

Industry and market trends kyrgyzstan

Despite global and regional shocks, growth rose from 6.2% in 2021 to an estimated 7.0% in 2022 (Figure 2.5.1). On the supply side, industry excluding construction expanded by 12.2%, almost double the rate in 2021, driven by a rebound in gold production.

The Kyrgyz Republic hosts a large, informal economy estimated to be the equivalent of between 25 and 72 percent of GDP. The top three industries are mining, textiles, and agriculture, but information technology (IT) and renewable energy are promising growth industries that could be attractive to U.S. investors.

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Over the years of independence in Kyrgyzstan, there has been a gradual transition from a command-administrative system to market relations, said Iskender Sharsheev, head of the Secretariat of the National Alliance of Business Associations. However, in his opinion, the country still has a lot to do to reform its economy.

The Kyrgyz Republic is a strange example in the post-Soviet space, which was supposed to demonstrate the advantage of a democratic way of developing society. All over the world, countries with access to the sea, large markets in the neighborhood, the same relatively liberal economy and strong civil society, strong micro-small and medium-sized businesses, as in Kyrgyzstan, have been demonstrating rapid growth and development for two decades. However, our country, locked from all sides by other states, including one rising superpower, demonstrates a strong economic lag.

In recent years, this has been influenced by the pandemic, the global logistics crisis, and the global processes in general, since no development is possible in a closed system of the economy, and in the system of economic processes in Central Asia, Kyrgyzstan has turned out to be the most vulnerable country to geopolitical pressure.

Moreover, at the same time, expansionary and integration processes began, which led to the entry of Kyrgyzstan into the EAEU in 2015 with the interception of re-export logistics to Khorgos and other routes. In 2018, bypassing the EAEU, a new logistics route was created that passed through Kyrgyzstan and operated in the shadow sector, but by 2021 it was also practically eliminated through other non-economic processes related to issues of war and peace.

In the country, in the absence of special attention from the state, light industry developed at an accelerated pace. The volume of the light industry market with employment in it up to 7% of the population amounted to slightly less than 270 million US dollars. However, the emergence of laws on mandatory labeling of goods after joining the EAEU in the main countries; the target markets of the country's light industry, led to a reformatting of the sector.

The free movement of goods within the EAEU is de facto limited. According to a number of business associations, it is difficult to transport light industry goods across the Kyrgyz-Kazakh border from Kazakhstan.

The economic history of Kyrgyzstan over 30 years of independence has shown interesting trends. Thus, developed light industry in the country at the end of the USSR, after the breakdown of the system of economic division of labor and resources, like all high-tech and light industry, collapsed. The share of industry in the country's economy is falling rapidly.

Previously, Kyrgyzstan was considered an agrarian and cattle-breeding country. However, the role of agriculture in the structure of GDP is also steadily declining, with a constant growth in the share of GDP in the services and trade sectors. Import is cheaper than local production. A strong national currency favors importers and hinders the development of local production and exports.

Kyrgyzstan is an exporter of labor. Income from this market to the country reaches an average of 2 billion USD per year. The pandemic is making its own adjustments and cash flows in this sector are falling.

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Web: <https://www.sumthingtasty.co.za/contact-us/>

Email: energystorage2000@gmail.com

WhatsApp: 8613816583346

