

# **Modelling of COVID-19 Impact on the Tanzanian Economy and Female Labour**

Asiya Maskaeva (University of Dodoma)

As other countries in the world, Tanzania has been affected by the adverse effects of Coronavirus disease, known as COVID-19 pandemic with the first case being confirmed on 16th March 2020. Since March 2020, the Tanzanian Government has adopted key steps of curbing the COVID-19 outbreak. In response to the effects of COVID-19, the Tanzanian government implemented a variety of economic measures to support the most affected sectors. Notable ones include granting of Value-Added Tax (VAT) and customs duties exemptions to imported medical equipment and supplies, public subsidies for tourism-related businesses to cover their operational and development expenditure and the reduction of the discount rate from 7 to 5 % by the Bank of Tanzania.

In May 2020, the Government stopped the reporting of statistical updates on COVID-19 infection cases. This was followed by the lifting of all restrictions related to the COVID-19 in July 2020, which led to the reopening of the suspended international flights in and out of Tanzania, reopening of all educational institutions, and the resumption of sports and other social events and activities.

For the first time in its sixty-year history, Tanzania lost a sitting head of state, the late President John Pombe Magufuli, on March 17, 2021. Her Excellency President Samia Suluhu Hassan, the former Vice President was appointed as the first female President to assume this top leadership position in the land as provided for in the Constitution of the United Republic of Tanzania.

The new President put particular emphasis on the economic empowerment of women and other aspects pertaining to gender equality and gender parity. In this regard, the President provided a scientific approach towards the reduction of adverse effects of the COVID-19 pandemic on the Tanzanian economy.

The impact of COVID-19 on the Tanzanian economy simulated by the model considered two categories of transmission channels: (1) channels related to international shocks, and (2) channels related to domestic shocks. Based on government records and official statistics, three simulation scenarios were considered: increase in prices of world crude oil, decrease in exports on specific commodities, and increase in transportation costs.

The study relied heavily on the official data for modelling the short-term impacts of the COVID-19 magnitude of the shock for the economic sectors, gendered labour market, and the whole economy. The model ran from 2019 (updated year of the 2015 Social Accounting Matrix for Tanzanian economy) and the simulated results were compared to the business as a usual path of the economy to determine the COVID-19 impacts. This study differs from other studies on COVID-19 in Tanzania because it focused on women's participation in the labour market during the pandemic outbreak. Moreover, Tanzania is one of the countries in the world, which has not been under the full lockdown.

Simulation results reveal that the pandemic has had negative effects on the Tanzanian economy. Specifically:

Decline real GDP by 5.4%, due to the reduction in private investment (-6.1%) and the real consumption budget (-4.9%);

Decrease in the demand for the exports;

Increase in total exports by 15.7%. This may seem surprising, but several reasons are attributed to this.

First, is because an increase of international market prices stimulated export-oriented sales abroad.

Second, in response to the COVID-19 outbreak and to support the private sector, the Tanzanian government did not implement lockdown measures without ignoring the guidelines from health professionals.

Decrease in domestic prices

- o This implies that consumers substitute for relatively cheaper domestic commodities than imports, leading to an overall decrease of imports by 20.2 %.

Decrease in the total investment (23.8%)

- o This explained by the decrease in government savings, household savings (18.1%) and firms' savings (16.6%).

Decrease in government revenue by 15.7 %

- o This is driven by the reduction in the receipts from taxes and transfer payments.

Due to the negative effects of the pandemic, wage rates and returns to capital were negatively affected.

These decreased in each industry even in the sectors in which production was expanding.

Wage rates declined more for female labour than it did for male labour in both rural and urban areas . Since the wage rate for women is normally lower than that for men, the negative impact of COVID-19 on women was even harder.

In Rural areas, demand for all labour categories was declined for sectors affected by the pandemic

- o However, the overall demand for unskilled males increased by 5 % while that for unskilled females increased by 6.5 %.

- o This mainly occurs in labour-intensive sectors, which were not hit by COVID-19.

In urban areas, the overall demand for all-female labour categories grew higher than that for males. But the growth rate of urban labour was lower than was the case in rural areas. In both rural and urban areas, the demand for male labour dropped more significantly than was the case with female labour.

There are no mitigation measures (e.g., fiscal package) analyzed in this paper. However, the results of this study are important to help guide the Tanzanian government towards taking appropriate measures in the context of Covid-19 with a focus on gender inequality. The Government can recover from the negative impact of the COVID-19 pandemic by generating additional revenue in 2021-2022 FY:

- o through more efficient tax collection system (e.g., VAT)

- o additional revenue creation through enhanced regional trade (e.g., East African Community and Southern African Development Community)

The COVID-19 magnified existing gender disparities and inequalities faced by vulnerable groups – primarily women. To reduce the gender inequalities and to address the long-term impacts of COVID-19 on women in the labour market, the following policy recommendations are suggested:

- o Supporting the digital schooling that can narrow the gender gap in education.

- o Providing subsidies to the most female intensive sectors such as trade, hotel and restaurant, health, education.
- o Stepping up measures to increase the role and numbers of women in decision-making processes, including around prevention and response to COVID-19.