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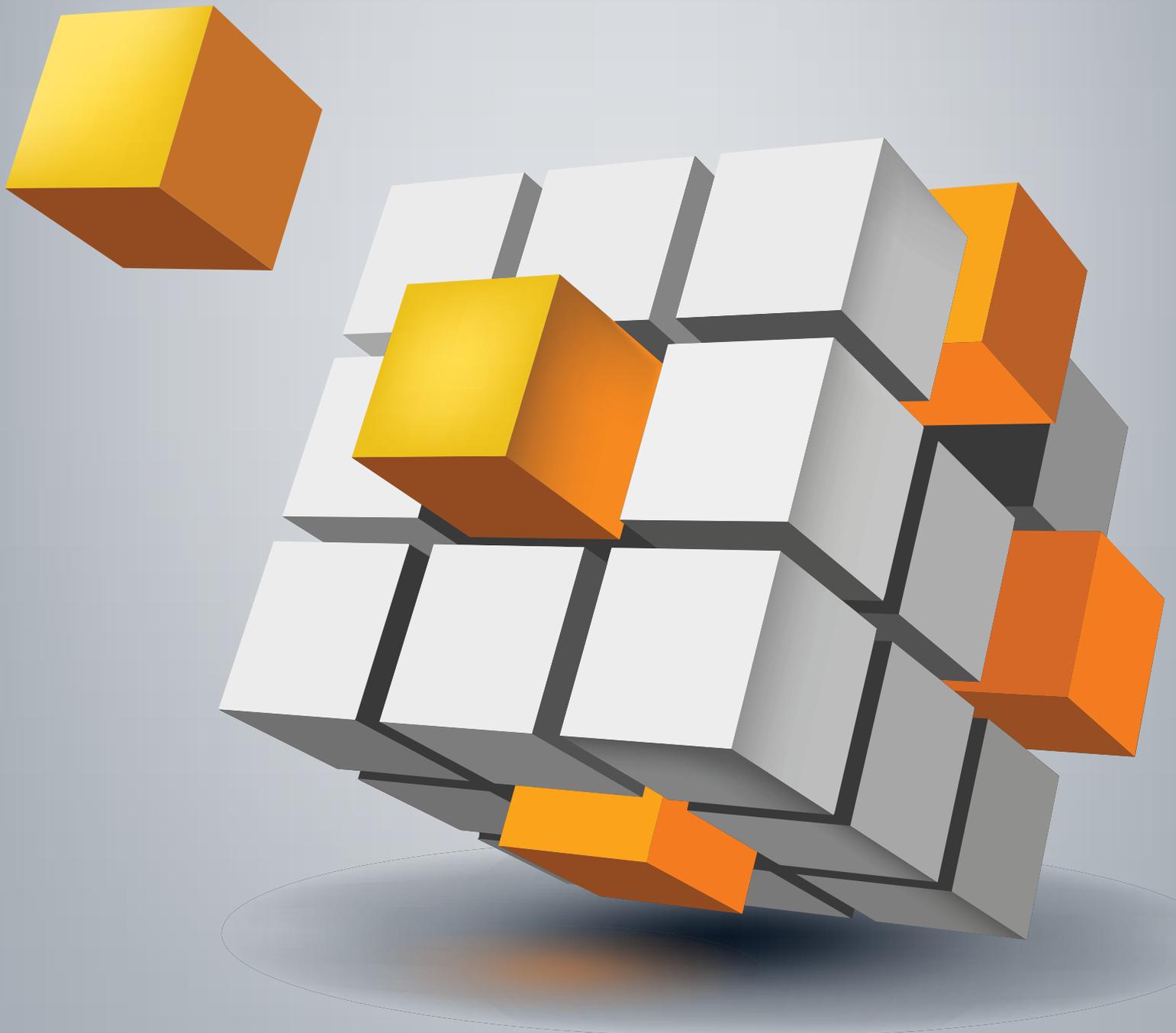


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Economic Analysis:

2017 END OF YEAR REVIEW

Fredrick Mbuya, Trading Desk

Over the past decade, Tanzania has sustained a relatively high economic growth rate averaging 7% as was documented in 2015 and 2016. However this growth dipped slightly in 2017 as per the World Bank's report(s) which showed the economy to have grown by 6.6%, 0.6% lower margin than the projected 7.2% growth estimate made back in June 2017.

Despite the slightly lower than projected growth estimates, Tanzania was still one of the fastest growing economies in Sub-Saharan Africa, outpaced by only Ethiopia (8.5%), Côte d'Ivoire (7.6%), Senegal (6.8%), and Guinea (6.7%).

Key drivers for this growth continue to be the Construction, Information and Communication sectors as well as the Services Industry respectively. Development spending in particular increased rapidly as sizeable funds and effort were directed towards development projects, decreasing recurrent expenditure, and strengthening efforts towards mobilizing the internal domestic revenue.

The current account surplus however sharply declined to about USD 26.7 million in 2017 from USD 94.5 million recorded in 2016. The value of exports dropped by 21.1% compared to 2016, while the value of imports increased by 52.6% over the same period. Thus, the overall balance of payments staged an improvement resulting from an increase in project grants from development partners and external loans.

Commodity prices (which also saw a notable rebound) are expected to support fiscal consolidation reducing the burdening pressure on the budget. This coupled with a more stable currency and monetary tightening has resulted in a gradual ease of the inflationary pressure over the course of 2017, which will ultimately lead to lower price pressures for the consumers.

Looking ahead, the World Bank projects the Tanzanian economy to grow by 6.8% in 2018 and by 6.9% margin in 2019 and 2020 respectively. If these projections hold, it is expected that Tanzania will be the fourth fastest growing country in Sub-Saharan Africa.

References:

- A World Bank Group Flagship Report, January 2018
- Bank of Tanzania Monthly Economic Review, Dec 2017

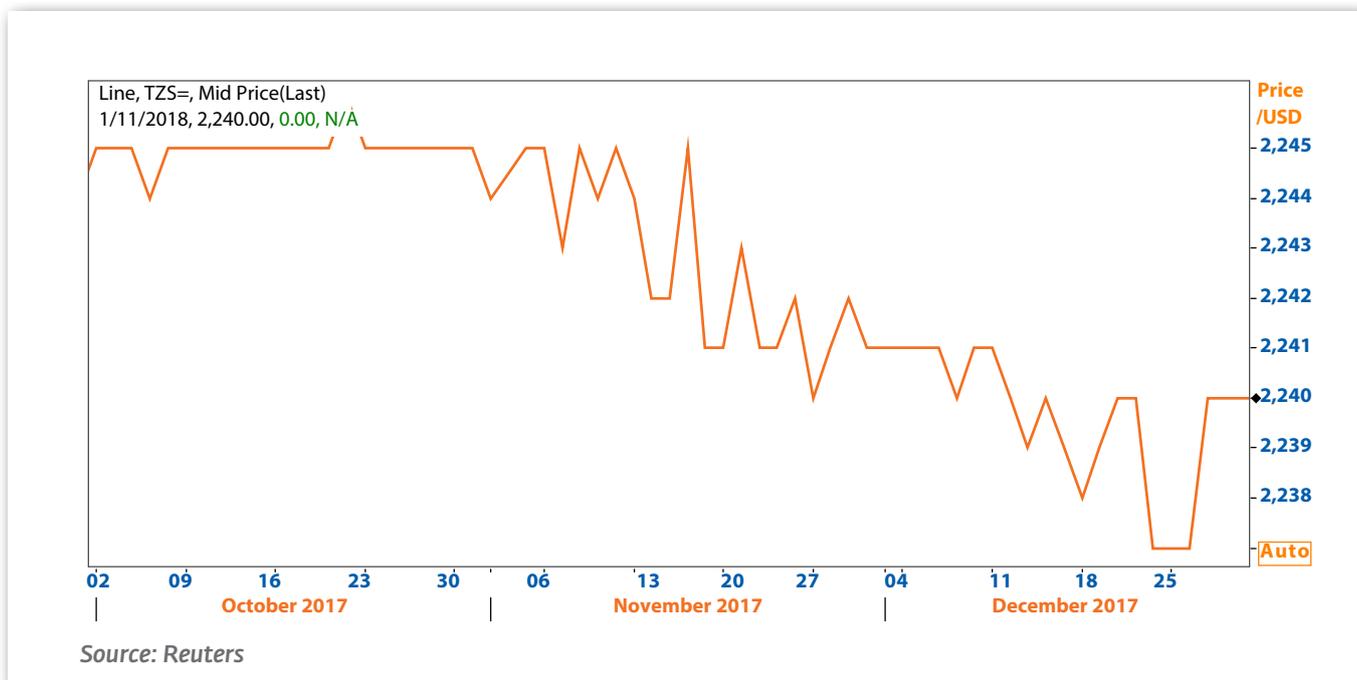
Fx Trend: A STABLE SHILLING

By Agnes Mayoro, Trading Desk

The local unit appreciated by 0.2% against the dollar from a 0.3% depreciation in the previous quarter. Appreciation was on the back of dollar flows from the cashew nut season worthy about USD 379Mio, outstanding tobacco consignment, local unit demand for end of year obligation coupled with narrow dollar demand as the year ended. Market opened at 2245, traded to the low and high of 2237 and 2246 respectively and closed at 2240

Volumes traded in the Interbank Foreign Exchange Market during the quarter significantly increased to USD 710Mio from USD 439Mio the previous quarter. This was on the back of increased activities between banks and central bank catalyzed by cashew flows.

Importers are expected to come heavy to the market in Q1, 2018 with limited inflows could potentially push up the pair. However, central bank's sporadic intervention in the market will keep the pair buoyed.



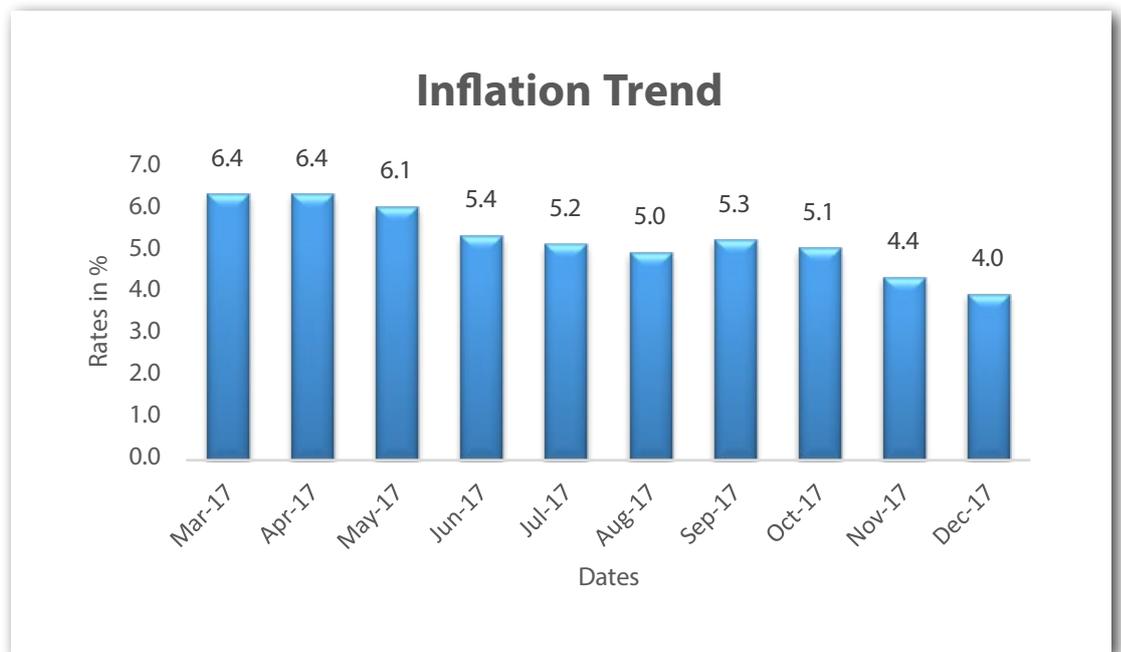
	Open	Low	High	Close
Q4 2017	2245	2237	2246	2240
Q3 2017	2237	2236	2245	2244

Inflation Trend: LOWEST IN 2017

By Agnes Mayoro, Trading Desk

The annual inflation in Dec 2017 dropped further to 4.0% YoY from 4.4% YoY in Nov 2017. The drop in inflation was attributed by a decrease in prices for food and stable commodity prices. Improved harvest especially in the first half of the year led to improved supply and prices for food.

Inflation is expected to remain within the authorities' medium term target range of 5% on the back of expected stable commodity prices, prudent monetary policy stance together with continued good harvest.



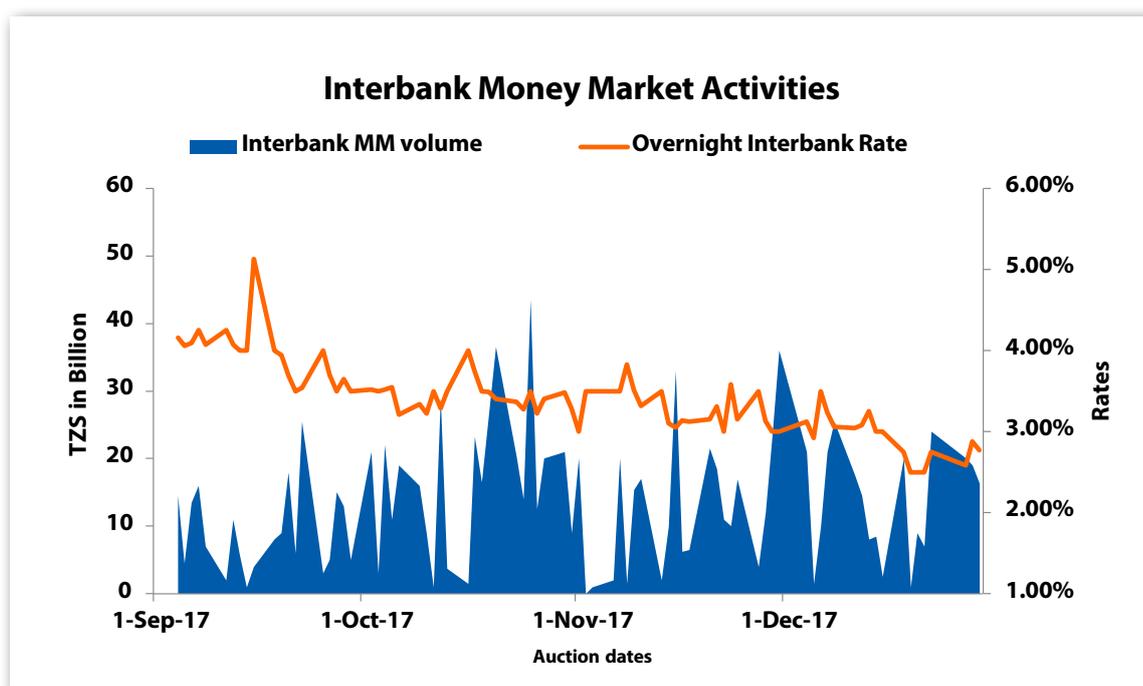
Source: National Bureau of Statistics

Interbank MM Activities and Rates: DOWNWARD TREND IN RATES

By Samira Saleh, ALM Desk

Interbank Money Markets continued to be liquid in the quarter under review, reflecting unchanged Government’s efforts to stimulate credit growth. The overall overnight rates sustained a downward trend having averaged at 3.2% in Q4 2017 from 4.3% in Q3 2017 and highs of 14.32% recorded in Q4 2016. Nevertheless, being the last quarter of the year activities were intensified to TZS 921 billion from TZS 625.8 billion in the preceding quarter.

Central Bank has plans to replace the current monetary framework with an interest rate based one whilst maintaining appropriate liquidity levels in the economy to ensure stability of money market rates.

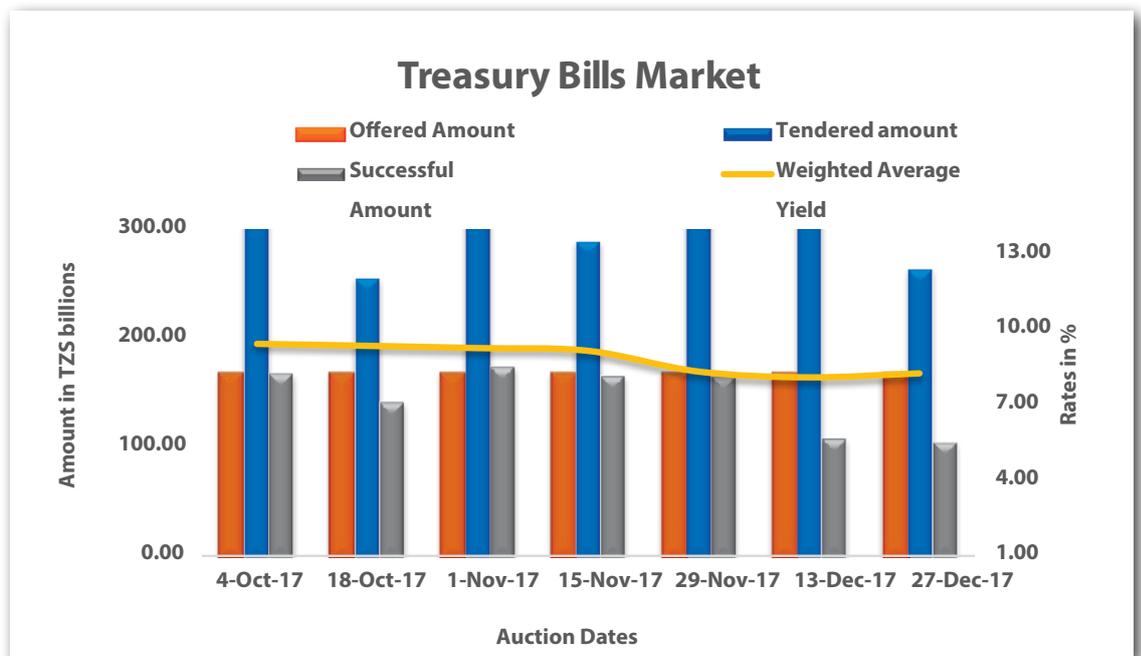


Source: Bank of Tanzania Government Securities Trend:

Government Securities Trend: Treasury Bills: HIGH DEMAND, STABLE RETURNS

By Samira Saleh, ALM Desk

In Q4 2017, the Bank of Tanzania conducted seven auctions in total with combined offered size of TZS 1,183 billion. High demand of these short term securities was reflected by value of bids tendered which amounted to TZS 2,312 billion (95.4% higher than amount offered). However, the central Bank took only 45% of the amount tendered leaving a lot of liquidity in the market. Overall weighted average yield decreased to 8.27% in Q4 2017 from 10.3% in Q3 2017 and 15.34% in Q4 2016



Source: Bank of Tanzania

Treasury Bonds: HIGHLY TENDERED, LESS TAKEN

By Samira Saleh, ALM Desk

1. Primary Market

Treasury bonds of different maturities worth TZS 583.6B were auctioned for Government budget financing needs during Q4 2017. This is 13.9% and 14.4% less than the auctioned amount in Q3 2017 and Q4 2016 respectively. The same as in Treasury Bills, the appetite for bonds grew significantly as evidenced by 87% Y-o-Y increase in tendered bids. However, the government mopped less than what was tendered in all auctions in the quarter under review.

The weighted average yields in all tenors consequently decreased in comparison to their respective previous auctions and this is in line with the oversubscription of the auctions as seen in the graph below.



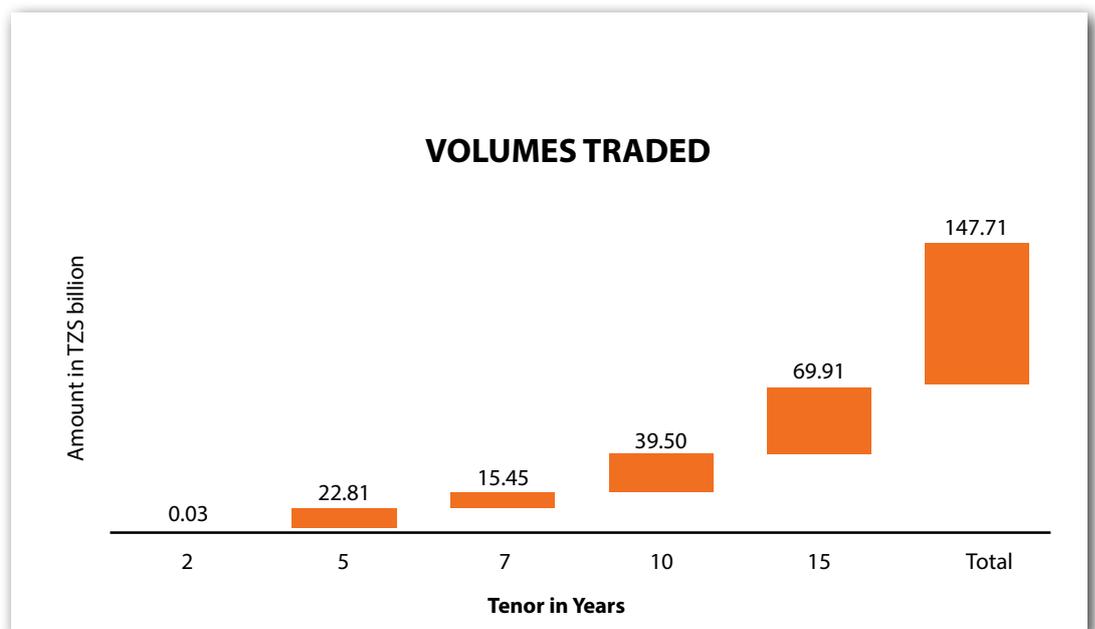
Source: Bank of Tanzania

Treasury Bonds:

2. Secondary Market

The secondary bond market saw a 5% Y-o-Y slight increase and 38% Q-o-Q decrease on bond turnover. A total of TZS 238.6B and TZS 147.7B were traded in Q3 2017 and Q4 2017 respectively. The current trend of falling yields has seen the demand for bonds decline. Investors' are seen to have shifted appetite from the securities market to the stock market gearing for the upcoming IPOs.

Below is the summary of Government bond traded in the secondary market under the period of review.



Source: Dar es Salaam Stock Exchange

MARKET EVENTS CALENDAR

The Following event will happen in the coming quarter. However, the respective authorities have the mandate to change the calendar accordingly

Date	Event
3-Jan-18	10-year Treasury Bond Auction
9-Jan-18	December Inflation Data Release
10-Jan-18	Treasury Bills Auction
17-Jan-18	5-year Treasury Bond Auction
24-Jan-18	Treasury Bills Auction
31-Jan-18	15-year Treasury Bond Auction
7-Feb-18	Treasury Bills Auction
9-Feb-18	January Inflation Data Release
14-Feb-18	2-year Treasury Bond Auction
21-Feb-18	Treasury Bills Auction
28-Feb-18	7-year Treasury Bond Auction
7-Mar-18	Treasury Bills Auction
9-Mar-18	February Inflation Data Release
14-Mar-18	10-year Treasury Bond Auction
21-Mar-18	Treasury Bills Auction
28-Mar-18	5-year Treasury Bond Auction

Equity Market Analysis: SLOWDOWN IN BANKS TRADING ACTIVITIES

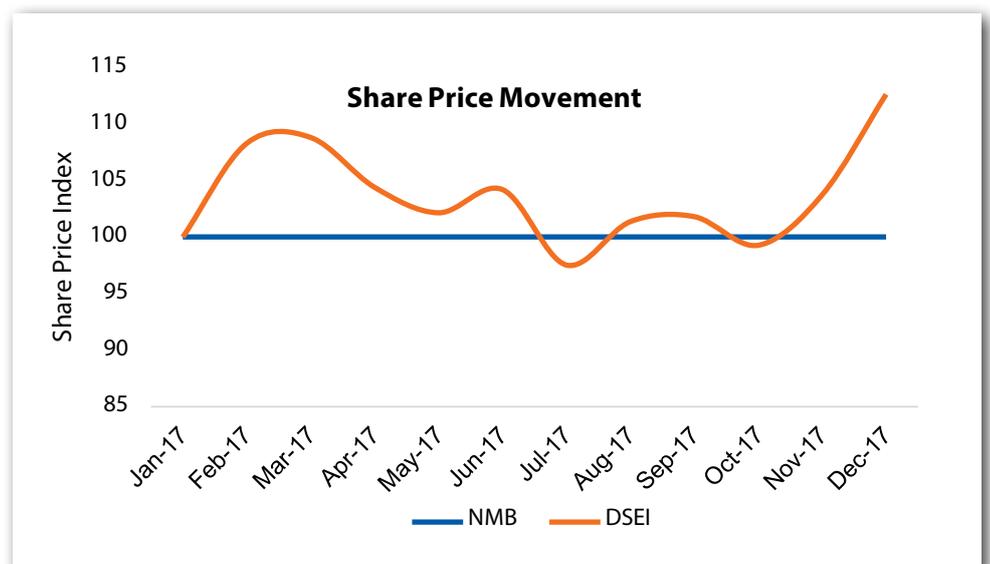
By Caroline Yambesi, Strategy & Special Projects

The Dar es Salaam Stock Exchange (DSE) closed the year on a positive note, with the All share index (DSEI) reaching TZS 2,396.23, an 11% surge compared to TZS 2,166.15 recorded at the end of the previous quarter.

The DSE's domestic market capitalisation increased from TZS 9.7 billion at the end of September 2017 to TZS 10.3 billion at the end of Dec. 2017, a 5.5% increase quarter on quarter and a 33% annual increase (TZS 7.726b in Dec. 2016). The growth was mostly a result of an increase in the price of some stocks as well as the listing of Vodacom Tanzania PLC, the largest IPO in DSE's history and currently the second largest listed company in terms of market capitalisation.

As evidenced by increased trading activity at the local bourse, the market turnover increased by 51% from a total of TZS 129.3 billion recorded for the entire third quarter to TZS 195.3 billion recorded for the period between October and December 2017.

Even though there was a general upturn in aggregated share performance, shares in the banking sector did not perform so well during the year and over the quarter. Many banks reported a decrease in profit after tax as economic headwinds persisted in the last quarter of 2017. A deteriorating asset quality environment left investors uncertain about the banking sector. Of the 8 local listed banks, four (including NMB) witnessed their prices stagnate throughout much of the year while the prices of the remaining four plummeted. Industry players hope that things will pick up in 2018 and that the same will be reflected in the respective share prices.



Market Developments

- In 2017, the DSE established and operationalized the long-awaited Central Securities Depository (CSD) & Registry Co. Ltd. The company handles settlement of transactions, manages the securities depository and offers registry services for listed and private companies.



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