Stanbic Bank

AFRICA TRADE BAROMETER

Highlights of the current cross-border trade landscape in Tanzania

Tanzania
COUNTRY FOCUS

September 2023 | Issue 3

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EXECUTIVE SUMMARY

Being Africa's largest bank, Standard Bank (trading in Tanzania as Stanbic Bank) has leveraged its presence and expertise across the continent to create the Stanbic Bank Africa Trade Barometer (SB ATB). The SB ATB was launched in 2022 with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade. Availability of trade data remains a challenge across Africa and the SB ATB aims to fill part of this data gap through up-to-date survey data on the views of African businesses on the environment they operate in, their trade behaviour, trading activities and their perceptions on trade.

This is Issue 3 of the SB ATB. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

In order to construct the SB ATB index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy and traders' financial behaviour.

From a primary data perspective, the Stanbic Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with over 2,500 businesses across the 10 countries of interest.

From a secondary research perspective, the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources.

The SB ATB is an aggregate of the SB QTB and the SB STB.

This is the country report for Tanzania. It contains an analysis of the primary and secondary data gathered specifically for Tanzania between March and May 2023 and showcases trends and opportunities in trade within the country.

Tanzania's position in the overall SB ATB ranking declined from position 5 in September 2022 to position 7. This decline in the overall SB ATB ranking was driven by a decline in its ranking in the constituent SB QTB from position 6 in September 2022 to position 8. Meanwhile, its position in the SB STB declined from position 1 to position 3—primarily driven by the performance of the other 9 countries included in the SB STB with regard to their access to credit index scores.

Tanzania has declined in the overall SB ATB ranking from position 5 in September 2022 to position 7.

The table below shows Tanzania's relative performance in the seven broad thematic categories of the SB ATB.

Tanga Port, Tanzania. Source: Tanzania Ports Authority

SB STB ranking for Tanzania across seven thematic area

Thematic category	Indicator	Sep'22	May'23	Ranking out of 10 countries
Macroeconomic Stability	Business Confidence	73	74	1 (unchanged)
Governance and Economy	Government Support on Trade	63	61	2↓ (-1)
Infrastructure	Quality of infrastructure	53	51	4↓ (-1)
	Infrastructure obstacles	60	60	3 (unchanged)
Access to Finance	Access to Credit	42	41	7 (unchanged)
Traders' Financial Behaviour	Credit Terms Extended to Clients	42	34	10↓ (-6)
	Credit Terms Advance from Suppliers	45	31	10↓ (-6)
Foreign Trade	Ease of Trade	43	44	4 (unchanged)
Trade Openness	Trade openness	60	58	2↓ (-1)

Note: All indicators have an index score ranging from 0 to 100, where 0 represents a low score and 100 the highest score.

Tanzania's overall macroeconomic conditions are average, hence having a moderate impact on its overall tradability attractiveness. Notable variables that have a positive impact on Tanzania's tradability attractiveness include GDP growth, which has bounced back from the worst effects of the pandemic, and a relatively stable inflation rate. On the other hand, a depreciating and volatile Tanzanian shilling (resulting in imports becoming relatively more expensive) and depleting foreign currency reserves impact Tanzania's tradability attractiveness negatively. With a rising import bill due to high oil prices, similar to most African countries has been experiencing foreign currency shortages, making it difficult for businesses to pay for their imports.

Sentiment around the performance of the Tanzanian economy amongst surveyed businesses is mixed, with businesses exhibiting slightly more positive sentiments. Positive sentiments are likely a reflection of the improvement in Tanzania's business climate in the past two years as a result of pro-business policies implemented by the Government which is believed to have restored the private sector's trust and confidence in investing in the country.[1] As a result the majority (94%) of businesses expect their revenue to increase over the next year due to the perception that demand for their goods and services will increase.

On average, businesses in Tanzania continue to have positive perceptions on the role that the Government is playing to support cross-border trade activities.

[1] The Citizen, 2023. Available here

Specifically, 47% of surveyed businesses perceive the Government to be supportive of their cross-border trading activities, relative to 18% who perceive the Government to not be supportive. This is most likely a reflection of deeper bilateral economic ties with other countries as well as improved activity within trading blocs such as the East African Community, as well as increased investment in infrastructure to facilitate cross-border trade with other African countries.[2]

Relative to other SB ATB markets, businesses on average feel the state of infrastructure in Tanzania represents a moderate obstacle to their operations. Tanzania ranks fourth out of ten countries in the SB ATB in terms of the perceived quality of its transportation infrastructure. While the state of the country's airport, port, and rail infrastructure were on average not reported to be significant obstacles to trade, the state of the power supply, road infrastructure are the most poorly perceived infrastructural aspects which present an obstacle to Tanzanian businesses. To address some of these challenges, the Government has embarked on a USD 10 billion Standard Gauge Railway (SGR) project to revive the country's underperforming railway network. In addition, the Tanzanian Government has made substantial investments into securing modern cargo-handling equipment for the Dar es Salaam, Mtwara, Tanga and other inland ports.[3] Investments in port infrastructure has translated into relatively good perceptions of port quality in Tanzania.

Businesses expect their cross-border trade activities to increase over the next few years. The majority of surveyed importers and exporters expect the scale of their foreign trade activity to increase as a result of a higher degree of regional integration over the coming years with other East African countries such as Kenya and Uganda.

Businesses perceive access to credit as becoming more difficult despite a stable Monetary Policy Committee (MPC) rate. This result may be driven by the fact that the surge in credit provision has not translated to increased loans for the trade sector, as the percentage of total credit to the trade sector declined by 1% in 2022.[4]

Tanzania is one of 54 signatories to the African Continental Free Trade Agreement (AfCFTA). Awareness of the AfCFTA amongst Tanzanian businesses appears to be increasing, reaching 40% in May 2023 from 22% in September 2022. Businesses expect that the implementation of AfCFTA will result in the easing of the movement of goods and services across borders, the facilitation of greater investment across countries, as well as providing a larger market for their goods and services.

Looking forward, an aspect that will be interesting to track in future issues of the Stanbic Bank Africa Trade Barometer (SB ATB) in Tanzania is the impact of the developments occurring in the infrastructure landscape. The Government of Tanzania recently announced that it had reached an agreement in principle to have port operator DP World run some operations at the Dar es Salaam port. It is envisioned that DP World's involvement will significantly increase the efficiency of operations and thereby drive traffic towards the port, help exporters and importers overcome trade barriers and grow the country's intra-regional and global trade. As such, should the relationship with DP World materialise, it will be interesting to evaluate how this impacts businesses perceptions and whether there are any associated changes in the trade activity of Tanzanian businesses.

Dar es Salaam, Tanzania. Photo by Peter Mitchell on Unsplash

[2] EAC, 2021. Available here
[3] Msuya, 2023. Available here
[4] Bank of Tanzania. Available here

1. INTRODUCTION

Being Africa's largest bank, Standard Bank (trading in Tanzania as Stanbic Bank) has leveraged its presence and expertise across the continent to create the Stanbic Bank Africa Trade Barometer (SB ATB). The SB ATB was conceived with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade.

Definition of trade in the context of the SB ATB

> Trade—in the context of the SB ATB—should be understood as the process of production and transfer of goods and services that is enabled by solutions that effectively connect the supply chain domestically and internationally to create economic value.

Launched in 2022, this is Issue 3 of the SB ATB. Issue 1 and Issue 2 were published in June 2022 and November 2022 respectively. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

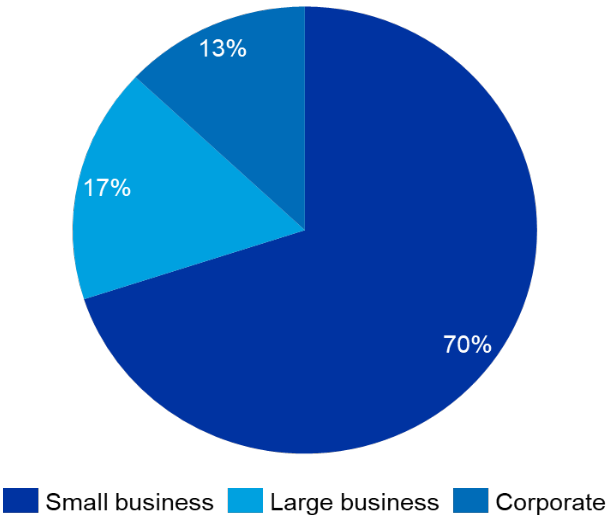
The objective of the SB ATB is to provide dynamic and insightful analysis that can intelligently inform and grow Africa's trade ecosystem. Updated annually, the data enables stakeholders to take the pulse of African trade in near real-time to measure improvements or declines in business confidence, track operational challenges, and identify shifts in overall tradability. To do so, the SB ATB covers seven broad thematic categories of data that impact trade. These are: trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy, and traders' financial behaviour. These are the seven variables on which the trade barometer scores for each country are constructed.

The SB ATB is based on primary and secondary data sources. Primary research is gathered through a survey of over 2 500 firms representing small businesses, large businesses, and corporates across the 10 countries.[5] The survey is augmented by in-depth interviews (IDIs) with select thought leaders in respective countries, and secondary data from sources such as the World Bank, the International Monetary Fund (IMF) and central banks of the respective countries.

This is the country report for Tanzania. It contains analysis of the primary and secondary data gathered specifically for Tanzania and showcases trends and opportunities in trade within the country. Primary and secondary data was gathered in Tanzania between March and May 2023 for this third issue of the SB ATB.

A total of 227 businesses were surveyed in Tanzania. In order to be representative, the majority of these (70%) were small businesses (see **Figure 1**) given that most businesses in the country fall in this category. The reader should bear this in mind as it has a commensurate impact on the insights highlighted in this report. That said, because the majority of businesses in our sample are small businesses, the results presented here potentially represent a more realistic picture of trade on the ground. The surveyed businesses were located in Dar es Salaam, Mwanza, Arusha, Moshi and Mbeya.

Figure 1: Breakdown of surveyed businesses in Tanzania by business segment



Source: Stanbic Bank Africa Trade Barometer Issue 3

The fact that the majority of surveyed businesses were small businesses is the central value-add of the Stanbic Bank Africa Trade Barometer (SB ATB). Aggregate trade data and information on the African continent is skewed by large businesses who trade specific commodities in large volumes. The trading activities and behaviour of small businesses is therefore not adequately represented. The SB ATB is different because, due to the underlying sample

[5] The business size definitions by turnover bands, as used in the context of the SB ATB, can be found in the 'About the Research' section later in this report

composition being majority small businesses, the emphasis and findings relate to small businesses, their trade behaviour, trading activities and their perceptions on trade. The SB ATB also makes a contribution in understanding the trade perceptions of small businesses in Africa that do not necessarily engage in cross-border trade. This is important because this understanding is helpful in the quest for Africa to transform herself from a poorly integrated trade environment to more trade integration where a large diversity and scope of the overall economy trades with each other.

Because of the intentional bias of the SB ATB on smaller businesses, the reader may notice that in certain instances the survey findings may differ from data at the aggregate level. This is to be expected as in many cases data at the aggregate level (from sources such as the Statistics Bureaus of individual countries, World Bank, etc.) is skewed by a few large businesses (multinationals, etc.) that trade large volumes of specific commodities. This is pointed out in the report, as relevant.

There were three IDIs conducted in Tanzania as part of this third issue. One interview was with a representative from the Tanzania National Business Council, another with a representative from the Ministry of Industry and Trade, and finally with a representative from the Tanzania Investment Centre.

Please note that although this is Issue 3 of the SB ATB and hence there are three data points for all variables from the surveys conducted so far (January 2022, September 2022 and now May 2023), this report predominantly compares September 2022 and May 2023 data points in most cases. This is done for ease of analysis and comparison with recent market trends in order to make contextual sense of the data. That said, all data points from the last three surveys of the SB ATB are available on request.

2. COUNTRY RANKINGS

Despite its individual good performance, Tanzania has fallen two positions in the Stanbic Bank Africa Trade Barometer ranking from position 5 to position 7 due to better performance by some of the other nine countries

In order to construct the Stanbic Bank Africa Trade Barometer (SB ATB) index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy and traders' financial behaviour.

From a secondary research perspective, the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

From a primary data perspective, the Stanbic Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

The SB ATB is an aggregate of the SB QTB and the SB STB. Changes in a country's ranking on the three indices (SB ATB, SB QTB and SB STB) are driven by changes in both the aggregate score for that country, as well as their relative ranking against the other countries included. Changes in the SB ATB rankings over the past 6 months are driven mostly by the changes in the SB STB scores.

It is important to emphasise that the SB ATB ranking of countries is relative to the 10 countries themselves. In other words, countries are ranked against each other i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

Tanzania has fallen two positions in the SB ATB, from position 5 to position 7 (see **Figure 2**). This drop is due to the country declining in both the SB QTB and the SB STB. Tanzania fell from position 6 to position 8 in the SB QTB, and from position 1 to position 3 in the SB STB.

Tanzania's SB STB ranking declined partly due to a significant decline in the perceptions of businesses as to credit terms advanced by suppliers. In other words, businesses are not utilising credit arrangements with suppliers as much compared to other SB ATB markets. However, perceptions as to import growth prospects significantly increased.

The rest of this report unpacks Tanzania's performance in the Stanbic Bank Africa Trade Barometer Issue 3 from both a primary and secondary research perspective, in line with the seven broad thematic areas referenced earlier.

Figure 2: ATB, QTB and STB ranking, by country

1 = High tradability score ⟷ 10 = Low tradability score

ATB

May '23	South Africa	Namibia	Mozambique	Nigeria	Ghana	Kenya	Tanzania	Uganda	Zambia	Angola
ATB	1	2	3	4	5	6	7	8	9	10
Sep '22	1	3	6	8	2	7	5	4	9	10
Jan '22	1	7	3	8	2	4	5	6	9	10

QTB

May '23	South Africa	Namibia	Mozambique	Nigeria	Ghana	Kenya	Zambia	Tanzania	Uganda	Angola
QTB	1	2	3	4	5	6	7	8	9	10
Sep '22	1	4	3	7	2	5	9	6	8	10
Jan '22	1	8	3	6	2	4	9	5	7	10

STB

May '23	Angola	South Africa	Tanzania	Namibia	Nigeria	Mozambique	Ghana	Kenya	Uganda	Zambia
STB	1	2	3	4	5	6	7	8	9	10
Sep '22	6	2	1	4	8	9	10	7	3	5
Jan '22	6	5	4	2	10	1	9	7	8	3

Key: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda, Zambia

Source: Stanbic Bank Africa Trade Barometer Issue 3
Notes: All values are shown so that a higher value is 'better' for trade, with the best to least ranking economies being ranked 1, 2, 3, etc., and how this has changed over time | Red border indicates that the country has declined in the relevant ranking from September 2022, Green border indicates that the country has improved in ranking from September 2022, while Grey border indicates that the country has remained in the same position as in September 2022.

Tanga Port, Tanzania. Source: Tanzania Ports Authority

3. MACROECONOMIC ENVIRONMENT

Tanzania's macroeconomic conditions have a moderate impact on her tradability attractiveness

A country's macroeconomic environment plays an important role in how attractive it is with regards to trading activities. A country has a high tradability attractiveness if it is characterised by: high GDP (many goods and services are produced in the country); high GDP per capita (residents have a high spending power); stable inflation (a stable local currency so that it does not disadvantage importers, for instance); high foreign direct investment (FDI) (generally conducive for business and investment); high merchandise trade as a percentage of GDP (imports and exports are high); and so on.

As part of the calculation of the SB QTB, a tradability attractiveness score is calculated for each country using relevant macroeconomic indicators, including those highlighted in Table 1. The three-year average (2020, 2021 and 2022) of each relevant indicator in a country is first normalised which allows for the relative impact of each indicator on overall tradability attractiveness to be compared and converted to a score. The same macroeconomic indicators can be used to understand the macroeconomic environment of a country, which is done in this section of the report.

> Macroeconomic conditions are stable although negatively affected by the scarcity of foreign currency reserves to support cross-border trade.

Tanzania's overall macroeconomic conditions are average, with a slightly negative outlook. This has a moderate impact (i.e., neither too positive nor too negative) on her overall tradability attractiveness (see **Table 1**). Notable variables with a positive impact on Tanzania's tradability attractiveness include rising current GDP, real GDP growth rate and FDI net inflows that have bounced back from the worst effects of the COVID-19 pandemic. Tanzania's FDI net inflows have been on an upward trajectory, overtaking Kenya in 2019 and ranking as the third country with the highest inflows in East Africa.[6] In 2022, Tanzania recorded the third highest inflow in East Africa, behind Ethiopia and Uganda. Despite recent external shocks (Russia's invasion of Ukraine and the COVID-19 pandemic), the Tanzanian Shilling remained relatively stable against the US Dollar. This is mainly because of the Bank of Tanzania's intervention in the interbank market by selling foreign currency to maintain the value of the Shilling.[7] This has resulted in the decline of foreign currency reserves, from USD 5.5 billion in May 2022 to USD 4.9 billion by May 2023.[8] A rising import bill driven by high oil prices has also contributed to the decline in foreign currency reserves, thus resulting in foreign currency shortages in the country.

Table 1: Tanzania's macroeconomic indicators and their impact on tradability attractiveness

Variable	2018	2019	2020	2021	2022
GDP (current USD)	USD 57 billion	USD 61 billion	USD 62 billion	USD 68 billion	USD 76 billion
Real GDP growth (%)	5.4%	5.8%	2.0%	4.3%	4.6%
Inflation (annual period average, %)	3.5%	3.5%	3.3%	3.7%	4.4%
Lending interest rate (%)	17.4%	17.0%	16.7%	16.6%	16.2%
Exchange rate (TZS:USD, period average)	2264	2288	2294	2298	2303
FDI net inflows (BoP, current USD)	USD 972 million	USD 1.2 billion	USD 685 million	USD 922 million	USD 1.3 billion
Merchandise trade (% of GDP)	23%	24%	23%	24%	28%
Imports of goods & services (% of GDP)	18%	17%	15%	17%	20%
Exports of goods & services (% of GDP)	15%	16%	14%	14%	15%

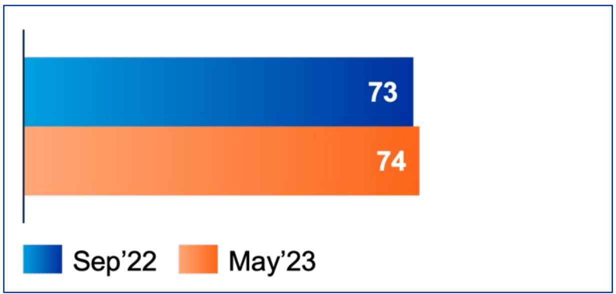
Source: UN Comtrade; World Bank; Standard Bank Africa Markets Revealed
Note: Percentages and figures are rounded to the nearest whole number

[6] UNCTAD, 2023. Available here
[7] IMF, 2023. Available here .
[8] Bitcoinke, 2023. Available here.

4. MACROECONOMIC STABILITY

Perceptions on the performance of the economy in relation to business are mixed

Tanzania's business confidence index score



Business confidence index can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 indicates extreme confidence. In the May 2023 SB ATB survey results, Tanzania's business confidence index score improved from 73 to 74 This means that compared to September 2022, surveyed businesses in Tanzania had more confidence in the performance of the economy in relation to business in this iteration of the survey.

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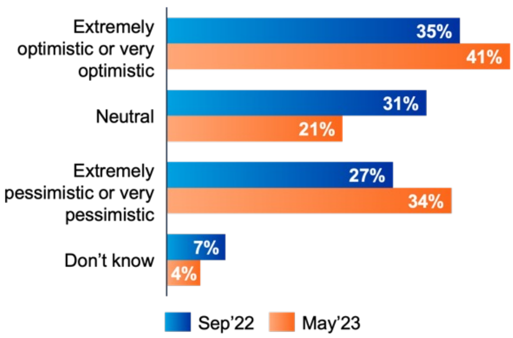
Perceptions on the performance of the economy in relation to business are mixed with businesses exhibiting slightly more positive sentiments (see **Figure 3**). 41% of surveyed businesses are optimistic about Tanzania's economic performance over the next three years, while 34% are pessimistic. Although the majority of the businesses are optimistic, there has been an increase in pessimistic views in this iteration of the survey, compared to September 2022.

Figure 3: Outlook of businesses on the performance of the Tanzania economy over the next three years

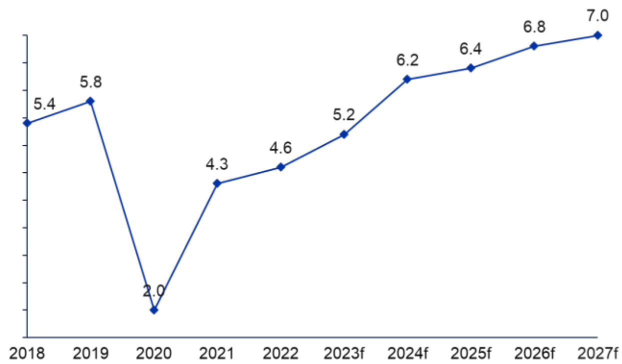
Question: Please indicate how you feel about the performance of the economy in relation to business in the next 3 years.



Source: Stanbic Bank Africa Trade Barometer Issue 3

The positive perceptions adopted by some Tanzanian businesses possibly reflects the projected performance of the economy at the aggregate country level (see **Figure 4**). Tanzania's economy is projected to grow at 5.2% in 2023, an increase from 4.6% recorded in 2022. This growth is driven by sustained recovery in tourism and gradual stability in supply and value chains.[9] Economic growth is expected to remain above 6% in the medium term. Fixed investment is expected to be a key driver of growth in Tanzania as the Government has been increasing its focus on attracting private investment and promoting public-private partnerships.[10] The positive growth prospects are underpinned by the assumption that the ongoing global growth slowdown is short-lived and that global supply chain disruptions will reduce.

Figure 4: Real GDP growth (%, 2017 - 2027)



Source: IMF; National Bureau of Statistics
Note: 'f' represents forecasted data points

Respondents who hold optimistic views on the future outlook of Tanzania's economy commonly cited business growth (34%) as the main factor to their optimism. These sentiments also indicate the waning effects of the COVID-19 pandemic, as the majority of the optimistic businesses stated that they expect higher demand from their customers (15%) as they increase marketing activities (13%) and plan to expand their businesses (19%) to match the anticipated increase in demand.

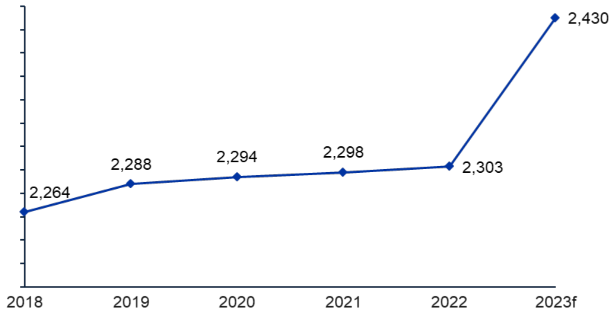
On the other hand, among the businesses that expressed a negative outlook on the future performance of the economy, the most commonly cited reason was poor economy (3%). The sustained depreciation of the Tanzanian Shilling (see **Figure 5**), which has negative effects on the economy, partly explains the pessimistic

[9] AfDB, 2023. Available here

[10] Fitch Solutions, 2023. Available here

views by these businesses. Risks to economic growth remain if the depreciation of the Tanzanian Shilling accelerates in the remainder of 2023, weighing on activity in import-reliant industries like construction and manufacturing as imports become more expensive thus increasing the cost of production.[11]

Figure 5: Foreign exchange (TZS: USD, 2017 - 2023)



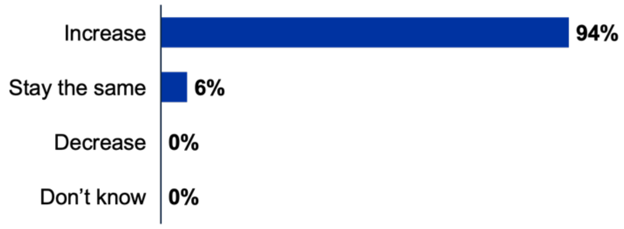
Source: Bank of Tanzania; African Markets Revealed Report
Note: Values rounded to the nearest Shilling | 'f' represents forecasted data points

> ***94%*** *of surveyed businesses in Tanzania expect their business turnover to increase in the next year*

Tanzanian businesses are optimistic about the future performance of their individual businesses (see **Figure 6**). The majority of businesses (94%) believe that their revenue will increase over the next year. This is primarily due to the perception that demand for their goods or services will increase in the near future accompanied by an increase in marketing activity and efficient operations. This overall sense of optimism reflects the waning effects of the COVID-19 pandemic on the operations of businesses. Furthermore, industry-wide growth and increased production were identified by businesses as key contributors to their positive views on the future performance of their businesses.

Figure 6: Businesses revenue expectations over the next year

Question: Thinking ahead, do you expect business turnover to increase, decrease or remain the same.



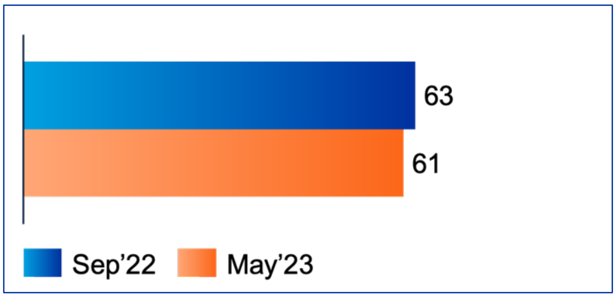
Source: Stanbic Bank Africa Trade Barometer Issue 3

[11] Fitch Solutions, 2023. Available here

5. GOVERNMENT SUPPORT

Business perceptions of government support on cross-border trade are relatively positive

Tanzania's government support index score



Government support index can vary between 0 and 100, where 0 indicates an extreme lack of Government support, 50 neutrality and 100 extreme Government support. In the May 2023 SB ATB survey results, Tanzania's Government support index score decreased from 63 to 61. This means that compared to September 2022, surveyed businesses in Tanzania feel the Government has been less supportive of cross-border trade activities in this iteration of the survey.

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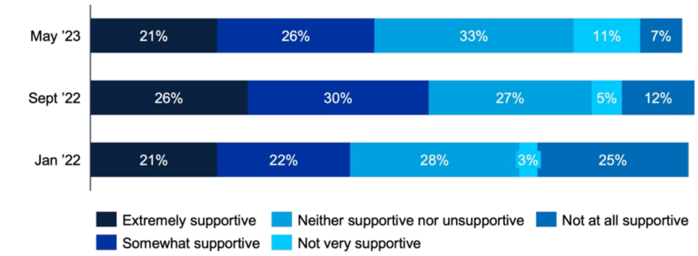
Businesses in Tanzania continue to have positive perceptions on the role the Government is currently playing to support cross-border trade activities (see **Figure 7**). 47% of the surveyed businesses found the Government supportive (either extremely supportive or somewhat supportive) of their cross-border trading activities, compared to 18% who found the Government not supportive. This is a slight improvement from the positive sentiments (43%) about Government support recorded in the January 2022 survey. Positive sentiments could be a reflection of the improvement in Tanzania's business climate in the past two years as a result of a new Government administration elected in 2021 that has taken a pro-business approach, which is believed to have restored the private sector's trust and confidence in investing in the country.[12] In addition, cross-border trade has improved as a result of deeper bilateral economic ties with other countries as well as improved activity within trading blocs such as the East African Community, as well as increased investment in infrastructure to facilitate cross-border trade with other African countries.[13] The deterioration in positive sentiments about the role of the Government in supporting cross border trade in May 2023 (47%), compared to September 2022 (56%) is most likely a reflection of the adverse effect foreign currency shortages have had on the cross-border activities of businesses.

Figure 7: The extent the Government has supported cross-border trade activities as identified by businesses

Question: Please indicate how supportive your government is with regards to cross-border trading activities.



Source: Stanbic Bank Africa Trade Barometer Issue 3

Larger businesses on average have a more positive perception of the Government's support for cross-border trade relative to smaller businesses. During the May 2023 survey, 67% of corporate businesses and 55% of big businesses reported that the Government was supportive (either extremely supportive or somewhat supportive) of their cross-border trading activities, compared to 41% of small businesses. This difference may be explained by larger businesses having better access to information about Government programs, more resources and capacity to navigate complex regulatory environments and Government support being more accessible and tangible to larger businesses.

> **While the implementation of pro-business policies has increased positive sentiments about the Government's support of cross-border activities in recent years, issues such as foreign currency shortages have dampened positive sentiments in this iteration of the survey**

Respondents noted that they would like the Government to support cross-border trade by lowering taxes and customs duties. Businesses find that taxes imposed as well as customs duty on imports are high, thus impeding their ability to engage in cross-border trade. However, it is unlikely the Tanzanian Government will lower taxes and customs

[12] The Citizen, 2023. Available here

[13] EAC, 2021. Available here

duty considering its commitment to mobilise domestic revenue in the financial year 2023 / 2024. Currently, the fiscal deficit is projected to widen to 3.5% of GDP in 2023 and 2024 due to higher spending on infrastructure, financed by domestic and external borrowing.[14] Lowering taxes would diminish Government revenue, and without a decrease in Government expenditure, would increase the fiscal deficit.

Another key area businesses in Tanzania require Government support is in clarifying customs duty payable as well as improving the customs clearance process. Delays associated with customs procedures have a significant negative impact on imports and exports. They increase the cost of trade for businesses and the government, damaging Tanzania's international competitiveness. In addition, businesses stated there is a lack of clarity on customs payable. This increases the time taken to move goods between borders as businesses incur additional time delays to rectify the amount of duty payable with authorities.

Implementing appropriate non-tariff barriers to protect local businesses and simplifying business policies were also stated by surveyed businesses as areas Government support is required. Complex business policies make it difficult for businesses to operate efficiently, while the inability of the Government to protect small local businesses (until they are matured) from fierce international competition is likely to force these firms out of business. The lack of Government support in these areas impede the ability of businesses to engage in cross-border trade.

A shortage of foreign currency impedes the ability of businesses to engage in cross-border trade, and small businesses often struggle more than large businesses to cope in such an environment. Similar to many Sub-Saharan African countries, Tanzania's foreign reserves have been declining, and thus making it difficult for the Government to provide businesses with adequate foreign currency liquidity necessary to support cross-border trade. The Bank of Tanzania in June 2023 imposed restrictions on foreign-currency dealings to curb a shortage of dollars and safeguard the stability of the financial system.[15] Measures taken include the banning of unlicensed international foreign-currency brokers and a requirement that all forex

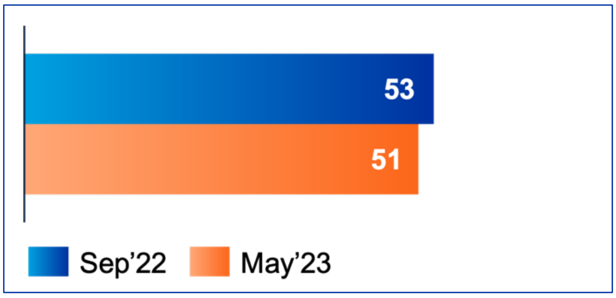
transactions exceeding USD 1 million in the retail market be traded within the interbank foreign-exchange market at the prevailing rate. The Bank of Tanzania, among other things, is implementing foreign reserves management to maintain stability and meet essential financial obligations.[16]

[14] AfDB, 2023. Available here
[15] Bloomberg, 2023. Available here
[16] The Citizen, 2023. Available here

6. INFRASTRUCTURE CONSTRAINTS AND ENABLERS

Significant investments by the Government of Tanzania in the country's infrastructure is sure to lead to even better perceptions by businesses in future iterations of the Stanbic Bank Africa Trade Barometer

Tanzania's quality of trade-related infrastructure index score



The quality of trade-related infrastructure index can vary between 0 and 100, where 0 indicates poor quality, 50 indicates fair quality and 100 indicates excellent quality. In the May 2023 SB ATB survey results, Tanzania's quality of trade-related infrastructure index score decreased from 53 to 51.

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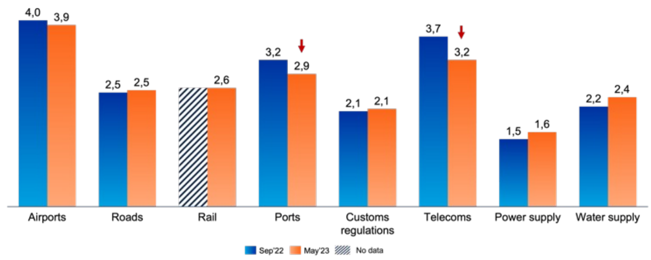
Relative to the average of the nine comparator markets in the Stanbic Bank Africa Trade Barometer, the state of the transportation infrastructure in Tanzania is well perceived. Tanzania ranks fourth out of 10 countries in the SB ATB in terms of the perceived quality of its transportation infrastructure. In addition, the state of the country's airport, port, and rail infrastructure were on average not reported to be significant obstacles by surveyed businesses in Tanzania.

The state of the power supply is the most poorly perceived infrastructural aspect by Tanzanian businesses (see **Figure 8**)**, and also represents the obstacle that constrains their operations to the largest degree.** This is likely driven by low levels of access and intermittent interruptions. Only 43% of Tanzanians have access to electricity, and those that do often experience problems with the reliability and quality of service.[17] The instability of the power supply poses several challenges for businesses, including cost increases, drops in productivity, and damages to capital equipment.[18]

The Government has however made improving the accessibility and reliability of electricity a priority: with the Ministry of Energy planning to implement at least 10 electricity generation projects and start planning several others during the next fiscal year as part of its goal of more than doubling the capacity of the national grid.[19]

Figure 8: The perceived quality of various infrastructural aspects by businesses (5-point scale)

Question: How would you rate the quality of each of the following aspects in your market?



Source: Stanbic Bank Africa Trade Barometer Issue 3.
Note: Rating is on a 5-point scale, where 5 = excellent quality and 1 = poor quality.

Similar to the results recorded in September 2022, customs regulations continue to be amongst the most poorly perceived infrastructural aspects by businesses (see **Figure 8**). Additionally, businesses on average report customs regulations to be a significant infrastructural constraint, with 48% of surveyed businesses reporting customs regulations to be a major or severe constraint on their operations.

> **48%** *of surveyed businesses report that customs regulations represent a major or severe constraint on their operations.*

Similarly, businesses on average report the country's road infrastructure to be a moderate obstacle constraining their operations. Roads are the predominant mode of transportation in Tanzania, carrying over 90% of

[17] World Bank, 2021. Available here | African Development Bank, 2023. Available here

[18] International Institute for Environment and Development, 2018. Available here

[19] Christopher, 2023. Available here

passenger traffic and 75% of cargo in the country.[20] However, road-based supply chains in Tanzania face risks arising from numerous unpaved roads that are in poor condition and leave transporters vulnerable to cargo damage and theft. In addition, Tanzania faces increased pressure on its road network due to its role in regional transport, facilitating links for landlocked neighbours such as Malawi, Uganda, Rwanda, Zambia, and the DRC through regional roadways to Tanzania's ports. While the tarmac and all-weather roads connecting major cities are generally of a high quality, these typically face severe congestion, leading to the slow movement of traffic and extended lead times and thereby adding to transportation costs.[21]

The Government's investment in port infrastructure appears to be bearing fruit. Over the past two years, the Government has made substantial investments into securing modern cargo-handling equipment for the Dar es Salaam, Mtwara, Tanga and other inland ports.[22] These investments have significantly enhanced cargo-handling across ports in Tanzania, and have resulted in the port of Dar es Salaam being ranked as the leading port in East Africa.[23] These improvements may be driving the relatively good perception of port quality in Tanzania (see **Figure 8**). In addition, the Government has recently announced that it has reached an agreement in principle to have port operator DP World run some operations at the Dar es Salaam port.[24] The Government believes that such an arrangement will significantly increase efficiency of operations and thereby drive traffic towards the port, help exporters and importers overcome trade barriers and grow the country's intra-regional and global trade.[25]

Recognizing its role in facilitating internal and external trade, improving the transportation infrastructure is a key priority for the Government of Tanzania. To this end, the Government has embarked on a USD 10 billion Standard Gauge Railway (SGR) project to revive the country's underperforming railway network. Once completed, it will link the cities of Mwanza and Kigoma with the Port of Dar es Salaam. In addition, as part of the country's Vision 2025, the Government plans to upgrade the country's road networks.[26]

It is noteworthy that business perceptions of airport infrastructure in Tanzania are relatively positive compared to other infrastructural aspects. This outcome might stem from significant investments, including those from China, aimed at enhancing airport facilities in the country. Notably, the successful renovation of terminal two and the construction of a new terminal at Zanzibar International Airport highlight these efforts. Additionally, Chinese firm PowerChina's engagement in building a new international airport in the Masarato District is set to further amplify international trade prospects in Tanzania and across the broader East African region.[27]

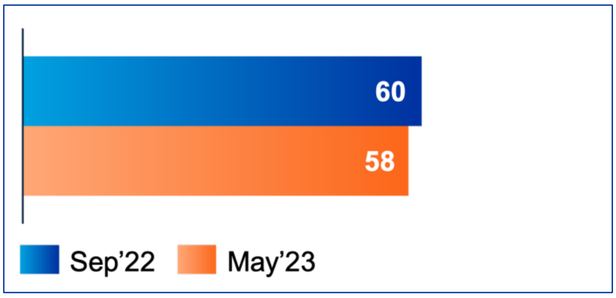
Port of Zanzibar, Tanzania

[20] International Trade Administration, 2023. Available here
[21] Fitch Solutions, 2023. Available here
[22] Msuya, 2023. Available here
[23] Christopher, 2023. Available here
[24] Nyanjem 2023. Available here
[25] Mdoe, 2023. Available here
[26] Fitch Solutions, 2023. Available here | International Trade Administration, 2023. Available here
[27] Seetao. Available here

7. TRADE OPENNESS

EAC member countries and China are the most important cross-border trade partners for smaller businesses in Tanzania

Tanzania's trade openness index score



The trade openness index score can vary between 0 and 100, where 0 indicates a high burden of obstacles inhibiting trade, 50 indicates a moderate burden of obstacles inhibiting trade and 100 indicating a low burden of obstacles inhibiting trade. In the May 2023 SB ATB survey results, Tanzania's trade openness index score declined from 60 to 58.

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39% of surveyed businesses in Tanzania import their inputs. For those businesses that import, the majority operate in the consumer goods sector and purchase their inputs from international wholesalers.

Many Tanzanian businesses import a significant proportion of their inputs from China. 45% of surveyed importers in Tanzania source their inputs from China, whilst Chinese imports account for roughly 28% of the average importer's import basket. China's importance as an import partner is mirrored by data at the aggregate country level, where China is Tanzania's largest import partner (accounting for 25% of total imports).[28] When asked about the factors underpinning their decision to trade with China, surveyed importers most commonly cited the perceived high quality of Chinese products and the availability of a wide range of products that are not necessarily available from other import markets.

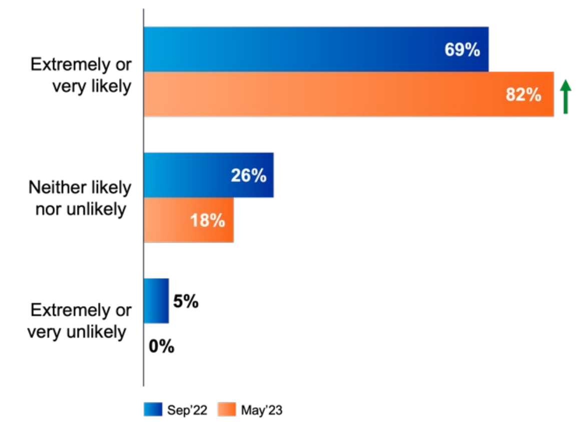
As a member of the East African Community (EAC) Customs Union, the import behaviour of surveyed firms indicates moderate levels of regional integration. 21% of respondent importers source inputs from neighbouring East African countries, particularly Kenya (18% of importers) and Uganda (10% of importers). This proportion increases to 80% of respondents when considering only businesses operating in the agriculture sector; suggesting that East African countries are highly important sources of inputs for Tanzanian businesses engaged in agriculture.

Comparatively, import activity originating from other regions in Africa is low. For example, only 7% and 2% of surveyed importers have import relationships with countries in Southern and West Africa respectively. In addition, when not considering imports from East Africa, total imports from the rest of Africa only accounts for roughly 5% of the average importer's import basket.

The majority of importers feel that the volume of their imports will increase in the near term (see **Figure 9**). 82% of surveyed importers expect their import volumes to increase over the next two years, representing a significant (13 percentage point) increase in the proportion of businesses holding this sentiment relative to September 2022. This corresponds with official estimates of how imports are expected to evolve at the macro level, since imports are forecasted to rise by 2.5% in 2023 due to improvements in domestic consumer activity in light of ongoing economic expansion.[29]

Figure 9: Importers perceptions on their likelihood to increase import volumes over the next 2 years (%)

Question: How likely are you to increase the volume of imports in the next 2 years?



Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

Importers primarily expect a deepening of existing import relationships with established trade partners. Surveyed importers were most likely to identify China as the

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[28] WITS, 2020. Available here

[29] Fitch Solutions, 2023. Available here

country from which they expect import volumes to increase, by an average of 54% of current volumes.

The data also points toward a higher degree of regional integration over the coming years. When importers were asked which import relationships they expect to strengthen over the next two years, 19% and 10% of businesses responded with Kenya and Uganda respectively.

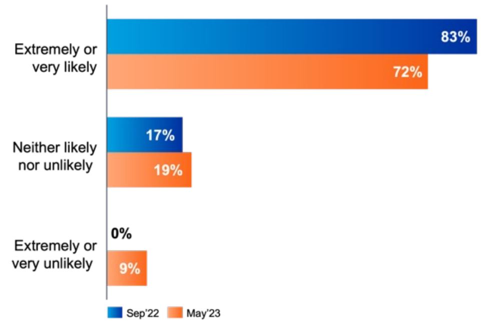
In terms of businesses' selling activity, only 14% of surveyed Tanzanian businesses export their goods to other markets. For those businesses who export, the majority operate in the services sector and sell their goods directly to end consumers.

East African countries are popular markets for Tanzanian exports. Most of the surveyed exporters in Tanzania (81%) sell their goods to other countries in East Africa, particularly Kenya (50% of exporters). Furthermore, exports to other East African countries account for a large share (54%) of the average exporters export basket. The popularity of East African countries as markets for exports may be at least partially attributable to the existence of the EAC Customs Union which has facilitated trade between Tanzania and neighbouring countries by lowering trade barriers and thereby lowered the cost of trade for exporting businesses.

The majority of exporters believe that the volume of their exports will increase in the near future (see **Figure 10**). 72% of surveyed exporters feel that it is likely that the volume of their exports will increase over the next two years. These exporters primarily expect volumes toward East African neighbours to increase, pointing toward an increase in regional integration in East Africa over the next few years. 39% of the surveyed exporters that expect volumes to increase, for instance, feel that their export volumes to Kenya specifically will increase.

Figure 10: Exporters perceptions on their likelihood to increase export volumes over the next 2 years (%)

Question: How likely are you to increase the volume of exports in the next 2 years?

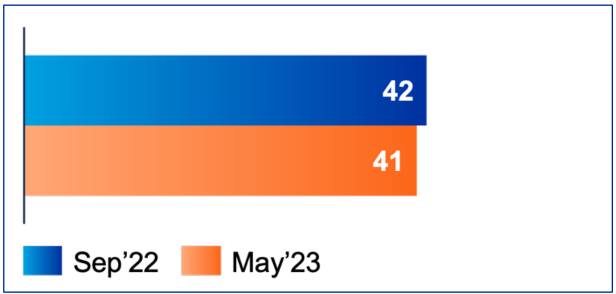


Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

8. TRADERS' FINANCIAL BEHAVIOUR & ACCESS TO FINANCE

Cash is heavily used by Tanzanian businesses, and access to credit is still perceived as being difficult, particularly for smaller businesses

Tanzania's access to finance index score



Access to finance can vary between 0 and 100, where 0 indicates an extreme difficulty in accessing finance, 50 neutrality and 100 indicates no difficulty in accessing finance. In the May 2023 SB ATB survey results, Tanzania's access to finance index score declined to 41 from 42 in September 2022. This means surveyed businesses in Tanzania found it more difficult to access finance compared to September 2022.

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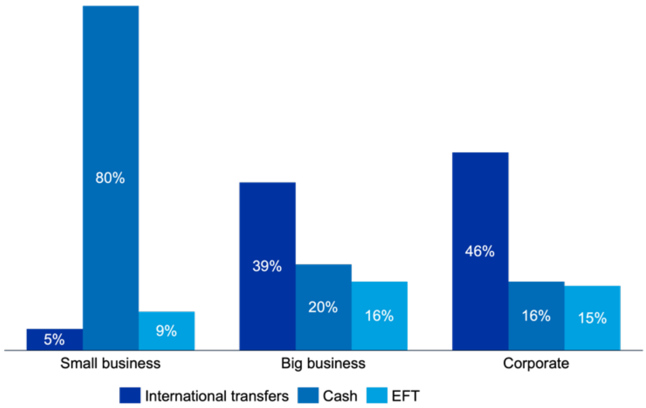
For larger businesses, digital payment methods are the primary methods for facilitating cross-border transactions in Tanzania. 55% and 45% of surveyed businesses use digital payment methods to facilitate cross-border sales and purchases respectively. The use of international transfers is particularly prevalent, with 37% and 32% of surveyed businesses utilising this method for cross-border sales and purchases respectively. However, a more granular analysis reveals that larger businesses are driving this trend, with big businesses and corporations facilitating 39% and 46% of their cross-border sales through international transfers, respectively.

> **80%** *of small businesses surveyed facilitate cross-border sales via cash*

On the other hand, **only 5% of small businesses utilise this method for their cross-border sales** (see **Figure 11**). Small businesses almost exclusively reported facilitating their cross-border sales with cash (80%). Insights from thought leaders indicate that the prevalent use of cash among small businesses can be attributed to the informal nature of their operations, particularly in informal cross-border trade (ICBT) where cash is commonly employed for transactions. However, the COVID-19 pandemic has driven an increased adoption of digital payment solutions, including mobile money, for facilitating ICBT payments within the EAC.[30]

Figure 11: Preferred payment method for cross-border sales

Question: Thinking of your sales, how are you paid for goods/services when trading with buyers from other countries?



Source: Stanbic Bank Africa Trade Barometer Issue 3

> **As businesses grow in size, so does their appetite for digital payment solutions such as EFTs**

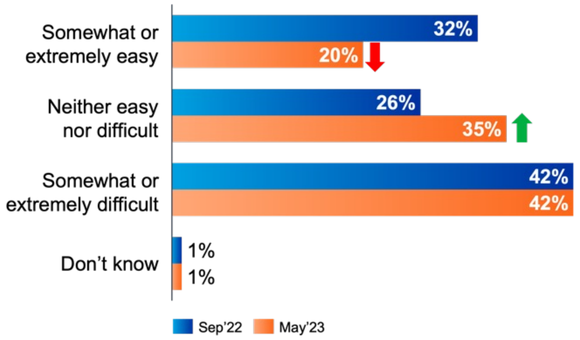
Cash remains the dominant payment method for domestic transactions in Tanzania. 57% and 55% of surveyed businesses use cash for domestic sales and purchases, respectively. This trend is largely driven by small businesses. 64% and 61% of surveyed small businesses prefer cash for their domestic sales and purchases, respectively. Similar to the facilitation of cross-border transactions, as businesses grow, they increasingly turn to digital payment methods for domestic transactions. 36% of surveyed corporations, for instance, facilitate their domestic purchases through EFTs.

30 UNDP, Available: here

Businesses perceive access to credit as becoming more difficult (see **Figure 12**). This is despite a stable Monetary Policy Committee (MPC) rate and a growing credit market. Since May 2020, the Bank of Tanzania has maintained a steady MPC rate of 5%, which has contributed to a remarkable private sector credit growth rate of 22% in 2022—compared to 8% in 2021 and a target of 10.7%. This makes it the highest private sector growth rate among its EAC peers. However, this surge in credit provision did not translate to increased loans for the trade sector, as the percentage of total credit to the trade sector declined by 1% in 2022.[31]

Figure 12: The level of difficulty in accessing credit

Question: Please indicate how difficult or easy it is to get credit from financial institutions.



Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Bars do not add up to 100% as 'Refused' has been excluded from the graph

Smaller businesses perceive access to credit as being more difficult as compared to larger businesses. 48% of small businesses surveyed perceived access to credit as being difficult (either somewhat or extremely difficult), compared to 27% of corporations. This is to be expected as small businesses encounter difficulties in accessing finance partly due to the cost of borrowing, as well as challenges arising from lack of financial records, limited collateral and complicated regulatory procedures. In recent years, access to credit has improved for SMEs due to concerted efforts by the Government and credit providers, including microfinance institutions and Village Savings and Loans Associations (VSLAs), to offer credit products aligned with SME needs. An especially noteworthy development is the substantial surge in micro loans being disbursed via mobile phones. Over the period from 2014 to 2017, the value of these micro loans surged from TZS 0.29 billion to TZS 30.12 billion.[32]

In terms of support from financial institutions (FIs) in facilitating cross-border trade, businesses highlighted the need for assistance in insuring and funding their goods. Businesses recognise the need for FIs to better understand their businesses, provide flexible loan terms as well as less restrictive loan clearance requirements. Notably, surveyed Tanzanian businesses strongly emphasised the importance of the provision of insurance for their goods. With nearly 65% of the population employed in Tanzania's agricultural sector, the rising effects of climate change have amplified the need for insurance as a safety net against unpredictable weather patterns. As farmers grapple with emerging drought and excess rainfall levels, innovative solutions like the Water Balance Index—developed by Global Parametrics and One Acre Fund—have become indispensable in ensuring financial stability and resilience.[33]

> "Financial institutions should come up with diverse loan products as per the nature and culture of the particular market. You cannot treat the Tanzania market the same as the Kenyan market or South African market, each one has a different culture."

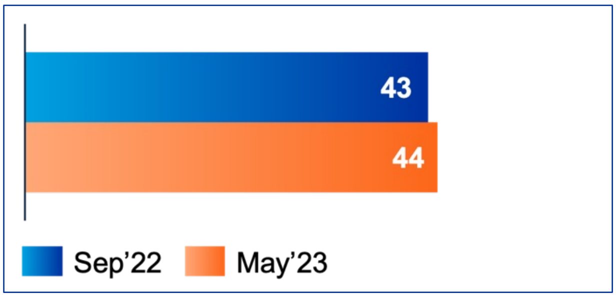
Representative from the Tanzania Business Council

[31] Bank of Tanzania. Available here
[32] Bank of Tanzania, Available: here
[33] InsuResilience. Available here

9. FOREIGN TRADE & TRADING IN AFRICA

Initiatives to create awareness of the AfCFTA appear to be bearing fruit in Tanzania—although perceptions on the ease of trade with the rest of Africa remain mixed

Tanzania's ease of trade index score



Ease of trade can vary between 0 and 100, where 0 indicates an extreme difficulty when trading with other countries, 50 neutrality and 100 indicates no difficulty when trading with other countries. In the May 2023 SB ATB survey results, Tanzania's ease of trade index score increased to 44 from 43 in September 2022. This means surveyed businesses in Tanzania found it easier to trade compared to September 2022.

> "Regional integration enables us to give each other incentives to sell to one another. However, the infrastructure to facilitate transportation is also key because we could have good access to the market, but cannot deliver our products on time."

Representative from the Tanzania Business Council

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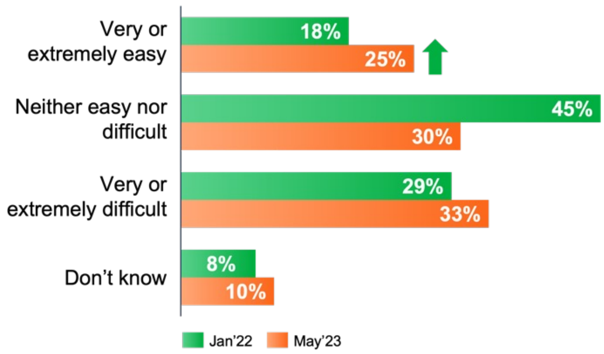
Surveyed Tanzanian businesses prioritise a partner country's quality of goods (38%), infrastructure (24%), and the demand for Tanzanian goods and services (19%) when considering which partners to conduct cross-border trade with. This explains the strong preference for China and Japan as a source of inputs, representing 28% and 16% of the gross imports, respectively. Conversely, surveyed Tanzanian exporters prefer African markets, with 80% of exports directed to fellow African countries. This preference is largely attributed to positive trading relations with the EAC trading bloc—where businesses perceive less restrictive trade policies and lower transportation costs—making it a favoured destination for their exports. The survey results indicate a significant increase in prioritising a partner country's infrastructure when considering cross-border trade, rising from 5% in September 2022 to 24% in May 2023.

In terms of the ease of trade with the rest of Africa, business perceptions are mixed (see **Figure 13**). This is because of opposing perceptions, with some businesses facing obstacles in road infrastructure while others recognising the easing of obstacles such as food, plant, and animal inspections, and industry bailouts.

Figure 13: Businesses perceptions of the ease of trading with other African countries

Question: In your view would you say trading with the rest of Africa is …?



Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

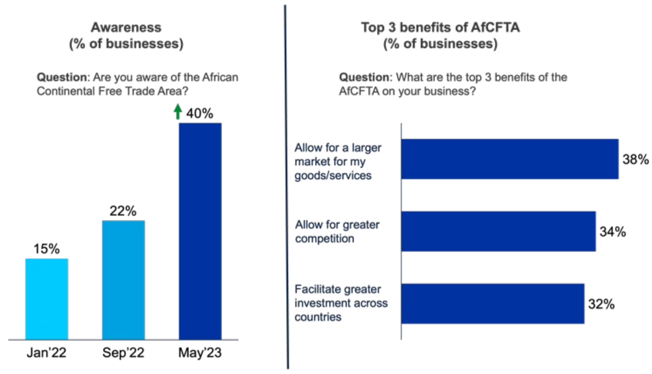
Tanzania is one of 54 signatories to the African Continental Free Trade Agreement (AfCFTA). AfCFTA is an initiative which looks to, amongst other things, improve the level of intra-African trade by creating a single market for goods and services and lower some of these aforementioned trade barriers. To this end, members of the AfCFTA are committed to eliminating tariffs on most goods and services that are traded between African countries over a given period following the AfCFTA entering its operational phase in July 2019.

40% *of surveyed businesses are aware of AfCFTA, significantly increasing from 22% in September 2022.*

Awareness of the AfCFTA amongst Tanzanian businesses has significantly increased (see **Figure 14**).

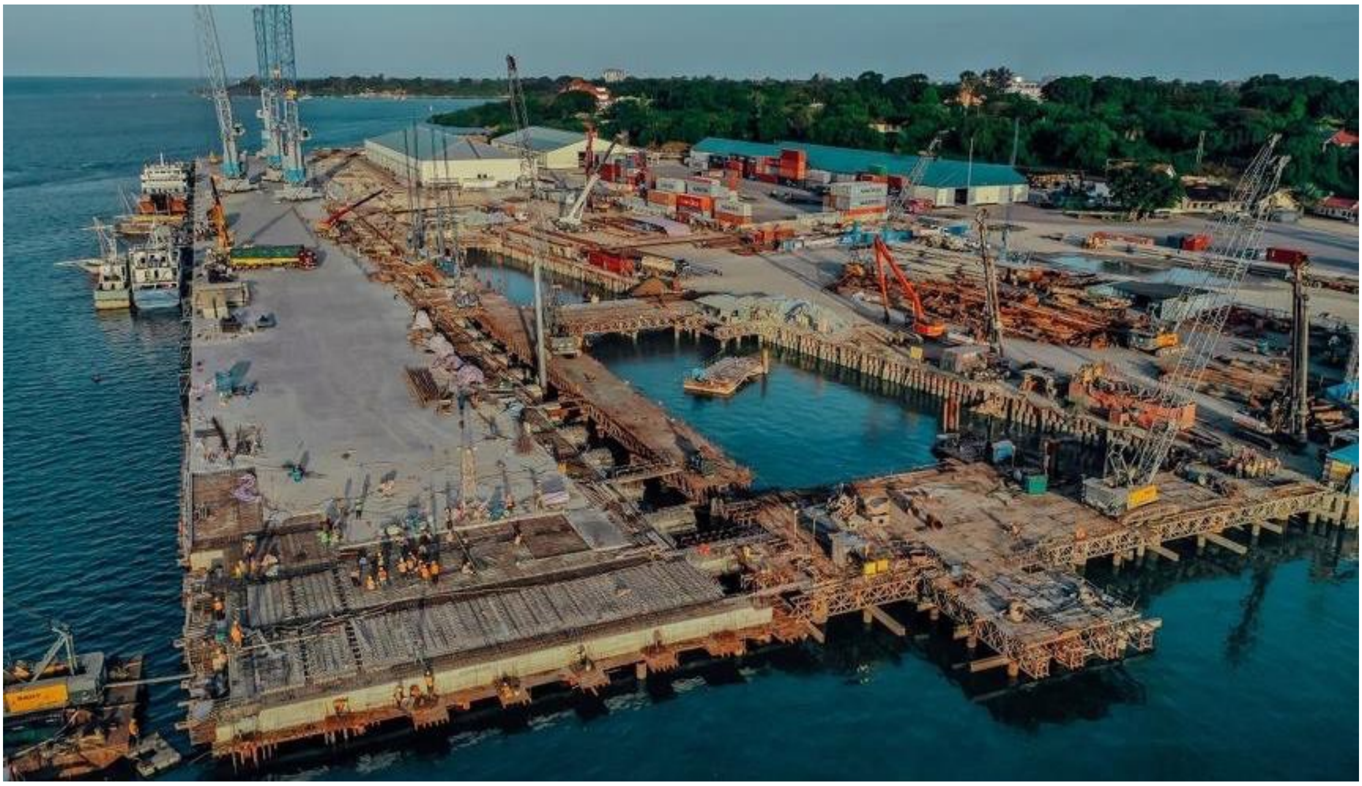
The percentage of respondents that are aware of the AfCFTA increased to 40% from 22% in September 2022—a statistically significant change. Tanzania is actively promoting the AfCFTA through the Ministry of Investment, Industry, and Trade's awareness campaigns, focusing on businesses interested in importing intermediary inputs or exporting products via the AfCFTA Guide Trade Initiative. This commitment was emphasised during the Private Sector Sensitization Workshop on the AfCFTA Agreement on Trade in Goods Protocol and its annexes—including Rules of Origin, Tariff Concession, and Non-Tariff Barriers—which took place in Dar es Salaam in July 2023.[34]

Figure 14: Businesses awareness and expected benefits of the African Continental Free Trade Area



Source: Stanbic Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey.

Most Tanzanian businesses believe that the implementation of the AfCFTA will reap benefits for their businesses (see **Figure 14**). The most commonly identified benefits are increased access to larger markets for goods and services, fostering greater competition and its facilitation of greater investment across African countries.



Tanga Port, Tanzania. Source: Tanzania Ports Authority

[34] EABC. Available here

10. MAIN OBSTACLES TO TRADE

The main obstacles undermining foreign trade for Tanzanian businesses are tariff and non-tariff barriers

The most significant obstacles undermining trade with the rest of Africa, as well as trade with the rest of the world, for surveyed Tanzanian businesses are tariff and non-tariff barriers. On average, tariffs were identified by businesses as the largest obstacle constraining their ability to trade with both the rest of Africa and the rest of the World. Other significant obstacles to trade are related to prohibitive customs regulations, which increases the administrative burden and costs for businesses engaged in import and export activity. Compliance with such regulations requires additional resources, including time and money, making it particularly difficult for small businesses to engage in trade.

Other notable challenges with trading with the rest of Africa are related to infrastructure. Specifically, 51% of surveyed businesses identified the state of Tanzania's power supply as a major obstacle inhibiting their ability to trade with other countries in Africa. Similarly, businesses on average feel that Tanzania's road infrastructure represents an inhibitor on their capacity to trade, with 44% of surveyed businesses identifying the state of the country's road infrastructure as a major or severe obstacle constraining their capacity to trade with other countries in Africa.

11. CONCLUSION

An aspect that will be interesting to evaluate in future issues of the Stanbic Bank Africa Trade Barometer (SB ATB) in Tanzania is how the aforementioned partial privatisation of operations at the Dar es Salaam port influences key variables in the SB ATB. The Government of Tanzania recently announced that it had reached an agreement in principle to have port operator DP World run some operations at the Dar es Salaam port. This comes following the Government's admission that the port is operating below international standards, and that it does not have the facilities to run the port effectively. These inefficiencies have resulted in major delays when importing and exporting goods, and has significantly increased the cost of trading via the Dar es Salaam port.

The Tanzanian Government believes that the involvement of DP World will significantly increase the efficiency of operations and thereby drive traffic towards the port, help exporters and importers overcome trade barriers and grow the country's intra-regional and global trade. As such, should the relationship with DP World materialise, it will be interesting to evaluate how this impacts surveyed businesses perceptions of port infrastructure in Tanzania. By lowering the costs of trading, particularly with more distant markets such as Asia and Europe, this may in turn increase trade activity for Tanzanian businesses and increase the proportion of trade with distant markets.

Cargo ship

12. APPENDIX

Appendix 1: Stanbic Bank Africa Trade Barometer (SB ATB) Country Ranking for Issue 3, 2023

The Stanbic Bank Africa Trade Barometer (SB ATB) scores are an aggregate of the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and the Stanbic Bank Survey Trade Barometer (SB STB) scores. Countries are ranked against each other, i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

SB ATB scores remained the same for Angola, South Africa and Zambia, while the majority of ranks for other countries have increased from September 2022 (see **Table 2**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Zambia (9th position)
- Angola (10th position)

Countries that have improved in their ranking from September 2022:

- Namibia (3rd to 2nd position)
- Mozambique (6th to 3rd position)
- Nigeria (8th to 4th position)
- Kenya (7th to 6th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Tanzania (5th to 7th position)
- Uganda (4th to 8th position)

As can be seen in the table below, actual scores for all countries are significantly lower in May 2023 compared to September 2022 (except for South Africa and Angola). Although it is correct to interpret this result as a general decline in tradability across most countries, this is not the whole story. The lower scores in May 2023 compared to September 2022 are also a result of how the SB ATB scores are calculated. The overall tradability score of a country is arrived at through a calculation that compares the country's average score across all the variables in the SB ATB to the lowest and highest average scores recorded across the 10 countries included in the SB ATB. To this end, Angola received a score of 0 (since it had the lowest average score) and South Africa received a score of 100 (since it had the highest average score). In this iteration of the survey, most countries' average scores were closer to the lowest average score observed (Angola), which skewed their overall tradability scores towards that low value.

Road in Kibiti, Tanzania

Table 2: Stanbic Bank Africa Trade Barometer (SB ATB) scores by country

Country	Africa Trade Barometer (ATB) Score	ATB Ranking	
		September 2022	May 2023
Angola	0 0	10	10
Ghana	74,3 19,5	2	5
Kenya	55,8 19,3	7	6
Mozambique	57,5 30,5	6	3
Namibia	60,2 43,1	3	2
Nigeria	48,4 25,9	8	4
South Africa	100 100	1	1
Tanzania	58,9 15,3	5	7
Uganda	58,9 14,8	4	8
Zambia	43,2 14,1	9	9

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 2: Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) Country Ranking for Issue 3, 2023

The Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

SB QTB scores remained the same for Angola, Mozambique and South Africa, while the majority of ranks for other countries have dropped from September 2022 (see **Table 3**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Mozambique (3rd position)
- Angola (10th position)

Countries that have improved in their ranking from September 2022:

- Namibia (4th to 2nd position)
- Nigeria (7th to 4th position)
- Zambia (9th to 7th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Kenya (5th to 6th position)
- Tanzania (6th to 8th position)
- Uganda (8th to 9th position)

As can be seen in the table below, actual scores for all countries are significantly lower in May 2023 compared to September 2022 (except for South Africa and Angola). Although it is correct to interpret this result as a general decline in tradability across most countries, this is not the whole story. The lower scores in May 2023 compared to September 2022 are also a result of how the SB QTB scores are calculated. The overall tradability score of a country is arrived at through a calculation that compares the country's average score across all the variables in the SB QTB to the lowest and highest average scores recorded across the 10 countries included in the SB QTB. To this end, Angola received a score of 0 (since it had the lowest average score) and South Africa received a score of 100 (since it had the highest average score). In this iteration of the survey, most countries' average scores were closer to the lowest average score observed (Angola), which skewed their overall tradability scores towards that low value.

Table 3: Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores by country

Country	Africa Quantitative Barometer (QTB) Score	QTB Ranking	
		September 2022	May 2023
Angola	0 0	10	10
Ghana	86,2 26,6	2	5
Kenya	63,9 26,4	5	6
Mozambique	67,4 36,9	3	3
Namibia	64,7 46,2	4	2
Nigeria	56,1 32,4	7	4
South Africa	100 100	1	1
Tanzania	59,2 23,1	6	8
Uganda	51,8 17,6	8	9
Zambia	51,8 23,1	9	7

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 3: Stanbic Bank Survey Trade Barometer (SB STB) Country Ranking for Issue 3, 2023

The Stanbic Bank Firm Survey Trade Barometer (SB STB) scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

Except for South Africa and Namibia, SB STB ranks have changed in this wave for all countries (see **Table 4**).

Countries that have retained their ranking from September 2022:

- South Africa (2nd position)
- Namibia (4th position)

Countries that have improved in their ranking from September 2022:

- Angola (6th to 1st position)
- Nigeria (8th to 5th position)
- Mozambique (9th to 6th position)
- Ghana (10th to 7th position)

Countries that have declined in their ranking from September 2022:

- Tanzania (1st to 3rd position)
- Kenya (7th to 8th position)
- Uganda (3rd to 9th position)
- Zambia (5th to 10th position)

Table 4: Stanbic Bank Survey Trade Barometer (SB STB) scores by country

Country	Africa Survey Barometer (STB) Score	STB Ranking	
		September 2022	May 2023
Angola	22,6 100	6	1
Ghana	0 18,4	10	7
Kenya	10,3 18,2	7	8
Mozambique	1,2 21,6	9	6
Namibia	34,1 52,7	4	4
Nigeria	8,4 22,5	8	5
South Africa	84,0 66,8	2	2
Tanzania	100 65,2	1	3
Uganda	57,0 12,2	3	9
Zambia	26,6 0	5	10

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 4: The relative impact of selected macroeconomic indicators on the tradability attractiveness of Stanbic Bank Africa Trade Barometer Countries for Issue 3, 2023

In the table below, the ranking (between position 1 and position 10) as well as the respective colour coding highlight the impact of a specific macroeconomic indicator (e.g., FDI net inflows) on the tradability attractiveness of the respective country. To arrive at this ranking, the three-year average (2020, 2021 and 2022) of each indicator in a country is first normalised[35] which allows for the relative impact (relative to the other nine countries) of each indicator on overall tradability attractiveness for that country to be arrived at.

Table 5: Country ranking on the impact of macroeconomic indicators on tradability attractiveness

	Merchandise trade (% of GDP)	GDP (Current USD)	GDP growth (%, average annual)	Imports (% of GDP)	Exports (% of GDP)	Inflation	Lending interest rate (%)	FDI Net Inflows
Angola	4	4	10	9	2	10	8	10
Ghana	6	5	4	5	6	9	10	3
Kenya	9	3	1	7	9	6	3	7
Mozambique	2	9	6	1	4	5	6	2
Namibia	1	10	9	2	3	2	1	8
Nigeria	10	1	7	10	10	8	4	4
South Africa	5	2	8	4	5	4	2	1
Tanzania	8	6	3	8	7	1	5	6
Uganda	7	7	2	6	8	3	7	5
Zambia	3	8	5	3	1	7	9	9

Key: Negative relative trade impact — Positive relative trade impact

[35] Normalisation here means calculating the deviation of a particular macroeconomic indicator in a specific country from the mean of that indicator in all 10 SB ATB countries

13. ABOUT THE RESEARCH

The Stanbic Bank Africa Trade Barometer is based on both primary and secondary research sources. This is Issue 3 of the SB ATB. Issue 1 was released in June 2022 and Issue 2 was released in November 2022. The data collection (both primary and secondary research) for Issue 3 happened between March and May 2023 in all 10 countries of interest.

The primary research component involves the administration and analysis of a firm survey (i.e., a survey of sample businesses in the countries of interest) and holding of in-depth interviews (IDIs) with key stakeholders. The sample is stratified by size (small, big and corporate), region and industry. For Issue 3, 2 636 businesses were surveyed and 30 IDIs were conducted across the 10 countries.

In Tanzania, 227 businesses were surveyed. 56% of these businesses were in Dar es Salaam, 17% in Mwanza, 11% in Arusha, 9% in Moshi and 7% in Mbeya. The breakdown of surveyed businesses in Tanzania by business segment was as follows:

- 70% were small businesses
- 17% were big businesses
- 13% were corporates

In the context of the SB ATB, small businesses are defined as those with a turnover of less than TZS 8 billion, large businesses as those with a turnover of between TZS 8 billion and TZS 92 billion and corporates as those with a turnover of more than TZS 92 billion.

The breakdown of surveyed businesses in Tanzania by industry was as in **Table 6**:

Table 6: Breakdown of surveyed businesses in Tanzania by industry

Industry	%	Industry	%
Wholesale and retail trade; repair of motor vehicles and motorcycles	26%	Professional, scientific and technical activities	3%
Accommodation and food service activities	13%	Services	3%
Construction	10%	Financial and insurance activities	2%
Manufacturing	9%	Public administration and defence; compulsory social security	2%
Human health and social work activities	7%	Information and communication	1%
Agriculture, forestry and fishing	6%	Arts, entertainment and recreation	1%
Transportation and storage	5%	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	1%
Electricity, gas, steam and air conditioning supply	4%	Mining and quarrying (includes oil & gas)	0%
Administrative and support service activities	3%	Real estate activities	0%
Education	3%	Activities of extraterritorial organisations	0%

The breakdown of surveyed businesses by staff complement was as follows:

- 32% had below 5 employees
- 27% had 5 - 10 employees
- 14% had 11 - 20 employees
- 12% had 21 - 50 employees
- 5% had 51 - 100 employees
- 9% had 101 - 1,000 employees
- 1% had 1,001 - 5,000 employees
- 1% had more than 5,000 employees

With regards to individual respondent characteristics within the businesses, 62% were male and 38% were female. The breakdown by their job titles is as follows:

- 33% were owners
- 21% were general managers
- 19% were chief accountants
- 11% were directors general
- 4% were chief financial officers
- 4% were managing directors
- 2% were financial directors
- 1% were heads of departments
- 1% were chief executive officers (CEOs)
- 1% were treasurers
- 1% held other job titles

Further details by region, business segment, industry, staff complement, age of firm, the firms' corporate and strategic decision-making structures as well as individual respondent characteristics (gender, job title, etc.) are available on request.

There were three IDIs conducted in Tanzania as part of Issue 3. One interview was with a representative from the Tanzania National Business Council, another with a representative from the Ministry of Industry and Trade, and finally with a representative from the Tanzania Investment Center. These interviews are quoted in this report, as relevant.

The survey and IDIs were conducted on a confidential basis.

The secondary research component involves the gathering and analysis of quantitative data. This data is primarily collected from World Bank sources, although additional data is obtained from the International Monetary Fund (IMF), the International Trade Center and individual country central banks and statistics bureaus.

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In-depth details on how the Stanbic Bank Africa Trade Barometer scores for each country are calculated, and the resultant country rankings, are available on request.

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The research was produced by Standard Bank Business and Commercial Banking Research & Insights. For any questions or information requirements on this report please contact tradebarometer@standardsbg.com.

14. ENDNOTES

The secondary sources used in drafting this report are listed below in alphabetical order.

1. African Development Bank. Available here
2. Bank of Tanzania. Available here
3. Fitch Solutions:
    a. Available here
    b. Available here
4. International Monetary Fund (IMF). Available here
5. National Bureau of Statistics. Available here
6. UN Comtrade. Available here
7. World Bank. Available here

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