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MONETARY POLICY STATEMENT

2024/25

**GOVERNOR
BANK OF TANZANIA**

June 2024



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June 2024



11th June 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 sections 21 (3) to (6) of the Bank of Tanzania Act, Cap. 197, I hereby submit the ***Monetary Policy Statement*** for the fiscal year 2024/25 for subsequent submission to the Parliament.

The Statement presents the stance, implementation and outcome of monetary policy during 2023/24. It also provides a review of the global and domestic economic performance in the same year and highlights the outlook for 2024/25. Furthermore, the Statement outlines the monetary policy stance that the Bank of Tanzania intends to pursue in 2024/25 to achieve inflation target and support growth of economic activities, as well as the interest rate and exchange rate policies to be pursued consistent with the monetary policy framework.

Yours Sincerely,

Emmanuel M. Tutuba
Governor
Bank of Tanzania



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Executive Summary

Monetary Policy Stance, Implementation and Outcome

During 2023/24, the monetary policy focused on insulating the economy from external and domestic shocks to sustain low and stable prices and facilitate the growth of economic activities. Consistent with this, the Bank planned to implement a less accommodative monetary policy stance under a monetary targeting framework during the first half of 2023/24 to facilitate the growth of private sector credit, and ensure adequate foreign reserves. The outcome of the implementation of monetary policy was satisfactory. The level of liquidity in the banking system remained within the required levels, money supply and private sector credit growth rates were broadly consistent with the targets, and foreign reserves remained adequate. Furthermore, the quantitative targets set out in the IMF ECF program implemented by the Government were successfully attained.

In the second half of the year, the Bank envisaged a shift from monetary targeting to an interest rate-based monetary policy framework under which the Central Bank Policy Rate (CBR) would signal the stance of monetary policy with the 7-day interbank interest rate used as the operating target variable. Accordingly, in January 2024, the Bank adopted the interest rate-based monetary policy framework, as part of the measures to enhance the effectiveness of monetary policy. In line with the new framework and based on inflation and growth forecast, as well as the need to ensure a smooth transition, the MPC set the CBR at 5.5 percent for the first quarter of 2024. Subsequently, in April 2024, the MPC raised the CBR to 6 percent to contain the inflationary pressure emanating from the exchange rate depreciation observed in



the second half of the year. The implementation of monetary policy was smooth and succeeded in containing the 7-day IBCM rate within the band of +/- 200 basis points of CBR. Furthermore, the quantitative targets set out in the IMF ECF program were achieved.

Foreign reserves remained adequate throughout 2023/24, hovering around USD 5 billion, equivalent to more than 4 months of projected imports. However, the shilling faced pressure in the second half of 2023/24, attributable to a decline of foreign currency liquidity in the market, owing to global factors, including the tight monetary policy in advanced economies, relatively high energy prices, and the recovery of economic activities in the wake of improved domestic investment climate. The Bank of Tanzania addressed this challenge using various measures, including increasing foreign exchange sales to provide market confidence, monetary policy tightening, eliminating market bottlenecks to ensure price discovery, and engaging stakeholders to ensure prudent in utilization of foreign exchange. The nominal exchange rate depreciated by 11.2 percent, year-on-year, by the end of April 2024, compared with a depreciation of less than one percent in the preceding two years. The real effective exchange rate deviated marginally from its long-term trend.

Global Economy

Global economic activity rebounded slightly in 2023/24, albeit continuing to be undermined by monetary policy tightening circles, geopolitical conflicts, and climate change-related challenges. The inflation rate receded across many countries, primarily due to tight monetary policy and the easing of most commodity prices. In advanced economies, inflation was above the target of 2 percent, despite



easing. In emerging market economies inflation was moderate, while in EAC and SADC regions, most of the countries recorded inflation consistent with the convergence criteria. Prices of most commodities declined, particularly towards the latter part of 2023/24. The oil price was somewhat volatile, largely attributed to geopolitical conflicts and OPEC+ production decisions. The price of gold remained elevated due to expectations about interest rate cuts and the central banks' tendency to accumulate gold as a long-term store of value and a safe haven at times of economic headwinds.

Domestic Economy

The performance of the economy was satisfactory. In Mainland Tanzania, growth of the economy was 5.1 percent in 2023, slightly above the projected growth of 5 percent. The main growth drivers were agriculture, construction, and mining and quarrying activities. Tourism activities, which are interdependent with other sectors of the economy, also contributed strongly to the growth of the economy. The Zanzibar economy recorded growth of 7.4 percent in 2023 compared with 6.8 percent in 2022, mainly driven by accommodation and food services, mainly tourism activities; construction; real estate activities; and crops.

Inflation in Mainland Tanzania remained below the target of 5 percent and was consistent with the EAC and SADC convergence criteria. The inflation outturn was credited to prudent monetary policy, adequate domestic food supply, and moderation of prices of most imported consumer goods. In Zanzibar, inflation eased, although it was slightly above the target of 5 percent.



Government fiscal performance was satisfactory. In the first ten months of 2023/24, domestic revenue for Mainland Tanzania was 94.1 percent of the target. Tax collection was 97.6 percent of the target. The performance was consistent with the growth of economic activities and measures taken to increase tax compliance and improve tax administration. Expenditure was aligned with the available resources, at 91 percent of the estimate. In Zanzibar, domestic revenue was almost in line with the target, at 99.7 percent. Tax revenue surpassed the target by 2.9 percent, while non-tax revenue was 80.3 percent. Expenditure was also aligned with available resources. The debt remained sustainable in the medium to long term, with a moderate risk of debt distress.

The external sector continued to improve, relative to the corresponding period of 2022/23, albeit facing headwinds from global shocks. The current account deficit narrowed significantly to USD 1,908.2 million during July 2023 to April 2024 from USD 4,407.2 million in the corresponding period in 2022/23. This development was driven by an increase in exports, mostly travel, gold and traditional exports, along with a decrease in imports, mainly intermediate goods imports. In Zanzibar, the current account balance was a surplus of USD 484.6 million compared with a surplus of USD 396.3 million on account of an increase in service receipts, especially tourism.

The financial sector remained stable. The banking sector, which is the largest part, was well-capitalized, liquid, and profitable. The sector also continued leveraging technology deliver services, contributing to growing deposits and assets. The core capital adequacy ratio was 19.4 percent, above the minimum regulatory requirement of 10 percent. The quality of banks' assets improved as the ratio of non-performing loans



to gross loans was 4.3 percent in April 2024, below the tolerable level of 5 percent, down from 5.3 percent in June 2023. This improvement is expected to incentivise lending to the private sector. Payment systems operated smoothly, facilitating the implementation of monetary policy and economic activities. The Bank continued modernizing and enhancing the systems to increase efficiency and reliability. Mobile phones remained a key instrument in filling the infrastructure gap by providing a platform for the unbanked population to access financial services.

Economic Outlook

The global economy is expected to continue improving in 2024 and 2025 on the back of the lessening of growth limiting factors encountered after the pandemic. The IMF forecasts a growth of 3.2 percent in 2024 and 2025. This projection is based on the expected easing of monetary policy and commodity prices in the world market. The downside risks to the growth outlook include energy prices, geopolitical conflicts, and longer monetary policy tightening than expected. Global inflation is expected to continue easing, reflecting the lagged effect of tight monetary policy and normalization of the global supply chain. In advanced economies, inflation is expected to fall and reach their target of 2 percent earlier compared to emerging market economies, prompting the central banks to pursue monetary policy easing. The upward risk to inflation outlook remains on OPEC+ production decision and escalation of geopolitical conflicts.

The domestic economy is projected to grow strongly, supported by improvements in both global and domestic economic environments. In 2024 and 2025, growth in Mainland Tanzania is projected at 5.4 percent and 5.8 percent, respectively, driven mainly by agriculture, construction,



and mining and quarrying, and tourism activities. Growth in agriculture is projected to be driven by favourable weather and policies towards improving the value chain. Construction will be supported mainly by investment in infrastructure, while mining and quarrying will be driven by the expansion of existing mines, new investment in rare earth metals, and prices in the world market.

Tourism will be driven by measures taken to improve the performance of the sector, including initiatives to diversify source markets, promotion, and investment. In Zanzibar the economy is projected to grow by 7.2 percent in 2024 and 6.8 in 2025, mainly attributable to tourism, construction, and manufacturing activities. The slight slowdown in growth reflects the completion of major construction projects. Inflation is projected to remain within the target of less than 5 percent due to adequate food supply in the country, stabilization of power supply and prudent monetary and fiscal policies. The risk to inflation outlook is on geopolitical conflicts and OPEC+ production decisions.

Monetary Policy Stance for 2024/25

In 2024/25, monetary policy will continue focusing on achieving the inflation target of 5 percent and facilitating the economic growth of 5.4 percent in 2024 and 5.8 percent in 2025 for Mainland Tanzania, and 7.2 percent and 6.8 percent in Zanzibar. The stance of monetary policy will be relatively tight, responding to the path-through effects of the recent exchange rate depreciation and high oil prices on inflation. The Bank will execute this policy stance using the interest rate-based monetary policy framework. In line with this, the Bank will review the Central Bank Rate (CBR) on a quarterly basis and use monetary policy instruments to steer the 7-day IBCM rate close to the CBR.



Interest rate Policy

Interest rates will continue to be determined by market forces with the monetary policy framework used to guide interest rate determination. This will go in tandem with the continuous engagement of stakeholders in implementing reforms in the financial sector, as well as enhancing consumer protection, financial literacy, and financial inclusion.

Exchange Rate Policy and Foreign Reserves

The exchange rate will remain market-determined and a primary means of insulating the economy from external shocks. The Bank will continue monitoring this metric and participating in the interbank foreign exchange market (IFEM) in accordance with the Foreign Exchange Intervention Policy, as well as ensuring participants adhere to the IFEM Code of Conduct for orderly conditions. In addition, the Bank of Tanzania shall maintain adequate foreign reserves as a buffer against external shocks.



PART I

1.0 INTRODUCTION

In accordance with the Bank of Tanzania Act, Cap. 197, section 7(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(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". Accordingly, sections 21(3) to (6) of the Act require the Bank to issue the **Monetary Policy Statement** in June, followed by a mid-year review in February, containing formulation and implementation of monetary policy in support of the broader macroeconomic objectives of the Governments.

This Monetary Policy Statement is organized as follows: Part II outlines the macroeconomic policy framework for 2023/24, while Part III presents the stance, implementation and outcome of monetary policy in 2023/24. Part IV reviews recent global macroeconomic developments, followed by Part V, which outlines the domestic economic performance. Part VI provides the global and domestic economic outlook, followed by Part VII, which provides the outlook of monetary policy stance, as well as interest rate and exchange rate policies that the Bank of Tanzania intends to pursue in 2024/25 to achieve its policy objectives, which are inflation and economic growth.



Box 1: Monetary Policy Framework of the Bank of Tanzania

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

The objective of monetary policy

The primary objective of monetary policy is to maintain price stability, defined as a low and stable inflation rate over time. 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 3-5 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 CBR. The CBR is set consistent with the inflation forecast as the intermediate target, conducive to balanced and sustainable growth of the economy.

Operating target

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

Monetary policy instruments

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

Monetary policy communication strategy

The Bank of Tanzania exercises a high degree of transparency in its decisions and actions. The Monetary Policy Committee (MPC)'s decisions, including policy rates, are communicated to banks through post-MPC meetings with Chief Executive Officers of banks and the public through the media. In addition, the Bank publishes MPC meeting statements, MPC reports and other periodic reports containing outcomes of monetary policy implementation, 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 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 decides on the measures to be taken to keep the rate within the desired policy bands.



PART II

2.0 MACROECONOMIC POLICY OBJECTIVES AND MONETARY POLICY FOR 2023/24

2.1 Macroeconomic Policy Objectives

The macroeconomic policy objectives were to: (i) attain a real GDP growth of 5 percent in 2023 and 5.5 percent in 2024 for Mainland Tanzania and real GDP growth of 7.1 percent and 7.4 percent for Zanzibar and (ii) maintain annual headline inflation at 5 percent in both Mainland Tanzania and Zanzibar. These policy objectives aligned with the national development blueprints, specifically the National Five-Year Development Plan 2021/22-2025/26 and the Zanzibar Development Plan 2021-2026. The policy objectives were to be attained against the backdrop of the global and domestic economic environment. The global environment was characterized by geopolitical conflicts, tightened financial conditions, and climate-related challenges, while the domestic economy was faced with a decline in foreign currency and power shortage.

To attain the macroeconomic policy objectives, monetary policy focused on insulating the economy from external and domestic shocks. Consistent with this, the Bank planned to implement a less accommodative monetary policy stance under the monetary targeting framework in the first half of 2023/24. In the context of this policy stance, the following targets were set: (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. In the second half of the year, the Bank envisaged a shift from monetary targeting to an interest rate-based monetary policy framework under



which the Central Bank Policy Rate (CBR) would signal the stance of monetary policy. In addition, under both monetary policy frameworks, the Bank planned to maintain adequate foreign exchange reserves of at least four months of projected imports and attain the targets for net domestic assets (NDA) and net international reserves (NIR) set out in the IMF Extended Credit Facility.

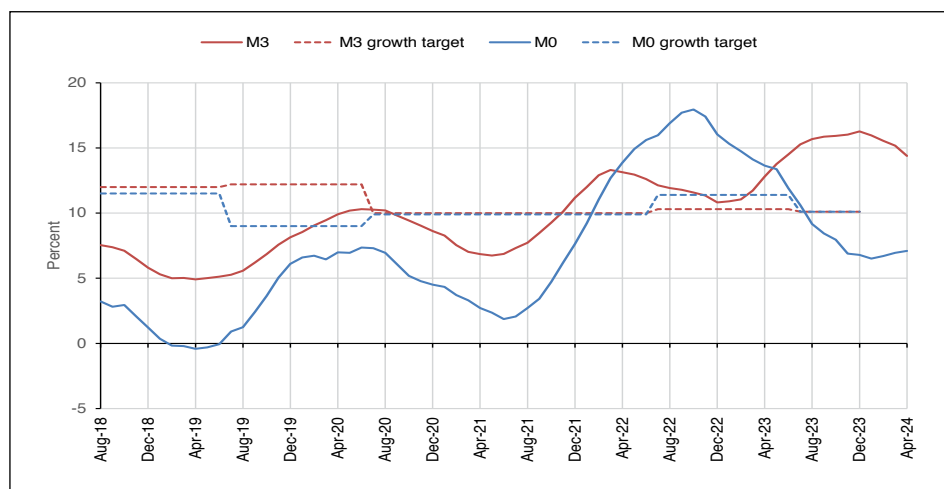


PART III

3.0 MONETARY POLICY IMPLEMENTATION DURING 2023/24

In the first half of 2023/24, under the monetary targeting framework, the Bank implemented a less accommodative monetary policy to contain the inflationary pressure emanating from global and domestic shocks while supporting economic growth. As a result of the implementation of monetary policy, the level of liquidity in the banking system remained within the required levels, and interbank interest rates remained low and stable, though they increased slightly. Monetary aggregates grew broadly in line with the targets. Between July and December 2023, M3 and M0 grew at an average of 15.5 percent and 5.6 percent, respectively, compared with the target of 10.1 percent each (Chart 3.1a). Meanwhile, the growth of credit to the private sector averaged 19.1 percent, above the end-December 2023 target of 16.4 percent (Chart 3.1b).

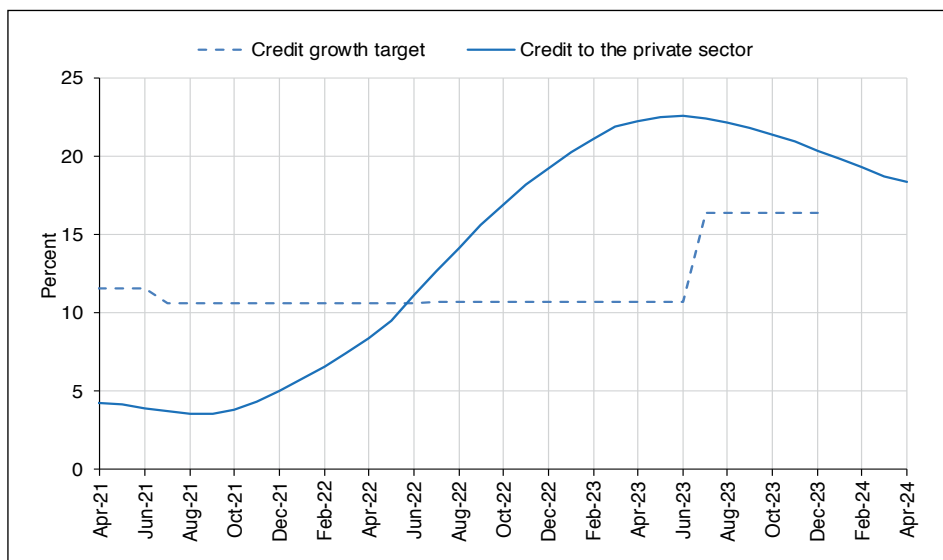
Chart 3.1a: M0 and M3 Developments



Source: Bank of Tanzania



Chart 3.1b: Private Sector Credit Growth

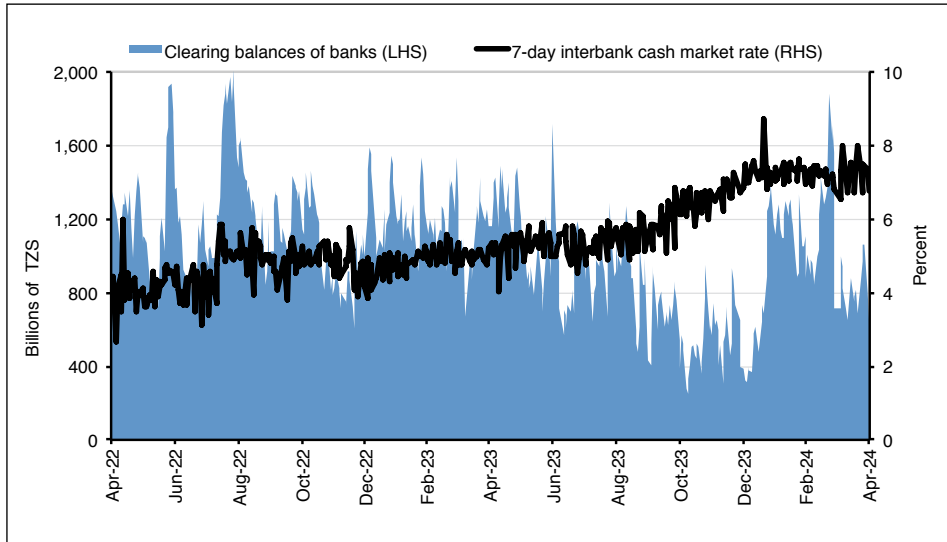


Source: Bank of Tanzania

In January 2024, the Bank adopted an interest rate-based monetary policy framework to enhance the effectiveness of monetary policy in the changing economic environment. In line with the new framework and based on inflation and growth forecasts, as well as the need to ensure a smooth transition, the MPC set the CBR at 5.5 percent in the first quarter of 2024. In April 2024, the MPC raised the CBR to 6 percent to contain the inflationary pressure emanating from depreciation of the exchange rate on the inflation outlook. From January to May 2024, the implementation of monetary policy succeeded in containing the 7-day IBCM rate within the band of ± 200 basis points of CBR (Chart 3.1c and 3.1d).

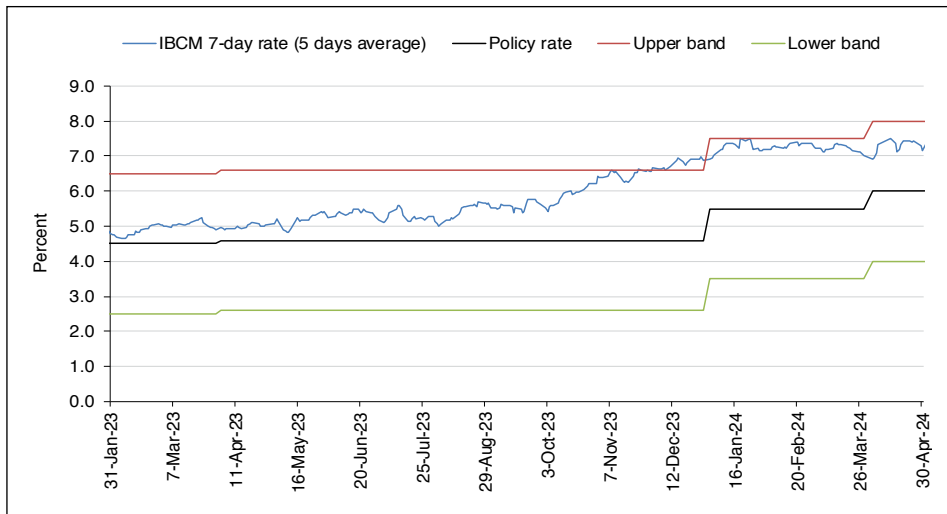


Chart 3.1c: Banks Reserves and Interbank Interest Rate



Source: Bank of Tanzania

Chart 3.1d: Central Bank Rate and 7-Day Interbank Rate

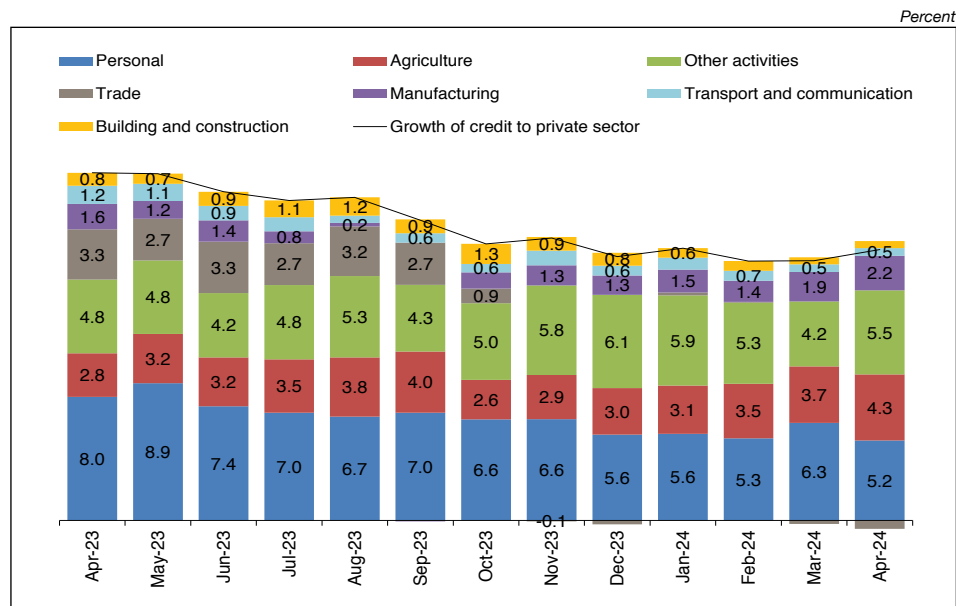


Source: Bank of Tanzania



The growth of credit to the private sector remained strong, though it exhibited a downward trend. From July 2023 to April 2024, credit to the private sector grew at around 17 percent, compared with 22.9 percent in a similar period in the previous year, due to the effects of exchange rate depreciation on foreign loans. Private sector credit growth was mostly driven by personal loans, agriculture, and manufacturing activities (Chart 3.1e). Personal loans constituted the largest share of outstanding credit to the private sector and were mostly extended to small and medium business undertakings¹ (Chart 3.1f) Demand for credit is expected to remain high, attributable to the improving business environment and supportive policies, public investment in infrastructure, and normalization of the global economy.

Chart 3.1e: Contribution to Credit Growth

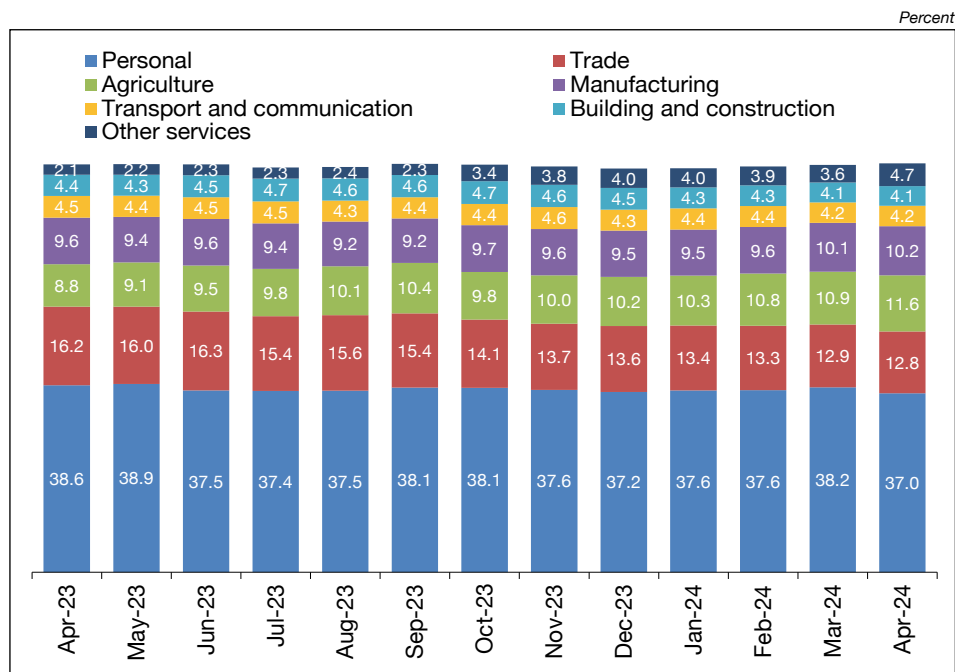


Source: Banks and Bank of Tanzania computations

¹Personal loans are mostly for small and medium sized business undertakings. The credit facility is preferred largely due to easy accessibility, flexible collateral requirements, and some are backed by salaries.



Chart 3.1f: Share of Loans to Total Loan Portfolio



Source: Banks and Bank of Tanzania computations

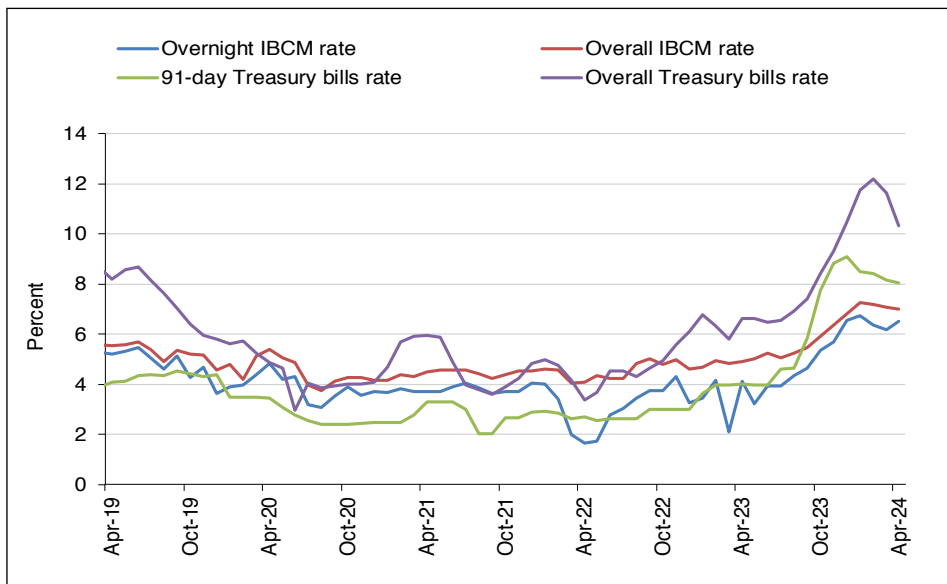
The implementation of monetary policy also facilitated the attainment of the quantitative targets as set forth under the IMF-ECF Program for the first three quarters of 2023/24.

Yields on Treasury bills trended upwards during the first half of 2023/24; however, at the beginning of the second half of 2023/24, they moderated in line with liquidity developments and demand for credit by the private sector (Chart 3.2a). Lending interest rates were historically low during the first ten months of 2023/24. Specifically, overall interest rates on loans averaged 16 percent (Chart 3.2b). Negotiated lending rates charged on the prime customers eased to 13 percent from 14 percent. The overall deposit rates increased slightly to around 7 percent, while



the negotiated deposit rates averaged 8 percent. Lending rates are expected to continue moderating owing to measures geared towards addressing the structural impediments in the market, coupled with low and stable inflation.

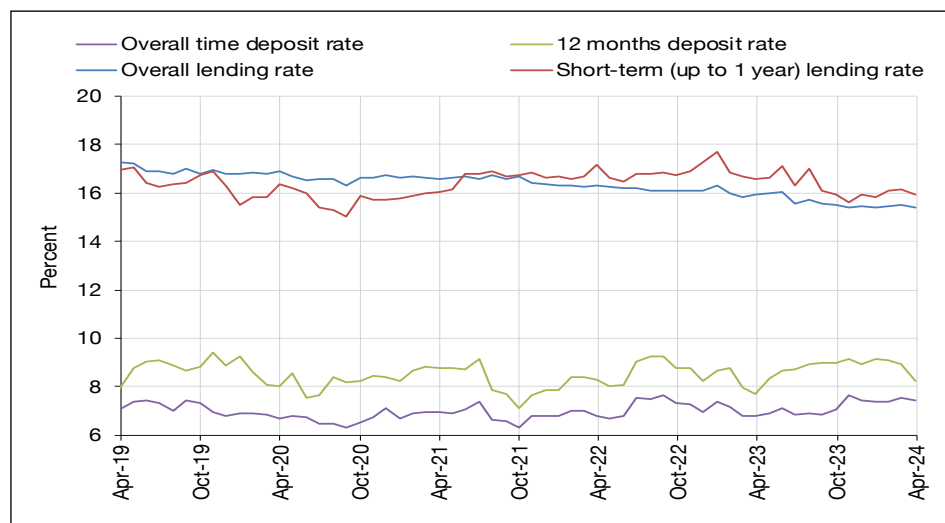
Chart 3.2a: Money Market Interest Rates



Source: Banks and Bank of Tanzania computations



Chart 3.2b: Lending and Deposit Interest Rates



Source: Banks and Bank of Tanzania computations

Foreign exchange reserves remained adequate. At the end of May 2024, the stock of foreign exchange reserves amounted to USD 5,162.6 million, sufficient to cover 4.3 months of projected imports of goods and services and consistent with the country benchmarks of at least 4 months of import cover² (Chart 3.3).

The shilling experienced pressure stemming from high demand for foreign exchange, attributed to the impact of monetary policy tightening in advanced economies coupled with higher global commodity prices. The pressure that was observed in the third quarter coincided with the low seasonal inflow of foreign exchange from tourism and export crops. In response, the Bank took several measures, including monetary policy tightening that went in tandem with increased participation in the Interbank Foreign Exchange Market, engagement with key stakeholders on prudent utilization of foreign exchange in

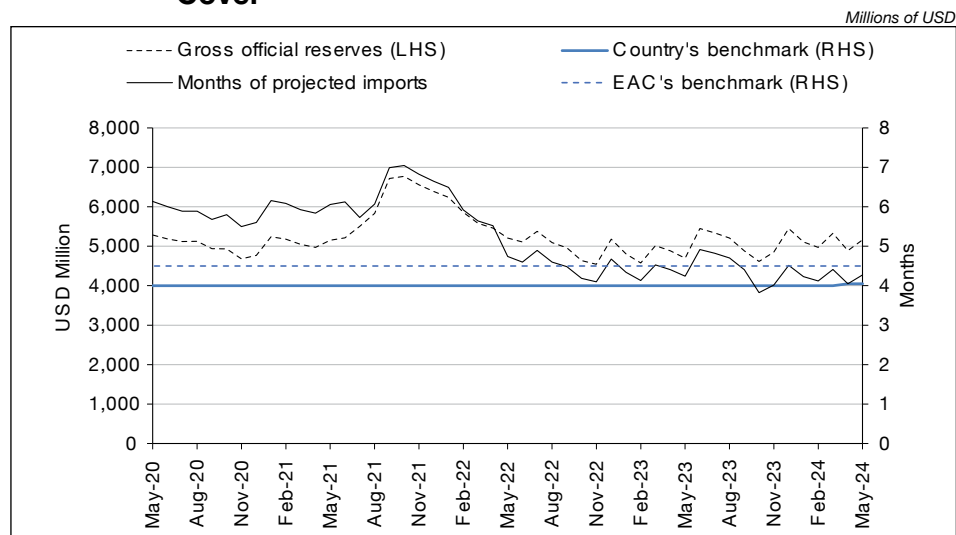
²Calculation of months of import cover excludes part of FDI-related imports.



the challenging periods, and enforcement of public adherence to provisions of the Foreign Exchange law and regulations. In April 2024, the nominal exchange rate depreciated by 11.2 percent year-on-year, compared with a depreciation of less than one percent in the preceding two years (Chart 3.4a). The real effective exchange rate moved close to its long-run trend, indicating a slight misalignment (Chart 3.4b).

Foreign currency deposits in banks increased slightly during July 2023-April 2024. The ratio of foreign currency deposits to M3, a measure of financial dollarization, averaged 22.9 percent, compared with 21.8 percent in the similar period in the preceding year. This reflects hedging behaviour against exchange rate depreciation. This phenomenon is expected to be subdued, owing to tight monetary policy and measures taken to improve foreign currency liquidity.

Chart 3.3: Gross Official Foreign Reserves and Months of Import Cover

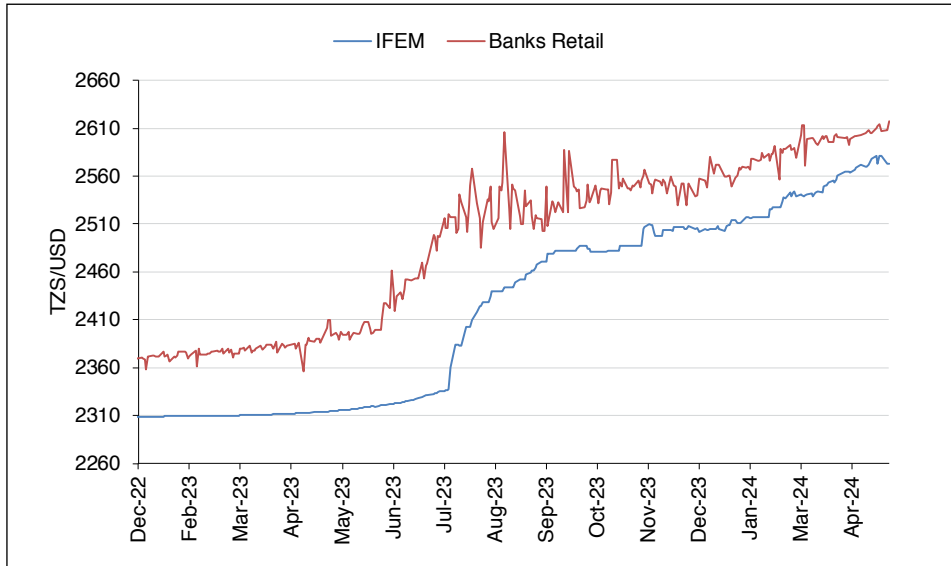


Source: Bank of Tanzania

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

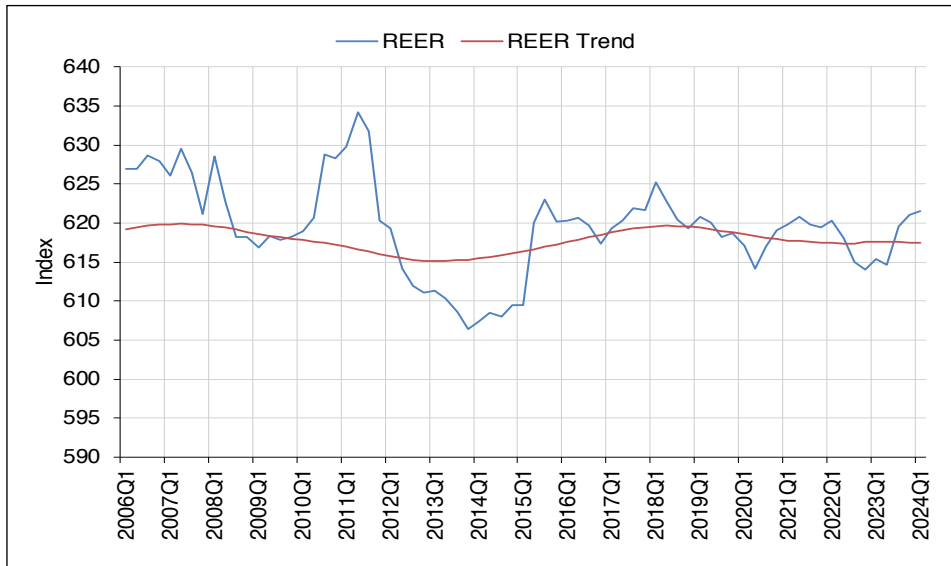


Chart 3.4a: Nominal Exchange Rates



Source: Bank of Tanzania

Chart 3.4b: Real effective exchange rate



Source: Bank of Tanzania



PART IV

4.0 GLOBAL ECONOMY

Global economic activity registered a recovery in 2023/24 amid the monetary policy tightening cycle, high cost of borrowing, geopolitical conflicts, high energy prices, and climate change effects. Most advanced economies showed resilience, reflected by growth in employment and incomes, following steady growth in demand and supply. Global growth improved, with most advanced and emerging economies recording higher growth (Table 4.1). In addition, sub-Saharan Africa has registered steady growth in 2023, although constrained by high borrowing costs and low domestic resource mobilization.

Inflation showed signs of a decline in 2023/24, though above the central banks' targets in some countries, particularly in advanced economies, though expected to return to targets sooner than emerging markets and developing economies (Chart 4.1). Similarly, inflation eased in sub-Saharan Africa to 6 percent in 2023 from 10 percent in 2022, owing to monetary policy tightening and moderation of food and energy prices. In most countries of the EAC and SADC regions, inflation eased and remained within the convergence criteria (Charts 4.2a and 4.2b).

Table 4.1: Quarterly Real GDP Growth

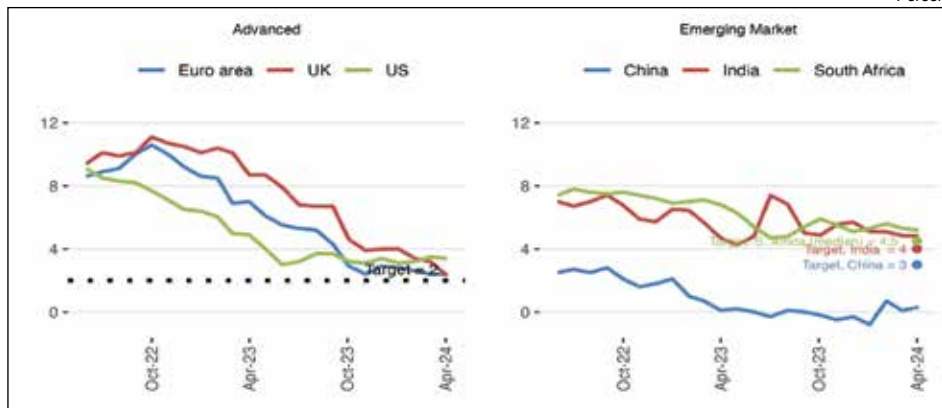
	Actual				Percent
	2023-Q1	2023-Q2	2023-Q3	2023-Q4	Projections 2024-Q1
United States	0.6	0.5	1.2	0.8	0.3
Euro Area	0.1	0.1	-0.1	0.0	0.2
Japan	2.0	4.2	-3.2	0.4	0.2
UK	0.1	0.0	-0.1	-0.3	0.2
China	2.1	0.6	1.5	1.0	1.3
South Africa	0.3	0.7	-0.2	0.1	0.3

Source: Bloomberg



Chart 4.1: Inflation in Advanced Economies

Percent

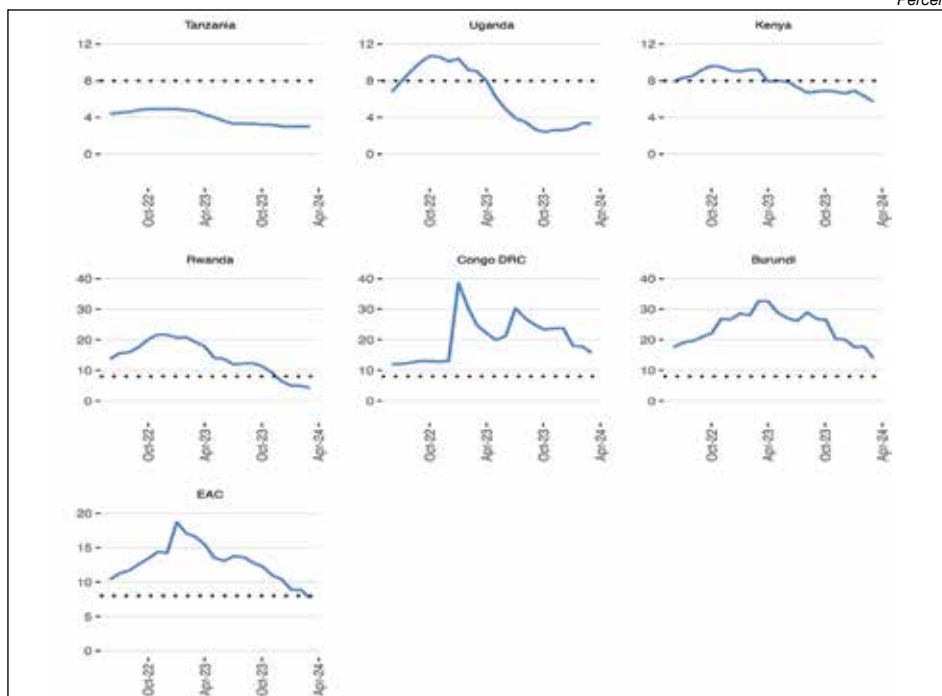


Source: Respective National Statistics Offices

Notes: The dotted lines indicate the targets

Chart 4.2a: Inflation in EAC Countries

Percent



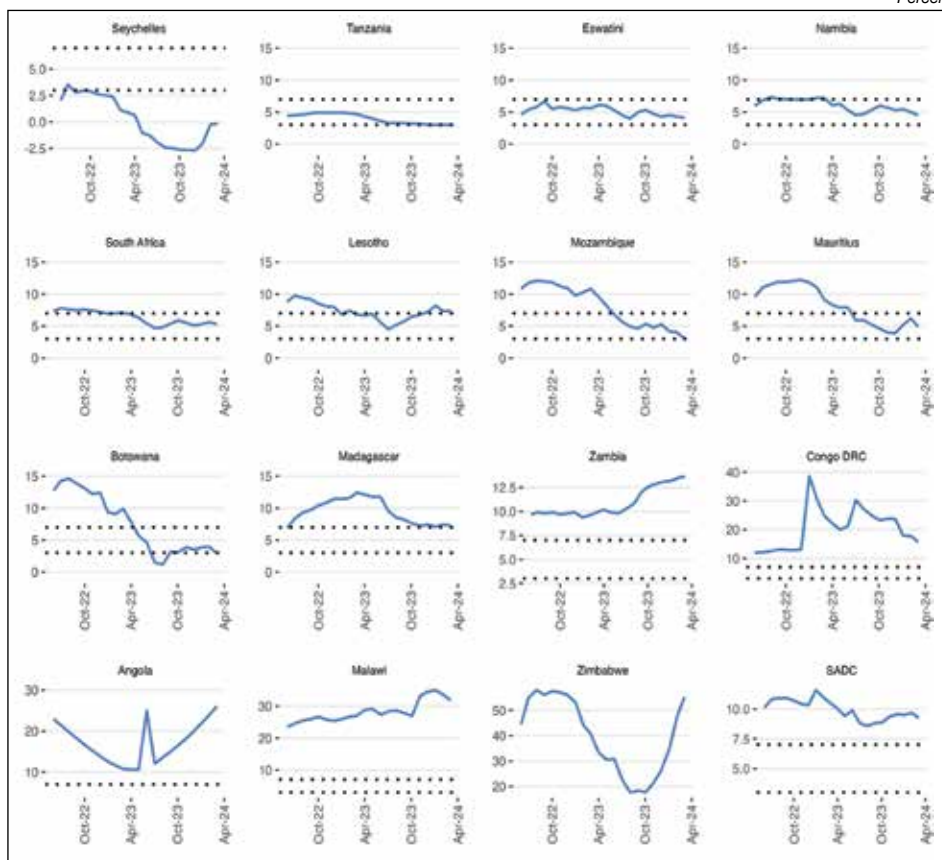
Source: Respective National Statistics Offices

Notes: The dotted lines indicate the targets



Chart 4.2b: Inflation in SADC Countries

Percent



Source: Respective National Statistics Offices

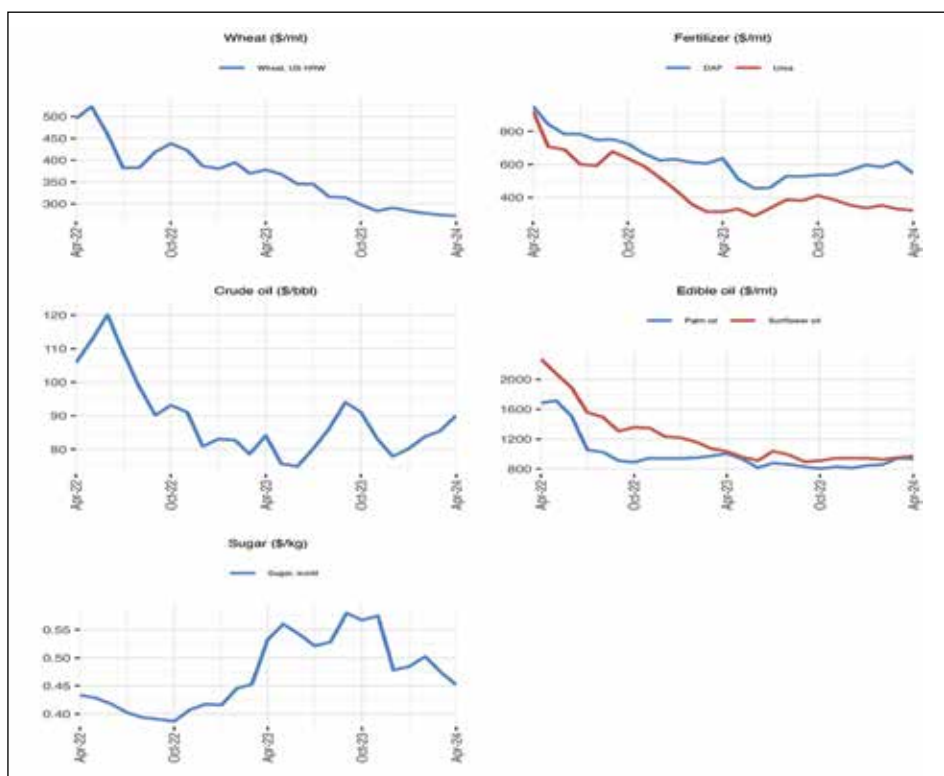
Notes: The dotted lines indicate the targets

Commodity prices in the world market registered a significant decline towards the latter part of 2023/24 compared to the outset (Chart 4.3). Although oil prices moderated, there was an uptick from the beginning of 2024, largely attributed to geopolitical conflicts, OPEC+ production decisions, and demand factors. Gold prices remained generally elevated due to expectations about interest rates cut and a central banks' tendency of gold accumulation as the long-term store of value and a safe haven at times of economic headwinds.



Monetary policy in major advanced economies remained contractionary as policy interest rates were maintained at elevated levels. As a result, borrowing costs remained elevated, and credit conditions were tight for most economies. Many central banks in advanced economies are expected to start lowering rates soon to further stimulate economic growth. The European Central Bank expects to start lowering rates in June 2024, while the US Federal Reserve is poised to delay any rate cuts for some time. The expectation of lower interest rates in advanced economies may raise the level of capital flows to developing economies.

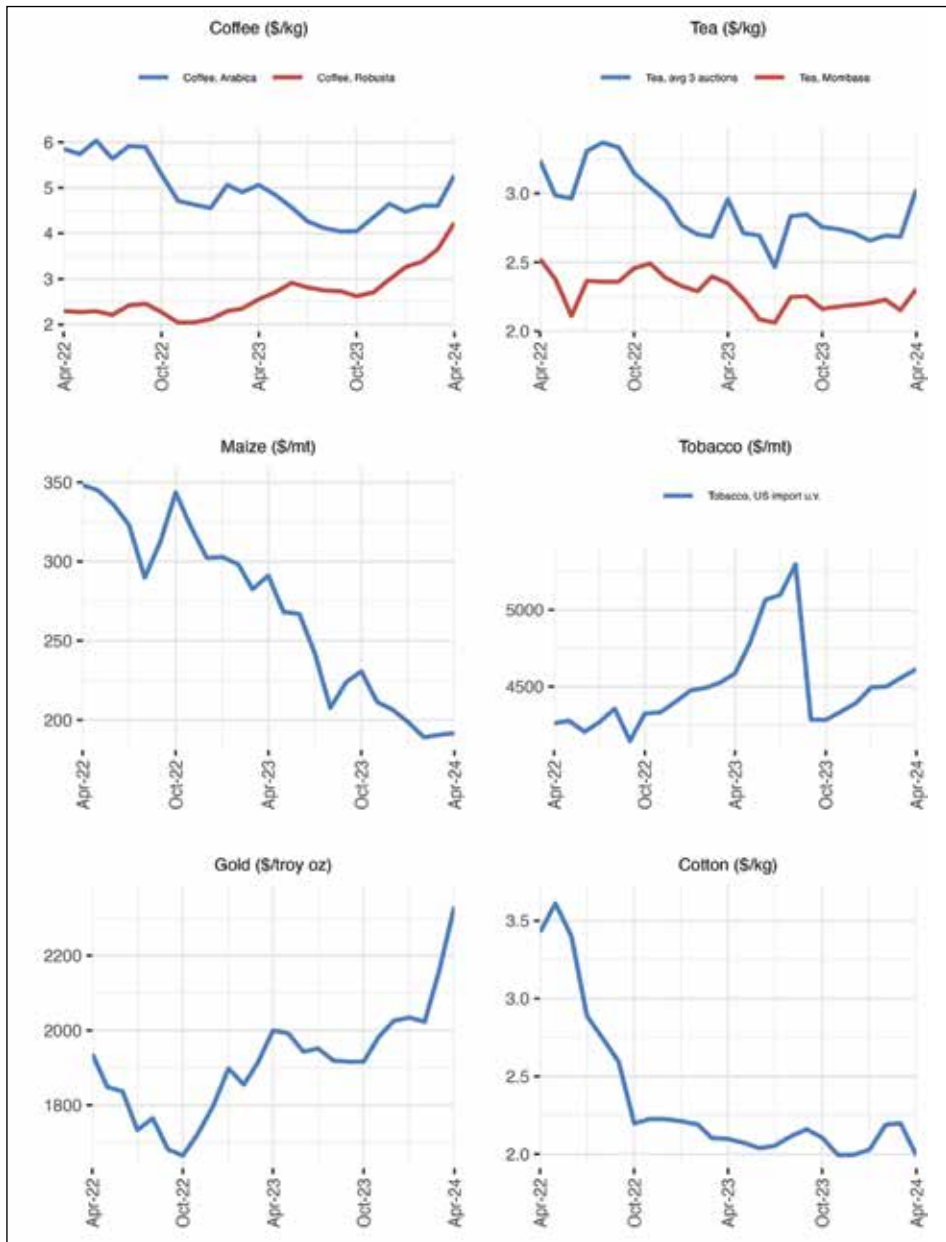
Chart 4.3a: World Market Prices of Import Commodities



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



Chart 4.3b: World Market Prices of Export Commodities



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



PART V

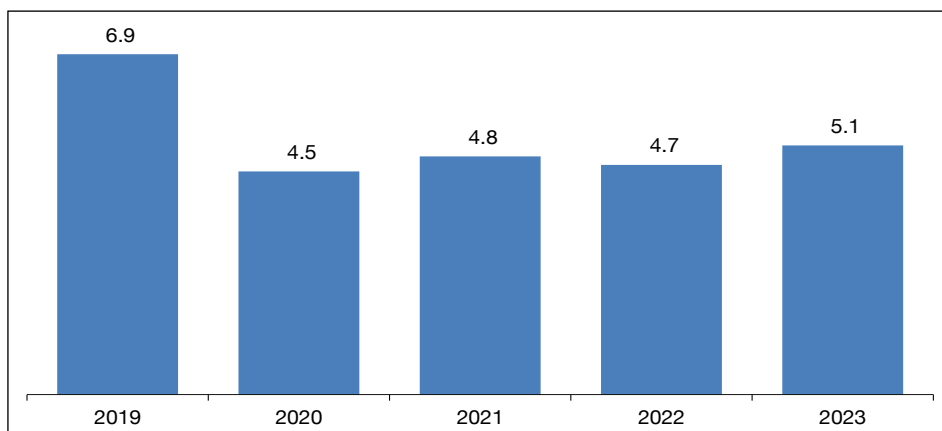
5.0 DOMESTIC ECONOMIC PERFORMANCE

5.1 Economic Performance in Mainland Tanzania

5.1.1 Output Performance

Economic activities improved steadily in 2023 relative to the preceding year on the back of improving the business environment, investment climate, and policies. Output growth was 5.1 percent, higher than the 4.7 percent, largely driven by agriculture, mining and quarrying, and construction activities (Chart 5.1a and Chart 5.1b). Tourism activities, which are interdependent with other sectors of the economy, also contributed to the growth outturn. In terms of the pace of growth, arts, entertainment, and recreation; finance and insurance; mining and quarrying; and accommodation and restaurant (which is mainly tourism) activities were dominant (Chart 5.1c). The leading economic indicators for the first two quarters of 2024 unveil a continued growth path. This positive trend is anticipated to persist, supported by enhancements in the business environment and credit expansion for the private sector.

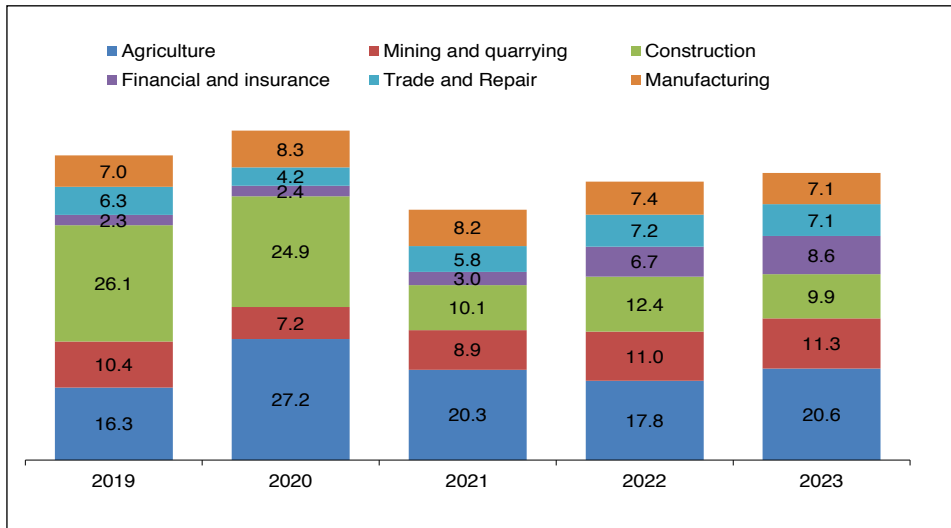
Chart 5.1a: Real GDP growth



Source: National Bureau of Statistics and Bank of Tanzania computations

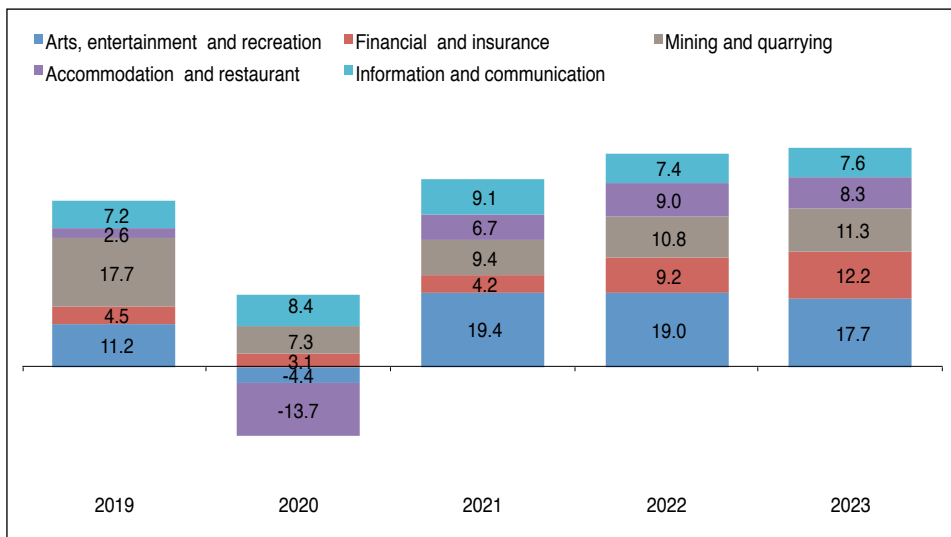


Chart 5.1b: Contribution Growth



Source: National Bureau of Statistics and Bank of Tanzania computations

Chart 5.1c: Growth of Economic Activities



Source: National Bureau of Statistics and Bank of Tanzania computations

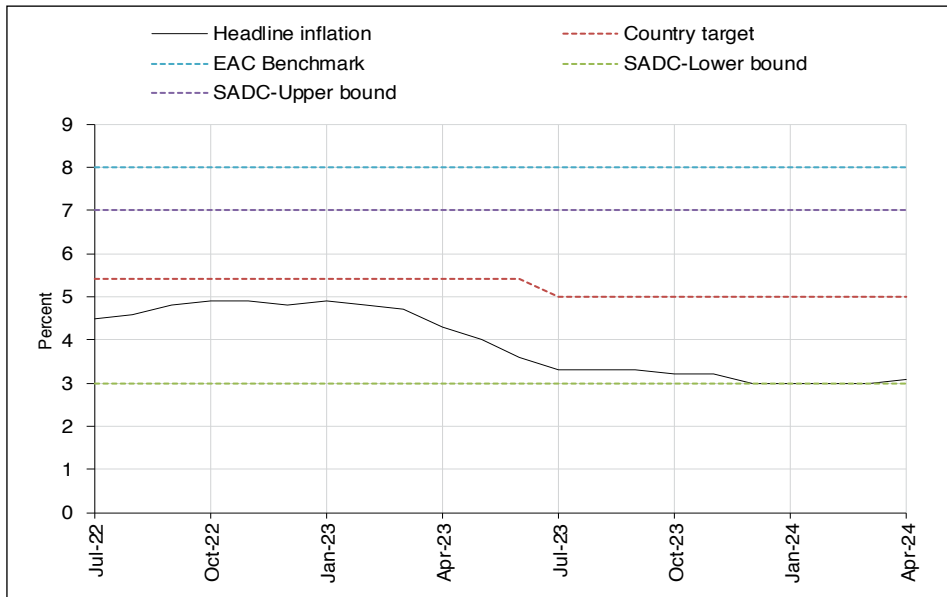


5.1.2 Inflation

Inflation exhibited a downward trend, hovering below the country target of 5 percent, and remained consistent with the EAC and SADC convergence criteria of not more than 8 percent and 3-7 percent, respectively (Chart 5.2a). From July 2023 to April 2024, inflation averaged 3.2 percent, lower than the 4.7 percent recorded in the corresponding period in 2022/23 (Chart 5.2b). The low inflationary environment was largely associated with the implementation of prudent monetary policy, adequate food supply in the country, and moderation in the price increases of some essential imports. Food inflation declined to an average of 3.4 percent, from 8.9 percent in a similar period in 2022/23, while energy, fuel, and utility inflation averaged 4.1 percent, down from 7.2 percent, reflecting price movements in the global market. Notwithstanding, core inflation displayed an upward trend, averaging 3 percent compared with 2.7 percent (Chart 5.2c). This uptick was largely attributable to the pass-through effects of adjustments in domestic energy prices.

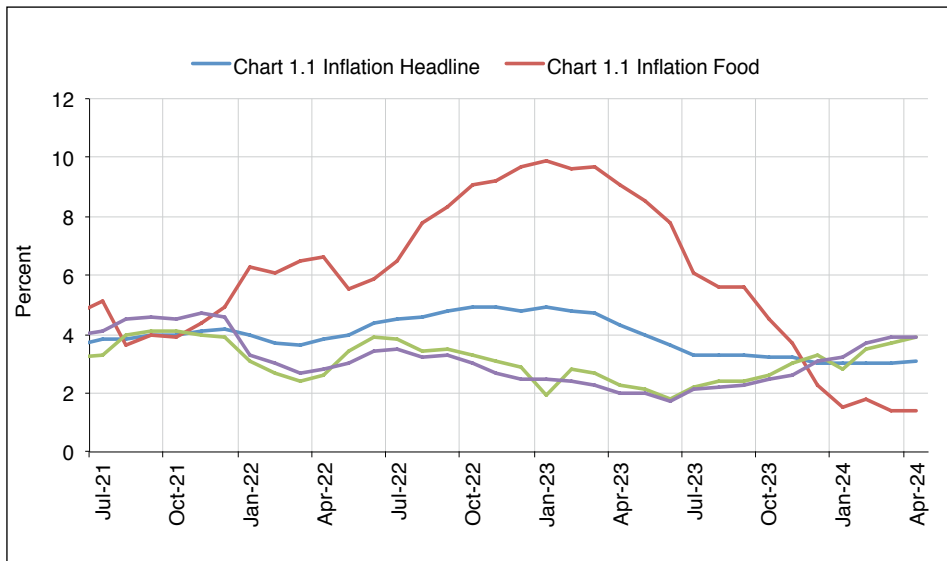


Chart 5.2a: Inflation and Targets



Source: National Bureau of Statistics and Bank of Tanzania computations

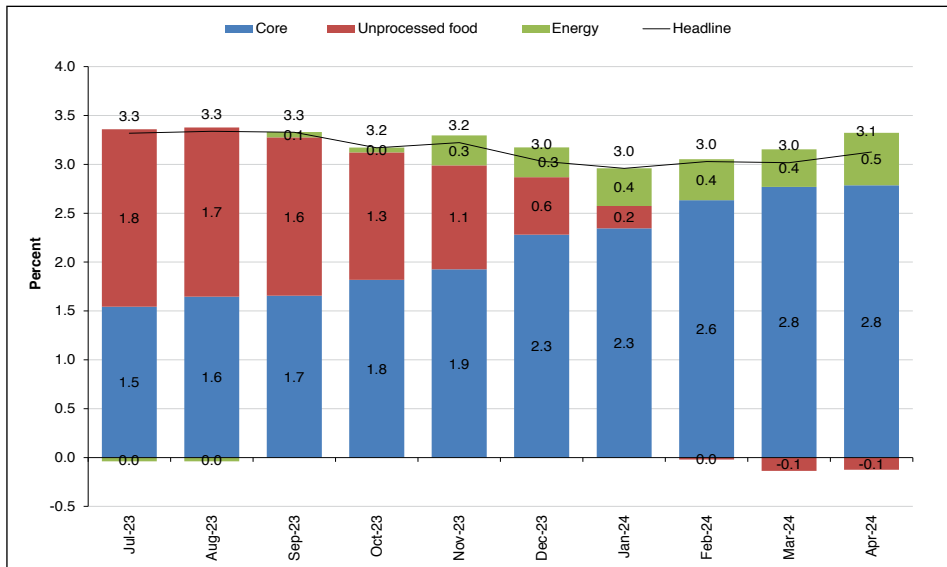
Chart 5.2b: Inflation Developments



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 Government Budgetary Performance

In the first ten months of 2023/24, the fiscal performance of the Mainland Tanzania was satisfactory. Revenue was TZS 24,148.2 billion, 94.1 percent of the estimate for the period (Table 5.1). Tax collection was 97.6 percent of the target, with the outturn associated with improving tax compliance arising from the ongoing awareness campaigns and improving economic activities. Expenditure amounted to TZS 29,544.7 billion, equivalent to 91.0 percent of the estimate, with development expenditure accounting for 41.1 percent of the total spending.



Table 5.1: Summary of Government Budgetary Operations

Billions of TZS

	July 2022-April 2023	July 2023-April 2024		
	Actual	Estimate	Actual	Act/Est (%)
Revenue	21,666.2	25,658.1	24,148.2	94.1
Total expenditure	27,941.1	32,456.2	29,544.7	91.0
Recurrent expenditure ¹	16,298.4	19,898.3	17,401.8	87.5
Development expenditure	11,642.7	12,597.9	12,142.9	96.4

Source: Ministry of Finance and Bank of Tanzania computation

Note: ¹ Net of rollover

5.1.4 Debt Developments

Tanzania's debt remains sustainable in the medium to long term, with a moderate risk of debt distress³. The public debt stood at 30.8 percent of GDP, against the threshold of 55 percent, in net present value (NPV) terms. The central government debt stock, both domestic and external, increased by 3.1 percent to USD 36,210.7 million at the end of April 2024 from the stock recorded at the end of June 2023, resulting from additional borrowing to finance development projects and programs. The external debt remained dominant, accounting for 66.4 percent of the debt stock (Table 5.2a). Much of the central government external debt continued to be owed to multilateral institutions and commercial creditors (Table 5.2b). Most of the borrowed funds from external sources were utilized for transport and telecommunication activities and social welfare and education (Table 5.2c). Domestic debt stock increased by 8.3 percent to TZS 31,339.3 billion at the end of April 2024. Instruments of longer-term maturity (stocks and treasury bonds) continued to dominate the domestic debt portfolio (Table 5.2d). External debt service amounted to USD 1,575.4 million over the period from July 2023 to April 2024, of which about 85.3 percent was made by the central government (Chart 5.3a). Domestic debt service payment amounted to TZS 5,075.5 billion (Chart 5.3b).

³Results are based on the Debt Sustainability Analysis conducted in October 2023.



Table 5.2a: Debt Stock

	<i>Millions of USD</i>		
	Jun-23	Dec-23	Apr-24 ^p
Central government	35,222.6	34,794.3	36,210.7
External debt	22,794.3	22,552.3	24,029.1
% of total central government debt	64.7	64.8	66.4
Domestic debt	12,428.3	12,242.0	12,181.7
Private sector	7,425.2	9,169.8	9,080.6
Public corporations	33.2	11.8	12.8
External debt stock	30,252.7	31,733.9	33,122.4
Total national debt stock	42,681.0	43,975.9	45,304.1

Source: Ministry of Finance and Bank of Tanzania

Note: p denote provisional data

Table 5.2b: External Debt Stock by Creditors

	<i>Millions of USD</i>					
	Jun-23		Dec-23		Apr-24 ^p	
Creditor	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Multilateral	14,724.0	48.7	15,430.5	48.6	16,712.2	50.5
DOD	14,663.3	48.5	15,307.9	48.2	16,589.4	50.1
Interest arrears	60.7	0.2	122.6	0.4	122.8	0.4
Bilateral	2,232.8	7.4	1,366.2	4.3	1,370.4	4.1
DOD	1,114.5	3.7	1,114.4	3.5	1,118.5	3.4
Interest arrears	1,118.3	3.7	251.9	0.8	251.9	0.8
Commercial	8,817.3	29.1	12,259.1	38.6	12,341.7	37.3
DOD	8,053.4	26.6	11,099.6	35.0	11,180.5	33.8
Interest arrears	763.9	2.5	1,159.5	3.7	1,161.1	3.5
Export credit	4,478.6	14.8	2,678.0	8.4	2,698.2	8.1
DOD	4,058.1	13.4	1,953.2	6.2	1,932.1	5.8
Interest arrears	420.5	1.4	724.9	2.3	766.2	2.3
External debt stock	30,252.7	100.0	31,733.9	100.0	33,122.4	100.0

Source: Ministry of Finance and Bank of Tanzania

Note: p denote provisional data



Table 5.2c Disbursed Outstanding Debt by Use of Funds

Activity	Jun-23		Dec-23		Apr-24 ^P	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
BoP and budget support	2,954.0	10.6	3,730.3	12.7	5,220.3	16.9
Transport and telecommunication	5,604.2	20.1	6,580.7	22.3	6,682.4	21.7
Agriculture	1,482.0	5.3	1,527.9	5.2	1,509.0	4.9
Energy and mining	4,225.6	15.2	4,479.4	15.2	4,562.1	14.8
Industries	1,443.2	5.2	1,381.5	4.7	1,371.6	4.5
Social welfare and education	4,534.1	16.3	5,516.7	18.7	5,926.8	19.2
Finance and insurance	978.0	3.5	1,345.0	4.6	1,278.1	4.1
Tourism	409.3	1.5	473.8	1.6	486.9	1.6
Real estate and construction	2,218.3	8.0	1,745.0	5.9	1,675.8	5.4
Other	4,040.6	14.5	2,694.8	9.1	2,107.5	6.8
Total	27,889.3	100.0	29,475.0	100.0	30,820.4	100.0

Source: Ministry of Finance and Bank of Tanzania

Note: BoP denotes balance of payments; p, provisional

Table 5.2d: Domestic Debt by Instruments

Instrument	Jun-23		Dec-23		Apr-24 ^P	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Government securities	24,682.3	85.3	26,072.4	85.0	26,678.6	85.1
Treasury bills	2,129.2	7.4	2,730.6	8.9	2,632.7	8.4
Government stocks	252.7	0.9	187.1	0.6	187.1	0.6
Government bonds	22,300.2	77.1	23,154.6	75.5	23,858.7	76.1
Tax certificates	0.1	0.0	0.1	0.0	0.1	0.0
Non-securitized debt	4,244.8	14.7	4,606.4	15.0	4,660.7	14.9
Other liabilities*	18.4	0.1	18.4	0.1	18.4	0.1
Overdraft	4,226.4	14.6	4,588.0	15.0	4,642.3	14.8
Domestic debt stock (excluding liquidity papers)	28,927.1	100.0	30,678.9	100.0	31,339.3	100.0

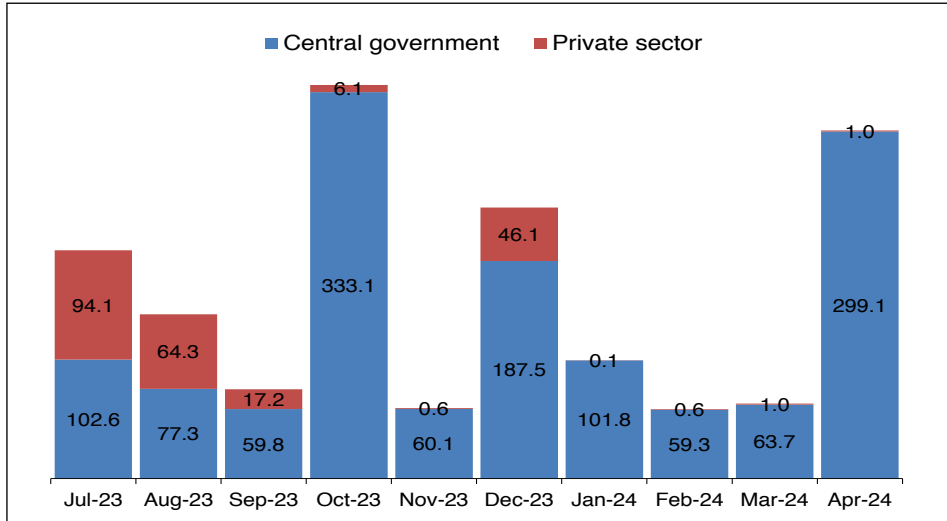
Source: Ministry of Finance and Bank of Tanzania

Note: p, provisional data and * includes commercial loan and duty drawbacks



Chart 5.3a: External Debt Service

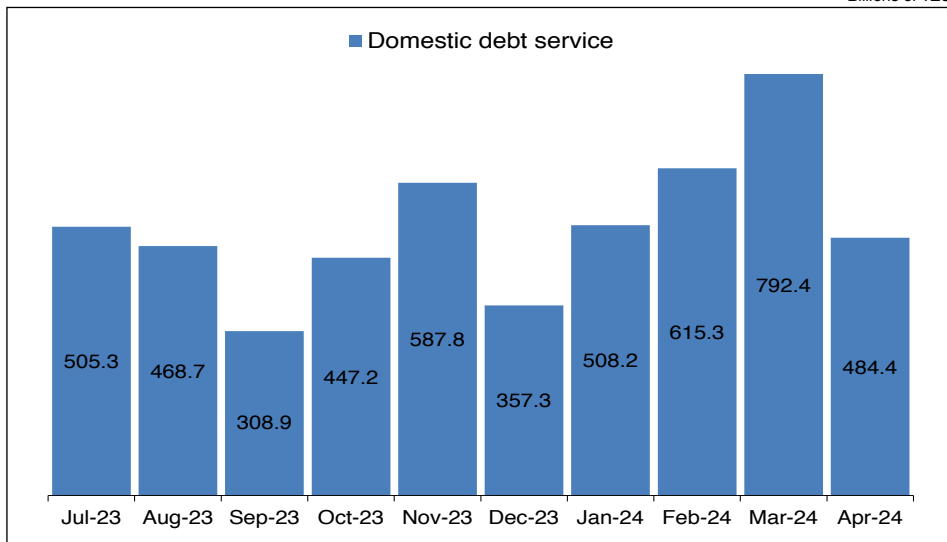
Millions of USD



Source: Ministry of Finance and Bank of Tanzania

Chart 5.3b: Domestic Debt Services

Billions of TZS



Source: Ministry of Finance and Bank of Tanzania



5.1.5 External Sector Performance

The external sector continues to improve, despite facing strong headwinds from global shocks⁴. The current account deficit narrowed by more than half to USD 1,908.2 million in July 2023 to April 2024 compared with the deficit recorded during the same period in 2022/23 (Table 5.3). Exports of goods and services rose by 15.8 percent to USD 12,314.7 million, with much of the increase emanating from travel, which mainly comprises tourism; gold; and traditional exports (Table 5.4). Tourism recovered fully from its pre-pandemic level, growing by 30 percent in 2023, owing to an increase in per capita expenditure and number of tourist arrivals. Tourist arrivals continue to be dominated by traditional markets, including the United States, Italy, the United Kingdom, France, and Germany. With respect to goods exports, gold exports increased by 9.5 percent to USD 2,592.9 billion, mainly on account of the price effect. Traditional exports also performed more than expected, growing by 42.7 percent to USD 1,001.3 million, mostly driven by exports of tobacco, cashew nuts and coffee.

⁴ The global economic shocks emanating from geopolitical conflicts, tensions and tightening monetary policy in advanced economies, continued tight financial conditions in international markets, and climate change-related challenges in advanced economies



Table 5.3: Current Account Balance

				Millions of USD	
	Annual			July - April	
	2021	2022	2023 ^p	2022/23	2023/24 ^p
Goods account (net)	-3,247.1	-6,984.9	-6,032.3	-6,099.9	-4,981.8
Exports*	6,756.2	7,223.8	7,696.6	6,092.3	6,583.7
Imports	-10,003.4	-14,208.7	-13,728.9	-12,192.2	-11,565.5
Services account (net)	1,510.7	2,296.6	3,956.1	2,365.7	3,829.3
Receipts	3,117.7	4,762.0	6,285.9	4,541.8	5,730.9
Payments	-1,607.0	-2,465.4	-2,329.8	-2,176.1	-1,901.7
Goods and services (net)	-1,736.4	-4,688.3	-2,076.2	-3,734.2	-1,152.5
Exports of goods and services	9,874.0	11,985.8	13,982.5	10,634.1	12,314.7
Imports of goods and services	-11,610.4	-16,674.1	-16,058.7	-14,368.3	-13,467.2
Primary income account (net)	-1,191.6	-1,393.2	-1,505.7	-1,164.9	-1,254.6
Receipts	102.5	183.9	189.8	155.0	166.3
Payments	-1,294.2	-1,577.1	-1,695.5	-1,319.9	-1,420.9
Secondary income account (net)	553.7	599.3	646.0	492.0	498.9
Inflows	640.1	716.5	791.9	587.5	646.9
o/w General government	104.7	76.4	111.8	40.9	74.3
Outflows	-86.4	-117.2	-145.9	-95.6	-147.9
Current account balance	-2,374.3	-5,482.2	-2,935.9	-4,407.2	-1,908.2

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p denotes provisional data; o/w, of which; and * include adjustment for unrecorded exports

Table 5.4: Export Performance of Selected Goods and Services

				Millions of USD	
	Annual			July - April	
	2021	2022	2023 ^p	2022/23	2023/24 ^p
Traditional exports	627.9	766.5	953.3	701.8	1,001.3
Non-traditional	6,128.3	6,457.3	6,743.2	5,390.6	5,582.4
o/w Gold	2,737.1	2,835.1	3,058.9	2,368.5	2,592.9
Manufactured goods	1,200.0	1,419.2	1,363.3	1,166.4	1,162.1
Horticultural products	378.6	289.6	417.2	262.0	379.2
Services	3,117.7	4,762.0	6,285.9	4,541.8	5,730.9
o/w Travel	1,310.3	2,527.8	3,373.8	2,472.1	3,102.5
Transport	1,558.1	1,872.0	2,426.0	1,713.4	2,173.8
Export of goods and services	9,874.0	11,985.8	13,982.5	10,634.1	12,314.7

Source: Tanzania Revenue Authority and Bank of Tanzania

Note: p denotes provisional data

Imports of goods and services decreased by 6.3 percent to USD 13,467.2 million during July 2023-April 2024 over the same period in 2022/23. Much of the decline was observed in intermediate goods imports, specifically refined white petroleum products, industrial



supplies, and fertilizers. Refined white petroleum products declined by 15.1 percent to USD 2,367.4 million, primarily ascribed to the price effect, which dropped by 16.3 percent (Table 5.5). The fertilizer import bill fell by 51.2 percent to USD 274.6 million, largely on account of reduced prices in the world market, coupled with a decline in the volume imported following increased domestic production and the availability of stocks from the previous crop season. A large part of the increase was observed in imports of electrical machinery, iron and steel and transport equipment (household), which was consistent with the growth of economic activities.

Table 5.5: Tanzania Imports by Major Category

	<i>Millions of USD</i>				
	Annual			July - April	
	2021	2022	2023p	2022/23	2023/24p
Capital	1,710.6	2,594.0	2,893.4	2,418.3	2,362.2
O/w Machinery and mechanical appliances	734.4	1,128.9	1,242.7	1,036.7	921.2
Industrial transport equipment	477.1	823.2	937.2	831.1	813.8
Intermediate	7,100.1	10,231.0	9,389.1	8,646.0	8,041.2
Industrial supplies	3,375.7	4,780.1	4,307.1	3,902.2	3,702.2
O/w Iron and steel and articles thereof	882.5	1,092.4	1,105.6	816.9	1,060.1
Fertilisers	189.2	500.8	413.6	565.9	274.6
Fuel and lubricants	2,044.3	3,482.9	2,915.7	2,979.4	2,552.7
o/w Refined white products	1,942.5	3,314.8	2,725.8	2,787.5	2,367.4
Food and beverages for industrial use	586.1	717.9	828.8	690.3	721.7
O/w Wheat grain	204.9	302.4	418.8	313.7	281.9
Edible oil and its fractions not refined	200.1	132.0	163.4	134.7	125.2
Sugar for industrial use	109.6	135.6	125.4	118.1	122.5
Consumer	1,190.4	1,381.5	1,444.2	1,126.1	1,160.3
Food and beverages mainly for household consumption	167.5	182.0	240.1	193.9	147.6
Other consumer goods	908.9	1,040.1	1,062.4	804.9	885.6
O/w Pharmaceutical products	333.8	342.9	307.0	249.2	239.8
Textiles apparels	46.2	58.2	57.2	39.8	38.3
Footwear and other products	43.7	51.9	51.0	41.7	44.5
Paper and paper products	24.3	26.8	26.7	21.6	26.6
Total	10,003.4	14,208.7	13,728.9	12,192.2	11,565.5

Source: Tanzania Revenue Authority and Bank of Tanzania

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



5.1.6 Financial Sector Performance

The financial sector was stable and resilient to short-term shocks, with all indicators hovering within the desirable thresholds. The banking sector, which comprises the largest share of the financial sector, was adequately capitalized, liquid and profitable, leveraging technology in delivering financial services. The core capital adequacy ratio was 19.4 percent, above the minimum regulatory requirement of 10 percent. The quality of assets of banks improved, as the ratio of non-performing loans to gross loans decreased to 4.3 percent in April 2024 from 5.3 percent in June 2023, below the tolerable level of 5 percent. The decline in non-performing loans is expected to incentivize lending to the private sector and reduce the cost of borrowing. The Bank implemented measures to further reduce non-performing loans. The measures included regulatory reforms to strengthen risk management practices in the banking sector. Specifically, banks were required to improve credit underwriting standards, implement strategies to reduce non-performing loans and submit credit information to the credit reference system. Additionally, banks were required to adhere to the Tanzania Banker's Association Code of Conduct, which includes strengthening staff integrity.

5.1.7 Payment Systems

Operations of Systemically Important Payment Systems (SIPS) were smooth, and the modernization of national payment systems to increase efficiency and reliability continued. The Bank also introduced caps on transaction fees for the Tanzania Interbank Settlement System (TISS) at TZS 10,000 and interbank transfers and Electronic Fund Transfers (EFT) at TZS 2,000 to ensure the affordability of digital financial services. Additionally, the Bank continued with efforts to lower reliance

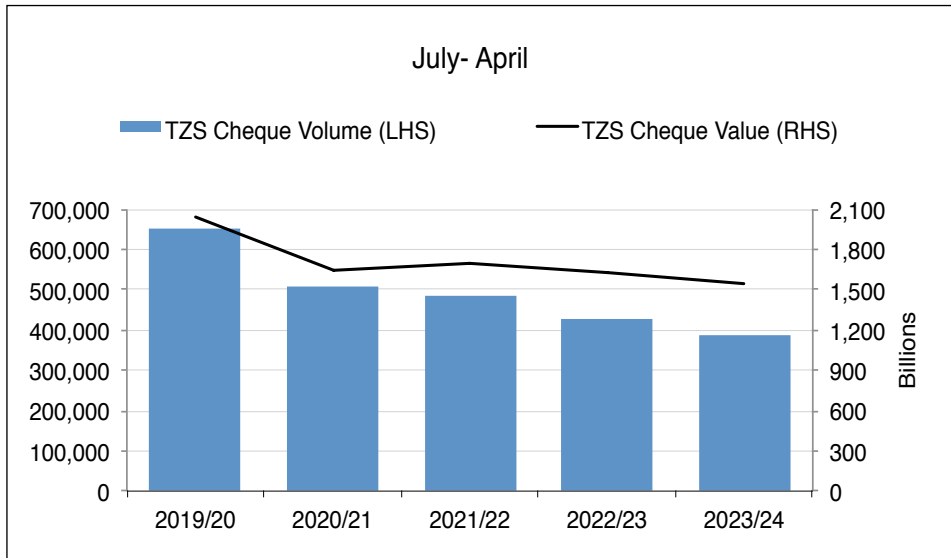


on cash transactions by approving several merchant aggregators and monitoring payment systems and providers. Furthermore, the onboarding process of participants into the Tanzania Instant Payment (TIPS) continued, and several use cases, such as personal-to-personal, personal-to-business, wallet-to-bank, and bank-to-wallet transactions, were facilitated.

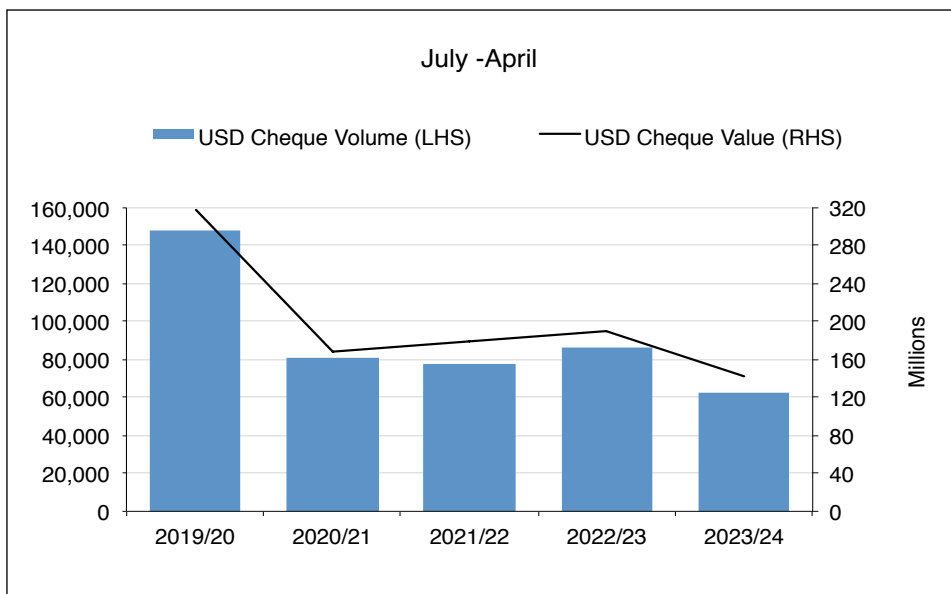
A notable adoption and usage of digital payment was observed, with an increased appetite for Electronic Fund Transfer (EFT) transactions and a decrease in cheque transactions. The volume of Shilling-denominated cheque transactions processed through the Tanzania Automated Clearing House (TACH) declined by 9.93 percent, while the USD-denominated cheques decreased by 27.28 percent. The corresponding values decreased by 4.92 percent and 25.26 percent, respectively (Chart 5.4). 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 35.18 percent following a reduction of costs for merchant payments, withdrawals, and fund transfers (Chart 5.5).



Chart 5.4 TACH Cheque Transactions



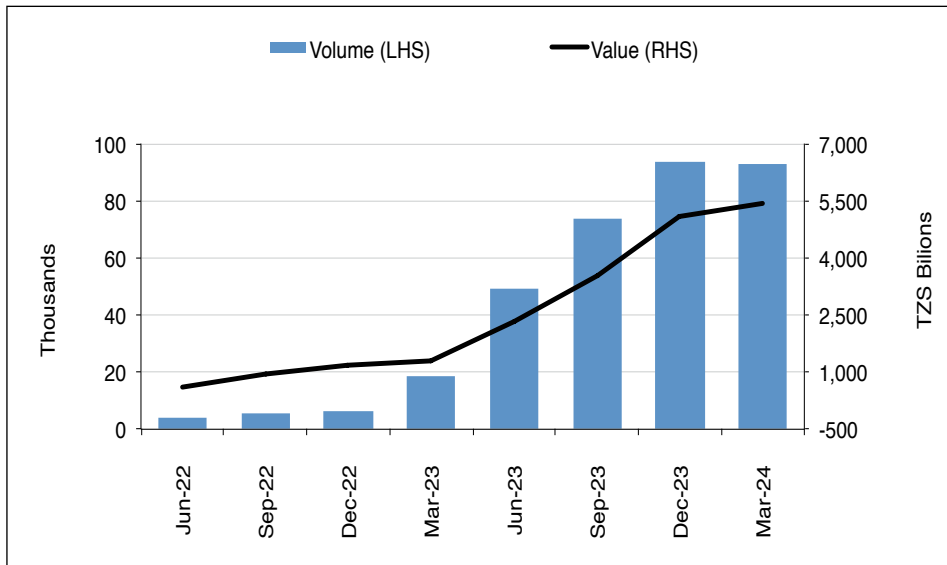
Source: Bank of Tanzania



Source: Bank of Tanzania

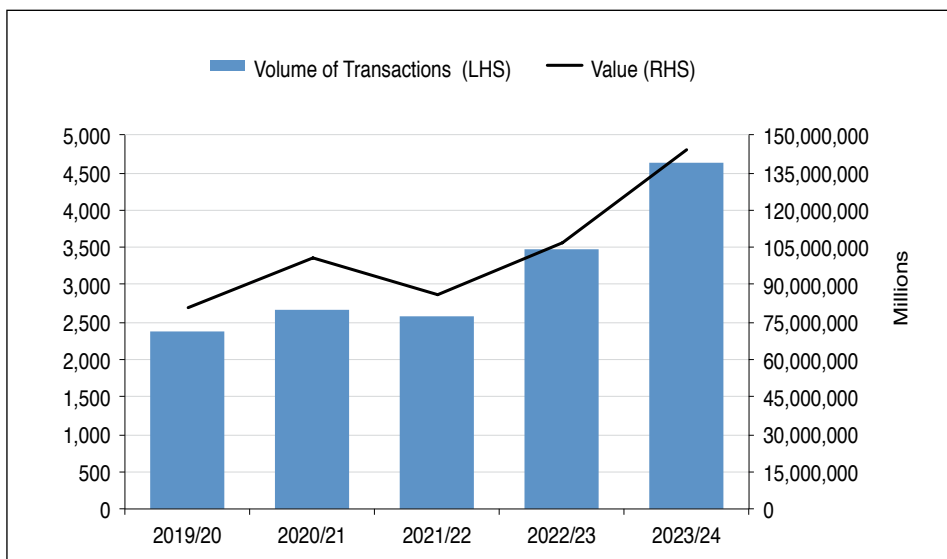


Chart 5.5a: Tanzania Instant Payment Systems Transactions



Source: Bank of Tanzania

Chart 5.5b Mobile Payments



Source: Bank of Tanzania

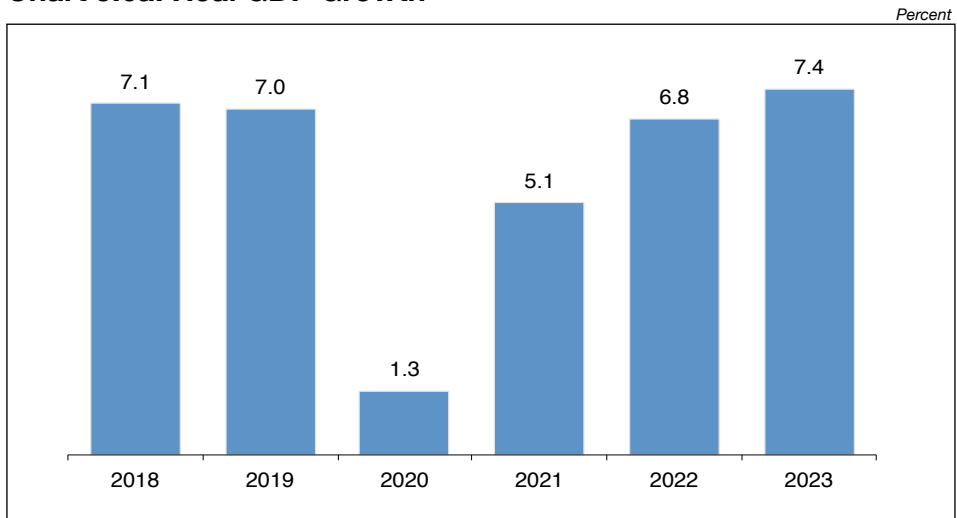


5.2 Economic Developments in Zanzibar

5.2.1 Output Performance

Zanzibar economic performance in 2023 was satisfactory, recording a growth of 7.4 percent compared with 6.8 percent in 2022 (Chart 5.6a). The growth was backed by accommodation and food services—mainly tourism, construction, livestock and real estate activities, and crops (Chart 5.6b).

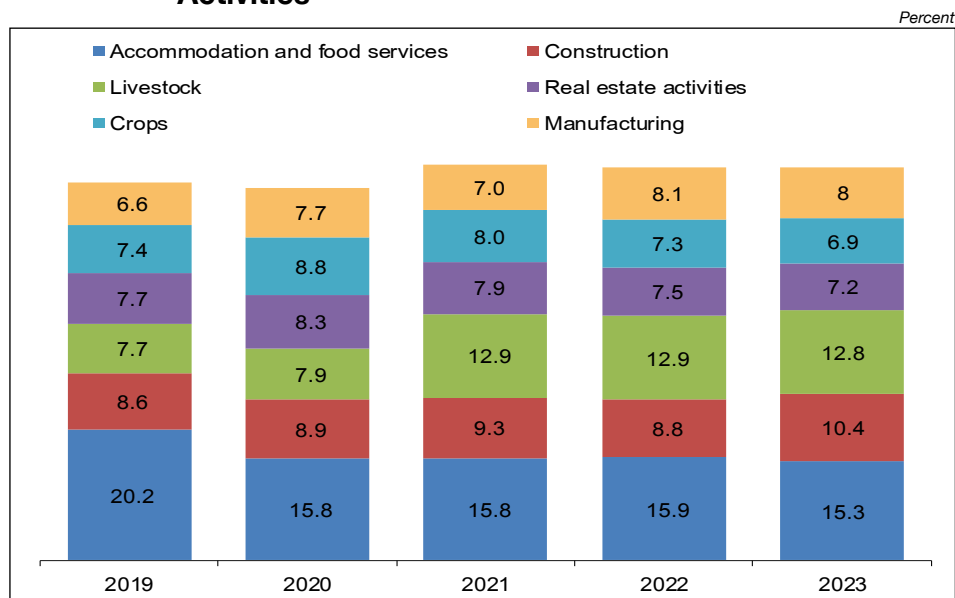
Chart 5.6a: Real GDP Growth



Source: Office of the Chief Government Statistician



Chart 5.6b: Contribution to Real GDP Growth by Major Economic Activities



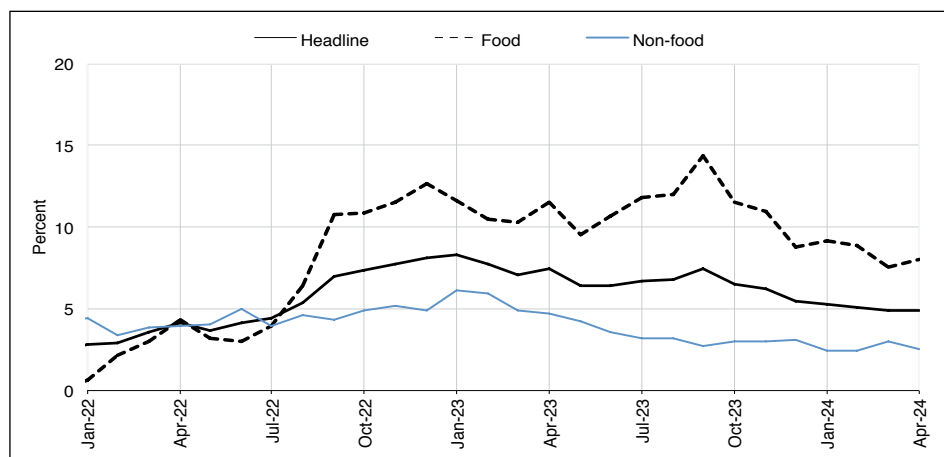
Source: Office of the Chief Government Statistician

5.2.2 Inflation

Zanzibar headline inflation eased, although it remained slightly above the country's medium target of 5 percent. In the period between July 2023 and April 2024, headline inflation averaged 5.9 percent, a decline from an average of 7.1 percent in the corresponding period in 2022/23. The moderate inflationary pressure stems from a decline in non-food inflation. Non-food inflation averaged 2.9 percent, lower than 5.0 percent in the similar period in 2022/23. The decrease was on account of the easing of global commodity prices, in particular oil (Chart 5.7). Conversely, food inflation edged up to 10.3 percent from 10 percent.



Chart 5.7: Annual Headline, Food and Non-food Inflation



Source: Office of the Chief Government Statistician, Zanzibar

5.2.3 Government Budgetary Operations

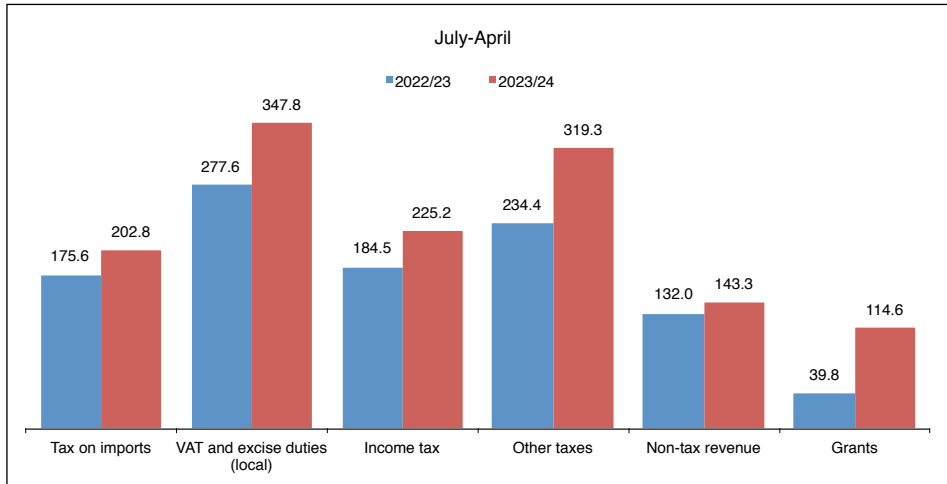
The Government resource envelope, which combines domestic revenue and grants, amounted to TZS 1,353.1 billion from July 2023 to April 2024, surpassing the target for the period by 5 percent. Out of the resources, domestic revenue was TZS 1,238.5 billion, equivalent to 99.7 percent of the target, while grants were TZS 114.6 billion. Tax revenue was TZS 1,095.1 billion, above the target by 2.9 percent. This outturn is on account of strengthened tax administration and compliance. Meanwhile, non-tax revenue was TZS 143.3 billion, equivalent to 80.3 percent of the target (Chart 5.8a).

Government expenditure was TZS 1,693.9 billion, of which recurrent expenditure was TZS 986.7 billion, and the balance was for development expenditure. Domestic financing of development projects was TZS 571.4 billion, while foreign financing was TZS 135.9 billion (Chart 5.8b). The fiscal deficit after grants was TZS 455.5 billion, financed through both domestic and foreign borrowings.



Chart 5.8a: Government Resources

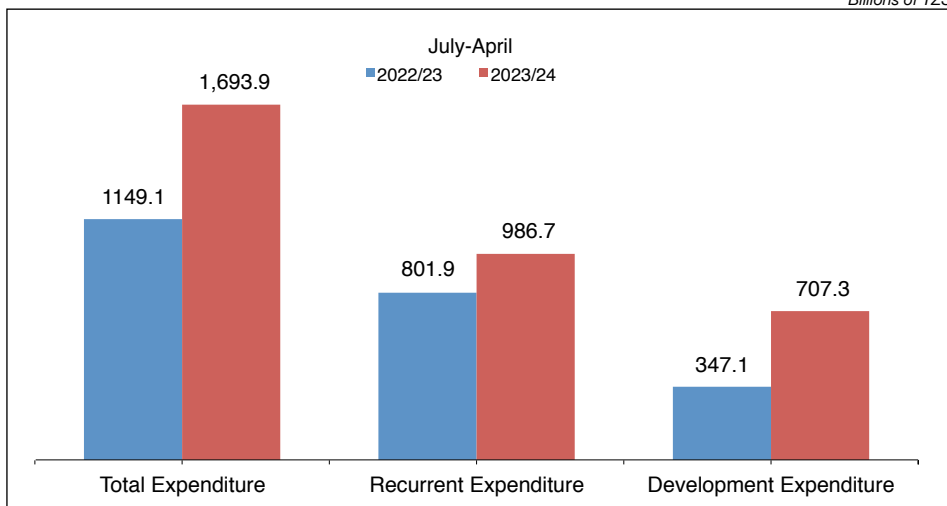
Billions of TZS



Source: Ministry of Finance and Planning, Zanzibar

Chart 5.8b: Government Expenditure

Billions of TZS



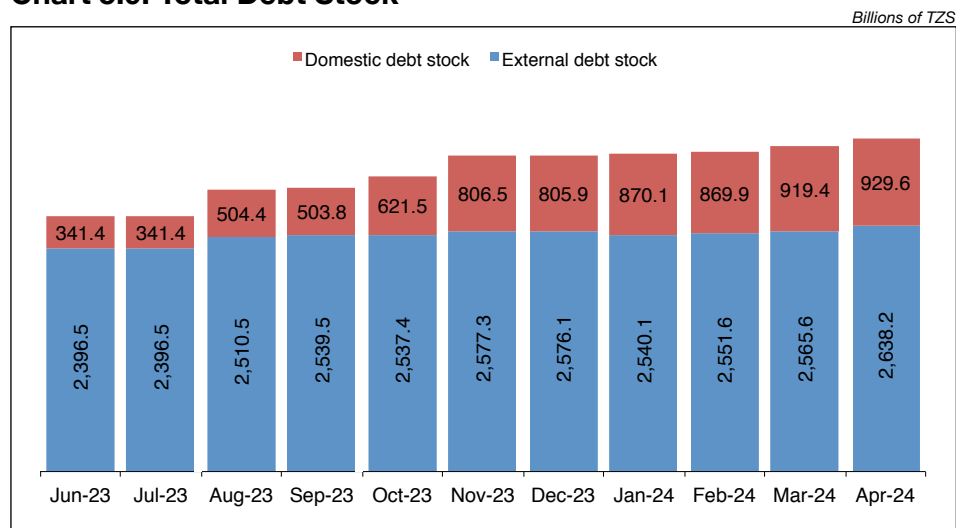
Source: Ministry of Finance and Planning, Zanzibar



5.2.4 Debt Developments

The debt stock was TZS 3,567.9 billion at the end of April 2024, compared with TZS 2,737.9 billion registered at the end of June 2023. Of the debt stock, external debt was TZS 2,638.2 billion (USD 1,025.5 million), higher than TZS 2,396.5 billion at the end of June 2023. The increase was due to additional borrowings and exchange rate depreciation. Domestic debt stock also increased to TZS 929.6 billion from TZS 341.4 billion on account of new borrowing through government securities and from public institutions (Chart 5.9).

Chart 5.9: Total Debt Stock



Source: Ministry of Finance and Planning, Zanzibar

5.2.5 External Sector Performance

The current account balance improved to a surplus of USD 484.6 million during the first ten months of 2023/24 from a surplus of USD 396.3 million in the corresponding period in 2022/23 (Table 5.6). The outturn was mainly attributed to an increase in service receipts, particularly



from tourism. Exports of goods and services increased by 9.9 percent to USD 976.3 million, largely due to an increase in service receipts following the recovery of the hospitality industry (Chart 5.10a). Service receipts, in particular tourism, accounted for around 94 percent of the total exports of goods and services. Imports of goods and services also increased by 0.5 percent to USD 503.8 million. Much of the increase emanated from imports of transport equipment, food and foodstuffs, and building and construction materials (Chart 5.10b).

Table 5.6: Zanzibar Current Account

	Millions of USD				
	Year ending April			July - April	
Item	2022	2023	2024 ^p	2023	2024 ^p
Goods account (net)	-279.2	-425.7	-414.9	-358.6	-361.0
Exports	87.4	64.8	87.4	61.5	61.3
Imports (fob)	366.6	490.5	502.2	420.2	422.4
Services account (net)	560.1	817.3	923.3	745.9	833.5
Receipts ^r	631.9	910.9	1,020.3	827.0	914.9
Payments	71.8	93.6	97.0	81.0	81.4
Goods and services (net)	280.9	391.6	508.4	387.3	472.5
Exports of goods and services	719.4	975.7	1,107.7	888.5	976.3
Imports of goods and services	438.4	584.1	599.2	501.2	503.8
Primary income account (net)	3.5	7.5	12.1	8.1	10.6
Receipts	6.7	11.1	17.7	11.0	15.5
Payments	3.2	3.6	5.6	2.9	4.9
Secondary income (net)	10.2	1.1	1.7	0.9	1.5
Inflows	14.9	1.9	3.0	1.5	2.6
Outflows	4.7	0.8	1.2	0.6	1.1
Current account balance	294.6	400.2	522.2	396.3	484.6

Source: Tanzania Revenue Authority and Bank of Tanzania computations

Note: p denotes provisional data



Chart 5.10a: Export of Goods and Services

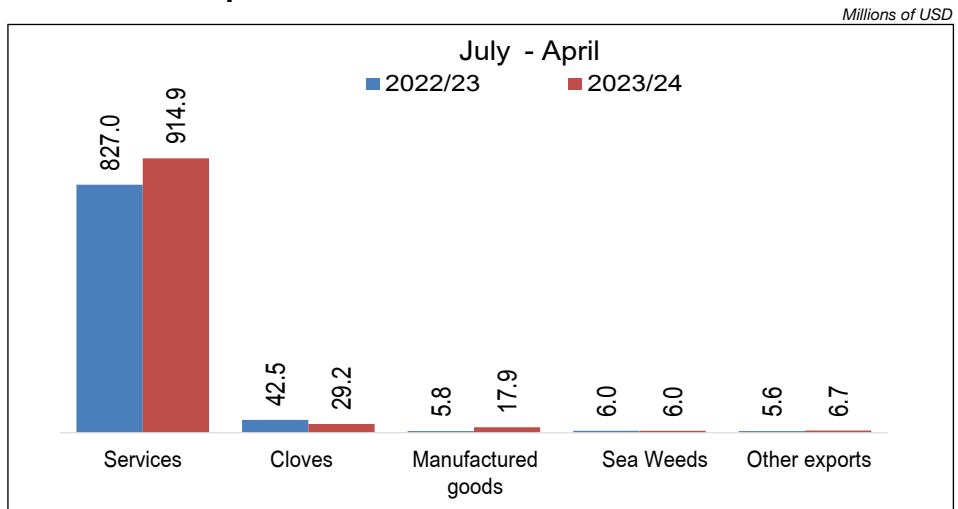
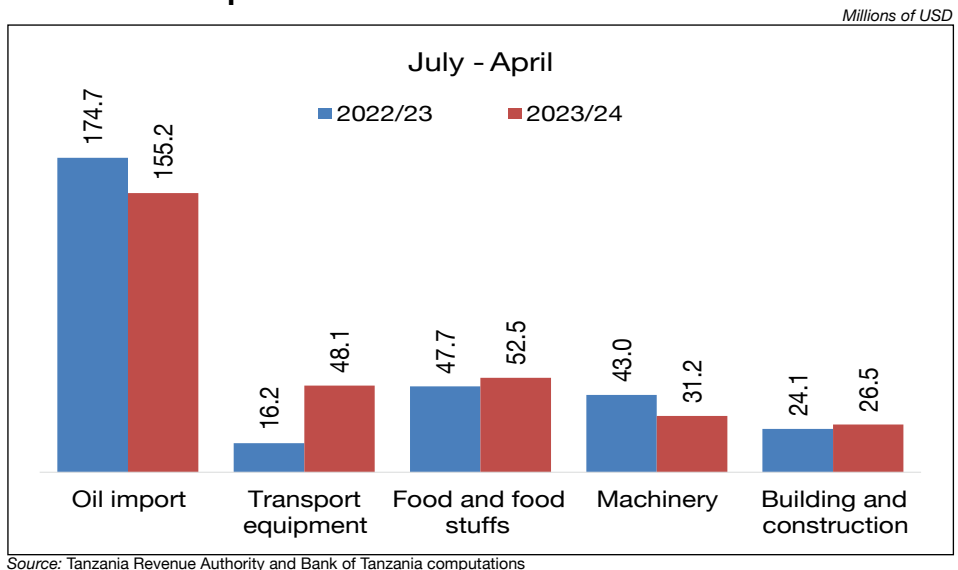


Chart 5.10b: Imports of Goods





PART VI

6.0 GLOBAL AND DOMESTIC ECONOMIC OUTLOOK

6.1 Global Economic Outlook

Global economic activity is expected to improve. The IMF World Economic Outlook issued in April 2024 forecasted a growth of 3.2 percent during 2024 and 2025, an upward adjustment of 0.1 percentage points from the projections released in January 2024 due to the expected easing of monetary policy and commodity prices in the world market. The growth in advanced, emerging markets and sub-Saharan African economies is projected to improve⁵. The projections stem from the subsiding negative effects of weather shocks and improvements in the supply chain. The downside risks include volatility in energy prices, geopolitical conflicts, and persistent monetary policy tightening. Global inflation is expected to continue easing at the back of tight monetary policy and normalization of the global supply chain. This trend is also expected to prevail in the EAC and SADC countries due to policy actions and adequate food supply. The upward risk to inflation outlook remains on OPEC+ production decisions and geopolitical conflicts.

6.2 Domestic Economic Outlook

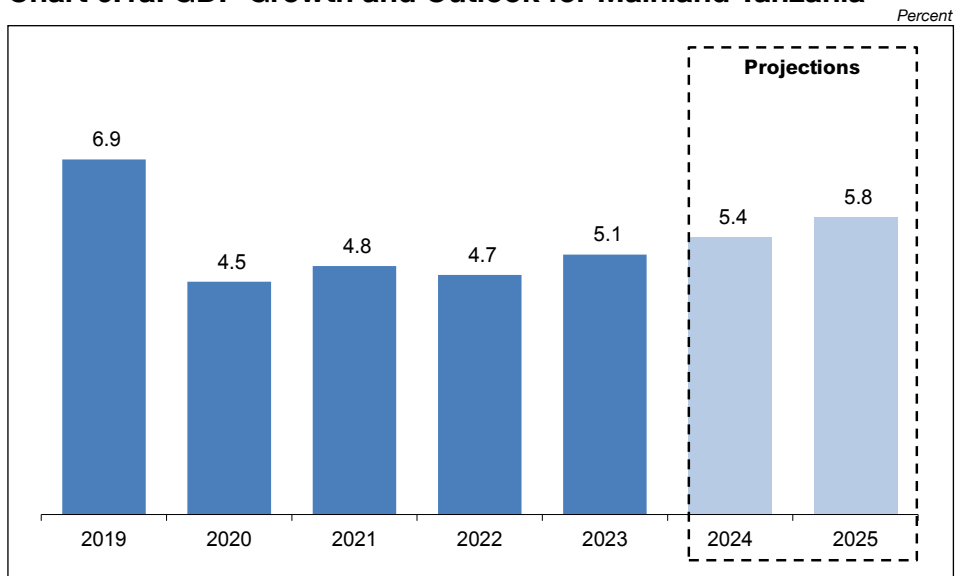
The economy is projected to sustain its recovery trajectory, supported by expected improvements in both global and domestic environments. In 2024 and 2025, growth in Mainland Tanzania is projected at 5.4 percent and 5.8 percent, respectively. This growth is expected to be driven mainly by agriculture, construction, and mining and quarrying activities. Growth in agriculture will be driven by favourable

⁵Growth in sub-Saharan Africa is expected to pick up to 3.8 percent in 2024 and 4 percent in 2025.



weather and policies aimed at improving the agricultural value chain. Construction will be largely supported by investment in infrastructure, while mining and quarrying will be driven by the expansion of existing mines and new investment in rare earth metals. In Zanzibar, the economy is projected to grow by 7.2 percent in 2024 and 6.8 in 2025, mainly attributable to tourism, construction, and manufacturing activities. The slight slowdown in growth reflects the completion of major construction projects. Inflation is projected to remain within the medium target of less than 5 percent due to adequate food supply in the country, stabilization of power supply, and prudent monetary and fiscal policies. The risks to the inflation outlook are exchange rate depreciation, geopolitical conflicts, and OPEC+ production decisions.

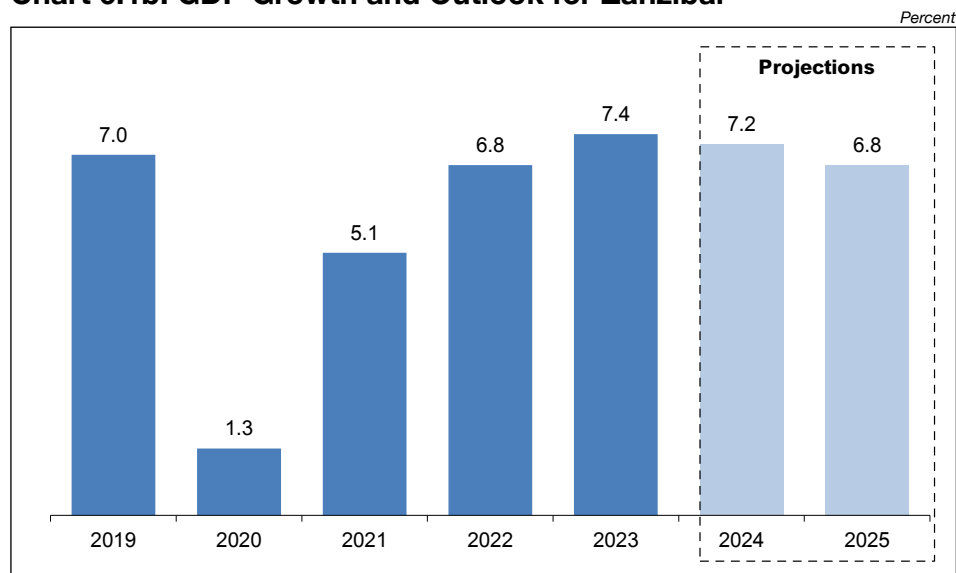
Chart 6.1a: GDP Growth and Outlook for Mainland Tanzania



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



Chart 6.1b: GDP Growth and Outlook for Zanzibar



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

The current account is projected to continue improving, reaching the pre-pandemic historical levels of around 3.2 percent of GDP in the medium term. In 2024/25, the improvement in the current account is expected to be driven by an increase in exports, particularly gold due to the favorable prices in the world market, and agricultural crops owing to favorable weather and initiatives to improve productivity and marketing. Tourism earnings are also projected to remain high. Imports are projected to increase moderately, in line with strategies of increasing export and import substitution. The upside risks to the projection lay on OPEC+ production decisions and the escalation of geopolitical conflicts, which might increase the price of oil in the world market.



PART VII

7.0 MONETARY POLICY STANCE, INTEREST RATE AND EXCHANGE RATE POLICIES FOR 2024/25

7.1 Monetary Policy Stance

Monetary policy will continue focusing on achieving the inflation target of 5 percent and facilitating the economic growth of 5.4 percent in 2024 and 5.8 percent in 2025 for Mainland Tanzania, and 7.2 percent and 6.8 percent for Zanzibar. The stance of monetary policy for 2024/25 will be relatively tight, responding to the path-through effects of the recent exchange rate depreciation and high oil prices on inflation. The Bank will execute this policy stance using the interest rate-based monetary policy framework. In line with this, the Bank will review the Central Bank Rate (CBR) on a quarterly basis and use monetary policy instruments to steer the 7-day IBCM rate close to the CBR. Meanwhile, the Bank will enhance public awareness of the interest rate-based monetary policy framework, issue quarterly Monetary Policy Committee (MPC) reports, MPC Statements, and publish the MPC Meeting Calendar. In addition, the Bank will continue implementing reforms in the financial sector, including measures to enhance efficiency in the distribution of liquidity amongst banks, financial stability, and inclusion. These measures are expected to help improve monetary policy transmission and effectiveness.

7.2 Interest Rate Policy

Interest rates will continue to be determined by market forces. The interest rate-based monetary policy framework is expected to guide interest rate determination and improve monetary policy transmission.



Against this backdrop, the Bank will continue engaging stakeholders in implementing reforms in the financial sector, as well as enhancing consumer protection, financial literacy, and financial inclusion.

7.3 Exchange Rate Policy and Foreign Reserves

The exchange rate will continue to be market-determined and a primary means of insulating the economy from external shocks. The Bank of Tanzania will participate in the interbank foreign exchange market (IFEM) in accordance with the Foreign Exchange Intervention Policy⁶. To improve trading activity in the market and ensure orderly conditions, participants shall adhere to the IFEM Code of Conduct. In addition, the Bank of Tanzania shall continue to maintain adequate foreign reserves as a buffer against external shocks. The ongoing implementation of the measures to address the foreign currency shortage is expected to ensure the adequacy of foreign reserves. Furthermore, the easing of monetary policy in advanced economies is expected to increase foreign currency liquidity, especially the US dollar, thereby reducing pressures on foreign reserves and exchange rate.

⁶ The Foreign Exchange Intervention Policy can be accessible at <https://www.bot.go.tz/Adverts/PressRelease/en/2023122815403196.pdf>



APPENDICES



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

Economic Activity	2018	2019	2020 ^f	2021 ^f	2022 ^f	2023 ^p
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
FISIM	7.1	7.1	5.2	4.6	4.8	5.2
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



Table 2: Zanzibar GDP Growth Rates by Economic Activity

Economic activity	Real Growth by Economic Activities (Percent)						Percent
	2018	2019	2020 ^f	2021 ^f	2022 ^p	2023 ^p	
Agriculture, forestry and fishing	3.7	2.6	3.3	2.6	4.0	2.3	
Crops	3.7	-5.8	1.3	2.2	6.1	2.8	
Livestock	7.7	17.0	8.2	3.0	2.3	-4.3	
Forestry and hunting	0.3	3.8	-4.4	4.0	2.9	6.4	
Fishing	1.0	3.3	3.5	2.3	3.0	8.1	
Industry	3.8	10.6	5.2	5.1	9.3	6.6	
Mining and quarrying	13.3	-1.7	-6.0	9.9	9.1	10.4	
Manufacturing	2.1	20.5	6.5	1.1	8.1	6.9	
Electricity and gas	5.1	5.2	-3.2	8.0	22.3	12.4	
Water supply and sewerage	2.8	12.9	2.0	6.9	7.0	4.6	
Construction	4.1	3.1	6.5	8.9	10.2	5.5	
Services	10.2	8.6	7.4	6.9	7.7	9.9	
Trade and repairs	8.0	9.1	1.0	14.9	4.2	12.6	
Transport and storage	9.4	4.7	-6.6	9.3	3.8	9.2	
Accommodation and food services	17.6	11.5	-12.7	6.6	11.7	8.2	
Accommodation	17.0	11.8	-11.3	6.5	12.3	7.8	
Food and beverage services	20.3	10.0	-18.9	7.5	9.0	9.8	
Information and communication	3.4	5.5	-3.2	-16.3	2.5	-10.8	
Financial and insurance activities	4.4	3.1	2.2	9.9	3.7	54.6	
Real estate activities	6.4	6.6	6.8	7.0	7.1	7.2	
Professional, scientific and technical	5.2	-2.9	1.1	5.0	1.4	3.5	
Administrative and support services	4.9	6.9	-4.6	6.6	-1.5	17.0	
Public administration	5.5	11.7	13.2	5.3	8.2	2.1	
Education	7.0	7.5	9.7	-0.3	9.8	3.7	
Human health and social work	2.3	2.5	1.4	2.4	8.9	15.8	
Arts, entertainment and recreation	19.3	3.3	-4.9	1.1	1.9	33.8	
Other service activities	14.2	2.0	12.9	6.9	6.2	8.8	
Domestic services	3.2	3.2	3.2	3.2	2.9	2.6	
Less FISM	-10.2	2.6	11.7	2.8	6.5	38.1	
Taxes on products	3.8	1.6	1.6	1.2	3.0	5.9	
GDP at market prices	7.1	7.0	1.3	5.1	6.8	7.4	

Source: Office of Chief Government Statistician, Zanzibar



Table 3: Mainland Tanzania Annual Inflation

	Weight (%)	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Food and non-alcoholic beverages	28.2	9.1	8.5	7.8	6.1	5.6	5.6	4.5	3.7	2.3	1.5	1.8	1.4	1.4
Alcoholic beverages and tobacco	1.9	0.8	1.5	1.7	3.8	3.7	3.6	3.5	4.1	4.1	4.1	4.2	4.3	4.0
Clothing and footwear	10.8	2.8	3.3	3.5	3.4	3.4	3.0	3.0	3.3	3.2	2.8	2.7	2.4	2.1
Housing, water, electricity, gas and other fuel	15.1	0.3	0.8	1.1	1.2	1.4	1.3	1.0	2.8	4.0	4.9	5.0	4.8	5.2
Furnishings, household equipment and routine household maintenance	7.9	3.1	2.9	2.5	2.7	4.1	3.9	3.4	3.6	3.6	3.3	3.5	3.6	3.3
Health	2.5	1.8	1.7	1.3	1.9	2.1	1.7	1.7	1.4	1.3	1.8	2.1	2.1	2.0
Transport	14.1	4.3	1.3	-0.4	0.4	0.6	1.0	3.1	2.9	3.3	3.3	2.9	4.4	5.1
Information and communication	5.4	1.7	1.8	1.9	2.1	2.1	1.7	1.4	1.3	1.3	1.0	1.9	1.9	1.8
Recreation, sport and culture	1.6	1.8	1.9	1.9	2.2	2.5	2.7	2.8	3.4	3.5	3.8	3.6	3.4	3.3
Education services	2.0	3.3	3.7	3.3	3.3	3.3	3.5	3.5	3.5	3.5	2.7	2.8	2.8	2.8
Restaurants and accommodation services	6.6	3.2	4.8	5.1	5.1	5.1	5.4	4.9	4.5	4.3	5.0	4.6	4.1	4.1
Insurance and financial services	2.1	-0.4	-0.4	-0.4	0.2	0.2	0.1	0.6	0.6	0.6	0.7	1.0	1.6	1.5
Personal care, social protection and miscellaneous goods and services	2.1	1.6	1.7	2.6	3.9	4.0	3.9	3.6	3.5	4.5	7.1	7.1	7.3	7.5
All items-(headline inflation)	100.0	4.3	4.0	3.6	3.3	3.3	3.3	3.2	3.2	3.0	3.0	3.0	3.0	3.1
Other selected groups														
Core	73.9	2.0	2.0	1.7	2.1	2.2	2.3	2.5	2.6	3.1	3.2	3.7	3.9	3.9
Non-core	26.1	10.7	9.4	8.7	6.6	6.4	6.3	5.0	5.0	3.2	2.2	1.4	0.9	1.4
Energy, fuel and utilities	5.7	0.4	-1.1				0.9	0.8	5.3	5.1	6.6	7.2	6.6	9.3
Services	37.2	2.6	2.2	1.6	2.1	2.2	2.2	2.7	2.6	3.2	3.4	3.0	3.3	3.3
Goods	62.8	5.3	5.0	4.7	4.0	4.0	4.0	3.4	3.7	3.1	2.7	3.0	2.8	3.1
Education services and products ancillary to education	4.1	2.0	2.3	2.3	3.0	3.1	3.1	3.1	3.2	3.6	3.0	2.9	3.0	3.1
All items less food and non-alcoholic beverages	71.8	2.3	2.1	1.8	2.2	2.4	2.4	2.6	3.0	3.3	2.8	3.5	3.7	3.9

Source: National Bureau of Statistics



Table 4: Zanzibar Annual Inflation

Items	Weights (%)	Percent													
		Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Headline	100.0	7.1	7.5	6.4	6.5	6.7	6.8	7.5	6.5	6.3	5.5	5.3	5.1	4.9	4.9
Food	41.9	10.3	11.5	9.5	10.7	11.8	12.0	14.4	11.6	10.9	8.8	9.2	8.9	7.6	8.0
Non-food	58.6	4.9	4.8	4.3	3.6	3.2	3.2	2.7	3.0	3.0	3.2	2.5	2.4	3.0	2.6
Alcoholic beverages, tobacco and narcotics	0.2	0.0	0.0	0.0	0.7	0.7	11.7	0.7	0.7	0.7	0.7	4.8	23.8	23.8	23.8
Clothing and footwear	6.3	2.4	3.7	3.5	3.0	3.1	0.7	2.4	2.6	2.4	2.1	0.0	3.3	3.6	1.3
Housing, water, electricity, gas and other fuels	25.8	3.0	3.7	3.7	2.4	1.4	3.2	1.2	1.8	1.8	2.4	2.5	1.4	2.3	2.1
Furnishings, household equipment and routine household maintenance	4.8	8.6	6.7	6.1	7.1	7.5	1.7	7.3	6.3	5.5	5.4	3.0	3.1	3.4	2.9
Health	1.3	11.9	12.3	13.1	10.4	10.3	8.2	9.6	7.5	7.0	6.2	9.5	0.4	-1.2	-1.5
Transport	9.1	14.8	11.5	9.3	7.0	5.5	10.5	5.5	6.6	7.5	6.7	2.5	2.6	3.5	4.0
Information and communication	4.2	0.8	1.1	1.1	1.1	1.0	5.5	0.7	0.7	0.7	1.2	11.2	0.8	1.1	1.4
Recreation, sport and culture	1.1	-3.5	0.3	-1.3	-1.3	-0.8	1.0	7.1	7.3	7.2	3.5	1.7	8.5	8.6	4.4
Education	1.6	3.4	3.4	3.4	3.4	14.5	7.1	3.7	5.1	5.1	5.1	3.8	2.1	2.1	2.3
Restaurants and accommodation services	1.4	1.7	1.7	1.9	1.2	1.3	3.7	-2.3	-3.0	-3.0	-1.3	0.0	11.3	11.3	11.3
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	0.0
Personal care, social protection and miscellaneous goods and services*	1.7	1.3	3.8	3.7	2.2	2.2	2.3	1.9	2.7	2.7	2.5	3.6	4.7	5.3	2.9

Source: Office of Chief Government Statistician, Zanzibar

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

Table 5: Monetary Statistics

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Net foreign assets (NFA) of the banking system	8,635.9	7,811.0	10,455.1	10,789.2	10,934.9	10,121.6	9,380.5	9,970.8	11,302.4	10,376.1	10,242.9	11,635.0	10,091.9
NFA of the Bank of Tanzania	10,000.6	9,513.8	11,333.3	11,384.6	11,288.4	10,646.8	9,986.2	10,644.3	12,079.3	11,263.9	11,025.8	11,981.8	10,896.0
Net international reserves (Millions of USD)	4,881.2	4,695.9	5,446.1	5,338.9	5,208.3	4,880.4	4,615.0	4,850.6	5,450.1	5,107.1	4,971.5	5,327.1	4,885.8
NFA of the banks	-1,364.7	-1,702.9	-878.2	-615.4	-353.5	-525.2	-605.7	-673.5	-776.9	-887.8	-782.9	-346.8	-804.1
Banks NFA (Millions of USD)	-589.9	-734.2	-377.1	-256.2	-144.6	-211.6	-244.0	-269.3	-370.6	-352.8	-307.7	-135.5	-312.5
Net domestic assets of the banking system	31,325.6	32,368.6	31,729.8	31,872.6	32,203.2	33,019.5	33,575.4	33,614.1	32,700.1	33,381.3	33,726.5	32,892.0	34,226.6
Domestic claims	40,193.8	40,893.6	41,586.2	41,468.8	41,885.0	42,586.6	43,884.1	43,431.5	44,384.1	44,991.7	44,991.7	44,916.3	
Claims on central government (net)	11,490.9	11,732.5	11,750.6	11,408.8	11,276.2	11,795.4	12,667.7	12,666.4	11,353.9	12,003.5	12,331.0	10,876.6	11,169.8
Claims on central government	20,141.7	21,585.1	19,213.5	19,424.7	20,048.7	21,276.8	22,443.1	22,889.7	22,799.1	23,125.4	23,440.9	22,328.7	23,125.5
Ow Securities held by banks	8,681.4	8,789.6	8,853.5	8,980.5	8,988.0	9,026.2	8,979.3	8,851.5	8,641.5	8,412.8	8,681.6	8,513.8	8,167.2
Liabilities to central government	8,650.8	8,852.6	7,462.9	8,015.9	8,772.6	9,481.4	9,775.4	10,223.3	11,445.2	11,121.9	11,110.0	11,452.1	11,955.8
Claims on the private sector	28,702.9	29,161.2	29,835.6	30,060.0	30,608.8	30,791.3	31,216.4	31,872.6	32,057.6	32,380.6	32,660.7	33,340.5	33,746.5
Ow Extended in Shillings	20,531.0	21,018.8	21,684.6	22,278.2	22,918.0	23,117.9	23,504.6	23,761.3	24,154.1	24,428.4	24,726.5	25,047.0	25,729.0
Extended in foreign currency	8,171.9	8,142.4	8,150.9	7,781.8	7,690.8	7,673.4	7,711.8	8,111.3	7,903.5	7,952.2	7,934.2	8,293.5	8,017.5
Equivalent in millions of USD	3,533.6	3,515.0	3,508.8	3,330.4	3,164.9	3,112.1	3,106.3	3,255.7	3,164.7	3,169.3	3,139.1	3,257.4	3,117.3
Other items net	-8,868.2	-8,525.0	-9,856.3	-9,596.2	-9,881.8	-9,567.2	-10,308.7	-10,824.9	-10,711.3	-11,002.8	-11,265.2	-11,325.1	-10,689.7
Extended broad money supply (M3)	39,961.5	40,179.6	42,185.0	42,641.8	43,138.1	43,141.0	42,955.9	43,584.9	44,002.6	43,757.4	43,969.4	44,527.0	44,318.4
Foreign currency deposits (FCD)	8,912.7	8,836.9	9,591.3	9,830.1	9,851.5	9,715.9	9,486.3	10,148.5	10,000.8	9,980.5	10,132.6	10,397.3	10,483.7
FCD (Millions of USD)	3,854.0	3,814.8	4,128.8	4,207.0	4,054.1	3,940.5	3,825.1	4,073.4	4,004.6	3,981.7	4,009.0	4,083.6	4,080.0
Broad money supply (M2)	31,048.8	31,342.7	32,593.7	32,811.7	33,286.6	33,425.2	33,459.6	33,436.4	34,001.7	33,766.9	33,836.7	34,129.6	33,824.8
Other deposits	11,800.6	12,056.4	12,241.3	12,306.6	12,514.7	12,813.9	12,891.0	13,148.6	13,400.1	13,272.7	13,290.2	13,266.6	13,561.2
Narrow money supply (M1)	19,248.3	19,286.2	20,352.4	20,505.1	20,771.9	20,611.2	20,588.6	20,886.8	20,601.6	20,494.2	20,546.6	20,863.0	20,263.6
Currency in circulation	5,424.8	5,646.0	6,161.5	6,347.7	6,460.7	6,475.9	6,316.8	6,373.1	6,486.4	6,108.1	6,083.9	6,325.7	6,147.0
Transferable deposits	13,823.5	13,640.2	14,190.9	14,157.4	14,311.2	14,135.3	14,251.8	13,913.7	14,115.2	14,386.1	14,462.7	14,537.3	14,116.6
Memorandum items													
Reserve money	9,463.3	9,590.1	10,850.7	10,194.8	10,392.8	9,943.7	9,825.2	10,066.5	10,099.8	10,411.9	10,138.1	10,185.5	10,066.6
Banks' reserves	3,028.0	2,945.4	3,658.6	2,746.0	2,877.8	2,411.2	2,413.1	2,644.3	2,444.5	3,221.1	3,036.4	2,907.0	2,835.7
Currency outside Bank of Tanzania ¹	6,435.3	6,644.7	7,192.0	7,448.8	7,515.1	7,532.5	7,412.1	7,422.2	7,655.3	7,190.8	7,101.7	7,278.5	7,230.9
Average reserve money	9,408.4	9,665.5	9,797.4	10,203.2	10,356.9	10,387.8	10,162.1	9,965.8	10,183.6	10,261.1	10,401.5	10,534.6	10,305.9
Nominal exchange rate (end of period) (TZS/USD)	2,312.6	2,323.0	2,336.8	2,430.0	2,366.5	2,430.0	2,482.6	2,491.4	2,509.1	2,527.5	2,527.5	2,546.1	2,572.0
Gross official reserves (Millions of USD)	4,881.2	4,695.9	5,446.1	5,338.9	5,208.3	4,880.4	4,615.0	4,850.6	5,450.1	5,107.1	4,971.5	5,327.1	4,885.8
Foreign assets of banks (Millions of USD)	1,088.9	1,221.5	1,333.3	1,623.3	1,713.9	1,795.8	1,680.1	1,623.3	1,623.3	1,623.3	1,623.3	1,745.9	1,389.2
Gross foreign assets of the banking system (Millions of USD)	5,970.1	5,917.4	6,779.3	6,962.2	6,922.2	6,676.1	6,295.1	6,479.1	7,112.4	6,730.6	6,644.4	7,073.1	6,275.0
Annual growth rates (%)													
Stock of reserve money	9.0	12.2	17.0	12.2	5.5	3.9	0.9	7.6	3.7	9.8	8.0	10.3	6.4
Average reserve money	8.0	9.6	8.1	9.2	4.6	6.1	3.3	2.7	7.4	6.0	10.0	12.0	9.5
Extended broad money supply (M3)	17.2	17.5	18.8	21.3	17.4	14.5	12.4	13.7	14.1	12.8	13.1	13.8	10.9
Broad money supply (M2)	15.6	17.8	18.0	18.2	15.9	14.0	12.2	11.8	11.9	11.1	11.0	11.9	8.9
Credit to the private sector	22.5	22.5	21.3	20.8	21.0	19.5	17.9	18.3	17.1	17.7	16.8	16.8	17.6

Source: Bank of Tanzania





Table 6: Capital and Money Market Interest Rates

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Percent													
Interbank cash market rates													
Overnight	4.12	3.25	3.92	3.94	4.35	4.64	5.36	5.70	6.56	6.75	6.35	6.20	6.51
2 to 7 days	4.88	5.11	5.28	5.13	5.36	5.50	6.00	6.46	6.89	7.29	7.20	7.17	7.04
Overall interbank cash market rate	4.92	5.02	5.25	5.06	5.24	5.46	5.90	6.36	6.81	7.27	7.20	7.10	7.02
Lombard rate	6.18	4.87	5.89	5.91	6.53	6.96	8.04	8.55	9.84	7.50	7.50	7.50	8.00
Repo rate	2.82	2.96	2.80	2.70	2.91	2.43	2.43	2.43	2.43	2.43	2.43	5.30	5.30
Treasury bills rates													
182 days	5.00	5.20	5.80	5.89	6.84	7.15	7.56	8.73	9.40	9.30	8.93	8.61	8.45
364 days	6.72	6.98	7.14	7.02	7.03	7.72	8.73	9.49	10.51	11.81	12.25	11.82	10.38
Overall Treasury bills rate	6.65	6.65	6.48	6.56	6.92	7.44	8.43	9.34	10.48	11.76	12.21	11.65	10.33
Treasury bonds rates													
2 years	9.13	9.13	9.13	9.53	9.53	9.59	9.59	11.64	11.64	11.64	11.64	11.64	11.64
5 years	9.67	9.85	9.85	9.85	10.09	10.09	10.09	10.09	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	11.05	11.22	11.22	11.22	11.51	11.51	11.88	11.88	11.85	12.03	12.03	12.03	12.30
15 years	11.63	11.63	11.96	11.96	11.96	12.34	12.34	12.34	12.75	12.75	13.66	13.66	13.66
20 years	12.85	12.85	13.08	13.08	13.08	13.08	13.08	13.51	13.51	13.51	15.83	15.51	15.24
25-year	13.01	13.23	13.60	13.60	13.81	13.81	13.81	13.81	14.39	14.39	14.39	16.79	16.13
Bank Rate	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	5.50	5.50	5.50	6.00

Source: Bank of Tanzania



Table 7: Commercial Banks' Interest Rates

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Percent													
A: Domestic currency													
Savings deposit rate	1.60	1.60	1.66	1.68	1.68	1.69	2.45	2.56	2.60	2.69	2.54	2.70	2.70
Overall time deposits rate	6.79	6.91	7.08	6.85	6.91	6.85	7.05	7.64	7.45	7.40	7.39	7.55	7.43
6 months	8.22	7.49	7.72	7.90	8.08	7.95	7.66	8.46	9.14	9.13	9.07	9.15	9.12
12 months	7.70	8.34	8.68	8.70	8.93	8.98	9.00	9.16	8.92	9.15	9.06	8.94	8.21
Negotiated deposit rate	9.46	9.24	8.82	9.08	9.04	9.29	9.24	9.15	9.19	9.56	9.52	9.59	9.33
Overall lending rate	15.91	15.96	16.02	15.56	15.73	15.53	15.49	15.38	15.44	15.39	15.44	15.51	15.34
Short-term (up to 1 year)	16.55	16.60	17.10	16.30	17.01	16.07	15.93	15.63	15.94	15.82	16.10	16.17	15.93
Medium-term (2-3 years)	15.92	16.11	15.99	14.79	14.59	14.86	14.98	14.90	15.82	15.92	15.80	16.05	15.79
Long-term (3-5 years)	15.57	15.54	15.68	15.61	15.68	15.59	15.67	15.45	15.48	15.39	15.51	15.42	15.37
Negotiated lending rate	13.65	13.02	13.11	13.19	13.31	13.37	13.26	13.29	13.38	13.44	13.40	13.46	13.95
B: Foreign currency													
Deposits rates													
Savings deposits rate	0.08	0.07	0.05	0.04	0.04	0.00	0.01	0.02	0.04	0.04	0.04	0.91	0.79
Overall time deposits rate	3.10	3.28	3.34	3.43	3.75	3.51	3.67	3.78	3.67	3.40	3.73	3.82	3.77
6-months	3.75	3.70	3.78	3.81	3.90	2.55	3.69	3.65	3.95	3.41	3.65	3.88	4.39
12-months	3.59	3.03	3.44	3.28	4.08	4.24	4.18	4.47	4.43	4.58	4.47	4.64	4.49
Overall lending rate	7.33	7.46	7.77	7.89	7.82	8.11	7.71	7.82	7.64	7.72	8.13	8.17	4.05
Short-term (up to 1 year)	9.06	9.25	9.16	9.51	9.53	9.58	9.69	9.08	8.93	9.46	9.11	9.60	8.25
Medium-term (1-2 years)	5.18	5.41	6.92	7.06	6.91	7.45	7.08	6.99	7.04	6.90	7.71	7.77	2.34
Medium-term (2-3 years)	7.40	7.53	7.68	8.12	7.64	8.00	8.05	8.21	8.21	8.14	8.44	8.35	3.07
Long-term (3-5 years)	7.67	7.86	7.46	6.44	6.57	7.05	6.26	7.28	6.53	6.67	7.09	6.49	2.32

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 (tonne)	Coffee Arabica (kg)	Coffee Robusta (kg)	Tea average (kg)	Tea Mombasa (kg)	Palm oil (USD per tonne)	Wheat (hard) (USD per tonne)	Tobacco (USD per tonne)	Cotton, A index (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	106.5	1,094.1	5.6	2.2	3.3	2.4	1,056.6	382.5	4,268.4	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	383.5
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	4,325.3	2.2	725.0	636.3	1,684.5	343.6	431.0	386.9
Nov-22	87.4	91.1	88.3	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	78.8	847.6	4.6	2.0	2.9	2.4	940.4	386.3	4,399.3	2.2	625.0	519.4	1,787.6	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	380.4	4,475.6	2.2	631.0	443.8	1,837.7	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	384.8	4,492.3	2.2	612.5	357.5	1,854.5	286.2	492.0	446.0
Mar-23	76.5	78.5	77.5	809.3	4.9	2.3	2.7	2.4	972.1	369.9	4,565.6	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	4,786.6	2.1	637.0	313.4	1,999.8	291.1	501.0	529.3
May-23	74.1	75.7	74.7	763.2	4.9	2.7	2.7	2.2	934.1	367.7	4,786.6	2.1	637.0	329.3	1,992.1	288.1	510.0	529.3
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	384.6	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	5,475.3	2.0	535.6	385.5	1,984.1	211.3	588.0	575.0
Dec-23	75.7	77.9	77.2	755.4	4.7	3.0	2.7	2.2	813.5	291.1	5,461.8	2.0	563.8	354.0	2,026.2	206.6	644.0	478.2
Jan-24	77.7	80.2	78.7	777.8	4.5	3.3	2.7	2.2	844.9	283.9	5,533.8	2.0	596.3	335.4	2,034.0	198.6	660.0	484.6
Feb-24	80.5	83.8	81.2	816.6	4.6	3.4	2.7	2.2	856.9	278.5	4,551.0	2.2	583.8	351.3	2,023.2	189.1	624.0	501.6
Mar-24	83.5	85.4	84.7	833.8	4.6	3.7	2.7	2.2	942.9	274.8	4,558.8	2.2	617.5	330.0	2,158.0	190.6	613.0	475.1
Apr-24	88.0	90.1	88.4	840.3	5.3	4.2	3.0	2.3	935.7	227.8	4,614.1	2.0	545.0	320.0	2,331.5	191.7	592.0	451.9

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

Foreign Exchange Reserves

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



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

Inflation

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

Money Supply (M)

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

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

Nominal Effective Exchange Rate (NEER)

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



Non-Food Inflation

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

Non-performing Loan

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

Public Debt

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

Real Effective Exchange Rate (REER)

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

Repurchase agreements (Repo)

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



Reverse repo

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

Reserve Money (M0)

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

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