SOLOMON Stockbrokers

2024 Market Wrap-up & Outlook for 2025

research@solomon.co.tz

SOLOMON Stockbrokers
Member of Dar es Salaam Stock Exchange and Authorised Dealer of Government Securities
PSSSF House, Ground Floor, Samora Avenue/Morogoro Road, P.O. Box 77049, Dar es Salaam
solomonstockbrokers@solomon.co.tz

1.0. Global Macro-economic Landscape

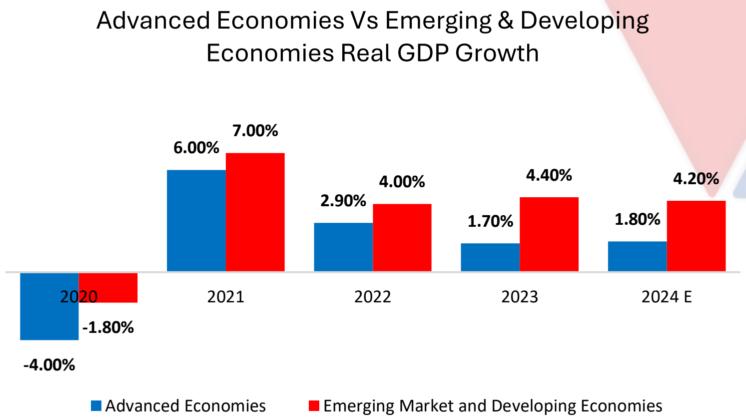
1.1. Economic Growth Trends

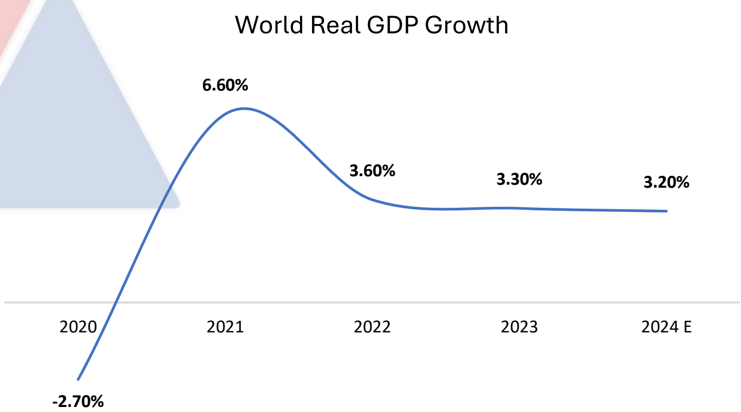
Real GDP growth for 2024 is estimated to reach a modest 3.2% from 3.3% in 2023, according to the IMF with the reason behind the slowdown in growth stemming from slower growth amongst emerging economies in Asia, Europe, Latin America and the Caribbean.

Emerging and Developing Asia: The region's real GDP Growth is anticipated to decelerate from 5.7% in 2023 to 5.3% in 2024 due to the fading impact of post-pandemic pent-up demand in India and the gradual slowdown in China's economy. In India, GDP growth is projected to moderate as the economy reconnects with its potential. Meanwhile, China's growth is constrained by ongoing weaknesses in the real estate sector and subdued consumer confidence.

Emerging and Developing Europe: Real GDP Growth is anticipated to contract from 3.3% in 2023 to 3.2% in 2024 with the slowdown in growth stemming from Turkiye following its transition to a tighter monetary policy in an effort to combat its ongoing hyperinflation.

Latin America and the Caribbean: The region's real GDP growth is anticipated to decelerate from 2.2% in 2023 to 2.1% in 2024 following challenges from restrictive monetary policies and weakening domestic demand in Mexico as well as economic contraction in economies such as Argentina as the country continues to undergo structural fiscal and monetary reforms under President Javier Milei.

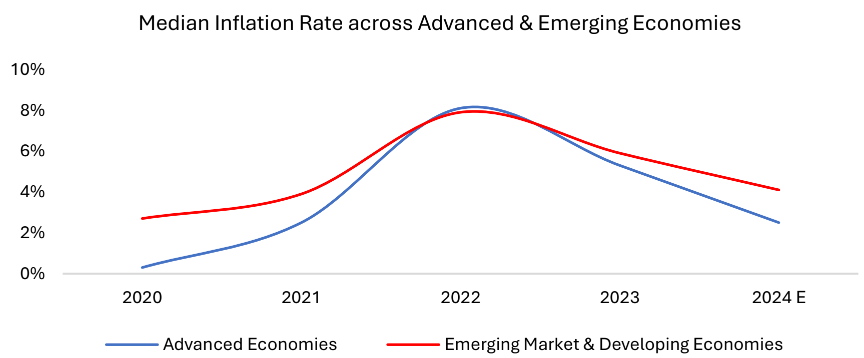




Source: IMF

1.2. Inflation & Monetary Policy

Inflation has receded in most parts of the world due to the Swiftness of Central Banks in tightening monetary policy to combat inflation throughout the 2022 – 2023 period. With inflation receding, most Central Banks from emerging and advanced economies alike have proceeded with cautiously lowering interest rates in order to maintain a soft landing of their respective economies.



Source: IMF

1.3. Macro-Economic Outlook 2025

Real GDP growth for 2025 according to the IMF is projected to remain unchanged at 3.2%. The following are our views on the themes that are likely to shape the global economic landscape for 2025.

1.3.1 Rising Protectionist Policies

The re-election of Donald Trump as U.S. President is expected to intensify geopolitical fragmentation between Western and Eastern economic powers, particularly heightening tensions between the United States and China. This could lead to an escalation in trade wars, characterized by rising tariffs and protectionist measures. Additionally, the U.S. is pursuing reindustrialization to secure global leadership in strategic technologies like semiconductor chips, electric vehicles, and renewable energy. This approach reduces reliance on global supply chains and counters globalization. Meanwhile, the expansion of blocs such as BRICS+ aims to undermine U.S. influence, further exacerbating the shift towards protectionism and away from globalization.

1.3.2. Artificial Intelligence

While major breakthroughs in AI between 2022 and 2024 have brought about disruption in the form of increased productivity and higher quality output across economic segments such as healthcare, finance and investments, manufacturing and IT while simultaneously becoming less expensive to create. Furthermore, with falling interest rates on loans and overall corporate spending on AI development has running around 2.5% YoY compared to the 10% YoY growth in CapEx during the dot-com boom of the 1990s according to JP Morgan Wealth shows that there is more room for CapEx spending in AI. Moreover, investments in AI are likely to cut across different sectors of the economy such as construction and real estate, electric generation and transmission, manufacturing and mining, hence promoting more inclusive economic growth.

1.3.3. Increased investments in green technology

The global push for net-zero emissions is driving significant investments in green technologies. Key areas include electric vehicles (EVs), renewable energy sources like solar and wind, and advancements in energy storage, such as batteries and hydrogen fuel cells. Emerging solutions like green hydrogen and carbon capture, utilization, and storage (CCUS) are addressing emissions in hard-to-abate industries, while smart grid technologies and energy efficiency innovations enhance electricity management. In agriculture, climate-smart technologies, including precision farming and low-emission fertilizers, are reducing environmental impact. These developments, supported by green finance instruments like green bonds and carbon credits, are poised to drive innovation, job creation, and sustainable economic growth in 2025.

1.3.4. Asset Classes Outlook: A shift in investment and capital raising dynamics

With the rate cut cycle across the globe and the subsequent fall in yields on fixed income instruments already in motion. This could give rise to corporate bond issuances across the globe, increased number of investments in the private market and dealmaking. Furthermore, a shift in fixed income investment strategies is imminent amongst asset managers and individuals alike with tactics such as shifting towards active fixed-income strategies such as duration extensions, yield curve positioning and credit upskilling.

On the equities side, we could see a shift in focus away from investors preferred Magnificent Seven stocks following their stretched market valuations and more focus into value stocks, undervalued and non-US international equities such as those in Europe, Japan and other emerging markets that have shown fundamental resilience in the form of consistent corporate earnings growth coupled with strong balance sheets whilst trading at favorable discounts to their inherent values.

2.0. Sub-Saharan Africa (SSA) Macro-economic Landscape

2.1. Economic Growth Trends

The Sub-Saharan Africa region is estimated to register a 3.6% economic growth rate for 2024, an unchanged growth rate from the year prior. The growth has been uneven across the region due to several unique reasons that the distinct parts of the Sub-Saharan region had to content with such as:

2.1.1. Persistent socio-political instability particularly in the Western CFA Franc Zone and South Sudan which has led to the disruption of economic activities and the supply chains of goods and services which in turn triggered rampant inflation and the erosion of real GDP growth.

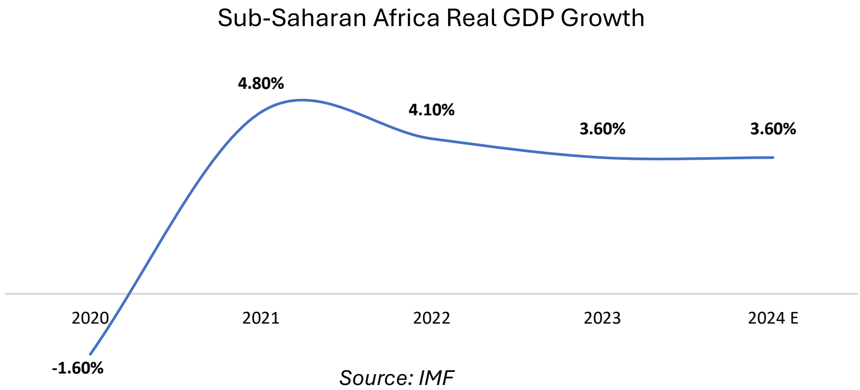
2.1.2. The removal of fuel subsidies in countries such as Angola, Ethiopia and Nigeria to promote long-term fiscal sustainability has come at the expense of short-term inflationary pressures and slower economic growth.

2.1.3. Adverse climate change effects in the Southern Africa region, particularly prolonged droughts in Zambia and Zimbabwe have resulted in the fall in both countries agricultural output and the disruption of both countries power supply whose main source is derived from Kariba dam that has seen a reduction in water levels following the drought.

2.1.4. To combat inflation across the region SSA Central Banks had opted to raise and maintain higher interest rates resulting in the subsequent slowdown of credit, consumption, and investment in the region.

Despite the broad-based challenges, some segments of the region stood out as outliers such as:

The East African Region (excluding South Sudan) due to disinflationary trends across the region, increased intra-regional trade, sustainable fiscal policies, increased domestic and foreign direct investments and growth in crucial economic segments such as agriculture, finance and investments, construction and mining.



Source: IMF

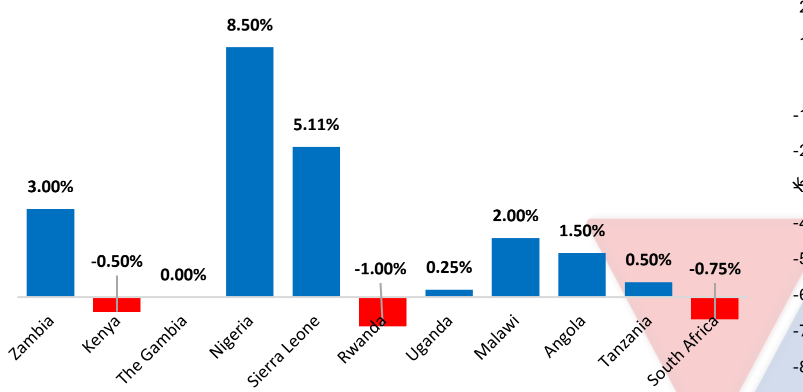
2.2. Inflation and Monetary Policy

Inflation in the SSA region has painted a mixed picture. Despite 30 of the 45 countries in the Sub-Saharan region recording lower inflation estimates compared to 2023. Annual average inflation for the overall SSA is estimated to have reached 18.10% as of 2024, a 2.8% increase from 17.60% in 2023. The reason behind the surge in inflation within the region is due to the ceasing of oil subsidies in countries such as Nigeria whose economies have a greater weight to that of the region, the negative implications of climate change in countries such as Zambia which have resulted in higher food and energy prices across the continent, rising tensions in the Western Africa CFA Franc zone as well as higher import costs brought about by severe currency depreciation amongst SSA Countries in the wake of tightened monetary policy amongst advanced economies.

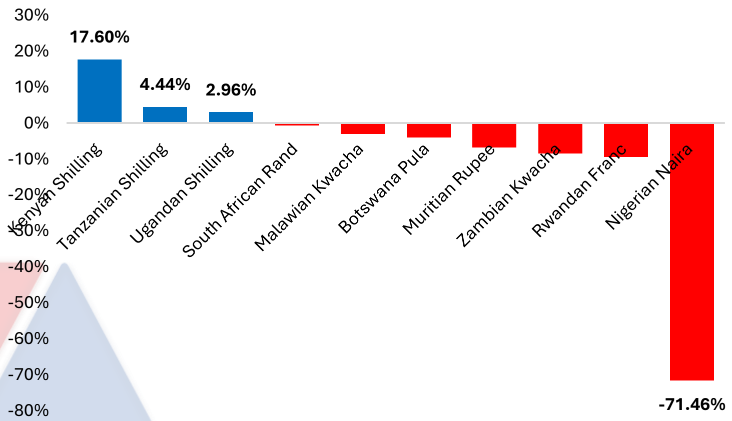
2.3. Inflation and Monetary Policy

In response to the escalating inflation, Central Banks across the region responded with a less accommodative monetary policy approach which saw a rise in Central Bank Rates across the region. This in turn led to disinflationary trends across the region as inflation rates began to converge to regional and national targets with some countries taking a further step of reducing central bank rates and opting for a more accommodative monetary policy to allow for a soft landing.

Central Bank Policy Rates Differentials between 2023 and 2024



Selected SSA Countries Currencies against the USD

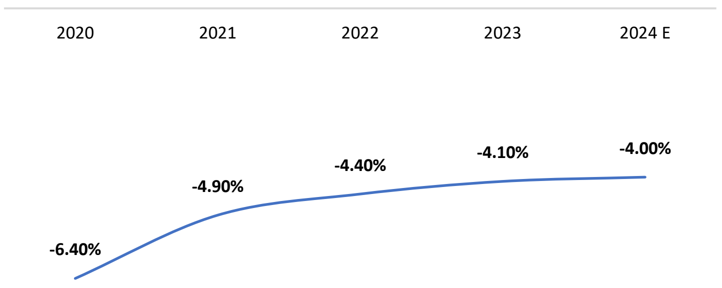


Source: Respective Countries' Central Banks

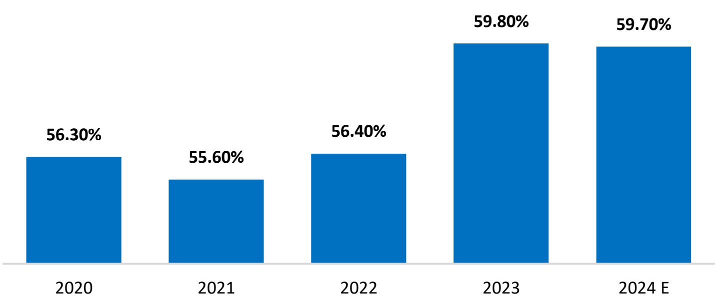
2.4. Fiscal Performance & Debt Sustainability

The region's fiscal performance has seen a favorable improvement with the overall fiscal balance to GDP falling from -4.1% of GDP in 2023 to an estimated -4.0% in 2024. On the other hand, debt sustainability also saw an improvement from 59.8% of GDP to 59.7% of GDP during the same period. This fall can be attributed to governments within the region opting to attain a more sustainable fiscal position, that prevents the country from having a higher debt burden and the overall shying away of countries from taking international financing throughout 2024 due to the high interest rates regime in the international markets as most advanced economies opted to raise their individual interest rates to combat inflation.

SSA Region Fiscal Balance Including Grants to GDP



SSA Region Government Debt to GDP



Source: IMF

PSSSF House, Ground Floor, Samora Avenue/Morogoro Road, P.O. Box 77049, Dar es Salaam
solomonstockbrokers@solomon.co.tz

2.5. Macro-economic Outlook

SSA economic growth for 2025 is likely to improve with forecasts from the likes of the IMF estimating a 4.2% growth for the entire region. Key factors that are likely to perpetuate this growth include:

2.5.1. Continued fiscal discipline

Fiscal reforms in the region are expected to focus on reducing debt levels and improving public financial management through 2025. Key strategies include controlling government expenditures and enhancing tax revenues. Countries like Cameroon, Guinea-Bissau, Madagascar, Senegal, and Tanzania plan to broaden their tax base, minimize exemptions, and improve tax administration with digitalization. On the spending side, nations like Angola, Benin, and Rwanda aim to preserve social spending while cutting untargeted subsidies. Successfully implementing these reforms could reduce inflation, improve resource allocation, boost investor confidence, and facilitate access to cheaper credit by enhancing the region's credit ratings.

2.5.2. Converging Inflation to National Targets

A convergence in inflation following swift action by Central Banks from across the region to rein in on inflation could result in the narrowing of variations between nominal and real GDP figures for the region thus accelerating economic growth for the region. Disinflationary trends that would have a greater weighing on the SSA region include those from oil-rich countries such as Nigeria and Angola.

2.5.3. Increased intra-regional trade

The rise intra-regional trading activities due to initiatives such as the African Continental Free Trade Area are likely to prop up GDP growth within the SSA as a result of increased direct investments between African countries, export diversification, rising incomes and the establishment of regional value and supply chains.

2.5.4. Increased Foreign Direct Investments

With the easing of global macro-economic headwinds underway, we anticipate stronger growth in Foreign Direct Investments into the SSA region particularly in green projects such as renewable energy sources to counter energy shortages and energy sources prone to climate change risks, investments into the extraction of critical minerals such as copper, lithium, nickel and other rare earth minerals following the increased global demand for technological products such as semi-conductors, computers, mobile phones and medical technologies.

Headwinds that could deter SSA's economic growth include climate change risks which have the potential to deter agricultural output and disrupt energy availability. Geopolitical fragmentation from within and outside the region could disrupt socio-economic activities and fall in commodity prices globally which could result in a fall in exports for resource and oil rich countries within the region.

3.0. Tanzanian Macro-economic Landscape

3.1. Economic Growth Trend

During the second quarter of the year 2024, Tanzania recorded a Real GDP Growth Rate of 5.33% compared to a 4.71% growth rate in the corresponding period during 2023.

Sectoral Growth Rate Heat Map	2023 Q2	2023 Q3	2023 Q4	2024Q1	2024 Q2
Agriculture	3.07%	5.16%	4.06%	3.09%	4.19%
Mining and quarrying	10.52%	14.34%	6.86%	3.46%	6.66%
Manufacturing	4.30%	4.20%	3.65%	5.80%	4.64%
Electricity	6.17%	3.28%	2.73%	7.64%	10.97%
Water	3.26%	1.78%	0.11%	3.06%	3.53%
Construction	2.28%	3.67%	2.91%	6.41%	2.94%
Trade and Repair	4.08%	4.31%	5.77%	5.31%	4.28%
Accommodation & restaurant	7.24%	7.42%	6.72%	7.16%	5.53%
Transport and storage	3.95%	5.34%	4.64%	7.56%	5.78%
Information and communication	6.17%	11.25%	9.68%	13.44%	11.29%
Financial & insurance	12.52%	13.24%	13.16%	17.12%	16.06%
Public administration	5.85%	5.26%	4.50%	6.58%	6.41%
Professional, Scientific & Technical act.	4.73%	4.13%	8.03%	4.52%	4.81%
Administrative & Support services	5.83%	5.60%	2.92%	5.23%	5.37%
Real estate	4.16%	4.19%	4.64%	4.25%	4.27%
Education	6.54%	6.14%	5.23%	4.60%	4.27%
Health	6.30%	6.04%	5.84%	3.90%	4.14%
Other services	11.48%	8.92%	7.22%	8.55%	9.89%
Taxes on products	6.23%	2.49%	7.91%	3.69%	6.56%
Real GDP Growth	**4.71%**	**5.58%**	**5.02%**	**5.55%**	**5.33%**

Source: National Bureau of Statistics

The economic growth recorded was mainly influenced by the following economic sectors:

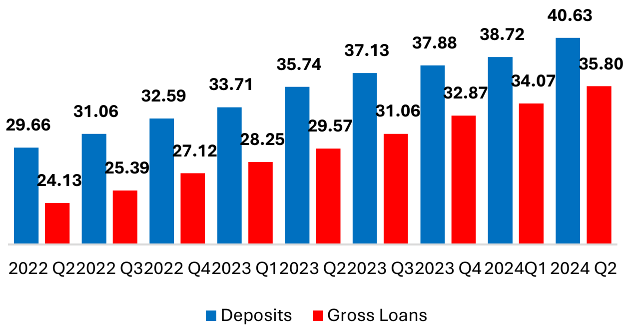
3.1.1. The Financial and Insurance Sector

The Financial and Insurance sector registered a 16.06% growth during the second quarter of 2024, which was largely driven by a 13.70% surge in customer deposits amounting to 40.63 trillion compared to TZS 35.74 trillion as of Q2'23. The growth stems from the deployment of several strategic initatives by the banking sector aimed at ringfencing their customers' financial value chain, acquiring customer deposits from previously underbanked segments of the population such as rural Tanzania as well as implementation of strategic partnerships with other players in the financial value chain such as Mobile Money Operators, SACCOS and Asset Managers.

Subsequently gross loans also saw a 21.90% rise during Q2'24 amounting to TZS 35.80 trillion compared to TZS 29.57 trillion during the same corresponding period in 2023 with growth primarily driven by a 17.25% growth in private sector credit which stood at TZS 34.98 trillion as of June 2024 with the growth stemming from increased lending in the Agricultural, Manufacturing, Mining and Quarrying, Transport and communications as well as the Construction sector.

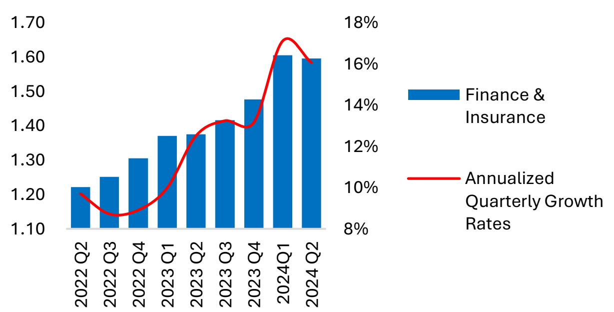
Similarly, the insurance sector recorded a 9.5% growth in the second quarter of 2024, compared to that of 2023 due to the rise in insurance penetration across the country and gross written premiums aimed at covering individual and corporate assets.

Banking Sector Gross Loans and Deposits in Trillions TZS



Source: Bank of Tanzania

Finance & Insurance Output in Trillions TZS



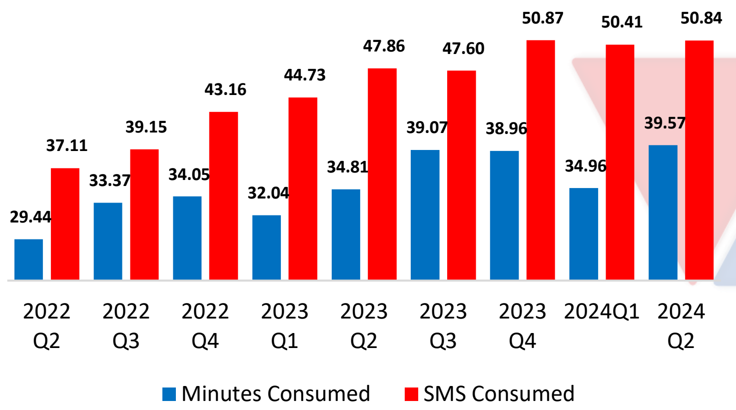
Source: National Bureau of Statistics

3.1.2. The Information and Communications Sector

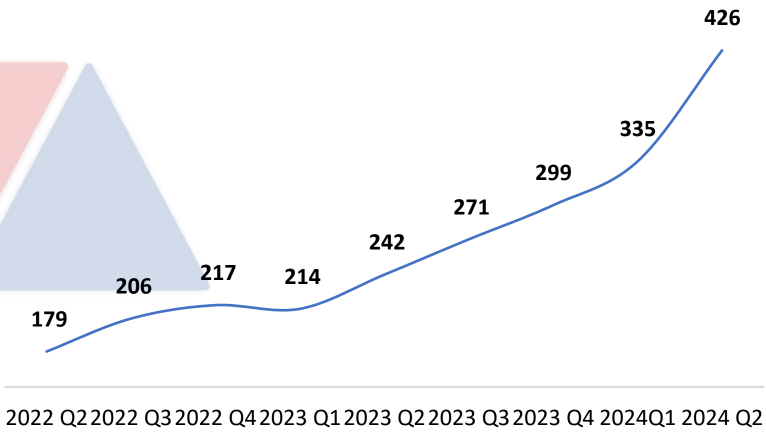
The Information and Communications sector recorded a 11.29% growth in the second quarter of 2024 with the growth stemming from increased consumption of communication services such as SMS Messages consumed withing Tanzania which saw a 6.23% growth amounting to 50.84 million messages in Q2’24 compared to Q2’23, a 13.67% increase in minutes consumed amounting to 39.57 million compared to 34.81 million in the corresponding period in 2023 as well as a 76.03% growth in internet consumption amounting to 426 petabytes.

Increased investments in improving Tanzania’s digital infrastructure as evident with the deployment of 4G LTE and 5G fiber optic networks across Tanzania’s economic hub, increased mobile and smartphone penetration, the rise in social media consumption all while SMS, minutes and internet data packages are delivered at affordable prices have attributed to the success of the Information and Communications sector.

Minutes and SMS Consumed in Billions



Internet Consumption in Petabytes

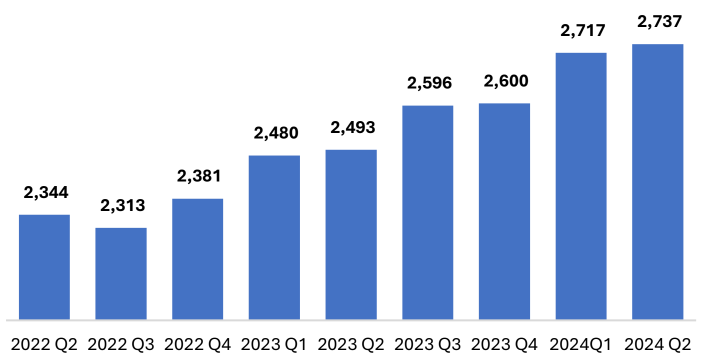


Source: Tanzania Communications Regulatory Authority

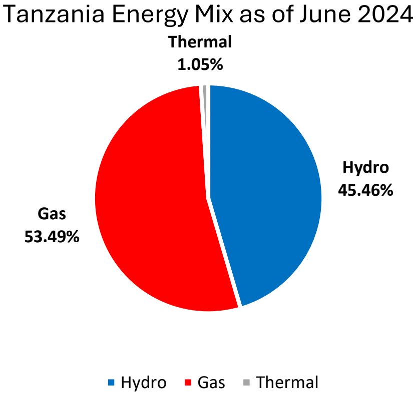
3.1.3. Electricity

Electricity recorded 10.97% growth in Q2’24 compared to a 6.17% growth in Q2’23. The growth stemmed from increased power generation and consumption. During the quarter ending June 2024, electricity produced and consumed grew 9.79% amounting to 2737.30 MW from 2,493.25 MW with the growth largely coming from a 62.48% growth in Hydropower produced and consumed which stood at 1,244.40 MW following the completion of Hydroelectric power stations such as the Julius Nyerere Hydropower Station and Rumakali Hydropower Project which were completed in Q1’24.

Energy Production in Megawatts



Tanzania Energy Mix as of June 2024

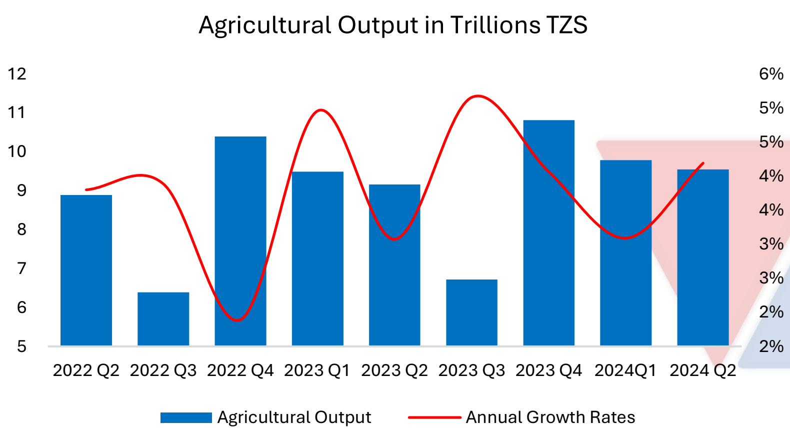


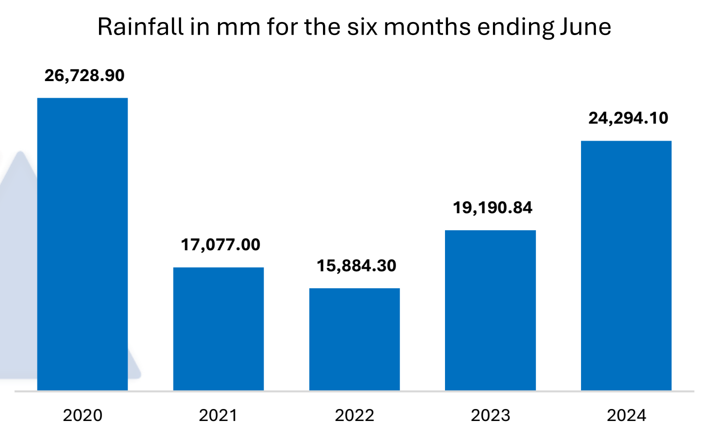
Source: National Bureau of Statistics

3.1.4. Agriculture

Agriculture recorded a 4.19% growth during Q2'24 compared to a 3.07% growth during the corresponding period in 2023. The growth came from increased crop production whose activity grew by 3.9% as of June 2024 compared to 2.2% in June 2023 with the growth stemming from improved weather conditions which is evident with the 26.59% growth in rainfall recorded from 19,190 mm as of the first six months of 2023 to 24,294 mm in the first six months of 2024 and the subsequent improvement in crop yields such as those from maize, cassava, sweet potato, beans and pulses, and oil seeds.

Livestock activity grew 5.1% which was unchanged from that of 2023 following increased demand for livestock-based products, increase in per capita income, urbanization, taste preference as well as increased awareness on food nutrition attributed to the growth. All while Forestry and Fishing recorded a growth rate of 4.2% and 2.9% respectively from 3.9% and 2.0% in June 2023 with government intervention to ensure sustainable harvest of forest and fish products playing a critical role in the growth of such initiatives.

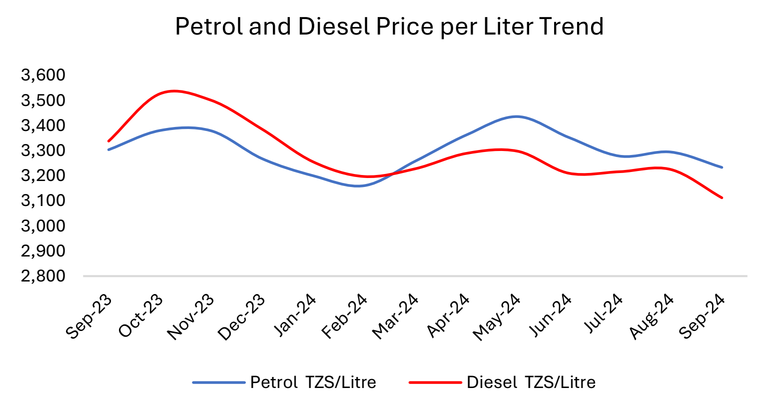


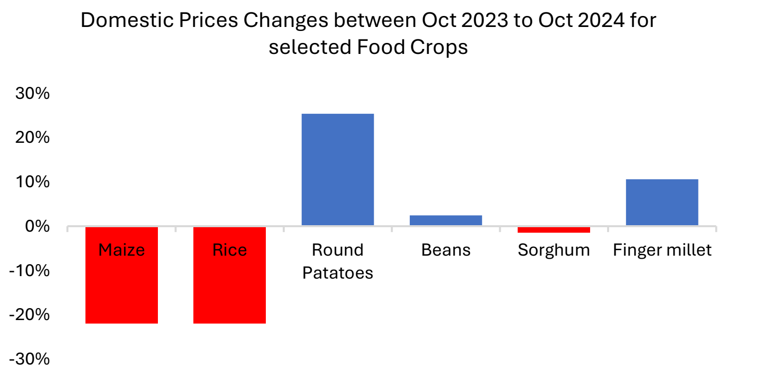


Source: National Bureau of Statistics

3.2. Inflation

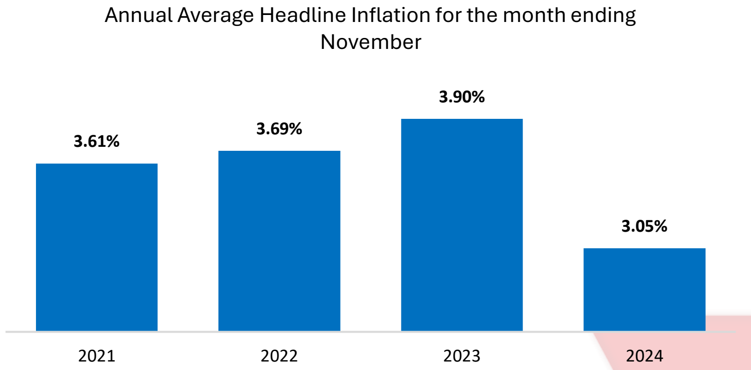
Annual average headline inflation for the 12 months ending November 2024 stood at 3.05% compared to 3.90% during the same period in 2023. The disinflation has been brought about by the decline in prices for staple food crops such as rice and maize during the year due to an improvement in agricultural yields which have led to the subsequent availability of food in the country. These disinflationary gains were however, partially offset by the rise in energy prices as evident with the rise in the annual average energy inflation from 2.60% as of November 2023 to 9.25% as of November 2024 mainly brought about by rising oil prices globally during the second quarter of 2024 following the escalation of conflicts in the Middle East and the subsequent disruption of supply chains as well as, OPEC+ oil production cuts.

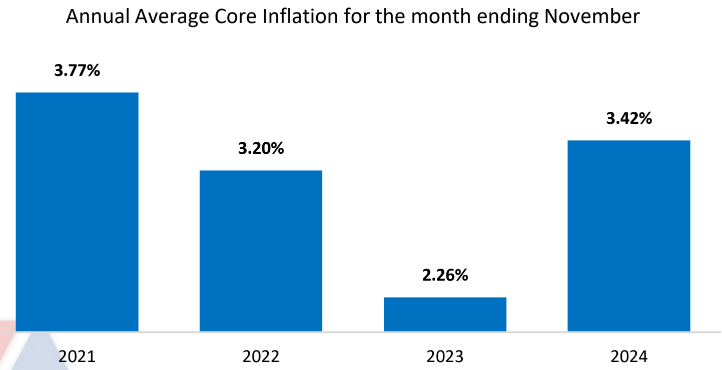




Source: Bank of Tanzania

Furthermore, core inflation saw a remarkable rise from an annual average of 2.26% as of November 2023 to 3.42% as of November 2024 with the growth stemming from the secondary effects of the shillings depreciation particularly in the insurance and financial services sector in the form of escalating prices on software services and foreign denominated borrowings, actuarial and reinsurance services and higher import prices for miscellaneous goods and services as well as the pass-on implications of higher oil prices on economic activities such as transportation





Source: National Bureau of Statistics

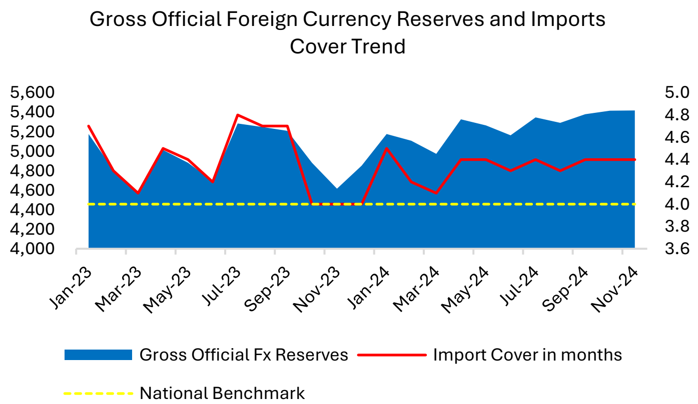
3.3. External Performance

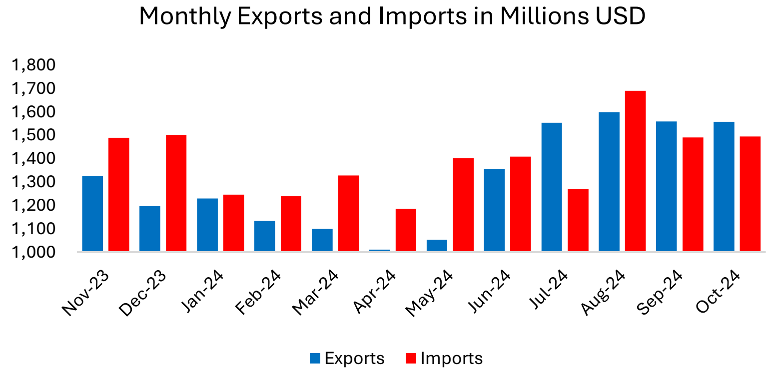
Tanzania's foreign currency reserves remained resilient with the country's Gross Official Reserves amounting to USD 5.42 billion as of Oct 2024 which was enough to cover 4.4 months' worth of imports which is above the country's benchmark of 4 months' import cover benchmark however behind the EAC & SADC's benchmarks of 4.5 months and 6 months of import cover respectively.

The country's reserves have also seen a 17.39% improvement from USD 4.62 billion as of Oct 2023 which could only cover 4 months' worth of imports. The improvement in the reserves stems from a contraction in the current account deficit from USD 3.28 billion for the 12 months ending Oct 2023 to 2.21 billion for the year ended Oct 2023 following the improvement in the country's net export balance from -USD 2.39 billion for the year ending Oct 2023 to -USD 988 million for the year ended Oct 2024.

The improvement in net exports stems from a 12.90% increase in exports from USD 13.72 billion for the year ended Oct 2024 to USD 15.50 billion for the year ended Oct 2024 with the surge in the transportation and tourism activities as well as the surge in exports from Gold and traditional exports such as Coffee, Tobacco, Cashewnuts and Cloves.

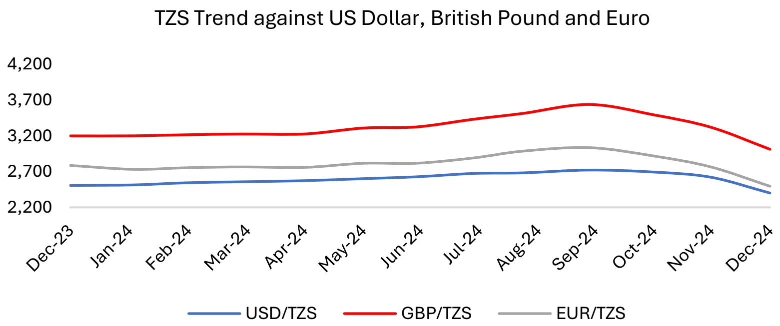
Imports on the other hand recorded a meager growth of 2.90% amounting to USD 16.49 billion as of Oct 2024, from USD 16.12 billion in the preceding year due to a fall in transportation, construction, financial, telecommunication and government services as the country improves its capacity to provide such services and become more self-sufficient in the provision of such services. Importation of capital and consumer goods also recorded modest drops during the year.





Source: Bank of Tanzania

The TZS performed favorably against other major currencies such as the US Dollar, the Euro and British Pound following a late year bull run that took place between late November and December due to a combination stronger exports of cashewnuts that racked in about USD 600 million to the country, a busy tourist season that saw a strong inflow of tourists into the country and the easing of monetary policies across advanced economies which resulted in the subsequent weakening of their corresponding currencies.



Source: Bank of Tanzania

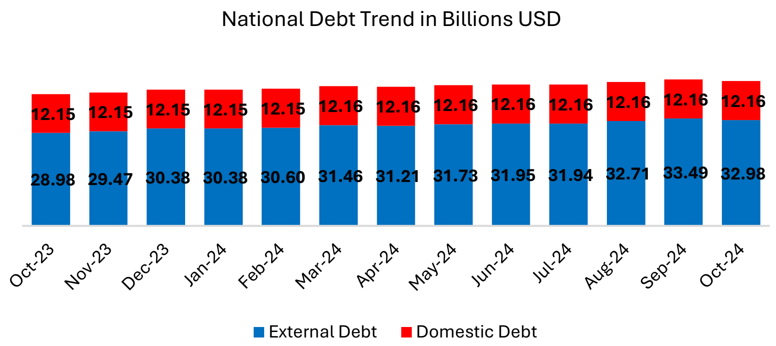
3.4. Fiscal Performance & Debt Sustainability

During the 1st Quarter of the fiscal year 2024/25, the government narrow its deficit before grants narrow by 29.57% amounting to TZS 1.41 trillion against the estimated deficit of the quarter which stood at TZS 2.00 trillion. This improvement was brought about by cost savings in interest payments and a reduction in local development expenditure and net lending all while total revenue collected exceeded the targeted amount by 0.10% following an improvement of Taxes on Imports. Value Added Tax and Excise duties on local goods following a more favorable business and tax collection environment.

Tanzania Mainland fiscal performance between July – Sept 2024	Estimate	Actual	Variance
Central Gvt Revenue:			
Tax Revenue	6,505.06	6,622.21	1.80%
Non-tax revenue	1,141.56	1,056.31	-7.47%
Sub-total	**7,646.62**	**7,678.52**	**0.42%**
LGA own Sources	329.73	305.80	-7.26%
Total Revenue	**7,976.35**	**7,984.32**	**0.10%**
Recurrent expenditure:			
Wages & Salaries	(2,794.56)	(2,735.01)	-2.13%
Interest payments	(1,332.44)	(900.80)	-32.39%
Other goods and services	(2,338.80)	(2,421.42)	3.53%
Total	**(6,465.81)**	**(6,057.23)**	**-6.32%**
Development expenditure and net lending:			
Local	(2,991.31)	(2,818.43)	-5.78%
Foreign	(520.43)	(518.12)	-0.44%
Total	**(3,511.74)**	**(3,336.55)**	**-4.99%**
Net deficit	**(2,001.19)**	**(1,409.46)**	**-29.57%**
Grants	110.97	95.11	-14.29%
Net Foreign financing	1,644.88	695.56	-57.71%
Net Domestic financing	245.35	548.98	123.75%
Other Adjustments	-	69.81	
Balance	0.00	0.00	

Source: Bank of Tanzania

During the year, the country's national debt has increased by 9.75% from USD 41.12 billion as of Oct 2023 to USD 45.14 billion as of Oct 2024, the surge in debt has been brought about by increased foreign borrowing by the Central Government and Private Sector with the aim of supporting fiscal deficits, public services such as Social welfare and education as well as increasing investment in economic sectors such the Transport and Communications, Energy and Mining, Agriculture, Real estate and Construction as well as finance and Insurance.



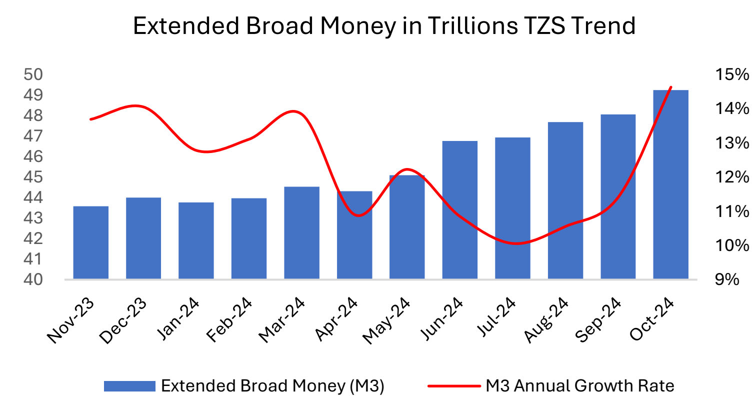
Source: Bank of Tanzania

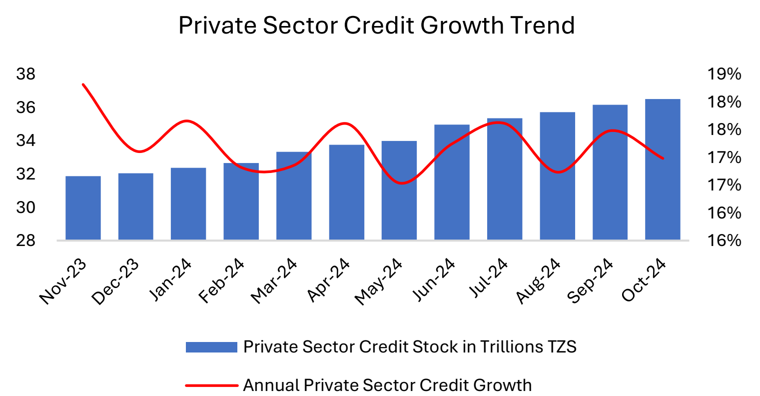
3.5. Monetary Policy

2024 unveiled interesting developments in the monetary policy sphere. For starters 2024 saw the Bank of Tanzania transition from a quantitative based monetary policy to an interest based monetary policy in an effort to improve the effectiveness of monetary policy implications to the broader economy as well as converge the country's monetary policy actions to those of counterpart countries within the broader East and Southern African region.

Following this transition, the Central Bank set its Central Bank Rate (CBR) at 5.5% throughout the first half of the year only to hike the rates by 50 basis points starting July 2024 in an effort to combat core inflation while safeguarding economic growth prospects. The CBR has remained unchanged since July 2024. While inflation has remained well below the national target of 5%, the implications of the higher CBR resulted in higher lending prices in the money markets particularly in the form of higher Interbank Cash Market, Lombard and Reverse Repo rates.

Extended Broad Money (M3) growth for the year ending October 2024 stood at 14.64% amounting to TZS 36.52 trillion, however the growth coincided with the private sector's insatiable demand for credit whose growth stood at 16.98% during the same period amounting to TZS 36.52 trillion. With credit demand outpacing M3 and customer deposit growth, this resulted in increased liquidity pressures and a scarcity of the TZS in the banking sector, thus prompting savings and time deposit rates to rise.





Source: Bank of Tanzania

3.6. Tanzanian Macro-Economic Outlook

3.6.1. Economic Growth Outlook

Tanzania's real GDP is projected to grow between 5.4% and 5.7% in 2024, according to estimates by the Bank of Tanzania, the International Monetary Fund (IMF), and the African Development Bank (AfDB). Both the IMF and AfDB further forecast a 6% real GDP growth for 2025. Our view is that this economic expansion is expected to be driven by sustained momentum in the finance and insurance sector and the information and communication sector, supported by continued demand for private sector credit, increased investments in digital infrastructure, and growing consumption of digital services.

Moreover, significant growth is anticipated in the construction, transport, and storage sectors, fueled by ongoing infrastructure projects. These include the construction and upgrading of over 4,685 kilometers of roads and bridges, the continued development of the Standard Gauge Railway (SGR) from Dodoma to Kigoma (spanning approximately 1,179 kilometers), and the enhancement of ports in Dar es Salaam, Tanga, Mbambabay, Kigoma, Bukoba, Ndumbi, Kemondo Bay, Mtwara, Bagamoyo, and the dry port in Ruvu.

Additionally, the mining sector is poised for growth, driven by sustained gold production and the development of the Liganga and Mchuchuma mining projects. These projects are expected to significantly boost the production of iron ore, titanium, and vanadium, with an annual capacity of over 219 million tons of iron ore, 175,400 tons of titanium, and 5,000 tons of vanadium. Furthermore, increased foreign direct investment, particularly in critical minerals, is likely to enhance the sector's contribution to Tanzania's GDP.

3.6.2. Inflation

We anticipate headline inflation to stick around the 3.10% annual average recorded during the year ending November 2024 under the following set of assumptions:

- Tanzania's food security remains resilient, and weather conditions remain favorable in order to sustain food production.
- The Tanzanian Shilling remains stable with any depreciation against the US Dollar remaining within its 60-month annual average of 2.66% or less thus avoiding import-inflation and its implications.
- Global oil prices remain subdued following the resurgence and exportation of oil in the United States and increased oil production in other non-OPEC+ Oil Rich Countries such as Guyana and Canada which would counter oil production cuts from the OPEC cartel as well as the slowdown in conflicts in the Middle East thus avoiding a surge in energy prices and its secondary effects into the broader economy.
- Anticipated M3 Growth brought about by an accommodative monetary policy goes hand in hand with a similar growth in both foreign and domestic direct investments as Tanzania continues to adopt a business-friendly environment.

3.6.3. External Sector Performance

For the financial year 2025, we anticipate a worsening of the current deficit account particularly brought about by the import rebounds capital goods imports of transport equipment, machinery and iron and steel equipment as the country continues invest heavily in strengthening public infrastructure, increase mining activities as well as develop the necessary infrastructure for the AFCON tournament to be held in 2027 which may deter the growth of the nation's foreign currency reserves and result in the TZS depreciation against major currencies however we do not foresee the significant weakening of the TZS as the one recorded between the second quarter of 2023 to the third quarter of 2024.

3.6.4. Fiscal performance and debt sustainability

Fiscal consolidation seems to be a theme that will continue to be pursued by the government as we are headed into 2025.According to the budget speech for fiscal year 2024/25 and the Guidelines for the preparation for the 2025/26 budget tax and domestic revenue are projected to grow from 12.60% and 15.40% of GDP respectively in 2023/24 to 12.80% and 15.80% of GDP respectively in 2025/26. all while fiscal deficits are anticipated to remain relatively within 3% of GDP for the fiscal year 2025/26.

3.6.5. Monetary Policy

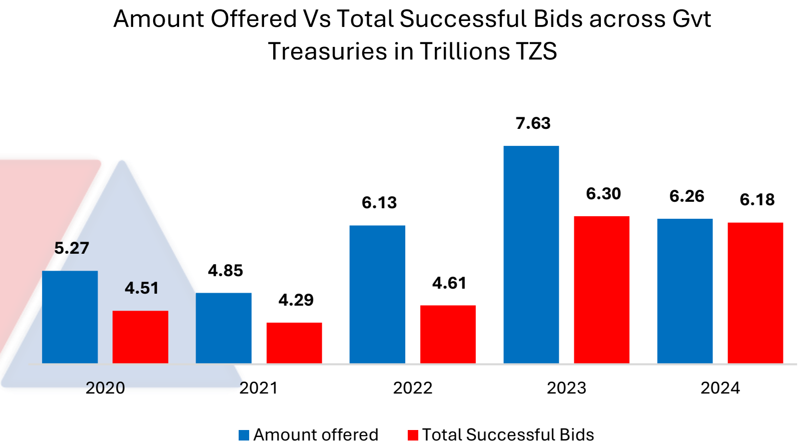
For 2025, we anticipate the Central Bank pursue a more accommodative monetary policy in the form of lower Central Bank Rates and an increase in extended broad money following the stable headline inflation and core disinflation as well as the convergence of inflation and the subsequent interest rate cuts amongst countries in the East African Region, a more positive outlook on inflation in the broader Sub-Saharan African region and the rest of the world and in order to reach economic growth targets.

4.0. Fixed Income Instruments

4.1. Government Debt Securities: Primary Markets

4.1.1. Treasury Bonds and Bills

During the year 2024, the government collected TZS 6.18 trillion from the issuance of treasury bonds and bills which is a 1.91% decline from the TZS 6.30 trillion collected in the previous year with factors such as an 18.01% drop in the amount of money that the government was intending to raise via the domestic markets, and the underperformance of all of the government treasury bills except the 364-day bill and an underperformance of all of the government treasury bonds with the exception of the 20 and 25-year treasury bonds reflecting continued investor preference over longer-term high yielding debt instruments compared to short-term instruments.



Source: Bank of Tanzania

For the fiscal year 2024/25, the Central Bank targets to collect TZS 6.62 trillion. During the first half of this fiscal year the government was intending to collect TZS 3.68 trillion out of which it was able to collect 3.01 trillion or 81.81% of the targeted amount following an underwhelming performance in capital raising across all treasury bills and bonds except for the longer term 20- and 25-year Treasury Bonds.

Amounts Raised for across H1 of Fiscal Year 2024/25			
Fixed Income Instruments in Billions TZS	Amounts Offered	Amounts Raised	Difference
35 Days Treasury Bill	9.90	-	(9.90)
91 Days Treasury Bill	20.90	4.81	(16.09)
182 Days Treasury Bill	30.90	10.65	(20.25)
364 Days Treasury Bill	1,324.95	753.21	(571.74)
2-years Treasury Bond	-	-	-
5-years Treasury Bond	164.00	53.05	(110.95)
10-years Treasury Bond	176.00	23.46	(152.54)
15-years Treasury Bond	524.00	344.69	(179.31)
20-years Treasury Bond	1,017.00	1,118.63	101.63
25-years Treasury Bond	412.17	702.19	290.02
Total Amount Raised	**3,679.82**	**3,010.69**	**(669.13)**

Source: Bank of Tanzania

Treasury Yields for the calendar year 2024 continued to rise in line with the Central Bank's monetary policy stance which was to pursue a less accommodative monetary policy to maintain inflation below the national target of 5%. To pursue this stance the Central Bank reopened old treasury bonds with higher coupons and issued them at relatively modest prices compared to the auction prices that were utilized before those bonds were halted in 2021.

Fixed Income Treasury Yields as of	Jun-23	Dec-23	Jun-24	Dec-24
35 Days Treasury Bill	3.45%	6.29%	5.93%	5.93%
91 Days Treasury Bill	3.96%	9.10%	8.07%	7.76%
182 Days Treasury Bill	5.81%	9.40%	6.57%	8.27%
364 Days Treasury Bill	7.14%	11.03%	6.75%	12.99%
2-years Treasury Bond	9.13%	11.64%	11.64%	11.64%
5-years Treasury Bond	9.85%	10.09%	10.09%	12.41%
10-years Treasury Bond	11.22%	11.85%	12.30%	13.26%
15-years Treasury Bond	11.96%	12.75%	15.16%	15.76%
20-years Treasury Bond	13.08%	13.51%	15.13%	15.71%
25-years Treasury Bond	13.60%	14.39%	15.38%	15.93%
Monetary Policy Stace	**Less Accommodative**			

Source: Bank of Tanzania

As 2024, closed the Central Bank issued a public notice informing the public that it would change its coupon rate determination approach beginning January 2025 where under this approach, the applicable coupon for an incoming bond auction would be published on its call for tender at least one week before the bond auction in an effort to align coupon rates with prevailing market conditions and enhance the liquidity of bonds, price discovery and market efficiency.

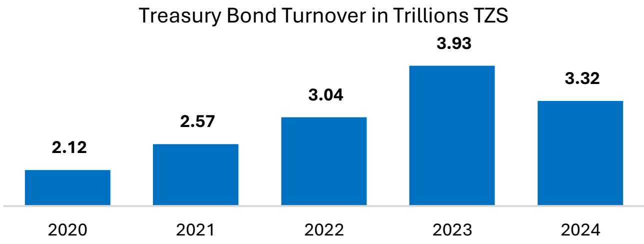
4.1.2. Sub-national bonds:

The year also saw the introduction Tanzania's very first municipal green bond under Tanga Urban Water Supply and Sanitation Authority which issued a 10-year bond at a 13.15% fixed coupon aiming to raise TZS 53.12 billion for the purpose of increasing water production and treatment, rehabilitate its water delivery infrastructure, expand water service coverage and install new prepaid metering to replace aging ones. The entity's subsequent IPO was a success after recording a 103% subscription rate which amounted to a capital raise of TZS 54.72 billion.

November 2024 saw the launch of Tanzania's first infrastructure bonds dubbed the Samia Infrastructure Bond which was issued by Tanzania Rural & Urban Roads Authority (TARURA) and guaranteed by CRDB Bank Plc. The bond aims at ensuring timely financing of contractors involved in the construction of the country's infrastructure who were previously plagued with challenges arising from the delayed timing of fund disbursements thus slowing down infrastructure projects. TARURA aims at raising TZS 150 billion for a duration of 5-years whilst providing an annual coupon of 12% to be paid quarterly.

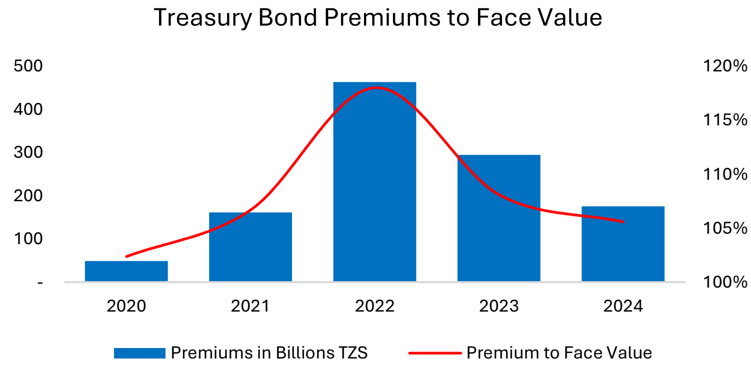
4.2. Government Debt Securities: Secondary Markets

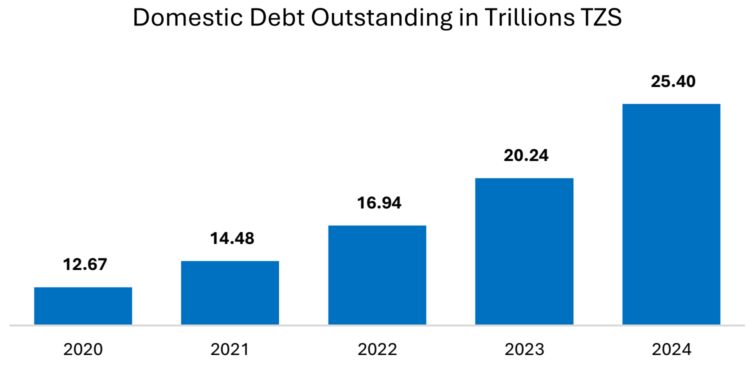
The fixed income segment of the Dar es Salaam Stock Exchange saw a 15.56% drop in the transaction values of all treasury bonds traded during the year from TZS 3.93 trillion as of 2023 to TZS 3.32 trillion as of 2024. The drop in turnover has been largely contributed by the oversaturation of investors' favorite 20 and 25-year treasury bond re-opened auctions in the primary market which also happened to trade at lower prices than preceding years resulting in the lack of appetite to attempt purchasing the bonds in the secondary market at a more expensive price.



Source: Dar es Salaam Stock Exchange

The fall in overall bond prices in the primary market, which also translated to reduced pricing premiums in the secondary market which played a role in reducing transaction values as the ratio of transaction values to face values of government bonds fell from a premium of 108.12% to the face value which translated to TZS 295 billion to a premium of 105.59% to the face value which translates to a monetary amount of TZS 175.63 billion. Despite the underwhelming effort in domestic debt turnover, outstanding domestic debt surged by 25.51% which amounted to TZS 25.40 trillion compared with 20.24 trillion in the previous year.





Source: Dar es Salaam Stock Exchange

4.3. Corporate Debt Securities: Primary Markets

The Corporate Bond section of the market remained vibrant during the year, attracting 3 Initial debt offerings that are expected to be listed from Jan 2025 onwards which are:

4.3.1. The Azania Bank Bondi Yangu

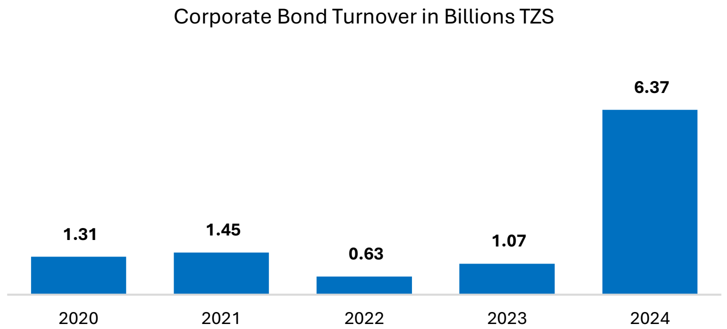
During the year, Azania Bank unveiled its Medium-Term Program Note which aims to raise TZS 100 billion in three tranches. The first of which aims at raising TZS 30 billion with a green shoe option of TZS 15 billion to utilize the proceeds to finance loans in productive economic sectors and sustainable financing. The bond is expected to run for 4 years carrying an annual coupon of 12.50%, which has a quarterly interest payment schedule.

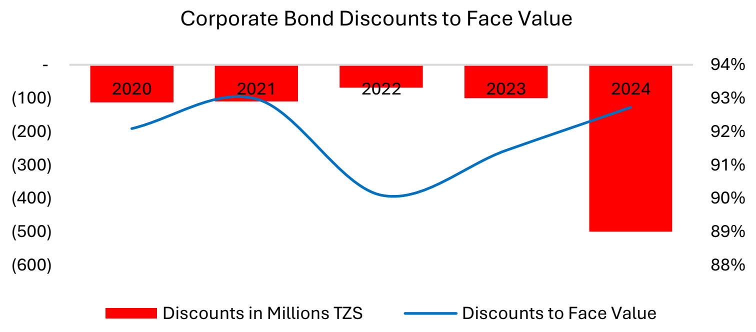
4.3.2. NBC Bond

December 2024 saw NBC unveil the first series of its second tranche TZS 300 billion Medium-Term Program valued at TZS 27.2 billion with the intention of strengthening the small and medium-sized enterprises throughout the country. The issuance was a private placement subscribed by the African Local Currency Bond Fund (ALCB Fund).

4.4. Corporate Debt Securities: Secondary Markets

Corporate bond transactions surged by 493.13% during 2024 from TZS 1.07 billion in 2023 to TZS 6.34 billion in 2024, in large part due to increased investor awareness of the more lucrative returns offered by purchasing corporate bonds in the primary market as compared to the secondary market and due to increased corporate bonds outstanding, brought in particular by the issuance of the TZS 212.9 billion Sustainable bond by NMB and the TZS 171 billion Kijani Bond by CRDB in the last quarter of 2023. Corporate bonds continued trading at a discount with the transaction value for corporate bonds as of 2024 trading at a discount of 92.74% to the face value of TZS 6.84 billion.





Source: Dar es Salaam Stock Exchange

4.5. Fixed Income Outlook for 2025

4.5.1. Tag of War: Monetary Policy Stance versus Meeting Market Expectations

As highlighted in our outlook on the Central Bank's monetary policy stance for 2025, we anticipate the Bank to pursue a more accommodative monetary policy which should coincide with falling yields across subsequent treasury bonds auctions in 2025. The new coupon-determination approach that the Bank intends to utilize from January 2025 as an extension of the application, its new interest based monetary policy should be able to provide an opportunity for the bank to synchronize Central Bank Rate movements with treasury yields, a correlation which would not have easily been achieved with the old fixed-coupon approach. Therefore, if the bank lowers its policy rates and influences stronger M3 growth, it will have to issue lower-coupon bonds which would eventually trickle down to lower yields.

However, its worth highlighting that the market which is already fixated on higher returns might not accept that as a reality and as a result could bid lower prices to attain higher yields and or reduce their participation in the bonds market as evident when the bank issued new treasury bonds with lower coupons in April 2022 as part of an initiative to pursue its stance of a more relaxed monetary policy before halting their issuance from February 2024. This market reaction, if not handled well could risk lower funding mobilization from the fiscal side of the government thus placing the Central Bank in a tight rope where it would have to balance the fiscal targets while pursuing its stance on monetary policy.

4.5.2. Increased Corporate Bond activity

We are bullish on corporate bond activity in both the primary and secondary markets where on the primary markets we anticipate more corporate bond issuances particularly from the banking sector as a move to resolve the broader liquidity pressure facing the sector because of loan demand and disbursement exceeding deposit mobilization initiatives via the release of more bond tranches and the introduction of new Medium Term Note Programs. Furthermore, the sector could be emboldened to pursue such a strategy, especially if treasury yields begin to fall, meaning that the banks would be able to raise more capital at a relatively cheaper cost of debt.

On the Secondary markets, increased awareness on the seemingly attractive discounts available from purchasing corporate bonds coupled with the emergence of larger players in the Capital markets, particularly the Collective Investment Schemes who are in search of higher yields could continue driving up transactions across this space.

5.0. Equities Market

5.1. Equities Markets: Primary Market

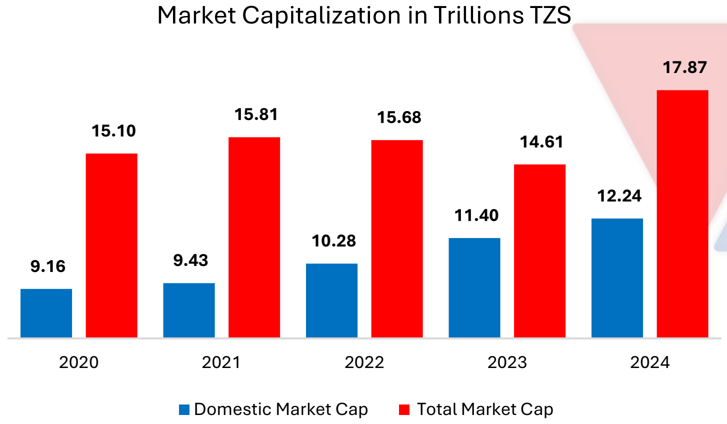
2024 witnessed DCB Commercial Bank Plc provide a rights issue worth TZS 10.74 billion from 97,646,913 shares at a price of TZS 110 per share. The issue was fully subscribed to with the additional shares issued on the 30th of December 2024. Maendeleo Commercial Bank on the other hand saw its shareholders approve a scrip dividend of TZS 44 per share translating to TZS 1.16 billion worth of additional shares to be listed and distributed to Maendeleo shareholders. The approaches taken by both banks to conserve their capital position seem to align with their respective strategic objectives of pursuing business growth and expansion as well as strengthening capital buffers and meeting Central Bank regulatory requirements on Capital Adequacy.

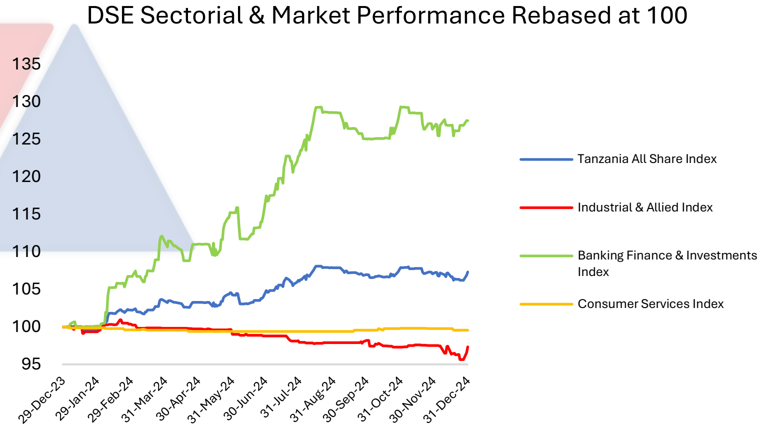
5.2. Equities Markets: Secondary Market

5.2.1. Broad-based Market Returns

The Equities Section of the Secondary Market continued to deliver resilient performance with the domestic market cap registering a 7.38% growth from TZS 11.40 trillion as of Dec 2023 to TZS 12.24 trillion as of Dec 2024. The growth was mainly driven by stronger returns registered from the Banking, Finance and Investment Sector whose respective index, the BI registered a 27.50% growth as a result of rising share prices from CRDB Bank Plc, the self-listed Dar es Salaam Stock Exchange, NMB Bank Plc following stellar corporate earnings and dividend growth from the year 2023 as well as resilient performance from closed-ended mutual funds Afriprise and NICOL whose underlying fundamentals mirrored those of the aforementioned companies.

The total market capitalization posted even stronger growth of 22.29% during the year from TZS 14.61 trillion as of Dec 2023 to TZS 17.87 trillion as of Dec 2024 with the growth stemming from the Banking Finance and Investment Sector as mentioned earlier coupled with stronger share price recovery of cross-listed equities from the Nairobi Stock Exchange as well as the strengthening of the Kenyan Shilling against the TZS and other major currencies.





Source: Dar es Salaam Stock Exchange

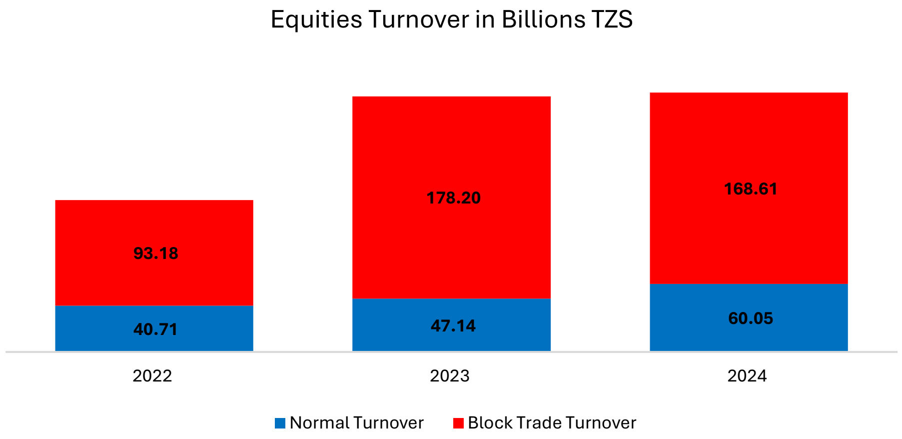
Tanzania Vs SSA Markets	Local Returns	Indicative Returns in USD	Indicative Returns in EUR
Tanzania – DSEI	▲ 22.23%	▲ 26.87%	▲ 33.48%
Kenya	▲ 34.06%	▲ 62.89%	▲ 73.07%
Uganda	▲ 36.94%	▲ 40.47%	▲ 49.43%
Rwanda	▲ 3.58%	▼ 6.83%	▼ 1.70%
Malawi	▲ 55.06%	▲ 50.03%	▲ 59.21%
Zambia	▲ 42.60%	▲ 31.49%	▲ 39.48%
Mauritius	▲ 14.75%	▲ 7.47%	▲ 14.38%
Botswana	▲ 12.54%	▲ 8.04%	▲ 14.42%
Namibia	▲ 10.28%	▲ 8.02%	▲ 15.49%
Nigeria	▲ 37.65%	▼ 19.56%	▼ 15.08%

Source: African Markets

5.2.2. Markets Turnover & Liquidity

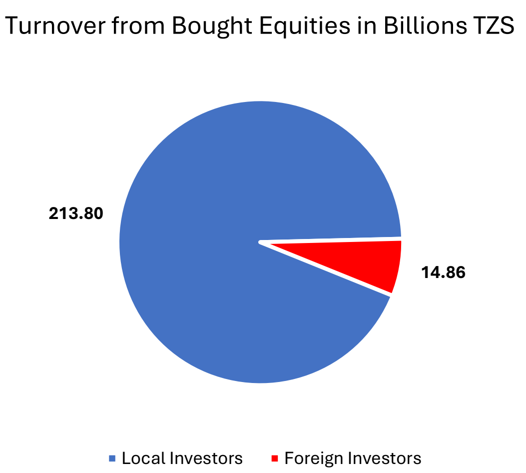
2024 saw a 1.47% rise in total equity turnover from TZS 225.35 billion as of 2023 to TZS 228.66 billion as of 2024 with the growth largely stemming from increased trading activity in the normal counter which saw the value of its turnover rise by 27.37% from TZS 47.14 billion in 2023 to TZS 60.05 billion in 2024, however this growth was partly offset by a 5.39% decline in block trade turnovers which fell from TZS 178.20 billion in 2023 to TZS 168.61 billion in 2024 in large part due to the lack of a substitute for the one-time transaction TZS 106 billion made by Heidelberg Materials to acquire majority shareholding in Tanga Cement.

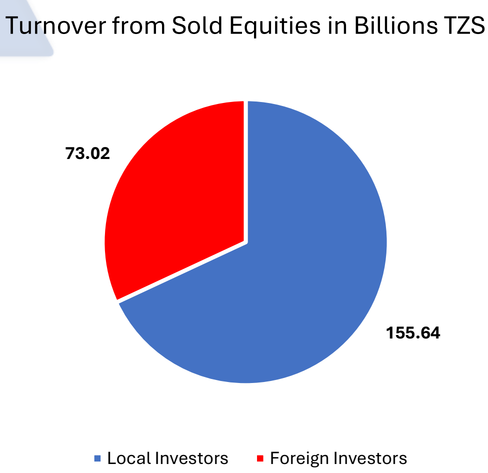
PSSSF House, Ground Floor, Samora Avenue/Morogoro Road, P.O. Box 77049, Dar es Salaam
solomonstockbrokers@solomon.co.tz



Source: Dar es Salaam Stock Exchange

Local Investors continued to dominate trading activities in the secondary market with the turnover contributed by local investors in the buy and sell side of the equities market accounting for 93.50% and 68.07% which amounts to TZS 213.8 billion and 155.64 billion respectively. This comes as an improvement compared to 2023 where local investors contributed 42.70% and 30.76% of the total turnover made last year which amounted to TZS 96.16 billion and TZS 69.29 billion on the buy and sell side respectively. This improvement can be traced to increased retail investment participation arising from increased awareness on stock market investment opportunities as well as increased activities by institutional and high net-worth clients following resilient financial performance across the equities market.





Source: Dar es Salaam Stock Exchange

Despite marginal growth in the total turnover of the market it's worth noting that about 14 counters have experienced an increase in the total annual turnover to their respective market capitalization, indicating somewhat improved liquidity amongst individual counters. This growth is brought about by improved fundamentals across well-performing companies which have continued to stir up demand for some counters, increased block trade values across counters excluding Tanga Cement, the role of technological advancements such as the use of the Mobile Trading Platform by the DSE and increased corporate actions such as those of dividend payments and rights issues.

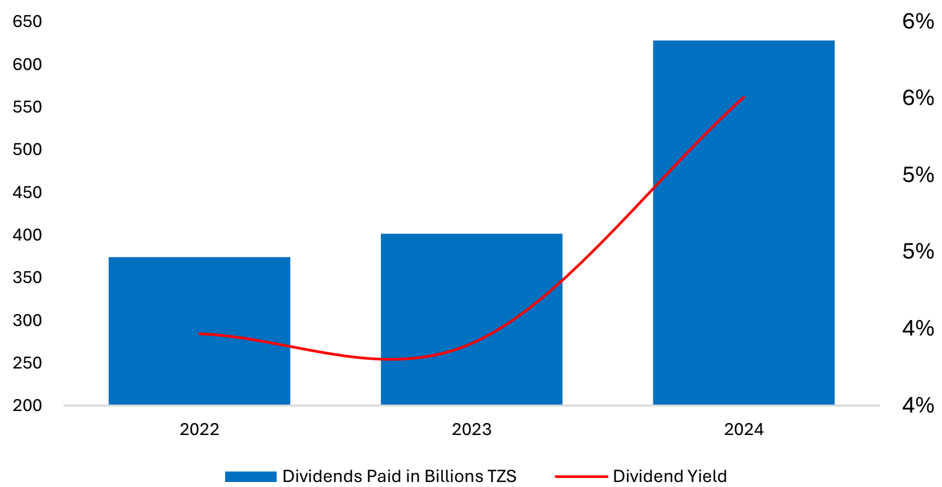
Company	2024 Annual Turnover in TZS	2024 Market Capitalization in TZS	Annual Turnover to Market Cap 2024	Annual Turnover to Market Cap 2023
AFRIPRISE	1,340,613,410	31,397,506,295	4.27%	11.27%
CRDB	102,565,266,545	1,749,931,851,280	5.86%	3.81%
DCB	1,290,572,455	22,000,000,000	5.87%	1.23%
DSE	3,041,638,560	56,224,687,200	5.41%	4.65%
JATU	56,445	5,283,791,805	0.00%	0.01%
MBP	43,901,855	8,193,780,500	0.54%	0.45%
MCB	3,779,550	19,165,725,200	0.02%	0.01%
MKCB	92,592,970	12,719,701,080	0.73%	0.21%
MUCOBA	2,175,600	13,066,490,800	0.02%	0.00%
NICO	1,550,762,310	39,452,693,760	3.93%	7.59%
NMB	32,208,390,130	2,675,000,000,000	1.20%	1.16%
PAL	6,140,520	64,187,920,000	0.01%	0.00%
SWALA	-	47,790,729,450	0.00%	0.00%
SWIS	220,265,620	39,600,000,000	0.56%	1.23%
TBL	42,780,235,000	3,216,111,086,700	1.33%	0.83%
TCC	28,389,957,600	1,700,000,000,000	1.67%	0.20%
TCCL	1,926,187,060	114,607,881,000	1.68%	81.64%
TOL	2,668,192,360	38,528,995,210	6.93%	0.99%
TPCC	10,423,783,600	647,723,160,000	1.61%	0.42%
TTP	4,733,320	11,406,862,080	0.04%	0.00%
VODA	96,583,320	1,724,800,231,000	0.01%	0.06%
YETU	-	6,177,575,430	0.00%	0.00%
Total	**228,655,828,230**	**12,243,370,668,790**	**1.87%**	**1.97%**

Source: Dar es Salaam Stock Exchange

5.2.3. Markets Returns

During the year, the best performing stock was CRDB Bank Plc registering a 56.52% gross total return followed by the Dar es Salaam Stock Exchange with a 39.17% gross total return and NICO with a 38.60% return. In addition to the 7.38% increment in the domestic market capitalization, the annual dividend yield for the market (based on opening prices for Jan 2nd 2024) stood at 5.51% mainly driven by increased dividend payments from companies following stronger fundamental results and a resumption of dividend payments by Tanzania Breweries Ltd following the pause in payments in 2023.

Dividends Returns by Locally Listed Companies



PSSSF House, Ground Floor, Samora Avenue/Morogoro Road, P.O. Box 77049, Dar es Salaam
solomonstockbrokers@solomon.co.tz

Closing Prices for Equities	29-Dec-23	31-Dec-24	Annual Change	Dividend Per Share	Dividend Yield*	Total TZS Return	Total USD Return**
CRDB	460	670	▲ 45.65%	50	▲ 10.87%	▲ 56.52%	▲ 63.44%
DSE	1,800	2,360	▲ 31.11%	145	▲ 8.06%	▲ 39.17%	▲ 45.32%
NICO	500	640	▲ 28.00%	53	▲ 10.60%	▲ 38.60%	▲ 44.73%
NMB	4,500	5,350	▲ 18.89%	361.18	▲ 8.03%	▲ 26.92%	▲ 32.53%
AFRIPRISE	190	215	▲ 13.16%	13	▲ 6.84%	▲ 20.00%	▲ 25.30%
MBP	305	310	▲ 1.64%	44	▲ 14.43%	▲ 16.07%	▲ 21.20%
Domestic Market Cap***	11.40	12.24	▲ 7.38%	0.63	▲ 5.51%	▲ 12.89%	▲ 17.88%
TBL	10,900	10,900	0.00%	537	▲ 4.93%	▲ 4.93%	▲ 9.57%
DCB	130	135	▲ 3.85%	0	0.00%	▲ 3.85%	▲ 8.44%
TCC	17,000	17,000	0.00%	500	▲ 2.94%	▲ 2.94%	▲ 7.49%
VODA	770	770	0.00%	11.93	▲ 1.55%	▲ 1.55%	▲ 6.04%
TOL	660	670	▲ 1.52%	0	0.00%	▲ 1.52%	▲ 6.00%
JATU	265	265	0.00%	0	0.00%	0.00%	▲ 4.42%
MCB	310	310	0.00%	0	0.00%	0.00%	▲ 4.42%
MUCOBA	400	400	0.00%	0	0.00%	0.00%	▲ 4.42%
PAL	400	400	0.00%	0	0.00%	0.00%	▲ 4.42%
SWALA	450	450	0.00%	0	0.00%	0.00%	▲ 4.42%
YETU	510	510	0.00%	0	0.00%	0.00%	▲ 4.42%
TPCC	4,360	3,600	▼ 17.43%	390	▲ 8.94%	▼ 8.49%	▼ 4.44%
SWIS	1,320	1,100	▼ 16.67%	51.33	▲ 3.89%	▼ 12.78%	▼ 8.92%
MKCB	630	540	▼ 14.29%	0	0.00%	▼ 14.29%	▼ 10.50%
TCCL	2,120	1,800	▼ 15.09%	0	0.00%	▼ 15.09%	▼ 11.34%

* Dividend Yield used is calculated against Opening Price of the year 2024

** USD Returns are indicative and computed using the mean USD/TZS rates provided by Bank of Tanzania

***Domestic Market Cap is represented in TZS Trillions with dividends paid representative of the total dividends paid out by locally listed companies

5.2.4. Sectoral Performance

5.2.4.1. The Banking Sector: Resilient Growth and Profitability Amid 2024 Challenges.

Listed Banks delivered remarkable financial performance for the most part of 2024 with profits after tax for the nine months ending 2024 having increased by 30.70% from TZS 686.19 billion in September 2023 to TZS 896.82 billion in Sept 2024 driven by stronger net interest income growth of 21.77% from TZS 1.34 trillion in Sept 2023 to TZS 1.63 trillion as of Sept 2024 despite the headwinds of escalating cost of funds challenging the banks' ability to maximize profits from their earning assets all while non-funded income grew 24.74% from TZS 672.69 billion as of Sept 2023 to TZS 839.13 trillion as of Sept 2024 due to factors such as increased foreign currency income arising from the weakening of the TZS against the USD during the first nine months of 2024 as well as increased fees and commission income stemming from increased digital offerings via agency, internet and mobile banking, fees associated to loans following increased loan volumes and growth in other value-added financial services such as Insurance and Bancassurance services as insurance penetration continues to rise across the country.

Listed Banks have also continued to optimize their cost of funds evident with the declining cost to income ratio from 45.76% as of Sept 2023 to 43.19% as of Sept 2024 whilst being well below the Central Bank target of 55% as banks continue to deploy cost efficiency strategies such as the use of off-branch business models such as through the use of mobile, internet and agency banking to support increased business volumes at lower costs, the banks have also leveraged the use digital and smart products to control administrative costs as well as aligning employee benefit expense growth with productivity.

Balance Sheet growth has also been robust for listed banks with total assets growing 21.02% from TZS 24.96 trillion as of Sept 2023 to TZS 30.21 trillion as of Sept 2024 mainly due to stronger loan growth of 21.87% from TZS 15.51 trillion as of Sept 2023 to TZS 18.90 trillion as of Sept 2024 due to stronger credit demand from the private sector and as these banks continue to gear lending towards the Agricultural Sector, Micro, Small and Medium Enterprises as well as continued loan disbursement to Salaried Workers and other forms of personal loans. Loan Quality has also improved evident with the drop in the Non-performing Loan ratio from 3.20% as of Sept 2023 to 2.74% as of Sept 2024 well below the Central Bank's 5% target as banks increase their reliance on Credit Rating Agencies and utilize Early Warning Systems to assess their customer's potential creditworthiness.

This growth has been funded by deposit growth of 15.12% from TZS 17.46 trillion as of Sept 2023 to TZS 20.09 trillion as of Sept 2024 as these continue to look for growth in untapped markets such as the rural communities of Tanzania and via targeting religious institutions all while strategies that aim at maintaining relationships with existing clients continue to be deployed to ensure customer retention. Following the mismatch between loan and deposit growth mentioned above and evident via the rise in the sectors gross loan to deposit ratio from 92.12% as of September 2023 to 96.83% as of September 2024, these listed banks have increasingly relied on long-term foreign borrowing and short-term borrowing in the Interbank Cash Market and from Reverse REPOs from the Central Bank in order to remain compliant with liquidity regulations all while being able to support the increased loan demand.

Listed Banks Financial Highlights	Sep-23	Sep-24	Change %
Net Interest Income	1.34	1.63	21.77%
Non-Funded Income	0.67	0.84	24.74%
Net Profits	0.69	0.90	30.70%
Loans to Customers	15.51	18.90	21.87%
Total Deposits	17.46	20.09	15.12%
Borrowings	3.16	4.82	52.53%
Total Assets	24.96	30.21	21.02%
Cost to Income Ratio	45.76%	43.19%	-5.61%
Non-Performing Loan Ratio	3.20%	2.74%	-14.58%
Loan to Deposit Ratio	92.12%	96.83%	5.12%

NOTE:
Amounts are in Trillions TZS
Financial Results are for the nine months ending 2023 and 2024
All listed banks with the exception of MUCOBA were used in the analysis

PSSSF House, Ground Floor, Samora Avenue/Morogoro Road, P.O. Box 77049, Dar es Salaam
solomonstockbrokers@solomon.co.tz

5.2.4.2. Closed Ended Mutual Funds: Diverging Investment Strategies Diverging Investment Returns

Listed closed ended mutual funds Afriprise and NICOL seem to have had a similar concern regarding diversifying away from their traditional holdings across the Dar es Salaam Stock Exchange whilst providing robust returns for their shareholders and had come up with two different outcomes. Afriprise's strategy was centered around prioritizing investments in other financial markets within the East African region while NICOL's strategy was to prioritize investments into the real sector, particularly the real-estate sector.

To finance their respective investment strategies NICOL opted for a 7-year TZS 21.6 billion loan with an 11.50% interest rate per annum which was secured by a high-yielding Treasury Bond in 2022 where as Afriprise at the close of 2023 did a 1:1 rights issue where it raised TZS 10 billion. NICO used the finances to acquire Mirambo Properties Ltd where it had paid and advanced worth TZS 17.85 billion, purchase plots worth TZS 1.75 billion for the purpose of flipping them at higher prices and use the remain funds to finish the construction of its semi-finished buildings.

Whereas Afriprise utilized the funds to acquire blue chip equities from the Nairobi Securities Exchange such as Safaricom, British American Tobacco and KCB Group and Equity Group when they were trading at discounted prices and when the Kenyan Shilling had severely weakened against the Tanzanian Shilling, repay a TZS 2 billion loan outstanding and used the remaining funds to purchase high-yielding treasury securities.

Following this Afriprise for the first six months of 2024 was able to grow its Total Income (Investment Income + Trading Income) by 49.34% amounting to TZS 3.04 billion due to stronger dividends from its existing holdings and increased dividends and interest income from its immediate investments compared to NICOL's 25% revenue growth amounting to TZS 12.41 billion to which its property and real-estate investments made up 20.10% of the revenue.

Afriprise Finance costs dropped 97.78% to a meager TZS 2.27 million compared to NICOL's 6.29% drop in finance income to TZS 1.20 billion while operating costs for Afriprise grew a modest 4.96% amounting to TZS 501.69 billion compared to NICOL's 248.48% increase amounting to TZS 3.04 billion due to increased litigation provisions on its property investments as well as other costs unrelated to its investment decision such as increased DSE listing fees following a strong surge in its market capitalization across the first half of the year and higher dividend processing costs.

This in totality resulted in Afriprise profits for the half year surging by 74.27% amounting to TZS 2.54 billion compared with NICO's 4.86% growth amounting to 7.78 billion placing Afriprise placing Afriprise ahead of NICOL as far as financial performance is concerned.

Closed ended mutual funds Financial Highlights	June-23	June-24	Change %
Total Income	11.96	15.45	29.14%
Operating Costs	(1.35)	(3.54)	162.30%
Finance Costs	(1.39)	(1.21)	-13.03%
Net Profits	8.88	10.32	16.23%
Financial Assets	152.10	194.37	27.79%
Real Assets	12.44	24.45	96.62%
Total Assets	181.33	239.44	32.05%

NOTE:
Amounts are in Billions TZS
Financial Results are for the Half years ending June 2023 and June 2024

5.2.4.3. The Dar es Salaam Stock Exchange: Navigating Profitability Challenges Amid Market Shifts.

From a cumulative standpoint the Dar es Salaam Stock Exchange's net profits have fallen by 24.93% from TZS 4.47 billion as of September 2023 to TZS 3.36 billion as of September 2024. The drop stems from a 14.26% decline in listing fees amounting to TZS 3.03 billion, whose erosion has been brought about by a disruption of new government bond listings in favor of re-opened treasury bond issuances by the Central Bank which according to the 2022 Dar es Salaam Stock Exchange rules has resulted in the reduction in listing fees from 0.05% of the amount listed to 0.025% of the amount listed.

The primary market's oversaturation of reopened longer-term treasury bond auctions has led to a 16.92% drop in the transaction values of all treasury bonds traded during the year from TZS 3.34 trillion as of Sept 2023 to TZS 2.78 trillion as of Sept 2024. This decline has weakened transaction fee growth (up only 1.87% to TZS 1.30 billion) and caused a 20.39% drop in CSD & Registry fees (to TZS 988.59 million). In addition to the drop in revenues operating expenses for the nine months ending September 2024 grew by 15.96% to TZS 5.02 billion, the fastest growth rate since 2018 for this period mainly driven by a 15.79% surge in staff expenses amounting to TZS 3.30 billion.

Dar es Salaam Stock Exchange Financial Highlights	Sep-23	Sep-24	Change %
Operating Revenue	6.39	5.75	-10.13%
Finance Income	2.50	2.67	6.98%
Operating Expenses	(4.33)	(5.02)	15.96%
Net Profits	4.47	3.36	-24.93%
Total Assets	34.05	36.06	5.93%
Total Equity	29.91	31.26	4.51%

NOTE:
Amounts are in Billions TZS
Financial Results are for the nine months ending Sept 2023 and Sept 2024

5.2.4.4. The Manufacturing Sector: A Tale of misfortunes

2024 has been a brutal year for listed companies in the manufacturing sector with sales revenue recording weaker growth of 4.98% from TZS 1.06 trillion as of June 2023 to TZS 1.11 trillion as of June 2024. Sales growth in this sector has been divergent with companies involved in the manufacturing of Breweries, Tobacco and Oxygen recording a stronger combined revenue growth of 13.60% from TZS 759.24 billion as of June 2023 to TZS 862 billion as of June 2024 driven by increased investments in improving production capacity coupled with the deployment of aggressive sales strategies and stronger customer spending whereas manufacturing companies in the cement industry have undergone a cyclical downturn that has resulted in a 16.72% drop in revenues from TZS 301.32 billion in June 2023 to TZS 250.94 billion following the effects of heavy rains, completion of major public infrastructure projects and a slowdown in government spending towards outstanding infrastructure projects.

Rising cost of sales and operating expenses have been synonymous with the sector following with both expenses growing 8.8% and 10.60% from TZS 642.48 billion and TZS 180.82 billion in June 2023 to TZS 699.53 billion and TZS 199.99 billion in June 2024 respectively with the growth arising from increased shocks brought about by increased fuel and energy prices, the introduction of excise duties on cement products and the rise of such duties on breweries and cigarette products as well as an industry wide growth in administrative expenses

The sector's financial crunch was felt acutely with the broad-based rise in net finance costs which saw a 771.63% rise from TZS 5.2 billion as of June 2023 to TZS 45.48 billion as of June 2024 mainly influenced by impairments and ballooning financing obligations on foreign denominated liabilities as the TZS plunged 12.86%, 13.10% and 10.72% against the greenback, Great British Pound and Euro respectively during the year ending June 2024.

A combination of these factors caused profits to fall by 31.89% across the sector from TZS 164.27 billion as of June 2023 to TZS 111.88 billion as of June 2024 with net profit margins having fallen by 544 basis points from 15.49% of June 2023 to 10.05% as of June 2024 all while assets recorded a weaker 2.44% growth from 2.37 trillion as of June 2023 to TZS 2.43 trillion as of June 2024.

5.2.4.4. The Manufacturing Sector: A Tale of misfortunes

Its worth noting that despite the broad-based challenges that have plagued the manufacturing sector companies such as Tanzania Cigarette Company stood out as an outlier of financial resilience following stronger half year earnings growth of 25.21% due to a combination of stronger sales growth on the back of aggressive sales strategies as well as prudent cost optimization on the production, operational and financing front.

Manufacturing Companies Financial Highlights	Jun-23	Jun-24	Change %
Revenue	1.06	1.11	4.98%
Cost of Sales	(0.64)	(0.70)	8.88%
Gross Profit Margins	39.42%	37.17%	-5.70%
Operating Expenses	(0.18)	(0.20)	10.60%
Operating Profit Margins	22.37%	19.21%	-14.13%
Net Finance Costs	(0.01)	(0.05)	771.63%
Net Profits	0.16	0.11	-31.89%
Net Profit Margins	15.49%	10.05%	-35.12%
Total Assets	2.37	2.43	2.44%

NOTE:
Amounts are in Trillions TZS
Financial Results are for the Half years ending June 2023 and June 2024
Companies covered include Tanzania Breweries Ltd, Tanzania Cigarette Company, Tanzania Oxygen Ltd, Tanga Cement & Tanzania Portland Cement

5.2.4.5. The Aviation Sector: Riding a Tourism Surge and Operational Efficiency to Profitability Heights.

The Aviation Sector comprises of Precision Airways and Swissport Tanzania. Precision Airways has been a non-compliant loss-making company with its latest published financials dating back in 2022 where the company recorded a TZS 30.14 billion loss. Swissport on the other hand which is a Ground and Cargo Handling Company saw its profits for the half year ending 2024 rise by 75.71% from TZS 1.37 billion as of June 2023 to TZS 2.42 billion as of June 2024 brought about by a 17.17% growth in revenue from TZS 18.91 billion as of June 2023 to TZS 22.16 billion as of June 2024 mainly driven by broad-based growth in the aviation sector brought about by a 24.50% in tourists from 759,327 tourists in June 2023 to 945,360 tourists in June 2024 which coincided with increased flights into the country as well as cost optimization initiatives which saw modest operating expense growth of 12.19% from TZS 16.50 billion to TZS 18.51 Billion as of June 2024.

5.2.4.6. Telecommunication Sector: Vodacom Tanzania Drives Growth Through Innovation and Efficiency.

The Telecoms sector is solely comprised of Vodacom Tanzania which during the six months ending September 2024 reported a net profit of TZS 42.17 billion marking a 42.37% increase from TZS 26.62 billion during the same period in 2023. This growth was driven by a 19.16% increase in revenue to TZS 730.19 billion, primarily due to M-Pesa's expanded value-added services like microlending, savings, insurance, international transfers, and digital payments, which now contribute 40% to M-Pesa’s revenue. Mobile data and fixed internet also grew, with a 14.9% rise in data users (11.19 million) and higher data consumption. Improved performance in declining segments like Mobile Incoming and Voice was achieved through subscriber growth, leading to a 12.4% increase in minutes traffic. Additionally, Vodacom saved over TZS 28 billion by implementing Customer Value Management, using machine learning for targeted marketing, hedging against currency losses, and controlling contractual expenses.

PSSSF House, Ground Floor, Samora Avenue/Morogoro Road, P.O. Box 77049, Dar es Salaam
solomonstockbrokers@solomon.co.tz

5.3. Equities Market Outlook 2025

5.3.1. Receding Returns

2024 marked the fifth consecutive year that Dar es Salaam Stock Exchange's domestic market cap and the Tanzania All Share Index recorded gains driven by the fact that over the past 5 years a significant proportion of the banking sector and to a lesser extent the manufacturing sector and consumer services sector had been undergoing a price discovery phase where market valuations continued to catch up to company fundamentals and their underlying values. Following this growth, 2024 ended, leaving investors with the following dilemmas:

A mismatch between higher shareholder expectations on earnings growth which led to over-excessive bull runs for previously undervalued companies and actual underwhelming earnings growth has resulted in a situation where previously undervalued companies are now trading at fair or overvalued prices. These companies include NICOL, the Dar es Salaam Stock Exchange, and to a less extent Afriprise and NMB Bank Plc.

Overvalued counters such as Tanzania Cigarette Company and Vodacom Tanzania have provided very strong financial performance in 2024 however their current pricing in the stock market does not justify any buy under normal circumstances leaving the returns to be enjoyed only by those that can purchase the stocks at massively steep discounts via block trades thus putting the stock exchange in a position where it is failing to democratize access to investment returns in these counters.

As a result of these observations, we anticipate lower single-digit growth in stock market returns compared to those experienced between 2022 and 2024 driven mainly by the few remaining pockets of good, undervalued deals such as those from CRDB Bank Plc and Mkombozi Commercial Bank.

5.3.2. Market Participation

Despite our concerns over receding market returns we remain optimistic that market activity and investor participation will continue to grow well into 2025 driven by the rise in financial awareness amongst the public, technological advancements that continues to make investing in the equities market more convenient for everyone and the rising participation in the markets by institutional investors particularly collective investment schemes and pension funds both in the Normal Counter and block trade section of the market.

Despite easing macroeconomic conditions globally which could prompt portfolio reallocations by foreign investors into emerging and other international markets we anticipate that local investors will continue to play an instrumental role in the stock market activity compared to foreign investors who are bombarded with many investment opportunities particularly those from Europe, the Middle and Far East Asia due to their size and familiarity over the markets.

5.3.3. Sectorial Outlook

5.3.3.1. The Banking Sector: Borrowings are the new normal

In our outlook for the year 2024 we anticipated that corporate earnings for listed banks would experience a slowdown since they are disbursing loans at a faster rate than they are mobilizing in customer deposits, creating a room where loan growth was likely to slow down thus affecting bottomline growth. However, during the year CRDB taught us that that may not be the case as the company went on to deliver an earnings growth of 45.80% for the nine months ended 2024 following the disbursement of over TZS 1.65 trillion between from Jan – Sept 2024 which was financed by TZS 1.44 trillion worth of deposits all while borrowings covered up for the shortfall as the bank went on to take a net borrowings of TZS 1.05 trillion which resulted in a cumulative net interest income growth of 32.08% as of Sept 2024. Furthermore, the bank continued to demonstrate cost efficiency with operating costs growing at a meager 16.24% compared to 28.22% growth in net operating income

This went on to show us that earnings growth in the banking sector isn't going to be solely defined by how much customer deposits a bank can take but rather how much more borrowing it can take to cover the shortfall in deposits to satisfy credit demand whilst simultaneously handling the risk brought about by the increased leverage. Hence banks with the appetite to take on more borrowings to issue out loans are likely to experience more growth, however this will come at the expense of greater interest rate, credit and foreign currency risks depending on the structure and nature of loans taken.

Other pockets of growth are likely to come from cost saving initiatives, as well as setting the pace for expanding banking operations outside traditional geographical boundaries and expanding into providing other financial services.

5.3.3.2. Closed Ended Mutual Funds: It's a marathon not a sprint

While Afriprise is likely to close the year with better returns from its investments compared to NICOL, we can't leave NICOL out of the race considering that it was expected for its real-estate projects to take a much longer time to bring about fruitful returns. The completion of its real-estate projects and acquisitions as well as decisions taken to repay its borrowings and the gradual normalization of its operating costs from the one-time expenses incurred in 2024 could place NICOL in a better financial position, it can deliver stronger shareholder returns.

5.3.3.3. The Dar es Salaam Stock Exchange: Adapting to Market Dynamics

From our perspective, the outlook for the Dar es Salaam Stock Exchange (DSE) appears mixed and fraught with uncertainty. On the listing fees front, fluctuations in the Central Bank's treasury bond issuance calendar, influenced by its coupon-determination policy, suggest a volatile trajectory. While higher treasury bond listing fees are anticipated in the first quarter of 2024, this trend is likely to reverse in the second quarter with the resumption of treasury bond re-openings. On the equities side, a potential slowdown in market capitalization growth could dampen listing fees. Although increased corporate bond listings may contribute positively to revenue, this segment represents only 1.84% of total listing fees, limiting its material impact on overall listing fee growth.

Transaction fees, however, offer a glimmer of optimism. Anticipated growth in equities and treasury bond transactions appears promising, supported by a restructuring of the treasury bond auction schedule. The revised calendar for the second half of the 2024/25 fiscal year reduces the saturation of long-term treasury bond auctions to six out of 14 auctions, compared to eight out of 15 in the first half. This adjustment could spur increased activity in the secondary bond market and drive higher transaction fees. Additionally, an uptick in corporate bond transactions may further bolster this revenue stream.

5.3.3.4. The Manufacturing Sector: Macroeconomic tailwinds to ease cost pressures

While 2024 was a tough year for the manufacturing sector, 2025 seems likely to give the manufacturing sector a sigh of relief as the closed the last quarter with oil and fuel prices across the globe receding from their 2024 highs recorded around April – June 2024. Furthermore, the strengthening and stabilization of the TZS against other major currencies is likely to help with the contraction of finance expenses, which took a huge chunk of the sector's profits.

More particularly for the Cement Companies, a resurgence in construction activities particularly by the government with the incentive to accomplish them before Central Government elections and if the severe El-Nino rainfalls which fell across Q4'23 and Q1'24 were a one-time event. This could bring about a rebound in revenues and profitability with the key challenge being around how both companies address their respective specific shortfalls to capitalize on the industry-wide opportunities available.

5.3.3.5. The Aviation & Telecommunication Sector: The Momentum continues…

With the Tourism industry and the Information and Telecommunication Sector showing no signs of slowing down we anticipate both Swissport and Vodacom to keep up with the growth momentum they have sustained over the past 2 or so years. With both companies we are seeing that while their respective industries are plagued with fierce competition that is centered around price cutting, continued efforts around service innovation and cost optimization coupled with strong management are what will likely set the companies apart from competition and allow for the delivery of stronger returns to shareholders.

SOLOMON Stockbrokers

Analyst's Name & Contacts

Emmanuel Matunda, ACSI
emmanuel@solomon.co.tz

For further information please contact Us : 2124495 /2112874 /0764269090 /0714 269090