

IMF Resident Representative Response to ‘Facts&Comments’ Newspaper Inquiries on Exchange Rate and Banking System (November 28, 2007)

1. What is the tendency of alteration in the exchange rate of the US dollar in the world and Tajikistan? What is your estimation and forecast?

As you will have observed in the international media, the value of the US dollar has recently been declining vis-à-vis the value of other major currencies (in particular the euro, and the Canadian dollar), on account of the relatively weak performance of the US economy. However, the value of the US dollar vis-à-vis the Somoni has remained stable. At the same time, the NBT has done little official interventions in the exchange market, and stuck to its exchange rate policy of a ‘managed floating’ Somoni. The main market factor that has prevented the US dollar from declining in value vis-à-vis the Somoni seems to lie in the recently relatively high inflation in Tajikistan, combined with the strong autonomous demand for dollars existing in Tajikistan. The latter is largely under the influence of the strong increase in imports, which are largely denominated in dollars, and in cash savings at home, which are also largely denominated in dollars. Both are mainly driven by the strong growth of workers’ remittances flowing into Tajikistan, which could actually have led to a decrease in the value of the US dollar vis-à-vis the Somoni, but this was prevented by the relatively high inflation in Tajikistan. For the moment, I do not expect major changes in these determinants of the exchange rate.

2. Do you think that Tajik banking system is bankruptcy-safe?

3. What are the guarantees of safety and return of deposits of Tajik citizens?

Commercial banks are currently well-capitalized and liquid, and a deposit-insurance scheme is in place. Thus, even though further improvements can surely be made, progress has definitely been achieved in the operations of the Tajik banking system. Let me mention some of the achievements that I see as the more important. First of all, the banking system has been consolidated, eliminating unprofitable banks by tightening prudential regulations. Also, at the end of 2005, the Tajik banking system was legally opened up to foreign competition, and recently there seems an increased activity from the government on this point. Finally, bank asset and deposit ratios are increasing. Nevertheless, the banking system remains small, and its governance needs further improvement. I think the main challenge is to channel more of the large remittances inflow into the banking system and from there into the private sector.

4. What currency do you recommend Tajik citizens to make savings in?

I hope you will understand that I represent an international organization working with governments, and as such I am not in a position to give savings/investment advice to any private entity, including Tajik citizens. However, I hope the information above will help Tajik citizens in forming a well-balanced judgement for themselves.