



NATIONAL BANK OF TAJIKISTAN

Monthly Inflation Review • July 2018

The headline inflation after a stable trend has slightly accelerated in July, 2018 and reached 1.1%¹, which is more 0.7 p.p. in comparison to the same month of previous year.

The occurred inflation was mainly owing to an increase in prices for non-food products by 1.2% (share in the inflation of 0.3 p.p.) and cost of paid services to population by 3.6% (0.6 p.p.). During this month it was also observed a rise in prices for foodstuffs to 0.4% (0.2 p.p.).

It should be noted that this trend was not unexpected, and as previous years, continued its seasonal behavior, and was driven by a rise in prices for air services by 47.5% (especially in the direction of international flights Dushanbe - Moscow by 60.2%). Moreover, in the reported month, a slightly surge in the prices for consumer products such as: first grade flour, beef, cotton, seed oil, rice, tomatoes and etc. was recorded.

Thus, the level of annual inflation (over the last 12 months) had a stable upward trend, which in July 2018 reached 2.3%, increasing by 0.7 p.p. in comparison to previous month.

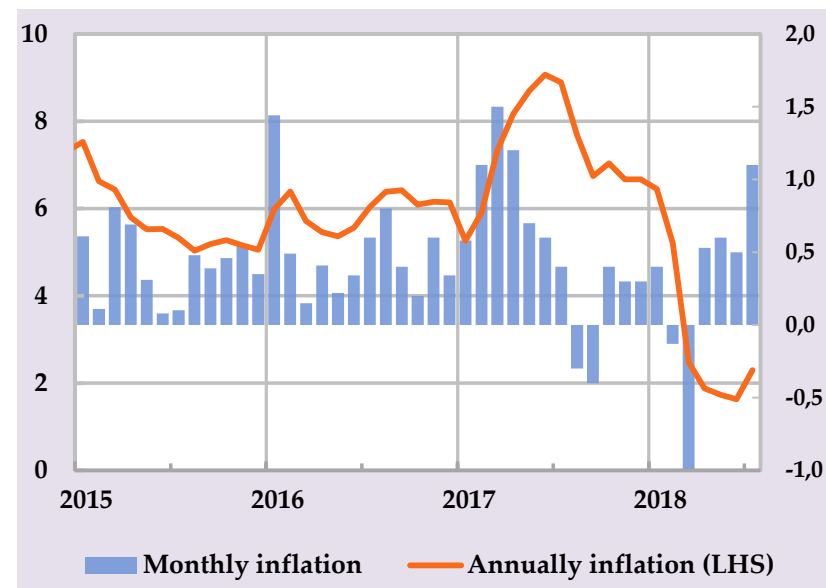
It is expected that starting from the third quarter, the level of annual inflation will gradually show a stable upward trend and, according to projections, by the end of the year it will develop within the projected target*.

The core inflation** in July has made 0.8%², on the annual basis it has reached 1.3%³. This process was most affected by the moderately stabilization of prices for finished foodstuffs (meat products, dairy products, vegetable and animal oils), non-food products (detergents and medicines) and services, comprised core inflation (including consumer services).

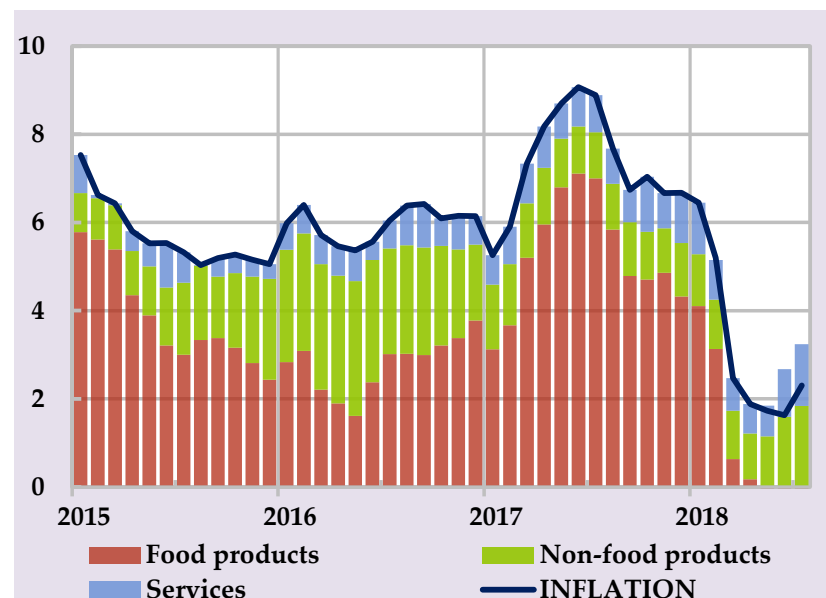
Non-core inflation dynamics (group of consumer prices excluded from core inflation) in July, 2018 compared with the previous month, there was detected decline in the prices for set of raw food products. In particular, a decline in prices for raw foodstuffs occurred mainly due to dropping of potato prices (-16.4% m/m or -51.3% y/y), onions (-10.6% m/m or -77.6% y/y), carrots (-10.7% m/m or 37.4% y/y), apple (-15.3% m/m or 26.5% y/y), grapes (-13.6% m/m or 55.2% y/y), cucumber (-19.0% m/m or -13.8% y/y), cabbage (-11.1% m/m or -50.3% y/y), eggs (-9.9% m/m or -4.2% y/y), etc. Along with this, owing to the influence of seasonal factors and supply factor, it was observed a trend towards increase in prices for the first grade flour (1.8% m/m or -5.5% y/y), beef (1.9% m/m or 2.8% y/y), rice (3.5% m/m or 10.5% y/y), cotton oil (5.7% m/m or -0.1% y/y), tomatoes (8.9% m/m or 85.7% y/y) and lemon (2.3% m/m or 72,6% y/y).

The prices for combustible materials (2.8% m/m or 27.4% y/y), which increased in the previous month (June 2018) due to decrease in the import of liquefied gas (by 22.1%), for the reporting month it was

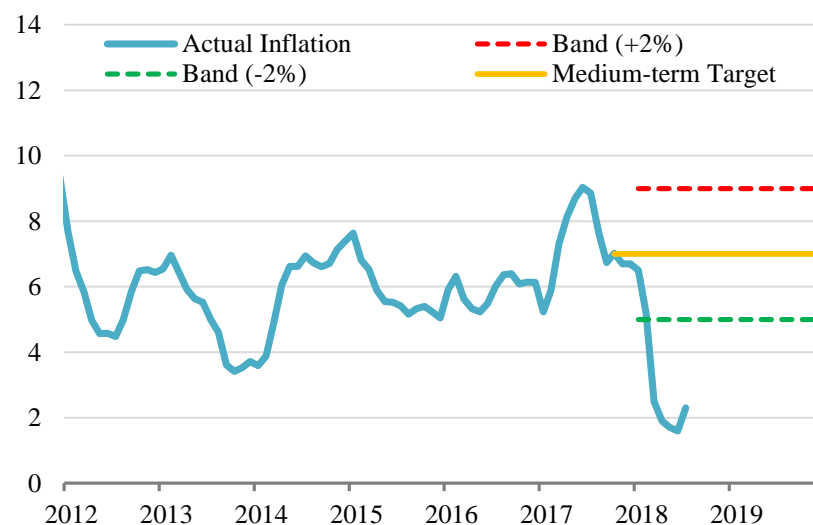
Monthly and Annual Inflation, in %
(source: Statistical Agency, NBT)



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



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



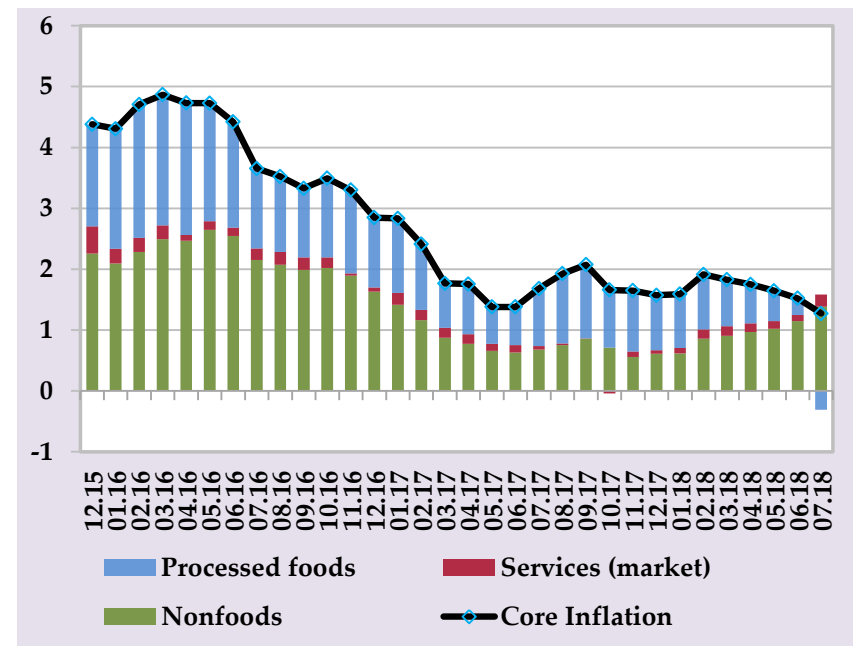
observed relative stable trend, mainly driven by the balance of supply and demand.

The prices for administrative services (0.5% m/m or 1.3% y/y) for this month due to growth of prices for transportation services (11.7% m/m or 7.2% y/y) had a positive figure.

The National Bank of Tajikistan will continue the implementing of 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.

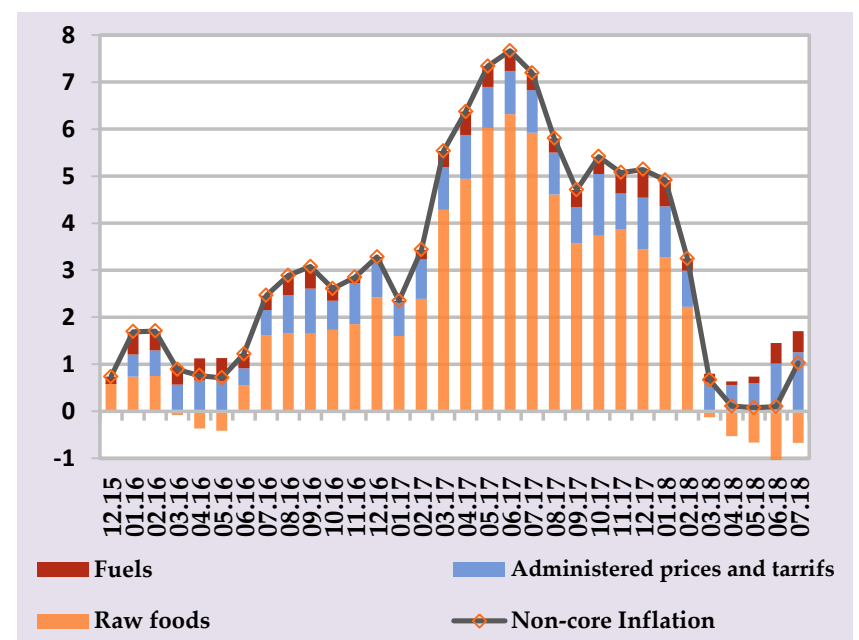
Core Inflation, in %, annual

(source: Statistical Agency, NBT estimations)



Non-core Inflation, in %, annual

(source: Statistical Agency, NBT calculations)



¹ – Statistical Agency

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

³ - y/y – year to year (annual 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										July, monthly change, %
		2015	2016	2017	2018							
					January	February	March	April	May	June	July	
Inflation	100,0	5,1	6,1	6,7	6,5	5,2	2,5	1,9	1,7	1,6	2,3	1,1
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	0,3
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	1,7
Rise	2,9	11,6	-9,2	-6,9	-7,0	-5,4	1,9	3,2	5,9	8,1	10,2	3,5
Flour	10,7	7,8	-3,0	0,3	0,2	-0,6	-6,0	-7,5	-8,5	-8,2	-5,5	1,8
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	1,1
Beef	5,4	-14,3	3,2	14,7	15,0	14,1	14,0	7,8	3,0	3,0	2,8	1,9
Eggs	1,5	5,5	12,0	1,0	0,1	1,9	-0,6	2,4	4,7	0,1	-4,2	-9,9
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	0,3
Milk	0,5	16,1	-7,2	6,3	6,3	4,5	-2,2	4,1	7,2	0,7	0,9	0,2
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	3,6
Fruit	4,3	12,3	16,7	-1,8	-0,3	3,9	6,4	15,7	24,5	24,2	51,6	1,8
Vegetables	6,6	-12,4	16,5	40,2	37,1	21,2	-6,4	-9,7	-13,1	-23,8	-34,4	-8,6
Sugar	2,4	19,3	15,0	-6,7	-7,3	-7,9	-10,1	-17,3	-17,5	-11,2	-16,8	-1,0
Soft drinks	1,3	13,7	19,9	1,6	2,7	0,3	0,6	2,0	3,9	3,3	4,0	0,6
Catering*	0,9	14,9	19,9	2,7	2,7	3,9	3,9	3,9	3,9	3,9	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	1,4
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	1,2
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	0,6
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	0,6
Detergents	1,8	15,5	1,2	4,0	3,1	4,0	4,0	3,3	1,5	0,7	1,9	2,2
Medicine	2,9	24,7	14,1	1,0	0,7	2,2	2,2	0,8	1,2	1,9	4,7	2,8
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	2,8
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	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	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	1,8
Services	15,2	2,2	4,5	7,7	7,9	6,0	5,0	4,5	4,7	7,3	9,5	3,6
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	0,4
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	0,0
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	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	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	1,1	-6,3	-6,6	40,1	35,7	13,4	8,5	7,2	17,2	52,3	44,7	1,3
Transport	4,4	-2,3	-1,4	2,8	5,0	3,3	0,7	-0,2	-1,9	-0,6	7,2	11,7
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
Education	1,6	2,6	11,3	5,3	2,0	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	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	0,2

* - The dining room, café and restaurant