



ISSN 0856-6976

MONETARY POLICY STATEMENT

***Mid-Year Review
2023/24***

**GOVERNOR
BANK OF TANZANIA**

February 2024



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BANK OF TANZANIA**

February 2024



12th February 2024

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

Honourable Minister,

LETTER OF TRANSMITTAL

In accordance with section 21, subsection (5) of the Bank of Tanzania Act, Cap. 197, I submit the ***Monetary Policy Statement, Mid-Year Review 2023/24***, for subsequent submission to the Parliament.

The Statement provides the Bank's assessment of the global and domestic economic conditions, the progress made in implementing the monetary policy and its outcomes in the first half of 2023/24. In addition, it provides an outlook for the global and domestic economic situations, together with the direction of the monetary policy in the second half of 2023/24 to achieve its policy objectives.

Yours Sincerely,

Emmanuel M. Tutuba
Governor
Bank of Tanzania



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EXECUTIVE SUMMARY

Global Economy

Growth in the second half of 2023 varied significantly across countries. In 2023, growth is estimated to have been weaker than the preceding year. The World Bank estimates the global economy to have grown by 2.6 percent in 2023 from 3.3 percent in 2022. The IMF estimates a growth rate of 3.1 percent from 3.5 percent. The OECD estimates the global economy to have recorded a growth rate of 2.9 percent from 3.3 percent. Growth in Sub-Saharan Africa is estimated at 3.3 percent from 4 percent. The growth was mainly undermined by geopolitical tension, tightening monetary policy, and heightened economic uncertainties. Inflation declined in the first half of 2023/24 due to monetary policy tightening and moderation in food and energy prices in the world market. The IMF indicates inflation to have eased to 6.8 percent in 2023 from 8.7 percent in the preceding year. In advanced economies, it was above the target of 2 percent. In the EAC and SADC economic blocs, most countries achieved the convergence criteria on inflation of a maximum of 8 percent and 3-7 percent, respectively. Commodity prices were somewhat mixed. Notably, the oil price fluctuated, increasing in the first three months of 2023/24 before turning around in the subsequent period, driven by demand and supply factors. The price of gold also fluctuated, attributable to monetary policy decisions.

Monetary Policy Implementation

In the first half of 2023/24, the Bank implemented monetary policy based on monetary targeting framework to achieve the inflation target of 5 percent and facilitate the attainment of a real GDP growth of 5 percent in 2023 and 5.5 percent in 2024 for Mainland Tanzania and 7.1



percent and 7.4 percent for Zanzibar. The monetary targets were: (i) growth of reserve money of 10.1 percent (ii) growth of extended broad money supply of 10.1 percent and (iii) growth of private sector credit of 16.4 percent. The Bank also aimed at maintaining adequate foreign reserves to cover at least four months of imports.

Consistent with the monetary target set out, the Bank of Tanzania implemented a less accommodative monetary policy. The implementation led to tightening monetary conditions as the year unfolded, but liquidity in the economy was in line with demand. Growth of reserve money, money supply (M3), and private sector credit slowed. Despite slowing down, M3 growth averaged 15.5 percent, above the target of 10.1 percent. Private sector credit growth averaged 19.1 percent compared to the projection of 16.4 percent. Interest rates in the interbank and securities markets increased, but lending rates remained broadly unchanged. The implementation of monetary policy also facilitated the attainment of the quantitative targets and structural benchmarks set out in the 40-month IMF-ECF program implemented by the Government.

Domestic Economy

The performance of the economy was satisfactory despite facing multiple external shocks. In Mainland Tanzania, output growth averaged 5.3 percent in the first three quarters of 2023, driven mainly by agriculture, financial and insurance, and mining and quarrying activities. The growth was reinforced by improving business environment through reforms, policies, and public investment, particularly in infrastructure. Based on leading economic indicators for the fourth quarter, the economy is estimated to have grown by around 5 percent in 2023. The



Zanzibar economy grew at 6 percent, mainly driven by accommodation and food services, construction, and manufacturing. The economy is estimated to have grown at a rate of around 7 percent in 2023.

Inflation was low and consistent with regional economic communities' target and convergence criteria. During July-December 2023, inflation averaged 3.2 percent compared with 4.8 percent in the corresponding period in 2022. The decline was mainly on account of moderation in food and energy prices. In Zanzibar, inflation declined to an average of 6.5 percent from 6.7 percent in the corresponding period in 2022, largely on account of a decline in the prices of non-food. Food inflation also declined but remained relatively high, reflecting the pass-through impact of world market prices and exchange rate depreciation.

The shilling experienced pressure, particularly during July-September 2023, primarily due to monetary tightening in advanced economies and low foreign exchange inflows. The pressure waned in the subsequent period due to an improvement in the current account deficit, realisation of external loans, less accommodative monetary policy, and measures implemented to improve the foreign exchange market. The Bank of Tanzania also took several initiatives, which increased foreign exchange flows to the market. The exchange rate depreciated at a faster rate before moderating. During July-December 2023, the shilling depreciated against the US dollar by 6.4 percent, while in 2023 it depreciated by 8.2 percent compared with a depreciation of around 1 percent in the preceding year. Despite the nominal depreciation, there was no significant exchange rate misalignment, as the real effective exchange rate moved close to its long-run path.



Government fiscal performance was satisfactory. In the first half of 2023/24, domestic revenue amounted to TZS 14,754.9 billion, representing a performance of 95.8 percent of the target. Tax revenue was 98.6 percent of the target on account of improvement in tax administration and compliance. Expenditure continued to be aligned with available resources, at 95.2 percent of the estimate for the period. Development expenditure accounted for 43.8 percent of total expenditure. The fiscal deficit was financed through borrowing from domestic and external sources. In Zanzibar, domestic revenue amounted to TZS 709.8 billion, in line with the target. Tax revenue was 101.1 percent of the target, non-tax revenue at 86.2 percent, attributable to improved tax administration, including automation of revenue collection. Expenditure was also aligned with available resources, at 95.2 percent of the estimates. Development expenditure was 47.1 percent of the total expenditure. The debt remained sustainable, with a moderate risk of debt distress.

The external sector faced headwinds of global shocks but improved moderately. The current account deficit was USD 1,096 million from July to December 2023 from USD 3,085 million in the corresponding period a year ago, on account of a significant decline in imports and an increase in foreign inflows from tourism, traditional exports, and grants. Foreign reserves remained adequate, amounting to USD 5.5 billion at the end of December 2023, equivalent to 4.5 months of projected imports. The current account balance in Zanzibar widened to USD 207.9 million from USD 177.2 million, mainly on account of an increase in imports coupled with a decrease in exports.

The financial sector remained stable. The banking sector, which constitutes the largest share of the financial sector, was liquid, profitable



and adequately capitalized. Deposits, assets, and loans increased. The asset quality improved, as reflected by the decline in the non-performing loans to 4.3 percent in December 2023 from 5.5 percent in June 2023. This reflects a decreased credit risk associated with stable macroeconomic conditions and risk mitigation measures adopted. Payment systems operated smoothly. Mobile phones continued to be the key instrument in filling the infrastructure gap by providing a platform for the unbanked population to access financial services. The Tanzania Instant Payment System provided a platform for facilitating instant and secure settlement of retail payments and transfers between digital financial service providers, both banks and non-banks.

Outlook for Economy

Global growth is forecast to slow in 2024, attributable to uncertainties stemming from geopolitical tension, tightened financial conditions, and tightening monetary policy. The IMF projects the economy to grow at 3.1 percent, same as 2023, World Bank projects the economy to grow at 2.4 percent from 2.6 percent in 2023, and OECD to 2.7 percent from 2.9 percent. Sub-Saharan Africa is projected to grow at 3.8 percent, owing to the fading of effects of previous weather shocks and supply chain disruptions. Inflation is expected to continue falling but might remain above the targets in most advanced economies. Therefore, the direction of monetary policy in these countries is uncertain. Some central banks might uphold monetary policy tightening, albeit to a lesser extent than before, while others could leave the policy rates unchanged. In EAC and SADC, most countries are expected to experience inflation consistent with the convergence criteria. The price of oil is projected to average USD 80 per barrel. The projection is conditional on OPEC+ decision on production levels and demand.



The price of gold is projected to remain high at around USD 1,900 per troy ounce.

The domestic economy is forecasted to continue recovering. Growth in Mainland Tanzania is projected at around 5.2 percent in the second half of 2023/24 and 5.5 percent in 2024. In Zanzibar, the economy is forecasted to grow strongly at 7.4 percent in 2024. The growth projections are attributable to the improving business environment, public investment, a rebound in tourism activities, and implementation of policies and reforms. In addition, on balance, the ongoing rains will contribute positively to output growth. Concerns about power outage are fading due to ongoing rains in most parts of the country. There is also prospect of increasing electricity generation from the Julius Nyerere Hydro Power Plant and other sources during the second half of 2023/24. Geopolitical tension is the main downward risk to the growth outlook.

Inflationary pressures are expected to be subdued. In the second half of 2023/24, inflation is projected to remain low, between 3-5 percent for both Mainland Tanzania and Zanzibar, attributable to monetary policy impact, adequate food supply, and exchange rate stability. The upward risk to the inflation forecast includes increased oil prices due to OPEC+'s intention to cut production and geopolitical tension.

Foreign exchange reserves are projected to remain adequate, and the nominal exchange rate is expected to be stable, depreciating slightly. This is attributable to expected inflows from tourism activities, export of traditional and non-traditional goods and measures taken by the Government to increase the production of import substitutions and export goods. The real exchange rate is expected to continue moving



close to its equilibrium path. The projection is bolstered by expected low inflation, prudent monetary and fiscal policies, and exchange rate stability.

Monetary Policy Stance in Second Half 2023/24

In view of the global and domestic macroeconomic outlook, monetary policy will continue focusing on maintaining low inflation and facilitating economic growth. Following the adoption of the interest-based monetary policy framework in January 2024, the MPC set the Central Bank Rate (CBR) at 5.5 percent for the third quarter of 2023/24, while for the fourth quarter, it will be announced in April. This rate aims to contain inflation at 3.2 percent and steer growth to 5.5 percent or more in 2024. The Bank will use monetary policy instruments to align the 7-day interbank rate with the CBR and continue steering monetary conditions for attaining targets set out in the IMF-ECF Program.

Interest Rate and Exchange Rate Policies

Interest rate and exchange rate will continue to be determined by market forces. The adoption of the interest rate-based monetary policy framework will enhance determination of interest rates by financial institutions. Therefore, the adoption of the policy framework does not imply rate fixing or capping interest. Meanwhile, the Bank of Tanzania will participate in the interbank foreign exchange market for monetary policy and reserve accumulation purposes, as well as smoothing out excessive short-term variations in the exchange rate that are inconsistent with market and economic fundamentals.



PART I

INTRODUCTION

In accordance with the Bank of Tanzania Act, Cap. 197, section 7, subsection (1), the Bank's primary objective is "to formulate, define and implement monetary policy directed to the economic objective of maintaining domestic price stability conducive to a balanced and sustainable growth of the national economy". Section 7, subsection (2) of the Act requires, without prejudice to the price stability objective, "to ensure the integrity of the financial system, support economic policies of the Governments, as well as promote sound monetary, credit and banking conditions conducive to the development of the national economy".

In accordance with section 21, subsection (5) of the Act, the Bank is required to publish the Monetary Policy Statement containing the formulation and implementation of monetary policy. Therefore, this Mid-Year Review of the Monetary Policy Statement for 2023/24 provides an assessment of the global and domestic economic conditions, along with the implementation of the monetary policy and its outcomes in the first half of 2023/24. In addition, it provides an outlook for the global and domestic economic situations, together with the direction of the monetary policy in the second half of 2023/24 to achieve its policy objectives.

In addition to Part I, the Monetary Policy Statement is organized as follows: Part II presents the macroeconomic policy framework for 2023/24, followed by Part III, which details the implementation of the monetary policy and its outcomes in the first half of 2023/24. Part IV provides an overview of the recent global economic performance.



Part V reviews the recent performance of the domestic economy. Part VI outlines the macroeconomic outlook and global and domestic context, followed by Part VII, which outlines the monetary policy for the second half of 2023/24.

Box 1: Bank of Tanzania Monetary Policy Framework

The monetary policy framework focuses on maintaining domestic price stability that is conducive to the balanced and sustainable growth of the economy. In January 2024, the Bank shifted from a quantity-based to an interest (or price)-based monetary policy framework. The quantity-based monetary policy framework existed for almost three decades from 1995 and succeeded in maintaining inflation below 5 percent for much of that period while contributing to strong economic growth. The new framework will use the Central Bank Rate (CBR) to influence the short-term money market rates, which are expected to impact long-term interest rates and ultimately affect inflation and output. Adopting the new framework, which is a form of inflation targeting, is expected to improve the effectiveness of monetary policy in the changing economic environment and comply with agreements of harmonization of monetary policy frameworks in the regional economic communities, of which Tanzania is a member. The key elements of the interest-based monetary policy framework are highlighted below.

The objective of monetary policy

The primary objective of monetary policy is to maintain price stability, defined as a low and stable inflation rate over time. The inflation rate is measured as an annual change in the consumer price index (CPI), expressed in percentages. Inflation is expected to evolve within the range of 3-7 percent, with a target of 5 percent in the medium term. This target range is considered appropriate to support the sustainable growth of various economic activities and ensure the stability of interest rates and exchange rate.

Intermediate target

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

Operating target

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

Monetary policy instruments

The Bank of Tanzania uses a variety of instruments to align the operating target along the CBR. The main monetary policy instruments are repurchasing agreements (repo and reverse repo), primarily for monetary policy operations. Other open market operations include, but are not limited to, selling or buying debt securities and the sale or purchase of foreign currency in the interbank foreign exchange market. The statutory minimum reserve requirement ratio (SMR) and discount rate are also part of monetary policy instruments for managing structural liquidity. There are also standing lending facilities—intraday and Lombard loan facilities granted to all banks on demand to ensure efficiency and facilitate smooth settlement of payments. Furthermore, the Bank is mandated to design and use any other instruments considered appropriate for monetary policy.

Monetary policy communication strategy

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



Box 2: Modalities for Monetary Policy Implementation

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



PART II

2.0 MACROECONOMIC POLICY FRAMEWORK AND MONETARY POLICY

2.1 Macroeconomic Policy Objectives

Macroeconomic policy objectives for 2023/24 were set in line with the national development blueprints, which include the National Five-Year Development Plan 2021/22-2025/26 and the Zanzibar Development Plan 2021-2026. In addition, the objectives were set against the backdrop of global economic conditions. At the time, the global environment was characterized by high inflation, geopolitical tension, tightened financial conditions, and climate-related challenges. Domestic policies and reforms were also considered, some of which intended to limit the impact of external shocks. Based on these factors, the macroeconomic policy objectives were as follows:

- i. attaining a real GDP growth of 5 percent in 2023 and 5.5 percent in 2024¹ for Mainland Tanzania, and real GDP growth of 7.1 percent and 7.4 percent for Zanzibar; and
- ii. maintaining annual headline inflation at 5 percent in 2023/24 in both Mainland Tanzania and Zanzibar.

2.2 Monetary Policy Targets

In line with the macroeconomic objectives outlined in section 2.1, the Bank envisaged implementing a less accommodative monetary policy based on a monetary targeting framework in the first half of 2023/24.

¹ GDP growth rate was revised from initial projection of 5.2 percent in 2023 and 6.1 percent in 2024, mainly due to global shocks.



The monetary targets were as follows: (i) growth of reserve money (M0) of 10.1 percent, (ii) growth of extended broad money (M3) of 10.1 percent, and (iii) private sector credit growth of 16.4 percent. The Bank also planned to maintain adequate foreign exchange reserves of at least four months of projected imports. Furthermore, the Bank planned to achieve targets for net domestic assets (NDA) and net international reserves (NIR) set out in the 40-month IMF Extended Credit Facility implemented by the Government.

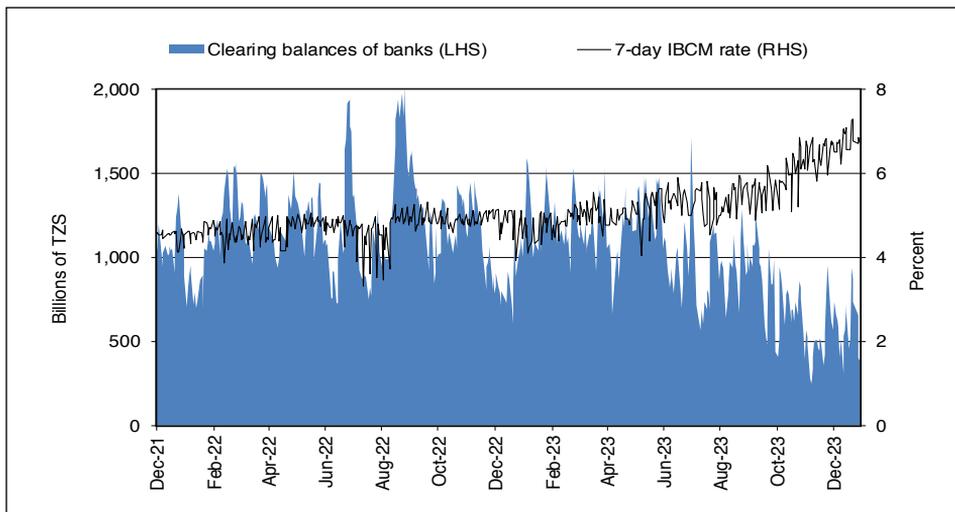


PART III

3.0 MONETARY POLICY IMPLEMENTATION DURING THE FIRST HALF OF 2023/24

The Bank of Tanzania implemented a less accommodative monetary policy. Liquidity in banks decreased but remained within the required levels, and interbank interest rates increased (Chart 3.1a). Growth of M0, M3 and private sector credit slowed. Despite slowing down, M3 growth remained strong, averaging 15.5 percent compared to the target of 10.1 percent (Chart 3.1b). In 2023, M3 growth was 14.1 percent compared with 11.6 percent in the preceding year.

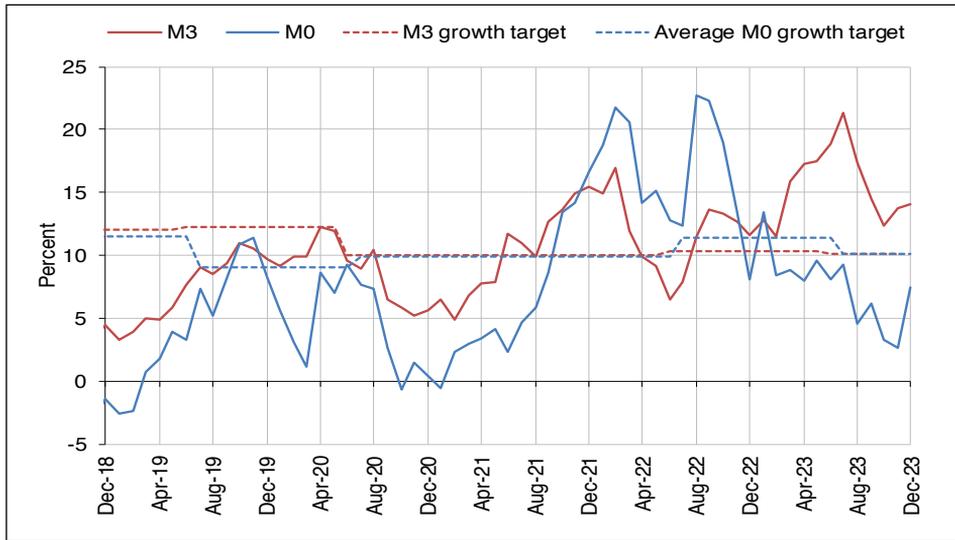
Chart 3.1a: Banks reserves and interbank interest rate



Source: Bank of Tanzania



Chart 3.1b: M0 and M3 Developments



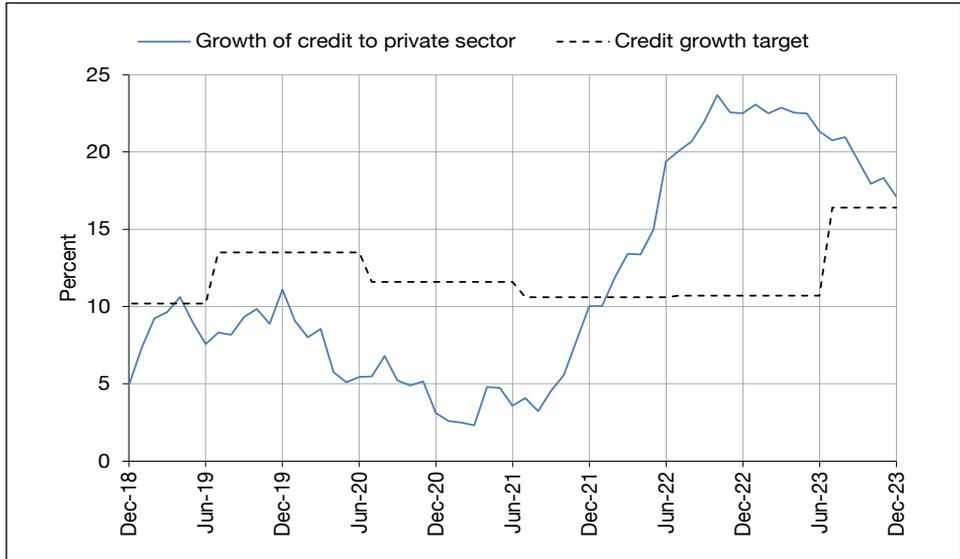
Source: Bank of Tanzania

Private sector credit growth gradually slowed but remained high, above the target and levels observed in the other EAC countries (Chart 3.1c and 3.1d). Specifically, credit to the private sector averaged 19.1 percent against the projection of 16.4 percent. In 2023, private sector credit growth was 17.1 percent compared with 22.5 percent in the previous year. Its ratio to GDP is estimated at around 18.8 percent from 16.1 percent. The credit growth was mostly driven by personal loans, agriculture, and trade activities (Chart 3.1e). Personal loans also constituted the largest share of outstanding credit to the private sector and were mostly extended to small and medium business undertakings (Chart 3.1f)². The credit to agriculture is associated with ongoing policies and measures to improve the sector’s productivity. Credit to the private sector is expected to remain high, owing to the improving business environment and reforms being implemented.

² Personal loans are mostly for small and medium sized business undertakings. The credit facility is preferred largely because of easy accessibility, flexible collateral requirements, and some are backed by salaries.

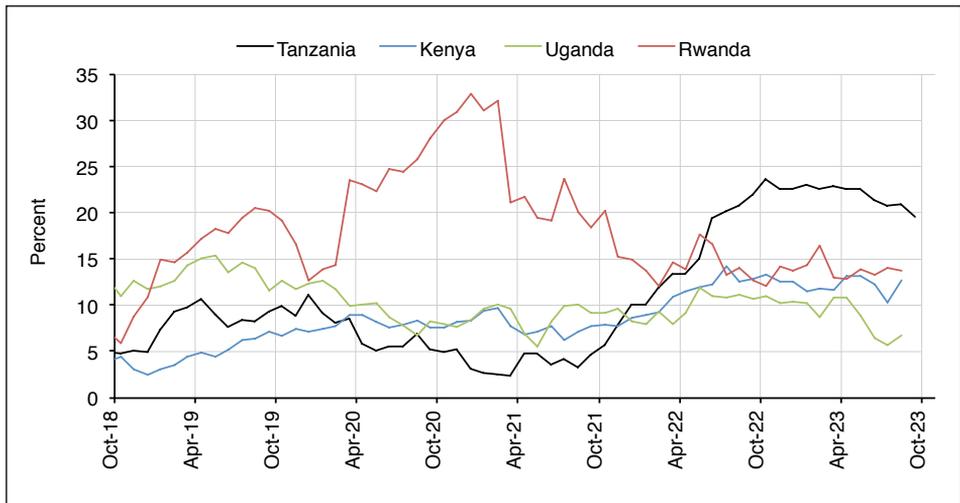


Chart 3.1c: Private Sector Credit Growth



Source: Banks and EAC central banks, Bank of Tanzania computations

Chart 3.1d: Private Sector Credit Growth in Selected EAC Countries

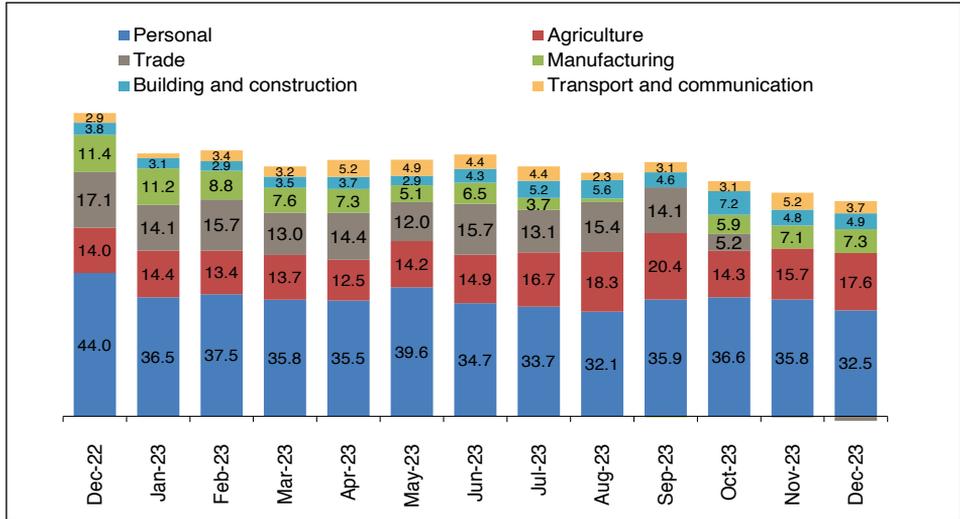


Source: Banks and EAC central banks, Bank of Tanzania computations



Chart 3.1e: Contribution to Credit Growth

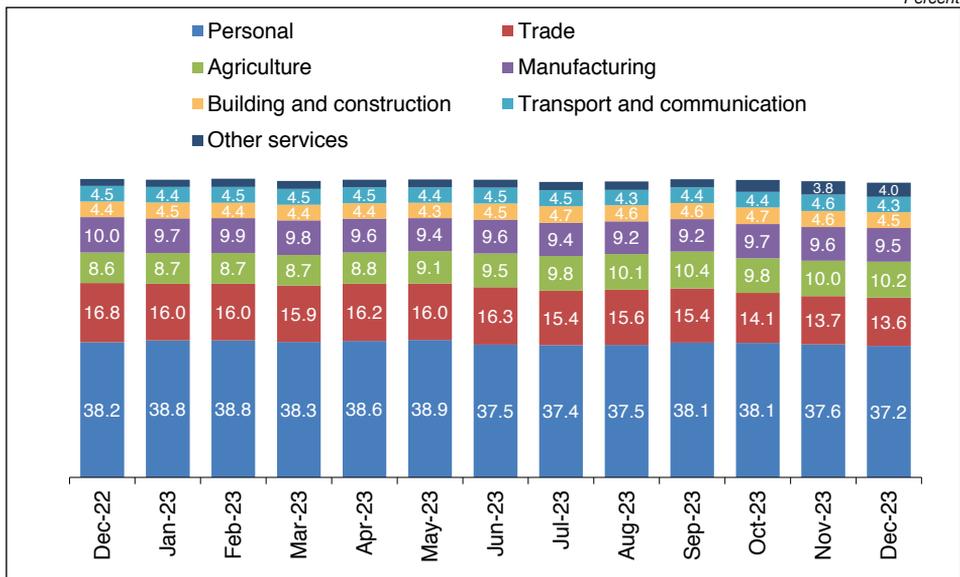
Percent



Source: Banks and Bank of Tanzania computations

Chart 3.1f: Share of Loans to Total Loan Portfolio

Percent



Source: Banks and Bank of Tanzania computations



The implementation of monetary policy also facilitated the attainment of the quantitative targets and structural benchmarks set out in the 40-month IMF-ECF program implemented by the Government (Table 3.1). The attainment of these targets and other program targets implemented by the Government was facilitated by the receipt of USD 150.39 million from the IMF.

Table 3.1: Performance against Quantitative ECF Targets

Indicator	June-23		September-23		December-23	
	Adjusted QPC-Final	Actual	Adjusted Indicative Targets	Actual	Adjusted QPC-Final	Actual
Net domestic assets (NDA) of BOT- Billions of TZS (ceiling)	-915.8	-640.9	-206.2	-416.0	-729.9	-1,643.3
Change in NIR - Millions of USD (floor)	-292.0	444.4	-301.0	-92.5	-92.0	428.9

Source: Bank of Tanzania

Note: QPC means Quantitative Performance Criteria



PART IV

4.0 GLOBAL ECONOMY

4.1 Output Performance

Growth in the second half of 2023 varied significantly across countries. In 2023, growth is estimated to have been weaker than the preceding year (Table 4.1). The World Bank estimates the global economy to have grown by 2.6 percent in 2023 from 3.3 percent in 2022. The IMF estimates a growth rate of 3.1 percent from 3.5 percent. The OECD estimates the global economy to have recorded a growth rate of 2.9 percent from 3.3 percent. Growth in Sub-Saharan Africa is estimated at 3.3 percent from 4 percent. The growth was mainly undermined by geopolitical tension, tightening monetary policy, and heightened economic uncertainties. Global growth is projected to remain weak in 2024, reflecting the lagged impact of monetary policy tightening, geopolitical tension, and economic uncertainties.

Table 4.1: Actual Real GDP Growth and Projection

	<i>Percent</i>											
	Actuals			IMF projections				World Bank		OECD		
				Oct-23		Jan-24		Projections		Projections		
	2020	2021	2022	2023	2024	2023	2024	2023	2024	2023	2024	
World	-2.8	6.3	3.5	3.0	2.9	3.1	3.1	2.6	2.4	2.9	2.7	
Advanced economies	-4.2	5.4	2.6	1.5	1.4	1.6	1.5	1.5	1.2	1.5	1.2	
United States	-2.8	5.9	2.1	2.1	2.1	2.5	2.1	2.5	1.6	2.4	1.5	
Euro area	-6.1	5.4	3.3	0.7	1.2	0.5	0.9	0.4	0.7	0.6	0.9	
United Kingdom	-11.0	7.6	4.1	0.5	0.6	0.5	0.6	n.a	n.a	0.3	0.8	
Japan	-4.3	2.1	1.0	2.0	1.0	1.9	0.9	1.8	0.9	1.7	1.0	
Emerging market and developing economies	-1.8	6.9	4.1	4.0	4.0	41.1	4.1	4.0	3.9	4.5	3.9	
Brazil	-3.3	5.0	2.9	3.1	1.5	3.1	1.7	3.1	1.5	3.2	1.7	
Russia	-2.7	5.6	-2.1	2.2	1.1	3.0	2.6	2.6	1.3	0.8	0.9	
India	-5.8	9.1	7.2	6.3	6.3	6.7	6.5	6.3	6.4	6.3	6.0	
China	2.2	8.5	3.0	5.0	4.2	5.2	4.6	5.2	4.5	5.1	4.6	
Sub-Saharan Africa	-1.7	4.8	4.0	3.3	4.0	3.3	3.8	2.9	3.8	n.a	n.a	
South Africa	-6.3	4.9	1.9	0.9	1.8	0.6	1.0	0.7	1.3	0.6	1.1	
EAC	0.9	6.7	5.8	5.0	5.7	n.a	n.a	n.a	n.a	n.a	n.a	
SADC	-4.3	4.5	4.5	2.5	3.2	n.a	n.a	n.a	n.a	n.a	n.a	

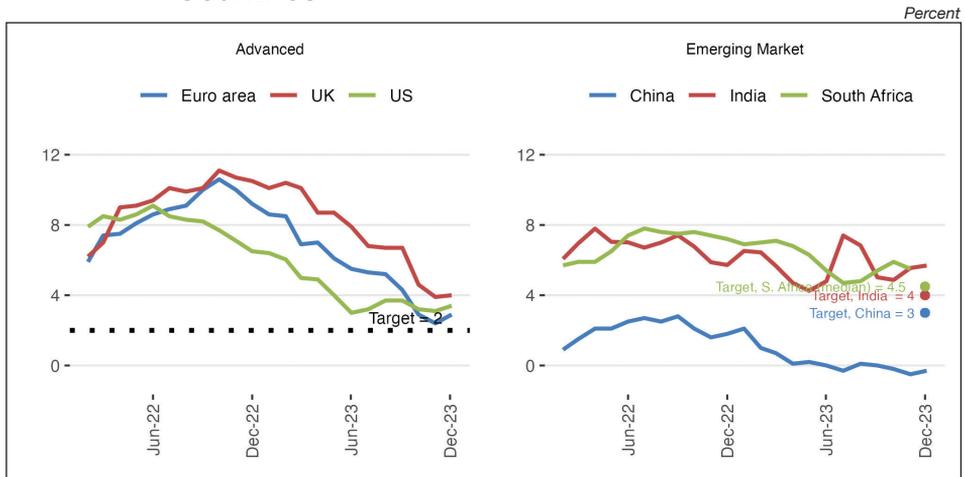
Source: IMF World Economic Outlook, January 2024; World Bank, World Economic Prospects, January 2024; and OECD Economic Outlook, November 2023. n.a denotes data not available.



4.2 Inflation

Global inflation declined in the first half of 2023/24 due to monetary policy tightening and moderation in food and energy prices in the world market. In advanced economies, inflation decreased but remained above targets in most countries (Chart 4.1a). Unlike in the US, core inflation was high in the Euro area, where core inflation pressures reflected a tight labour market. In the EAC and SADC economic blocs, most countries experienced inflation within the convergence criteria (Charts 4.2b and 4.2c).

Chart 4.1a: Inflation in Advanced Economies and BRICS Countries

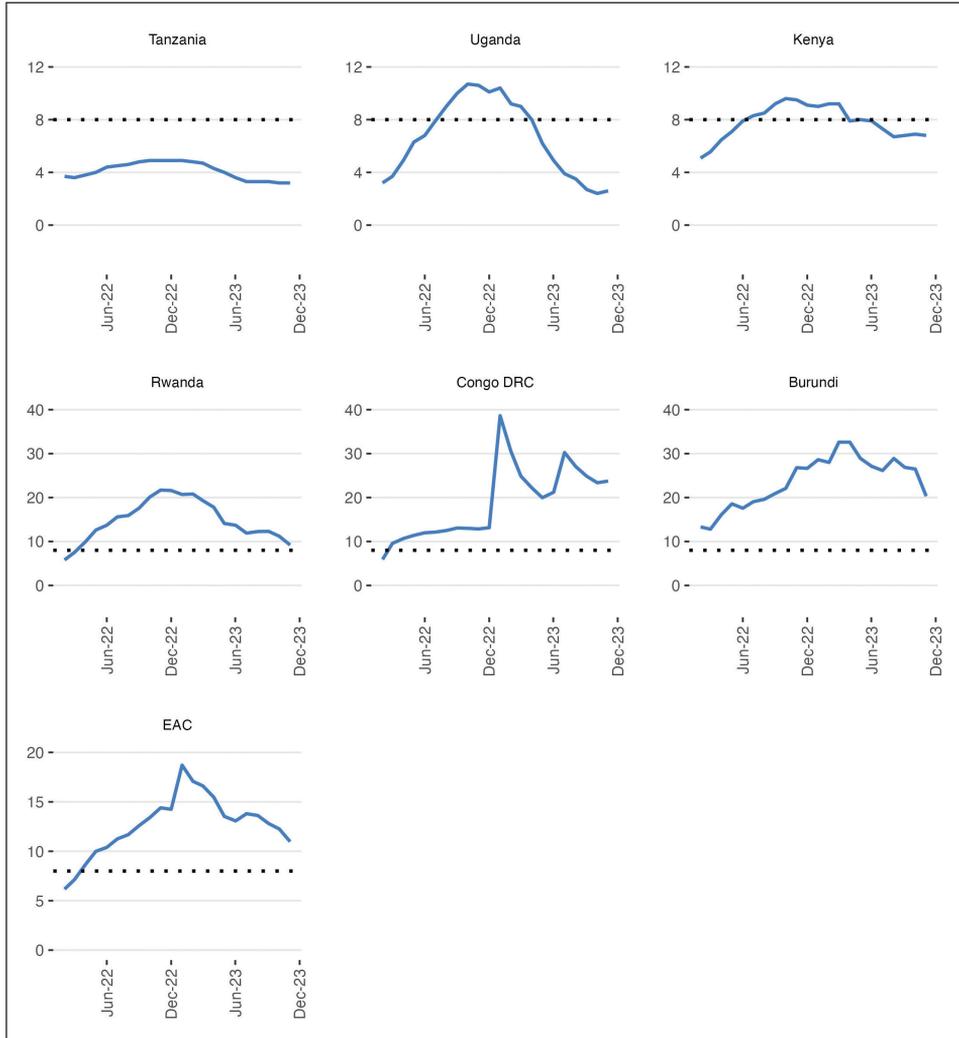


Source: OECD and respective National Statistics Offices



Chart 4.1b: Inflation in EAC Countries

Percent



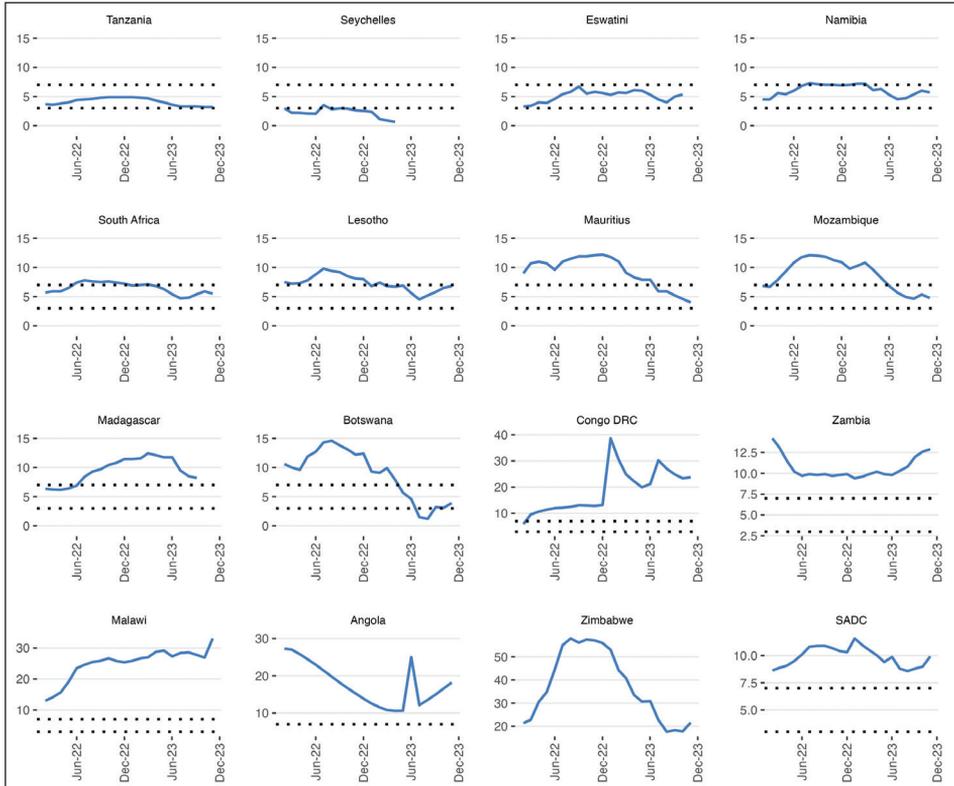
Source: Respective National Statistics Offices

Notes: The dotted lines indicate the EAC convergence benchmark of not more than 8%



Chart 4.1c: Inflation in SADC Countries

Percent



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

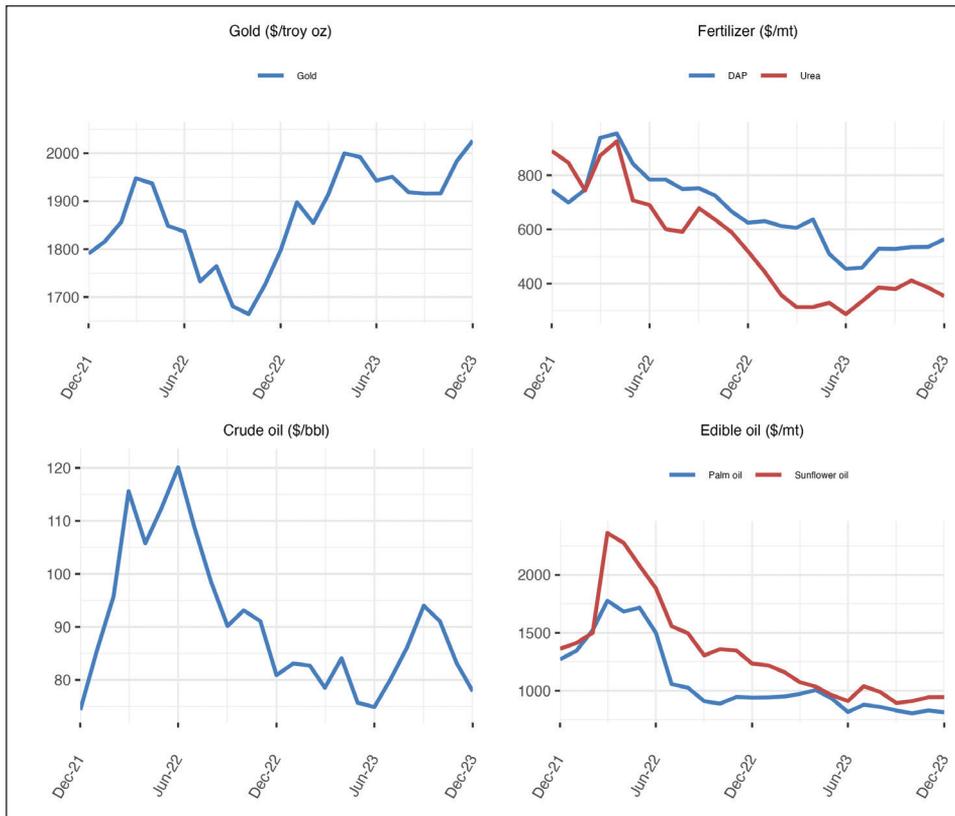
4.3 Commodity Prices

Commodity prices have mostly shown a continuous fall throughout the first half of 2023/24 after an extended period of consistently high prices (Chart 4.2). Crude oil prices averaged USD 83.7 per barrel from July to December 2023 compared with USD 90.8 per barrel during the same period in 2022 due to subdued demand amidst output cuts by OPEC+ and geopolitical tension. The price of gold remained high, rising slightly following the weakening of the US dollar, consistent with the moderation of interest rate hikes by the Federal Reserve Bank.



On average, the price of gold was around 1,952.4 per troy ounce from 1,727.3 per troy ounce in 2022. Prices of agricultural products declined, except that of rice.

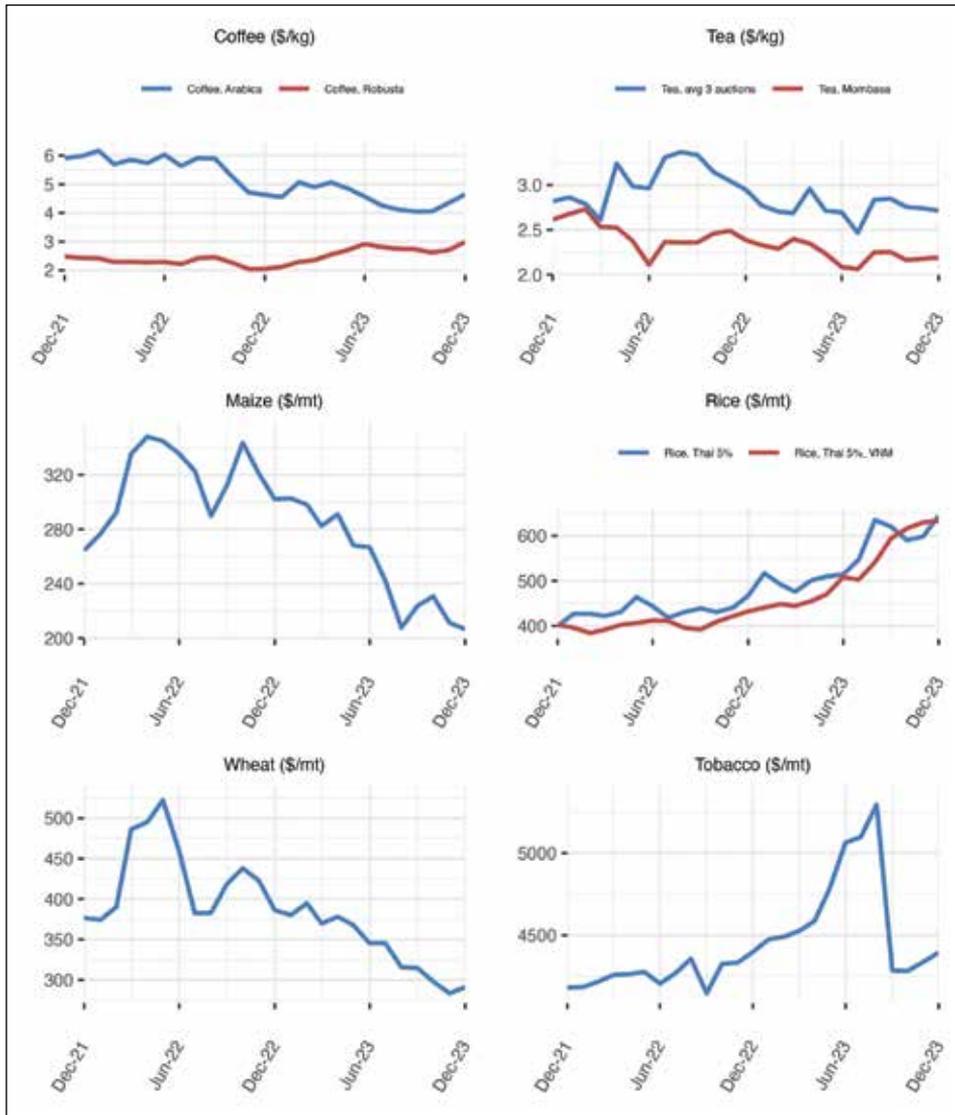
Chart 4.2a: World Market Prices of Commodities



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



Chart 4.2b: World Market Prices of Commodities



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



4.4 Global Financial Markets

Central banks in major economies continued implementing contractionary monetary policies, mainly by maintaining interest rates at elevated levels, except for the People's Bank of China (PBOC). This has resulted in rising borrowing costs and tight financial conditions. Inflation in most advanced economies is still deemed high despite rates easing over time. However, bond yields in advanced economies have been declining, reflecting market expectations of decreased interest rates in the future, either from lowered inflation or abating concerns of a looming recession. With declining inflation amidst subdued economic growth, central banks in major economies may embark on loose monetary policy that may lead to a reversal of capital flows to emerging/developing economies like Tanzania in search of higher returns.



PART V

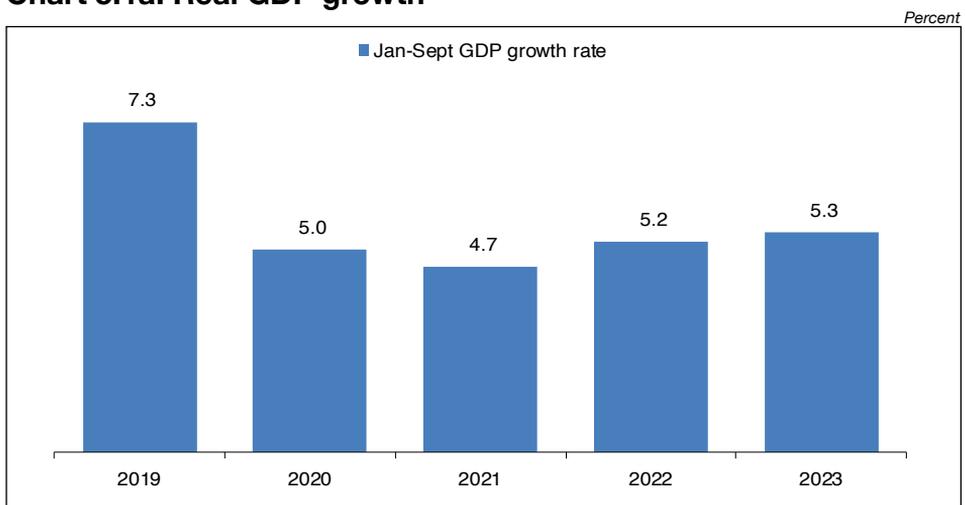
5.0 DOMESTIC ECONOMIC PERFORMANCE

5.1 Economic Performance in Mainland Tanzania

5.1.1 Output Performance

Output performance was satisfactory. Output growth averaged 5.3 percent during January-September of 2023, mainly driven by agriculture, financial and insurance, and mining and quarrying activities (Chart 5.1a and Chart 5.1b). The growth was reinforced by continued improvement in the business environment through reforms, policies, and public investment, particularly in infrastructure. Activities which grew fast were financial and insurance services, information and communication, and manufacturing (Chart 5.1c). Based on this performance and leading economic indicators for quarter four, growth for 2023 is estimated at around 5 percent.

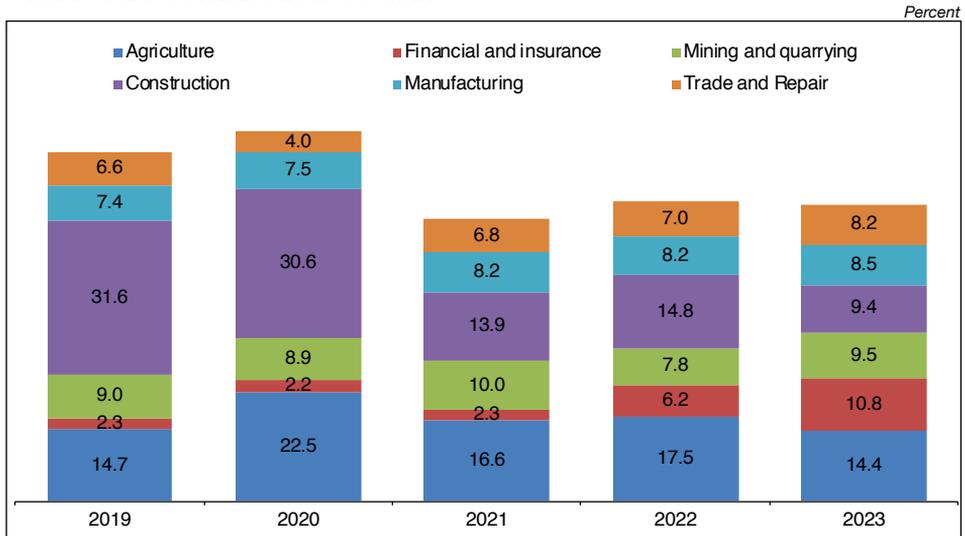
Chart 5.1a: Real GDP growth



Source: National Bureau of Statistics, Bank of Tanzania computations

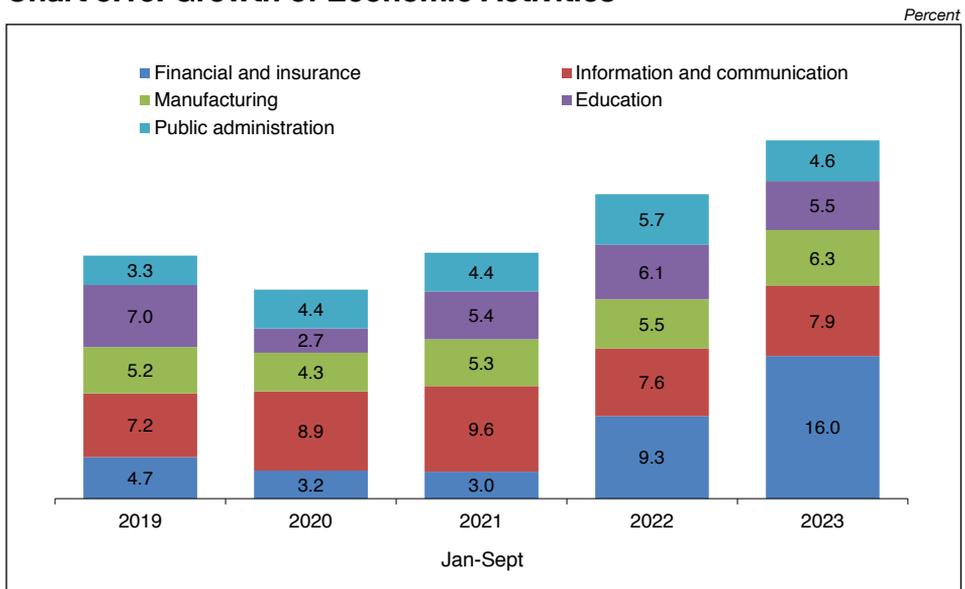


Chart 5.1b: Contribution Growth



Source: National Bureau of Statistics, Bank of Tanzania computations

Chart 5.1c: Growth of Economic Activities



Source: National Bureau of Statistics, Bank of Tanzania computations

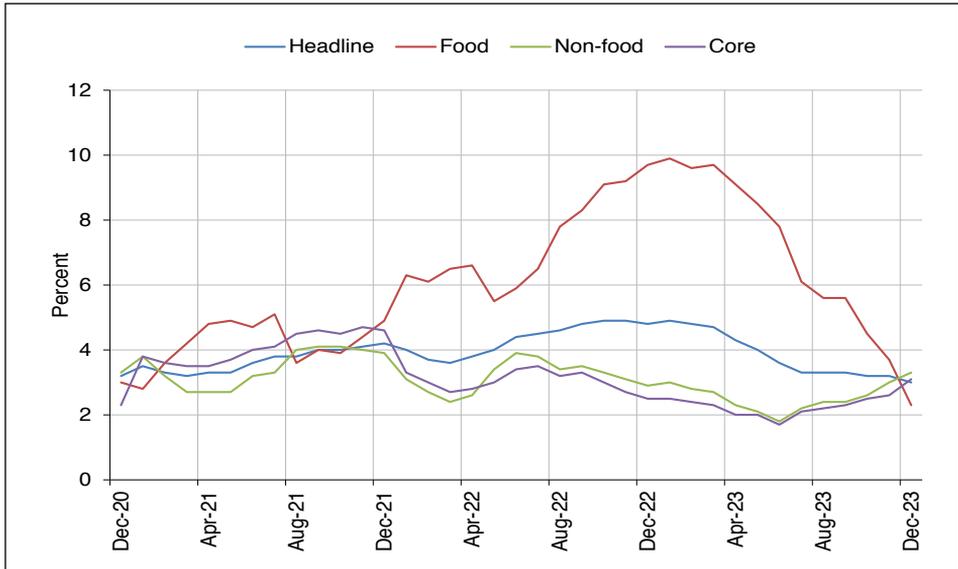


5.1.2 Inflation

Inflation trended downwards, consistent with the country targets and regional convergence criteria. Annual headline inflation was 3.2 percent during July-December 2023 compared with 4.8 percent in corresponding period in 2022. The annual headline inflation for 2023 was 3 percent from 4.9 percent in the preceding year (Chart 5.2a). The outturn was in line with the country target of 5 percent and the EAC and SADC convergence criteria of not more than 8 percent and 3-7 percent, respectively (Chart 5.2b). The decline was largely driven by less accommodative monetary policy, adequate domestic food supply, and moderation in prices of consumer goods imports. Core inflation also trended downwards, reaching 2.5 percent from 3 percent. In 2023, core inflation was 3.1 percent from 2.5 in the preceding year, and its contribution to headline inflation increased, reflecting the impact of the global shocks (Chart 5.2a and 5.2c). Food inflation slowed to 4.6 percent, down from 8.4 percent, mainly attributed to a good harvest. Energy, fuel, and utility inflation averaged 1.8 percent, down from 8.8 percent, owing to the moderation in prices of petroleum products.

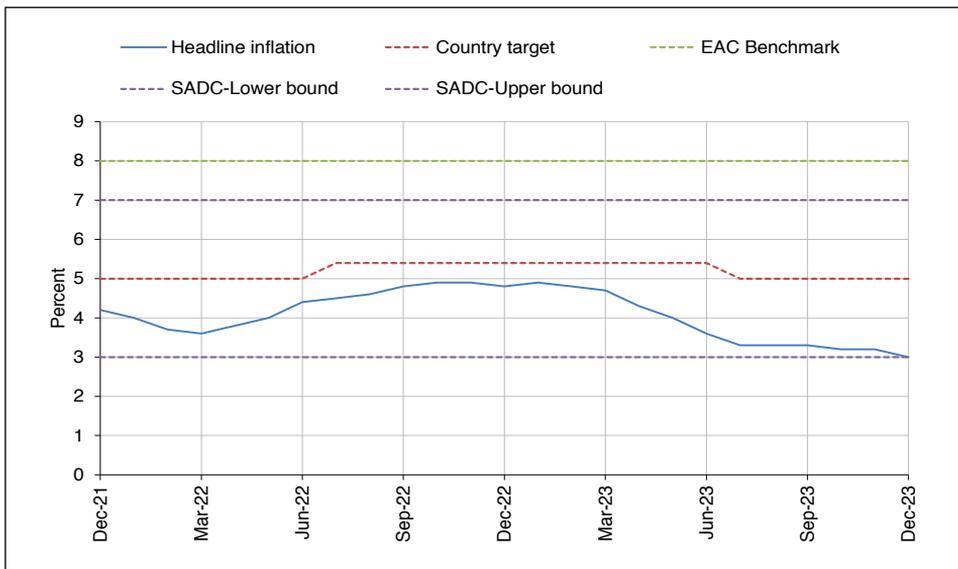


Chart 5.2a: Inflation Developments



Source: National Bureau of Statistics and Bank of Tanzania computations

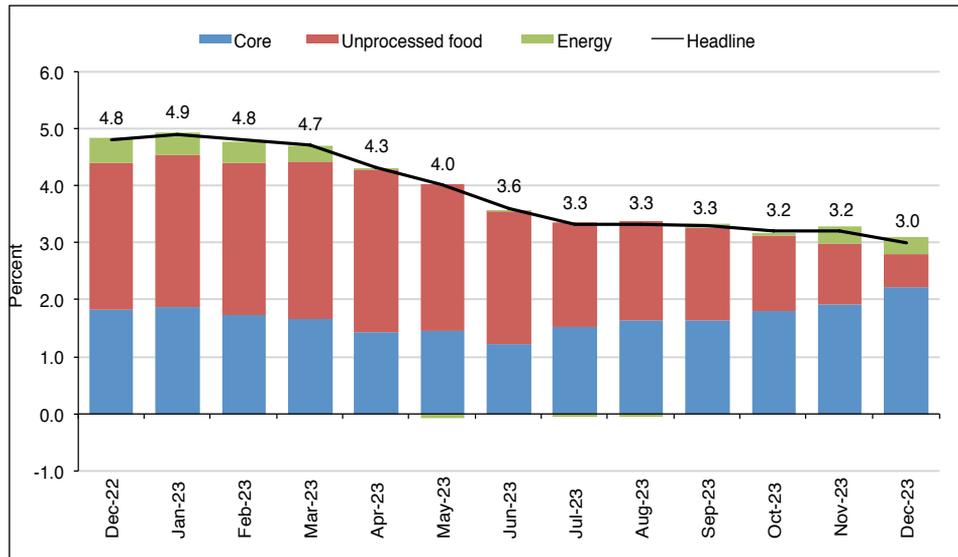
Chart 5.2b: Inflation and Targets



Source: National Bureau of Statistics and Bank of Tanzania computations



Chart 5.2c: Contribution to Headline Inflation



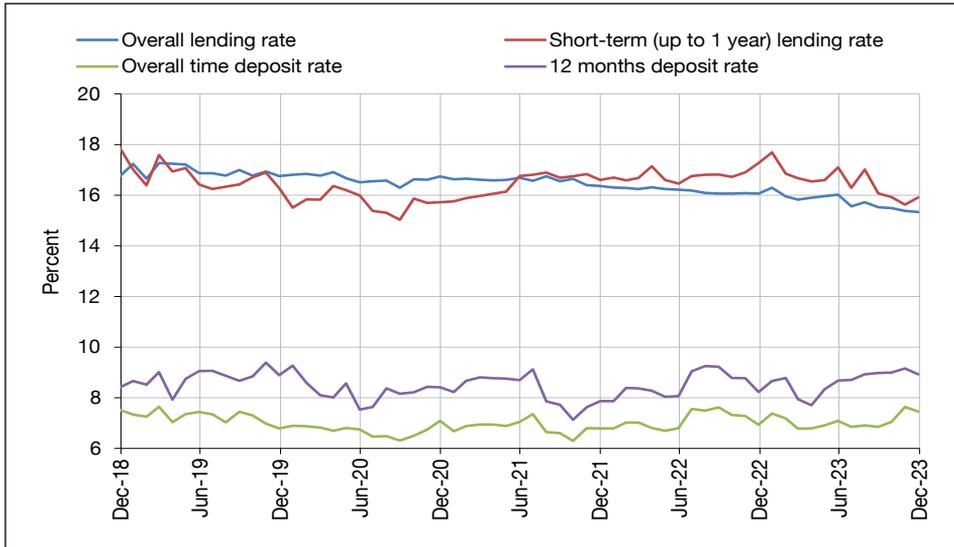
Source: National Bureau of Statistics and Bank of Tanzania computations

5.1.3 Interest Rates

Interest rates exhibited a mixed trend. Interest rates on loans remained broadly unchanged at 16 percent (Chart 5.3a). Negotiated lending rates, lending rates to prime customers, eased to 13.30 percent from 14 percent. The deposit rate remained almost unchanged at around 7 percent and the negotiated deposit rate for prime customers was at 9.16 percent. Yields on Treasury bills trended upwards in tandem with liquidity development and demand for credit by the private sector (Chart 5.3b). The Government is implementing reforms to reduce impediments to the stickiness of lending rates. These include reforms to increase financial inclusion and improve business environment.

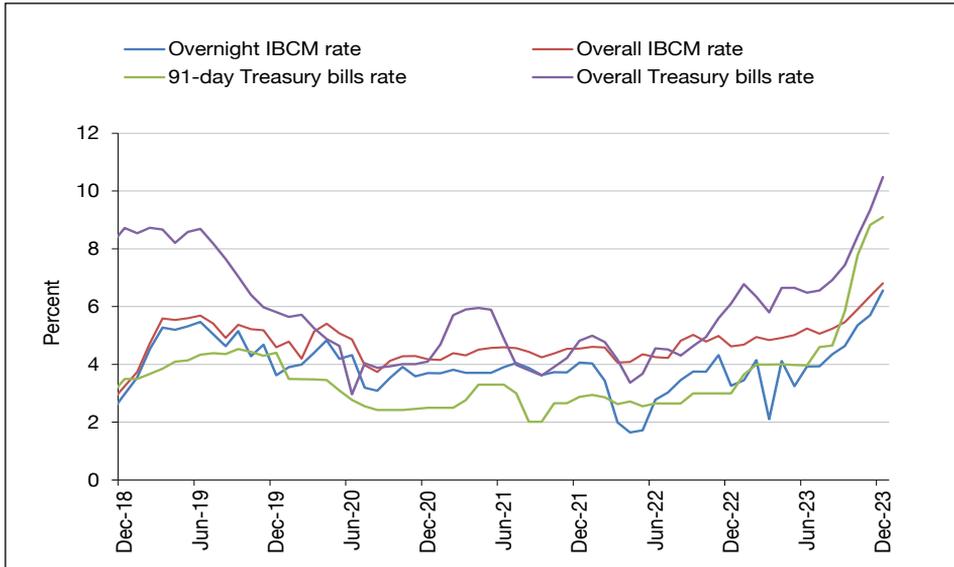


Chart 5.3a: Lending and Deposit Interest Rates



Source: Banks, Bank of Tanzania computations

Chart 5.3b: Money Market Interest Rates



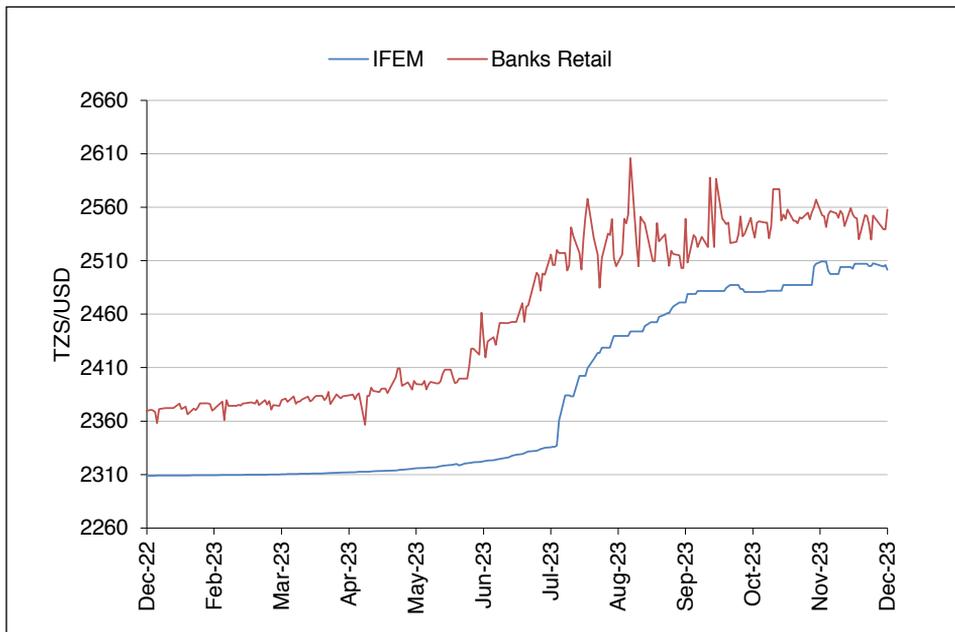
Source: Banks, Bank of Tanzania computations



5.1.4 Exchange Rate Developments

The shilling experienced significant pressure from July to September 2023 due to the tightening of monetary policy and increased oil prices in the world market. The pressure progressively waned on account of moderation in oil prices, leading to improvement in the current account balance. This was complemented by receipts of external loans and the impact of less accommodative monetary policy. The nominal exchange rate depreciated by 6.4 percent in July-December 2023 and 8.2 percent in 2023 compared with around one percent in 2022 (Chart 5.4a). The real effective exchange rate moved close to its long-run trend, indicating a slight misalignment (Chart 5.4b).

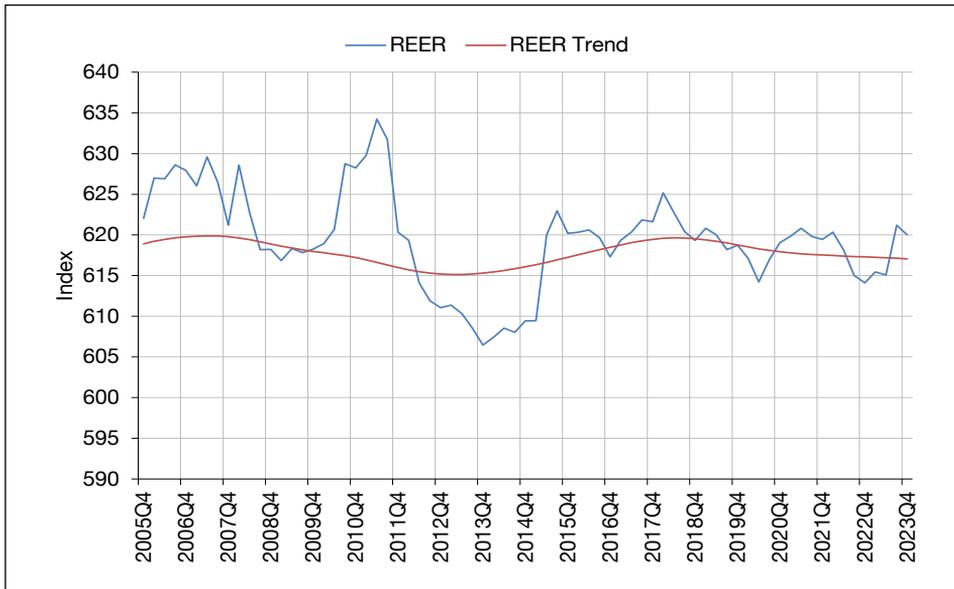
Chart 5.4a: Nominal Exchange Rates



Source: Bank of Tanzania



Chart 5.4b: Real effective exchange rate



Source: Bank of Tanzania

5.1.5 Government Budgetary Performance

Government fiscal performance was satisfactory during the first half of 2023/24. In Mainland Tanzania, domestic revenue was 95.8 percent of the target (Table 5.1). Tax revenue was 98.6 percent of the target. The relatively good performance was attributed to increased awareness campaigns on tax compliance and recovery of economic activities. Expenditure continued to be aligned with available resources, reaching 95.2 percent of the estimate for the period. Development expenditure accounted for 43.8 percent of total spending.



Table 5.1: Summary of Government Budgetary Operations

Billions of TZS

	Jul 2022 - Dec 2022	Jul 2023 - Dec 2023		
	Actual	Estimate	Actual	Act/Est (%)
Revenue	13,417.5	15,406.9	14,754.9	95.8
Total expenditure	15,987.5	18,847.5	17,952.1	95.2
Recurrent expenditure ¹	9,185.6	11,356.4	10,093.8	88.9
Development expenditure	6,801.9	7,491.1	7,858.2	104.9

Source: Ministry of Finance and Bank of Tanzania computation

Note: ¹ Net of rollover

5.1.6 Debt Developments

Central government debt remains sustainable, with a moderate risk of debt distress. The debt was equivalent to USD 34,791.9 million at the end of December, a decrease of USD 430.7 million from the end of June 2023, with external debt accounting for 64.8 percent (Table 5.2a). Much of the public external debt was owed to multilateral institutions and commercial creditors. The private sector's external debt decreased to USD 6,957.6 million from USD 7,425.2 million (Table 5.2b). The funds borrowed by the central government and the private sector were mainly used for transport and telecommunication, social welfare and education, and energy and mining (Table 5.2c). Domestic debt was TZS 30,676.3 billion, an increase of TZS 1,749.2 billion from the end of June 2023, with stocks and Treasury bonds dominating the debt portfolio (Table 5.2d).



Table 5.2a: Debt Stock

	<i>Millions of USD</i>		
	Dec-22	Jun-23 ^f	Dec-23 ^P
Central government	32,374.7	35,222.6	34,791.9
External debt	21,301.0	22,794.3	22,550.9
% of total central government debt	65.8	64.7	64.8
Domestic debt	11,073.7	12,428.3	12,241.0
Private sector	7,674.0	7,425.2	6,957.6
Public corporations	31.7	33.2	33.2
External debt stock	29,006.7	30,252.7	29,541.7
National debt stock	40,080.4	42,681.0	41,782.6

Source: Ministry of Finance and Bank of Tanzania

Table 5.2b: External Debt Stock by Creditors

	<i>Millions of USD</i>					
	Dec-22		Jun-23 ^f		Dec-23 ^P	
Creditor	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Multilateral	13,673.4	47.1	14,724.0	51.2	15,255.9	51.6
DOD	13,656.7	47.1	14,663.3	51.0	15,215.9	51.5
Interest arrears	16.7	0.1	60.7	0.2	40.0	0.1
Bilateral	2,271.8	7.8	2,232.8	4.6	1,365.2	4.6
DOD	1,158.4	4.0	1,114.5	3.7	1,113.3	3.8
Interest arrears	1,113.4	3.8	1,118.3	0.9	251.9	0.9
Commercial	8,176.9	28.2	8,817.3	29.9	8,697.4	29.4
DOD	7,391.5	25.5	8,053.4	27.7	7,984.0	27.0
Interest arrears	785.4	2.7	763.9	2.2	713.4	2.4
Export credit	4,884.6	16.8	4,478.6	14.4	4,223.2	14.3
DOD	4,262.6	14.7	4,058.1	13.0	3,738.5	12.7
Interest arrears	622.0	2.1	420.5	1.3	484.7	1.6
External debt stock	29,006.7	100.0	30,252.7	100.0	29,541.7	100.0

Source: Ministry of Finance and Bank of Tanzania



Table 5.2c Disbursed Outstanding Debt by Use of Funds

Millions of USD

DOD by Use of Funds	Dec-22		Jun-23 ^r		Dec-23 ^p	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
BoP and budget support	2,954.0	11.2	2,954.0	14.0	3,846.7	13.7
Transport and telecommunication	5,555.8	21.0	5,604.2	22.3	6,144.2	21.9
Agriculture	1,378.0	5.2	1,482.0	4.9	1,439.8	5.1
Energy and mining	4,045.0	15.3	4,225.6	14.9	4,363.2	15.6
Industries	1,285.0	4.9	1,443.2	3.7	977.8	3.5
Social welfare and education	4,614.0	17.4	4,534.1	18.7	5,265.1	18.8
Finance and insurance	782.8	3.0	978.0	4.0	1,117.6	4.0
Tourism	270.0	1.0	409.3	1.3	374.6	1.3
Real estate and construction	1,888.5	7.1	2,218.3	6.9	2,016.5	7.2
Other	3,696.1	14.0	4,040.6	9.4	2,505.8	8.9
Total	26,469.2	100.0	27,889.3	100.0	28,051.6	100.0

Source: Ministry of Finance and Bank of Tanzania

Table 5.2d: Domestic Debt by Instruments

Millions of USD

Instrument	Dec-22		Jun-23 ^r		Dec-23 ^p	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Government securities	22,740.2	88.9	24,682.3	85.3	26,069.9	85.0
Treasury bills	1,822.5	7.1	2,129.2	7.4	2,730.6	8.9
Government stocks	252.7	1.0	252.7	0.9	187.1	0.6
Government bonds	20,665.0	80.8	22,300.2	77.1	23,152.1	75.5
Tax certificates	0.1	0.0	0.1	0.0	0.1	0.0
Non-securitized debt	2,827.7	11.1	4,244.8	14.7	4,606.4	15.0
Other liabilities*	18.4	0.1	18.4	0.1	18.4	0.1
Overdraft	2,809.3	11.0	4,226.4	14.6	4,588.0	15.0
Domestic debt stock	25,567.9	100.0	28,927.1	100.0	30,676.3	100.0

Source: Ministry of Finance and Bank of Tanzania



5.1.7 External Sector Performance

The external position improved, albeit facing headwinds from monetary policy tightening in the advanced economies and high oil prices. The current account recorded a deficit of about USD 1,096 million during July-December 2023 compared with USD 3,085 million in the corresponding period a year ago, largely on account of a decline in imports, coupled with improvements in exports from tourism, gold, and traditional cash crops (Table 5.3). Receipt of official inflows also contributed to improving the current account position. Foreign reserves remained adequate, increasing to USD 5,450.1 million at the end of December from USD 5,446.1 million in June 2023. The level of reserves was sufficient to cover 4.5 months of projected imports, consistent with the country and EAC benchmarks of at least 4 and 4.5 months of import cover, respectively (Chart 5.5). The current account recorded a deficit of USD 2,855 million annually in 2023 from a deficit of USD 5,378.5 million and is estimated at 3.4 percent of GDP from 7.3 percent of GDP. The current account deficit is expected to continue improving, driven by moderation in commodity prices in the world market. This will be complemented by exports, which are projected to increase due to the implementation of export promotion and import substitution measures. In the medium-term, the deficit is projected to reach pre-pandemic levels of around 3.2 percent of GDP.



Table 5.3: Current Account Balance

Millions of USD

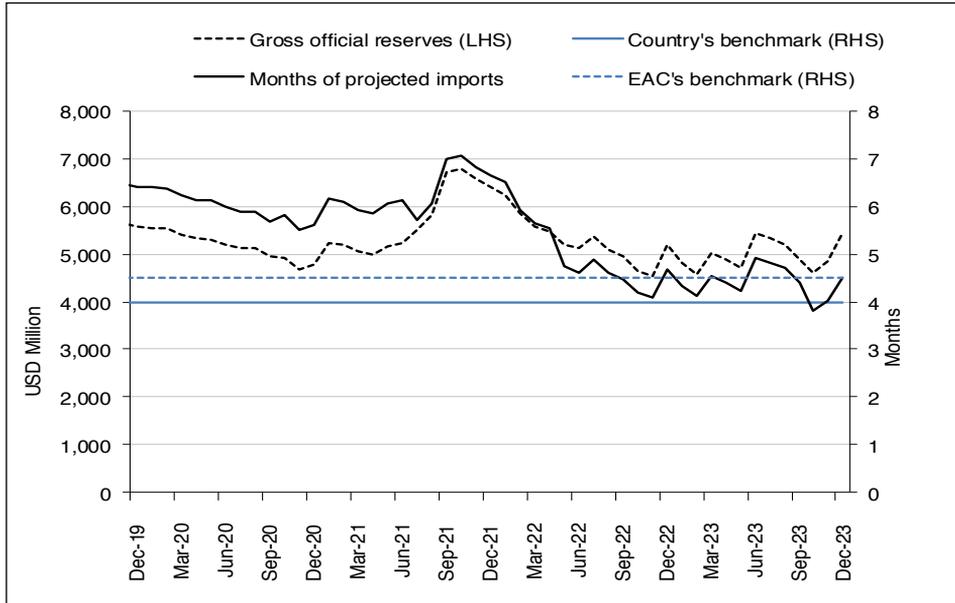
	Annual			July - December	
	2021	2022	2023 ^P	2022	2023 ^P
Goods account (net)	-3,247.1	-6,984.9	-6,033.7	-4,038.3	-2,977.8
Exports*	6,756.2	7,223.8	7,695.2	3,981.1	4,324.5
Imports	10,003.4	14,208.7	13,728.9	8,019.4	7,302.3
Services account (net)	1,510.7	2,296.6	3,951.0	1,275.5	2,334.4
Receipts	3,117.7	4,762.0	6,280.8	2,661.9	3,516.2
Payments	1,607.0	2,465.4	2,329.8	1,386.4	1,181.7
Goods and services (net)	-1,736.4	-4,688.3	-2,082.7	-2,762.8	-643.4
Exports of goods and services	9,874.0	11,985.8	13,976.0	6,643.0	7,840.7
Imports of goods and services	11,610.4	16,674.1	16,058.7	9,405.8	8,484.1
Primary income account (net)	-1,205.5	-1,278.8	-1,448.4	-623.9	-782.4
Receipts	102.5	183.9	189.8	93.5	95.7
Payments	-1,308.0	-1,462.7	-1,638.2	-717.4	-878.2
Secondary income account (net)	553.7	588.5	675.9	301.7	330.2
Inflows	640.1	705.8	821.7	359.3	420.0
o/w General government	104.7	65.6	141.7	27.9	73.5
Outflows	-86.4	-117.2	-145.9	-57.6	-89.8
Current account balance	-2,388.2	-5,378.5	-2,855.3	-3,085.0	-1,095.7

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p - denotes provisional, o/w, of which * Include adjustment for unrecorded exports



Chart 5.5: Gross Official Foreign Reserves and Months of Import Cover



Source: Bank of Tanzania

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

Exports of goods and services amounted to USD 7,840.7 million during July-December 2023 compared with USD 6,643 million in the corresponding period a year earlier. A significant increase was recorded in tourism, cashew nuts, tobacco, gold, and horticultural products (Table 5.4). Exports of goods amounted to USD 4,324.5 million, while service receipts amounted to USD 3,503.2 million. Travel (tourism) earnings recorded a notable increase of about 28 percent over the corresponding period, attributable to a recovery of tourism activities, as reflected by a rise in international tourist arrivals by 19.3 percent to 1,048,887. In 2023, exports of goods and services improved to USD 13,976 million from 11,985.8 USD million in the previous year. The outturn is estimated to be 17 percent of GDP from 16 percent of GDP. The top five major export destinations include India, South



Africa, United Arab Emirates, Switzerland, and China, accounting for 58.5 percent of total goods exported in 2023, of which 69 percent was gold. Except for China, the other four countries accounted for 97 percent of the total gold exports.

Table 5.4: Export Performance of Selected Goods and Services

Millions of USD

	Annual			July - December	
	2021	2022	2023 ^p	2022	2023 ^p
Traditional exports	627.9	766.5	953.3	516.0	717.2
Non-traditional	6,128.3	6,457.3	6,741.9	3,465.1	3,607.3
o/w Gold	2,737.1	2,835.1	3,058.9	1,486.8	1,636.5
Manufactured goods	1,200.0	1,419.2	1,362.1	719.9	695.8
Horticultural products	378.6	289.6	417.2	181.1	304.1
Services	3,117.7	4,762.0	6,280.8	2,661.9	3,516.2
o/w Travel	1,310.3	2,527.8	3,368.7	1,528.1	1,954.1
Transport	1,558.1	1,872.0	2,426.0	929.3	1,303.2
Export of goods and services	9,874.0	11,985.8	13,976.0	6,643.0	7,840.7

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p - denotes provisional

During July-December 2023, imports of goods and services amounted to USD 8,484.1 million compared to USD 9,405.8 million in the corresponding period a year ago, largely driven by a decline in world market prices. Import of goods accounted for 86 percent of the total import bill (Table 5.5). Import of white petroleum products fell by 20.5 percent to USD 1,673.2 million, largely due to the price effect, as the volume remained broadly unchanged. Imports of fertilizers decreased owing to a decline in price. Service payments fell by 13.9 percent to USD 1,193.9 million, owing to reduction of freight payments, consistent with the fall in goods import bill. On an annual basis, imports amounted to USD 16,058.7 million in 2023 compared with USD 16,674.1 million in the preceding year, and accounted for 19.2 percent of GDP from



22.6 percent of GDP. Major sources of imports include China, India, the United Arab Emirates, Saudi Arabia and Japan, which accounted for 60 percent of total imports of goods.

Table 5.5: Tanzania Imports by Major Category

Millions of USD

	Annual			July - December	
	2021	2022	2023 ^p	2022	2023 ^p
Capital	1,710.6	2,594.0	2,893.4	1,565.1	1,489.2
Machinery and mechanical appliances	734.4	1,128.9	1,242.7	657.9	573.5
Industrial transport equipment	477.1	823.2	937.2	545.1	493.4
Electrical machinery and equipment	285.5	322.7	427.7	153.5	240.2
Other capital goods	213.6	319.2	285.9	208.6	182.0
Intermediate	7,100.1	10,231.0	9,389.1	5,749.0	5,074.0
Industrial supplies	3,375.7	4,780.1	4,307.1	2,625.8	2,356.9
O/w Iron and steel and articles thereof	882.5	1,092.4	1,105.6	558.4	677.4
Plastic and articles thereof	590.3	776.9	601.9	375.6	320.9
Fertilisers	189.2	500.8	413.6	399.4	207.7
Fuel and lubricants	2,044.3	3,482.9	2,915.7	2,088.0	1,655.9
o/w Refined white products	1,942.5	3,314.8	2,725.8	1,954.0	1,559.0
Parts and accessories	868.9	987.5	998.6	502.8	499.5
Food and beverages for industrial use	586.1	717.9	828.8	383.2	393.7
OW Wheat grain	204.9	302.4	418.8	146.6	172.7
Edible oil and its fractions not refined	200.1	132.0	163.4	70.0	82.4
Sugar for industrial use	109.6	135.6	125.4	76.8	75.3
Motor cars for household	220.1	257.5	338.1	145.0	167.7
Consumer	1,190.4	1,381.5	1,444.2	704.2	738.0
Food and beverages mainly for household consumption	167.5	182.0	240.1	81.0	84.4
Non-industrial transport equipment	114.0	159.5	141.7	89.9	81.2
OW Motorcycles and Cycles fitted with an auxiliary motor	101.3	140.3	122.7	79.7	71.3
Other consumer goods	908.9	1,040.1	1,062.4	533.3	572.4
OW Pharmaceutical products	333.8	342.9	307.0	176.2	166.7
Insecticides, rodenticides and similar products	103.0	142.2	192.5	70.8	102.8
Soap and detergents	64.8	69.9	61.8	35.1	29.4
Textiles apparels	46.2	58.2	57.2	27.0	25.7
Footwear and other products	43.7	51.9	51.0	28.1	28.6
Paper and paper products	24.3	26.8	26.7	15.8	16.0
Total	10,003.4	14,208.7	13,728.9	8,019.4	7,302.3

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p - denotes provisional, o/w, of which



5.1.8 Financial Sector Performance

The financial sector remained stable. Overall, the risks to financial stability were moderate on account of a positive economic outlook reinforced by a stable macroeconomic and business environment. The banking sector, the most significant part of the financial sector, was liquid, profitable and adequately capitalized despite facing a scarcity of foreign currency. Deposits, assets, and loans increased. The increase in assets was in tandem with deposits, attributable to the expansion of the agent banking model, growth of financial products and digital banking services. The expansion of loans was attributable to the improved business environment. Liquidity in banks was adequate and enough for loan provision, with the ratio of liquid assets to demand liabilities and total assets hovering above the regulatory requirements. The asset quality continued to improve, with non-performing loans declining to 4.3 percent in December 2023 from 5.3 percent in June 2023, below the desired level of 5 percent. The level of NPLs is expected to continue declining as banks continue implementing measures to improve the quality of assets. Furthermore, the stress testing indicated the banking sector to be resilient to baseline, adverse and severe shocks across all major risk factors.

The ongoing implementation of measures to strengthen the resilience and stability of the banking sector is expected to improve further and facilitate intermediation activities. The measures include (i) amendment of the Banking and Financial Institutions Act to allow compliance with the requirements of capital adequacy as a step towards the migration to Basel II/III risk-based supervision standards, (ii) issuance of new Capital Adequacy, Liquidity Management, and Prompt Corrective Action Regulations in line with Basel II/III standards, (iii) implementation



of the Real-Time Supervisory Information System to ensure real-time availability of supervisory information to facilitate timely and proactive policy and regulatory actions, and (iv) implementation of the National Financial Inclusion Framework 2023- 2028, which aims at improving access and usage of financial products and services.

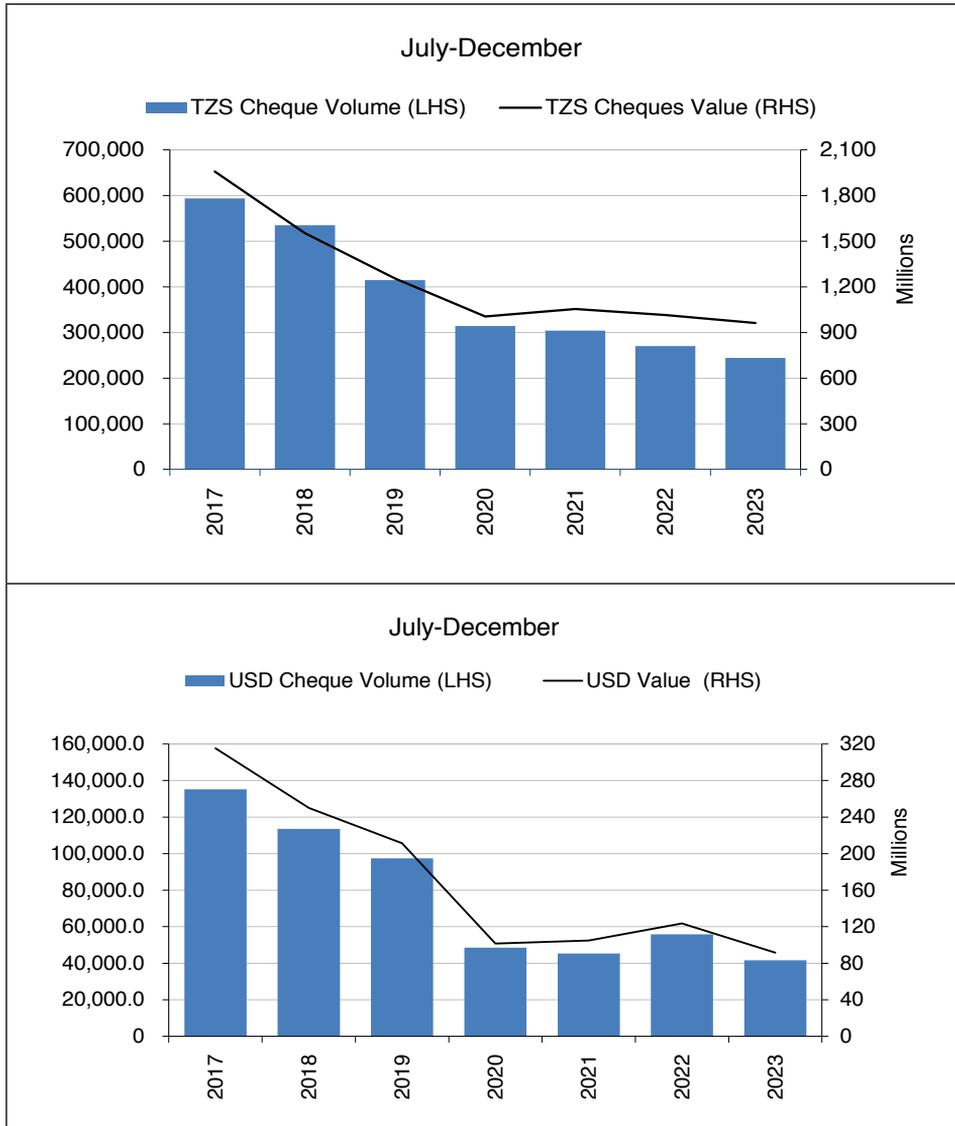
5.1.9 Payment Systems Performance

Payment systems operated smoothly, and modernization and enhancement of the systems were implemented to increase efficiency, reduce reliance on cash transactions, improve monitoring, and promote financial inclusion. Onboarding of transactions through the Tanzania Instant Payment System was implemented to allow the processing of interoperable personal-to-personal, personal-to-business, wallet-to-bank, and bank-to-wallet transactions. The Shilling-denominated cheque transactions processed through the Tanzania Automated Clearing House (TACH) declined by 10 percent, while the USD-denominated cheques decreased by 25.4 percent (Chart 5.6). The decrease in cheque transactions is associated with a growth in the usage of electronic fund transfers, internet banking, mobile banking, mobile payment channels, and regional cross-border payment systems.

Mobile phones continued to be the key instrument in bridging the infrastructure gap, providing a platform for the unbanked population to access financial services. The value of mobile payment transactions increased by 33 percent, following a reduction of costs for merchant payments, withdrawals, and fund transfers (Chart 5.8).



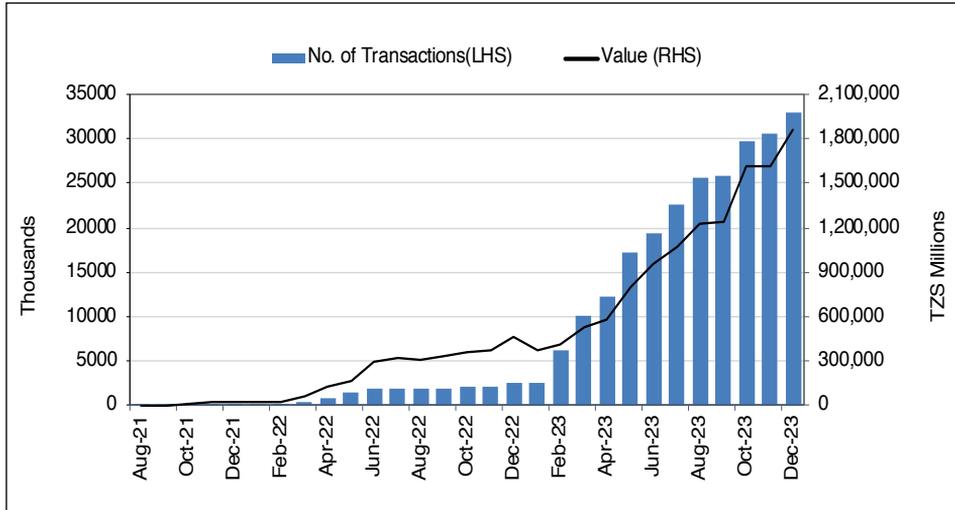
Chart 5.6 TACH Cheque transactions



Source: Bank of Tanzania

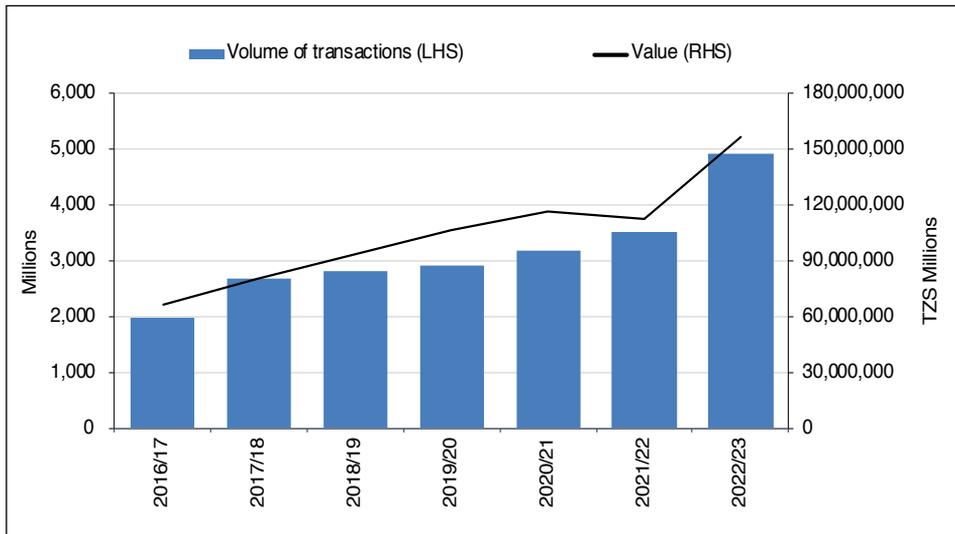


Chart 5.7: Tanzania Instant Payment Systems Transactions



Source: Bank of Tanzania

Chart 5.8 Mobile Payments



Source: Bank of Tanzania

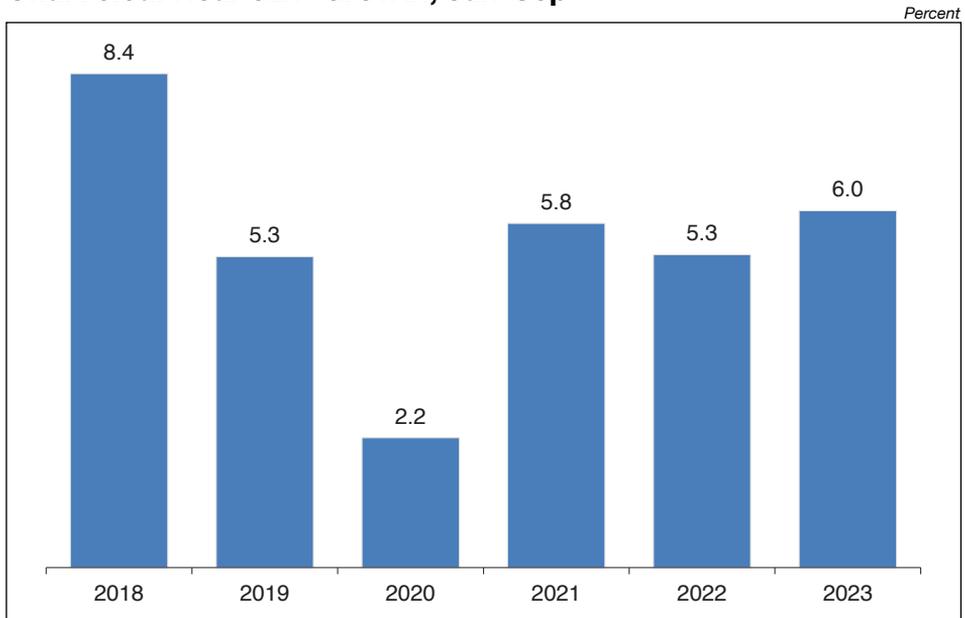


5.2 Economic Developments in Zanzibar

Output Performance

The economy grew at 6 percent in the first three quarters of 2023, up from 5.3 percent recorded in the corresponding period in 2022, primarily driven by accommodation and food services, construction, and manufacturing (Chart 5.9a and 5.9b). Growth is projected to remain strong in the last quarter of 2023, supported by the implementation of infrastructure projects, increased tourism, and expansion in manufacturing activities.

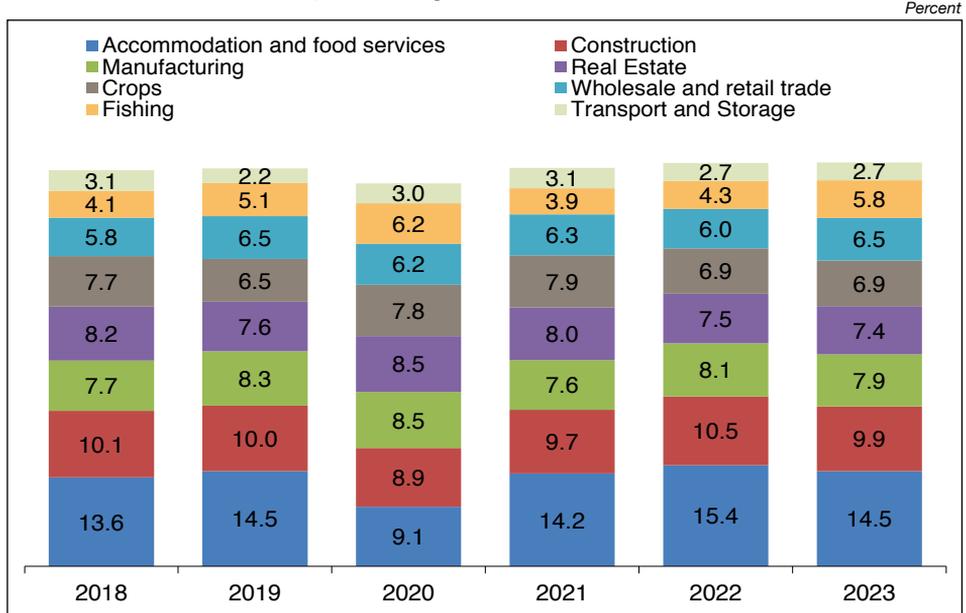
Chart 5.9a: Real GDP Growth, Jan-Sep



Source: Office of the Chief Government Statistician, Zanzibar



Chart 5.9b: Contribution to Real GDP Growth by Major Economic Activities, Jan-Sep



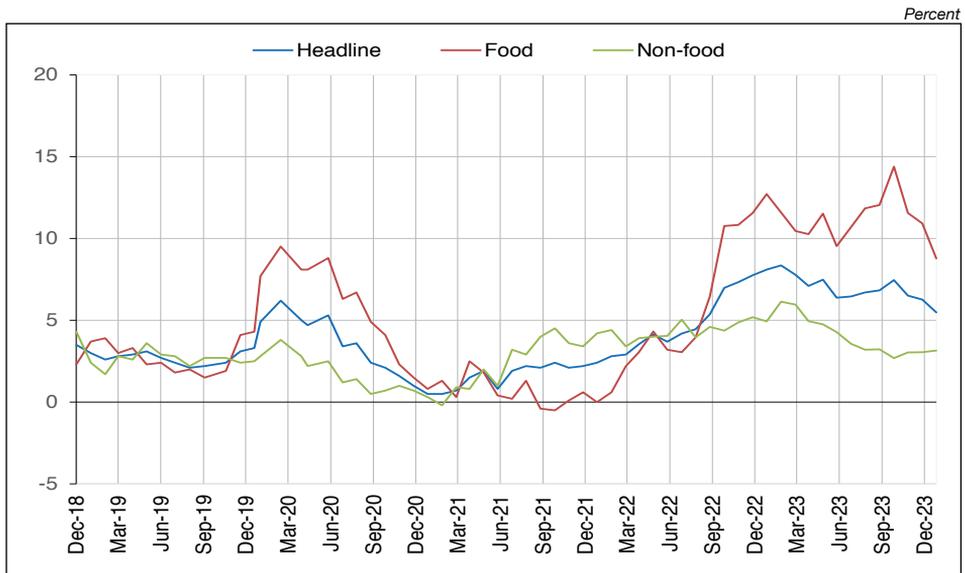
Source: Office of the Chief Government Statistician, Zanzibar

Inflation

Inflation remained stable, converging to the medium target of 5 percent. From July to December 2023, headline inflation averaged 6.5 percent compared to the average of 6.7 recorded during the corresponding period in 2022. In 2023, inflation was 5.5 percent from 8.1 percent in the preceding year. The outturn was due to a decline in food and non-food consumer goods and services (Chart 5.10 and Table 5.6). Food inflation declined, but remained relatively high, reflecting the pass-through impact of world market prices and exchange rate depreciation. Inflation is projected to remain in single-digit levels in the remaining period of 2023/24, supported by measures taken to stabilize food prices and exchange rate.



Chart 5.10: Annual Headline, Food and Non-food Inflation



Source: Office of the Chief Government Statistician, Zanzibar

Table 5.6: Inflation Developments

Main groups	Weight	Monthly Change			Annual change		
		Dec-22	Nov-23	Dec-23	Dec-22	Nov-23	Dec-23
		Percent					
Food and non-alcoholic beverages	41.9	1.7	0.4	-0.2	12.7	10.9	8.4
Alcoholic beverages, tobacco and narcotics	0.2	0.0	0.0	0.0	0.0	0.7	0.7
Clothing and footwear	6.3	0.2	-0.3	-0.1	2.9	2.4	2.1
Housing, water, electricity, gas and other fuels	25.8	0.0	0.0	0.6	4.5	1.8	2.4
Furnishings, household equipment and routine household maintenance	4.8	0.7	-0.1	0.6	12.3	5.5	5.4
Health	1.3	0.8	0.3	0.0	5.5	7.0	6.2
Transport	9.1	-0.9	1.0	-1.6	9.0	7.5	6.7
Information and communication	4.2	0.0	0.0	0.5	0.4	0.7	1.2
Recreation, sport and culture	1.1	4.7	0.0	1.1	-1.3	7.2	3.5
Education	1.6	0.0	0.0	0.0	0.0	5.1	5.1
Restaurants and accommodation services	1.4	0.0	0.0	1.8	1.4	-3.0	-1.3
Insurance and financial services	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Personal care, social protection and miscellaneous goods and services	1.7	0.2	0.0	-0.1	3.4	2.7	2.5
All items (Headline inflation)	100.0	0.8	0.2	0.0	8.1	6.3	5.5
Selected groups							
Food	41.9	1.7	0.4	-0.2	12.7	10.9	8.8
Non-food	58.6	0.0	0.1	0.2	4.9	3.0	3.2

Source: Office of the Chief Government Statistician, Zanzibar Government Budgetary Operations



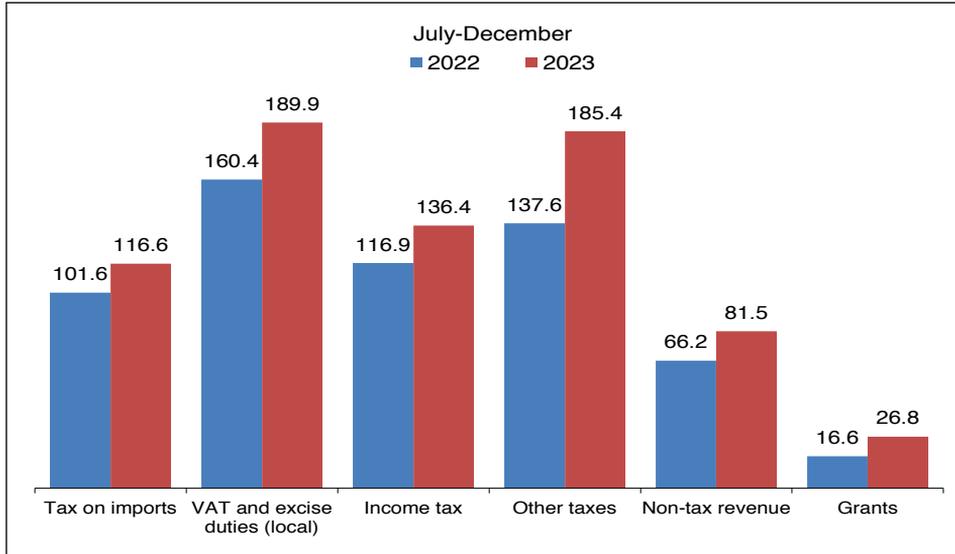
Fiscal performance in Zanzibar was also satisfactory. From July to December 2023, domestic revenue amounted to TZS 709.8 billion, which was 99.1 percent of the target. Tax revenue was TZS 628.3 billion, representing a performance of 101.1 percent of the target. Non-tax revenue was TZS 81.5 billion (86.2 percent of the target), and grants were TZS 26.8 billion (Chart 5.11a). The good performance was on account of enhanced tax administration, including automation of revenue collection.

Expenditure was streamlined in tandem with available resources. Expenditure amounted to TZS 1,079 billion, of which development expenditure was 47.1 percent (Chart 5.11b). Local funding for development projects was TZS 432.6 billion, while foreign funding was TZS 76.1 billion. The fiscal deficit after grants amounted to TZS 541.9 billion, financed through program loans and domestic borrowing. The debt stock increased to TZS 3,382.1 billion at the end of December 2023 from TZS 2,737.9 billion recorded in June 2023, with external debt accounting for 76.2 percent of the total debt stock (Chart 5.12).



Chart 5.11a: Government Resources

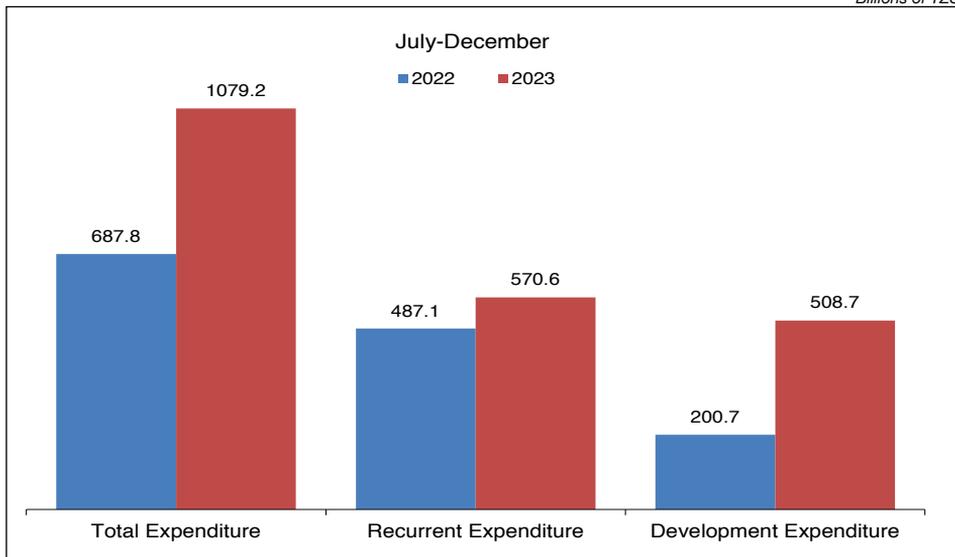
Billions of TZS



Source: Ministry of Finance and Planning, Zanzibar

Chart 5.11b: Government Expenditure

Billions of TZS

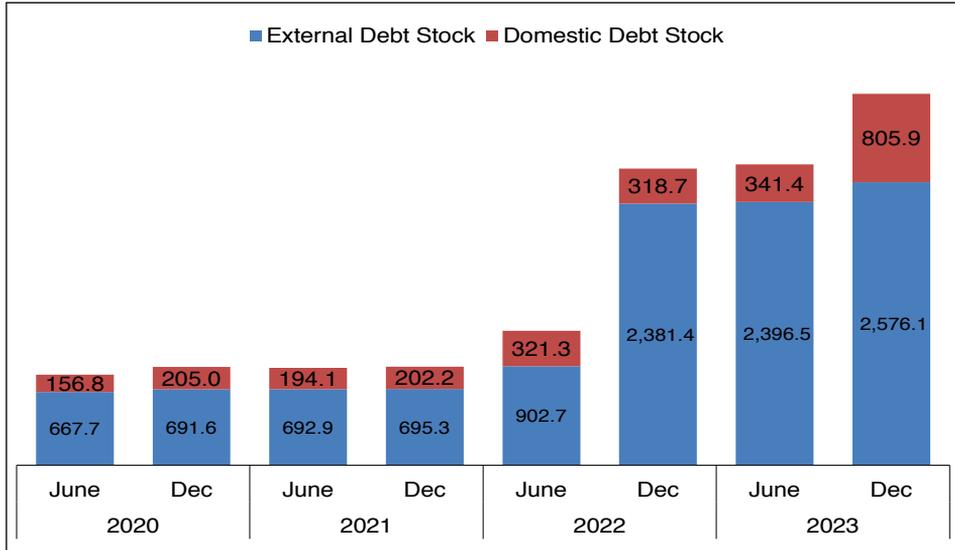


Source: Ministry of Finance and Planning, Zanzibar



Chart 5.12: Total Debt Stock

Billions of TZS



Source: Ministry of Finance and Planning, Zanzibar

External Sector Performance

The current account balance widened slightly from July to December 2023, recording a deficit of USD 207.9 million, compared with a deficit of USD 177.2 million in the corresponding period of 2022. This was because of an increase in import bills and a decrease in goods exports. Good and service receipts decreased to USD 113.5 million from USD 124.3 million. Services receipts increased by 5.9 percent to USD 78.9 million during the period, mainly due to increased receipts from tourism activities. Imports of goods and services increased by 6.9 percent to USD 328 million, on account of an increase in transport equipment, and food and foodstuff (Table 5.7, Chart 5.13a and 5.13b).



Table 5.7: Zanzibar Current Account

Millions of USD

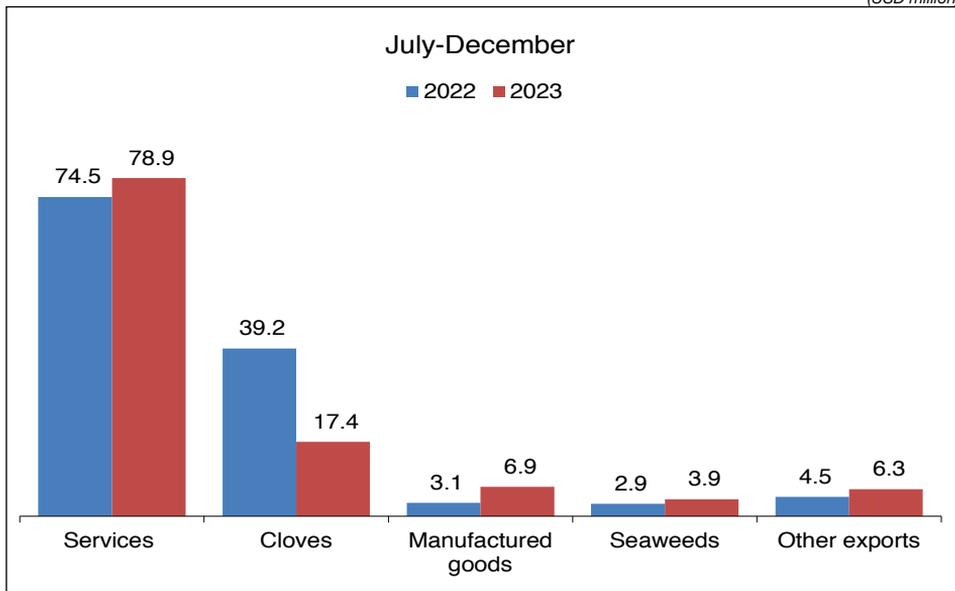
	Annual			July - December	
	2021	2022	2023 ^P	2022	2023 ^P
Goods account (net)	-261.2	-390.3	-466.7	-207.9	-239.7
Exports*	70.2	76.5	50.0	49.8	34.5
Imports	331.4	466.9	516.7	257.6	274.3
Services account (net)	13.0	29.9	41.8	25.4	25.2
Receipts	77.9	118.8	143.1	74.5	78.9
Payments	64.9	88.9	101.3	49.1	53.7
Goods and services (net)	-248.2	-360.4	-424.8	-182.4	-214.5
Exports of goods and services	148.0	195.3	193.1	124.3	113.5
Imports of goods and services	396.3	555.8	618.0	306.7	328.0
Primary income account (net)	4.3	4.3	10.6	4.7	5.8
Receipts	8.6	7.3	15.2	6.4	8.4
Payments	4.4	3.0	4.6	1.6	2.6
Secondary income account (net)	9.0	1.1	1.4	0.5	0.8
Inflows	15.6	2.3	2.4	0.9	1.4
Outflows	6.6	1.2	1.0	0.4	0.6
Current account balance	-235.0	-355.0	-412.8	-177.2	-207.9

Source: Tanzania Revenue Authority and Bank of Tanzania computations

Note: "p" denotes provisional data, and "----", change exceeds 100 percent

Chart 5.13a: Export of Goods and Services

(USD million)

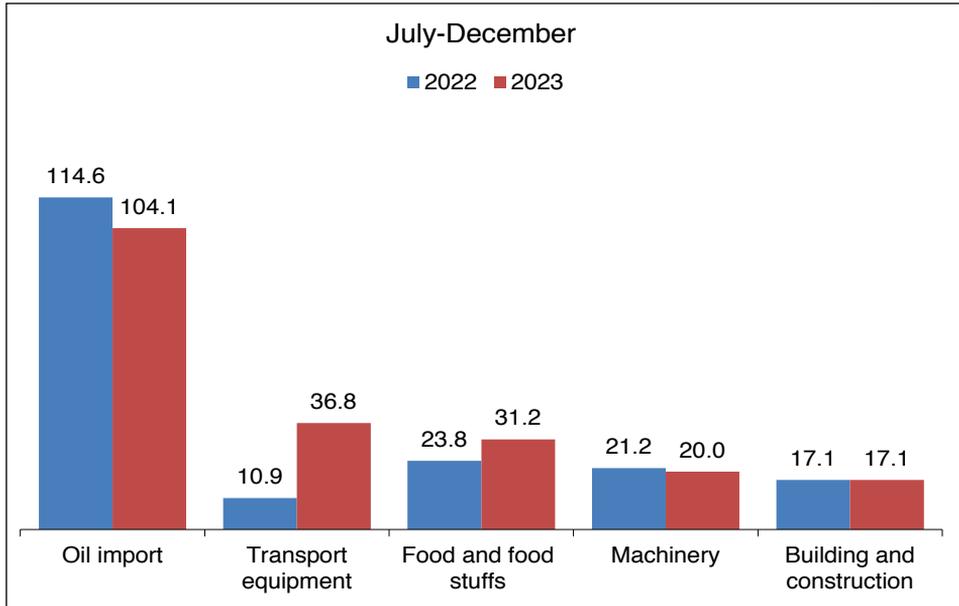


Source: Tanzania Revenue Authority and Bank of Tanzania computations



Chart 5.13b: Imports of Goods Import

(USD million)



Source: Tanzania Revenue Authority and Bank of Tanzania computations



PART VI

6.0 MACROECONOMIC OUTLOOK

6.1 Global economic outlook.

Global growth is projected to be subdued and varying significantly across countries and regions in the second half of 2023/24. The same trend is projected in 2024. The IMF projects the economy to grow at 3.1 percent, same as 2023, World Bank projects the economy to grow at 2.4 percent from 2.6 percent in 2023, and OECD to 2.7 percent from 2.9 percent. The projected slow growth is attributed to the global shocks influenced by geopolitical tension and the monetary policy tightening cycle. Sub-Saharan Africa is projected to grow at 3.8 percent, owing to the fading of effects of previous weather shocks and supply chain disruptions. Inflation is expected to continue falling in many countries. In advanced economies, it might remain above the target despite declining. Therefore, the direction of monetary policy in these countries is uncertain. Some central banks might uphold monetary policy tightening, albeit to a lesser extent than before, while others could leave the policy rates unchanged. In EAC and SADC, most countries are expected to experience inflation consistent with the convergence criteria of not more than 8 percent and 3-7 percent, respectively. The oil price is projected to fall, averaging USD 80 per barrel in 2024, conditional on OPEC+ decision about production levels and demand³. The price of gold is expected to remain high at around USD 1,900 per troy ounce.

³ World Bank Economic Prospects, January 2024.



6.2 Domestic Economic Outlook

The performance of the economy is expected to remain strong. Output growth in Mainland Tanzania is projected at around 5.5 percent in 2024, and the Zanzibar economy is at 7.4 percent. Public and private investment, reforms to improve business conditions, and a rebound in tourism activities are expected to contribute to the growth projection significantly. In addition, on balance, the ongoing rains will contribute positively to output growth. Concerns about power outage are fading due to ongoing rains in most parts of the country. There is also prospect of increasing electricity generation from the Julius Nyerere Hydro Power Plant and other sources during the second half of 2023/24. The main risk to the growth outlook is geopolitical tension and monetary policy tightening in the advanced economies.

Inflationary pressures are expected to remain muted in the second half of 2023/24 and throughout 2024. Headline inflation is projected to be low, consistent with the target of 5 percent, in both Mainland Tanzania and Zanzibar. The low inflationary environment is attributed to the expected adequate food supply, moderate food and oil prices in the world market, exchange rate stability, and the impact of monetary policy. The upward risk to the inflation outlook is oil prices in the world market and geopolitical tension.



PART VII

7.0 MONETARY POLICY FOR THE SECOND HALF OF 2023/24

7.1 Monetary Policy Stance

In view of the global and domestic macroeconomic outlook presented in Part VI, monetary policy will continue focusing on maintaining low inflation and facilitating economic growth. Following the adoption of the interest-based monetary policy framework in January 2024, the MPC set the Central Bank Rate (CBR) at 5.5 percent for the third quarter of 2023/24, while for the fourth quarter, it will be announced in April. This rate aims to contain inflation at 3.2 percent and steer growth to 5.5 percent or more in 2024. The Bank will use monetary policy instruments to align the 7-day interbank rate with the CBR, allowing a deviation of +/-200 basis points. In addition, the Bank will align monetary conditions for attaining the targets under the 40-month IMF-ECF Program implemented by the Government.

7.2 Interest Rate Policy

Interest rate will continue to be determined by market forces. The adoption of the interest rate-based monetary policy framework will contribute to the determination of interest rates by financial institutions. Therefore, the adoption of the policy framework does not imply fixing or capping interest rate. The Bank will continue engaging stakeholders in implementing reforms to remove factors contributing to the stickiness of lending rates and limiting the monetary policy transmission. The strategic focus areas include enhancing consumer protection, financial literacy, and financial inclusion, as well as reducing the risk profile of borrowers.



7.3 Exchange Rate Policy and Foreign Reserve Management

The exchange rate will continue to be market-determined. The Bank of Tanzania will participate in the interbank foreign exchange market for monetary policy and reserve accumulation purposes, as well as smoothing out short-term excessive variations in the exchange rate that are inconsistent with market and economic fundamentals. The Foreign Exchange Intervention Policy shall guide the intervention, and market participants shall adhere to the code of conduct and guidelines. Furthermore, the Bank of Tanzania shall ensure the adequacy of foreign reserves in accordance with country and regional benchmarks.



APPENDICES



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

Economic Activity	Percent														
	2020				2021				2022				2023 ^P		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Agriculture	4.1	4.1	6.4	5.6	2.6	2.5	5.2	5.5	4.3	3.2	4.0	2.3	3.6	2.4	4.0
Mining and quarrying	17.8	8.7	5.6	0.2	9.0	9.4	12.4	7.0	9.7	5.8	9.6	18.0	14.2	6.3	10.2
Manufacturing	4.7	4.0	5.0	4.4	6.1	4.5	3.8	5.0	6.3	4.7	4.4	1.8	6.4	6.1	4.2
Electricity	6.2	3.3	4.4	7.9	7.2	12.1	10.0	10.6	8.3	8.7	9.7	4.1	8.1	12.4	9.7
Water	7.2	4.6	7.9	3.8	9.0	8.4	4.5	4.9	11.9	9.5	0.1	2.2	5.1	3.3	1.8
Construction	4.9	12.2	13.9	5.2	5.3	1.9	5.8	4.4	5.4	4.0	5.6	2.5	5.3	2.3	2.5
Trade and repair	4.9	-0.2	2.2	1.8	4.4	4.7	2.1	4.1	5.9	4.5	2.2	2.2	6.0	6.4	3.0
Accommodation and restaurant	2.6	-15.9	-25.1	-14.9	-6.5	10.1	14.3	11.3	1.5	13.0	13.2	8.5	12.3	7.2	7.4
Transport and storage	8.3	9.5	7.0	8.9	9.0	4.9	-0.6	1.2	1.3	4.1	7.3	2.7	2.3	7.6	5.9
Information and communication	8.2	10.0	8.6	6.9	8.8	11.8	8.2	7.6	5.9	6.4	10.8	6.8	6.4	6.2	11.3
Financial and insurance	4.4	3.2	1.9	2.9	1.9	3.2	4.1	7.8	9.5	9.6	8.7	9.1	13.8	15.6	18.7
Public administration	5.0	3.8	4.3	2.2	2.4	4.1	6.5	7.2	5.5	4.8	6.6	4.8	3.7	5.0	5.1
Professional, scientific and technical act.	8.9	8.8	8.6	3.2	7.8	7.6	5.8	6.2	5.0	5.5	6.8	5.9	5.3	4.7	4.1
Administrative and support services	8.0	7.9	7.7	7.6	7.4	7.3	6.0	7.0	6.0	5.2	3.6	3.7	5.5	5.8	5.6
Real estate	4.5	4.6	4.5	4.5	4.6	4.6	4.6	4.1	4.5	4.4	4.4	4.4	4.1	4.2	4.2
Education	4.8	-2.4	5.8	5.0	5.1	4.8	6.1	4.4	6.6	5.2	6.5	2.9	5.9	5.5	5.1
Health	9.8	5.8	6.1	4.6	4.8	5.5	7.1	5.6	4.9	5.5	7.1	4.1	4.5	4.9	4.6
Other services	6.9	1.8	-0.4	2.1	6.6	10.8	12.1	11.7	8.5	7.5	9.0	9.4	9.5	11.5	9.0
All industry at basic prices	5.7	5.4	6.1	4.5	4.7	4.2	5.1	5.2	5.3	4.6	5.6	3.9	5.6	5.0	5.3
Taxes on products	0.5	-9.4	-2.9	2.2	7.9	-2.8	9.2	8.6	8.7	7.1	0.9	-0.2	3.6	8.9	5.8
GDP at market prices	5.3	4.4	5.4	4.3	4.9	3.8	5.4	5.5	5.5	4.7	5.2	3.6	5.4	5.2	5.3

Source: National Bureau of Statistics



Table 2: Zanzibar Quarterly GDP Growth Rates by Economic Activity

Economic Activity	Percent															
	2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Crops	3.7	3.7	4	-3.5	6.7	10.2	5.5	0.7	-9.5	-8.6	-3.2	20.5	6.9	4.4	3.7	
Livestock	26.5	24.7	35.1	-46.1	25.5	8.7	9.4	83.7	-34.4	-9.6	-11.1	11.5	7.2	-8.1	-5.6	
Forestry	-4.7	-4.8	-1.2	-3.4	-3.2	4.2	6.2	6.8	3.8	3.7	2.0	4.3	5.9	7.5	-10.8	
Fishing	-0.1	0.5	13.6	-6.8	-3.5	-5.1	-43.7	-4.8	21.7	-5.8	47.5	93.9	5.1	17.3	59.5	
Mining and quarrying	6.1	6.1	18.8	-5.8	-26.4	5.2	22.6	18.0	19.1	15.0	1.9	18.7	12.9	41.4	51.9	
Manufacturing	8.4	7.9	14.1	5.8	10.6	8.3	3.7	-3.5	9.2	3.1	0.5	14.3	0.3	4.6	6.0	
Electricity	7.7	7.7	-11.2	-4.2	4.8	37.8	20.6	-9.6	11.9	-9.6	20.1	8.0	1.6	15.2	7.2	
Water supply	5.6	5.4	3.7	-1.7	10.6	8.7	10.4	10.7	5.0	6.5	1.1	6.6	3.3	6.1	2.6	
Construction	6.4	6.4	0.2	-37.6	-36.2	-28.6	6.9	151.1	65.6	10.6	8.2	-14.1	13.2	7.2	23.9	
Wholesale and retail trade	23.5	3.4	20.3	-9.8	1.4	3.0	26.2	19.6	3.0	15.7	1.8	17.4	22.6	5.5	4.5	
Accommodation and food services	-6.9	-14.1	-61.6	-9.0	3.0	90.6	5.0	10.6	5.6	25.2	19.8	15.2	1.5	16.9	5.9	
Transport and Storage	3.4	3.4	-15.8	-10.9	4.8	7.3	23.3	8.8	-1.8	2.8	-3.8	11.6	3.7	11.7	3.3	
Information and Communication	-16.8	-3.1	-1.7	11.9	-4.9	-35.2	2.6	-38.3	-40.3	13.1	-11.1	0.0	7.6	4.9	23.1	
Financial and Insurance	-9.3	19.2	2.2	-9.2	22.4	-5.1	32.6	16.4	1.4	11.5	4.7	12.7	4.8	5.5	-18.1	
Real Estate	6.7	6.8	6.8	6.9	6.9	6.9	7.0	6.9	7.0	7.1	7.1	7.1	7.2	7.2	3.6	
Professional, scientific and technical act.	2.0	-1.5	-0.5	0.1	7.9	-60.3	8.5	28.7	29.0	80.6	4.3	0.0	5.5	41.3	14.2	
Administrative & Support	-0.1	-15.6	16.1	-25.6	-16.8	-47.1	26.7	18.7	14.0	45.0	0.5	37.9	13.1	30.6	39.4	
Public administration	13.0	38.7	68.1	0.4	26.2	23.2	22.8	-19.1	4.5	-16.7	0.0	5.1	1.5	3.3	4.2	
Education	12.0	13.1	14.4	6.0	-5.1	-7.8	-6.3	-9.9	19.9	11.6	7.6	0.0	7.8	8.0	6.7	
Human Health & Social work	-1.5	-0.3	1.8	5.3	15.4	14.6	30.3	1.8	-3.2	17.4	-0.4	5.2	7.7	-5.4	0.8	
Arts, Entertainment & Recreation	8.0	5.9	-14.4	-10.6	2.9	-40.1	40.3	-18.7	5.5	63.8	37.8	0.0	0.8	33.8	-14.9	
Other services	14.8	-12.0	-14.2	32.0	29.4	-30.5	41.9	-5.8	11.5	38.0	6.5	-20.5	2.4	17.6	1.0	
Households as employers	3.2	3.2	3.2	4.0	3.2	3.2	3.2	2.4	3.2	3.2	3.2	0.0	3.2	2.4	1.6	
FISIM	-3.0	19.6	1.3	20.2	42.0	9.5	53.1	-2.0	-18.9	6.0	-21.6	0.0	11.4	-0.1	0.2	
All industries at basic prices	4.6	0.7	2.2	-8.7	3.7	6.6	6.4	15.3	4.3	3.7	1.5	10.3	6.1	7.3	20.4	
Taxes on products	5.9	-19.5	14.3	5.7	-11.0	5.9	29.6	7.4	13.1	38.0	-6.3	-31.2	7.0	-14.2	1.0	
GDP at market prices	4.7	-1.4	3.3	1.6	2.2	6.5	8.8	3.0	5.1	6.6	4.2	8.3	6.2	5.0	7.0	

Source: Office of Chief Government Statisticians-Zanzibar



Table 3: Mainland Tanzania Annual Inflation

	Weight (%)	Percent												
		Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Food and non-alcoholic beverages	28.2	9.7	9.9	9.6	9.7	9.1	8.5	7.8	6.1	5.6	5.6	4.5	3.7	2.3
Alcoholic beverages and tobacco	1.9	0.8	0.6	0.4	0.5	0.8	1.5	1.7	3.8	3.7	3.6	3.5	4.1	4.1
Clothing and footwear	10.8	2.6	2.5	2.6	2.4	2.8	3.3	3.5	3.4	3.4	3.0	3.0	3.3	3.2
Housing, water, electricity, gas and other fuels	15.1	2.7	2.0	1.5	1.1	0.3	0.8	1.1	1.2	1.4	1.3	1.0	2.8	4.0
Furnishings, household equipment and routine household maintenance	7.9	3.7	3.0	2.8	2.9	3.1	2.9	2.5	2.7	4.1	3.9	3.4	3.6	3.6
Health	2.5	1.7	1.8	1.8	1.7	1.8	1.7	1.3	1.9	2.1	1.7	1.7	1.4	1.3
Transport	14.1	5.1	6.2	6.0	5.7	4.3	1.3	-0.4	0.4	0.6	1.0	3.1	2.9	3.3
Information and communication	5.4	1.3	1.7	1.6	1.6	1.7	1.8	1.9	2.1	2.1	1.7	1.4	1.3	1.3
Recreation, sport and culture	1.6	2.0	1.0	1.2	1.5	1.8	1.9	1.9	2.2	2.5	2.7	2.8	3.4	3.5
Education services	2.0	0.7	2.9	3.3	3.4	3.3	3.7	3.3	3.3	3.3	3.5	3.5	3.5	3.5
Restaurants and accommodation services	6.6	2.7	2.8	2.7	3.1	3.2	4.8	5.1	5.1	5.1	5.4	4.9	4.5	4.3
Insurance and financial services	2.1	-0.1	0.0	-0.1	-0.5	-0.4	-0.4	-0.4	0.2	0.2	0.1	0.6	0.6	0.6
Personal care, social protection and miscellaneous goods and services	2.1	2.5	2.1	1.9	1.3	1.6	1.7	2.6	3.9	4.0	3.9	3.6	3.5	4.5
All Items-(headline inflation)	100.0	4.8	4.9	4.8	4.7	4.3	4.0	3.6	3.3	3.3	3.3	3.2	3.2	3.0
Other selected groups														
Core	73.9	2.5	2.5	2.4	2.3	2.0	2.0	1.7	2.1	2.2	2.3	2.5	2.6	3.1
Non-core	26.1	11.6	11.8	11.5	11.4	10.7	9.4	8.7	6.6	6.4	6.3	5.0	5.0	3.2
Energy, fuel and utilities	5.7	7.9	6.9	6.4	5.0	0.4	-1.1							
Services	37.2	2.5	2.9	2.7	2.7	2.6	2.2	1.6	2.1	2.2	2.2	2.7	2.6	3.2
Goods	62.8	6.2	6.1	6.0	5.8	5.3	5.0	4.7	4.0	4.0	4.0	3.4	3.7	3.1
Education services and products ancillary to education	4.1	1.5	1.9	2.1	2.0	2.0	2.3	2.3	3.0	3.1	3.1	3.1	3.2	3.6
All items less food and non-alcoholic beverages	71.8	2.9	3.0	2.8	2.7	2.3	2.1	1.8	2.2	2.4	2.4	2.4	2.6	3.0

Source: National Bureau of Statistics



Table 4: Zanzibar Annual Inflation

	Weights (%)	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Percent
Headline	100.0	8.1	8.4	7.8	7.1	7.5	6.4	6.5	6.7	6.8	7.5	6.5	6.3	5.5	
Food	41.9	12.7	11.6	10.5	10.3	11.5	9.5	10.7	11.8	12.0	14.4	11.6	10.9	8.8	
Non-Food	58.6	4.9	6.1	6.0	4.9	4.8	4.3	3.6	3.2	3.2	2.7	3.0	3.0	3.2	
Alcoholic Beverages, Tobacco and Narcotics	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7	11.7	0.7	0.7	0.7	-3.1	
Clothing and Footwear	6.3	2.9	3.9	2.6	2.4	3.7	3.5	3.0	3.1	0.7	2.4	2.6	2.4	3.1	
Housing, Water, Electricity, Gas and Other															
Fuels	25.8	4.5	4.9	3.5	3.0	3.7	3.7	2.4	1.4	3.2	1.2	1.8	1.8	1.4	
Furnishings, Household Equipment and Routine Household Maintenance	4.8	12.3	12.1	14.1	8.6	6.7	6.1	7.1	7.5	1.7	7.3	6.3	5.5	9.0	
Health	1.3	5.5	7.2	11.9	11.9	12.3	13.1	10.4	10.3	8.2	9.6	7.5	7.0	5.9	
Transport	9.1	9.0	14.6	16.2	14.8	11.5	9.3	7.0	5.5	10.5	5.5	6.6	7.5	3.4	
Information And Communication	4.2	0.4	0.6	0.8	0.8	1.1	1.1	1.1	1.0	5.5	0.7	0.7	0.7	1.6	
Recreation, Sport and Culture	1.1	-1.3	0.9	-3.5	-3.5	0.3	-1.3	-1.3	-0.8	1.0	7.1	7.3	7.2	0.1	
Education	1.6	0.0	3.4	3.4	3.4	3.4	3.4	3.4	14.5	7.1	3.7	5.1	5.1	8.3	
Restaurants And Accommodation Services	1.4	1.4	2.3	2.3	1.7	1.7	1.9	1.2	1.3	3.7	-2.3	-3.0	-3.0	-0.5	
Insurance And Financial Services*	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Personal Care, Social Protection and Miscellaneous Goods and Services*	1.7	3.4	2.5	1.4	1.3	3.8	3.7	2.2	2.2	2.2	1.9	2.7	2.7	2.5	

Source: Office of Chief Government Statistician, Zanzibar

Note: * These groups resulted from the decomposition of miscellaneous goods and services.



Table 5: Monetary Statistics

	<i>Billions of TZS</i>											
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Net foreign assets (NFA) of the banking system	11,307.8	12,144.6	14,129.9	13,966.0	11,815.8	10,503.9	9,701.2	9,437.5	8,697.1	10,455.1	10,121.6	11,302.4
Net domestic assets of the banking system	18,850.6	21,189.2	19,036.6	20,592.1	21,935.8	24,996.1	27,983.2	29,142.5	30,416.1	31,729.8	33,019.5	32,700.2
Domestic claims	26,240.4	28,214.7	26,973.8	30,030.5	31,447.3	34,053.4	36,055.5	37,557.3	39,139.7	41,586.2	42,586.6	43,411.5
Claims on central government (net)	5,762.6	7,613.2	5,846.4	7,686.4	8,222.2	9,459.7	10,281.1	10,184.8	10,604.0	11,750.6	11,795.4	11,353.9
Claims on the private sector	20,477.8	20,601.5	21,127.4	22,344.1	23,225.1	24,593.7	25,774.4	27,372.5	28,535.7	29,835.6	30,791.3	32,057.6
Extended broad money supply (M3)	30,158.4	33,333.8	33,166.6	34,558.0	33,751.6	35,500.1	37,684.4	38,580.0	39,113.2	42,185.0	43,141.0	44,000.8
Foreign currency deposits (FCD)	7,166.6	7,678.4	7,532.5	7,469.7	7,247.0	7,878.4	8,362.0	8,201.1	8,617.7	9,591.3	9,715.9	10,000.8
<i>FCD (Millions of USD)</i>	3,117.9	3,340.3	3,276.2	3,253.4	3,153.0	3,421.8	3,625.3	3,552.2	3,729.5	4,128.8	3,940.5	4,004.6
Broad money supply (M2)	22,991.8	25,655.4	25,634.1	27,088.4	26,504.6	27,621.7	29,322.3	30,378.9	30,495.5	32,593.7	33,425.2	34,001.7
Other deposits	8,487.9	8,945.5	9,036.8	9,462.8	9,918.8	10,591.6	11,053.9	11,430.7	11,876.8	12,241.3	12,813.9	13,400.1
Narrow money supply (M1)	14,504.0	16,710.0	16,597.3	17,625.5	16,585.7	17,030.1	18,268.4	18,948.2	18,618.7	20,352.4	20,611.2	20,601.6
Currency in circulation	4,299.2	4,700.5	4,963.9	5,012.0	4,769.0	5,333.9	5,849.2	5,709.0	5,371.1	6,161.5	6,475.9	6,486.4
Transferable deposits	10,204.8	12,009.5	11,633.4	12,613.5	11,816.7	11,696.1	12,419.2	13,239.2	13,247.5	14,190.9	14,135.3	14,115.2
Memorandum Items												
Reserve money	7,221.1	8,568.2	8,110.0	8,407.3	8,382.3	9,276.6	9,572.5	9,736.3	9,236.4	10,850.7	9,943.7	10,099.8
Banks' reserves	2,041.5	3,021.8	2,255.8	2,394.0	2,732.9	2,918.2	2,711.6	2,987.9	2,893.0	3,658.6	2,411.2	2,444.5
Currency outside Bank of Tanzania	5,179.5	5,546.4	5,854.3	6,013.3	5,649.4	6,358.4	6,860.8	6,748.3	6,343.4	7,192.0	7,532.5	7,655.3
Average reserve money	7,166.6	8,037.0	8,004.9	8,772.8	8,639.8	9,063.3	9,789.0	9,481.0	9,402.1	9,797.4	10,387.8	10,183.6
Nominal exchange rate (end of period) (TZS/USD)	2,298.5	2,298.7	2,299.1	2,296.0	2,298.5	2,302.4	2,306.6	2,308.7	2,310.7	2,323.0	2,465.6	2,497.4
Annual growth rates (%)												
Stock of reserve money	5.0	3.2	6.3	17.3	16.1	8.3	18.0	15.8	10.2	17.0	3.9	3.7
Average reserve money	3.0	2.4	8.6	16.6	20.6	12.8	22.3	8.1	8.8	8.1	6.1	7.4
Extended broad money supply (M3)	6.8	11.7	12.7	15.5	11.9	6.5	13.6	11.6	15.9	18.8	14.5	14.1
Broad money supply (M2)	9.3	10.5	15.0	17.6	15.3	7.7	14.4	12.1	15.1	18.0	14.0	11.9
Credit to the private sector	2.3	3.6	4.5	10.0	13.4	19.4	22.0	22.5	22.9	21.3	19.5	17.1

Source: Bank of Tanzania



Table 6: Capital and Money Market Interest Rates

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Percent													
Interbank cash market rates													
Overnight	3.26	3.45	4.15	2.10	4.12	3.25	3.92	3.94	4.35	4.64	5.36	5.70	6.56
2 to 7 days	4.61	4.61	4.81	4.91	4.88	5.11	5.28	5.13	5.36	5.50	6.00	6.46	6.89
Overall interbank cash market rate	4.62	4.68	4.94	4.85	4.92	5.02	5.25	5.06	5.24	5.46	5.90	6.36	6.81
Lombard rate	4.89	5.17	6.22	3.15	6.18	4.87	5.89	5.91	6.53	6.96	8.04	8.55	9.84
REPO rate	2.98	3.00	2.90	2.99	2.82	2.96	2.80	2.70	2.91	2.43	2.43	2.43	2.43
182 days	4.17	4.60	5.23	5.08	5.00	5.20	5.80	5.89	6.84	7.15	7.56	8.73	9.40
364 days	6.44	7.15	7.12	6.61	6.72	6.98	7.14	7.02	7.03	7.72	8.73	9.49	10.51
Overall Treasury bills rate	6.11	6.78	6.34	5.81	6.65	6.65	6.48	6.56	6.92	7.44	8.43	9.34	10.48
Treasury bonds rates													
2-years	8.52	9.37	9.37	9.37	9.13	9.13	9.13	9.53	9.53	9.59	9.59	11.64	11.64
5-years	9.08	9.67	9.67	9.67	9.67	9.85	9.85	9.85	10.09	10.09	10.09	10.09	10.09
7-years	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71
10-years	10.77	10.77	11.05	11.05	11.05	11.22	11.22	11.22	11.51	11.51	11.88	11.88	11.85
15-years	11.20	11.43	11.43	11.63	11.63	11.63	11.96	11.96	11.96	12.34	12.34	12.34	12.75
20-years	12.23	12.23	12.61	12.61	12.85	12.85	13.08	13.08	13.08	13.08	13.08	13.51	13.51
25-years	12.76	12.76	12.76	12.96	13.01	13.23	13.60	13.60	13.81	13.81	13.81	13.81	14.39

Source: Bank of Tanzania



Table 7: Commercial Banks' Interest Rates

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
A: Domestic currency													
Savings deposit rate	1.61	1.63	1.60	1.56	1.60	1.60	1.66	1.68	1.68	1.69	2.45	2.56	2.60
Overall time deposits rate	6.94	7.38	7.18	6.78	6.79	6.91	7.08	6.85	6.91	6.85	7.05	7.64	7.45
6 months	8.26	8.45	8.41	7.72	8.22	7.49	7.72	7.90	8.08	7.95	8.16	8.46	9.14
12 months	8.23	8.66	8.78	7.94	7.70	8.34	8.68	8.70	8.93	8.98	9.00	9.16	8.92
Negotiated deposit rate	8.88	9.30	9.37	9.31	9.46	9.24	8.82	9.08	9.04	9.29	9.24	9.15	9.19
Overall lending rate	16.06	16.29	15.96	15.83	15.91	15.96	16.02	15.56	15.73	15.53	15.49	15.38	15.34
Short-term (up to 1 year)	17.27	17.69	16.85	16.67	16.55	16.60	17.10	16.30	17.01	16.07	15.93	15.63	15.91
Medium-term (2-3 years)	16.02	16.10	15.96	15.87	15.92	16.11	15.99	14.79	14.59	14.86	14.98	14.90	15.69
Long-term (3-5 years)	15.35	15.61	15.41	15.37	15.57	15.54	15.68	15.61	15.68	15.59	15.67	15.45	15.37
Negotiated lending rate	13.29	14.19	13.75	13.59	13.65	13.02	13.11	13.19	13.31	13.37	13.26	13.29	13.38
B: Foreign currency													
Deposits rates													
Savings deposits rate	0.28	0.33	0.38	0.55	0.08	0.07	0.05	0.04	0.04	0.00	0.01	0.02	0.04
Overall time deposits rate	3.29	3.35	3.18	3.08	3.10	3.28	3.34	3.43	3.75	3.51	3.67	3.78	3.67
6-months	3.33	3.25	3.42	3.28	3.75	3.70	3.78	3.81	3.90	2.55	3.69	3.65	3.95
12-months	3.74	3.79	3.76	3.66	3.59	3.03	3.44	3.28	4.08	4.24	4.18	4.47	4.43
Overall lending rate	8.18	8.18	8.17	8.16	7.33	7.46	7.77	7.89	7.82	8.11	7.71	7.82	7.64
Short-term (up to 1 year)	8.62	8.61	8.57	8.55	9.06	9.25	9.16	9.51	9.53	9.58	9.69	9.08	8.93
Medium-term (1-2 years)	8.82	8.82	8.82	8.80	5.18	5.41	6.92	7.06	6.91	7.45	7.08	6.99	7.04
Medium-term (2-3 years)	7.04	7.06	7.04	7.04	7.40	7.53	7.68	8.12	7.64	8.00	8.05	8.21	8.21
Long-term (3-5 years)	8.86	8.88	8.87	8.87	7.67	7.86	7.46	6.44	6.57	7.05	6.26	7.28	6.53

Source: Bank of Tanzania



Table 8: World Commodity Prices

	Crude oil average (USD per barrel)	Crude oil Brent (USD per barrel)	Crude oil Dubai (USD per barrel)	White products (USD per tonne)	Coffee Arabica (USD per kg)	Coffee Robusta (USD per kg)	Tea average (USD per kg)	Tea Mombasa (USD per kg)	Palm oil (USD per tonne)	Wheat (hard) (USD per tonne)	Tobacco (USD per tonne)	Cotton, A index (USD per kg)	DAP (USD per tonne)	Urea (USD per tonne)	Gold (USD per troy oz)	Maize (USD per tonne)	Rice (USD per tonne)	Sugar (USD per tonne)
Jul-22	105.1	108.9	108.5	1,094.1	5.6	2.2	3.3	2.4	1,056.6	382.5	4,286.4	2.9	784.0	601.0	1,732.7	323.0	418.0	402.8
Aug-22	96.0	98.6	97.8	1,029.9	5.9	2.4	3.4	2.4	1,026.0	382.9	4,356.6	2.7	749.4	591.3	1,764.6	289.8	431.0	393.5
Sep-22	88.2	90.2	90.6	935.5	5.9	2.5	3.3	2.4	909.3	419.1	4,147.0	2.6	752.0	678.0	1,680.8	312.7	439.0	380.7
Oct-22	90.3	93.1	90.6	1,026.6	5.3	2.3	3.1	2.5	889.0	438.0	4,325.2	2.2	725.0	636.3	1,664.5	343.6	431.0	386.9
Nov-22	87.4	91.1	86.3	941.7	4.7	2.0	3.1	2.5	945.7	422.7	4,333.3	2.2	665.6	588.8	1,725.1	320.9	440.0	407.4
Dec-22	78.1	80.9	76.8	847.6	4.6	2.0	2.9	2.4	940.4	386.3	4,398.3	2.2	625.0	519.4	1,797.6	302.2	467.0	417.3
Jan-23	80.4	83.1	80.0	908.9	4.6	2.1	2.8	2.3	942.0	390.4	4,475.6	2.2	631.0	443.8	1,897.7	302.8	517.0	416.0
Feb-23	80.3	82.7	81.2	826.7	5.1	2.3	2.7	2.3	950.0	394.8	4,492.3	2.2	612.5	357.5	1,854.5	298.2	482.0	446.0
Mar-23	76.5	78.5	77.5	823.6	4.9	2.3	2.7	2.4	972.1	369.9	4,525.7	2.1	606.0	313.5	1,912.7	282.5	476.0	452.4
Apr-23	82.5	84.1	83.8	809.3	5.1	2.6	3.0	2.3	1,005.2	378.2	4,586.6	2.1	637.0	313.4	1,999.8	291.1	501.0	529.3
May-23	74.1	75.7	75.1	744.2	4.9	2.7	2.7	2.2	934.1	367.7	4,786.8	2.1	510.0	329.3	1,992.1	268.1	510.0	560.0
Jun-23	73.3	74.9	74.7	763.2	4.6	2.9	2.7	2.1	817.0	345.5	5,064.7	2.0	454.6	287.5	1,942.9	266.9	514.0	542.1
Jul-23	79.0	80.1	80.5	826.1	4.3	2.8	2.5	2.1	878.5	345.5	5,098.2	2.1	458.8	334.6	1,951.0	242.4	547.0	521.2
Aug-23	84.7	86.2	86.6	922.2	4.1	2.7	2.8	2.2	860.8	315.8	5,295.8	2.1	528.8	385.6	1,918.7	207.6	635.0	528.0
Sep-23	92.2	94.0	93.1	939.0	4.1	2.7	2.9	2.3	829.6	314.7	5,437.4	2.2	527.9	380.0	1,916.0	223.8	620.0	579.6
Oct-23	89.1	91.1	90.6	853.7	4.1	2.6	2.8	2.2	804.3	288.1	5,488.2	2.1	534.8	411.4	1,916.3	230.7	590.0	567.0
Nov-23	81.4	83.2	83.5	801.5	4.4	2.7	2.7	2.2	830.5	283.6	4,392.3	2.0	535.6	385.5	1,984.1	211.3	598.0	575.0
Dec-23	75.7	77.9	77.2	755.4	4.7	3.0	2.7	2.2	813.5	291.1	4,394.2	2.0	563.8	447.5	2,026.2	206.6	644.0	478.2
Proj 2023	84.0				4.8	2.3	2.7	2.2	980.0	355.0	4,100.0	2.2	580.0	325.0	1,900.0	270.0	510.0	480.0
Proj 2024	86.0				4.6	2.3	2.8	2.2	1,020.0	355.0	4,120.0	2.3	570.0	315.0	1,750.0	240.0	490.0	460.0

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

Notes: DAP denotes Di-ammonium phosphate



GLOSSARY

Central bank rate

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

Core inflation

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

Debt sustainability

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

Gross Domestic Product (GDP)

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

Foreign Exchange Reserves

Foreign exchange reserves consist of external assets readily available to and controlled by the Bank of Tanzania for direct financing of the balance of payments and indirectly regulating the magnitude of the balance of payments imbalances through intervention in foreign



exchange markets. Gross official reserves comprise the Bank of Tanzania's holdings of monetary gold, special drawing rights (SDRs), reserve position in the International Monetary Fund, and foreign exchange resources available to the Bank of Tanzania for meeting external financing needs.

Inflation

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

Money Supply (M)

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

- M1** - Currency in circulation outside the banking system plus demand deposits (cheque account) of residents with banks in the country
- M2** - M1 plus fixed deposits and savings deposits of residents with banks in the country
- M3** - M2 plus residents' foreign currency deposits

Nominal Effective Exchange Rate (NEER)

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



Non-Food Inflation

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

Non-performing Loan

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

Public Debt

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

Real Effective Exchange Rate (REER)

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



Repurchase agreements (Repo)

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

Reverse repo

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

Reserve Money (M0)

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

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