

TANZANIA

Table 1

	2021
Population, million	61.7
GDP, current US\$ billion	65.8
GDP per capita, current US\$	1066.0
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	96.9
Life expectancy at birth, years ^b	65.8
Total GHG emissions (mtCO2e)	158.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ Most recent WDI value (2020).

The Tanzanian economy continues to expand but below its potential. GDP grew by 4.3 percent in 2021, up from 2.0 percent in 2020. Poverty is estimated to have dropped somewhat in 2021 but remains above pre-pandemic levels. Continued recovery hinges on strengthened implementation of supportive private sector policies, but faces risks from an uncertain external environment. Policy priorities should be to strengthen pandemic response while laying the groundwork for inclusive private-sector-led growth.

Key conditions and challenges

Tanzania remains a lower middle-income country despite the global pandemic-induced contraction of GDP per capita in 2020. Thanks to a sustained long period of high GDP growth and macroeconomic stability, Tanzania graduated to LMIC status in July 2020. Over the period of two decades to 2020, GDP growth averaged 6.5 percent per annum and inflation remained low while both current account and fiscal deficits were manageable. Private investment was a key driver of growth. However, in recent years, a combination of lower extractives FDI and difficult business environment (excessive bureaucracy, high taxes, inadequate infrastructure, and skills shortages) have resulted in a slower growth of private investment. Moreover, with the global pandemic and Russia-Ukraine crisis, the macroeconomic framework faces challenges, including BoP and inflation pressures.

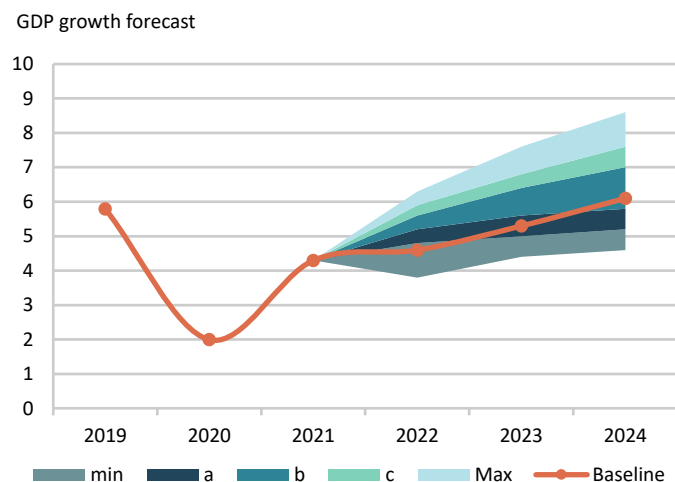
The pace of poverty reduction in Tanzania has been slow in recent years. During 2011-2018, it fell less than 2 percentage points from 28.2 to 26.4 and based on the international poverty line it remained unchanged. High population growth and limited wage job creation, among other factors, have hindered the inclusiveness of growth. The COVID-19 pandemic and changing rainfall patterns have further exacerbated these challenges.

Strengthening the pandemic response and supporting private sector-led inclusive growth will remain priorities over the medium term. Priority policy actions should focus on saving lives, protecting poor and vulnerable households, attracting new foreign and domestic investment, supporting an employment-intensive and resilient growth, including in the agricultural sector, and expanding the available fiscal space while maintaining debt sustainability. Achieving Tanzania's development vision of successful transition to a middle-income country with shared prosperity for the population will require the government to revise, strengthen, and expand its existing efforts to support struggling firms while implementing structural reforms to address longstanding constraints on private investment and women's access to economic opportunities as well as addressing the skills challenge.

Recent developments

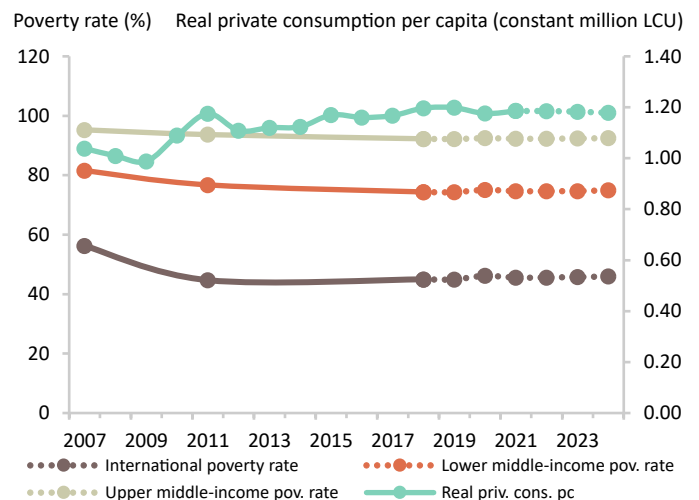
Tanzania's economic activities are recovering, with real GDP growth estimated at 4.3 percent in 2021, up from 2.0 percent in 2020. The accommodation and restaurants, mining, ICT, transport, and electricity sectors drove the recovery. While economic activities were expanding, they have not reached pre-pandemic levels. Leading indicators such as cement production, electricity generation, private-sector credit, goods and services exports, nonfuel goods imports, telecommunications, and tourist arrivals have continued to increase by June

FIGURE 1 Tanzania / Real GDP growth forecasts under alternative scenarios



Sources: World Bank Staff Estimates and Projections (2018-2024).

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



Sources: World Bank. Notes: see Table 2.

2022. Driven by higher energy and food prices, inflation has increased but remains manageable at 4.6 percent in August 2022. The current-account deficit widened to 5.3 percent of GDP in the year ending in June 2022, as the cost of imports grew faster than exports earnings. A combination of high value of oil and other industrial supplies (+45 percent y-o-y), lower value of gold exports (-11 percent) more than offset the increased earnings from tourism and manufactured goods export (+30 percent). The current-account deficit was funded largely by external loans and foreign reserves. The Tanzanian shilling remains relatively stable against the currencies of major trading partners. To partly finance the BOP, the gross official reserves declined to US\$ 5.2 billion by end-June 2022 from US\$6.7 billion at end-October 2021.

Due to increased expenditures associated partly with implementation of the fuel subsidy program, the fiscal deficit is estimated at 3.5 percent of GDP in 2021/22. Both foreign and domestic loans funded the deficit. Public and publicly guaranteed debt remained relatively low at US\$27.6 billion (39.5 percent of GDP) in June 2022 with interest payment consuming about 12 percent of domestic revenue. The latest joint IMF-World Bank Debt Sustainability Analysis, conducted in July 2022, concluded that Tanzania's risk of external debt distress remains moderate.

Poverty based on the international poverty line of US\$ 2.15 per person per day (PPP 2017) is estimated to have risen by 1.3 percentage point in 2020, due to the economic slow-down that particularly affected household businesses. Poverty dropped somewhat in 2021 but remains above pre-pandemic levels.

Outlook

Tanzania's real GDP is projected to grow at 4.6 percent in 2022. A delayed recovery to potential GDP is based on worsening global environment following the Russia-Ukraine crisis. So, only a modest improvement in GDP growth is projected for 2022 and then a pick-up to 5.3 percent in 2023 as the global environment moderates and improved private sector policies deliver a private investment response. The current-account deficit is projected to widen to 4.4 percent of GDP in 2022 due to rising imports bill, which will more than offset an expected increase in exports earnings. The fiscal deficit is projected to narrow slightly to 2.9 percent of GDP in 2022, driven by increased domestic revenues from expanding economic activities.

Uncertainty of the macroeconomic outlook remains high, with real GDP growth ranging

between 3.5 – 5.5 percent under alternative scenarios, below its long-run potential growth rate of about 6 percent. Tanzania's vulnerability to the global pandemic remains high amid the relatively low vaccination rates. Moreover, Tanzania remains vulnerable to a protracted Russia-Ukraine crisis, reduced capital flows, persistent inflationary pressures, elevated debt levels, and supply bottlenecks.

No significant reduction in the poverty rate is foreseen for 2022 as per capita private consumption is projected to stagnate. Year-on-year food price inflation reached 6.5 percent in July 2022, which particularly affects the poor, given the relatively high share of food in their total consumption pattern. Rising food price inflation is the top concern of Tanzanian citizens according to a nationally representative telephone survey released by Twaweza (an NGO) in August 2022. Poor rainfall in the recent long rainy season has put food production under pressure, further compounding the challenges faced by poor households and those living just above the poverty line. Boosting poverty reduction requires strengthening human capital, raising the resilience and agricultural productivity of smallholders, including through strengthening linkages to input and output markets, and the creation of quality jobs.

TABLE 2 Tanzania / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.8	2.0	4.3	4.6	5.3	6.1
Private Consumption	3.1	1.0	4.3	3.6	3.4	3.0
Government Consumption	2.3	7.4	14.9	9.0	2.6	2.9
Gross Fixed Capital Investment	8.0	2.4	6.8	8.4	8.6	9.0
Exports, Goods and Services	19.0	-8.6	8.7	8.3	10.6	11.8
Imports, Goods and Services	-1.4	-7.6	20.3	15.3	9.6	7.2
Real GDP growth, at constant factor prices	5.8	2.0	4.3	4.6	5.3	6.1
Agriculture	3.5	3.1	3.5	3.7	4.1	4.3
Industry	10.3	2.5	4.5	4.8	5.2	6.4
Services	4.2	0.9	4.7	5.1	6.3	7.0
Inflation (Consumer Price Index)	3.5	3.4	3.4	5.2	4.5	4.0
Current Account Balance (% of GDP)	-1.6	-1.3	-3.1	-4.4	-4.2	-3.3
Net Foreign Direct Investment Inflow (% of GDP)	2.0	1.1	1.6	1.8	2.1	2.6
Fiscal Balance (% of GDP)	-3.0	-2.3	-3.4	-2.9	-2.9	-2.6
Debt (% of GDP)	38.3	38.7	39.8	40.7	39.4	38.3
Primary Balance (% of GDP)	-0.5	-0.3	-1.6	-1.2	-1.1	-0.9
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	44.9	46.2	45.5	45.6	45.7	46.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	74.3	75.1	74.6	74.6	74.7	75.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	92.2	92.5	92.3	92.3	92.4	92.5
GHG emissions growth (mtCO₂e)	1.9	1.7	0.7	2.6	2.9	2.1
Energy related GHG emissions (% of total)	10.4	10.7	10.0	10.8	11.9	12.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.

a/ Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.

b/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.