DRIVERS OF LOCAL FOOD PRICES INFLATION IN THE KYRGYZ REPUBLIC

Nurbek Madmarov[1], Assistant Professor, SEBA, AUCA, madmarov_n@auca.kg

Talantbek Asan uulu, Associate Professor, SEBA, AUCA, asanov_ta@auca.kg

Bermet Talasbek kyzy, Strategic Development Officer, SEBA, AUCA, talasbek_b@auca.kg

Fatema Qambary, MBA Student, SEBA, AUCA, qambary_f@auca.kg

Abstract

This study analyzes the macroeconomic drivers of food prices inflation from the perspective of comparing COVID-19 and other factors by building the nonlinear ARDL model of the (log) consumer price index of food products on the regressors such as COVID-19 indicators, agricultural production, price of crude oil, global food prices, exchange rate depreciation, Ukraine-Russia war index etc. as the independent variables in the period January 2000 – December 2022 in the Kyrgyz Republic. The empirical model findings show that there are six variables that contribute to the food prices inflation in the long-run. These are the growth rates of agricultural production, mean monthly wage, M2 money supply, and local inflation rate, agricultural loan interest rate, and stringency index; that is to say, the food prices gives more responses to the declines than the raises in these variables except the stringency index. Whereas the prices gives more short-run responses to the increases in monthly/minimum wage growth and the war dummy variable than the declines in these variables, it gives more responses to the declines in the economic growth, oil price inflation, global food price inflation, and interest rate on agricultural loans than the increases in these variables. On the other hand, none of the other COVID-19 indicators is correlated with the food prices. Although the Ukraine-Russia war has a minor impact on the food prices in the short-run, it has a massive effect on the prices within the next year.

Keywords: Food prices inflation; macroeconomic drivers, COVID-19 indicators, war index; NARDL, short- and long-run asymmetric impacts.

Session: Food security

[1] The authors are grateful to the AUCA and the Senate Research Committee for funding this research in the academic year 2022/2023.