NATIONAL BANK OF TAJIKISTAN

Monthly Inflation Review●December 2017

Official statistical data indicates that headline inflation reached 0,3% in December 2017 and remained stable in compare to the same month of the previous year.

It should be noted that headline inflation was mainly driven by the influence of short-term seasonal factors, promoting rise in prices of some food products.

The inflation in 2017 stood slightly below the targeted range (7,0%) for medium term, reaching 6,7%.

The main positive factors behind of a stable inflation were firstly, active anti-inflation monetary policy, stable domestic demand level, slightly stabilization of national currency's rate and decline of inflation expectations in the second half of year.

The consumer prices index shows that the share of non-food products and services in the detected inflation continues their previous tendency. The share of price changes in food products associated with significant influence of seasonal and supply factors, i.e., inadequate output and supply of some food products in the 1st half year of 2017. The share of food products in the annual inflation (2017) has made 4,3 p.p., non-food products 1,2 p.p. and services 1,2 p.p.

The National Bank of Tajikistan implements transparent and consecutive monetary policy, using monetary and exchange tools, primarily refinancing rate to regulate money supply and to eliminate of inflationary pressure for achieving targeted inflation indicator.

Core inflation* that reflected long-term price trend without short-term fluctuations in December of the current year has made 0,1 percent (m/m) and 1,6% (y/y)., driven by slightly stable level of prices for finished food products (meat and dairy products), non-food products (washing means and medicine) and services (including, consumer services).

Non-core inflation (group of consumer prices excluded core inflation) in December, 2017 shows decline in prices of some raw food products, particularly price fall for carrots (-16,6% m/m or -8,1% y/y), cabbage (-8,3% m/m or 17,0% y/y), potato (-1,5% m/m or 1,5
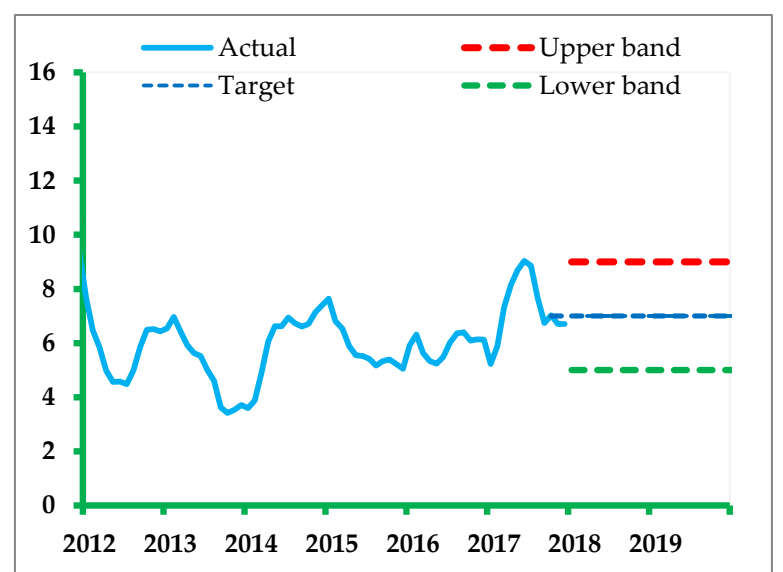
Monthly and Annual Inflation, in %
(source: Statistical Agency, NBT)
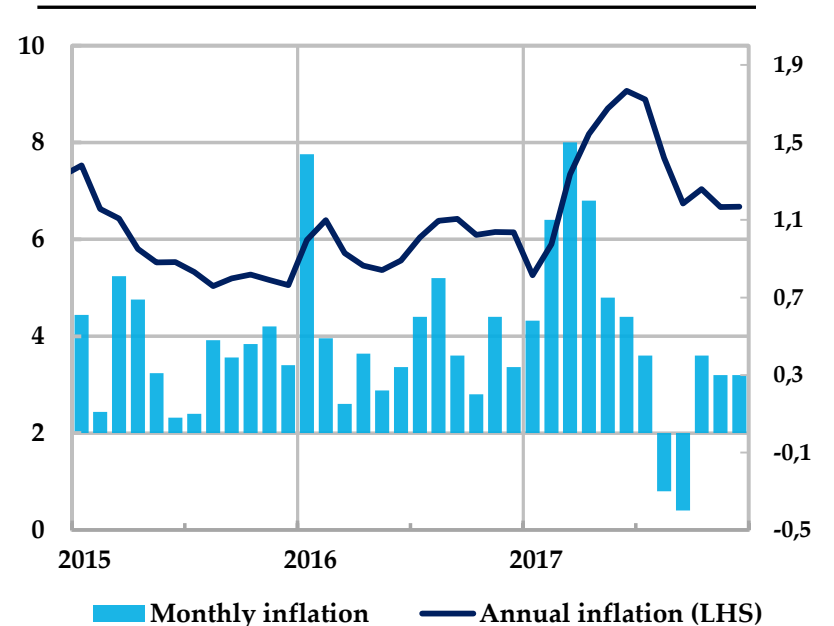
Contribution of Components to Inflation, in %, annual
(source: Statistical Agency, NBT)
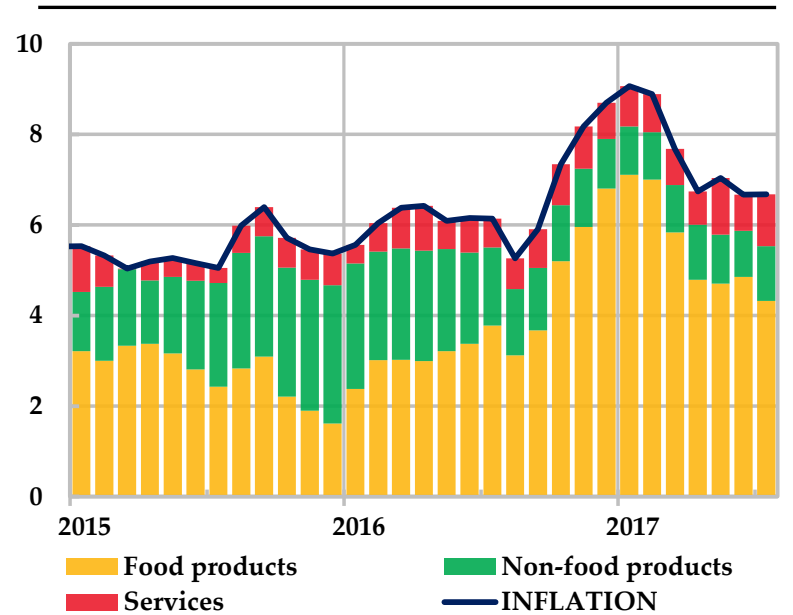
Medium term Inflation Target, in %, annual
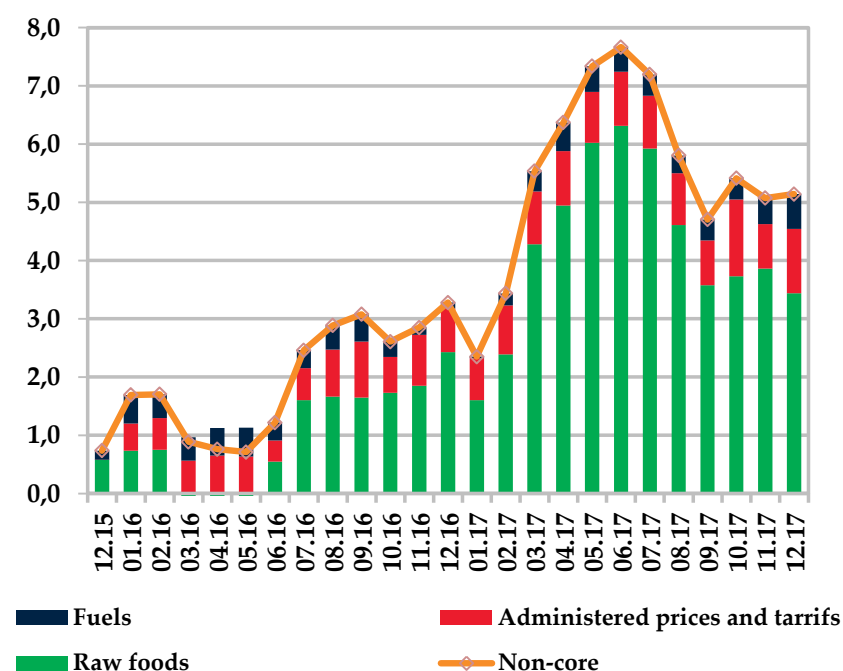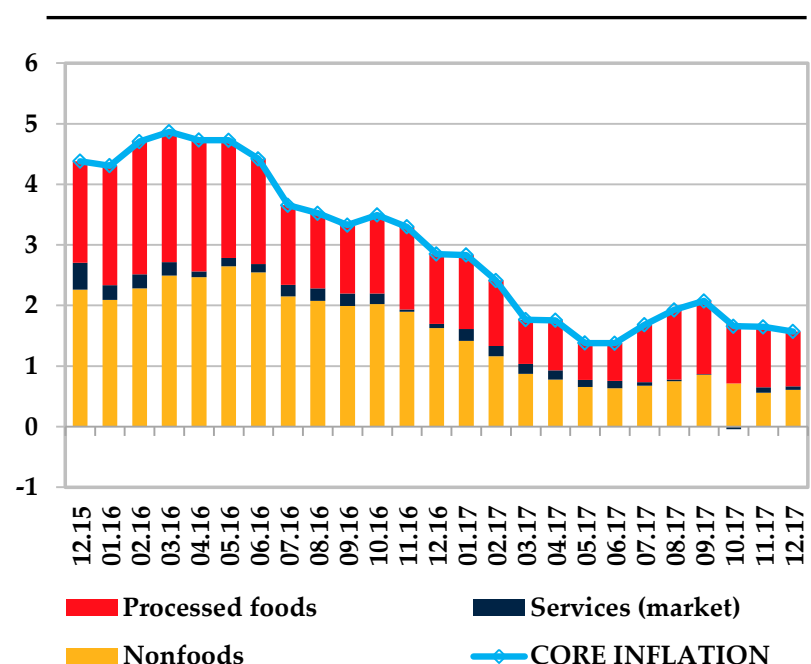(source: Statistical Agency, NBT calculations)

times y/y), meat (-2,1% m/m or 14,7% y/y) and sugar (-4,0% m/m or -6,0% y/y). At the same time, in December due the influence of seasonal and supply factors, prices for cucumber (14,8% m/m or 2,2 times y/y), pumpkin (5,1% m/m or 6,6% y/y), eggs (4,7% m/m or 1,0% y/y) and grapes (1,4 times m/m or 26,1% y/y) had increased.

The prices for combustible materials in December has risen (5,2% m/m or 27,7% y/y) due to rise in prices of combustibles materials in the exporting countries, which has temporary and short-term nature.

The prices for administrative services in the given month regardless of decline of prices for transport services (-0,4% m/m or 2,8% y/y) has developed with positive indicator (0,1% m/m or 1,1% y/y).

The National Bank of Tajikistan will take necessary actions for maintenance of efficient monetary policy and achievement of a stable price level in the medium term period.

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

| Processed foods | Services (market) |
| Nonfoods | CORE INFLATION |

| Fuels | Administered prices and tarrifs |
| Raw foods | Non-core |

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[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																
				annual change												December, monthly change, %
		2015	2016	2017												
	Weight, %			January	February	March	April	May	June	July	August	September	October	November	December	
Inflation	**100,0**	**5,1**	**6,1**	**5,3**	**5,9**	**7,3**	**8,1**	**8,7**	**9,0**	**8,9**	**7,7**	**6,7**	**7,0**	**6,7**	**6,7**	**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**	**8,4**	**8,3**	**8,6**	**7,7**	**0,1**
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	-1,1	-0,8	-0,8	-0,8	-0,4
Rise	3,3	11,6	-9,2	-8,6	-9,5	-13,3	-13,5	-13,7	-13,9	-13,3	-12,9	-12,1	-10,5	-7,8	-6,9	-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	1,8	1,6	0,7	0,3	-0,4
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	12,7	13,4	14,0	13,8	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	14,4	14,9	15,8	14,7	-2,1
Eggs	1,5	5,5	12,0	15,4	16,7	7,8	12,8	7,4	8,9	2,2	0,6	3,3	-11,6	-10,2	1,0	4,7
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	4,7	2,8	5,0	4,4	1,0
Milk	0,5	16,1	-7,2	-1,7	3,4	5,0	0,7	0,1	4,7	3,7	4,8	6,4	1,1	8,4	6,3	0,0
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	5,0	3,6	4,7	1,3	-0,9
Fruit	4,4	12,3	16,7	16,6	12,2	4,6	0,2	-1,8	-6,0	-13,8	-8,0	-8,2	-4,6	-5,2	-1,8	6,8
Vegetables	7,1	-12,4	16,5	18,6	30,1	58,2	57,2	73,8	79,5	77,5	58,6	43,6	48,3	49,3	40,2	-0,7
Sugar	2,1	19,3	15,0	1,0	3,4	5,2	13,6	7,3	3,9	12,5	7,8	1,3	-5,8	-6,0	-6,7	-4,0
Soft drinks	1,1	13,7	19,9	14,2	13,8	10,4	9,5	5,1	5,9	5,5	5,1	4,9	2,8	2,4	1,6	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**	**4,9**	**2,5**	**5,7**	**2,7**	**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**	**6,9**	**6,7**	**6,6**	**6,2**	**0,2**
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**	**4,4**	**3,9**	**3,7**	**4,4**	**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	9,8	9,2	9,0	9,2	0,3
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	2,3	2,1	2,6	2,4	0,1
Detergents	1,7	15,5	1,2	1,6	1,6	1,1	1,1	2,6	2,6	3,5	3,5	2,4	2,5	2,5	4,0	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	3,5	3,1	0,2	1,0	0,7
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	15,4	15,9	19,8	27,7	5,2
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	2,5	2,2	1,9	0,9	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	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	11,1	8,7	8,1	8,6	0,5
Services	**14,8**	**2,2**	**4,5**	**5,0**	**5,8**	**6,2**	**6,3**	**5,6**	**6,0**	**5,6**	**5,4**	**5,0**	**8,5**	**5,4**	**7,7**	**0,9**
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	12,3	19,6	13,2	17,5	2,7
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	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	7,3	4,5	9,1	9,1	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	16,8	33,4	14,7	14,7	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	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	13,3	11,3	19,3	40,1	12,2
Transport	4,1	-2,3	-1,4	1,7	1,4	0,2	-0,3	-0,5	1,1	0,9	1,2	0,2	3,2	-0,2	2,8	-0,4
communication	1,8	0,8	0,0	1,3	1,3	1,3	1,3	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	5,3	5,3	5,3	5,3	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	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	2,9	2,9	2,1	1,1	0,0

* - The dining room, café and restaurant