

# Responding to the Coronavirus Crisis

## Update on the Kyrgyz Republic (13/05/20)



### EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
	*	*		*	*		*	*	*	*	*	*	*							*	*

### Economic channels of disruption

#### Remittances, trade, shadow economy

- Remittances (28% of GDP) falling due to travel restrictions and oil price shock affecting Russia, constraining private consumption and putting pressure on service sector SMEs.
- Reduced trade flows with China (imports down by 10% so far) resulting in lower tax revenue collected at the border (down by about 20% y/y).
- Lockdown and border closures affecting activities in the shadow economy (23% of GDP in 2018 according to official estimates).

#### Selected crisis impact indicators

<b>EBRD GDP growth outlook</b>	<b>2020: -4%</b>
(May 2020)	<b>2021: 5.5%</b>
<b>GDP growth</b>	<b>-3.8%</b>
(January-April 2020)	
<b>Remittances</b>	<b>down 15% y/y</b>
(January-March 2020)	
<b>Imports</b>	<b>down 21.8% y/y</b>
(January-March 2020)	
<b>Exchange rate</b>	<b>down 10%</b>
(01 January – 13 May 2020)	

### Crisis response measures to date

#### Support for healthcare, businesses and individuals

- The government to allocate \$240 million to healthcare by cutting non-priority spending.
- The government is rolling out a second anti-crisis package worth around 7% of GDP, including fiscal and financial measures to support businesses, administrative and sanitary measures to restore trade with China, and tax exemptions for SMEs
- Central bank to provide liquidity of around 5.25 billion som to the economy

#### Selected crisis response indicators

<b>Financial sector regulation</b>	Lowering liquidity ratio from 45% to 30%, removal of liquidity ratio requirement, lowering risk weights of FX loans from 150% to 100%, banks granted the right to retain the classification of overdue loans to affected businesses
<b>Direct support to businesses</b>	3-month tax payment deferral
<b>Committed external assistance</b>	IMF: US\$ 242 million emergency assistance (combination of Rapid Financing Instrument and Rapid Credit Facility); World Bank: US\$ 12.2 million for the Kyrgyz Republic Emergency COVID-19 Project; ADB: US\$ 50 million in loan and grant financing to mitigate COVID-19 impact

### Key short-term priorities

Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals