

National Bank of Tajikistan has reduced the refinancing rate by 14,75 % per annum

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At the following meeting the Monetary Policy Committee of National Bank of Tajikistan (henceforth Committee), since January 23, 2018, have decreased the refinancing rate by 1.25 percentage points and established at 14.75% per annum. The decision has been made due to reduction of inflation risks and moving of inflation level to targeted indicator at 7,0% (± 3 p.p.).

According to statistical data the level of inflation in the second quarter of 2017 has increased to 6,7% that in comparison with the same period of last year has changed by 0,6%. According to estimations, the share of foodstuffs in the annual inflation has made 4,3%, non-foodstuffs - 1,2%, and services - 1.2%. Factors influenced the process of price changes have related to seasonal shortages and proposals, especially in the result of rising prices for vegetables (potatoes, carrots, onions) in the first half of the year. At the same time, the increase of monetary indicators due to decision on capitalization of problem banks to some extent has caused inflation and exchange rate pressures in the first half of 2017.

In this regard, appropriate measures of monetary policy have mitigated monetary pressure during the year. The analysis shows that the core inflation level reflecting long-term price fluctuations without short-term fluctuations, has grown up to 1.66% in 2017, proving a limited impact of monetary factors.

In general, an inflation rate has affected non-monetary factors, seasonal and short-term factors and this index has been significantly lower within the range of projected target indicator.

It is expected that at the beginning of the year there will be short-term changes due to influence of seasonal factors and the inflation rate will remain at the range of targeted indicator in the medium term (7,0% $\pm 2\%$).

Furthermore, along with rising oil prices in the global markets, stability of Russian ruble and relatively stable demand of credit institutions on foreign currency through its excess ensuring by the National Bank of Tajikistan, the probable increase of remittances from labor migrants in the beginning of current year and slightly reduction of external factors to macroeconomic indicators, particularly inflation and exchange rate risk are observed.

In medium term the probable increase of demand for investment and consumption expenditures related to implementation of investment projects, rising administration prices, financial instability in world markets and negative risk of inflation expectations could impact on prices level.

In view of relatively low inflation expectations, reduction of external impacts and gradual stabilization of macroeconomic situation, the National Bank of Tajikistan has lowered the refinancing rate to 14.75% per annum.

It is worth to mention that the refinancing rate specially utilizes to assist the effectiveness of interest instruments for monetary transactions, effective liquidity management and implementation of consistent monetary policy for providing price stability.

The National Bank of Tajikistan concerning to current macroeconomic situation and a level of demand, will continue to analyze and monitors the impact of external factors and inflation projections and accordingly will consider the monetary policy instruments in subsequent meetings of the Committee.

The National Bank of Tajikistan will continue to pursue the consistent monetary policy to achieve a stable level of prices in the medium term.

The next meeting of the Monetary Policy Committee of the National Bank of Tajikistan will be held in accordance with the Plan of Monetary Policy Committee of the National Bank of Tajikistan and, if necessary, the next decision on changes will be announced on the official website of National Bank of Tajikistan.

Press Division of NBT