

Regional Economic Outlook

Central Asia and Tajikistan

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Outline

Global Outlook

CCA Outlook, Risks, and Policies

**Tajikistan: Recent Economic
Developments, Risks, and Policies**



Global recovery remains fragile

Geopolitical risks (Russia-Ukraine, Middle East)

Further risks to growth in emerging market economies

Risks related to normalization of monetary policy in advanced economies

Protracted period of slow growth in advanced economies



An Uneven Global Recovery Continues

WEO Real GDP Growth Projections

(percent change from a year earlier)

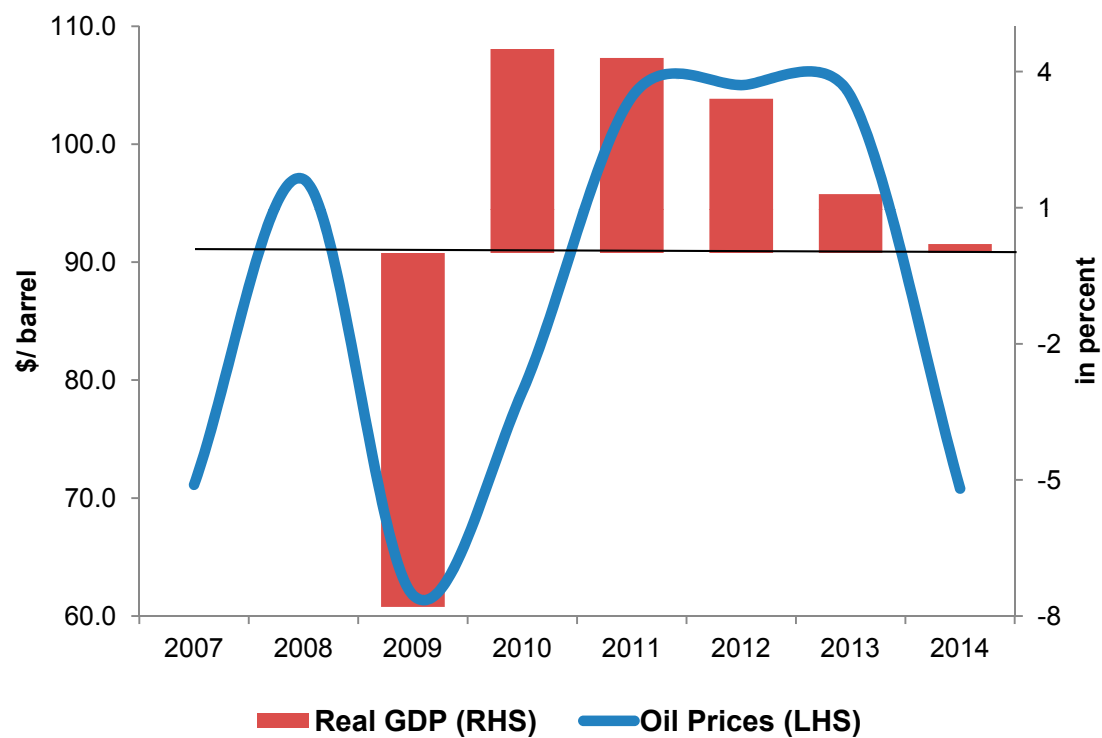


	World	U.S.	Euro Area	Emerging markets	China	Russia
2013	3.3	2.2	-0.4	4.7	7.7	1.3
2014 (August 2014)	3.3	2.2	0,8	4.5	7.4	0.2
2014 (April 2014)	3.6	2.8	1.2	4.9	7.5	1.3
2015 (August 2014)	3,8	3.1	1.4	5.0	7.1	0,5
2015 (April 2014)	3.9	3.0	1.5	5.3	7.3	2.3



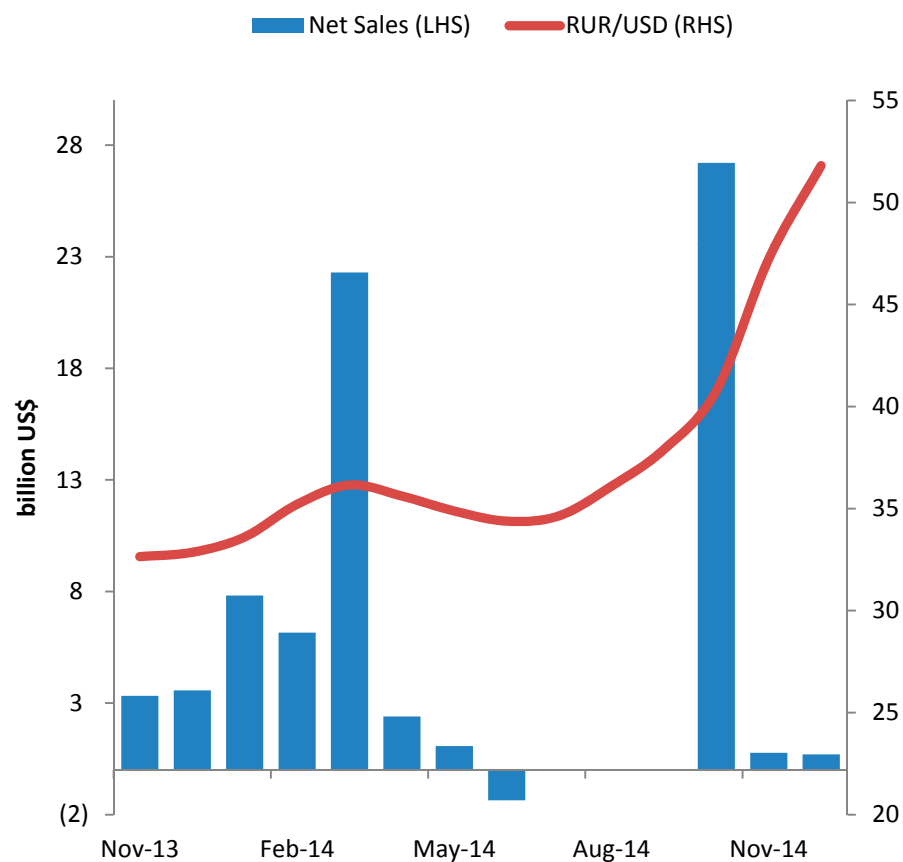
Risks to Russian economy remain elevated

Oil Prices and Economic Growth in Russia

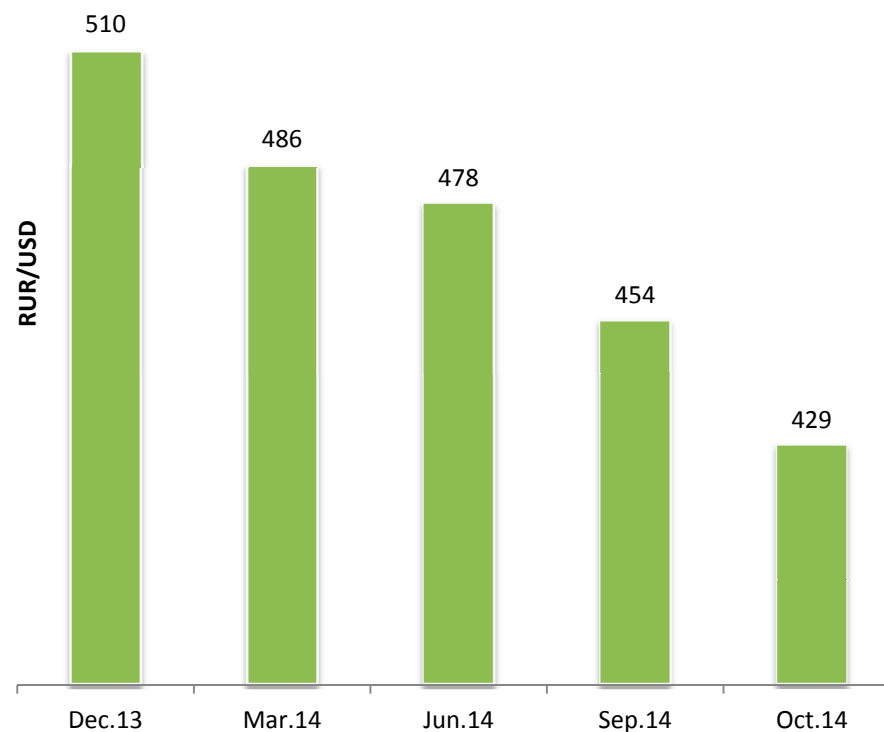


The CBR remains committed to Inflation Targeting and intervenes occasionally.

Central Bank of Russia: FX Interventions



Central Bank of Russia: International Reserves
(billion US\$)

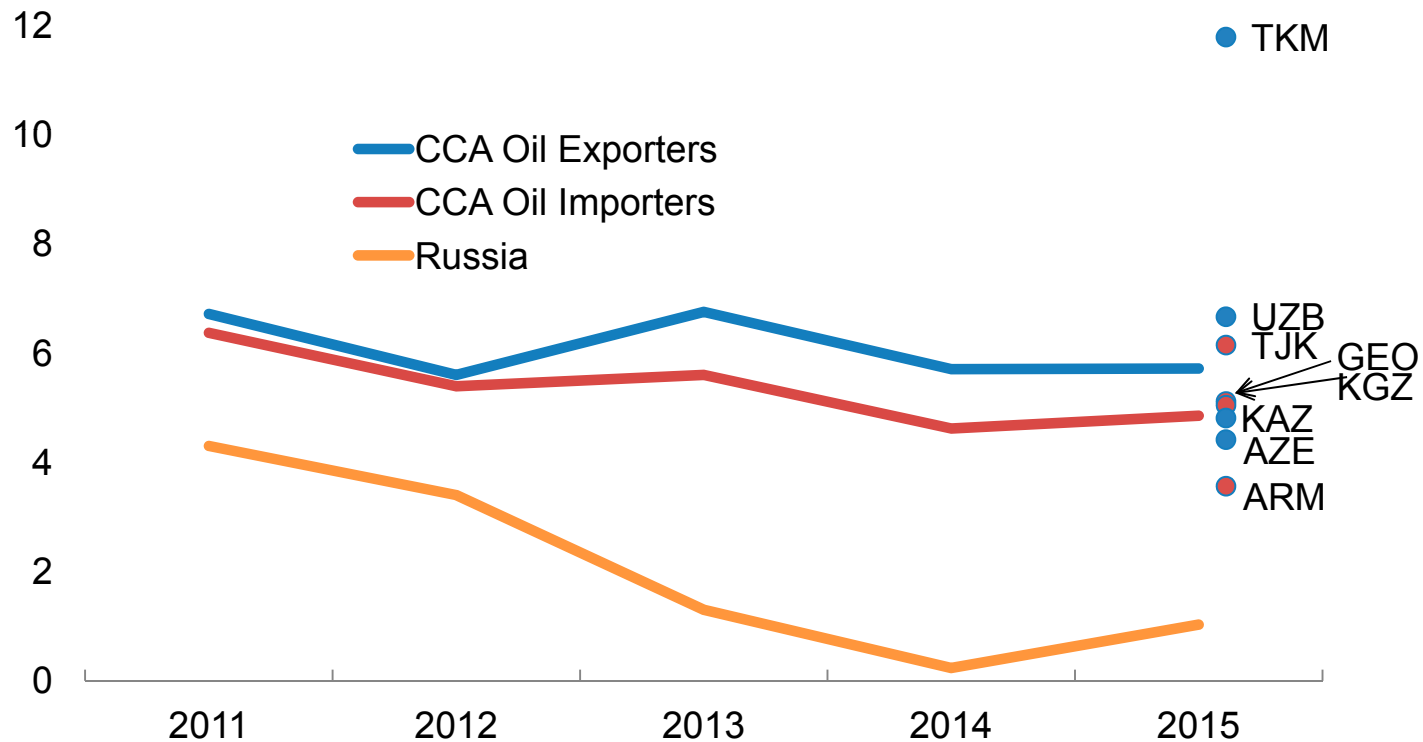


Caucasus and Central Asia



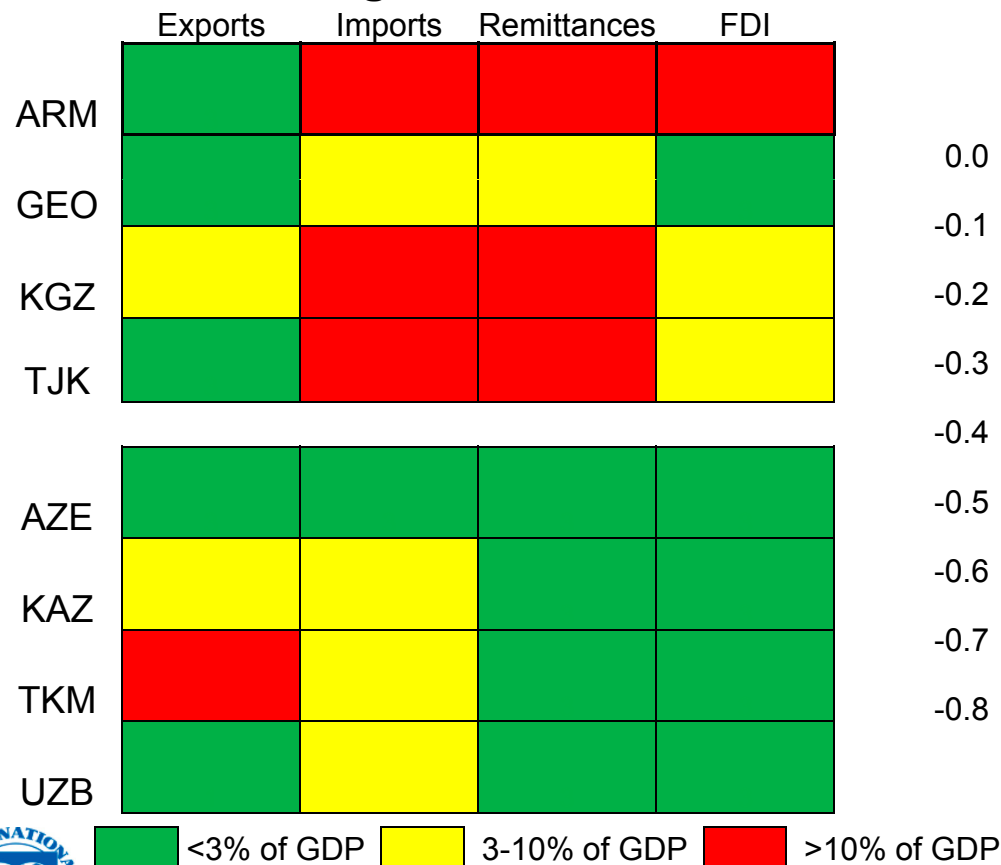
Growth is slowing due to spillovers from Russia and weaker domestic demand, yet remains robust

Real GDP Growth
(Annual percent change)

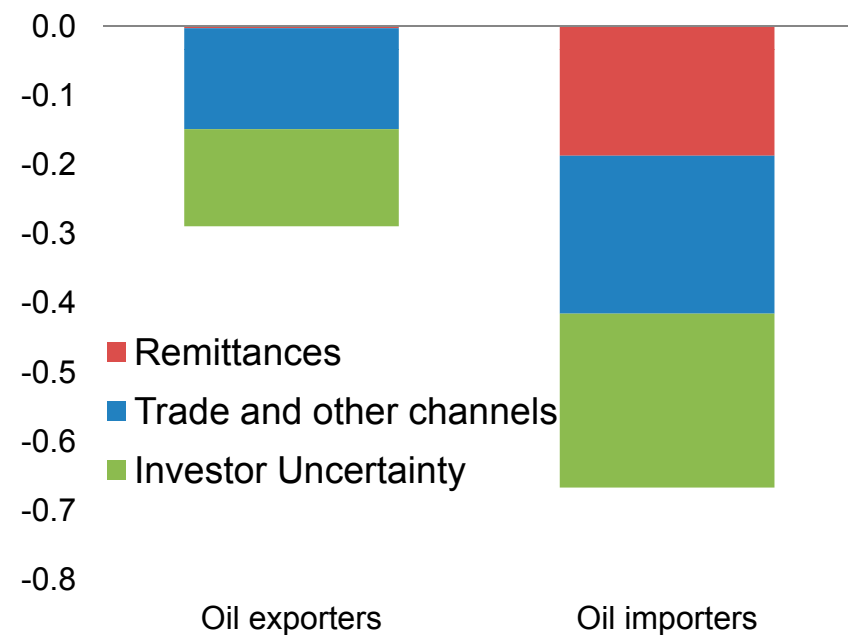


Close linkages with Russia create downside risks to the outlook

Linkages with Russia



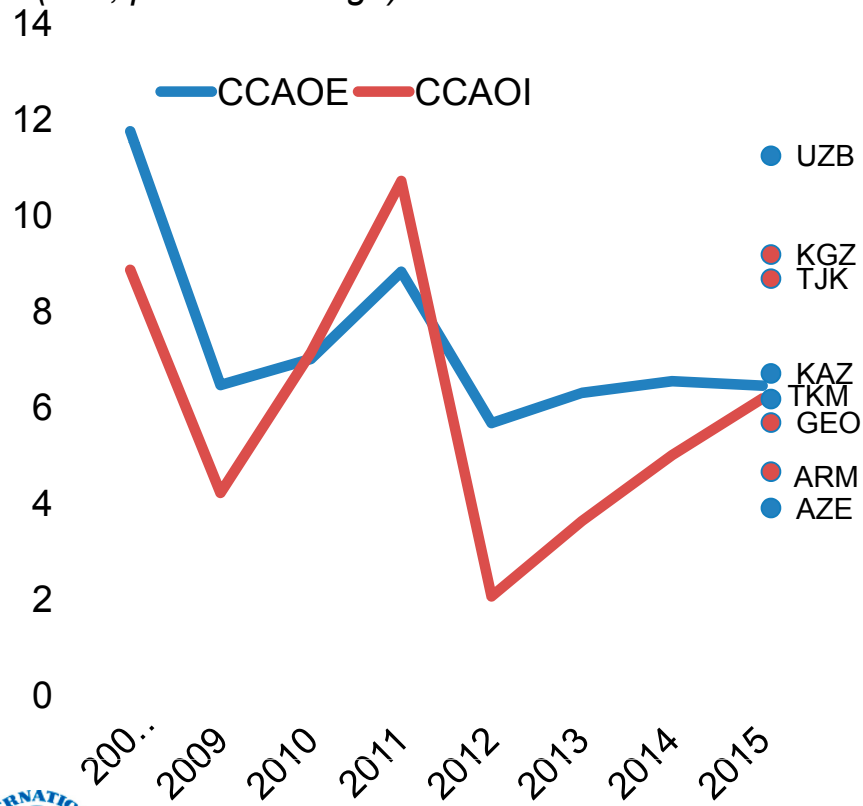
Impact of 1 percentage point fall in Russia's GDP growth and investor uncertainty on CCA GDP growth (Percent)



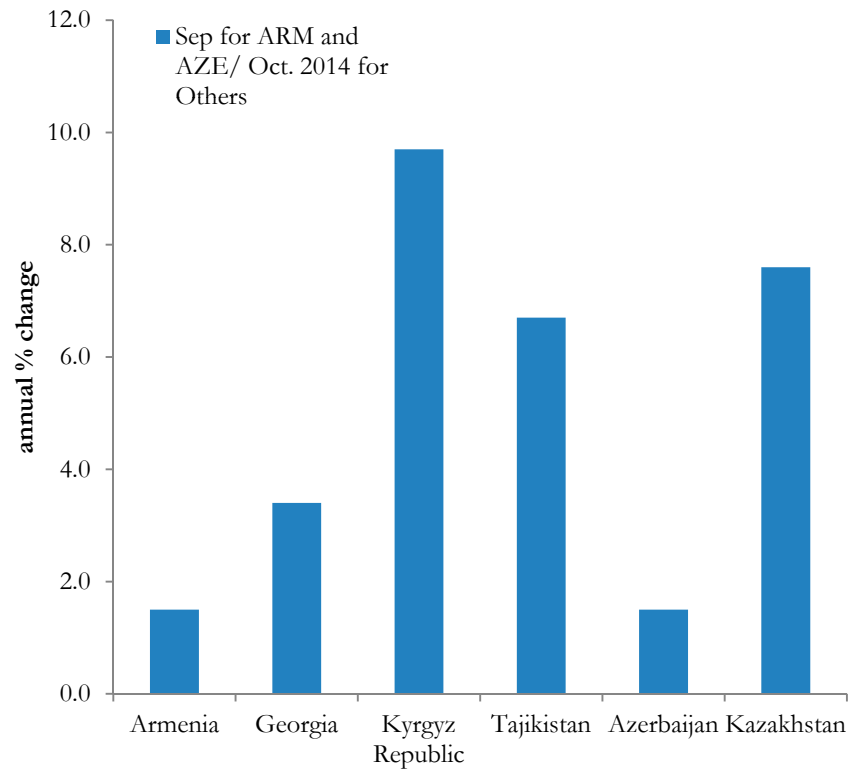
Despite slowing growth, inflationary pressures are rising

Inflation in CCA

(CPI, percent change)

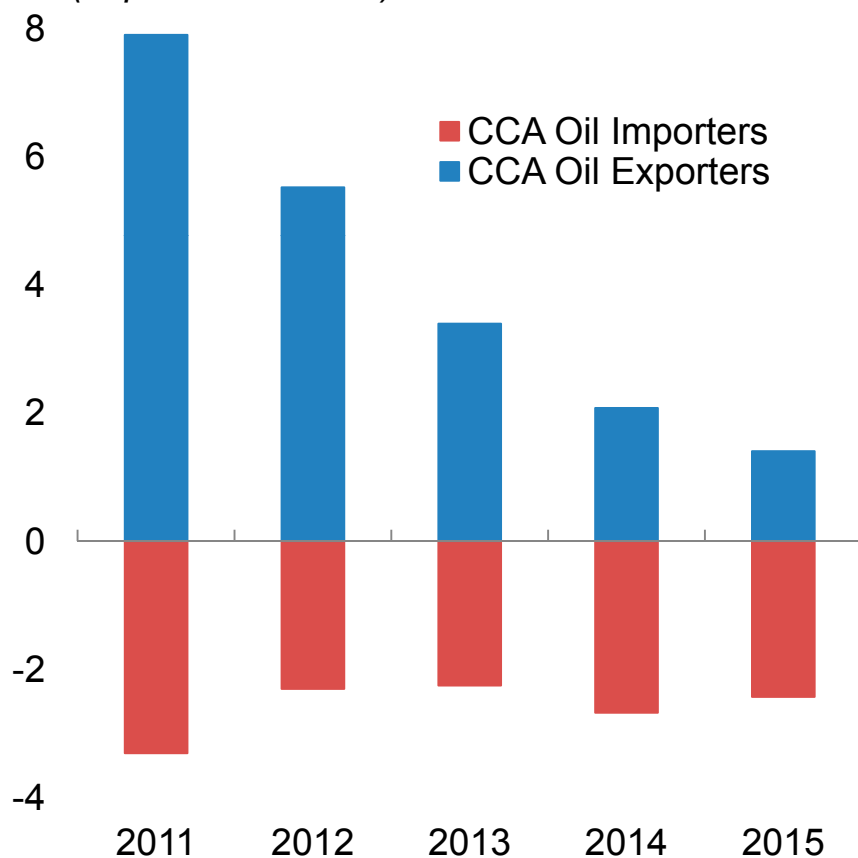


CPI Inflation in CCA

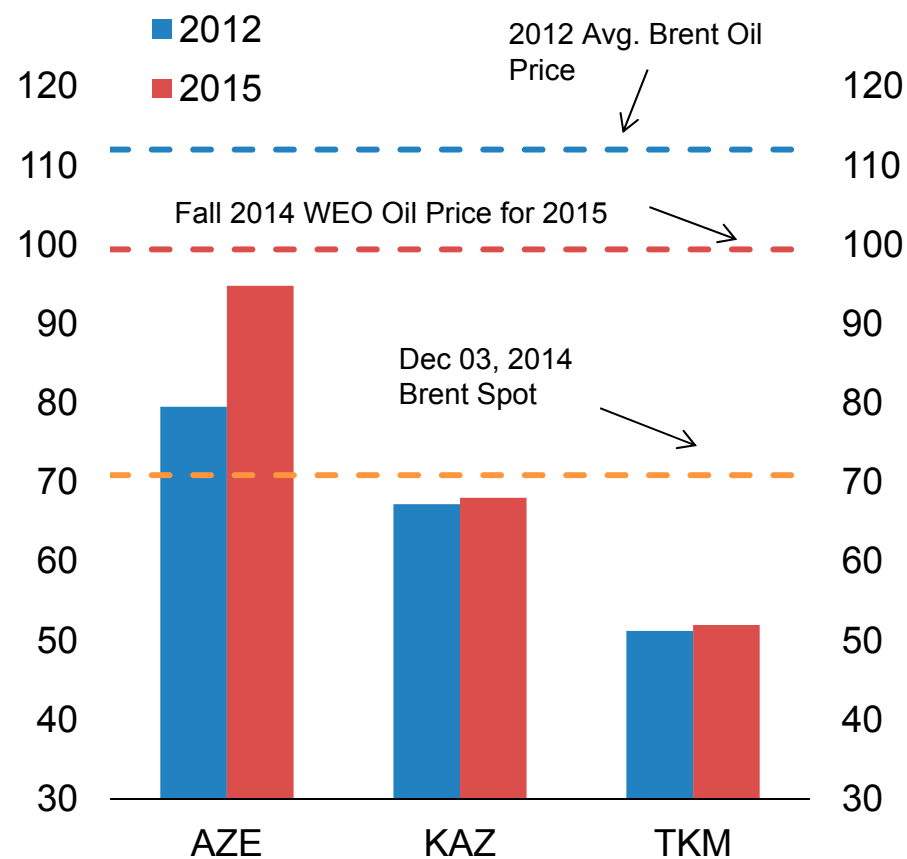


Fiscal positions are vulnerable

Fiscal Balances
(In percent of GDP)

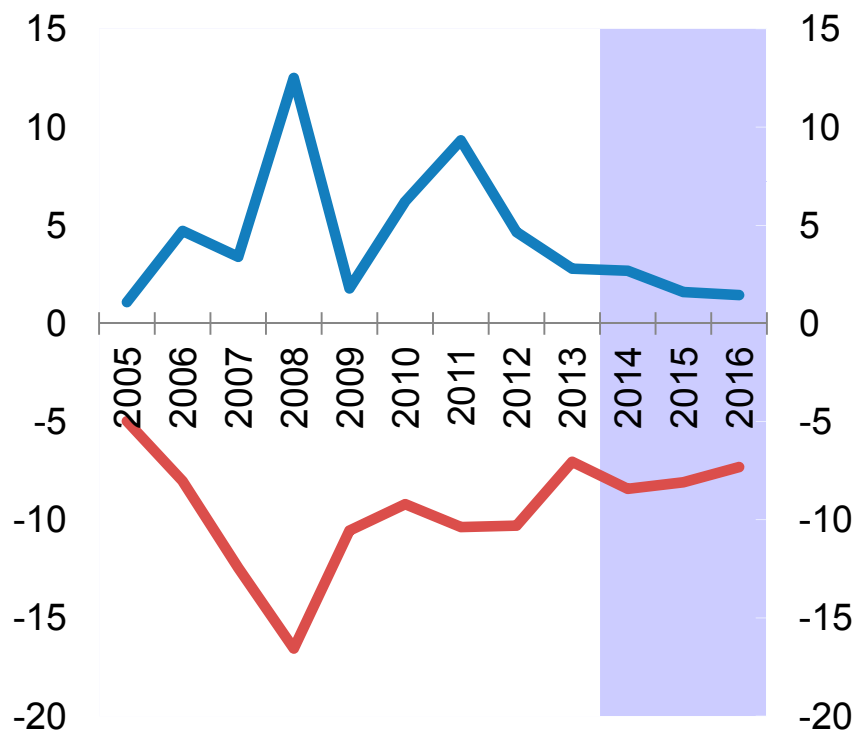


Fiscal breakeven oil prices
(U.S. dollars per barrel)

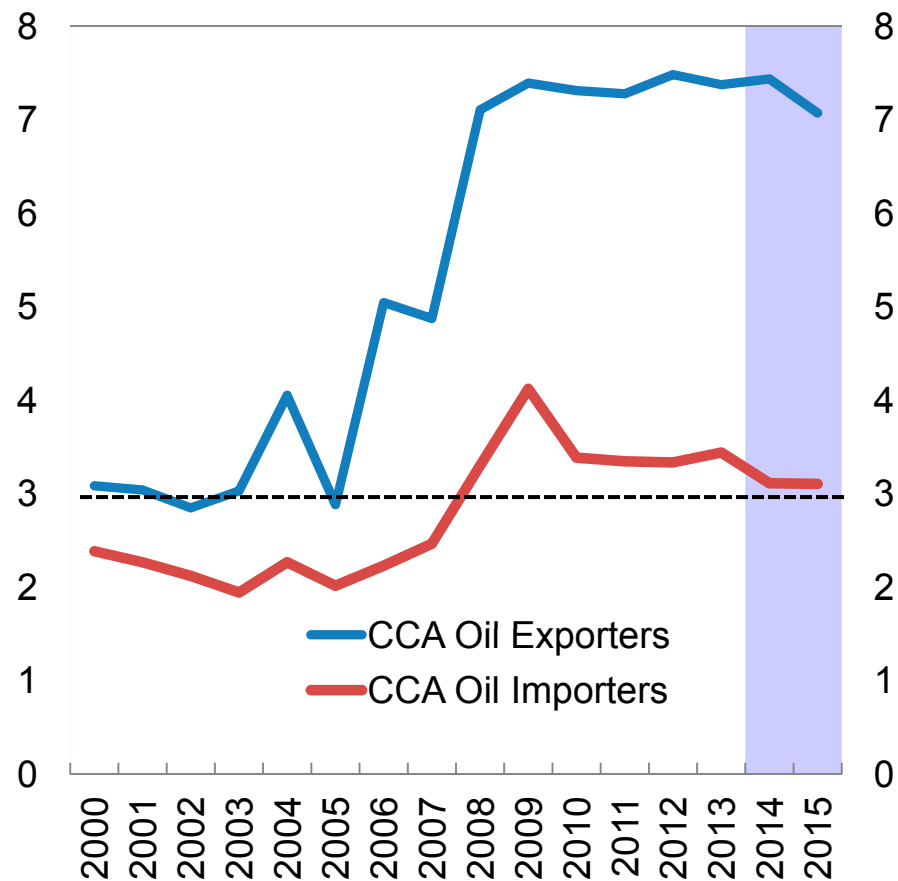


External positions are weakening

Current Account Balances
(Percent of GDP)



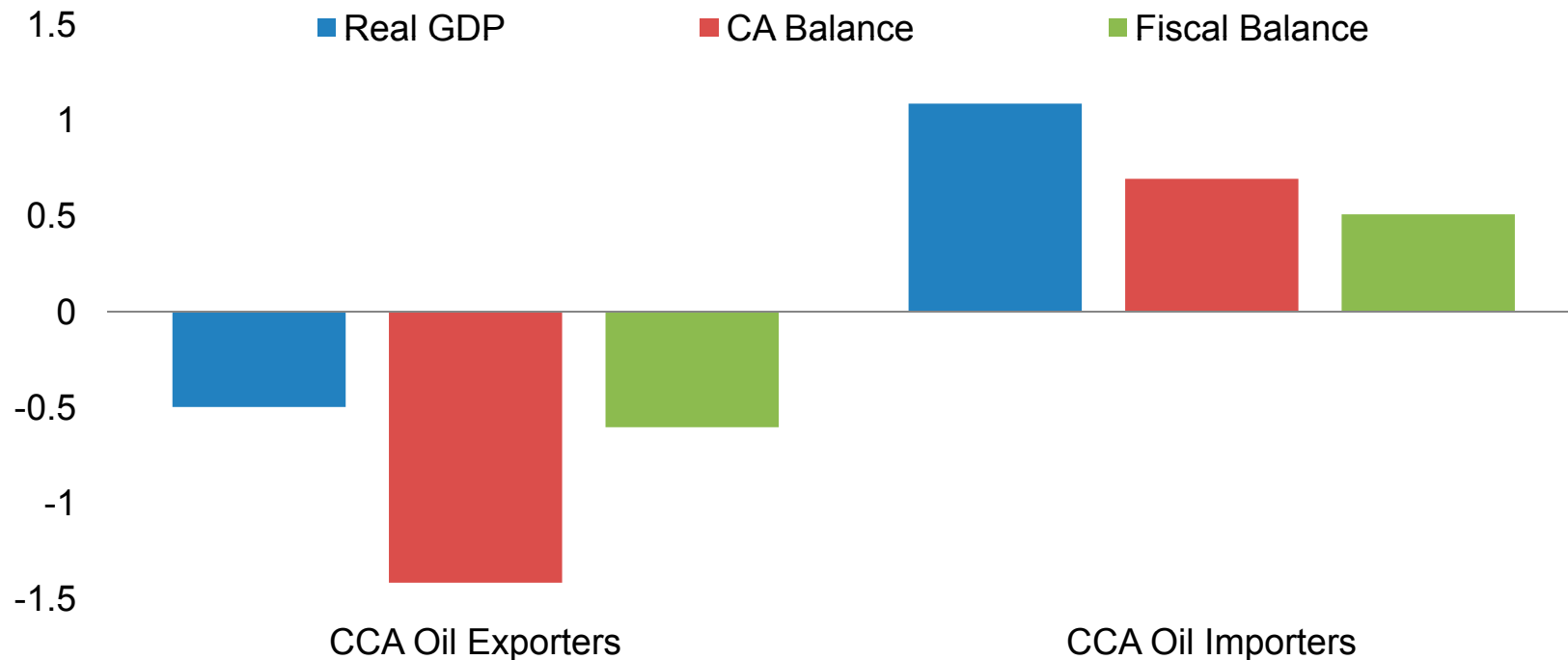
Reserve Coverage
(Months of Imports)



— CCA Oil Exporters — CCA Oil Importers

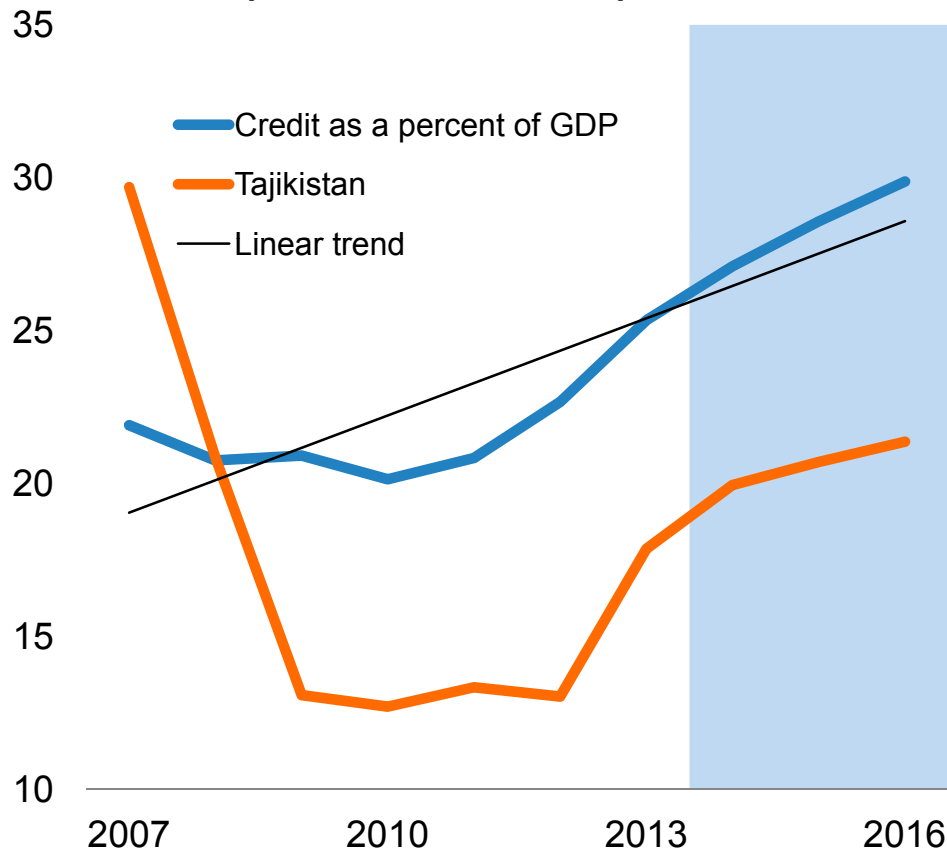
Continued low oil prices would have mixed effects on the CCA oil exporters and importers

**Effects of a 20 Percent Decline in Oil Prices from the Fall 2014
WEO Baseline, 2015**
(Percent of GDP)



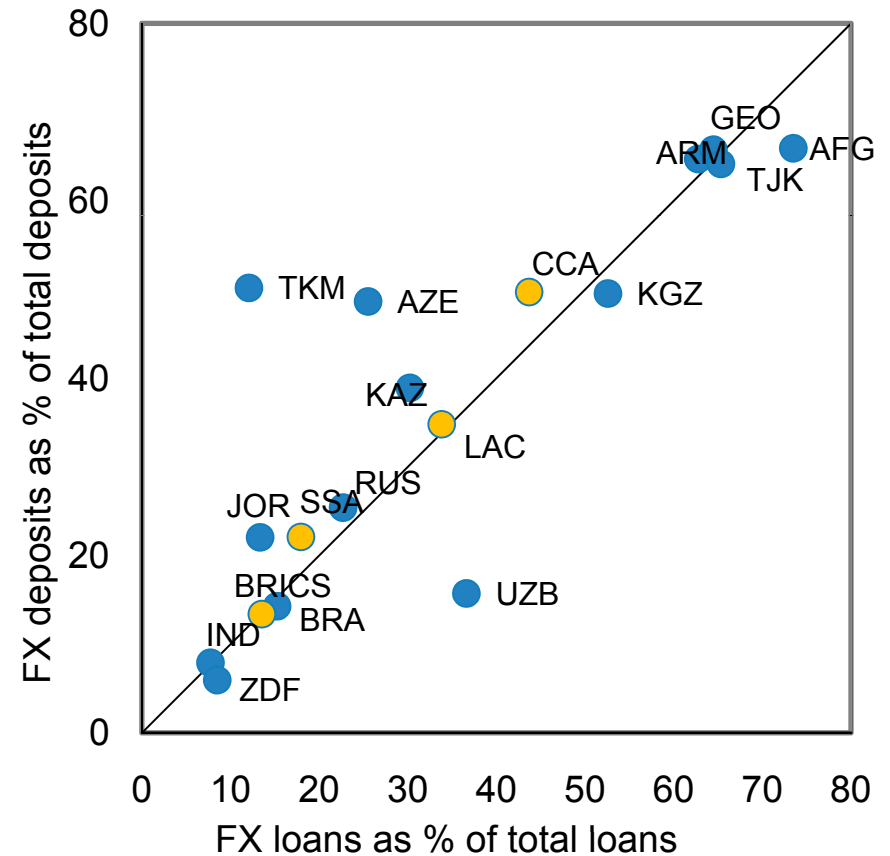
Financial risks (old and new) are significant

Private Sector Credit to GDP vs. Trend (in CCA and TJK)



High Dollarization

(latest year available)



Medium-term Policy Priorities

Bolder Structural Reforms

- Structural reforms, especially in areas of governance and regulation, to address weak growth potential and low inclusiveness.

Wider Economic Integration

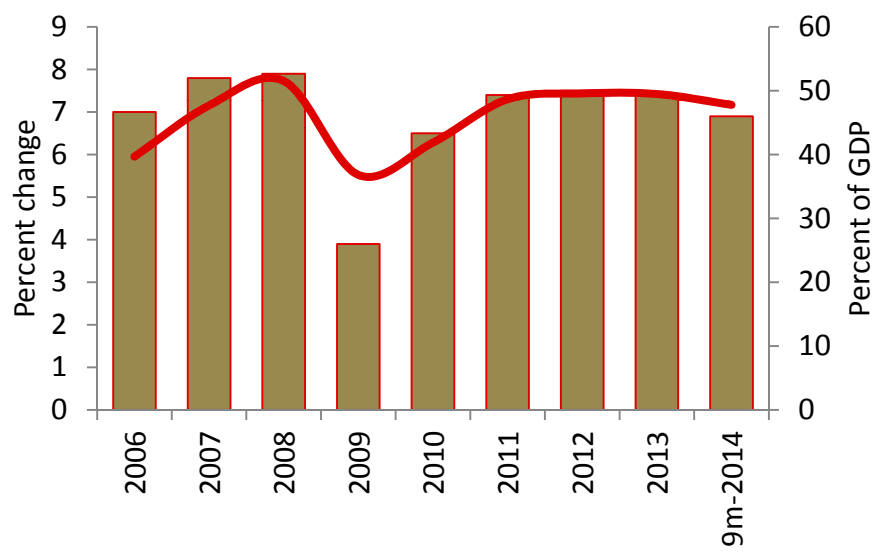
- Balanced regional and multilateral trade integration initiatives, to diversify economies and improve medium-term growth prospects.

Stronger Policy Frameworks

- Fiscal: More fiscal transparency, and stronger medium-term budget frameworks.
- Monetary: Modern monetary policy regimes with clear interest rate guidance, and widening exchange rate bands, to provide an anchor to the economy.

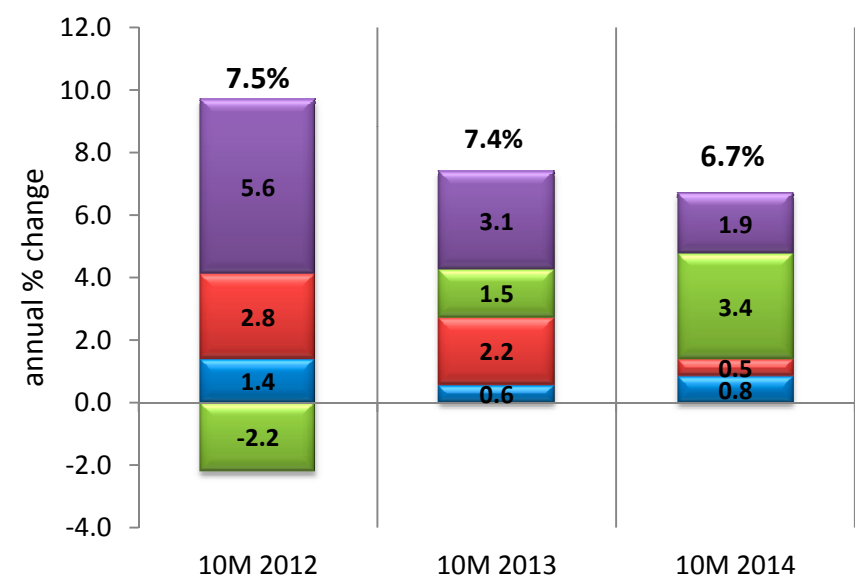
Tajikistan relies more on construction rather than remittances driven growth

GDP and Remittances



■ GDP growth (LHS) — Workers' remittances (RHS)

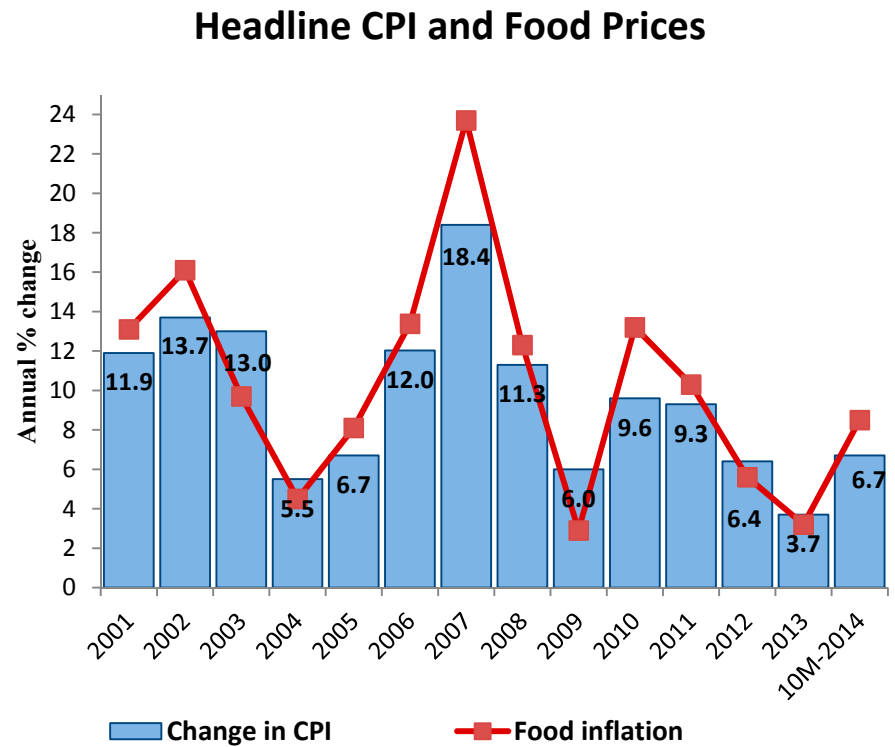
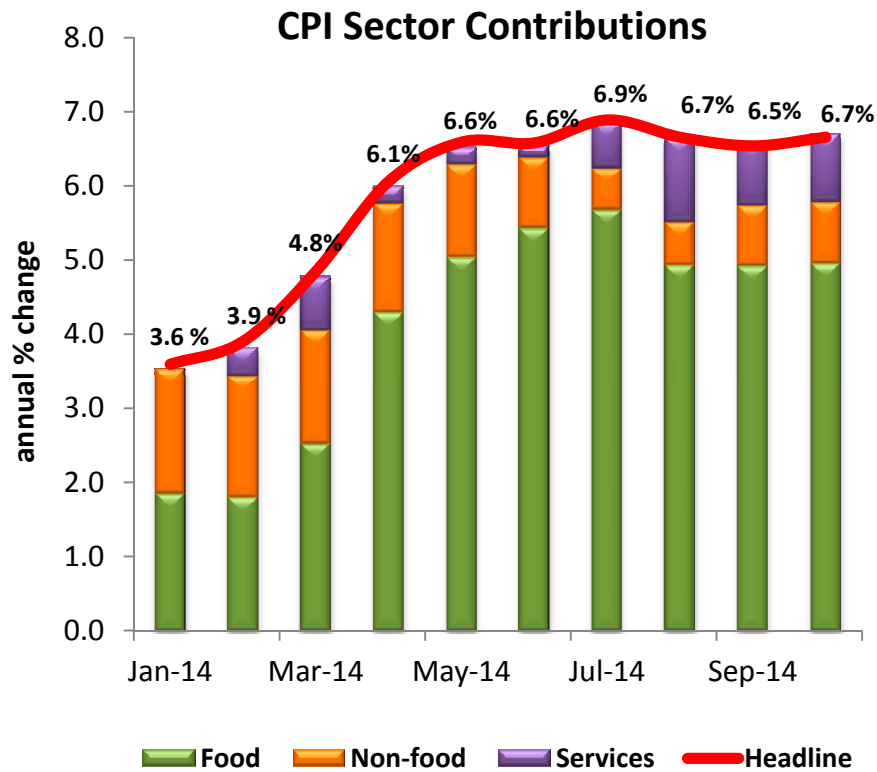
Sector Contributions to GDP growth



■ Industry ■ Agriculture ■ Construction ■ Services

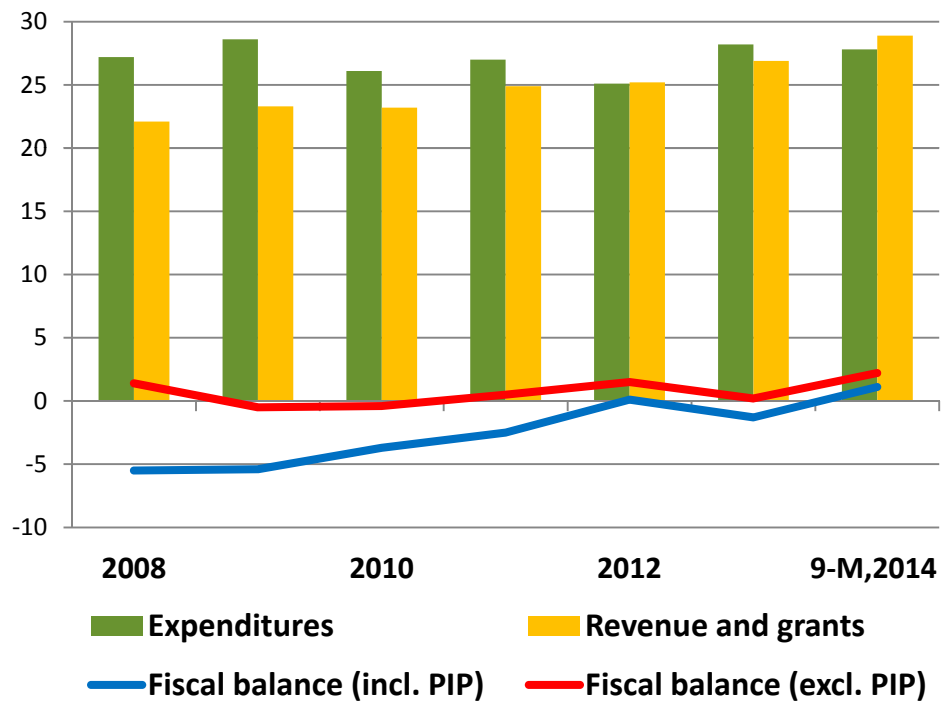


Inflation remains highly vulnerable to external shocks

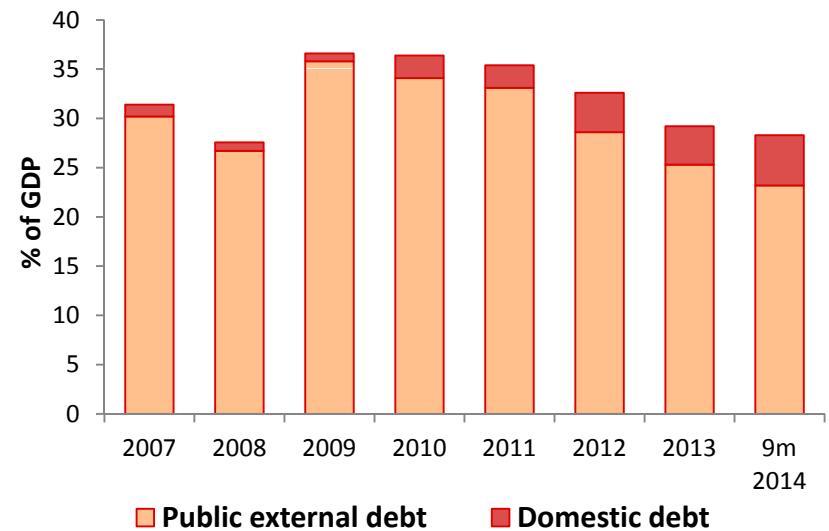


Fiscal Performance

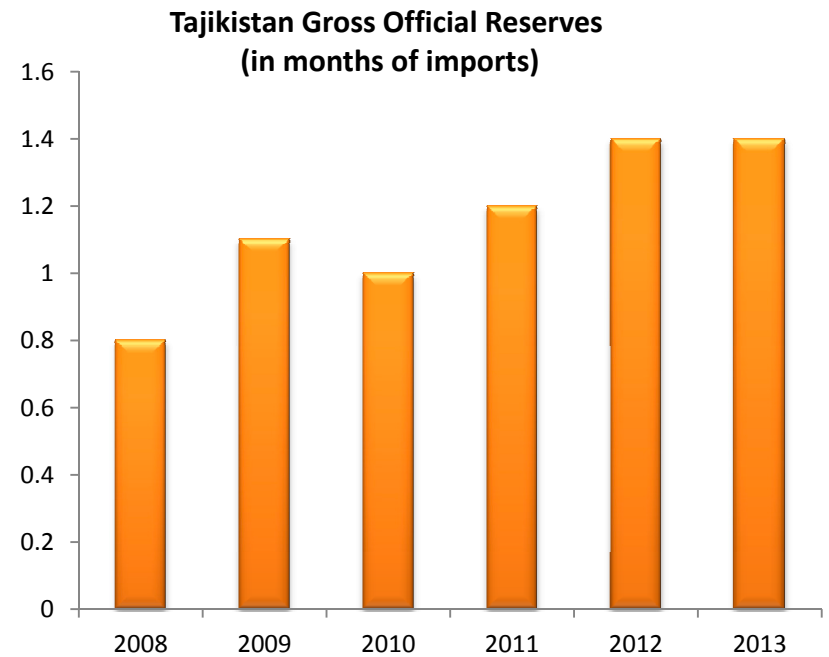
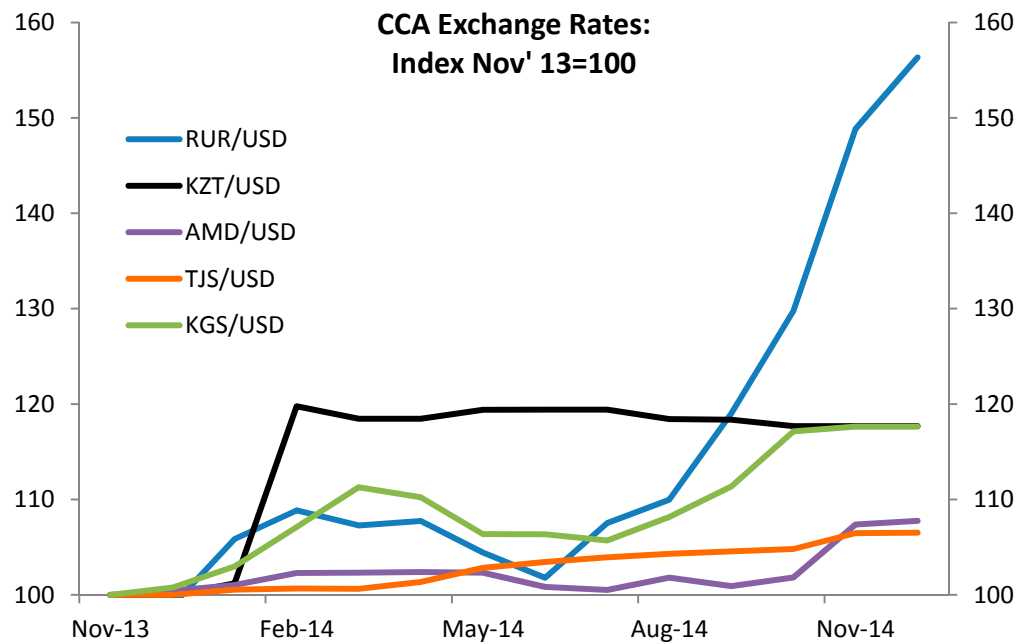
State Budget Performance (in % of GDP)



Public Debt (in % of GDP)



Monetary and Financial Sector



Policy Recommendations

- To increase resilience against shocks, the country needs to build-up additional external and fiscal buffers while introducing more exchange rate flexibility
- To mitigate potential quasi-fiscal risks to the budget, SOE monitoring and governance should be improved
- Stronger financial sector can play a better role in helping economic growth in the country
- In the medium term, structural reforms in the area of business environment, diversification of the economy and strengthening of regional cooperation can further help growth and job creation