



NATIONAL BANK OF TAJIKISTAN

Monthly Inflation Review • May 2017

In May, 2017, the inflation showed a decelerate tendency in compare with the previous month and stood at 0,7%. Annual inflation has increased in compare to April by 0,6 p.p. to 8,7%.

According to the analysis, the main factors exceeding inflation forecasted figure (7%) was, firstly, decline in food supply under moderate demand for them. At the same time, in turn of monetary and exchange rate factors resulting recapitalization of problematic banks evoked inflation pressure.

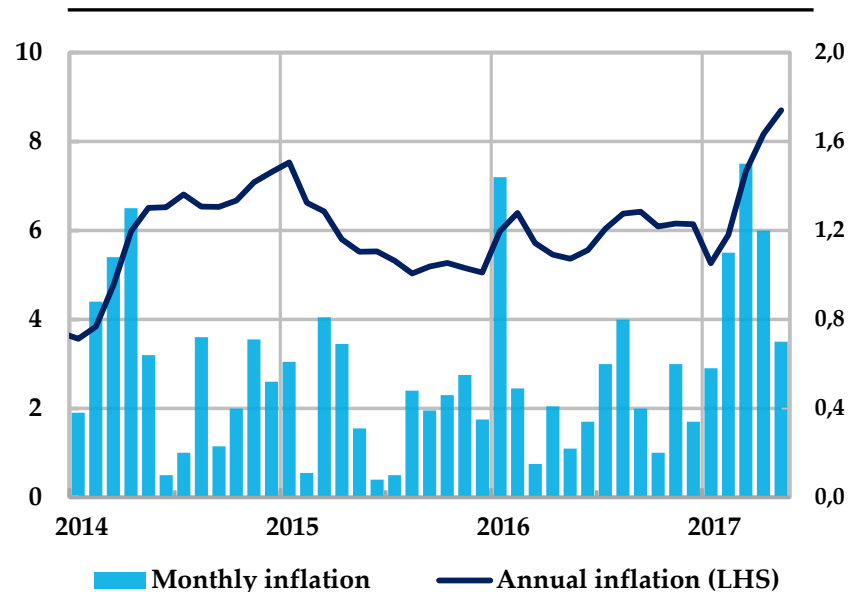
It is necessary to note that the tendency of sharp fluctuation of annual inflation effected the above stated factors during last months are estimated as short-term and temporary factors. The analysis and adjusted projections show that inflation for short-term period, i.e., till the end of current year will be developed to certain level, and for the medium term period can return to the stable for economy level.

In view of this, the National Bank of Tajikistan will continue tight monetary policy for retention of inflation within targeted horizon.

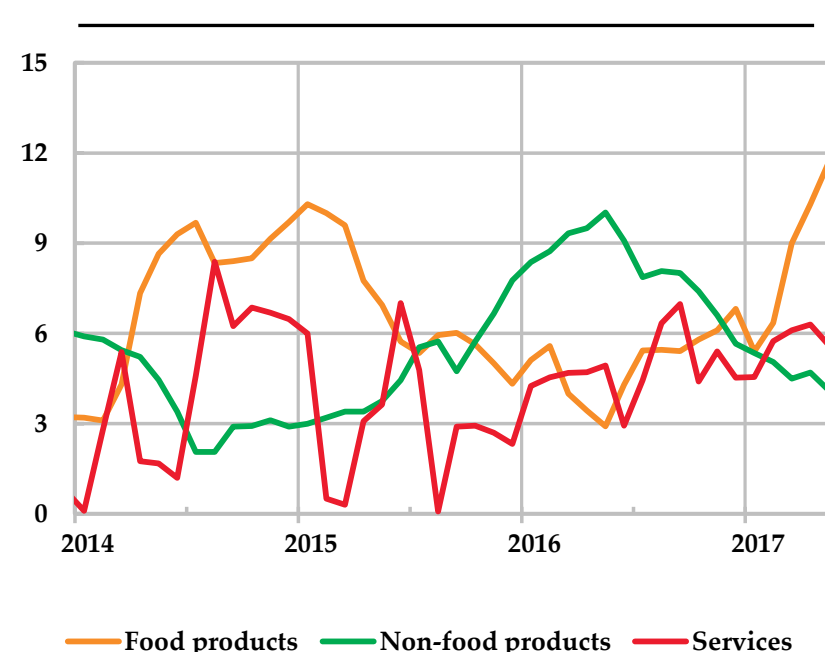
Core inflation² in May had a stable downward tendency and it is annual figure has made 1,4% (0,1% m/m)¹. Taking into account “base effect” the significant contribution has made stable non-food price (clothes and footwear, repair and construction materials), finished foods and services (including consumer services). Nevertheless, in the structure of core inflation among non-food products substantial increase of prices for washing products (2,6% y/y)² and medicines (4,4% y/y) owing to influence of exchange rate fluctuations.

Non-core inflation dynamics (consumer goods excluded from core inflation) showed that decline in raw food products; specifically in May was the main contributing factor to headline inflation deceleration. In the structure of non-core inflation a rise in prices has occurred basically at the expense of prices for meat (5,5% m/m or 12,6% y/y), flour of the first grade (2,4% m/m or 1,3% y/y), sugar (0,8% m/m or 7,3% y/y), potato (10,7% m/m or 2,4 times y/y) and carrots (28,9% m/m or 88,0% y/y). In turn, in May prices for onions -20,1% m/m or 88,6% y/y), cabbage (-1,7% m/m or 44,7% y/y), milk (-2,9% m/m or 0,1% y/y) and eggs (-2,0% m/m or 7,4% y/y) were reduced.

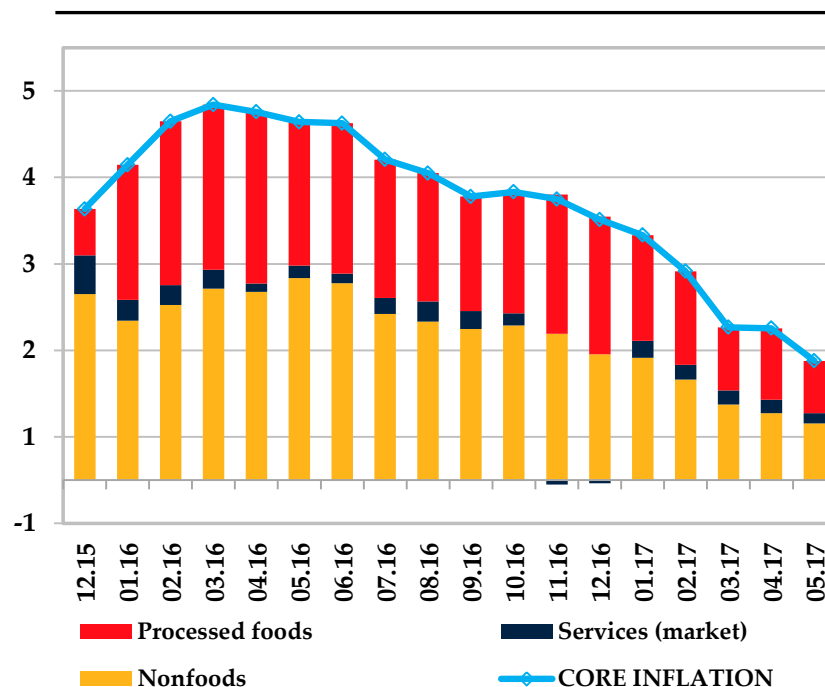
Monthly and annual inflation, in %
(Source: Statistical Agency, NBT)



Contribution of Components to Inflation, in %, annual
(source: Statistical Agency, NBT)



Core and non-core Inflation, in %, annual
(source: Statistical Agency, NBT calculations)

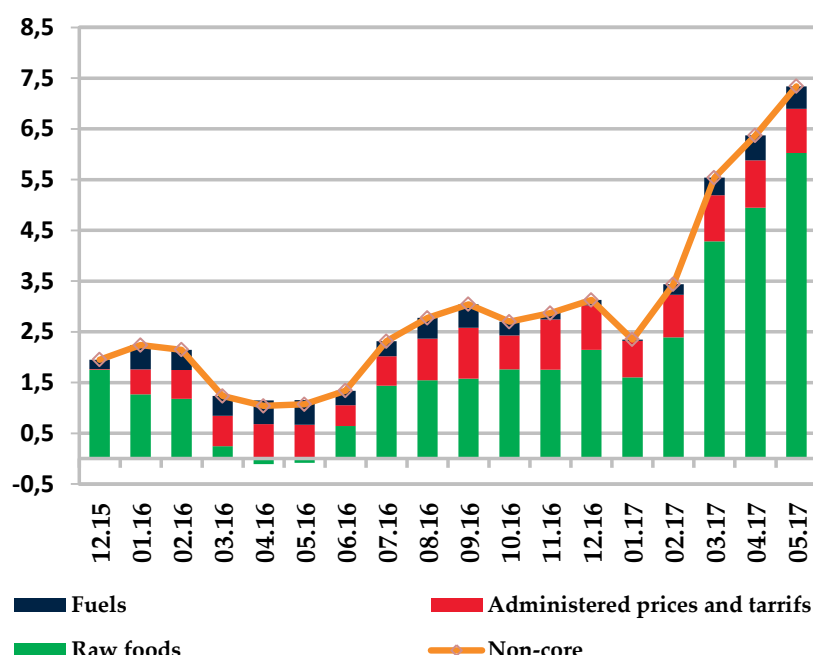


If price rises for meat, potato and vegetables is caused by insufficient production of these products the reasons of price rises for flour of the first grade, sugar and fuel associated with exchange rate or monetary factors.

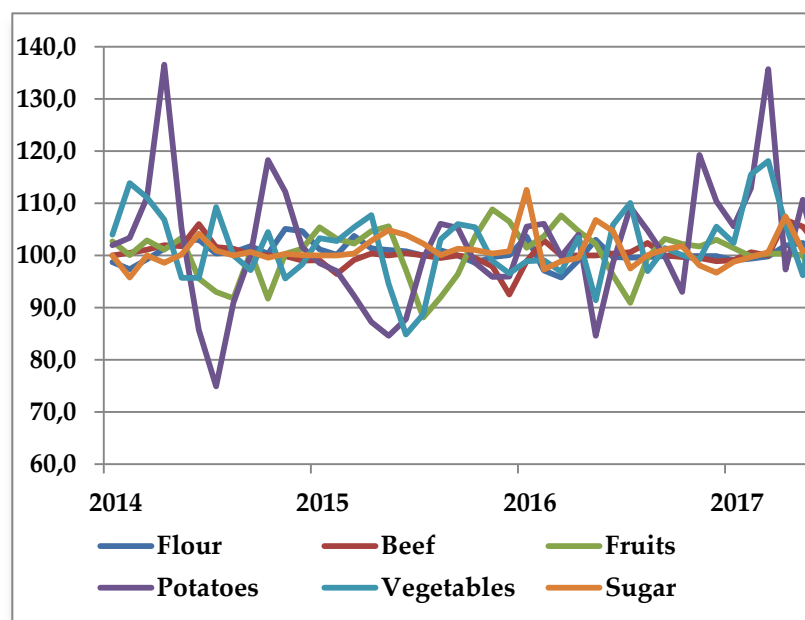
Price reduction for combustible materials to 19,1% y/y is explained by price change for gasoline (1,7% m/m or 26,0% y/y) and liquid gas (-5,5% m/m or 16,4% y/y) due to growth of import and supply of these products.

In the structure of services, prices for transport services in compare to the previous month have developed downward trend as a result of fall in prices for air tickets to Moscow (-1,6% m/m or -0,3% y/y) and utilities (-1,2% m/m or 14,0% y/y).

The National Bank of Tajikistan in order to minimize inflationary pressure will continue implementing tight monetary policy directed on preservation of stable price level for medium term period.



Food price index, in %, annual
(source: Statistical Agency, NBT calculations)



¹ - m/m –month to month (monthly change)
- y/y – year to year (annual change)

² - Core inflation, with a view of an estimation and analysis of ongoing process of change of a price level, is calculated on the data basis of Agency on Statistics under the President of Republic Tajikistan (Statistics Agency) by the National Bank of Tajikistan. As one of components of the common inflations (consumer price index), core inflation reflects a sound and long-term trend of price changes, caused by influence of factors of domestic demand and monetary character. The basic method of calculation of base inflation - method of exceptions which means an exception of separate categories of production and services which have shown greatest volatility, not connected with considerable price changes. The item of products, prices (components) of which are subject to short-term and transitive fluctuations which are independent on influence of non-monetary factors, including supply factors (world prices, environment), seasonal and administrative factors is excluded from consumer price index basket. That is, raw food products, combustible materials and administratively adjustable services are not included at calculation of core inflation.

Consumer price index									
	Weight, %	annual change							May, monthly change, %
		2015	2016	2017					
				January	February	March	April	May	
Inflation	100,0	5,1	6,1	5,3	5,9	7,3	8,1	8,7	0,7
Food and non-alcoholic beverages	55,4	3,8	6,4	4,8	6,0	8,8	10,2	11,8	1,5
Bread and bread products	19,2	9,1	-2,5	-5,2	-4,1	-2,5	-1,0	-1,4	1,6
Rise	3,3	11,6	-9,2	-8,6	-9,5	-13,3	-13,5	-13,7	0,3
Flour	11,9	7,8	-3,0	-7,2	-5,0	-1,0	1,8	1,3	2,4
Meat and meat products	9,0	-10,2	3,7	3,9	2,4	1,8	7,2	11,5	-0,2
Beef	5,9	-14,3	3,2	3,5	1,2	1,3	8,3	14,2	5,5
Eggs	1,5	5,5	12,0	15,4	16,7	7,8	12,8	7,4	-2,0
Milk and dairy products	1,7	7,3	0,4	2,8	3,7	5,1	3,7	2,8	-1,7
Milk	0,5	16,1	-7,2	-1,7	3,4	5,0	0,7	0,1	-2,9
Plant and Animal Oil	5,3	12,7	11,3	6,1	5,8	6,0	6,2	5,8	0,9
Fruit	4,4	12,3	16,7	16,6	12,2	4,6	0,2	-1,8	0,1
Vegetables	7,1	-12,4	16,5	18,6	30,1	58,2	57,2	73,8	1,6
Sugar	2,1	19,3	15,0	1,0	3,4	5,2	13,6	7,3	0,8
Soft drinks	1,1	13,7	19,9	14,2	13,8	10,4	9,5	5,1	0,1
Catering*	0,9	14,9	19,9	19,9	17,9	17,9	17,9	17,9	0,0
Alcoholic beverages and tobacco	1,5	15,9	11,8	12,2	10,0	9,1	8,6	6,2	0,9
Non-food products	27,4	7,9	5,7	5,2	5,0	4,4	4,6	4,0	0,1
Clothes and shoes	9,3	9,2	14,5	14,8	14,0	12,8	11,8	9,8	0,1
Repair and construction materials	3,4	2,2	-0,9	0,0	0,1	0,0	0,5	0,3	0,0
Detergents	1,7	15,5	1,2	1,6	1,6	1,1	1,1	2,6	1,7
Medicine	2,7	24,7	14,1	12,9	7,4	3,9	3,8	4,4	0,2
Petrol vehicles lubrication products	2,1	-7,0	2,9	-1,1	6,8	14,7	21,5	19,1	-0,9
Other Heating Products	1,4	19,0	3,0	3,5	4,4	2,5	2,5	2,5	0,0
Vehicle	0,7	-2,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other personal effects	1,3	7,6	7,1	6,8	5,3	5,1	5,0	5,2	0,2
Services	14,8	2,2	4,5	5,0	5,8	6,2	6,3	5,6	-0,8
Housing and communal	5,1	3,2	9,8	6,7	9,6	12,4	13,3	12,3	-1,0
Rental of property	0,1	14,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Water and garbage collection fee	0,6	20,1	5,1	6,6	9,8	7,3	7,3	7,3	0,0
Electricity	2,8	0,0	28,6	16,3	16,3	16,3	16,5	16,5	0,0
Hot water	0,0	14,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Gas	1,0	-6,3	-6,6	-9,4	0,9	13,5	17,5	12,3	-4,8
Transport	4,1	-2,3	-1,4	1,7	1,4	0,2	-0,3	-0,5	-1,6
communication	1,8	0,8	0,0	1,3	1,3	1,3	1,3	1,3	0,0
Education	1,5	2,6	11,3	15,0	15,5	15,5	15,5	15,5	0,0
Health	0,8	14,0	1,9	3,6	1,7	1,7	1,7	1,7	0,0
Household	1,7	12,3	5,2	5,8	5,8	6,0	6,0	3,3	0,0

* - The dining room, café and restaurant