

Please don't stop the music



General Information

GDP	USD45.63bn (World Ranking 84, World Bank 2015)
Population	53.47mn (World Ranking 26, World Bank 2015)
Form of state	Republic
Head of government	John Pombe Magufuli
Next elections	October 2020, presidential and legislative



Strengths

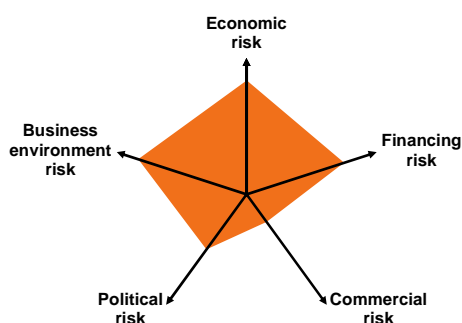
- Substantial natural resource base, with offshore natural gas now supplementing mining (including gold) and agriculture.
- Generally stable politically, with pro-market government with large parliamentary majority.
- Strong IFI and donor support.
- Strong inward investment flows.
- Strong GDP growth.
- External debt relief under the HIPC initiative and debt forgiveness under G8 auspices.

Weaknesses

- Tanzania is still a low-income country and poverty is pervasive.
- Perceptions of corruption remain high.
- Secessionist tensions and periodic violence involving the semi-autonomous islands of Zanzibar.
- Fiscal (before grants) and current account deficits.
- Dependence on external funding.
- Weak structural business environment.

Country Rating

C3



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
India	21% 1	30% China
China	9% 2	13% Saudi Arabia
Kenya	8% 3	13% India
Japan	5% 4	5% United Arab Emirates
South Africa	4% 5	4% South Africa

By product (% of total)

Exports	Rank	Imports
Gold, non-monetary	19% 1	26% Petroleum (and related products)
Vegetables and fruits	12% 2	7% Road vehicles
Metalliferous ores and metal scrap	10% 3	5% Electrical machinery (and related)
Tobacco and tobacco manufactures	9% 4	5% Telecom. and sound recording manufactures
Coffee, tea, cocoa, spices	6% 5	4% Medicinal and pharma. products

Source: UNCTAD 2015

Economic Overview

Stable growth foundations

Tanzania entered a high growth trajectory in 2001. Growth exceeded +5% each year ever since and climbed to about +7% over the last decade.

Yet as the income level is still very low (6% of GDP per capita in Advanced Economies), the catch-up process can easily continue during the next decade as long as the country builds on its good record of reform implementation. One key achievement is the technological component of growth.

Annual investment reaches about 30% of GDP per year during the last decade, and the capital stock is now among the best in the continent. It is 460% of GDP, above Chinese levels and about two times the common figure for African peers with comparable income levels such as Côte d'Ivoire and Senegal.

Moreover, Tanzania benefits from an effort to develop infrastructure and operating institutions. The country is also leveraging its geographical position. Tanzania is ranked 61st in the World Bank survey with regard to the quality of logistics, well above the average for Africa and neighbouring countries with similar performances.

As foreign investors, particularly from China, are on the hunt for regional opportunities there is a room for economic integration. East Africa is the main African channel of investment under the Chinese One Belt One Road strategy to develop new trade routes.

The development of the offshore and onshore natural gas industry is a key strength, going hand in hand with this positive regional momentum. The rapid development of the energy sector will provide the country with a successor to the declining metals & mining sector, which still generates about one third of good exports.

The current account deficit is a vulnerability, but financing is not a big issue

Oil and capital goods are two key elements essential to Tanzania's capital-intensive growth model. Since these goods are not produced, it means structurally high imports and a structural current account deficit. In this regard, the oil price slump was helpful. The deficit decreased from -11.6% of GDP in 2012 to -6.5% of GDP in 2016, but is still significant. 65% of the gap is financed through FDI.

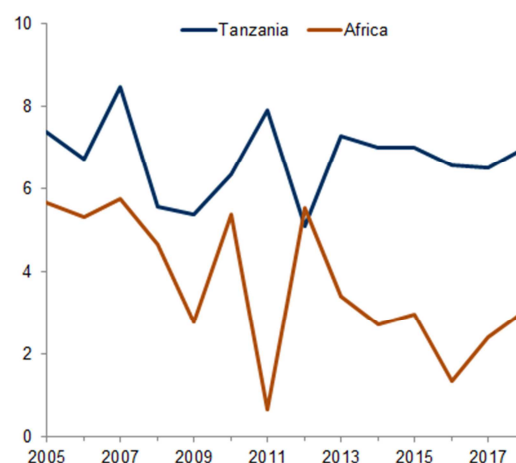
The ability of the Central Bank to let the exchange rate depreciate when needed (-33% between mid-14 and mid-15) is an asset. As a result, foreign reserves erosion was limited and still covers 5.5 months of imports. Moreover, FDI inflows and bilateral loans are enough to cope with financing needs. Accordingly, the relationship with the IMF has evolved. From 2014, Tanzania only asked for technical assistance.

Key Economic Forecasts

	2015	2016	2017f	2018f
GDP growth (% change)	7.0	6.6	6.5	7.0
Inflation (%)	5.6	5.2	5.0	5.0
Fiscal balance (% of GDP)	-3.2	-3.8	-4.5	-5.0
Public debt (% of GDP)	37.0	39.0	41.0	42.0
Current account (% of GDP)	-8.0	-6.5	-7.0	-7.5
External debt (% of GDP)	35.2	36.0	36.5	36.5

Sources: National Sources, IHS, Euler Hermes

GDP Growth (%)



Sources: National sources, IHS, Euler Hermes

Policy-mix



Sources: National sources, IHS, Euler Hermes

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Contact Euler Hermes Economic Research Team

research@eulerhermes.com

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Country Risk Analyst:

Stéphane Colliac, Julien Aymé-Dolla
stephane.colliac@eulerhermes.com