



Bank of Tanzania

Monetary Policy Report

July 2026

Bank of Tanzania Monetary Policy Framework

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 to the public through the media. In addition, the Bank publishes MPC meeting statements, Monetary Policy Reports, 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).

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SUMMARY

At its Meeting held on 2 July 2026, the Monetary Policy Committee (MPC) raised the Central Bank Rate (CBR) from 5.75 percent to 6.25 percent for the quarter ending September 2026. The decision intends to contain inflation arising from the second-round effects of high energy, fertilizer, and transportation costs linked to the geopolitical conflict in the Middle East.

The MPC is confident that the adjustment in the CBR is appropriate enough to ensure inflation remains within the target range of 3-5 percent, while supporting economic growth. The adjustment in the policy rate would be strengthened by moderate food inflation due to adequate food supply from the 2025/26 harvests. In addition, the pass-through effect of the exchange rate to inflation is expected to be minimal due to high export earnings from gold, tourism, and agricultural commodities in the second half of 2026.

Assessment of the global economy

Global economic activity weakened in the quarter ending June 2026 due to the conflict in the Middle East, which disrupted energy supplies and trade routes. This led to higher oil and fertilizer prices, as well as freight and insurance costs. These occurrences have raised the risk of inflation and weakened growth prospects in 2026. The outlook remains dependent on developments in the geopolitical conflict in the Middle East.

Assessment of the domestic economy

The MPC observed that economic growth remains strong despite headwinds from external shocks, such as the ongoing geopolitical conflict in the Middle East. Based on high-frequency economic indicators, real GDP growth in Mainland Tanzania is estimated to be around 6 percent in the first half of 2026, underpinned by solid performance in agriculture, construction, mining, financial services, and transport activities. The Zanzibar economy is estimated to have grown by 6.6 percent, primarily driven by tourism and construction. In the second half of the year, growth is projected to remain high, above 6 percent.

Inflation remains low, despite increasing due to higher global energy and transportation costs. In Mainland Tanzania, annual headline inflation rose to 4.2 percent in May 2026 from 3.2 percent in March 2026, remaining within the target of 3-5 percent. A fuel subsidy provided by the Government in May and June helped to moderate increases in inflation. In Zanzibar, inflation

reached 5.5 percent from 4.9 percent, compared to the target of 5 percent. Inflation is projected to remain within the target, despite facing elevated external risks.

Monetary conditions in the second quarter of 2026 were moderately accommodative, in line with the monetary policy stance. Private sector credit growth was robust at an average of 24 percent, supported by sustained demand from productive sectors. The financial sector remained stable and resilient to shocks. The banking sector, for instance, remained profitable with capital buffers sufficient to withstand short-term shocks. The quality of assets remained strong, evidenced by a low non-performing loans ratio of 2.9 percent in May 2026, compared to the tolerable threshold of 5 percent. The payment systems operated smoothly and efficiently.

The external sector of the economy faced headwinds from the conflict in the Middle East, but the current account deficit remained low and stable. The current account deficit was estimated at 2.4 percent of GDP in the year ending June 2026, compared with 2.2 percent in the year ending March 2026, and is projected to remain at the same level. The Zanzibar economy sustained a current account surplus, driven largely by tourism receipts. Foreign exchange reserves remained adequate, hovering around USD 6 billion, sufficient to cover 4.3 months of projected imports, comfortably in line with country's minimum threshold of 4 months. The reserves are projected to increase, reinforced by rising exports and accumulation of gold through the domestic gold purchase program.

Fiscal performance was satisfactory. This was reflected by strong tax revenue performance, alongside prudent expenditure and debt management. In 2025/26, domestic revenue collections are estimated to reach 16.8 percent of GDP from 15.6 percent recorded in 2024/25.

The MPC reaffirms its commitment to maintaining price stability and continues to monitor how developments in global and domestic conditions could influence inflation trends in short to medium term. The MPC will hold its next ordinary meeting on 7 October 2026, and the CBR for the fourth quarter of 2026 will be announced the following day.

CHAPTER 1: REVIEW OF MONETARY POLICY IMPLEMENTATION

Monetary policy effective but faces headwinds

The Monetary Policy Committee (MPC), at its meeting held on 1 April 2026, forecasted inflation to increase but remain well within the target of 3-5 percent in the second quarter of 2026. The forecasted increase in inflation was on the back of heightened geopolitical conflict in the Middle East, which led to higher global energy and fertilizer prices, as well as transportation costs and emergency risk premiums. Considering the uncertainty and duration of the conflict, the Monetary Policy Committee (MPC) adopted a cautious, data-dependent approach by maintaining the Central Bank Rate (CBR) at 5.75 percent. Besides the decision on the policy rate, the MPC narrowed the policy rate corridor by 50 basis points to ± 150 basis points around the CBR¹. The decision was intended to reduce volatility in short-term interbank rates and improve the transmission of monetary policy signals throughout the broader economy. Thus, the 7-day interbank rate was to evolve within the corridor of 4.25 percent to 7.25 percent.

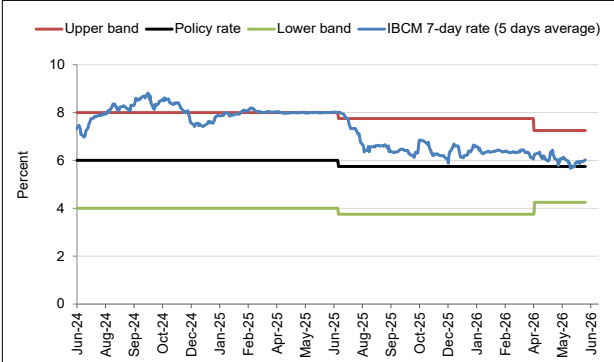
The implementation of monetary policy was effective, despite facing headwinds from heightened global uncertainties. The Bank ensured adequate liquidity in the market using its monetary policy instruments, which included auction of reverse repo, Treasury bills for monetary policy (liquidity papers) and foreign exchange². The gold purchase programme also supported domestic market liquidity. The adequacy of liquidity in the market was reflected in several indicators. Interbank money market interest rates were low and stable. In particular, the 7-day interbank rate—the operating target—moved close to the CBR with minimum volatility (Chart 1.1a). In addition, the overnight interbank interest rate declined, and government security yields were also low. Meanwhile, equity share prices have been rising. On the quantity side, banks' reserves (clearing balances) increased, and banks reduced their access to central bank liquidity through reverse repurchase agreements (reverse repos) (Chart 1.1b). Furthermore, the monetary conditions index decreased, suggesting easing conditions³.

¹ The Bank of Tanzania policy corridor or interest rate corridor is the range within which the 7-day interbank rate, the operating target of the monetary policy, must move around the policy rate announced by the Bank to ensure attainment of the inflation target.

² Reverse repo is a collateralized financial transaction where the Bank temporarily lends money to banks, with an agreement to reverse the transaction at a price (interest rate) on a future date.

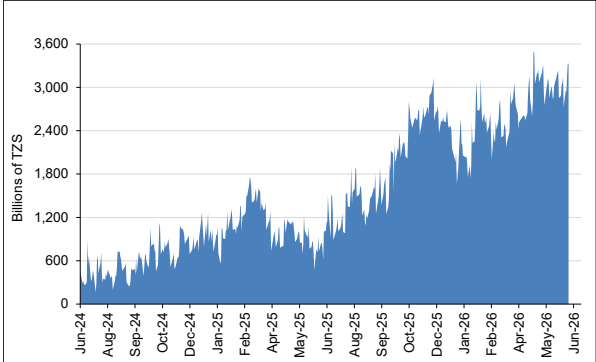
³ The Monetary Conditions Index (MCI) a composite measure of the Real Interest Rate (RIR) gap and Real Effective Exchange Rate (REER) gap. The RIR gap is measured as the difference between the real policy rate and the estimated natural real interest rate (currently estimated at around 3 percent by the Quarterly Projection Model).

Chart 1.1a: 7-day interbank rate



Source: Bank of Tanzania

Chart 1.1b: Banks reserves (clearing) balances



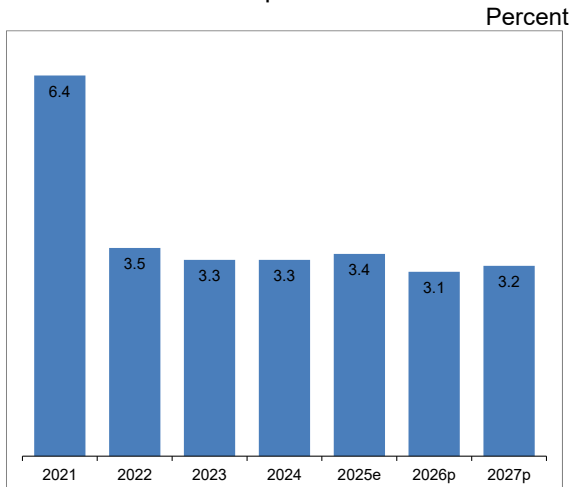
CHAPTER 2: GLOBAL ECONOMY

2.1 Output

Moderate growth but downside risks persist

Global economic activity in the three months to June 2026 moderated amid heightened geopolitical tensions in the Middle East, which disrupted supply chains. The disruption was particularly pronounced in energy production and shipping flows, triggering a sharp increase in energy and fertilizer prices, and a broad deterioration in business confidence. The IMF’s World Economic Outlook of April 2026 projects global growth in 2026 to moderate to 3.1 percent from 3.4 percent in the preceding year (Chart 2.1a). The growth will be significantly uneven across economies, with some economies expected to benefit from resilient domestic demand and targeted policy interventions. In advanced economies, growth is projected to be modest, while emerging markets and developing economies face an adverse environment. Commodity-importing economies are projected to bear the heaviest burden from higher energy and food prices and currency pressures. Sub-Saharan Africa's economic growth is projected to slow down to 4.3 percent in 2026 from 4.5 percent in 2025, on the back of rising global commodity prices and shipping disruptions (Chart 2.1b). Nevertheless, advanced and major emerging economies are expected to remain primary contributors to global growth (Chart 2.1c).

Chart 2.1a: Global Output Growth



Note: “p” and “e” denote projection and estimates, respectively

Chart 2.1b: Annual Output Growth by Region

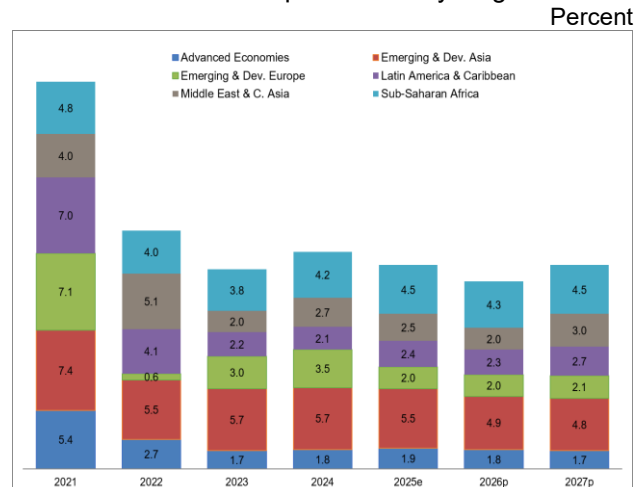
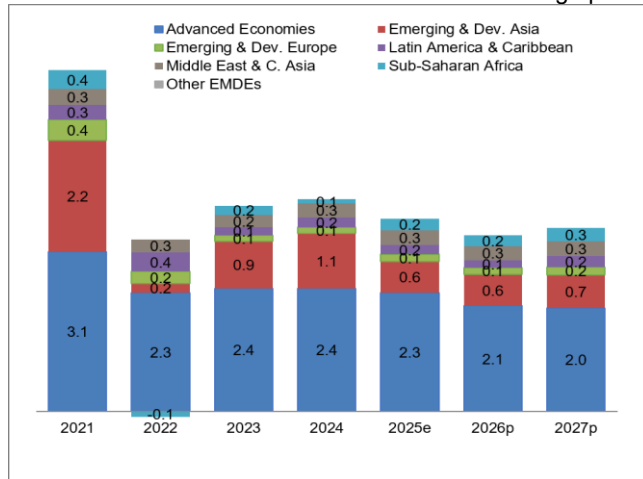


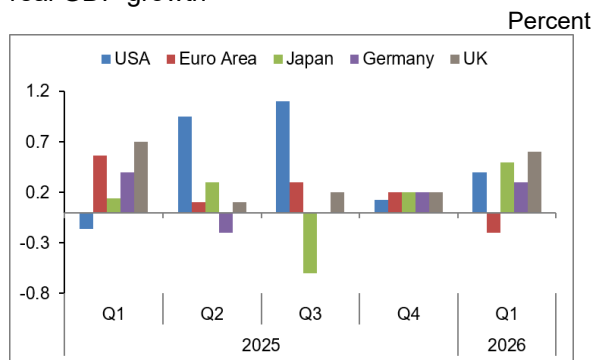
Chart 2.1c: Contribution to Global Growth by Region
Percentage points



Source: IMF World Economic Outlook, April 2026.
Note: "p" and "e" denote projection and estimates, respectively

Recent quarterly data and high-frequency indicators point to continued, albeit fragile growth momentum heading into mid-2026 (Charts 2.2a and 2.2b). In advanced economies, activity showed resilience in the first quarter of 2026, supported by robust labour markets and fiscal policy, but early indicators for the second quarter of 2026 signal a moderation as energy costs weigh on household real incomes and business margins. In emerging market economies, growth prospects similarly softened in the second quarter of 2026, with the impact of the commodity price shock most visible in current account positions and currency pressures across oil-importing economies. A recent ceasefire agreement in the Middle East has introduced some cautious optimism, as the durability of the ceasefire remains uncertain, and its impact on energy prices has yet to fully materialize. The risk to the growth outlook is further illustrated by elevated indices of global economic and trade policy uncertainty, albeit lower than the highest levels observed in the second half of 2025 following the imposition of trade tariffs (Charts 2.3a and 2.3b).

Chart 2.2a: Select Advanced Economies quarterly real GDP growth



Source: Bloomberg, June 2026

Chart 2.2b: Select Emerging Economies quarterly real GDP growth

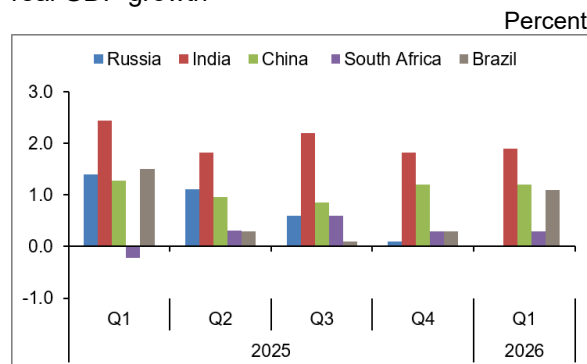
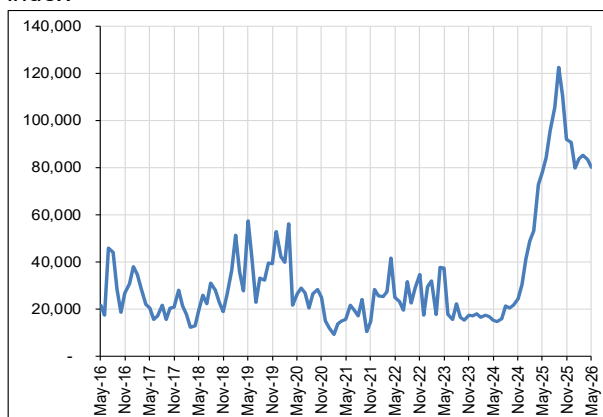
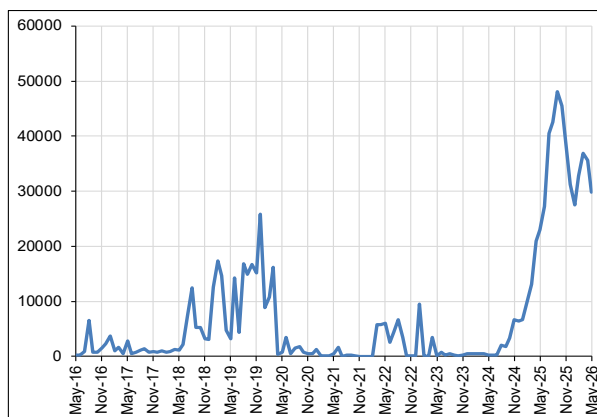


Chart 2.3a: Global economic policy uncertainty index



Source: <https://worlduncertaintyindex.com/>

Chart 2.3b: Trade policy uncertainty index



Source: https://www.policyuncertainty.com/trade_cimpr.html

2.2 Inflation

Heightened geopolitical tension halts pace of disinflation

The geopolitical conflict in the Middle East, which began late February 2026, interrupted the pace of global disinflation in the subsequent three months and has raised the risk to the inflation outlook through second-round effects (Chart 2.4)⁴. The conflict disrupted global supply chains and triggered a spike in commodity prices (Chart 2.5). Crude oil price averaged USD 102.2 per barrel, a sharp increase from USD 75.7 per barrel in the previous quarter. Fertilizer prices also rose sharply, while food prices increased modestly. This has had a direct (first-round) impact on inflation through the cost-push channel. In advanced economies, inflation was above target in most countries, including the US, the Euro Area, and the United Kingdom. Japan, which had briefly fallen below the 2 percent target in January 2026, faced renewed upward pressure from energy costs. In emerging market economies, China continued to record subdued inflation despite the global energy shock, while India recorded an uptick that remained within the target range. In sub-Saharan Africa, inflation has increased but remained within central banks' targets in most economies. Overall, the conflict in the Middle East has had a significant impact on inflation through higher commodity prices, specifically oil, fertilizer, and food. The impact was more pronounced in oil-importing countries.

⁴ The second-round effects occur when higher energy costs spillover into the broader economy, changing inflation dynamics, production costs, and monetary policy decisions.

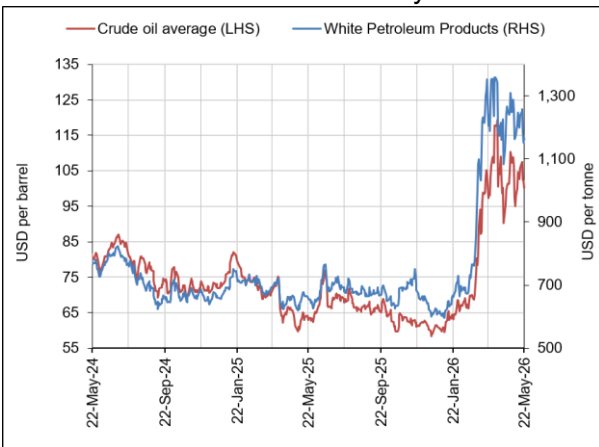
Chart 2.4: Inflation in Select Advanced and Emerging Market Economies

Percent

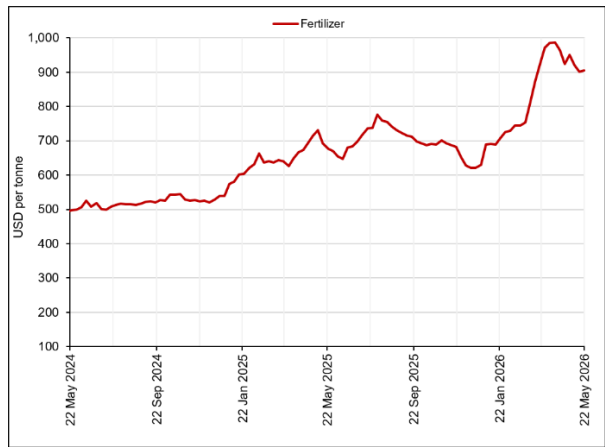


Source: Bloomberg

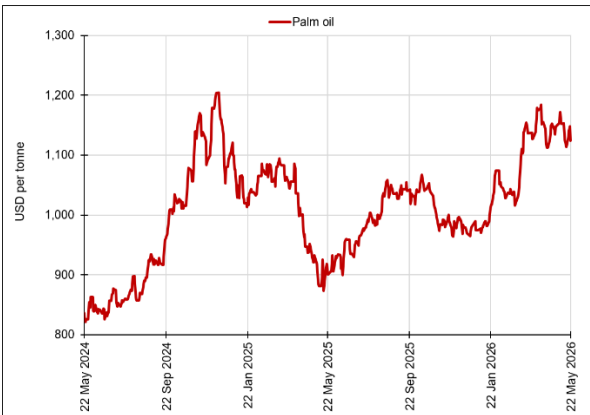
Chart 2.5: Select World Commodity Prices



Source: World Bank



Source: Bloomberg



Source: Bloomberg

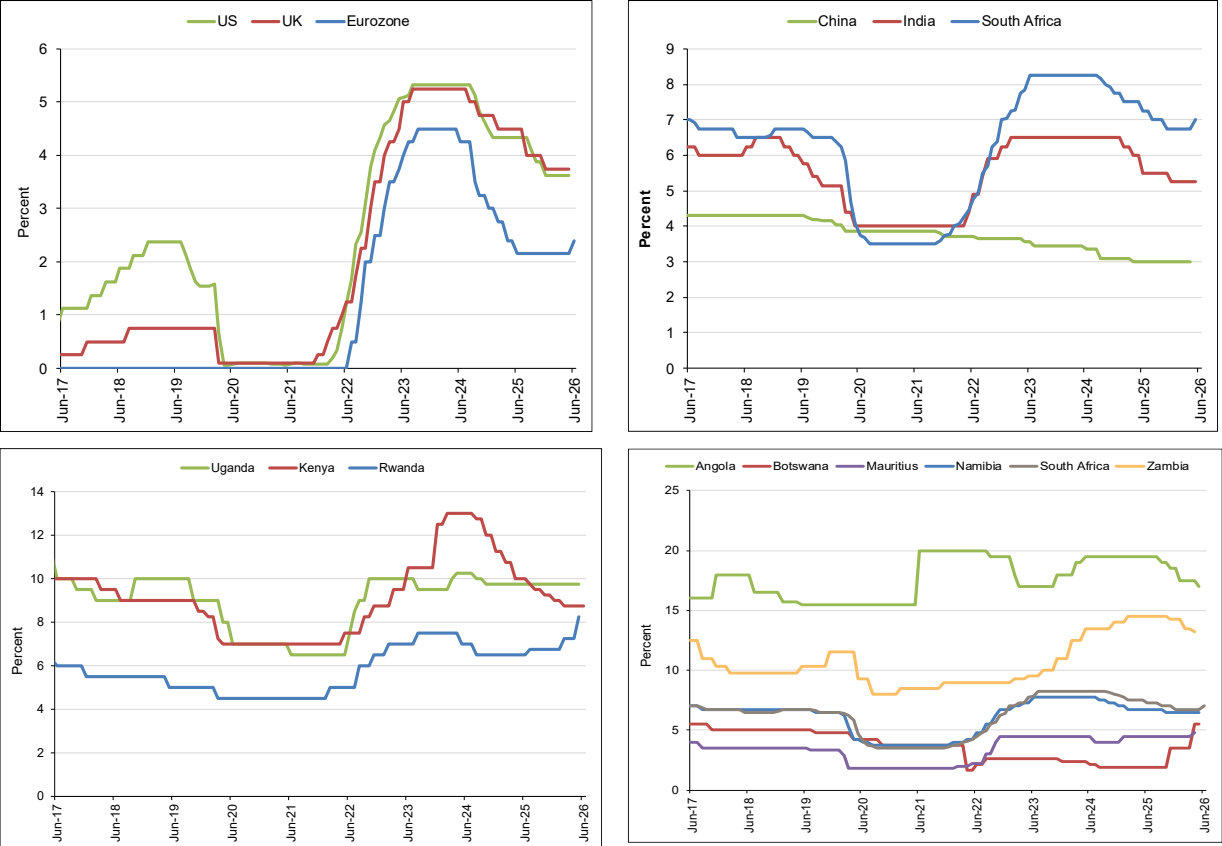
Global inflation is projected to edge up slightly in 2026 due to a supply-side shock stemming from the Middle East conflict, before gradually moderating in 2027 as energy market pressures ease. Although some of the acute pressures observed in March to April 2026 have moderated following the ceasefire agreement in the Middle East, risks to energy, fertilizer, and transportation costs remain elevated. Projections by both the IMF and Bloomberg indicate that the pace of disinflation will be more gradual than previously anticipated, with above-target inflation persisting in several advanced economies through 2026. Energy market volatility remains a key source of upside risk. Bloomberg's forecasts as of June 2026 indicate that Brent crude oil prices are expected to moderate towards an average of USD 85 per barrel over the remainder of the year, reflecting expectations of easing geopolitical tensions and improved supply conditions. However, this outlook is contingent on the ceasefire's durability. Should geopolitical tensions persist or escalate, energy costs could rise further, creating renewed inflationary pressures through both direct fuel costs and second-round wage and price effects.

2.3 Monetary policy Stance

Central banks have faced a difficult policy dilemma in response to the increase in commodity prices caused by supply chain disruptions in the Middle East. The responses seem to have been heavily localized: heavy energy importers and regions experiencing "second round" core inflation have hiked policy rates, while many others have taken a cautious, "wait-and-see" approach to prevent choking off economic growth momentum (Chart 2.6). The U.S. Federal Reserve maintained its policy rate, signalling a cautious, data-dependent approach amid persistent inflation risks. The European Central Bank adopted an aggressive stance and raised policy rates in June 2026, while the Bank of England kept policy rates unchanged. The People's Bank of China continued to support economic activity through targeted liquidity injections and accommodative credit measures. In developing countries, monetary policy adjustment to rising inflationary

pressures was uneven. Most central banks in EAC and SADC maintained policy rates, except for Rwanda, South Africa, and Botswana, which hiked their rates. In some economies, governments have stepped in with interventions designed to stabilize prices through the provision of subsidies and tax remission.

Chart 2.6: Policy rates in select economies



Source: Respective central banks and BIS policy rate tracker

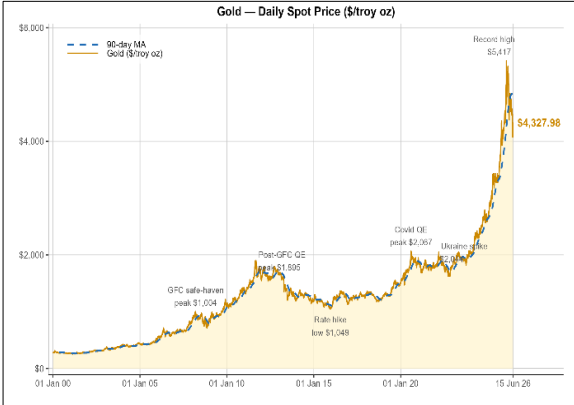
Persistent elevated energy and food costs signal higher inflation in most economies. As monetary policy paths in advanced economies have become increasingly differentiated in response to varying inflation dynamics and growth conditions, central banks are expected to adopt a more data-dependent monetary policy stance. As of now, monetary policy is inclined toward being less restrictive.

2.4 Financial markets and gold price

The conflict in the Middle East has also impacted global financial markets and the gold price. Over the period, financial markets experienced elevated volatility, with periodic shifts between risk-off and risk-on sentiment reflected in bond yields, equity prices, exchange rates, and demand for

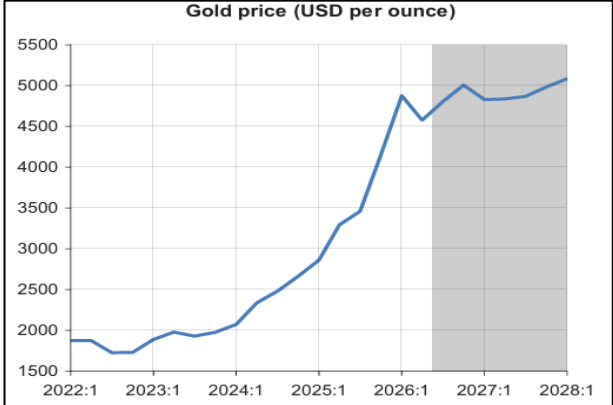
safe-haven assets such as gold and U.S. Treasuries. As a result, sovereign bond yields generally increased across major markets, particularly in Europe, while investors reassessed the expectations for monetary policy easing by major central banks. The price of gold moderated after hitting record highs. It is estimated to have averaged USD 4,654.3 per troy ounce in April to June 2026, relative to USD 4,876 per troy ounce in the preceding quarter (Chart 2.7a). The price of gold is expected to remain elevated throughout 2026 (Chart 2.7b). The projection is underpinned by strong safe-haven demand amid global uncertainty, trade policy developments, and sustained reserve diversification by central banks.

Chart 2.7a: Daily Gold Price Movement



Source: Bloomberg

Chart 2.7b: Quarterly Gold Price Trend



CHAPTER 3: DOMESTIC ECONOMY

3.1 Output

Economic growth remains high

The economy experienced robust growth in 2025. Real GDP grew by 5.9 percent, higher than 5.6 percent in 2024, albeit slightly lower than the projection of 6 percent (Chart 3.1a). The growth was driven largely by strong performance in agriculture, financial and insurance, and transport (Chart 3.1b). The structure of the economy remained unchanged, anchored by agriculture, which employs a bulk of the workforce (about 57 percent) and roughly accounts for 25 percent of GDP. Services accounted for the largest share of GDP (around 40 percent), driven by trade, transport and financial and insurance. Industry and manufacturing, mainly agro-processing and light manufacturing, accounted for around 28 percent of GDP. Mining and quarrying were 10.3 percent of GDP, benefiting largely from surging global demand for gold.

Chart 3.1a: GDP Growth

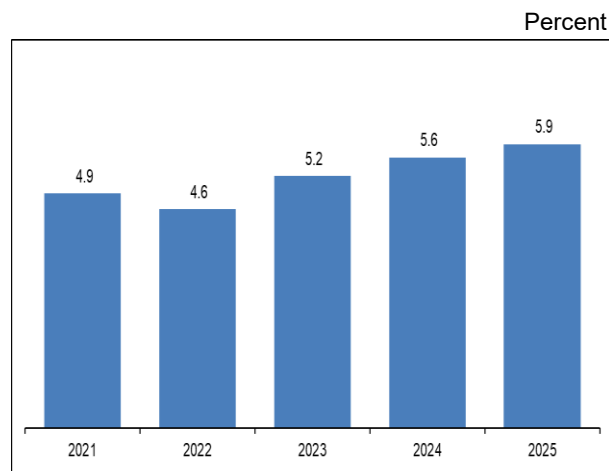
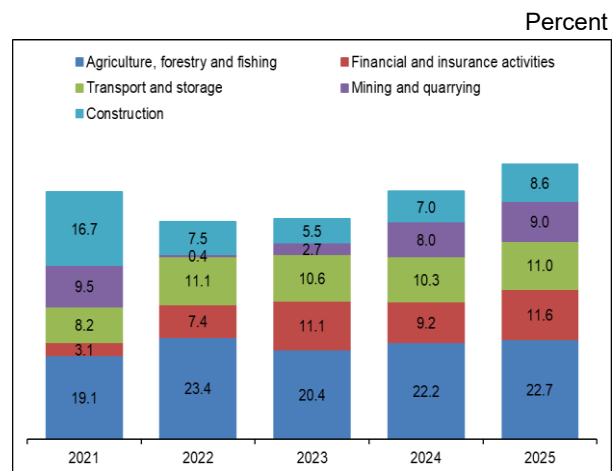


Chart 3.1b: Contribution to GDP Growth



Source: National Bureau of Statistics, Bank of Tanzania computations

Supported by key leading indicators, the Bank estimates economic growth for the first quarter of 2026 at 6.1 percent. This strong performance is underpinned by an increase in cement production and consumption, manufactured exports, and imports of industrial raw materials, collectively signalling improved activity in the manufacturing and construction sectors. Additional momentum came from strong mineral production and increased port operations, reflecting heightened mining and trade activities. Meanwhile, a sustained increase in electricity generation ensured a reliable power supply, supporting consistent economic activity across sectors. For the second quarter of 2026, the Bank estimates growth of 5.9 percent, driven by continued strong performance in

agriculture, financial and insurance, trade and construction activities (Charts 3.2a and 3.2b). The economy’s diversified structure remains a key source of resilience, helping to cushion it against external shocks, including those arising from ongoing global geopolitical tensions.

Chart 3.2a: Quarterly GDP growth

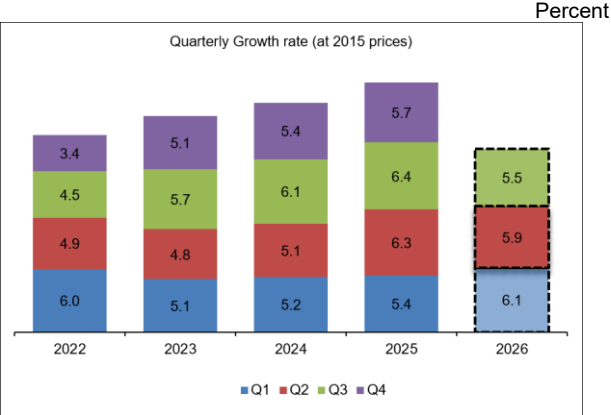
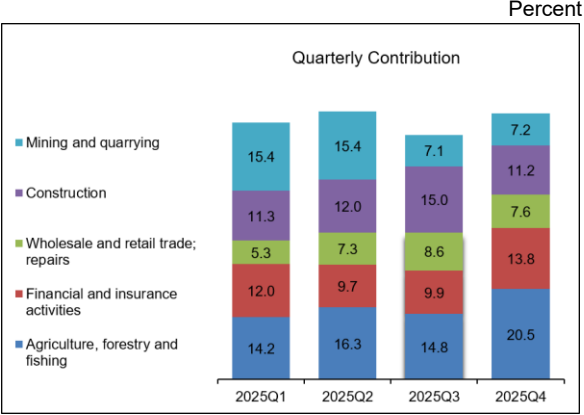


Chart 3.2b: Quarterly Contribution



Source: National Bureau of Statistics, Bank of Tanzania computations

Domestic outlook remains resilient. GDP growth in Mainland Tanzania is projected at 5.5 percent in the third quarter, as domestic demand strengthens, and productive economic activities continue to expand (Chart 3.2a). Growth is expected to remain broad-based, supported by the continued expansion of agriculture, mining, manufacturing, and trade. Financial and fiscal conditions are expected to remain supportive. Credit to the private sector is projected to grow at above 20 percent, underpinned by favourable financing conditions and sustained demand from productive sectors of the economy.

Fiscal policy is expected to remain growth-supportive, with the revenue-to-GDP ratio projected to rise to 17.1 percent in 2026/27 from 16.8 percent in the preceding year, helping to sustain implementation of strategic infrastructure projects in roads, railways, and energy, as well as preparations for AFCON 2027. In addition, favourable long rains (Masika) across regions point to solid agricultural output through the remainder of 2026. Tourism activity is expected to remain resilient, with receipts estimated to exceed USD 4.5 billion in 2026, up from USD 4.4 billion in 2025, supported by active promotional initiatives and improved air connectivity, though geopolitical tensions pose downside risks to travel flows and receipts. This assessment is corroborated by the June 2026 CEO and Market Perception Surveys, which point to broadly positive business sentiment, supported by favourable economic conditions, although expectations have softened.

The Zanzibar economy grew at 7 percent, surpassing the projection of 6.5 percent, driven primarily by accommodation and food service (mainly tourism), construction, manufacturing, and real estate activities (Charts 3.3a and 3.3b). Tourism, which is the mainstay of the economy, accounts for about 30 percent of GDP and remains the major source of foreign exchange earnings. Initiatives of the blue economy are also crucial, encompassing the utilization of marine resources, deep-sea fishing, and coastal tourism. Construction and real estate are driven by public infrastructure projects and private investments in premium beachfront properties. Agriculture is also an important activity dominated by clove and seaweed farming.

Chart 3.3a: Real GDP growth

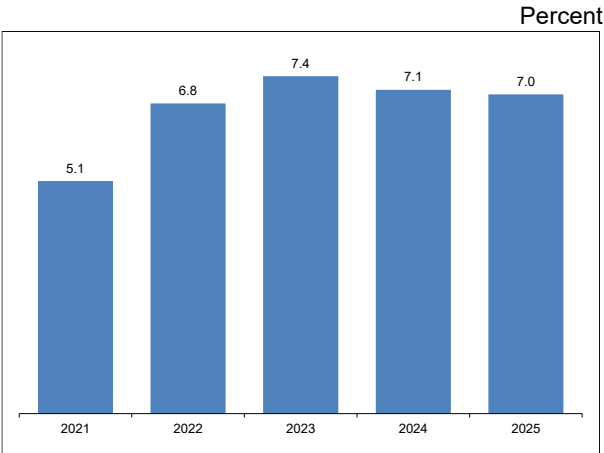
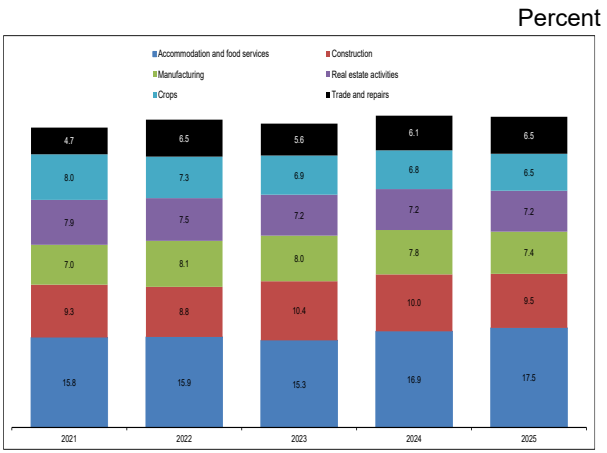


Chart 3.3b: Contribution to growth



Source: Office of the Chief Government Statistician and BOT computations

Economic momentum is expected to remain strong in 2026, with growth estimated at 6.5 percent and 6.7 percent in the first and second quarters, respectively. In the third quarter of 2026, growth is projected at 6.8 percent, while for the full year 2026, growth is projected to accelerate to 7.5 percent. This forecast is supported by continued expansion in tourism, ongoing improvements in the business environment and sustained infrastructure investment, including the expansion of roads, airports and ports, as well as developments related to preparations for the AFCON tournament.

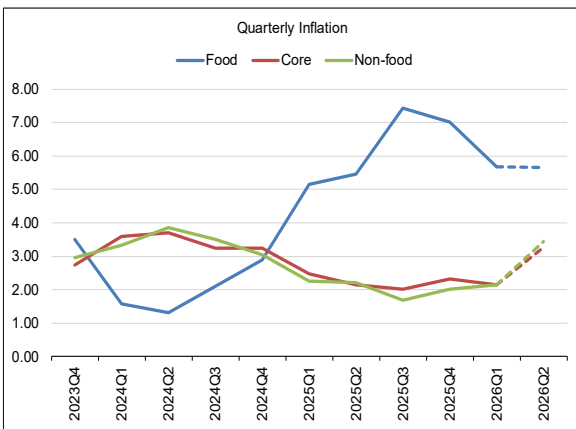
3.2 Inflation

Inflation increases but remains within target

Inflation has been rising for two months in a row on the back of spillover effects of the Middle East conflicts, although it was contained within the target range of 3-5 percent. The headline inflation

reached 4.2 percent in May from 3.2 percent prior to the Middle East conflict in March 2026 (Charts 3.4a and 3.4b). The outturn also remained in line with the EAC and SADC convergence targets (Charts 3.4c and 3.4d). This recent uptick in inflation was primarily driven by rising global fuel prices, which passed through to pump prices (first-round effect) and transport costs (second-round effect). Petrol and diesel prices increased by 42 percent and 47 percent, respectively, in May 2026 compared with March 2026 prices, translating to higher transport costs. The price of diesel would have been much higher in the absence of a government subsidy of TZS 534.9 per litre in June and TZS 259 per litre in May 2026.

Chart 3.4a: Components of inflation



Source: NBS and BOT computation

Chart 3.4b: Headline Inflation and Targets

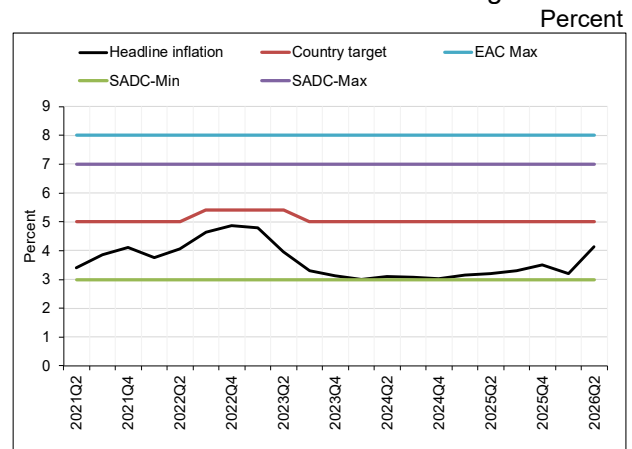
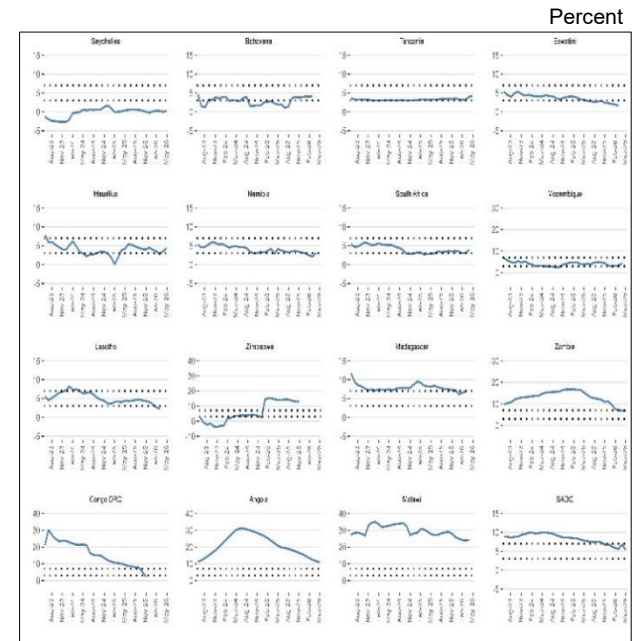


Chart 3.4c: Inflation in EAC countries



Source: Respective National Statistics Offices
Notes: The dotted lines indicate the targets

Chart 3.4d: Inflation in SADC countries



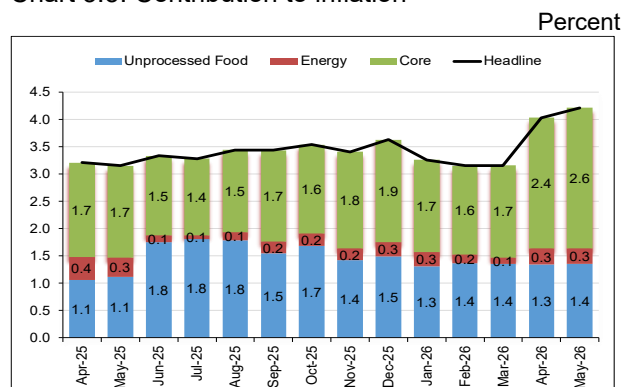
Core inflation increased, reaching 3.4 percent in May 2026 from 2.2 percent in March 2026, primarily caused by transport costs (Table 3.1). Accordingly, its contribution to headline inflation became more pronounced (Chart 3.5)⁵. A stable exchange rate helped to ease pressures on core inflation. Energy, fuel and utilities inflation rose to 5.0 percent in May 2026, from 2.1 percent in March 2026, reflecting the impact of higher global energy prices (Table 3.2). Food and non-alcoholic beverage inflation was broadly stable, increasing marginally to 5.6 percent in May, from 5.5 percent in March 2026. This stability reflects adequate food supply in local markets, sufficient food stocks held by the National Food Reserve Agency (NFRA), and expectations of a good harvest in the 2025/26 crop season. Prices of unprocessed foods, notably maize, rice, sorghum, round potatoes, finger millet, and wheat, were slightly higher than the previous year (Table 3.3). This is largely attributable to increased transportation costs. NFRA's food reserves amounted to 500,692 tonnes in May 2026, almost unchanged from the corresponding period in 2025 (Table 3.4).

Table 3.1: Inflation developments

Main groups	Weight	Annual Change			
		May-25	Mar-26	Apr-26	May-26
Food and non-alcoholic beverages	28.2	5.6	5.5	5.7	5.6
Alcoholic beverages and tobacco	1.9	3.4	2.1	2.3	2.1
Clothing and footwear	10.8	2.0	1.3	1.6	1.5
Housing, water, electricity, gas and other fuels	15.1	3.4	1.6	1.7	0.7
Furnishings, household equipment and routine household maintenance	7.9	2.3	2.3	2.6	2.5
Health	2.5	1.7	1.1	1.6	1.4
Transport	14.1	1.7	4.2	9.2	11.9
Information and communication	5.4	0.1	1.0	1.0	0.9
Recreation, sports and culture	1.6	1.5	0.6	0.7	0.7
Education services	2.0	3.2	0.9	2.6	2.7
Restaurants and accommodation services	6.6	1.8	2.1	1.8	1.9
Insurance and financial services	2.1	0.7	0.3	0.1	0.2
Personal care, social protection and miscellaneous goods and services	2.1	2.0	3.3	3.5	3.5
All items-(headline inflation)	100.0	3.2	3.2	4.0	4.2
Other selected groups					
Core	73.9	2.1	2.2	3.1	3.4
Non-core	26.1	5.6	5.6	6.3	6.3
Energy, fuel and utilities	5.7	6.1	2.1	5.3	5.0
Services	37.2	1.0	2.4	4.0	4.7
Goods	62.8	4.2	3.6	4.0	4.0
Education services and products ancillary to education	4.1	3.2	0.7	1.4	1.5
All items less food and non-alcoholic beverages	71.8	2.1	2.1	3.3	3.6

Source: NBS and BOT computations

Chart 3.5: Contribution to inflation



Source: NBS and BOT computations

Table 3.2: Domestic Pump Fuel Prices

	TZS /Litre						
	May-25	Jun-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Petrol	3,032.2	3,009.0	2,900.8	2,905.7	2,982.5	3,933.8	4,245.0
Diesel	2,950.8	2,955.1	2,868.8	2,836.7	2,970.8	3,917.4	4,374.0
Kerosene	3,468.3	3,409.2	3,206.6	3,187.0	3,265.8	3,585.5	3,761.0

Source: NBS

Table 3.4: Food Stocks Held by NFRA

Period	Tonnes					
	2022	2023	2024	2025	2026	
Jan	207,899	124,736	270,984	646,480	567,469	
Feb	203,297	106,881	326,172	619,659	560,008	
Mar	200,626	80,123	336,099	587,062	533,634	
Apr	190,366	63,808	340,102	557,228	500,962	
May	149,402	51,367	340,002	509,990	500,692	
Jun	141,576	46,665	340,479	477,923		
Jul	140,695	94,088	368,855	485,930		
Aug	144,410	210,020	489,187	537,571		
Sep	149,044	244,169	651,403	570,519		
Oct	151,794	244,289	708,399	593,485		
Nov	147,401	244,223	702,502	590,425		
Dec	137,655	248,282	677,115	577,376		

Source: National Food Reserve Agency

Table 3.3: Wholesale Prices of Main Food Crops

Food crop	TZS per 100 Kg			
	Jun-25	Dec-25	Mar-26	Jun-26
Maize	84,368.7	82,443.7	87,254.8	85,825.8
Rice	242,048.8	247,969.9	260,532.6	258,004.1
Beans	282,953.9	267,143.6	267,506.6	262,655.6
Sorghum	146,679.0	148,131.8	154,167.0	164,711.6
Round potatoes	93,400.8	91,310.8	106,680.7	98,287.9
Finger millet	233,241.2	242,606.5	244,055.4	248,753.4
Wheat	172,873.2	185,902.0	193,562.6	189,743.3

Source: Ministry of Industry and Trade

⁵ Core inflation, accounts for the largest share of the consumer basket at 73.9 percent.

Owing to adverse spillover effects of the conflict in the Middle East, headline inflation is projected to rise in 2026. However, it is projected to remain within the medium-term target due to lower food prices. Favourable long rains (Masika) in the 2025/26 season across most regions point to adequate agricultural output for the remainder of 2026, which should moderate food prices in the near term. This outlook is reinforced by subdued food inflation among neighbouring countries, where regional supply conditions remain comfortable and cross-border trade continues to buffer against localised shortfalls. The exchange rate is also expected to be stable, even as global oil prices are projected to remain elevated, thereby minimizing pressures on inflation. Market participants appear broadly aligned with this assessment: the June 2026 CEO and Market Perception Surveys indicate that inflation is expected to remain within the target range in the near term, although respondents flagged global developments as a potential upside risk.

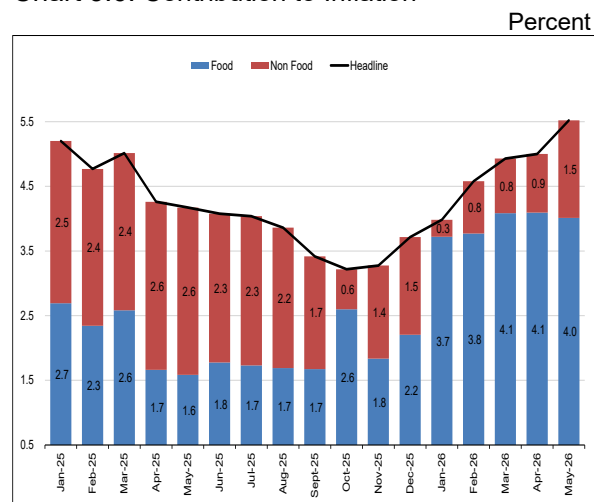
Headline inflation in Zanzibar reached 5.5 percent in May 2026, up from 4.9 percent in March 2026, slightly above the target of 5 percent, reflecting the impact of the conflict in the Middle East, which exerted upward pressure on food and energy prices as well as high transport costs (Table 3.5 and Chart 3.6). In Zanzibar, headline inflation is projected to hover close to the target in the third quarter of 2026.

Table 3.5: Zanzibar Headline Inflation

Main groups	Weight	Annual change			
		May-25	Mar-26	Apr-26	May-26
Food and non-alcoholic beverages	41.9	4.5	9.9	9.9	9.7
Alcoholic beverages, tobacco and narcotics	0.2	-0.2	4.4	4.4	4.3
Clothing and footwear	6.3	5.1	1.6	1.5	1.6
Housing, water, electricity, gas and other fuels	25.8	4.7	-0.4	-0.4	1.2
Furnishings, household equipment and routine household maintenance	4.8	4.0	2.3	2.2	2.4
Health	1.3	1.5	1.4	0.6	0.6
Transport	9.1	2.2	1.7	2.7	5.1
Information and communication	4.2	2.2	-0.2	0.0	0.1
Recreation, sport and culture	1.1	4.6	3.6	2.6	2.6
Education	1.6	3.8	1.6	1.5	0.3
Restaurants and accommodation services	1.4	0.6	6.8	6.8	7.4
Insurance and financial services	0.5	0.0	0.0	0.0	0.0
Personal care, social protection and miscellaneous goods and services	1.7	4.9	2.0	1.9	0.8
All items (Headline inflation)	100.0	4.2	4.9	5.0	5.5
Selected groups					
Food	40.5	3.9	10.1	10.1	9.9
Non-food	59.5	4.4	0.9	1.1	2.1

Source: Office of the Chief Government Statistician and BOT computation

Chart 3.6: Contribution to Inflation



3.3 Monetary Conditions

Steady money supply and private sector credit growth

Monetary conditions remain moderately accommodative, aiming to support credit growth while containing inflation within the target range. With the Central Bank Rate (CBR) maintained at 5.75

percent in the second quarter of 2026, annual growth in monetary aggregates has increased steadily. Growth of extended broad money (M3) is estimated to average 23.6 percent relative to 24.1 percent in the preceding quarter (Chart 3.7a).

The ratio of M3 to nominal GDP has also been gradually rising, reaching 33.9 percent in May 2026 from an average of 20 percent in 2021 (Chart 3.7b). A strong growth of credit to the private sector, estimated at an average of 24 percent (equivalent to 21.3 percent of GDP), was the primary driver of M3 (Charts 3.7c and 3.7d). However, with inflation remaining low relative to historical levels, private sector credit growth reflects a strong and resilient economy, despite output hovering below its potential. The growth of private sector credit was in line with trends observed in most EAC and SADC countries (Charts 3.8a and 3.8b). Credit to the private sector is projected to continue growing above 20 percent, underpinned by accommodative monetary policy stance and sustained demand from productive sectors of the economy.

Chart 3.7a: M2 and M3 growth rates



Source: Banks and Bank of Tanzania computations
Note: * denotes position as of May 2026

Chart 3.7b: M3/GDP

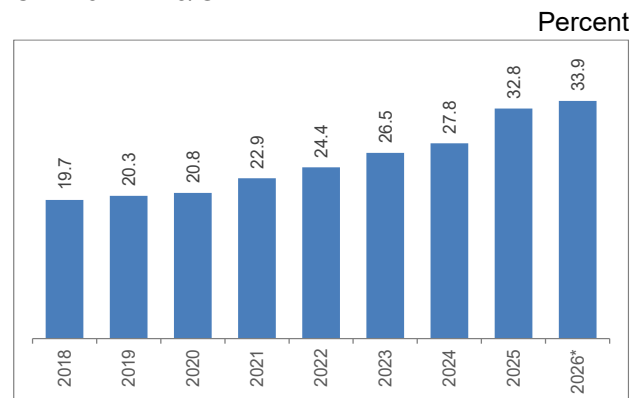


Chart 3.7c: Contribution to M3 growth, asset side

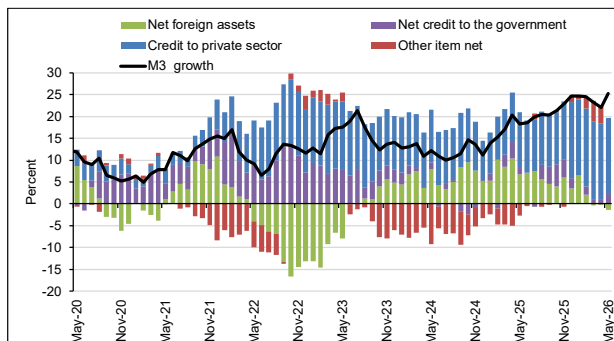


Chart 3.7d: Growth of private sector credit

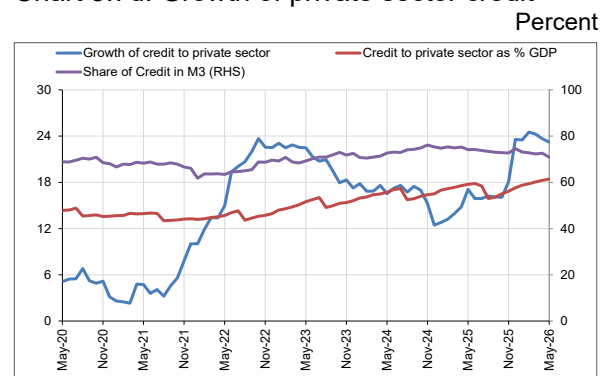


Chart 3.8a: Private sector credit growth in select EAC countries

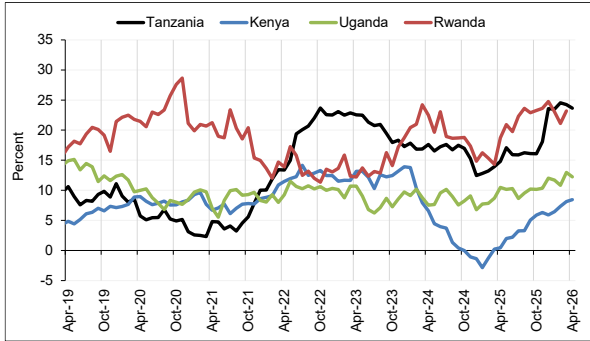
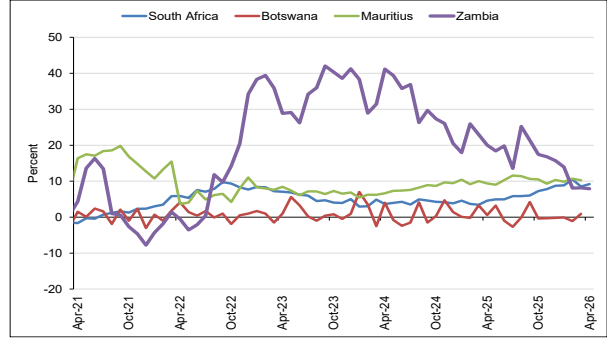


Chart 3.8b: Private sector credit growth in select SADC countries



Source: Bank of Tanzania computations and respective central banks

Credit extended largely to SMEs, commonly categorized as personal loans, maintained dominance in the share of private-sector credit outstanding, and contributed mostly to overall credit growth (Charts 3.9a and 3.9b). Growth in credit to agriculture also remained strong, with some of it facilitated by the TZS 1 trillion Special Loan facility and SMR relief extended to agriculture.

Chart 3.9a: Contribution to credit growth (Percent)

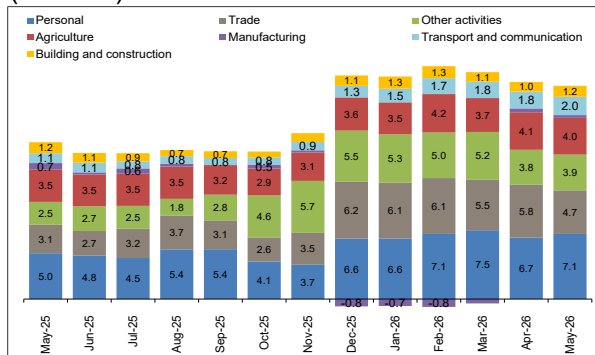
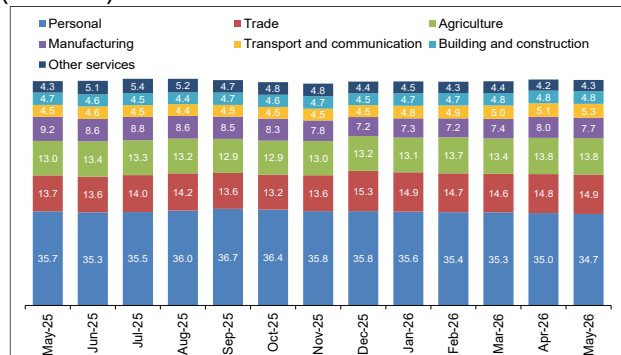


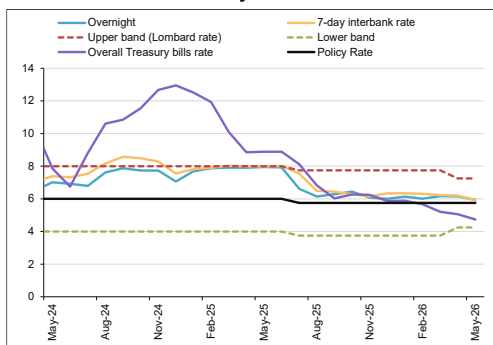
Chart 3.9b: Share of credit by economic activities (Percent)



Source: Banks and Bank of Tanzania computations

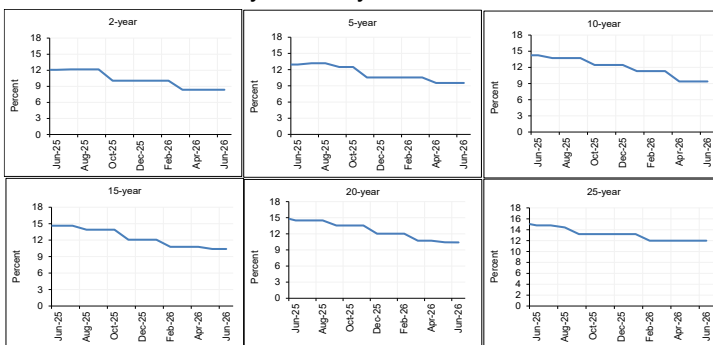
Money market interest rates, particularly interbank rates, continued to evolve broadly in line with monetary policy stance. Following the MPC decision in April 2026 to narrow the policy corridor from ± 200 to ± 150 basis points around the Central Bank Rate (CBR), short-term interbank rates, notably the 7-day rate, moved in tandem and closer to CBR (Chart 3.10a). This indicates strong monetary policy transmission at its primary stage. Treasury bill and bond yields also moved broadly in line with the monetary policy stance (Chart 3.10b).

Chart 3.10a: Money market rates



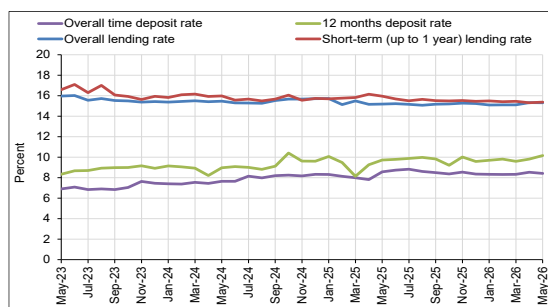
Source: Bank of Tanzania

Chart 3.10b: Treasury bond's yields



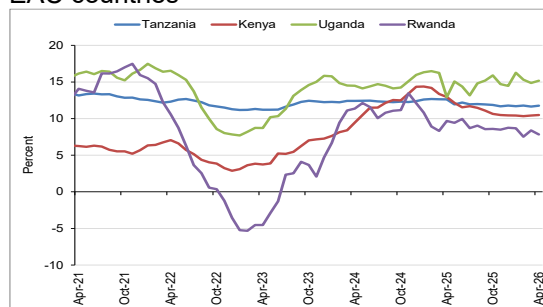
Lending rates remained broadly stable at around 15 percent, while deposit rates averaged 8 percent during the quarter (Chart 3.11a). Negotiated lending rates for prime borrowers and negotiated deposit rates stood at about 12 percent and 11 percent, respectively. The trend in bank interest rates was also broadly consistent with those observed in peer EAC economies (Chart 3.11b). The relatively sticky lending rates reflect, in part, structural factors related to credit risk and credit market inefficiencies that the Bank and its stakeholders are addressing through reforms. Key reform measures implemented recently include expanding the range of acceptable collateral, promoting greater use of credit reference bureau information, and strengthening the consumer protection framework. These are complemented by financial literacy and inclusion, among others.

Chart 3.11a: Lending and deposit interest rates



Source: Banks and Bank of Tanzania computation

Chart 3.11b: Real lending interest rates in select EAC countries



Source: Central Banks across EAC

The exchange rate has been stable over the quarter during which the current account faced challenges of increased demand for foreign exchange in the wake of rising import prices. Robust foreign reserves and strong export performance in gold and tourism supported exchange rate stability. Total turnover in the Interbank Foreign Exchange Market was USD 377.2 million during

the quarter ending June 2026, with the Bank accounting for approximately 23.3 percent (Chart 3.12a).

The Tanzanian shilling traded at an average of TZS 2,613.96 per US dollar, representing a depreciation of 2.8 percent over the previous quarter, while on an annual basis, it recorded an appreciation of 2.2 percent (Chart 3.12b). The real effective exchange Rate (REER) depreciated but remained broadly aligned with macroeconomic fundamentals (Chart 3.12c). The Tanzanian shilling is expected to remain broadly stable, supported by strong export receipts from gold, tourism and agricultural commodities, which is expected to partly offset the extent to which higher import costs feed through domestic prices.

Chart 3.12a: Total IFEM transactions

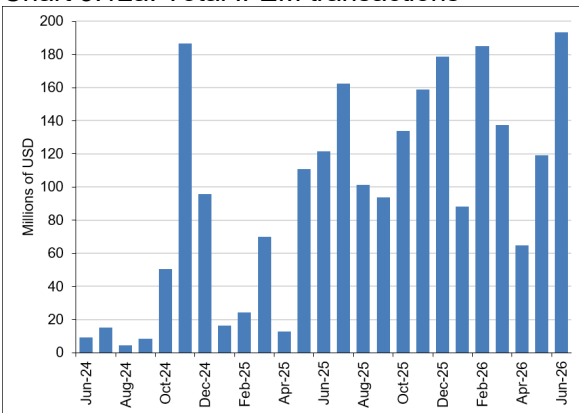


Chart 3.12b: Daily TZS/USD exchange rates

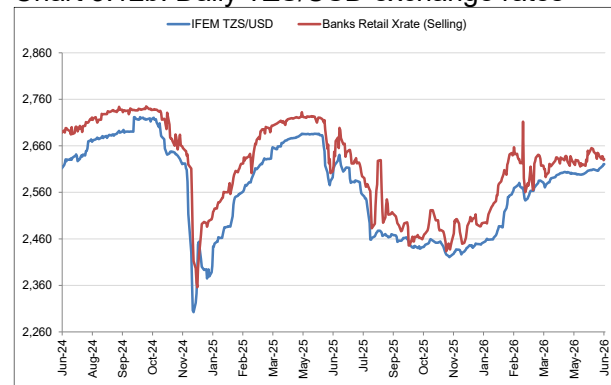
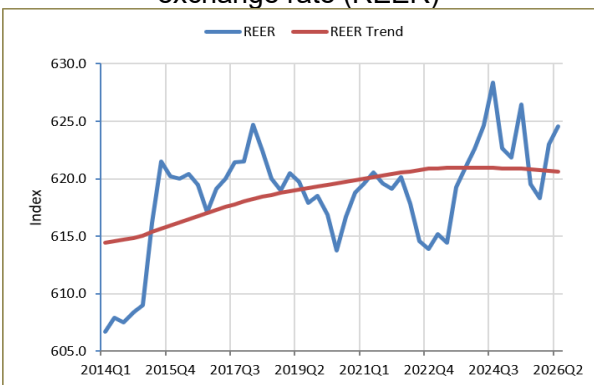


Chart 3.12c: Long run trend of the real effective exchange rate (REER)



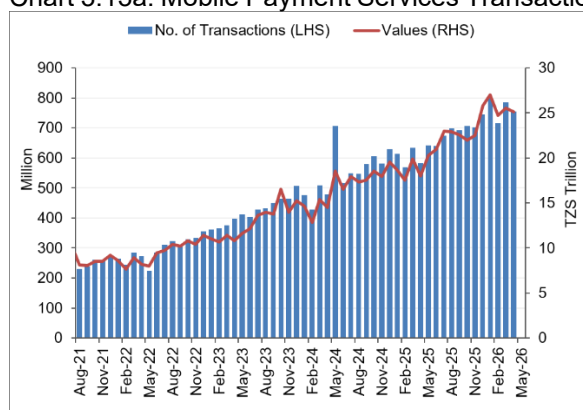
Source: Bank of Tanzania

3.4 Banking Sector and Payment Systems

The banking sector remained stable and resilient to short-term shocks. The banking sector remained sound and stable in terms of liquidity, capital adequacy and profitability⁶. The sector continues to register growth in deposits and assets, supported by increased uptake of agent banking services, innovation in financial products, and the widespread adoption of digital banking solutions. Loan portfolio growth was further reinforced by a favourable business environment coupled with low credit risk, as reflected in the decline of the non-performing loans ratio to 2.9 percent in May 2026, well below the tolerable threshold of 5 percent.

Payment systems continued to operate efficiently, supporting financial stability and effective monetary policy implementation. Transactions through TISS, TIPS, and mobile money increased, reflecting continued expansion in digital payments and financial services (Charts 3.13a and 3.13b). Cross-border payment system performance was mixed. EAPS transactions in Tanzanian shillings increased in volume but declined in value, while SADC-RTGS transaction values increased by 4.5 percent despite broadly unchanged volumes. Transactions initiated by Tanzanian banks through SADC-RTGS recorded lower volumes but substantially higher values. Overall, regional payment systems continued to efficiently support cross-border trade and financial transactions.

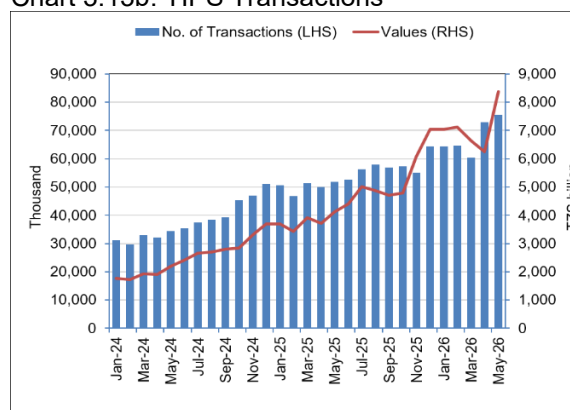
Chart 3.13a: Mobile Payment Services Transactions



Source: Mobile Electronic Money Issuers

Note: LHS refers to the left-hand scale, and RHS is right-hand scale.

Chart 3.13b: TIPS Transactions



Source: Bank of Tanzania

⁶ Banking sector accounts for over 70 percent of the financial sector

3.5 Fiscal Policy

In the second quarter of 2026, the fiscal performance was satisfactory, with tax revenue surpassing the quarterly target by 3.6 percent, reaching TZS 8,677.8 billion, driven by strong performance in Pay-As-You-Earn, corporate income tax, excise and import duties (Charts 3.14a). This performance reflects continued expansion of economic activity and ongoing improvements in tax administration efficiency and compliance. Non-tax revenue amounted to TZS 1,358.0 billion, falling short of the target by 20.6 percent (Chart 3.14b). For the full year, 2025/26, domestic revenue collections are estimated to reach 16.8 percent of GDP from 15.6 percent recorded in 2024/25.

Chart 3.14a: Tax revenue performance

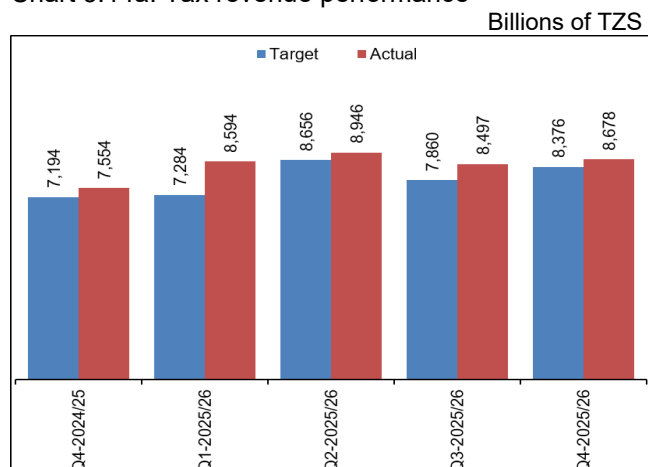
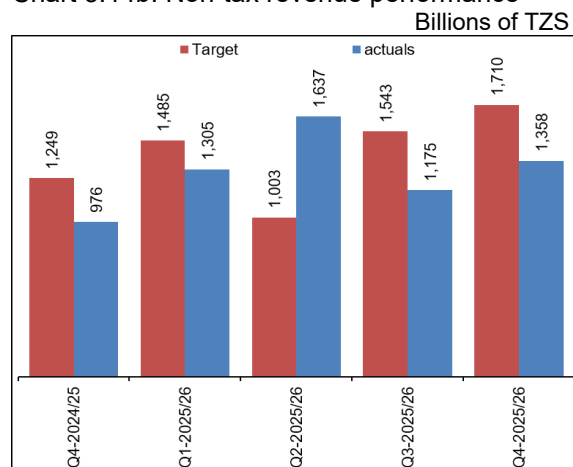


Chart 3.14b: Non-tax revenue performance



Source: Ministry of Finance

Note: Q denotes quarter. Q4-2025/26 are estimates

Government expenditure executed in line with available resources, amounting to an estimated TZS 10,534.2 billion during the quarter, of this, 76.1 percent comprised recurrent expenditure. To shield the economy from the spillover effects of the crisis in the Middle East, the Government provided fuel subsidies of TZS 259 and TZS 535 per litre of diesel in May and June 2026, respectively, to cushion consumers against rising fuel prices. The Government also continued to clear fertilizer subsidy claims for the 2025/26 fiscal year to ensure the availability and affordability of fertilizer for the 2026/27 agricultural season. Overall, these measures were aimed at containing inflationary pressures and supporting price stability.

Public debt

Public debt amounted to USD 44,835.1 million at the end of April 2026, of which 66.3 percent was external debt (Chart 3.15a). The external debt was mainly owed to multilateral institutions and

commercial creditors, which together accounted for 93.6 percent of the total. Disbursed outstanding external debt remained largely concentrated on balance of payments and budget support (26.7 percent), transport and telecommunications (24.0 percent), and social welfare and education (22.9 percent). Meanwhile, private sector external debt stood at USD 6,232.1 million, slightly higher than the level recorded at the end of the preceding quarter and was predominantly owed to commercial lenders (85.2 percent), followed by export credits (13.1 percent).

The stock of domestic debt was TZS 39,257.3 billion at the end of May 2026, a 2.1 percent increase from the end of the preceding quarter, equivalent to 16 percent of projected GDP for 2025/26. Treasury bonds remained dominant, accounting for 68.2 percent of the domestic debt. During April and May 2026, the Government borrowed a total of TZS 671.2 billion through the issuance of government securities, comprising TZS 373.8 billion from Treasury bonds and TZS 297.4 billion from Treasury bills. Approximately half of the total stock was owed to commercial banks and pension funds (Chart 3.15b).

Chart 3.15a: Debt developments

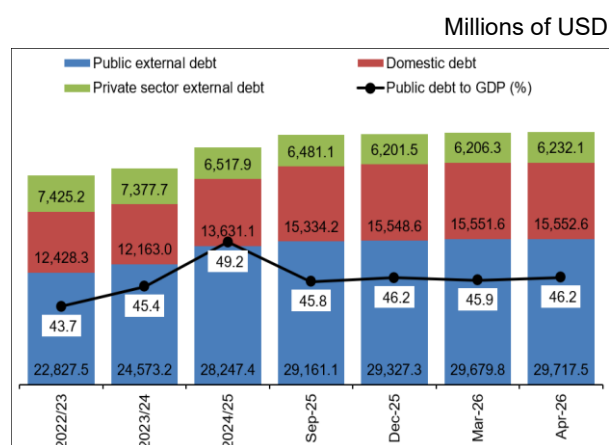
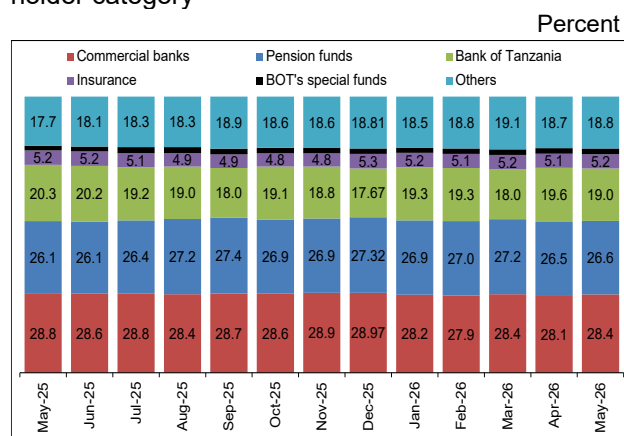


Chart 3.15b: Composition of domestic debt by holder category

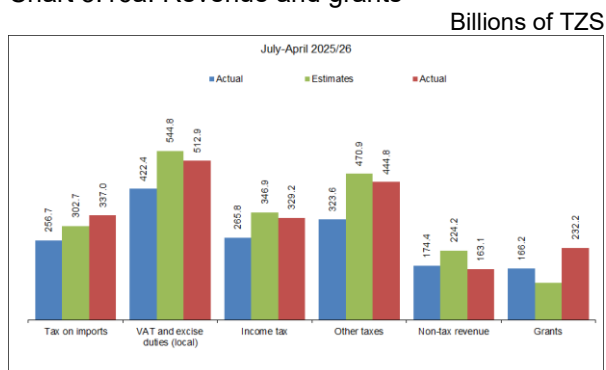


Note: Others include public institutions, private companies, individuals, and non-resident, BOT special funds include funds by BOT staffs, research funds etc.

The Zanzibar fiscal operations remained disciplined, as government expenditure was aligned with available resources. From July 2025 to April 2026, government resources, including domestic revenue and grants, were TZS 2,019.2 billion, exceeding the target by 0.5 percent (Chart 3.16a). Domestic revenue continued to account for the largest share at 88.5 percent of the total resources. Tax revenue reached TZS 1,623.9 billion, equivalent to 97.5 percent of the target (Chart 3.16b). Government spending amounted to TZS 3,569.4 billion, of which about 57 percent was development expenditure (Chart 3.17). Of the development

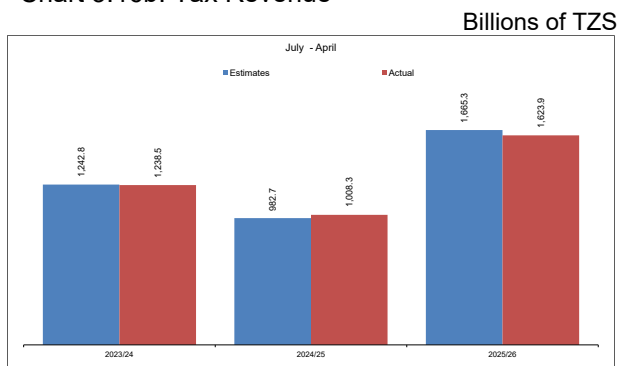
expenditure, 79.5 percent was financed through domestic resources, reflecting the Government's commitment to fiscal self-reliance for sustainable financing of development projects. Zanzibar's domestic debt stock stood at TZS 2,704.9 billion in April 2026, driven predominantly by the issuance of Treasury bonds and borrowings from commercial banks.

Chart 3.16a: Revenue and grants



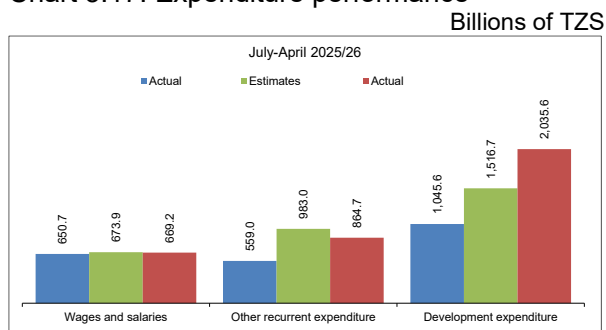
Source: President's Office, Finance and Planning, Zanzibar
 Note: Other taxes include hotel and restaurant levies, tour operator levies, revenue stamps, airport and seaport service charges, road development fund, and petroleum levy

Chart 3.16b: Tax Revenue



Source: President's Office, Finance and Planning, Zanzibar
 Note: Cumulative data from July of preceding year.

Chart 3.17: Expenditure performance



Source: President's Office, Finance and Planning, Zanzibar
 Note: Other expenditure includes transfers, domestic debt interest payments, consolidated fund service, and other charges

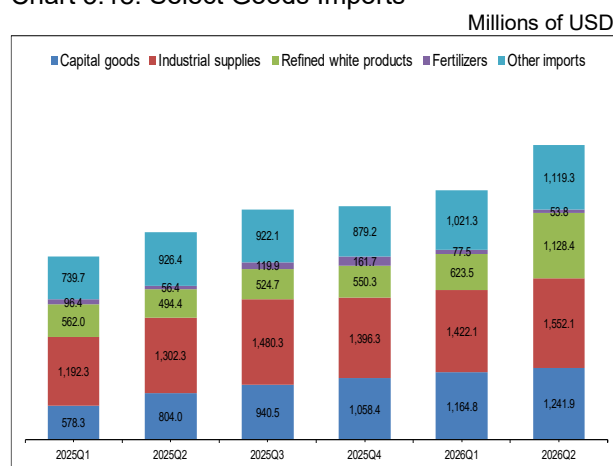
3.6 Current Account and Foreign Reserves

Current account balance

Geopolitical tensions and subsequent global supply chain disruptions exerted pressure on the external sector in the quarter ending June 2026. Rising global costs for fuel, fertilizer, freight, and insurance resulted in an increase in Tanzania's import bill. During the quarter to June 2026, the current account deficit is estimated to have widened to USD 1,354.5 million, up from USD 1,060.9

million in the corresponding quarter of 2025 (Chart 3.18 and Table 3.6). Despite this quarterly pressure, the annual current account deficit held steady, estimated at 2.4 percent of GDP, the same as in the period ending June 2025, but high compared to 2.2 percent of GDP in the year ending March 2026. Strong earnings from gold and tourism, alongside robust growth in transport services and traditional exports, sustained this annual stability.

Chart 3.18: Select Goods Imports



Source: TRA and BOT computation

Note: p denotes provisional data

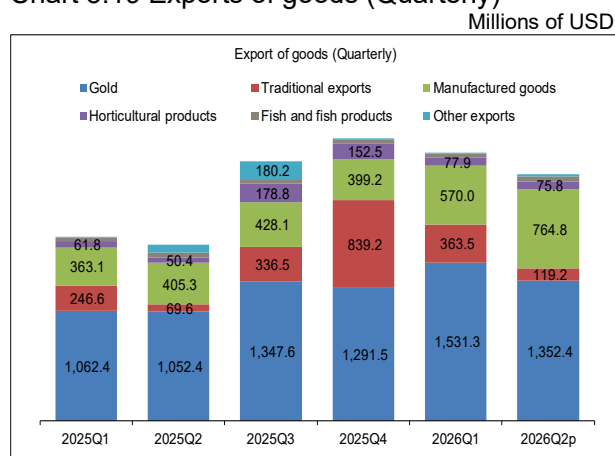
Table 3.6: Current Account (Annual)

Millions of USD

	Year ending June			Quarter ending June	
	2024	2025	2026	Jun-25	Jun-26 ^p
Goods account balance	-5,953.6	-4,594.3	-5,656.7	-1,469.7	-2,275.1
Exports	7,831.8	9,871.6	11,783.7	2,114.3	2,821.1
Imports	-13,785.4	-14,465.9	-17,440.4	-3,584.0	-5,096.2
Services account balance	4,219.2	3,951.4	4,765.6	876.2	1,174.7
Receipts	6,578.7	7,115.4	8,140.9	1,668.3	1,979.2
Payments	-2,359.5	-3,163.9	-3,375.3	-792.1	-804.5
Goods and services balance	-1,734.4	-642.9	-891.1	-593.5	-1,100.4
Exports of goods and services	14,410.5	16,987.0	19,924.6	3,782.6	4,800.3
Imports of goods and services	-16,144.9	-17,629.8	-20,815.7	-4,376.1	-5,900.7
Primary income account balance	-1,710.0	-2,011.4	-1,773.2	-566.1	-396.2
Receipts	324.4	292.1	307.9	56.4	69.2
Payments	-2,034.4	-2,303.5	-2,081.1	-622.5	-465.3
Secondary income account balance	620.9	486.6	361.4	98.6	142.1
Inflows	1,294.3	1,060.4	1,019.9	236.2	310.4
o/w Official transfers	122.6	103.7	25.2	12.4	12.5
Outflows	-673.4	-573.8	-658.5	-137.5	-168.3
Current account balance	-2,823.5	-2,167.7	-2,302.9	-1,060.9	-1,354.5

Exports of goods and services are estimated to have increased by 27 percent to USD 4,800.3 million in the quarter to June 2026 compared with the corresponding quarter in 2025 (Chart 3.19). The main export drivers were gold, manufactured goods, and traditional crops, particularly coffee and tobacco. Gold exports benefited from higher global prices, while manufactured exports increased due to strong demand from neighbouring countries. On an annual basis, exports of goods and services are estimated at USD 19,924.6 million in the year to June 2026, up by 17 percent from a year before (Table 3.7). Strong performance came from gold, tourism, and manufactured goods. Traditional exports, particularly coffee, cotton and tobacco, also increased. Gold export is estimated at USD 5,522.9 million, an increase of 36 percent. Tourism earnings are estimated at USD 4,405.5 million, an increase of 8 percent.

Chart 3.19 Exports of goods (Quarterly)



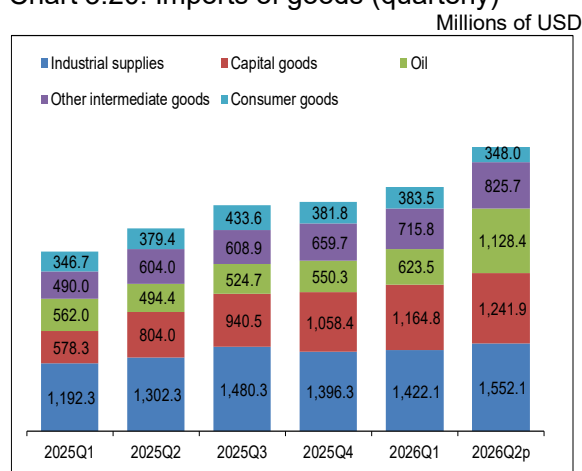
Source: Bank of Tanzania and Tanzania Revenue Authority
Note: p, provisional data

Table 3.7: Exports of goods and services

	Year Ending June			Quarter ending June	
	2024	2025	2026 ^p	Jun-25	Jun-26 ^p
	Traditional	1,066.3	1,440.3	1,658.4	69.6
o/w Cashew nut	225.6	527.6	479.6	0.7	1.0
Tobacco	438.5	470.3	604.9	21.9	54.3
Non-traditional	6,371.6	8,053.5	9,804.2	1,993.3	2,646.7
Minerals	3,608.5	4,795.6	6,201.0	1,226.2	1,546.0
o/w Gold	3,121.8	4,049.1	5,522.9	1,052.4	1,352.4
Horticultural	415.4	508.1	485.0	50.4	75.8
Manufactured	1,329.0	1,477.8	2,162.2	405.3	764.8
Cereals	155.4	398.6	182.2	97.5	84.3
Fish and fish products	173.2	167.2	176.6	45.3	53.4
Oil seeds	295.3	276.9	208.8	77.3	18.0
Other exports	220.0	244.9	209.2	61.1	43.4
Services receipts	6,578.7	7,115.4	8,140.9	1,668.3	1,979.2
o/w Travel	3,679.7	4,096.5	4,405.5	903.3	909.6
Transportation	2,304.3	2,538.3	3,230.9	659.1	918.6
Goods and services	14,410.5	16,987.0	19,924.6	3,782.6	4,800.3

There has also been a notable increase in imports of goods and services in the recent past, largely due to the impact of the Middle East conflict. For the quarter to June 2026, imports are estimated to reach USD 5,900.7 million, which is 34.8 percent higher than the corresponding quarter in 2025. Key drivers were industrial supplies, petroleum products, and industrial transport equipment. Oil, which accounts for 22 percent of the goods import bill, is estimated to have increased to USD 1,182.4 million compared with USD 494.4 million in the quarter ending June 2025. For 12 months to June 2026, imports of goods and services are estimated to reach USD 20,815.7 million, representing an annual increase of 18 percent. Industrial supplies, white petroleum products, and industrial transport equipment continued to be the key drivers. Imports of petroleum products are estimated at USD 2,826.5 million, up by 6.5 percent from the level imported in the corresponding period of 2025 (Chart 3.20 and Table 3.8).

Chart 3.20: Imports of goods (quarterly)



Source: Bank of Tanzania
Note: p, provisional data

Table 3.8: Imports of goods and services

	Year Ending June			Quarter ending June	
	2024	2025	2026	Jun-25	Jun-26 ^p
	Capital	2,781.3	3,061.6	4,405.6	804.0
Machinery and mechanical appliances	1,086.7	1,098.7	1,426.6	291.2	404.6
Industrial transport equipment	942.7	1,175.7	1,808.3	317.4	564.0
Intermediate	9,604.3	9,933.6	11,485.6	2,400.1	3,505.8
Industrial supplies	4,418.0	5,074.6	5,850.8	1,302.3	1,552.1
Fuel and lubricants	3,041.4	2,468.2	2,962.2	505.1	1,175.5
o/w Refined white products	2,802.2	2,365.4	2,826.9	494.4	1,128.4
Food and beverages for industrial use	867.3	829.6	880.7	206.8	266.2
o/w Wheat grain	342.2	332.3	379.5	86.7	80.1
Motor cars for household	322.6	411.9	537.9	116.2	167.3
Consumer	1,397.6	1,468.5	1,546.9	379.4	348.0
Food and beverages mainly for household	173.1	217.6	188.3	48.0	45.3
Other consumer goods	1,067.2	1,077.5	1,122.0	281.7	249.9
Services payment	2,359.5	3,163.9	3,375.3	792.1	804.5
o/w Transportation	1,280.4	1,467.3	1,712.9	355.6	454.3
Goods and services	16,144.9	17,629.8	20,815.7	4,376.1	5,900.7

Zanzibar sustained a current account surplus, largely driven by tourism receipts. In the second quarter of 2026, the current account is estimated to have recorded a surplus of USD 124.7 million, up from USD 117.6 million in the same quarter in 2025 (Table 3.9). In the year ending June 2026, the current account balance was a surplus of USD 904.2 million, compared with USD 611.1 million (Table 3.10). Strong performance was observed in service receipts, mainly tourism, which accounted for 95.7 percent of exports of goods and services. Tourist arrivals are estimated to rise by 21.1 percent to 967,418 tourists, on the back of enhanced promotion and improvement in infrastructure, particularly airports and road networks.

Table 3.9: Current Account (Annual)
Millions of USD

Description	Year ending				
	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26 ^p
Goods account (net)	-503.9	-525.2	-531.0	-593.0	-586.2
Exports	33.3	30.5	36.2	58.3	70.5
Imports (fob)	537.2	555.7	567.2	651.3	656.7
Services account (net)	1,088.5	1,189.2	1,409.9	1,462.5	1,477.1
Receipts	1,167.1	1,290.0	1,509.1	1,579.9	1,606.1
Payments	78.7	100.9	99.2	117.5	129.0
Goods and services (net)	584.6	664.0	878.9	869.5	890.9
Exports of goods and services	1,200.4	1,320.5	1,545.4	1,638.2	1,676.6
Imports of goods and services	615.9	656.5	666.5	768.7	785.7
Primary Income account (net)	23.3	18.8	18.8	6.7	11.0
Receipts	33.9	27.4	27.6	8.4	12.0
Payments	10.7	8.6	8.8	1.7	1.7
Secondary income (net)	3.3	2.8	1.9	1.2	2.3
Inflows	5.6	4.9	4.7	1.4	2.6
Outflows	2.4	2.1	2.8	0.6	0.6
Current account balance	611.1	685.6	899.6	877.4	904.2

Source: TRA and BOT computation

Note: p denotes provisional data

Table 3.10: Current Account (Quarterly)
Millions of USD

Description	Quarter ending				
	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26 ^p
Goods account (net)	-129.2	-179.7	-128.7	-192.9	-122.4
Exports	4.7	15.1	21.9	22.1	16.9
Imports (fob)	133.9	194.7	150.6	215.0	139.3
Services account (net)	245.4	451.5	353.5	412.0	241.0
Receipts	269.2	478.2	384.6	447.9	276.3
Payments	23.8	26.7	31.1	35.9	35.3
Goods and services (net)	116.2	271.9	224.8	219.1	118.7
Exports of goods and services	273.9	493.2	406.5	470.0	293.3
Imports of goods and services	157.6	221.4	181.7	250.9	174.6
Primary Income account (net)	1.2	0.7	8.1	14.8	4.8
Receipts	1.6	0.9	10.9	17.8	5.3
Payments	0.4	0.2	2.8	2.9	0.4
Secondary income (net)	0.1	0.1	1.2	2.5	1.2
Inflows	0.3	0.1	2.0	3.7	1.4
Outflows	0.1	0.1	0.8	1.2	0.2
Current account balance	117.6	272.7	234.1	236.5	124.7

Exports of goods and services amounted to USD 293.3 million in the quarter to June 2026, compared with USD 273.9 million in the corresponding quarter of 2025, mainly driven by tourism. Clove exports also increased, benefiting from increased production and favourable world market prices (Table 3.11). In the year ending June 2026, export earnings rose substantially to USD 1,676.6 million from USD 1,200.4 million in the preceding year, reflecting strong tourism performance.

Import of goods and services is estimated at USD 174.6 million in the quarter ending June 2026, up from USD 157.6 million in the corresponding quarter of 2025. The increase was mainly associated with higher imports of capital goods, especially machinery and mechanical equipment, as well as consumer goods (Table 3.12). On an annual basis, imports of goods and services rose

to an estimated USD 785.7 million from USD 615.9 million in the year ending June 2025, largely driven by capital and consumer goods.

Table 3.11: Export of goods

Description	Units	Year ending June		Quarter ending		
		2025	2026 ^p	Jun-25	Mar-26 ^p	Jun-26 ^p
Traditional exports						
Clove						
Value	'000' of USD	3,450.5	44,575.1	365.8	12,521.3	10,357.8
Volume	'000' Tonnes	0.7	7.0	0.1	1.8	2.0
Unit price	USD/Tonne	4,735.1	6,335.9	3,972.7	6,862.1	5,157.3
Non-traditional exports						
Seaweeds						
Value	'000' of USD	3,221.9	1,743.6	817.6	85.4	913.5
Volume	'000' Tonnes	5.8	3.0	1.4	0.2	1.4
Unit price	USD/Tonne	552.9	586.7	578.6	1,493.8	656.9
Manufactured goods	'000' of USD	15,390.0	10,759.8	2,388.8	2,634.1	2,097.6
Fish and fish products	'000' of USD	1,176.3	894.3	131.4	241.5	415.5
Others exports	'000' of USD	10,054.5	12,490.4	1,004.8	6,596.2	3,124.7
Sub-total	'000' of USD	29,842.8	25,888.0	4,342.5	9,557.2	6,551.2
Grand-total	USD ('000')	33,293.3	70,463.2	4,708.3	22,078.4	16,909.1

Source: TRA and BOT computation

Note: p denotes provisional data

Table 3.12: Import of goods

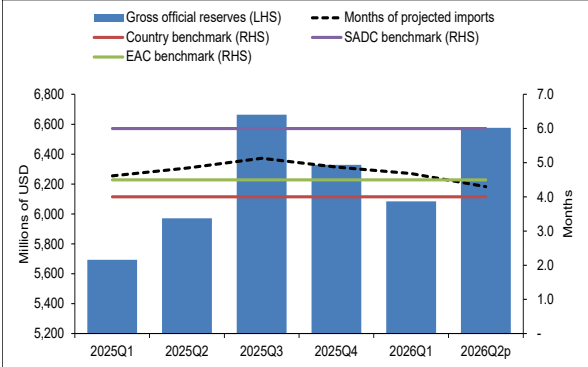
Description	Millions of USD				
	Year ending June		Quarter ending		
	2025	2026 ^p	Jun-25	Mar-26 ^p	Jun-26 ^p
Capital	68.9	161.0	13.9	81.1	24.5
Machinery and mechanical appliances	24.5	50.5	5.2	18.8	9.2
Industrial transport equipment	22.9	55.7	3.8	40.0	7.5
Electrical machinery and equipment	14.4	41.1	3.0	18.2	5.6
Other capital goods	7.1	13.6	2.0	4.1	2.2
Intermediate	399.1	395.0	103.7	107.6	94.7
Industrial supplies	123.2	183.0	33.8	56.2	34.9
o/w Iron and steel and articles thereof	22.0	36.6	5.9	10.7	6.7
Plastic and articles thereof	7.5	15.3	1.8	4.1	2.4
Fuel and lubricants	159.7	102.7	40.1	31.8	32.2
o/w Refined white products	158.9	102.4	40.1	31.8	31.9
Parts and accessories	16.0	31.5	3.6	7.4	5.2
Food and beverages for industrial use	79.4	62.8	22.3	9.3	18.1
o/w Wheat grain	24.1	21.1	6.3	3.1	5.6
Edible oil and its fractions not refined	37.3	25.8	10.8	3.5	6.6
Motor cars for household	20.8	15.1	4.0	2.8	4.3
Consumer	69.1	100.6	16.3	26.3	20.0
Food and beverages mainly for household consumption	17.2	18.5	4.0	5.3	4.3
Non-industrial transport equipment	2.2	3.1	0.5	0.7	0.7
o/w Motorcycles and cycles fitted with an auxiliary motor	0.8	1.1	0.2	0.2	0.2
Other consumer goods	49.7	75.5	11.8	17.0	14.7
o/w Pharmaceutical products	4.3	1.3	1.1	0.1	0.4
Insecticides, rodenticides and similar products	0.3	0.8	0.0	0.2	0.2
Soap and detergents	4.4	6.8	1.1	1.9	1.4
Textiles apparels	5.3	7.2	1.2	1.6	1.6
Footwear and other products	2.9	3.8	0.7	1.1	0.7
Paper and paper products	2.0	1.4	0.5	0.4	0.4
Total (f.o.b)	537.2	656.7	133.9	215.0	139.3

3.7 Foreign Exchange Reserves

Foreign exchange reserves have been high, hovering around USD 6 billion during the quarter to June 2026. The level of reserves was equivalent to 4.3 months of import cover, which is in line with the statutory limit of at least 4 months but lower than the 4.5 and 6 months of import cover for the EAC and SADC convergence benchmarks, respectively (Chart 3.21).

Looking ahead, foreign reserves are expected to remain adequate, above the country's target. The outlook is supported by the accumulation of gold through the domestic purchase program, improvement in exports, and expected moderation in imports following the ceasefire agreement in the Middle East conflict. These factors will be complemented by a flexible exchange rate, which is projected to absorb shocks to the current account pressures. However, risks to this outlook are tilted to the upside, mainly if the conflict in the Middle East persists for longer.

Chart 3.21: Foreign Reserves and Import Cover



Source: Bank of Tanzania

Notes: LHS refers to left-hand scale; and RHS, right-hand scale

CHAPTER 4: MONETARY POLICY OUTLOOK

Global Economic Outlook

The conflict in the Middle East has disrupted energy supplies, leading to a sharp rise in global energy prices. Although some volatility observed in the first quarter of 2026, signalled an easing trend in the subsequent quarter, uncertainty remains elevated and continues to weigh on the global outlook.

The global inflation outlook has become more uncertain following a series of supply-side shocks associated with geopolitical tensions, trade policy uncertainty, and disruptions to global supply chains. While acute pressures observed earlier in the year seem to have moderated, risks to energy, fertilizer and transportation costs remain elevated⁷. Projections by both the IMF and Bloomberg suggest that the pace of disinflation is expected to be more gradual amid persistent uncertainty and ongoing supply-side pressures (Chart 4.1 and Table 4.1).

Energy market volatility remains a major source of risk. Bloomberg forecasts suggest that the Brent crude oil price could moderate towards an average of USD 85 per barrel over the medium term, reflecting expectations of easing geopolitical tensions and improved supply conditions (Chart 4.2). Nevertheless, should those tensions persist or escalate further, energy costs would rise, driving up transportation and production costs, creating additional inflationary pressures, and potentially prompting a tighter monetary policy stance.

The path of monetary policy in advanced economies has become increasingly differentiated. In response to varying inflation dynamics and growth conditions, central banks have adopted more data-dependent stances, resulting in divergent interest rate trajectories (Chart 4.3). This policy divergence has contributed to periodic shifts in global capital flows and exchange rate movements, with important implications for financing conditions in emerging and developing economies. While the immediate risks to global financial stability have moderated, the external environment remains uncertain and warrants continued monitoring.

⁷ Tanzania imports around 80 percent of its fertilizer.

Chart 4.1: Projected Quarterly Inflation for Select Advanced Economies

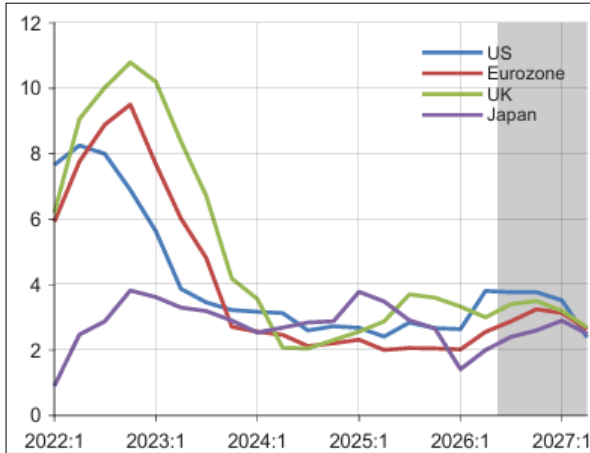


Table 4.1: Projected Quarterly Inflation for Select Economies

	Projection (y-o-y)					
	2025		2026			
	Q3	Q4	Q1	Q2	Q3	Q4
United States	2.9	2.7	2.7	3.9	3.7	3.6
Euro zone	2.1	2.1	2.1	3.2	3.2	3.2
Japan	2.9	2.1	1.5	2.0	2.4	2.6
UK	3.8	3.4	3.1	3.0	3.4	3.5
China	-0.3	0.8	1.0	1.1	1.1	1.0
South Africa	3.4	3.6	3.1	4.3	4.4	4.4
India	1.4	1.2	3.4	4.2	5.0	5.5
Brazil	5.2	4.3	4.1	4.5	4.6	4.8

Chart 4.2: Crude Oil prices (USD/barrel)

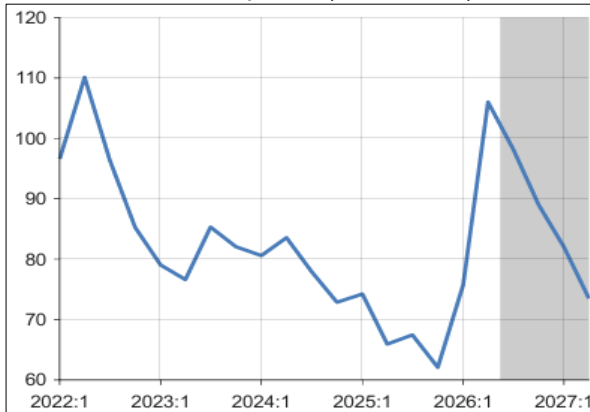
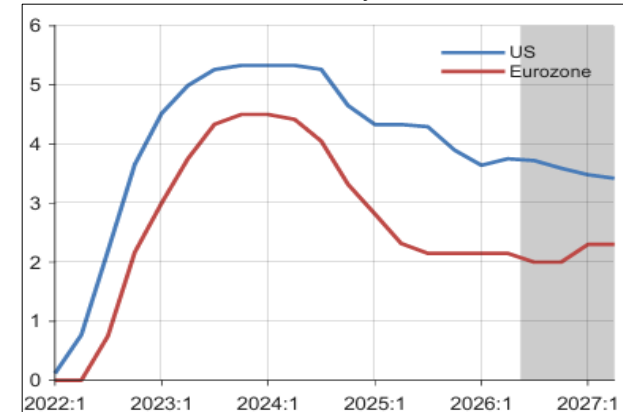


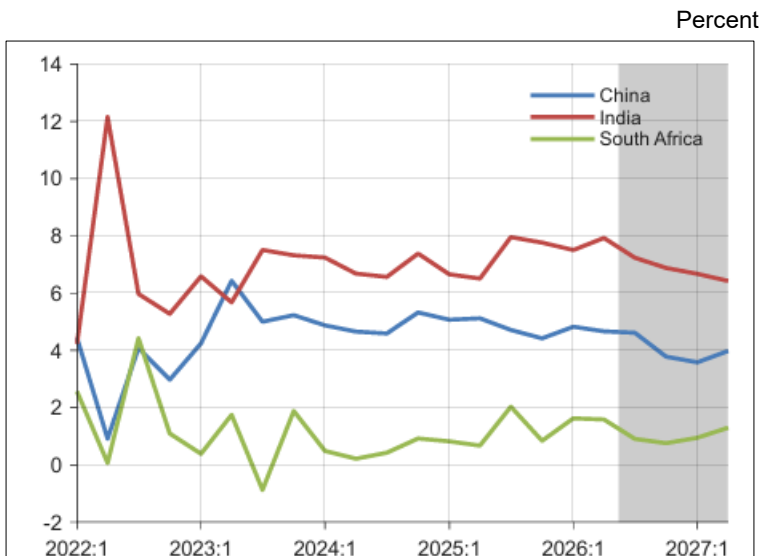
Chart 4.3: Central Bank Policy Rates



Source: Bloomberg forecast accessed in June 2026

Growth trajectories remain uneven across the global economy (Chart 4.4). While some regions continue to benefit from resilient domestic demand and targeted policy support, others face stronger external headwinds from trade disruptions and commodity price pressures. The IMF projects slow global growth in 2026, reflecting the cumulative drag from these headwinds. Bloomberg's June 2026 forecasts reinforce this picture, highlighting mounting pressures that are already unsettling commodity markets and disrupting supply chains. Taken together, these divergent dynamics underscore the fragility of the global recovery and maintain downside risks to growth alongside upside risks to inflation, particularly for emerging market economies.

Chart 4.4: Growth in Select Economies



Source: Bloomberg forecast accessed in June 2026

Domestic Economic Outlook

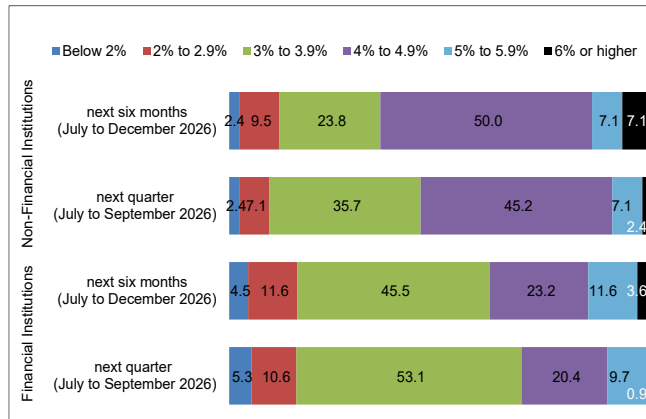
The direct or immediate effects of the conflict in the Middle East are already felt in Tanzania. Notably, through higher fuel prices, inflation increased consecutively to 4.2 percent in May from 4 percent and 3.2 percent in April and March 2026, respectively, though remaining within the target of 3-5 percent. Fertilizer prices, particularly UREA, increased to around TZS 108,703 per 50 kilograms in June 2026, from TZS 84,524 per 50 kilograms in September 2025⁸. The second-round effects of higher fuel prices have also been felt through transport and production costs, which might further increase prices. The second-round effects underscore the need for monetary policy to ensure that the effects of the supply shock do not become entrenched in broad-based inflationary pressures and lead inflation to exceed the target.

The inflation outlook is also conditioned on adequate rains for food production (in Tanzania and neighbouring countries), which could moderate food price pressures in the near term. The prospect is that food inflation will remain moderate due to recent good harvests. Core inflation is forecast to pick up, signalling increased inflationary pressure that may require policy attention.

⁸ Source: Tanzania Fertilizer Regulatory Authority (TFRA).

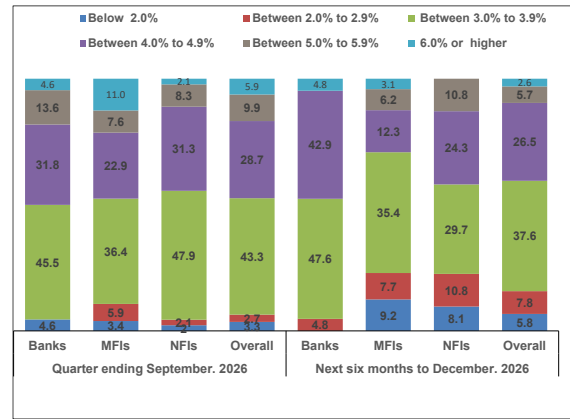
A stable exchange rate is anticipated to be sustained, supported by expected strong export receipts from gold, tourism, and agricultural commodities. This will minimize the extent to which higher import costs feed through into domestic prices. The June 2026 CEOs and Market Perception Surveys indicate inflation to remain within the target range in the near term, although upside pressures exist (Charts 4.5a and 4.5b).

Chart 4.5a: CEOs Perception Survey: Inflation Expectations



Source: CEOs Perception Survey, June 2026

Chart 4.5b: Market Perception Survey: Inflation Expectations

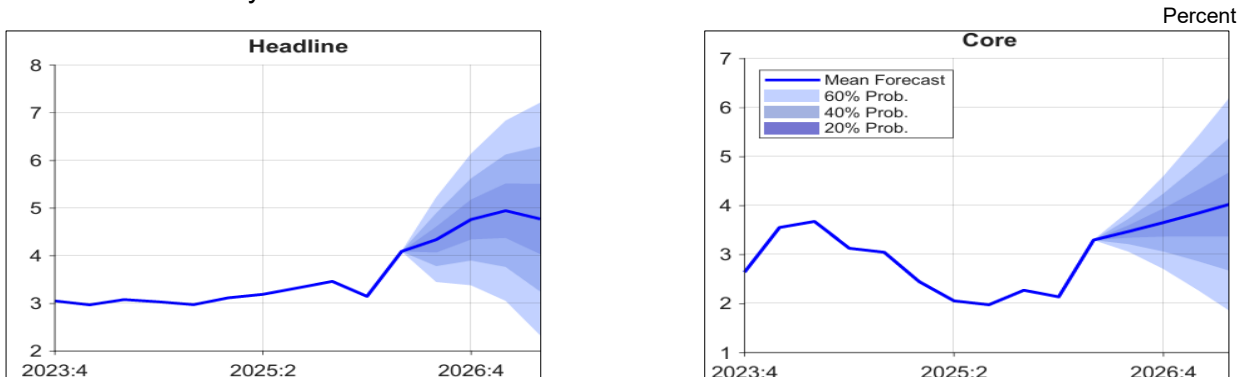


Source: Market Perception Survey, June 2026

Baseline Scenario

Based on the assumptions and risks discussed above, headline inflation is projected to increase but remain within the target in the third quarter of 2026 (Chart 4.6a). Meanwhile, growth is expected to remain resilient in the remainder of 2026 (Chart 4.6b). The model-consistent policy path implies a Central Bank Rate of 6.25 percent for the third quarter of 2026, representing a 50-basis point increase from the prevailing rate. In Zanzibar, headline inflation is projected to average 5.4 percent in the third quarter of 2026, above the target of 5 percent.

Chart 4.6a: Quarterly inflation forecasts





Source: BOT staff computations

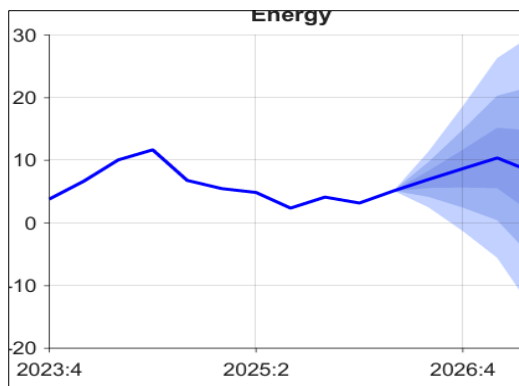
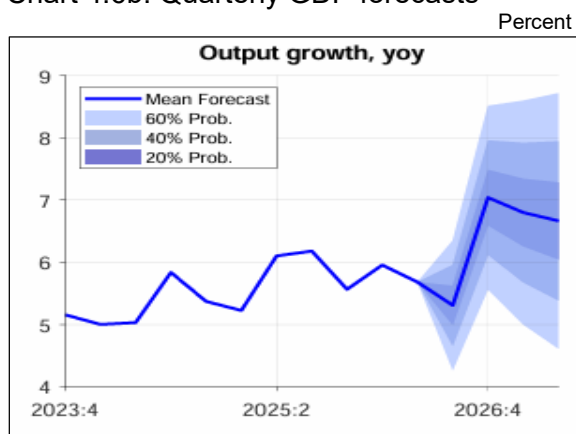


Chart 4.6b: Quarterly GDP forecasts



Source: BOT Staff computations

Alternative Scenarios

Besides the baseline scenario, two alternative scenarios were evaluated. The scenarios differ along two main dimensions: adverse supply shocks and low supply shocks.

The adverse supply shock assumes the conflict in the Middle East to intensify and persist for longer, potentially pushing global oil prices above USD 100 per barrel through the third quarter of 2026, with fertilizer prices remaining elevated in the 2027 crop season. This will require a large policy rate adjustment to maintain inflation within the target, while economic growth moderates as higher costs erode household purchasing power and weigh on business activity.

The second alternative scenario assumes the conflict in the Middle East to dissipate or come to an end, leading to lower oil and fertilizer prices. Global oil prices are assumed to decline, averaging USD 75 per barrel or lower through the third quarter of 2026. This leaves inflation

contained within the target for the most part of forecast horizon. The implied CBR path is less restrictive than under the baseline.

Conclusion and decision on CBR

The outlook presented above shows that risks to the inflation outlook is tilted to the upside, while the domestic growth outlook remains resilient. This requires a more pronounced monetary policy response to maintain inflation within the target range over the forecast horizon. Against this backdrop, the MPC decided to raise the CBR by 50 basis points to 6.25 percent. This policy response was considered appropriate for containing inflationary pressures stemming from global energy markets, which had the potential to increase transportation and production costs and gradually transmit these higher costs across a broader range of goods and services, thereby exerting upward pressure on core inflation. In view of this, the policy tightening at this stage is expected to anchor inflation expectations, reinforce commitment to price stability, and reduce the probability that a more abrupt adjustment becomes necessary later. The CBR increase is appropriately gradual to support the ongoing recovery in economic activity while preserving conditions favourable for sustainable growth.