TANZANIA

Table 1	2023
Population, million	67.6
GDP, current US$ billion	79.2
GDP per capita, current US$	1170.8
International poverty rate ($2.15)[a]	44.9
Lower middle-income poverty rate ($3.65)[a]	74.3
Upper middle-income poverty rate ($6.85)[a]	92.3
Gini index[a]	40.5
School enrollment, primary (% gross)[b]	95.5
Life expectancy at birth, years[b]	66.2
Total GHG emissions (mtCO2e)	162.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Tanzania's real GDP growth momentum remained strong at 5.2 percent in 2023, with low and stable inflation. While both fiscal and current account deficit narrowed, the foreign exchange challenge persists. Over the medium term, the economy is set to grow at around 6 percent, supported by increased private investments resulting from strengthening business environment. Major risks to the outlook are incomplete implementation of reforms, climate change, and deterioration of global economy.

Key conditions and challenges

Tanzania's economy has remained resilient amid multiple shocks, but the current growth pattern is not inclusive enough. The impact of economic growth on poverty reduction is near-zero. Increasing reliance on public infrastructure investments and a slowing structural transformation since 2014 led recent growth to be concentrated in modern sectors that employ few workers from poor households. Policies designed to improve productivity and build resilience in Tanzania's agricultural sector—which produces just one-quarter of the country's GDP and has employed three quarters of the poor—could help facilitate structural transformation and reduce high and persistent poverty rates.

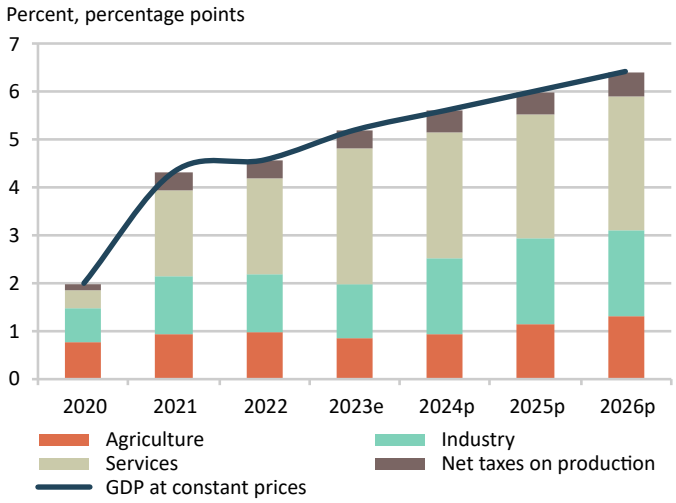
Diminishing role of Tanzania's exports is another key challenge. Tanzania's export to GDP ratio fell from 20.9 percent in 2012 to 14.3 percent in 2022. Main drivers behind the deteriorating export competitiveness are low productivity growth, high trade costs, as well as other tariff and non-tariff barriers. As a shrinking export volume will likely constrain growth in Tanzania and yield fewer foreign exchange earnings, the government should implement steadfast reforms to crowd in private investment (including FDI) and reduce trade costs to strengthen the country's export competitiveness. Priority policies include active engagements in the regional free trade area, improving business climate for private sector and productive jobs creation, as well as enhanced social protection, human capital, and skills.

Recent developments

Despite the spillovers from the climate change, Tanzania' economic growth accelerated to 5.2 percent in 2023, from 4.6 percent in 2022. The agriculture sector posted low growth at 3.4 percent, due largely to frequent droughts and floods, while the low growth in industry of 3.9 percent was due to underperformance of construction and water subsectors. Supported by buoyant economic activities in financial and insurance, transport and storage, and trade and repair subsectors, the services sector remained the main driver of the economy and expanded faster by 7.3 percent in 2023. Tanzania's inflation continues to remain low and stable at 3.0 percent in February 2024, thanks to eased global commodity prices, reasonably rapid fiscal subsidies, and tightening monetary policies.

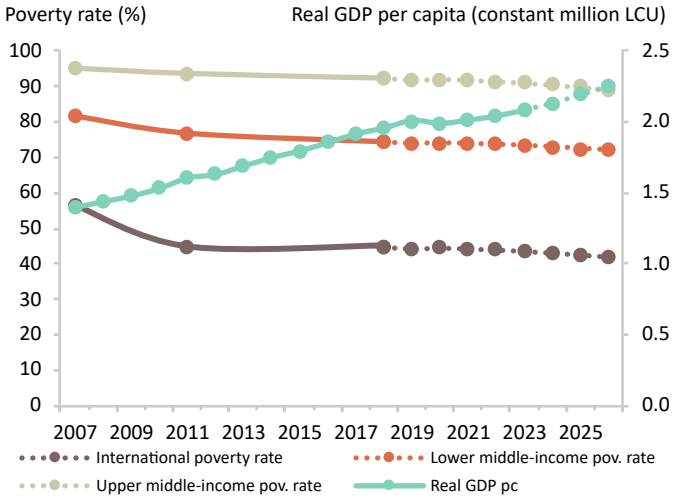
Both external and fiscal balances have moderately improved. Bolstered by reduced domestic demand on imported consumer goods, shrinking cost of oil imports, and an uptick in tourism receipts, Tanzania's current account deficit has narrowed from 5.6 percent of GDP in 2022 to 3.8 percent in 2023. The improved current-account position, combined with a relatively fast depreciation of Tanzania shilling against US dollars during the second half of 2023, partly alleviated pressure on the BoT's foreign-exchange reserves.

FIGURE 1 Tanzania / Real GDP growth and sectoral contributions to real GDP growth



Source: World Bank staff estimates and projections.

FIGURE 2 Tanzania / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

However, the forex supply-demand imbalances persist, including a parallel foreign exchange market though the premium remains small. Between June and December 2023, Tanzania shilling depreciated by 7.8 percent against US dollars while gross reserves rose from US$5.2 billion (4.8 months of imports) to US$5.5 billion (4.5 months of imports). Fiscal deficit has narrowed to 3.8 percent of GDP in 2023 from 3.9 percent in 2022 due to a combination of increased domestic revenue mobilization and controlled expenditures. Meanwhile, the risk of external debt distress remains moderate. Despite the shortages in US dollars, sugar, and electricity, the country is poised to sustain a downward trend in poverty. Poverty measured at the international poverty line of $2.15 per day (2017 PPP) is estimated to have dropped slightly from 44 percent in 2022 to 43.5 percent in 2023. The reduction in extreme poverty is accompanied by improvements in other non-monetary poverty measures, as evidenced by data from the 2022 Demographics and Health Survey, where progress has been observed in several SDG indicators, such as the reduction in child stunting. Despite this progress, challenges still loom; heavy rains experienced at the close of 2023, which hampered sugar cane harvesting, alongside recent floods in Hanang district, underscore the country's vulnerability to climate-related shocks. Climate shocks strain an already fragile agricultural system, contributing to the escalation of food prices. Data from the National Bureau of Statistics, for instance, indicates a 12 percent surge in food and non-alcoholic beverages prices since January 2022, disproportionately impacting urban areas where poverty is on the rise, particularly in Dar-es-Salaam.

Outlook

Real GDP is projected to grow at 5.6 percent in 2024 and its long-run potential of about 6 percent in the medium term, supported by improving business environment and the steadfast implementation of structural reforms. The current account deficit is set to narrow further to 3.3 percent in 2024 because of the improved trade balance, supported by rapid growth of gold, services, and manufactured exports. Increasing FDI inflows and concessional external borrowing will continue to fund the current account deficit and help keep official gross reserves at an adequate level. The fiscal deficit is projected to decline to 3.6 percent in 2024 and near 3 percent in the medium term. This is on account of expected higher tax revenue collections as business climate improves and stabilized total expenditures. The financing sources of the narrowing fiscal deficit are both foreign and domestic loans.

The mains risks to the macro-economic outlook include incomplete implementation of structural reforms particularly those related to boosting private sector, the intensifying impacts of climate change on food security and tourism sectors, and ongoing geopolitical tensions.

Projections suggest a continued decrease in the poverty rate, anticipated to decline from 42.4 percent in 2025 to 41.7 percent in 2026. This downward trajectory is supported by a promising macroeconomic outlook and an agriculture budget aimed at unlocking productivity through promoting the intensification of agriculture.

TABLE 2 Tanzania / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.3	4.6	5.2	5.6	6.0	6.4
Private consumption	2.3	4.6	2.2	2.9	3.5	3.1
Government consumption	9.0	8.4	3.1	7.7	10.3	5.2
Gross fixed capital investment	7.8	9.6	3.8	6.2	6.9	9.4
Exports, goods and services	5.2	10.2	17.4	9.3	6.3	9.1
Imports, goods and services	9.6	23.7	2.3	4.2	4.1	6.5
Real GDP growth, at constant factor prices	4.3	4.6	5.2	5.6	6.0	6.4
Agriculture	3.7	3.8	3.4	3.8	4.8	5.5
Industry	4.1	4.3	3.9	5.6	6.2	6.3
Services	4.8	5.3	7.3	6.7	6.5	7.1
Inflation (consumer price index)	3.7	4.3	3.8	3.4	3.2	3.0
Current account balance (% of GDP)	-3.2	-5.6	-3.8	-3.3	-3.2	-3.0
Net foreign direct investment inflow (% of GDP)	1.6	1.7	1.8	2.3	2.6	2.8
Fiscal balance (% of GDP)	-3.8	-3.9	-3.8	-3.6	-3.4	-3.1
Revenues (% of GDP)	14.5	15.3	15.8	16.2	16.5	16.7
Debt (% of GDP)	42.0	43.6	42.2	41.0	39.7	37.3
Primary balance (% of GDP)	-2.1	-2.1	-1.6	-1.5	-1.5	-1.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	44.3	44.0	43.5	43.0	42.4	41.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	73.9	73.6	73.3	72.8	72.4	71.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	91.7	91.4	90.9	90.4	89.8	89.2
GHG emissions growth (mtCO2e)	1.3	0.6	0.8	1.1	1.2	1.2
Energy related GHG emissions (% of total)	11.1	10.9	10.9	11.0	11.0	11.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2013- and 2018-HBS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
b/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.