

TAJIKISTAN

Table 1 **2023**

Population, million	10.1
GDP, current US\$ billion	12.1
GDP per capita, current US\$	1189.0
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	95.9
Life expectancy at birth, years ^b	71.3
Total GHG emissions (mtCO2e)	18.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2022).

In the first half of 2024, Tajikistan's GDP grew by 8.2 percent due to strong remittance inflows and investments. Growth is projected to exceed 7 percent in 2024 and to slow over the medium term. To sustain robust economic growth, ambitious policy reforms are needed to facilitate the transition to a dynamic private sector-led development model.

Key conditions and challenges

Tajikistan is the poorest country in the ECA region, with a GNI per capita of US\$1,440 (Atlas method) and a poverty rate of 10.7 percent (based on the LMIC poverty line) in 2023. The country is struggling to overcome structural bottlenecks, such as poor human capital, insufficient physical infrastructure, and weak institutions, hampering productive job creation and making the economy susceptible to external shocks.

Tajikistan heavily depends on remittances (38 percent of GDP in 2023), particularly from Russia, and has a narrow export base comprised mainly of primary commodities. This lack of diversity makes it vulnerable to external economic shocks, such as fluctuations in the Russian economy, shifts in migration policies, and global commodity market changes.

Two of Tajikistan's most pressing issues are persistent high unemployment rates and weak private sector dynamism. Most of the population has limited access to basic services, such as quality education and healthcare, and clean water. Deterrence in foreign investment and local private sector development is due to an uneven playing field for private enterprises, uncompetitive state-owned enterprise (SOE) practices, and weak governance and rule of law.

Reform priorities for Tajikistan should focus on opening the economy to fair competition and improving governance in the

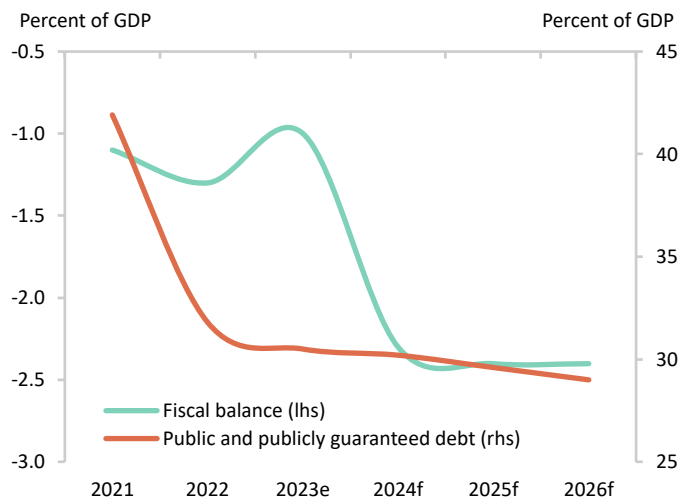
public sector, including SOEs. Resolving structural issues in the energy system, improving regulation and competition in the telecom and aviation sectors, and removing inefficient tax exemptions are crucial for unlocking the country's economic potential. Strengthening the education, healthcare, and social protection systems is vital for human capital development and equipping the workforce with the necessary skills. Given Tajikistan's high exposure to climate change and natural disaster risks, the country should also expand on measures to build better environmental resilience.

Recent developments

According to official preliminary estimates, Tajikistan's economy grew 8.2 percent year-on-year (yoy) in the first half (H1) of 2024. Growth was driven by strong household consumption and investments, while net exports declined. Increased remittance inflows fueled domestic demand as labor migrants benefited from a tight Russian labor market and robust real wage growth. The economy saw broad-based output expansion across all sectors, with services and agriculture leading the way.

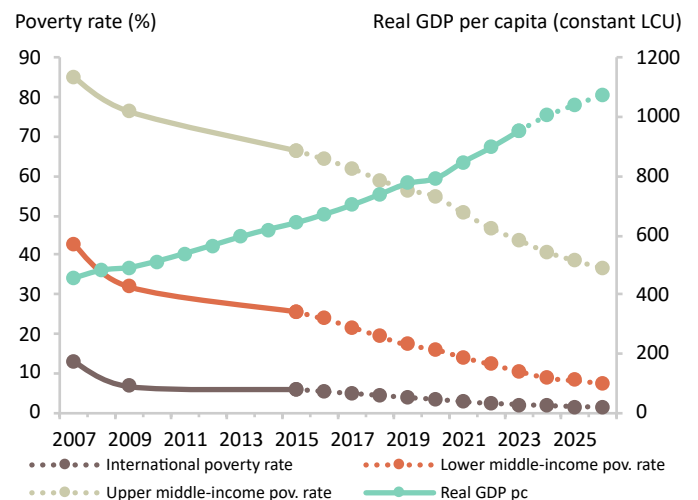
In H1 2024, Tajikistan's current account improved, with a 2.6 percent GDP surplus compared to a 1.9 percent deficit in the same period of 2023. Despite a widening trade deficit, remittance inflows grew by 50 percent yoy to US\$3bn, more than offsetting the trade deficit increase. Foreign direct investment (FDI) has remained low

FIGURE 1 Tajikistan / Fiscal balance and public debt



Sources: 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.

at 0.5 percent of GDP due to challenges in the business environment. The central bank accumulated international reserves of US\$4.2 billion by June 2024, equivalent to about seven months of imports.

Prudent monetary policy and exchange rate stability reduced headline inflation to 3.5 percent yoy in June 2024. In August, the central bank cut the policy rate to 9 percent (from 10 percent at end-2023), marking a third cut in 2024 as the inflation outlook became more favorable.

The government maintained a conservative fiscal stance, with a budget deficit of 0.7 percent of GDP in H1 2024 (compared to 0.2 percent in H1 2023). Revenue collection declined to 31 percent of GDP in H1 2024 from 33.5 percent the previous year. Despite strong economic growth, tax revenues were adversely affected by a reduction in the VAT rate, from 15 percent to 14 percent. This reduction, coupled with a decrease in grant disbursements following a significant increase last year, resulted in an overall revenue decline. Concurrently, budget expenditures were cut to 31.7 percent of GDP in H1 2024 from 33.7 percent the previous year. The government curtailed spending on goods and services. The budget deficit was primarily financed through external borrowing.

The financial sector's earnings have improved due to strong foreign exchange inflows. Return on Assets (Equity) increased from 3.7 (19.2) percent at end-2023 to 4.7 (25.2) percent. The banking sector has a capital adequacy ratio of 21.4 percent, well above the 12 percent minimum threshold, but it faces risks from poor asset quality. Nonperforming loans accounted for 12.2 percent as of mid-2024.

According to the Listening-to-Tajikistan survey, 3 percent of the population aged 15+ reported to have lost a job or business, and about 2.4 percent reported to be looking for a job during H1 2024. A higher share of households (approximately 25 percent) received remittances during H1 2024 compared to 17 percent in H1 2023.

Outlook

Tajikistan's economy is projected to grow by 7.2 percent in 2024, supported by remittance-induced household consumption and investments. Inflation is projected at 3.5 percent for 2024 and remains below the central bank's inflation target range of 6 percent (+/-2).

Strong remittance inflows and elevated prices for Tajikistan's major export commodities are expected to maintain a surplus in the current account, while FDI inflows are expected to remain subdued due to the weak business environment.

To ensure the stability of public finances, authorities intend to maintain the medium-term fiscal deficit below 2.5 percent of GDP and restrict non-concessional borrowing solely to finance the construction of the Rogun hydro power project (HPP). External and domestic risks weigh on economic prospects. A potential escalation in Russia's invasion of Ukraine, as well as Russia's stricter migration policies and a new risk of military mobilization, could negatively impact labor outmigration and remittance flows. On the domestic front, slow progress in implementing structural reforms to support private sector-led growth and efficient public services could hamper growth prospects. There is also pressure on public finances due to loss-making SOEs, the upcoming repayment of a US\$500 million Eurobond, and the construction of the Rogun HPP. Climate change and natural disasters could further impede economic development and stability.

Poverty, at US\$3.65/day, is projected to further decline to 9 percent in 2024.

TABLE 2 Tajikistan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	9.4	8.0	8.3	7.2	5.5	5.0
Private consumption	4.4	15.1	4.9	14.6	3.2	3.0
Government consumption	4.6	-0.7	13.4	11.0	5.0	5.5
Gross fixed capital investment	12.0	11.9	22.5	13.4	5.1	2.6
Exports, goods and services	55.4	-24.0	24.8	-2.9	2.7	3.2
Imports, goods and services	20.0	4.0	29.3	12.8	5.8	3.1
Real GDP growth, at constant factor prices	9.9	9.0	9.3	7.2	5.5	5.0
Agriculture	-0.3	-4.5	5.0	5.0	4.5	4.5
Industry	13.2	9.1	8.0	7.5	6.6	6.0
Services	12.8	16.9	12.9	7.9	4.7	4.0
Inflation (consumer price index)	9.0	6.6	3.7	3.5	5.2	5.4
Current account balance (% of GDP)	8.2	15.3	4.8	9.8	8.3	6.8
Net foreign direct investment inflow (% of GDP)	0.4	1.5	0.8	1.1	1.3	1.4
Fiscal balance (% of GDP)	-1.1	-1.3	-1.0	-2.3	-2.4	-2.4
Revenues (% of GDP)	26.7	27.2	30.1	28.4	27.8	27.7
Debt (% of GDP)	41.9	31.8	30.5	30.2	29.6	29.0
Primary balance (% of GDP)	-0.3	-0.6	-0.2	-1.6	-1.7	-1.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.8	2.3	2.1	1.7	1.5	1.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	14.2	12.4	10.7	9.0	8.3	7.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	50.6	46.8	43.8	40.8	38.6	36.8
GHG emissions growth (mtCO₂e)	0.0	1.9	2.3	2.3	2.0	2.3
Energy related GHG emissions (% of total)	42.4	42.8	43.3	44.1	44.7	45.4

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: 2016-2023. Forecasts are from 2024 to 2026.

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