TANZANIA PRIVATE SECTOR FEDERATION

QUARTERLY ECONOMIC NEWSLETTER

Volume 1

Q1 2026

Executive Policy Note
Message from the Ag. CEO

As we approach the 2026/27 National Budget, the question of fiscal predictability remains central to sustaining investment momentum and private sector growth. While Tanzania continues to demonstrate macroeconomic stability, the ability of businesses to plan, invest, and expand depends significantly on the clarity and consistency of fiscal and regulatory policies. Predictable tax frameworks and transparent policy direction are not only critical for investor confidence but also for enhancing competitiveness and unlocking long-term capital flows into the economy.

Equally important is the role of a structured and continuous dialogue between the Government and private sector. As the umbrella private sector association, TPSF remains actively engaged in advancing practical, evidence-based policy proposals that reflect the realities of businesses across sectors. Our ongoing engagements with the Ministry of Finance are aimed at ensuring that fiscal measures strike the right balance between revenue mobilization and creating a supportive environment for investment and enterprise growth.

This quarterly economic newsletter is therefore a strategic platform to inform, engage, and amplify the private sector voice on key economic and fiscal developments. I invite our members and stakeholders to engage with this publication, as it provides timely insights into the evolving policy landscape and highlights priority areas that will shape the business environment in the months ahead. Your continued participation and feedback remain critical as we collectively contribute to building a more predictable, competitive, and investment-friendly economy.

Deogratius Massawe,
Ag. Chief Executive Officer

Tanzania Macroeconomic Stability Watch

This section presents key macroeconomic indicators that define the current economic landscape and inform private sector planning, investment decisions, and policy engagement.

Headline Indicators

GDP Growth 2025	Headline Inflation	Lending Rate	Private Credit Growth
6.0%	3.2%	~15%	23.5%
↑ Projected 6.3% in 2026	Feb 2026 · within SADC/EAC target	Easing slightly · Jan 2026	Up from 12.8% in Jan 2025

1. GDP Growth

Tanzania's GDP growth remains steady at approximately 6.0% in 2025, with a projected increase to 6.3% in 2026 according to the Ministry of Finance. This reflects sustained expansion across key productive sectors.

Private sector implications:

- Expanding market demand and improved investment confidence
- Opportunities for business scaling across productive sectors
- Sustained momentum contingent on predictable fiscal and regulatory framework

2. Inflation

Headline Inflation Rate

3.2%

February 2026 ↓ from 3.3% in January 2026 5-month ceiling: max 3.6%

Why this matters

- Controlled cost of living & stable purchasing power
- Anchored inflation expectations—within SADC & EAC benchmarks
- Reduces pricing uncertainty for contracts & long-term planning
- Investors can better forecast real returns

3. Interest Rates & Credit

Lending Rate

~15%

Easing slightly · Jan 2026

Private sector credit growth

Jan 2025 **12.8%**

Jan 2026 **23.5%**

Key signals

- Adequate liquidity in the banking system (Bank of Tanzania)
- Credit to private sector nearly doubled year-on-year (+10.7 ppts)
- More predictable financing conditions for businesses

Caution

- Overall borrowing costs remain high — may constrain SME expansion

4. Trade (Exports & Imports)

Total Exports

USD 18.2B

+ 12.7% year-on-year

Breakdown

Goods total **USD 10,795.7M**

Gold exports **USD 4,900.7M**

Gold +39.3% YoY — driven by favorable global prices. Non-traditional & services revenue also surging.

Total Imports

USD 18.3B

+ 6.6% year-on-year

Driven by

Industrial inputs **USD 5.1B**

Machinery & equip. **Capital goods**

Capital goods-led — reflects productive investment. Highlights need for local value addition policies.

Trade Balance Note

Near-balanced trade (deficit ~USD 0.1B). Import growth (+6.6%) is substantially lower than export growth (+12.7%), a positive trend. Rising capital goods imports signal continued capacity investment.

Private Sector Outlook Summary

Growth

Stable 6%+ GDP signals expanding markets & investment confidence

Inflation

CPI ≤3.6% aids pricing certainty & real return forecasting.

Credit

Access improving (+23.5%) but 15% rates may constrain SMEs.

Trade

Gold & non-traditional exports surging; value-add opportunity.

Fiscal & Tax Policy Tracker

Fiscal and tax policy developments ahead of the 2026/27 national budget signal a critical phase in aligning revenue mobilization objectives with private sector growth, investment confidence, and overall economic competitiveness.

i. Revenue trends and expectations in the upcoming National budget

The proposed 2026/27 budget by the Ministry of Finance Tanzania projects total expenditure of approximately TZS 62.3 trillion, representing a 10.3 percent increase from the previous fiscal year, underpinned by expected domestic revenue of about TZS 46.8 trillion, of which TZS 37.0 trillion is tax revenue. This signals a continued shift toward domestic resource mobilization as the primary financing pillar of the budget. For the private sector, this implies a stronger focus on enhanced tax compliance, broader tax base expansion, and improved revenue collection efficiency, rather than reliance on external financing. As the Government seeks to meet these ambitious targets, businesses can expect heightened enforcement and administrative efficiency; however, it is expected that fiscal measures should remain predictable and balanced to avoid constraining investment, working capital, and business expansion

ii. Tax Administration Reforms Entered an Operational Phase

Tax administration reforms featured prominently in January as the Tanzania Revenue Authority (TRA) intensified preparations for the rollout of the Integrated Domestic Revenue Administration System (IDRAS), scheduled for February 2026. During the month, TRA undertook readiness engagements with tax practitioners and institutions earmarked for integration into the new system, signaling a shift from system development to live operational testing. For businesses, January served as an early stress-test period. Firms began aligning internal accounting systems, reporting processes, and compliance workflows with the new digital requirements. Initial experiences pointed to challenges related to system compatibility, data migration, and procedural clarity, underscoring the importance of transition management in ensuring that tax reforms enhance efficiency without imposing unintended compliance costs.

iii. Key policy changes affecting businesses & Tax reform proposals for this financial year

In advancing private sector priorities ahead of the 2026/27 budget, TPSF submitted over 90 fiscal reform proposals to the Ministry of Finance, with the following key areas emerging as critical for consideration:

Proposal	Implication	Policy Consideration
The VAT deferment scheme as guided by the Value Added Tax Act, Cap 148 on imported capital goods will cease effectively 30 June 2026 as amended in Finance Act 2023	Should VAT deferment cease given that Industrial supplies carry the biggest weight in the importation index – it is projected the costs of Investment will increase	Re-consideration of the proposed deadline of the current VAT deferment regime on imported capital goods to extend for the next 3 years.
Excise Duty stabilization calendar	The introduction of a multiyear tax calendar was a progressive and commendable reform. This guides taxpayers to plan efficiently while preserving the Government's ability to adjust policy when necessary.	It is proposed to extend the current excise calendar to a further period of 3 years and the Government is advised to cap it to current inflation rates for subsequent calendar periods.
Withholding tax on deemed distributions. The Finance Act 2025 introduced Section 33A in the ITA that empowers the Commissioner General (CG) to impose a 10% withholding tax on 30% of the profits after-tax which have not been distributed within 12 months from the end of the fiscal year.	Imposing 10% WHT on the 30% deemed distribution affects the ability of these Businesses to meet their liquidity and capital requirements.	Abolish the current approach by repealing Section 33A of the Income Tax Act so that the 10% withholding tax is only applied when dividends are declared and distributed.

iv. Sector Insight / Analysis

AfCFTA Beyond Market Access: Competitiveness, Jobs and Firm Readiness in Tanzania

The African Continental Free Trade Area (AfCFTA) provides Tanzanian firms access to a continental market valued at approximately US$220–230 billion in intra-African trade, yet this accounts for only 15–16% of Africa's total trade highlighting significant untapped potential. While Tanzania has made progress, with 30–35% of its exports (about US$3.0–3.3 billion) destined for African markets, utilization of AfCFTA remains limited. As of July 2025, only 43 Tanzanian firms were exporting to 18 African countries under the framework, according to the Ministry of Industry and Trade. The core challenge is no longer market access, but firm-level readiness. Constraints now lie in limited compliance capacity, weak cost competitiveness, and insufficient operational preparedness to scale within regional markets.

From Policy Commitments to Practical Firm Readiness

Although AfCFTA provides preferential market access, effective utilization depends on firms' ability to comply with Rules of Origin (RoO), standards requirements, customs documentation, and border procedures—areas that remain complex for many enterprises, particularly small and medium-sized firms. This challenge is evident in Tanzania's export structure, where SMEs account for over 90% of registered firms yet contribute less than a quarter of total export value, underscoring persistent capacity gaps rather than lack of opportunity.

In response, practical implementation support gained momentum toward the end of 2025. On 2–3 December, UNECA and the Ministry of Industry and Trade convened a National Validation Workshop in Dar es Salaam to review the "AfCFTA Step-by-Step Guide for Trading in Goods." The Guide, refined with input from public and private stakeholders, addresses documentation processes, rules of origin compliance, and border coordination. As Tanzania enters a more operational phase of AfCFTA engagement in 2026, such hands-on tools will be critical in enabling SMEs to move from theoretical eligibility to effective participation in regional markets.

Logistics, Costs and Regional Competitiveness

Beyond compliance, logistics performance remains a decisive determinant of competitiveness under AfCFTA. Regional estimates indicate that logistics and transport costs can account for 30-40% of final export prices in East Africa, often exceeding the value of tariff preferences. For Tanzanian firms, port efficiency, border clearance times, and coordination among trade-related agencies directly influence export viability, particularly for processed and time-sensitive goods. As AfCFTA trade expands, the predictability and reliability of logistics services will increasingly shape firms' ability to sustain regional market presence.

Export Composition and Employment Effects

The employment impact of AfCFTA-driven export growth depends critically on what Tanzania exports, not only how much it exports. Evidence from international trade and jobs diagnostics consistently shows that primary commodity exports generate far fewer jobs per unit of export value than processed or manufactured goods. Extractive industries typically generate fewer than five direct jobs per US$1 million of export value, while processed agricultural products and light manufacturing can generate six to ten times more employment per dollar exported, reflecting higher labour intensity and stronger domestic value-chain linkages. This distinction is particularly relevant for Tanzania, where recent export growth has been driven largely by minerals and low-processed commodities. While these sectors contribute significantly to foreign exchange earnings, their capacity to absorb labor—especially youth remains limited. Under AfCFTA, shifting toward agro-processing, consumer goods, and light manufacturing offers greater potential for inclusive job creation, provided firms can meet compliance and logistics requirements.

Implications for Firms and Policy Direction

As AfCFTA moves from aspiration to operational reality, Tanzanian firms face a dual challenge: strengthening competitiveness while increasing employment impact. This requires investment in quality assurance systems, compliance management, and logistics planning, alongside deeper integration into regional value chains. For policymakers and business support institutions, priorities increasingly centre on reducing non-tariff barriers, improving trade facilitation, and scaling practical support tools that enable firms to move from eligibility to effective participation. The experience of 2024–2025 suggests that AfCFTA's contribution to Tanzania's economic transformation will depend less on preferential access alone and more on firm readiness and export composition. Aligning regional trade expansion with employment-intensive sectors will therefore be central to ensuring that continental integration delivers broad-based and sustainable private sector growth.

TPSF Q1 2026 Snapshot
Key Activities & Milestones

New Member Recruited

This section highlights the new members recruited during the first quarter, reflecting continued growth and strengthened engagement within the network.

Q1 2026 Activity Highlights

A timeline of key engagements advancing private sector growth and partnerships.

Local Engagements

Policy, Dialogue & Public-Private Engagements (PPDs)

Feb 24 – High-level meeting with the Governor of Maniema Province, DRC

Feb 27 – Private sector dialogue on fiscal policy for FY 2026/27

Mar 6 – TPSF President participated in Women and Tax Forum organized by TRA

Mar 17 – Public-private dialogue on the new seaport tariff book

Mar 17 – National budget consultation with private sector stakeholders

Mar 27 – Policy dialogue on Blueprint II implementation

Member Engagements & Visits

Feb 9 – Visit to Sunbird Forestry Limited in Iringa

Feb 10 – Visit to CMG Group of Companies in Mwanza

Mar 10 – Welcomed Group CEO of ABF (Kilombero) Sugar

Strategic Events & National Participation

Jan 16 – Participation in the Presidential Pavilion inauguration at JNIA

Feb 5 – MoU signing with Manufacturing Africa implemented by McKinsey Development Partners

Mar 2 – Positioning private sector opportunities around AFCON 2027

Mar 17 – MoU signing with TISEZA on investment promotion collaboration

Mar 18 – Participation in the handover of the Presidential Commission report on tax reforms

Mar 30 – Participation in the Tanzania–Japan investment roundtable

International & Regional Engagements

Feb 14 – MoU signing with TANFORD in Dubai

Mar 17 – Participation in the Ethiopia Business Forum

Mar 21 – Support to investment promotion engagements in China

Mar 23 - Insightful study visit in Beijing, China organised by Ministry of Finance and hosted by the Embassy of Tanzania in China.

Member Success Story / Spotlight

Delivering National Priorities Through Local Enterprise: Derm Group Limited and Rural Electrification

As Tanzania advances toward universal access to electricity, the focus of public investment has shifted from village-level coverage to the more complex task of extending power to hamlets and dispersed rural settlements. This “last-mile” phase places a premium on delivery capacity, technical competence, and integrity among contractors tasked with executing large-scale infrastructure programs.

In January 2026, the Government, through the Rural Energy Agency, signed 30 contracts valued at approximately TZS 1.2 trillion to extend electricity to 9,009 hamlets across 25 regions, targeting over 290,000 initial customers. A key feature of the program was the strong participation of domestic firms, with 21 of the contracts awarded to Tanzanian-owned companies, reflecting deliberate efforts to build local capacity in infrastructure delivery. Within this context, Derm Group Limited, a member of the Tanzania Private Sector Federation (TPSF), illustrates the growing role of local enterprises in supporting national development priorities. The company has accumulated experience in rural electrification under previous REA programs, executing large-scale installation works involving distribution lines, transformers, and customer connections across multiple regions. Such experience positions domestic firms to manage the technical, logistical, and coordination demands associated with last-mile electrification.

The impact of rural electrification extends beyond physical connections. Expanded access to electricity enables rural enterprises to adopt modern equipment, supports agro-processing and services, and improves the delivery of social services. By relying increasingly on capable local contractors, Tanzania’s electrification program also contributes to job creation, skills development, and the strengthening of domestic technical capacity. The experience highlights how TPSF member firms are translating public investment into inclusive economic outcomes.

Expanding Global Financial Linkages: CRDB Bank’s Dubai Presence

As Tanzania’s private sector grows in scale and ambition, access to long-term finance and international capital markets has become increasingly important for supporting trade, investment, and large infrastructure projects. Strengthening financial linkages with global markets is therefore a critical element of national competitiveness.

In January 2026, CRDB Bank Plc, a TPSF member institution, marked a significant milestone by opening a Representative Office in Dubai within the Dubai International Financial Centre (DIFC). This development made CRDB the first Tanzanian bank to establish a presence in one of the world's leading global financial hubs, following licensing by the Dubai Financial Services Authority. The launch was officiated by senior government leaders, signaling alignment with Tanzania's broader economic diplomacy and investment objectives. The Dubai office is intended to facilitate trade finance, investment structuring, and capital mobilisation between East and Central Africa and global markets, particularly the Middle East. By positioning itself within an international financial centre, CRDB aims to strengthen channels through which global capital can be linked to regional opportunities, including infrastructure development, cross-border trade, and private sector expansion.

For Tanzanian businesses, the expansion enhances access to financial networks that support risk-sharing and long-term investment. More broadly, it reflects the maturation of domestic financial institutions and their capacity to operate at international standards while remaining anchored to regional development needs. The experience underscores how TPSF member institutions are contributing to Tanzania's integration into global financial and trade systems.

Key Takeaway

Together, these two cases demonstrate the diverse ways in which TPSF member companies are contributing to Tanzania's development - from delivering critical domestic infrastructure to strengthening international financial linkages. As Tanzania deepens both domestic transformation and global engagement, the role of capable, well-governed private sector members remains central to translating policy ambition into tangible economic and social outcomes.

Conclusion:

Tanzania stands at a point where sustained growth requires more than macroeconomic stability. It demands predictability, efficiency, and execution. The private sector is ready to respond. TPSF will continue to lead in shaping policies, strengthening dialogue, and advancing reforms that unlock investment and support long-term economic transformation.