Country Report

Tanzania

Generated on January 17th 2018

Economist Intelligence Unit
20 Cabot Square
London E14 4QW
United Kingdom

The Economist Intelligence Unit

The Economist Intelligence Unit is a specialist publisher serving companies establishing and managing operations across national borders. For 60 years it has been a source of information on business developments, economic and political trends, government regulations and corporate practice worldwide. The Economist Intelligence Unit delivers its information in four ways: through its digital portfolio, where the latest analysis is updated daily; through printed subscription products ranging from newsletters to annual reference works; through research reports; and by organising seminars and presentations. The firm is a member of The Economist Group.

London

The Economist Intelligence Unit
20 Cabot Square
London
E14 4QW
United Kingdom
Tel: +44 (0) 20 7576 8181
Fax: +44 (0) 20 7576 8476
E-mail: eiucustomerservices@eiu.com

New York

The Economist Intelligence Unit
The Economist Group
750 Third Avenue
5th Floor
New York, NY 10017, US
Tel: +1 212 541 0500
Fax: +1 212 586 0248
E-mail: eiucustomerservices@eiu.com

Hong Kong

The Economist Intelligence Unit
1301 Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: +852 2585 3888
Fax: +852 2802 7638
E-mail: eiucustomerservices@eiu.com

Geneva

The Economist Intelligence Unit
Rue de l'Athénée 32
1206 Geneva
Switzerland

Tel: +41 22 566 24 70
Fax: +41 22 346 93 47
E-mail: eiucustomerservices@eiu.com

This report can be accessed electronically as soon as it is published by visiting store.eiu.com or by contacting a local sales representative.

The whole report may be viewed in PDF format, or can be navigated section-by-section by using the HTML links. In addition, the full archive of previous reports can be accessed in HTML or PDF format, and our search engine can be used to find content of interest quickly. Our automatic alerting service will send a notification via e-mail when new reports become available.

Copyright

ISSN 2047-5918

Symbols for tables

"0 or 0.0" means nil or negligible;"n/a" means not available; "-" means not applicable

Tanzania

Summary

Outlook for 2018-22

Data and charts

Summary

Recent analysis

Politics

Economy

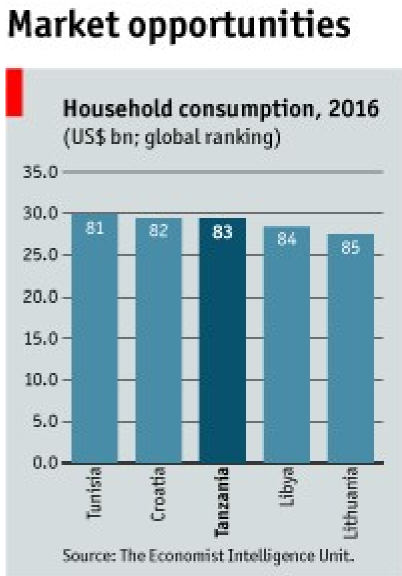
Briefing sheet

Editor: **Charlotte King**

Forecast Closing Date: **January 9, 2018**

Political and economic outlook

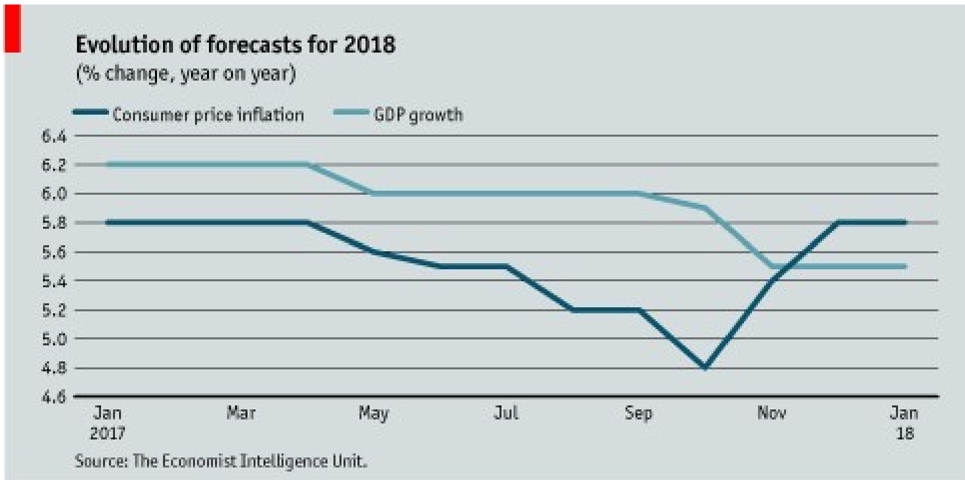
- The long-ruling Chama Cha Mapinduzi (CCM) will remain in power, under the leadership of the president, John Magufuli. However, the president's centralised leadership will stir frustrations within the CCM, and rising tensions among rival factions will stoke volatility.
- A narrowing of the democratic channels for political opposition will stir discontent. However, provided the government makes some progress on raising living standards, we do not expect popular frustrations to pose a threat to stability.
- The government's overall policy will focus on industrialisation and job creation. Protectionist tendencies and erratic policymaking will, however, deter the private investment that is needed to achieve these policy objectives.
- The fiscal deficit is forecast to widen to 3.5% of GDP in fiscal year 2018/19 (July-June), as growth in capital and social spending outpaces aggressive efforts to increase tax revenue and trim fiscal wastage. It is forecast to contract thereafter, to 2.5% of GDP in 2021/22.
- Economic growth is forecast to be weaker in 2018–22 than the long-term average as business confidence slumps. Nevertheless, a growing consumer base, supported by rising trade flows, will underpin decent real GDP growth at a yearly average of 5.4%.
- The current-account deficit is forecast to widen to 6.6% of GDP in 2019, on the back of firmer import demand, before contracting gradually to 5.6% of GDP in 2021–22 as imports plateau and earnings from goods and services exports rise.



Key indicators

	2017[a]	2018[b]	2019[b]	2020[b]	2021[b]	2022[b]
Real GDP growth (%)	6.4	5.5	5.2	5.7	5.2	5.4
Consumer price inflation (av; %)	5.3	5.8	5.5	4.9	5.3	5.5
Government balance (% of GDP)[c]	-2.9	-3.2	-3.5	-3.3	-3.0	-2.5
Current-account balance (% of GDP)	-5.5	-6.3	-6.6	-6.1	-5.7	-5.6
Money market rate (av; %)	9.8	10.1	10.2	7.8	7.3	6.7
Exchange rate TSh:US$ (av)	2,229[d]	2,388	2,577	2,692	2,799	2,911

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Fiscal years ending in June. [d] Actual.



Key changes since December 4th

- Plans announced in January to introduce a commercial interest-rate cap in March heighten the risk of credit rationing and a slowdown in economic growth. However, our forecast remains unchanged, pending decisions by the central bank on the level of the cap.

The month ahead

- January 13th—Three parliamentary by-elections. With Chadema, the main opposition party, boycotting the polls over alleged irregularities in councillorship elections in November, the by-elections will probably be won by the ruling CCM.

- February—GDP data (Q3 2017). We estimate real GDP growth of 6.4% for 2017 as a whole. This accounts for a slight slowdown in the latter part of the year, as we expect sluggish private-credit growth to have constrained the rate of expansion.

- February—Tenders issued to appoint a contractor for Stiegler's Gorge. The preparatory work for this long-planned 2,100MW hydropower project is edging forward, although the scale of the construction work suggests that it is unlikely to be brought on stream within our 2018–22 forecast period.

Major risks to our forecast

Scenarios, Q4 2017	Probability	Impact	Intensity
Ill-conceived import/export bans lead to a sharp drop in trade	Moderate	Very high	15
Business taxes are hiked significantly without prior consultation	Moderate	High	12
Extreme weather leads to a downturn in macroeconomic prospects	Moderate	High	12

Public corruption leads to aid freezes	Moderate	High	12
Tit-for-trade trade spats with Kenya escalate into a full-blown trade war	Moderate	High	12

Note: Scenarios and scores are taken from our Risk Briefing product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.
Source: The Economist Intelligence Unit.

Outlook for 2018-22

Political stability

Growing polarisation between Tanzania's political factions will be a source of volatility throughout the forecast period, although this is unlikely to reach a level that could threaten the country's underlying stability. The long-standing ruling party, Chama Cha Mapinduzi (CCM), will retain its hold on power under the leadership of the national president and party chairman, John Magufuli. However, the president's centralised leadership style will cause frustration within the political elite, with dissent within the CCM likely to simmer over perceptions of erratic decision-making, intolerance for opposing views and interference in parliamentary business. Pro- and anti-Magufuli factions will jostle for influence, with the divisions likely to undermine the clarity of policymaking and stoke volatility. The Economist Intelligence Unit believes the threat of an internal coup to unseat Mr Magufuli to be fairly slim, as the president has installed key allies in senior party posts. However, if his popularity among voters weakens to a point at which he could be considered detrimental to the CCM, efforts to force his premature exit from office cannot be entirely ruled out.

In addition to growing intra-CCM tensions, the party political scene will grow increasingly volatile amid rising mistrust between political actors. The opposition will seek to lobby for political reform, but with the government struggling to adjust to a more pluralistic landscape, state agencies will adopt increasingly repressive tactics to retain control. The narrowing of channels for democratic opposition will fuel popular resentment and could lead to sporadic outbreaks of (potentially violent) protest. However, owing to the CCM-leaning police force and repressive laws on freedom of speech and public assembly, it seems unlikely that the opposition will be able to use this discontent to drive political change.

In Zanzibar, political stability will be weakened by the refusal of the main opposition party, the Civic United Front (CUF), to recognise the CCM-controlled subnational administration, following allegedly illegitimate elections in 2016. However, despite the CUF's solid support base, its effectiveness will continue to be undermined by fierce divisions within the party's elite. Sporadic clashes between supporters of rival political groups are possible, but there is limited appetite for a revolt and the security services will contain any unrest.

Election watch

The next nationwide polls are due in 2020. We expect Mr Magufuli to be the CCM's presidential candidate, preserving the tradition that leaders can contest two terms. With the CCM's well-oiled party machinery continuing to shore up robust grass-roots support in its rural heartlands and a semblance of unity likely to prevail during the campaigning period, we expect the party to retain power in both the presidential and parliamentary elections. However, its majority will probably narrow, amid growing frustration over the CCM's intolerance of democratic freedoms.

The opposition will be galvanised by growing discontent ahead of the 2020 polls, but its ability to benefit electorally from this will be impeded by the uneven playing field (notably, the largely pro-CCM media and the vast funds at the ruling party's disposal). There is a risk that the opposition will dispute the results of the election, if (as was the case in local by-elections in November) it finds evidence of irregularities, or it may even boycott the polls if electoral laws are not reformed to ensure a fairer contest. However, rejecting the electoral process would force the main opposition parties to abandon their seats in parliament, so we doubt that this tactic will be adopted widely. With the CCM aware of this reluctance, however, we also doubt that any significant efforts will be made to strengthen the fairness of elections.

International relations

The government's efforts to position Tanzania as a regional transit hub will strengthen economic ties with Uganda and Rwanda, while close political ties with Burundi will be reinforced by ongoing co-operation over the repatriation of refugees. In contrast, divergent interests in regionwide trade policy, coupled with recurrent spats over bilateral trade, will strain Tanzania's ties with Kenya. We doubt that bilateral relations will falter significantly, as both countries benefit from economic co-operation, but both diplomatic and commercial relationships will probably be subject to periodic disruptions.

Beyond the region, international relations are likely to grow increasingly strained as the country's overseas partners grow suspicious about the government's commitment to democracy and its openness to foreign investment. Foreign policy is not a priority for Mr Magufuli, so we expect few efforts by his government to ease foreign partners' concerns or to expedite a deepening of international ties. Aid inflows are therefore likely to decline gradually. Political, commercial and economic ties with Asian countries (notably India and China) will remain broadly intact, though, underpinned by the sizeable Asian diaspora and associated business interests in Tanzania.

Policy trends

The government's economic policy agenda will remain inconsistent. Its five-year development plan for fiscal years up until 2020/21 (July-June) prioritises industrialisation and job creation, with a commitment to pursue a private-sector-led development strategy. The government is, however, damaging the business environment, via abrupt tax increases, erratic regulatory changes and aggressive tactics in negotiations with firms. With Tanzania becoming an increasingly difficult place in which to operate, we expect private investment to fall far short of what is needed to achieve the government's development goals. Public spending will go some way towards advancing the industrialisation agenda, amid plans to expand port, road and power infrastructure. However, funding shortfalls and government indecisiveness will mean that these are likely to be only partly realised.

We expect trade policy to retain a protectionist slant, further impeding the government's industrialisation plans. Moves to shield local industries from international competition will therefore be prioritised over efforts to boost competitiveness. The mining industry will be a particular victim of this agenda, with a ban on unprocessed mineral exports and a revised regulatory framework eroding the attractiveness of Tanzanian mining. Moreover, the government's aggressive approach to tax disputes with mining companies, coupled with moves to revoke companies' right to international arbitration, will stoke concerns across sectors over the state's openness to foreign businesses. Delays in administering tax refunds and a lack of dialogue with businesses will further strain government relations with the private sector. Fearing an exodus of foreign capital, we expect the government to stop short of the forced expropriation of private assets, but it will probably pursue some policies that further its lurch towards economic nationalism.

Fiscal policy

The government intends to pursue an expansionary fiscal policy in 2017/18, as it seeks to spur broad-based economic growth via capital investment and social spending, before tightening its policy thereafter to preserve debt sustainability. Boosting domestic revenue is a major priority, with tax revenue budgeted to exceed 14% of GDP in 2017/18 and 2018/19 (up from around 13% of GDP in 2016/17). Some policy measures (notably higher fuel taxes) will support this, but the government expects a crackdown on tax avoidance to drive revenue growth. The dividends of this strategy will, however, be undermined by weak capacity in the tax collection agency and the customs authorities. Nevertheless, with some expansion of the tax net, we forecast steady revenue growth at an average of 13.8% per year in 2017/18-2021/22. Meanwhile, the government will struggle to execute its expenditure plans, as capital investments underperform on budgeted levels (as is the norm in Tanzania), due to operational and financing delays. We nevertheless expect capital spending to edge up in the coming years, as progress on some major projects gathers pace. On the recurrent budget, cost-saving measures will be rolled out to contain the public sector's overheads, but high debt-servicing obligations and rising demand for social spending will inflate expenditure.

The government expects the deficit to peak in 2017/18 at 3.8% of GDP, but project delays will disrupt the authorities' investment plans. In light of the capital spending profile, we expect the deficit to edge up to 3.2% of GDP in 2017/18 and then rise to 3.5% of GDP in 2018/19, before narrowing thereafter as steady revenue growth outpaces more modest spending growth. The deficits will be financed by a combination of domestic and external debt, with the public debt stock forecast to climb to 43.5% of GDP at end 2022.

Monetary policy

The Bank of Tanzania (BoT, the central bank) is attempting to improve the effectiveness of monetary policy to better enable it to promote lending growth and preserve price stability. It intends to move eventually to a monetary framework that targets interest rates; provided the central bank couples this with efforts to improve its forecasting framework, it could gradually improve the transmission mechanisms of monetary actions. More imminently, though, the BoT intends to introduce commercial interest-rate caps in early 2018 in an attempt to spur lending growth. The BoT has yet to announce where the cap will be set, but if banks are unable to price in risk premiums for private-sector borrowers, the cap threatens to lead to credit rationing and to work to the detriment of economic growth.

Against this backdrop of monetary reform, the BoT will respond to tight liquidity conditions and sluggish economic growth by maintaining a fairly loose policy stance. The discount rate was slashed to a five-year low of 9% over the course of 2017, but rising inflationary pressures in 2018-19 will prevent further cuts. We therefore expect the main policy rate to be held fairly steady in those years, before softer price pressures provide some scope for monetary loosening in 2020. This loosening will be reversed in 2021-22 as supply-side price pressures force a tighter monetary stance.

International assumptions

	2017	2018	2019	2020	2021	2022
Economic growth (%)						
US GDP	2.2	2.2	2.3	0.9	1.9	1.8
OECD GDP	2.3	2.1	2.0	1.3	1.9	1.9
World GDP	2.9	2.8	2.8	2.3	2.8	2.7
World trade	4.6	3.5	3.7	2.7	3.7	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	2.1	2.2	2.3	1.3	1.8	1.9
OECD CPI	2.1	2.0	2.0	1.7	1.8	1.9
Manufactures (measured in US$)	3.5	4.2	4.0	2.9	4.0	3.3
Oil (Brent; US$/b)	54.5	59.0	57.5	54.5	58.8	62.0
Non-oil commodities (measured in US$)	7.5	1.6	0.8	-2.3	2.1	1.4
Financial variables						
US$ 3-month commercial paper rate (av; %)	1.1	1.7	2.5	2.3	1.5	1.8
US$:€ (av)	1.13	1.17	1.16	1.20	1.20	1.24
¥:US$	111.84	108.95	106.83	104.00	100.00	100.20

Economic growth

After averaging almost 7% per year over the previous five years, real GDP growth will moderate in 2018–22, to a yearly average of 5.4%. This slowdown will be driven by more subdued investment (as the government's erratic policy agenda weighs on business confidence) and weaker growth in the mining sector. Nevertheless, Tanzania's growth trend will remain above that of most of its peers in East Africa, with the services sector set to remain the main engine of growth as urbanisation and population growth strengthen the consumer base. However, if the BoT were to impose low interest-rate caps, credit constraints would pose a major threat to private consumption.

Resource-based manufacturing will register steady growth, benefiting from favourable tax arrangements in special economic zones. Transport and logistics projects will support growth in the construction sector in the near term, while better connectedness to neighbouring countries should drive entrepôt trade thereafter. The energy sector is another key growth industry, with a crossborder fuel pipeline with Uganda slated for construction in 2018–22. However, potential delays to the execution of large projects in these sectors pose a significant downside risk to economic growth. Moreover, expansion in the logistics and energy industries will depend on some private investment materialising; with the policy agenda increasingly unsupportive to businesses, there is a growing risk that planned investments will be shelved and that growth will underperform as a result.

Economic growth

%	2017[a]	2018[b]	2019[b]	2020[b]	2021[b]	2022[b]
GDP	6.4	5.5	5.2	5.7	5.2	5.4
Private consumption	8.9	5.9	5.3	4.8	5.4	5.2
Government consumption	8.8	7.0	5.5	5.2	5.1	5.0
Gross fixed investment	6.0	5.0	7.2	7.4	5.2	5.0
Exports of goods & services	9.2	7.3	4.6	6.0	5.7	6.0
Imports of goods & services	8.9	7.0	5.6	5.7	6.6	5.9
Domestic demand	6.3	5.6	5.4	5.7	5.5	5.4
Agriculture	2.5	2.8	2.6	2.9	3.1	2.8
Industry	8.8	6.3	7.3	7.0	5.9	5.7
Services	7.8	8.0	6.5	6.1	6.3	6.5

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts.

Inflation

We expect inflation to accelerate to an average of 5.8% in 2018 (up from an estimated 5.3% in 2017) as the supply-side pressures stemming from higher international oil prices offset the impact of softening domestic demand. Inflation is forecast to remain elevated, at 5.5% in 2019, as the weakness of the Tanzanian shilling offsets the impact of softer global commodity prices, before slower currency depreciation helps to temper price pressures in 2020. We then expect inflation to climb to 5.7% at end-2022, in line with higher global oil prices and the knock-on impact on fuel and food import costs in Tanzania. Prices throughout the forecast period are, however, contingent on a stable food supply, and weather-related shocks therefore pose a significant risk.

Exchange rates

We expect the shilling to continue its slide against the US dollar in 2018–22, with the effects of Tanzania's current-account deficit only partly offset by steady economic growth. Given the general strengthening of the US dollar in 2018-19, as the monetary tightening cycle in the US reaches its peak, we expect the pace of the shilling's depreciation to be fairly sharp in these years. A softer dollar in 2020 (as the US enters a business-cycle recession) will slow the pace of depreciation, although we expect some exchange-rate volatility surrounding the Tanzanian elections in that year. Thereafter, a stabilisation of the country's external financing needs will provide some support to the shilling. Overall, the shilling is forecast to depreciate from an annual average of TSh2,388:US$1 in 2018 to TSh2,911:US$1 in 2022.

External sector

The trade balance will remain firmly in deficit over the forecast period. After several years of weak import demand and low prices, import growth is forecast to average 4.6% a year in 2018–22, on the back of capital imports for infrastructure projects and higher international commodity prices. After contracting in 2017, owing mostly to a drop in manufactured goods exports, export earnings are forecast to increase by an average of 3.2% per year in 2018–22. This will be spurred by rising earnings from entrepôt trade and the expansion of cash crops, but held back by subdued earnings from minerals.

We expect the surplus on the services account to remain fairly flat in 2018–22, at an annual average of 2.7% of GDP, with earnings from the growing port services sector and increased tourism receipts offsetting higher imports of technical services for infrastructure developments. The deficit on the primary income account is set to persist, with rising interest payments on foreign debt largely offsetting a decline in profit remittances from the mining sector. The secondary income account will remain in surplus, albeit shrinking gradually, owing to the structural decline in aid inflows.

Overall, we expect the current-account deficit to widen, to 6.6% of GDP in 2019, owing largely to higher goods imports. Softening import demand and steady export growth will subsequently cause the deficit to contract, to 5.6% of GDP in 2022. The deficit will be financed by a combination of external borrowing and foreign direct investment.

Forecast summary

Forecast summary

(% unless otherwise indicated)

	2017[a]	2018[b]	2019[b]	2020[b]	2021[b]	2022[b]
Real GDP growth	6.4	5.5	5.2	5.7	5.2	5.4
Consumer price inflation (av)	5.3	5.8	5.5	4.9	5.3	5.5
Consumer price inflation (end-period)	4.0	5.4	5.2	4.6	5.4	5.7
Lending interest rate (av)	17.0	17.1	17.4	14.1	13.6	13.0
Government balance (% of GDP)[c]	-2.9	-3.2	-3.5	-3.3	-3.0	-2.5
Exports of goods fob (US$ m)	5,217	5,374	5,398	5,697	5,941	6,117
Imports of goods fob (US$ m)	-8,577	-9,134	-9,615	-9,956	-10,335	-10,734
Current-account balance (US$ m)	-2,797	-3,301	-3,544	-3,486	-3,513	-3,624
Current-account balance (% of GDP)	-5.5	-6.3	-6.6	-6.1	-5.7	-5.6
External debt (year-end; US$ bn)	17.9	19.3	20.6	21.9	23.1	24.2
Exchange rate TSh:US$ (av)	2,229[d]	2,388	2,577	2,692	2,799	2,911
Exchange rate TSh:¥100 (av)	1,993[d]	2,191	2,413	2,589	2,799	2,905
Exchange rate TSh:€ (end-period)	2,620[d]	2,845	3,080	3,254	3,491	3,697
Exchange rate TSh:SDR (end-period)	3,139[d]	3,410	3,678	3,843	4,087	4,237

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Fiscal years ending in June. [d] Actual.

Data and charts

Annual data and forecast

	2013[a]	2014[a]	2015[a]	2016[a]	2017[b]	2018[c]	2019[c]
GDP							
Nominal GDP (US$ m)	44,413	48,219	45,667	47,653	50,837	52,459	53,916
Nominal GDP (TSh bn)	70,953	79,718	90,864	103,745	113,308	125,249	138,965
Real GDP growth (%)	7.3	6.9	7.0	7.0	6.4	5.5	5.2
Expenditure on GDP (% real change)							
Private consumption	8.4	4.5	1.4	16.7	8.9	5.9	5.3
Government consumption	18.1	-0.5	-4.0	12.3	8.8	7.0	5.5
Gross fixed investment	4.5	12.8	10.6	12.4	6.0	5.0	7.2
Exports of goods & services	0.6	17.7	23.3	-11.7	9.2	7.3	4.6
Imports of goods & services	11.0	2.9	-6.0	1.6	8.9	7.0	5.6
Origin of GDP (% real change)							
Agriculture	3.2	3.2	2.5	2.1	2.5	2.8	2.6
Industry	9.8	10.6	11.6	10.9	8.8	6.3	7.3
Services	7.1	7.2	6.8	7.5	7.8	8.0	6.5
Population and income							
Population (m)	50.6	52.2	53.9	55.6	57.3	59.1	60.9
GDP per head (US$ at PPP)	2,328	2,457	2,580	2,710	2,845	2,979	3,089
Fiscal indicators (% of GDP)							
Central government budget revenue[d]	14.8	15.6	14.0	14.8	16.3	17.2	17.4
Central government budget expenditure[d]	19.1	18.9	17.1	18.3	19.2	20.4	20.9
Central government budget balance[d]	-4.2	-3.3	-3.1	-3.5	-2.9	-3.2	-3.5
Public debt	30.7	31.4	34.2	34.3[b]	36.0	37.8	39.3
Prices and financial indicators							
Exchange rate TSh:US$ (end-period)	1,574	1,726	2,149	2,173	2,230[a]	2,442	2,633
Exchange rate TSh:€ (end-period)	2,171	2,095	2,339	2,290	2,620[a]	2,845	3,080
Consumer prices (end-period; %)	5.6	4.8	6.8	5.0	4.0	5.4	5.2
Stock of money M1 (% change)	10.4	14.8	15.6	4.3	8.3	11.6	13.8
Stock of money M2 (% change)	10.9	17.0	13.4	4.7	4.3	11.3	13.3
Lending interest rate (av; %)	15.9	16.3	16.1	16.0	17.0	17.1	17.4
Current account (US$ m)							
Trade balance	-5,771	-5,724	-4,441	-2,766	-3,360	-3,761	-4,216
Goods: exports fob	5,258	5,194	5,402	5,697	5,217	5,374	5,398
Goods: imports fob	-11,029	-10,918	-9,843	-8,464	-8,577	-9,134	-9,615
Services balance	713	727	742	1,452	1,287	1,246	1,476
Income balance	-706	-825	-900	-1,067	-1,090	-1,168	-1,147
Current transfers balance	776	477	479	372	366	381	343
Current-account balance	-4,988	-5,344	-4,120	-2,009	-2,797	-3,301	-3,544
External debt (US$ m)							
Debt stock	13,141	14,352	15,505	16,475	17,890	19,256	20,601
Debt service paid	154	239	320	511	518	652	732
Principal repayments	83	145	198	334	290	380	406
Interest	71	94	122	177	228	272	326
Debt service due	209	253	379	511	518	652	732
International reserves (US$ m)							
Total international reserves	4,676	4,377	4,094	4,326	5,243	5,006	4,824

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts. [d] Fiscal years ending in June.
Source: IMF, International Financial Statistics.

Quarterly data

	2015		2016				2017	
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
Central government finance (TSh bn)								
Revenue	3,103.9	3,826.0	3,723.9	4,312.9	3,941.0	4,471.0	4,107.8	4,168.1
Expenditure	3,340.0	4,683.0	3,738.6	4,777.8	4,125.0	4,496.0	4,454.9	5,599.2
Balance	-236.1	-857.0	-14.7	-464.9	-184.0	-25.0	-347.1	-1,431.1
Prices								
Consumer prices (2010=100)	98.5	99.4	101.4	103.0	103.3	104.2	107.1	109.1
Consumer prices (% change, year on year)	6.3	6.6	5.9	5.3	4.8	4.8	5.7	6.0
Financial indicators								
Exchange rate TSh:US$ (av)	2,108.6	2,153.8	2,176.5	2,182.0	2,177.3	2,172.7	2,218.9	2,228.4
Exchange rate TSh:US$ (end-period)	2,149.0	2,148.5	2,179.6	2,178.9	2,172.8	2,172.6	2,223.9	2,230.1
Deposit rate (av; %)	9.90	10.39	10.39	10.55	10.37	10.68	11.53	11.59
Discount rate (end-period; %)	16.00	16.00	16.00	16.00	16.00	16.00	12.00	12.00
Lending rate (av; %)	16.12	16.20	16.32	16.03	15.79	15.68	17.01	17.64
Treasury-bill rate (av; %)	12.98	16.79	18.15	15.42	15.29	15.39	14.94	10.53
M1 (end-period; TSh bn)	8,992.5	9,575.7	9,289.2	9,809.5	9,504.4	9,986.7	9,646.1	n/a
M1 (% change, year on year)	9.0	15.6	14.3	13.0	5.7	4.3	3.8	n/a
M2 (end-period; TSh bn)	14,857.3	15,780.1	15,487.6	16,151.3	15,920.2	16,523.2	16,343.6	n/a
M2 (% change, year on year)	8.3	13.4	13.2	12.9	7.2	4.7	5.5	n/a
Foreign trade (TSh bn)								
Exports fob	2,372.7	3,100.2	3,259.3	2,619.0	2,352.9	3,044.0	2,591.0	2,342.0
Imports fob	-5,291.8	-4,506.4	-4,737.3	-4,663.9	-4,661.1	-4,363.8	-4,828.0	-5,216.3
Trade balance	-2,919.0	-1,406.2	-1,478.0	-2,044.9	-2,308.2	-1,319.8	-2,237.0	-2,874.3
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	3,999	4,094	3,949	3,870	4,103	4,326	4,483	5,000

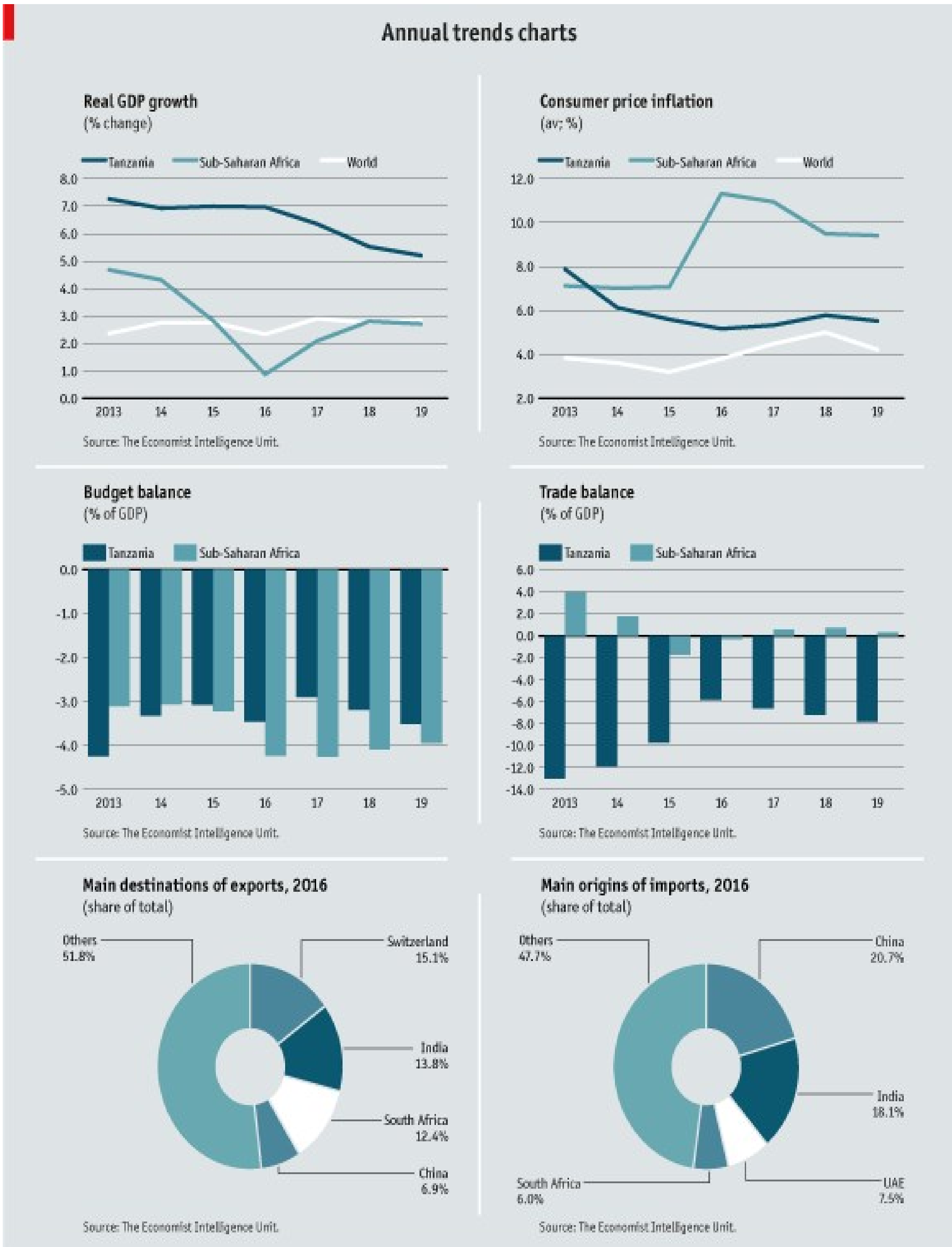
Sources: UN Food and Agriculture Organisation; Bank of Tanzania, Economic Bulletin; IMF, International Financial Statistics.

Monthly data

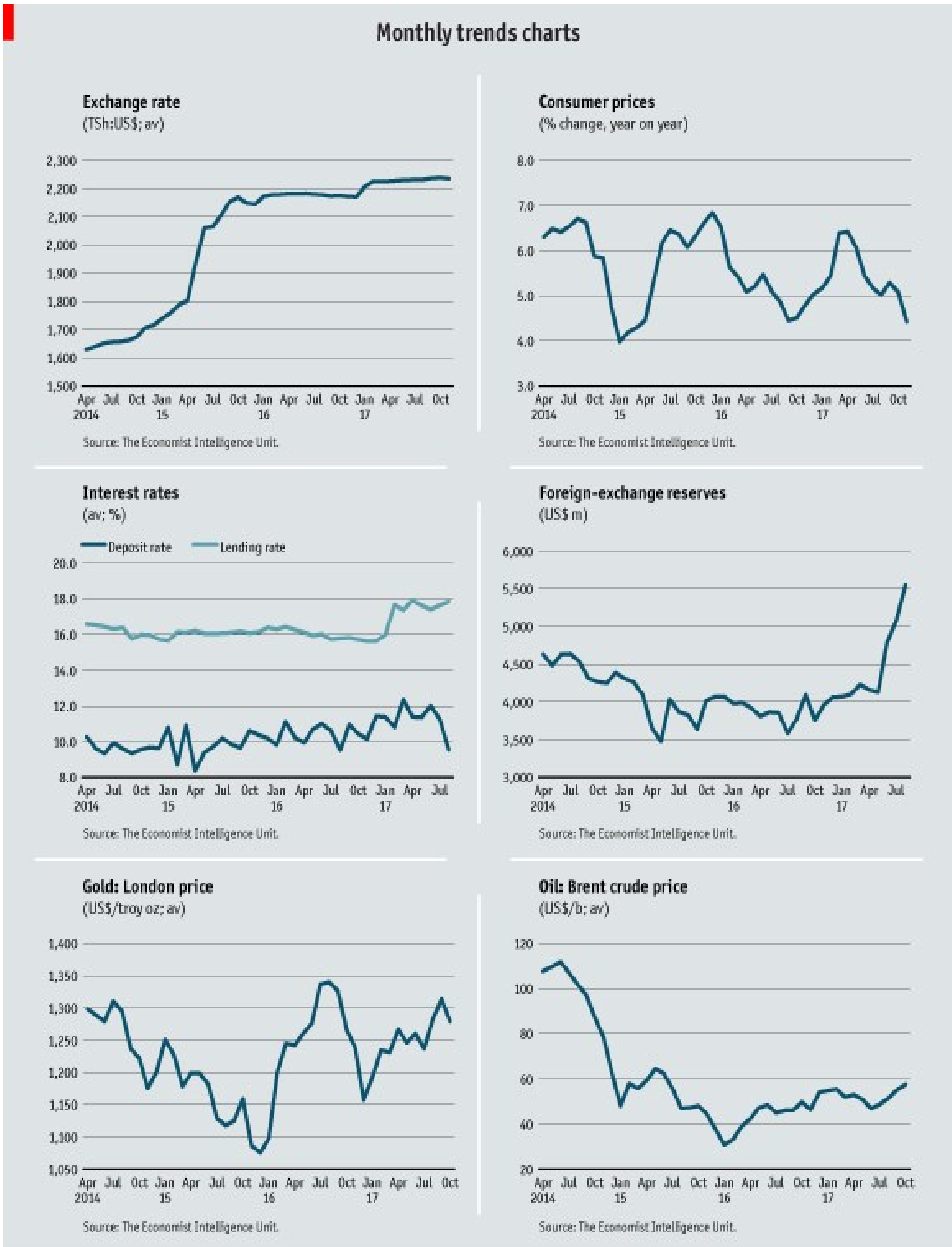
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate TSh:US$ (av)												
2015	1,739	1,760	1,789	1,802	1,939	2,061	2,066	2,107	2,153	2,169	2,148	2,144
2016	2,172	2,178	2,179	2,182	2,182	2,182	2,180	2,178	2,174	2,176	2,172	2,170
2017	2,206	2,225	2,225	2,226	2,229	2,230	2,231	2,232	2,236	2,238	2,235	2,231
Exchange rate TSh:US$ (end-period)												
2015	1,782	1,781	1,788	1,829	1,997	2,020	2,086	2,134	2,149	2,166	2,149	2,149
2016	2,177	2,180	2,180	2,179	2,182	2,179	2,179	2,177	2,173	2,176	2,171	2,173
2017	2,222	2,226	2,224	2,227	2,229	2,230	2,232	2,235	2,238	2,238	2,233	2,230
M1 (% change, year on year)												
2015	12.0	10.9	8.8	9.0	6.7	8.5	9.1	11.6	9.0	10.7	12.9	15.6
2016	10.5	13.1	14.3	13.2	12.4	13.0	8.5	5.7	5.7	3.4	3.8	4.3
2017	7.4	5.3	3.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M2 (% change, year on year)												
2015	15.1	11.5	11.2	11.4	9.8	8.0	10.0	10.1	8.3	9.2	9.5	13.4
2016	10.0	14.5	13.2	12.5	11.7	12.9	7.8	6.6	7.2	4.6	6.0	4.7
2017	5.9	1.3	5.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deposit rate (av; %)												
2015	10.8	8.7	10.9	8.4	9.4	9.7	10.2	9.9	9.7	10.6	10.4	10.2
2016	9.8	11.1	10.2	9.9	10.7	11.0	10.6	9.5	11.0	10.4	10.2	11.4
2017	11.4	10.8	12.4	11.4	11.4	12.0	11.3	9.5	n/a	n/a	n/a	n/a
Lending rate (av; %)												
2015	15.7	16.1	16.1	16.2	16.1	16.1	16.1	16.1	16.2	16.1	16.1	16.4
2016	16.3	16.4	16.3	16.1	16.0	16.0	15.8	15.8	15.8	15.7	15.7	15.7
2017	16.0	17.7	17.4	17.9	17.6	17.4	17.6	17.8	n/a	n/a	n/a	n/a
Consumer prices (av; % change, year on year)												
2015	4.0	4.2	4.3	4.5	5.3	6.2	6.5	6.4	6.1	6.3	6.6	6.8
2016	6.5	5.6	5.4	5.1	5.2	5.5	5.1	4.9	4.5	4.5	4.8	5.0
2017	5.2	5.5	6.4	6.4	6.1	5.4	5.2	5.0	5.3	5.1	4.4	n/a
Exports fob (US$ m)												
2015	543.6	556.8	500.0	415.0	444.0	451.0	413.6	468.8	481.4	527.3	719.8	619.8
2016	580.0	594.8	665.1	515.1	485.5	494.1	396.6	420.3	463.5	492.5	546.4	608.4
2017	556.2	419.2	343.5	332.6	325.1	471.3	264.4	n/a	n/a	n/a	n/a	n/a
Imports fob (US$ m)												
2015	874.4	858.0	917.7	788.8	813.4	987.0	975.5	765.8	731.1	757.6	623.8	623.7
2016	730.0	686.7	650.6	824.0	693.7	810.4	709.6	812.2	755.9	717.1	733.4	694.4
2017	554.9	566.2	579.5	526.1	599.2	567.6	361.8	n/a	n/a	n/a	n/a	n/a
Trade balance fob-fob (US$ m)												
2015	-330.8	-301.2	-417.7	-373.8	-369.4	-536.0	-561.9	-297.0	-249.7	-230.3	96.0	-3.9
2016	-150.0	-91.9	14.5	-308.9	-208.2	-316.3	-313.00	-391.90	-292.40	-224.60	-187.00	-86.00
2017	1.30	-147.00	-236.00	-193.50	-274.10	-96.30	-97.40	n/a	n/a	n/a	n/a	n/a
Foreign-exchange reserves excl gold (US$ m)												
2015	4,313	4,265	4,093	3,650	3,478	4,037	3,867	3,827	3,636	4,017	4,072	4,073
2016	3,979	3,991	3,919	3,812	3,866	3,856	3,585	3,774	4,096	3,758	3,965	4,067
2017	4,071	4,106	4,233	4,162	4,133	4,796	5,076	5,547	n/a	n/a	n/a	n/a

Sources: IMF, International Financial Statistics; Haver Analytics.

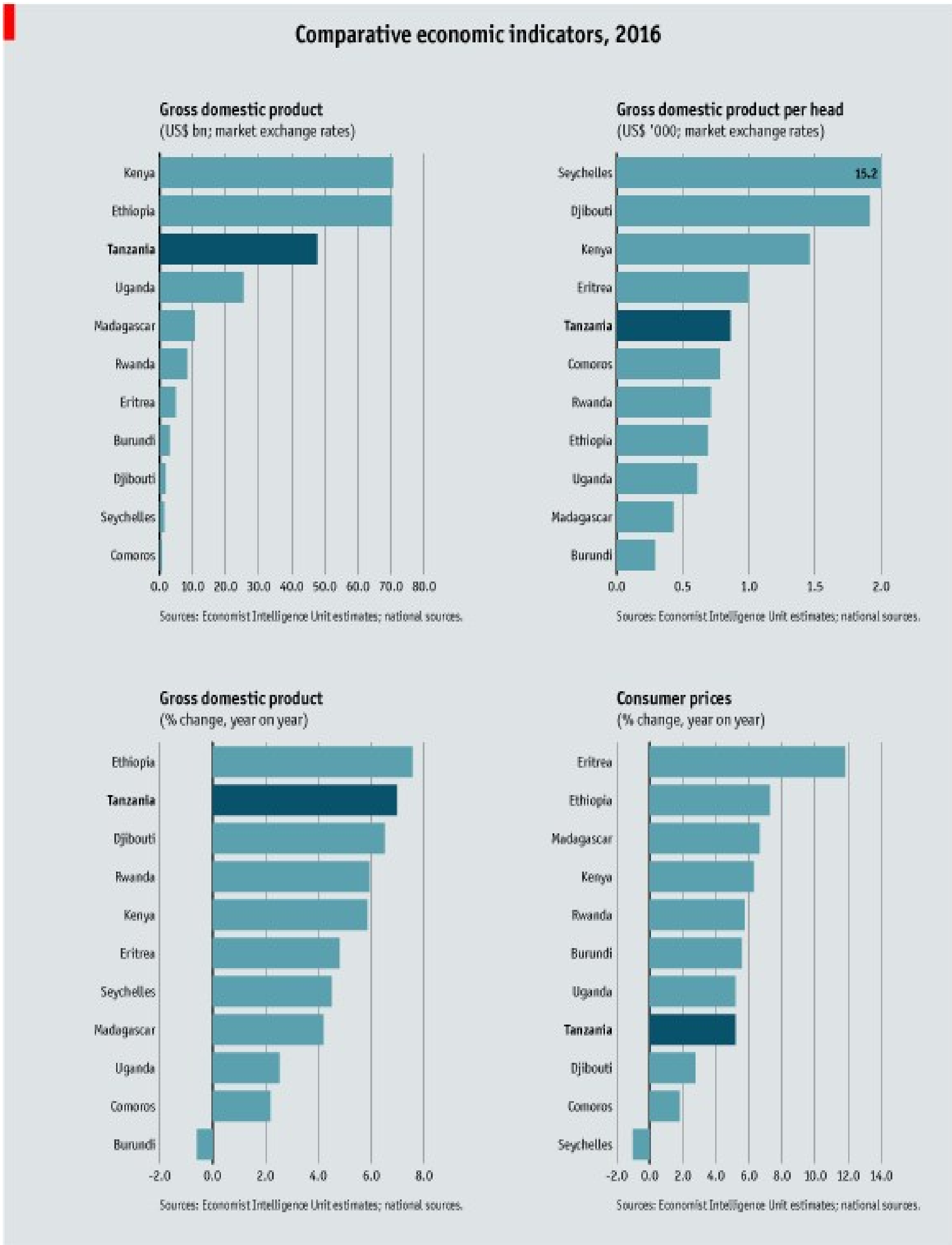
Annual trends charts



Monthly trends charts



Comparative economic indicators



Basic data

Land area

883,749 sq km (881,289 sq km mainland, 2,460 sq km Zanzibar), plus lakes totalling 59,100 sq km

Population

55.6m (2016, World Bank)

Population in '000 (2013 World Gazetteer estimates)

Mwanza: 672

Zanzibar Town: 563

Arusha: 534

Mbeya: 352

Morogoro: 309

Tanga: 260

Dodoma (political capital): 196

Climate

Tropical on the coast, semi-temperate inland

Weather in Dar es Salaam (altitude 14 metres)

Hottest month, January, 23-32°C; coldest month, July, 18-29°C; driest month, September, 26 mm average rainfall; wettest month, April, 263 mm average rainfall

Languages

Swahili, English

Measures

Metric system

Currency

Tanzanian shilling (TSh); TSh2,229:US$1 (2017 average)

Fiscal year

July 1st-June 30th

Time

Three hours ahead of GMT

Public holidays

Zanzibar Revolution Day (January 12th); Union Day (March 5th); Workers' Day (May 1st); Sabasaba (July 7th); Farmers' Day (August 8th); Independence Day (December 9th); December 25th, 26th and 27th; Tanzania also observes Eid al-Haj, Mawlid and Eid al-Fitr, which vary according to the Islamic lunar calendar

Political structure

Official name

United Republic of Tanzania

Form of state

Republic, formed by the 1964 union of Tanganyika and Zanzibar

Legal system

Based on English common law and the 1977 union and 1985 Zanzibar constitutions, as amended

National legislature

National Assembly, comprising 295 members (232 directly elected on the mainland; five delegates from the Zanzibar parliament; the remainder appointed); Zanzibar's House of Representatives (59 members, including nine women appointees) legislates on internal matters

National elections

Mainland legislative and presidential elections were last held in October 2015, with the next election scheduled for 2020. Zanzibar presidency and House of Representatives elections were held in October 2015, but subsequently annulled, with a rerun held in March 2016

Head of state

President, elected by universal adult suffrage every five years

National government

The president, vice-president and Council of Ministers

Main political parties

Chama Cha Mapinduzi (CCM); Civic United Front (CUF); National Convention for Construction and Reform (NCCR-Mageuzi); United Democratic Party (UDP); Chama Cha Demokrasia na Maendeleo (Chadema); Tanzania Labour Party (TLP); Alliance for Change and Transparency (ACT)

Key ministers

President: John Magufuli

Vice-president: Samia Suluhu Hassan

President of Zanzibar: Ali Mohamed Shein

Prime minister: Kassim Majaliwa Majaliwa

Agriculture: Charles Tizeba

Constitutional affairs & justice: Palamagamba Kabudi

Defence & national service: Hussein Mwinyi

Education, science, technology & training: Joyce Ndalichako

Energy: Medard Kalemani

Finance & planning: Philip Mpango

Fisheries & livestock: Luhuaga Mpina

Foreign affairs: Augustine Mahiga

Health, community development & gender: Ummy Mwalimu

Home affairs: Mwigulu Nchemba

Industry, trade & investment: Charles Mwijage

Information, culture, artists & sports: Harrison Mwakyembe

Lands, housing & human settlements: William Lukuvi

Mining: Angellah Kairuki

National resources of tourism: Jumanne Maghembe

Parliamentary affairs (minister of state): Jenista Mhagama

Regional administration (minister of state): George Simbachawene

Union affairs (minister of state): January Makamba

Water & irrigation: Gerson Lwenge

Works, transport & communication: Makame Mbarawa

Central bank governor

Benno Ndulu

Recent analysis

Generated on January 17th 2018

The following articles have been written in response to events occurring since our most recent forecast was released, and indicate how we expect these events to affect our next forecast.

Politics

Forecast updates

UN to investigate attack on peacekeepers in the DRC

January 12, 2018: Political stability

Event

The UN has launched a special investigation into an attack in early December on Tanzanian peacekeepers operating in eastern Democratic Republic of Congo (DRC).

Analysis

The attack was the deadliest assault on a UN mission anywhere in the world in nearly 25 years. It was also the deadliest attack ever to have taken place against the UN Organisation Stabilisation Mission in the DRC (MONUSCO), which has operated in the country since 1999. Following pressure from the Tanzanian government and the international community to investigate the incident, the UN's special probe will now examine the events that led to this attack specifically, as well as assessing more broadly the overall preparedness of MONUSCO to operate in the DRC. The security situation is horribly complex, though.

The UN suspects the Allied Democratic Forces (ADF) of carrying out the attack on peacekeepers in early December. This rebel group was formed in Uganda in the 1990s with Islamist ideologies and the aim of overthrowing the Ugandan government. The Ugandan military have pushed it westwards since then, and the security vacuum in the DRC in recent years has seemingly provided it with opportunities to regroup and expand. This has drawn the Ugandan People's Defence Force (UPDF) into the conflict, with the army launching air strikes on the ADF's bases in eastern DRC in December after allegedly receiving intelligence that the militant group was planning attacks on targets in Uganda.

We do not see any significant risk of instability in eastern DRC spilling over into neighbouring countries, as both Tanzania and Uganda maintain fairly robust defensive operations. However, if the instability in the DRC intensifies dramatically, it would heighten the perceived threat of regional spillovers and probably prompt more aggressive military action by Tanzania and Uganda (either as part of MONUSCO or unilaterally). This would be targeted at rebels, but rising risks to their own countries' security could force the governments of Tanzania and Uganda to take a tougher diplomatic line on the Congolese government. The government in the DRC has hitherto benefited from the support of regional allies, but it also stands accused by the international community of exacerbating instability in the DRC.

Impact on the forecast

Our central forecast is that instability will remain rife in the DRC, albeit contained within the country's borders. Although this remains unchanged, we will highlight the growing risk of diplomatic strains in relations between the DRC and its eastern neighbours if rebel activity escalates.

Economy

Forecast updates

Fuel prices increased as global oil prices climb

January 10, 2018: Inflation

Event

The Energy and Water Utilities Regulatory Authority (EWURA) increased retail and wholesale prices for all petroleum products for the fifth consecutive month in January.

Analysis

The regulator attributed the price increase to rising global prices of crude oil, which strengthened by over 20% in the latter half of 2017 (averaging US$61.2/barrel in the fourth quarter, up from US$50.1/b a year earlier). This price growth was driven by tighter global supply conditions under OPEC's production cap, as well as a seasonal spike in consumption that put pressure on global stocks. We expect global oil prices to increase further in early 2018, to US$64/b in the first quarter, as these drivers persist. Thereafter, as producers outside of the cartel (notably, US shale producers) respond to higher prices by bringing new supply onstream, we expect prices to remain range-bound at US$55-60/b until late 2020, when a business cycle recession in the US will temper demand and support prices.

Fuel prices in Tanzania will mimic these global price dynamics, with EWURA adjusting price caps monthly. Rising prices of fuel (the second-largest component in Tanzania's consumer price index—CPI) will put upward pressure on inflation, which was subdued through much of 2017. Indeed, the headline rate dropped to 4% in December 2017 (from 5.2% in January). The inflationary pressure exerted by global oil prices takes effect with a lag, but from February (at the latest) we expect higher international prices to transmit to Tanzanian inflation. For 2018 as a whole, we forecast inflation of 5.8% (up from 5.3% in 2017), with the supply side pressures partially offset by a softening of domestic demand as economic growth wanes. As oil prices stabilise thereafter, fairly flat fuel prices in Tanzania will help to keep inflation stable, at 4.5-5.5% in 2019–22.

Our inflation forecast assumes that the authorities pass the impact of rising global oil prices onto consumers without subsidising prices, which, since there is no recent experience of this in Tanzania, seems unlikely. But the forecast also assumes that a decent agricultural harvest will keep prices of food (the largest component in the CPI) at normal levels and, given the exposure of the agriculture sector to weather-related shocks, this remains a threat to our inflation forecasts.

Impact on the forecast

The recent fuel price rise (as well as the expectation of future price rises in 2018 as global oil rises rise) is already factored in to our inflation forecasts, which therefore remain unchanged.

