



Casa África- Business Opportunities

United Republic of Tanzania

The COVID-19 crisis is expected to bring about several negative macroeconomic effects for Tanzania, mainly through travel, tourism, basic prices, trade and foreign direct investment (FDI). Growth projections for 2020 suggest a drop to 5.2% in GDP at best, and 6.3% by 2021, which could be as high as 4.0% and 4.4%, respectively, if the pandemic drags on. Inflation is expected to increase due to the disruption in the supply chains of imported food, the reduction of export income and FDI inflows, which will depreciate the currency. The fiscal deficit is expected to widen as tax revenues from lower activity decline while public spending increases to contain the pandemic and interventions to support the most vulnerable population and affected businesses. The current account deficit is also expected to weaken to 4.6% of GDP in 2020, due to lower exports, in particular revenues from service exports following the reduction in travel and tourism, which are expected to be more than offset by the benefits of higher gold prices and lower world oil prices.

Sustained political stability, strategic geographical location, a diversified economy with abundant natural resources and a strong record of economic governance were the requirements for the good outlook that was expected before the arrival of the pandemic. The current administration's ambitious development agenda emphasized the goal of creating a better business environment through improved infrastructure, access to financing and educational progress, thus seeking to capitalize on previously under-exploited strengths and opportunities. In addition, the government is prioritizing efforts to improve public administration to enhance social outcomes, aimed at restoring public confidence in the state as it implements Tanzania's National Vision 2025. With the current health crisis situation, all of the above is likely to be delayed.

Precious stones and metals lead the country's exports and especially gold, Tanzania's main export product which accounted for almost 30% of total exports in 2019. It is followed by fruit and to a lesser extent tobacco, coffee and fish. Oil and its derivatives are the country's largest import, followed by machinery, apparatus and mechanical equipment. With data for 2019, India, South Africa and Vietnam were the country's main customers; in the case of suppliers, India ranks second after China; and the United Arab Emirates is in third place.

The challenges facing the country include low total factor productivity growth, substantial infrastructure deficits, considerable poverty and a skills mismatch in the labour market, although progress has been made in recent years, particularly in terms of the business and investment climate.

AEO: <https://www.afdb.org/en/documents/african-economic-outlook-2020>

AEO (Suplemento COVID-19): <https://www.afdb.org/en/documents/african-economic-outlook-2020-suplement>

MAEC: http://www.exteriores.gob.es/Documents/FichasPais/TANZANIA_FICHA%20PAIS.pdf

ANNEX: Economic tables

Table 1: Macroeconomic indicators

	2017	2018	2019	2020 (p)
Real GDP growth	6,8	7,0	6,8	6,4
Real per capita GDP growth	3,6	3,8	2,1	2,6
Inflation	5,3	3,6	3,3	3,3
Budget balance (% GDP)	-1,5	-1,3	-2,0	-1,9
Current account (% GDP)	-3,4	-3,3	-3,4	-4,0

Source: African Development Bank, (p) predictions before the COVID-19