



QUARTERLY SOCIAL AND ECONOMIC REVIEW

*Managing External Energy Shocks,
Protecting Household Purchasing
Power & Sustaining Growth*

6.0%

REAL GDP
GROWTH (Q1)

4.1%

HEADLINE
INFLATION (Q2)

28.1%

PRIVATE CREDIT
GROWTH

4.4

MONTHS IMPORT
COVER

ISSN 0856 6658

Volume 26

Issue 02

April - June 2026

OVERVIEW: GLOBAL SHOCKS VS. LOCAL ECONOMIC REALITIES

Global economic expansion moderated during the second quarter of 2026, primarily driven by escalating geopolitical tensions in the Middle East. Maritime logistics bottlenecks and global energy and fertilizer supply chain disruptions triggered substantial commodity price volatility, causing the IMF to revise its 2026 global growth forecast downward from 3.1% to 3.0%.

In contrast, Tanzania's domestic economy sustained strong real growth momentum, reaching 6.0% in Q1 2026. However, rising external crude oil prices elevated headline inflation to an average of 4.1% in Q2 2026. While domestic fuel subsidies and decelerating food price growth mitigated broad spillovers, transport costs surged, impacting business distribution networks and daily commuting budgets.

Figure 1: Transmission Pathways of External Energy Shocks to Local Household Welfare



TABLE 1: THE QUARTER AT A GLANCE (Q2 2026 SUMMARY)

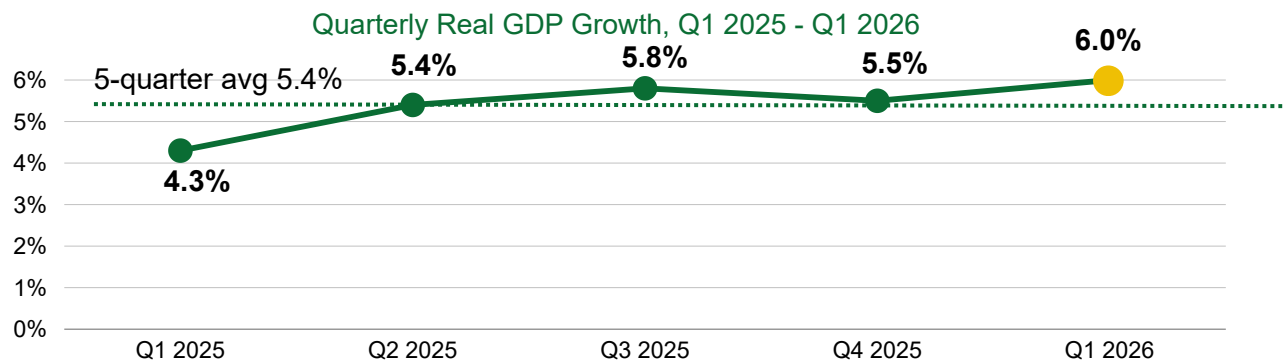
Indicator	Latest Position	Why It Matters to Policy & Household Welfare
Real GDP Growth	6.0% (Q1 '26)	Led by financial expansion (20.5%), health (13.1%), and public admin (10.7%).
Headline Inflation	4.1% (Q2 '26)	Accelerated from 3.2% in Q1 due to domestic retail fuel price revisions.
Transport Inflation	11.6% (Q2 '26)	Surged sharply; key source of pressure on daily commuting and supply logistics.
Private Sector Credit	28.1% y-o-y	Robust financial deepening supporting business investment and trade liquidity.
Foreign FX Reserves	USD 5,658.3 M	Sufficient for 4.4 months of import cover; below EAC 4.5 months benchmark.
National Debt Stock	USD 50,595.8 M	Decreased 0.4% from Q1; external obligations comprise 70.4% of total.

Source: Bank of Tanzania, National Bureau of Statistics & ESRF Synthesis

GROWTH REMAINED FIRM, BUT SECTORAL CONNECTIONS MATTER

Tanzania Mainland's gross domestic product at constant 2019 prices reached TZS 45,765.5 billion in Q1 2026, representing a real GDP growth rate of 6.0%. This represents a solid acceleration from 5.5% in Q4 2025 and 4.3% in Q1 2025. The overall average growth rate for the five quarters stood at 5.4% revealing stability in growth. Nominal GDP at market prices reached TZS 60,406.2 billion for the quarter.

Figure 2: Quarterly Real GDP Growth Trend



Source: Bank of Tanzania & National Bureau of Statistics

The sectoral drivers of output expansion varied significantly. Financial and insurance activities recorded the fastest growth rate at 20.5%, supported by financial deepening and credit expansion. Human health, social work, and education also expanded rapidly due to public capital investments. Agriculture remained the largest GDP contributor at 21.9% nominal share, expanding by 4.6%.

TABLE 2: TANZANIA MAINLAND GDP STRUCTURE & SECTORAL DYNAMICS

Economic Activity	Q1 2025 (TZS M)	Q1 2026 (TZS M)	Q1 '25 Growth	Q1 '26 Growth	Nominal Share
Agriculture, Hunting & Forestry	9,523,718	9,962,954	4.8%	4.6%	21.9%
Construction	5,820,670	5,924,615	-0.9%	1.8%	11.7%
Manufacturing	3,236,401	3,331,910	0.7%	3.0%	5.7%
Public Administration	2,135,819	2,364,268	10.0%	10.7%	3.9%
Information & Communication	903,836	994,960	8.9%	10.1%	1.7%
Total GDP (Constant 2019 Prices)	43,155,858	45,765,515	4.3%	6.0%	100.0%

Source: Bank of Tanzania & National Bureau of Statistics

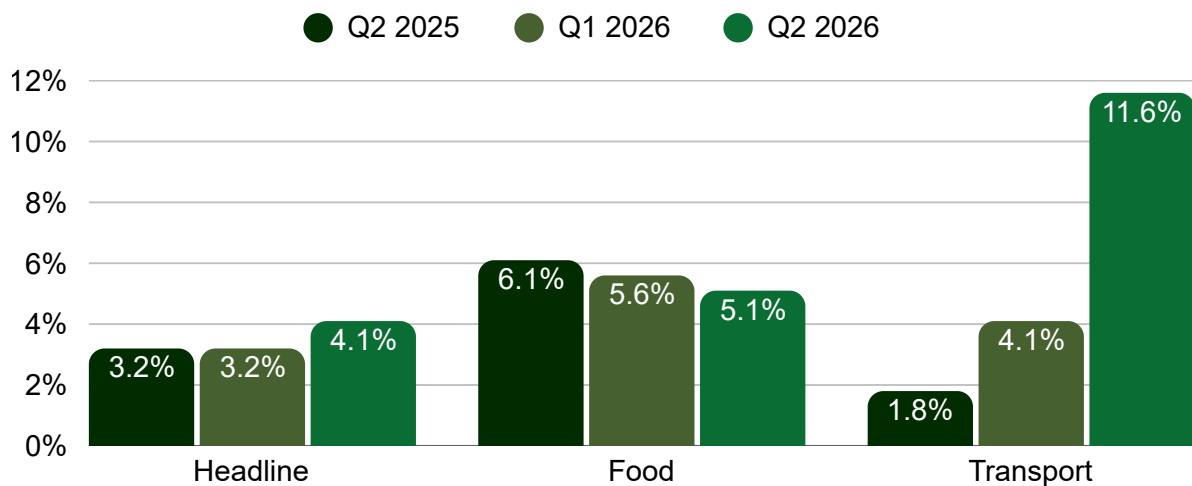
Policy Reading: Translating Production into Household Well-Being

While high growth in financial services and telecommunications signals modernization, broader employment gains depend heavily on agriculture, manufacturing, and construction. Strengthening value-chain links with domestic micro and small enterprises (MSMEs) remains critical to converting national output gains into sustainable household incomes.

INFLATION DYNAMICS: ENERGY PRICES SPURRED HOUSEHOLD PRESSURES

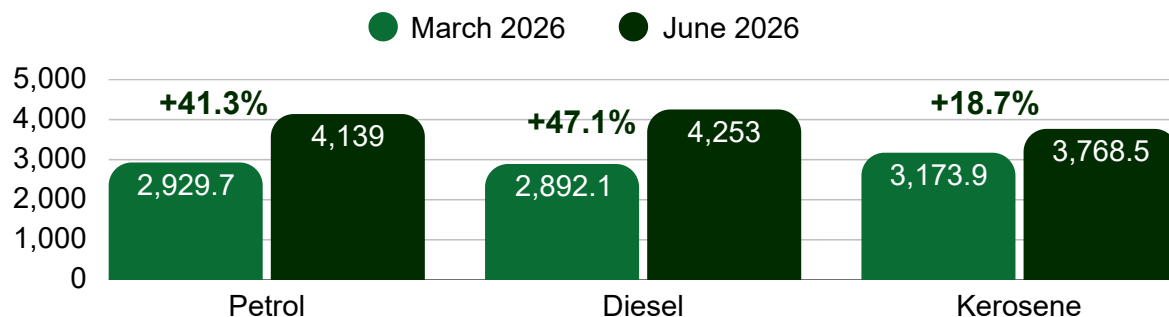
Headline consumer inflation accelerated during Q2 2026, averaging 4.1% compared to 3.2% in Q1 2026. The primary driver of this uptick was the sharp increase in global crude oil prices, which fed directly into domestic retail pump price adjustments. Transport group inflation surged from 4.1% in Q1 to 11.6% in Q2 2026.

Figure 3: Headline vs. food vs. transport inflation rates



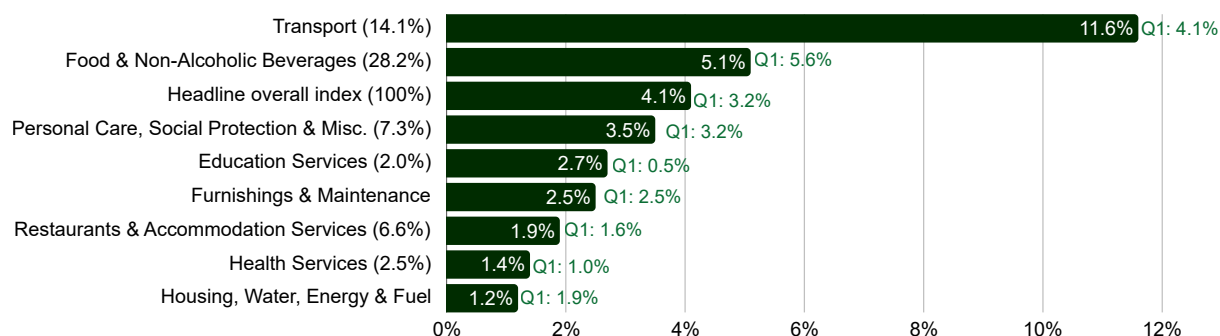
Source: Bank of Tanzania & National Bureau of Statistics

Figure 4: Retail Fuel Pump Prices, March vs June 2026 (TZS per litre)



Source: Bank of Tanzania & National Bureau of Statistics

Government fuel subsidies introduced in May and June cushioned the potential pass-through effect, preventing broader second-round price inflation across essential consumer items.

Figure 5: Q2 2026 inflation by NCPI main group, with Q1 2026 comparison

Source: Bank of Tanzania & National Bureau of Statistics

Fortunately, food inflation decelerated to 5.1% in Q2 2026 (down from 5.6% in Q1 and 6.1% in Q2 2025). National Food Reserve Agency (NFRA) stocks stood at 480,219 tonnes in June 2026, providing a stable supply buffer against localized food deficits.

MONETARY POLICY, MONEY SUPPLY & CREDIT EXPANSION

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 5.75% during Q2 2026, while narrowing the operating corridor from ± 200 basis points to ± 150 basis points (4.25% to 7.25%) to enhance policy rate transmission. (In July 2026, the CBR was subsequently raised to 6.25% for Q3).

Extended Broad Money (M3) grew by 25.4% year-on-year to TZS 69,619.4 billion at the end of June 2026. This monetary expansion was driven by robust credit growth to the private sector, which accelerated to 28.1% year-on-year (y-o-y), reaching TZS 51,923.1 billion.

TABLE 3: DEPOSITORY CORPORATIONS SURVEY HIGHLIGHTS (TZS BILLION)

Monetary & Financial Aggregate	Jun 2025	Mar 2026	Jun 2026	Annual Growth
Net Foreign Assets (NFA)	15,509.5	15,245.6	13,383.4	-13.7%
Net Domestic Assets (NDA)	39,973.8	49,001.1	56,236.0	40.7%
— Claims on Government (net)	11,590.4	12,660.8	14,005.8	20.8%
— Claims on Private Sector	40,549.0	47,216.5	51,923.1	28.1%
Extended Broad Money (M3)	55,483.3	64,246.7	69,619.4	25.4%
— Currency Outside Banks	7,874.8	8,078.3	8,824.5	12.1%
— Transferable Deposits	17,779.1	22,098.5	25,447.5	43.1%
— Foreign Currency Deposits	13,769.3	14,998.4	15,365.4	11.6%
Reserve Money (M0)	12,451.7	14,998.9	16,738.8	34.4%

Source: Bank of Tanzania

Financial Sector Health & Asset Quality

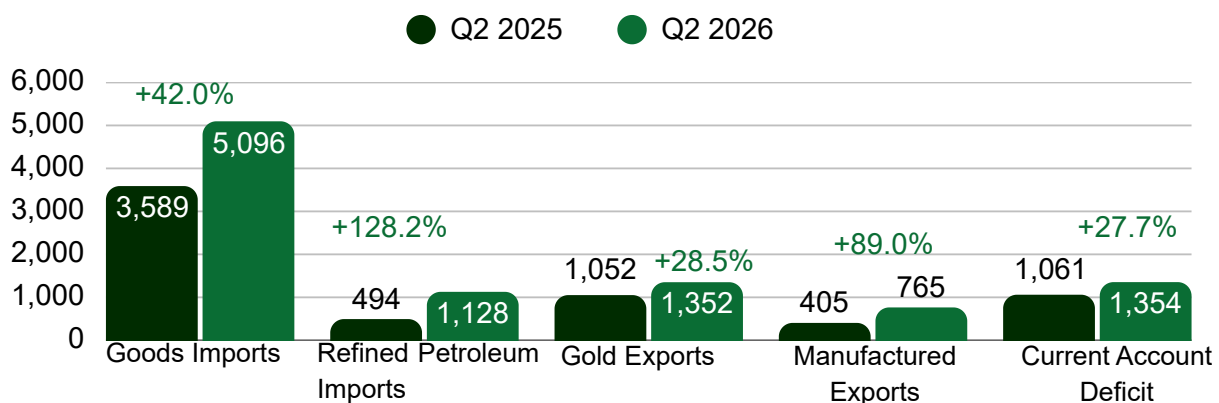
Private sector credit expansion was supported by strong asset quality in commercial banks. The Non-Performing Loans (NPL) ratio stood at 2.9% in May 2026, remaining well below the 5.0% regulatory benchmark threshold. Lending was concentrated in personal loans, trade, agriculture, manufacturing, and transportation.

EXTERNAL SECTOR PRESSURE, FOREIGN RESERVES & PUBLIC DEBT

The external current account deficit widened to USD 1,354.5 million in Q2 2026 (compared to USD 1,060.9 million in Q2 2025). This was driven by a 42% year-on-year surge in goods imports, which reached USD 5,096.2 million. Refined petroleum imports alone rose to USD 1,128.4 million (up from USD 494.4 million in Q2 2025), reflecting global oil market shocks.

Resilient export receipts provided essential foreign exchange buffers: Gold exports totaled USD 1,352.4 million (+28.5% y-o-y), Travel/Tourism receipts reached USD 909.6 million, and Manufactured exports grew to USD 764.8 million (+89% y-o-y).

Figure 6: External sector indicators, Q2 2025 vs Q2 2026



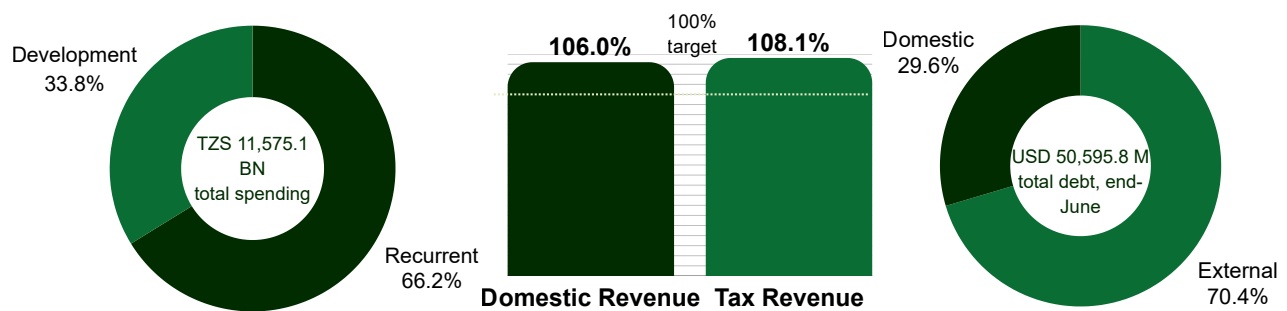
Source: Bank of Tanzania Monthly Economic Reviews & ESRF Synthesis

Gross official foreign exchange reserves stood at USD 5,658.3 million at end-June 2026 (down from USD 6,084.4 million in March). This provided 4.4 months of import cover, above the national target of 4.0 months, but slightly below the East African Community (EAC) convergence benchmark of 4.5 months.

FISCAL OPERATIONS & PUBLIC DEBT MANAGEMENT

In the quarter ending March 2026 (latest available comprehensive fiscal data), fiscal execution was disciplined. Domestic revenue reached 106.0% of the quarterly target, while tax revenue recorded 108.1% of projections due to strong performance in income taxes and customs duties. Taxes on local goods and services was the main category that underperformed. Total expenditure reached TZS 11,575.1 billion, with recurrent spending at 66.2% and development projects at 33.8%. Total national debt decreased by 0.4% relative to March 2026. Debt indicators remain within risk thresholds.

Figure 7: Fiscal execution and national debt stock structure (external debt USD 35,619.4 M; domestic share derived)



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INTEGRATED ECONOMIC & SOCIAL ASSESSMENT: MATRIX OF IMPACT

The second quarter of 2026 demonstrated economic resilience in output and credit, alongside acute cost-push pressures in energy and transport. Table 6 provides an integrated synthesis of how macroeconomic trends translated into household and business realities.

TABLE 4: INTEGRATED ECONOMIC & SOCIAL ASSESSMENT MATRIX (Q2 2026)

Area	Empirical Evidence	Balanced Policy Interpretation
Purchasing Power	Headline inflation at 4.1%; Transport inflation reached 11.6%; Fuel pump prices surged.	Energy shock strained household non-food budgets; transport fare hikes affected low-income commuters.
Food Security	Food inflation decelerated to 5.1%; NFRA reserves stood at 480,219 tonnes.	Stable food availability prevented broad inflation from breaching upper target thresholds.
Business Costs	Private credit grew 28.1%; Diesel prices rose to TZS 4,253/litre in June.	Credit expansion supported liquidity, but elevated operational and distribution costs squeezed margins.
External Stability	Current account deficit at USD 1.35B; FX cover at 4.4 months; Gold exports reached USD 1.35B.	Oil import bill surged 128%; strong mineral and tourism receipts provided vital reserve buffers.
Public Services	Domestic revenue executed at 106%; Development spending comprised 33.8% of total.	Fiscal discipline maintained capital investment flow while managing fuel subsidy expenditures.

Source: Bank of Tanzania, National Bureau of Statistics & ESRF Synthesis

POLICY RECOMMENDATIONS

1	Mitigate Fuel & Transport Pass-Through Maintain targeted, time-bound energy stabilization measures and accelerate adoption of compressed natural gas (CNG) in public transit to shield commuters from oil shocks.
2	Strengthen Foreign Exchange Buffers Support value-addition in gold, horticulture, and manufactured exports to rebuild reserve cover above the EAC 4.5 months benchmark.
3	Enhance Agricultural Supply Logistics Expand NFRA storage capacity and improve rural access roads to ensure seasonal harvests move efficiently to urban consumer markets.
4	Targeted MSME Financing Encourage commercial banks to channel high credit growth into high-employment sectors like agriculture and manufacturing with affordable borrowing rates.

DATA NOTES AND PRINCIPAL SOURCES

Institution / Source	Data & Information Used in Review
National Bureau of Statistics (NBS)	National Consumer Price Index (NCPI) monthly releases; Q1 2026 GDP National Accounts report.
Bank of Tanzania (BoT)	MPC Policy Statements (July 2026); Monthly Economic Reviews; Quarterly Economic Bulletins, Depository Corporations Surveys.
Ministry of Finance	Government central revenue collection, recurrent and development expenditure execution metrics.
National Food Reserve Agency (NFRA)	Strategic national grain reserve stock balances and grain release reports.

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