



Market **Digest**

Issue 10-2018

The evolution of the consumer market

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Economic Analysis:

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ECONOMIC ANALYSIS:

A positive economic outlook

By Agnes Mayoro, Trading

Tanzania's economy recorded a growth of 7.10% in 2017 stronger than 7.00% recorded in 2016. According to the June 2018 BOT monetary policy statement, Growth was backed by improvement in infrastructure, stability of power supply and favourable weather conditions. Best performing sectors were mining and quarrying, water supply, transport and storage, information and communication and construction activities.

During the period of July 2017 to April 2018, improvement in food and domestic power supply coupled with the tight monetary and fiscal policy stance kept headline and core inflation low. The average inflation rate recorded declined to 4.50% from 5.20% recorded in the similar period of 2016/17, and 1.60% core inflation from 2.40% in the previous year. During the same period, energy inflation increased to an average of 11.80% from 9.30%, following an increase in global oil prices.

Government domestic revenue on cash basis amounted to TZS 14.20 Trillion, 8.50% higher than what was collected in the same period in 2016/17. Total expenditure amounted to TZS 15.62 Trillion, out of which recurrent expenditure was TZS 11.63 Trillion and TZS 4.00 Trillion was for development expenditure. The overall balance of payments recorded a surplus of USD 299.20 Million compared to USD 591.70

Million recorded in the corresponding period of 2016/17, mainly on account of increase in the value of imported goods. On the same note, gross official foreign reserves amounted to USD 5,251.10 Million at the end of April 2018, sufficient to cover 5.40 months of projected import of goods and services excluding those financed through foreign direct investment.

Domestic debt increased to TZS 12.74 Trillion at end of April 2018 from TZS 11.79 Trillion recorded at the end of June 2017, mainly on account of issuance of government securities. During the corresponding period in 2016/17, domestic debt increased by about TZS 1.00 Trillion.

External debt stock increased by USD 1,376.50 Million to USD 20,027.60 Million at the end of April 2018, from USD 18,651.10 Million recorded at the end of June 2017. The increase was on account of disbursements of funds and accumulation of interest arrears to non-Paris club. Despite the increase, the debt remains sustainable at current external debt to GDP ratio of 19.70%, which is below the international sustainability threshold of 40.00%.

Generally, The Banking sector remained sound, stable and profitable with levels of capital and liquidity generally above regulatory requirements. However, non-performing

loans to gross loans ratio stood at 11.30% at the end of April from 10.60% recorded at the end of June 2017 and 10.80% at the end of the corresponding period in 2017.

During the second quarter of 2018, the 2018/19 32.47 Trillion budget was released. Domestic revenues remained the largest contributor to the budget, forecasted to cover 64% of the total budget. Recurrent expenditure to Development expenditure ratio remained at 6.00:4.00. The budget comes with a reduction of foreign dependency cutting the foreign loans and grants budget to TZS 2.01 Trillion from TZS 3.03 Trillion in 2017/18 budget.

Government
Budget
up by
2.43%

Tanzania set
to grow at
7.20%
in 2018

Looking ahead, Tanzania targets an economic growth of 7.20% in 2018 up from the actual figure of 7.10% seen in 2017. The optimistic outlook is backed by the on-going implementation of various projects under the Second Five Year Development Plan and MKUZA III, coupled with favourable weather conditions, enhanced capacity utilization, continued improvement in business

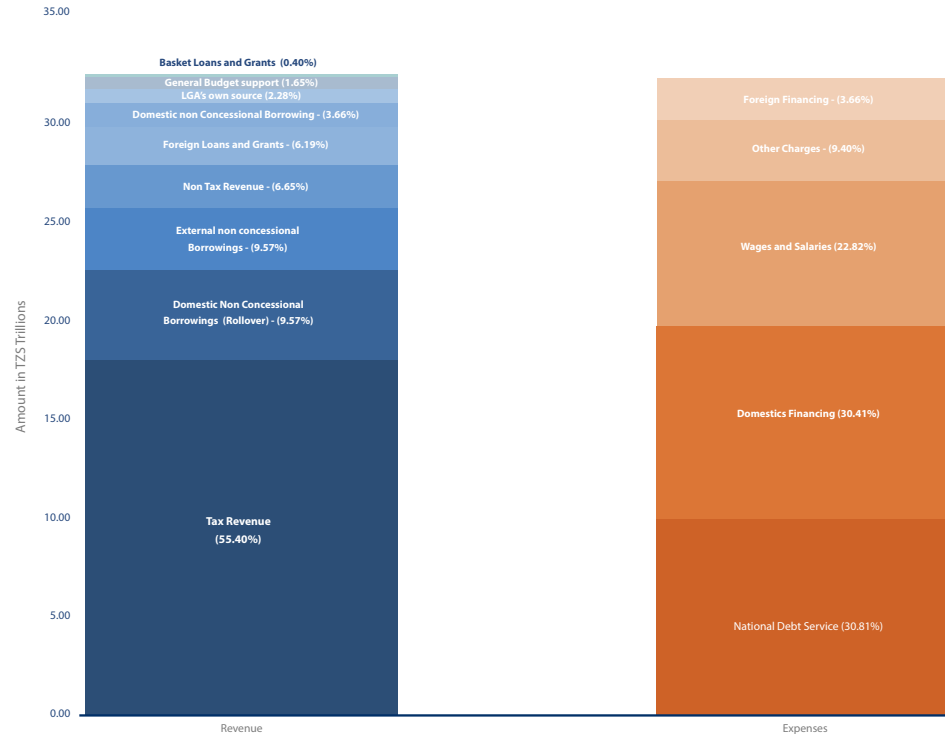
Sources:

- Ministry of Finance
- Bank of Tanzania

Domestic revenues remain the largest contributor, forecasted to cover the budget by

64.00%

2018/19 Budget Snapshot



Source:

- Bank of Tanzania



FX Trend:

By Huruma Stewart, FX Trading

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FX TREND: Shilling depreciates as demand for hard currency soars

By Huruma Stewart, FX Trading

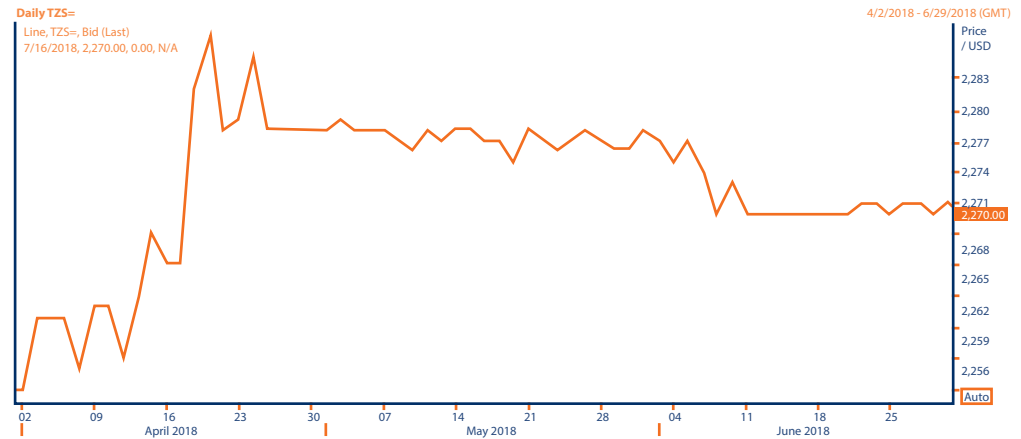
The Tanzanian shilling suffered a 33-shilling depreciation in the period under review as a result of 2017 dividend payment to offshore shareholders by corporates. The market opened at TZS 2258 per US Dollar, surged to the highs of TZS 2291 per US Dollar in mid-April. However, Central bank's participation in the market supported the unit to close the quarter at TZS 2275 per US Dollar, which marks a 0.75% depreciation during the period.

The IFEM volumes traded decreased slightly to the average of USD 145.57 Million a month in the second quarter of year 2018, compared to USD 153.14 Million a month in the preceding quarter reflecting less activities in the market.

The expectation is for a stable currency in the coming quarters as inflows from cash crops kick in from June; starting with sesame, tobacco, followed by cotton, coffee and later cashew. This could brace the unit to narrow volatility and slowly recover towards the year-end.

Tanzanian shilling marks

0.75%
depreciation



	Open	Low	High	Close
Q2 2018	2240.00	2239.00	2262.50	2258.00
Q1 2018	2258.00	2258.00	2291.00	2276.00

Source:

- Reuters

Click the following link to see our FX spot prices (<https://www.nmbbank.co.tz>)



Interbank Money Market Activities:

By Samira Saleh, Assets & Liabilities Management

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Interbank Money Market Activities: Improved activities, declining rates

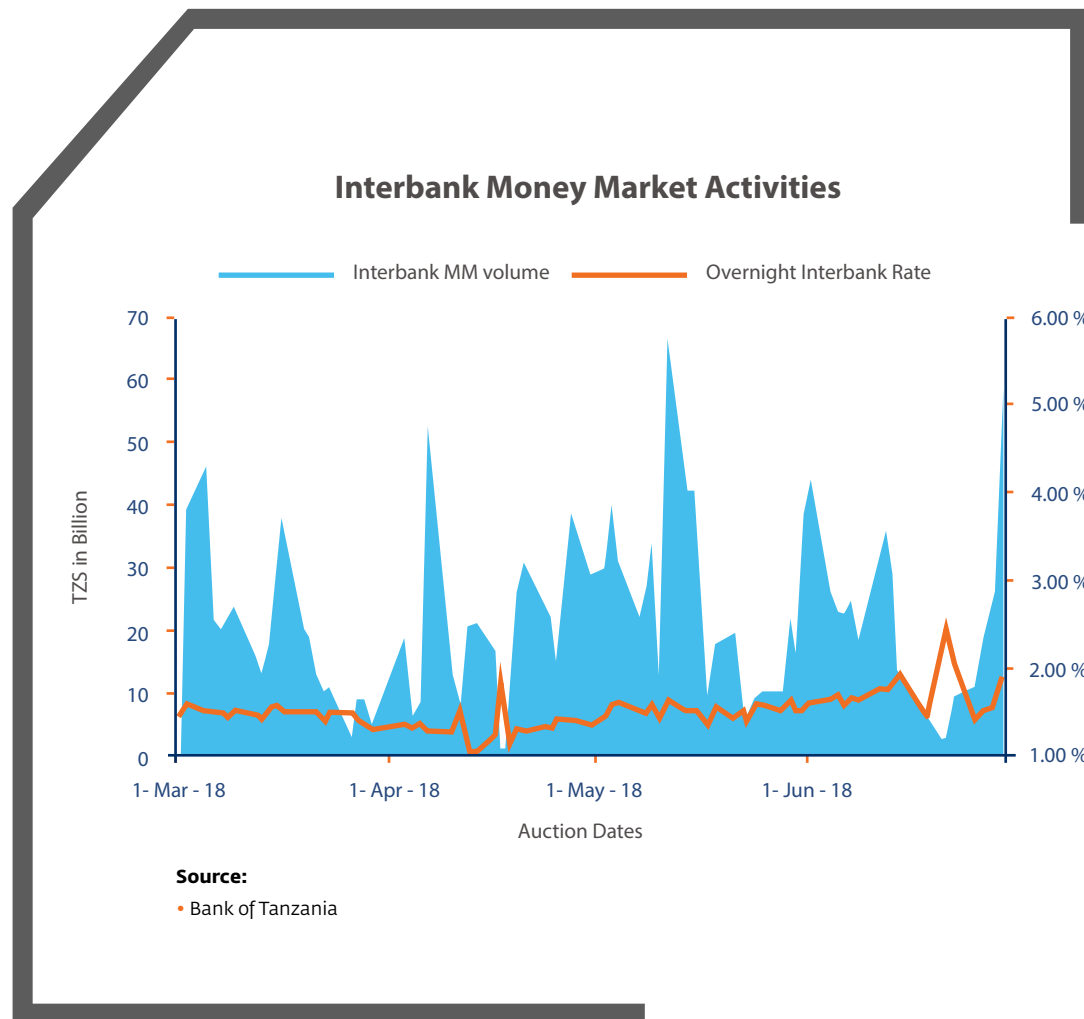
By Samira Saleh, Asset & Liability Management

Money markets activities in the quarter under review improved by 7% in comparison to the previous quarter. Total volumes traded amounted to TZS 1.34 Trillion higher than TZS 1.25 Trillion traded the previous quarter and TZS 455.00 Billion traded during the same quarter in 2017.

Consistent with a sufficient liquidity in the market, overnight interbank market interest rate continued with the easing and averaged at 1.52% in the reviewed quarter from 2% in the first quarter of 2018, and 6.22% in the second quarter of 2017.

Contrary with other Government year-end quarters, where by a lot of cash movements were directed to the Central Bank for tax payments and left the market with less liquidity; in the second quarter of 2018 this was not the case. However, projections show signals of liquidity strain and increased overnight rates in the coming quarter as short term rates in the 1 month to 1year papers start to rise.

Overnight rates ease to
1.52% from 2.00%





Inflation & Government Securities Trend:

By Agnes Mayoro, Trading

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Inflation & Government Securities Trend

By Agnes Mayoro, Trading

Inflation Trend: Inflation hits new lows

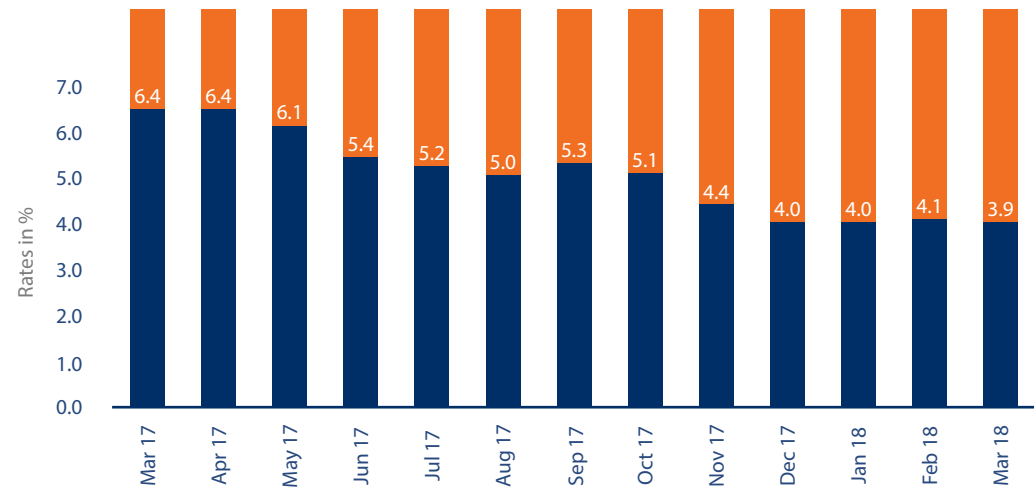
Tanzania's annual headline inflation rate continued descending in the reviewed quarter to hit a new low and close the fiscal year at 3.4% in June from 3.8% and 3.6% recorded in April and May respectively. The fall is explained by the overall decrease of speed of commodities price change seen during the second quarter of the year. Projected growth in domestic output particularly food and continued coordination between monetary and fiscal policies is expected to wipe away inflationary pressures that may be brought by continuation of the OPEC oil-cut-deal. Consequently, keep inflation close to medium target of 5.0 percent. IMF projects an annual average inflation rate of 4.80% in 2018.

Inflation projected to average

4.80%

in 2018

Inflation Trend



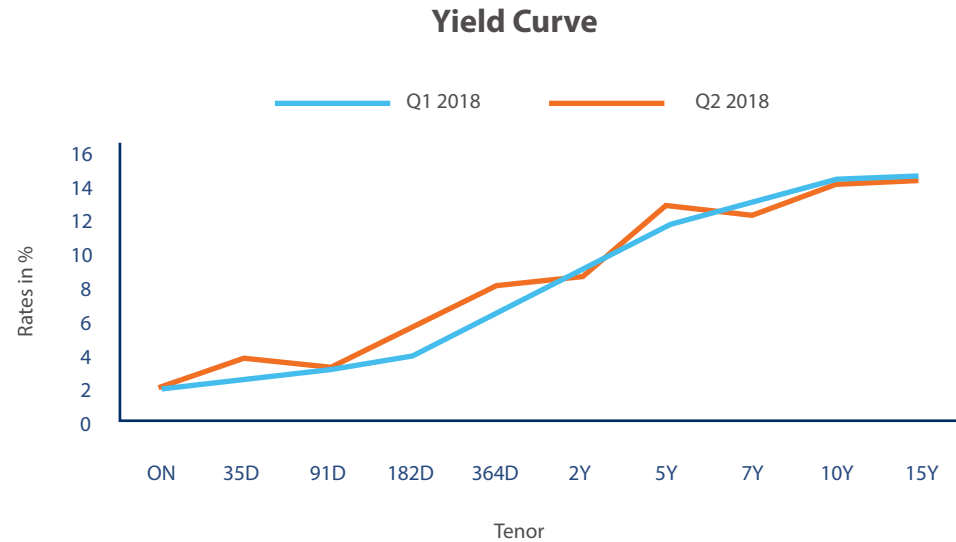
Dates

Source:

• National Bureau of Statistics

Yield Curve: Short end signals reversal, long end maintains a downward shift

Short term rates reversed the downward trend signaling liquidity tightness in the quarter ahead. Long term rates from 7years to 15 years maintained a downward trend marking a 0.53% Q-o-Q downward shift in the yield curve compared to a shift of 1.24% Q-o-Q recorded in the previous quarter.



Source:

- Bank of Tanzania

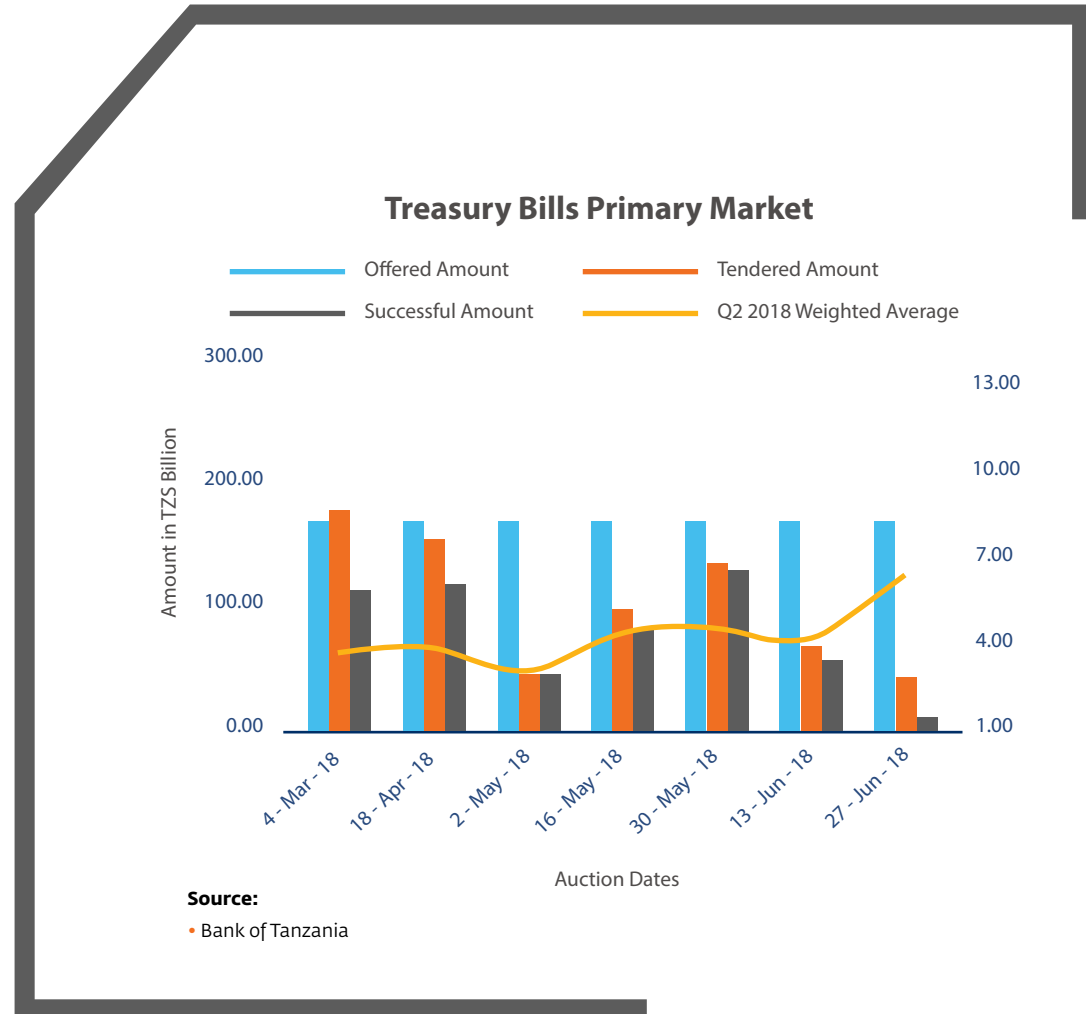
Government Securities Trend:

Treasury Bills: Reduced investor appetite, higher returns

During the quarter under review, seven auctions were conducted by Central bank in which a total of TZS 1,184 Billion was offered against offered amount of TZS 964 Billion the previous quarter and TZS 975.70 Billion offered during the same quarter last year. Out of the TZS 1,184 Billion offered, only bids worth TZS 726.35 Billion were received marking a 38.65% undersubscription. Auctions in the quarter under review were only successful by TZS 565.02 Billion marking a 47.72% success leaving more than TZS 600 Billion demand from the government uncovered. This could make the bank more aggressive in the coming quarter to cover the shortfall and consequently rising rates

Returns were higher in the reviewed quarter to close at an overall weighted average yield of 6.69% from a close of 4.54% the previous quarter.

WAY increase by
215bp
Q-o-Q



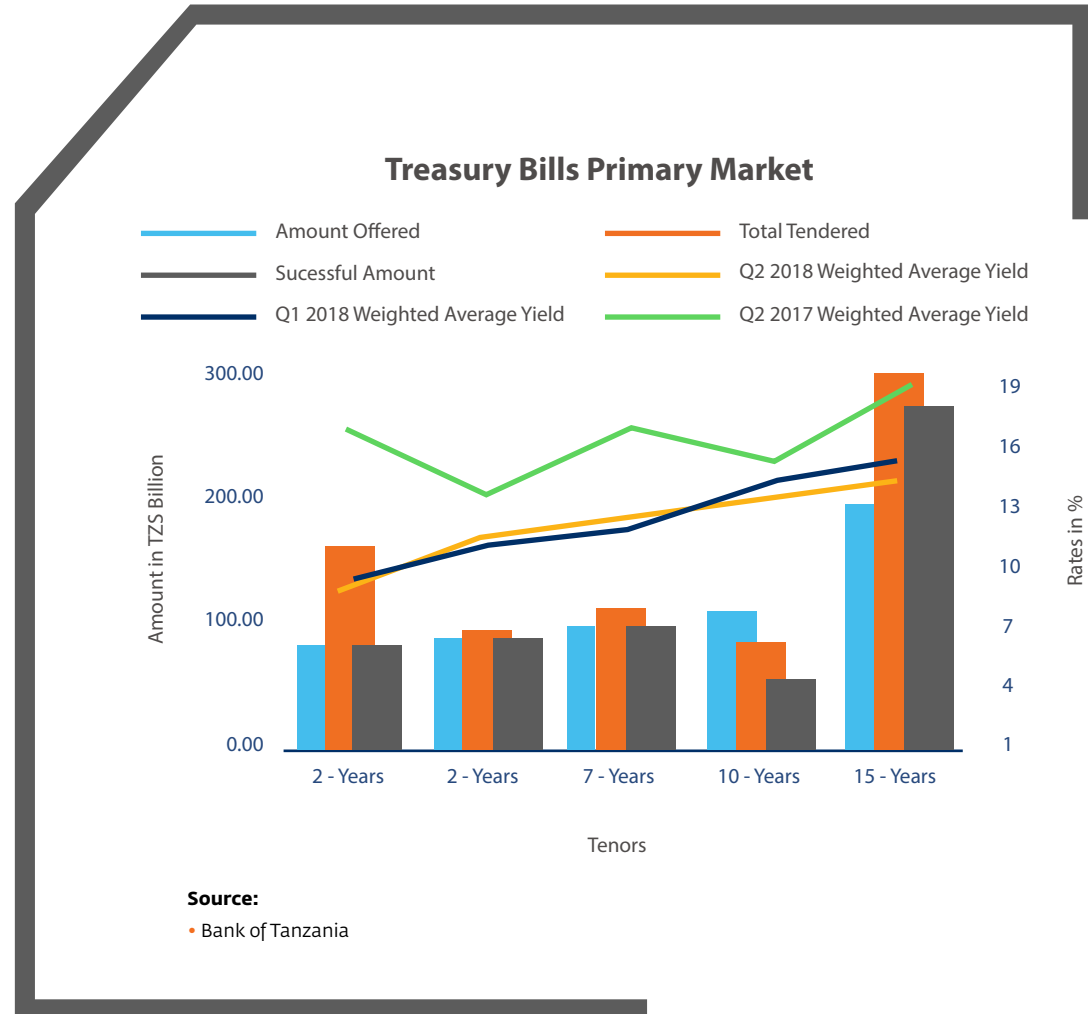
Treasury Bonds Primary Market: Sustained appetite for long term papers

A total of TZS 581 Billion was auctioned in Treasury bonds of maturities between 2 years and 15 years in six different auctions during the second quarter of 2018, down from TZS 660.00 Billion offered during the same quarter last year and TZS 684 billion the previous quarter. Despite reduced demand by the Central bank, auctions remained oversubscribed as bonds consistently attracted higher returns. This marked a 45.00% oversubscription significantly lower than an oversubscription of 151.00% the previous quarter and 184.00% the same quarter last year.

During the reviewed quarter, bids worth TZS 841.20 Billion were received out of which TZS 608.16 Billion was successful.

Weighted average yields across most tenors fell both y-o-y and Q-o-Q on account of sustained demand from investors. This is depicted in the chart below.

Auctions
oversubscribed by
45.00%



Treasury Bonds Secondary Market:

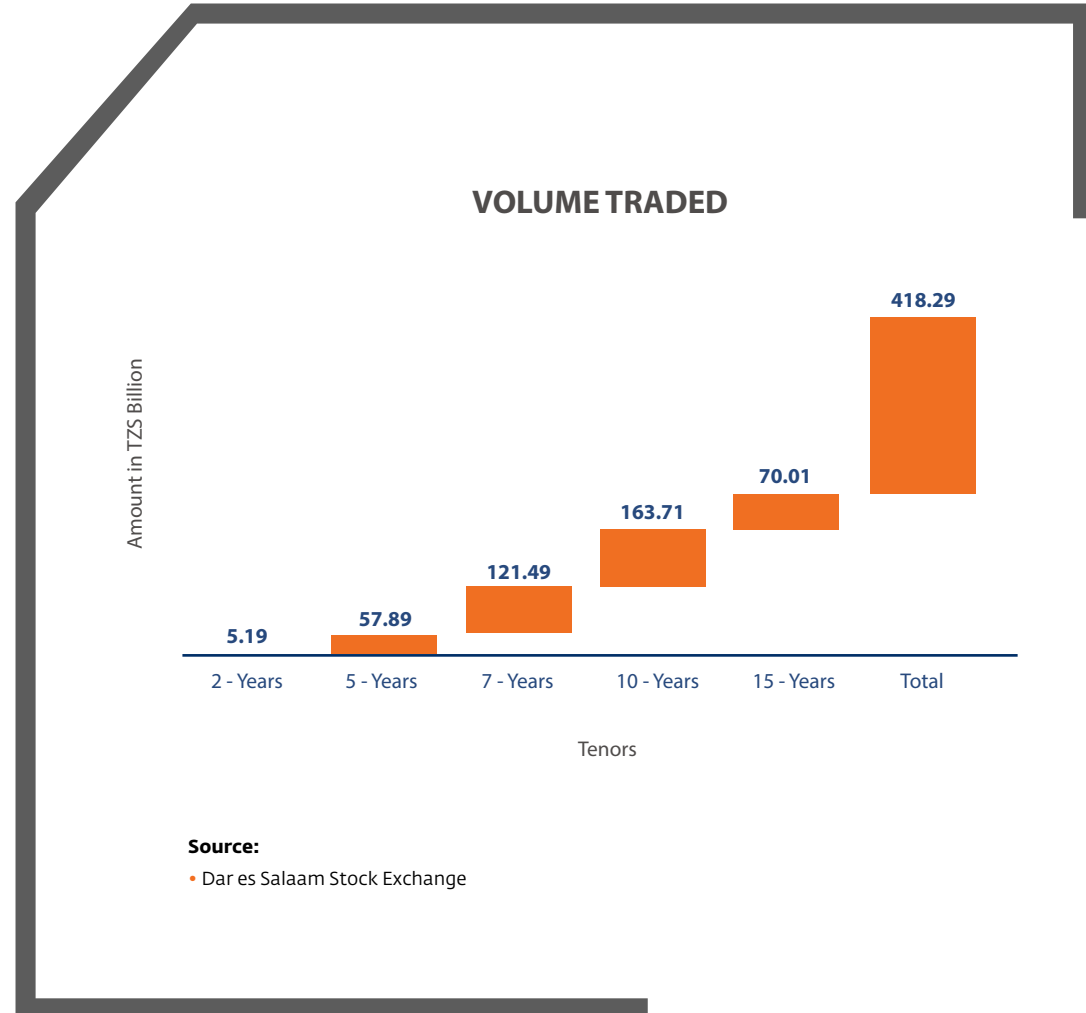
A reduced pace of
turnover growth

The secondary bond market turnover stood at TZS 418.9 billion in the quarter reviewed against TZS 388.82 billion in the previous quarter and TZS 234.03 billion the same quarter last year. This marks a 78.73% and 8.00% growth Y-o-Y and Q-o-Q respectively. This marks a significant quarterly drop in activities from a growth of 163.00% witnessed in the previous quarter. This can be explained by less activities in the market on the back of a wait and see mode by investors as yields hit bottoms.

Turnover grows by

8.00 %

Q-o-Q





Equity Market Analysis:

By Avith Massawe, Custody Services

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Equity Market Analysis:

Another slowing quarter

By Avith Massawe, Custody Services

Activities at the Dar es Salaam Stock Exchange continued to decline and hit TZS 50.71 Billion in the quarter under review from TZS 86.08 Billion the previous quarter marking a 41.00% Q-o-Q decline. The decline was on account of reduced investor appetite.

On the other hand, the exchange traded a total of 20.2 Million shares with a daily average volume of 349,000 shares down from 44.2 Million shares with a daily volume average of 713,000 shares which was a 54.00% decline from a Q-o-Q decline of 1.90% the previous quarter. Foreign investors' activities continued to dominate trading activities in the equity market at the bourse both on the bid and offer side of the market.

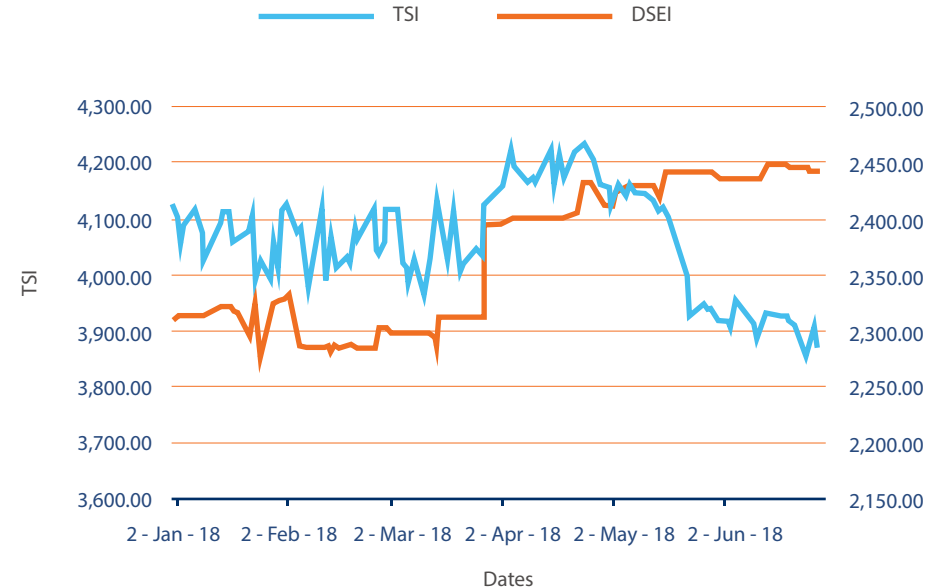
During the quarter, market performance was driven by TBL, VODA, TCC, CRDB and SWISS counters accounting for up to 97% of the total value traded. The leading top mover counters provided 78%, 8%, 6%, 3% and 2% respectively of the total turnover. Other counters were DSE, TWIGA, DCB, NICO, TCCL, NMB, TATEPA, MUCOBA, TICL, TOL and YETU on Main Market Investment Segment (MMIS). 3% was generated by MBP, MKCB and MCB from the Enterprise Growth Market (EGM). A fall in share prices of cross-listed companies reduced the bourse's market capitalization by 1.40% to TZS 22.50 Billion from TZS 22.80 Billion the previous quarter.

The Tanzania Share Index (TSI) grew Q-o-Q by 2.24% at the impact of the appreciation of domestic listed shares led by DSE (11.43%), TWIGA (10.04%), TBL (6.45%) and TCC (4.29%). On the other side, the all Share Index (DSEI) marked a decreased of 5.31% as cross listed securities shed blood i.e USL (36%), NMG (17%), EABL (17%), ACA (16%), KCB (9%) and JHL (3%).

Market capitalization down

1.40%
Q-o-Q

TSI & DSEI JAN - JUNE PERFORMANCE



Source:

- Dar es Salaam Stock Exchange

Key highlights during second quarter:

1. Re-Listing of NICOL to Dar Es Salaam Stock Exchange

On 18th May 2018, the DSE Plc. Board approved the readmission of NICOL shares on the official list at the DSE. Therefore, trading of the newly listed shares commenced on Wednesday, 6th June 2018 at an opening price of TZS. 300 per share.

2. TMRC Bond Issuance and Listing at the bourse

The mortgage refinancing firm offered to public a 12bn/- five years bond at a fixed coupon rate of 11.79% issued at par. The bond raised 12.521 Billion marking a 4.00% oversubscription. It was then listed on the Dar es Salaam exchange on the 27th June 2018.

3. Corporate Events Period:

During the quarter under review, most listed companies issued their audited financial reports, Dividend announcements and held their Annual General Meetings. The companies which announced dividends are Vodacom (TZS 17.33), TPCC (TZS 100), MUCOBA Plc (TZS 17), NMB (TZS 64), SWISSPORT (TZS 165.75) and CRDB (TZS 5.00).



Economic Data Issuance Calendar

The following economic data and government securities will be issued in the coming quarter, however Bank of Tanzania reserves a mandate to change the government securities calendar accordingly.

Date	Event
4-Jul-18	10-year Treasury Bond Auction
9-Jul-18	June Inflation Data Release
11-Jul-18	Treasury Bills Auction
18-Jul-18	15-year Treasury Bond Auction
25-Jul-18	Treasury Bills Auction
1-Aug-18	2- year Treasury Bond Auction
8-Aug-18	Treasury Bills Auction
9-Aug-18	July Inflation Data Release
15-Aug-18	Treasury Bond Auction
22-Aug-18	Treasury Bills Auction
29-Aug-18	Treasury Bond Auction
5-Sep-18	Treasury Bills Auction
9-Sep-18	August Inflation Data Release
12-Sep-18	Treasury Bond Auction
19-Sep-18	Treasury Bills Auction
26-Sep-18	Treasury Bond Auction



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