



NATIONAL BANK OF TAJIKISTAN

Monthly Inflation Review • August 2018

In August, 2018 monthly headline inflation has persisted moderate tend (totaled 0.8% m/m basis, increasing by 1.1 percentage points y/y)¹ and fluctuated within targeted horizon of inflation.

Inflation was mainly driven by rise in prices for foodstuffs of 1.1% (share in inflation 0.6 p.p.) and services by 1.2% (0.2 p.p.). Meanwhile, prices for non-food products have remained unchanged.

The upsurge inflation associated with short-term seasonal effect owing to increase in cost of air services by 16.7% and prices for some consumer goods (first grade flour, rice, beef, carrots, cabbage, tomatoes, etc.) under accelerating demand in line with celebration of Idi Qurbon holiday.

Analysis reveals that rise in average prices for first grade flour, which is the main products of population's consumption (share in the consumer basket is 10.7%) began in April of this year and during last five months (April-August 2018) has reached 4.8%.

According to the data of World Bank, flour prices in August this year averaged USD 236.6 per ton, which is 10.7% more than in April of current year (for the last five months).

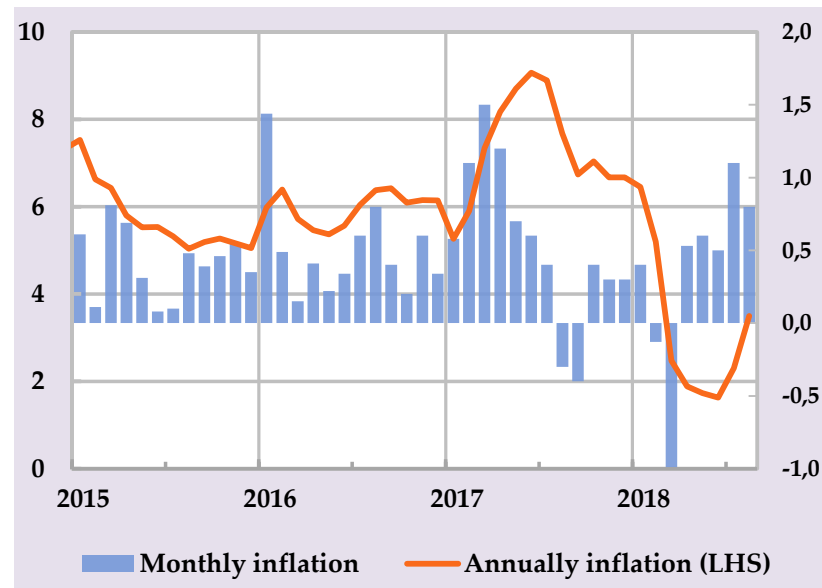
Thus, the level of annual inflation (over the last 12 months) had a stable upward trend, reaching 3.5% in August, 2018, which is 1.2 p.p more than for the previous month.

According to the analysis, it is expected that the annual inflation rate will gradually show a stable upward trend and by the end of the year will develop within the projected target*.

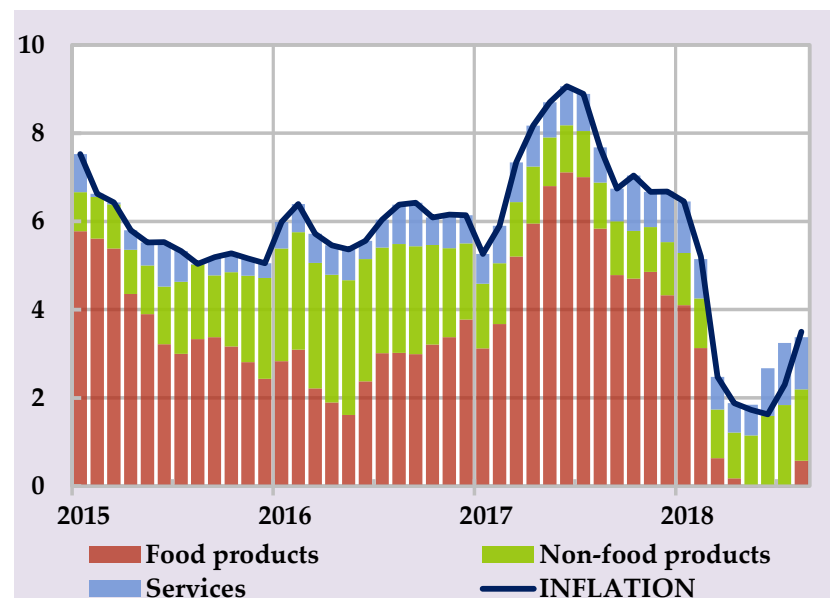
The level of core inflation** in August has reached 0.1%² m/m and 2.0%³ on y/y basis, mostly driven by a gradual stabilizing prices for processed food products (meat products, dairy products, vegetable and animal oils), non-food products (detergents and medicines) and services.

In August, 2018 non-core inflation dynamic changes (group of consumer prices) mainly accompanied drop in some raw

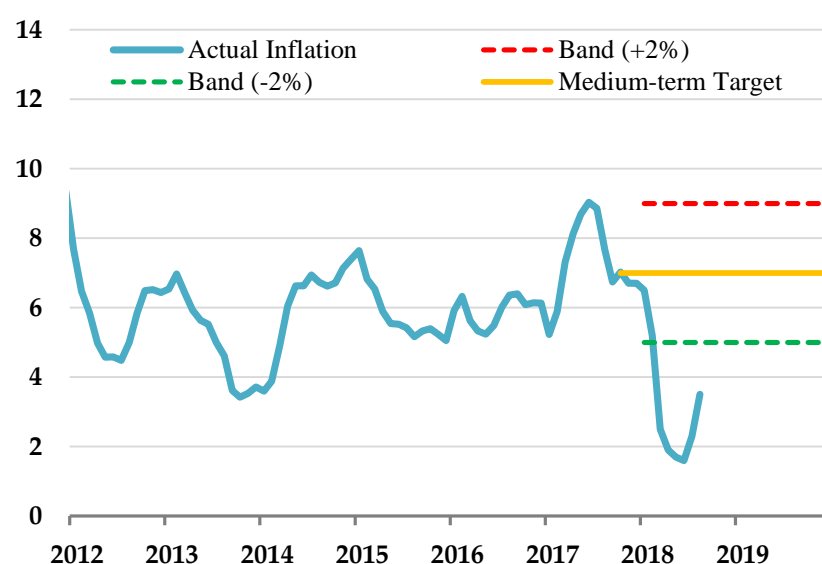
Monthly and Annual Inflation, in %
(source: Statistical Agency, NBT calculations)



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



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



food products (excluded from core inflation). Particularly, prices for raw foodstuffs have decreased basically at the expense of dropping prices for potatoes (-0,4 % m/m or -47,9% y/y), pumpkin (-6.8% m/m or -5.9% y/y), pea (-3.2% or -15.9% y/y) granulated sugar (-0.7% m/m or -13.8% y/y), apple(-4.1% m/m or -13.0% y/y), grapes (-19.1% m/m or 34.7% y/y), pear (-16.8% m/m or 19.0% y/y), banana (-0.4% m/m or 4.4% y/y), etc. However, owing to the influence of seasonal factors and supply factor, prices for first grade flour (1.2% m/m or -4.3% y/y), beef (2.7% m/m or 5.1% y/y), rice (3.8% m/m or 13.1% y/y), cotton oil (1.8% m/m or 1.8% y/y), tomatoes (23.4% m/m or 44.0% y/y) and carrot (15.0% m/m or -14,9% y/y) had upward tendency.

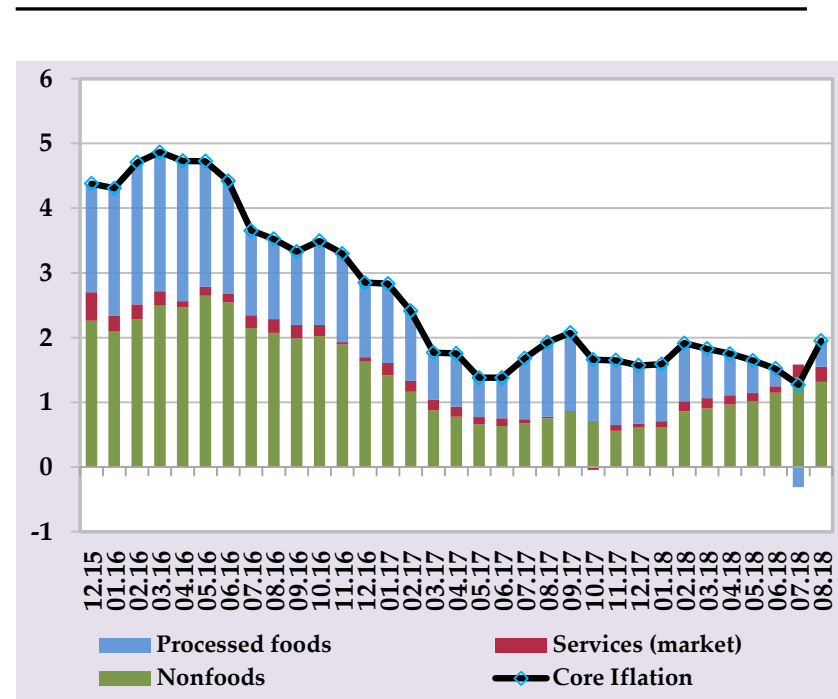
Deceleration of prices for combustible materials (-2.5% m/m or 20.4% y/y) occurred due to decrease in liquefied gas price (-7.9% m/m or 27.4% y/y), mainly driven by balancing supply and demand.

The prices for administrative services (0.2% m/m or 1.0% y/y) for this month due to growth in prices for transportation services (5.4% m/m or 6.0% y/y) had a positive figure.

The National Bank of Tajikistan will continue to conduct a prudent and transparent monetary policy by using monetary instruments, primarily refinancing rate to regulate money market liquidity and short-term interest rates to achieve the targeted inflation level in the medium-term.

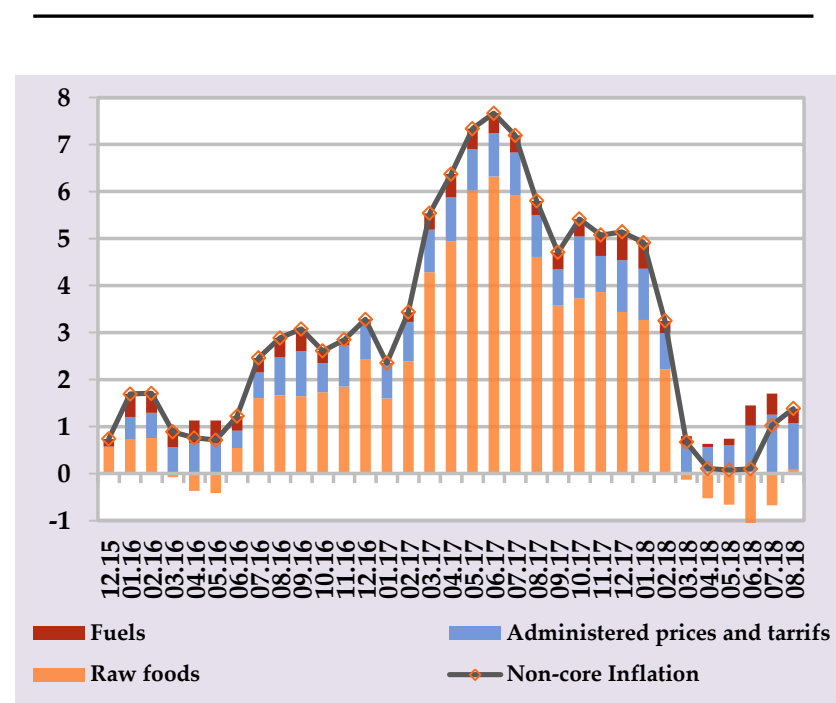
Core Inflation, in %, annual

(source: Statistical Agency, NBT calculations)



Non-core Inflation, in %, annual

(source: Statistical Agency, NBT calculations)



¹ - Agency on Statistic

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

³ - y/y – year to year (annual change)

p.p- percentage point

* 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 price 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	2018								
					January	February	March	April	May	June	July	August	
Inflation	100,0	5,1	6,1	6,7	6,5	5,2	2,5	1,9	1,7	1,6	2,3	3,5	0,8
Food and non-alcoholic beverages	53,1	3,8	6,4	7,7	7,3	5,4	0,9	0,0	-0,5	-2,1	-1,9	0,7	1,1
Bread and bread products	17,5	9,1	-2,5	-0,8	-0,9	-1,4	-3,4	-4,2	-4,7	-4,2	-2,1	-0,8	1,5
Rise	2,9	11,6	-9,2	-6,9	-7,0	-5,4	1,9	3,2	5,9	8,1	10,2	13,1	3,8
Flour	10,7	7,8	-3,0	0,3	0,2	-0,6	-6,0	-7,5	-8,5	-8,2	-5,5	-4,3	1,2
Meat and meat products	8,3	-10,2	3,7	13,8	14,0	13,4	13,5	8,9	5,2	4,9	4,5	5,8	2,9
Beef	5,4	-14,3	3,2	14,7	15,0	14,1	14,0	7,8	3,0	3,0	2,8	5,1	2,7
Eggs	1,5	5,5	12,0	1,0	0,1	1,9	-0,6	2,4	4,7	0,1	-4,2	0,0	2,8
Milk and dairy products	1,7	7,3	0,4	4,4	3,7	4,6	2,3	5,0	6,1	3,7	3,9	3,9	1,4
Milk	0,5	16,1	-7,2	6,3	6,3	4,5	-2,2	4,1	7,2	0,7	0,9	0,7	1,9
Plant and Animal Oil	5,7	12,7	11,3	1,3	0,0	-1,6	-2,5	-2,2	-3,6	-0,8	3,5	4,0	1,1
Fruit	4,3	12,3	16,7	-1,8	-0,3	3,9	6,4	15,7	24,5	24,2	51,6	36,9	-4,0
Vegetables	6,6	-12,4	16,5	40,2	37,1	21,2	-6,4	-9,7	-13,1	-23,8	-34,4	-21,9	5,8
Sugar	2,4	19,3	15,0	-6,7	-7,3	-7,9	-10,1	-17,3	-17,5	-11,2	-16,8	-13,8	-0,7
Soft drinks	1,3	13,7	19,9	1,6	2,7	0,3	0,6	2,0	3,9	3,3	4,0	3,6	0,0
Catering*	0,9	14,9	19,9	2,7	2,7	3,9	3,9	3,9	3,9	3,9	5,2	5,2	0,0
Alcoholic beverages and tobacco	1,4	15,9	11,8	6,2	6,2	7,1	8,0	8,2	7,5	4,7	6,2	6,8	1,7
Non-food products	29,2	7,9	5,7	4,4	4,3	4,1	4,0	3,8	4,2	5,8	6,7	5,9	0,0
Clothes and shoes	9,7	9,2	14,5	9,2	2,5	2,7	3,0	3,8	4,0	4,9	5,4	5,2	0,3
Repair and construction materials	3,7	2,2	-0,9	2,4	2,5	4,9	4,9	5,5	6,0	6,1	6,7	6,0	0,2
Detergents	1,8	15,5	1,2	4,0	3,1	4,0	4,0	3,3	1,5	0,7	1,9	1,9	0,0
Medicine	2,9	24,7	14,1	1,0	0,7	2,2	2,2	0,8	1,2	1,9	4,7	4,5	-0,1
Petrol vehicles lubrication products	2,0	-7,0	2,9	27,7	25,9	17,2	14,1	8,9	11,9	26,4	27,1	20,4	-2,5
Other Heating Products	1,3	19,0	3,0	0,9	0,4	-7,7	-8,1	-8,1	-8,1	-8,9	-8,9	-8,9	0,0
Vehicle	0,9	-2,0	0,0	0,0	0,0	0,1	0,1	0,1	2,9	4,4	4,4	4,4	0,0
Other personal effects	1,5	7,6	7,1	8,6	7,3	8,5	9,1	9,5	9,7	11,9	13,1	10,6	0,0
Services	15,2	2,2	4,5	7,7	7,9	6,0	5,0	4,5	4,7	7,3	9,5	8,0	1,2
Housing and communal	5,2	3,2	9,8	17,5	17,1	12,6	11,7	11,3	13,6	20,5	19,2	14,9	-1,8
Rental of property	0,2	14,3	0,0	0,0	0,0	0,0	1,4	1,4	4,6	4,6	4,6	5,0	0,4
Water and garbage collection fee	0,7	20,1	5,1	9,1	11,6	8,4	8,4	8,4	9,5	9,5	9,5	9,5	0,0
Electricity	2,6	0,0	28,6	14,7	15,0	15,0	15,0	14,9	14,9	14,9	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
Gas	1,1	-6,3	-6,6	40,1	35,7	13,4	8,5	7,2	17,2	52,3	44,7	24,8	-7,6
Transport	4,4	-2,3	-1,4	2,8	5,0	3,3	0,7	-0,2	-1,9	-0,6	7,2	6,0	5,4
communication	1,6	0,8	0,0	1,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Education	1,6	2,6	11,3	5,3	2,0	1,5	1,5	1,5	1,5	1,5	1,5	1,5	0,0
Health	0,8	14,0	1,9	1,7	1,3	1,3	1,3	1,3	1,3	1,3	1,3	1,3	0,0
Household	1,9	12,3	5,2	1,1	0,9	1,3	1,5	1,5	1,8	2,9	3,1	3,1	0,0

* - The dining room, café and restaurant