



NMB

Market Digest

Issue 21-2021

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Economic **Analysis:**



AN-IMPROVING ECONOMIC LANDSCAPE: Fostering Foreign Direct Investments

The World Economy is showing a positive trajectory with growth projected to expand by 6 percent from the previous projection of 4 percent (According to the International Monetary Fund April 2021 Report). However, significant risks emerge over the improved outlook, notably in the form of how fast authorities get vaccine shots to its citizens, how soon restrictions are lifted and whether new variants of the corona virus are kept in check. Consistent with the projected Global recovery, Oil prices are expected to grow by 30 percent in 2021 in part reflecting OPEC supply curbs. Metal prices are projected to accelerate strongly in 2021 largely reflecting the rebound of economic activities in China, India and the UAE.

In Sub-Saharan Africa the pandemic has exacted a large toll in some of the largest economies in the region. Africa's leading economy and the largest Oil and Gas producer in Africa has had to cut its budget by nearly half. The Nigerian economy is dominated by Crude Oil, which accounts for about 10% of the country's GDP, 70% of Government revenue and more than 83% of the country's total export earnings, according to OPEC. The sharp drop in Oil prices amidst a drop in global demand left Nigeria drastically deprived of earnings, given its dependence on this commodity as a major source of income. On the other hand, South Africa as one of the world's largest producer and exporter of gold, platinum, chrome and manganese, was heavily hit by the pandemic which led to a sharp decline in the country's mining production to an average of 14 percent. However, activities in South Africa's mining sector picked up and stabilized in the last quarter of 2020

through 2021 as commodity prices significantly rose specifically gold from the lows of \$ 1,635 per ounce to the highs \$ 2,075 per ounce.

Tanzania still fares relatively well compared to its regional peers despite a slowdown in economic activities as a result of the Novel Virus Covid-19. As the country achieved the lower middle-income status back in July 2020, this achievement reflects sustained macroeconomic stability. Before the global shocks caused by Covid-19, tourism was a major driver of exports and economic growth in Tanzania. According to the Bank of Tanzania, one of the country's fastest-growing economic sectors, tourism contributed at least 17 percent of GDP in 2019 and attracted about 25 percent of FDI inflows in 2017 (US\$247 million). Tanzanian tourism exports are significantly higher than those of other EAC countries. The country's graduation to lower middle-income status is an opportunity for the country to assess the quality of past growth and develop a roadmap for the successful transition.

According to the Bank of Tanzania, the value of exports of goods and services declined by 12.4 percent to USD 8,545.4 million during the year ending February 2021 largely driven by a decline in the service receipts. The service receipt registered a 46 percent decline to USD 2,324 million in February 2021 in comparison to the corresponding period in 2020, explained by a decline in travel receipts as a result of containment measures taken in the fight against Covid-19 pandemic. Foreign reserves amounting to USD 5,178.7 million enough to cover 6.1

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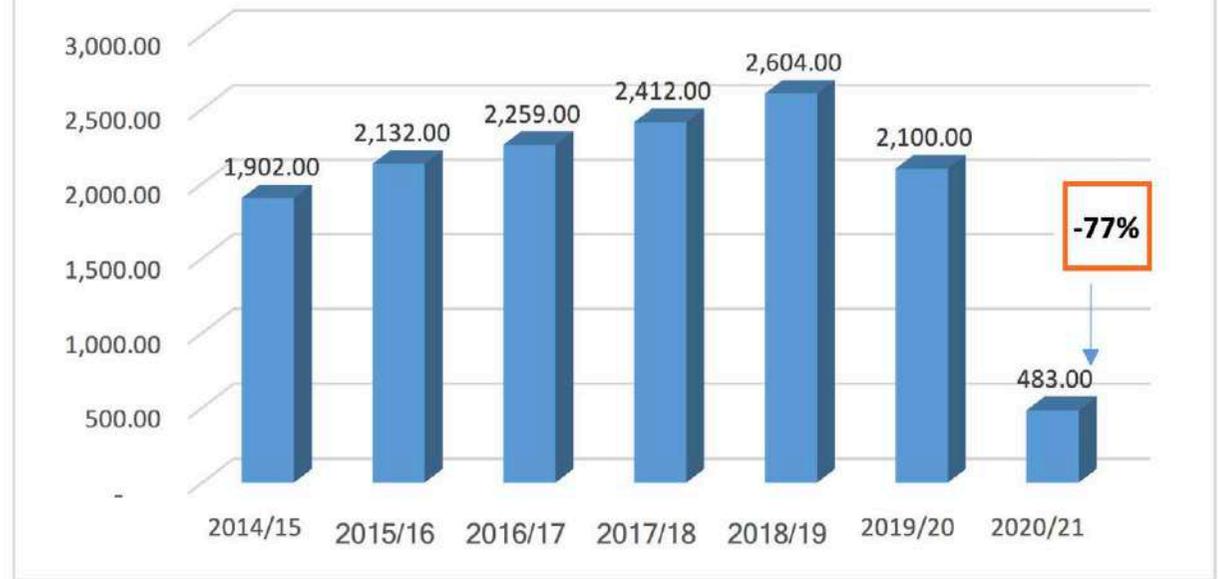


months of projected imports of goods and services. The current account deficit narrowed to USD 858.2 million in February 2021 from a deficit of USD 1,525.7 million in the corresponding period of 2020, mainly driven by decrease in imports. The imports bill for goods and services decreased to USD 8,909 million in the year ending February 2021 from USD 10,744.5 million in the same period in 2020 on account of decrease in imports of capital and intermediate goods specifically transport equipment and Oil.

The Consumer Price Index has also been relatively stable within a single digit, averaging at 3.2 percent in March 2021, same as the rate that was recorded in December 2020. This inflation outturn is within the target band of 3-5 percent for 2020/21, and EAC and SADC criteria of utmost 8.0 percent and between 3-7 percent, respectively. In Tanzania, private investment has always been the driver of sustainable future growth. Over the past two decades, rising overall investment levels have steadily increased the national capital stock, and investment has consistently accounted for roughly two-thirds of real GDP growth. About three-quarters of total investment has come from private sources. Attracting export oriented foreign direct investment has been at the cornerstone of successful development strategies in much of East Asia and in some African countries, and the international experience highlights the importance of fostering a competitive business climate. Furthermore, a country with a stable currency and whose market is in expansionary momentum is always attractive for investors.



International Receipts for Tourism in Tanzania (USD Million)



Source: Ministry of Natural Resources and Tourism, World Travel and Tourism Council Data (2020).

Tourism
Receipts down by
77%

Sources:

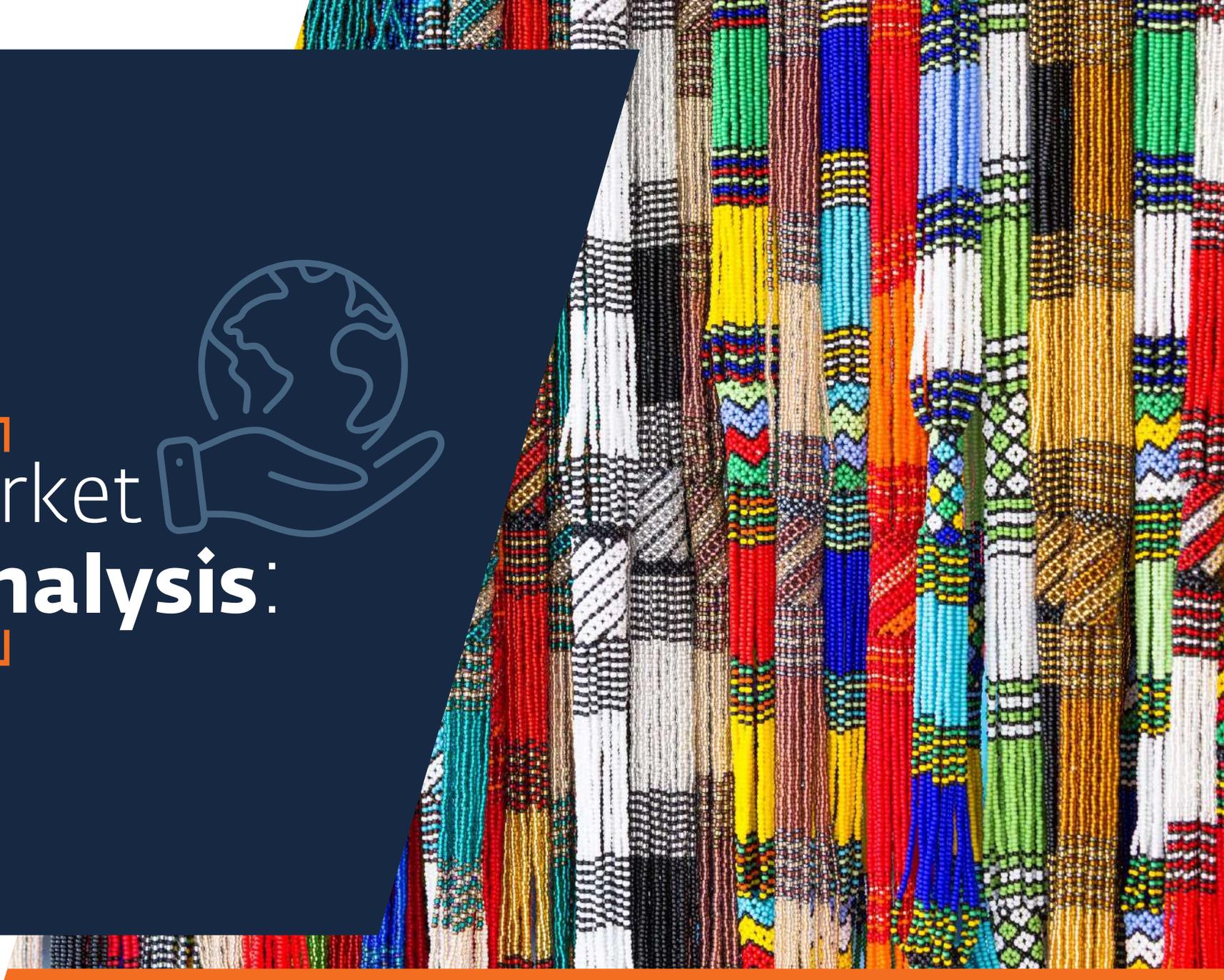
Bank of Tanzania (Monthly Economic Review December)

Ministry of Natural Resources and Tourism and World Travel and Tourism Council Data (2020).

International Monetary Fund April 2021 report

National Bureau of Statistics (NBS)

Market **Analysis:**



Money Markets

Overnight Interbank Cash Market: Increased Activities, Rising Overnight Rates

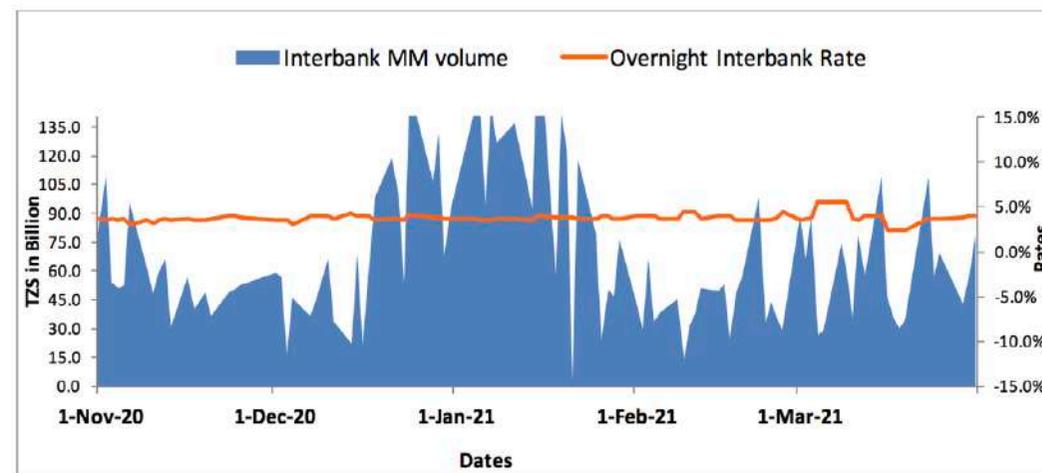
Interbank activities in Q1 2021 were higher in comparison to Q4 2020 with traded volumes totaling to TZS 4,047B; 19% increase Q-o-Q. The increase in traded volumes is partly attributed to large local banks heavily borrowing at some point during the quarter.

Moreover, overnight Interbank Money market rates averaged at 3.83% in Q1 2021 slightly up from 3.76% recorded in the Q4 2020.

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

Interbank Money Market activities
up by **19%**
Q-o-Q

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Source: Bank of Tanzania

Treasury Bills Trend:

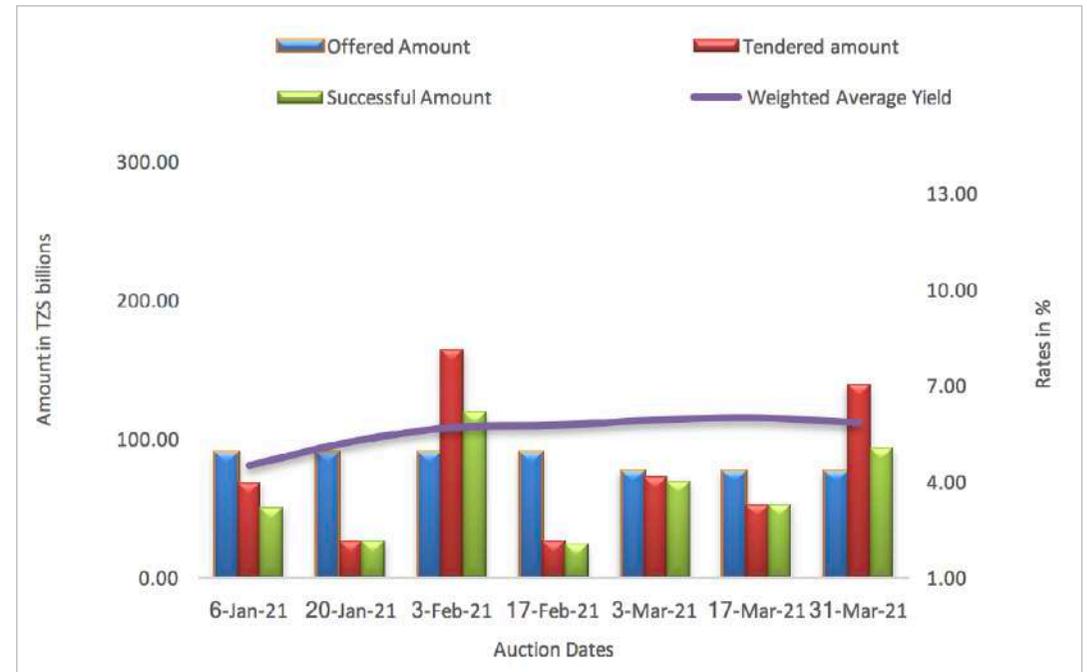
Undersubscribed Auctions, Rising Yields.

-bill auctions conducted by Bank of Tanzania in Q1 2021 offered a total of TZS 591B, 9.16% above the amount offered in the previous quarter. The auctions in the first quarter were cumulatively undersubscribed by 7%. This is less than the 43% undersubscription staged in Q4 2020 depicting increased appetite of the short-term papers due to their rising yields.

Cumulatively, about 79% of tendered bids were successful which translates to 26% below the offered amount. This has thus left the market with TZS 114B demand for T-bills during the quarter.

WAYs on Treasury bills showed an upward reversal to stand at 3%, 3.3%, 3.72% and 5.98% for 35D, 91D, 182D and 364D, respectively, as at 31st March 2021. This is higher than yields recorded on 31st December 2020 of 1.99%, 2.5%, 2.61% and 4.57% for 35D, 91D, 182D and 364D, respectively. T-bill yields in Q2 2021 are anticipated to further rise.

Treasury Bills Primary Market



Source: Bank of Tanzania

Foreign exchange market:

Tanzanian Shilling **proves** that still waters do in **fact run deep**

If it's one thing that the 1st quarter of 2021 will forever be remembered for it would be the passing of our Leader and President, the late Dr. John Joseph Pombe Magufuli. On the evening of Wednesday, March 17, the then Vice President Samia Suluhu Hassan informed the nation that our commander in chief had passed away earlier in Mzena Hospital, Dar es Salaam, having succumbed to a long-term heart condition. It is impossible to put into words the collective sense of shock and disbelief that reverberated throughout the entire nation following this announcement including those of us in the financial market. Its customary for any country to see significant levels of currency volatility following the sudden loss of its leader but this was not the case for the Tanzanian shilling. The Unit was able to brave the shock and remain resilient in a way displaying the true level of stability, maturity and confidence that the late President managed to instill in the economy and country in general hence proving that still waters do run deep.

The local currency traded flat throughout the 1st quarter after opening and closing at USDTZS 2319. It was mainly buoyed by increased border inflows from exports to neighboring countries, end of quarter Tax obligations from exporters, mining firms and other large corporates which injected some much-needed liquidity to support the usual Q1 hard currency demand.

The IFEM volumes traded during the first quarter of 2021 fell to 78.25 Million US dollars from the USD 184.98 Million dollars traded in the preceding quarter. This 58% drop due to the increased importers demand to cover for Q1 requirements which meant banks had to channel flows directly to clients to enable them to meet their obligations. This was also coupled with limited price discovery and abridged liquidity in the interbank market. The Bank of Tanzania continued to ensure orderly market conditions via prudent monetary policies.

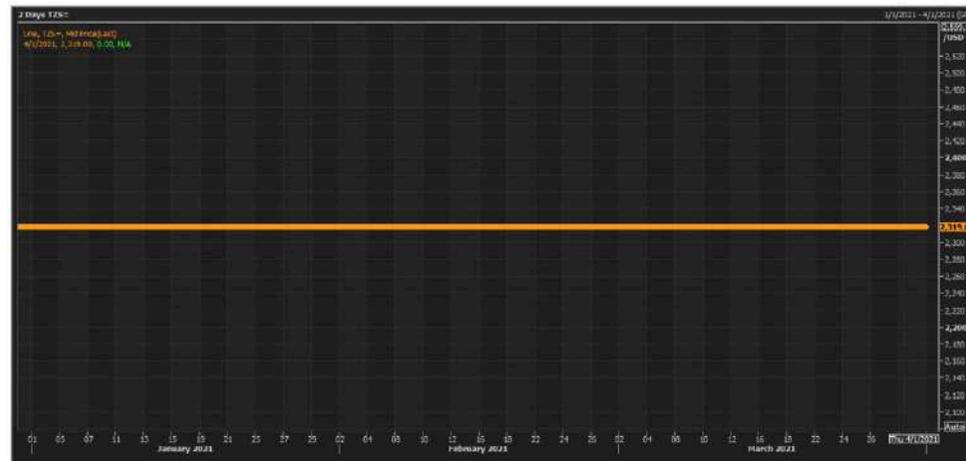
Heading to the second quarter of 2021, we expect the requirements for the hard currency to slightly increase as most corporates gear up to meet their 2020 dividend obligations. With traditional inflows mostly from agriculture expected to increase by June, the local unit is to hold steady with minimal volatility. Inflows from Tourism should remain subdued as we saw during the 2nd Quarter of 2020 however given the pace of the Vaccine roll out globally some much needed relief and return to normalcy is to be expected especially during the end of the year.



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Shilling shows its resolve and trade amid significant political event.

Source: Reuters



	Open	Low	High	Close
Q4 2020	2320.00	2317.00	2324.00	2319.00
Q1 2021	2319.00	2319.00	2319.00	2319.00

Government Bonds Market:

Undersubscribed Auctions, Improved activities in the Secondary Market

In the reviewed quarter a total of TZS 785.5 billion was auctioned under 2-year, 10-year, 15-year and 20-year where TZS 771.9 billion worth of bids was received and only TZS 606.47 billion was successful. This marked a 2 percent undersubscription. This compared to the previous quarter which had a 29-percentage oversubscription indicates a lower appetite for the papers which was due to lower TZS liquidity in the market during the opening quarter of the year.

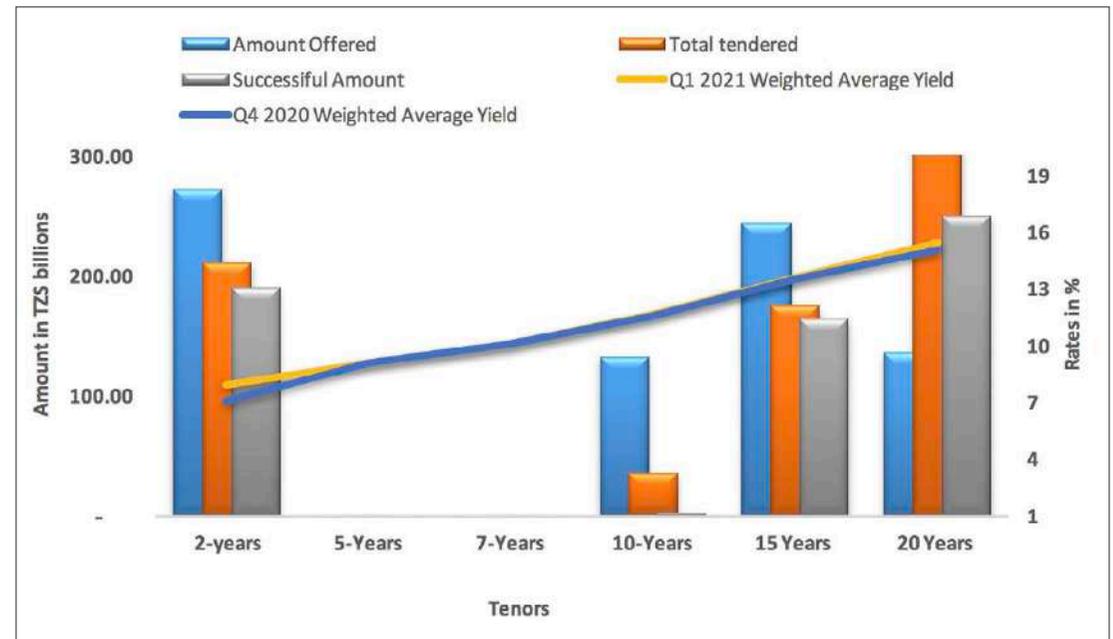
Rates rose across all auctioned papers with 2-year, 10-year, 15 year and 20-year rising to 7.89%, 11.60%, 13.60% and 15.41% respectively from the previous 7.09%, 11.56%, 13.53% and 15.01% respectively.

In the coming quarter all bonds will be auctioned except for a 2yr and 10yr papers. In addition, the BOT has introduced a new 25-year which will be auctioned for the very first time on the 21st of April.

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Treasury Bonds Primary Market

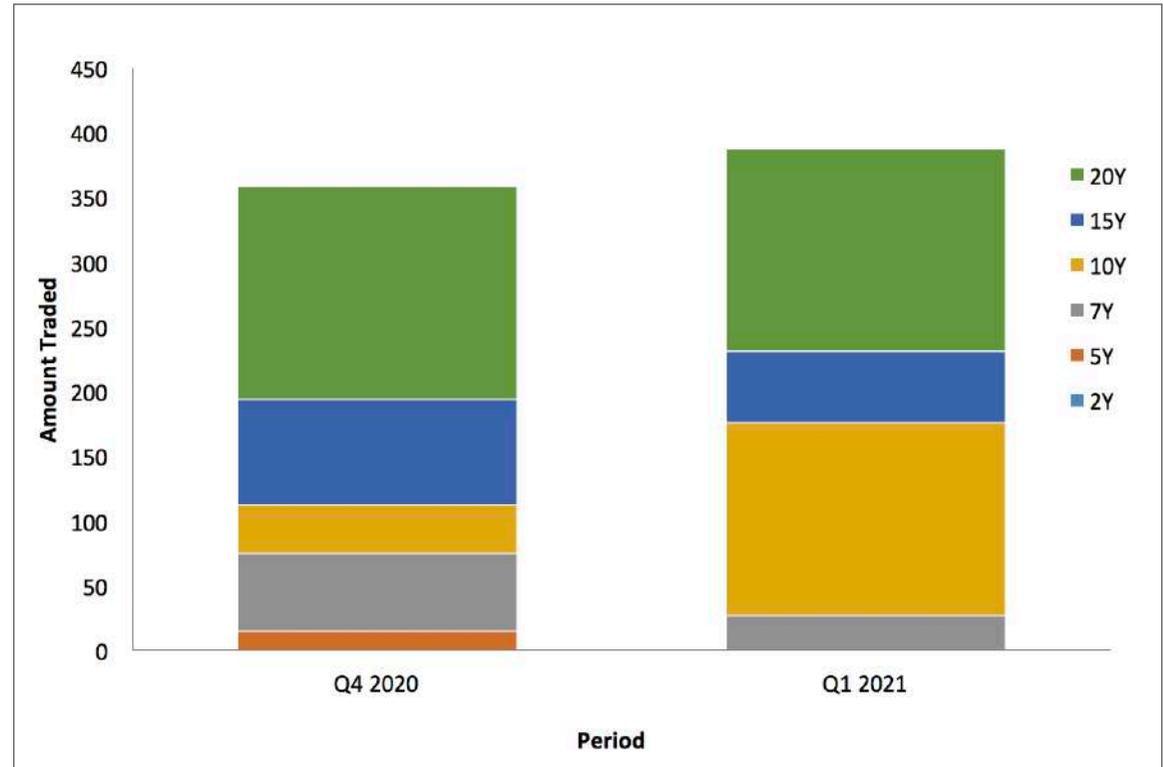


Sources: Bank of Tanzania

First quarter of 2021 witnessed an 8% increase in trading activities from the TZS 358 billion traded in Q4 2020 to TZS 388 billion traded during the quarter under review. This increase in activity could be explained as market reaction to the introduction of the 25-year paper where market participants sold off some of their holdings to build enough liquidity in time the first 25-year paper auction scheduled for early Q2 2021. Looking to the quarter ahead, it's expected that the introduction of the 25-year paper will lead to an increase in activity in the secondary market as most investors prefer high yielding papers.

Market activities
up by
8%
Q-o-Q

Treasury Bonds Secondary Market



Sources: Dar es Salaam Stock Exchange

Equity Market:

Market turnover decreased by 94.76 percent

Total market turnover decreased by 94.76 percent Q-0-Q to TZS 23.3 Billion during the quarter under review from TZS 443.67 Billion recorded in the previous quarter. The decrease in turnover compared to previous quarter was mainly contributed by NMB counter whereby a total volume of TZS 408 billion worth of NMB shares were transferred to Arise from Rabobank. 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 decreased by 76 percent Y-o-Y to TZS 23.3 Billion from TZS 98.5 Billion in the same period of 2020

As per the Covid-19 reasons mentioned above, we noted market dominance shifted to local investors in both buy and sell sides during Q1 where by Local investors dominated the market activities on buy side for 62.65 percent while foreign investors contributed only 37.35 percent and 51.64 percent on sale side while foreign investor contributed only 48.36 percent.

In the reviewed quarter, total market capitalization increased by 1.61 percent Q-o-Q to TZS 15.33 trillion from TZS 15.09 trillion and increased by 6 percent Y-o-Y to TZS 15.09 trillion from TZS 14.5 trillion in the same period of 2020. The increase was due increase in share prices of some of domestic and cross-listed companies i.e. CRDB, DSE and EABL, KCB and NMB respectively.

All Share Index (DSEI) which measures performance of all listed companies on the Dar es salaam stock exchange increased by 1.61 percent in quarter under review to 1846.16 points from 1816.88 points in the previous quarter. Likewise, the Tanzania Share Index (TSI), which measures performance of locally listed companies increased by 0.95 percent in the reviewed quarter to 3518.06 points from 3484.53 points. Tanzania Share Index (TSI) gained 333.5 points while All Share Index (DSEI) gained 29.28 points. The market Indices have been improving following strengthening in counters prices of the cross-listed counters.

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Sources: Dar es Salaam Stock Exchange

Key highlights in Quarter 1:

Annual General Meetings held during Q1

No AGM during the quarter under review.

Dividend Announcements during Q4

TCC announced a dividend (subject to shareholder's approval) of TZS 300 per share and will be paid on/about 11th May 2021. The AGM will be held on 16th April 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
7-Apr-21	15-year Treasury Bond Auction
8-Apr-21	March inflation data release
14-Apr-21	Treasury Bills Auction
21-Apr-21	25-year Treasury Bond Auction
28-Apr-21	Treasury Bills Auction
5-May-21	7-year Treasury Bond Auction
10-May-21	April inflation data release
12-May-21	Treasury Bills Auction
19-May-21	20-year Treasury Bond Auction
26-May-21	Treasury Bills Auction
2-Jun-21	15-year Treasury Bond Auction
9-Jun-21	Treasury Bills Auction
10-Jun-21	May inflation data release
16-Jun-21	5-year Treasury Bond Auction
23-Jun-21	Treasury Bills Auction

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