

Price Monitoring for Food Security in the Kyrgyz Republic

This issue of the Price Monitoring Bulletin is prepared based on the operational daily food price data collected by the National Statistics Committee from 18 markets across the country and disaggregated at province level as the average value (Chuy province - Tokmok, Kara-Balta; Osh province - Osh, Uzgen, Kara-Suu and Nookat; Talas province - Talas and Manas; Naryn province - Naryn and Chaek; Batken province - Batken and Isfana; Jalal-Abad province - Jalal-Abad, Toktogul and Kerben; Yssyk-Kul province - Karakol and Balykchy; and Bishkek city). This is a secondary data analysis.

Highlights

SITUATION UPDATE: The global economy is recovering from the effects of the pandemic faster, hastened by the stimulating measures of state support and the easing of quarantine restrictions as a result of ongoing mass vaccinations across countries. For the Kyrgyz Republic, the accelerated recovery of business activities in trading partner countries is also contributing to the restoration of trade and economic relations. However, high uncertainty remains regarding the development of both global and regional economies, given the risks of new more dangerous strains of COVID-19. From January-July 2021 there was a positive inflow of foreign currencies into the country with the net inflow of remittances from individuals increasing by 31.1 percent, amounting to USD 1.1 billion compared to the same period last year. Despite the above mentioned trends, from January-July 2021, GDP remained 1.6 percent lower compared to the previous year, totalling 337 billion Kyrgyz soms, due to the decline in industry, construction and agriculture sectors. In July 2021, compared to the same period last year, the Consumer Price Index, which measures price inflation, increased by 11.3 percent for all goods and services and by 18.4 percent for staple foods (+26 percent for meat, +5 percent for bread products, +11 percent for milk and dairy products, +53 percent for oils and fats, +27 percent for vegetables and +26 percent for sugar). The observed increase in food prices in world markets and the limited supply in producing countries will determine the risk of continued growth in consumer prices in the country for the second half of 2021. A possible increase of the cost of a number of administrative prices and tariffs could further contribute to increase the inflation rate in 2021. Rising food prices are also affecting households' access to a nutritious diet, vital for all-around growth and development. Due to abnormal high temperatures this summer and a lack of irrigation water during the growing season, the total harvest of wheat decreased by 41.4 percent, barley - by 57.9 percent, fruit and berry crops - by 31.2 percent, potatoes - by 6,3 percent and melons - by 3.5 percent. Along with this, compared to the same period of last year, there was a significant increase by 8.2 percent of vegetables production. The Government continues to monitor and stabilize food markets across the country through price controls on 11 essential food items and to regulate import and export volumes.

The following section discusses the average prices for the four weeks from 30 July to 27 August 2021 in comparison to the previous four weeks, the previous month's average (July 2021), the monthly average in February 2020 (before the COVID-19 outbreak began in the country) and the annual average of August 2020. The monthly monitoring of food prices continued to reveal a significant increase in wheat.



- **WHEAT:** During the weeks from 30 July to 27 August 2021, the national retail prices of wheat increased by 8 percent (or by 3 KGS), reaching an average price of 32.06 KGS/kg. As of 27 August 2021, the highest price of wheat was observed in Bishkek city (35 KGS/kg) and the lowest price was in Talas province (24 KGS/kg). Globally, higher cereal prices were driven by supply shortfalls in major exporting countries, strong demand, new and rumoured export restrictions, and introduction of export wheat taxes in some major producing countries. Wheat prices rose in most major exporting countries in December and early January, reflecting the news of new export restrictions in the Russian Federation. The Russian Federation's export quota and export tax do not apply to EAEU countries. The price increase in the country is also driven by the usage of locally produced wheat for feeding livestock. Prices were 9 percent higher compared to July 2021, but were 55 percent and 68 percent higher compared to August and February 2020, and continued to be higher than normal annual price fluctuations, within 15 percent of the benchmark.






- **OIL (COOKING):** The national retail prices of vegetable oil decreased by 3 percent from the previous month (176.53 KGS/L). As of 27 August 2021, the highest price was in Bishkek town (177 KGS/L) and the lowest was in Talas province (157 KGS/L). The Kyrgyz Republic has a high import dependency on vegetable oil due to its low internal production and its low capacity for the processing of oil seeds. Prices were 3 percent lower compared to July 2021. Compared to August and February 2020, the prices were 76 percent and 85 percent higher, respectively, an increase above normal annual price fluctuations.





- **SUGAR:** The national retail prices of sugar decreased by 1 percent, leading to an average price of 64.61 KGS/kg. The price fluctuations were in line with seasonal fluctuations and global trends as historically proven by the positive correlation between global and national prices. Globally, sugar prices increased in 2020 due to the prospect of lower sugar outputs in both Brazil and India, the two largest sugar-producing countries, caused by below average rainfalls. As of 27 August 2021, the highest prices were observed in Osh province (68 KGS/kg), while the lowest prices were in Yssyk-Kul province (61 KGS/kg). The price of sugar was 45 percent and 57 percent higher compared to August and February 2020 levels, a significant increase than normal annual price fluctuations.

Highlights

 • **POTATOES:** The national retail prices of potatoes decreased by 16 percent from the previous period, reaching an average price of 32.76 KGS/kg. The price decrease is following seasonal fluctuations. As of 27 August 2021, the highest prices were observed in Batken province (37 KGS/kg) and the lowest in Talas province (27 KGS/kg). The prices of potatoes were 41 percent and 49 percent higher than August 2020 and February 2020 respectively, an increase above normal annual price fluctuations.

  • **MEAT (BEEF and MUTTON):** During the weeks from 30 July to 27 August 2021, the national retail prices of meat increased by 2 percent for beef and remained stable for mutton compared to the previous month's levels, with an average price of 479.31 KGS/kg for beef and 493.08 KGS/kg for mutton. As of 27 August 2021, the highest prices were observed in Osh province at 483 KGS/kg for beef and at 519 KGS/kg for mutton. The latest increase in the prices of meat in the Kyrgyz Republic was caused by the restrictions imposed by Kazakhstan on the export of meat and livestock, which boosted the demand from Uzbekistan and encouraged the Kyrgyz Republic to increase its exports to Uzbekistan. The Kyrgyz Republic banned the export of livestock to reduce trade through the black market. The prices of beef and mutton rose by 34 percent and 41 percent, compared to August 2020, respectively, and by 37 percent and 54 percent, compared to February 2020 respectively, increases are above normal annual price fluctuations.

 • **EXCHANGE RATE:** The situation in the domestic foreign exchange market is relatively stable as the National Bank is continuing to conduct foreign exchange interventions to prevent sharp fluctuations in the exchange rate. During the weeks from 30 July to 27 August 2021, the Kyrgyz som slightly appreciated from 84.79 to 84.7 KGS per 1 USD, the Russian ruble slightly appreciated from 73.19 RUB to 73.99 RUB per 1 USD, and the Kazakh tenge depreciated from 424 KZT to 425 per 1 USD. However, since the beginning of March 2020, these currencies had a sharp devaluation of 21 percent, 10 percent and 12 percent respectively, against the US dollar according to the exchange rate of the National Bank. Lower remittance levels were among the factors affecting the weakening of the external position of the Kyrgyz som. Currency movements are one of the main driving forces of the retail prices of imported basic food commodities, including wheat, vegetable oil and sugar.

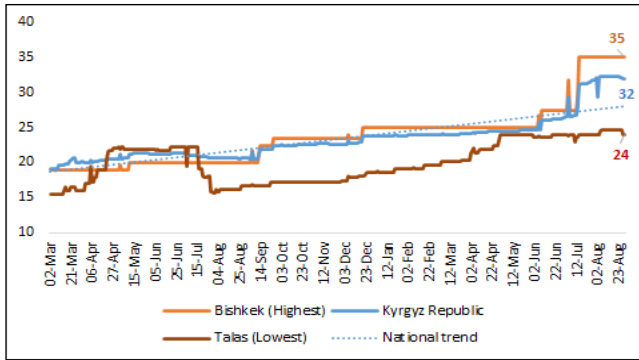
 • **GLOBAL OIL AND RETAIL PRICES:** Last year, crude oil prices slumped dramatically following the 'Russia-Saudi Arabia oil price war' in March 2020 and the decline in consumer demand with the spread of the COVID-19 pandemic further impacting the global economy. According to global forecasts, the full recovery of oil demand levels may not take place until 2022, while the demand for 2021 is expected to remain below 2019 levels. During the weeks from 26 July to 23 August 2021, WTI prices slightly decreased from 72.15 USD per barrel to 65.65 USD per barrel, while Brent prices decreased from 74.79 USD per barrel to 69.07 USD per barrel. As of 23 August 2021, WTI and Brent prices still remained 40 percent and 32 percent higher respectively, than March 2020 levels. Potential increases in crude oil supply, combined with the risk of lower demand contributed to lower prices in late July and early August, with prices decreasing to their monthly lows. Rising cases of the Delta variant of the COVID-19 virus present an additional downside price risk because of potentially lower demand for petroleum, which add to the volatility. The national retail prices for fuel (AI-92) significantly increased by 44 percent and for diesel by 30 percent as of 27 August 2021 compared to February 2021 levels (when oil retail prices went up), and by 70 percent and 42 percent, respectively, compared to August 2020, reaching 55.53 KGS/l for fuel (AI-92) and 50.02 KGS/l for diesel. The reason for the price increases was due to the global fuel price increase, a significant increase in oil producer prices (20 USD per ton) in the Russian Federation, the export ban of fuel in Kazakhstan, the devaluation of the local currency, and the increased demand and limited supply. According to the Kyrgyz Oil Association, from June to July 2021, Russian refinery prices increased by USD 70 per ton of gasoline and by USD 60 per ton of diesel fuel; this adds an additional 5.5 soms and 4.2 soms per litre of fuel respectively. On 2 March 2021, the Kyrgyz Government banned fuel exports beyond the borders of the Eurasian Economic Union to stabilize prices for oil and oil products in the domestic market. Since the prices of diesel and petrol heavily impact food prices, the stability of diesel and petrol prices is critical, especially in rural areas across the country. At the same time, oil trading companies intend to continue the policy of stabilizing price increases and preventing abrupt changes.

Trends of Retail Prices of 12 Staple Foods (Weekly Trends) - Kyrgyz Republic

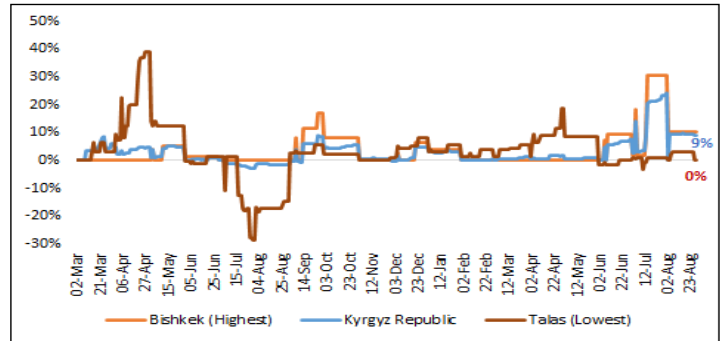
	30 July—27 Aug 2021 (KGS/kg)	2—30 July 2021 (KGS/kg)	Trend		30 July—27 Aug 2021 (KGS/kg)	2—30 July 2021 (KGS/kg)	Trend
Bread (1st grade)	51.60	50.05	3%	Rice (medium)	81.07	81.35	0%
Milk	37.59	36.86	2%	Sugar	64.61	65.48	-1%
Meat (beef)	479.31	469.31	2%	Wheat	32.06	29.67	8%
Meat (mutton)	493.08	492.97	0%	Wheat flour (1st grade)	39.16	38.67	1%
Oil (cooking)	176.53	181.07	-3%	Wheat flour (high-grade)	49.20	48.69	1%
Potatoes	32.76	38.82	-16%	Eggs	93.60	95.81	-2%

WHEAT

Pic 1. Retail wheat prices (KGS/kg)

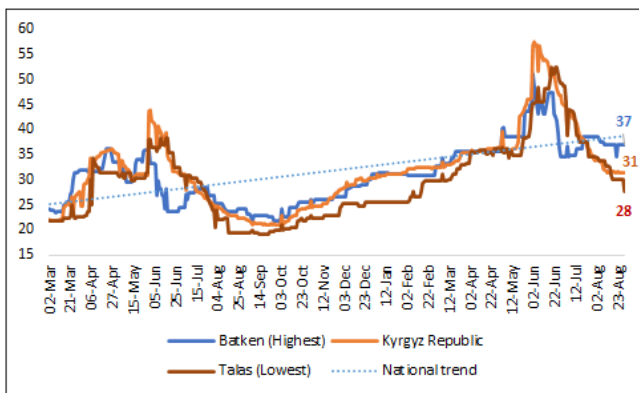


Pic 2. Growth rate of wheat, as a percentage of the daily prices from the previous average monthly price

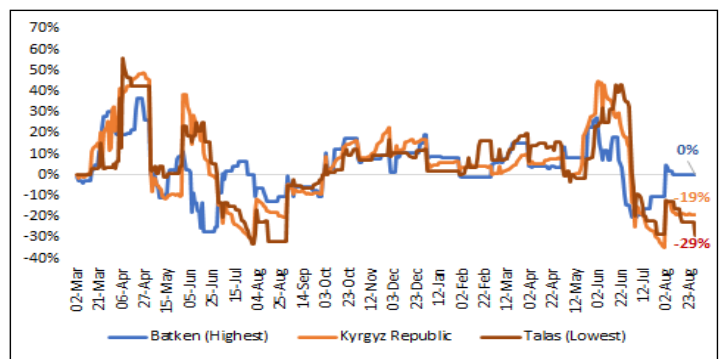


POTATO

Pic 3. Retail potatoes prices (KGS/kg)

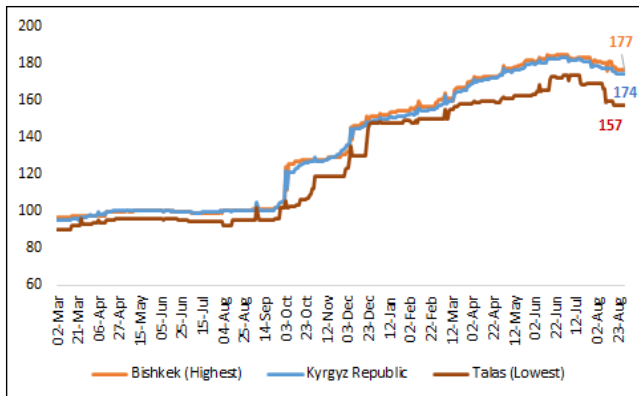


Pic 4. Growth rate of potatoes, as a percentage of the daily prices from the previous average monthly price

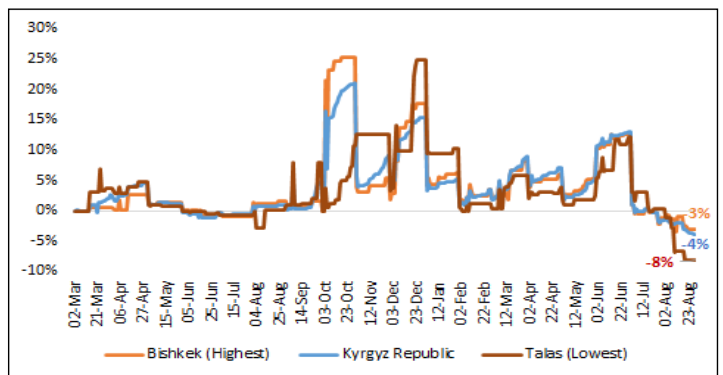


OIL (COOKING)

Pic 5. Retail vegetable oil prices (KGS/l)

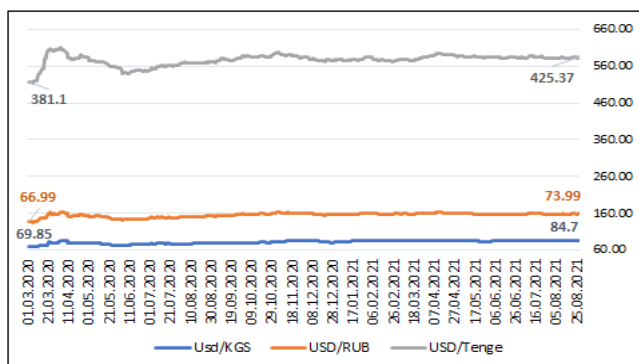


Pic 6. Growth rate of vegetable oil, as a percentage of the daily prices from the previous average monthly price



EXCHANGE RATE

Pic 7. Exchange rates of the Russian ruble, Kyrgyz som and Kazakh tenge against the US dollar (source: National Banks of Russia, Kazakhstan and Kyrgyzstan)



GLOBAL OIL PRICES

Pic 8. Daily WTI, Brent prices (Jan 2020 to 27 July 2021, source: EIA)

