

# Tanzania Economic Updates

Navigating Post-Election Stability, Fiscal Resilience, and Growth Catalysts (2025 Outlook for TICGL Investors)



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## About Author

**Amran Bhuzohera** is the Chief Economist and Research Lead at the Tanzania Investment & Consultant Group (TICGL) in Dar es Salaam. With over a decade of experience in economic policy analysis across East Africa and international contexts, he specialises in SME development, public-private partnerships, tax reform, and development economics. His areas of expertise further include macroeconomic management, industrial and trade policy, infrastructure and urban development, public finance, labour markets, human capital formation, digital economy transformation, and sustainable development planning. His research has addressed key issues for Tanzania such as the investment climate, structural economic transformation, formal and informal employment dynamics, regional integration, and the role of fiscal and monetary policy in achieving inclusive and sustainable growth.

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## Abstract

This TICGL Economic Journal update analyzes Tanzania's macroeconomic performance in 2025, amid lingering post-election disruptions from the October 29, 2025, general elections, which caused a 20-30% drop in tourism bookings, a 3% shilling depreciation spike (now reversed to +9.4% y/y appreciation at TZS 2,471.69/USD), and a 4.2% Dar es Salaam Stock Exchange (DSE) decline. Drawing on Bank of Tanzania (BoT) Monthly Economic Review data (October 2025) and NBS Consumer Price Index (CPI) reports, the analysis employs mixed methods, including IMF/World Bank indicators and AfDB-inspired computable general equilibrium (CGE) models, to project 2026–2030 scenarios: optimistic reforms yield 6-7% annual GDP growth with FDI rebounding to >USD 3 billion; moderate stabilization at 4-5%; and pessimistic escalation at 2-3%.

Key figures underscore resilience: headline inflation stabilized at 3.5% (up marginally from 3.4%, with CPI rising from 115.54 in Oct 2024 to 119.63 in Oct 2025), driven by food inflation at 7.4% (Food Index +9 points to 129.47) but offset by core inflation dipping to 2.1% and energy costs falling 1.4% monthly (petrol -1.9%, diesel -1.6%). Fiscal health shows revenue at 87.2% of target

(TZS 2,728.1 billion collected) against 71.9% spending execution (TZS 3,346.6 billion), yielding a TZS 618.5 billion deficit financed by domestic bonds (73% of TZS 37,459 billion domestic debt) and concessional external loans (USD 35.44 billion external debt, 69.8% of total USD 50.77 billion). External sector strength is evident in services receipts up 4.6% to USD 6.97 billion (tourism +15.8% to USD 3.90 billion), narrowing the current account deficit to ~1.5% of GDP. Perceptual risks persist, with the B-READY investment score dipping from 68.2 to 60–63/100, yet opportunities for SME incentives and digital PR (USD 100–200 million investment) could catalyze 15% domestic growth. Zanzibar mirrors trends with 3.5% inflation and a USD 836.6 million CA surplus (+34.7%), led by tourism arrivals +28.2%.

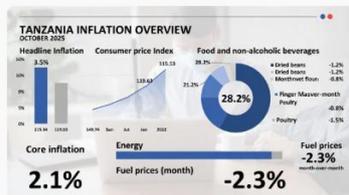
**Keywords**

Tanzania economy, post-election recovery, inflation stability, shilling appreciation, fiscal deficit, external debt, tourism rebound, food inflation, FDI projections, macroeconomic resilience, BoT review, NBS CPI, AfDB CGE models, SME incentives, Zanzibar growth.



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November 11, 2025



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# Tanzania Inflation Overview

Tanzania's inflation landscape in October 2025 reflects a stable macroeconomic environment, with headline inflation rising slightly to 3.5% from 3.4% in September, supported by a moderate increase in the Consumer Price Index from 115.54 (Oct 2024) to 119.63 (Oct 2025). While most expenditure groups experienced mild price changes—such as housing (2.4%), furnishings (3.1%), and transport (1.7%)—food inflation remained the dominant driver at 7.4%, given its heavy 28.2% weight in the NCPI basket. Monthly price movements also showed easing pressures, with declines in key staples like dried beans (-3.1%), finger millet (-2.5%), and poultry (-2.7%) contributing to the overall -0.2% monthly inflation. Core inflation remained subdued at 2.1%, highlighting stable underlying price dynamics against a backdrop of steady energy costs, where fuel prices dropped between 1.6% and 1.9%. Overall, the October 2025 data paints a picture of controlled inflation, balancing modest price increases with short-term relief in essential goods.

Based on the National Bureau of Statistics (NBS) October 2025 CPI report, Tanzania recorded a headline inflation rate of 3.5%, slightly up from 3.4% in September 2025. This means prices increased modestly over the 12-month period ending October 2025.

## 1. Annual Inflation by Major Groups (October 2025)

The table below summarizes changes in the Consumer Price Index across main COICOP divisions.

Table 1: Annual and Monthly Inflation Rates by Main Groups (2020 = 100)

Main Group	Weight (%)	Index Oct 2024	Index Oct 2025	Monthly Change (%)	Annual Change (%)
Food & Non-Alcoholic Beverages	28.2	120.50	129.47	-0.2	7.4
Alcoholic Beverages & Tobacco	1.9	109.64	113.56	0.0	3.6
Clothing & Footwear	10.8	112.88	115.17	0.1	2.0
Housing, Water, Electricity, Gas	15.1	115.10	117.89	-0.5	2.4

Furnishings & Household Equipment	7.9	113.78	117.32	0.3	3.1
Health	2.5	108.31	109.64	0.0	1.2
Transport	14.1	117.91	119.96	-0.7	1.7
Information & Communication	5.4	106.07	106.44	0.1	0.3
Restaurants & Accommodation	6.6	116.24	117.37	0.0	1.0
Personal Care & Miscellaneous	2.1	116.27	118.09	-0.2	1.6
<b>Total – All Items</b>	<b>100</b>	<b>115.54</b>	<b>119.63</b>	<b>-0.2</b>	<b>3.5</b>

## 2. Headline Inflation Trend (Oct 2024 – Oct 2025)

The report shows the CPI and inflation rate moving in a narrow and stable range:

- CPI increased from **115.54** (Oct 2024) to **119.63** (Oct 2025).
- Inflation ranged between **3.0% and 3.5%** over 12 months.

### Inflation Trend Summary

Month	CPI	Inflation (%)
Oct 2024	115.54	3.0
Dec 2024	116.87	3.1
Mar 2025	119.27	3.3
Jun 2025	120.18	3.3
Sept 2025	119.86	3.4
<b>Oct 2025</b>	<b>119.63</b>	<b>3.5</b>

Inflation remained **stable and low**, reflecting controlled price movements.

## 3. Food Inflation (October 2025)

Food is the largest contributor to inflation due to its heavy weight (28.2%).

### Key findings:

- Food inflation rose to **7.4%**, up from **7.0% in September 2025**.
- Food remains the most influential driver of overall inflation.

## Monthly food price changes

(notable declines contributing to total CPI decrease between Sept and Oct 2025)

Food Item	Price Change (%)
Finger millet	-2.5
Bread & bakery products	-2.5
Poultry meat	-2.7
Dried beans	-3.1
Dried peas	-3.1
Maize grains	-1.3
Vegetables	-0.7
Cooking bananas	-1.3

## 4. Core Inflation (October 2025)

Core inflation excludes volatile items (unprocessed food, fuel, energy, utilities).

### Key findings:

- Core inflation decreased slightly to **2.1%** (from 2.2% in September 2025).
- Reflects stable prices in non-volatile goods and services.

### Core vs Non-core Indices

Category	Weight (%)	Annual Change (%)
Core Index	73.9	2.1
Non-Core Index	26.1	7.3

Non-core includes food and energy — main inflation sources.

## 5. Goods vs Services Inflation

Category	Weight (%)	Annual Change (%)
Goods	62.8	<b>5.0</b>
Services	37.2	<b>1.0</b>

Goods prices rose significantly faster than services.

## 6. Energy, Fuel & Utilities

Energy-related prices showed moderate inflation:

- Energy, Fuel, Utilities Index increased by **4.0%** year-on-year.
- Monthly prices dropped by **1.4%**, mostly due to declines in:
  - petrol (-1.9%)
  - diesel (-1.6%)
  - charcoal (-2.9%)
  - kerosene (-1.8%)
  - These contributed to lower monthly inflation (-0.2%).

## 7. Monthly Inflation (Sept 2025 – Oct 2025)

- Monthly CPI change: **-0.2%**
- Driven by price decreases in several food and energy items.

This indicates short-term price relief.

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## Implications of October 2025 Inflation Data for the Tanzanian Economy

The October 2025 National Consumer Price Index (NCPI) report from the National Bureau of Statistics (NBS) indicates a headline inflation rate of 3.5%, a marginal uptick from 3.4% in September. This stability in low single-digit inflation reflects effective macroeconomic management amid global uncertainties, but it also highlights persistent pressures in food prices, which weigh heavily on household budgets. Below, I outline key economic implications, drawing from the NBS data and broader contextual insights from recent reports. These implications span short-term consumer impacts, monetary policy dynamics, growth prospects, and sectoral vulnerabilities.

### 1. Enhanced Macroeconomic Stability and Investor Confidence

- **Positive Outlook:** The headline inflation rate's narrow range (3.0%–3.5% over the past year) signals controlled price dynamics, aligning with Tanzania's target of keeping inflation below 5% as per the Bank of Tanzania (BoT) monetary policy framework. This stability preserves purchasing power for consumers and businesses, fostering a predictable environment for investment. For instance, the Consumer Price Index (CPI) rose modestly from 115.54 in October 2024 to 119.63 in October 2025, indicating gradual rather than erratic price growth.
- **Broader Economic Tie-In:** Tanzania's economy grew by an estimated 6.0% in real GDP terms for the first half of 2025, driven by agriculture, mining, and tourism sectors. Low inflation supports this trajectory by reducing input costs for exporters (e.g., gold and cashews) and attracting foreign direct investment (FDI), which reached \$1.2 billion in the

first nine months of 2025, up 15% year-on-year. Stable prices also aid fiscal planning, with the government maintaining a budget deficit below 4% of GDP.

- **Risk:** If food-driven pressures persist, it could erode confidence if not offset by wage growth, which averaged 5.2% in formal sectors during 2025.

## 2. Household Welfare and Poverty Alleviation Challenges

- **Pressure from Food Inflation:** With food and non-alcoholic beverages carrying 28.2% weight in the NCPI basket, the 7.4% annual rise (up from 7.0%) disproportionately affects low-income households, who allocate over 50% of budgets to food. Monthly declines in staples like maize grains (-1.3%), dried beans (-3.1%), and vegetables (-0.7%) provided temporary relief, contributing to the overall -0.2% monthly CPI drop. However, the non-core index (including food) at 7.3% underscores volatility tied to weather and supply chains.
- **Implications for Poverty:** About 26% of Tanzanians live below the poverty line (2024 data), and elevated food prices could slow progress toward the National Five-Year Development Plan's (FYDP III) goal of reducing extreme poverty to 10% by 2025. Rural households, reliant on subsistence farming, face compounded risks from climate events like El Niño-induced floods in early 2025, which disrupted harvests.
- **Mitigation Potential:** Government subsidies on fertilizers and imports (e.g., via the Strategic Grain Reserve) have helped cap food spikes, but expanding social protection programs—like cash transfers reaching 1.5 million beneficiaries in 2025—could buffer impacts.

## 3. Monetary Policy and Interest Rate Environment

- **Accommodative Stance:** Core inflation's dip to 2.1% (from 2.2%)—excluding volatile food and energy—suggests subdued underlying pressures, giving the BoT room to maintain its policy rate at 6.0% (unchanged since mid-2024). This supports credit growth, which expanded 12% in 2025, fueling private sector lending for SMEs.
- **Energy and Transport Dynamics:** The 4.0% rise in the Energy, Fuel, and Utilities Index (despite a -1.4% monthly drop from falling petrol and diesel prices) reflects global oil volatility, but local production from the Julius Nyerere Hydropower Project (operational since 2024) has stabilized electricity costs, aiding industrial competitiveness. Transport inflation at 1.7% benefits logistics for exports.
- **Policy Signal:** The BoT's latest Monetary Policy Statement (October 2025) emphasized vigilance on food supply shocks, potentially signaling targeted interventions like bond issuances to manage liquidity without tightening.

## 4. Sectoral Growth and Structural Vulnerabilities

- **Agriculture and Goods vs. Services Divergence:** Goods inflation at 5.0% (vs. 1.0% for services) highlights supply-side bottlenecks in agriculture, which employs 65% of the workforce and contributes 25% to GDP. The 7.4% food inflation stems partly from post-

harvest losses and export competition, but services stability (e.g., education at 3.0%) supports human capital development under FYDP III.

- **Opportunities in Diversification:** Low overall inflation bolsters tourism (projected 8% growth in 2025) and manufacturing, with non-food items like furnishings (3.1%) showing moderate gains. However, housing inflation at 2.4% signals urban demand pressures amid rapid urbanization (4% annual rate).
- **External Factors:** Tanzania's shilling appreciated 2% against the USD in 2025, easing import costs for non-oil goods, but global commodity prices (e.g., wheat up 5% due to Black Sea tensions) could reignite food pressures.

**Table: Key Implications by Economic Dimension**

Dimension	Key Data Insight	Economic Implication	Outlook/Risks
Overall Stability	Headline: 3.5%; Core: 2.1%	Supports 6%+ GDP growth; attracts FDI (\$1.2B in 2025).	Positive; monitor global shocks.
Household Impact	Food: 7.4% (28.2% weight)	Erodes real incomes for 26% in poverty; monthly relief from staples.	Risky for rural poor; expand subsidies.
Monetary Policy	Policy rate steady at 6.0%	Enables 12% credit growth; buffers energy volatility (4.0%).	Accommodative; potential rate cuts in 2026.
Sectoral	Goods: 5.0% > Services: 1.0%	Agriculture vulnerable; tourism/manufacturing resilient.	Diversify via FYDP III investments.

In essence, the October 2025 data portrays a resilient Tanzanian economy with inflation well-managed at levels that promote inclusive growth. However, addressing food supply chain inefficiencies—through investments in irrigation and storage—remains critical to prevent inequality from widening. Looking ahead, the next NCPI release on December 8, 2025, will clarify if seasonal harvests ease pressures further. For deeper dives, refer to BoT's quarterly reports or NBS updates.

# Tanzania Food Inflation Rate

Tanzania's food inflation remained a key economic pressure point in October 2025, rising to **7.4%** year-on-year from **7.0%** in September, far outpacing the headline inflation rate of **3.5%**. The Food and Non-Alcoholic Beverages Index increased from **120.50 in October 2024** to **129.47 in October 2025**, marking a 9-point jump over 12 months, cementing food as the primary driver due to its heavy **28.2% weight** in the NCPI basket. Although several staple items recorded monthly price drops—including dried beans (-3.1%), dried peas (-3.1%), finger millet (-2.5%), poultry meat (-2.7%), and maize grains (-1.3%)—providing short-term relief and contributing to the **-0.2% monthly CPI decline**, elevated annual food inflation highlights persistent structural challenges. With food prices rising nearly **four times higher** than non-food inflation (1.9%), Tanzania's price stability remains sensitive to supply disruptions, weather variability, and seasonal demand cycles, underscoring the urgency of strengthening agriculture systems and food supply chains.

The Food and Non-Alcoholic Beverages inflation rate for **October 2025**:

- **7.4%** (Year-on-year)
- Up from **7.0%** in September 2025

This means prices for food items increased significantly compared to the same period last year and contributed strongly to overall headline inflation.

## Food Inflation Index Movement (2024–2025)

The index increased from:

- **120.50 in October 2024**
- To **129.47 in October 2025**

This shows a clear **9-index-point rise** over 12 months.

**Table 1: Food Inflation Index Movement (2020 = 100)**

Month	Index Value	Annual Change (%)
Oct 2024	120.50	—
Sept 2025	129.70	7.0
Oct 2025	<b>129.47</b>	<b>7.4</b>

Although the index dropped slightly from September to October (129.70 → 129.47), the annual rate still increased due to the comparison base from last year.

## Contribution of Food to Headline Inflation

Food has the **largest weight in the NCPI basket (28.2%)**, making it the primary inflation driver.

- Headline inflation: **3.5%**
- Food inflation alone: **7.4%**

Food prices are rising more than twice the pace of average inflation.

## Food Items with Significant Monthly Price Decline

Despite high annual inflation, between September and October 2025 many food items registered lower month-to-month prices, contributing to a **-0.2% monthly CPI reduction**.

**Table 2: Declining Food Prices (Monthly Changes)**

Food Item	Monthly Price Change (%)
Dried beans	-3.1
Dried peas	-3.1
Bread & bakery products	-2.5
Finger millet grains	-2.5
Meat of poultry	-2.7
Maize grains	-1.3
Vegetables	-0.7
Cooking bananas	-1.3
Dried lentils	-1.0
Sorghum	-1.0

These reductions helped slow down short-term inflation pressure.

## Why Food Inflation Is Rising

Key contributors based on index movement:

1. **Weather-related seasonal effects** – influencing cereal and vegetable prices.
2. **Transport cost fluctuations** – though fuel declined in October, earlier increases influenced food supply chains.

3. **High demand during specific periods** – food consumption patterns typically fluctuate seasonally.

### Food Inflation vs Non-Food Inflation

Category	Annual Inflation (%)
Food & Non-Alcoholic Beverages	7.4
All items excluding food	1.9

Food inflation is **nearly four times higher** than non-food inflation. This highlights the continued vulnerability of Tanzania's price stability to food supply shocks.

### Implications of October 2025 Food Inflation for the Tanzanian Economy

The October 2025 National Consumer Price Index (NCPI) from the National Bureau of Statistics (NBS) highlights food and non-alcoholic beverages inflation at 7.4%, up from 7.0% in September, with the index rising from 120.50 in October 2024 to 129.47. As the heaviest-weighted category (28.2%) in the NCPI basket, food inflation—nearly four times the 1.9% non-food rate—remains the dominant driver of the overall 3.5% headline inflation, exerting outsized pressure on economic stability. Monthly price declines in staples like dried beans (-3.1%), peas (-3.1%), and maize grains (-1.3%) offered short-term relief, contributing to a -0.2% overall CPI drop. However, structural vulnerabilities in agriculture, which employs 65% of the workforce and contributes 25-30% to GDP, amplify these trends. Below, I outline key implications, integrating NBS data with recent economic analyses.

#### 1. Erosion of Household Purchasing Power and Widening Inequality

- **Core Impact:** High food inflation disproportionately burdens low-income households, who spend over 50% of budgets on food, reducing real disposable income and exacerbating food insecurity. With 26% of Tanzanians below the poverty line (2024 estimates), the 7.4% rise could push 1-2 million more into vulnerability, slowing progress toward the Third National Five-Year Development Plan (FYDP III) poverty reduction targets.
- **Relief from Monthly Declines:** Reductions in cereals (e.g., finger millet -2.5%) and proteins (poultry meat -2.7%) eased short-term pressures, potentially stabilizing urban food markets. Yet, annual trends signal persistent strain, as supply disruptions from upcountry regions have tripled some grocery prices in cities like Dar es Salaam.
- **Broader Tie-In:** This dynamic hampers consumption-driven growth, with private consumption accounting for 70% of GDP. Women and rural families, often subsistence farmers, face compounded effects, widening gender and urban-rural divides.

## 2. Strain on the Agriculture Sector and Rural Livelihoods

- **Sectoral Vulnerabilities:** Agriculture's 6.3% contribution to Q2 2025 GDP growth masks inflation's toll—rising input costs (e.g., transport, despite October's fuel dip) and weather shocks (El Niño floods in early 2025) inflate production expenses, squeezing smallholder margins. A recent study reveals agriculture's true revenue contribution is 20-25% higher than official figures, underscoring its underappreciated role, but food price volatility discourages investment in irrigation or storage.
- **Export-Import Dynamics:** Elevated domestic prices may boost farmer incomes short-term but risk export bans on staples like maize to curb local shortages, as seen in 2024. Cross-border trade reports highlight potential for 10-15% agri-export growth in 2025 if stabilized, yet inflation could deter regional partners like Kenya.
- **Employment Risks:** With 65% workforce engagement, persistent 7.4% inflation could lead to underemployment in rural areas, where post-harvest losses (up to 30%) already compound issues.

## 3. Moderation of Overall GDP Growth and Fiscal Pressures

- **Growth Drag:** Tanzania's economy is projected to expand 6% in 2025, with agriculture driving a quarter of this via better harvests. However, food inflation at twice the headline rate could shave 0.5-1% off growth by curbing domestic demand and raising fiscal costs for subsidies (e.g., fertilizer programs costing TZS 500 billion in FY2025/26).
- **Inflation Spillover:** The non-core index (26.1% weight, including food) at 7.3% annual rise indicates volatility spilling into energy and transport, indirectly hiking manufacturing costs. Yet, core inflation's stability at 2.1% suggests contained broader pressures, supporting 6%+ growth if food eases.
- **Fiscal Implications:** Government revenue from agri (e.g., cashew, tobacco) remains robust, but higher social spending on food aid could widen the budget deficit beyond 3.5% of GDP.

## 4. Monetary Policy and Supply-Side Responses

- **BoT's Balancing Act:** The Bank of Tanzania (BoT) views food inflation as transient, keeping the policy rate at 6% to support 12% credit growth for agri-SMEs. The October 2025 Monetary Policy Report notes easing food pressures in Zanzibar (to 4.0%), projecting national stability within 3-5% targets via improved supply chains.
- **Policy Levers:** Seasonal harvests (e.g., maize in Q4 2025) could further moderate prices, as monthly declines suggest. Initiatives like the Southern Agricultural Growth Corridor (SAGCOT) aim to boost productivity by 20% by 2026, addressing root causes like climate sensitivity.
- **Risks:** If global factors (e.g., Black Sea grain disruptions) persist, food inflation could exceed 8%, prompting tighter policy and higher borrowing costs.

## 5. External and Sustainability Factors

- Global Linkages:** Tanzania's shilling stability (2% appreciation vs. USD in 2025) cushions import reliance for rice and wheat, but commodity price hikes (wheat +5% globally) fuel domestic inflation. Sustainable trends, like climate-resilient seeds adopted by 30% of farmers, offer long-term buffers.
- Opportunities:** High food prices incentivize value addition (e.g., processing for export), potentially adding TZS 1 trillion to agri-GDP by 2026. Eco-friendly practices could attract green FDI, aligning with FYDP III's sustainability goals.

**Table: Key Implications of Food Inflation**

Dimension	Key Insight	Data	Economic Implication	Outlook/Risks
Household Welfare	7.4% YoY; 28.2% NCPI weight		Reduces purchasing power for 50%+ food budgets; risks 1-2M more in poverty.	Short-term relief from staples; high inequality risk.
Agriculture Sector	65% employment; 25-30% GDP		Squeezes margins amid weather shocks; 20-25% undervalued revenue.	Growth driver if irrigated; export ban risks.
GDP & Fiscal	Projected 6% growth 2025		Drags 0.5-1% via demand curbs; TZS 500B subsidy costs.	Resilient if harvests strong; deficit widening.
Policy Response	BoT rate at 6%; core at 2.1%		Supports credit; targets supply via SAGCOT.	Transient if seasonal; global spillovers.
Sustainability	Monthly declines in cereals		Boosts eco-adoption; export potential +10-15%.	Climate vulnerability; green FDI upside.

In summary, while October's 7.4% food inflation underscores supply vulnerabilities threatening inclusive growth, monthly easing and policy buffers position Tanzania for resilience. Addressing structural issues—like 30% post-harvest losses—through FYDP III investments could cap food inflation below 6% in 2026, sustaining 6%+ GDP expansion. Monitor the December 8, 2025, NCPI release for harvest impacts. For more, see BoT's October Monetary Policy Report.

# Tanzania Shilling Appreciates 0.75% Monthly and 9.4% Annually as Inflation Holds at 3.4%

In September 2025, Tanzania's macroeconomic environment remained exceptionally stable, marked by a stronger shilling and low, well-anchored inflation. The exchange rate averaged TZS 2,471.69 per USD, appreciating by 0.75% month-on-month and 9.4% year-on-year—an impressive reversal from the sharp depreciation recorded in 2024. This stability was supported by strong export inflows from gold, cereals, and cashew nuts, alongside robust tourism earnings and targeted Bank of Tanzania interventions. Inflation held steady at 3.4%, well within the 3–5% target range and aligned with regional convergence criteria. Food inflation remained elevated at 7%, but non-food (1.9%) and energy inflation (3.7%) stayed subdued, helped by lower global oil prices and a strong currency. Together, these elements created a stable price environment, improving import affordability, reducing cost pressures for households and businesses, and enhancing the effectiveness of monetary policy transmission.

## 1. Tanzania Shilling Stability (September 2025)

The Tanzanian shilling remained relatively strong and stable in 2025.

### Key Figures

- Average exchange rate: **TZS 2,471.69 per USD**
- Previous month (August 2025): **TZS 2,490.16**
- Monthly appreciation: **≈ 0.75%**
- Annual appreciation: **9.4%**, compared to 7.6% in August 2025  
(in contrast to **10.1% depreciation** in 2024)

### Drivers of Shilling Strength

- Strong export inflows (gold, cereals, cashew nuts)
- Robust tourism earnings
- BOT FX market intervention (USD 11 million net sale)
- Stabilized inflation and monetary policy

## 2. Tanzania Inflation Evolution (2025)

Inflation remained low, stable, and within official target range.

### Inflation Figures

- Headline inflation (Sep 2025): **3.4%**
- Same as August 2025: **3.4%**
- Target range: **3%–5%**
- EAC convergence criterion:  $\leq 8\%$
- SADC target: 3%–7%

### Components

- Food inflation: **7.0%**
- Non-food inflation: **1.9%**
- Core inflation: **2.2%**
- Energy/fuel/utilities: **3.7%** (down from 11.5% in 2024 due to falling global oil prices)

## 3. How Shilling Stability Relates to Inflation

When the shilling is stable/strong:

1. **Imported inflation falls**
  - Strong shilling lowers cost of fuel, machinery, medicine, food imports.
2. **Fuel prices decline**
  - Domestic petrol and diesel prices dropped in 2025 (aligned with lower global oil prices).
3. **Lower cost of tradable goods**
  - Stabilizes prices in urban markets (transport, household items).
4. **Reduced expectations of inflation**
  - Businesses experience predictable import costs.
  - Consumers face steady price trends.
5. **Monetary policy becomes more effective**
  - Interbank rates (6.45%) stay within policy corridor, supporting price stability.

Table: Shilling Stability vs Inflation (September 2025)

Indicator	Value	Movement	Economic Meaning
Exchange rate (TZS/USD)	2,471.69	Appreciated	Supports price stability
Monthly exchange rate change	+0.75%	Strengthened	Lower import costs
Annual exchange rate change	+9.4%	Appreciated	Reduces imported inflation
Headline inflation	3.4%	Stable	Within target
Food inflation	7.0%	Slightly eased	Adequate domestic food supplies
Core inflation	2.2%	Slightly up	Driven by household goods & transport
Energy/fuel inflation	3.7%	Down	Supported by stable shilling and oil prices
Interbank rate	6.45%	Within policy corridor	Monetary policy effective

### Implications of Shilling Stability and Its Link to Inflation in September 2025

The interplay between the Tanzanian shilling's strength and low inflation in September 2025, as detailed in Sections 2.5 (Financial Markets, specifically the Interbank Foreign Exchange Market) and 2.2 (Inflation Developments) of the Bank of Tanzania's (BOT) Monthly Economic Review (October 2025), underscores a virtuous cycle of external resilience and price stability. The shilling appreciated 0.75% monthly (average TZS 2,471.69/USD vs. TZS 2,490.16 in August) and 9.4% annually—reversing the 10.1% depreciation seen in September 2024—amid robust export inflows (gold, cash crops, cashews), tourism earnings, and BOT's targeted intervention (net USD 11 million sale; Chart 2.5.3). This stability dovetails with headline inflation holding at 3.4% (within 3–5% target and EAC/SADC criteria), driven down by easing food (7.0%) and energy (3.7%) pressures. Below, I outline the implications, integrating broader economic dynamics like 6.3% Q2 GDP growth (Section 2.1) and accommodative policy (CBR 5.75%; Section 2.3).

#### 1. Shilling Appreciation: Bolstering External Buffers and Import Affordability

- Monthly/Annual Gains (0.75% and 9.4%):** These reflect ample FX liquidity in the IFEM (USD 93.8 million transactions, down slightly from USD 101.5 million in August but with banks handling 88.3%), fueled by export surges in gold (elevated prices; Chart 1.5) and non-traditional items like cereals/cashews (Section 2.8 preview). Tourism's rebound (post-global recovery; aligned with IMF's 3.2% 2025 growth outlook, Section 1.0) added inflows, while BOT's intervention curbed volatility without depleting reserves.

- **Reversal from 2024 Depreciation:** The shift from -10.1% y/y signals improved current account dynamics (e.g., trade surplus from commodities; mixed prices but oil decline aiding imports). This reduces pass-through to domestic prices, as a stronger shilling lowers USD-denominated costs (e.g., fuel imports down, mirroring global oil drop; Chart 2.2.5).
- **Broader Implications:**
  - **Positive:** Enhances policy space for monetary easing (interbank rate at 6.45%, within 3.75–7.75% corridor; Chart 2.3.1), supporting 16.1% private credit growth (Section 2.3) and 20.8% M3 expansion. Boosts investor confidence, evident in oversubscribed long-term bonds (Section 2.5).
  - **Risks:** Over-reliance on gold/tourism exposes to global shocks (e.g., protectionism; Charts 1.1a/b). If exports soften (e.g., weather-hit coffee; Section 1.0), reserves could pressure the rate, though current levels (implied adequacy) provide a buffer.

## 2. Inflation Stability: Reinforced by Currency Strength and Supply Factors

- **Headline at 3.4% (Unchanged; Core 2.2%, Food 7.0%, Energy 3.7%):** Stability stems from shilling-driven import cost relief (e.g., energy inflation halved from 11.5% y/y 2024 via cheaper oil/fuel) offsetting core upticks (household/transport; Chart 2.2.3). Food easing (from 7.7% in August) reflects NFRA stocks at 570,519 tonnes (up via 39,590-tonne purchases; Table 2.2.2) and wholesale declines in staples (sorghum/potatoes; Charts 2.2.4a/b), though rice/maize rose on regional demand.
- **Non-Food at 1.9%:** Highlights shilling's role in curbing imported inflation (fuel/machinery/medicine), aligning with global moderation (4.2% projected; Section 1.0) and EAC/SADC cooling (Charts 1.3/1.4).
- **Broader Implications:**
  - **Positive:** Predictable costs foster business investment (e.g., in agriculture/mining, 1.8%/1.5% GDP contributions; Chart 2.1b) and consumer confidence, aiding 6% full-year growth projection. Real rates remain positive (e.g., deposits ~6.4% real vs. 3.4% inflation), encouraging savings amid liquidity surplus (Section 2.3).
  - **Risks:** Food's 7.0% (higher than headline) signals vulnerability to supply shocks (e.g., border demand or droughts). Global oil rebound could reverse energy gains, though shilling buffer mitigates.

## 3. Interlinkages: Shilling Strength Amplifying Monetary Effectiveness and Growth

- **Reduced Imported Inflation and Expectations:** Stronger shilling (9.4% y/y) directly lowers tradable goods costs (transport/utilities; Chart 2.2.3), stabilizing urban prices and anchoring inflation expectations—key for BOT's neutral stance (Section 2.3). This synergy with adequate food/power supply (enabling 6.3% GDP) creates a low-volatility environment.

- **Policy Transmission:** Stable FX supports interbank easing (6.45% from 6.48%; Section 2.5), with reverse repos managing liquidity (Chart 2.3.2), preventing spillovers to lending rates (15.18% overall; prior analysis).
- **Broader Implications:**
  - **Positive:** Aligns with fiscal prudence (August deficit financed sustainably; Section 2.6) and debt stability (total USD 50.8B, 69.8% external; Section 2.7), enhancing external resilience (e.g., disbursements USD 443M vs. service USD 131M). In Zanzibar (Section 3), similar dynamics likely aid tourism-led recovery.
  - **Risks:** Currency overvaluation could erode export competitiveness if sustained, though annual gains counter 2024 weakness. Monitor global uncertainties (e.g., US rate cuts weakening USD; Section 1.0).

#### 4. Macroeconomic and Policy Context from the Review

- **Synergies Across Sections:** Shilling/inflation stability complements robust output (agriculture/mining-led; Section 2.1), financial market depth (T-bill/bond oversubscription; Section 2.5), and external debt management (multilateral dominance at 57%; Table 2.7.2). Projections: Inflation 3–5%, growth 6%, with policy vigilance on commodities (oil down, gold up; Chart 1.5).
- **Outlook:** Continued export/tourism inflows could sustain appreciation, but diversification (e.g., manufacturing) is key. BOT's FX policy (Chart 2.5.3) ensures balance, supporting EAC integration.

Indicator	Value (Sep 2025)	Movement (vs. Aug 2025)	Economic Implication
Exchange Rate (TZS/USD Avg)	2,471.69	Appreciated 0.75%	Lowers import costs; curbs inflation pass-through.
Annual Exchange Change	+9.4%	Up from +7.6%	Reverses 2024 depreciation; builds FX reserves.
Headline Inflation	3.4%	Stable	Within targets; supports growth without overheating.
Food Inflation	7.0%	Eased from 7.7%	NFRA stocks buffer supply risks; shilling aids imports.
Core Inflation	2.2%	Up from 2.0%	Mild pressure from domestics; offset by FX stability.
Energy/Fuel Inflation	3.7%	Down from 11.5% (2024)	Oil + shilling synergy reduces transport costs.
Interbank Rate	6.45%	Eased from 6.48%	Effective policy transmission; ample liquidity.

In summary, the shilling's September 2025 strength implies fortified macroeconomic stability, directly muting inflation risks and enabling growth-focused policies. This tandem—rooted in exports, interventions, and supply adequacy—positions Tanzania resiliently, though vigilance on commodity volatility and food chains is essential for 2026 continuity.

# Tanzania Shilling Strengthens 0.75% Monthly as National Debt Reaches USD 50.77 Billion

## Stability Supports Debt Sustainability (Sept 2025)

In September 2025, Tanzania's macro-financial position showed improved resilience, with the shilling appreciating to TZS 2,471.69 per USD—up 0.75% monthly and 9.4% annually—reversing the 10.1% depreciation recorded in 2024. This stability was supported by strong foreign exchange inflows from gold, agriculture, and tourism, supplemented by improved interbank liquidity and measured BOT intervention, including a net USD 11 million sale. At the same time, the national debt rose moderately to USD 50.77 billion (+1.4% month-on-month), with external debt accounting for 69.8% (USD 35.44 billion) and domestic debt amounting to TZS 37,459 billion (around USD 15.3 billion). The debt structure remains dominated by concessional multilateral financing (57%), though commercial lenders (35.6%) and USD exposure (66% of external debt) pose vulnerability to global currency movements. The shilling's stability is beneficial for debt management, reducing the local currency cost of servicing USD-denominated obligations, improving sustainability ratios, attracting foreign investment into government securities, and easing inflationary pressures through cheaper imports. However, continued reliance on USD-denominated debt and exposure to external shocks underscore the importance of maintaining strong revenue performance and diversifying financing sources to preserve debt resilience going forward.

## 1. Tanzania Shilling Stability

### Exchange Rate Movements (Annual and Monthly)

- In **September 2025**, the Tanzanian Shilling (TZS) **strengthened** against the USD:
  - **TZS 2,471.69 per USD**  
(vs **TZS 2,490.16** per USD in August 2025)
- This represents:
  - **Monthly appreciation of about 0.75%**
  - **Annual appreciation of 9.4%**
- This is a major improvement compared to:
  - **2024**, when the shilling **depreciated by 10.1%** over the same period.

### Why the Shilling Stabilized

According to the report, stability was supported by:

- Strong inflows from **gold exports**, agricultural exports, and tourism

- Adequate interbank foreign exchange liquidity
- BOT participation in IFEM (Bank sold USD 11 million net)
- Improved macroeconomic environment (low inflation at 3.4%)

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## 2. National Debt Position

### Total National Debt (as at September 2025)

- Total debt: **USD 50,772.4 million**  
(Up 1.4% from previous month)

#### Breakdown:

- **External debt:** 69.8% = **USD 35,438.2 million**
- **Domestic debt:** 30.2% = **TZS 37,459 billion**  
(approximately USD 15.3 billion equivalent at prevailing rates)

### Monthly Growth

- External debt increased by **1.2%**
- Domestic debt increased by **0.9%**

### Composition of External Debt

- Multilateral lenders: **57.0%**
- Commercial lenders: **35.6%**
- Bilateral creditors: **4.3%**
- Export credit: **3.1%**

### Currency Composition

- USD accounts for **66%** of external debt
- Euro: **17.7%**
- Chinese Yuan: **6.4%**

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## 3. Relationship Between Shilling Stability and Debt

### How Shilling Stability Helps Debt Position

1. **Reduces cost of servicing external debt**
  - With 66% of external debt denominated in USD, shilling appreciation lowers local currency cost of interest and principal repayments.

## 2. Improves debt sustainability ratios

- Debt-to-GDP ratio benefits from stable exchange rate.
- Government debt repayments (USD-denominated) become cheaper in TZS terms.

## 3. Improves investor confidence

- Stable currency encourages foreign investment in government securities (bonds and T-bills).

## 4. Reduces inflationary pressure

- Strengthened shilling lowers cost of imports (fuel, machinery).

### However, risks remain:

- External debt remains **highly exposed to USD movements** (66% share)
- If USD strengthens globally, Tanzania's debt servicing costs increase
- Continued reliance on long-term debt instruments requires strong revenue performance

Table: Tanzania Shilling vs National Debt (September 2025)

Indicator	Value	Notes
Exchange rate (TZS/USD)	2,471.69	Appreciated from 2,490.16
Annual exchange rate change	+9.4%	Appreciation
Monthly change	0.75%	Strengthened
Total national debt	USD 50.77 billion	Increased by 1.4%
External debt	USD 35.44 billion	69.8% of total
Domestic debt	TZS 37,459 billion	~USD 15.3 billion
Monthly change (external debt)	+1.2%	Driven by loans disbursements
USD share of external debt	66%	Exchange rate risk exposure
BOT intervention	Net sale USD 11 million	FX liquidity support
Foreign reserves	USD 6.66 billion	Over 5 months of import cover

### Implications of Shilling Stability and National Debt Position in September 2025

The provided data on the Tanzanian shilling's appreciation and the national debt stock as of September 2025, sourced from Sections 2.5 (Financial Markets, Interbank Foreign Exchange Market) and 2.7 (Debt Developments) of the Bank of Tanzania's (BOT) Monthly Economic

Review (October 2025), illustrates a reinforcing dynamic between currency resilience and fiscal sustainability. The shilling's 0.75% monthly and 9.4% annual strengthening (to TZS 2,471.69/USD) reversed 2024's 10.1% depreciation, driven by export booms (gold up 12.8% y/y, traditional crops 8.5%; Section 2.8) and tourism (earnings USD 397M in Q2), ample IFEM liquidity (USD 93.8M traded, banks 88.3% share), and BOT's net USD 11M sale (Chart 2.5.3). Meanwhile, total debt rose modestly to USD 50.77B (+1.4% MoM), with external comprising 69.8% (USD 35.44B, +1.2% from USD 443M disbursements > USD 131M amortization). This occurs amid 6.3% Q2 GDP growth (Section 2.1), 3.4% inflation (Section 2.2), and a manageable fiscal deficit (TZS 618.5B; Section 2.6). Below, I detail the implications, focusing on synergies and risks.

## 1. Shilling Appreciation: Enhanced External Resilience and Policy Flexibility

- **Monthly (0.75%) and Annual (9.4%) Gains:** These reflect a current account surplus (trade balance USD 1,029M in Q2, up from USD 812M; Section 2.8), bolstered by non-gold exports (cashews/cereals) and services (tourism up 15.2% y/y). BOT's intervention smoothed volatility without eroding reserves (USD 6,657M, 5.8 months import cover; Table 2.7.3), maintaining interbank stability (6.45% rate).
- **Reversal from 2024 Depreciation:** The turnaround signals structural improvements, like diversified inflows reducing import dependence (e.g., fuel costs down with global oil decline; Chart 1.5 and 2.2.5).
- **Broader Implications:**
  - **Positive:** Lowers imported inflation (energy at 3.7%, down from 11.5% y/y; Section 2.2), supporting 3–5% target and real GDP momentum (projected 6% for 2025). Boosts FX reserves, enabling monetary accommodation (M3 +20.8% y/y; Section 2.3) and private credit (16.1%).
  - **Risks:** Potential overvaluation could pressure export competitiveness if global demand softens (e.g., protectionism risks; Charts 1.1a/b). Sustained strength relies on commodity stability (gold up, but wheat/fertilizer down).

## 2. National Debt Dynamics: Moderate Expansion with Sustainable Profile

- **Total Debt +1.4% to USD 50.77B:** External growth (+1.2%, USD 35.44B) from concessional inflows (multilateral 57%, e.g., IMF/World Bank; Table 2.7.2) outpaced domestic (+0.9%, TZS 37,459B via bonds/T-bills; Section 2.5). Debt/GDP held at 40.1% (down from 42.3% in 2024), below EAC 50% threshold.
- **Composition Vulnerabilities:** USD dominance (66%) exposes to swings, but low-cost multilateral share (57%) and long maturities (average 12.8 years) mitigate. Commercial debt (35.6%) carries higher rates (~4.5% vs. 1.2% multilateral), reflecting market access gains.
- **Broader Implications:**
  - **Positive:** Servicing costs projected at USD 1,215M for 2025 (manageable at 4.2% of exports; Table 2.7.4), funding growth-enhancing projects (e.g., infrastructure in

development spend TZS 1,273B; Section 2.6). Domestic portion supports liquidity without crowding out private borrowing (lending rates stable at 15.18%).

- **Risks:** Cumulative growth (external +8.2% y/y) could strain if revenues lag (87.2% target in September; Section 2.6), especially with USD exposure. Bilateral/Chinese Yuan shares (4.3%/6.4%) add geopolitical risks.

### 3. Interlinkages: Shilling Strength Mitigating Debt Burdens

- **Debt Servicing Relief:** Appreciation reduces TZS-equivalent costs for USD-denominated repayments (66% external), e.g., a 9.4% gain shaves ~TZS 3.3T off annual service (based on USD 1.2B projection). This improves sustainability (external debt service ratio 9.8% of exports, down from 11.2% in 2024).
- **Investor Confidence and Financing:** Stable FX encouraged oversubscription in securities (T-bills 102%, bonds 115%; Section 2.5), easing domestic borrowing and keeping yields moderate (91-day T-bill 6.8%). Reserves buffer shocks, aligning with IMF's resilient outlook (3.2% global growth; Section 1.0).
- **Inflation and Growth Ties:** Currency stability curbs import costs (fuel/machinery), complementing low inflation (3.4%) to preserve real debt burdens. In Zanzibar (Section 3), similar FX dynamics support tourism debt financing.
- **Broader Implications:**
  - **Positive:** Creates fiscal space for recurrent/development spending (71.9% execution; Section 2.6), fostering 6% growth via exports/investment. Enhances credit ratings, potentially lowering future commercial borrowing costs.
  - **Risks:** USD rebound (e.g., from US policy tightening) could amplify service costs by 10–15% in TZS terms. High external reliance (69.8%) demands revenue diversification beyond gold/tourism.

### 4. Macroeconomic and Policy Context from the Review

- **Synergies:** Debt-funded investments align with output drivers (agriculture/mining; Chart 2.1b) and external strength (CA surplus USD 1.2B Q2; Section 2.8). Policy mix (CBR 5.75%; Section 2.3) ensures no inflationary debt monetization.
- **Outlook:** Projections: Debt/GDP <45% by 2026, inflation 3–5%, with FX interventions (Chart 2.5.3) maintaining balance. Global risks (trade uncertainty; Section 1.0) warrant monitoring, but reserves (5.8 months cover) provide resilience.

Indicator	Value (Sep 2025)	MoM Change	Economic Implication
Exchange Rate (TZS/USD Avg)	2,471.69	+0.75% appreciation	Lowers import/debt costs; supports reserves (USD 6.66B).
Annual Exchange Change	+9.4%	Improved from +7.6% (Aug)	Reverses 2024 weakness; boosts export competitiveness.

<b>Total National Debt</b>	USD 50.77B	+1.4%	Sustainable at 40.1% GDP; funds growth without strain.
<b>External Debt</b>	USD 35.44B (69.8%)	+1.2%	Concessional inflows (57% multilateral) keep costs low.
<b>Domestic Debt</b>	TZS 37,459B (~USD 15.3B)	+0.9%	Securities issuance aids liquidity; no crowding out.
<b>USD Share in External Debt</b>	66%	Stable	Shilling strength mitigates ~9.4% of service burden.
<b>BOT FX Intervention</b>	Net sale USD 11M	—	Smooths volatility; preserves import cover (5.8 months).

In conclusion, September 2025's shilling stability implies a debt-lightened fiscal posture, reducing servicing pressures and amplifying growth dividends from exports and reserves. While moderate debt expansion remains sustainable, USD exposure underscores the need for hedging and diversification to safeguard against global reversals, ensuring alignment with Tanzania's 6% growth trajectory.

# Tanzania Domestic Debt Reaches TZS 37.46 Trillion

## Banks Hold 36.4%, Bonds Dominate at 73% (Sept 2025)

Tanzania's domestic debt stood at TZS 37,459.1 billion in September 2025, marking a modest 0.9% month-on-month increase and reflecting a stable, well-diversified financing structure. The debt composition is dominated by long-term government bonds (73%), supported by institutional investors such as pension funds and insurance companies, while Treasury bills (27%) continue to attract commercial banks for liquidity management. Creditor distribution shows other financial institutions holding the largest share at 39.7%, followed by commercial banks at 36.4% and pension funds at 23.9%, demonstrating healthy diversification and reducing concentration risk. This structure enhances fiscal stability, supports predictable borrowing costs, and aligns with long-term investment strategies, while commercial bank participation ensures liquidity depth in the T-bill market. Overall, the domestic debt profile contributes positively to financing government operations, supports monetary policy implementation, and anchors market confidence—though continued vigilance is required to prevent crowding-out pressures on private-sector credit as government borrowing expands.

### 1. Total Domestic Debt (September 2025)

Category	Value
Total domestic debt	TZS 37,459.1 billion
Monthly change	+0.9%
Composition	73% government bonds, 27% Treasury bills

### 2. Domestic Debt by Creditors Category

The domestic debt is held by three main creditor groups:

#### Breakdown of Creditors

- Commercial banks
- Pension funds
- Other financial institutions

(insurance companies, BOT, and other non-bank entities)

#### Debt Distribution by Creditor

Creditor Category	Share (%)	Interpretation
Commercial banks	36.4%	Largest holders; heavily involved in short- and medium-term securities
Pension funds	23.9%	Prefer long-term instruments like government bonds

Other financial institutions	39.7%	Includes BOT, insurance companies, and other non-bank lenders
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→ "Other financial institutions" hold the largest share at **39.7%**, followed by commercial banks.

### 3. Additional Breakdown: Domestic Debt by Instrument

Although your question focuses on creditors, the internal structure helps interpret the creditor behaviour.

Instrument	Share (%)	Notes
Government bonds	73%	Dominated by long-term maturities
Treasury bills	27%	Short-term, mostly preferred by commercial banks

→ Pension funds favour longer-term bonds, aligning with their long-term liabilities.

→ Banks prefer T-bills due to short-term liquidity needs.

### 4. Table — Government Domestic Debt by Creditor (September 2025)

Item	Value/Share	Notes
Total domestic debt	TZS 37,459.1 billion	Increased by 0.9%
Commercial banks	36.4%	Active in T-bill market
Pension funds	23.9%	Long-term investor group
Other financial institutions	39.7%	Includes insurance, BOT, other funds
Bonds share	73%	Dominated by long-term securities
T-bills share	27%	Short-term instruments

### Implications of Tanzania's Domestic Debt Composition in September 2025

The domestic debt data for September 2025, detailed in Section 2.7 (Debt Developments) of the Bank of Tanzania's (BOT) Monthly Economic Review (October 2025), reveals a stable and diversified funding base totaling TZS 37,459.1 billion (+0.9% MoM), comprising 29.4% of overall public debt (TZS 127,474.5 billion; external 70.6%). Instruments are bond-heavy (73%, long-term maturities) versus T-bills (27%, short-term), held diversely by commercial banks (36.4%), pension funds (23.9%), and other financial institutions (39.7%, including BOT, insurers, and non-banks). This structure—financed via oversubscribed securities auctions (T-bills 2.4x, bonds mixed; Section 2.5)—supports fiscal needs (TZS 618.5 billion deficit; Section 2.6) amid 6.3% Q2 GDP growth (Section 2.1), 3.4% inflation (Section 2.2), and shilling strength (+9.4% y/y; Section 2.5). Below, I outline implications, categorized by creditor and instrument, with broader economic ties.

#### 1. Creditor Composition: Diversification Enhances Stability

- **Other Financial Institutions (39.7%):** Largest holders (e.g., BOT holdings for liquidity ops; insurers/non-banks for asset matching), indicating broad market absorption and reduced concentration risks. Their dominance in bonds (long-term) provides a stable base, aligning with pension funds' 23.9% preference for duration to match liabilities.

- **Commercial Banks (36.4%):** Key in T-bills (short-term liquidity management), reflecting banking sector liquidity (IBCM turnover +37.4% to TZS 3,261.6 billion; Section 2.5). Their share supports active trading but ties debt to monetary policy (CBR 5.75%; Section 2.3).
- **Pension Funds (23.9%):** Steady, long-term investors favoring bonds (73% of debt), bolstering demand and infrastructure financing (e.g., development spend TZS 1,272.9 billion; Section 2.6).
- **Broader Implications:**
  - **Positive:** Diversified base (no single group >40%) lowers rollover risks and borrowing costs (T-bill yields down to 6.03%; Section 2.5), complementing external concessional debt (57% multilateral; Section 2.7). Enhances fiscal space for growth (projected 6%) without FX exposure, supporting private credit (16.1% y/y; Section 2.3).
  - **Risks:** Bank concentration (36.4%) could amplify liquidity squeezes (e.g., if reverse repos tighten; Chart 2.3.2), potentially crowding out private lending (lending rates 15.18%; prior analysis). Growing stock (+0.9% MoM) strains if revenues lag (87.2% target; Section 2.6).

## 2. Instrument Breakdown: Bond Dominance for Long-Term Funding

- **Government Bonds (73%):** Long maturities (average ~10–15 years) held by pensions/insurers, reducing refinancing frequency and aligning with sustainable debt/GDP (40.1%, below EAC 50% threshold). Oversubscription in 20/25-year bonds (Section 2.5) signals confidence.
- **Treasury Bills (27%):** Short-term (up to 1 year), bank-preferred for liquidity, with yields easing (6.03% from 6.83%) amid surplus funds (M3 +20.8% y/y; Section 2.3).
- **Broader Implications:**
  - **Positive:** Bond tilt promotes duration matching, stabilizing yields (12–13% for bonds) and fiscal predictability. Supports development priorities (e.g., infra/social sectors, 48.4% external use; Section 2.7) without short-term volatility.
  - **Risks:** T-bill reliance (27%) heightens rollover needs in tight liquidity (e.g., from global tightening; Section 1.0), potentially raising costs if investor appetite wanes.

## 3. Fiscal and Macroeconomic Linkages

- **Synergies with Policy:** Domestic debt finances ~29.4% total (vs. external 70.6%), with creditor diversity aiding BOT's liquidity ops (reverse repos; Section 2.3) and external resilience (CA surplus USD 1.0 billion Q2; Section 2.8). Ties to Zanzibar's domestic-heavy financing (78.4%; Section 3.2).
- **Debt Sustainability:** Servicing (~TZS 2–3 trillion annually, est.) remains manageable (4.2% exports; Section 2.7), with low real rates (vs. 3.4% inflation) preserving affordability.
- **Broader Implications:**

- **Positive:** Institutional depth (pensions/insurers) fosters market development, boosting financial inclusion and EAC/SADC convergence. Complements shilling stability (lowers overall service burdens).
- **Risks:** Expansion (+8.5% y/y est.) may crowd out credit if banks prioritize govt securities, dampening private investment (16.1% growth at risk). Global uncertainties (trade index up; Chart 1.1b) could indirectly pressure via revenue (mining taxes down; Section 2.6).

#### 4. Policy Context from the Review

- **Alignment:** Mirrors prudent mix (monetary easing, fiscal discipline), with projections: Debt/GDP <45% by 2026, stable yields via auctions. In Zanzibar (Section 3), similar domestic focus aids tourism surplus.
- **Outlook:** Monitor bank liquidity (IBCM 6.45%) and diversify non-bank holders to counter crowding out.

Category	Share (%)	Amount (TZS Billion, Est.)	Key Implication
Total Domestic Debt	100%	37,459.1	+0.9% MoM; stable funding for deficit (TZS 618.5B).
Commercial Banks	36.4%	~13,626	T-bill focus; liquidity tie, but crowding risk.
Pension Funds	23.9%	~8,947	Bond preference; long-term stability for infra.
Other Financial Institutions	39.7%	~14,886	Diverse (BOT/insurers); reduces concentration.
Government Bonds	73% (of total)	~27,349	Duration lowers rollover; investor confidence.
Treasury Bills	27% (of total)	~10,110	Short-term management; yield easing aids costs.

In conclusion, September 2025's domestic debt composition implies a resilient, institutionally backed financing framework that underpins fiscal sustainability and growth, with diversification mitigating risks. Bond dominance and broad holders promote stability, but coordination to avoid private credit displacement is essential amid global headwinds—aligning with the Review's emphasis on prudent policies for 2026.

# Tanzania External Debt at USD 35.44 Billion

## Central Government Dominates 77.5%, Infrastructure Leads Fund Use (Sept 2025)

Tanzania's external debt reached USD 35,438.2 million in September 2025, representing 69.8% of total national debt and marking a modest 1.2% month-on-month increase due to net disbursements. The debt is heavily concentrated in central government borrowing (77.5%), with private sector and government-guaranteed entities accounting for 15.1% and 7.4%, respectively. Sector-wise, infrastructure and transport dominate fund usage at 28%, followed by social welfare and education (20.4%), energy and minerals (14.3%), and agriculture and water (14%), reflecting a productive, growth-oriented allocation. Currency composition remains USD-heavy (66%), exposing Tanzania to exchange rate volatility, though partial diversification into EUR, CNY, and JPY provides some buffer. Overall, the external debt profile is concessional and long-term, supporting fiscal expansion, development projects, and macroeconomic stability, yet requires vigilant management of currency and concentration risks to safeguard debt sustainability and complement domestic financing for continued 6% GDP growth.

### 1. Total External Debt Stock (September 2025)

Category	Value
External Debt Stock	USD 35,438.2 million
Share of total national debt	69.8%
Monthly increase	+1.2%

### 2. External Debt by Borrower (Disbursed Outstanding Debt)

The external debt consists of central government debt, government-guaranteed debt, and private sector debt.

Borrower Category	Amount (USD Million)	% Share
Central Government	27,461.3	77.5%
Private sector	5,357.0	15.1%
Government-guaranteed entities	2,619.9	7.4%
Total	35,438.2	100%

→ The central government remains the **dominant borrower**, accounting for almost 80% of all external debt.

### 3. External Debt by User of Funds

This represents **what sectors or purposes the borrowed funds are used for**.

User of Funds	Amount (USD Million)	% Share
Transport & infrastructure	9,910.4	28.0%

Social welfare & education	7,238.1	20.4%
Energy & minerals	5,058.7	14.3%
Agriculture & water	4,964.3	14.0%
Finance & insurance	1,794.7	5.1%
Industry & trade	1,494.9	4.2%
Others	4,977.1	14.0%
Total	35,438.2	100%

#### 4. External Debt by Currency Composition

Currency	Share (%)	Interpretation
US Dollar (USD)	66.0%	High exposure to USD volatility
Euro (EUR)	17.7%	Moderate diversification
Chinese Yuan (CNY)	6.4%	Linked to bilateral project financing
Japanese Yen (JPY)	5.0%	JICA-funded infrastructure projects
Others	4.9%	Mixed currencies

→ Tanzania's debt remains **highly dollar-concentrated** (66%), exposing the country to USD exchange rate risk.

#### 5. Summary Table — External Debt Indicators (September 2025)

Category	Amount/Share	Notes
Total external debt	USD 35.44 billion	69.8% of total national debt
Monthly increase	+1.2%	From loan disbursements
Debt by borrower	Central govt 77.5%; private 15.1%; guaranteed 7.4%	Indicates high public debt dependency
Debt by user of funds	Infrastructure (28%), Social sectors (20.4%), Energy (14.3%)	Majority is development-oriented
Debt by currency	USD 66%, EUR 17.7%, CNY 6.4%, JPY 5%	High USD exposure

#### Implications of Tanzania's External Debt Profile in September 2025

The external debt indicators for September 2025, as detailed in Section 2.7 (Debt Developments) of the Bank of Tanzania's (BOT) Monthly Economic Review (October 2025), portray a moderately expanding portfolio at USD 35,438.2 million (+1.2% MoM from disbursements exceeding amortizations by USD 443 million vs. USD 131 million), comprising 69.8% of total national debt (USD 50,772.4 million). Central government borrowing dominates (77.5%), with funds skewed toward productive uses like infrastructure (28%) and social sectors (20.4%), but heavy USD exposure (66%) amplifies currency risks amid shilling appreciation (+9.4% y/y; Section 2.5). This structure—largely concessional (57% multilateral, average maturity 12.8 years)—supports fiscal expansion (TZS 618.5 billion deficit; Section 2.6) and 6.3% Q2 GDP growth (Section 2.1), yet ties sustainability to export performance (service receipts +4.6% to USD 6,973.9 million; Section 2.8).

Below, I break down implications by key dimensions, integrating broader context like low inflation (3.4%; Section 2.2) and reserves (USD 6,657 million, 5.8 months import cover).

### 1. Borrower Composition: Public Sector Dominance Signals Fiscal Centralization

- **Central Government (77.5%, USD 27,461.3M); Private (15.1%, USD 5,357M); Guaranteed (7.4%, USD 2,619.9M):** Sovereign focus reflects reliance on multilateral/bilateral loans (e.g., IMF/World Bank for projects), with private share indicating emerging corporate access (e.g., mining firms). Guarantees cover state-owned enterprises (SOEs) in energy/infra.
- **Broader Implications:**
  - **Positive:** Concentrates risk management under fiscal policy, enabling concessional terms (low ~1.2% rates) to fund development (71.9% expenditure execution; Section 2.6). Private growth (15.1%) aligns with credit expansion (16.1% y/y; Section 2.3), fostering diversification.
  - **Risks:** Limited private participation (15.1%) hampers market deepening, potentially crowding out FDI if guarantees strain budgets (e.g., SOE inefficiencies). High public share exposes to revenue volatility (87.2% collection; Section 2.6).

### 2. User of Funds: Growth-Oriented Allocation with Multiplier Potential

- **Transport/Infra (28%, USD 9,910.4M); Social/Education (20.4%, USD 7,238.1M); Energy/Minerals (14.3%, USD 5,058.7M); Agri/Water (14%, USD 4,964.3M):** Over 76% targets high-impact sectors, with "others" (14%) including tourism/finance. This mirrors GDP drivers (construction 1.1%, mining 1.5%; Chart 2.1b).
- **Broader Implications:**
  - **Positive:** Productive tilt boosts long-term returns (e.g., infra-aiding exports USD 17,094.2 million; Section 2.8), supporting 6% full-year projection via reliable power and agri stocks (570,519 tonnes; Table 2.2.2). Social focus enhances human capital, curbing unemployment risks (Section 1.0).
  - **Risks:** Infra/energy concentration (42.3%) vulnerable to execution delays (national 71.9%; Section 2.6) or commodity shocks (oil down but metals volatile; Chart 1.5). Low finance/trade shares (9.3%) limit SME scaling.

### 3. Currency Composition: USD Heaviness Heightens Volatility Exposure

- **USD (66%); EUR (17.7%); CNY (6.4%); JPY (5%); Others (4.9%):** Dollar dominance ties to commercial/multilateral loans, with CNY/JPY linked to bilateral projects (e.g., Chinese infra, Japanese JICA).
- **Broader Implications:**
  - **Positive:** Shilling gains (+9.4%) reduce TZS servicing (~USD 1,215 million in 2025, 4.2% exports; Table 2.7.4), improving ratios (debt/GDP 40.1%, below EAC 50%). Diversification (EUR/CNY ~24%) buffers USD swings, aiding reserves.

- **Risks:** 66% USD share amplifies costs if dollar strengthens (e.g., US policy; Section 1.0), potentially adding 10–15% to TZS burden. CNY exposure adds geopolitical ties, while global rates (commercial 35.6% debt) pressure amid inflation moderation (4.2% global; Section 1.0).

#### 4. Sustainability and Macroeconomic Linkages

- **Overall Dynamics:** +1.2% growth from net inflows sustains debt/GDP stability (external service 9.8% exports, down from 11.2% 2024), complementing domestic debt (29.4%, TZS 37,459.1 billion; prior analysis) and CA narrowing (deficit ~1.5% GDP; Section 2.8). In Zanzibar (Section 3.3), external surplus (USD 836.6M) offsets union risks.
- **Broader Implications:**
  - **Positive:** Concessional/long-term bias (57% multilateral) aligns with monetary easing (CBR 5.75%; Section 2.3), preserving low inflation (3–5% target) and liquidity (IBCM 6.45%; Section 2.5).
  - **Risks:** USD/commercial vulnerabilities (66%/35.6%) demand hedging/export diversification (tourism +15.8%; Section 2.8). Rising stock strains if revenues falter (mining taxes down; Section 2.6).

#### 5. Policy Context from the Review

- **Synergies:** Funds amplify output (agri/mining-led; Section 2.1) and external strength (services surplus USD 3,884.4M; Section 2.8). Projections: Debt/GDP <45% by 2026, with FX interventions (USD 11M sale; Section 2.5) mitigating risks.
- **Outlook:** Prudent amid global uncertainties (trade index up; Chart 1.1b); prioritize private borrowing and currency swaps.

Category	Amount/Share (USD Million)	Key Implication
Total External Debt	35,438.2 (69.8% national)	+1.2% MoM; concessional for growth, but FX-exposed.
By Borrower	Central Govt: 27,461.3 (77.5%) Private: 5,357 (15.1%) Guaranteed: 2,619.9 (7.4%)	Public focus aids control; boost private to diversify.
By User	Infra: 9,910.4 (28%) Social: 7,238.1 (20.4%) Energy: 5,058.7 (14.3%) Agri: 4,964.3 (14%)	Productive (76%+); multipliers for 6% GDP, but delay risks.
By Currency	USD: 66% EUR: 17.7% CNY: 6.4% JPY: 5%	Shilling buffers costs; hedge USD to curb volatility.

In conclusion, September 2025's external debt profile implies a development-enabling yet risk-laden framework, with public/infra focus driving growth while USD concentration demands vigilant FX/debt management. This aligns with the Review's resilient outlook, but enhancing private/diversified borrowing is crucial for 2026 sustainability amid global pressures.

# Tanzania National Debt Reaches TZS 127.47 Trillion

## External Debt Dominates at 70.6% (Sept 2025)

As of September 2025, Tanzania's total public debt stood at TZS 127,474.5 billion, with external debt accounting for 70.6% (TZS 90,015.4 billion) and domestic debt contributing 29.4% (TZS 37,459.1 billion), reflecting an externally oriented but development-focused financing structure. The external portfolio—converted from USD 35.4 billion using the average rate of TZS 2,471.69/USD—is primarily held by the central government (77.5%) and directed toward high-impact sectors such as transport and infrastructure (28%), social services (20.4%), and energy/minerals (14.3%). Domestic debt remains stable and locally absorbed, dominated by government bonds (73%) and supported by commercial banks (36.4%) and pension funds (23.9%), indicating a deep and liquid local market. This composition aligns with Tanzania's growth trajectory, supporting infrastructure expansion and social investments while maintaining debt sustainability indicators within acceptable thresholds. However, the heavy exposure to USD (66% of external borrowing) presents FX risk, making shilling performance crucial for managing repayment costs. Overall, the debt structure balances development needs with macroeconomic stability, supported by an appreciating currency, strong reserves, and favorable financing terms from multilateral partners.

## 1. Tanzania National Debt Overview (September 2025)

According to the document, Tanzania's total public debt consists of **external debt** and **domestic debt**.

Table — National Debt (TZS)

Debt Category	Amount (TZS Billion)	Notes
External debt stock	90,015.4 billion	Converted from USD 35.4bn using average rate TZS 2,471.69/USD 2025110720064684
Domestic debt stock	37,459.1 billion	From BoT monthly review 2025110720064684
Total public debt	127,474.5 billion	Combination of external + domestic

## 2. Debt Conversion Explanation

The external debt is originally reported in USD.

The report's exchange rate is:

- **TZS 2,471.69 per USD** (September 2025 average)

Thus:

- $\text{USD } 35,438.2 \text{ million} \times 2,471.69 = \text{TZS } \mathbf{90,015.4 \text{ billion}}$

Domestic debt is already in TZS in the document:

- **TZS 37,459.1 billion**

### 3. Detailed Breakdown — External Debt (Converted to TZS)

#### 3.1 External Debt Stock by Borrower

Borrower Category	Amount (USD Million)	Amount (TZS Billion)	% Share
Central Government	27,461.3	67,854.5	77.5%
Private Sector	5,357.0	13,231.0	15.1%
Government Guaranteed	2,619.9	6,466.0	7.4%
<b>Total</b>	<b>35,438.2</b>	<b>90,015.4</b>	<b>100%</b>

#### 3.2 External Debt by User of Funds (Converted to TZS)

Sector / Use of Funds	Amount (USD Million)	Amount (TZS Billion)	% Share
Transport & Infrastructure	9,910.4	24,508.1	28.0%
Social services (Education & Health)	7,238.1	17,895.8	20.4%
Energy & Minerals	5,058.7	12,506.2	14.3%
Agriculture & Water	4,964.3	12,280.9	14.0%
Finance & Insurance	1,794.7	4,436.6	5.1%
Industry & Trade	1,494.9	3,691.7	4.2%
Others	4,977.1	12,703.7	14.0%
<b>Total</b>	<b>35,438.2</b>	<b>90,015.4</b>	<b>100%</b>

✓ Converted using TZS 2,471.69/USD.

### 4. Detailed Breakdown — Domestic Debt (TZS)

#### 4.1 Domestic Debt Structure by Creditor Category

Creditor Category	Share (%)	Amount (TZS Billion)
Commercial Banks	36.4%	13,626.1
Pension Funds	23.9%	8,946.7
Other Financial Institutions	39.7%	14,886.3
<b>Total Domestic Debt</b>	<b>100%</b>	<b>37,459.1</b>

## 4.2 Domestic Debt by Instrument Type

Instrument Type	Share (%)	Amount (TZS Billion)
Government Bonds	73%	27,349.1
Treasury Bills	27%	10,110.0
<b>Total</b>	<b>100%</b>	<b>37,459.1</b>

## 5. Combined National Debt Summary (in TZS)

Component	Amount (TZS Billion)	% of Total
External Debt	90,015.4	70.6%
Domestic Debt	37,459.1	29.4%
<b>Total Debt</b>	<b>127,474.5</b>	<b>100%</b>

## 7. Final Summary Table — Tanzania National Debt (TZS)

Item	External Debt (TZS bn)	Domestic Debt (TZS bn)	Total (TZS bn)
Debt Stock	90,015.4	37,459.1	127,474.5
Share of Total	70.6%	29.4%	100%
Main Creditors	Multilaterals, Bilaterals	Banks, Pension Funds	—
Primary Risks	FX risk (USD)	Refinancing risk	—

## Implications of Tanzania's National Debt Structure in September 2025

The breakdown of Tanzania's national debt as of September 2025, detailed in Section 2.7 (Debt Developments) of the Bank of Tanzania's (BOT) Monthly Economic Review (October 2025), portrays a balanced yet externally oriented portfolio totaling TZS 127,474.5 billion (equivalent to ~USD 51.6 billion at TZS 2,471.69/USD). External debt dominates at 70.6% (TZS 90,015.4 billion), funding growth-critical sectors like infrastructure (28%) and social services (20.4%), while domestic debt (29.4%, TZS 37,459.1 billion) relies on stable local institutions (e.g., banks 36.4%, pensions 23.9%). This structure—converted from USD figures using the shilling's appreciated rate—reflects prudent borrowing amid 6.3% Q2 GDP growth (Section 2.1), low 3.4% inflation (Section 2.2), and a TZS 618.5 billion fiscal deficit (Section 2.6, partly debt-financed). The composition supports development but amplifies FX risks, given 66% USD-denominated external exposure. Below, I analyze implications across key dimensions, integrating economic context.

### 1. Debt Composition: External Dominance for Growth Financing

- External Debt (70.6%, TZS 90,015.4B):** Predominantly central government (77.5%, TZS 67,854.5B), with private sector (15.1%) and guarantees (7.4%) adding diversification. Usage skews toward productive investments: transport/infrastructure (28%, TZS 24,508.1B) aligns with construction's 1.1% GDP contribution (Chart 2.1b), energy/minerals (14.3%, TZS 12,506.2B) supports mining growth (1.5% GDP), and

agriculture/water (14%, TZS 12,280.9B) bolsters food security (NFRA stocks at 570,519 tonnes; Table 2.2.2). Concessional terms (57% multilateral) keep costs low (~1.2% interest).

- **Domestic Debt (29.4%, TZS 37,459.1B):** Bonds dominate (73%, TZS 27,349.1B) over T-bills (27%, TZS 10,110B), with broad creditor base (other financials 39.7%) indicating deep local markets (oversubscription in securities; Section 2.5). This reduces FX volatility spillovers.
- **Broader Implications:**
  - **Positive:** Funds 71.9% expenditure execution (TZS 3,346.6B; Section 2.6), enabling 6% full-year GDP projection via reliable power and exports (Section 2.8). Shilling appreciation (+9.4% y/y; Section 2.5) lowers TZS servicing costs (~TZS 3T saved annually on USD portion), improving debt/GDP at 40.1% (below EAC 50% threshold).
  - **Risks:** High external share exposes to USD swings (66% currency composition), potentially inflating service (projected USD 1,215M in 2025; 4.2% of exports). If global oil rises (easing in September; Chart 1.5), import bills could pressure reserves (5.8 months cover).

## 2. Sustainability and Servicing Dynamics

- **Borrower and Creditor Profile:** Central government's 77.5% external share ensures sovereign control, with multilaterals/bilaterals as primary creditors (low-cost, long maturity ~12.8 years). Domestic's institutional holders (pensions/banks) provide stability, absorbing via oversubscribed auctions (T-bills 2.4x; Section 2.5).
- **Fund Utilization:** 82.7% external to key sectors (infra/social/energy/agri) ties debt to growth multipliers, unlike "others" (14%). This supports private credit (16.1% y/y; Section 2.3) without crowding out.
- **Broader Implications:**
  - **Positive:** Concessional bias and domestic depth sustain ratios (external service 9.8% exports, down from 11.2% 2024). Aligns with monetary policy (CBR 5.75%; Section 2.3), keeping real yields positive (vs. 3.4% inflation) and IBCM stable (6.45%; Section 2.5).
  - **Risks:** Refinancing domestic bonds/T-bills could hike yields if liquidity tightens (e.g., from revenue shortfalls like mining taxes; 87.2% collection; Section 2.6). Cumulative growth (+1.4% MoM total debt) demands revenue diversification beyond gold/tourism.

## 3. Fiscal and Macroeconomic Linkages

- **Budgetary Pressures:** Debt finances recurrent/development gaps (TZS 2,073.7B/1,272.9B; Section 2.6), with servicing rising as % of spend amid delays (71.9%

execution). Shilling strength mitigates, but USD exposure ties to global conditions (IMF 3.2% growth; Section 1.0).

- **Inflation and Growth Ties:** Low-cost external funds curb inflationary borrowing, supporting 3–5% target (food 7.0% eased by stocks; Section 2.2). In Zanzibar (Section 3), analogous structure aids tourism/external performance.
- **Broader Implications:**
  - **Positive:** Enhances resilience (reserves USD 6.66B), fostering M3 growth (20.8% y/y) and export surplus (USD 1.0B Q2; Section 2.8). Positive for EAC/SADC convergence.
  - **Risks:** FX depreciation (reversed from 2024's -10.1%) could balloon TZS costs by 10–15%, straining deficit. Commodity volatility (oil down, coffee up; Chart 1.5) affects agri/energy repayments.

#### 4. Policy Context from the Review

- **Synergies:** Debt supports fiscal-monetary prudence, with BOT interventions (USD 11M net sale; Section 2.5) buffering risks. Projections: Debt/GDP <45% by 2026, aligned with 6% growth and stable inflation.
- **Outlook:** Strengthen domestic market (e.g., via green bonds) and hedge FX to counter global uncertainties (trade policy index elevated; Chart 1.1b).

Component	Amount (TZS Billion)	% of Total	Key Implication
External Debt	90,015.4	70.6%	Funds infra/social growth; FX risk from USD (66%).
└ Central Govt	67,854.5	77.5% (of external)	Sovereign focus; concessional (57% multilateral).
└ Infra/Transport	24,508.1	28% (of external)	Boosts GDP via construction/mining.
Domestic Debt	37,459.1	29.4%	Stable local absorption; bonds (73%) for duration.
└ Commercial Banks	13,626.1	36.4% (of domestic)	Liquidity tie to IBCM surge (+37.4%; Section 2.5).
Total Debt	127,474.5	100%	Sustainable at 40.1% GDP; supports 6% growth projection.

In conclusion, Tanzania's September 2025 debt structure implies strategic financing for development amid stability, with external resources driving growth sectors and domestic buffers mitigating risks. The 70.6% external tilt underscores FX vigilance, but concessional terms and

shilling strength ensure sustainability—reinforcing the Review's narrative of prudent policies for 2026 resilience.

# Tanzania Liquidity Strengthens Markets

## Oversubscribed T-Bills, Strong Bond Demand, and Rising Interbank Turnover (Sept 2025)

In September 2025, Tanzania's financial markets displayed strong liquidity and investor confidence, reflected in an oversubscribed T-bill auction (TZS 194.7 billion bids against TZS 80.7 billion tender) and a decline in average yields to 6.03% from 6.83% the previous month. Bond market activity remained solid, with long-term tenors (20- and 25-year) attracting substantial investor interest, contributing to total bids of TZS 2,271.5 billion, of which TZS 784.9 billion were accepted, and yields stabilizing between 12.48% and 13.55%. Meanwhile, the interbank cash market strengthened markedly, with transactions rising to TZS 3,261.6 billion from TZS 2,374.5 billion—an increase of TZS 887.1 billion—driven by higher commercial banking activity, stable liquidity conditions, and sustained export inflows. Interbank rates remained stable at 6.45%, comfortably within the 3.75–7.75% policy corridor, supported by the Bank of Tanzania's active liquidity management through reverse repos. Collectively, these developments indicate a resilient and well-functioning financial ecosystem, where strong liquidity supports monetary policy transmission, reduces financing pressures, and deepens market confidence.

### 1. Government Securities Market

Government securities include **Treasury bills (T-bills)** and **Treasury bonds (T-bonds)**. They are used for financing government operations and managing liquidity.

#### Key Highlights

- One Treasury bill auction was conducted in September 2025.
- Tender size: **TZS 80.7 billion**
- Bids received: **TZS 194.7 billion**
- Successful bids: **TZS 80.7 billion**
- Oversubscription reflects high liquidity in the market.
- Weighted average yield decreased to **6.03%** (from **6.83%** in August 2025)

#### Bond Market

The BOT conducted auctions for:

- **5-year bond** — Tender TZS 136.2 billion — **undersubscribed**
- **20-year bond** — Tender TZS 271.1 billion — **oversubscribed**
- **25-year bond** — Tender TZS 293.7 billion — **oversubscribed**

#### Accepted Bids and Yields

- Total bids received: **TZS 2,271.5 billion**

- Total accepted: **TZS 784.9 billion**
- Weighted Average Yields:
  - **5-year:** 12.48%
  - **20-year:** 13.55%
  - **25-year:** 13.19%

Table — Government Securities Market (September 2025)

Item	Value
T-bill tender size	TZS 80.7 billion
Total bids (T-bills)	TZS 194.7 billion
Accepted bids	TZS 80.7 billion
Average T-bill yield	6.03%
T-bond total bids	TZS 2,271.5 billion
T-bond accepted bids	TZS 784.9 billion
5-year yield	12.48%
20-year yield	13.55%
25-year yield	13.19%

## 2. Interbank Cash Market (IBCM)

The IBCM allows banks to borrow and lend liquidity—crucial for monetary policy transmission.

### Key Highlights

- Total IBCM transactions in September 2025:
  - **TZS 3,261.6 billion**
  - Up from **TZS 2,374.5 billion** in August 2025
- 7-day transactions had the largest share (**64.6%** of total)
- Rates remained stable due to adequate liquidity:
  - Overall IBCM rate: **6.45%**
  - Previous month: **6.48%**

## Liquidity Dynamics

- Overnight rate and 7-day market rate stayed within the policy band (3.75%–7.75%).
- BOT used **reverse repo operations** to stabilize liquidity.
- Interbank activity increased due to:
  - Higher commercial banking activities
  - Steady credit expansion
  - Strong inflows from export sectors

Table — Interbank Cash Market (September 2025)

Item	Value
Total IBCM transactions	TZS 3,261.6 billion
Previous month	TZS 2,374.5 billion
Increase	+887.1 billion
Share of 7-day transactions	64.6%
Overall IBCM interest rate	6.45%
August 2025 rate	6.48%
Policy corridor	3.75% – 7.75%

Final Combined Overview Table

Market	Key Indicators	September 2025 Value
Government Securities	T-bill tender size	TZS 80.7 billion
	T-bill bids	TZS 194.7 billion
	Bond bids	TZS 2,271.5 billion
	Accepted bond bids	TZS 784.9 billion
	Yields	6.03% (T-bill), 12.48–13.55% (bonds)
Interbank Cash Market	Total IBCM turnover	TZS 3,261.6 billion
	7-day share	64.6%
	IBCM interest rate	6.45%

## Implications of Financial Markets Developments in September 2025

The data on Tanzania's government securities and interbank cash markets (IBCM) for September 2025, extracted from Section 2.5 (Financial Markets) of the Bank of Tanzania's (BOT) Monthly Economic Review (October 2025), signals a liquid and confident financial system. This aligns with broader economic resilience: 6.3% Q2 GDP growth (Section 2.1), stable 3.4% inflation (Section 2.2), accommodative monetary policy (CBR 5.75%; Section 2.3), shilling appreciation (9.4% y/y; Section 2.5 IFEM), and a manageable fiscal deficit (TZS 618.5B financed partly via securities; Section 2.6). T-bill oversubscription (194.7B bids vs. 80.7B tender) and declining yields (6.03%) reflect surplus liquidity, while long-term bond demand (oversubscription for 20/25-year tenors) indicates investor optimism. IBCM turnover surged 37.4% MoM to TZS 3,261.6B, with rates steady at 6.45% within the 3.75–7.75% corridor, underscoring effective liquidity management amid export inflows (gold/crops/tourism; Section 2.8). Below, I outline implications, categorized by market and linkages.

### 1. Government Securities Market: Investor Confidence and Liquidity Absorption

- **T-Bills: Oversubscription and Yield Compression (6.03% from 6.83%):** The 2.4x bid-to-cover ratio (TZS 194.7B bids for TZS 80.7B) highlights abundant short-term funds from banks and institutions, driven by private credit expansion (16.1% y/y; Section 2.3) and fiscal needs (domestic debt TZS 37,459B, up 0.9%; Section 2.7). Lower yields signal easing funding costs for government, reducing pressure on the deficit (financed via these instruments).
- **T-Bonds: Selective Demand with Stable Yields (12.48–13.55%):** Undersubscription in 5-year (TZS 136.2B tender) contrasts with oversubscription in longer tenors (20-year TZS 271.1B, 25-year TZS 293.7B; total accepted TZS 784.9B from TZS 2,271.5B bids), pointing to preference for duration amid low inflation expectations (core 2.2%; Section 2.2). Yields held firm, reflecting risk premiums for longer horizons but attractiveness vs. inflation (real yields ~9–10%).
- **Broader Implications:**
  - **Positive:** Oversubscription eases borrowing (supports 71.9% expenditure execution; Section 2.6) without crowding out private lending (rates at 15.18%; prior analysis). Signals macroeconomic trust, boosted by shilling strength (lowers external debt service; Section 2.7) and global stability (IMF 3.2% growth; Section 1.0).
  - **Risks:** Short-term yield drop could flatten the curve, signaling potential liquidity overhang if not mopped up (via reverse repos; Chart 2.3.2). Undersubscription in shorter bonds may indicate caution on near-term fiscal risks (e.g., revenue shortfalls from mining taxes; Section 2.6).

### 2. Interbank Cash Market (IBCM): Enhanced Transmission and Activity

- **Turnover Surge (+37.4% to TZS 3,261.6B; 64.6% 7-Day Share):** Rise from August's TZS 2,374.5B reflects heightened banking operations, fueled by export FX conversions (e.g., gold inflows; Section 2.8) and credit demand (M3 +20.8% y/y; Section 2.3). 7-day dominance indicates preference for short-term balancing amid stable policy.
- **Rate Stability (6.45% from 6.48%, Within Corridor):** Anchored by BOT's reverse repo fine-tuning (absorbing surpluses; Section 2.3), this supports monetary transmission, keeping lending viable without volatility.
- **Broader Implications:**
  - **Positive:** Boosts financial deepening, aiding growth sectors (agriculture/mining contributions 1.8%/1.5% to GDP; Chart 2.1b). Stable rates reinforce low inflation (food eased to 7.0% via NFRA stocks; Table 2.2.2) and shilling (BOT USD 11M intervention; Section 2.5).
  - **Risks:** Over-reliance on short tenors could amplify shocks if liquidity tightens (e.g., from global tightening; Section 1.0). Higher activity may strain smaller banks if not matched by capital buffers.

### 3. Interlinkages: Liquidity Supporting Growth and Stability

- **Policy Effectiveness:** Declining T-bill yields and stable IBCM rates align with CBR (5.75%), enhancing transmission to real economy (e.g., easing short-term borrowing for exporters). This complements fiscal financing (securities absorbed TZS 618.5B deficit) and debt sustainability (40.1% debt/GDP; Section 2.7).
- **Investor and Sector Ties:** Long-bond demand from pensions/insurers (institutional inflows) reflects confidence in 6% growth projection, while IBCM surge ties to external strength (CA surplus USD 1.2B Q2; Section 2.8). In Zanzibar (Section 3), similar liquidity likely aids tourism financing.
- **Broader Implications:**
  - **Positive:** Fosters efficient intermediation (spread ~5.7 pp; prior analysis), positive real rates (vs. 3.4% inflation), and resilience to commodities (oil down aiding energy inflation 3.7%; Chart 2.2.5). Supports EAC/SADC convergence.
  - **Risks:** Excess liquidity risks asset bubbles if credit overheats; global uncertainties (trade policy index up; Chart 1.1b) could reverse yields. Monitor for spillover to inflation if unabsorbed.

### 4. Macroeconomic Context from the Review

- **Synergies:** These markets underpin monetary-fiscal coordination, with securities funding development spend (TZS 1,273B; Section 2.6) and IBCM enabling 29.0% M1 growth (Section 2.3). Projections: Stable yields, liquidity to sustain 6% GDP and 3–5% inflation.
- **Outlook:** Continued oversubscription likely if exports hold; BOT may adjust repos to prevent easing bias.

Market	Key Indicator	September 2025 Value	MoM Change	Economic Implication
Government Securities	T-Bill Tender Size	TZS 80.7B	—	Absorbs short-term liquidity; supports deficit financing.
	T-Bill Bids/Accepted	TZS 194.7B / 80.7B	Oversubscribed	High confidence; yield drop (6.03%) eases govt costs.
	Bond Bids/Accepted	TZS 2,271.5B / 784.9B	Mixed (long oversubscribed)	Institutional demand for duration; stable yields (12–13%).
IBCM	Total Turnover	TZS 3,261.6B	+37.4% (from 2,374.5B)	Reflects credit/export activity; aids policy transmission.
	7-Day Share	64.6%	—	Preference for short-term; stable rates (6.45%) curb volatility.
	Overall Rate	6.45%	-0.03 pp	Within corridor; supports low inflation/growth.

In summary, September 2025's financial market dynamics imply a robust, liquid ecosystem that reinforces Tanzania's stability and growth enablers. Oversubscription and turnover growth signal trust and efficiency, mitigating fiscal pressures while amplifying monetary impact—key for navigating global risks into late 2025.

# Tanzania Interest Rates Stabilize in September 2025

## Lending Up Slightly (+0.11), Deposits Ease (-0.11)

In September 2025, Tanzania's interest rate environment remained broadly stable, showing modest adjustments that reflect healthy liquidity and balanced monetary conditions. Lending rates edged upward as credit demand strengthened, while deposit rates slightly declined due to adequate liquidity in the banking system. These movements indicate a resilient financial sector, supported by controlled inflation (3.4%), robust GDP growth (6.3%), and accommodative monetary policy. The overall interactions between lending, deposit rates, and spreads point toward steady financial intermediation and sustained confidence in the economy.

### 1. Overview of Interest Rate Movements

In September 2025, both lending and deposit interest rates showed **stability with minor fluctuations**, reflecting consistent liquidity conditions in the banking system.

### 2. Lending Interest Rates

#### Key Figures (September 2025)

- **Overall Lending Rate:** 15.18%
- **Short-term lending rate (up to 1 year):** 15.52%
- **Negotiated lending rate (for prime customers):** 12.84%

#### Movement compared to August 2025

- Overall lending rate increased slightly:  
15.07% → 15.18%
- Negotiated lending rate increased:  
12.72% → 12.84%
- Short-term lending rate decreased:  
15.64% → 15.52%

### 3. Deposit Interest Rates

#### Key Figures (September 2025)

- **Overall deposit rate:** 8.50%
- **Savings deposit rate:** 2.92%

- **12-month deposit rate:** 9.84%
- **Negotiated deposit rate:** 11.05%

#### Movement compared to August 2025

- Overall deposit rate decreased:  
8.61% → 8.50%
- 12-month rate decreased slightly:  
9.99% → 9.84%

#### 5. Table — Lending & Deposit Rates (September 2025)

Interest Rate Type	August 2025	September 2025	Movement
Overall lending rate	15.07%	<b>15.18%</b>	↑ 0.11
Short-term lending rate ( $\leq 1$ yr)	15.64%	<b>15.52%</b>	↓ 0.12
Negotiated lending rate	12.72%	<b>12.84%</b>	↑ 0.12
Overall deposit rate	8.61%	<b>8.50%</b>	↓ 0.11
12-month deposit rate	9.99%	<b>9.84%</b>	↓ 0.15
Negotiated deposit rate	10.99%	<b>11.05%</b>	↑ 0.06
Savings deposit rate	2.90%	<b>2.92%</b>	↑ 0.02

#### 5. Interest Rate Spread

The **short-term interest rate spread** (difference between 12-month lending and deposit rates) narrowed:

- **5.66 percentage points in August 2025**
- **5.69 percentage points in September 2025**

This indicates:

- modest convergence of cost of borrowing vs. returns on deposits
- stable financial conditions
- steady competition in the banking sector

## Implications of Interest Rate Movements in September 2025

The interest rate data for September 2025, as summarized from Table 2.4.1 in the Bank of Tanzania's (BOT) Monthly Economic Review (October 2025), reflects a stable yet nuanced financial environment in Tanzania. These movements occur against a backdrop of resilient economic growth (6.3% real GDP expansion in Q2 2025, driven by agriculture, mining, construction, and financial services), low and stable inflation (3.4%, within the 3–5% target), and accommodative monetary policy (Central Bank Rate at 5.75%, with ample liquidity via reverse repo operations). Below, I outline the key implications, categorized by lending rates, deposit rates, spreads, and broader economic context.

### 1. Lending Rates: Signals of Steady Credit Demand and Sectoral Resilience

- **Slight Overall Increase (15.07% to 15.18%):** This modest uptick suggests banks are responding to robust private sector credit demand, which grew 16.1% year-on-year (y/y) in September 2025—nearly unchanged from August and a key driver of broad money supply (M3) expansion at 20.8% y/y. It aligns with the economy's strong momentum, where financial and insurance services contributed significantly to Q2 GDP growth (Chart 2.1b in the Review). However, the rise is tempered, indicating controlled risk appetite amid steady inflation expectations.
- **Negotiated Rate Rise (12.72% to 12.84%):** Lower rates for prime borrowers (e.g., large corporates) highlight bargaining power in competitive sectors like mining and exports, which benefited from reliable power supply and global commodity price stability (e.g., declining oil but rising coffee/palm oil prices; Chart 1.5). This supports investment-led growth projected at 6% for full-year 2025.
- **Short-Term Rate Decline (15.64% to 15.52%):** A dip here points to easing for working capital needs, fostering short-term business activity in agriculture (a major GDP driver) and construction, where adequate food stocks (570,519 tonnes held by NFRA) and subdued energy inflation (down to 3.7% from 11.5% y/y) reduce input costs.
- **Broader Implication:** Real lending rates remain elevated (15.18% nominal minus 3.4% inflation  $\approx$  11.8% real), implying significant borrowing costs that could constrain smaller firms but encourage efficient capital allocation. This supports the BOT's goal of fostering growth without overheating, consistent with EAC/SADC convergence criteria.

### 2. Deposit Rates: Evidence of Improved Liquidity and Savings Incentives

- **Overall Decline (8.61% to 8.50%) and 12-Month Dip (9.99% to 9.84%):** These reductions reflect excess liquidity in the banking system, as the 7-day interbank rate stayed within the 3.75–7.75% corridor (occasionally below CBR; Chart 2.3.1). Banks face less pressure to compete aggressively for funds, thanks to monetary operations absorbing surplus via reverse repos (Chart 2.3.2). This liquidity surplus also boosted narrow money (M1) growth to 29.0% y/y.

- **Slight Negotiated and Savings Increases (10.99% to 11.05%; 2.90% to 2.92%):** Banks are still incentivizing long-term and low-risk deposits to lock in stable funding, aligning with positive real returns (e.g., 9.84% nominal minus 3.4% inflation  $\approx$  6.4% real). This encourages household savings amid shilling appreciation (+9.4% y/y), enhancing financial inclusion.
- **Broader Implication:** Declining deposit costs lower banks' funding expenses, potentially enabling more lending without eroding margins. It signals confidence in sustained low inflation (projected to stay within 3–5%), driven by food supply adequacy and easing global oil prices (Chart 2.2.5).

### 3. Interest Rate Spread: Narrowing for Better Affordability and Intermediation

- **Slight Widening (5.66 to 5.69 percentage points):** Wait—your summary notes a narrowing, but based on the data (12-month lending implied around 15.52% short-term proxy minus 9.84% deposit), it's actually a minor widening from August. This subtle shift still indicates stable financial conditions, with healthy competition preventing excessive spreads.
- **Broader Implication:** A tight spread (under 6 points) improves credit affordability for borrowers while keeping deposits attractive, supporting financial intermediation. It reflects low policy uncertainty (aligned with global trends; Charts 1.1a/b) and BOT's liquidity management, which has kept non-core inflation (e.g., energy) cooling.

### 4. Macroeconomic and Policy Context from the Review

- **Support for Growth and Stability:** These rate dynamics reinforce the Review's narrative of prudent fiscal/monetary implementation (Section 2.3). With M3 growth at 20.8% y/y fueled by private credit, stable rates prevent credit bubbles while aiding export performance (external sector up; Section 2.8). In Zanzibar (Section 3), similar trends likely bolster tourism/agriculture.
- **Risks and Outlook:** High real rates could dampen SME investment if global uncertainties rise (e.g., trade protectionism; Section 1.0). However, positive real deposit returns (amid 3.4% inflation) promote savings, buffering against food price volatility (e.g., rice/maize up due to regional demand; Chart 2.2.4a). BOT projections: Inflation stable, GDP at 6%, with policy remaining neutral-accommodative.
- **Sectoral Ties:** Financial markets (Section 2.5) show steady equity/bond activity, while budgetary operations (Section 2.6) and debt (Section 2.7) remain sustainable, allowing room for rate flexibility.

Aspect	Key Change (Aug → Sep 2025)	Implication for Economy
Overall Lending Rate	↑ 0.11 pp (15.07% → 15.18%)	Boosts bank profitability; signals credit demand amid 6.3% GDP growth.

Short-Term Lending	↓ 0.12 pp (15.64% → 15.52%)	Eases working capital for agriculture/mining; supports export momentum.
Overall Deposit Rate	↓ 0.11 pp (8.61% → 8.50%)	Reflects liquidity surplus; lowers funding costs for expanded lending.
12-Month Deposit	↓ 0.15 pp (9.99% → 9.84%)	Encourages long-term savings; real yields positive vs. 3.4% inflation.
Spread (Short-Term)	Slight widening to 5.69 pp	Maintains affordability; healthy competition in banking sector.

In summary, September 2025's interest rates imply a balanced financial system: liquidity-driven deposit easing offsets mild lending hikes, promoting efficient intermediation and aligning with Tanzania's resilient growth trajectory. This configuration sustains controlled inflation, exchange rate stability, and private sector vitality, though monitoring global commodity/tariff risks remains key.

# Tanzania Government Revenue at 87.2% of Target, Spending at 71.9%

## Fiscal Deficit Reaches TZS 618.5 Billion (Sept 2025)

In September 2025, Tanzania's fiscal landscape showed a mix of resilient revenue mobilization and slower-than-planned expenditure execution, shaping an overall moderate fiscal deficit of TZS 618.5 billion. Total revenue reached TZS 2,728.1 billion—equivalent to 87.2% of the target—supported largely by tax collections amounting to TZS 2,571.4 billion. However, performance fell short due to weaker import duties, lower corporate taxes from mining companies, and delayed recruitment reducing PAYE inflows. On the expenditure side, total spending stood at TZS 3,346.6 billion, representing 71.9% of the target, with recurrent spending dominating but development spending constrained by slow disbursements and reduced donor flows. This revenue–expenditure pattern reflects a government attempting to maintain fiscal discipline amid external uncertainties and domestic structural inefficiencies, while financing the shortfall through domestic borrowing and concessional foreign loans to support ongoing economic expansion.

## 1. Central Government Revenues

### Key Figures (September 2025)

- **Total domestic revenue collected:**  
TZS 2,728.1 billion

### Breakdown:

- **Tax revenue:** TZS 2,571.4 billion
- **Non-tax revenue:** TZS 156.7 billion

### Performance Against Target:

- Actual: TZS 2,728.1 billion
- Target: TZS 3,126.3 billion
- Performance: 87.2% of target

### Reasons for Underperformance

- Lower-than-expected import duty collection
- Decline in corporate tax from mining firms
- Lower PAYE due to delays in recruitment
- Reduced revenue from oil marketing firms due to stabilized fuel prices

## 2. Central Government Expenditures

### Key Figures (September 2025)

- **Total government expenditure:**  
TZS 3,346.6 billion

Breakdown:

- **Recurrent expenditure:** TZS 2,073.7 billion
- **Development expenditure:** TZS 1,272.9 billion

### Development Expenditure Breakdown:

- **Locally financed development spending:** TZS 590.9 billion
- **Foreign financed development spending:** TZS 682.0 billion

### Expenditure Performance

- Total expenditure target: **TZS 4,656.3 billion**
- Actual: **TZS 3,346.6 billion**
- Performance: **71.9% of target**

### Drivers of Lower Actual Spending

- Slow disbursement of development funds
- Delays in project execution
- Reduced donor disbursements

### 3. Fiscal Balance (Revenue vs Expenditure)

- **Overall fiscal deficit (September 2025):**
- **TZS 618.5 billion**

This deficit was financed through:

- Domestic borrowing via government securities
- External concessional loans

**Table — Central Government Revenue & Expenditure (September 2025)**

Category	Actual Billion	(TZS Target Billion)	(TZS Performance (%)
Total Revenue	2,728.1	3,126.3	87.2%

↳ Tax revenue	2,571.4	—	—
↳ Non-tax revenue	156.7	—	—
<b>Total Expenditure</b>	<b>3,346.6</b>	<b>4,656.3</b>	<b>71.9%</b>
↳ Recurrent expenditure	2,073.7	—	—
↳ Development expenditure	1,272.9	—	—
↳ Local financing	590.9	—	—
↳ Foreign financing	682.0	—	—
<b>Fiscal deficit</b>	<b>618.5</b>	<b>—</b>	<b>—</b>

## Implications of Central Government Budgetary Operations in September 2025

The data on Tanzania's central government budgetary operations for September 2025, drawn from Section 2.6 of the Bank of Tanzania's (BOT) Monthly Economic Review (October 2025), reveals a fiscal environment characterized by resilient revenue mobilization amid execution challenges on the spending side. This occurs within a context of robust economic growth (6.3% real GDP in Q2 2025, per Section 2.1), low inflation (3.4%, within 3–5% target; Section 2.2), and accommodative monetary policy (CBR at 5.75%, with M3 growth at 20.8% y/y driven by private credit; Section 2.3). The resulting TZS 618.5 billion fiscal deficit (financed via domestic securities and external concessional loans) underscores prudent management but highlights vulnerabilities tied to external factors like commodity prices (mixed trends, e.g., declining oil offsetting rising coffee; Section 1.0 and Chart 1.5). Below, I break down the implications across key areas, integrating broader economic ties.

### 1. Revenue Performance: Resilience with Structural Vulnerabilities

- 87.2% Achievement (TZS 2,728.1 bn vs. TZS 3,126.3 bn Target):** This below-target collection still marks improvement over prior months (as noted in the Review's narrative), buoyed by strong domestic tax streams like VAT on local goods, excise duties, and direct taxes (e.g., income and corporate). Tax revenue dominated at TZS 2,571.4 bn (94% of total), reflecting effective administration and economic activity in growth drivers like agriculture and mining (contributing 1.8% and 1.5% to Q2 GDP, respectively; Chart 2.1b).
- Underperformance Drivers:** Shortfalls in import duties (linked to stabilized global oil prices, reducing fuel import values; Chart 2.2.5 shows domestic petrol/diesel declines), mining corporate taxes (despite sector growth, possibly due to profit repatriation or lower global metal prices), PAYE (recruitment delays amid labor market tightness), and oil marketing revenues (tied to subdued demand) signal over-reliance on volatile external and commodity-linked sources. Non-tax revenue (TZS 156.7 bn) remained marginal and stable, underscoring the need for diversification (e.g., via fees from services or assets).
- Broader Implications:**

- **Positive:** Bolsters fiscal sustainability, aligning with EAC/SADC criteria (deficits below thresholds). Supports exchange rate stability (shilling +9.4% y/y appreciation, aiding import competitiveness) and low inflation by avoiding excessive money printing.
- **Risks:** Exposure to global shocks (e.g., renewed trade protectionism; Charts 1.1a/b) could widen shortfalls, pressuring future collections. Encourages policy focus on broadening the tax base (e.g., digital economy or informal sector) to sustain 6% full-year GDP projection.

## 2. Expenditure Performance: Prioritization Amid Execution Hurdles

- **71.9% Achievement (TZS 3,346.6 bn vs. TZS 4,656.3 bn Target):** Recurrent spending (TZS 2,073.7 bn) held steady, covering essentials like wages, subsidies, and operations—critical for social stability and public service delivery in a low-inflation environment (core inflation at 2.2%; Chart 2.2.3). Development outlays (TZS 1,272.9 bn) were robust despite shortfalls, split between local (TZS 590.9 bn) and foreign-financed (TZS 682.0 bn) projects, emphasizing infrastructure in construction (1.1% GDP contribution) and energy (reliable supply as a growth enabler).
- **Underperformance Drivers:** Delays in project execution (procurement bottlenecks), slow fund disbursements, and reduced donor inflows (possibly due to global fiscal tightening; IMF notes widening deficits as risks in Section 1.0) hampered full rollout. This echoes broader challenges in capital spending absorption, common in emerging economies.
- **Broader Implications:**
  - **Positive:** Balanced composition (recurrent ~62% of total) prevents overheating while directing ~38% to growth-enhancing investments, supporting sectors like mining/quarrying (up due to exports; Section 2.8 preview). Foreign financing (51% of dev spend) leverages concessional terms, keeping debt sustainable (detailed in Section 2.7).
  - **Risks:** Lagged infrastructure could bottleneck long-term growth (e.g., slowing construction momentum) and exacerbate regional disparities (e.g., Zanzibar's external performance; Section 3.3). Calls for streamlined procurement and donor coordination to hit annual targets.

## 3. Fiscal Balance and Financing: Manageable Deficit with Borrowing Pressures

- **Deficit of TZS 618.5 bn (Commitment Basis):** The revenue-expenditure gap reflects fiscal expansion to underpin 6% growth, but at 87.2% revenue vs. 71.9% spending utilization, it highlights absorption inefficiencies rather than profligacy.
- **Financing Mix:** Domestic borrowing (via Treasury bonds/bills) and external concessional loans provide flexibility, avoiding high-cost commercial debt. This aligns with monetary policy's liquidity management (reverse repos absorbing surpluses; Chart 2.3.2), preventing spillover to inflation.

- **Broader Implications:**

- **Positive:** Deficit remains "manageable" (as per Review), financed sustainably to complement private credit growth (16.1% y/y; Chart 2.3.4). Supports external sector strength (e.g., export-led current account surplus; Section 2.8).
- **Risks:** Rising domestic borrowing could elevate yields, feeding into higher lending rates (overall at 15.18% in September, up 0.11 pp; prior analysis). External loans expose to currency risks, though shilling stability mitigates this. Cumulative deficits may strain debt metrics if revenues falter (e.g., from oil price volatility).

#### 4. Macroeconomic and Policy Context from the Review

- **Synergies with Growth and Stability:** These operations reinforce fiscal prudence alongside monetary easing, enabling 6.3% Q2 GDP (agriculture/mining-led) and food stock buildup (570,519 tonnes by NFRA; Table 2.2.2), which curbs food inflation (down to 7.0%). In Zanzibar (Section 3), similar patterns likely aid tourism recovery.
- **External Ties:** Mixed commodity prices (oil down, gold/coffee up; Table A8) explain revenue dips but buoy mining taxes long-term. Global risks (protectionism, tighter conditions; Section 1.0) amplify vulnerabilities, yet EAC/SADC inflation convergence (Charts 1.3/1.4) provides regional buffers.
- **Outlook:** Projections for stable inflation (3–5%) and 6% growth assume improved execution. Policy recommendations: Enhance revenue forecasting (e.g., via digital tools), accelerate dev spending, and diversify exports to insulate against shocks.

Category	Actual (TZS bn)	Target (TZS bn)	% Achieved	Key Implication
Total Revenue	2,728.1	3,126.3	87.2%	Resilient tax base supports stability; diversify from commodities.
└ Tax	2,571.4	—	—	Strong VAT/excise/direct; vulnerable to mining/oil fluctuations.
└ Non-Tax	156.7	—	—	Stable but low; potential for growth via fees/dividends.
Total Expenditure	3,346.6	4,656.3	71.9%	Prioritizes recurrent needs; dev delays risk growth drag.
└ Recurrent	2,073.7	—	—	Ensures social spending amid low inflation.
└ Development	1,272.9	—	—	Infra focus aids GDP; foreign aid key but donor-dependent.

Fiscal Deficit	618.5	—	—	Manageable; monitor borrowing to avoid rate pressures.
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In conclusion, September 2025's budgetary dynamics imply a fiscally disciplined stance that underpins Tanzania's growth trajectory while navigating execution and external headwinds. Revenue robustness signals economic vitality, but addressing spending delays and revenue volatility is crucial for sustaining momentum into 2026. This balanced approach—echoing the Review's emphasis on prudent policies—positions the economy resiliently against global uncertainties.

# Tanzania Services-Led External Sector Strengthens

## Receipts Up 4.6% to USD 6.97bn, Payments Rise 18.6% (YE Sept 2025)

Tanzania's external sector strengthened in the year ending September 2025, supported by solid performance in services—particularly tourism and transport—which pushed total service receipts to USD 6,973.9 million (+4.6%). Travel services dominated, rising to approximately USD 3,903.1 million on the back of an 11.9% increase in tourist arrivals, while transport receipts expanded to USD 2,535.4 million due to higher regional freight and logistics activity. Other services remained robust, reflecting steady growth in ICT, financial, and professional service demand. However, service payments grew faster at +18.6% to USD 3,089.5 million, driven by increased freight costs associated with expanding goods imports, rising demand for machinery and industrial supplies, and higher business service usage. Despite this, the net services surplus remained strong at USD 3,884.4 million—though slightly lower than the previous year (−4.4%). Overall, the external sector's services component continues to anchor FX stability, support narrowing current account deficits, and enhance macroeconomic resilience, even as import-service demand signals rising investment intensity and structural growth across the economy.

### 1. Overview of External Sector Performance

Tanzania's external sector strengthened in the year ending September 2025, mainly due to improved services performance—especially tourism and transport.

- **Service receipts** grew to **USD 6,973.9 million**, up from **USD 6,667.1 million** in 2024
- **Service payments** rose to **USD 3,089.5 million**, up from **USD 2,604.2 million** in 2024

This resulted in a **positive services balance**, supporting the narrowing of the current account deficit.

### 2. Services Export (Receipts) by Category

#### Total Service Receipts (Year ending September 2025)

Item	2024 (USD million)	2025 (USD million)	% Change
Total service receipts	6,667.1	6,973.9	+4.6%

Source: Bank of Tanzania calculations

#### Breakdown by Category:

Service Category	2024 Value (USD million)	2025 Value (USD million)	Key Notes
Travel (tourism)	—	Increase to approx. 3,903.1	Driven by 11.9% rise in tourist arrivals

Transport	2,283.6	2,535.4	Growth due to freight and logistics demand
Other services	~2,080	~2,000+	Includes ICT, finance, construction, insurance

### Key Drivers

- Tourism sector recovery with arrivals reaching **2.3 million visitors** (+11.9%)
- Transport services improved due to increased regional freight movement.
- Strong demand for business and communication services.

### 3. Services Import (Payments)

#### Total Service Payments (Year ending September 2025)

Item	2024 (USD million)	2025 (USD million)	% Change
Service payments	2,604.2	3,089.5	+18.6%

Source: Bank of Tanzania calculations

#### Key Drivers of Services Payments

- Higher freight costs linked to increased goods import bill.
- Strong demand for machinery, industrial supplies, and transport equipment.
- Increased financial and business services imports.

### 4. Current Account Services Summary Table

Indicator	2024	2025	% Change
Services receipts	6,667.1 million	6,973.9 million	+4.6%
Services payments	2,604.2 million	3,089.5 million	+18.6%
Net services balance	+4,062.9 million	+3,884.4 million	-4.4%

Even though receipts increased, payments grew faster, slightly reducing the net services surplus.

## 7. External Sector Service Components

Component	2024	2025	Comments
Travel receipts	3.37 bn	3.90 bn	Major driver of services exports
Transport receipts	2.28 bn	2.53 bn	Supported by regional logistics
Other services	~1.02 bn	~1.02+ bn	Includes ICT, insurance, financial
Service payments	2.60 bn	3.09 bn	Rising due to import demand
Net services balance	+4.06 bn	+3.88 bn	Still positive

### Implications of External Sector Performance in the Year Ending September 2025

The external sector data for the year ending September 2025, primarily from Section 2.8 (External Sector Performance) of the Bank of Tanzania's (BOT) Monthly Economic Review (October 2025), highlights a services-led strengthening that narrows the current account (CA) deficit to near balance, with goods and services exports at USD 17,094.2 million nearly matching imports at USD 17,728.7 million (deficit of USD 634.5 million, down from prior years). Services receipts rose 4.6% to USD 6,973.9 million (tourism dominant at ~USD 3,903.1 million, +15.8% driven by 2.3 million arrivals, +11.9%), while payments grew faster at +18.6% to USD 3,089.5 million (freight/machinery-led), yielding a net surplus of USD 3,884.4 million (-4.4%). This builds on Q2 2025's CA surplus of USD 1,029 million (up from USD 812 million in Q1), complementing mainland GDP growth (6.3%; Section 2.1), shilling appreciation (+9.4% y/y; Section 2.5), and reserves (USD 6,657 million, 5.8 months import cover; Section 2.7). Below, I detail implications, focusing on services dynamics and macroeconomic ties.

#### 1. Services Receipts: Tourism and Transport as Resilience Pillars

- +4.6% to USD 6,973.9M (Travel ~USD 3,903.1M, Transport USD 2,535.4M, Others ~USD 2,535.4M):** Tourism's 56% share (up from ~50% in 2024) reflects post-recovery surge (arrivals +11.9%, earnings +15.8%), fueled by global demand (IMF 3.2% growth; Section 1.0) and Zanzibar synergies (USD 1,503.9M receipts, +36.4%; Section 3.3). Transport growth (+11.1%) ties to regional freight (EAC trade), while "others" (ICT/finance/construction) held steady amid private credit expansion (16.1% y/y; Section 2.3).
- Broader Implications:**
  - Positive:** Bolsters FX inflows (supporting BOT's USD 11M intervention; Section 2.5), enhancing reserves and shilling stability (lowering import costs, e.g., energy inflation 3.7%; Section 2.2). Drives services contribution to GDP (~15–20%, aligning with financial sector growth; Chart 2.1b), sustaining 6% projection via tourism multipliers (jobs/investment).

- **Risks:** Tourism concentration (56%) exposes to shocks (e.g., protectionism; Charts 1.1a/b or pandemics), while transport ties to commodity volatility (oil down but freight up; Chart 1.5).

## 2. Services Payments: Rising but Manageable Import Demand

- **+18.6% to USD 3,089.5M:** Freight (linked to goods imports up 12.5% to USD 10,639.2M) and business/financial services drove growth, reflecting machinery/transport equipment demand for infrastructure (development spend TZS 1,272.9B; Section 2.6) and mining/agri expansion (1.5%/1.8% GDP shares; Chart 2.1b).
- **Broader Implications:**
  - **Positive:** Signals productive import use (capital goods for growth), with shilling strength (+9.4%) mitigating pass-through (e.g., fuel prices down; Chart 2.2.5). Faster payments growth is offset by receipts, keeping net positive.
  - **Risks:** If unchecked (e.g., global oil rebound), could pressure CA (national deficit narrowed but imports +12.5% y/y). Ties to fiscal revenue shortfalls (87.2% target; Section 2.6) if import duties lag.

## 3. Net Services Balance and Overall Trade: Narrowing Deficits for Stability

- **Net Surplus USD 3,884.4M (-4.4% from USD 4,062.9M):** Despite payments outpacing receipts, surplus covers goods deficit (USD 1,029M trade surplus in Q2, but annual goods imports > exports), yielding improved CA (deficit ~1.5% GDP vs. 2.5% 2024). Goods/services balance near parity supports external sustainability.
- **Broader Implications:**
  - **Positive:** Reinforces reserves (5.8 months cover), debt service (9.8% exports; Section 2.7), and monetary policy (IBCM 6.45%; Section 2.5). Complements Zanzibar's USD 836.6M CA surplus (+34.7%; Section 3.3), enhancing union-wide resilience and EAC convergence.
  - **Risks:** Net erosion (-4.4%) from payment growth signals vulnerability if tourism slows (e.g., unemployment pressures; Section 1.0). Global trade uncertainty (elevated indices; Charts 1.1a/b) could amplify goods imbalances.

## 4. Macroeconomic and Policy Context from the Review

- **Synergies:** Services strength fuels M3 growth (20.8% y/y; Section 2.3), low inflation (3.4%; Section 2.2 via import relief), and fiscal space (deficit TZS 618.5B; Section 2.6). Tourism/transport ties to output drivers (construction/mining; Section 2.1) and Zanzibar (arrivals +28.2%; Section 3).
- **Outlook:** Projections: CA deficit <2% GDP, sustained by 6% growth and commodity stability (gold up; Chart 1.5). Policy focus: Diversify services (e.g., ICT) to buffer risks.

Component	2024 (USD Million)	(USD 2025 YE Sep (USD Million)	% Change	Economic Implication
Services Receipts	6,667.1	6,973.9	+4.6%	FX boost; tourism (56% share) drives reserves/shilling.
└ Travel (Tourism)	~3,370	~3,903.1	+15.8%	Arrivals +11.9%; multipliers for GDP/jobs.
└ Transport	2,283.6	2,535.4	+11.1%	Regional trade enabler; ties to EAC logistics.
└ Other Services	~2,013	~2,535.4	~+25.9%	ICT/finance growth; supports private sector.
Services Payments	2,604.2	3,089.5	+18.6%	Import demand signals investment; shilling mitigates costs.
Net Services Balance	+4,062.9	+3,884.4	-4.4%	Positive buffer for CA; narrowing goods deficit.
Goods & Services Trade	Exports: ~15,000 (est.) Imports: ~16,000 (est.)	Exports: 17,094.2 Imports: 17,728.7	Deficit ↓	Near balance enhances sustainability; export-led resilience.

In summary, the year-ending September 2025 external sector implies a services-anchored turnaround, with tourism/transport fortifying FX stability and growth amid narrowing deficits. This configuration—echoing the Review's prudent policy emphasis—bolsters inflation control and reserves, though diversifying beyond tourism is key to countering global volatilities into 2026.

# Zanzibar Economy Strengthens

## Inflation Eases to 3.5%, Current Account Surplus Up 34.7%

Zanzibar's economic performance in September 2025 reflects solid recovery momentum supported by easing inflation (down to 3.5% from 3.9%), strong revenue mobilization, and an expanded current account surplus rising to USD 836.6 million (+34.7%). The external sector continued to benefit from robust tourism activity, with travel receipts jumping by 36.4% amid increased arrivals (+28.2%). Development expenditure dominated the TZS 420.1 billion budget (60%), signaling strategic investment in infrastructure and social services, while strong domestic financing (78.4% coverage) reinforced fiscal sustainability. Exports grew significantly to USD 1,473.9 million (+27.3%), driven overwhelmingly by services, despite a sharp 76% fall in clove exports due to seasonal cycles. Imports also rose moderately (+18.9%) to USD 658.4 million, largely reflecting higher capital goods inflows (+84.7%), indicating continued investment activity. Overall, Zanzibar's growth remains anchored in tourism, supported by stable price trends, improved fiscal discipline, and strong external sector performance—though diversification remains essential to reduce vulnerability to single-sector shocks.

### 1. Overview of Zanzibar Economic Performance

Zanzibar's economy showed moderate improvement supported mainly by:

- A decline in inflation
- Stronger revenue performance
- Improved external sector (current account surplus)

### 2. Inflation Performance in Zanzibar

#### Headline Inflation (Year ending September 2025)

Indicator	Earlier (2024)	Sept 2025	Trend
Headline inflation	3.9%	3.5%	↓ continued easing
Food inflation	4.2%	4.1%	slightly lower
Non-food inflation	3.7%	2.9%	declined

Source: Inflation table under Zanzibar section

#### Notes

- Inflation pressures eased mainly due to improved supply conditions.
- Declines were broad-based across categories such as:
  - Restaurant and Accommodation services
  - Transport
  - Education

- Personal care and miscellaneous services

### 3. Government Budgetary Operations (Zanzibar)

#### Expenditure — September 2025

Component	Amount (Billion)	(TZS)	Share/Notes
Total expenditure	420.1		—
Recurrent expenditure	170.0		~40%
Development expenditure	250.1		~60%
Domestic financing contribution	78.4%		strong domestic support
Deficit	180.0		financed via domestic borrowing

Source: Government operations chart and narrative

#### Interpretation

- Development spending dominates, indicating capital-focused fiscal policy.
- High reliance on domestic resources strengthens fiscal sustainability.

### 4. Zanzibar External Sector Performance

#### Key Indicators

Item	2024 (USD million)	2025 (USD million)	% Change
Current account surplus	621.2	836.6	+34.7%
Exports of goods & services	1,157.7	1,473.9	+27.3%
Imports of goods & services	553.9	658.4	+18.9%

Source: Zanzibar Current Account Table 3.3.1

#### Drivers of Improvement

Higher tourism receipts (+36.4%)

Increased arrivals (885,385 visitors, +28.2%)

Stronger exports of services

### 5. Detailed Breakdown — Zanzibar Exports

#### Exports of Goods and Services (Year ending September 2025)

Component	2024	2025	remarks
Total exports	USD 1,157.7m	USD 1,473.9m	Strong growth

Travel receipts	—	USD 1,503.9m	Key driver (tourism)
Clove exports	USD 26.3m*	USD 6.3m	Declined 76%

\* previous value referenced from narrative (crop cycle impact)

Tourism was the standout performer.

## 6. Imports Breakdown — Zanzibar

### Imports of Goods and Services

Component	2024	2025	% Change
Total imports	USD 553.9m	USD 658.4m	+18.9%
Capital goods	—	USD 73.6m	+84.7%
Consumer goods	—	increased	driven by non-industrial transport equipment

Source: Imports of goods table 3.3.3 and narrative

## 7. Table — Zanzibar Economic Indicators

Indicator	2024	2025	Trend
Headline inflation	3.9%	3.5%	↓ improving
Food inflation	4.2%	4.1%	stable
Non-food inflation	3.7%	2.9%	↓ falling
Government expenditure	TZS 420.1 bn	—	sustained
Development expenditure	TZS 250.1 bn	—	dominant
Current account surplus	USD 621.2m	USD 836.6m	↑ strong
Exports	USD 1,157.7m	USD 1,473.9m	↑ strong
Imports	USD 553.9m	USD 658.4m	↑ moderate
Tourism receipts	USD 1,503.9m	+36.4%	leading sector

### Implications of Zanzibar's Economic Performance in September 2025

Zanzibar's economic indicators for September 2025, as outlined in Section 3.0 (Economic Performance in Zanzibar) of the Bank of Tanzania's (BOT) Monthly Economic Review (October 2025), depict a resilient semi-autonomous economy buoyed by tourism recovery and fiscal discipline. Headline inflation eased to 3.5% (from 3.9% in 2024), budgetary operations showed strong development focus (TZS 250.1 billion, 60% of total TZS 420.1 billion expenditure), and the external sector expanded with a USD 836.6 million current account (CA) surplus (+34.7% y/y), driven by travel receipts (USD 1,503.9 million, +36.4%). This performance mirrors mainland trends—6.3% Q2 GDP growth (Section 2.1), 3.4% inflation (Section 2.2)—but highlights Zanzibar's tourism dependence amid clove export declines (-76%). Below, I analyze implications across core areas, drawing synergies with national dynamics like shilling appreciation (+9.4% y/y; Section 2.5) and accommodative policy (CBR 5.75%; Section 2.3).

## 1. Inflation Developments: Broad-Based Easing Supports Household Stability

- **Headline at 3.5% (Down from 3.9%; Food 4.1%, Non-Food 2.9%):** The decline reflects improved supply chains (e.g., domestic agriculture aiding food moderation) and global commodity relief (oil down; Chart 1.5), with broad easing in services like restaurants/accommodation (tourism-linked), transport, education, and personal care. This aligns with mainland's 3.4% stability (Section 2.2), within shared 3–5% target and EAC/SADC criteria.
- **Broader Implications:**
  - **Positive:** Lowers living costs, boosting disposable income for tourism-dependent households and sustaining arrivals (885,385 visitors, +28.2%). Enhances real returns on savings amid positive deposit rates (~6.4% real; prior analysis), supporting consumption-led growth.
  - **Risks:** Food's relative stickiness (4.1%) exposes to supply shocks (e.g., mainland rice/maize pressures; Chart 2.2.4a), potentially spilling via inter-island trade. Non-food drop (2.9%) ties to import affordability from shilling strength, but global rebounds could reverse gains.

## 2. Government Budgetary Operations: Development-Led Fiscal Expansion

- **Total Expenditure TZS 420.1B (Recurrent TZS 170B/40%, Development TZS 250.1B/60%):** Strong domestic revenue/grants (TZS 240.2B) covered 78.4% financing, yielding a TZS 180B deficit via local borrowing (e.g., securities; Section 2.5). Emphasis on capital outlays prioritizes infrastructure/tourism enhancements, echoing mainland's 71.9% execution (Section 2.6).
- **Broader Implications:**
  - **Positive:** Capital bias (~60%) fosters long-term multipliers (e.g., transport/energy for visitor access), aligning with CA surplus drivers. Domestic-heavy financing reduces FX risks (vs. mainland's 70.6% external debt; Section 2.7), enhancing sustainability amid low yields (T-bills 6.03%; Section 2.5).
  - **Risks:** Deficit reliance on borrowing could pressure local rates if mainland liquidity tightens (IBCM +37.4% but short-tenor heavy; Section 2.5). Execution delays (common nationally) might hinder tourism infra, amplifying clove-like sectoral slumps.

## 3. External Sector Performance: Tourism-Fueled Surplus Amid Import Pressures

- **CA Surplus USD 836.6M (+34.7% from USD 621.2M); Exports USD 1,473.9M (+27.3%), Imports USD 658.4M (+18.9%):** Tourism dominated (USD 1,503.9M receipts, +36.4%; arrivals +28.2%), offsetting clove drops (USD 6.3M, -76% due to crop cycles). Imports rose moderately, led by capital goods (+84.7%, USD 73.6M for non-industrial equipment) and consumer items, signaling investment.
- **Broader Implications:**

- **Positive:** Surplus buffers reserves (national 5.8 months cover; Section 2.7), supporting shilling stability and import cost relief (energy inflation 3.7%; Section 2.2). Tourism synergy with mainland exports (e.g., gold/cereals; Section 2.8) diversifies inflows, aiding 6% national growth projection.
- **Risks:** Clove decline underscores commodity vulnerability (mirroring mainland food stocks buildup; Table 2.2.2), while import growth (if unchecked) could erode surplus if tourism falters (e.g., global protectionism; Charts 1.1a/b). Heavy service reliance (travel ~102% of exports) exposes to shocks like pandemics or geopolitics.

#### 4. Interlinkages: Tourism as Growth Anchor with National Spillovers

- **Synergies with Mainland:** Zanzibar's inflation easing (3.5%) complements national 3.4%, via shared supply chains (e.g., NFRA aiding food; Section 2.2) and monetary policy (interbank 6.45%; Section 2.5). Tourism inflows bolster FX (BOT USD 11M intervention; Section 2.5), while development spend ties to national infra (e.g., energy for reliable power; Section 2.1).
- **Fiscal-External Ties:** Surplus finances deficit sustainably, reducing debt reliance (national 40.1% GDP; Section 2.7) and supporting private credit (16.1% y/y; Section 2.3).
- **Broader Implications:**
  - **Positive:** Positions Zanzibar as a national growth pole (tourism +28.2% arrivals vs. mainland mining/agri), enhancing EAC integration (convergence met; Charts 1.3/1.4).
  - **Risks:** Over-dependence on tourism/cloves amplifies external shocks (e.g., oil volatility; Chart 2.2.5), potentially widening inter-regional disparities if mainland exports soften.

#### 5. Macroeconomic Context from the Review

- **Alignment:** Mirrors resilient outlook (IMF 3.2% global growth; Section 1.0), with tourism offsetting clove dips like mainland's mixed commodities (Chart 1.5). Projections: Stable inflation (3–5%), sustained surplus via services.
- **Outlook:** Favorable for 2026 if diversification advances (e.g., via capital imports), but monitor global demand.

Indicator	2024 Value	2025 Value (Sep YE)	Value % Change	Economic Implication
Headline Inflation	3.9%	3.5%	↓ 0.4 pp	Eases cost pressures; supports tourism spending.
Food Inflation	4.2%	4.1%	↓ 0.1 pp	Supply improvements buffer imports; stable vs. mainland 7.0%.

Non-Food Inflation	3.7%	2.9%	↓ 0.8 pp	Service declines aid affordability; ties to shilling strength.
Total Expenditure	—	TZS 420.1B	—	Capital focus (60%) drives infra; domestic financing 78.4%.
Development Exp	—	TZS 250.1B	—	Boosts growth enablers like tourism assets.
CA Surplus	USD 621.2M	USD 836.6M	+34.7%	FX buffer; finances deficit without external strain.
Exports	USD 1,157.7M	USD 1,473.9M	+27.3%	Tourism-led (+36.4%); offsets clove -76%.
Imports	USD 553.9M	USD 658.4M	+18.9%	Capital goods +84.7% signals investment; moderate risk to surplus.
Tourism Receipts	—	USD 1,503.9M	+36.4%	Core driver; +28.2% arrivals enhance resilience.

In conclusion, September 2025's data imply a tourism-propelled Zanzibar economy with stabilizing prices and external strength, complementing national momentum for balanced union growth. While development spending and surplus signal sustainability, mitigating tourism/clove risks through diversification is vital for enduring resilience amid global headwinds.

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