



Market Digest

Issue 9-2018



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Economic Analysis:

By Fredrick Mbuya, FX Trading Desk

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Upbeat Sentiment as the Economy Continues to Strengthen

Tanzania continues to maintain its positive trend as one of the fastest growing economy in Sub-Saharan Africa and East Africa's third-largest economy. Tanzania's economy grew around 7.1 percent, beating the government's own revised forecast which was trimmed from an initial 7.4 percent down to 7.0 percent. This also beats the 6.6 percent 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.

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 percent 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 1,473.0 million in the year ending February 2018 compared to the USD 416.4 million in the corresponding period in 2017. According to Bank of Tanzania, the positive change is associated with an increase official current transfers, as well as an increase in project grants, external borrowing, and improvement in the current account balance. Foreign reserves are sufficient to cover for 5.9 months of projected imports of goods and services.

Domestic revenue by the government totaled TZS 1,621.9 billion in February 2018, of which TZS 1,576.0 billion were central government collections. Money supply continued to increase for the second month in a row, in the wake of

monetary policy easing pursued by the Bank of Tanzania since the first quarter of 2017 to ensure that liquidity in banks is adequate to support economic activities. Extended broad money supply (M3) grew Year-on-Year by 11.2 percent in February 2018, compared with 9.5 percent growth in January 2018 and 1.7 percent in the corresponding month in 2017. This was supported by net foreign assets of the banking system and banks increasing credit to the private sector

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.

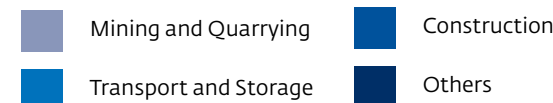
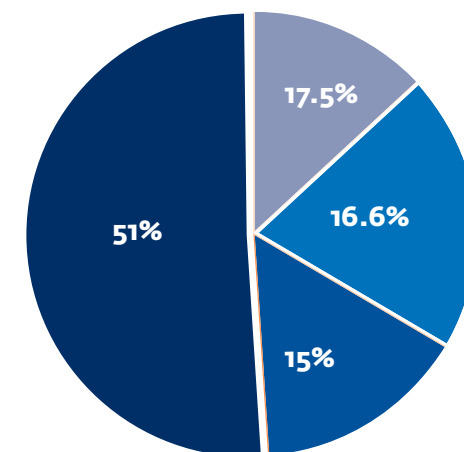
According to the National Bureau of Statistics, Tanzania's inflation fell to a 14 year low of 3.9 percent year-on-year in March from 4.1 percent a month earlier. On the Foreign exchange front, the Local currency depreciated by 0.8% against the dollar following an increase in dollar demand across various major sectors such as Manufacturing and Oil and Energy. Given the nature of the Tanzanian economy, the decrease in inflation is good news, as it will leave consumers with more surplus income which they will be able to spend in boosting other economic sectors. However, the slightly depreciating shilling trend means local importers will have to part ways with more shillings per dollar in order to complete their transactions.

GDP Growth Main Drivers

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 %.



Source:

● Reuters



Fx Trend:

By Huruma Stewart, FX Trading Desk

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The Shilling Trips

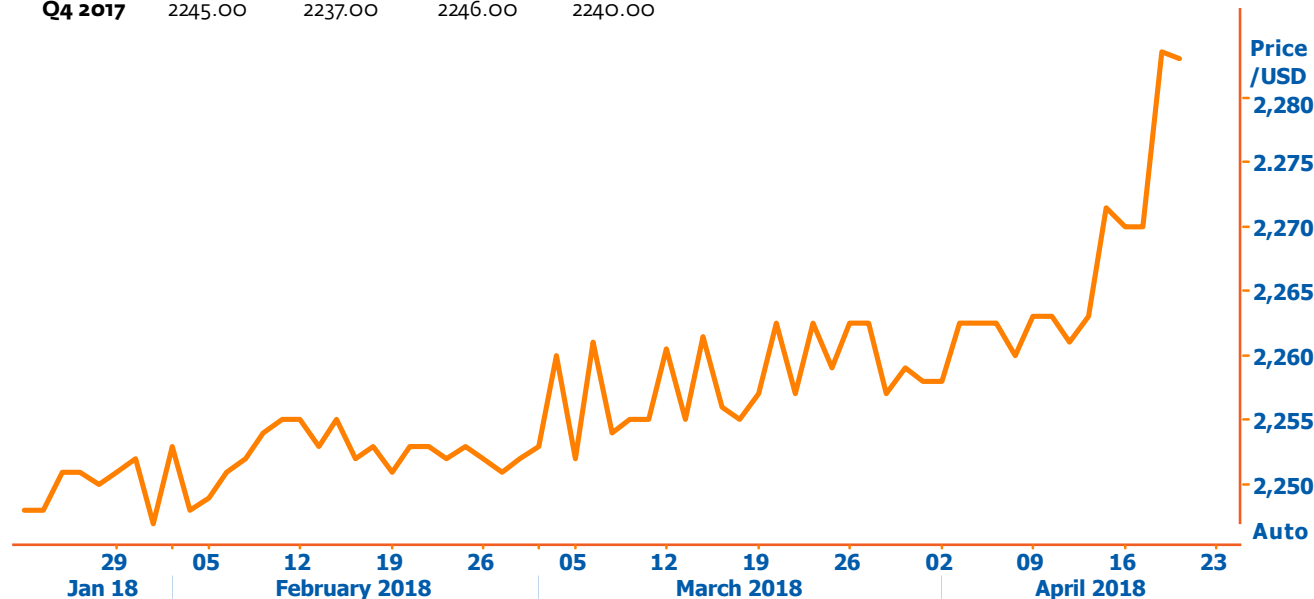
The local currency traded on the backfoot against the greenback for the whole quarter under review, marking a 1.0% depreciation from being stable in the previous quarter. Coupled with limited volatility, the shilling opened at 2240 per US dollar, improved to a low of 2239 per US dollar as the quarter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

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 in Q1 2018 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.

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



Source: Reuters

Click the following link to see our FX spot prices (www.nmbbank.co.tz)

The shilling marks

a 1.0%
depreciation Q-o-Q



Interbank MM Activities and Rates:

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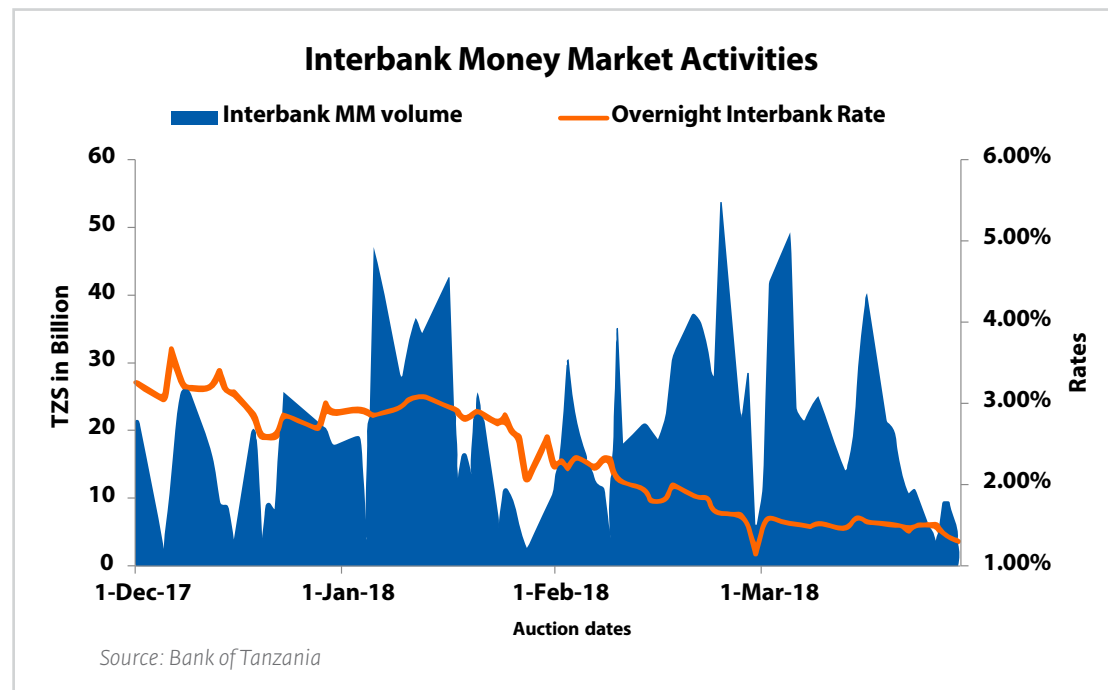
Interest Rates Continue to Fall

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.

Overnight rates average at

2.0%
in Q1 2018





Inflation & Government Securities Trend:

By Agnes Mayoro, Trading Desk

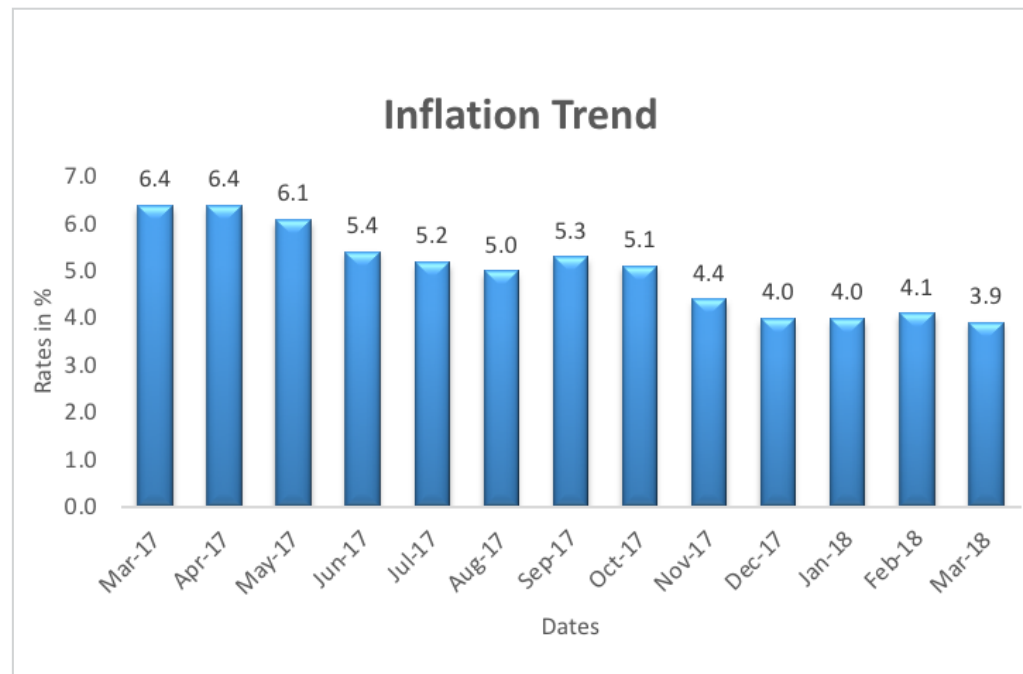
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Inflation falls to **3.9%** Lowest Since **2004**

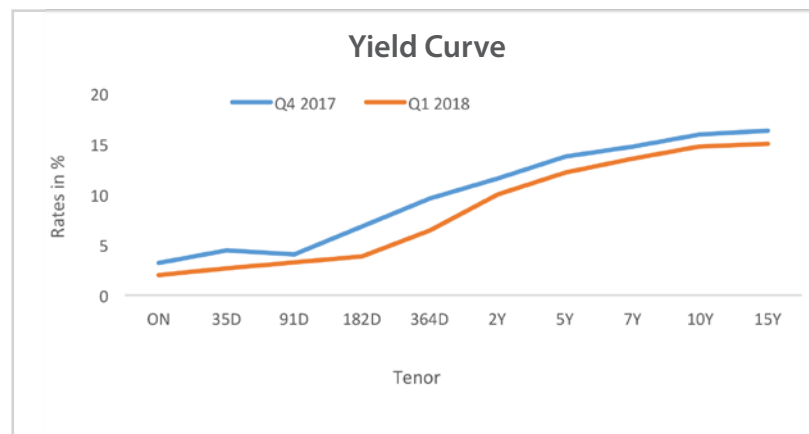
Tanzania's annual headline inflation continued to ease in the quarter under review, falling to 3.9 percent increase year-on-year in March 2018 from 4.1 percent increase a month earlier. This marked a one year low and a 14 year record low of 3.9 percent, a number seen last in 2004. This slowdown was mainly 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).

April inflation stands at 3.8 percent and 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.

Yield curve shifts downward
by **1.67%**
Q-o-Q



Source: National Bureau of Statistics



Source: Bank of Tanzania

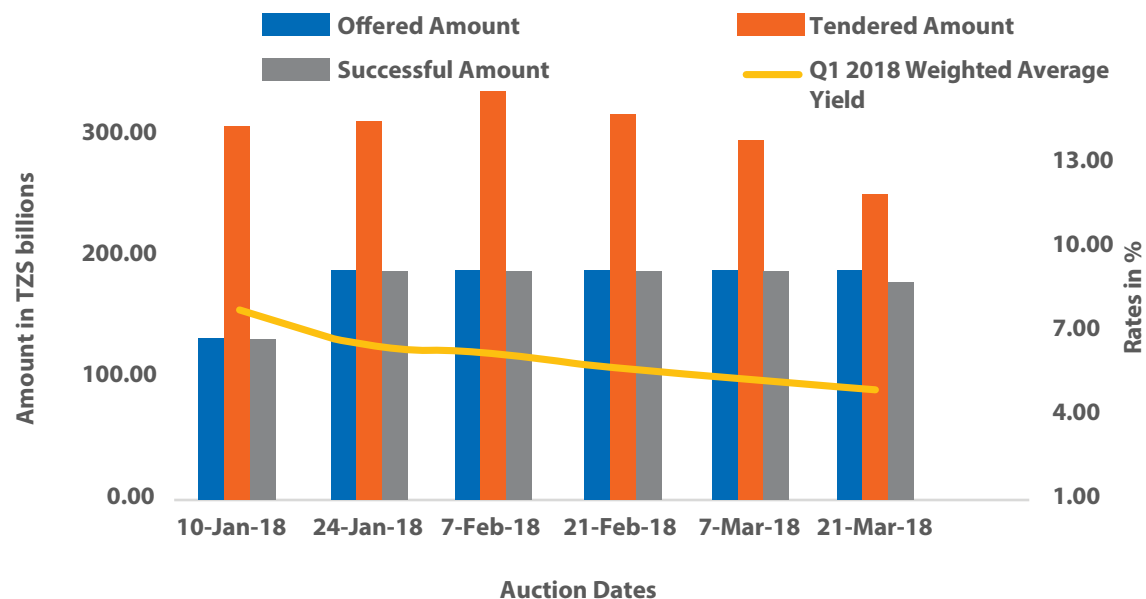
Treasury Bills: Sustained Demand, Reduced Returns

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 during the same quarter last year and TZS 1.183 Trillion during the last quarter of 2017. Despite decline in the yield 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 bidders unfilled. 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.

Overall weighted average yield
falls to **4.54%**

Treasury Bills Market



Source: Bank of Tanzania

Increased Appetite 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. Bids from 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 end of the yield curve while only taking what was offered in the short term end 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 fell sharply on 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.

Investor appetite grows
by **109%**
y-o-y

Treasury Bonds Primary Market



Source: Bank of Tanzania

Treasury Bonds: Investors shift to fixed income

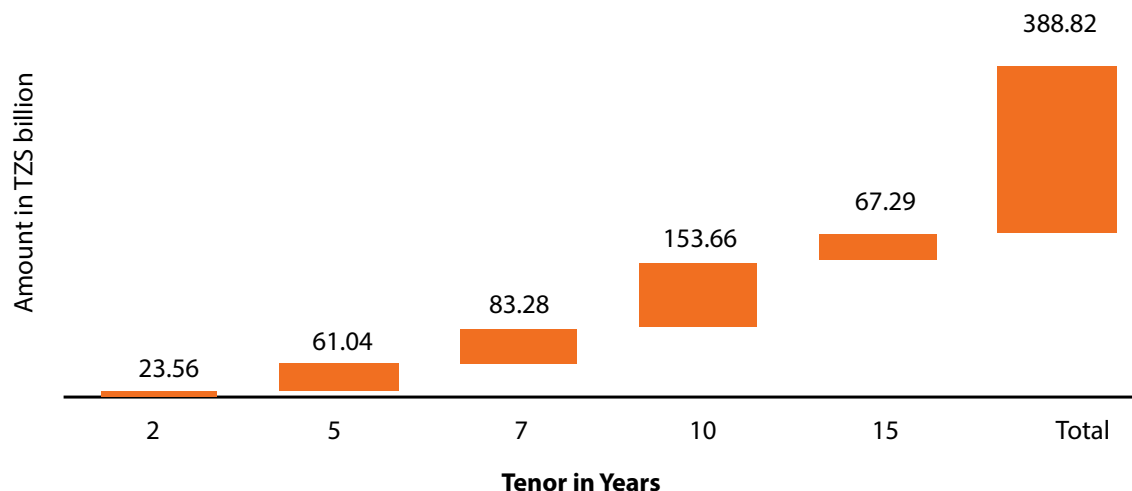
2. Secondary Market

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 went up 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 attributed by a significant investors' appetite shift from equities to fixed income, mainly in long tenored papers ranging from 7 years to 15 years as returns on short term instruments fell and returns from equities became more volatile.

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

Bonds turnover grows y-o-y
by **69.5%**

VOLUMES TRADED



Source: Dar es Salaam Stock Exchange

Click the following link to see our Bond offers (<https://www.nmbbank.co.tz/treasury-services/money-markets-investments/government-securities>)



Equity Market Analysis:

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Slowdown In Trading Activities

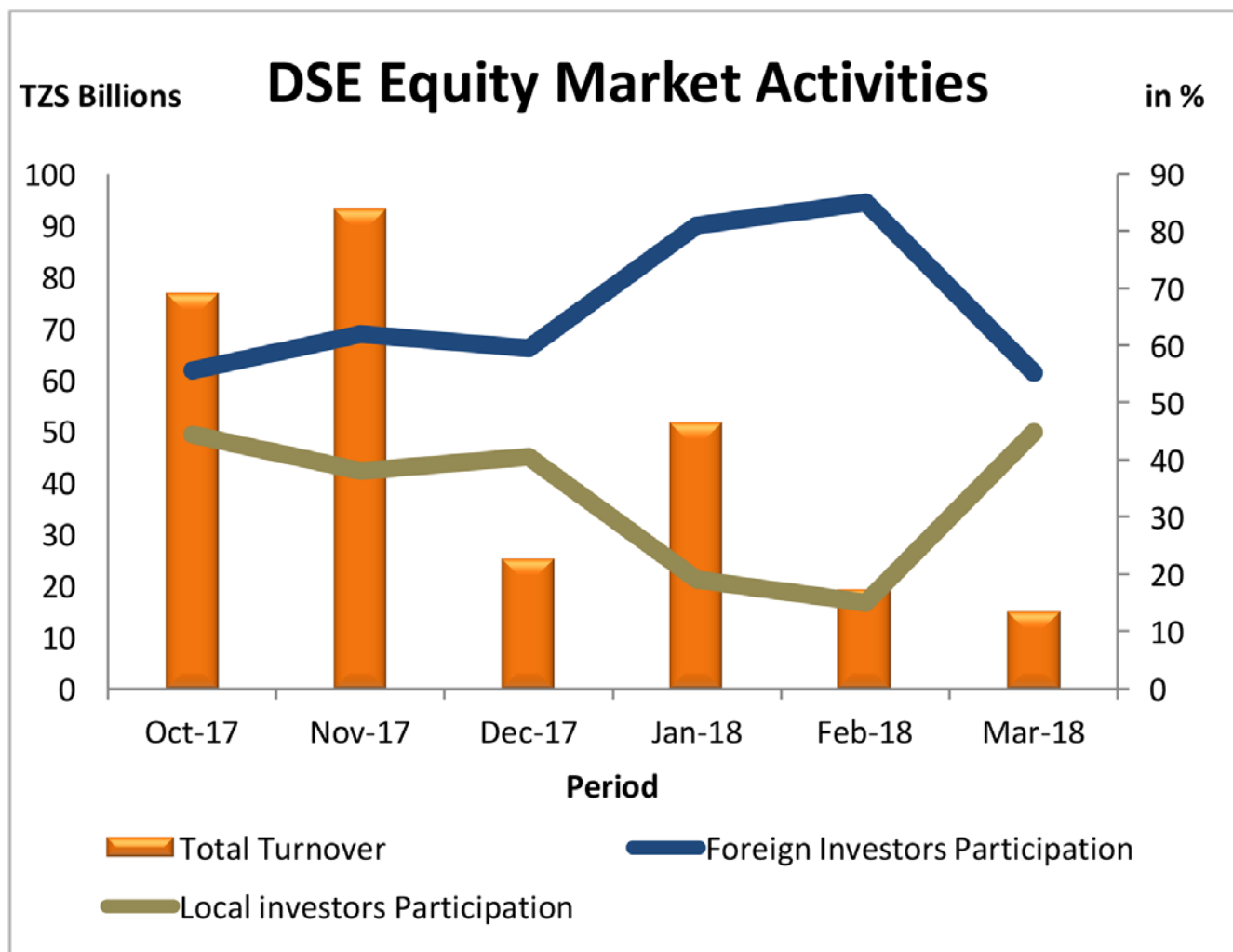
Activities at the Dar es Salaam Stock Exchange (DSE) marked a 56% Q-o-Q decline during the quarter under review. The bourse recorded a turnover of about TZS 86.08 Billion (Daily average turnover of TZS 44.26 Million) down from a turnover of about TZS 194.41 Billion (Daily average of TZS 3.15 Billion)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

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

DSE records a
56.0%
drop in trading activities Q-o-Q





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

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Asset servicing

Transaction processing and settlement.

Banking services



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We provide
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Capital Raising & Optimization

M&A Advisory

Strategy & Financial Advisory