



NATIONAL BANK OF TAJIKISTAN

Monthly Inflation Review • August 2017

As expected, the headline inflation (YoY) in August, 2017 has significantly decelerated compare to July (8,9%) and reached 7,7%. In view of this, the inflation (YoY) showing deflationary trend and made -0,3%, declining compare the the same month of last year by 1,1 percentage points (p.p). It should be noted that the given indicator is the lowest during several last years.

The observed inflation occurred owing to stabilizing food prices in line with heavy harvest of vegetables and their supply, along with anti-inflation monetary policy implementation, stability in the internal exchange market and exchange rate.

The dynamics of consumer prices shows that the share of non-foods and services prices in the developed inflation, as before, continues to keep the ordinary behavior. Share of foods in line with decline in the output and inadequate supply of some foods earlier accelerated inflation, owing to significantly influence of supply-side factor and balancing in the internal market demonstrated downward tendency.

The annual inflation upsurge has reflected short term and temporary development, i.e., by the end of the current year inflation is likely to slow to the target rate and confidential interval (7,0% ± 2)*.

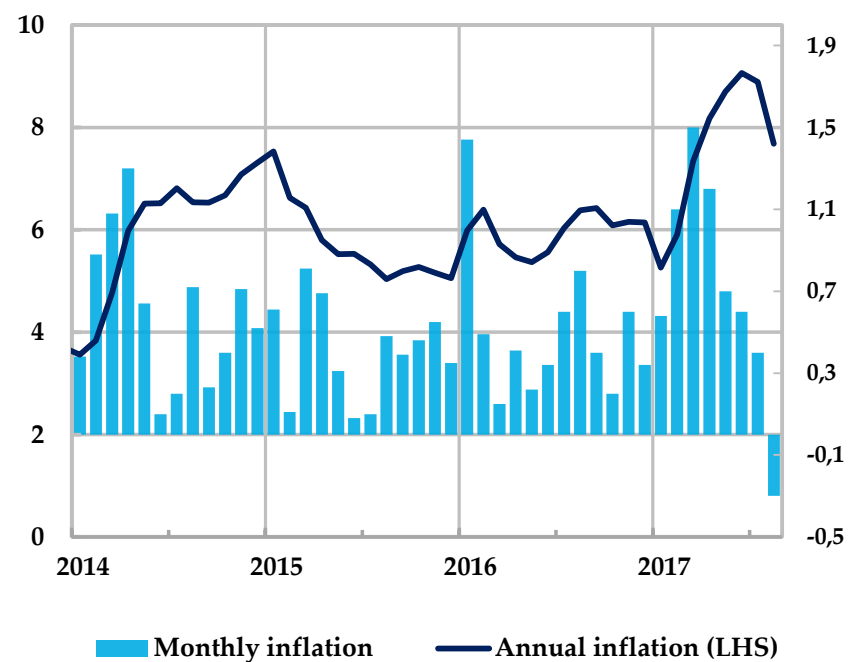
The National Bank of Tajikistan implements transparent and prudent monetary policy by using monetary and exchange rate policy tools, primarily refinancing rate to regulate money supply and to eliminate pressure on price for achieving inflation target.

Core inflation rate** in August, 2017 has developed negatively, and reached 1,9% (YoY) (0,1 m/m)². The main reason for this tendency is stabilizing of prices for foods (bread and bakery products, meat and meat products, milk and dairy products, vegetative and animal oil), non-foods (washing liquids, vehicles and medicines) and services which included in core inflation (personal services).

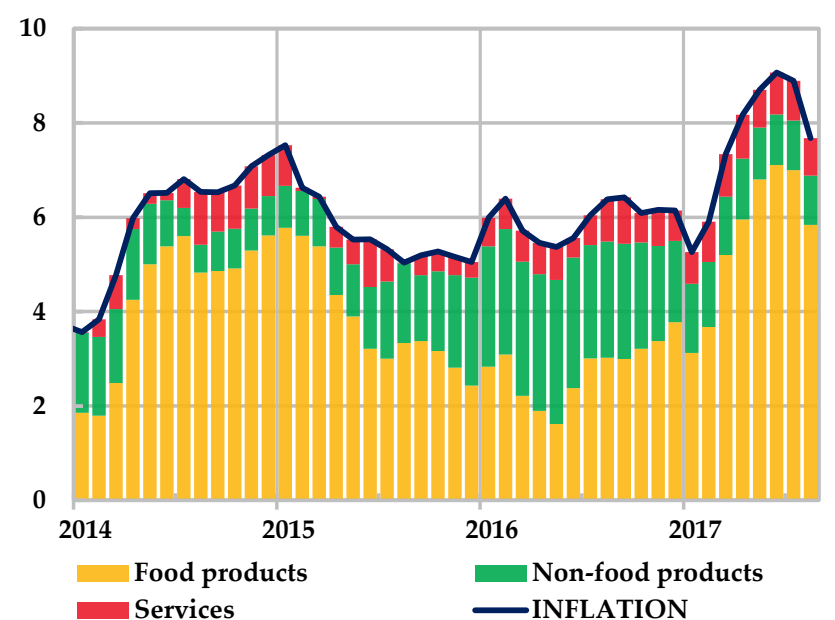
In the dynamics of change of non-core inflation (group of consumer prices, which are excluded core inflation) in August, 2017 compare to the previous month declined due to drop in price of raw goods, particularly for potato (-6,8% m/m or 1,8 times y/y), onions (-21,9% m/m or 2,8 times y/y), carrots (-15,5% m/m or 103,4% y/y), cabbage (-18,2% m/m or 1,3 times y/y) and tomato (-6,1% m/m or -1,1 times y/y) has occurred. Also in August the prices for such foods as flour, eggs, fruit, granulated sugar, etc. tended to reduction.

The prices for combustible materials in August tended slightly increase (2,9% m/m or 12,6% y/y), which is linked to seasonal fall of their import. The given factor has temporary and short-term

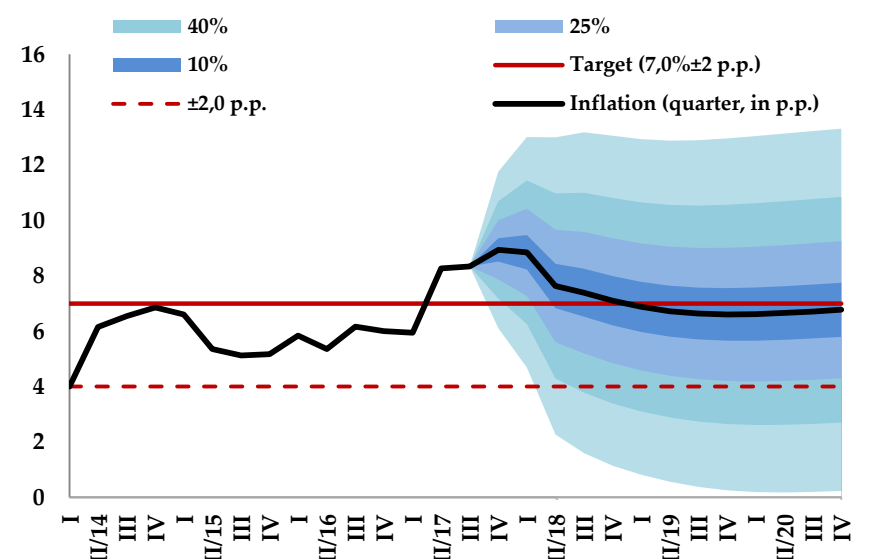
Monthly and Annual Inflation, in %
(source: Statistical Agency, NBT)



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



Medium term Inflation Target, in %, annual
(source: Statistical Agency, NBT calculations)

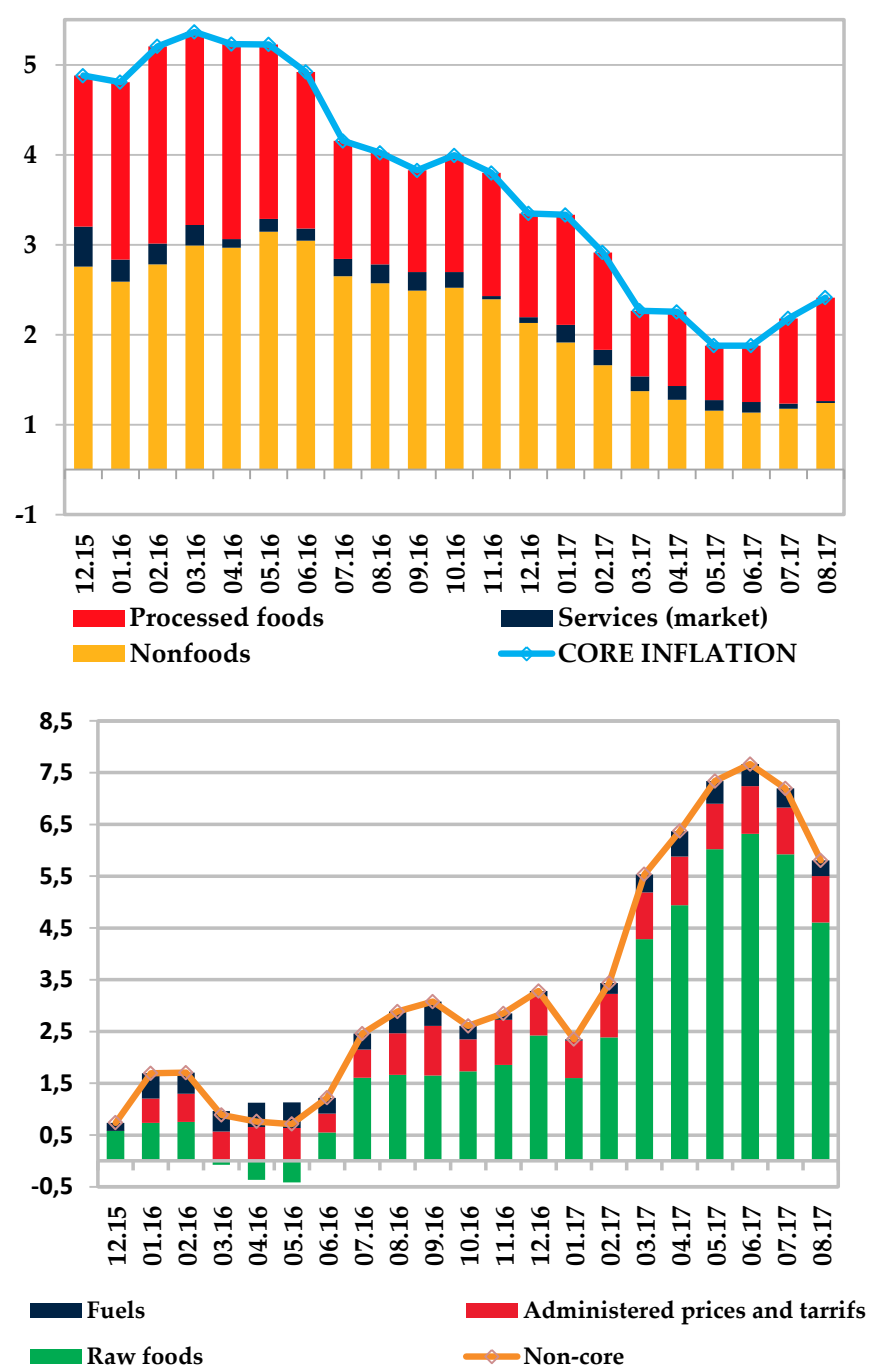


nature. After end of preventive works in the countries of exporters of combustible materials the prices for fuel will return to previous level.

The prices for administrative services in August in general compare with the last month have slightly risen and have developed with a positively (6,6% m/m). In structure of administrative services growth of cost of transport services, specifically price rise of air tickets in a direction of Dushanbe - Moscow (28,8% m/m or 27,9% y/y). Meanwhile, because of influence of short-term factors cost of air tickets in a direction of Dushanbe - Khujand has fallen (0,0% m/m or -24,3 y/y).

The National Bank of Tajikistan will continue the implementation of balanced monetary policy to achieve stable price level in the medium term period.

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



¹- y/y – year to year (annual change)

² - m/m –month to month (monthly change)

* At the next session of NBT Monetary Policy Committee which has taken place on August 2, 2017, for the purpose of transition from monetary targeting mode to inflationary targeting mode NBT has established and published a inflation target indicator for medium-term period.

** - Core inflation, which reflects the long-term tendency of the prices without influence of short-term fluctuations the calculated by the NBT with a view of estimation and analysis of constant process of change of a price level on the basis of State Statistical Agency under the President of the Republic of Tajikistan data. As one of components of common inflations (Consumer Price Index), core inflation reflects a steady and long-term trend of change of prices, caused by influence of factors of internal demand and monetary character. The basic method of calculation of core inflation - exclusion method which means exclusion of separate categories of production and services which have shown greatest volatility, not connected with considerable price changes. The item of products, prices (components) 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										August, monthly change, %
		2015	2016	2017								
				January	February	March	April	May	June	July	August	
Inflation	100,0	5,1	6,1	5,3	5,9	7,3	8,1	8,7	9,1	8,9	7,7	-0,3
Food and non-alcoholic beverages	55,4	3,8	6,4	4,8	6,0	8,8	10,2	11,8	12,3	12,2	10,2	-1,5
Bread and bread products	19,2	9,1	-2,5	-5,2	-4,1	-2,5	-1,0	-1,4	-1,4	-1,9	-1,9	0,1
Rise	3,3	11,6	-9,2	-8,6	-9,5	-13,3	-13,5	-13,7	-13,9	-13,3	-12,9	1,1
Flour	11,9	7,8	-3,0	-7,2	-5,0	-1,0	1,8	1,3	1,5	0,8	0,9	-0,2
Meat and meat products	9,0	-10,2	3,7	3,9	2,4	1,8	7,2	11,5	12,4	14,2	12,8	0,0
Beef	5,9	-14,3	3,2	3,5	1,2	1,3	8,3	14,2	15,1	16,9	14,7	0,4
Eggs	1,5	5,5	12,0	15,4	16,7	7,8	12,8	7,4	8,9	2,2	0,6	-1,6
Milk and dairy products	1,7	7,3	0,4	2,8	3,7	5,1	3,7	2,8	4,0	3,6	4,3	1,4
Milk	0,5	16,1	-7,2	-1,7	3,4	5,0	0,7	0,1	4,7	3,7	4,8	2,1
Plant and Animal Oil	5,3	12,7	11,3	6,1	5,8	6,0	6,2	5,8	5,0	4,1	4,5	0,6
Fruit	4,4	12,3	16,7	16,6	12,2	4,6	0,2	-1,8	-6,0	-13,8	-8,0	6,3
Vegetables	7,1	-12,4	16,5	18,6	30,1	58,2	57,2	73,8	79,5	77,5	58,6	-11,1
Sugar	2,1	19,3	15,0	1,0	3,4	5,2	13,6	7,3	3,9	12,5	7,8	-4,1
Soft drinks	1,1	13,7	19,9	14,2	13,8	10,4	9,5	5,1	5,9	5,5	5,1	0,3
Catering*	0,9	14,9	19,9	19,9	17,9	17,9	17,9	17,9	17,9	14,3	14,3	0,0
Alcoholic beverages and tobacco	1,5	15,9	11,8	12,2	10,0	9,1	8,6	6,2	8,1	6,7	6,8	1,1
Non-food products	27,4	7,9	5,7	5,2	5,0	4,4	4,6	4,0	3,9	3,8	3,8	0,7
Clothes and shoes	9,3	9,2	14,5	14,8	14,0	12,8	11,8	9,8	9,4	9,5	9,1	0,4
Repair and construction materials	3,4	2,2	-0,9	0,0	0,1	0,0	0,5	0,3	0,9	0,4	2,2	0,9
Detergents	1,7	15,5	1,2	1,6	1,6	1,1	1,1	2,6	2,6	3,5	3,5	0,0
Medicine	2,7	24,7	14,1	12,9	7,4	3,9	3,8	4,4	4,1	4,1	3,5	0,0
Petrol vehicles lubrication products	2,1	-7,0	2,9	-1,1	6,8	14,7	21,5	19,1	18,4	15,6	12,6	2,9
Other Heating Products	1,4	19,0	3,0	3,5	4,4	2,5	2,5	2,5	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	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	5,2	6,0	8,4	2,3
Services	14,8	2,2	4,5	5,0	5,8	6,2	6,3	5,6	6,0	5,6	5,3	2,5
Housing and communal	5,1	3,2	9,8	6,7	9,6	12,4	13,3	12,3	11,9	11,4	10,7	1,8
Rental of property	0,1	14,3	0,0	0,0	0,0	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	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	16,5	16,8	16,8	0,0
Hot water	0,0	14,6	0,0	0,0	0,0	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	10,8	9,0	6,5	7,2
Transport	4,1	-2,3	-1,4	1,7	1,4	0,2	-0,3	-0,5	1,1	0,9	1,2	6,6
communication	1,8	0,8	0,0	1,3	1,3	1,3	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	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	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	2,2	2,2	2,2	0,0

* - The dining room, café and restaurant