



## Turkmenistan Highlights

- **High gas prices are helping to drive growth.** Real gross domestic product (GDP) grew by 6.2 per cent year on year from January to September 2022, as the country's exports added 50 per cent in the first half of 2022 thanks to higher gas prices.
- **Turkmenistan's external position has strengthened significantly.** Following gas pipeline debt repayment to China in 2021 and domestic debt repayment in January 2022, elevated gas prices are likely to further boost government revenues, contributing to the country's borrowing capacity.
- **Turkmenistan is developing trade and transport relations with its neighbours.** The country has agreed to develop bilateral trade, simplify the visa regime and ensure better transport connectivity with its neighbours, and the recently signed agreement on the construction of the China-Kyrgyz Republic-Uzbekistan railway corridor opens up further opportunities for Turkmenistan as a transit hub to Europe via Türkiye and to India via Iran.

## Key priorities for 2023

- **The authorities should further liberalise the foreign exchange market.** The spread between the official and parallel market exchange rates has narrowed in 2022 but remains distortive, with access to foreign exchange at the official rate still used by the authorities as an import substitution subsidy, thus resulting in unfair competition and favouritism.
- **The opportunity to address transport and logistics bottlenecks across the Caspian Sea and the north-south trade corridor should be grasped.** Given its location at an important crossroads, Turkmenistan has an excellent opportunity to attract investment in additional transport and logistics corridors running through its territory, including pipelines, railways, roads, sea transport, and logistics infrastructure.
- **National statistics and economic data reporting standards should be improved.** Reliable and accessible economic data would be of benefit to Turkmen policymakers and businesses alike, enabling them to make informed policy and investment decisions.

**TABLE** Main macroeconomic indicators %

	2018	2019	2020	2021	2022 proj.
GDP growth	6.2	6.3	5.9	6.2	7.0
Inflation (average)	13.3	5.1	7.6	15.0	17.5
Government balance/GDP	-0.2	-0.3	-0.1	0.3	0.6
Current account balance/GDP	4.9	2.8	-3.3	0.6	2.5
Net FDI/GDP [neg. sign = inflows]	-3.3	-3.5	-2.7	-2.0	-1.2
External debt/GDP	15.7	12.1	9.9	8.4	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.

## Macroeconomic developments and policy response

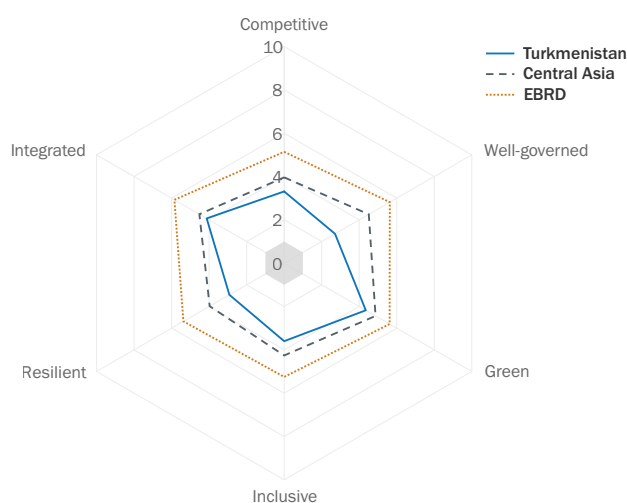
**Turkmenistan continues to report remarkably stable growth rates.** According to the authorities, the economy expanded by 6.2 per cent year on year from January to September 2022. The construction industry is booming, as reflected in manufacturing and services exceeding the government’s plan by 52.5 per cent in January-July. The customs administration reported a particularly strong increase in exports of tomatoes and footwear. Overall, foreign trade turnover increased by 40.7 per cent year on year, and retail trade turnover by 10.5 per cent year on year in the first nine months of 2022.

**The gap between the official and market exchange rates has narrowed.** The official exchange rate peg continues to be maintained at 3.5 Turkmen manat (TMM) per US dollar. Having appreciated in 2021, the parallel market exchange rate stabilised in March 2022 at around 19 TMM per US\$, reflecting greater availability of foreign currency at the heavily subsidised official rate to small and medium-sized enterprises operating in priority sectors (such as food and beverages), in exchange for significant price cuts and/or as a means of encouraging import substitution.

**Elevated gas prices have strengthened the country’s fiscal stance.** In the first half of 2022 the government budget recorded a surplus of 0.1 per cent of GDP; from January to July 2022 government revenues had been officially reported at 103.6 per cent of the target. In August 2022 Fitch affirmed Turkmenistan’s “B+” rating with a “Stable” outlook, citing the strong fiscal position but also persistent structural challenges. According to the International Monetary Fund, public debt was just 11.1 per cent of GDP in 2021 and is expected to decline further to 8.4 per cent of GDP in 2022.

**Robust growth will continue in the short term.** Turkmenistan is likely to continue to benefit from elevated gas prices and the country’s “neutral” stance in 2022 and 2023. Overall, the economy is forecast to expand by 7.0 per cent in 2022 and 6.0 per cent in 2023. Downside risk is related to the volatility of gas prices.

**CHART** Assessment of transition qualities (1-10)



## Structural reform developments

**Turkmenistan is gradually ending its self-imposed isolation.** Turkmenistan hosted the Ministerial Transport Conference of Landlocked Developing Countries in August 2022, resulting in agreements to jointly develop the international north-south corridor running through Turkmenistan, improve bilateral trade and transport connectivity, and simplify the visa regime. In June 2022 Turkmenistan and Iran signed a cooperation agreement and reached an understanding regarding Iran's outstanding gas debt. The clearing of Iran's US\$ 1.8 billion debt will strengthen the government's fiscal accounts and enable the revival of gas exports to Iran, a significant step towards diversification of Turkmen exports. Under an agreement signed in June 2022, a trilateral gas swap deal involving Turkmenistan, Azerbaijan and Iran will allow Turkmenistan to double its gas exports via Azerbaijan.

**Work on strengthening the statistical agency is ongoing.** The United Nations Development Programme and the State Statistics Committee of Turkmenistan are working to improve the country's statistical capacity. The goal is to streamline existing methodologies in accordance with internationally recognised statistical standards.

**Turkmenistan has applied for World Trade Organization (WTO) membership.** The application was made in November 2021, and subsequently, Turkmenistan and the WTO reached an agreement to start negotiations. The country's customs authorities are seeking to establish a "single window" for export and import operations and introduced this principle into the Customs Code.

**Newly introduced laws significantly harm women's rights.** Gender equality has been set back through government-directed social campaigns against certain beauty services and types of clothing, and measures to prevent women from occupying the front seat in private vehicles or using male-driver taxi services.