QUARTERLY SOCIAL AND ECONOMIC REVIEW

Economic resilience, household pressures and the path to wider welfare gains

3.2%	5.5%	24.1%	4.7
Headline inflation	Food inflation	Private credit growth	months Import cover

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OVERVIEW

GLOBAL SHOCKS, LOCAL ECONOMIC REALITIES

What This Quarter Tells Us

Tanzania's economy remained resilient in the first quarter of 2026. The key challenge was to ensure that this stability translated more widely into affordable living costs, productive jobs, stronger household incomes and greater participation in growing economic activities.

National progress is not measured by growth, inflation, investment, credit, public finances and trade only. It is also seen in what happens to businesses, workers and households. The real test is whether economic change supports production, creates jobs, raises incomes, protects purchasing power and improves daily living conditions.

ESRF's March 2026 position paper, **Global Oil Price Volatility on Tanzania's Economy: Impacts and Policy Options**, showed why this connection matters. It explained how higher oil prices could raise Tanzania's fuel-import bill, increase demand for foreign currency and push up transport and production costs. These pressures could then affect inflation, government finances and the daily cost of living. The paper also outlined measures to improve fuel-market stability and strengthen long-term energy security.

Building on that work, this review widens the lens. It examines Tanzania's social and economic performance during the first quarter of 2026, including growth, prices, credit, trade, foreign exchange, government finances and public debt. More importantly, it asks what these changes meant for businesses, jobs, household purchasing power and everyday living conditions.

Scope of the review: This review does not cover every sector or social issue. It focuses on developments for which timely information was available and which had clear links to production, businesses, jobs and household living conditions. It also separates changes already seen during the quarter from risks that may become more important later.

QUARTERLY SNAPSHOT

The first quarter of 2026 presented a positive but uneven picture. Economic activity continued to grow, headline inflation remained low, exports and tourism earnings increased, private-sector credit expanded strongly and foreign-exchange reserves stayed adequate. Yet food prices rose faster than prices overall, transport costs continued to affect households and businesses, and borrowing remained expensive for many small and medium-sized firms. These changes do not reach everyone at the same time or in the same way. As Figure 1 shows, national economic conditions first affect sectors and markets, then business investment, production, jobs and incomes. They eventually reach households through purchasing power, spending, access to essential services and overall living conditions.

Figure 1: How Economic Developments Reach People

NATIONAL ECONOMIC CONDITIONS
Growth, inflation, fiscal balance, credit, trade, foreign exchange and public debt.

SECTORS AND MARKETS
Agriculture, industry, services, trade, finance and other markets respond to national conditions.

BUSINESSES AND JOBS
Businesses invest, produce and hire. Jobs are created and incomes are earned.

HOUSEHOLD INCOMES AND SPENDING
Household incomes determine spending on food, education, health, transport, housing and other needs.

LIVING CONDITIONS
Improved living conditions, better well-being and a higher quality of life.

This pathway connects national economic trends with what producers, businesses, workers and households experience in practice. It also explains why improvements in national indicators may take time to reach people's daily lives. Table 1 brings together the quarter's main indicators and briefly shows why each one matters.

Table 1: The quarter at a glance

Indicator	Latest position	Why it matters
GDP growth	6%	Performance was driven by financial and insurance activities, human health and social work activities, and public administration.
Headline inflation	3.2%	Overall price increases remained contained.
Food inflation	5.5%	Household food budgets remained under greater pressure than the headline rate suggested.
Transport inflation	4.2%	Commuting, access to markets and distribution costs remained important concerns.
Private-sector credit growth	24.1%	Financing expanded strongly, although access and affordability differed across borrowers.
Overall lending rate	15.1%	Borrowing remained costly for many households and small businesses.
Foreign-exchange reserves	USD 6,084.4 million	Reserves were sufficient to cover about 4.7 months of projected imports.
Current-account deficit	USD 2,492.5 million	Imports grew faster than exports during the year ending March 2026.
National debt	USD 50,457.5 million	Equivalent to approximately TZS 130.3 trillion at the March average exchange rate.

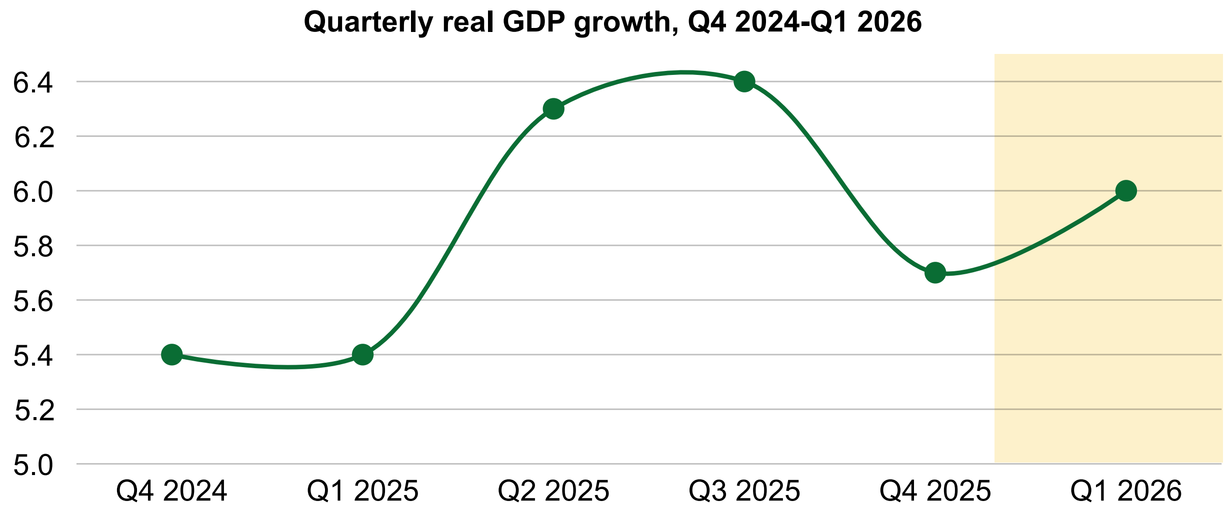
Source: National Bureau of Statistics (NBS); Bank of Tanzania (BoT)

GROWTH REMAINED FIRM, BUT WELFARE GAINS DEPENDED ON JOBS AND INCOMES

The latest official figures showed that real gross domestic product (GDP), meaning the value of goods and services produced after allowing for price changes, grew by 6 per cent in the first quarter of 2026. This was slightly higher than the 5.7 per cent recorded in the last quarter of 2025.

Figure 2 places this estimate within the recent growth trend. Economic activity strengthened in the middle of 2025, slowed towards the end of the year and was expected to pick up again in early 2026.

Figure 2: Quarterly real GDP growth, Q4 2024-Q1 2026



Source: NBS and BoT .

Economic growth matters most when it improves people’s lives. It can create jobs, raise incomes, increase demand for local goods and services, and generate more government revenue. However, the benefits depend on which sectors are growing and how strongly they are connected to local firms and households. Growth in agriculture can raise rural incomes, improve food availability and increase demand for farm inputs. Construction can create jobs and support transport, building-material and professional-service businesses. Tourism and transport can benefit hotels, restaurants, cultural activities, logistics providers and local traders.

GDP growth alone does not tell us whether wages rose, whether new jobs were secure or whether small Tanzanian businesses gained from expanding value chains. It therefore needs to be read alongside employment, household income, business performance and the participation of local suppliers. Table 2 shows how growth in the main activities may reach households and businesses.

Table 2: Growth sectors and their main household connections

Activity	Evidence	Potential welfare channel	What should be monitored
Agriculture	Favourable rainfall and stronger production indicators	Farm income, food supply, rural employment and demand for inputs	Farm-gate prices, input costs, weather conditions and market access
Construction	Continued activity and public investment	Employment, demand for materials and services, and improved infrastructure	Local procurement, working conditions and timely completion of projects
Finance and insurance	Strong credit and financial activity	Working capital, investment and household finance	Affordability and access, particularly for smaller borrowers
Tourism	Travel receipts reached USD 4.34 billion in the year ending March	Employment and demand for accommodation, food, transport and cultural	Local sourcing, skills development and the regional spread of benefits
Transport and transit trade	Transport receipts increased to USD 2.74 billion	Logistics employment and improved market access for producers	Fuel costs, freight charges and links with local enterprises

Source: BoT Monthly Economic Review, April 2026; ESRF interpretation.

What this means: Production strengthened in several sectors, but growth matters most when it creates jobs, raises household incomes, supports local businesses and opens opportunities for domestic suppliers.

HEADLINE INFLATION REMAINED LOW, BUT FOOD AND TRANSPORT MATTERED MOST TO HOUSEHOLDS

Headline inflation, which measures the average increase in prices across the household consumption basket, eased from 3.3 per cent in January to 3.2 per cent in February and remained at that level in March. This showed that overall prices were broadly stable. Yet households do not live by the national average alone. For many lower-income families, food, transport, rent, cooking energy and basic services take up a large share of the household budget. Price increases in these areas can therefore be felt much more strongly than the headline rate suggests.

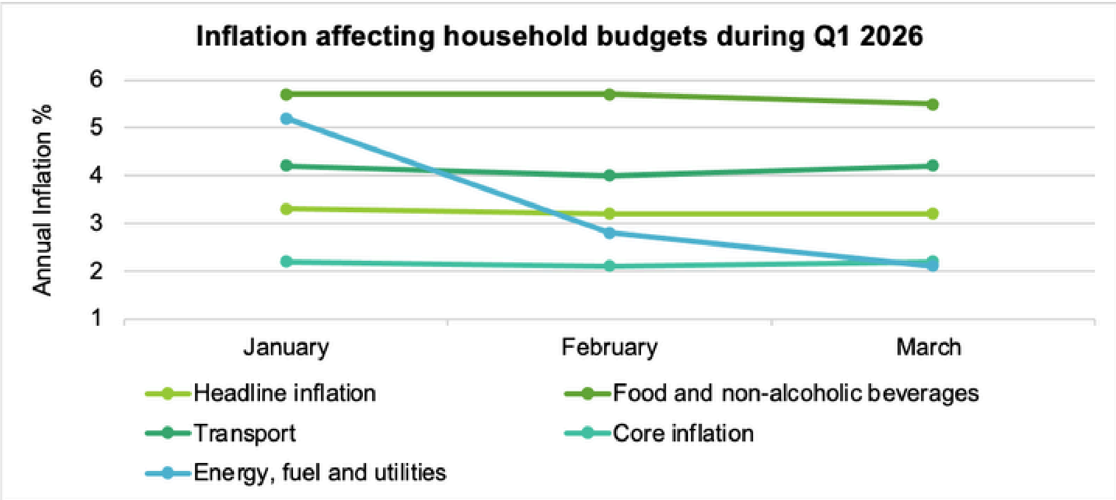
Table 3 and Figure 3 make this difference clear. Food and non-alcoholic beverages inflation stayed at 5.7 per cent in January and February before easing slightly to 5.5 per cent in March. Transport inflation moved from 4.2 per cent in January to 4.0 per cent in February, then returned to 4.2 per cent in March. Core inflation, which removes the more volatile prices of unprocessed food, energy and utilities to show underlying price pressure, stayed close to 2.2 per cent. Inflation in energy, fuel and utilities, meanwhile, slowed markedly during the quarter.

Table 3: Annual inflation rates during Q1 2026

Category	January (%)	February (%)	March (%)
Headline inflation	3.3	3.2	3.2
Food and non-alcoholic beverages	5.7	5.7	5.5
Transport	4.2	4	4.2
Core inflation	2.2	2.1	2.2
Energy, fuel and utilities	5.2	2.8	2.1

Source: NBS Consumer Price Index releases for January, February and March 2026.

Figure 3: Inflation categories with the strongest household connection

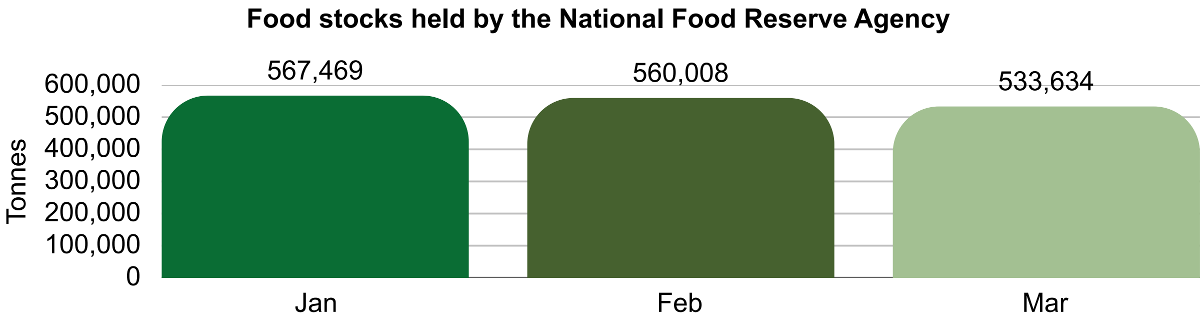


Source: NBS.

The small fall in food inflation in March was encouraging, but food prices were still rising faster than prices overall. This matters because when staple foods become more expensive, families may have to cut spending on healthcare, transport, education and other essentials. Transport costs also reach far beyond the fare paid by a passenger. They affect travel to work, school and health facilities, and the cost of moving farm produce and other goods to market.

Food availability helped to keep wider price pressures in check. Stocks held by the National Food Reserve Agency (NFRA), the government agency that buys, stores and manages the national food reserve, remained sizeable. They declined from 567,469 tonnes in January to 533,634 tonnes in March. The Bank of Tanzania reported that releasing maize and paddy to traders helped to stabilise retail food prices.

Figure 4: National Food Reserve Agency stocks during Q1 2026



Source: National Food Reserve Agency, as reported by BoT.

Policy reading: Overall inflation remained low, but food and transport prices gave a clearer picture of the pressure on household budgets. Future reviews should regularly track a simple basket covering essential food, transport, cooking energy, rent and basic services.

CREDIT EXPANDED STRONGLY, WHILE BORROWING REMAINED COSTLY

The Bank of Tanzania kept the Central Bank Rate (CBR), the rate used to guide short-term interest rates, at 5.75 per cent for the quarter ending March 2026. Banks also had adequate liquidity. Measures of money supply are grouped according to how easily the money can be used: M1 includes cash held outside banks and deposits that can be used immediately; M2 adds residents' shilling savings and fixed deposits; and M3 adds residents' foreign-currency deposits.

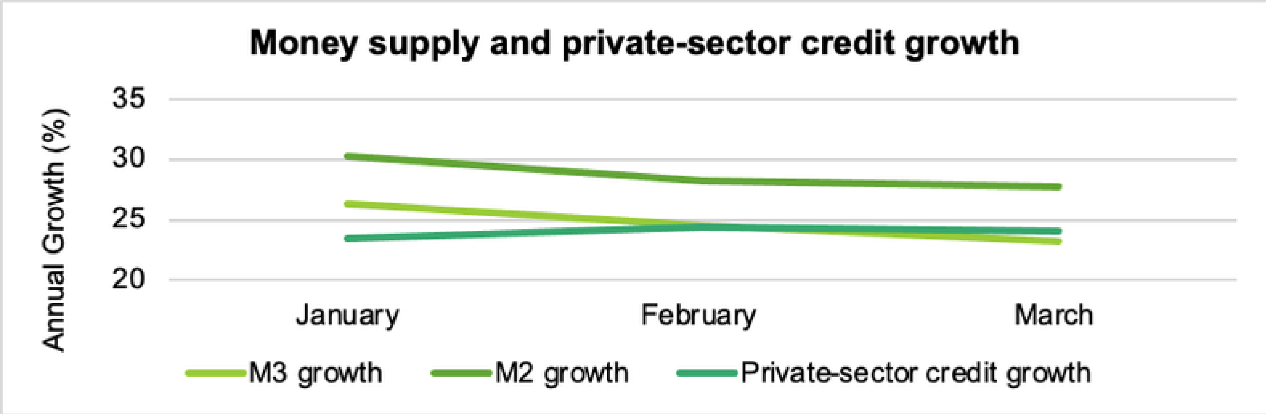
M2 grew by 27.8 per cent in March, compared with 30.2 per cent in January. M3 growth also eased, from 26.3 per cent in January to 23.2 per cent in March. Even so, credit to the private sector continued to grow strongly at 24.1 per cent throughout the quarter. As Figure 5 shows, slower growth in the money supply did not stop credit from expanding. Loans can help businesses meet day-to-day costs, enable farmers to buy inputs, and finance equipment and expansion. Their wider value, however, depends on who receives the money, whether it supports productive activity and whether borrowers can repay without being placed under excessive pressure.

Table 4: Monetary and lending indicators during Q1 2026

Indicator	January (%)	February (%)	March (%)
M3 growth	26.3	24.5	23.2
M2 growth	30.2	28.2	27.8
Private-sector credit growth	23.5	24.4	24.1
Overall lending rate	15.07	15.11	15.11
Negotiated lending rate	12.25	12.19	12.21
Savings deposit rate	2.94	2.98	2.89

Source: BoT Monthly Economic Reviews, February-April 2026.

Figure 5: Money supply and private-sector credit growth

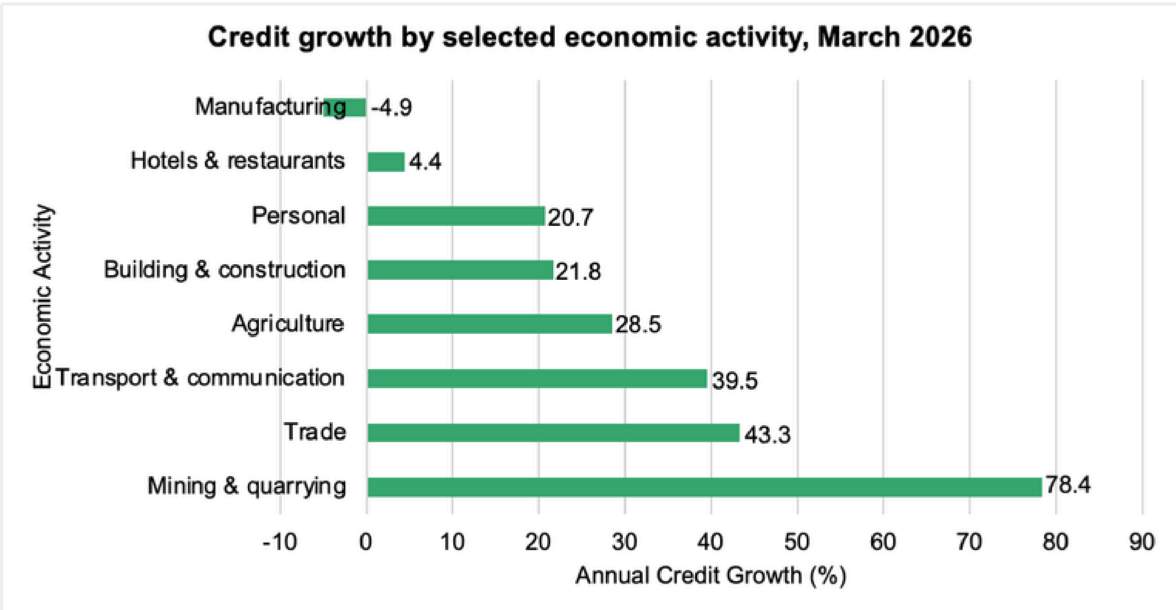


Source: BoT Monthly Economic Review, February - April 2026.

The overall lending rate, or the average interest charged on bank loans, remained at 15.11 per cent in March. The negotiated rate available to selected customers, often larger or considered less risky, averaged about 12.21 per cent. This gap suggests that established borrowers may obtain better terms than smaller businesses. The main concern was therefore not simply whether credit was available, but whether small firms, farmers, women and young entrepreneurs could afford and access it.

Credit growth differed sharply across sectors. As Figure 6 shows, lending to mining and quarrying grew fastest, followed by trade, transport and communication, agriculture, and building and construction. Credit to manufacturing was still lower than a year earlier, although the decline was less severe than in previous months.

Figure 6: Annual credit growth by selected economic activity, March 2026



Source: Banks and BoT.

EXPORTS AND SERVICES BOOSTED FOREIGN EXCHANGE AS IMPORTS ROSE

In the year ending March 2026, exports of goods and services rose by 12.8 per cent to USD 18,603.5 million. Imports grew slightly faster, increasing by 13.6 per cent to USD 19,361.9 million. As a result, the current-account deficit, which arises when the country pays more abroad than it earns from trade, services and income, widened from USD 2,009.9 million in the year ending March 2025 to USD 2,492.5 million in the year ending March 2026. Even so, foreign-exchange reserves improved. Gross official reserves reached USD 6,084.4 million, enough to cover about 4.7 months of projected imports and provide a buffer against external shocks.

Figure 7: External earnings, import demand and reserves

Source: BoT. Values refer to the year ending March, except reserves, which are end-March stocks.

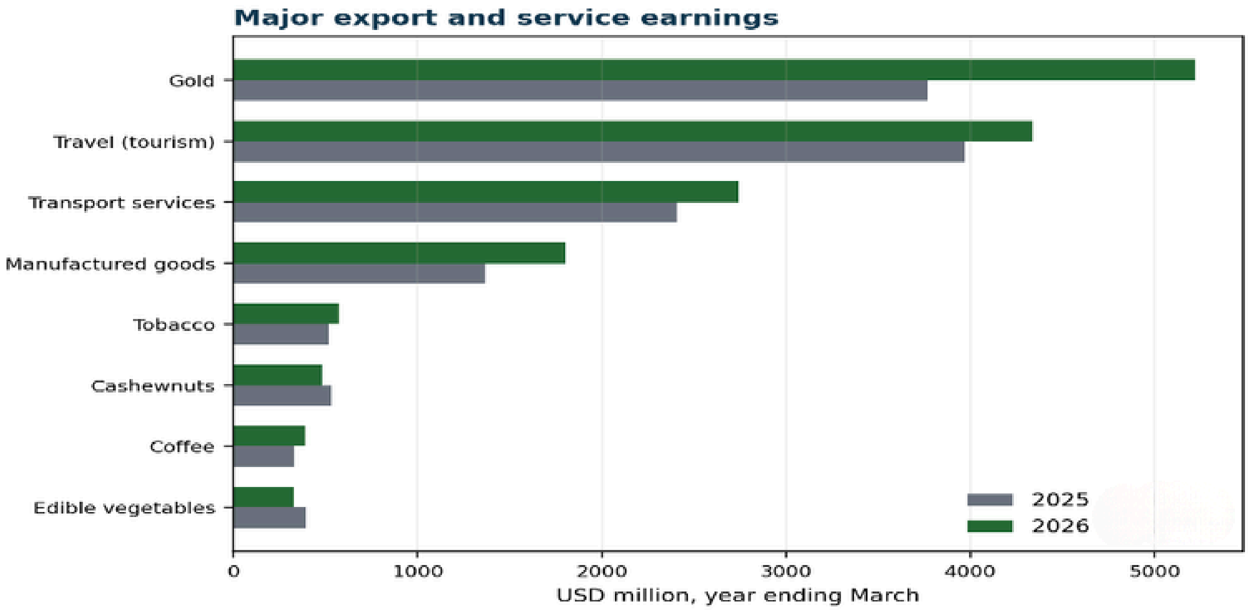
Table 5: External-sector position, year ending March

Indicator (USD million)	2025	2026	Change (%)
Exports of goods and services	16,498.20	18,603.50	12.8
Imports of goods and services	17,051.10	19,361.90	13.6
Current-account balance	-2,009.90	-2,492.50	Deficit widened
Gross official reserves	5,693.20	6,084.40	6.9

Source: BoT Monthly Economic Review, April 2026; ESRF calculations.

Gold and services remained major sources of foreign exchange. Gold exports rose to USD 5,222.8 million, travel receipts reached USD 4,337.1 million and transport receipts increased to USD 2,742.6 million. Exports of manufactured goods also grew strongly to USD 1,802.7 million. Figure 8 shows the main sources of export and service earnings and the important role played by both commodities and services.

Figure 8: Major export and service earnings, year ending March



Source: Tanzania Revenue Authority, banks and BoT.

These foreign-exchange earnings make a bigger difference to people's lives when they create jobs, use local inputs and involve Tanzanian firms. Tourism, for example, spreads more benefits when hotels and tour operators buy food, transport, cultural services and other supplies locally. Agricultural and manufactured exports also deliver wider gains when farmers, processors and smaller suppliers have a meaningful place in their value chains.

Most imports consisted of industrial supplies, machinery, transport equipment and other goods used in production and investment. These purchases can strengthen the country's future productive capacity. At the same time, they keep demand for foreign currency sensitive to investment needs, fuel prices and global shipping conditions.

EXCHANGE-RATE STABILITY OFFERED SOME RELIEF, ALTHOUGH GLOBAL ENERGY RISKS INCREASED

The availability of foreign currency improved in March, supported mainly by export earnings, especially gold. The shilling averaged TZS 2,583.23 per US dollar, compared with TZS 2,650.24 in March 2025. This 2.52 per cent annual appreciation helped to contain the shilling cost of imports. However, global crude-oil prices rose sharply, from an average of USD 68.01 per barrel in February to USD 95.58 in March 2026, amid tensions and supply-chain disruption in the Middle East. The full effect had not yet appeared in first-quarter inflation, but it increased the risk of higher fuel, freight and fertiliser costs in the months ahead.

Table 6: Main channels through which external energy shocks may reach households

Transmission channel	Immediate economic effect	Possible household or service effect
Fuel import costs	Higher foreign-currency cost of refined petroleum	Higher pump prices, transport fares and business operating costs
Freight and distribution	Increased international and domestic transport costs	Higher prices for food, building materials and household goods
Agricultural inputs	Higher fertiliser and delivery costs	Increased farm-production costs and possible future food-price pressure
Foreign exchange	Greater demand for dollars to finance imports	Higher local-currency cost of imported goods and inputs
Fiscal response	Possible pressure for temporary support measures	Reduced flexibility for other expenditure if support is broad or

Source: BoT and ESRF interpretation. These are transmission risks, not evidence that every effect had already occurred during Q1 2026.

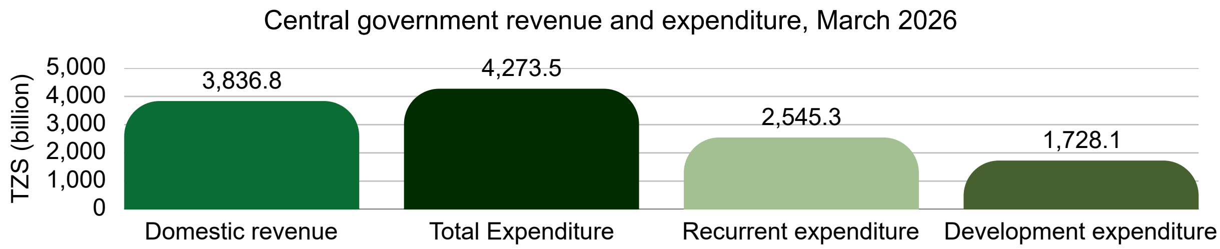
Evidence note: Higher global oil prices increased the risk of rising fuel, freight and fertiliser costs. Because the full effect had not yet appeared in first-quarter inflation, these pressures are presented as emerging risks rather than outcomes already experienced by all households.

REVENUE SUPPORTED PUBLIC ACTIVITY, WHILE DEBT REQUIRED CONTINUED ATTENTION

Domestic revenue reached TZS 3,836.8 billion in March 2026, 8.5 per cent above the monthly target, while tax revenue amounted to TZS 3,317.6 billion. Total expenditure was TZS 4,273.5 billion. Of this amount, TZS 2,545.3 billion covered recurrent spending and TZS 1,728.1 billion went to development projects.

Figure 9 brings these amounts together. Because the figures relate to March, they should not be read as the full fiscal position for the first quarter. They nevertheless show the scale of resources used for government operations and development activities during the period.

Figure 9: Central Government Revenue and Expenditure, March 2026



Source: Source: BoT Monthly Economic Review, May 2026

Table 7: Selected fiscal indicators, March 2026

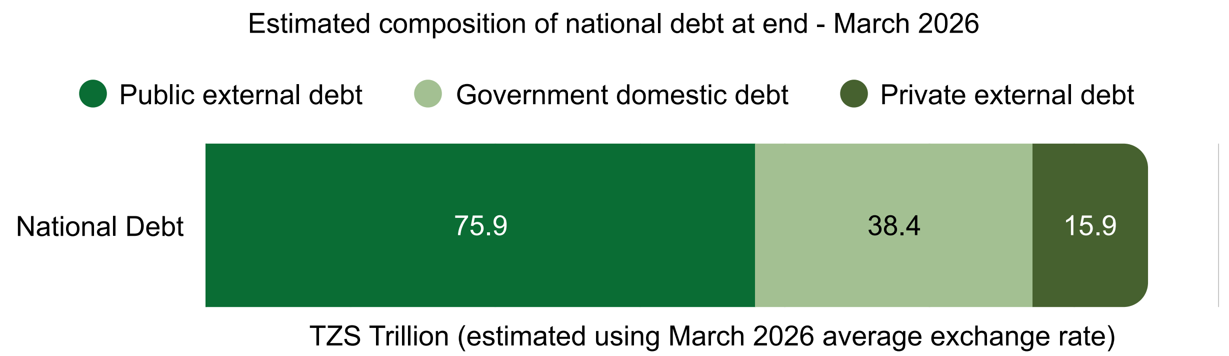
Indicator	TZS billion	Interpretation
Domestic revenue	3,836.80	8.5% above the monthly target
Tax revenue	3,317.60	10.8% above the monthly target
Non-tax revenue	385.7	1.7% below the monthly target
Total expenditure	4,273.50	Recurrent and development expenditure combined
Recurrent expenditure	2,545.30	Wages, interest payments and other recurrent commitments
Development expenditure	1,728.10	Investment and development projects

Source: BoT Monthly Economic Review, May 2026

Public investment can improve people's lives by expanding transport, energy, water, digital connectivity, health and education infrastructure. The available quarterly information does not show that infrastructure spending reduced social-protection allocations. The practical priority is therefore to maintain a sound balance between long-term investment and the timely delivery of essential public services.

National debt stood at USD 50,457.5 million, at the end of March 2026, equivalent to about TZS 130.3 trillion using the average exchange rate for the month. External debt accounted for 70.4 per cent of the total. Figure 10 provides an indicative breakdown in Tanzanian shillings, separating public external debt, government domestic debt and private external debt.

Figure 10: Estimated composition of national debt at end-March 2026



Source: BoT and ESRF calculations using TZS 2,583.23 per US dollar. Values may differ slightly because of rounding and valuation effects.

Table 8: Debt converted into Tanzanian shillings for comparison

Debt category	USD billion	TZS trillion	Explanation
National debt	50.46	130.3	Public and private external debt plus government domestic debt
Public external debt	29.39	75.9	Estimated as 82.7% of total external debt
Government domestic debt	—	38.4	Reported directly in Tanzanian shillings
Estimated total public debt	—	114.4	Public external debt plus government domestic debt
Private external debt	6.15	15.9	Private-sector external obligations

Source: BoT and ESRF calculations. Shilling conversions are indicative and should not be treated as official debt valuations.

Policy reading: A small monthly fall in the dollar value of debt does not, by itself, create much more fiscal space. What matters more is the cost and repayment period of borrowing, exposure to exchange-rate movements, debt-service obligations and whether debt-financed projects deliver useful results.

IMPLICATIONS FOR HOUSEHOLDS, BUSINESSES AND PUBLIC SERVICES

The quarter was neither wholly positive nor wholly difficult. National stability created room for investment and sound economic management, but households and businesses experienced the quarter differently depending on their income, location, type of work, and reliance on food, transport or credit. Table 9 brings these different experiences together.

Table 9: Integrated economic and social reading of Q1 2026

Area	Evidence	Balanced interpretation
Household purchasing power	Headline inflation was 3.2%; food inflation was 5.5%	Overall price stability continued, although food remained a stronger source of pressure.
Food security	NFRA stocks remained above 533,000 tonnes in March	Food availability supported price stability, while local supply conditions still required monitoring.
Mobility and market access	Transport inflation was 4.2%	Transport costs continued to influence commuting, access to services and movement of agricultural produce.
Small businesses	Private-sector credit grew by 24.1%; the lending rate was 15.11%	Financing expanded, but affordability and collateral requirements may still have been difficult for smaller

Area	Evidence	Balanced interpretation
Jobs and incomes	Growth was estimated at 6.2%	The growth outlook was positive, but timely quarterly information on employment and real earnings remained limited.
Rural livelihoods	Agriculture contributed to growth and recorded strong credit expansion	Benefits depended on farm-gate prices, input costs, weather and access to markets.
Women and young people	Comprehensive quarterly outcome data were not available	Future reviews should track access to finance, employment, enterprise performance and unpaid work using reliable evidence.
Public services	Revenue collection and development expenditure remained significant	The quality and timeliness of expenditure determine whether fiscal activity improves day-to-day services.
Rural livelihoods	Agriculture contributed to growth and recorded strong credit expansion	Benefits depended on farm-gate prices, input costs, weather and access to markets.
Women and young people	Comprehensive quarterly outcome data were not available	Future reviews should track access to finance, employment, enterprise performance and unpaid work using reliable evidence.
Public services	Revenue collection and development expenditure remained significant	The quality and timeliness of expenditure determine whether fiscal activity improves day-to-day services.

Source: NBS, BoT and ESRF synthesis.

Taken together, the indicators show how national economic changes reached households, businesses and public services through prices, jobs, finance, markets and government spending. The picture is one of real progress alongside continuing pressure, with a clear distinction between what had already happened and what remained an emerging risk.

OUTLOOK: POSITIVE MOMENTUM ACCOMPANIED BY HIGHER EXTERNAL RISKS

The near-term outlook remained broadly positive, although uncertainty increased. The Bank of Tanzania estimated growth at 6.2 per cent in the first quarter and projected 6.1 per cent in the second quarter. Inflation averaged about 3.3 per cent in Q1 and was projected at around 3.4 per cent in Q2, still within the medium-term target range. These forecasts can change with weather conditions, policy choices, commodity prices and global developments. Table 10 therefore presents a baseline, an upside and a downside scenario, together with the indicators that need close attention.

Table 10: Outlook scenarios for the next two quarters

Scenario	Likely direction	Main drivers	Priority watchpoints
Baseline	Growth remains close to 6%; inflation stays within target	Agriculture, construction, tourism, credit and public investment remain	Food prices, credit quality, imports and fuel costs
Upside	Growth strengthens and household price pressure eases	Good harvests, stronger tourism and exports, and stable energy prices	Job creation, farm incomes and local supplier participation
Downside	Growth slows and cost pressures increase	A prolonged energy shock, higher freight and fertiliser costs, and adverse	Transport fares, food prices, exchange-rate pressure and fiscal costs

Source: BoT Monetary Policy Report, April 2026, and ESRF scenarios.

CONCLUSION

Tanzania entered 2026 with a broadly stable economy and continued growth in several key activities. Headline inflation remained low, private-sector credit and exports increased, foreign-exchange reserves were adequate and productive activity was expected to strengthen.

For households and businesses, however, the picture was more mixed. Food and transport costs placed more pressure on daily budgets than the headline inflation rate suggested. Borrowing also remained expensive, even as private-sector credit grew strongly. At the same time, imports increased faster than exports, while rising global energy prices created new risks for fuel, freight and agricultural input costs.

Overall, the economy remained resilient. The central challenge is to ensure that this stability translates into affordable essentials, productive jobs, stronger household incomes and wider opportunities for local businesses. A clearer assessment will require more timely information on employment, real earnings, business turnover, food security and the participation of local suppliers in growing sectors.

POLICY RECOMMENDATIONS

This review recommends the following five policy priorities for the coming quarters.

- **Protect household purchasing power**

Improve food storage, market information, rural roads and distribution systems so that food can reach markets reliably and at lower cost. Give particular attention to food and transport prices because they had a more direct effect on household budgets than the headline inflation rate suggested.

- **Improve access to affordable productive finance**

Encourage financial institutions to offer financing that better suits small businesses, farmers and other productive borrowers. Closely monitor lending rates, collateral requirements and repayment pressures, since credit expanded strongly but borrowing remained costly for many smaller clients.

- **Strengthen exports and reduce exposure to external shocks**

Support a wider range of exports, more domestic processing, stronger regional trade and more efficient transport and logistics. Continue monitoring fuel, freight, fertiliser and foreign-exchange pressures, particularly because imports grew faster than exports and global energy risks increased during the quarter.

- **Maintain prudent debt and fiscal management**

Continue assessing the cost, repayment period and exchange-rate exposure of public borrowing, together with the results delivered by debt-financed projects. A small monthly decline in the dollar value of debt should not be viewed as a major improvement unless debt-service obligations and the productivity of financed investments also improve.

- **Strengthen quarterly information on household and business conditions**

Future reviews should include timely information on jobs, real earnings, business turnover, food security, access to services and the participation of local suppliers in growing sectors. Where data are not available, the gap should be stated clearly rather than drawing conclusions that the evidence cannot support.

DATA NOTES AND PRINCIPAL SOURCES

Source	Use in the review
National Bureau of Statistics	Consumer Price Index releases for January, February and March 2026, and quarterly GDP information for Q4 2025
Bank of Tanzania	Monthly Economic Reviews for February, March and April 2026; Monetary Policy Report, April 2026; and Quarterly Statistical Bulletin
Ministry of Finance	Government revenue and expenditure information reported through the Bank of Tanzania
National Food Reserve Agency	Food-stock information reported in the Bank of Tanzania Monthly Economic Review

Source: Prepared by ESRF using official information available for the January-March 2026 review period.

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