THE MARKET DIGEST

ISSUE 5 MAY 2017

NMB
Close to you

Contents Page

THE MARKET DIGEST

Economic Analysis:
IMPROVED FISCAL SPENDING

By Gladness Deogratias, Head of FX Trading

Tanzania continues to be an emerging star economy within the sub-Saharan Africa. It is ranked the 2nd fastest growing economy in Africa after Ivory Coast. The recent concessional loan of $2.4billion over 2017-2020 period by the World Bank shows Bank's positive assessment of Tanzania's strong macroeconomic management and political stability. This funding will boost government effort in infrastructure development. Thus, sizeable infrastructure project pipeline will bolster growth and improve country's attractiveness to investors. This is also coupled with power stability seen in the preceding quarter together with subdued global oil prices will ultimately lead to growth in real GDP in line with the forecast of around 7%. Services contribute around 50% of GDP spurred by telecommunications and financial services. Ports as part of infrastructure projects will likely be a key driver that will spin growth as capacity and services improve.

According to Bank of Tanzania, overall balance of payment is in surplus. Exports have improved from travel receipts as number of tourism soured in addition to increase in the price of Gold as it acts as safe haven. Reserves are sufficient to cover about 4.2months of imports of goods and services. Nonetheless, expansion of Import billwith an uptick in domestic demand, upward adjustment of global oil prices and infrastructure boom will spur capital goods import. Current account deficit has widen as exports outpaced by the demand for imports to 4.3% of GDP.

Limited fiscal spending experienced in the previous quarter has somehow improved in this first quarter of 2017. This is a result of increased in government revenue collection coupled with streamlined expenditure. Thus, money supply in the short term has improved. Consolidation of budget and tax collection will contract fiscal deficit as well as contribution from external and internal debt. Thus hovering around 4.2% of GDP in 2017/18. We have also seen Central Bank moving to using interest based monetary policy as opposed to minimum reserve ratio. For the first time since 2013, the bank has cut the discount rate by 400 basis points to 12%. This is seen to ease the monetary stance and a call of action to improve the constrained credit growth seen in 2016. Trade deficit has widened due to investment in infrastructure resulting in demand for capital goods. However, plans to liberalize fully the capital market is expected to attract the much needed capital and expert knowledge in addition to boosting demand of government securities, resulting into drop in yields and low borrowing costs.

TREASURY
Second Floor, Head Office
Ohio/Ally Hassan Mwinyi Road
P.O.Box 9213
Dar Es Salaam
Tanzania

For enquires: TreasuryFO@nmbtz.com

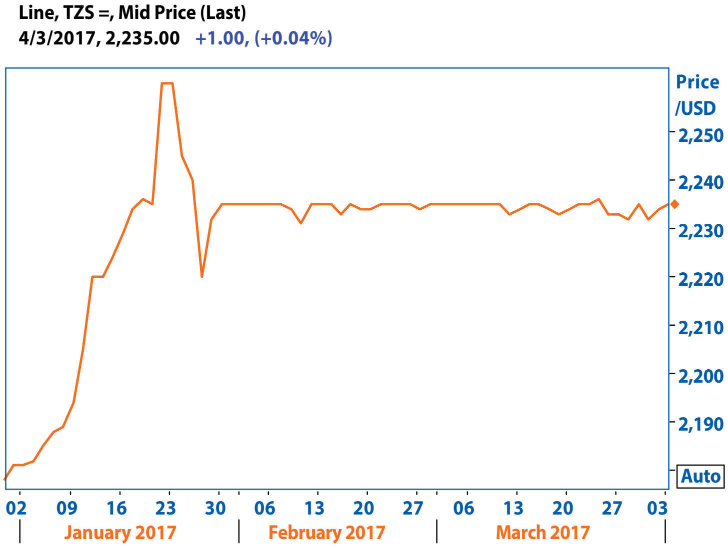
Fx Trend: VOLATILE START OF THE YEAR

By Agnes Mayoro, FX Trader

Different from the previous quarters of 2016 where market traded flat, the Tanzanian Shilling lost ground at the beginning of the quarter under review to trade and close above a psychological level of 2200. The local unit opened at 2181 shillings per dollar and traded to the highs of 2260 (levels seen last in June 2015) before closing lower at 2234 and mark a 2% depreciation. We saw a huge demand from importers at the beginning of the year following the long holidays in December coupled with government spending. The shilling weakness was also on account of USD strength across the board on the back of the US Federal Reserve Bank raising interest rates in December 2016.

Activities across different sectors of the economy later slowed down resulting into low import demand. This, coupled with end of season agri-inflows (mainly coffee and tobacco) pushed the pair lower and stabilized at 2235 for the remaining period of the quarter. This stability was also a result of a very liquid quarter coupled withfall in importation, slackened economic activities and Central bank participation in the market on both sides.This put breaks in the local currency depreciation.

A reduced Statutory Minimum Reserve requirement for public deposits from 10% and 8% (with effect from 20th April 2017) during the quarter is expected to further improve the local currency liquidity in the market in the coming quarter. This is projected to bring back close to TZS 400Bn into the market and boost economic activities in the country.



Source: Reuters

	Open	Low	High	Close
Q1 2017	2181	2181	2260	2234
Q2 2016	2184	2178	2185	2181

NMB
Close to you

Save and transact through a wide range of foreign currencies

NMB Foreign Exchange Banking

Why NMB?
we put
you first

We add value by offering innovative risk management solutions at competitive pricing, and through quick, efficient and seamless service.

For more information, please contact us via email: ***treasuryfo@nmbtz.com***

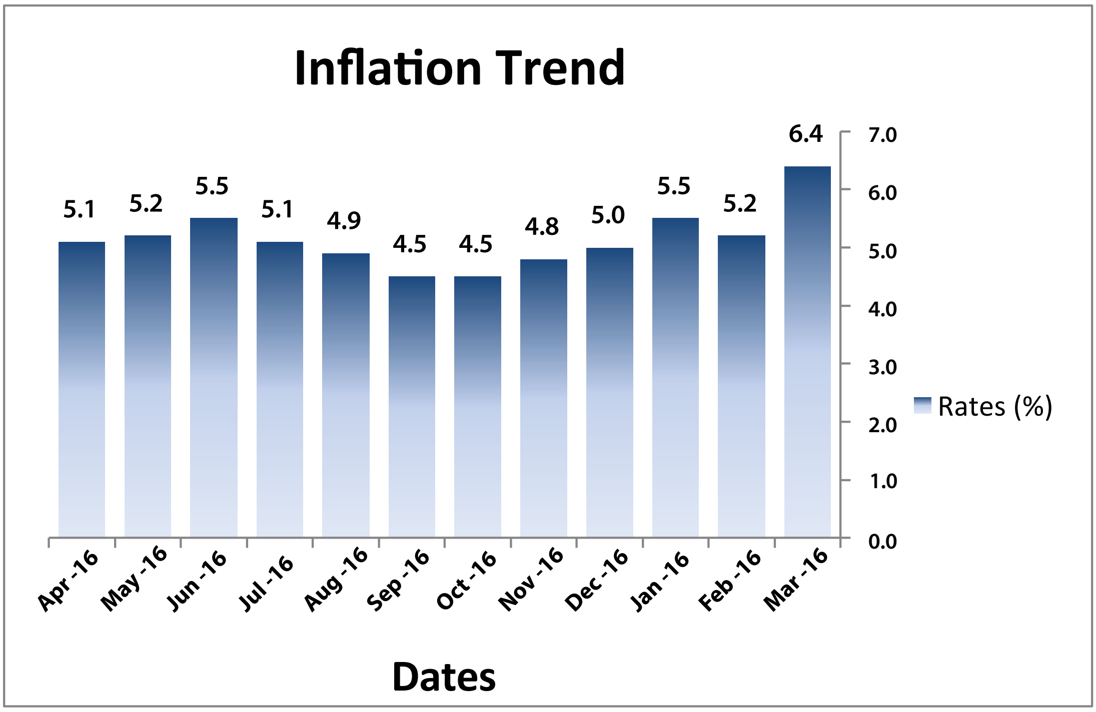
Terms and conditions apply

www.nmbtz.com

Inflation Trend: HIGHEST SINCE JANUARY 2016

By Mohamedhussein Alidina, Relationship Manager Financial Institutions

The annual headline inflation in Q1 2017 increased to 6.4% Y-o-Y from 5% Y-o-Y in Dec 2016. This is the highest recorded since January 2016 and is mainly caused by increase in Food prices. The Purchasing Power of the consumer's Tanzanian Shilling measures the change in the value of consumer goods and services that a Tanzanian Shilling could buy at different periods. That is, if the overall level of Consumer Price Index (CPI) goes up, the Purchasing Power of a Tanzanian Shilling goes down. The purchasing power of 100 Tanzanian Shillings has reached TZS 92 and 21 cents in March, 2017 compared to TZS 93 and 48 cents in February, 2017



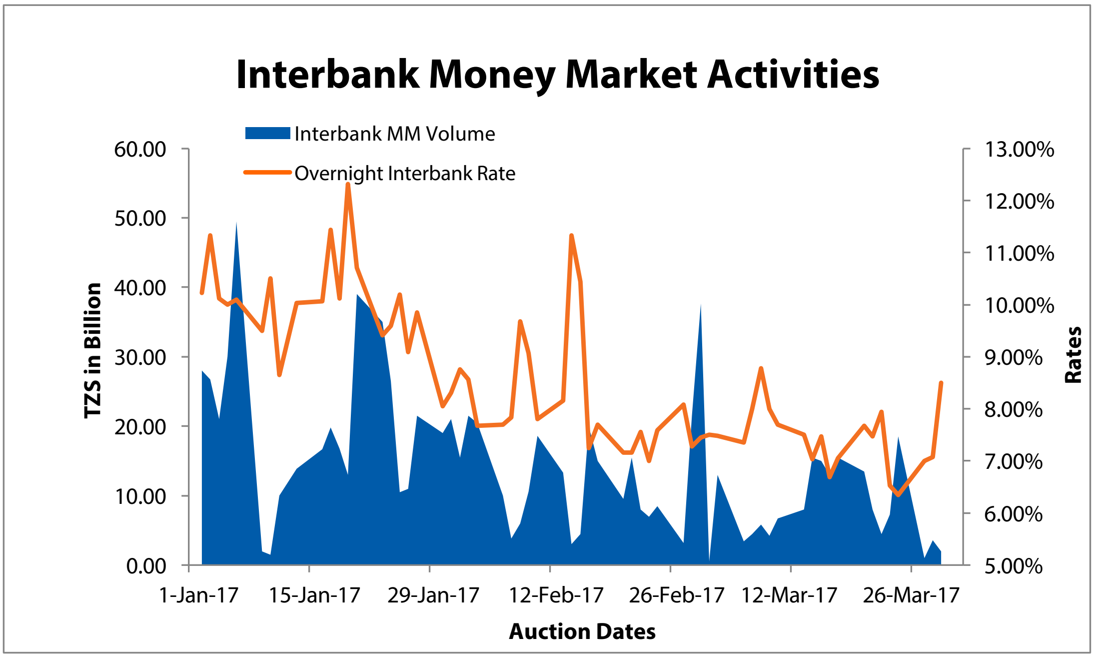
Source: National Bureau of Statistics

Interbank MM Activities and Rates: SIGNIFICANT FALL IN MONEY MARKET ACTIVITIES INDICATING HIGHER LIQUIDY

By Mohamedhussein Alidina, Relationship Manager Financial Institutions

Interbankactivities in Q1 2017 reflected a 66% decline as compared to Q1 2016. Traded volumes were worthy TZS 885 Billion in Q1 2017 lower than TZS 2.65 trillion seen in the same quarter last year. Quarter activities also recorded a 63% decline Q-o-Q. TZS 2.35 trillion was traded in the interbank market in Q4 2016 in comparison to current quarter traded volumes which shows signs of a very liquid market.

During the quarter under review, overnight weighted average rates marked a decreasing trend with lows of 6.35% and high of 11.44%. This trend is expected to continue in Q2 with the reduction of Statutory minimum reserve requirements from 10% to 8% which is expected to pump more liquidity into the market of about TZS 400 Billion.



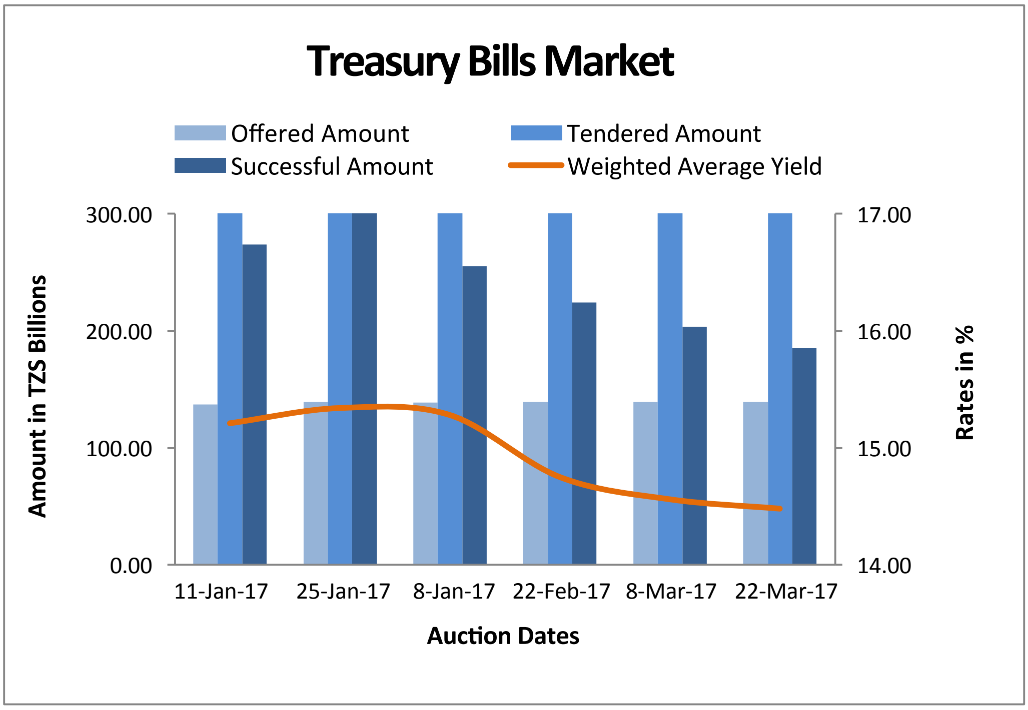
Source: Bank of Tanzania

Government Securities Trend:

By Mohamedhussein Alidina, Relationship Manager Financial Institutions

Treasury Bills: HIGHER APPETITTE IN BILLS, GOVERNMENT SWEEPING MORE THAN OFFERED AMOUNTS

The central bank accepted 177% of the amount which was offered leaving some investors unsatisfied. The oversubscribed auctions during Q1 2017 recorded bids worth TZS 2.36 trillion compared to TZS 833.7 billion offered and the central bank took TZS 1.48 trillion. Investors' appetite rose significantly due to improved liquidity condition compared to Q4 2016 where by bids worth TZS 1.36 trillion were tendered and TZS 962.6 billion were successful.



TREASURY BILLS AUCTIONS SUMMARY

	Amount TZS Billions
Amount Offered	833.70
Total Tendered	2,356.65
Successful Amount	1,476.85
Current Weighted Average Yield	14.48%

Source: Bank of Tanzania

Treasury Bonds: INVESTORS INCREASED APPETITE FOR 2 YEARS, 10 YEARS AND 15 YEARS PAPER

1. Primary Market

Different to Treasury bills auctions, in the primary bond market the amount tendered was 2% more than the amount offered. Total offered amount in all auctions stood at TZS 802.5billion, TZS 821.6 billion was tendered and only TZS 604.5 billion was successfully. Demand for treasury bonds in Q1 2017 increased but not as much as Bills indicating that investors preferred short term securities. Investors threw high yield bids, making it favorable for the Government to raise funds through short term papers.

TREASURY BONDS AUCTIONS SUMMARY AMOUNT IN TZS BILLIONS

	2-year (7.82%)	5-Year (9.18%)	7-Year (10.08%)	10-Year (11.44%)	15-Year (13.50%)
Amount Offered (TZS Mn)	128.50	105.00	276.46	222.56	70.00
Total tendered (TZS Mn)	209.30	96.86	154.51	231.71	129.25
Successful Amount (TZS Mn)	209.30	69.75	68.68	169.25	87.58
Current Weighted Average Yield	17.6146%	17.6803%	18.4203%	18.5598%	18.7795%

Source: Bank of Tanzania

2.Secondary Market

The quarter under review saw a Q-o-Q increased turnover in the secondary bond market by about 62.67%. A total of TZS 229 billion worth of Treasury bonds exchanged hands in Q1 2017 rising from TZS 141 billion recorded in Q4 2016 and TZS 113 billion in Q1 2016. Most of Institutional Investors preferred long term tenors (7yr, 10yr & 15yr) to short term tenors. This is in line with their long term maturing obligations.

Below is the summary of Government bond traded in the secondary market under the period of review.

GOVERNMENT BONDS TURNOVER

	2 YEARS	5 YEARS	7 YEARS	10 YEARS	15 YEARS	Total
Amount traded (TZS in BN)	10.09	7.83	93.24	33.61	84.60	229.37

Source: *Dar es Salaam Stock Exchange*

GOVERNMENT SECURITIES ISSUANCE CALENDER

The following securities will be issued in the coming quarter, however BOT has a mandate to change the calendar accordingly.

Date	Event
5-Apr-17	Treasury Bills Auction
10-Apr-17	March Inflation Data Release
12-Apr-17	5-year Treasury Bond Auction
19-Apr-17	Treasury Bills Auction
27-Apr-17	15-year Treasury Bond Auction
3-May-17	Treasury Bills Auction
9-May-17	April Inflation Data Release
10-May-17	2-year Treasury Bond Auction
17-May-17	Treasury Bills Auction
24-May-17	7-year Treasury Bond Auction
31-May-17	Treasury Bills Auction
7-Jun-17	10-year Treasury Bond Auction
9-Jun-17	April Inflation Data Release
14-Jun-17	2-year Treasury Bond Auction
21-Jun-17	5-year Treasury Bond Auction
28-Jun-17	Treasury Bills Auction

Equity Market Analysis:

CHALLENGING QUARTER FOR IPOS AS BEAR MARKET PREVAILS

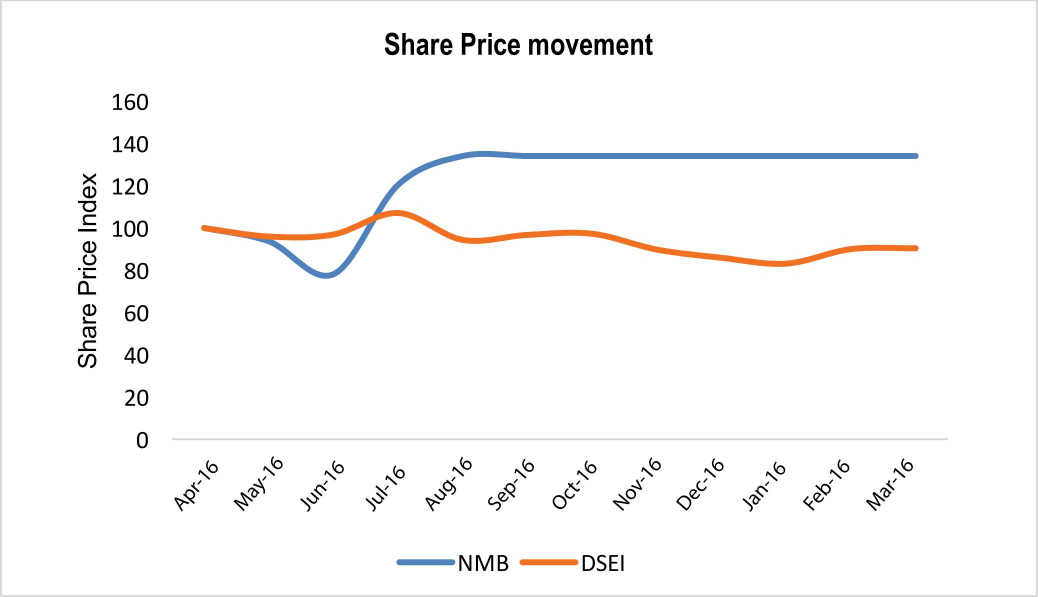
By Caroline Yambesi, Strategy & Special Projects Analyst

In the first quarter of 2017, the equity market was marked by two major events, the Initial Public Offering (IPO) of TCCIA (Tanzania Chamber of Commerce, Industry and Agriculture) shares worth TZS 45 billion and the floating of Vodacom Tanzania's shares valued at TZS 476 billion.

TCCIA launched its IPO in early February and the shares were priced at TZS 400 each. During the six-week subscription period, the company only managed to raise 2.3% (TZS 1bn) of its target.

Vodacom is the first telecom to float its shares after the much anticipated mandatory listing of telecommunication companies operating in Tanzania. This is the largest ever locally listed IPO in the history of the local bourse. The offer opened on March 9 and shares are priced at TZS 850 each. Investors have six weeks to subscribe to the shares before the offer closes on 19 April 2017.

Besides the recent market developments, there was further slowdown in trading of listed stocks at the Dar es Salaam Stock Exchange (DSE) with weekly turnover dipping by more than 90% during some periods. Some financial experts suggest that local investors wanting to sell their equities to free up capital to buy Vodacom shares may have a hard time doing so due to insufficient liquidity. As a result, the market is eager to see the outcome of the Vodacom IPO.



HIGHLIGHTS FROM Q4 2016

1. NMB assigned first-time credit rating by Moody's Investor Services

The bank was assigned a credit rating of B1 Stable, b1.

This rating places NMB among the highest of our peer group of banks. Whilst the rating is largely limited by the credit rating of Tanzania itself which the bank cannot exceed, NMB scores higher number of other African banks (excluding South Africa).

Further, according to Moody's, NMB's ratings reflect its (1) solid capitalization and profitability metrics, supported by its retail-focused domestic franchise, (2) strong liquidity buffers and a retail-deposit funded profile that has withstood the gradual reduction of government deposits, (3) relatively low non-performing loans that benefit from the solid performance of its salary-linked personal loans, and (4) risks posed by high banking competition and lower potential growth in salary-linked loans.

Financial Inclusion: THE ROLE OF TECHNOLOGY IN BANKING

By Masato Wasira, Business Development Manager

The mobile phone as we know it today is a tool that caters for primarily communications between people in the community, but to get here the technology has come a long way.

The modern mobile phone is considered to be a descendent of 1973 effort by Motorola that produced a functioning prototype handheld wireless phone, this and other attempts didn't not become commercially available until the early 80's. In Tanzania the Mobile Phone companies have grown to 5 major telecoms competing mostly on voice and messaging, but as the technology evolved and the needs of the customers to match, data (internet service) has become very common and recently mobile money has become a major use of the mobile phones in Tanzania and east Africa as a whole.

Transactions via the different mobile Money platforms in the country are responsible for movements of up to 1 Trillion shillings a month and growing. These transactions cover a wide spectrum of needs for customers main one being transfer of money from one to another and different kind of payments to businesses. Mobile payments are convenient to the ordinary people and as technology advances.

NMB is also taking advantage of these changes in our market and the world at large. Through transaction banking, it has embarked on initiatives that will see our customers evolve with us in a journey towards convenient and efficient banking using technology. Deployed solutions to our customers where the end user tool of choice is a mobile phone. These solutions include bills payments, tax payments to the Revenue Authority, Levy and taxes to the Local governments around the country.

Looking at the whole ecosystem of NCAA i.e. Tour operators, tourist as well as tour operators suppliers and partners, NMB designed and proposed a solution that will not only cater for payment of gate fees from multiple channels but also facilitating other banking needs of Tour operators.
NMB will remain committed to providing solutions to our esteemed customers in line with the developments and changes in banking technology in the world, as our customers strive to improve throughput and efficiency in their business and ultimately their bottom line, we aim to become the bank of choice when it comes to innovation and work with them through our values to honor our commitment in exceeding their expectations.


NMB
Close to you
If three's a charm... 4th
EUROMONEY
AWARDS FOR EXCELLENCE
2016
proves NMB is BEST at being the BEST BANK IN TANZANIA
Best Bank in Tanzania
National Microfinance Bank
We thank you for making NMB the Best Bank in Tanzania for the 4th time in a row.
www.nmbtz.com