

Impact of Global Economic Crisis in Tanzania
Macro and Microeconomic Perspectives
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Abstract

The global financial crisis that peaked in 2008 has generated global impact. There is however definite and clear understanding of the extent this crisis impacted on Tanzania. Thus, this study intended to create understanding about the nature, extent and magnitude of the impact of the crisis on Tanzania at macro and microeconomic levels. This was achieved through assessing the trend of variables by comparing the pre-crisis and post-crisis behaviour of these variables. Findings revealed that at macroeconomic level, there was no indication that foreign assistance declined during the crisis. However, a dramatic decline in FDI was noted. At microeconomic level, productivity declined by 15.1% for cotton and 29.2% for coffee; the number of reservations in hotels declined by 47.5% and cancellations increased by 7.8%; and room occupation rate declined by 26.8%. For the manufacturing sector, it was observed that capacity utilisation for selected factories dropped by 9.7%; and the number of regular employees dropped by 24.4%. It is concluded that even though there is no definite picture of adverse effect of the financial crisis at macroeconomic level, there are indications that some of the impact might come with a lag. At microeconomic level, it is recommended that a social protection strategy for smallholder farmers be put in place.

Key words: Economic crisis, Tanzania, Inflow of remittances, External debt stock, Foreign Financing, Imports and exports