



## Turkmenistan Highlights

- **Economic growth remains stable.** Real gross domestic product (GDP) expanded 6.3 per cent year on year in January-July 2024, according to official data, thanks to an uptick in government-led investment activity, construction and services.
- **The newly introduced law on energy saving and efficiency lays the ground for greater energy resilience.** The new law is designed to facilitate the development of energy-efficient technologies, ensure the rational use of energy resources and enhance energy savings.
- **The authorities launched a single window for export-import operations.** By streamlining procedures, the system could boost foreign trade.

## Key priorities for 2025

- **The authorities should continue their efforts to diversify gas exports.** More than 70 per cent of Turkmenistan's gas is exported to China, making the country vulnerable to fluctuations in Chinese economic activity. A new memorandum of understanding between Türkiye and Turkmenistan potentially opens up access to European Union markets in future, while the development of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline is a key priority, as it will potentially unlock gas exports to the vast South Asian market.
- **The very large gap between the official and parallel exchange rates needs to be reduced.** The current situation, which restricts access to foreign exchange for entrepreneurs, creates strong incentives for emigration and brain drain, exacerbating the human-capital bottleneck facing the country's industrial sector.
- **The use of water for irrigation needs to be rationalised.** With the highest risk of water stress in Central Asia, Turkmenistan must adopt a comprehensive approach to ensuring water security. Necessary measures should include incentives to adopt water-saving agricultural crops and technologies, as well as water re-use and recycling.

## Main macroeconomic indicators (per cent)

|                                   | 2020 | 2021 | 2022 | 2023 | 2024 proj. |
|-----------------------------------|------|------|------|------|------------|
| GDP growth                        | -2.1 | -0.3 | 5.3  | 2.0  | 6.3        |
| Inflation (average)               | 6.1  | 19.5 | 11.2 | -1.7 | 6.3        |
| Government balance/GDP            | -0.1 | 0.5  | 2.5  | 1.3  | 0.9        |
| Current account balance/GDP       | 2.9  | 6.6  | 7.0  | 4.8  | 4.1        |
| Net FDI/GDP [neg. sign = inflows] | -3.1 | -2.6 | -1.7 | -2.3 | na         |
| External debt/GDP                 | 10.0 | 8.0  | 5.8  | 4.7  | na         |
| Gross reserves/GDP                | na   | na   | na   | na   | na         |
| Credit to private sector/GDP      | na   | na   | na   | na   | na         |

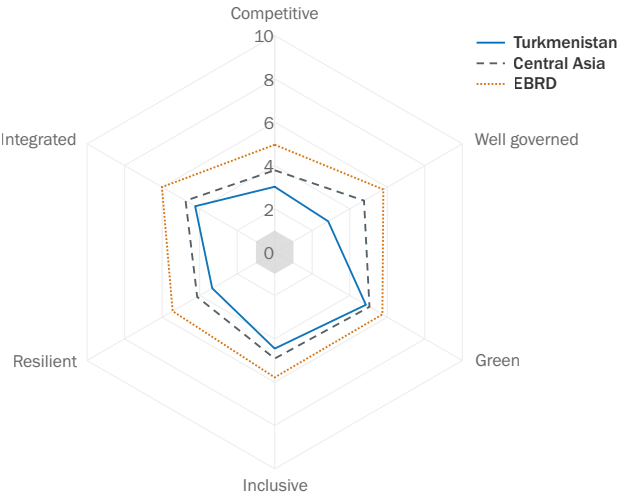
## Macroeconomic developments and policy response

**The economy is growing solidly, according to official data.** The authorities reported a 6.3 per cent year-on-year increase in real GDP in January-July 2024, driven by government-led investment in the modernisation and development of social and industrial infrastructure. Construction activity rose 9.3 per cent year on year in the same period. Agriculture (up 7.8 per cent year on year) and transport (up 7.1 per cent year on year) also recorded robust growth. The industrial sector grew 3.6 per cent year on year, with oil, gasoline and polypropylene production exceeding plans. On the demand side, a 10.5 per cent uptick in wages helped drive an expansion in services (up 7 per cent year on year). In August 2024, the president signed a resolution on the construction of the Satlyk-1 gas compressor station, which will help sustain high natural gas production and support export growth. No official data on inflation are reported. The International Monetary Fund projects average inflation of 6.3 per cent in 2024.

**Fiscal balance has been maintained.** Budget revenue collections were 2.9 per cent better than expected in January-July 2024, while expenditures were kept within initial targets. Fitch Ratings forecasts the government budget to record a surplus of 0.2 per cent of GDP in 2024 on the back of elevated tax receipts. According to Fitch, Turkmenistan’s international reserves have continued to grow, reaching 55 months of current external payments, way above the level of any other rated sovereign. The country’s robust fiscal stance, low public debt and ability to maintain fiscal discipline led the agency to upgrade Turkmenistan’s rating from “B+” to “BB-” with a “stable” outlook in August 2024.

**Economic growth is expected to be maintained.** Real GDP is forecast to expand by 6.3 per cent in both 2024 and 2025 on the basis of continued investment in energy, infrastructure and the agro-industrial complex. The authorities’ efforts to modernise the economy and diversify gas export routes may offer an upside. On the downside, commodity price volatility and lower-than-expected growth in key trading partners may dent the outlook.

### Assessment of transition qualities (1-10)



## Structural reform developments

**Efforts to curb methane emissions and promote energy resilience are gaining traction.** Having joined the Global Methane Pledge at the COP28 climate conference in November 2023, the Turkmen authorities have now approved the 2023-24 Methane Roadmap and formed the Intersectoral Commission for the Reduction of Methane Emissions. In summer 2024, a strategic advisory board, established in cooperation with the United Nations and the government, developed a comprehensive three-year (2025-28) Plan of Transition to Green Energy for consideration by the authorities in the lead-up to COP29. In parallel, in April 2024, the government introduced a law on energy saving and energy efficiency designed to ensure the rational use of energy resources, facilitate the adoption of energy-efficient technologies and encourage the use of renewable energy sources. In August 2024, the Ministry of Foreign Affairs unveiled a six-year plan to deepen international cooperation in the field of renewable energy (solar, wind and biomass).

**Digital initiatives and improved regulation are designed to boost exports and international trade.**

A single digital window for export-import operations was launched in July 2024. This will facilitate the use of e-documentation in international trade transactions. The e-platform conforms to the previously adopted Law on Electronic Government, as well as United Nations and World Trade Organization recommendations. It will significantly simplify the process of obtaining the necessary licences and certifications, thus reducing corruption risk and lowering transaction costs for businesses. Regulatory improvements and monitoring efforts to prevent forced and child labour in cotton harvesting are being jointly undertaken by the International Labour Organization and the Turkmen authorities as part of the Roadmap 2024-25.

**Substantial progress has been made on transport connectivity.** Both cargo and passenger transportation more than doubled in the first half of 2024 on the back of significant infrastructure improvements. The State Agency for Management of Highway Construction is accelerating the construction and reconstruction of the country's interregional roads, while actively promoting the Turkmenbashi International Seaport as a regional transit hub. The second stage of the Turkmen Autobahn project (Ashgabat-Mary-Lebap) was completed in spring 2024, reducing the travel time between Ashgabat and Mary, the country's major agribusiness and industrial hub, to less than three hours. Once the last section of this highway, running through the Karakum desert from Mary to Turkmenabat, is opened, it will dramatically cut the transit time to the border with Uzbekistan. ●