



ECONOMISTS TALK

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What is the basically ways to estimate Tanzania GDP growth rates: the production approach, the expenditure approach or the income approach?

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Introduction

“Economists Talk” describes monthly indicators of economic growth, the research carried out by TICGL Economic Research and Data Development Center. “Economist Talk” organizes information both on short-term and long term economic data available on a monthly basis, although a monthly overall measure of the Tanzania economy is still lacking. A monthly overall indicator gives a very timely and up-to-date picture of the Tanzania economy and could be of great use in timely and correctly identifying turning points in the project development, investment and business cycle. The newly developed indicator is built from the supply side of the economy, using structural information from the national accounts and monthly year on year volume growth rates for separate industries. For some sectors (industry, construction, mining and quarrying and energy and water supply), monthly source statistics on the output produced are available. Where monthly data are lacking, for example for commercial services or other sectors, “Economists Talk” use econometric techniques to arrive on monthly series using quarterly data and additional indicator series that are available at a monthly frequency. Real-time simulation over a number of years demonstrates that the monthly indicator performs quite well.

“Economists Talk” reviews and evaluates the performance of monthly Economic Indicators that is featured analysis and commentary on selected economic and financial indicators relating to the Tanzania economy.

“Economists Talk” provides a comprehensive review and evaluation of performance of the economy and various elements of the Tanzania economy.

Tanzania Economy

The Economy of Tanzania in 2021 with an average real GDP growth rate of 5.4% over the past decade (2010-2019), Tanzania is among the fastest-growing economies in Africa and in the world. According to the Bank of Tanzania (BOT) and the International Monetary Fund (IMF), the real GDP of Tanzania grew by 4.9% in 2021 reaching USD 70.28 billion. In 2020, the real GDP of Tanzania grew by +4.8% reaching USD 64.4 billion, and grew by +7% in 2019 to reach USD 60.8 billion. In April 2021, Tanzania's new president Samia Suluhu Hassan gave her first speech to the parliament, mentioning the priorities of the Sixth Phase Government in the next five years to reach a GDP growth rate of at least 8% yearly.

Tanzania Key Economic Sectors

According to the economic data included in the National Data of Tanzania Mainland of 2013-2019 by the National Bureau of Statistics, at current market prices, Services made the highest shares of GDP (40.0%) followed by Industry and Construction (31.1%) and Agriculture, Forestry and Fishing (28.9%). Notable sectors of the Tanzanian economy are tourism, mining, construction, agriculture, and manufacturing. In November 2020, President Magufuli announced that in the next five years its government will put great emphasis on key economic sectors, especially agriculture, livestock, fisheries, industry, mining, trade, and tourism.

The Economy of Tanzania in 2022 and Beyond

The IMF projects a GDP growth for Tanzania of +5.1% in 2022, and 6.0% in 2026. The WB, in its 17th Tanzania Economic Update (TEU), estimates a real GDP growth rate of 4.5–5.5% in 2022 and 6% over the medium term as exports and domestic demand recover from the Covid-19 pandemic. Nonetheless, Tanzania's vulnerability to the global pandemic remains high amid the slow vaccination rollout. The evolution of the pandemic and the pace of vaccination, both globally and domestically, will be the most crucial factors driving Tanzania's outlook. The government will need to strengthen its pandemic response in the short term while laying the groundwork for a private-sector-led recovery over the medium-to-long term. But the AfDB projects a slightly faster economic growth of +5.0% in 2022, and by +5.6% in 2023.

Tanzania's Gross National Income (GNI)

Tanzania's GNI per capita rose by 6.1% during the ten-year period 2010–2019, from USD 720 to USD 1,080. In 2019, Tanzania became a middle-income country with a GNI per capita of USD 1,080, against an average of USD 1,550 in Sub-Saharan Africa.

Tanzania Inflation

In 2021, the average inflation rate in Tanzania was 3.7% and remained well within the range set in the 3rd Tanzania Five-Year Development Plan (FYDP III) between 3.0% and 5.0% over the medium term.

Tanzania Exchange Rates

On 18th January 2022, the average market exchange rates for the Tanzanian shilling (TZS) against major currencies provided were: USD/TZS 2,297.9, GBP/TZS 3136.7, EUR/TZS 2621.5007, RMB/TZS 361.9. A year earlier, on 26th January 2021, the average market exchange rates (source xe.com) for the Tanzanian shilling (TZS) against major currencies provided were: USD/TZS 2,319.1, GBP/TZS 3,168.9, EUR/TZS 2,814.8, RMB/TZS 358.3.

Tanzania Balance of Trade

Tanzania is a net importer with a negative balance of trade of USD -3,095.9 million in the year ended November 2019 (latest BOT data). The value of exports of goods and services amounted to USD 8,839.9 million in the year ended November 2020, lower than USD 9,460.8 million in the year ended November 2019, due to a decline in services receipts (mainly tourism affected by Covid-19). In 2018, Tanzania's top exports were gold (USD 892 m), tobacco (USD 333 m), raw copper (USD 231 m), refined copper (USD 150 m), and other furniture (USD 147 m), exporting mostly to Rwanda, Kenya, the DRC, Zambia, and Uganda. The top imports of Tanzania were refined petroleum (USD 1.77 b), palm oil (USD 280 m), packaged medicaments (USD 220 m), cars (USD 191 m), and wheat (USD 182 m), imported mostly from China, India, UAE, Saudi Arabia, and South Africa.

Tanzania National Debt

As of December 2019, Tanzania's total national debt amounts to USD 28.6 billion with external debt accounting for 78% of the total and domestic debt with 22%. Tanzania's external debt amounted to USD 22.4 billion (40% of GDP) in December 2019 representing a 6% YoY increase (2018: USD 21.06 billion). Tanzania's domestic debt amounted to USD 6.3 billion (11% of GDP) in December 2019 representing a 1% YoY decrease (2017: USD 6.2 billion). The Tanzanian Central Government is the largest borrower holding 78% of the country's external debt, followed by the private sector (21%), and public corporations (0.4%). The funds were allocated mostly to the transport and telecommunications sectors (27%), followed by social welfare and education (17%), and energy and mining (15%).

KEY PERFORMANCE INDICATORS OF ECONOMIC GROWTH

INFLATION RATES

Tanzania inflation rates have reached 4.85% in December compared to the previous month when it was 4.9% in November. Whereas important items such as foods and non-alcoholic beverages prices have increased by 2.02 percent from last month November and increased by 9.68 percent within 12 months. The price of food and non-alcoholic beverages has been rising higher and higher as the days go by, and probably we expect inflation of basics food and non-alcoholic beverages goods that are used by many people to rise even higher if the government does not take measures as quickly to prevent inflation rate which probably affect the economy from micro to macro levels.

Alcoholic beverages and tobacco prices have increased by 0.09 percent within one month and have increased by 0.85 percent within one year. Transport costs have increased by 0.20 percent in one month but have increased by 5.10 percent in one year.

Communication costs have increased by 0.18 percent within a month but have increased by 1.27 percent within a year.

Health costs have increased by 0.16 percent in one month but have increased by 1.66 percent in one year.

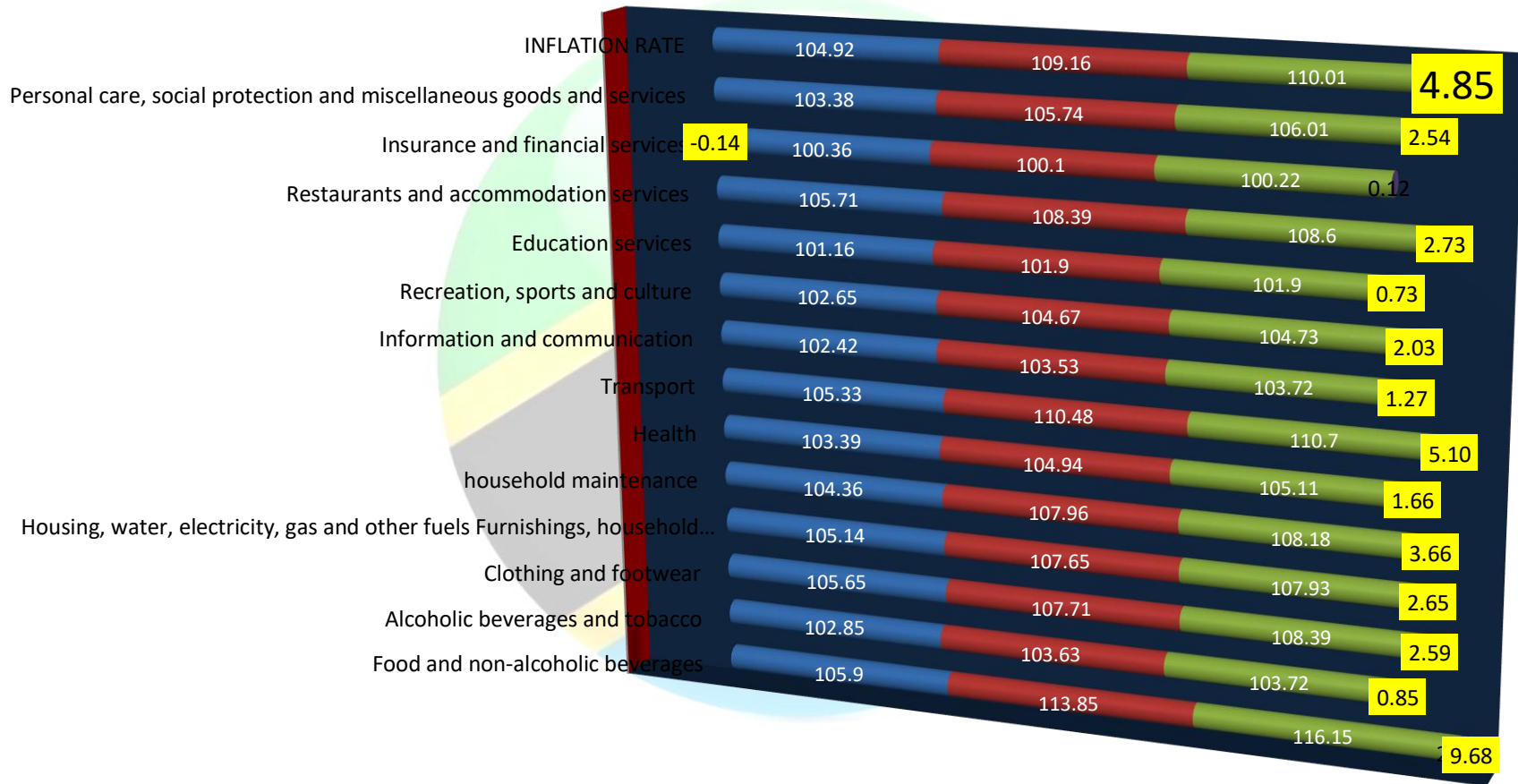
If you get look to all goods and services above, those goods and services are all important and it is the goods and services that we keep using every day, we eat, we travel, we communicate but also we care our health, the costs of these goods and services is increasing every month which also affects the economy at macro levels, therefore the government needs to take urgent measures to save the economy.

Although the statistics show that inflation has decreased, but why still the cost of living and the prices of important things such as food, transport, health and communication have been seen to rise higher?

WHAT DO YOU THINK THE GOVERNMENT SHOULD DO TO PREVENT OR REDUCE INFLATION WHICH IS INCREASING EVERY DAY?

Inflation Rates

■ 21-Dec
 ■ 22-Nov
 ■ 22-Dec
 ■ 1Month percentage change
 ■ 12Month percentage change



MONEY SUPPLY

WHAT IS CURRENTLY INCREASING THE MONEY CIRCULATION TO TANZANIA ECONOMY?

If we look at net foreign assets, it shows its continuing to decrease by -32.% in December compared to -38.6% in November, 2022. While in 2021, net foreign assets were 30.2%. It has a great impact on the balance of payment because we expect any foreign assets must bring or increase foreign currency which is beneficial to the country's economy.

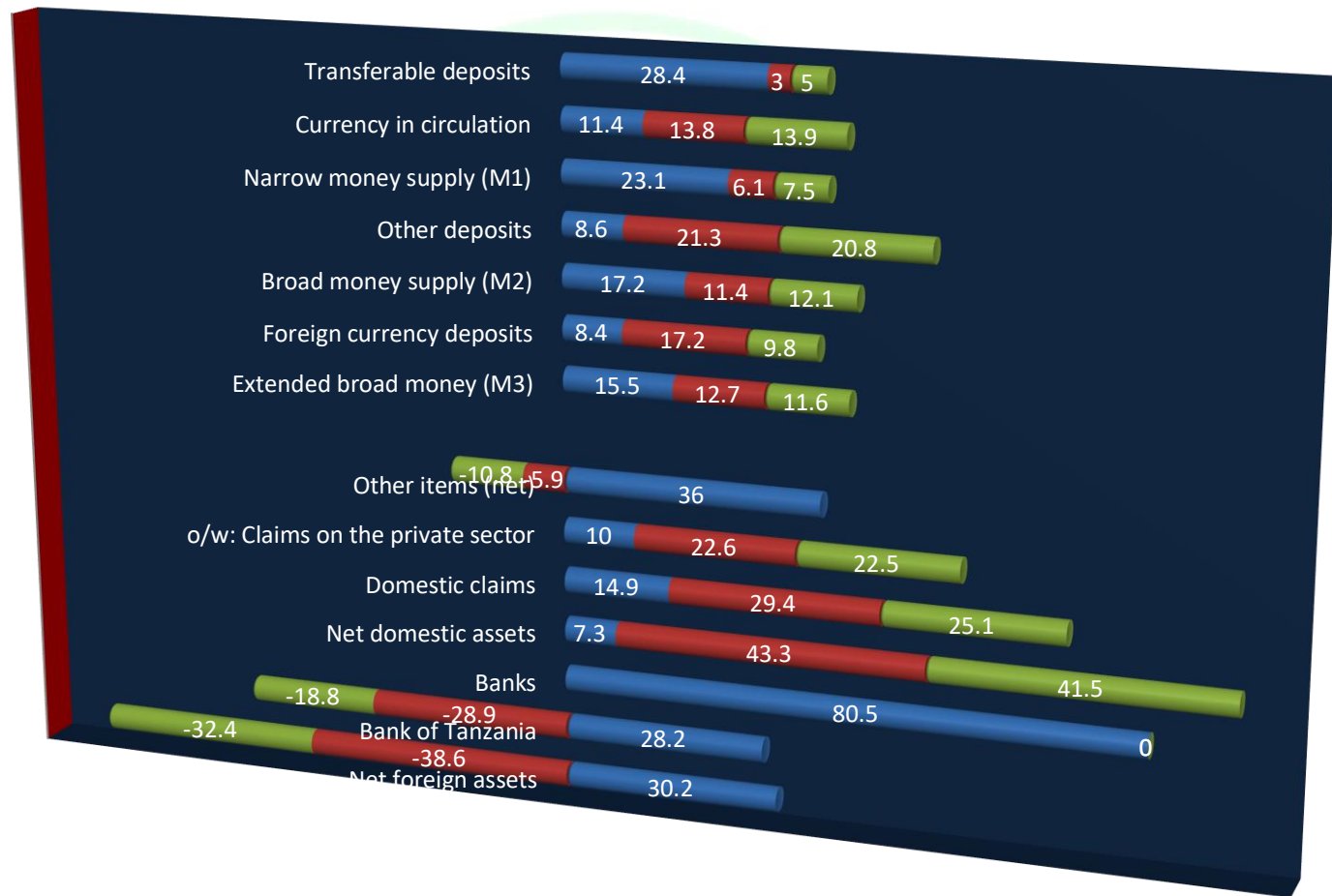
The Bank of Tanzania has further reduced the circulation of money from -28.9% November to -18.8% December 2022, compared to 28.2% in 2021, which means there is more circulation of money decreases which brings more difficult to the economic, especially on this recession periods which leads to an increase in the cost of living.

Net domestic assets have decreased from 43.3% in November to 41.5% in December 2022, but also from 7.3% in 2021.

DECREASE IN MONEY SUPPLY CAN INCREASING COST OF LIVING, THEREFORE THE GOVERNMENT OF TANZANIA THROUGH THE BANK OF TANZANIA NEEDS TO INCREASE MONEY SUPPLY, THIS HELP TO INCREASE ECONOMIC ACTIVITIES WHICH WILL LEAD TO INCREASE EMPLOYMENT.

Tanzania Money Supply

■ 21-Dec ■ 22-Nov ■ 22-Dec



IMPORTATION

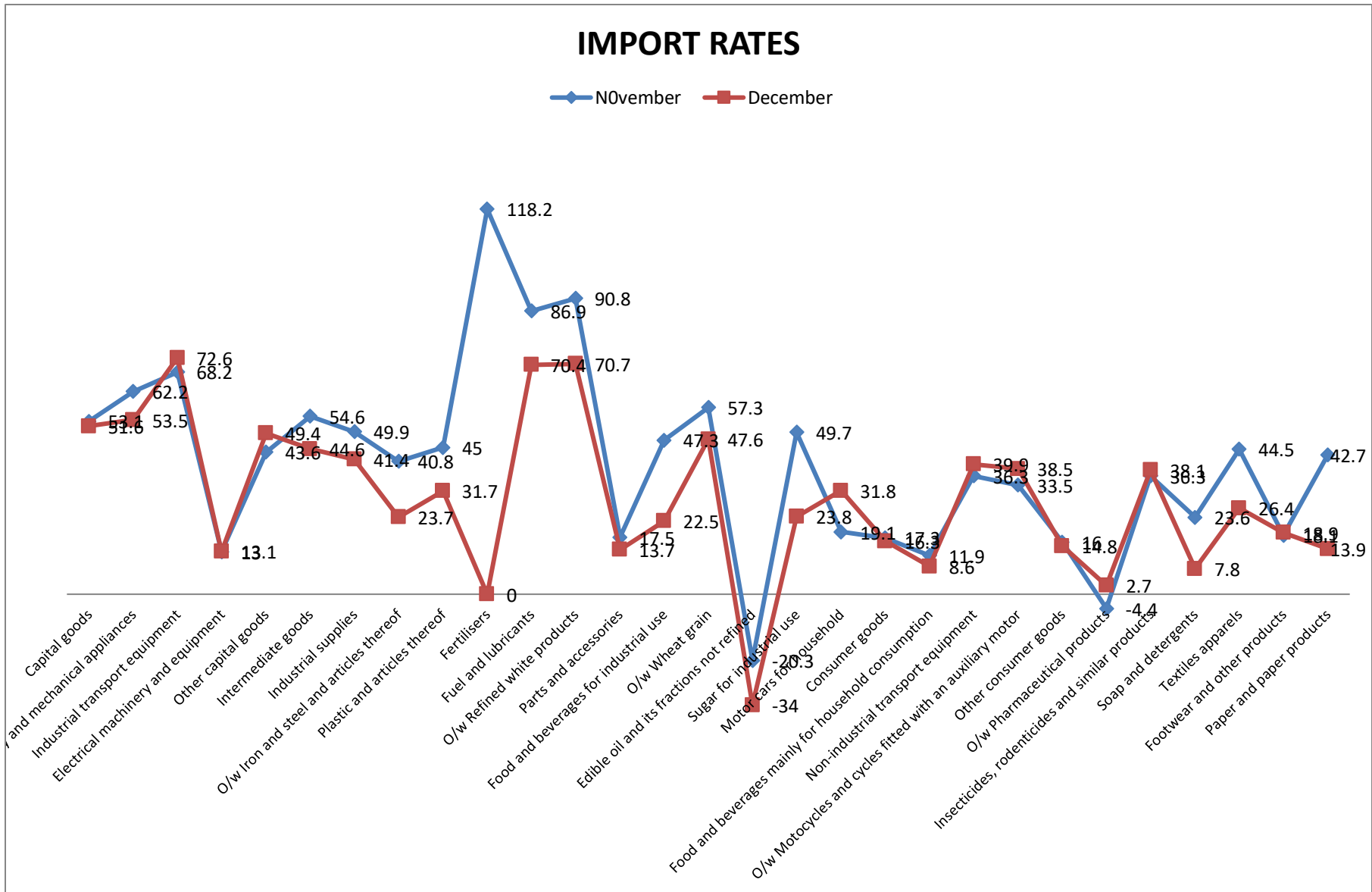
Capital goods have decreased from 53.1% November to 51.6% December, capital goods are the most important products and actual the demand is great, therefore it is good thing knowing that the replacement of these products has decreased, this indicates that probably many capital goods have started to be produced in our country.

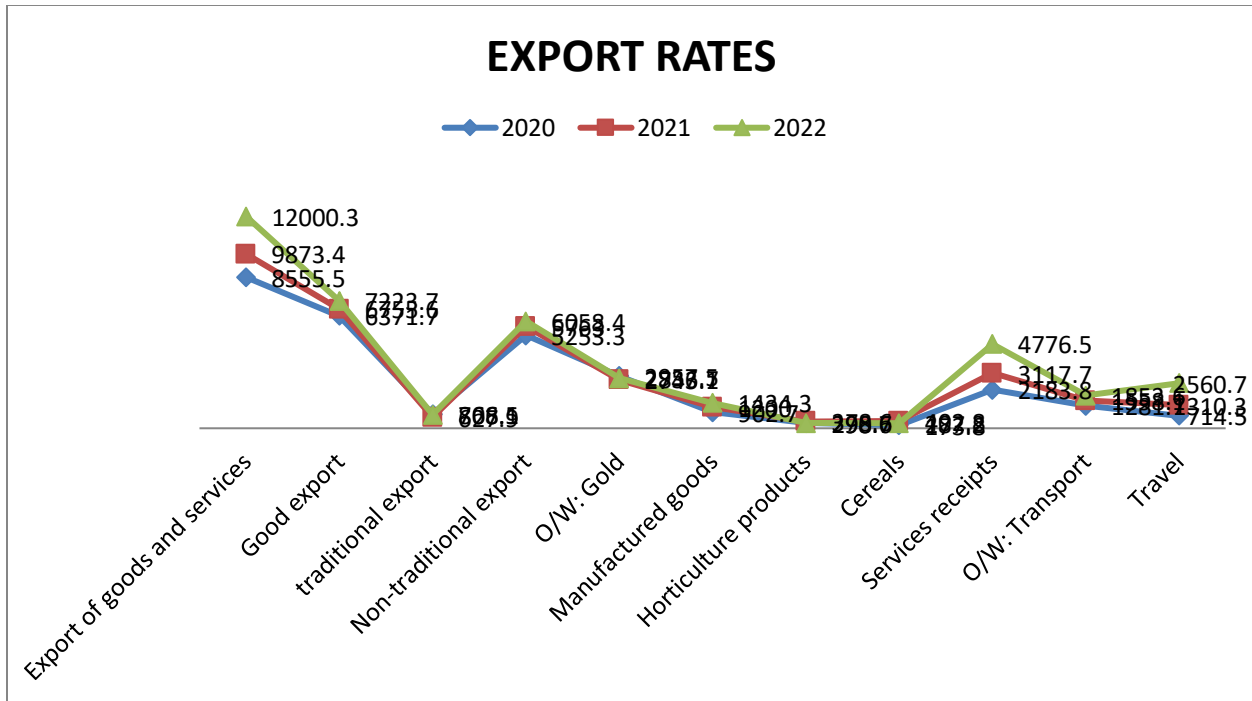
The replacement of machinery and mechanical appliances has decreased from 62.2% in November to 53.5% in December, this is also beneficial for our economy because maybe we have started producing these products ourselves or maybe the demand for these products has decreased now. But for industrial products - Industrial transport equipment demand and its replacement has decreased from 68.2% in November to 72.6% in December.

May be due to the fact that the industrial policy is still ongoing and people continue to believe that industry is the country's economy after agriculture. Replacement of fertilizers for last month was 118.2% November but for this month it has shown no statistics. Imports of many products have been seen to decrease even more, as sugar for industrial use has decreased from 49.7% to 23.8% in December.

IMPORT RATES

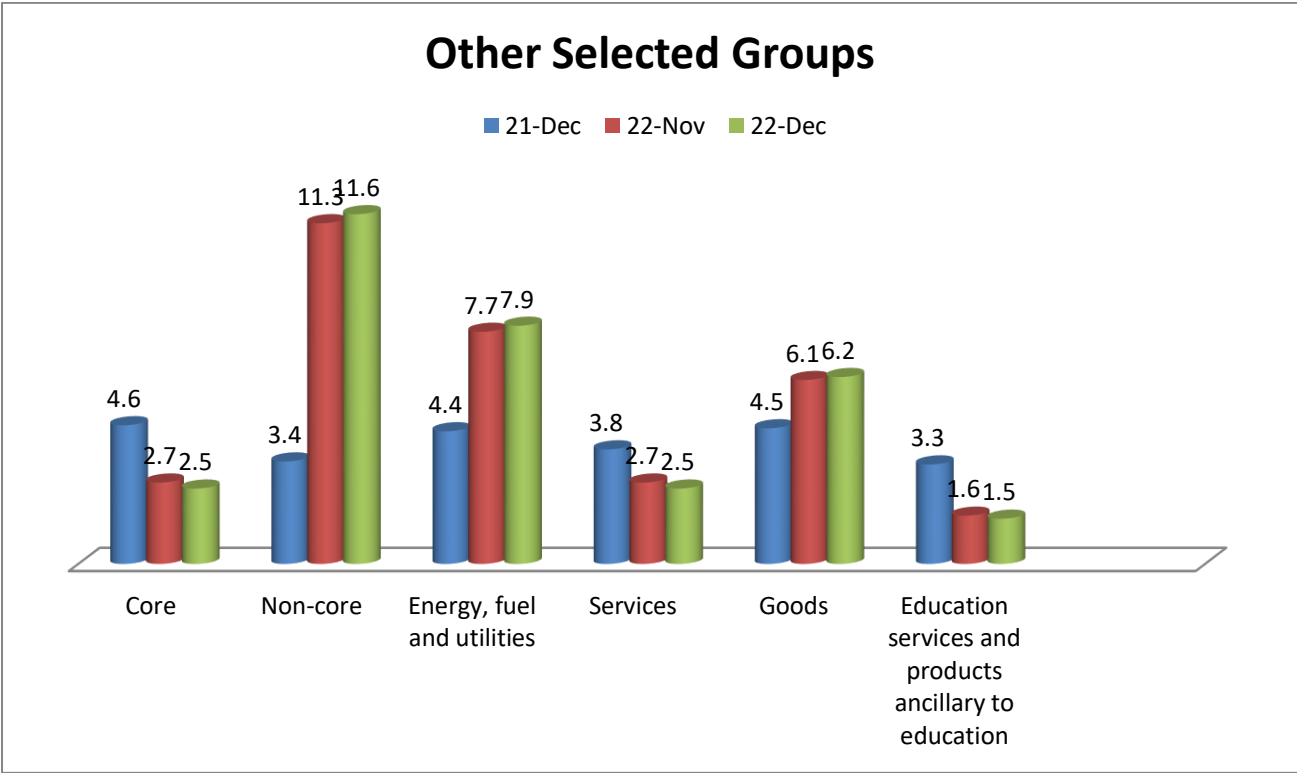
◆ November ■ December





Export

Exports have further decreased from -1.8% 2022 last month to -6.2% this month. The speed of economic growth currently depends more on the free market because goods and services must go abroad in order to earn foreign currency, and locally the supply of goods and services must be greater than the replacement of goods and services imported from abroad in order for the economy to balance, but here it has been it is a little bit different because we import a lot of goods and services from abroad than the goods and services that we have to export despite having many resources that could probably be a source of exports, such as minerals and tourism.



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3. Potential markets for the business or project
4. How large of a market share business likely to capture
5. The price consumers may be willing to pay for the products or services

Debt Developments

The national debt stock was USD 40,165.9 million at the end of December 2022, a monthly increase of USD 512.1 million.



NATIONAL DEBTS

Tanzania national debt has reached more than 92 Trillion, which made up of domestic debt which is more than 25 Trillion and external debt for more than 66 Trillion December 2022. Last month November, national debt was more than 91 Trillion, Made up of external debt for more than 64 Trillion and domestic debt for more than 26 Trillion November 2022.

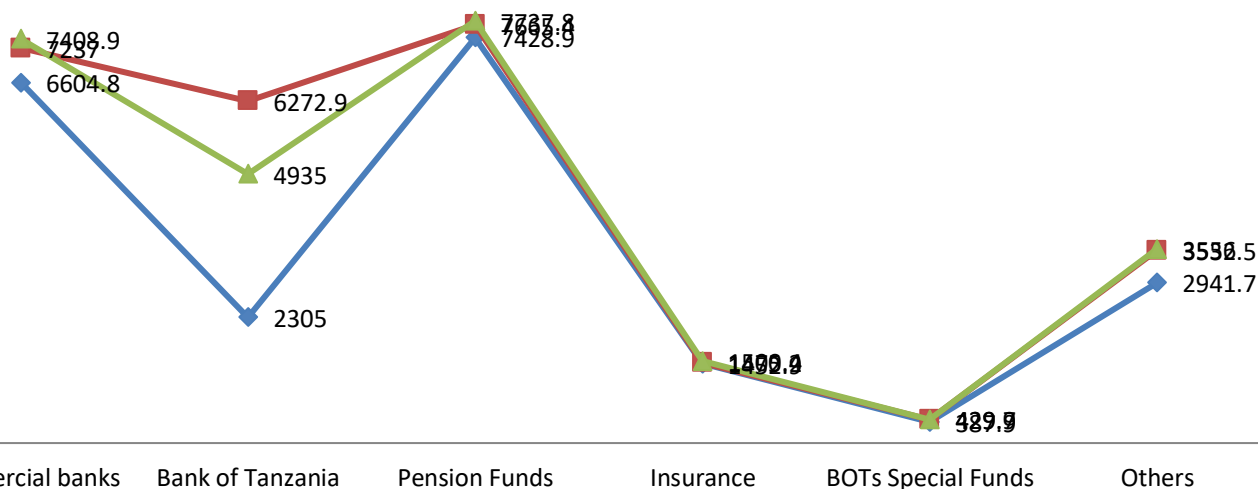
In 2021 national debt was more than 86 Trillion, Made up of external debt for more than 64 Trillion and domestic's debt for more than 21 Trillion.

Why rate of growth of the national debt does not match with the growing of inflation rates and the cost of living in general?

The rate of grow of the national debt supposed to match with the rate of investment strategies, development projects that lead to reduces in the cost of living, but also the rate of growth of the national debt was supposed to match with the increase in incomes and employment rate in general.

Government Domestic Debt by Creditor

21-Dec 21-Nov 22-Dec



TANZANIA ECONOMIC UPDATES

We review and evaluates the performance of monthly economic indicators

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