



# THE ECONOMIC IMPACT OF THE BEER SECTOR IN TANZANIA

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# INTRODUCTION

A significant number of people cooperate across multiple sectors in Tanzania to make and distribute beer to consumers in the country—and elsewhere in the world where Tanzania is part of the value chain. That includes Tanzanians who grow raw materials like barley and sorghum, manufacture beer packaging, brew beer, transport beer, and sell beer at shops, restaurants, and entertainment venues. It also includes people in Tanzania who contribute indirectly, by supplying goods and services to brewers and distributors, as well as to companies in the beer sector's wider supply chain.

In this report we assess the important role that beer plays in the Tanzanian economy in 2019.<sup>1</sup> We quantify this role in terms of the gross value added contribution to GDP, jobs, and tax revenues supported by the beer sector.<sup>2</sup> This assessment spans three channels of impact: the economic activity generated at brewers' and distributors' operational sites (direct impact), economic activity stimulated by brewers and distributors buying inputs of goods and services from third party suppliers (indirect impact), and further activity supported in the consumer economy when the beer sector pays wages to its employees (induced impact).

Most of the impact of beer in Tanzania's economy arises from brewers making and selling beer locally. However, we also quantify the economic activity that occurs because Tanzanian businesses export goods and services used to make and distribute beer or used in other parts of the supply chain that is stimulated by the beer sector in other countries.<sup>3</sup>

## KEY TAKEAWAYS



By making and marketing beer, Tanzanian brewers supported...



**TSh.2.1 tn**  
GVA contribution to GDP

Selling beer to consumers, retail and hospitality outlets stimulated...

**+ TSh.110 bn**  
GVA contribution to GDP

In 2019, we estimate that beer supported a total contribution of...

**= TSh.2.2 tn**  
total GVA contribution to GDP



**448,000**  
jobs supported

**+ 25,000**  
jobs supported

**= 473,000**  
total jobs supported



**TSh.160 bn**  
in tax payments to the government

**+ TSh.730 bn**  
in tax payments to the government

**= TSh.890 bn**  
in tax payments to the government

<sup>1</sup> The study relies on 2019 data (instead of 2020) because of the distortions caused by COVID-19. The effects of the pandemic mean that 2019 is more representative of a normal year for the beer sector. In addition, the analysis for this report was conducted in USD, and the values have been converted to TSh. throughout at an exchange rate of 2288.21 TSh. = 1 USD.

<sup>2</sup> Gross domestic product (GDP) is the most commonly used metric to describe the size and health of an economy. It is the total value of final goods and services produced in the economy within a year. After adjustments for taxes and subsidies, the sum of all gross value added created by all firms and industries in an economy is equal to GDP. Gross value added for an individual brewer, beer distributor, retailer, or hospitality firm is equal to the revenue it generates in a year less the cost of the bought-in goods and services used up to generate that revenue.

<sup>3</sup> The global beer sector, for the purposes of this report, comprises the brewers and distributors in Tanzania and 69 other countries that, together, make up 89% of global beer sales.

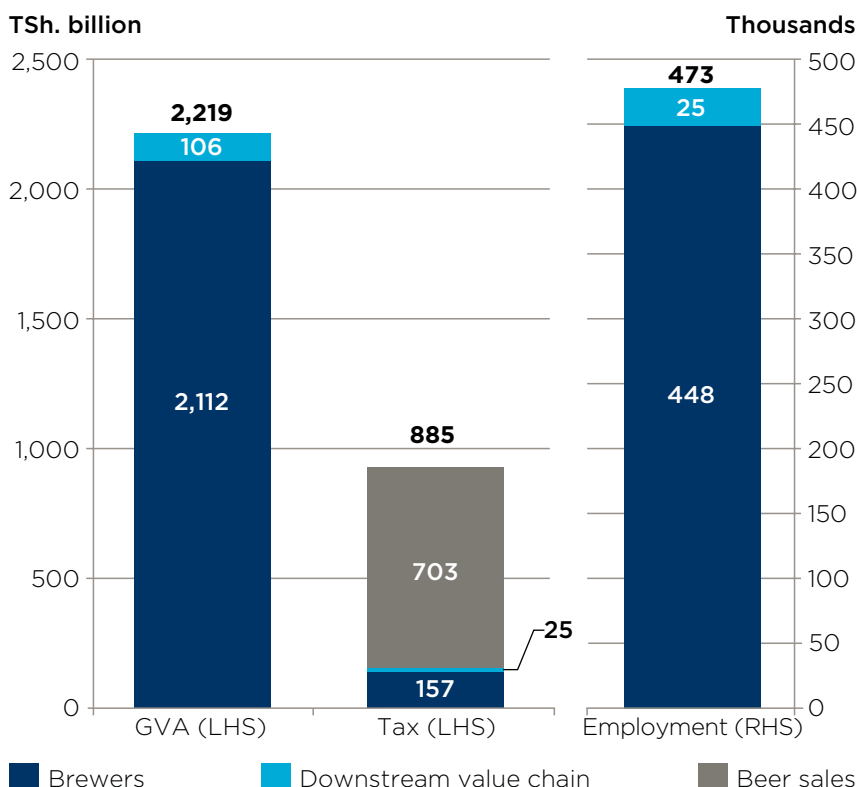




# BEER SECTOR'S TOTAL IMPACT IN TANZANIA

In 2019, we estimate that beer supported a TSh. 2.2 trillion gross value added (GVA) contribution to Tanzania's GDP.<sup>4</sup>

## Total GVA, employment and tax supported by the beer sector in Tanzania, 2019



Source: Oxford Economics

The high productivity of brewers in the Tanzania was an important driver of the beer sector's GVA contribution to GDP. On average, we estimate that each employee at a Tanzanian brewer generated a TSh. 380,000,000 GVA contribution to GDP in 2019. This was almost 69 times the productivity of the average Tanzanian worker (at TSh. 5,600,000 per worker). While this productivity is important to brewers themselves, it also has benefits for the wider economy.

When highly productive employees interact with others in the economy—whether through a supply chain relationship, in business meeting, or by moving jobs—their knowledge and techniques can spread to other businesses, increasing average productivity in the economy overall. This is valuable because productivity is the only mechanism that can sustainably increase wages and therefore living standards over the long-run.

**TSh. 1** in  
every TSh. 63

The beer sector  
was linked to TSh. 1  
in every TSh. 63  
of GDP in Tanzania.



This contribution represented about 1.6% of the Tanzanian economy, or TSh. 1 in every TSh. 63 of GDP produced in Tanzania in 2019.<sup>5</sup> The magnitude of that impact is equivalent to 53% of all the GVA created in the city of Mwanza in 2019.<sup>6</sup> Of this, we estimate that the process of making beer by brewers supported TSh. 2.1 trillion (95.2% of the total contribution), while the remaining TSh. 110 billion (4.8% of the total) was supported by beer's downstream activities of transporting and selling beer.

**69x**

On average, brewers' employees were around sixty-nine times as productive as the average Tanzanian worker.



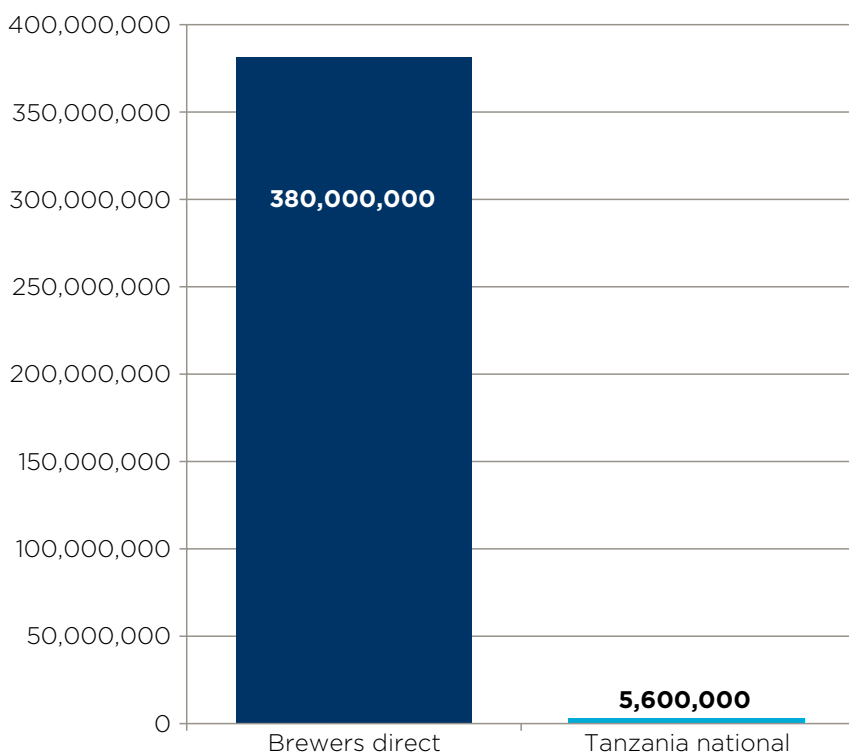
<sup>4</sup> Individual figures may not always sum to totals due to rounding.

<sup>5</sup> GDP was TSh. 140 trillion in Tanzania in 2019.

<sup>6</sup> GDP was TSh. 4.2 trillion in Mwanza in 2019.

### Productivity (GVA per worker) at Tanzanian brewers compared to national average

Productivity, 2019 (TSh.)



Source: Oxford Economics

# 1 in 53 jobs

The beer sector was linked to 1 in every 53 jobs in Tanzania in 2019.



Together, brewers and retailers supported an estimated 473,000 jobs in Tanzania in 2019. This is around 1.9% of all jobs in Tanzania, or one in 53 jobs in the country.<sup>7</sup> The employment was similar in magnitude to 23% of employment in Dar Es Salaam.<sup>8</sup> Some 448,000 jobs were supported by beer manufacturing (94.8% of the total jobs supported), whilst the remaining 25,000 jobs were supported by downstream transportation and retail activities (5.2% of the total jobs supported).

The beer sector is also important for government revenues in Tanzania. In 2019, the tax payments directly remitted or stimulated by the Tanzanian beer sector totalled TSh. 890 billion; of this, TSh. 730 billion (or 82.2% of the total tax contribution) is estimated to have come from sales tax and excise duties from beer sales.

<sup>7</sup> There were 25.0 million jobs in Tanzania in 2019.

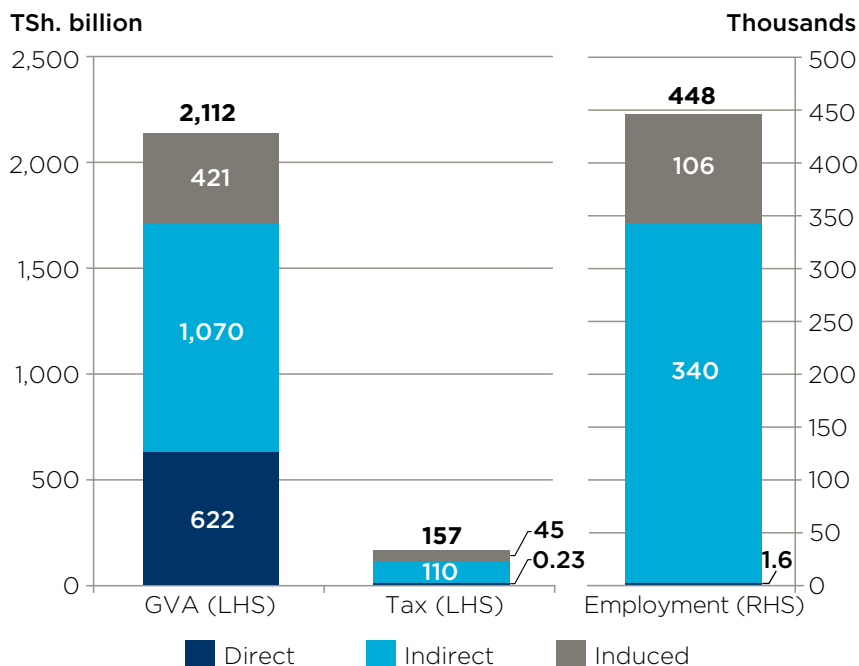
<sup>8</sup> Employment was 2.0 million in Dar Es Salaam in 2019.

# BREWERS' IMPACT IN TANZANIA

By marketing and brewing beer, brewers themselves have an important impact on Tanzania's economy. In 2019, brewers' total economic contribution amounted to TSh. 2.1 trillion in GVA contributions to GDP, more than 440,000 jobs, and TSh. 157 billion in tax revenues. This is equal to 1.5% of Tanzanian GDP, 1.8% of national employment, and 0.8% of national tax, respectively.

We estimate that by brewing beer, Tanzanian brewers directly generated a TSh. 620 billion GVA contribution to Tanzania's GDP, provided 1,600 jobs, and made TSh. 0.23 billion worth of tax payments in 2019.

## Total GVA, employment, and tax supported in Tanzania by brewers, 2019



Source: Oxford Economics

## TSh. 1.12 trillion in procurement

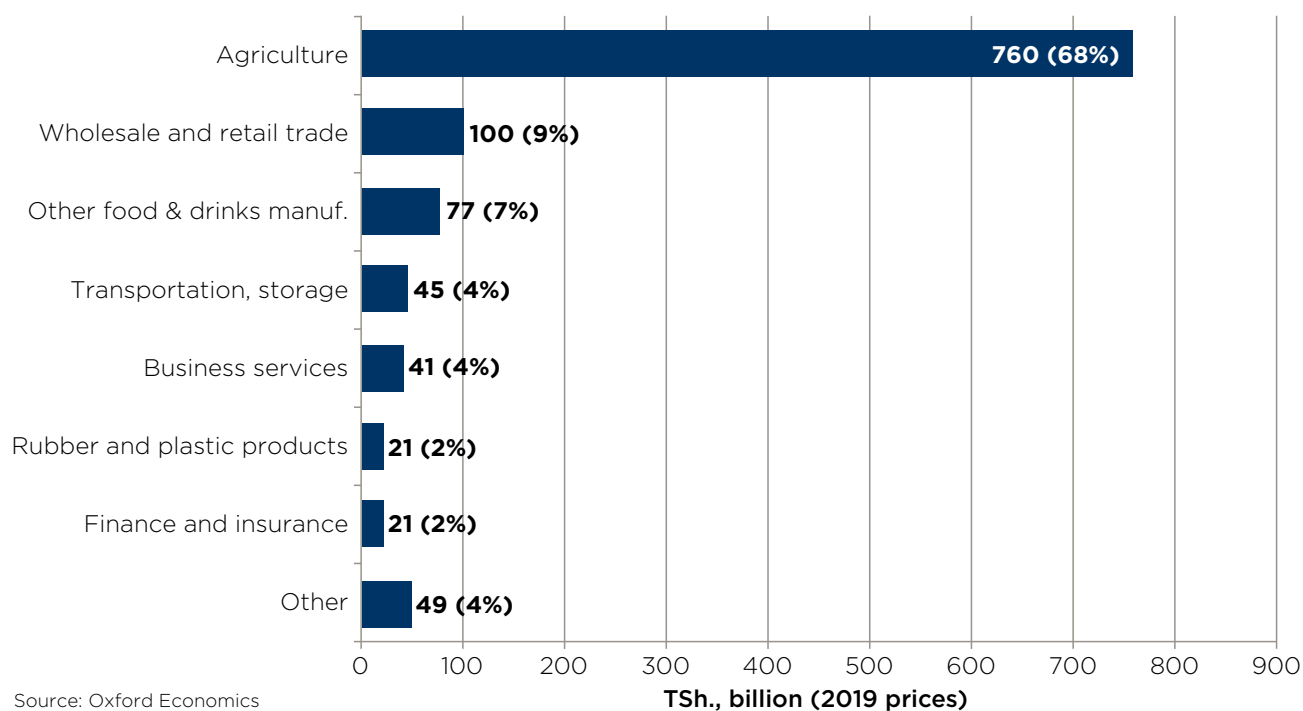
TSh. 1.12 trillion in goods and services bought by beer manufacturers from Tanzanian companies.



Brewers procure a large amount of goods and services in Tanzania. This procurement means brewers stimulate a substantial indirect impact in the country.

In 2019, extrapolating from data provided by two major brewers operating in Tanzania (i.e., AB InBev, and Heineken), we estimate that Tanzanian brewers bought TSh. 1.1 trillion worth of goods and services from Tanzanian businesses. We also estimate that international brewers bought TSh. 16 billion worth of Tanzanian goods and services. This means that, in total, Tanzanian businesses sold TSh. 1.12 trillion worth of inputs to domestic and international brewers.

Of the total procurement in Tanzania (TSh. 1.12 trillion) by brewers, workers in agriculture, such as farmers growing barley and sorghum, benefitted from TSh. 760 billion worth of payments (or 68% of brewers' total purchases), followed by wholesale and retail traders (TSh. 100 billion, or 9%), and then manufacturers of food and non-beer drinks (TSh. 77 billion, or 7%). We estimate that through this procurement, brewers supported TSh. 1.1 trillion in GVA contributions to Tanzania's GDP, 340,000 jobs, and TSh. 110 billion in tax revenue.

**Brewers' procurement from Tanzanian suppliers<sup>9</sup>**

Finally, the beer sector pays a large amount of wages, which further stimulates economic activity, jobs and taxes within Tanzania. Through this wage-induced channel of impact, we estimate that in 2019 brewers supported TSh. 420 billion in GVA contributions to GDP, 106,000 jobs, and TSh. 45 billion in tax revenue.

<sup>9</sup> Other food & drinks manufacturing refers to non-beer food and drinks manufacturing (a category that includes things like adjuncts, bulk water, carbonates, flavour, and yeast).

# BEER DISTRIBUTORS, RETAILERS, AND HOSPITALITY SECTOR'S IMPACT IN TANZANIA

As the consumer-facing portion of the beer sector, beer's downstream value chain is responsible for a large amount of economic activity. Beer's downstream value chain is comprised of wholesalers, retailers, restaurants, bars, pubs, clubs, sports arenas, and other hospitality venues that sell beer to final consumers. In total, the retail and hospitality sector sold TSh. 1.9 trillion worth of beer to consumers in Tanzania in 2019.

The total GVA contribution by the downstream value chain—including direct, indirect, and induced impacts—amounted to an estimated TSh. 106 billion in Tanzania in 2019. This is equivalent to 0.1% of Tanzanian GDP. The jobs supported by beer's downstream value chain totalled 25,000, or about 0.1% of Tanzanian employment. Finally, the tax revenue generated by beer's downstream value chain helped raise TSh. 730 billion, about 3.7% of national tax.

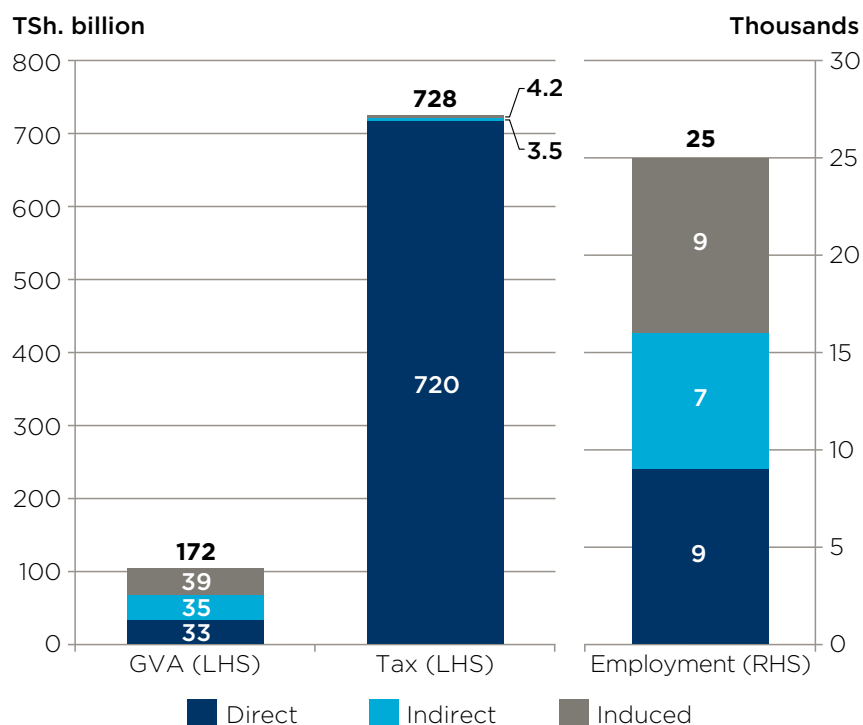
The retail and hospitality sector directly generated a substantial share of the total impact. We estimate that the direct economic contribution from selling beer to consumers in Tanzania amounted to TSh. 33 billion in GVA in 2019. The service of transporting and selling beer is labour intensive, which creates a large number of jobs in the downstream value chain; thus, we estimate that the downstream value chain generated 9,000 jobs in 2019. In addition, beer's downstream value chain generated TSh. 720 billion in tax payments to the Tanzanian government.<sup>10</sup>

## TSh.1.9 trillion

The beer sector sold TSh. 1.9 trillion worth of beer to final consumers in Tanzania in 2019.



**Total GVA, employment, and tax supported by the global beer distributors, retailers, and hospitality in Tanzania, 2019**



Source: Oxford Economics



The retail and hospitality sector supports further economic activity by buying goods and services from Tanzanian suppliers. We estimate that firms involved in the selling and transporting of beer bought TSh. 31 billion worth of goods and services from Tanzanian firms in 2019. Through the indirect channel of impact, we estimate that, in 2019, beer's downstream value chain supported TSh. 35 billion in gross value added, 7,000 jobs and TSh. 3.5 billion in taxation in Tanzania.

Additional economic activity is stimulated in Tanzania because the retail and hospitality sector pays staff wages and supports wage payments in the supply chain. Through the induced channel of impact, we estimate that a TSh. 39 billion GVA contribution to GDP, 9,000 jobs, and TSh. 4.2 billion in tax revenue were supported by beer's downstream value chain in Tanzania in 2019.

As the figures show, the downstream value chain is an important source of jobs. To put these figures into perspective, the direct employment in the downstream value chain of 9,000 jobs means that for every job at a Tanzanian brewer there were six jobs directly employed in Tanzania's downstream value chain. When we consider the downstream activities and the upstream supply chain (i.e., the direct and indirect channels), we see that 218 jobs are supported for every job at a Tanzanian brewer. Including the consumer economy (the induced channel) means that this number rises to 289 jobs for every job at a brewer.

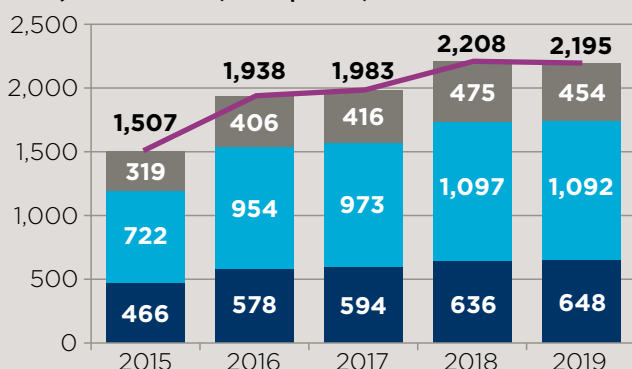
# ANNEX

The following charts show how the beer sector's economic impact has evolved in Tanzania between 2015 and 2019. The first set of charts shows the direct, indirect, and induced impact in terms of GVA, jobs, and tax revenue for both brewers and distributors; the second set isolates the impact brewers supported, and the third set shows the impact that distributors stimulated.

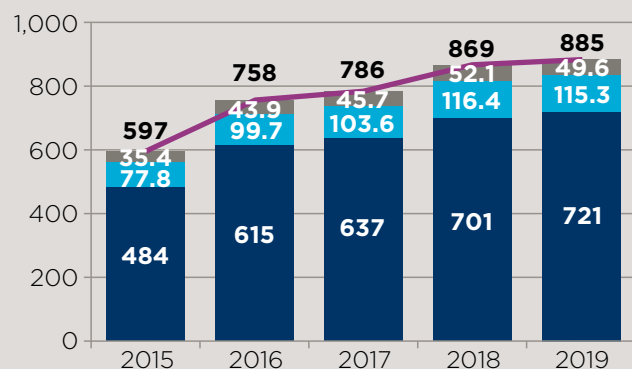
## Evolution of global beer's economic contribution in Tanzania, 2015-2019

■ Direct ■ Indirect ■ Induced — Total

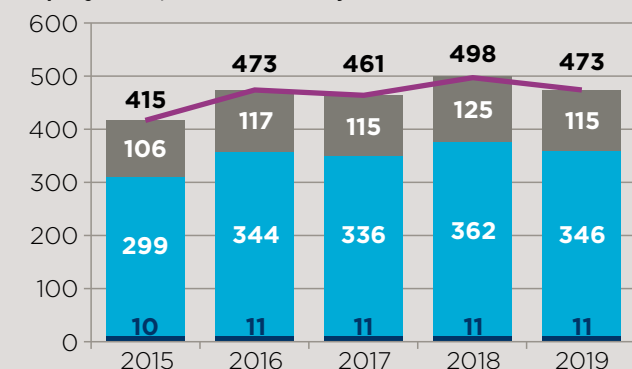
GVA, TSh. billion (2019 prices)



Tax, TSh. billion (2019 prices)



Employment, thousands of jobs

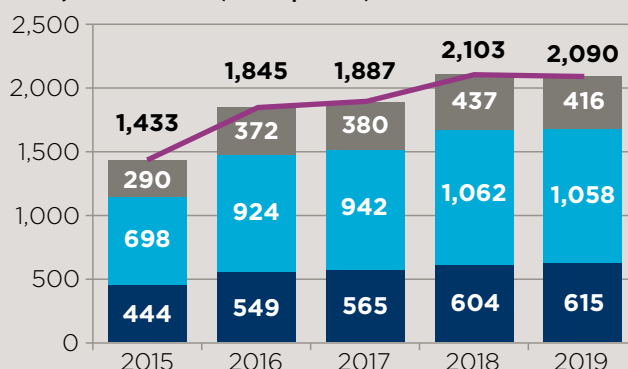


Source: Oxford Economics

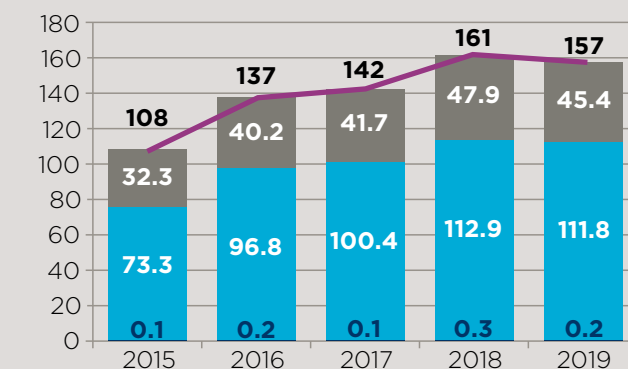
## Evolution of the brewers' economic contribution in Tanzania, 2015-2019

■ Direct ■ Indirect ■ Induced — Total

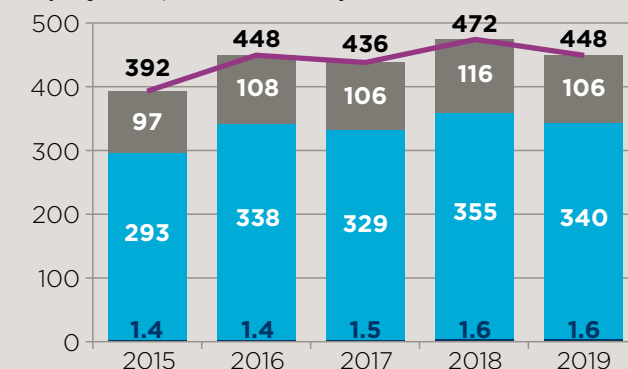
GVA, TSh. billion (2019 prices)



Tax, TSh. billion (2019 prices)



Employment, thousands of jobs

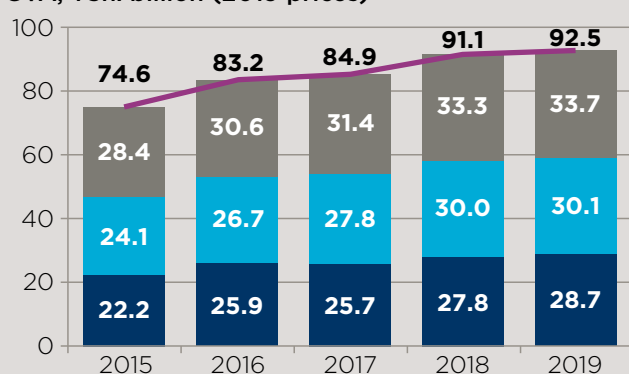


Source: Oxford Economics

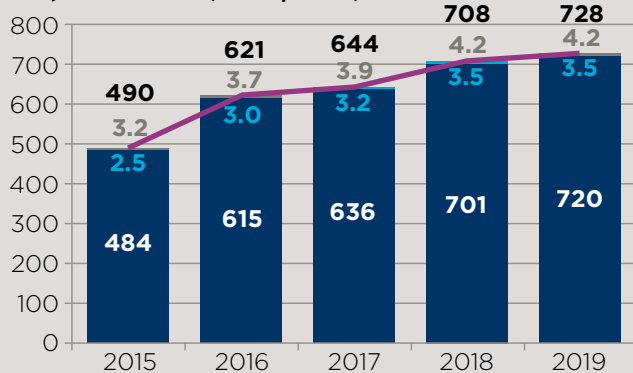
### Evolution of the downstream value chain's economic contribution in Tanzania, 2015-2019

■ Direct ■ Indirect ■ Induced — Total

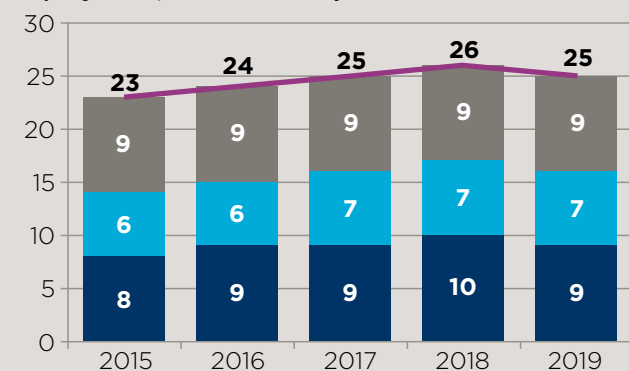
GVA, TSh. billion (2019 prices)



Tax, TSh. billion (2019 prices)



Employment, thousands of jobs



Source: Oxford Economics

# OXFORD ECONOMICS

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## November 2022

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This report pertains to the entire beer sector in Tanzania. The analysis was facilitated by data provided by AB InBev, Carlsberg Group, Heineken, and Molson Coors Beverage Company, as well as data collected by Oxford Economics. This report may not be published or distributed without AB InBev's prior written permission.

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