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MONETARY POLICY STATEMENT

Mid-Year Review
2025/26

GOVERNOR
BANK OF TANZANIA

February 2026



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5th February 2026

Hon. Ambassador Khamis Mussa Omar (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 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 formulation and implementation of monetary policy in support of the broader macroeconomic objectives of the Government. Consistent with this, I hereby submit the *Monetary Policy Statement, Mid-Year Review of the Bank of Tanzania for 2025/26*, for subsequent submission to the Parliament.

This Statement provides the assessment of the global and domestic economic conditions, the progress made in implementing the monetary policy, and its outcomes in the first half of 2025/26. In addition, it provides an outlook for the global and domestic economic conditions and describes the direction of the monetary policy stance in the second half of 2025/26 to achieve its policy objectives.

Yours Sincerely,

Emmanuel M. Tutuba
GOVERNOR
BANK OF TANZANIA



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EXECUTIVE SUMMARY

Monetary policy stance and implementation

In June 2025, the Bank issued the Monetary Policy Statement for 2025/26 indicating that, due to projection of inflation being within the target of 3–5 percent, it will pursue an accommodative monetary policy stance to further support economic growth. Based on this, in July 2025, the Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) from 6 percent to 5.75 percent, and maintained it in the subsequent quarter, as inflation was forecast to continue remaining low within the target.

The Bank ensured that liquidity in the interbank money market was adequate and consistent with economic demand. The 7-day interbank rate, which the Bank uses as the specific day-to-day operating target to directly influence liquidity in the market, evolved within the established CBR corridor of ± 2 percentage points. This demonstrates the Bank's control over short-term interest rates to achieve the inflation target and support economic growth.

Global economy

Based on reports issued in early January 2026, the global economy demonstrated notable resilience in 2025, amid increased geopolitical conflicts, trade tariffs, and policy uncertainties. The IMF estimates global output to have expanded steadily by 3.3 percent in 2025, unchanged from the preceding year. Inflation eased in most countries in the first half



of 2025/26, with some central banks managing to achieve the targets. Commodity prices varied significantly, with gold price reaching a record high of above USD 4,309 per troy ounce due to safe-haven demand, and crude oil price falling to an average of USD 64.8 per barrel driven by increase in supply amid sluggish demand.

Domestic economy

The domestic economy in 2025 demonstrated strong, resilient, and broad-based growth. In Mainland Tanzania, GDP grew by 6 percent in the first three quarters of 2025, and based on leading high frequency economic indicators, the economy is estimated to have grown by 5.9 percent in 2025. This is slightly below the initial projection of 6 percent, but up from 5.5 percent recorded in 2024. The main growth drivers were agriculture, construction, and mining. The Zanzibar economy grew robustly at 6.7 percent in the first three quarters of 2025, mainly driven by tourism, construction, and manufacturing activities. For the full year of 2025, the Zanzibar economy is estimated to grow by 6.8 percent.

Inflation remained low and stable in the first half of 2025/26. In Mainland Tanzania, it fluctuated between 3.1 percent and 3.6 percent, well-within the 3–5 percent medium-term target range. In Zanzibar, inflation declined, averaging 3.7 percent. The main contributing factors for the low inflation were prudent monetary policy, stable food prices, and exchange rate stability. These factors were complemented by low inflation in the country's trading partners and a decline in oil prices in the world market.



Interest rates on loans and deposits remained broadly stable. Lending rates averaged around 15 percent, negotiated lending rates were around 13 percent, and deposit rates at 9 percent. Money supply expanded steadily by 21.8 percent, consistent with the monetary policy stance and expansion of economic activities. Banks' credit to the private sector expanded strongly by about 17.6 percent, indicating improved economic conditions and increased business confidence.

Fiscal performance during the first half of 2025/26 was satisfactory. Domestic revenue in Mainland Tanzania was in line with the target, reflecting improvement in domestic revenue mobilization and the expansion of economic activities. Fiscal performance was also strong in Zanzibar, with the resource envelope exceeding the target by 1.9 percent. Expenditure was aligned with available resources in both economies. The public debt remains sustainable, and the risk of debt distress was moderate. The ratio of the present value of debt to GDP in 2024/25 declined to 40.7 percent from 41.1 percent in the preceding year. This level is well below the debt sustainability threshold of 55 percent.

The external sector of the economy continued to improve. The current account deficit narrowed to a five-year low of 2.2 percent of GDP in 2025, on account of a significant improvement in exports of gold, tourism, agricultural products, and manufactured goods. The decline in global oil prices also contributed to the improvement in the current account deficit. The Zanzibar economy sustained a current account surplus, driven primarily by tourism and decline in import prices.



Liquidity in the foreign exchange market was adequate, mainly driven by proceeds from exports of gold, tourism, agriculture products, and transportation. The Shilling remained stable against USD, recording an appreciation of about 5.5 percent. Foreign exchange reserves were high, exceeding USD 6.3 billion, with monetary gold accounting for 13 percent. This level was sufficient to cover about 4.9 months of imports, above the minimum requirement of 4 months.

The financial sector was sound, stable, and resilient to short and medium-term shocks, with all indicators hovering within the desirable thresholds. The banking sector was adequately capitalized, liquid, and profitable. The quality of assets improved, as the ratio of non-performing loans to gross loans decreased to 2.8 percent at the end of December 2025, below the maximum tolerable level of 5 percent.

Payment systems were resilient, operating smoothly and efficiently in facilitating economic activities. The Bank continued to modernize the payment systems and implemented measures to provide additional use cases to increase uptake. The Bank also continued to enforce compliance with guidelines and directives on pricing aimed at ensuring affordability of digital payments.

Economic outlook for second half of 2025/26

Global economy

Global economic growth continues to show notable resilience, despite increased geopolitical, trade tariffs, and policy uncertainties. IMF forecast global economy to grow steadily at 3.3 percent in 2026, an



upward revision of 0.2 percentage points compared to the October 2025 forecast. Inflation is forecast to continue declining in most economies in the second half of 2025/26, attributable to stability of energy prices and easing supply-side constraints. Owing to this trend, central banks are expected to continue cutting policy rates to support growth.

Commodity prices are expected to exhibit a mixed trend, with gold prices continuing to rise and oil prices moderating. Oil prices are projected to fluctuate narrowly, ranging from USD 62-65 per barrel, attributable to ample supply and subdued demand. The price of gold is projected to increase, reaching above USD 5,000 per troy ounce, driven by a sustained safe-haven demand. This favourable outlook is expected to support stable inflation and increased production in Tanzania.

Domestic economy

Inflation is forecast to remain within the target of 3-5 percent in the second half of 2025/26, driven by stability in food prices, exchange rate, and moderate prices of imports. The risk of inflation outlook is low. The Market Perception and CEOs Surveys conducted in December 2025 also indicate that the economy will continue to experience a low-inflation environment.

Economic conditions in the second half of 2025/26 are projected to remain favourable, supporting a robust growth. In Mainland Tanzania, GDP growth in the second half of 2025/26 is projected to accelerate to more than 6 percent. The growth will be broad-based, driven mostly by agriculture, mining, and construction. The Zanzibar economy is projected to grow at 7.2 percent in 2026, mainly driven by construction,



tourism, and manufacturing activities. The Market Perception and CEOs Surveys conducted in December 2025 also indicate that the economy will continue to expand. The risk to the growth outlook is low, largely due to the widely diversified economic activities.

Monetary policy stance for the second half of 2025/26

Considering that inflation is forecast to remain within the target range of 3–5 percent, monetary policy stance for the second half of 2025/26 will remain less restrictive. Accordingly, the MPC in January 2026 maintained the CBR at 5.75 percent for the quarter ending March 2026. The MPC decision in January 2026 reflects the need to support robust economic growth, given the low risk to the inflation outlook. The MPC will meet in April 2026 to set the CBR for April-June 2026. In line with the inflation and growth forecasts, the Bank will implement monetary policy to ensure the 7-day interbank rate evolves within the CBR target band.

To strengthen the effectiveness of monetary policy, the Bank will continue implementing reforms to improve functioning of the interbank money market and raise awareness among stakeholders to deepen understanding of the interest rate-based monetary policy framework. In addition, the Bank will continue encouraging digital payments and ensure compliance with the regulations which require residents to conduct domestic transactions in Shillings. Furthermore, interest rates will remain market-determined, with the CBR serving as the key policy signal in guiding interest rate setting. The Bank will work closely with financial sector stakeholders to enhance financial literacy, inclusion, and consumer protection.



Likewise, the exchange rate will continue to be determined by market forces, helping to absorb external shocks and support efficient market functioning. The Bank will intervene in the interbank foreign exchange market to smooth short-term volatility, build foreign reserves, and support monetary policy implementation. The Bank will also maintain adequate foreign reserves and ensure compliance with foreign exchange regulatory frameworks.



PART I

1.0 INTRODUCTION

The Monetary Policy Statement published in June 2025 outlined the monetary policy stance for 2025/26, considering the global and domestic economic outlook as well as associated risks. Considering that inflation was forecast to remain within the target range of 3-5 percent, the Bank planned to implement a cautious accommodative monetary policy to support economic growth. Growth projections in 2025 were 6 percent and 6.5 percent for Mainland Tanzania and Zanzibar, respectively.

This *Monetary Policy Statement for 2025/26, Mid-Year Review* assesses the implementation of monetary policy and its outcomes during the first half of 2025/26. It also reviews the global and domestic economic developments. Furthermore, the review provides an updated outlook for the global and domestic economic conditions, laying foundation for the monetary policy stance in the remainder of 2025/26 to ensure price stability and support economic growth.

In addition to Part I, the Statement is organized as follows: Part II details the monetary policy stance, as well as implementation of the monetary policy and its outcomes in the first half of 2025/26. Part III provides an overview of the recent global economic developments, 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 concludes the discussion by presenting the stance of monetary policy for the second half of 2025/26.



Box 1: Monetary Policy Framework of the Bank of Tanzania

The Bank of Tanzania is mandated to formulate and implement monetary policy, among others. Monetary policy involves actions or decisions taken to influence the amount of money circulating in the economy, which contributes to the determination of interest rates banks and financial institutions offer to customers.

Monetary policy's objectives are to maintain price stability, defined as a low and stable inflation rate over time, and to support economic growth. Inflation is measured as an annual change in the consumer price index, expressed in percentage. In the medium term (up to 5 years), the inflation target is 3-5 percent.

To fulfil these objectives, the Monetary Policy Committee (MPC) assesses economic conditions and determines the policy rate—Central Bank Rate (CBR)—which is consistent with maintaining low and stable inflation and supporting economic growth. The CBR is set to influence other interest rates in the economy. This influences consumers' and firms' decisions, thereby affecting inflation and output growth. The Bank of Tanzania implements monetary policy by steering the 7-day interbank interest rate, which is the operating target variable, along the CBR.

To align the operating target with the policy rate, the Bank uses a variety of monetary policy instruments. The main instruments are repurchase agreements (repo and reverse repo), 35- day and 91-day Treasury bills, statutory minimum reserve requirement ratio (SMR), and sale or purchase of foreign currency in the inter-bank foreign exchange market. There are also standing lending facilities—intraday and Lombard loans—that are granted to all banks on demand to facilitate smooth and efficient settlement of payments.

In implementing the Monetary Policy, the Bank exercises a high degree of transparency in its actions and decisions. The decisions of the MPC, which include setting 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, Monetary Policy Report, and other periodic reports containing outcomes of monetary policy implementation, monetary policy stance, decisions on policy rate, and the performance of the economy at large. The reports are available on the Bank of Tanzania website (www.bot.go.tz)



Box 2: The Legal Framework of Monetary Policy

- i. At the beginning of every fiscal year, the Bank of Tanzania indicates the direction or 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

2.1 Monetary Policy Stance

During the first half of 2025/26, monetary policy continued to focus on maintaining inflation within the target range of 3-5 percent and facilitating economic growth to reach the projection of 6 percent in Mainland Tanzania and 6.5 percent in Zanzibar in 2025. Owing to the projection of inflation being within the target, the Bank pursued an accommodative monetary policy stance to support the attainment of high economic growth. The Monetary Policy Committee (MPC) held two quarterly meetings, in July and October 2025, to assess the global and domestic economic conditions for the determination of the Central Bank Rate (CBR).

In July 2025, the MPC lowered the CBR from 6 percent to 5.75 percent for the quarter ending September 2025. The decision was motivated by projected inflation being within the target of 3-5 percent. This was supported by adequate food supply, exchange rate stability, and favourable external environment, which was expected to reduce imported inflation. Economic growth was forecast to sustain its high growth momentum, aided by improving business environment, financial sector stability, and steady demand for credit by the private sector. At the October 2025 meeting, the MPC maintained the CBR at 5.75 percent for the quarter ending December 2025, as inflation was forecast to remain within the target. Economic activity was expected to sustain its recovery momentum.



2.2 Monetary Policy Implementation

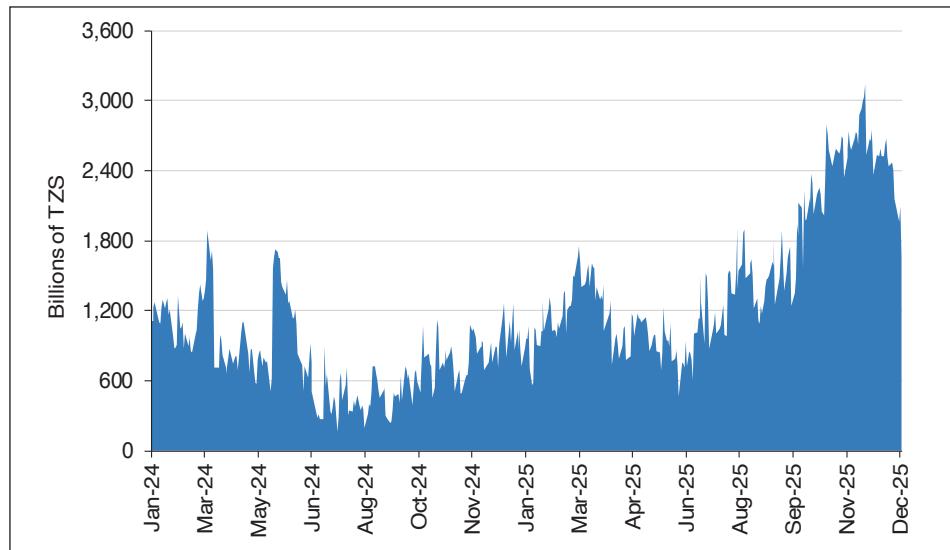
Monetary policy operations focused on maintaining adequate liquidity in the interbank money market to ensure the 7-day interbank rate, which is the operating target, moves within ± 2 percentage points of CBR. In view of this, the Bank injected liquidity using reverse repurchase agreements (reverse repo) and mopped up liquidity by conducting repurchase agreements (repo) and auctioning of 91-day Treasury bills¹. The Bank also sold and purchased foreign exchange in the interbank foreign exchange market and conducted foreign exchange swaps with banks for liquidity management, besides the objective of ensuring orderly market conditions.

The implementation of monetary policy ensured adequate liquidity in the interbank money market, consistent with economic demand. Liquidity increased, as reflected by the level of banks' reserves (clearing balances) (Chart 2.1). The increase in liquidity enhanced banks' ability to extend credit to the private sector, thus contributing to economic growth. The 7-day interbank rate was kept within the interest rate target corridor of ± 2 percentage points of CBR, at times fluctuating close to the CBR (Chart 2.2). This demonstrates the Bank's control over short-term interest rates in facilitating achievement of inflation target and support economic growth.

¹ The 35-day and 91-day Treasury bill are designated for monetary policy operations.

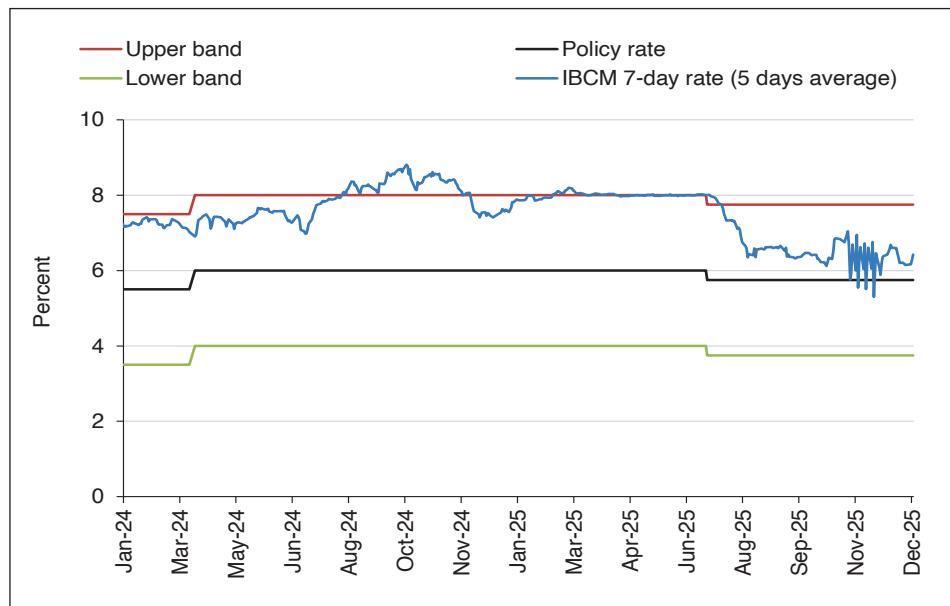


Chart 2.1: Banks Clearing Balances



Source: Bank of Tanzania

Chart 2.2: Central Bank Rate and 7-day Interbank Rate



Source: Bank of Tanzania



PART III

3.0 GLOBAL ECONOMY

3.1 Output Performance

The global economy demonstrated resilience to elevated trade tariffs, geopolitical conflicts, and economic uncertainty. The resilience was aided by strong demand and investments, good progress in trade tariff negotiations, and monetary policy easing. Based on these positive developments, the IMF in January 2026 revised upward the growth estimates for 2025 to 3.3 percent from the initial forecast of 3.2 percent (Table 3.1)². In advanced economies, growth is estimated at 1.7 percent, with US expected to grow at 2.1 percent driven by technological investments. Growth in Euro Area remains moderate at 1.4 percent supported by increase in public spending. Among emerging markets, India is expected to register a higher growth, benefiting from infrastructure spending and digital sector growth, while China's growth is expected to be strong, fuelled by technology pullovers. Sub-Saharan Africa growth is also projected to remain strong.

² IMF World Economic Outlook, January 2026.



Table 3.1: Real GDP Growth

	Percent																										
	IMF			OECD			WB			IMF			OECD			WB			IMF			OECD			WB		
	2023			2024			2025			2026																	
Global	3.0	2.9	2.1	3.3	3.2	2.7	3.3	3.1	2.7	3.3	2.9	2.4															
Advanced Economies	1.5	n.a	0.7	1.8	n.a	1.7	1.7	n.a	1.7	1.8	n.a	1.4															
United States	2.1	2.4	1.1	2.8	2.8	2.8	2.1	2.2	2.3	2.4	1.7	1.6															
Euro area	0.7	0.6	1.3	0.9	0.7	0.7	1.4	1.0	1.0	1.3	1.2	0.8															
United Kingdom	0.5	n.a	n.a	1.1	0.9	n.a	1.4	1.4	n.a	1.3	1.2	n.a															
Japan	2.0	1.7	0.8	0.1	0.1	0.0	1.1	1.1	0.9	0.7	0.9	0.8															
EMEs and dev. Econ.	4.0	n.a	4.0	4.3	n.a	4.1	4.4	n.a	4.1	4.2	n.a	3.8															
Brazil	3.0	3.0	1.2	3.4	3.4	3.2	2.5	2.1	2.2	1.6	1.7	2.2															
Russia	2.2	n.a	n.a	4.1	4.1	3.4	0.6	1.3	1.6	0.8	0.9	1.2															
India	6.3	6.3	6.3	6.5	6.3	6.5	7.3	6.4	6.7	6.4	6.2	6.5															
China	5.0	5.2	5.6	5.0	5.0	4.9	5.0	4.1	4.5	4.5	4.4	4.0															
Sub Saharan Africa	3.3	n.a	3.2	4.0	n.a	3.2	4.4	n.a	4.1	4.6	n.a	4.1															

Source: IMF World Economic Outlook, January 2026, Update; World Bank, World Economic Prospects, June 2025; and OECD Economic Outlook, December 2025

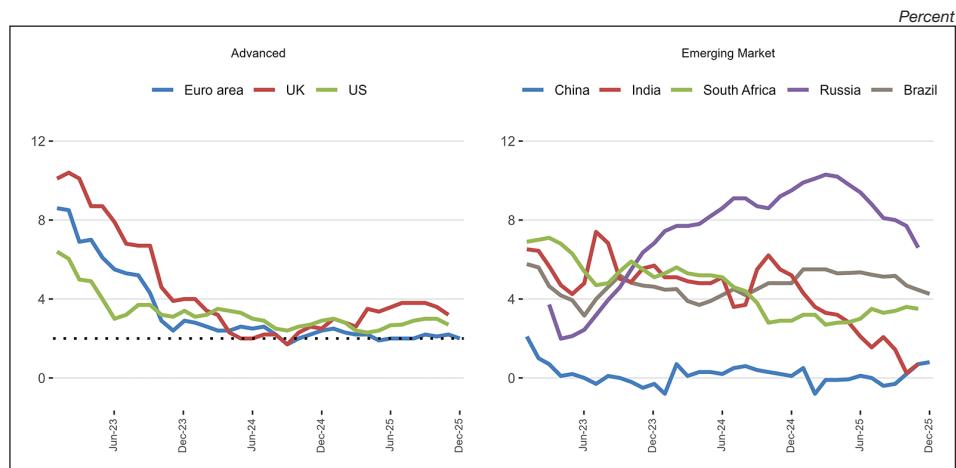
Note: n.a denotes data not available.

3.2 Inflation Developments

Inflation was low during the first half of 2025/26 and continues to trend downwards, in most countries reaching either close to, or below central bank targets, largely due to low fuel prices and carry-over impact of monetary policy tightening. In view of this, central banks either held policy rates stable or shifted to easier stance to support growth. In advanced economies, inflation trended close to the target of 2 percent, with the pace of disinflation being slow in countries which imposed trade tariffs (Charts 3.1a). In Sub-Saharan Africa, particularly the SADC and EAC blocs, most countries succeeded to achieve and align inflation within the convergence criteria (Charts 3.1b and 3.1c). This was due to lagged impact of monetary policy tightening, supported by low imported inflation and domestic stable food prices.



Chart 3.1a: Inflation in Advanced Economies and BRICS



Source: OECD and respective National Statistics Offices

Chart 3.1b: Inflation in EAC Countries

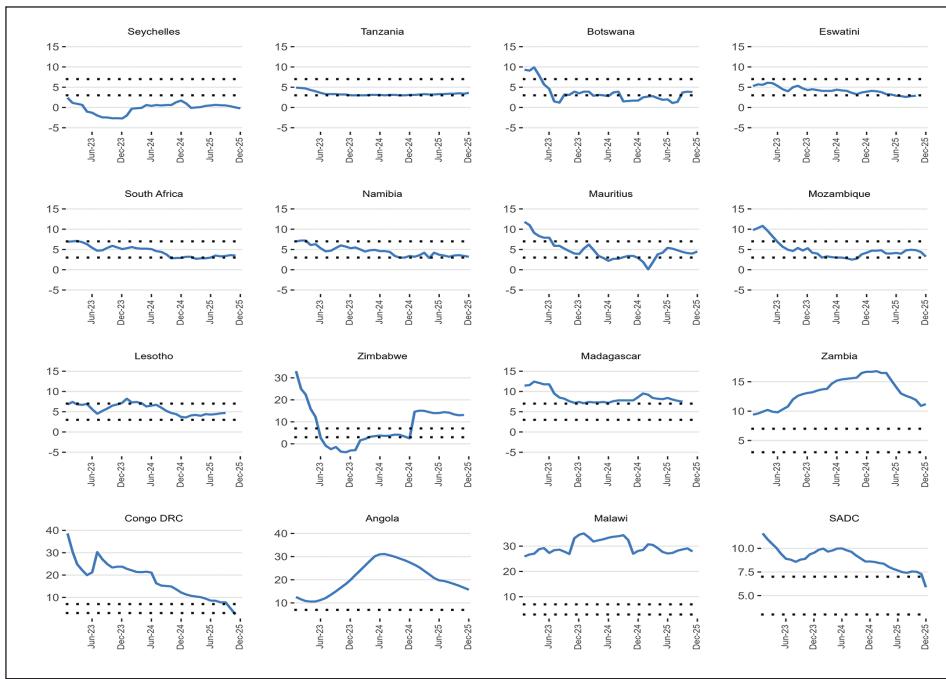


Source: Respective National Statistics Offices

Note: The dotted lines indicate the EAC convergence benchmark of not more than 8 percent



Chart 3.1c: Inflation in SADC Countries



Source: Respective National Statistical Offices and Central Banks

Note: The dotted lines indicate the SADC convergence benchmark of 3-7

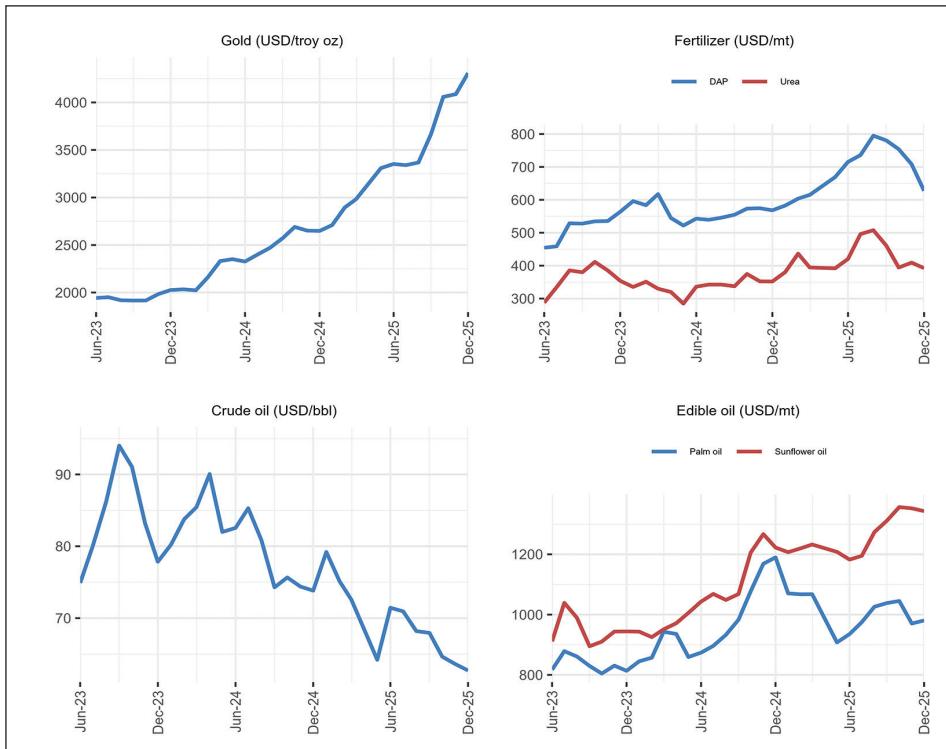
3.3 Commodity Prices

Commodity prices in the world market varied significantly during the first half of 2025/26. Crude oil prices trended downward, averaging USD 64.8 per barrel, attributable to ample supply amid subdued demand (Chart 3.2a). The low oil prices offered relief to Tanzania's inflation, foreign currency demand, and exchange rate pressures, given that oil imports were about 17 percent of goods imported. The price of gold remained elevated, reaching a record high of USD 4,309.2 per troy ounce in December 2025, on the back of persistent safe-haven demand and strong central bank purchases. The high price of gold boosted foreign exchange earnings, foreign exchange reserves, and stability of the exchange rate in Tanzania.



Prices of agricultural products were mixed, underpinned by supply and demand dynamics. Coffee prices decreased, with Arabica falling to USD 8.2 per kilogram and Robusta to USD 4.2 per kilogram, owing to high supply in major producing countries, such as Brazil and Vietnam. Similarly, the price of sugar fell to USD 320 per tonne due to a global surplus resulting from increased production in key countries such as India and Thailand. Cotton prices also declined amid easing demand in international markets and anticipated supply increases. Meanwhile, rice has shown resilience, with prices rising to USD 424 per tonne, primarily due to a rebound in import demand, particularly from China (Chart 3.2b).

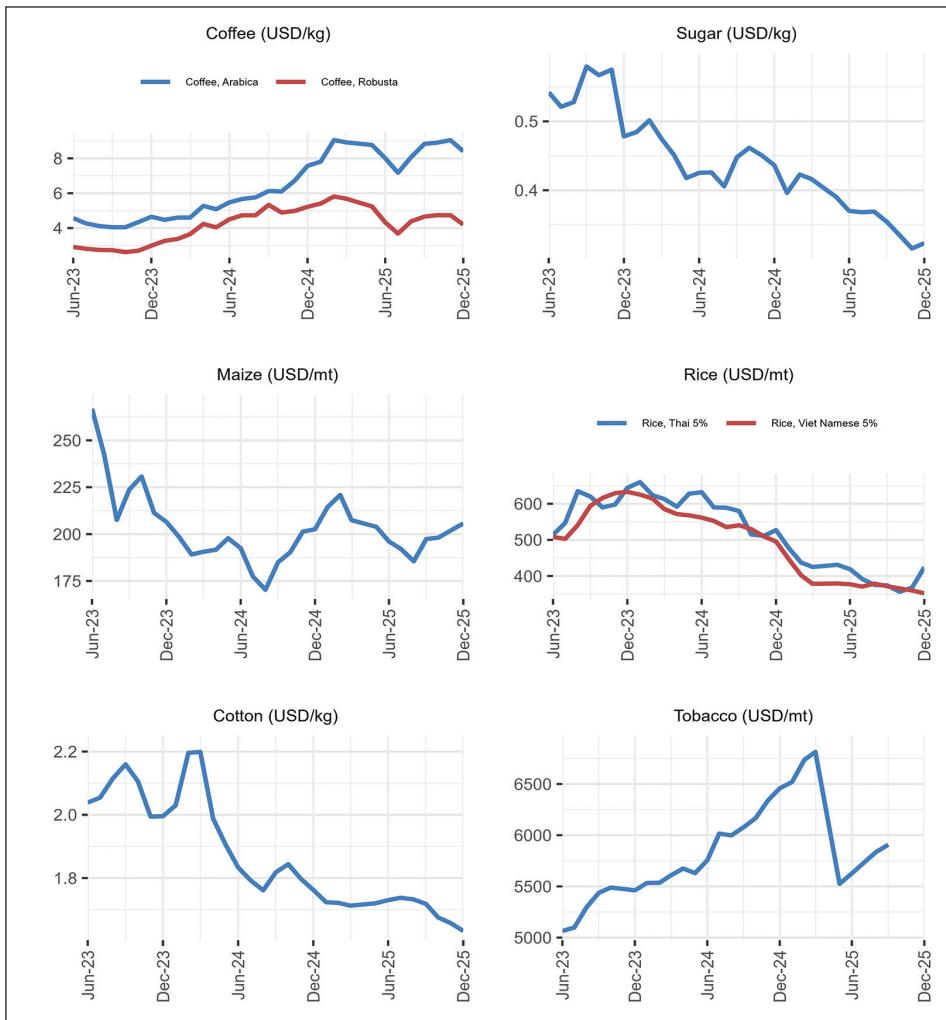
Chart 3.2a: World Market Prices of Commodities



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



Chart 3.2b: World Market Prices of Commodities



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



3.4 Global Financial Markets

During the first half of 2025/26, global financial markets exhibited mixed yield movements. This was underpinned by changes in inflation, output growth, labor markets, as well as monetary policy expectations and fiscal conditions. In the United States, Treasury yields declined across the curve, with the largest declines at the front end. In the Eurozone, yields increased across all maturities, while in the United Kingdom, they declined across the curve, supported by low inflation, subdued demand, and a 25-basis point policy rate cut. In China, the curve steepened as short-term yields remained broadly stable while medium and long maturities rose. In Australia, sovereign yields increased across the curve.



PART IV

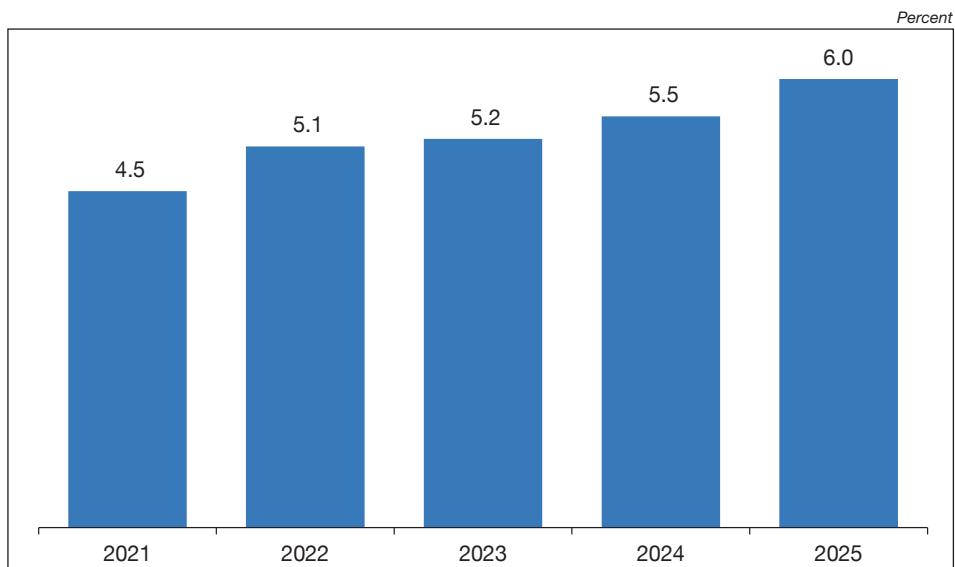
4.0 DOMESTIC ECONOMY

4.1 Output Performance

The economy continued to perform strongly. In the first three quarters of 2025, GDP growth was 6 percent compared with 5.5 percent in the corresponding period a year earlier. This was supported by private and public investment, alongside improvements in domestic policies implementation and external conditions. Based on the performance of high frequency economic indicators, growth in the fourth quarter 2025 is estimated to be 5.8 percent. The robust growth was broad-based, reflecting the diversified nature of the economy, with agriculture, construction, and mining contributing the most (Chart 4.1a and Chart 4.1b). This performance was supported by improved infrastructure, alongside improvements in business environment and policies, and the implementation of reforms to increase policy effectiveness. Based on the actual economic performance in the first three quarters of 2025 and the estimates for the fourth quarter, the GDP growth in 2025 is estimated to be 5.9 percent.

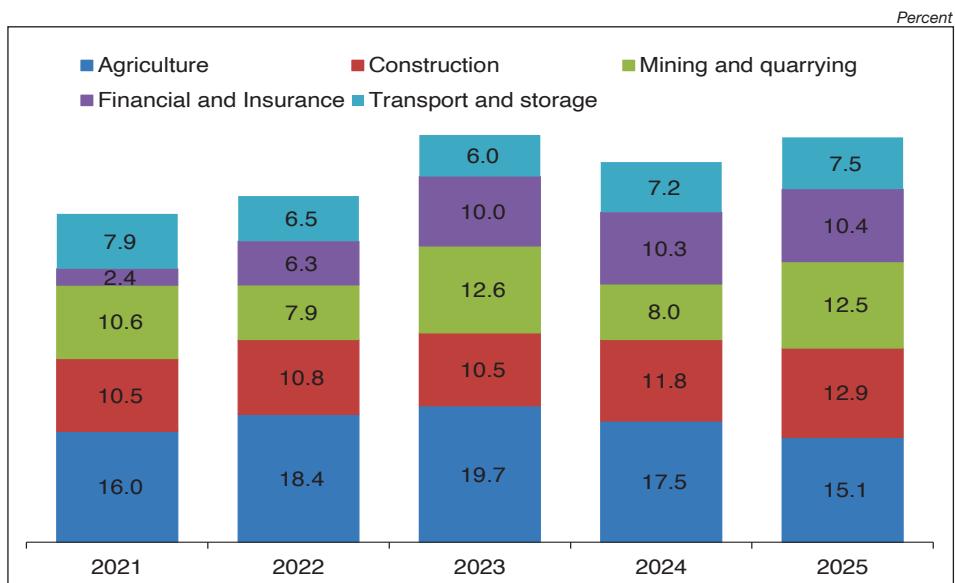


Chart 4.1a: Real GDP Growth (Jan-Sep)



Source: National Bureau of Statistics and Bank of Tanzania computations

Chart 4.1b: Contribution to Real GDP Growth (Jan-Sep)

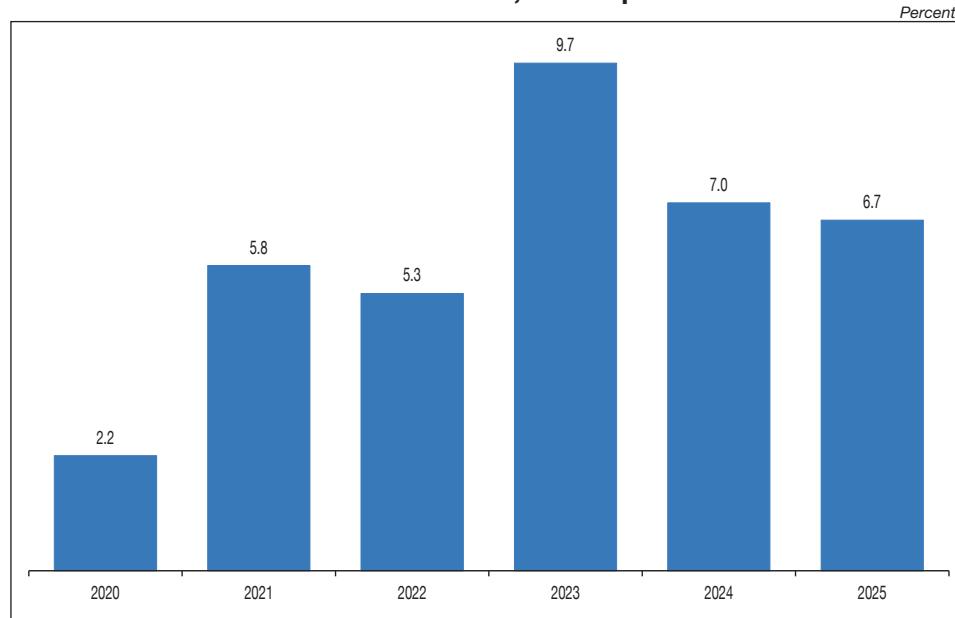


Source: National Bureau of Statistics and Bank of Tanzania computations



Economic growth in Zanzibar also remained robust, attributed to continued improvements in infrastructure, manufacturing, and tourism. In the first three quarters of 2025, the economy recorded a growth rate of 6.7 percent compared to 7 percent recorded during the corresponding period of 2024. The performance was mainly driven by accommodation and food services (which is mainly tourism), construction, and manufacturing activities (Charts 4.2a and 4.2b).

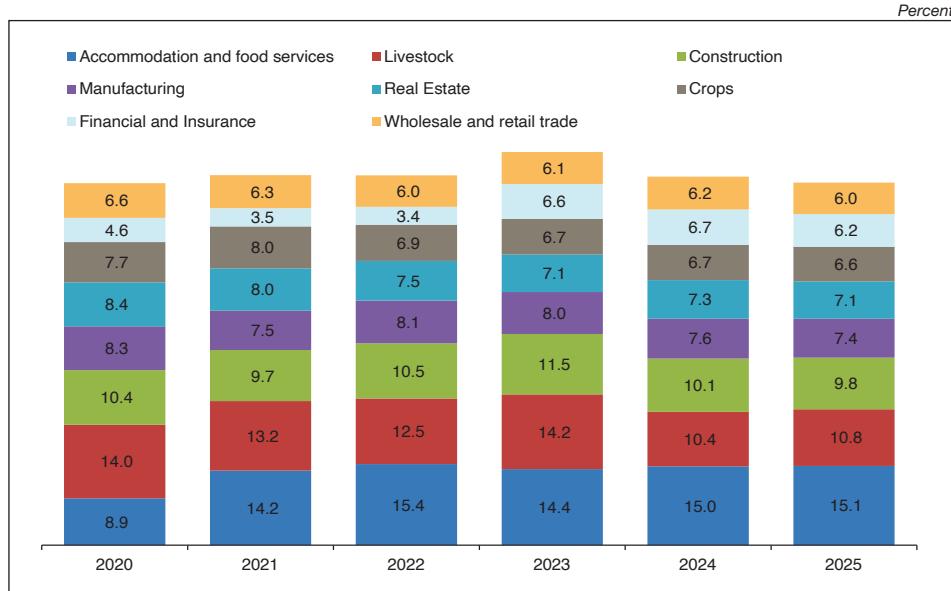
Chart 4.2a: Zanzibar Real GDP Growth, Jan-Sep



Source: Office of the Chief Government Statistician, Zanzibar



Chart 4.2b: Contribution to Zanzibar Real GDP Growth by Major Economic Activities, Jan-Sep



Source: Office of the Chief Government Statistician, Zanzibar

The Market Perception and CEOs Surveys conducted in December 2025 also attest to the high growth of both the Mainland Tanzania and Zanzibar economies.

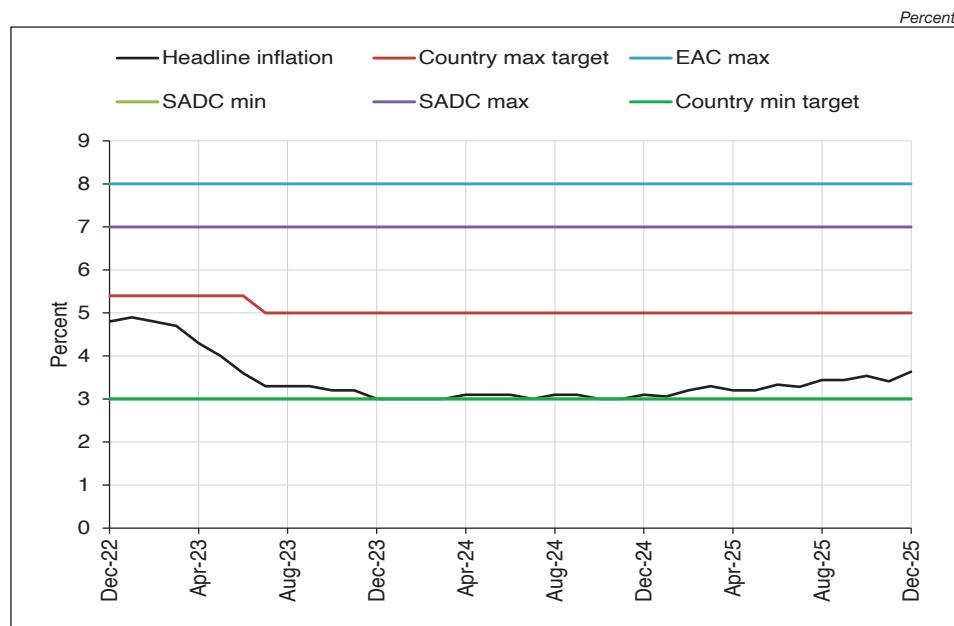
4.2 Inflation Developments

During the first half of 2025/26, inflation remained low and stable, fluctuating narrowly within the medium-term target range of 3-5 percent, and consistent with the EAC and SADC convergence criteria of up to 8 percent and 3-7 percent, respectively (Chart 4.3a). Twelve-month headline inflation averaged 3.5 percent compared with 3.1 percent in the corresponding period in 2024 (Chart 4.3b). Lagged impact of monetary policy tightening, subdued exchange rate pass-through, and reduced imported inflation of consumer goods, particularly petroleum



products, were the main contributing factors to the inflation outcome. Food inflation trended upward, averaging 7.2 percent in the first six months of 2025/26, compared with 2.8 percent in the similar period in 2024/25. Core inflation, which comprises the largest share of 73.9 percent in the consumer basket, slowed to an average of 2.1 percent from 3.2 percent, hence, contributing the most to headline inflation (Chart 4.3c).

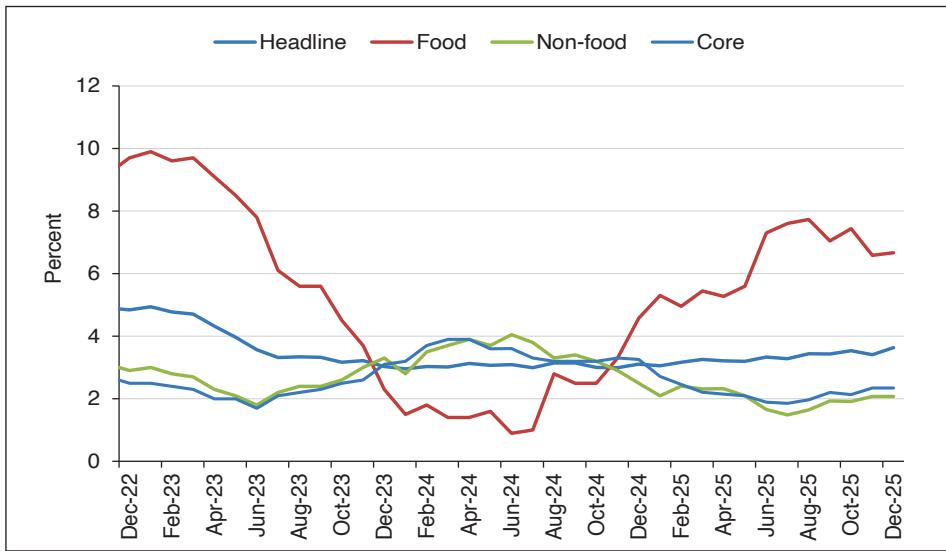
Chart 4.3a: Inflation Developments and Targets



Source: NBS and BOT computations

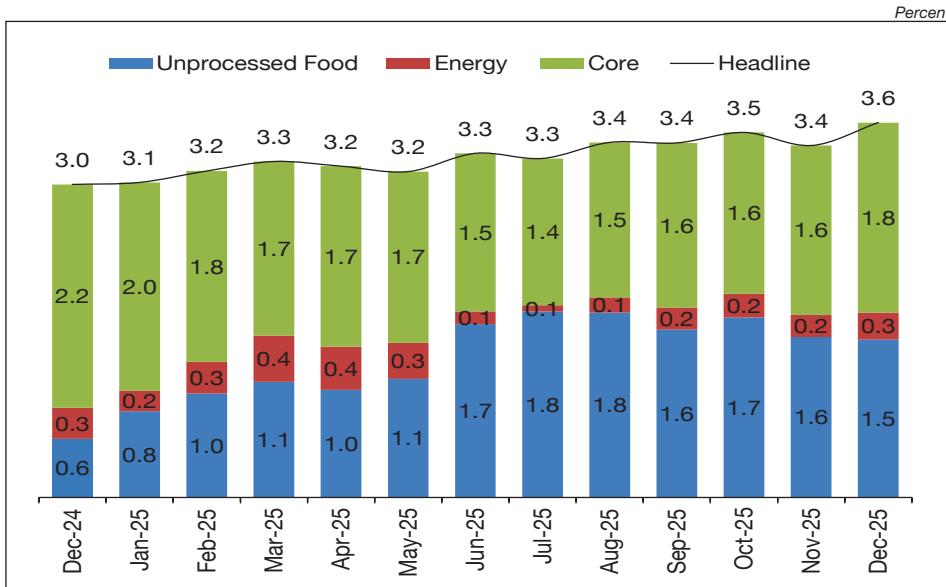


Chart 4.3b: Developments in Overall Inflation and its Main Components



Source: NBS and BOT computations

Chart 4.3c: Contribution to Headline Inflation

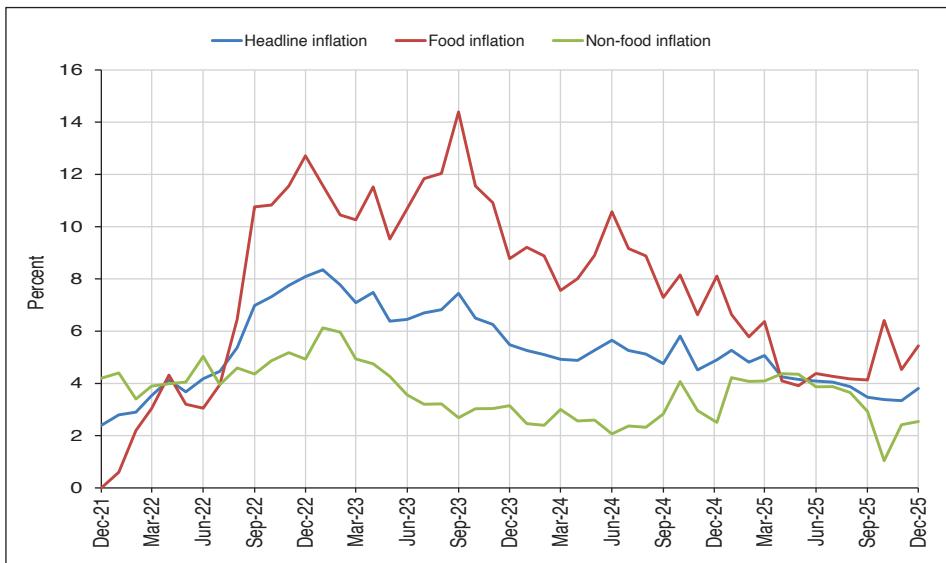


Source: NBS and BOT computations



Headline inflation in Zanzibar was also low, averaging 3.7 percent in the first half of 2025/26 compared with 5.1 percent in the corresponding period in 2024/25 (Chart 4.4 and Table 4.1). Food inflation averaged 4.8 percent, lower than 8 percent, mainly reflecting improved food supply, supported by the stability of the exchange rate. The moderation in food prices was also aided by reductions in import levies and wharfage fees, waivers of storage charges for food products, and directives to import food through local ports. Non-food inflation averaged 2.7 percent, slightly lower than an average of 2.8 percent. The decline is associated with the easing of energy prices in the global market.

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



Source: Office of the Chief Government Statistician, Zanzibar



Table 4.1: Zanzibar Inflation Developments

Main groups	Weight	Monthly change			Annual change			Percent
		Dec-24	Nov-25	Dec-25	Dec-24	Nov-25	Dec-25	
Food and non-alcoholic beverages	41.9	1.1	-2.7	2.0	7.9	5.3	6.2	
Alcoholic beverages, tobacco and narcotics	0.2	-8.3	1.8	-1.5	15.4	3.3	10.9	
Clothing and footwear	6.3	1.4	-0.2	0.2	2.0	5.3	4.0	
Housing, water, electricity, gas and other fuels	25.8	-1.1	0.8	-0.5	2.8	0.0	0.6	
Furnishings, household equipment and routine household maintenance	4.8	0.3	0.1	0.3	1.7	2.7	2.7	
Health	1.3	0.0	0.7	0.1	-2.4	2.1	2.2	
Transport	9.1	-0.1	0.4	-0.4	1.2	3.4	3.1	
Information and communication	4.2	0.7	0.0	0.1	3.5	0.7	0.1	
Recreation, sport and culture	1.1	2.1	0.7	1.1	4.9	6.4	5.3	
Education	1.6	0.0	-0.2	0.3	2.8	0.8	1.1	
Restaurants and accommodation services	1.4	0.0	0.0	0.4	13.7	1.9	2.2	
Insurance and financial services	0.5	0.0	0.0	0.0	0.0	0.0	0.0	
Personal care, social protection and miscellaneous goods and services	1.7	0.0	-0.3	0.2	0.8	4.5	4.8	
All items (Headline inflation)	100.0	0.4	-1.0	0.8	4.9	3.3	3.8	
Selected groups								
Food	41.9	1.2	-2.8	2.0	8.1	4.5	5.4	
Non-food	58.6	-0.3	0.4	-0.1	2.5	2.4	2.5	

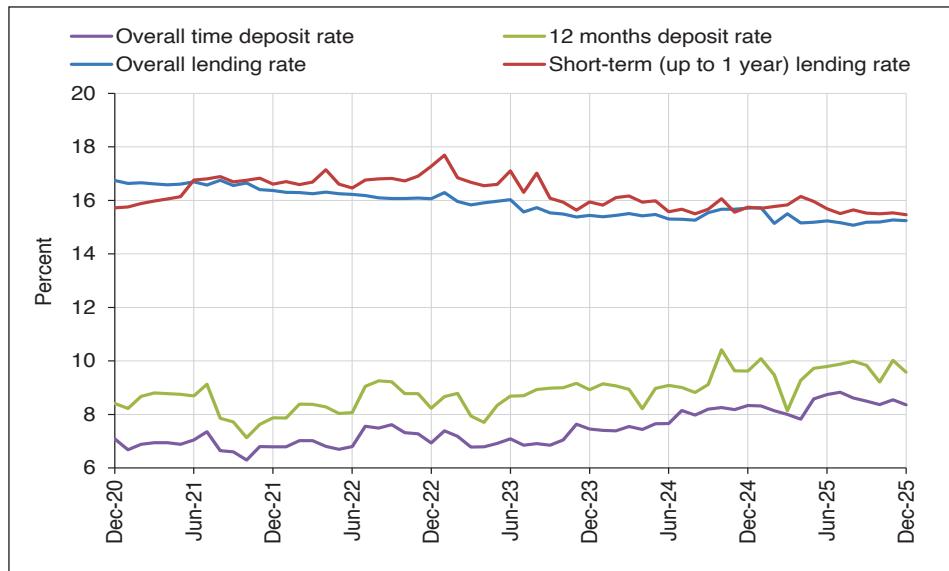
Source: Office of the Chief Government Statistician, Zanzibar

4.3 Interest Rates

Interest rates on loans and deposits remained broadly stable. Lending rates were around 15 percent, negotiated lending rates at around 13 percent. Deposit rates averaged 9 percent while, negotiated deposit rates at around 11 percent (Chart 4.5a). Treasury bill yields declined, due to an increase in investors and desire to invest (Chart 4.5b).

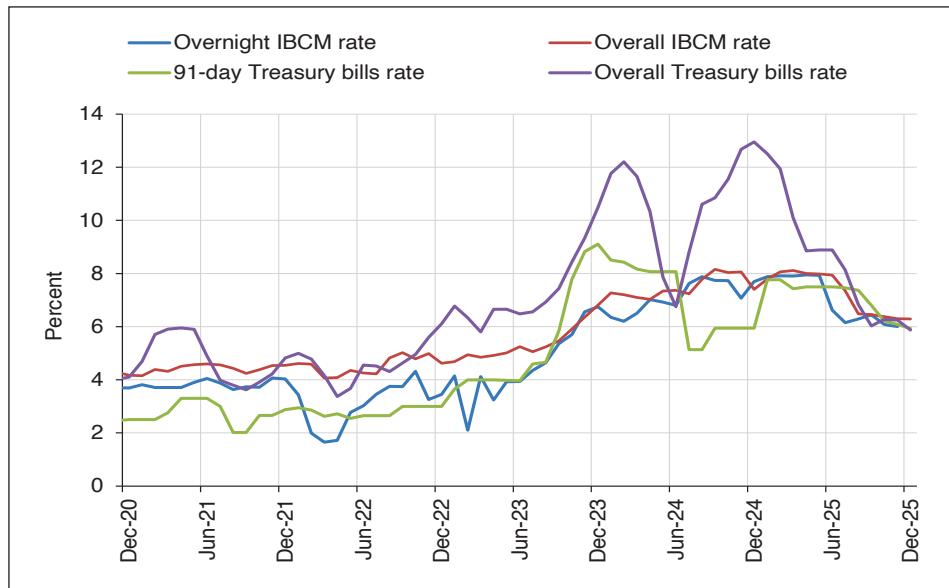


Chart 4.5a: Lending and Deposit Interest Rates



Source: Banks and Bank of Tanzania calculations

Chart 4.5b: Money Market Interest Rates



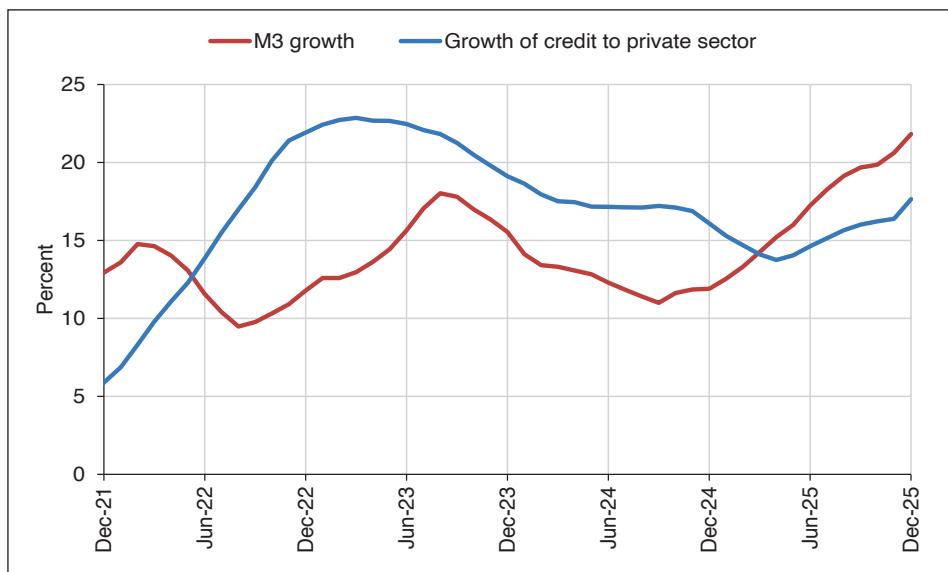
Source: Banks and Bank of Tanzania calculations



4.4 Money Supply and Credit

Money supply expanded at a steady pace, consistent with the monetary policy stance. The growth of the extended broad money supply (M3) averaged 21.8 percent in the first half of 2025/26, mainly driven by strong growth of credit to the private sector, which grew by 17.6 percent, a little more than 16.1 percent in the corresponding period in 2024/25. The strong credit growth reflects improvement in economic conditions, coupled with supportive monetary policy (Chart 4.6a and Chart 4.6b). Growth was also underpinned by targeted policy measures to enhance access to credit, such as credit guarantee schemes and the Bank's credit window for lending to agriculture.

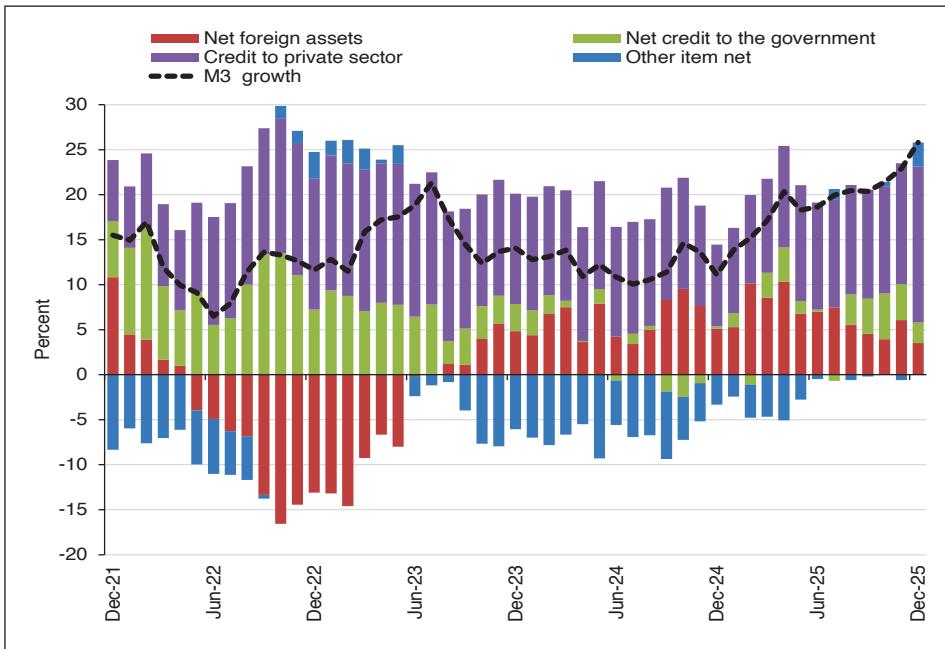
Chart 4.6a: Money Supply and Private Sector Credit Growth



Source: Bank of Tanzania



Chart 4.6b: Contribution to M3

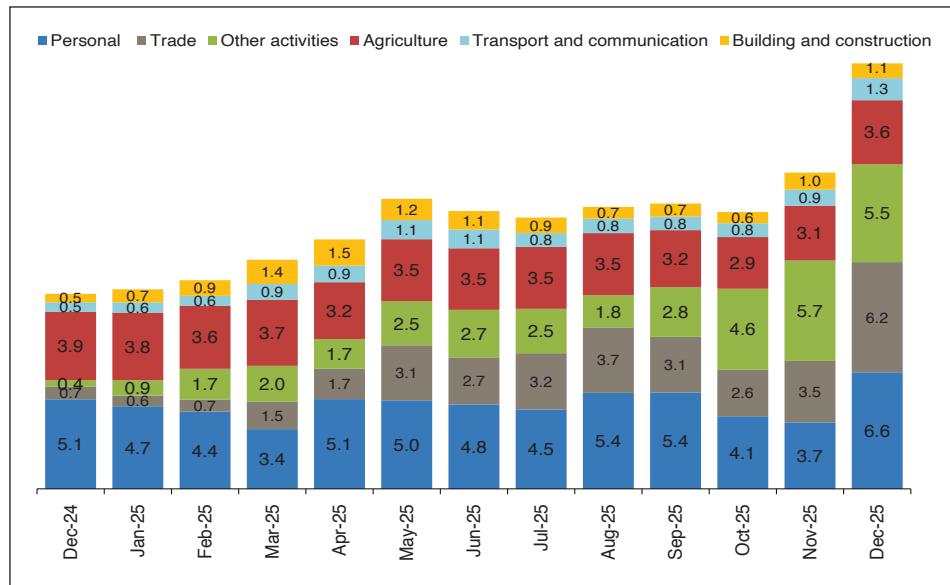


Source: Bank of Tanzania

All major economic activities recorded an increase in credit growth, with personal loans, which largely represent financing to small and medium-sized enterprises (SMEs), remaining dominant, followed by trade and agriculture (Chart 4.7a). Credit to agriculture was largely supported by funds from the Bank's TZS 1 trillion special loan and the SMR relief windows, which have enhanced access to affordable financing to farmers and agribusinesses. In terms of credit composition, personal loans also continued to dominate at 36 percent, followed by trade (15.3 percent) and agriculture at 13.2 percent (Chart 4.7b).

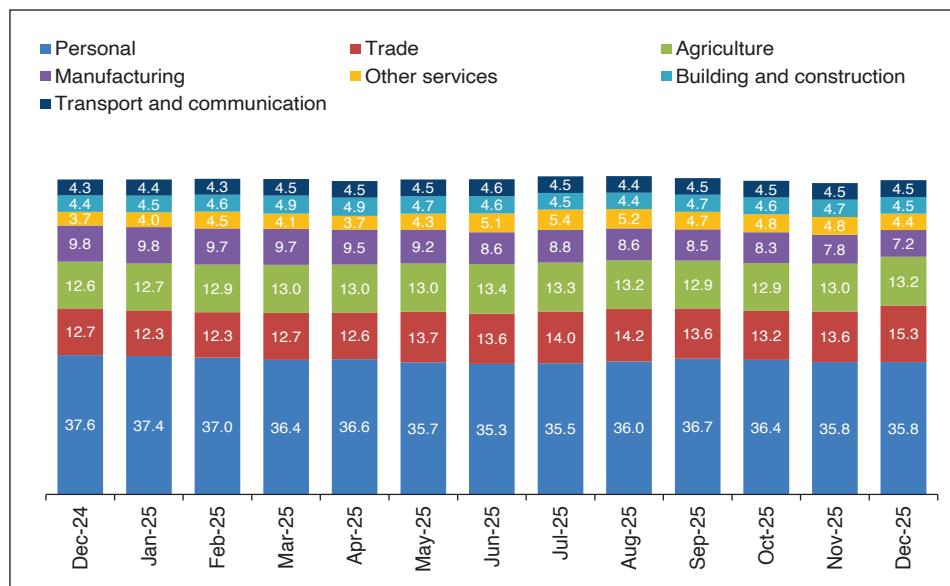


Chart 4.7a: Contribution to Credit Growth, in Percentage



Source: Banks and Bank of Tanzania calculations

Chart 4.7b: Share of Credit by Economic Activities, in Percentage



Source: Banks and Bank of Tanzania calculations



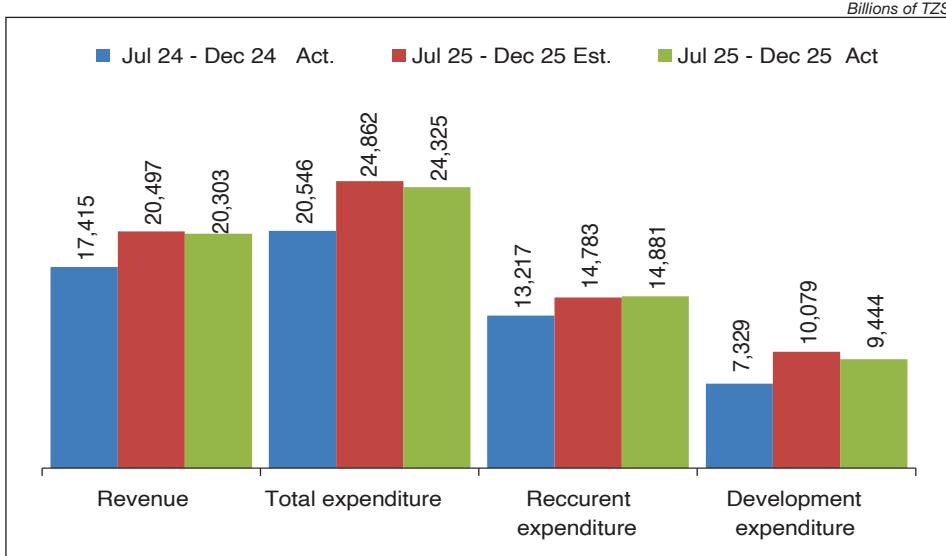
4.5 Fiscal Performance

Fiscal policy continued to focus on strengthening revenue mobilization and aligning expenditure with available resources. Fiscal performance in Mainland Tanzania during the first half of 2025/26 was broadly satisfactory. Domestic revenue amounted to TZS 20,303 billion (Chart 4.8a). Tax revenue reached TZS 16,908.2 billion, exceeding the projection by 3 percent, supported by enhanced tax administration and increased taxpayer compliance. Non-tax revenue amounted to TZS 3,394.8 billion, equivalent to 83 percent of the target. Expenditure amounted to TZS 24,324.6 billion, with development expenditure accounting for 38.8 percent.

Fiscal performance in Zanzibar was strong. The resource envelope, which comprises revenue and grants, was TZS 1,186.6 billion, above the target by 1.9 percent. Domestic revenue amounted to TZS 1,079.8 billion, equivalent to 96.2 percent of the target, while grants totalled TZS 106.7 billion, more than twice the projection. Tax revenue was 99.2 percent of the target, with all tax categories exceeding their targets except for income tax and other taxes. Non-tax revenue was 75.4 percent of the target (Chart 4.8b). Expenditure amounted to TZS 1,905.8 billion, of which development expenditure was about half (Chart 4.8c).



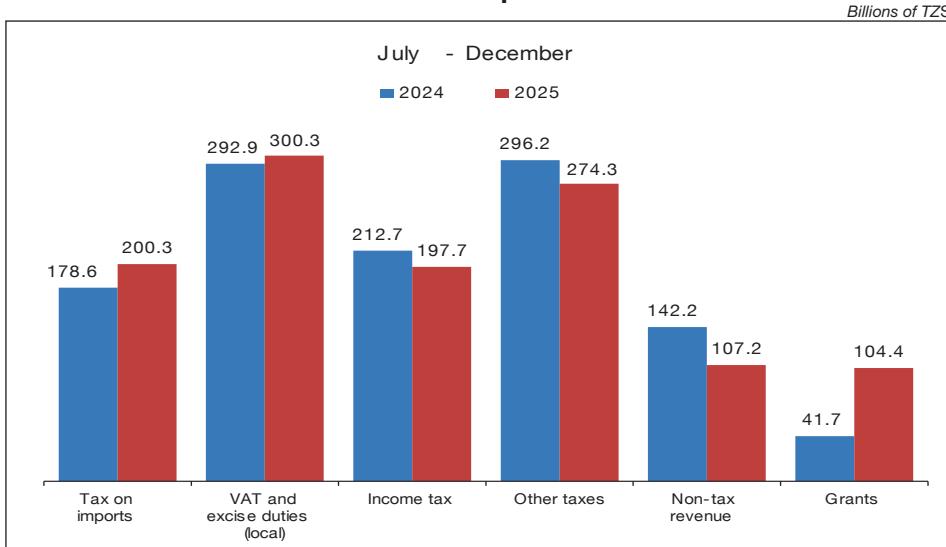
Chart 4.8a: Summary of Government Budgetary Operations, Mainland Tanzania



Source: Ministry of Finance and Bank of Tanzania computation

Note: Net of rollover

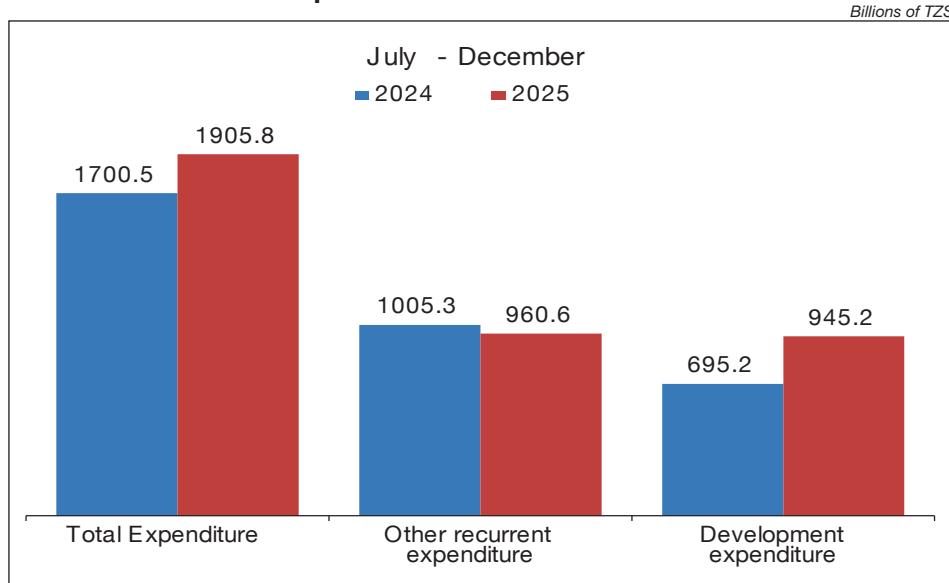
Chart 4.8b: Zanzibar Resource Envelope



Source: Ministry of Finance and Planning, Zanzibar



Chart 4.8c: Zanzibar Expenditure



Source: Ministry of Finance and Planning, Zanzibar

4.6 Debt Developments

Public debt remains sustainable, with a moderate risk of debt distress. The ratio of present value of debt to GDP declined to 40.7 percent at the end of 2024/25 from 41.1 percent in the preceding year. This level is well below debt sustainability thresholds and the EAC convergence benchmarks of 55 percent and 50 percent, respectively (Table 4.2). In nominal terms, the debt is estimated to be 49 percent of GDP, below the SADC convergence ceiling of 60 percent.

In levels, the public debt, comprising external and domestic debt, amounted to USD 44,721.3 million at the end of December 2025. External debt accounted for 65.9 percent of the debt, and much of it was owed to multilateral institutions and commercial creditors. The debt was mostly contracted for financing balance of payment and budget support programs, followed by transport and communication,



and social welfare and education activities (Tables 4.3a, 4.3b, and 4.3c). Domestic debt amounted to TZS 37,899 billion, a 6.7 percent increase from the end of June 2025. This increase was primarily driven by the issuance of Treasury bonds, which added a net amount of TZS 2,942.8 billion to the stock. Treasury bonds continued to dominate, accounting for 81.6 percent of the domestic debt portfolio (Table 4.3d). Zanzibar domestic debt stock rose by 54.7 percent to TZS 2,385.4 billion. The increase in debt is mainly to finance development projects, including airports and the construction of the stadium for the 2027 AFCON tournaments, as well as projects related to the implementation of the Blue Economy.

Table 4.2: Tanzania Debt Sustainability Analysis Results

	Threshold	2024/25*	2025/26	2026/27	2027/28	2035/36
Public DSA						
PV of debt-to GDP ratio	55	40.7	39.6	38.6	36.9	34.7
PV of debt-to-revenue and grant ratio	N/A	254.7	233.4	225.6	214.8	205.8
Debt service-to-revenue and grant ratio	N/A	35.0	45.2	32.9	34.1	31.2
External DSA						
PV of debt-to GDP ratio	40	24.9	24.4	23.6	22.4	18.0
PV of debt-to-exports ratio	180	125.4	123.1	123.8	119.3	103.0
Debt service-to-exports ratio	15	11.6	12.8	12.2	13.7	10.2
Debt service-to-revenue ratio	18	14.7	15.4	13.8	15.1	10.6

Source: Ministry of Finance

Note: (*) denotes actual figures



Table 4.3a: Debt Stock

		Dec-24	Jun-25	Dec-25 ^p
Central government		39,510.7	41,874.7	44,717.6
External debt		25,877.1	28,243.6	29,232.6
% of total central government debt		65.5	67.4	65.4
Domestic debt		13,633.7	13,631.1	15,485.0
Private sector		6,116.3	6,517.9	6,072.9
Public corporations		3.8	3.8	3.8
External debt stock		31,997.1	34,765.3	35,309.2
National debt stock		45,630.8	48,396.3	50,794.2

Source: Ministry of Finance, and Bank of Tanzania

Note: BoP denotes Balance of Payments; and p, provisional data

Table 4.3b: External Debt Stock by Creditor Category

Creditor	Dec-24		Jun-25		Dec-25 ^p	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Multilateral	18,145.8	56.7	19,756.7	56.8	20,544.3	58.2
DOD	18,114.9	56.6	19,721.2	56.7	20,507.4	58.1
Interest arrears	30.9	0.1	35.5	0.1	37.0	0.1
Bilateral	1,270.3	4.0	1,507.8	4.3	1,513.5	4.3
DOD	1,193.2	3.7	1,429.1	4.1	1,433.4	4.1
Interest arrears	77.2	0.2	78.7	0.2	80.1	0.2
Commercial	11,459.7	35.8	12,439.1	35.8	12,538.0	35.5
DOD	11,111.6	34.7	12,024.9	34.6	12,201.8	34.6
Interest arrears	348.1	1.1	414.2	1.2	336.2	1.0
Export credit	1,121.3	3.5	1,061.7	3.1	713.4	2.0
DOD	950.1	3.0	877.8	2.5	664.4	1.9
Interest arrears	171.2	0.5	183.9	0.5	49.0	0.1
External debt stock	31,997.1	100.0	34,765.3	100.0	35,309.2	100.0

Source: Ministry of Finance, and Bank of Tanzania

Note: BoP denotes Balance of Payments; and p, provisional data



Table 4.3c Disbursed Outstanding Public Debt by Use of Funds

Activity	Millions of USD					
	Dec-24		Jun-25		Dec-25 ^P	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
BoP and budget support	6,396.2	24.8	7,454.4	26.5	7,949.8	27.3
Transport and telecommunication	5,767.4	22.4	6,279.6	22.3	6,741.0	23.1
Agriculture	1,297.2	5.0	1,537.6	5.5	1,558.8	5.3
Energy and mining	2,780.5	10.8	2,973.6	10.6	2,945.1	10.1
Industries	158.1	0.6	159.6	0.6	157.4	0.5
Social welfare and education	6,097.9	23.6	6,586.9	23.4	6,699.0	23.0
Finance and insurance	154.7	0.6	157.9	0.6	163.9	0.6
Tourism	119.8	0.5	121.1	0.4	112.8	0.4
Real estate and construction	1,363.1	5.3	1,308.9	4.6	1,259.2	4.3
Other	1,665.1	6.5	1,585.3	5.6	1,565.6	5.4
Total	25,799.9	100.0	28,164.9	100.0	29,152.5	100.0

Source: Ministry of Finance, and Bank of Tanzania

Note: BoP denotes Balance of Payments; and p, provisional data

Table 4.3d: Domestic Debt by Instruments

Instrument	Millions of USD					
	Dec-24		Jun-25		Dec-25 ^P	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Government securities	28,664.3	87.8	30,170.4	85.0	33,012.5	87.1
Treasury bills	2,108.0	6.5	2,001.3	5.6	1,951.9	5.2
Government stocks	187.1	0.6	187.1	0.5	135.7	0.4
Government bonds	26,369.1	80.8	27,982.0	78.8	30,924.8	81.6
Tax certificates	0.1	0.0	0.1	0.0	0.1	0.0
Non-securitized debt	3,985.0	12.2	5,332.4	15.0	4,886.5	12.9
Other liabilities*	18.4	0.1	18.4	0.1	0.0	0.0
Overdraft	3,966.6	12.1	5,314.0	15.0	4,886.5	12.9
Domestic debt stock (excluding liquidity papers)	32,649.3	100.0	35,502.8	100.0	37,899.0	100.0

*Includes NMB Standard loan and Duty Draw backs

Source: Ministry of Finance and Bank of Tanzania



4.7 Current Account Performance

The external sector continued to improve, with the current account deficit narrowing progressively, estimated to reach a five-year low of 2.2 percent of GDP in 2025. In levels, the deficit is estimated to be USD 609.7 million, during the first half of 2025/26 compared with USD 657.5 million recorded in the corresponding period in 2024/25 (Table 4.4 and Chart 4.9). The improvement was on account of a significant increase in exports of gold, tourism, and transport. The lower oil prices in the world market also contributed to the narrowing of the current account. The current account position is expected to continue improving gradually on the back of the efforts to enhance tourism and goods exports, along with favourable global gold prices.

Table 4.4: Current Account

	Millions of USD				
	Annual		July - December		
	2023	2024	2025 ^p	2024	2025 ^p
Goods account (net)	-6,032.3	-5,074.0	-4,399.4	-2,096.9	-1,939.8
Exports*	7,696.6	9,121.6	10,282.4	5,615.7	5,988.7
Imports	-13,728.9	-14,195.6	-14,681.8	-7,712.6	-7,928.5
Services account (net)	3,835.9	4,051.7	4,148.5	2,129.9	2,342.4
Receipts	6,231.7	6,846.8	7,290.4	3,760.9	4,014.1
Payments	-2,395.9	-2,795.0	-3,141.9	-1,631.0	-1,671.7
Goods and services (net)	-2,196.5	-1,022.3	-250.9	33.0	402.6
Exports of goods and services	13,928.3	15,968.4	17,572.7	9,376.6	10,002.8
Imports of goods and services	-16,124.8	-16,990.7	-17,823.7	-9,343.6	-9,600.2
Primary income account (net)	-1,496.6	-1,887.4	-2,074.3	-998.4	-1,089.1
Receipts	301.2	311.7	409.6	163.1	236.3
Payments	-1,797.7	-2,199.2	-2,483.9	-1,161.4	-1,325.4
Secondary income account (net)	732.5	529.9	310.0	307.8	76.8
Inflows	1,280.9	1,177.4	878.4	594.4	418.4
o/w General government	131.0	139.2	32.1	90.1	18.5
Outflows	-548.4	-647.5	-568.3	-286.6	-341.6
Current account balance	-2,960.6	-2,379.8	-2,015.2	-657.5	-609.7

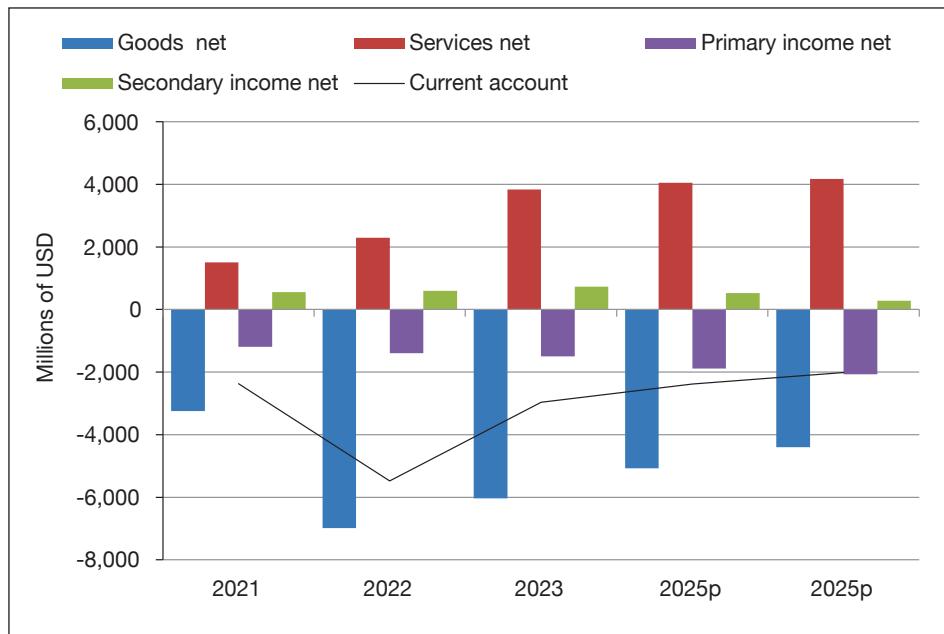
Source: Tanzania Revenue Authority and Bank of Tanzania

Note: ^p denotes provisional data o/w of which, and

* include adjustment for unrecorded exports



Chart 4.9: Current Account



Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p denotes provisional data o/w of which, and

* include adjustment for unrecorded exports

During the first half of 2025/26, exports of goods and services amounted to USD 10,002.8 million, increasing by 6.7 percent from USD 9,376.6 million in the corresponding period in 2024. This performance was mainly driven by an increase in exports of gold, tourism, manufactured goods, and traditional exports, particularly tobacco, cashewnuts, and coffee (Table 4.5 and Chart 4.10). Goods exports were USD 5,988.7 million, while services receipts amounted to USD 4,014.1 million. Gold and travel services remained the dominant export earners, together contributing 47.7 percent of total goods and services exports. On an annual basis, exports of goods and services increased to USD 17,599.2 million in 2025, from USD 15,968.4 million in 2024.



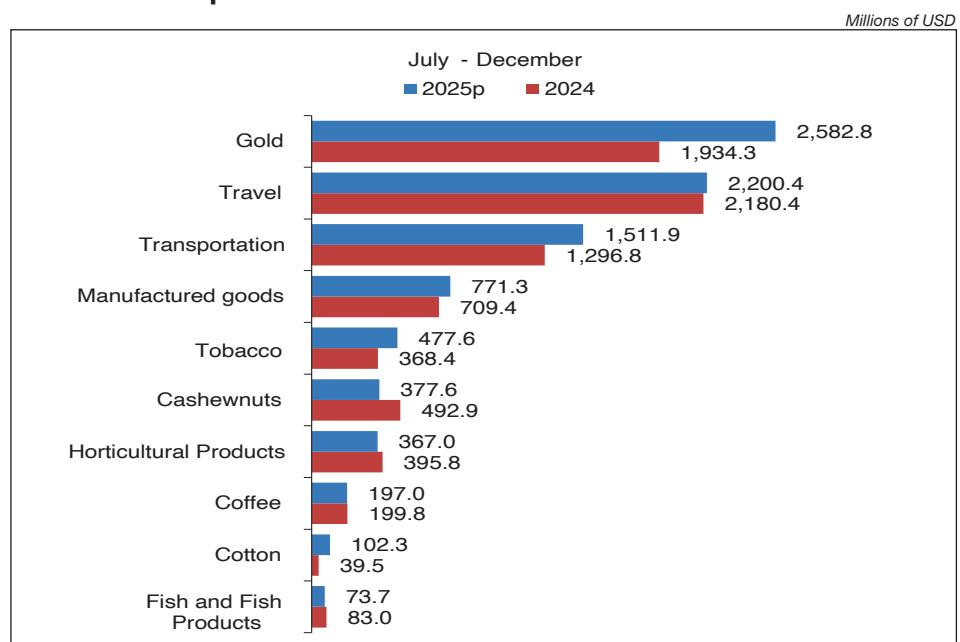
Table 4.5: Export Performance of Selected Goods and Services

	Millions of USD					
	Annual				July - December	
	2022	2023	2024	2025 ^p	2024	2025 ^p
Traditional exports	766.5	953.3	1,473.3	1,512.2	1,124.1	1,196.0
Non-traditional	6,058.4	6,321.6	7,228.8	8,403.2	4,221.4	4,553.1
o/w Gold	2,835.1	3,058.9	3,419.6	4,697.6	1,934.3	2,582.8
Manufactured goods	1,419.2	1,363.3	1,341.3	1,548.6	709.4	771.3
Horticultural products	289.6	417.2	507.0	479.3	395.8	367.0
Services	4,762.0	6,231.7	6,846.8	7,316.8	3,760.9	4,014.1
o/w Travel	2,527.8	3,373.8	3,903.1	3,948.2	2,180.4	2,200.4
Transport	1,872.0	2,333.4	2,353.4	2,796.5	1,296.8	1,511.9
Export of goods and services	11,985.8	13,928.3	15,968.4	17,599.2	9,376.6	10,002.8

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p denotes provisional data

Chart 4.10: Export Performance of Selected Goods and Services



Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p denotes provisional data



Imports of goods and services amounted to USD 9,600.2 million, an increase of 2.7 percent from USD 9,343.6 million in the corresponding period in 2024 (Table 4.6). The increase was largely driven by industrial supplies, transport equipment, and machinery and mechanical appliances, reflecting continued support of the country's industrialisation agenda. Meanwhile, freight payments were a significant factor in the increase in services' imports. Notably, imports of white petroleum products, which accounted for 17 percent of imports of goods, decreased slightly by 2.8 percent, reaching USD 1,272.8 million. The modest decrease reflects the impact of lower prices in the world market. On an annual basis, the import bill for goods and services was USD 17,826.1 million in 2025, compared to USD 16,990.7 million in 2024.

Table 4.6: Tanzania Imports by Major Category

	Annual			Millions of USD	
	2023	2024	2025 ^p	2024	2025 ^p
Capital	2,893.4	2,971.5	3,367.2	1,679.4	1,985.0
Intermediate	9,389.1	9,819.9	9,783.0	5,289.7	5,139.1
Industrial supplies	4,307.1	4,641.0	5,156.0	2,579.9	2,661.4
Fuel and lubricants	2,915.7	2,784.1	2,418.8	1,398.6	1,298.2
o/w Refined white products	2,725.8	2,552.3	2,329.1	1,309.1	1,272.8
Consumer	1,444.2	1,402.1	1,529.4	742.5	803.4
Services payment	2,395.9	2,795.0	3,144.4	1,631.0	1,671.7
o/w Transportation	1,326.4	1,411.9	1,436.1	806.9	775.8
Travel	477.2	522.3	650.4	330.4	342.7
Other	592.3	860.9	1,057.9	493.6	553.2
Goods and services	16,124.8	16,990.7	17,826.1	9,343.6	9,600.2

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p denotes provisional data, and o/w, of which



Box 3: Current account improves driven by goods exports, tourism and import compression

The current account recorded notable improvement in recent years, particularly during the second half of 2025, supported by strong export performance and subdued import growth. Export earnings were driven by minerals, tourism receipts, transportation, and agricultural products—mainly cashew nuts, coffee, tobacco and cotton, while goods imports grew slowly due to reduced petroleum imports.

Elevated global gold prices significantly boosted mineral exports with gold prices rose to USD 4,309.2 in December 2025, up from USD 2,648 in December 2024. This price surge contributed to a 36.4 percent increase in gold exports to USD 2,582.8 million. Meanwhile, petroleum imports, which accounted for about 17 percent of total goods imports—declined by 14 percent, easing import pressures due to favourable global price dynamics. In addition, import substitution initiatives in sugar, wheat, edible oil and fertilizers, further helped to narrow the current account deficit, to 2.2 percent of GDP in 2025 from the highs of 7.1 percent of GDP in 2022.

The services account also contributed significantly to the improvement in the current account, led by the tourism and transportation sector. International tourist arrivals increased by 8 percent to 1,297,708, up from 1,196,535 in the corresponding period of 2024, boosting services receipts. Improved transit trade with neighbouring countries further supported transportation services, reinforcing the narrowing of the current account deficit.

Looking ahead, the current account deficit, is expected to narrow further, supported by sustained strong gold exports amid elevated prices, continued growth in tourism and transportation services, and the ongoing impact of import substitution in key commodities.



The Zanzibar economy sustained a current account surplus, driven primarily by tourism. The surplus was USD 467.3 million in the first half of 2025/26, compared with a surplus of USD 421 million in the corresponding period of 2024/25. Good and service receipts increased to USD 889.6 million from USD 737.4 million. Services receipts increased by 20.9 percent to USD 862.8 million, mainly due to increased receipts from tourism activities. Imports of goods and services rose by 8.7 percent to USD 354.1 million, on account of an increase in imports of capital goods and consumer goods (Table 4.7, Chart 4.11a and 4.11b).

Table 4.7: Zanzibar Current Account

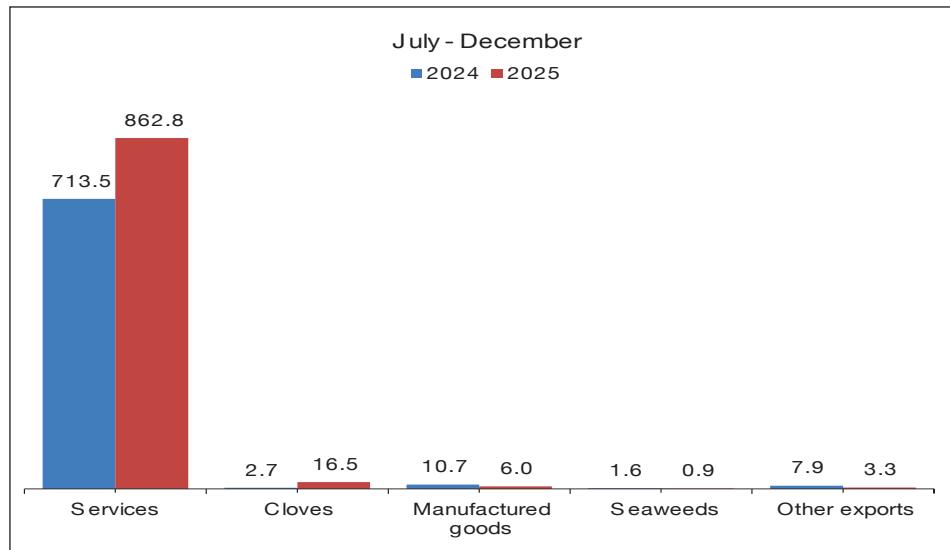
Item	Millions of USD					
	Annual			July - December		
	2023	2024	2025 ^p	2023	2024	2025 ^p
Goods account net	-466.7	-440.4	-531.0	-239.7	-248.5	-275.6
Exports	50.0	53.9	36.2	34.5	23.8	26.8
Imports (fob)	516.7	494.3	567.2	274.3	272.3	302.4
Services account net	805.3	1126.4	1409.9	452.4	660.2	811.2
Receipts	906.6	1223.2	1509.1	506.1	713.5	862.8
Payments	101.3	96.8	99.2	53.7	53.3	51.7
Goods and services net	338.6	686.0	878.9	212.7	411.7	465.7
Exports of goods and services	956.5	1277.1	1545.4	540.6	737.4	889.6
Imports of goods and services	618.0	591.1	666.5	328.0	325.7	354.1
Primary income account net	10.6	16.0	4.6	5.8	8.3	1.3
Receipts	15.2	23.3	6.1	8.4	12.1	1.6
Payments	4.6	7.3	1.5	2.6	3.8	0.3
Secondary income net	1.4	2.1	0.7	0.8	1.0	0.3
Inflows	2.4	3.9	1.3	1.4	2.0	0.6
Outflows	1.0	1.8	0.6	0.6	1.0	0.3
Current account balance	350.6	704.1	884.1	219.2	421.0	467.3

Source: Tanzania Revenue Authority and Bank of Tanzania computations

Note: p denotes provisional data

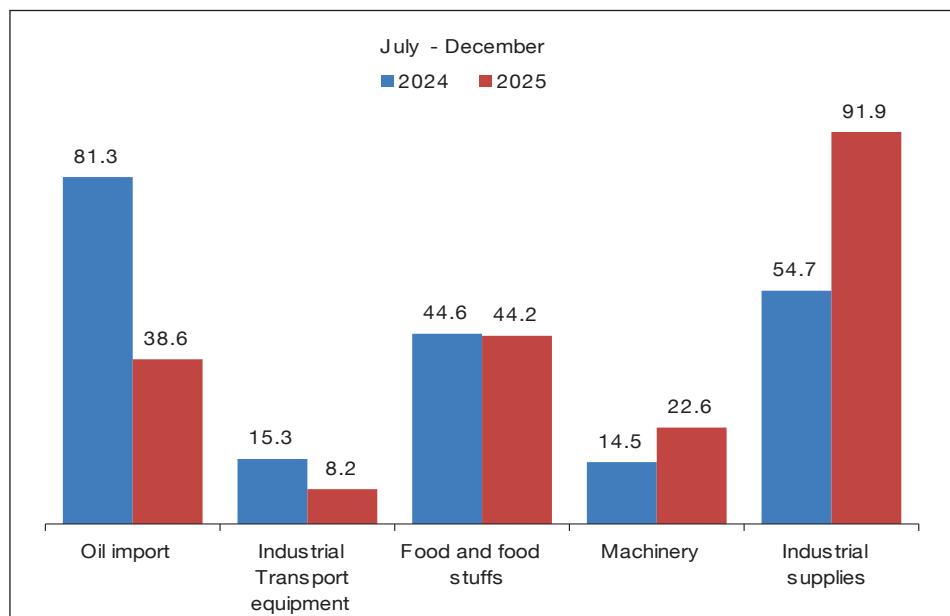


Chart 4.11a: Zanzibar Export of Goods and Services (Millions USD)



Source: Tanzania Revenue Authority and Bank of Tanzania computations

Chart 4.11b: Zanzibar Imports of Goods (Millions USD)



Source: Tanzania Revenue Authority and Bank of Tanzania computations



4.8 Foreign Exchange Liquidity, Exchange Rate and Foreign Reserves

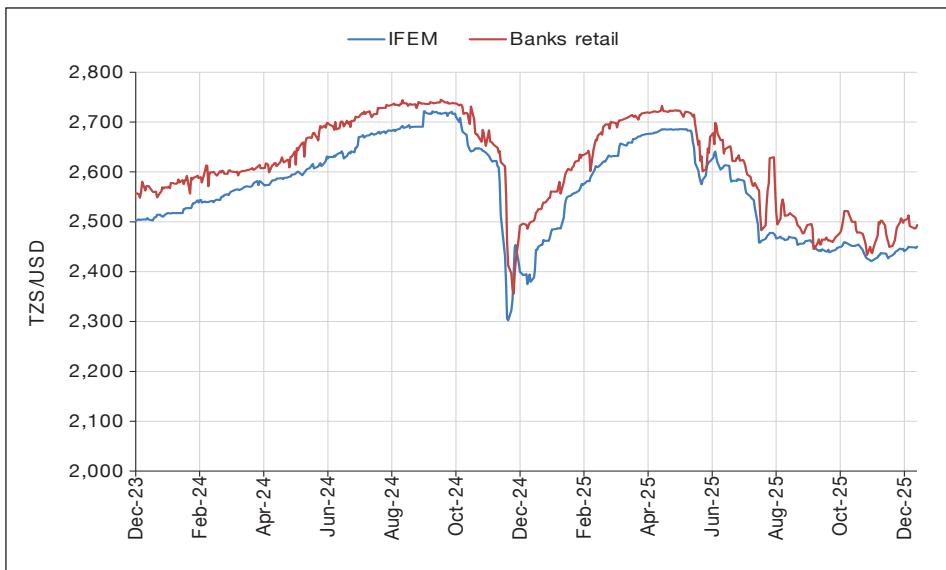
The foreign exchange market was adequately liquid in the first half of 2025/26, mainly supported by export receipts, particularly gold, tourism, and cashew nuts. The Bank intervened occasionally in the market to complement monetary policy operations in keeping liquidity at appropriate levels and ensure orderly market conditions.

Consistent with the adequate foreign exchange liquidity, the Shilling exhibited a general appreciation trend. Specifically, in the interbank market, the shilling recorded an appreciation of 5.52 percent in the first six months of 2025/26, compared to a depreciation of 7.42 percent in the corresponding period in 2024/25 (Chart 4.12). The retail exchange rate moved in tandem with the IFEM rate signaling increased confidence.

Foreign reserves remained high and adequate throughout the first half of 2025/26. The reserves amounted to USD 6,329 million at the end of December 2025, up from USD 5,971.5 million as at the end of June 2025, with the proportion of monetary gold increasing to around 13 percent from one percent. The reserves were sufficient to cover at least 4.9 months of projected imports of goods and services (Chart 4.13a). This level exceeds both the national benchmark of 4 months and the EAC threshold of 4.5 months, reflecting a strong external buffer (Chart 4.13b). The reserve position is expected to remain adequate, supported by continued domestic gold purchase and robust export performance, particularly in gold and tourism.

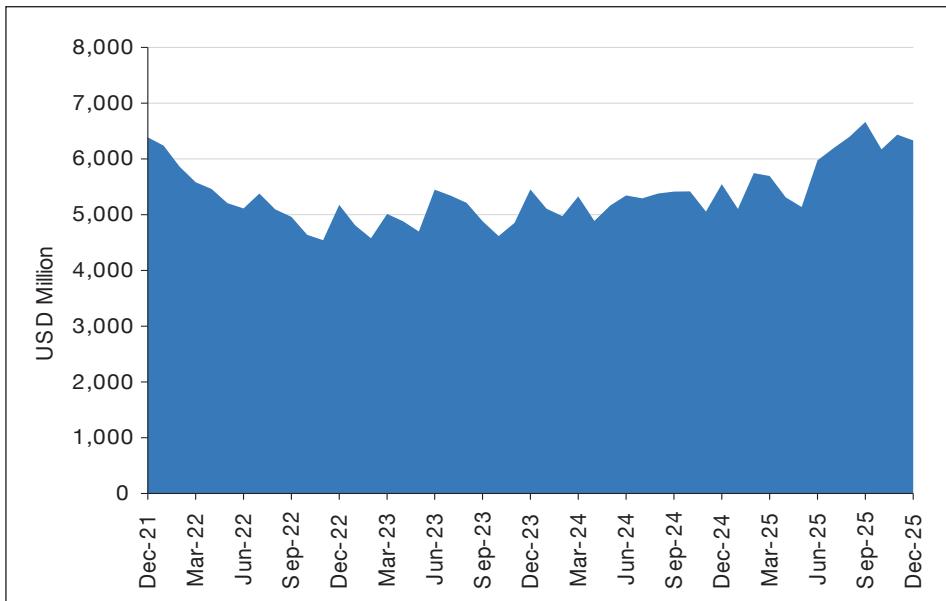


Chart 4.12: Nominal Exchange Rates



Source: Bank of Tanzania

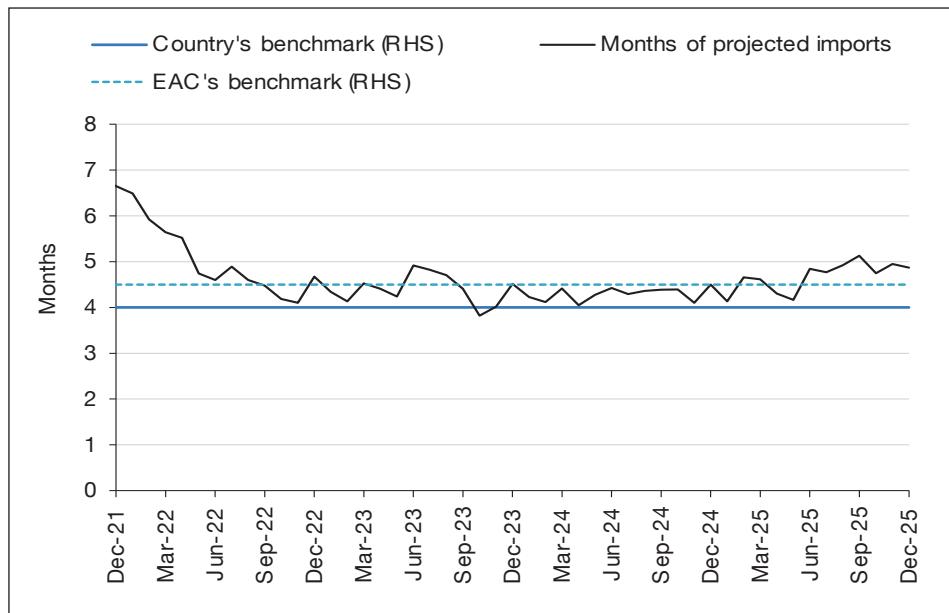
Chart 4.13a: Foreign Exchange Reserves



Source: Bank of Tanzania



Chart 4.13b: Foreign Exchange Reserves in Months of Import Cover



Source: Bank of Tanzania

4.9 Financial Sector Performance

The financial sector was sound, stable, and resilient to short and medium-term shocks, with all indicators hovering within the desirable thresholds. The banking sector, which comprises about 70 percent of the financial sector, was adequately capitalized, liquid and profitable, leveraging on technology in financial services delivery. The Common Equity Tier I ratio was 18.3 percent, above the minimum regulatory requirement of 8.5 percent. The quality of banks' assets improved, as the ratio of non-performing loans to gross loans (NPLs) decreased to 2.8 percent at the end of December 2025 from 3.3 percent in June 2025, below the tolerable level of 5 percent. The ratio is expected to continue declining, incentivising lending to the private sector and reducing borrowing costs.



The Bank of Tanzania continued to implement measures to reduce non-performing loans and strengthen risk management in the banking sector through policy and regulatory reforms. These included enforcement of risk-based prudential requirements and enhanced supervision, requiring banks to improve credit appraisal, underwriting, and loan monitoring. The Bank also introduced structured monitoring of banks' NPL reduction strategies through closer off-site surveillance and targeted on-site examinations and mandated the use of Credit Reference Bureau reports for all credit applications to improve borrower assessment. In addition, banks were required to comply with the Tanzania Bankers' Association Code of Conduct and other governance guidelines to promote integrity, strengthen internal controls, and support sustainable improvements in asset quality.

4.10 Payment Systems Performance

Payment systems were resilient, operating efficiently and smoothly. The systemically important payment systems operated at 99.9 percent of availability. The Bank continued to modernize the payment systems to enhance performance and expand use cases. A full migration of TISS messaging to the *ISO 20022* international standard was completed, improving the quality of information for supervision and monitoring, while also enhancing interoperability between domestic and cross-border payment systems. The Bank also implemented an incoming international money transfer use case through the national switch to reduce the cost of remittances from the diaspora. In addition, the Bank continued to enforce compliance with pricing guidelines and directives to ensure the affordability of digital payments, in line with its agenda to promote a cash-lite economy.

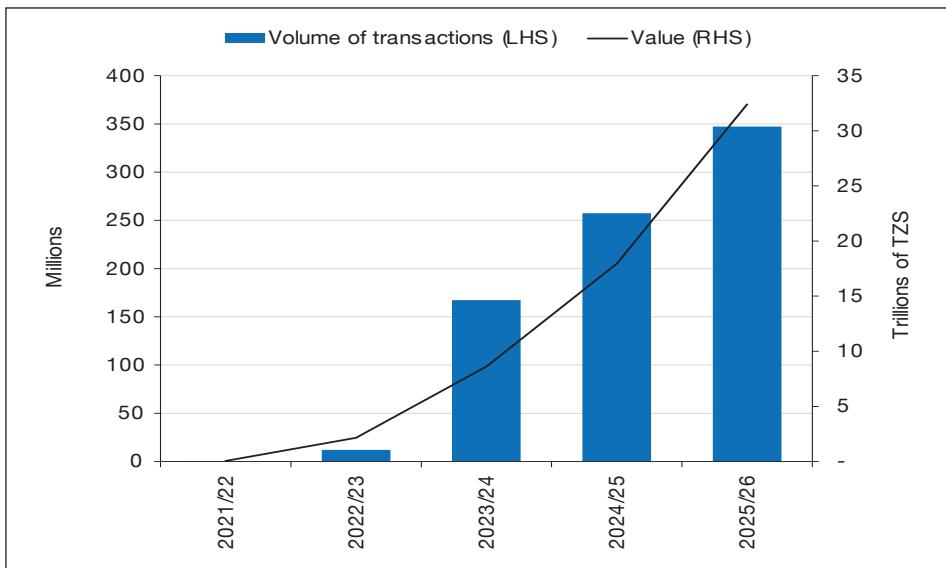


Regional payment systems, EAPS and SADC-RTGS, also operated smoothly to support cross-border transactions. To enhance their usage and align with regional initiatives, the Bank, in collaboration with other regional central banks, implemented measures to address limiting factors for uptake. The measures included establishment of the Payment System Committee to oversee development and promote usage of regional systems, as well as joint payment systems oversight to support regional harmonization.

Digital payment adoption continued to grow, reflected in increased use of electronic funds transfer and payments (Chart 4.14a) Mobile phones remained the primary channel for bridging infrastructure gaps and expanding access to financial services for the unbanked at a retail level. They continued to support a range of services, including domestic and cross-border transfers, digital savings and lending, and micro-insurance. The volume and value of mobile payment transactions increased by 10.2 percent and 16.5 percent, respectively (Chart 4.14b). Mobile money transactions are increasing due to a conducive payment system environment, characterized by affordable fees, consumer trust, and reliable digital infrastructure.



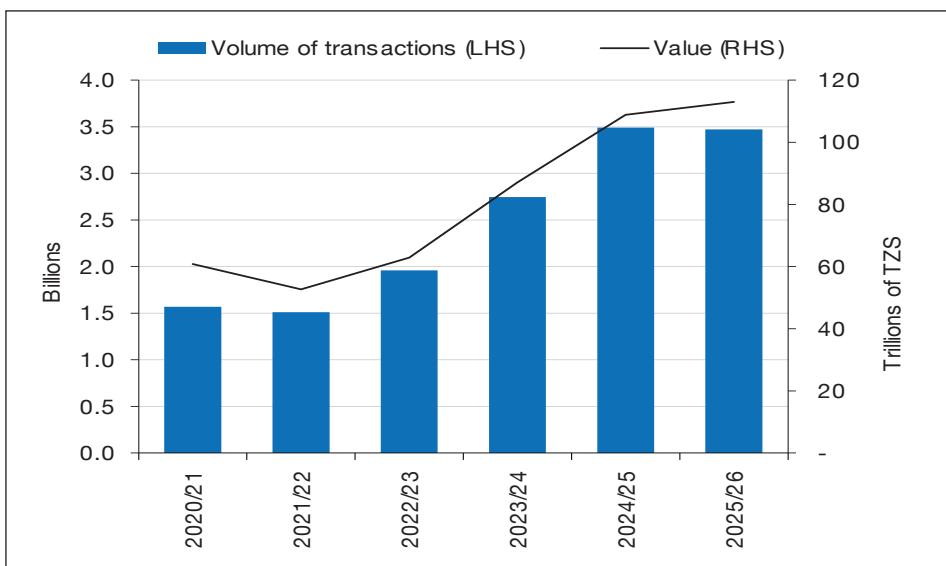
Chart 4.14a: Tanzania Instant Payment Systems Transactions



Source: Bank of Tanzania

Note: LHS denoted left hand side; and RHS, right hand side

Chart 4.14b Mobile Payments



Source: Bank of Tanzania

Note: LHS denoted left hand side; and RHS, right hand side



PART V

5.0 ECONOMIC OUTLOOK

5.1 Global Economic Outlook

In 2026, global economic growth continues to show notable resilience despite trade disruptions and heightened uncertainty. The IMF forecast global economy to grow by 3.3 percent in 2026, an upward revision of 0.2 percentage points compared to October 2025 forecast, with most of the improvement accounted for by the United States and China³. The Euro Area is expected to improve modestly, supported by recovering consumption and easing inflation, while India is expected to maintain strong growth, driven by robust consumption and investment. Overall, global growth is projected to remain modest and uneven across regions, supported by monetary policy easing, progress in trade talks, and declining global policy uncertainty. Sub-Saharan Africa's growth is projected to increase to 4.6 percent in 2026 from 4.4 percent in 2025, supported by stabilizing policies and reforms.

Growth in the SADC region is expected to edge up to 3 percent from 2.9 percent, driven by structural reforms, increased investment in infrastructure, agriculture, and energy, and diversification beyond the extractive sector, alongside more favourable global conditions. In the EAC, growth is forecast to rise to 6.2 percent in 2026 from 5.6 percent in 2025, supported by public infrastructure spending and digital expansion.

Global inflation is expected to continue easing in the first half of 2026, albeit more gradually. Inflation in the EAC and SADC is also projected to decline, supported by sound policies and lower energy costs, although

³ IMF's WEO January 2026 updates.



pressures persist in economies facing weak currencies, food shortages, and tighter external financing. Overall, global risks remain low but are tilted to the downside due to geopolitical and trade tensions.

In early 2026, commodity prices are expected to diverge: gold is projected to rise to USD 5,000 per ounce or slightly above by the second half of 2025/26, driven by central bank buying and safe-haven demand, while oil price is expected to fluctuate between USD 62-65 per barrel, due to weak demand and increased OPEC⁺ supply.

5.2 Domestic Economic Outlook

Domestic economic conditions are expected to remain favourable for robust growth. In Mainland Tanzania, GDP growth in the second half of 2025/26 is projected to accelerate to more than 6 percent. The growth will be broad-based, driven mostly by agriculture, mining, and construction. The Zanzibar economy is projected to grow at 7.2 percent in 2026, mainly driven by construction, tourism, and manufacturing activities. The growth momentum is underpinned by sustained public and private investments. In addition, credit growth is expected to remain supportive of economic activity in the remainder of 2025/26, underpinned by prudent monetary policy and sustained improvement in business environment. Global outlook is also expected to continue providing favourable conditions for economic activities in Tanzania, particularly through sustained demand for exports. The risk to the growth outlook is low, largely due to the widely diversified economic activities.

The inflation outlook for the second half of 2025/26 for both Mainland Tanzania and Zanzibar is expected to remain within the target range of 3-5 percent supported by stable power supply, the implementation of



prudent monetary and fiscal policies and muted inflationary pressure from the external environment, particularly from low imported inflation and monetary policy easing. Headline inflation in Mainland Tanzania is forecast at 3.6 percent and 3.8 percent, in the third quarter and fourth quarter, respectively. Inflation in Zanzibar is forecast to hover around 5 percent. The risk to the inflation outlook is low but may be heightened by lower-than-average rainfall, which may affect the trend of food inflation. However, adequate food stocks held by the NFRA, and carry-over food stocks held by private firms and some households may partially offset the risk. Energy inflation is expected to stay low, supported by a decline in global oil prices. The Market Perception and CEOs Surveys conducted in December 2025 also indicate that the economy will continue to expand and experience a low-inflation environment.



PART VI

6.0 MONETARY POLICY STANCE FOR THE SECOND HALF OF 2025/26

Consistent with the economic outlook and risk assessment presented in Part V, the monetary policy stance during the second half of 2025/26 will remain less restrictive. This stance is intended to support economic growth of 6.3 percent in 2026 for Mainland Tanzania and 7.2 percent for Zanzibar, given the projected low inflation within the 3–5 percent target range. To implement the monetary policy stance, MPC set the CBR at 5.75 percent for the quarter ending March 2026, reflecting the need to support robust economic growth, given stable economic projections and a low risk to the inflation outlook. The CBR for the quarter ending June 2026 will be set in the first week of April 2026. The Bank will continue to ensure adequate liquidity in the economy using available monetary policy instruments. Policy operations will be geared toward keeping the 7-day interbank interest rate close to the CBR, with the rate fluctuating within the CBR target corridor.

To strengthen the effectiveness of monetary policy, the Bank will continue to implement reforms to improve efficiency in the interbank cash market. In parallel, the Bank will advance broader financial sector reforms, including initiatives to enhance the efficient distribution of liquidity across banks, promote financial stability, and enhance the adoption of digital payments. The Bank will also sustain efforts in economic research and surveys, while improving the availability and quality of high-frequency data to support evidence-based monetary policy decisions. In addition, initiatives will be enhanced to raise stakeholder awareness of the interest rate-based monetary policy



framework. Collectively, these actions form part of the strategy to strengthen monetary policy transmission and overall effectiveness.

Interest rates will remain driven by market forces to support the efficient allocation of capital within the economy. Decisions by the MPC regarding the CBR will serve as a key reference for setting interest rates on loans and pricing other financial instruments. Moreover, the Bank, working alongside stakeholders, will continue to implement reforms aimed at enhancing transparency in interest rate determination, strengthening monetary policy transmission and supervision of banks and microfinance institutions, promoting financial deepening, consumer protection, and improving financial literacy and disclosure of information including operationalizing the Price Comparator System. These reforms are expected to improve market functioning and support the efficient allocation of credit.

The exchange rate will continue to be determined by market forces in the foreign exchange market. The Bank will engage in the interbank foreign exchange market following the Foreign Exchange Intervention Policy, which allows interventions to moderate short-term excessive volatility, build foreign exchange reserves, support monetary policy implementation, and provide liquidity in the market. Market participants are expected to continue complying with foreign exchange regulations, guidelines, and codes of conduct. To maintain confidence in the exchange rate, the Bank will ensure that foreign exchange reserves remain adequate, covering at least 4 months of imports for the remainder of 2025/26. This will be done by continuing implementing reserve management strategies, including purchase of gold through its domestic gold purchase program.



APPENDICES



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

Economic Activity	2022				2023				2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Percent
Agriculture	4.2	3.8	3.9	1.9	5.0	3.1	5.2	4.1	2.5	5.2	4.9	4.2	3.0	4.1	5.1	5.1
Mining and quarrying	9.7	5.8	9.6	17.5	14.2	10.5	14.3	6.9	3.5	6.7	13.9	8.5	16.6	19.0	7.1	
Manufacturing	6.3	4.7	4.4	1.8	5.3	4.3	4.2	3.6	5.8	4.6	5.0	3.9	7.2	4.9	4.5	
Electricity	9.4	9.6	9.7	2.3	3.6	6.2	3.3	2.7	7.6	11.0	15.0	23.9	19.0	14.0	13.6	
Water	11.9	9.5	0.1	2.2	5.1	3.3	1.8	0.1	3.1	3.5	3.7	5.9	4.2	3.7	4.4	
Construction	6.5	2.9	1.8	4.8	5.1	2.3	3.7	2.9	6.4	2.9	3.9	3.3	4.3	5.2	6.5	
Trade and repair	7.2	6.7	1.9	0.6	2.7	4.1	4.3	5.8	5.3	3.7	4.8	5.4	3.5	5.5	6.4	
Accommodation and restaurant	1.5	13.0	13.2	8.5	12.3	7.2	7.4	6.7	7.2	5.5	5.8	5.7	2.3	3.9	6.7	
Transport and storage	1.3	4.1	7.3	2.7	2.3	3.9	5.3	4.6	5.7	3.6	5.7	1.7	6.5	4.4	6.3	
Information and communication	5.9	6.4	10.8	6.8	3.5	6.2	11.3	9.7	14.6	12.9	14.5	15.1	7.8	11.1	12.3	
Financial and insurance	9.6	9.7	8.7	8.9	12.3	14.0	16.8	15.5	14.9	14.1	14.5	12.1	15.4	14.8	14.2	
Public administration	4.6	4.0	6.7	6.3	6.7	5.9	5.3	4.5	5.0	0.3	5.5	8.9	4.1	4.3	4.1	
Professional, scientific and technical act	5.0	5.5	6.8	5.9	5.3	4.7	4.1	8.0	4.5	4.8	4.2	5.6	5.1	4.2	4.9	
Administrative and support services	6.0	5.2	3.6	3.7	5.5	5.8	5.6	2.9	5.2	5.2	6.1	8.3	3.7	3.1	3.8	
Real estate	4.5	4.4	4.4	4.4	4.1	4.2	4.6	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.4	
Education	6.6	5.2	6.5	2.9	6.9	6.5	6.1	5.2	5.5	5.2	7.6	6.5	8.6	6.2	5.4	
Health	4.9	5.5	7.1	4.1	5.9	6.3	6.0	5.8	9.0	9.3	10.8	11.1	4.1	6.8	6.6	
Arts and entertainment	17.4	16.6	21.3	20.1	20.4	24.9	15.0	11.9	19.3	18.2	16.2	15.1	6.8	8.5	10.5	
Other services	5.7	4.7	5.1	5.8	5.7	7.0	6.6	5.4	4.4	6.0	5.8	5.1	4.1	4.9	4.8	
All industry at basic prices	5.5	4.8	4.9	4.0	5.6	4.7	6.0	4.9	5.3	5.1	6.4	5.5	5.8	6.1	6.3	
Taxes on products	12.5	7.5	-0.5	-3.0	-1.5	6.2	2.5	7.9	3.7	5.9	2.2	4.4	-0.1	9.1	7.9	
GDP at market prices	6.0	4.9	4.6	3.4	5.1	4.8	5.7	5.1	5.2	5.1	6.1	5.4	5.4	6.3	6.4	

Source: National Bureau of Statistics



Table 2: Zanzibar Quarterly GDP Growth Rates by Economic Activity

Economic Activity	2022				2023				2024				2025				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Crops	-9.5	-8.6	-3.2	20.5	10.4	6.1	3.7	1.6	7.1	13.1	2.5	3.7	17.7	1.5	5.8		
Livestock	-34.4	-9.6	-11.1	11.5	26.4	-5.2	-5.0	-28.3	-28.7	-20.0	-15.0	34.3	19.2	5.1	4.8		
Forestry	3.8	3.7	2.0	4.3	9.7	7.5	-1.2	2.9	3.4	1.4	4.3	-1.4	-2.6	-1.6	1.2		
Fishing	21.7	-5.8	47.5	93.9	5.5	-0.3	15.7	-17.3	7.2	29.2	22.8	-3.5	-5.7	5.1	6.4		
Mining and quarrying	19.1	15.0	1.9	18.7	37.4	41.4	0.6	-25.3	1.5	20.9	8.9	26.8	-14.2	4.3	5.4		
Manufacturing	9.2	3.1	0.5	14.3	5.9	4.5	2.2	7.1	5.1	4.2	5.8	-2.0	-9.7	1.7	2.7		
Electricity	11.9	-9.6	20.1	8.0	0.2	19.6	12.1	30.3	7.9	9.4	0.6	10.2	9.0	8.1	7.9		
Water supply	5.0	6.5	1.1	6.6	4.8	6.8	3.0	0.4	4.6	-2.0	11.4	8.4	-0.3	1.7	3.2		
Construction	65.6	10.6	8.2	-14.1	22.7	7.2	23.9	-9.6	-5.0	14.4	10.4	-16.6	-3.0	-0.8	1.2		
Wholesale and retail trade	3.0	15.7	1.8	17.5	33.5	2.0	-8.9	5.8	1.6	11.4	11.2	42.3	4.7	6.5	6.6		
Accommodation and food services	5.6	25.2	19.8	15.2	13.6	16.9	28.5	4.4	4.5	13.8	14.9	15.9	4.8	14.0	14.3		
Transport and storage	-1.8	2.8	-3.8	11.6	11.9	21.4	3.3	3.7	1.8	4.2	-2.6	5.6	7.4	3.5	5.6		
Information and communication	-40.3	13.1	-11.1	0.0	32.1	-2.5	11.6	0.4	1.6	1.5	5.7	46.6	5.4	0.6	3.9		
Financial and insurance	-0.2	11.5	4.7	12.7	92.8	30.4	0.1	69.0	7.4	0.3	6.0	-15.3	3.7	48.3	8.4		
Real estate	7	7.1	7.1	7.8	8.1	4.6	8.4	7.8	7.6	11.2	7.4	2.8	0.2	3.6			
Professional, scientific and technical	29	80.6	4.3	0	-27.8	41.3	14.2	0	4.9	19.5	2	-12.4	0	3.2	4.3		
Administrative and support	14	45	0.5	37.9	4.7	30.6	39.4	0	2.5	8.4	6.8	15	8.6	9.6	5.9		
Public administration	4.5	-16.7	0	5.1	1.5	3.3	4.2	12.2	3.2	1.7	2.9	-10.3	4.3	3.2	2.4		
Education	19.9	11.6	7.6	0	7.8	8	6.7	0	0.6	5.9	8.9	29.4	-3.2	7.5	3.2		
Human health and social work	-3.2	17.4	-0.4	5.2	27.2	-9.2	0.8	0	5.1	8.4	5.1	13.1	-8.7	9.7	2.7		
Arts, entertainment and recreation	5.5	63.8	37.8	0	17.2	33.8	-14.9	0.2	8.7	8	1.5	20.7	15.1	12.3	1.4		
Other services	11.5	38	6.5	-20.5	-7.3	17.6	16.2	0	3.3	3.9	7.1	37.9	35.4	4.3	6.1		
Households as employers	3.2	3.2	0	3.2	2.4	1.6	0.1	3.2	3.2	3.2	9.8	3.2	3.2	3.2			
FISM	-18.9	6	-21.6	0	76.9	7.2	9	0	7.8	2.4	8.1	51.9	38.2	30.1	18.6		
All industries at basic prices	4.3	3.7	1.5	10.9	15.5	7.7	13.7	2	1.7	7.4	8	7.6	2.7	6.5	6.5		
Taxes on products	13.1	38	-6.3	-31.2	6.6	-7.1	-7.5	6	2.8	6.1	2.7	1.1	43.3	9.6	12.5		
GDP at market prices	5.1	6.6	4.2	8.4	7.3	14.4	7.4	2.2	6.4	7.2	7.5	7.2	6.4	6.8	7		

Source: Office of Chief Government Statistician-Zanzibar



Table 3: Monetary Statistics

	Billions of TZS												
	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Net foreign assets of the banking system	13,558.2	12,688.5	14,706.2	15,442.1	14,658.6	14,028.1	15,509.5	15,726.1	15,766.0	15,886.7	15,715.4	16,298.6	15,283.5
Net domestic assets of the banking system	35,346.8	37,146.0	35,942.2	36,699.8	38,679.1	39,313.4	39,973.8	40,565.0	41,689.9	41,957.4	44,073.3	44,560.0	46,240.8
Private sector credit	36,097.4	36,576.1	36,982.7	37,999.3	38,755.8	39,792.0	40,549.0	40,972.2	41,530.9	41,999.9	42,386.9	43,385.5	44,584.6
Extended broad money supply	48,905.0	49,834.5	50,648.4	52,141.9	53,337.7	53,341.5	55,483.3	56,291.1	57,455.9	57,854.0	59,788.6	60,858.6	61,524.3
Foreign currency deposits	11,765.3	12,419.3	12,818.2	13,605.9	13,846.3	13,543.4	13,769.3	13,653.2	13,696.3	13,337.2	13,882.1	14,056.5	13,381.1
Forex deposits (Millions of USD)	4,829.2	5,059.1	5,004.7	5,183.8	5,187.0	5,044.2	5,253.7	5,292.4	5,539.1	5,424.7	5,673.9	5,770.7	5,481.1
Broad money supply	37,139.7	37,415.2	37,830.2	38,536.0	39,491.4	39,798.1	41,714.0	42,637.9	43,759.6	44,516.8	45,906.5	46,802.2	48,143.2
Narrow money supply	22,905.5	23,073.0	23,118.8	23,541.7	24,013.1	24,214.9	25,653.9	26,231.6	27,402.4	27,916.4	29,058.1	29,184.1	30,199.0
Currency in circulation	7,351.6	6,997.7	6,934.5	7,190.0	7,024.1	7,438.9	7,874.8	8,122.1	8,036.4	7,730.8	8,410.1	8,545.0	8,492.3
Transferable deposits	15,553.9	16,075.4	16,164.2	16,351.7	16,989.0	16,776.0	17,779.1	18,109.4	19,366.0	20,185.6	20,648.0	20,639.0	21,706.7
Memorandum Items													
Reserve money	12,024.5	11,670.3	12,078.7	11,793.1	11,878.9	11,800.7	12,451.7	13,423.8	13,537.9	13,717.6	15,068.7	15,135.7	14,508.3
Banks' reserves	3,351.5	3,516.5	4,038.2	3,623.1	3,738.7	3,364.8	3,533.1	4,131.4	4,402.3	4,721.7	5,462.8	5,436.9	4,642.9
Currency outside Bank of Tanzania	8,672.9	8,153.8	8,040.5	8,169.9	8,140.2	8,435.8	8,918.7	9,292.3	9,135.6	8,995.9	9,605.9	9,698.8	9,865.4
Nominal exchange rate (end of period) (TZS/USD)	2,436.3	2,454.8	2,561.2	2,624.7	2,669.4	2,685.0	2,620.9	2,579.8	2,472.7	2,458.6	2,446.7	2,435.8	2,441.3
Annual growth rates (%)													
Reserve money	19.1	12.1	19.1	15.8	18.0	6.8	14.0	23.2	22.5	23.2	28.1	27.6	20.7
Extended broad money supply	11.1	13.9	15.2	17.1	20.3	18.3	18.7	19.9	20.5	20.4	21.4	22.9	25.8
Broad money supply	9.2	10.8	11.8	12.9	16.8	16.2	18.3	20.2	22.6	24.9	25.8	25.9	29.6
Credit to the private sector	12.4	12.8	13.2	14.0	14.8	17.1	15.9	15.9	16.2	16.1	18.1	18.1	23.5

Source: Bank of Tanzania



Table 4: Capital and Money Market Interest Rates

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Sep-25	Nov-25	Dec-25	Percent
Interbank cash market rates															
Overnight	7.07	7.69	7.87	7.91	7.90	7.95	7.93	6.62	6.15	6.29	6.45	6.08	6.00	6.00	
2 to 7 days	7.38	7.74	8.02	8.02	7.98	7.96	7.94	6.52	6.43	6.29	6.19	6.30	6.30	6.30	
Overall Interbank cash market rate	7.41	7.80	8.06	8.12	8.00	7.98	7.94	7.35	6.48	6.45	6.38	6.30	6.29	6.29	
Lombard rate	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.75	7.75	7.75	7.75	7.75	7.75	7.75	
Reverse repo rate	6.26	7.21	7.21	7.21	7.21	7.21	5.77	5.78	5.76	5.77	5.77	5.77	5.77	5.77	
Treasury bills rates															
182 days	8.30	8.20	8.20	8.20	8.47	8.24	8.24	8.24	7.46	6.56	6.41	5.92	5.91	5.91	
364 days	12.95	12.63	11.99	10.11	8.92	8.92	8.92	8.13	6.79	5.99	6.00	6.45	6.24	6.24	
Overall Treasury bills rate	12.95	12.51	11.93	10.10	8.86	8.89	8.89	8.13	6.83	6.03	6.27	6.25	5.87	5.87	
Treasury bonds rates															
2 years	11.64	11.64	12.55	12.55	12.08	12.08	12.08	12.17	12.17	12.17	10.05	10.05	10.05	10.05	
5 years	12.41	12.41	13.14	13.14	12.94	12.94	13.18	13.18	12.48	12.48	10.54	10.54	10.54	10.54	
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	9.71	
10 years	13.26	14.08	14.08	14.08	14.26	14.26	14.26	13.74	13.74	13.74	12.45	12.45	12.45	12.45	
15 years	15.76	15.76	14.63	14.63	14.63	14.63	14.63	14.63	13.91	13.91	13.91	12.08	12.08	12.08	
20 years	15.71	15.71	15.28	15.28	15.11	15.11	14.50	14.50	14.50	13.55	13.55	13.55	12.02	12.02	
25-year	15.93	15.84	15.84	15.84	15.84	15.29	14.80	14.80	14.42	13.19	13.19	13.19	13.19	13.19	
Bank Rate	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.75	5.75	5.75	5.75	5.75	5.75	5.75	

Source: Bank of Tanzania



Table 5: Commercial Banks' Interest Rates

Items	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Percent
A: Domestic currency														
Savings deposit rate	2.84	2.97	2.98	2.86	2.89	2.52	2.90	2.90	2.92	2.93	2.88	2.88	3.02	
Overall time deposits rate	8.33	8.31	8.13	8.00	7.82	8.58	8.74	8.83	8.61	8.50	8.36	8.54	8.36	
6 months	9.30	9.86	9.40	9.68	9.36	9.82	10.28	10.28	10.44	10.12	10.06	10.01	9.96	
12 months	9.62	10.08	9.48	8.14	9.27	9.72	9.79	9.88	9.99	9.84	9.21	10.02	9.58	
Negotiated deposit rate	10.39	11.80	11.40	10.35	10.52	10.64	11.21	10.72	10.99	11.05	11.22	11.67	11.66	
Overall lending rate	15.71	15.73	15.14	15.50	15.16	15.18	15.23	15.16	15.07	15.18	15.19	15.27	15.24	
Short-term (up to 1 year)	15.74	15.70	15.77	15.83	16.15	15.96	15.69	15.51	15.64	15.52	15.50	15.53	15.46	
Medium-term (2-3 years)	16.21	16.35	15.53	16.44	15.25	15.24	15.38	15.22	15.01	15.19	15.13	15.18	15.43	
Long-term (3-5 years)	15.24	15.25	14.09	14.32	13.88	14.19	14.35	14.39	14.02	14.26	14.24	14.43	14.29	
Negotiated lending rate	12.83	12.80	13.42	12.94	12.88	12.99	12.68	12.56	12.72	12.84	12.40	12.61	12.38	
B: Foreign currency														
Savings deposits rate	0.81	0.90	0.76	0.77	0.53	1.33	0.89	0.83	0.93	0.98	1.75	0.57	0.87	
Overall time deposits rate	4.20	4.22	3.66	2.98	2.94	3.65	3.60	3.75	4.11	3.94	4.17	4.03	3.67	
6-months	4.36	3.89	4.11	3.81	3.55	4.61	4.92	4.94	4.60	5.10	5.05	5.25	4.82	
12-months	3.54	3.62	3.88	3.50	3.01	4.10	4.06	4.00	4.47	4.61	3.86	3.47	3.19	
Overall lending rate	8.80	8.83	8.97	8.93	8.89	8.81	8.70	8.82	8.59	8.43	8.71	8.52	8.61	
Short-term (up to 1 year)	9.44	9.89	9.93	9.99	9.97	9.99	9.93	9.91	9.89	9.88	9.89	9.91		
Medium-term (2-3 years)	9.19	8.81	8.57	8.28	8.23	8.49	6.88	7.03	7.16	7.25	7.43	7.49	8.31	
Long-term (3-5 years)	8.23	8.18	9.11	8.61	8.36	8.17	9.43	9.42	9.30	9.16	9.23	9.30	8.50	

Source: Bank of Tanzania



GLOSSARY

Central Bank Rate

Means the interest rate set by the Monetary Policy Committee and used by the Bank to signal its monetary policy stance. This rate is also known as Policy rate.

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.

Debt Sustainability

Refers to the ability of a country to meet its current and future debt obligations without requiring debt relief or accumulating arrears. Key indicators include the present value of the external debt to GDP ratio.

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 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.

Gross Domestic Product (GDP)

GDP is defined as the total value of goods and services that are newly produced in the economy during an accounting period, generate net



incomes for the economy and are available for domestic final uses or for exports. It can be measured by three approaches, namely: production approach, expenditure approach and income approach.

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. It is often expressed as a percentage. Inflation indicates a decrease in the purchasing power of a nation's currency.

Inflation Forecast

Refers to a projected level of change of consumer price index (CPI), by the Bank, based on assessment of the domestic economic conditions and global economic developments, using a combination of model-based analysis and expert judgement. The indicator is expressed as an annual percentage change.

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

Debt is 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 of the debt 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.

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