# ECONOMISTS TALK MAGAZINE

TICGL
ECONOMIC CONSULTING GROUP

## ECONOMIC CONSULTING GROUP

## WHAT'S NEXT FOR TANZANIA ECONOMY?

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**Data source: TICGL Economic Research Center**

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# ECONOMISTS TALK MAGAZINE

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## TICGL

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## 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 Tanzania economy are thoroughly reviewed and evaluated in "Economists Talk."

## TANZANIA ECONOMIC UPDATES

**INFLATION RATES:**

The inflation rate has dropped from 3.6% to 3.3% last month, and further analysis reveals a reduction to 3.1%. Inflation for all products has decreased by -0.1% in one month. Notable decreases were observed in food and nonalcoholic beverage inflation (-1.2% in one month, but up by 6.1% in a year), while alcoholic beverage and tobacco inflation increased by 2% in one month and by 3.8% in a year. Clothing and footwear prices increased by 0.1% in one month and by 3.4% overall. Household maintenance costs grew by 0.5% in one month and 2.7% in a year. Transport prices rose by 0.9% in a month and 0.4% over a year.

**MONEY SUPPLY:**

Money circulation surged by 68.2% in one month, increasing from 38.7% the previous month, but decreased from 64% last year. The rise in money supply is attributed to the Bank of Tanzania increasing circulation from -11.5% last month to 0.2% this year. Net foreign assets increased by -7.4% this month compared to -25.9% last month and -13.5% last year. Domestic claims declined by 22.4% this month and net domestic assets decreased by 29.8%. Currency circulation increased by over 15.5% this month and narrow money supply (M1) expanded by 19.3%.

*In summary, inflation rates showed a decline, money supply exhibited fluctuations, import and export rates had varying trends, and the government's budget analysis highlighted increasing expenditures and a growing deficit.*

**IMPORT RATES:**

Over a year, import rates increased by 739%, but in one month, it plummeted by 70%. Several items had varying import rates in a year, such as machinery and mechanical appliances (increased by 38% in a year but decreased by 29% within the year). Import rates for some products like petrol, lubricants, wheat grain, and pharmaceutical products exhibited varying trends.

**EXPORT RATES:**

Export rates grew by 4% in one year and 13% within two years. Notable changes were seen in the export rates of manufactured goods, traditional goods, horticultural products, and cereals.

**NATIONAL DEBTS:**

The national debt has exceeded USD 42 billion, with domestic debt increasing by 2% in a month and 20% in a year. External debt increased by 1% in a month and 8% over a year.

**BUDGET ANALYSIS:**

The government's expenditures are surpassing the budget estimate, leading to a 36% increase in expenditures compared to estimated revenue. This forces the government to seek alternative revenue sources, including borrowing. Interest costs have exceeded the budget projection by 151%, and income tax revenue has declined by 5%. Import rate increases did not translate to higher tax revenue. This has contributed to a growing government deficit, exceeding 36%.

## BUDGET ANALYSIS

The government's expenditures are rising in comparison to the budget estimate that was passed for the year. 36 percent of the government's expenditures have increased in comparison to the estimated revenue collected. This situation has compelled the government to seek alternative sources of revenue, including continued borrowing to cover its expenses. Consequently, the national debt is growing on a monthly basis.

*The government is facing challenges related to its budget and finances. Increased expenditures, reduced revenue, and specific issues such as interest costs, import tax revenue, and income tax impacts are contributing to a growing deficit. This deficit is pushing the government to borrow more to sustain its operations and meet its financial obligations.*

One significant area where the government's expenditure surpasses its revenue collections is interest costs. These costs have exceeded the budget projection by 151 percent, while development expenditure has risen by 14 percent.

The government's allocation for wages and salaries has been reduced by 5% from the projected budget.

Despite an increase in the import rate, government revenues from import taxes have decreased by more than 2% from the budgeted amount. This reduction in revenue from import taxes is in contrast to the increased import rate.

Income tax revenue has declined by 5% since the anticipated budget was passed, and income tax on local products and services has decreased by 39%.

This circumstance is causing the government deficit to increase on a regular basis. The government deficit has now surpassed 36%, which is likely compelling the government to continue borrowing in order to meet its expenditure needs.

**THE ANALYSIS OF THE GOVERNMENT'S BUDGET AND ITS FINANCIAL CHALLENGES.**

1. Expenditure Increase: The government's spending is growing compared to the budget that was initially approved for the year. Specifically, 36% of the government's expenses have risen beyond the projected revenue that was estimated to be collected.

2. Alternative Revenue Sources: This situation has led the government to search for alternative methods of generating revenue. One of these methods is continued borrowing, which the government is utilizing to cover its increasing expenses.

3. National Debt Growth: As a consequence of the increased borrowing and the shortfall in revenue, the national debt is expanding on a monthly basis. This suggests that the government is accumulating more debt to fund its operations and financial commitments.

4. Interest Costs and Development Expenditure: A significant concern is that the government is spending more on interest costs than initially budgeted. These interest costs have exceeded the budgeted projection by a significant 151%. In contrast, development expenditure has risen by 14%, indicating that the government is investing in projects and initiatives.

5. Wages and Salaries Reduction: The government has reduced its allocation for wages and salaries by 5% compared to what was planned in the budget. This might indicate an effort to control labor-related expenses.

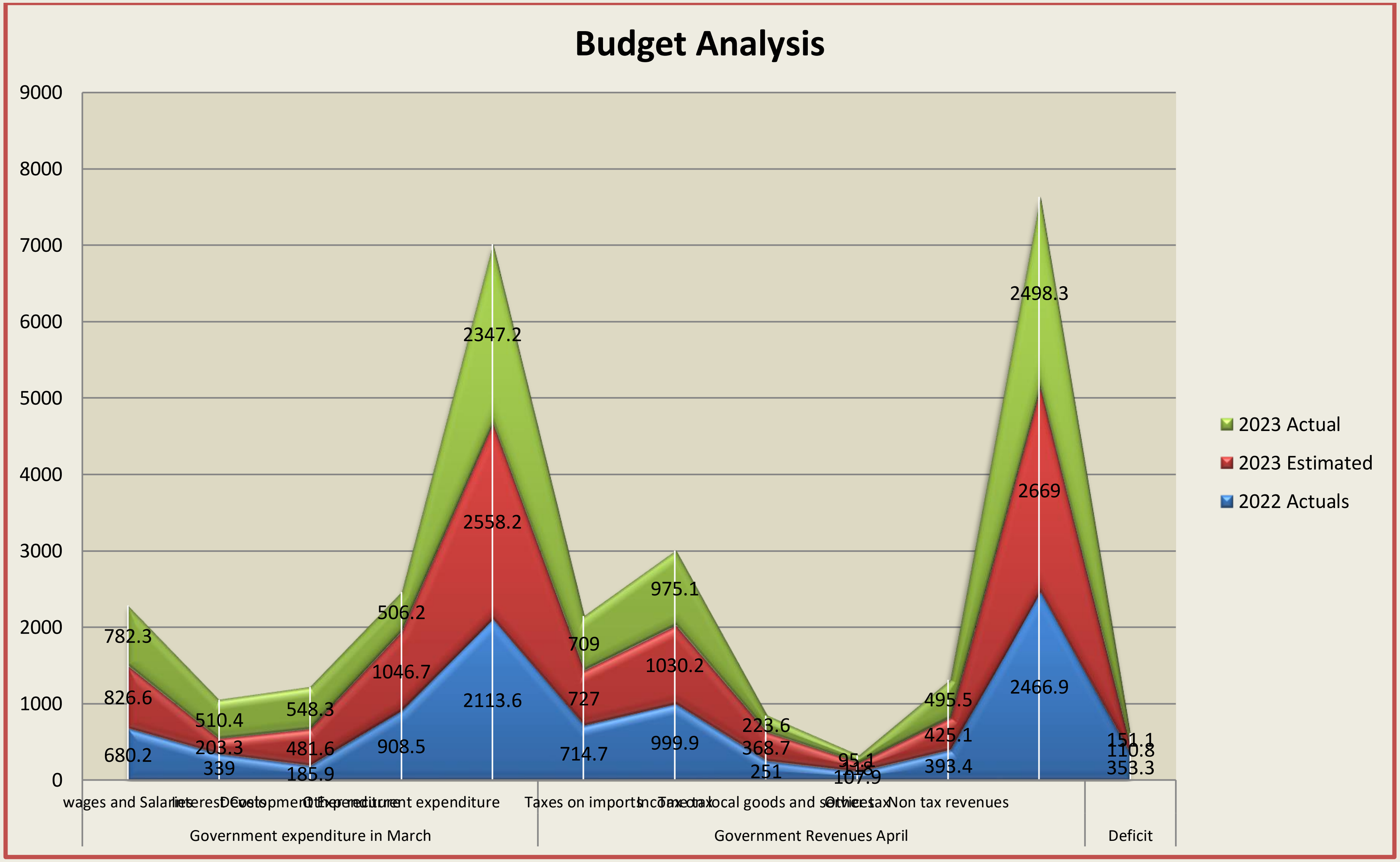
6. Import Tax Revenue Decline: Despite an increase in the import rate, the government's revenue from import taxes has actually decreased by over 2% from the amount that was budgeted. This

discrepancy between increased imports and decreased tax revenue suggests potential challenges in tax collection or trade dynamics.

7. Income Tax Impact: Income tax revenue has declined by 5% since the initial budget was approved. Additionally, income tax on local products and services has decreased by a significant 39%. This drop in income tax revenue could indicate changes in economic activity or employment patterns.

8. Growing Government Deficit: The combined impact of reduced revenue and increased expenditure is causing the government's deficit to rise consistently. The government deficit has now exceeded 36%. A government deficit occurs when expenses exceed revenues, indicating potential financial strain.

9. Continued Borrowing: Given the mounting deficit and the need to meet its financial commitments, the government is likely compelled to continue borrowing funds. Borrowing can help cover the shortfall in revenue and maintain essential services and operations.


Budget Analysis
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
2023 Actual
2023 Estimated
2022 Actuals
782.3
826.6
680.2
510.4
203.3
339
548.3
481.6
185.9
506.2
1046.7
908.5
2347.2
2558.2
2113.6
709
727
714.7
975.1
1030.2
999.9
223.6
368.7
251
95.1
107.9
495.5
425.1
393.4
2498.3
2669
2466.9
151.1
110.8
353.3
wages and Salaries
Taxes on imports
Non tax revenues
Government expenditure in March
Government Revenues April
Deficit

BUSINESS AND ECONOMIC RESEARCH

## Tanzania Tax reform and policy planning (TTRPP)

A survey of 350 enterprises revealed that over 66% of respondents stated that the government does not evaluate the level of tax burden to attract investment. Additionally, the method used for evaluation is not friendly toward private sectors. Over 33% agreed that the government conducts a friendly evaluation encouraging business, investment, and project development, while 1% responded neutrally. Furthermore, more than 72% of respondents agreed that the government does not assess the consistency of the actual tax burden. This lack of evaluation makes tax payments challenging for business owners and workers.

Regarding the consideration of business size, investment, or project development in tax collection, over 69% rejected the notion that the government takes these factors into account. In contrast, 31% agreed that the government investigates the tax burden across various business revenues. Additionally, 80% concurred that the government does not factor in the age of the business, investment, or project development when calculating tax estimates based on income differences. The relationship between business age and income depends on the economic situation at the time. Only 19% agreed that the age of the business entirely aligns with business income, suggesting that this is a rare occurrence.

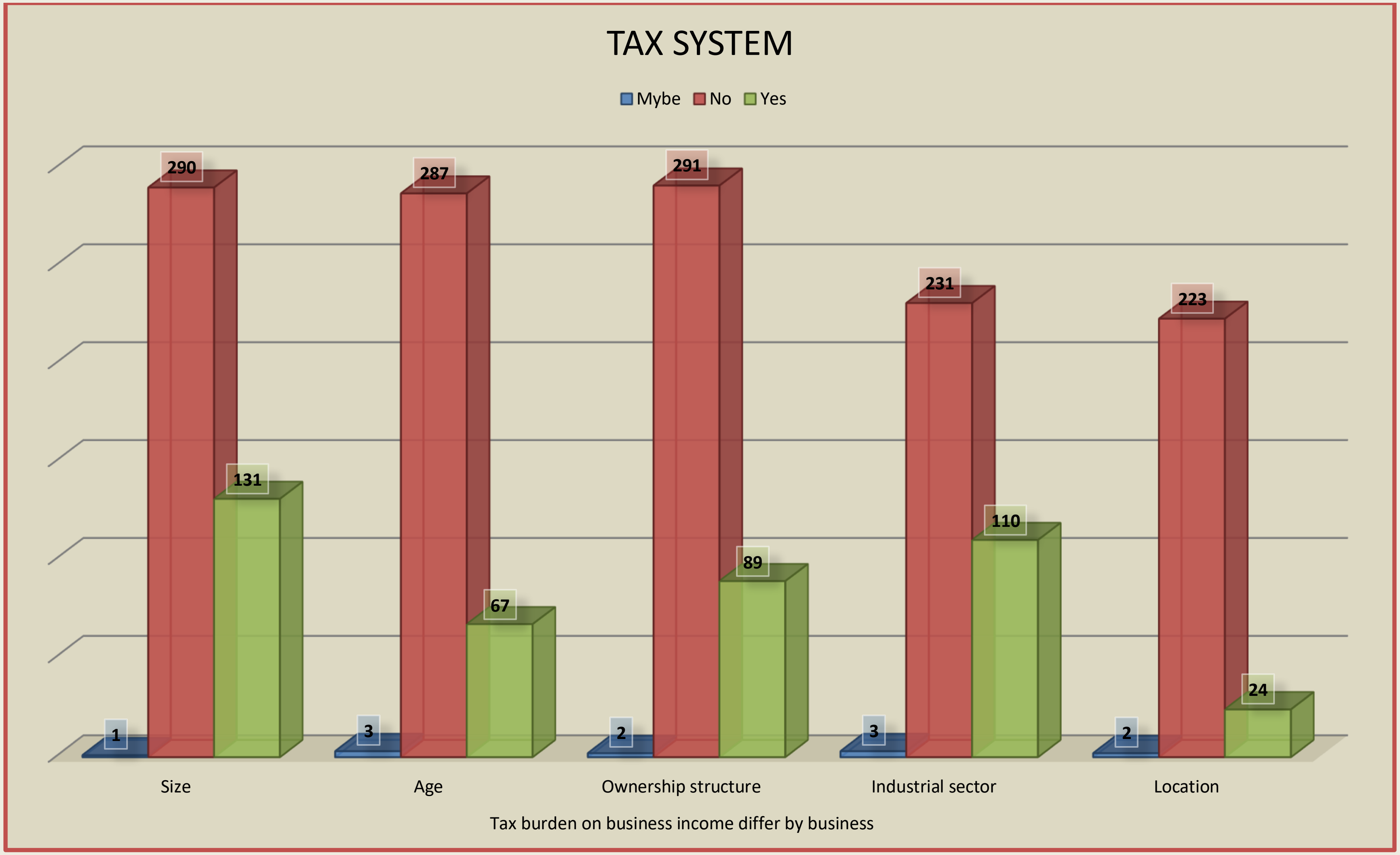
*In terms of tax reform and policy development, the study involved 350 enterprises. 66% indicated that the government fails to evaluate the tax burden level to attract investment. The government's method of tax burden evaluation is seen as unfriendly towards investment, particularly in business, investment, or project development. This is especially concerning for private organizations and institutions that play a pivotal role in the country's economic growth. Moreover, over 33% agreed that the government conducts a friendly evaluation that encourages business, investment, and project development, while only 1% responded neutrally.*

While the industry sector is considered in the overall tax estimate, it's crucial to incorporate economic growth as well. Tax forecasts should be reviewed frequently, depending on the current economic state. The location of a firm, investment, or project development significantly impacts the income of a business. More than 89% agreed that the tax estimate often doesn't align with the firm's location, leading to difficulties for enterprises and causing a decline in business income. Conversely, 10% agreed that the government consistently considers business location when calculating taxes without negatively affecting income.

72% of respondents concurred that the government overlooks the consistency of the actual tax burden. There's a lack of specific measures for evaluating this consistency in the context of business, investment, or project development. Consequently, tax payments become problematic not only for business owners but also for workers, contributing to a significant loss of government revenue. This is due to the fear of excessive taxes that don't align with business realities and economic growth rates. On the contrary, 28% agreed that the government assesses the consistency of the actual tax burden for companies, investments, and project development.

Despite the fact that 72% of the population feels that the government neglects tax burden level evaluation, there are criteria that the government should consider to attract investment. However, the results indicate that 69% reject the idea of the government factoring in the size of the business, investment, or project development for setting tax collection levels. This presents a challenge in terms of a burdensome tax load. On the other hand, 31% agreed that the government is studying the tax burden across various business revenues.

When it comes to calculating tax estimates based on business income differences, 80% agreed that the government doesn't account for the age of the business, investment, or project development. The connection between business age and income depends on the economic circumstances prevailing at the time. Conversely, 19% agreed that business age entirely aligns with business income, indicating a rare scenario.


TAX SYSTEM
Mybe
No
Yes
290
131
1
287
67
3
291
89
2
231
110
3
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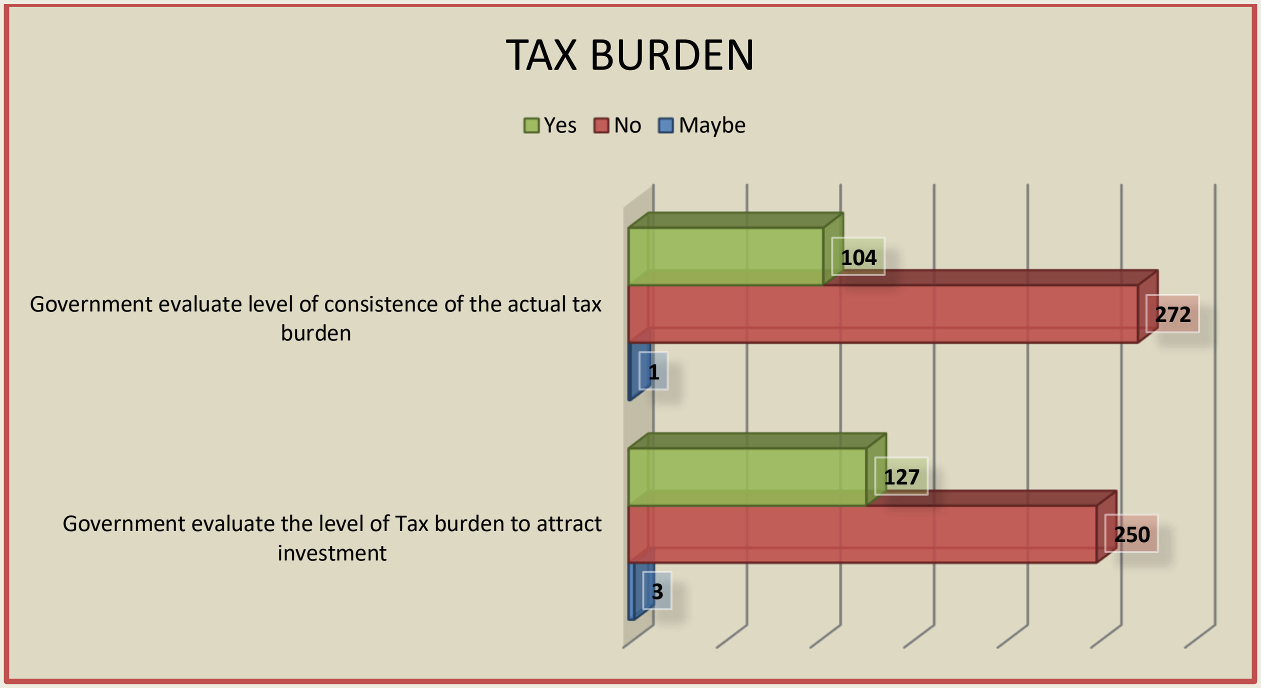
24
2
Size
Age
Ownership structure
Industrial sector
Location
Tax burden on business income differ by business




***While the industry sector is a parameter considered in the overall tax estimate, it's crucial to take into account economic growth as well. Frequent reviews of tax forecasts are necessary, dependent on the prevailing economic conditions. The location of a firm, investment, or project development holds significant importance in determining the income of a relevant business. More than 89% agreed that the tax estimate often doesn't match the firm's location, leading to challenges for enterprises and resulting in diminished business income. However, 10% agreed that the government consistently considers business location when calculating taxes without adversely impacting relevant business income***

## CORPORATE TAX RATES IN TANZANIA

1. Tanzania has a high corporate tax rate of 30%.
2. This places it among the top 10 African countries with the highest corporate tax rates.
3. Nigeria, South Africa, Kenya, and Ethiopia also have a corporate tax rate of 30%.
4. Ghana, Angola, and Côte d'Ivoire have a slightly lower corporate tax rate of 25%.

### GLOBAL COMPARISON OF CORPORATE TAX RATES:

1. Corporate tax rates are lowest in the Middle East (17.9%) and Europe (16.2%).
2. They are highest in Africa (27.6%) and South America (26.1%).
3. The highest effective tax rate globally is in Suriname, at 36.0%.
4. Some small nations like Bahamas, Bahrain, Monaco, Nauru, UAE, Vanuatu, and Vatican City have established themselves as tax havens with effectively zero corporate tax rates.
5. Somalia has the lowest effective tax rate at 12.3%.
6. On the other hand, Zambia, Guinea, Comoros, Chad, Equatorial Guinea, and Sudan have the highest effective corporate tax rate in Africa at 35.0%.

### CORPORATE TAX VARIATION:

1. Many countries in Africa have gradual tax brackets that impose lower taxes on smaller and younger companies.
2. Corporate tax rates vary globally based on countries' economic needs and resources.

*It's important to note that the impact of corporate tax rates on businesses can vary depending on factors such as industry, company size, economic conditions, and government policies. Additionally, government of Tanzania should balance the need for revenue with the desire to promote business growth and investment, which can influence their decisions regarding corporate tax rates.*

3. Countries rich in natural resources often rely on high corporate taxes from industries like oil and natural gas to generate tax revenue, which allows other sectors to operate in a lower-tax environment.
4. Despite Africa having less competitive tax rates on average, there’s still significant variation among African countries.

## CHANGING TAX ENVIRONMENT:

1. Globalization has increased companies' ability to relocate to countries with more favorable corporate tax environments.
2. This competition to create a favorable tax environment might lead to further reductions in effective tax rates in various countries.
3. Over the past four decades, corporate tax rates have decreased by almost half.
4. Even as leaders of major economies call for global corporate tax minimums, average corporate tax rates are expected to continue falling.
5. The evolution of corporate tax laws will have substantial implications for international businesses, foreign investors, and the general public.

The overview of how corporate tax rates are structured in Tanzania and how they compare globally. It also emphasizes the changing nature of corporate tax environments and their potential impacts on international business.

## THE EFFECTS OF CORPORATE TAX ON BUSINESSES IN TANZANIA CAN BE BOTH DIRECT AND INDIRECT. HERE ARE SOME POTENTIAL EFFECTS THAT CORPORATE TAX RATES CAN HAVE ON BUSINESSES IN TANZANIA:

1. **Profitability and Investment**: Higher corporate tax rates can directly impact a company's profitability by reducing its after-tax earnings. This can influence investment decisions, as businesses may have less capital available for expansion, research, development, and other growth initiatives. It could potentially deter both domestic and foreign investors from putting money into Tanzanian businesses.
2. **Competitiveness:** High corporate tax rates can make Tanzanian businesses less competitive compared to companies operating in countries with lower tax rates. This can affect industries

that face international competition, potentially leading to a loss of market share and decreased exports.

3. **Business Formation and Growth**: High corporate tax rates may discourage entrepreneurship and the formation of new businesses, especially small and medium-sized enterprises (SMEs). Start-ups and young companies may find it challenging to establish themselves and grow under the burden of high taxes.
4. **Job Creation**: Higher corporate taxes could impact a company's ability to create jobs, as increased tax liabilities may lead to cost-cutting measures, including reducing the workforce. Conversely, lower corporate taxes might encourage businesses to expand and hire more employees.
5. **Innovation and Research:** Reduced profits due to high corporate taxes could limit a company's ability to invest in research, development, and innovation. This can hinder the creation of new products, services, and technologies, ultimately impacting the company's long-term competitiveness.
6. **Capital Flow and Retention**: High corporate taxes might lead to reduced reinvestment of profits within Tanzania. Companies could opt to allocate capital to countries with more favorable tax environments, which could result in capital flight from Tanzania.
7. **Compliance Costs:** Meeting tax obligations, including tax planning and compliance, can be costly and time-consuming for businesses. High corporate tax rates could increase these compliance costs, especially for smaller businesses with limited resources.
8. **Tax Evasion and Avoidance**: Some businesses might explore ways to minimize their tax liabilities, potentially leading to tax evasion or aggressive tax avoidance strategies. This could undermine government revenue collection efforts and create an uneven playing field among businesses.
9. **Government Revenue**: On the positive side, higher corporate tax rates can contribute to government revenue, which can be used to fund public services, infrastructure development, education, and healthcare, benefiting the overall socio-economic development of the country.

## TANZANIA HAS OBSERVED THE CLOSURE OF 15 BANKS AMIDST SECTOR CONSOLIDATION

The economic effects of the described banking sector consolidation in Tanzania can be both positive and nuanced. While there are potential advantages in terms of stronger institutions, improved efficiency, and enhanced competition, there are also considerations regarding market concentration, regulatory oversight, and the potential impact on employment and investor confidence. The ultimate outcomes will depend on the effectiveness of the consolidation strategies and the ability of the merged institutions to adapt to changing economic conditions.

1. Over the past five years, Tanzania has seen the closure of 15 banks as part of efforts to consolidate the financial sector, leading to a reduction in the number of banks from 59 in 2017 to 44 in 2022.
2. This consolidation was driven by the acquisition of underperforming financial institutions.
3. Despite the liberalization of the banking sector in the 1990s, recent economic changes have highlighted capital challenges for some banks.
4. A small number of top banks have come to dominate the industry, controlling a significant portion of deposits.
5. The top six banks, with extensive branch networks and digital services, collectively held 65.4% of all deposits, prompting concerns about the need for stronger institutions in the market.

*The economic effects of the described banking sector consolidation in Tanzania can be both positive and nuanced. While there are potential advantages in terms of stronger institutions, improved efficiency, and enhanced competition, there are also considerations regarding market concentration, regulatory oversight, and the potential impact on employment and investor confidence. The ultimate outcomes will depend on the effectiveness of the consolidation strategies and the ability of the merged institutions to adapt to changing economic conditions.*

6. Bankers and economists agree that while competition among numerous financial institutions can be beneficial, the focus should be on fostering stronger, well-capitalized entities.
7. TCB Bank (formerly TPB Bank Plc) joined the top-tier banks after acquiring TIB Corporate Bank and later integrating the assets of Tanzania Women's Bank and Twiga Bancorp.
8. China Commercial Bank Ltd. was placed under statutory administration by the Bank of Tanzania (BoT) and its obligations and assets were transferred to NMB Bank.
9. In another merger, Commercial Bank of Africa (Tanzania) Limited (CBA) and NIC Bank Tanzania Limited (NIC) combined forces to establish NCBA Bank Tanzania Limited, becoming a Tier-2 institution with assets valued at Sh508 billion.
10. In response to regulatory concerns, the BoT suggested transferring the assets and liabilities of the suspended Yetu Microfinance Bank Plc to NMB Bank Plc, following its placement under statutory administration due to liquidity and capital adequacy issues in December 2022.

Over the past five years, Tanzania has seen the closure of 15 banks as part of efforts to consolidate the financial sector, leading to a reduction in the number of banks from 59 in 2017 to 44 in 2022. This consolidation was driven by the acquisition of underperforming financial institutions.

Despite the liberalization of the banking sector in the 1990s, recent economic changes have highlighted capital challenges for some banks. A small number of top banks have come to dominate the industry, controlling a significant portion of deposits. The top six banks, with extensive branch networks and digital services, collectively held 65.4% of all deposits, prompting concerns about the need for stronger institutions in the market.

Bankers and economists agree that while competition among numerous financial institutions can be beneficial, the focus should be on fostering stronger, well-capitalized entities. Consolidation has been viewed as a positive strategy for achieving this goal.

Several noteworthy mergers have taken place. TCB Bank (formerly TPB Bank Plc) joined the top-tier banks after acquiring TIB Corporate Bank and later integrating the assets of Tanzania Women's Bank and

Twiga Bancorp. Mwanga Community Bank, EFC Microfinance Bank, and Hakika Microfinance Bank merged to form Mwanga Hakika Bank, which transitioned into a commercial bank.

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## THE CONSOLIDATION OF THE BANKING SECTOR IN TANZANIA, AS DESCRIBED IN THE PROVIDED DETAILS, CAN HAVE SEVERAL ECONOMIC EFFECTS:

1. Strengthened Financial Institutions: The consolidation efforts aim to create stronger and more robust financial institutions by merging underperforming banks and combining their assets. This can lead to improved financial stability and resilience in the banking sector, which is essential for the overall health of the economy.
2. Increased Efficiency: Mergers and acquisitions can result in streamlined operations, reduced duplication of resources, and improved cost-efficiency. This efficiency gain can positively impact the profitability of the merged institutions, potentially leading to better services for customers and higher returns for shareholders.
3. Enhanced Competition: While the number of banks is decreasing due to consolidation, stronger institutions could potentially offer more competitive and diverse financial products and services. This can stimulate healthy competition in the sector, benefiting consumers through better interest rates, improved service quality, and innovative offerings.
4. Reduced Systemic Risk: A smaller number of well-capitalized banks can help reduce systemic risk in the financial system. When banks are consolidated, their overall risk exposure and potential

vulnerability to economic shocks may decrease, making the entire banking system more resilient.

5. Improved Regulatory Oversight: With a smaller number of larger banks, regulatory authorities like the Bank of Tanzania may find it easier to monitor and supervise the financial sector. This enhanced oversight can lead to better adherence to regulatory standards, reduced risk of misconduct, and more effective response to potential issues.
6. Market Concentration Challenges: The dominance of a few major banks controlling a significant portion of deposits can lead to concerns about market concentration. While these banks may offer stability, they could also exert significant influence over interest rates, lending practices, and other financial aspects. Striking the right balance between competition and concentration is important for a healthy financial system.
7. Impact on Employment: Bank mergers and consolidations often result in operational restructuring, which can impact the workforce. While some positions might be redundant due to operational synergies, other positions might be created in areas like integration, technology, or expanded services. Overall, the net effect on employment can vary depending on the specific circumstances of each merger.
8. Economic Growth: A stable and well-functioning banking sector is crucial for supporting economic growth. If the consolidation efforts lead to stronger financial institutions that are better equipped to support business lending and investment, it could contribute to overall economic expansion.
9. Investor Confidence: The creation of larger, more stable financial entities could improve investor confidence in the Tanzanian banking sector. This could attract more foreign investment and potentially lead to increased foreign direct investment, supporting economic development.
10. Challenges and Transition Costs: While there are potential benefits, the process of consolidation can also be complex and entail various costs. These costs may include integration expenses, workforce adjustments, and challenges in aligning corporate cultures and systems.

## TANZANIA MOBILE MONEY PURSES ARE QUICKLY OVERTAKING OTHER ELECTRONIC PAYMENT

1. Tanzanian traders are rapidly preferring mobile money wallets over cash and electronic payment solutions as the preferred means of payment for commercial and financial activities.
2. According to the FinScope survey, 72% of adult Tanzanians now utilize mobile money, increasing financial inclusion to 76%.
3. The Tanzania Trade Barometer report from Standard Bank (Stanbic) reveals a shift in financial behavior, with traders choosing mobile money over electronic bank transfers for sales payments.
4. According to the FinScope report, formal financial inclusion has climbed to 76% of the population, owing to increased cell phone ownership and access to commercial banking services.
5. Mobile money and credit card payments climbed by three percentage points apiece, but EFT/electronic payments fell from 10% to 6%. As mobile phone penetration continues to climb, measures to close the gender gap and solve credit access issues will be critical in maintaining the country's commercial and financial sectors' good momentum.

Tanzanian traders are rapidly preferring mobile money wallets over cash and electronic payment solutions as the preferred means of payment for commercial and financial activities. According to the FinScope survey, 72% of adult Tanzanians now

*Despite the favorable improvements, Stanbic Bank's analysis identified loan availability as a risk for Tanzanian traders. Only 42% of survey respondents said it was simple to get credit. The percentage of trading companies extending credit terms fell from 44% to 42%, while the percentage of trading companies receiving credit advances from suppliers climbed from 39% to 45%.*

*Both Stanbic and FinScope surveys highlight Tanzania's rapid expansion of mobile money wallets, which is altering the landscape of financial transactions and greatly enhancing financial inclusion.*

*As mobile phone penetration continues to climb, measures to close the gender gap and solve credit access issues will be critical in maintaining the country's commercial and financial sectors' good momentum.*

utilize mobile money, increasing financial inclusion to 76%. The Tanzania Trade Barometer report from Standard Bank (Stanbic) reveals a shift in financial behavior, with traders choosing mobile money over electronic bank transfers for sales payments.

Since 2017, mobile money adoption has increased from 60% to 72%, making a substantial contribution to the country's increased financial inclusion. According to the FinScope report, formal financial inclusion has climbed to 76% of the population, owing to increased cell phone ownership and access to commercial banking services. However, inequities continue, with 80% of males and 71% of women having access to cell phones.

With a 67% acceptance rate, mobile money is the preferred financial service for Tanzanian traders. Transactional accounts come in second, with online banking trailing at 50%. Mobile money and credit card payments climbed by three percentage points apiece, but EFT/electronic payments fell from 10% to 6%.

As mobile phone penetration continues to climb, measures to close the gender gap and solve credit access issues will be critical in maintaining the country's commercial and financial sectors' good momentum.

Mobile money purses are quickly overtaking other electronic payment solutions and even cash as the primary mode of payment for companies and financial transactions in Tanzania.

According to a recent Standard Bank (Stanbic) report, Tanzania stands apart from other African countries where cash payments continue to dominate and mobile money adoption lags.

*According to the research, mobile money and credit card payments climbed by three percentage points each, reaching 21% and 15%, respectively, while EFT/electronic payments decreased from 10% to 6%.*

*Credit card usage increased from 15% to 18%, and mobile money payments increased from 15% to 16%, but electronic payments decreased from 13% to 9%.*

Stanbic's Tanzania Trade Barometer report, which examines trade patterns in 2022, reveals a notable shift in traders' financial behavior, with a preference for mobile money over electronic bank transfers for sales payments. This trend reflects the growing use of mobile money as electronic funds transfers (EFTs) lose favor for collecting sales payments.

Stanbic's findings are consistent with FinScope Tanzania's 2023 study, which shows a strong increase in mobile money usage among adult Tanzanians. Since 2017, mobile money adoption has increased from 60% to an astonishing 72%, significantly contributing to the country's increased financial inclusion.

According to FinScope, formal financial inclusion has increased to 76% of the population, up from 65% in 2017. This surge can be ascribed to an increase in mobile phone ownership, which has risen from 63% to 75% over the same time period.

Additionally, access to commercial banking services has increased, reaching 22% in 2018 compared to 17% in 2017, owing primarily to improved accessibility via mobile phones.

The analysis does, however, reveal some differences. While mobile phone ownership has increased, access to a phone has decreased from 93% to 86%, and the gender gap remains, with 80% of males having access to phones compared to 71% of women. Furthermore, roughly 19% of Tanzanians are still financially excluded, down from 28% in 2017.

According to Stanbic Bank research, mobile money is the preferred financial solution for Tanzanian traders, with a 67% usage rate. Transactional accounts lag far behind, increasing from 59% to 66%, while online banking remains at 50%.

## A POSSIBLE ECONOMIC DOWNTURN FOR TANZANIA

Tanzania is currently facing potential economic difficulties due to a sharp depreciation of its currency, the Tanzanian shilling, against the US dollar. This currency devaluation could lead to various adverse effects on the country's economy:

1. Impact on Imported Goods and Inflation: The Tanzanian shilling has reached an all-time low against the dollar, which is likely to result in increased costs for importing goods. This, in turn, is expected to cause inflation, as the higher import costs are likely to be passed on to consumers through increased prices for goods and services.
2. Regional Currency Depreciation: The issue of currency depreciation is not unique to Tanzania; it's a concern across Sub-Saharan African countries. Many countries in the region are experiencing their currencies losing value against the US dollar. This trend is contributing to inflationary pressures across the continent due to higher import costs.
3. Economic Ripple Effects: The currency's poor performance is expected to have a ripple effect throughout Tanzania's economy. The rising cost of imported goods is likely to impact various sectors, leading to increased expenses for businesses and potentially reduced purchasing power for consumers.
4. Direct Intervention Policies: The implementation of "Direct Intervention Policies" by the government.

*exploring local currency transactions with major trading partners can be a viable solution to mitigate the impacts of currency depreciation. This approach offers stability, reduces exchange rate risks, and strengthens trade relationships. However, it requires careful negotiation, coordination, and the cooperation of both parties involved in the trade agreements.*

This involves the central bank (Bank of Tanzania in this case) intervening in the foreign exchange market by selling off large amounts of dollars to stabilize the currency rates. Example of Turkey as a country that effectively used this strategy to manage currency fluctuations.

5. Seeking Local Currency Transactions: Another solution proposed is to explore the possibility of conducting transactions with major trading partners using local currencies rather than relying solely on the US dollar. An example is the case of Tanzania and India transacting using Tanzanian shillings and Indian rupees, which could potentially reduce pressure on the forex market.
6. External Factors: The currency decline across Sub-Saharan Africa is attributed to external forces. These include lower risk appetite in global markets and interest rate increases in the US. These factors have driven investors toward safer US Treasury bonds, leading to reduced investment in the region and contributing to currency depreciation.

Therefore, Tanzania's current economic challenges, driven by the depreciation of the Tanzanian shilling, The potential for increased costs of imported goods and subsequent inflation. Proposed solutions include government subsidies on imports, intervention policies to stabilize currency rates, and exploring alternative trading arrangements with major partners. The broader context of currency depreciation in Sub-Saharan Africa points to external factors playing a significant role in this economic situation.

One of the proposed solutions from the above explanation is the implementation of "Direct Intervention Policies" by the Tanzanian government, which involves the central bank (Bank of Tanzania) actively intervening in the foreign exchange market to stabilize currency rates. This solution can help address the economic challenges caused by the depreciation of the Tanzanian shilling against the US dollar. Here's a more detailed explanation of how this solution could work:

## DIRECT INTERVENTION POLICIES:

Direct Intervention Policies involve the central bank actively buying or selling its own currency in the foreign exchange market to influence its value relative to other currencies, particularly the US dollar in this case. When the currency is depreciating rapidly, as the Tanzanian shilling has been, the central bank can sell off a significant amount of its foreign exchange reserves, such as US dollars, to increase demand for the local currency. This increased demand can potentially halt or slow down the depreciation of the local currency and stabilize its value.

## THE BENEFITS OF THIS APPROACH INCLUDE:

1. Stabilizing Exchange Rates: By directly intervening in the foreign exchange market, the central bank can counteract excessive fluctuations in the exchange rate. This stability can provide more predictable conditions for businesses and consumers, reducing uncertainty in the economy.
2. Mitigating Inflationary Pressures: Stabilizing the currency can help control inflationary pressures that arise from the increased costs of imported goods due to currency depreciation. This can prevent a rapid rise in consumer prices and maintain purchasing power.
3. Boosting Investor Confidence: A stable currency can enhance investor confidence both domestically and internationally. It can attract foreign investment and support local businesses by reducing the risk associated with volatile currency movements.
4. Preserving Reserves: While this approach involves using foreign exchange reserves, it can be an effective short-term measure to manage currency volatility without completely depleting the reserves.

However, it's important to note that this solution may not be a long-term fix. It can provide temporary relief and stability, but addressing the root causes of currency depreciation—such as macroeconomic imbalances, external shocks, and structural issues is essential for sustained economic health. Additionally, the effectiveness of direct intervention depends on the central bank's available reserves and its ability to influence market sentiment.

Therefore, implementing direct intervention policies by the central bank to stabilize currency rates is a viable solution to mitigate the negative economic impacts of currency depreciation. This, coupled with broader strategies like government subsidies on imports and exploring alternative trading arrangements, can contribute to addressing Tanzania's economic challenges and promoting a more stable economic environment.

Certainly, another possible solution is exploration of conducting transactions with major trading partners using local currencies instead of solely relying on the US dollar. This solution aims to reduce pressure on the forex market and mitigate the effects of currency depreciation. Here's a more in-depth explanation of this solution:

## SEEKING LOCAL CURRENCY TRANSACTIONS:

Instead of conducting international trade transactions exclusively in US dollars, Tanzania could explore agreements with its major trading partners to transact using local currencies. For example, if Tanzania and India agree to use Tanzanian shillings and Indian rupees for their trade, it could offer several advantages:

1. Reduced Exchange Rate Risk: Conducting transactions in local currencies reduces the exposure to exchange rate fluctuations. This is because the value of the transaction is directly determined in the respective local currencies, rather than being subject to changes in the value of the US dollar.
2. Lower Import Costs: When transactions are conducted in US dollars, currency depreciation can lead to higher import costs. By using local currencies, the impact of currency depreciation on import costs is minimized, as the value of the local currency is stabilized within the bilateral trade agreement.
3. Enhanced Trade Relations: Adopting local currency transactions can strengthen trade relations with partner countries. It demonstrates a commitment to cooperation and flexibility in trade arrangements, potentially leading to more stable and predictable trade partnerships.

4. Reduced Pressure on Forex Market: Transactions in local currencies reduce the demand for foreign currencies like the US dollar in the forex market. This can help alleviate some of the pressure that contributes to currency depreciation.
5. Support for Domestic Industries: Using local currencies can also promote domestic industries by making their products more competitive in international markets. This can potentially boost exports and enhance economic resilience.

## HOWEVER, THERE ARE CHALLENGES TO CONSIDER:

1. Infrastructure and Agreements: Setting up the infrastructure and agreements for conducting transactions in local currencies requires coordination and negotiation with trading partners. This can take time and effort.
2. Currency Stability: Both countries involved must maintain relative currency stability to ensure that transactions conducted in local currencies remain a reliable option. Otherwise, fluctuations in one currency could impact trade relationships.
3. Diverse Trade Partners: While this solution can work well with major trading partners, a diverse trade portfolio may still involve transactions in various currencies, necessitating a comprehensive approach.
4. Global Acceptance: The widespread use and acceptance of the US dollar as a global reserve currency may still influence some international trade, especially with countries that heavily rely on the dollar.

Therefore, exploring local currency transactions with major trading partners can be a viable solution to mitigate the impacts of currency depreciation. This approach offers stability, reduces exchange rate risks, and strengthens trade relationships. However, it requires careful negotiation, coordination, and the cooperation of both parties involved in the trade agreements.

## TANZANIA'S STOCK MARKET SUFFERS A MAJOR SETBACK. DO YOU SEE WHY?

1. This decline was mostly attributable to external global circumstances, with foreign investors purchasing shares at a 58% lower rate.
2. The drop in sales and foreign acquisitions should serve as a wake-up call for market participants and decision-makers, highlighting the importance of taking bold steps to promote market activity, particularly among local retail investors.
3. According to market data from the Dar es Salaam Stock Exchange (DSE), this represents a 34.5% decrease in liquidity.
4. According to the data, foreign investors purchased nearly 58% less shares over the study period.
5. Foreign investors spent about Sh49.09 billion on shares between January and June of last year, compared to Sh20.44 billion between January and June of 2023.

Tanzania's stock exchange saw a considerable drop in turnover, falling from Sh75.05 billion in the first half of 2022 to Sh49 billion in 2023. This decline was mostly attributable to external global circumstances, with foreign investors purchasing shares at a 58% lower rate. The liquidity on the Dar es Salaam Stock Exchange (DSE) has decreased by 34.5%. Changes in interest rates, dollar availability, inflation, and trade issues relating to frontier markets are all factors contributing to the fall. The global oil crisis, Chinese lockdowns, and pandemic supply limits all played a role in the decreasing trend.

*According to experts, the drop in overall sales and foreign purchases should serve as a wake-up call for market participants and decision-makers. According to their argument, the first-half decline demonstrates the need for robust market-stimulating measures, particularly among local retail investors.*

According to Exodus Advisory, the slowdown in foreign activity is related to global financial shifts rather than local economic performance. The drop in sales and foreign acquisitions should serve as a wake-up call for market participants and decision-makers, highlighting the importance of taking bold steps to promote market activity, particularly among local retail investors.

Due to global economic uncertainty, including trade tensions and geopolitical risks, investor opinion toward frontier nations such as Tanzania was more cautious in the first half of 2023. Because of this decrease in trading, Tanzania's overall stock market turnover declined from Sh75.05 billion in the first half of 2022 to Sh49 billion in 2023.

According to market data from the Dar es Salaam Stock Exchange (DSE), this represents a 34.5% decrease in liquidity.

According to The Citizen, a Tanzanian news agency, numerous international investors have modified their investing philosophies and adopted a risk-averse mentality as a result of the ongoing volatility in the world financial markets.

According to the data, foreign investors purchased nearly 58% less shares over the study period. Foreign investors spent about Sh49.09 billion on shares between January and June of last year, compared to Sh20.44 billion between January and June of 2023.

Analysts feel that a variety of factors, including changes in interest rates in established markets, issues with dollar availability, inflation, and trade concerns relating to frontier markets such as the DSE, have all contributed to this downward trend.

Russia's assault of Ukraine, the global oil crisis, sporadic Chinese lockdowns, and pandemic supply limits have all conspired to create an explosive cocktail of soaring expenses.

The CEO of the financial firm Exodus Advisory concurred that the slowdown in overseas activity was due to global financial shifts rather than local economic performance.

"This year, we have seen foreigners offload investments from risky markets to more stable and developed markets as they try to balance their portfolio with global interest rate adjustments."

## TANZANIA'S UNEMPLOYMENT-REDUCTION STRATEGY

1. Tanzania's Third Five-Year Development Plan aims to reduce unemployment to 8% by 2025/26, with an emphasis on skill development. The government intends to increase graduate on-the-job training to 231,000 by 2025/26, up from 46,000 in 2019/20.
2. Collaboration between the public and private sectors is critical to achieving economic growth, including promoting gender equality, combatting climate change, and improving workplace health and safety.

Tanzania's government announced that the country's third Five-Year Development Plan seeks to reduce unemployment from 9% in 2019 to 8% by 2025/26.

According to Dr. Joyce Ndalichako, minister of state in the Prime Minister's Office (Work, Youth, Employment, and the Disabled), one of the methods the government will take to attain that goal is skill development.

As a result, the government will increase the number of graduates who receive on-the-job training as part of its measures to help young people enhance their skills.

"Ultimately, we suggest that the solution to unemployment lies in adequate collaboration with employers through their association, ATE, on issues such as a lack of skills for young people and on-the-job training opportunities."

*Despite their support for the government, it has pledged to gradually decreasing the Skill Development Levy (SDL) from 3.5% to 4% through the Financial Law of 2023, lowering the cost of doing business for the country's businesses. In addition, we commend all legislative, regulatory, and administrative changes aimed at improving the nation's business and investment climate*

Under the third Five-Year Development Plan (2021/22-2025/26), the government aimed to increase the number of graduates with apprenticeship training from 46,000 in 2019/20 to 231,000 by 2025/26. The training goal is to increase the number of graduates from 30,000 in 2019-20 to 150,000 by 2025-2026.

According to the ATE board chairman, the group has a three-year business strategy (2023-25) to encourage enterprises to promote a competitive and sustainable economy. The plan encourages businesses to assist individuals in acquiring the skills required for domestic and worldwide employment markets.

"Bettering the laws and systems that regulate labor and employment issues in order to bring productivity to the workplace, and continuing to generally stimulate the participation of the private sector in developing our country's economy in collaboration with various development stakeholders, including the government,"

Encouraging the private sector's understanding and participation in issues that affect many industries, such as achieving gender equality in the workplace, combating climate change (via green transition initiatives), improving workplace health and safety, and assisting those with disabilities in finding employment opportunities.

"As chairman, my motivation with my new board includes continuing to push agendas to promote the country's economy and investment, as well as to contribute to ATE's well-being." ATE has recently done very well, which has prompted external stakeholders to continue working with ATE, and we now have close cooperation with other Ministries, such as the Ministry of Education, through various skill development programs across the country."

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## HOW ECONOMIES FUNCTION

### Inflation Rates

The inflation rate has further dropped to 3.3 percent from 3.6 percent last month. However, upon calculation, it becomes evident that the inflation rate has reduced to 3.1 percent.

Inflation for all products has decreased by -0.1 percent in just one month. The decrease in inflation is attributed to price reductions in the following products:

1. Food and nonalcoholic beverage inflation has decreased by -1.2 percent in one month, but it has increased by 6.1 percent in one year.
2. Alcoholic beverage and tobacco inflation has increased by 2 percent in one month, and it has also increased by 3.8 percent in one year.
3. Clothing and footwear prices increased by 0.1 percent in one month but rose by 3.4 percent overall.
4. Housing, water, electricity, gas, and other fuels, furnishings, housing equipment, and routine costs decreased by 0.2 percent in one month, but increased by 1.2 percent overall.
5. Household maintenance costs grew by 0.5 percent in one month and by 2.7 percent over the course of the year.
6. Health-care expenditures grew by 0.7 percent in one month, and they increased by 1.9 percent in one year.
7. Transport prices grew by 0.9 percent in one month and by 0.4 percent over the course of the year.

*How inflation rates have changed across various product categories. It reveals the intricate interplay of price movements, both monthly and annually, highlighting sectors with price decreases, increases, and their varying magnitudes. This detailed breakdown offers insights into the broader economic dynamics impacting consumer prices.*

8. Information and communication costs climbed by 0.2 percent and increased by more than 2.1 percent overall for the year.
9. Insurance and financial services expenses grew by 0.7 percent in one month, but the year-to-date increase is 0.2 percent.
10. Personal care, social protection, and other goods and services expenditures have increased by 1.2 percent in a year, and they have also increased by 3.9 percent in a year.

## HIGHLIGHTING CHANGES IN VARIOUS PRODUCT CATEGORIES OVER DIFFERENT TIMEFRAMES. HERE'S A MORE COMPREHENSIVE BREAKDOWN OF THE INFORMATION:

1. Initial Inflation Rate Drop: The inflation rate has decreased further to 3.3% from the previous month's 3.6%. This drop in the inflation rate suggests a trend of declining overall price levels.
2. Adjusted Inflation Rate: Upon closer calculation, it is revealed that the inflation rate has been further reduced to 3.1%. This suggests that the original reported drop from 3.6% to 3.3% was an initial assessment, and a more precise calculation results in an even lower inflation rate.
3. Inflation for All Products: The Economists Talk Magazine indicates that the inflation rate has decreased by -0.1% in a single month. This means that, on average, prices across various product categories have slightly decreased over that month.

## PRICE REDUCTIONS IN DIFFERENT CATEGORIES:

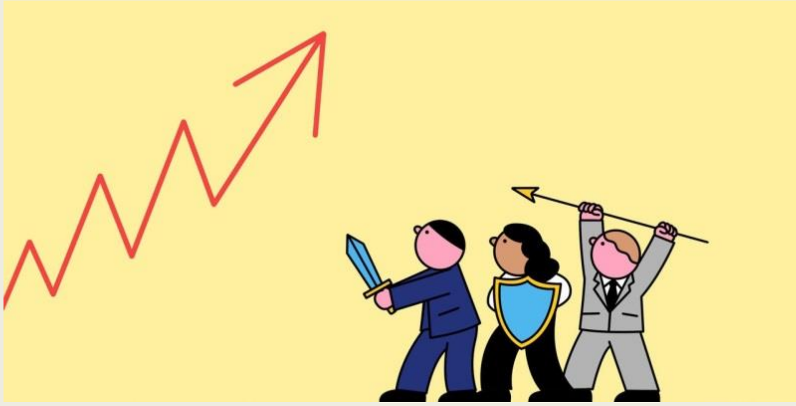
- Food and Nonalcoholic Beverages: The inflation rate for this category has dropped by -1.2% in one month. Despite this monthly decrease, it has increased by 6.1% over the course of a year.
- Alcoholic Beverages and Tobacco: In contrast, this category has seen an increase of 2% in inflation within one month. Over a year, it has also increased by 3.8%.
- Clothing and Footwear: While there was a minimal increase of 0.1% in one month, the overall increase in this category's prices over the year was 3.4%.
- Housing and Utilities: Prices for housing-related expenses, including water, electricity, gas, and other fuels, have decreased by 0.2% in a month. However, these costs have increased by 1.2% overall within the year.

- Household Maintenance: Costs for maintaining households grew by 0.5% in a month and 2.7% over the course of the year.
- Health Care: Health care expenditures experienced a growth of 0.7% in one month, with a larger increase of 1.9% over the entire year.
- Transport: Prices in the transport sector saw a monthly increase of 0.9%, while the annual increase was 0.4%.
- Information and Communication: Costs in this category climbed by 0.2% within a month and more than 2.1% over the entire year.
- Insurance and Financial Services: Monthly growth in this category was 0.7%, but the year-to-date increase was 0.2%.
- Personal Care and Other Expenditures: This category saw an increase of 1.2% over the year and an additional increase of 3.9% within the same timeframe.

**Why Does Inflation Matter for Small Businesses?**

Inflation is an important factor for small businesses, as it can have a significant impact on their capacity to plan for the future. It can also cause clients to become concerned and reduce their spending, leading to lost sales. While inflation can be harmful, it can also be beneficial for small enterprises if they absorb higher costs or raise prices. This can help them to increase their revenue and make it financially advantageous to expand without raising red flags with their clients.

When it comes to small-business inflation, many people just consider the bottom line. Understanding the big picture is, of course, crucial for any small business owner or manager. It is critical to properly grasp how increased prices affect your business and to plan measures to protect your firm against inflation.



## What would be the best model for a business to adopt, especially in this period where the prices of goods and services are unpredictable?

**How is inflation affecting businesses?**

The question is not so much "how does inflation affect small businesses" as "what parts of a business are not affected?" There are certainly a few outliers, but they are hard to find because anything that costs money has been influenced in some way by rising expenses.

The current inflationary tendencies make it increasingly difficult for small enterprises to offer their goods and services at competitive pricing. That leaves managers and owners with two options: absorb the higher costs or raise prices. While bearing the extra costs is never a pleasant option, boosting pricing in some businesses may be impossible.

**The benefits of inflation to big company**

This reality demonstrated a surprising principle, not all inflation is harmful.

A natural progression of pricing and expenses allows you to enhance your revenue and makes it financially advantageous to expand whenever possible. When prices for things steadily grow, you can raise pricing for your items or services without raising red flags with your clients.

**The benefits of inflation to big company**

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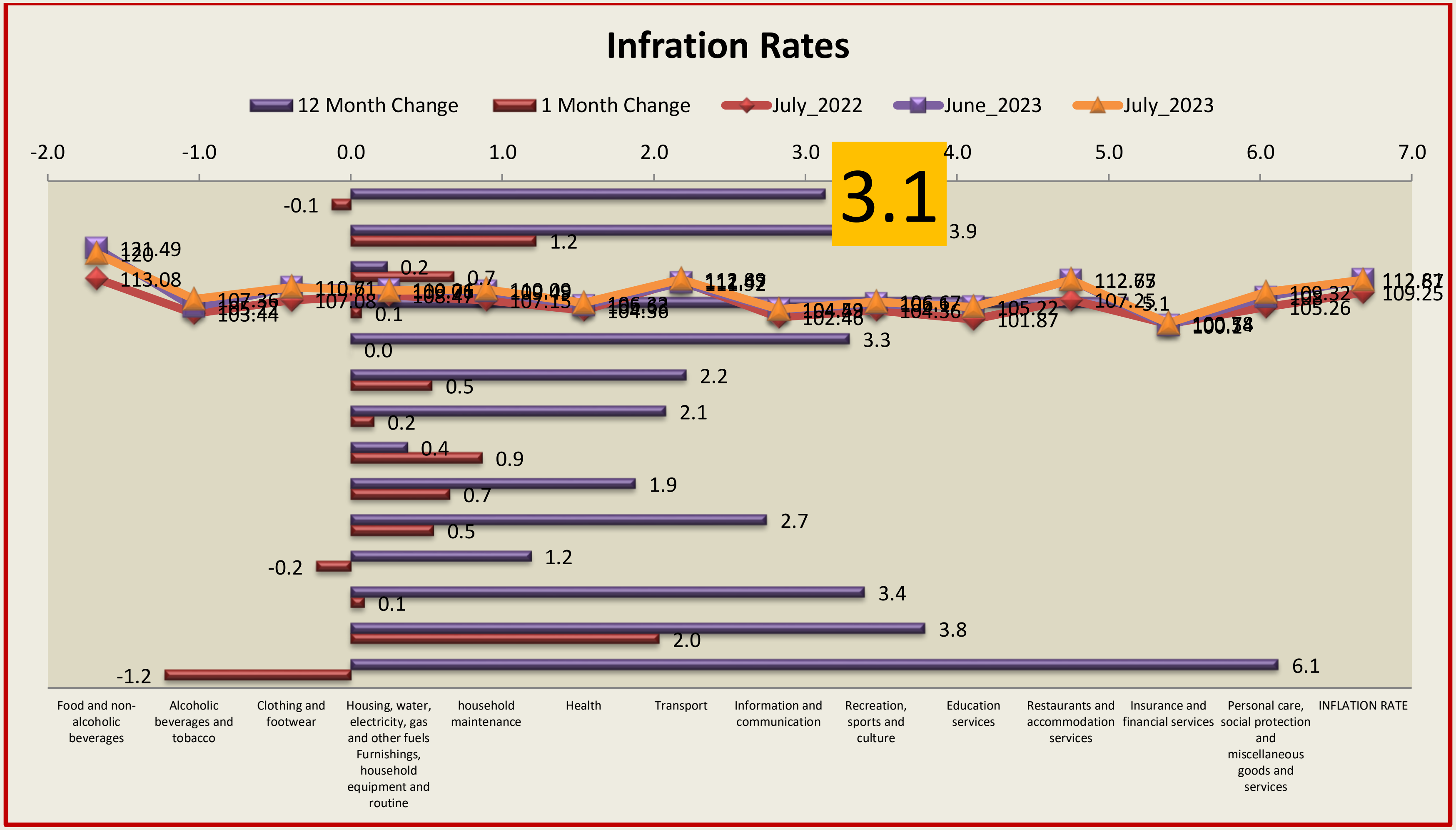
Infration Rates
12 Month Change
1 Month Change
July_2022
June_2023
July_2023
-2.0
-1.0
0.0
1.0
2.0
3.0
4.0
5.0
6.0
7.0
3.1
-0.1
3.9
1.2
0.2
0.7
0.1
3.3
0.0
2.2
0.5
2.1
0.2
0.4
0.9
1.9
0.7
2.7
0.5
1.2
-0.2
3.4
0.1
3.8
2.0
6.1
-1.2
113.08
103.44
107.08
107.13
102.48
101.87
107.25
105.26
109.25
Food and non-alcoholic beverages
Alcoholic beverages and tobacco
Clothing and footwear
Housing, water, electricity, gas and other fuels Furnishings, household equipment and routine
household maintenance
Health
Transport
Information and communication
Recreation, sports and culture
Education services
Restaurants and accommodation services
Insurance and financial services
Personal care, social protection and miscellaneous goods and services
INFLATION RATE

## TANZANIA IS ONE OF THE LARGEST AFRICAN ECONOMIES

According to the Trading Economics research, Tanzania, one of the largest African economies, has become one of the ten countries with strong economy through December 2022. The country's GDP of $75.71 billion is driven by burgeoning tourism, agriculture, and mining industries, with vital ports and natural gas potential contributing to the country's growing prominence in East Africa. Nigeria and Egypt have the largest economy, with each having a $477 billion GDP. Ethiopia and Kenya are also thriving in tech-driven businesses, attracting foreign investment and paving the way. These countries hold the key to molding Africa's economic future, attracting investments, and driving regional development.

A small handful of countries holds the key to determining Africa's economic future, attracting investments, and driving regional development. These countries have the key to influencing Africa's economic trajectory and shaping its economic destiny. Nigeria's $477 billion GDP is the largest in Africa, and Lagos is a thriving tech powerhouse and the continent's second-largest metropolitan area. Egypt's $477 billion GDP is driven by a varied range of businesses such as tourism, agriculture, textiles, and petroleum. South Africa's GDP is $406 billion, making it a financial and industrial powerhouse, whereas Algeria's GDP is $192 billion, making it a key economic force in North Africa.

*Morocco's $134 billion GDP is a rising star in North Africa, thanks to the country's thriving tourism and agriculture sectors, as well as investments in renewable energy and industrialization. Ethiopia's $127 billion GDP is driven by a thriving agriculture and manufacturing sector, while Kenya's $113 billion GDP also contributes to the country's economic prosperity. Angola's $107 billion GDP is supported by its focus on oil production and diamond mining, establishing it as a prominent player in Southern Africa.*

*In Africa's ever-changing economic landscape, a select set of states stands out. They hold the key to determining Africa's economic future. Their influence is seen throughout the region, generating investments and driving regional growth. Join us on an exploration of the economic powerhouses driving Africa's progress and influencing its future.*

1. Nigeria: $477 Billion: Nigeria has the largest economy in Africa, with a GDP of $477 billion. The country's fast rise in the financial sector, as well as its dominance in petroleum exports, fuel its economic might. Lagos, Africa's second-largest urban area and a booming digital hub, adds to Nigeria's regional clout.

2. Egypt: $477 Billion: Egypt shares the top slot with Nigeria, with a GDP of $477 billion. Its economy is varied, with industries ranging from tourism to agriculture to textiles and petroleum. Egypt's strategic location at the crossroads of Africa and the Middle East adds to the country's importance on the continent.

3. South Africa: $406 Billion: South Africa has a $406 billion GDP as a financial hub and industrial powerhouse. Its abundant mineral riches and well-established businesses attract worldwide investment and promote regional economic growth.

4. Algeria: $192 billion: Algeria's petrochemical industry adds to the country's $192 billion GDP, thanks to vast oil and natural gas reserves. Algeria is now a prominent economic force in North Africa.

5. Morocco: $134 Billion: With a GDP of $134 billion, Morocco is a rising star in North Africa. Its thriving tourism and agriculture sectors, as well as investments in renewable energy and industrialization, help to boost its economy.

6. A thriving agriculture and manufacturing sector drives Ethiopia's $127 billion GDP. Ethiopia, as one of the fastest-growing economies, welcomes foreign investment and fosters a booming middle class.

7. Kenya: $113 Billion: Kenya's creative tech industry and business-friendly climate contribute to the country's economic prosperity. Nairobi, a thriving IT and economic hub, is home to the African offices of major conglomerates, bolstering Kenya's regional prominence.

8. Angola: $107 Billion: Angola's $107 billion GDP is supported by its focus on oil production and diamond mining, establishing it as a prominent player in Southern Africa. Diversification efforts are promoting growth and development.

9. Tanzania has a GDP of $75.71 billion, which is driven by flourishing tourism, agriculture, and mining industries. Tanzania's growing prominence in East Africa is aided by strategic ports and the possibility for natural gas.

10. Ghana: $72.84 Billion: Ghana's stable political atmosphere and thriving industries, such as cocoa production, mining, and oil exploration, attract global interest and contribute to the country's economic strength.

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## TANZANIA'S ECONOMIC GROWTH RISKS HAVE REMAINED MODERATE

1. Tanzania's Mainland economy is expected to grow at 5.2% and Zanzibar's economy at 7.2% in 2023, underpinned by improved business conditions, banking sector profitability, liquidity available to fund firms, and governmental infrastructure investment.
2. Global growth fell to 4.4% in 2022 from 5.9% in 2017, owing mostly to supply-chain disruptions induced by the Ukraine war, the emergence of the COVID-19 pandemic and its cumulative impacts, tightening financial conditions, and climate-related constraints leading to high food and energy costs.
3. Due to prolonged tight financial conditions, the war in Ukraine, and the cumulative impacts of the COVID-19 pandemic, the global economy is expected to rise by 3.8% in 2023. In the face of foreign shocks, the domestic economy remained stable, with growth in Tanzania Mainland and Zanzibar ranging from 4.7% to 5.4% in 2022.
4. The revival of economic activity and continued governmental and private sector investment led to the growth.
5. Non-financial corporations' financing sources strengthened, showing a resurgence in business activity and increasing domestic and overseas demand. With appropriate capital, liquidity, and low credit risks, the

*The global financial system was vulnerable to perils posed by the Ukraine conflict, climate change, and tighter financial conditions. Global growth fell to 4.4% in 2022 from 5.9% in 2017, owing mostly to supply-chain disruptions induced by the Ukraine war, the emergence of the COVID-19 pandemic and its cumulative impacts, tightening financial conditions, and climate-related constraints leading to high food and energy costs.*

*Due to prolonged tight financial conditions, the war in Ukraine, and the cumulative impacts of the COVID-19 pandemic, the global economy is expected to rise by 3.8% in 2023.*

banking sub-sector remained resilient. With greater domestic investor engagement, financial and capital markets remained strong, stable, and resilient.

6. The insurance subsector remained stable, with increased gross premiums and profitability, as well as appropriate capital and liquidity.
7. In both Tanzania Mainland and Zanzibar, the social security sub-sector was resilient, with improved assets and the ability to pay maturing liabilities.
8. In conclusion, domestic economic risks have remained mild as a result of a sound macroeconomic environment, corporate activity recovery, and government policy initiatives.
9. However, the domestic economy is vulnerable to tightened financial circumstances, climate-related threats, and the ongoing war in Ukraine.

In the face of foreign shocks, the domestic economy remained stable, with growth in Tanzania Mainland and Zanzibar ranging from 4.7% to 5.4% in 2022. The revival of economic activity and continued governmental and private sector investment led to the growth. Tanzania's Mainland economy is expected to grow at 5.2% and Zanzibar's economy at 7.2% in 2023, underpinned by improved business conditions, banking sector profitability, liquidity available to fund firms, and governmental infrastructure investment.

Household risks dropped as disposable income increased, whereas non-financial firm risks improved as borrowing and servicing debts climbed. Non-financial corporations' financing sources strengthened, showing a resurgence in business activity and increasing domestic and overseas demand. With appropriate capital, liquidity, and low credit risks, the banking sub-sector remained resilient.

With greater domestic investor engagement, financial and capital markets remained strong, stable, and resilient. The insurance subsector remained stable, with increased gross premiums and profitability, as well as appropriate capital and liquidity. In both Tanzania Mainland and Zanzibar, the social security sub-sector was resilient, with improved assets and the ability to pay maturing liabilities.

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## MONEY SUPPLY

Money circulation surged by 68.2 percent in one month, up from 38.7 percent the previous month, but it also declined from 64 percent the previous year. The increase in money supply is due to the Bank of Tanzania increasing money circulation from -11.5 percent last month to 0.2 percent this year. Additionally, a -7.4 percent increase in net foreign assets this month contrasts with -25.9 percent last month and -13.5 percent last year. Domestic claims have declined by 22.4 percent this month, compared to 24.4 percent last month, while net domestic assets have decreased by 29.8 percent. Currency circulation climbed by over 15.5 percent this month, compared to 13.4 percent the previous month. This facilitates the flow of money for certain businesses. The circulation of narrow money supply (M1) has expanded by 19.3 percent, up from 17.2 percent last month.

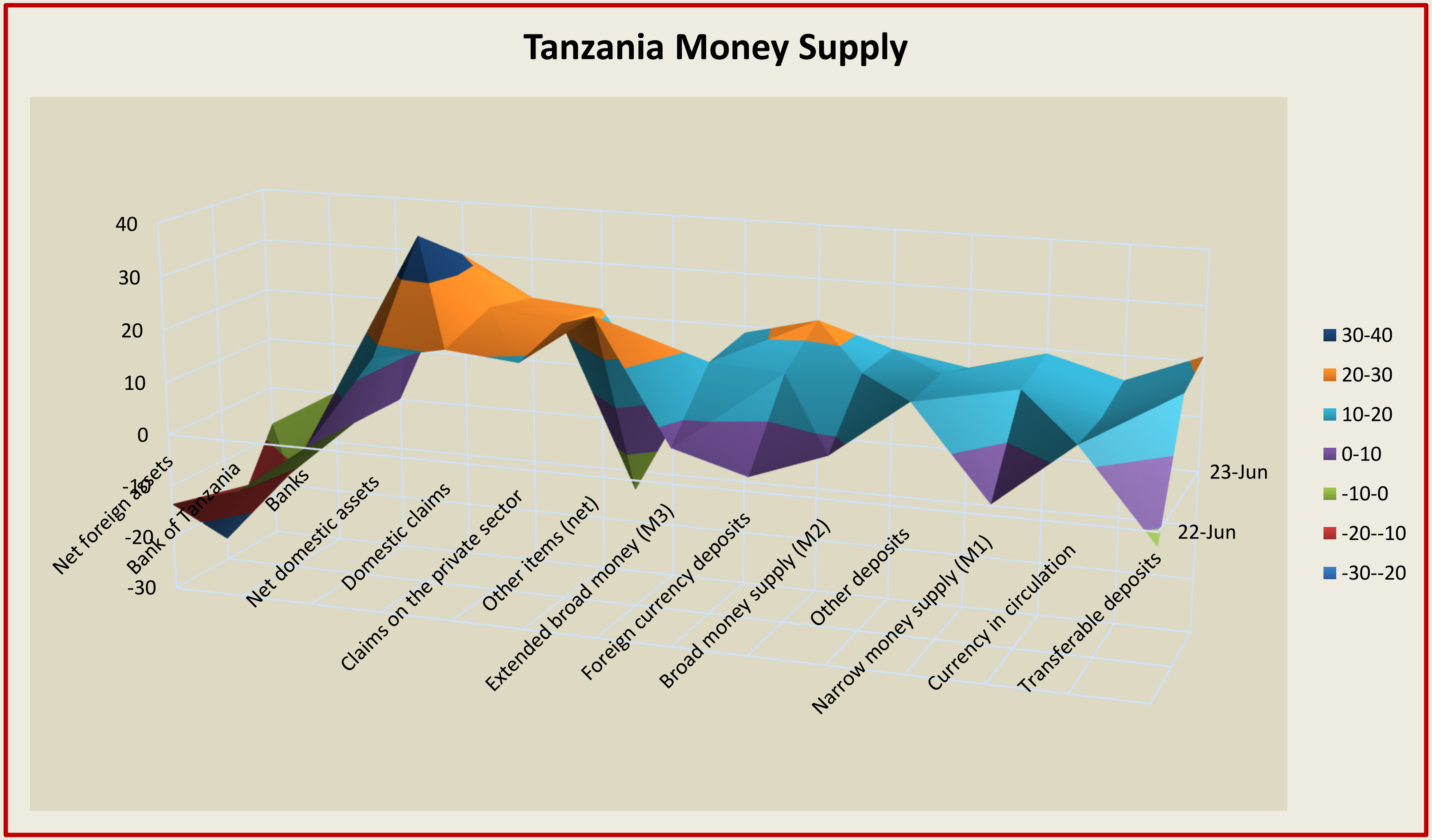
*The central bank's actions, changes in foreign assets, domestic claims, net domestic assets, and currency circulation all contribute to the fluctuations observed in the money supply. These dynamics reflect broader economic trends and efforts to manage the country's financial stability and growth.*

### MONEY SUPPLY DYNAMICS, HIGHLIGHTING VARIOUS CHANGES AND FACTORS AFFECTING IT:

1. Money Circulation Increase and Decrease: The Economists Talk Magazine begins by describing a substantial increase in money circulation. In one month, money circulation surged by 68.2%, marking a significant growth compared to the previous month's 38.7%. However, this robust increase is juxtaposed with a decline in money circulation from 64% over the course of

the previous year, indicating potential fluctuations in the economy.

2. Bank of Tanzania's Role: The rise in money supply is attributed to the efforts of the Bank of Tanzania, the country's central bank. Last month, the bank had a negative growth rate of -11.5%, which indicates a contraction in money circulation. However, the situation improved as the bank increased money circulation to 0.2% this year, signaling a proactive measure to stimulate the economy.
3. Net Foreign Assets: A crucial aspect of the money supply is the net foreign assets. This refers to the difference between a country's foreign assets and foreign liabilities. The Economists Talk Magazine mentions a -7.4% increase in net foreign assets for the current month. This contrasts with a more severe decline of -25.9% during the previous month and a lesser decline of -13.5% over the past year. These fluctuations suggest changing dynamics in terms of the country's international economic interactions.
4. Domestic Claims and Net Domestic Assets: The Economists Talk Magazine also touches on domestic claims and net domestic assets. Domestic claims decreased by 22.4% in the current month compared to a slightly higher decrease of 24.4% in the previous month. Concurrently, net domestic assets have seen a decrease of 29.8%. These fluctuations may reflect changes in lending, borrowing, and economic activities within the country.
5. Currency Circulation: The flow of physical currency is an integral part of money supply. The Economists Talk Magazine reports that currency circulation increased by over 15.5% in the current month, compared to a rise of 13.4% in the previous month. This suggests an increased demand for physical currency, possibly to facilitate transactions, trade, or savings.
6. Narrow Money Supply (M1): Narrow money supply, often referred to as M1, includes currency in circulation and demand deposits (checking accounts). The Economists Talk Magazine notes that M1 expanded by 19.3% in the current month, up from 17.2% in the previous month. This expansion suggests an increase in liquid assets available for immediate transactions.


Tanzania Money Supply
40
30
20
10
0
-10
-20
-30
Net foreign assets
Bank of Tanzania
Banks
Net domestic assets
Domestic claims
Claims on the private sector
Other items (net)
Extended broad money (M3)
Foreign currency deposits
Broad money supply (M2)
Other deposits
Narrow money supply (M1)
Currency in circulation
Transferable deposits
23-Jun
22-Jun
30-40
20-30
10-20
0-10
-10-0
-20--10
-30--20

## IMPORT RATES

Over one year, the import rate climbed by 739 percent, but it plummeted by 70 percent in one month. The following items saw changes in import rates in a single year:

1. Capital goods decreased by 22% within one month but increased by more than 22% within one year.
2. Machinery and mechanical appliances increased by 38% within one year but decreased by 29% within one year.
3. Industry transport equipment decreased by 19% within one month but increased by 20% within one year.
4. Electrical machinery and equipment climbed by 3% in one month and increased by 16% in one year.
5. Intermediate products declined by 12% in one month but decreased by 19% in one year.
6. Industry supplies have dropped by over 12% in a month and also by 18% in a year.
7. The replacement of fertilizers fell by 36% in one month but grew by 114% in one year.
8. The import rate of petrol and lubricants climbed by 7% in one month but declined by 32% in one year.
9. The import rate of wheat grain has fallen by 31% in one month yet climbed by more than 116% in one year.
10. Sugar for industrial usage has declined by 51 percent in one month and by 50 percent in one year.
11. Other consumer goods import rates fell by 1% in a single month but grew by 52% in a year.

*Import rate changes, both annual and monthly fluctuations in various categories. These changes can reflect shifts in demand, economic conditions, industrial activities, and consumer preferences. The overarching theme suggests a dynamic and potentially volatile import landscape with a mix of increases and decreases across different product categories.*

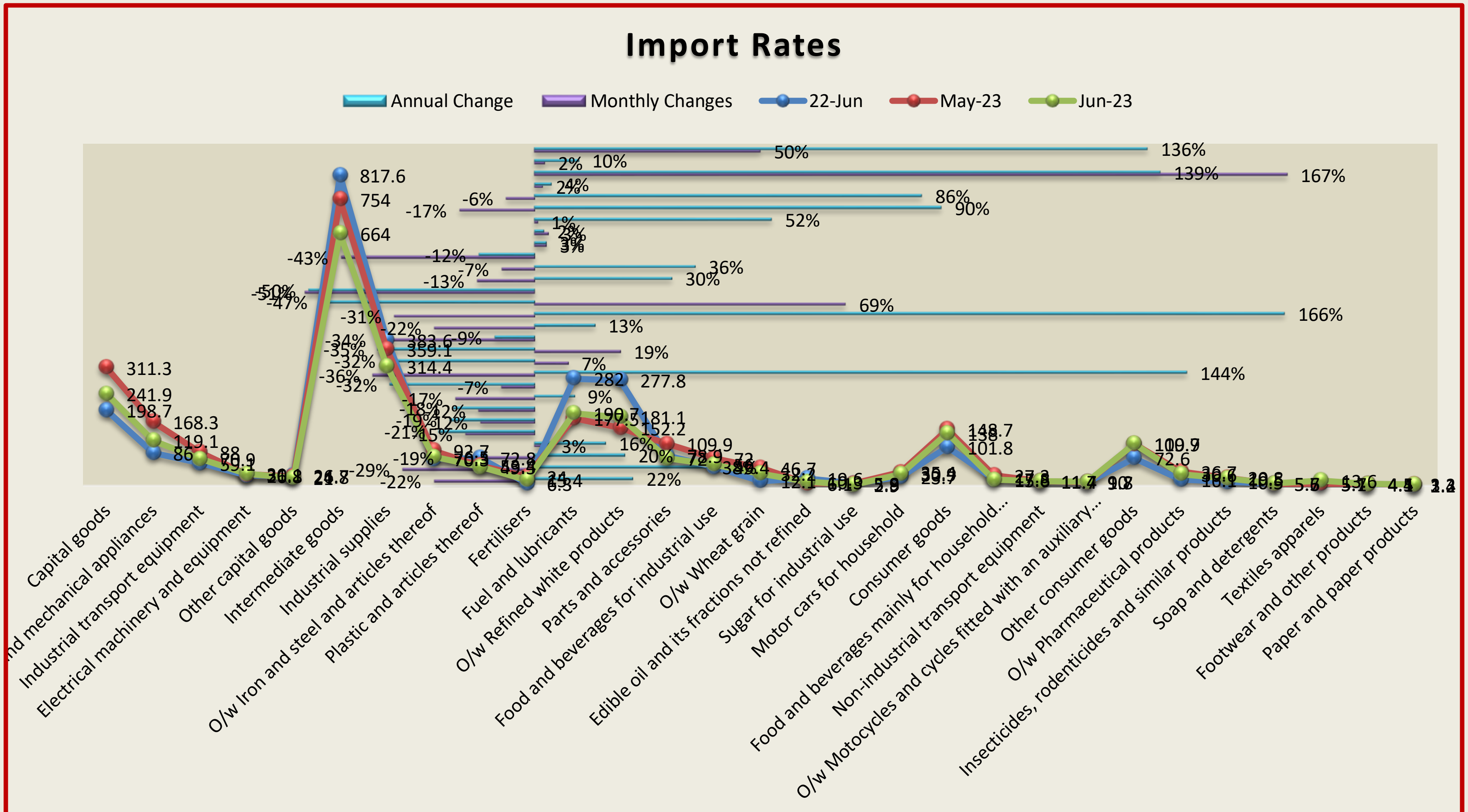
12. The import rate of pharmaceutical products declined by 17% in one month but climbed by 90% in one year.
13. The import rate remains high at the moment; it is 739 percent of all the products we have imported, indicating that local industries are still insufficient to meet customer needs.

## THE OVERVIEW OF IMPORT RATES, OUTLINING BOTH ANNUAL AND MONTHLY CHANGES IN SPECIFIC CATEGORIES. HERE'S A MORE DETAILED BREAKDOWN OF THE INFORMATION:

1. **Annual Import Rate Increase**: The substantial increase in the overall import rate over the span of a year. The import rate has surged by an astonishing 739% over this time frame, indicating a significant rise in the volume or value of goods imported into the country.
2. **Monthly Import Rate Plunge**: Despite the impressive annual increase, the Economists Talk Magazine also notes a sharp decline in the import rate over the course of just one month. The import rate plummeted by a significant 70% in this short period. This drastic change suggests a sudden and substantial shift in import activities.
3. **Specific Categories' Changes**: The Economists Talk Magazine further delves into the changes in import rates for specific categories of goods within a single year:
   - Capital Goods: Experienced a decrease of 22% in one month but then bounced back with a more than 22% increase within the year. This suggests volatility in the demand for machinery and equipment used for production.
   - Machinery and Mechanical Appliances: Increased by 38% in one year but declined by 29% within the same year. This might reflect fluctuations in industrial activity or technological upgrades.
   - Industry Transport Equipment: Decreased by 19% in one month but rebounded with a 20% increase within a year. This could indicate shifts in demand for vehicles or transportation-related equipment.
   - Electrical Machinery and Equipment: Climbed by 3% in one month and increased by 16% within a year, potentially indicating sustained demand for electronics.

- Intermediate Products: Experienced a 12% decline in one month but a 19% decrease within a year, suggesting fluctuations in demand for intermediate goods used in production processes.
- Industry Supplies: Dropped by over 12% in a month and also declined by 18% in a year. This might point to reduced demand for raw materials or inputs.
- Fertilizers: Fell by 36% in a month but grew by a substantial 114% in a year, indicating changing agricultural needs or market dynamics.
- Petrol and Lubricants: Saw a 7% increase in one month but declined by 32% within a year, possibly reflecting changes in energy consumption or supply.
- Wheat Grain: Experienced a 31% decline in one month but surged by over 116% within a year, potentially reflecting changes in food demand or supply.
- Sugar for Industrial Usage: Declined by 51% in one month and 50% within a year, indicating changes in industrial needs or production processes.
- Other Consumer Goods: Fell by 1% in a single month but grew by a substantial 52% in a year, suggesting shifts in consumer preferences or demand patterns.
- Pharmaceutical Products: Declined by 17% in one month but climbed by 90% within a year, likely reflecting changes in healthcare needs or supply chain dynamics.

4. **Ongoing High Import Rate**: The Economists Talk Magazine concludes by noting that the import rate remains high at the moment, standing at 739% of all products imported. This suggests that the volume or value of imported goods significantly outweighs domestic production, indicating that local industries might not yet be sufficient to meet the needs of customers.


Import Rates
Annual Change
Monthly Changes
22-Jun
May-23
Jun-23
Capital goods
nd mechanical appliances
Industrial transport equipment
Electrical machinery and equipment
Other capital goods
Intermediate goods
Industrial supplies
O/w Iron and steel and articles thereof
Plastic and articles thereof
Fertilisers
Fuel and lubricants
O/w Refined white products
Parts and accessories
Food and beverages for industrial use
O/w Wheat grain
Edible oil and its fractions not refined
Sugar for industrial use
Motor cars for household
Consumer goods
Food and beverages mainly for household...
Non-industrial transport equipment
O/w Motocycles and cycles fitted with an auxiliary...
Other consumer goods
O/w Pharmaceutical products
Insecticides, rodenticides and similar products
Soap and detergents
Textiles apparels
Footwear and other products
Paper and paper products

## EXPORT RATE

Within one year, the export rate climbed by 4%, and within two years, it increased by 13%. Over one year, gold exports climbed by 7%, but they declined by 4% over the next two years.

1. The export rate of manufactured goods increased by 6% in one year and by 23% in two years.
2. The export rate of traditional goods increased by 2% in one year and by 23% in two years.
3. The export rate of horticultural products decreased by 26% in one year but decreased by 15% in two years.
4. The cereal export rate fell by 80% in a single year and also by 29% in two years.

**THE PROVIDED ECONOMISTS TALK MAGAZINE OFFERS INSIGHTS INTO EXPORT RATES, INDICATING CHANGES OVER ONE AND TWO-YEAR PERIODS. HERE'S A MORE DETAILED BREAKDOWN OF THE INFORMATION:**

1. Export Rate Increases: The Economists Talk Magazine begins by stating that over the course of one year, the export rate has increased by 4%. This suggests a growth in the volume or value of goods being exported from the country. Within two years, this increase is even more pronounced, with a rise of 13% in the export rate. This could indicate a sustained upward trend in the country's export activities.

*Export rate changes across different categories. The data suggests fluctuations and trends in various sectors of the country's export economy. Positive growth in manufactured and traditional goods, coupled with declines in horticultural products and cereals, illustrates the complexity of international trade dynamics, impacted by factors such as demand, supply, global market conditions, and domestic production. The varying rates of change over different time frames provide valuable insights into the evolution of the country's export landscape.*

2. Gold Exports: Over a year, gold exports have grown by 7%. This indicates an increase in the export of gold, potentially due to factors such as changes in global gold prices or increased demand. However, over the next two years, gold exports have declined by 4%, suggesting a subsequent decrease in gold export activities.

**EXPORT RATE CHANGES IN SPECIFIC CATEGORIES:**

- Manufactured Goods: The export rate for manufactured goods increased by 6% within one year and by an even larger 23% within two years. This indicates a positive trend in the export of products manufactured within the country.
- Traditional Goods: The export rate of traditional goods, which likely refers to goods with historical or cultural significance, increased by 2% within one year and by 23% within two years. This suggests that traditional products are finding stronger international markets.
- Horticultural Products: This category experienced a decline of 26% in export rate within one year, signaling a decrease in the export of horticultural goods. However, this decline lessened to 15% within two years, indicating a potential recovery or stabilization.
- Cereal Exports: Within a single year, the export rate for cereals plummeted by a significant 80%. This suggests a sharp decline in the export of cereals, which might be attributed to factors like poor harvests or changing global demand. Additionally, this decline persisted, with a further 29% decrease within two years.


Export Rates
3500
3000
2500
2000
1500
1000
500
0
2.5
2
1.5
1
0.5
0
3025
2692
2909
1
1
1077.5
1321
1402
578
737
752
338
369
294
231.9
504
653
283
395
220
911
1076
1137
Gold
Manufactured Goods
Traditional exports
Horticultural products
Other Material
Cereals
Other Traditional Export
Export rates 2021
Export rates 2022
Export rates 2023

## INVESTMENT DEVELOPMENT

**Five countries have decided to invest in Tanzania**

1. China continues to be the leading investor in Tanzania, with a total investment of USD 165.414 million, followed by India ($95.32 million), Mauritius ($36.751 million), Oman ($25.611 million), and Germany ($10.8 million).
2. Foreign direct investment surged by more than 200% in the fourth quarter of 2023, compared to 39.3% in the fourth quarter of 2022.
3. There are 129 registered projects in all, with 56 in manufacturing, 24 in transportation, and 11 in commercial structures.
4. In the first quarter of 2023, these projects will generate over 14,631 employments, compared to 6,474 jobs in the fourth quarter of 2022.
5. For the fourth quarter of 2023, the investment value exceeds $1007.63 million, with manufacturing exceeding $465.82 million, transportation above $278 million, and commercial building beyond 143 million.
6. Regardless of the fact that statistics show a more than 200 percent increase in investment, how does this situation help reduce the problem of unemployment for young people, a group that appears to be a problem at the moment, and how will this investment be able to help reduce the severity of the cost-of-living rise?

*China is still one of the countries that has picked Tanzania as a destination for foreign direct investment. If it has invested USD 165.414 million, it is followed by India with an investment of USD 95.323 million, Mauritius with an investment of USD 36.751 million, Oman with an investment of USD 25.611 million, and Germany with an investment of USD 10.8 million.*

*All of these investments were made in the fourth quarter of 2023, and they will be increased in the fourth quarter of 2023 compared to the fourth quarter of 2022. Foreign direct investment has climbed by more than 204 percent since the fourth quarter of 2022, when it was 39 percent.*

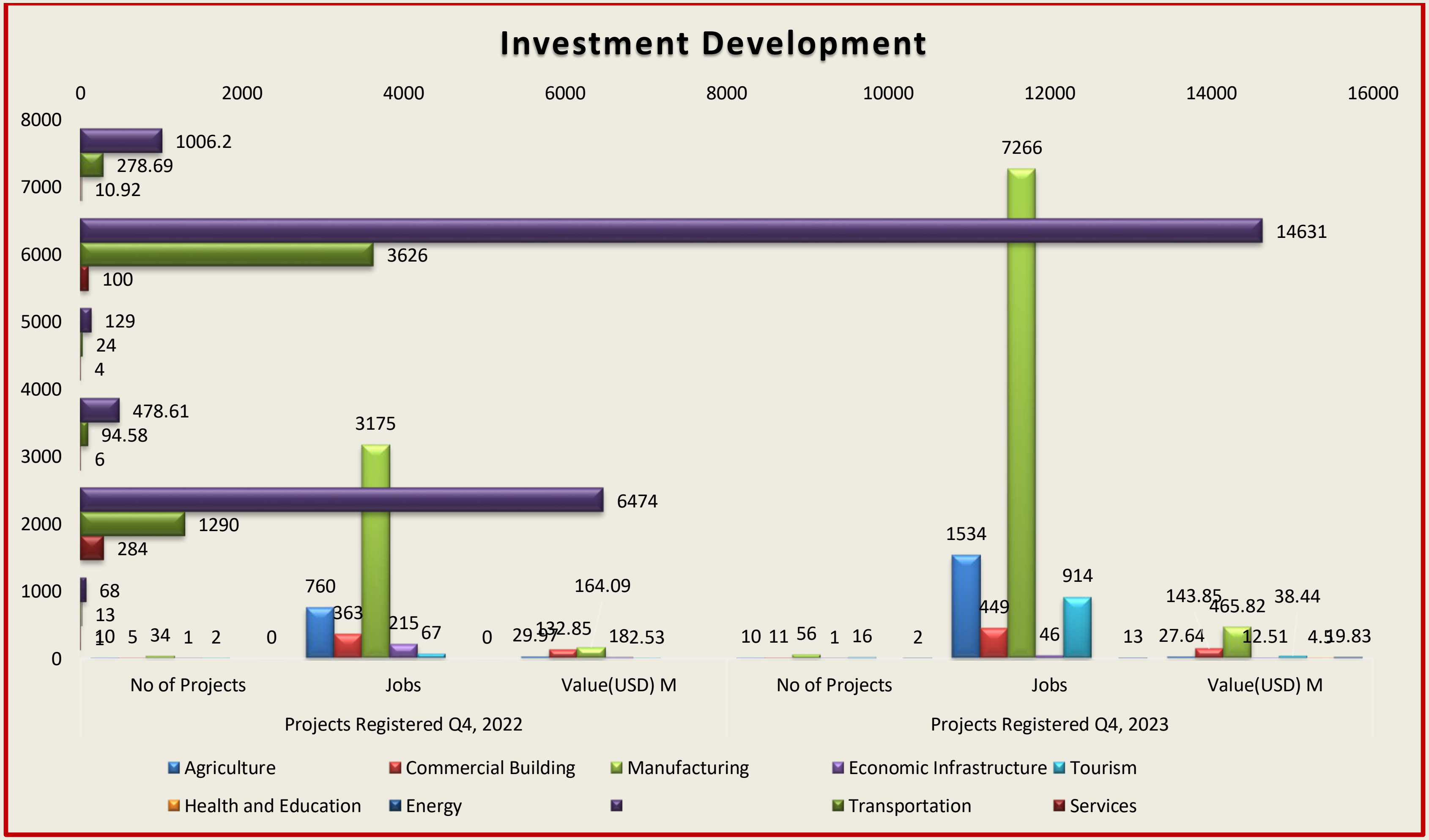
*Direct investment climbed by more than 75.32 percent in the fourth quarter of 2023, compared to only 61 percent in the ninth quarter of 2022.*

A total of 129 projects have been filed, compared to 68 projects registered for the fourth quarter of 2022. Manufacturing has 56 registered projects, followed by transportation (24 registered projects) and commercial buildings (11 registered projects) for the fourth quarter of 2023.

All of these initiatives will generate almost 14,631 employments in the first quarter of 2023, compared to 6,474 in the fourth quarter of 2022. All of those employment will be generated by the manufacturing industry, which has over 56 projects and will create over 7266 jobs, followed by the transportation sector, which will create over 3626 jobs, and the commercial building sector, which will create over 449 jobs.

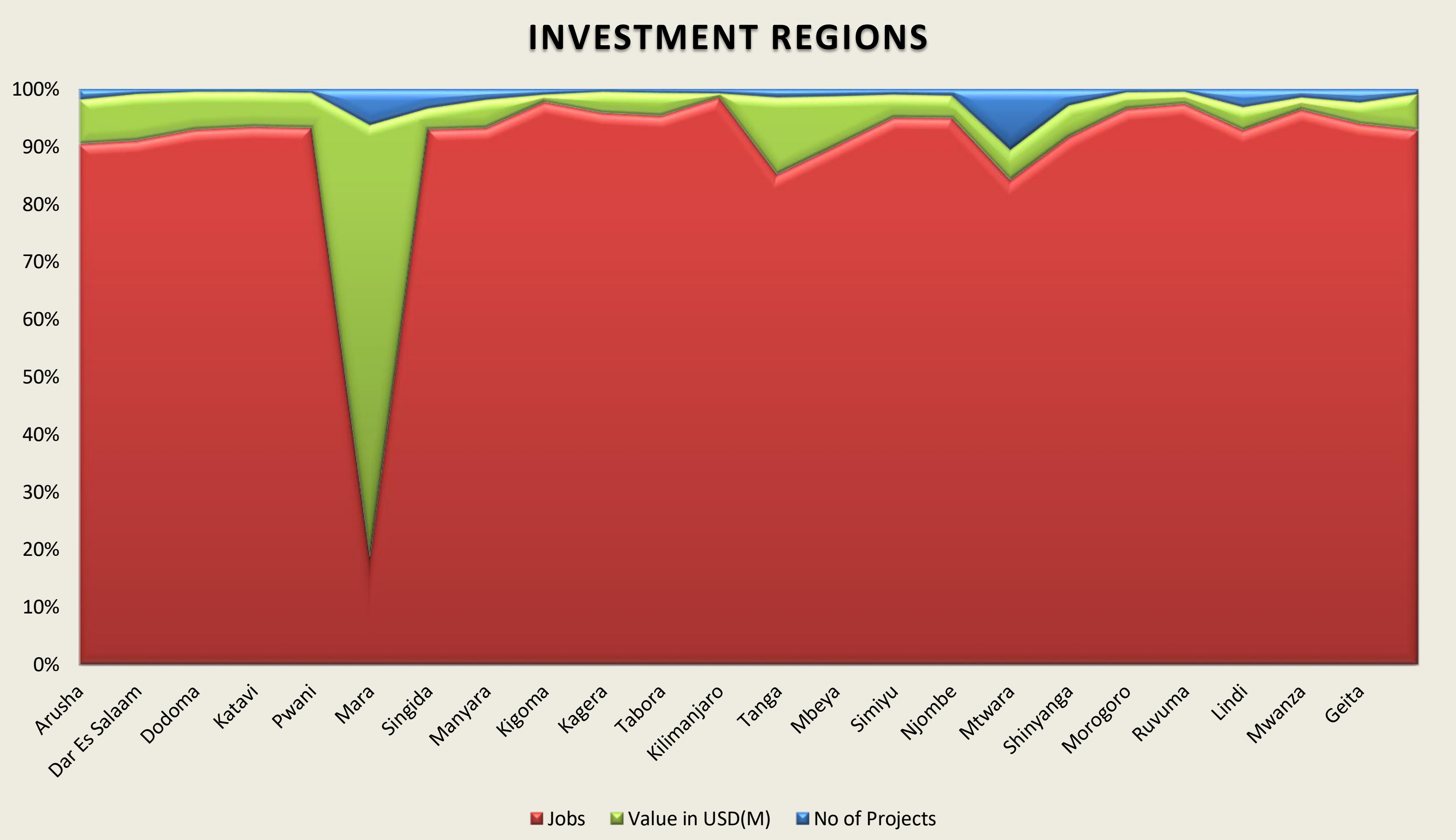
The value of the investment for the fourth quarter of 2023 is greater than USD 1007.63 million, compared to USD 478 million for the fourth quarter of 2022. Manufacturing has invested more than USD 465.82 million, followed by transportation, which has invested more than USD 278, and commercial building, which has invested USD 143 million.

***More than 55 projects are FDIs, 32 are joint ventures, and 42 are owned by locals.***


Investment Development
Projects Registered Q4, 2022
Projects Registered Q4, 2023
No of Projects
Jobs
Value(USD) M
Agriculture
Commercial Building
Manufacturing
Economic Infrastructure
Tourism
Health and Education
Energy
Transportation
Services
1006.2
278.69
10.92
14631
3626
100
129
24
4
478.61
94.58
6
6474
1290
284
68
13
7266
3175
1534
914
760
363
215
67
449
46
164.09
132.85
29.97
182.53
143.85
465.82
38.44
27.64
12.51
19.83

*China continues to be the leading investor in Tanzania, with a total investment of USD 165.414 million, followed by India ($95.32 million), Mauritius ($36.751 million), Oman ($25.611 million), and Germany ($10.8 million). Foreign direct investment surged by more than 200% in the fourth quarter of 2023, compared to 39.3% in the fourth quarter of 2022. There are 129 registered projects in all, with 56 in manufacturing, 24 in transportation, and 11 in commercial structures. In the first quarter of 2023, these projects will generate over 14,631 employments, compared to 6,474 jobs in the fourth quarter of 2022.*

*For the fourth quarter of 2023, the investment value exceeds $1007.63 million, with manufacturing exceeding $465.82 million, transportation above $278 million, and commercial building beyond 143 million. Over 55 projects are FDIs, 32 are joint ventures, and 42 are owned by locals.*


INVESTMENT REGIONS
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Arusha
Dar Es Salaam
Dodoma
Katavi
Pwani
Mara
Singida
Manyara
Kigoma
Kagera
Tabora
Kilimanjaro
Tanga
Mbeya
Simiyu
Njombe
Mtwara
Shinyanga
Morogoro
Ruvuma
Lindi
Mwanza
Geita
Jobs
Value in USD(M)
No of Projects

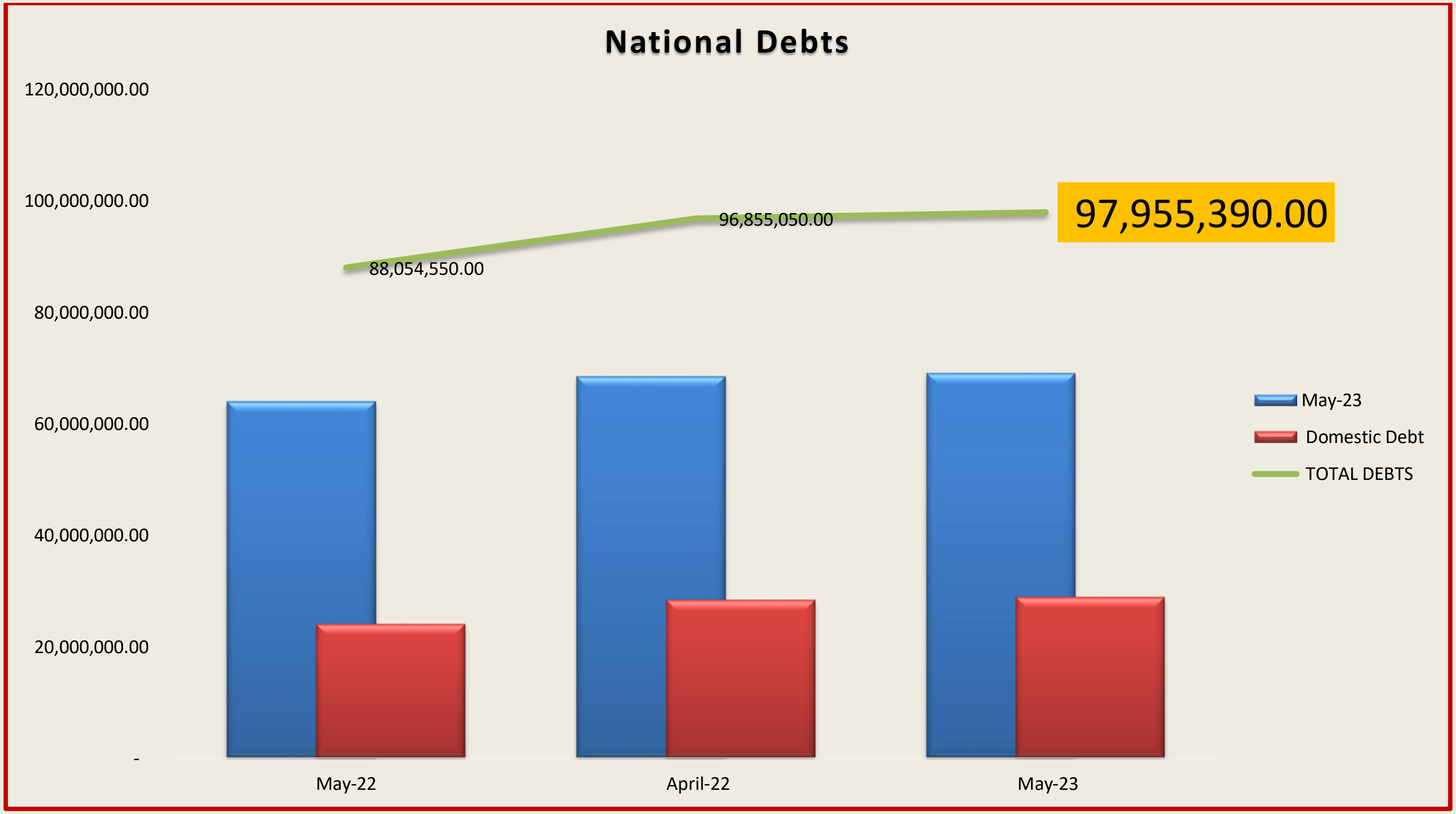
## DEBTS DEVELOPMENT

**National Debts**

The national debt continues to rise and now exceeds USD 42 billion, including domestic and foreign debt. Domestic debt increased by 2% in a month and by 20% in a year. External debt increased by 1% in a single month and by 8% over the course of the year.

### NATIONAL DEBT, INCLUDING ITS COMPOSITION, GROWTH RATES, AND TIME FRAMES. HERE'S A DEEPER BREAKDOWN OF THE INFORMATION:

1. National Debt Composition: National debt has been consistently increasing. At the current point, the national debt has surpassed USD 42 billion. This amount encompasses both domestic and foreign debt, reflecting the financial obligations that the country owes to various creditors, which could include institutions, governments, or investors within the country and abroad.
2. Domestic Debt Growth: Within the realm of national debt, there's a focus on two key aspects: domestic debt and external debt. Domestic debt refers to the money the government borrows from within its own country. According to the Economists Talk Magazine, domestic debt has increased by 2% in just one month. This indicates a relatively rapid growth rate of domestic debt.
3. Domestic Debt Annual Increase: In addition to the monthly increase, also provides insight into the annual growth of domestic debt. Over the course of a year, the domestic debt has grown by a substantial 20%. This suggests a longer-term trend of increasing borrowing within the country to finance various expenses, such as public services, infrastructure, or other government initiatives.
4. External Debt Increase: Turning attention to external debt, which is money borrowed from foreign entities, the Economists Talk Magazine notes that external debt has increased by 1% in the span of a single month. This indicates a modest monthly growth in foreign borrowing.
5. External Debt Annual Growth: Similarly, the growth rate of external debt over a year. The external debt has increased by 8% over the course of the year. This figure underscores the pattern of rising foreign debt obligations over a longer timeframe.


National Debts
120,000,000.00
100,000,000.00
80,000,000.00
60,000,000.00
40,000,000.00
20,000,000.00
-
88,054,550.00
96,855,050.00
97,955,390.00
May-22
April-22
May-23
May-23
Domestic Debt
TOTAL DEBTS

ECONOMISTS TALK

# TANZANIA ECONOMIC UPDATES

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