United Republic of Tanzania

FINANCIAL PROGRAMMING REPORT

Ministry of Finance

March 2024

Financial Programming Report, March 2024

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ACRONYMS & ABBREVIATIONS

ASDP	Agricultural Sector Development Programme
ATCL	Air Tanzania Company Limited
BoT	Bank of Tanzania
COVID – 19	Corona Virus Disease
CPI	Consumer Price Index
DCF	Development Cooperation Framework
DPs	Development Partners
DSA	Debt Sustainability Analysis
EAC	East Africa Community
FDI	Foreign direct Investment
FP	Financial Programming
FYDP	Five Year Development Plan
GBS	General Budget Support
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IFEM	Interbank Foreign Exchange Market
IMF	International Monetary Fund
JNHPP	Julius Nyerere Hydropower Project
Kg	Kilogram
kWh	Kilowatt Hour
LGAs	Local Government Authorities
M0	Base Money Supply
M2	Broad Money
M3	Extended Broad Money
MoF	Ministry of Finance
MW	Megawatt
NBS	National Bureau of Statistics
NDF	Net Domestic Financing
NHC	National Housing Corporation
NPLs	Non-Performing Loans
PAYE	Pay As You Earn
PSSSF	Public Service Social Security Fund
PV	Present Value
REA	Rural Electrification Agency
RGZ	Revolutionary Government of Zanzibar
SADC	Southern African Development Community
SEZs	Special Economic Zone
SGR	Standard Gauge Railway
TIPS	Tanzania Instant Payment System
TRA	Tanzania Revenue Authority
Tshs/TZS	Tanzanian Shilling
URT	United Republic of Tanzania
USD	United States Dollar
VAT	Value Added Tax
WEO	World Economic Outlook

EXECUTIVE SUMMARY

This report was prepared by The Financial Programming (FP) Working Group comprising staff from institutions responsible for macroeconomic data management namely the Ministry of Finance (MoF), Bank of Tanzania (BoT), National Bureau of Statistics (NBS), and Tanzania Revenue Authority (TRA). The report reviews recent economic developments, the likely outturn for 2023, and provides projections for 2024, and in the medium term.

This report is organized into six main chapters and one annex. Chapters one to five represent the FP four main blocks namely National Account (NA) and Inflation; monetary (MON); Government Finance (GoV); and Balance of Payment (BoP) respectively. Each chapter provides narrative of recent macroeconomic performance, likely outturn for 2023 and projection for 2024 and in the medium term. Further, chapter six explains the risks to the projections in each FP Block. Detailed statistical tables, the performance of macroeconomic indicators against their targets as well as the medium-term outlook are provided in Annex I.

In the first three quarters of 2023, **the economy grew by 5.3 mainly supported by continued government investment on mega infrastructure projects, increase in mineral production, as well as strong credit to the private sector.** Despite strong growth in the first three quarters of 2023, real GDP projection in 2023 has been revised downward by 0.2 percent and is expected to grow by 5.0 percent. The revision is mainly based on the assessment of leading indicators to growth, most of which were not supportive to the projection.

In 2024, **the economy is projected to expand by 5.4 percent and averaging at 6.3 percent in the medium term (2025-2028)**. The projected growth is supported by the assumption of economic recovery from global shocks; continued implementation of strategic projects including the construction of Standard Gauge Railway (SGR) and Julius Nyerere Hydropower Project (JNHPP), which are presumed to have large positive multiplier effects to the economy; enhanced efficiency in revenue collection and strategic resource allocation; remarkable performance in the tourism sector; Government efforts in the mining sector on creating an enabling environment; and prudent implementation of monetary policy.

World Economic Outlook (WEO) update of January 2024, projects **the global economy to slow down to 3.1 in 2023 percent from 3.5 percent 2022**. Despite, the slowdown, the 2023 growth reflects 0.1 percentage point higher than what was projected in the October 2023 World Economic Outlook (WEO).

In 2023, **headline inflation averaged at 3.8 percent, a decline from 4.3 percent recorded in 2022**. The decrease was driven by a slowdown in prices of items under core subgroup, particularly transport, recreation, furnishings, household equipment and maintenance. In the same period, the pace of food inflation decreased to an average of 3.8 percent from 4.3 percent, while core inflation, which accounts for 73.9 percent of overall CPI, declined to 2.3 percent from 3.0 percent, and energy and fuels inflation decreased to 2.3 percent from 9.1 percent

In 2023, **the Bank of Tanzania implemented a less accommodative monetary policy in response to the spillover effects of the global economic shocks caused by the war in Ukraine and high commodity prices in the global market**. The stance also aimed to reduce the demand pressure on foreign exchange arising from the tightening of monetary policies in advanced economies. Consequently, the extended broad money supply (M3) grew by 14.1 percent, mainly attributed to the sustained strong growth of credit to the private sector. Credit to the private sector remained strong, growing at 17.1 percent, supported by an improved business environment and supportive policies.

All major economic activities registered a higher credit growth, with the loans to personal-related activities continuing to constitute a large portion of the credit to the private sector.

Short-term and long-term interest rates increased slightly in 2023, in line with the prevailing monetary policy stance. In January 2024, the Bank adopted an interest rate-based monetary policy framework. This is a forward-looking framework, which is expected to improve the effectiveness of monetary policy in changing the economic environment in line with agreements of harmonization of monetary policy frameworks in the regional economic communities. The MPC set the first quarter Central Bank Rate at 5.5 percent.

The Tanzanian shilling faced pressure in 2023 due to tighter monetary policy and higher global oil prices, but it eased by year-end owing to receipts from tourism and the export of commodities. Receipt of external loans and monetary policies contributed to reduced demand pressure for forex. As a result, Shilling depreciated by 3.5 percent. In January 2024, the exchange rate stabilized with moderate depreciation, backed by adequate reserves and export revenues.

The banking sector remained liquid, profitable and adequately capitalized. The quality of assets of banks continued to improve, with non-performing loans to gross loans declining to 4.3 percent in December 2023, below the desired level of 5 percent, from 5.8 percent in December 2023. The level of NPLs is expected to continue declining as banks sustain implementing measures to improve the quality of assets.

During July – January, 2023/24, total domestic revenue collected amounted to 17,176.8 billion shillings, equivalent to 95.7 percent of the target of collecting 17,944.1 billion shillings. Out of this amount, total tax revenue collected was 14,294.6 billion shillings, non-tax revenue amounted to 2,237 billion shillings and LGA own sources amounted to 645.2 billion shillings. Expenditure stood at 24,732.7 billion shillings, equivalent to 25,597.5 percent of the target of 25,597.5 billion shillings. Out of the total amount, recurrent expenditure was 15,168.1 billion shillings and development expenditure were 9,564.5 billion shillings.

As at end January 2024, the stock of Central Government debt was TZS 87,056.1 billion, representing an increase of TZS 4,918.2 billion from the stock recorded in June 2023. Out of the debt stock, the external debt was TZS 56,550.7 billion and the domestic debt was TZS 30,505.4 billion. According to Debt Sustainability Analysis (DSA) conducted in December 2023, Tanzania's debt distress is ranked as medium with some space to absorb shocks without moving into a high risk of debt distress.

The external sector of the economy improved, albeit facing headwinds from external shocks. The current account deficit was USD 1,320.6 million during the first seven months of 2023/24 compared with USD 3,359.7 million in similar period in 2022/23, on account of a decline in imports coupled with an increase in foreign inflows from tourism, traditional exports and gold. Export of goods and services amounted to USD 9,074.4 million in 2023 compared with USD 7.729.7 million. The performance was largely contributed by tourism receipts, gold, and traditional exports. The stock of foreign exchange reserves was USD 5,107.1 million compared with USD 4,807.8 million at the end of January 2023. The reserves were adequate to cover about 4.1 months of projected imports of goods and services, above the country's benchmark of 4 months.

Table A. Summary of the Trend of Selected Indicators

	2021	2022	2023 Aug 2023	2023 Feb 2024	2024	2025	2026	2027	2028
							Projections		
NATIONAL ACCOUNTS									
Real GDP growth at market price	4.9%	4.7%	5.2%	5.0%	5.4%	6.0%	6.3%	6.5%	6.5%
Real GDP growth at basic price	4.8%	4.8%	5.4%	5.2%	5.6%	6.2%	6.5%	6.7%	6.8%
Nominal GDP growth at market price	7.5%	8.9%	12.4%	11.7%	10.0%	11.2%	11.0%	11.0%	12.5%
Nominal GDP growth at basic price	7.2%	8.6%	13.1%	12.4%	9.5%	11.0%	10.8%	10.7%	12.3%
PRICES									
CPI inflation eop	4.2%	4.8%	4.3%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%
CPI inflation pav	3.7%	4.3%	3.9%	3.8%	3.6%	4.0%	4.0%	4.0%	4.0%
CPI core inflation eop	4.6%	2.5%	2.0%	3.1%	2.0%	2.0%	2.0%	2.0%	2.0%
GDP deflator inflation at basic price	4.1%	3.5%	2.1%	2.3%	2.6%	2.0%	2.0%	2.0%	2.0%
GDP deflator inflation at market price	2.2%	3.7%	4.0%	3.9%	3.3%	2.2%	1.4%	2.6%	3.5%
MONEY									
M3 growth rate	15.5%	11.6%	14.0%	14.1%	12.7%	11.4%	10.1%	4.6%	0.0%
M2 growth rate	17.6%	12.1%	12.1%	11.9%	15.2%	13.3%	12.0%	5.2%	0.0%
Growth rate of credit to private sector	10.0%	22.5%	18.8%	17.1%	15.2%	17.2%	21.0%	9.4%	0.8%
M0 growth rate (eop)	15.8%	3.7%	11.0%	12.7%	11.4%	10.1%	4.6%	3.7%	-
M0 growth rate (pav)	16.6%	8.1%	14.0%	7.4%	8.8%	11.4%	10.1%	4.6%	8.7%
BALANCE OF PAYMENTS									
Exports of goods to GDP ratio	9.3%	9.1%	8.7%	8.7%	8.1%	7.3%	6.6%	5.8%	5.3%
Exports of goods and services to GDP ratio	12.6%	13.3%	14.4%	14.5%	13.5%	12.3%	11.2%	10.1%	9.0%
Imports of goods to GDP ratio	11.5%	13.5%	17.1%	17.2%	15.7%	14.2%	13.0%	11.6%	10.4%
Imports of goods and services to GDP ratio	13.4%	15.7%	20.1%	20.2%	18.5%	16.8%	15.3%	13.7%	12.2%
Current account to GDP ratio (excl transfers)	-1.9%	-1.6%	-1.6%	-1.5%	-1.4%	-1.2%	-1.1%	-1.1%	-0.9%
Current account to GDP ratio (incl transfers)	0.6%	0.7%	0.7%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%
Reserves months of imports (next year)	4.9	4.6	3.3%	3.9	3.1	2.6	3.3	4.2	0.0
GOVERNMENT									
Revenue to GDP ratio	14.1%	15.2%	14.8%	14.5%	15.5%	15.8%	15.9%	16.0%	16.0%
Tax revenue to GDP ratio	11.7%	12.4%	12.0%	12.0%	12.7%	12.9%	13.1%	13.3%	13.3%
Total government expenditure to GDP ratio	20.1%	18.0%	19.5%	19.1%	18.9%	18.6%	18.0%	17.5%	16.8%
Current expenditure to GDP ratio	10.5%	9.7%	12.1%	11.2%	11.7%	12.2%	12.0%	11.7%	11.3%
Development expenditure to GDP ratio	9.6%	8.3%	7.4%	7.9%	7.2%	6.4%	6.1%	5.8%	5.6%
Official grants to GDP ratio	0.5%	0.4%	0.4%	0.3%	0.5%	0.3%	0.3%	0.2%	0.2%
Deficit to GDP ratio (excl grants)	-6.0%	-2.8%	-4.8%	-4.6%	-3.4%	-2.8%	-2.1%	-1.5%	-0.9%
Deficit to GDP ratio (incl grants)	-5.5%	-2.5%	-4.4%	-4.4%	-2.9%	-2.5%	-1.9%	-1.3%	-0.7%
Overall deficit	-5.4%	-3.6%	-3.9%	-3.9%	-2.7%	-2.5%	-1.9%	-1.6%	-1.2%
Foreign borrowing to GDP ratio	3.3%	1.4%	2.2%	2.0%	2.5%	2.5%	1.8%	1.4%	1.2%
Domestic bank borrowing to GDP ratio	1.2%	0.9%	1.1%	0.7%	0.1%	0.0%	0.1%	-0.2%	0.0%
Domestic non-bank borrowing to GDP ratio	0.9%	1.3%	0.7%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%

Table B. Summary of the Trend of Selected Indicators

	2021/22	2022/23	2023/24		2024/25	2025/26	2026/27	2027/28
			Aug 2023	*Feb 2024*	*Projections*			
NATIONAL ACCOUNTS								
Real GDP growth at market price	4.8%	4.9%	5.6%	5.2%	5.7%	6.1%	6.4%	6.5%
Real GDP growth at basic price	4.8%	5.0%	5.8%	5.4%	5.9%	6.4%	6.6%	6.7%
Nominal GDP growth at market price	8.2%	10.4%	11.3%	10.8%	10.6%	11.1%	11.0%	11.8%
Nominal GDP growth at basic price	7.9%	10.6%	11.3%	10.9%	10.3%	10.9%	10.7%	11.5%
PRICES								
CPI inflation eop	4.4%	3.6%	4.3%	4.3%	4.1%	4.1%	4.1%	0.0%
CPI inflation pav	4.0%	4.6%	3.8%	3.2%	4.1%	4.0%	4.0%	0.0%
CPI core inflation eop	4.1%	1.7%	2.0%	3.2%	2.0%	2.0%	2.0%	0.0%
GDP deflator inflation at basic price	2.9%	3.8%	3.9%	3.6%	2.8%	1.8%	2.0%	0.0%
GDP deflator inflation at market price	3.3%	5.2%	5.4%	5.3%	4.7%	4.7%	4.3%	0.0%
GOVERNMENT								
Revenue to GDP ratio	14.9%	14.6%	15.6%	15.2%	15.7%	15.8%	15.9%	16.0%
Tax revenue to GDP ratio	12.3%	11.9%	12.5%	12.4%	12.8%	13.0%	13.1%	13.2%
Total government expenditure to GDP ratio	19.0%	19.1%	18.9%	18.8%	18.9%	18.3%	17.8%	17.3%
Current expenditure to GDP ratio	9.8%	11.4%	11.9%	11.1%	12.3%	12.2%	11.9%	11.4%
Development expenditure to GDP ratio	9.2%	7.7%	7.0%	7.7%	6.6%	6.1%	5.9%	5.9%
Official grants to GDP ratio	0.4%	0.3%	0.6%	0.6%	0.3%	0.3%	0.2%	0.2%
Deficit to GDP ratio (excl grants)	-4.1%	-4.6%	-3.3%	-3.4%	-3.3%	-2.5%	-1.8%	-1.4%
Deficit to GDP ratio (incl grants)	-3.6%	-4.3%	-2.8%	-2.8%	-2.9%	-2.2%	-1.6%	-1.2%
Overall deficit	-3.6%	-4.3%	-2.8%	-2.8%	-2.9%	-2.2%	-1.6%	-1.2%
Foreign borrowing to GDP ratio	1.9%	1.7%	1.8%	1.5%	1.8%	1.0%	0.5%	0.2%
Domestic bank borrowing to GDP ratio	1.1%	0.8%	0.8%	0.7%	0.9%	0.9%	0.8%	0.8%
Domestic non-bank borrowing to GDP ratio	0.6%	1.8%	0.1%	0.6%	0.2%	0.2%	0.2%	0.2%
MONEY								
M3 growth rate	6.5%	18.8%	9.9%	11.0%	11.8%	11.1%	9.2%	10.1%
M2 growth rate	7.7%	18.0%	11.3%	12.6%	13.4%	13.2%	10.9%	11.8%
M0 growth rate (eop)	8.3%	17.0%	11.3%	7.7%	10.7%	10.9%	9.5%	9.7%
Average Reserve Money (ARM)	12.8%	8.1%	11.3%	7.7%	10.7%	10.9%	9.5%	9.7%
FCD to M3 ratio	22.2%	22.7%	21.8%	21.6%	20.5%	19.0%	17.7%	16.4%
FCD growth rate	2.6%	21.7%	5.2%	5.5%	6.1%	3.0%	1.9%	1.9%
NFA growth rate	-13.5%	-0.5%	3.0%	9.4%	8.0%	-3.0%	-9.8%	-9.9%
Growth of credit to private sector	19.4%	21.3%	17.9%	15.9%	15.8%	16.2%	13.6%	14.4%
Credit to private sector to total credit ratio	72.2%	71.7%	74.3%	78.9%	81.2%	81.7%	79.8%	77.1%
Extended broad money (M3) to GDP ratio	21.7%	23.4%	23.0%	23.4%	23.7%	23.7%	23.3%	23.0%
Private sector credit to GDP ratio	15.1%	16.6%	17.5%	17.3%	18.1%	18.9%	19.4%	19.9%
Lending to government to GDP ratio	1.1%	1.3%	0.1%	-1.3%	0.0%	0.5%	1.1%	1.5%
BALANCE OF PAYMENTS								
Exports of goods to GDP ratio	10.0%	9.4%	9.8%	10.0%	10.1%	10.2%	10.0%	9.5%
Exports of goods and services to GDP ratio	15.5%	16.4%	17.2%	17.4%	18.0%	18.0%	17.6%	16.8%
Imports of goods to GDP ratio	16.5%	18.5%	18.2%	17.9%	17.6%	17.1%	16.3%	15.3%
Imports of goods and services to GDP ratio	19.3%	21.8%	21.5%	21.1%	20.8%	20.3%	19.5%	18.4%
Current account to GDP ratio (excl transfers)	-4.9%	-6.3%	-5.2%	-4.8%	-4.2%	-3.7%	-3.1%	-2.5%
Current account to GDP ratio (incl transfers)	-4.7%	-6.2%	-5.1%	-4.6%	-4.0%	-3.6%	-3.0%	-2.4%
Reserves months of imports (next year)	4.5	3.8	3.9	3.8	3.5	3.2	3.2	3.3
Reserves months of imports (next year) - excluding FDI related imports	4.6	4.9	4.0	4.0	3.9	3.6	3.6	3.6

1. GDP PERFORMANCE AND OUTLOOK

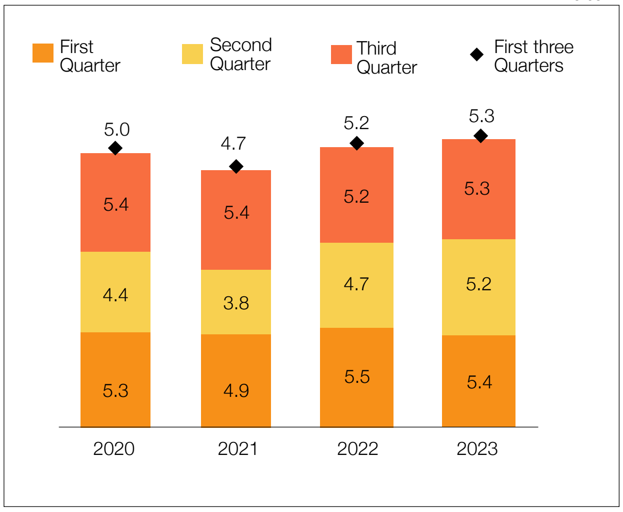
The economy has remained strong despite facing unfavorable global economic environment and domestic factors including foreign exchange scarcity and power shortages, especially during the last quarter of 2023.

1.1. GDP Performance

In the first three quarters of 2023, the real GDP grew by 5.3 percent compared to 5.2 percent in the corresponding period of 2022 (**Chart 1.1**).

Chart 1.1. GDP Growth Rate in the First Three Quarters

Percent

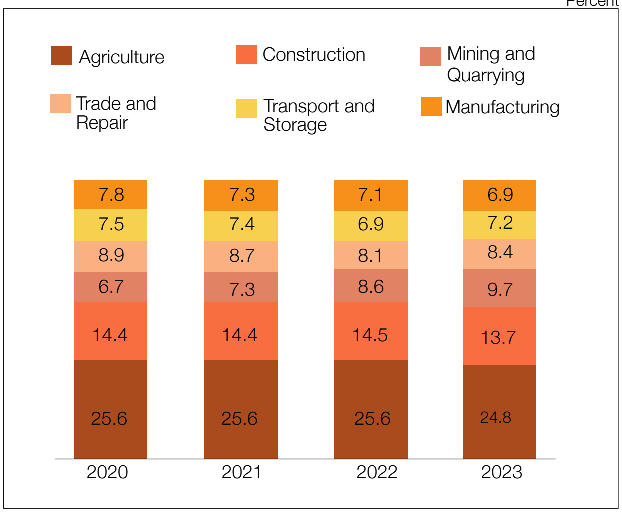


Data Source: National Bureau of Statistics

In terms of share to GDP, agriculture remains the dominant economic activity at 24.8 percent followed by construction, and mining and quarrying (**Chart 1.3**).

Chart 1.3. Share of Selected Most Leading Economic Activities to GDP in the first three quarters

Percent

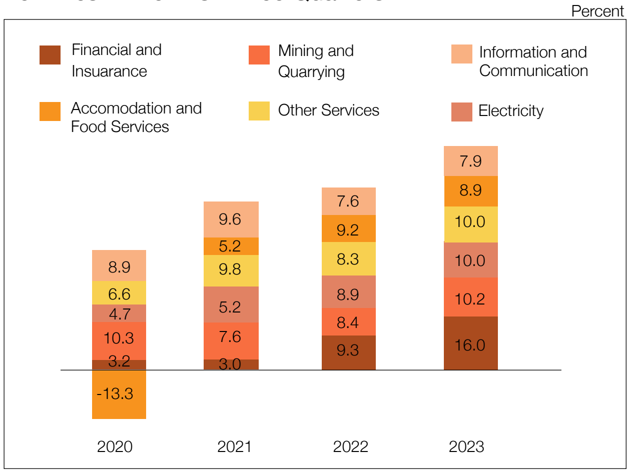


Data Source: National Bureau of Statistics

Finance and insurance was the fastest growing economic activity at 16.0 percent, followed by mining and quarrying, and electricity which reflects the government interventions to improve business climate and increase in demand for coal.

Chart 1.2. Growth of Selected Most Leading Economic Activities in the First Three Quarters

Percent

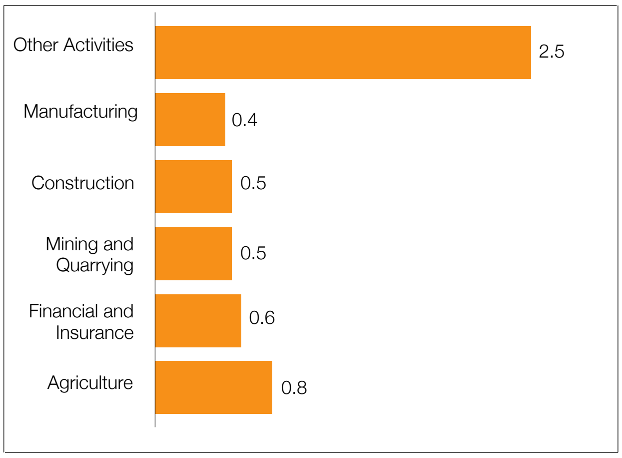


Data Source: National Bureau of Statistics

On contribution side, Agriculture continued to relatively contribute higher to the growth of GDP compared to other activities.

Chart 1.4. Contribution to the Growth of Selected Most Leading Activities in 2023

Percent



Data Source: National Bureau of Statistics

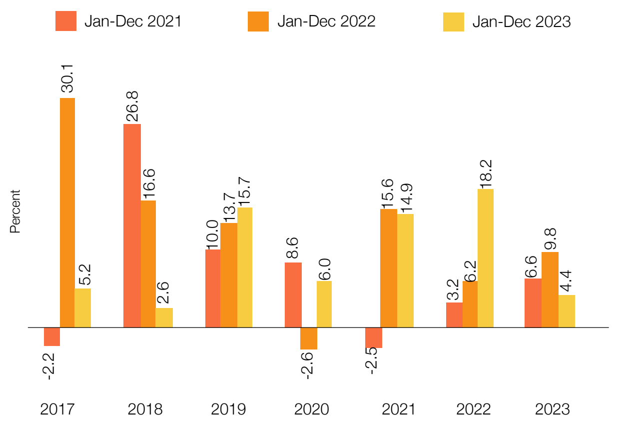
1.2. Assessment of Leading Indicators

In August 2023 it was projected through Financial Programming that the economy would grow by 5.2 percent in 2023 and up to 5.5 percent in 2024. This section reviews the projection by analysing indicators that may contain some leading information to measure the likelihood of attaining the stated GDP projection for 2023 and beyond. The indicators assessed are as follows (**Box 1.1**).

Box 1.1: Assessment of Leading Indicators

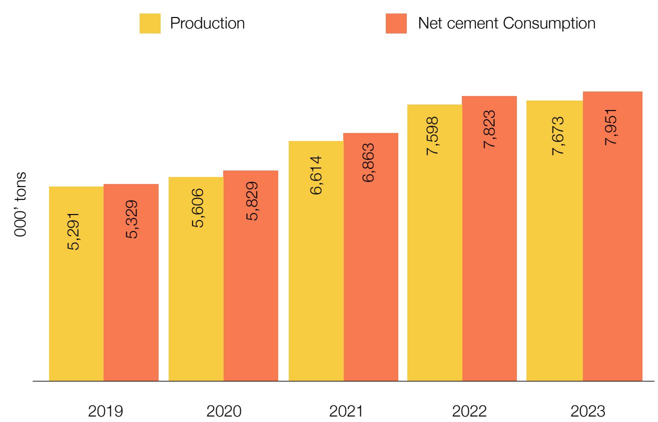
All major taxes registered positive growth in 2023 though significantly lower compared to 2022 save for domestic excise, excise on imports and withholding taxes

Production and Consumption Based Tax Revenues



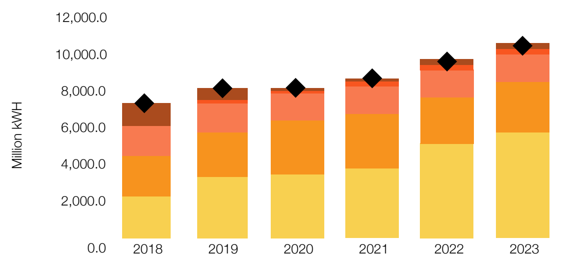
Cement production increased in 2023 but was not enough to meet domestic demand signaling increased manufacturing and construction economic activities.

Cement Production and Net Consumption



Electricity generation increased by 9.5 percent owing to an increase in electricity generated by gas (Kinyerezi II extension). Despite the growth, in the last quarter of 2023, there was a notable power shedding in the country

Electricity Generation



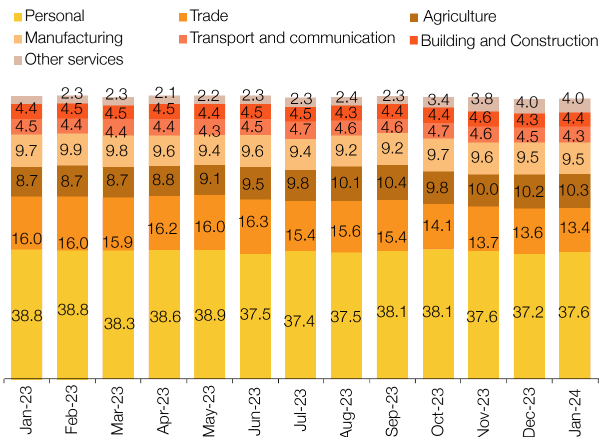
	2018	2019	2020	2021	2022	2023
Thermal	1,122.1	677.5	81.5	96.5	110.0	110.5
Imports - Other countries	0.0	113.2	114.3	144.0	150.2	183.2
Imports - Local supplies	1,532.7	1,576.5	1,290.2	1,453.1	1,547.5	1,538.6
Hydro	2,204.8	2,431.8	3,087.0	3,033.0	2,497.6	2,622.1
Gas	2,397.7	3,405.8	3,520.2	3,837.5	5,153.5	5,900.4
Total	7,257.3	8,204.8	8,093.1	8,564.2	9,458.8	10,354.7

Credit to the private sector remained strong, growing at 17.1 percent in 2023 owing to improved business environment and supportive policies, including monetary and fiscal policies.

Credit to private sector

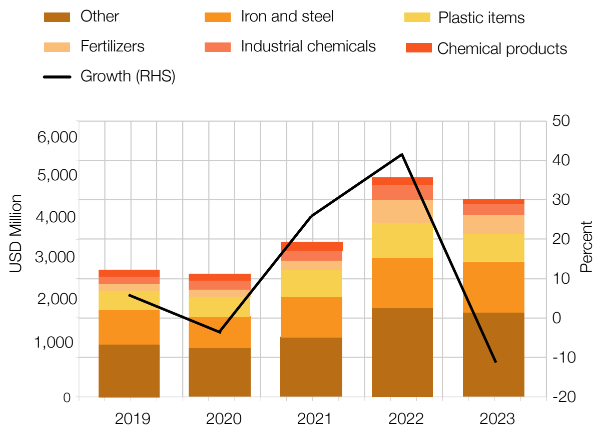
Personal loans, mainly for micro, small, and medium-sized enterprises (MSMEs) continue to constitute the largest share of credit extended to the private sector.

Share of actvities to Credit of Pirvate Sector



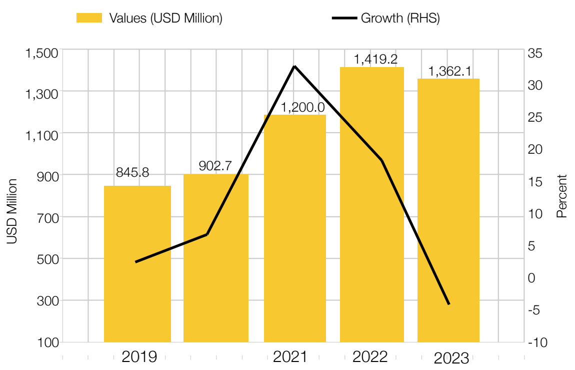
Value of imported raw materials decreased by 9.9 percent largely impacted by the decrease in global commodity prices. This implies decrease in manufacturing activities in the country.

Importation of Industrial Raw materials



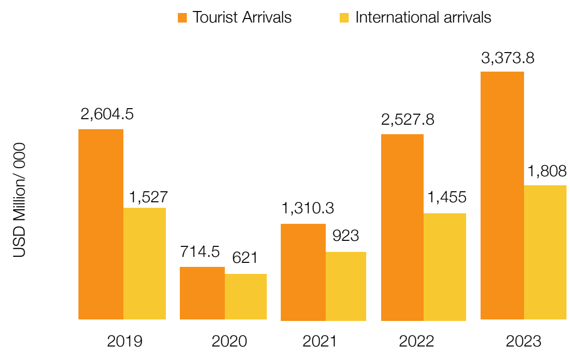
Similarly, export of manufactured goods decreased by 3.9 percent owing to decrease in exports of textiles, iron and steel and paper products.

Export of Manufactured Goods



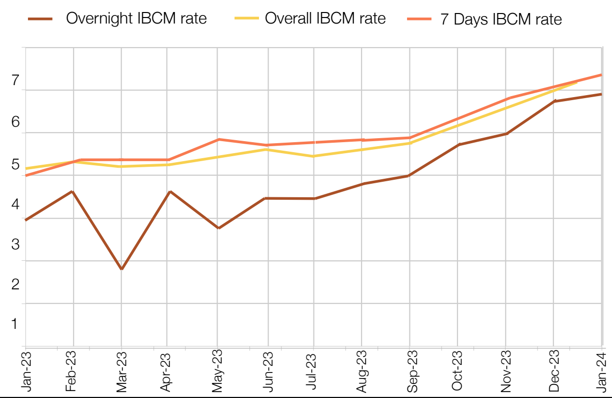
However, tourist arrivals and earning increased to pre-pandemic levels supported by initiatives taken by the government to promote tourism

Tourist Arrivals and Earnings



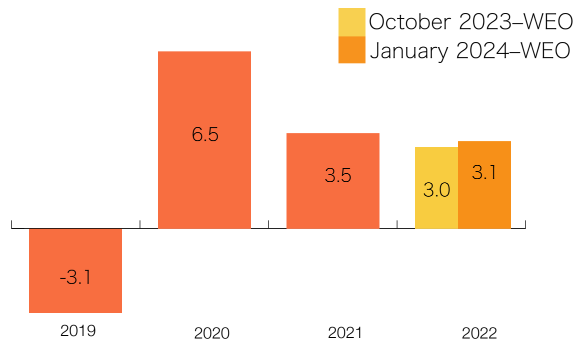
In January 2024, the overall interbank market rate and the 7-days' interest rates increased slightly to 7.27 percent and 7.25 percent, respectively

Interbank Cash Market Rates



According to the IMF World Economic Outlook (WEO) update of January 2024, the global economy is estimated to grow by 3.1, reflecting 0.1 percentage point higher than what was projected in the October 2023 World Economic Outlook (WEO)

World Output Trend

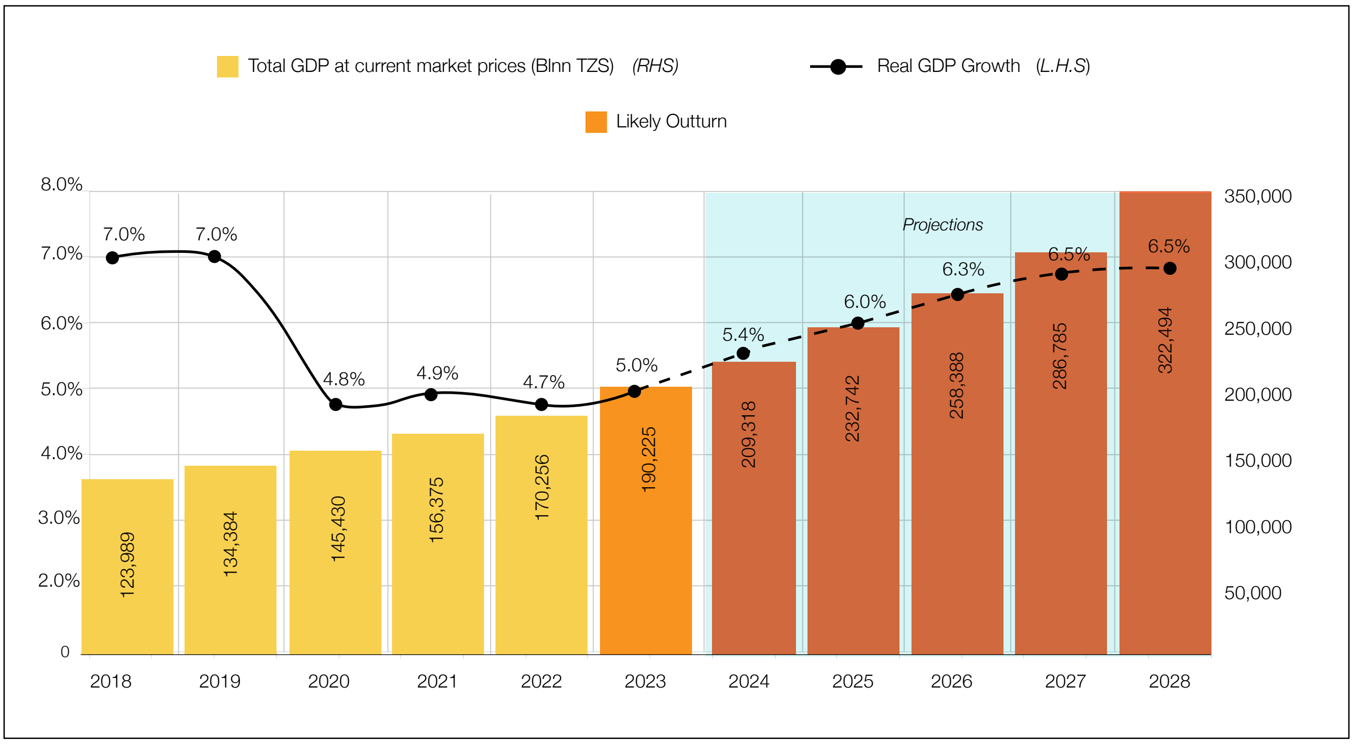


1.3. Domestic GDP outlook

From the above assessment, there is a mixed trend of the leading indicators, with few of them supporting the August 2023 projection such as cement production and net consumption and electricity generation. However, most indicators are not in favor of the August 2023 projection as indicated in box 1.2 above. Uncertainties surrounding the global economy emanated from escalation of the war in Ukraine and middle east, climate change and tightening of monetary policies in advanced economies also posed a downside risk to the Tanzania economy. This has necessitated a downward revision of 2023 GDP projections from 5.2 percent as in August 2023 FP updates to 5.0 percent.

The economy is expected to maintain an upward trend, growing at 5.4 percent in 2024 and averaging 6.3 percent in the medium term (Chart 1.5). The projected growth is supported by the ongoing implementation of mega infrastructureprojects in energy and transport and ongoing initiatives to improve the investment climate as well as promoting exports and export earnings in agriculture, mining and industrial goods. Specifically, the successful completion of JNHPP and transmission lines will stabilize power supply while regional and interregional trade will particularly be boosted by ongoing investment in road and railway infrastructure. Value addition in agriculture will be achieved through the successful implementation of ASDP II, Building a Better Tomorrow: Youth Initiatives for Agribusiness (BBT-YIA). In addition, sustainable developments Private sector participation is expected to drive growth as initiatives to accelerate inclusive growth are undertaken including the implementation of a blueprint and priority spending on social sectors.

Chart 1.5. Actual and Projected GDP



Source: MoF and National Bureau of Statistics

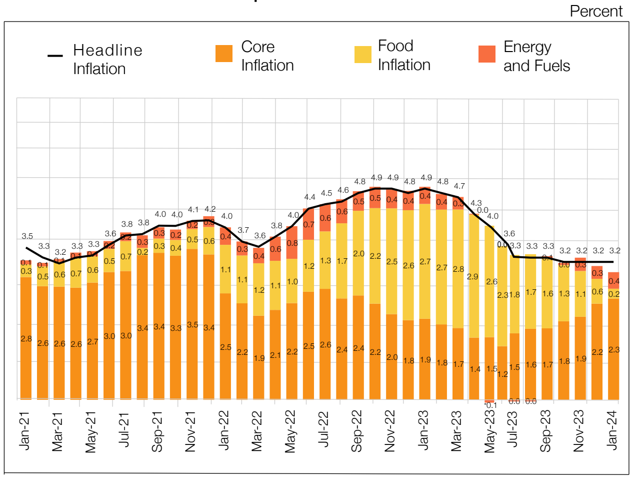
2. INFLATION DEVELOPMENTS AND OUTLOOK

Headline inflation remained low and stable, within the country's target and regional benchmarks with energy price normalising as the supply cut offs averted intandem with sharply decrease in food prices

2.1 Inflation Developments

In 2023, headline inflation averaged 3.8 percent, a decline from 4.3 percent recorded in 2022. Food inflation decreased to an average of 3.8 percent from 4.3 percent, while core inflation, which accounts for 73.9 percent of overall CPI, declined to 2.3 percent from 3.0 percent. Energy and fuel inflation decreased to 2.3 percent from 9.1 percent. The outturn was driven by a slowdown in prices of items under the core subgroup, particularly transport, recreation, furnishings, household equipment, and maintenance (**Chart 2.1**).

Chart 2.1. Inflation Developments



Source: National Bureau of Statistics

2.2. Wholesale Food Prices

Average wholesale prices of selected major food crops were higher than in the corresponding year in 2022, except for finger millet (**Table 2.1**). The rise in prices was associated with high demand, especially from neighboring countries, as well as increased transportation costs following the rise in fuel prices.

Table 2.1. Average Wholesale Prices for Major Food Crops

Shillings /100Kg

Food crops	2021	2022	2023	Percentage Change (2022-2023)
Maize	47,922.1	82, 876.82	101,679.47	22.7
Rice	142,852.8	216,978.39	274,243.52	26.4
Beans	179,376.7	215,320.74	275,375.25	27.9
Sorghum	95,631.3	123,129.93	139,370.60	13.2
Potatoes	67,893.8	81,971.73	95,024.26	15.9
Finger millet	151,494.0	169,297.84	166,031.41	-1.9

Source: National Bureau of Statistics

2.3. Domestic Fuel and World Prices

Average domestic fuel prices were higher than in the preceding year owing to supply cuts by OPEC+ and consequences arising from the escalation of the Middle East conflict between Israel and Hamas, and the ongoing war in Ukraine. On an annual basis, the average fuel price for petrol, diesel and kerosene increased by 3.7 percent, 5.2 percent and 5.6 percent, respectively from the levels registered in 2022 (**Table 2.2**).

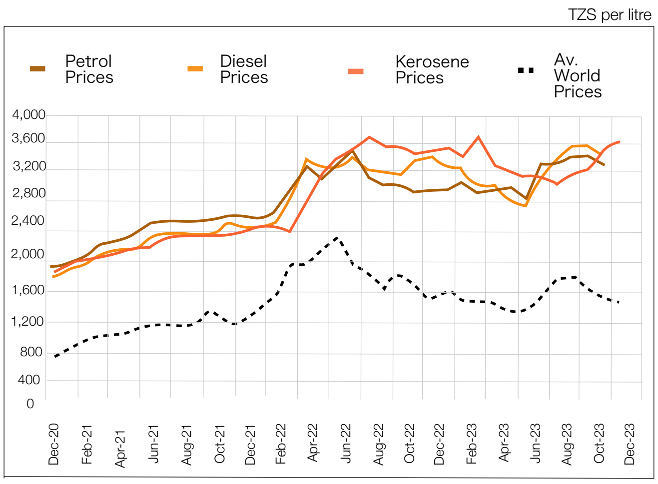
Table 2.2. Domestic Pump Prices

TZS per litre

Items	2021	2022	2023	Percentage change (2022 – 2023)
Petrol	2,334.66	2,985.61	3,097.45	3.7
Diesel	2,190.07	3,020.27	3,178.26	5.2
Kerosene	2,212.12	3,126.89	3,300.48	5.6

Source: National Bureau of Statistics

Chart 2.3. Annual Average World and Domestic Market Oil Prices



Source: National Bureau of Statistics

2.4. Inflation Outlook

The rate of inflation is projected to remain within the domestic medium-term target of 3-5 percent. The projection is based on:

(i) Adequate food supply in the country on account of expected favorable weather conditions and successful implementation of ASDP II;

(ii) Stabilization of power supply following operationalization of JNHPP and continued investment in transmission lines as well as alternative sources of power.

(iii) Stability of the value of the Tanzania shilling against major currencies owing to ongoing initiatives to promote exports and investment climate.

(iv) Improvement of transportation infrastructures in expectation of reducing transportation costs and alleviating traffic congestion.

(v) Supportive and sustained prudent monetary and fiscal policies have also contributed to the outlook of reduced pressure on inflation.

Based on these factors, inflation is likely to remain low withing country target in the next 6 – 12 months. Nevertheless, considering that inflationary pressures persisted for about 12 months, coupled with the ongoing geopolitical tensions, the effects of oil price increases may continue to show up. Based on these aforementioned factors Inflation is therefore projected at 4.0 percent at the end of December 2024.

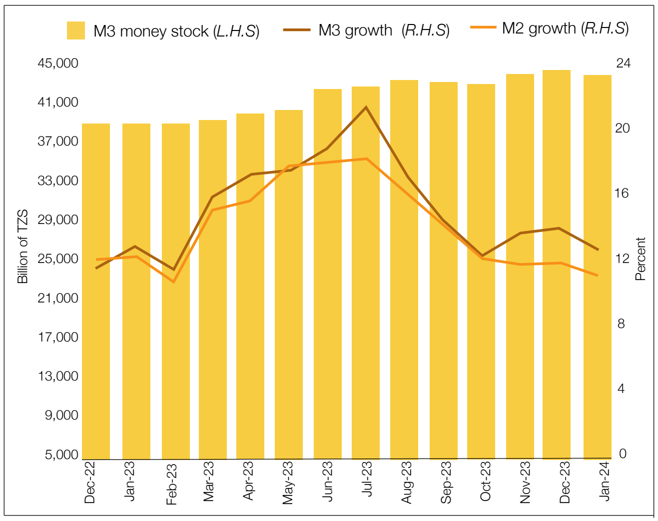
3. MONETARY DEVELOPMENTS AND OUTLOOK

In response to the spillover effects of the global economic shocks, the Bank of Tanzania implemented a less accommodative monetary policy in 2023.

3.1. Monetary and Credit Developments

The monetary policy stance was also aimed at reducing high demand pressure on foreign exchange in the economy, particularly in the second half of 2023, which was associated with the tightening of global monetary policies. Nevertheless, the growth money supply remained higher than that recorded in 2022. As of the end of December 2023, the extended broad money supply (M3) recorded an annual growth of 14.1 percent, above the target growth of 10.1 percent and 11.6 percent in 2022 (**Chart 3.1 and Chart 3.2**). As of January 2024, M3 and M2 grew by 12.8 percent and 11.1 percent, respectively. The growth in money supply was mostly driven by strong credit growth in the private sector.

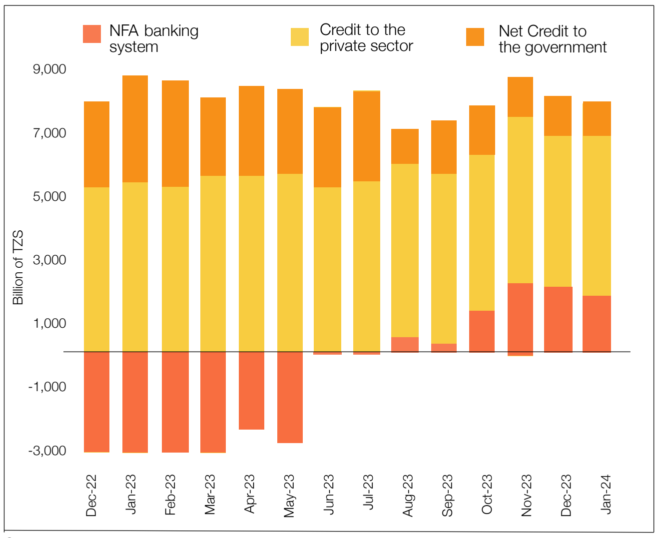
Chart 3.1. Developments in Monetary Aggregates



Source: Bank of Tanzania
Note: LHS refers to left hand scale; and RHS, right hand scale
NFA denotes net foreign assets

In January 2024, the Bank of Tanzania started implementing a monetary policy that anchors interest rate as an operating target, also known as the interest rate (or price)-based monetary policy. This is a forward-looking framework, which is expected to improve the effectiveness of monetary policy. It is also in line with agreements to harmonize monetary policy frameworks in the regional economic communities, of which Tanzania is a member. Accordingly, in January 2024, the Monetary Policy Committee (MPC) set the first Central Bank Rate (CBR) at 5.5 percent for the quarter ending March 2024. The central bank rate was set, considering the need to maintain low inflation within the targets while facilitating economic growth. In this regard, the Bank monitored developments in the 7-day interbank market (IBCM) rate to ensure that it remains within the target band of 3.5 percent to 7.5 percent.

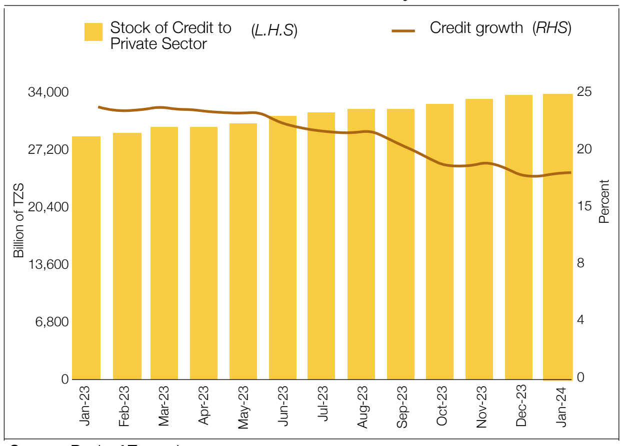
Chart 3.2. Annual Change in Major Sources of Money Supply



Source: Bank of Tanzania

Credit growth in the private sector remained strong, albeit declining. In 2023, it grew by 17.1 percent, compared to 22.5 percent in 2022, but higher than the 16.4 percent target.The growth reflects a sustained high demand for loans attributable to the improving business environment. In January 2024, private sector credit grew by 17.7 percent (Chart.3.3)

Chart 3.3. Credits to Private Sector by Banks



Source: Bank of Tanzania

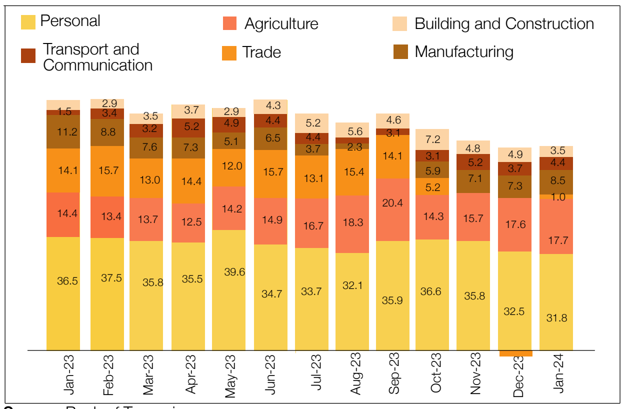
Credit to agricultural activity maintained strong growth at 43.6 percent supported by government interventions such as increased budget allocation and monetary policy measures, including a TZS 1 trillion credit facility and regulatory relief on statutory reserve requirements. Other economic activities like mining and construction experienced significant growth. Personal loans, mainly for micro, small, and medium-sized enterprises (MSMEs), constituted the largest portion of total credit to the private sector at 37.6 percent (Table 3.1 and Chart 3.4a)

Table 3.1. Annual Growth of Credit to Selected Economic Activities (TZS per Litre)

Items	Dec-22	Mar-23	Jun-23	Sept-23	Dec-23	Jan-24
Agriculture	46.1	41.9	40.6	55.5	43.5	43.3
Mining and Quarrying	21.5	8.1	6.6	33.4	36.4	29.9
Transport and Communication	28.3	17.0	14.1	-0.7	15.6	18.4
Manufacturing	28.8	21.3	20.5	20.7	18.1	17.5
Personal	20.3	17.2	21.1	22.6	23.5	16.4
Hotels	14.5	15.3	22.1	15.0	17.7	21.1
Building and Construction	-5.8	-1.9	-2.8	-3.3	4.4	3.6
Trade	24.6	18.2	21.5	20.0	-1.8	1.4

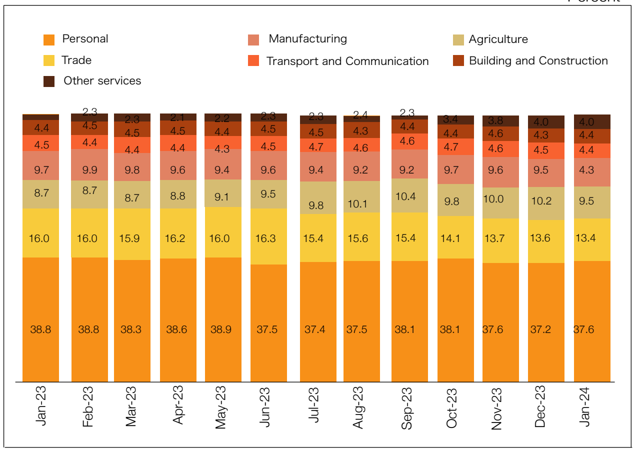
Source: National Bureau of Statistics

Chart 3.4a. The Interbank Cash Market Rates



Source: Bank of Tanzania

Chart 3.4b. Share of Credit by Major Economic Activities

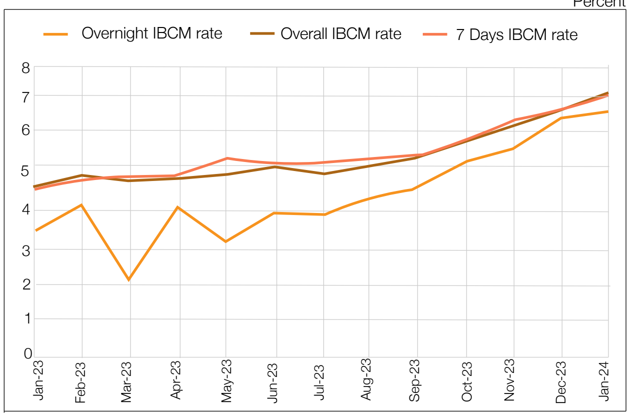


Source: Bank of Tanzania

3.2. Interest Rates Developments

In line with the monetary policy stance implemented during the year, money market interest rates increased, though remained within the required levels. In January 2024, the overall interbank market rate and the 7-days' interest rates increased slightly to 7.27, 7.25 percent, respectively. The rates remained within the CBR band of 3.5 percent to 7.5 percent for the quarter ending March 2024, indicating the adequacy of liquidity in the market in line with the demands of economic activities (Chart 3.5). Meanwhile, yields on treasury securities exhibited an increasing trend.

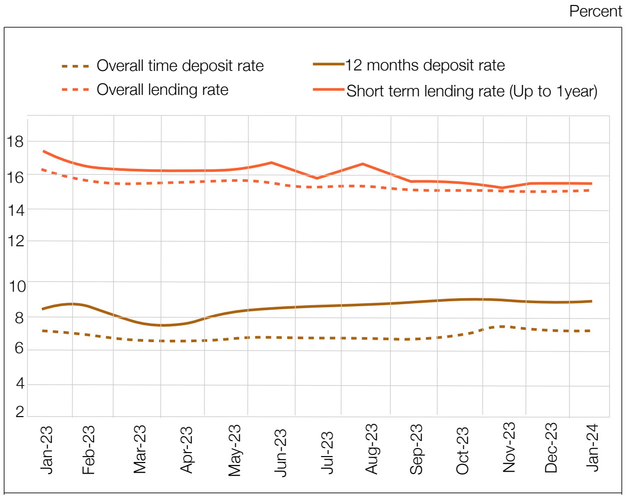
Chart 3.5.The Interbank Cash Market Rates



Source: Bank of Tanzania

Interest rates on loans charged by banks remained broadly unchanged, though declined slightly, despite the policy measures taken by the Bank in recent years. In January 2024, lending and deposit rates remained almost unchanged averaging at 15.39 percent and 7.40 percent, respectively (Chart 3.6). The Bank, in collaboration with various stakeholders, including the government and private sector, continued taking measures to lower lending rates . These measures include implementing financial inclusion initiatives through increasing usage and access to financial services. In addition, the recent adoption of a price-based monetary policy framework is expected to provide more information and guide the market in pricing loans

Chart 3.6. Selected Banks' Average Lending and Deposits Interest Rates

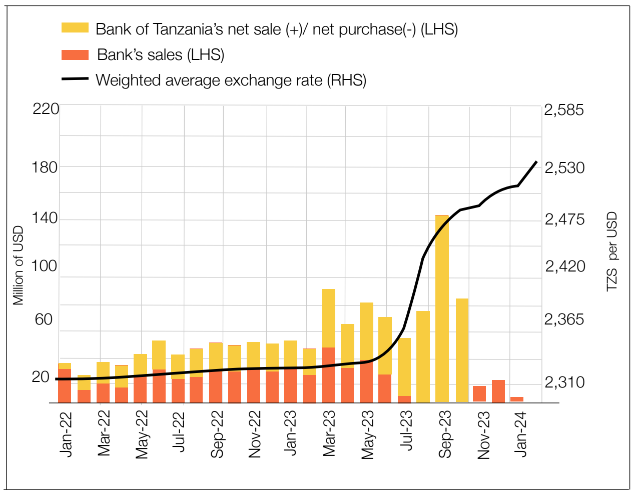


Source: Bank of Tanzania

3.3. Exchange Rate Developments

The Shilling faced significant pressure in 2023 due to the tightening of monetary policy and rising oil prices in the global market. The pressure gradually eased in the last quarter as oil prices moderated, coupled with an increase in inflows from tourism and commodity exports, resulting in an improvement in the current account balance. In addition, the receipt of external loans and the effect of less accommodative monetary policy contributed to reducing pressure on the Shilling. Consequently, the shilling depreciated by 3.5 percent in 2023, compared to less than one percent depreciation in 2022. The shilling was traded at an average of TZS 2,395.7 per USD in 2023, compared with TZS 2,314.5 per USD in the corresponding period in 2022. In January 2024, the shilling traded at TZS 2,520.7 per USD compared with TZS 2,320.6 per USD in the corresponding period in 2023, translating to annual depreciation of 8.6 percent.

Chart 3.7. Nominal Exchange Rate Movements (Period Average)



Source: Bank of Tanzania

3.4. Banking Sector Performance

The banking sector remained liquid, profitable and adequately capitalized . The core capital adequacy ratio was 17.7 percent in the year ending December 2023, above the minimum regulatory requirement of 10 percent. The quality of assets of banks continued to improve, with non-performing loans to gross loans declining to 4.3 percent in December 2023, below the desired level of 5 percent, from 5.8 percent in December 2022 (**Table 3.2**). The level of NPLs is expected to continue declining as banks sustain implementing measures to improve the quality of assets.

Table 3.2: Financial Soundness Indicators

Indicator	Regulatory Limit	Jun-22	Dec-22	Jun-23	Dec-23
Capital Adequacy					
Core Capital/TRWA+OBSE	Minimum 10	19.0	18.0	19.1	17.7
Liquidity					
Liquid Assets/Demand Liabilities	Minimum 20	28.1	26.4	25.1	28.7
Total Loans/ Customer Deposits	N/A	86.8	89.3	88.5	92.8
Earning and Profitability					
Return on Assets-ROA	N/A	41	3.5	4.4	4.5
Return on Equity-ROE	N/A	17.9	14.6	20.0	21.1
Asset Quality					
Gross non-performing Loans/ gross Loans	N/A	7.8	5.8	5.3	4.3

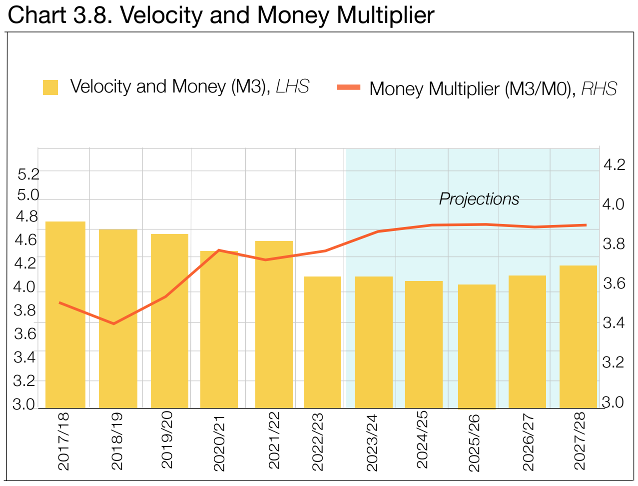
Source: Bank of Tanzania
Note: TRWA+OBSE stands for Total Risk-Weighted Assets and Off-Balance Sheet Exposures
N/A means not applicable

3.5. Monetary Conditions Outlook

Velocity of Money in Circulation and Money Multiplier

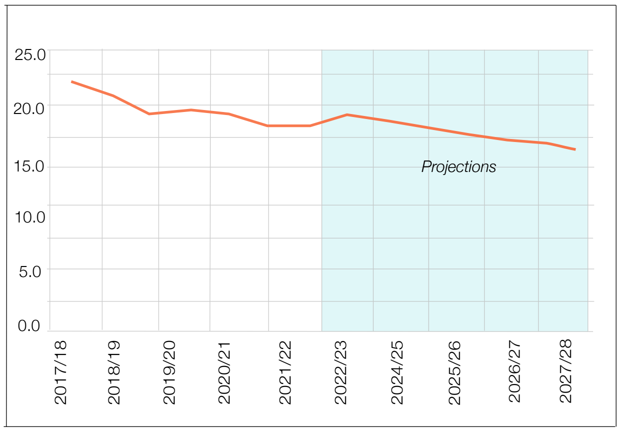
The velocity of money in circulation is projected to remain broadly unchanged in 2023/24, increasing slightly in the medium-term, while money multiplier is expected to decrease marginally in 2023/24 and remain relatively stable over the medium term (**Chart 3.8**). This pattern is consistent with enhancements in the provision of financial services including full implementation of the Tanzania Instant Payment System (TIPS), which expected to further increase low-value payments. The upward trajectory of money multiplier is also reflected in the gradual decrease of the currency-to-deposit ratio (**Chart 3.9**).

Chart 3.8. Velocity and Money Multiplier



Source: Bank of Tanzania

Chart 3.9. Currency to Deposit Ratio

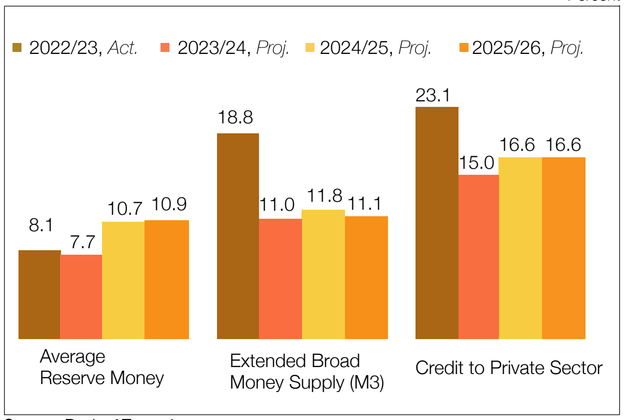


Source: Bank of Tanzania

Monetary Aggregates

Extended broad money supply (M3) is projected to grow in line with projected GDP growth, inflation, velocity of money in circulation and money multiplier. On average, M3 is projected to grow by 11.0 percent in 2023/24, 11.8 percent in 2024/25, and evolve around 10.6 percent over the medium term. Private sector credit growth is expected to decrease but remain adequate in line with the needs of economic activities. In 2023/24, the growth of the private sector credit is projected to reach 15.0 percent and 16.6 percent in 2024/25. Over the medium term, credit to the private sector is expected to grow at around 15.7 percent. Given the underlying assumptions of the money multiplier and the projected growth of money supply, average reserve money is projected to grow by 7.7 percent in 2023/24 and around 9.7 over the medium term (**Chart 3.10**). The projection takes into consideration the projected monetary and fiscal conditions.

Chart 3.10. Actual and Projected Growth of Monetary Aggregates

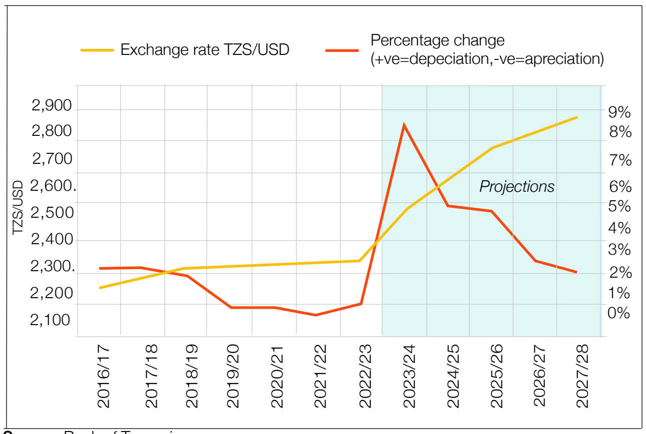


Source: Bank of Tanzania

Exchange Rate Projection

21. The exchange rate is projected to depreciate by 8.2 percent averaging 2,498.98 shillings per USD in 2023/24, attributed to the expectation of sustaining tight monetary policies in major economies in the near term to ensure inflation returns to the targets. Over the medium term, the shilling is projected to depreciate by around 4 percent, due to expectation of easing monetary policies in advanced economies, sufficient foreign reserves and improvements in the current account balance (**Chart 3.11**).

Chart 3.11. Exchange Rate Movement



Source: Bank of Tanzania

4. FISCAL PERFORMANCE AND OUTLOOK

During July 2023 to January 2024, the Government continued to impliment the budget in line with the available resources despite the prevailing global shocks that has continued to weigh on improvements of various economic activities around the globe

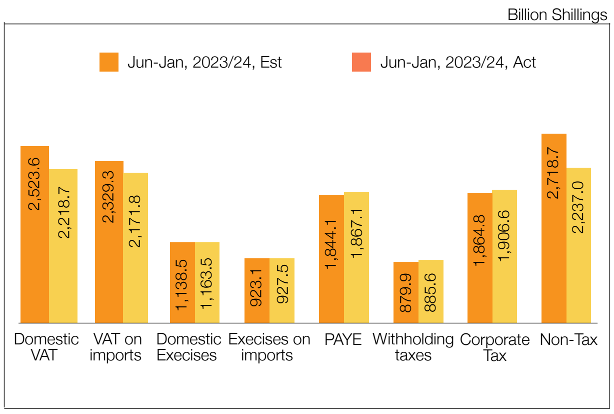
4.1. Recent Fiscal Developments

Domestic Revenue Performance

During July – January 2023/24, total domestic revenue amounted to 17,176.8 billion shillings, equivalent to 95.7 percent of the target. Out of this amount, total tax revenue collected was 14,294.6 billion shillings, non-tax revenue amounted to 2,237 billion shillings and local government collections were 645.2 billion shillings.

Most tax items overperformed against targets save for VAT associated with lower compliance in the issuance of EFD receipts. Similarly, non-tax revenue underperformed due to various factors including decline in gold production as a result of heavy rainfall and increased water depth in mines, as well as inefficiencies in revenue monitoring and collection by certain government agencies (**Chart 4.1**).

Chart 4.1: Performance of major tax categories

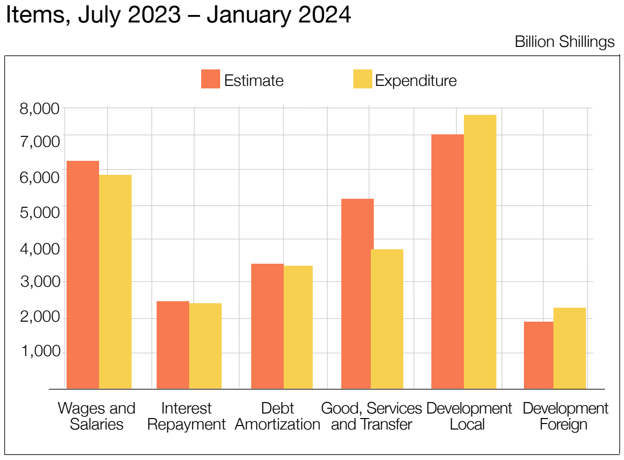


Source: Mof and Tanzania Revenue Authority

Expenditure Performance

In the first seven months of 2023/24, Government expenditure was 24,732.7 billion shillings, equivalent to 96.6 percent of the estimate. Out of the total amount, recurrent expenditure was 15,168.1 billion shillings and development expenditure was 9,564.5 billion shillings. Despite shortfall in revenues, the government prioritized spending on priority social sectors, wages and salaries, debt services, and ongoing mega projects. The overall performance by major expenditure category items is shown in Chart 4.2

Chart 4.2: Expenditure Performance by Major Category Items, July 2023 – January 2024



Source: Mof and Tanzania Revenue Authority

Grants and Financing

Grants and External Borrowing

In 2023/24, the Government estimated to receive TZS 7,566.68 billion as a combination of grants and loans to finance the Government budget. Cumulative from July 2023 to January 2024, the Government received TZS 5,033.46 billion equivalent to 66.52 percent of the total planned amount. Out of the amount raised, grant was TZS 321.67 billion or 53 percent of the projection. External borrowing was External borrowing was TZS 4,711.80 billion, 112 percent of the projection.

Domestic Borrowing

The Government managed to raise TZS 2,815.4 billion from the domestic market, equivalent to 88.3 percent of the total planned amount for the period July-January 2024. Out of the realized domestic amount, TZS 1,716.3 billion was for repayment of matured domestic obligations and TZS 1,099.1 billion was for financing the Government budget.

4.2. Central Government Debt Stock

As at end January 2024, the stock of Central Government debt was TZS 87,056.1 billion, representing an increase of TZS 4,918.2 billion from the stock recorded in June 2023. Out of the debt stock, the external debt was TZS 56,550.7 billion and the domestic debt was TZS 30,505.4 billion. The increase in Central Government debt is in line with the implementation of ongoing mega-development projects.

According to Debt Sustainability Analysis (DSA) exercise conducted in December 2023, Tanzania's risk of debt distress is moderate with some space to absorb shocks without moving into a high risk of debt distress. Specifically, the moderate risk state is due to breach of debt service to export ratio under shock scenario. The Government is committed to implementing the 2023/24 Medium Term Debt Strategy while taking initiatives to promote export earnings as well as carrying fiscal consolidation.

Table 4.1. Debt Sustainability Indicators under the Baseline Scenario

External DSA	Threshold	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
PV of debt to GDP ratio	40	19	20.1	20.4	19.8	18.6	18.1
PV of debt to export ratio	180	113.2	114.2	114.9	111.1	104.3	101.4
Debt service to exports ratio	15	12.7	11.1	11.5	11.2	12.2	11.3
Debt service to revenue ratio	18	14.3	11.6	11.9	11.7	12.9	12
Public DSA							
PV of debt to GDP ratio	55	35.6	36.4	36.7	35.7	34.9	33.8
PV of debt to revenue and Grant ratio	N/A	-232.9	209.2	207.3	204.2	200.7	194.7
Debt service to revenue and grant ratio	N/A	34.2	44.3	33.6	31.1	31.3	31.1

Source: National Bureau of Statistics

4.3. Credit Ratings

In March 2023, both Fitch Ratings Limited and Moody's Investor Service initiated assessments for Tanzanian sovereign credit ratings. By May 2023, Moody's had concluded its evaluation and released the findings, whereas Fitch Ratings published their results in June 2023. For Tanzania, Moody's assigned a long-term foreign currency issuer default rating (IDR) of B2 with a positive outlook, while Fitch Ratings gave an IDR of B with a stable outlook. Moody's conducted a second review in March 2024 and upgraded Tanzania's rating to B1 from B2 and changes the outlook to stable from positive.

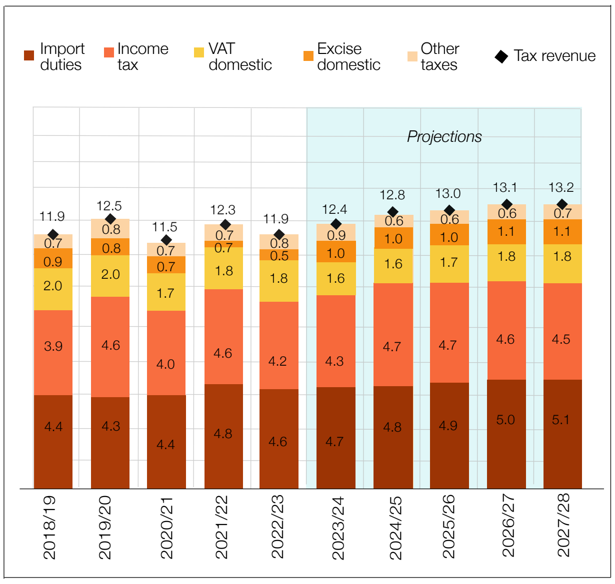
These ratings were based on factors such as robust economic performance, sound debt management, favorable conditions for private-sector investment, enhanced global collaboration, and improved political concordance within the nation. The conclusion of this rating process allows Tanzania to gain recognition in international finance and capital markets, thereby facilitating increased investment opportunities and greater accessibility to financial resources for both the public and private sectors.

4.4. Fiscal Outlook

Over the medium term, domestic revenue is projected to increase in line with the increase in economic activity as well as Government initiatives to widen the tax base including: simplifying identification of players through liaising with relevant MDAs; initiative towards cash lite economy; continue monitoring effective usage of EFD and ETS; and strengthening administration of tax to boost compliance. Expenditure is also projected to increase and aligned with resource mobilization and Development Plans. Increase in spending takes into account ongoing projects under implementation, new hire, General and local government elections, preparation for the African Cup of Nations (AFCON) as well as debt servicing. Net domestic financing is projected around 1.2 percent of GDP while external borrowing is in line with implementation of mega projects as well as DCF. Fiscal deficit is expected to decline and remain within EAC convergence criteria - less than 3.0 percent of GDP (Box 4.1).

Box 4.1: Fiscal Developments and Medium Term Outlook
(Percent of GDP)

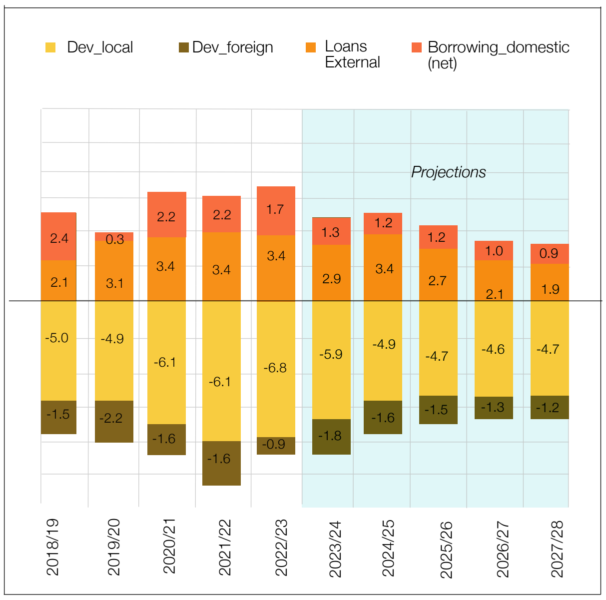
Tax revenue to increase to an average of 13.0% over the medium term supported by ongoing initiatives to boost compliance and widen tax base



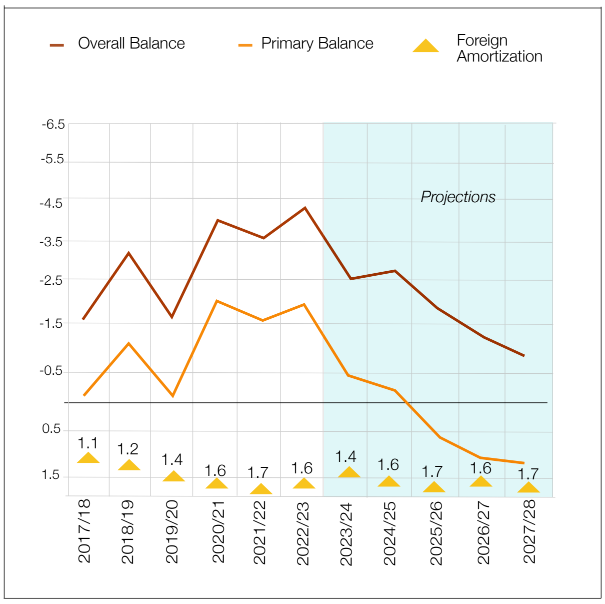
Wages and salaries to increase to cater for new hire and promotions. Interest payment to increase consistent with the existing debt and new borrowing

Development expenditure is expected to increase basing on the ongoing mega projects, AFCON, elections

NDF around 1% of GDP



Fiscal deficit to decline and remain within EAC convergence criteria. Lower deficit is attributed to higher amortization



5. EXTERNAL SECTOR DEVELOPMENT AND OUTLOOK

The external sector of the economy improved, albeit facing headwinds from external shocks.

5.1. External Sector Developments

The current account deficit was USD 1,320.6 million during the first seven months of 2023/24 compared with USD 3,359.7 million in the similar period in 2022/23. The outturn is on account of a decline in imports coupled with an increase in foreign inflows from tourism, traditional exports and gold.

Table 5.1 Tanzania Current Account

Items	July - January 2023	July - January 2024[p]	Percentage Change
Goods Account (net)	-4,501.5	-3,413.5	-24.2
Exports*	4,551.1	4,946.8	8.7
Imports	9,052.7	8,360.3	-7.6
Services Account (net)	1,575.9	2,758.7	75.0
Receipts	3,178.6	4,127.6	29.9
Payments	1,602.7	1,368.9	-14.6
Goods and Services (net)	-2,925.6	-654.8	-77.6
Export of Goods and Services	7,729.7	9,074.4	17.4
Import of Goods and Services	10,655.3	9,729.2	-8.7
Primary income account (net)	-721.6	-929.8	28.9
Receipts	105.6	118.9	12.6
Payments	827.1	1,048.7	26.8
Secondary income account (net)	287.4	264.1	-8.1
Inflows	356.0	370.6	4.1
o/w General government	38.7	73.5	90.2
Outflows	68.6	106.5	55.2
Current Account Balance	-3,359.7	-1,320.6	-60.7

Source: Bank of Tanzania

In July-January 2023/24, export of goods and services amounted to USD 9,074.4 million compared with USD 7,729.7 million recorded in a similar period in 2022/23. The export of goods increased by 8.7 percent to USD 4,649.8 million. The performance was largely contributed by gold, tobacco, oil seeds, and horticulture exports.

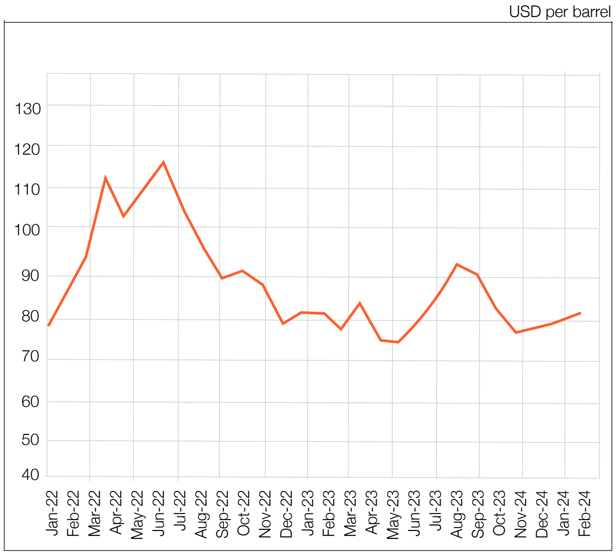
Exports of gold which accounts for about 40 percent of goods exports rose to USD 1,876.6 million compared with USD 1,709.8 million in the previous period, on account of both volume and price effects (kwenye nontax tumesema low gold output).

Service receipts amounted to USD 4,127.6 million from USD 3,178.6 million in the corresponding period in 2022/23, driven by travel (tourism) and transport receipts. The surge in travel receipts reflects the rebound of the tourism sector, with tourist arrivals increasing by 19.8 percent to 1,229,304 people.

During the period, imports of goods and services amounted to USD 9,729.2 million, lower than USD 10,655.3 million in the corresponding period in 2022/23, primarily driven by a decrease in the goods import, particularly white petroleum products. Import of goods increased to USD 8,360.3 million during the first seven months of 2023/24 compared with USD 9,052.7 million recorded in previous period, equivalent to a decrease of 7.6 percent. Capital and intermediate goods accounted for 89.8 percent, and consumer goods (10.2 percent).

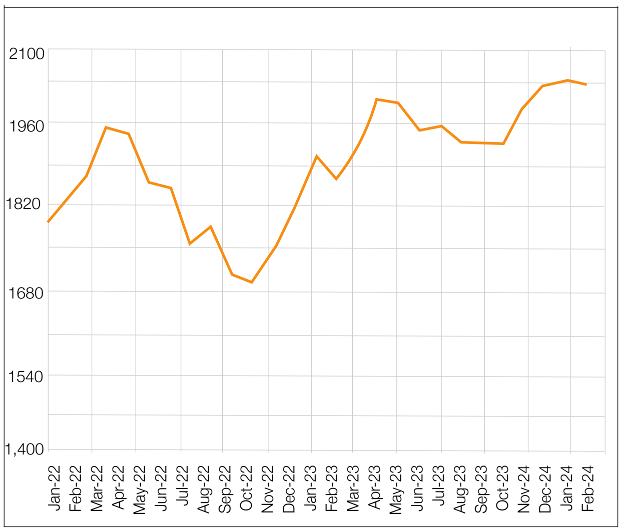
Imports of intermediate goods fell by 11 percent with much of the decrease registered in white petroleum products, fertilizer and industrial supplies. White petroleum products, which account for 21.1 percent of the total import bill, decreased by 19.2 percent to USD 1,761 million, due to decline of oil prices in the world market. The average price of crude oil during the first seven months of 2023/24 decreased by 7.9 percent to USD 82.8 per barrel from USD 89. per barrel in 2022/23. Chart 5.1 depicts the price movements of crude oil and gold.

Chart 5.1a. Price Movements of Crude Oil



Source: https://www.worldbank.org/en/research/commodity-markets

Chart 5.1b. Price Movements of Gold



Source: https://www.worldbank.org/en/research/commodity-markets

Services payments slightly decreased to USD 1,368.9 million during the first seven months of 2023/24 from USD 1,602.7 million in 2022/23, due to a fall in freight payments consistent with the decrease in goods import bill.

Foreign exchange reserves

The stock of foreign exchange reserves was USD 5,107.1 million compared with USD 4,807.8 million at the end of January 2023. The reserves were adequate to cover about 4.1 months of projected imports of goods and services, above the country's target of 4 months.

5.2. External Sector Outlook

The current account deficit (including transfers) to GDP ratio is expected to decrease to 4.6 percent in 2023/24, from 6.2 percent recorded in the corresponding period in 2022/23, owing to the expected slower growth of imports relative to exports. In the medium term the current account as percentage of GDP is projected at 3.5 percent.

Exports of goods and services to GDP ratio are projected to increase from 16.4 percent recorded in 2022/23 to 17.4 percent in 2023/24 and 17.4 percent in the medium term. The projected rise is supported by a buoyant tourism sector performance, and mineral exports coupled with ongoing initiatives to promote exports. Imports of goods and services to GDP ratio are projected to fall slightly to 21.1 percent in 2023/24 from 21.8 percent recorded in 2022/23. In the medium term, imports of goods and services to GDP ratio is projected to slightly decrease to an average of 19.9 percent, owing to the expected decrease in growth of import bills.

Gross reserves are projected to be sufficient to cover 4 months of projected import of goods and services in line with the country's target.

6. RISKS TO THE PROJECTION

The medium-term outlook assumes the successful implementation of development plans that will lead to a competitive industrial economy with higher economic growth. Further, this will be complemented by cooling off of geopolitical tensions, expectation of easing monetary policy in US and Euro area, as well as growth momentum in China and India. However, there remains downside risks that could constrain the predicted growth. Some of the identified downside risks are as follows:

i) Geopolitical tension, Geoeconomic fragmentation intensifies leading to sluggish global economic recovery.

Continued attacks in the Red Sea which accounts for about11 percent of global trade, the conflict between Israel and Gaza could spill into the wider region which produces about 35 percent of world exports. The ongoing Ukraine war which disrupted the supply side if rejuvenated could trigger the price soaring especially in the energy, transport sector, and food as well. Ongoing separation of the world economy into blocs amidst the Russian war could disrupt the interbloc trade; cross-border movement of capital, technology.

ii) Acute turn to fiscal consolidation.

As exchange rates along with inflation hover, the public debt ratio to GDP for many countries in emerging and developing has increased, so it has become necessary to make sure that the risk of debt distress is minimized. However, the instant motive towards fiscal consolidation through tax-hiking and spending cuts would inhibit growth in the near term.

iv) Climate related Shocks

Floods or droughts extreme shocks could exacerbate food prices and jeopardize the disinflation process domestically as well as globally.

iv) A prolonged tightening of global financial conditions

This could further put depreciation on domestic currencies, increase in debt service costs, and risk of falling into high risk of debt distress or in debt distress situations. Higher debt service payments would further reduce fiscal space and shrink growth-promoting government spending in social sectors. Moreover, depreciation of domestic currencies could fuel inflation further and trigger restrictive monetary policy with risks to medium-term growth and strains in the financial system.

STATISTICAL TABLES

Table 1A: Gross Domestic Product at current market prices (Billions of TZS)

Economic Activity	2021	2022	2023 Aug 2023	2023 Feb 2024	2024	2025	2026	2027	2028
					Projections				
Agriculture, Hunting and Forestry	41,851	44,671	45,180	42,207	45,197	52,201	59,347	65,515	71,258
Crops	23,546	25,577	22,996	20,155	20,764	24,668	29,723	32,727	34,867
Livestock	11,272	11,482	13,671	13,601	15,156	16,573	17,728	19,165	21,976
Hunting and Forestry	4,191	4,604	5,197	5,148	5,677	7,280	7,852	9,323	9,567
Fishing	2,842	3,008	3,316	3,303	3,600	3,680	4,044	4,301	4,848
Industry and construction	45,762	52,701	64,243	62,541	68,535	71,195	75,757	84,391	90,511
Mining and quarrying	11,471	15,431	18,411	16,876	18,715	19,899	21,002	24,186	24,995
Manufacturing	11,237	12,158	15,611	15,661	17,418	18,177	20,171	22,136	25,372
Electricity, gas	379	248	694	518	995	1,074	1,475	1,967	2,349
Water supply	746	893	830	976	1,073	1,169	1,272	1,481	1,530
Construction	21,928	23,971	28,697	28,510	30,333	30,877	31,838	34,620	36,266
Services	57,386	60,147	76,185	72,329	80,157	91,763	103,226	113,939	134,485
Trade and repairs	13,570	13,532	16,208	16,280	17,127	19,095	21,592	23,621	27,452
Hotels and restaurants	1,602	1,892	3,544	2,343	2,759	3,046	3,622	4,155	5,053
Transport	10,860	11,397	14,375	12,745	14,194	17,820	20,257	22,267	26,024
Communications	2,375	2,606	3,797	3,783	4,324	4,683	5,452	6,138	6,593
Financial intermediation	5,380	5,499	6,871	6,927	7,807	8,299	9,200	10,374	12,256
Real estate and business services	9,692	10,350	12,214	12,179	13,225	14,549	16,562	18,195	21,205
Public administration	5,876	6,243	8,233	7,299	8,280	9,768	9,935	10,968	14,408
Education	3,649	3,838	5,120	4,319	5,732	6,045	6,850	7,486	8,654
Health	2,213	2,393	2,999	3,256	3,409	4,454	5,010	5,790	6,819
Other social and personal services	2,168	2,396	2,824	3,198	3,302	4,005	4,746	4,945	6,021
Gross value added before adjustments	144,999	157,518	185,608	177,078	193,889	215,159	238,330	263,845	296,255
less FISIM	0	0		0	0	0	0	0	0
Gross value added at current basic prices	144,999	157,518	185,608	177,078	193,889	215,159	238,330	263,845	296,255
add Taxes on products	11,377	12,738	13,264	13,177	15,429	17,584	20,058	22,941	26,240
GDP at current market prices	**156,375**	**170,256**	**198,872**	**190,255**	**209,318**	**232,742**	**258,388**	**286,785**	**322,494**

Table 1B: GDP at constant 2015 market prices by Economic Activity (Growth Rates)

Economic Activity	2021	2022	2023 Aug 2023	2023 Feb 2024	2024	2025	2026	2027	2028
					Projections				
Agriculture, Hunting and Forestry	3.9%	3.3%	3.8%	3.6%	3.6%	4.3%	4.5%	4.6%	4.6%
Crops	3.6%	2.7%	3.3%	3.1%	3.1%	4.0%	4.3%	4.3%	4.4%
Livestock	5.0%	5.0%	5.0%	4.9%	4.8%	5.3%	5.3%	5.3%	5.5%
Forestry and hunting	3.5%	3.1%	4.0%	3.5%	3.7%	3.9%	3.9%	4.2%	4.3%
Fishing	2.6%	1.9%	2.3%	2.3%	2.5%	3.1%	3.2%	3.6%	3.7%
Industry and construction	5.4%	5.5%	6.1%	5.7%	6.2%	6.7%	7.0%	7.2%	7.1%
Mining and quarrying	9.4%	10.9%	11.1%	11.0%	11.0%	11.6%	11.9%	12.1%	12.0%
Manufacturing	4.8%	4.2%	5.0%	4.4%	4.6%	5.3%	5.5%	5.6%	5.4%
Electricity, gas	10.0%	7.6%	7.8%	7.8%	8.3%	8.9%	9.3%	9.5%	9.8%
Water supply	6.5%	5.5%	5.6%	5.6%	5.4%	6.1%	5.6%	5.7%	6.0%
Construction	4.3%	4.4%	4.9%	4.6%	5.3%	5.6%	5.8%	5.9%	5.7%
Services	5.0%	5.2%	5.9%	5.7%	6.3%	7.0%	7.3%	7.5%	7.7%
Trade and repairs	3.8%	3.6%	5.3%	4.8%	5.2%	5.7%	6.2%	6.5%	6.9%
Hotels and restaurants	6.7%	9.0%	10.5%	10.0%	10.7%	11.4%	11.7%	11.7%	11.8%
Transport	3.5%	3.8%	5.1%	5.1%	6.0%	6.4%	6.8%	7.0%	7.5%
Communications	9.1%	7.4%	8.1%	8.1%	7.5%	9.3%	9.4%	9.6%	9.8%
Financial intermediation	4.2%	9.2%	6.9%	6.9%	6.0%	7.3%	7.3%	7.6%	7.6%
Real estate and business services	5.8%	4.7%	5.0%	5.0%	6.3%	6.6%	6.9%	7.0%	7.2%
Public administration	5.1%	5.4%	5.6%	5.5%	5.5%	7.1%	7.3%	7.5%	7.5%
Education	5.1%	5.3%	6.1%	5.8%	6.1%	6.4%	6.4%	6.4%	6.3%
Health	5.7%	5.4%	6.4%	6.4%	7.3%	7.6%	7.8%	8.1%	8.3%
Other social and personal services	10.3%	8.6%	9.1%	8.9%	10.6%	11.2%	11.3%	11.7%	11.9%
Gross value added before adjustments	4.8%	4.8%	5.4%	5.2%	5.6%	6.2%	6.5%	6.7%	6.8%
less FISIM									
Gross value added at basic prices	4.8%	4.8%	5.4%	5.2%	5.6%	6.2%	6.5%	6.7%	6.8%
Add Taxes on products	6.1%	3.7%	3.1%	3.1%	3.9%	2.2%	3.4%	4.1%	2.6%
GDP at constant 2015 market prices	**4.9%**	**4.7%**	**5.2%**	**5.0%**	**5.4%**	**6.0%**	**6.3%**	**6.5%**	**6.5%**

Table 1C: Medium Term Fiscal Framework (Billion Shillings)

	2021/22	2022/23	2023/24		2024/25	2025/26	2026/27	2027/28
			Aug 2023	*Feb 2024*	*Projections*			
Total Revenue	24,396	26,278	31,381	30,364	34,611	38,887	43,464	48,596
Tax revenue	20,029	21,411	25,197	24,775	28,249	31,823	35,831	40,212
Taxes on imports	7,879	8,327	9,339	9,380	10,649	12,052	13,696	15,563
O/w VAT	3,345	3,640	3,967	3,810	4,346	4,930	5,625	6,418
Sales/VAT and excise on local goods	3,422	4,103	5,268	5,036	5,814	6,675	7,721	8,901
O/w VAT	2,953	3,265	4,404	3,127	3,632	4,170	4,829	5,594
Income taxes	7,517	7,584	8,981	8,638	10,452	11,571	12,663	13,733
Other taxes (mainly Inland Revenue)	1,211	1,398	1,609	1,721	1,333	1,525	1,751	2,015
Non-tax revenue	4,366	4,866	6,184	5,589	6,362	7,065	7,633	8,384
LGA own sources	889	1,021	1,144	1,118	1,344	1,479	1,568	1,800
Total expenditure and net lending	-31,108	-34,432	-38,082	-37,550	-41,806	-44,934	-48,484	-52,829
Recurrent expenditure	-16,027	-20,475	-24,005	-22,118	-27,251	-29,855	-32,316	-34,854
Wages and salaries	-8,087	-9,046	-10,882	-10,372	-11,998	-13,022	-14,414	-16,160
Interest payments	-2,838	-3,681	-4,164	-4,188	-5,582	-6,765	-7,193	-7,099
Domestic	-2,049	-2,634	-2,799	-2,751	-3,147	-3,697	-3,965	-4,252
Foreign	-789	-1,047	-1,364	-1,438	-2,435	-3,068	-3,228	-2,847
Other goods, services and transfers	-5,102	-7,748	-8,959	-7,558	-9,671	-10,068	-10,710	-11,594
Development expenditure and net lending	-15,080	-13,957	-14,077	-15,432	-14,555	-15,079	-16,168	-17,975
	-11,462	-12,245	-10,795	-11,807	-10,914	-11,436	-12,534	-14,319
Overall balance (cheques issued) before grants	0	0	0	0	0	0	0	0
	-6,712	-8,154	-6,701	-7,186	-7,196	-6,046	-5,020	-4,233
Grants:	0	0	0	0	0	0	0	0
of which: Project	708	596	1,111	1,111	691	679	671	654
MDF and HIPC relief	605	506	925	901	582	580	573	555
Overall balance (cheques issued) after grants	0	0	0	0	0	0	0	0
	-6,004	-7,557	-5,590	-6,075	-6,505	-5,367	-4,349	-3,579
Adjustments to cash and other items (net)	0	0	0	0	0	0	0	0
o/w expenditure float	43	-133	0	477	0	9	15	23
Overall balance (cheques cleared)	-2	-13	0	-9	0	0	0	0
	-5,960	-7,690	-5,590	-5,598	-6,505	-5,358	-4,334	-3,556
Financing :	0	0	0	0	0	0	0	0
Foreign Financing (net)	5,960	7,690	5,590	5,598	6,505	5,358	4,334	3,556
Borrowing	3,110	3,085	3,691	3,068	3,909	2,525	1,480	679
Program loans	5,926	5,978	6,455	5,844	7,426	6,733	5,865	5,957
Development project loans	1,299	1,851	2,128	2,227	1,381	388	0	0
Non-concessional borrowing	4,628	4,127	4,328	3,618	6,046	6,345	5,865	5,957
Amortization	1,809	3,012	2,100	2,100	2,987	3,283	2,804	2,857
Domestic (net)	-2,816	-2,894	-2,764	-2,777	-3,517	-4,208	-4,386	-5,278
Bank borrowing (net)	2,850	4,606	1,898	2,530	2,595	2,833	2,854	2,877
Non-bank borrowing (net)	1,846	1,431	1,689	1,315	2,076	2,266	2,294	2,302
New borrowing	1,004	3,175	210	1,215	519	567	561	575
Amortization	3,044	3,514	3,542	3,502	4,022	3,326	4,593	5,052
Amortization of contingent debt	-3,044	-3,514	-3,542	-3,502	-4,022	-3,326	-4,593	-5,052
Privatization proceeds	0	0	0	0	0	0	0	0
Contingency/Change in arrears	0	0	0	0	0	0	0	0
Recovery of NBC recapitalization bond	0	0	0	0	0	0	0	0
Memorandum items	0	0		0	0	0	0	0
Nominal GDP (Billions of TZS)	**163,315**	**180,255**	**209,527**	**199,787**	**221,030**	**245,565**	**272,587**	**304,640**

Table 1D: Medium Term Fiscal Framework (as percent of GDP)

	2021/22	2022/23	2023/24 Aug 2023	2023/24 Feb 2024	2024/25	2025/26	2026/27	2027/28
					Projections			
Total Revenue	14.9%	14.6%	15.0%	15.2%	15.7%	15.8%	15.9%	16.0%
Tax revenue	12.3%	11.9%	12.0%	12.4%	12.8%	13.0%	13.1%	13.2%
Taxes on imports	4.8%	4.6%	4.5%	4.7%	4.8%	4.9%	5.0%	5.1%
O/w VAT	2.0%	2.0%	1.9%	1.9%	2.0%	2.0%	2.1%	2.1%
Sales/VAT and excise on local goods	2.1%	2.3%	2.5%	2.5%	2.6%	2.7%	2.8%	2.9%
O/w VAT	1.8%	1.8%	2.1%	1.6%	1.6%	1.7%	1.8%	1.8%
Income taxes	4.6%	4.2%	4.3%	4.3%	4.7%	4.7%	4.6%	4.5%
Other taxes (mainly Inland Revenue)	0.7%	0.8%	0.8%	0.9%	0.6%	0.6%	0.6%	0.7%
Non-tax revenue	2.7%	2.7%	3.0%	2.8%	2.9%	2.9%	2.8%	2.8%
LGA own sources	0.5%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%
Total expenditure and net lending	-19.0%	-19.1%	-18.2%	-18.8%	-18.9%	-18.3%	-17.8%	-17.3%
Recurrent expenditure	-9.8%	-11.4%	-11.5%	-11.1%	-12.3%	-12.2%	-11.9%	-11.4%
Wages and salaries	-5.0%	-5.0%	-5.2%	-5.2%	-5.4%	-5.3%	-5.3%	-5.3%
Interest payments	-1.7%	-2.0%	-2.0%	-2.1%	-2.5%	-2.8%	-2.6%	-2.3%
Domestic	-1.3%	-1.5%	-1.3%	-1.4%	-1.4%	-1.5%	-1.5%	-1.4%
Foreign	-0.5%	-0.6%	-0.7%	-0.7%	-1.1%	-1.2%	-1.2%	-0.9%
Other goods, services and transfers	-3.1%	-4.3%	-4.3%	-3.8%	-4.4%	-4.1%	-3.9%	-3.8%
Development expenditure and net lending	-9.2%	-7.7%	-6.7%	-7.7%	-6.6%	-6.1%	-5.9%	-5.9%
Overall balance (cheques issued) before grants	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which: Project	0.4%	0.3%	0.5%	0.6%	0.3%	0.3%	0.2%	0.2%
MDF and HIPC relief	0.4%	0.3%	0.4%	0.5%	0.3%	0.2%	0.2%	0.2%
Overall balance (cheques issued) after grants	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjustments to cash and other items (net)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
o/w expenditure float	0.0%	-0.1%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Overall balance (cheques cleared)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing :	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Foreign Financing (net)	3.6%	4.3%	2.7%	2.8%	2.9%	2.2%	1.6%	1.2%
Borrowing	1.9%	1.7%	1.8%	1.5%	1.8%	1.0%	0.5%	0.2%
Program loans	3.6%	3.3%	3.1%	2.9%	3.4%	2.7%	2.2%	2.0%
Development project loans	0.8%	1.0%	1.0%	1.1%	0.6%	0.2%	0.0%	0.0%
Non-concessional borrowing	2.8%	2.3%	2.1%	1.8%	2.7%	2.6%	2.2%	2.0%
Amortization	1.1%	1.7%	1.0%	1.1%	1.4%	1.3%	1.0%	0.9%
Domestic (net)	-1.7%	-1.6%	-1.3%	-1.4%	-1.6%	-1.7%	-1.6%	-1.7%
Bank borrowing (net)	1.7%	2.6%	0.9%	1.3%	1.2%	1.2%	1.0%	0.9%
Non-bank borrowing (net)	1.1%	0.8%	0.8%	0.7%	0.9%	0.9%	0.8%	0.8%
New borrowing								
Amortization	1.9%	1.9%	1.7%	1.8%	1.8%	1.4%	1.7%	1.7%
Amortization of contingent debt	-1.9%	-1.9%	-1.7%	-1.8%	-1.8%	-1.4%	-1.7%	-1.7%
Privatization proceeds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Contingency/Change in arrears	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Recovery of NBC recapitalization bond	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Ministry of Finance
Government City-Mtumba
Hazina Avenue
P.O.Box 2802
40468 Dodoma
http:/www.mof.go.tz