

# Monthly Price Monitoring for Food Security in the Kyrgyz Republic

## Situation Update

**The cumulative effect of high food prices, globally and nationally, lower food availability and a rise in fuel prices is expected to drive consumer prices up into the first half of 2022.** The poorest households, who already spend 65 percent of their income on food will be the most affected, with the same food basket now costing significantly more. With Omicron virus cases rising, economic recovery for 2022 can be further slowed.

Economic recovery in the Kyrgyz Republic remains slow and well below pre-pandemic levels. In 2021, **GDP increased by 3.6 percent** compared to the previous year, totalling 723 billion Kyrgyz soms (USD 8.5 billion). This increase was predominantly driven by annual improvements in trade (+10.5 percent), and formal remittances (14.4 percent increase in Jan-Nov 2021, equating to USD 2 billion) while other core sectors experienced a shrinking from construction (-4.8 percent) and agriculture (-5 percent). Nonetheless, growth projections remain positive for 2022 from 5 percent (by ADB) and over 6 percent by the Ministry of Economy and Commerce.

What remains of concern is the **continuous increase in inflation and prices**. The Consumer Price Index (CPI), has increased by **12 percent for all goods and services and by 18 percent for staple foods**. It is worth noting the Government's purchase of key food commodities last year, in a bid to stabilise prices, potentially helped to prevent a deterioration of food prices (wheat, vegetable oil and sugar was purchased for a cumulative sum of KGS 1.8 billion or USD 21.2 million). The CPI for **fuel and lubricants is estimated to be at +39 percent**, leading to an increase of transportation costs, which in turn affects all other prices. The abnormally high temperature this summer and **lack of irrigation water led to low yields** across multiple critical crops: wheat (-42 percent) barley (-46 percent), oil crops (-25.4 percent), sugar beet (-18 percent) and melons (-14 percent).

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 Antimonopoly Agency will continue the monitoring of fuel and lubricant prices and issuing recommendations to prevent a further increase in prices.

**The following section discusses the average prices for the four weeks from 17 December to 14 January 2022 in comparison to the previous four weeks in 2021, the monthly average in February 2020 (before the COVID-19 outbreak began in the country) and the annual average of January 2021.**



- **WHEAT:** During the weeks from 17 December to 14 January 2022, the national retail price of wheat remained stable, with an average price of 31.86 KGS/kg. As of 14 January 2022, the highest price of wheat was observed in Bishkek city (35 KGS/kg) and the lowest price was in Naryn and Yssyk-Kul provinces (26 KGS/kg). Prices were 34 percent and 67 percent higher, compared to January 2021 and February 2020 respectively, and continued to be higher than normal annual price fluctuations (within the benchmark of 15 percent). Globally, wheat prices have started to stabilize in 2021 and are expected to continue a similar trend in 2022, following considerable gains since the summer of 2020 when weather problems affected the production of some key exporters. Production during the ongoing season appears favorable as good crops in the southern hemisphere are expected to compensate for lower-than-expected yields in parts of Canada, Kazakhstan, the Russian Federation, and the United States. However, although global production is expected to be marginally higher than the previous season, available stocks will be lower due to a strong increase in demand and thus a considerable variability in prices may occur.



- **OIL (COOKING):** The national retail price of vegetable oil remained stable in comparison to the previous month, leading to an average price of 175.99 KGS/L. As of 14 January 2022, the highest price was in Batken province (191 KGS/L) and the lowest price was in Chuy province (166 KGS/L). Compared to January 2021 and February 2020, the prices were 17 percent and 84 percent higher respectively, which represents an increase above normal annual price fluctuations. The Kyrgyz Republic has a high import dependency on vegetable oil due to its low internal production and its low capacity for processing oil seeds.



- **SUGAR:** The national retail prices of sugar increased by 1 percent, with an average price of 70.97 KGS/kg. As of 14 January 2022, the highest prices were observed in Batken province (75 KGS/kg), while the lowest prices were in Chuy province (67 KGS/kg). The price of sugar was 30 percent and 73 percent higher, compared to January 2021 and February 2020 levels, which represents a significant increase above normal annual price fluctuations. The international sugar market is characterised by production shortfalls in some major producing countries for a third consecutive year, resulting in a tight global sugar outlook and an upward pressure on prices.



- **POTATOES:** The national retail prices of potatoes increased by 5 percent (or KGS 2) from the previous period, leading to an average price of 40.81 KGS/kg. The price increase is significantly higher than normal seasonal fluctuations. As of 14 January 2022, the highest prices were observed in Bishkek city (42 KGS/kg) and the lowest prices in Jalal-Abad province (37 KGS/kg). The price of potatoes was 31 percent and 85 percent higher than January 2021 and February 2020 respectively, an increase above normal annual price fluctuations.

## Situation Update



• **MILK:** The national retail prices of milk increased by 9 percent for mutton compared to the previous month's levels, with an average price of 51.54 KGS/l. As of 14 January 2022, the highest prices were observed in Jalal-Abad province at 55 KGS/l, and the lowest in Naryn province at 40 KGS/l. The prices of milk rose by 32 percent and 33 percent compared to January 2021 and February 2020 respectively, increases are above normal annual price fluctuations. The latest increase in the prices of milk in the Kyrgyz Republic was following the seasonal price fluctuations and caused by headline inflation.



• **EGGS:** The national retail prices of eggs increased by 1 percent, leading to an average of 104.69 KGS/10 pcs. As of 14 January, the highest prices were observed in Naryn province (121 KGS/10 pcs), and the lowest in Bishkek city (102 KGS/10 pcs). Egg prices were 2 percent and 37 percent higher compared to the January 2021 and February 2020. The increase of egg prices in 2021 is due to lower domestic production as a result of dry conditions and higher prices for forage crops. As of November 2021, producer prices for wheat and barley remained 41 percent and 70 percent high compared to November 2020.



• **EXCHANGE RATE:** The situation in the domestic foreign exchange market remained stable as the National Bank interventions prevented sharp fluctuations in the exchange rate. During the weeks from 17 December 2021 to 14 January 2022, the Kyrgyz som slightly depreciated from of 84.79 KGS to 84.78 KGS per 1 USD, the Russian ruble depreciated from 73.57 RUB to 74.57 RUB per 1 USD, and the Kazakh tenge slightly appreciated from 435.54 KZT to 433.66 per 1 USD. Compared to January 2021, the Kyrgyz Som and Kazakh tenge depreciated by 1 percent and 2 percent, while Russian ruble remained stable. However, since March 2020, according to the exchange rate of the National Bank, these currencies had a sharp devaluation of 21 percent, 11 percent and 14 percent respectively against the US dollar. Lower informal 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:** Prices for fuels and lubricants in Kyrgyzstan have significantly increased over the year. The national retail prices for fuel (AI-92) significantly increased by 54 percent and for diesel by 52 percent as of 17 December 2021 compared to February 2021 levels (when oil retail prices went up), and compared to January 2021, prices increased by 65 percent and 61 percent respectively, reaching 59.16 KGS/l for fuel (AI-92) and 58.39 KGS/l for diesel. According to the Antimonopoly Agency, the rise of fuel prices in Kyrgyzstan is due to a decrease of production volumes in 2020 due to the epidemiological situation in the world and a decrease in the margin to the level of 2011, the growth in demand for petroleum products in the Russian Federation before spring field work, and an increase in excise taxes in the Russian Federation on gasoline, diesel fuel, motor oils and middle distillates. At the same time, according to the forecasts of Association of Oil Traders of Kyrgyzstan the price of diesel is expected to be stable in up-coming months of 2022 but there is a risk of price increase due to the global prices trends. The fuel and lubricant prices remained lowest in comparison with neighbouring countries and some EAEU countries.

In late 2021, some restrictions to mitigate the spread of COVID-19 began to return in many regions, notably Europe, even before the omicron variant surfaced. These restrictions, in combination with increased measures to combat the omicron variant, raised the possibility that global oil consumption could decline in the coming months and added downward pressure to oil prices. According to the latest EIA forecast, global oil prices will fall from 2021 levels. However, in the beginning of January 2022, the oil buying has improved, driven by supply outages and signs the Omicron coronavirus variant will not be as disruptive to fuel demand as previously feared. Globally, from 13 December to 10 January 2022, the prices of the two most prevalent grades of crude oil (Brent and WTI) increased from 71.19 USD per barrel to 78.11 USD per barrel, and WTI increased from 74.12 USD per barrel to 81.56 USD per barrel. As of 10 January 2022, WTI and Brent prices still remained 67 percent and 55 percent higher respectively, than March 2020 levels.

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

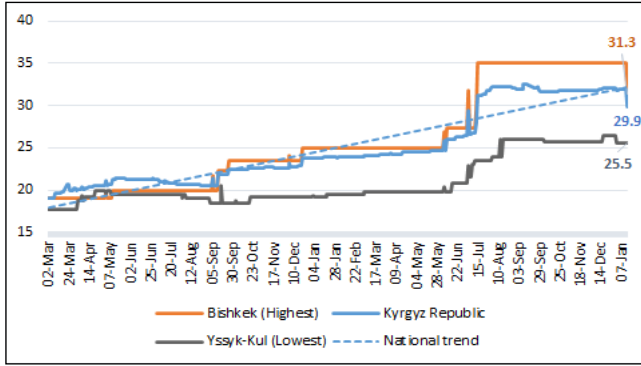
	17 Dec—14 Jan 2022 (KGS/kg)	19 Nov—17 Dec 2021 (KGS/kg)	Trend		17 Dec—14 Jan 2022 (KGS/kg)	19 Nov—17 Dec 2021 (KGS/kg)	Trend
<b>Bread (1st grade)</b>	55.18	54.76	1%	<b>Rice (medium)</b>	82.13	81.87	0%
<b>Milk</b>	51.54	47.11	9%	<b>Sugar</b>	70.97	70.66	1%
<b>Meat (beef)</b>	482.77	481.06	0%	<b>Wheat</b>	31.86	31.86	0%
<b>Meat (mutton)</b>	470.87	474.43	-1%	<b>Wheat flour (1st grade)</b>	41.06	40.82	0%
<b>Oil (cooking)</b>	175.99	176.36	0%	<b>Wheat flour (high-grade)</b>	51.54	51.20	1%
<b>Potatoes</b>	40.81	38.72	5%	<b>Eggs</b>	104.69	103.44	1%

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.

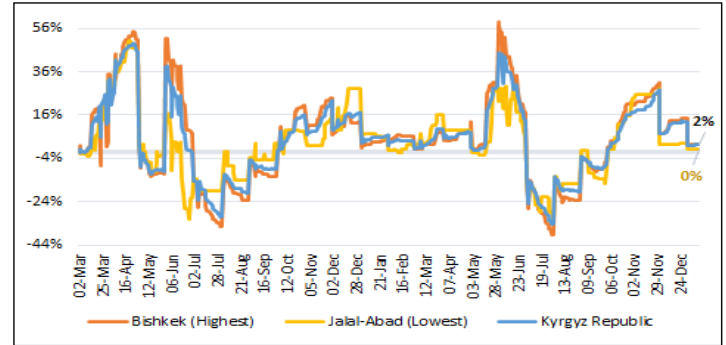
For additional information on the Price Monitoring Bulletins, please contact [WFP.Bishkek@wfp.org](mailto:WFP.Bishkek@wfp.org)

WHEAT

Pic 1. Retail wheat prices (KGS/kg)

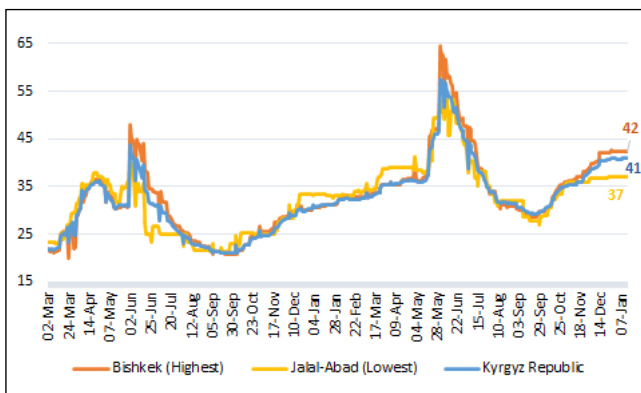


Pic 2. Growth rate of wheat, as a percentage of the daily prices from the previous average monthly price

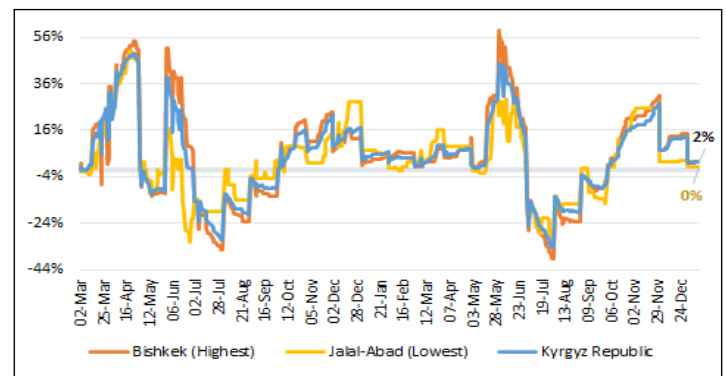


POTATO

Pic 3. Retail potatoes prices (KGS/kg)

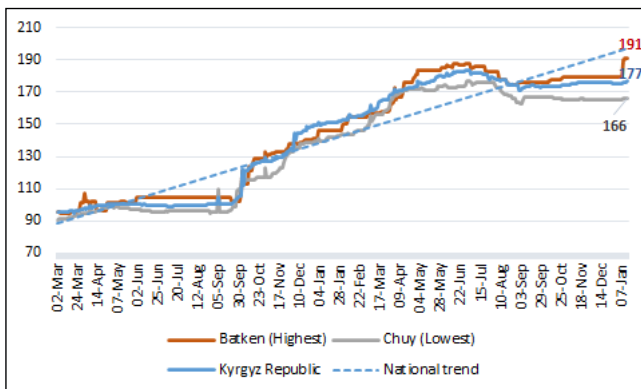


Pic 4. Growth rate of potatoes, as a percentage of the daily prices from the previous average monthly price

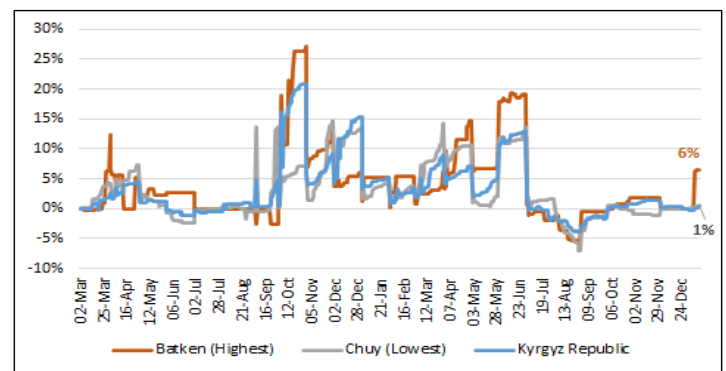


OIL (COOKING)

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

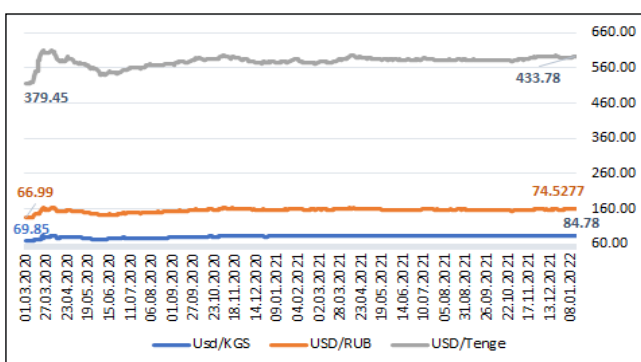


Pic 6. Growth rate of vegetable oil, as a percentage of the daily prices from the previous average monthly price



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 14 Jan 2022, source: EIA)

