

# KYRGYZ REPUBLIC

Table 1	2020
Population, million	6.6
GDP, current US\$ billion	7.7
GDP per capita, current US\$	1166.7
International poverty rate (\$19) <sup>a</sup>	0.6
Lower middle-income poverty rate (\$3.2) <sup>a</sup>	9.7
Upper middle-income poverty rate (\$5.5) <sup>a</sup>	52.6
Gini index <sup>a</sup>	29.7
School enrollment, primary (% gross) <sup>b</sup>	106.0
Life expectancy at birth, years <sup>b</sup>	71.6
Total GHG Emissions (mtCO <sub>2</sub> e)	15.4

Source: WDI, Macro Poverty Outlook, and official data.  
 (a) Most recent value (2019), 2011 PPPs.  
 (b) Most recent WDI value (2019).

Real GDP contracted by 0.7 percent in January–August 2021 due to a fall in gold production. 2021 GDP should expand by 2.3 percent, driven continued growth of the non-gold economy in the remainder of the year. Inflation has increased sharply and should remain elevated in 2021–22. Strong revenue performance led to fiscal surplus in January–July 2021, but the budget should fall back into a deficit by year-end.

## Key conditions and challenges

The economy remains heavily dependent on gold production (about 10 percent of GDP and 40 percent of exports), remittances (25 percent of GDP), and foreign aid. Economic and structural reforms lost momentum, and businesses are facing significant uncertainty because of the continuing COVID-19 pandemic and political uncertainty triggered by the protests after the parliamentary elections in October 2020. The ongoing revision of legislation after the adoption of the new Constitution in April 2021 and afresh parliamentary elections in November 2021 are adding uncertainty. Security threats arising from potential border conflicts and a regional tension due to developments in Afghanistan are also causing concerns.

Strong and sustainable economic growth requires institutional strengthening and policies to develop the private sector, spur international trade, and encourage fiscally sustainable energy production. Constraints to private investment and growth include the large infrastructure gap, weak rule of law and governance, poor business environment, and onerous regulations. The energy sector's financial weaknesses—stemming from the below-cost recovery tariffs— and failure to meet WTO and Eurasian Economic Union standards and technical regulations further limit the growth potential.

## Recent developments

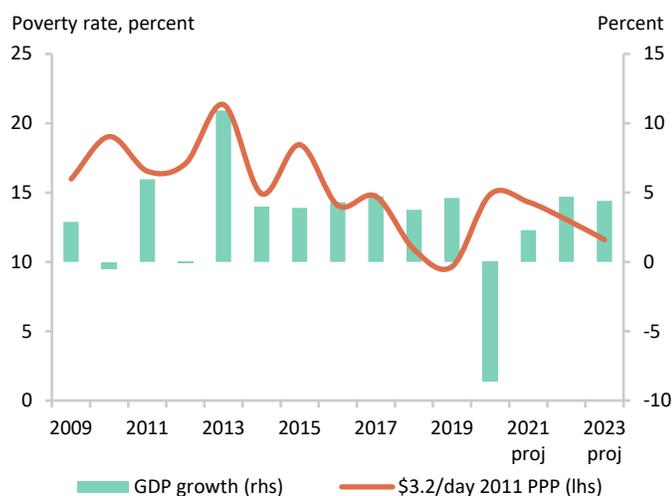
Real GDP contracted by 0.7 percent in January–August 2021, year-on-year, following a significant decline by 8.6 percent in 2020, as a result of a fall in gold production (-29 percent) while the non-gold economy is recovering (3.6 percent). The non-gold economy has been supported by increased remittance inflows and trade revival.

Twelve-month inflation rose to 14 percent in July, up from 9.7 percent in December 2020, driven by larger increases in prices for imported food and fuel, as well as a rising demand for goods and services owing to higher remittances. The trade deficit is estimated to have significantly widened to 41 percent of GDP in January–June 2021 from 18 percent a year ago. This reflects a decline in exports (9 percent in US dollars) mainly due to a fall in gold exports and strong growth in imports (41 percent in US dollars). Gross official reserves remained adequate at 6.2 months of imports at end-June.

In response to rising inflation, the central bank increased its policy rate three times by a cumulative increase of 250 basis points to 7.5 percent since the start of the year. Credit to the economy growth was strong (12.2 percent). The foreign exchange market has stabilized after central bank interventions in the first quarter.

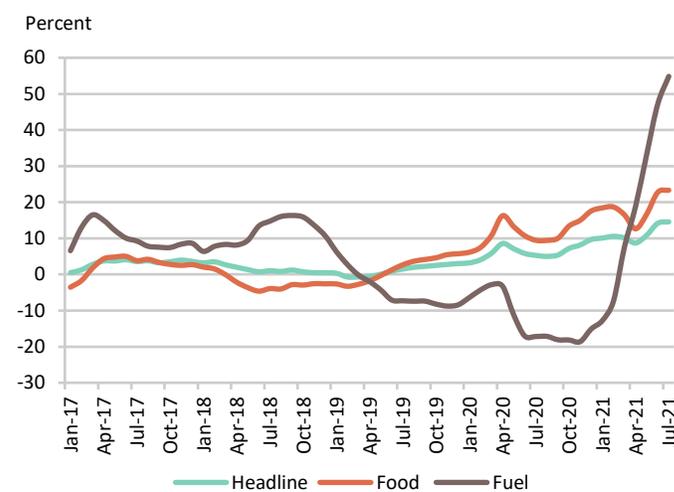
The budget surplus amounted to 1.4 percent of GDP in January–July 2021, owing to higher revenues and lower expenditures as a share of GDP. Revenues increased to 37.7 percent of GDP from 32.3 percent a year ago, thanks to tax and non-tax revenues.

FIGURE 1 Kyrgyz Republic / GDP growth and poverty rate



Sources: Kyrgyz authorities and World Bank staff estimates.

FIGURE 2 Kyrgyz Republic / Headline, food and fuel inflation



Source: Kyrgyz authorities.

Improved tax performance reflects increased tax revenues from imported goods—VAT on imports, customs duties and excises on imports—as well as taxes from mining companies owing to higher gold prices. Non-tax revenues increased thanks to the central bank profit transfers and a higher amount of receipts from public paid services. Expenditures declined to 36.3 percent of GDP from 38.8 percent a year ago, as wage bill, transfers and subsidies, and pensions fell as a share of GDP. Public debt declined to 66.4 percent of GDP from 68.1 percent at the end of December 2020.

The combined health and economic shocks of 2020 drove up poverty and diminished social welfare. A significant share of the population became poor or vulnerable due to lower incomes, higher food prices, or job losses. The poverty rate is estimated to have increased to 15 percent in 2020 from 9.7 percent in 2019 (US\$3.2 a day, 2011 PPP).

## Outlook

The economy is expected to grow by 2.3 percent in 2021, assuming a continued expansion in the non-gold economy in the remainder of the year. Growth is forecast to increase to 4.7 percent in 2022 and slow to 4.4 in 2023, reflecting gold production growth while non-gold economy stabilizes at its potential level. This scenario assumes a reduction of new COVID-19 cases as vaccines are deployed and political stability is maintained.

Inflation is projected to rise to 10.6 percent in December 2021 from 9.7 percent a year ago, driven by food and fuel prices. It is projected to moderate to the central bank's target range of 5–7 percent by 2023.

The current account deficit is projected at 6.1 percent in 2021, reflecting a recovery of imports and a decline in gold exports. As

the latter picks up, the deficit is expected to narrow slightly in 2022–23.

While the budget ran a surplus in January–July, a deficit of 1.8 percent of GDP is projected in 2021 as a whole, reflecting planned increases in social assistance and pensions in October 2021. The deficit is expected to widen to 3.1 percent of GDP in 2022 because of the full year affect of these increases. Assuming expansion of the tax base, rolling back pandemic-related expenditures, streamlining nonpriority purchases, and reducing the wage bill as a share of GDP, the deficit is expected to narrow to 2.7 percent of GDP in 2023.

The poverty rate should remain little changed in 2021–22 as households continue to face price increases, health issues, and other pandemic impacts. In spite of planned spending increases for the social sector, they remain insufficient to support poor and vulnerable groups.

**TABLE 2 Kyrgyz Republic / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2018	2019	2020	2021 e	2022 f	2023 f
<b>Real GDP growth, at constant market prices</b>	3.8	4.6	-8.6	2.3	4.7	4.3
Private Consumption	5.0	0.8	-11.4	4.4	5.0	3.5
Government Consumption	1.3	0.5	1.3	1.9	1.7	0.3
Gross Fixed Capital Investment	6.9	7.1	-23.3	11.2	9.3	11.9
Exports, Goods and Services	-2.7	16.2	-18.5	-5.8	7.1	8.0
Imports, Goods and Services	7.4	6.1	-24.0	11.1	9.5	9.3
<b>Real GDP growth, at constant factor prices</b>	3.1	3.6	-8.6	2.2	4.7	4.3
Agriculture	2.6	2.5	1.1	0.0	2.2	2.5
Industry	5.1	6.6	-7.5	-2.8	8.4	8.7
Services	2.8	3.2	-17.0	6.8	5.5	4.0
<b>Inflation (Consumer Price Index)</b>	1.5	1.1	6.3	12.0	7.3	5.3
<b>Current Account Balance (% of GDP)</b>	-12.1	-12.1	4.5	-6.1	-5.8	-5.6
<b>Net Foreign Direct Investment (% of GDP)</b>	0.5	3.8	-7.5	0.7	1.0	2.0
<b>Fiscal Balance (% of GDP)</b>	-1.6	-0.5	-4.2	-1.8	-3.1	-2.7
<b>Debt (% of GDP)</b>	54.7	51.6	68.1	66.2	64.8	63.2
<b>Primary Balance (% of GDP)</b>	-0.5	0.5	-3.0	-0.2	-1.4	-1.1
<b>International poverty rate (\$1.9 in 2011 PPP)<sup>a,b</sup></b>	0.6	0.6	1.1	0.9	0.8	0.7
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>a,b</sup></b>	10.9	9.7	14.3	13.8	12.6	11.2
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>a,b</sup></b>	54.8	52.6	60.7	60.0	57.6	55.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	14.5	8.8	-4.7	2.4	5.2	5.8
<b>Energy related GHG emissions (% of total)</b>	74.3	75.4	74.7	73.6	74.0	74.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast.

(a) Calculations based on ECAPOV harmonization, using 2019-KIHS. Actual data: 2019. Nowcast: 2020. Forecast are from 2021 to 2023.

(b) Projection using neutral distribution (2019) with pass-through = 0.87 based on GDP per capita in constant LCU.