TANZANIA

Tanzania's growth remains strong, supported by infrastructure investment and sound macroeconomic policies although fuel prices have widened external imbalances and raised inflation. Global tensions, and fiscal pressures, including low tax revenues affecting the government's ability to increase infrastructure and human capital investment simultaneously, pose downside risks. Structural constraints continue to prevent growth from reaching the poor.

Population[1]	Poverty[2]
million	millions living on less than $3.00/day
65.2	29.5
Life expectancy at birth[3]	**School enrollment[4]**
years	primary (% gross)
67.2	92.7
GDP[5]	**GDP per capita[6]**
current US$, billion	current US$
90.1	1381.6

Sources: WDI, MFMod, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2024. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

Tanzania's strong growth momentum has continued despite balance-of-payments pressures stemming from the oil price spike in the first half of 2026. The expansion of transport infrastructure is helping Tanzania to increasingly capitalize on its unique position as a regional connectivity hub, anchored by East Africa's largest metropolis and a deep-sea port. The country's traditionally sound macroeconomic fundamentals are further sustaining growth.

Despite these strengths, structural bottlenecks continue to limit the extent to which growth translates into poverty reduction, including inadequate public services for human development and social inclusion. The lower middle-income poverty rate is projected to have declined from 70 percent in 2018 to 67.5 percent in 2026, a reduction of only 2.5 percentage points over eight years. This modest decline suggests that growth remains concentrated in capital-intensive sectors with limited links to the livelihoods of those at the bottom of the welfare distribution.

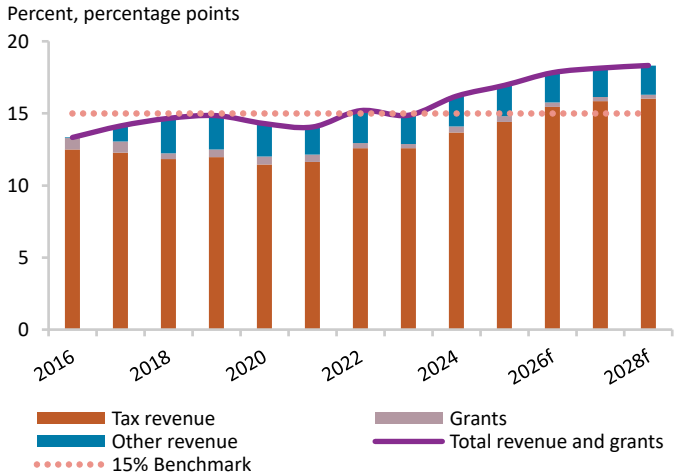
Tanzania also faces difficult fiscal trade-offs as it prioritizes long-term infrastructure projects while substantial human development needs remain unmet. Persistent weaknesses in the business environment constrain the ability of firms to expand and create jobs, while unrealized opportunities to raise agricultural productivity continue to hold back rural incomes. Further improvements in the business environment, alongside greater investment in human development and agricultural productivity, are essential to fostering a private sector-led economy that creates jobs and lifts living standards more broadly.

Recent developments

Growth reached 6 percent in the first quarter, supported by robust fundamentals. A measured policy response to fuel price increases largely cushioned the balance-of-payments and fiscal effects of the conflict in the Middle East. While growth momentum remains strong, the conflict has affected Tanzania by reversing the recent improvement in the terms of trade and raising prices.

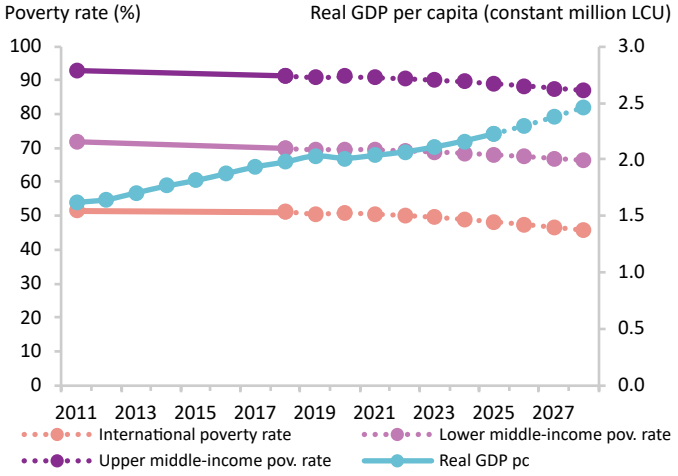
Inflation rose to 4.3 percent in August, driven by higher fuel prices. To contain second-round effects, the Bank of Tanzania raised its policy rate by 50 basis points to 6.25 percent in July. Overall, Tanzania adopted a calibrated policy response to the

FIGURE 1 / Total fiscal revenue and grants and contributions, percent of GDP



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

conflict in the Middle East, largely allowing higher fuel prices to pass through to consumers.

The current account deficit widened by 28 percent year-on-year in the second quarter, as imports of goods and services rose by 35 percent, with oil imports more than doubling in US dollar terms. Although the favorable terms-of-trade trend Tanzania had enjoyed in recent years reversed, strong revenues from gold exports and tourism continued to cushion external pressures. Overall, the balance-of-payments impact of the conflict in Middle East has been more modest than that of the oil price shock in 2022. Measured policies have enabled Tanzania to maintain relatively strong external buffers, with foreign reserves of around US$6 billion, equivalent to 4.3 months of imports.

The increase in the fiscal deficit in the first half of FY25/26, driven by election-related spending pressures, was partially offset by expenditure restraint in the second half of the fiscal year. The overall fiscal deficit is estimated at a manageable 2.6 percent of GDP, supported by a further increase in the tax-to-GDP ratio in FY25/26. Overall, the tax-to-GDP ratio has risen in recent years, significantly closing the gap with the benchmark of 15 percent.

Outlook

Despite balance-of-payments pressures, growth is projected at 6.1 percent in 2026 and is expected to accelerate further to 6.5 percent over the medium term, supported by ambitious infrastructure investment, a robust pipeline of extractive-sector projects, and rising foreign direct investment inflows. Macroeconomic policies are expected to remain conducive to keeping inflation below the 5 percent target and preserving fiscal and debt sustainability. The government is expected to sustain efforts to improve tax revenues. Tanzania's external balances are expected to remain strong.

Despite strong economic growth, the lower middle-income poverty rate is projected to decline only modestly to 66.4 percent by 2028 when evaluated at the US$4.20 per day poverty line most applicable to comparison with other lower-middle-income countries. Many structural bottlenecks continue to weaken the link between growth and rising living standards at the bottom of the welfare distribution. Recent cuts in development assistance may disrupt service delivery to poor households in some areas, further slowing progress.

Three primary risks could weigh on the baseline outlook. Global tensions could further weaken growth and external balances. Tanzania's fiscal position may come under pressure, straining the delivery of public services if the government's ambitious development plans outpace anticipated revenue growth or if contingent liabilities, including those arising from Zanzibar's ambitious, debt-financed investment push, are not carefully managed. Extreme weather events, including El Niño, may adversely affect the growth, with the agriculture, infrastructure, and tourism sectors particularly vulnerable with potentially disproportionate consequences for poor and vulnerable groups. On the upside, the government's commitment to accelerating the growth and keeping the country on track to achieve its 2050 development objectives—which require significantly higher growth than Tanzania has experienced—could spur stronger public-private partnerships, particularly in transport and energy, greater economic openness, lifting growth significantly above current forecasts.

Recent history and projections	2023	2024	2025	2026e	2027f	2028f
Real GDP growth, at constant market prices	5.1	5.5	5.9	6.1	6.4	6.5
Private consumption	2.2	3.1	3.4	5.8	6.4	6.9
Government consumption	10.7	9.5	15.2	10.1	12.5	9.1
Gross fixed capital investment	5.7	5.3	9.0	5.8	5.1	5.1
Exports, goods and services	13.2	16.4	-5.0	9.5	6.4	6.5
Imports, goods and services	7.5	9.2	2.5	9.7	7.1	6.0
Real GDP growth, at constant factor prices	5.1	5.6	5.9	6.1	6.4	6.5
Agriculture	3.6	3.9	3.6	2.9	3.9	3.5
Industry	4.8	5.4	7.8	8.0	7.9	8.0
Services	6.2	6.8	5.8	6.5	6.7	7.1
Employment rate (% of working-age population, 15 years+)	79.6	81.8	75.8	75.8	75.8	75.8
Inflation (consumer price index)	3.8	3.1	3.4	4.0	4.0	4.0
Current account balance (% of GDP)	-3.8	-3.0	-2.3	-2.9	-2.6	-2.4
Net foreign direct investment inflow (% of GDP)	2.1	2.2	2.1	2.1	2.3	2.4
Fiscal balance (% of GDP)	-3.7	-2.6	-2.8	-2.4	-2.5	-2.2
Revenues (% of GDP)	14.9	16.2	17.0	17.8	18.1	18.3
Debt (% of GDP)	45.0	49.9	48.5	49.9	48.2	46.4
Primary balance (% of GDP)	-1.6	-0.1	-0.4	0.0	-0.1	0.0
International poverty rate ($3.00 in 2021 PPP)[1,2]	49.7	49.0	48.3	47.5	46.7	45.8
Lower middle-income poverty rate ($4.20 in 2021 PPP)[1,2]	68.9	68.5	68.1	67.5	67.0	66.4
Upper middle-income poverty rate ($8.30 in 2021 PPP)[1,2]	90.1	89.6	89.0	88.3	87.6	86.9
GHG emissions growth (mtCO2e)	0.4	1.8	0.2	2.6	2.7	2.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.
1/ Calculations based on 2010-, 2016-, and 2018-HBS. Actual data: 2018. Nowcast: 2019-2025. Forecasts are from 2026 to 2028.
2/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.