

Economic impacts of and policy responses to the coronavirus pandemic: early evidence from Tanzania

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22 April 2020

Key messages

- There are 254 active confirmed cases of COVID-19 in Tanzania, and there have been 10 deaths and 11 recoveries.
- The government has imposed a number of measures aimed at reducing the spread of the virus, including a 30-day ban on public gatherings and sport and music events.
- Economic fundamentals for Tanzania in the months preceding the outbreak were strong and stable.
- No official fiscal and/or monetary response has been offered by the Tanzanian authorities.

Introduction

As of 21 April 2020, Tanzania has 254 [confirmed cases of COVID-19, and has seen 10 deaths and 11 recoveries](#). Starting from 23 March, the government has imposed a 30-day ban on public gatherings, political meetings and sport, music and community events. Additionally, [the government has closed schools and universities, and suspended all international flights](#). Before the suspension of international flights, all foreign arrivals were being quarantined for 14 days on their arrival. Places of worship have remained open and all government and private enterprise activities remain open.

Before the pandemic, the Tanzanian economy showed strong fundamentals, with all major macro indicators performing well – with [GDP growth of 6.8% in 2019, forecast growth of 6.4% and 6.6% in 2020 and 2021, respectively, stable inflation of 3.3% in 2019, a mild fiscal deficit of 2% of GDP and a current account deficit of 3.4% GDP](#).

The latest data (2017) show [government health spending per capita of \\$45.12](#), below the average in sub-Saharan Africa of \$69.19, but placing Tanzania second within the East African Community, only behind Kenya, which spends \$67.59 per capita. Meanwhile, [external health spending per capita within Tanzania in 2017 was \\$33.19](#), compared to the average in Sub Saharan Africa of \$24.04.

Economic and social impacts

Trade and production impact

The economic impact of COVID-19 has not yet shown up in official economic statistics, although it is likely to in the following months. Businesses and government offices remain open. [Inflation remains stable, recorded at 3.7% in both January and February. Prices for food are rising faster, 5.7% and 5.9% for the first two months of 2020, consistent with food inflation throughout 2019.](#)

Tourism, [which earned Tanzania \\$2,554.7 million in the 12 months ending January 2020](#), is the country's largest foreign exchange earner. COVID-19 is expected to devastate the industry, with all [the 478 tourist hotels in Zanzibar having temporarily been closed](#), with some on the Mainland following suit. [The Tanzania Aviation Landscape has already lost about 2–3% of revenue](#), owing to strict restrictions on travelling to and from the country.

The price of gold, Tanzania's second-largest export behind tourism receipts, [has risen by 7.6% since December 2019](#), strengthening its export earnings. However, commodity prices for Tanzania's other important exports have been falling. For example, since the beginning of the year, [prices for coffee and cotton have decreased by 11% and 24%, respectively](#), while across the board prices for tea, cashew nuts and cloves have also decreased. More significantly, Tanzania's trade balance will benefit from the low global price for petroleum products, [which represents approximately 25% of total imports](#).

Finance

Regarding the exchange rate, the Tanzanian shilling has remained stable, trading at [an average of TZS 2,300.9 per US dollar](#) in the first quarter of 2020. However, since trade and tourism are being tremendously affected by the COVID-19 pandemic, it could soon become more expensive for businesses and individuals to acquire the dollar using the Tanzanian shilling. Moreover, [Gross Official Reserves amounted to \\$5,532.3 million](#) as at end of February 2020, estimated to be sufficient to cover [6.4 months of projected imports expenditure](#) before the COVID-19 pandemic. With the current situation, import expenditure, especially on health, could increase significantly, which will stretch the reserves of the government.

Fiscal impact

The coming general election in [October 2020 and the local election in November 2019](#) have pushed up [government spending, thereby weakening the overall budget credibility](#). It will be potentially challenging for the Tanzanian government to achieve these targets, given the COVID-19 situation. This notwithstanding, the [IMF–World Bank Debt Sustainability Analysis in January 2019](#) estimated the risk of debt distress for the country as low, with an estimated 37% debt-to-GDP ratio for the end of the FY2018/19.

Fiscal policy

[No official monetary and/or fiscal response has been offered by the Tanzanian government.](#)

Donor support

Despite no official COVID-19 fiscal and monetary responses from the Tanzanian government, there have been some notable contributions from the private sector and philanthropists to support the government's efforts. Notable among them are United Bank for Africa, the Cooperatives Rural and Development Bank and National Microfinance Bank Limited, donating [\\$98,885.30, \\$644,904.00 and \\$42,993.60](#), respectively, to provide relief materials and critical care facilities. In addition to Jack Ma donating [100,000 masks, 20,000 testing kits and 1,000 protective suits](#), contributions from other SMEs to procure oxygen, vehicles for COVID-19 awareness campaigns and generators to support hospitals have [totalled \\$282,725.92](#).

Information in this note is correct as of 23 April 2020.

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