

TAJIKISTAN

Table 1 **2022**

Population, million	10.0
GDP, current US\$ billion	10.5
GDP per capita, current US\$	1054.2
International poverty rate (\$2.15) ^a	6.1
Lower middle-income poverty rate (\$3.65) ^a	25.7
Upper middle-income poverty rate (\$6.85) ^a	66.4
Gini index ^a	34.0
School enrollment, primary (% gross) ^b	100.9
Life expectancy at birth, years ^b	71.6
Total GHG emissions (mtCO2e)	19.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2015), 2017 PPPs.
 b/ WDI for School enrollment (2017); Life expectancy (2021).

Economic growth is projected at 6.5 percent in 2023 and moderating in future years in the absence of strong structural reforms to open up the economy. Inflation has been kept under control and expected to remain around 3.4 percent in 2023. The authorities' effort to support the currency in H1 2023 have resulted in a substantial loss of FX reserves.

Key conditions and challenges

Tajikistan's GDP growth averaged 7.1 percent over the 2010–2022 period. Strong growth and higher wages helped reduce poverty from 32 percent of the population in 2009 to an estimated 12.4 percent in 2022 (at the international poverty line of USD 3.65/day). However economic growth has been driven by remittance-induced household consumption and public infrastructure investment and the country remains characterized by the absence of a competitive private sector and very limited jobs creation, in the face of a fast-growing population.

The result has been substantial labor out-migration, notably to Russia, leading to increasing economic dependence on remittances. Remittances peaked at 50 percent of GDP in 2022. High dependence on an undiversified external income source has increased vulnerability to external shocks; the difficult domestic business environment inhibits the establishment of private sector-led alternatives.

To achieve the objectives of the National Development Strategy 2030, the authorities need to address the challenges brought by inefficient public enterprises, elite capture, corruption, weak competition, inadequate digital connectivity, poor transport links, insufficient financial intermediation, weak human capital development, and substantial social and environmental vulnerabilities.

This challenging reform agenda is also critical to enable the financing of Tajikistan's ambitious infrastructure plans, notably the construction of the Rogun Hydropower Plant (HPP), in a macroeconomically sustainable manner. Debt sustainability analysis highlights substantial risks that point to the importance of maintaining fiscal discipline, including reducing contingent liabilities and boosting exports by enabling a competitive private sector.

Recent developments

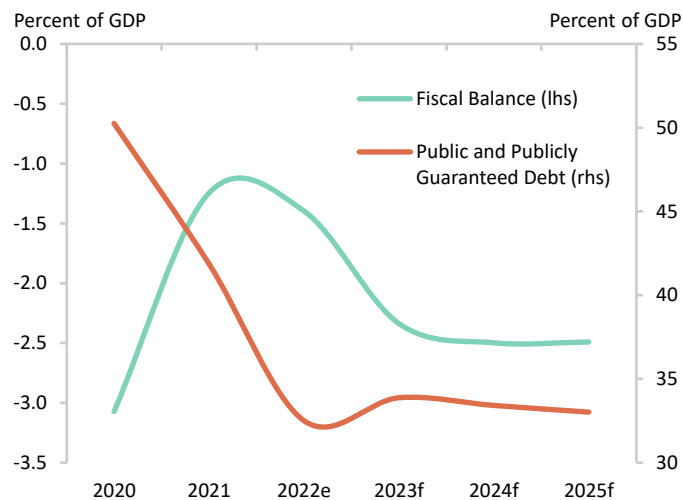
GDP growth was 8.3 percent (yoy) in H1 2023, driven by robust remittance inflows stimulating household consumption and investments. The share of households with a migrant reached 48 percent in June 2023, with the share of households receiving remittances rising gradually from 14 percent in January to almost 22 percent in June.

The average consumer price inflation rate declined from 7.7 percent during the first seven months of 2022 to 3.1 percent over the same period in 2023. Inflationary pressures decreased as the TJS appreciated against the RUB, lowering import prices for food and fuel products from Russia.

The Central Bank reduced the policy rate gradually from 13.5 percent in September 2022 to 10 percent as of May 2023. Since the transmission mechanism of the monetary policy is weak, the exchange rate is the main anchor to controlling inflation in Tajikistan.

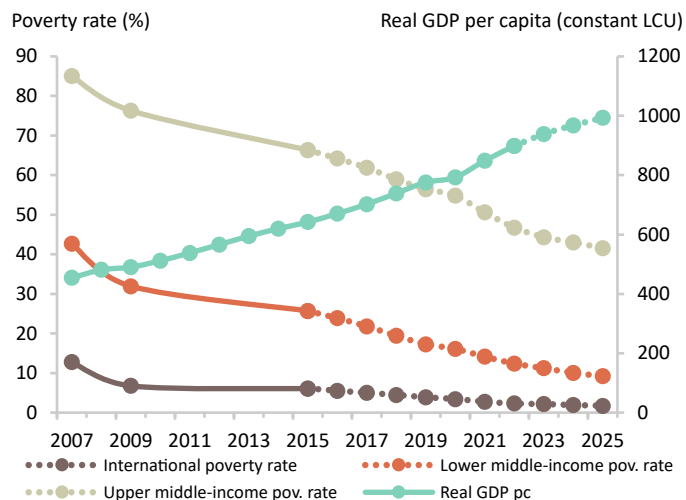
Despite the strong remittance inflows, Tajikistan's external position deteriorated in

FIGURE 1 Tajikistan / Fiscal balance and public debt



Sources: TajStat, Ministry of Finance, and World Bank staff estimates and projections.

FIGURE 2 Tajikistan / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Q1 2023. The current account recorded a deficit of 2.6 percent of GDP in Q1 2023 compared with a 15.6 percent surplus in 2022. The trade deficit widened from 30 percent of GDP in H1 2022 to 41 percent in H1 2023, primarily due to the doubling of vehicle imports and a complete halt in the export of precious metals. The export of precious metals was temporarily halted to prevent the re-export of non-Tajik products due to Russian sanctions and to improve compliance with OECD standards. Monetary authorities intervened in the foreign exchange market to support the TJS, resulting in a fall in international reserves from USD 3.8 billion at the end of 2022 to USD 3.2 billion in mid-2023. Reserves remain adequate at more than 6.5 months of import cover.

In H1 2023, the state budget was in balance. Tax receipts increased by 20 percent in nominal terms (yoy) to 22.5 percent of GDP (from 22 percent last year's same period) due to robust economic activity and better tax administration. Budget expenditures increased by 34 percent in nominal terms (yoy) to 33.8 percent of GDP (from 29.6 percent last year's same period), led by the energy and communication sectors. Since July 2023, the authorities have

implemented targeted social assistance reforms to better identify vulnerable households and increased the amount of benefits for households with more children. The banking sector has high capitalization levels; however, the asset quality is relatively poor. As of March 2023, the ratio of capital to risk-weighted assets stood at 25.9 percent – more than double the minimum requirement of 12 percent. On the other hand, the share of non-performing loans in total loans stood at 11.5 percent (albeit declining from 12.2 percent at the end of 2022).

Outlook

Tajikistan's growth is expected to slow to 6.5 percent in 2023 due to a projected moderation in remittance inflows (to 32 percent of GDP from the high base in 2022), lower FDI, and weaker exports. The economy's growth potential is estimated to be 4.5–5 percent over the medium term in the absence of structural reforms.

Inflation is projected to gradually rise toward the inflation target of 6 percent, after hitting a low in 2023.

Over the medium term, Tajikistan's current account deficit is projected to hover at 2.5 to 3 percent of GDP, assuming the normalization of remittance flows and lower prices for major export commodities (metals and minerals).

To ensure macro-fiscal stability, the authorities will need to allow greater exchange rate flexibility and limit the fiscal deficit at 2.5 percent of GDP over the medium term.

Expenditure on the construction of the Rogun HPP and other large infrastructure projects is projected to be financed by borrowing from development partners and streamlining other non-priority spending. The authorities plan to continue increasing targeted social allocations to better protect the vulnerable. Poverty is projected to fall from 12.4 percent in 2022 to 11.3 percent in 2023.

Risks to the economic outlook stem from geopolitical uncertainty, global financial conditions, remittance flow reversals (notably due to the risk of military conscription of migrants with dual Tajik-Russian citizenship), and the slow pace of structural reforms. Tajikistan also remains highly sensitive to climate change and natural disasters.

TABLE 2 Tajikistan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	4.4	9.4	8.0	6.5	5.0	4.5
Private consumption	3.1	4.3	9.0	7.1	3.0	3.0
Government consumption	2.3	4.6	7.8	6.4	4.3	3.7
Gross fixed capital investment	-4.6	12.0	10.3	11.2	5.3	4.6
Exports, goods and services	21.8	55.4	-15.0	-4.6	11.0	8.1
Imports, goods and services	-0.4	20.0	3.0	8.0	3.1	3.6
Real GDP growth, at constant factor prices	7.6	9.2	9.2	6.5	5.0	4.5
Agriculture	7.9	-0.3	5.1	5.0	5.0	5.0
Industry	17.3	13.2	8.3	8.0	5.0	5.0
Services	-1.9	10.6	12.5	5.6	5.0	3.7
Inflation (consumer price index)	8.6	9.0	6.6	3.4	5.4	6.1
Current account balance (% of GDP)	4.3	8.2	15.6	-2.4	-2.9	-3.1
Net foreign direct investment inflow (% of GDP)	0.4	0.4	1.5	0.0	2.4	2.6
Fiscal balance (% of GDP)	-3.1	-1.2	-1.4	-2.3	-2.5	-2.5
Revenues (% of GDP)	26.2	26.7	27.7	26.2	26.1	26.1
Debt (% of GDP)	50.3	41.9	32.5	33.5	32.9	32.2
Primary balance (% of GDP)	-2.3	-0.4	-0.7	-1.6	-1.7	-1.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	3.5	2.8	2.3	2.2	2.0	1.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	16.2	14.2	12.4	11.3	10.1	9.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	54.8	50.6	46.8	44.3	43.0	41.6
GHG emissions growth (mtCO₂e)	4.3	6.4	3.0	4.6	3.2	2.8
Energy related GHG emissions (% of total)	44.4	46.8	46.4	46.9	46.8	46.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2015-HSITAFIEN. Actual data: 2015. Nowcast: 2016-2022. Forecasts are from 2023 to 2025.

b/ Projection using neutral distribution (2015) with pass-through = 0,87 (Med (0.87)) based on GDP per capita in constant LCU.