

# TAJIKISTAN

Table 1	2021
Population, million	9.8
GDP, current US\$ billion	8.7
GDP per capita, current US\$	896.9
International poverty rate (\$1.9) <sup>a</sup>	4.1
Lower middle-income poverty rate (\$3.2) <sup>a</sup>	17.8
Upper middle-income poverty rate (\$5.5) <sup>a</sup>	50.5
Gini index <sup>a</sup>	34.0
School enrollment, primary (% gross) <sup>b</sup>	100.9
Life expectancy at birth, years <sup>b</sup>	71.1
Total GHG Emissions (mtCO2e)	16.9

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2015), 2011 PPPs.  
b/ WDI for School enrollment (2017); Life expectancy (2019).

*The fallout from Russia's invasion of Ukraine will lead to an economic contraction of about 2 percent in 2022. A projected 40 percent fall in remittances, higher food and energy prices, and financial services and trade disruptions will lower household incomes and increase poverty. Fiscal space, already constrained by structural impediments to private sector growth, is further limited by rising debt distress risks from a weakening exchange rate.*

## Key conditions and challenges

Tajikistan remains the poorest economy in Central Asia, with a narrow export base, structural bottlenecks for job creation, and high dependence on external financial aid. Per capita income (GNI, Atlas method) was about US\$1,100 in 2021—slightly above the lower-middle-income threshold. The poverty rate fell from 17.8 percent in 2015 to about 13.9 percent in 2021.

Tajikistan's economy relies heavily on primary commodity production and exports, with limited economic diversification. Domestic investment and consumption depend heavily on migrant remittances, which are about a third of GDP, thus leaving the economy highly vulnerable to external shocks. Sanctions on the Russian economy have exposed this vulnerability since Russia is the largest employer of Tajik migrant workers and is among the largest trading partners.

Reforms aimed at private sector growth, public sector efficiency, and greater inclusion are vital to further economic development.

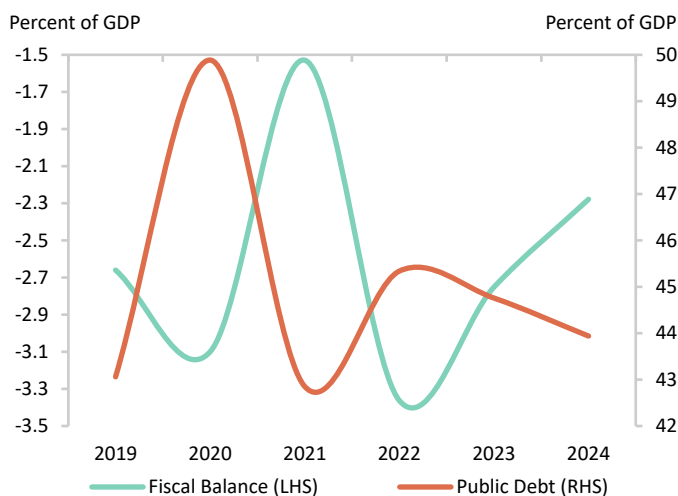
## Recent developments

Real GDP growth rebounded to about 9.2 percent in 2021, after slowing to 4.5 percent in 2020 due to COVID-19. A sharp increase in precious metal exports,

recovery in remittance inflows, and a pickup in private investment and consumption supported this rebound. Tajikistan's external position improved considerably from higher export prices for metals and mineral products and remittance inflows. The current account was in surplus of about 1 percent of GDP in 2021, compared to a surplus of 4.1 percent in 2020. Precious metal exports reached \$897 million and were about 40 percent of total merchandise exports. Increased remittances and foreign direct investment (FDI) inflows stimulated consumer and capital goods imports. Higher Chinese mining sector investments doubled FDI to \$62.3 million (0.7 percent of GDP) during the first nine months of 2021. Strong foreign exchange inflows, including from the issuance of new Special Drawing Rights (SDR) by the IMF, supported a stable exchange rate and allowed international reserves to grow to about 8 months of import cover by end-2021.

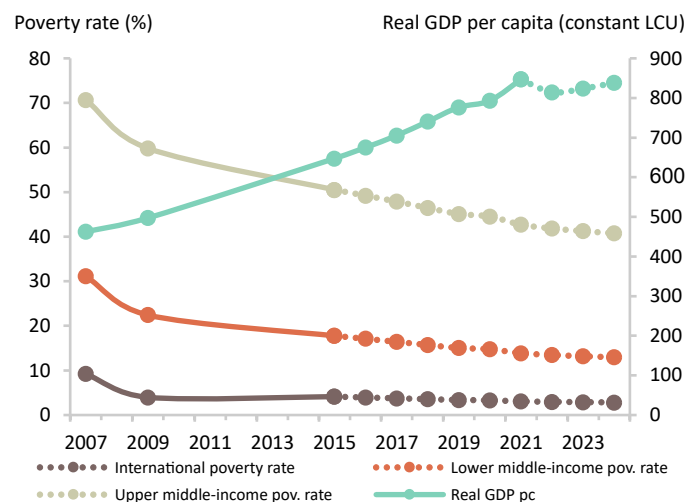
After a fiscal expansion in 2020, the government began to consolidate spending in 2021. The fiscal deficit narrowed to 1.5 percent of GDP from 3.1 percent in 2020. The expiration of anti-pandemic tax reliefs, a rebound in economic activity, and high export prices increased fiscal revenues. Development partner loans for infrastructure projects helped bridge the fiscal gap. Although a stable exchange rate and a rebounding economy helped reduce public and publicly guaranteed debt to 42.9 percent of GDP in 2021 (from about 50 percent in 2020), Tajikistan remains at high risk of debt distress given its high vulnerability to external shocks.

**FIGURE 1 Tajikistan / Fiscal balance and public debt**



Sources: TajStat, World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

In response to rising food and fuel price inflation, the central bank increased its policy rate four times from 10.75 at end-2020 to 13.25 percent by the end-2021. Nevertheless, average annual inflation rose from 8.6 percent in 2020 to 9 percent in 2021. Amidst lower remittances and a weakening ruble following Russia's invasion of Ukraine, the authorities allowed the somoni to depreciate by 13 percent against the US dollar in March 2022.

Financial sector performance improved in 2021 - primarily due to liquidation being initiated for four insolvent banks (including two state-owned banks). The share of non-performing loans in the total lending portfolio declined by 10 percentage points to 13.7 percent in 2021.

In the Fall 2021 round of the World Bank's Listening to Tajikistan survey, the share of households with at least one labor migrant abroad went up from 29 percent to 44 percent, remittance income from 10 percent to 18 percent, and wage income from 11 percent to 21 percent compared with 2020. As a result, the

poverty rate fell to 13.9 percent, and fewer households reported cutting their food consumption in 2021.

To support the most vulnerable groups, the government provided social assistance to 238,000 families and provided extra one-off emergency nutrition-sensitive transfers to over 164,000 families with children.

## Outlook

Russia's invasion of Ukraine will lead to a contraction of Tajikistan's economy by about 2 percent in 2022. The main driver of this contraction is a projected 40 percent fall in remittances, which is expected to lead to sharply lower private consumption and investment. Other factors, including high prices, disruptions to trade, and the financial system, are also expected to contribute to the contraction. High global food and fuel prices are projected to lead to double-digit inflation in 2022.

The poverty rate is expected to increase to 14.3 percent in 2022 from 13.9 percent in 2021, with the potential for significant further increases in poverty should more risks materialize.

The contraction of economic activity due to the war in Ukraine and a new tax code introduced at the beginning of the year are expected to lower tax revenues in 2022. This, along with an anticipated anti-crisis spending increase, is projected to increase the fiscal deficit to about 3.4 percent in 2022.

These projections are subject to substantial domestic and external downside risks. Enduring sanctions on Russia could create significant challenges for migrant workers and further reduce demand for Tajik exports. Other risks include the re-emergence of new pandemic waves, new border conflicts with the Kyrgyz Republic, and the spillover of security risks from Afghanistan. In addition, institutional challenges to private sector development and job creation weigh heavily on the country's growth prospects.

**TABLE 2 Tajikistan / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
<b>Real GDP growth, at constant market prices</b>	7.4	4.5	9.2	-1.8	3.2	3.8
Private Consumption	7.1	-4.4	4.6	-10.0	3.0	5.0
Government Consumption	3.5	0.4	7.8	-0.4	1.3	2.9
Gross Fixed Capital Investment	-6.4	-6.6	4.0	-9.7	6.7	5.5
Exports, Goods and Services	3.5	9.6	18.3	0.0	3.5	3.7
Imports, Goods and Services	2.2	-2.8	11.5	-5.0	0.2	0.5
<b>Real GDP growth, at constant factor prices</b>	8.7	4.3	9.0	-1.3	3.4	3.9
Agriculture	7.1	8.8	6.6	4.5	3.0	3.4
Industry	13.6	9.7	22.0	5.5	3.6	4.1
Services	4.9	-4.0	-5.2	-16.0	3.5	4.0
<b>Inflation (Consumer Price Index)</b>	8.0	8.6	9.0	12.6	10.0	8.5
<b>Current Account Balance (% of GDP)</b>	-2.2	4.1	1.0	-7.7	-4.4	-2.6
<b>Net Foreign Direct Investment (% of GDP)</b>	2.3	0.4	0.2	0.9	1.8	2.5
<b>Fiscal Balance (% of GDP)</b>	-2.7	-3.1	-1.5	-3.4	-2.8	-2.3
<b>Debt (% of GDP)</b>	43.1	49.9	42.9	45.3	44.8	43.9
<b>Primary Balance (% of GDP)</b>	-1.7	-2.2	-0.5	-2.1	-1.4	-1.0
<b>International poverty rate (\$1.9 in 2011 PPP)<sup>a,b</sup></b>	3.4	3.3	3.0	3.2	3.1	3.1
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>a,b</sup></b>	15.0	14.8	13.9	14.4	14.2	14.0
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>a,b</sup></b>	45.1	44.5	42.7	43.7	43.4	42.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	9.9	7.8	9.6	5.2	7.1	7.5
<b>Energy related GHG emissions (% of total)</b>	40.9	43.1	46.3	46.7	48.2	49.8

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

a/ Calculations based on ECAPOV harmonization, using 2007-TLSS, 2019-, and 2015-HSITAFIEN. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.

b/ Projection using point-to-point elasticity (2007-2019) with pass-through = 1 based on GDP per capita in constant LCU.