



NATIONAL BANK OF TAJIKISTAN

Monthly Inflation Review • September 2017

According to statistical data, inflation in September, 2017, like in previous month, continued to decelerate showing deflationary trend of -0,4%, 0,8 percentage points (p.p.) less compare the same month of last year. Annual inflation in comparison with the last month (7,7%) has decreased by -1,0 p.p. to 6,7%. The given indicator has developed below expected level that testifies to stabilizing aggregates supply and demand, and accelerated returning of inflation to target indicator. It is necessary to notice that the inflation has negative trend for the last two months.

Influence of short-term seasonal factors, especially services, reduction and stabilization of prices for food products (vegetables) as a result of harvesting of a bountiful autumn crop and growth of its supply, along with anti-inflation monetary policy, a stable situation in the internal currency market and stability of the exchange rate have caused relative decrease in inflationary expectations and inflation rate.

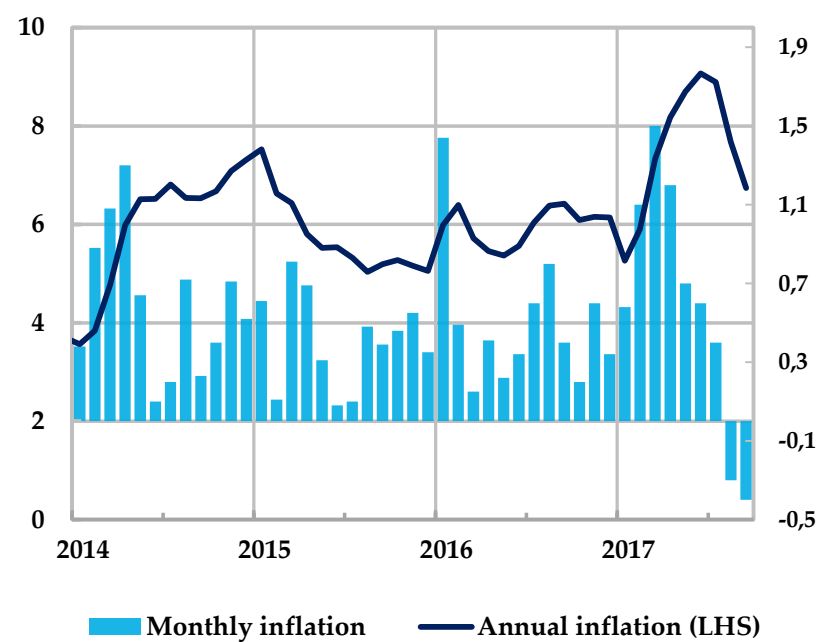
The tendency of consumer prices shows that the share of non-foods and services to the developed inflation, as before, continues to keep the ordinary behavior. The share of food products because of substantial influence of seasonal and supply-side factors, i.e. to decline in production and inadequate supply of some foods have promoted rise in prices in the first half of the year, it demonstrated the down tendency.

According to data the rise in prices for tariffs of housing-and-municipal services, including tariffs for electric power and water is planned in the fourth quarter of current year, which will substantially influence to inflation rate.

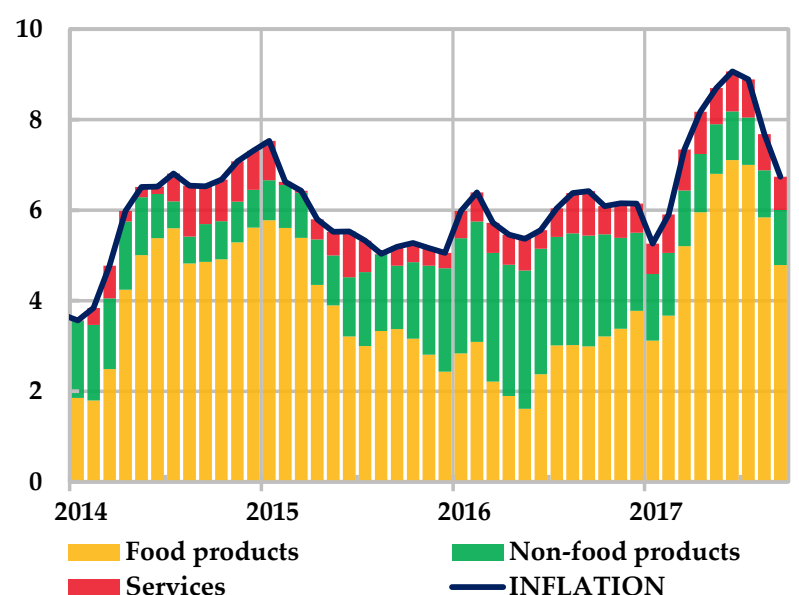
Nevertheless, according to the analyses and forecasts it expected that the inflation rate in 2017 and in the medium term will hover around within targeted indicator (7,0%).

The National Bank of Tajikistan implements transparent, consecutive monetary policy by using monetary and exchange rate tools, primarily refinancing rate, directed on regulation of money supply and elimination of pressure on price level, also to achieve inflation target.

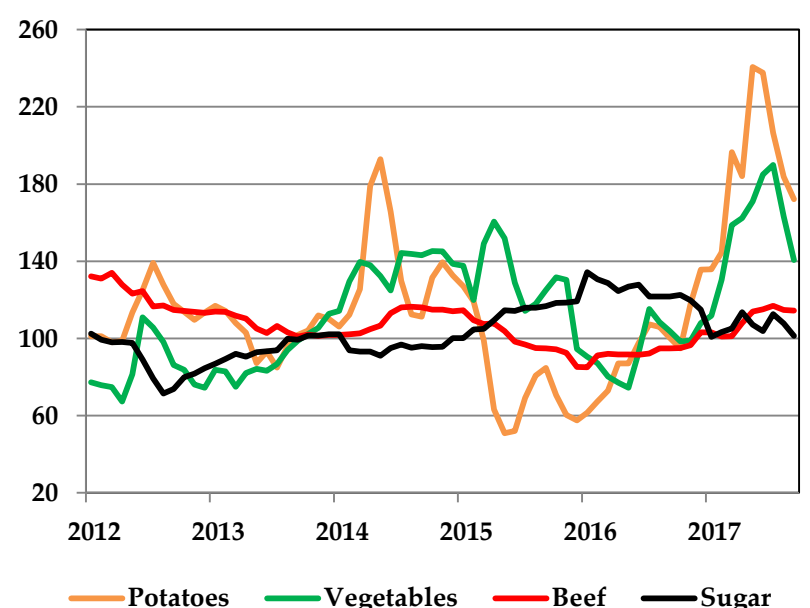
Monthly and Annual Inflation, in %
(source: Statistical Agency, NBT)



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



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



Core inflation rate,* which reflected the long-term tendency of the prices without short-term fluctuations, in September of current year has developed negatively (-0,1% m/m)², and has reached 2,1% (YoY). On this process stabilization of prices for food production (meat and meat products, milk and dairy products, vegetative and animal oil), non-food production (washing liquids, vehicles and medicines) and services (including personal services), made significant contribution.

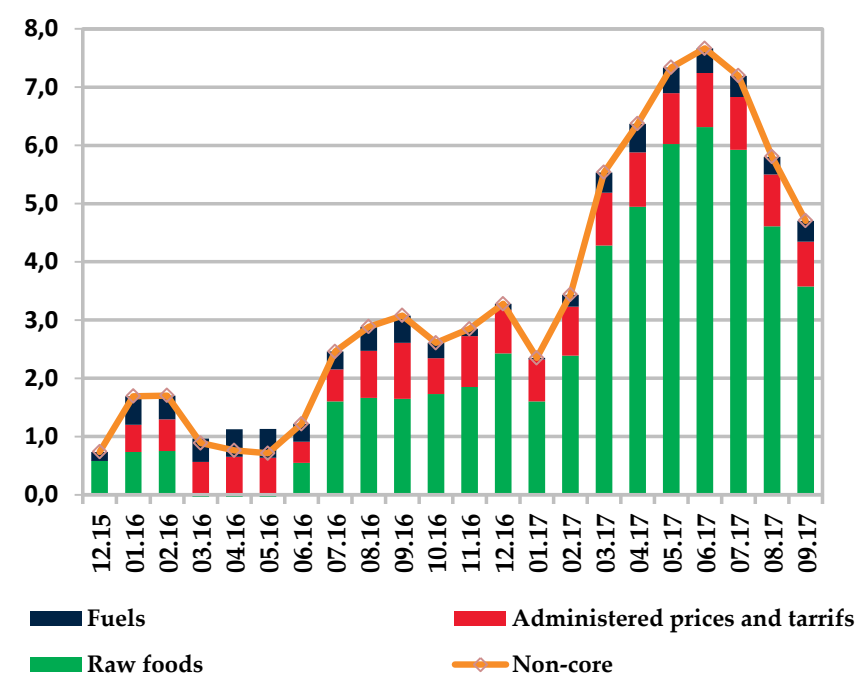
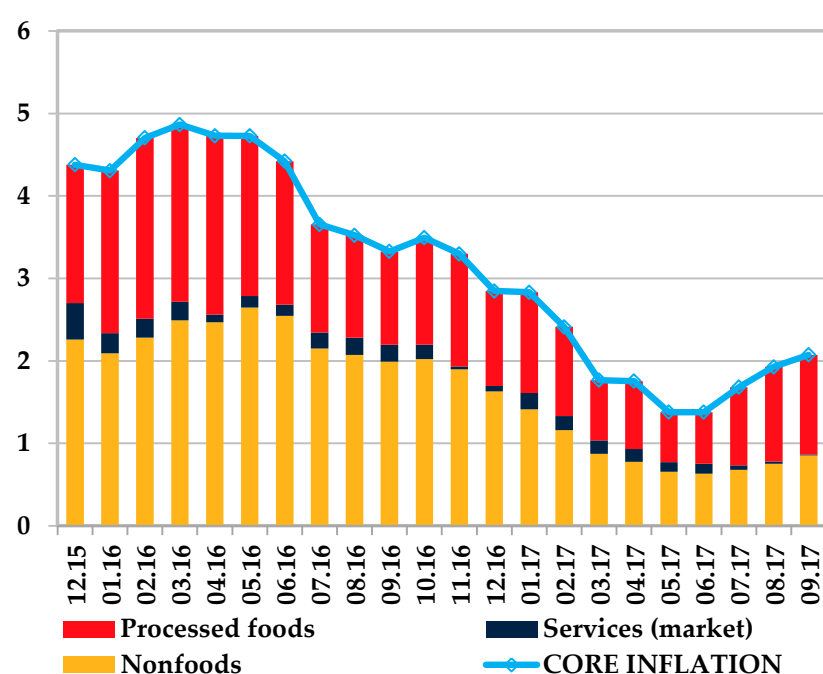
In the dynamics of change of non-core inflation (group of consumer prices, which are excluded core inflation) in September of the current year in comparison to the previous month decline owing to drop in prices of raw food production, particularly prices for potato (-6,5% m/m or in 1,7 times y/y), onions (-15,9% m/m or 2,1 times y/y), carrots (-11,4% m/m or 1,4% y/y), cabbage (-7,2% m/m or 24,9% y/y), cucumbers (-9,8% m/m or 1,5 times y/y) and tomatoes (-7,4% m/m or -30,3% y/y). Also in September such food production, as fruit, granulated sugar, etc. tended to reduction of price.

The prices for combustible materials in September tended slightly increase (3,8% m/m or 15,4% y/y), which is connected to seasonal reduction of their import. The given factor has temporary and short-term development.

The prices for administrative services in September in general in comparison with the last month have raised and developed positively (4,2% m/m or 1,0 times y/y). The given decrease has occurred mainly affects nonmonetary factors, as a result of essential fall in cost of transport services, air services (-14,1% m/m or 1,1 times y/y).

The National Bank will continue implement the balanced monetary policy for achievement of a 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 | | | | | | | | | | | September, monthly change, % | |
| | | 2015 | 2016 | 2017 | | | | | | | | | | |
| | | | | January | February | March | April | May | June | July | Август | September | | |
| 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 | -0,4 | |
| 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 | -1,1 | |
| 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 | |
| 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 | 1,3 | |
| 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 | 0,8 | |
| 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 | 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 | -0,2 | |
| 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 | 3,4 | |
| 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 | 0,5 | |
| 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 | 1,6 | |
| 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 | 0,5 | |
| 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 | 2,9 | |
| 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 | -8,9 | |
| 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 | -4,9 | |
| 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 | 0,0 | |
| 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 | 0,2 | |
| 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 | 0,4 | |
| 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 | 0,8 | |
| 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 | 0,7 | |
| 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 | 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 | 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 | 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 | 15,4 | 3,8 | |
| 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 | 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 | |
| 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 | 2,7 | |
| 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 | -0,4 | |
| 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 | 2,1 | |
| 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 | |
| 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 | 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 | 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 | |
| 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 | 9,1 | |
| 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 | -4,2 | |
| 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 | 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 | 1,5 | |
| 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 | 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 | 0,9 | |

* - The dining room, café and restaurant