

Responding to the Coronavirus Crisis

Update on the Kyrgyz Republic (06/11/20)



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)
Increased	*	*		*	*		*	*	*	*	*	*	*	*		*				*	*

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 66% so far) resulting in lower tax revenue collected at the border
- Lockdown and border closures affecting activities in the shadow economy (23% of GDP in 2018 according to official estimates)
- Political turmoil and looting of foreign invested mining enterprises negatively affect the investment climate

Selected crisis impact indicators

EBRD GDP growth outlook (September 2020)	2020: -9.5% 2021: 3.0%
Real GDP growth (January-September 2020)	-6.0%
Remittances (January-August 2020)	down 7% y/y
Imports (January-August 2020)	down 31.6% y/y
Exchange rate (01 January – 06 November 2020)	down 17%

Crisis response measures to date

Support for healthcare, businesses and individuals

- In May 2020, an anti-crisis fund was created to provide concessional financing to enterprises of around 2% of GDP in 2020 and 7% of GDP in 2021
- Central bank recommends a grace period for loan repayment and provides liquidity of around KGS 5.25 billion to the economy
- Other measures include reduced social contributions by businesses, a moratorium on business inspections and a temporary ban on bankruptcy procedures of businesses until 2021

Selected crisis response indicators

Financial sector regulation	Lowering liquidity ratio from 45% to 30%, lowering risk weights of FX loans from 150% to 100%, banks granted the right to retain the classification of overdue loans to affected businesses
Direct support to businesses	Tax exemption and debt forgiveness
Committed external assistance	IMF: US\$ 242 million emergency assistance (combination of Rapid Financing Instrument and Rapid Credit Facility); World Bank: US\$ 72.5 million to support SMEs and for social protection ; 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