

# TANZANIA

Tanzania maintained macroeconomic stability supported by prudent macroeconomic management, natural endowments, and favorable demographics. Growth accelerated to 5.5 percent in 2024 due to increased exports, favorable weather, and improved access to electricity. Growth is expected to accelerate further, but uncertainty to this outlook increased with global policy risks. Poverty at the International Poverty Line was estimated at 42.9 percent.

## Key conditions and challenges

Tanzania has built a track record of macroeconomic stability even amid serious economic shocks. Growth remained robust, fiscal balances manageable, and inflation below targets despite the international disruptions that characterized the early 2020s. High natural endowments and favourable demographics support high investment levels that strongly contributed to growth.

Tanzania nevertheless contends with structural and policy barriers to accelerating inclusive growth. High government investment in infrastructure, combined with below-potential domestic resource mobilization limits fiscal space for expanding crucial public services. Strengthening the business environment is a policy priority for growth acceleration. Supporting the country's external resilience through a more flexible exchange rate regime, which is currently characterized by a preference for asymmetric exchange rate flexibility, is a macroeconomic policy area that can be improved.

Economic growth has been concentrated in few sectors with limited workforce absorption and scant wage employment creation. Slow structural transformation has kept two-thirds of Tanzanian

|                                                |      |                                                                 |        |
|------------------------------------------------|------|-----------------------------------------------------------------|--------|
| Population <sup>1</sup><br>million             | 68.6 | Poverty <sup>2</sup><br>millions living on less than \$2.15/day | 25.8   |
| Life expectancy at birth <sup>3</sup><br>years | 66.8 | School enrollment <sup>4</sup><br>primary (% gross)             | 93.1   |
| GDP <sup>5</sup><br>current US\$, billion      | 78.8 | GDP per capita <sup>6</sup><br>current US\$                     | 1149.1 |

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2018 (2017 PPPs). 3/ 2022. 4/ 2023. 5/ 2024. 6/ 2024.

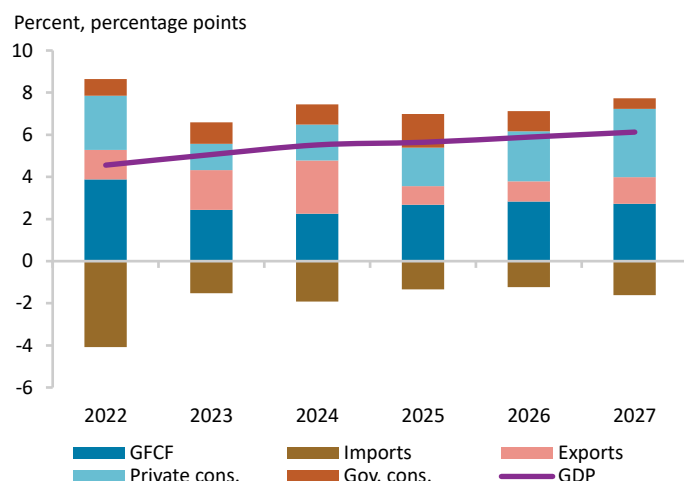
workers in the low-productivity agriculture sector. While poverty remains predominantly rural, poverty rose relatively faster in urban areas post-Covid. Although Tanzania has urbanized faster than its neighbors, migration to towns and cities has not been an engine for poverty reduction.

## Recent developments

Growth accelerated in 2024 promoted by expanding exports, a good agricultural season, and increased electricity supply. Higher global demand for Tanzanian goods like gold, tourism, and agricultural commodities improved terms of trade. Tanzanian production was able to meet additional demand as an enhanced business environment had led to investments increasing productive capacity. Tanzania's current account deficit likely narrowed to 2.3 percent of GDP in 2024, a long-term sustainable level given the increased levels of FDI and highly concessional finance Tanzania attracts.

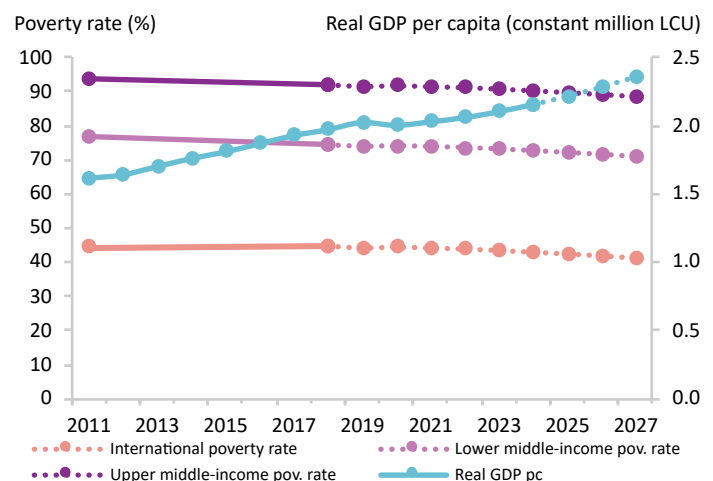
Electricity supply grew rapidly in 2024 with the Julius Nyerere Hydropower Plant adding capacity to the growing grid. The first phase of Tanzania's largest investment project—the Standard-gauge Railway (SGR) across the country and into neighbouring

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: World Bank staff estimates and projections (2020-2026).

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



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

Burundi —also started operating passenger services between Dar es Salaam, the commercial hub, and the capital Dodoma. Cargo services are yet to commence highlighting the need for an integrated transport policy approach.

While El Niño led to droughts in many neighbouring countries, Tanzania enjoyed above-average rains, record harvests, and a boost to downstream sectors. Large harvests also depressed domestic food prices, leading to significant welfare gains for the poorest and enhanced food security. Overall inflation also remained low amidst moderate monetary tightening. Additionally, the economy closing in on its potential tightened the labour market. Poverty at the International Poverty Line of US\$2.15 2017 PPP/day (about 2,080 nominal TSH in 2024) is estimated to have decreased to 42.9 percent in 2024.

## Outlook

Secular effects are expected to drive continued economic expansion and macroeconomic stability. Abundant opportunities, including in the extractives sector, improvements to the business environment, and the increasing use of public-private partnerships will drive investment and thus spur economic growth. Simultaneously, macroeconomic risks are expected to be contained through prudent macroeconomic decision making.

However, three prominent external risks emerged in early 2025: renewed conflict in eastern Democratic Republic of Congo (DRC),

disruptions in development assistance, and increased uncertainty on global trade policy. The conflict in DRC affects Tanzania's export and transport sectors since traffic to the DRC has historically accounted for 14 percent of volumes at Tanzania's largest port. The disruption of development assistance will negatively impact Tanzania's economy, especially the health sector. While direct and indirect effects of recent trade policy shifts have caused a downward shift in growth projections, continued uncertainty and weaker than expected global demand may further adversely affect Tanzania's growth prospects.

Policy risks include Tanzania's increased spending ambitions against the background of still weak domestic revenue mobilization. While double digit increases in planned expenditures in the next two years are an opportunity to enhance service delivery and avoid underinvestment in human capital in the face of uncertain donor support, they also necessitate careful prioritisation, particularly in public investment, and improvements in revenues to ensure fiscal and macroeconomic sustainability.

Real per capita growth of 2 to 3 percent is expected to reduce the poverty rate to 41.0 percent by 2027, though there is a downside risk to global economic growth due to the U.S. tariffs. This is driven more by growth in the service and industry sectors, and less by agriculture. In addition to mitigating risks to the overall economy negatively impacting vulnerable populations, it is important to improve the resilience of Tanzanian households through the creation of better-quality jobs and strengthening the social safety net system.

## Recent history and projections

|                                                                            | 2022 | 2023 | 2024e | 2025f | 2026f | 2027f |
|----------------------------------------------------------------------------|------|------|-------|-------|-------|-------|
| <b>Real GDP growth, at constant market prices</b>                          | 4.6  | 5.1  | 5.5   | 5.7   | 5.9   | 6.1   |
| Private consumption                                                        | 4.6  | 2.2  | 3.1   | 3.4   | 4.5   | 6.3   |
| Government consumption                                                     | 8.4  | 10.7 | 9.5   | 15.1  | 8.3   | 4.3   |
| Gross fixed capital investment                                             | 9.6  | 5.7  | 5.3   | 6.3   | 6.6   | 6.3   |
| Exports, goods and services                                                | 10.2 | 13.2 | 16.4  | 5.2   | 5.7   | 7.4   |
| Imports, goods and services                                                | 23.7 | 7.5  | 9.2   | 6.2   | 5.7   | 7.4   |
| <b>Real GDP growth, at constant factor prices</b>                          | 4.6  | 5.1  | 5.5   | 5.7   | 5.9   | 6.1   |
| Agriculture                                                                | 3.3  | 3.6  | 4.1   | 3.5   | 3.6   | 3.7   |
| Industry                                                                   | 4.3  | 4.8  | 5.2   | 5.9   | 7.4   | 7.5   |
| Services                                                                   | 5.6  | 6.2  | 6.7   | 6.8   | 6.1   | 6.5   |
| <b>Employment rate (% of working-age population, 15 years+)</b>            | 81.5 | 81.6 | 82.2  | 82.6  | 82.7  | 82.8  |
| <b>Inflation (consumer price index)</b>                                    | 4.4  | 3.8  | 3.1   | 3.6   | 4.0   | 4.0   |
| <b>Current account balance (% of GDP)</b>                                  | -7.3 | -3.8 | -2.3  | -3.5  | -3.3  | -3.1  |
| <b>Net foreign direct investment inflow (% of GDP)</b>                     | 1.9  | 2.1  | 2.0   | 1.9   | 2.1   | 2.2   |
| <b>Fiscal balance (% of GDP)</b>                                           | -3.7 | -4.1 | -2.8  | -3.4  | -3.5  | -3.1  |
| <b>Revenues (% of GDP)</b>                                                 | 15.2 | 14.9 | 16.1  | 16.8  | 16.8  | 16.9  |
| <b>Debt (% of GDP)</b>                                                     | 44.2 | 46.0 | 50.3  | 51.2  | 50.1  | 49.1  |
| <b>Primary balance (% of GDP)</b>                                          | -1.9 | -2.0 | -0.3  | -0.5  | -0.8  | -0.5  |
| <b>International poverty rate (\$2.15 in 2017 PPP)<sup>1,2</sup></b>       | 43.9 | 43.5 | 42.9  | 42.3  | 41.7  | 41.0  |
| <b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>1,2</sup></b> | 73.6 | 73.2 | 72.8  | 72.3  | 71.8  | 71.3  |
| <b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>1,2</sup></b> | 91.3 | 90.9 | 90.3  | 89.8  | 89.2  | 88.5  |
| <b>GHG emissions growth (mtCO<sub>2</sub>e)</b>                            | 0.4  | 0.7  | 0.9   | 1.1   | 1.1   | 1.2   |

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2009-, 2024-, and 2018-HBS. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

2/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.