

Kyrgyz Republic:

Growth is Back, Headwinds Persist



THE WORLD BANK

Kyrgyz Republic Economic Report No.4
October 2013

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THE WORLD BANK
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Government Fiscal Year: Jan - Dec
Currency Equivalents: Exchange rate effective as of
Currency Unit =
USD 1.00 =
Weights and Measures: Metric System

Abbreviations

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Overview

The recent growth performance of the Kyrgyz Republic has been encouraging and largely in line with our forecasts from the Spring 2013 update.¹ Real GDP expanded by 8 percent in the first eight months of 2013 (y-o-y) driven by a recovery in gold production at the Kumtor mine. The non-gold economy also performed well, as strong private transfers from abroad and higher credit to the private sector fueled private consumption and investment. At the same time, the contribution of the public sector was more limited with government spending kept under control. Following a slow start, officially recorded exports have started to recover.

Macroeconomic policies have been supportive of stability and stronger economic activity. The budget performed better than expected while monetary conditions remained accommodative. The fiscal deficit fell to 0.5 percent of GDP in the first half of 2013 from 2.6 percent a year earlier, reflecting higher revenues and tight spending control. This helped rebuild fiscal buffers. At the same time, monetary policy created a favorable framework for increased credit to the private sector, albeit from a low base. Domestic inflation eased as international food and fuel prices moderated.

Our baseline scenario for 2014 remains optimistic, though headwinds have been gaining strength. After an expansion of 7.8 percent projected for 2013 as a whole, we expect growth to moderate to 6.5 percent in 2014, as gold production continues to recover, remittances remain resilient and recently announced larger investments are undertaken. However, the risks to the Kyrgyz external environment increased in recent months. Russia's growth has declined substantially this year and forecasts have been revised down for 2014 as well, while growth in China has also eased somewhat. Gold prices add an additional layer of uncertainty, as does the planned pull out of NATO troops from Afghanistan which could undermine regional stability. At the same time, the domestic situation continues to be fluid because of nascent institutions and vested interests.

The challenge to sustain high economic growth rates in the medium term is considerable. First, while macroeconomic policies have been adequate so far, a considerable adjustment will be required going forward. The fiscal deficits registered in recent years are not sustainable, especially given the expected impact on fiscal revenues from the closure of the Manas Transit Center in mid-2014 and from potentially lower gold prices. Improving efficiency in spending will be critical to ensure that fiscal consolidation is not a drag to growth. Also, monetary policy needs to be cautious to prevent the build-up of risks in the financial sector and limit inflationary pressures. Second, creation of a vibrant and competitive private sector will require significant upgrading of the country's institutional, physical and human capital. A business environment characterized by efficient institutions, reliable infrastructure and highly-skilled labor will help realize the country's growth potential and reduce poverty.

¹ Kyrgyz Republic: A Volatile Year, Challenges Ahead; Kyrgyz Republic Economic Report No.3, April 2013.

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A. Recent Political Developments

The government continues to navigate a challenging political environment. The three-party coalition government was formed in September last year, supported by 69 of the 120 parliamentary seats from three of the five parties represented in the parliament. Being in office for close to a full year, the current government has been one of the longest serving in the Kyrgyz Republic in the last decade. The next parliamentary elections are set for 2015 and the presidential elections for 2017. The Kyrgyz Republic improved modestly its score on political stability, absence of violence and rule of law indicators in the 2012 Worldwide Governance Indicators, although it still ranks low. The country's largest gold mine, Kumtor, continues to raise tensions, including a police intervention in June 2013 to disperse citizens' protests and to prevent a disruption of the production process at the mine.

The July 2013 High Level Development Conference was a further mark along the path from post-conflict recovery to economic development. The government and international development partners affirmed their commitment to the 2013–2017 National Strategy for Sustainable Development (NSSD). The main objective of the adopted NSSD is to ensure the Kyrgyz Republic succeeds as a "democratic state with a stable political system, a dynamically growing economy and increasing incomes of its citizens."

The regional landscape is rapidly evolving, with the Kyrgyz Republic building stronger political and economic ties with emerging growth poles in the region. In September 2013, the Kyrgyz Republic and China agreed deals worth \$3 billion, mostly in energy and infrastructure and plans were unveiled for the construction of a gas pipeline to deliver Turkmen gas to China via Uzbekistan, Tajikistan and the Kyrgyz Republic.² Relations with the Russian Federation were further strengthened, including through formalization of debt forgiveness, provision of additional budget support, investments in the energy sector (construction of hydropower plants and take-over of Kyrgyz gas utility) as well as the start of operations of the Eurasian Development Bank. The authorities have also confirmed their intention to join the Customs Union which so far includes Belarus, Kazakhstan and Russia, although there appears to be a consensus that the formal accession process will require a significant period of adjustment and preparation in the Kyrgyz Republic.

The resolution of the dispute with the foreign investor in the Kumtor gold mine in line with good international practice would improve growth prospects for both the mine and the overall economy. A parliamentary commission report, issued in early 2013, identified a number of legal issues in the 2009 contract between the government of the Kyrgyz Republic and Centerra, the investor, and alleged non-compliance by the investor with its environmental and technical commitments. The investor has denied these allegations. In light of the report's findings, the parliament gave the government until the end of September 2013 to renegotiate the agreement with the investor or to terminate the agreement. In the meantime, the dispute is adversely affecting the investor. The 68 percent decline in the share price of Centerra, (33 percent owned by the Kyrgyz Republic), over the last year has at least partly been a result of the dispute and has reduced the value of the shares held by the Kyrgyz government by around \$550 million. The negotiations between the parties are still ongoing, with reports that a Memorandum of Understanding has been agreed. Resolution of the dispute in line with the principles of rule of law and good international practice in extraction activities would

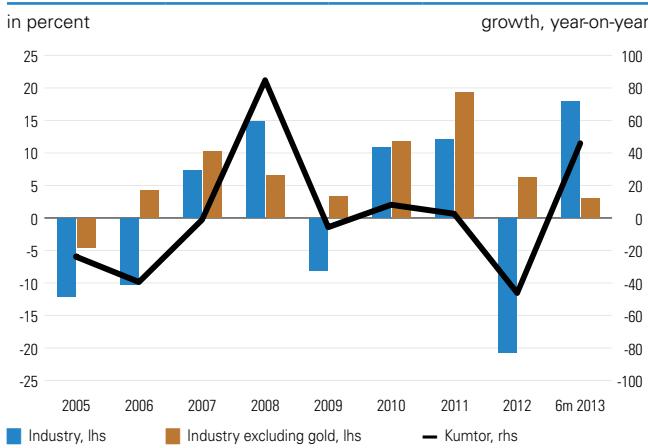
² Asia politics: China becoming Central Asia's dominant energy partner. Economist Intelligence Unit: Viewswire: September 18, 2013.

improve prospects for the operations of the mine which is an important contributor to the Kyrgyz economy. More importantly, it will showcase to other potential investors the improving environment for doing business in the country and allow the authorities to shift their focus onto the development of the remaining significant untapped potential in mining.

B. Recent Economic Developments

Economic Growth

Figure 1. Kumtor is an important, yet volatile, component of the Kyrgyz economy

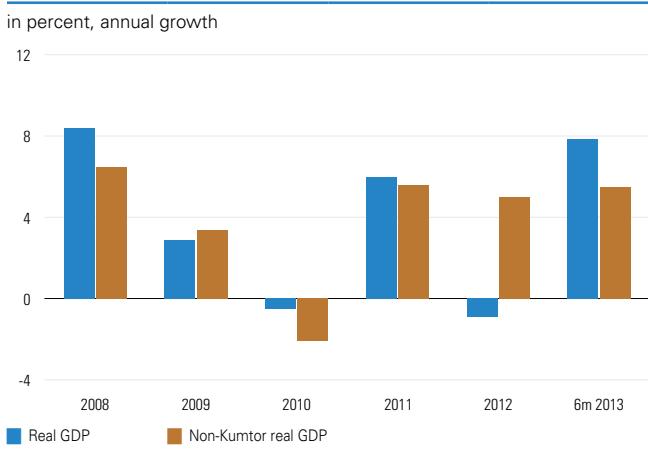


Sources: National Statistics Committee and Centerra Gold Company.

Economic growth surged so far in 2013, reflecting a rebound in gold production and sustained improvement in the rest of the economy. Real GDP expanded by 8 percent year-on-year in the eight months of 2013, aided by a recovery at the Kumtor mine (the latter resulted in a 16.2 percent growth in manufacturing). The non-Kumtor economy grew by 5.9 percent with construction and trade continuing to lead economic activity. Continued relative stability and the removal of the requirement for entry visas for citizens from more than 40 countries appear also to be helping tourism, with catering and accommodation growing by 12.2 percent. Stronger controls over government spending meant a lower contribution from sectors dominated by the government (education, health, public administration).

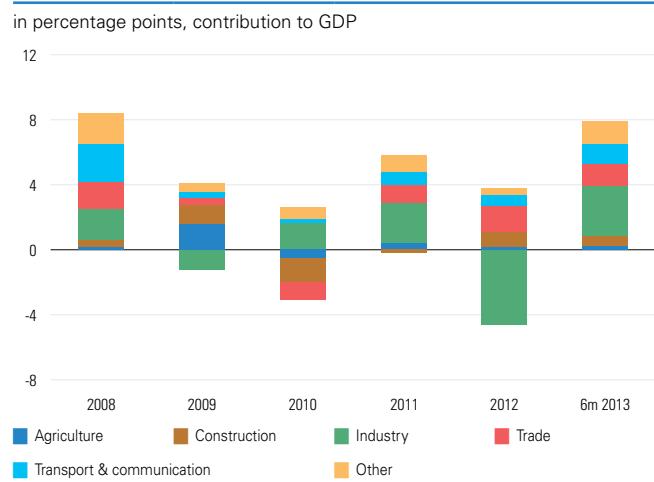
On the expenditure side, private consumption and more recently public investment, have been driving growth. Private consumption grew by 10.4 percent year-over-year in the first quarter of 2013 (the latest date for which information is available) and trends in tax collection appear to suggest continued robust demand in recent months. On the other hand, government consumption grew by only 1.2 percent in the first quarter of

Figure 2. The economy grew strongly so far in 2013, reflecting in part a recovery in gold production



Source: National Statistics Committee.

Figure 3. Output from other sectors in the economy also added to the recovery



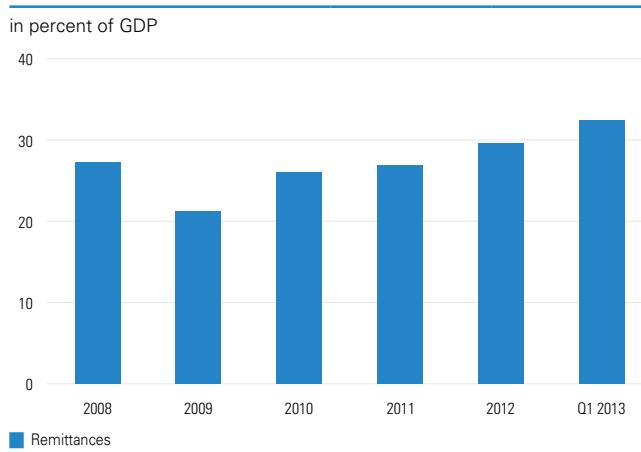
Source: National Statistics Committee.

2013 reflecting the freeze on wages and stronger controls over purchases of goods and services. Investment activity was strong, with investment in fixed capital increasing by 13.9 percent in the first eight months of 2013. Publicly funded investments made a stronger contribution to investment growth in the last few months as implementation of foreign-funded projects in the energy and transport sectors picked-up. Official exports have been recovering in recent months following a slow start to the year, but as of July 2013 they still remain slightly below last year's levels. With imports growing strongly in response to strong domestic demand, the drag on growth from net exports further increased.

Workers' remittances and higher credit to the private sector are fueling domestic demand. Officially recorded international net-money transfers grew by 9.8 percent (in dollar terms) in the first half of 2013, compared to the same period of 2012, and continue to support consumption in the economy. While a significant part of these transfers are remittances from the large migrant population, a considerable part also refers to unrecorded re-exports of goods to Russia and Kazakhstan. At the same time, growth of credit to the private sector accelerated (albeit from a low base) to 35.4 percent year-over-year (y-o-y) by August-2013. A significant illegal sector could also be aiding domestic demand, with the Kyrgyz Republic being on the Central Asia drug-smuggling route from Afghanistan to Russia with profits along the entire route estimated at around \$1.4 billion in 2010.³ On the other hand, labor market developments do not appear to have contributed significantly to consumption growth. In the first seven months of 2013 real wage growth was negative (-2.6 percent compared to the same period of 2012) while there was at best only a marginal improvement in employment.

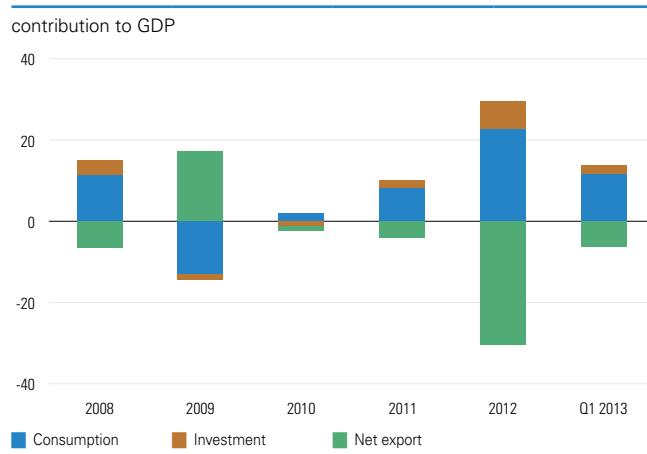
The heavy reliance of consumption on remittances exposes the economy to risks from developments in Russia. Remittances and private transfers depend overwhelmingly (95 percent) on the performance of the Russian economy—for which current forecasts indicate a possible slowdown. The latest forecasts put the growth rate of the Russian economy in 2013 at below 2 percent, down from the projected growth rate of 3.4 percent at the beginning of the year. At the same time, the current rapid trend in credit growth observed recently may not be sustainable over the longer term. While the capital adequacy ratio (CAR) in the banking sector remains high at 24.0 percent in July 2013, it declined by 4.3 percentage points since the end of 2012. At the same time, the loan-to-deposit ratio remains below 100 but has been steadily increasing and may limit lending going further.

Figure 4. Workers' remittances continue to grow



Source: National Statistics Committee.

Figure 5. Consumption and investment remain the major drivers of economic activity



Source: National Statistics Committee.

3 “Opiate flows through Northern Afghanistan and Central Asia—A Threat Assessment”—United Nations Office on Drugs and Crime, May 2012.

Box 1. Kyrgyz gold—significant potential but stuck in low gear

The Kumtor gold mine is an important contributor to exports and tax receipts in the Kyrgyz Republic. In 2011, Kumtor accounted for almost 12 percent of GDP and contributed 0.7 percentage points to economic growth. On average, Kumtor's gold exports account for 40 percent of the country's total exports and Kumtor provided close to 10 percent of general government revenues in 2011. While these figures were lower in 2012 because of unexpected ice movement at the mine, with the proven reserves Kumtor is expected to remain an important contributor to the economy over the medium and long term. The employment and spillover effects from the mine are limited, however, as with most resource extraction operations.

The authorities have been involved in a protracted dispute with the foreign investor which is negatively affecting perceptions of the business environment. A dispute between the Government and Centerra Gold, the owner of the Kumtor mine, is yet to be resolved, following a State commissioned report on the mine's operations. There are calls to renegotiate the terms and conditions of the Kyrgyz Republic's agreement with Centerra signed in 2009, going as far as calls for nationalization of the mine. The parties to the agreement are still trying to find a negotiated settlement and apparently a Memorandum of Understanding was reached in early September; however, the issue continues to polarize the public and Kyrgyz politics and affect perceptions of investors.

Gold mining will continue to be an important part of the Kyrgyz economy; however, realizing the potential will require an overhaul of the way the sector is managed. The Kyrgyz Republic has rich deposits of gold ore and there were plans to launch two new gold mines in 2012. However, uncertainties in the licensing process, coupled with a lack of support from local communities, resulted in major delays. These projects could provide significant income to the government, diversifying away from its reliance on one gold mine—yet still maintaining exposure to one natural resource.

Current trends are expected to continue until the end of the year. Growth is expected to remain strong, though the growth rate should moderate slightly (to 7.8 percent) by the end of the year as the low base effect is exhausted. Agriculture should make a more significant contribution in the second half of the year given last year's poor harvest as well as exports as gold production fully recovers. Stronger government public spending may support domestic demand as the authorities increase outlays in an effort to meet the annual deficit target.

Inflation

Domestic inflation is strongly affected by global food and fuel prices. The Kyrgyz Republic is a net food importer and food accounts for around 60 percent of total consumption. In addition, food price pass-through rates in the Kyrgyz Republic are among the highest in the countries of the Caucasus and Central Asia. The Kyrgyz Republic also imports all of its fuel.

Moderating international food and fuel prices reduced inflation. Following the mid-2012 surge in global food prices in response to adverse weather affecting large grain exporters (Ukraine, Russia, Kazakhstan, USA), pressures from international markets eased during 2013. By mid-2013, wheat prices were 20 percent below levels registered a year ago, while oil prices remained largely unchanged (in nominal US dollar terms). Hence, prices in the Kyrgyz Republic increased by only 1.1 percent in the first eight months of 2013, a considerable slowdown from the 6.5 percent increase in prices observed in the second half of 2012. On a 12-month basis,

inflation moderated to 6.6 percent by August-2013. Further easing of inflation is expected in the remainder of the year.

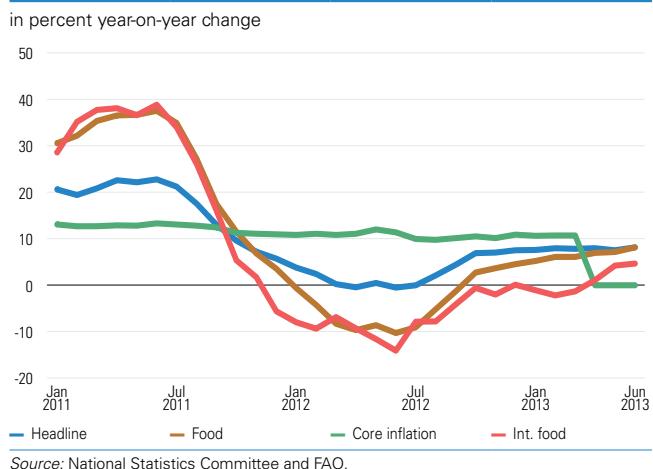
Core inflation moderated to single digit levels in 2013. Core inflation in August 2013 was 8.9 percent (year-over-year), down from 11.4 percent in 2012 and 10.1 percent in April 2013. Given strong domestic demand the reduction in core inflation probably reflects lower imported prices of goods which are included in the basket.

External Accounts

Officially recorded exports are gradually recovering from last year's slump and are on track to rise substantially for 2013 as a whole. While the pace of recovery has been gaining strength in recent months, the dollar value of exports was 2 percent lower than a year earlier during the first seven months of the year. Gold exports were down 1.1 percent as higher production and exports in volume terms (by 8.7 percent) were off-set by lower prices of gold. In addition, exports of other key products such as vegetables and garments declined which could be due to increasingly more stringent controls imposed by the Belarus-Kazakhstan-Russia (BKR) Customs Union but also declining prices of Kyrgyz exports. Electricity exports collapsed reflecting the low water levels in the main reservoirs.⁴ At the same time, exports of various car parts (tires, accessories, lamps etc.) increased. Given the limited production of these products locally, these exports probably reflect deepening of the re-exports trade (exports of mostly Chinese consumer goods to Russia and Kazakhstan). Exports of kerosene fuel also increased as local companies expanded re-fueling services to the growing number of incoming flights. While Kyrgyz gold continues to be exported mostly to Switzerland for further sale to other countries, other important destinations for Kyrgyz exports include Kazakhstan and Russia with some success recently in increasing exports to Uzbekistan. With the robust recovery expected to continue in the remainder of the year, exports are projected to increase by around 14 percent in dollar terms for 2013 as a whole.

Strong domestic demand boosted imports. Imports in the first half of 2013 increased by 12.3 percent in nominal terms compared to the same period in 2012. Stronger investment activity pushed imports of intermediary goods (including metals and vehicles) up by 18.7 percent. Energy imports increased by 9 percent also due to higher re-exports of kerosene. At the same time, imports of consumption goods grew by 9.1 percent, reflecting higher imports of food products, beverages, chemical products, etc. Most imports continue to come from Russia reflecting the Kyrgyz reliance on energy imports from this country. In terms of non-energy imports, China is the most important source of imports, mainly textiles which are subsequently exported and electronics and machinery. Kazakhstan supplies most grains and natural gas imported into the Kyrgyz Republic making it its third most important import partner.

Figure 6. International food prices have impacted the Kyrgyz Republic's inflation rate

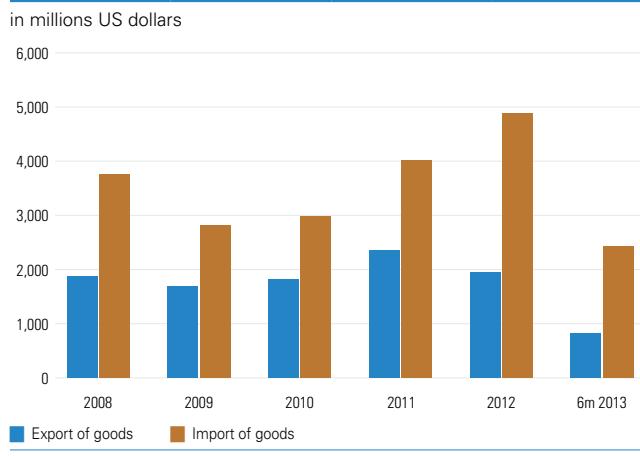


Source: National Statistics Committee and FAO.

⁴ Exports of electricity depends on both the water level at the Toktogul water reservoir, which provides a water stream for the Toktogul hydropower plant, and on domestic demand of electricity during the winter.

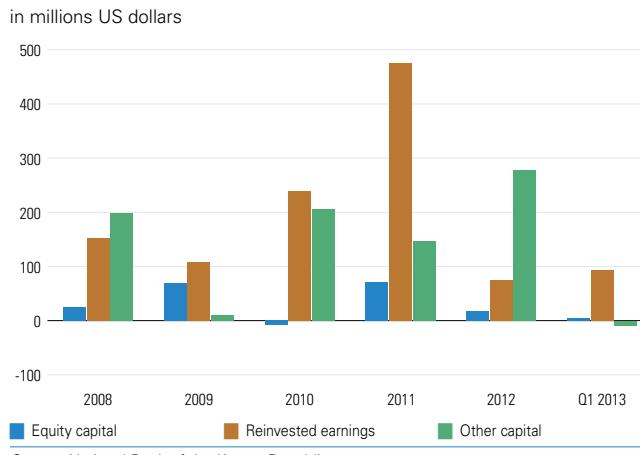
Consequently, the officially recorded trade balance deteriorated significantly in 2013 widening further the current account deficit. The goods trade deficit increased to \$2.4 billion in the first seven months of 2013, compared to \$2.0 billion in the same period of 2012. Higher earnings accrued to foreign investors, mostly the gold-mine Kumtor, widened the negative balance on the income account, though most of the profits were re-invested. This was only partially off-set by the improved performance on the service and transfers accounts. The services account improved because of transport and tourism. Private transfers remained robust and increased by 9 percent. The 23 percent increase in the number of passengers at Kyrgyz airports in the first half of 2013 could be indicative of greater dynamism in tourism and on traditional migrant routes. Stronger exports in the second half of the year are expected to narrow the annual current account deficit to around 10 percent of GDP.

Figure 7. Exports are gradually recovering, while imports grew at a much faster rate



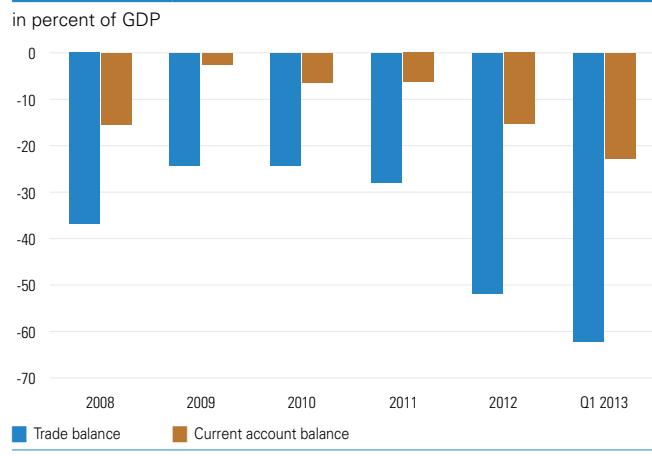
Source: National Statistics Committee.

Figure 9. Reinvested earnings are picking up in 2013 due to Kumtor



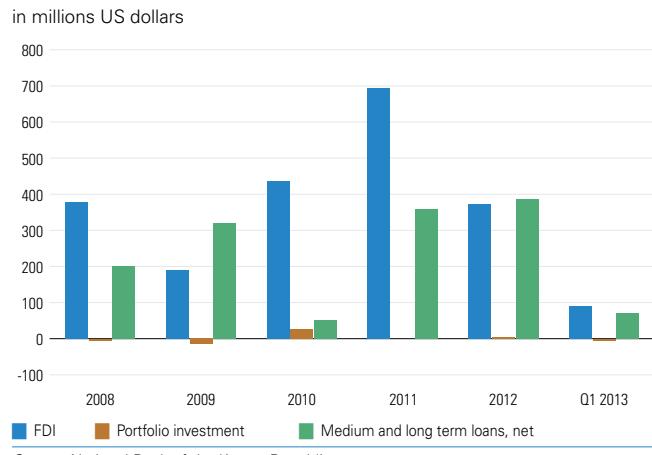
Source: National Bank of the Kyrgyz Republic.

Figure 8. The officially recorded current account deficit widened further



Source: National Statistics Committee.

Figure 10. FDI and foreign loans remain the only capital flows in the Kyrgyz Republic



Source: National Bank of the Kyrgyz Republic.

The stable foreign exchange market suggests that inflows on the capital and financial accounts remain sufficient to finance the current account deficit. Total inflows at the capital and financial accounts in the first quarter of 2013 remained at their 2012 level. Higher foreign direct investments (FDI), trade credits and borrowing provided most of the inflows. Consequently, the gross external debt reached \$6.3 billion at the end of the first quarter in 2013 or 93.7 percent of GDP. While this ratio is relatively high, the high concessionality

of public debt (around half of total external debt) lowers sustainability concerns. At the same time, the errors and omissions reported by the central bank (NBKR) increased (in the first quarter of 2013 alone they reached \$273 million, up from \$135 million in the same period of 2012), allowing for a slight increase in gross official reserves. The high and growing errors and omissions could be indicative that the officially measured current account deficit is probably over-stated. The gradual improvement in exports and the stability of the foreign exchange market suggests that current account deficit remains fully financed in recent months as well. At close to \$2.1 billion in August 2013, gross official reserves covered around 3.7 months of imports, a slight reduction reflecting the stronger growth rate of imports relative to reserves.

Employment and Labor Markets

The Kyrgyz Republic remains a predominantly agricultural economy, with a substantial part of the population looking for employment abroad given the few jobs created domestically. According to the preliminary results of the 2012 integrated household budget and labor force survey of the National Statistics Office, the employment rate in the Kyrgyz Republic was around 60 percent, while 8.4 percent of the population was unemployed. Agriculture is the dominant employer in the Kyrgyz Republic, accounting for one third of total employment. However, value added in agriculture has stagnated in recent years due to outdated technology and structural issues and has kept sector productivity and wages low. At the same time, growth in the rest of the economy has been insufficient to generate jobs and most of the jobs created appear to be in the informal sector reflecting a relatively high taxation of labor income (mostly due to social contributions) and the difficult business environment. This has contributed to significant outward migration, mostly to the Russian Federation due to the visa-free regime, shared legacies and language familiarity.

In the absence of high-frequency data on labor market developments, indirect indicators appear to suggest at best a mild improvement in 2013. The number of registered unemployed at the beginning of August 2013, while probably underestimating the real number of persons looking for jobs⁵, was 6.5 percent lower on annual basis. Similarly, the number of officially registered employed was higher by 1 percent on annual basis in May 2013. At the same time, personal income tax revenues posted a healthy growth rate of close to 11 percent while contributions to the social fund increased by 10 percent, further indicating a slight improvement in the labor market. However, the informal sector continues to dominate the Kyrgyz Republic's labor market, making employment estimations difficult.⁶

Average nominal wages grew modestly in 2013, with a considerable divergence in trends between the private and public sector. The average wage in the first seven months of 2013 was 5.0 percent higher compared to the same period of 2012, translating into a 2.6 percent reduction in real terms. Traditionally the financial sector, transport and communications, and jobs in industrial processing pay the highest salaries in the Kyrgyz Republic. Conversely, agriculture, the country's main employer, has the lowest remuneration levels. The overall average has been held back by tight control over wages in the public sector where wages increased by only 0.6 percent in nominal terms. Wages in the private sector actually posted a healthy growth rate of

5 In 2011, the last year for which both survey and administrative data is available, the number of unemployed persons was 212,400 according to the Integrated Household Consumption and Labor Force Survey and 63,709 according to the administrative records.

6 The Kyrgyz authorities estimate that the informal economy could be anywhere between 40–60 percent of the total economy.

9.4 percent on an annual basis in the first half of 2013 with highest growth rates registered in real estate activities (23.7 percent), power generation and supply (16.2 percent) and trade (14.2 percent).

Poverty

Living conditions deteriorated in 2012 in response to the economic slowdown and higher food prices. The poverty rate reached 38 percent in 2012, increasing by 1.2 percentage points from 2011. With the numerous shocks in recent years resulting in uneven (and at times negative) growth, the trend in poverty reduction was reversed since 2008 when poverty had reached a low of 32 percent of the population. The increase in poverty comes during a period of significant increase in social spending by the government and suggests the need to re-think the current model of social services delivery.

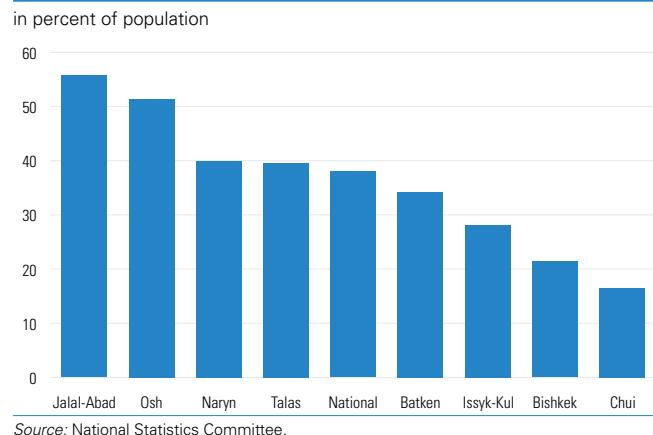
Poverty continues to have a strong regional dimension in the Kyrgyz Republic with considerable differences in poverty levels throughout the country. The urban-rural gap continued to narrow in 2012 with urban poverty increasing by 5 percentage points and rural poverty being stagnant. This may reflect a smaller impact of higher food prices on the rural population (relative to the urban) given their access to subsistence farming and livestock. Still, most of the poor (around 65 percent) continue to reside in rural areas. The poverty rate varied between 17 percent in Chui and more than 50 percent in Jalal-Abad and Osh.

Table 1. Poverty rates in the Kyrgyz Republic continue to rise

	Poverty headcount rate		
	2010	2011	2012
Total	33.7	36.8	38.0
Urban	23.6	30.7	35.4
Rural	39.5	40.4	39.6

Source: National Statistics Committee.

Figure 11. and to have a strong regional dimension



Source: National Statistics Committee.

Extreme poverty did not increase. Around 4.4 percent of the population was affected by extreme poverty in 2012, slightly down from 4.5 percent in the previous year. Similar to the overall poverty incidence indicator, this masks significant dynamics along the rural—urban dimension. Absolute poverty in rural areas declined from 5.7 percent to 4.5 percent while urban extreme poverty increased from 2.6 percent to 4.2 percent.

Some of the deterioration of the last few years could be reversed in 2013. Growth has recovered in 2013 and inflation pressures have been subdued. Consumption has posted strong growth rates driven largely by robust remittances which could be expected to halt the trend in increasing poverty. However, without more detailed distributional information it is difficult to conclude if growth in 2013 has been pro-poor.

C. Economic and Structural Policies

Fiscal Policy

Stronger revenues and spending restraint helped reduce the fiscal deficit to 0.5 percent of GDP in the first half of 2013 from 2.6 percent a year earlier. The lower deficit reflects both robust out-turn for revenues as well as stronger controls over spending and slower implementation of investment projects. Fiscal outcomes in the first half of 2013 slightly improved the liquidity and solvency of fiscal accounts. The deposits of the government in the NBKR reached KGS 15 billion, up from KGS 12 billion at the end of 2012. At the same time, the public debt fell to 48.1 percent of GDP by mid-2013, compared to 51.5 percent of GDP at the end of 2012.

Recovering economic activity and higher donor support boosted fiscal revenues. Total revenues increased further to 35 percent of GDP in the first half of 2013, up from 34.4 percent in the same period of last year. Tax collection was good but total taxes still fell slightly measured as a percent of GDP (to 24.5 percent of GDP during the first half of 2013 compared to 25.1 percent a year ago) as the advance payment of income tax by Kumtor in May, 2012 created a very high base effect. In addition to robust growth, revenues were boosted by tax policy changes, including changing the basis for the income tax payments of mining companies as well as higher sales tax on mobile telecommunications and higher excises on alcohol and tobacco. Higher grants added 1 percentage points of GDP to total revenues (mostly due to budget support from the Russian Federation) while non-tax revenues contributed additional 0.3 percentage points of GDP to total revenues.

The government has been able to contain expenditures. Total spending fell to 35.5 percent of GDP in the first half of 2013, down from 37 percent of GDP a year ago. Current spending declined by 1.1 percentage points of GDP to 31.2 percent of GDP reflecting a nominal wage freeze for most of the public administration as well as stronger controls over spending on goods and services (each contributing 0.8 and 0.5 percentage points of GDP, respectively). In addition, the implementation pace of investment projects decelerated resulting in reduction in capital spending to 4.8 percent of GDP in the first half of 2013 (down from 5.4 percent of GDP in the same period of 2012).

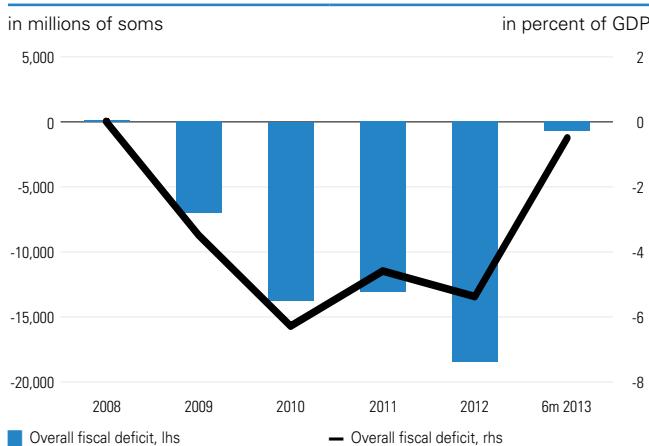
The end-year budget deficit target should be achieved although elevated risks reconfirm the need for prudence. The authorities are targeting a budget deficit of 5.2 percent of GDP in 2013 and outcomes in the first half of 2013 suggest that the government should be able to comfortably meet the target. However, declining gold prices could

Table 2. Fiscal Accounts, in percent of GDP

	I-VI. 2012	I-VI. 2013
Total revenues and grants	34.4	35.0
Tax revenues	25.1	24.5
Non-tax revenues	7.5	7.8
Grants	1.6	2.7
Total expenditures	37.0	35.5
Current expenditures	32.3	31.2
Wages and contributions	12.6	11.7
Transfers and subsidies	4.4	4.5
Transfers to Social Fund	4.6	4.8
Interest	1.1	1.1
Goods and Services	9.5	9.1
Capital expenditures	5.4	4.8
Net lending	-0.7	-0.5
Balance	-2.6	-0.5

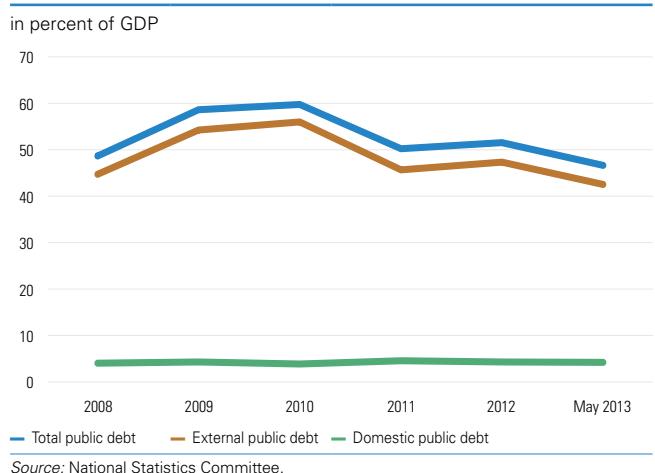
Source: Ministry of Finance of KR.

Figure 12. Higher revenues and stronger controls over spending have boosted fiscal accounts



Source: National Statistics Committee.

Figure 13. Debt indicators have improved recently



Source: National Statistics Committee.

put revenues at risk while pressures to allow more significant increases in wages and pensions could affect expenditures underscoring the need for fiscal prudence and avoiding measures that would have long-term impact over spending.

The medium-term fiscal framework envisions a gradual reduction in the fiscal deficit to safeguard macroeconomic sustainability. The draft 2014–2016 medium-term fiscal framework proposes a slightly slower pace of fiscal consolidation than initially projected. The draft 2014 consolidated budget proposes a fiscal deficit of slightly above 4 percent of GDP in 2014 declining further to around 3 percent by 2016 (compared to 2.5 percent of GDP deficit target for 2015 in the earlier fiscal framework). Revenues are expected to fall as a share of GDP reflecting lower reliance on donor support as well as the mid-2014 closure of the Manas Transit Center. A strong consolidation effort, mostly targeting current expenditures, should see public spending decline by around 5 percentage points of GDP over this period.

Such an adjustment will require structural shifts in fiscal policies and a clear strategy how to achieve this is yet to be developed in a number of sectors. Implementation of the recently adopted civil service wage reform should introduce a comprehensive system of wage-setting in the public administration to replace the current system of ad-hoc wage increases and over time gradually reduce the burden of the wage-bill over the budget. In addition, a new framework for public procurement is being introduced which together with improvements in public financial management can generate additional savings, given the very high amounts spent on purchases of goods and services. However, similar strategic reforms, based on a systematic overview of sector performance and spending, are yet to be designed in other sectors, particularly in the areas of social protection, health, education and pensions. Without these, it is unclear if the envisaged reductions could be achieved and expected outcomes of public policies be realized. The World Bank is supporting the Government to address these challenges through a programmatic Public Expenditure Review. For a fuller discussion, please refer to the Spring 2013 issue of the Economic update.

Monetary and Exchange Rate Policies

Monetary conditions remained accommodative so far in 2013. The discount rate of the Central Bank trended slightly upwards recently, increasing to 4.2 percent by end-July 2013 up from 3.2 percent in June 2013 and 2.6 percent at the end of 2012. Similar trends were observed on the auctions of central bank bills over the last few months. However, NBKR rates still remain negative in real terms. Further, it is unclear how effective the interest rate channel is in the Kyrgyz Republic given the weaknesses in the transmission mechanism (see Box 3 for more details). Despite the slight increase in the discount rates, the amount of NBKR notes outstanding actually declined in recent months confirming the limited effectiveness of this instrument. In addition, the use of repo transactions with government securities continues to be limited (i.e. total transactions of KGS 3 billion since the start of 2013). The Central Bank intervened only once at the foreign exchange market in recent months and reserve requirements remained unchanged.

Box 2. Transmission mechanism of monetary policy in the Kyrgyz Republic

The main objective of monetary policy in the Kyrgyz Republic is maintaining price stability. The central bank uses its instruments (short-term NBKR notes, repo operations with government securities, foreign exchange market operations, reserve requirements) to balance the liquidity in the system and achieve its intermediate (M2) and operational (reserve money) targets with the ultimate objective of maintaining prices stability.

The efficacy of monetary policy appears to be limited in the Kyrgyz Republic. This reflects the low monetization of the economy (M2 to GDP of 32 percent at end-2012), the shallow financial system (bank assets at 30 percent of GDP at the end-2012), high dollarization (52 percent at the end 2012) and a predominantly cash-based economy (currency in circulation at 56 percent of broad money at the end of 2012) (International Monetary Fund, 2013). Consequently, signals of the monetary authorities are not adequately reflected in decision making of economic agents and the link between the Central Bank's instruments and monetary aggregates, economic activity and inflation are often weak. The spread between NBKR rates and commercial banks' lending rates is very big and changes in policy rates are not reflected in either deposit or lending rates limiting the ability of NBKR to influence demand for credit. On the other hand, the exchange rate channel appears to be more effective, which could be expected given the relatively small and open Kyrgyz economy and large private transfers.

Note: Largely drawing on Kyrgyz Republic: Selected Issues; Country Report 13/176, International Monetary Fund, June 2013.

Despite loose monetary conditions, the growth rate of the monetary base was modest. Currency in circulation grew by only 3.8 percent in the first six months of 2013, a considerable slowdown from the 13.7 percent growth observed in the previous six months. The increase in 2013 has been driven both by an increase in net foreign assets of the NBKR as well as a reduction in other domestic liabilities of the NBKR (this despite an increase in liabilities towards the government reflecting the decent performance of the Budget).

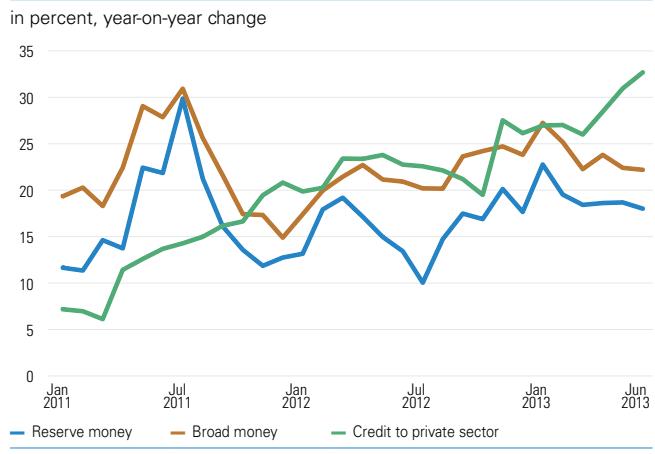
However, stronger credit activity by commercial banks boosted broad-money M2. Claims on the non-government sector at the beginning of September 2013 were higher by 35.4 percent compared to a year before, driving broad money up by 20.6 percent y-o-y. At the same time, deposits grew by 24.3 percent and kept the loan-to-deposit ratio below 100. Interest rates in the banking sector remained largely unchanged. The weighted deposit rate remained at around 4 percent at the end of July 2013, while the weighted lending rate was 19.0 percent, down close to 1 percentage point since end-2012. Most of credit expansion took place in agriculture, trade, manufacturing and mortgage-backed loans.

Figure 14. Despite some tightening in 2013, monetary policy remains accommodative



Source: National Bank of Kyrgyz Republic.

Figure 15. Credit growth increased



Source: National Bank of Kyrgyz Republic.

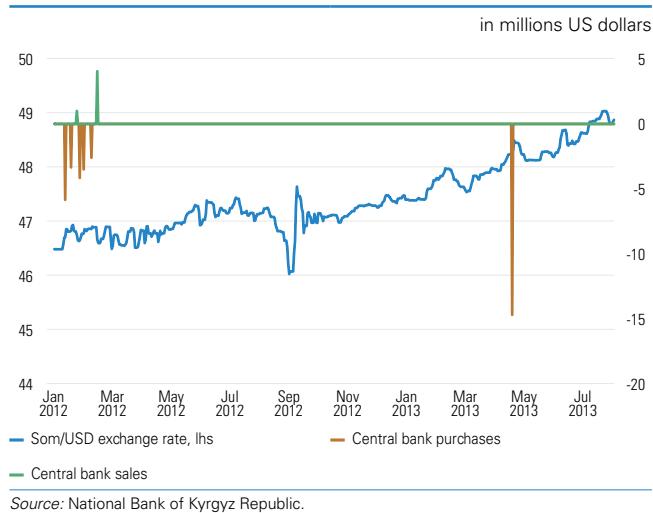
The banking sector remains generally sound. The faster growth in credit compared to deposits during 2013 led to a reduction in the total capital to risk-weighted asset ratio in the banking sector, though at 24.0 percent in July 2013, it still remains high and considerably above the legal minimum of 12 percent suggesting that the sector could support growth if opportunities emerge. However, the authorities will need to further improve the business environment, including the credit information infrastructure, to improve access to and reduce costs of financing. In this regard, recent steps to improve the functioning of private credit bureaus and the plans for setting up of a credit registry within the Central Bank are welcomed reforms. In addition, the recent sale of Zalkar Bank is expected to have a positive impact as the role of the Government in the sector is reduced and recapitalization of the bank introduces greater competition. At the same time, the quality of the portfolio appears to have improved somewhat (the share of non-performing loans fell to 5.9 percent in July 2013) though NPLs continue to be under-provisioned (loan-loss provisions were 63.0 percent of NPLs in July 2013). The banking sector remains profitable with returns on assets and capital of 2.5 percent and 15.7 percent in July 2013.

The central bank continued the practice of limited interventions in the foreign exchange market, allowing for some fluctuation in the exchange rate.⁷ So far in 2013, it intervened only once, making a sale of \$14.7 million in April 2013. The nominal effective exchange rate remained stable since the beginning of 2013, reflecting some appreciation of the Kyrgyz som against the currencies of the countries of the Commonwealth of Independent States (CIS) and depreciation against non-CIS countries, including the US dollar. By end-July 2013, the Kyrgyz som lost 3 percent of its value against the US dollar, while it gained 4.2 percent against the Russian ruble and remained stable against the Kazakh tenge.

With inflation declining in the first half of 2013, the real effective exchange rate largely followed the nominal effective exchange rate developments. Domestic prices in August 2013 were only 1.2 percent higher compared to December 2012, a considerable slowdown compared to the period before. With similar price patterns observed in the main trading partners of the Kyrgyz Republic, the real effective exchange rate of the Kyrgyz som remained stable. Still, the real effective exchange rate against the CIS-basket of currencies appreciated, mostly due to appreciation against the Russian ruble. Given the importance of the Russian market

⁷ The Kyrgyz Republic has a flexible exchange rate regime, managed by the central bank. An objective of the National Bank of the Kyrgyz Republic subordinated to the main objective to maintain price stability is to also support the purchasing power of the national currency.

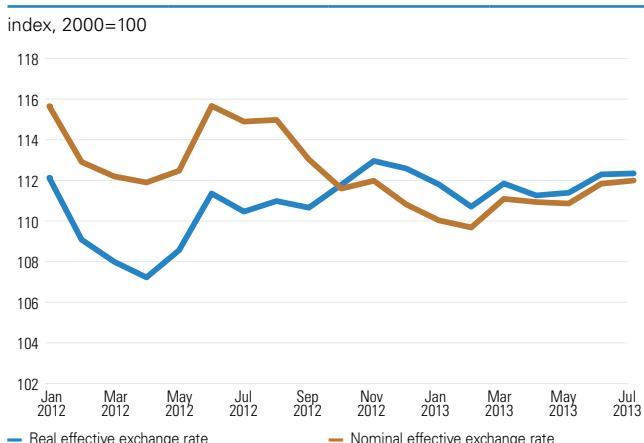
Figure 16. NBKR intervened once in the foreign exchange market in more than a year allowing for some depreciation of the som against the US dollar



Source: National Bank of Kyrgyz Republic.

for Kyrgyz exports, continued appreciation could hurt the competitiveness of Kyrgyz products and reduce the purchasing power of remittances sent from Russia. At the same time, the real exchange rate against the US dollar depreciated.

Figure 17. The real effective exchange rate has been stable since the beginning of 2013



Source: National Bank of Kyrgyz Republic.

Structural Reforms

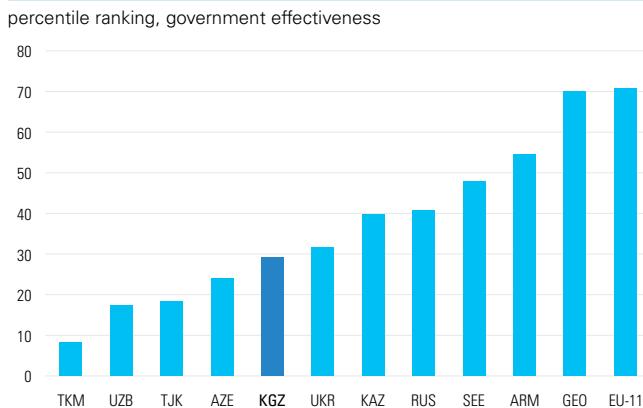
Progress in the implementation of economic reforms remains uneven. Key reform decisions in critical sectors, including anti-corruption, public finance management and energy, are still yet to be made. At the same time, there are encouraging signs in certain sectors, including in the judiciary and financial sector, and the momentum appears to be building for important reforms in some sectors that the authorities need to build upon. The 2013–2014 World Economic Forum Global Competitiveness Forum⁸ ranks the Kyrgyz Republic at 121st (out of 148 economies), an improvement of 7 positions compared to the previous year reflecting the preservation of macroeconomic stability in the economy as well as some improvement in the functioning of institutions.

The implementation of the measures of the government's anti-corruption program is yet to show tangible results. Although the government has made changes in the legislation and introduced new mechanisms to monitor and evaluate anti-corruption activities, corruption remains a main problem for the development of the country. According to the 2013 Global Corruption Barometer of the Transparency International⁹, most of the respondents believe that corruption is a major problem in the public sector, that it has not declined over the last two years and that government efforts to fight it are ineffective. The recent preparation of the Public Sector Reform Roadmap appears to be reinvigorating the efforts in this important area; however, well-defined and effective measures are yet to be implemented.

8 Available at: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf

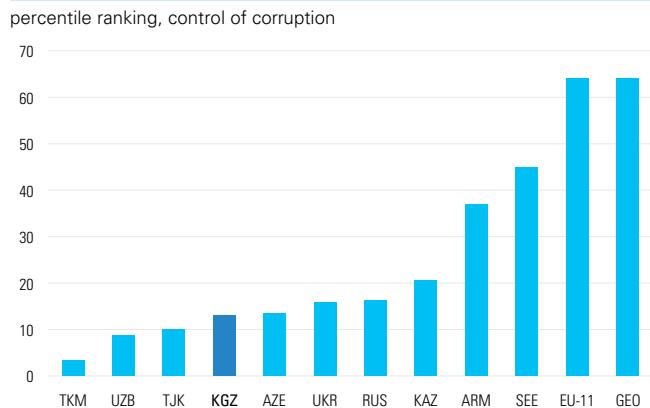
9 Available at: <http://www.transparency.org/gcb2013/country/?country=kyrgyzstan>

Figure 18. The public's perception of government effectiveness remains low in the Kyrgyz Republic...



Source: The Worldwide Governance Indicators, 2012, selected ECA countries and averages; SEE: Southeast Europe, EU-11: EU members.

Figure 19. ...and perceptions of corruption remain high



Source: The Worldwide Governance Indicators, 2012, selected ECA countries and averages; SEE: Southeast Europe, EU-11: EU members.

Some progress could be reported recently on implementing the action plan on judicial reforms. This includes reforms in the processes of selection of judges and disciplinary procedures as well as in the preparation of the judicial system development program. The piloting of the internet publication of hearings and court decisions of the Supreme Court and six other courts and its potential scaling-up to the entire judiciary can significantly improve the transparency of the system. An increase in the budget allocation for the judicial sector would allow for higher salaries for judges and judicial staff as well as improvements in the depleted infrastructure of the sector. The authorities are also preparing a comprehensive analysis of the performance of the judicial sector and a summary of the agenda for judicial reform which will provide a benchmark for the effectiveness of the judicial sector.

There has also been some progress on public finance reform, but the remaining agenda remains large. The reforms have focused on improving the transparency and effective functioning of the government. The consolidated budget document is available online, and the 2014 budget was made available to the public for comments prior to its adoption by the Government. The organic Budget code submitted to the parliament included a number of good international practices and it is important that the parliamentary approval process does not dilute these improvements. At the same time, the law on public procurement is yet to be adopted by the Government. Despite some movement in strengthening the institutional framework for the development of internal audit (re-instating the internal audit department in the Ministry of Finance and drafting the regulation on the establishment of the Internal Audit Council), there is limited progress towards strengthening of the capacity of institutions. Maintaining focus on public finance reform is therefore imperative if headway is to be made on improving public perceptions of the government.

There appears to be some progress tackling the constraints to the further development of the financial sector. Zalkar bank was recently privatized, following a number of failed attempts over the last few years. Also, the Banking Code currently in Parliament will strengthen the powers of the NBKR in legal processes while the establishment of a loans database in the NBKR by end-2013 is expected to significantly improve the capacity to supervise the sector. Amendments to the deposit protection law are expected to further increase confidence in the system. However, several weaknesses in the supervisory and regulatory frameworks continue to exist, including the ability to implement existing regulations efficiently. In addition, the recently approved cap on

interest rates in the financial sector could significantly limit the availability of financing for micro and small enterprises and for the most vulnerable groups that fail to meet the lending criteria of banks and rely on microfinance institutions for financing.

The authorities have recently adopted an updated Action Plan for energy sector reforms. Despite strong growth potential, the power sector is a large contingent liability to the budget and a constraint to growth. Weak governance, below cost-recovery tariffs and a poor regulatory environment stymie private investment and growth in the sector. Commercial and technical losses are very high due to the underinvestment and degradation of assets. As part of the action plan, the authorities have committed to address shortcomings in the legal framework over the medium-term. More immediately, the action plan calls for measures to improve accountability and transparency in the sector, including in the public enterprises and their performance. In addition to improvements in the legal framework and governance, adjusting tariffs to cost-recovery levels over the medium-term can help improve the financial position of the power sector and allow for badly needed investments. The tariff adjustment will need to be accompanied with a properly designed communication strategy, as well as targeted social protection program for the poor and vulnerable groups.

Still, despite a number of initiatives at strengthening the private sector and attracting foreign investments, the business environment remains difficult. Inefficient institutions, political instability and distrust in the government are preventing the economy from realizing its potential. The government passed legislation in October 2012 to streamline business licenses and inspection procedures. This was followed by legislation in December to redefine the roles and responsibilities of inspectors. Current amendments to the legal framework will further reduce the number of licenses required to do business and as of January 2014 most inspections should move to a risk-based approach in their operations. However, most business related surveys (e.g. the World Bank's Doing Business Survey, and the World Economic Forum's Competitiveness Index) still note that corruption and mistrust in the government and public authorities are the main concerns for businesses and investors.

Outlook

A relatively favorable regional economic outlook will provide an important pull factor for the Kyrgyz economy over the medium term. Russia's growth is expected to recover slightly in 2014, China's growth rates are expected to moderate but remain high and Central Asia (Kazakhstan and Uzbekistan are most important for the Kyrgyz Republic) are projected to continue growing strongly. This is expected to ensure a stable inflow of remittances and demand for Kyrgyz exports and re-exports.

Structural reforms would be needed to translate the favorable external environment into sustainable and high growth rates over a longer period. The Kyrgyz economy remains reliant on few sectors (gold production and agriculture as well as a vibrant, but largely informal, trade and transit) and remittances to generate jobs and incomes. Such patterns have contributed to the high volatility in economic outcomes over the last decade. The business-as-usual scenario will not be able to deliver more and better quality jobs and stronger and sustainable growth. Achieving and maintaining high growth rates (5 percent and above) would require: i) sound macroeconomic policies; ii) increased efficiency of public spending and iii) the development of a vibrant private sector. This in turn would require reforms that would upgrade the quality of country's institutions, physical and human capital. The alternative to this would result in continued volatile growth performance and stagnant poverty reduction.

Improving the efficiency of government spending will be critical for growth, inclusion, and stability. The medium-term fiscal framework envisages a significant adjustment with the fiscal deficit declining to around 3 percent of GDP by 2016 from 5.4 percent in 2012. This will need to take place at a time when budget revenues will be reduced by between 3–6 percent due to the closure of the Manas Transit Center in mid-2014. On the other hand, public investments need to remain high to address infrastructure bottlenecks, and social inclusion and equity policies need to be promoted to strengthen social cohesion, improve the quality of public service delivery and prevent the re-emergence of the developments of 2010. Improved efficiency and quality of public expenditure, including on education, energy, health and social protection, can help resolve these competing priorities. This will require addressing governance issues (including in public finance management, revenue administration, transparency and accountability), an area where the Kyrgyz Republic has considerable room to improve.

A strong private sector development agenda can help realize the potential of the economy. Agriculture can contribute more significantly to growth provided key constraints (including pastureland management, farm and land consolidation, extension services etc.) are addressed. Similarly, growing regional integration, improved infrastructure and trade institutions will support the growth of the country's trade and transit sector. The country's natural resources, including gold, can provide important foreign exchange inflows provided a sound regulatory framework for their exploitation is established and implemented.

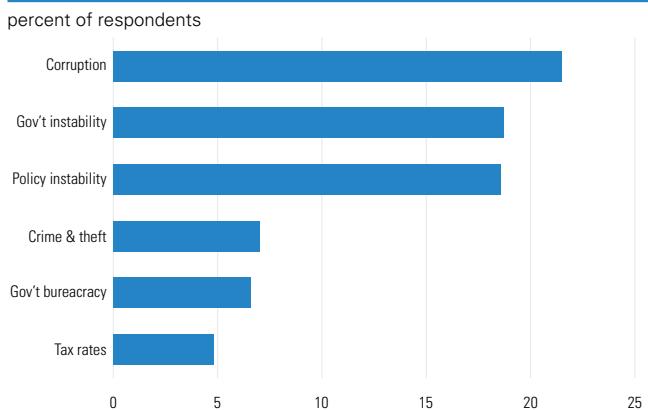
Under the reform scenario, the current account deficit will gradually narrow and increasingly be financed by non-debt creating flows. Exports are expected to grow as gold output continues to recover through 2014 and reforms support growth in non-gold exports. According to a recent IMF assessment, the real exchange rate continues to be generally in line with the economy's fundamentals. Imports will also grow as the country upgrades its capital stock and integrates better into global trade. Remittances are projected to continue growing

Table 3. Country Policy and Institutional Assessment—selected indicators

on a scale from 1 to 6

CPIA Indicator	KGZ	ECA
A. Economic Management	4.0	4.0
B. Structural Policies	3.7	3.8
C. Social Inclusion / Equity	3.6	3.9
Equity of Public Resource Use	3.5	3.8
Social Protection and Labor	3.5	3.7
Environmental Sustainability	2.5	3.6
D. Public Sector Mgmt and Inst.	3.1	3.5
Property Rights & Rule-based Governance	2.5	3.2

Source: World Bank.

Figure 20. Most problematic factors for doing business

Source: WEF Global Competitiveness Report 2013-2014; out of 148 countries.

at around 10 percent annually¹⁰. Under a high reform scenario, the country is well positioned to attract increasing inflows of FDI. Globally, flows to emerging markets are expected to decline during 2014¹¹, reflecting market volatility and concerns about the end of the loose monetary policy in the U.S.A. Still, emerging economies, including China, have become important sources of investments and their importance is likely to increase going forward. Given its proximity to China, access to markets in Russia and Kazakhstan, and low labor costs, the Kyrgyz Republic could benefit. Large infrastructure projects in energy, roads, railways and telecommunications could also attract FDI under the right conditions. The recently announced Chinese investments in the energy sector (oil-refinery and pipeline) are expected to significantly increase capital inflows in the Kyrgyz Republic over the medium-term.

Core inflation should gradually moderate as macroeconomic policies are adjusted and international prices fall; however headline inflation may remain elevated. Fiscal consolidation and carefully managed monetary policy is expected to keep pressures over domestic prices manageable. At the same time, pressures from international prices should also continue to moderate as prices of energy and food are expected to decline over the medium-term.¹² Still, the authorities have suggested that they may start adjusting regulated energy prices to cost-recovery levels beginning in 2014—while these price increases are needed to improve the viability of the domestic energy sector, they may limit the reduction in overall inflation. In addition, inflation spikes cannot be ruled out, owing to the dominance of imported goods in the consumer basket of households or one-off events, such as tax or tariff adjustments, including the potential accession of the Kyrgyz Republic to the BKR Customs Union.

External risks to this outlook reflect the growing headwinds to main economic partners. While remittances have so far proved resilient to the slower economic activity in Russia and Russian growth is expected to recover in our baseline scenario, an eventual sharper slowdown in host countries could reduce remittances and exports. In addition, sentiments towards migrants in Russia may worsen in case of a sharper economic slowdown. While risks of a credit crunch in China have subsided, a stronger deceleration in China may lower investments in the Kyrgyz Republic (mostly infrastructure and extraction industries). In addition, declining gold prices will

10 These projections are in line with those for Europe and Central Asia in the *Migration and Development Brief*, Issue 20, dated April 19, 2013.

11 *Capital Flows to Emerging Markets*, Institute for International Finance, June 2013.

12 Commodity Markets Outlook—Global Economic Prospects, Volume 2, The World Bank, July 2013.

affect the current and fiscal accounts. Gold prices have stabilized in recent months, though there appears to be a consensus that prices will further moderate over the medium-term. Kyrgyz gold production is not expected to be affected as long as gold prices are above \$1,000 a troy ounce; however, a \$100 reduction in the price of a troy ounce of gold is expected to increase the external and fiscal deficits by around 0.7 percentage points of GDP and 0.1 percentage points of GDP, respectively. Also, the political situation in the region remains fragile and could become more so after the planned pull-out of NATO troops from Afghanistan 2014. On the other hand, the direct impact of the end of the loose monetary policy in the U.S. should be limited given the limited role of short-term private capital inflows in the Kyrgyz Republic. However, a global slowdown will reduce demand and prices for exports and remittances.

Domestically, the fragmented political structure may limit the ability of the government to implement reforms. Despite the commitment to fiscal consolidation over the medium-term there is still no clear strategy how to achieve this objective. Improving efficiency in spending will require tough decisions in number of sectors, including education, social protection, energy etc. In addition, concerted efforts are needed by all branches of government to make progress in critical areas such as anti-corruption, judicial reforms efforts and the business environment. On the political front, managing a multi-party parliamentary democracy is still a learning process in the Kyrgyz Republic making the decision-making and implementation process cumbersome. This, combined with non-improving living conditions could easily trigger political instability.

The Kyrgyz Republic has limited instruments to address the implications of these shocks in case they materialize. Fiscal buffers, despite some improvement recently, are low and instruments to effectively identify, target and support vulnerable groups are very basic. On the external balance, according to a recent IMF assessment¹³, accumulated reserves can only provide a limited protection against potential disruptions to the balance of payments. This underscores the importance of prudent macroeconomic management and re-building of buffers that could be used to cushion potential shocks.

13 Kyrgyz Republic: Selected Issues—IMF Country Report No.13/176, June 2013.

Appendix

Appendix 1. Economic and Social Indicators—Kyrgyz Republic 2005-2015

Selected Indicators	2008	2009	2010	2011	2012	2013	2014	2015
	projections							
<i>Income and Economic Growth</i>								
GDP growth (annual %)	8.4	2.9	-0.5	6.0	-0.9	7.8	6.5	5.3
GDP per capita (US\$)	972.2	864.3	875.1	1,120.0	1,158.0	1,287.0	1,405.0	1,507.0
Gross Domestic Investment (% of GDP)	20.2	22.9	23.9	24.0	25.4	25.5	25.8	26.2
Savings (% of GDP)	4.7	20.4	17.5	18.0	15.2	15.1	16.6	17.5
<i>Money and Prices</i>								
Inflation, consumer prices (annual %, end of year)	20.1	0	19.2	5.7	7.5	6.5	5.8	5.0
Inflation, consumer prices (annual %, period average)	24.5	6.8	7.8	16.6	2.8	7.0	4.5	4.5
Treasury Bill Rate (%, weighted average)1	14.8	12.7	10.4	15.6	9.9	9.1	...	...
Nominal Exchange Rate, Som per US dollar, (end of period)1	39.42	44.09	47.1	46.48	47.4	48.6	...	...
Real Exchange Rate Index (2000=100)1	111	103	111.3	112.5	112.3	112.3	...	...
<i>Fiscal</i>								
Revenues (% of GDP)	29.9	32.1	30.5	31.8	34.5	32.4	30.7	30.8
Expenditures (% of GDP)	29.3	36.1	36.6	36.3	39.8	37.6	34.8	33.9
Current (% of GDP)	24.8	28.4	31.0	30.9	32.4	30.2	27.5	26.4
Capital (% of GDP)	4.2	5.0	5.4	5.5	7.8	7.5	7.3	7.4
Overall Fiscal Balance, after grants (% of GDP)	0.0	-3.5	-6.3	-4.6	-5.4	-5.2	-4.1	-3.1
Primary Fiscal Balance (% of GDP)	0.8	-2.7	-5.4	-3.6	-4.5	-4.3	-3.2	-2.3
External Public Debt (% of GDP)	41.2	52.8	55.1	45.9	46.8	45.7	45.7	45.0
Total Public Debt (% of GDP)	48.5	58.0	60.3	50.1	51.5	50.8	49.5	49.3
Debt service ratio (% of revenues)	5.9	8.5	8.2	7.8	16.8	5.1	...	...
<i>External Accounts</i>								
Export real growth (%, yoy)	9.1	-1.1	-11.7	16.5	4.8	16.4	10.9	10.8
Import real growth (%, yoy)	13.6	-19.4	-6.9	13.7	29.5	9.2	10.6	5.9
Merchandise exports (current US\$ millions)	1,874.4	1,693.8	1,832.7	2,365.2	2,290.2	2,602.1	2,863.5	105.9
of which: gold	463.5	529.5	668.3	1,006.2	562	727	917	1002
Merchandise imports (current US\$ millions)	3,766.6	2,827.9	2,993.1	4,021.9	4,966.5	5,194.3	5,773.7	6,073.8
Services, net (current US\$ million)	-96.8	-9.1	-231.1	-20.9	-235.8	-56.6	-103.1	-78.6
Workers' remittances, net (BOP, current US\$ millions)	1,430.1	1,012.1	1,313.1	1,755.4	1,998.0	2,198.0	2,318.0	2,587.0
Current account balance, after grants (BoP, current US\$ millions)	-797.5	-117.5	-305.8	-371.4	-991	-763.3	-992.5	-893.8
as percent of GDP	-15.5	-2.5	-6.4	-6.0	-15.3	-10.4	-12.4	-10.3
Foreign Direct Investment (current US\$ millions)	409.9	189.6	437.6	693.7	372.0	...	...	...
External debt, total (current US\$ millions)	66.6	84.6	88.7	80.0	82.0	...	...	...

Selected Indicators	2008	2009	2010	2011	2012	2013	2014	2015
	projections							
Population, total (millions)	5.3	5.4	5.5	5.5	5.5	...	...	...
Population Growth (annual %)	1	2.7	1.1	1.1	1.1	...	...	...
Unemployment Rate	8.2	8.4	8.6	8.5	8.4	...	...	...
Poverty headcount ratio at national poverty line (% of population)	31.7	31.7	33.7	36.8	38.0	...	...	...
Life Expectancy	68.4	69.1	69.3	69.6	70.0	...	...	...
<i>Other</i>								
GDP (current LCU, billions)	188	201.2	220.4	286	340.4	349.6	396.8	443.0
GDP (current US\$, millions)	5,131	4,683	4,794	6,199	6,473	7,266	8,007	8,678
Doing Business Rank 2	68	41	44	69	70	...	...	...
HDI (Human Development Index)3	0.616	0.617	0.615	0.621	0.622	...	...	...

".." indicates not available.

1/ As of June 2013 for 2013.

2/ This indicator is ranked out of 175 countries in 2007, 178 in 2008, 181 in 2009, 183 in 2010 and 2011 and 185 in 2012.

3/The 2012 HDI ranks the Kyrgyz Republic 125 out of 187 countries.

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