

BEST'S COUNTRY RISK REPORT

Tanzania CRT-5

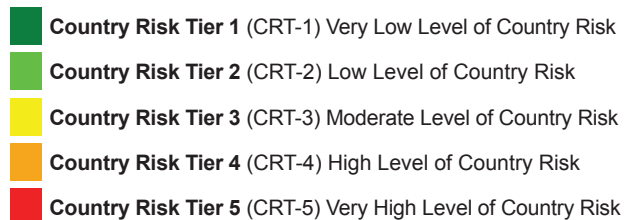
August 22, 2018

Region: Sub-Saharan Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Tanzania, a CRT-5 country, has high levels of economic and political risk and a very high level of financial system risk. The country has been largely resilient, following various economic shocks. However, rapid population growth has made it difficult for the government to lower high unemployment levels and poverty.
- GDP growth has been strong over the last decade and is forecast at 6.4% for 2018. Over the medium term, GDP growth rates are expected to range between 6.0% and 7.0%. Medium-term inflation rates are expected to remain contained at around 5.0%, despite some upside risks.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, the exceptions being Mauritius at a CRT-3 and South Africa at a CRT-4.



Regional Summary: Sub-Saharan Africa

- Africa's growth prospects are expected to improve slightly on rising domestic demand, stronger global growth, a recovery in agricultural production, and modestly increasing commodity prices. However, economic growth continues to lag population growth, making any significant progress towards human development goals difficult.
- The region faces several headwinds that limit potential, including political uncertainty, challenging business environments that erode investor confidence, fiscal pressures, high debt, poverty, growing numbers of refugees, corruption, inadequate infrastructure, and an unstable security environment.
- The IMF estimates that about 40% of the region's low-income countries have a high risk of debt distress or are already in debt distress. A large share of the region's sovereign debt is denominated in foreign currency, and an appreciating dollar/euro would lead to larger debt burdens.
- Inflationary pressures have subsided owing to monetary policy, increasing foreign exchange reserves, and growing exchange rate flexibility.

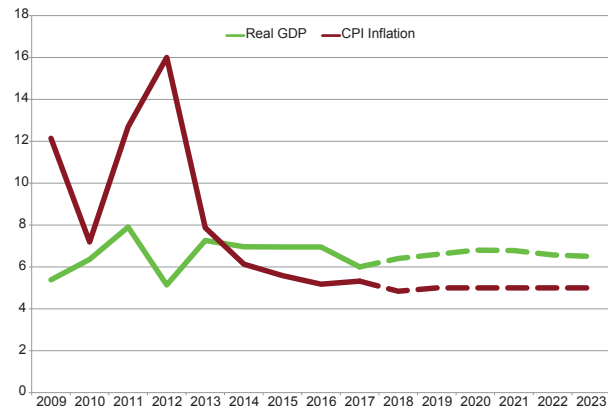


Vital Statistics 2017		
Nominal GDP	USD bn	51.73
Population	mil	50.0
GDP Per Capita	USD	1,034
Real GDP Growth	%	6.0
Inflation Rate	%	5.3
United Nations Estimates		
Literacy Rate	%	77.9
Urbanization	%	33.0
Dependency Ratio	%	93.4
Life Expectancy	Years	62.6
Median Age	Years	17.7
Insurance Statistics - As of 2016		
Insurance Regulator	Tanzania Insurance Regulatory Authority	
Premiums Written (Life)	USD mil	34
Premiums Written (Non-Life)	USD mil	269
Premiums Growth (2016 - 2017)	%	-2.4
Regional Comparison		
		Country Risk Tier
Tanzania		CRT-5
Angola		CRT-5
Kenya		CRT-5
Mauritius		CRT-3
Gabon		CRT-5
Nigeria		CRT-5

Source: IMF, UN, Swiss Re, Axco and A.M. Best



Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

Economic Risk: High

- The economy relies highly on the agricultural sector, which employs a majority of the labor force. Other important sectors include construction, light manufacturing, and tourism. The financial services sector has also grown in recent years.
- The government exercises a high degree of control over sub-surface natural resources, including gas, minerals, and oil. State interference has led to a decline in investor confidence.
- The economy is hampered by low competitiveness. In the most recent World Bank's Ease of Doing Business Survey Tanzania ranked 137 out of 190 countries. Of particular note is the lack of adequate infrastructure, complex local tax laws, and low levels of human capital.

Political Risk: High

- Tanzanian politics remain dominated by the Revolutionary Party of Tanzania (Chama Cha Mapinduzi, CCM) which has been in power since independence (from Britain in the 1960s).
- The current president, John Magufuli, won the 2015 election with 61.2% of the vote. The next presidential and legislative elections are scheduled for October 2020.
- Most decision-making is controlled by the CCM's Central Committee, composed of six members, and chaired by President Magufuli.
- Endemic corruption remains a pervasive problem. The president has dismissed a number of officials on suspicion of corruption and has eliminated thousands of "ghost workers" from public payrolls.
- Security concerns include militants from Al-Shabaab returning from Somalia, but the current threat remains subdued. Anti-government protests are likely to be quickly put down by security forces. Protests in Zanzibar tend to escalate during election periods.

Political Risk Summary

Score 1 (best) to 5 (worst)

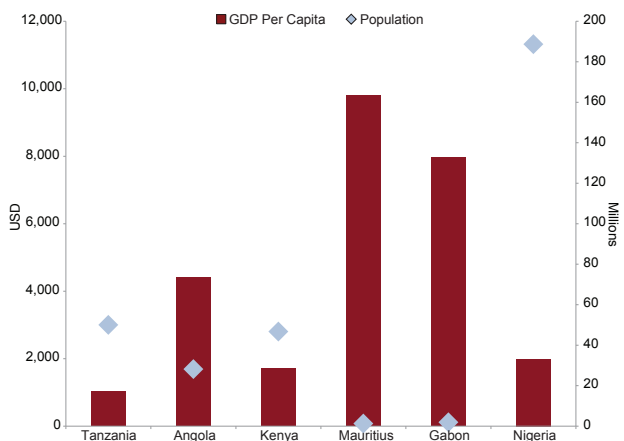


Source: A.M. Best

Financial System Risk: Very High

- The Tanzania Insurance Regulatory Authority regulates the country's insurance industry.
- Although the banking system as a whole remains well-capitalized, the capitalization of some small to medium-sized banks has declined.
- Non-performing loans have increased, to over 12.0% for September 2017. Higher NPLs have prompted some banks to strengthen lending requirements, which has led to lower private sector credit growth.
- Increases in the number of foreign-owned commercial banks has led to greater competition and efficiency in the financial services sector. Foreign-owned bank accounts hold approximately 48% of total bank assets.
- The government obtained its first sovereign credit rating in March 2018.

GDP Per Capita and Population



Source: IMF and A.M. Best