



Bank of Tanzania

Monetary Policy Report

October 2026

Bank of Tanzania Monetary Policy Framework

The Bank of Tanzania is mandated to formulate and implement monetary policy, among other functions. Monetary policy involves actions or decisions taken to influence the short-term interest rate which in turn determine the amount of money circulating in the economy, contributing to the determination of interest rates offered by banks and other financial institutions to customers.

Monetary policy's objectives are to maintain price stability, defined as a low and stable inflation rate over time, and to support economic growth. Inflation is measured as an annual change in the consumer price index, expressed in percentage. In the medium term (up to 5 years), the inflation target is 3-5 percent.

To fulfil these objectives, the Monetary Policy Committee (MPC) assesses economic conditions and determines the policy rate—Central Bank Rate (CBR)—which is consistent with maintaining inflation within the target range and supporting economic growth. The CBR is set to influence other interest rates charged by banks and other financial institutions which in turn influences consumers' and firms' decisions, thereby affecting inflation and output growth. The Bank of Tanzania implements monetary policy by steering the 7-day interbank interest rate, which serves as the operating target towards the CBR.

To align the operating target with the policy rate, the Bank uses a variety of monetary policy instruments. These instruments include repurchase agreements (repo and reverse repo), 35-day and 91-day Treasury bills, statutory minimum reserve requirement ratio (SMR), and sale or purchase of foreign currency in the inter-bank foreign exchange market. There are also standing lending facilities—intraday and Lombard loans—that are granted to all banks on demand to facilitate smooth and efficient settlement of payments.

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

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MPC Decision and Summary of Economic Context

MPC Decision

The Monetary Policy Committee (MPC) met on 7th October 2026 and decided to maintain Central Bank Rate (CBR) at 6.25 percent. The decision reflects the MPC's forecast of inflation remaining within the target range of 3 to 5 percent in the medium-term. The current policy rate remains appropriate in dampening emerging inflationary pressures and fostering economic growth. This provides sufficient time for the July 2026 policy adjustment to fully transmit through the economy. The MPC reiterated that monetary policy would remain agile and sufficiently flexible to limit the risks to the inflation outlook, as government policies response to direct impact of the geopolitical conflicts in the Middle East and potential El Niño-related disruptions.

Global economy

The ongoing conflict in the Middle East continues to weigh on global economic activity, leading to subdued growth in 2026. The IMF projects growth of 3 percent in 2026, down from 3.5 percent in previous year, while the World Bank forecasts growth to be 2.5 percent from 2.9 percent. The risk to the growth projection remains high, largely dependent on the scale and duration of the geopolitical conflicts in the Middle East.

The disinflation trend has stalled in most economies, largely due to high global fuel prices, which have at times hovered above USD 100 per barrel. In response to emerging inflationary pressures, central banks have either paused monetary policy easing or taken a more cautious approach. The price of gold remains somewhat elevated and could slightly increase from recent levels of around USD 4,242 per troy ounce.

Domestic Economy

The National Bureau of Statistics (NBS) and Office of the Chief Government Statistician (OCGS) have rebased GDP for both Mainland Tanzania and Zanzibar, replacing reference base year of 2015 with 2019 to capture new activity. Based on the new statistical reference year, nominal GDP in 2025 has increased to TZS 234,104 billion (USD 92.3 billion) from TZS 230,073 billion (USD 90.7 billion). The size of the Zanzibar economy has increased to TZS 9,242 billion (USD 3.6 billion) from TZS 7,029 billion (USD 2.8 billion).

Strong growth momentum continues in 2026. Mainland Tanzania grew by 6 percent in the first quarter and is estimated to have grown at around 6 percent in the second and third quarters. This

was driven by improvement in financial services, industrial production, infrastructure investment and social services. The Zanzibar economy grew by 6.8 percent in the first and second quarters and is estimated to be above 7 percent in the subsequent quarter, driven by tourism, construction, and irrigation projects. The growth outlook remains favourable, albeit facing elevated external risks and potential El Niño-related disruptions.

Inflation in Mainland Tanzania remains within the 3-5 percent target, albeit rising, reaching 4.3 percent in September 2026 from 4 percent in June 2026. The increase was largely driven by higher global oil prices, which has raised domestic fuel pump prices and transport costs. In Zanzibar, inflation eased to 4.3 percent from 6 percent, driven by a decline in prices of food and non-alcoholic beverages.

Monetary conditions remained consistent with economic conditions. Private sector credit growth was robust, averaging 32.5 percent in quarter three of 2026. The banking sector was stable and having strong capital and liquidity positions. Non-performing loans were 2.5 percent in August 2026, well below the tolerable threshold of 5 percent. Payment systems operated smoothly and efficiently, with transaction values and volumes increasing.

The current account deficit remains sustainable at around 2.5 percent of GDP in the year ending September 2026 compared with 2.4 percent in the corresponding quarter of 2025. Stronger export performance, particularly in gold, tourism, and manufactured goods, helped to cushion the impact of higher imports and freight costs on the current account position. Zanzibar maintained a current account surplus, supported by higher tourism receipts. Foreign exchange reserves remained adequate, hovering above USD 6 billion, equivalent to 4.3 months of projected imports compared with the minimum national requirement of 4 months.

Fiscal operations were satisfactory, with tax revenue exceeding targets and expenditure managed prudently. Fiscal deficit was below 3 percent, consistent with regional convergence criteria. Public debt remained moderate and sustainable, with external debt accounting for part of the debt portfolio.

The next MPC meeting is scheduled for 6th January 2027, and CBR announcement on the following day.

CHAPTER 1: MONETARY POLICY REVIEW

Monetary policy remains effective but faces headwinds

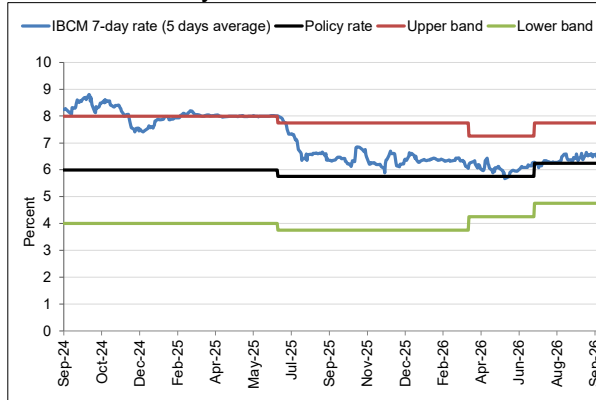
The MPC in July 2026 raised the benchmark interest rate, Central Bank Rate (CBR), from 5.75 percent to 6.25 percent. This allowed 7-day interbank rate, which is the operational target of monetary policy, to hover between 4.75 and 7.75 percent. The decision aimed at limiting high fuel price shock from feeding into general price level. The level of policy adjustment was considered appropriate in anchoring inflation expectations to the target of 3-5 percent, amid uncertainty about the scale and duration of the Middle East conflict, while fostering economic growth.

The impact of the policy adjustment on inflation was expected to be reinforced by adequate food supplies from the 2025/26 harvest season, limited exchange rate pass-through to inflation (due to strong export earnings from gold and seasonal receipts from tourism and agricultural commodities), and reliable power supply for industrial production.

Monetary policy implementation using full allotment reserve repos and sale of liquidity papers steered banking system liquidity towards the desired level. The 7-day interbank rate hovered within the CBR corridor, with minimum volatility from CBR, indicating effectiveness at the beginning of monetary policy transmission process (Chart 1.1a and 1.1b). The effectiveness of monetary policy in the interbank market also mirrored developments in yields of Treasury bills and bonds (Chart 1.2a and Chart 1.2b). Lending rates remained broadly unchanged at around 15 percent, deposit rates at 8.78 percent, reflecting transmission lag (Chart 1.3).

The Bank in collaboration with stakeholders continues to implement measures to improve monetary policy transmission through the interest rate channel. These measures include enhancing the collateral framework, enhancing the use of credit information, improving consumer protection, and promoting financial literacy and inclusion. The Bank is exploring opportunities for improving credit pricing models by banks and reducing usage of physical cash in transactions.

Chart 1.1a: 7-day interbank rate



Source: Bank of Tanzania

Chart 1.1b: Banks reserves (clearing) balances

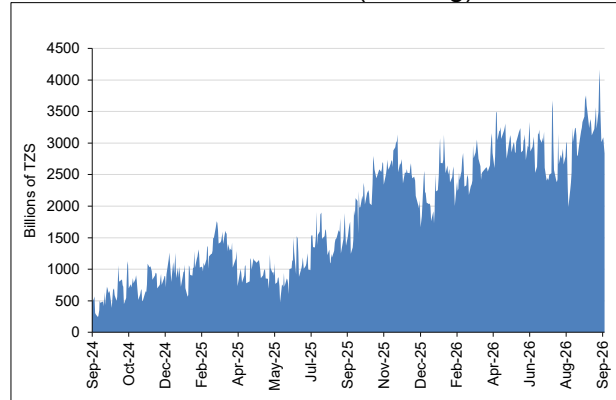
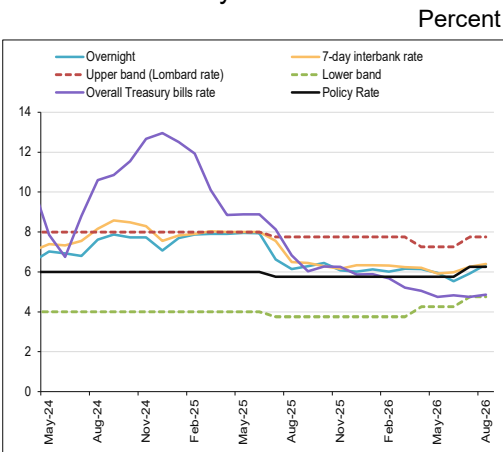


Chart 1.2a: Money market rates



Source: Bank of Tanzania

Chart 1.2b: Treasury bonds yields

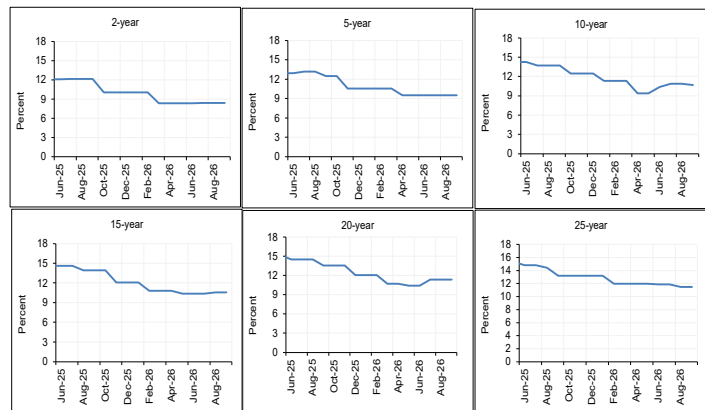
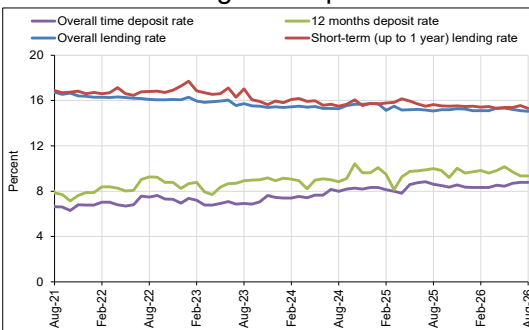


Chart 1.3: Lending and deposit interest rates



Source: Banks and Bank of Tanzania computation

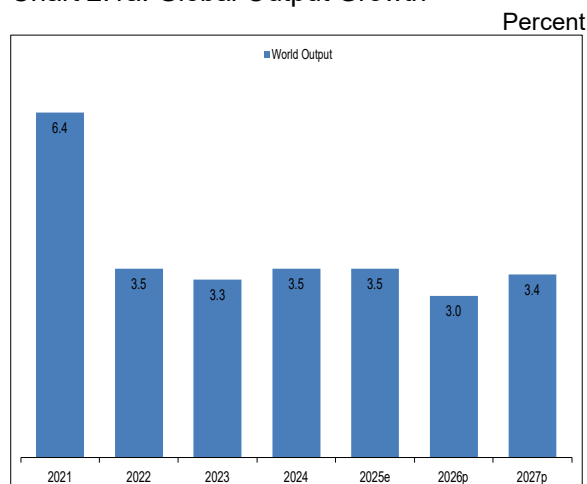
CHAPTER 2: GLOBAL ECONOMY

2.1 Output

Growth moderates amid downside risks

Global growth in 2026 is projected to moderate largely due to heightened geopolitical conflict and fragmentation, trade frictions, and policy uncertainty. The geopolitical conflict in the Middle East is expected to adversely impact global economic activity. The IMF estimates growth to be 3 percent from 3.5 percent in the previous year. Emerging and developing Asia, largely China and India, and advanced economies, particularly the US, are expected to continue contributing the most to global growth (Chart 2.1a). The World Bank projects global activity to expand by 2.5 percent, and OECD at 2.8 percent. Sub-Saharan Africa's growth is expected to slow to 4.3 percent from 4.5 percent in 2025 (Chart 2.1b). Strong headwinds are expected in economies most exposed to the Middle East conflict and least integrated into the AI-technology value chain.

Chart 2.1a: Global Output Growth



Note: "p" and "e" denote projection and estimates, respectively

Chart 2.1b: Annual Output Growth by Region

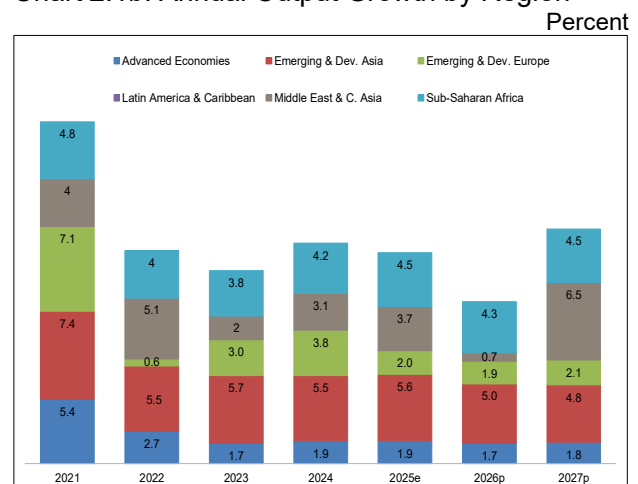
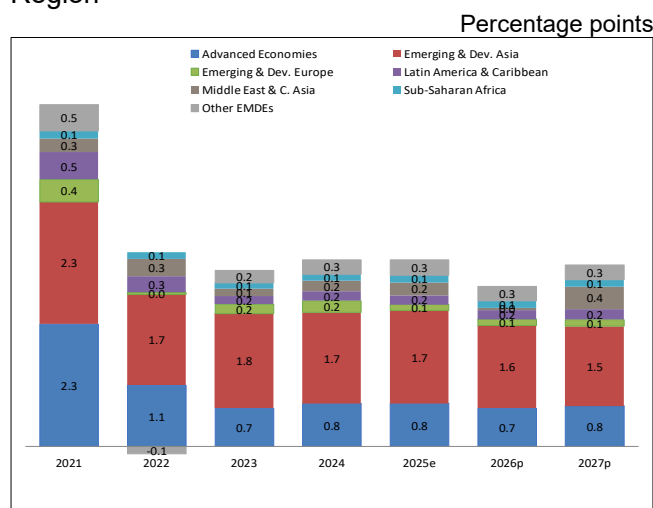


Chart 2.1c: Contribution to Global Growth by Region

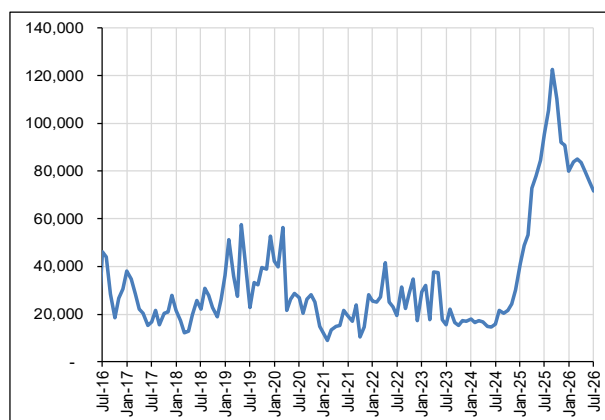


Source: IMF World Economic Outlook, July 2026.

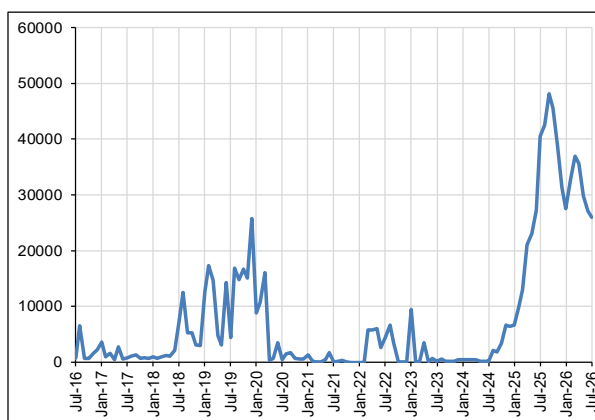
Note: "p" and "e" denote projection and estimates, respectively

Recent quarterly data indicate that risk to growth to have elevated, particularly from the recent escalation of the geopolitical conflict in the Middle East, which has affected energy-supply chain, leading to spikes in oil and fertilizer prices. Financial conditions could also tighten as central banks respond to renewed inflationary pressures (Charts 2.2a and 2.2b). Advanced economies showed resilience in the first quarter of 2026 but weakening in the second and third quarters, as high energy costs suppressed household purchasing power and corporate margins (Chart 2.3a). In emerging market economies, exporters benefited from higher resource prices, while importers faced deteriorating trade balances and sharper currency pressures (Chart 2.3b).

Chart 2.2a: Global economic policy uncertainty index Chart 2.2b: Trade policy uncertainty index

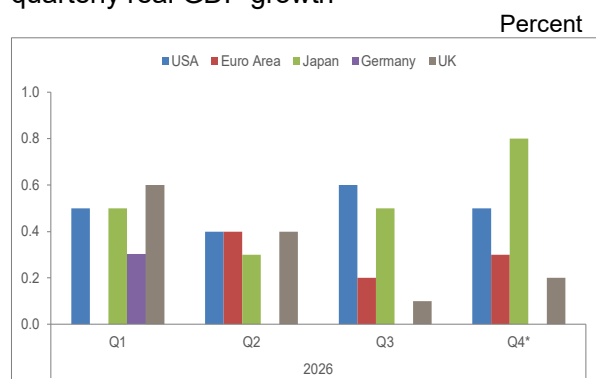


Source: <https://worlduncertaintyindex.com/>



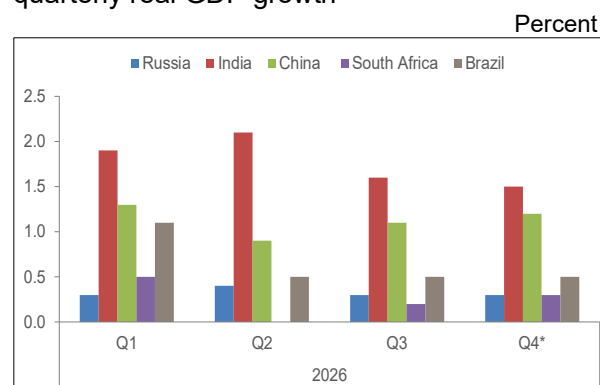
Source: https://www.policyuncertainty.com/trade_cimpr.html

Chart 2.3a: Select Advanced Economies
quarterly real GDP growth



Source: Bloomberg, September 2026

Chart 2.3b: Select Emerging Economies
quarterly real GDP growth



2.2 Inflation

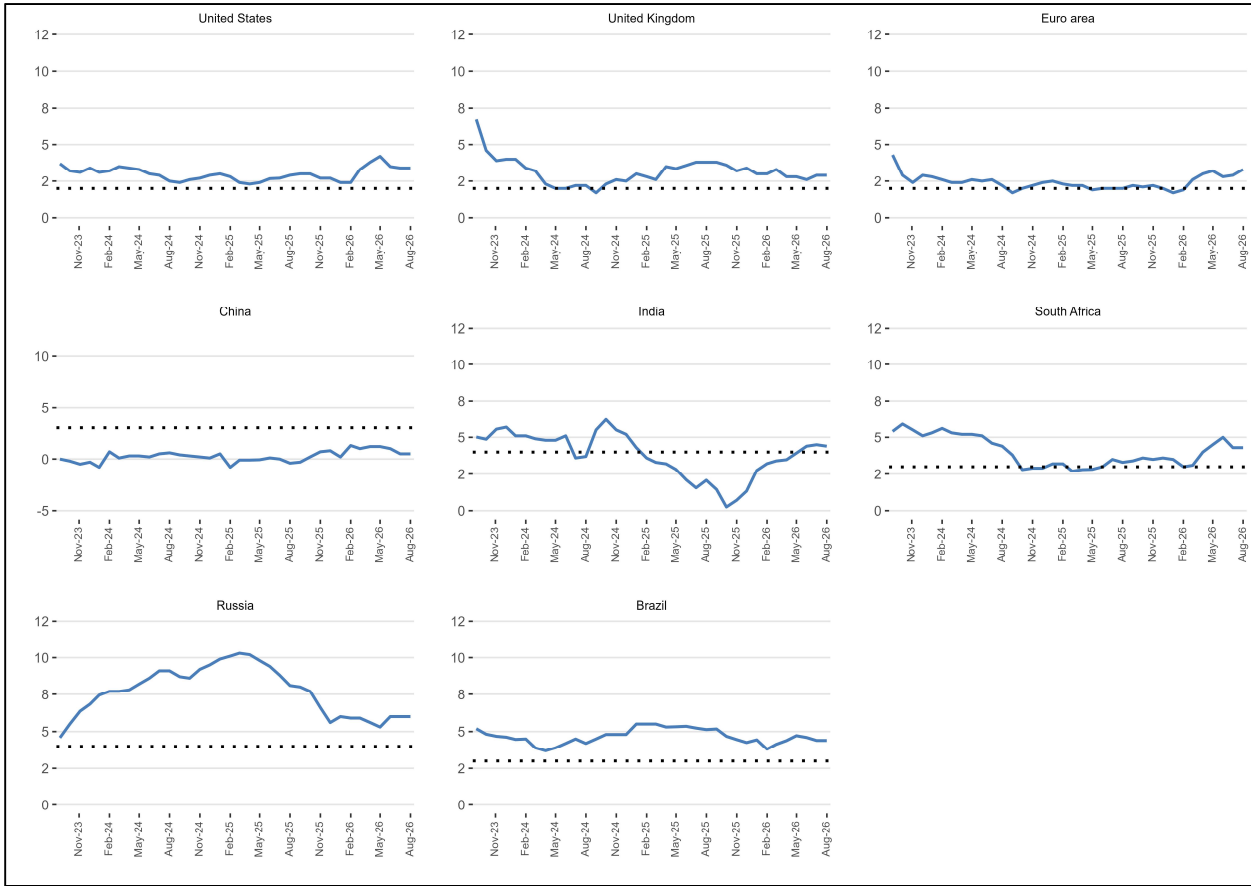
Disinflation pauses as geopolitical tensions intensify

The conflict in the Middle East interrupted a period of steady global disinflation by generating significant cost-push pressures (Chart 2.4). Inflationary pressures have risen most sharply in economies more exposed to the conflict and higher energy costs. In most advanced economies, inflation has been above target of 2 percent and rising, mostly driven by high energy costs. In emerging markets, there have been large variations in inflation rates across the region. For instance, in China, inflation has been subdued, hovering below the target of 2 percent, while India recently recorded inflation rate of 4.4 percent, within tolerance band of ± 2 percentage points of the 4 percent target, but rising above the middle bound. In sub-Saharan Africa, there has been significant variations in inflation too. In EAC and SADC regions, most countries experienced inflation within targets but recent spikes in energy, fertilizer and food prices have regenerated inflationary pressures. This is threatening attainment of inflation within targets.

Global oil prices improved in the third quarter of 2026 from the sharp increase during the second quarter of 2026. Crude oil prices declined from the second-quarter averaging at USD 95.4 per barrel to USD 82.1 per barrel in July, before increasing modestly to USD 87.2 per barrel in August. The moderation followed the April 2026 peak when Brent crude reached USD 120.4 per barrel (Chart 2.5). Fertilizer prices moved in line with energy prices, helping ease pressure on agricultural input costs, although pass-through effects to food prices remained evident.

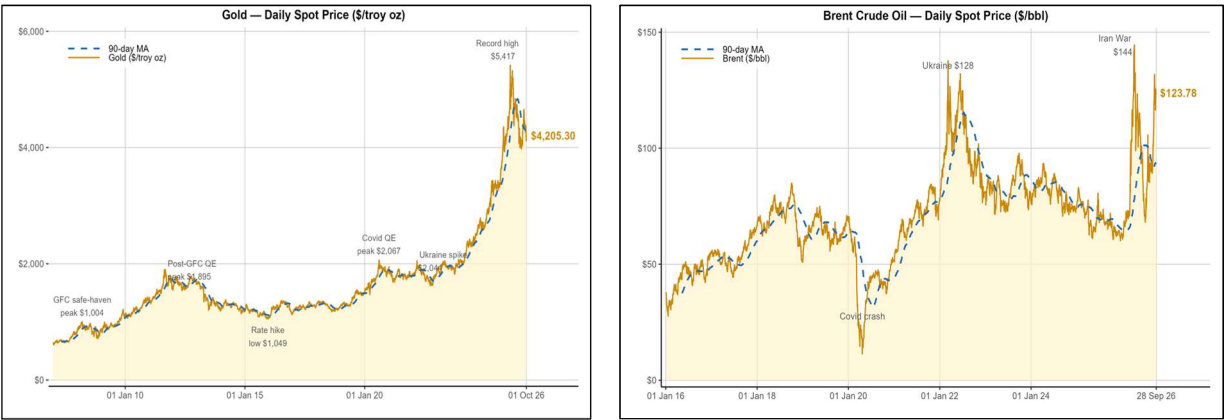
Chart 2.4: Inflation in Select Advanced and Emerging Market Economies

Percent

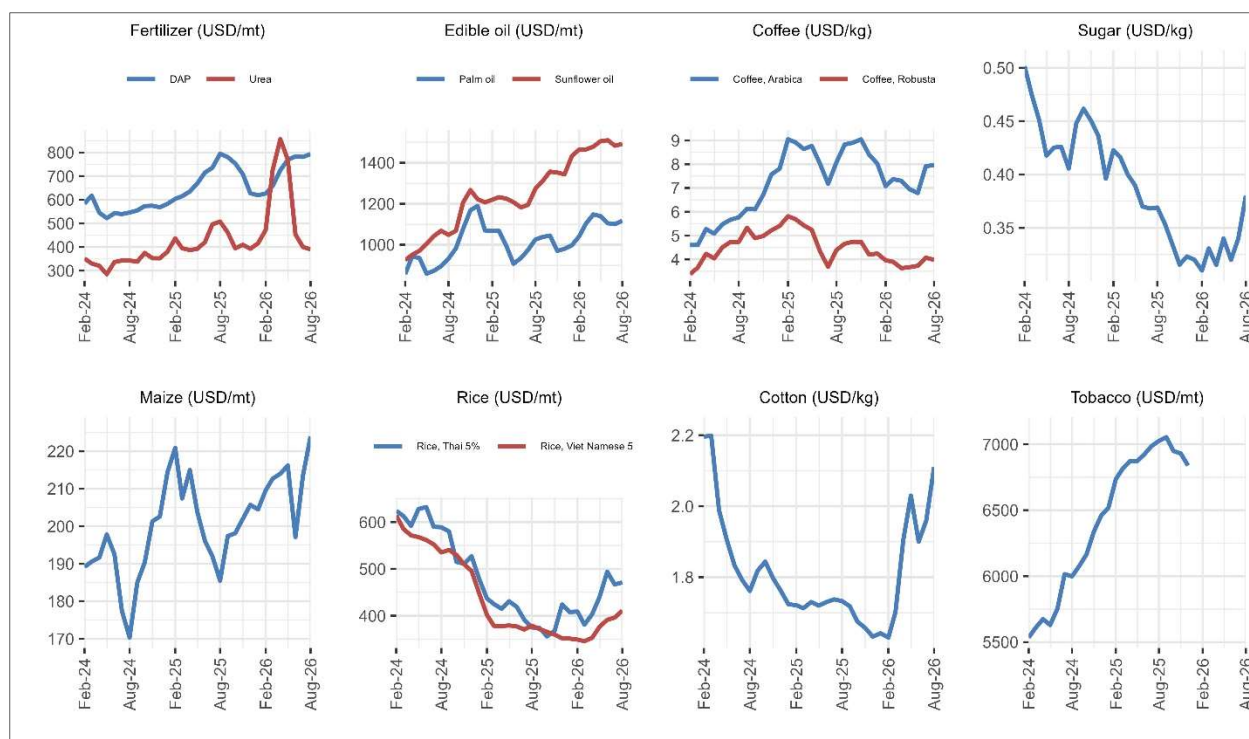


Source: Bloomberg

Chart 2.5: Select World Commodity Prices



Source: Bloomberg



Source: Bloomberg

Inflation is projected to ease gradually towards 2027, if energy prices remain stable, though the IMF and OECD warn that above-target inflation will persist through 2026. Commodity prices trends softened in July and August 2026, with oil dropping to USD 82.1 per barrel and gold easing to USD 4,242 per troy ounce. Meanwhile, agricultural commodity prices were mixed, as wheat and Arabica coffee firmed due to supply and freight constraints. The OECD forecasts G20 inflation at 4.0 percent in 2026 before moderating to 3.1 percent in 2027, with any re-escalation of geopolitical hostilities posing a major upside risk to global energy, food, and transport costs.

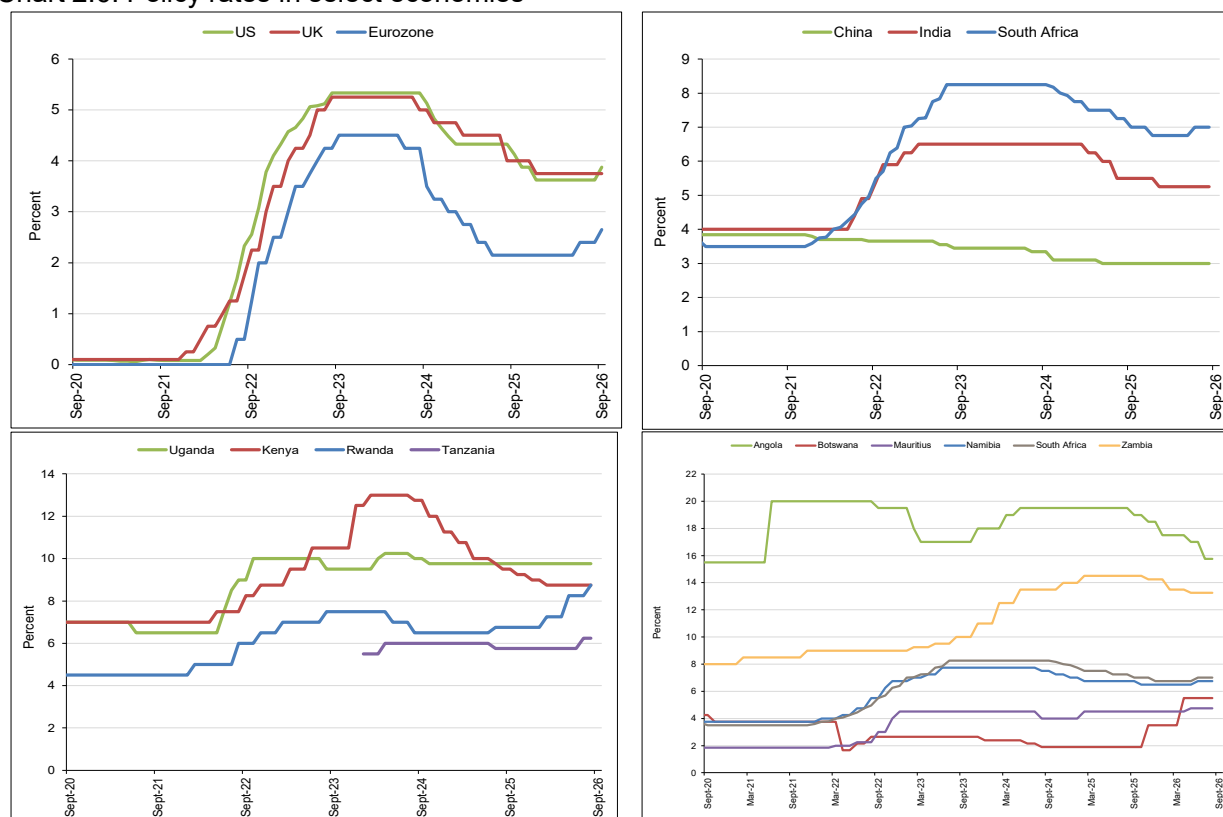
The increase in energy costs has revived concerns over inflation and economic growth, as well as contributing to a sharp rise in global sovereign bond yields. Differences in inflation dynamics and economic performance have led to greater divergence in monetary policy. Central banks have opted for restrictive monetary policy by either maintaining policy rates, reflecting a cautious "wait-and-see" approach to safeguard growth, or hiking policy rates in response to concerns about second-round effects, whereby higher prices feed into broader inflationary pressures within their domestic economies (Chart 2.6).

In the United States, the Federal Reserve raised policy rate by 25 basis points to 3.75–4 percent in September 2026, with a potential further hike expected before the end of the year. The move reasserted the Fed's commitment to achieving the inflation target of 2 percent target. U.S.

Treasury yields have consequently risen, with the 10-year yield slightly exceeding 5 percent, while the U.S. dollar has benefited from renewed safe-haven demand. The European Central Bank has also shifted toward a more restrictive monetary policy stance, raising policy rate by 25 basis points in September 2026. The Bank of England maintained policy rate at 3.75 percent balancing persistent inflation against weakening economic activity. In China, monetary policy remains accommodative, although the authorities have so far relied more on targeted liquidity and credit support than broad-based rate reductions.

In developing economies, monetary policy responses to rising inflationary pressures remained uneven. Within the EAC, Kenya and Uganda maintained their policy rates, while Rwanda continued its monetary tightening cycle. Similarly, several central banks across the SADC region kept their policy rates unchanged, reflecting a cautious approach.

Chart 2.6: Policy rates in select economies



Source: Respective central banks and BIS policy rate tracker

CHAPTER 3: DOMESTIC ECONOMY

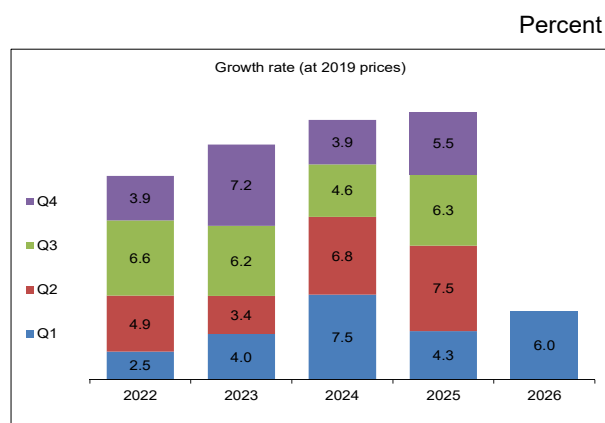
3.1 Output Performance

Growth demonstrates strong momentum

The National Bureau of Statistics (NBS) and the Office of the Chief Government Statistician (OCGS) rebased GDP data for Mainland Tanzania and Zanzibar, respectively, from the base year 2015 to 2019. Accordingly, nominal GDP for Mainland Tanzania in 2025 rose to TZS 234,104 billion (USD 92.3 billion), from TZS 230,073 billion (USD 90.7 billion) under the previous series. Meanwhile, Zanzibar's nominal GDP increased to TZS 9,242 billion (USD 3.6 billion), from TZS 7,029 billion (USD 2.8 billion). Based on the revised series, growth remained robust in both economies in 2026.

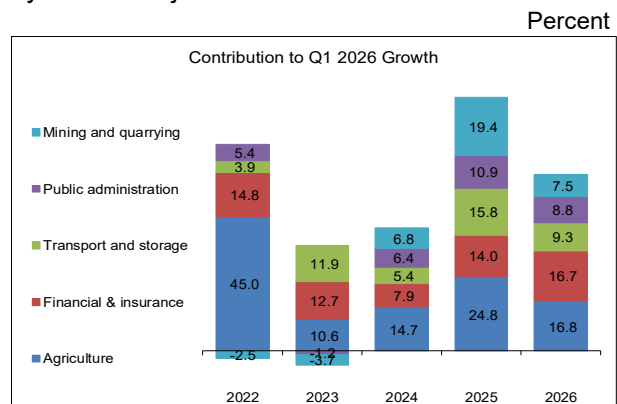
GDP in Mainland Tanzania grew by 6 percent in the first quarter of 2026, up from 4.3 percent in the corresponding period in 2025, though lower than the 6.1 percent estimated in the previous forecasting round. The outturn reflects both the robust performance of key economic activities as illustrated in the chart below and the impact of initiatives aimed at strengthening financial services, scaling up public infrastructure investment, and expanding social service delivery (Charts 3.1a and 3.1b). The sustained growth was driven by public infrastructure spending and private sector investment, exports (mainly tourism and gold) and expanding financial and ICT services. The growth was mostly contributed by agriculture, mining, construction, and tourism.

Chart 3.1a: Real GDP growth



Source: NBS and Bank of Tanzania calculations

Chart 3.1b: Contribution to Real GDP Growth by Select Major Economic Activities



Assessment of leading indicators shows satisfactory economic performance in the second and third quarters of 2026. This growth trajectory was mainly driven by expansion in cement production and consumption by 18.9 percent and 10.3 percent, respectively, compared with the second quarter of 2025, suggesting sustained improvement in construction and manufacturing activities. Additionally, earnings from manufactured exports increased by 42.8 percent, while imports of industrial raw materials grew by 9.8 percent as reflected by increased imports of industrial supplies.

Performance in the energy sector remained strong, with electricity generation rising by 14.6 percent, driven by a 16 percent increase in hydroelectric power output following the scaling-up of generation at the Julius Nyerere Hydropower Plant (JNHPP). This development enhanced energy reliability and supported productive activities across the economy. In the mining sector, export earnings increased by 33.8 percent benefiting from favourable global prices, despite broadly unchanged production volumes. In the transport and logistics activity, there was strengthened operational performance at the Port of Dar es Salaam, with total and transit cargo growing by 13.6 percent and 6.1 percent, respectively. In addition, sustained growth in credit to the private sector underpinned continued expansion of financial services.

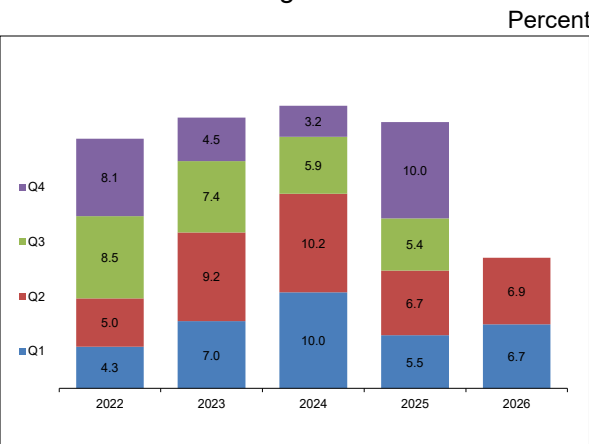
Considering the aforementioned indicators, the Bank estimates GDP growth of around 6 percent in the second and third quarters of 2026. This was driven by improvement in financial services, industrial production, infrastructure investment and social services. Looking ahead, economic activity is projected to strengthen along a steady recovery path, with GDP growth estimated at 7.2 percent in the fourth quarter of 2026, compared with 5.5 percent in the corresponding quarter of 2025. The structural composition of the economy is projected to remain broadly unchanged, anchored by continued significant contributions from agriculture, mining, construction, transport and storage, as well as finance and insurance activities.

This resilient outlook is underpinned by sustained public and private capital investments in strategic projects across key sectors, including the East African Crude Oil Pipeline (EACOP), power transmission grid expansions, agriculture modernization, transport infrastructure, expanding financial and ICT services and mining development. Furthermore, ongoing preparations for AFCON 2027, notably the construction and upgrading of stadiums and related infrastructure, are expected to boost activity in the construction sector while generating substantial growth spillovers for tourism, particularly hospitality, and broader service industries during and

after the tournament. These growth projections also incorporate proactive government mitigation measures designed to control and dampen potential economic disruptions from anticipated El Niño weather events during the *Vuli* season in October-December 2026¹.

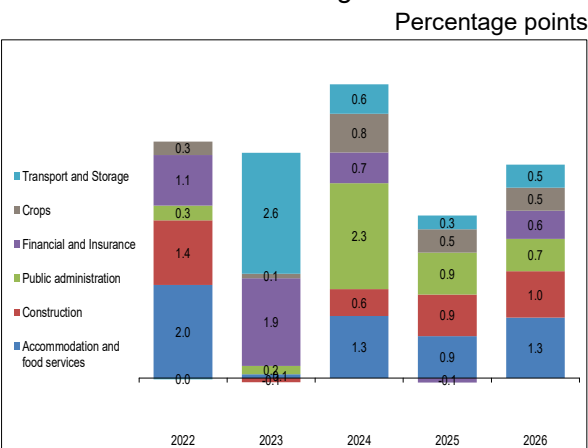
Zanzibar economy grew by 6.8 percent in the first and second quarters of 2026, compared to 6.1 percent in the corresponding period of 2025. The services sector remained the leading contributor to growth, largely driven by accommodation and food services, consistent with the continued expansion of tourism-related activities. This was reflected in tourist arrivals, which increased by 4.7 percent to 148,310 tourists during the second quarter of 2026. The increase was associated with continued tourism promotion efforts by both the Government and private sector, including participation in international tourism fairs aimed at enhancing Zanzibar's visibility and attracting visitors from key source markets. The construction sector remained the second-largest contributor to economic activity, supported by sustained investment in major infrastructure projects, including road network development, airport expansions across the Isles, port construction, and the ongoing development of AFCON City. Other activities that supported economic growth included public administration, financial and insurance, crops and transport and storage (Charts 3.2a and 3.2b).

Chart 3.2a: Real GDP growth



Source: Office of the Chief Government Statistician and BOT computations

Chart 3.2b: Contribution to growth



The economy is projected to maintain a positive growth trajectory, with growth estimated at 7.1 percent in the third quarter of 2026, supported by continued expansion in tourism, infrastructure

¹ The government has prepared the National Contingency Plan and Anticipatory Action for Tanzania Mainland (July 2026 – June 2027). The plan and actions include public awareness campaigns promoting food purchasing and storage while strengthening infrastructure resilience through bridges constructions and upgrades.

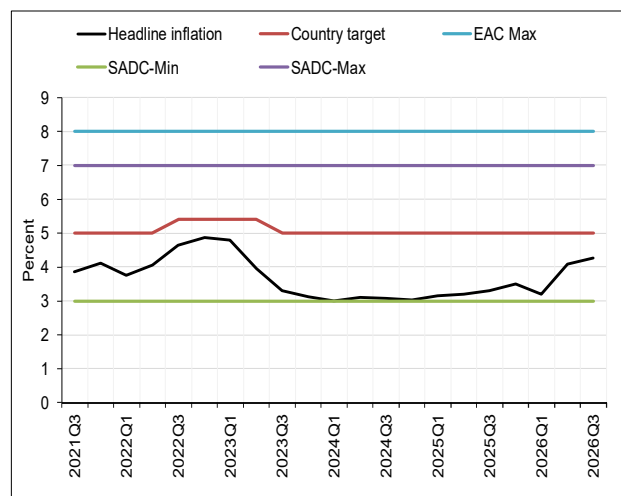
investment, improved business conditions, and increased service receipts particularly from tourism related activities. Growth is expected to moderate to 6.9 percent in the fourth quarter, mainly due to potential declines in tourism activity and adverse weather-related conditions including the expected El Niño rains.

3.2 Inflation

Inflation rises within the target range

Domestic headline inflation sustained its upward trajectory above 4 percent for the sixth consecutive month, reaching 4.3 percent in September 2026, compared with 4.0 percent in June 2026. On a quarterly basis, inflation increased to an average of 4.3 percent in the third quarter of 2026, up from 4.1 percent recorded in the second quarter of 2026. The acceleration was driven by the Middle East conflict, as higher global fuel prices passed through to domestic pump prices and transport costs. Despite the uptick, inflation remained within the national target range of 3–5 percent and in line with the EAC and SADC convergence criteria (Charts 3.3a and Table 3.1). Inflation in most economies in the EAC and SADC regional blocs was broadly within their respective regional convergence criteria (Charts 3.3b and 3.3c).

Chart 3.3a: Inflation trend and Target



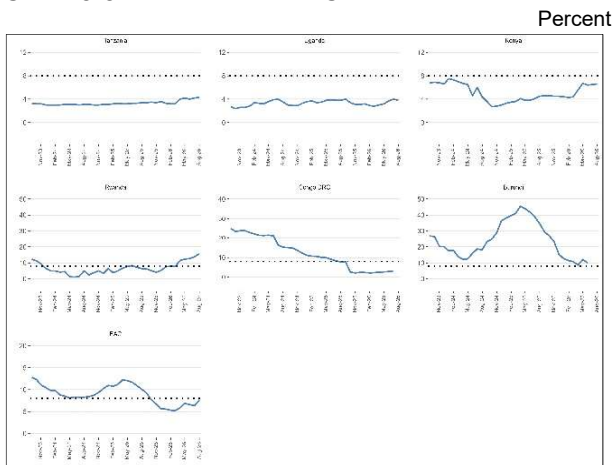
Source: NBS, and BOT computations

Table 3.1: Quarterly Inflation Developments

		Percent							
		2025				2026			
Main groups	Weight	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Food and non-alcoholic beverages	28.2	5.3	6.0	7.5	6.9	5.7	5.2	3.9	
Alcoholic beverages and tobacco	1.9	3.5	3.4	3.2	3.5	2.2	2.1	1.5	
Clothing and footwear	10.8	2.0	2.0	1.8	2.0	1.1	1.5	1.7	
Housing, water, electricity, gas and other fuels	15.1	3.0	3.0	1.9	2.3	2.0	1.2	2.2	
Furnishings, household equipment and routine household maintenance	7.9	2.2	2.2	2.5	3.0	2.6	2.5	2.5	
Health	2.5	1.3	1.7	1.4	1.3	1.0	1.4	1.4	
Transport	14.1	2.6	1.8	1.6	2.9	4.1	11.5	13.9	
Information and communication	5.4	0.3	0.1	0.3	0.4	1.0	0.9	1.2	
Recreation, sports and culture	1.6	1.7	1.5	1.1	0.6	0.6	0.6	0.6	
Education services	2.0	4.3	3.5	3.0	3.0	0.3	2.7	3.1	
Restaurants and accommodation services	6.6	1.7	1.6	1.0	1.0	1.4	1.9	2.9	
Insurance and financial services	2.1	0.7	0.7	0.5	0.4	0.4	0.2	0.2	
Personal care, social protection and miscellaneous goods and services	2.1	3.2	2.3	2.2	1.5	3.2	3.5	3.3	
All items (headline inflation)	100.0	3.2	3.2	3.4	3.5	3.2	4.1	4.3	
Other selected groups									
Core	73.9	2.5	2.0	2.0	2.3	2.2	3.4	4.0	
Non-core	26.1	5.0	6.1	7.0	6.7	5.9	5.8	4.9	
Energy, fuel and utilities	5.7	5.6	5.2	2.4	4.2	3.7	5.5	7.7	
Services	37.2	1.1	1.0	1.0	1.5	2.1	4.7	5.9	
Goods	62.8	4.3	4.4	4.7	4.6	3.8	3.8	3.4	
Education services and products ancillary to education	4.1	4.0	3.3	2.7	2.4	0.4	1.5	1.7	
All items less food and non-alcoholic beverages	71.8	2.3	2.0	1.7	2.1	2.1	3.6	4.5	

Source: NBS and BOT computations

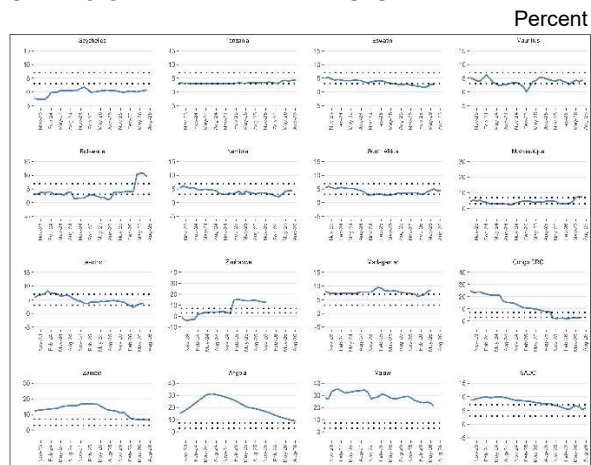
Chart 3.3b: Inflation in EAC countries



Source: Respective National Statistics Offices

Notes: The dotted lines indicate the targets

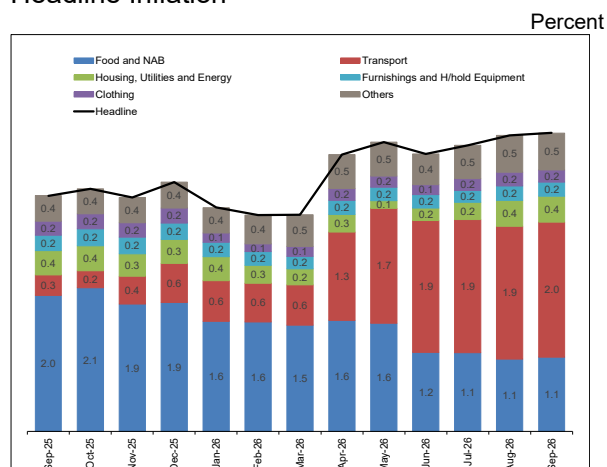
Chart 3.3c: Inflation in SADC Countries



Core inflation, which excludes unprocessed food and energy, accelerated further to 4.0 percent in the third quarter of 2026, compared with 3.4 percent in the preceding period. The increase in core inflation was driven by higher transport costs, which contributed 1.9 percent to the overall inflation over the three months to September 2026 (Table 3.1 and Chart 3.4). Core items remained the primary driver of headline inflation, contributing 3.1 percent in September 2026 compared with the contribution of 1.7 percent in a similar month in 2025 (Chart 3.5). Similarly, energy, fuel, and utilities inflation continued to rise, reaching 7.7 percent in the third quarter of 2026, higher than 5.5 percent in the second quarter of 2026, following the elevated domestic fuel pump prices amid rising global energy prices.

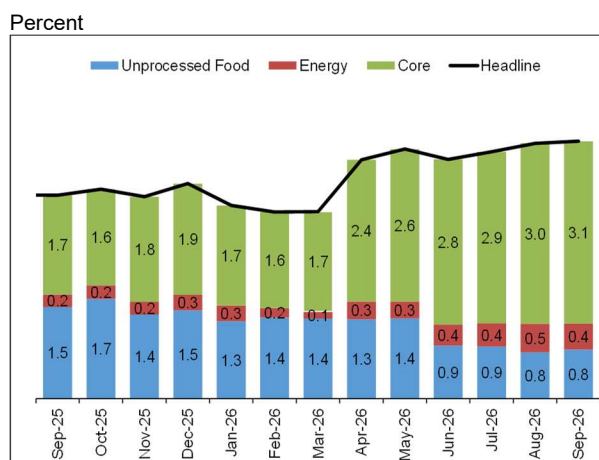
Food inflation declined to 3.9 percent in the third quarter of 2026, from 5.2 percent in the previous quarter, marking a significant drop from 7.5 percent in the third quarter of 2025. This deceleration was largely supported by favourable yields from the 2025/26 crop harvest, totalling 25.2 million tonnes—16.4 million tonnes were cereals and 8.8 million tonnes were non-cereals. This creates a projected surplus of 6.3 million tonnes against the 2026/27 requirements of 18.8 million tonnes, resulting in a National Self-Sufficiency Ratio of 133 percent (Table 3.3b). Accordingly, prices of select unprocessed foods eased in the second quarter of 2026 compared to the first quarter of 2026 (Tables 3.1 and 3.3). National Food Reserve Agency (NFRA) reserves stood at 484,331.7 tonnes at the end of August 2026 after releasing 1,154 tonnes of food to traders in July and August 2026 and remained above the national target of having at least 150,000 tonnes all the time (Table 3.4).

Chart 3.4: Contribution of all select groups to Headline Inflation



Source: NBS and BOT computations

Chart 3.5: Contribution to Headline Inflation by major groups



Source: NBS and BOT computations

Table 3.2: Domestic Pump Fuel Prices

	TZS per Litre							
	Sep-25	Dec-25	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Petrol	2,939.4	2,885.4	2,982.5	3,933.8	4,245.0	4,237.9	4,119.9	4,035.6
Diesel	2,883.9	2,893.2	2,970.8	3,917.4	4,374.0	4,467.0	4,312.6	4,127.1
Kerosene	3,328.5	3,224.8	3,265.8	3,585.5	3,761.0	3,959.3	4,203.5	4,170.6

Source: NBS

Table 3.3a: Wholesale Prices of Main Food Crops

	TZS per 100 Kg				
Food crop	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Maize	83,028.0	82,443.7	87,254.8	83,865.8	78,134.4
Rice	242,749.7	247,969.9	260,532.6	253,049.0	237,397.4
Beans	269,044.1	267,143.6	267,506.6	260,866.7	254,717.5
Sorghum	144,319.6	148,131.8	154,167.0	163,868.3	157,025.5
Round potatoes	91,757.0	91,310.8	106,680.7	99,163.0	102,861.6
Finger millet	245,300.7	242,606.5	244,055.4	248,556.1	243,027.4
Wheat	197,985.3	185,902.0	193,562.6	193,271.3	200,362.9

Source: Ministry of Industry and Trade

Table 3.3b: Food Production and Requirements

		2021/22	2022/23	2023/24	2024/25 ^r	2025/26 ^p
Cereals	Production	9,493,410	11,448,757	14,587,177	14,924,582	16,395,491
	Requirement	9,537,752	10,427,327	11,701,777	12,056,694	12,438,806
	Gap/surplus	-44,342	1,021,430	2,885,401	2,867,888	3,956,685
	SSR	99.5	109.8	124.7	123.8	131.8
Non cereals	Production	7,910,470	8,953,258	8,858,546	8,858,546	8,809,313
	Requirement	5,536,113	5,963,077	6,052,212	6,222,361	6,441,736
	Gap/surplus	2,374,357	2,990,181	2,806,334	2,636,185	2,367,577
	SSR	142.9	150.1	146.4	142.4	136.8
Total food	Production	17,403,880	20,402,015	23,445,723	23,783,128	25,204,804
	Requirement	15,073,865	16,390,404	17,753,989	18,279,055	18,880,542
	Gap/surplus	2,330,015	4,011,611	5,691,734	5,504,073	6,324,262
	SSR	115.5	124.5	132.1	130.1	133.5

Source: Ministry of Agriculture

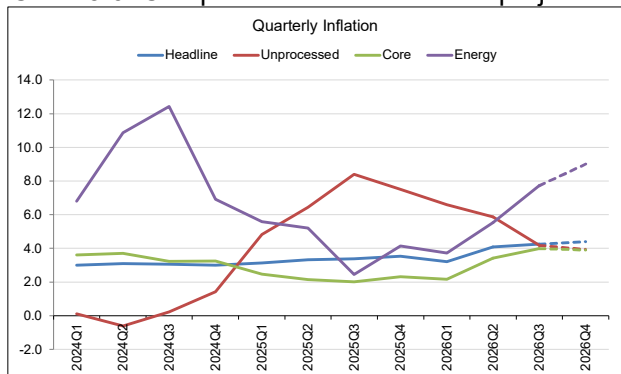
Note: r denotes revised data; and p, provisional data

Table 3.4: Food Stocks Held by NFRA.

	Tonnes				
Period	2022	2023	2024	2025	2026
Jan	207,899	124,736	270,984	646,480	567,469
Feb	203,297	106,881	326,172	619,659	560,008
Mar	200,626	80,123	336,099	587,062	533,634
Apr	190,366	63,808	340,102	557,228	510,927
May	149,402	51,367	340,002	509,990	500,692
Jun	141,576	46,665	340,479	477,923	489,998
Jul	140,695	94,088	368,855	485,930	487,056
Aug	144,410	210,020	489,187	537,571	484,332
Sep	149,044	244,169	651,403	570,519	
Oct	151,794	244,289	708,399	593,485	
Nov	147,401	244,223	702,502	590,425	
Dec	137,655	248,282	677,115	577,376	

Source: National Food Reserve Agency

Chart 3.6: Components of Inflation and projections



Source: NBS, and BOT computations

Notes: The dotted lines indicate projections

Inflation risk remains elevated, mainly due to lingering effects of elevated world commodity prices and forecast El Niño rains. Nonetheless, inflation is projected to remain within the target, backed by the policy rate hike by the Bank in July 2026 to pre-empt subsequent inflationary effects (second round effects) of high fuel and fertilizer prices. Beyond these monetary policy measures, the Government is implementing bulk procurement of oil and setting indicative prices to moderate the pass-through of energy shocks. Other measures include energy diversification by substituting imported oil with locally produced natural gas. This is reflected in the continued growth in the number of vehicles using Compressed Natural Gas (CNG) to 16,354 in 2025/26 from 7,000 in 2024/25, and CNG filling stations which increased to 18 from 9 stations.

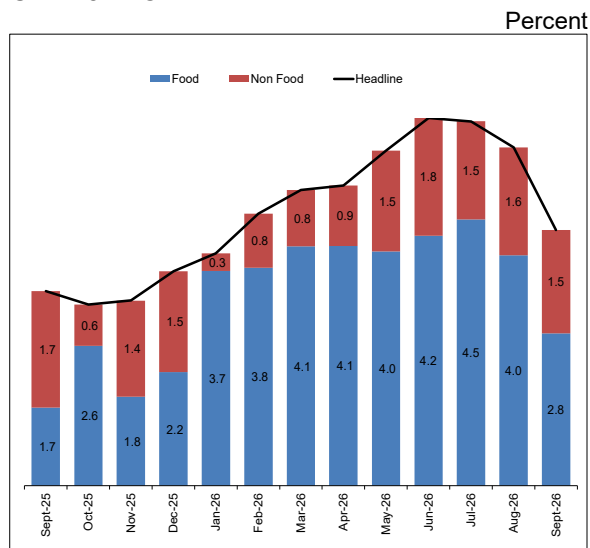
Inflation in Zanzibar eased to 4.3 percent in September 2026 from 6 percent in June 2026. The moderation was largely driven by a decline in prices of food and non-alcoholic beverages (Table 3.5 and Chart 3.7). Looking ahead, headline inflation is projected to rise to 6 percent in the fourth quarter, above Zanzibar's medium-term target of 5 percent. The expected increase reflects elevated energy and fuel prices associated with rising global crude oil prices and potential weather-related disruptions due to anticipated El Niño.

Table 3.5: Zanzibar Headline Inflation

Main groups	Weight	Annual change			
		Jun-26	Jul-26	Aug-26	Sep-26
Food and non-alcoholic beverages	41.9	10.3	10.9	9.6	6.8
Alcoholic beverages, tobacco and narcotics	0.2	5.5	3.5	4.2	4.2
Clothing and footwear	6.3	1.4	1.4	1.5	1.5
Housing, water, electricity, gas and other fuels	25.8	1.8	0.5	1.0	1.3
Furnishings, household equipment and routine household maintenance	4.8	3.7	4.0	4.3	4.8
Health	1.3	0.7	0.9	0.9	0.9
Transport	9.1	5.3	4.7	5.2	4.7
Information and communication	4.2	-0.6	0.3	0.3	0.3
Recreation, sport and culture	1.1	2.0	2.7	3.0	1.2
Education	1.6	2.0	0.3	1.1	1.1
Restaurants and accommodation services	1.4	7.4	6.2	6.2	6.2
Insurance and financial services	0.5	0.0	0.0	0.0	0.0
Personal care, social protection and miscellaneous goods and services	1.7	0.8	1.6	1.1	0.8
All items (Headline inflation)	100.0	6.0	6.0	5.6	4.3
Selected groups					
Food	43.1	10.3	10.8	9.6	6.9
Energy and Fuels	8.1	8.6	5.1	5.8	6.9
Core exclude Food and Energy	48.8	1.1	1.1	1.3	1.2

Source: Office of the Chief Government Statistician and BOT computation

Chart 3.7: Contribution to Inflation

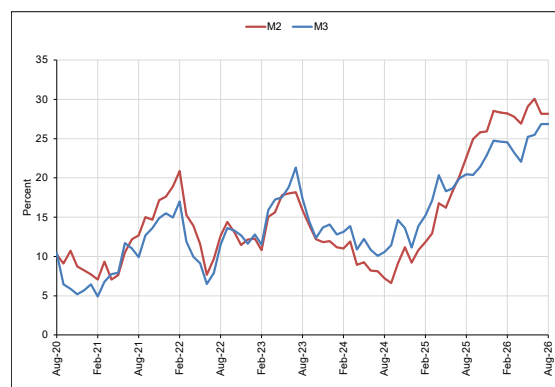


3.3 Monetary Conditions

Credit growth remains robust

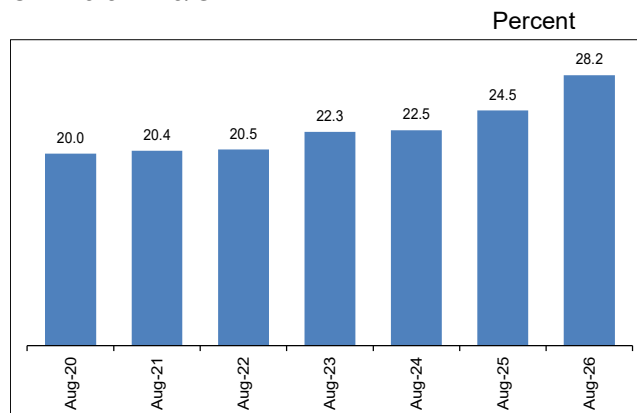
Monetary conditions were characterized by a steady increase in liquidity and growth of money supply. Extended money supply (M3) is estimated to have increased by 26.2 percent in the quarter ending September 2026, from 24.3 percent in the preceding quarter (Chart 3.8a and 3.8c). The ratio of M3 to nominal GDP continued to rise, indicating deepening financial intermediation (Chart 3.8b). The growth of money supply is expected to remain relatively strong through the quarter ending December 2026, underpinned by sustained high demand for credit.

Chart 3.8a: M2 and M3 growth rates



Source: Banks and Bank of Tanzania computations

Chart 3.8b: M3/GDP



Credit to the private sector sustained robust growth during the quarter and was the main contributor to the expansion of the money supply (Chart 3.9a). Credit growth is estimated to have accelerated to an average of 32.5 percent during the quarter from 25 percent in the preceding quarter (Chart 3.9b). Sustained credit growth was supported by adequate liquidity and continued recovery in economic activities that led to high demand for financing.

Chart 3.9a: Contribution to M3 growth (Asset side)

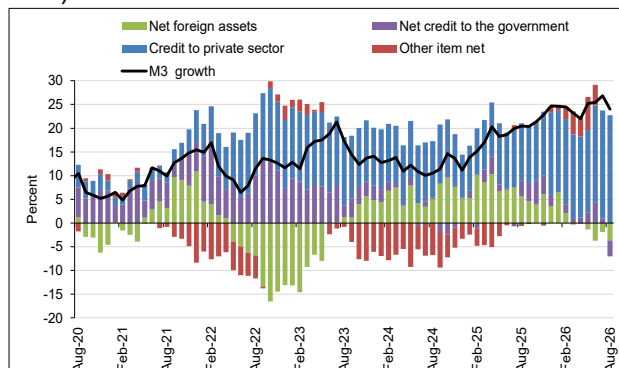
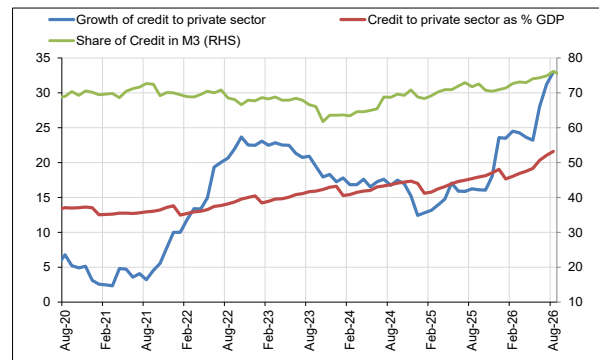


Chart 3.9b: Growth of private sector credit
Percent



Source: Banks and Bank of Tanzania computations

Credit expansion remained relatively broad-based. Personal loans continued to account for the largest share of outstanding credit, at about 34.1 percent in August 2026, followed by trade, agriculture and manufacturing activities (Chart 3.10a). Meanwhile, trade, agriculture, manufacturing, transport and communication, and building and construction were the major drivers of the acceleration in credit (Chart 3.10b). Strong credit growth to agriculture was partly supported by the TZS 1 trillion Special Loan Facility and statutory minimum reserve relief provided to the sector.

Chart 3.10a: Share of credit by economic activities

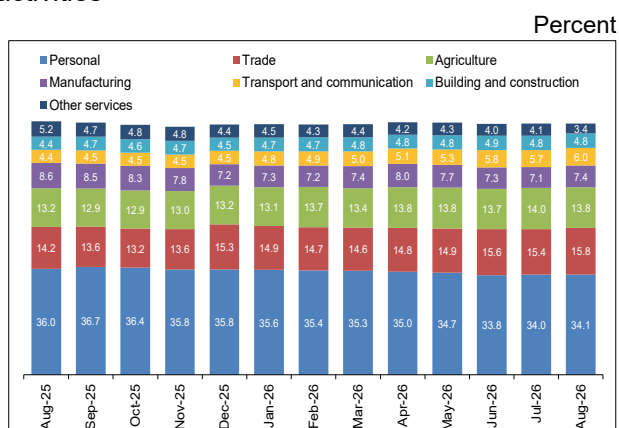
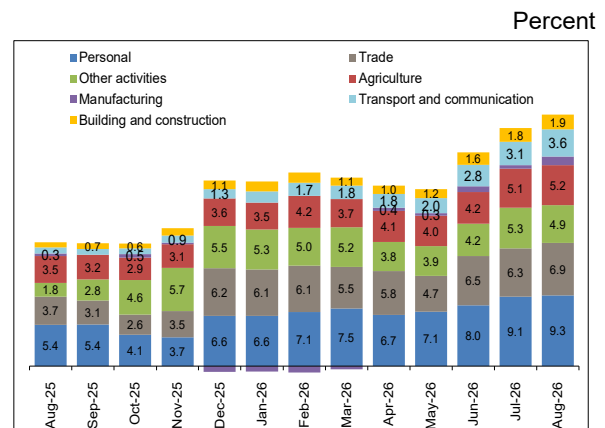


Chart 3.10b: Contribution to credit growth



Source: Banks and Bank of Tanzania computations

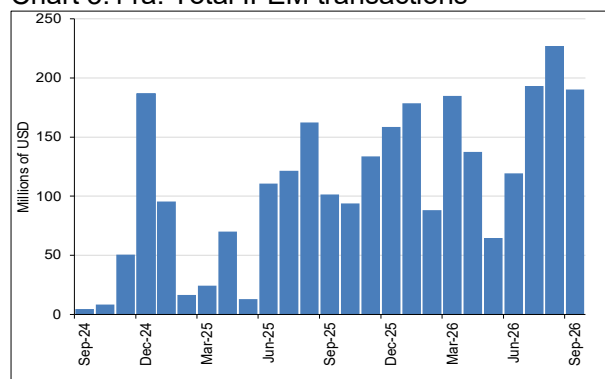
Private sector credit is expected to remain strong through the quarter ending December 2026 and beyond, supported by adequate liquidity in the banking system, resilient economic activity and sustained demand for financing. However, downside risks emanate from the forecast El-Niño rains that may disrupt agricultural output and productivity, therefore affecting quality of loans in the agricultural portfolio.

The exchange rate remains stable

During the quarter ending September 2026, the Shilling remained broadly stable despite pressures on the current account associated with the ongoing conflict in the Middle East. Exchange rate stability was backed by adequate foreign reserve buffers which supported timely Bank interventions in the IFEM as well as robust export receipts, particularly from gold. Furthermore, the rollout of the Electronic Matching System improved market transparency and enhanced price discovery in the IFEM, strengthening the efficiency of foreign exchange market operations. Total IFEM turnover amounted to USD 559.1 million, of which the Bank's intervention accounted for 30.5 percent (Charts 3.11a).

On average, the Shilling traded at TZS 2,655.15 per US dollar during the quarter, reflecting a 1.3 percent depreciation compared with the previous quarter and 6.7 percent year-on-year (Chart 3.11b). The Real Effective Exchange Rate weakened, though it remained broadly consistent with underlying macroeconomic fundamentals (Chart 3.11c). Looking ahead, the foreign exchange market is expected to remain liquid towards the end of 2026, supported by sustained foreign currency inflows from exports of agricultural products and gold, as well as proceeds from tourism activities. These inflows are expected to maintain adequate market liquidity and support exchange rate stability, thereby helping to mitigate the impact of elevated import costs on domestic prices.

Chart 3.11a: Total IFEM transactions



Source: Bank of Tanzania

Chart 3.11b: Daily TZS/USD exchange rates

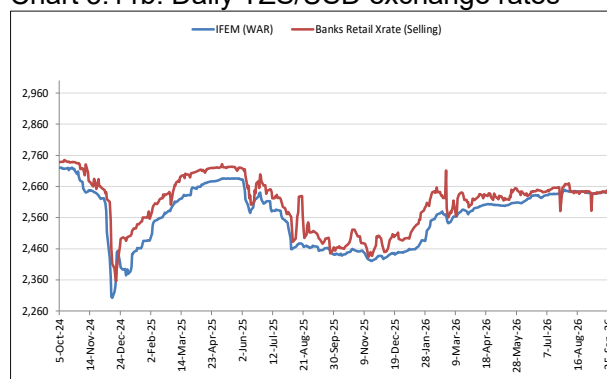
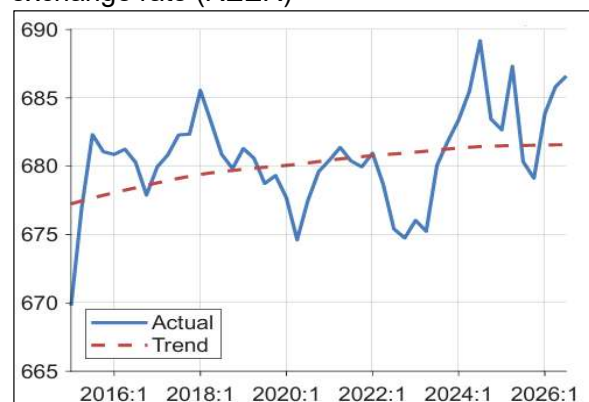


Chart 3.11c: Trend of the real effective exchange rate (REER)



Source: Bank of Tanzania

3.4 Banking Sector and Payment Systems

The banking sector sustains stability and resilience to shocks

The banking sector remained sound and stable in terms of liquidity, capital adequacy and profitability². The sector continues to register growth in deposits and assets, supported by increased uptake of agent banking services, innovation in financial products, and the widespread adoption of digital banking solutions. Loan portfolio growth was further reinforced by a favourable business environment coupled with low credit risk, as reflected in the decline of the non-performing loans ratio to 2.5 percent in August 2026, well below the tolerable threshold of 5 percent.

Payment systems operate smoothly

Payment systems operated efficiently, ensuring smooth settlement of transactions, supporting financial stability, and enabling effective monetary policy implementation. Transaction volumes and values increased across all platforms including TISS, TIPS, and mobile money increased, reflecting continued expansion in digital payments and financial services (Charts 3.12a and 3.12b).

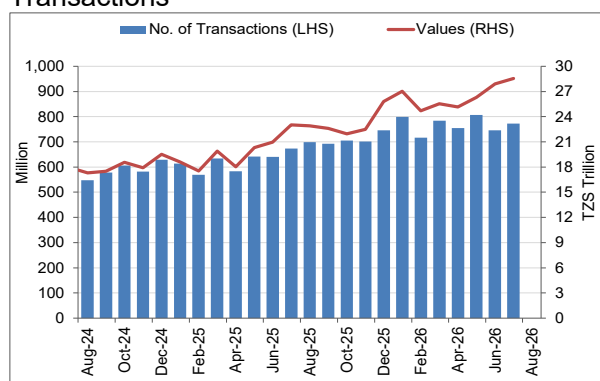
Cross-border transactions processed through the East African Payment System (EAPS) showed mixed performance in August 2026. Transactions in Tanzanian shillings and Kenyan shillings declined in both volume and value compared with August 2025, while transactions in Ugandan shillings recorded a slight increase in volume but a lower transaction value. Meanwhile,

² Banking sector accounts for over 70 percent of the financial sector

transactions processed through SADC-RTGS decreased marginally in volume but increased in value. Tanzanian banks' participation in SADC-RTGS strengthened significantly, with both the number and value of transactions rising substantially compared with August 2025.

Overall activity in regional payment systems remain moderate, largely due to reliance of US dollars in international transactions which limits demand for settlement in regional currencies. To address this, the EAC approved a Cross-Border Payment System Masterplan in May 2025, while the SADC Committee of Central Bank Governors approved settlement through SADC-RTGS in US dollars and other regional currencies. These initiatives are expected to increase the use of both systems over time.

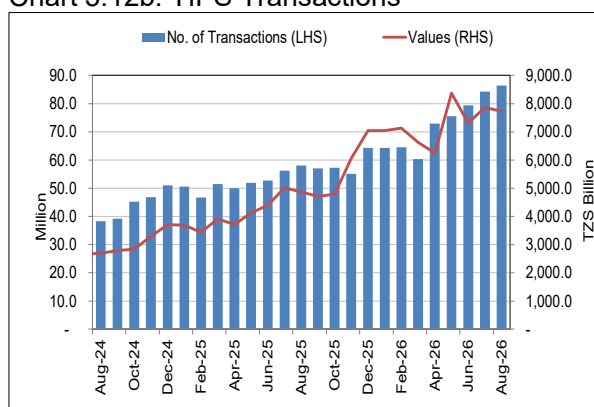
Chart 3.12a: Mobile Payment Services Transactions



Source: Mobile Electronic Money Issuers

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

Chart 3.12b: TIPS Transactions

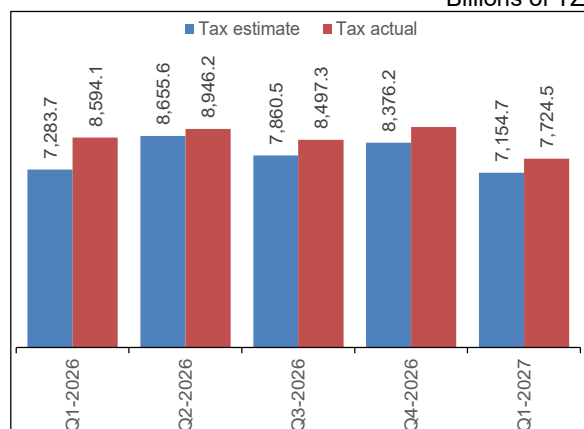


Source: Bank of Tanzania

3.5 Fiscal Policy

In the third quarter of 2026, fiscal performance remained strong, with tax revenue exceeding the target by 8 percent, reaching approximately TZS 7,724.5 billion (Charts 3.13a). This achievement was driven by robust growth in collections from Pay-As-You-Earn (PAYE), corporate income tax, and Value Added Tax (VAT) collections. The strong performance reflects sustained expansion in economic activity, complemented by continued improvements in tax administration and taxpayer compliance. Non-tax revenue amounted to TZS 1,164.4 billion, representing a shortfall of 15.5 percent against the quarterly target (Chart 3.13b).

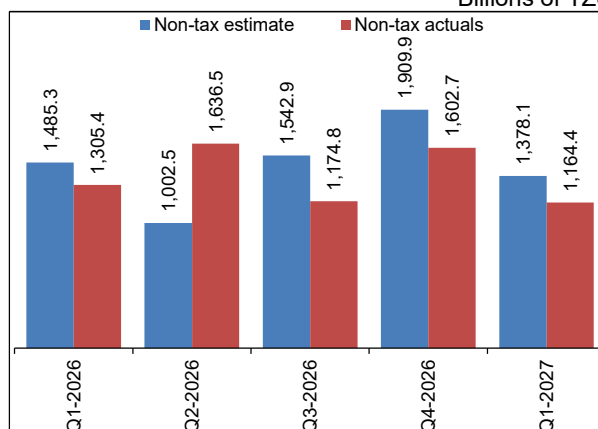
Chart 3.13a: Tax revenue performance
Billions of TZS



Source: Ministry of Finance

Note: Q denotes quarter; years follow the fiscal-year format, meaning that 2027 refers to FY 2026/27.

Chart 3.13b: Non-tax revenue performance
Billions of TZS



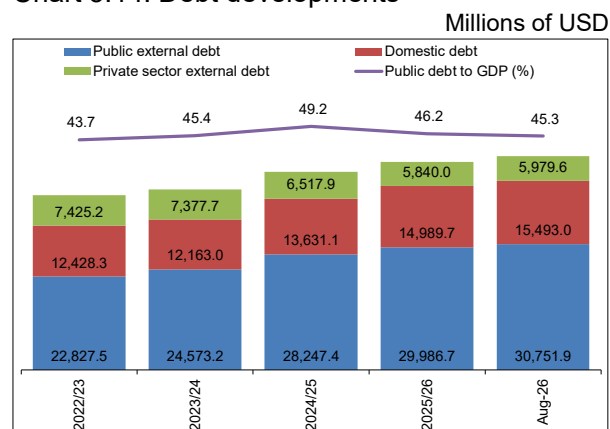
Government expenditure was executed in line with available resources, amounting to TZS 10,512.2 billion during the quarter. Recurrent expenditure accounted for 77.2 percent of total spending, largely directed towards wages and salaries, as well as interest payments on domestic and external debt.

Public Debt

Public debt amounted to USD 46,244.9 million at the end of August 2026, of which 66.5 percent was external debt (Chart 3.14). The external debt was largely owed to multilateral institutions, which accounted for 70.4 percent of the total, followed by commercial creditors at 24.6 percent. Disbursed outstanding external debt remained concentrated on balance of payments and budget support (28 percent), transport and telecommunications (23.5 percent), and social welfare and education (22.7 percent).

The stock of domestic debt was TZS 40,899.5 billion at the end of August 2026, a 4 percent increase from the stock at the end of the preceding quarter. Domestic debt stock was equivalent to 15.1 percent of projected GDP for 2026/27, and Treasury bonds remained dominant, at 68.1 percent. During July and August 2026, the Government borrowed a total of TZS 1,313.9 billion through the issuance of government securities, comprising TZS 956.9 billion in Treasury bonds and TZS 357 billion in Treasury bills.

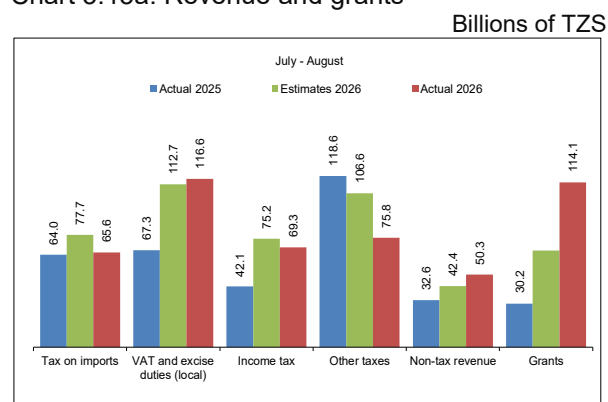
Chart 3.14: Debt developments



Source: Ministry of Finance, and Bank of Tanzania

The Zanzibar resource envelope reached TZS 491.7 billion in July and August 2026, above their target by 2.1 percent. Out of this, domestic revenue accounted for 76.8 percent of the total envelope. Tax revenue collections amounted to TZS 327.3 billion, equivalent to 88 percent of the target, with satisfactory performance in VAT and excise duty category (Chart 3.15a and Chart 3.15b). Meanwhile, Government spending amounted to TZS 763.5 billion, of which 69.7 percent was directed towards development expenditure (Chart 3.16). Of the total development spending, 89.3 percent was financed through domestic resources, underscoring the Government's continued commitment to infrastructure development and the expansion of public investment. Zanzibar's domestic debt stock stood at TZS 3,383.5 billion in August 2026, from TZS 3,014.1 billion in June 2026 driven predominantly by the issuance of Treasury bonds and borrowings from commercial banks.

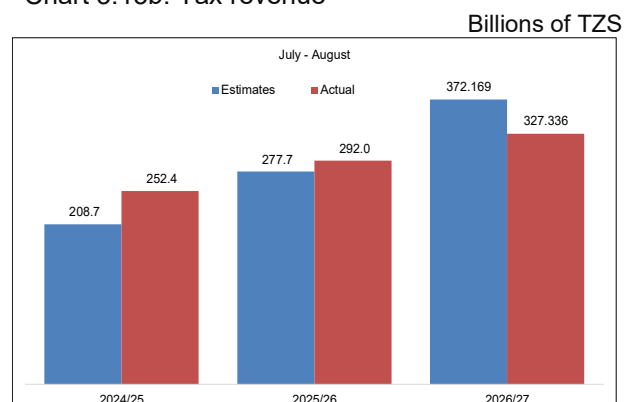
Chart 3.15a: Revenue and grants



Source: Ministry of Finance and Planning, Zanzibar

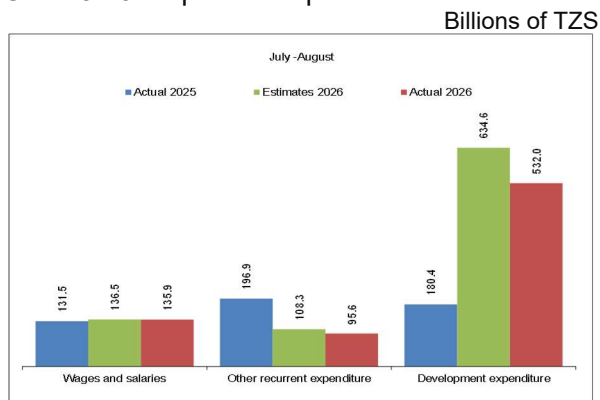
Note: Other taxes include hotel and restaurant levies, tour operator levies, revenue stamps, airport and seaport service charges, road development fund, and petroleum levy

Chart 3.15b: Tax revenue



Source: Ministry of Finance and Planning, Zanzibar

Chart 3.16: Expenditure performance



Source: Ministry of Finance and Planning, Zanzibar

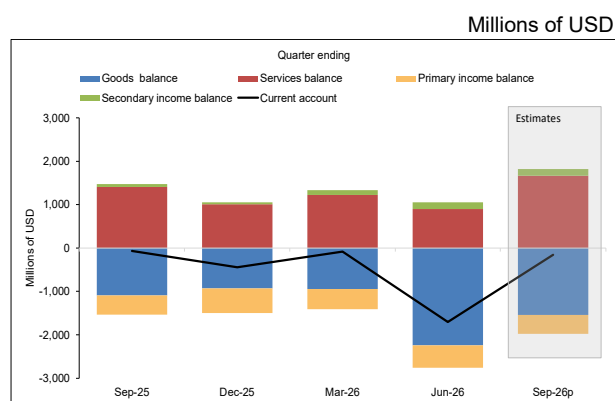
Note: Other expenditure includes transfers, domestic debt interest payments, consolidated fund service, and other charges

3.6 External Sector Performance

The current account remains sustainable

Elevated geopolitical tensions, rising commodity prices, and supply chain disruptions kept the external sector under pressure in the quarter ending September 2026. Consequently, the current account deficit widened to an estimated USD 157.3 million, compared with USD 65.2 million in the corresponding quarter of 2025 (Table 3.6). The wider deficit was driven mainly by higher imports of industrial supplies, petroleum products, and capital goods, albeit partially offset by robust earnings from tourism, gold, manufactured exports, and transport services. On an annual basis, the current account deficit widened to an estimate of 2.5 percent of GDP in the year ending September 2026, from 2.4 percent of GDP recorded in the corresponding period of June 2025.

Chart 3.17: Current Account (Quarterly)



Source: TRA and BOT computation

Note: p denotes provisional data

Table 3.6: Current Account

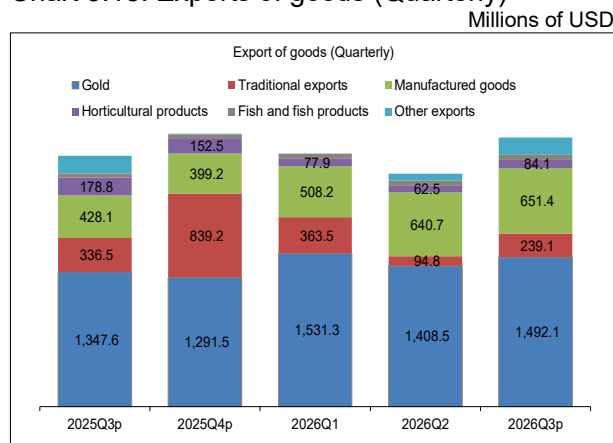
	Year ending September			Quarter ending	
	2024	2025	2026	Sep-25	Sep-26 ^p
Goods account balance	-5,928.7	-4,596.3	-5,652.8	-1,095.8	-1,544.0
Exports	8,226.5	10,060.1	12,042.9	2,892.1	3,281.5
Imports	-14,155.2	-14,656.4	-17,695.7	-3,987.9	-4,825.5
Services account balance	4,062.9	4,316.3	4,795.6	1,407.1	1,665.1
Receipts	6,667.1	7,508.8	8,444.2	2,261.7	2,702.1
Payments	-2,604.2	-3,192.4	-3,648.6	-854.6	-1,037.0
Goods and services balance	-1,865.8	-280.0	-857.2	311.3	121.2
Exports of goods and services	14,893.6	17,568.9	20,487.1	5,153.8	5,983.6
Imports of goods and services	-16,759.4	-17,848.9	-21,344.3	-4,842.5	-5,862.4
Primary income account balance	-1,735.4	-2,028.6	-1,986.8	-440.5	-433.7
Receipts	321.7	328.8	379.9	112.8	133.4
Payments	-2,057.1	-2,357.4	-2,366.6	-553.3	-567.1
Secondary income account balance	585.2	447.9	467.2	63.9	155.2
Inflows	1,263.5	999.4	1,145.9	212.0	323.5
o/w Official transfers	127.9	99.0	37.4	4.6	2.3
Outflows	-678.4	-551.4	-678.7	-148.1	-168.3
Current account balance	-3,016.0	-1,860.6	-2,376.8	-65.2	-157.3

Exports Performance

Exports of goods and services are estimated at USD 5,983.6 million in the quarter ending September 2026, an increase of 16.1 percent from USD 5,153.8 million in the similar quarter in 2025. This performance was supported by favourable developments in gold, manufactured goods, traditional exports and travel services (Chart 3.18). Gold exports continued to benefit from favourable but volatile global prices and increased domestic production, while manufactured exports were supported by strong regional demand, particularly from neighboring countries. Traditional exports, notably tobacco, contributed to the export performance, whereas travel receipts remained resilient, supported by sustained tourist arrivals and visitor spending, particularly among long-haul visitors.

On an annual basis, exports of goods and services are estimated at USD 20,487.1 million in the year ending September 2026, up by 16.6 percent from the amount recorded in the corresponding period in 2025 (Table 3.7). Strong gold earnings, resilient tourism receipts, traditional exports and manufactured goods supported the performance. Export of gold amounted to USD 5,723.4 million, up by 29.2 percent from USD 4,431.2 million, while earnings from tourism are estimated at USD 4,565.8 million, an increase of 4.1 percent from USD 4,387.6 million in the same period in 2025.

Chart 3.18: Exports of goods (Quarterly)



Source: Bank of Tanzania and Tanzania Revenue Authority

Note: p, provisional data

Table 3.7: Exports of goods and services

Millions of USD

	Year Ending September			Quarter ending	
	2024	2025	2026	Sep-25	Sep-26 ^p
Traditional	1,072.7	1,483.9	1,536.6	336.5	239.1
o/w Cashew nut	225.6	527.6	369.2	0.0	0.0
Tobacco	455.4	486.2	527.1	203.9	117.6
Non-traditional	6,769.6	8,236.3	10,186.9	2,468.1	2,963.1
Minerals	3,886.6	5,096.4	6,470.7	1,502.0	1,701.1
o/w Gold	3,263.9	4,431.2	5,723.4	1,347.6	1,492.1
Horticultural	484.0	415.8	377.0	178.8	84.1
Manufactured	1,303.0	1,546.2	2,199.6	428.1	651.4
Cereals	194.2	334.6	202.9	33.1	72.1
Fish and fish products	177.9	162.8	187.1	38.6	50.5
Oil seeds	295.0	278.6	256.1	180.2	174.6
Other exports	222.6	238.0	234.7	62.3	85.6
Services receipts	6,667.1	7,508.8	8,444.2	2,261.7	2,702.1
o/w Travel	3,792.1	4,387.6	4,565.8	1,412.4	1,677.3
Transportation	2,283.6	2,669.9	3,320.6	743.8	890.2
Goods and services	14,893.6	17,568.9	20,487.1	5,153.8	5,983.6

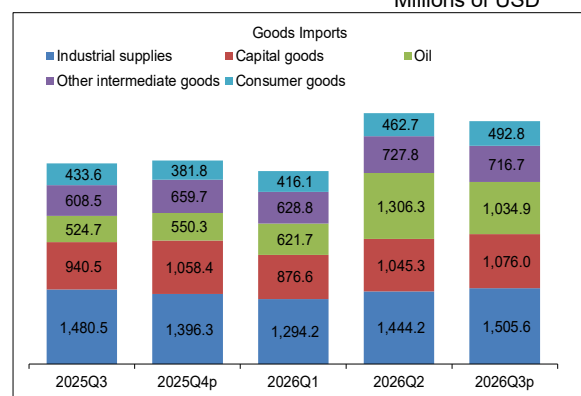
Imports

Imports of goods and services in the quarter ending September 2026 are estimated at USD 5,862.4 million, an increase of 21.1 percent from the levels recorded in the corresponding quarter

of 2025. This growth was driven by expanding economic activity and infrastructure projects, which boosted demand for intermediate and capital goods coupled with higher international commodity and shipping costs. Petroleum products imports continued to exert significant pressure on the import bill, rising to USD 1,034.9 million from USD 524.7 million, reflecting elevated global oil prices linked to geopolitical tensions in the Middle East and their spillover effects on freight costs.

On an annual basis, total imports rose by 19.6 percent, to an estimate of USD 21,344.3 million in the year ending September 2026, compared with USD 17,848.9 million in the preceding year, driven by imports of industrial supplies, white petroleum products and capital goods. Imports of white petroleum products are estimated to increase to USD 3,513.2 million compared with USD 2,213.1 million, consistent with the rise in global oil prices amid the Middle East conflict.

Chart 3.19: Imports of goods (quarterly)
Millions of USD



Source: Bank of Tanzania

Note: p denotes provisional data

Table 3.8: Imports of goods and services
Millions of USD

	Year Ending September			Quarter ending	
	2024	2025	2026	Sep-25	Sep-26 ^p
Capital	2,874.3	3,179.8	4,056.3	940.5	1,076.0
Machinery and mechanical appliances	1,087.9	1,123.6	1,552.4	309.1	473.6
Industrial transport equipment	1,003.5	1,240.8	1,300.3	365.8	320.9
Intermediate	9,871.8	9,935.8	11,883.8	2,613.3	3,256.1
Industrial supplies	4,602.4	5,279.5	5,640.3	1,480.5	1,505.6
Fuel and lubricants	3,043.5	2,261.8	3,682.9	528.7	1,067.4
o/w Refined white products	2,788.5	2,213.1	3,513.2	524.7	1,034.9
Parts and accessories	987.5	1,175.6	1,217.5	307.6	321.6
Food and beverages for industrial use	889.0	787.4	871.7	179.0	233.5
o/w Wheat grain	334.1	326.6	415.2	83.2	112.1
Motor cars for household	348.6	429.9	466.3	117.4	128.6
Consumer	1,406.9	1,538.7	1,753.4	433.6	492.8
Food and beverages mainly for household	173.8	222.1	331.5	47.7	123.2
Non-industrial transport equipment	161.0	197.8	283.2	62.5	84.8
Other consumer goods	1,072.1	1,121.1	1,138.6	323.5	284.8
Services payment	2,604.2	3,192.4	3,648.6	854.6	1,037.0
o/w Transportation	1,361.2	1,468.8	1,927.5	399.0	613.0
Goods and services	16,759.4	17,848.9	21,344.3	4,842.5	5,862.4

Zanzibar's current account remains strong

The Zanzibar current account surplus widened to an estimate of USD 1,035.4 million in the year ending September 2026, mainly driven by higher service receipts particularly from tourism-related activities (Table 3.9). Strong performance was observed in service receipts, mainly tourism, which accounted for 96.6 percent of exports of goods and services. Tourist arrivals are estimated to have risen by 20.6 percent to 1,067,803 tourists, on the back of enhanced promotion by both the government and private sectors and improvement in infrastructure, particularly airports and road networks. In the third quarter of 2026, the current account is estimated to be a surplus of USD 474.1 million, up from USD 331.4 million in the similar quarter in 2025 (Table 3.10).

Table 3.9: Current Account (Annual)

Millions of USD

Description	Year ending				
	Sept-25	Dec-25	Mar-26	Jun-26 ^t	Sep-26 ^p
Goods account (net)	-532.2	-531.0	-593.0	-747.2	-771.6
Exports	35.2	36.2	58.3	68.9	65.0
Imports (fob)	567.3	567.2	651.3	816.2	836.6
Services account (net)	1,189.2	1,409.9	1,462.5	1,648.5	1,785.2
Receipts	1,290.0	1,509.1	1,579.9	1,726.1	1,851.1
Payments	100.9	99.2	117.5	77.6	65.9
Goods and services (net)	657.0	878.9	869.5	901.3	1,013.6
Exports of goods and services	1,325.2	1,545.4	1,638.2	1,795.1	1,916.1
Imports of goods and services	668.2	666.5	768.7	893.8	902.5
Primary Income account (net)	18.8	18.8	6.7	10.3	17.1
Receipts	27.4	27.6	8.4	12.0	19.0
Payments	8.6	8.8	1.7	1.7	1.8
Secondary income (net)	2.8	1.9	0.9	2.0	4.6
Inflows	4.9	4.7	1.4	2.6	5.3
Outflows	2.1	2.8	0.6	0.6	0.7
Current account balance	678.6	899.6	877.0	913.6	1,035.4

Source: TRA and BOT computation

Note: p denotes provisional data

Table 3.10: Current Account (Quarterly)

Millions of USD

Description	Quarter ending				
	Sept-25	Dec-25	Mar-26	Jun-26 ^t	Sep-26 ^p
Goods account (net)	-121.0	-128.7	-192.9	-283.1	-280.6
Exports	9.6	21.9	22.1	15.4	5.6
Imports (fob)	130.5	150.6	215.0	298.5	286.3
Services account (net)	451.5	353.5	412.0	255.2	633.8
Receipts	478.2	384.6	447.9	269.7	648.7
Payments	26.7	31.1	35.9	14.4	14.9
Goods and services (net)	330.6	224.8	219.1	-27.8	353.2
Exports of goods and services	487.8	406.5	470.0	285.1	654.3
Imports of goods and services	157.2	181.7	250.9	312.9	301.2
Primary Income account (net)	0.7	8.1	14.8	4.8	7.8
Receipts	0.9	10.9	17.8	5.3	8.3
Payments	0.2	2.8	2.9	0.4	0.4
Secondary income (net)	0.1	1.2	2.5	1.2	2.7
Inflows	0.1	2.0	3.7	1.4	2.8
Outflows	0.1	0.8	1.2	0.2	0.1
Current account balance	331.4	234.1	236.5	-22.1	474.1

Exports of goods and services amounted to USD 654.1 million in the quarter ending September 2026, compared with USD 487 million in the corresponding quarter of 2025, mainly driven by tourism receipts. Exports of goods moderated to USD 5.6 million in the quarter ending September 2026. This performance was mainly due to decrease in traditional exports in particular cloves, attributable to low production because of the crop's cyclical nature (Table 3.11). On an annual basis, exports of goods and services increased to USD 1,916.1 from USD 1,325.2 million in the year ending September 2025, largely driven by increased service receipts, particularly from tourism related activities.

Import of goods and services is estimated at USD 301.2 million in the quarter ending September 2026, up from USD 157.2 million in the corresponding quarter of 2025. The increase mainly stemmed from higher imports of goods, which rose to USD 286.3 million in the quarter ending September 2026 from USD 130.5 million in the similar quarter a year earlier. The performance was mainly associated with higher imports of capital goods, especially machinery and mechanical equipment, as well as intermediate goods (Table 3.12). On an annual basis, imports of goods and services rose to an estimated USD 902.5 million from USD 668.2 million in the year ending September 2025, largely driven by capital, intermediate and consumer goods.

Table 3.11: Export of goods

Description	Units	Year ending September		Quarter ending		
		2025	2026 ^p	Sept-25	Jun-26 ⁱ	Sep-26 ^p
Traditional exports						
Clove						
Value	'000' of USD	6,212.1	37,980.4	4,856.3	7,970.9	648.5
Volume	'000' Tonnes	1.1	6.5	0.7	2.1	0.2
Unit price	USD/Tonne	5,407.2	5,826.7	6,630.7	3,874.8	3,891.4
Non-traditional exports						
Seaweeds						
Value	'000' of USD	2,959.0	1,359.5	526.7	651.1	405.0
Volume	'000' Tonnes	5.4	2.2	1.0	1.1	0.6
Unit price	USD/Tonne	550.0	605.0	505.6	601.5	647.9
Manufactured goods	'000' of USD	18,010.7	11,505.9	3,712.0	3,124.4	3,431.3
Fish and fish products	'000' of USD	658.5	1,072.2	112.5	558.1	147.9
Others exports	'000' of USD	7,310.9	13,064.0	375.3	3,081.8	991.8
Sub-total	'000' of USD	28,939.0	27,001.7	4,726.5	7,415.3	4,976.1
Grand-total	USD ('000')	35,151.1	64,982.0	9,582.8	15,386.2	5,624.6

Source: TRA and BOT computation

Note: p denotes provisional data

Table 3.12: Import of goods

Description	Millions of USD				
	Year ending September		Quarter ending		
	2025	2026 ^p	Sept-25	Jun-26 ⁱ	Sep-26 ^p
Capital	81.2	227.3	26.7	68.6	49.1
Machinery and mechanical appliances	30.6	84.2	11.4	33.0	21.3
Industrial transport equipment	25.2	78.6	4.7	20.0	15.1
Electrical machinery and equipment	16.6	48.2	7.2	10.3	9.6
Other capital goods	8.8	16.4	3.3	5.2	3.1
Intermediate	409.6	501.9	78.4	197.6	214.0
Industrial supplies	148.1	254.7	48.8	81.3	74.1
o/w Iron and steel and articles thereof	28.3	81.5	11.2	28.3	34.5
Plastic and articles thereof	9.2	22.4	3.2	4.3	8.4
Fuel and lubricants	134.3	120.1	17.2	66.0	111.3
o/w Refined white products	134.2	115.4	17.2	61.5	111.0
Parts and accessories	19.7	54.9	7.9	16.2	20.3
Food and beverages for industrial use	86.6	54.2	0.0	25.2	5.6
o/w Wheat grain	27.0	18.3	6.9	9.7	0.0
Edible oil and its fractions not refined	41.0	17.2	10.9	6.9	2.0
Motor cars for household	20.9	18.0	4.5	8.9	2.8
Consumer	76.5	107.3	25.4	32.3	23.2
Food and beverages mainly for household consumption	16.5	19.7	4.1	5.3	4.3
Non-industrial transport equipment	2.5	4.4	0.8	1.3	1.5
o/w Motorcycles and cycles fitted with an auxiliary motor	1.0	1.7	0.4	0.6	0.6
Other consumer goods	57.5	83.2	20.6	25.6	17.4
o/w Pharmaceutical products	4.4	1.6	0.4	0.6	0.5
Insecticides, rodenticides and similar products	0.4	0.8	0.2	0.2	0.1
Soap and detergents	5.0	8.1	1.7	2.2	2.1
Textiles apparels	5.7	8.2	1.9	2.8	1.7
Footwear and other products	3.2	4.1	1.0	1.3	0.8
Paper and paper products	2.0	1.3	0.4	0.5	0.1
Total (f.o.b)	567.3	836.6	130.5	298.5	286.3

The outlook for the external sector remains broadly favourable with the current account deficit projected at 2.4 percent of GDP in 2026, although significant downside risks persist. In the quarter ending December 2026, the current account deficit is expected to narrow slightly, supported by favourable gold prices and production, resilient tourism receipts, increased transport earnings, and continued growth in traditional and manufactured exports.

The external sector is projected to strengthen, driven by robust exports of goods and services. Tourism industry will benefit from expanded direct flight connectivity, strategic industrial and technology exhibitions, and the 153rd Inter-Parliamentary Union Assembly scheduled for October 2026³. In addition, increased transportation earnings from transit goods, continued strong demand from neighbouring countries for traditional exports particularly tobacco and cashewnuts and manufactured exports are expected to support the external position⁴. This positive momentum will extend over the medium term, reinforced by preparations for the Africa Cup of Nations (AFCON) in 2027 and the 74th Miss World Festival in May 2027.

Nevertheless, the outlook remains subject to downside risks arising from a prolonged Middle East conflict, which could result in elevated oil and fertilizer prices, rising freight costs, coupled with

³ Increased flight connectivity, including the 2026 launch of direct flights to/from, Milan, Moscow and Brussels.

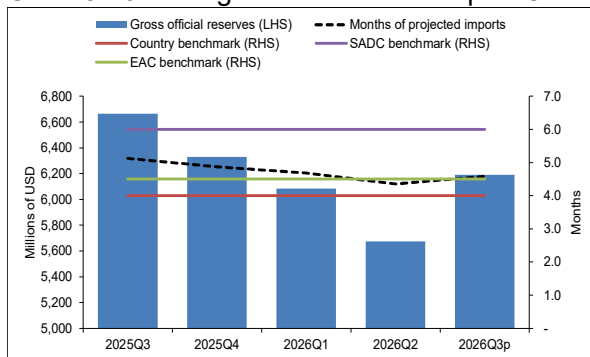
⁴ In the 2026/27 crop season, cashewnut and tobacco production is projected to increase to 750,000 tonnes and 300,000 tonnes, from 700,000 tonnes and 206,000 tonnes, respectively, in the preceding season.

potential disruptions of international trade and travel routes. El Niño-related weather conditions could also adversely affect the production and export of traditional crops, as well as the transportation of transit goods. These developments could increase import bill, weaken the current account position, and exert pressure on foreign exchange reserves. The Bank will continue to monitor the ongoing geopolitical conflicts and their implications on the external sector to minimize their effects on the economy.

3.7 Foreign Reserves

Official gross foreign reserves are estimated at above USD 6 billion at the end of September 2026, with import cover remaining above the national benchmark of 4 months (Chart 3.20). The reserve position was supported by foreign exchange inflows, particularly from gold exports, tourism receipts and the gold purchase programme, providing an important buffer against external shocks and supporting the country's capacity to meet external obligations.

Chart 3.20: Foreign Reserves and Import Cover



Source: Bank of Tanzania

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

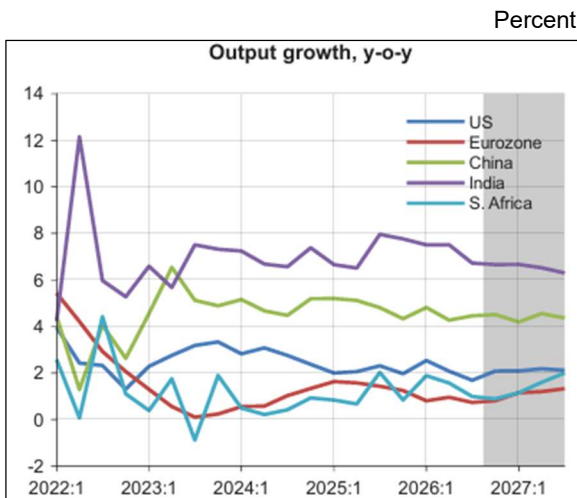
CHAPTER 4: MONETARY POLICY OUTLOOK

Global economic outlook remains uncertain

The global economic prospects remain clouded by heightened geopolitical uncertainty, particularly the Middle East conflict, which has amplified risks to inflation and growth. Against this backdrop, global growth is projected to remain moderate in 2026, between 2.5 and 3 percent, driven mostly by emerging and developing Asia (particularly China and India) and advanced economies especially the United States (Chart 4.1)⁵. Growth outlook is weaker for economies that are highly exposed to the Middle East conflict and less integrated into the Artificial Intelligence (AI) technology value chain. Sub-Saharan Africa, which is highly vulnerable to external shocks, is projected to grow unevenly, averaging 4.3 percent and accounting for about 0.1 percentage point of global growth⁶.

The escalation of the conflict in the Middle East and policy rate hikes by central banks in advanced economies in response to rising inflationary pressures implying that global growth outturn might be lower than projected, unless geopolitical tensions de-escalate more rapidly, and technology investment strengthens.

Chart 4.1: Growth in Select Economies



Source: Bloomberg forecast accessed in June 2026

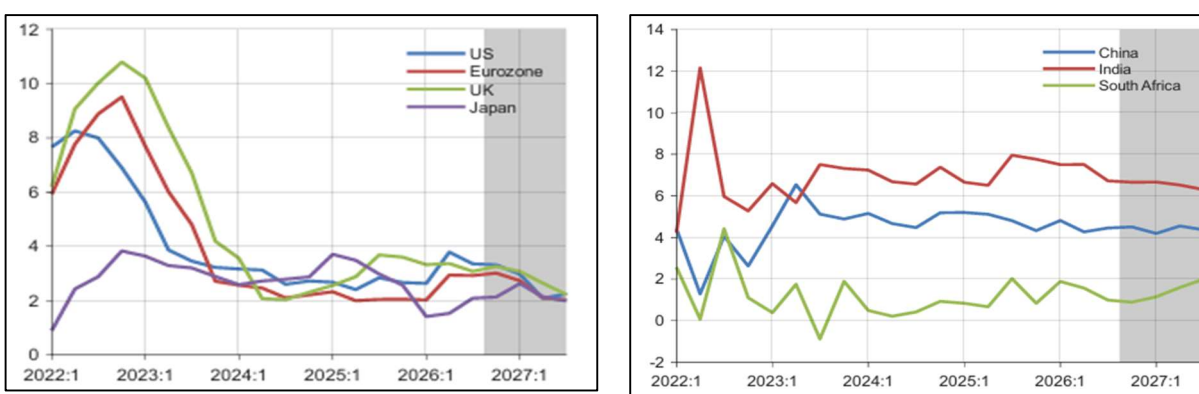
The inflation outlook is elevated due to higher fuel and fertilizer prices (Chart 4.2a and Chart 4.2b). The IMF projects global inflation to reach 4.7 percent in 2026 before declining in the subsequent

⁵ IMF and Bloomberg project a growth rate of 3 percent, World Bank (2.5 percent) and FocusEconomics 2.7 percent.

⁶ Bloomberg forecast accessed 22nd of September 2026

year⁷. Recent data suggest that consumer prices could accelerate again during October–December 2026, reflecting commodity price spikes and persistent core inflation pressures. The impact could be particularly severe in developing economies that are more exposed to the conflict and higher energy costs. This outlook poses upward risk to domestic inflation and exchange rate as higher global energy, freight and fertilizer prices are transmitted through import costs, fuel and transport prices, and production costs. It also poses risks to capital flows and external financing conditions.

Chart 4.2a: Projected Quarterly Inflation for Select Advanced Economies Chart 4.2b: Projected Quarterly Inflation for Select Emerging Market Economies



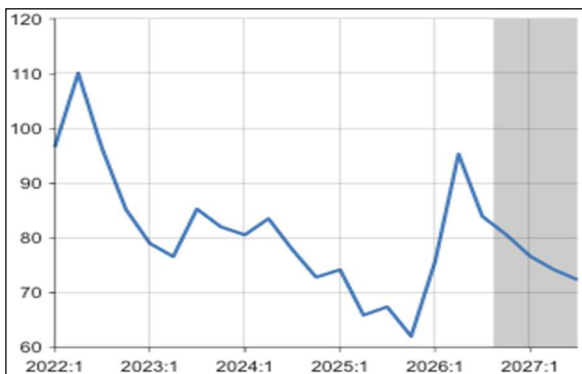
Global commodity prices remain elevated due to supply disruptions in the Middle East. Brent crude oil has risen above USD 100 per barrel, while WTI crude oil is above USD 91 per barrel⁸. Oil prices are expected to moderate as Middle East supply, and trade flows gradually improve. Gold prices also remain historically elevated, at about USD 4,178 per troy ounce and expected to remain elevated over the forecast horizon⁹. Moderation in oil prices will gradually ease imported inflation pressures, while elevated gold prices support export earnings, foreign-exchange availability and exchange-rate stability. However, geopolitical developments remain the key upside risk to this outlook (Chart 4.3a and Chart 4.3b).

⁷ World Economic Outlook Update, July 2026

⁸ Bloomberg forecast accessed 22nd of September 2026

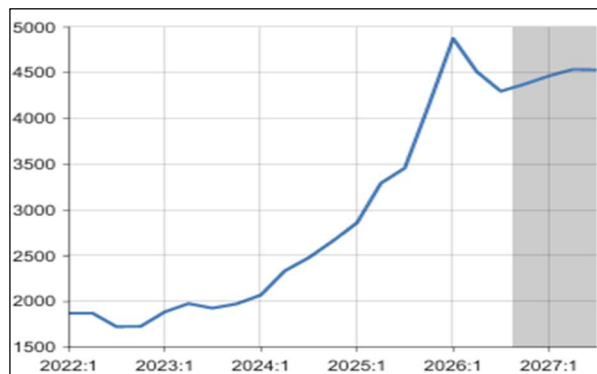
⁹ <https://goldprice.org/> accessed 1st of October, 2026.

Chart 4.3a: Crude Oil prices (USD/barrel)



Source: Bloomberg forecast accessed in June 2026

Chart 4.3b: Gold price (USD/ounce)



Overall, elevated global inflation and commodity prices may outweigh the disinflationary effect of softer external demand. In addition, monetary tightening by central banks in advanced economies could also add exchange rate pressure. However, the projected moderation in oil prices and continued rising of gold prices would improve foreign exchange availability, support external buffers and shilling stability.

Domestic economic outlook

Economic activity has remained resilient, although annual growth is estimated to remain below potential. Real GDP growth in the quarter ending September 2026 is estimated at 6.6 percent year-on-year, compared with 6.3 percent in the third quarter of 2025. On annual basis, the economy is projected to grow at around 6.1 percent in 2026.

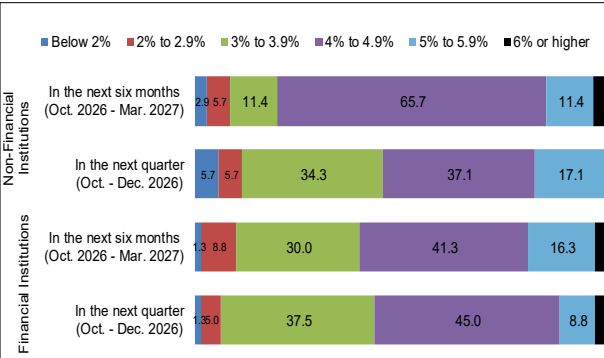
Growth was largely driven by public infrastructure investment, strategic mining expansion, agricultural modernization, tourism, construction, and expanding financial and ICT services, supported by macroeconomic stability and regional trade integration. Ongoing reforms to improve the business environment, including regulatory streamlining, digitalization, prudent expenditure management and revenue-enhancement measures, are also expected to support private investment and economic activity. The near-term growth outlook is therefore supported by continued strength in agriculture, mining, construction and tourism. The main risks to the growth outlook arise from rising global commodity prices, supply-chain shocks and climate-related disruptions linked to El Niño rains projected for the October to December 2026. Vuli season could support agricultural and hydropower production if rainfall remains favourable, but excessive or poorly distributed rainfall could disrupt agriculture, transport, tourism, mining and other economic activities. The impact of El Niño on agriculture production is also associated with contribution of

vuli rains in total crop production. However, to mitigate the potential effects of El Niño, the Government has approved a National El Niño contingency plan. Key interventions include strengthening vulnerable infrastructure such as roads, bridges and drainage systems; pre-positioning rescue equipment and essential supplies; strengthening food reserves; preparing temporary shelters; and safeguarding critical public services.

Inflation remained contained within the target in August 2026, although underlying price pressures show signs of intensifying. The increase in the Central Bank Rate from 5.75 percent to 6.25 percent in July 2026 was implemented as a pre-emptive measure to contain potential second-round effects of higher global fuel and fertiliser prices and to safeguard price stability over the medium term. Risks to inflation continue to be tilted to the upside, driven primarily by persistent global commodity price pressures and the potential impact of El Niño-related weather disruptions on food supply and prices.

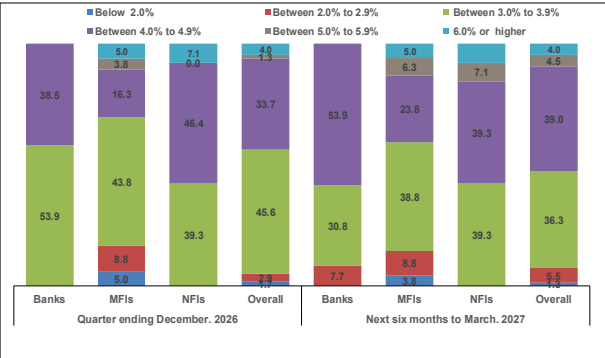
The current monetary policy stance is expected to maintain inflation within the target range. The September 2026 CEOs' Perception Survey and Market Perception Survey findings align with this position. Respondents in the two surveys indicate inflation to remain within the target range in the near term, with upside risks ranging from renewed geopolitical tensions, elevated commodity prices and potential weather-related disruptions during the Vuli season (Charts 4.4a and 4.4b).

Chart 4.4a: CEOs Perception Survey: Inflation Expectations



Source: CEOs Perception Survey, September 2026

Chart 4.4b: Market Perception Survey: Inflation Expectations



Source: Market Perception Survey, September 2026

Beyond monetary policy, targeted structural measures are also expected to moderate the transmission of external price shocks to domestic inflation. These include measures to moderate energy-price pass-through through bulk procurement and indicative pricing, and efforts to expand

domestic fertilizer production. Energy diversification, including greater use of domestically produced natural gas, together with increased use of rail transport for passengers and freight, could also reduce exposure to imported energy and transport costs. Maintaining adequate national food reserves will further support food-price stability.

The exchange rate is expected to remain broadly stable over the forecast horizon, supported by continued foreign-exchange inflows from gold, tourism, agriculture and other exports, as well as adequate reserve buffers. Exchange-rate stability would help contain the pass-through of higher global import costs to domestic prices. However, renewed increase in global energy prices, weaker-than-expected foreign-exchange inflows or tighter global financial conditions could exert depreciation pressure on the shilling.

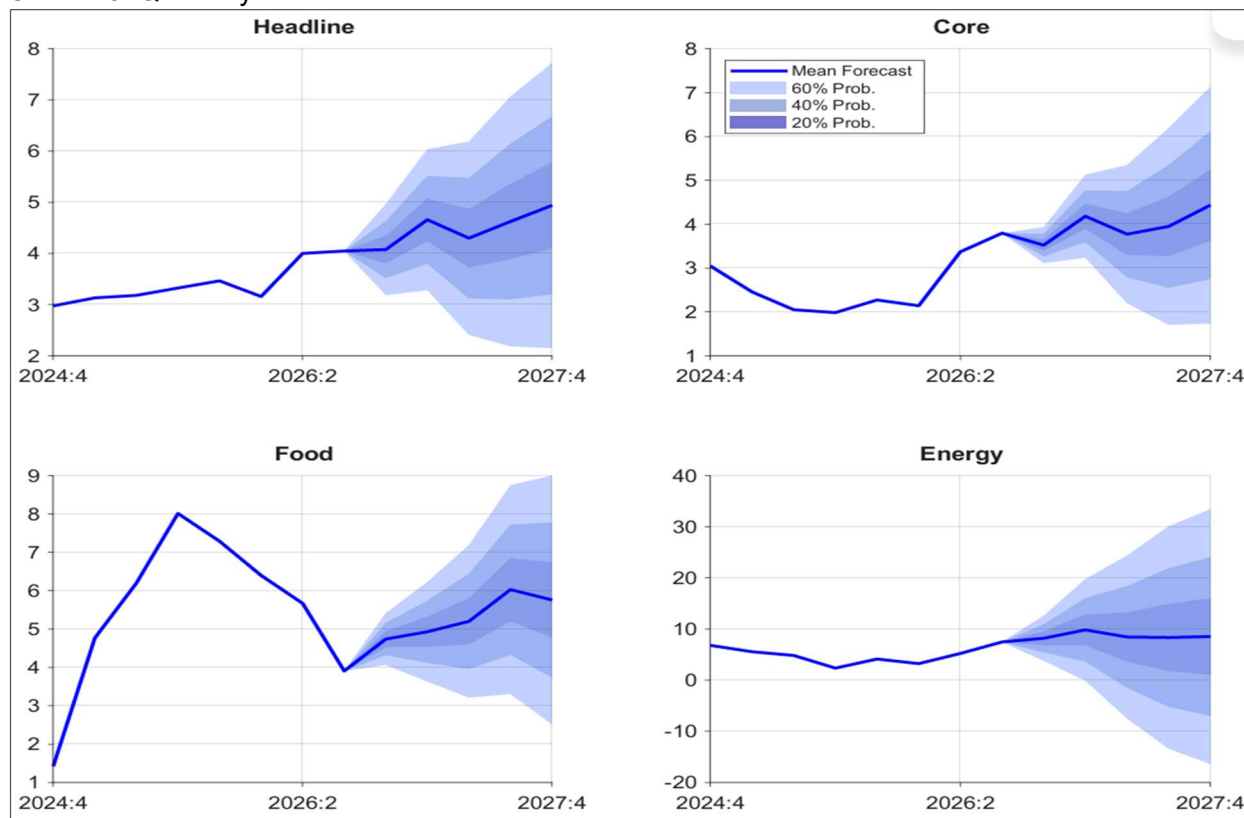
Monetary conditions are expected to remain supportive of economic activity and private investment, while the effects of the July 2026 increase in the CBR continue to transmit through the financial system. Private-sector credit growth is expected to remain strong but moderating gradually as tighter monetary conditions progressively affect credit pricing and demand. El Niño-related disruptions could further moderate credit growth through weaker economic activity, repayment difficulties, loan restructuring, and potential increases in defaults and non-performing loans, particularly in agriculture, livestock, fishing, tourism, mining, construction, and real estate.

Baseline Scenario

Based on the assumptions and risks discussed above, inflation is forecast to be 4.2 percent in the fourth quarter of 2026, remaining within the 3–5 percent medium-term target range. Economic growth is forecast to remain strong at about 7.2 percent in the fourth quarter of 2026, supported by improved energy supply, infrastructure development, tourism, agricultural performance, and private-sector credit expansion. Overall, the forecast points to a balanced macroeconomic environment, with contained inflation and resilient growth despite external uncertainties (Chart 4.5). In Zanzibar, headline inflation is forecast at 6 percent in the fourth quarter of 2026, while GDP growth is expected to reach 6.9 percent, backed by strong tourism receipts, ongoing construction and irrigation projects, and increased revenue collections during the peak tourism season. Chart 4.5 indicates that, while the baseline outlook remains consistent with maintaining price stability, uncertainty surrounding food and energy prices is still elevated. Consequently, close monitoring of supply-side shocks and external developments remains essential, as these factors could cause inflation to deviate significantly from the central projection.

Under the baseline scenario, the implied CBR remains unchanged at 6.25 percent through December 2026, while maintaining a data-dependent stance that would warrant further tightening only if inflation pressures become more persistent, broad-based, and generate second-round effects.

Chart 4.5: Quarterly inflation forecasts



Source: BOT staff computations

Alternative Scenarios

After establishing the baseline outlook, potential deviations from the baseline forecast were also assessed and alternative scenarios developed. These scenarios reflect the severe and more severe impacts of El Niño-induced rainfall disruptions on both agricultural and non-agricultural activities, as well as the implications of a further escalation of the conflict in the Middle East. Under these scenarios, higher global oil prices generate an imported cost-push shock, raising domestic energy prices and increasing transport and production costs across the economy. The shock may also widen the current account deficit and increase risk premia on shilling-denominated assets, exerting depreciation pressure on the exchange rate and amplifying inflationary pressure.

- i. The first alternative scenario assumes severe effects of El Niño and oil prices. This yields higher inflation and lower growth relative to the baseline, with headline inflation reaching 4.5 percent in the fourth quarter of 2026. This implies a policy rate increase of 25 basis points, to about 6.50 percent, to curb potential second-round effects.
- ii. The second alternative scenario assumes that the shocks yield significantly higher inflation outcomes relative to both the baseline and the first alternative scenario, with headline inflation reaching 4.6 percent in 2026Q4, a steeper depreciation of the shilling, and a steeper decline in output growth. Under these conditions, a more aggressive policy response, raising the CBR by 50 basis points to about 6.75 percent, is implied.

Table 4: Scenario design

Channel and outcome	Baseline	Severe impact	More Severe impact
Agricultural output gap	Moderate shortfall, reflecting a below-normal harvest with crop losses confined to localized flood-affected areas.	Large shortfall, reflecting a markedly weak harvest as flooding damages crops across several key producing regions.	Very large shortfall, consistent with widespread flood damage to standing crops across most major producing regions, sharply reducing the season's harvest.
Non-agricultural output gap	Mild drag, reflecting localized disruptions to transport and logistics, with limited spill-overs to other sectors.	Moderate drag, as damage to roads, rail and power transmission disrupts logistics, trade, mining, manufacturing and tourism in affected regions.	Large drag, reflecting extensive damage to transport and power infrastructure that disrupts supply chains and activity across most sectors nationwide.
Energy and fuel inflation	Oil prices assumed as per Bloomberg forecast.	Oil price assumed above USD 100 per barrel	Oil price assumed above USD 120 per barrel
Exchange rate	Broadly stable	Modest depreciation pressure	Steeper depreciation
Headline inflation, 2026Q4 (percent)	4.2	4.5	4.6
Implied Central Bank Rate (percent)	6.25	6.50	6.75

Source: Bank of Tanzania staff assessment, September 2026

Conclusion and Decision on CBR

Taken together, the baseline and alternative scenarios indicate that the balance of risks to inflation remain tilted to the upside, while for economic growth are tilted to the downside. The principal upside risks to inflation arise from persistent Middle East-related pressures on energy and freight prices, possible disruptions associated with strong El Niño, and faster exchange-rate depreciation if external pressures intensify. On the growth side, the risk is on the disruption of supply chains caused by El Niño related flooding.

Against this backdrop, the MPC has decided to maintain the Central Bank Rate (CBR) at 6.25 percent for the quarter ending December 2026. The MPC considers the current restrictive monetary policy stance appropriate as it continues to filter through the economy, effectively dampening underlying inflationary pressures and fostering economic growth. Consistent with this policy decision, inflation is projected to remain within the medium-term target range of 3 to 5 percent. The decision also provides sufficient time to assess the full effect of the adjustment on credit conditions and economic activity. Further tightening shall be warranted if inflationary pressures become more persistent and broad-based, inflation expectations rise materially, or exchange-rate pressures intensify due to the potential impacts of El Niño and ongoing geopolitical conflicts.