

# What's Next For Tanzania Economy?

# ECONOMIC CONSULTING GROUP

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**ECONOMISTS TALK** is an economic magazine/newspaper that comes out every month (Monthly), analyzing the economic situation in Tanzania using the following criteria:-

1. Inflation rates
2. Money supply
3. Import rates
4. Export rates
5. Investment development
6. GDP growth rates
7. Debts Development

The investigation focused on how these factors as a whole might directly impact investments, development projects, and business.

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## ► What are the basic ways to estimate Tanzania's GDP growth rates?

- The production approach
- The expenditure approach
- The income approach



## INTRODUCTION

Monthly economic growth figures are discussed in "Economists Talk," along with the research done by the TICGL Economic Research and Data Development Center. Although a monthly comprehensive assessment of the Tanzanian economy is still lacking, "Economist Talk" organizes information on both short- and long-term economic data that is available on a monthly basis. An accurate way to pinpoint turning points in project development, investment, and the economic cycle is to employ a monthly overall indicator, which provides a very relevant and current picture of the Tanzanian economy. The newly created indicator is constructed from the supply side of the economy, combining structural data from the national accounts and monthly year-over-year volume growth rates for various industries. Regarding some industries (industry, construction, mining and quarrying, energy, and water supply etc).

*"Economists Talk" analyzes and assesses the performance of monthly economic indicators and provides discussion and analysis on a number of financial and economic statistics pertaining to the Tanzanian economy. The performance of the economy and other aspects of the Tanzanian economy are thoroughly reviewed and evaluated in "Economists Talk."*



## TANZANIA ECONOMIC UPDATES

What consequences result from having inflation rates that keep rising day by day, as Tanzania today has an inflation rate of 4.9%? We urge the government to take action to prevent a decline in the purchasing power of the Tanzanian shilling, our currency. They might not be able to afford necessities like food or housing when prices climb. As a result, more people may live in poverty because they are unable to buy the necessities for survival.

*What steps must the government take before inflation rates increase? If our economies collapse, the government should reduce the money supply, which can be controlled by BOT, by raising taxes on some goods and services but not others, by reducing government spending, and by changing policies to boost market competition and encourage price stability.*

Tanzania's job creation will be driven first by in-state businesses, which will account for more than 80% of all jobs created, including expansions of existing businesses, and then by startups and high-growth firms, which will account for more than 70% of potential markets for economic growth.

## What will boost Tanzania's economic prospects?



## GDP PER CAPITA INCOME

A country's GDP per capita income has a variety of effects, ranging from economic growth to financial instability. When a country has a low GDP per capita income, it generally means that borrowing money and investing in the country is more expensive, making it more difficult for residents to purchase goods and services. This can result in lower consumer spending, which has a direct negative impact on the country's economy. Furthermore, businesses may be more hesitant to invest and expand, slowing economic growth.

*The country's currency may lose value as a result of the low GDP per capita income. Because foreign investors are less likely to invest in a country with low GDP growth, the currency depreciates in value. This depreciation may reduce the country's exports by making its products more expensive to foreign buyers.*

A low GDP per capita income, on the other hand, can have some positive consequences. It can, for example, encourage saving and aid in the reduction of inflation. Because a low GDP per capita causes people to save money rather than spend it, the amount of money in circulation decreases. This reduction in the money supply may help to reduce prices and, as a result, inflation.

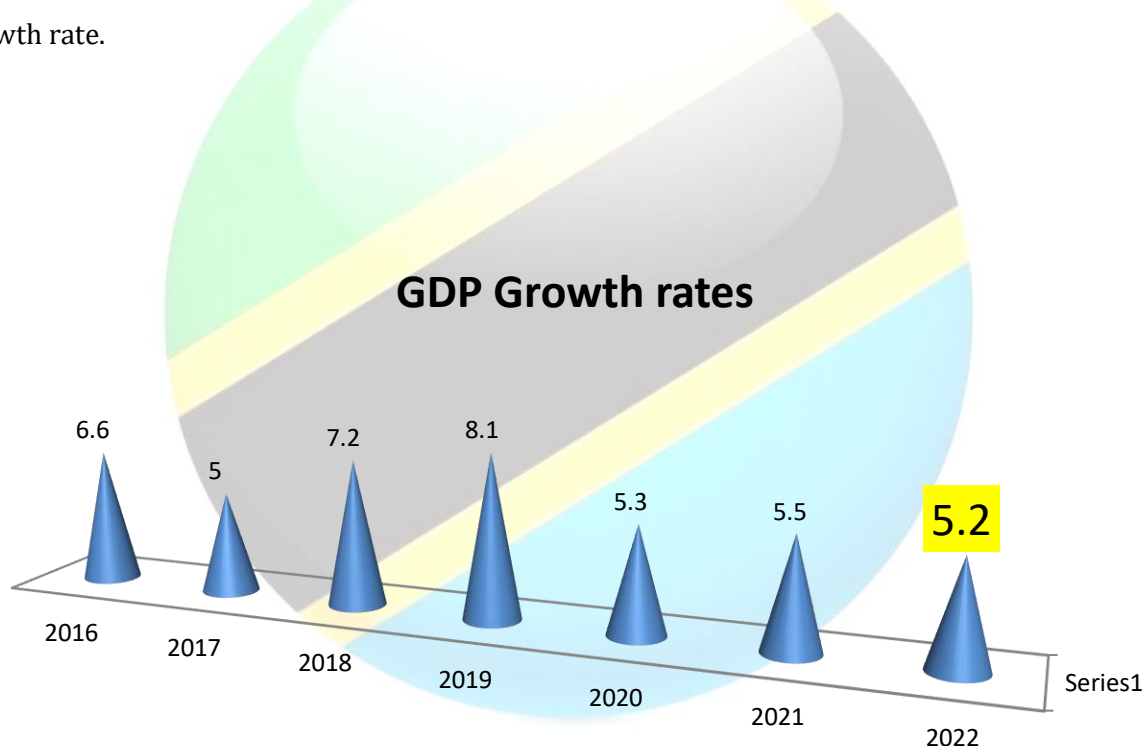
Despite the potential benefits of a low GDP per capita income, it is important to consider the negative consequences. A low GDP per capita income can lead to lower consumer spending, lower foreign investment, and a drop in the value of the country's currency. As a result, it is critical for countries to consider the potential.



## GDP GROWTH RATE

Tanzania's GDP growth rate fell to 5.2 percent in the third quarter of 2022, from 5.5 percent in the same period the previous year.

The value of quarterly gross domestic product (QGDP) in absolute terms at current prices increased to TZS 42.9 trillion in the third quarter of 2022 from TZS 38.4 trillion in the same quarter of 2021. Furthermore, the value of QGDP at 2015 constant prices increased to TZS 33.9 trillion in the third quarter of 2022 from TZS 32.2 trillion in the same period in 2021, representing a 5.2 percent growth rate.



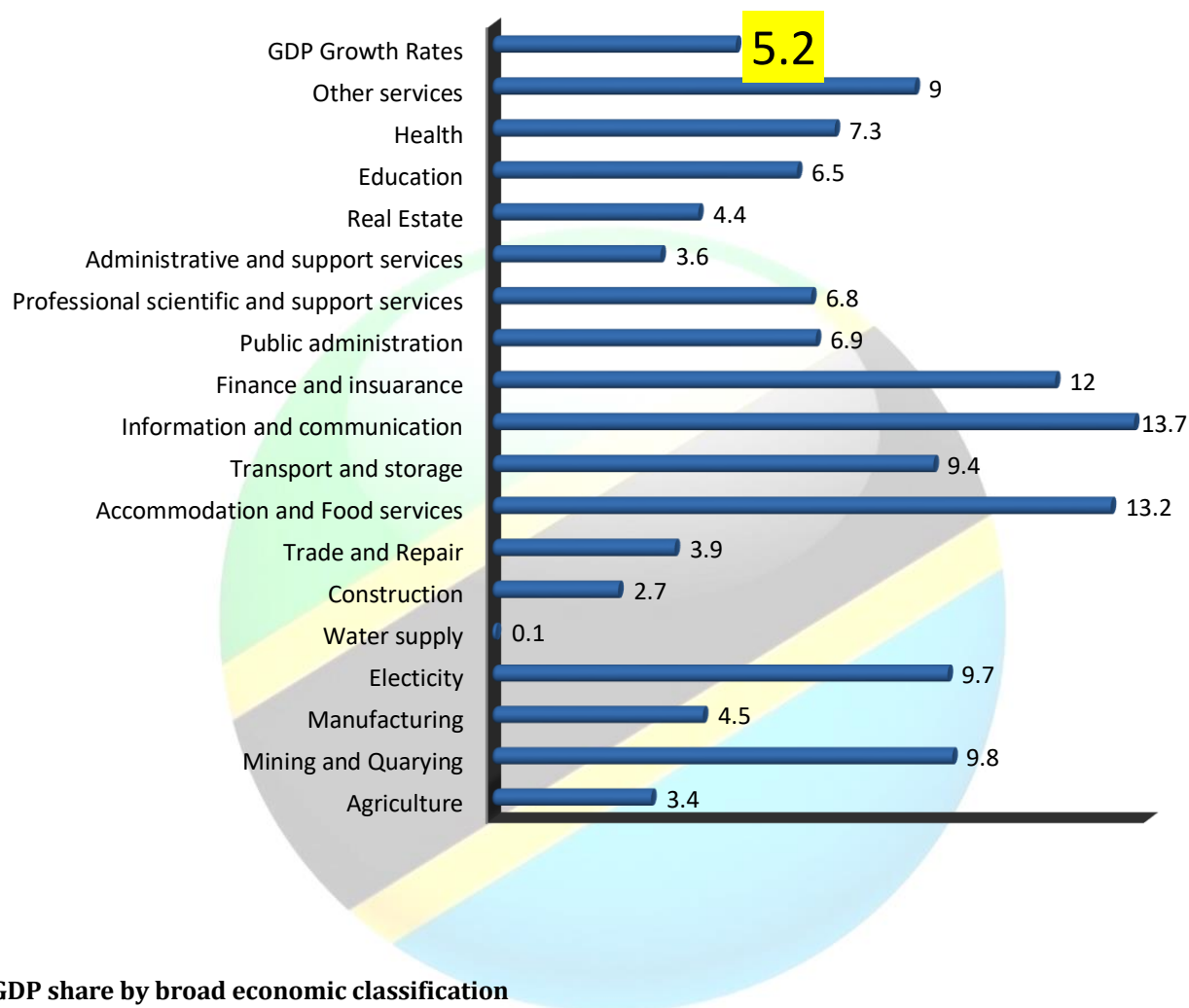
## Tanzania's Major Economic Sectors Based on GDP Growth Rates

During the review period, information and communication grew at the fastest rate (13.7 percent), followed by accommodation and food services (13.2 percent), financial and insurance services (12.0 percent), mining and quarrying (9.8 percent), and electricity supply (9.8 percent) (9.7 percent).





**GDP GROWTH RATES**



**GDP share by broad economic classification**

Tertiary activities (Trade and Repair; Accommodation and Food Services; Transport and Storage; Information and Communication; Financial and Insurance Services; Public Administration and Defense; Professional, Scientific and Technical Services; 10 Administrative Support Services; Real Estate, Education, Human Health, Arts, Entertainment and Recreation; Other Social Services, and Household Activities as Employers) accounted for 41.2 percent of GDP. It should be noted that GDP shares have been calculated before taxation.



## HOW ECONOMIES FUNCTION

### INFLATION RATES

Currently, the inflation rate has decreased by 4.8 percent when compared to the previous month's inflation rate of 4.9 percent, but when compared to last year's inflation rate, the rate of inflation has risen by 1.1 percent, from 3.7 percent to 4.8 percent in 2023. The increase in price prompted an increase in the cost of products such as foods and non-alcoholic beverages, which increased from 6.1 percent last year to 9.6 percent this year, representing a 0.3 percent decrease from 9.9 percent to 9.6 percent in the previous month.

Health-care costs have remained unchanged at 1.8 percent from last month, while they have increased from 1.3 percent during the same period last year to 1.8 percent, a 0.5 percent increase. Transportation costs have decreased by 6 percent from 6.2 percent last month, but have increased by 2.3 percent from 3.7 percent last year to 6 percent this year. Information and communication costs have decreased by 6 percent from 6.2 percent last month, but have increased by 2.3 percent from 3.7 percent last year to 6 percent this year.

Education service costs have risen by 3.3 percent from 2.9 percent last month, but it has also risen by 3.0 percent from 0.3 percent in the same time last year to 3.3 percent this year. Despite a decline in inflation, the cost of living has increased by 1.1 percent, particularly for necessary items and basic necessities. This appears to be inconsistent with the reality of the drop in the cost of living, as, for example, the cost of food has increased, as have the prices of essential transportation and citizens' daily needs.

What the government needs to do to lower the cost of living, which has been seen to rise every day, so that it can meet the reality of daily life, despite the fact that inflation has decreased. Inflation has had an impact on citizens' GDP per capita income, which has dropped to 5.2 percent from 5.4 percent during the same time last year. The ability of citizens to afford the rising expense of living is dwindling by the day. However, the situation of inflation continues to impact the state of finance and weaken the position of small businesses, businesses on which a large group of citizens, such as WAMACHINGA, rely.



## AFRICA'S TOP FOOD PRODUCER

Tanzania now ranks among the continent's nations with the highest levels of food production.

What initiatives resulted in a twofold increase in food production? Fertilizer subsidies, seed production subsidies, or seed subsidies.

Tanzania has evolved into a center for food exports, supplying African nations as well as the rest of the world.

## WHY IS THE COUNTRY STILL EXPERIENCING AN INCREASE IN FOOD PRICES AT LOCAL LEVEL?

In January 2023, the price fell to 9.9% from 9.7% in February 2023 and 6.3% in January 2022. Tanzania sold more than 2.4 trillion tsh between 2018 and 2022. The value of grain exports is 2.3 trillion tsh. Since 2018, for the last five years. Tanzania produced 1.85 million metric tons of rice during the 2020-21 growing season, despite the fact that the country only requires about a million metric tons per year. This translates to 850,000 metric tons of extra rice. During the same season, Tanzania produced 6.5 million metric tons of maize, exceeding the country's annual requirement of 6 million metric tons. Tanzania has a population of around 62 million people, with some estimates putting the figure closer to 66 million.

***WHAT WILL BE THE ANNUAL FOOD CONSUMPTION DEMANDS?***



Between 2018 and 2022, fruit exports totaled \$71.4 million (Sh170 billion), while fish and fish product exports totaled S\$800 million (Sh1.9 trillion).

## IN TERMS OF POPULATION GROWTH, HOW WILL TANZANIA'S AGRICULTURE SECTOR GROW OVER THE NEXT FIVE YEARS?

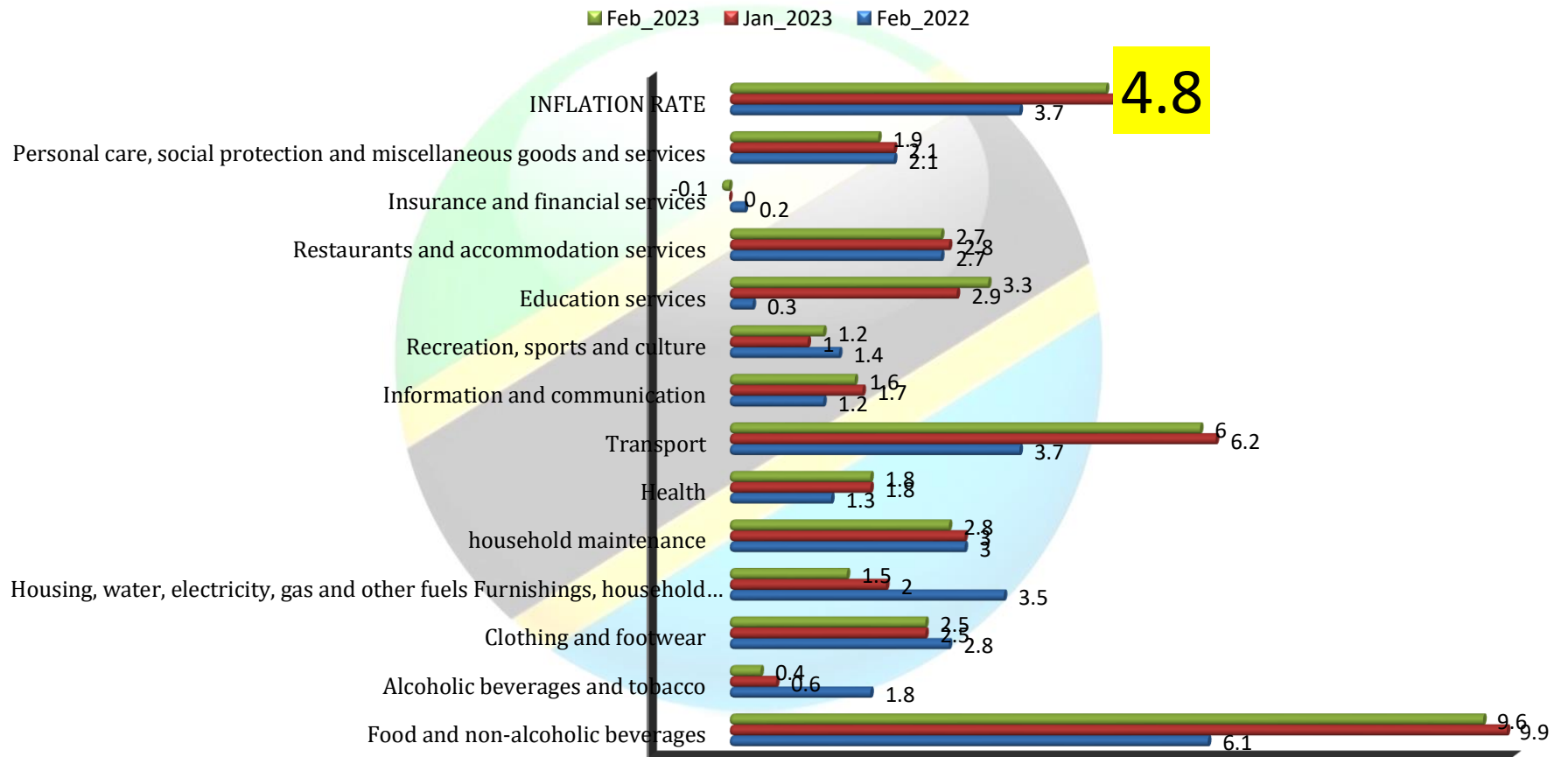
**What effect does having daily rising inflation rates have, given that Tanzania has reached an inflation rate of 4.9% have? We recommend that the government take action to prevent the value of our currency from falling. (Tsh). Some people will be unable to afford necessities such as food or housing as prices rise. As a result, people may be unable to afford basic necessities.**

**What steps should the government take before inflation rates rise?** If our economies collapse, the government should reduce the money supply, which can be controlled by the BOT, by raising taxes on some goods and services, cutting government spending, and reforming policies to increase market competition and promote price stability.

Inflationary pressures can have a significant impact on the economy because they can exacerbate poverty by raising unemployment rates (particularly among young people) and reducing economic activity. Governments must take action to reduce inflation and promote economic growth.



### Inflation Rates



**MONEY SUPPLY**

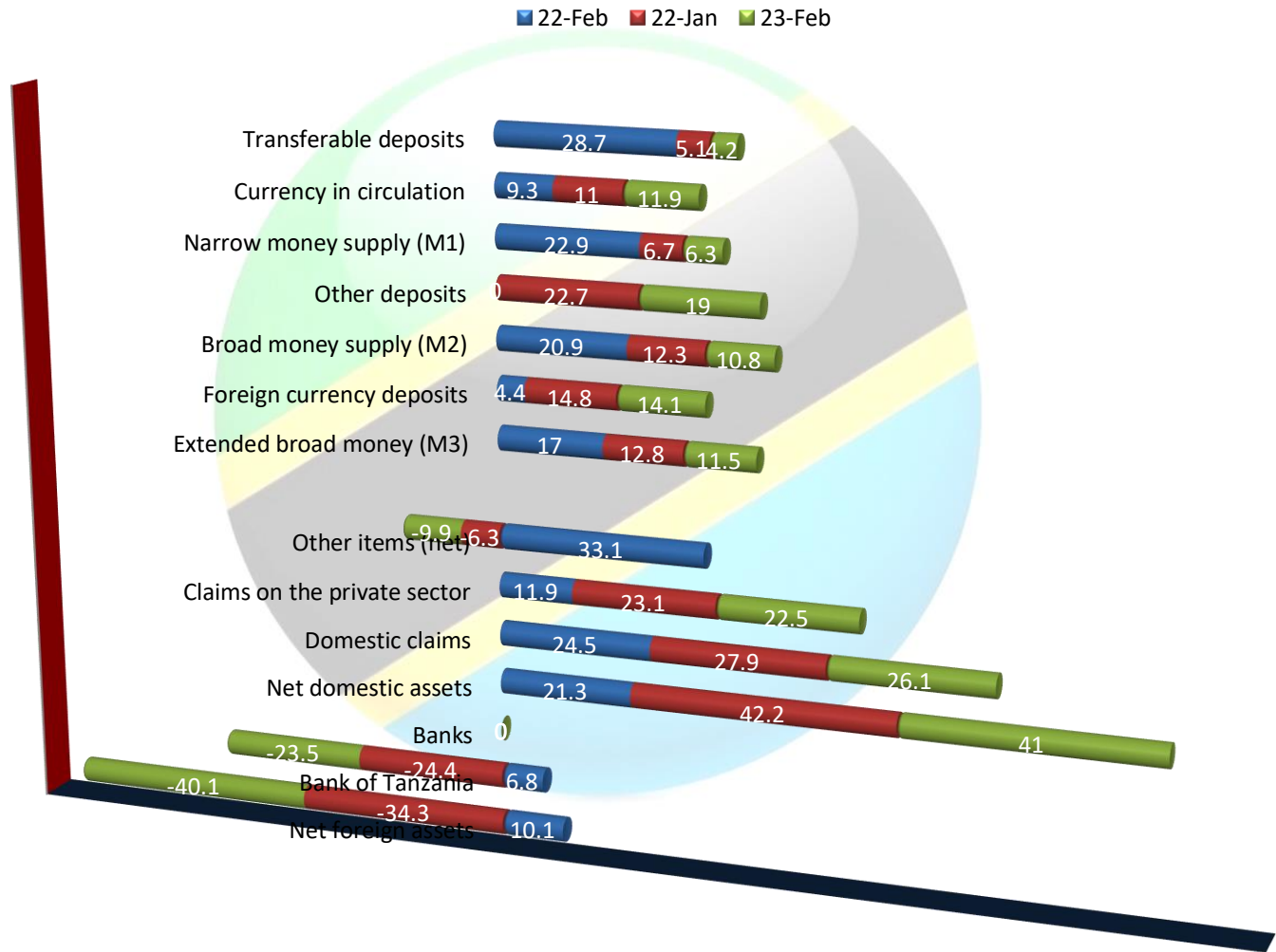
Net foreign assets fell from -34.3 percent last month to -40.1 percent this month, but when compared to the same time last year, net foreign assets fell by 50 percent to -40 percent this month. This indicates that the state of money circulation is declining despite the apparent increase in the expense of living, which has resulted in a 5.2 percent decrease in the citizen's ability to afford it.

The Bank of Tanzania continues to reduce money in circulation to -23.5 percent from 6.8 percent during the same time last year, but it has increased by 0.9 percent from -24.4 percent last month to -23.5 percent. Tanzania's prohibition has increased money in circulation by 0.9 percent despite an apparent 4.8 percent increase in the cost of living, resulting in a 5.2 percent decline in individuals' ability to afford it.

**What is presently increasing  
the circulation of money in  
the Tanzania economy?**



### Tanzania Money Supply



## Monetary policy's effects on the expansion of Small business (MSME's)

Following the implementation of monetary policy, the overnight interest rate averaged 15.96 percent from July to December 2022, compared to 16.29 percent in the same time in 2021/22. The growth of extended broad money (M3) supply was 11.8 percent, roughly in line with the goal of 10.3 percent for 2022-23, while reserve money and private sector credit expanded by 16.3 percent and 21.9 percent, respectively, above the targets for 2022-23. This was owing to a larger-than-expected increase in credit demand in the private sector, indicating increased confidence in the business climate.

**By 2023, the monetary policy rates at the Bank of Tanzania will remain at 15.96 % as long as inflation stays below 5%. This indicates that changes must be made to the policy.**

The bank of Tanzania must continue to regulate monetary policy in order to keep inflation rates under control because raising food prices and the cost of other products and services are projected to cause consumer price inflation to increase significantly.

Further changes to Tanzania's monetary policy are required by the central bank to counteract growing inflation, which is currently 4.9% and continuing to hinder the expansion of small businesses in Tanzania (MSMEs).

### How It Affects Small Businesses (MSMEs)

On the one hand, if the monetary policy rates stay at 3.59 %, borrowing money will become more expensive for individuals and small businesses, as banks and microfinance institutions are likely to raise interest rates on loans as a cost-control measure and mitigation measure. This may make it





more challenging for small businesses (MSMEs) to obtain the financing they require to develop and expand their businesses.

Additionally, consumer spending and the need for small enterprises (MSMEs) may decline since there is less money floating around in the market. However, given that keeping interest rates at 15.96 percent would not be able to reduce inflation, the bank of Tanzania must change its monetary policy.

The Tanzanian bank must change its monetary policy rates to fit the country's current economic condition, which is being fueled by high food costs, given the fact that keeping interest rates at 5 percent won't assist to reduce inflation. Long-term economic stabilization may result from this, facilitating the expansion of small businesses (MSMEs). Small enterprises (MSMEs) in Tanzania may find it challenging to adapt to the changes brought about by the present monetary policy rates due to the country's unstable economic climate.

*It is anticipated that GDP growth will slow from 5.4% in 2022 to just 5.2% in 2023. Small enterprises (MSMEs) may find it more challenging to succeed in this environment.*

In conclusion, Tanzania's monetary policy regulation is anticipated to have a mixed effect on MSMEs (small and medium-sized enterprises). While it would raise borrowing costs and decrease demand, it might also assist stabilize the economy in the long run by reducing inflation. However, small businesses (MSMEs) might find it challenging to navigate the changes brought on by the continuation of the current monetary policy due to the unstable economic climate.



## IMPORTATION

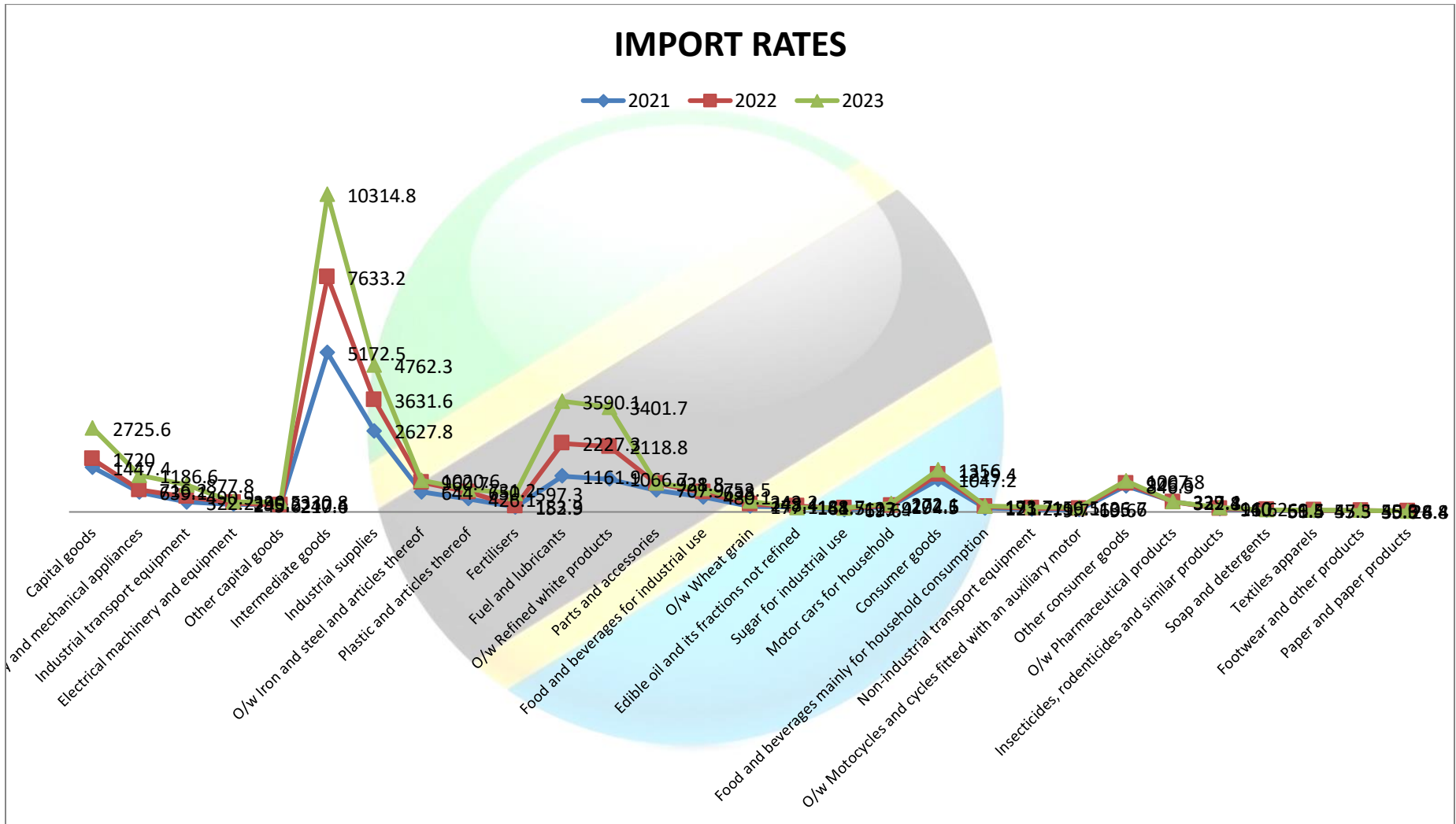
The status of imports of goods from abroad is that for some products, the situation has been seen to increase, while for others, the situation has been seen to decrease. To begin with, capital goods have been seen to increase more than in the previous two years; for the year 2022, it was 1720, but for the year 2021, it is 1447.4.

Products such as machinery and mechanical tools are being replaced at a faster rate than they were more than three years ago, with 716.2 being replaced in 2022, up from 639.1 in 2021. In the transport equipment business, demand has increased over the last two years; in 2022, it was 490.9, and in 2021, it was 322.2.

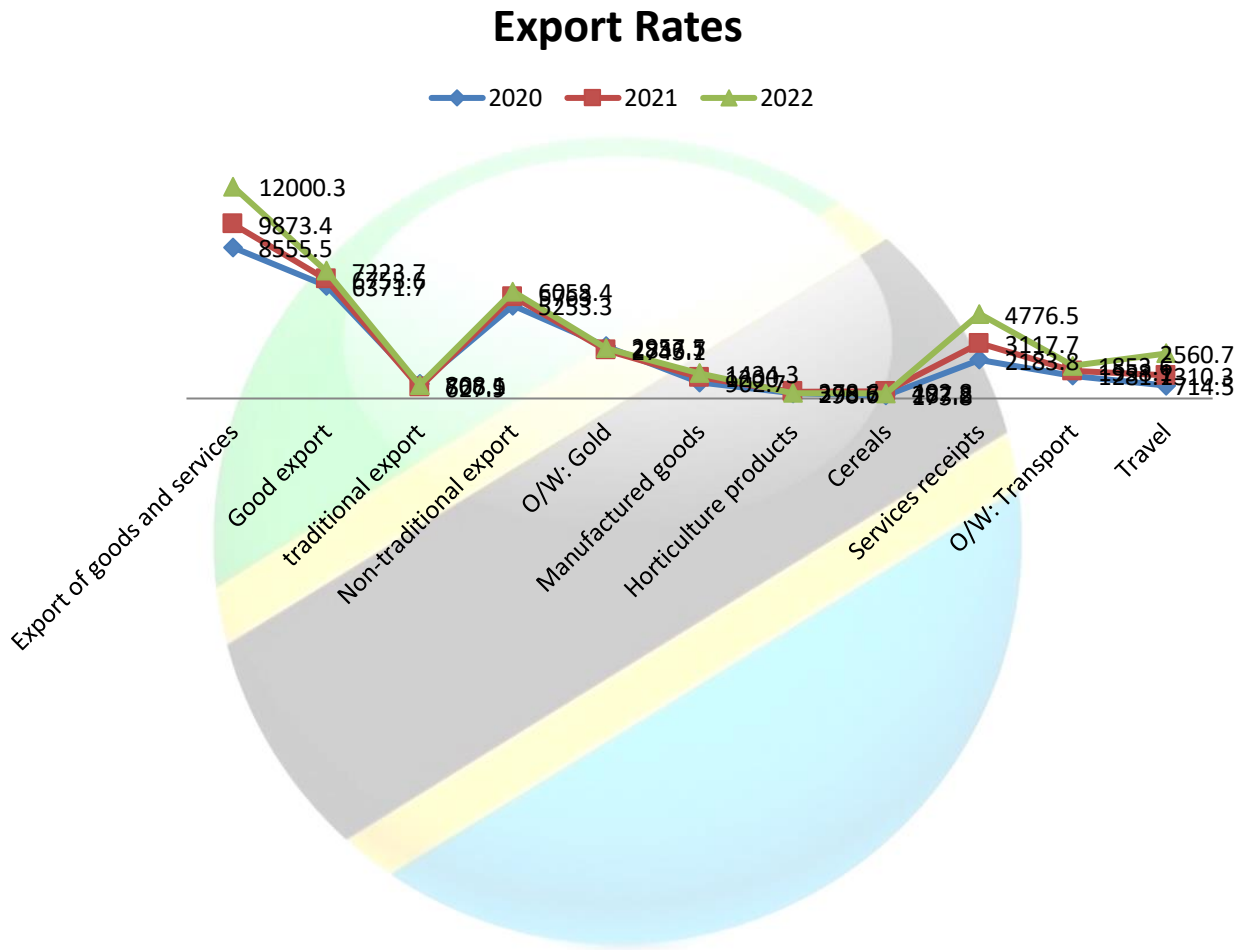
We have imported a wide range of items, including industrial goods, machinery, and mechanical appliances. It is possible to anticipate an increase in economic production activities in the future, or we can anticipate an increase in public investment projects that will stimulate an increase in economic activity despite the rising cost of living, which has resulted in an increase in the cost of essential items.

The demand for fertilizers has increased by 597.3 percent this year compared to the prior two years, with 183.3 percent for 2022 and 152.9 percent for 2021. The implication is that this increase may stimulate an increase in production and agricultural activity in the nation as a whole. Agriculture is regarded as the backbone of our nation. Agriculture and animal husbandry are the primary occupations of a significant portion of our population who live in villages and small towns. Even though much of their agriculture is primitive, it has been extremely beneficial in feeding a large community of Tanzanians who live in cities where nap engines market the country's produce.





EXPORT RATES



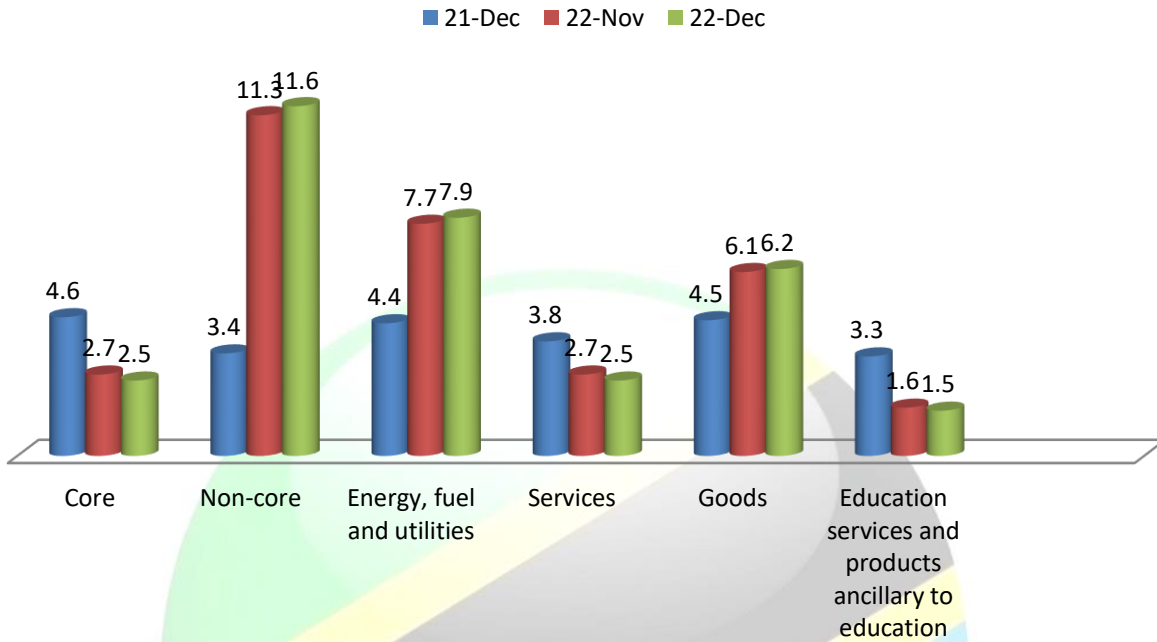
## EXPORT RATES

Exports of goods from overseas have increased in the last two years; for example, exports of manufactured goods have increased from magnitudes of 906.5 in 2021 and 1243 in 2022 to magnitudes of 1490.2 this year. Exports of products and services in general have increased from 8286.1 million in 2021 to 10202.1 million in 2022, reaching 12383.1 million this year.

Despite a rise in some goods and services, gold exports are expected to fall by a magnitude of 2982.2 in 2021 and 2673.2 in 2022, reaching a magnitude of 2859.6 this year. Horticultural product exports have been declining for more than two years, falling from 3382.5 in 2022 to 290.3 this year.



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## INVESTMENT DEVELOPMENT

Tanzania is quickly rising to the top of the list of international investment locations.

- Tanzania saw a 128% increase in the number of projects that were registered in February.
- In all, 41 projects were registered nationwide.
- 7,370 jobs, or 493% more than those produced by projects registered in February 2022, are anticipated as a result of the new projects.

The pro-business stance taken by Samia Suluhu Hassan, the president of Tanzania, is encouraging investors, who are increasingly choosing Tanzania as their preferred investment destination. According to the most recent data, the number of registered projects has increased by 128%.

According to the aforementioned statistics, which were made public by the Tanzania Investment Centre (TIC), a total of 41 projects were registered nationwide in February 2023. Compared to the 18 projects that were registered in February 2022, this is a 128% growth. Projects registered in February 2023 were estimated to generate 7,370 jobs and cost a total of \$339.2 million (about Sh780 billion). This represents an increase of 347 percent above the \$75.9 million in capital that is anticipated to be injected into the economy of the nation in February 2022.

In addition, compared to projects recorded in February 2022, the 7,370 jobs anticipated from the new projects represent an increase of 493%. From \$66 million in January to \$339 million in February of this year, the value of the capital anticipated to be invested has climbed by 413 percent.

Transportation continued to be the industry with the highest capital requirements, followed by manufacturing, commercial construction, agriculture, and tourism. With projects totaling \$156.17 million, transportation became the industry that attracted the most investment in February 2023.

It made about 46% of all registered projects' total value in February 2023. Manufacturing earned \$53.68 million, or 15.8% of the total, and agriculture received \$90.20 million, or 27% of the total.

Commercial structures took in \$10.15 million, or 3% of the total, while tourism developments brought in \$29.02 million. The top three major sectors in drawing visitors were found to be manufacturing, tourism, and agriculture.



## PRE-COVID PERFORMANCE STANDARDS ARE EXCEEDED IN TANZANIA'S AVIATION INDUSTRY.

- ➔ Figures from the Tanzania Civil Aviation Authority (TCAA) show that the amount of freight processed in 2022 increased by 32% over pre-pandemic levels, reaching 35,130.83 metric tons.
- ➔ Passengers using the nation's airports increased by 49.23% compared to 3.835 million in 2021, according to data from 2022 and the prior year.
- ➔ Aircraft movements rose from 154,168 to 198,115 during the evaluation time, a 28.5% increase.

With passenger and freight volume exceeding pre-Covid levels, 2022 ended strongly for the aviation sector.

Data from the Tanzania Civil Aviation Authority (TCAA) shows that the amount of freight handled last year rose by 32% over pre-pandemic levels to 35,130.83 metric tons, while the number of passengers carried by airlines increased by over 2% to 5.723 million. It is still 15.4% below pre-pandemic norms when it comes to air traffic.

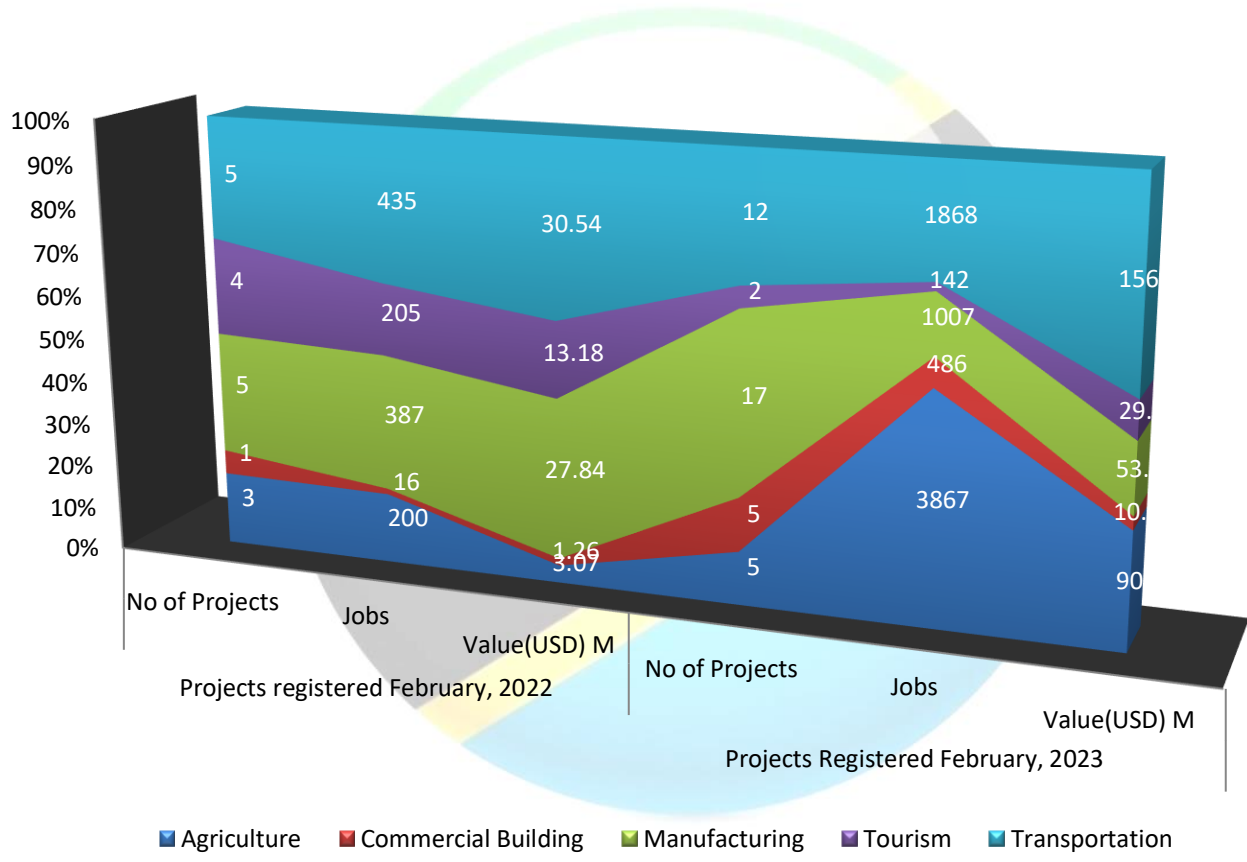
According to the TCAA, when comparing 2022 data to those from the previous year, the number of passengers using the country's airports increased by 49.23% compared to 3.835 million in 2021. In contrast, the tonnage of cargo carried in 2022 climbed by 13.42% over the previous year's total of 30,973.75.

During the evaluation period, aircraft movements increased by 28.5% to 198,115 from 154,168. The number of travelers using the nation's airports increased by 49.23% compared to 3.835 million in 2021, according to statistics from 2022 provided by the TCAA. On the other hand, from 30,973.75, the tonnage of cargo transported in 2022 increased by 13.42%. Aircraft movements rose by 28.5% to 198,115 from 154,168 during the evaluation period.





## INVESTMENT DEVELOPMENT



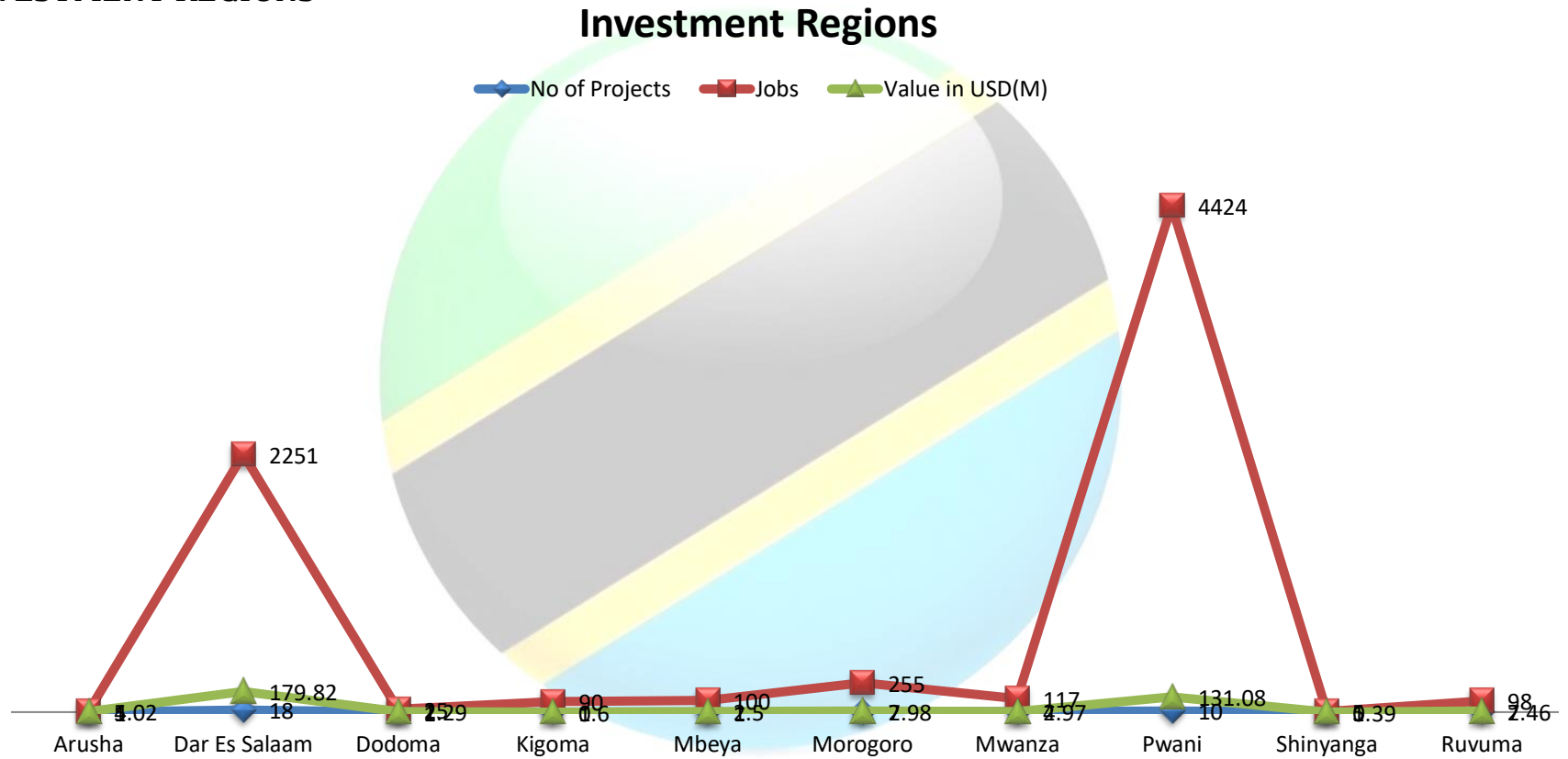
## CHINA HAS INVESTED \$1.8 BILLION IN TANZANIA OVER THE LAST TEN YEARS.

According to the Tanzania investment center, Chinese investment has had a significant impact on the country in terms of partnerships, trade investments, and the creation of new jobs. According to tic, over the last ten years, china registered 1,908 projects worth \$1.6 billion on the mainland and 15 projects worth \$220 million in Zanzibar.

*Tanzania has long been china's most important trading partner and foreign investment source. In 2022, trade between the two countries will have increased by 23.7% per year, reaching \$83.1 billion, which is 35 times more than in 2012.*

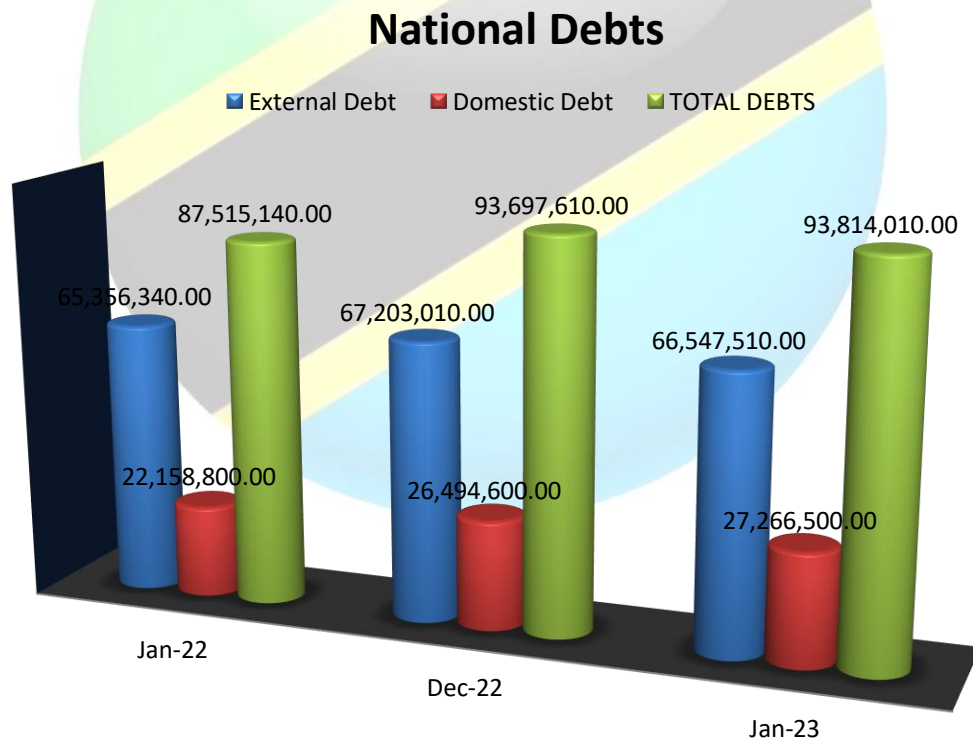


INVESTMENT REGIONS



## DEBTS DEVELOPMENT

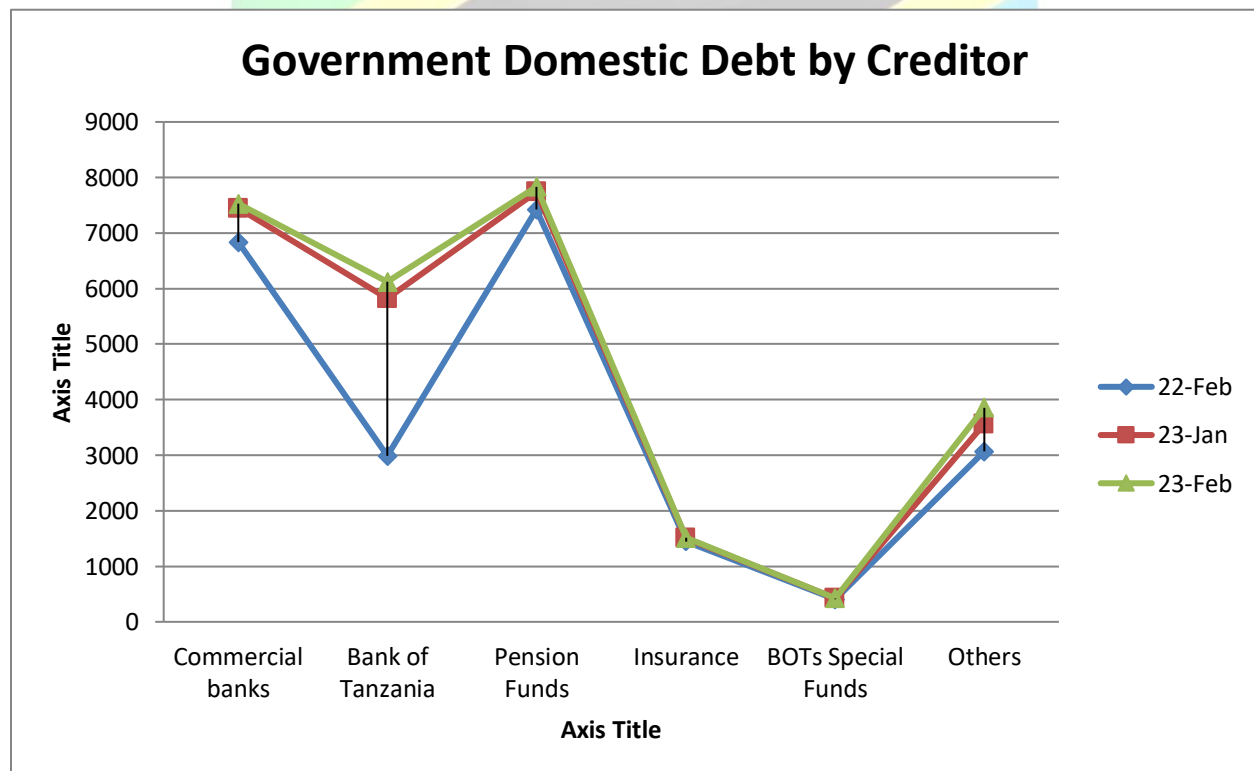
The national debt stock was USD 40,652.39 million at the end February 2023.



The national debt has risen to 93,814,010 trillion from 93,697,610 trillion last month, an increase of 6,298.870 trillion from the same time in 2022. Domestic debts total 27,266,500 trillion, while foreign debts total 66,547,510 trillion. Domestic debt was 26,494,600 trillion last month, while external debt was 67,203,010 trillion; however, for the same time last year, domestic debt was 22,158,800 trillion, while external debt was 65,356,340 trillion.

Individuals' ability to afford the 5.2 percent increase in the cost of living is reduced as a result of the 4.8 percent increase in the cost of necessary goods and requirements. This will cause a further decline and affect economic activities at the individual level, eventually affecting the economy of the entire country as a whole.

But what should Tanzania's government do as one of the methods to combat rising living costs despite an apparent increase in the national debt, which is a burden for the people to pay later despite increasingly affecting their economic activities?



# TANZANIA ECONOMIC UPDATES

We review and evaluates the performance of monthly economic indicators

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