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MONETARY POLICY STATEMENT

***Mid-Year Review
2024/25***

BANK OF TANZANIA

February 2025



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2024/25***

**GOVERNOR
BANK OF TANZANIA**

February 2025



6th February 2025

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 of the Bank of Tanzania Act, Cap. 197, the Bank is required to issue the Monetary Policy Statement in June, followed by a mid-year review in February, containing formulation and implementation of monetary policy in support of the broader macroeconomic objectives of the Governments. Consistent with this, I hereby submit the ***Monetary Policy Statement, Mid-Year Review of the Bank of Tanzania for 2024/25***, for subsequent submission to the Parliament.

This Statement provides the assessment of the global and domestic economic conditions, the progress made in implementing the monetary policy, and its outcomes in the first half of 2024/25. In addition, it provides an outlook for the global and domestic economic conditions and describes the direction of the monetary policy stance in the second half of 2024/25 to achieve its policy objectives.

Yours Sincerely,

Emmanuel M. Tutuba
GOVERNOR
BANK OF TANZANIA



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EXECUTIVE SUMMARY

Monetary policy stance and implementation

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 6 percent throughout the first half of 2024/25. The thrust of the monetary policy was to contain the pass-through effect of exchange rate depreciation on inflation while facilitating economic growth. To ensure an appropriate level of liquidity in the economy, monetary policy operations focused on keeping the 7-day interbank rate within the band of +/- 2 percentage points of the CBR.

The implementation of monetary policy was satisfactory. Liquidity in the economy was aligned with economic conditions, inflation expectations were anchored well below the medium-term target of 5 percent, and private-sector credit growth remained high at 16.1 percent, supporting the growth of the economy. The implementation of monetary policy also complemented supply-side factors in reducing pressures on the exchange rate, eliminating the parallel foreign exchange market, leading to a decline in dollarization, and reducing speculation on the exchange rate.

The 7-day interbank rate was generally stable, increasing slightly above the upper band of the CBR in August, September, and October 2024, and thereafter, moving within the target band. The increase was due to a bumper harvest of crops, particularly cashew nuts, tobacco and cereals, which led to more than projected demand for currency, as well as an increase in commercial banks holdings of foreign currency and investment in government securities by non-bank investors. To reduce the 7-day interbank rate to the CBR corridor, the Bank injected liquidity using reverse repo operations, purchase of foreign exchange,



and foreign exchange swaps with banks. The Bank also increased liquidity by purchasing gold from the domestic market. These measures improved liquidity conditions, bringing the 7-day interbank rate within the CBR corridor.

Global economy

Global growth improved in the second half of 2024 due to monetary policy easing, fiscal stimulus, and increased consumer spending. Owing to this, global growth is estimated to be stable in 2024 compared to the preceding year, with large variations in growth rates across regions. The OECD report published in December 2024 indicates the global economy to have grown by 3.2 percent, while the IMF and World Bank reports released in January 2025 estimate a growth rate of 3.2 percent and 2.7 percent, respectively. Inflation was lower in the first half of 2024/25 relative to the corresponding period in 2023/24, approaching central bank targets in most economies. In the EAC and SADC countries, inflation also declined, with only a few countries missing the convergence criteria due to drought and currency depreciation. Commodity prices in the world market exhibited a varied trend. Crude oil prices declined due to an increase in production by non-OPEC countries and subdued demand in China. The price of gold remained high due to safe-haven demand.

Domestic economy

The Mainland Tanzania and Zanzibar economies performed strongly in 2024. Growth in Mainland Tanzania was 5.6 percent in the first three quarters of 2024 and is estimated to have grown at 5.7 percent in the last quarter. This performance indicates that growth in 2024 will be 5.6 percent, slightly more than the projection of 5.4 percent. The



growth was mostly contributed by agriculture, finance and insurance, transport, and construction activities. The economy of Zanzibar grew by 7 percent in the three quarters of 2024 and is estimated to grow by 7.2 percent in 2024, mainly driven by improvements in tourism, livestock, and construction activities.

Inflation remained stable throughout the first half of 2024/25. Headline inflation was around 3 percent, below the medium-term target of 5 percent and consistent with EAC and SADC convergence criteria. Prudent monetary and fiscal policies, stability of food prices, and moderate prices of petroleum products contributed the most to the inflation outturn. Inflation in Zanzibar eased, averaging 5.1 percent, on account of a decline in prices of both food and non-food consumer goods and services.

Growth of money supply and credit to the private sector remained robust. The growth of extended broad money supply was around 12 percent in the first half of 2024/25, mainly driven by private sector credit growth. Private sector credit grew by 16.1 percent, in line with the thrust of the monetary policy. Personal loans, mostly extended to small and medium enterprises, continued to account for the largest share of the credit outstanding and the major driver of private sector credit growth. Interest rates on loans and deposits remained broadly the same as in the corresponding period in 2023/24. Interest rate on loans averaged 16 percent and deposit rate at 8 percent. Interest rates on loans are expected to decline as the Government and the Bank implement reforms to address structural impediments to bank lending.

Fiscal performance in Mainland Tanzania was satisfactory. Domestic revenue was, on target, contributed mostly by tax revenue in line with



the expansion of economic activities and improved tax administration. Expenditure was aligned with available resources. Fiscal performance in Zanzibar was remarkable, with the resource envelope exceeding the target by 4.8 percent. Domestic revenue was slightly above target, while grants were significantly more than the projection. Tax revenue surpassed the target by 3.6 percent, attributable to improved tax enforcement and compliance. The expenditure was also aligned with the available resource envelope.

The public debt remained sustainable. In present value terms, the debt was 41.1 percent of GDP, below the maximum threshold of 55 percent set forth in the IMF/WB Debt Sustainability Framework and the EAC convergence criteria of a maximum of 50 percent. In nominal terms, the debt was 46.3 percent of GDP, below the maximum threshold of 60 percent for SADC convergence criteria.

The external sector of the economy improved, supported by global and domestic economic conditions. The current account deficit narrowed to USD 785.3 million, almost half of the deficit registered in a similar period in 2023/24, due to improvements in exports of tourism services, gold, cashew nuts, and tobacco. On annual basis, the current account deficit was 2.7 percent of GDP in 2024, compared with 3.7 percent in the preceding year. In Zanzibar, the current account balance was a surplus of USD 321.5 million in the first half of 2024/25, an increase from a surplus of USD 219.2 million in the corresponding period in the year before, largely on account of improvement in tourism.

Foreign exchange liquidity was low in the first quarter of 2024/25 but improved significantly in the subsequent quarter. The increase was attributable to improvements in global economic conditions,



particularly the decrease in crude oil prices and policy interest rate cuts in advanced economies. The increase was also contributed by foreign exchange earnings received from tourism, gold, cashew nuts, and tobacco. The monetary policy stance also contributed to reducing pressures on foreign exchange demand. The exchange rate depreciated gradually in the first quarter of 2024/25 and appreciated significantly afterward. Foreign reserves remained high and adequate throughout the first half of 2024/25. The reserves amounted to USD 5,546.1 million at the end of December 2024 and were sufficient to cover at least 4.5 months of projected imports of goods and services.

The financial sector remained stable and resilient, with moderate risk reinforced by macroeconomic stability. The banking sector was liquid, profitable, and adequately capitalized. Assets of banks increased in tandem with deposits, driven by the expansion of agent banking services, increase in the uptake and growth of financial products, and digitalization of banking services. Liquidity in banks remained adequate, and the non-performing loans ratio declined to 3.3 percent in December 2024 from 4.1 percent in June 2024. Payment systems operated effectively, and modernization of the systems was implemented to enhance efficiency. Measures were also implemented to facilitate the attainment of a cash-lite economy.

Global economic outlook

The global economy is projected to sustain improvement in 2025. The latest OECD, IMF, and World Bank reports indicate improvement in growth ranging between 2.7 to 3.3 percent, largely driven by easing monetary policy, fiscal stimulus efforts, and a recovery in consumer spending. Heightened policy uncertainty, geopolitical conflicts, and



climate-related natural disasters are the main risks to the growth projection. Inflation is expected to continue declining across many economies, attributable to moderate prices in the world market and the lagged impact of tight monetary policy. The IMF projects inflation to reach 4.2 percent in 2025 and further ease to 3.5 percent in the subsequent year, with advanced economies converging to the inflation targets earlier than emerging market and developing economies.

Domestic economic outlook

Economic growth in Mainland Tanzania is expected to remain robust, with real GDP growth averaging 6 percent in the second half of 2024/25, driven by agriculture, construction, and transport and logistics services. Fiscal and monetary policies will support the growth momentum. The Zanzibar economy is projected to grow at more than 6 percent in the second half of 2024/25 driven mainly by tourism, construction, and real estate. Inflation is forecast to remain subdued, averaging around 3 percent. Inflation in Zanzibar is projected to remain below the medium-term target of 5 percent. Prudent monetary and fiscal policies, adequate food supply, stable exchange rate, and moderate commodity prices in the world market are expected to contribute to low inflationary pressures. The risk to the inflation outlook is moderate but might heighten if OPEC+ reduces production.

Monetary policy stance

The monetary policy stance for the second half of 2024/25 will remain relatively the same as in the first half of the year. The aim is to stabilize inflation around 3 percent and foster economic growth to around 6 percent. The Bank will continue to maintain adequate liquidity in the economy using monetary policy instruments at its disposal in aligning the 7-day interbank interest rate with the CBR. To enhance monetary



policy operations, the Bank will undertake reforms to improve the functioning of the interbank market. The reforms include a review of the collateral management framework, pricing of the Lombard loan facility and monetary policy instruments, and a review of the regulatory framework to facilitate the distribution of liquidity among banks. The Bank will also undertake reforms to improve the effectiveness of monetary policy by increasing awareness among stakeholders on the interest rate-based monetary policy framework and the need to use the shilling for domestic transactions.

Interest rate and exchange rate policies

Interest rates will continue to be market determined. The MPC will continue setting the CBR to influence the determination of interest rates in the interbank market. The Bank will continue undertaking reforms in the financial sector to complement Government efforts in ensuring the appropriate determination of interest rates. In implementing the reforms, the Bank will continue engaging stakeholders in the financial sector to ensure consumer protection, increased financial literacy, and improved financial inclusion. The exchange rate will also remain to be market-determined. The exchange rate will remain flexible to limit the impact of external shocks on the economy and improve market efficiency. Participation of the Bank in the interbank foreign exchange market will be in accordance with the Foreign Exchange Intervention Policy. In addition, the Bank of Tanzania will continue to maintain adequate foreign reserves as a buffer against external shocks and ensure that banks adhere to market norms as enshrined in the IFEM Code of Conduct.



PART I

INTRODUCTION

The Monetary Policy Statement for 2024/25 issued in June 2024 outlines macroeconomic policy objectives, which were set in line with the national development blueprints and considering the global and domestic economic environment. The objectives are to: (i) attain a real GDP growth of 5.4 percent in 2024 and 6 percent in 2025 for Mainland Tanzania and real GDP growth of 7.2 percent and 6.8 percent for Zanzibar, respectively¹; and (ii) maintain annual headline inflation at 5 percent in 2024/25 in both Mainland Tanzania and Zanzibar .

This *Monetary Policy Statement, Mid-Year Review 2024/25*, provides an assessment of the implementation of the monetary policy and its outcomes in the first half of 2024/25, along with global and domestic economic developments. In addition, it provides an outlook for the global and domestic economic situations, together with the direction of the monetary policy for the second half of 2024/25, to achieve its policy objectives.

In addition to Part I, the Statement is organized as follows: Part II details the implementation of the monetary policy and its outcomes in the first half of 2024/25. Part III provides an overview of the recent global economic performance, while Part IV reviews the recent performance of the domestic economy. Part V outlines the macroeconomic outlook in both global and domestic contexts, and Part VI presents the monetary policy stance for the second half of 2024/25.

¹ The GDP growth of 2025 for Tanzania Mainland has been revised from the earlier projections of 5.8



Monetary Policy Framework of the Bank of Tanzania

The monetary policy framework of the Bank of Tanzania focuses on maintaining domestic price stability, which is conducive to the balanced and sustainable growth of the economy. In January 2024, the Bank adopted the interest rate-based monetary policy framework aimed at 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, while also supporting economic growth. The inflation rate is measured as an annual change in the consumer price index (CPI), expressed in percentages. The medium-term inflation target is 5 percent. This range is considered appropriate to support the sustainable growth of various economic activities and ensure the stability of interest rates and the 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 repurchase 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. The standing lending facilities—intraday and Lombard loans 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, decisions on policy rates and developments of the economy at large. The reports are available on the Bank of Tanzania website.

Modalities for Monetary Policy Implementation

- i. 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.
- ii. The Monetary Policy Statement is approved by the Board of Directors of the Bank of Tanzania and submitted to the Parliament through the Minister responsible for finance in accordance with section 21, subsection (5) of the Bank of Tanzania Act, Cap. 197.
- iii. The same procedure is followed in the mid-year review of the Monetary Policy Statement, which shows progress in the implementation of the monetary policy, the outlook for the remaining period of the year, and measures to be undertaken to achieve the policy objectives.
- iv. The Monetary Policy Committee (MPC) of the Board of Directors of the Bank, which is chaired by the Governor, is responsible for setting the policy rate (CBR) on a quarterly basis, consistent with the broader macroeconomic policy objectives of the Governments.
- v. The Surveillance Committee of the Bank's Management meets daily to evaluate developments of the 7-day IBCM rate (operating target) and decides on the measures to be taken to keep the rate within the desired policy bands.



PART II

2.0 MONETARY POLICY STANCE AND IMPLEMENTATION DURING THE FIRST HALF OF 2024/25

2.1 Monetary Policy Stance

During the first half of 2024/25, the Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 6 percent, to contain the pass-through effect of exchange rate depreciation on inflation while facilitating economic growth. The MPC decision was taken after considering the global and domestic economic conditions and associated risks. To ensure an appropriate level of liquidity in the economy, monetary policy operations focused on keeping the 7-day interbank rate within the band of +/- 2 percentage points of the CBR.

2.2 Monetary Policy Implementation

The implementation of monetary policy was satisfactory. Liquidity in the economy was aligned with economic conditions, inflation expectations were anchored well below the medium-term target of 5 percent, and private-sector credit growth remained high, supporting the growth of the economy. The implementation of monetary policy also complemented supply-side factors in reducing pressures on the exchange rate, eliminating the parallel foreign exchange market, leading to a decline in dollarization, and reducing speculation on the exchange rate.

The 7-day interbank rate was generally stable, increasing slightly above the upper band of the CBR in August, September and October 2024, and thereafter, moving within the target band. The increase was



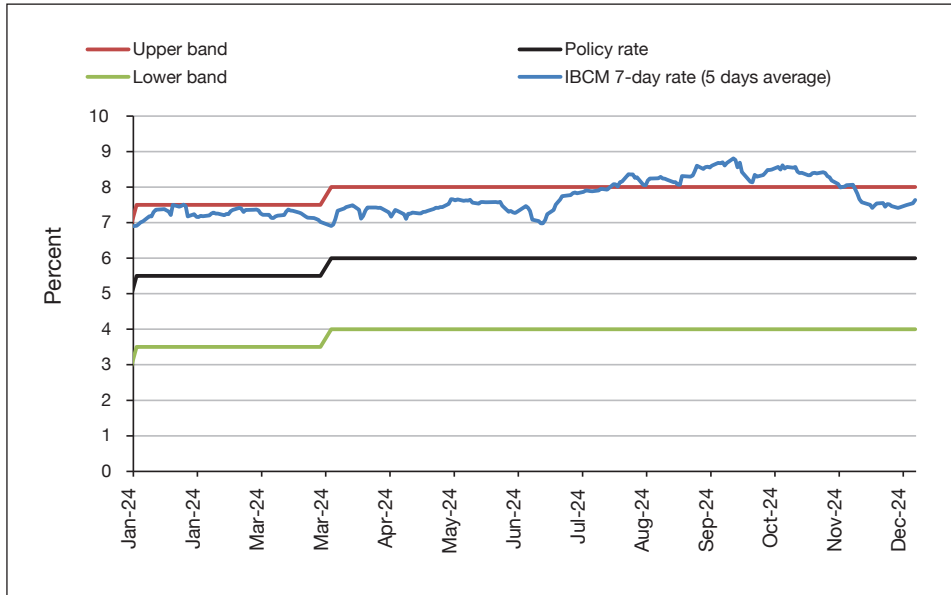
due to a bumper harvest of crops, particularly cashew nuts, tobacco and cereals, which led to more than projected demand for currency, as well as an increase in commercial banks holdings of foreign currency and investment in government securities by non-bank investors. To reduce the 7-day interbank rate to the CBR corridor, the Bank injected liquidity using reverse repo operations, purchase of foreign exchange, and conducted foreign exchange swaps with banks. In addition, the Bank increased liquidity in the economy by purchasing gold from the domestic market through its Gold Purchase Program². Following these measures, liquidity in the economy improved. The 7-day interbank rate declined and hovered within the CBR corridor, and clearing balances of banks (banks reserves) also increased (Chart 2.1a and 2.1b). The implementation of monetary policy enabled the attainment of targets of net domestic assets (NDA) and net international reserves (NIR) of the Bank, set forth in the Extended Credit Facility (ECF) program³. The attainment of the targets triggered the disbursement of funds for budget support.

² The Bank established the Gold Purchase Program in September 2022, as part of strategies to accumulate foreign exchange reserves through purchase of gold from the local market.

³ The Extended Credit Facility is an IMF program which provides medium-term financial assistance to its member countries. The program aims at assisting member countries to implement reforms to achieve macroeconomic stability.

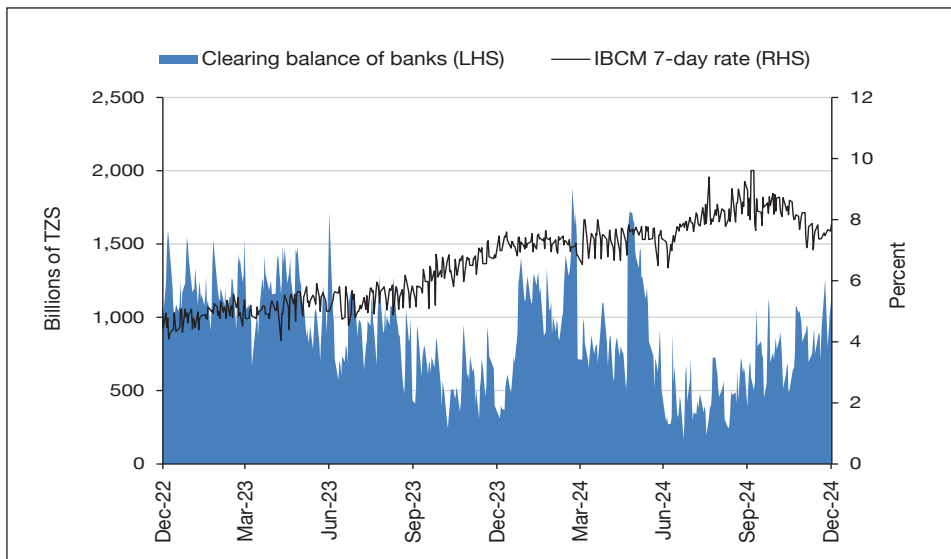


Chart 2.1a: Central Bank Rate and 7-day Interbank Rate



Source: Bank of Tanzania

Chart 2.1b: Banks Clearing Balances and Interbank Interest Rate



Source: Bank of Tanzania



PART III

3.0 GLOBAL ECONOMY

3.1 Output Performance

Global growth improved in the second half of 2024 due to monetary policy easing, fiscal stimulus and increased consumer spending. Owing to this, global growth is estimated to be stable in 2024 compared to the preceding year, with large variations in growth rates across regions. The OECD report published in December 2024 indicates the global economy to have grown by 3.2 percent, while the IMF and World Bank reports released in January 2025 estimate a growth rate of 3.2 percent and 2.7 percent, respectively. The reports also indicate large variations in growth rates across regions. The IMF estimates growth in advanced economies to be 1.7 percent, emerging market and developing economies (4.2 percent), and sub-Saharan Africa at 3.8 percent (Table 3.1).

Table 3.1: Real GDP Growth

Percent

	Estimates			Projections				
	IMF	OECD	World Bank	IMF	OECD	World Bank	IMF	World Bank
							2024	2025
Global	3.2	3.2	2.7	3.3	3.3	2.7	3.3	2.7
Advanced Economies	1.7	n.a	1.7	1.9	n.a	1.7	1.8	1.8
United States	2.8	2.8	2.8	2.7	2.4	2.3	2.1	2.0
Euro area	0.8	0.8	0.7	1.0	1.3	1.0	1.4	1.2
United Kingdom	0.9	0.9	n.a	1.6	1.7	n.a	1.5	n.a
Japan	-0.2	-0.3	0.0	1.1	1.5	1.2	0.8	0.9
Emerging market and developing economies	4.2	n.a	4.1	4.2	n.a	4.1	4.3	4.0
Brazil	3.7	3.2	3.2	2.2	2.3	2.2	2.2	2.3
Russia	3.8	n.a	3.4	1.4	n.a	1.6	1.2	1.1
India	6.5	6.8	6.5	6.5	6.9	6.7	6.5	6.7
China	4.8	4.9	4.9	4.6	4.7	4.5	4.5	4.0
Sub Saharan Africa	3.8	n.a	3.2	4.2	n.a	4.1	4.2	4.3

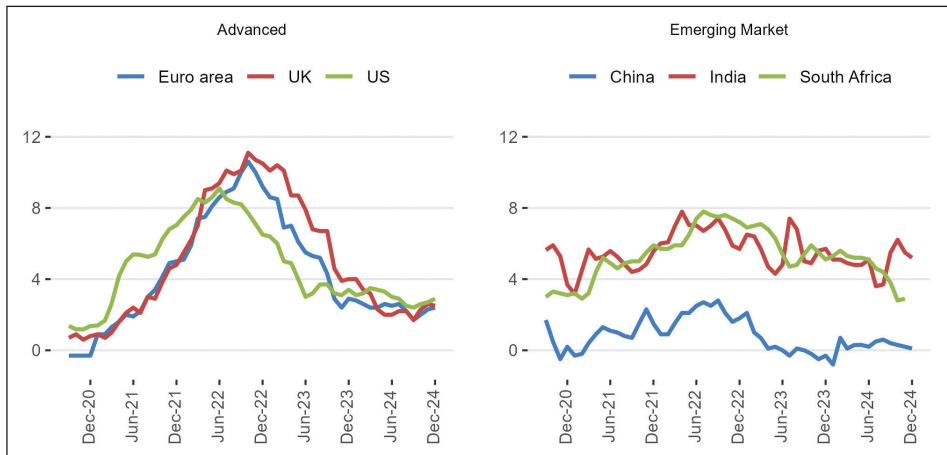
Source: IMF World Economic Outlook, January 2025; World Bank, World Economic Prospects, January 2025; and OECD Economic Outlook, December 2024. n.a denotes data not available.



3.2 Inflation Developments

Global inflation was lower in the first half of 2024/25 relative to the corresponding period in 2023/24, approaching central bank targets in most economies (Charts 3.1a). In the EAC and SADC countries, inflation also declined, with only a few countries missing the convergence criteria due to drought and currency depreciation (Charts 3.1b and 3.1c). The decline in inflation reflected the lagged impact of monetary policy tightening and moderation in commodity prices in the world market. As a result, most central banks reduced policy interest rates.

Chart 3.1a: Inflation in Advanced Economies and BRICS Countries



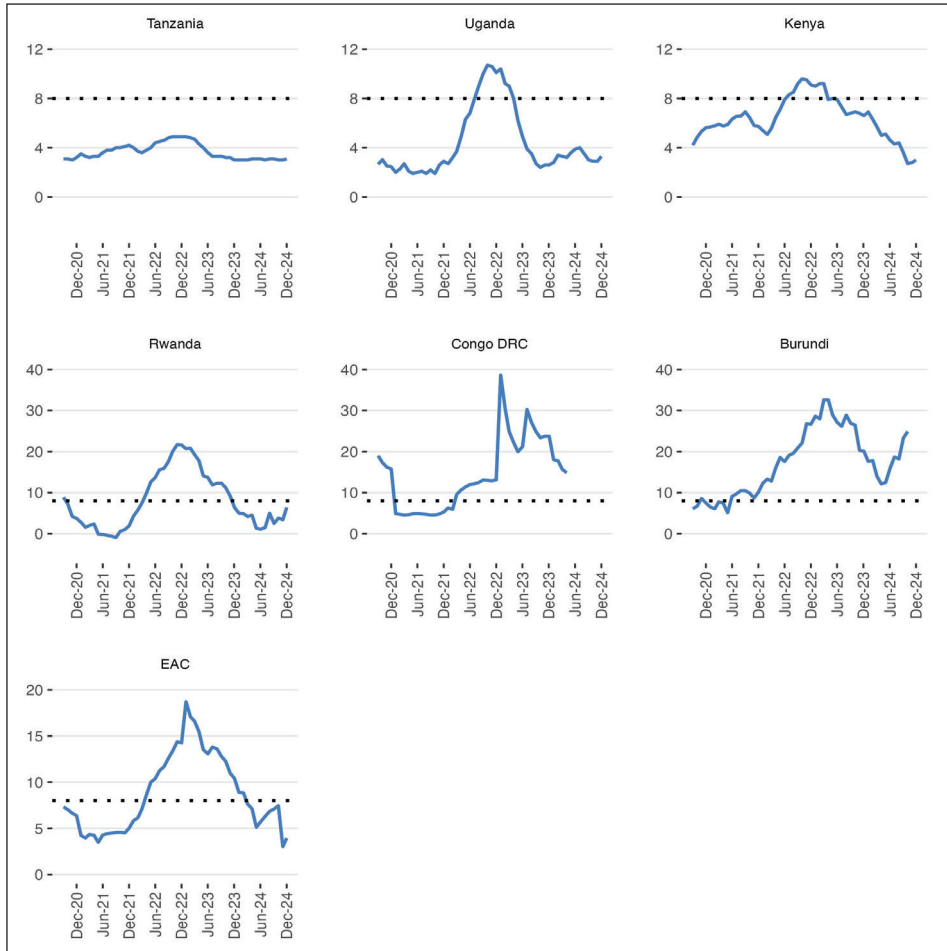
Source: OECD and respective National Statistics Offices

Note: Inflation targets for advanced economies is 2%, while for China is 3%, India is 4% and South Africa is 4.5%



Chart 3.1b: Inflation in EAC Countries

Percent

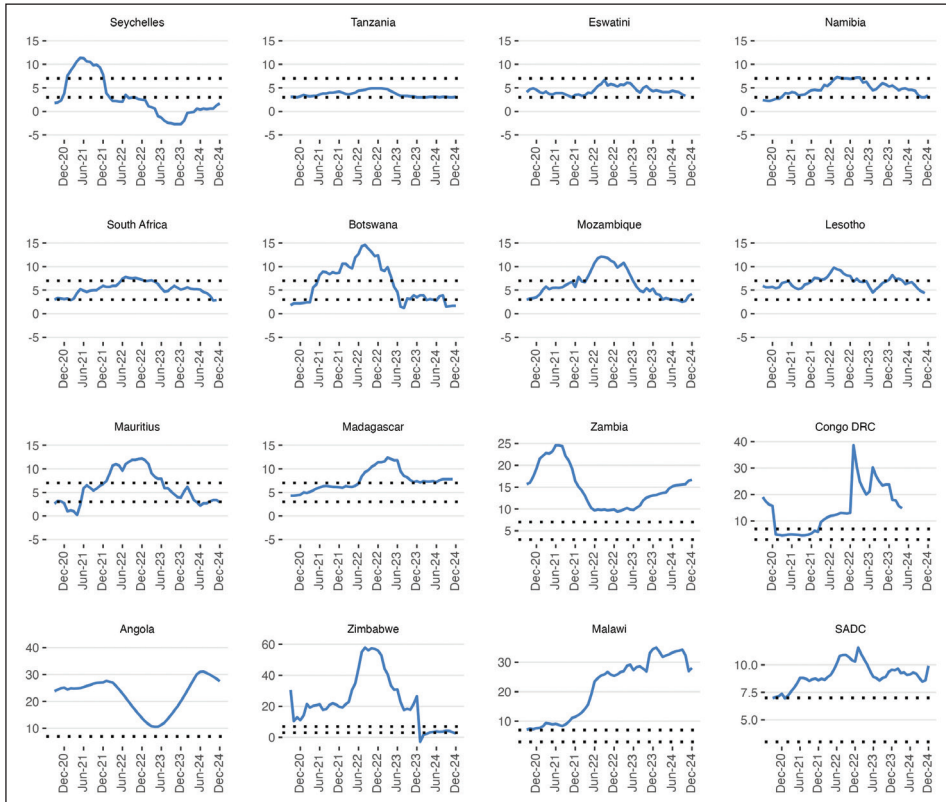


Source: Respective National Statistical Offices and Central Banks

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



Chart 3.1c: Inflation in SADC Countries



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

3.3 Commodity Prices

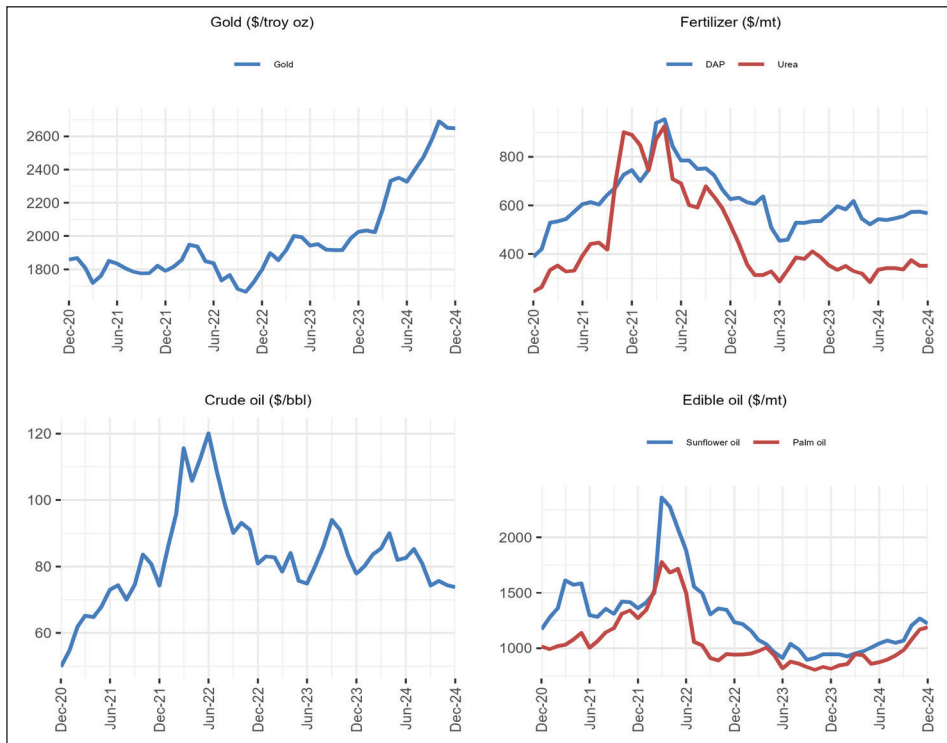
Commodity prices in the world market exhibited a varied trend throughout the first half of 2024/25. Crude oil prices declined, with a monthly average ranging between USD 72.29-83.26 per barrel, attributed to production increase by non-OPEC countries and subdued demand in China⁴. The price of gold remained high, ranging between USD 2,326.44- 2,690.06 per troy ounce, buoyed by safe-haven demand amid geo-political conflicts (Chart 3.2a). Coffee prices

⁴ The main non-OPEC countries are Argentina, Brazil, Colombia, Guyana, Mexico, Azerbaijan, Kazakhstan, Qatar, Oman, Angola, Egypt and the United States.



increased due to supply concerns associated with the anticipation of enforcement of the law in Europe that prohibits coffee products from areas deforested after 2020. The price of sugar decreased following an increase in production in Brazil and Thailand, which are the major producers. The price of cotton also decreased on account of subdued demand in the global markets and prospects of an increase in supply (Chart 3.2b).

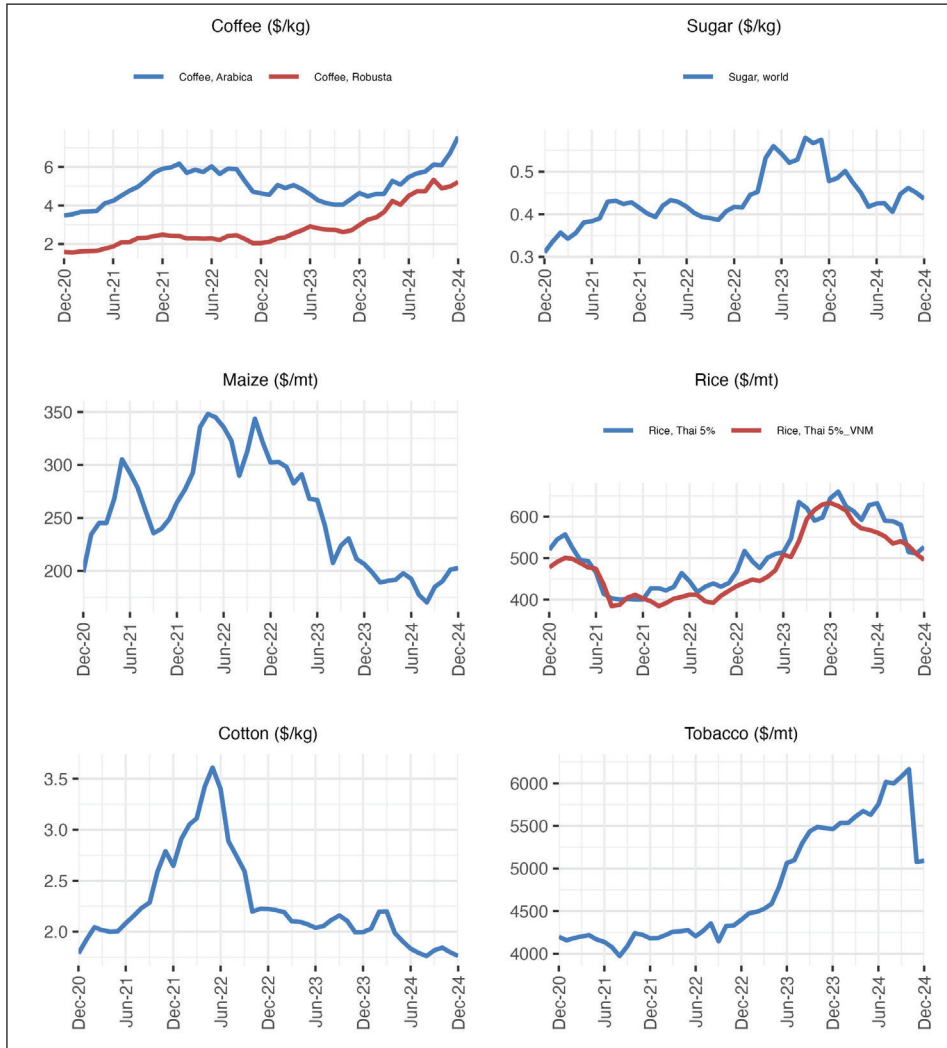
Chart 3.2a: World Market Prices of Commodities



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



Chart 3.2b: World Market Prices of Commodities



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



PART IV

4.0 DOMESTIC ECONOMY

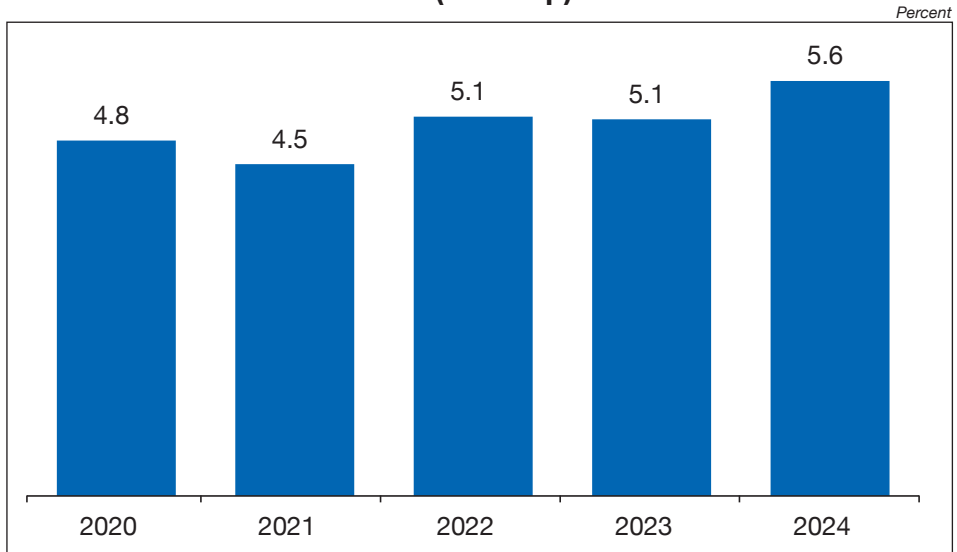
4.1 Output Performance

The Mainland Tanzania and Zanzibar economies demonstrated strong performance. In Mainland Tanzania, the economy grew at 5.6 percent in the three quarters of 2024 and is estimated to grow at 5.7 percent in the last quarter. Therefore, growth for the entire year is estimated at 5.6 percent, slightly more than the projection of 5.4 percent. The growth was broad-based, driven mainly by agriculture, finance and insurance, transport, and construction activities (Chart 4.1a and Chart 4.1b). Tourism, which cuts across many activities, also contributed to the growth through transport and storage, and accommodation and restaurant. The stability of power supply, favourable weather for agriculture, improved business environment, and prudent policies supported the observed performance in economic activities.

Agriculture was the largest contributor to the growth outturn, accounting for 15.9 percent. A significant improvement was observed in the production of cash crops, particularly cashew nuts, tobacco, and cereals. Procurement of cashew nuts was the highest ever recorded in the past 5 years, with farmers receiving good prices owing to the introduction of the online auction system by the Tanzania Mercantile Exchange. Meanwhile, financial and insurance, electricity, and information and communication activities registered the highest growth rates (Chart 4.1c).

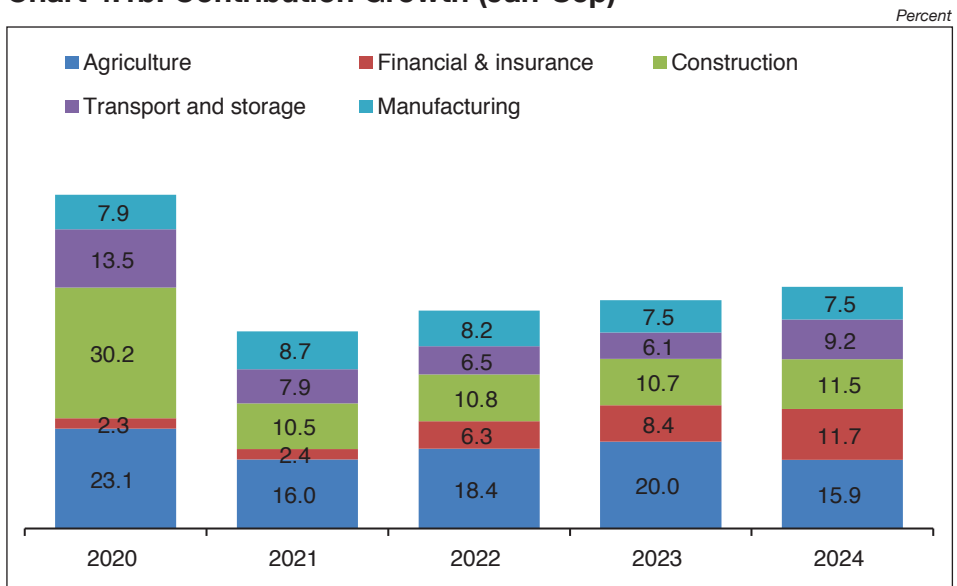


Chart 4.1a: Real GDP Growth (Jan-Sep)



Source: National Bureau of Statistics, Bank of Tanzania computations

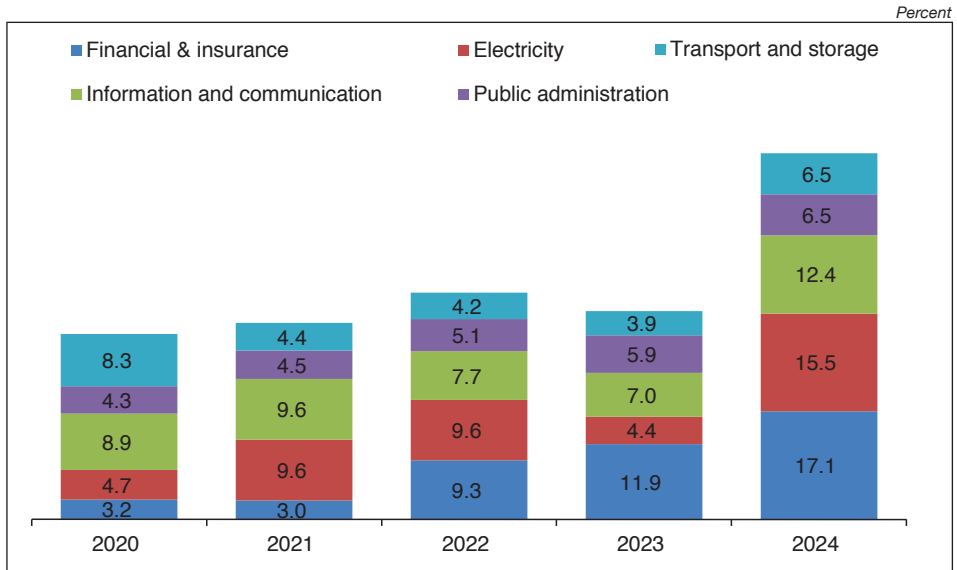
Chart 4.1b: Contribution Growth (Jan-Sep)



Source: National Bureau of Statistics, Bank of Tanzania computations



Chart 4.1c: Growth of Economic Activities

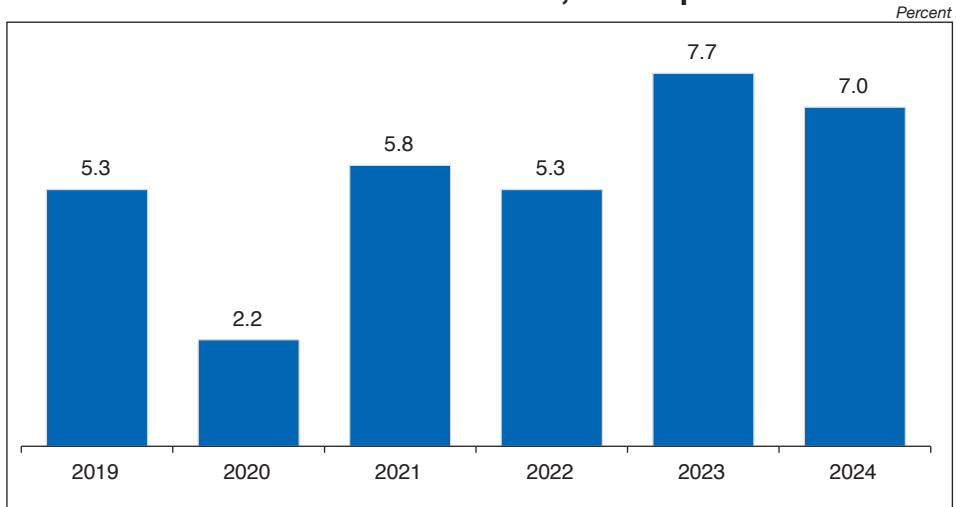


Source: National Bureau of Statistics, Bank of Tanzania computations

The economy of Zanzibar also registered a strong performance. Growth in the three quarters of 2024 was 7 percent and is estimated at 7.2 percent for 2024 (Chart 4.2a). The growth was mainly contributed by a significant improvement in tourism, livestock, and construction activities (Chart 4.2b).

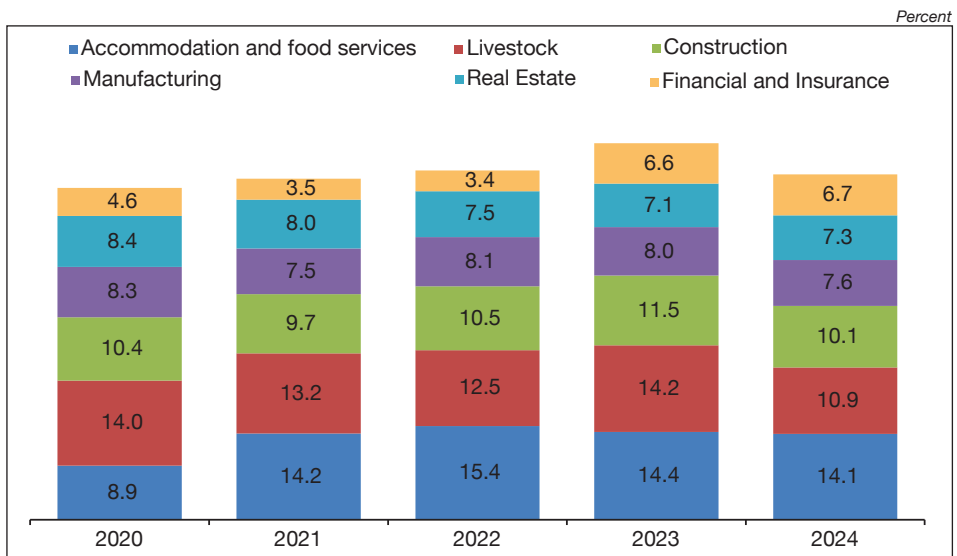


Chart 4.2a: Zanzibar Real GDP Growth, Jan-Sep



Source: Office of the Chief Government Statistician, Zanzibar

Chart 4.2b: Zanzibar Main Contributing Activities to GDP Growth, Jan-Sep



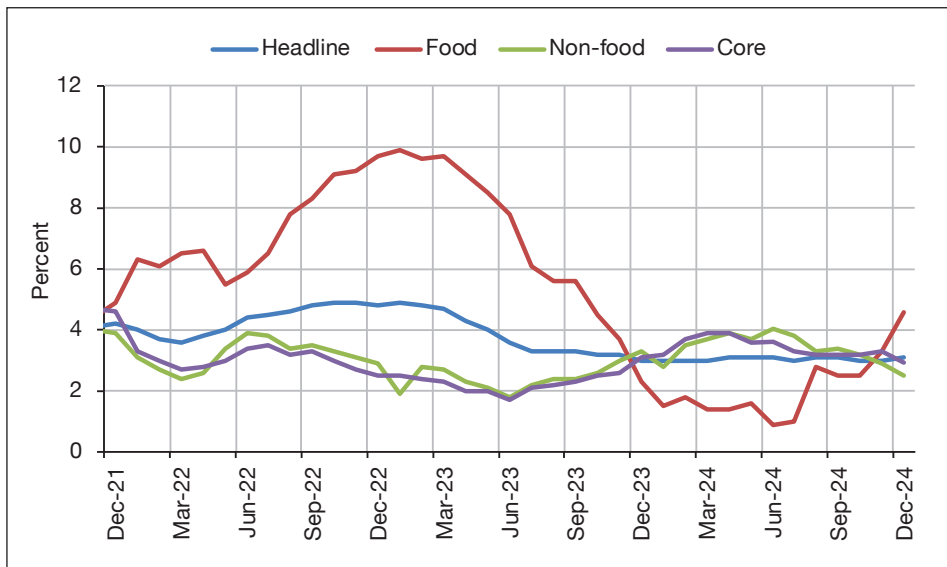
Source: Office of the Chief Government Statistician, Zanzibar



4.2 Inflation Developments

Inflation was stable during the first half of 2024/25. The annual headline inflation was 3.1 percent, slightly lower than 3.2 percent in the corresponding period of 2023/24 and below the medium-term target of 5 percent, consistent with EAC and SADC convergence criteria (Chart 4.3a and Chart 4.3b). Prudent monetary and fiscal policies, stability of food prices and moderate prices of petroleum products contributed the most to the inflation outturn. Food inflation was 2.8 percent in the first half of 2024/25 compared with 4.6 percent recorded in the corresponding period in 2023/24, while core inflation rose to 3.2 percent from 2.5 percent. Core inflation was the main driver of headline inflation (Chart 4.3c and Table 4.1).

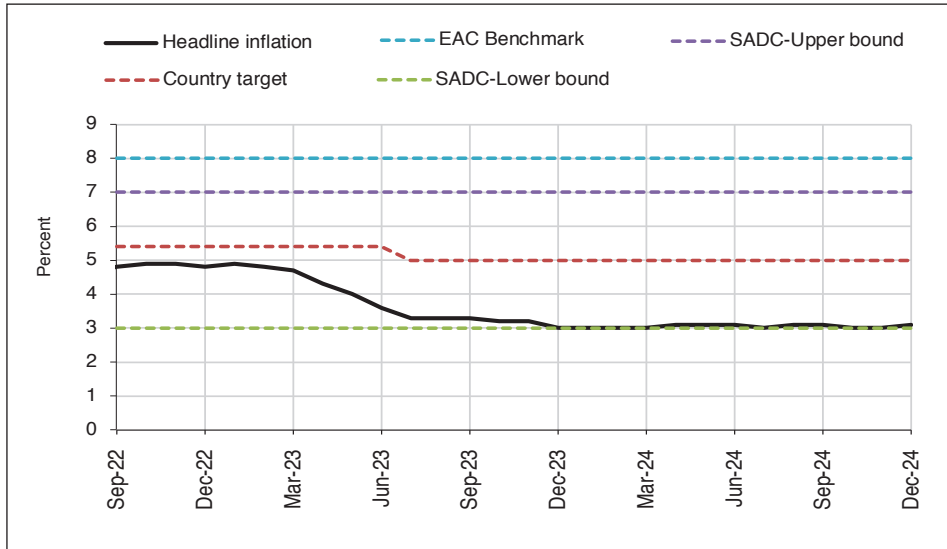
Chart 4.3a: Inflation Developments



Source: National Bureau of Statistics, Bank of Tanzania computations

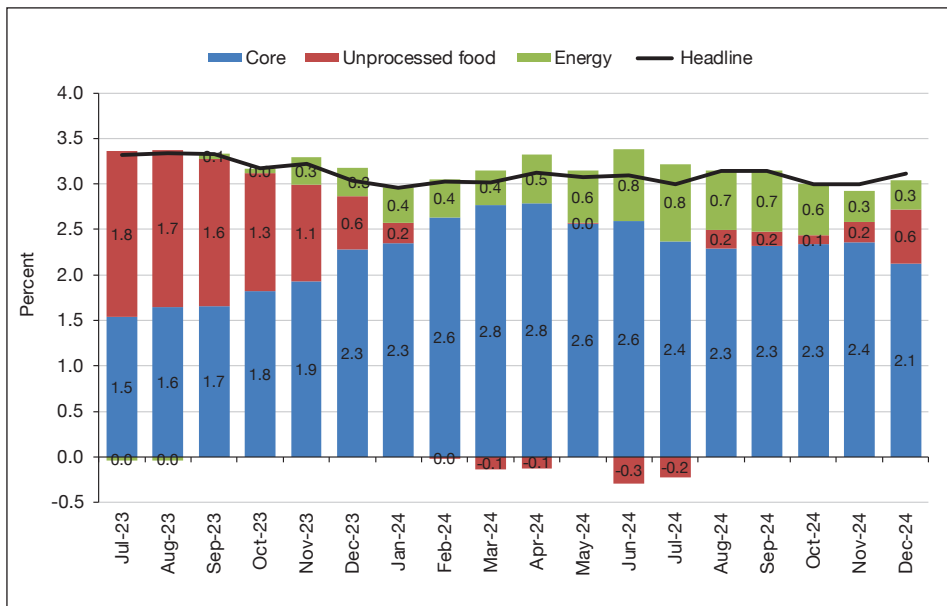


Chart 4.3b: Inflation and Targets



Source: National Bureau of Statistics, Bank of Tanzania computations

Chart 4.3c: Contribution to Headline Inflation



Source: National Bureau of Statistics, Bank of Tanzania computations



Table 4.1: Inflation Developments

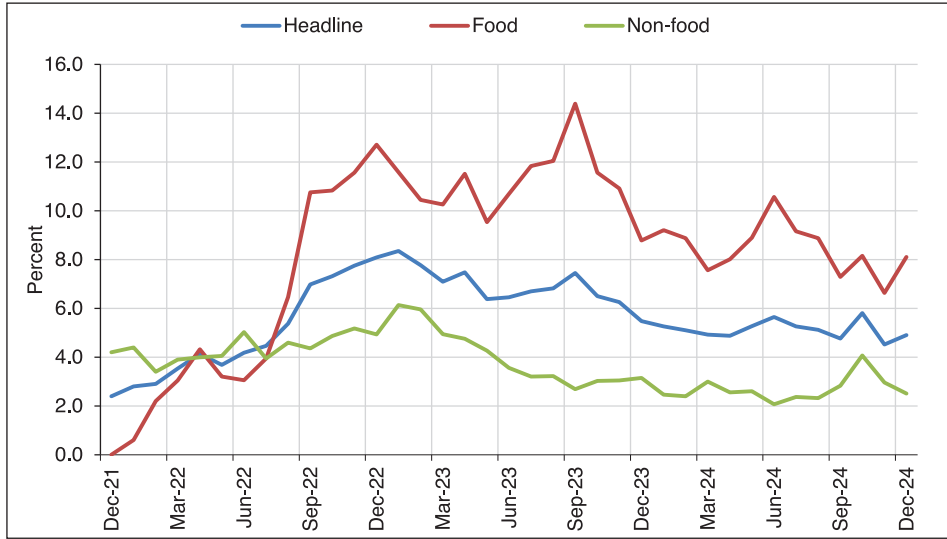
Main groups	Weight (%)	Percent					
		Monthly change			Annual change		
		Dec-23	Nov-24	Dec-24	Dec-23	Nov-24	Dec-24
Food and non-alcoholic beverages	28.2	0.6	0.5	1.6	2.3	3.3	4.6
Alcoholic beverages and tobacco	1.9	0.1	0.0	0.2	4.1	1.8	2.2
Clothing and footwear	10.8	0.5	0.1	0.1	3.2	1.6	1.2
Housing, water, electricity, gas and other fuels	15.1	1.5	0.9	0.1	4.0	4.1	2.9
Furnishings, household equipment and routine	7.9	0.2	0.2	0.1	3.6	2.1	2.1
Health	2.5	0.0	0.7	0.4	1.3	1.8	1.9
Transport	14.1	0.6	1.1	-0.5	3.3	3.8	3.5
Information and communication	5.4	0.2	0.1	0.8	1.3	1.2	1.0
Recreation, sport and culture	1.6	0.2	0.5	0.1	3.5	2.0	2.0
Education services	2.0	0.0	1.6	0.5	3.5	3.1	3.2
Restaurants and accommodation services	6.6	-0.1	1.3	-0.1	4.3	2.6	2.8
Insurance and financial services	2.1	0.1	0.3	0.3	0.6	1.2	1.1
Personal care, social protection and	2.1	1.2	3.0	-0.1	4.5	6.3	5.3
All Items-(headline inflation)	100.0	0.6	0.7	0.5	3.0	3.0	3.1
Selected groups							
Core	73.9	0.6	0.7	0.5	3.1	3.3	3.3
Non-core	26.1	0.5	0.4	0.5	3.2	2.1	3.3
Unprocessed food	20.4	0.4	0.0	0.6	2.7	1.0	2.8
Energy, fuel and utilities	5.7	0.9	1.7	0.4	5.1	5.7	5.3

Source: National Bureau of Statistics, Bank of Tanzania computations

Headline inflation in Zanzibar also eased and was relatively stable, averaging 5.1 percent during the first half of 2024/25 compared with 6.5 percent recorded in a similar period in 2023/24 (Chart 4.4). The outturn was on account of a decline in prices of both food and non-food consumer goods and services (Table 4.2). Food inflation averaged 8 percent, lower than 11.6 percent, owing to the adequate food supply. Non-food inflation was low, averaging 2.8 percent compared with 3.1 percent, driven by a decline in fuel pump prices.



Chart 4.4: Zanzibar Inflation Trend



Source: Office of the Chief Government Statistician, Zanzibar

Table 4.2: Zanzibar Inflation Developments

Main groups	Weight	Monthly change			Annual change			Percent
		Dec-23	Nov-24	Dec-24	Dec-23	Nov-24	Dec-24	
Food and non-alcoholic beverages	41.9	-0.2	-1.0	1.1	8.4	6.5	7.9	
Alcoholic beverages, tobacco and narcotics	0.2	0.0	0.6	-8.3	0.7	25.9	15.4	
Clothing and footwear	6.3	-0.1	0.3	1.4	2.1	0.6	2.1	
Housing, water, electricity, gas and other fuels	25.8	0.6	-2.6	-1.1	2.4	4.6	2.8	
Furnishings, household equipment and routine household maintenance	4.8	0.6	0.6	0.3	5.4	2.0	1.7	
Health	1.3	0.0	0.0	0.0	6.2	-2.4	-2.4	
Transport	9.1	-1.6	-0.5	-0.1	6.7	-0.3	1.2	
Information and communication	4.2	0.5	1.6	0.7	1.2	3.3	3.5	
Recreation, sport and culture	1.1	1.1	0.0	2.1	3.5	3.8	4.9	
Education	1.6	0.0	2.2	0.0	5.1	2.8	2.8	
Restaurants and accommodation services	1.4	1.8	0.0	0.0	-1.3	15.7	0.0	
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	-0.1	0.5	0.0	2.5	0.8	0.8	
All items (Headline inflation)	100.0	0.0	-1.0	0.4	5.5	4.5	4.9	
Selected groups								
Food	41.9	-0.2	-1.1	1.2	8.8	6.6	8.1	
Non-food	58.6	0.2	-1.0	-0.3	3.2	3.0	2.5	

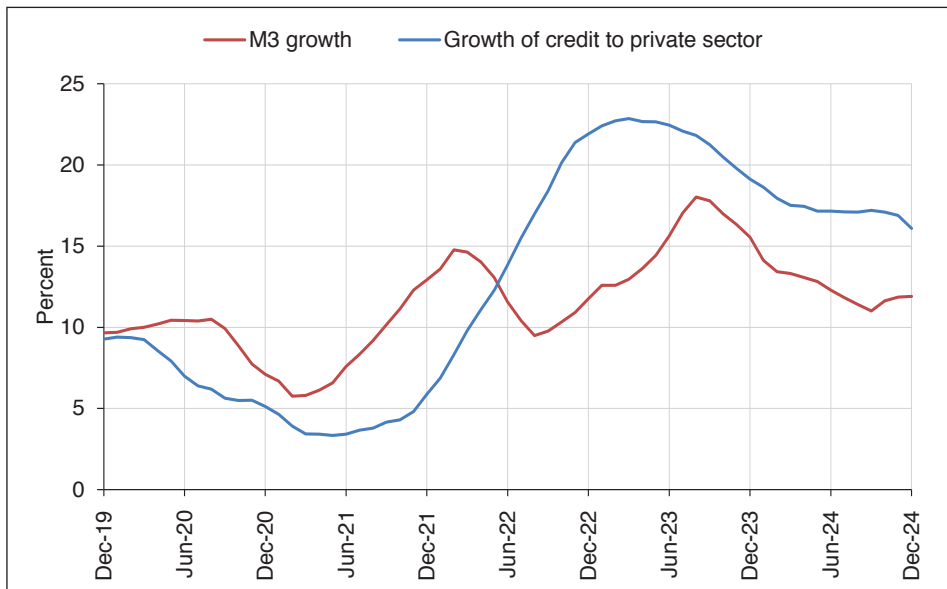
Source: Office of the Chief Government Statistician, Zanzibar



4.3 Money Supply and Credit to Private Sector

The growth of money supply and credit to the private sector remained robust. The extended broad money supply (M3) grew at 11.9 percent in the first half of 2024/25, compared to 15.5 percent in the corresponding period in 2023/24, driven mainly by private sector credit growth (Chart 4.5a and Chart 4.5b). On the liability side, the growth of M3 was reflected by an increase in currency in circulation and foreign currency deposits. Currency in circulation increased due to high demand for cash for purchasing crops following the bumper harvests of food and cash crops, while that of foreign currency deposits was mainly attributable to hedging behaviour arising from foreign exchange shortage.

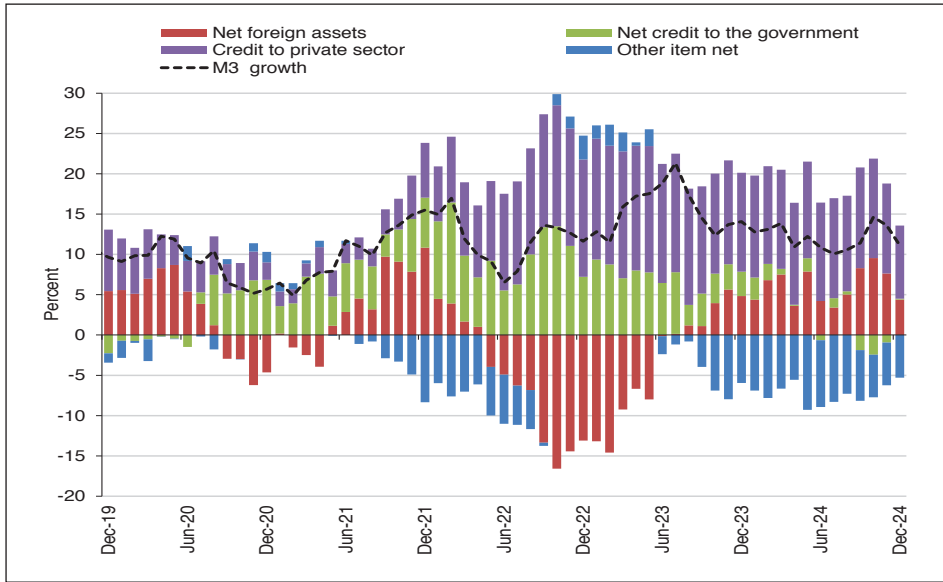
Chart 4.5a: Money Supply and Private Sector Credit Growth



Source: Bank of Tanzania



Chart 4.5b: Contribution to M3



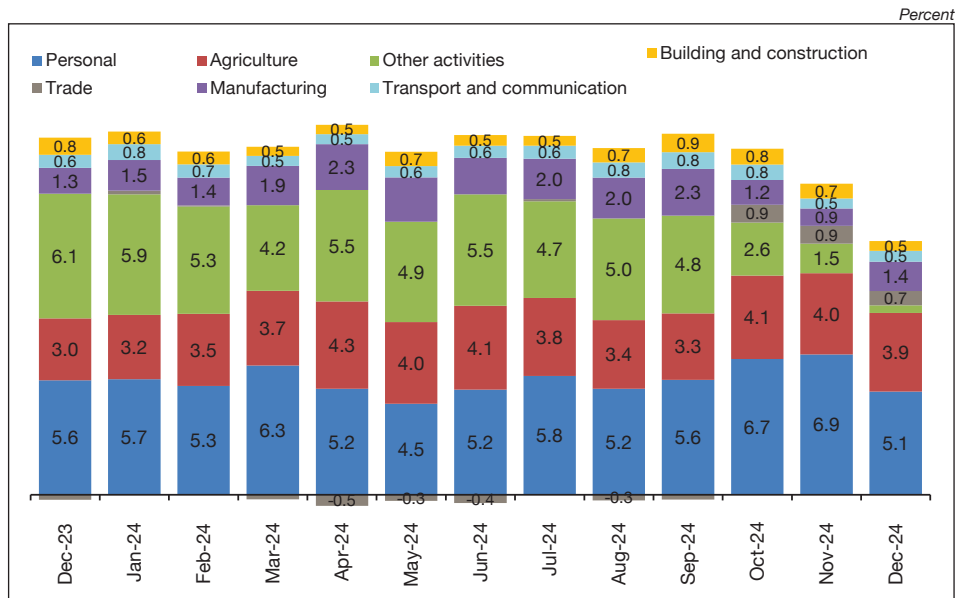
Source: Bank of Tanzania

Private sector credit expanded strongly by 16.1 percent in the first half of 2024/25, albeit at a slower pace compared with 19.1 percent in the corresponding period of 2023/24. The slow pace of credit growth was in line with the monetary policy stance implemented to keep inflation low. The ratio of private sector credit to GDP, an indicator of financial deepening, was 19.1 percent compared with 16.5 percent. Personal loans, mostly extended to small and medium enterprises, continued to account for the largest share of the credit outstanding and the major driver of private sector credit growth (Chart 4.6a and Chart 4.6b). Credit extended to agriculture increased largely owing to the demand for credit for crop purchase⁵.

⁵ This excludes credit extended to agriculture under personal loan category

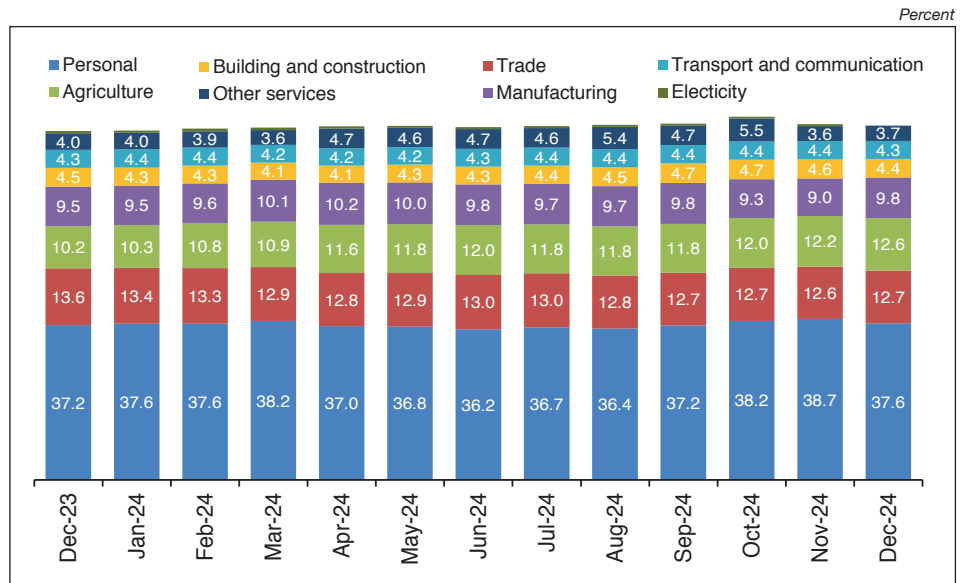


Chart 4.6a: Contribution to Credit Growth



Source: Banks and Bank of Tanzania calculations

Chart 4.6b: Share of Credit by Economic Activities



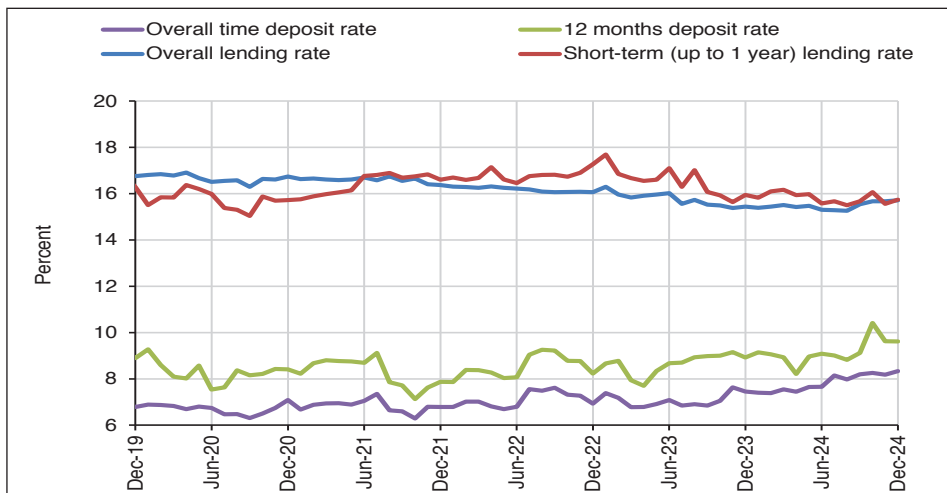
Source: Banks and Bank of Tanzania calculations



4.4 Interest Rates

During the first half of 2024/25, interest rates on loans and deposits remained broadly the same as in the corresponding period in 2023/24. The interest rate on loans averaged 16 percent, the negotiated lending rate was 13 percent (Chart 4.7a)⁶. The deposit rate was around 8 percent, while the negotiated deposit rate increased marginally to around 10 percent. Yields on Treasury bills trended upwards as investors preferred Treasury bonds of longer maturity (Chart 4.7b). Interest rates are expected to decline as the Government and the Bank implement reforms to address structural impediments to bank lending. The measures includes monitoring the banks' adherence to Bank of Tanzania Financial Consumer Protection Regulations (2019), enhancing availability of customers' information through issuance of national identity cards and formalisation of residential addresses, and undertaking a broader strengthening reforms of the judicial and court system to fast track the settlement of disputes arising from loans defaults.

Chart 4.7a: Lending and Deposit Interest Rates

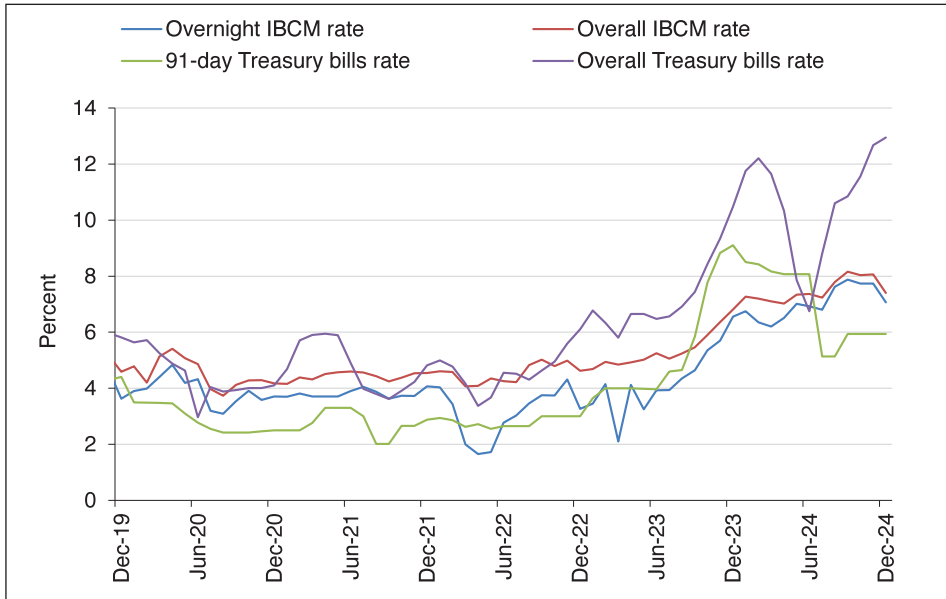


Source: Banks, Bank of Tanzania calculations

⁶ Negotiated interest rates refers to interest rates for prime customers



Chart 4.7b: Money Market Interest Rates



Source: Banks, Bank of Tanzania calculations

4.5 Government Budgetary Performance

During the first half of 2024/25, fiscal performance in Mainland Tanzania was satisfactory. Domestic revenue was on target, contributed mostly by tax revenue. The improvement in tax revenue was consistent with the increase in economic activities, coupled with improved revenue mobilisation and tax administration. Expenditure was aligned with available resources, reaching 92.1 percent of the estimates (Table 4.3).

Fiscal performance in Zanzibar was remarkable. The resource envelope, comprising revenue and grants, was TZS 933.4 billion, exceeding the target by 4.8 percent. Domestic revenue amounted to TZS 853.8 billion, slightly exceeding the target, while grants were significantly above the projection. Tax revenue was TZS 752.8 above the target of 3.6 percent, and non-tax revenue was TZS 101 billion, equivalent to 82.7



percent of the target (Chart 4.8a). The performance of tax revenue was observed across the major tax categories, attributable to improved tax enforcement and compliance. Expenditure amounted to TZS 1,381 billion, of which recurrent expenditure was about 54 percent (Chart 4.8b).

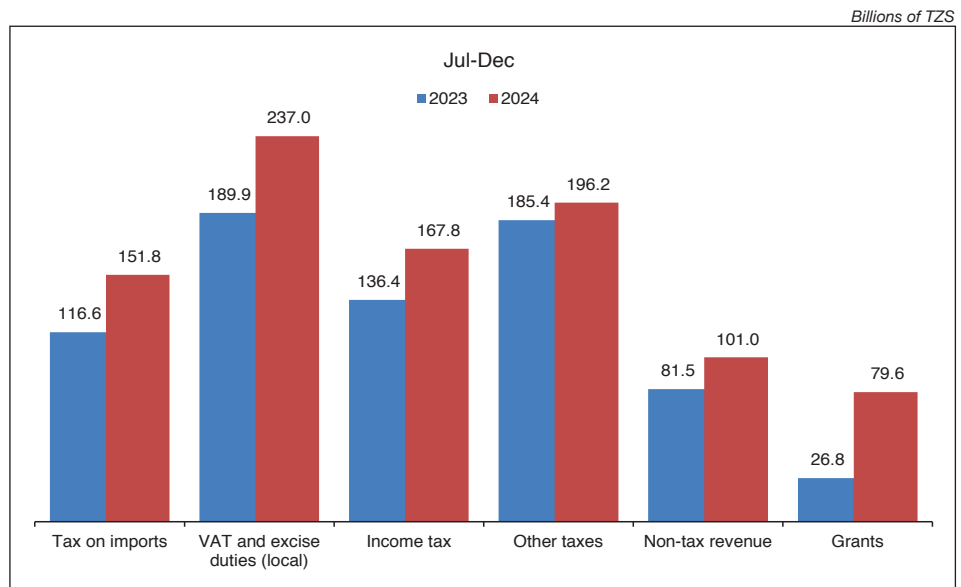
Table 4.3: Summary of Government Budgetary Operations

Billions of TZS

	Jul 23 - Dec 23		Jul 24 - Dec 24	
	Actual	Estimates	Actual	Act/Est (%)
Revenue	14,755.7	16,658.3	16,717.6	100.4
Total expenditure	18,152.1	21,087.7	19,428.2	92.1
Recurrent Expenditure ¹	10,293.8	13,376.5	13,019.0	97.3
Development Expenditure	7,858.2	7,711.1	6,409.2	83.1

Source: Ministry of Finance and Bank of Tanzania computation
 Note: ¹ Net of rollover

Chart 4.8a: Zanzibar Resource Envelope

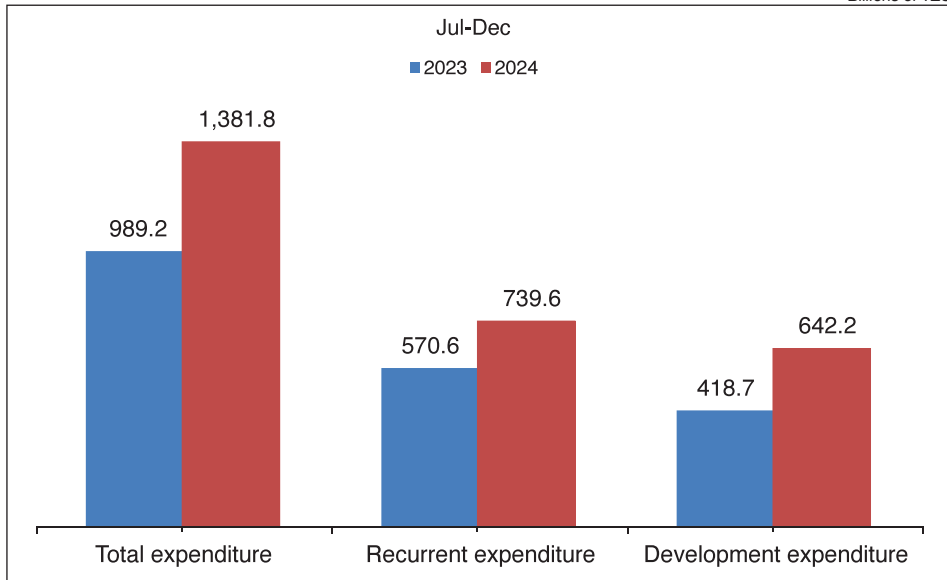


Source: Ministry of Finance and Planning, Zanzibar



Chart 4.8b: Zanzibar Expenditure

Billions of TZS



Source: Ministry of Finance and Planning, Zanzibar

4.6 Debt Developments

The public debt comprising of external and domestic debt amounted to USD 39,121.9 million at the end of December 2024, with external debt accounting for 65.2 percent (Table 4.4a). The external debt was largely owed to multilateral institutions and commercial creditors, and funds disbursed were mainly utilized for transport and communication activities (Table 4.4b and 4.4c). Domestic debt amounted to TZS 32,649.3 billion, largely in the form of Treasury bonds (Table 4.4d). Zanzibar's domestic debt amounted to TZS 1,247.4 billion and was largely dominated by Treasury securities and loans from commercial banks.



Table 4.4a: Debt Stock

Millions of USD

	Dec-23	Jun-24	Nov-24 ¹	Dec-24 ^P
Central government debt	35,574.0	36,732.4	38,330.3	39,121.9
External debt	23,422.0	24,569.4	25,520.5	25,488.3
% of total central government	65.8	66.9	66.6	65.2
Domestic debt	12,152.0	12,163.0	12,809.9	13,633.7
Private sector external debt	6,954.5	7,377.7	8,004.4	7,436.4
Public corporations	5.0	3.8	3.8	3.8
Total external debt stock	30,381.5	31,950.9	33,528.6	32,928.4
National debt stock	42,533.5	44,113.8	46,338.5	46,562.1

Source: Ministry of Finance and Bank of Tanzania

Table 4.4b: External Debt by Creditors

Millions of USD

Borrower	Dec-23		Jun-24		Dec-24 ^P	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Central government	23,422.0	77.1	24,569.4	76.9	25,488.3	77.4
DOD	23,170.1	76.3	24,317.5	76.1	25,236.5	76.6
Interest arrears	251.9	0.8	251.9	0.8	251.7	0.8
Private sector	6,954.5	22.9	7,377.7	23.1	7,436.4	22.6
DOD	5,921.3	19.5	6,094.8	19.1	6,127.8	18.6
Interest arrears	1,033.2	3.4	1,282.9	4.0	1,308.7	4.0
Public corporations	5.0	0.0	3.8	0.0	3.8	0.0
DOD	5.0	0.0	3.8	0.0	3.8	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0
External debt stock	30,381.5	100.0	31,950.9	100.0	32,928.4	100.0

Source: Ministry of Finance and Bank of Tanzania

Table 4.4c Disbursed Outstanding Debt by Use of Funds

Millions of USD

Activity	Dec-23		Jun-24		Dec-24 ^P	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
BoP and budget support	4,876.5	16.8	5,358.1	17.6	6,090.6	19.4
Transport and telecom.	6,269.4	21.5	6,470.5	21.3	6,664.6	21.2
Agriculture	1,521.8	5.2	1,561.1	5.1	1,542.6	4.9
Energy and mining	4,419.2	15.2	4,625.1	15.2	4,568.4	14.6
Industries	1,198.5	4.1	1,224.0	4.0	1,198.9	3.8
Social welfare and educ.	5,653.5	19.4	6,181.3	20.3	6,363.9	20.3
Finance and insurance	1,190.8	4.1	1,197.2	3.9	1,301.2	4.1
Tourism	487.9	1.7	508.4	1.7	504.1	1.6
Real estate and constr.	1,593.8	5.5	1,521.5	5.0	1,475.0	4.7
Other	1,885.0	6.5	1,768.8	5.8	1,658.8	5.3
Total	29,096.5	100.0	30,416.1	100.0	31,368.0	100.0

Source: Ministry of Finance and Bank of Tanzania



Table 4.4d: Domestic Debt by Instruments

Billions of TZS

Instrument	Dec-23		Jun-24		Dec-24 ^P	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Government securities	26,072.4	85.0	27,266.8	85.3	28,664.3	87.8
Treasury bills	2,730.6	8.9	2,328.7	7.3	2,108.0	6.5
Government stocks	187.1	0.6	187.1	0.6	187.1	0.6
Government bonds	23,154.6	75.5	24,751.0	77.5	26,369.1	80.8
Tax certificates	0.1	0.0	0.1	0.0	0.1	0.0
Non-securitized debt	4,606.4	15.0	4,684.5	14.7	3,985.0	12.2
Other liabilities*	18.4	0.1	18.4	0.1	18.4	0.1
Overdraft	4,588.0	15.0	4,666.1	14.6	3,966.6	12.1
Domestic debt stock (excluding liquidity papers)	30,678.9	100.0	31,951.2	100.0	32,649.3	100.0

Source: Ministry of Finance and Bank of Tanzania

The Debt Sustainability Analysis (DSA) for 2023/24 conducted in October 2024 indicates public debt to be sustainable. In present value terms, the debt was 41.1 percent of GDP, below the maximum threshold of 55 percent set forth in the IMF/WB Debt Sustainability Framework and the EAC convergence criteria of a maximum of 50 percent (Table 4.5). In nominal terms, the debt was 46.3 percent of GDP, below the maximum threshold of 60 percent for SADC convergence criteria.

Table 4.5: Tanzania Debt Sustainability Analysis Results

	Threshold	2023/24*	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2034/35
Public DSA									
PV of debt-to GDP	55	41.1	40.3	39.5	38.1	36.8	36.5	36.4	35.9
PV of debt-to-revenue and grant	N/A	267.6	251.1	241.3	232.1	224.4	222.3	221.7	219
Debt service-to-revenue and grant	N/A	35.4	50.9	40.8	37.1	35.9	36.1	39.9	37
External DSA									
PV of debt-to GDP	40	23.6	24.1	24	23	21.4	20.3	19.6	16.6
PV of debt-to-exports	180	127.5	123.8	124.5	119.5	111.9	106.4	100.3	85.2
Debt service-to-exports	15	11.7	13.9	12.8	12.3	12.8	12.6	12.4	9
Debt service-to-revenue	18	14.5	17.2	15.5	14.8	15.2	14.8	15	10.9

Source: Ministry of Finance

Note:(*) represents actual ratios as of 30th June 2024



4.7 External Sector Performance

The external sector of the economy improved in the first half of 2024/25, supported by global and domestic economic conditions⁷.

The current account balance is estimated at a deficit of USD 785.3 million, almost half of the deficit recorded in the corresponding period in 2023/24, due to improvement in exports, particularly tourism, gold, cashew nuts and tobacco (Table 4.6). On annual basis, the current account deficit was USD 2,113.5 million (2.7 percent of GDP) in 2024, compared with a deficit of USD 2,958.3 million (3.7 percent of GDP) in the preceding year (Chart 4.9).

Table 4.6: Current Account Balance

	<i>Millions of USD</i>				
	Annual			July - December	
	2022	2023	2024 ^a	2023	2024 ^a
Goods account (net)	-6,984.9	-6,032.3	-5,174.9	-2,976.5	-2,235.5
Exports*	7,223.8	7,696.6	9,144.8	4,325.9	5,601.2
Imports	-14,208.7	-13,728.9	-14,319.7	-7,302.3	-7,836.7
Services account (net)	2,296.6	3,953.9	4,478.1	2,335.2	2,260.5
Receipts	4,762.0	6,283.7	6,948.2	3,516.9	3,670.7
Payments	-2,465.4	-2,329.8	-2,470.1	-1,181.7	-1,410.2
Goods and services (net)	-4,688.3	-2,078.4	-696.8	-641.3	25.0
Exports of goods and services	11,985.8	13,980.3	16,093.1	7,842.8	9,272.0
Imports of goods and services	-16,674.1	-16,058.7	-16,789.8	-8,484.1	-9,246.9
Primary income account (net)	-1,393.2	-1,536.0	-1,893.4	-821.2	-1,049.4
Receipts	183.9	189.8	218.3	95.7	117.1
Payments	-1,577.1	-1,725.8	-2,111.7	-917.0	-1,166.5
Secondary income account (net)	599.3	656.1	476.6	321.2	239.0
Inflows	716.5	801.4	677.6	410.4	339.9
o/w General government	76.4	109.7	19.9	52.3	0.0
Outflows	-117.2	-145.2	-201.0	-89.2	-100.9
Current account balance	-5,482.2	-2,958.3	-2,113.5	-1,141.3	-785.3

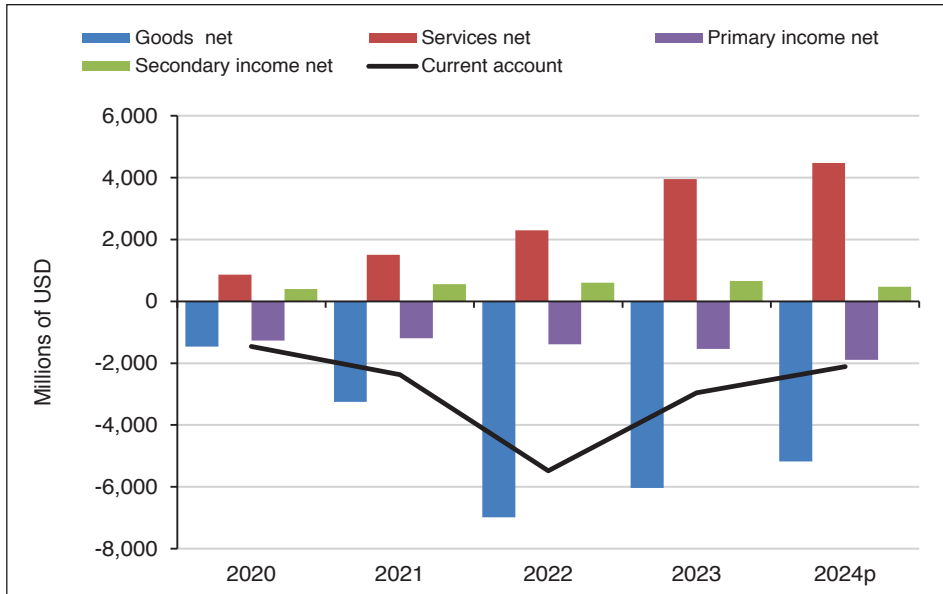
Source: Tanzania Revenue Authority and Bank of Tanzania

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

⁷ All data used for 2024 are based on initial estimates



Chart 4.9: Current Account Balance



Source: Tanzania Revenue Authority and Bank of Tanzania

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

Exports of goods and services improved, amounting to USD 9,272 million in the first half of 2024/25, compared with USD 7,842.8 million in the corresponding period in 2023/24, with tourism, cashew nuts, tobacco, gold, and horticultural products accounting the most (Table 4.7). The improvement in exports of cashew nuts and tobacco was reflected in both volume and price. On an annual basis, there was also an improvement in exports, rising to USD 16,093.1 million in 2024, up from USD 13,980.3 million in the preceding year, and accounted for about 20 percent of GDP from 18 percent of GDP.



Table 4.7: Export Performance of Select Goods and Services

Millions of USD

	Annual			July - December	
	2022	2023	2024 ^P	2023	2024 ^P
Traditional exports	766.5	953.3	1,372.2	717.2	1,023.1
Non-traditional	6,457.3	6,743.2	7,772.6	3,608.7	4,578.1
o/w Gold	2,835.1	3,058.9	3,369.7	1,636.5	1,884.4
Manufactured goods	1,419.2	1,363.3	1,378.8	697.0	746.9
Horticultural products	289.6	417.2	569.3	304.1	458.1
Services	4,762.0	6,283.7	6,948.2	3,516.9	3,670.7
o/w Travel	2,527.8	3,373.8	3,656.7	1,957.0	1,971.2
Transport	1,872.0	2,423.8	2,702.0	1,301.0	1,404.9
Export of goods and services	11,985.8	13,980.3	16,093.1	7,842.8	9,272.0

Source: Tanzania Revenue Authority and Bank of Tanzania
 Note: p - denotes provisional

Imports of goods and services increased slightly in the first half of 2024/25, amounting to USD 9,246.9 million compared with USD 8,484.1 million in the corresponding period a year earlier and were dominated by goods imports at 84.7 percent (Table 4.8). Imports of white petroleum products declined by 11.2 percent to USD 1,384.6 million, owing to lower prices in the world market, otherwise, the volume was virtually unchanged. Imports of fertilizers rose to USD 238.1 million from USD 207.7 million, indicating increased utilization for agriculture. In 2024, imports of goods and services totalled USD 16,789.8 million compared to USD 16,058.7 million in the previous year. The imports were dominated by white petroleum products, industrial transport equipment, iron and steel, and plastic products.



Table 4.8: Tanzania Imports by Major Category

	<i>Millions of USD</i>				
	Annual			July - December	
	2022	2023	2024 ^P	2023	2024 ^P
Capital	2,594.0	2,893.4	3,042.9	1,489.2	1,750.8
Machinery and mechanical appliances	1,128.9	1,242.7	1,057.6	577.3	548.2
Industrial transport equipment	823.2	937.2	1,198.9	493.4	749.6
Intermediate	10,231.0	9,389.1	9,879.4	5,074.0	5,336.8
Industrial supplies	4,780.1	4,307.1	4,643.0	2,356.9	2,582.0
Fuel and lubricants	3,482.9	2,915.7	2,862.6	1,655.9	1,477.1
o/w Refined white products	3,314.8	2,725.8	2,627.8	1,559.0	1,384.6
Parts and accessories	987.5	998.6	1,096.4	499.5	641.7
Food and beverages for industrial use	717.9	828.8	901.6	393.7	415.6
o/w Wheat grain	302.4	418.8	324.3	172.7	154.8
Motor cars for household	257.5	338.1	373.8	167.7	219.0
Consumer	1,381.5	1,444.2	1,395.2	738.0	748.0
Food and beverages mainly for household consumption	182.0	240.1	178.7	84.4	102.4
Non-industrial transport equipment	159.5	141.7	163.9	81.2	87.8
Other consumer goods	1,040.1	1,062.4	1,052.6	572.4	557.8
Services payment	2,465.4	2,329.8	2,470.1	1,181.7	1,410.2
o/w Transportation	1,378.4	1,309.7	1,325.0	664.7	745.9
Travel	357.5	414.1	527.2	208.9	330.2
Other	729.5	606.0	617.9	308.1	334.1
Goods and services	16,674.1	16,058.7	16,789.8	8,484.1	9,246.9

Source: Tanzania Revenue Authority and Bank of Tanzania

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

The current account balance in Zanzibar was a surplus of USD 321.5 million in the first half of 2024/25, an increase from a surplus of USD 219.2 million in the corresponding period in the year before. This follows a significant improvement in service receipts, which increased by 17.5 percent to USD 610.7 million. Service receipts are usually dominated by earnings from tourism. On annual basis, the current account balance was a surplus of USD 530.8 million in 2024, compared with a surplus of USD 350.6 million in the preceding year (Table 5.9).

Exports of goods and services amounted to USD 635.5 million in the first half of 2024/25, compared with USD 540.6 million in the corresponding period in the year earlier, dominated by tourism and manufactured goods (Chart 4.10a). On annual basis, exports increased to USD 1,101.4 million in 2024 from USD 956.5 million in the preceding



year. Imports of goods and services amounted to USD 325.7 million in the first half of 2024/25, almost similar to what was recorded in the corresponding period in 2023/24 (Chart 4.10b). In 2024, imports of goods and services were USD 591.1 million compared to USD 618 million in the previous year.

Table 4.9: Zanzibar Current Account

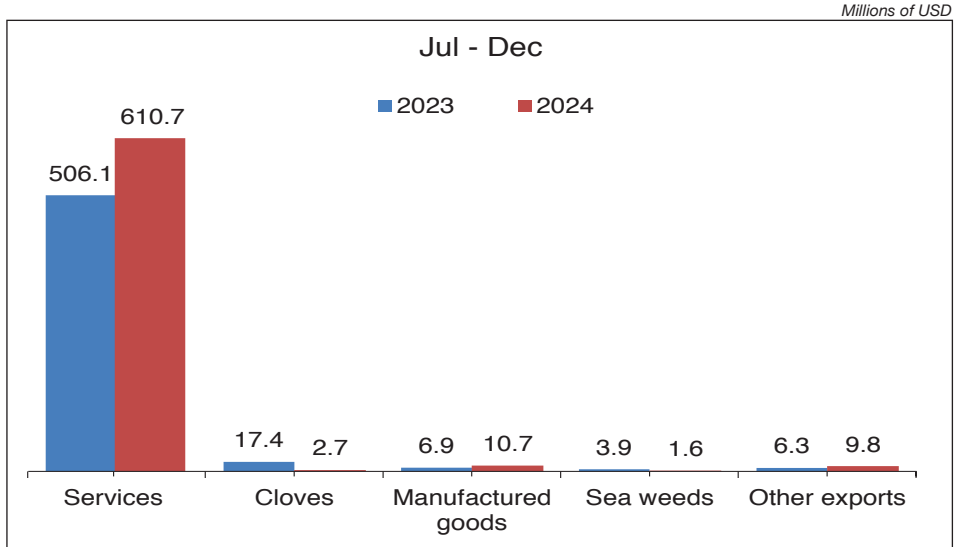
Item	Millions of USD					
	Annual			July - December		
	2022	2023	2024 ^P	2022	2023	2024 ^P
Goods account (net)	-390.3	-466.7	-439.4	-207.9	-239.7	-247.5
Exports	76.5	50.0	54.9	49.8	34.5	24.8
Imports (fob)	-466.9	-516.7	-494.3	-257.6	-274.3	-272.3
Services account (net)	756.0	805.3	949.8	482.8	452.4	557.4
Receipts	844.9	906.6	1,046.5	531.9	506.1	610.7
Payments	-88.9	-101.3	-96.8	-49.1	-53.7	-53.3
Goods and services (net)	365.7	338.6	510.3	274.9	212.7	309.8
Exports of goods and services	921.4	956.5	1,101.4	581.6	540.6	635.5
Imports of goods and services	-555.8	-618.0	-591.1	-306.7	-328.0	-325.7
Primary income account (net)	4.3	10.6	17.9	4.7	5.8	10.2
Receipts	7.3	15.2	26.1	6.4	8.4	14.9
Payments	-3.0	-4.6	-8.2	-1.6	-2.6	-4.7
Secondary income (net)	1.1	1.4	2.5	0.5	0.8	1.4
Inflows	2.3	2.4	4.3	0.9	1.4	2.5
Outflows	-1.2	-1.0	-1.8	-0.4	-0.6	-1.0
Current account balance	371.1	350.6	530.8	280.2	219.2	321.5

Source: Tanzania Revenue Authority and Bank of Tanzania computations

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

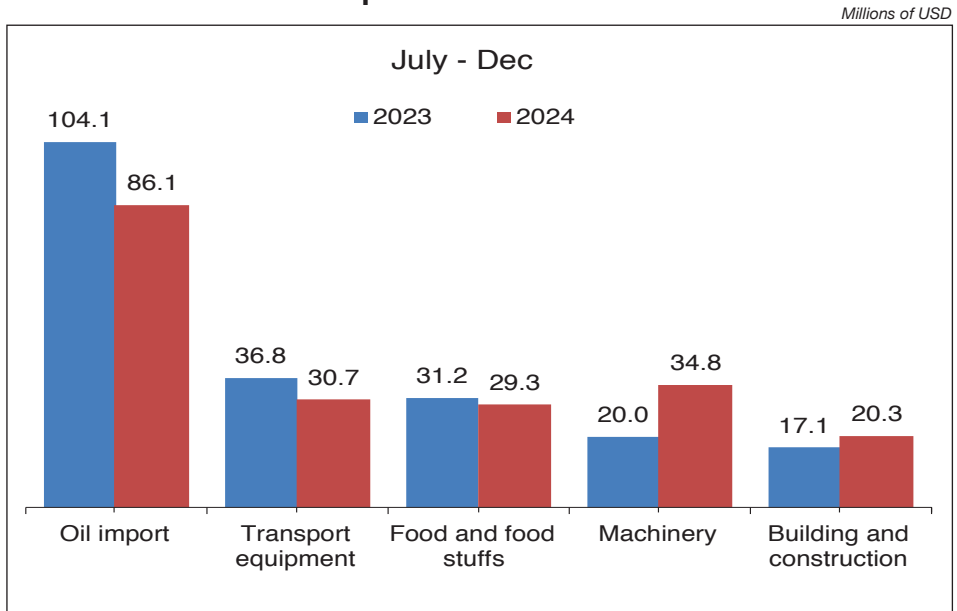


Chart 4.10a: Zanzibar Export of Goods and Services



Source: Tanzania Revenue Authority and Bank of Tanzania computations

Chart 4.10b: Zanzibar Imports of Goods



Source: Tanzania Revenue Authority and Bank of Tanzania computations



4.8 Foreign Exchange Liquidity, Foreign Reserves and Exchange Rate

Foreign exchange liquidity was low in the first quarter of 2024/25 but improved significantly in the subsequent quarter. The increase was attributable to improvements in the global economic conditions at the back of a decrease in commodity prices, particularly oil, and policy interest rate cuts in advanced economies. The policy rate cut eased financial conditions in the international capital markets and reduced capital flows to the advanced economies. The increase was also contributed by a significant increase in foreign exchange earnings from tourism, gold, cashew nuts, and tobacco. These factors were complemented by the monetary policy stance, which intended to reduce exchange rate pressures that could increase inflation.

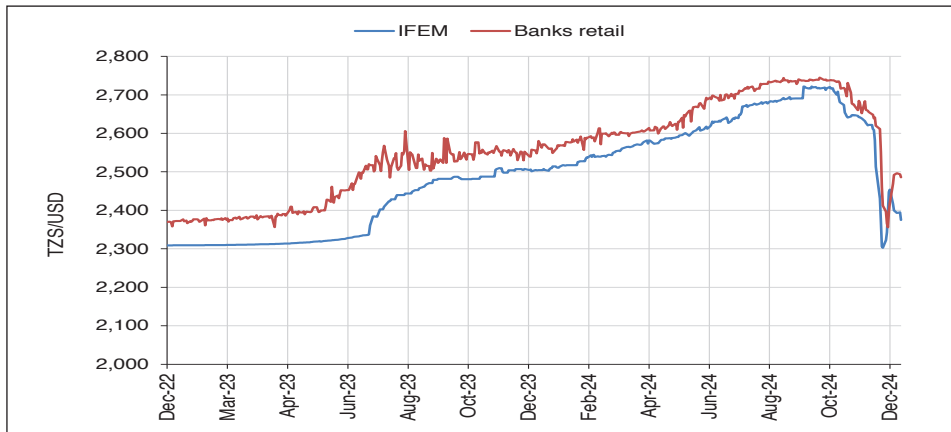
The Shilling-US dollar exchange rate moved in tandem with foreign exchange liquidity conditions, depreciating gradually in the first quarter of 2024/25 and appreciating significantly afterwards (Chart 4.11a). The exchange appreciated by 3.78 percent at the end of December 2024, compared to a depreciation of 7.78 percent in the corresponding period in 2023. A faster appreciation was observed in the first two weeks of December 2024. The appreciation of the exchange rate reduced dollarization in the economy and led to a collapse of the parallel foreign exchange market. The nominal effective exchange rate (NEER) and the real effective exchange rate (REER) also appreciated, the latter converging to its long-run path or equilibrium level (Chart 4.11b). Despite the appreciation, there was no loss of export competitiveness observed.

Foreign reserves remained high and adequate throughout the first half of 2024/25. The reserves amounted to USD 5,546.1 million at the end of December 2024, up from USD 5,535.5 million at the end of June



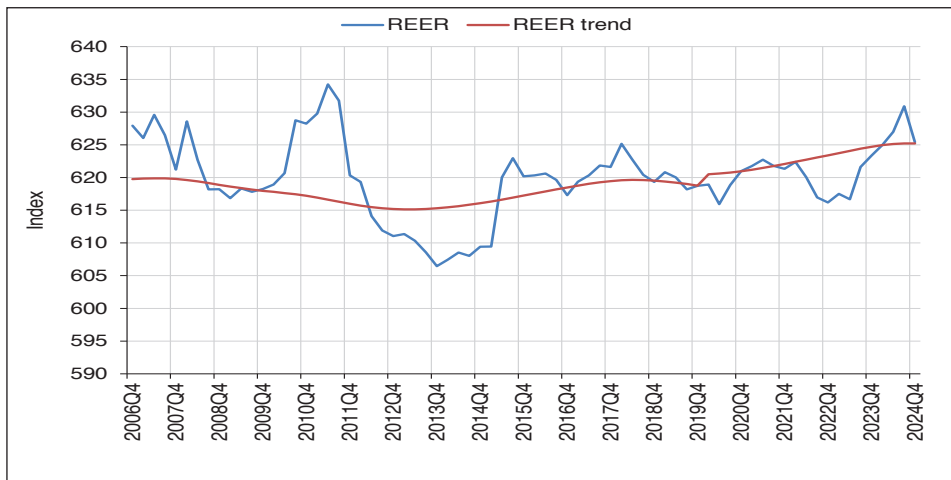
2024, and were sufficient to cover at least 4.5 months of projected imports of goods and services (Chart 4.12a)⁸. The import cover was consistent with the country minimum requirement of 4 months and the EAC convergence criteria of 4.5 months (Chart 4.12b).

Chart 4.11a: Nominal Exchange Rates



Source: Bank of Tanzania

Chart 4.11b: Real Effective Exchange Rate

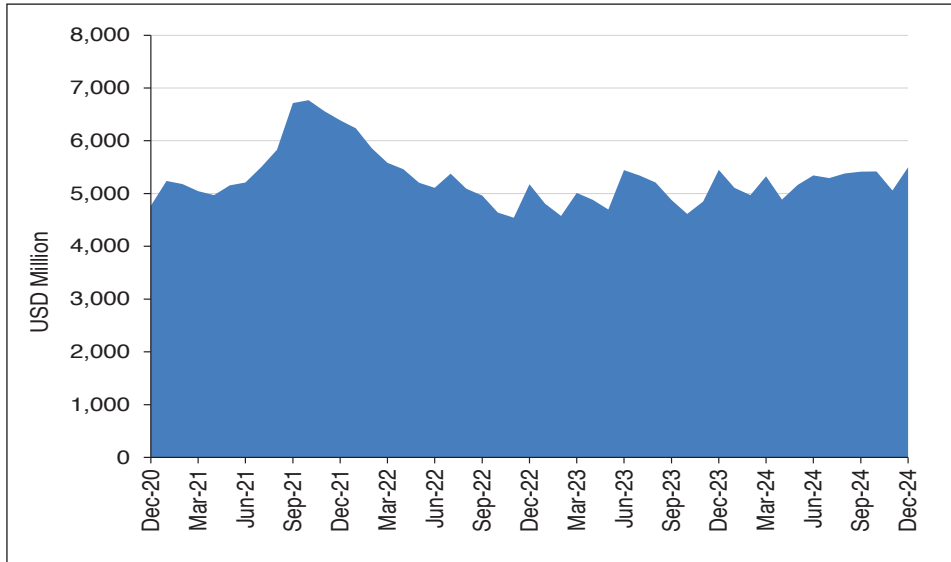


Source: Bank of Tanzania

⁸ The number for December 2024 is provisional

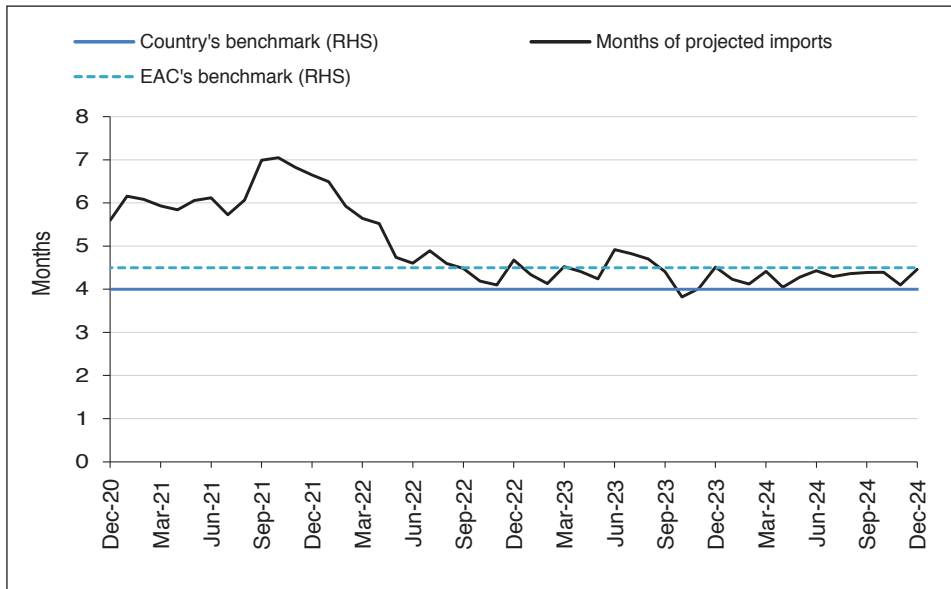


Chart 4.12a: Gross Official Foreign Reserves



Source: Bank of Tanzania

Chart 4.12b: Months of Import Cover



Source: Bank of Tanzania



4.9 Financial Sector Performance

The financial sector remained stable and resilient, with moderate risk reinforced by macroeconomic stability. The banking sector, which forms the largest part of the financial sector, was liquid, profitable and adequately capitalized. Assets of banks increased in tandem with deposits, driven by the expansion of agent banking services, an increase in the uptake and growth of financial products, and the digitalization of banking services. Liquidity in banks remained adequate, as the ratio of liquid assets to demand liabilities exceeded the regulatory requirements of 20 percent. The quality of assets continued to improve, as reflected by a decline in non-performing loans (NPLs) to 3.3 percent in December 2024 from 4.1 percent in June 2024. The NPL ratio was below the tolerable level of not more than 5 percent and is expected to decline further as banks implement measures to improve the quality of assets.

In collaboration with stakeholders, the Bank will continue undertaking reforms to further deepen the financial sector. The reform 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 regulations for capital adequacy, liquidity management, and prompt corrective action, and (iii) collecting data on a real-time basis to facilitate timely and effective supervision. The reform measures also include improving access and usage of financial products and services.

4.10 Payment Systems Performance

Payment systems operated effectively, and modernization of the systems was implemented to enhance efficiency. Measures were also implemented to facilitate the attainment of a cash-lite economy. These



measures included issuing a public notice prohibiting merchants from imposing charges on card transactions at *Point of Sale (PoS) terminals*, complementing pricing guidelines for digital transactions conducted via the Tanzania interbank settlement system and electronic fund transfers, issued in April 2024.

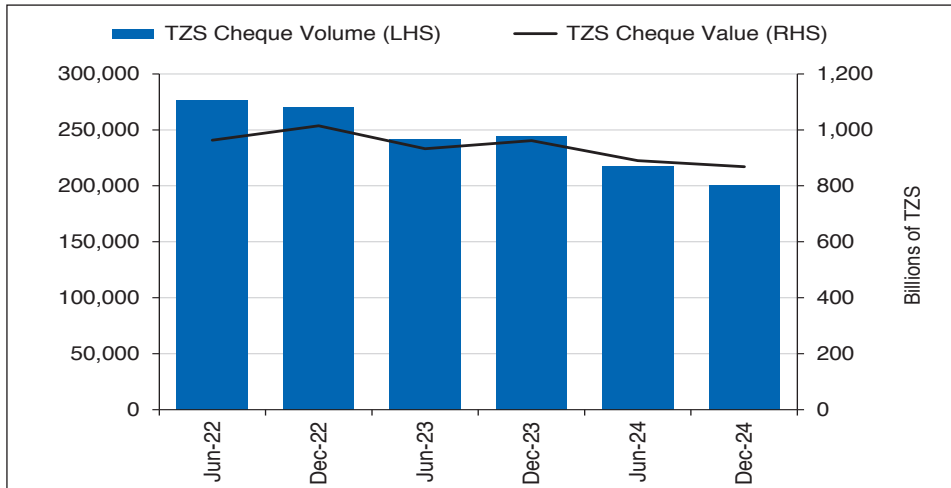
The Bank also continued to enable interoperability of domestic and cross-border payment systems by completing the onboarding of participants and incorporation of the Government E-Payment System (GePG) into the Tanzania Instant Payment Systems (TIPS). The incorporation of GePG will enable the payment of government bills using all digital platforms. In ensuring safety and integrity, as well as limiting illicit financial transactions, the Bank continued to undertake offsite surveillance and onsite examinations of the payment systems, particularly those provided by the private sector.

In terms of performance, usage of digital payments increased, alongside a decline in the use of cheques. Transactions through electronic funds transfer grew by 6.4 percent in volume and 18.8 percent in value during the first half of 2024/25, from the corresponding period in 2023/24, attributable to government efforts of making digital payments more affordable, improvement in operational efficiency and consumer protection initiatives. The volume and value of cheques denominated in Tanzanian Shillings decreased by 17.81 percent and 9.73 percent, respectively (Chart 4.13). Similarly, the volume and value of cheques denominated in USD fell by 24.78 percent and 16.42 percent, respectively. Mobile money platforms continued to play a key role in facilitating the unbanked population's access to financial services. The volume and value of mobile payment transactions increased, attributable to the high adoption of merchant payments as well as the



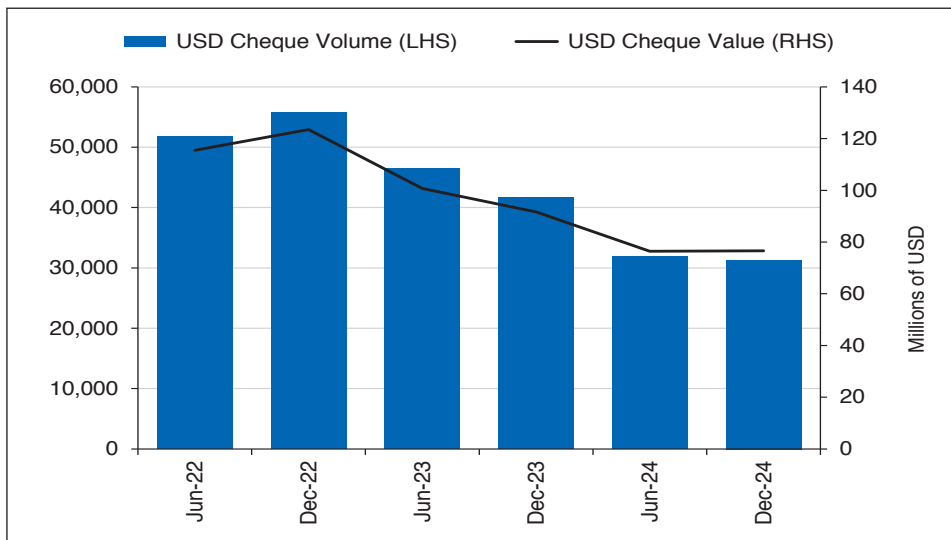
facilitation of domestic and cross-border transfers, and transactions between wallets and banks (Chart 4.14).

Chart 4.13a: TACH Cheque Transactions in Tanzanian Shillings



Source: Bank of Tanzania

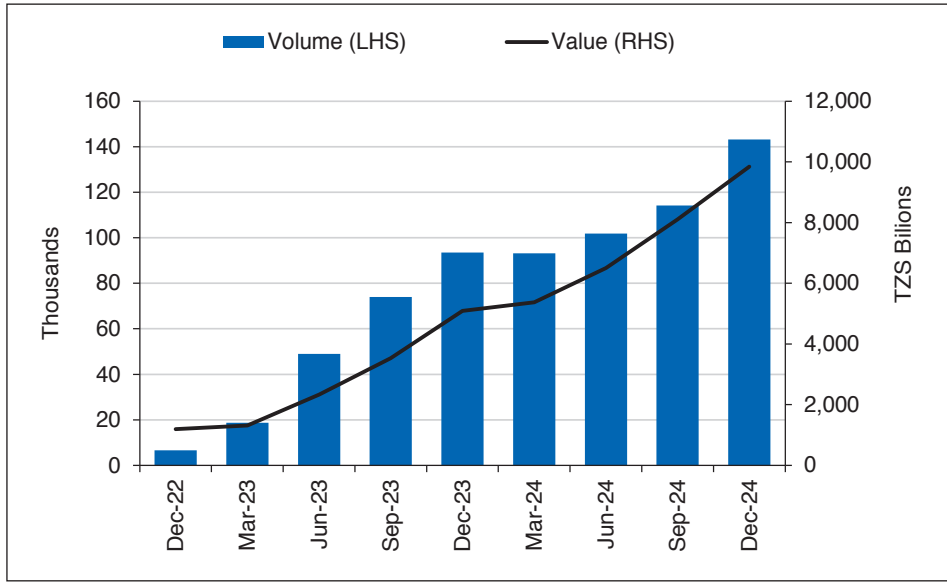
Chart 4.13b: TACH Cheque Transactions in USD



Source: Bank of Tanzania

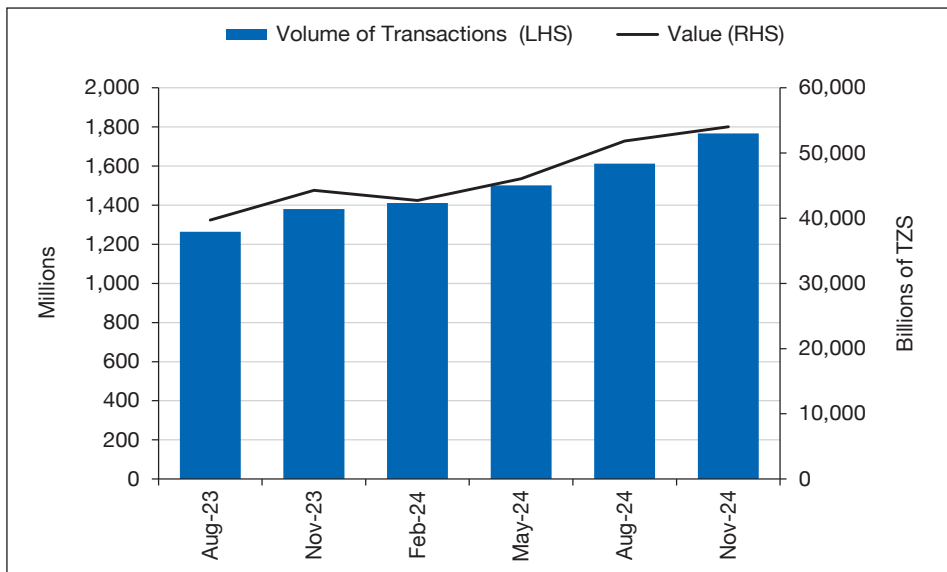


Chart 4.14a: Tanzania Instant Payment Systems Transactions



Source: Bank of Tanzania

Chart 4.14b Mobile Payments



Source: Bank of Tanzania



PART V

5.0 ECONOMIC OUTLOOK

5.1 Global economic outlook

Global growth is projected to improve in 2025. The OECD report released in December 2024 and the IMF and World Bank reports published in January 2025 indicate improvement in growth ranging from 2.7 to 3.3 percent. The positive outlook is largely driven by easing monetary policy, fiscal stimulus efforts, and a recovery in consumer spending. The reports show the main downside risks to the growth projection to be heightened policy uncertainty, geopolitical conflicts, and climate-related natural disasters.

Inflation is expected to continue declining across many economies, attributable to moderate prices in the world market and the lagged impact of tight monetary policy. The IMF projects global inflation to reach 4.2 percent in 2025 and further ease to 3.5 percent in the subsequent year, with advanced economies converging to the inflation targets earlier than emerging market and developing economies. The main risks to the inflation outlook are geopolitical conflicts, climate change effects, and energy price increases. Central banks in advanced economies are expected to continue cutting policy rates at different pace and levels depending on growth and inflation outlooks. Oil prices are expected to be moderate, ranging between USD 72-75 per barrel in 2025, while gold prices are expected to remain elevated, averaging USD 2,500 per troy ounce.⁹

⁹ Bloomberg database, January 2025.



5.2 Domestic Economic Outlook

Economic growth in Mainland Tanzania is expected to remain robust in the second half of 2024/25. Real GDP growth is projected at around 6 percent (same for 2025), supported by multiple factors such as favourable weather conditions, timely input supplies and utilization, and investments in irrigation infrastructure. These factors will provide impetus for growth in agriculture. The construction activity is expected to remain steady, driven by infrastructure projects, particularly the ongoing construction of the standard gauge railway, roads, bridges, and airports. Transport and logistics services, as well as a stable power supply, are also expected to drive growth. Furthermore, fiscal and monetary policies will contribute to the growth momentum. The Zanzibar economy is projected to grow at more than 6 percent in the second half of 2024/25, and an average of 6.8 percent in 2025, driven mainly by tourism, construction, and real estate.

Inflation is forecast to remain subdued in the second half of 2024/25, averaging around 3 percent, while core inflation is expected at 3.8 percent. Inflation in Zanzibar is projected to remain below the medium-term target of 5 percent. Prudent monetary and fiscal policies, adequate food supply, stable exchange rate, and moderate commodity prices in the world market are expected to contribute to low inflationary pressures. The risk to the inflation outlook is moderate but could heighten if OPEC+ reduces production.



PART VI

6.0 MONETARY POLICY STANCE, INTEREST RATE AND EXCHANGE RATE POLICIES FOR THE SECOND HALF OF 2024/25

6.1 Monetary Policy Stance

In view of the global and domestic economic outlook presented in Part V, the monetary policy stance for the second half of 2024/25 will remain relatively the same as in the first half of the year. The aim is to stabilize inflation around 3 percent and foster economic growth to reach around 6 percent. To attain these macroeconomic targets, the Monetary Policy Committee (MPC) at its meeting of January 7th, 2025 set the CBR at 6 percent for the quarter ending March 2025. The CBR for the quarter ending June 2025 will be set in the first week of April.

The Bank will continue to ensure adequate liquidity in the economy using monetary policy instruments at its disposal. The instruments include repo, reverse repo, auction of Treasury bills for monetary policy operations (liquidity papers), purchase or sale of foreign exchange in the IFEM and statutory minimum reserves (SMR). The implementation of monetary policy will aim at aligning the 7-day interbank interest rate with the CBR. In this regard, the 7-day interbank interest rate is expected to evolve within the corridor of +/- 2 percentage points of the CBR. The implementation of monetary policy will also support the attainment of the quarterly targets for net domestic assets and net international reserves of the Bank, as set in the ECF program.



To enhance monetary policy operations, the Bank will further undertake reforms to improve the functioning of the interbank cash market. The reforms include a review of the collateral management framework of eligible securities pledged by banks to access funds from the Bank and pricing of the Lombard loan facility and monetary policy instruments. The Bank will also continue implementing reforms in the financial sector including measures to enhance efficiency in liquidity distribution among banks, financial stability and inclusion. Furthermore, efforts will be made to increase awareness among stakeholders on the interest rate-based monetary policy framework and the need to use the shilling for domestic transactions. These measures are part of strategies for improving monetary policy transmission and effectiveness.

6.2 Interest Rate Policy

Interest rates will continue to be determined by market forces. The MPC will set the CBR to influence the determination of interest rates in the interbank cash market, which, together with market forces, will ensure market-determined interest rates in the economy. Meanwhile, the Bank will undertake reforms in the financial sector to complement Government efforts in ensuring the appropriate determination of interest rates. In implementing the reforms, the Bank will continue engaging stakeholders in the financial sector to ensure consumer protection, increased financial literacy, and improved financial inclusion.

6.3 Exchange-Rate Policy

The exchange rate will remain to be determined by the demand and supply of foreign exchange in the market. This will facilitate limiting the impact of external shocks on the economy and improve market efficiency. Participation of the Bank in the interbank foreign exchange market will be in accordance with the Foreign Exchange Intervention



Policy 2023 to smoothen short-term excessive volatility in the exchange rate, accumulate foreign exchange reserves, facilitate the conduct of monetary policy and provide foreign exchange liquidity in the market. In addition, the Bank of Tanzania will continue to maintain adequate foreign reserves as a buffer against external shocks and ensure that banks adhere to market norms as enshrined in the IFEM Code of Conduct.



APPENDICES



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

Economic Activity	2021				2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture	2.1	2.5	4.9	6.2	4.2	3.8	3.9	1.9	5.0	3.1	5.2	4.1	3.1	4.2	4.3	
Mining and quarrying	9.0	9.4	12.4	7.0	9.7	5.8	9.6	17.5	14.2	10.5	14.3	6.9	3.5	6.7	8.6	
Manufacturing	6.1	4.5	3.8	5.0	6.3	4.7	4.4	1.8	5.3	4.3	4.2	3.6	5.8	4.6	5.0	
Electricity	7.0	11.9	10.0	11.0	9.4	9.6	9.7	2.3	3.6	6.2	3.3	2.7	7.6	11.0	27.8	
Water	9.0	8.4	4.5	4.9	11.9	9.5	0.1	2.2	5.1	3.3	1.8	0.1	3.1	3.5	3.7	
Construction	4.4	0.5	4.6	4.0	6.5	2.9	1.8	4.8	5.1	2.3	3.7	2.9	6.4	2.9	3.9	
Trade and repair	2.3	4.2	1.5	4.9	7.2	6.7	1.9	0.6	2.7	4.1	4.3	5.8	5.3	4.3	4.5	
Accommodation and restaurant	-6.5	10.1	14.3	11.3	1.5	13.0	13.2	8.5	12.3	7.2	7.4	6.7	7.2	5.5	5.8	
Transport and storage	9.0	4.9	-0.6	1.2	1.3	4.1	7.3	2.7	2.3	3.9	5.3	4.6	7.6	5.8	6.2	
Information and communication	8.8	11.8	8.2	7.6	5.9	6.4	10.8	6.8	3.5	6.2	11.3	9.7	13.4	11.3	12.5	
Financial and insurance	1.9	3.2	4.1	7.8	9.6	9.7	8.7	8.9	10.0	12.5	13.2	13.2	17.1	16.1	18.2	
Public administration	2.6	4.3	6.5	6.8	4.6	4.0	6.7	6.3	6.7	5.9	5.3	4.5	6.6	6.4	6.6	
Professional, scientific and technical act.	7.8	7.6	5.8	6.2	5.0	5.5	6.8	5.9	5.3	4.7	4.1	8.0	4.5	4.8	4.2	
Administrative and support services	7.4	7.3	6.0	7.0	6.0	5.2	3.6	3.7	5.5	5.8	5.6	2.9	5.2	5.4	5.7	
Real estate	4.6	4.6	4.6	4.1	4.5	4.4	4.4	4.4	4.1	4.2	4.2	4.6	4.2	4.3	4.3	
Education	5.1	4.8	6.1	4.4	6.6	5.2	6.5	2.9	6.9	6.5	6.1	5.2	4.6	4.3	6.7	
Health	4.8	5.5	7.1	5.6	4.9	5.5	7.1	4.1	5.9	6.3	6.0	5.8	3.9	4.1	5.6	
Other services	6.6	10.8	12.1	11.7	8.5	7.5	9.0	9.4	9.5	11.5	8.9	7.2	8.6	9.9	8.8	
All industry at basic prices	4.3	3.9	4.7	5.4	5.5	4.8	4.9	4.0	5.5	4.6	5.8	4.8	5.7	5.2	6.1	
Taxes on products	8.4	-0.9	11.5	10.9	12.5	7.5	-0.5	-3.0	-1.5	6.2	2.5	7.9	3.7	6.6	3.7	
GDP at market prices	4.5	3.6	5.3	5.8	6.0	4.9	4.5	3.4	5.0	4.7	5.6	5.0	5.6	5.3	5.9	

Source: National Bureau of Statistics



Table 2: Zanzibar Quarterly GDP Growth Rates by Economic Activity

Economic Activity	2021				2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Crops	6.7	10.2	5.5	0.7	-9.5	-8.6	-3.2	20.5	10.4	6.1	3.7	1.6	7.1	13.1	2.5
Livestock	25.5	8.7	9.4	83.7	-34.4	-9.6	-11.1	11.5	26.4	-5.2	-5.0	-28.3	-28.7	-20.0	-15.0
Forestry	-3.2	4.2	6.2	6.8	3.8	3.7	2.0	4.3	9.7	7.5	-1.2	2.9	3.4	1.4	4.3
Fishing	-3.5	-5.1	-43.7	-4.8	21.7	-5.8	47.5	93.9	5.5	-0.3	15.7	-17.3	7.2	29.2	22.8
Mining and quarrying	-26.4	5.2	22.6	18.0	19.1	15.0	1.9	18.7	37.4	41.4	0.6	-25.3	1.5	20.9	8.9
Manufacturing	10.6	8.3	3.7	-3.5	9.2	3.1	0.5	14.3	5.9	4.5	2.2	7.1	5.1	4.2	5.8
Electricity	4.8	37.8	20.6	-9.6	11.9	-9.6	20.1	8.0	0.2	19.6	12.1	30.3	7.9	9.4	0.6
Water supply	10.6	8.7	10.4	10.7	5.0	6.5	1.1	6.6	4.8	6.8	3.0	0.4	4.6	-2.0	11.4
Construction	-36.2	-28.6	6.9	151.1	65.6	10.6	8.2	-14.1	22.7	7.2	23.9	-9.6	-5.0	14.4	10.4
Wholesale and retail trade	1.4	3.0	26.2	19.6	3.0	15.7	1.8	17.5	33.5	2.0	-8.9	5.8	1.6	11.4	11.2
Accommodation and food services	3.0	90.6	5.0	10.6	5.6	25.2	19.8	15.2	13.6	16.9	28.5	4.4	4.5	13.8	14.9
Transport and Storage	4.8	7.3	23.3	8.8	-1.8	2.8	-3.8	11.6	11.9	21.4	3.3	3.7	1.8	4.2	-2.6
Information and Communication	-4.9	-35.2	2.6	-38.3	-40.3	13.1	-11.1	0.0	32.1	-2.5	11.6	0.4	1.6	1.5	5.7
Financial and Insurance	22.4	-5.1	32.6	16.4	-0.2	11.5	4.7	12.7	92.8	30.4	0.1	69.0	7.4	0.3	6.0
Real Estate	6.9	6.9	7.0	6.9	7.0	7.1	7.1	7.1	7.8	8.1	4.6	8.4	7.8	7.6	11.2
Professional, Scientific & Technical	7.9	-60.3	8.5	28.7	29.0	80.6	4.3	0.0	-27.8	41.3	14.2	0.0	4.9	19.5	2.0
Administrative & Support	-16.8	-47.1	26.7	18.7	14.0	45.0	0.5	37.9	4.7	30.6	39.4	0.0	2.5	8.4	6.8
Public administration	26.2	23.2	22.8	-19.1	4.5	-16.7	0.0	5.1	1.5	3.3	4.2	12.2	3.2	1.7	2.9
Education	-5.1	-7.8	-6.3	-9.9	19.9	11.6	7.6	0.0	7.8	8.0	6.7	0.0	0.6	5.9	8.9
Human Health & Social work	15.4	14.6	30.3	1.8	-3.2	17.4	-0.4	5.2	27.2	-9.2	0.8	0.0	5.1	8.4	5.1
Arts, Entertainment & Recreation	2.9	-40.1	40.3	-18.7	5.5	63.8	37.8	0.0	17.2	33.8	-14.9	0.2	8.7	8.0	1.5
Other services	29.4	-30.5	41.9	-5.8	11.5	38.0	6.5	-20.5	-7.3	17.6	16.2	0.0	3.3	3.9	7.1
Households as employers	3.2	3.2	3.2	2.4	3.2	3.2	0.0	3.2	3.2	2.4	1.6	0.1	3.2	3.2	3.2
FISIM	42.0	9.5	53.1	-2.0	-18.9	6.0	-21.6	0.0	76.9	7.2	9.0	0.0	7.8	2.4	8.1
All industries at basic prices	3.7	6.6	6.4	15.3	4.3	3.7	1.5	10.9	15.5	7.7	13.7	2.0	1.7	7.4	8.0
Taxes on products	-11.0	5.9	29.6	7.4	13.1	38.0	-6.3	-31.2	6.6	-7.1	-7.5	6.0	2.8	6.1	2.7
GDP at market prices	2.2	6.5	8.8	3.0	5.1	6.6	4.2	8.4	9.7	6.1	7.4	2.2	6.4	7.2	7.5

Source: Office of Chief Government Statistician-Zanzibar



Table 3: Monetary Statistics

Billions of TZS

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Net foreign assets of the banking system	9,437.5	8,697.1	10,455.1	10,121.6	11,302.4	11,635.0	12,238.3	13,704.3	13,233.5
Net domestic assets of the banking system	29,142.5	30,416.1	31,729.8	33,019.5	32,706.2	32,892.4	34,523.8	34,360.2	35,671.8
Private sector credit	27,372.5	28,535.7	29,835.6	30,791.3	32,102.0	33,346.2	34,980.8	36,174.1	36,097.4
Extended broad money supply	38,580.0	39,113.2	42,185.0	43,141.0	44,008.6	44,527.4	46,762.1	48,064.6	48,905.3
Foreign currency deposits	8,201.1	8,617.7	9,591.3	9,715.9	10,000.8	10,397.3	11,496.1	12,427.9	11,765.3
Forex deposits (<i>mil. of USD</i>)	3,552.2	3,729.5	4,128.8	3,940.5	4,004.6	4,083.6	4,400.8	4,609.6	4,827.2
Broad money supply	30,378.9	30,495.5	32,593.7	33,425.2	34,007.8	34,130.1	35,266.0	35,636.6	37,140.1
Narrow money supply	18,948.2	18,618.7	20,352.4	20,611.2	20,600.2	20,862.9	21,995.8	21,825.4	22,905.8
Currency in circulation	5,709.0	5,371.1	6,161.5	6,475.9	6,485.0	6,325.5	7,076.5	7,353.5	7,351.9
Transferable deposits	13,239.2	13,247.5	14,190.9	14,135.3	14,115.2	14,537.3	14,919.3	14,471.9	15,553.9
Memorandum Items									
Reserve money	9,736.3	9,236.4	10,850.7	9,943.7	10,099.8	10,185.5	10,926.3	11,133.7	12,024.8
Banks' reserves	2,987.9	2,893.0	3,658.6	2,411.2	2,444.5	2,907.0	2,886.6	2,667.0	3,351.5
Currency outside Bank of Tanzania ¹	6,748.3	6,343.4	7,192.0	7,532.5	7,655.3	7,278.5	8,039.7	8,466.7	8,673.3
Nominal exchange rate (end of period) (TZS/USD)	2,308.7	2,310.7	2,323.0	2,465.6	2,497.4	2,546.1	2,612.2	2,696.1	2,437.3
Annual growth rates (%)									
Reserve money	15.8	10.2	17.0	3.9	3.7	10.3	0.7	12.0	19.1
Extended broad money supply	11.6	15.9	18.8	14.5	14.1	13.8	10.9	11.4	11.1
Broad money supply	12.1	15.1	18.0	14.0	11.9	11.9	8.2	6.6	9.2
Credit to the private sector	22.5	22.9	21.3	19.5	17.3	16.9	17.2	17.5	12.4

Source: Bank of Tanzania



Table 4: Capital and Money Market Interest Rates

	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Percent													
Interbank cash market rates													
Overnight	6.56	6.75	6.35	6.20	6.51	7.02	6.92	6.80	7.62	7.88	7.74	7.73	7.07
2 to 7 days	6.89	7.29	7.20	7.17	7.04	7.35	7.40	7.42	7.83	8.26	8.17	8.11	7.38
Overall interbank cash market rate	6.81	7.27	7.20	7.10	7.02	7.34	7.36	7.24	7.79	8.16	8.04	8.06	7.41
Lombard rate													
	9.84	7.50	7.50	7.50	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Reverse repo rate	6.29	6.29	5.81	5.74	6.57	6.57	6.57	6.57	7.88	8.00	8.00	7.72	7.72
Treasury bills rates													
182 days	9.40	9.30	8.93	8.61	8.45	8.22	6.57	6.57	7.30	7.30	8.17	8.30	8.30
364 days	10.51	11.81	12.25	11.82	10.38	7.83	6.75	8.84	10.63	10.98	11.66	12.78	12.95
Overall Treasury bills rate	10.48	11.76	12.21	11.65	10.33	7.86	6.75	8.81	10.61	10.85	11.55	12.68	12.95
Treasury bonds rates													
2 years	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64
5 years	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	12.41	12.41	12.41
7 years	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71
10 years	11.85	12.03	12.03	12.03	12.30	12.30	12.30	12.30	13.26	13.26	13.26	13.26	13.26
15 years	12.75	12.75	13.66	13.66	13.66	15.16	15.16	15.05	15.05	15.35	15.76	15.76	15.76
20 years	13.51	13.51	15.83	15.51	15.24	15.24	15.13	15.17	15.40	15.45	15.76	15.64	15.71
25-year	14.39	14.39	14.39	16.79	16.13	16.13	15.38	15.38	15.38	15.42	15.42	15.93	15.93
Central Bank Rate	-	5.50	5.50	5.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00

Source: Bank of Tanzania



Table 5: Commercial Banks' Interest Rates

Items	Percent												
	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
A: Domestic currency													
Savings deposit rate	2.60	2.69	2.54	2.70	2.79	2.87	2.86	2.87	3.02	2.84	2.85	2.69	2.84
Overall time deposits rate	7.45	7.40	7.39	7.55	7.44	7.65	7.66	8.15	7.98	8.20	8.25	8.18	8.33
6 months	9.14	9.13	9.07	9.15	9.12	9.37	9.25	9.09	8.91	9.15	9.30	9.19	9.30
12 months	8.92	9.15	9.06	8.94	8.21	8.97	9.09	9.01	8.82	9.12	10.41	9.63	9.62
Negotiated deposit rate	9.19	9.56	9.52	9.59	9.33	9.72	9.86	9.96	10.12	9.88	10.27	10.14	10.39
Overall lending rate	15.44	15.39	15.44	15.51	15.42	15.47	15.30	15.29	15.26	15.54	15.67	15.67	15.71
Short-term (up to 1 year)	15.94	15.82	16.10	16.17	15.93	15.98	15.57	15.67	15.50	15.67	16.06	15.56	15.74
Medium-term (2-3 years)	15.82	15.92	15.80	16.05	15.87	15.88	15.78	16.06	16.09	16.26	16.48	16.36	16.21
Long-term (3-5 years)	15.48	15.39	15.51	15.42	15.44	15.50	15.37	15.21	15.14	15.20	15.06	15.17	15.24
Negotiated lending rate	13.38	13.44	13.40	13.46	13.95	12.69	12.82	12.78	12.79	12.92	12.93	12.77	12.83
B: Foreign currency													
Savings deposits rate	0.04	0.04	0.04	0.91	0.79	0.90	0.97	0.53	1.28	0.91	0.73	0.71	0.81
Overall time deposits rate	3.67	3.40	3.73	3.82	3.77	3.65	3.91	3.97	3.73	3.68	3.85	3.99	4.20
6-months	3.95	3.41	3.65	3.88	4.39	4.46	4.38	3.74	4.40	4.54	4.59	4.44	4.36
12-months	4.43	4.58	4.47	4.64	4.49	4.40	4.44	4.26	3.89	3.21	3.83	3.57	3.54
Overall lending rate	7.64	7.72	8.13	8.17	8.10	8.19	7.23	8.34	8.56	8.44	8.77	8.53	8.80
Short-term (up to 1 year)	8.93	9.46	9.11	9.60	8.74	8.77	6.58	9.10	9.55	9.41	9.50	9.50	9.44
Medium-term (2-3 years)	8.21	8.14	8.44	8.35	8.47	8.27	7.63	8.31	8.28	8.70	8.76	8.02	9.19
Long-term (3-5 years)	6.53	6.67	7.09	6.49	6.94	6.94	6.56	7.35	7.41	7.52	8.23	8.01	8.23

Source: Bank of Tanzania



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. This rate is also known as Policy rate.

Core inflation

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

Debt sustainability

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

Foreign Exchange Reserves

Foreign exchange reserves consist of external assets readily available to and controlled by the Bank of Tanzania for direct financing of the balance of payments and indirectly regulating the magnitude of the balance of payments imbalances through intervention in foreign exchange markets. Gross official reserves comprise the Bank of Tanzania's holdings of monetary gold, special drawing rights (SDRs), reserve position in the International Monetary Fund, and foreign exchange resources available to the Bank of Tanzania for meeting external financing needs.



Gross Domestic Product (GDP)

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

Inflation

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

Inflation forecast

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

Money Supply (M)

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



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

Net Domestic Assets of the Bank of Tanzania

This refers to claims of the Bank of Tanzania on the domestic entities, including credit extended to Governments and private entities less liabilities to these entities.

Net International Reserves of the Bank of Tanzania

This refers to gross official reserves assets of the Bank of Tanzania less all short term liabilities of the Bank with nonresidents.

Nominal Effective Exchange Rate (NEER)

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

Non-Food Inflation

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

Non-performing Loan

A non-performing loan means any credit accommodation for which contractual obligation for repayment is past due for more than ninety days or is classified as substandard, doubtful or loss under the criteria prescribed in the Banking and Financial Institutions (Management of



Risk Assets) Regulation, 2014 or other regulations for development finance institutions or microfinance, as the case may be, and is placed on a non-accrual basis.

Public Debt

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

Real Effective Exchange Rate (REER)

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

Repurchase agreements (Repo)

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

Reverse repo

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

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