

- MONTHLY EDITION MAGAZINE -

ECONOMISTS TALK

JANUARY 2024

Economic Consulting Group

What's Next For Tanzania Economy?

Research for Business and Economic Updates

Economic Insights: Analyzing Key Indicators in
Tanzania - Inflation, Current Account, Money
Supply, Exports & Imports, Budget, Investment
and National Debts

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Economic Landscape of Tanzania

Analyzing Trends and Forecasting 2024



Inflation Rate

Continuation of inflationary pressures in 2024



National Debts

National Debt raises concerns about fiscal sustainability in 2024



Budget Analysis

Need for careful fiscal management in 2024

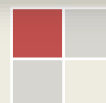


Export & Import Rate

Tanzania need to narrow its trade deficit in 2024

Source: TICGL-Economic Consulting Group, 2023

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ECONOMISTS TALK is an economic magazine/newspaper that comes out every month (Monthly), analyzing the economic situation in Tanzania using the following criteria: -

1. INFLATION RATES
2. MONEY SUPPLY
3. IMPORT RATES
4. EXPORT RATES
5. INVESTMENT DEVELOPMENT
6. GDP GROWTH RATES
7. DEBTS DEVELOPMENT

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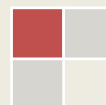
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INTRODUCTION

Monthly economic growth figures are discussed in "Economists Talk," along with the research done by the TICGL Economic Research and Data Development Center. Although a monthly comprehensive assessment of the Tanzanian economy is still lacking, "Economist Talk" organizes information on both short- and long-term economic data that is available on a monthly basis. An accurate way to pinpoint turning points in project development, investment, and the economic cycle is to employ a monthly overall indicator, which provides a very relevant and current picture of the Tanzanian economy. The newly created indicator is constructed from the supply side of the economy, combining structural data from the national accounts and monthly year-over-year volume growth rates for various industries. Regarding some industries (industry, construction, mining and quarrying, energy, and water supply etc).

"Economists Talk" analyzes and assesses the performance of monthly economic indicators and provides discussion and analysis on a number of financial and economic statistics pertaining to the Tanzanian economy. The performance of the economy and other aspects of the Tanzania economy are thoroughly reviewed and evaluated in "Economists Talk."



TANZANIA ECONOMIC UPDATES**INFLATION RATE:**

The inflation rates in Tanzania from November 2022 to November 2023 exhibited an overall increase from 109.16 to 112.67, with a 0.4% rise in the one-month period. Detailed analysis across categories revealed varied impacts on prices. Sectors like Food and Non-Alcoholic Beverages, Alcoholic Beverages and Tobacco, Housing, and Restaurants and Accommodation Services experienced noticeable increases in both one-month and 12-month changes. However, some areas, including Health, Information and Communication, and Education Services, remained relatively stable. The diverse inflation rates across sectors emphasize the influence of distinct economic factors on price fluctuations. Rising inflation was highlighted for its potential impact on living costs, consumer purchasing power, and overall economic stability. The data serves as a crucial tool for policymakers, businesses, and individuals to assess and adjust monetary and fiscal policies to maintain price stability.

CURRENT ACCOUNT:

Tanzania is grappling with a growing current account deficit, prompting a need for thorough examination by policymakers and economists to develop strategies addressing trade imbalances and fostering economic stability. The trade dynamics reveal an expanding trade deficit in goods, notably affecting the Goods and Services balance. The Services Account contributes to the overall decline, while the Primary Income Account remains stable, and the Secondary Income Account sees a slight increase in transfers. The Current Account Balance has worsened significantly compared to the previous month and the same period last year. Detailed analysis of components such as the Goods Account, Services Account, Primary Income Account, Secondary Income Account, and the overall Current Account Balance over different time periods further illustrates the challenges, including a notable increase in the trade deficit, decline in services trade balance, and an overall larger current account deficit.



MONEY SUPPLY:

In October 2023, Tanzania experienced a noteworthy improvement in its international financial position, marked by a substantial increase in net foreign assets and a 373% surge compared to the previous year. The Bank of Tanzania also strengthened its foreign assets with a remarkable 767% increase over the year. However, domestically, there was a significant decline in net domestic assets, reflecting reduced domestic financial assets. Various components, including domestic claims, securities held by banks, and claims on the private sector, contributed to this decline. The overall money supply (M3, M2, M1) contracted by 15% to 20%, indicating a reduction in the circulating money in the economy. Notably, foreign currency deposits, other deposits, and various financial claims experienced reductions, suggesting a broader trend of decreased financial activity or changing investment patterns. While the narrowest measure of money supply (M1) contracted in the short term, there was a 13% increase compared to the previous year, presenting a complex financial landscape. The reduction in currency in circulation by 39% over the year may be influenced by shifts in payment methods or changes in consumer behavior, while transferable deposits exhibited volatility with a 25% decrease over the month but a 34% increase over the year.

EXPORT AND IMPORT RATE:

In the period from 2021 to 2023, Tanzania has witnessed positive growth in both exports and imports, reflecting efforts to reduce the trade deficit. The export of goods and services has consistently increased, with a notable 15% growth from 2022 to 2023 and a substantial 41% growth over the two-year span. Import values also rose, albeit at a slightly slower pace, with a modest 1% increase from 2022 to 2023 and a more substantial 50% increase over the two-year period. Despite concerns about potential trade imbalances and pressure on foreign exchange reserves due to higher import growth, Tanzania has managed to narrow its trade deficit by 39% from 2022 to 2023, and a significant 128% reduction is observed over the two-year period from 2021 to 2023. While a trade deficit still exists, these trends suggest an overall improvement in Tanzania's trade balance, attributed to the faster growth rate of exports compared to imports.



BUDGET ANALYSIS:

In October 2023, the government's budget performance evaluation revealed a mixed picture. Development expenditure exceeded expectations by 74%, signaling increased investment in development projects. However, other recurrent expenditure saw a significant 61% decrease, possibly indicating intentional cost-cutting or underspending. Import taxes outperformed, with taxes on imports and local goods and services exceeding budget estimates by 14% and 2%, respectively. In contrast, income tax and other tax revenues fell short by 19% and 5%. The overall budget deficit widened by 84%, raising concerns about fiscal sustainability despite the potential economic growth from the focus on development projects. The analysis suggests a need for scrutiny in resource allocation, consideration of alternative revenue sources, and addressing shortfalls in income and business-related taxes.

NATIONAL DEBTS:

The research on Tanzania's national debts in October 2023 reveals a 7% expansion in the total national debt, increasing from TZS 90,957,363.00 to TZS 96,688,407.00 over the past year. This growth is attributed to a 5% increase in external debt, reaching TZS 67,238,907.00, and a more substantial 12% rise in domestic debt, reaching TZS 29,449,500.00. The 1-month changes indicate a 1% increase in total debts from September to October 2023, with external debt remaining relatively stable (0% change) and domestic debt experiencing a 2% increase. These figures raise concerns about the country's fiscal sustainability, suggesting a trend of growing indebtedness, possibly driven by factors such as infrastructure development, economic stimulus, or budgetary needs. Monitoring these trends is crucial for informed decision-making by policymakers and analysts.



BUDGET ANALYSIS**Government Budget Performance Evaluation - October 2023: Mixed Performance with Import Taxes Outperforming**

The government's financial performance in October 2023, comparing actual operations with the budget estimates for the year:

Government Expenditure:

- There was a significant increase in Development Expenditure, surpassing the budget estimate by 74%. This suggests a higher-than-expected investment in development projects.
- Other Recurrent Expenditure experienced a substantial decrease of 61% compared to the budget estimate, indicating potential cost savings or underspending in certain areas.
- While Interest Costs increased by 43%, the Wages and Salaries category decreased by 12% compared to the budget estimate.

Government Revenues:

- Taxes on Imports and Tax on Local Goods and Services exceeded their budget estimates by 14% and 2%, respectively.
- Income Tax and Other Tax fell short of the budget estimates by 19% and 5%, respectively.
- Non-Tax Revenues experienced a significant decrease of 33% compared to the budget estimate.

Deficit:

- The budget deficit widened substantially, increasing by 84%. This indicates that government expenditures exceeded revenues by a larger margin than initially projected.

Overall Implications:

- The government's increased focus on development projects could stimulate economic growth, but the widening budget deficit raises concerns about fiscal sustainability.
- The substantial decrease in Other Recurrent Expenditure may be intentional cost-cutting measures or a result of underspending, warranting a closer look at the allocation of resources.
- Shortfalls in Income Tax and Other Tax revenues might be attributed to economic factors affecting income and business activities.
- The decrease in Non-Tax Revenues may require attention to alternative revenue sources or a review of existing non-tax revenue-generating mechanisms.

The Government Budget Performance Evaluation for October 2023, comparing actual operations with the budget estimates for the fiscal year 2023. The insight includes details on government expenditure, government revenues, and the resulting budget deficit, along with the percentage change between the actual and estimated figures.



Government Expenditure:

Wages and Salaries:

- Actual (2022): TZS745.6 million
- Budget Estimated (2023): TZS935.9 million
- Actual Operations (2023): TZS825.4 million
- Percentage Change Between Actual and Estimated: -12%

Interest Costs:

- Actual (2022): TZS280.4 million
- Budget Estimated (2023): TZS311.8 million
- Actual Operations (2023): TZS445.1 million
- Percentage Change Between Actual and Estimated: 43%

Development Expenditure:

- Actual (2022): TZS1,105.2 million
- Budget Estimated (2023): TZS1,237.3 million
- Actual Operations (2023): TZS2,158.7 million
- Percentage Change Between Actual and Estimated: 74%

Other Recurrent Expenditure:

- Actual (2022): TZS346.5 million
- Budget Estimated (2023): TZS758 million
- Actual Operations (2023): TZS294.4 million
- Percentage Change Between Actual and Estimated: -61%

Total Government Expenditure:

- Actual (2022): TZS2,478 million
- Budget Estimated (2023): TZS3,243 million
- Actual Operations (2023): TZS3,724 million
- Percentage Change Between Actual and Estimated: 15%



Government Revenues:

Taxes on Imports:

- Actual (2022): TZS738.2 million
- Budget Estimated (2023): TZS774.6 million
- Actual Operations (2023): TZS884.7 million
- Percentage Change Between Actual and Estimated: 14%

Income Tax:

- Actual (2022): TZS453 million
- Budget Estimated (2023): TZS626.1 million
- Actual Operations (2023): TZS510 million
- Percentage Change Between Actual and Estimated: -19%

Tax on Local Goods and Services:

- Actual (2022): TZS288.1 million
- Budget Estimated (2023): TZS472.4 million
- Actual Operations (2023): TZS460.8 million
- Percentage Change Between Actual and Estimated: -2%

Other Tax:

- Actual (2022): TZS144.5 million
- Budget Estimated (2023): TZS134.7 million
- Actual Operations (2023): TZS128.4 million
- Percentage Change Between Actual and Estimated: -5%

Non-Tax Revenues:

- Actual (2022): TZS337.5 million
- Budget Estimated (2023): TZS454.9 million
- Actual Operations (2023): TZS304.4 million
- Percentage Change Between Actual and Estimated: -33%

Total Government Revenues:

- Actual (2022): TZS1,961 million
- Budget Estimated (2023): TZS2,463 million
- Actual Operations (2023): TZS2,288 million
- Percentage Change Between Actual and Estimated: -7%



Tanzania Economic Updates

Tanzania Money Supply Contraction



Net Foreign Assets

14.9%



Bank of Tanzania

4.3%



Domestic Claims

16.3%

33%

BOT Monthly
Change

767%

BOT, Impressive surge
over the past year

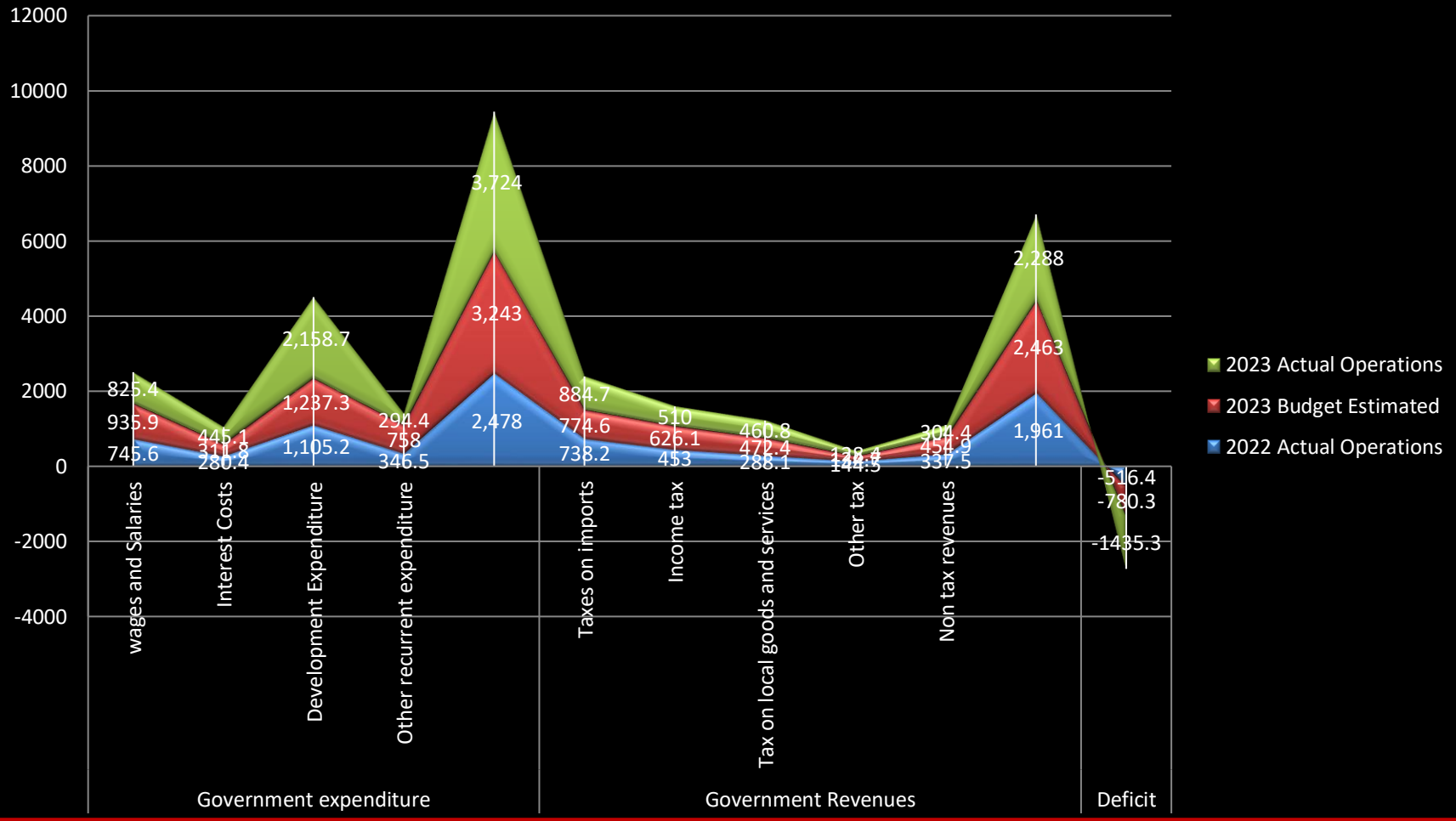
Understanding the Consequential in M3, M2 and M1 Measures

Source: TICGL-Economic Consulting Group, Oct-2023

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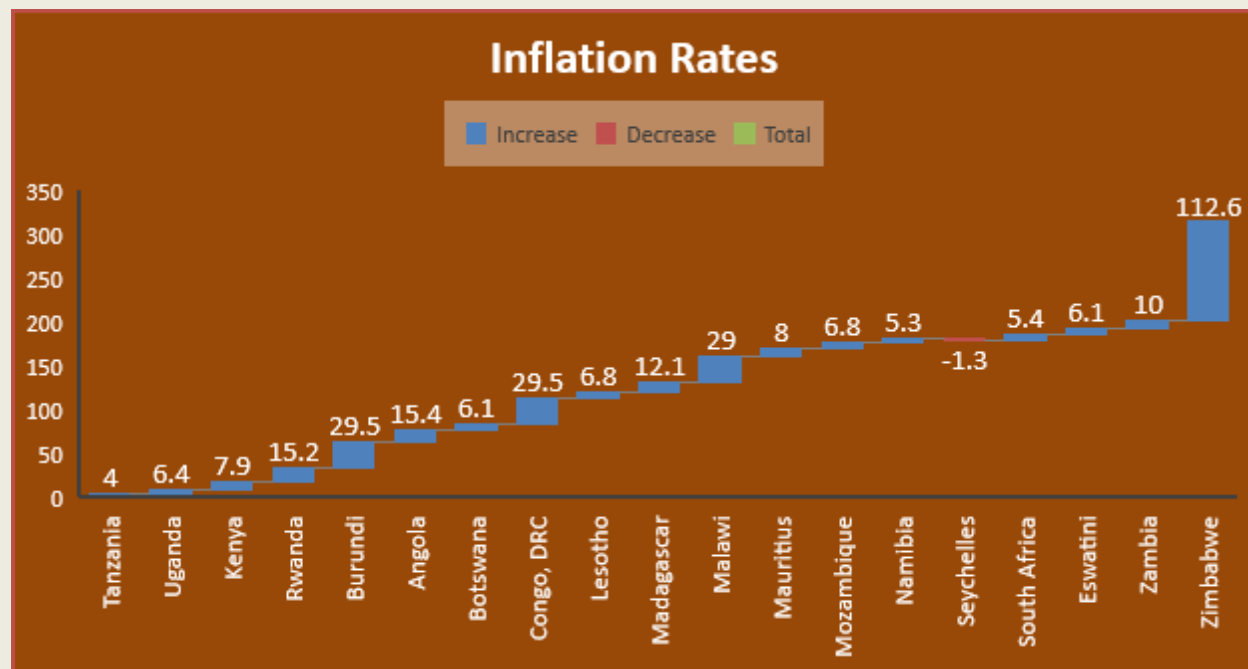


Government Budget Performance Evaluation August 2023



GDP GROWTH RATE

Tanzania stands out among the countries in Eastern, Central, and Southern Africa for maintaining the lowest inflation rate up to July 2023, with its inflation rate consistently below 4 percent in comparison to other nations in the region.



Zimbabwe takes the lead with a staggering inflation rate of 112 percent, followed by Burundi at 29 percent, and both Angola and Rwanda with an inflation rate of 15 percent. Remarkably, Seychelles boasts the lowest inflation rate, standing at negative 1.3 percent.

As for Tanzania's GDP growth rate, it currently stands at a healthy 5.6 percent. When compared to the same period in 2022, which saw a GDP growth rate of 5.5 percent, and 5 percent in the year 2021, this indicates a steady upward trajectory.

Tanzania's robust economic growth of 5.6 percent can be attributed to several key sectors. The agriculture and construction sectors are leading the way with remarkable growth rates of 15 percent. They are closely



followed by the mining and quarrying sector, experiencing growth at 11.9 percent. Additionally, the trade and repair sector is growing at a rate of 9.1 percent, with the manufacturing sector not far behind at 9 percent. Lastly, the finance and insurance sector is also contributing significantly, registering growth at 8.2 percent."

Tanzania's economic stability, low inflation, and steady GDP growth are promising indicators for the country's economic health. The contributions of various sectors to this growth reflect a diverse and dynamic economy, which, if managed effectively, can lead to sustained development and improved living standards for its citizens.

Inflation Rates:

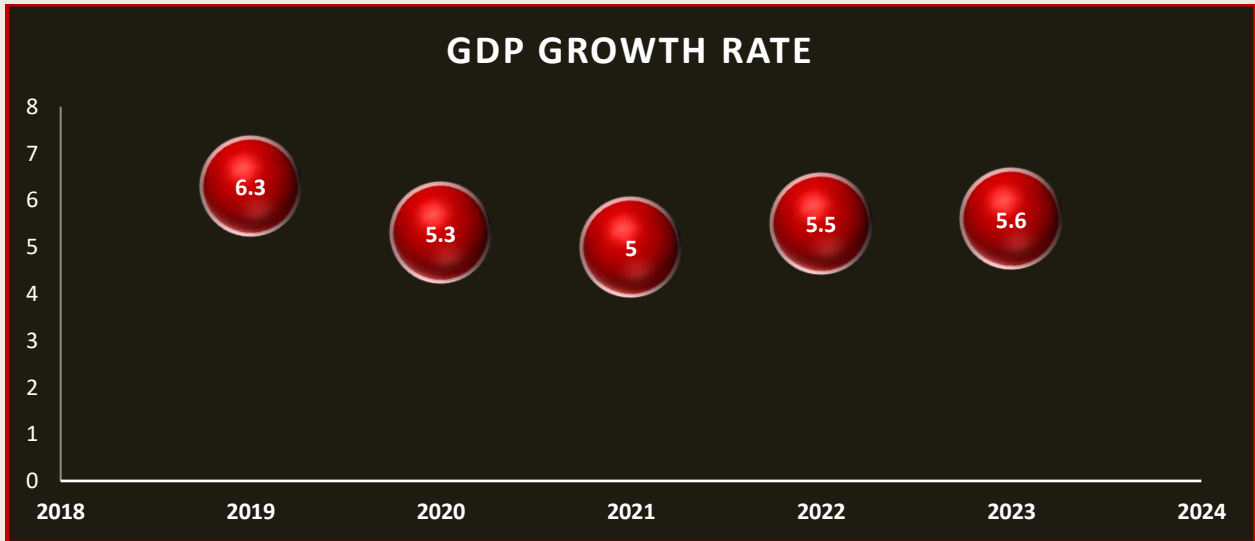
- Tanzania: Until July 2023, Tanzania has maintained a consistently low inflation rate of less than 4 percent. This stability in prices suggests a relatively controlled economic environment, which can be conducive to investment and economic planning.
- Zimbabwe: Zimbabwe stands out with a remarkably high inflation rate of 112 percent. Such hyperinflation can have severe economic implications, including reduced purchasing power and uncertainty in financial markets.
- Burundi: Burundi follows with an inflation rate of 29 percent, indicating some degree of price instability, which could affect the cost of living and economic decisions.
- Angola and Rwanda: Both Angola and Rwanda have inflation rates of 15 percent, suggesting moderate inflationary pressures that may impact consumer behavior and business planning.
- Seychelles: Seychelles showcases negative inflation, which implies falling prices. While this can be positive for consumers in the short term, prolonged deflation can lead to economic challenges, such as reduced production and investment.

GDP Growth:

- Tanzania: The country's GDP growth rate has seen a gradual increase, reaching 5.6 percent in the current period. This growth trajectory demonstrates economic resilience and expansion, which can contribute to improving living standards and infrastructure development.



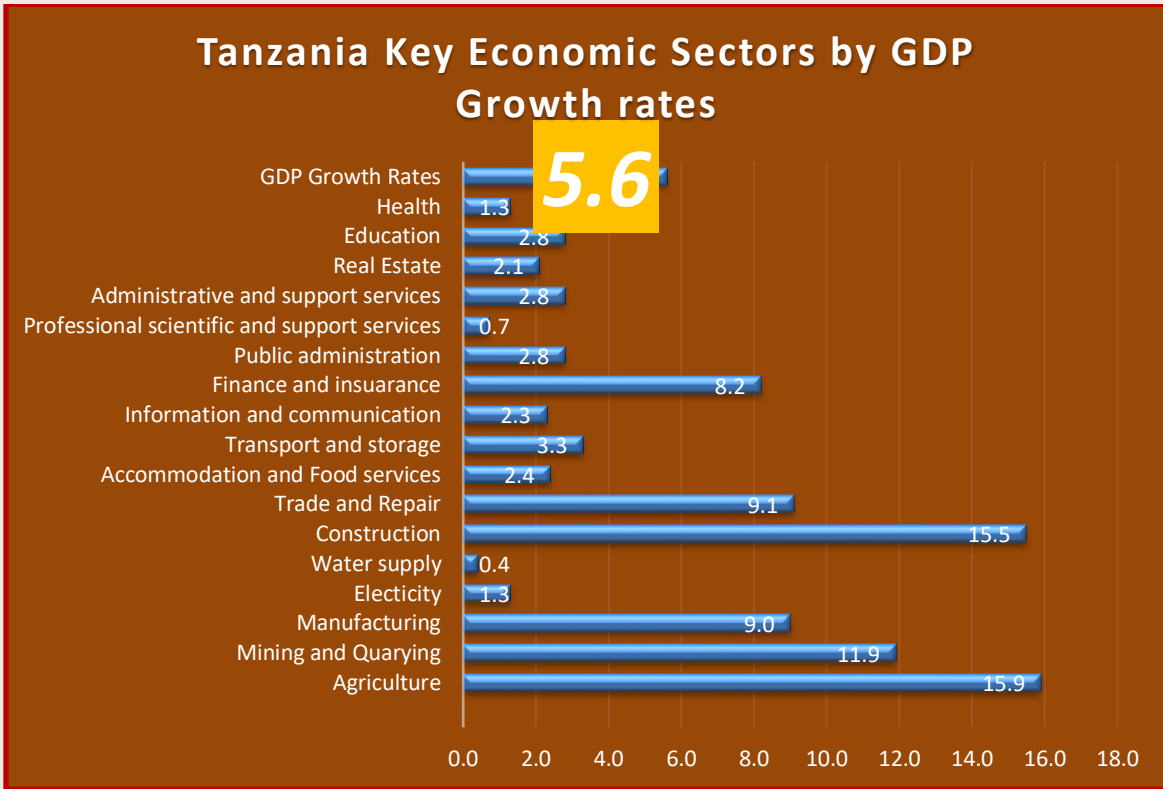
- Comparison to 2022 and 2021: Comparing the current growth rate to 2022 (5.5 percent) and 2021 (5 percent) reveals a consistent upward trend in Tanzania's economic performance.



Sectoral Contribution to GDP Growth:

- Agriculture and Construction: The impressive 15 percent growth in the agriculture and construction sectors underscores their significant role in driving Tanzania's economic expansion. This growth can indicate increased agricultural productivity and infrastructure development.
- Mining and Quarrying: The mining and quarrying sector, with growth at 11.9 percent, is contributing significantly to GDP growth. This could be due to increased mining activities or favorable global commodity prices.
- Trade and Repair: A growth rate of 9.1 percent in the trade and repair sector reflects increased commercial activity and consumer demand.
- Manufacturing: The manufacturing sector's growth at 9 percent signifies the development of industries within Tanzania, potentially resulting in job creation and increased export opportunities.
- Finance and Insurance: With a growth rate of 8.2 percent, the finance and insurance sector is also playing a vital role in Tanzania's economic expansion. This indicates financial sector development and potentially increased access to financial services.





“There is significant relationship between Tanzania's national debt and GDP growth rate, and it requires careful monitoring and management. While a growing economy can help manage debt, it's essential for the government to strike a balance between debt accumulation and sustainable economic growth to ensure long-term fiscal stability.”



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INFLATION RATE

Overview of Tanzania's Inflation Rates (November 2022 - November 2023): Implications for Monetary and Fiscal Policies in Response to Economic Changes

A comprehensive overview of inflation trends in Tanzania, allowing for an analysis of price changes in specific categories and the overall economy. This information is crucial for policymakers, businesses, and individuals to make informed decisions about economic activities and financial planning.

Overall Inflation Trend:

- The overall inflation rate increased from 109.16 in November 2022 to 112.67 in November 2023.
- The 1-month change in the overall inflation rate was 0.4, indicating a slight increase.

Category-Specific Inflation:

1. Food and Non-Alcoholic Beverages:

The category experienced a 1-month increase of 0.4 and a 12-month change of 3.7, indicating a moderate rise in prices over the one-year period.

2. Alcoholic Beverages and Tobacco:

This category showed a 1-month increase of 0.7 and a 12-month change of 4.1, suggesting a notable increase in prices over the year.

3. Housing, Water, Electricity, Gas, and Other Fuels:

A significant 1-month change of 1.4 was observed in this category, with a 12-month change of 2.8, indicating notable price increases.

4. Transport:

The 1-month change was stable at 0.0, but the 12-month change was 2.9, suggesting a moderate increase in transportation costs over the year.

5. Restaurants and Accommodation Services:

This category showed a 1-month change of 0.1 and a 12-month change of 4.5, indicating a notable increase in prices for dining and accommodation services.

Stability in Some Categories:

- Categories like Health, Information and Communication, and Education Services showed minimal changes in the 1-month and 12-month periods, suggesting relative stability in these areas.

Diverse Inflation Rates Across Sectors:

- Different sectors experienced varying levels of inflation, indicating that economic factors affecting each category play a role in price fluctuations.

Economic Implications:

- Rising inflation can impact the cost of living, consumer purchasing power, and overall economic stability.
- Sectors with higher inflation rates may face increased costs, potentially affecting businesses and consumers.



Policy Considerations:

- Central banks and policymakers may use this data to assess the effectiveness of monetary and fiscal policies and consider adjustments to maintain price stability.

These figures represent the percentage change in prices for each category, providing insights into the inflation rates in Tanzania for the specified months.

Tanzania across different categories for the months of November 2022, October 2023, and November 2023, along with the 1-month and 12-month changes:

Food and non-alcoholic beverages:

- November 2022: 113.85
- October 2023: 117.57
- November 2023: 118.07
- 1 Month Change: 0.4
- 12 Month Change: 3.7

Alcoholic beverages and tobacco:

- November 2022: 103.63
- October 2023: 107.17
- November 2023: 107.88
- 1 Month Change: 0.7
- 12 Month Change: 4.1

Clothing and footwear:

- November 2022: 107.71
- October 2023: 110.72
- November 2023: 111.23
- 1 Month Change: 0.5
- 12 Month Change: 3.3

Housing, water, electricity, gas, and other fuels Furnishings, household equipment, and routine:

- November 2022: 107.65
- October 2023: 109.19
- November 2023: 110.68
- 1 Month Change: 1.4
- 12 Month Change: 2.8

Household maintenance:

- November 2022: 107.96



- October 2023: 111.41
- November 2023: 111.86
- 1 Month Change: 0.4
- 12 Month Change: 3.6

Health:

- November 2022: 104.94
- October 2023: 106.35
- November 2023: 106.38
- 1 Month Change: 0.0
- 12 Month Change: 1.4

Transport:

- November 2022: 110.48
- October 2023: 113.77
- November 2023: 113.73
- 1 Month Change: 0.0
- 12 Month Change: 2.9

Information and communication:

- November 2022: 103.53
- October 2023: 104.72
- November 2023: 104.85
- 1 Month Change: 0.1
- 12 Month Change: 1.3

Recreation, sports, and culture:

- November 2022: 104.67
- October 2023: 107.58
- November 2023: 108.23
- 1 Month Change: 0.6
- 12 Month Change: 3.4

Education services:

- November 2022: 101.9
- October 2023: 105.48
- November 2023: 105.48
- 1 Month Change: 0.0
- 12 Month Change: 3.5

Restaurants and accommodation services:

- November 2022: 108.39



- October 2023: 113.14
- November 2023: 113.28
- 1 Month Change: 0.1
- 12 Month Change: 4.5

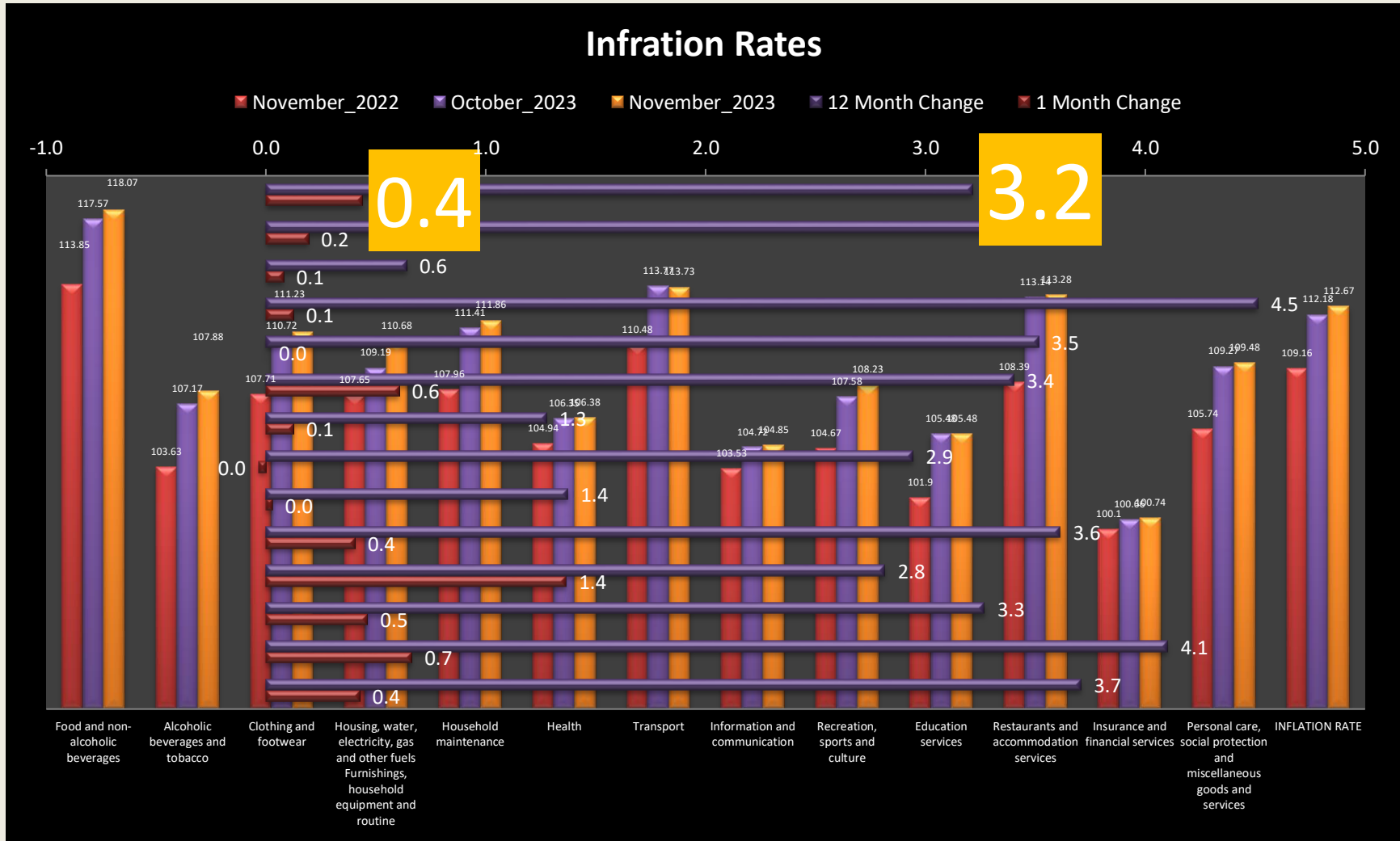
Insurance and financial services:

- November 2022: 100.1
- October 2023: 100.66
- November 2023: 100.74
- 1 Month Change: 0.1
- 12 Month Change: 0.6

Personal care, social protection, and miscellaneous goods and services:

- November 2022: 105.74
- October 2023: 109.27
- November 2023: 109.48
- 1 Month Change: 0.2
- 12 Month Change: 3.5

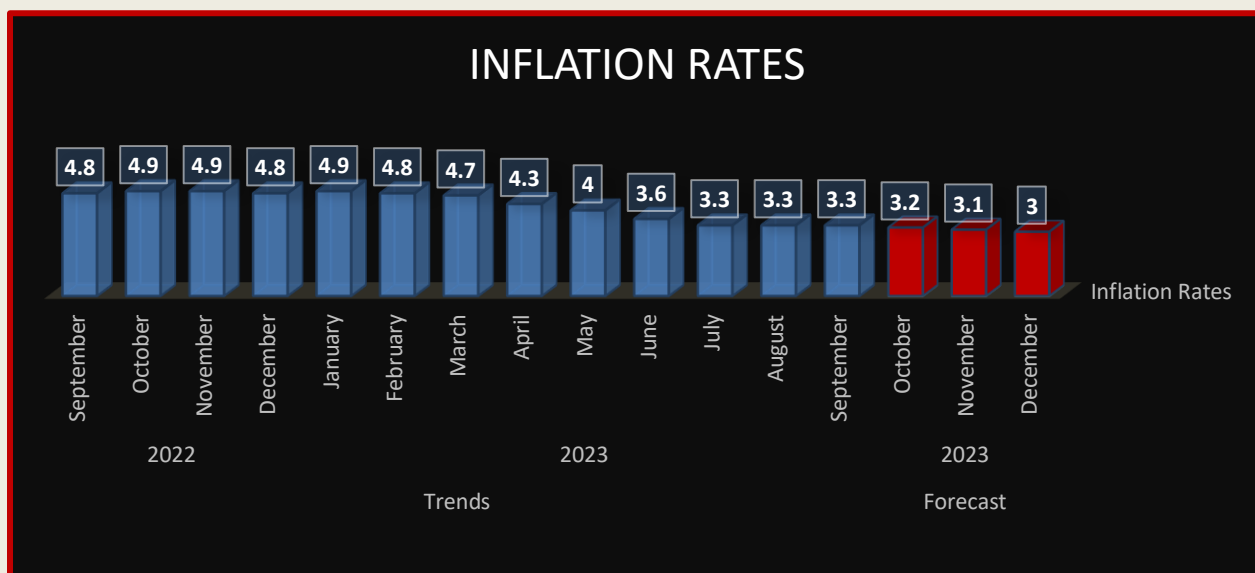




FORECASTED INFLATION RATES

The forecasted inflation rates for the last three months of 2023 show a continued decrease in the rate of price increase, indicating relative price stability or a decrease in inflationary pressures.

Inflation rates can have significant economic implications, affecting consumer purchasing power, interest rates, and overall economic stability. Low and stable inflation rates are generally considered desirable by central banks and policymakers, as they contribute to a more stable economic environment.



The annual headline inflation rate for September 2023 in Tanzania and the comparison with the previous month, August 2023, and the previous year, September 2022:

Annual Headline Inflation Rate for September, 2023:

- The headline inflation rate for September 2023 remained unchanged at 3.3% compared to the previous month, August 2023. This means that there was no increase or decrease in the rate of inflation between these two months.

Overall Index Increase:

- Despite the headline inflation rate remaining the same, the overall index of prices increased from 108.73 in September 2022 to 112.35 in September 2023. This increase in the overall index reflects the general rise in the prices of goods and services over the course of one year (from September 2022 to September 2023).



CURRENT ACCOUNT**Trade Dynamics: Tanzania's Current Account Analysis, Trade Deficits, Income Flows, and the State of the Economy**

Tanzania is experiencing challenges in its external trade, with a notable increase in the current account deficit. Policymakers and economists may need to examine these trends to formulate strategies that address the trade imbalances and promote economic stability.

- Tanzania is facing an increased trade deficit, especially in goods, as seen in the Goods Account and the overall Goods and Services balance.
- The Services Account has also contributed to the decline in the overall trade balance.
- While there is stability in the Primary Income Account, there is a slight increase in transfers in the Secondary Income Account.
- The overall Current Account Balance has worsened, with a larger deficit compared to both the previous month and the same period last year.

Tanzania's Current Account and the key insights about the country's economic situation:**Goods Account:**

- There has been a decrease in the Goods Account balance from September to October, leading to a higher trade deficit.
- The one-year change shows an increase in the trade deficit compared to the same period last year.

Services Account:

- The Services Account has experienced a significant decrease in one month, indicating a notable change in the balance of trade in services.
- The one-year change is negative, suggesting a decline in the Services Account balance compared to the same period last year.

Goods and Services:

- The combined balance of trade in both goods and services has shown a substantial decrease, indicating an overall decline in the trade balance.

Primary Income Account:

- There is no change in the Primary Income Account from September to October.
- The one-year change is negative, suggesting a slight decrease in income flows compared to the same period last year.



Secondary Income Account:

- The Secondary Income Account has experienced a small increase in one month, indicating a rise in transfers that do not result in goods or services.
- The one-year change is positive but relatively small.

Current Account Balance:

- The overall Current Account Balance has decreased significantly from September to October, pointing to a larger current account deficit.
- The one-year change is positive, indicating a higher deficit compared to the same period last year.

Tanzania's Current Account for different time periods, and it includes components such as the Goods account, Services account, Primary income account, Secondary income account, and the overall Current account balance:

Goods Account:

- 22-Oct: -620.9
- 23-Sep: -477.6
- 23-Oct: -612.5
- 1 Month Change: -23.08%
- 1 Year Change: 28.25%

The Goods Account represents the balance of trade in physical goods. A negative value indicates a trade deficit, meaning that the country is importing more goods than it is exporting.

Services Account:

- 22-Oct: 229.83
- 23-Sep: 381.7
- 23-Oct: 334.9
- 1 Month Change: 66.08%
- 1 Year Change: -12.26%

The Services Account includes the balance of trade in services. It shows the difference between the value of services exported and imported. A positive value shows a surplus in services.

Goods and Services:

- 22-Oct: -391
- 23-Sep: -95.8
- 23-Oct: -277.6
- 1 Month Change: -75.50%
- 1 Year Change: 189.77%

This represents the combined balance of trade in both goods and services.



Primary Income Account:

- 22-Oct: -101.2
- 23-Sep: -101.2
- 23-Oct: -99.8
- 1 Month Change: 0.00%
- 1 Year Change: -1.38%

The Primary Income Account reflects income flows, such as profits and dividends, between residents and non-residents.

Secondary Income Account:

- 22-Oct: 45.3
- 23-Sep: 48.5
- 23-Oct: 48.7
- 1 Month Change: 7.06%
- 1 Year Change: 0.41%

The Secondary Income Account includes transfers that do not result in any goods, services, or financial assets in return.

Current Account Balance:

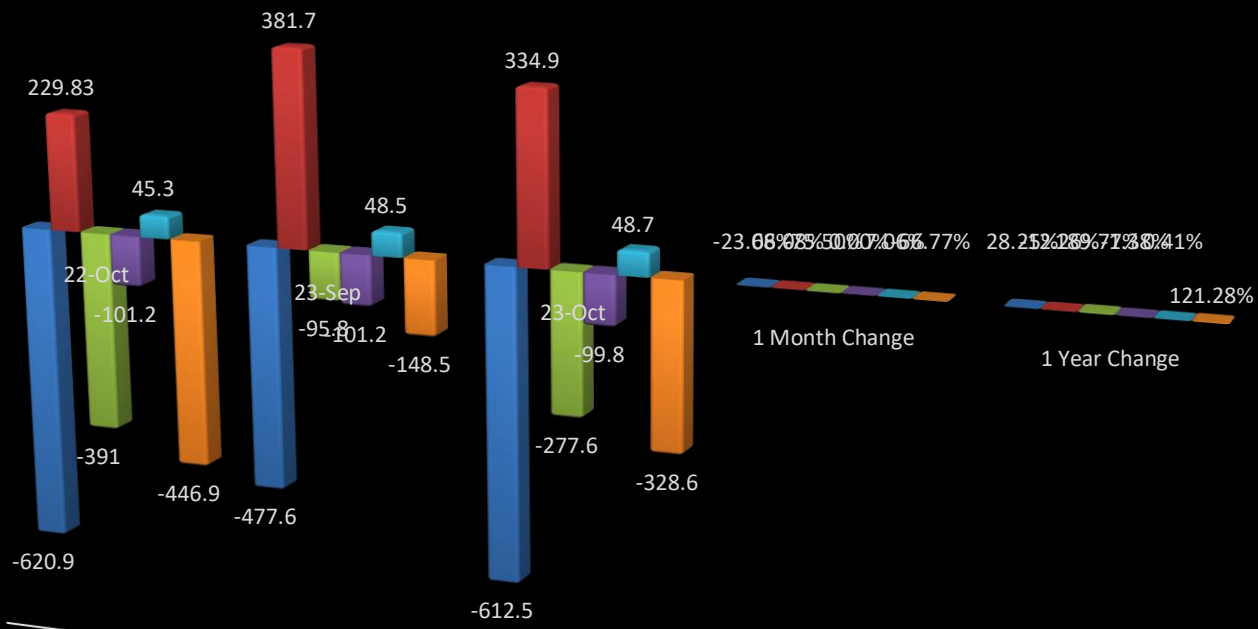
- 22-Oct: -446.9
- 23-Sep: -148.5
- 23-Oct: -328.6
- 1 Month Change: -66.77%
- 1 Year Change: 121.28%

The Current Account Balance is the sum of all the accounts mentioned above. A negative value indicates a current account deficit, meaning that the country is importing more than it is exporting, and the deficit is funded by capital inflows.



Tanzania Current Account

■ Good account
 ■ Services account
 ■ Goods and Services
 ■ Primary income account
 ■ Secondary income account
 ■ Current account balance



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MONEY SUPPLY

Money Supply Contraction: Understanding the Consequential Contraction in M3, M2, and M1 Measures

Overview of the changes in Tanzania's money supply components, revealing trends and fluctuations in both domestic and foreign financial assets over the specified period.

This research provided pertains to the Money Supply in Tanzania for October 2023, with comparisons to the previous month (September 2023) and changes over the past year. Money supply is classified into various components, providing insights into the financial dynamics of the country.

Net Foreign Assets:

Net foreign assets represent the difference between a country's foreign assets and liabilities. In Tanzania, there was a significant decrease in net foreign assets from -40.7 in September to 14.9 in October, indicating an improvement. The 71% monthly change and the substantial 373% increase over the year suggest a positive trend in the country's international financial position.

Bank of Tanzania:

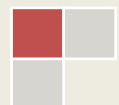
The Bank of Tanzania's net foreign assets also increased from 2.9 to 4.3, showing a 33% monthly change and an impressive 767% surge over the past year. This signifies a strengthening position for the central bank in terms of its foreign assets.

Net Domestic Assets:

Contrastingly, net domestic assets experienced a decline from 50.4 to 11.7, reflecting a significant 54% decrease over the month and a substantial 331% decrease over the year. This suggests a reduction in the country's domestic financial assets.

Components of Net Domestic Assets:

- **Domestic Claims:** Domestic claims decreased from 34.2 to 16.3, indicating an 11% decline over the month and a 110% decrease over the year. This reflects a reduction in claims within the country's domestic financial system.
- **Securities Held by Banks:** Securities held by banks dropped from 21.3 to 16.4, reflecting a 30% decrease over the month and an 18% decrease over the year. This suggests a decrease in the securities held by banks.
- **Claims on the Private Sector:** Claims on the private sector decreased from 19.5 to 17.9, indicating a 9% decline over the month and a 32% decrease over the year. This implies a reduction in the financial claims on the private sector.



Money Supply (M3), Broad Money Supply (M2), and Narrow Money Supply (M1):

- Extended Broad Money (M3): M3 decreased from 14.5 to 12.4, showing a 17% decline over the month and a 7% decrease over the year. This suggests a contraction in the broadest measure of the money supply.
- Foreign Currency Deposits: Foreign currency deposits dropped from 16.2 to 13, indicating a 25% decrease over the month and an 8% decrease over the year. This reflects a reduction in foreign currency holdings.
- Broad Money Supply (M2): M2 decreased from 14 to 12.2, reflecting a 15% decline over the month and a 7% decrease over the year. This indicates a contraction in the overall money supply within the economy.
- Other Deposits: Other deposits decreased from 15.9 to 14.6, showing a 9% decline over the month and a significant 37% decrease over the year. This implies a reduction in other forms of deposits in the financial system.
- Narrow Money Supply (M1): M1 decreased from 12.8 to 10.7, reflecting a 20% decline over the month but a 13% increase over the year. This suggests a contraction in the narrowest measure of the money supply despite the yearly increase.

Components of Narrow Money Supply:

- Currency in Circulation: Currency in circulation dropped from 10.7 to 10.1, showing a 6% decline over the month and a significant 39% decrease over the year. This indicates a reduction in the amount of currency circulating in the economy.
- Transferable Deposits: Transferable deposits decreased from 13.8 to 11, indicating a 25% decline over the month but a 34% increase over the year. This suggests fluctuations in transferable deposits, with a notable increase over the year despite the monthly decrease.

Tanzania's Money Supply for October 2023 reveals key trends and changes in the country's financial landscape:

Net Foreign Assets Improvement:

- There is a notable improvement in Tanzania's net foreign assets, with a substantial increase from the previous month (September 2023) and a remarkable 373% surge compared to the same period last year. This suggests positive developments in the country's international financial position.

Central Bank Strength:

- The Bank of Tanzania has experienced growth in its net foreign assets, indicating a strengthened position for the central bank in terms of foreign assets. The 767% increase over the year is particularly noteworthy.

Contrasting Domestic Dynamics:

- While foreign assets are improving, there is a significant decline in net domestic assets, reflecting a reduction in the country's domestic financial assets.



Components of Net Domestic Assets:

- Domestic claims, securities held by banks, and claims on the private sector have all decreased, contributing to the overall decline in net domestic assets. These reductions may have implications for the domestic financial system.

Money Supply Contraction:

- The various measures of money supply (M3, M2, M1) have experienced significant contractions over the month, ranging from 15% to 20%. This suggests a reduction in the overall amount of money circulating in the economy.

Foreign Currency Holdings Decline:

- Foreign currency deposits have decreased by 25% over the month, indicating a reduction in foreign currency holdings. This may have implications for the country's ability to engage in international trade.

Deposits and Claims Reduction:

- Other deposits have decreased by 9%, while claims on the private sector have decreased by 9% and securities held by banks have decreased by 30%. These reductions in financial instruments suggest a broader trend of decreased financial activity or a shift in investment patterns.

Narrow Money Supply Contradiction:

- While the narrowest measure of money supply (M1) has contracted over the month, there is a 13% increase compared to the same period last year. This indicates a complex picture, with short-term contraction but long-term growth in the narrowest money supply.

Currency in Circulation Reduction:

- The amount of currency in circulation has decreased by 6% over the month and a substantial 39% over the year. This reduction may be influenced by shifts in payment methods or changes in consumer behavior.

Fluctuations in Transferable Deposits:

- Transferable deposits show a 25% decrease over the month but a 34% increase over the year, suggesting volatility in this particular component of the money supply.



EXPORT AND IMPORT**Trade Balance and Economic Health: Balance of Payment Trends: Assessing Tanzania's Trade Deficit Reduction, A Look at 2021-2023**

Tanzania has seen positive growth in both exports and imports, with efforts towards reducing the trade deficit. This research shows an overall improvement in the trade balance.

Export Growth:

- Tanzania has experienced a positive trend in the export of goods and services.
- The export values have increased consistently over the three years, with a significant 15% growth from 2022 to 2023 and a substantial 41% growth over the two-year period from 2021 to 2023.
- This growth shows an expansion in the international market for Tanzanian goods and services.

Import Growth:

- Import values have also risen, but at a slightly slower pace compared to exports. There was a modest 1% increase from 2022 to 2023 and a more substantial 50% increase over the two-year period from 2021 to 2023.
- The higher rate of import growth might contribute to concerns about trade imbalances and potential pressure on foreign exchange reserves.

Balance of Payment:

- The Balance of Payment represents the difference between exports and imports. A negative balance indicates a trade deficit.
- Tanzania's trade deficit has narrowed from 2022 to 2023, as evidenced by the 39% reduction in the deficit. However, it's important to note that there is still a deficit, albeit a smaller one.
- The two-year change shows a significant 128% reduction in the trade deficit from 2021 to 2023, indicating improvement in the overall trade balance. This could be attributed to the faster growth rate of exports compared to imports.

The Balance of Payment represents the difference between the value of exports and the value of imports. A negative balance indicates a trade deficit (import > export), while a positive balance indicates a trade surplus (export > import). The percentage changes provide insights into the trends and shifts in the trade balance over the specified periods.

Export of Goods and Services:

- 2021: TZS9,609 million
- 2022: TZS11,730 million
- 2023: TZS13,544 million
- 1-Year Change (2022 to 2023): +15%



- 2-Year Change (2021 to 2023): +41%

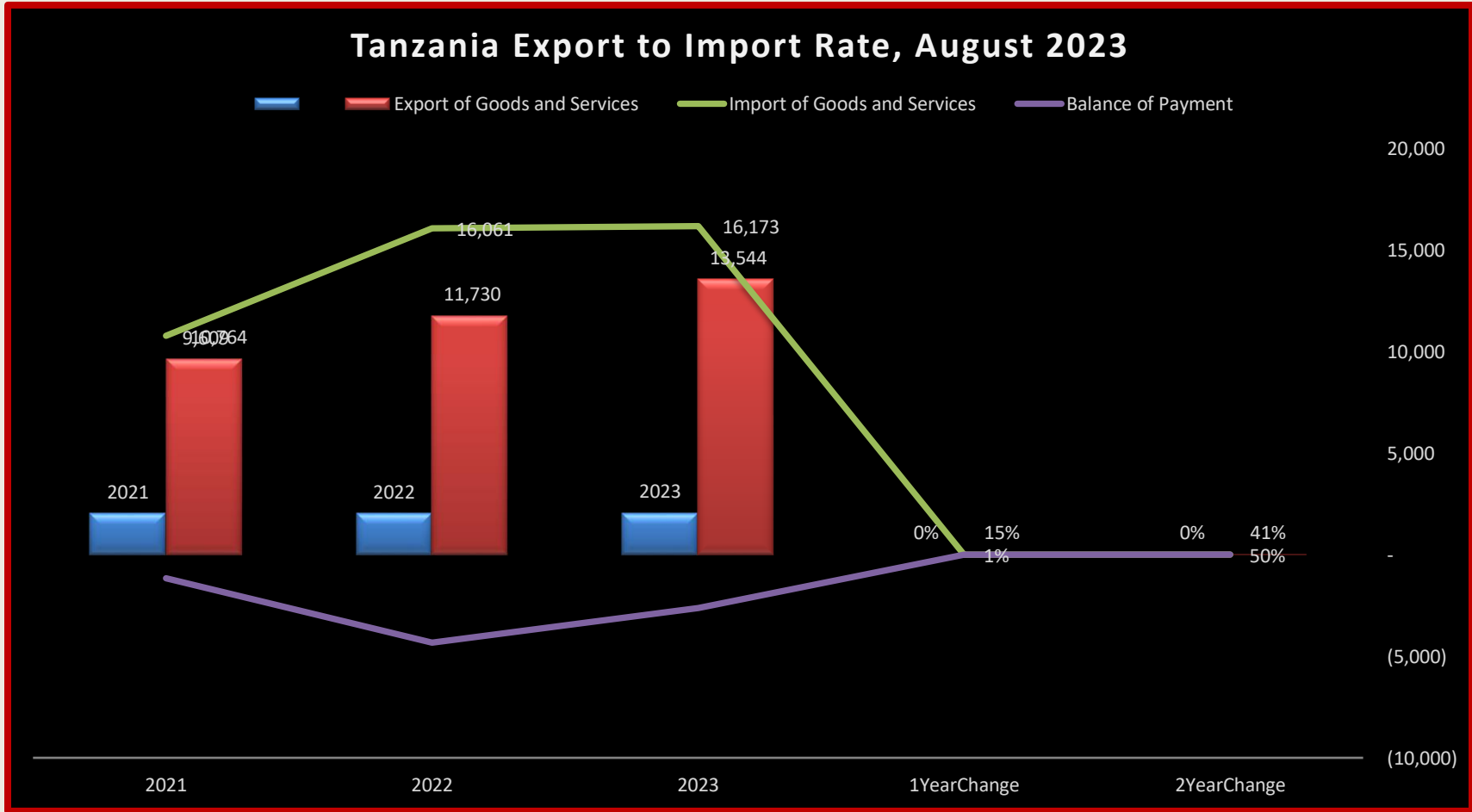
Import of Goods and Services:

- 2021: TZS10,764 million
- 2022: TZS16,061 million
- 2023: TZS16,173 million
- 1-Year Change (2022 to 2023): +1%
- 2-Year Change (2021 to 2023): +50%

Balance of Payment:

- 2021: -TZS1,154.6 million (deficit)
- 2022: -TZS4,331 million (deficit)
- 2023: -TZS2,628.4 million (deficit)
- 1-Year Change (2022 to 2023): -39%
- 2-Year Change (2021 to 2023): -128%





NATIONAL DEBTS DEVELOPMENT

National Debts Overview: October 2023, A 7% Expansion

This research provides a snapshot of the Tanzania's debt dynamics, allowing policymakers, economists, and analysts to assess the financial health of the nation and make informed decisions about economic policies and future fiscal strategies. It's essential to monitor these trends over time to understand the long-term implications and make adjustments as needed.

The National Debts Development conveys important information about the country's financial situation, particularly in terms of external and domestic debts:

Overall Debt Trends:

- The total national debt increased from TZS 90,957,363.00 in September 2023 to TZS96,688,407.00 in October 2023.
- The 1-month change in total debts is 1%, indicating a moderate increase in the country's overall indebtedness during this period.

External Debt:

- External debt increased from TZS64,357,163.00 in September 2023 to TZS67,238,907.00 in October 2023.
- The 1-month change in external debt is 0%, suggesting a relatively stable external debt level during this period.
- Over the past year, external debt has increased by 5%, indicating a growth in the country's external financial obligations.

Domestic Debt:

- Domestic debt rose from TZS26,600,200.00 in September 2023 to TZS29,449,500.00 in October 2023.
- The 1-month change in domestic debt is 2%, reflecting a moderate increase in domestic financial obligations.
- Over the past year, domestic debt has experienced a more significant growth of 12%.

Comparison Over the Past Year:

- The 1-year change figures provide a perspective on the percentage increase in debts from October 2022 to October 2023.
- The total national debt increased by 7% over the past year, with external debt contributing a 5% increase and domestic debt contributing a higher 12% increase.



Implications:

- The increase in both external and domestic debts may indicate that the country is taking on more financial obligations, which could be for various reasons such as infrastructure development, economic stimulus, or budgetary needs.
- The 1-year change figures highlight the trend of growing indebtedness over a more extended period, which might raise concerns about the country's fiscal sustainability.

Tanzania's external and domestic debts, both in terms of absolute values and their percentage changes over the specified time periods. The percentage change figures indicate the growth or reduction in debt levels compared to the previous month and the same month in the previous year. The "TOTAL DEBTS" section sums up both external and domestic debts to provide a comprehensive overview of the country's overall indebtedness:

Debt Components:

External Debt:

- Sep-23: TZS64,357,163.00
- Oct-23: TZS67,238,907.00
- 1-Month Change: 0% (Percentage change in external debt from September to October 2023)
- 1-Year Change: 5% (Percentage change in external debt from October 2022 to October 2023)

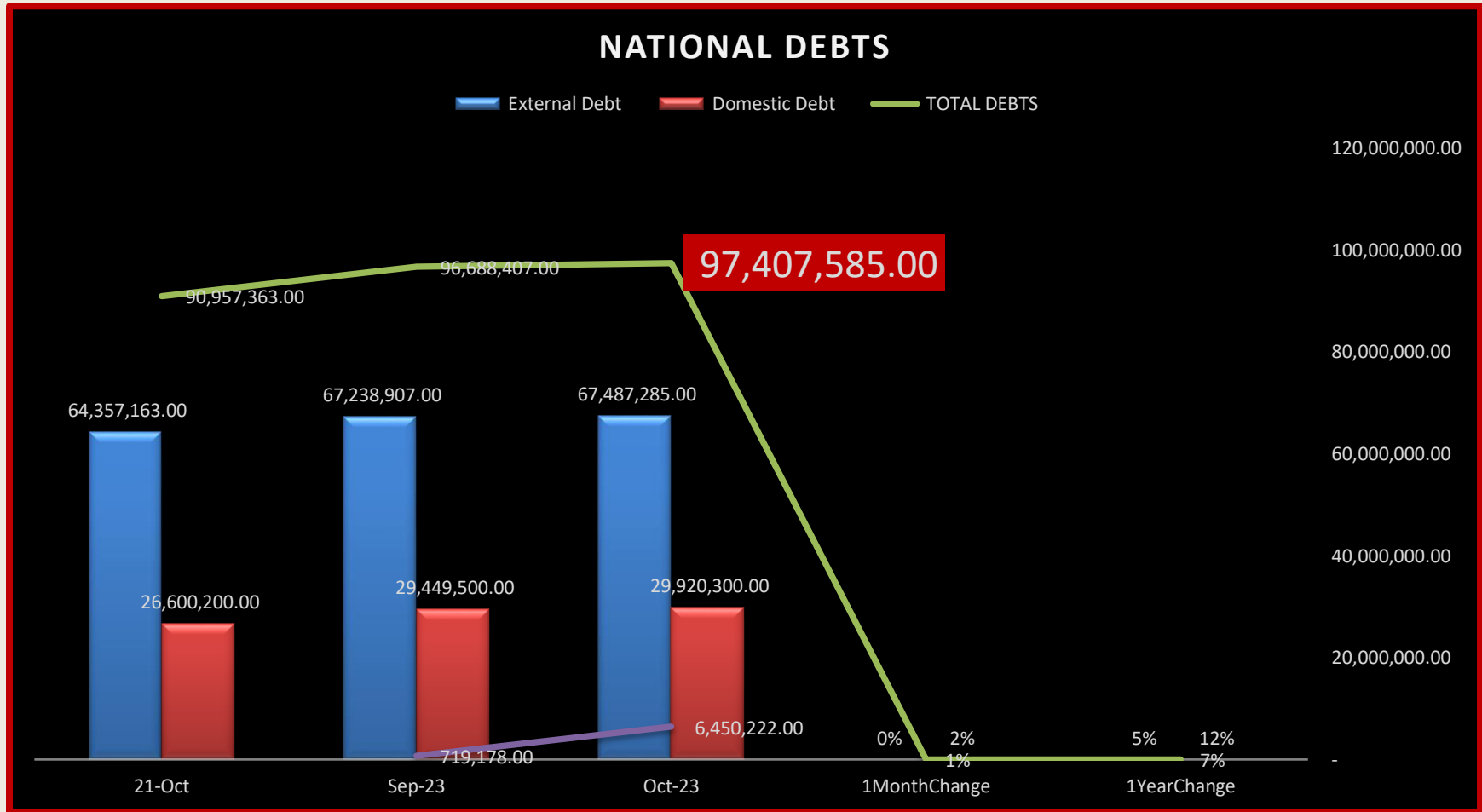
Domestic Debt:

- Sep-23: TZS26,600,200.00
- Oct-23: TZS29,449,500.00
- 1-Month Change: 2% (Percentage change in domestic debt from September to October 2023)
- 1-Year Change: 12% (Percentage change in domestic debt from October 2022 to October 2023)

Total Debts:

- Sep-23: TZS90,957,363.00 (Sum of External and Domestic Debts in September 2023)
- Oct-23: TZS96,688,407.00 (Sum of External and Domestic Debts in October 2023)
- 1-Month Change: 1% (Percentage change in total debts from September to October 2023)
- 1-Year Change: 7% (Percentage change in total debts from October 2022 to October 2023)





TANZANIA ECONOMIC UPDATES

We review and evaluates the performance of monthly economic indicators

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