

## **The National Bank of Tajikistan Keeps the Refinancing Rate Unchanged at 16.0% per annum**

At its meeting on August 2, 2017, the Monetary Policy Committee (hereinafter called “Committee”) voted to keep the refinancing rate unchanged at 16.0% per annum. This decision was based on the analysis of current macroeconomic indicators, the inflation projection, and the potential impact of risks, keeping in mind the effect of monetary policy.

GDP in the first half of 2017 reached TJS 24.0 billion, with growth at 6.0%, 0.6% below the rate during the same period last year. During the first half of 2017, industry grew by 21.3%; agriculture, 6.4%; and retail trade, 3.6%. Construction decreased by 17.2%, compared to growth during the previous year.

Statistical data indicate that inflation reached 5.9% during the first half of 2017, 2.8 percentage points above the same period in 2016. The annual inflation rate (covering the past 12 months) has also risen, reaching 9.0%. The main reasons for the increase were on the supply side, including a decline in the production and supply of food, seasonal factors, and exchange rates, which reflect short-term and temporary developments.

Core inflation, which reflects long-term price fluctuations and is more closely linked to monetary developments, remained relatively stable. The annual rate of core inflation declined from 3.9 percent in December 2016 to 1.4% in June 2017, showing that monetary factors had limited impact on annual inflation.

With the above in mind, the trend in annual inflation appears to be temporary, although its level somewhat exceeds the targeted inflation rate for the year. In the medium term, starting from the second quarter of 2018, the annual inflation rate is likely to slow to the targeted rate. Therefore, there is no need for further monetary tightening.

It is expected that inflationary risks, which depend on internal and external factors, will remain for the third quarter of the year, and possible pressures on some food and service prices could affect the inflation rate in the short term. Consequently, to reduce inflationary risks and strengthen the effectiveness of monetary policy, the refinancing rate will be maintained at 16.0% per annum.

At the same time, projections for the fourth quarter of the current year indicate that it may be possible to revise the refinancing rate at the next meeting of the Committee, in view of the possible reduction in short-term effects, inflation, and exchange rate risks.

The National bank of Tajikistan will continue to implement monetary policy so as to achieve price stability in the medium term.

The next meeting of the Committee will be held in accordance with the Committee's schedule, and the next decision on changes in monetary policy will be announced on the official website of the National Bank of Tajikistan.

**Monetary Policy, Research, and Development Department**