EXECUTIVE BOARD MEETING

SM/23/42
Supplement 3

February 22, 2023

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Republic of Tajikistan—Staff Report for the 2022 Article IV Consultation—Draft Press Release**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Monday, February 27, 2023**
Publication:	Not yet decided*
Questions:	Mr. Gaertner, MCD (ext. 37390) Mr. Talishli, MCD (ext. 37835)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, Islamic Development Bank, Organisation for Economic Cooperation and Development, United Nations Development Programme, World Trade Organization

***At the time of circulation of this paper to the Board, the authorities have indicated that they need more time to consider whether they will consent to the Fund's publication of this press release. Publication will only proceed upon the receipt by the Fund of the member's explicit consent.**

PRESS RELEASE

PR[YY/XX]

IMF Executive Board Concludes 2022 Article IV Consultation with the Republic of Tajikistan

FOR IMMEDIATE RELEASE

Washington, DC – [February XX, 2023]: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with the Republic of Tajikistan.

Tajikistan continued to experience strong growth in 2022, with minimal disruption from the war in Ukraine as strong financial inflows supported domestic demand and liquidity. Real GDP increased by 8 percent in 2022, while higher remittances kept the current account in surplus and helped increase FX reserves to around 8 months' import coverage. Twelve-month inflation remained well-contained at 4.2 percent in December, below the mid-point of the NBT's medium-term target range of 6 (±2) percent. The fiscal deficit is estimated at 1.4 percent of GDP in 2022, implying a modest expansion due to increased capital spending, but remained below the 2.5 percent of GDP deficit target, helping to anchor a projected decline in public debt to 35 percent of GDP. Financial soundness indicators continued to improve as the resolution of two large banks in 2021 has helped clean up legacy loans in the banking system.

Significant uncertainty remains over the near-term outlook. While Tajikistan proved to be resilient to weaker economic activity in Russia in 2022, it remains vulnerable to spillover risks from a protracted slowdown. Real GDP growth is projected to decelerate to 5 percent in 2023 as remittances return to historical levels after the increase in 2022, but with downside risks in the event of a more adverse impact on Tajik migrants as the war in Ukraine continues. Over the medium-term, growth is expected to converge to its potential of about 4 percent, with inflation staying within the NBT's target range and FX reserves remaining at around 8 months of imports.

Far-reaching structural reforms are critical to achieve stronger and more inclusive medium-term growth. Reform efforts should continue to focus on improving SOE governance, supporting private sector development, enhancing social protection and combating corruption. Reducing climate-related vulnerabilities can also raise the economy's growth potential.

Executive Board Assessment[2]

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Table 1. Selected Economic Indicators, 2019–24

(Quota: SDR 174 million)

(Population: 9.5 million; 2020)

(Per capita GDP: US$897; 2021)

(Poverty rate: 26 percent; 2019)

(Main exports: aluminum, gold, cotton)

	2019	2020	2021	2022	2023	2024
				Est.	Proj.	
National accounts	(Annual Percent Change, unless otherwise indicated)					
Real GDP	7.4	4.4	9.4	8.0	5.0	4.5
Headline CPI inflation (end-of-period)	8.0	9.4	8.0	4.2	6.5	6.5
General government finances	(Percent of GDP, unless otherwise indicated)					
Revenue and grants	26.8	24.8	27.0	27.5	28.2	26.2
Tax revenue	19.9	18.3	19.5	19.5	19.6	19.8
Expenditure and net lending	28.8	29.2	27.6	28.9	30.7	28.7
Current	16.7	17.1	16.4	16.4	16.0	16.0
Capital	12.1	12.1	11.3	12.5	14.7	12.7
Overall balance (excl. PIP and stat. discrepancy)	1.7	-2.2	0.0	1.5	1.4	1.1
Overall balance (incl. PIP and stat. discrepancy)	-2.1	-4.3	-0.7	-1.4	-2.5	-2.5
Total public and publicly-guaranteed debt	43.5	49.8	42.5	34.6	32.3	31.3
Monetary sector						
Broad money (12-month percent change)	17.0	18.4	8.2	38.1	11.6	11.3
Reserve money (12-month percent change)	20.2	20.2	11.6	48.8	18.3	11.2
Credit to private sector (12-month percent change)	7.7	19.9	-5.2	23.4	13.5	9.2
Refinancing rate (in percent, eop/ latest value)	12.3	10.8	13.3	13.0	...	...
External sector						
Current account balance	-2.2	4.1	8.2	6.4	-1.6	-2.4
Trade balance (goods)	-23.1	-17.8	-19.2	-27.1	-27.8	-27.9
FDI (net)	2.3	0.4	0.4	3.9	1.8	3.2
Total public and publicly guaranteed external debt	35.1	44.2	37.5	30.6	29.1	28.5
Memorandum items:						
Nominal GDP (in millions of somoni)	79,110	83,958	101,076	115,739	129,183	143,770
Average exchange rate (somoni per U.S. dollar)	9.53	10.32	11.31	11.06	...	...

Sources: Data provided by the Tajikistan authorities, and Fund staff estimates.