

The NMB logo is positioned in the top right corner of the central graphic. It features the letters "NMB" in a white, bold, sans-serif font, with a thin orange swoosh above the "B".

NMB

The title "Market Digest" is centered within a white-outlined square. "Market" is in white and "Digest" is in orange. Below it, "Issue 22-2021" is written in a smaller orange font.

Market **Digest**

Issue 22-2021

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Economic **Analysis:**



SOLID Economic Outlook

A year ago, the biggest question for investors was how quickly the global economy would recover from the depths of the COVID-19 recession. Today, the answer is clear after the single largest drop of gross domestic product on record, global GDP is already back on its pre-COVID-19 path.

The past few months have brought a string of upbeat news on the global economy, suggesting a vigorous recovery from the COVID-19 crisis. World merchandise trade has soared and is already well above the pre-pandemic levels. Similarly, global industrial production has seen a V-shaped recovery since the middle of last year. The prices of key raw materials, such as copper, iron ore and lumber, reached record levels in the second quarter of 2021, Gold is also trading well above its pre-pandemic levels at \$ 1801 per ounce as at June 2021 compared to \$ 1781 per ounce in the same period last year. Crude oil prices climbed to a 2-year high above \$70 per barrel in June 2021 compared to \$40 per barrel in the corresponding period of 2020. Meanwhile, capital flows to developing countries have rebounded since the last quarter of 2020, driven by extraordinarily accommodative monetary conditions,

abundant global liquidity, and strong risk appetite among investors.

Tanzania is transitioning from a lower to a middle-income country, despite the dynamics that the regional and global economies are dealing with the country has performed remarkably well this past year. According to the state of the economy report that was presented to the parliament in June 2021, the country recorded a growth of 4.8 percent in 2020. Sectors which highly contributed to this growth were construction at 9.1 percent, information and communication 8.4 percent, transportation and conservation 8.4 percent, administrative services 7.8 percent, technical activities 7.3 percent, mining 6.7 percent, health and social services 6.5 percent. In 2021 the GDP growth is expected to rebound to 5.6% mainly dependent on the trajectory of the COVID-19 pandemic global recovery, infrastructure investment, improved private consumption and recovery in exports.

According to the Bank of Tanzania, the overall balance of payments recorded a deficit of USD 290.2 million compared to a surplus of USD 995.2 million in the

corresponding period of 2020 on account of an increase in value of imported goods. On the same note, gross official foreign reserves amounted to USD 4,969.7 million at the end of April 2021, enough to cover about 5.8 months of projected import of good and services.

External debt stock increased by USD 77.9 million to USD 24,477.6 million, the increase was mainly on account of depreciation of the US dollar against other currencies in which the debt is denominated. Despite the increase the debt remains sustainable at current external debt to GDP ratio of 27.9 percent, which is below the international sustainability threshold of 40%. According to the National Bureau of Statistics (NBS).

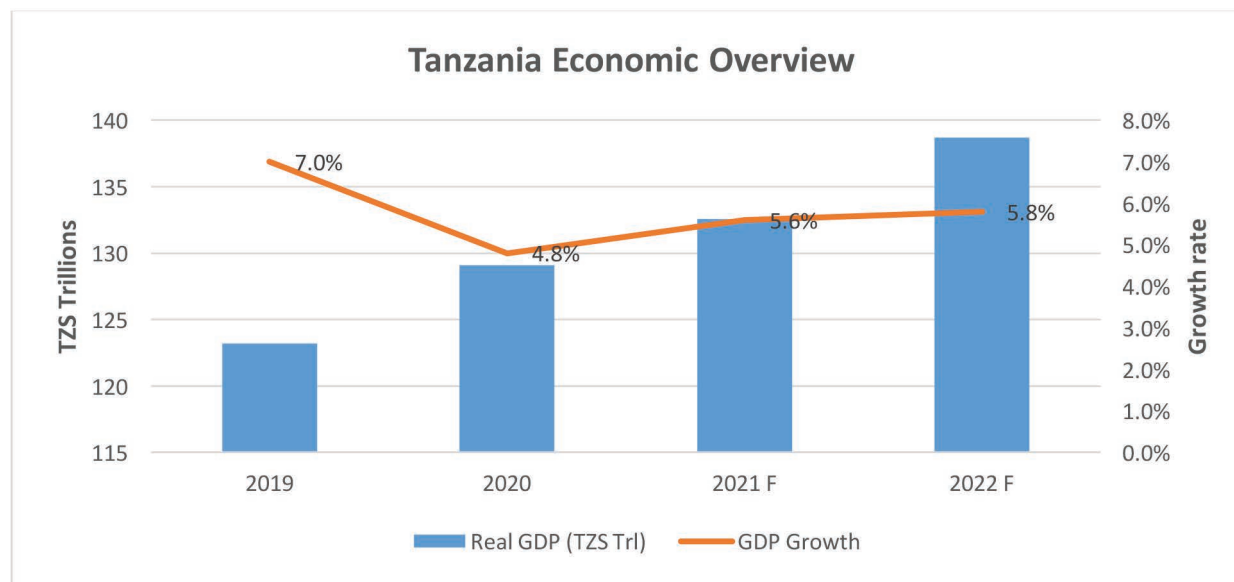
Domestic credit extended by banks to private sector registered a positive development in the recent months despite the global effects of the COVID-19 pandemic that spilled over to businesses and investment. According to the Bank of Tanzania, annual growth of credit to private sector was around 4.7 percent in May 2021 compared to 5.1 percent in the corresponding period in 2020. The demand for new loans is expected to pick up in the months ahead owing to ongoing initiatives by the government

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to improve business and investment environment, normalization of economic activities as well as accommodative monetary policy stance.

Inflation rate increased slightly to 3.6 percent in June 2021 compared to 3.2 which was recorded in March 2021. The increase in inflation was mainly attributed to an uptick in global oil prices alongside recovery in consumer demand. This will however be subdued by an improvement in supply chain following a gradual lifting of strict lockdowns by countries which will ensure food demand is met. Lastly, the Minister of Finance and Planning recently presented to the Parliament the third national development plan 2021/22-2025/26 (FYDP III). In his speech the Minister outlined some of the key priority areas which include the stimulation of a competitive and participatory economy, strengthening industrial production, promoting investment and trade, and stimulating human resource development. It should also be noted that this is the final plan in the implementation of the Tanzania Development Vision 2025 as the National overall development framework.



Source: Bank of Tanzania IMF

Tanzania set
to grow at
5.6%
in 2021

Sources:

Bank of Tanzania (Monthly Economic Review December)
International Monetary Fund April 2021 report
National Bureau of Statistics (NBS)

Market **Analysis:**



Money Markets

Overnight Interbank Cash Market: Decreased Activities, Rising Overnight Rates

Interbank activities in Q2 2021 were lower in comparison to Q1 2021 with traded volumes totaling to TZS 3,377B; 16.5% decrease Q-o-Q. The decrease in traded volumes is mainly attributed to the sustained improved liquidity across the market during the quarter under review.

However, overnight interbank Money market rates averaged at 3.93% in Q2 2021 slightly up from 3.83% in Q1 2021.

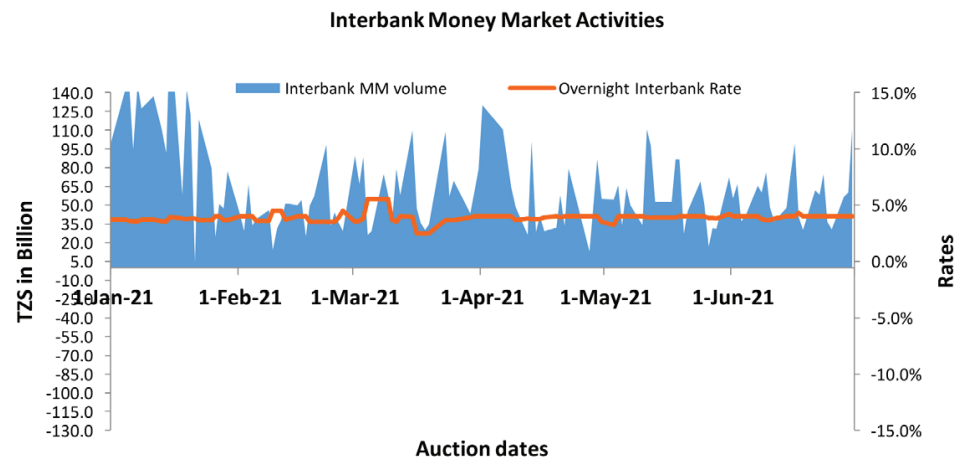
With the Central bank's intentions to continue maintaining appropriate liquidity levels in the economy as well as ensuring stability of the money market rates, overnight rates are anticipated to remain within single digit in the coming quarter.

Interbank Money
Market activities
down by
16.5%
Q-o-Q

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Interbank Money Market activities down by 16.5% Q-o-Q.



Source: Bank of Tanzania

Treasury Bills Trend:

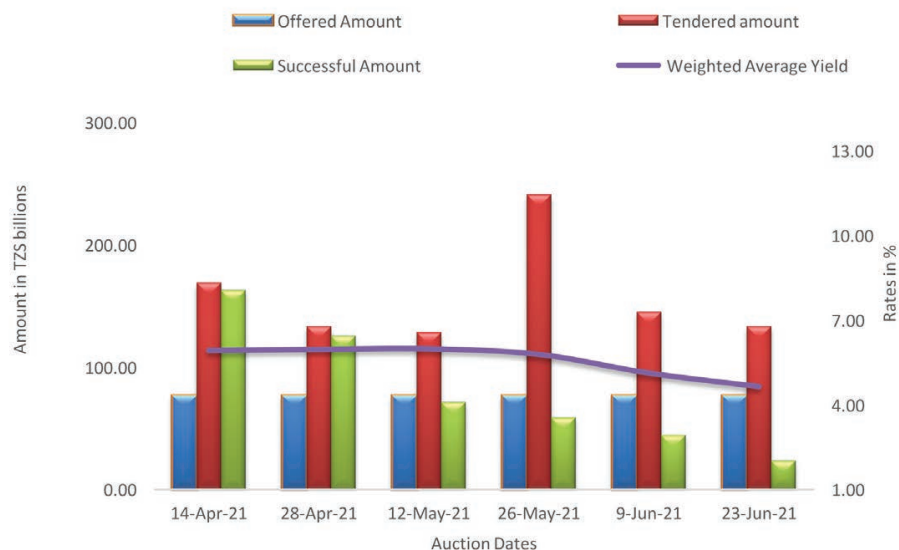
Oversubscribed Auctions, Decreasing Yields.

T-bill auctions conducted by Bank of Tanzania in Q2 2021 offered a total of TZS 460B, 22% below the amount offered in the previous quarter. The auctions in Q2 2021 were cumulatively oversubscribed by 106%. In comparison to the 7% undersubscription in Q1 2021, this increased appetite for the short-term papers is mainly attributed to the prevailing liquidity in the market.

Cumulatively, the central bank took only 51% of what was tendered which translates to 6% above the offered amount. This has thus left the market with TZS 463B demand for T-bills during the quarter.

Overall WAY on Treasury bills showed a downward trend to stand at 4.65% as at 31st March 2021 lower than 5.83% recorded in the previous quarter. T-bill yields in Q3 2021 are anticipated to further drop.

Treasury Bills Primary Market



Source: Bank of Tanzania

Foreign exchange market:

In the IFEM, the local unit traded sideways with limited volatility for the entire quarter under review. The shilling opened at TZS 2319 to the dollar, appreciated slightly to USDTZS 2318 before firming and close at USDTZS 2319. Despite demand for dividend payments, which in recent years has led to notable depreciation of the Shilling during the same period, the local unit managed to hold firm this time around owing the resilience to a well-timed increase in Agri, gold exports and Trade inflows, which aided greatly in the shilling's stability.

The volumes traded in the IFEM decreased by 18% from the USD 79.25 Million traded in the preceding quarter to USD 64.8 Million during the period under review. IFEM members opted for back-to-back customer covers as price discovery and liquidity continued to be limited in the interbank space. The Bank of Tanzania continued to ensure orderly market conditions via prudent monetary policies.

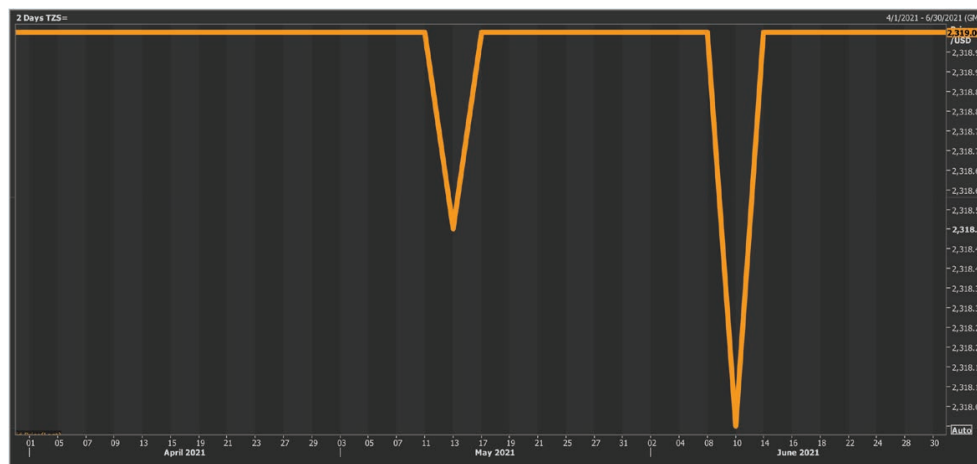
Looking ahead to the upcoming quarter, the expectation is for a stable currency as inflows continue to come in from Sesame and tobacco proceeds, which we saw during the last portion of Q2, as well as flows from other cash crops expected to kick in later during the quarter from cotton, coffee and later on cashew. The tourism sector is also expected to begin making a recovery as the global vaccine continues which will allow more and more people to resume normal international travel.

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The IFEM shilling consolidates around the USDTZS 2319 figure

Source: Reuters



	Open	Low	High	Close
Q1 2021	2319.00	2319.00	2319.00	2319.00
Q2 2021	2319.00	2319.00	2318.00	2319.00

Tanzania's 2021/22 Financial Year Budget

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It was that time of the year when lawmakers met for at least two months in the parliament to discuss and deliberate on the 2021/2022 fiscal budget as tabled by Government through Ministry of Finance and Planning. The 2021/2022 budget is distinctive and imperative in a way due to the fact that this is the first budget that will shade light into the first term of the 6th Government regime as led by our mother her excellency Samia Suluhu Hassan who has united the country with her motto "Kazi iendelee". Additionally, this is the first year of the implementation of the 3rd phase of our Nation's Development Plan Dubbed Vision 2025. Looking at the previous fiscal year budget 2020/21 the government estimated to collect TZS 34.88 Trillion from all its revenue sources. Until April 2021, TZS 24.53 Trillion had been collected which is 86.1% of the target. COVID 19 is sighted to be the challenge, which affected some of the major revenue collecting sub streams. On the expenditure side, the government used a total of TZS 24.74 Trillion up to April 2021 to fund recurrent as well as development projects.

In the 2021/22 fiscal year revenues and expenditure projections

have been prepared based on assumptions and policies geared towards creating an inclusive economy. Some of the key assumptions include fostering economic growth to 6.3 percent in 2023, maintaining the inflation rate within the targeted range of 3 to 5 percent, improve own source revenue collections including tax collections, contain the budget deficit, improve on our foreign currency reserve to 4 months' worth of import bill and strengthen social development indicators.

As highlighted earlier, this year's budget is distinctive in a way, as it will fund the first year of the implementation of the 3rd phase of our National Development Plan. This year's TZS 36.33Tn budget will focus on; accelerating competitive and inclusive economy, strengthening manufacturing sector for value addition of our Agri produce, improve business environment and attract investments and human capital development.

Government expects to collect a total of TZS 36.33Tn from various sources including Taxes, Concessional Loans & Grants and Commercial loans. Tax will carry significant share 61%, followed

by Domestic borrowings TZS 5.0Tn mainly through government securities, while non-Tax revenues and LGAs own sources will contribute TZS 2.99Tn and TZS 0.86Tn. What is more interesting in this year's budget is that a number of new revenue streams have been added while a number of amendments on Tax and Finance Act have been done to improve business environment and protection of local manufacturing sector some of which are:

Property Tax law CAP. 289:

Government has changed collection modality to indirectly imbed it on the LUKU utility bill to be paid by the owner of the property monthly.

Road and Fuel Tolls Act CAP 220:

Government is imposing a toll of TZS 100 per every litre of fuel and allocate the funds to TARURA for rehabilitation and construction of rural roads. This deliberate move is geared to improve rural accessibility.

Electronic and Postal Communications Act (EPOCA) CAP. 306:

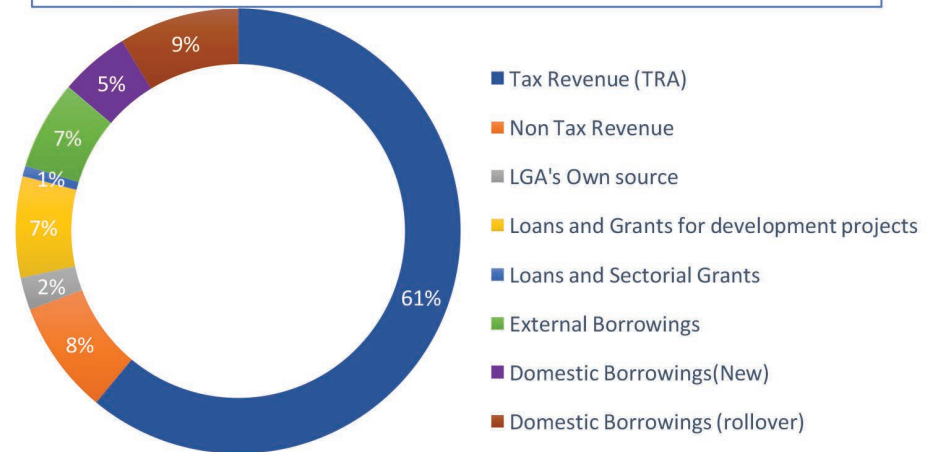
Government is imposing a charge on every mobile money transfer ranging from TZS 10-100 depending on the amount. Further, a fee ranging from TZS 10-200 per day is introduced to mobile lines depending on airtime usage.

Expenditure:

Government is estimating to spend a total of TZS 36.32Trillion equivalent to \$15.78Billion to fund its both recurrent and development expenditures. In order to build an inclusive competitive economy, investments in public infrastructure is imperative, development expenditure will account for 36.68% of the total budget of which TZS 10.37Trillion will come from domestic sources while development partners will contribute TZS 2.95Trillion to total TZS 13.36Trillion. A total of TZS 7.44Tn is allocated for building infrastructure spanning from railways, roads & bridges, airports, ports, energy to ICT, priority has been given to projects such as the Coal & Iron Ore at Mchuchuma & Liganga, crude oil pipeline and the LNG plant. Further, to improve business environment and attract FDIs, Government has set aside TZS 31.6Bn to fast track implementation of the Blueprint that was agreed with the private sector.

The expected investment spending highlighted above will have positive impact in the economy through liquidity injection, job creation, credit growth especially if private sector will be given priority in projects implementation and eventually stimulate spending. Overall the 2021/2022 budget has laid down strategies to ensure revenue collections by outlining new streams, direct allocation of the collected funds to development projects but also inject liquidity to the economy through projects implementation and payment of outstanding contractors & Suppliers debts where TZS 400bn has been allocated. All these measures if implemented effectively and costs maintained diligently will spur spending, grow credit and eventually grow the economy at the anticipated rate of 5.6%.

2021/2022 GOVERNMENT REVENUES ESTIMATES



Sources: Ministry of Finance and Planning Budget Speech 2021/22

Equity Market:

Market turnover increased by 26.71 percent

The total turnover increased by 26.71 percent Q-o-Q to TZS 29.5 Billion, during the quarter under review from TZS 23.3 Billion recorded in the previous quarter. The increase in market turnover was mainly contributed by VODA, TPCC, NMB, and TBL Generally, activities in the market are still on the lower side given the current global situation around Covid-19. No significant recovery has been observed on the DSE except for a few pre-arranged deals. Likewise, turnover increased 117 percent Y-o-Y to TZS 29.5 Billion from TZS 13.5 Billion in the same period of 2020.

During the quarter under review, Local investors dominated the market activities on buy side for about 56.19 percent while foreign investors dominated the market on the selling side for about 59.76 percent.

In the reviewed quarter, total market capitalization increased by 7.67 percent Q-o-Q to TZS 16.53 trillion from TZS 15.3 trillion and increased by 9 percent

Y-o-Y to TZS 16.53 trillion from TZS 15.09 trillion in the same period of 2020. The increase was due to increase in share prices of DSE, NICOL, TPCC, JHL, and NMG.

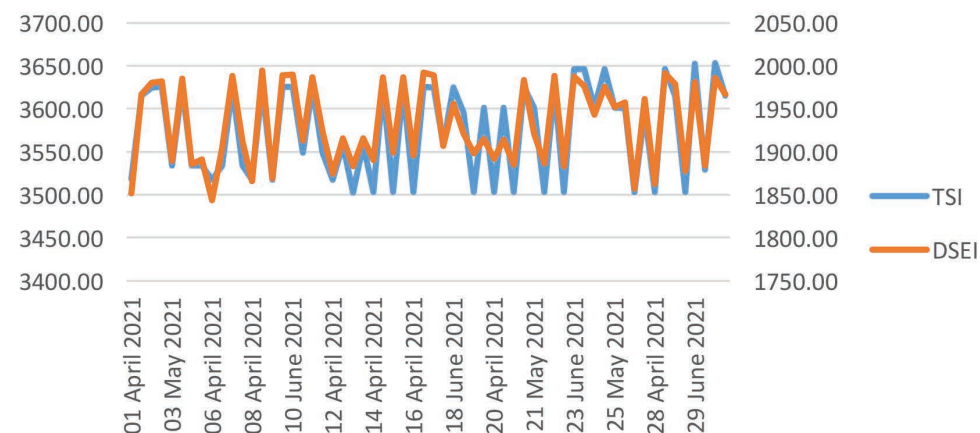
All Share Index (DSEI) which measures performance of all listed companies on the Dar es salaam stock exchange increased by 7.57 percent in the reviewed quarter to 1,985.83 points from 1,846.16 points in the previous quarter. Likewise, the Tanzania Share Index (TSI), which measures performance of locally listed companies increased by 4.84 percent in the reviewed quarter to 3,653.03 points from 3,484.53 points. Tanzania Share Index (TSI) gained 169 points while All Share Index (DSEI) gained 140 points. The market Indices have been improving following strengthening in counters prices of some of the domestic and cross-listed counters.

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Price Indices



Sources: Dar es Salaam Stock Exchange

Key highlights in Quarter 2:

Annual General Meetings held during Q2 2021

There was no any AGM during the quarter under review.

Dividend Announcements Q2 2021

During the quarter under review, TCC paid a dividend of TZS 300 per share on 11th May 2021, CRDB paid a dividend of TZS 22 per share on 11th June 2021, NMB paid a dividend of TZS 137 per share on 16th June 2021, TPCC paid a dividend of TZS 390 on 30th June 2021.

Initial Public Offering (IPO)

JATU PLC issues shares to the public. the offer opened on 1st Jun 2021 and closed on 15th July 2021



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
6-Jul-21	20-year Treasury Bond Auction
8-Jul-21	June inflation data release
14-Jul-21	Treasury Bills Auction
21-Jul-21	2-year Treasury Bond Auction
28-Jul-21	Treasury Bills Auction
4-Aug-21	7-year Treasury Bond Auction
09-Aug-21	July inflation data release
11-Aug-21	Treasury Bills Auction
18-Aug-21	7-year Treasury Bond Auction
25-Aug-21	Treasury Bills Auction
1-Sept-21	15-year Treasury Bond Auction
8-Sept-21	Treasury Bills Auction
10-Sept-21	Aug inflation data release
15-Sept-21	5-year Treasury Bond Auction
22-Sept-21	Treasury Bills Auction

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