Macroeconomic Trends and Forecasts

Republic of Tajikistan

Research Department

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Summary

Basic facts:

- Economic growth accelerates to 7.5% YoY in 2019H1:
  - Strong consumption by households
  - Industrial production increase
- Inflation accelerates to 8.7% YoY in June 2019:
  - A hike in food price inflation
- Refinancing rate is down in comparison with end-2018 (raised by 0.7 pp in January, cut by 1.5 pp in June)
- State budget balance deteriorates

Forecast (2019-2021):

- GDP growth at 7.2% in 2019:
  - Credit growth recovery, consumption expands
- GDP growth within 6-7% in 2020-2021:
  - Consolidation of the state budget’s expenditures
- Inflation at 7.9% in 2019.
- Inflation within the NBT’s target interval of (6+/-2%) in 2020–2021
- Refinancing rate decreases in the medium term
Real Sector. GDP Growth Accelerates

Real GDP increases by **7.5% YoY** in 2019H1 (7.3% in 2018):

+ Strong consumption by households
+ Faster growth in industry and agriculture
+ Investments drop

Sources: Statistical agency, authors calculations, EEC
Inflation. Acceleration due to Food Price Inflation Hike

Inflation at **8.7% YoY** in June 2019 (5.4% in December 2018):

- A hike in food price inflation (postponed effects of the low harvest of 2018)
- Non-food inflation is down
- Stability of the Somoni

Inflation
(last month of quarter to the same month of the previous year)

Sources: Statistical agency, NBT
External Sector. Current Account Deficit Decreases

A decrease in the trade deficit:

+ Exports expand, outpace imports
+ Surpluses of primary and secondary incomes accounts increase

Capital inflow to the country:

+ Non-state non-financial sector liabilities

Reserve assets stabilize

Source: NBT
Fiscal Sector. State Budget’s Balance Deteriorates

State budget’s deficit at **0.2% of GDP** in 2019H1 (surplus of 3.0% of GDP in 2018H1):

- Revenues’ decrease (incl. VAT and non-tax revenues)
- Expenditures’ increase (incl. investments in the energy sector)

Sources: Ministry of finance, authors’ calculation
Monetary Sector. Refinancing Rate Decreases

Refinancing rate decreases to 13.25% by end-June 2019 (raised by 0.75 pp in January and cut by 1.5 pp in June):

- NBT points out to non-monetary factors behind inflation

Credit growth resumes

Loan interest rates decrease

Somoni is stable (despite a limited depreciation in August 2019)

Source: NBT
Forecast. Economic Growth Around 6–7% in the Medium Term

EDB expects real GDP growth at 7.2% in 2019. Expansion may moderates in 2019H2:

- Investments in the energy sector may have already peaked

GDP growth is expected to be at 6-7% in 2020-2021

Source: authors’ calculations
Forecast. Inflation Decelerates

Инфляция at 7.9% in 2019

- Food price stabilization
- Low external inflationary pressure

Inflation within the NBT’s target interval (6+/2%) in 2020-2021

Source: authors’ calculations
Forecast. Refinancing Rate Decreases in Line with Inflation

Refinancing rate is cut as inflation decelerates to within the NBT’s new interval. Somoni gradually depreciates as inflation stays higher than in the region.

Sources: authors calculations
## Forecast. Key Macroeconomic Indicators

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<tr>
<td><strong>Consumer price index</strong> (% growth December to previous year’s December)</td>
<td>6.1</td>
<td>6.7</td>
<td>5.3</td>
<td>7.9</td>
<td>5.8</td>
<td>5.3</td>
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<td><strong>GDP in constant prices</strong> (% growth YoY)</td>
<td>6.9</td>
<td>7.1</td>
<td>7.2</td>
<td>7.2</td>
<td>6.3</td>
<td>6.7</td>
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<td><strong>Refinancing rate</strong> (% per annum)</td>
<td>9.8</td>
<td>15.1</td>
<td>14.2</td>
<td>13.8</td>
<td>13.2</td>
<td>12.1</td>
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<td><strong>Nominal Tajik Somoni to U.S. Dollar exchange rate</strong>, TJS per USD (% per annum)</td>
<td>7.8</td>
<td>8.5</td>
<td>9.2</td>
<td>9.6</td>
<td>10.1</td>
<td>10.9</td>
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Note: P - projected  
Sources: authors’ calculations