



ITALIAN TRADE AGENCY

TURKMENISTAN – ECONOMIC OUTLOOK
MAY 2021



*Source: United Nations Population Division

COUNTRY PROFILE

Turkmenistan is a country in Central Asia, bordered by Kazakhstan to the northwest, Uzbekistan to the north and east, Afghanistan to the southeast, Iran to the south and southwest, and the Caspian Sea to the west.

Capital	Ashgabat
Currency	Turkmen Manat (TMT)
Official Language	Turkmen
Other Major Languages	Russian, Turkish, English
Population	5 420 000*
Time Zone	UTC +5

POLITIC and ECONOMIC PROFILES



POLITIC PROFILE

Turkmenistan was a republic of the Soviet Union until 1991 when it achieved its independence, adopting its first constitution in May 1992. In accordance with the recent constitutional reforms of September 2020, the Parliament of Turkmenistan, moved to a bicameral system, and from 2021 is called as the Milli Gengesh (National Council), the upper chamber is called the Halk Maslahaty (the People's Council) and the lower one - the Mejlis (Council).

The Democratic Party of Turkmenistan is a ruling political party. There are two other political parties, the Party of Union of Industrialists and Entrepreneurs (UIE) established in 2012 to represent the interests of the entrepreneurs and the Agrarian Party established in 2014 to represents the interests of rural areas.

POLITIC PROFILE

President Gurbanguly Berdimuhamedov, was re-elected for a third term this time for seven years in February 2017, with 97,7 % of the votes.

The foreign policy of the Turkmen government is inspired by the principles of good neighborliness and collaboration, in particular with the other Central Asian countries.

In December 1995 Resolution No. 50/80 was adopted by the United Nations General Assembly recognizing the position of permanent neutrality of Turkmenistan.

ECONOMIC PROFILE

The Oil & Gas sector is Turkmenistan's most important economic resource. Exports of natural gas, crude oil and products derived from refining processes covered about 89,9% of Turkmen exports (total value of which in 2019 was according to Turkmen sources of 9,9 billion USD) ensuring revenues in foreign currency.

Turkmenistan is heavily dependent on China which, at the moment, is the major customer with a volume of exports in 2019 of just over 31,2 billion cubic meters of Turkmen gas, and in June 2020, with the level of gas supplies of 1,778 billion cubic meters, Turkmenistan, at that time, was the largest pipeline gas supplier to China. From April 2019 Turkmenistan reinstated since gas supplies to Russia after gas supply disruptions in January 2016 and is negotiating for recovery of gas exports to Iran in January that were frozen in 2017.

Exports of petroleum and its derivatives, in addition to land transportation (railways and trucks), is mainly completed over the sea crossing (tankers) from Turkmenbashi Sea Port to Azerbaijan where then the products are transported through Baku-Tbilisi-Ceyhan pipeline for further distribution to final destinations.

ECONOMIC PROFILE (2)

In addition to Turkey, the UAE, the Russian Federation, Germany and Italy, India and Pakistan are also strategic interlocutors for the Turkmen Government, with particular regard to the construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline and proposed parallel lines of power transmission and fiber optic communication, the Government's current priority, of the whose consortium includes Pakistan and India along with Afghanistan with 5% minority shares each.

In addition, improvements in relations with other countries in the Central Asian region are noticeable. In particular, with Uzbekistan there are ongoing collaborative relationships aimed at defining an electricity export plan through a transnational transmission line TUTAP (Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan). Cooperation between two Countries, in addition to exports of energy resources, has demonstrated significant growth when Turkmenistan started to import vehicles (buses, light and commercial vehicles assembled on semi knocked down basis) and agricultural machinery from Uzbekistan.

ECONOMIC PROFILE (3)

The most important economic resource of the country, in addition to that of hydrocarbons and, in the future, of its derivatives (polymers, fertilizers), is cotton (above all from the occupational point of view) and textile production; the Government has invested to create a cotton yarns and fabric production capacity and fixed the target for the collection of the material for just over 1 million tons. Since 2019 Turkmenistan has prioritized local processing of cotton fiber. This decision is expected to freeze the export of cotton fiber alone after the completion of infrastructure creation process.

The Ministry of Textile Industry studies additional opportunities to establish new production facilities and develop new textile processing technologies following recent announcements of new tenders like those for the introduction of nonwoven fabric (spunlace).

ECONOMIC PROFILE (4)

However, a possible further devaluation of the Manat, the local currency, compared to the US dollar (with respect to which there is a fixed official exchange rate of 3,5 TMT to \$1 and free market ratio exceeding 35 TMT against 1US \$) and the drop in the prices of energy products, even though in recent months they have registered a slight and slow growth trend, constitute a risk factor for the performance of the economy. In consideration of the significant deficit in the balance of payments and the consequent limitations introduced in the access to convertible currencies, the exchange rate on the free market, the actual devaluation of the Manat had the effect of an increase in inflation, which, according to EIU estimates is significantly higher than officially announced one.

In September 2017, Turkmenistan hosted an important sporting event in which delegations from 66 Asian countries took part. The theatrical event involved major investments estimated at around US \$ 8 billion for the construction of various sports and city infrastructures.

MAIN MACROECONOMIC INDICATORS

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	2018	Change %	2019	Change %	2020	Change %
GDP USD Billion	40,76	7,48	45,23	10,97	47,99	6,09
GDP Annual Growth Rate %	6,2	-4,90	6,3	3,07	1,8	-71,98
GDP per capita USD	7 065	6,36	7 724	9,33	8 074	4,53
GDP per capita PPP USD	14 845	7,57	16 432	6,64	16 711	1,70
Unemployment Rate %	3,8	-1,32	3,7	2,63	4,4	17,11
Inflation Rate %	9,4	11,10	5,1	-45,70	8,0	57,11
Balance of Trade USD Million	7 222	150,01	6 782	-6,09	4 392	-35,24
Exports USD Million	9 573	28,36	9 695	1,27	7 282	-24,88
Imports USD Million	2 351	-45,78	2 913	23,90	2 890	-0,70
Current Account USD Million	1 388	119,53	-1 171	184,30	481	141,01
Current Account to GDP %	5,50	-153,08	5,10	-8,09	1,0	-80,26
Government Debt to GDP %	29,30	2,53	32,80	11,94	-	-
Government Budget % of GDP	-0,2	92,85	-0,2	0	-	-

Source: elaboration of ITA on State Statistics Committee of Turkmenistan, IMF, World Bank data, ITC

PRESIDENTIAL PLAN FOR 2019-2025

The 2019-2025 development plan envisaged investments for the equivalent of 68 billion USD, major part of which is devoted to the energy sector.

- APPROVED ON FEBRUARY 1, 2019;
- IT IS A WIDE ECONOMIC AND SOCIAL DEVELOPMENT PROGRAM;
- INCLUDES 70 STATE AND DEPARTMENTAL PROJECTS;
- DEVELOPED WITH THE CONTRIBUTION OF: GOVERNMENT, DEPARTMENTS, REGIONAL ADMINISTRATIONS, UNION OF INDUSTRIALS AND ENTREPRENEURS.

PRESIDENTIAL PLAN FOR 2019-2025

OBJECTIVES OF THE PLAN

- BOOST THE GDP GROWTH AND OTHER IMPROVEMENTS OF MACROECONOMIC INDICATORS OF THE COUNTRY IN ACCORDANCE WITH CASES OF INNOVATIVE POLICIES;
- STIMULATE LOCAL AND FOREIGN INVESTMENTS, INCREASE COMPETITIVENESS OF LOCAL PRODUCTION;
- STIMULATE CREATION OF NEW JOB OPPORTUNITIES;
- CONSOLIDATE SOCIAL PROTECTION NETWORKS;
- IMPROVING THE LIFE AND SOCIAL CONDITIONS OF THE POPULATION;
- PROMOTING AND COMPLETING THE TRANSITION FROM A PLANNED ECONOMY TO MARKET ECONOMY;
- CREATION OF SPECIAL ECONOMIC ZONES;
- CHANGES TO THE FREE ZONES TAXATION AND INCENTIVE SYSTEM;
- IMPLEMENT THE CONCEPTION OF DIGITAL ECONOMY.

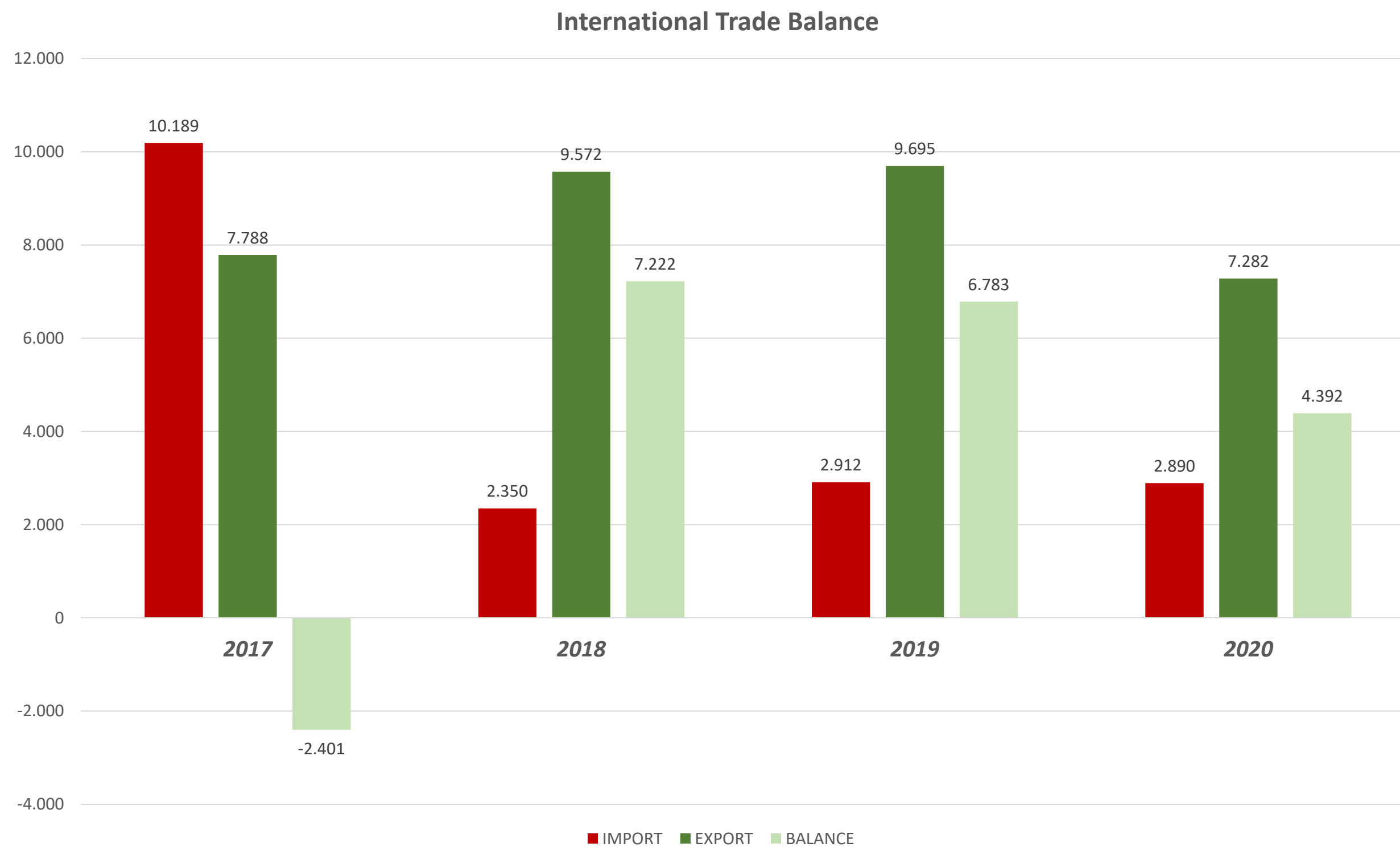
INTERNATIONAL TRADE STATISTICS

INTERNATIONAL TRADE (January – June)	2019	2020	Var %
IMPORT	2 912,79	2 890,07	-0,75
EXPORT	9 695,39	7 282, 47	-24,18
VOLUME OF TRADE	12 608,18	10 173,24	-19,31
TRADE BALANCE	6 782,60	4 392,40	-35,24

Source: State Statistics Committee of Turkmenistan – Turkmenstat, International Trade Center
Value: USD mln

INTERNATIONAL TRADE

Statistics of 2019 and 2020 show a reduction of Turkmenistan's trade deficit with the rest of the world, decreased by 35,24% from USD 6,78 billion to USD 4,39 billion. Exports decreased by 24,18% from USD 9,69 billion to USD 7,28 billion, likewise reduction of imports by 0,75%, from USD 2,35 to USD 2,91 billion was observed. Overall, total trade decreased by 19,31%, from USD 12,60 billion to USD 10,17 billion.



MAIN TRADE PARTNERS

For 2020, the ranking of the main trading partners shows China in first place with a trade of USD 6 515 million, of which USD 6 071,0 million gained through exports and USD 444,7 million of imports; Turkey in second place, with USD 1 105,1 million in trade, with USD 785,8 million of imports and USD 319,4 million exports; Russian Federation in third place, with USD 969,9 million in trade, with USD 649,5 million of imports and USD 320,4 million exports.

MAIN TRADE PARTNERS IN 2020

	IMPORTS	Var%	EXPORTS	Var%	TOTAL TRADE	Var%	BALANCE	QUOTATION
CHINA (PR)	444,7	3,18	6 071,1	-30,10	6 515,80	-28,53	5 626,40	64,05
TURKEY	785,8	14,05	319,4	62,12	1 105,20	24,74	-466,40	11,13
RUSSIAN FEDERATION	649,5	19,55	320,4	111,50	969,90	39,60	-329,10	9,53
GERMANY	191,4	7,52	1,1	8,47	192,50	7,52	-190,30	1,89
ITALY	51,6	-13,18	121,3	19,81	172,90	7,60	69,70	1,70
KAZAKHSTAN	76,6	-34,02	50,9	71,20	127,50	-12,57	-25,70	1,25
JAPAN	115,0	833,24	0,0	-87,40	115,00	789,19	-115,00	1,13
ROMANIA	4,9	114,47	92,4	-43,79	97,30	-41,60	87,50	0,96
FRANCE	85,1	-23,69	4,4	8,01	89,50	-22,57	-80,70	0,88
UKRAINE	56,0	1,96	19,5	-64,43	85,50	-37,98	-26,50	0,84
GEORGIA	6,0	-88,80	72,1	-30,69	78,10	-50,65	66,10	0,77
BRASIL	32,5	324,88	43,1	84,87	75,60	144,07	10,60	0,74
KOREA	69,0	423,52	0,0	-50,00	69,00	423,16	-69,00	0,68
USA	32,9	16,42	15,0	-11,75	47,90	5,84	-17,90	0,47
NETHERLANDS	45,6	-51,90	0,5	-61,49	46,10	-52,02	-45,10	0,45
GREECE	2,4	-81,33	38,6	-13,92	41,00	-29,23	36,20	0,40
SPAIN	35,7	256,68	3,1	31,77	38,80	213,64	-32,60	0,38
MAROCCO	0,2	-	34,7	-	34,90	-	34,50	0,34
POLAND	29,9	28,23	0,3	215,85	30,20	36,57	-29,60	0,30
OTHER COUNTRIES	175,9	-	64,6	-	240,5	-	-111,3	2,1
GENERAL TOTAL	2890,7	-4,37	7 282,5	-32,73	10 173,20	-26,54	4 391,80	100

- Source: International Trade Center
- Value: USD mln

BILATERAL TRADE BETWEEN ITALY- TURKMENISTAN

BILATERAL TRADE BETWEEN ITALY AND TURKMENISTAN

According the latest available data of State Statistics Committee of Turkmenistan, Italy ranked 2nd position among EU member States after Germany and 8th position among global trade partners of Turkmenistan in 2020 with total amount of trade of USD 72,7 million (excluding raw petroleum exported in terms of the Production Share Agreement).

TURKMENISTAN - ITALY
January-December

	2019	2020	Var %
IMPORT	68 658,30	49 648,70	-27,69
EXPORT	10 454,50	23 031,90*	120,31
TOTAL TRADE	79 112,80	72 680,60	-8,13
BALANCE	-58 203,80	-26 616,80	-54,27

Source: Turkmenstat - State Statistics Committee of Turkmenistan

Value: USD thousand

* *Excluding raw petroleum exported in terms of the Production Share Agreement.*

BILATERAL TRADE BALANCE

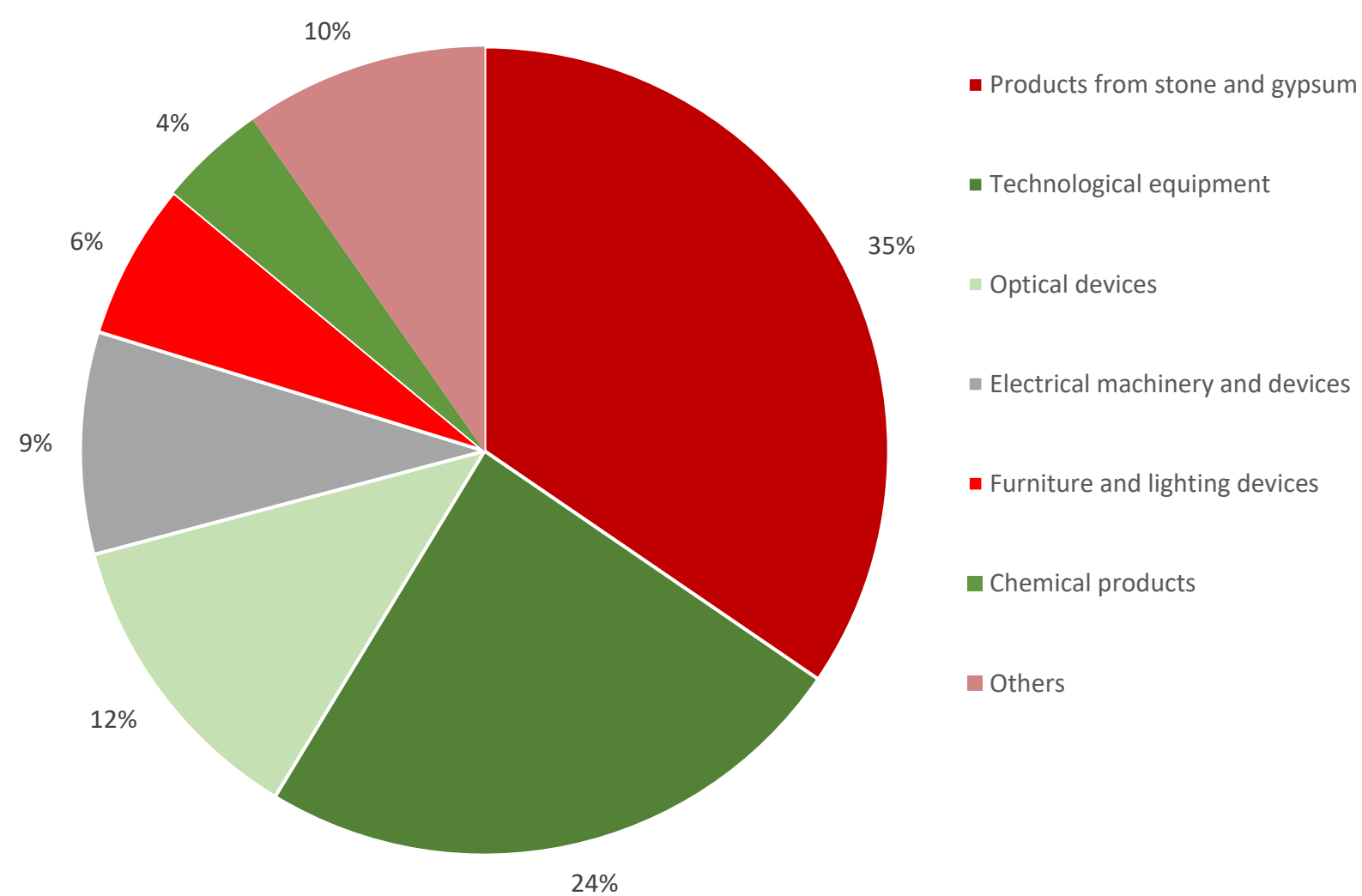
The statistical data published by Turkmenstat show that the value of bilateral trade between Italy and Turkmenistan for whole 2020 has decreased by -27% compared to 2019, reaching a total of USD 72,7 million. In particular, Turkmenistan's (direct) exports would have recorded a value of USD 23,0 million, with imports that of USD 49,6 million, with a relatively modest deficit on the trade balance.

Bilateral Trade Between Italy and Turkmenistan 2017 - 2020



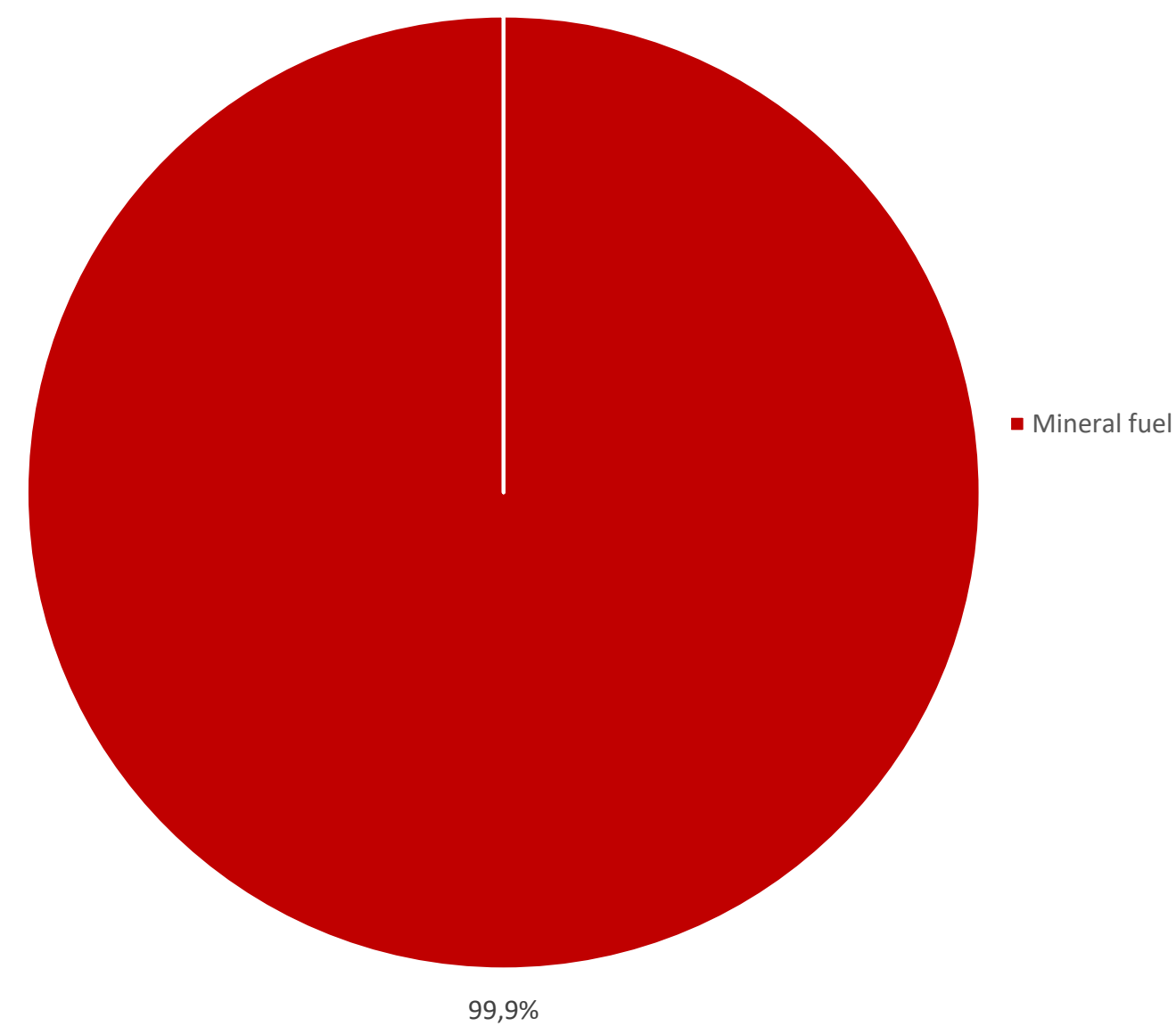
Source: Turkmenstat - State Statistics Committee of Turkmenistan
Value: USD thousand
* Excluding raw petroleum exported in terms of the Production Share Agreement .

Turkmen Imports from Italy
Principal products
January-December 2020



Source: Turkmenstat - State Statistics Committee of Turkmenistan

Turkmen Exports to Italy
Principal products
January-December 2020



ITALIAN PRESENCE IN TURKMENISTAN



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In Turkmenistan, more than 100 Italian companies are active, either directly or through local representatives, both for projects aimed at building plants (including Bottero, Bedeschi, Macchi,) and commercial projects. ENI, which employs approximately 1,000 people, is the main Italian industrial presence in Turkmenistan; started its activities in the country with the acquisition in 2008 of the British company Burren Energy PLC and of its concession. Oil extraction activities are concentrated in the Balkanabad (former Nebit-dag) area located in the west of the country. The production derives mainly from the Burun field, which is then sent for refining or further transportation to Turkmenbashi. ENI then signed the extension of the company's activities also in the Caspian Sea and carried out a pre-feasibility study and started the "basic design" for a gas refining plant and opened a training center for operators in the Oil & Gas in Ashgabat, which aims to promote training in the sector in Turkmenistan by facilitating access to new technologies, in collaboration with PROGER who collaborates with Turkmenengaz by providing engineering services.

ITALIAN PRESENCE IN TURKMENISTAN (2)

Another very active Italian company is RINA Services Spa, which has successfully completed a supervision contract of the expansion of the Turkmenbashi Sea Port on the Caspian coast. The project made it possible to double the capacity of the infrastructure of existing port. In addition to mentioned projects, RINA performs feasibility studies to local Oil and Gas Companies. Referring to announced projects, “Turkmengas” State Concern, the national gas company of Turkmenistan, has signed an agreement with RINA to receive technical consultancy for supervision and project support services for the installation of Turkmen section of the TAPI gas pipeline. The scope of the contract covers technical advice and support services for the construction of a 214km of pipeline across Turkmenistan along with two compressor stations..

ITALIAN PRESENCE IN TURKMENISTAN (4)

In addition, other sectors such as agricultural mechanics, earthmoving, commercial vehicles (CNH Industrial, Maschio Gaspardo), food and beverages (Barilla, Bottero, Musetti), medical products (Bioimpianti, Menarini, Vincal), furniture and clothing (Brioni, Cornelliani, Geox, Vera, Zambaiti, Zilli), logistics and transportation (Kerry Logistics) are also represented in the country, including through representative offices.

Since 2018, the Embassy of Italy in Turkmenistan in collaboration of Italian Trade Agency publish Italian-Turkmen Business Directory on semi-annual basis and includes detailed company profiles. The latest edition is available at: https://drive.google.com/file/d/1_m9JuRmXUM1lOP0HSPwLV2RvMlDfiJzs/view?usp=sharing

MAJOR POTENTIAL SECTORS



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The Italian sectors of greatest interest for both public and private Turkmen operators are mainly linked to the design and production of production technologies, industrial plants, machinery in the various sectors starting from the extraction and processing of oil and gas supplies and derived products, followed from: medical-pharmaceutical chemistry, machinery of the agricultural mechanical chain and food processing, semi-finished leather and processing technologies, in addition to the various sectors of instrumental mechanics, particularly in the textile, packaging and metal processing sectors.

In fact, fields of industrial cooperation can be expanded with projects of renewing or running overhaul works in existing industrial facilities like steel plants, repairing workshops, textile complexes that were established during Soviet period and early years of independence. The interest in such projects prioritizes as transformation of property rights of such production units to private business increases with the State initiatives like State Privatization Program.

MAJOR POTENTIAL SECTORS (2)

The economic diversification from the dominant Oil & Gas sector towards other types of industrial production is one of the major priorities for the country along with a marked reduction of imports (import substitution) of finished products and the intention to proceed towards a growing privatization.

In particular, the structural diversification in the energy sector - which still remains the dominant sector - aims at the development of new technologies in the transformation phase of hydrocarbons for the production of polymers, fertilizers and gasoline also with advanced technologies to derive it from natural gas; this also for the purpose of gradually acquiring greater control over the processing phases of primary resources.

MAJOR POTENTIAL SECTORS (3)

Furthermore, the development of the program for the development of regional interconnection infrastructures has a growing priority in government policies. Currently, total cost of all ongoing constructing works is estimated at \$ 35 billions and among all planned projects implementation of following can be highlighted:

- Turkmenbashi Sea Port which was inaugurated in May 2018 – combines piers of oil and LPG loading, bulk material handling (10 mln tonnes per year), solid cargoes (17 mln tonnes) and passenger station with capacity of. Currently the management of the port is studying opportunities to expand capacity of shipyard and petroleum loading piers;
- Airports in Ashgabat and other major cities in the country with modernization of air fleet and quality of ground services;
- Electrification with further reconstruction/modernization of railways;
- Launching of second space satellite to monitor surface of the earth and outer space;
- Enhancing capacity of interregional connection networks (fiber optic lines);

MAJOR POTENTIAL SECTORS (3)

- Ashgabat - Turkmenabat (North-South) motorway of 630 km for the connection with Uzbekistan, with project cost of 2.3 billion USD (started in 2019);
- Turkmenbashi- Garabogaz-Kazakhstan Motorway (including bridge construction of 500 m length over Garabogaz Bay) with total distance of 225 km;
- Ashgabat-city – mega construction project in the north part of Ashgabat with 744 ha of area dedicated for 180 civil facilities including educational, medical, trade and entertainment centers;
- Administrative Center of Ahal Velayat (Region) – another project of establishing new city started in 2019.

MAJOR POTENTIAL SECTORS (4)

In addition, the sectors of greatest interest to the Turkmen Government include: technologies and services in the large building sector and residential and commercial buildings; plant engineering and technologies for electricity generation (also for export), technologies for agricultural cultivation and irrigation, transport sector, telecommunications network (cellular and ground lines) expansion and development, textile production chain.

In the construction sector, if the situation in recent years has been strongly characterized by a marked presence of Turkish and - in part - French companies, in the current phase local companies seem to be more privileged, but their supplies of the necessary components are mostly linked to foreign markets as the locally produced construction materials do not cover full range of necessary components.

The rail transport system - still inadequate and inefficient mostly because of absence of electric traction locomotives- is under development: in recent years the railway lines have been doubled by completion of international and domestic lines. Moreover rising potential of China-Kazakhstan-Turkmenistan-Iran railroad as part of a transport policy that intends to pay more attention to the regional transit of containers and passengers, is constantly expanding its capacity and infrastructure - which is witnessed by recognition of Uzbekistan as fifth party in the railroad corridor.

MAJOR POTENTIAL SECTORS (4)

The tourism sector is under development especially in the area of the Caspian Sea where a hotel complex capable of accommodating 10 thousand people was built in Awaza, although both entertainment facilities and visa obtaining procedure are still desired at more confident level. Recently state authorities started to develop a program to extend capacity of private sector in tourism industry by implementing new reforms to structure of organization. Thus, share of the private sector within the Committee will expand and ownership of tourism facilities and responsibility to develop tours was transferred to members of the Union of Industrialists and Entrepreneurs.

Furthermore, the sectors of the mechanical sector should not be underestimated. The chain of agricultural mechanization, greenhouse construction, preparation of infrastructures (land improvement and mitigation) and food processing has potential for development and operational collaboration. The participation of Turkmen operators in the last edition of EIMA and supply contracts signed after the visit of the president of Turkmenistan to Rome highlighted sufficient business opportunities between Italian and Turkmen companies.

POINTS OF STRENGTH AND CRITICS

The strength points of Turkmenistan are:

- established policy;
- security;
- high availability of low-cost energy and natural resources;

The critical points are:

- limited availability of adequate technologies for improvement of production processes (which however can become an opportunity for Italian companies);
- travel restriction for air and ground transportation, including limitations on transportation of cargoes introduced in terms of sanitary control measures;
- currency banking / financial system is cumbersome foreign currency operations / transfers and procedures;
- consistent prospects for investment in production facilities and infrastructure;
- difficulty to manage procurement procedure outside of Turkmenistan;
- complicated visa obtaining procedure.

METHODS TO APPROACH TURKMEN MARKET

Since the establishment of free market conditions is only in its infancy, it is particularly advisable - as a first step - to visit the country in person. Such initiative will allow to establish direct contacts, conduct meetings with government institutions operating in the internationalization sector, as well as private operators, at this stage interested in expanding relations with Italian industry and making use of the Italian technological offer, which is particularly appreciated. Unfortunately, with travel restrictions in force, travelling to the country needs to be postponed for further notice on reestablishment of regular international flights to Turkmenistan.

To this end, the ITA Assistance Desk, operating in Ashgabat since 2016, is a reliable reference for planning a sectorial work program and operational meetings with public and private Turkmen counterparts.

Furthermore, productive investment in collaboration with a Turkmen partner is an effective way of entering the local market; this operating option is certainly a choice that must be made when the Italian company has already had positive work experiences and therefore knows better the potential partners for investments in the Turkmen market and the economic context of the country.

ECONOMIC CONSEQUENCES OF THE COVID-19 PANDEMIC IN TURKMENISTAN

Although there are no officially declared cases of Covid-19 in the country, State Sanitary Service under the Ministry of Health and Medical Industry has introduced limitations related to border crossing (both for arriving/transit passengers and cargoes), activities of public and commercial places, thus avoiding the creation of clusters and outbreaks of contagion within the country. Therefore, the health consequences of the pandemic are limited to the costs of preventive diagnostic measures (purchase of tests in Russia, Germany and to a lesser extent Switzerland and Turkey).

The economic consequences of the Covid-19 crisis are, above all, caused by the restrictions on the movements of people (severe obstacles for movement in-between regions) and blocking the transit of foreign trucks at the borders. All the arriving goods are subject to disinfection and controlled storage of up to 14 days for further reloading to local trucks/containers. The pressure from neighboring countries is noticeable.

INSTITUTIONAL PRESENCE IN TURKMENISTAN

Italian Trade Agency - Istanbul Office

For the information and assistance in Italian, companies can contact the ICE Office in Istanbul, competent for Turkmenistan.

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Embassy of Italy

Opened in December 2013.

Performs activities of political-diplomatic representation, ensures economic-commercial promotion, cultural promotion - including the teaching of Italian at two Turkmen universities - and the fulfillment of consular procedures, including the issuing of entry visas and passports.

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