



TANZANIA COUNTRY RISK ANALYSIS



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MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK REVIEW

GEOGRAPHIC OVERVIEW

Tanzania is the largest country in East Africa, encompassing the islands of Zanzibar, Pemba, and Mafia. Zanzibar maintains its own government, parliament, and president, allowing it to manage internal affairs while remaining united with the mainland on key national matters such as foreign policy, defence, and monetary governance. This structure preserves Zanzibar's distinct cultural and historical identity while reinforcing its important role within the broader Tanzanian union. Tanzania is bordered by the Indian Ocean and shares its boundaries with eight neighbouring nations, namely Kenya, Uganda, Rwanda, Burundi, the Democratic Republic of Congo, Zambia, Malawi, and Mozambique. The estimated population of the country stands at approximately 68.15m (2025), with the official local currency being the Tanzanian Shilling (TZS). Dar es Salaam serves as the administrative capital of Tanzania, while Dodoma has been designated as the legislative capital of the nation.

POLITICAL LANDSCAPE

In the wake of the 29 October 2025 general elections, Samia Suluhu Hassan was re-elected president with an officially declared 98% of the vote and was sworn in for a new five-year term on 3 November 2025. The president serves as both the head of the country and the chief of the armed forces. General elections are conducted once every five years to elect the country's leadership. Despite the official result, the main opposition party (CHADEMA) rejected the outcome, calling the vote a sham and demanding a fresh election. In response to mounting domestic and international pressure, the government announced the formation of an inquiry commission to investigate the post-election unrest, but concerns about democratic backsliding, human-rights abuses and the shrinking space for dissent have seriously undermined the legitimacy of the new mandate. Both regional and international observer missions criticised the elections for falling short of expected standards, thereby undermining the credibility of the electoral process and public confidence in the outcome.

Tanzania was officially removed from the Financial Action Task Force (FATF) Grey List on 13 June 2025 after successfully implementing key reforms to strengthen its anti-money laundering and counter-terrorism financing framework. The country enhanced risk-based supervision of financial institutions and designated non-financial businesses, applied effective sanctions for non-compliance, and demonstrated the ability to conduct investigations and prosecutions aligned with its risk profile. Authorities also improved measures to trace, seize, and confiscate illicit assets, completed a national

terrorism financing risk assessment, and began implementing a counter-financing of terrorism strategy. Additionally, Tanzania increased awareness of targeted financial sanctions among regulators and the private sector and assessed terrorism financing risks in the non-profit sector in line with FATF standards

SOVEREIGN RATING UPGRADE

Tanzania's sovereign rating has been recently upgraded to B1 with a stable outlook. This upgrade holds significant promise to improve the country's business climate and entice both local and international investors. Addressing the persistent foreign exchange shortage, especially prevalent in developing economies like Tanzania, is imperative. The current global focus on potential interest rate reductions in the United States may alleviate this situation by encouraging foreign direct investment. By synchronising governmental initiatives aimed at enhancing the business landscape with favourable global monetary policies, Tanzania stands to attract higher levels of foreign investment. Despite initial opposition, the government's dedication to broadening the tax base has proven vital in managing the country's debt levels effectively.

The credit rating upgrade reflects Tanzania's strides in bolstering its economy through structural reforms and prudent macroeconomic policies. Despite ongoing challenges, the government's strategic actions and dedication to improving the business climate indicate Tanzania's potential for sustained economic expansion and stability.

ECONOMIC PERFORMANCE

Tanzania Mainland's economy grew strongly in the second quarter of 2025, registering 6.3% growth, up from 5.1% a year earlier and 5.4% in the previous quarter. This improvement was driven by stronger agricultural activity and higher mineral exports, supported by government measures to boost productivity, improve the business environment, and attract investment in priority sectors. Zanzibar's economic performance remained solid, with GDP expanding by 6.8% in the second quarter ended 30 September 2025, compared to 7.2% in the same quarter of 2024. Growth was driven primarily by construction, accommodation and food services, crop production, and real estate activities. Overall, quarterly indicators for the period ended 30 September 2025 point to stable macroeconomic conditions in both Mainland Tanzania and Zanzibar, underpinned by strong sectoral performance, low inflation, and resilient external reserves.

INFLATION STABILITY

For Tanzania Mainland, inflation remained moderate, averaging 3.4% in the quarter ending September 2025, compared to 3.2% in the previous quarter and 3.1% in the same period of 2024. The rate remained within the national target range of 3–5% and aligned with regional convergence thresholds

of up to 8% for the East African Community and 3–7% for the Southern African Development Community. The slight uptick in inflation was mainly driven by higher food prices, though this was largely offset by slower increases in non-food prices. Inflation is expected to remain within the 3–5% target range, supported by prudent monetary policy, adequate food supplies, and continued exchange rate stability.

Between July 2024 and April 2025, Zanzibar's headline inflation averaged 5.0%, down from 5.9% in the same period of 2023/24. The decline was primarily driven by lower food prices, with food inflation easing to 7.1% from 10.4%, reflecting adequate market supply. In contrast, non-food inflation increased to 3.4% from 2.9%, largely due to higher energy prices.

DIVERGENT CURRENT ACCOUNT BALANCES: TANZANIA DEFICIT RISES, ZANZIBAR SURPLUS STRENGTHENS

On the external front, Tanzania's current account deficit widened in September 2025 to USD 570.5m from USD 395.8m (in September 2024), largely due to higher imports of industrial supplies and refined petroleum products amid stronger domestic demand and elevated global prices. Exports strengthened, with notable growth in tobacco, cotton, gold, and manufactured goods. Meanwhile, Zanzibar's current account surplus increased to USD 257.8m from USD 104m in the same quarter of 2024, driven by higher service receipts, particularly from tourism-related activities.

Foreign exchange reserves remained adequate at USD 6.66bn as of September 2025, sufficient to cover over five months of projected imports, above the national benchmark of four months. This indicates that the country maintains a comfortable external buffer, capable of absorbing short-term external shocks and supporting import requirements without undue pressure on the exchange rate.

SECTOR GROWTH

Tanzania's banking sector remained robust, showing adequate liquidity, profitability, and capitalisation. The core capital adequacy ratio was 20.2%, above the minimum regulatory requirement of 10%. Banks' asset quality strengthened, with the non-performing loan ratio falling to 3.5% in April 2025 from 4.1% in June 2024, well below the 5% prudential threshold. This downward trend is expected to persist, supporting increased private-sector lending and helping lower borrowing costs.

The mining sector, particularly gold exports, continues to play a significant role in Tanzania's GDP, bolstered by favourable global prices and increasing production capacity. The mining sector's contribution to GDP has increased from 6.8% in 2020 to 9.5% in 2024.

Similarly, tourism has seen a strong rebound as international travel recovers, significantly enhancing service receipts and creating employment opportunities. Tanzania has been recognised as Africa's Leading Tourism Destination in 2024, and the Serengeti National Park has continued to be the winner of the award for the world's best national park for five (5) consecutive years from 2019 to 2024, as the number of tourists has increased from 1,183,416 in 2020 to 5,360,247 in 2024. Further, revenue from international tourists has increased from USD 715.0 million in 2020 to USD 3.9 billion in 2024.

The construction industry, supported by both public and private investments in infrastructure projects, has also been a notable contributor, aligning with the government's long-term infrastructure and urbanisation goals.

Agriculture remains the backbone of the economy, contributing around 27% and 23.3% of GDP in Tanzania Mainland and Zanzibar, respectively and employing a significant portion of the population. The sector's growth is supported by favourable weather conditions and government initiatives aimed at modernising agricultural practices and boosting productivity. Additionally, the government's investment in industrialisation has begun to yield results, as Tanzania continues to move toward a more diversified economy.

OUTLOOK

Despite the recent elections in Tanzania, which drew criticism from regional and international observers, the overall economic outlook for Tanzania is optimistic, supported by the factors mentioned above and the government's timely implementation of structural reforms aimed at strengthening the economy's competitiveness, improving the business and investment environment, and reducing the cost of regulatory compliance. The World Bank report also emphasises that improving the efficiency and effectiveness of fiscal policies has enabled the country to boost revenue collection and increase public expenditure, leading to improved human capital outcomes, inclusive economic growth, and prosperity for its citizens.

Considering the favourable and encouraging factors pertaining to the economic, political, and other macroeconomic drivers, ICRA anticipates that Tanzania is poised to exhibit a moderate level of country risk with greater economic stability and sustainable growth potential, especially when compared to its neighbouring peer countries. This assessment is reinforced by the sustained positive economic growth rates and the alleviation of inflationary pressures, despite the global challenges encountered during recent review periods. Nevertheless, it is essential to underscore the inherent challenges faced by the country. These include issues of poverty and inequality, constrained access to quality educational and healthcare facilities, environmental concerns, and limited access to financial resources.