Economy

Recent Economic Developments

Real GDP growth slowed to 3.5 percent in 2018 from 4.7 percent in 2017. Inflation fell to 0.5 percent by end-2018 from 3.7 percent at end-December 2017, driven mainly by a decline in food prices.

The fiscal deficit narrowed to 1.6 percent of GDP in 2018, down from a deficit of 4.6 percent of GDP in 2017, on account of strong tax collections coupled with the under-execution of the investment program.

Tax revenue rose to 25.4 percent of GDP in 2018 from 23.9 percent in 2017, thanks mainly to higher import tax collections.

Due to lower non-tax revenues and grant support, however, total revenues fell to 31.8 percent of GDP (from 32.6 percent in 2017). Total spending declined to 33.4 percent of GDP (from 37.2 percent a year earlier).

The current account deficit widened to 12.2 percent of GDP (from 6.6 percent a year earlier), reflecting a larger trade deficit of 40.9 percentof GDP in January–September 2018.

The current account deficit was financed by foreign direct investment, a debt write-off of US$240 million by the Russian Federation, and a drawdown on foreign exchange reserves.

Economic Outlook

Real GDP growth is projected to accelerate to 4.3 percent in 2019 and stabilize at around 4 percent thereafter.

This scenario reflects the gold production forecast and assumes moderate growth in Russia and Kazakhstan, which will benefit the Kyrgyz economy through remittance and trade channels.

Assuming exchange rate stability and no significant adverse shocks to global food prices, inflation will remain below the central bank’s target range of 5–7 percent over the medium term.

The current account deficit is projected to remain elevated at about 10 percent of GDP. The authorities are committed to reducing the deficit to 3 percent of GDP by 2020. In 2019–20, tax revenues as a share of GDP are projected to rise following the implementation of measures to expand the tax base.

Meanwhile, recurrent expenditures are forecast to decline on the back of efforts to streamline non-priority purchases and reduce the wage bill as a share of GDP. Public investment spending is expected to decelerate slightly.

With the growth in the agriculture and construction sectors expected to remain modest, further increases in remittances will support rural poverty reduction.

Social transfers and a scheduled pension increase will also support the most vulnerable. The poverty rate is projected to decline to 18.8 percent in 2019.