



Bank of Tanzania

Monetary Policy Report

April 2024



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Bank of Tanzania Monetary Policy Framework

The Bank of Tanzania is mandated to formulate and implement monetary policy, among others. Monetary policy involves actions or decisions taken to influence the amount of money circulating in the economy, which ultimately influences interest rates offered to customers by banks and other financial institutions.

The objectives of monetary policy are to maintain price stability, defined as a low and stable inflation¹ rate over time, and to support economic growth.

To fulfil these objectives, the Bank of Tanzania assesses economic conditions and determines the policy rate that is consistent to maintain low and stable inflation and support the growth of the economy. The Monetary Policy Committee (MPC) determines the policy rate, and the Bank of Tanzania strives to steer the 7-day interbank interest rate (the operating target variable) along the policy rate. The specific mainstays of this monetary policy framework are highlighted below.

The Bank of Tanzania uses a variety of instruments to align the operating target along the policy rate. The main instruments are repurchasing agreements (repo and reverse repo), 35-day and 91-day Treasury bills, statutory minimum reserve requirement ratio (SMR), and sale or purchase of foreign currency in the inter-bank foreign exchange market. There are also standing lending facilities—intraday and Lombard loan facilities granted to all banks on demand to ensure efficiency and facilitate smooth settlement of payments.

The Bank of Tanzania exercises a high degree of transparency in its actions and decisions. The decisions of the Monetary Policy Committee (MPC), which include policy rates, are communicated to banks through post-MPC meetings with Chief Executive Officers of banks and the public through the media. In addition, the Bank publishes MPC meeting statements, Monetary Policy Report, and other periodic reports containing outcomes of monetary policy implementation, monetary policy stance, decisions on policy rate, and the performance of the economy at large. The reports are available on the Bank of Tanzania website: www.bot.go.tz.

¹ Inflation is measured as an annual change in the consumer price index, expressed in percent. In the medium term (up to 5 years), the inflation target is 5 percent.

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Summary of Monetary Policy and Economic Performance

The Monetary Policy Committee (MPC), at its meeting on 3rd April 2024, increased the central bank rate (CBR) from 5.5 percent to 6 percent in the second quarter of 2024. The decision was based on the macroeconomic forecast made in March 2024, which requires an increase in the scope of monetary policy actions to contain the spillover over effects of global economic challenges on inflation. The Bank will thus implement monetary policy to steer the 7-day interbank interest rate within +/- 200 basis points of the CBR.

The MPC noted with satisfaction the implementation of monetary policy in the first quarter of 2024. The level of liquidity in banks was adequate, leading the 7-day interbank interest rate to evolve within the band of +/-200 basis points of the CBR of 5.5 percent at 3.5-7.5 percent.

The foreign exchange market experienced a notable increase in the demand for the US dollar in the first quarter of 2024 after easing slightly in the preceding quarter. This was attributable to low seasonal inflows from tourism and export crops, which coincided with the impact of monetary policy tightening in advanced economies and growing domestic demand of capital and intermediate goods following improving business conditions. The Bank sold USD 75.1 million in the interbank foreign exchange market (IFEM) to support the market. Owing to the shortage of US dollar liquidity, the exchange rate depreciated by 9.4 percent, year-on-year. The US dollar liquidity is expected to improve as the global economy continues to normalize and foreign exchange inflows from exports increase. In the medium term, the current account is expected to improve due to the ongoing measures to boost exports and import substitution.

Economic performance in advanced and emerging markets improved in the first quarter of 2024. Output growth was higher than in the preceding quarter, inflation continued to decline, and monetary and financial conditions moderated. The price of crude oil was stable, averaging USD 80 per barrel. The price of gold remained high at around USD

2,071 per troy ounce. The MPC expects these economic conditions to prevail in the subsequent period of 2024, The MPC expects these economic conditions to prevail in the subsequent period of 2024, with the outlook conditioned on OPEC+ stance on oil production and effects of the geopolitical tensions on the supply chain and commodity prices.

The MPC noted with satisfaction the recent performance of the economy with favourable outlook, despite the external headwinds. In Mainland Tanzania, the economy is estimated to have grown at 5.1 percent in 2023, an increase from 4.7 percent in the preceding year. The Zanzibar economy also improved, with growth averaging 6 percent in the first three quarters of 2023. The performance was underpinned by public investment, particularly in infrastructure, as part of the measures to facilitate private sector business and investment. The estimated growth is also contributed by private sector investment as reflected by the high growth of credit to the private sector and the increase in foreign direct investment. The Bank estimates growth in Mainland Tanzania at around 5.1 percent in the first quarter of 2024. Favourable economic conditions are expected to continue in the subsequent quarters of 2024. The outlook is supported by an improving business environment, adequate rains in most parts of the country and continued recovery of the global economy.

Inflation remained low. In Mainland Tanzania, inflation averaged 3 percent in the first quarter of 2024, bolstered by prudent monetary policy and adequate domestic food supply. In Zanzibar, inflation continued to ease, approaching the target of 5 percent, mainly due to the moderation of food and non-food prices. The inflation outturn was in line with the country's target of not more than 5 percent and convergence criteria in regional economic blocs in which Tanzania is a member. Inflation is expected to remain consistent with the target in response to monetary policy actions and slowdown of food prices in markets following adequate food supply. The risk to the inflation outlook is moderate.

Private sector credit growth remained strong, averaging 17 percent in the first quarter of 2024, the same as in the preceding quarter. The credit was mostly directed to agriculture, mining, transport, and manufacturing activities. 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.

The fiscal performance in the first quarter of 2024 was satisfactory. In Mainland Tanzania, domestic revenue was 94 percent of the target, while in Zanzibar, domestic revenue surpassed the target by 6.4 percent, largely credited to improved revenue administration and compliance. Expenditure was aligned with the available resources. Public debt was sustainable, and the risk of debt distress remains moderate.

The current account balance continued to improve, attributable to moderate prices of imports and improving exports. In the year ending March 2024, the current account deficit is estimated to have narrowed to USD 2,954.3 million from USD 5,173.2 million in the corresponding period in 2023. In Zanzibar, the current account deficit is estimated at USD 341.5 million in the year ending March 2024, compared with a deficit of USD 375 million in the corresponding period in 2023. The outturn emanates from the increase in exports, which outweighed imports. Foreign reserves remained adequate, amounting to USD 5.3 billion at the end of March 2024, equivalent to 4.4 months of projected imports.

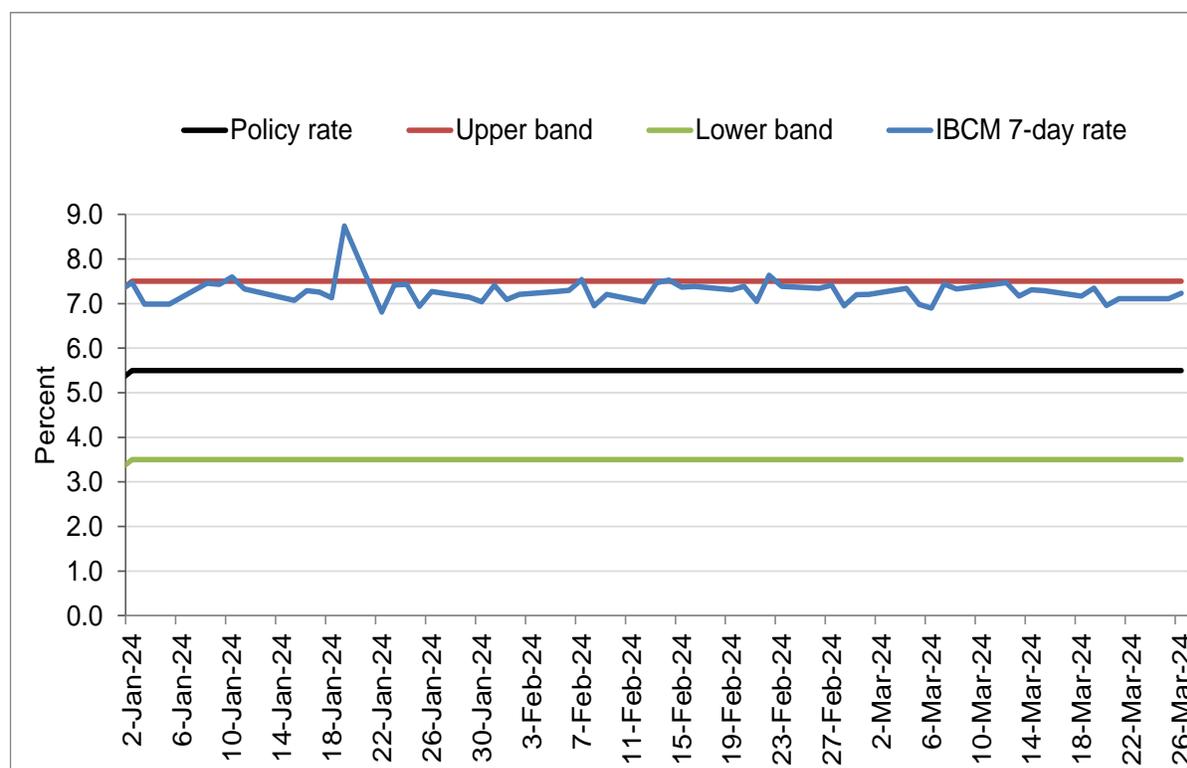
The financial sector was stable and resilient to short-term shocks, with all indicators hovering within the desirable thresholds. The banking sector remained liquid, profitable and adequately capitalised. The quality of banks' assets was satisfactory, as reflected by the low non-performing loans ratio of 4.3 percent, within the acceptable level of not more than 5 percent.

Chapter 1: Monetary Policy Implementation

The MPC set the Central Bank Rate (CBR) at 5.5 percent for the first quarter of 2024 to ensure inflation remains consistent with the target of 5 percent and facilitate output growth projection of 5.5 percent in 2024. The 7-day interbank cash market (IBCM) interest rate was expected to move within a band of +/- 200 basis points of CBR.

The implementation of monetary policy in the first quarter of 2024 succeeded in containing the 7-day interbank interest rate within the target band of 3.5-7.5 percent, at an average of 7.26 percent (Chart 1.1). During the quarter, some banks experienced tight liquidity conditions, which necessitated the Bank to announce reserve repo auctions. In addition, the Bank provided liquidity to banks through the Lombard loan facility.

Chart 1.1: Central Bank Rate and 7- Day Interbank Rate



Source: Bank of Tanzania

The implementation of monetary policy also facilitated the attainment of net domestic assets and net international reserves targets for the quarter ending March 2024, as set forth under the ECF Program (Table 1.1).

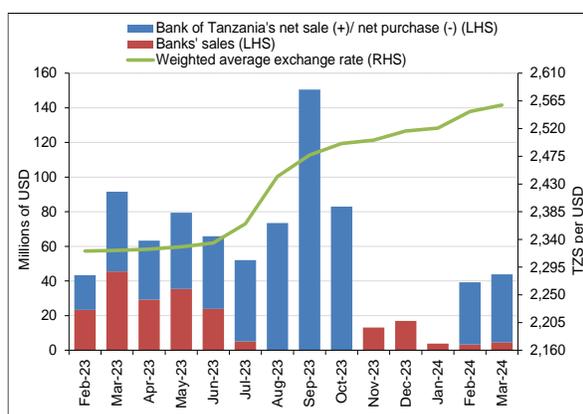
Table 1.1: Performance against Quantitative ECF Targets

Indicator	September-23		December-23		March-24	
	Indicative Target	Actual	Quantitative Performance Criteria	Actual	Indicative Target	Actual
Net domestic assets (NDA) of BOT- Billions of TZS (ceiling)	-220.0	-416.0	-287.0	-1,643.3	-86.0	-929.5
Change in NIR - Millions of USD (floor)	-192.0	-92.5	-92.0	428.9	-42.0	302.2

Source: Bank of Tanzania

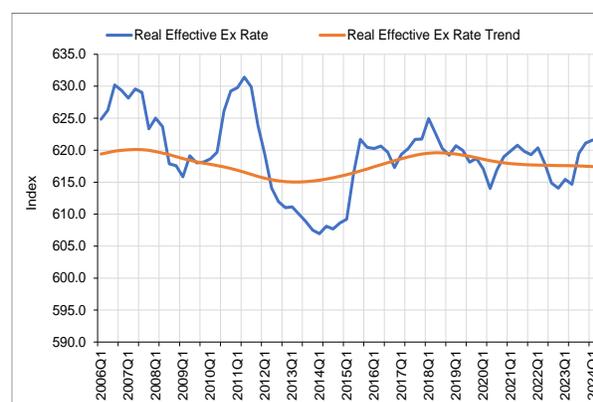
Foreign exchange market and exchange rate: Demand for foreign exchange, particularly the US dollar, tends to be high during January-March due to seasonal low inflows from tourism and export crops. This year, the seasonal influence coincided with the impact of monetary policy tightening in advanced economies, which has caused a shortage of US dollars in the market. To calm the market, the Bank sold USD 75.1 million in the IFEM (Chart 1.3). Owing to the shortage, the exchange rate in the IFEM recorded an annual depreciation of 9.4 percent in the year ending March 2024 compared with 7.8 percent in the preceding quarter. Meanwhile, the real effective exchange rate exceeded its long-term trend (Chart 1.4). However, the misalignment was still minor (less than 2 percent) to warrant policy intervention. The US dollar liquidity is expected to improve as the global economy continues to normalize and foreign exchange inflows from exports increase. In addition, the current account is expected to improve, due to the ongoing measures to increase exports and import substitution.

Chart 1.3: Banks and BOT Participation in IFEM



Source: Bank of Tanzania

Chart 1.4: Developments in REER.



Source: Bank of Tanzania

Chapter 2: Global Developments

Economic performance in advanced and emerging markets improved with variation in the first quarter of 2024 compared to the preceding quarter (Table 2.1). The growth outturn reflects policy responses to inflation by countries and investor sentiments about growth prospects.

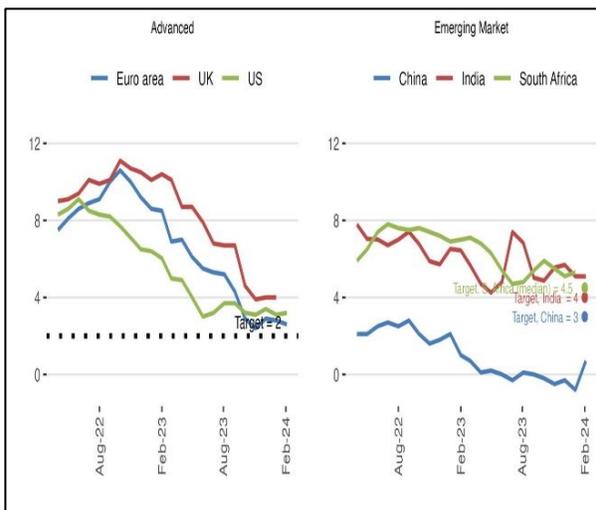
Table 2.1: Quarterly Real GDP Growth Rates

	GDP growth (Q-o-Q)				Projections
	2023				2024
	Q1	Q2	Q3	Q4	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

Inflation declined in most countries in the wake of monetary policy tightening and moderation of consumer prices, especially energy and food prices. In advanced economies, particularly the US, UK, and Euro Zone, inflation eased though remained above the target of 2 percent in the first quarter of 2024. In emerging market economies, inflation declined in India but edged up in China and South Africa (Chart 2.1a). The increase in inflation in China was on account of consumer spending during the Lunar New Year holiday. In EAC and SADC blocs, inflation was consistent with the convergence criteria, except in a few countries (Charts 2.1b and 2.1c).

Chart 2.1a: Inflation in Advanced Economies



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

Chart 2.1b: Inflation in EAC Countries and BRICS Countries

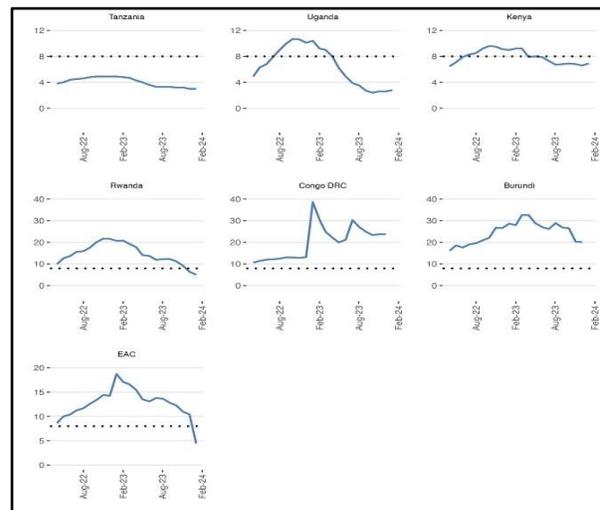
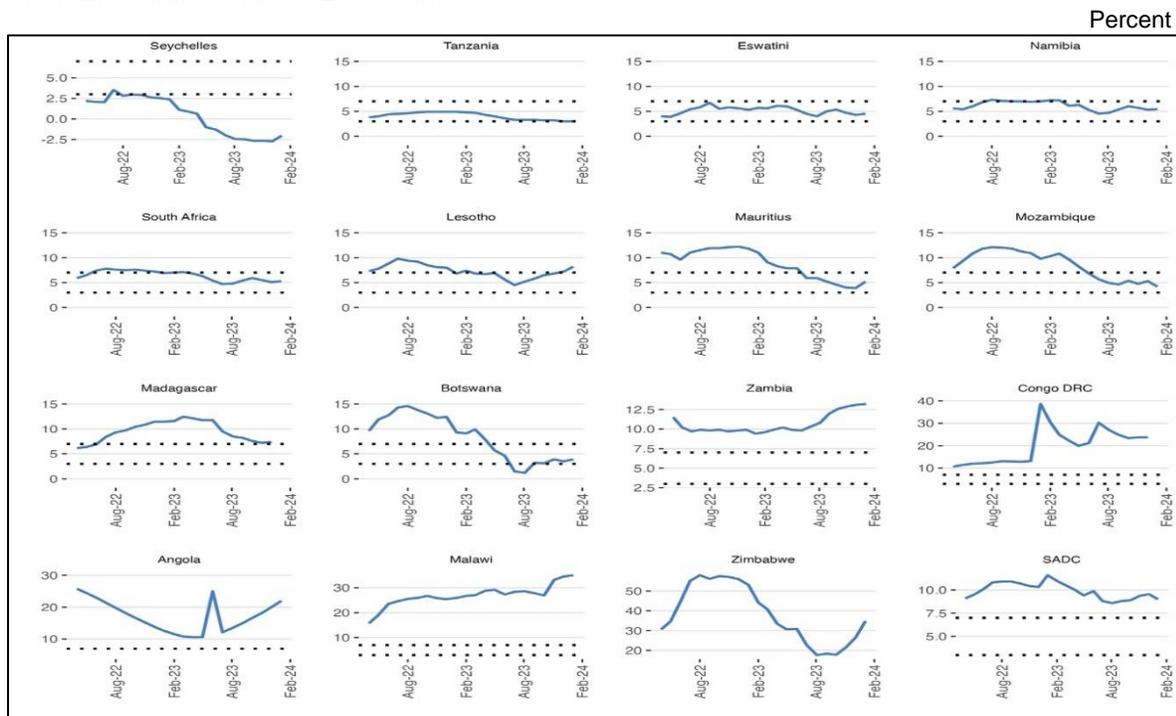


Chart 2.1c: Inflation in SADC Countries



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

Commodity prices exhibited a mixed trend. Crude oil prices averaged USD 80 per barrel but have recently increased slightly, attributed to production cuts by OPEC+ and geopolitical tensions in the Middle East, impacting cargo transportation via the Red Sea. Conversely, prices of edible oil, wheat, and maize moderated, while those of fertilizer and edible oil experienced a slight uptick towards the end of the quarter (Chart 2.2). Meanwhile, the prices of gold, coffee, cotton, tobacco, and tea demonstrated a mixed trajectory, with gold prices settling at USD 2,158.01 per troy ounce by the end of March 2024 (Chart 2.3).

Chart 2.2: World Market Prices of Import Commodities

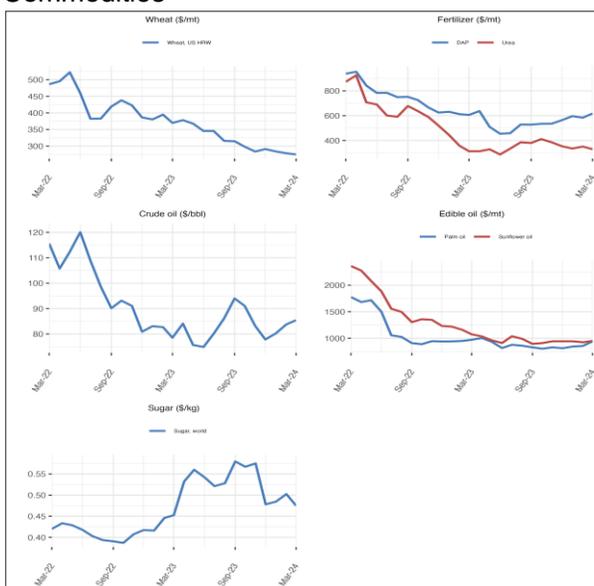


Chart 2.3: World Market Prices of Export Commodities



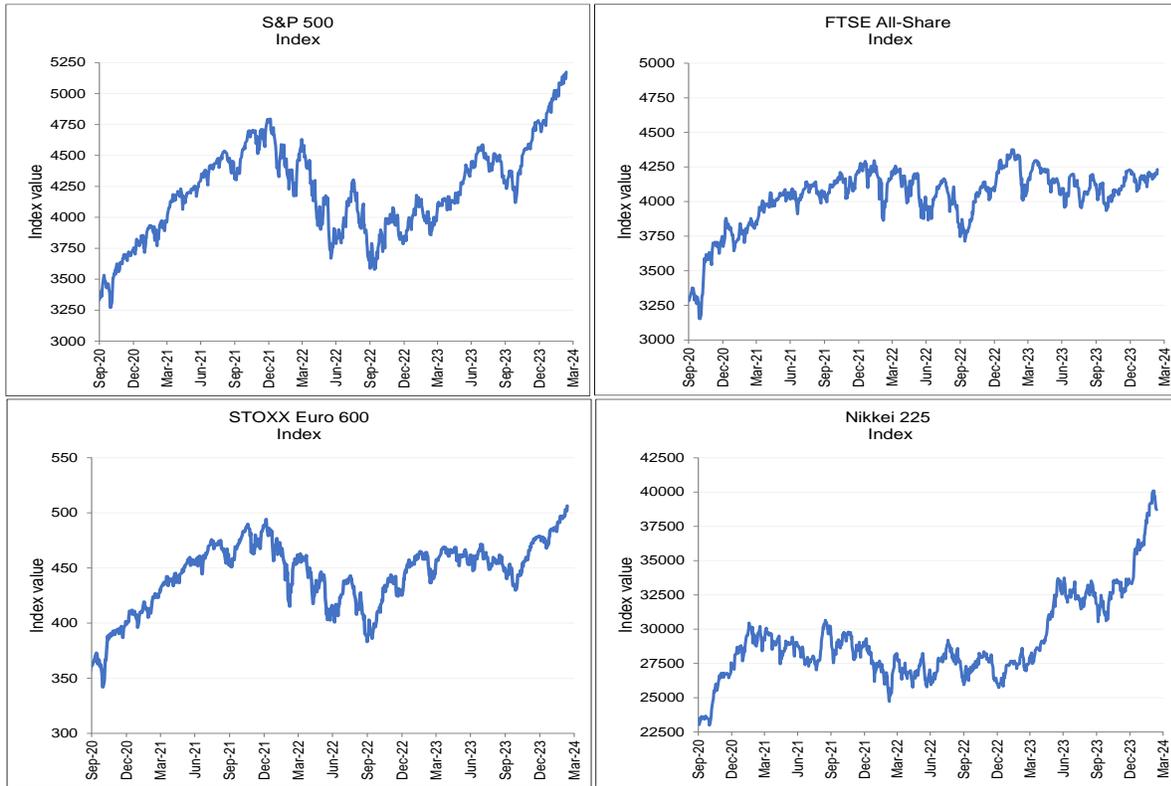
Source: <http://www.worldbank.org/prospects> and Bloomberg

Stock indices in various advanced economies continued to increase over the first quarter of 2024, save for the UK (Chart 2.4). The development was attributed to strong performances within the technology sector, including advancements in artificial intelligence and positive macroeconomic data. The rising interest rates and geopolitical tensions are however considered some of the risks likely to affect the stock market performance going forward.

The US dollar index, which measures the value of the US dollar against a basket of currencies increased in the first quarter of 2024 (Chart 2.5). The strengthening of the US dollar was on account of moderated inflation in the US relative to its trading partners. Further strengthening of the US dollar will depend on expectations of the US Federal Reserve's decisions on interest rate cuts.

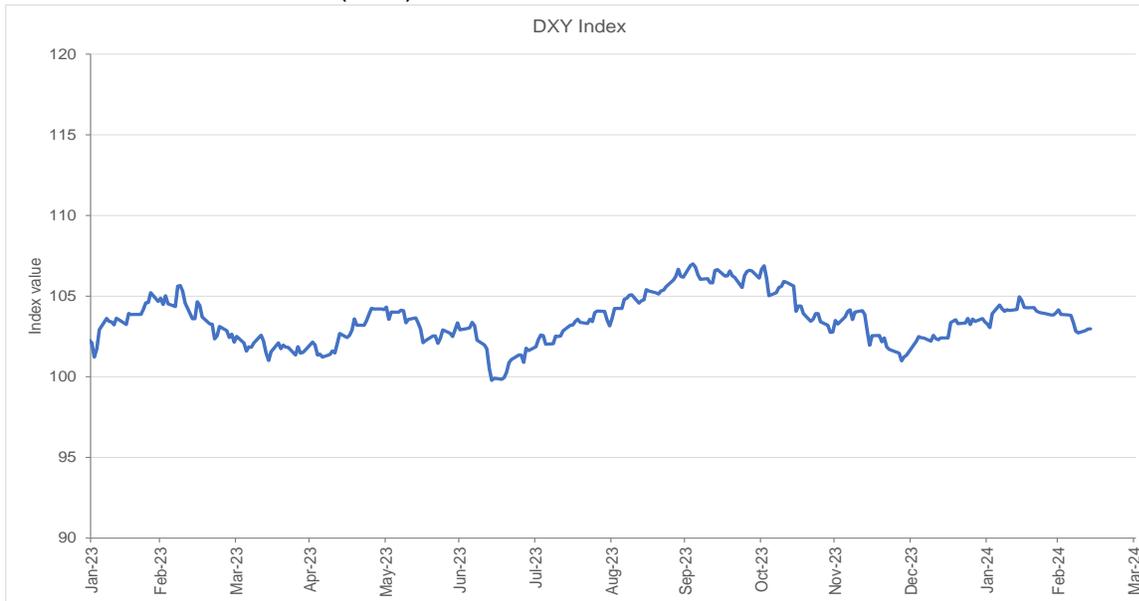
The yields for benchmark bonds in major economies increased owing to heightened risk appetite by investors' for riskier assets like equities. Central banks in the Advanced Economies maintained their monetary policy rates during the first quarter, contrary to market expectations. As for China, the yield for bonds declined due to further monetary policy easing by the People's Bank of China (Chart 2.6).

Chart 2.4: Stock Indices (US, UK, Europe & Japan)



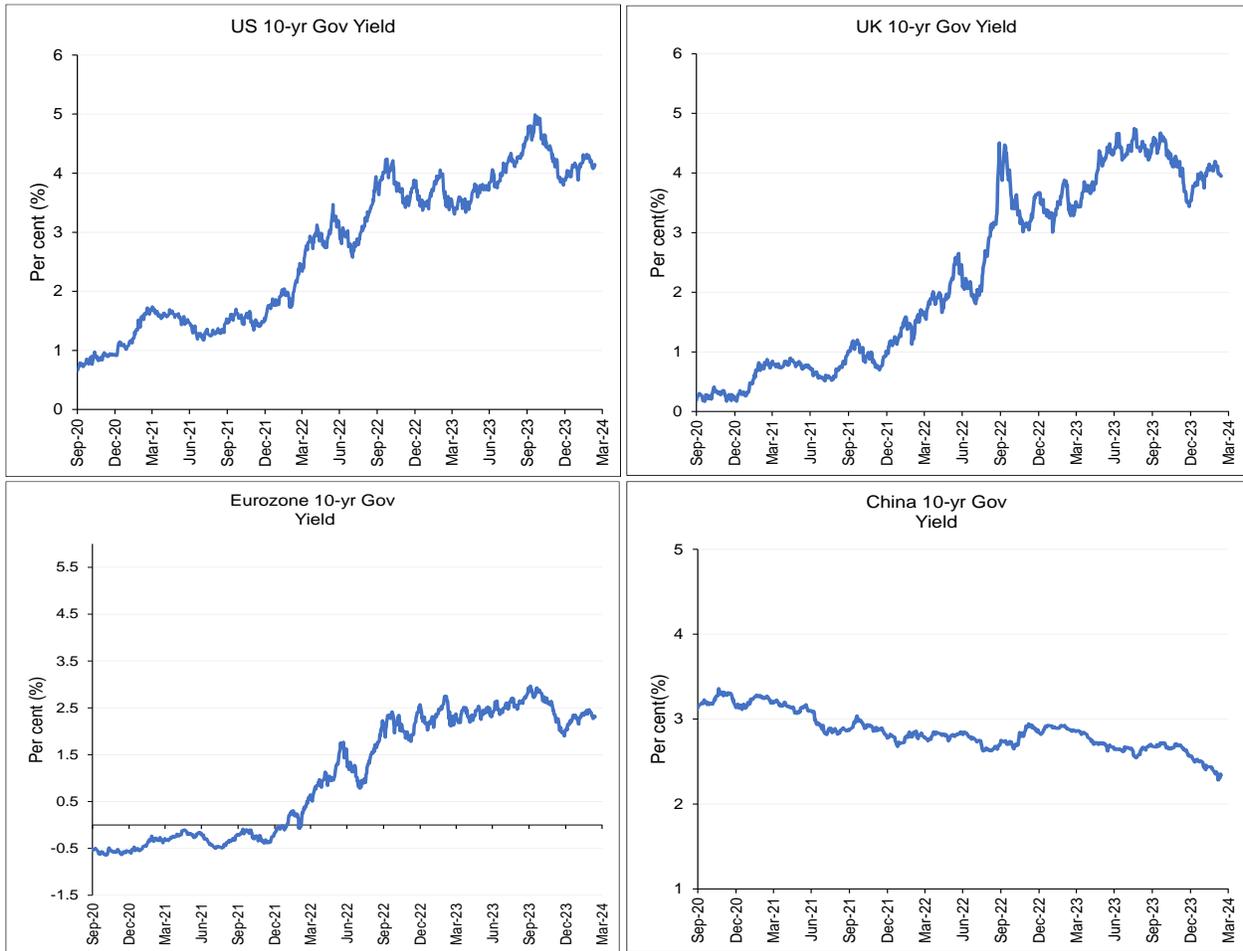
Source: Bloomberg

Chart 2.5: US Dollar Index (DXY)



Source: Bloomberg

Chart 2.6: Evolution of Bond Yields in Various Markets



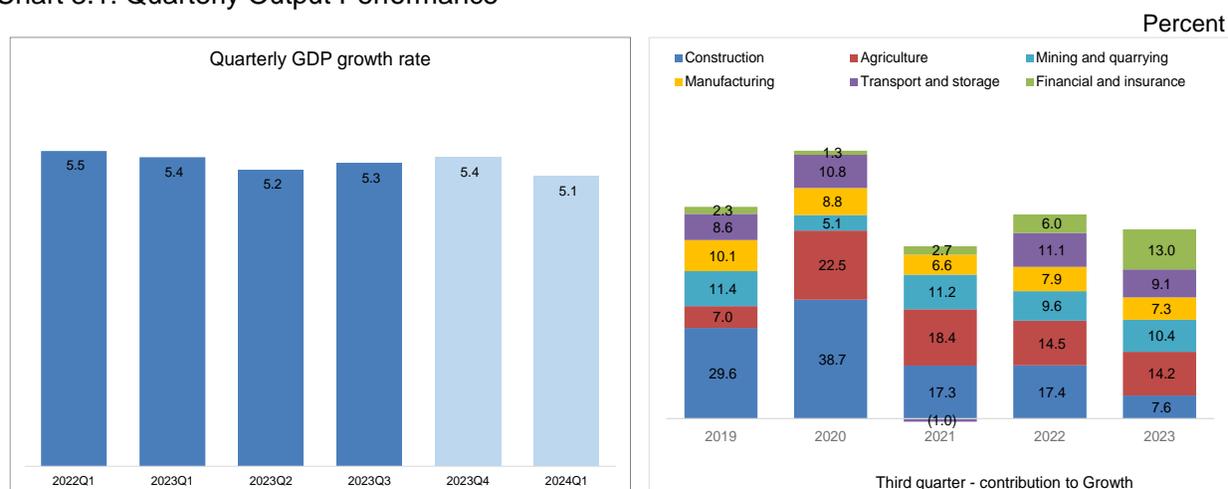
Source: Bloomberg

Chapter 3: Domestic Economic Conditions

Economic growth was 5.3 percent in the third quarter of 2023 (Chart 3.1). The economy is estimated to have grown at 5.1 percent in 2023, an increase from 4.7 percent in the preceding year². In the first quarter of 2024, the Bank estimates growth to be around 5.1 percent. The estimates hinge on improvements in the business environment, credit growth to the private sector, and public investments.

The performance of GDP by activity shows that, all economic activities have registered growth, especially agriculture and financial and insurance (Chart 3.1). The continued recovery of the economy, as reflected in increased credit to the private sector, has also created positive spillover effects on various sectors, including agriculture, transport, construction, and manufacturing.

Chart 3.1: Quarterly Output Performance



Source: National Bureau of Statistics and Bank of Tanzania computations

The Zanzibar economy grew at 7 percent in the third quarter of 2023, mainly driven by manufacturing, real estate, accommodation and food services, wholesale and retail trade, and construction activities (Chart 3.2a and Chart 3.2b). Fishing, mining and quarrying, construction and information and communication, manufacturing and accommodation, and food services grew faster relative to others (Chart 3.2c). Real GDP growth averaged 6.0 percent in the first three quarters of 2023 in line with a projected growth rate of 7.1

² Actual GDP data for the fourth quarter of 2023 and first quarter of 2024 is not yet available.

percent in 2023. This is attributable to the improving business conditions and the rebound in tourism.

Chart 3.2a: Zanzibar: Real GDP Growth

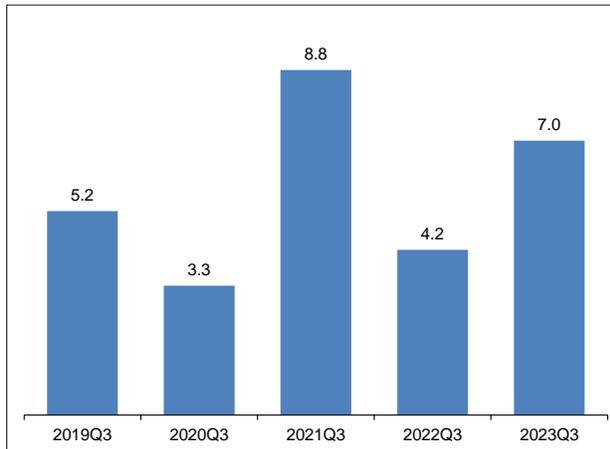
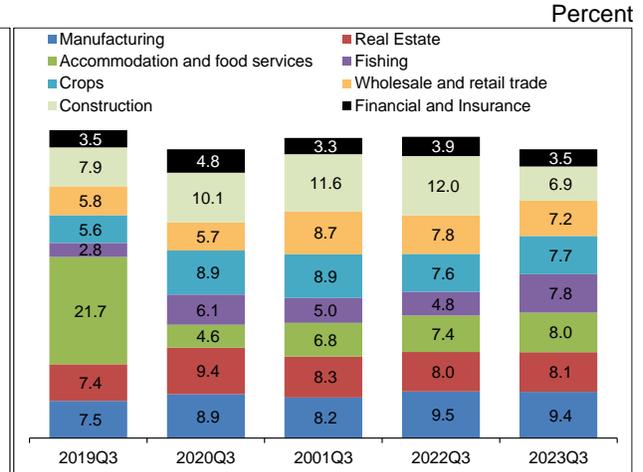
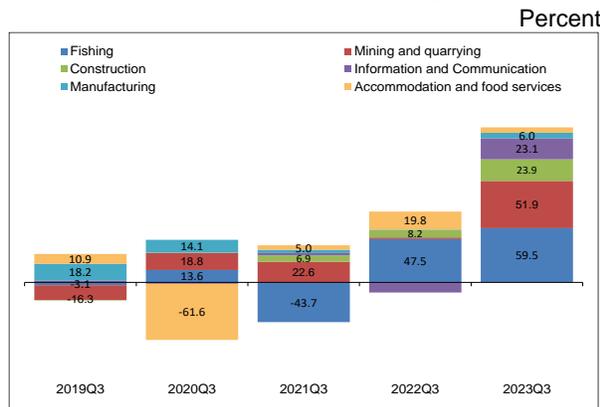


Chart 3.2b: Zanzibar: Contribution to Growth



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

Chart 3.2c: Zanzibar: Growth of Major Economic Activities



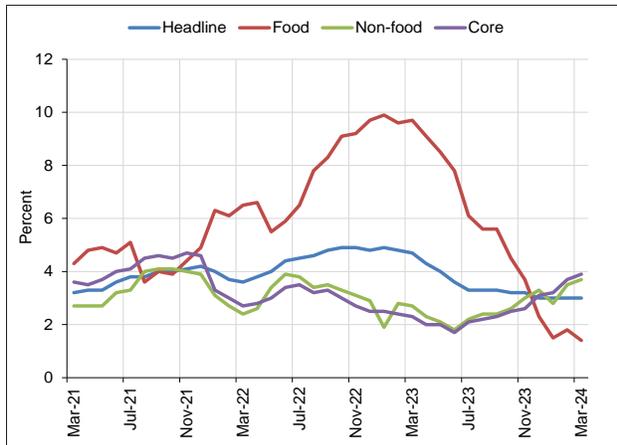
Source: Office of Chief Government Statistician and Bank of Tanzania computations

Inflation remained steady and in line with the country and regional benchmarks.

Twelve-month headline inflation averaged 3.0 percent in the first quarter of 2024 compared with 4.8 percent in a similar quarter in 2023 (Chart 3.3a). The stability is mainly attributed to sufficient domestic food supply and the implementation of prudent monetary and fiscal policies. Core inflation, which accounts for 73.9 percent of the CPI basket was 3.9 percent in March 2024 compared with 3.1 percent in December 2023, largely driven by the pass-through effects of adjustments in domestic energy prices. Inflation for other sub-groups recorded mixed trends (Chart 3.3b). Inflation for the energy sub-group was

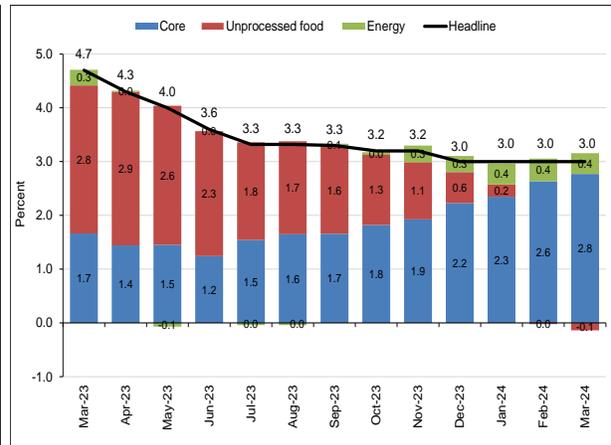
6.6 percent, higher than 5.1 percent in December 2023 and consistent with the increase in oil prices in the world market.

Chart 3.3a: Inflation and Components



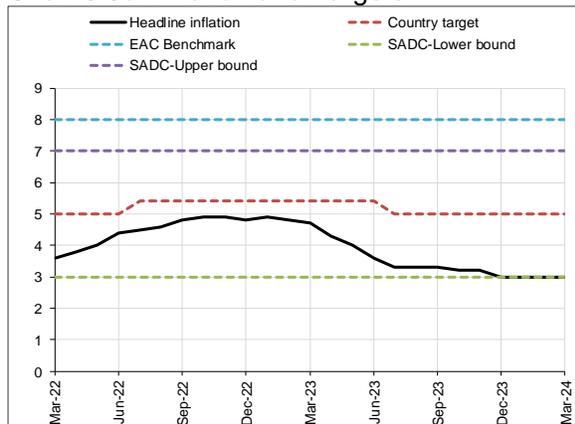
Source: National Bureau of Statistics

Chart 3.3b: Contribution to Headline Inflation



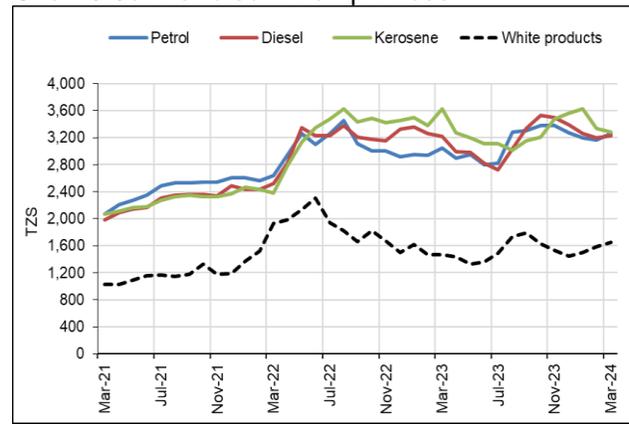
Source National Bureau of Statistics and Bank of Tanzania computations

Chart 3.3c: Inflation and Targets



Source: National Bureau of Statistics

Chart 3.3d: Petroleum Pump Prices



Source: National Bureau of Statistics and Bank of Tanzania computations

In Zanzibar, inflation eased, converging to the medium-term target of 5 percent, mainly due to the moderation of both food and non-food prices. In the first quarter of 2024, annual headline inflation is estimated at 5.1 percent, lower than 5.3 percent in the preceding quarter and 7.8 percent in the corresponding quarter in 2023.

Adequate food supply was reported in the primary domestic markets, as reflected by the increase in food stocks at the National Food Reserve Agency (NFRA). This

increase was primarily attributed to net acquisitions from different regions within the country, following improvement in the food supply (Table 3.1). Noteworthy, prices of essential food crops displayed a downward trajectory (Table 3.2).

Table 3.1: Food Stocks Held by NFRA

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

Source: National Food Reserve Agency

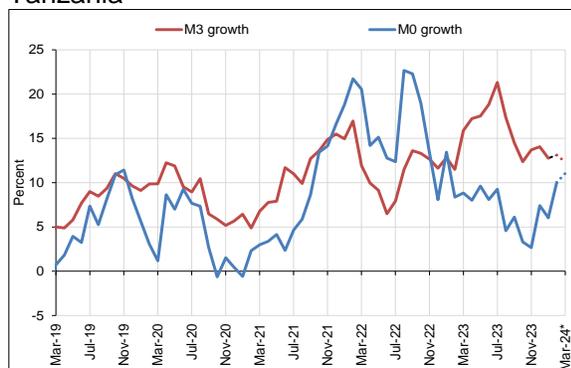
Table 3.2: Wholesale Prices of Main Food Crops
TZS per '000' Tonnes

Food crop	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Maize	89,044.2	87,941.0	84,440.1	84,274.5	81,339.1
Rice	264,237.2	270,929.9	262,780.6	255,680.6	254,304.3
Beans	264,081.2	270,459.4	271,071.4	269,558.3	269,513.8
Sorghum	135,130.7	131,307.7	127,197.6	136,582.3	115,085.0
Round potatoes	82,331.8	88,450.0	84,618.8	82,539.6	81,146.6
Finger millet	156,960.5	158,328.2	159,158.5	154,223.3	151,824.8
Wheat	183,301.3	186,314.1	191,250.0	199,027.8	176,000.0

Source: Ministry of Investment, Industry and Trade, and Bank of Tanzania computations

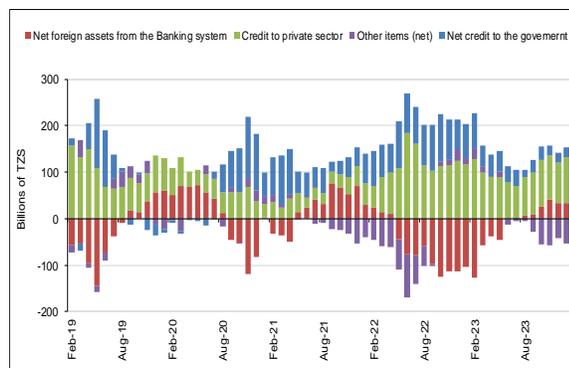
During the first quarter of 2024, the growth of monetary aggregates remained almost the same as in the preceding quarter. Growth of extended broad money supply (M3) is estimated to average 13 percent, compared with 13.4 percent in the quarter ending December 2023, driven by strong credit growth to the private sector (Charts 3.4a and 3.4b)³.

Chart 3.4a: Money Supply Growth in Tanzania



Source: Bank of Tanzania

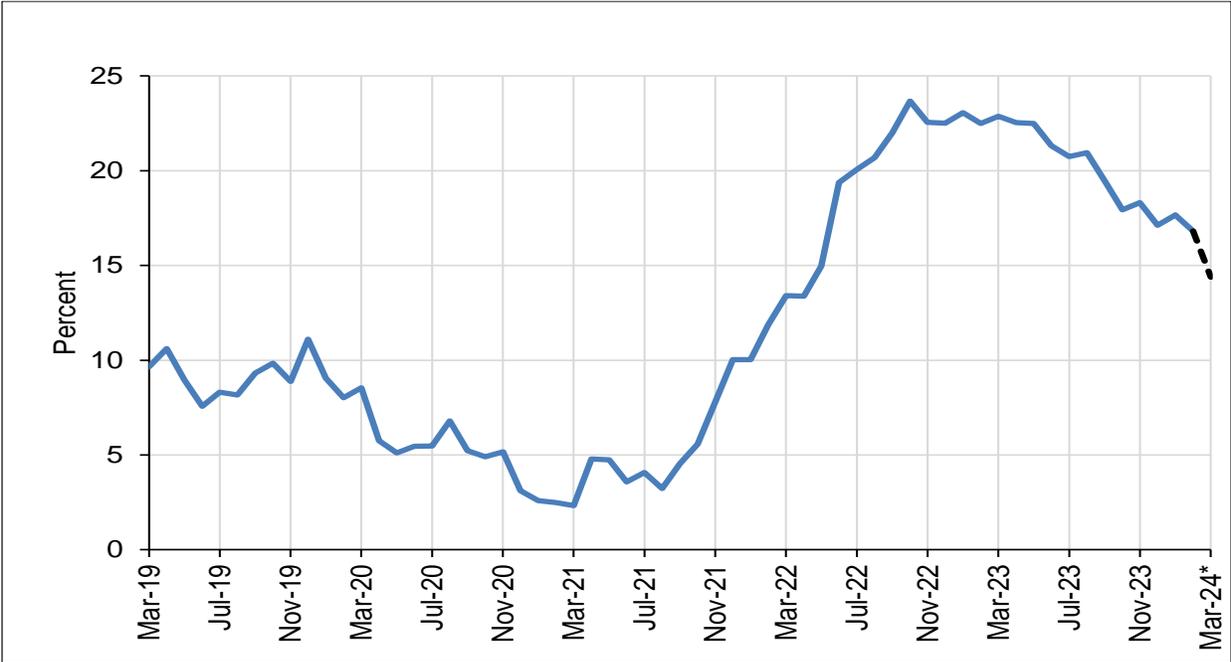
Chart 3.4b: Contribution to M3 Growth by Uses



³ The growth of M3 for January and February 2024 was 12.8 percent and 13.1 percent, respectively. Based on money multiplier the growth of M3 for March 2024 is projected at 13.2 percent.

Private sector credit growth remained strong, averaging 17 percent in the first quarter of 2024, the same as in the preceding quarter (Chart 3.5). Demand for credit is expected to remain strong in the coming quarters, attributable to the recovery of economic activities coupled with an improving business environment and supportive policies.

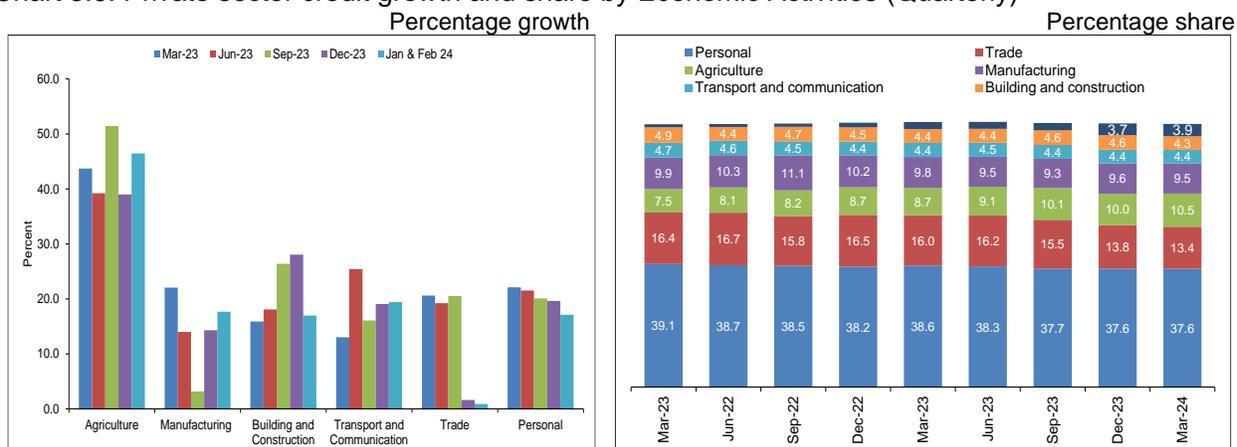
Chart 3.5: Growth of Credit to Private Sector



Source: Bank of Tanzania
 Note: * March 2024 data are provisional

During the period under review, credit growth recorded a mixed trend across sectors. Credit to agriculture, mining, transport, and manufacturing grew faster than in other sectors (Chart 3.6). The growth of credit to agriculture is associated with the implementation of various measures by the Government to improve productivity in the sector. In addition, the monetary policy measures under the TZS 1 trillion special window and SMR reduction for bank lending to agriculture contributed to the increase in the growth of credit to agriculture.

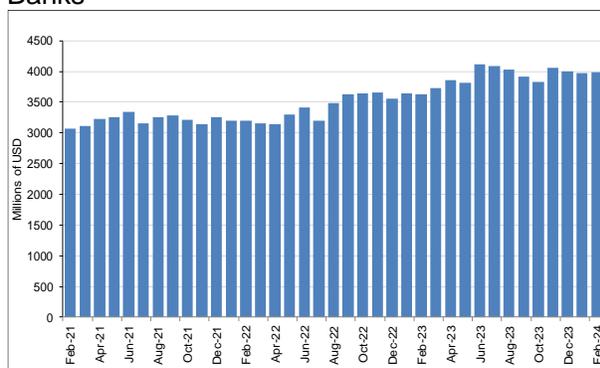
Chart 3.6: Private sector credit growth and share by Economic Activities (Quarterly)



Source: Banks and Bank of Tanzania computations

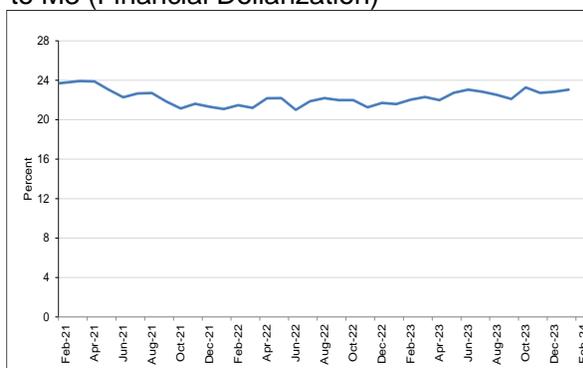
Financial dollarization remained elevated in line with the increased pressure on foreign exchange demand. Foreign currency deposits in banks recorded a slight increase from January to March 2024 from the moderation that was registered in the quarter ending December 2023 (Chart 3.7a and Chart 3.7b). This situation is attributed to high returns in favour of holding and transacting in foreign currency. Financial dollarization is however, expected to decline owing to ongoing policy interventions aimed at increasing the foreign exchange liquidity and reducing dollarization in the economy.

Chart 3.7a: Foreign Currency Deposits of Banks



Source: Banks and Bank of Tanzania computations

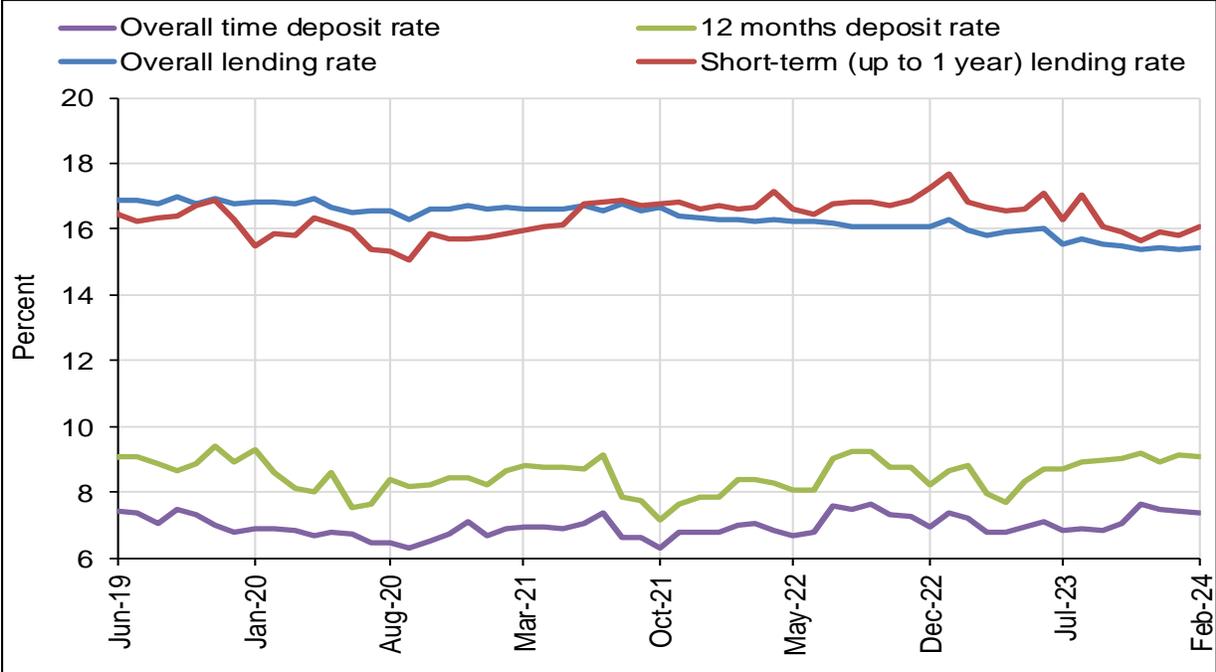
Chart 3.7b: Share of Foreign Currency Deposit to M3 (Financial Dollarization)



Lending rates charged by banks eased to an average of 15.39 percent in January and February 2024 from 15.44 percent observed in the last quarter of 2023. The decline is on account of improvement in credit risk, as reflected by low non-performing loans ratio of

4.3 percent, which is within the acceptable level of not more than 5 percent. The overall 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. Meanwhile, deposit rates remained unchanged at around 7 percent, leading to a slight narrowing of the interest rate spread (Chart 3.8).

Chart 3.8: Lending and Deposit Interest rates



Source: Banks and Bank of Tanzania computations

The financial sector was stable and resilient to short-term shocks with all indicators ranging within the desirable thresholds. The banking sector was liquid, profitable, and adequately capitalized. Deposits, assets, and loans increased (Table 3.4). The increase in assets was in tandem with increase in deposits, driven by expanded access and usage of financial services delivery channels, including agency and digital banking. The expansion of loans was attributable to the improved business environment. Liquidity in banks was adequate, with the ratio of liquid assets to demand liabilities, as well as to total assets hovering above the regulatory requirements. Asset quality continued to improve, as reflected by the decline in the ratio of non-performing loans to gross loans (NPL ratio) (Table 3.3). This trend is expected to continue as the economy

recovers from the global shocks and banks implement measures to improve the quality of assets.

Table 3.3: Banking Financial Soundness Indicators

INDICATOR	Regulatory Limit	Percent							
		Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Jan-24	Feb-24	
Capital adequacy									
Core capital/TRWA+OBSE	Minimum 10	17.0	17.2	19.5	18.0	17.7	19.3	19.2	
Liquidity									
Liquid assets/Demand liabilities	Minimum 20	32.1	30.7	29.4	26.4	28.7	29.6	30.0	
Total loans/Customer deposits	N/A	88.2	86.8	82.0	89.3	92.8	91.6	91.5	
Earnings and profitability									
Return on assets-ROA	N/A	1.9	1.9	2.8	3.5	4.5	5.8	5.6	
Return on equity-ROE	N/A	7.1	7.6	11.3	14.6	21.1	28.5	26.7	
Asset quality									
Gross non-performing loans/Gross loans	N/A	9.6	9.4	8.5	5.8	4.3	4.4	4.4	

Source: Bank of Tanzania

Fiscal performance was satisfactory, with domestic revenue estimated at TZS 7,377.6 billion, about 94 percent of the target in the quarter ending March 2024. Tax revenue was 95 percent of the outturn, with almost all tax categories improving owing to improvements in tax administration and the business environment⁴. Non-tax revenue totalled TZS 1,205.0 billion, about 89 percent of the target. Expenditure was aligned with available resources and is estimated at TZS 9,842.7 billion, of which 61.3 percent is recurrent expenditure.

The implementation of Zanzibar's Government budget was satisfactory. Revenue and grants realised by the Government during the first two months of 2024 were TZS 367.0 billion. Of this amount, domestic revenue was 285.5 billion, above the target by 6.4 percent, and the balance was grants. Tax revenue amounted to TZS 255.4 billion, above the target by 10.2 percent on account of improved revenue administration and compliance. Non-tax revenue amounted to TZS 30.1 billion. In terms of expenditure, a total of TZS 358.4 billion was spent in January and February 2024, of which TZS 212.5 billion was recurrent expenditure.

⁴ Include tax refund projected at TZS 172.5 billion.

Public debt remained sustainable with a moderate risk of debt distress. The debt stock was USD 35,460 million at the end of February 2024, an increase of USD 278.5 million from the stock registered at the end of December 2023, of which 65.4 percent was external, largely owed to multilateral institutions and commercial creditors (Table 3.4 and Chart 3.9). Private sector external debt stock increased, with much of it directed to energy and mining activities (Table 3.5).

Table 3.4: Profile of National Debt

Details	Millions of USD				
	2020/21	2021/22	2022/23	Dec-23	Feb-24
National debt stock	33,773.1	38,265.6	42,681.0	42,462.3	44,963.4
% of GDP	49.6	52.4	54.5	49.2	52.7
Public debt (external and domestic)	28,011.2	30,891.6	35,255.8	35,181.7	35,460.2
% of GDP	41.1	42.3	45.0	40.8	41.6
External debt (public and private)	25,519.3	27,832.5	30,252.7	29,447.2	32,679.3
% of GDP	37.5	38.1	38.6	34.1	38.3
Public external debt	19,757.4	20,458.6	22,827.5	22,940.7	23,176.1
% of external debt	77.4	73.5	75.5	77.9	70.9
% of total public debt	70.5	66.2	64.7	65.2	65.4
Private sector external debt	5,761.9	7,374.0	7,425.2	7,280.6	9,503.2
% of external debt	22.6	26.5	24.5	24.7	29.1

Source: Ministry of Finance and BoT

Chart 3.9: Evolution of Debt

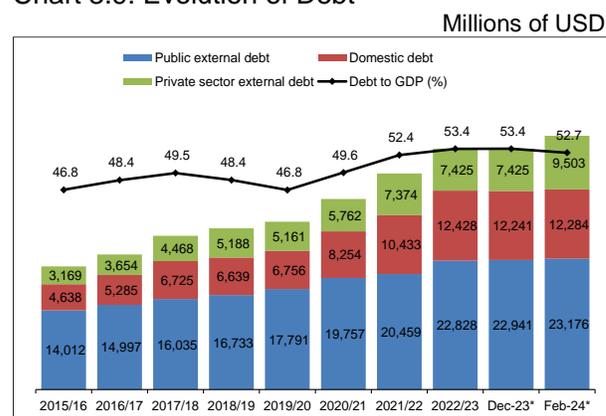


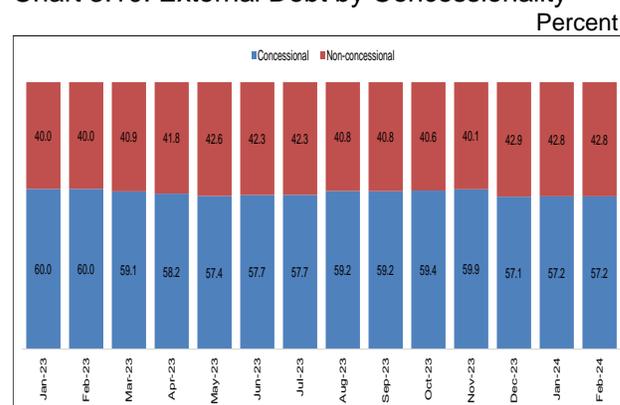
Table 3.5: Private Sector Outstanding Debt by Activity

Activity	Millions of USD					
	Feb-23		Dec-23		Feb-24 ^p	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
BoP and budget support	0.6	0.0	0.5	0.0	0.5	0.0
Transport and telecommunication	1,077.7	16.2	1,192.0	16.1	1,209.7	16.2
Agriculture	283.7	4.3	304.5	4.1	318.3	4.3
Energy and mining	1,657.6	25.0	1,980.6	26.7	2,007.4	27.0
Industries	1,126.0	17.0	1,208.1	16.3	1,217.0	16.3
Social welfare and education	246.0	3.7	246.8	3.3	234.6	3.1
Finance and insurance	990.9	14.9	1,192.9	16.1	1,208.4	16.2
Tourism	290.3	4.4	388.0	5.2	351.7	4.7
Real estate and construction	359.8	5.4	367.7	5.0	367.9	4.9
Other	610.4	9.2	531.3	7.2	531.2	7.1
Total	6,642.9	100.0	7,412.3	100.0	7,446.6	100.0

Source: Ministry of Finance and Bank of Tanzania

Note: p denotes provisional data

Chart 3.10: External Debt by Concessionality



Domestic debt market performance remained satisfactory. Domestic debt increased by TZS 562.6 billion to TZS 31,241.5 billion during the period January - February 2024. The composition of domestic debt continues to be dominated by bonds and stocks, accounting for 75.7 percent, although treasury bills have been growing under the

reporting period, accounting for 9.7 percent of the total portfolio (Chart 3.11a). Commercial banks and pension funds continue to hold much of the debt (Chart 3.11b).

Chart 3.11a: Composition of Domestic Debt by Instrument (%)

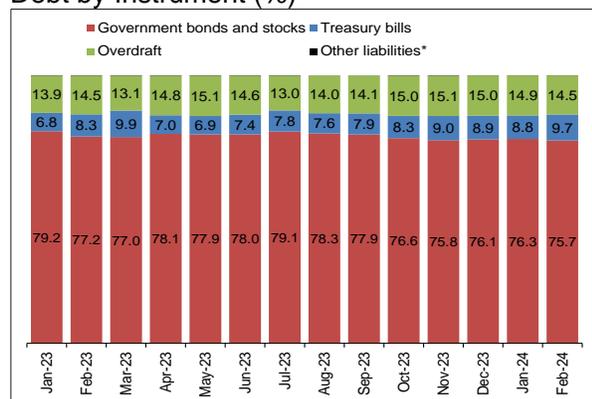
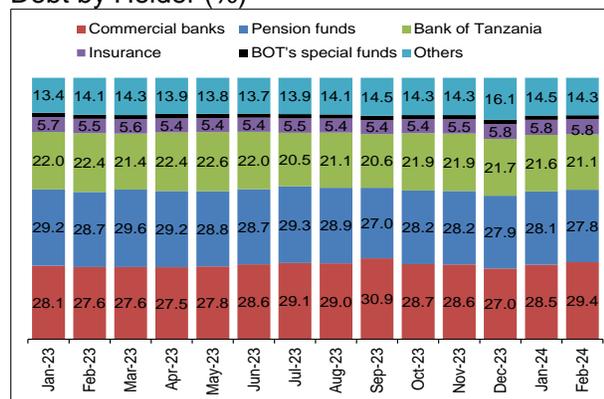


Chart 3.11b: Composition of Domestic Debt by Holder (%)



Source: Bank of Tanzania

Notes: * includes NMB standard loan and duty drawbacks and tax certificate

The current account balance continued to improve, attributable to moderate prices of imports and good performance in exports. In the year ending March 2024, the current account deficit is estimated to have narrowed to USD 2,954.3 million from USD 5,173.2 million in the corresponding period in 2023. The outturn emanates from an increase in exports coupled with a decrease in imports (Table 3.6). **In Zanzibar, the current account deficit is estimated at USD 341.5 million in the year ending March 2024, compared with a deficit of USD 375.0 million in the corresponding period in 2023.** The outturn is on account of an increase in exports that exceeded a rise in imports (Table 3.7). The deficit is projected to narrow to USD 22.1 million in the quarter ending March 2024 from a deficit of USD 93.4 in the corresponding quarter in 2023.

During the first quarter of 2024, exports of goods and services are estimated at USD 3,257.9 million, higher than the value reported in the corresponding period in 2022/23 by USD 98.7 million. The performance is largely contributed by tourism, gold, and horticulture inflows (Chart 3.12 and Chart 3.13). The export value of goods and services in Zanzibar also improved over the past year, to USD 240.2 million from USD 196.3 million. The improvement is noticeable in both goods and services exports (Table 3.8). Service receipts, which encompass mainly tourism increased by 15.0 percent to USD

151.3 million due to an increase in the number of tourists. Likewise, goods exports rose due to an increase in seaweeds and manufactured goods exports, particularly plastic products.

Meanwhile, imports were projected at USD 3,958.6 million, slightly higher than USD 3,820.6 million. Much of the increase was registered in imports of industrial supplies, petroleum products, and industrial transport equipment (Chart 3.14). Imports of goods and services in Zanzibar increased, although at a slower pace, as global prices moderated from the preceding year. The imports amounted to USD 497.4 million compared with USD 486.2 million largely explained by an increase in imports of capital goods, mainly industrial transport equipment. This is associated with public investment, particularly in infrastructure. Oil imports also increased mainly due to volume and price effects.

Foreign reserves remained adequate at USD 5.3 billion at the end of March 2024, sufficient to cover 4.4 months of projected imports, consistent with the minimum requirement of at least 4 months (Chart 3.15).

The current account deficit is expected to continue improving gradually, driven by expected moderation in commodity prices in the world market save for crude oil. This is complemented by exports, which are projected to increase due to the implementation of export promotion and import substitution measures, particularly in the agriculture sector. In the medium-term, the deficit is projected to reach pre-pandemic levels of around 3.2 percent of GDP. However, ongoing plans to maintain OPEC+ production cuts and geopolitical tension pose a risk to the projection.

Table 3.6: URT: Current Account Balance

	Millions of USD				
	Year ending March		Quarter ending		
	2023	2024 ^p	Mar-23	Dec-23	Mar-24 ^p
Goods account (net)	-7,175.7	-6,036.2	-1,559.6	-1,857.9	-1,563.5
Exports	7,369.9	7,819.9	1,648.1	2,016.9	1,771.5
Imports	14,545.5	13,856.2	-3,207.7	-3,874.8	-3,335.0
Services account (net)	2,643.1	3,952.4	878.2	1,111.3	862.8
Receipts	5,221.8	6,281.2	1,491.1	1,722.2	1,486.4
Payments	2,578.6	2,328.8	-612.8	-610.9	-623.5
Goods and services (net)	-4,532.6	-2,083.8	-681.4	-746.5	-700.7
Exports of goods and services	12,591.6	14,101.2	3,139.2	3,739.2	3,257.9
Imports of goods and services	17,124.2	16,185.0	-3,820.6	-4,485.7	-3,958.6
Primary income account (net)	-1,253.4	-1,558.3	-272.9	-458.2	-384.1
Receipts	190.3	202.7	47.8	53.8	59.3
Payments	1,443.8	1,761.0	-320.7	-512.0	-443.5
Secondary income account (net)	612.8	687.8	133.5	192.9	152.2
Inflows	730.1	826.7	162.5	238.0	180.8
o/w Official transfers	65.6	65.6	1.1	66.9	15.4
Outflows	117.3	138.9	-29.0	-45.1	-28.6
Current account balance	-5,173.2	-2,954.3	-820.8	-1,011.9	-932.6

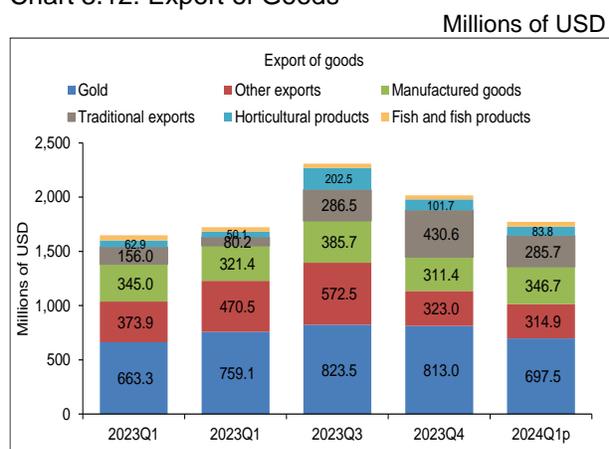
Source: TRA and BOT computation

Note: p denotes provisional

Table 3.7: Zanzibar: Current Account Balance

	Millions of USD				
	Year ending March		Quarter ending		
	2023	2024 ^p	Mar-23	Dec-23	Mar-24 ^p
Goods account (net)	-421.5	-408.5	-111.8	-102.5	-53.6
Exports	64.7	88.9	9.6	17.1	48.5
Imports (fob)	486.2	497.4	121.4	119.7	102.1
Services account (net)	39.0	53.8	15.6	16.8	27.6
Receipts	131.6	151.3	39.4	40.3	47.6
Payments	92.6	97.5	23.8	23.4	20.0
Goods and services (net)	-382.5	-354.7	-96.2	-85.7	-26.0
Exports of goods and services	196.3	240.2	49.0	57.4	96.1
Imports of goods and services	578.9	594.9	145.1	143.1	122.1
Primary Income account (net)	6.5	11.5	2.5	3.1	3.3
Receipts	10.0	16.9	3.4	4.5	5.1
Payments	3.5	5.5	0.9	1.4	1.8
Secondary income (net)	1.1	1.7	0.3	0.4	0.6
Inflows	2.0	2.9	0.5	0.7	0.9
Outflows	0.9	1.2	0.2	0.3	0.4
Current account balance	-375.0	-341.5	-93.4	-82.2	-22.1

Chart 3.12: Export of Goods



Source: TRA and BOT computations

Note: 'other exports' mainly include souvenirs and spices; p denotes provisional data; and "---", a change that exceeds 100 percent

Table 3.8: Zanzibar Goods Export Performance

Units	Millions of USD					
	Year ending March		Quarter ending			
	2023	2024 ^p	Mar-23	Dec-23	Mar-24 ^p	
Traditional exports						
Clove						
Value	'000' of USD	42,964.5	29,648.6	3,015.5	12,678.7	11,935.3
Volume	'000' Tonnes	7.0	5.1	1.0	1.7	2.5
Unit price	USD/Tonne	6,159.5	5,797.4	3,117.1	7,253.3	4,819.2
Non-traditional exports						
Seaweeds						
Value	'000' of USD	6,723.3	7,766.9	2,375.1	1,495.5	2,032.8
Volume	'000' Tonnes	11.8	12.0	3.8	2.3	4.2
Unit price	USD/Tonne	568.3	644.9	623.9	651.0	484.2
Manufactured goods	'000' of USD	6,793.5	41,313.8	2,195.1	2,144.8	32,782.7
Fish and fish products	'000' of USD	1,788.8	2,106.2	479.3	316.0	619.2
Others exports	'000' of USD	6,475.7	8,047.4	1,552.8	500.3	1,141.5
Sub-total	'000' of USD	21,781.3	59,234.4	6,602.3	4,456.6	36,576.2
Grand-total	USD ('000')	64,745.8	88,883.0	9,617.8	17,135.3	48,511.5

Chart 3.13: Tourism developments

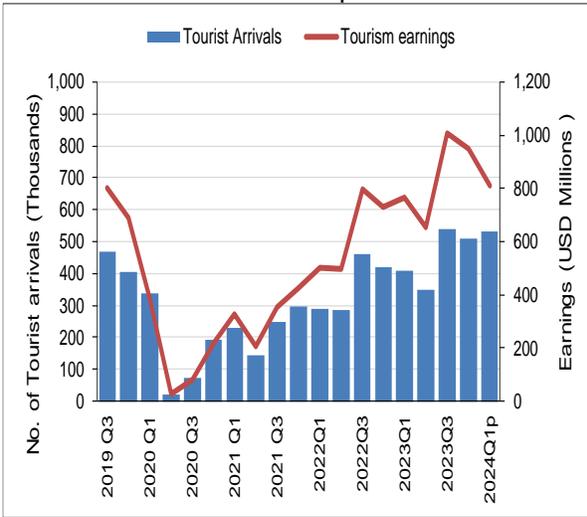
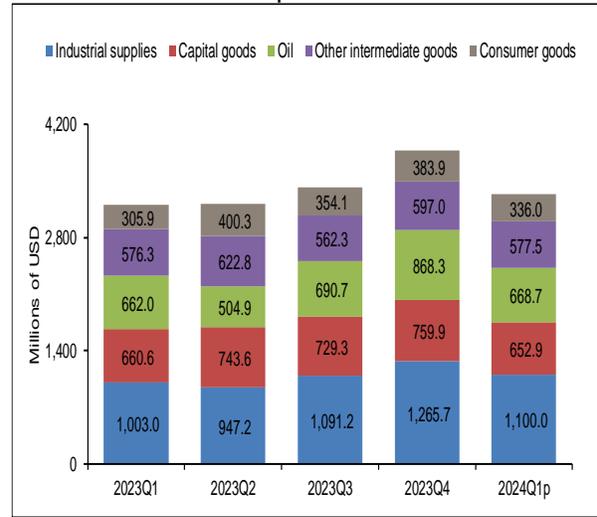
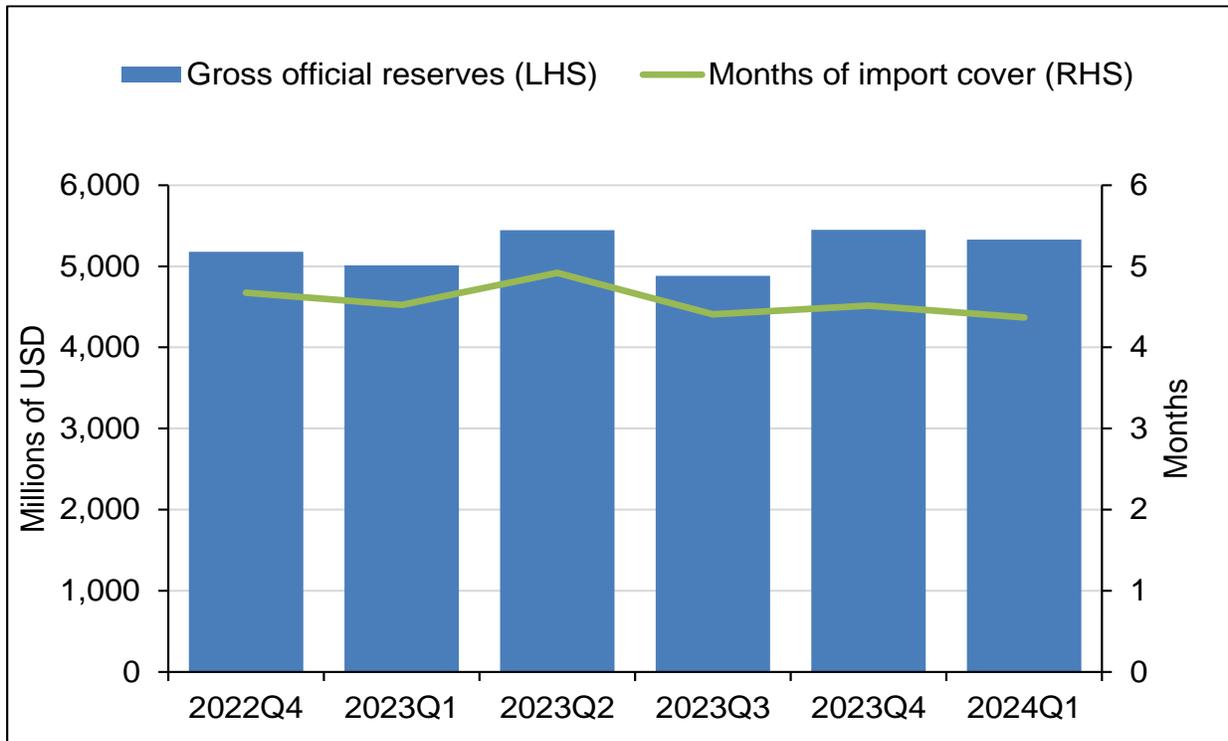


Chart 3.14: Goods imports



Source: Immigration Services Department, Tanzania Revenue Authority and Bank of Tanzania computations
 Note: p denotes provisional

Chart 3.15: Foreign Reserves



Source: Bank of Tanzania computations

Chapter 4: Economic Outlook and MPC Decision

Global economic outlook

In January 2024, the IMF released the World Economic Outlook update, indicating the global economy will grow at 3.1 percent in 2024 and 3.2 percent in the subsequent year. The estimates have been adjusted upward by approximately 0.2 percentage points compared to the report released in October 2023 due to the expected easing of monetary policy and commodity prices in the world market. China's projected growth of 4.6 percent in 2024 and 4.1 percent in the following year is expected to boost global demand. Growth in India is expected at around 6.5 percent in the next two years. On a quarterly basis, growth in advanced and emerging market economies is projected to improve, providing a favourable environment for Tanzania exports (Table 4.1). Inflation in major economies is expected to continue declining throughout 2024. The inflation path across countries will depend on the responsiveness to energy prices, monetary policy, and labour market. Owing to this trend, central banks might either uphold or ease interest rates. The downward risk to growth and inflation outlook remains on OPEC+ production decisions and geopolitical tensions.

Table 4.1 Projected Quarterly Growth Rates

	2024Q1	2024Q2	2024Q3	2024Q4
United States	0.5	0.5	0.5	0.5
Euro Area	0.1	0.2	0.3	0.4
Japan	0.2	1.5	1.3	1.2
UK	0.2	0.2	0.3	0.3
China	1.3	1.1	1.2	1.1
South Africa	0.3	0.4	0.3	0.4

Source: Bloomberg

Domestic economic outlook

The economy is expected to continue recovering. Growth is estimated at 5.1 percent for the first quarter of 2024, compared with 5.2 percent projected in January 2024. In the subsequent quarters of 2024, growth is expected to be driven mainly by agriculture (due

to favourable weather and policies towards improving the value chain), construction (ongoing public infrastructure investments), mining and quarrying (expansion of the existing mines and new investment in rare earth metals) and financial and insurance services (high private credit growth). These activities are expected to be reinforced by improved business environment and external conditions. The commencement of power generation at the Mwalimu Nyerere Hydroelectric power station is also expected to add impetus to economic activities.

Inflation is expected to remain low, below 5 percent, throughout 2024. Headline inflation is projected to range between 3 percent and 3.8 percent, and core inflation from 3.3 percent to 3.6 percent. The outlook is based on moderate commodity prices in the world market, particularly fuel and food. Adequate food supply in the country and neighbouring countries and stabilization of power supply are also expected to anchor inflationary expectations.

The risk to the growth and inflation outlook is on exchange rate depreciation, OPEC+ production decisions, and geopolitical tensions. The ongoing implementation of the measures to address the foreign currency shortage, are expected to minimise the impact of the risk to the outlook.

MPC Decisions

Considering the global and domestic economic outlook, the MPC increased the Central Bank Rate (CBR) from 5.5 percent to 6 percent in second quarter of 2024. Accordingly, the 7-day IBCM rate is expected to range from 4 percent to 8 percent (+/-200 basis points of the CBR). The interest rate hike is intended to contain inflationary pressures arising from global economic developments. The Bank will use monetary policy instruments to steer the 7-day IBCM rate close to the CBR.

The MPC also decided that, in view of the ongoing challenging global condition, the Bank may intervene in the foreign exchange market, as stipulated in the Foreign Exchange Intervention Policy. Furthermore, the Bank will continue aligning monetary conditions and forex reserves for attaining the targets of net domestic assets and net international

reserves for the quarter ending June 2024, as set forth under the ECF Program. The auction of government securities for fiscal operations will follow the Government issuance plan.