



Bank of Tanzania

Monetary Policy Report

January 2025

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 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 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 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).

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Executive Summary

1. MPC decision, monetary policy implementation, and outcome

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 6 percent in the fourth quarter of December 2024 to minimize the impact of the depreciating exchange rate on inflation. The Bank was to conduct monetary policy to ensure the 7-day interbank rate evolves between 4 and 8 percent to align it with the CBR.

The MPC noted that, during the quarter, the 7-day IBCM rate hovered close to the upper band of the CBR for most of October and November 2024 owing to a decline in liquidity in the banks. The liquidity squeeze was mainly due to a stronger-than-expected seasonal demand of currency for crop purchase, following a bumper harvest of cashew nuts and cereals. There was also a significant increase in non-bank participation in government bonds. To improve liquidity in banks, the Bank scaled up the auctioning of reverse repos and purchased foreign exchange from the interbank foreign exchange market. In addition, the purchase of gold through the domestic gold purchase program improved liquidity. The measures improved liquidity substantially, beginning the last week of November. This manifested in increases in the level of clearing balances of banks (banks reserves) and a decline in the 7-day IBCM rate.

2. Global economy

The MPC assessed global economic conditions and its implications on the economy in the first quarter of 2025. The MPC observed that the IMF, World Bank, OECD and Bloomberg indicate global growth to be stable in 2024, and will vary significantly in advanced and emerging market economies. In the fourth quarter of 2024, there was a remarkable improvement in the global economic conditions. Growth improved, inflation declined, financial conditions eased due to policy rate cuts, and commodity prices, particularly for crude oil, moderated. This improved economic conditions in the Tanzania economy.

3. Domestic economic performance

The MPC assessed the performance of the economy and observed that it continued to perform impressively. The Fitch Ratings assessment and the IMF review made in December 2024 also confirmed the impressive performance. The Fitch Ratings assessment affirmed the country rating at B+ with stable outlook. The IMF made the review under the Extended Credit Facility (ECF) and the Resilience and Sustainability Facility (RSF) programs implemented by the government.

In Mainland Tanzania, the economy grew at 5.6 percent and 5.3 percent in the first and second quarters of 2024, respectively, compared with 5 percent and 4.7 percent in the corresponding period in 2023. Agriculture, finance and insurance, transport, construction, and trade activities contributed the most to the growth outturns. This steady growth is also expected in the third and fourth quarters, at around 5.6 percent and 5.7 percent, respectively. Growth in Zanzibar was 6.4 percent and 7.2 percent, compared with 14.6 percent and 6.1 percent, respectively. The main growth drivers were manufacturing, accommodation and food services (tourism activity), real estate, and construction.

Inflation in Mainland Tanzania remained stable, averaging 3 percent in October and November 2024, much lower than the medium-term target of 5 percent. The outturn was largely caused by stability in the prices of food. The National Food Reserve Agency held record-high food reserves amounting to 708,399 tonnes in October 2024 and 702,502 tonnes in November 2024, consistent with a bumper harvest in the 2023/24 crop season. In Zanzibar, inflation eased to 5.8 percent in October and 4.5 percent in November 2024 from 6.5 percent and 6.3 percent, respectively, recorded in the corresponding period in 2023, on account of both food and non-food prices.

The growth of money supply was high, primarily driven by private sector credit growth, which grew at an average of 16.8 percent, slightly below 17.8 percent in the corresponding quarter of 2023. The performance reflects sustained high demand for new loans, in line with improving global and domestic economic conditions. The decline in lending risk, as reflected by lower non-performing loans, also provided impetus to bank lending.

Foreign exchange liquidity improved, noticeably more towards the end of the quarter ending December 2024. This was attributable to improvement in global economic conditions; a substantial increase in foreign exchange earnings from tourism, cashew nut, and tobacco; and implementation of monetary policy by keeping CBR unchanged for three quarters in a row to limit the impact of exchange rate depreciation on inflation. In addition, the implementation of Section 26 of the Bank of Tanzania Act, which requires payments in Tanzanian shilling for domestic transactions, contributed in reducing the demand for foreign exchange. Owing to the improvement in foreign exchange liquidity, the shilling appreciated, the parallel market collapsed, and dollarization declined during the fourth quarter of 2024.

The governments continued to rationalize expenditure to match with available resources. In Mainland Tanzania, domestic revenue collection in the second quarter of 2024/25 was around 99.5 percent of the target, with tax revenue surpassing the target by 2.2 percent owing to an increase in economic activities and improved tax administration efforts. In Zanzibar, tax revenue is estimated to surpass the target by 3.9 percent, largely on account of improved compliance by taxpayers.

The public debt remains sustainable, and the risk of debt distress is moderate. The ratio of public debt to GDP was 41.1 percent in 2023/24, in present value terms. This was below the national debt sustainability threshold and the EAC convergence benchmark ceiling of 55 percent and 50 percent, respectively. In nominal terms, the debt to GDP ratio was 46.1 percent, below the convergence criteria ceiling of 60 percent for SADC convergence benchmark.

The external sector continued to improve and remained sustainable. In the fourth quarter of 2024, the current account balance is estimated at a deficit of USD 643.4 million, about half of the deficit realized in the corresponding period in 2023. The deficit was about 2.7 percent of the GDP in 2024 compared with 3.7 percent in the preceding year, due to improvement in exports of goods and services (mainly tourism). Exports of goods and

services is estimated at 20 percent of GDP, compared with 18 percent, driven by tourism, gold and traditional goods. The value of imports of goods and services was about 21 percent of GDP, almost unchanged from 20.3 percent. For 2025, the current account deficit is projected to remain at 2.4 percent or slightly more, backed by the expected improvement in global conditions, increase in exports and reduction of imports through import substitution initiatives. Zanzibar's current account continued to record a surplus. During the fourth quarter of 2024, the current account is estimated at a surplus of USD 124.5 million, from a surplus of USD 136.6 million in a similar period in 2023, largely due to an increase in imports of goods and services relative to exports. On annual basis, the current account is estimated to have a surplus of USD 487.2 million in 2024, higher than a surplus of USD 350.6 million in the preceding year, on account of improvement in exports of manufactured goods and tourism, coupled with a decrease in imports.

Foreign reserves remained adequate throughout the fourth quarter of 2024. The reserves were above USD 5 billion, reaching USD 5,762.4 million as of 30th December 2024, increasing from USD 5,413.6 in the previous quarter. The foreign reserves were equivalent to 4.7 months of projected imports of goods and services, consistent with the minimum requirement of 4 months (country target) and 4.5 months (EAC convergence criteria). The Bank will continue building up reserves through the domestic gold purchase program and purchase from the market.

4. Economic outlook

Global growth projections for the first quarter of 2025 show continued momentum in many economies, with advanced and emerging markets economies expected to register quarterly growth of between 0.3-1.2 percent due to monetary policy easing, fiscal support, and increased consumer spending. Global inflation is expected to continue falling across many economies, attributable to moderate prices in the world market and the lagged impact of tight monetary policy. Risk to economic outlook is moderate, due to efforts to reduce geopolitical conflicts, climate change effects, and volatility of energy prices. Most of the central banks in advanced economies are expected to cut policy rates in the first

quarter of 2025, while in the emerging market economies, the trend is somewhat mixed. In developing economies, particularly in the sub-Saharan Africa, some of the central banks are expected to cut policy rates, the others to either maintain or hike policy rates.

For the domestic economy, real GDP in Mainland Tanzania is projected to maintain a high growth trajectory. In the first quarter of 2025, real GDP growth is projected at 5.7 percent and 6 percent or more for the entire year. The projected GDP growth is mainly supported by agriculture, construction, improvement of transport and logistics, and stable power supply. The Zanzibar economy is expected to grow robustly at 6.8 percent in 2025, driven by the implementation of blue economy initiatives and ongoing construction activities. Inflationary pressures are projected to remain subdued due to adequate food, stable exchange rate, and moderate oil prices in the world market. Headline inflation is projected to remain at 3.1 percent and core inflation at 3.5 percent in the first quarter of 2025. Inflation in Zanzibar is expected to be below the 5 percent target. The risk to inflation outlook is stemming from OPEC+ oil production decisions.

5. Monetary Policy Decision

Based on the expected improvement of global and domestic economic conditions, the MPC maintained the CBR at 6 percent in the first quarter of 2025. Keeping the CBR unchanged is expected to continue anchoring inflation expectations below the target of 5 percent. The rate is also expected to support the growth of around 5.7 percent for the quarter ending March 2025. Furthermore, it will keep exchange rate pressures muted, thus limiting its impact on inflation and reducing incentives to transact in foreign currency in the country. The Bank will implement monetary policy using instruments at its disposal to align the 7-day interbank rate with the CBR, by keeping it in the band of 4-8 percent.

Chapter 1: MPC Decision, Monetary Policy Implementation, and Outcome

1.1. MPC decision in October 2024

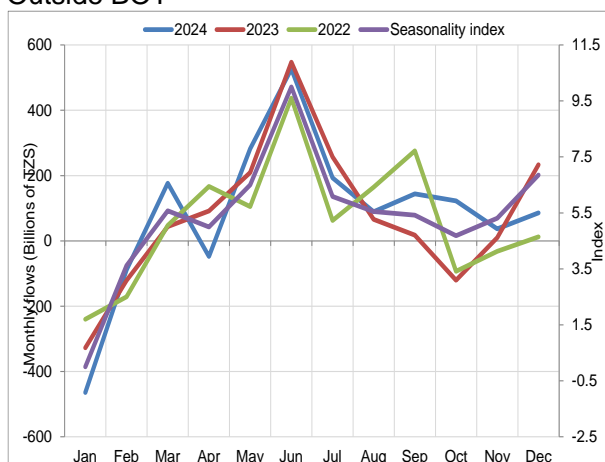
The MPC maintained the CBR at 6 percent in the fourth quarter of 2024, after considering the prevailing global and domestic economic conditions, outlook and associated risks. This was important for anchoring inflation expectations below the target, amid the depreciating exchange rate. Meanwhile, growth was projected to remain high. Accordingly, the 7-day interbank rate, which is the operating variable used by the Bank to ensure the interbank interest rates evolve in line with the CBR, was expected to move within the band of 4 and 8 percent.

1.2. Monetary Policy Implementation and Outcome

The implementation of monetary policy in the fourth quarter of 2024 was generally satisfactory, bolstered by improving global and domestic economic conditions¹. The shilling liquidity in the banks declined at the beginning of the quarter but subsequently increased to the desired levels. The relatively low level of liquidity was mainly due to higher than the projected seasonal demand for cash to purchase crops, owing to a bumper harvest of cashew nuts and cereals. This led to a decline in the clearing balances of banks, and ultimately currency outside the banking system increased (Chart 1.1). In addition, the low level of liquidity was a result of banks' tendency to prioritize foreign exchange accumulation over shilling liquidity, as evidenced by an increase in banks' placement abroad and foreign currency deposits at the Bank of Tanzania (Chart 1.2).

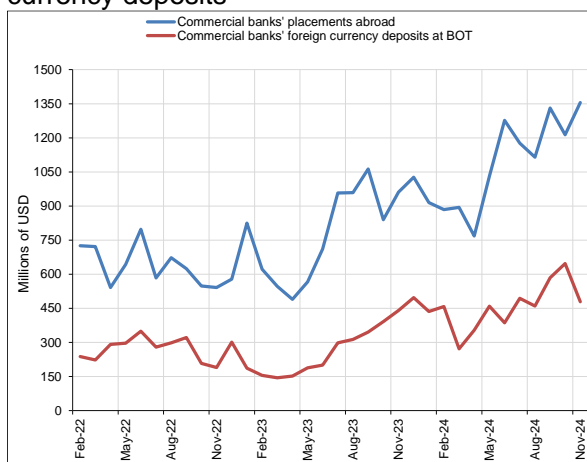
¹ Global economic conditions are discussed in Chapter 2, followed by domestic economic developments.

Chart 1.1: Seasonality of Currency in Circulation Outside BOT



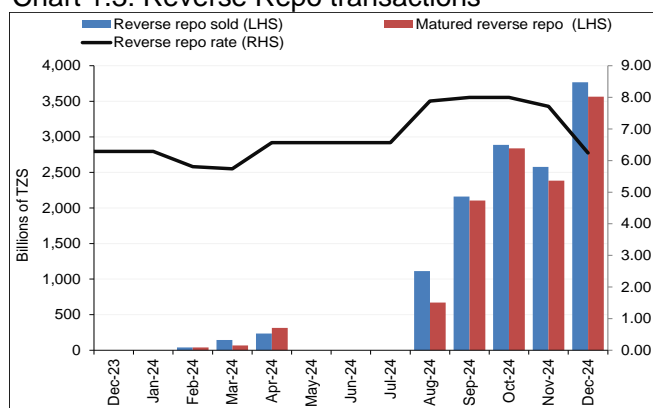
Source: Bank of Tanzania

Chart 1.2: Commercial Banks' holding of foreign currency deposits



Owing to the liquidity squeeze in banks, the 7-day IBCM rate hovered slightly above or close to the upper band of the CBR during most of the period from October to November 2024. In a bid to improve liquidity condition in banks, thereby keeping the 7-day IBCM rate within the CBR corridor of 4-8 percent, the Bank scaled up reverse repo operations and purchased foreign exchange from the IFEM. The reverse repo amounted to TZS 9,235.3 billion in the fourth quarter of 2024 compared with TZS 3,273.1 billion in the preceding quarter (Chart 1.3). Meanwhile, forex purchased from the IFEM amounted to USD 28 million, injecting about TZS 74.6 billion in banks. In addition, the Bank also increased liquidity through its Gold Purchase Program.

Chart 1.3: Reverse Repo transactions



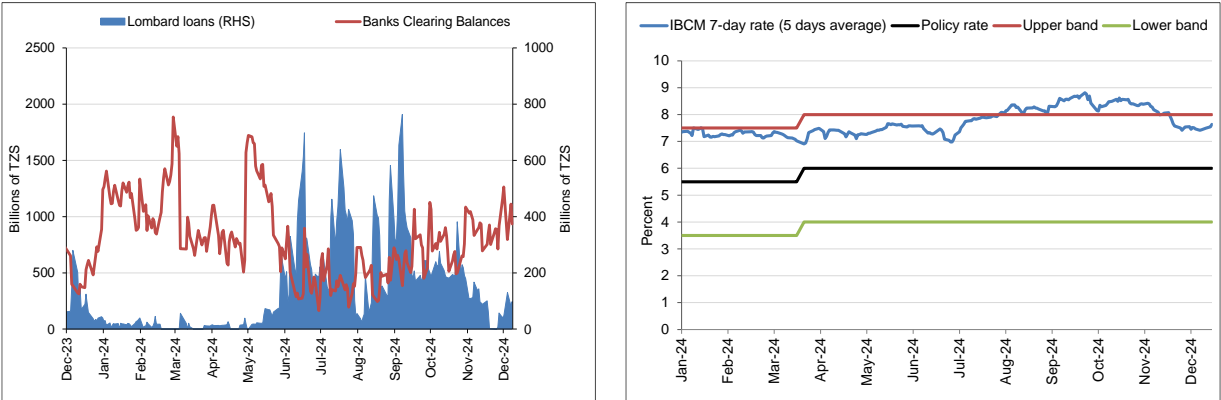
Source: Bank of Tanzania

Note: The data for December 2024 ends on the 27th

Following the measures, banks’ clearing balances, a measure of liquidity, increased and, the 7-day IBCM rate progressively moved into the CBR corridor. Accordingly, banks scaled down their access to the Lombard facility and the 7-day rate decreased, closing at an average of 7.55 percent in December 2024, within the CBR corridor (Chart 1.4 and Chart 1.5). Furthermore, the implementation of monetary policy resulted to successful attainment of the net domestic assets (NDA) and net international reserves (NIR) targets set forth under the IMF ECF program.

Chart 1.4: Banks Clearing Balances and access to Lombard loans

Chart 1.5: 7-Day IBCM Rate



Source: Bank of Tanzania

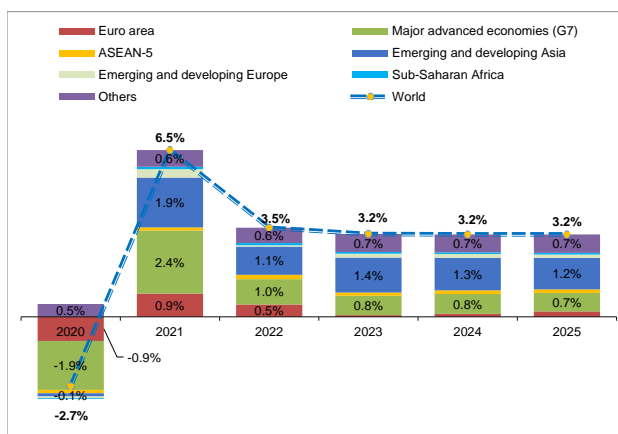
Chapter 2: Global Developments

2.1 Output performance

Global growth is projected to remain stable in 2024, as in the previous year. The recent reports released by IMF, World Bank, OECD, and Bloomberg indicate variations in global growth ranging from 2.6 to 3.2 percent. The IMF projects growth in advanced economies at 1.8 percent, emerging market and developing economies (4.2 percent), and sub-Saharan Africa (3.6 percent). The global growth will mostly be contributed by the emerging and developing Asia economies (Chart 2.1).

In the fourth quarter of 2024, there was a remarkable improvement in the global economic conditions (Table 2.1). Notably, growth improved, inflation declined, financial conditions eased, and commodity prices, particularly crude oil prices, were moderate. The improved global conditions provided significant relief to the Tanzania economy. Specifically, global growth is estimated to be high, driven by increased household consumption, supportive fiscal policy, and easing financial conditions.

Chart 2.1: Contribution to global growth



Source: World Economic Outlook database, October 2024.

Table 2.1: Quarterly real GDP growth

	2023		2024		
	Q4	Q1	Q2	Q3	Q4
USA	0.8	0.4	0.8	0.7	0.5
Euro Area	0.0	0.3	0.2	0.4	0.2
Japan	0.2	-0.6	0.6	0.3	0.3
UK	-0.3	0.7	0.5	0.1	0.3
India	1.1	2.5	1.2	1.5	1.7
China	1.3	1.5	0.5	0.9	1.3
South Africa	0.3	0.0	0.3	-0.3	0.7
Brazil	0.1	1.1	1.4	0.9	0.3

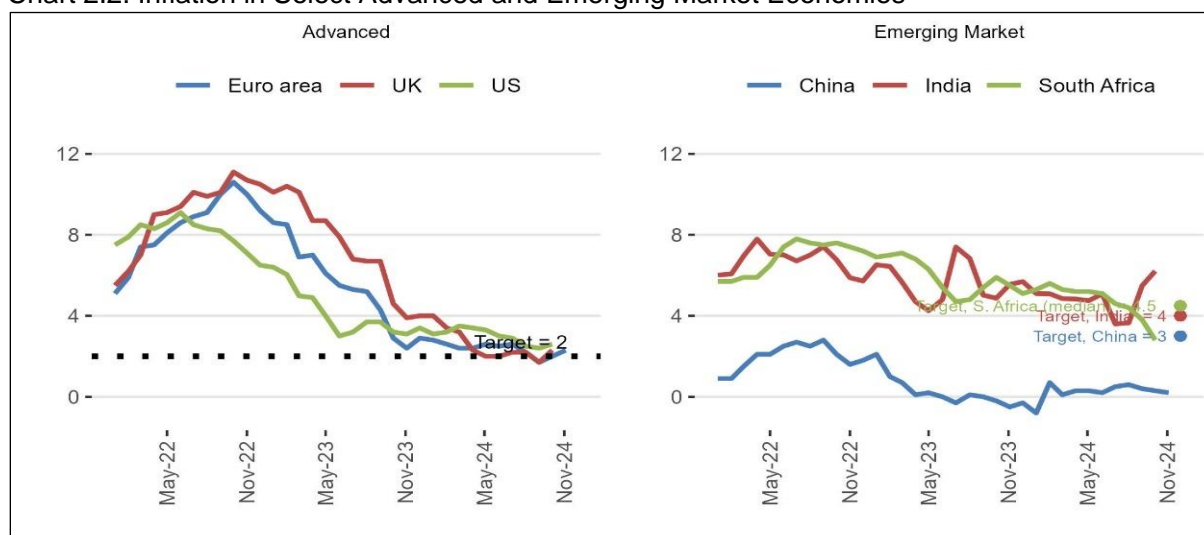
Source: Bloomberg

2.2 Inflation

Global inflation was lower in 2024 compared with the preceding two years. In most countries, inflation approached the central bank targets as the year unfolded, reflecting

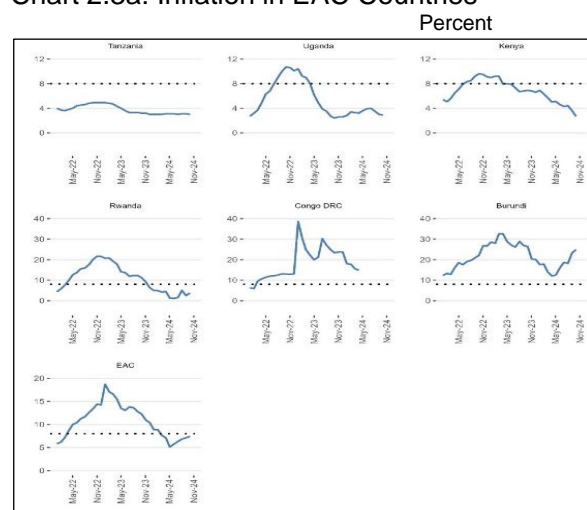
the lagged impact of monetary policy tightening and easing of supply-chain constraints (Chart 2.2). The same inflation trend was observed in the EAC and SADC regions, with only a few countries missing the convergence criteria of utmost 8 percent and 3-7 percent, respectively (Charts 2.3a and 2.3b).

Chart 2.2: Inflation in Select Advanced and Emerging Market Economies



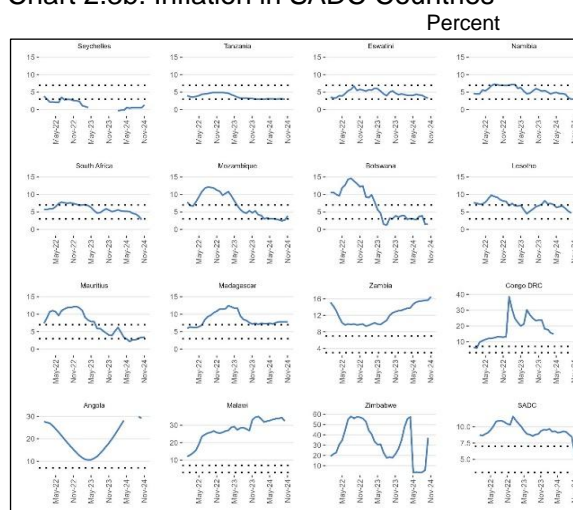
Source: Respective commercial banks

Chart 2.3a: Inflation in EAC Countries



Source: IMF database and respective commercial banks

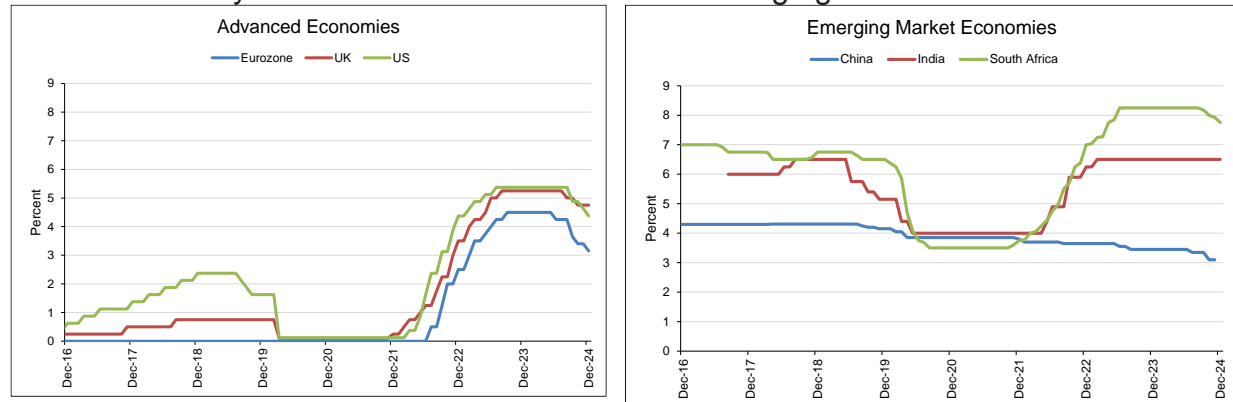
Chart 2.3b: Inflation in SADC Countries



Owing to the decline of inflation towards the targets, most central banks in advanced and emerging market economies reduced the policy rates (Chart 2.4a). In the EAC and SADC regions, the direction of monetary policy was somewhat mixed. Most of the central banks, which are under the price-based monetary policy framework, followed the policy rate cut

trend, however, others either maintained or raised policy rates due to concerns on inflation arising from exchange rate pressures (Chart 2.4b-d).

Chart 2.4a: Policy Rates in Select Advanced and Emerging Market Economies.



Source: Respective commercial banks

Chart 2.4b: Policy rates for select EAC countries

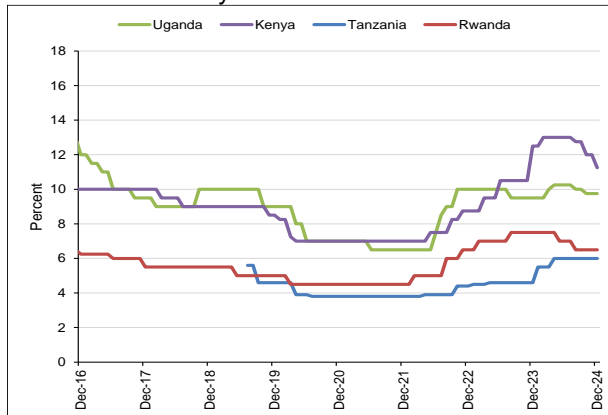


Chart 2.4c: Policy rates for select SADC countries

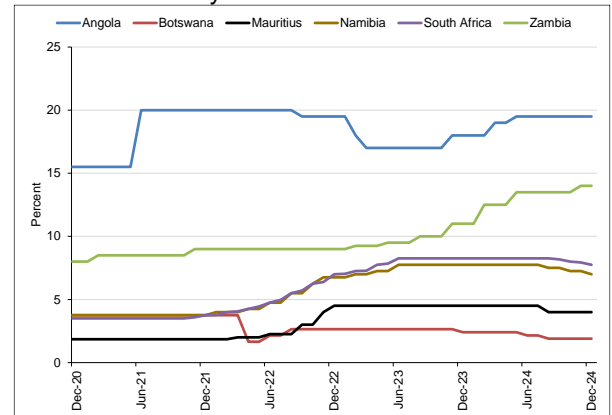
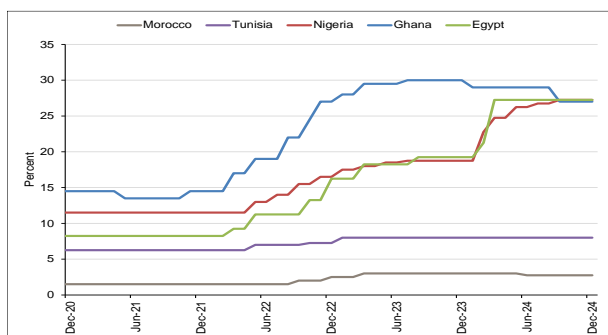


Chart 2.4d: Policy rates for select African countries

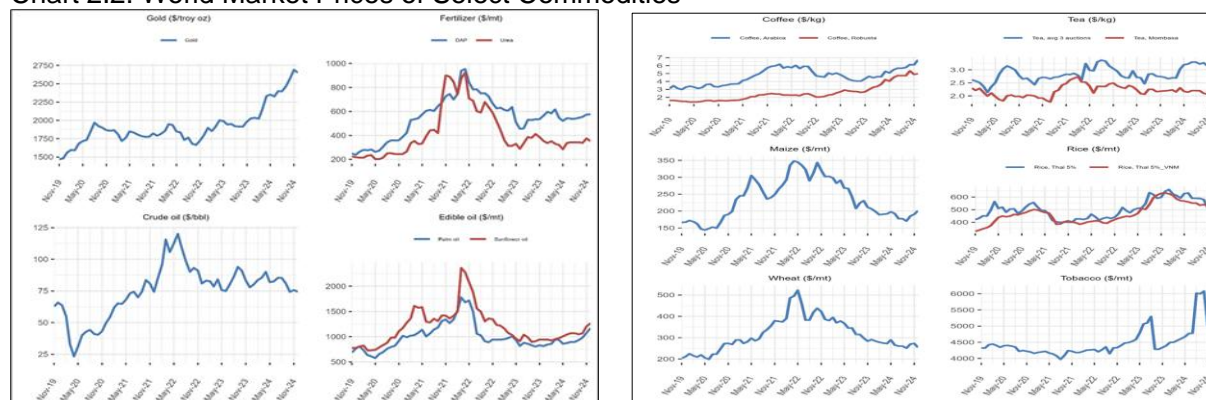


Source: Respective commercial banks

2.3 Commodity Prices

Commodity prices exhibited a varying trend. Crude oil prices declined in the fourth quarter of 2024, ranging from USD 68.4-77.9 per barrel, attributed to production increase by non-OPEC countries and subdued demand in China². The price of gold was high, albeit varying slightly throughout the quarter between USD 2,567.3 and 2,777.8 per troy ounce. The price of coffee rose due to supply concerns associated with the anticipation of enforcement of the law in Europe that prohibits coffee products sourced from areas deforested after 2020. Palm oil prices also increased owing to high demand in India during festivals. Sugar price stabilized following an increase in production in Brazil and Thailand, while that of cotton showed a mixed trend (Chart 2.2).

Chart 2.2: World Market Prices of Select Commodities



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

² Non-OPEC countries include Argentina, Brazil, Colombia, Guyana, Mexico, Azerbaijan, Kazakhstan, Qatar, Oman, Angola, Egypt and the United States.

Chapter 3: Recent Domestic Economic Performance

3.1 Output Performance

The economy has maintained robust performance in 2024. This performance was also attested by the Fitch Ratings review that affirmed the country's rating at B+ with a stable outlook, as well as the successful completion of the IMF's fourth review of the ECF and first review of the RSF programs in December 2024. In the first and second quarters of 2024, GDP in Mainland Tanzania grew by 5.6 percent and 5.3 percent, respectively, compared with 5 percent and 4.7 percent in the corresponding period in 2023 (Chart 3.1). This steady growth is also expected in the third and fourth quarters at around 5.6 percent and 5.7 percent, respectively³. The growth was broad-based, mostly contributed by agriculture, finance and insurance, transport, and construction activities (Chart 3.2). The stability of power supply, favourable weather conditions, and supportive policies provided impetus to improvement in economic activity. Accordingly, the growth projection of 5.4 percent for 2024 is likely to be attained.

Agriculture remained the largest contributor to the growth realized in the first and second quarters of 2024, accounting for 19.8 percent, reflecting government and stakeholders' efforts to enhance productivity in the sector. The performance of key cash crops such as cashew nuts and tobacco improved. Procurement of cashew nuts was the highest ever recorded in the last 5 years, and prices were high owing to the onset of the online auction system by Tanzania Mercantile Exchange (TMX) that attracted more bidders. The procurement of tobacco was bolstered by increased production and global demand.

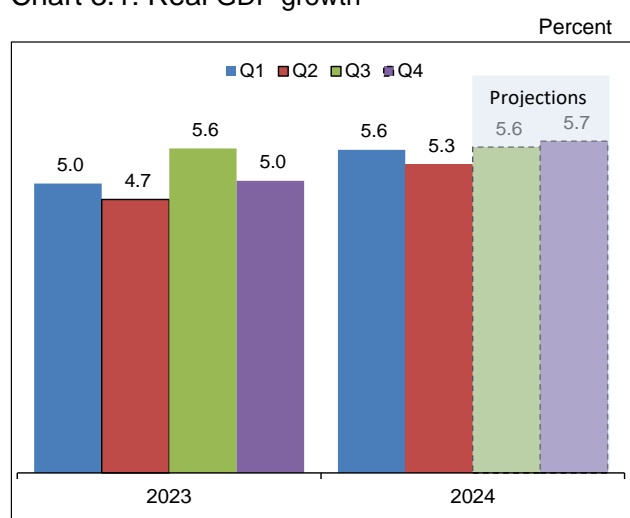
Financial and insurance activity contributed 11.4 percent, driven by credit extended by banks and microfinance institutions. Transport and storage activity contributed 8.6 percent, and construction boosted the growth by 8.2 percent following the ongoing construction projects implemented by both the public and private sectors.

³ BOT forecasts

Box 1: Procurement of Cashew nuts and Tobacco

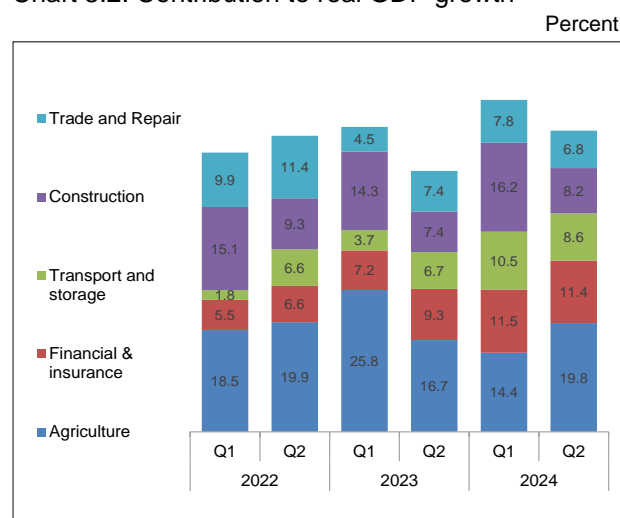
Cashew nuts procurement has been progressing well since the onset of the marketing season in October 2024. As of 26th December 2024, a total of 401,858.1 metric tons of cashew nuts have been procured. This amount is higher than the 254,500 metric tons that was procured for the whole crop season of 2023/24. The procured amount is around 68 percent of the projected production of 595,000 metric tons. The improved performance of the crop is mainly attributed to the increased cashew nuts production following proper utilization of agricultural inputs and favourable prices due to the commencement of the online auction through the Tanzania Mercantile Exchange (TMX). The average price ranges between TZS 2,410 and 4,195 per kg. Mtwara region continued to lead in cashew sales, accounting for 60 percent of total sales, followed by Lindi at 28 percent. Tobacco procurement was 117,464 metric tons in the 2023/24 crop season, slightly lower than 122,856 metric tonnes in 2022/23. The procured amount was around 66 percent of the projected production of 178,521.51 metric tons. Most of the sales were recorded in Tabora and Mbeya regions. The decrease in overall procurement was mainly attributed to reduced tobacco production due to unfavourable weather conditions during the crop season. Similarly, the price of tobacco fell slightly to USD 2.29 per kg, down from USD 2.33 per kg in the previous year.

Chart 3.1: Real GDP growth



Source: National Bureau of Statistics

Chart 3.2: Contribution to real GDP growth



The Zanzibar economy also registered a strong growth of 6.4 percent and 7.2 percent in the first and second quarter of 2024, respectively, compared with 14.6 percent and 6.1 percent in the corresponding quarters of 2023 (Chart 3.3a). The main contributing activities were manufacturing, accommodation and food services (tourism activity), wholesale and retail trade, real estate, crops and construction (Chart 3.3b).

Chart 3.3a: Real GDP Growth

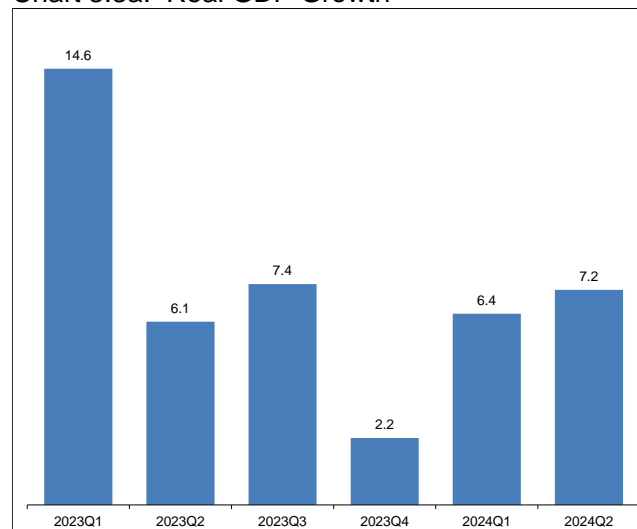
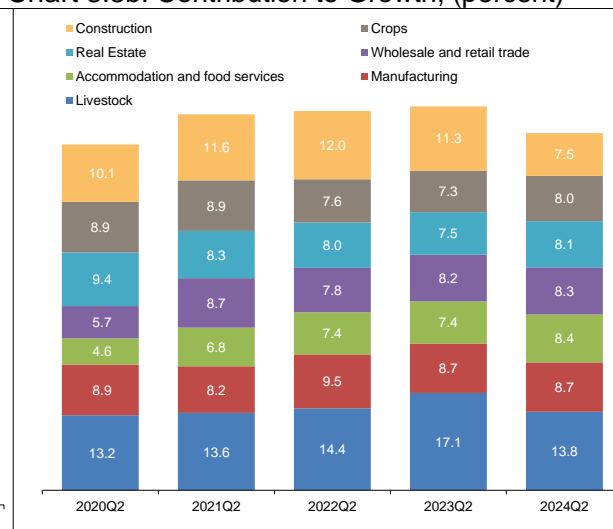


Chart 3.3b: Contribution to Growth, (percent)



Source: Office of Chief Government Statistician and Bank of Tanzania computations

3.2 Inflation

Inflation was stable during the fourth quarter of 2024, as in the preceding quarters. The annual headline inflation was 3 percent in October and November, much lower than the medium-term target of 5 percent (Chart 3.4a). The outturn was influenced by stability in prices of maize grain, finger millet, beef, and fresh fish. The stability in food prices reflects adequate food supply in most parts of the country mainly due to adequate rains, and proper utilization of inputs (such as fertilizers and pesticides). Food stocks held by the NFRA amounted to 708,399 tonnes and 702,502 tonnes in October and November 2024, respectively, the highest levels ever recorded (Table 3.1). There was also stability in the prices of non-food items, particularly clothing and footwear, and home furniture. The prices of consumer goods and services, excluding energy and unprocessed food (core inflation), contributed the most to the overall inflation dynamics, as in the recent past (Chart 3.4b).

Chart 3.4a: Overall Inflation and Components

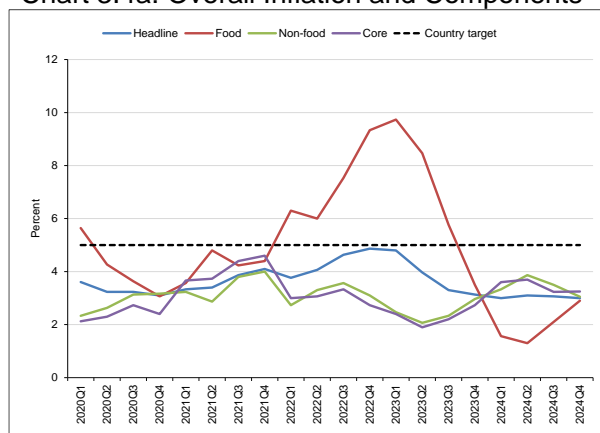
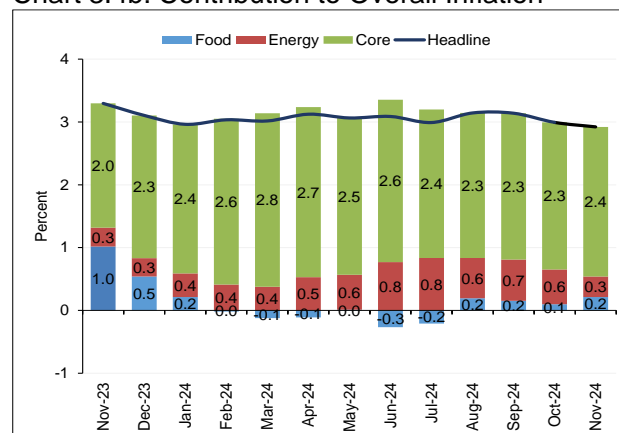


Chart 3.4b: Contribution to Overall Inflation



Source: National Bureau of Statistics and Bank of Tanzania computations

Table 3.1: Food Stocks Held by NFRA

Period	2020	2021	2022	2023	2024
Jan	43,597	110,398	207,899	124,736	270,984
Feb	41,231	110,389	203,297	106,881	326,172
Mar	39,597	109,231	200,626	80,123	336,099
Apr	38,053	109,231	190,366	63,808	340,102
May	38,291	108,284	149,402	51,367	340,002
Jun	52,725	107,384	141,576	46,665	340,479
Jul	90,255	107,384	140,695	94,088	368,855
Aug	92,991	123,635	144,410	210,020	489,187
Sep	109,733	150,057	149,044	244,169	651,403
Oct	110,895	192,408	151,794	244,289	708,399
Nov	110,289	209,057	147,401	244,223	702,502
Dec	110,398	214,968	137,655	248,282	

Source: National Food Reserve Agency

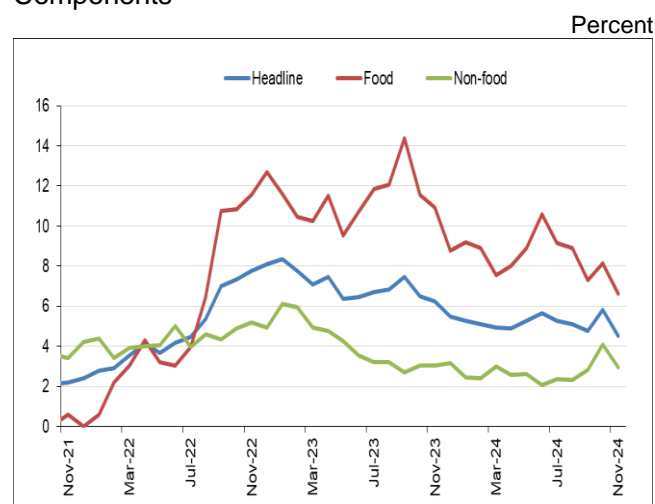
Table 3.2: Wholesale Prices of Main Food Crops
TZS per '000' Tonnes

	Nov-23	Aug-24	Sep-24	Oct-24	Nov-24
Maize	87,941.0	66,318.1	66,695.8	69,485.0	72,036.8
Rice	270,929.9	203,313.8	199,025.6	206,266.7	209,251.4
Beans	270,459.4	264,986.6	264,916.7	270,491.7	278,495.9
Sorghum	131,307.7	138,156.4	138,704.1	133,300.0	137,089.9
Round potatoes	88,450.0	103,310.2	103,241.9	103,230.8	102,914.1
Finger millet	158,328.2	170,980.2	171,325.1	173,603.4	181,159.1
Wheat	186,314.1	161,428.6	185,891.8	180,136.4	181,731.5

Source: Ministry of Industry and Trade, BOT computations

Inflation in Zanzibar declined to 5.8 percent in October and 4.5 percent in November 2024 compared with 6.5 percent and 6.3 percent, respectively, recorded in a similar period in 2023 (Chart 3.5). The outturn was attributed to a decrease in both food and non-food prices. Items that contributed to the decrease in inflation include, rice, maize flour, fish, yellow cooking banana, sugar, diesel and petrol.

Chart 3.5: Zanzibar Overall Inflation and Components

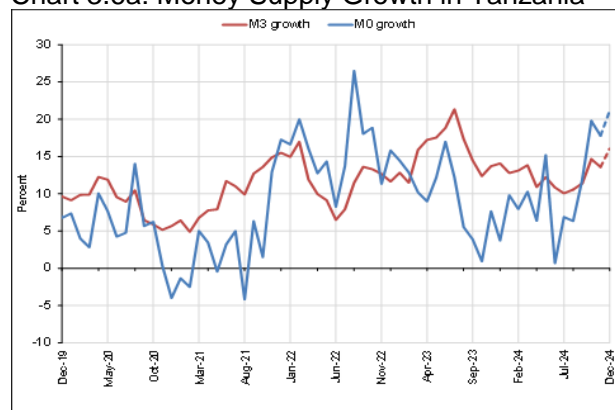


Source: Office of Chief Government Statistician and Bank of Tanzania computations

3.3 Money Supply and Credit Developments

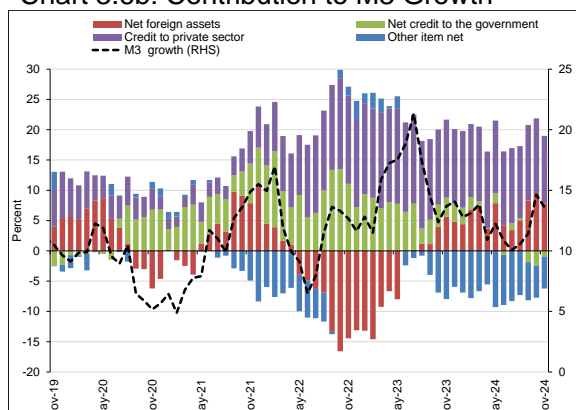
During the quarter ending December 2024, the growth of money supply was higher than in the previous quarter and the corresponding quarter of 2023. The extended broad money supply (M3) is estimated to have grown by an average of 14.9 percent, compared to 10.7 percent and 13.5 percent (Chart 3.6a). The increase was largely driven by private sector credit growth and increase in foreign assets (Chart 3.6b).

Chart 3.6a: Money Supply Growth in Tanzania



Source: Banks and Bank of Tanzania computations

Chart 3.6b: Contribution to M3 Growth

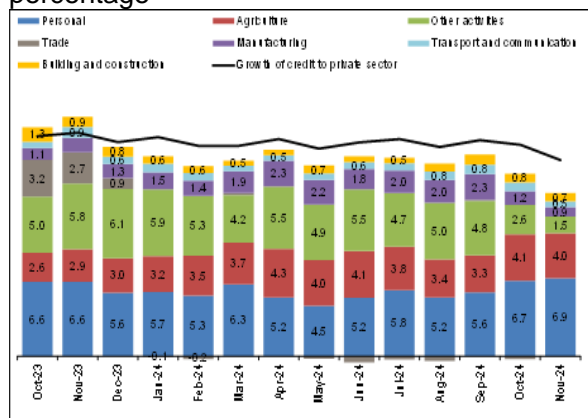


Private sector credit growth remained high in 2024, and was among the highest in the EAC, albeit growing at a slightly lower pace. During the fourth quarter of 2024, growth of

credit to the private sector is estimated at an annual rate of 16.8 percent, compared with 17.3 percent and 17.8 percent recorded in the preceding quarter and the corresponding quarter of 2023, respectively. This performance reflects sustained high demand for new loans in line with improving global and domestic economic conditions, coupled with a decline in lending risk, as reflected by lower non-performing loans. The ratios of credit to GDP and M3 to GDP—key indicators of financial deepening—were 19.4 percent and 26.2 percent in 2024, respectively, compared with 16.8 percent and 23.1 percent in 2023.

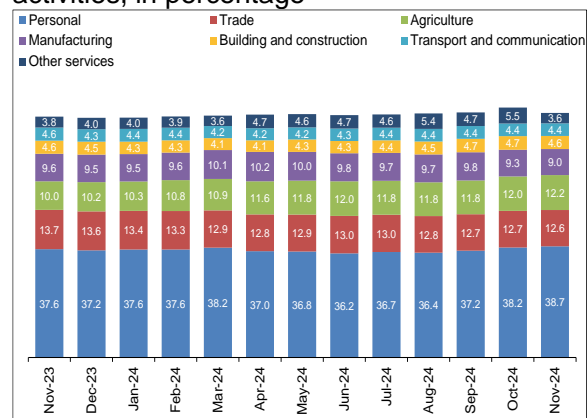
Personal loans—mainly credit extended for small and medium enterprises (SMEs)—continued to hold the largest share of the outstanding credit and was the major driver of private sector credit growth, followed by trade (Chart 3.7a & Chart 3.7b). The share of credit extended to agriculture increased compared to the corresponding quarter, driven by an above-average demand for credit to cater for the bumper crop harvests.

Chart 3.7a: Contribution to credit growth, in percentage



Source: Banks and Bank of Tanzania computations

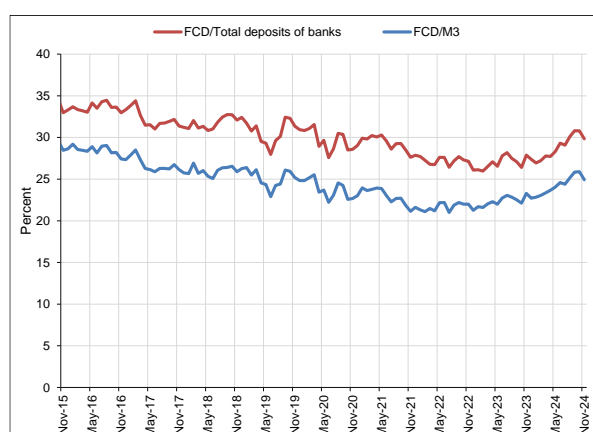
Chart 3.7b: Share of credit by economic activities, in percentage



Financial dollarization began to decline in line with the appreciation of the shilling against major currencies. Foreign currency deposits accounted for 29.8 percent of the private sector deposits, slightly below 30.8 percent in the preceding quarter but higher than 27.4 percent registered in December 2023 (Chart 3.8a). The ratio of foreign currency deposits to M3 decreased marginally to 24.9 percent from 25.9 percent in the preceding quarter but was higher than the 22.7 percent recorded in December 2023. A similar phenomenon has been observed in the EAC countries, some of which have a financial dollarization of

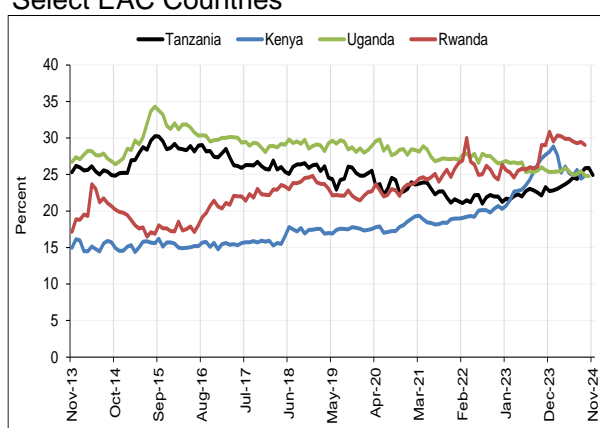
around 30 percent (Chart 3.8b). Dollarization is expected to further decrease in Tanzania if the exchange rate stabilizes around the recently observed levels. The measures implemented to increase foreign exchange (increase exports and import substitution and accumulation of foreign reserves through the gold purchase program), together with the implementation of section 26 of the BOT Act that encourages the use of shilling in conducting domestic transactions, are expected to boost confidence in the shilling and reduce dollarization.

Chart 3:8a: Degree of dollarization in Tanzania



Source: Banks and Bank of Tanzania computations

Chart 3:8b: Degree of financial dollarisation in Select EAC Countries



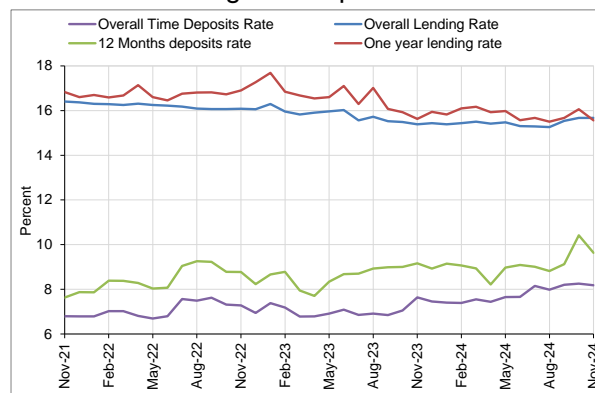
Banks Interest Rates

In the fourth quarter of 2024, interest rates charged on loans and those offered on deposits by banks remained as in the previous quarters of the year, owing to the existing structural impediments that hinder alignment with market fundamentals. Specifically, interest rates on loans were broadly unchanged, around 16 percent and negotiated lending rates remained around 13 percent (Chart 3.9)⁴. The overall deposit rate was around 8 percent, and the negotiated deposit rate offered to the prime customers increased to around 10 percent. Interest rates charged on loans are expected to moderate in the near term owing to measures aimed at addressing the structural impediments in the market coupled with low and stable inflation. The measures include; promoting the

⁴ Negotiated lending rates refer to rates charged on prime customers

use of credit information databases, capping commercial banks' operating cost-to-income ratio at 55 percent to limit dividends and bonuses if exceeded, ensuring microfinance institutions comply with regulations to avoid excessive interest rates and continuing with implementing policy measures issued in July 2021 to reduce liquidity costs, stimulate lending, and lower interest rates.

Chart 3.9: Lending and Deposit Interest Rates



Source: Banks, Bank of Tanzania computations

3.4 Developments in the Foreign Exchange Market

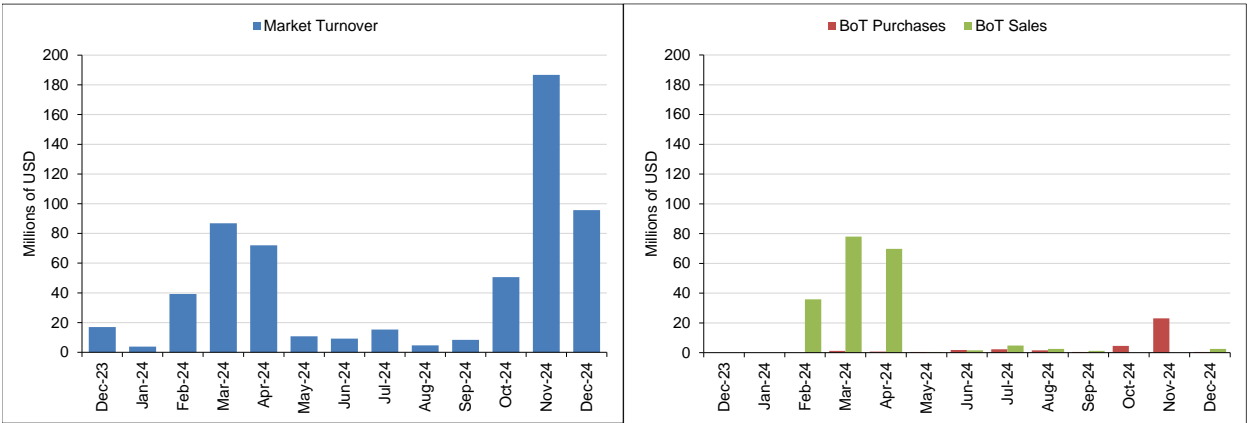
Foreign exchange liquidity improved significantly during the quarter ending December 2024, on account of external and domestic factors. The main external factor was the improvement in global economic conditions, particularly interest rate cuts by central banks in advanced economies, a decrease in oil prices in the world market, and a decline in inflation, contributing to the improvement in foreign currency inflows. Interest rate cuts eased financial conditions in the international capital markets and reduced capital flows to the advanced economies. The decrease in oil price and global inflation reduced demand for foreign exchange in the country.

On the domestic front, there was a significant seasonal increase in foreign exchange earnings from exports of traditional cash crops, particularly cashew nuts and tobacco. The mining sector and tourism activities also contributed to the increase in foreign currency liquidity. The number of tourist arrivals is estimated at 546,852 in the fourth

quarter of 2024⁵. Based on the expenditure per person, total earnings from tourism are estimated at USD 927.6 million. Furthermore, commodity prices were generally lower compared to the preceding quarters of 2024, leading to a decrease in the value of goods and services imported. Meanwhile, in the past three quarters, the Bank implemented monetary policy aimed at reducing the impact of shilling depreciation on inflation, contributing to a decrease in demand for foreign exchange, leading to a fall in speculative tendencies.

Activity in the IFEM increased significantly. The market turnover totalled USD 324 million in the fourth quarter, of which 58 percent was recorded in November and 27 percent in the subsequent month. The Bank purchased USD 27.5 million in October and November 2024 as part of measures to enhance shillings liquidity in the market. The market turnover during the quarter under review was significantly higher compared with the USD 28.2 million recorded in the preceding quarter, which also reflects the improvement of foreign exchange liquidity (Chart 3.10).

Chart 3.10: IFEM Transactions



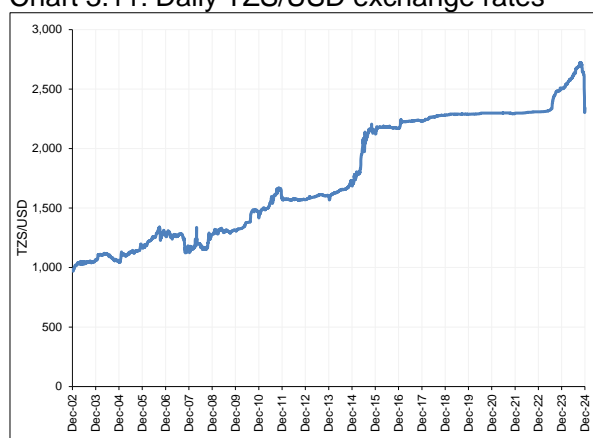
Source: Bank of Tanzania

The nominal exchange rate appreciated during the fourth quarter of 2024, compared with the depreciation trend recorded in the previous quarters since December 2021. A faster appreciation was observed in the first two weeks of December 2024 (Chart 3.11). On annual basis, the exchange rate appreciated by 3.8 percent, on quarter-to-quarter (12.7

⁵ Source: Immigration Services Department and BOT estimates

percent), and month-on-month (9.8 percent). The retail exchange rate (Bureau de Change exchange rate) also appreciated and converged to the IFEM rate, indicating that the exchange rates aligned with market and economic situations. Currencies of many African countries have either appreciated or depreciated against the US dollar at a slower pace than before, also in tandem with the improvement in global conditions and country-specific factors.

Chart 3.11: Daily TZS/USD exchange rates



Source: Banks, Bank of Tanzania computations

The nominal effective exchange rate (NEER)—the trade-weighted exchange rate and the real effective exchange rate (REER)—the nominal effective exchange rate adjusted by inflation differential between Tanzania and its trading partners, also appreciated (Chart 3.12a). Despite the appreciation of the REER, there was no indication of a loss of competitiveness in exports, as it was still above its long-run path or equilibrium level (Chart 3.12b).

Chart 3.12a: Real and Nominal effective exchange rate (REER)

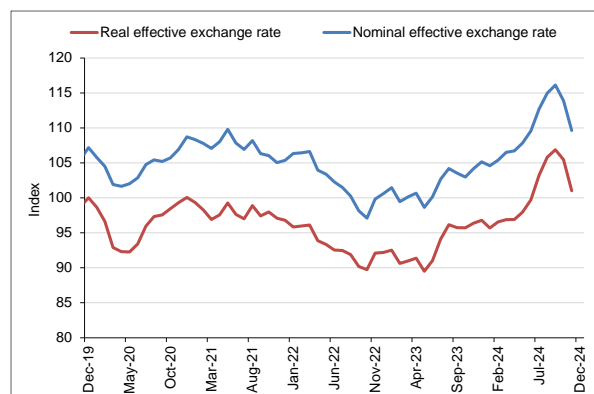
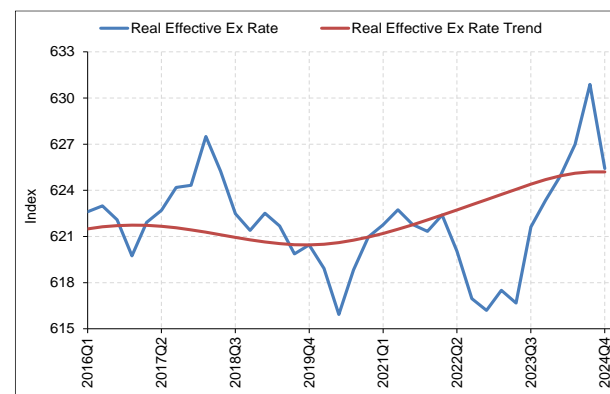


Chart 3.12b: Long run trend of the real effective exchange rate (REER)



Source: Bank of Tanzania

3.5 Financial sector performance

The financial sector was stable and resilient to short-term shocks. The banking sector remained liquid and adequately capitalized, indicating the ability to extend credit to the private sector. Accordingly, deposits and loans increased, attributable to uptake in agent-banking services, innovation of financial products, and widespread digital banking services. The expansion of loans was attributable to the improved business environment, a decline in non-performing loans from 4.2 percent in 2023 to 3.6 percent in November 2024.

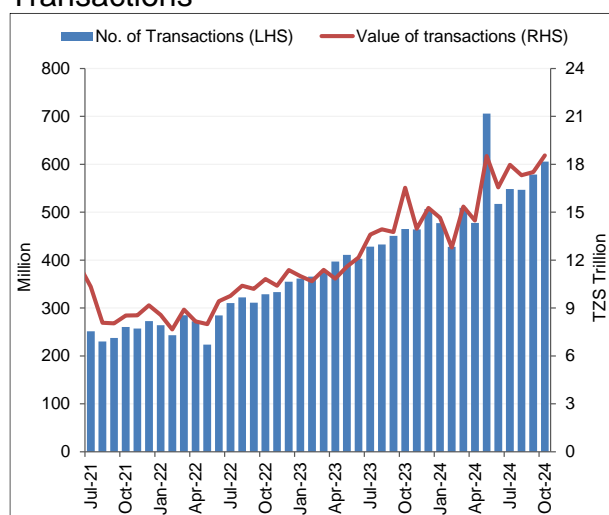
Payment systems operated smoothly, thus facilitating settlement of payment transactions, financial system stability and the conduct of monetary policy. The volume of transactions increased across various payment systems. Notably, TZS-denominated transactions through the Tanzania Interbank Settlement System (TISS) increased by 33.6 percent to TZS 28.8 trillion in November 2024 from transactions registered in a similar period of 2023. Likewise, USD-denominated transactions increased by 30.3 percent to USD 3.5 billion.

Mobile payment services transactions increased by 12.28 percent to TZS 18,558.81 billion in October 2024 from TZS 16,528.63 billion in October 2023, while transactions

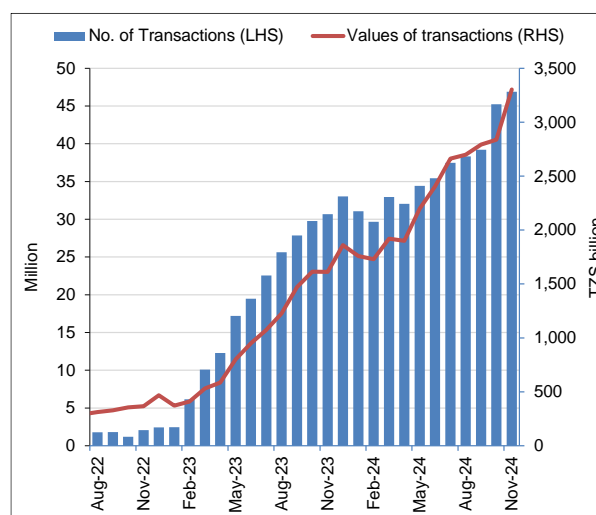
processed through the Tanzania Instant Payment System (TIPS) increased to TZS 3,303.41 billion from TZS 1,612.07 billion registered in November 2023. The significant increase in TIPS transactions was attributed to Financial Service Providers (FSPs) opening more channels to customers, and the uptake of Pay to Merchant (P2M) use cases in TIPS (Chart 3.14a and 3.14b).

Cross-border transactions processed through the East African Payment System in TZS (incoming and outgoing) increased to TZS 25.32 billion in November 2024 from TZS 24.93 billion recorded in the corresponding period in 2023. Transactions processed through SADC-RTGS increased by 13.24 percent to ZAR 251.98 billion.

Chart 3.14a: Mobile Payment Services Transactions Chart 3.14b: TIPS Transactions



Source: Mobile Electronic Money Issuers
Note: LHS refers to left-hand scale; and RHS, right-hand scale



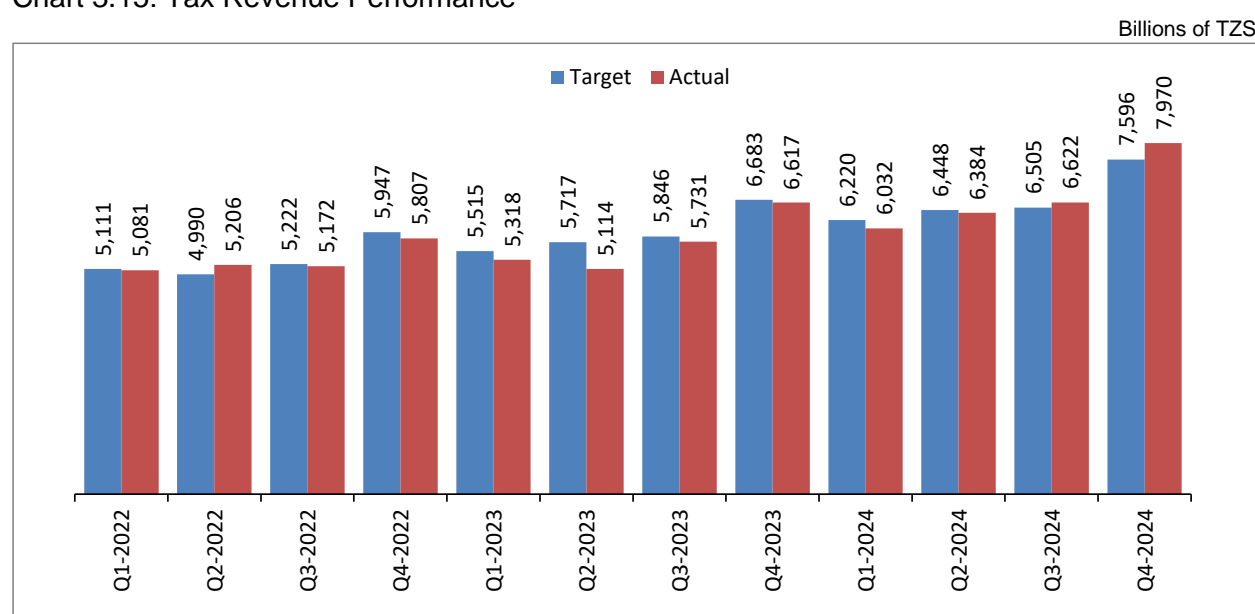
Source: Bank of Tanzania

3.6 Government Fiscal Performance

Preliminary statistics for the second quarter of the fiscal year 2024/25 indicate that fiscal performance was satisfactory. Domestic revenue collection is estimated to reach TZS 8,678.0 billion, which is 99.5 percent of the target, of which tax revenue is 91.8

percent⁶. Tax revenue is estimated to exceed the target by 2.2 percent, in line with the increase in economic activities as well as continued tax administration efforts (Chart 3.15). Non-tax revenue is estimated to account for about 8 percent of the revenue collection for the quarter. Foreign resources, including loans and grants, are estimated at TZS 1,283.6 billion equivalent to USD 493.3 million⁷. Revenue collection is expected to improve further due to increased production and consumption within the economy. The revenue authority will continue to enhance taxpayers' registration, monitoring the use of electronic fiscal devices and electronic tax stamps.

Chart 3.15: Tax Revenue Performance



Source: Ministry of Finance

Note: RHS denotes right-hand scale; figures for the quarter ending December 2024 are estimates

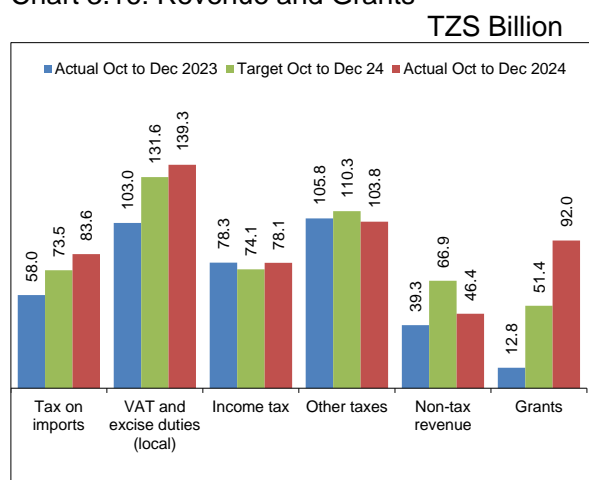
The government continued to rationalize expenditure to match available/limited resources. Expenditure for the quarter ending December 2024 is estimated to reach TZS 9,494.5 billion, of which recurrent expenditure, including interest on debt securities, accounts for 70.7 percent, while development expenditure represents 29.3 percent.

⁶ Data for the second quarter of Fiscal Year 2024/25 are based on projections for the months of November and December 2024.

⁷ Does not include project loans and grants

Fiscal performance in Zanzibar was also satisfactory. The Government resources comprising domestic revenue and foreign grants are estimated to reach TZS 543.3 billion for the quarter ending December 2024⁸. Out of this amount, TZS 451.2 billion was domestic revenue, and the balance was foreign grants. Tax revenue, which accounts for around 90 percent of domestic revenue, is estimated at TZS 404.8 billion, above the target by 3.9 percent (Chart 3.16). Expenditure is estimated at TZS 666.5 billion, of which recurrent and development expenditure is at TZS 361.4 billion and TZS 305.1 billion, respectively (Chart 3.17).

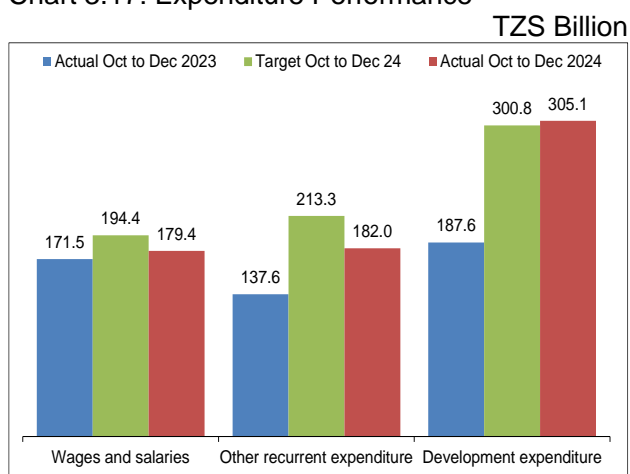
Chart 3.16: Revenue and Grants



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 3.17: Expenditure Performance



Source: President's Office, Finance and Planning, Zanzibar

Note: Other expenditure includes transfers, domestic debt interest payment, consolidated fund service, and other charges

3.7 Debt Developments

The public debt remains sustainable, and the risk of debt distress is moderate. In 2023/24, the ratio of public debt to GDP was 41.1 percent, in present value terms. This was below the debt sustainability threshold and the EAC convergence benchmark ceiling of 55 percent and 50 percent, respectively. In the SADC region, the convergence criterion is a maximum debt to GDP ratio of 60 percent of GDP, in nominal terms. Using the estimated GDP for 2024, the debt to GDP ratio was 46.1 percent, below the convergence criteria.

⁸ Data for December 2024 are estimates

Public debt—comprising external and domestic debt— amounted to USD 38,243.5 million at the end of November 2024, equivalent to 47.2 percent of GDP (Chart 3.18a). External debt accounted for 66.6 percent of total public debt, which is largely owed to multilateral institutions and commercial creditors and was primarily directed toward financing transport and communication activities.

Private sector external debt stock was USD 7,704.1 million at the end of November 2024, a 0.7 percent decrease from September 2024 due to exchange rate fluctuations. The debt was largely owed to commercial creditors and mostly directed to energy and mining, finance and insurance, and transport and telecommunication activities (Chart 3.18b).

Chart 3.18a: Public Debt

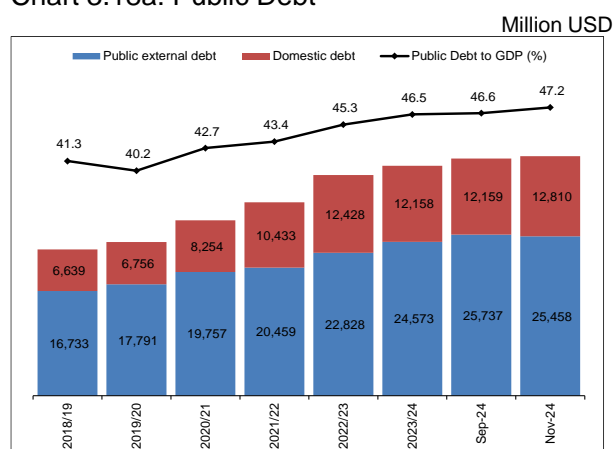
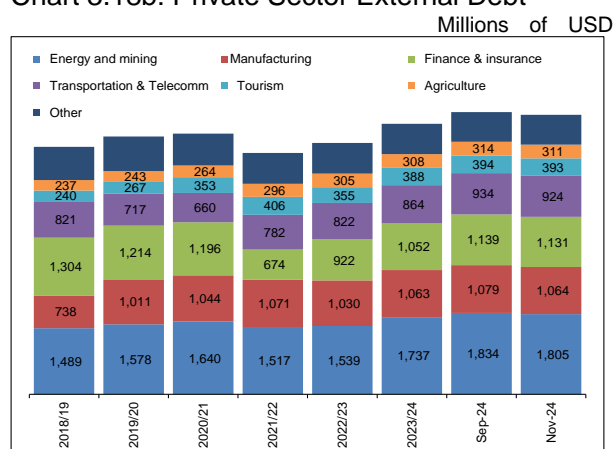


Chart 3.18b: Private Sector External Debt

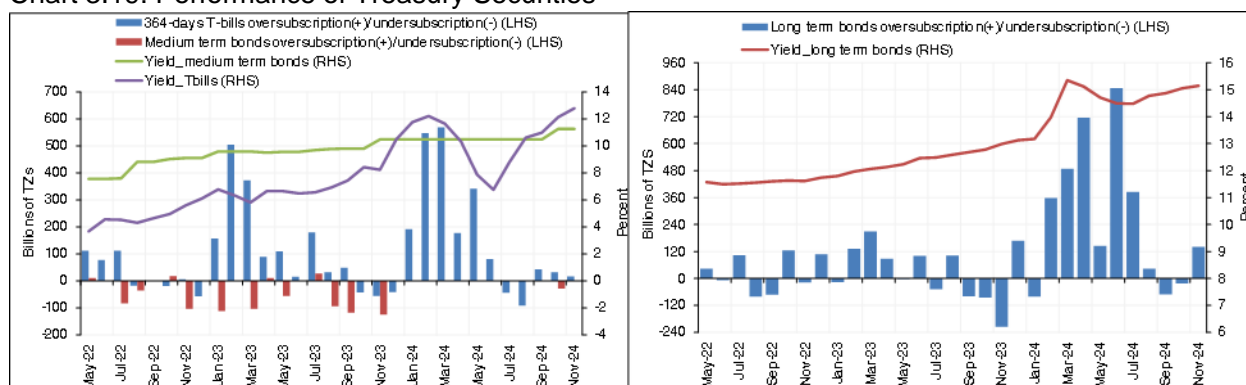


Source: Ministry of Finance and Bank of Tanzania

Note: p denotes provisional data

The stock of domestic debt was TZS 33,569.2 billion at the end of November 2024, up from TZS 32,615.7 at the end of September 2024, primarily driven by the issuance of Treasury bonds. Treasury bonds constituted 78.2 percent of the debt stock. Investors continued to strongly prefer the 20- and 25-year Treasury bonds due to their higher returns. Government securities yield increased compared to September 2024, with a significant rise observed in Treasury bills and 5-year Treasury bonds (Chart 3.19).

Chart 3.19: Performance of Treasury Securities



Source: Bank of Tanzania

Note: Medium-term bonds include 2- and 5-year bonds, and long-term bonds include 10-, 15-, 20-, and 25-year bonds; LHS denotes left-hand scale; and RHS, right-hand scale

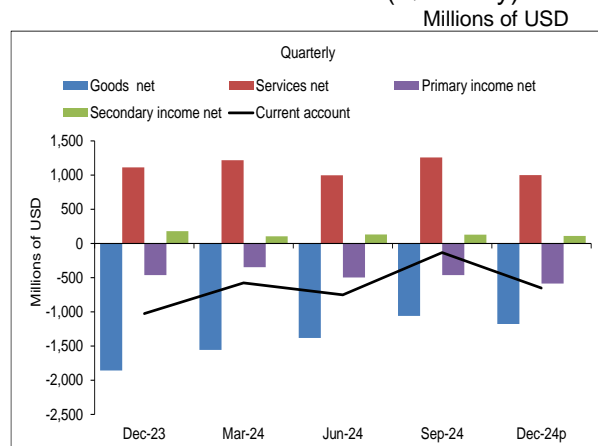
Zanzibar's domestic debt stood at TZS 1,217.4 billion at the end of November 2024, a decrease from TZS 1,217.9 billion recorded in October 2024. Borrowing through Treasury securities dominated at 40.9 percent, followed by commercial banks and pension funds.

3.8 External Sector Performance

Current Account

The external sector improved, in line with global and domestic economic conditions. In the fourth quarter of 2024, the current account balance is estimated at a deficit of USD 643.4 million, almost half of the deficit realized in the corresponding period in 2023 (Chart 3.20). A significant increase in tourism receipts and exports of gold, cashew nuts, tobacco, and horticulture (particularly edible vegetables) contributed the most to the improvement in the current account deficit. The current account balance is estimated to be a deficit of USD 2,114.9 million (2.7 percent of GDP) in 2024, compared with a deficit of USD 2,958.3 million (3.7 percent of GDP) in the preceding year, following improvement in the goods and services accounts (Chart 3.21). The deficit is projected to remain at around 2.4 percent in 2025, backed by the expected improvement in global conditions, exports and reduction of imports through the import substitution initiatives (Chart 3.22).

Chart 3.20: Current Account (Quarterly)



Source: TRA and BOT computation

Note: p denotes provisional data

Chart 3.21: Current Account (Annual)

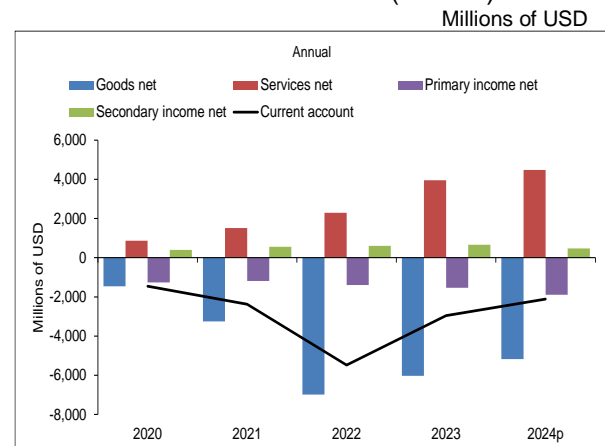
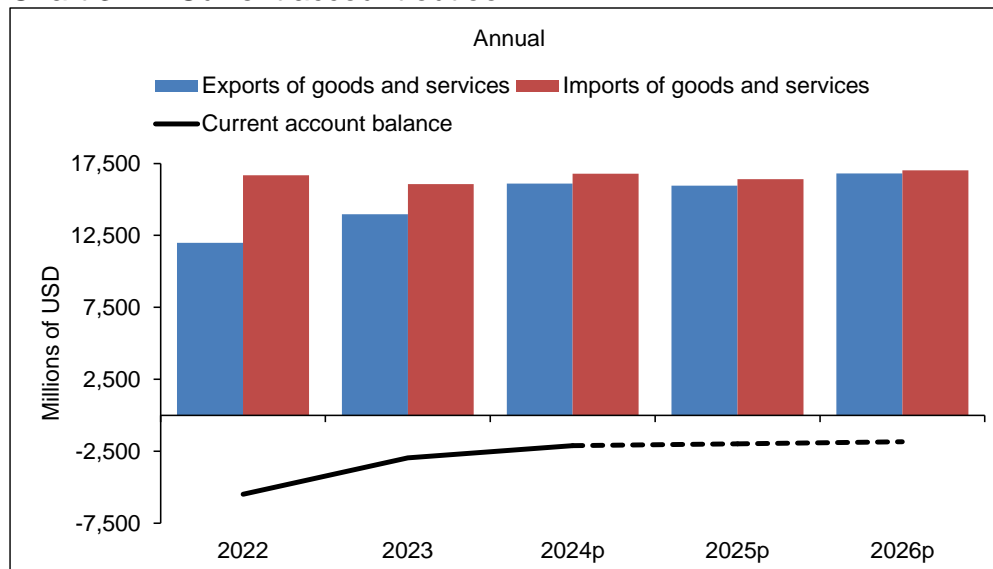


Chart 3.22: Current account outlook

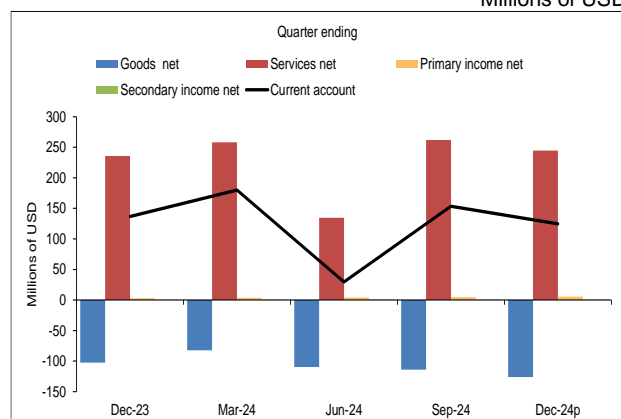


Source: Bank of Tanzania and Tanzania Revenue Authority,

Note: p denotes projection

Zanzibar's current account continues to record a surplus. During the fourth quarter of 2024, the current account is estimated at a surplus of USD 124.5 million, slightly lower than a surplus of USD 136.6 million in a similar period in 2023, largely on account of an increase in volume of imported goods and payment for freight services (Chart 3.23a). On an annual basis, the current account balance is estimated to have a surplus of USD 487.2 million in 2024, higher than a surplus of USD 350.6 million in the preceding year, on account of improvement in exports of manufactured goods and tourism, coupled with a decrease in imports (Chart 3.23b).

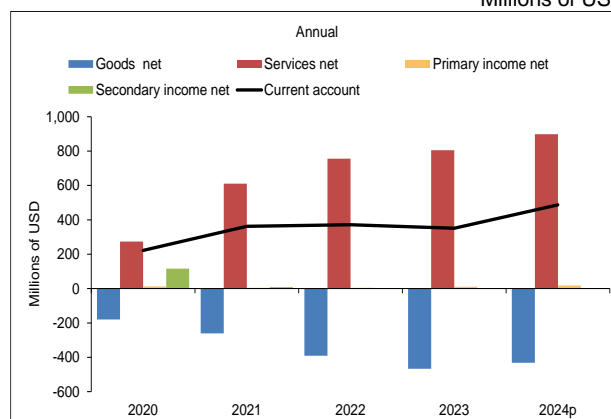
Chart 3.23a: Zanzibar Current Account (Quarterly)
Millions of USD



Source: TRA, BOT computation

Note: p denotes provisional data

Chart 3.23b: Zanzibar: Current Account (Annual)
Millions of USD



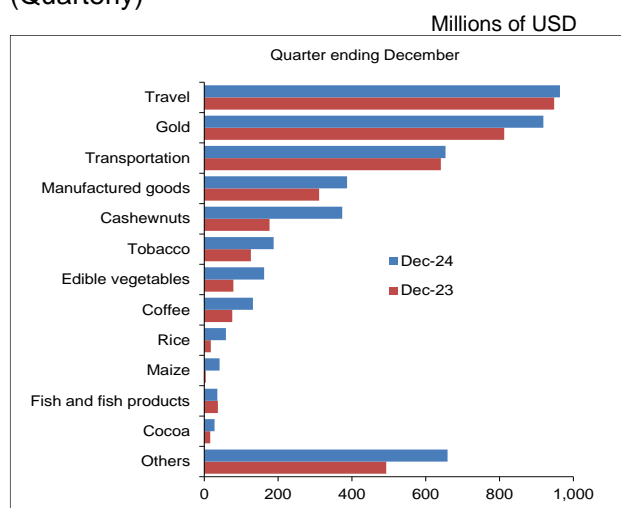
Exports Performance

Exports of goods and services improved in the fourth quarter of 2024, amounting to USD 4,602.1 million compared with USD 3,740.6 million in the corresponding quarter in 2023, driven mostly by tourism, gold, cashew nuts, and tobacco (Chart 3.24a). Notable improvement was recorded in exports of traditional crops, particularly cashew nuts and tobacco, supported by both increased production and favourable prices. Earnings from cashew nuts exports are expected to continue in the first quarter of 2025 at the back of the ongoing procurement in Tanga and Singida regions. Earnings from the mini-peak tourism season that usually starts in December will also follow this trend until February 2025.

The performance of exports has also improved year-on-year. In 2024, exports of goods and services amounted to USD 16,093.1 million (about 20 percent of GDP) in 2024, compared with USD 13,980.3 million (about 18 percent of GDP) in the preceding year (Chart 3.24b)⁹. The main drivers were tourism, which accounted for 23 percent of total exports, gold (20.9 percent), and traditional goods (8.5 percent). Exports under the traditional goods category which improved significantly were cashew nuts, tobacco and coffee.

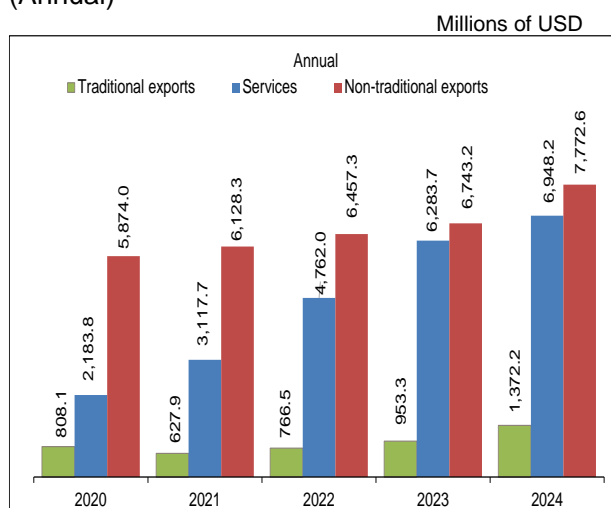
⁹ Data are provisional.

Chart 3.24a Exports of goods and services (Quarterly)



Source: Bank of Tanzania and Tanzania Revenue Authority

Chart 3.24b Exports of goods and services (Annual)



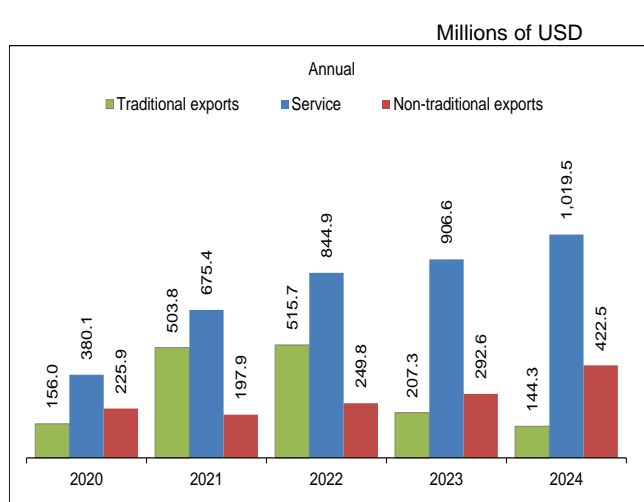
In the fourth quarter of 2024, Zanzibar's exports of goods and services improved to USD 316.8 million compared with USD 276.2 million in the corresponding quarter of 2023 (Table 3.3). During the year to November 2024, exports of goods and services amounted to USD 1,076.2 million, higher than USD 956.5 million in 2023, supported by tourism receipts and exports of manufactured goods. Notably, tourism receipts accounted for 95 percent of the total exports of goods and services (Chart 3.25).

Table 3.3 Exports of goods (Quarterly)

Units		Quarter ending				
		Dec-23	Mar-24	Jun-24	Sep-24	Dec-24 ^P
Traditional exports						
Clove						
Value	'000' of USD	12,678.7	10,709.4	804.1	2,094.8	820.0
Volume	'000' Tonnes	1.7	1.6	0.2	0.3	0.4
Unit price	USD/Tonne	7,253.3	6,806.5	3,287.0	6,708.4	2,064.5
Non-traditional exports						
Seaweeds						
Value	'000' of USD	1,495.5	1,548.7	1,344.5	789.6	1,054.5
Volume	'000' Tonnes	2.3	2.4	2.3	1.5	2.0
Unit price	USD/Tonne	651.0	648.2	580.4	530.4	537.6
Manufacture	'000' of USD	2,144.8	10,764.7	1,004.5	1,091.4	11,441.4
Fish and fish	'000' of USD	316.0	576.4	709.5	630.2	314.1
Others expo	'000' of USD	500.3	989.3	1,617.7	3,119.0	5,257.0
Sub-total	'000' of USD	4,456.6	13,879.0	4,676.2	5,630.3	18,066.9
Grand-total	USD ('000)	17,135.3	24,588.4	5,480.3	7,725.1	18,886.9

Source: Bank of Tanzania, Tanzania Revenue Authority

Chart 3.25 Exports of goods and services (Annual)



Imports

Imports of goods and services have been rising at a slower pace. In the fourth quarter of 2024, imports amounted to USD 4,760.7 million compared with USD 4,485.7 million in the corresponding period in 2023. An increase was observed in the imports of industrial supplies and transport equipment for manufacturing activities (Chart 3.26a). In 2024, imports of goods and services amounted to USD 16,789.8 million, equivalent to 21 percent of GDP, compared with USD 16,058.7 million (20.3 percent of GDP) in 2023, with industrial supplies constituting the largest share of around 27.7 percent, white petroleum products 15.7 percent, and service payments (largely freight) at 14.7 percent (Chart 3.26b). For imports of goods, white petroleum products accounted for about 19 percent from the highest level of 23 percent in 2022 due to a decline in price.

Chart 3.26a: Imports of goods and services (quarterly)

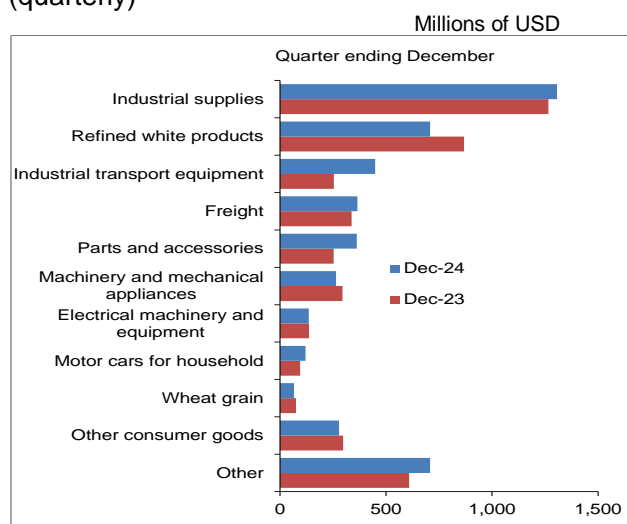
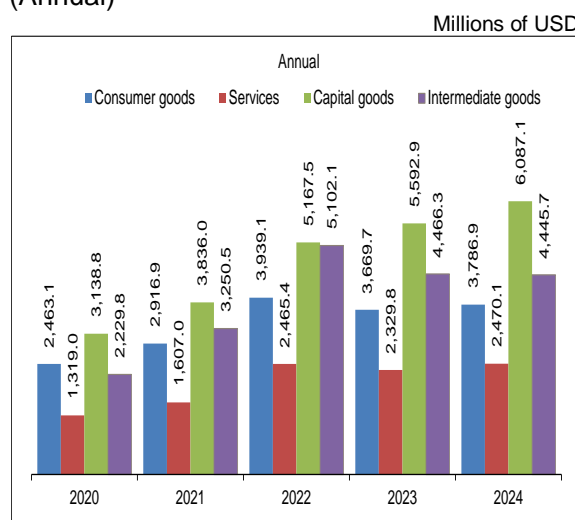


Chart 3.26b: Imports of goods and services (Annual)



Source: Bank of Tanzania

Zanzibar's imports of goods and services also increased. In the fourth quarter of 2024, imports of goods and services are estimated at USD 198.5 million compared with USD 143.1 million in the same period in 2023, explained by the importation of machinery, industrial transport equipment and service payments (Table 3.5). Imports of goods and services eased year-on-year. In 2024, imports of goods and services are estimated at USD 609.3 million, compared with USD 618.0 million in 2023 (Chart 3.27).

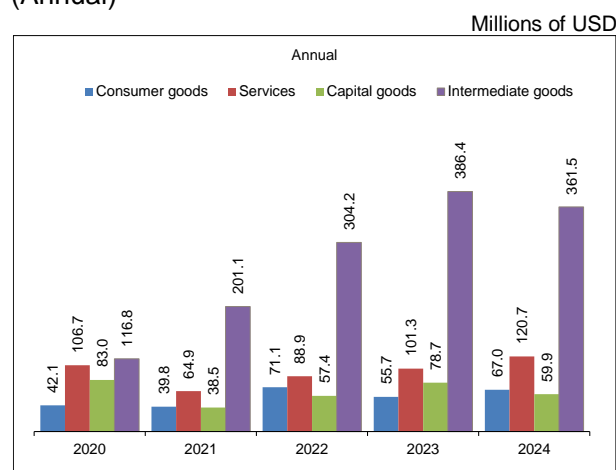
Table 3.4: Imports of goods and services (quarterly)

	Millions of USD				
	Quarter ending				
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24 ^P
Capital goods	8.5	9.0	8.1	14.4	28.5
o/w Machinery and mechanical appliances	2.6	3.1	4.0	5.4	10.6
Industrial transport equipment	1.7	2.4	1.6	2.5	13.3
Intermediate goods	99.1	83.7	91.1	89.1	97.6
Industrial supplies	23.7	19.7	24.3	23.9	26.2
Fuel and lubricants	56.9	38.8	43.1	42.7	36.3
o/w Refined white products	56.9	38.8	42.3	41.9	36.3
Parts and accessories	3.0	2.8	3.4	4.2	4.3
Food and beverages for industrial use	13.0	17.8	16.8	14.1	16.3
o/w Wheat grain	3.5	8.4	4.6	4.0	5.1
Motor cars for household	2.5	4.5	3.5	4.4	14.5
Consumer goods	12.1	14.2	16.0	18.0	18.8
Food and beverages mainly for household	2.3	3.3	4.0	4.8	4.8
Non-industrial transport equipment	0.5	0.3	0.4	0.5	0.8
Other consumer goods	9.2	10.6	11.6	12.7	13.2
Total (f.o.b)	119.7	106.8	115.1	121.6	145.0

Source: Tanzania Revenue Authority

Note: p denotes provisional data, "--" change exceeds 100 percent in absolute terms.

Chart 3.27: Imports of goods and services (Annual)

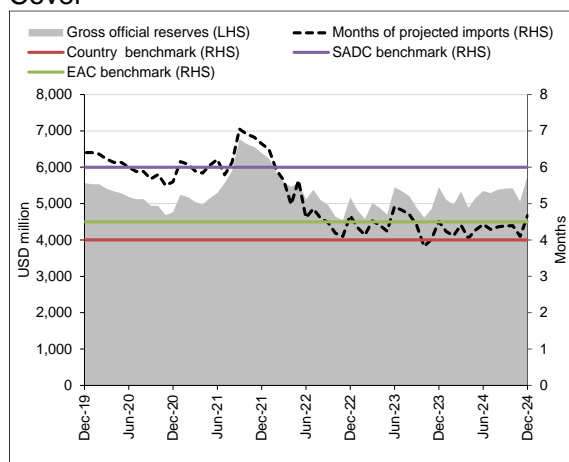


Source: Tanzania Revenue Authority

3.9 Foreign Exchange Reserves

Foreign exchange reserves remained adequate throughout the fourth quarter of 2024. The reserves were above USD 5 billion, reaching USD 5,762.4 million as of 30th December 2024, increasing from USD 5,413.6 in the quarter ending September 2024¹⁰ (Chart 3.28). The foreign reserves were equivalent to 4.7 months of projected imports of goods and services, consistent with the minimum requirement of 4 months (country target) and 4.5 months (EAC convergence criteria). The Bank will continue building up reserves through the domestic gold purchase program and purchase from the market. In the medium-term, the implementation of the initiatives for increasing exports and reducing imports (import substitution) are expected to bolster the reserves.

Chart 3.28: Foreign Reserves and Import Cover



Source: Bank of Tanzania

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

Chapter 4: Economic Outlook and Recommendation

5.1 Global economic outlook

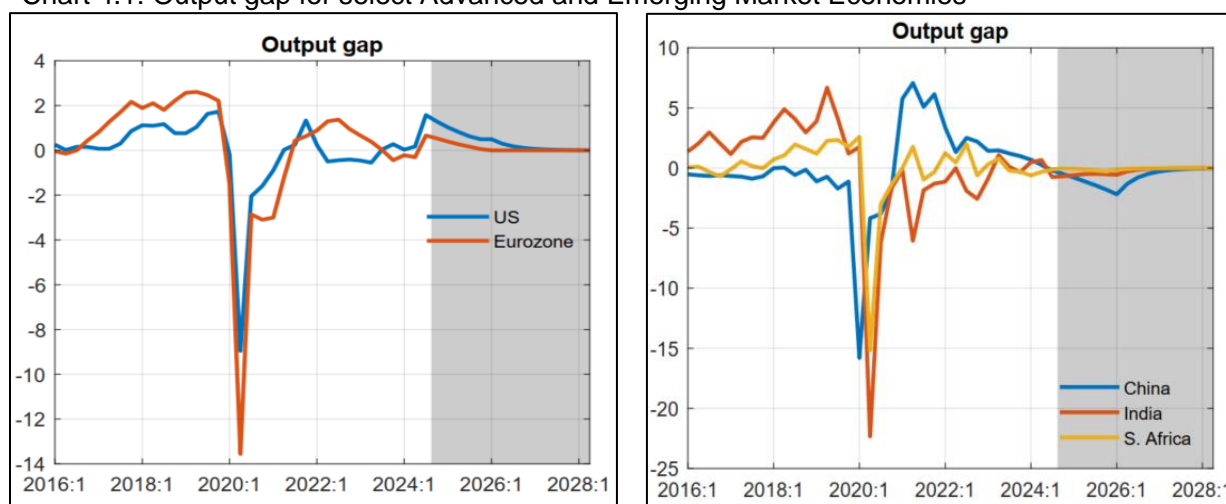
The global economy has been improving, with large growth variations across countries, as discussed in Chapter 2. Projections for the first quarter of 2025 indicate a continued growth momentum in many economies. Notably, in advanced and emerging markets economies, whose share is large in the global economy, growth is expected to range from 0.3-1.2 percent due to monetary policy easing, fiscal support, and increased consumer spending (Table 4.1 and Chart 4.1). The main risk to the growth projection is the persistent geopolitical conflicts.

Table 4.1 Growth Projection in Select Advanced and Emerging Market Economies

	Percent							
	Projection (Q-o-Q)							
	2024			2025				
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
United States	0.8	0.7	0.5	0.5	0.5	0.5	0.5	
Euro Zone	0.2	0.4	0.2	0.3	0.3	0.3	0.3	
Japan	0.6	0.3	0.3	0.3	0.3	0.2	0.2	
UK	0.5	0.1	0.3	0.3	0.4	0.4	0.4	
China	0.5	0.9	1.3	1.2	1.0	1.0	1.1	
*India	1.2	1.5	1.7	1.8	1.8	1.7	1.7	
South Africa	0.3	-0.3	0.7	0.4	0.4	0.4	0.5	
Brazil	1.4	0.9	0.3	0.4	0.4	0.5	0.5	

Source: Bloomberg

Chart 4.1: Output gap for select Advanced and Emerging Market Economies



Source: Bloomberg

Inflation is expected to continue falling across many economies, attributable to moderate prices in the world market and the lagged impact of tight monetary policy (Table 4.2 and Chart 4.2). The price of oil is expected to remain at current levels of between USD 72-75 per barrel (Chart 4.3). However, there is a risk to the inflation outlook, in the event of an escalation of geopolitical conflicts, climate change effects, and energy price increase associated with OPEC+ production decisions.

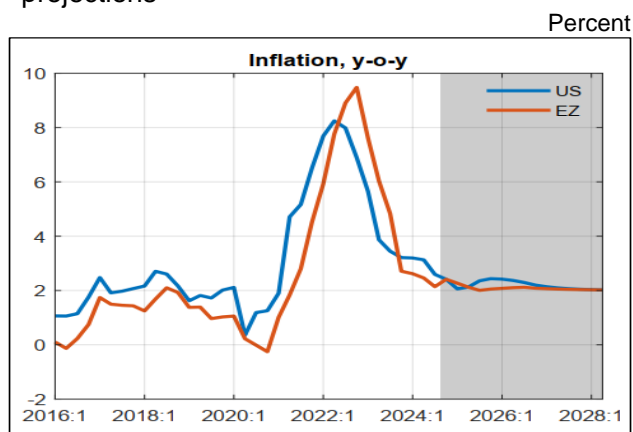
In terms of monetary policy stance, the central banks in the US and Euro Area are expected to continue cutting policy rates in the first quarter of 2025, while in the emerging market economies, expectations are somewhat mixed (Chart 4.3). In developing economies, particularly in sub-Saharan Africa, some of the central banks are expected to cut policy rates, the others to either maintain or hike policy rates. On balance, the global economic landscape is expected to provide a favourable environment to the Tanzania economy.

Table 4.2: Projected Quarterly Inflation

	Percent							
	Projection (y-o-y)							
	2024			2025				
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
United States	3.2	2.6	2.6	2.3	2.3	2.4	2.5	
Euro zone	2.5	2.2	2.2	2.0	2.0	1.9	2.0	
Japan	2.7	2.8	2.5	2.7	2.4	2.0	1.9	
UK	2.1	2.0	2.4	2.4	2.4	2.6	2.4	
China	0.3	0.5	0.7	1.0	0.8	0.8	1.0	
South Africa	5.2	4.3	3.6	3.8	3.7	4.5	4.8	
India	4.9	4.3	5.4	4.7	4.8	4.2	3.9	
Brazil	4.0	4.4	4.7	4.6	4.5	4.4	4.2	
Russia	8.2	8.9	8.5	8.3	7.9	6.8	5.8	

Source: Bloomberg

Chart 4.2a: Advanced economies inflation projections



Source: Bloomberg

Chart 4.2b: Emerging market economies inflation projections

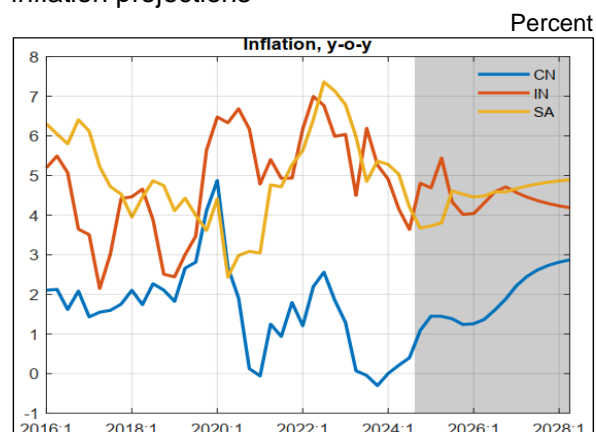
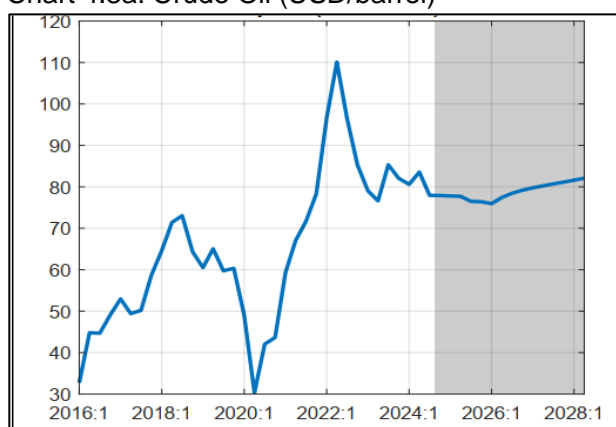
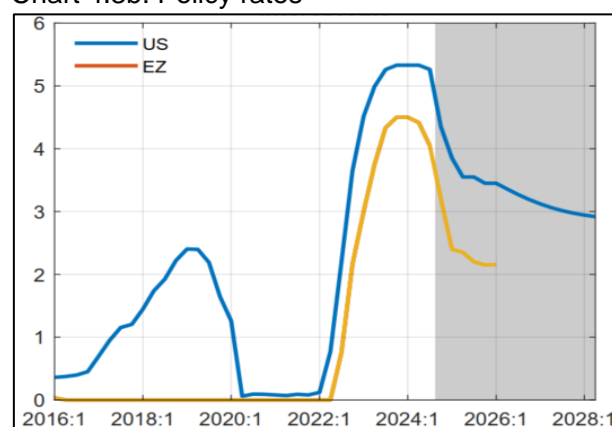


Chart 4.3a: Crude Oil (USD/barrel)



Source: Bloomberg

Chart 4.3b: Policy rates



5.2 Domestic Economic Outlook

As discussed in Chapter 3, the Mainland Tanzania and Zanzibar economies performed satisfactorily in the fourth quarter of 2024, as in the previous quarters. GDP growth was high, inflation was stable, and the external sector improved. In addition, growth of credit to the private sector was robust, the exchange rate appreciated, and foreign reserves remained adequate. Fiscal operations were satisfactory and broadly in line with the budget.

In the first quarter of 2025, the Mainland Tanzania economy is poised to maintain high growth momentum, with real GDP growth projected at 5.7 percent and around 6 percent

for the entire year. Some of the activities which underpin the growth outlook are agriculture (due to expected favourable weather, timely utilization of inputs, and investment in irrigation schemes), construction (ongoing construction of SGR, roads and bridges, and airports), improvement of transport and logistics (ports, railway, and flight services), and electricity generation (stable power supply). The Zanzibar economy is projected to grow robustly at 6.8 percent in 2025.

Inflation pressures are projected to remain subdued due to adequate food, stable exchange rate and moderate oil prices in the world market. In the first quarter of 2025, headline inflation is projected to average 3.1 percent and core inflation at 3.5 percent. Inflation in Zanzibar is expected to be below the 5 percent target. However, there is a moderate risk of inflation stemming from OPEC+ production decisions.

Foreign exchange reserves are projected to be above USD 5 billion in the first quarter of 2025. This is supported by the potential increase in foreign exchange from the mini-peak tourism season and cashew nuts in Tanga and Singida. Furthermore, the accumulation of foreign reserves through the domestic gold purchase program and other sources is expected to provide confidence to the market.

5.3 Monetary Policy Decision

Based on the expected improvement of global and domestic economic conditions, the MPC maintained the CBR at 6 percent in the first quarter of 2025. Keeping the CBR unchanged is expected to continue anchoring inflation expectations below the target of 5 percent. The rate is also expected to support the growth of around 5.7 percent for the quarter ending March 2025. In essence, the recommendation provides forward guidance to the market that the Bank prioritizes keeping shilling liquidity stable in the economy, thus minimizing interest and exchange rates volatilities.

In line with the decision, the Bank will steer the 7-day IBCM rate (operating target variable) to the CBR (policy rate), by keeping it within the 4-8 percent corridor. As in the past, this

will be done using monetary policy instruments at the disposal of the Bank. The implementation of monetary policy also will be carried out without compromising the targets for net domestic assets of the Bank and net international reserves set forth in the ECF program for the quarter ending March 2025.

Annexes

Annex 1: Actual Real GDP Growth and Projection

	Percent									
	IMF proj.				World Bank proj.				OECD proj.	
	Jul-24		Oct-24		Jan-24		Jun-24		Sep-24	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
World	3.2	3.3	3.2	3.2	2.4	2.7	2.4	2.7	3.2	3.2
Advanced Economies	1.7	1.8	1.8	1.8	1.5	1.7	1.5	1.7	n.a	n.a
United States	2.6	1.9	2.8	2.2	2.5	1.8	2.5	1.8	2.6	1.6
Euro area	0.9	1.5	0.8	1.2	0.7	1.4	0.7	1.4	0.7	1.3
United Kingdom	0.7	1.5	1.1	1.5	n.a	n.a	n.a	n.a	1.1	1.2
Japan	0.7	1.5	0.3	1.1	0.7	0.8	0.7	1.0	-	0.1
Emerging market and developing economies	4.3	4.3	4.2	4.2	3.9	4.0	4.0	4.0	n.a	n.a
Brazil	2.1	2.4	3.0	2.2	2.0	2.2	2.0	2.2	2.9	2.6
Russia	3.2	1.5	3.6	1.3	2.9	1.4	2.9	1.4	3.7	1.1
India	7.0	6.5	7.0	6.5	6.6	6.7	6.6	6.7	6.7	6.8
China	5.0	4.5	4.8	4.5	4.8	4.1	4.8	4.1	4.9	4.5
Sub Saharan Africa	3.7	4.1	3.6	4.2	3.5	3.9	3.5	3.9	n.a	n.a
South Africa	0.9	1.2	1.1	1.5	1.2	1.3	1.2	1.3	1.0	1.4
Nigeria	3.1	3.0	2.9	3.2	3.3	3.7	3.3	3.5	n.a	n.a
Kenya	n.a	n.a	5.0	5.0	5.0	5.3	5.0	5.3	n.a	n.a
Angola	n.a	n.a	2.4	2.8	2.8	2.6	2.9	2.6	n.a	n.a

Source: IMF, World Economic Outlook and World Bank Global Economic Prospects

Note: n.a denotes not available

Annex 2a: Gross Domestic Product for Tanzania Mainland

Economic Activity	Millions of TZS					
	2018	2019	2020	2021 ^f	2022 ^f	2023
<i>Agriculture, forestry and fishing</i>	29,504,235.8	30,802,622.4	32,323,672.8	33,588,777.4	34,711,276.9	36,184,322.1
Crops	15,679,337.7	16,372,350.9	17,196,814.9	17,818,275.8	18,295,699.5	19,064,329.9
Livestock	8,276,692.0	8,687,237.9	9,119,558.7	9,574,892.2	10,054,947.1	10,560,053.6
Forestry	3,339,085.2	3,499,684.4	3,612,827.3	3,739,795.4	3,857,005.8	4,021,644.1
Fishing	2,209,120.9	2,243,349.2	2,394,471.9	2,455,814.1	2,503,624.4	2,538,294.5
<i>Industry and Construction</i>	31,344,128.1	34,912,846.6	37,251,857.4	39,085,651.6	41,147,936.3	43,234,379.7
Mining and quarrying	4,659,195.2	5,485,112.4	5,887,451.7	6,442,881.3	7,138,148.9	7,945,920.5
Manufacturing	9,623,500.7	10,184,558.4	10,646,278.5	11,155,761.8	11,624,144.0	12,128,561.6
Electricity supply	928,174.5	994,879.2	1,049,610.1	1,154,204.3	1,242,132.0	1,290,959.7
Water supply; sewerage, waste management	477,510.2	510,410.6	540,159.2	575,213.0	606,754.2	621,827.5
Construction	15,655,747.5	17,737,886.1	19,128,358.0	19,757,591.1	20,536,757.2	21,247,110.3
<i>Services</i>	45,453,302.0	48,133,894.8	50,196,792.3	52,618,667.3	55,393,899.1	58,615,192.6
Wholesale and retail trade; repairs	10,480,203.6	10,984,479.6	11,216,401.4	11,578,145.8	12,031,598.4	12,542,371.5
Transport and storage	8,736,560.6	9,493,190.7	10,293,275.6	10,658,344.0	11,061,950.4	11,510,656.7
Accommodation and Food Services	1,604,390.7	1,645,950.1	1,419,653.9	1,514,711.3	1,651,098.6	1,788,241.5
Information and communication	1,989,717.3	2,133,312.4	2,313,032.1	2,524,609.7	2,712,410.7	2,917,297.2
Financial and insurance activities	4,094,972.3	4,281,167.0	4,412,967.5	4,599,676.8	5,024,300.6	5,639,079.2
Real estate	3,354,517.7	3,505,484.8	3,663,972.3	3,827,459.9	3,997,459.8	4,168,722.1
Professional, scientific and technical activities	763,332.1	821,635.6	881,833.4	942,012.5	996,609.1	1,051,695.7
Administrative and support service activities	3,054,288.2	3,311,752.9	3,569,799.8	3,817,046.9	3,993,799.1	4,191,804.6
Public administration and defence	5,064,968.5	5,238,490.6	5,438,145.7	5,713,411.3	6,024,202.8	6,358,312.0
Education	3,046,789.4	3,257,405.7	3,365,354.6	3,537,610.7	3,724,729.4	3,955,485.3
Human health and social work activities	1,746,730.9	1,833,514.0	1,953,479.4	2,065,349.0	2,176,986.2	2,308,205.5
Arts, entertainment and recreation	350,027.3	389,225.2	372,119.5	444,488.0	528,722.0	622,264.3
Other service activities	971,690.0	1,037,083.3	1,089,265.4	1,181,814.3	1,249,425.4	1,333,611.7
Activities of households as employers;	195,113.5	201,203.0	207,491.7	213,987.3	220,606.7	227,445.5
All economic activities	106,301,665.9	113,849,363.9	119,772,322.5	125,293,096.3	131,253,112.4	138,033,894.4
Taxes on products	8,872,802.2	9,289,874.7	8,951,215.3	9,658,416.8	9,994,080.5	10,365,862.6
GDP at market prices	115,174,468.0	123,139,238.5	128,723,537.8	134,951,513.1	141,247,192.9	148,399,757.0

Source: National Bureau of Statistics

Note: The Set of National Account Estimates from 2007 has been revised to 2015 constant prices

Annex 2b: Real Growth by Economic Activities

Economic Activity	Percent					
	2018	2019	2020	2021 ^f	2022 ^f	2023
Agriculture, forestry and fishing	5.4	4.4	4.9	3.9	3.3	4.2
Crops	5.2	4.4	5.0	3.6	2.7	4.2
Livestock	4.9	5.0	5.0	5.0	5.0	5.0
Forestry	4.9	4.8	3.2	3.5	3.1	4.3
Fishing	9.2	1.5	6.7	2.6	1.9	1.4
Industry and Construction	9.7	11.4	6.7	4.9	5.3	5.1
Mining and quarrying	1.5	17.7	7.3	9.4	10.8	11.3
Manufacturing	8.3	5.8	4.5	4.8	4.2	4.3
Electricity supply	5.8	7.2	5.5	10.0	7.6	3.9
Water supply; sewerage, waste management	7.4	6.9	5.8	6.5	5.5	2.5
Construction	13.7	13.3	7.8	3.3	3.9	3.5
Services	6.5	5.9	4.3	4.8	5.3	5.8
Wholesale and retail trade; repairs	6.6	4.8	2.1	3.2	3.9	4.2
Transport and storage	11.8	8.7	8.4	3.5	3.8	4.1
Accommodation and Food Services	5.2	2.6	-13.7	6.7	9.0	8.3
Information and communication	9.1	7.2	8.4	9.1	7.4	7.6
Financial and insurance activities	-0.5	4.5	3.1	4.2	9.2	12.2
Real estate	4.4	4.5	4.5	4.5	4.4	4.3
Professional, scientific and technical activities	9.9	7.6	7.3	6.8	5.8	5.5
Administrative and support service activities	5.6	8.4	7.8	6.9	4.6	5.0
Public administration and defence	3.2	3.4	3.8	5.1	5.4	5.5
Education	6.6	6.9	3.3	5.1	5.3	6.2
Human health and social work activities	8.4	5.0	6.5	5.7	5.4	6.0
Arts, entertainment and recreation	13.7	11.2	-4.4	19.4	19.0	17.7
Other service activities	6.5	6.7	5.0	8.5	5.7	6.7
Activities of households as employers;	3.1	3.1	3.1	3.1	3.1	3.1
All economic activities	7.1	7.1	5.2	4.6	4.8	5.2
Taxes on products	6.3	4.7	-3.6	7.9	3.5	3.7
GDP at market prices	7.0	6.9	4.5	4.8	4.7	5.1

Source: National Bureau of Statistics

Annex 2c: Real GDP Growth by Economic activities for Mainland Tanzania

Activity	Percent								
	2022Q2 ^f	2022Q3 ^f	2022Q4 ^f	2023Q1 ^f	2023Q2 ^f	2023Q3 ^f	2023Q4 ^f	2024Q1 ^f	2024Q2 ^p
Agriculture	3.8	3.9	1.9	5.0	3.1	5.2	4.1	3.1	4.2
Mining and quarrying	5.8	9.6	17.5	14.2	10.5	14.3	6.9	3.5	6.7
Manufacturing	4.7	4.4	1.8	5.3	4.3	4.2	3.6	5.8	4.6
Electricity	9.6	9.7	2.3	3.6	6.2	3.3	2.7	7.6	11.0
Water	9.5	0.1	2.2	5.1	3.3	1.8	0.1	3.1	3.5
Construction	2.9	1.8	4.8	5.1	2.3	3.7	2.9	6.4	2.9
Trade and repair	6.7	1.9	0.6	2.7	4.1	4.3	5.8	5.3	4.3
Accommodation and restaurant	13.0	13.2	8.5	12.3	7.2	7.4	6.7	7.2	5.5
Transport and storage	4.1	7.3	2.7	2.3	3.9	5.3	4.6	7.6	5.8
Information and communication	6.4	10.8	6.8	3.5	6.2	11.3	9.7	13.4	11.3
Financial and insurance	9.7	8.7	8.9	10.0	12.5	13.2	17.9	17.1	16.1
Public administration	4.0	6.7	6.3	6.7	5.9	5.3	4.5	6.6	6.4
Professional, Scientific and Technical act.	5.5	6.8	5.9	5.3	4.7	4.1	8.0	4.5	4.8
Administrative and Support services	5.2	3.6	3.7	5.5	5.8	5.6	2.9	5.2	5.4
Real estate	4.4	4.4	4.4	4.1	4.2	4.2	4.6	4.2	4.3
Education	5.2	6.5	2.9	6.9	6.5	6.1	5.2	4.6	4.3
Health	5.5	7.1	4.1	5.9	6.3	6.0	5.8	3.9	4.1
Other services	7.5	9.0	9.4	9.5	11.5	8.9	7.2	8.6	9.9
All indust. at basic prices	4.8	4.9	4.0	5.5	4.6	5.8	4.8	5.7	5.2
Taxes on products	7.5	-0.5	-3.0	-1.5	6.2	2.5	7.9	3.7	6.6
GDP at market prices	4.9	4.5	3.4	5.0	4.7	5.6	5.0	5.6	5.3

Source: National Bureau of Statistics

Annex 3: Depository Corporations Survey

Billions of TZS

Items	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Net foreign assets	9,678.0	9,970.8	11,302.4	10,376.1	10,242.9	11,635.0	10,089.1	10,975.5	12,238.3	12,226.7	13,100.6	13,704.3	13,773.6	13,371.4
Bank of Tanzania	9,986.2	10,644.3	12,079.3	11,263.9	11,025.8	11,981.8	10,896.0	11,725.5	12,349.9	12,227.6	12,581.4	12,804.0	12,668.2	11,520.4
Other depository corporations	-308.2	-673.5	-776.9	-887.8	-782.9	-346.8	-806.9	-750.1	-111.6	-0.9	519.2	900.3	1,105.4	1,851.0
Net domestic assets	33,278.0	33,614.3	32,706.2	33,387.7	33,726.4	32,892.4	34,229.9	34,117.4	34,523.8	34,704.7	34,591.9	34,360.2	35,469.4	36,139.3
Domestic claims	43,884.1	44,541.9	43,455.9	44,430.7	44,999.1	44,222.7	45,293.6	46,373.7	46,460.8	47,250.2	47,176.6	47,160.9	48,136.2	48,997.1
Claims on central government (net)	12,667.7	12,666.4	11,353.9	12,003.5	12,331.0	10,876.6	11,536.0	12,389.8	11,479.9	11,895.7	11,445.7	10,986.7	11,618.5	12,255.4
Claims on central government	22,443.1	22,889.7	22,799.1	23,125.4	23,440.9	22,328.7	23,452.5	24,411.3	22,755.3	23,050.6	23,816.7	24,053.1	24,393.3	24,458.9
Liabilities to central government	9,775.4	10,223.3	11,445.2	11,121.9	11,110.0	11,452.1	11,916.5	12,021.5	11,275.3	11,154.9	12,371.0	13,066.3	12,774.9	12,203.6
Claims on non-government sector	31,216.4	31,875.6	32,102.0	32,427.3	32,668.1	33,346.2	33,757.6	33,983.9	34,980.8	35,354.6	35,730.9	36,174.1	36,517.8	36,741.7
Other items (net)	-10,606.1	-10,927.6	-10,749.7	-11,043.1	-11,272.6	-11,330.3	-11,063.8	-12,256.3	-11,937.0	-12,545.5	-12,584.7	-12,800.6	-12,666.9	-12,857.8
Broad money liabilities	42,955.9	43,585.2	44,008.6	43,763.7	43,969.3	44,527.4	44,319.0	45,092.9	46,762.1	46,931.4	47,692.5	48,064.6	49,243.0	49,510.7
Currency outside depository corporations	6,316.8	6,373.2	6,485.0	6,106.6	6,083.6	6,325.5	6,146.7	6,521.8	7,076.5	7,085.6	7,302.0	7,353.5	7,408.2	7,597.2
Transferable deposits	20,313.7	20,254.7	20,458.2	20,750.8	20,575.5	20,783.1	20,172.4	21,024.7	21,826.8	21,823.8	21,862.2	22,280.0	22,663.5	22,610.5
Non-transferable (other) deposits	16,325.4	16,957.3	17,065.4	16,906.3	17,310.3	17,418.8	17,999.9	17,546.4	17,858.8	18,022.0	18,528.3	18,431.1	19,171.3	19,303.0
Memorandum Items:														
Monetary aggregates														
Reserve money (M0)	9,825.2	10,066.5	10,099.8	10,411.9	10,138.1	10,185.5	10,066.6	11,046.4	10,926.3	10,896.5	11,053.1	11,133.7	11,765.8	11,859.0
Extended broad money (M3)	42,955.9	43,585.2	44,008.6	43,763.7	43,969.3	44,527.4	44,319.0	45,092.9	46,762.1	46,931.4	47,692.5	48,064.6	49,243.0	49,510.7
Deposits in foreign Currency (FCD)	9,496.3	10,148.5	10,000.8	9,990.5	10,132.6	10,397.3	10,493.7	10,846.0	11,496.1	11,450.8	11,998.8	12,427.9	12,745.0	12,338.2
FCD in millions of USD	3,826.1	4,058.7	3,990.7	3,970.0	3,982.7	4,061.0	4,078.0	4,172.9	4,370.7	4,323.4	4,470.1	4,575.0	4,753.2	4,705.8
Broad money (M2)	33,459.6	33,436.7	34,007.8	33,773.2	33,836.7	34,130.1	33,825.3	34,246.9	35,266.0	35,480.6	35,693.7	35,636.6	36,498.0	37,172.6
Other deposits in national currency (i.e. savings and time deposits)	12,891.0	13,149.8	13,407.6	13,280.5	13,290.5	13,267.2	13,562.0	13,154.0	13,270.2	13,304.6	13,607.9	13,811.2	14,224.2	14,355.5
Narrow money (M1)	20,568.6	20,286.9	20,600.2	20,492.7	20,546.3	20,862.9	20,263.3	21,093.0	21,995.8	22,176.0	22,085.9	21,825.4	22,273.8	22,817.1
Currency in circulation	6,316.8	6,373.2	6,485.0	6,106.6	6,083.6	6,325.5	6,146.7	6,521.8	7,076.5	7,085.6	7,302.0	7,353.5	7,408.2	7,597.2
Transferable deposits in national currency	14,251.8	13,913.7	14,115.2	14,386.1	14,462.7	14,537.3	14,116.6	14,571.2	14,919.3	15,090.3	14,783.8	14,471.9	14,865.6	15,219.9

Source: Bank of Tanzania

Annex 4: Interest Rates Structure

Items	2023			2024											Percent
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	August	Sep	Nov ^p	
A: Domestic currency															
1. Interbank cash market rates															
Overnight	5.36	5.70	6.56	6.75	6.35	6.20	6.51	7.02	6.92	6.80	7.62	7.88	7.74	7.73	
2 to 7 days	6.00	6.46	6.89	7.29	7.20	7.17	7.04	7.35	7.40	7.42	7.83	8.26	8.17	8.11	
Overall interbank cash market rate	5.90	6.36	6.81	7.27	7.20	7.10	7.02	7.34	7.36	7.24	7.79	8.16	8.04	8.06	
2. Lombard rate	8.04	8.55	9.84	7.50	7.50	7.50	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	
3. REPO rate	2.43	2.43	2.43	2.43	2.43	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	
4. Reverse REPO rate	6.29	6.29	6.29	6.29	5.81	5.74	6.57	6.57	6.57	6.57	7.88	8.00	8.00	7.72	
5. Treasury bills rates															
35 days	4.98	6.29	6.29	6.29	6.29	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	
91 days	7.77	8.83	9.10	8.50	8.43	8.17	8.07	8.07	8.07	5.13	5.13	5.94	5.94	5.94	
182 days	7.56	8.73	9.40	9.30	8.93	8.61	8.45	8.22	6.57	6.57	7.30	7.30	8.17	8.30	
364 days	8.73	9.49	10.51	11.81	12.25	11.82	10.38	7.83	6.75	8.84	10.63	10.98	11.66	12.78	
Overall treasury bills rate	8.43	9.34	10.48	11.76	12.21	11.65	10.33	7.86	6.75	8.81	10.61	10.85	11.55	12.68	
6. Treasury bonds rates															
2-years	9.59	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	
5-years	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	12.41	12.41	
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	11.88	11.88	11.85	12.03	12.03	12.03	12.30	12.30	12.30	12.30	13.26	13.26	13.26	13.26	
15-years	12.34	12.34	12.75	12.75	13.66	13.66	13.66	15.16	15.16	15.05	15.05	15.35	15.76	15.76	
20-years	13.08	13.51	13.51	13.51	15.83	15.51	15.24	15.24	15.13	15.17	15.40	15.45	15.76	15.76	
25-years	13.81	13.81	14.39	14.39	14.39	16.79	16.13	16.13	15.38	15.38	15.38	15.42	15.42	15.42	
7. Discount rate	5.00	5.00	5.00	8.00	8.00	8.00	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	
8. Savings deposit rate	2.45	2.56	2.60	2.69	2.54	2.70	2.79	2.87	2.86	2.87	3.02	2.84	2.85	2.69	
9. Overall time deposits rate	7.05	7.64	7.45	7.40	7.39	7.55	7.44	7.65	7.66	8.15	7.98	8.20	8.25	8.18	
1 month	6.80	8.76	8.08	7.48	7.83	8.36	8.94	9.18	8.70	8.39	8.67	9.05	9.49	10.62	
2 months	7.51	8.37	8.46	9.00	8.52	9.16	8.58	9.01	8.47	8.93	8.31	8.35	8.55	8.14	
3 months	8.39	8.75	9.25	8.63	8.85	8.81	8.52	8.65	9.38	9.10	8.66	8.87	8.68	8.91	
6 months	7.66	8.46	9.14	9.13	9.07	9.15	9.12	9.37	9.25	9.09	8.91	9.15	9.30	9.19	
12 months	9.00	9.16	8.92	9.15	9.06	8.94	8.21	8.97	9.09	9.01	8.82	9.12	10.41	9.63	
24 months	7.55	7.55	6.03	6.06	6.04	6.05	6.28	6.02	6.25	9.96	9.87	10.02	8.44	8.29	
10. Negotiated deposit rate	9.24	9.15	9.19	9.56	9.52	9.59	9.33	9.72	9.86	9.96	10.12	9.88	10.27	10.14	
11. Overall lending rate	15.49	15.38	15.44	15.39	15.44	15.51	15.42	15.47	15.30	15.29	15.26	15.54	15.67	15.67	
Short-term (up to 1 year)	15.93	15.63	15.94	15.82	16.10	16.17	15.93	15.98	15.57	15.67	15.50	15.67	16.06	15.56	
Medium-term (1-2 years)	16.75	16.91	15.91	15.82	15.71	15.74	15.77	15.82	15.69	15.49	15.50	15.97	16.25	16.93	
Medium-term (2-3 years)	14.98	14.90	15.82	15.92	15.80	16.05	15.87	15.88	15.78	16.06	16.09	16.26	16.48	16.36	
Long-term (3-5 years)	15.67	15.45	15.48	15.39	15.51	15.42	15.44	15.50	15.37	15.21	15.14	15.20	15.06	15.17	
Term Loans (over 5 years)	14.13	14.03	14.03	13.97	14.08	14.15	14.09	14.18	14.11	14.02	14.09	14.59	14.50	14.35	
12. Negotiated lending rate	13.26	13.29	13.38	13.44	13.40	13.46	13.95	12.69	12.82	12.78	12.79	12.92	12.93	12.77	
B: Foreign currency															
1. Deposits rates															
Savings deposits rate	0.01	0.02	0.04	0.04	0.04	0.91	0.79	0.90	0.97	0.53	1.28	0.91	0.73	0.71	
Overall time deposits rate	3.67	3.78	3.67	3.40	3.73	3.82	3.77	3.65	3.91	3.97	3.73	3.68	3.85	3.99	
1-months	3.63	3.95	3.71	2.25	3.92	3.77	2.94	3.76	2.96	2.96	3.52	4.37	3.31	3.13	
2-months	3.94	3.27	3.61	2.64	3.41	2.61	4.20	2.73	3.37	4.42	4.49	2.39	3.56	3.84	
3-months	2.90	3.58	2.63	4.09	3.20	4.21	2.80	2.88	4.42	4.49	2.36	3.88	3.93	4.97	
6-months	3.69	3.65	3.95	3.41	3.65	3.88	4.39	4.46	4.38	3.74	4.40	4.54	4.59	4.44	
12-months deposit rate	4.18	4.47	4.43	4.58	4.47	4.64	4.49	4.40	4.44	4.26	3.89	3.21	3.83	3.57	
2. Overall lending rate	7.71	7.82	7.64	7.72	8.13	8.17	8.10	8.19	7.23	8.34	8.56	8.44	8.77	8.53	
Short-term (up to 1 year)	9.69	9.08	8.93	9.46	9.11	9.60	8.74	8.77	6.58	9.10	9.55	9.41	9.50	9.50	
Medium-term (1-2 years)	7.08	6.99	7.04	6.90	7.71	7.77	7.94	7.89	7.10	7.48	7.69	6.75	7.60	7.74	
Medium-term (2-3 years)	8.05	8.21	8.21	8.14	8.44	8.35	8.47	8.27	7.63	8.31	8.28	8.70	8.76	8.02	
Long-term (3-5 years)	6.26	7.28	6.53	6.67	7.09	6.49	6.94	6.94	6.56	7.35	7.41	7.52	8.23	8.01	
Term loans (over 5 years)	7.49	7.55	7.49	7.42	8.29	8.63	8.40	9.08	8.26	9.48	9.86	9.82	9.76	9.36	

Source: Bank of Tanzania

Annex 5: Banks' Financial Soundness Indicators

	Percent						
Indicator	Dec-19	Dec-20	Dec-21	Dec-22	Nov-23	Dec-23	Nov-24
Capital adequacy							
Core capital/TRWA+OBSE	17.0	17.2	19.5	18.0	18.0	17.7	18.7
Core capital/Total deposit	17.2	17.5	17.6	17.5	17.5	17.2	18.6
Total capital/TRWA+OBSE	18.1	18.1	20.2	18.9	18.7	18.4	20.0
Total capital/Total assets	13.1	13.1	13.2	12.9	12.8	12.5	13.6
Asset Quality							
Gross non-performing loans/Gross loans	9.6	9.4	8.5	5.8	4.8	4.4	3.6
NPLs net of provisions/Total Capital	37.7	36.6	31.3	23.5	21.0	19.8	14.6
Earnings							
Return on assets-ROA	1.9	1.9	2.8	3.5	4.4	4.4	5.3
Return on equity-ROE	7.1	7.6	11.3	14.6	20.3	20.5	24.1
Interest margin to Total income	56.3	55.6	56.6	53.8	52.3	52.1	51.0
Non Interest expenses/Total income	56.6	53.8	49.7	43.7	40.7	40.4	36.9
Personnel expenses/Non-interest expenses	48.2	50.0	52.0	51.4	49.9	49.1	48.7
Liquidity							
Liquid Assets/Demand liabilities	32.1	30.7	29.4	26.4	29.1	28.8	27.7
Liquid Assets/Total Assets	26.9	24.6	25.5	23.1	23.7	23.2	24.6
Liquid assets/Customer deposits liabilities	41.0	37.0	37.2	34.8	35.7	35.2	37.7
Total Loans/Customer deposits	88.2	86.8	82.0	89.3	91.9	92.5	92.7
Access to lending							
Claims on the private sector to GDP	14.3	12.5	13.4	16.7	19.6	19.9	22.5
Claims on non-government sector to GDP	14.9	13.1	14.0	17.3	20.7	21.0	24.0
Sensitivity to market risk							
Net open positions in FX/Total capital	8.8	9.0	7.8	2.5	-3.7	4.5	6.3

Source: Bank of Tanzania

Annex 6: Annual Current Account Balance

	Millions of USD				
	Year ending December				
	2020	2021	2022	2023	2024 ^P
Goods account (net)	-1,460.0	-3,247.1	-6,984.9	-6,032.3	-5,174.9
Exports	6,371.7	6,756.2	7,223.8	7,696.6	9,144.8
Imports	-7,831.7	-10,003.4	-14,208.7	-13,728.9	-14,319.7
Services account (net)	864.7	1,510.7	2,296.6	3,953.9	4,478.1
Receipts	2,183.8	3,117.7	4,762.0	6,283.7	6,948.2
Payments	-1,319.0	-1,607.0	-2,465.4	-2,329.8	-2,470.1
Goods and services (net)	-595.2	-1,736.4	-4,688.3	-2,078.4	-696.8
Exports of goods and services	8,555.5	9,874.0	11,985.8	13,980.3	16,093.1
Imports of goods and services	-9,150.7	-11,610.4	-16,674.1	-16,058.7	-16,789.8
Primary income account (net)	-1,264.5	-1,191.5	-1,393.2	-1,536.0	-1,893.4
Receipts	111.2	102.5	183.9	189.8	218.3
Payments	-1,375.7	-1,294.1	-1,577.1	-1,725.8	-2,111.7
Secondary income account (net)	401.2	553.7	599.3	656.1	476.6
Inflows	453.9	640.1	716.5	801.4	677.6
o/w Official transfers	141.2	104.7	76.4	109.7	19.9
Outflows	-52.7	-86.4	-117.2	-145.2	-201.0
Current account balance	-1,458.5	-2,374.2	-5,482.2	-2,958.3	-2,113.5

Source: Tanzania Revenue Authority and Bank of Tanzania computations

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

Annex 7: Quarterly Current Account Balance

	Millions of USD					
	Quarter ending					Proj.
	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24 ^p
Goods account (net)	-1,118.6	-1,857.9	-1,556.5	-1,382.9	-1,057.8	-1,177.7
Exports	2,308.9	2,016.9	1,690.3	1,853.3	2,739.5	2,861.7
Imports	-3,427.5	-3,874.8	-3,246.8	-3,236.2	-3,797.4	-4,039.4
Services account (net)	1,222.4	1,112.8	1,219.6	998.0	1,258.7	1,001.8
Receipts	1,793.3	1,723.7	1,768.2	1,509.3	1,941.2	1,729.5
Payments	-570.8	-610.9	-548.5	-511.3	-682.5	-727.7
Goods and services (net)	103.8	-745.1	-336.9	-384.9	200.9	-175.9
Exports of goods and services	4,102.2	3,740.6	3,458.5	3,362.6	4,680.7	4,591.2
Imports of goods and services	-3,998.4	-4,485.7	-3,795.4	-3,747.6	-4,479.8	-4,767.1
Primary income account (net)	-360.2	-461.1	-345.7	-498.3	-462.8	-586.6
Receipts	42.0	53.8	54.5	46.7	61.2	55.8
Payments	-402.1	-514.8	-400.2	-545.0	-524.0	-642.4
Secondary income account (net)	139.5	181.7	105.8	131.9	129.4	109.6
Inflows	184.2	226.1	170.7	167.0	169.7	170.2
o/w Official transfers	8.9	43.4	19.9	0.0	0.0	0.0
Outflows	-44.7	-44.5	-64.9	-35.2	-40.3	-60.6
Current account balance	-116.8	-1,024.5	-576.8	-751.4	-132.5	-652.9

Source: Tanzania Revenue Authority and Bank of Tanzania computations

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

Annex 8: Major Imports Category

	Millions of USD					
	Quarter ending				Proj.	
	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Capital	729.3	759.9	624.6	667.5	822.3	855.4
Machinery and mechanical appliances	283.0	294.3	259.8	249.6	284.2	260.0
Industrial transport equipment	240.0	253.5	212.2	237.1	300.7	393.5
Electrical machinery and equipment	122.1	136.7	79.0	84.3	151.5	122.1
Other capital goods	84.2	75.4	73.6	96.5	85.9	79.8
Intermediate	2,343.6	2,730.4	2,301.7	2,240.9	2,611.1	2,651.6
Industrial supplies	1,091.2	1,265.7	1,051.8	1,009.3	1,275.6	1,288.3
O/w Iron and steel and articles thereof	288.4	389.1	298.7	250.2	341.5	326.4
Plastic and articles thereof	162.0	158.9	149.2	172.3	217.9	209.8
Fertilisers	76.8	130.9	61.8	59.1	124.2	117.5
Fuel and lubricants	733.0	922.9	669.7	715.8	735.0	683.2
o/w Refined white products	690.7	868.3	600.3	642.9	677.0	655.3
Parts and accessories	246.4	253.1	224.7	230.1	279.6	370.5
Food and beverages for industrial use	199.5	194.2	276.9	209.1	221.2	186.6
OW Wheat grain	97.0	75.6	99.6	69.9	89.0	59.2
Edible oil and its fractions not refined	39.8	42.6	42.3	26.2	27.9	57.2
Sugar for industrial use	23.7	51.5	34.1	44.0	45.3	48.0
Motor cars for household	73.3	94.4	78.5	76.3	99.3	121.6
Consumer	354.1	383.9	320.0	327.3	363.4	388.6
Food and beverages mainly for household consumption	42.4	42.0	39.8	36.5	43.1	60.8
Non-industrial transport equipment	36.8	44.4	37.2	39.0	40.5	47.6
OW Motorcycles and Cycles fitted with an auxiliary motor	31.4	39.9	33.8	35.2	36.0	42.3
Other consumer goods	274.9	297.5	243.0	251.8	279.9	280.1
OW Pharmaceutical products	71.0	95.7	59.9	54.4	85.4	59.2
Insecticides, rodenticides and similar products	48.2	54.6	51.1	53.0	30.8	46.4
Soap and detergents	16.6	12.7	14.2	14.2	14.7	19.0
Textiles apparels	13.4	12.3	10.0	11.0	13.5	14.2
Footwear and other products	13.8	14.8	11.9	15.2	16.9	18.4
Paper and paper products	8.8	7.2	8.7	5.4	4.6	7.4
Total	3,427.5	3,874.8	3,246.8	3,236.2	3,797.4	3,896.1

Source: Tanzania Revenue Authority and Bank of Tanzania computations

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

Annex 9: Major Exports Category

	Millions of USD					
	Quarter ending					Proj.
	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Traditional exports	286.5	430.6	233.6	115.5	292.9	730.2
Cashewnuts	-	176.9	47.8	1.0	0.0	374.1
Cloves	5.2	13.4	12.2	1.9	2.3	2.0
Coffee	41.5	75.7	70.1	23.0	70.5	131.8
Cotton	57.1	28.7	20.4	9.5	22.4	22.5
Sisal	5.0	3.9	5.1	6.4	5.2	7.9
Tea	6.5	5.9	5.8	5.0	4.4	3.9
Tobacco	171.2	126.2	72.3	68.8	188.1	187.9
Non-traditional exports	1,887.4	1,476.8	1,367.7	1,639.7	2,285.4	1,954.9
Minerals	923.1	910.9	818.8	955.7	1,201.2	1,096.6
Horticultural products	202.5	101.7	63.7	47.6	271.1	186.9
Manufactured goods	385.7	311.4	338.7	293.3	359.7	387.1
o/w Cement	13.9	10.7	6.5	7.5	10.6	8.5
Cereals	58.3	24.4	28.3	44.4	97.1	103.6
Fish and fish products	38.4	37.3	46.8	50.8	43.1	35.5
Oil seeds	178.8	11.6	5.0	99.9	178.6	24.0
Other exports	66.6	51.8	42.5	59.2	69.2	66.8
o/w Beans	26.7	1.4	2.2	0.4	0.7	0.9
Wood and wood products	21.7	25.1	17.4	19.9	21.7	20.7
Cocoa	11.5	16.5	14.9	27.8	28.3	27.7
Plants	1.6	3.1	1.8	1.6	3.1	3.4
Hides and skins	0.8	1.7	0.9	1.2	1.2	1.2
Domestic exports	2,173.9	1,907.5	1,601.3	1,755.2	2,578.3	2,685.1
Re-Exports	34.1	27.9	23.9	88.9	65.4	54.4
Unrecorded trade	135.0	109.4	89.0	98.1	161.3	176.6
Total exports	2,308.9	2,016.9	1,690.3	1,853.3	2,739.5	2,861.7

Source: Tanzania Revenue Authority and Bank of Tanzania computations

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