Tanzania Country Brief

September 2025

Transforming Africa's Trade

African Export-Import Bank
Banque Africaine d'Import-Export

Tanzania

The United Republic of Tanzania—the second-largest country in East Africa—comprises the mainland, known as Tanganyika, and the semi-autonomous island archipelago of Zanzibar. Tanzania borders the Indian Ocean and eight countries: Kenya and Uganda to the north; Rwanda, Burundi, and the Democratic Republic of Congo to the west; and Zambia, Malawi, and Mozambique to the south. The country covers 947,300 square kilometers, with about 1,424 kilometers of coastline along the Indian Ocean.

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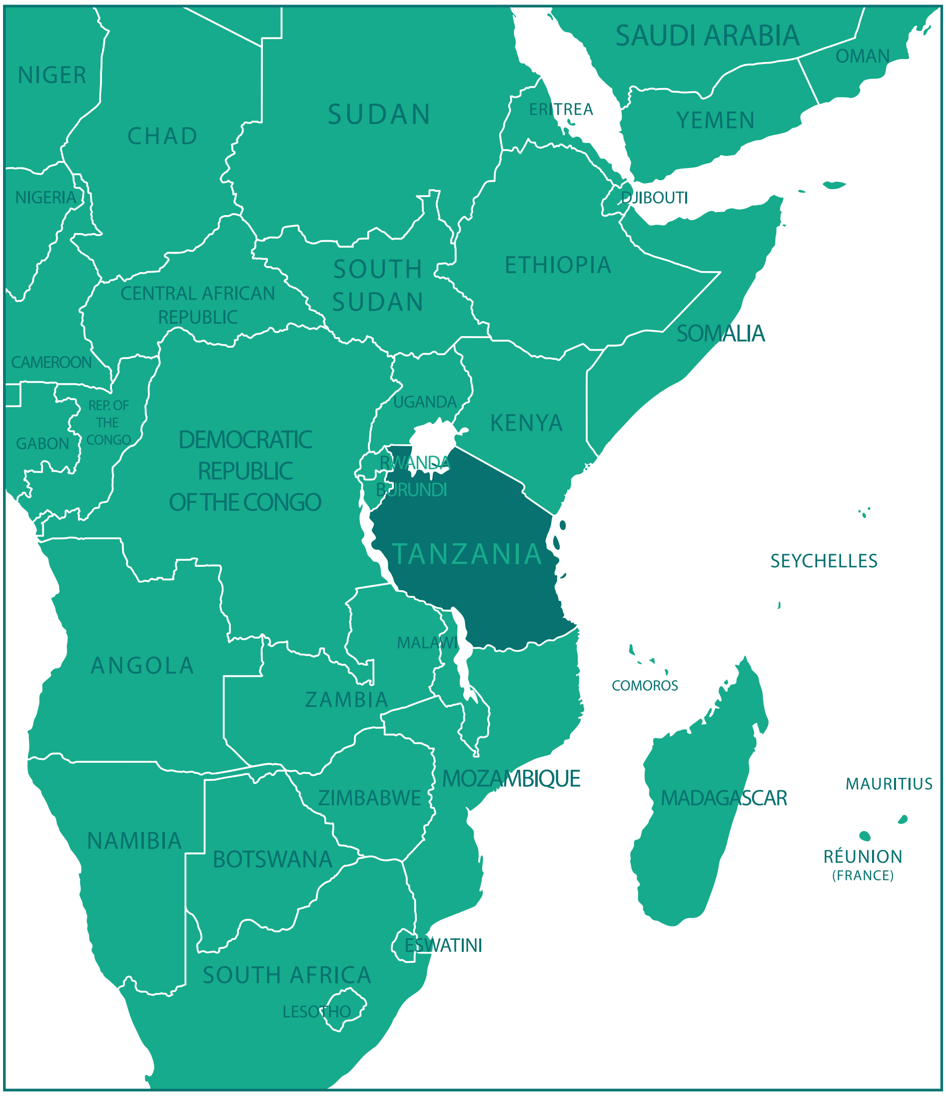


INTRODUCTION

The United Republic of Tanzania—the second-largest country in East Africa—comprises the mainland, known as Tanganyika, and the semi-autonomous island archipelago of Zanzibar. Tanzania borders the Indian Ocean and eight countries: Kenya and Uganda to the north; Rwanda, Burundi, and the Democratic Republic of Congo to the west; and Zambia, Malawi, and Mozambique to the south. The country covers 947,300 square kilometers, with about 1,424 kilometers of coastline along the Indian Ocean.

Tanzania's population of 69 million comprises more than 120 ethnic groups, giving the country rich cultural and linguistic diversity. While more than 132 languages are spoken, the official languages are Kiswahili and English. Dodoma serves as the political capital, while Dar es Salaam functions as the economic and administrative hub.

With an estimated nominal GDP of US$80 billion in 2024, Tanzania's economy is among the largest and most dynamic in the East African Community. The services sector is the main driver, contributing about 43 percent of GDP, followed by industry (31.2 percent), and agriculture (25.8 percent). Although agriculture remains the principal source of employment, engaging more than 60 percent of the labour force, the country has made substantial progress in industrialisation and trade facilitation through investment in manufacturing, transport, and energy infrastructure.

Over the past decade, Tanzania's economy has proved resilient, sustaining average annual growth of around 6 percent, despite global and economic headwinds. The resilience reflects prudent fiscal management, political stability, and a long-term commitment to industrialisation for inclusive and sustainable development, as outlined in successive national plans.

POLITICAL ENVIRONMENT

Tanzania gained independence in 1961 and three years later, unified with Zanzibar to form a unitary presidential republic in 1964. The President, elected by direct popular vote for a five-year term, serves as both the head of state and head of government, exercising executive authority. Legislative power is shared between the parliament and the executive, while the judiciary is independent.

Zanzibar retains a measure of autonomy, with its own president and House of Representatives. The Union Government oversees key functions including foreign policy, defence, and monetary affairs.

Since independence, Tanzania has maintained relative political stability. A significant milestone occurred in 1992 with the transition to multi-party democracy after decades of single-party rule under the Chama Cha Mapinduzi party, which remains the dominant political force.

President Samia Suluhu Hassan, who assumed office in March 2021 following the death of President John Magufuli, whom she had served as vice president, is the country's first female head of state. Her administration has made notable strides in promoting political openness, lifting bans on opposition rallies, initiating legal reforms, and improving press freedom. These actions have strengthened Tanzania's external relations and enhanced its democratic reputation – with the next general elections, scheduled for October 2025.

MACROECONOMIC ANALYSIS

Gross Domestic Product

Tanzania's real GDP growth has remained resilient despite global challenges. After expanding at an average of 6.9 percent from 2016 to 2019, growth to 4.5 percent in 2020 during the COVID-19 pandemic, which caused a global recession as external demand, tourism, and investment declined sharply. Although Tanzania avoided a recession, economic activity weakened. Growth recovered to 4.8 percent in 2022, 5.1 percent in 2023, and 5.6 percent in 2024.

Growth is projected to continue to reach 6.0 percent by the end of 2025 and remain around that level in 2026, driven by agriculture, manufacturing, tourism, and increased investment, alongside reforms to improve the business environment. Downside risks include global uncertainty, climate-related disruptions to agriculture, fiscal pressures from rising debt service, and limited access to concessional financing.

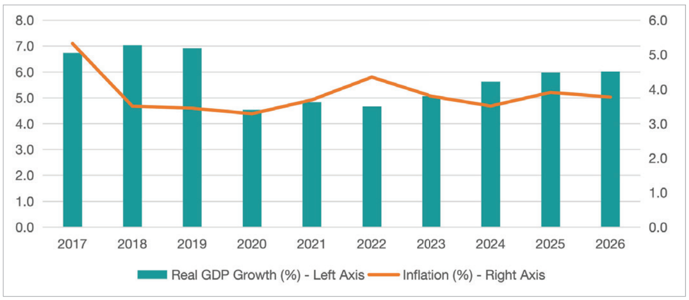
Inflation

Inflation in Tanzania has remained relatively low—decreasing from 5.2 percent in 2016 to an average of 3.8 percent in 2023 and 3.5 percent in 2024. Itis expected to stabilize around 4.0 percent in the medium term, within the Bank of Tanzania's target range. Although global commodity prices and currency fluctuations present some upside risks, the country's inflation outlook remains mostly stable, supported by increased agricultural output and prudent monetary policy.

Exchange Rate

The Tanzanian shilling (TZS) has depreciated steadily in recent years, reflecting persistent current account deficits and external debt service obligations. In 2024, the currency weakened by about 9 percent to an average of TZS 2,598 per

Figure 1. GDP Growth and Inflation Trend (%)



Source: African Export-Import Bank research 2025.

US$1. It is expected to depreciate further to around TZS 2,964 per US$1 by the end of 2025 and to average TZS 2,803 per US$1 in the near term.

While depreciation supports export competitiveness, it also raises the cost of external borrowing and may exert inflationary pressure. Without robust reserve buffers, exchange rate risks could intensify, particularly in an environment of rising global interest rates.

Fiscal Balance

Tanzania has maintained a cautious fiscal stance, though revenue mobilisation remains a persistent challenge. The overall fiscal deficit narrowed from 3.9 percent of GDP in 2022 to about 3.0 percent in 2024 and is projected to improve further reaching 2.8 percent by 2026. Ongoing efforts to strengthen tax administration, broaden the revenue base, and rationalize expenditure—are expected to support fiscal consolidation. Nevertheless, high debt service costs and large capital expenditure continue to constrain fiscal space.

Overview of Trade, Reserves, and Financial Sector

Total Trade

Tanzania's total trade reached an estimated US$26.1 billion in 2024, up from US$22.4 billion in 2023 and US$22.5 billion in 2022. Exports were valued at approximately US$11.3 billion and imports at about US$14.8 billion, resulting in a trade deficit of US$3.5 billion in 2024—an improvement from US$7.8 billion in 2023 and US$8.8 billion in 2022. The narrower deficit reflets recovery in export-oriented sectors such as gold and agricultural commodities.

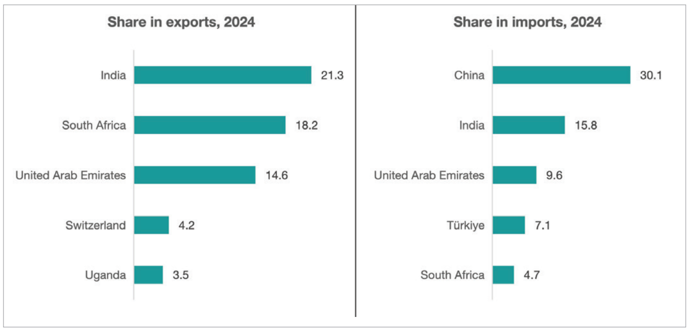
Natural pearls and precious metals dominated exports, accounting for 42.5 percent of total exports. The country's principal export destinations in 2024 were India (21.3 percent), South Africa (18.2 percent), and the United Arab Emirates (14.6 percent), which together comprised 54.1 percent of total exports.

Major imports included mineral oil and fuel, as well as capital goods such as vehicles, nuclear reactors, machinery, and various equipment, together representing 41.8 percent of imports. Tanzania sourced most of these imports from China (30.1 percent), India (15.8 percent), and the United Arab Emirates (9.6 percent), which collectively accounted for roughly 55 percent of total imports.

Figure 2. Trade Accounts, Exports, and Imports (US$ million), 2017-2024

Sources: Afreximbank research; International Monetary Fund Direction of Trade Statistics.

Figure 3. Tanzania's Top Five Trade Partners (%), 2024



Sources: Afreximbank research; International Monetary Fund Direction of Trade Statistics.

Intra-African trade

Intra-African trade reached an estimated US$5.6 billion in 2024, accounting for 21.3 percent of Tanzania's total trade. This marked an increase from 2023, when intra-African trade was US$4.2 billion, or 18.6 percent of total trade.

Nigeria was the leading destination for Tanzania's intra-African exports, accounting for 51.3 percent of the total. Other key destinations included Uganda (9.8 percent), the Democratic Republic of the Congo (9.4 percent), Rwanda (6.8 percent), and Kenya (6.0 percent). Tanzania's exports to the continent were dominated by pearls and precious metals, which made up 56 percent of total exports.

South Africa was Tanzania's main source of intra-African imports, making up 47.6 percent of the total, followed by

Zambia (7.5 percent), Uganda (5.8 percent), and Eswatini (5.1 percent). The leading imported products included iron and steel (11.6 percent), vehicles (7.9 percent), fertilisers (7.7 percent), and nuclear reactors and machinery (5.5 percent).

Reserves

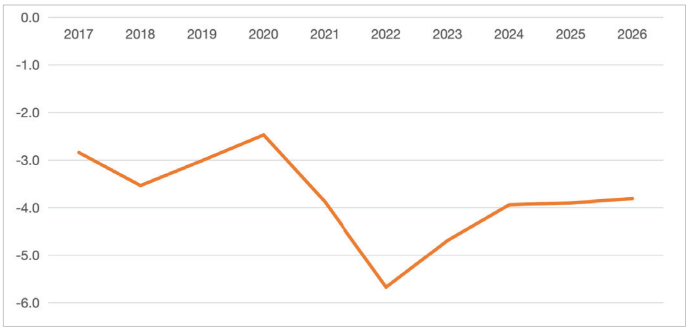
Despite exchange rate pressures and a persistent trade deficit, Tanzania's foreign exchange reserves have remained relatively stable. From US$5.9 billion (covering 7.6 months of imports) in 2017, reserves stood at US$5.5 billion in 2024, equivalent to four months of import cover—still above the minimum adequacy threshold of three months.

This performance was supported by multilateral inflows, donor assistance, and gradual export recovery. However, the decline in the import coverage ratio signals rising external financing needs, particularly for infrastructure and energy projects. Reserves are projected to increase modestly to US$5.9 billion (about four months of imports) by 2026, though risks persist due to growing external debt repayments, possible terms-of-trade shocks, and tighter global financial conditions.

Current account

Tanzania's current account has consistently remained in deficit, reflecting structural and trade imbalances caused by a heavy reliance on imports and a narrow export base. The deficit widened to 5.7 percent of GDP in 2022 amid rising global fuel and food prices and strong import demand for capital goods. It narrowed to 4.7 percent in 2023 and 3.9 percent in 2024, with a gradual decline to 3.8 percent of projected by 2026. This projected improvement is attributed to stronger mineral exports, tourism sector recovery, and deeper regional trade integration. Despite these positive trends, Tanzania's external position remains vulnerable to global price fluctuations and limited export diversification. This underscores the importance of value addition, of expanding non-traditional exports, and strengthening foreign exchange reserves.

Figure 4. Current Account Balance (% of GDP)



Source: Afreximbank Research 2025.

Financial Sector

Tanzania's financial sector has grown steadily in recent years, driven by macroeconomic stability, regulatory reforms, and digital innovation. As of the end of 2024, the sector was comprised of 44 licensed banks and financial institutions, including commercial banks and community banks, more than 50,000 microfinance providers, 40 insurance and reinsurance companies, pension funds, and a single stock exchange—the Dar es Salaam Stock Exchange.

With a population of roughly 69 million, Tanzania has achieved one of the highest financial inclusion rates in Sub-Saharan Africa. The proportion of adults using formal financial services increased to 76.5 percent in 2023, from 65 percent in 2017. By June 2024, the number of active mobile money accounts had reached 54.6 million, with mobile money transactions totaling more than TZS 117.1 trillion. This expansion has been propelled by widespread mobile money adoption, the rise of fintech, and the growth of agency banking.

Like many African countries, Tanzania's financial landscape is primarily dominated by the banking sector, which represents about 70 percent of total financial system assets. Six major banks—CRDB Bank, NMB Bank, National Bank of Commerce, Exim Bank Tanzania, Stanbic Bank, and People's Bank of Zanzibar—account for nearly 60 percent of total banking assets.

The sector remained stable in 2024, underpinned by solid capital and liquidity buffers. Total assets rose 14.6 percent year on year to TZS 62.2 trillion (approximately US$25.2 billion), driven by increased deposits and borrowing. The capital adequacy ratio stood at 19.3 percent, well above the 12 percent regulatory minimum, while the liquidity ratio was 29 percent, exceeding the 20 percent minimum. Credit quality improved, with the ratio of non-performing loans declining to 3.3 percent from 4.3 percent in 2023.

To sustain momentum, authorities have launched the Third National Financial Inclusion Framework for 2023–2028, a comprehensive strategy to broaden access to and deepen usage of financial services and enhance financial resilience. In parallel, the Bank of Tanzania has implemented macroprudential measures, strengthened oversight, and reinforced the financial safety net, as highlighted in the Financial Stability Report (2024).

These coordinated efforts are expected to increase the depth, inclusiveness, and resilience of Tanzania's financial system and further its role in promoting inclusive and sustainable economic growth.

Debt Sustainability

Public debt trends

Tanzania's public debt has grown notably over the past decade, reflecting the government's commitment to infrastructure, social spending, and economic reform. The debt-to-GDP ratio increased from 39.5 percent in 2017 to 52 percent in 2024 and is expected to ease slightly to about 49 percent by 2026. Although this remains below the International Monetary Fund-World Bank Low-Income Country Debt Sustainability Framework (DSF) threshold of 55 percent, the rapid growth of public debt and emerging liquidity pressures warrant close attention.

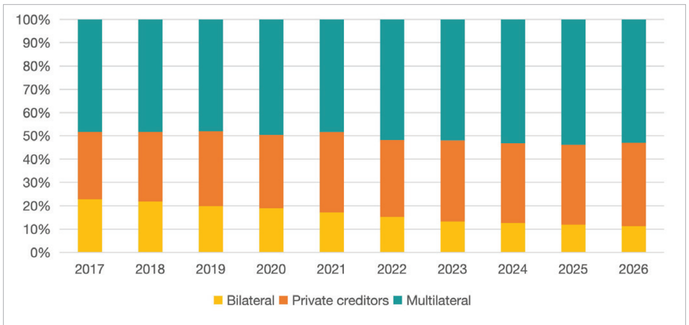
Rising interest payments, shorter domestic debt maturities, and exchange rate fluctuations have heightened fiscal vulnerability. To maintain long-term fiscal health, Tanzania must strengthen debt management through a credible Medium-Term Debt Strategy and improve the efficiency of public investment.

External debt sustainability analysis

Tanzania's external debt has risen considerably over the past decade, underscoring the nation 's reliance on foreign financing to meet development objectives. According to data from the Economist Intelligence Unit, external debt increased from roughly US$21.4 billion in 2017 to more than US$37.8 billion in 2024 and is projected to surpass US$45 billion by 2026.

The composition of external debt composition has shifted gradually. Multilateral creditors remain the dominant source, providing largely concessional loans on favourable terms. Bilateral creditors, especially China and India, have supported infrastructure projects, although their relative share has declined. In contrast, borrowing from private creditors through commercial loans and syndicated facilities has increased, signaling a shift towards market-based financing. This trend has increased interest costs and refinancing risks as bullet repayments on commercial debt approach maturity.

Figure 5. Decomposition of External Debt by Creditors (%)



Sources: Afreximbank Research; Economist Intelligence Unit.

External debt-to-GDP ratio

Tanzania's external debt-to-GDP ratio increased from 40.2 percent in 2017 to 47.2 percent in 2024, driven by increased concessional borrowing for infrastructure and a growing share of semi-concessional and commercial loans. Although still below the 50 percent DSF solvency threshold, the upward trend raises concerns about exposure to exchange rate risks and changes in global financial conditions, with the Tanzanian shilling's depreciation against the US dollar of particular concern.

Projections indicate stabilization between 48 percent and 50 percent during 2025-2026, assuming steady GDP growth and moderate inflation. However, a sharper depreciation of the shilling, slower economic growth, or an expansion in non-concessional borrowing could push the ratio closer to the critical level.

External debt-to-exports ratio

The external debt-to-exports ratio has consistently exceeded the prudential benchmark of 150 percent, illustrating Tanzania's vulnerability to external shocks and a narrow export base. The ratio rose from 257 percent in 2017 to a peak of 299 percent in 2020 during the COVID-19 pandemic, as exports fell sharply. Although export performance improved in subsequent years—boosted by higher gold prices, growth in services (especially tourism), and increased mineral exports—the ratio remained elevated at 246.1 percent in 2024, indicating persistent weaknesses in the external sector.

Despite progress in diversifying exports, this ratio is projected to remain above 200 percent through 2026, well above the DSF threshold. This underscores the need to strengthen export competitiveness and value addition in non-traditional sectors.

External debt service-to-exports ratio

Tanzania's debt service-to-exports ratio has worsened over the past five years, reflecting the growing burden of repaying maturing commercial and bilateral debt. The ratio increased from 18.2 percent in 2017 to 25 percent in 2024, surpassing the DSF liquidity threshold of 20 percent. It is expected to improve gradually to around 21 percent by 2026, supported by export recovery—especially in mining and tourism—and better debt management practices, such as restructuring and prioritizing concessional borrowing.

Nevertheless, the improvement remains fragile and faces risks from export-price volatility and tightening global financing conditions.

External debt service-to-revenue ratio

Tanzania's external debt-service-to-revenue ratio was 31.3 percent in 2024, exceeding the DSF benchmark of 18 percent, due to maturing bilateral and commercial debts. The ratio is projected to decline to about 24 percent by 2026, driven by enhanced domestic revenue collection and a shift toward concessional borrowing. Fiscal reforms to broaden the tax base and improve compliance are expected to strengthen domestic revenue, enabling the government to meet external obligations while maintaining essential spending.

Assessment

Overall, Tanzania is at moderate risk of external debt distress. Its debt-carrying capacity is rated as medium, supported by moderate GDP growth and reserves but hindered by low export and revenue performance. While external debt remains sustainable under baseline projections, vulnerabilities call for enhanced policy vigilance. To maintain fiscal stability and reduce vulnerabilities, Tanzania should focus on boosting domestic revenue, prioritizing concessional borrowing, enhancing debt transparency, and directing new debt toward high-return investments.

Appendix: Tanzania Selected Macroeconomic and Financial Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025 *(f)	2026 *(f)
Real GDP, %	6.7	7.0	6.9	4.5	4.8	4.7	5.1	5.6	6.0	6.0
Inflation, annual average, %	5.3	3.5	3.4	3.3	3.7	4.4	3.8	3.5	3.9	3.8
Exports of goods and services,% y/y	-10.4	14.1	12.8	2.2	1.9	1.2	0.8	2.3	5.2	6.5
Current account, % of GDP	-2.8	-3.5	-3.0	-2.5	-3.9	-5.7	-4.7	-3.9	-3.9	-3.8
International reserves, US$ million	5,888	5,050	5,568	4,768	6,386	5,177	5,450	5,501	5,827	5,911
Gross reserves, months of imports	7.6	5.8	6.4	6.3	6.6	3.7	4.1	3.9	4.0	3.9

*Forecast
Sources: Afreximbank Research; International Monetary Fund; Economist Intelligence Unit.

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