KAZAKHSTAN

Highlights

- **Growth is accelerating.** GDP growth accelerated to 4.3 per cent year-on-year in the first nine months of 2017, from 1.1 per cent in 2016, primarily supported by the recovery in oil exports and stronger activity in the construction, agriculture and transport sectors.
- **Banking sector consolidation is advancing.** In July 2017, Halyk Savings Bank, Kazakhstan's largest bank, finalised the purchase of Kazkommertsbank (KKB), the second largest, after the state allocated US$ 6.4 billion to clean the balance sheets of banks with large shares of non-performing loans (NPLs). The merger of two other large banks, Tsesnabank and Bank CenterCredit is expected.
- **The Kashagan oilfield restarted in September 2016.** Production reached 180,000 barrels per day as of June 2017, about 10 per cent of Kazakhstan's total production. This is a marked development for the field, which had suffered from long delays and cost overruns owing to logistical and technical challenges.

Key priorities for 2018

- **Implementation of the government's structural reform agenda is a key priority.** Priorities include continuing efforts for a successful privatisation of state-owned entities, tariff reform in regulated sectors, development of the Astana International Financial Center (AIFC), banking sector reforms and the establishment of the framework for a green economy transition.
- **The role of the state in the economy should be further reduced.** Work needs to continue towards a better balance between the respective roles of the public and the private sectors, by supporting the growth of private enterprises, including small and medium-sized enterprises (SMEs), in agribusiness and other non-extractive sectors, as well as public sector reform and the commercialisation and privatisation of state-owned enterprises (SoEs).
- **The banking sector should be further strengthened.** The National Bank of the Republic of Kazakhstan (NBK) should continue its work on the reduction of legacy problem loans, as well as to further strengthen banking sector regulation and supervision, by taking more robust action regarding banks that fail to adjust their activities.

Main macroeconomic indicators %

	2013	2014	2015	2016	2017 proj.
GDP growth	6.0	4.3	1.2	1.1	3.8
Inflation (average)	5.8	6.7	6.7	14.6	7.3
Government balance/GDP	4.8	1.7	-2.2	-0.3	-2.9
Current account balance/GDP	0.5	2.8	-2.8	-6.5	-5.3
Net FDI/GDP [neg. sign = inflows]	-3.4	-2.1	-1.5	-9.8	-5.8
External debt/GDP	63.4	71.2	83.2	119.3	110.1
Gross reserves/GDP	10.4	13.2	15.1	21.5	n.a.
Credit to private sector/GDP	31.4	30.5	31.0	27.1	n.a.

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Macroeconomic performance

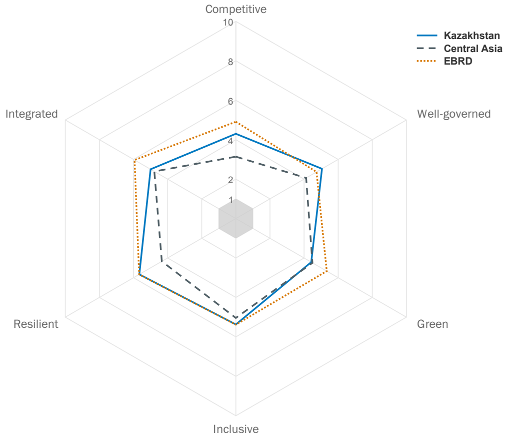
The economy is recovering. Real GDP growth accelerated to 4.3 per cent year-on-year in the first nine months of 2017, primarily driven by the rebound in oil exports and strong performance in the agriculture, construction and transport sectors. This follows a significant slow-down during 2014-16, due to the plunge in oil prices, weaker domestic demand and the recession in Russia. Exports rose by 32.2 per cent in the first eight months of 2017 in US dollar terms, mainly due to higher metal and stable oil prices, after falling 20 per cent in 2016 and 42 per cent in 2015. Imports increased by 17.9 per cent in the same period of 2017 after a drop of 17 per cent in 2016 and 26 per cent in 2015. Foreign exchange buffers have remained strong at combined net international reserves of the NBK and National Oil Fund foreign assets of about US$ 90 billion in September 2017, or 27 months of imports of goods and services.

Monetary conditions have normalised. Monetary policy has been effective at anchoring inflation expectations despite inflation spikes following the abrupt change in the exchange rate regime back in 2015. Inflation has returned to the 6.0 to 8.0 per cent NBK target corridor, reaching 7.1 per cent in September 2017 year-on-year. Following 46 per cent depreciation in 2015, the tenge has stabilised since March 2016. The NBK has gradually lowered its monetary policy rate from a high of 17.00 per cent at the beginning of 2016 to 10.25 per cent in August 2017. After lack of liquidity in the period of exchange rate pressure, there is excess short-term liquidity in tenge now, which is being sterilised by the central bank. However, sources of long-term tenge remain concentrated in a few institutions such as the Unified Pension Accumulation Fund that is managed by the central bank.

NPLs continue to weigh on the banking sector, but there is a new momentum towards resolution. The NPL ratio increased to 10.7 per cent in June 2017, from 6.7 per cent at the end of 2016, partly as a result of growth in overdue accrued interest. While this is around the 30 per cent level that persisted over 2008-13, the underlying asset quality remains a concern given the presence of not fully transparent off-balance sheet structures. However, steps have been taken to strengthen the NBK's supervisory mandate, dollarisation is declining, and banking sector consolidation is taking place with the injection of state funds.

Growth is expected to reach 3.8 per cent in 2017 and remain strong at 3.5 per cent in 2018, driven by increasing crude production, including from the restarted Kashagan oilfield, favourable oil prices and a recovery in real incomes growth, which turned negative in the second quarter of 2017. Inflation is expected to remain within the 6.0 to 8.0 per cent range set by the NBK currently, but might be shifted to 5.0 to 7.0 per cent in 2018.

Assessment of transition qualities (1-10)



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Major structural reform developments

Key structural reforms are moving forward gradually. The country's policy response to the oil price drop and the difficult economic environment in 2014-16, which focused mainly on counter-cyclical government spending and the move to a flexible exchange rate and inflation targeting regime, has created a more conducive environment for economic growth and further structural reforms. Key reforms include the development of the AIFC, which is taking shape. The Astana International Exchange is to be launched in early 2018. In June 2017, the Shanghai Exchange and the AIFC signed an agreement under which the Shanghai Exchange became a strategic cooperation partner of the AIFC and owns 25.1 per cent of the Astana Exchange. In other developments, the government amended the regulatory framework governing renewable energy development in 2017 in order to reduce the foreign exchange risk for investors. A framework for tariff reform in regulated sectors has been developed, although social issues make the immediate application challenging. Legislation concerning subsoil use is being amended with the objective to implement international standards for minerals and hydrocarbons extraction.

Kazakhstan ranks 36th of 190 countries in terms of ease of doing business according to the World Bank *Doing Business 2018* report. The country made progress in three components of ease of doing business: the transfer of a property was streamlined by improving registration transparency and the land administration system's dispute resolution mechanisms; investor protection was improved by strengthening minority shareholder rights and their role in major corporate decision making, by requiring greater corporate transparency and allowing better access to corporate information during trial; enforcing contracts was made easier by introducing tighter time standards for key court events – they are respected in the majority of cases.

A new development strategy has been unveiled. In January 2017 the President announced the new development strategy, "Third Modernization: Global Competitiveness". It aims to accelerate the modernisation and digitalisation of key sectors of the economy, increase productivity, diversify the economy away from hydrocarbons (in particular by boosting manufacturing), address banking sector weaknesses, reduce impediments to the private sector, increase the effectiveness of the civil service and reduce the role of the state in the economy by accelerating privatisation efforts.

Banking system consolidation and recapitalisation is taking place. In July 2017, Halyk Savings Bank, Kazakhstan's largest bank, finalised the purchase of Kazkommertsbank (KKB), the second largest, after the state allocated US$ 6.4 billion to clean the balance sheet of banks with the largest shares of the sector's NPLs. It is assumed that large banks will be the major recipient of the government fund injection, while the smaller banks will be expected to rely mostly on capital injections from their shareholders. In February 2017 the NBK also supported KKB via its liquidity line to repay its sizeable €400 million Eurobond in a timely manner. The merger of two other large banks, Tsesnabank and Bank CenterCredit is expected.

Steps are being taken to strengthen NBK's supervisory mandate. More robust actions against banks that fail to adjust their activities have been taken. The banking licence of Kazinvestbank was suspended due to the systematic failures to fulfil payment obligations. On 22 May 2017 NBK repeatedly suspended Delta bank's licences for accepting deposits from individuals and legal entities until November 2017. There are upcoming stress tests and an Asset Quality Review (AQR) of large banks planned for late 2017. In August 2017, the NBK adopted a programme to improve the financial stability of the banking sector and introduce a risk-oriented approach to the financial supervision process. The NBK will spend around tenge 500 billion (US$ 1.5 billion) on the implementation of the programme.

Fiscal policy is being stepwise adjusted to the continued lower level of oil prices. The draft 2018 budget envisages further adjustment through reduction of stimulus spending and higher non-oil revenues from growth and improved administration. A new draft tax code has been prepared, which focuses on changes in natural resources taxation and VAT improvements and making the tax system more progressive. An expansion of public-private partnerships (PPPs) is also being considered.

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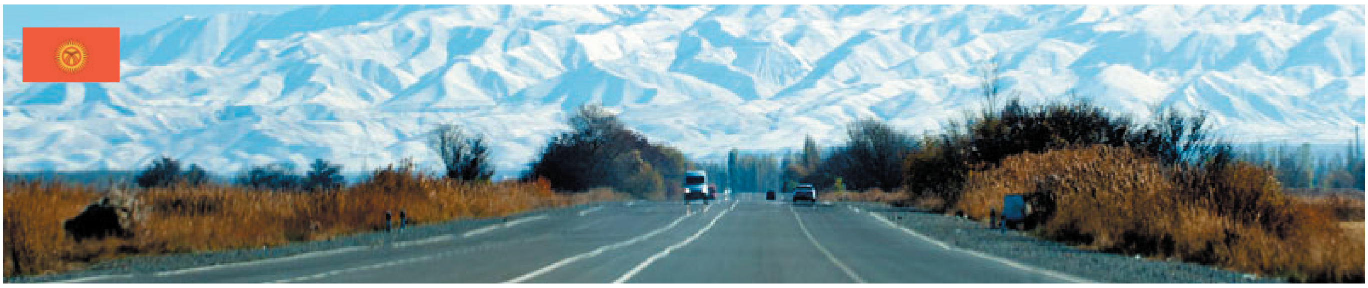
The government is making progress with its ambitious privatisation programme. Between mid-2016 and mid-2017, 53 small companies owned by the state-holding-company Samruk-Kazyna (SK) were sold. SK has been actively working on the pre-privatisation preparation of blue-chip companies, and it mobilised international advisers with the objective to attract strategic investors that can bring know-how and improve governance. SK also held a privatisation workshop at the London Stock Exchange in April 2017, showcasing initial public offering candidates, particularly Air Astana. Under the privatisation programme 2016-20, adopted in December 2015, assets singled out for privatisation include 782 entities in total, with 216 assets under the SK umbrella representing the most important strategic part. The SK assets have been divided into two parts, with 44 core assets and 172 smaller assets. The plan is to privatise the small non-core assets during 2016-17 and the large blue-chip companies during 2018-20. Air Astana and KazAtomProm are expected to be privatised in 2018-19.

The Kashagan oilfield restarted in September 2016. In November 2016 the field achieved a commercially viable level of production with sustained output at 75,000 barrels per day (b/d). In June 2017, production reached 180,000 b/d. The government expects that Kashagan will reach its first-stage full output capacity of 370,000 b/d before the end of 2017, with overall annual oil output at around 8.9 million tonnes. This will mark a milestone in the development of the field, which has suffered from long delays and cost overruns owing to logistical and technical challenges, and will help it meet its growth targets.



KYRGYZ REPUBLIC

Highlights

- **Economic growth decelerated in 2018.** In the first three quarters of 2018 the economy grew by 1.2 per cent year-on-year after reaching 4.6 per cent in 2017. A sharp drop in gold production was the main reason for the slow-down.
- **Regional cross-border linkages are deepening.** The Kyrgyz Republic and Uzbekistan are on track to resolve long-standing border issues, and ties with Kazakhstan are strengthening again.
- **A new long-term development strategy has been unveiled.** The new strategy focuses on measures to digitalise the economy, improve the effectiveness of the public administration, create better opportunities for education and training, and improve the business environment.

Key priorities for 2019

- **Fiscal policy should be tightened.** In 2017, pre-election spending delayed the authorities' efforts to reduce the budget deficit. The authorities need to pursue fiscal consolidation in line with the target deficit of 2.5 per cent of GDP agreed with the IMF.
- **Business climate challenges need to be tackled and access to electricity improved.** Business disputes over environmental protection and property rights issues need to be resolved. The authorities need to agree a stable and permanent framework for operations and ownership of the Kumtor gold mine and other mining investments to demonstrate their commitment to legal stability and ensure the attractiveness of the country for foreign direct investment.
- **The banking sector should be strengthened.** Non-performing loans (NPLs) and dollarisation continue to pose challenges for the economy. The central bank should further strengthen its supervisory and regulatory capacity.

Main macroeconomic indicators %

	2014	2015	2016	2017	2018 proj.
GDP growth	4.0	3.9	4.3	4.6	2.7
Inflation (average)	7.5	6.5	0.4	3.2	2.5
Government balance/GDP	-0.5	-1.4	-4.4	-3.2	-3
Current account balance/GDP	-16	-16	-11.6	-4	-6
Net FDI/GDP [neg. sign = inflows]	-4.6	-17.1	-9.1	-1.2	-0.7
External debt/GDP	99.0	115.3	116.3	107.3	n.a.
Gross reserves/GDP	26.2	26.6	28.9	28.7	n.a.
Credit to private sector/GDP	20.1	22.6	20.0	21.8	n.a.

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Macroeconomic performance

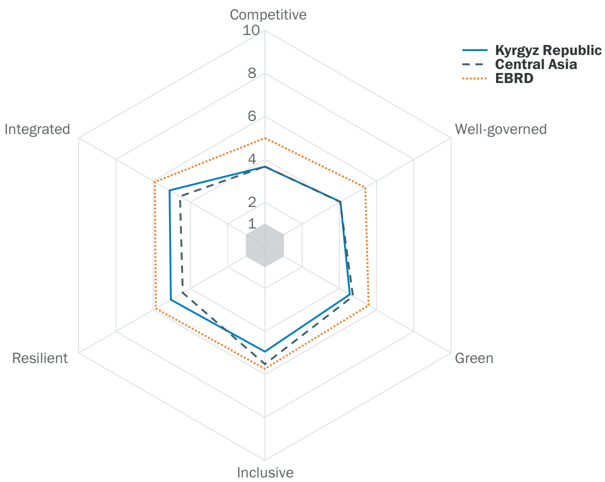
The economy grew strongly in 2017, but growth has slowed in 2018. After 4.6 per cent growth in 2017, real GDP increased by only 1.2 per cent year-on-year in the first three quarters of 2018, reflecting a sharp decline in Kumtor gold production. In the first half of 2018, output of gold from Kumtor shrank by 30 per cent year-on-year. While exports declined by 4.9 per cent in the first eight months of 2018, imports increased by 15 per cent. Excluding Kumtor, real GDP increased by 2.4 per cent year-on-year in the first three quarters of 2018, aided by the acceleration in growth in services and agriculture. Remittances have continued to grow also in 2018 after a strong recovery in 2017.

The exchange rate has been broadly stable. The som slightly appreciated in 2017, supported by the stabilisation of the Russian rouble and the recovery of remittances. However, exchange rate pressures in April and August 2018 related to the weakening of the rouble amid US sanctions against Russia prompted depreciation pressures on the som and a modest intervention by the central bank to control these pressures. The weakening of the som was thus limited, which has resulted in an effective appreciation against the rouble and the tenge. Inflation moderated from 3.7 per cent year-on-year in December 2017 to 1.2 per cent in September 2018. The NBKR reduced its policy rate from 5.0 per cent in 2017 to 4.75 per cent in May 2018.

Fiscal and external deficits have remained sizeable. Despite significant expenditure growth, the fiscal deficit narrowed to an estimated 3.3 per cent of GDP in 2017 from 4.6 per cent in 2016, mainly due to higher budget revenues on the back of the growing economy. Under the IMF's three-year Extended Credit Facility programme signed in April 2015, the Kyrgyz Republic had agreed to reduce the fiscal deficit further to 2.5 per cent of GDP in 2018. Public debt rose from 57 per cent at the end of 2017 to 58 per cent of 2017 GDP at the end of August 2018, indicating increasing fiscal vulnerability. The current account deficit narrowed to 4.0 per cent of GDP in 2017 from 11.6 per cent in 2016 thanks to strong export growth and higher external transfers. However, it almost doubled to US$ 515 million in the first half of 2018 from US$ 270 million a year earlier.

Short-term growth is projected to be moderate. Real GDP is expected to grow by 2.7 per cent in 2018 and 3.2 per cent in 2019. Growth will likely be rather moderate due to weak mining output. However, remittance inflows and relatively low inflation will stimulate growth in real wages and improve household demand. Non-mineral exports should grow thanks to further Eurasian Economic Union integration. Downside risks include a slower than assumed recovery in mining output and weaker than assumed growth of the Russian economy.

Assessment of transition qualities (1-10)



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Major structural reform developments

The business environment remains challenging despite the government's efforts to stimulate private sector development. Recent policies for private sector development focused on tax administration reforms, improvement of customs regulation, and reforming antitrust laws as outlined in the Programme for Private Sector Development for 2015-17. The Kyrgyz Republic ranked 70 out of 190 countries in terms of ease of doing business, according to the World Bank's *Doing Business 2019* report. This is a slight improvement from 2018 but the country still scores below the regional average (Europe and Central Asia), with large gaps remaining in paying taxes, getting electricity, and enforcing contracts.

A new ambitious development strategy is being designed. The draft of a "Sustainable Development Strategy of the Kyrgyz Republic for 2018-2040" was adopted by the National Council for Sustainable Development under the President of the Kyrgyz Republic in November 2017 and was reviewed by the council in August 2018 after public consultations. The strategy rests on programmes for the transition to the digital economy, the enhancing of the effectiveness of the public administration, creating better opportunities for education and training, and improving the business environment.

Uncertainties related to major projects have re-emerged. In September 2017 Centerra Gold, the operator of Central Asia's largest gold mine Kumtor, signed an agreement with the government, which settled an environmental dispute and allowed the subsidiary company to transfer cash to the parent company in Canada. However, as of August 2018 the agreement had not come into force as several conditions still need to be satisfied. The deadline for enforcing the agreement is being postponed by the Kyrgyz authorities, who have indicated they may want to review it. Another project – the construction of the Upper-Naryn cascade of hydropower plants – is also delayed by legal complications regarding compensation claims by RusHydro, a Russian power generation company. In 2016, the agreement with RusHydro to build the hydropower stations was terminated by the government because of concerns about the ability of the Russian government to follow through on proposed investment in the project.

Relations with other Central Asian countries are being strengthened. In October 2017, Uzbekistan and the Kyrgyz Republic ratified a long-awaited agreement to demarcate 85 per cent of the shared border, which represents a major step in improving bilateral ties. Uzbekistan also expressed its support for the building of a large-scale hydroelectric dam on the Naryn river in the Kyrgyz Republic, discarding its previous concerns over disruption of the water flow required for Uzbekistan's agricultural sector. Relations with Kazakhstan are improving too after the two sides settled disputes in December 2017 concerning Kazakhstan's imposition of tightened border controls.

MONGOLIA

Highlights

- **The economy continues to grow dynamically.** Growth accelerated to 6.3 per cent in the first half of 2018 after reaching 5.1 per cent in 2017. Copper exports and mining-related investment are major growth drivers, with domestic consumption also picking up.
- **Reform implementation has been largely on track, although with delays in some areas.** The quantitative benchmarks for foreign exchange reserves and fiscal balance under the IMF programme have been met, but some fiscal accounts and financial sector reform measures have been delayed.
- **The results of the Asset Quality Reviews (AQRs) in the banking sector were better than expected.** The AQRs revealed an aggregate capital need in the sector of 2 per cent of GDP, well below earlier projections. Banks need to meet the targeted capital levels by the end of 2018.

Key priorities for 2019

- **Fiscal consolidation needs to continue in line with the IMF programme.** Given the high level of public debt, equal to 84.6 per cent of GDP in 2017, government spending should be restrained and the efficiency of public spending enhanced. The management of public finances needs further improvement, especially the granting of concessions and public investment.
- **The banking sector should be strengthened.** Among the main short-term priorities in order to improve financial resilience and reduce borrowing costs are the recapitalisation of the banking sector and the adoption and enforcement of the non-performing loan (NPL) resolution framework.
- **The investment climate in the mining sector needs to improve.** To increase investor confidence, greater transparency, predictability and certainty in administration and enforcement of existing legislation in the mining sector are key.

Main macroeconomic indicators %

	2014	2015	2016	2017	2018 proj.
GDP growth	7.9	2.4	1.2	5.1	6.1
Inflation (average)	12.9	5.9	0.5	4.6	7.0
Government balance/GDP	-11.3	-8.5	-17.0	-1.9	-3.5
Current account balance/GDP	-11.3	-4	-6.3	-10.4	-9.0
Net FDI/GDP [neg. sign = inflows]	-2.8	-0.8	37.2	-13.1	-14.0
External debt/GDP	178.7	193.3	220.7	246.9	n.a.
Gross reserves/GDP	13.5	25.6	11.6	27	n.a.
Credit to private sector/GDP	59.3	53.9	56.9	52.9	n.a.

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Macroeconomic performance

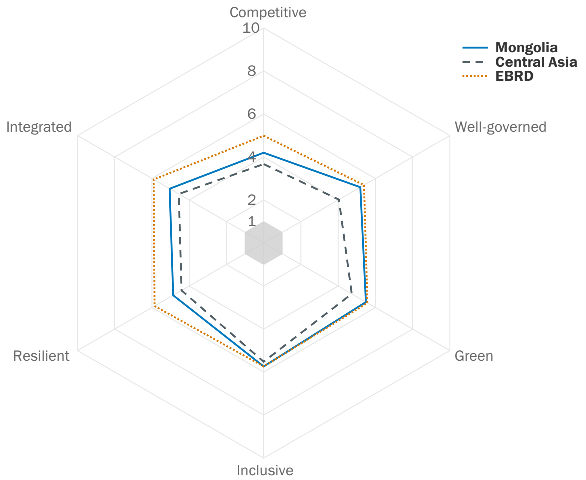
Economic growth has strongly accelerated. Real GDP grew by 5.1 per cent in 2017 after only 1.2 per cent in 2016, and continued growing by 6.3 per cent year-on-year in the first half of 2018. GDP growth was supported by rising commodity exports and foreign direct investment (FDI) in the mining sector. Domestic consumption has also begun to pick up. Stronger domestic demand induced inflation to accelerate from an average of 0.6 per cent in 2016 to 5.7 per cent year-on-year in September 2018. This is, however, still below the central bank's 8.0 per cent target.

External buffers are being rebuilt. Exports rose by 27.2 per cent year-on-year in US dollar terms in the first nine months of 2018, driven by copper exports, while imports rose by 45.8 per cent in the same period. A surge in FDI-related imports and repatriated profits led to a widening of the current account deficit from 6.3 per cent of GDP in 2016 to 10.4 per cent of GDP in 2017. However, this was more than compensated by FDI inflows, incoming donor funds and proceeds from bond issues in 2017, and resulted in a build-up of foreign exchange reserves from US$ 1.1 billion in January 2017 to US$ 2.9 billion in August 2018, equivalent to eight months of imports of goods and services. As a consequence, exchange rate pressures were alleviated and the currency appreciated slightly during 2017 and the first six months of 2018. This allowed the Bank of Mongolia (BoM) to cut the policy rate stepwise from 14.0 per cent in January 2017 to 10.0 per cent in March 2018. The tugrik has weakened slightly since mid-year 2018, along with other emerging market currencies, but not sufficiently to prompt the central bank to change its policy rate.

Fiscal consolidation measures and strong economic growth markedly improved the fiscal balance. The general government deficit narrowed from 17.0 per cent of GDP in 2016 to 1.9 per cent of GDP in 2017, performing substantially better than targeted under the IMF programme. Public finances improved as a result of rising tax receipts as exports strengthened and corporate incomes grew. Substantial reductions in capital expenditures also contributed to the better fiscal performance. Public debt decreased from 87.6 per cent of GDP in 2016 to 84.6 per cent of GDP in 2017.

Real GDP growth is forecast to stay around 6.0 per cent in the short run. The economy is projected to grow by 6.1 per cent in 2018 and 6.0 per cent in 2019. Mining-related FDI and a continued recovery in domestic consumption are expected to be key drivers. However, a slow-down in the implementation of reforms would expose the economy to risks, as Mongolia still faces a high external debt burden of 247 per cent of GDP and remains vulnerable to Chinese import policies and fluctuations in copper and coal prices.

Assessment of transition qualities (1-10)



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Major structural reform developments

Business environment reforms have been mixed. Mongolia ranked 74th out of 190 countries in terms of ease of doing business according to the World Bank's *Doing Business 2019* report. It scored relatively highly in getting credit, protecting minority investors, dealing with construction permits, but poorly in such areas as getting electricity, resolving insolvency and trading across borders. In the past two years progress has been made in enforcing contract and strengthening access to credit by setting up a new collateral registry. However, the unstable legal environment continues to be a constraint to FDI flows. In addition, amendments to the corporate income tax law effective from January 2018 have introduced a payment of a 30 per cent tax rate on gross assessed value of transfer of licence for land use, including exploration and extraction licences for mining, which further increases the costs of doing business for investors. Under pressure from businesses, particularly in the mining sector, the rate was subsequently lowered to 10 per cent of the assessed net value of the transfer rights.

Important reforms have progressed, but with delays in some areas. The overall reform agenda is anchored by a three-year Extended Fund Facility (EFF) with the IMF, signed in May 2017. The fifth Review of the EFF was completed in October 2018 with all end of September 2018 quantitative targets achieved. International reserves have increased substantially and the primary fiscal balance showed a surplus, mostly driven by positive external demand which has boosted tax revenues. Total disbursements under the IMF programme have so far reached around US$ 217.33 million out of the approved US$ 434.3 million. Stable programme performance is also paving the way for unlocking further disbursement funds of external donors. At the same time, structural reform progress has been lagging in some respects, with slower-than-expected implementation of fiscal reform and financial sector benchmarks.

Asset Quality Reviews have been completed and banks are required to take action by the end of 2018. The reviews revealed a capital shortfall in the banking system of around 2.0 per cent of GDP at the end of 2017, well below earlier IMF projections of a shortfall of 7.0 per cent of GDP. Capital adequacy was estimated at 13.7 per cent and liquidity coverage at 45.0 per cent. Banks are now working with the BoM on their respective action plans. Those banks that fail to meet capital requirements will have to sell assets or attract new capital. If some systemic banks are unable to close the capital shortfall, they will receive public funds.

The institutional, supervisory and regulatory framework of the central bank is being strengthened. Important changes to the Central Bank Law and Banking Law were adopted in January 2018. The new Central Bank Law enhances the independence of the BoM by restricting budgetary operations unrelated to its purpose, reduces the governor's voting power in favour of collective decision-making, and subjects the bank's operations to annual external audits. It also provides the BoM with greater power to conduct macro-prudential policies. The Banking Law was revised to introduce requirements to disclose the ultimate owners of banks, adopt corporate governance rules and restrict banks from setting up subsidiaries or affiliates for the purpose of circumventing bank regulation.

Fiscal and tax reforms have advanced, but several earlier measures were not followed through. Budget expenditures calculation has been modified to include net lending to the Development Bank of Mongolia, which used to finance off-budget investment projects. The fiscal target set by the IMF will apply to the combined outlay. Furthermore, amendments to the general tax law have been submitted to parliament. The new law envisages tax refunds of 90 per cent of income tax paid by small and medium-sized enterprises with annual sales income of less than MNT 1.5 billion (US$ 600 million equivalent). Taxpayers who cannot pay taxes on time, but who prove they can pay fully later, will be allowed an extension period of up to two years. However, in response to increased government revenues and rising public discontent, measures to introduce a progressive income tax, increase fuel excise tax and increase the pension age have not been implemented in line with the legislation adopted in April 2017.

A platform for public-private dialogue was established to improve the investment climate and ensure better investor protection. A Public Private Consultative Committee was set up under the Investment Protection Council in December 2017. The main task of the committee is to facilitate information sharing and the dialogue between authorities and the private sector about investment policies and regulations.

TAJIKISTAN

Highlights

- **Tajikistan shows strong growth figures, but significant weaknesses remain.** Growth of more than 7 per cent in the first half of 2018 has been supported by rising public investment related to the construction of the Roghun hydroelectric power plant. Nevertheless, vulnerabilities remain due to difficulties in the banking sector and fiscal risks.
- **Fiscal space is narrowing.** Following a Eurobond issue in 2017, public debt rose from 44.8 per cent of GDP in 2016 to 51.7 per cent at the end of 2017, further breaching the now-removed legal debt ceiling of 40 per cent of GDP.
- **Unbundling in the power sector has advanced.** A decree signed in April 2018 to unbundle the vertically integrated electricity company Barqi Tojik will pave the way for a more efficient operation of the energy sector.

Key priorities for 2019

- **The main short-term priority is to resolve challenges in the financial sector and restore public trust in banks.** Policy actions are required to handle the two troubled banks, Agroinvestbank (AIB) and Tojiksodirotbank (TSB). In addition, improvements are needed to central bank supervisory functions and corporate governance in banks. System-wide measures to reduce non-performing loans (NPLs) should also be implemented.
- **Administrative hurdles discouraging business activities should be removed.** Specifically, the authorities should focus in the next year on reducing the burden of tax administration, further cutting arbitrary inspection practices, and easing currency convertibility restrictions.
- **Further steps should be taken to implement energy sector reform.** This includes ensuring adequate oversight of Barqi Tojik companies and close adherence to the tariff methodology adopted in mid-2017.

Main macroeconomic indicators %

	2014	2015	2016	2017	2018 proj.
GDP growth	6.7	6.0	6.9	7.1	6.1
Inflation (average)	6.1	5.8	5.9	7.3	6.3
Government balance/GDP	0.3	0.8	-1.7	-0.3	-3.8
Current account balance/GDP	-2.8	-6.0	-5.2	-0.5	-3.2
Net FDI/GDP [neg. sign = inflows]	-3.3	-5.4	-3.5	-2.8	-2.0
External debt/GDP	56.0	60.5	68.8	77.3	n.a.
Gross reserves/GDP	5.5	6.3	9.4	18.0	n.a.
Credit to private sector/GDP	21.5	22.7	19.2	13.7	n.a.

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Macroeconomic performance

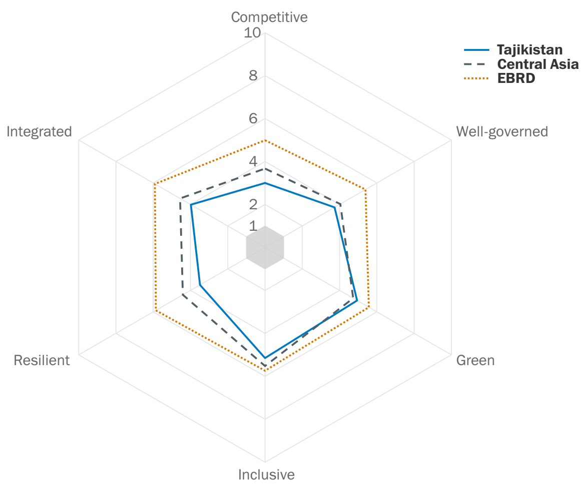
The economy continues to grow strongly but tensions are rising. Real GDP growth was 6.9 per cent in 2016, and accelerated to 7.1 per cent in 2017 and 7.2 per cent year-on-year in the first half of 2018. Growth in 2017 was supported by a recovery in remittances from Russia, which rose by 32 per cent year-on-year in US dollar terms in 2017, following a decline of 13.1 per cent in 2016. In 2018 growth has been enabled by rising fixed investment, which grew by 33 per cent in the first half of 2018, primarily due to higher government spending. Imports rose by 18 per cent year-on-year in the first nine months of 2018 while exports contracted by 10 per cent in the same period, leading to a widening of the trade deficit. Despite strong headline growth, the economy faces significant structural weaknesses in the banking sector and heightened fiscal pressures.

The currency weakened but inflation nevertheless moderated. After depreciating by 10.5 per cent against the US dollar in the first five months of 2017 the somoni was broadly stable until April 2018, when the gap between the official and parallel exchange rates reached 3.4 per cent. The official exchange rate then started weakening and overall depreciation was6.3 per cent in the first 10 months of 2018. Despite the currency depreciation and high growth, inflation decelerated from 6.8 per cent in September 2017 to 5.0 per cent in September 2018, which is well below the central bank's target of 7.0 per cent. This allowed the NBT to cut its policy rate stepwise from 16.0 per cent since March 2017 to 14.0 per cent in March 2018, reversing rate hikes that began in December 2016.

Public debt is rising. It rose from 44.8 per cent of GDP in 2016 to 51.7 per cent in 2017, amounting to US$ 3.67 billion. Under the national foreign borrowing programme for 2018-20, the government intends to borrow an additional US$ 850 million on external markets from bilateral and multilateral partners over the next three years. The proceeds are envisaged to finance projects in agriculture, health care, education, energy and transport. The fiscal deficit narrowed in 2017 but significant fiscal pressures remain, related mainly to financing large infrastructure projects such as the Roghun power station.

Economic growth is projected to reach 6.1 per cent in 2018 and 5.0 per cent in 2019. This growth is expected to be achieved due to continued strong public investment and a further increase in remittances. The first unit of the Roghun hydroelectric power plant is to begin operating in November 2018, which will also support growth. However, downside risks associated with fiscal and banking sector vulnerabilities remain significant.

Assessment of transition qualities (1-10)



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Major structural reform developments

The investment climate and business environment remain challenging despite the government's efforts to encourage entrepreneurship. In his annual address in 2017, the President of Tajikistan acknowledged the burden of frequent intrusive inspections from various agencies on businesses and called for a two-year moratorium on the inspection of businesses, effective from January 2018. However, the moratorium applies only to businesses operating in manufacturing, and inspections continue to hamper the development of small and medium-sized enterprises outside this sector. Although several sector-specific tax benefits were introduced over 2017-18, the tax burden remains high owing to distortive tax collection practices implemented to fulfil revenue targets. Tajikistan ranks 126th out of 190 countries in terms of ease of doing business according to the World Bank *Doing Business 2019* report. The country performs relatively well in protecting minority investors but rather poorly in getting electricity, accessing credit, trading across borders and paying taxes. Within indicators, Tajikistan has progressed most in trading across borders by streamlining customs clearance with Uzbekistan.

The institutional framework for central bank operations has been strengthened. In August 2018, amendments to the Law on the National Bank of Tajikistan and the Law on Banking Activities were adopted. The new amendments provide for an increase in the authorised capital of the National Bank of Tajikistan (NBT) from 20 million somoni (US$ 2.1 million) to 500 million somoni (US$ 53 million) with a view to ensuring an adequate level of capital to effectively implement monetary policy. The NBT has further continued its transition to inflation targeting, as outlined in the Monetary Policy Strategy for 2016-20. In this regard, the NBT has made some progress in strengthening transmission channels and in better communication of the decision-making process.

Banking sector weaknesses persist. Since 2015 significant steps were made by the NBT in strengthening the legal base and regulation practice for the supervision of the financial sector. However, further banking sector reform and improvement of corporate governance practices in the sector are needed. NPLs remained elevated at 24.5 per cent in July 2018, according to official statistics, and credit is contracting. Following the bail-out in 2016, AIB and TSB are now required to buy back their shares from the Ministry of Finance according to a pre-defined timeline and are seeking to attract investment to increase capital. While TSB is on track with payments, AIB failed to repurchase 5 per cent of its shares from the government by the end of 2017.

Regional connectivity prospects are improving. The ties between Tajikistan and Uzbekistan have improved significantly during 2017 and 2018. During the first official presidential visit to Tajikistan in March 2018 in 18 years, the President of Uzbekistan renounced his country's opposition to the construction of the Roghun hydroelectric power plant along the river bordering the two countries. Uzbekistan also expressed its willingness to participate in the project, although it remains unclear in which capacity. In April 2018 Tajikistan started supplying electricity to Uzbekistan through the regional power grid, which was shut down in 2009 when Uzbekistan withdrew from it. The revival of the electricity grid also presents an opportunity for Tajikistan to start exporting electricity to other Central Asian countries which do not border with Tajikistan.

Energy sector reform has advanced. The Power Sector Financial Recovery Action Plan, adopted in June 2017, outlines measures to improve the commercial viability of Barqi Tojik, including through gradually bringing tariffs to cost-recovery levels, reducing losses and increasing revenue collections. In April 2018 the government signed a long-awaited decree which envisages splitting Barqi Tojik into three separate entities responsible for generation, transmission and distribution of electricity and heat. These measures are expected to enhance the business operations of the company. However, delays have occurred in the consistent implementation of the new tariff methodology and in improving oversight of the sector. These delays have built-up losses, which amounted to US$ 2.6 billion in 2017 according to World Bank estimates, resulting from operating inefficiencies, currency depreciation and below cost-recovery tariff levels.

TURKMENISTAN

Highlights

- **Official GDP growth remains strong but masks significant challenges.** Growth has decelerated slightly in the first half of 2018 but remains above 6 per cent according to official figures. However, the economy is exposed to considerable external and fiscal pressures.
- **A partial recovery in export earnings in 2018 has been insufficient to ease foreign exchange scarcity.** This is reflected in the rapid depreciation of the unofficial exchange rate to between 16 and 17 manats per US dollar (September 2018) versus the official peg of 3.5 manats to the dollar.
- **The construction of alternative gas export routes is progressing slowly.** Work has started in 2018 on Line D of the Central Asia-China pipeline and the Afghan section of the Turkmenistan-Afghanistan-Pakistan-India pipeline. Further progress remains complicated by the lack of financing as well as security concerns. However, officials of Russia's Gazprom have announced the renewal of Turkmen gas exports to Russia from 2019 onwards.

Key priorities for 2019

- **Adjustment of the official exchange rate and termination of exchange rate rationing are key priorities.** Foreign and local businesses are significantly constrained in accessing foreign exchange for the import of required goods and services, payments are seriously delayed even for services rendered under government contracts. Corrective measures should be implemented while taking into account the effect on the socially disadvantaged portion of the population.
- **Fiscal policy should be tightened and public financial management should be strengthened.** Future government investment should be undertaken based on cost-benefit analysis to ensure optimal use of strained public finances.
- **Measures should be taken to significantly improve the business environment.** The main priority in this area is to reduce state interference in private sector business decisions. This will facilitate private sector growth and increase foreign investor confidence and investment.

Main macroeconomic indicators %

	2014	2015	2016	2017	2018 proj.
GDP growth	10.3	6.5	6.2	6.5	6.2
Inflation (average)	6	7.4	3.6	8	9.5
Government balance/GDP	0.9	-0.7	-2.4	-2.8	-1.2
Current account balance/GDP	-6.1	-15.6	-19.9	-11.5	-8.0
Net FDI/GDP [neg. sign = inflows]	-8.8	-8.5	-6.2	-5.5	-4.5
External debt/GDP	16.8	21.8	23.1	25.1	n.a.
Gross reserves/GDP	n.a.	n.a.	n.a.	n.a.	n.a.
Credit to private sector/GDP	n.a.	n.a.	n.a.	n.a.	n.a.

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Macroeconomic performance

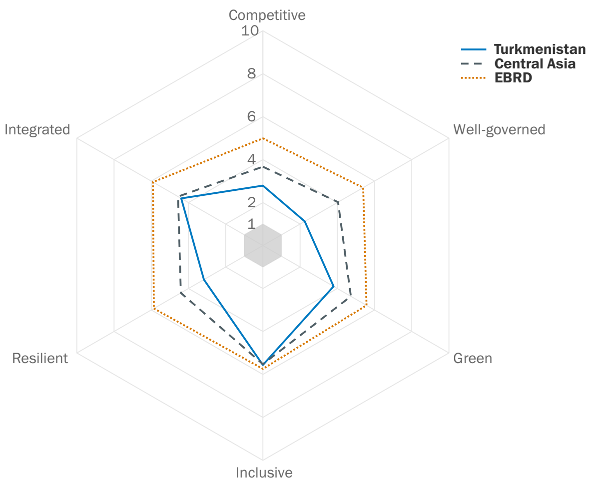
Turkmenistan continues to report strong growth, but macroeconomic pressures are rising. In the first three quarters of 2018 officially reported real GDP growth was 6.2 per cent year-on-year, following 6.5 per cent growth in 2017. Fixed investment fell by 20.2 per cent year-on-year in the first half of 2018, from its previously very high levels. Industrial production grew by 4.2 per cent year-on-year in the first three quarters of 2018. While exports rose in the first half of 2018 by 43.4 per cent year-on-year, they still remain well below their peak in 2014 following declines in the past three years. Import substitution policies led to a reduction of imports by 43.5 per cent in the same period. Despite the high official growth rates, the economy faces an array of challenges reflected in a severe foreign exchange scarcity, rising food prices, and high unemployment. Inflation accelerated from 6.2 per cent year-on-year in December 2016 to 10.4 per cent year-on-year in December 2017. Prices have officially grown further by 8.9 per cent between December 2017 and June 2018, elevating officially reported inflation to an estimated 15.7 per cent year-on-year in June 2018.

The exchange rate is under severe pressure. While the official peg is maintained at 3.5 manats per US dollar, the exchange rate in the parallel market reached 16 to 17 manats per dollar in September 2018, significantly up from 6.6 manats in September 2017. Foreign exchange continues to be heavily rationed, with the government prioritising the allocation of foreign exchange for projects deemed to be of highest importance. Lower imports of investment goods contributed to a narrowing of the current account deficit from around 20.0 per cent of GDP in 2016 to 11.5 per cent in 2017, according to IMF estimates.

The fiscal position remains weak. The state budget deficit widened from 2.3 per cent of GDP in 2016 to 2.8 per cent of GDP in 2017. Revenues reached 14.9 per cent of GDP in 2017, up from 11.7 per cent in 2016 while expenditures rose to 17.7 per cent of GDP in 2017 from 14.1 per cent in 2016. Revenues of the state budget for 2018 were set 8.0 per cent lower than in the 2017 budget. Expenditures in 2018 are planned at the same amount as revenues, which is 9.0 per cent below the 2017 budget plan. In the first half of 2018, state budget revenues fell by 8.8 per cent year-on-year, and expenditures by 3.9 per cent. Revenues were thus 3.0 per cent above plan, and expenditures 15.0 per cent below plan. The reduction in both spending and revenues relative to 2017 indicate difficulties in the public finances. External debt was 25.1 per cent of GDP in 2017, up from 23.1 per cent in 2016.

GDP growth is forecast to slow to 6.2 per cent in 2018 and 5.6 per cent in 2019. Growth will be weighed down by relatively small export growth, a further contraction of domestic consumption and fiscal consolidation efforts. The dependence of Turkmenistan's exports on China remains a major vulnerability to the economy. If, however, significant gas exports to Russia resume, it would ease the economic situation.

Assessment of transition qualities (1-10)



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Major structural reform developments

Some reforms have been announced but implementation plans remain unclear. Among recently announced measures, a "State Programme on Support of Small and Medium Entrepreneurship for 2018-2024" was approved by the President in March 2018 and a small and medium-sized enterprise (SME) fund was created. The President also approved a "State Programme on Energy Saving for 2018-2024", which among other things envisages the construction of solar power stations, industrial wind generators and biogas plants. The authorities are preparing reforms such as medium-term budgeting, transition to GFSM2001 fiscal data reporting, and a financial regulatory overhaul, which would introduce elements of Basel principles into local regulations. However, the announced reforms in many cases lack detail, and it remains to be seen in what way and how fast they will be implemented.

Construction of gas pipelines is progressing but at a slow pace due to financial, security and technical challenges. In February 2018, the construction of the Afghan section of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas line project was formally launched. TAPI intends to supply 33 billion cubic metres of gas from Turkmenistan to Afghanistan, Pakistan and India. However, the completion of the TAPI pipeline is still under question because of security issues in Afghanistan and Pakistan. The construction of the Tajikistan part of the Line D of the Central Asia-China pipeline, through which Turkmenistan intends to further increase gas deliveries to China, began in January 2018, but the future of the pipeline will depend on how much gas China is actually willing to purchase. Turkmenistan's economy is highly dependent on China as its major gas export market, after halting its gas exports to Russia and Iran in 2016-17.

A new cargo and passenger seaport on the Caspian Sea has been opened. The seaport, which cost US$ 1.5 billion, was opened in May 2018 with the aim of establishing Turkmenistan as a transit hub connecting Europe and China. Construction of the port started five years ago. The government expects that the port will allow Turkmenistan to handle 17 to 18 million tonnes of cargo a year, bringing the total handling capacity (including an existing port) to 25 to 26 million tonnes. This complements Turkmenistan's efforts to upgrade transport infrastructure following the opening of the new US$ 2.5 billion airport in September 2016 designed to handle 14 million passengers and 200,000 tonnes of cargo annually. While these investments have high passenger and cargo potential, the lack of accompanying soft infrastructure enablers limits the utilisation of these investments.

Russia plans to resume gas imports from Turkmenistan in 2019 but a gas dispute with Iran is unresolved. After halting gas imports from Turkmenistan in 2016, Gazprom representatives indicated in October 2018 that gas purchases from Turkmenistan would start in January 2019. This is long-awaited news for Turkmenistan which currently depends on China as its sole gas export market. Turkmenistan also used to export gas to Iran in return for goods and services until January 2017. However, it stopped supplying gas to Iran because of claims of outstanding debt of US$ 1.8 billion for gas imported in 2007-08. In August 2018 the case went to the International Court of Arbitration but there is no notable progress to date.

UZBEKISTAN

Highlights

- **GDP growth remains robust, although below the figures reported for 2016.** The growth rate eased from the official 7.8 per cent in 2016 to a more realistic 5.3 per cent in 2017 and 5.2 per cent year-on-year in the first three quarters of 2018. Growth was driven by expansion in services, industrial production and construction.
- **The authorities continued to implement major reforms.** Progress has occurred in a number of areas in the past year, including foreign trade liberalisation, progress on fiscal and tax reform, changes in the customs regime, the abolition of annual state-investment programmes and a reduction in state-directed lending.
- **Connectivity with other Central Asian countries is being significantly improved.** Initiatives led by Uzbekistan over 2017-18 resulted in the opening of new border crossings with Kazakhstan, border demarcation with the Kyrgyz Republic, reopened rail and road connections with Tajikistan, and the resumption of electricity exports from there.

Key priorities for 2019

- **Commercialisation, restructuring and privatisation of state-owned enterprises (SOEs) are key priorities.** Restructuring of SOEs to remove their non-core activities, address their strained balance sheets, and improve governance mechanisms and advance their further commercialisation should all be accelerated along with potential privatisations. This needs to be accompanied by tariff reforms and should result in the transformation of core sectors of the Uzbek economy, such as energy and transportation.
- **Additional financial sector reforms are required.** Uzbekistan needs a market-oriented banking sector that offers a broad range of financial services and improved access to finance for small and medium-sized enterprises (SMEs) and the private sector. The quality of banking supervision also needs to be strengthened.
- **The business environment should be further improved.** Short-term priorities include legislation to improve tax and customs efficiency, further streamlining of licensing and other business regulation, further transition to e-government solutions, and more streamlined customs regulation.

Main macroeconomic indicators %

	2014	2015	2016	2017	2018 proj.
GDP growth	8.0	7.9	7.8	5.3	5.0
Inflation (average)	9.1	8.5	8.0	12.5	18.0
Government balance/GDP	0.2	0.1	-0.1	-3.0	-1.0
Current account balance/GDP	1.7	0.7	0.6	3.5	-4.0
Net FDI/GDP [neg. sign = inflows]*	-1.2	-0.1	-0.2	-0.2	-1.0
External debt/GDP*	14.5	18.5	20.3	41.3**	n.a.
Gross reserves/GDP**	38.2	38.7	37.8	57.5**	n.a.
Credit to private sector/GDP	n.a.	n.a.	n.a.	n.a.	n.a.

*Using the official exchange rate for GDP calculation, which was strongly overvalued until the currency liberalisation in September 2017.
**Calculated at the exchange rate of 8000 sum/US$ the external debt was 49 per cent of GDP in 2017 and gross reserves were 69 per cent of GDP.

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Macroeconomic performance

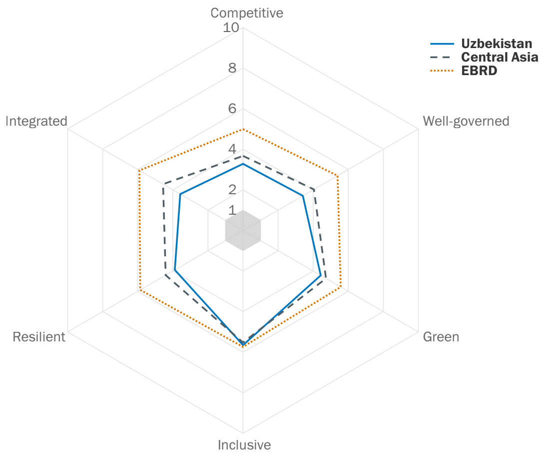
Economic growth has eased in 2017 and 2018. GDP growth slowed from the officially reported rate of 7.8 per cent in 2016 to 5.3 per cent in 2017 and 5.2 per cent in the first three quarters of 2018, reflecting improved data accuracy and also some slowing of private consumption and a widening foreign trade deficit. Exports contracted by 0.3 per cent year-on-year in US dollar terms in the first three quarters of 2018, whereas imports surged by 33.3 per cent, facilitated by trade liberalisation policies. Fixed investment rose by 20.4 per cent in 2017 and 13.4 per cent year-on-year in the first half of 2018. Remittances from Russia continued to increase in the first two quarters of 2018 following a marked recovery in 2017.

Inflation has continued to accelerate. Average inflation rose from 8.0 per cent in 2016 to 12.5 per cent in 2017. In August 2018 inflation reached 15.7 per cent year-on-year. Inflation is expected to remain in double digits in 2018 and 2019 because of further price liberalisation and the resulting adjustment in relative prices. Credit growth reached 44.1 per cent year-on-year in the first three quarters of 2018. In response to rising inflationary pressures, the central bank increased the policy rate from 14.0 per cent, where it had been since June 2017, to 16.0 per cent in September 2018.

Fiscal and external positions remain strong. Uzbekistan's consolidated budget deficit is estimated to have remained below 1 per cent of GDP in 2017. However, the augmented fiscal deficit (including off-budget funds, primarily the Fund for Reconstruction and Development) increased substantially from 0.6 per cent of GDP in 2016 to 3.3 per cent of GDP in 2017 as a result of measures taken to stabilise the economy during the currency liberalisation and implementation of reforms, Public debt is relatively low, and stood at about 25 per cent of GDP at the end of 2017. The balance of payments, published in June 2018 by the central bank for the first time, shows a US$ 1 billion current account deficit in the first half of 2018 although the growing trade deficit was partially offset by remittances inflows. Net international reserves stood at US$ 26.4 billion as of 31 July 2018, covering 24 months of imports.

Real GDP growth is projected to slightly moderate in the short term. Growth is projected to reach 5.0 per cent in 2018 and 4.5 per cent in 2019 due to a further slow-down in private consumption and falling net exports. Increased investment, supported by structural reforms and the improved business environment, will likely underpin growth. Public infrastructure spending is also expected to continue.

Assessment of transition qualities (1-10)



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Major structural reform developments

Further measures were taken to improve the business environment. Uzbekistan ranks 76th out of 190 countries in the World Bank's *Doing Business 2019* report. After making substantial progress with reforms in 2017, Uzbekistan improved its score by 1.08 percentage points in the latest report thanks to improvements in all indicators except for getting credit and enforcing credit, where the scores were unchanged. In particular, Uzbekistan strengthened minority investor protections by clarifying the ownership and control structures of listed companies, reduced costs of paying taxes by introducing new classification criteria for enterprises, and accelerated trading across borders by introducing an electronic application and payment system for several export certificates.

The institutional and economic framework of the central bank is being strengthened. A new Decree on Improvement of the Central Bank Activity, adopted in January 2018, sets out price stability, stability and development of the banking system, and stability and development of the payment systems as the main goals of the Central Bank of Uzbekistan (CBU). The CBU is no longer accountable to the Cabinet of Ministers but instead to the Senate. In March 2018, the central bank developed a concept for the development and implementation of monetary policy for 2018-21 which envisages transition to an inflation targeting regime. The central bank will work closely with the Ministry of Finance on the issuance of government securities to activate open market operations, and will launch a single electronic interbank market for the provision of short-term liquidity.

A concept for improving Uzbekistan's tax policy was approved. The new policy, approved by the President in June 2018, is aimed at the reduction of the tax burden, elimination of the gap between taxation of payers of general and simplified taxes, and the improvement of tax administration. Changes will take effect in January 2019. The concept includes optimisation of the number of taxes through their unification, the reduction and simplification of tax reporting, and the minimisation of operating expenses. A new Tax Code is expected to be drafted by December 2018 with the help of the IMF, the World Bank and other international institutions.

Significant steps have been taken to improve connectivity. Progress was made on implementation of the Uzbekistan-Kyrgyzstan-China railway project, which has been under consideration for 22 years, during a tripartite meeting in December 2017 in Uzbekistan. Intergovernmental agreement on the construction of the railway is expected to be signed by the end of 2018. Electricity connectivity with Tajikistan was re-established in April 2018, after Uzbekistan had withdrawn from the regional power grid in 2009. In addition, in July 2018 Uzbekistan introduced simplified visa procedures, abolished visas for up to 30 days for citizens of some countries, and launched an electronic entry visa system.

Further trade liberalisation measures have been introduced. In June 2018, the President signed a resolution to streamline foreign trade activity and enhance the system of customs and tariff regulation. Under the resolution, import duties and excise taxes on imported goods are reduced to the level adopted by the Eurasian Economic Union countries, the time needed for issuing permits for export and import operations is reduced, and customs procedures are significantly simplified. In addition, Uzbekistan and Afghanistan are currently drafting an agreement to establish a free trade zone, according to which goods from Afghanistan will be exempt from customs duties and other trade restrictions. The process of WTO accession, which started in 1994 but came to a standstill after 2005, was resumed in late 2017. Uzbekistan aims to complete the process in four to five years.

A presidential decree initiating the "Programme of transformation of state enterprises and other entities with majority state ownership" was announced in May 2018. The decree aims at the reduction of the participation of government officials in the management bodies of SOEs and calls for enhancing the transparency of decision-making and improving SOE governance. The programme refers to SOEs that are key for the performance and the structure of main industries and was intended to be implemented in 2018-20. Although some provisions of the decree have been renounced since, and the progress might take longer than originally envisioned, the decree demonstrated the dedication of the authorities to proceed with SOE reform.

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Energy sector reform is advancing. A resolution of the President, "On measures of improving the management system of the oil and gas industry," adopted in June 2017, changes the organisational and legal form of Uzbekneftegaz, the national oil and gas company, and its main subsidiaries into joint stock companies in order to improve the management system and the organisational structure of the industry. There are reform activities ongoing in Uzbekenergo. In November 2017 the President also signed a resolution, "On measures to ensure the rational use of energy resources". These measures include a requirement to utilise energy-efficient and energy-saving technologies in the design and construction of government buildings and adoption of flexible electricity tariffs depending on the time of the day, among other factors.

There have been marked improvements in the availability and quality of statistics. Uzbekistan joined IMF's Enhanced General Data Dissemination System (e-GDDS) under a presidential decree dated 12 December 2017. The main macroeconomic and financial statistics have become accessible through a single source – the National Summary Data Page – starting from May 2018. The CPI methodology was updated in January 2018, and statistics on the balance of payments and the international investment position were published for the first time in June 2018. In addition, a roadmap for the improvement of statistics is currently being developed by the Statistics Committee, together with the CBU and Ministry of Finance.