



**THE UNITED REPUBLIC OF TANZANIA
BANK OF TANZANIA**



MPC NO. 242

2nd April 2026

Monetary Policy Committee Statement

MPC maintains the central bank rate at 5.75 percent.

At its meeting held yesterday, the Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 5.75 percent for the second quarter of 2026. The MPC decision reflects a cautious policy stance aimed at balancing the risks to inflation and economic growth outlook, in the face of the current unprecedented geopolitical tensions in the Middle East, which is undermining global trade, investment flows, and economic stability.

Additionally, to further improve the effectiveness of monetary policy in delivering low inflation and fostering economic growth, the MPC decided to narrow the CBR corridor from 200 basis points to 150 basis points, effective from April 2026. In line with this decision, the target band for the 7-day interbank rate will be +/-150 basis points of the CBR, which is 4.25-7.25 percent, for the second quarter of 2026. The Bank will therefore implement monetary policy to ensure the 7-day interbank interest rate evolves within the corridor.

Assessment of the global economy

The MPC reviewed the recent economic developments and observed that global growth in 2026 was forecast to remain resilient. However, the recent heightened geopolitical tensions in the Middle East have disrupted supply chains and increased volatility in commodity prices, threatening the outlook. Inflation remained relatively low in most countries, although risks to the outlook have intensified due to elevated energy prices and transportation costs.



For instance, crude oil prices, which had been projected to moderate around USD 60 per barrel in the first quarter of 2026, surged above USD 100 per barrel. Against this backdrop, central banks might consider adjusting policy rates to contain inflationary pressures should the conflicts in the Middle East persist or escalate further.

Assessment of the domestic economy

The MPC observed that the ongoing geopolitical tension in the Middle East has profound implications for the domestic economy. However, thus far, the economy has demonstrated resilience, with growth in the first quarter of 2026 estimated at 6.2 percent in Mainland Tanzania and 6.7 percent in Zanzibar, driven by construction, agriculture, financial and insurance services, and tourism. Private sector credit growth has been steady at 22.8 percent on the back of accommodative monetary policy and strong demand by businesses and households. The outlook in the second quarter of 2026 also remains resilient and robust, with GDP growth projected at 6.1 percent in Mainland Tanzania and 6.6 percent in Zanzibar. However, a prolonged or intensification of the conflict in the Middle East could undermine the pace of growth going forward.

Inflation remains low, averaging 3.3 percent in the first quarter of 2026 in Mainland Tanzania and 4.5 percent in Zanzibar, reinforced by prudent monetary policy and stable food and energy prices. This implies a delayed direct (first-round) impact of the recent increase in energy prices and transportation costs on inflation. The MPC expects inflation to remain within the target range of 3 to 5 percent in the second quarter of 2026, with upward pressure from energy and transportation costs expected to be offset by low food prices and exchange rate stability.

The banking sector remained stable, with strong liquidity and adequate capital buffers. Loan portfolio continued to improve, supported by a stable business environment and prudent credit risk management. The non-performing loans ratio recorded a recent year low of 2.9 percent, significantly below the 5 percent tolerable threshold. The payment and settlement systems continued to operate smoothly.



The external sector demonstrated resilience, with the current account deficit estimated to have reached 2.2 percent of GDP in the year ending March 2026, down from 2.4 percent in 2025, despite mounting pressures from geopolitical conflicts. The improvement was driven by stronger export performance, particularly in gold, tourism, and agricultural products. The Zanzibar economy continued to record a current account surplus, supported by strong tourism receipts. The exchange rate remained broadly stable, owing to adequate level of foreign reserves exceeding USD 6.2 billion and subdued import growth. The reserves were sufficient to cover 4.8 months of imports, consistent with the statutory threshold of at least 4 months and the EAC convergence benchmark of at least 4.5 months.

The MPC noted with satisfaction the performance of fiscal operations, and noted that tax revenue exceeded targets, reflecting the expansion in economic activity and continued improvements in tax administration efficiency and compliance. Expenditure remained aligned with available resources.

Finally, the MPC urged the Bank to continue assessing the impact of the unprecedented developments in the Middle East on the economy. The next MPC meeting is scheduled for July 2026.

Emmanuel M. Tutuba
GOVERNOR

