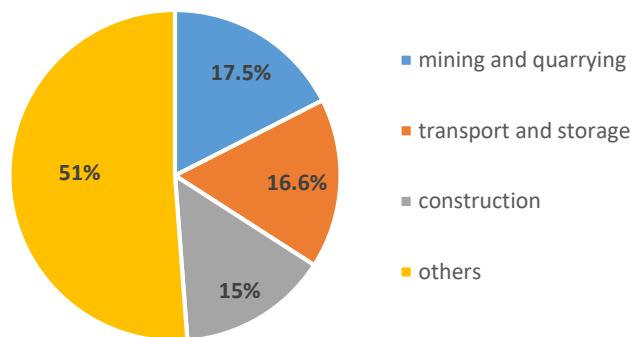


## ECONOMIC ANALYSIS: UPBEAT SENTIMENT AS THE ECONOMY CONTINUES TO STRENGTHEN

By Fredrick Mbuya, FX Trading Desk

Tanzania continues to maintain its positive trend as one of the fastest growing economy in Sub-Saharan Africa and East Africa's second-largest economy. Tanzania's economy grew at around 7.1%, beating the government's own revised forecast which was trimmed from an initial 7.4 percent down to 7.0 %. This also beats the 6.6 % growth rate forecasted by the World Bank back in November 2017. Main drivers to this growth have been mining and quarrying (17.5 percent), transport and storage (16.6 percent) and construction (14.7 percent) activities.

### GDP Growth Main Drivers



**Source: Reuters**

This uptick in growth appears to have been carried through to 2018, as during the first quarter, various key sectors saw an increase in growth. The Tanzania Ports Authority (TPA) being one of them, saw a 25% increase in its main revenue collection as they were able to collect TZS 72 Billion and TZS 75 Billion in January and February 2018 respectively. This is up from a monthly average of TZS 60 Billion per month as seen since July 2016. This boost is attributed by improvement in efficiency primarily in cargo clearance.

The overall balance of payments also improved significantly to a surplus of USD 1,574.7 million in the year ending January 2018 compared to the USD 367.0 million in the corresponding period in 2017. According to Bank of Tanzania, the change is associated with an increase in project grants, external borrowing, as well as improvement in the current account balance. Foreign reserves are sufficient to cover for 6.0 months of projected imports of goods and services.

Domestic revenue by the government amounted to TZS 1,388.8 billion in January 2018, of which TZS 1,343.3 billion were central government collections. Money supply has improved on account of accommodative monetary policy stance taken by the Bank of Tanzania that begun in second half of 2016/2017. Credit to private sector by banks continued to recover gradually owing to measures implemented to address credit risk and accommodative monetary policy. Among the notable measures as implemented by the central bank include Banks now being permitted to restructure NPL up to four times, from the previous two. Banks being allowed to upgrade term loans to a better classification category once a borrower has paid two consecutive loan instalments, an improvement from the

previous four consecutive instalments. Finally, banks can now write off NPLs that have remained in the loss category for more than four consecutive quarters.

According to the National Bureau of Statistics, Tanzania's inflation fell to a low of 3.9 percent year-on-year in March from 4.1 percent a month earlier. On the Foreign exchange front, the Local currency slightly depreciated against the dollar following an increase in dollar demand across various major sectors such as Manufacturing and Oil and Energy.

### FX TREND: A Shilling Trips

By Huruma Stewart, FX Trading Desk

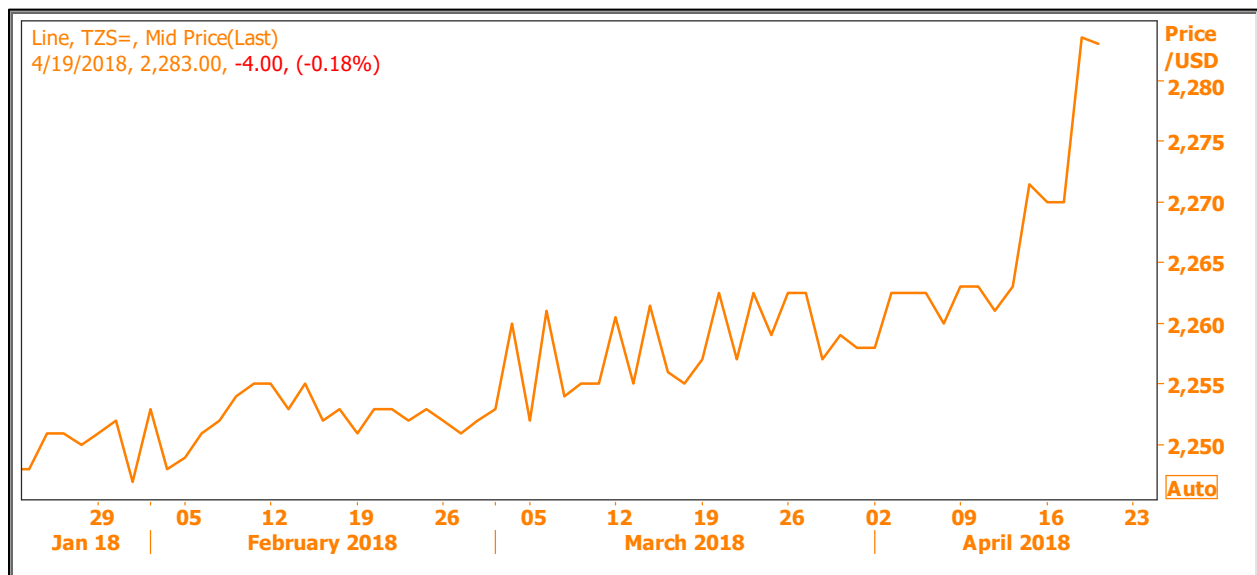
#### IFEM Trading volumes Q4 2017 Vs Q1 2018

The local currency traded on the back foot against the green back for the whole quarter under review, marking a 1.0% depreciation from being stable in the previous quarter. Coupled with limited volatility, the shilling opened at 2240 per US dollar, improved to a low of 2239 per US dollar as the quarter opened but traded to the high of 2262.50 per US dollar as demand for the dollar shot up. The shilling traded to close the quarter at 2258 per dollar.

The Interbank Foreign Exchange Market volumes averaged 153.14 Million US dollars a month in the first quarter of year 2018, compared to 236.67 Million US dollars a month in the preceding quarter reflecting low activities in the market as sources of dollar flow for exchange among banks dried up.

Following the prolific cashew-nut season in the last quarter of 2017, which saw the shilling improve from 2246 per US dollar to 2237 per US dollar, we saw a trend reversal during the quarter under review as demand across various sectors overwhelmed the limited nontraditional inflows together with outstanding tobacco consignment.

Heading to the second quarter, we expect the requirements for the hard currency to outweigh the inflows as most corporates will be ready to meet their year 2017 dividend obligations. This is expected to push up the USDTZS currency pair.



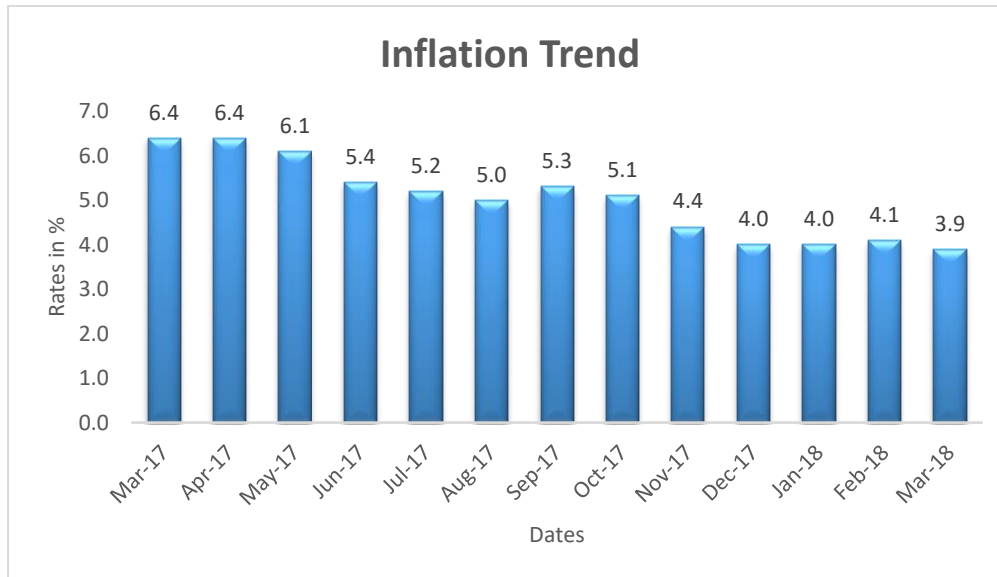
Source: Reuters

	Open	Low	High	Close
Q1 2018	2240.00	2239.00	2262.50	2258.00
Q4 2017	2245.00	2237.00	2246.00	2240.00

### Inflation Trend: LOWEST SINCE 2004

By Agnes Mayoro, FX Trading Desk

Tanzania's annual headline inflation continued to ease in the quarter under review, falling to 3.9 percent increase year-on-year in March 2018 from 4.1 percent increase a month earlier, marking a one year low and hitting a 14 year low of 3.9 percent, a number seen last in 2004. This slowdown was mainly a result of slow rise in food and non-alcoholic beverages (4.7 percent rise from 5.4 percent rise in Feb) and transport (1.4 percent rise from 1.6 percent rise in Feb). Looking at the rest of the year and beyond, it is foreseen that, inflation will be maintained at a single digit given the current monetary policy stance that aims to stimulate spending and boost economic activities.



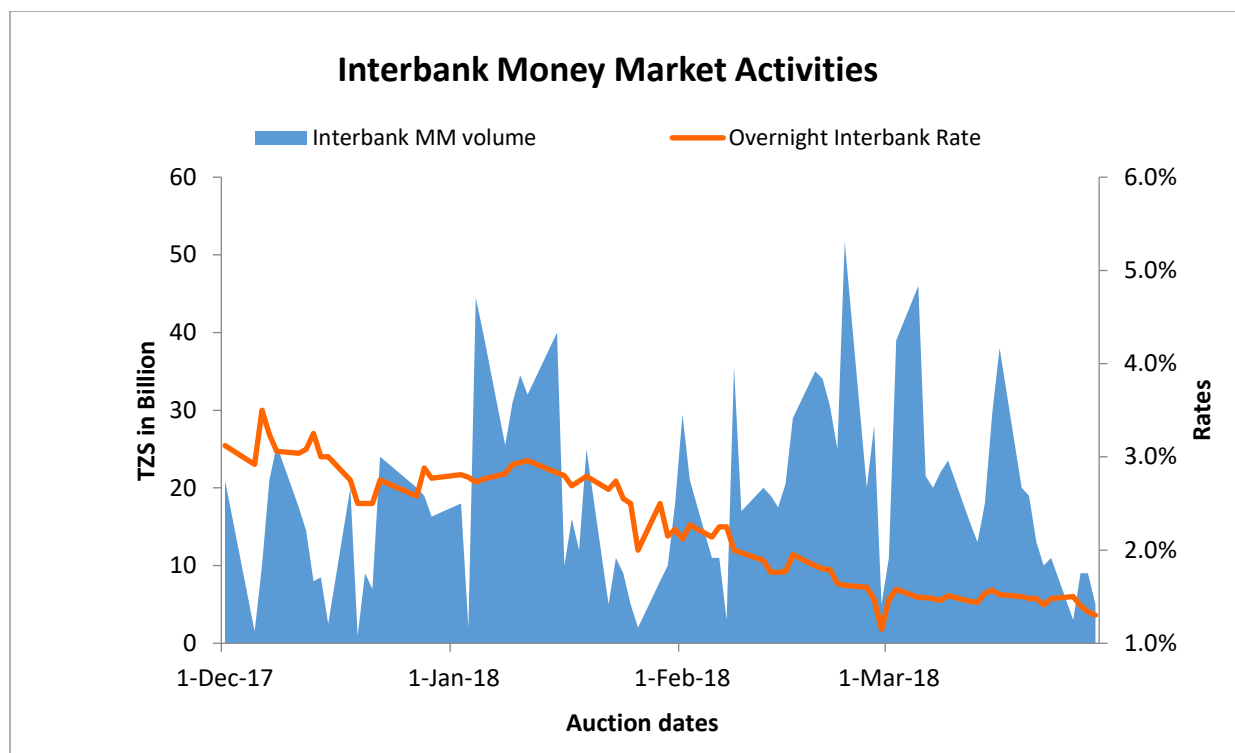
Source: National Bureau of Statistics

### Interbank MM Activities and Rates: INTEREST RATES CONTINUE TO FALL

By Samira Saleh, ALM Desk

The quarter under review saw the continued decline in the money market rates. This is a reflection of improved liquidity by the Government to stimulate credit growth. The overnight rates averaged at 2% from 3.2% in Q4 2017 with volume traded of TZS 1.25 trillion from TZS 964 billion in Q4 2017.

It is projected that the money market rates will continue to remain at low levels in the short-medium term supported by appropriate liquidity levels and monetary policy stance.



Source: Bank of Tanzania

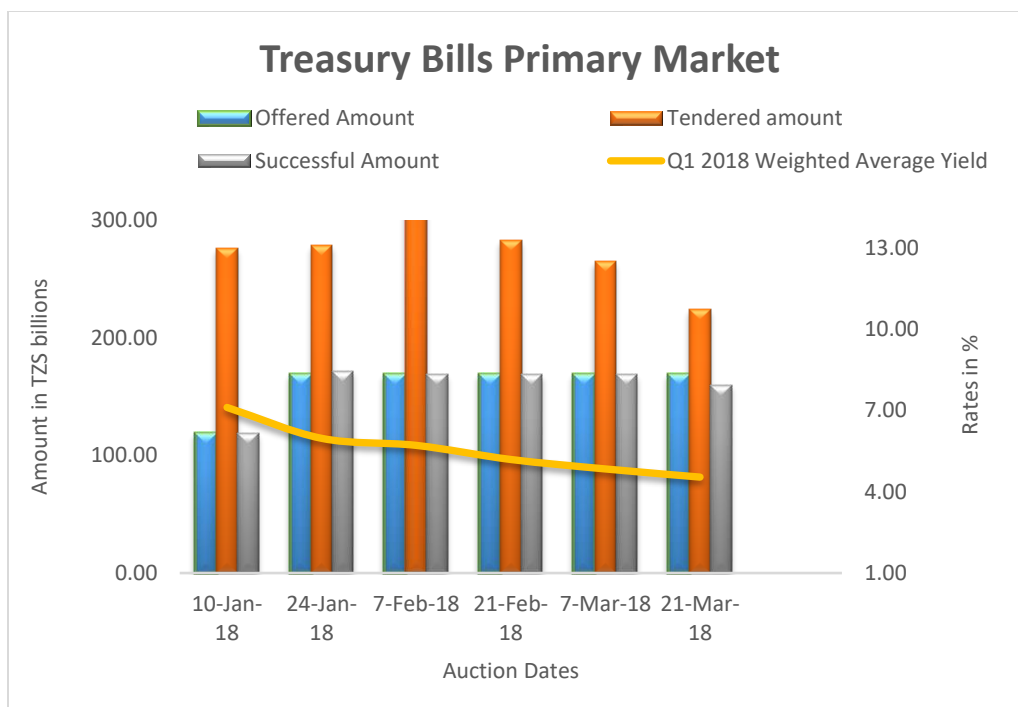
#### Government Securities Trend:

By Agnes Mayoro, FX Trading Desk

#### Treasury Bills: CONTINUED HIGH DEMAND, REDUCED RETURNS

During the quarter under review, six auctions were conducted by Bank of Tanzania in which a total of TZS 964 billion was offered against offered amount of TZS 833.7 billion offered during the same quarter last year and TZS 1.183 trillion offered during the last quarter of 2017. Despite reduced returns on the papers, investors' appetite remained high and auctions received bids worthy TZS 1.672 trillion while central bank took only TZS 958 billion leaving other investors unsuccessful. However, oversubscription rate reduced from 95.4% the previous quarter to 73.5% in the quarter under review.

The quarter closed at an overall weighted average yield of 4.54% from 8.27% the previous quarter and 14.48% during the same quarter last year.



Source: Bank of Tanzania

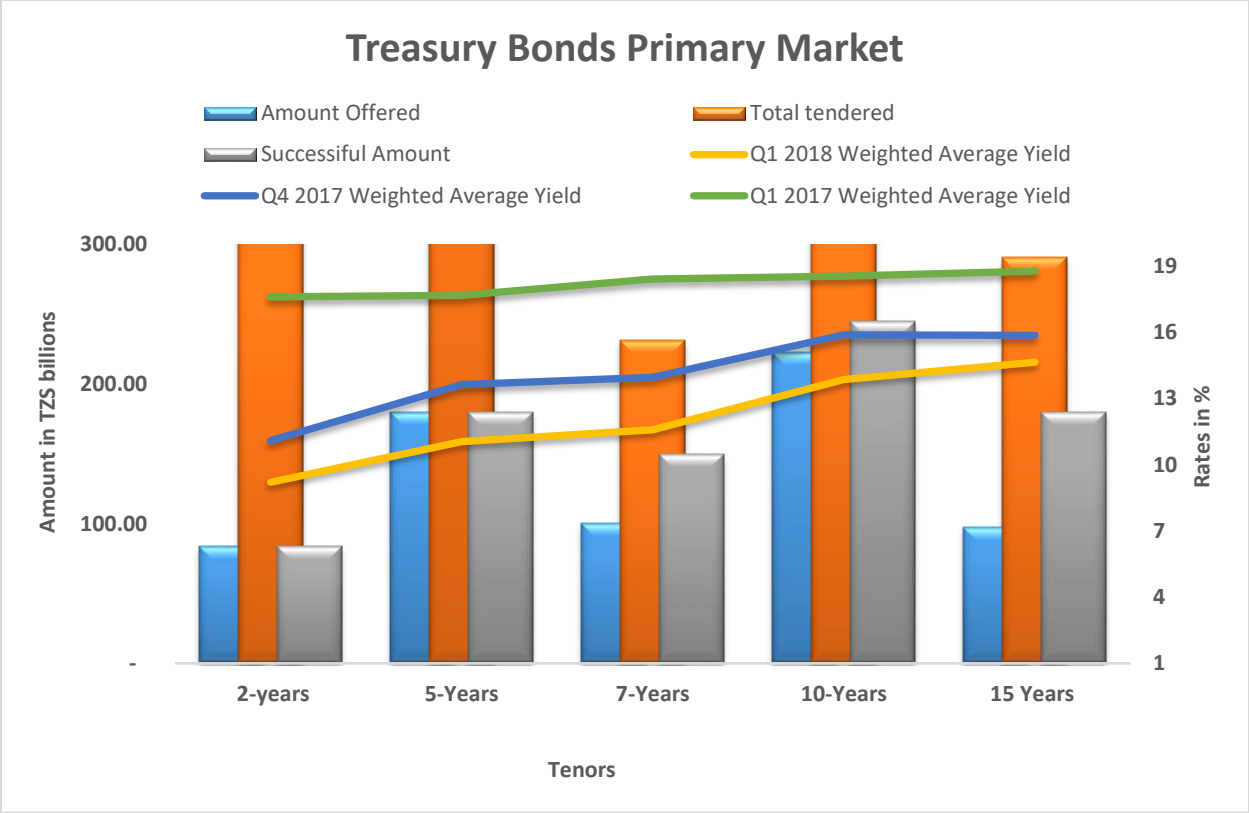
## Treasury Bonds: INCREASED APETITE FOR LONG TERM PAPERS

### 1. Primary Market

A total of TZS 684.20 billion was auctioned in Treasury bonds of maturities between 2 years and 15 years in seven different auctions during the first quarter of 2018, down from TZS 802.5 billion the same quarter last year and up from TZS 583.6 billion the previous quarter. Interested investors were worthy TZS 1.72 trillion which marks a 151 percent oversubscription and a 109% y-o-y growth in investor appetite.

Central bank wiped more than offered amounts in the long term side of the yield curve while only taking what was offered in the short term side of the yield curve. This is on the back of high investor appetite in the long term papers which pay a higher return compared to short term papers given the current low short term interest rates condition.

Weighted average yields across all tenors sharply fell both y-o-y and Q-o-Q as depicted in the chart below. This was on the back of a significant increased investor appetite in government securities mainly long term papers as they sought a safer and fixed return on their investments.



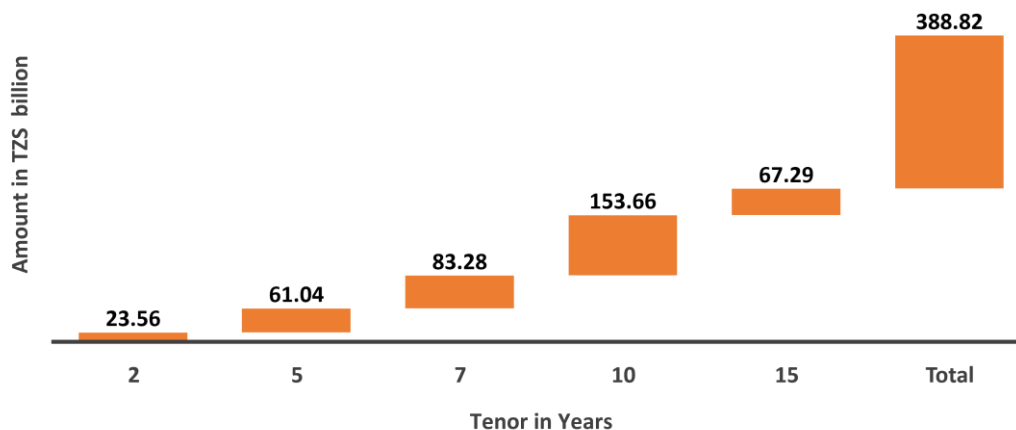
Source: Bank of Tanzania

## 2. Secondary Market

The secondary bond market recorded a 163% and 69.5% Q-o-Q growth and Y-o-Y growth in turnover respectively. Total bond volumes traded during the quarter under review shot to TZS 388.82 billion from TZS 147.71 billion the previous quarter and TZS 229.37 billion in a comparative quarter of 2017. This growth was coupled by a significant investors' appetite shift from equities to fixed income, mainly long term papers ranging from 7 years to 15 years as returns on short term instruments fell and returns from equities became more volatile.

Below is the summary of Government bond traded in the secondary market during the reviewed period.

## VOLUME TRADED



Source: Dar es Salaam Stock Exchange

## ECONOMIC DATA ISSUANCE CALENDAR

The following economic data releases are expected during the coming quarter. However, the Bank of Tanzania has a mandate to change government securities auction dates should need arise.

Date	Event
04-Apr-18	Treasury Bills Auction
11-Apr-18	15-year Treasury Bond Auction
18-Apr-18	Treasury Bills Auction
25-Apr-18	2-year Treasury Bond Auction
02-May-18	Treasury Bills Auction
08-May-18	April Inflation Data Release
09-May-18	7-year Treasury Bond Auction
16-May-18	Treasury Bills Auction
23-May-18	10-year Treasury Bond Auction
30-May-18	Treasury Bills Auction
06-Jun-18	5-year Treasury Bond Auction
08-Jun-18	May Inflation Data Release
13-Jun-18	Treasury Bills Auction
20-Jun18	15-year Treasury Bond Auction

## Equity Market Analysis: REDUCED ACTIVITIES AT THE BOURSE

By Avith Massawe, Custody Services Desk

Activities at the Dar es Salaam Stock Exchange marked a 56% Q-o-Q decline during the quarter under review. The bourse recorded a turnover of about TZS 86.08 Billion (Daily average turnover of TZS 44.26 Million) down from a turnover of about TZS 194.41 Billion (Daily average of TZS 3.15 Billion) recorded in the previous quarter.

On the other hand, the exchange traded a total of 44.2 million shares with a daily volume average of 713 thousand shares which was a 1.9% decline from 45.1 million shares with a daily average volume of 730 shares traded during the previous quarter.

Foreign investors remained dominants of trading activities in the equity market at the bourse defined by an increased participation from 59% the previous quarter to 73.7% the quarter under review. Correspondingly, local investors' participation remained lower and declined to 26.3% from 41% the previous quarter.

Below is the graph depicting market activities at the exchange from the last quarter of 2017 to the first quarter of 2018.

