



THE UNITED REPUBLIC OF TANZANIA

BANK OF TANZANIA



MPC NO. 240

8TH JANUARY 2026

Monetary Policy Committee Statement

1. MPC decision on Central Bank Rate

The Monetary Policy Committee (MPC) at its meeting held on 7th January 2026, decided to maintain the Central Bank Rate (CBR) at 5.75 percent for the first quarter of 2026. The decision was taken considering that inflation is projected to remain within the target range of 3–5 percent. The MPC expects economic conditions to be favorable, and therefore, keeping the CBR unchanged would support robust economic growth. In line with the inflation and growth projections, the Bank of Tanzania will implement monetary policy to ensure the 7-day interbank rate evolves within the band of 3.75 to 7.75 percent.

2. Assessment of the global economy

2.1 The MPC reviewed the global economy in 2025 as having been resilient to elevated trade tariffs, geopolitical conflicts, and economic uncertainty. The IMF projects global growth of 3.2 percent in 2025 compared with 3.3 percent in 2024 and is projected to grow at the same pace in 2026. Inflation was low and trended downward, reaching to central bank targets in many countries, largely due to low energy prices and the lagged impact of effective implementation of monetary policy. In the period ahead, inflation is projected to remain low in many countries. The MPC observed that this trend will continue helping to keep inflation low in Tanzania.

2.2 Crude oil prices declined, ranging between USD 62-65 per barrel in the fourth quarter of 2025, and are projected to remain at the same levels in the subsequent quarter, attributable to ample supply and subdued demand. This trend will continue offering relief to Tanzania's inflation, foreign currency demand, and exchange rate stability, as oil imports currently account for about 17 percent of goods imported. The price of gold hit a record high of USD 4,421.65 per troy ounce and is projected to increase further in 2026.

The high gold price will continue boosting foreign exchange earnings and exchange rate stability in many countries including Tanzania.

3. Assessment of the domestic economy

3.1 The MPC assessed the domestic economic growth in 2025 as having been robust at around 5.9 percent in line with the projection of 6 percent. This good performance was driven mainly by agriculture, mining, and construction. The Zanzibar economy for 2025 is estimated to have grown by 6.8 percent, driven by construction, tourism, and manufacturing activities. Credit to the private sector in 2025 expanded robustly by 20.3 percent. For the first quarter of 2026, growth in Mainland Tanzania is projected to remain strong at 6 percent, and the Zanzibar economy is projected at 7.2 percent.

3.2 Inflation remained low, changing slightly within the target range of 3-5 percent. In Mainland Tanzania, inflation averaged at 3.5 percent in the fourth quarter of 2025, while in Zanzibar it was 3.4 percent. This was due to prudent monetary policy and favourable global conditions, which provided relief to the exchange rate and lowered imported inflation. The MPC expects inflation to remain within the target of 3 to 5 percent throughout the year 2026.

3.3 The banking sector remained sound, with adequate liquidity for lending and a sufficient capital buffer to withstand shocks. The loan portfolio increased, reflecting a favorable business environment. Credit risk, as reflected by the non-performing loan ratio, was low at 3.1 percent compared to the tolerable level of 5 percent. Payment systems were resilient, operating efficiently and smoothly.

3.4 The external sector of the economy improved, with the current account deficit narrowing to a five-year low of 2.2 percent of GDP in 2025, on account of a significant improvement in exports of gold, agricultural products, tourism, and transport. The decline in global oil prices also contributed to narrow the current account deficit. On the side of Zanzibar, the economy sustained a current account surplus, driven primarily by tourism activities in 2025.

3.5 Foreign currency liquidity was adequate in the fourth quarter of 2025, mainly due to proceeds from exports of cashew nuts, tourism, and gold. Consequently, the value of

Tanzanian Shilling remained stable against USD, recording a slight appreciation of about 0.8 percent by the end of the quarter. Foreign exchange reserves were high, amounting to more than USD 6.3 billion. This level was sufficient to cover about 4.9 months of imports, in line with the minimum requirement of 4 months. The reserves are expected to remain adequate in the first quarter of 2026, supported mainly by strong export performance and moderate oil prices.

3.6 Fiscal policy performance was satisfactory, with tax revenue in both Mainland Tanzania and Zanzibar improving. The public debt increased moderately and remained sustainable at moderate risk to debt distress. The Debt Sustainability Analysis for 2024/25 indicates that the ratio of public debt to GDP, in net present value terms, has declined to 40.6 percent from 41.1 percent in 2023/24. This ratio was below the maximum threshold of 55 percent.

4. Next CBR announcement date

The next MPC meeting is scheduled for 1st April 2026, and the CBR announcement for the second quarter will be made on the following day, 2nd April 2026.



Emmanuel M. Tutuba
GOVERNOR