

Tanzania Business Forecast Report Q3 2014

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Abstracts

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Core Views

We forecast real GDP growth of 6.9% in 2014. This is a slight downwards revision, as goods exports decline and government implementation of development projects falls behind schedule. Growth will nevertheless remain robust from 2015 to 2018 as the consumer base grows and investment flows into the nascent offshore gas sector.

Tanzania's current account deficit will widen over the coming years, which will make the country increasingly dependent on financial and capital inflows to maintain its positive balance of payments. As a result, the government must be careful not to alienate potential investors through increasingly overt resource nationalism regarding its nascent offshore gas sector.

Although we forecast that Tanzania's budget deficit will decline to 3.8% of GDP this fiscal year, from 5.0% last year, we caution that this obscures a number of risks. The country is heavily reliant on grants to meet its obligations, falling gold prices are constraining tax revenues, and interest costs on debt are rising.

Major Forecast Changes

Real GDP growth in 2014 has been revised down from 7.1% to 6.9%.

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BMI Political Risk Ratings

Domestic Politics

Corruption To Be Key Election Issue

Corruption will be a key issue during the campaign for the 2015 election. Although the deep-rooted nature of the practice means that meaningful progress in addressing it is unlikely in the near future, we do not expect the ruling CCM party to cede power over the issue.

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Tanzania will continue to enjoy broad political stability over the coming decade, with little to suggest that the ruling Chama Cha

Mapinduzi party's authority will be threatened. That is not to say the 2013-2022 period will be without challenges. Chief among these will

be dealing with high levels of corruption and addressing the country's dependence on foreign aid.

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We forecast real GDP growth of 6.9% in 2014. This is a slight downwards revision, as goods exports decline and government implementation of development projects falls behind schedule. Growth will nevertheless remain robust from 2015 to 2018 as the consumer base grows and investment flows into the nascent offshore gas sector.

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Although we forecast that Tanzania's budget deficit will decline to 3.8% of GDP this fiscal year, from 5.0% last year, we caution that this obscures a number of risks. The country is heavily reliant on grants to meet its

obligations, falling gold prices are constraining tax revenues, and interest costs on debt are rising.

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Tanzania's current account deficit will widen over the coming years, which will make the country increasingly dependent on financial and capital inflows to maintain a positive balance of payments position. As a result, the government must be careful not to alienate potential investors through increasingly overt resource nationalism regarding its nascent offshore gas sector.

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