion (expand access to financial services, broaden the range of financial products, promote digital payments, create awareness, and promote financial literacy, and consumer protection), and (iii) making the financial markets vibrant and liquid. Furthermore, the Bank will improve its liquidity forecasting framework and implement measures to increase transparency and reduce counterparty risk in the interbank market to ensure the 7-day interbank moves within the corridor of +/-2 percentage points of the CBR.

Interest rate policy

Interest rates will continue to be determined by market forces to facilitate efficiency in allocation of capital in the economy. The MPC decision on the CBR path is expected to guide the determination of interest rates on loans and other financial instruments. In addition, the Bank, in collaboration with stakeholders, will continue implementing reforms to increase transparency in the determination of interest rates, improve supervision of banks and microfinance institutions, increase financial deepening, enhance financial literacy and information disclosure.

Exchange rate policy and foreign reserves

The exchange rate will continue to be determined by demand and supply in the foreign exchange market, acting as a buffer to absorb external shocks. To this end, the Bank will participate in the interbank foreign exchange market in accordance with the Foreign Exchange

Intervention Policy, which permits interventions to smoothen out short-term excessive volatility in the exchange rate, accumulate foreign exchange, facilitate the conduct of monetary policy, and provide foreign exchange liquidity in the market. The Bank will encourage participants in the foreign exchange market to adhere to the existing foreign exchange regulations, guidelines, and the code of conduct. To ensure confidence in the exchange rate, the Bank will ensure foreign exchange reserves remain high and adequate, sufficient to cover at least four months of imports throughout 2025/26. This will be done by implementing reserve mobilization strategies, including purchase of gold through its domestic gold purchase program, and foreign exchange swaps as needed.

PART I

INTRODUCTION

The Monetary Policy Statement for 2024/25, issued in June 2024, outlined the national macroeconomic policy objectives for the fiscal year, aligning them with the national development blueprints while considering the global and domestic economic conditions. The policy objectives were to: (i) attain a real GDP growth of 5.4 percent in 2024 and 6 percent in 2025 for Mainland Tanzania, and real GDP growth of 7.2 percent and 6.8 percent for Zanzibar; and (ii) maintain annual headline inflation within the target of 3-5 percent in 2024/25 in both Mainland Tanzania and Zanzibar.

This *Monetary Policy Statement* provides an assessment of the implementation of the monetary policy and its outcomes for 2024/25, along with global and domestic economic developments. In addition, it provides the outlook for global and domestic macroeconomic objectives and sets the direction of monetary policy for 2025/26.

In addition to Part I, the Statement is organized as follows: Part II details the implementation of the monetary policy and its outcomes in 2024/25. Part III provides an overview of the recent global economic performance, while Part IV reviews the recent performance of the domestic economy. Part V outlines the macroeconomic outlook in both global and domestic contexts, and Part VI presents the outlook of monetary policy stance and interest rate and exchange rate policies that the Bank of Tanzania intends to pursue in 2025/26 to achieve its policy objectives.

Monetary Policy Framework of the Bank of Tanzania

The monetary policy framework of the Bank of Tanzania focuses on maintaining domestic price stability, which is conducive to the balanced and sustainable growth of the economy. In January 2024, the Bank adopted the interest rate-based monetary policy framework aimed at enhancing the effectiveness of monetary policy in the changing economic environment. The forward-looking framework uses the Central Bank Rate (CBR) to influence the short-term money market rates, which are then expected to impact long-term interest rates and ultimately affect inflation and output. The key elements of the interest-based monetary policy framework are highlighted below.

The objective of Monetary Policy

The primary objective of monetary policy is to maintain price stability, defined as a low and stable inflation rate over time, while also supporting economic growth. The inflation rate is measured as an annual change in the consumer price index (CPI), expressed in percentages. The medium-term inflation target is 3-5 percent. This range is considered appropriate to support the sustainable growth of various economic activities and ensure the stability of interest rates and the exchange rate.

Intermediate Target

The Bank of Tanzania controls inflation and facilitates economic growth by setting the CBR. The CBR is set consistent with the inflation forecast as the intermediate target, conducive to balanced and sustainable growth of the economy.

Operating Target

Under the interest rate-based monetary policy framework, the Bank steers the 7-day interbank cash market interest rate (the operating target variable) along the policy rate to achieve inflation and output objectives. The 7-day interbank rate is considered stable and strongly related to the CBR.

Monetary Policy Instruments

The Bank of Tanzania uses a variety of monetary policy instruments to align the operating target along the CBR. The main instruments are repurchase agreements (repo and reverse repo), which are used primarily for monetary policy operations. Others are open-market operations that include but are not restricted to selling or buying debt securities and the sale or purchase of foreign currency on the interbank foreign exchange market.

The statutory minimum reserve requirement ratio (SMR) and discount rate are also part of monetary policy instruments for managing structural liquidity. The standing lending facilities—intraday and Lombard loans are usually granted to banks on demand to ensure efficiency and facilitate smooth settlement of payments. Further to these instruments, the Bank is mandated to design and use any other instruments considered appropriate for attaining the monetary policy objectives.

Monetary Policy Communication Strategy

The Bank of Tanzania exercises a high degree of transparency in its decisions and actions. The Monetary Policy Committee (MPC)'s decisions, including policy rates, are communicated to banks through post-MPC meetings with Chief Executive Officers of banks and the public through the media. In addition, the Bank publishes MPC meeting statements, MPC reports and other periodic reports containing outcomes of monetary policy implementation, decisions on policy rates and developments of the economy at large. The reports are available on the Bank of Tanzania website.

Modalities for Monetary Policy Implementation

i. At the beginning of every fiscal year, the Bank of Tanzania indicates the direction/stance of monetary policy in its Monetary Policy Statement in accordance with the broader macroeconomic policy objectives of the Governments.
ii. The Monetary Policy Statement is approved by the Board of Directors of the Bank of Tanzania and submitted to the Parliament through the Minister responsible for finance in accordance with section 21, subsection (5) of the Bank of Tanzania Act, Cap. 197.
iii. The same procedure is followed in the mid-year review of the Monetary Policy Statement, which shows progress in the implementation of the monetary policy, the outlook for the remaining period of the year, and measures to be undertaken to achieve the policy objectives.
iv. The Monetary Policy Committee (MPC) of the Board of Directors of the Bank, which is chaired by the Governor, is responsible for setting the policy rate (CBR) on a quarterly basis, consistent with the broader macroeconomic policy objectives of the Governments.
v. The Surveillance Committee of the Bank's Management meets daily to evaluate developments of the 7-day IBCM rate (operating target) and decides on the measures to be taken to keep the rate within the desired policy bands.

PART II

2.0 MONETARY POLICY STANCE AND IMPLEMENTATION DURING 2024/25

2.1 Monetary Policy Stance

During 2024/25, the monetary policy stance was geared towards anchoring inflation expectations within the target of 3-5 percent, supporting real GDP growth of 5.4 percent in 2024 for Mainland Tanzania and 7.2 percent for Zanzibar while safeguarding the stability of the financial sector. To achieve these objectives, the Bank was to continue implementing monetary policy using an interest rate-based monetary policy framework, which was adopted in January 2024. Accordingly, the Monetary Policy Committee (MPC) met on a quarterly basis to set the Central Bank Rate (CBR), and the implementation of monetary policy focused on ensuring the 7-day interbank rate remains within a band of ± 2 percentage points of the CBR.

2.2 Monetary Policy Implementation

The implementation of monetary policy was satisfactory, supporting the achievement of macroeconomic objectives for 2024/25. The CBR was set at 6 percent throughout the four quarters of 2024/25, aiming to maintain low inflation and facilitate economic growth. Liquidity conditions were aligned with economic fundamentals, thereby facilitating banks' credit extension to the private sector. During the period, actual inflation and GDP growth were in line with projections, with deviations staying within the tolerable range.

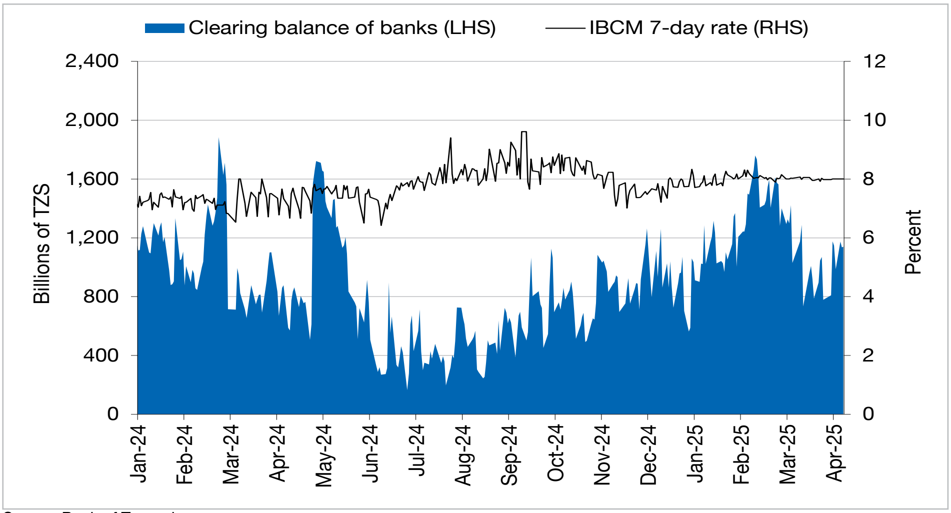
The 7-day interbank rate was generally stable, however, it increased slightly above the upper band of the CBR in August, September, and October 2024. This was largely due to a bumper harvest of crops, which led to more than projected demand for money, as well as an increase in commercial banks' holdings of foreign currency and investment in government securities by non-bank investors. To steer the 7-day interbank rate towards the CBR corridor, the Bank injected liquidity using reverse repo operations, purchased foreign exchange, and conducted foreign exchange swaps with banks. In addition, the Bank increased liquidity in the economy through its Gold Purchase Program[1]. Following these measures, liquidity in the economy improved, as the 7-day interbank rate declined towards the target band. Clearing balances of banks (banks' reserves) also increased, reflecting an improvement in liquidity (Chart 2.1a). However, few small banks continued to experience difficulties in obtaining liquidity at an affordable cost from large banks, contributing to the 7-day interbank rate to fluctuate close to the upper band of the CBR (Chart 2.1b).

Furthermore, the implementation of monetary policy enabled the Bank to attain both indicative and performance targets on net domestic assets (NDA) and net international reserves (NIR), set forth in the Extended Credit Facility (ECF) program[2]. This performance, coupled with the implementation of other reform measures set as structural benchmarks under this program, triggered the disbursement of funds for budget support in January 2025.

1 The Bank established the Gold Purchase Program in September 2022, as part of strategies to accumulate foreign exchange reserves through the purchase of gold from the local market.

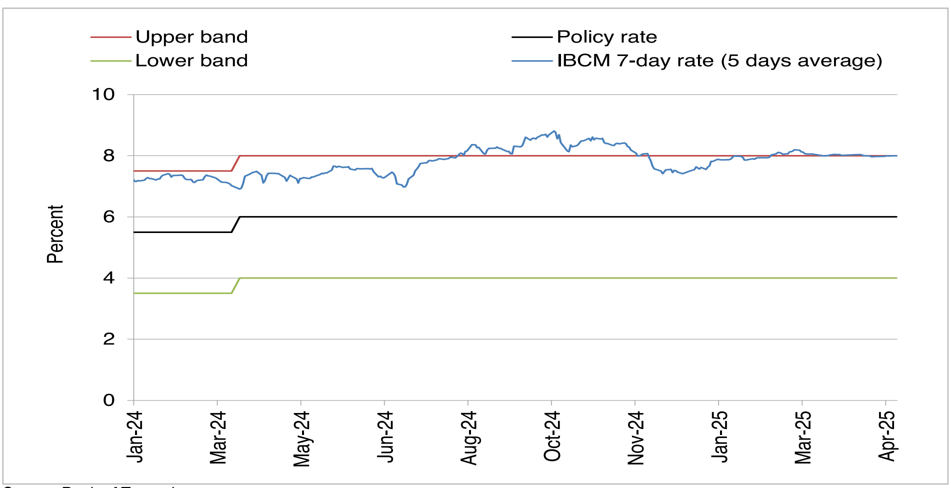
2 The Extended Credit Facility is an IMF program which provides medium-term financial assistance to its member countries. The program aims at assisting member countries to implement reforms to achieve macroeconomic stability.

Chart 2.1a: Banks Clearing Balances and Interbank Interest Rate



Source: Bank of Tanzania
Note: LHS denotes left hand side; and RHS, right hand side

Chart 2.1b: Central Bank Rate and 7-day Interbank Rate



Source: Bank of Tanzania
Note: LHS denotes left hand side; and RHS, right hand side

PART III

3.0 GLOBAL ECONOMY

3.1 Output Performance

Global economic performance improved in the second half of 2024 due to monetary policy easing, fiscal stimulus and increased consumer spending. As a result, the IMF estimates global growth at 3.3 percent in 2024, albeit lower than 3.5 percent recorded in the preceding year. Economic data for global growth in the first half of 2025 are yet to be released. However, in advanced economies, particularly the United States, GDP growth slowed in the first quarter of 2025, largely due to uncertainty in trade policies and subdued consumer demand. In the Eurozone, preliminary data indicate a modest uptick (Table 3.1).

Output growth in BRICS was somewhat mixed during July 2024-April 2025 (Table 3.2). GDP growth in China, Russia, South Africa and Brazil slowed mainly due to trade tensions. Growth in India remained strong, spurred by robust consumption, continued infrastructure investment and digital sector expansion.

Table.3.1: Advanced Economies Quarterly GDP Growth

Percent

	2024			2025
	Q2	Q3	Q4	Q1
USA	3.0	2.7	2.5	2.0
Euro Area	0.2	0.4	0.2	0.3
Japan	-0.6	0.8	1.3	1.7
Germany	-0.3	0.1	-0.2	0.2
UK	0.5	0.0	0.1	0.7

Source: Bloomberg

Table 3.2: BRICS Quarterly GDP Growth

Percent

	2024			2025
	Q2	Q3	Q4	Q1
Russia	4.3	3.3	4.5	1.4
India	6.5	5.6	6.2	6.7
China	1.0	1.4	1.6	1.2
South Africa	0.3	-0.1	0.6	0.3
Brazil	1.3	0.7	0.2	0.1

Source: Bloomberg

3.2 Inflation Developments

Global inflation continued to moderate, despite regional disparities. This has led to monetary policy easing in many countries, supporting economic growth. In advanced economies, particularly the United States and the Euro Area, inflation continued to ease, supported by monetary policies and subdued energy prices. In emerging economies, particularly India, inflation has been moderating owing to a sharper-than-expected slowdown of food prices, while China struggles with negative inflation following weak demand and tariffs imposed by the United States. Inflation in South Africa moderated due to declining global commodity prices and improved food supply (Chart 3.1)

Chart 3.1: Inflation in Advanced Economies and Emerging Markets

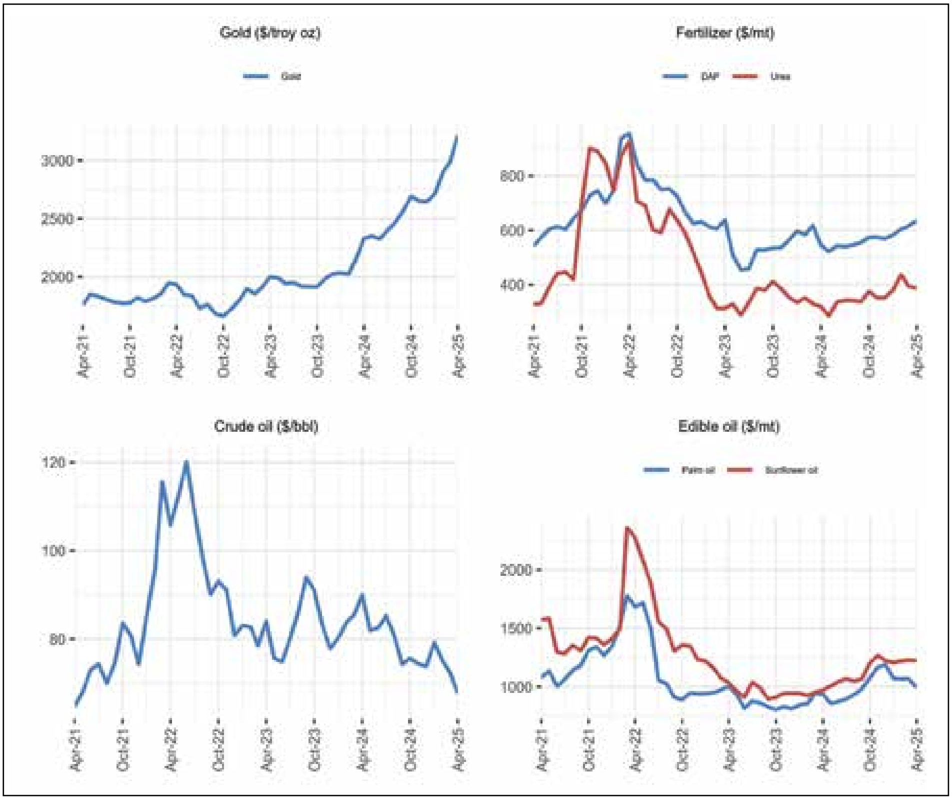
Percent

Source: OECD and respective National Statistics Offices

3.3 Commodity Prices

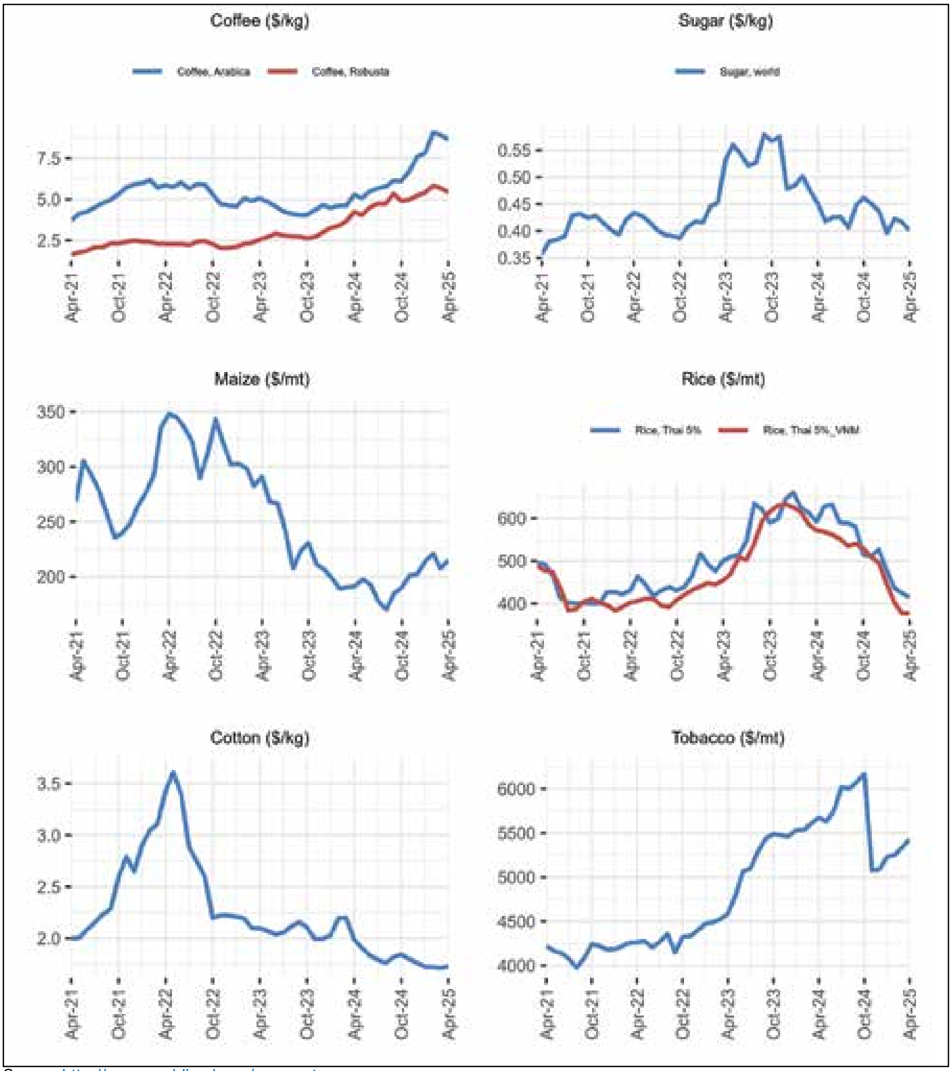
Commodity prices showed a mixed trend. During July 2024 - April 2025, prices of gold, coffee, fertilizer, and tobacco increased, while those of crude oil, cotton and sugar declined. The surge in gold prices was largely driven by the ongoing trade tensions, which reinforced gold's appeal as a safe-haven asset. The rise in coffee prices (Arabica and Robusta) was caused by the anticipation of a global supply shortage stemming from adverse weather conditions, particularly high temperatures and below-average rainfall, in major producing countries such as Brazil and Vietnam. Tariff hikes on inputs in the second half of 2024/25 contributed to the increase in prices of fertilizer. Meanwhile, the decline in average crude oil prices was largely due to subdued global demand and the effects of intermittent tariff implementations. Price of cotton declined due to subdued demand, while that of sugar fell mainly on account of ample supply (Charts 3.2a and 3.2b).

Chart 3.2a: Select World Market Prices of Imported Commodities



Source : http://www.worldbank.org/prospects

Chart 3.2b: Select World Market Prices of Exported Commodities



Source: http://www.worldbank.org/prospects

3.4 Global Financial Markets

From July 2024 to April 2025, global financial markets were shaped by diverging monetary policies and geopolitical uncertainty. In the United States, Treasury yields remained elevated, with the 10-year yield fluctuating between 4.1 percent and 4.6 percent. The Federal Reserve maintained a cautious stance on rate cuts, as core inflation proved sticky, hovering above 3 percent, primarily due to persistent price pressures in housing and services. In the Euro Area, government bond yields were more volatile. The European Central Bank remained cautious, despite improving inflation dynamics, signaling that any rate cuts would likely be gradual and dependent on sustained economic weakness.

In China, government bond yields were low, with the 10-year yield stabilizing around 2.3 percent to 2.6 percent. The People's Bank of China maintained an accommodative policy stance amid weak domestic demand and continued deflationary pressures as tensions over technology restrictions and supply chain controls continued to affect investor sentiment and trade prospects.

Towards June 2025, financial markets are expected to remain sensitive to macroeconomic data releases and policy guidance from major central banks. With inflation trends easing and growth slowing, further rate cuts may be on the horizon in some advanced economies. However, uncertainties around trade policies, and lingering geopolitical tensions may keep markets volatile. These developments underscore the importance of maintaining robust reserve buffers, actively monitoring currency exposures, and preserving flexibility in investment and monetary operations as the global financial environment evolves.

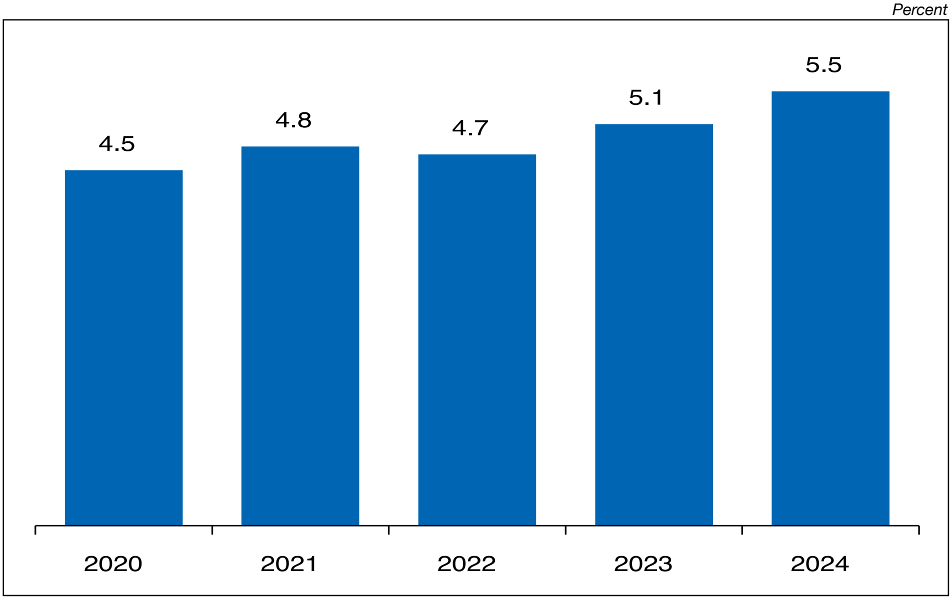
PART IV

4.0 DOMESTIC ECONOMY

4.1 Output Performance

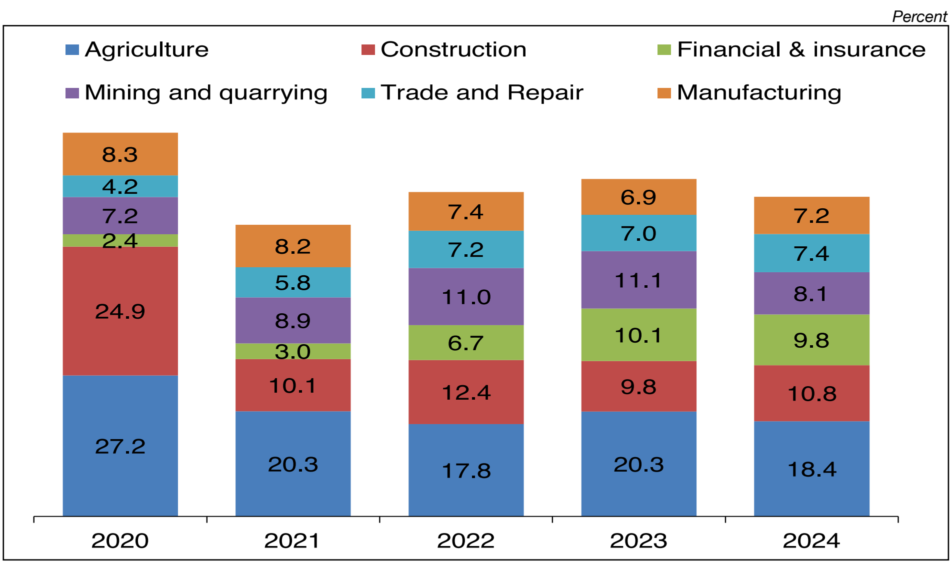
The economy sustained strong performance in 2024, supported by both public and private sector investment. In Mainland Tanzania, the real GDP grew by 5.5 percent, compared with 5.1 percent in 2023, and was slightly above the projected growth of 5.4 percent (Chart 4.1a). Major drivers of growth were agriculture, construction, financial and insurance services, mining and quarrying, and trade and repair (Chart 4.1b). This performance was also supported by the implementation of various Government initiatives and programs, including the use of enhanced technology and agricultural inputs, stable power supply, continued implementation of infrastructure projects, financial inclusion initiatives and improvements in the business environment. Favourable world market prices of commodities such as gold, cashew nuts and coffee also contributed to the strong performance.

Chart 4.1a: Real GDP growth



Source: National Bureau of Statistics and Bank of Tanzania calculations

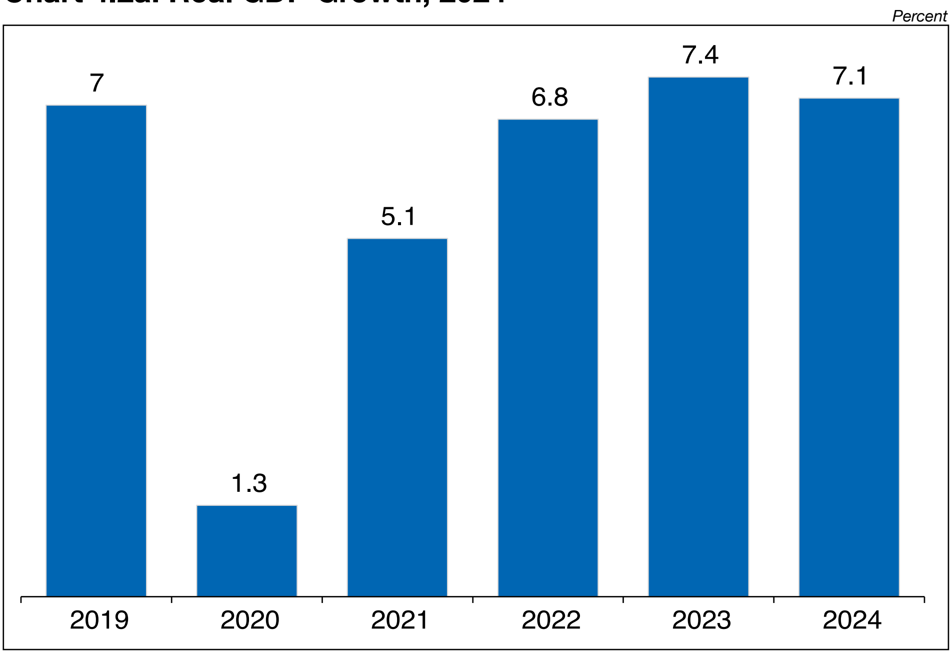
Chart 4.1b: Contribution to Growth



Source: National Bureau of Statistics and Bank of Tanzania calculations

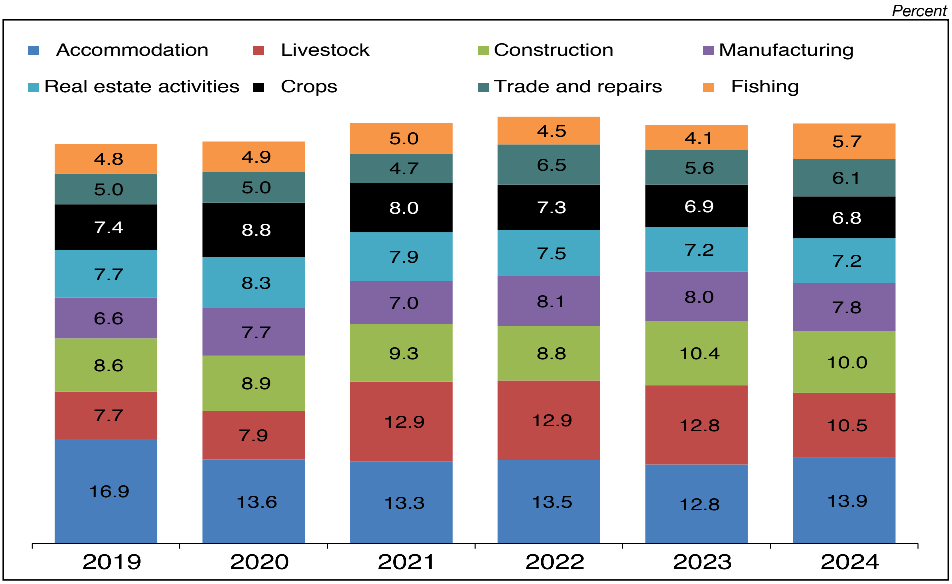
Zanzibar's economy grew by 7.1 percent in 2024, compared to 7.4 percent in the preceding year and the projected 7.2 percent. The moderate slowdown reflects the completion of several large-scale infrastructure and investment projects in 2023. Despite this, the economy remained robust, largely driven by strong performance in the accommodation and food services, supported by a notable increase in tourist arrivals reaching 736,755 in 2024 from 638,498 in 2023 (Chart 4.2a and 4.2b).

Chart 4.2a: Real GDP Growth, 2024



Source: Office of the Chief Government Zanzibar Statistician, Zanzibar

Chart 4.2b: Contribution to Growth

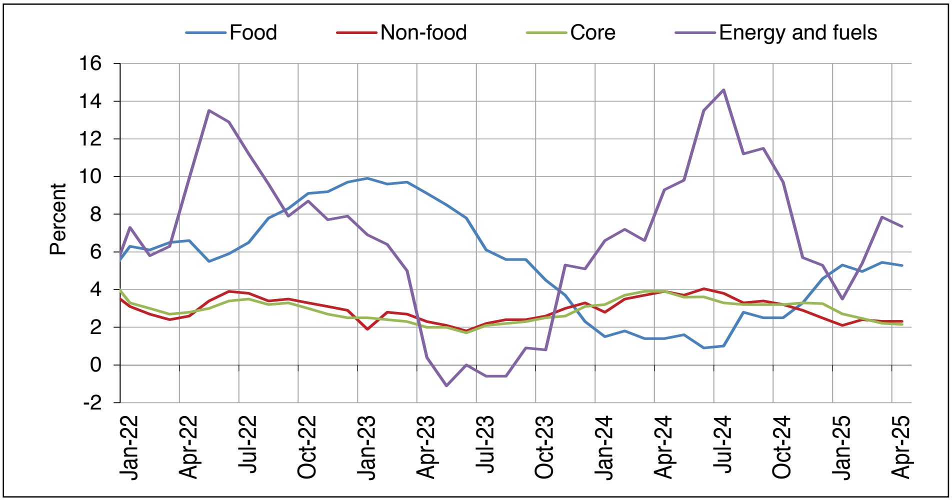


Source: Office of the Chief Government Zanzibar Statistician, Zanzibar

4.2 Inflation Developments

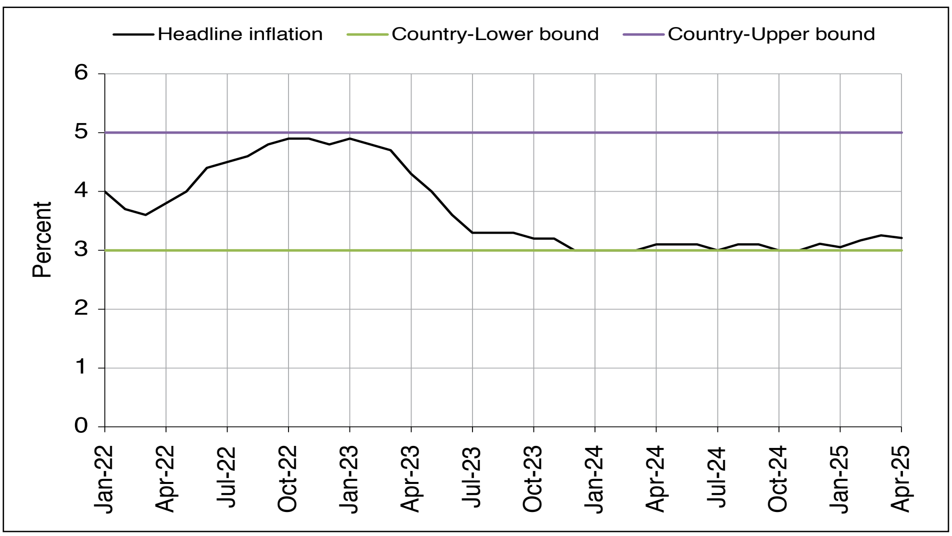
Inflation remained low and stable. During July 2024 to April 2025, headline inflation averaged 3.1 percent, within the country target of 3-5 percent (Chart 4.3a and 4.3b). The outturn is mainly a result of prudent implementation of monetary policy and moderation in non-food and core prices. The trend of overall inflation in Mainland Tanzania was mainly contributed by core and food inflation (Chart 4.3c). The contribution of core inflation remained significant, despite easing to 1.7 percent in March and April 2025. Food inflation (unprocessed food) rose slightly to 3.8 percent compared with 3.4 percent in the corresponding period in 2023/24, and its contribution to overall inflation also rose. This was driven by prices of finger millet, round potatoes, sorghum, and beans. Notably, inflation outturns in the EAC and SADC regions varied considerably, but most countries achieved the convergence criteria (Chart 4.3d and 4.3e).

Chart 4.3a: Inflation Developments



Source: National Bureau of Statistics and Bank of Tanzania

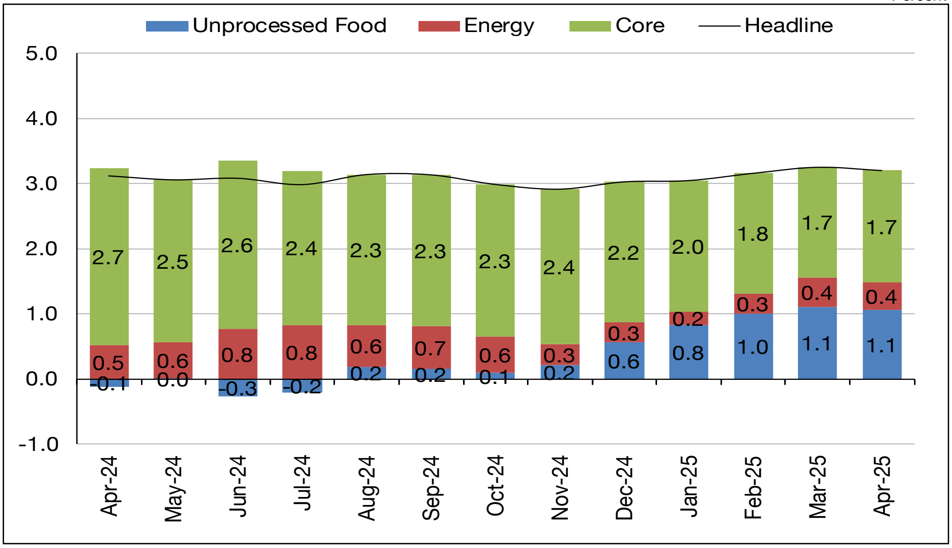
Chart 4.3b: Inflation and Targets



Source: National Bureau of Statistics and Bank of Tanzania

Chart 4.3c: Contribution to Headline Inflation

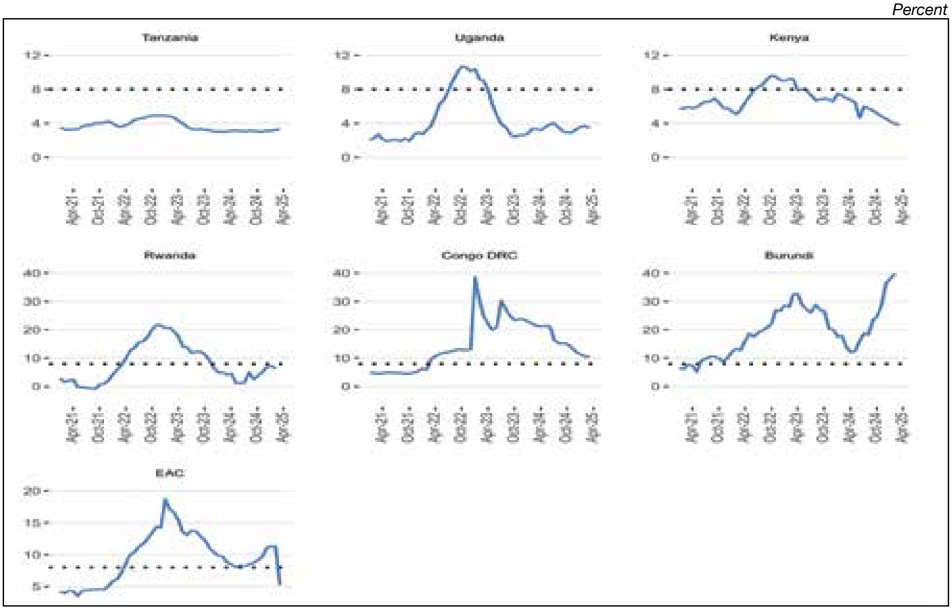
Percent



Source: National Bureau of Statistics and Bank of Tanzania

Chart 4.3d: Inflation in EAC Countries

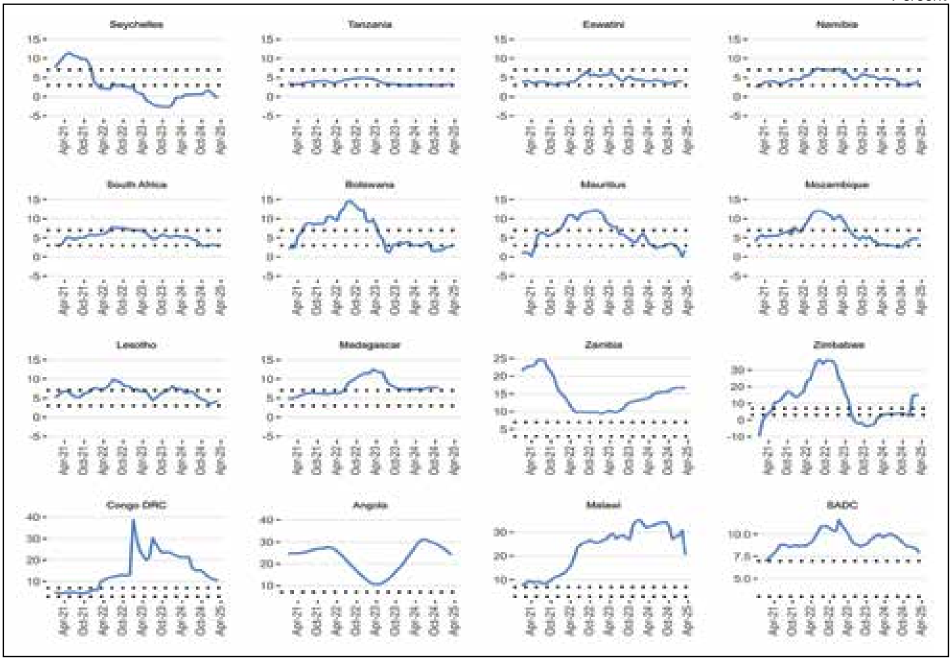
Percent



Source: Respective National Statistics Offices
Notes: The dotted lines indicate the EAC convergence benchmark of not more than 8 percent

Chart 4.3e: Inflation in SADC Countries

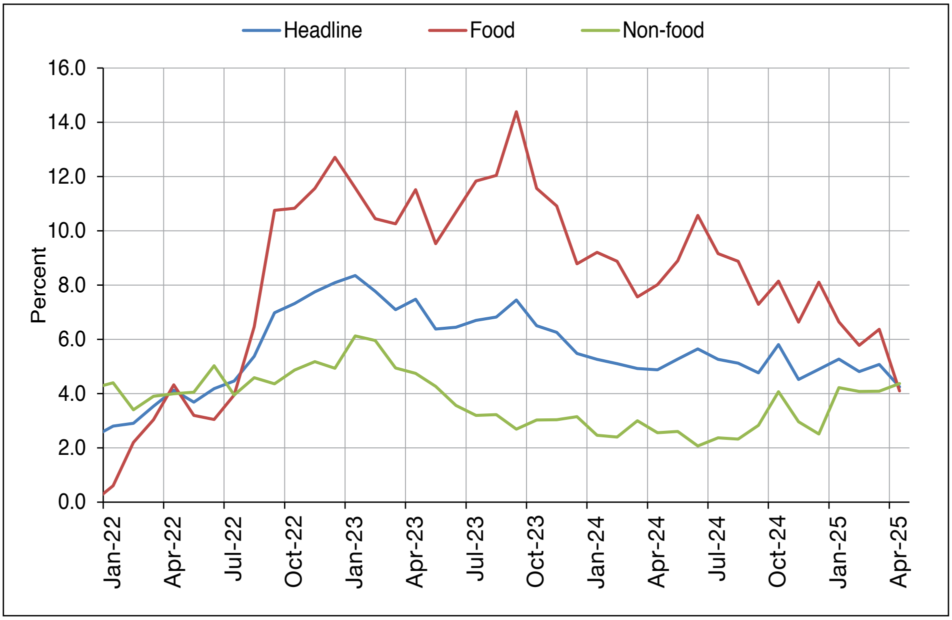
Percent



Source: Respective National Statistical Offices and Central Banks
Notes: The dotted lines indicate the SADC convergence benchmark of 3-7 percent

During the period from July 2024 to April 2025, Zanzibar headline inflation averaged 5.0 percent, a decrease from 5.9 percent recorded in the corresponding period of 2023/24 (Chart 4.4). This outcome was largely driven by a decline in food prices. Food inflation eased to an average of 7.1 percent from 10.4 percent, reflecting adequate food supply in the markets. Conversely, non-food inflation rose to an average of 3.4 percent, from 2.9 percent in the corresponding period of the previous year, mainly due to higher energy prices.

Chart 4.4: Annual Headline, Food and Non-food Inflation

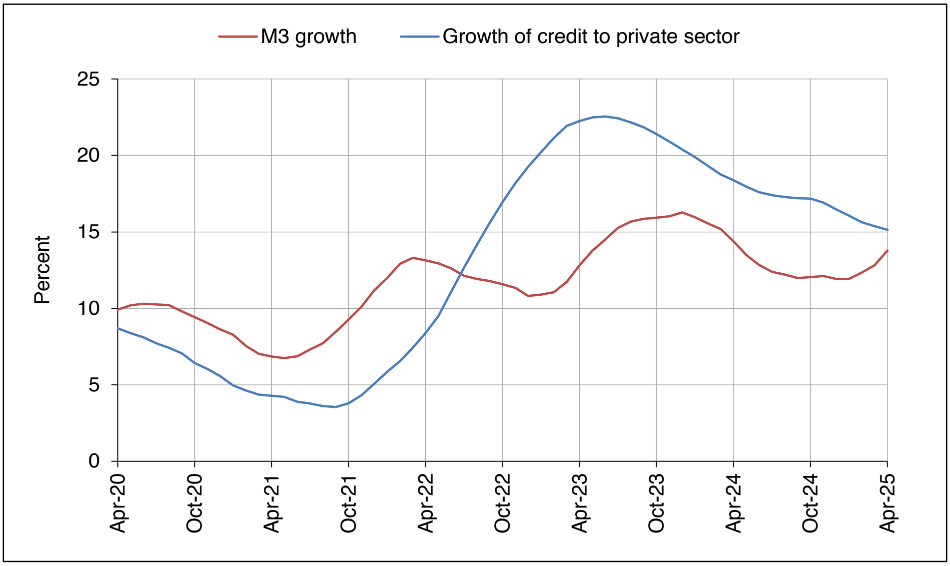


Source: Office of the Chief Government Statistician, Zanzibar

4.3 Money Supply and Credit to the Private Sector

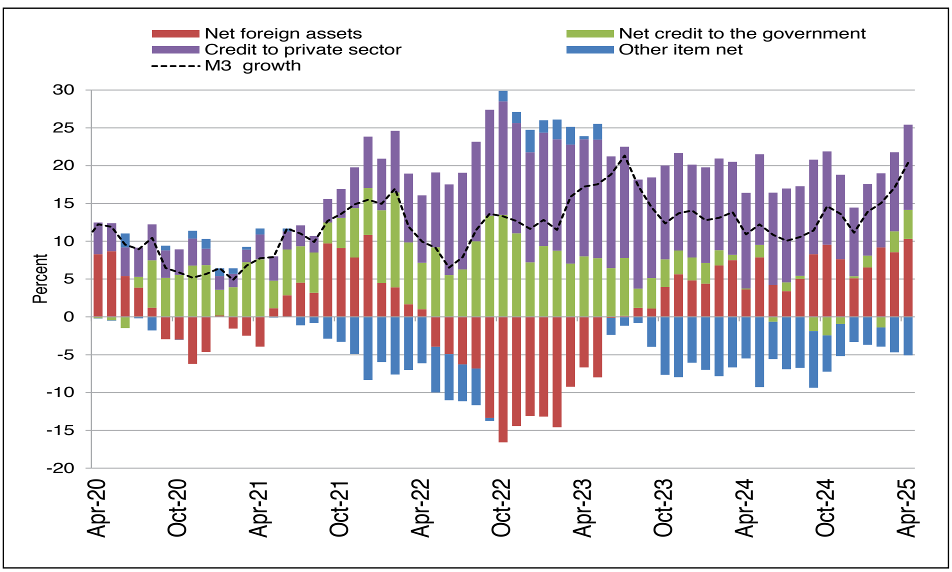
The growth of money supply remained robust during 2024/25. The extended broad money supply (M3) registered an average annual growth of 13.8 percent for the first ten months of 2024/25, compared with 14.4 percent in the corresponding period in 2023/24. This was mainly driven by private sector credit growth (Chart 4.5a and 4.5b).

Chart 4.5a: Money Supply and Private Sector Credit Growth



Source: Bank of Tanzania

Chart 4.5b: Contribution to M3

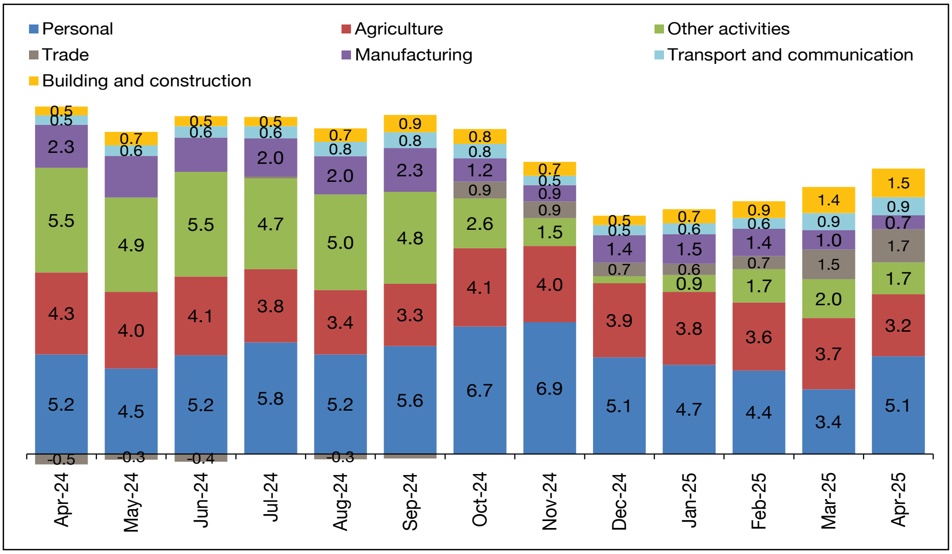


Source: Bank of Tanzania

Private sector credit grew by 15.1 percent in July 2024 to April 2025, slightly below 18.4 percent registered in the corresponding period of 2023/24. The slow pace of credit growth was in line with the prevailing monetary policy stance, implemented to contain inflationary pressures arising from the depreciation of the shilling. The ratio of private sector credit to GDP, an indicator of financial deepening, increased to 19.5 percent from 16.9 percent, driven by improving business conditions, supportive monetary and fiscal policies, and continued recovery in economic activities. Personal loans, mostly extended to small and medium-sized enterprises for productive activities, continued to account for the largest share of the outstanding credit and the major driver of private sector credit growth (Chart 4.6a and 4.6b). Credit to agriculture has been rising, growing at annual rate of 40 percent, meanwhile, its contribution to credit growth has also been increasing, reaching around 24 percent during the review period, from 18 percent in the corresponding period in 2023/24[3]. The outturn is largely due to banks' access to the TZS 1 trillion loan facility and SMR relief for lending to the agricultural sector. In addition, government initiatives to improve productivity in the agriculture sector through the provision of funds to improve infrastructure for irrigation, extension services, and research have incentivised banks' lending to the sector. This is in addition to the provision of subsidies on fertilizers, seeds, and extension services.

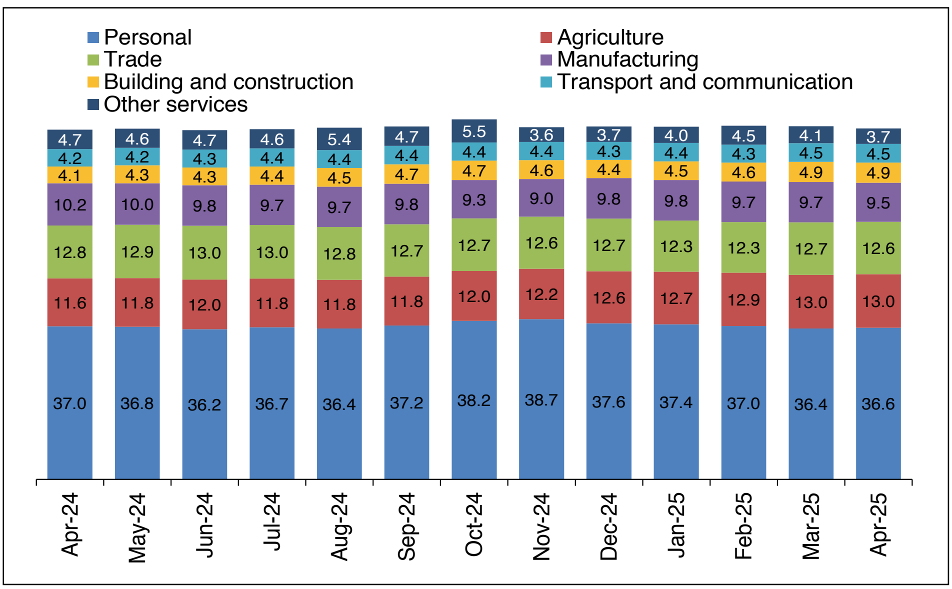
3 This excludes credit extended to agriculture under personal loan category.

Chart 4.6a: Contribution to Credit Growth, in Percentage



Source: Banks and Bank of Tanzania calculations

Chart 4.6b: Share of Credit by Economic activities, in Percentage



Source: Banks and Bank of Tanzania calculations

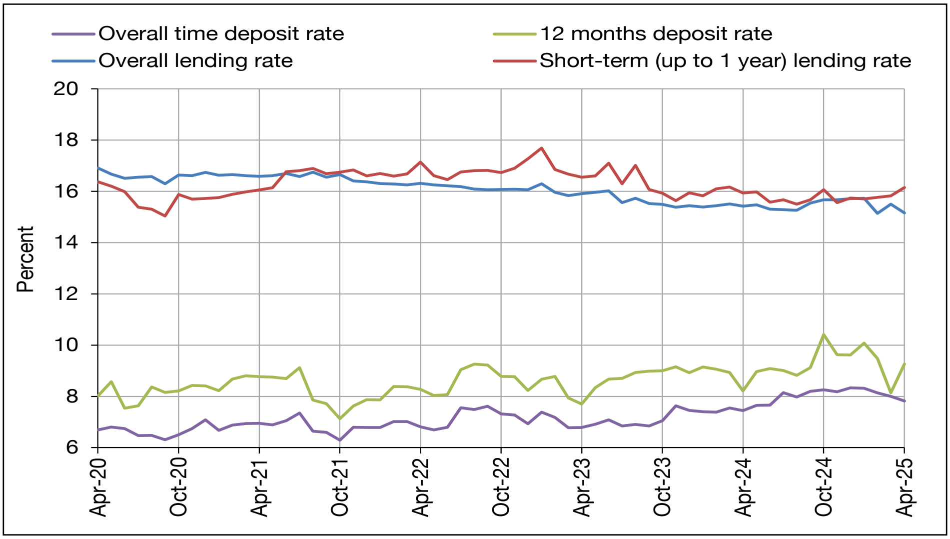
4.4 Interest Rates

During the first ten months of 2024/25, interest rates on loans remained almost unchanged from the similar period of 2023/24, averaging at around 15.5 percent. Meanwhile, deposit interest rates increased slightly to 8.14 percent from 7.25 percent in the corresponding period of 2023/24 (Chart 4.7a). Negotiated lending rates also remained almost the same at 13 percent, while negotiated deposit rates increased to 10.48 percent from 9.30 percent [4]. Yields on Treasury bills trended upwards during the first half of 2024/25; however, at the beginning of the second half of 2024/25, they moderated in line with liquidity developments in banks (Chart 4.7b).

Lending rates have remained downward sticky, reflecting limited pass-through of monetary policy to borrowing costs. To enhance the transmission of monetary policy to lending rates, the Government and the Bank continue to implement reform measures aimed at addressing structural impediments to bank lending. The measures include monitoring the banks' adherence to Bank of Tanzania Financial Consumer Protection Regulations (2019); enhancing availability of customers' information through issuance of national identity cards and formalization of residential addresses; and undertaking a broader strengthening reform of the judicial system to fast track the settlement of disputes arising from loans defaults. In addition, the Bank is finalizing the development of the Price Comparator System that will enable customers to assess pricing and charges on different financial services and instruments across banks for appropriate decision making. Furthermore, the Government is undertaking legal reforms that allow collateral recovery and broaden the pool of acceptable collateral to include movable collateral. This is also expected to enhance financial deepening and promote financial inclusion.

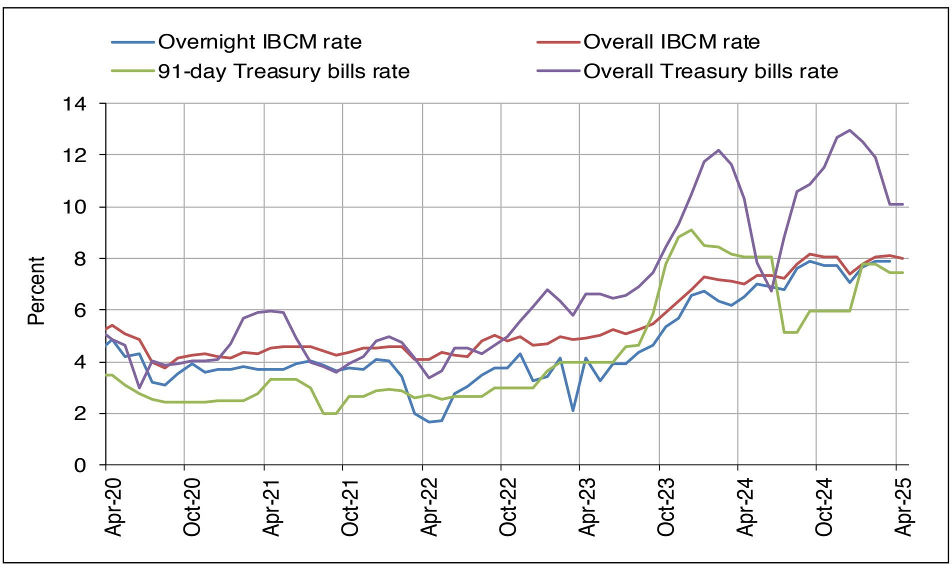
4 Negotiated interest rates refers to interest rates for prime customers.

Chart 4.7a: Lending and Deposit Interest Rates



Source: Banks, Bank of Tanzania calculations

Chart 4.7b: Money Market Interest Rates



Source: Banks, Bank of Tanzania calculations

4.5 Government Budgetary Performance

The Governments continued to demonstrate strong fiscal discipline by aligning expenditures with available resources. Total revenue in Mainland Tanzania for the first ten months of 2024/25 amounted to TZS 27,830.7 billion, equivalent to 99 percent of the projected revenue for the period (Table 4.1). This performance was largely supported by tax revenue, which notably exceeded expectations, reaching 102.2 percent of the target. This reflects improved tax compliance driven by ongoing public awareness campaigns, sustained government efforts in tax administration, and expansion of economic activity. On the expenditure side, total government spending amounted to TZS 34,149 billion, with development expenditure accounting for 33.5 percent, underscoring the Government's continued commitment to developing infrastructure and long-term growth initiatives (Table 4.1).

Table 4.1 Summary of Government Budgetary Operations

Billions of TZS

	July-23 - April-24	July-24 - April-25		
	Actual	Estimates	Actual	Act/Est (%)
Revenue	24,148.2	28,125.4	27,830.7	99.0
Total expenditure	29,544.7	35,511.0	34,149.0	96.2
Recurent Expenditure [1]	17,401.8	22,709.1	22,719.1	100.0
Development Expenditure	12,142.9	12,801.9	11,429.9	89.3

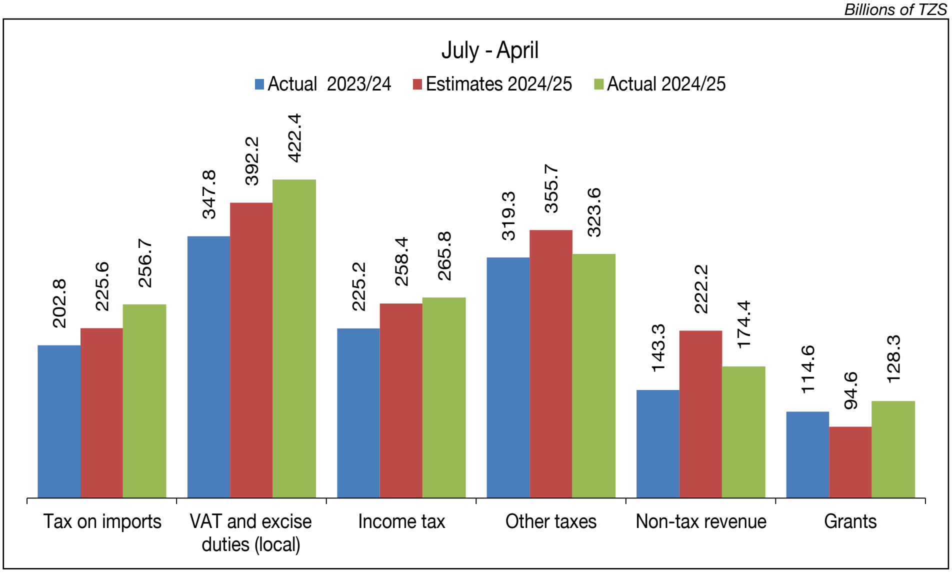
Source: Ministry of Finance and Bank of Tanzania calculations
Note: [1] Net of rollover

During July 2024 to April 2025, Zanzibar's resource envelope, comprising of revenue and grants, amounted to TZS 1,571.3 billion, surpassing the target by 1.5 percent. Domestic revenue amounted to TZS 1,443.0 billion, equivalent to 99.2 percent of the target, while grants were TZS 128.3 billion, exceeding the target by 35.6 percent.

Tax revenue reached TZS 1,268.6 billion, surpassing the target by 3.0 percent, and non-tax revenue amounted to TZS 174.4 billion, which was 78.5 percent of the target (Chart 4.8a). All tax categories, save for other taxes, surpassed the targets, primarily due to enhanced efficiency in tax administration. Government expenditure was TZS 2,255.2 billion, of which recurrent expenditure was TZS 1,209.6 billion and development expenditure was TZS 1,045.6 billion (Chart 4.8b).

Chart 4.8a: Zanzibar Resource Envelope

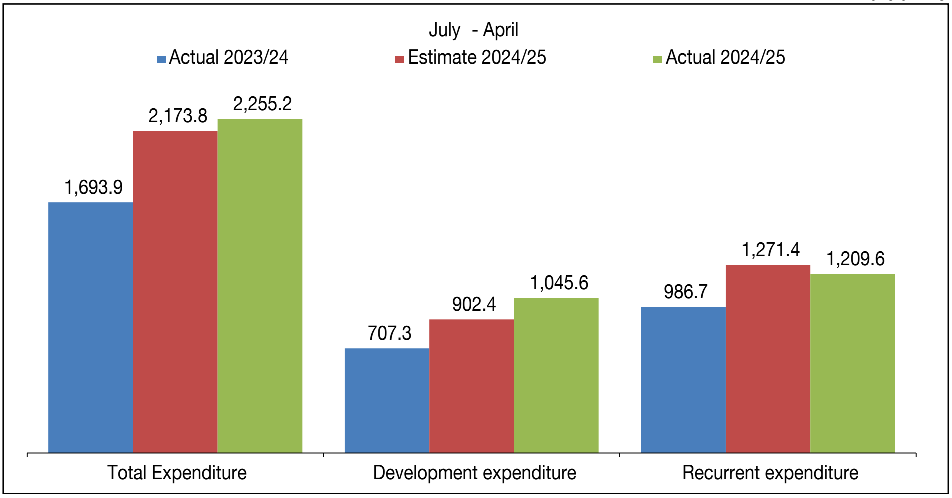
Billions of TZS



Source: Ministry of Finance and Planning, Zanzibar

Chart 4.8b: Zanzibar Expenditure

Billions of TZS



Source: Ministry of Finance and Planning, Zanzibar

4.6 Debt Developments

The central government debt stock (domestic and external) increased by 9.5 percent to USD 40,201.7 million at the end of April 2025, from the stock recorded at the end of June 2024 (Table 4.2a). The increase reflects additional borrowing to finance development projects.

External debt increased by 10.8 percent from the stock recorded at the end of June 2024 and continued to constitute the largest share of the central government debt stock, accounting for 67.7 percent. The main external creditors of the Government remained multilateral institutions, followed by commercial creditors (Table 4.2b). External borrowing continued to primarily finance activities in the transport and telecommunication sectors (Table 4.2c). Domestic debt stock amounted to TZS 34,759.9 billion at the end of April 2025, an increase of 8.8 percent from the stock recorded at the end of June 2024. This increase was primarily driven by the issuance of Treasury bonds, which added a net amount of TZS 2,708.6 billion to the stock. Long-term Instruments—government stocks and Treasury bonds—continued to dominate the domestic debt portfolio (Table 4.2d). Zanzibar's domestic debt stock stood at TZS 1,313.2 billion at the end of April 2025, predominantly comprising government securities, particularly Treasury bonds, and borrowing from commercial banks.

Table 4.2a: Debt Stock

Millions of USD

	Jun-24	Dec-24	Apr-25p
Central government	36,732.4	39,510.7	40,201.7
External debt	24,569.4	25,877.1	27,227.8
% of total central government debt	66.9	65.5	67.7
Domestic debt	12,163.0	13,633.7	12,974.0
Private sector	7,377.7	8,149.7	8,278.1
Public corporations	3.8	3.8	3.8
External debt stock	31,950.9	34,030.6	35,505.9
National debt stock	44,113.8	47,664.2	48,479.9

Source: Ministry of Finance and Bank of Tanzania
Note: p denotes provisional data; and DOD, Disbursed Outstanding Debt

Table 4.2b: External Debt by Creditors

Millions of USD

	Jun-24		Dec-24		Apr-25 p	
Creditor	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Multilateral	17,148.6	53.7	18,235.0	53.6	19,051.6	53.7
DOD	17,052.9	53.4	18,122.6	53.3	18,963.8	53.4
Interest arrears	95.6	0.3	112.4	0.3	87.8	0.2
Bilateral	1,360.2	4.3	1,270.3	3.7	1,456.1	4.1
DOD	1,108.4	3.5	1,193.2	3.5	1,378.2	3.9
Interest arrears	251.9	0.8	77.2	0.2	78.0	0.2
Commercial	11,742.1	36.8	12,606.6	37.0	13,088.5	36.9
DOD	10,944.2	34.3	11,583.5	34.0	12,043.5	33.9
Interest arrears	797.9	2.5	1,023.1	3.0	1,045.0	2.9
Export credit	1,700.0	5.3	1,918.7	5.6	1,909.7	5.4
DOD	1,310.5	4.1	1,424.5	4.2	1,405.5	4.0
Interest arrears	389.5	1.2	494.1	1.5	504.2	1.4
External debt stock	31,950.9	100.0	34,030.6	100.0	35,505.9	100.0

Source: Ministry of Finance and Bank of Tanzania
Note: p denotes provisional data; and DOD, Disbursed Outstanding Debt

Table 4.2c Disbursed Outstanding Debt by Use of Funds

Millions of USD

	Jun-24		Dec-24		Apr-25p	
Activity	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
BoP and budget support	5,358.1	17.6	6,396.2	19.8	6,832.9	20.2
Transport and telecommunication	6,470.5	21.3	6,726.2	20.8	7,272.0	21.5
Agriculture	1,561.1	5.1	1,627.0	5.0	1,711.3	5.1
Energy and mining	4,625.1	15.2	4,615.6	14.3	4,591.5	13.6
Industries	1,224.0	4.0	1,281.8	4.0	1,331.0	3.9
Social welfare and education	6,181.3	20.3	6,386.0	19.8	6,736.4	19.9
Finance and insurance	1,197.2	3.9	1,337.6	4.1	1,332.7	3.9
Tourism	508.4	1.7	515.9	1.6	551.7	1.6
Real estate and construction	1,521.5	5.0	1,608.0	5.0	1,601.2	4.7
Other	1,768.8	5.8	1,829.4	5.7	1,830.4	5.4
Total	30,416.1	100.0	32,323.8	100.0	33,790.9	100.0

Source: Ministry of Finance and Bank of Tanzania
Note: BoP denotes balance of payments; and p, provisional data
* Includes commercial loan and duty drawbacks

Table 4.2d: Domestic Debt by Instruments

Billions of TZS

	Jun-24		Dec-24		Apr-25P	
Instrument	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Government securities	27,266.8	85.3	28,664.3	87.8	29,582.4	85.1
Treasury bills	2,328.7	7.3	2,108.0	6.5	1,935.6	5.6
Government stocks	187.1	0.6	187.1	0.6	187.1	0.5
Government bonds	24,751.0	77.5	26,369.1	80.8	27,459.6	79.0
Tax certificates	0.1	0.0	0.1	0.0	0.1	0.0
Non-securitized debt	4,684.5	14.7	3,985.0	12.2	5,177.5	14.9
Other liabilities*	18.4	0.1	18.4	0.1	18.4	0.1
Overdraft	4,666.1	14.6	3,966.6	12.1	5,159.1	14.8
Domestic debt stock (excluding liquidity papers)	31,951.2	100.0	32,649.3	100.0	34,759.9	100.0

Source: Ministry of Finance and Bank of Tanzania
Note: BoP denotes balance of payments; and p, provisional data
* Includes commercial loan and duty drawbacks

4.7 External Sector Performance

The performance of the external sector continued to improve in July 2024 – April 2025, despite the geopolitical conflicts and trade tensions. The current account deficit narrowed to USD 1,677.3 million compared with USD 2,219.8 million in the corresponding period in 2023/24. This was largely driven by increase in export receipts, particularly from tourism and gold, coupled with slow growth in imports, especially refined white products (Table 4.3). This improvement is expected to continue in the medium term, owing to the various government initiatives, including export promotion and import substitution. The rising gold price and slowdown in crude oil prices in the global market, amid trade tensions, could also contribute to the improvement trajectory. Foreign reserves amounted to USD 5,307.7 million at the end of April 2025, sufficient to cover 4.3 months of projected imports of goods and services, aligning with the national benchmark of at least 4 months (Chart 4.9).

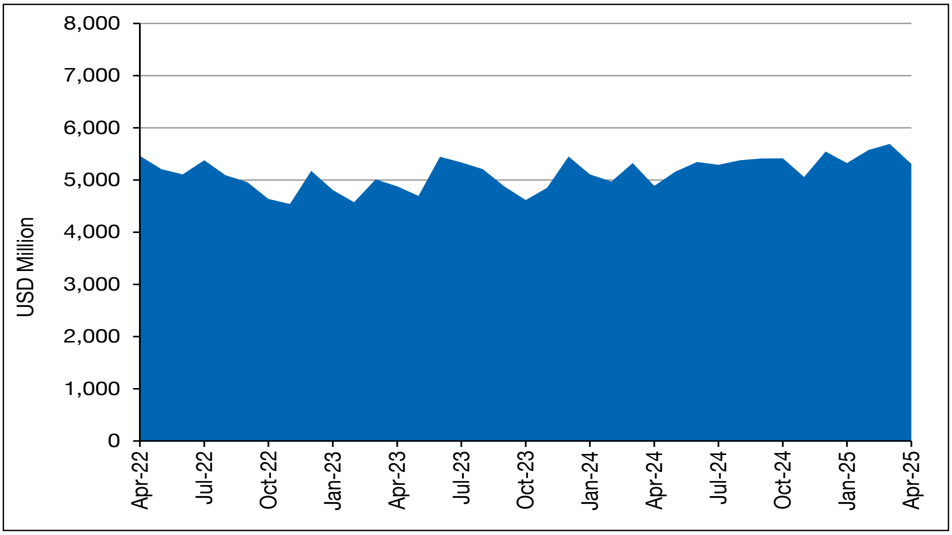
Table 4.3: Current Account Balance

Millions of USD

	Annual			July - April	
	2022	2023	2024^p	2023/24	2024/25^p
Goods account (net)	-6,984.9	-6,032.3	-5,157.2	-4,985.6	-4,006.4
Exports*	7,223.8	7,696.6	9,121.6	6,556.3	8,468.0
Imports	-14,208.7	-13,728.9	-14,278.9	-11,541.9	-12,474.4
Services account (net)	2,296.6	3,835.9	4,290.5	3,604.9	3,484.0
Receipts	4,762.0	6,231.7	6,899.4	5,577.3	5,939.4
Payments	-2,465.4	-2,395.9	-2,608.9	-1,972.4	-2,455.5
Goods and services (net)	-4,688.3	-2,196.5	-866.7	-1,380.7	-522.4
Exports of goods and services	11,985.8	13,928.3	16,021.1	12,133.6	14,407.4
Imports of goods and services	-16,674.1	-16,124.8	-16,887.8	-13,514.4	-14,929.9
Primary income account (net)	-1,393.2	-1,496.6	-1,742.0	-1,344.9	-1,572.5
Receipts	183.9	301.2	356.4	275.8	335.9
Payments	-1,577.1	-1,797.7	-2,098.4	-1,620.7	-1,908.4
Secondary income account (net)	599.3	732.5	576.7	505.8	417.7
Inflows	716.5	1,280.9	1,177.4	1,079.5	884.1
o/w General government	76.4	131.0	139.2	85.7	96.2
Outflows	-117.2	-548.4	-600.7	-573.6	-466.4
Current account balance	-5,482.2	-2,960.6	-2,032.0	-2,219.8	-1,677.3

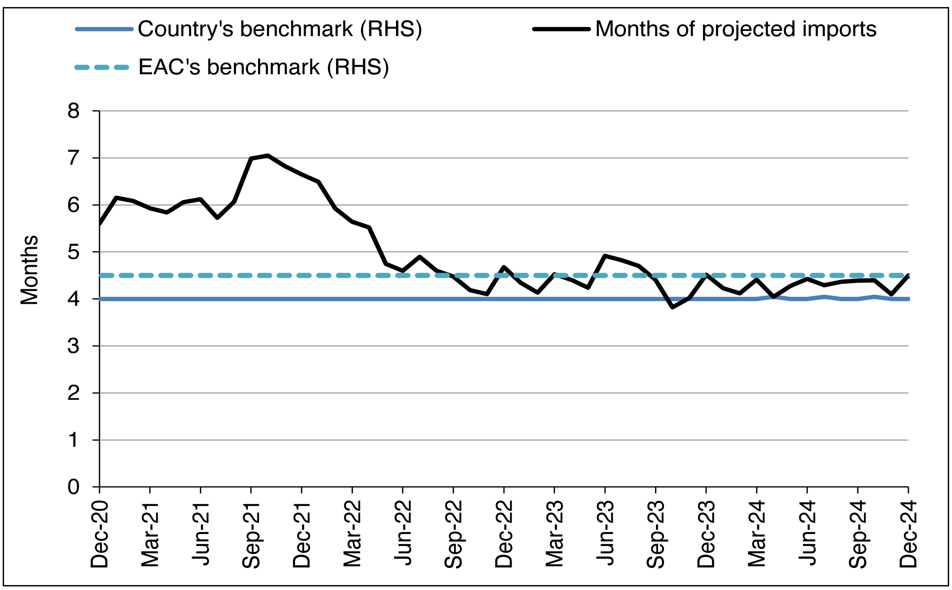
Source: Tanzania Revenue Authority and Bank of Tanzania
Note: p - denotes provisional, o/w, of which
* Include adjustment for unrecorded exports

Chart 4.9a: Gross Official Foreign Reserves



Source: Bank of Tanzania
Note: LHS refers to the left-hand scale, and RHS right-hand scale

Chart 4.9b: Months of Import Cover



Source: Bank of Tanzania
Note: LHS refers to the left-hand scale, and RHS right-hand scale

Exports of goods and services performed satisfactorily. During the period under review, export of goods and services amounted to USD 14,407.4 million, up from USD 12,133.6 million in the corresponding period in 2023/24. The increase was primarily driven by higher export earnings from gold, travel (tourism), cashew nuts, tobacco, and edible vegetables (Table 4.4 and Chart 4.10). Export of goods was USD 8,468 million, dominated by gold, which accounted for 39.8 percent of total goods exports. Meanwhile, service receipts amounted to USD 5,939.4 million, driven by travel and transportation receipts, which in aggregate accounted for 92.2 percent of total services receipts.

Table 4.4: Export Performance of Selected Goods and Services

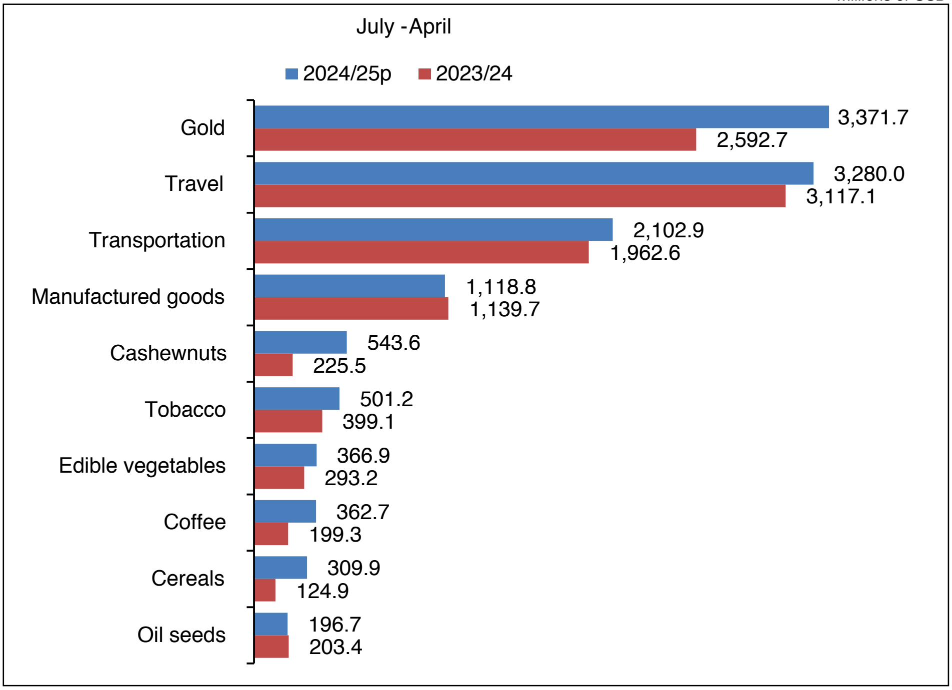
Millions of USD

	Annual			July - April	
	2022	2023	2024^{p}	2023/24	$2024/25^{p}$
Traditional exports	766.5	953.3	1,473.3	1,001.3	1,500.6
Non-traditional exports	6,058.4	6,321.6	7,228.8	5,218.9	6,605.8
o/w Gold	2,835.1	3,058.9	3,419.6	2,592.7	3,371.7
Manufactured goods	1,419.2	1,363.3	1,341.3	1,139.7	1,118.8
Horticultural products	289.6	417.2	507.1	379.2	462.4
Services	4,762.0	6,231.7	6,899.4	5,577.3	5,939.4
o/w Travel	2,527.8	3,373.8	3,903.1	3,117.1	3,280.0
Transport	1,872.0	2,333.4	2,356.6	1,962.6	2,102.9
Export of goods and services	11,985.8	13,928.3	16,021.1	12,133.6	14,407.4

Source: Tanzania Revenue Authority and Bank of Tanzania
Note: p - denotes provisional data

Chart 4.10: Export Performance of Selected Goods and Services

Millions of USD



Source: Tanzania Revenue Authority and Bank of Tanzania
Note: p - denotes provisional data

Imports of goods and services increased, albeit at a slower pace than exports. Import of goods and services amounted to USD 14,929.9 million compared to USD 13,514.4 million in the preceding period. Import of goods, which accounted for 86 percent of the total imports, rose, with industrial supplies, transport equipment, and machinery and mechanical appliances increasing the most, reflecting the country's drive toward industrialization. Meanwhile, service payments rose to USD 2,455.5 million compared to USD 1,972.4 million, supported by freight payments. Refined white products, which accounted for 17 percent of total imports, registered a notable decline consistent with the easing of oil prices in the world market (Table 4.5).

Table 4.5: Tanzania Imports by Major Category

Millions of USD

	Annual			July - April	
	2022	2023	2024^p	2023/24	2024/25^p
Capital	2,594.0	2,893.4	3,003.5	2,358.1	2,801.4
Machinery and mechanical appliances	1,128.9	1,242.7	1,092.4	920.6	1,060.2
Industrial transport equipment	823.2	937.2	1,136.4	810.7	1,085.7
Intermediate	10,231.0	9,389.1	9,868.6	8,021.7	8,381.6
Industrial supplies	4,780.1	4,307.1	4,652.8	3,701.7	4,146.7
Fuel and lubricants	3,482.9	2,915.7	2,786.1	2,536.5	2,222.5
O/w Refined white products	3,314.8	2,725.8	2,554.3	2,351.2	2,124.4
Parts and accessories	987.5	998.6	1,099.6	796.0	977.5
Food and beverages for industrial use	717.9	828.8	953.9	721.7	698.7
O/w Wheat grain	302.4	418.8	357.5	281.9	285.0
Motor cars for household	257.5	338.1	374.6	265.3	334.9
Consumer	1,381.5	1,444.2	1,404.6	1,160.3	1,288.6
Food and beverages mainly for household consumption	182.0	240.1	192.8	147.5	153.5
Non-industrial transport equipment	159.5	141.7	166.3	127.1	136.4
Other consumer goods	1,040.1	1,062.4	1,045.5	885.6	882.0
Services payment	2,465.4	2,395.9	2,608.9	1,972.4	2,455.5
O/w Transportation	342.9	1,444.2	1,404.6	1,082.2	1,246.0
Travel	142.2	240.1	192.8	317.7	470.3
Other	69.9	141.7	166.3	572.5	739.2
Goods and services	16,674.1	16,124.8	16,887.8	13,514.2	14,929.9

Source: Tanzania Revenue Authority and Bank of Tanzania
Note: p denotes provisional data, o/w, of which

During the period from July 2024 to April 2025, Zanzibar's current account surplus grew by 46.7 percent to USD 719.1 million from USD 490.1 million recorded in the same period in the preceding year, mainly attributed to increase in tourism receipts, coupled with decrease in imports of goods by 32.1 percent. Imports of goods and services decreased by 32.3 percent to USD 437.4 million, on account of decrease in transport equipment, and white petroleum products (Table 4.6, Chart 4.11a and 4.11b).

Table 4.6: Zanzibar Current Account

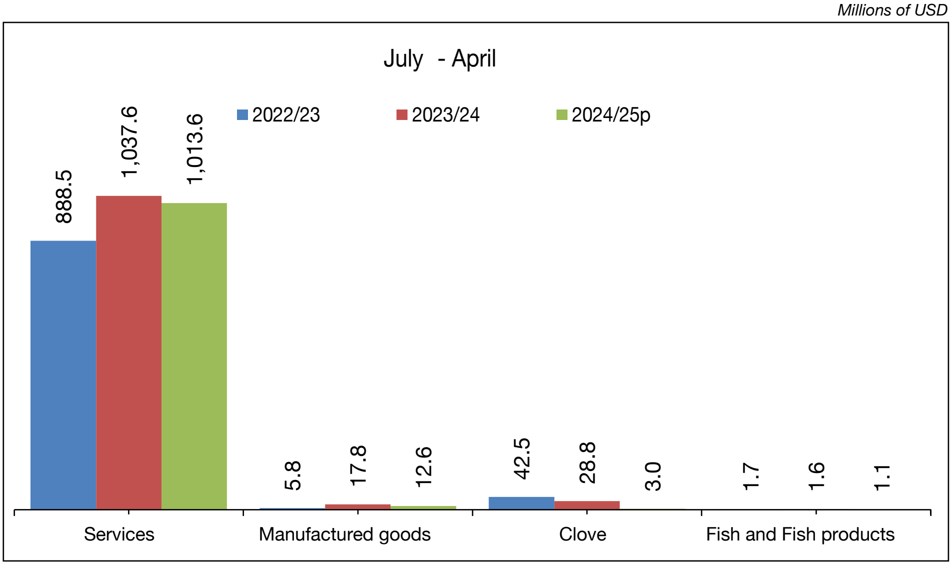
Millions of USD

Item	July - April 2020/21	2021/22	2022/23	2023/24	2024/25p
Goods account net	-209.4	-232.5	-392.9	-473.0	-338.7
Exports	23.2	85.3	61.5	66.8	27.9
Imports (fob)	232.6	317.8	420.2	539.8	366.5
Services account net	348.1	518.8	745.9	865.0	914.9
Receipts	422.4	581.0	827.0	970.8	985.7
Payments	74.4	62.3	81.0	105.8	70.8
Goods and services net	138.7	286.2	387.3	392.0	576.2
Exports of goods and services	445.6	666.3	888.5	1037.6	1013.6
Imports of goods and services	307.0	380.1	501.2	645.7	437.4
Primary income account net	4.4	3.2	42.5	68.5	99.5
Receipts	8.9	5.9	49.2	81.6	118.7
Payments	4.5	2.7	6.7	13.1	19.2
Secondary income net	47.7	14.7	15.7	29.7	43.4
Inflows	54.6	18.5	18.9	35.7	52.2
Outflows	6.9	3.8	3.1	6.0	8.8
Current account balance	190.8	304.1	445.6	490.1	719.1

Source: Tanzania Revenue Authority and Bank of Tanzania calculations
Note: p denotes provisional data, and “---“, change exceeds 100 percent

Chart 4.11a: Export Performance of Selected Goods and Services

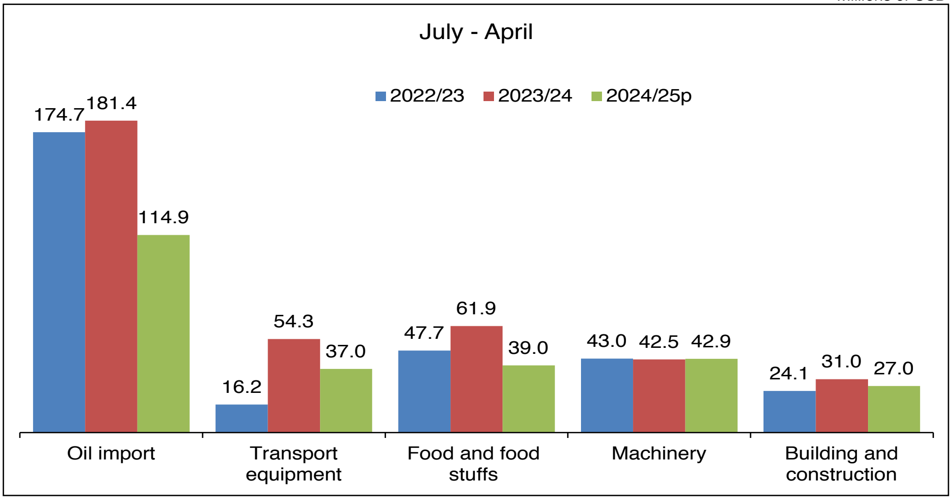
Millions of USD



Source: Tanzania Revenue Authority and Bank of Tanzania calculations

Chart 4.11b: Import Performance of Selected Goods

Millions of USD



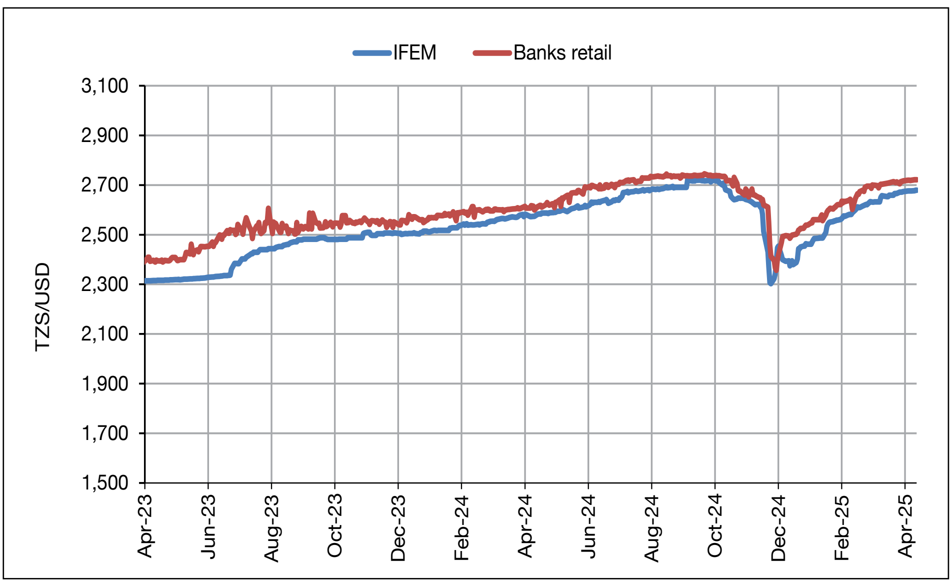
Source: Tanzania Revenue Authority and Bank of Tanzania calculations

4.8 Foreign Exchange Liquidity, Foreign Reserves and Exchange Rate

In 2024/25, liquidity in the foreign exchange market fluctuated in line with global economic developments and seasonal inflows of foreign exchange from exports. Specifically, foreign exchange liquidity was low in the first quarter of 2024/25; however, the situation improved significantly in the second quarter of 2024/25, attributable to improvements in global economic conditions, particularly decrease in commodity prices, and monetary policy easing in advanced economies. The improvement was also on account of a significant increase in foreign exchange earnings from tourism, gold, cashew nuts, and tobacco. These factors were complemented by prudent implementation of monetary policy, which aimed to reduce the impact of exchange rate depreciation on inflation. Liquidity in the foreign exchange market decreased slightly during the third quarter of 2024/25 due to seasonal decline in foreign exchange from export of cash crops.

The Shilling-US dollar exchange rate moved in tandem with foreign exchange liquidity conditions. The shilling depreciated in the first quarter of 2024/25, before appreciating at the end of the first half of 2024/25 and depreciating in the third quarter, albeit at a slower pace relative to the corresponding period in 2023/24 (Chart 4.12a). On average, from July 2024 to April 2025, the exchange rate depreciated by 4.7 percent against the US dollar compared to 7.3 percent recorded in the corresponding period of 2023/24. The retail exchange rate moved in tandem, suggesting a receding parallel foreign exchange market. The real effective exchange rate (REER) depreciated marginally and closed slightly above its equilibrium path at the end of April 2025 (Chart 4.12b)[5]. This indicates that there was no misalignment in the REER, which could affect export competitiveness.

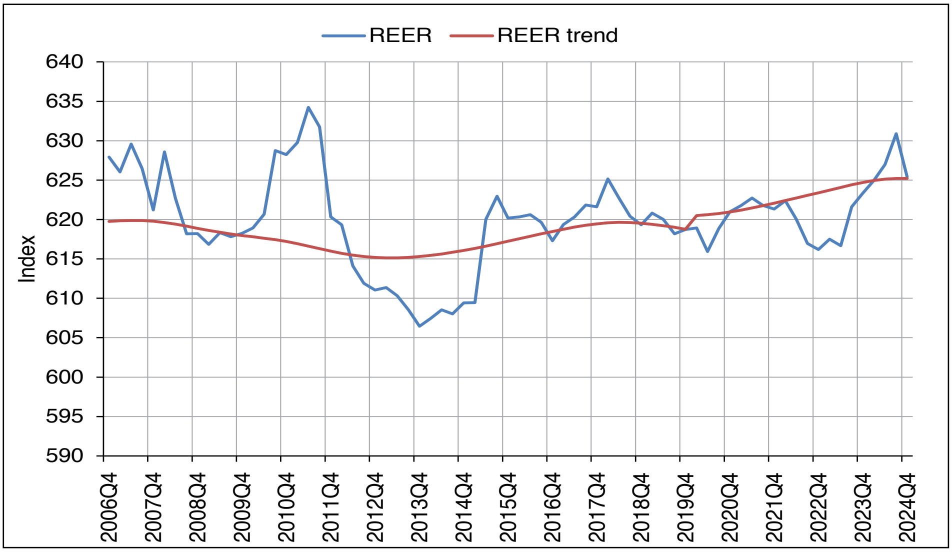
Chart 4.12a: Nominal Exchange Rates



Source: Bank of Tanzania

5 The REER considers the inflation differential between Tanzania and its trading partners.

Chart 4.12b: Real effective exchange rate



Source: Bank of Tanzania

4.9 Financial Sector Performance

The financial sector was stable and resilient to short-term shocks, with all indicators hovering within the desirable thresholds. The banking sector, which comprises the largest share of the financial sector, was adequately capitalized, liquid and profitable, leveraging on technology in financial services delivery. The core capital adequacy ratio was 20.2 percent, above the minimum regulatory requirement of 10 percent. The quality of banks' assets improved, as the ratio of non-performing loans to gross loans decreased to 3.5 percent in April 2025 from 4.1 percent in June 2024, below the tolerable level of 5 percent. The decline in non-performing loans is expected to continue, incentivising lending to the private sector and reducing the cost of borrowing.

The Bank of Tanzania continued to take measures to facilitate the reduction of non-performing loans to the desired level while implementing policies and regulatory reforms to strengthen risk management practices in the banking sector. The measures include (i) enforcement of risk-based prudential requirements and requiring banks to improve credit underwriting standards; (ii) introduction of mechanisms of monitoring banks in the implementation of strategies to reduce non-performing loans; and (iii) require mandatory use of credit reference bureau reports by banks in credit applications review. Additionally, banks were required to adhere to the Tanzania Bankers' Association Code of Conduct, among others, to enhance staff integrity in the banking sector.

4.10 Payment Systems Performance

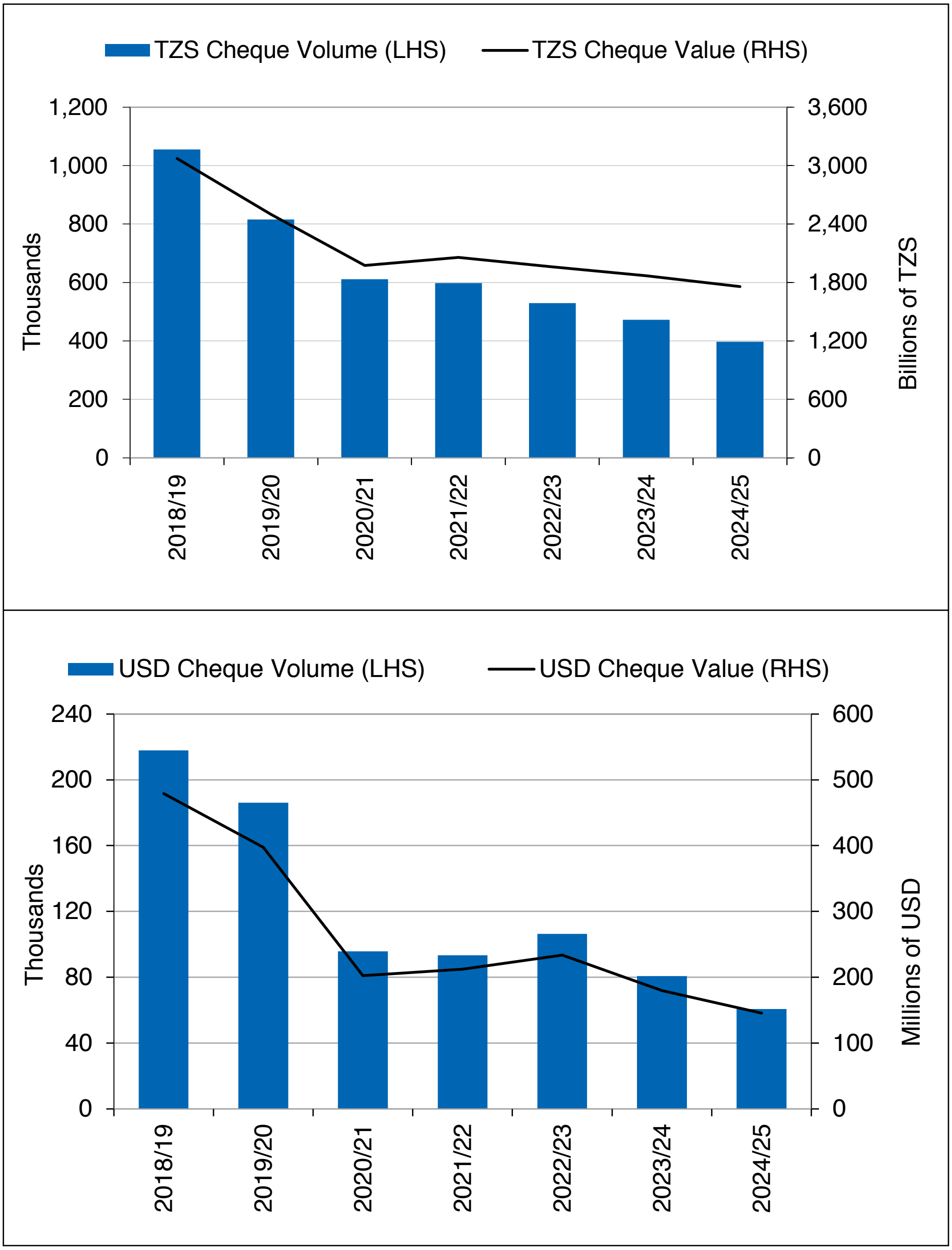
Systemically Important Payment Systems (SIPS), including the Tanzania Interbank Settlement Systems (TISS), Electronic Fund Transfer (EFT), and the Tanzania Instant Payment System (TIPS), operated efficiently with high availability rate of above 99 percent. During the period, the Bank continued to modernize these systems, particularly through the implementation of phase III of the Tanzania Payment System (TIPS) and the migration to ISO20022 messaging standards. These initiatives aim to enhance the efficiency, reliability and interoperability of both domestic and cross-border high-value and retail payments. In line with efforts to promote a cash-lite economy through increased digital adoption, the Bank took further steps to address barriers to usage by reviewing transaction fees for interoperable transactions, including bank-to-wallet and wallet-to-bank transfers processed through TIPS. Transaction bands were established with the maximum fee capped at TZS 5000. Banks and Electronic Money Issuers (EMIs) have been directed to adjust their fees accordingly to align with the Bank's guidance. In line with these efforts, the Bank continued to reduce reliance on cash transactions by approving additional digital payment system providers, bringing the total to 60 licensed Fintech companies.

There was a notable growth in the adoption of digital payment, with increased use of Electronic Fund Transfer (EFT) and a decline in cheque usage. The volume and value of EFT increased by 7.34 percent and 16.12 percent, respectively. In contrast, the volume of cheque transactions processed through the Tanzania Automated Clearing House (TACH), both Shilling-denominated and USD-denominated cheques, declined by 15.91 percent, and 24.87 percent, respectively. Similarly, the corresponding values decreased by 6.03 percent and 19.05 percent, respectively (Chart 4.13). The decrease in cheque transactions is associated with an increase in the usage of electronic fund transfers by the Government, internet banking, mobile banking, mobile payment, and other alternative digital payment instruments.

Regional cross-border payment systems—namely, the East African Payment System (EAPS) and the SADC Real-Time Gross Settlement System (SADC-RTGS) enable the seamless settlement of cross-border payments between domestic and foreign banks. Despite their adoption, usage of these systems remains relatively low, both in terms of the volume and value of transactions processed. This low usage trend is attributed to several factors. Within the SADC-RTGS, for instance, participation is limited to only six local banks, largely due to the exclusive use of the South African Rand as the settlement currency. In the EAC region, challenges such as limited local currency acceptability, awareness and varying levels of economic development also contribute to the subdued utilization of EAPS.

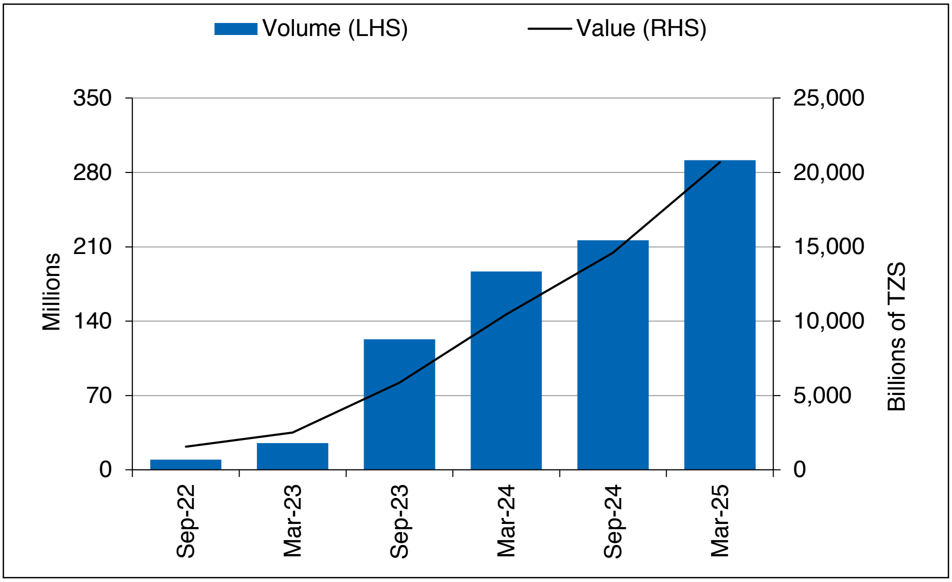
Mobile phones continued to be the key instrument in bridging the infrastructure gap, providing a platform for the unbanked population to access financial services. The volume and value of mobile payment transactions increased by 27.75 percent and 29.53 percent, respectively. Mobile money transactions are increasing due to a conducive payment system environment, characterized by affordable fees, consumer trust, and reliable digital infrastructure (Chart 4.14b).

Chart 4.13 TACH Cheque Transactions



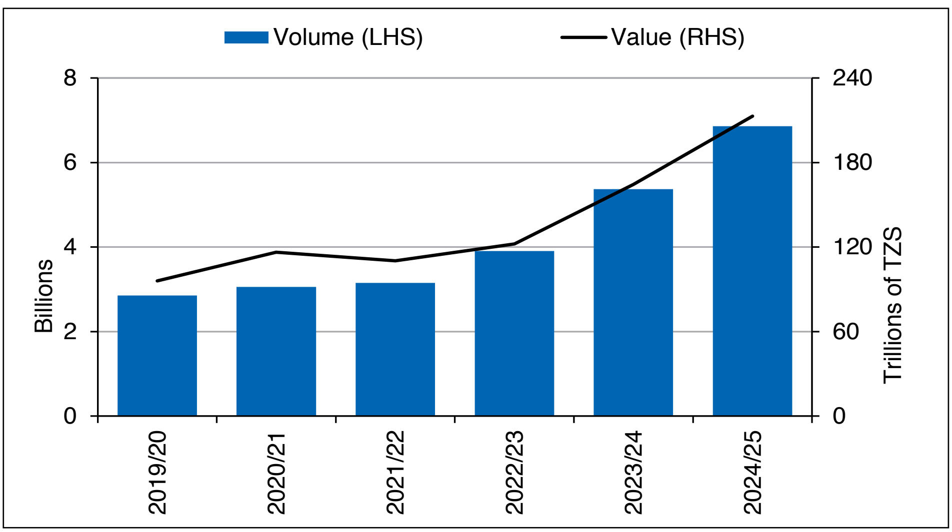
Source: Bank of Tanzania
Note: LHS denotes Left Hand Side; and RHS, Right Hand Side

Chart 4.14a: Tanzania Instant Payment Systems Transactions



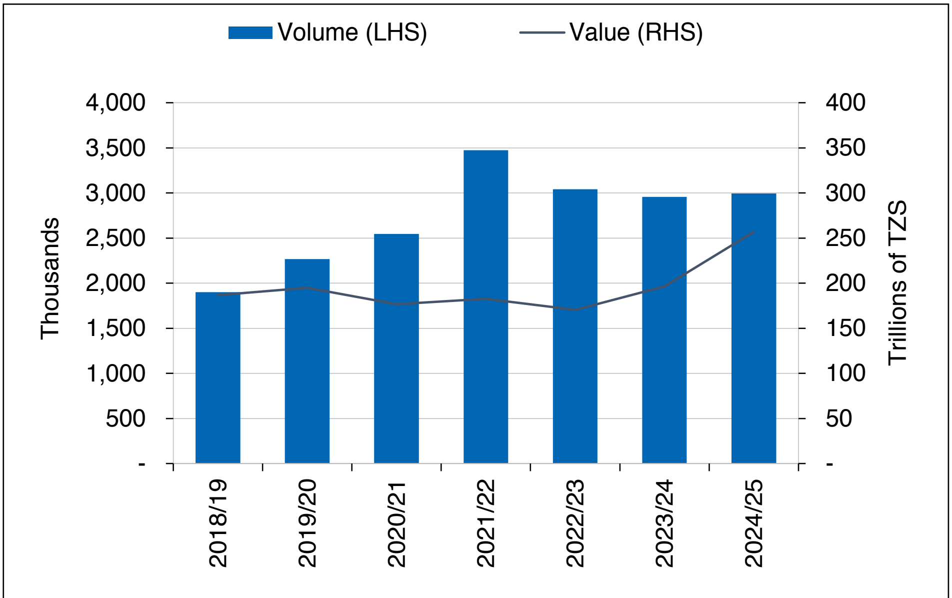
Source: Bank of Tanzania
Note: LHS denotes Left Hand Side; and RHS, Right Hand Side

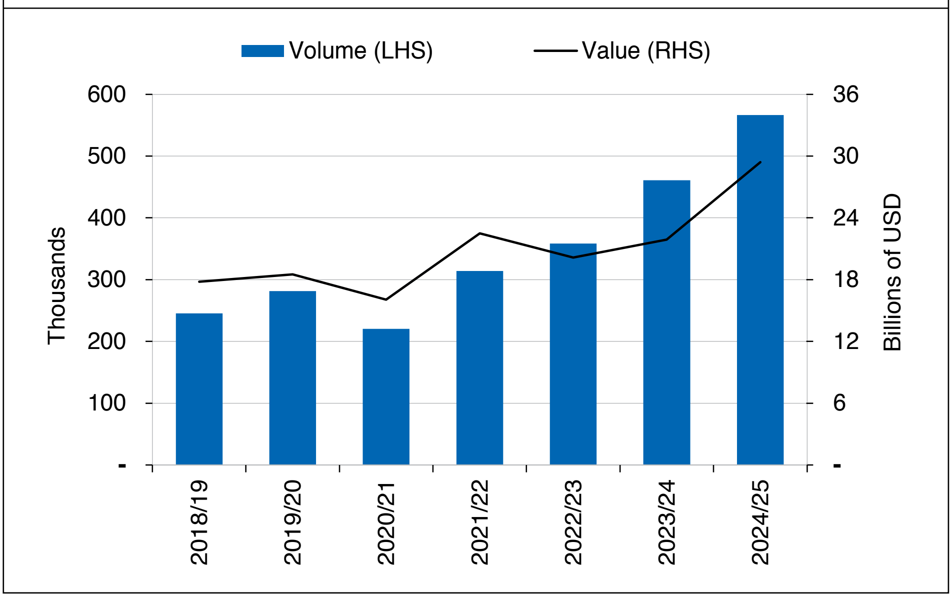
Chart 4.14b Mobile Payments



Source: Bank of Tanzania
Note: LHS denotes Left Hand Side; and RHS, Right Hand Side

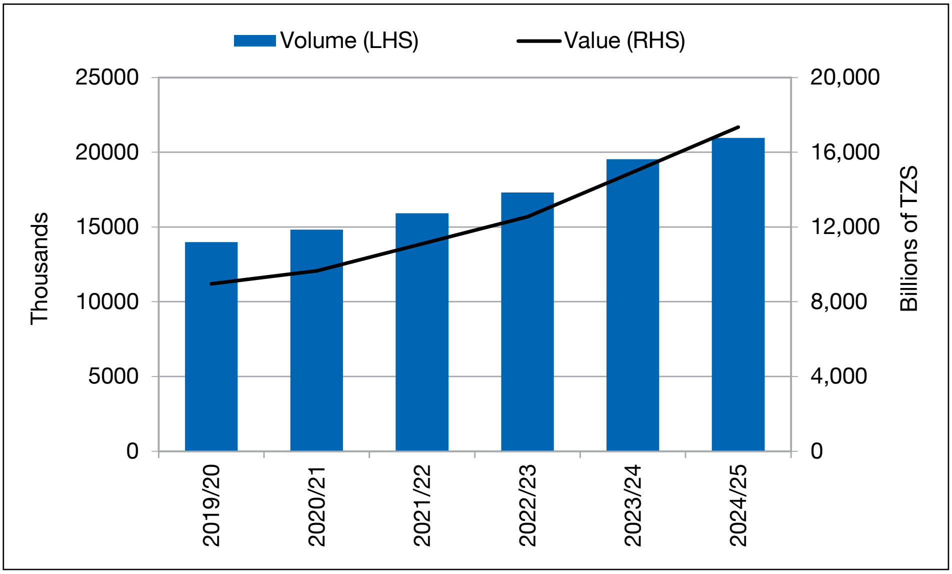
Chart 4.14c: Tanzania Interbank Settlement Transactions





Source: Bank of Tanzania
Note: LHS denotes Left Hand Side; and RHS, Right Hand Side

Chart 4.14d Electronic Fund Transfer Transactions



Source: Bank of Tanzania
Note: LHS denotes Left Hand Side; and RHS, Right Hand Side

PART V

5.0 ECONOMIC OUTLOOK

5.1 Global Economic Outlook

The global economic outlook remains cautiously pessimistic, with the growth projected to slow, albeit at varying rates across countries. The IMF's World Economic Outlook (WEO), released in April 2025, forecasts global growth to decline to 2.8 percent in 2025 and 3.0 percent in 2026, down from the 3.3 percent projected for both years in January 2025. This represents a cumulative downgrade of 0.8 percentage points. Growth in advanced, emerging markets, and sub-Saharan African economies is projected to slow, primarily due to escalating trade tensions, particularly the significant U.S. tariff hikes and retaliatory actions from key trading partners, compounded by policy uncertainty and the persistent effects of high interest rates[6].

Global inflation is forecast to decline, albeit more gradually than anticipated in January 2025. It is forecasted to reach 4.3 percent in 2025 and 3.6 percent in 2026. Notable upward revisions have been made for advanced economies, while slight downward adjustments have been observed for emerging market and developing economies in 2025. However, the declining trend is expected to persist, driven by the lagged effects of monetary policy tightening and the prevailing prices of key commodities such as food and energy. A similar inflation trajectory is anticipated in EAC and SADC countries, supported by policy measures and adequate food supply. The risk to the inflation outlook is moderate but could escalate if trade tensions or conflicts in the Middle East intensify. Central banks in advanced economies,

6 Growth in advanced economies is projected to be 1.4 percent in 2025, while in emerging market and developing economies, growth is expected to slow down to 3.7 percent in 2025 and 3.9 percent in 2026, with significant downgrades for countries most affected by recent trade measures, such as China.

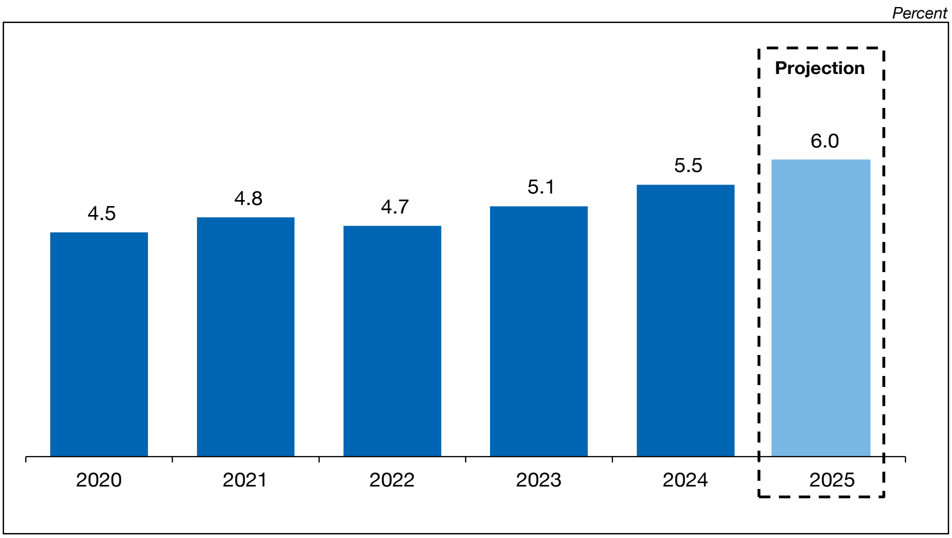
particularly in the United States and the Euro Area, are expected to prioritise economic expansion, likely leading to policy rate cuts.

5.2 Domestic Economic Outlook

The domestic economy is expected to remain resilient and maintaining its recovery path, despite ongoing trade tensions. In Mainland Tanzania, real GDP growth is projected at 6 percent in 2025 and 6.3 percent in 2026. The growth outlook will be largely driven by public investment, particularly in infrastructure such as railways, roads, sports facilities, and airports, which are expected to contribute significantly to the economic expansion. Additionally, increased investment in agriculture, particularly irrigation schemes, combined with favourable weather conditions and supportive policies aimed at strengthening the agricultural value chain, will further bolster growth. Digital mobile services are expected to be the key driver for financial and insurance services, while construction activity will benefit significantly from ongoing investments in infrastructure. Zanzibar's economy is projected to grow by 6.5 percent in 2025 and 6.7 percent in 2026, driven mainly by construction activity, particularly public investment in infrastructure such as roads, ports, and real estate, as well as growth in tourism and manufacturing.

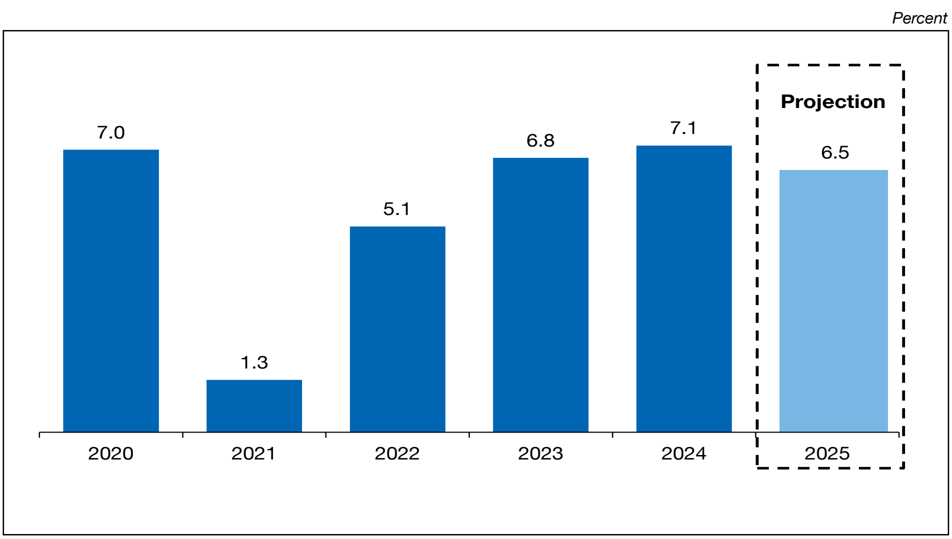
Overall, domestic inflation is projected to remain within the medium-term target of 3-5 percent, supported by adequate food supply, stable power supply, and the implementation of prudent monetary and fiscal policies. Inflation in Zanzibar is forecast to hover around 5 percent, primarily due to higher prices of imported food and the impact of the exchange rate. The risk to the inflation outlook is low but might be heightened by adverse weather patterns in most parts of the country. Moreover, evolving global trade policies and ongoing geopolitical conflicts also present potential headwinds for domestic inflation.

Chart 5.1a: GDP Growth and Outlook for Mainland Tanzania



Source: National Bureau of Statistics, Office of the Chief Government Statistician and Bank of Tanzania calculations

Chart 5.1b: GDP Growth and Outlook for Zanzibar



Source: National Bureau of Statistics, Office of the Chief Government Statistician and Bank of Tanzania calculations

PART VI

6.0 MONETARY POLICY, INTEREST RATE AND EXCHANGE RATE POLICIES FOR 2025/26

6.1 Monetary Policy Stance

In line with the economic forecasts and risks discussed in part V, the Bank will implement a cautious accommodative monetary policy in 2025/26 to maintain inflation within the target of 3-5 percent, while facilitating economic growth to reach 6 percent in 2025 and 6.3 percent in the subsequent year in Mainland Tanzania, and 6.5 percent and 6.7 percent in Zanzibar, respectively. The Monetary Policy Committee (MPC) will meet on a quarterly basis to assess economic conditions and decide the path of the Central Bank Rate (CBR) for the realization of the inflation and growth objectives[7].

To enhance data-driven monetary policy decisions, the Bank will continue undertaking economic research and surveys, as well as enhancing the availability and quality of high-frequency data. The research will focus on areas related to improving the effectiveness of monetary policy. The Bank will also continue creating awareness on the price (interest rate)-based monetary policy framework and the usage of the Shilling for domestic transactions to improve the effectiveness of monetary policy in delivering price stability and high growth objectives. Along with this, the Bank will implement reforms focusing on (i) strengthening the financial sector and reducing risk to lending to the private sector, (ii) improving financial inclusion (expand access to financial services, broaden the range of financial products, promote digital payments, create awareness and promote financial literacy, and consumer protection), and (iii) making the financial markets vibrant and liquid. The implementation of the Circular on TIPS Charges for Bank-to-E-Wallet and E-Wallet-to-Bank transfers is expected to reinforce

7 The MPC meeting calendar is attached as Appendix Table 8 and is accessible through the BOT website.

measures for improving the effectiveness of monetary policy[8]. Furthermore, the Bank will improve its liquidity forecasting framework and implement measures to increase transparency and reduce counterparty risk in the interbank market to ensure the 7-day interbank moves within the corridor of +/-2 percentage points of the CBR.

6.2 Interest Rate Policy

Interest rates will continue to be determined by market forces to facilitate efficiency in allocation of capital in the economy. The MPC decision on the CBR path is expected to guide the determination of interest rates on loans and other financial instruments. In addition, the Bank, in collaboration with stakeholders, will continue implementing reforms to increase transparency in the determination of interest rates, improve supervision of banks and microfinance institutions, increase financial deepening, enhance financial literacy and information disclosure.

6.3 Exchange Rate Policy and Reserves

The exchange rate will continue to be determined by demand and supply in the foreign exchange market, acting as a buffer to absorb external shocks. To this end, the Bank will participate in the interbank foreign exchange market in accordance with the Foreign Exchange Intervention Policy, which permits interventions to smoothen out short-term excessive volatility in the exchange rate, accumulate foreign exchange, facilitate the conduct of monetary policy, and provide foreign exchange liquidity in the market. The Bank will encourage participants in the foreign exchange market to adhere to the existing foreign exchange regulations, guidelines, and the code of conduct. To ensure confidence in the exchange rate, the Bank will ensure foreign exchange reserves remain high and adequate, sufficient to cover at

8 https://www.bot.go.tz/Publications/Filter/39

least four months of imports throughout 2025/26. This will be done by implementing reserve mobilization strategies, including purchase of gold through its domestic gold purchase program, and foreign exchange swaps as needed.

APPENDICES

Table 1: Mainland Tanzania: GDP Growth Rates by Economic Activity

Percent

Economic Activity	2019	2020	2021	2022	2023	2024[p]
Agriculture, forestry and fishing	4.4	4.9	3.9	3.3	4.2	4.1
Crops	4.4	5.0	3.6	2.7	4.2	4.0
Livestock	5.0	5.0	5.0	5.0	5.0	5.0
Forestry	4.8	3.2	3.5	3.1	4.3	3.6
Fishing	1.5	6.7	2.6	1.9	1.4	2.3
Industry and construction	11.4	6.7	4.9	5.3	5.1	5.4
Mining and quarrying	17.7	7.3	9.4	10.8	11.3	8.3
Manufacturing	5.8	4.5	4.8	4.2	4.3	4.8
Electricity supply	7.2	5.5	10.0	7.6	3.9	14.4
Water supply; sewerage, waste management	6.9	5.8	6.5	5.5	2.5	4.1
Construction	13.3	7.8	3.3	3.9	3.5	4.1
Services	5.9	4.3	4.8	5.3	6.0	6.6
Wholesale and retail trade; repairs	4.8	2.1	3.2	3.9	4.2	4.8
Transport and storage	8.7	8.4	3.5	3.8	4.1	4.2
Accommodation and food Services	2.6	-13.7	6.7	9.0	8.3	6.0
Information and communication	7.2	8.4	9.1	7.4	7.6	14.3
Financial and insurance activities	4.5	3.1	4.2	9.2	14.6	13.8
Real estate	4.5	4.5	4.5	4.4	4.3	4.3
Professional, scientific and technical activities	7.6	7.3	6.8	5.8	5.5	4.8
Administrative and support service activities	8.4	7.8	6.9	4.6	5.0	6.2
Public administration and defence	3.4	3.8	5.1	5.4	5.5	5.0
Education	6.9	3.3	5.1	5.3	6.2	6.2
Human health and social work activities	5.0	6.5	5.7	5.4	6.0	10.1
Arts, entertainment and recreation	11.2	-4.4	19.4	19.0	17.7	17.1
Other service activities	6.7	5.0	8.5	5.7	6.7	5.9
Activities of households as employers;	3.1	3.1	3.1	3.1	3.1	2.2
All economic activities	7.1	5.2	4.6	4.8	5.3	5.6
Taxes on products	4.7	-3.6	7.9	3.5	3.7	4.0
GDP at market prices	6.9	4.5	4.8	4.7	5.1	5.5

Source: National Bureau of Statistics

Table 2: Zanzibar GDP Growth Rates by Economic Activity

Percent

Economic activity	2019	2020	2021	2022	2023	2024[p]
Agriculture, forestry and fishing	2.6	3.3	2.6	4.0	2.3	3.3
Crops	-5.8	1.3	2.2	6.1	2.8	6.4
Livestock	17.0	8.2	3.0	2.3	-4.3	-10.8
Forestry and hunting	3.8	-4.4	4.0	2.9	6.4	0.1
Fishing	3.3	3.5	2.3	3.0	8.1	14.2
Industry	10.6	5.2	5.1	9.3	6.6	5.7
Mining and quarrying	-1.7	-6.0	9.9	9.1	10.4	17.0
Manufacturing	20.5	6.5	1.1	8.1	6.9	3.3
Electricity and gas	5.2	-3.2	8.0	22.3	12.4	11.2
Water supply and sewerage	12.9	2.0	6.9	7.0	4.6	6.3
Construction	3.1	6.5	8.9	10.2	5.5	6.3
Services	8.6	7.4	6.9	7.7	9.9	9.0
Trade and repairs	9.1	1.0	14.9	4.2	12.6	11.6
Transport and storage	4.7	-6.6	9.3	3.8	9.2	0.0
Accommodation and food services	11.5	-12.7	6.6	11.7	8.2	13.7
Accommodation	11.8	-11.3	6.5	12.3	7.8	13.2
Food and beverage services	10.0	-18.9	7.5	9.0	9.8	16.3
Information and communication	5.5	-3.2	-16.3	2.5	-10.8	4.9
Financial and insurance activities	3.1	2.2	9.9	3.7	54.6	13.7
Real estate activities	6.6	6.8	7.0	7.1	7.2	7.3
Professional, scientific and technical	-2.9	1.1	5.0	1.4	3.5	6.6
Administrative and support services	6.9	-4.6	6.6	-1.5	17.0	5.9
Public administration	11.7	13.2	5.3	8.2	2.1	4.0
Education	7.5	9.7	-0.3	9.8	3.7	7.0
Human health and social work	2.5	1.4	2.4	8.9	15.8	8.2
Arts, entertainment and recreation	3.3	-4.9	1.1	1.9	33.8	8.5
Other service activities	2.0	12.9	6.9	6.2	8.8	7.8
Domestic services	3.2	3.2	3.2	2.9	2.6	3.2
Less FISM	2.6	11.7	2.8	6.5	38.1	37.1
Taxes on products	1.6	1.6	1.2	3.0	5.9	7.0
GDP at market prices	7.0	1.3	5.1	6.8	7.4	7.1

Source: Office of Chief Government Statistician-Zanzibar

Table 3: Mainland Tanzania Annual Inflation

Percent

	Weight (%)	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Food and non-alcoholic beverages	28.2	1.4	1.6	0.9	1.0	2.8	2.5	2.5	3.3	4.6	5.3	5.0	5.4	5.3
Alcoholic beverages and tobacco	1.9	4.0	3.4	3.2	1.8	2.2	2.2	2.3	1.8	2.2	3.6	3.5	3.5	3.4
Clothing and footwear	10.8	2.1	2.0	1.8	1.8	1.8	1.9	2.0	1.6	1.2	1.9	2.0	2.0	2.0
Housing, water, electricity, gas and other fuels	15.1	5.2	5.2	6.6	6.8	5.3	5.8	5.4	4.1	2.9	2.2	3.1	3.8	3.8
Furnishings, household equipment and routine household maintenance	7.9	3.3	3.3	3.5	3.2	1.9	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.3
Health	2.5	2.0	2.0	1.9	1.5	1.7	1.8	1.8	1.8	1.9	1.4	1.2	1.4	1.5
Transport	14.1	5.1	5.0	5.2	4.6	4.3	4.3	3.6	3.8	3.5	2.4	3.2	2.1	2.1
Information and communication	5.4	1.8	1.7	1.7	1.4	1.2	1.1	1.3	1.2	1.0	0.8	0.0	0.1	0.1
Recreation, sport and culture	1.6	3.3	3.4	3.3	3.0	2.6	2.5	2.3	2.0	2.0	1.7	1.7	1.6	1.7
Education services	2.0	2.8	3.3	3.4	3.4	3.3	3.1	3.1	3.1	3.2	4.5	4.2	4.1	4.1
Restaurants and accommodation services	6.6	4.1	2.6	2.8	3.1	3.1	2.9	2.7	2.6	2.8	1.7	1.8	1.7	1.6
Insurance and financial services	2.1	1.5	1.6	1.7	1.0	1.0	1.3	1.3	1.2	1.1	0.8	0.7	0.7	0.8
Personal care, social protection and miscellaneous goods and services	2.1	7.5	8.2	7.2	5.9	5.6	5.7	6.4	6.3	5.3	3.1	3.3	3.3	3.0
All Items-(headline inflation)	100.0	3.1	3.1	3.1	3.0	3.1	3.1	3.0	3.0	3.1	3.1	3.2	3.3	3.2
Other selected groups														
Core	73.9	3.9	3.6	3.6	3.3	3.2	3.2	3.2	3.3	2.9	2.7	2.5	2.2	2.2
Non-core	26.1	1.4	2.1	1.8	2.2	3.1	3.0	2.4	2.1	3.3	4.0	5.0	6.0	5.7
Energy, fuel and utilities	5.7													
Services	37.2	3.3	3.0	2.9	2.5	2.3	2.3	2.2	2.3	1.6	1.0	1.4	1.0	1.1
Goods	62.8	3.1	3.2	3.2	3.2	3.6	3.6	3.5	3.3	3.8	4.2	4.2	4.5	4.3
Education services and products ancillary to education	4.1	3.1	3.5	3.7	3.0	2.8	3.0	2.9	3.1	2.9	4.0	4.0	4.0	3.8
All items less food and non-alcoholic beverages	71.8	3.9	3.7	4.0	3.8	3.3	3.4	3.2	2.9	2.5	2.1	2.4	2.3	2.3

Source: National Bureau of Statistics

Table 4: Zanzibar Annual Inflation

Percent

Items	Weights (%)	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Headline	100.0	4.9	5.3	5.7	5.3	5.1	4.8	5.8	4.5	4.9	5.3	4.8	5.1	4.3
Food	41.9	8.0	8.9	10.6	9.0	8.9	7.3	8.2	6.6	8.1	6.6	5.8	6.4	4.1
Non-food	58.6	2.6	2.6	2.1	2.4	2.3	2.8	4.1	3.0	2.5	4.2	4.1	4.1	4.4
Alcoholic beverages, tobacco and narcotics	0.2	23.8	23.8	25.4	24.6	24.7	24.7	25.1	25.9	15.4	20.1	1.0	-0.3	-0.3
Clothing and footwear	6.3	1.3	0.1	0.7	0.7	0.3	0.2	0.0	0.6	2.1	3.0	2.8	4.2	3.9
Housing, water, electricity, gas and other fuels	25.8	2.1	2.6	1.4	3.2	2.7	3.7	7.3	4.6	2.8	5.5	5.2	4.9	5.5
Furnishings, household equipment and routine household maintenance	4.8	2.9	2.6	1.8	1.5	1.4	1.5	1.3	2.0	1.7	3.3	3.6	3.4	3.4
Health	1.3	-1.5	-3.4	-3.2	-3.1	-3.1	-2.4	-2.1	-2.4	-2.4	-1.7	-2.0	-0.4	0.3
Transport	9.1	4.0	4.0	3.9	3.1	2.6	2.6	1.2	-0.3	1.2	1.3	1.4	1.5	2.2
Information and communication	4.2	1.4	1.5	1.5	1.6	1.7	1.7	1.7	3.3	3.5	3.4	3.3	2.8	2.0
Recreation, sport and culture	1.1	4.4	4.4	4.6	4.0	4.0	4.0	3.8	3.8	4.9	3.4	3.4	3.6	4.6
Education	1.6	2.3	2.3	2.3	-7.7	2.0	2.0	0.6	2.8	2.8	2.6	2.6	2.6	2.6
Restaurants and accommodation services	1.4	11.3	11.0	11.8	11.7	11.7	15.7	15.7	15.7	13.7	0.8	0.6	0.6	0.6
Insurance and financial services*	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personal care, social protection and miscellaneous goods and services*	1.7	2.9	1.6	1.6	1.6	1.6	1.6	0.3	0.8	0.8	3.3	3.5	3.6	3.5

Source: Office of Chief Government Statistician, Zanzibar
Note: * These groups resulted from the decomposition of miscellaneous goods and services.

Table 5: Monetary Statistics

Billions of TZS

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Net foreign sssets of the banking system	10,089.1	10,975.5	12,238.3	12,226.7	13,100.6	13,704.3	13,773.6	13,296.5	13,558.2	13,242.1	14,281.0	15,442.1	14,658.6
Net domestic assets of the banking system	34,229.9	34,117.4	34,523.8	34,704.7	34,591.9	34,360.2	35,469.4	36,221.2	35,346.8	36,592.4	36,309.7	36,699.8	38,679.1
Private sector credit	33,757.6	33,983.9	34,980.8	35,354.6	35,730.9	36,174.1	36,517.8	36,741.8	36,097.4	36,576.1	36,982.5	37,999.3	38,755.8
Extended broad money supply	44,319.0	45,092.9	46,762.1	46,931.4	47,692.5	48,064.6	49,243.0	49,517.7	48,905.0	49,834.5	50,590.7	52,141.9	53,337.7
Foreign currency deposits	10,493.7	10,846.0	11,496.1	11,450.8	11,998.8	12,427.9	12,745.0	12,345.2	11,765.3	12,419.3	12,794.3	13,605.9	13,846.3
Forex deposits (mil. of USD)	*4,080.0*	*4,190.0*	*4,400.8*	*4,330.9*	*4,479.0*	*4,609.6*	*4,697.0*	*4,670.7*	*4,829.2*	*5,095.5*	*4,995.4*	*5,183.8*	*5,187.0*
Broad money supply	33,825.3	34,246.9	35,266.0	35,480.6	35,693.7	35,636.6	36,498.0	37,172.5	37,139.7	37,415.2	37,796.4	38,536.0	39,491.4
Narrow money supply	20,263.3	21,093.0	21,995.8	22,176.0	22,085.9	21,825.4	22,273.8	22,817.1	22,905.5	23,073.0	22,984.8	23,541.7	24,013.1
Currency in circulation	6,146.7	6,521.8	7,076.5	7,085.6	7,302.0	7,353.5	7,408.2	7,597.1	7,351.6	6,997.7	6,926.3	7,190.0	7,024.1
Transferable deposits	14,116.6	14,571.2	14,919.3	15,090.3	14,783.8	14,471.9	14,865.6	15,219.9	15,553.9	16,075.4	16,058.5	16,351.7	16,989.0
Memorandum Items													
Reserve money	10,066.6	11,046.4	10,926.3	10,896.5	11,053.1	11,133.7	11,765.8	11,859.0	12,024.5	11,670.3	12,053.8	11,793.1	11,878.9
Banks' reserves	2,835.7	3,533.2	2,886.6	2,663.7	2,730.7	2,667.0	3,176.7	3,233.1	3,351.5	3,516.5	4,041.6	3,623.1	3,738.7
Currency outside Bank of Tanzania[1]	7,230.9	7,513.2	8,039.7	8,232.8	8,322.3	8,466.7	8,589.1	8,625.8	8,672.9	8,153.8	8,012.2	8,169.9	8,140.2
Nominal exchange rate (end of period) (TZS/USD)	2,572.0	2,588.5	2,612.2	2,644.0	2,678.9	2,696.1	2,713.4	2,643.1	2,436.3	2,437.3	2,561.2	2,624.7	2,669.4
Annual growth rates (%)													
Reserve money	6.4	15.2	0.7	6.9	6.4	12.0	19.8	17.8	19.1	12.1	18.9	15.8	18.0
Extended broad money supply	10.9	12.2	10.9	10.1	10.6	11.4	14.6	13.6	11.1	13.9	15.1	17.1	20.3
Broad money supply	8.9	9.3	8.2	8.1	7.2	6.6	9.1	11.2	9.2	10.8	11.7	12.9	16.8
Credit to the private sector	17.6	16.5	17.2	17.6	16.7	17.5	17.0	15.3	12.4	12.8	13.2	14.0	14.8

Source: Bank of Tanzania

Table 6: Capital and Money Market Interest Rates

Percent

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Interbank cash market rates													
Overnight	6.51	7.02	6.92	6.80	7.62	7.88	7.74	7.73	7.07	7.69	7.87	7.91	7.90
2 to 7 days	7.04	7.35	7.40	7.42	7.83	8.26	8.17	8.11	7.38	7.74	8.02	8.02	7.98
Overall Interbank cash market rate	7.02	7.34	7.36	7.24	7.79	8.16	8.04	8.06	7.41	7.80	8.06	8.12	8.00
Lombard rate	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Reverse repo rate	6.57	6.57	6.57	6.57	7.88	8.00	8.00	7.72	6.26	7.21	7.21	7.21	7.21
Treasury bills rates													
182 days	8.45	8.22	6.57	6.57	7.30	7.30	8.17	8.30	8.30	8.20	8.20	8.20	8.20
364 days	10.38	7.83	6.75	8.84	10.63	10.98	11.66	12.78	12.95	12.63	11.99	10.11	10.11
Overall Treasury bills rate	10.33	7.86	6.75	8.81	10.61	10.85	11.55	12.68	12.95	12.51	11.93	10.10	10.10
Treasury bonds rates													
2 years	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	12.55	12.55	12.55
5 years	10.09	10.09	10.09	10.09	10.09	10.09	12.41	12.41	12.41	12.41	12.41	13.14	13.14
7 years	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71
10 years	12.30	12.30	12.30	12.30	13.26	13.26	13.26	13.26	13.26	14.08	14.08	14.08	14.08
15 years	13.66	15.16	15.16	15.05	15.05	15.35	15.76	15.76	15.76	15.76	15.76	14.63	14.63
20 years	15.24	15.24	15.13	15.17	15.40	15.45	15.76	15.64	15.71	15.71	15.28	15.28	15.28
25-year	16.13	16.13	15.38	15.38	15.38	15.42	15.42	15.93	15.93	15.84	15.84	15.84	15.84
Bank Rate	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00

Source: Bank of Tanzania

Table 7: Commercial Banks' Interest Rates

Percent

Items	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
A: Domestic currency													
Savings deposit rate	2.79	2.87	2.86	2.87	3.02	2.84	2.85	2.69	2.84	2.97	2.98	2.86	2.89
Overall time deposits rate	7.44	7.65	7.66	8.15	7.98	8.20	8.25	8.18	8.33	8.31	8.13	8.00	7.82
6 months	9.12	9.37	9.25	9.09	8.91	9.15	9.30	9.19	9.30	9.86	9.40	9.68	9.36
12 months	8.21	8.97	9.09	9.01	8.82	9.12	10.41	9.63	9.62	10.08	9.48	8.14	9.27
Negotiated deposit rate	9.33	9.72	9.86	9.96	10.12	9.88	10.27	10.14	10.39	11.80	11.40	10.35	10.52
Overall lending rate	15.42	15.47	15.30	15.29	15.26	15.54	15.67	15.67	15.71	15.73	15.14	15.50	15.16
Short-term (up to 1year)	15.93	15.98	15.57	15.67	15.50	15.67	16.06	15.56	15.74	15.70	15.77	15.83	16.15
Medium-term (2-3 years)	15.87	15.88	15.78	16.06	16.09	16.26	16.48	16.36	16.21	16.35	15.53	16.44	15.25
Long-term (3-5 years)	15.44	15.50	15.37	15.21	15.14	15.20	15.06	15.17	15.24	15.25	14.09	14.32	13.88
Negotiated lending rate	13.95	12.69	12.82	12.78	12.79	12.92	12.93	12.77	12.83	12.80	13.42	12.94	12.88
B: Foreign currency													
Savings deposits rate	0.79	0.90	0.97	0.53	1.28	0.91	0.73	0.71	0.81	0.90	0.76	0.77	0.53
Overall time deposits rate	3.77	3.65	3.91	3.97	3.73	3.68	3.85	3.99	4.20	4.22	4.23	2.98	2.94
6-months	4.39	4.46	4.38	3.74	4.40	4.54	4.59	4.44	4.36	3.89	4.11	3.81	3.55
12-months	4.49	4.40	4.44	4.26	3.89	3.21	3.83	3.57	3.54	3.62	3.88	3.50	3.01
Overall lending rate	8.10	8.19	7.23	8.34	8.56	8.44	8.77	8.53	8.80	8.83	8.97	8.93	8.89
Short-term (up to 1year)	8.74	8.77	6.58	9.10	9.55	9.41	9.50	9.50	9.44	9.89	9.93	9.99	9.97
Medium-term (2-3 years)	8.47	8.27	7.63	8.31	8.28	8.70	8.76	8.02	9.19	8.81	8.57	8.28	8.23
Long-term (3-5 years)	6.94	6.94	6.56	7.35	7.41	7.52	8.23	8.01	8.23	8.18	9.11	8.61	8.36

Source: Bank of Tanzania

Table 8: Bank of Tanzania Monetary Policy Committee Meetings Calendar for 2025/26

Quarter	MPC Meeting Date	Release of MPC Statement and Media Briefing
1st Quarter	July 2, 2025 (Wednesday)	July 3, 2025 (Thursday)
2nd Quarter	October 1, 2025 (Wednesday)	October 2, 2025 (Thursday)
3rd Quarter	January 7, 2026 (Wednesday)	January 8, 2026 (Thursday)
4th Quarter	April 1, 2026 (Wednesday)	April 2, 2026 (Thursday)

Note: The indicated dates may change if deemed necessary.

GLOSSARY

Central bank rate (CBR)

Means the interest rate set by the Monetary Policy Committee and used by the Bank to implement or signal its monetary policy stance.

Core inflation.

This is a measure of price movements caused by factors other than food and energy prices over a specified period. It provides a better indication of the effectiveness of monetary policy.

Gross Domestic Product (GDP)

GDP is defined as the total value of goods and services that are produced in the economy during an accounting period, generate net income for the economy, and are available for domestic final uses or for exports. It can be measured by production, expenditure, and income approaches.

Foreign Exchange Reserves

Foreign exchange reserves consist of external assets readily available to and controlled by the Bank of Tanzania for direct financing of the balance of payments and indirectly for regulating the magnitude of the balance of payments imbalances through intervention in foreign exchange markets. Gross official reserves comprise the Bank of Tanzania's holdings of monetary gold, special drawing rights (SDRs), reserve position in the International Monetary Fund, and foreign exchange resources available to the Bank of Tanzania for meeting external financing needs.

Inflation

The rate at which the average level of prices of a basket of selected goods and services in an economy is increasing over a period, normally a year. It is often expressed as a percentage. Inflation indicates a decrease in the purchasing power of a nation's currency.

Interbank cash market

A money market in which banks extend loans to one another for a specified term of not more than 90 days. Each transaction represents an agreement between the banks to exchange the agreed amounts at the specified rate on a fixed date.

Interest rate-based monetary policy

This is a monetary policy approach used by central banks to control the level of inflation and economic growth by influencing the interest rates in the economy. In this approach, the Bank of Tanzania sets the policy rate (central bank rate) on quarterly basis to influence the cost and availability of credit in the economy and uses various instruments, such as open market operations, statutory minimum reserve requirements to affect the level of the liquidity in the economy.

Money Supply (M)

The sum of currency circulating outside the banking system and deposits of residents with banks are defined in various levels of aggregation. In Tanzania, three aggregates of money supply are compiled and reported, namely: narrow money (M1), broad money (M2), and extended broad money (M3).

M1 - Currency in circulation outside the banking system plus demand deposits (cheque account) of residents with banks in the country

M2 - M1 plus fixed deposits and savings deposits of residents with banks in the country

M3 - M2 plus residents' foreign currency deposits

Nominal Effective Exchange Rate (NEER)

NEER is a measure of the value of a currency against a weighted average of several foreign currencies.

Non-Food Inflation

This is a measure of price movements caused by factors other than food prices.

Non-performing Loan

A non-performing loan means any credit accommodation for which contractual obligation for repayment is past due for more than ninety days or is classified as substandard, doubtful or loss under the criteria prescribed in the Banking and Financial Institutions (Management of Risk Assets) Regulation, 2014 or other regulations for development finance institutions or microfinance, as the case may be, and is placed on a non-accrual basis.

Public Debt

This is debt payable or guaranteed by the government. Tanzania's public debt has two main components: domestic debt (incurred principally to finance fiscal deficit) and external debt (raised primarily to finance development projects). It comprises the debt the central government owes to foreign creditors and external obligations of government departments and agencies that are guaranteed for repayment by the Government.

Real Effective Exchange Rate (REER)

REER is the weighted average of a country's currency in relation to an index or basket of other major currencies adjusted to inflation.

Repurchase agreements (Repo)

An arrangement involving the sale of securities at a specified price with a commitment to repurchase the same or similar securities at a fixed price on a specified future date.

Reverse repo

An arrangement involving the buying of securities at a specified price with a commitment to resale the same or similar securities at a fixed price on a specified future date.

Reserve Money (M0)

This refers to the Bank of Tanzania's liabilities in the form of currency in circulation outside the banking system, cash held by banks in their vaults, and bank deposits kept with the Bank of Tanzania in national currency. Reserve money is also referred to as base money, the monetary base, or high-powered money.

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